

LIVERMORE LINES LIBRARY

Introduction:

“ All through time, people have basically acted and reacted the same way in the market as a result of: greed, fear, ignorance, and hope. That is why the numerical formations and patterns recur on a constant basis. ”

—Jesse Livermore, *How To Trade In Stocks*

Jesse Livermore first became famous after the Panic of 1907 when he sold the market short as it crashed. He noticed conditions where a lack of capital existed to buy stock. Accordingly, he predicted that there would be a sharp drop in prices when many speculators were simultaneously forced to sell by margin calls and a lack of credit. With the lack of capital, there would be no buyers in sight to absorb the sold stock, further driving down prices. After the crash and its aftermath, he was worth \$3 million.

This library is designed around Jesse Livermore’s book, “How to Trade in Stocks”, and his secret rules to stock market success. The user is encouraged to read Jesse Livermore’s book for a comprehensive description of Jesse Livermore’s trading techniques.

Benefits:

The following are excerpts from Jesse Livermore’s book *How to Trade in Stocks* which describes the Timing Secrets that are employed in the library:

- **TM – The Market** – Check the line of least resistance to establish the overall current market direction. Remember, Livermore never used the terms “Bull” or “Bear” because they forced a mind-set that he believed made the mind less flexible. He used the term “line of least resistance.” He checked to be sure the current line of least resistance was positive, negative or neutral – sideways. Be sure to check the exact market the stock trades in for instance: Dow, NASDAQ, or Amex – before executing the trade. It is essential to make sure the lines of least resistance are in the direction of your trade before entering the trade.

- **TIG – The Industry Group** – Check the specific industry group, if you are considering a trade in ATT check out the telecommunication Long Distance Group. If you are looking at a trade in Halliburton, check out the Oil Well Drilling Group. If you are looking at a trade in Harrah Entertainment check out the Gambling Group, make sure the group is moving in the correct direction, the line of least resistance to provide a profit for you on the trade you have selected.
- **TT – Tandem Trading** – Check the stock and the Sister Stock and compare them. If you are going to trade General Motors check a Sister Stock like Ford or Chrysler. If you are going to trade Best Buy then check out Circuit City – a Sister Stock. Tandem Trading requires the trader to place two stocks of the same group next to each other.
- **TDT – Top Down Trading** – The final step in top Down Trading is to examine all four factors at the same time – The Market, The Industry Group and the Tandem Stocks and the actual stock in one glance.”

Included in this Library:

Functions

- JL MS In Up Trend – “M” placed above bar
- JL MS In Down Trend – “M” placed below bar
- JL IG In Up Trend – “I” placed above bar
- JL IG In Down Trend– “I” placed below bar
- JL TS In Up Trend– “T” placed above bar
- JL TS In Down Trend – “T” placed below bar
- JL S In Up Trend– price bar colored green
- JL S In Down Trend – price bar colored red

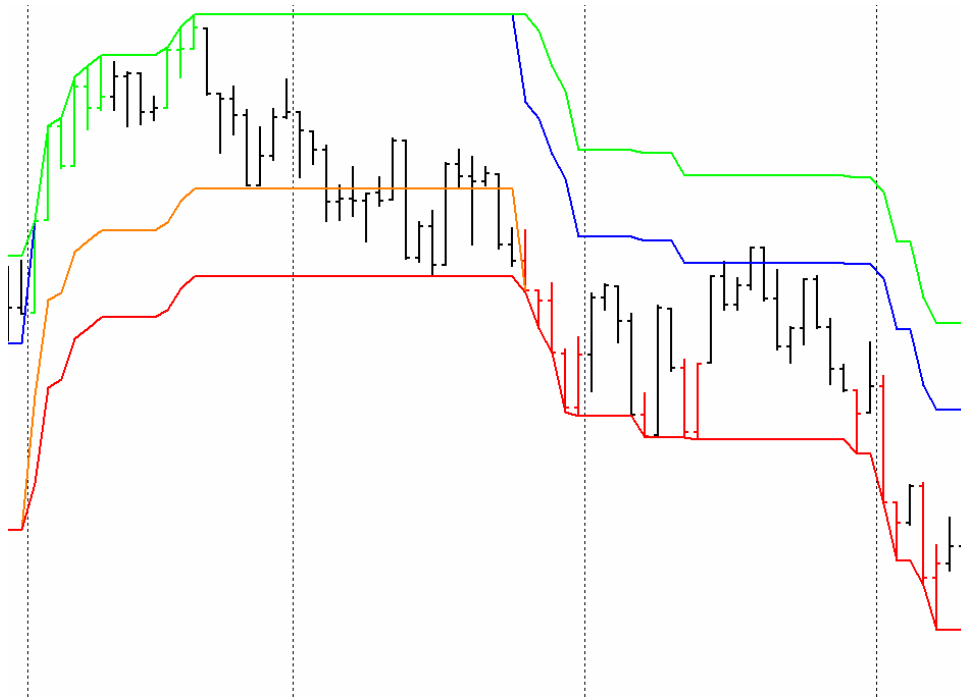
Indicators

- JLUptrend – green indicator line
- JLRally – blue indicator line
- JLReaction – orange indicator line
- JLDowntrend – red indicator line

Pages

- JL Livermore Lines Computer Page (trading computer stocks example)
- JL Livermore Lines Oil Page (trading oil stocks example)
- JL Livermore Lines Starter Page (this page is a duplicate of the Oil Page except this page is used as a starter page when creating custom pages)

Livermore Lines Descriptions:



Up Trend Livermore Line indicator (green line) – The current stock symbol is in an upward trend mode. Natural Rally Livermore Line indicator (blue line) – The current stock symbol is in a natural rally mode. Natural Reaction Livermore Line (orange line) – The current stock symbol is in a natural reaction mode.

Down Trend Livermore Line indicator (red line) – The current stock symbol is in a downward trend.

JL Livermore Lines Computer Page Layout:

Below is a picture of what the Trade Navigator screen should look like after installing the JL Livermore Lines Computer Page.



Chart Quadrants:
 Upper left quadrant – Market chart
 Upper right quadrant – Industry Group chart
 Lower left quadrant – Tandem Stock a.k.a. Sister Stock chart
 Lower right quadrant – Target Stock of interest chart

JL Livermore Lines Oil Page Layout:

Below is a picture of what the Trade Navigator screen should look like after installing the JL Livermore Lines Oil Page.

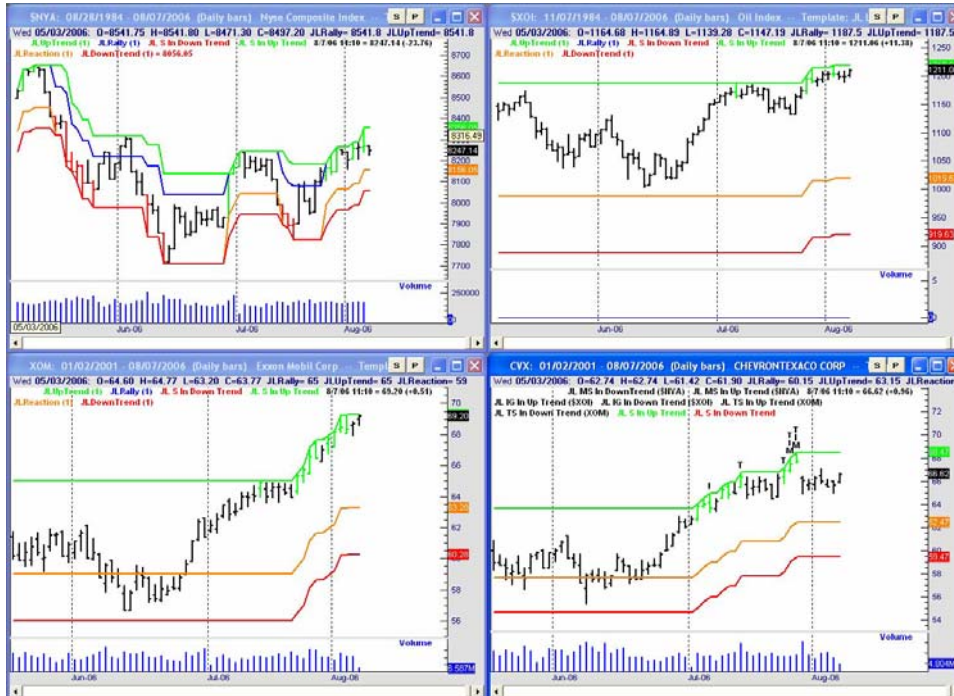
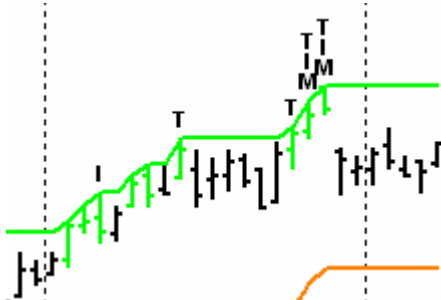


Chart Quadrants:
 Upper left quadrant – Market chart
 Upper right quadrant – Industry Group chart
 Lower left quadrant – Tandem Stock a.k.a. Sister Stock chart
 Lower right quadrant – Target Stock of interest chart

Highlight Bar Descriptions:

Below is a description of the highlight bars and indicators incorporated in the library. The “T”, “I”, and “M” bars only appear on the lower right chart, which should be the stock of interest to trade. The green and red highlight bars appear on charts in all four quadrants.



Green highlight bar – Indicates the displayed stock, index, or market is in upward trend.

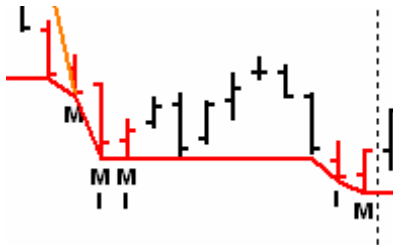
Red highlight bar – Indicates the displayed stock, index, or market is in a downward trend.

“T” Tandem Stock highlight bar - Indicates that the Target Stock and the Tandem stock are simultaneously in an upward trend.

“I” Index Group highlight bar - Indicates that the Target stock and the Industry Group are simultaneously in an upward trend.

“M” Market Group highlight bar - Indicates that the Target stock and the Market are simultaneously in an upward trend.

Various combinations are accounted for in the library. For example, if a bar has T I M above it, this indicates that the target stock and the industry group, and the market are simultaneously in an upward trend.



The reverse is true for the downward trend highlight bars, except the indicators are placed below the price bar.

Creating a Custom Page Example:

Below is an example of how to create a custom page using the Starter Page as a starting point. The example shows how to change the symbols within the chart settings window. It is necessary to set each pair of functions, one for upward trend and one for downward trend, to the desired symbol. This is repeated for the market, industry group, and tandem stock. The target stock, cvx in this example, is the target stock of interest. The symbol is changed using the standard change symbol feature. Please note that the chart setting procedure is only necessary in the target stock chart (lower right chart).

Step 1: Select the desired stock.

Step 2: Select a tandem stock that is in the same industry and trades on the same market.

Step 3: Find an appropriate industry index that tracks the target stock and the tandem stock.

Step 4: Determine the ticker symbols for the market, industry index, tandem stock, and target stock.

For example, given that one wanted to trade Chevron Texaco the following may be the investigative work results:

Market: New York Stock Exchange (\$NYA)

Industry: Oil Index (\$XOI)

Tandem Stock: Exxon Mobil Corp (XOM)

Target Stock: Chevron Texaco Corp (CVX)

Step 5: Load the starter page named "JL Livermore Lines Starter Page"

Step 6: Highlight the lower right stock chart (the chart border should turn dark blue) and then select edit charts.

Step 7: Select each function and change the following:

JL MS In Up Trend – Set market input value to the market ticker symbol

JL MS In Down Trend – Set market input value to the market ticker symbol

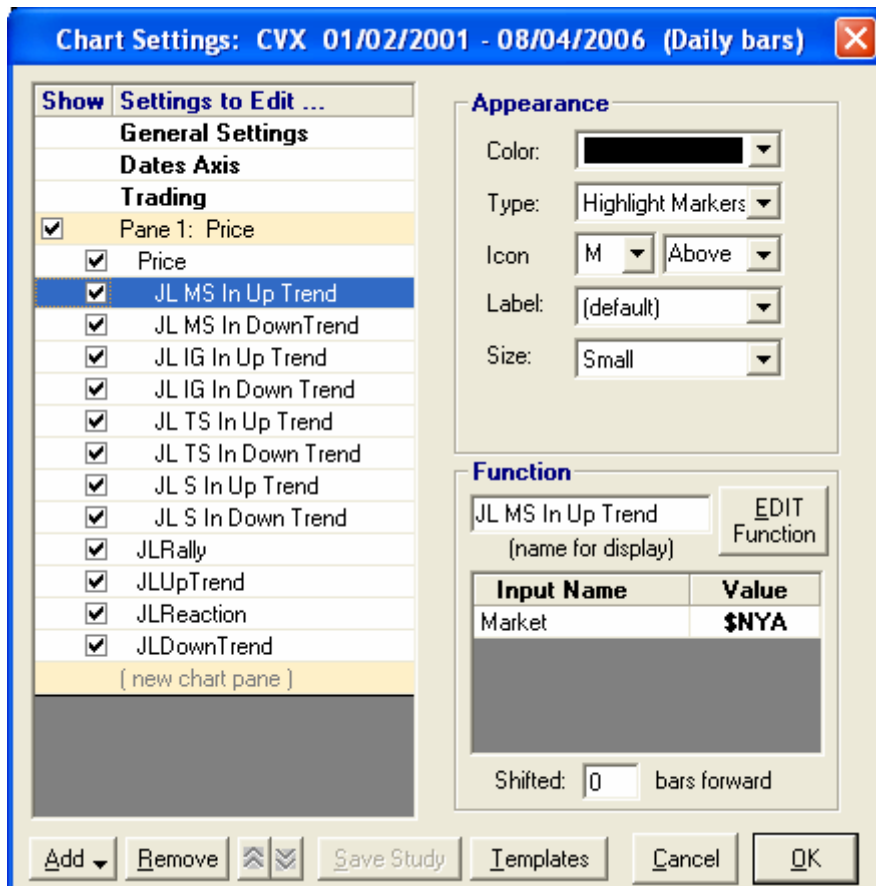
JL IG In Up Trend – Set industry input value to the industry group ticker symbol

JL IG In Down Trend – Set industry input value to the industry group ticker symbol

JL TS In Up Trend – Set tandem input value to the tandem stock symbol

JL TS In Down Trend – Set tandem input value to the tandem stock ticker symbol

Below is a visual example of how to change the input values.



Function: JL MS In Up Trend
 Input name: Market
 Value: \$NYA (NYSE Composite Index)

Chart Settings: CVX 01/02/2001 - 08/04/2006 (Daily bars)

Show	Settings to Edit ...
	General Settings
	Dates Axis
	Trading
<input checked="" type="checkbox"/>	Pane 1: Price
<input checked="" type="checkbox"/>	Price
<input checked="" type="checkbox"/>	JL MS In Up Trend
<input checked="" type="checkbox"/>	JL MS In DownTrend
<input checked="" type="checkbox"/>	JL IG In Up Trend
<input checked="" type="checkbox"/>	JL IG In Down Trend
<input checked="" type="checkbox"/>	JL TS In Up Trend
<input checked="" type="checkbox"/>	JL TS In Down Trend
<input checked="" type="checkbox"/>	JL S In Up Trend
<input checked="" type="checkbox"/>	JL S In Down Trend
<input checked="" type="checkbox"/>	JLRally
<input checked="" type="checkbox"/>	JLUpTrend
<input checked="" type="checkbox"/>	JLReaction
<input checked="" type="checkbox"/>	JLDownTrend
	(new chart pane)

Appearance

Color:

Type: Highlight Markers

Icon: Below

Label: (default)

Size: Small

Function

JL MS In DownTrend

(name for display)

Input Name	Value
Market	\$NYA

Shifted: bars forward

Function: JL MS In Down Trend
Input name: Market

Chart Settings: CVX 01/02/2001 - 08/04/2006 (Daily bars) [X]

Show	Settings to Edit ...
	General Settings
	Dates Axis
	Trading
<input checked="" type="checkbox"/>	Pane 1: Price
<input checked="" type="checkbox"/>	Price
<input checked="" type="checkbox"/>	JL MS In Up Trend
<input checked="" type="checkbox"/>	JL MS In DownTrend
<input checked="" type="checkbox"/>	JL IG In Up Trend
<input checked="" type="checkbox"/>	JL IG In Down Trend
<input checked="" type="checkbox"/>	JL TS In Up Trend
<input checked="" type="checkbox"/>	JL TS In Down Trend
<input checked="" type="checkbox"/>	JL S In Up Trend
<input checked="" type="checkbox"/>	JL S In Down Trend
<input checked="" type="checkbox"/>	JLRally
<input checked="" type="checkbox"/>	JLUpTrend
<input checked="" type="checkbox"/>	JLReaction
<input checked="" type="checkbox"/>	JLDownTrend
	(new chart pane)

Appearance

Color: [Black] [v]

Type: Highlight Markers [v]

Icon: [I] [v] Above [v]

Label: (default) [v]

Size: Small [v]

Function

JL IG In Up Trend [EDIT Function]

(name for display)

Input Name	Value
Industry	\$XOI

Shifted: [0] bars forward

Value: \$NYA (NYSE Composite Index) Setting the industry group:
Function: JL IG In Up Trend
Input name: Industry
Value: Change input value to \$XOI (Oil Index)

Chart Settings: CVX 01/02/2001 - 08/04/2006 (Daily bars) [X]

Show	Settings to Edit ...
	General Settings
	Dates Axis
	Trading
<input checked="" type="checkbox"/>	Pane 1: Price
<input checked="" type="checkbox"/>	Price
<input checked="" type="checkbox"/>	JL MS In Up Trend
<input checked="" type="checkbox"/>	JL MS In DownTrend
<input checked="" type="checkbox"/>	JL IG In Up Trend
<input checked="" type="checkbox"/>	JL IG In Down Trend
<input checked="" type="checkbox"/>	JL TS In Up Trend
<input checked="" type="checkbox"/>	JL TS In Down Trend
<input checked="" type="checkbox"/>	JL S In Up Trend
<input checked="" type="checkbox"/>	JL S In Down Trend
<input checked="" type="checkbox"/>	JLRally
<input checked="" type="checkbox"/>	JLUpTrend
<input checked="" type="checkbox"/>	JLReaction
<input checked="" type="checkbox"/>	JLDownTrend
	(new chart pane)

Appearance

Color: [Color Picker]

Type: Highlight Markers

Icon: [I] [Below]

Label: (default)

Size: Small

Function

JL IG In Down Trend [EDIT Function]

(name for display)

Input Name	Value
Industry	\$XOI

Shifted: 0 bars forward

[Add] [Remove] [Save Study] [Templates] [Cancel] [OK]

Function: JL IG In Down Trend
 Input name: Industry
 Value: \$XOI (Oil Index)

Chart Settings: CVX 01/02/2001 - 08/04/2006 (Daily bars) [X]

Show	Settings to Edit ...
	General Settings
	Dates Axis
	Trading
<input checked="" type="checkbox"/>	Pane 1: Price
<input checked="" type="checkbox"/>	Price
<input checked="" type="checkbox"/>	JL MS In Up Trend
<input checked="" type="checkbox"/>	JL MS In DownTrend
<input checked="" type="checkbox"/>	JL IG In Up Trend
<input checked="" type="checkbox"/>	JL IG In Down Trend
<input checked="" type="checkbox"/>	JL TS In Up Trend
<input checked="" type="checkbox"/>	JL TS In Down Trend
<input checked="" type="checkbox"/>	JL S In Up Trend
<input checked="" type="checkbox"/>	JL S In Down Trend
<input checked="" type="checkbox"/>	JLRally
<input checked="" type="checkbox"/>	JLUpTrend
<input checked="" type="checkbox"/>	JLReaction
<input checked="" type="checkbox"/>	JLDownTrend
	(new chart pane)

Appearance

Color: []

Type: Highlight Markers

Icon: T Above

Label: (default)

Size: Small

Function

JL TS In Up Trend EDIT Function

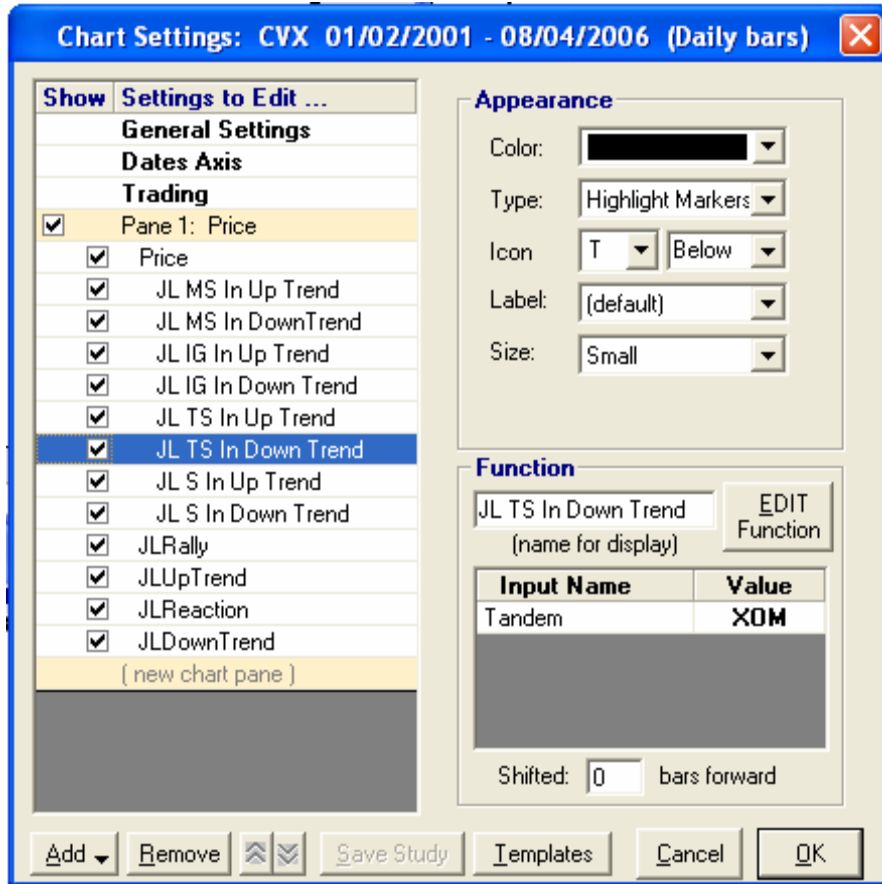
(name for display)

Input Name	Value
Tandem	XOM

Shifted: 0 bars forward

Add Remove Save Study Templates Cancel OK

Setting the tandem stock:
 Function: JL TS In Up
 Trend
 Input name: Tandem
 Value: XOM (Exxon Mobil)



Function: JL TS In Down Trend
 Input name: Tandem
 Value: XOM (Exxon Mobil)

Step 8: After changing the reference symbols in the chart settings window, highlight each chart with the mouse (the chart boarder should turn dark blue) and then change the chart symbol to the desired market, industry group, tandem stock, and target stock, respectfully. The symbols must be set to the same symbols that were previously set in the chart settings window.
 Step 9: The page set up is now complete. Use the Manage Chart Pages : New to save the page the a new name.