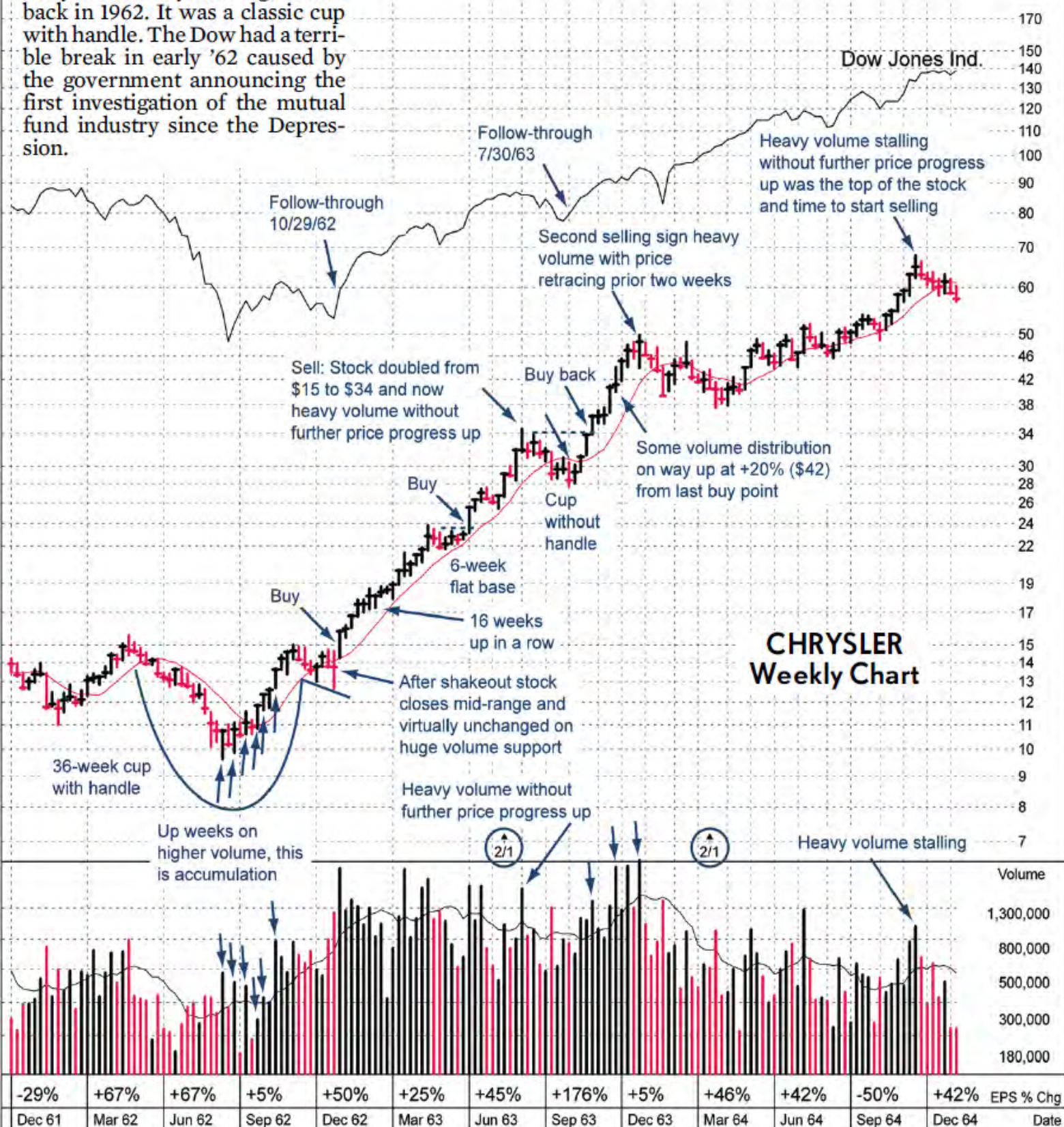


How To Find & Own America's Greatest Opportunities

By William O'Neil

Chrysler was my first big winner back in 1962. It was a classic cup with handle. The Dow had a terrible break in early '62 caused by the government announcing the first investigation of the mutual fund industry since the Depression.



Along the bottom of the Chrysler cup, note how big-volume buying showed up almost every other week when the stock closed up. Later, it was known the Love brothers were accumulating a big position. The volume picked up significantly as it advanced six weeks off the bottom. I bought a little at that time but sold as it corrected to create the handle area.

During this time, a U.S. spy plane had taken pictures of Soviet missile bases under construction in Cuba. That created a confrontation where Soviet ships loaded with missiles were to meet a U.S. Navy blockade. Fear of a possible

World War III affected the market and caused a shakeout in the Chrysler handle, which closed almost unchanged for the week (support).

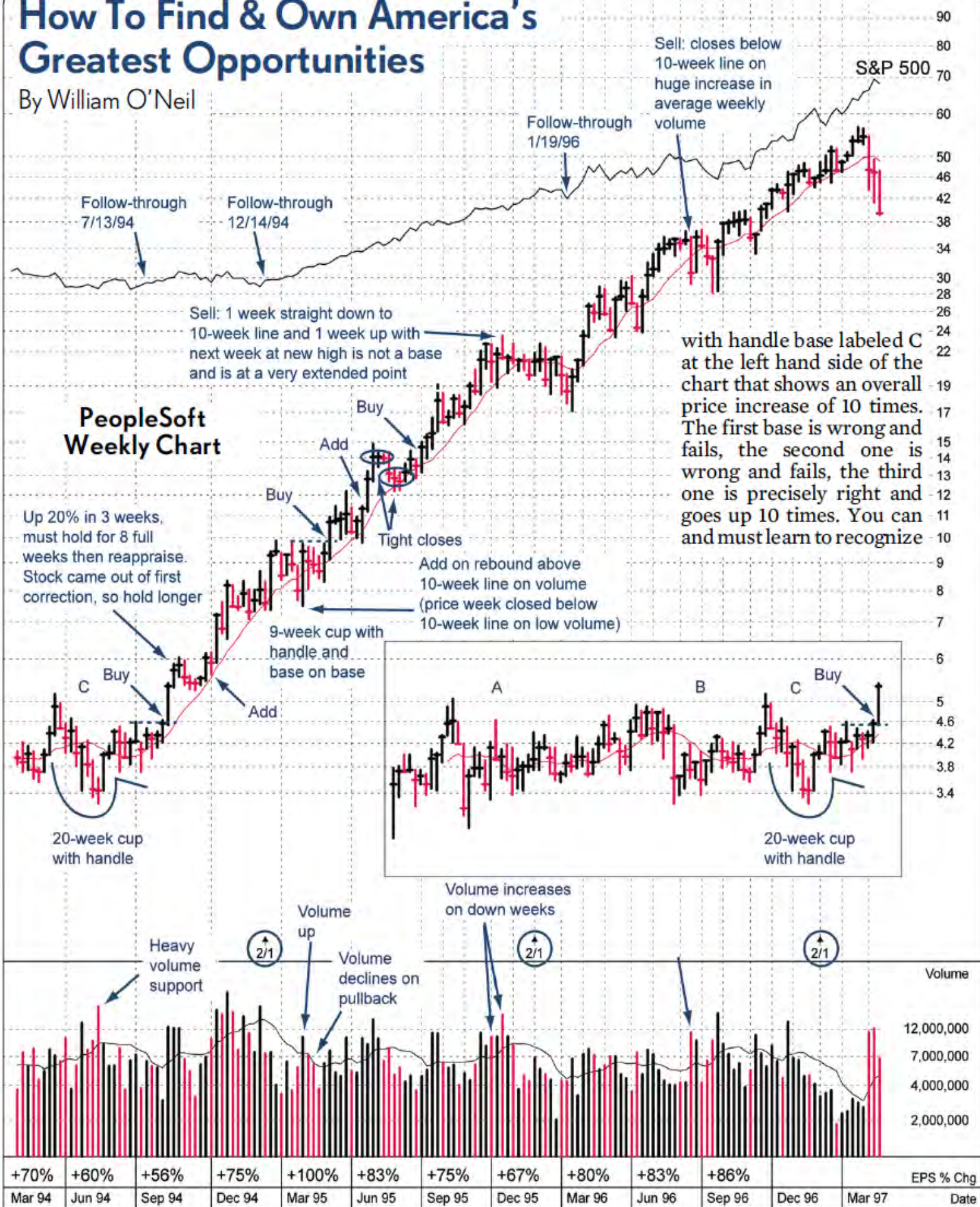
Once an agreement was made and the Soviet ships turned back, the market had a follow-through day. Chrysler broke out at \$58.50, the pivot-point price at that time (chart is adjusted for two 2-for-1 splits), which is where I bought. A few weeks later Jerry Tsai of Fidelity told me he had bought Chrysler at that same time. He said he liked to buy when there's a lot of volume. When I mentioned later to Gerald Loeb, author of

"The Battle for Investment Survival," that I had bought Chrysler, he said he also bought at that same point. It's nice to know you're buying with good company.

Chrysler had hired a well-known new designer and they had new models. It was a turnaround with two quarters of strong earnings. So the next time you find a classic cup with handle with signs of big volume accumulation, good earnings, with a breakout on huge volume on a new market follow-through, recognize that it's probably not the public buying.

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PeopleSoft was the leader in software for human resource management. It came public in November 1992 at \$17 and closed the week at \$28. Eleven weeks later it hit \$40 during an uptrending general market. The next three weeks it dropped 40% and began a 17-month whipsaw period where it built three bases.

The first two were faulty and failed. The first base, labeled A in the insert at the lower right of the chart, was wide and loose, causing failure when it broke out. The second, at B, had a handle in the lower half of the base and failed

on making a new high as the S&P 500 had started a market correction.

The reason I'm showing bases A, B and C in the insert is I want everyone to recognize a phenomenon that I've seen happen several times. It clearly explains why you need to become a good chart reader who can tell the difference between a faulty pattern that will fail and the same stock that later on will suddenly form a classic cup with handle that, in some cases, can go up 10 or 20 times.

The base labeled C in the insert is the same correct cup

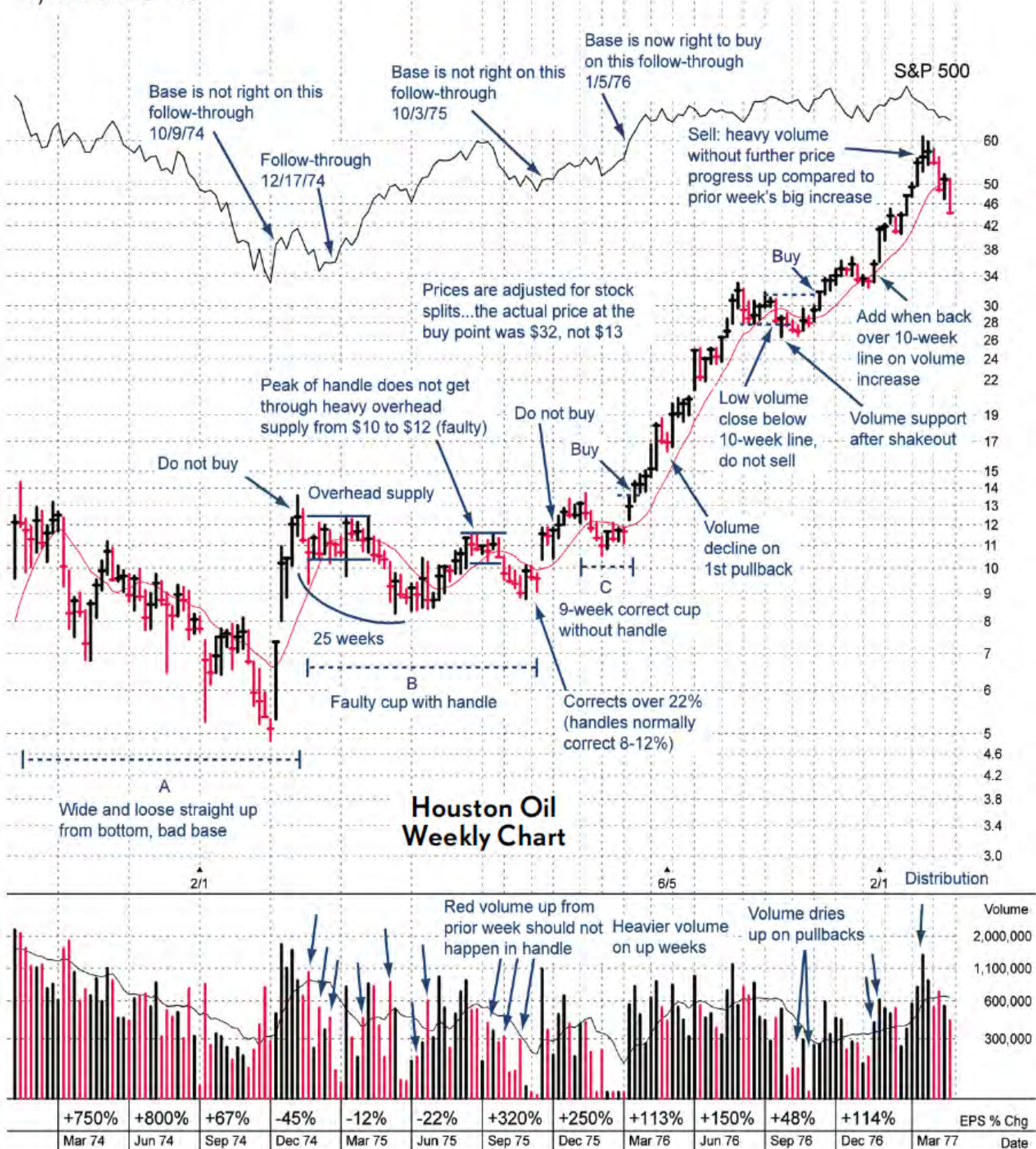
the difference.

Qualcomm did the exact same thing four years later from February 1997 to January 2000. Two faulty bases failed, and the third base was a classic cup with handle that soared 20 times from the first quarter of 1999 to its peak the first week of 2000.

At the initial proper buy point, PeopleSoft had 163% prior annual earnings growth rate, last two quarters of earnings were up 56% and 60%, sales were up 100% and 87%, pre-tax margin was 23.5%, and research and development was 14% of sales.

How To Find & Own America's Greatest Opportunities

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Houston Oil was newly listed on the American Stock Exchange in October 1972 as a young company incorporated in 1966. It explored for and produced oil and natural gas mainly in Texas.

From November 1972 to November 1973 it increased 10 times in price. Not bad for a new wildcat drill-er strong in developing geologically complex properties.

The November 1973 top was a climax top and your chart begins at the far left with that peak in red tipping at \$14 on a split-adjusted basis in the second plotted week. It then drops 65% in the devastating 1974 bear market, which resulted in the very wide and loose chart base labeled "A." That first straight up from the bottom, wide and loose base failed.

Next, Houston Oil forms a second bad base "B." The left side of this base corrects 25 weeks with many red weeks on increased volume (normally the left side is 5 to 7 weeks and in a few cases 13 weeks, not 25). The handle's peak price up from the low of the base should get above overhead supply area. It did not in this case and the handle's correction was too deep (22%).

The third base at "C" is much tighter and is a correct 9-week cup without handle. The third time's a charm and is the sound base to buy as the stock goes from \$13 to \$60. Once again we see a big winning stock has a huge run up, tops materially, goes nowhere for 2-1/2 years, fooling people with long sloppy bases that fail and finally, in one week, pops up completing a sound cup and the exact right time for you to buy.

Think about this. You had 111 wrong weeks to buy when your odds of losing were high and just one week where the correct cup appears and you can buy at the right time and make over 300%. Investing isn't easy. You must have charts to tell you the difference between the many faulty stocks and the few potentially phenomenal stocks. You can learn to do this if you're really motivated and never give up.

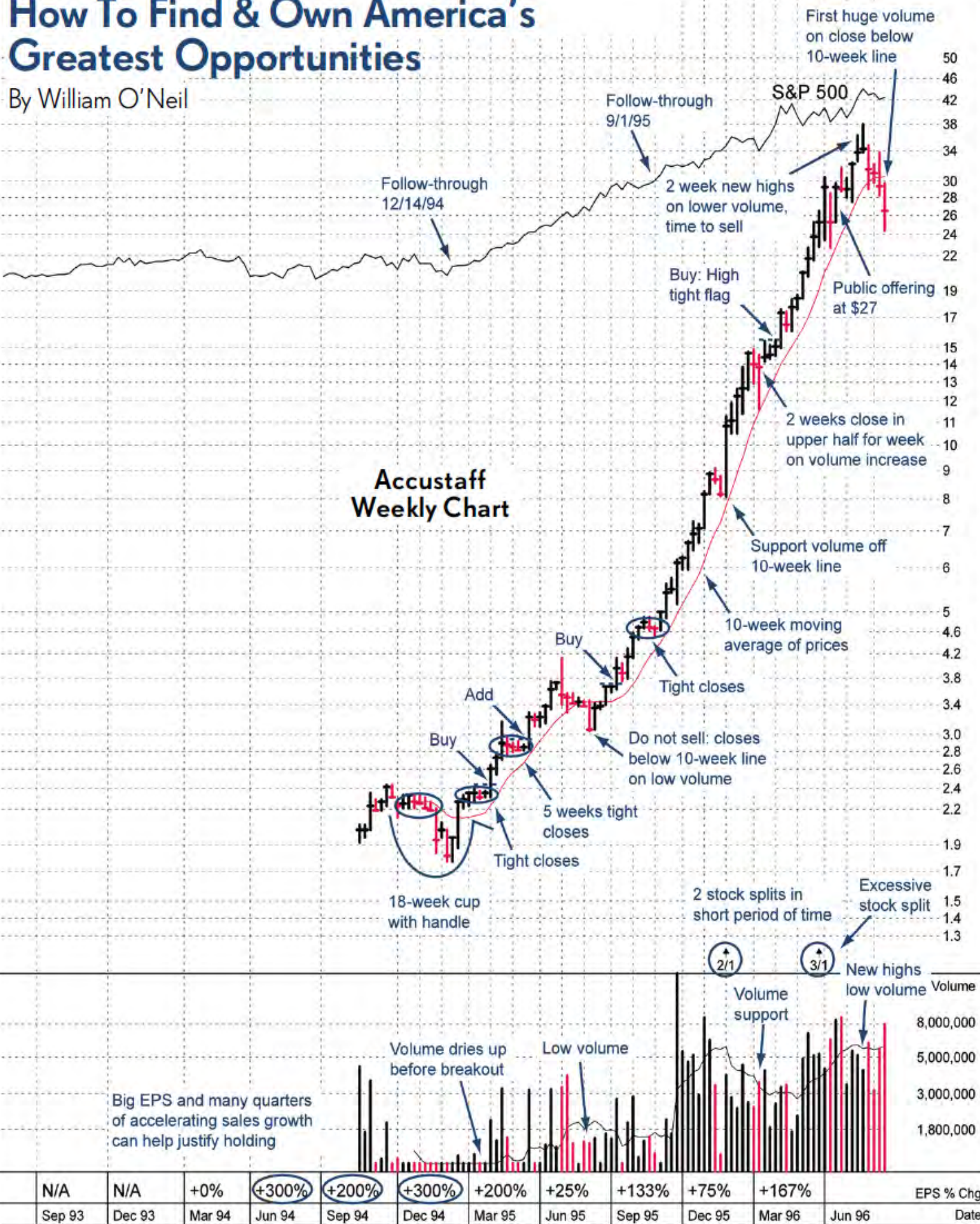
When you've made some mistakes and the market's in a decline, the worst thing you can do is give up on investing, cancel your IBD subscription and chart service, and here's why! Eighty-six percent of all great stocks of

the last 27 market cycles (over 100 years) built their classic chart bases during general market corrections. You absolutely have to be on the job every week doing your homework to be certain you're there when the market turns up and the next new leaders complete their bases and it's the exact time for you to buy. Since early 2004, Apple formed 10 classic bases during its 5,577% advance before it finally topped. Nine were built and completed during general market corrections.



How To Find & Own America's Greatest Opportunities

By William O'Neil



AccuStaff provided temporary staffing personnel to business and government customers with 63 company-owned branch offices in 18 states.

The IPO was in August 1994. AccuStaff quarterly sales accelerated in 11 out of 13 quarters from March 1993 until March 1996.

Quarterly sales were up 164% near the stock's peak price shown on the weekly chart. The company made many acquisitions and its P-E ratio expanded from 26 to 141 at the peak.

Management owned 26% of the company's stock and Robert Baird was its investment banker.

Note that the stock corrected during the S&P 500 decline from August 1994 until the market follow-through day on Dec. 14, 1994.

The stock then quickly rallied, built a tight handle and broke out to new highs on volume. That began an increase of more than 1,300% in just over one year.

Here's a rule: Most big potential bases are built during market declines — so stay on the job if you want to find the next big winners.

You want to observe how AccuStaff was a new issue that corrected during a market correction and after a follow-through day, completed a perfect cup with handle and then rode its 200-day moving average price line until, after its enormous run-up, it finally closed the week below the 10-week line on a big volume increase.

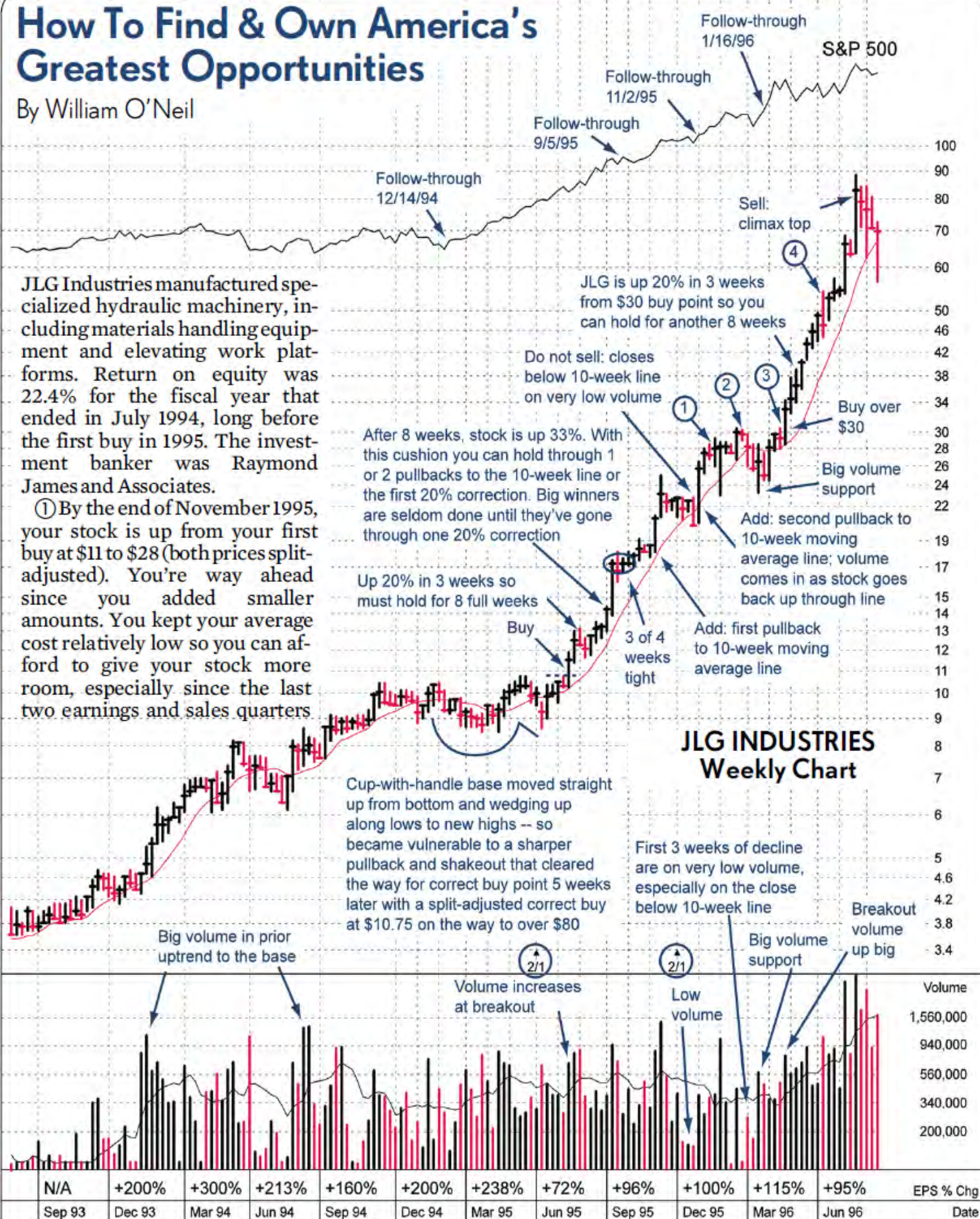
Maybe reading charts and following buy and sell rules on companies showing big earnings and sales are better guides than going on opinions.

How To Find & Own America's Greatest Opportunities

By William O'Neil

JLG Industries manufactured specialized hydraulic machinery, including materials handling equipment and elevating work platforms. Return on equity was 22.4% for the fiscal year that ended in July 1994, long before the first buy in 1995. The investment banker was Raymond James and Associates.

① By the end of November 1995, your stock is up from your first buy at \$11 to \$28 (both prices split-adjusted). You're way ahead since you added smaller amounts. You kept your average cost relatively low so you can afford to give your stock more room, especially since the last two earnings and sales quarters



accelerated. The next week, the stock has its first 20% correction and shakeout that you sit through as JLG never closes the week below its 10-week moving average and rallies back to \$28 and then \$30.

② Now it starts another correction. Here is where your chart reading skills keep you on track. You see the first three weeks of correction are on much less volume than average. The volume on the first week to close below the 10-week line is more important than the volume in a few later weeks. The fourth week is on big

volume with the week's price closing up. So you sit through the normal five-week correction.

③ It only takes one big winner handled properly, following time-tested proven rules, to offset the numerous other normal mistakes. JLG rallies three weeks, giving you a new buy point when another big earnings report comes out, the third in a row that shows EPS and sales growth acceleration. You add to your position over \$30.

④ At the end of eight weeks, JLG is now at \$47 and you have the edge to decide to sell if either a correct climax top or upper chan-

nel-line rule violation happens. Since the channel line has not been a sufficient number of weeks and a climax week must have the widest spread for the week since the original buy point, you don't have a valid climax top yet. So sit tight for now and sell when a proper climax shows up a few weeks later.

This is all about correct money management and following sound rules rather than personal opinions, emotions or being lazy and not doing any homework but just hoping to get lucky.

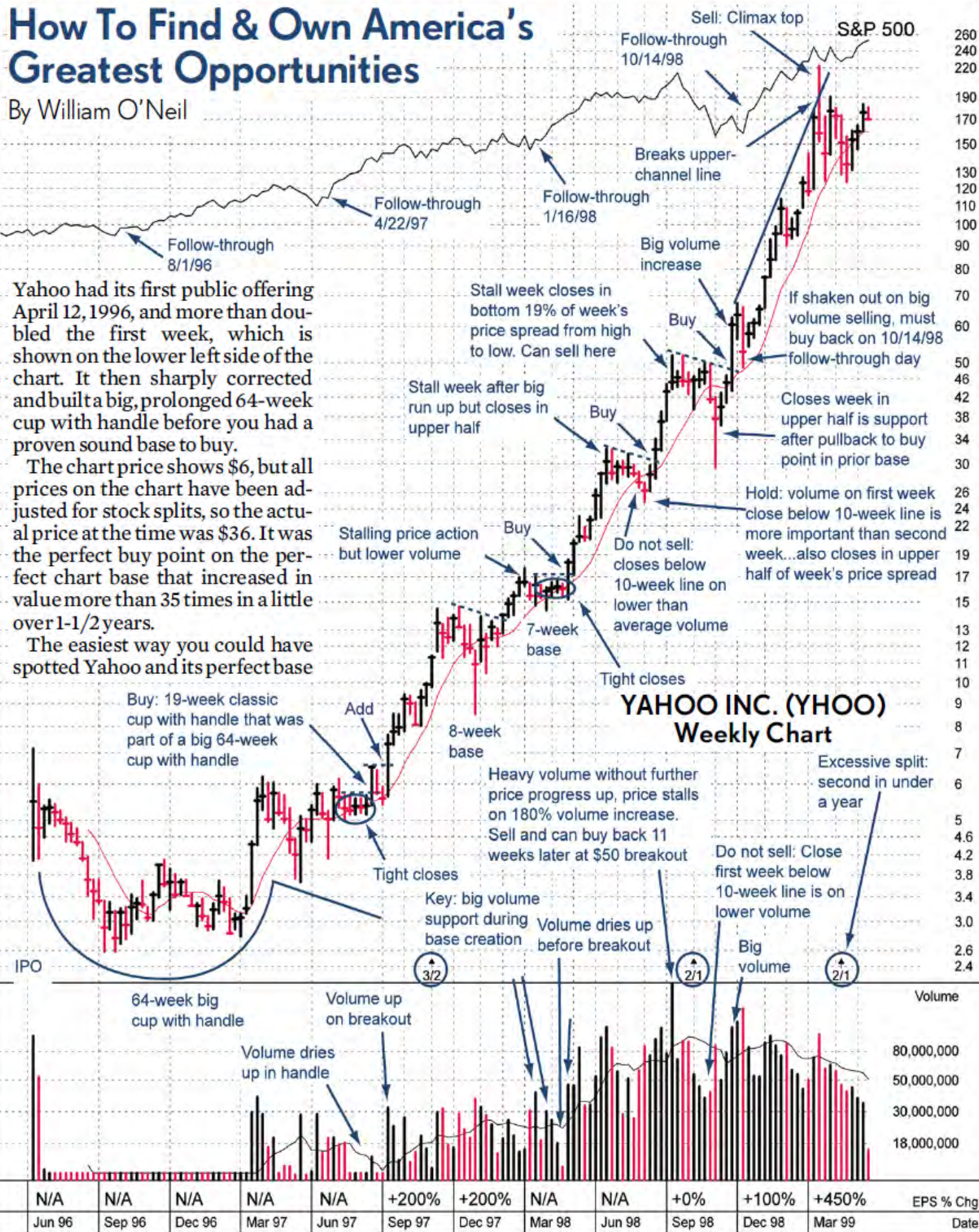
How To Find & Own America's Greatest Opportunities

By William O'Neil

Yahoo had its first public offering April 12, 1996, and more than doubled the first week, which is shown on the lower left side of the chart. It then sharply corrected and built a big, prolonged 64-week cup with handle before you had a proven sound base to buy.

The chart price shows \$6, but all prices on the chart have been adjusted for stock splits, so the actual price at the time was \$36. It was the perfect buy point on the perfect chart base that increased in value more than 35 times in a little over 1-1/2 years.

The easiest way you could have spotted Yahoo and its perfect base



was if every weekend you were going over a number of weekly charts. It only takes one or two stocks like this to change your whole life. The handle area also replicated a smaller perfect cup with handle within the larger one, giving you two shots at recognizing the most common chart pattern in America. So is it worth your time in the future to spend an hour or two on the weekend to check out and develop your chart recognition skills?

Yahoo was a new company incorporated in 1995 in a new industry, the Internet. Its sales in-

creased an average of over 200% per quarter, compared with the same quarter a year earlier, from 1995 to the peak of the chart. The stock broke out of the cup with handle as soon as Yahoo started showing a profit.

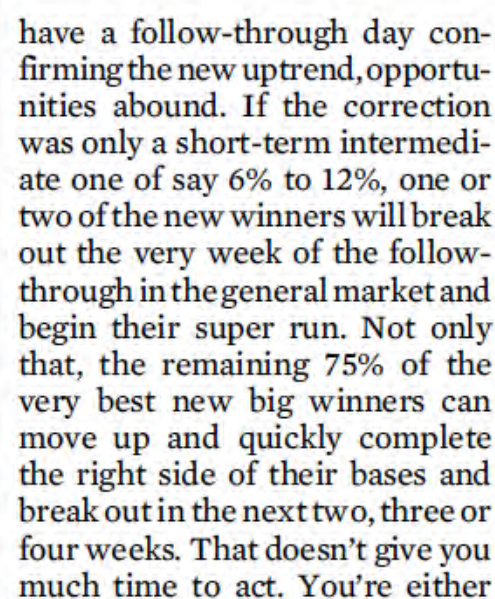
Now finding a new winner is your first giant step forward. The second step is to make sure the general market is in an uptrend, which happened with the S&P 500 follow-through on April 22, 1997. The third necessary step is to read and know the stock's story and check the fundamentals and mutual fund ownership. Yahoo

fund owners increased every quarter from six in the beginning until its peak price.

Now the fourth and absolutely critical final step is you must have a set of clear, specific rules for when to sell and when to hold. Don't leave this up to how you hope or feel. Read carefully all of the comments marked up on this week's chart to help you handle the ups and downs of a potential leader once you've bought it. If you save each week's marked-up big winners you'll have a set of models and guides for the future.

By William O'Neil

By William O'Neil



If, like in the Texas Instruments example, the correction was due to a bear market or prolonged recession that ended with a 20% market dive in the last three months, you might find many of the bases will be deeper and start moving up their right side over a larger number of weeks to complete deeper cup-with-handle

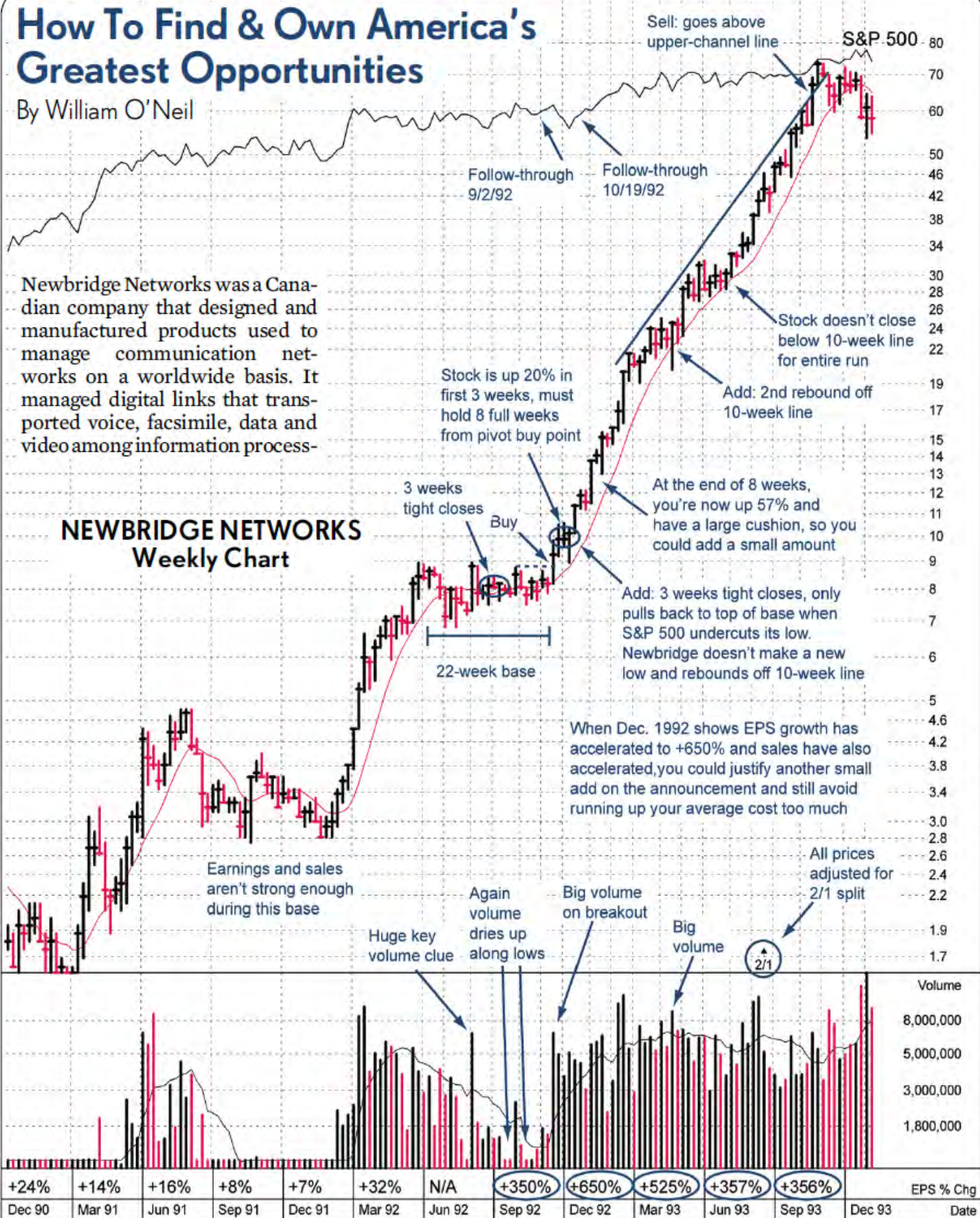
stock charts every weekend, especially during all market corrections. Changes in market direction can be sudden and offer life-changing opportunities to the well-prepared. Learn how to recognize all classic historical cup-with-handle patterns starting with those in 1958 along with Texas Instruments. Zenith (new TV remote control) broke out at \$25 on the way to \$137, American Motors (new Rambler) went from \$10 to \$97, Brunswick flew from \$4.6 (split adjusted) to \$76, and Xerox from \$13 to \$171.

How To Find & Own America's Greatest Opportunities

By William O'Neil

Newbridge Networks was a Canadian company that designed and manufactured products used to manage communication networks on a worldwide basis. It managed digital links that transported voice, facsimile, data and video among information process-

NEWBRIDGE NETWORKS Weekly Chart



ing equipment. Products were sold in 70 countries with 72% of sales in North and South America.

Newbridge was incorporated in 1986 and had its IPO in 1989. At the first buy point emerging out of the 22-week base, Newbridge financials operated on an April fiscal year-end and had earned 28 cents per share in the year ended April 1992 with next-year estimates of 80 cents, an increase of 186%. The P/E ratio was 41, which we never look at and say, "Oh, that's too high ... we can't buy that." In the stock market, a

stock sells for what it's worth at the time. The law of supply and demand continues to do its work.

Also at the buy point, five of the better performing growth funds had recently acquired positions in the stock. Newbridge spent 4.7% of sales on research and development and had a low beta of 1.16.

Overall sales were at \$196 million with the last quarter up 36%; the last quarter's earnings were up 350% and the Relative Strength Rating was 95 at the breakout point.

The week after breakout, the up/

down volume had jumped from 1.3 to 3.0, reflecting the huge volume of the breakout week, which tells you it wasn't your cousin Josephine doing the buying.

The stock also broke out of a giant 33-month-long cup-with-handle base that began in the December quarter of 1989 (not shown on this weekly chart). So it pays to check out a long-term monthly chart as well as your basic weekly and/or daily chart. You're in the business of checking all the key facts — no guessing or hot tips.

How To Find & Own America's Greatest Opportunities

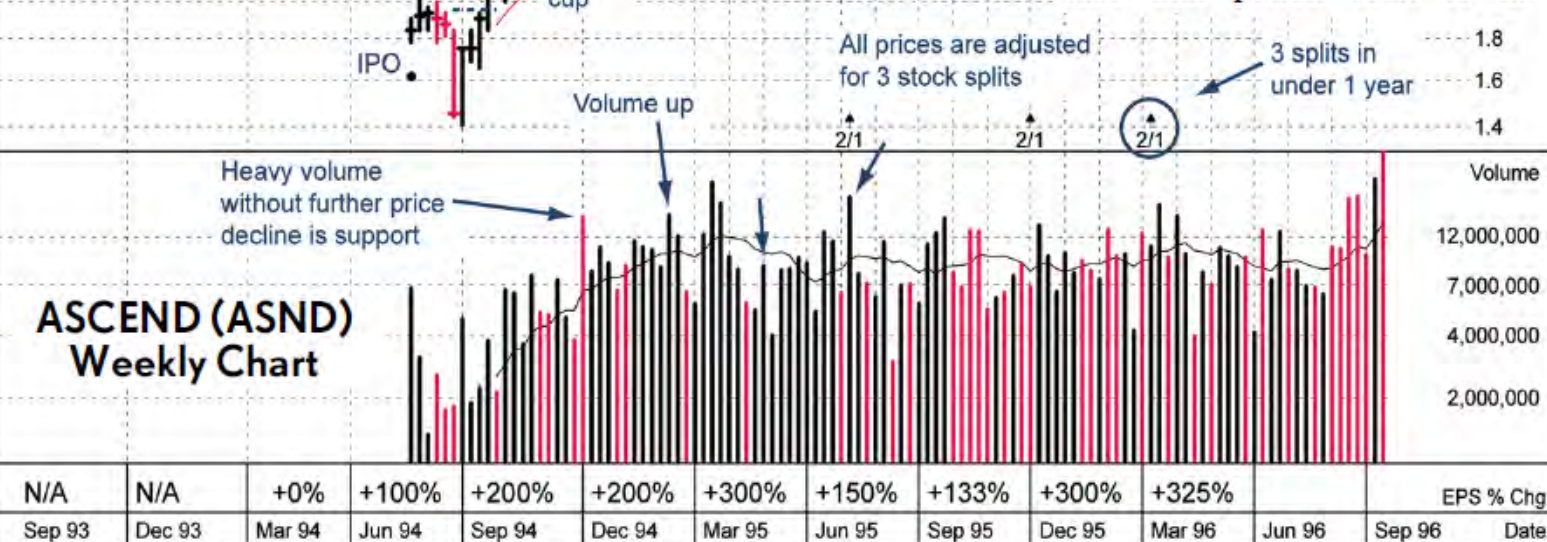
By William O'Neil

Ascend Communications manufactured WAN access products that let users build videoconferencing and voice/video/data integrated networks. The company was incorporated in 1989 and had its IPO in May 1994, a difficult market year. Morgan Stanley was the investment banker. Ascend had 700 customers in early 1994 and had installed more than 4,500 products. They faced competition from companies such as Promptus, 3Com, Cisco and Newbridge.

Its products were instrumental for dial-up Internet service providers such as AOL and EarthLink, and Ascend grew as the Internet got into more homes. Sales increased more than 100% in 1992

1994 due to the S&P 500 correcting sharply and making new lows. But Ascend only had a normal pull-back to its 10-week moving average line and the top of its prior base. It came nowhere close to making a new low below its prior base as the S&P 500 did. This showed huge counterstrength. As soon as the market started to move up, Ascend broke out at \$4 (split-adjusted) and ran to \$70 before it ever closed a week below its 10-week line. That's over a 1,600% increase! Now here comes an eye-opening zinger...

Ten years later, in July 2004, Apple did exactly the same thing. It built an eight-week base-on-base that pulled back to its



and 1993. Ascend became profitable in 1993 and more than doubled its profits in 1994 as well as its return on equity at 32.7% and pretax margins at 25.2%. Research and development spending was 12% of sales.

Beginning with the September quarter of 1994, sales accelerated for seven quarters and averaged over 100%. The P-E ratio at the first breakout in July 1994 was 45. By January 1996 the P-E was 146.

There are many critical lessons to learn from Ascend Communications.

1. The EPS growth rate percent-

age is much more important than the P-E ratio in most cases.

2. Recent IPOs with big earnings and sales increases can form what we call IPO chart bases. They are worth researching.

3. Every market cycle is led by America's entrepreneurial innovators with unique, valuable new products and services. It's up to you to keep your eyes open, get yourself prepared and don't get sidetracked.

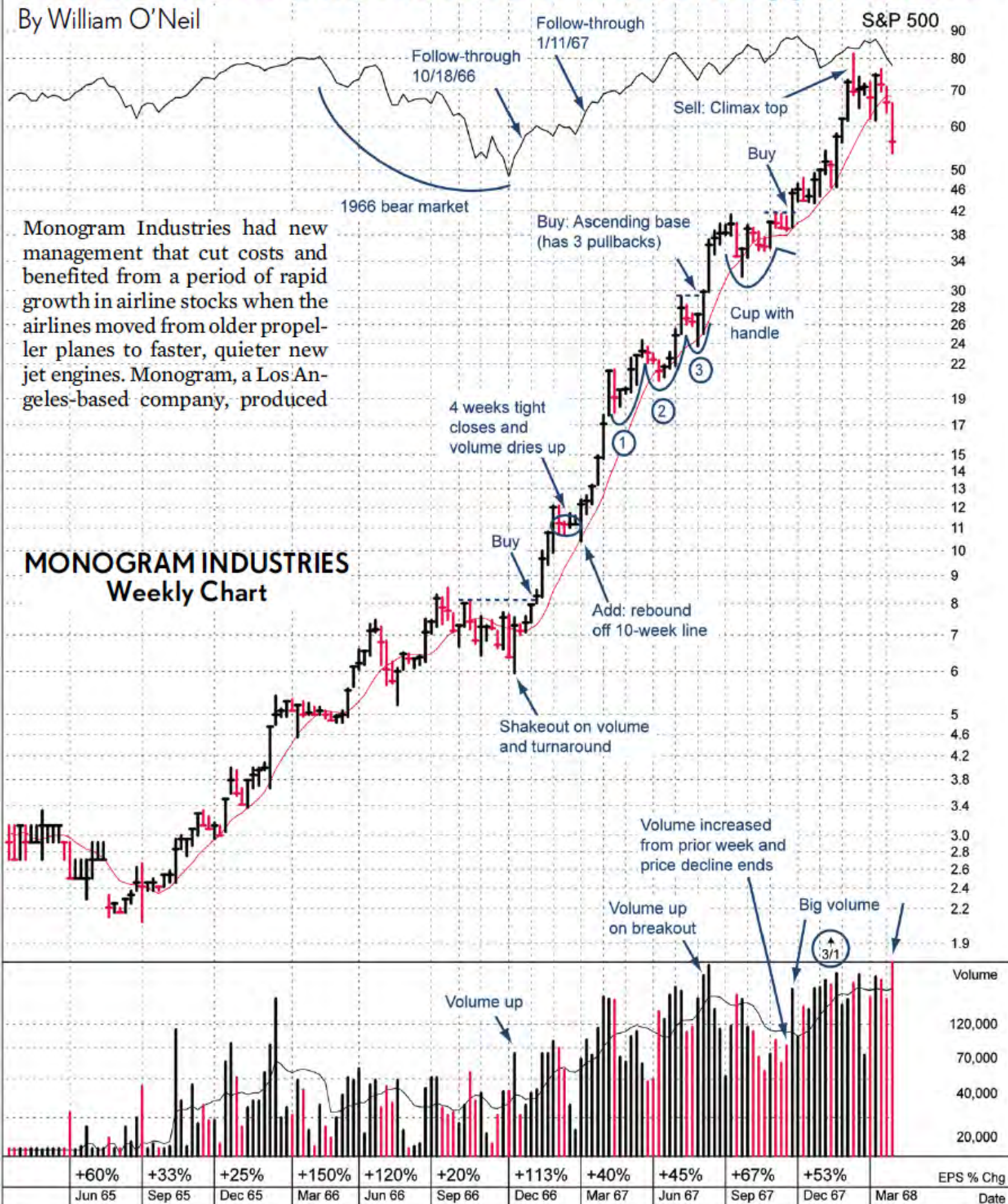
4. Learn to read charts well. If you missed the early first and second buys, Ascend corrected and built a base-on-base in November

10-week moving average and the top of a prior 6-week base while the S&P 500 collapsed to new lows. Apple was showing strong counterpower and, as soon as the market turned up, Apple broke out at \$17 and ran to \$700! Both stocks had similar EPS growth when they broke out. Ascend was +200% and Apple was +233%.

It's wake-up time. History constantly repeats stock patterns in the market. Maybe it's time you get determined to always recognize and never miss another base-on-base or cup pattern in the future. You can do it.

How To Find & Own America's Greatest Opportunities

By William O'Neil



self-contained flushing toilets for airliners. Sometimes you can participate in an industry move by looking at suppliers, especially those that stand out in earnings and efficiency.

Monogram's stock made an 890% advance from the first marked-up base as soon as the market had a follow-through day on Oct. 18, 1966, until the stock was sold into a classic climax top. This all occurred in only one year and six weeks' time.

Notice that Monogram was one

of the first stocks to break out and soar as soon as the 1966 bear market ended. The P-E ratio was 18 and expanded to 74 at the stock's top.

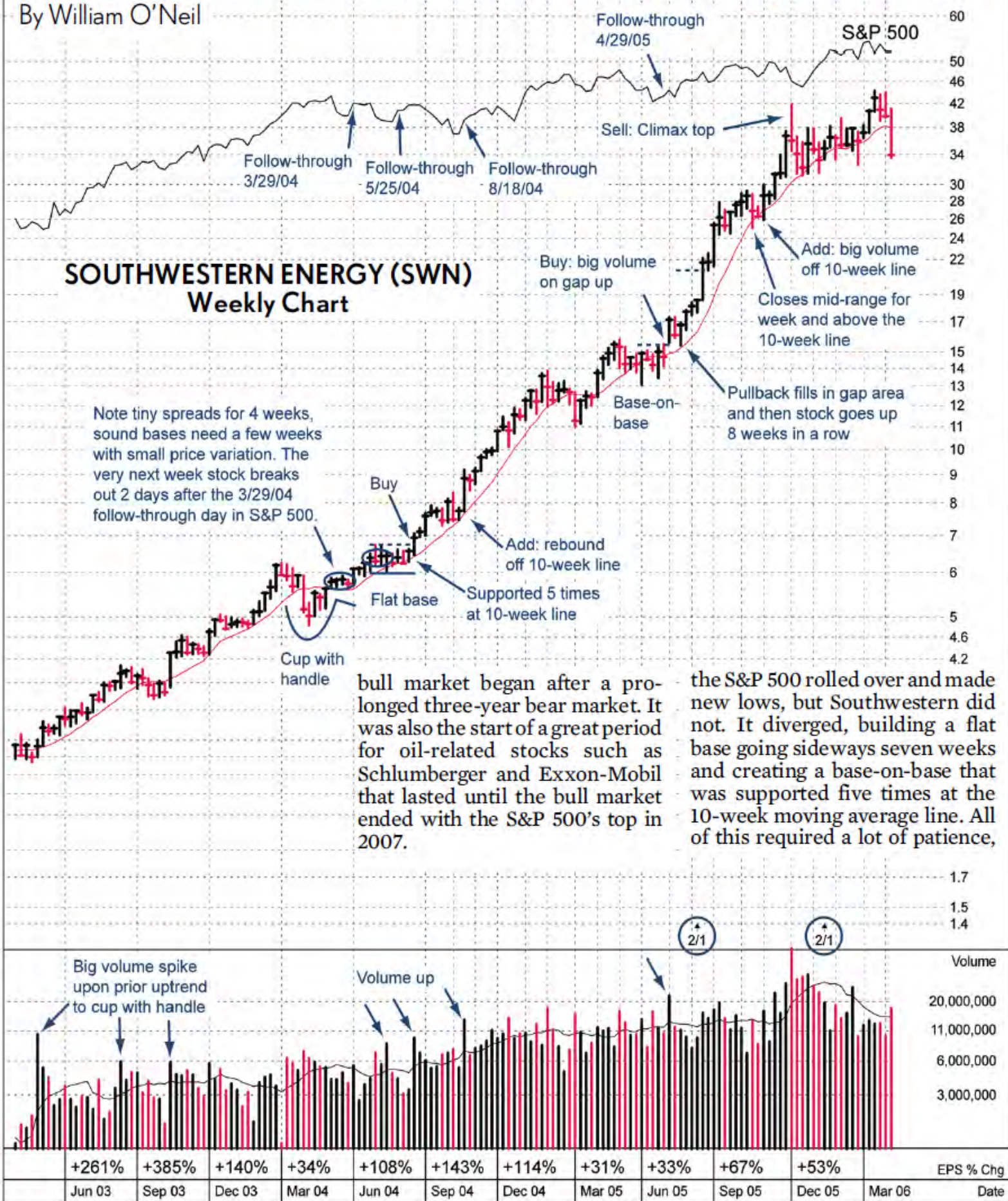
Every new bull market tends to discover 15 to 20 new big winning stocks. The more you carefully learn what past leaders looked like, including their fundamentals, the better your probability of recognizing and capitalizing on future big winners. You specifically want to know what the leaders looked like before they made their

major price moves, but also study very carefully the way they moved up. Buying right is only part of the equation. You also need holding rules to avoid the pitfalls along the way that can shake you out of a good stock and selling rules to get you out when the move is over.

If you keep and save all of these examples given once a week, you will have your own model book of what dozens of outstanding, unique market winners did that made them so great.

How To Find & Own America's Greatest Opportunities

By William O'Neil



Southwestern Energy was a big market leader in 2004 and 2005, engaged in the exploration and production of oil and natural gas in Texas, Oklahoma, Arkansas, Louisiana and New Mexico. The Houston-based company also distributed natural gas through a 5,400-mile pipeline. Southwestern had proven reserves of 8.5 million barrels of oil and 594 billion cubic feet of gas, plus it held 924,000 undeveloped acres and 247,000 developed acres.

Its earnings turned up in the first quarter of 2003 when a new

Southwestern Energy formed a perfect 13-week cup with handle in early 2004 when it corrected six weeks down to the top of a prior flat base. On that sixth week, volume continued above average but the price closed down much less than the prior week's collapse. The stock also closed more than 40% above the week's low, a sign of institutional support. It then rallied to within 5% of the stock's peak and created a tight handle with the last week undercutting a two-week earlier low and the next week breaking out.

It moved up just four weeks and

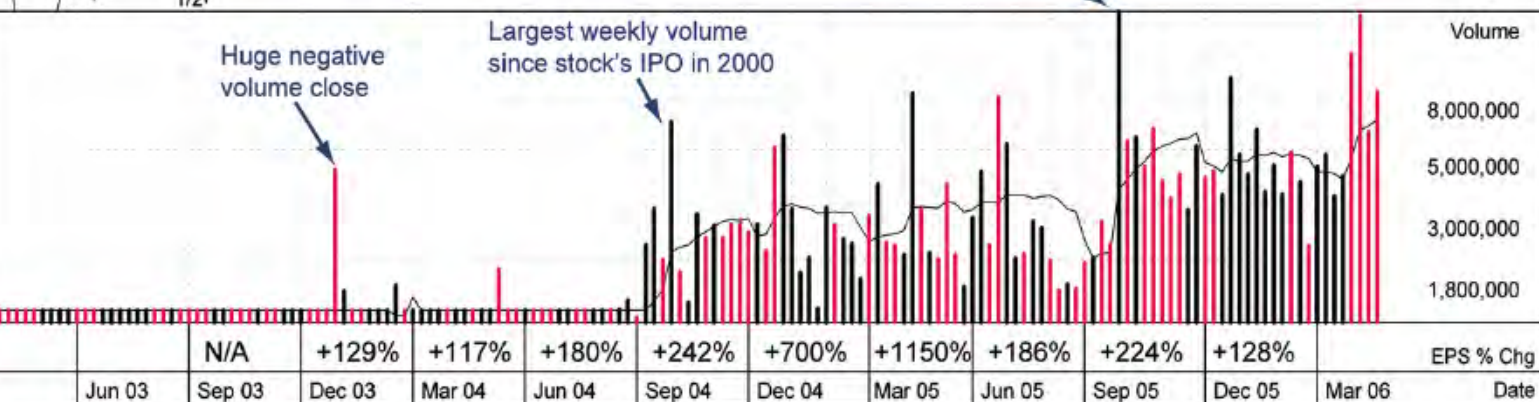
however. The base-on-base is a super-powerful formation because the stock is holding up, making a new base at a higher level while the market keeps going lower.

Southwestern diverged again in July 2004 and built still another base-on-base in March and April 2005. Keep these examples so you'll remember that base-on-bases are not stocks that can't seem to get anywhere but are stocks refusing to go down and just waiting to surge to new highs and race ahead as the general market starts to turn up.

How To Find & Own America's Greatest Opportunities

By William O'Neil

Intuitive Surgical develops an advanced surgical system designed to improve minimally invasive surgery. The system translates a surgeon's natural hand movements on a console into corresponding micromovements of instruments positioned inside the patient through small puncture incisions.



ISRG had its initial public offering of stock in June 2000, just prior to the prolonged 33-month bear market. The IPO at \$9 quickly jumped in seven weeks to a high of \$38 and promptly nose-dived to \$6, tracking the general market's cave-in. It then moved back and forth, unable to make real progress from a proper base until June 2004.

After several years of mediocre performance, it built three bases beginning in June 2003. The first two failed and the third one broke out and advanced from \$18.60 to \$139. We'll point out the reasons the first two failed and the third worked, which are things you can learn to recognize as you get more serious about good chart reading.

The first cup-with-handle base (at Point A) was faulty and wide-and-loose (a 46% drop), and the

handle area wedged up along its weekly lows. The second cup with handle (at point B) was not a base-on-base pattern because it did not stop and build a base on top of the prior base (at point A). More important, it broke down on huge volume 400% above its weekly average and one day had a 1,700% increase above its daily average volume, giving the base more distribution than accumulation. Finally, the handle area did not drift down. When the first and second base broke out to new highs, the Relative Strength line lagged and did not make a new high.

The third base (at point C) was tighter and proper, not as deep from peak to low of the base. For the first time ISRG's Relative Strength line vs. the S&P 500 led into new high ground while the

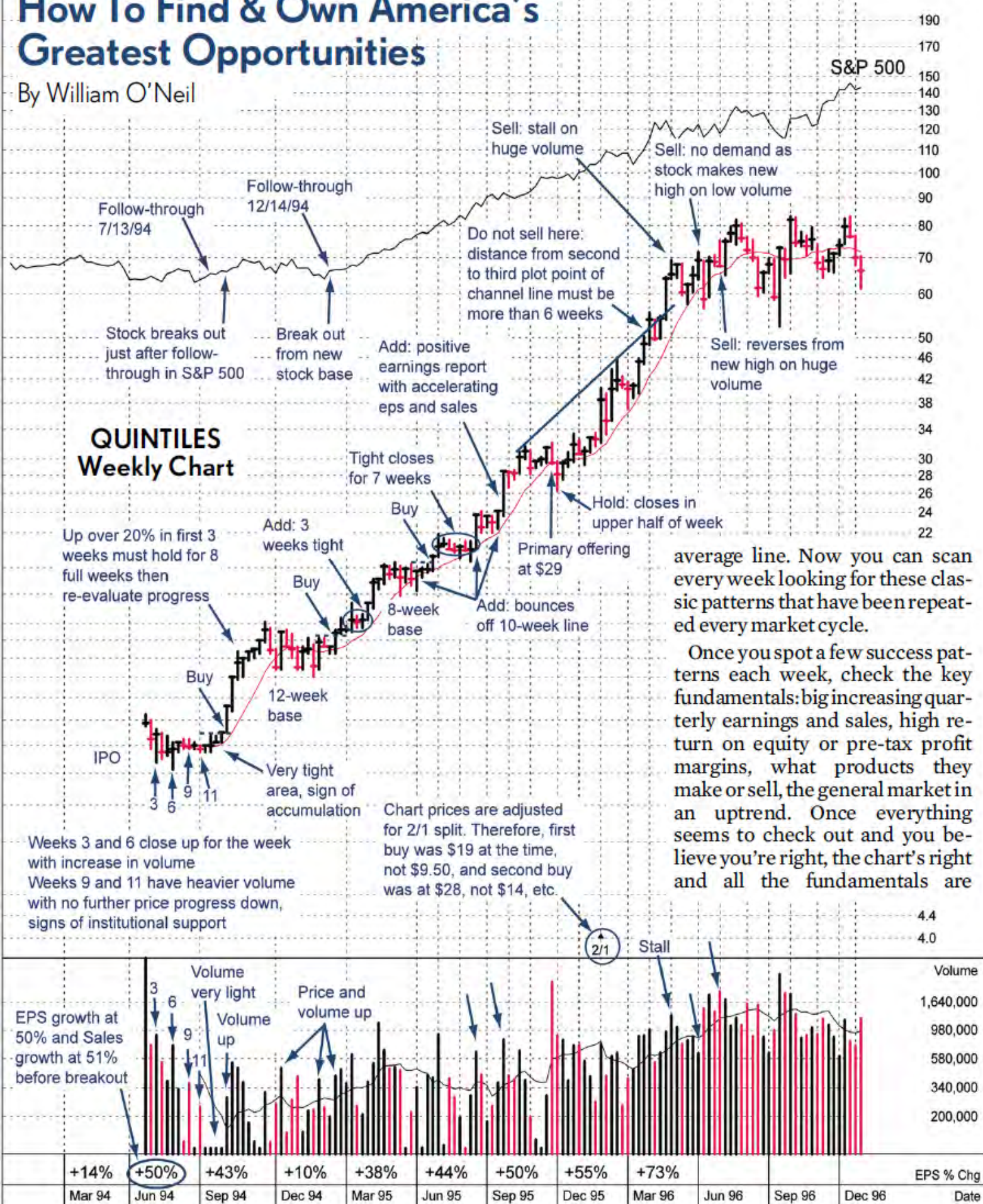
S&P 500 corrected to new lows in July 2004, a key sign of a powerful divergence. Volume dramatically increased as well as the price.

Both history and human nature relentlessly repeat in the American stock market. Microsoft had three long sideways bases from October 1987 to September 1989; the first two failed, the third advanced six times. PeopleSoft did the same thing from February 1993 to August 1994 and then advanced four times. Qualcomm moved sideways more than a year with the first two bases failing. The third took off in January 1999 and soared more than 20 times in one year.

Could it be worth your time to study historical charts and human nature? Do you think some stock could be repeating history this year or next?

How To Find & Own America's Greatest Opportunities

By William O'Neil



average line. Now you can scan every week looking for these classic patterns that have been repeated every market cycle.

Once you spot a few success patterns each week, check the key fundamentals: big increasing quarterly earnings and sales, high return on equity or pre-tax profit margins, what products they make or sell, the general market in an uptrend. Once everything seems to check out and you believe you're right, the chart's right and all the fundamentals are

Quintiles provided pre-clinical research-and-development services to the pharmaceutical and biotechnology industries. That included clinical trial management, clinical data management, biostatistical analysis, centralized clinical trial laboratory services, study design, regulatory affairs services, pre-clinical testing and health economics consulting services. The company made many overseas acquisitions in 1995. Foreign operations accounted for 38% of sales. Quintiles had its IPO in June 1994.

How do you learn to find and own America's greatest stock opportunities and hold them until a proven sell rule tells you it's time to sell? There are relentlessly dozens of these new great winners every market cycle! You need a

system and a routine, a prescribed course of action you use and follow regularly every week. Here's one way you could do it.

A) Save all of these historical models of big winners we've marked up. Save and file them in order of the date of the first marked-up buy point. This way you'll have all the classic greatest winning patterns at the start of their greatest move and in order of date in each cycle.

B) Get "How to Make Money in Stocks" and read it twice. Now you will have many models of exactly everything you're looking for every week.

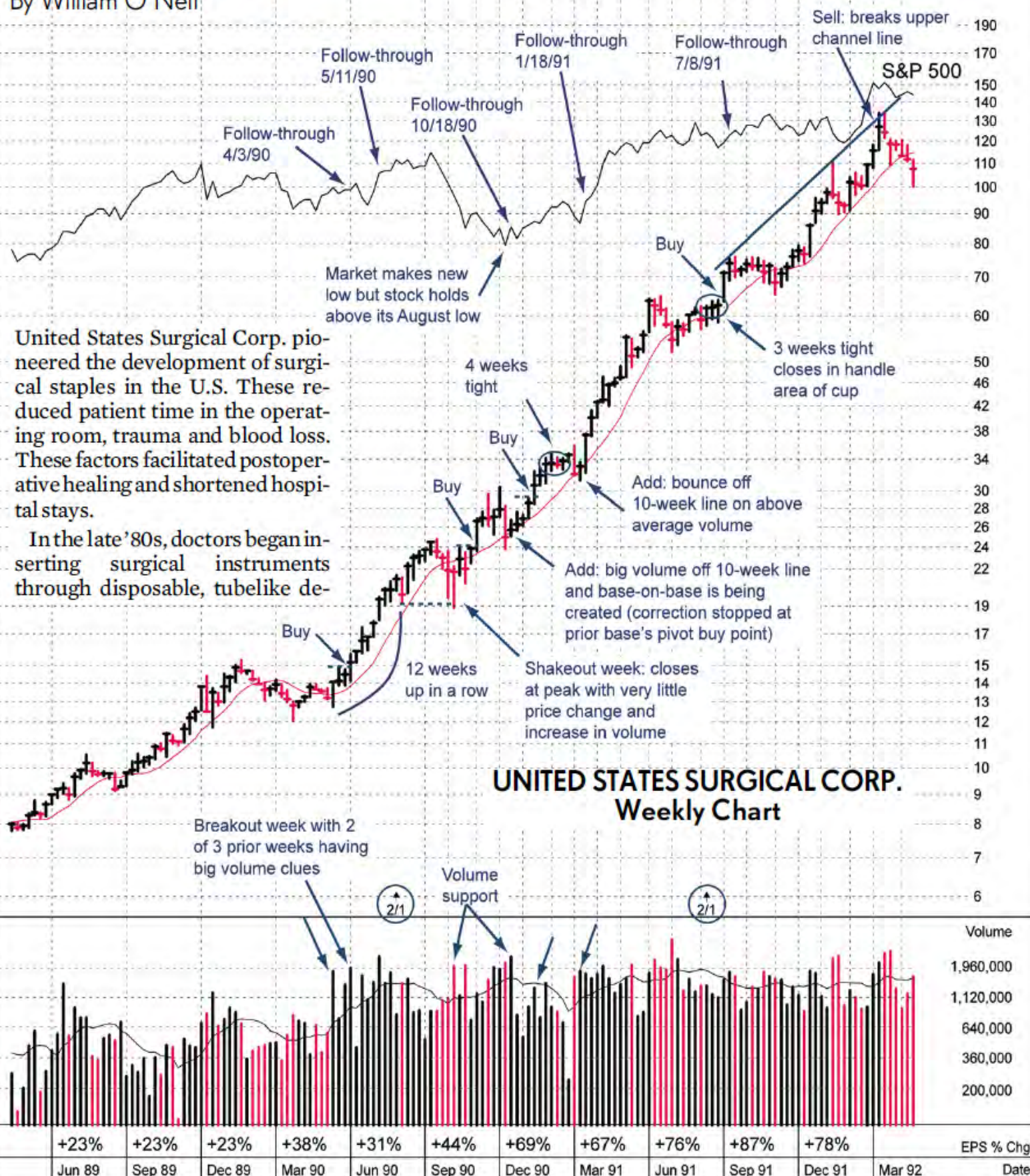
C) Subscribe to a weekly chart service, any one as long as they have lots of price and volume weekly charts on a logarithmic price scale and a 10-week-moving-

there, it's decision time. Put a market order in with your broker.

If you buy 10 stocks over the course of a year, you'll probably be right, if you've done your homework well, two out of three times. So you may be right six or seven times and wrong three or four times. The secret is to cut your losses short so you never let yourself get hurt badly when you're wrong and make up for the small losses when you're right. One method is to learn to cut all losses when a stock is down 7% or 8% from what you paid and sell more of your stocks when they are up 15%, 20% or 25%. In a roaring bull market, maybe one of your 10 stocks might be able to make 50% to 100%, but don't get starry-eyed, carried away or greedy. A bird in the hand is worth two in the bush.

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By William O'Neil



United States Surgical Corp. pioneered the development of surgical staples in the U.S. These reduced patient time in the operating room, trauma and blood loss. These factors facilitated postoperative healing and shortened hospital stays.

In the late '80s, doctors began inserting surgical instruments through disposable, tubelike de-

vices that opened the door to laparoscopic surgery. U.S. Surgical's "Endo Clip" was introduced in 1990 and enabled laparoscopic gall bladder removal. The laparoscopic procedures required smaller incisions, were less invasive and also reduced hospital stays with faster healing. By 1992, half of the company's \$1 billion in revenue came from sales of laparoscopic-related products.

U.S. Surgical marketed its products in the U.S. and 64 other countries. The company repurchased 4 million shares of common stock

for \$57.5 million. From the first buy point coming out of a 19-week cup-with-handle base in April 1990, the stock increased 785% in 94 weeks.

Earnings and sales in the most recent quarter, before the first buy, were both up 23% and accelerated for the next five quarters. The P/E ratio began at 22 and ended at 79. The number of mutual funds owning the stock doubled in the two quarters prior to the initial buy and materially increased in six out of the eight next quarters.

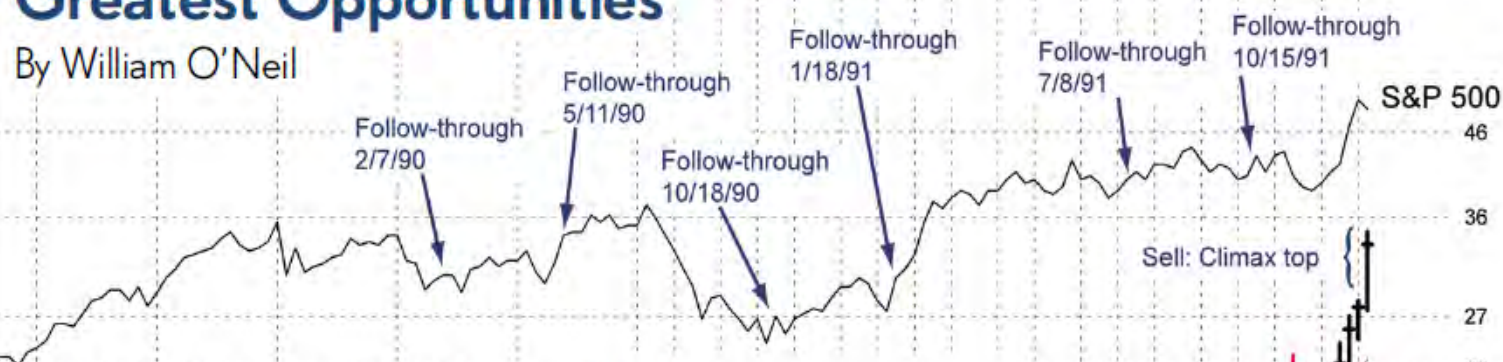
Every bull market typically has

one or two medical stocks that become new market leaders that last for 1-1/2 to two years. Most do not repeat in the next bull-market cycle. That's why it's wise to use, and follow, proven sell rules to sell on the way up when you have a significant profit ... while you still have it.

It's better to have rules than to go by how you feel. Jesse Livermore said, "There are only two emotions in the stock market: hope and fear. The problem is, you hope when you should fear and you fear when you should hope."

How To Find & Own America's Greatest Opportunities

By William O'Neil



American Power Conversion designed and manufactured uninterruptible power-supply products for use in personal computers, work stations, file servers, communications equipment and other electronic devices. In the case of power failure, its products provided a temporary and immediate source of power until back-up or emergency systems could take over. This would safeguard

made its huge run.

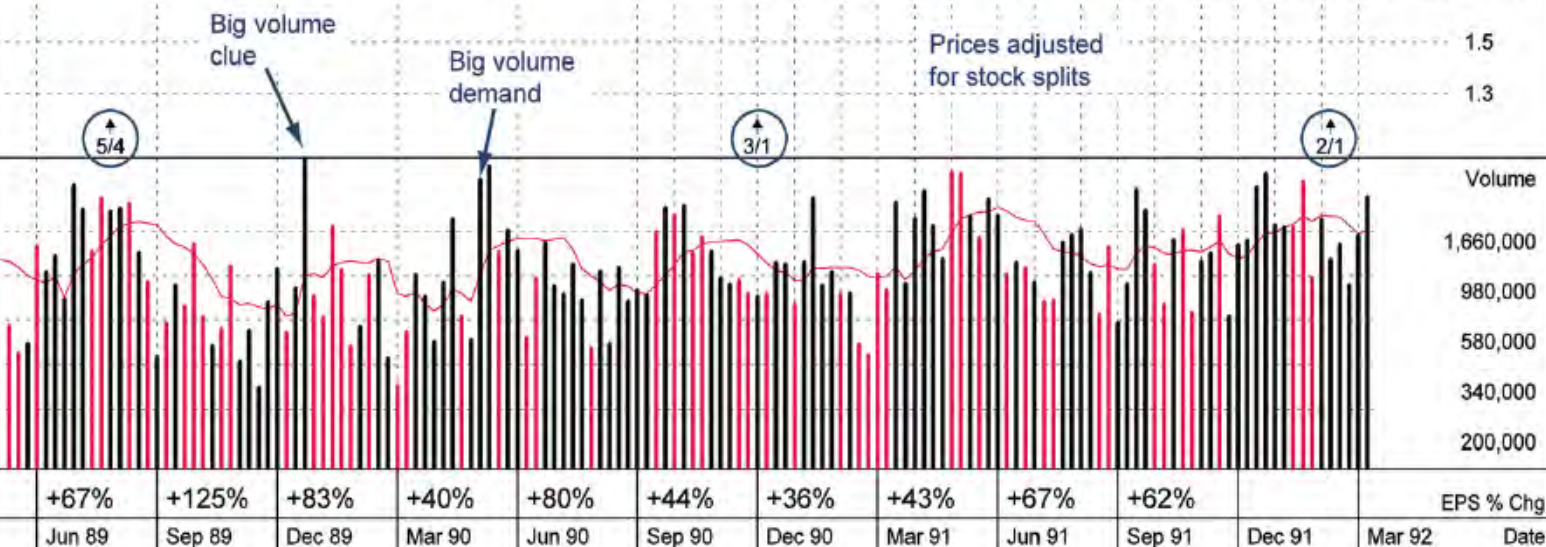
Notice how a stock's base pattern is formed because of the general market (the line above the stock's weekly prices is the S&P

Stock had its IPO July 1988



that's the process that creates bases for the next big market leaders. So learn your general market rules and your individual stock buy and sell rules to be in phase with what's happening.

The first 18-week cup-with-han-



equipment and data from potential damage and loss. APCC benefited from the rapid growth in the computer industry and government defense business.

At the first buy point, annual earnings had been nearly doubling for three years from 4 cents to 7 to 16 to 30. In the two quarters before the buy point, earnings jumped 125% and 83%, while sales were up 120% and 86%. Annual pretax margins were at 26.9%, return on equity was 50.7%, and sales were up more than 100%. All of this happened before the stock

500) and once the S&P hits a bottom and begins an uptrend, stocks will break out of sound bases. The depth of a stock's correction in most cases is affected by the degree of decline in the market index.

The depth of the eight-week flat base that broke out in October 1991 was less than the decline in the first two base patterns in our example due to the greater declines in the S&P 500. Don't ever get thoroughly discouraged with investing when the general market is in a correction, because

dle base was classic. After rounding out along the bottom of the cup, it ran up five weeks in a row with volume and then pulled back two weeks on lower volume to form a handle in the upper part of the whole base. The next week it broke out on March 7 with the day's volume 410% above its daily average. The stock then increased more than 800%.

P.S.: The IBD stock tables show the daily volume % change for all of its stocks and boldfaces those that trade +50% or more for the day.

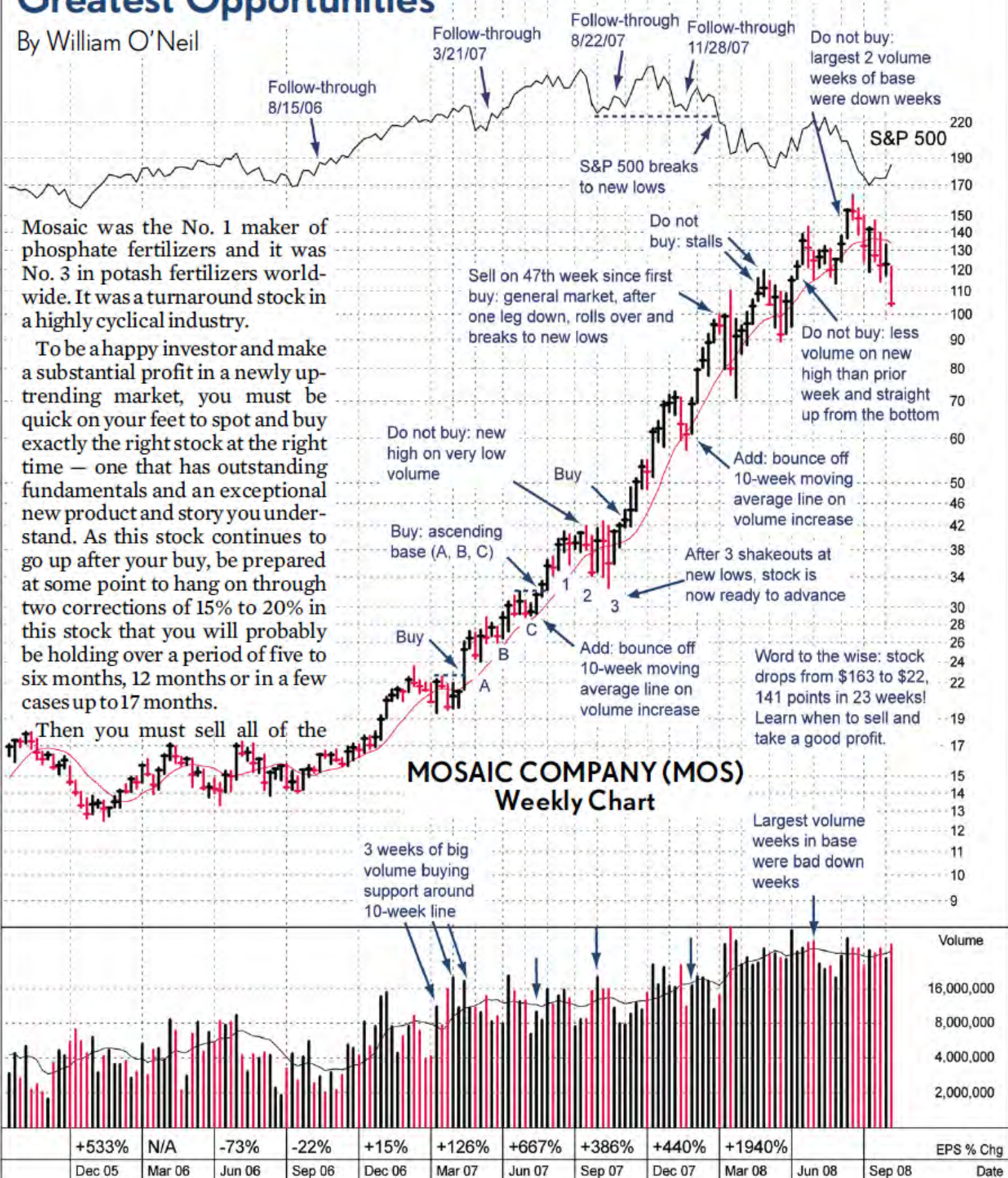
How To Find & Own America's Greatest Opportunities

By William O'Neil

Mosaic was the No. 1 maker of phosphate fertilizers and it was No. 3 in potash fertilizers worldwide. It was a turnaround stock in a highly cyclical industry.

To be a happy investor and make a substantial profit in a newly up-trending market, you must be quick on your feet to spot and buy exactly the right stock at the right time — one that has outstanding fundamentals and an exceptional new product and story you understand. As this stock continues to go up after your buy, be prepared at some point to hang on through two corrections of 15% to 20% in this stock that you will probably be holding over a period of five to six months, 12 months or in a few cases up to 17 months.

Then you must sell all of the



stock on the way up after it resumes and continues its advance. You will use your predetermined, historically proven sell rules to spot when your stock's price action tells you it's now exactly the right time to sell based on one of your proven sell rules (not how you feel, what you think, want, hope for or are afraid of).

It's not easy, it takes time, but you can learn to do this if you have a strong desire and are determined.

On the chart, note the three big volume clues in the nine-week base at the first buy. At point A, B

and C, you had an ascending base that corrected three times with each low made at a higher point. After a stock has about doubled, three weeks is not a base, and a July 2007 new high on low volume is a do-not-buy sign. After three shakeouts to new lows, the stock broke out again from a seven-week base in August 2007 for another move up. Along its move we had two add points where Mosaic pulled back to or around its 10-week moving average.

Then, when you're as happy as a lark and sure your stock will keep

moving up, you get and act on a key sell signal. The S&P 500, which had already gone through a sharp correction in October and November, rolled over after a weak rally at the end of December. By the first week of January, there were seven distribution days and the market broke to new lows on accelerating volume. Late that year the stock ended up at \$22, but you were out at close to \$100 with a substantial gain.

You can't go by opinions or how you feel. You need to have and follow sound, proven rules.

How To Find & Own America's Greatest Opportunities

By William O'Neil

We live in the greatest country in the world. How did it evolve? The U.S. system, that's how. It's your freedom of speech, religion and press.

You are free to own property and keep arms. Every citizen over 18 is free to vote in elections every two and four years, and replace weak or failed leaders. You are free to work, learn, create, innovate and invent because of our way of life. We are a nation of innovators because of these freedoms.

Our GDP per person is larger than any other major country. That's why millions of people continue to come here to participate in our exceptional freedom and opportunity. Nothing can hold you back except your own attitude or level of determination.

Today, nearly 50% of Americans invest in our stock market, either in their 401(k)s, individual stocks, mutual funds or pension funds. However, whether still working or retired, most are not highly skilled investors, as this takes time, work and study.

bly missed these life-changing opportunities in the past. It's wake-up time. Keep these examples.

This is by far the best way to improve your skill in finding the top innovative newer companies. These patterns and great fundamental numbers will be repeated again and again, and be priceless models to guide you in each new market cycle. The stocks may all have new names, but the highly successful facts and patterns will be the same.

Why did these super patterns and facts occur in all of our

Sell — climax top: 10 days up in a row, up 40% on 2nd split in last 6 months

3 weeks tight closes

Cup base

You have to buy using rules, hold using new rules, and sell based on selling rules...no opinions, emotion or ego.

Add base only corrects 10%

Add first pullback to 10-week moving average line of prices

Add

New buy point

5 weeks tight closes shows positive accumulation

Cup base

Up 20% in 1 week must hold 8 weeks and then reassess

Buy point after 3 tight weeks and volume dry up on correction

In 2004, Google IPO repeated the same pattern and buy point

End of 8th week from buy, HD now up 47%, so can hold until closes week below 10-week moving average on big volume or has a climax top

Huge volume (demand)

Big volume

Low volume on decline

Home Depot (HD) Weekly Chart

Volume

640,000

420,000

280,000

180,000

+100%	+100%	N/A	+50%	+100%	+350%	N/A	+100%	+50%	EPS % Chg
Jun 81	Sep 81	Dec 81	Mar 82	Jun 82	Sep 82	Dec 82	Mar 83	Jun 83	Date

In every new market cycle for more than 100 years, innovative companies continue to leap on to the scene and become outstanding new leaders. So you must learn how to, early on, recognize and capitalize on our never-ending parade of amazing opportunities.

Each Wednesday, I'll cover in detail one of these remarkable entrepreneurial stocks whose price soared 5, 10, 20, 50 or 100 times in the recent past so you can learn the key factors to look for in future new leaders.

Also, you'll learn why you proba-

last 27 market cycles?

With all the changes and problems in the world, three things do not change, especially in the U.S.

- 1) The law of supply and demand.
- 2) Human nature.
- 3) The drive and unrelenting initiative of our innovators.

Here is my first example of two creative entrepreneurs: Bernie Marcus and Arthur Blank had just been fired from a hardware chain so they decided to start a new type hardware store named Home Depot.

In 1981, in the middle of a bear

market, they had a public offering of Home Depot stock.

Here are the vital fundamentals available to everyone at that time:

- Last Qtr EPS +500%
- Avg Sales Last 5 Qtrs +180%
- After Tax Profit Margin 4%
- Return on Equity 28%
- Next Yr EPS Est over 100%
- P/E Ratio 36

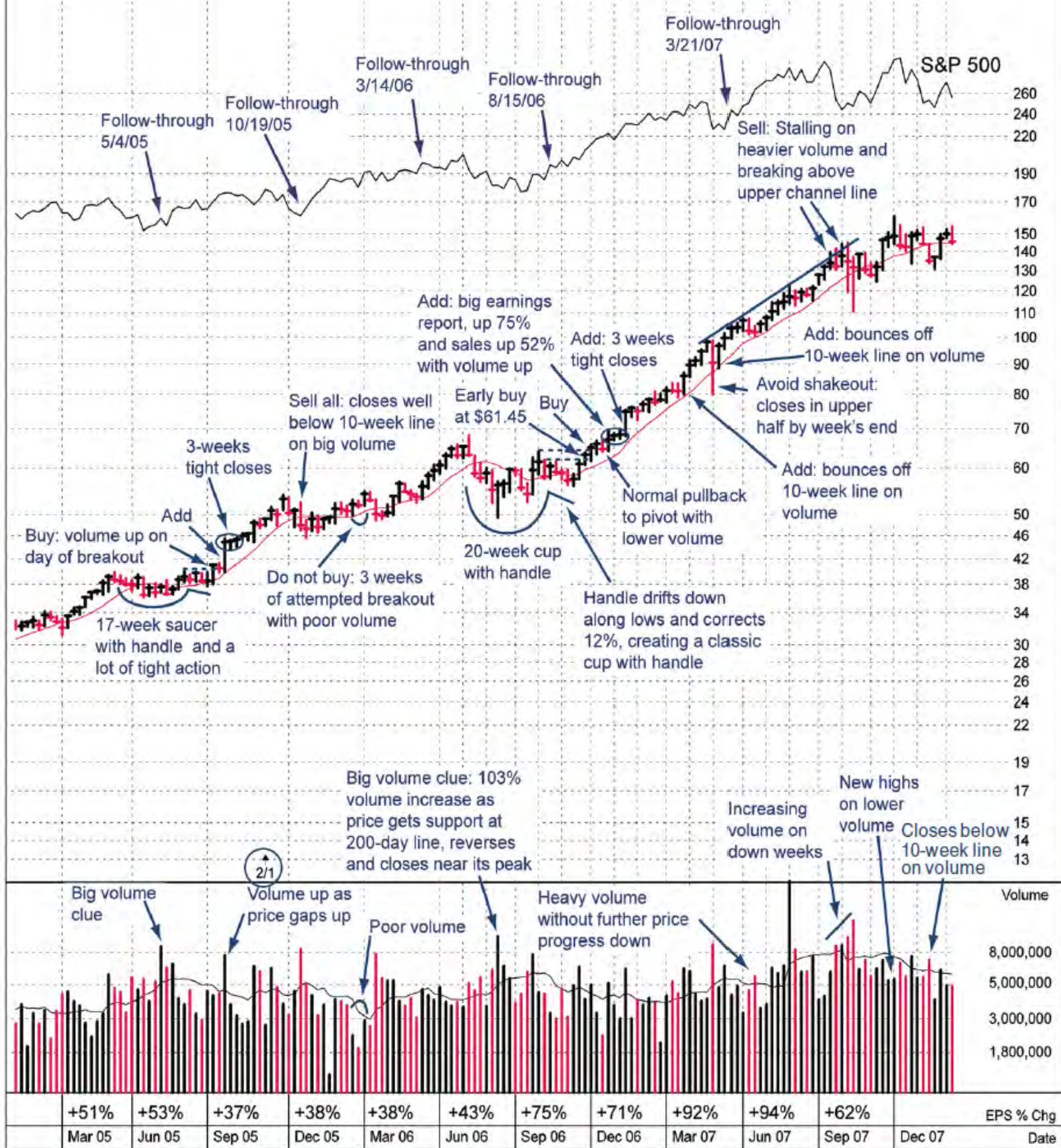
Home Depot soared 1,600% from the buy point to its climax top sell point in 1 year and 8 months.

In the future, you should always check out any great new company where you like to shop.

How To Find & Own America's Greatest Opportunities

By William O'Neil

PRECISION CASTPARTS (PCP) Weekly Chart



Precision Castparts manufactures castings, forgings and fasteners for the aerospace, industrial and automotive markets. General Electric accounted for 11% of revenue.

Here is a case where your stock was bought correctly at around \$40 and the first sell was based on the rule to sell when a stock closes for the week below the 10-week moving average in big volume. It traded with 72% higher volume than average that week. The profit when sold was close to 20%. It was not bought back, as you can

see on the chart, because it showed continued adverse action weeks later.

Finally, after 11 months, during another market correction in the S&P 500 index, the stock built a classic 20-week cup-with-handle base. It was bought back at \$61.45 with additional follow-on buys and ultimately sold at \$138 the first week of August. It was sold because after a long price run-up the stock made new highs for three weeks and stalled on heavy volume.

From a money management

point of view you must realize the initial sell gave you eleven months to use the dollars from the short-term profit to find another proper new base to buy over the next five to 50 weeks. And many months later, when Precision Castparts went through a 24% correction and built a perfect cup with handle, you could then sell the new stock or its replacement to buy back your Precision Castparts, which then proceeded to double over the next 46 weeks. It's called the time utilization of money. To do this you need both good buy and sell rules.

How To Find & Own America's Greatest Opportunities

By William O'Neil

Do you like to see movies? Do kids like movies? Sure. A few years ago, I did a study of themes in the market that occurred in nearly every cycle. One of the five recurring themes was the leisure and entertainment industry.

For example, in the late '50s, Diner's Club created America's first credit card, Brunswick's new automatic pin-spotter set off a bowling boom, and Polaroid's new "picture-in-a-minute" cameras gave people instant photos.

Then in the '60s came all the color TV stocks, Disney, Winnebago's motor homes, and McDonald's fast food in the '70s. This Can't Be Yogurt and International Game Technology's computerized casino gaming were new innovations of the '80s and '90s

never stopped to think and buy these stocks that increased in price 3, 10, 50 or 100 times.

And this was just one industry sector in America! There are dozens of other sectors. They too had exciting new leaders pop up in new market cycles.

Every Wednesday, I'll cover in detail how you can learn to recognize the many future out-

Sell after long run up to new highs and drops 2 wks straight down to 10-week line, then goes straight back up to new high ground in 2 weeks.

4 weeks is not a base! 2 weeks later, red volume increases above average

Add at 109 after shakeout below July low of 103 on July 1, when NFLX then recovers 6 points above 103 low on 94% volume up that day

Double bottom base

Add on gap up at 61 on huge volume

10-week moving average line of prices

Add

Buy

Add as stock bounces off 10-week moving average line of prices

Buy - price up 15% on breakout day

Do Not Sell! Closes week in top half of week's price range. Sign of support

3 weeks tight closes

5 weeks tight closes

Closes week below 10-week line but on less volume than prior week and only 9% above average. Next week is down but on less volume and closes in upper half of weekly price range. Supporting action.

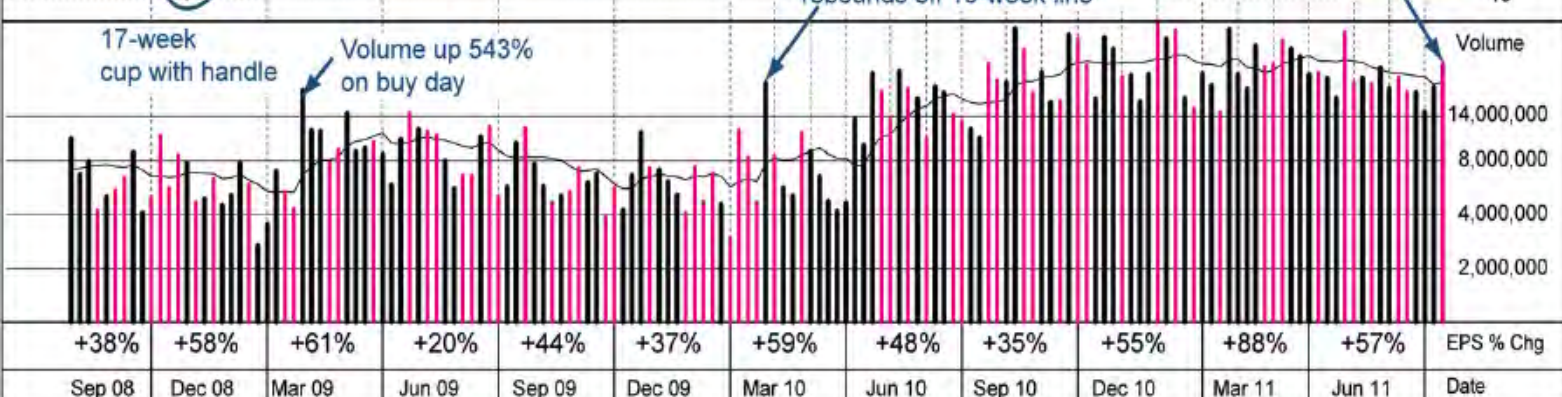
17-week cup with handle

Volume up 543% on buy day

Volume up 266% on day stock rebounds off 10-week line

Sell volume

Netflix Weekly Chart



for consumers.

More recently we've seen Apple's iPods, iTunes, iPhones and iPads, Priceline's "name your own price" for vacation travels, and Hansen Natural (now Monster Beverage).

These new innovative leisure companies all had stock available that soared from 300% to as high, in some cases, as a mind-boggling 10,000%.

People old enough to have lived during some of these periods will remember many of these companies and will have used many of their products ... and yet they

standing big leaders that in the past may have been right under your nose, but you never capitalized on them.

We'll use fundamental rules, charts and historical precedents to guide you to, perhaps in time, financial independence ... if you work at it and not let yourself become discouraged.

The more you learn the facts of past innovative leaders the more you'll be able to recognize the next crop of winners. They will be there, so never give up ... if you want to succeed. Here are the vital fundamentals at the time of

the first Netflix purchase:

- 4 years Earnings Per Share \$0.33 \$0.82 \$1.01 \$1.44
- 2008 Cash Flow \$5.67
- Return on Equity 23%
- Pretax Margin 10.5%
- Last 3 Quarters EPS +36% +38% +58%
- Last 3 Quarters Sales +11% +16% +19%
- 3 straight quarters with higher number of fund owners
- 7 announced buybacks of stock in last 7 quarters
- Relative Price Strength at new high 8 weeks prior to breakout

How To Find & Own America's Greatest Opportunities

By William O'Neil



Fairchild Camera and Instrument had a long history in aviation, cameras and instruments with multiple long-term military contracts. In 1957, Sherman Fairchild funded a new division called Fairchild Semiconductor in Mountain View, Calif. The idea was to use silicon in electronic components to bring down costs. In 1958, it developed a planar process which was a huge breakthrough in transistor technology, bringing down costs while simultaneously improving performance. This eventually led the company to build a circuit with four transistors on a single

wafer of silicon, creating the first silicon integrated circuit and "Silicon Valley" was born. The innovation went directly to the bottom line as earnings growth turned around in the quarter ending December 1958. In February 1959, the stock had just formed a 10-week cup-with-handle and the market staged a follow-through after a 5% correction. The stock broke out on the day of the follow-through with volume up 200% above average. With an innovative product, strong earnings, a market in an uptrend and a sound chart pattern, this was the

proper time to buy. Just as important as finding the right stock at the right time is having sell rules and applying them unemotionally. Learning to read charts can be invaluable. When the stock topped in 1960, it could have been easy to justify staying invested. The earnings were still strong. After topping in August 1960, Fairchild corrected 35% and formed a long base over the next year. But it never broke out of the base. Don't anticipate a breakout in hopes of saving a few pennies. Fairchild eventually corrected 80% before bottoming in 1964.

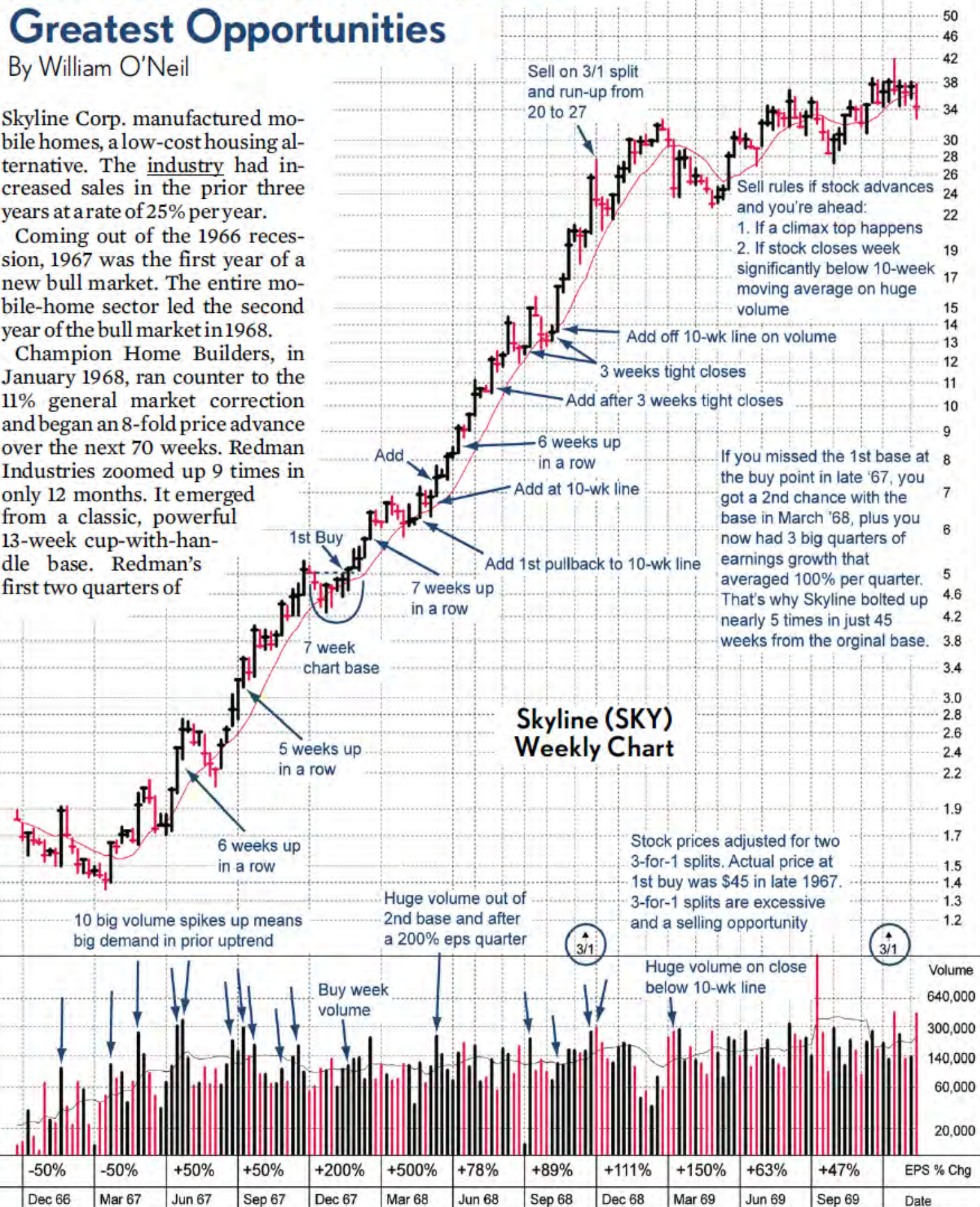
How To Find & Own America's Greatest Opportunities

By William O'Neil

Skyline Corp. manufactured mobile homes, a low-cost housing alternative. The industry had increased sales in the prior three years at a rate of 25% per year.

Coming out of the 1966 recession, 1967 was the first year of a new bull market. The entire mobile-home sector led the second year of the bull market in 1968.

Champion Home Builders, in January 1968, ran counter to the 11% general market correction and began an 8-fold price advance over the next 70 weeks. Redman Industries zoomed up 9 times in only 12 months. It emerged from a classic, powerful 13-week cup-with-handle base. Redman's first two quarters of



earnings turnaround were up 200% and 800%. We'll cover Redman in detail for you a few weeks from now.

Being in a cyclical industry, Skyline's earnings turned up 50% two quarters in a row back to its previous peak. Note the 10 huge above-average volume spikes during big price up weeks, showing a powerful prior uptrend to the base in December 1967.

The lesson here for you to learn is that every single new bull market for the last 100 years has had 10 to 20 or more new innovative

dynamic market leaders.

You can learn how to spot the best future leaders if you save each example I'll mark up each Wednesday for you. Why is that? Because the names will be new, but the big numbers in earnings, sales and price and volume patterns repeat themselves over and over again. You will learn exactly what you need to look for.

Why not have some fun, learn a new skill and capitalize on the great opportunities that America creates every cycle?

Key facts on Skyline available at the time for everyone in late 1967:

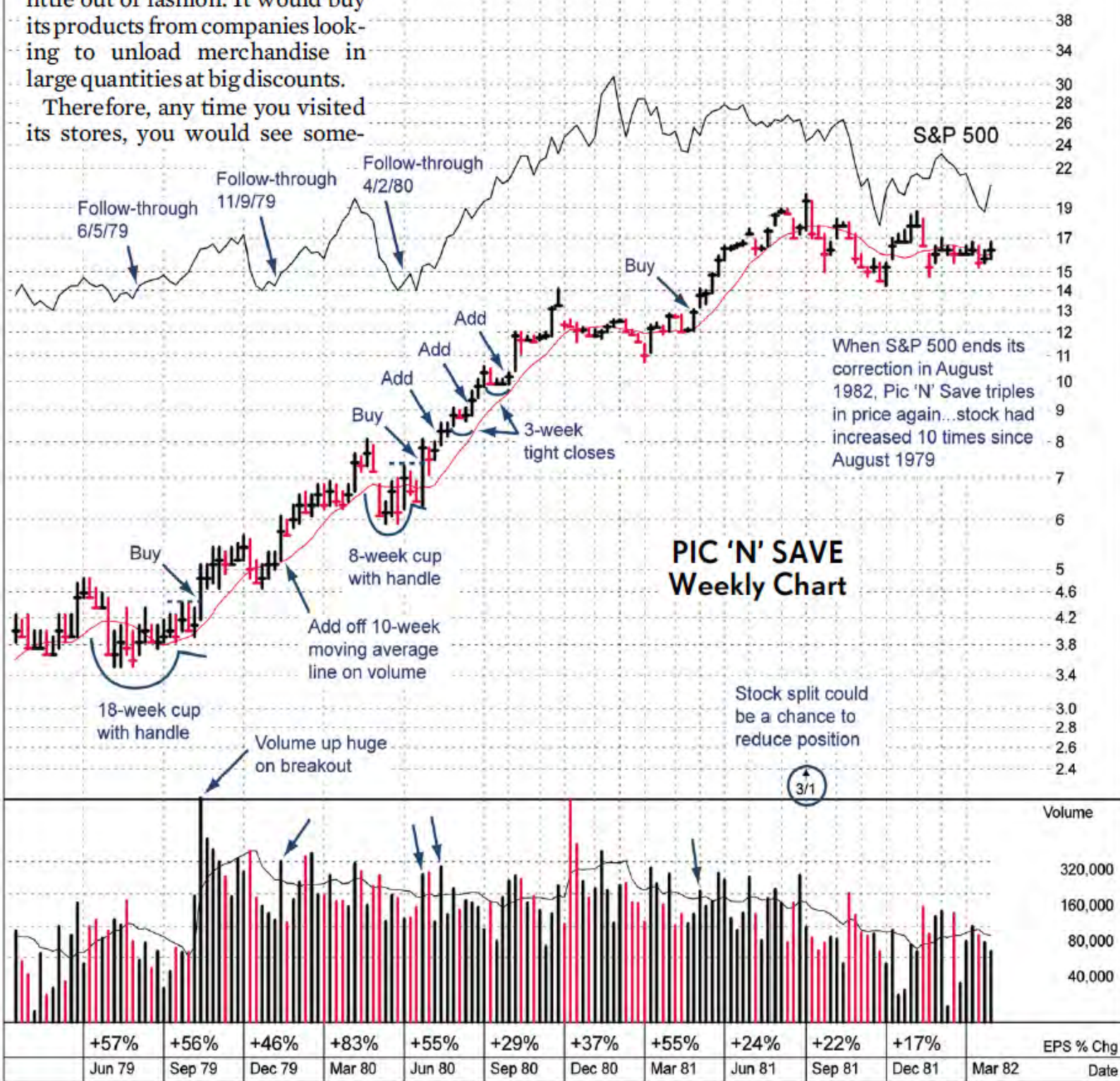
- Industry sales had grown 25% per year in prior 3 years
- Current EPS up 50% last 2 quarters
- Huge accelerating weekly volume demand in prior uptrend for 4 quarters
- Price always got support at its 10-week moving average line on the way up
- Weekly chart services were available to help you spot basic patterns

How To Find & Own America's Greatest Opportunities

By William O'Neil

Pic 'N' Save was unique at the time in how it acquired its inventory. Its specialty was buying overruns by manufacturers: products with minor defects or that were a little out of fashion. It would buy its products from companies looking to unload merchandise in large quantities at big discounts.

Therefore, any time you visited its stores, you would see some-



thing new that the store never carried before, and at bargain prices. Since Pic 'N' Save was buying its merchandise for pennies on the dollar, it could mark its products up for a good profit margin and still provide its customers with bargain prices. You could even buy little kids' shoes for just a few dollars. This strategy directly translated to strong numbers for the company. At the breakout shown on the chart, quarterly earnings were growing over 50% and the annual return on equity was over 30%. It's this kind of

growth that gives you the conviction that you might have a big winner on your hands.

My wife was actually the one who gave me this stock idea. It's OK to get ideas from other people, but you never buy just because someone else tells you about a stock or gives you a tip. You need to thoroughly research the stock on your own so you know how to handle it properly. That way you are making decisions based on facts and not opinions.

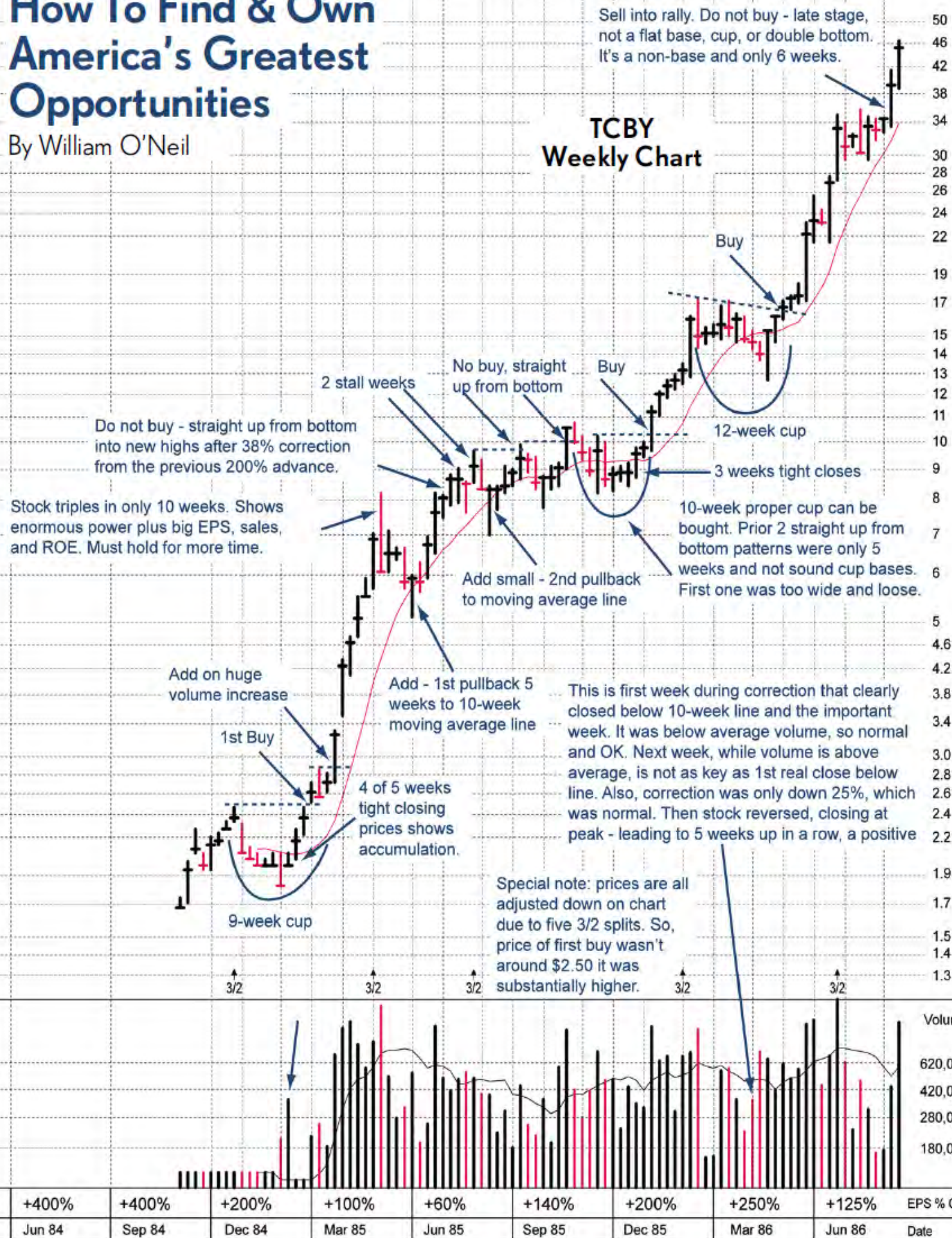
I'm often asked how long I will hold a stock, and my answer is al-

most always "it depends on the stock." You can hold a stock as long as it's acting right. You make adjustments based on the market conditions, how much profit cushion you have on the stock, and the research you've done on the company. I owned Pic 'N' Save for over seven years. We made estimates of how many stores the company could open up. Buying right is only part of the equation. Knowing how to handle a winner once you've got it is the key to making the big money when you're right.

How To Find & Own America's Greatest Opportunities

By William O'Neil

TCBY Weekly Chart



TCBY Enterprises incorporated in 1984. By late 1985, they had 102 brand-new This Can't Be Yogurt dessert stores in 25 states. In 1986, they operated 17 and franchised 225 yogurt dessert stores in 34 states under the TCBY yogurt name. TCBY served flavors of yogurt containing all natural ingredients. It was an instant and fast-growing hit.

If you liked ice cream, you had to like their innovative frozen des-

serts. If you bought their product, did you also consider buying their stock? Why not? All the vital facts were there at the beginning.

The chart price structure was right, the volume data were right, the general market was in an up-trend and the economy was strong due to Reagan's across-the-board tax cuts.

Here were the vital facts known at the time of TCBY's first buy point:

- Last 3 quarters of earnings

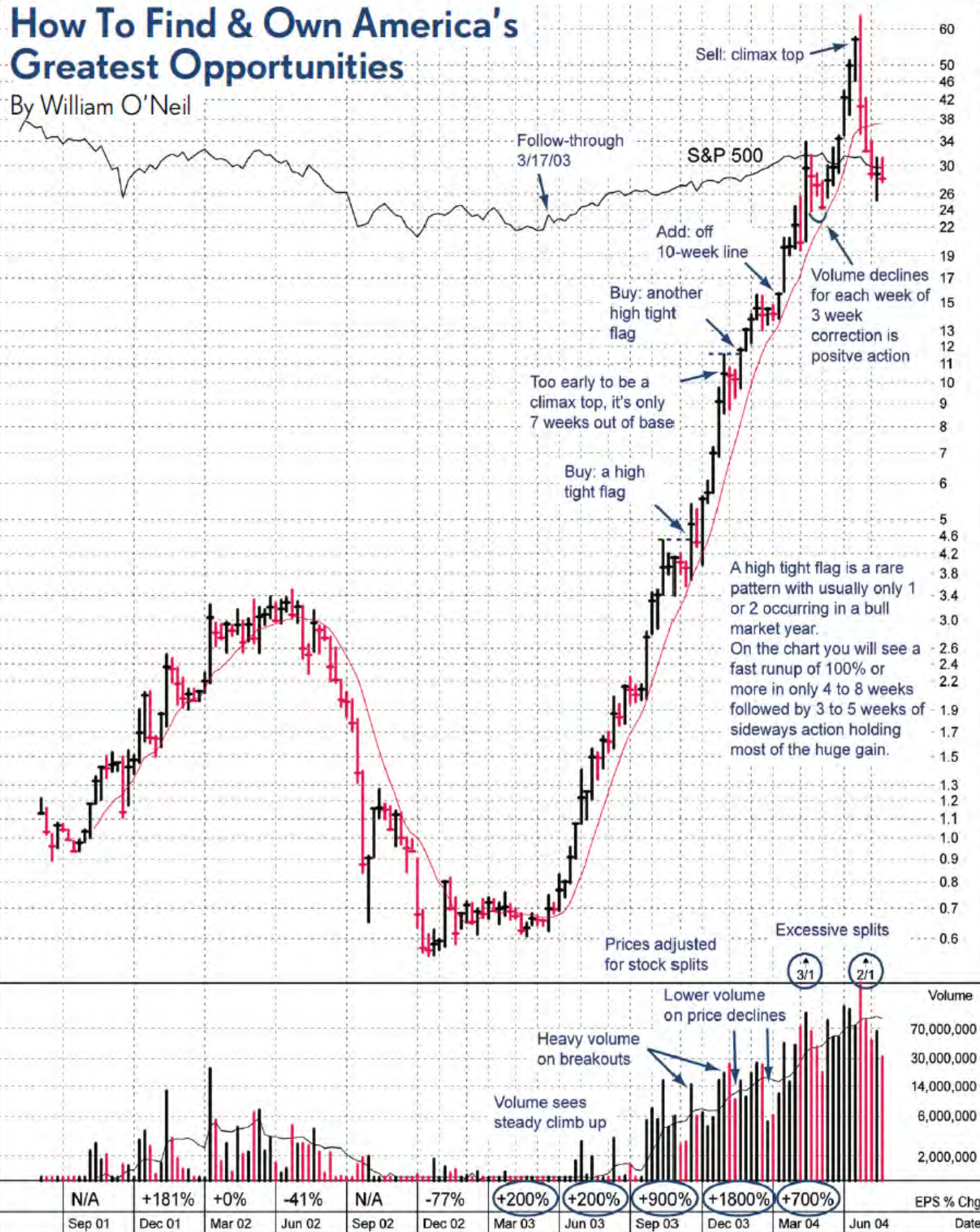
- average up 333%
- 3 quarters of sales averaged up 263%
- Return on Equity 33%
- Pretax profit margins 26%
- Next year's EPS est up 110%
- P/E Ratio 17 grew to 98 at its peak.

From its first buy point, TCBY increased more than 1,700% in just 19 months.

Real skill at reading charts plus looking for great fundamentals can have huge payoffs.

How To Find & Own America's Greatest Opportunities

By William O'Neil



Taser International created and marketed less lethal, conducted-energy weapons used mainly by law enforcement and corrections authorities. The devices were credited with reducing officer injuries in confrontations with suspects.

The company showed rapid increases in quarterly earnings and sales from the beginning of its enormous run until after its peak. The pretax profit margin in 2003 was 30% and return on equity was 26.6%. Sales for the year advanced 148% as its products

gained popularity. The P/E ratio expanded from 28 to 213 at the top. Don't let anyone steer you away from buying a stock just because they say the P/E is too high or the stock is overvalued. Sometimes you have to pay a premium for the best.

This unusual situation built several high tight flag patterns over the course of its run. Some of these steep run-ups may have looked like a climax top and could have fooled you into selling. But usually after a climax top the stock will drop quickly and very

hard. Taser held tight after these earlier run ups. If you were able to recognize the pattern as a high tight flag rather than a climax, you would have been able to take advantage of an enormous opportunity. Qualcomm had similar action in 1999, so knowing your history also would have helped.

Taser increased over 1,300% in only 30 weeks from the first buy point on the chart at \$4.50 (split-adjusted) to its eventual peak over \$64. You had to be fast on your feet and a decision maker to catch this one.

How To Find & Own America's Greatest Opportunities

By William O'Neil

Qualcomm^{QCOM} is a San Diego telecommunications company. Much of the digital wireless phone system uses Qualcomm's own code division multiple access technology, called CDMA. Note that the stock formed three chart bases: The first two were faulty (improper bases that failed), but the third was a classic cup with handle.

The first base had three bottoms. Sound bases that work almost always have only one or two bottom areas, and a double bottom should see the second bottom undercut the first.

The second bad base had the same defect with even more time spent in the low part of the base, which is a weak sign. But 24 weeks later, after a general market shakeout, a cup with handle forms. The stock then advanced from 7 to 200 in only 52 weeks. It ballooned more than 2,700%!

volatile tech stock and the S&P 500 had a sharp decline over 15%.

Apple five years later formed a shorter, 19-week classic cup with handle that corrected only 23% since the S&P 500 had a much smaller decline. Market corrections form new bases and new leaders so you don't want to miss market turnarounds.

America relentlessly creates new innovative, entrepreneurial superwinners every cycle. Once you spot them, you must always

Qualcomm Weekly Chart



If you lived in San Diego, you should have known about it. The San Diego Union-Tribune published five stories on the company before the perfect cup with handle formed. If you had learned how to read chart patterns, you could have spotted the pattern regardless of where you lived.

There are small cups usually seven weeks or more, midsize cups and big cups. But the shape is the same and you can learn to recognize it. Qualcomm was a 24-week cup. Top to bottom measured 42% because it was a more

use a checklist to make sure the stock has strong earnings and sales. That's essential.

Once bought, when do you sell? Let the stock tell you. Once you think you possibly have a big winner because it's one of your best performers, you could hold until your stock either closes the week on huge volume and materially below its 10-week moving average, or has a climax top.

Key facts publicly known at time of first buy point:

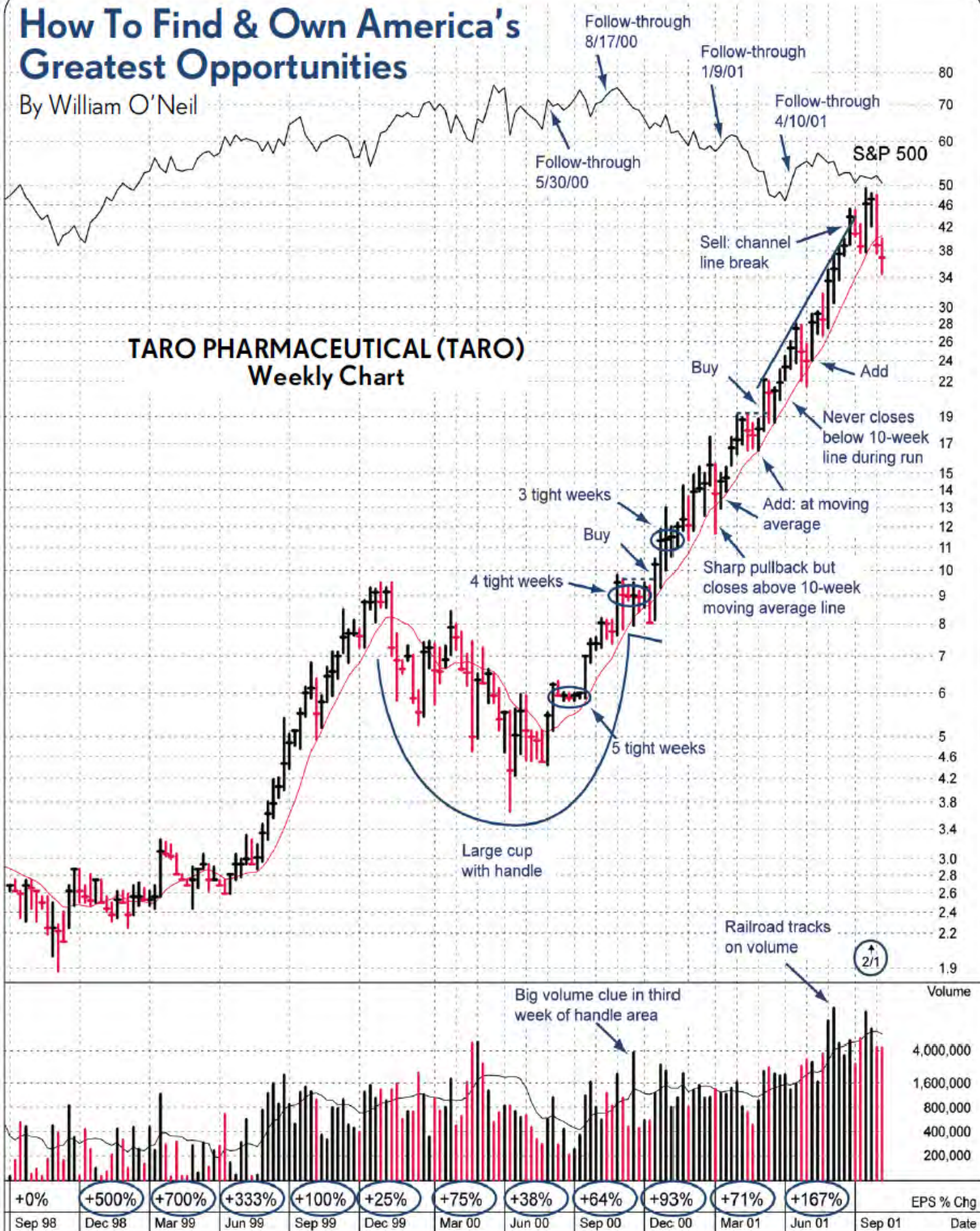
- Last 3 years EPS \$0.30, \$1.28, and \$1.70, averaging 79%

annual EPS growth

- Last quarter earnings +29%
- Last 3 years annual sales growth +99%
- Last quarter sales +54%
- Relative Price Strength 81 and Accumulation/Distribution A
- % of sales used for R&D: 10.4%
- Cash flow was 2 times EPS and no debt
- Next year annual estimates +50%
- Jeff Vinik, a sound hedge fund manager, bought 300,000 shares as a new buy
- Management owned 13%

How To Find & Own America's Greatest Opportunities

By William O'Neil



Taro Pharmaceutical was an Israeli company that manufactured and sold mainly dermatological pharmaceuticals in North America and Israel.

Taro spent 14% of sales on research and development and in the three years prior to 2000 produced an annual earnings growth rate of approximately 100%.

It was one of the rare exceptions of a stock that advanced over 40 weeks while the S&P 500 was descending into a bear market. Ge-

neric drugs were a way for consumers to save money during a recession, plus Taro's earnings were growing.

Lorillard, which sold Kent cigarettes in the 1957 bear market, was a similar early example that began a 50-week advance because it had something that at the time gave it a needed edge. Its new product was a filtered cigarette. It was supposed to overcome cancer fears from smoking and it was, as a result, selling more product.

Taro broke out of the large cup-with-handle base in October 2000 and never closed below its 10-week moving average price line until it finally topped. It provided several opportunities when investors could add to their holdings in the stock as it met and rebounded off the 10-week moving average line.

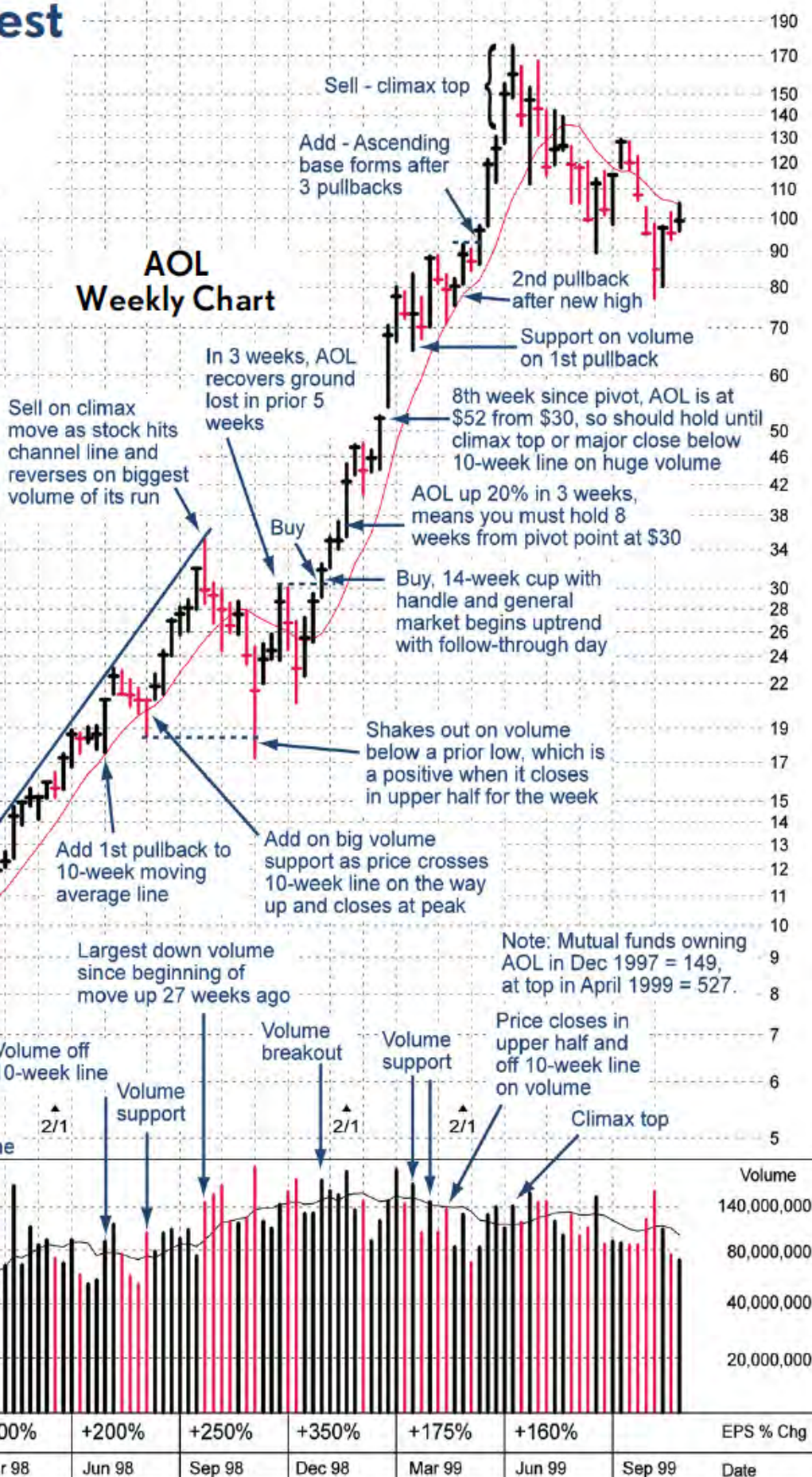
Outstanding stocks almost always give you additional bases or right times to buy if you missed your first opportunity, as long as you are patient and pay attention.

How To Find & Own America's Greatest Opportunities

By William O'Neil

America Online was an early innovative leader in online services. Incorporated in 1985, the company had its IPO in 1992. The Internet was the latest new industry during the 1990s, and AOL was one of the few showing amazingly rapid sales growth and profits. Many companies were losing money and many later went bankrupt.

In any new industry you always want to buy the true leaders, those with the best products, sales and earnings. You don't need to buy a company that's losing money and



hopes to make it in the future. Knowing is always better than hoping. AOL zoomed from a split-adjusted \$12 to \$175 in just 15 months.

Your job is not just to be right, but also make significant money when you are right. It's critical to have and follow proven rules at every stage of a stock's move, so you don't have to go by how you feel or your personal opinions.

Notice how we're buying only off of specific price and volume patterns and only stocks with big

increases in sales and earnings, plus sponsorship.

Note also, after initially buying as a stock emerges from specific patterns, you have rules to hold until certain defined things happen before you sell. This removes a lot of personal emotions from your decisions.

The more proven rules and principles you know and follow, the more your overall results should improve. Anyone should be able to learn how to follow sound rules — if you are motivated and deter-

mined. Investing isn't always easy, but the big opportunities are there every cycle.

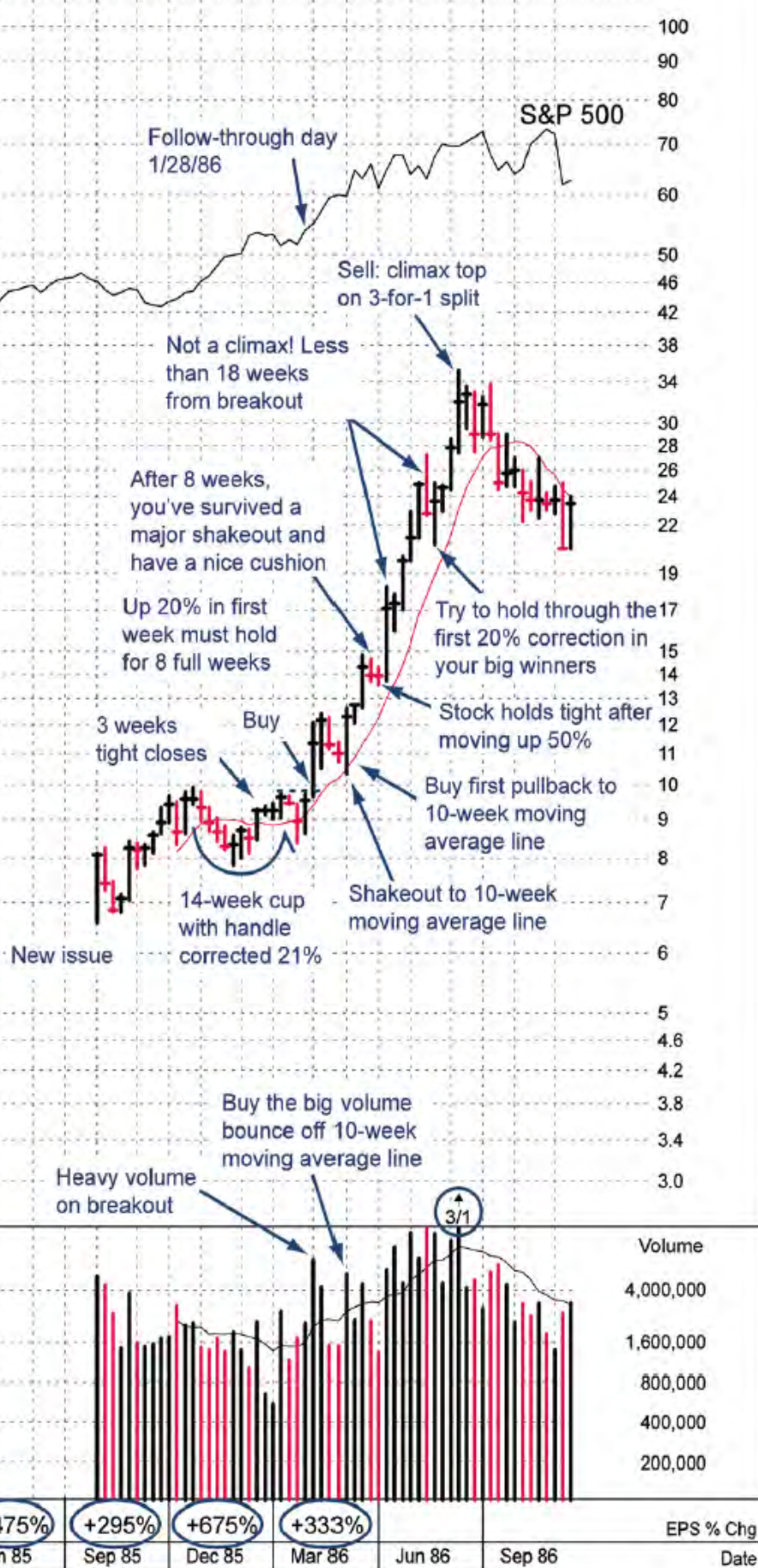
Here are the vital fundamentals available to everyone in January 1998:

- Last 3 years sales \$394 million, \$1.1 billion, \$1.7 billion
- Last quarter EPS +50%
- Last quarter sales +49%
- Beta 0.76 Alpha 5.76
- Number of funds owning AOL up each of last 3 quarters
- Fidelity, Alger and Zweig all owned AOL

How To Find & Own America's Greatest Opportunities

By William O'Neil

REEBOK Weekly Chart



Before the 14-week cup-with-handle buy point, Fidelity Magellan and Twentieth Century growth funds were on record as taking a new position in Reebok. The sneaker maker's prior four quarters of earnings were up 450%, 543%, 475% and 295%. Sales were also up a similar percentage. The after-tax profit margin was 13.3% and return on equity was 161%. Up/down volume in the week before the buy point had jumped from 1.1 to 1.5. Kidder Peabody was the investment banker.

From the buy point shown, Reebok more than tripled in just 19

weeks. It was a new company incorporated in 1979 that designed and sold high-quality athletic shoes manufactured to its specifications in South Korea. In 1982, Reebok introduced the first athletic shoe specifically designed for women. This coincided with the emerging popularity of "aerobics" as a fitness exercise. Athletic shoes were also becoming used by adults for more than just exercise, as they became accepted apparel for casual, everyday use. Tennis, fitness and running shoes accounted for 47% of sales. The stock

came public in 1985, and in 1986 Reebok completed a strategic acquisition of the Rockport Co.

The P/E ratio expanded from 15 to 24 during the rapid price run-up that resulted from Reebok's huge sales and earnings-per-share growth rate.

Due to America's unlimited freedom, young new companies with unique, superior new products and services continue to pop onto our market scene.

Save all of these weekly IBD models and you'll better come to know the vital facts you must look for in future winners.

How To Find & Own America's Greatest Opportunities

By William O'Neil

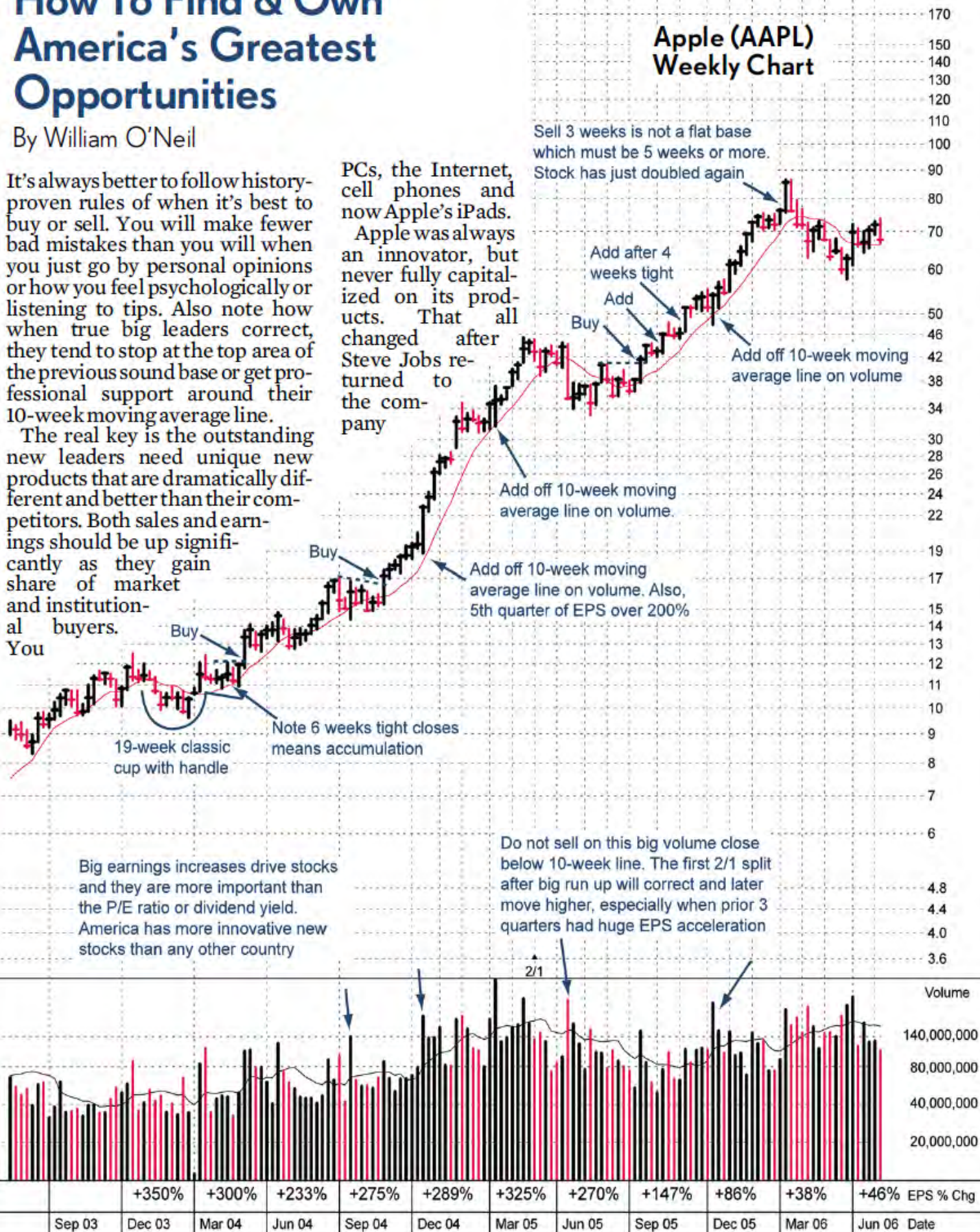
It's always better to follow history-proven rules of when it's best to buy or sell. You will make fewer bad mistakes than you will when you just go by personal opinions or how you feel psychologically or listening to tips. Also note how when true big leaders correct, they tend to stop at the top area of the previous sound base or get professional support around their 10-week moving average line.

The real key is the outstanding new leaders need unique new products that are dramatically different and better than their competitors. Both sales and earnings should be up significantly as they gain share of market and institutional buyers. You

PCs, the Internet, cell phones and now Apple's iPads.

Apple was always an innovator, but never fully capitalized on its products. That all changed after Steve Jobs returned to the company

Apple (AAPL) Weekly Chart



could in time become financially independent if you really study and work at how to find and own the free enterprise system's very best companies.

Each of the last 27 new market cycles was led by either new inventions or innovative new businesses. From covered wagons to the steamboat, to railroads then cars, the airplane, jet airliners and spaceships. From pen and ink to the telegraph, light bulb, telephone, typewriter, camera, the radio, TV, credit cards, discount stores, semiconductors, the "pill," lifesaving drugs and medical operations, mainframe computers to

and unleashed a stream of new technological advancements in music, mobile phones and tablets.

You are free to buy and prosper from each cycle's new innovative companies.

Pay attention to where you, your kids and friends shop and what you buy. If these innovators have stock, check them out carefully. Learn how to invest more wisely. Protect yourself with more knowledge and skill. You may surprise yourself if you're determined to benefit from this country's never-ending creation of future new market-leading companies.

Key data publicly known at time

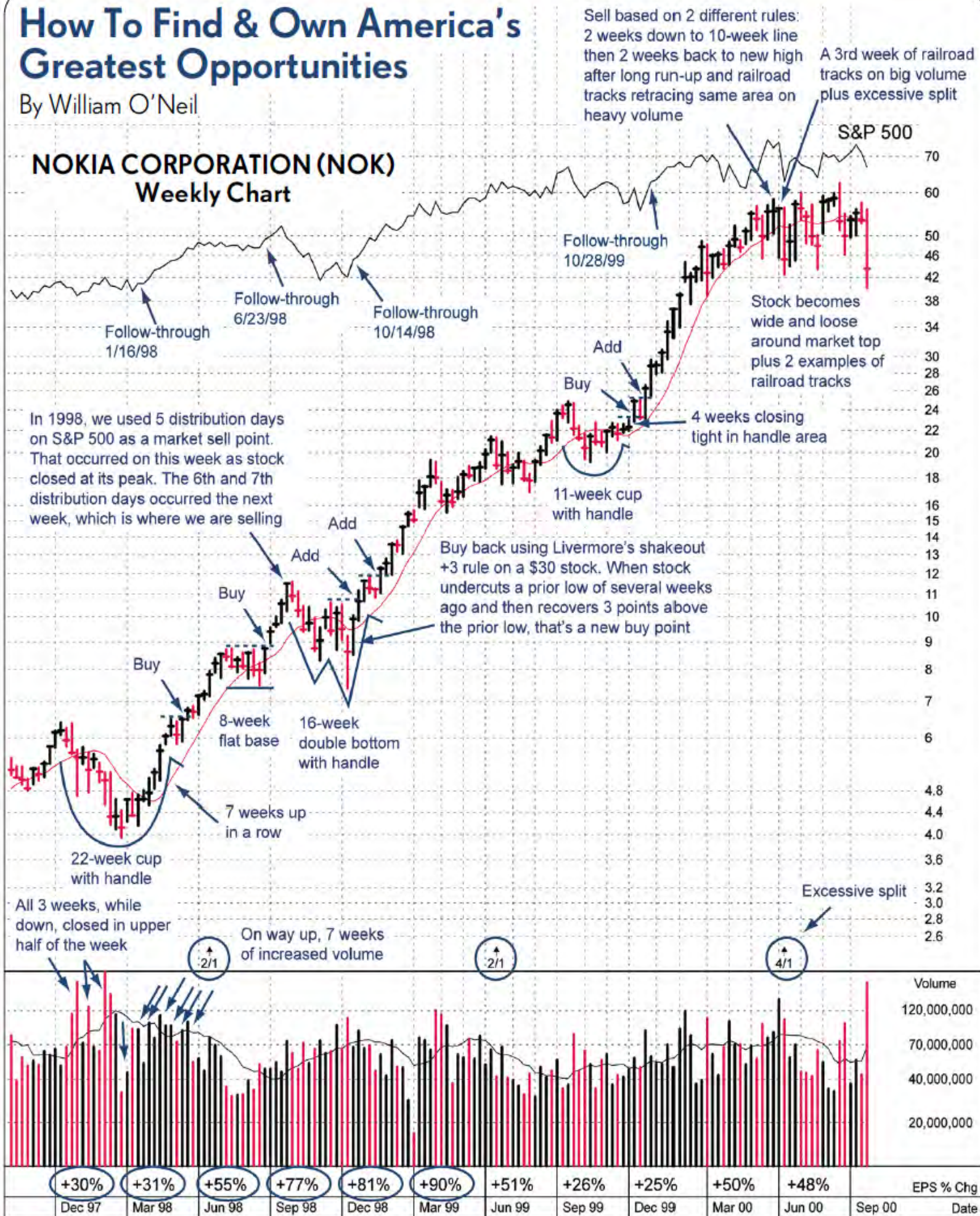
of first Apple buy:

- Stock is a turnaround: Last 2 quarters EPS +300%, +433%
- Quarterly sales accelerate from -1%, to +8%, +19%, +36%
- Up/Down volume 1.4, a new high
- R&D 7.6% of sales
- No debt
- Management owns 4% of stock
- Next year EPS estimate +130%
- Sponsorship, 3 top Fidelity funds took new positions of over 2 million shares each
- Last quarter 14% above EPS estimates
- P/E ratio 72

How To Find & Own America's Greatest Opportunities

By William O'Neil

NOKIA CORPORATION (NOK) Weekly Chart



Nokia was the world leader in mobile phones from 1998 to 2012. Earnings growth accelerated from 30% in December 1997 to 90% in March '99. Sales growth accelerated from 9% in September 1997 to 74% in December '98. Annual return on equity grew from 31% in 1997 to 40% in '99.

In July 1994, Nokia had its IPO at \$20.25 and reached a peak of \$103 by March 1998. That's the date that shows the 22-week cup with handle and your initial buy point. The buy point of \$6.75 was adjusted down to reflect two stock splits of 2-for-1 and one split of 4-for-1.

Nokia's P/E ratio was 26 at the start and ultimately expanded to a

peak of 90. The EPS Rank was 95, and the up/down volume was 1.6. Jeff Vinick, a former top Fidelity money manager, had just bought 173,000 shares for his newly formed company. More than 200 mutual funds owned 14.4% of Nokia's stock. Nokia advanced nearly 10 times in just 24 months.

Let's be realistic: You won't get anywhere in any field unless you have a strong desire to learn what you need to know to succeed in that field. That applies to stocks. If you have the desire to improve, here's what I think you should consider doing:

1) Read a sound book on the market. A new one just out is "How to Make Money in Stocks: Getting

Started," by Matthew Galgani.

2) Get access to a weekly chart service and learn to recognize base patterns and buy points.

3) Follow buy and sell rules to take most of your profits when up 15%, 20% or 25%, and sell and cut all your losses when down 7% or 8% (don't jump the gun and sell when only down 2% or 3%).

4) Buy stocks with the best fundamentals and an IBD Composite Rating of 95 to 99 when the general market is in an uptrend. (The Big Picture column in IBD every day will tell you if the market is in a confirmed uptrend or in a correction.)

5) Keep studying, learning and getting better prepared.

How To Find & Own America's Greatest Opportunities

By William O'Neil

McDonald's in the early 1950s created the new "self-service fast-food revolution" with 15-cent hamburgers and 8-cent french fries ready almost instantly for takeout.

I used to go to the third McDonald's that opened in America. It was in Reseda, Calif. I had just left the Air Force and was a green-horn too young to recognize the immense potential of this new entrepreneurial retailer that was right before my own eyes, but at least I could afford the product back then.

When the 1966 bear finally ended, MCD was one of the first stocks to break out of a 26-week cup-with-handle pattern that formed in the poor market. (You'll see this happen over

high doesn't mean it can't build, after a sharp general market correction, a sound new pattern creating another opportunity. The good chartist stays on the job every week, increases his or her skill and will therefore spot the new opportunity when it finally reappears. 2) Now, here's a super lesson. After McDonald's stock was sold in May 1972, due to our channel line rule, it underperformed for years. But on January 19, 1982, a

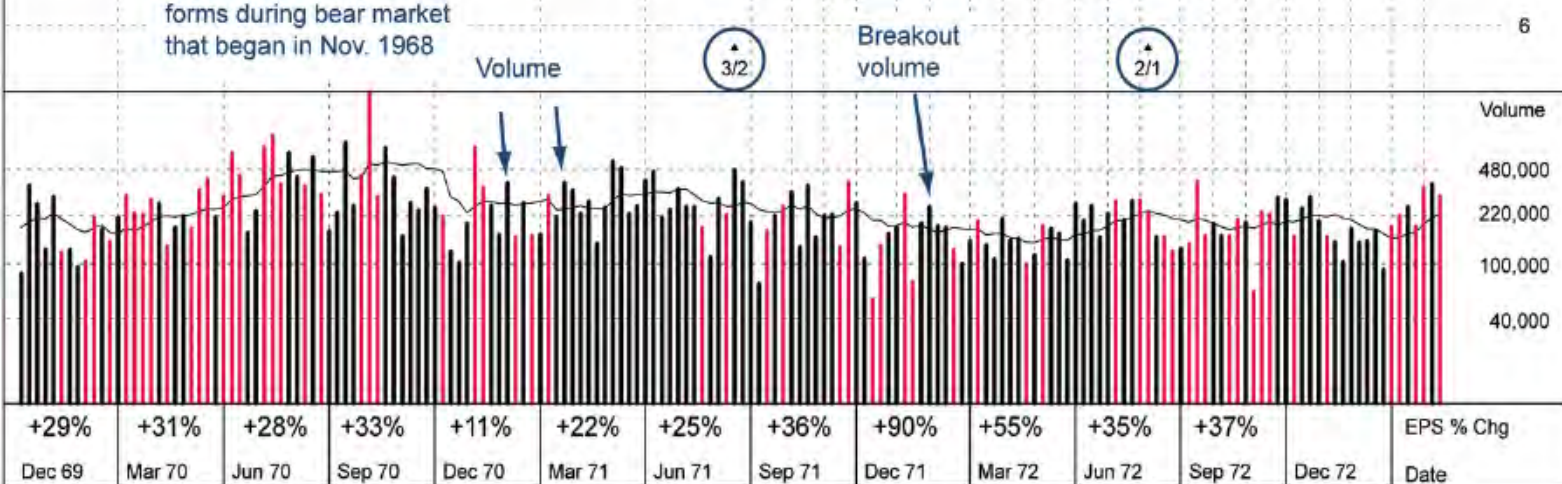
patterns with skill (which you can do) and always combine charts with outstanding fundamentals, sales, earnings, and return on equity, etc., the market will tell you when it's time to take action. If you just go by your personal opinion about all the news events, you'll probably make more mistakes.

Our channel line rule is to sell a stock after it emerges from a sound base, advances significant-



McDonalds (MCD)
Weekly Chart

ly and shows three price peaks spread over 20 weeks. The weeks must be plotted with ample space between each peak and the straight line you plotted gets penetrated on the upside. Acting on this is completely contrary to human psychology. Typically, you'll be happy as a lark and think the stock is going a lot higher. That's why the rule works.



and over in each new bull market.) It soared 500% in only 34 months in the 1967-68 bull market.

Later, MCD formed a new, but longer, cup-with-handle pattern in the 1970 bear. It advanced from a split-adjusted \$15 to more than \$60 in just 18 months, once the bear turned up into a new bull market. You can see this on the annotated chart with this story.

The example has a few lessons: 1) Just because a unique new company moves up in price and seems

new base formed and MCD increased an incredible 35 times until a top in 1999. Surely you must either have known about MCD during that time or used their product. Did you ever think about buying the stock? Four years after the 1999 top, MCD roared up again and tripled, creating a 100-fold move from 1981! There isn't room on this page to show a 35-fold move, but in a future week, we'll show you that period on a monthly chart.

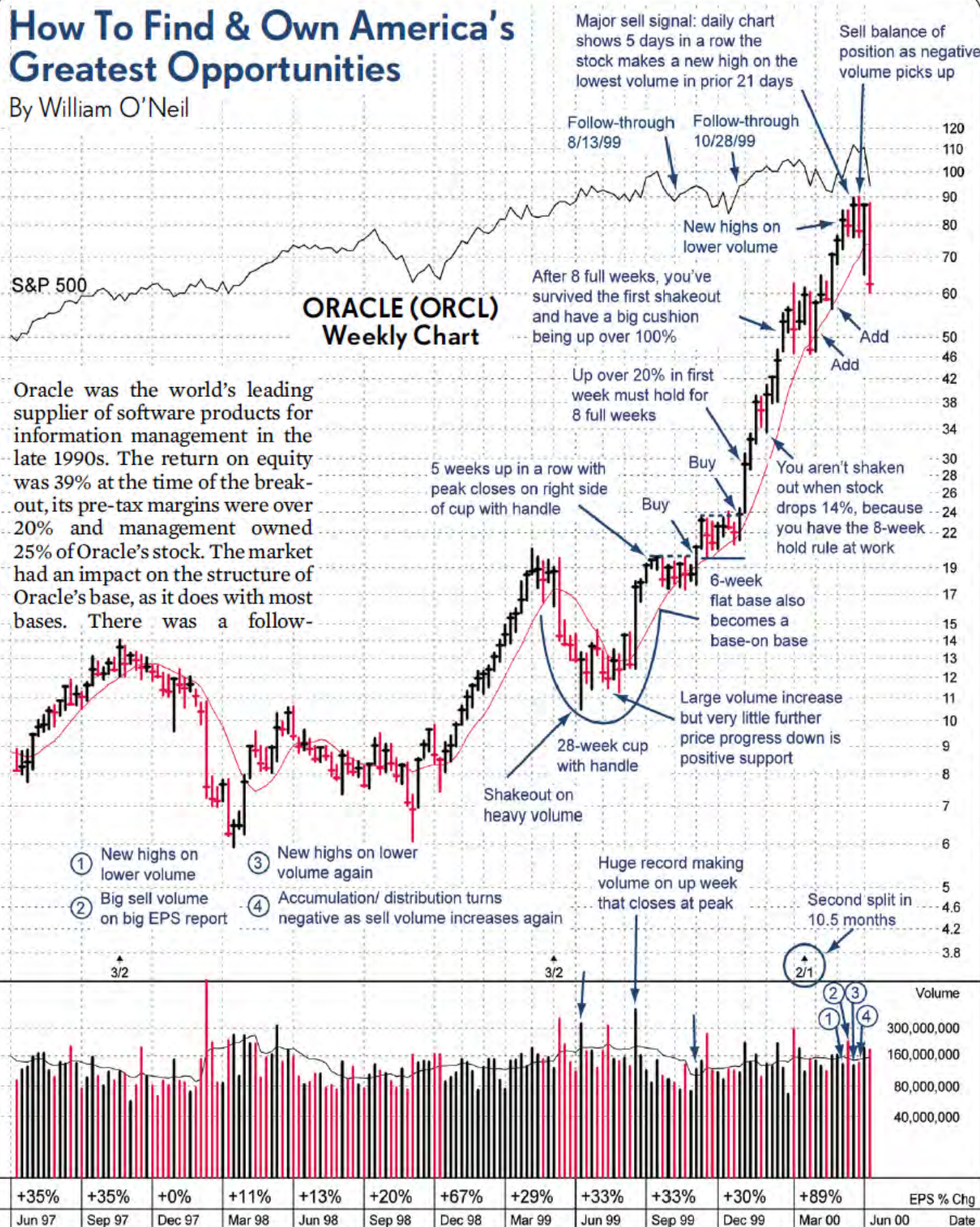
If you learn to read classic chart

Here are MCD key facts known to investors in November 1970:

- 16 qtrs. steady earnings growth
- Annual EPS growth rate 27%
- Last 3 qtrs. EPS +31%, +28%, +33%
- Annual Sales growth rate 31%
- Top growth funds then owned MCD: Magellan, Security Equity, Invest, Colonial Equity
- 49-week cup-with-handle base
- Breakout daily volume up 176%
- #1 in field, lowest prices
- Nearly everyone buys hamburgers
- Bull market began 2 qtrs. ago

How To Find & Own America's Greatest Opportunities

By William O'Neil



through day on Aug. 13, 1999, that ultimately failed. Remember, no major bull market has started without a follow-through day, but not all follow-throughs work. Oracle broke out of its 28-week cup with handle shortly after. As the market started making new lows in the fall of 1999, Oracle resisted the downward pressure and held relatively tight. It made a six-week flat base without giving up much ground and remaining above the pivot buy point of the cup with handle. When the market had a follow-through day on

Oct. 28, Oracle broke out immediately.

Keep in mind, negative news led to reasons not to believe in a market rally. The market had already had a strong move, and Y2K was right around the corner. People feared that a worldwide havoc in computers could produce problems. This is why it pays to always watch the market itself instead of going by your personal fears, hopes or the opinions of the media or "experts." If you waited until after the New Year to purchase any stocks, you would have

missed out on some outstanding moves.

Oracle's profit kept growing, and when the stock finally topped, the firm's quarterly earnings were up 89%, the best in years. However, the market was showing major signs of distribution and leading stocks were going through climax tops. It would have been easy to point to Oracle's great fundamentals as a reason to hold it, but it usually doesn't pay to argue when technical sell signals are flashing. The stock eventually dropped 84%.

How To Find & Own America's Greatest Opportunities

By William O'Neil

Priceline.com (PCLN)
Weekly Chart

Priceline.com was incorporated in 1997 and had its IPO in March 1999. The online travel site lost money initially and its price collapsed in the 2000 major decline in the general market. However, its service was totally unique and led to a dramatic earnings growth rate from 2001 up to its first buy point in 2006 and beyond.

You've no doubt seen Priceline.com's TV ads persuading you to just "name your own price" for hotel rooms, air travel and auto rentals at discounted rates. Did you also then check into the company to see if it had stock you could buy? Did you have a

Priceline completed its pattern and broke out on the eighth week of the new market up-trend ... and went up 250% in one year and 11 weeks.

So, you need solid buy rules for

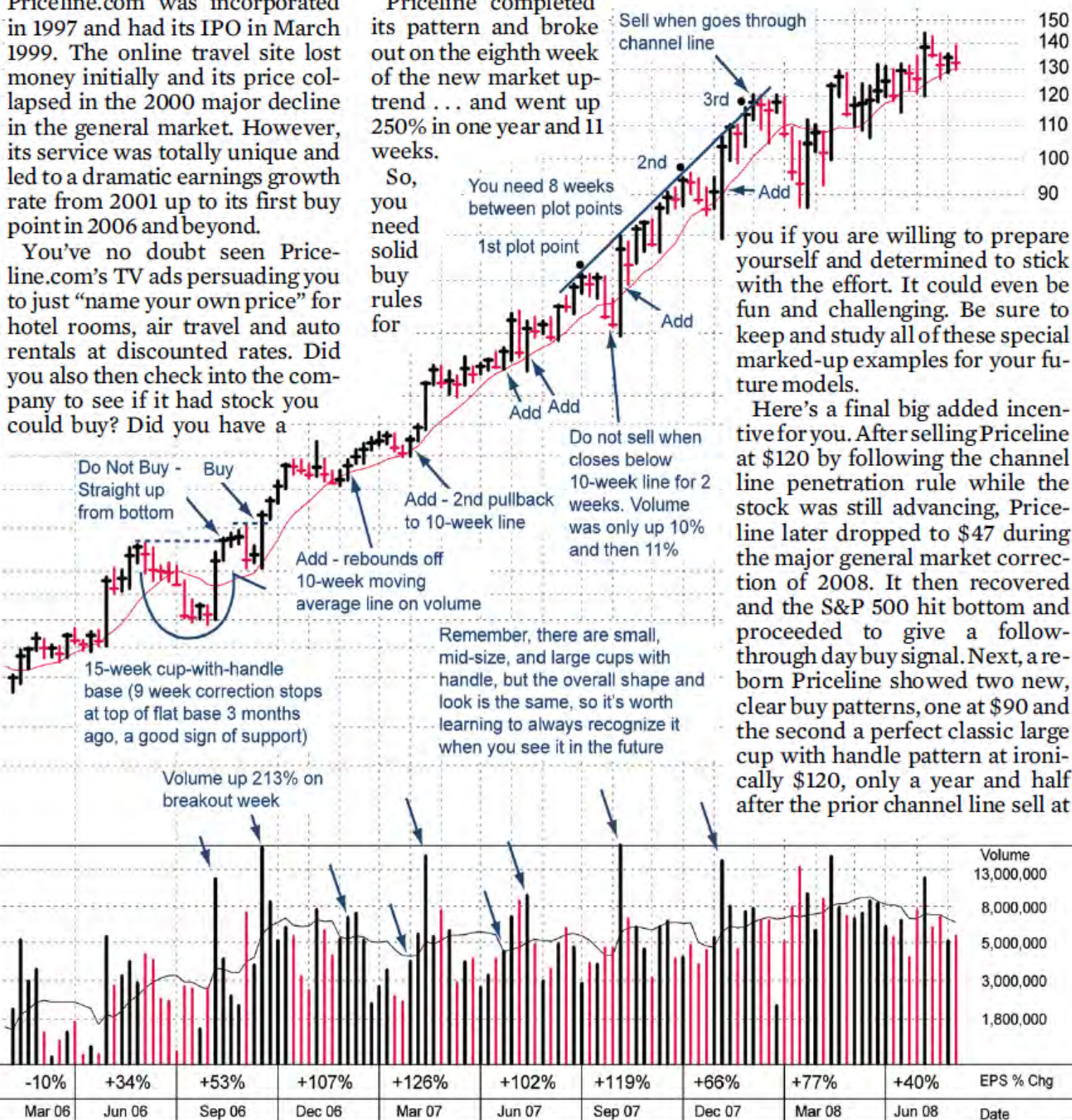


chart service you checked every week so you would not miss this great pattern that's been repeated over 100 times in the past?

Did you notice this company also had a 98% average annual earnings-per-share growth rate? As of late 2006, Priceline had booked 2.8 million airline tickets, 18.7 million hotel room nights, and 7.5 million car rental days.

This first 15-week classic cup with handle chart base was also created during a three-month correction in the S&P 500, which is how most classic bases are formed. Were you tracking charts every week during the market correction so you were on the job when the S&P 500 had its follow-through day the end of that June?

the very best stocks that include the vital fundamentals and chart patterns, plus rules for the dissection of key general market indexes and finally rules that tell you to stay in and not be shaken out until crucial proven sell rules tell you it's time to sell.

Don't ever let yourself be discouraged and give up. These rules can be learned and if you are serious and work to better prepare yourself you can learn the necessary steps. Remember every new cycle is led by new innovative companies.

You've seen many in the past but probably didn't know how to fully capitalize on them. You will see many more in the future so don't lose your confidence. It's all up to

\$120. Priceline then soared from \$120 to \$774 for a new 545% advance.

If you're curious, you can calculate what a 545% advance on top of a 250% increase adds up to.

Vital facts known at the \$35 buy:

- Stock was up 5% on 9/22/2006 on volume 960% above average
- Annual earnings growth +98%
- Return on equity 20%
- Management owns 36%
- Last quarter EPS +34%
- After tax margin 7.5%
- 3 qtrs. rising fund ownership
- Jeff Vinik owned 1.1 million shares
- Goldman Sachs as investment banker
- Relative Price Strength 90

By William O'Neil

By William O'Neil

Add as it comes back over moving average line and volume increases

Add after 1-week
handle shakeout

Another buy point

Initial Public Offering
February 16, 1990

Add

9 weeks up in a row with big volume
forecasts a giant potential future for Cisco
stock and its 100%+ earnings report

Buy using Jesse Livermore's Shakeout + 3 rule. After stock undercuts low and then comes back above it by 3 points you can buy. Stock was \$25 at the time (prices are adjusted for 3 splits)

Huge volume

Add as it gets close to moving average line and bounces back with volume picking up

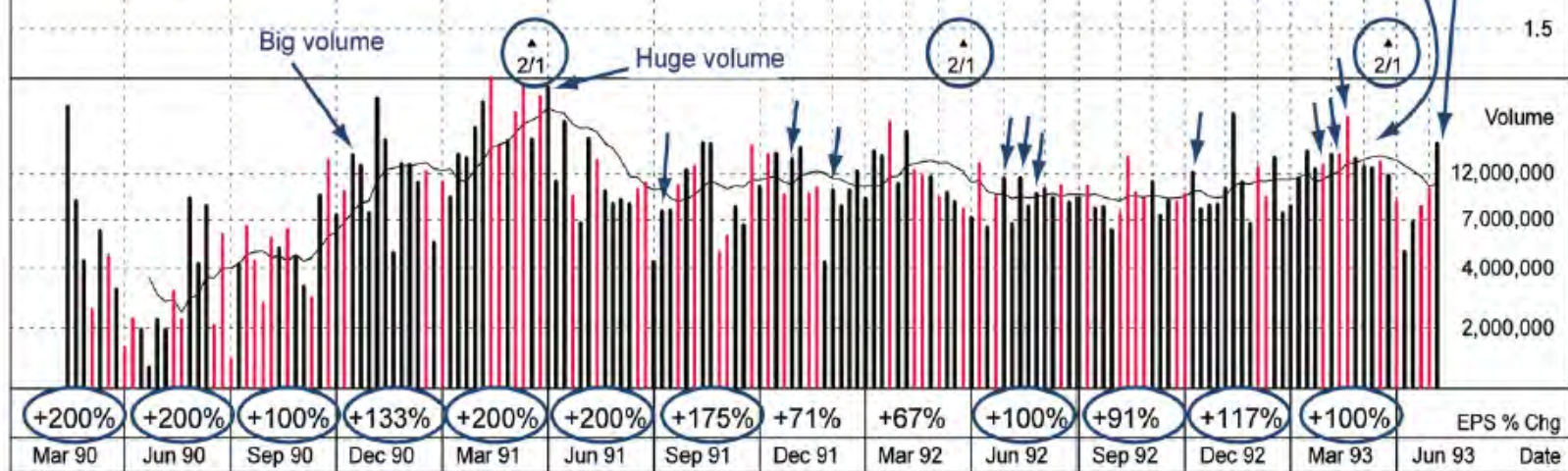
CISCO SYSTEMS (CSCO)

Buy at \$6.60 (Livermore rule on \$30 stock as it undercuts low and recovers 3 points it becomes a buy. Stock was \$26.50 at the time adjusting for 2 splits)

Cisco continued to build multiple bases before eventually topping in March 2000. From the initial buy point, it went up over 75,000%!

Straight up from
bottom to new highs
in just one week

Less volume
on 3 weeks u



The huge demand for Cisco's products made for a strong fundamental story. At the time of its first breakout, Cisco already had nine quarters of triple-digit earnings growth and even more quarters of sales growth. The return on equity was 36% and the pretax margins were 34%. Cisco's industry group at the time, Computer — Peripheral Equipment, was ranked No. 28 out of 197 industry groups. The stock's Relative Price Strength Rating was 97. All the im-

Cisco went on to make a huge move as the Internet grew in the mid- to late 1990s. It kept up with rapid changes in technology with frequent software upgrades. This gave Cisco an edge in a quickly

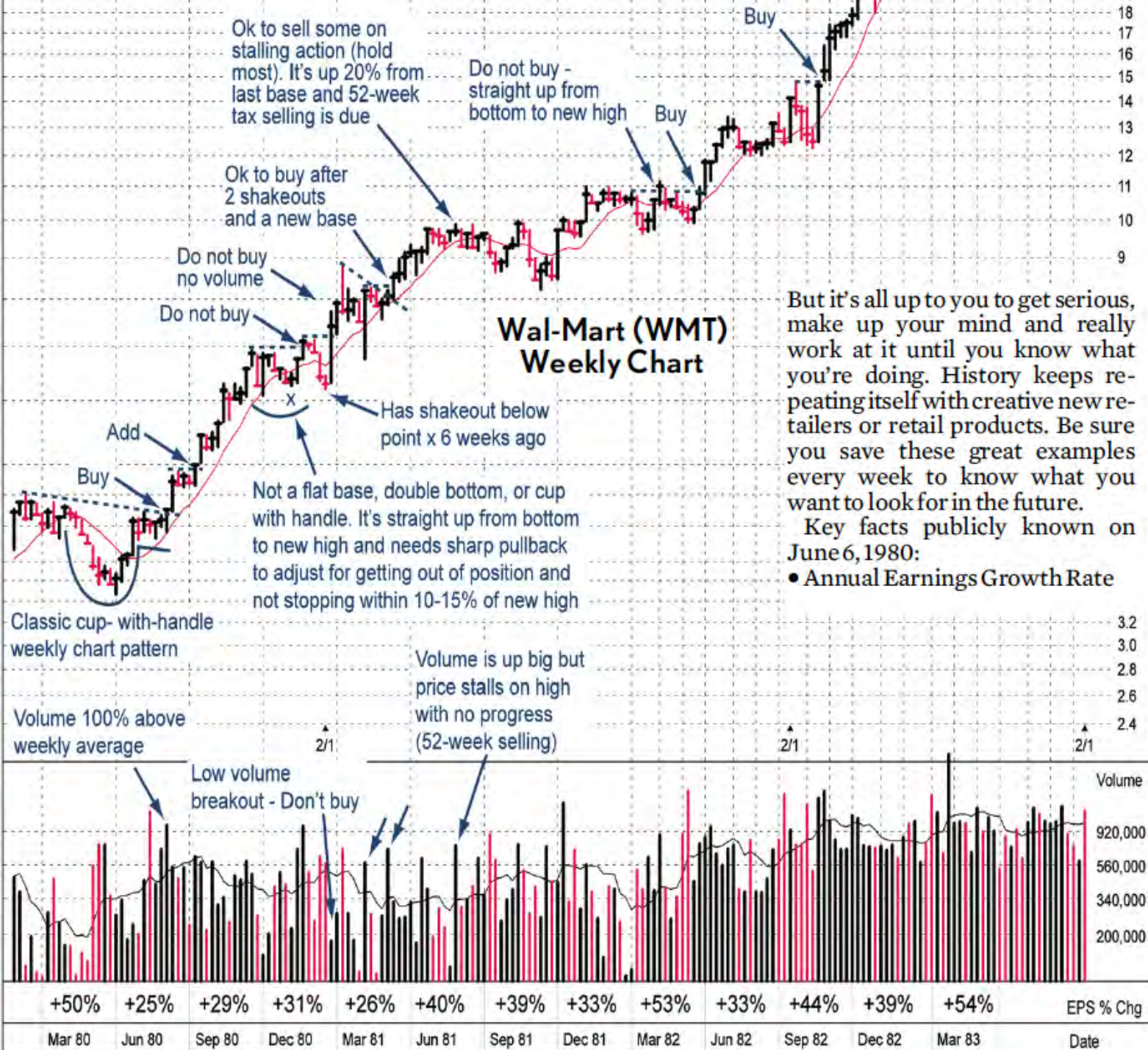
evolving environment. At its peak in March 2000, Cisco was the most valuable company in the world and had seen a 75,000% move in 10 years. While it may have been difficult to catch that entire move, there were 12 different opportunities to buy the stock during the first 27-month run-up, plus another 12 buy opportunities 22 months later when Cisco formed a new, large cup with handle that broke out in March 1995. Just catching a small portion of the move would have been sufficient to change your whole life.

How To Find & Own America's Greatest Opportunities

By William O'Neil

Wal-Mart had its first public offering of stock on Oct. 1, 1970, at \$16.50 and was traded over the counter. It then only had about 800 shareholders. If you were aware of the company, and believed in it and bought just 100

There are now approximately 9,000 Wal-Mart/Sam's stores in 14 countries. It is the largest retailer in the world, having created a million jobs. And Wal-Mart's lower prices materially enabled the broad-based masses to im-



But it's all up to you to get serious, make up your mind and really work at it until you know what you're doing. History keeps repeating itself with creative new retailers or retail products. Be sure you save these great examples every week to know what you want to look for in the future.

Key facts publicly known on June 6, 1980:

- Annual Earnings Growth Rate

shares for a cost of \$1,650 then, by 1992 it had nine stock splits and you would have had 51,000 shares worth about \$60 per share, or \$3 million.

But that's not all. From 1993 to 2000, Wal-Mart had two more splits, and from early 1997 to the end of 1999 the price of the stock increased in value another four times, so your original \$1,650 investment would be worth \$12 million. That's astonishing!

From 1970 to 1980, the discount retailer's sales doubled every two years, and stores increased from 23 to 51 to 78 to 135 to 195 to 276.

prove their standard of living.

So over that 30-year period, did you or any of your friends or family members ever shop at a Wal-Mart or know about it? Did you or your friends or neighbors recognize this enormous opportunity and buy Wal-Mart stock? For years, Wal-Mart grew earnings 35% per year on average.

My purpose is to get you to think about and recognize the next round of amazing new innovative companies that show up in each new market cycle. This has been going on for 100 years, and it could just change your whole life.

1971-75 = 34%, 1976-80 = 36%

- Wal-Mart for last 10 years consistently grew average annual earnings at a rate of 35%
 - Return on equity 26%
 - Next-year earnings estimate 34%
 - P/E ratio 12
 - 195 discount stores in 10 central and southern states with plans to increase stores 17% next year
- Join William J. O'Neil on Aug. 11 in Los Angeles as he provides in-depth analysis and the story behind some of the greatest model stocks. Learn more at Investors.com or call 1-800-664-2013.

How To Find & Own America's Greatest Opportunities

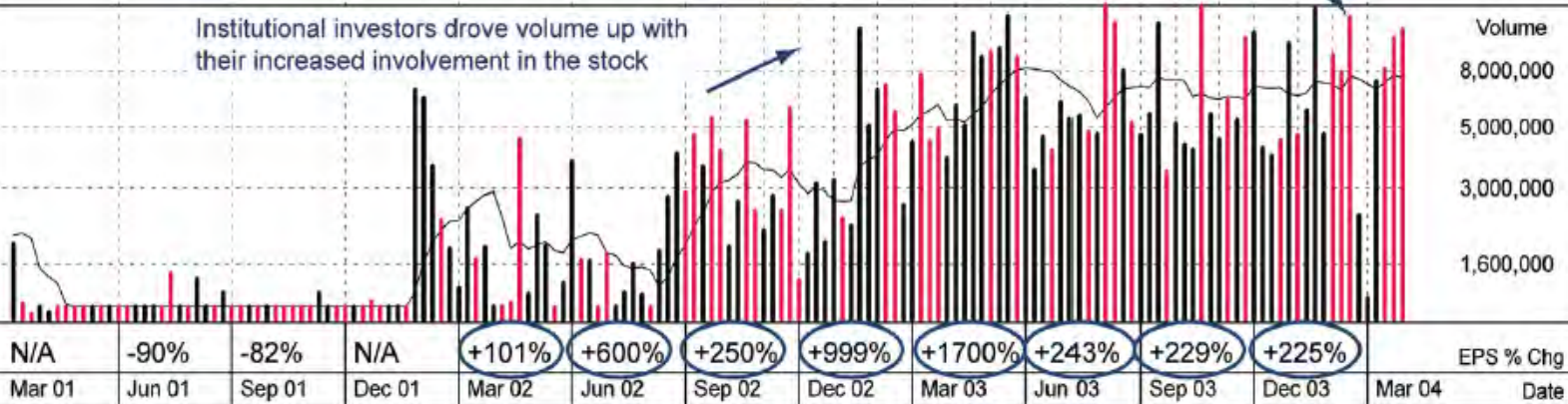
By William O'Neil

Omnivision Technologies specializes in digital imaging devices. In 2003, there was a growing market for its chips for use in digital cameras, mobile phones and personal



Institutional investors drove volume up with their increased involvement in the stock

Volume increased 63% on close below 10-week line and diminishes on attempt to rally back



computers that had digital imaging as an added feature. In the six months prior to the breakout, Omnivision announced contracts to provide chips for use in Sony Ericsson's clip-on camera accessories and Hewlett-Packard pocket PCs.

At the breakout, earnings growth was in the triple digits for the last four quarters, accelerating from 101% to 999%. Triple-digit earnings growth continued all the way to the top, which goes to show you the importance of using a chart for selling — the earnings will often look great at the top. Quarterly sales accelerated

for four quarters, from 23% to 206%. After-tax margins for Omnivision Technologies were at their highest ever at 15% for the quarter before the breakout. Institutions were also taking notice of the stock, with six quarters of growth in the number of funds owning the stock. This is also shown on the chart with the huge increase in average weekly volume, from under 1 million to almost 8 million shares trading per week.

Omnivision had previously formed bases that were wide and loose, with corrections over 50%.

The base shown here was tighter, only correcting 32%. There was also an improvement in the market condition as the market was recovering from the tech bubble of 2000 and a 79% correction in the Nasdaq Composite. You need to pay attention, even when conditions are horrible. By recognizing the stocks that are forming sound base patterns with strong fundamentals, you'll be able to act quickly when the timing is right.

Omnivision was one of the top stocks to appear on the IBD 100 (now the IBD 50) when that feature debuted.

How To Find & Own America's Greatest Opportunities

By William O'Neil

STORAGE TECHNOLOGY (STK) Weekly Chart



mainframes at a cheaper price than IBM's. The stock went public in 1971 and was listed on the New York Stock Exchange in 1975.

By the end of June 1976, the company had six quarters of earnings growth above 20%. Earnings accelerated from there, reaching 78% growth in June 1977.

Sales growth also accelerated during that time, going from 24% quarterly growth in June 1976 to 72% in June 1977. Return on equity was 19% for the fiscal year end-

ing in 1976 and 22% in 1977.

Nothing lasts forever. The stock peaked in 1981 and ran into financial trouble after over-extending itself. The company filed for Chapter 11 bankruptcy in 1984 and although it came out of it successfully under new leadership, the stock never reached the same heights it saw in 1981.

It is critical to realize when it's time to part with a stock, no matter how much money you've made on it. The American financial system is constantly creating

new innovators to replace the old maintainers.

By holding a stock just for its run and then moving on, you never run the risk of blindly keeping a stock through long periods of underperformance.

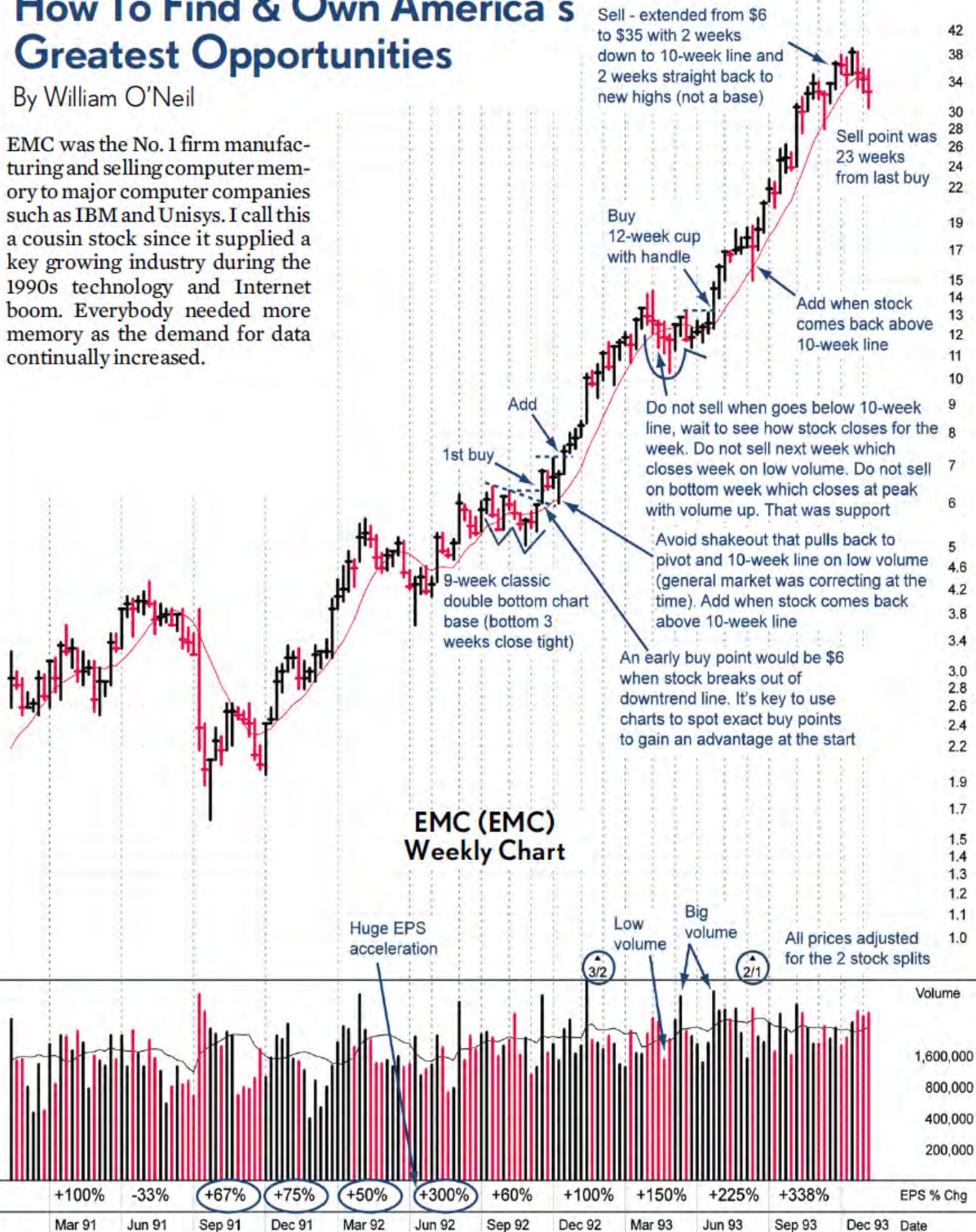
Selling on the way up, as in this example, is often helpful in getting out of a stock.

You may not get out at the very top, but once the move downward starts the stock can often pick up speed very quickly, destroying your hard-earned profits.

How To Find & Own America's Greatest Opportunities

By William O'Neil

EMC was the No. 1 firm manufacturing and selling computer memory to major computer companies such as IBM and Unisys. I call this a cousin stock since it supplied a key growing industry during the 1990s technology and Internet boom. Everybody needed more memory as the demand for data continually increased.



Earnings accelerated over four quarters with the current quarter up a huge 300% and sales up 38%, just before the buy point. EMC also spent 7.5% of sales on R&D. The number of mutual fund owners increased the last two quarters and Relative Strength was 94 at the buy point. It was a new issue six years earlier.

EMC also created a base on top of a base, which was made by the prior base breaking out during the start of a market correction.

Looking at many stock charts every week is how you will learn to

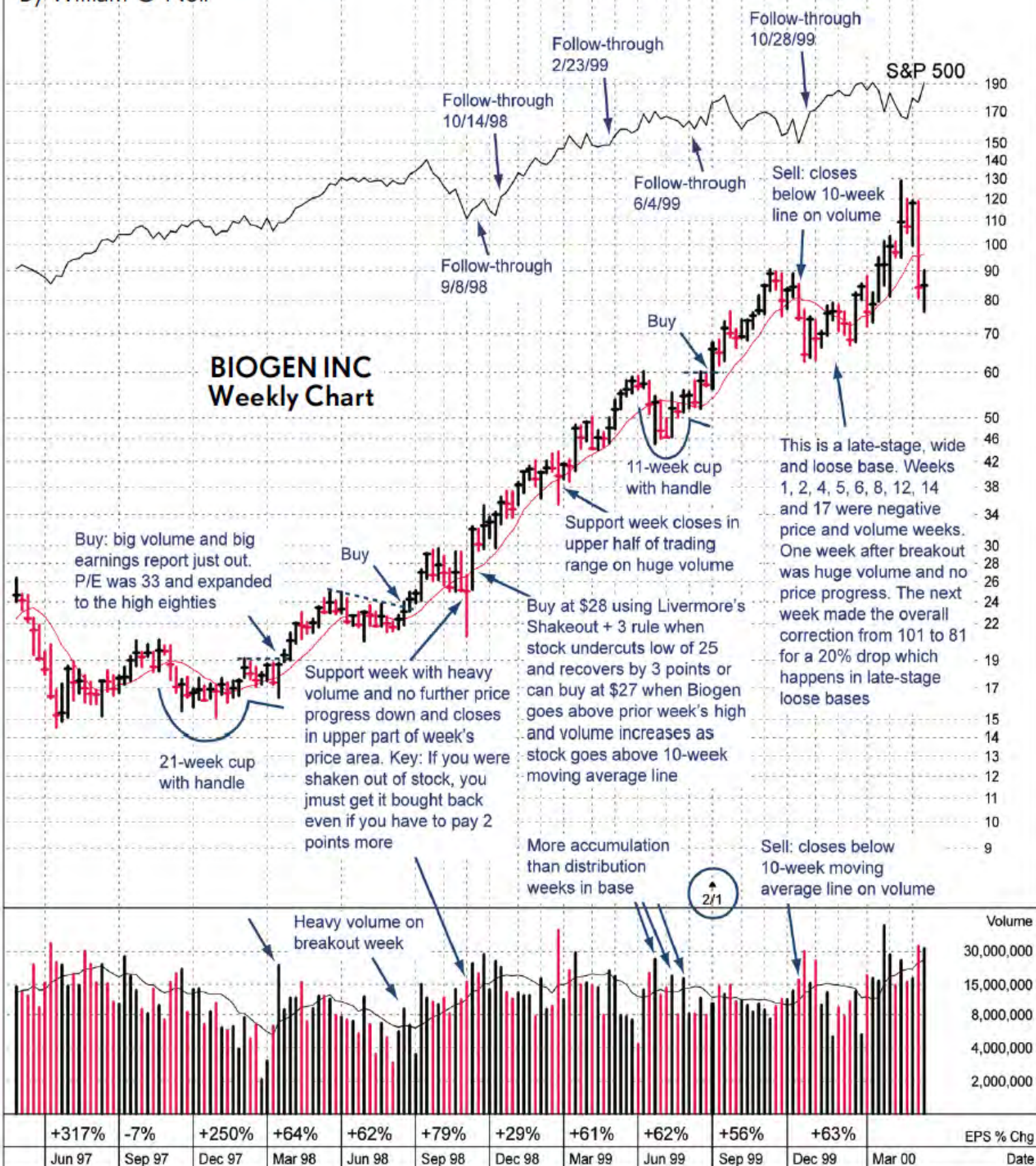
spot many sound bases when they complete their formation. As soon as you recognize these new bases, you should check out all the vital fundamentals: strong EPS, growing sales, healthy profit margins, heavy sponsorship, etc. Ask yourself: What does the company do? Is there a unique new product that is accelerating sales? Read an IBD company story on Investors.com, or run a Stock Checkup. You're looking for the top 1% or 2% of companies, so you want to make sure there aren't any defects.

Vital facts known publicly at the first buy point:

- Last 4 quarters earnings grew +67%, +75%, +50%, +300%
- Recent sales +38%
- Pretax margins +9%
- More fund owners in last 2 quarters
- New issue 6 years ago
- No. 1 firm in computer memory for big computer leaders
- R&D % of sales 7.5%
- Classic double-bottom base breaks out, volume up 258% on 9/14/1992
- Relative Price Strength 94

How To Find & Own America's Greatest Opportunities

By William O'Neil



Biogen (now Biogen Idec) is one of the oldest biotechnology companies.

It develops therapeutics using genetic engineering. One of its most successful drug therapies, Avonex, is used to treat relapsing forms of multiple sclerosis.

Every new bull-market cycle typically offers one or two new leaders in the health care and drug industries, so keep your eyes open

for current and future leaders.

Biogen's quarterly sales were up 30% to 40% all the way up to the top. After-tax profit margins ranged from 24% to 30%. Return on equity was from 17% to 27%.

Management owned 5% of the stock, and Biogen had a new CEO in February 1997.

To acquire some skill at chart reading, you have to first learn to recognize what sound and correct

base patterns look like, including the cup with handle, the double-bottom base, flat base, high tight flag and ascending base.

You can definitely do this if you are motivated and get samples of each base to study.

Once you can do this, it will be easier to spot faulty bases that are of the third- or fourth-stage variety, are too wide and loose, have too much negative volume, or are bases for too short a time.

How To Find & Own America's Greatest Opportunities

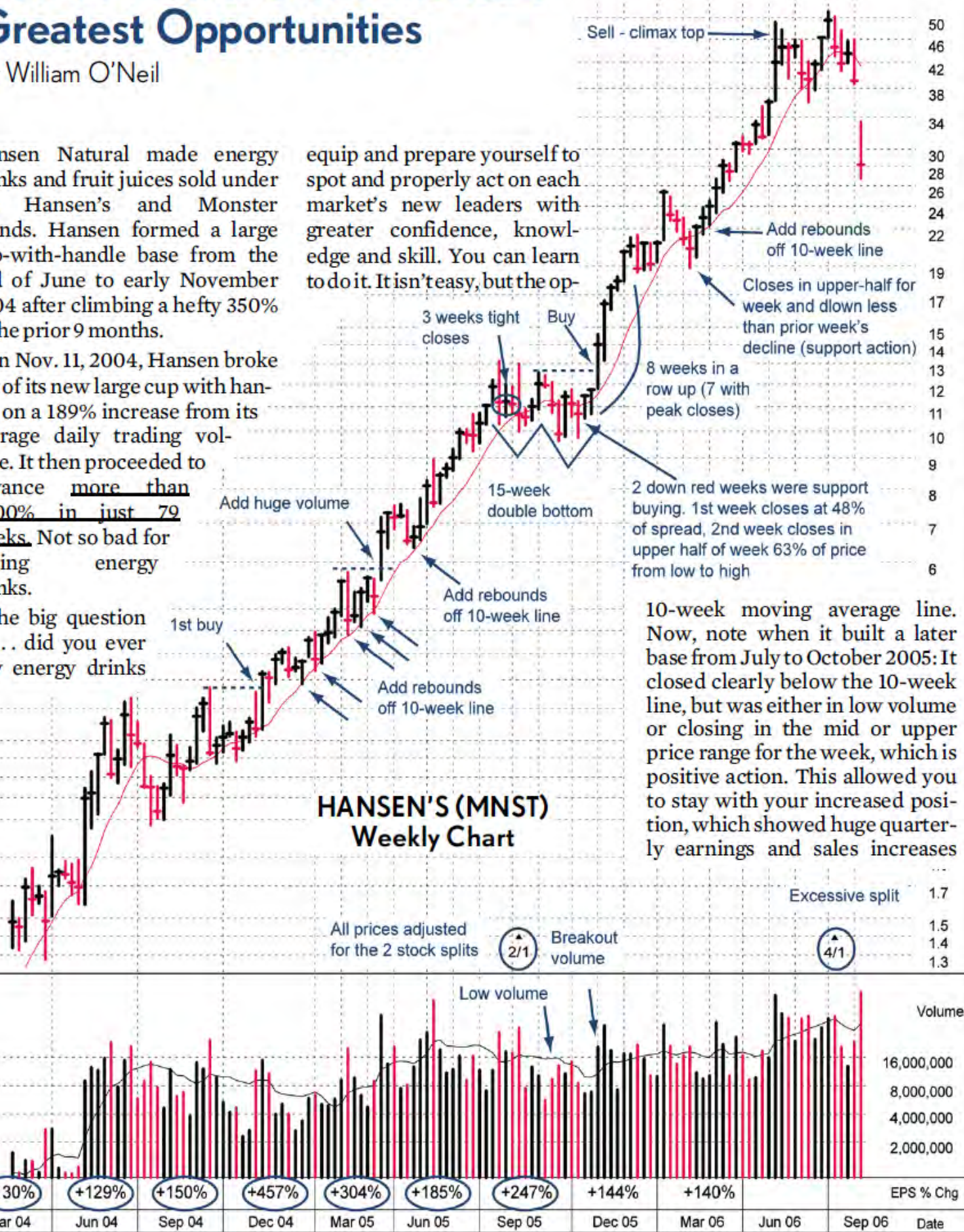
By William O'Neil

Hansen Natural made energy drinks and fruit juices sold under the Hansen's and Monster brands. Hansen formed a large cup-with-handle base from the end of June to early November 2004 after climbing a hefty 350% in the prior 9 months.

On Nov. 11, 2004, Hansen broke out of its new large cup with handle on a 189% increase from its average daily trading volume. It then proceeded to advance more than 1,200% in just 79 weeks. Not so bad for selling energy drinks.

The big question is ... did you ever buy energy drinks

equip and prepare yourself to spot and properly act on each market's new leaders with greater confidence, knowledge and skill. You can learn to do it. It isn't easy, but the op-



at a gym, supermarket or convenience store? Or, were you aware of Hansen's product? Did you check out the stock? Do you take a chart service that you use every week to help you spot classic patterns like this that are repeated over and over again every year?

America leads the world with a relentless stream of fresh entrepreneurial innovators and inventors that continually create unique new products and companies every market cycle. Maybe you should get really serious,

portunities are there. It's all up to you.

Every Wednesday, I'll show you the best of the best leaders historically and the common factors they all showed at the start of their move up. Now you will better know what to look for in the future, plus how to apply rules to help you handle these situations once you're in them.

From the initial Hansen buy point in November 2004, notice how many times it met support when it pulled back around its

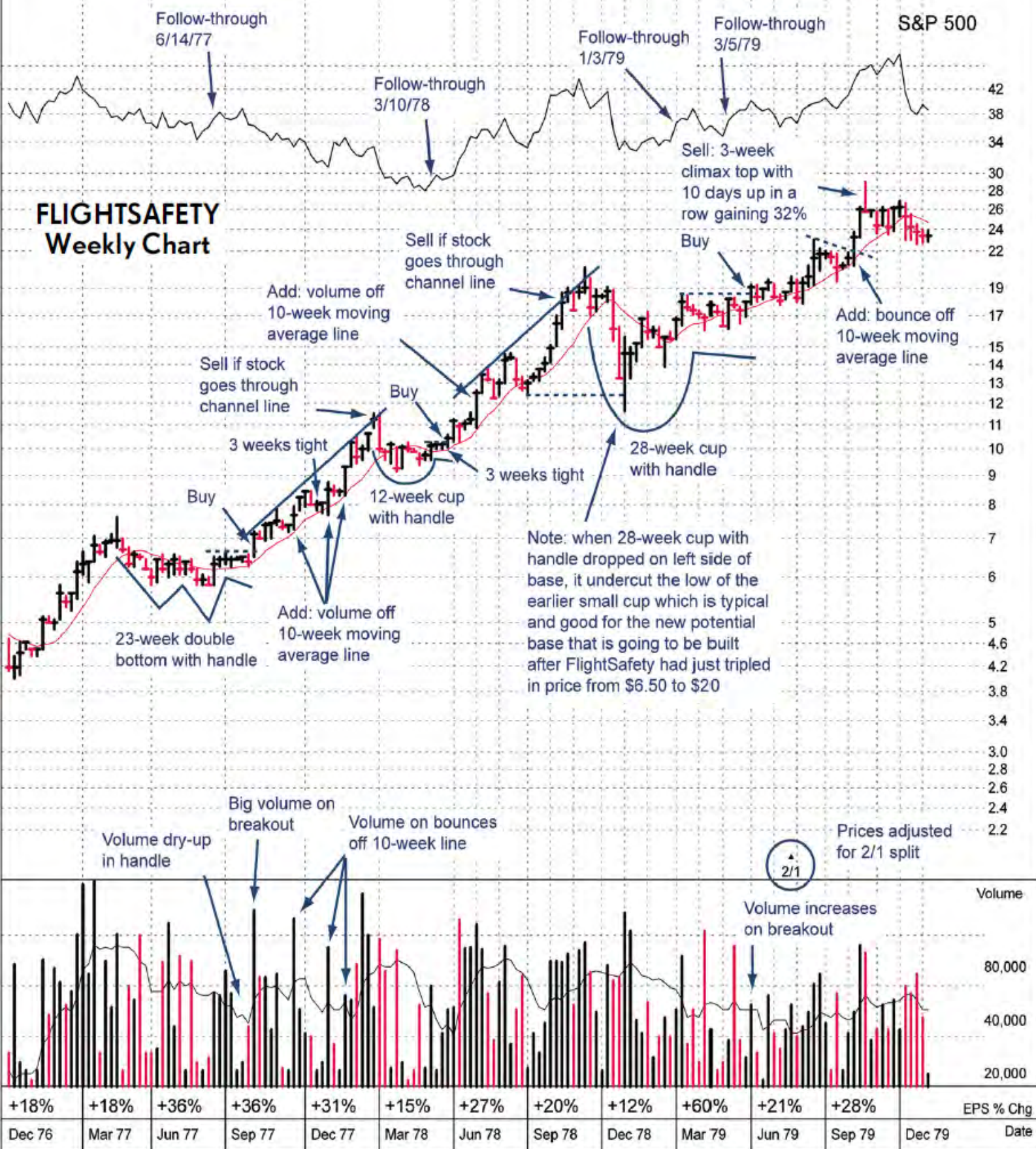
until our climax top rule told you it was time to sell your whole position.

Here are the key known facts at the initial buy point:

- Last 4 quarters earnings +20%, +40%, +130%, +129%
- Last 4 quarters sales +23%, +32%, +42%, +62%
- 2003 Return on Equity 18.7%
- Latest quarter after-tax margins 11%
- Number of funds owning was up last 4 quarters
- Monster product gains market share vs. industry

How To Find & Own America's Greatest Opportunities

By William O'Neil



FlightSafety operates training centers around the country using state-of-the-art flight simulators and a team of pilot instructors so student pilots can spend hours of training on the ground replicating all the controls and environment they would have in actual flight.

The founder of the company, A.L. Ueltschi, was originally inspired with the idea for his company when he was teaching aerobatic maneuvers and ended up outside the airplane. Later in life, he was the personal pilot for Juan Trippe, the CEO and founder of

Pan American. This was in the early 1940s, when corporate aviation was just starting. He recognized that while the pilots in corporate aviation were well-trained, they often didn't have opportunities for follow-up instruction, which was becoming increasingly important as aviation technology quickly evolved.

The controlled environment on the ground provided a safe learning environment. It also saved time and money over actual flight time.

FlightSafety also owned a subsid-

iary that manufactured simulators. The simulators modeled specific makes of planes and led to FlightSafety being named the factory-authorized training provider for a number of airplane manufacturers, including Cessna, Gulfstream, and Learjet.

The company was incorporated in 1951 and went public in 1968. By 1980 FlightSafety served more than 1,600 clients. At the time of the breakout, pretax profit margins were at 39% and return on equity was 25%.

How To Find & Own America's Greatest Opportunities

By William O'Neil

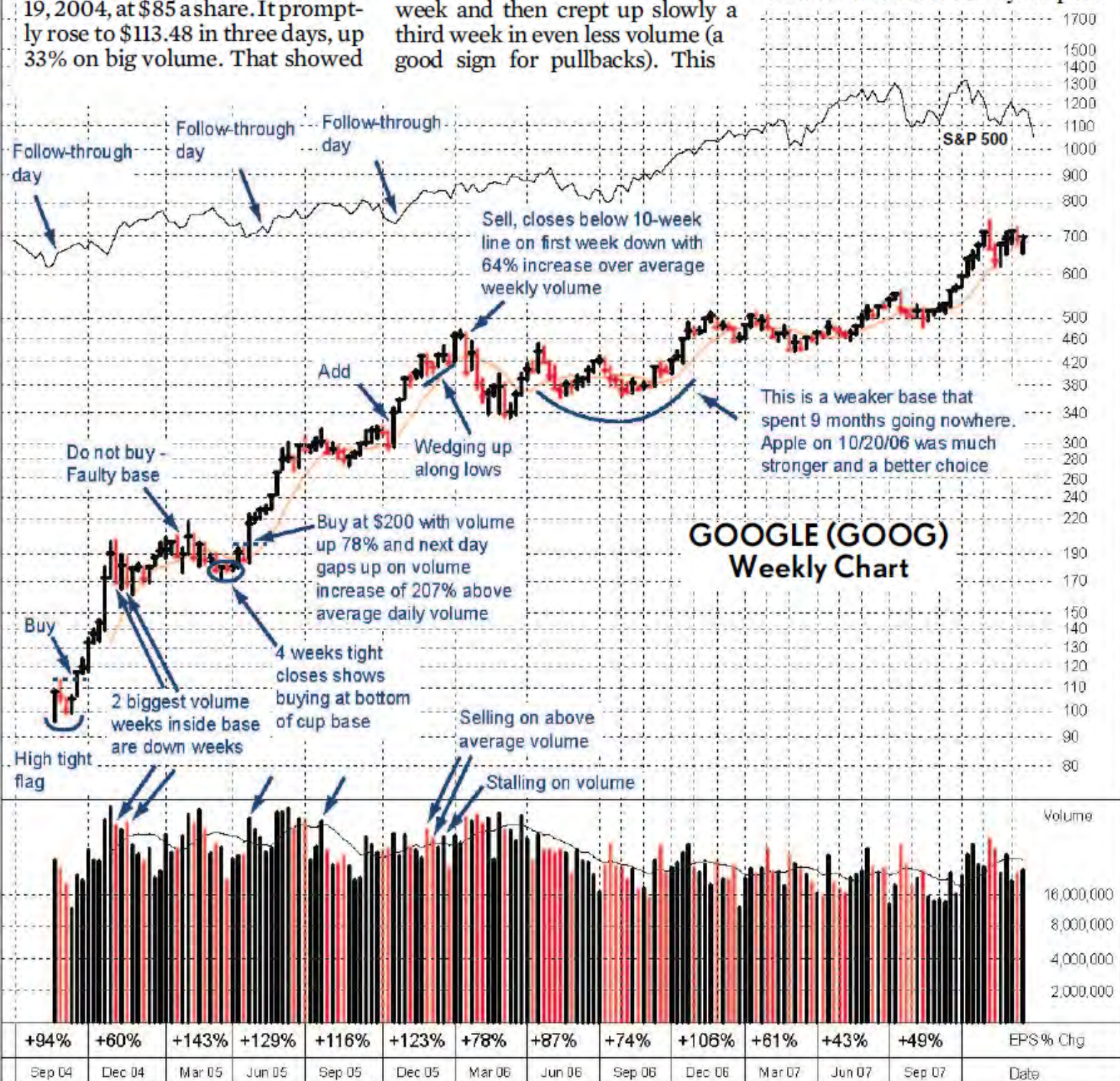
Google, headquartered in Mountain View, Calif., was incorporated in 1998. Goldman Sachs, one of the top investment bankers of technology companies, brought Google public with an IPO on Aug. 19, 2004, at \$85 a share. It promptly rose to \$113.48 in three days, up 33% on big volume. That showed

They are simply unsure and are affected by the negative news around market low points.

After the 33% quick jump, Google had a pullback phase. It was down two weeks in less volume each week and then crept up slowly a third week in even less volume (a good sign for pullbacks). This

who comes up with a stock that can triple, as long as you get it and check it thoroughly.

It's one thing to buy a stock, but another to handle it on the way up with sound rules. So pay attention to all the marked-up great historical winners IBD runs in this space every Wednesday. Learn to recognize the faulty bases to avoid and where you can and should add a smaller amount to build your posi-



signs of leadership only a few days after a key follow-through day in the general market averages.

Everyone had just suffered through a five-month-long correction in the S&P 500. Ninety percent of all super winners build their bases during market corrections and break out of one of several historically classic bases either on the follow-through day or in the next two or three weeks. That's why most investors miss the truly great winners. They're asleep at the switch and not paying close attention because of the prior month's poor market action.

formed a perfect three-week high tight flag.

At that point, I got the idea for Google from a longtime associate. He felt it formed a high-tight-flag chart base if we could stretch the prior uptrend from 85. After studying the chart and checking the huge earnings, sales, return on equity and pretax margins, I said it's OK.

Now here's a tip for you: You don't have to come up with every big winner yourself. Join an IBD Meetup club in your area and develop one or two friends who are also very serious about using the CAN SLIM system. It doesn't matter

tion, but only when you're ahead and have a cushion. Also, you must learn when to sell a stock when it closes the week below its 10-week moving average and when to NOT sell just because it closes below that line.

Here are the key known facts at the initial buy point:

- Last 3 quarters earnings +87%, +112%, +123%
- Last 4 quarters sales +173%, +162%, +125%
- 2003 Return on Equity 87.8%
- 2003 Pre-tax margins 39.3%
- The Google search engine was dominant in its space

How To Find & Own America's Greatest Opportunities

By William O'Neil

CROCS INC. Weekly Chart



Crocs manufactures footwear using a proprietary resin material called Croslite.

The material is known for its lightweight, nonmarking, non-slip and odor-resistant properties.

Additionally, podiatrist reports claim the shoes have ergonomic benefits, especially for those who are on their feet a lot.

The stock went public in February 2006 at a time of rapid growth, with the shoes gaining in popularity.

The concerns at the time centered on the staying power of a product in such a specialized niche and the risks of the shoes being a fad whose popularity could fade quickly.

The first two quarters after its IPO, earnings and sales were both growing at triple-digit rates.

Later in the year, the company finalized a licensing deal with Disney to put characters on its children's shoes.

Crocs also bought Jibbitz, a company that manufactured collectible accessories to clip on to the shoes.

Crocs also expanded its product line to offer a wider selection of models with a variety of uses.

It's important to recognize when things get riskier for a stock. As a stock becomes extended and forms more bases, the likelihood of failure also rises.

In Crocs' case, the market had also experienced a huge run and

was due for a correction.

After an earnings report that met estimates, but hinted of a weaker future, the stock saw more than a 20% drop in one day.

There were earlier sell signals that may have been ignored. This is when you typically start thinking of all the money you could make if the trend continues, not the money you could lose if the trend is over.

That is why using sell rules to sell on the way up can help you.

How To Find & Own America's Greatest Opportunities

By William O'Neil

CHIPOLTE MEXICAN GRILL (CMG) Weekly Chart

Have you ever been to Chipotle? If you liked it, found it to be always busy and unique, did you think to track CMG's weekly chart and buy the stock when it formed a classic cup-with-handle

the right stock at a proper time, but it's also to learn how to make a big gain when you're finally right! That takes time, probably six months to three years or more in some cases.



weekly chart pattern in late 2009?

Each new bull market will have 20 to 40 new market leaders with great new products or services. CMG had an IPO at \$22 in January 2006, late in the prior bull market, and ran to \$154, proving its superior bull-market leadership.

Then CMG corrected sharply during the two-year major bear market of October 2007 to March 2009. Next it resumed its growth with three big quarters of EPS growth into new high ground and a new 16-week cup with handle.

Now, your job isn't just to buy

During that time you have to have rules and a sound system to avoid several normal corrections or base-building periods that can easily cause you to be shaken out of a stock prematurely.

CMG is now beginning its third year of price progress during which time there were 11 such pullbacks or new basing areas. I'll cite rules and principles that can help you avoid selling out during tricky corrections.

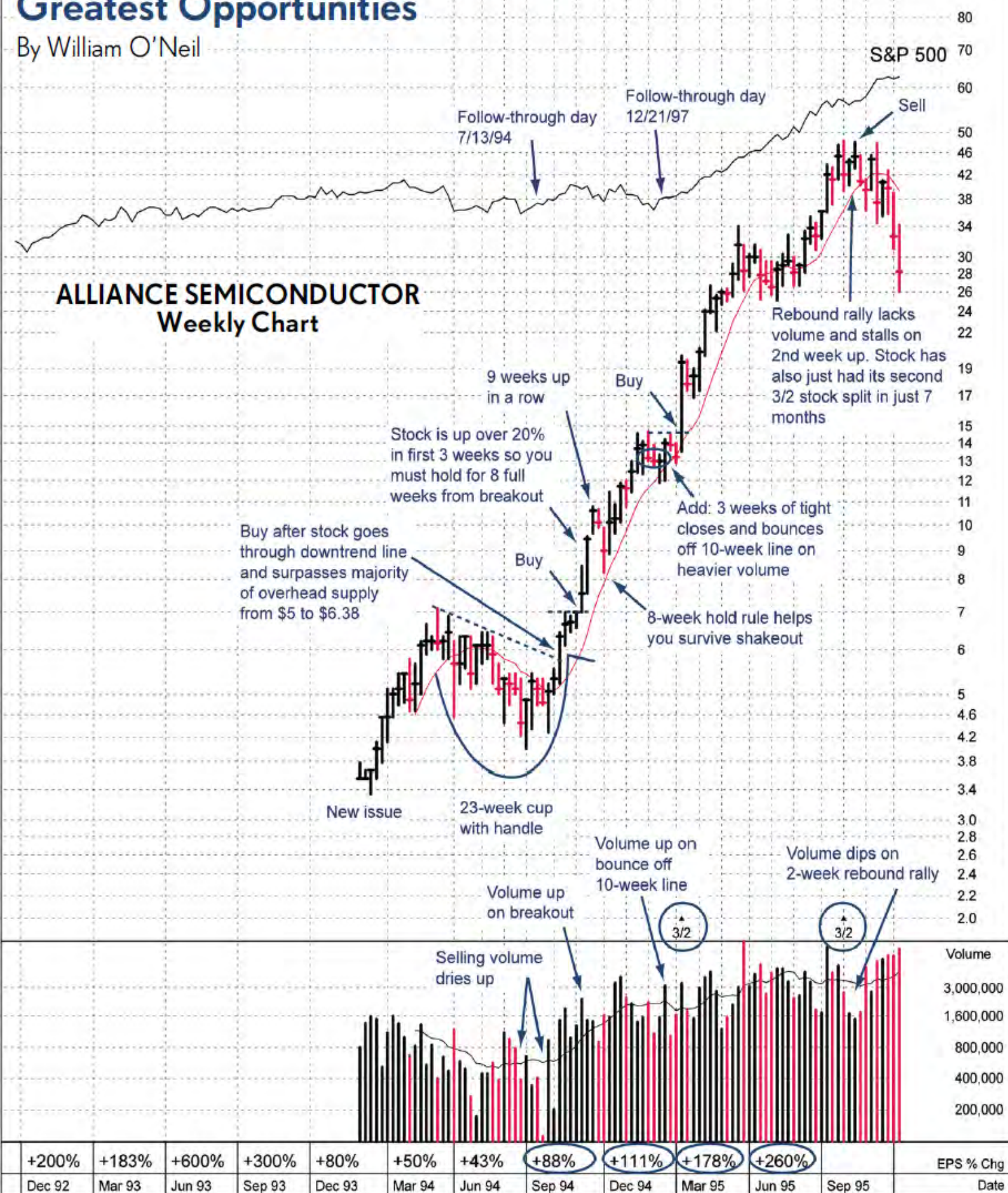
Vital fundamental facts available and known at the time of the first CMG buy:

- 6 weeks prior to buy point, company announces \$100 million buyback of CMG stock
- Last 3 years average annual EPS growth rate over 40%
- Last 3 quarters EPS accelerate +50%, +49% +83%
- New highs in pretax margins at 13%
- Mutual funds owning CMG in last 3 quarters up from 220 to 332
- Cash flow in prior 3 years average 80% more than EPS
- Company was a spin-off of McDonald's, a well-managed leader in the restaurant industry

How To Find & Own America's Greatest Opportunities

By William O'Neil

ALLIANCE SEMICONDUCTOR Weekly Chart



Alliance Semiconductor was based in San Jose, Calif., and was a supplier of high-performance memory products to the PC, networking and telecommunications industries. It offered static random access memory (SRAM) products with densities ranging from 64 kilobits to 1 megabit with access times as fast as 10 nanoseconds. Products were sold primarily to manufacturers of personal computers and PC system boards in Asia, North America, and Europe. International sales were primarily in Asia, which accounted for 68% of the sales at the time.

Alliance came public in Decem-

ber 1993. New issues bring fresh ideas and great opportunities to the stock market. In this case, the company already had a record of profitability before its IPO and was showing multiple quarters of growth in both earnings and sales. After the first buy point, those growth numbers just kept getting better.

You will also notice that the sell signals came on technical action in the stock.

If you were just using fundamentals to make your sell decisions, it would have been easy to focus on the triple-digit gains in earnings and sales growth, as well as the ris-

ing return on equity.

But the chart was telling a different story. This is common among the best leaders: Their earnings and sales growth often look the best when the run is over. That is why we use both fundamental and technical analysis for our buy decisions, but we rely mostly on technical action for our sell decisions.

Learning to accurately read charts can directly lead to more success in the stock market. It takes time and study but, if done properly, can have life-changing effects on your financial future.

Isn't that worth it?

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Redman Industries manufactured mobile homes in a cyclical industry. 1966 was a bear market and 1967 was the first year of a new bull. Redman's earnings turned up 200% and 800% in the last two quarters of '67, and a 13-week cup-with-handle chart pattern was created due to a correction of the S&P 500 in the last quarter of 1967.

Market corrections create 90% of all new bases and these are really the big ones you absolutely must learn how to catch.

Redman's weekly chart was a powerful cup-with-handle because it raced from the bottom of the cup to its peak (up 32%) in just one week in December 1967 on huge volume. A follow-through day in the S&P 500 occurred Dec. 27, and Redman quickly broke out of a short, well-contained handle on even

al evidence that quarterly earnings have accelerated up to 800% and you could be two-thirds through on an ascending base — so sit tight and see. A few weeks later the ascending base is

Add - 3 weeks tight closes (even at this extended point)

Add - volume is up off 10-week line

REDMAN INDUSTRIES Weekly Chart

Ascending base - pulls back 3 times, each time making higher lows and higher highs during market correction

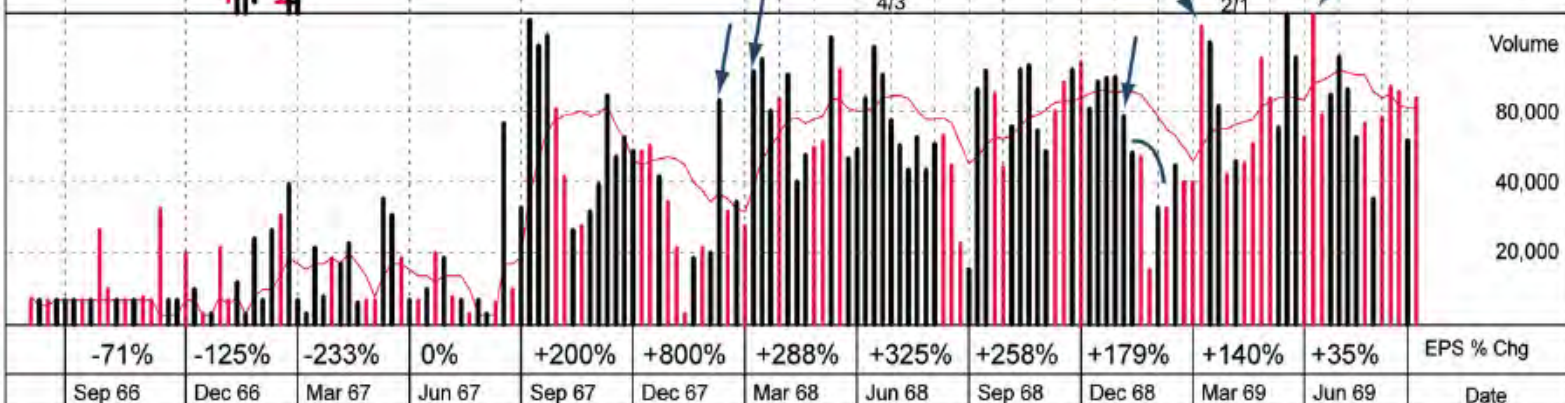
Sell - huge volume closes below 10-week line

13-week cup-with-handle

Follow-through 12/27/67

Follow-through 3/11/68

S&P 500



greater volume. The stock closed at its peak, up another 32%. Since it was up over 20% from the pivot buy point to its peak, IBD's rule comes into play: You have to hold for a full eight weeks from the breakout point.

Redman had not yet closed below its 10-week moving average line after eight weeks. The very next week the line is tested and the stock closes above it. This is rapidly followed a week later by the stock bolting to a new high in still greater volume. Now after two price pullbacks and two new highs you have valuable addition-

completed and you add to your position on the breakout in big volume.

So now let's explain how you spotted a new big winner and were able to get from \$6 to \$11, nearly 100% (prices are split-adjusted), in just 14 weeks. And you're still holding the stock until an important sell rule occurs.

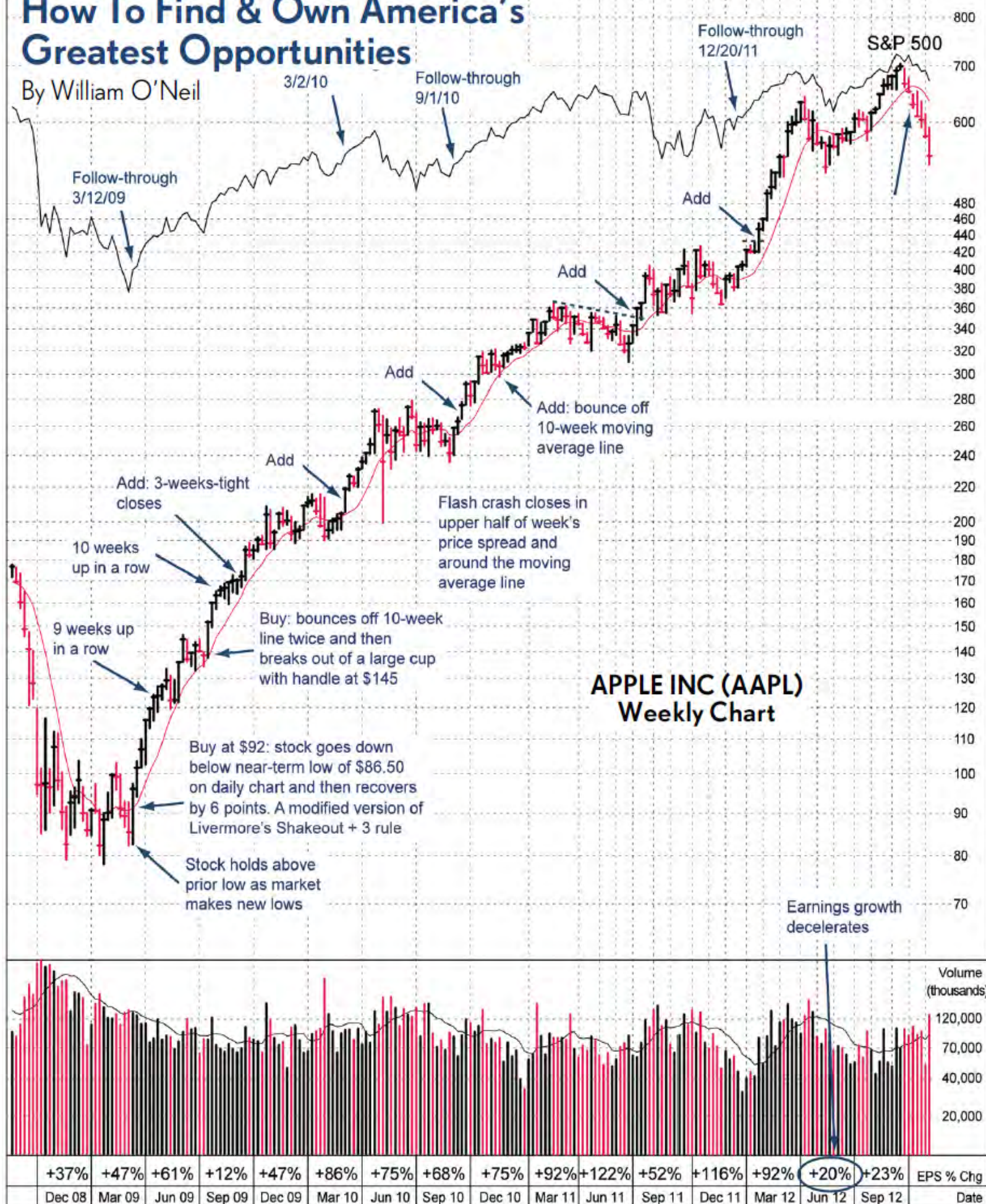
Success rule No. 1: You spot this super winner by knowing your classic chart patterns and every week going through hundreds of charts looking for these classic patterns and then checking for big fundamentals, big earnings, sales,

return on equity and a sound, compelling story. You relentlessly do this whether you're in or out of the market, otherwise you'll miss the big ones that come when you least expect or believe them.

Success Rule No. 2: Knowing and following holding rules. Some examples: When a stock goes up 20% from a correct buy in only one to three weeks, you must hold for a full eight weeks. When an ascending base looks to be occurring, you hold. Hold when a stock bounces off the 10-week moving average. Holding and selling rules are vital and more important than your hopes, opinions or fears.

How To Find & Own America's Greatest Opportunities

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Apple^{AAPL} originally appeared in this column over a year ago. The chart showed Apple's move starting in March 2004 with a perfect cup with handle. Over the next nine years, it advanced from a split-adjusted \$12 to \$700. Constant innovation in products and services led to a consistent record of earnings growth. But there were times when it looked like Apple's run was over — and it came roaring back a few months later.

In our studies of hundreds of leading stocks, only one out of

eight leaders came back to lead another market cycle after they topped. Apple is among those elite few. Our research also has shown the average decline of a leading stock from its peak is 72%. That's not just looking at the 2000 tech bubble or the 2008 financial crisis. That is over the last century. This is why we don't buy, hold and hope for the best. Instead, we use sell rules to get out of a stock showing negative action.

In cases like Apple, where the stock ultimately comes back, you

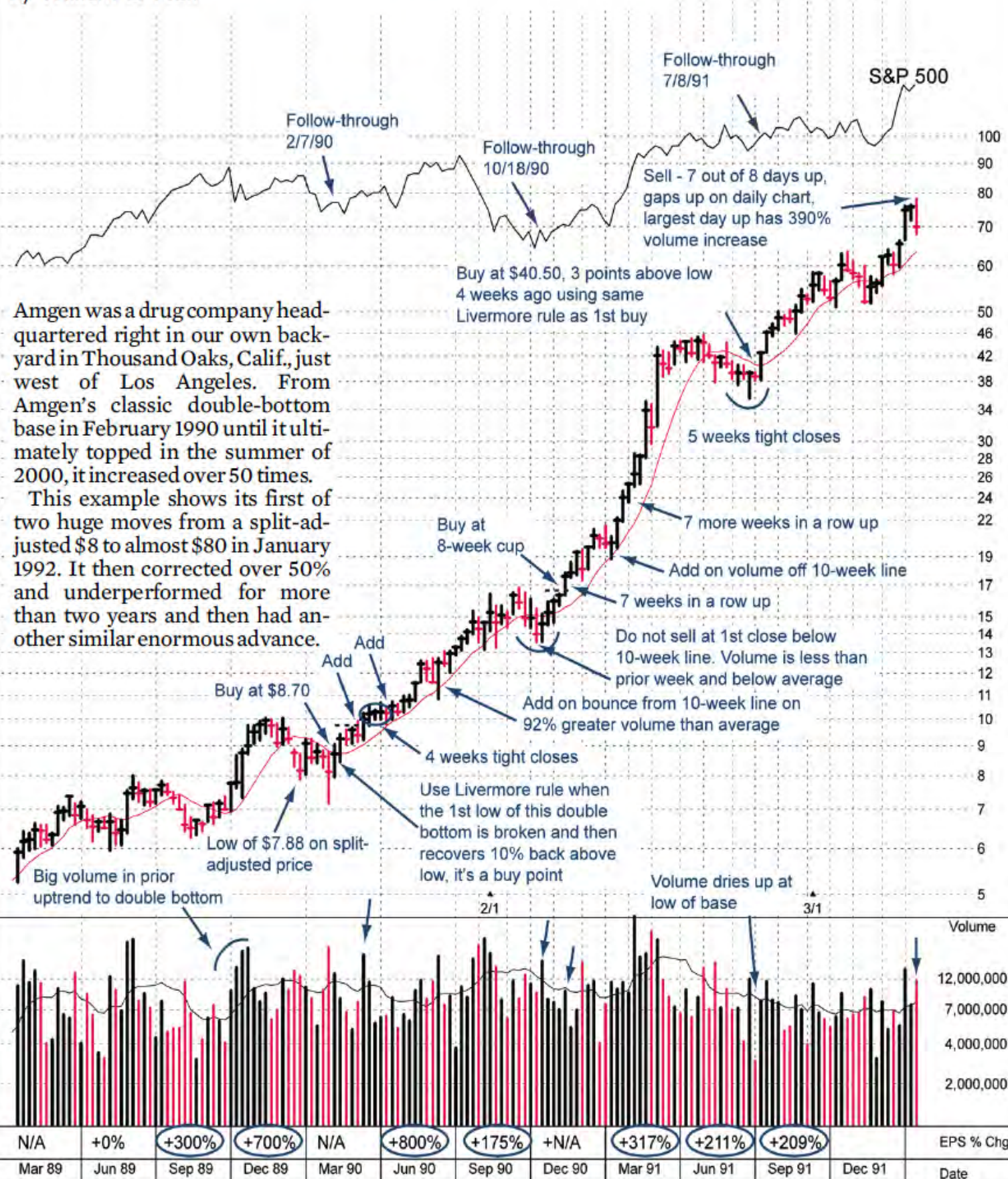
can buy it back when it rights itself. Yes, you might end up buying it at a somewhat higher price than when you sold, but don't let that bother you. Protecting yourself from huge losses is more important than missing out on a few points. Plus, in most cases the stock may form another base, which can last for months. You get the benefit of either protecting your profit during that basing period or using the money in something else.

Being flexible can lead to profits.

How To Find & Own America's Greatest Opportunities

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AMGEN (AMGN) Weekly Chart



You spot a potential big leader by first recognizing a sound and classic chart base. Then you check the key fundamentals. The quarterly earnings in late 1989 were up 300% and 700%. These 100%-plus earnings continued for several years, which is why the stock had such great performance.

I remember reading a story on the company that really caught my attention once we saw the stock's chart action and big earnings. Amgen had developed a new drug to treat cancer patients suffering from the side effects of chemotherapy. The drug had immedi-

ate results as it quickly rebuilt low white-blood cell counts. The company also spent an unusually large percentage of sales on research and development.

The weekly chart shows you the first buy at \$8.70 once the stock undercut its first bottom of \$7.88 and then recovers back 10% above the \$7.88 low. After that we have marked other buy points on the way up until the stock formed an 8-week cup pattern in the December 1990 quarter which set off a fast extra 200% increase. Note that both of these bases formed during a correction in the general

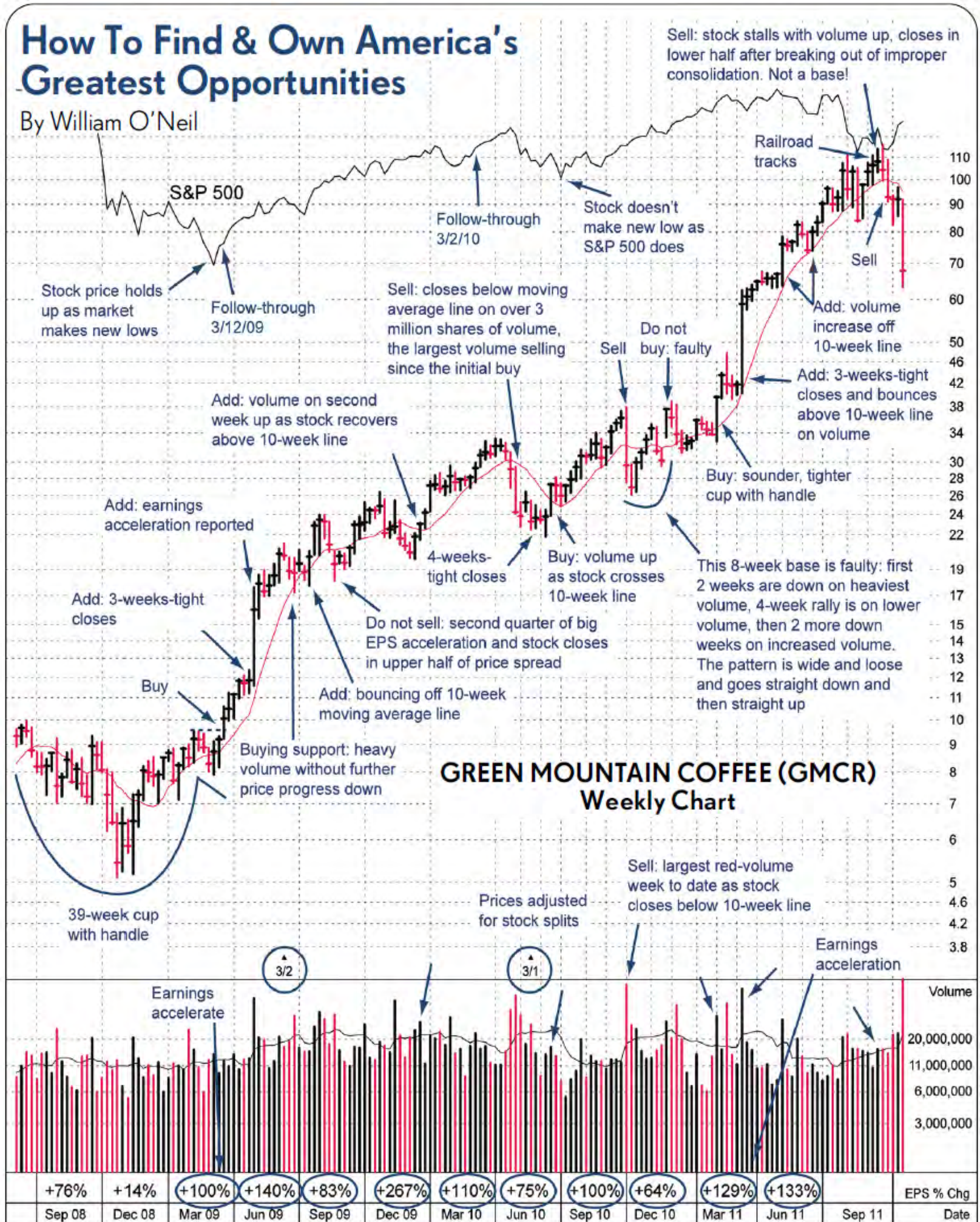
market averages and the stock broke out after follow-through days in the general market.

Known facts at the time of the breakout:

- Acceleration in quarterly earnings from 0% to +300% to +700%
- Quarterly sales acceleration from -46%, +46%, +84%, +207%
- R&D 36%
- After-tax margins at 12.2% up from single digits in the last eight quarters
- Marked increase in funds owning from 14 in September 1989 to 123 in September 1991

How To Find & Own America's Greatest Opportunities

By William O'Neil



Green Mountain Coffee Roasters benefited from the trend of coffee drinkers cutting costs by brewing more of their coffee at home rather than buying it in coffee shops. Green Mountain offered convenience and variety with its single-cup Keurig coffee brewers and K-cups. Its products were bought for homes, offices and hotel rooms, and the company was rapidly expanding its distribution channels. After soundly beating earnings estimates for the March 2009 quarter, it announced a pact to distribute brewers and K-cups in more than 3,000 Wal-Mart

stores in time for Mother's Day.

At the time of the first breakout in March 2009, Green Mountain had 13 straight quarters of revenue growth of 25% or better and a three-year annual earnings growth rate of 43%. Return on equity was 21%. You'll also notice that as the S&P 500 was making new lows and bottoming in March 2009, 57% off its peak, Green Mountain was within 10% of a new high, having formed a cup-with-handle pattern. Ninety percent of bases are formed during bear markets. Rather than getting discouraged in downturns,

you should be ready for new opportunities. The first stocks to break out after a follow-through day are often some of your best prospects. Green Mountain broke out two days after the follow-through day.

Buying at the right time only gets you halfway there. How you handle the stock during its run makes the difference between great returns and mediocre returns. The chart above has a lot of details on clues the stock gave on how it should be handled. It takes time to recognize these signals, but the rewards can be worth it.

How To Find & Own America's Greatest Opportunities

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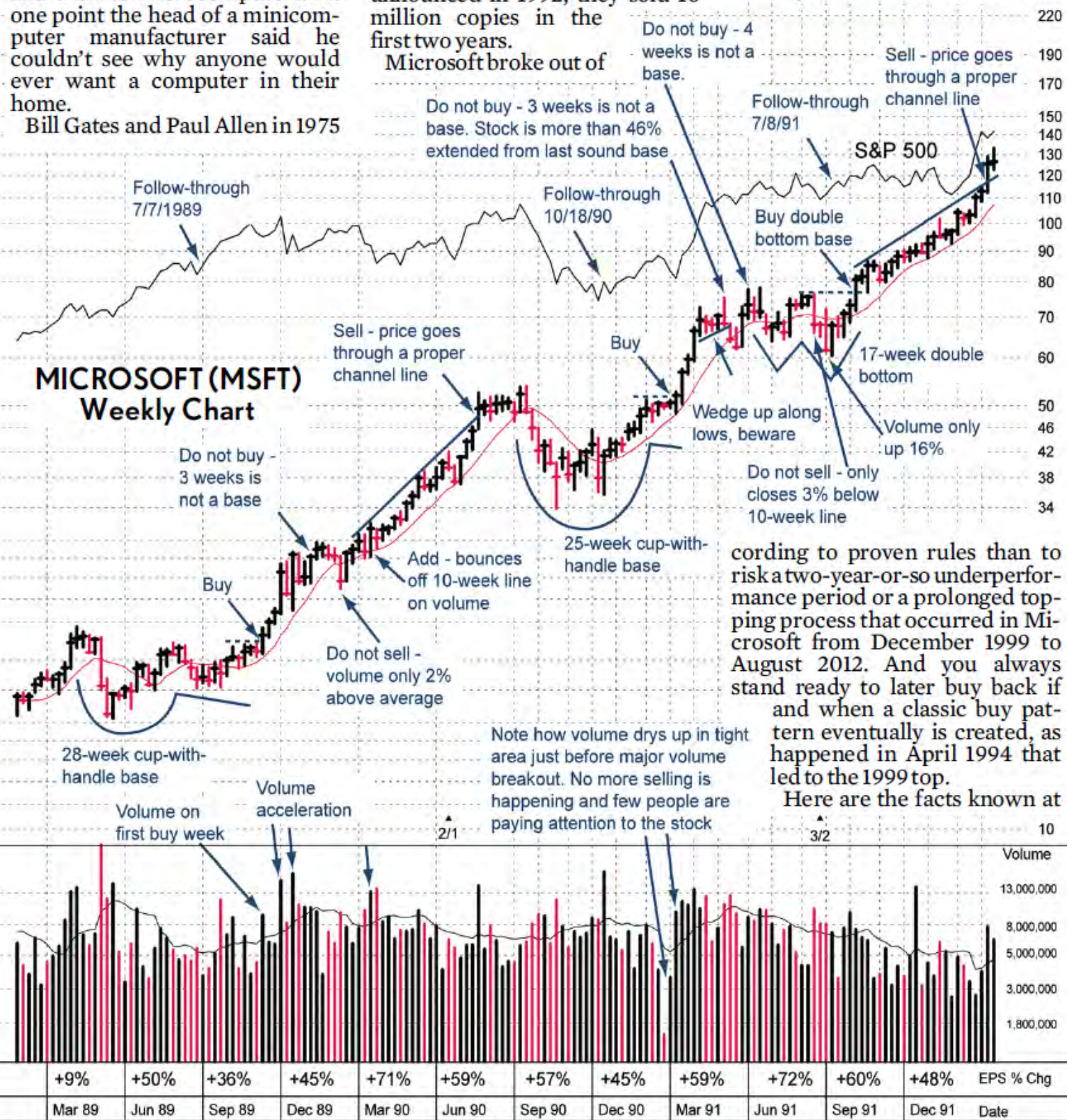
Computers evolved from a few expensive giant mainframes (mainly sold by IBM) to minicomputers and then to microcomputers. At one point the head of a minicomputer manufacturer said he couldn't see why anyone would ever want a computer in their home.

Bill Gates and Paul Allen in 1975

Microsoft PowerPoint. Microsoft also offered Windows 3.0 on May 22, 1990. Along with Windows 3.1, announced in 1992, they sold 10 million copies in the first two years.

Microsoft broke out of

call the time utilization of money. The same opportunity occurred after the January 1992 channel line break sell point. It's better to nail down significant profits ac-



founded Microsoft. They early on saw the potential of the first microcomputer and revolutionized the ability of a nonspecialist to interact with the personal computer. They created software for IBM's microcomputer. They originally developed and sold Basic (Beginner's All-purpose Symbolic Instruction Code) language interpreters for the Altair 8800.

Microsoft's initial public offering was in 1986, about the time it launched MS-DOS (Microsoft disk operating system). During the time shown on this chart, it launched Microsoft Office in 1989, which bundled Microsoft Word, Microsoft Excel and Mi-

a 28-week cup-with-handle chart base in early September 1989 at about \$20 (at the time it was actually \$60, but the chart is adjusted for all stock splits that occurred). We note thereafter times not to buy and why, as well as times to not get scared out and sell, plus times to more safely add, and finally when a specific history-proven rule says it's time to wisely sell.

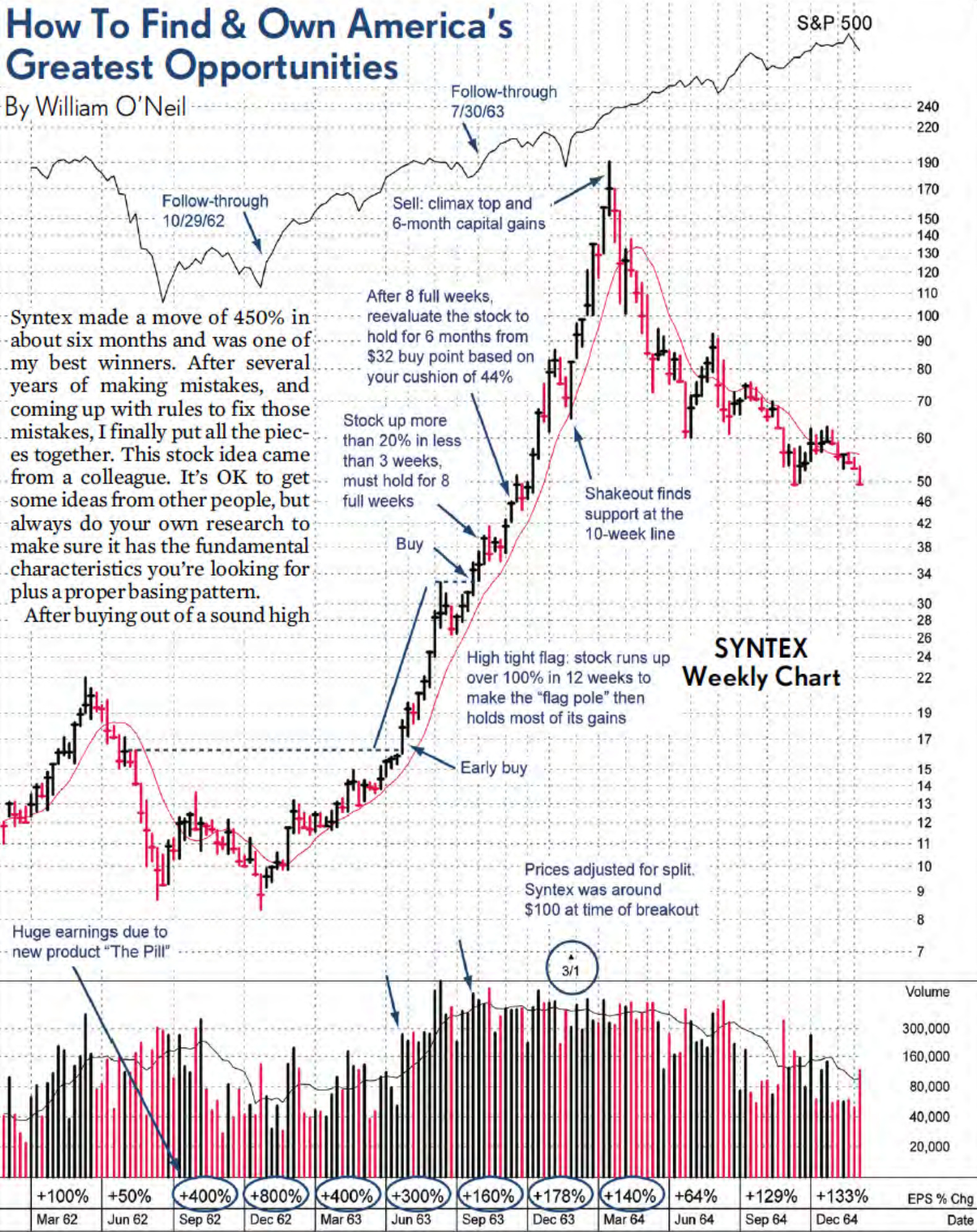
The next base was a 25-week cup-with-handle. Note that once you sold Microsoft on the way up, you had the use of the money for 32 weeks to reinvest in another stock before Microsoft was again at a new sound buy point. This I

the September 1989 buy point:

- EPS annual growth rate from 1985 - 1989, 58%
- EPS Rank 95
- Return on Equity 40.3%
- Pretax profit margin 31%
- After tax profit margin 20.6%
- Latest quarter's EPS growth 48%
- Latest quarter's sales growth 29%
- Research and Development 11.8% of sales
- Annual % change in employees +54%
- Debt 0%
- Investment Banker Goldman Sachs

How To Find & Own America's Greatest Opportunities

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tight flag, the stock immediately had a 14% shakeout in the fourth week. I had learned my lesson with CertainTeed a couple years earlier and came up with the rule that you must hold a stock for eight full weeks if it goes up 20% or more in the first three weeks of a breakout. I had been shaken out of CertainTeed, but I learned my lesson and applied my new rule to Syntex.

After eight weeks, I now had a profit cushion of about 40%. At the time, the long-term capital-gains tax rate applied after six

months. The tax rate for short-term capital gains was as high as 90%. So, given the cushion I had, I decided to hold the stock for six months and one day from my buy point. I don't put as much weight on the capital-gains selling now, with rates significantly lower, but you will often see profit-taking 12-months after the big-volume buying entered the stock.

There were some more pretty dramatic shakeouts, but having a good cushion allows you to give a stock more room and sit through them. The stock ended up going

through a climax top and was sold six months and one day after buying it. Having rules and following them made all the difference.

This marks the last installment for this column. We've covered 70 major winning stocks and the specific fundamental and technical factors that made them great. If you cut them out and refer to them in the future, you'll have many models and rules to handle situations you will face in your own investing. For more analysis on these types of great-performing stocks, you may want to look into IBD's Investing Workshops.

How To Find & Own America's Greatest Opportunities

By William O'Neil

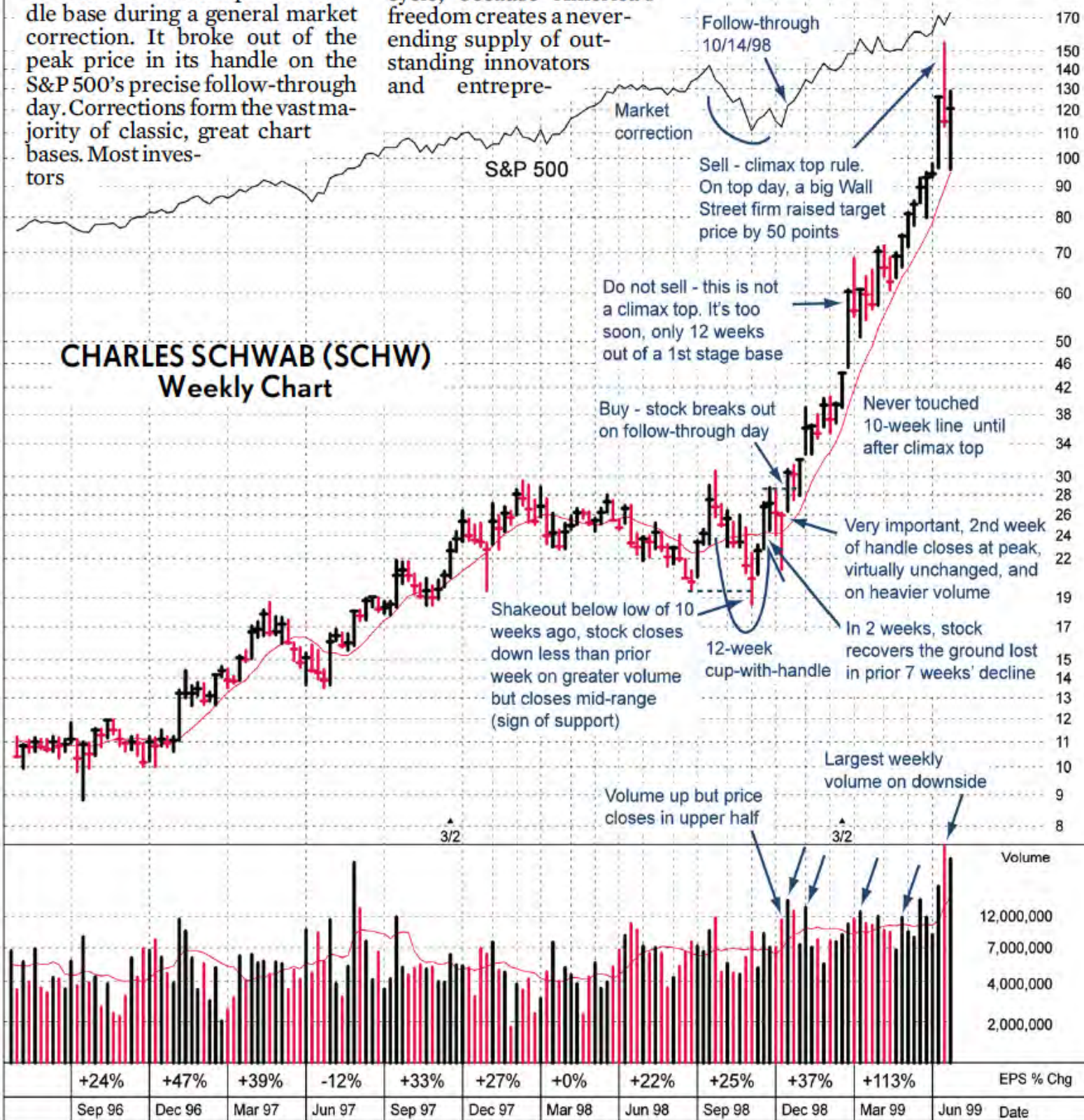
It's very important that you see and remember Charles Schwab formed a 12-week cup-with-handle base during a general market correction. It broke out of the peak price in its handle on the S&P 500's precise follow-through day. Corrections form the vast majority of classic, great chart bases. Most investors

The big opportunities are there for anyone every new market cycle, because America's freedom creates a never-ending supply of outstanding innovators and entrepreneurs

five years before the stock soared in price from \$28 (split adjusted) to over \$150 in only six months before the climax-top sell rule was triggered.

Known facts on the breakout week:

- Relative Price Strength Rating 96, EPS Rating 91
- Recent return on equity 29.4%



miss these super winners because they're unsure of the market due to its poor action for, in this case, the prior three months. It's all about human nature and psychology.

To overcome this "being human," you must understand and follow history-proven buy rules, hold rules and sell rules that apply to both stocks and the general market (if you want to win). You can learn to be a bigger and better winner if you're determined and really work at it, learn from your mistakes and never give up.

neurs who create our new companies and most of our new jobs.

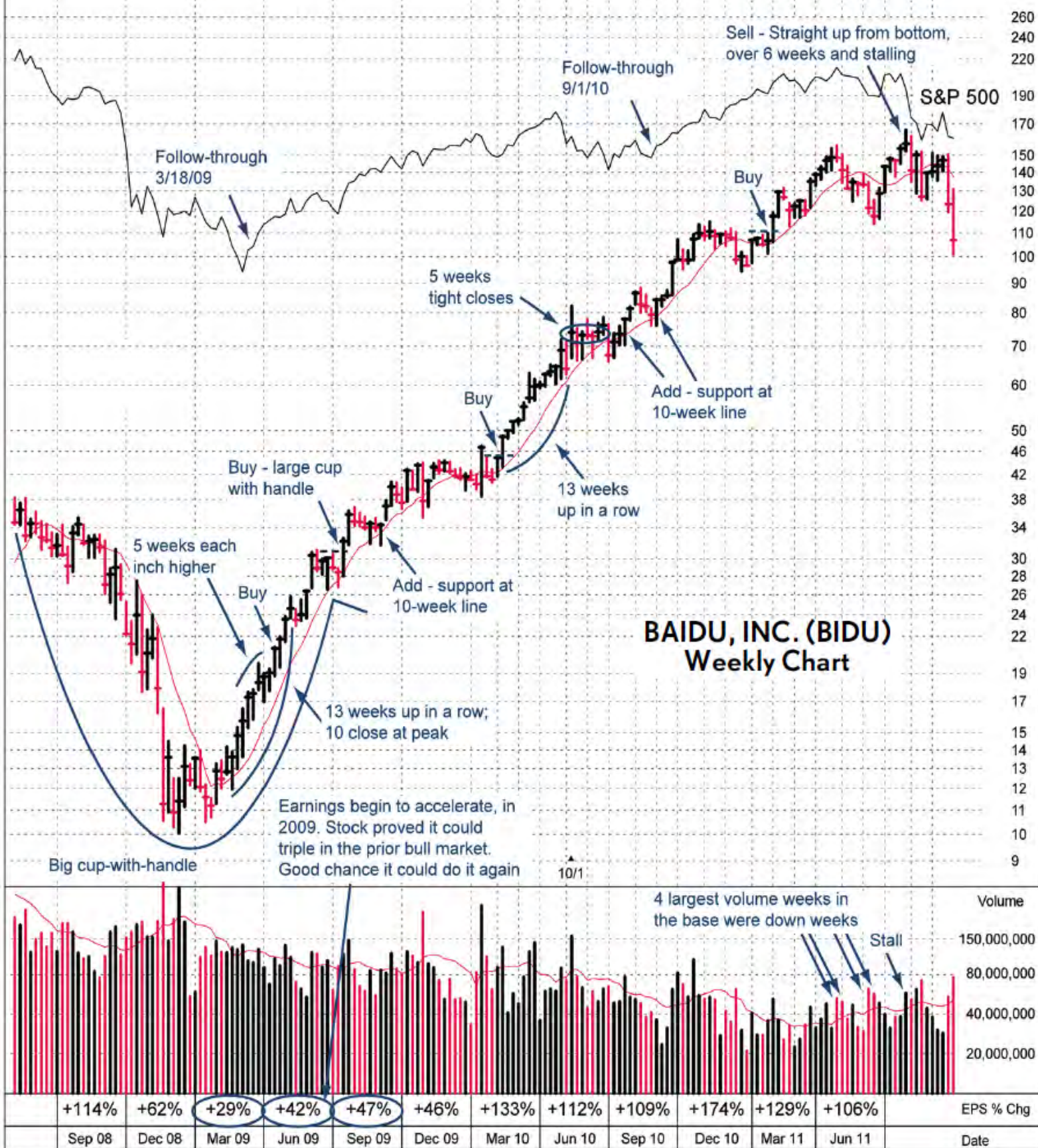
It's all in the numbers, the true facts and the true performance record. For example, Charles Schwab stock's actual performance in the prior five years showed over a 700% increase. That was more than the five-year record of another excellent entrepreneurial company, Microsoft, in the same five-year period.

So the facts and actual track record were there for anyone to see if they were paying attention. Schwab's return on equity averaged 32% a year for those prior

- Pretax profit margin 19.5%
- Last quarter earnings up 25%
- Up/down volume on breakout week moved from 0.8 to 1.4
- Next two days volume up 149% and 229% above average daily volume
- Company was the leader in the discount brokerage industry with 55% share of that market
- Incorporated in 1971
- P/E Ratio was 37 (expanded to 152 at peak)
- Owned by 196 mutual funds and 154 advisors
- After-tax margin 13.9%
- Short interest 11.3 days

How To Find & Own America's Greatest Opportunities

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Baidu is China's Google. They copied what Google had created two years earlier, in 1998. Baidu has been the dominant stock in the Chinese market.

Not shown on this chart is an important period from July 2005 to a peak in November 2007, when Baidu formed a giant 65-week cup with handle where the handle part created its own smaller 17-week perfect cup with handle that any investor capable of sound chart reading should have easily recognized.

Baidu quickly tripled in price in just six months. The reason I am talking about this 2007 pattern

that appeared later in the prior bull market is it provided vital proof that Baidu had already possessed the ability to be a dynamic market performer. As soon as the prolonged 18-month bear market ended on March 18, 2009, Baidu moved up steadily and that prior example of a big move had a great chance of being repeated. The deep cup was normal given the steep, long correction the S&P 500 experienced.

Important facts known at the time of the first buy:

- Baidu announced a 3% stock buy back during the

prior quarter

- Last 2 quarterly earnings up 114% and 62%
- Last 2 quarterly sales up 103% and 69%
- Return on Equity 43%
- After-tax margin 34%
- Institutional sponsors increasing
- General market had just turned up with a follow-through day on March 18, 2009
- Baidu moves up 10 weeks in a row, with 8 weeks closing at their peaks, showing steady accumulation prior to first buy

How To Find & Own America's Greatest Opportunities

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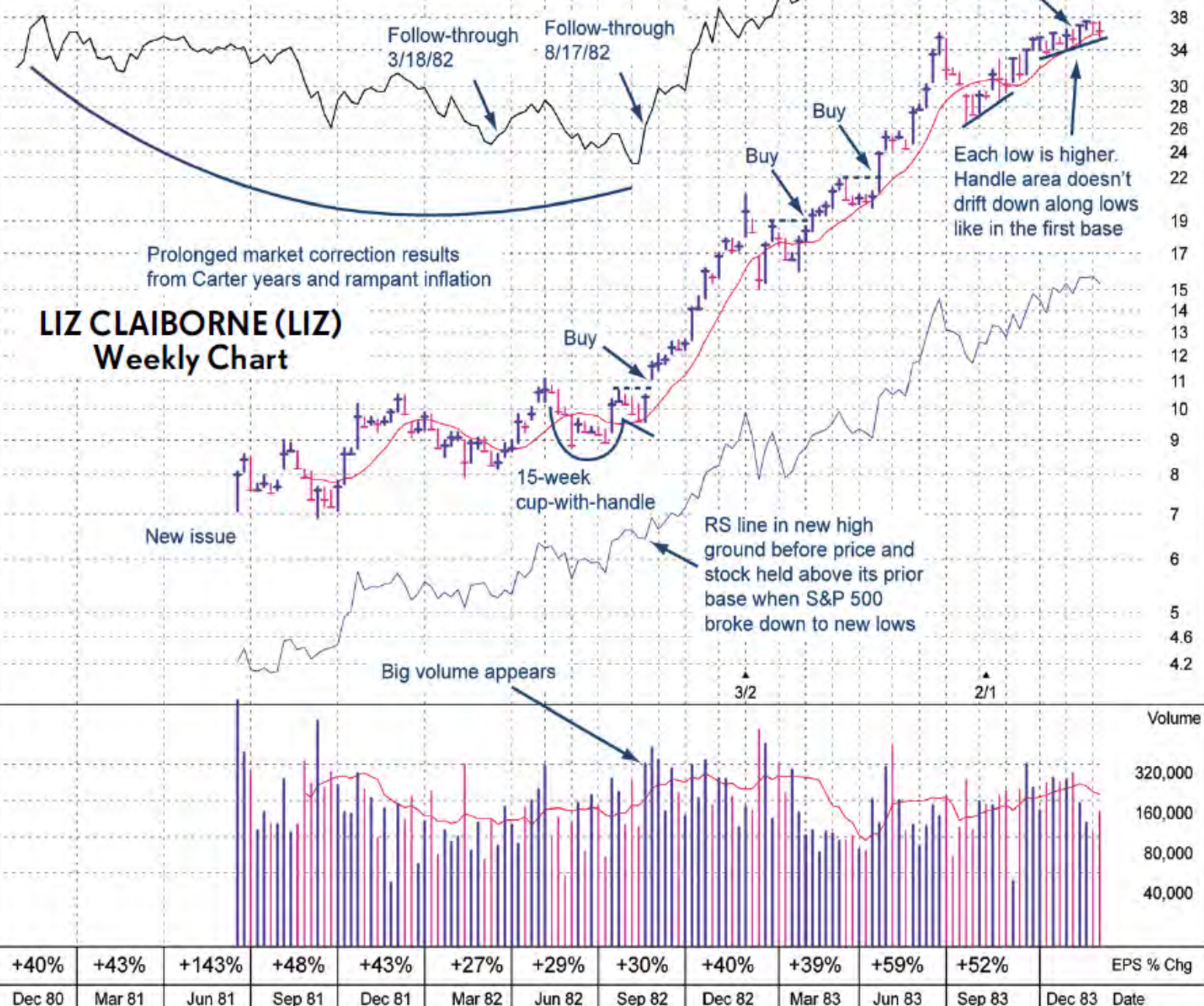
Liz Claiborne designs and manufactures women's clothing for department and specialty stores.

The stock came public during a prolonged bear market that finally ended with the S&P 500 follow-through day on Aug. 17, 1982. It's vital that you recognize that almost all classic chart bases are formed during either intermediate-term (-8% to -12%) or bear-

74 days from the follow-through day (63 were up days). It then built another base plus a new buy point and further increased your profit into a triple.

This type of situation happens several dozen times in a typical bull market. So when are you going to get really serious and learn to read chart price and volume action, how to spot the out-

LIZ CLAIBORNE (LIZ) Weekly Chart



market corrections. Most of the very biggest winners will complete their patterns and break out of those patterns the very week of the market follow-through or within the next two or three weeks.

Let's face it, that's exactly when you and three out of four other investors hesitate to buy because the market or economic news has been so bad for so long.

Notice that Liz Claiborne gapped up only three days after the Aug. 17 follow-through day. You had only three days to spot what was going on and act on it. The stock doubled in price in just

standing fundamentals, and use buy and sell rules for both the general market and new stocks?

Think about what you could do in the future once you learn to capitalize on the never-ending great opportunities entrepreneurs create for you with their new companies and products.

Here are the publicly known facts on Liz Claiborne at its buy point:

- Reagan had just broken the back of the rampant inflation (21% interest rates) of late 1979 and the early 1980s, and the general market follow-through buy signal

tells you a new uptrend is starting.

- Claiborne has a perfect cup with handle that's at a proven buy point.
- 17 of 18 prior quarters showed big earnings per share increases.
- In the last four years, the annual earnings growth rate averaged 107% and the current P/E ratio was only 9.
- Relative Price Strength Rating was 88 and Up/Down Volume was at 1.2.
- Return on Equity was 54%, Pre-tax Profit Margins at 17.7%.

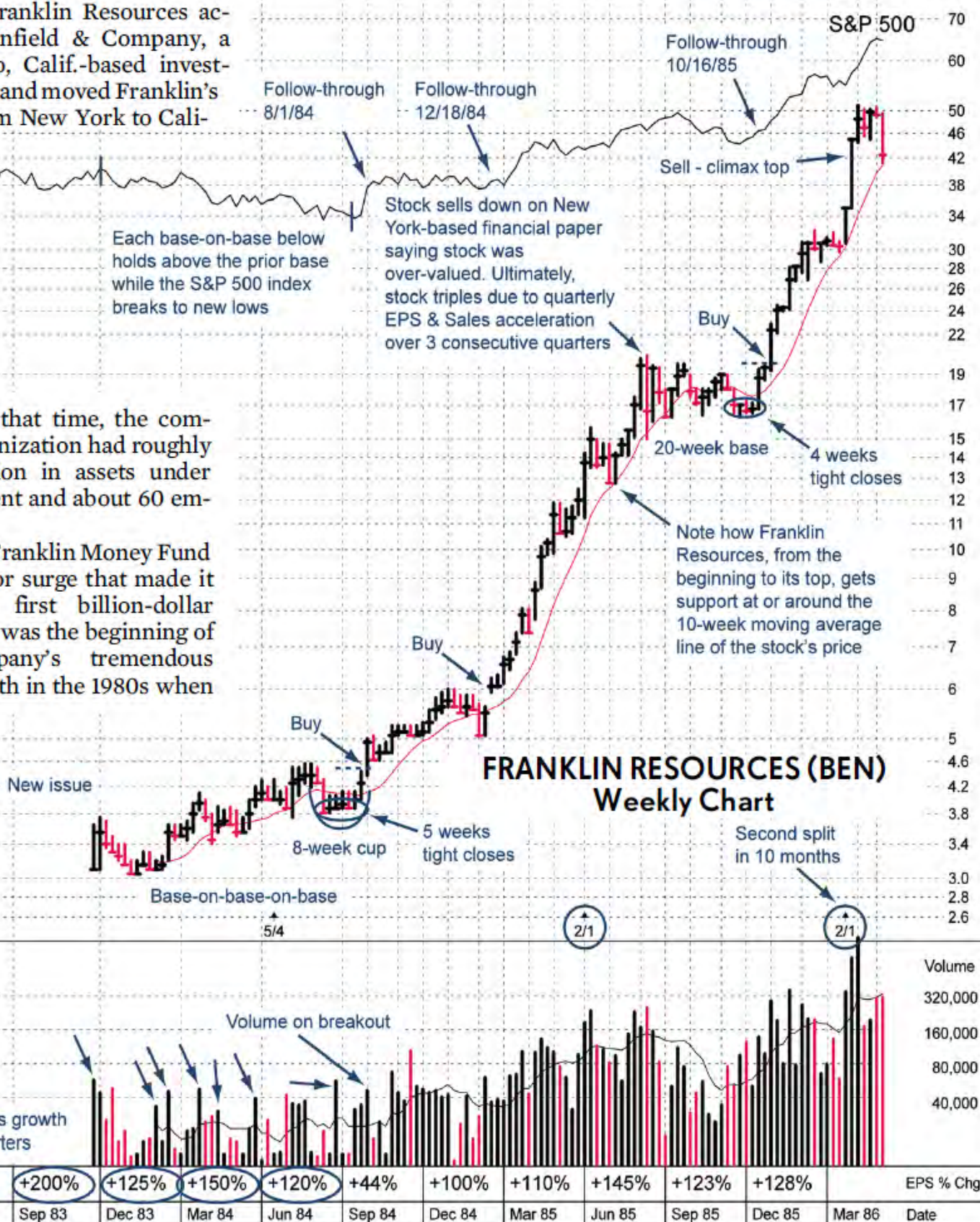
How To Find & Own America's Greatest Opportunities

By William O'Neil

In 1973, Franklin Resources acquired Winfield & Company, a San Mateo, Calif.-based investment firm, and moved Franklin's offices from New York to Cali-

fornia. At that time, the combined organization had roughly \$250 million in assets under management and about 60 employees.

In 1979, Franklin Money Fund had a major surge that made it Franklin's first billion-dollar fund. This was the beginning of the company's tremendous asset growth in the 1980s when



the company's total assets under management doubled (or nearly doubled) every year for the next six years. By the end of the 1980s, Franklin was running 73 funds with a specialization in income and bond mutual funds. Franklin also stood out from other mutual fund companies by dramatically increasing its advertising directly to the consumer.

Notice how bases are formed during general market corrections ... and ... the really big price moves occur and coincide with follow-through days in the

general market averages. The key lesson here is that corrections create big new leaders and you simply can't get discouraged, quit or throw in the towel on investing. You must be on top of the market when corrections turn into follow-through days.

Here are some of the vital facts known at the time of the first buy:

- Nine out of 12 quarters, Franklin's earnings were up more than 100%
- Prior 3 years annual EPS growth rate 97%
- Return on Equity 86%

- Prior 3 years sales growth data +87%, +128%, +79%
- Annual pretax profit margin 23%, After-tax margin 17%
- PE ratio 11
- Relative Price Strength 94
- New issue in 1983
- Assets under management growing rapidly
- New leader in income and bond funds
- Shares outstanding 3.5 million, debt 2%
- Stock just breaking out of 8-week cup pattern as general market had a follow-through day

How To Find & Own America's Greatest Opportunities

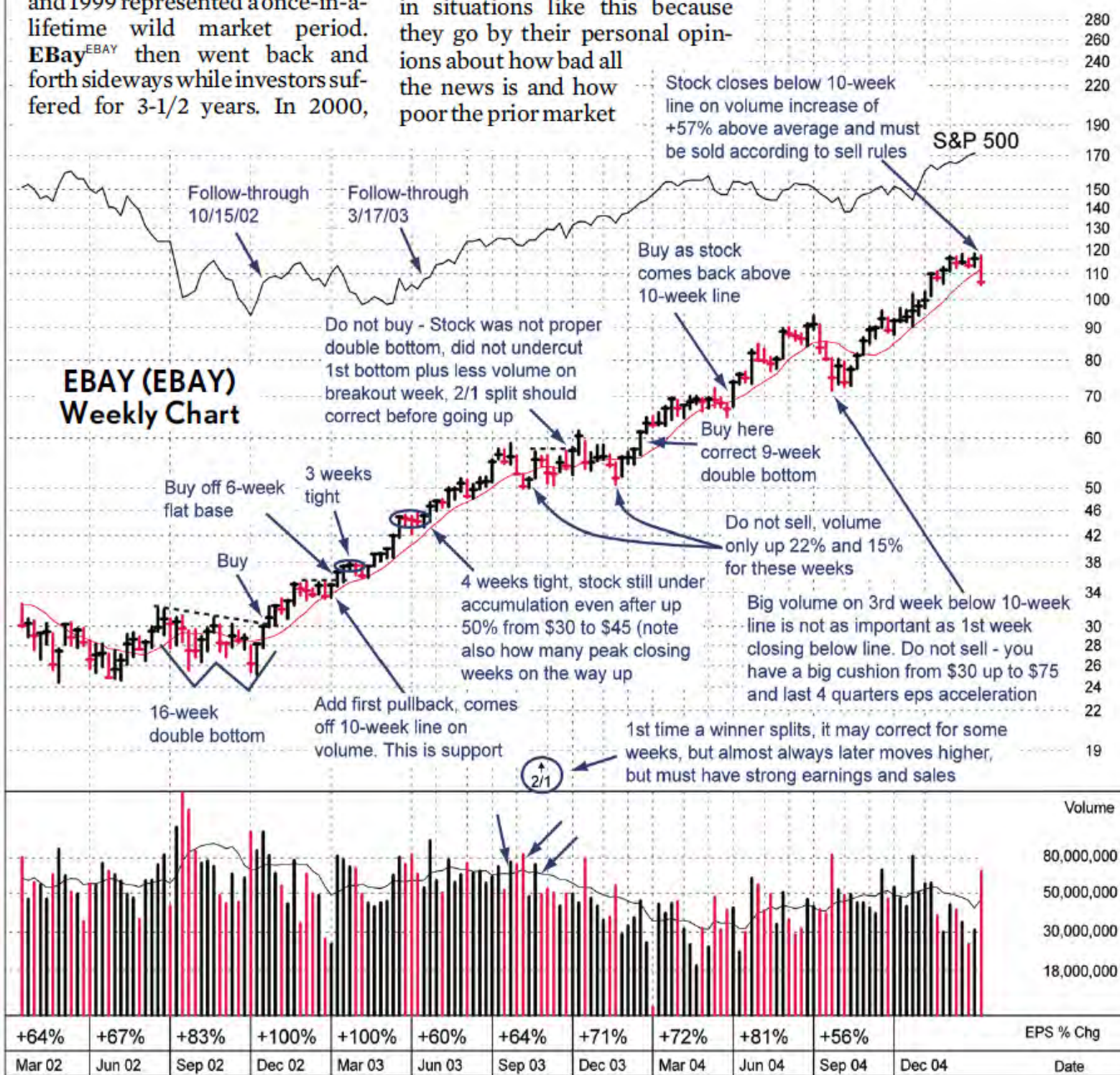
By William O'Neil

eBay was incorporated in 1995, had its IPO in September 1998, and proceeded to skyrocket from a split-adjusted \$6 to a peak of \$230 in only 7-1/2 months. 1998 and 1999 represented a once-in-a-lifetime wild market period. **eBay** then went back and forth sideways while investors suffered for 3-1/2 years. In 2000,

opportunities like this if you don't learn to read weekly charts and daily general market charts like the S&P 500 or Nasdaq. Ninety percent of investors will never buy in situations like this because they go by their personal opinions about how bad all the news is and how poor the prior market

- 56% to 64%, 58% and 83%
- Last quarter of sales up 49%
- Quarterly after-tax profit margins at 21.7%, a new high
- Number of mutual funds owning eBay up 15 quarters in a row
- At least five of the better-performing mutual funds owned eBay
- P-E Ratio was 82; don't let this stop you from buying. Its high had been 270 and its low was 58.

EBAY (EBAY) Weekly Chart



from eBay's peak to its low, it lost 80% (no one should ever sit through corrections like this). That's why you must have buy rules and sell rules and follow them.

When nearly everyone was beat, battered and negative, a classic 16-week double bottom formed that a good chartist should have recognized. And the breakout day occurred with volume up 124% only three days after the Oct. 15, 2002, follow-through day appeared on the S&P 500.

You will always miss big oppor-

has been. You must learn not to go by how you feel but what the market is actually doing and telling you. Don't argue with the market; learn to read it with skill and rules based on history.

Here are some key facts known at the beginning buy point:

- Buy point on a classic double bottom
- The pattern was similar to Delta Airlines in November 1962 and Cisco in November 1990
- Last 3 quarters of earnings per share were accelerating from

The best stocks typically command higher P-E ratios.

- Annual EPS growth rate last 3 years +152% (that explains the higher P-E)
- 10% of sales spent on Research and Development
- Only 1% debt
- Annual Sales Growth rate +78%
- Earnings estimates next quarter +92%
- Up-Down Volume 1.3 and Accumulation-Distribution Rating B
- Beta of 1.03
- Management owned 28% of eBay

How To Find & Own America's Greatest Opportunities

By William O'Neil

from May 7, 1982 to July 16 (11 weeks) occurred while the S&P 500 was going down and making new lows. This was very impor-

Limited Stores, headquartered in Columbus, Ohio, had over 500 retail stores catering to 20- to 40-year-old women. Their medi-

um-priced apparel appealed to the growing number of women entering the workforce.

Limited formed a large 38-week cup-with-handle chart base on Feb. 19, 1982. On Feb. 25, it broke out of its 14-week handle on a 140% increase in the stock's average

Where the big money is made, when most investors feel unsure and don't follow rules

Note: if you pyramid, keep your average cost low, by always buying fewer shares at the higher prices. Do not get top heavy with more dollars in at higher prices than amount purchased earlier at lower prices. This is averaging up rather than averaging down. But buy fewer shares when you average up. Watch your average cost and total position size closely. Don't get excessive.

Do not buy - daily and weekly volume are below average on breakout

Buy

About 50% of the time, after the breakout, stock will pullback to pivot buy point

Add - 4 weeks tight closes and stock completed an ascending base (3 pulbacks in price of 10-20% with each low point higher than the previous)

Add - 4 weeks tight closes

Add as price comes back above 10-week moving average line on huge volume

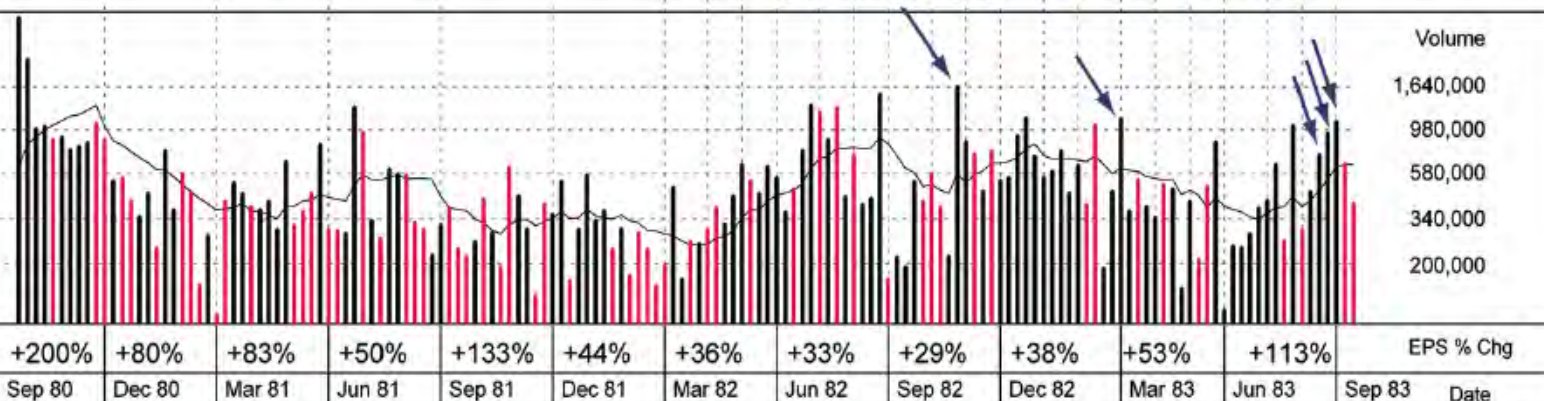
Do not sell - closes week below 10-week line, but on below average volume

Sell into second 2/1 split in only 8 months as volume increases but weekly price spread retraces much of same price area from \$26 - 30

THE LIMITED (LTD) Weekly Chart

181% Volume spike to 1.6 million shares

Splits are only 8 months apart



daily trading volume. The precise buy point price at that time was \$15.50, but the chart prices are adjusted for two 2-for-1 stock splits. The chart, therefore, shows the buy area at about \$3.88. We mention this to make clear that we do not buy \$3 stocks and you shouldn't either.

Limited increased more than 600% in 16 months. So maybe you need to work at your skill of reading the several most-often-repeated chart patterns that occur every year in the stock market. However, you never buy a stock just be-

cause of its chart. You must next run a checklist on the stock's vital fundamentals and read an IBD story on the company.

Limited's five-year annual rate of earnings-per-share growth was 36%, and in the last quarter it was up 44%. Quarterly sales were up 27%, annual return on equity was 24% and quarterly after-tax profit margin was 7%, a new high. Inventory turnover rate was 10.9 times, excellent for a retailer. Goldman Sachs was its investment banker.

The somewhat flat, sideways area around the \$5 price range

tant even though the stock broke out prematurely in low volume.

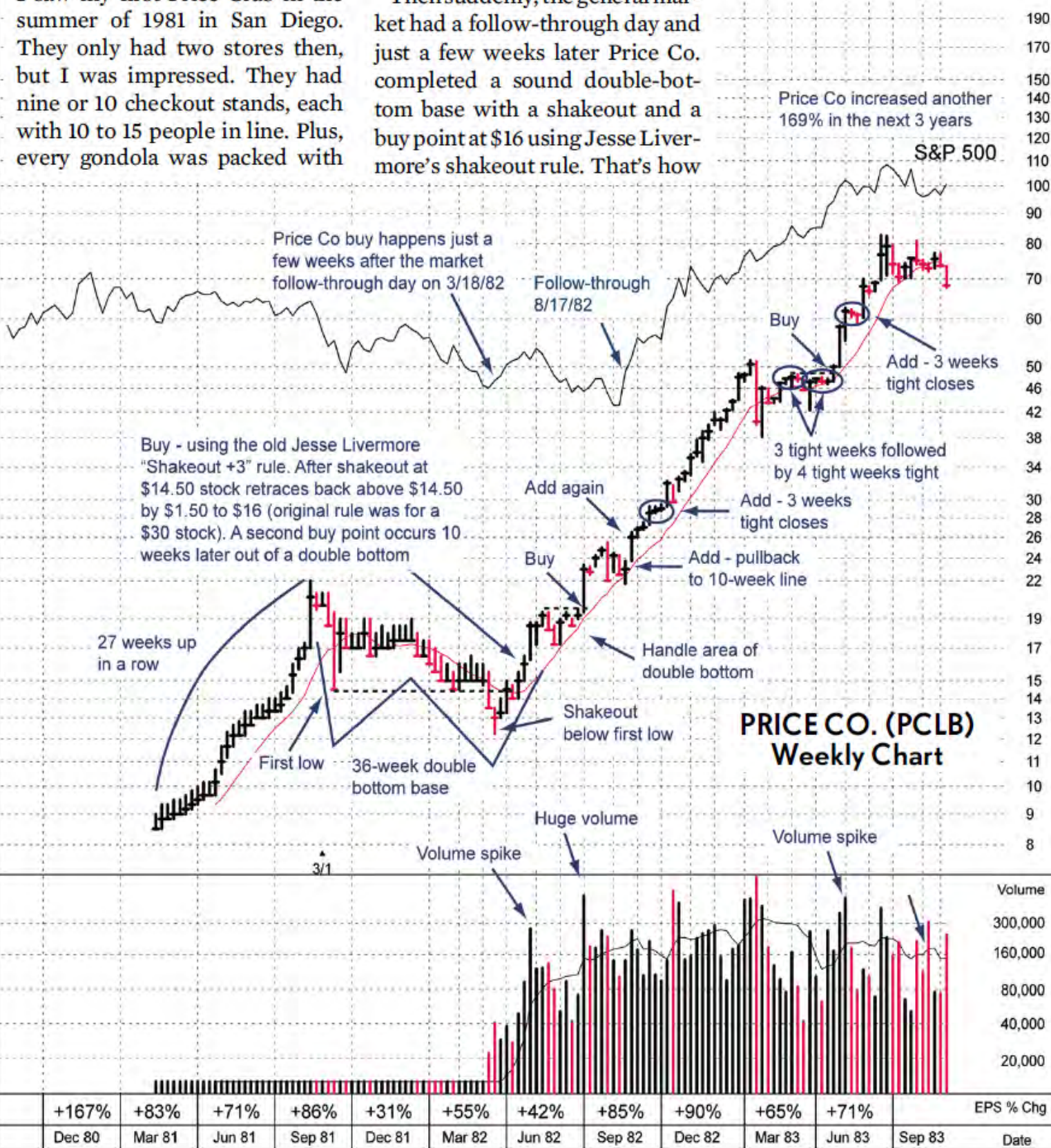
The fact that Limited held significantly above the cup-with-handle base while the general market rolled over into new lows, showed tremendous counter power and strength, telling you this could be a really big leader once the general market turned up with a follow through day. And that's exactly what happened on the Aug. 17, 1982, follow-through day. This is how the big money is made ... when most investors are unsure and fail to act.

How To Find & Own America's Greatest Opportunities

By William O'Neil

I saw my first Price Club in the summer of 1981 in San Diego. They only had two stores then, but I was impressed. They had nine or 10 checkout stands, each with 10 to 15 people in line. Plus, every gondola was packed with

Then suddenly, the general market had a follow-through day and just a few weeks later Price Co. completed a sound double-bottom base with a shakeout and a buy point at \$16 using Jesse Livermore's shakeout rule. That's how



\$100 to \$200 or more of merchandise. Sol Price had just innovated a new type of cash-and-carry wholesale warehouse store.

Incorporated in 1976, Price Co. initially traded in the San Diego market and there were no charts available, so we called a San Diego trader to get some past prices and started plotting our own internal chart. Surprisingly, after having doubled in the San Diego market, the stock declined for 31 weeks from \$22 a share down to \$12 during a bear market.

a 12-fold advance began over the next 3-1/2 years.

At the initial buy point, the prior three years annual earnings per share growth rate was 110% per year, sales were growing at 53% per year and return on equity was 55.4%. Sol much later told me that we were the first to discover his company. When he retired, he sold his entrepreneurial innovation that now flies under the Costco flag.

In the third week of January

1983, a Los Angeles bank took a profit and sold its entire position, creating huge volume. We owned stock at that time, but did not sell any because Price Co. only had four stores in California and we estimated they could eventually have at least 15 stores that could earn \$2 a share. Using recent P/E ratios we calculated the stock price could reach more than \$100. It was still a young fast growing company with a 55% return on equity. So knowing your fundamentals on the company is important.

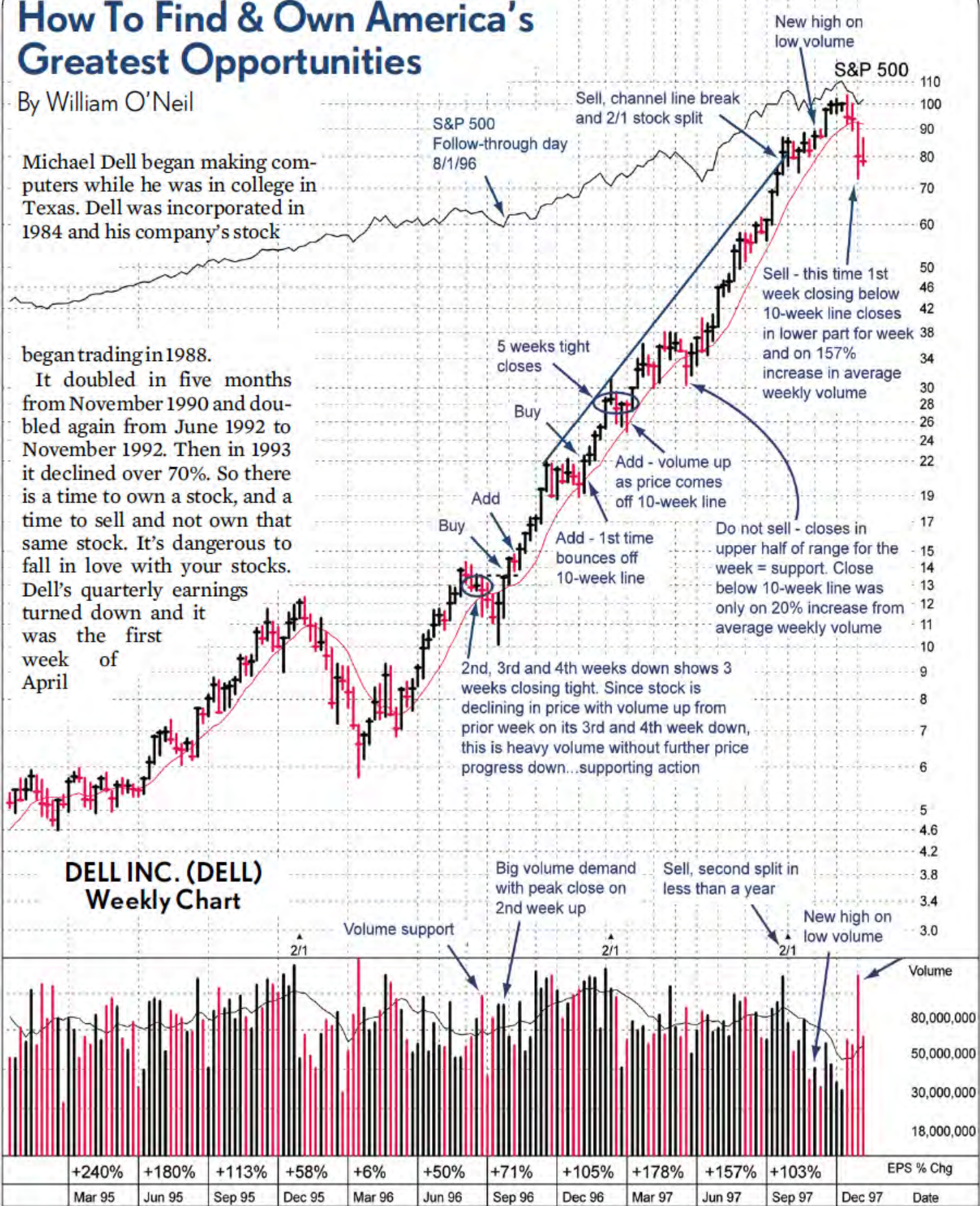
How To Find & Own America's Greatest Opportunities

By William O'Neil

Michael Dell began making computers while he was in college in Texas. Dell was incorporated in 1984 and his company's stock

began trading in 1988.

It doubled in five months from November 1990 and doubled again from June 1992 to November 1992. Then in 1993 it declined over 70%. So there is a time to own a stock, and a time to sell and not own that same stock. It's dangerous to fall in love with your stocks. Dell's quarterly earnings turned down and it was the first week of April



**DELL INC. (DELL)
Weekly Chart**

1995 before earnings fully recovered and a sound chart base formed with a safe and sound buy point that allowed you to double your money in the next six months.

Recognize that from early in 1993 when Dell was sold, you had use of that money over nine quarters before the next real buy signal, based on disciplined rules.

Rules also dictated you to sell it in October 1995. The stock had just doubled and was sold based on two weeks straight down to or below the 10-week moving aver-

age line and two weeks straight back up to new highs (four weeks is not a base). The sale was made right into a 2-for-1 split.

Three weeks later, Dell's earnings showed a third consecutive quarter of deceleration in its earnings growth rate. Dell wound up with a 53% drop 11 weeks after its peak. To excel in the stock market, you have to stay on the job every week checking your charts and company earnings reports.

Thirty-nine weeks after the Dell sell, earnings re-accelerated back to new highs, a powerful eight-

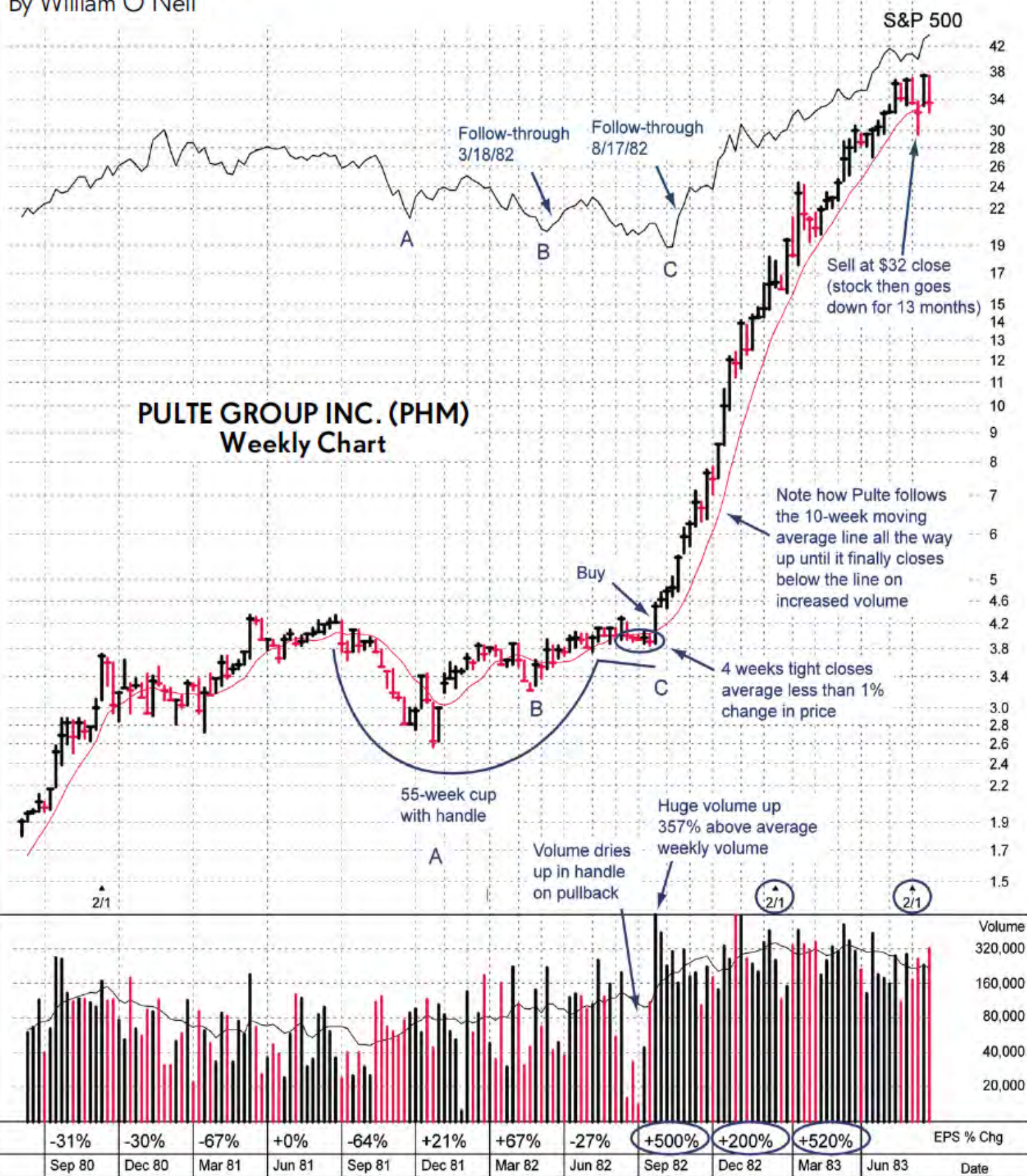
week cup pattern formed and it broke out near \$13 (on a split-adjusted basis).

Dell skyrocketed to over ONE HUNDRED DOLLARS a share... over 6-1/2 times in just 15 months! Only in America, with its many freedoms and endless supply of new entrepreneurs, have opportunities like this occurred virtually every market cycle for the past 100 years. So you had better get ready and fully prepared for the next several cycles. It could just change your whole life.

EPS % Chg	Mar 95	Jun 95	Sep 95	Dec 95	Mar 96	Jun 96	Sep 96	Dec 96	Mar 97	Jun 97	Sep 97	Dec 97	Date
	+240%	+180%	+113%	+58%	+6%	+50%	+71%	+105%	+178%	+157%	+103%		

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Before Pulte broke out of its 55-week cup-with-handle base on July 23, 1982, it had increased in price more than 10 times since January 1976. So, Pulte was an outstanding growth stock in the notoriously cyclical homebuilding industry.

It tried to break out after the S&P 500 follow-through on March 18, 1982. However, the S&P rolled over and made a new low that temporarily stopped Pulte's progress. It's very important that you learn to spot and un-

derstand that during a declining general market where the S&P 500 at points A, B, and C makes new lows, Pulte's price at A, B and C does not make new lows, but holds 20% higher each time. This is a tremendous sign of counterpower, and as soon as the general market finally turns up for real, the stock should be a big leader.

This example also tells you: No. 1 you need to develop your skill at chart reading, No. 2 don't ever get discouraged and stop doing your market homework, and No. 3

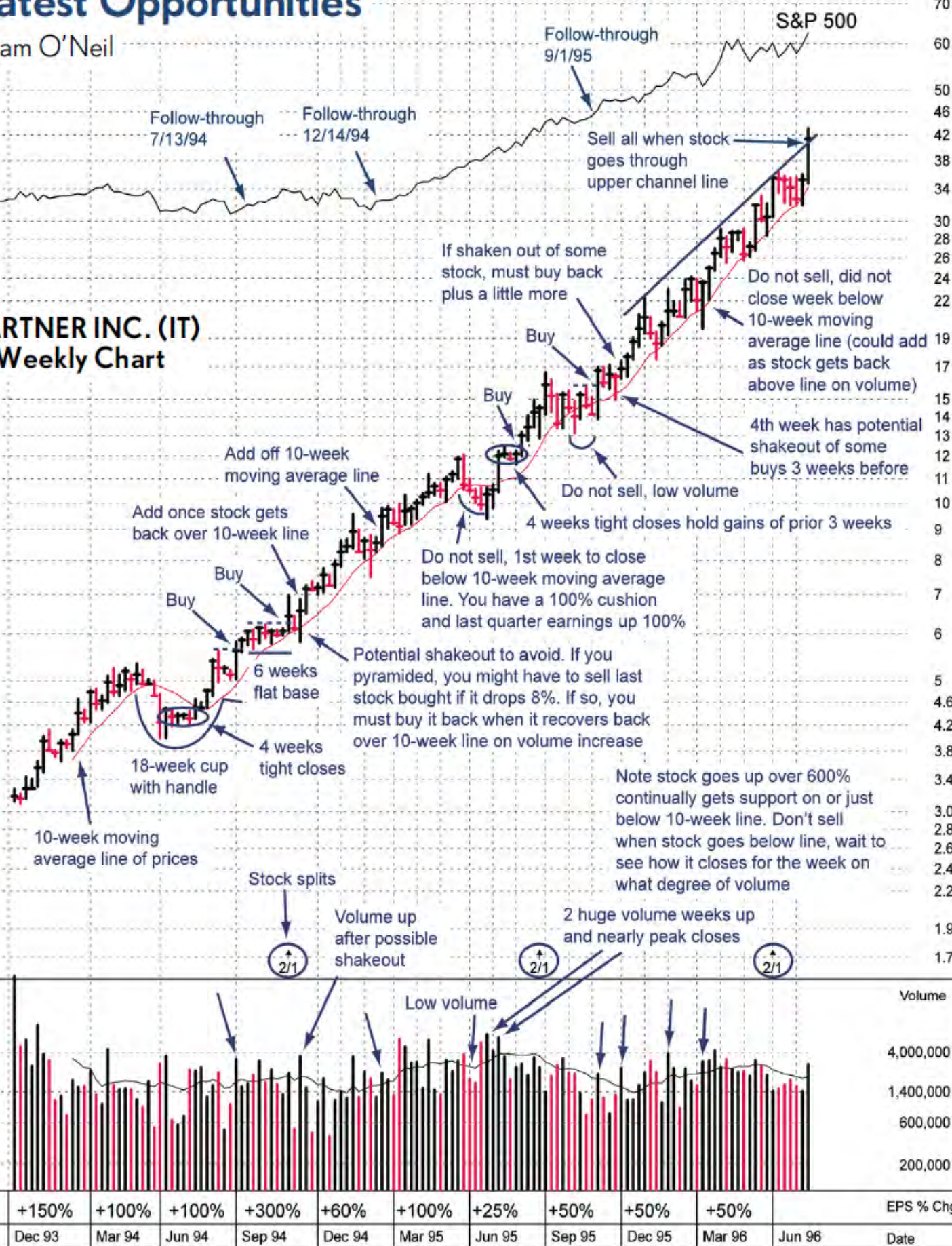
once you learn to buy real leaders at the right time, you must have and execute proven sell rules to keep you in for most of the big move up but get you out on the way up to nail down your big gain while you still have it. You don't want to wind up giving it all back.

One rule that works well with many new big leaders is, once you buy right and are ahead, hold until your winner closes for a week clearly below its 10-week-moving-average line in greater than average volume.

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GARTNER INC. (IT) Weekly Chart



Gartner Group provided subscription-based analysis of computer hardware and software, communication and related technology.

It highlighted industry developments and reviewed new products and technologies. Its analysis was used by senior management in information technology departments across corporations and government agencies. Clients gained the benefit of detailed research reports to help guide decision-making and manage costs while taking advantage of technology that was advancing rapidly.

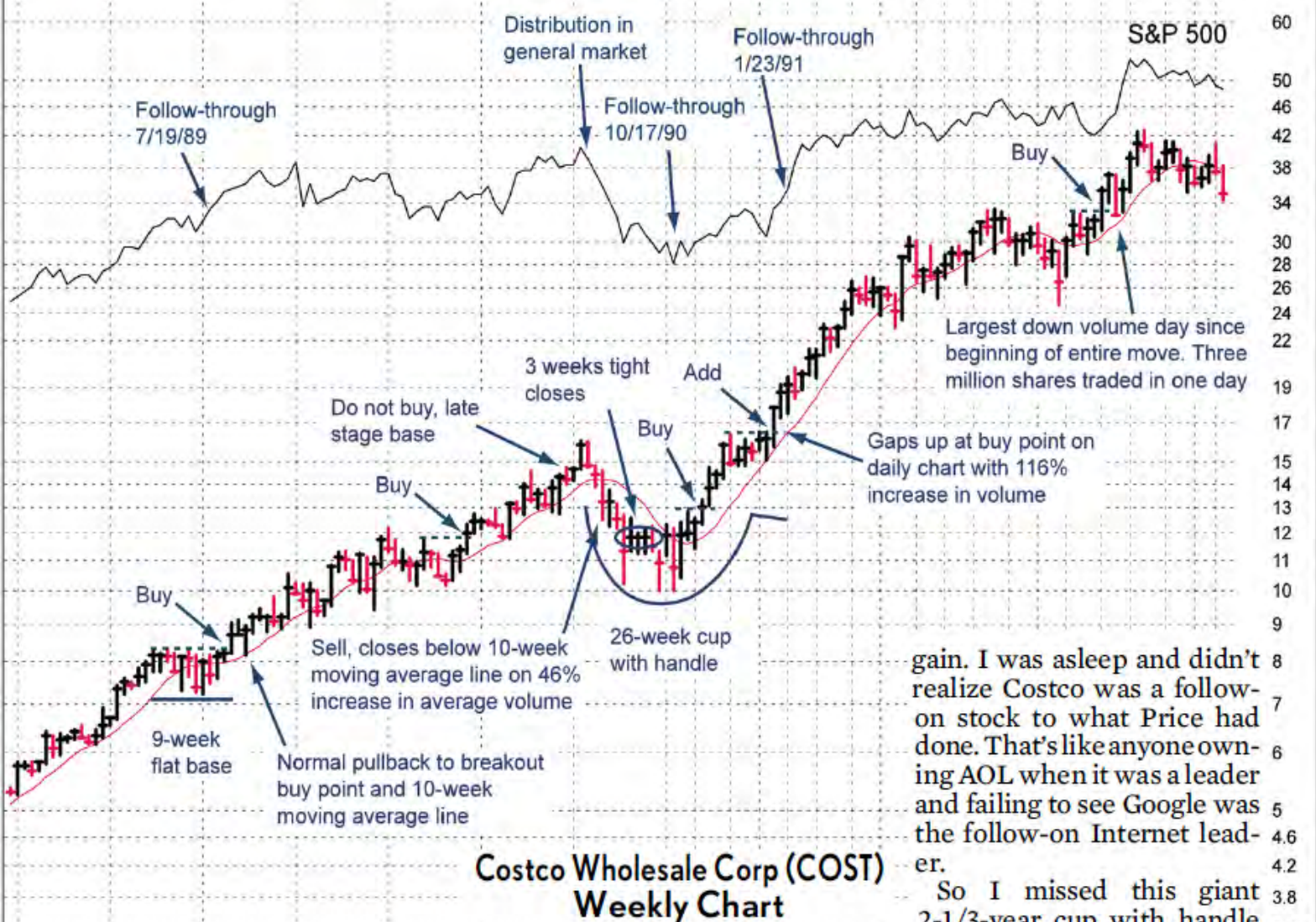
Gartner was incorporated in 1990 and had its IPO in late 1993. Morgan Stanley was the investment banker. At the time of its first buy point at a split-adjusted 5.70, the prior three quarters of earnings were up 150%, 100% and 100%, sales were accelerating up 31%, 37% and 42%. Sponsorship by mutual funds had increased each quarter. The P/E ratio in the most recent quarter was as high as 39 and as low as 30. The P/E ratio at the top expanded to 123.

We don't use P/E ratios to determine whether a stock is "overval-

ued." Instead, we use them as a gauge of a stock's potential. A look at the best performing stocks of each market cycle tells us that growth stocks tend to expand their P/E ratios by 130% in bull markets. With that knowledge, and the use of forward looking annual earnings estimates, you can calculate a price target for a stock. It isn't a tool we've used that much in the last decade. But in strong bull markets it can be a useful indicator to help you hold through normal corrections for even bigger gains in the market leaders.

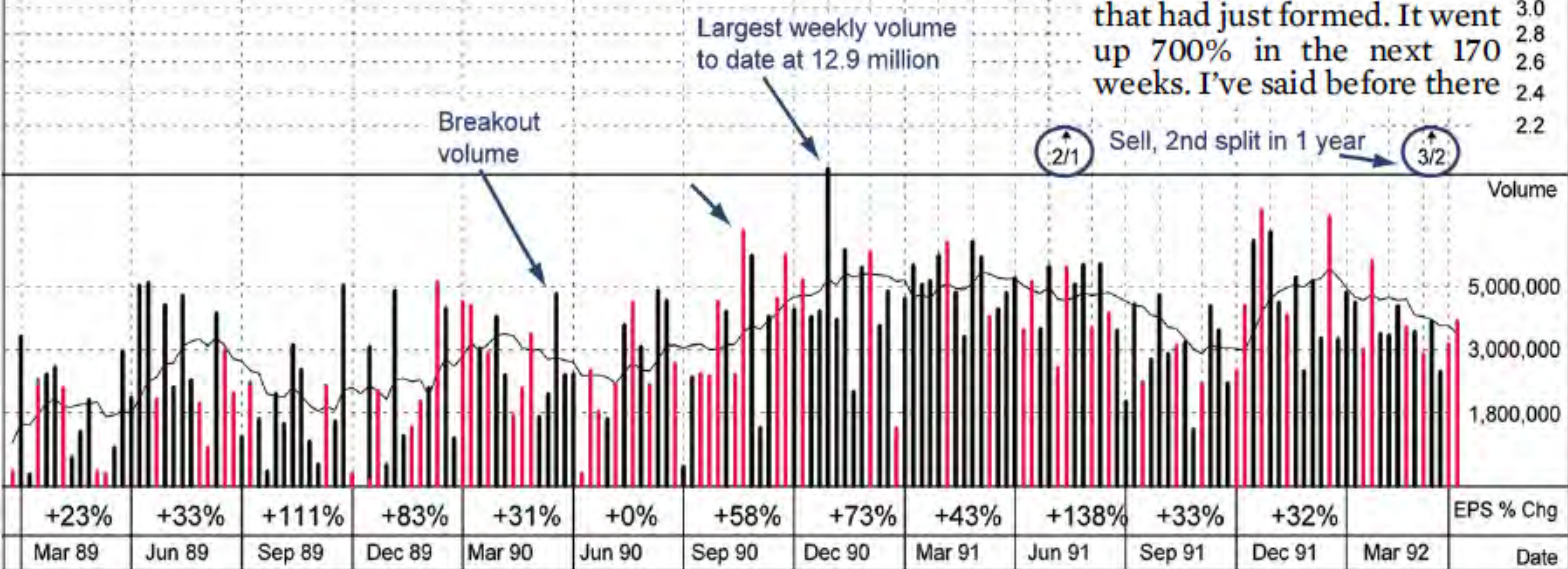
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gain. I was asleep and didn't realize Costco was a follow-on stock to what Price had done. That's like anyone owning AOL when it was a leader and failing to see Google was the follow-on Internet leader.

So I missed this giant 2-1/3-year cup with handle with big broad symmetry that had just formed. It went up 700% in the next 170 weeks. I've said before there



Costco had cash-and-carry membership warehouses. The earnings-per-share annual growth rate from 1985 to 1989 was 103% per year and the return on equity was 15.5%.

The first nine-week flat weekly chart base we are showing you was not really Costco's first base. Its first base was so big and long there was not enough space to show it, but it is important to discuss. After almost doubling from its IPO in late 1985, Costco corrected 70% over 74 weeks and hit bottom during the huge October 1987 general market break. Then for 21

weeks, it recovered in big volume into the upper part of its base and went sideways, building a 35-week handle. Volume dried up during the down periods. There were two periods of four weeks in a row closing tight.

I saw this at the time in late 1988 but didn't believe it and had to come in many months later. Outstanding stocks do build bases on the way up so keep track; you may get another base opportunity later.

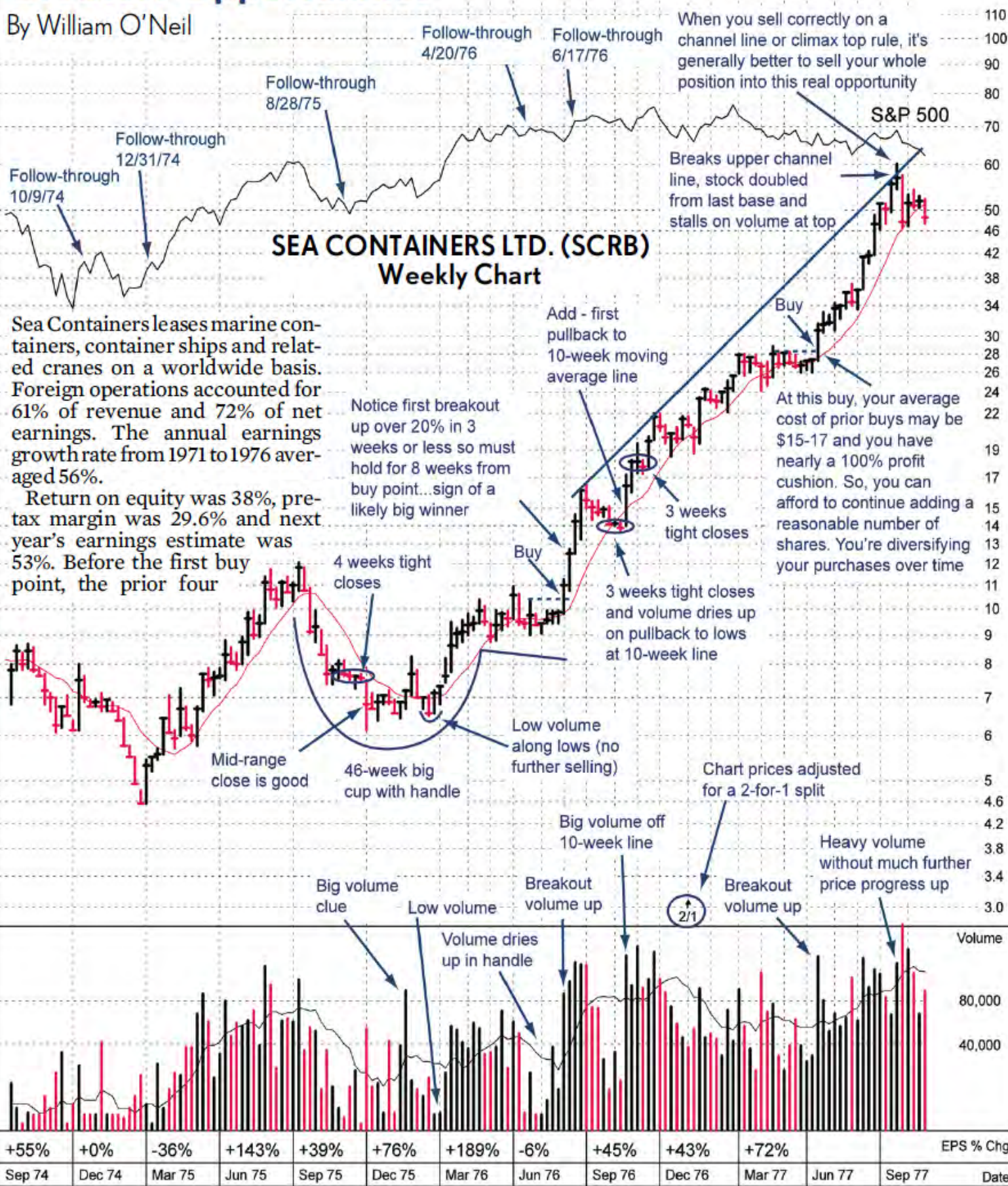
Another reason I didn't act on the first base was a prior bias. From 1982 I had owned Price Co., which was sold at a significant

are small, medium and large cups with handles, but the overall shape has the same look. So learn to recognize all sizes; they've been repeated in every cycle for many years.

Historical precedent is amazing. Xerox in early 1963 created the same pattern after the bad market in 1962. Xerox's big 18-month cup with handle with an identical handle went up 660% in 169 weeks compared with Costco's 700% increase in 170 weeks. History keeps repeating itself. So you need to study historical patterns ... if you want to succeed.

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quarters of earnings-per-share growth were 143%, 39%, 76%, and the most recent quarter was 189%. Sales growth was at 12%, 0%, 10% and 10%. The most recent quarter had after-tax margins at 23.6%. The price-earnings ratio was below 10.

At the time, Sea Containers was a relatively young company incorporated in 1965. Its initial public offering of stock occurred only six years prior to the buy point off of the 46-week big cup with handle we show you on the weekly chart.

Remember, one of our buy rules for finding potential new big winners in the beginning of a new bull

market is to look for stocks that had an IPO in the past eight years and show huge accelerating earnings. The two quarters before the breakout from the handle were up 76% and 189%.

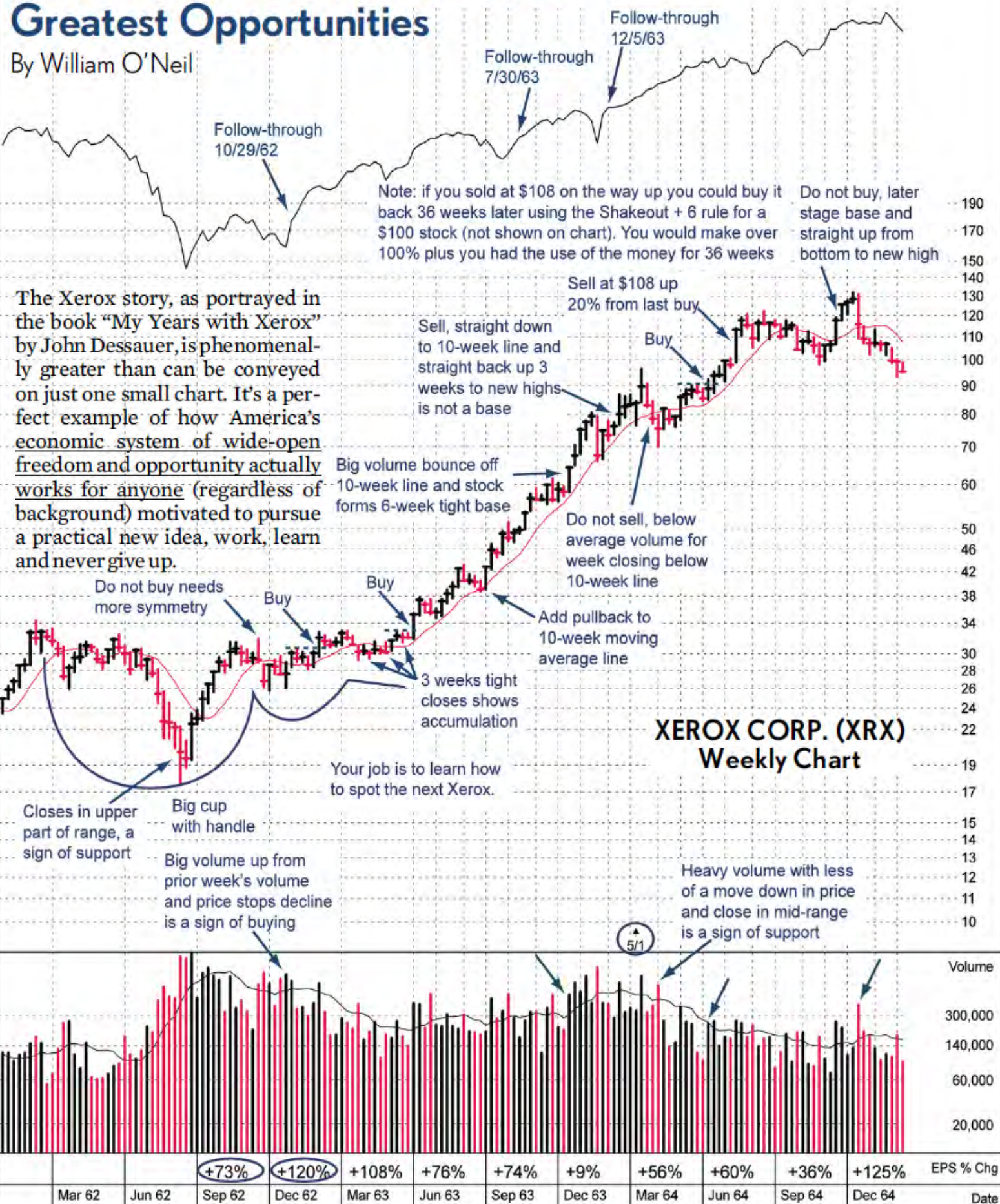
However, the way you spot this winner is to recognize the classic cup-with-handle stock pattern. It is the combination of your learning to recognize the cup with handle when you go through many weekly charts week after week and combine that with huge earnings increases and other powerful fundamentals such as a very high return on equity.

The fact that all four weeks breaking out of the handle each close at the week's peak price on accelerating big volume is very bullish, telling you the stock will probably go much higher given time. So be patient.

No stock goes up forever. That's why we always have a set of selling rules for when to take your worthwhile profits on the way up while the stock is still advancing. Two of these rules are: 1) sell into a climax top (the precise definition is on page 263 of "How to Make Money in Stocks") and 2) sell if a stock goes through a properly placed upper channel line.

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Chet Carlson's family was poor. His father was a barber from Sweden. Chet had to work hard to put himself through school. His mother died early on and his father was sick. Later, Chet spent seven years trying to perfect his idea of a new photocopy machine. He used his kitchen as his laboratory and could only afford \$10 a month for materials. RCA, IBM, General Electric, Eastman Kodak and others all turned down his first product, saying it would have no demand. His wife, seeing years of relentless failures, divorced him in 1945. Finally, the Battelle Institute showed some interest and put up the grand sum of \$3,000 for further research.

Haloid — which started as a 12-person business that made copy paper and would eventually become Xerox — learned of Carlson's still unperfected system, became interested and put up \$25,000 (all they could afford) to continue research and to obtain certain limited copying rights. No

big companies were interested.

In 1947, Haloid's after-tax profit was less than \$150,000. It took several extra years of R&D to improve the system, and a survey showed that "if" the system worked the company wouldn't be able to sell enough machines to recover the research cost.

Joe Wilson, Haloid's CEO, kept on even when big companies said the product was too big and complicated and would take up too much space. They only wanted a small desktop product.

With the introduction of the 914 Xerox — the world's first fully automated plain paper photocopier that didn't require chemicals like America Photocopy's product, which could only make one wet copy at a time — Xerox revolutionized the communications industry.

Xerox went public in the mid-1950s and the stock skyrocketed 150 times from 1958 to 1972. It dramatically led two market and economic cycles, 1958 to 1961

and 1962 to 1966, and created more than 50,000 jobs in the process.

We live in the most successful country in the world. We have the largest GDP per capita of the major countries. In the last 150 years, every market and economic cycle has been driven and led by new private-sector inventions like this or by newer innovative companies with novel products that improve every American's standard of living, increase jobs and slowly outmode older, less effective products.

In recent years, these stocks all went up at least 10 times and several of them 100 times or more: Home Depot, Wal-Mart, Toys R Us, This Can't Be Yogurt, Microsoft, Amgen, Cisco, AOL, Yahoo, Qualcomm, Intuitive Surgical, Priceline and Apple. From Edison and the Wright brothers to today's newest successful entrepreneurial innovators, you can learn how to spot the next cycle's top new leaders if you get serious and do your homework.

Few individuals bought Xerox because its P-E ratio was too high.

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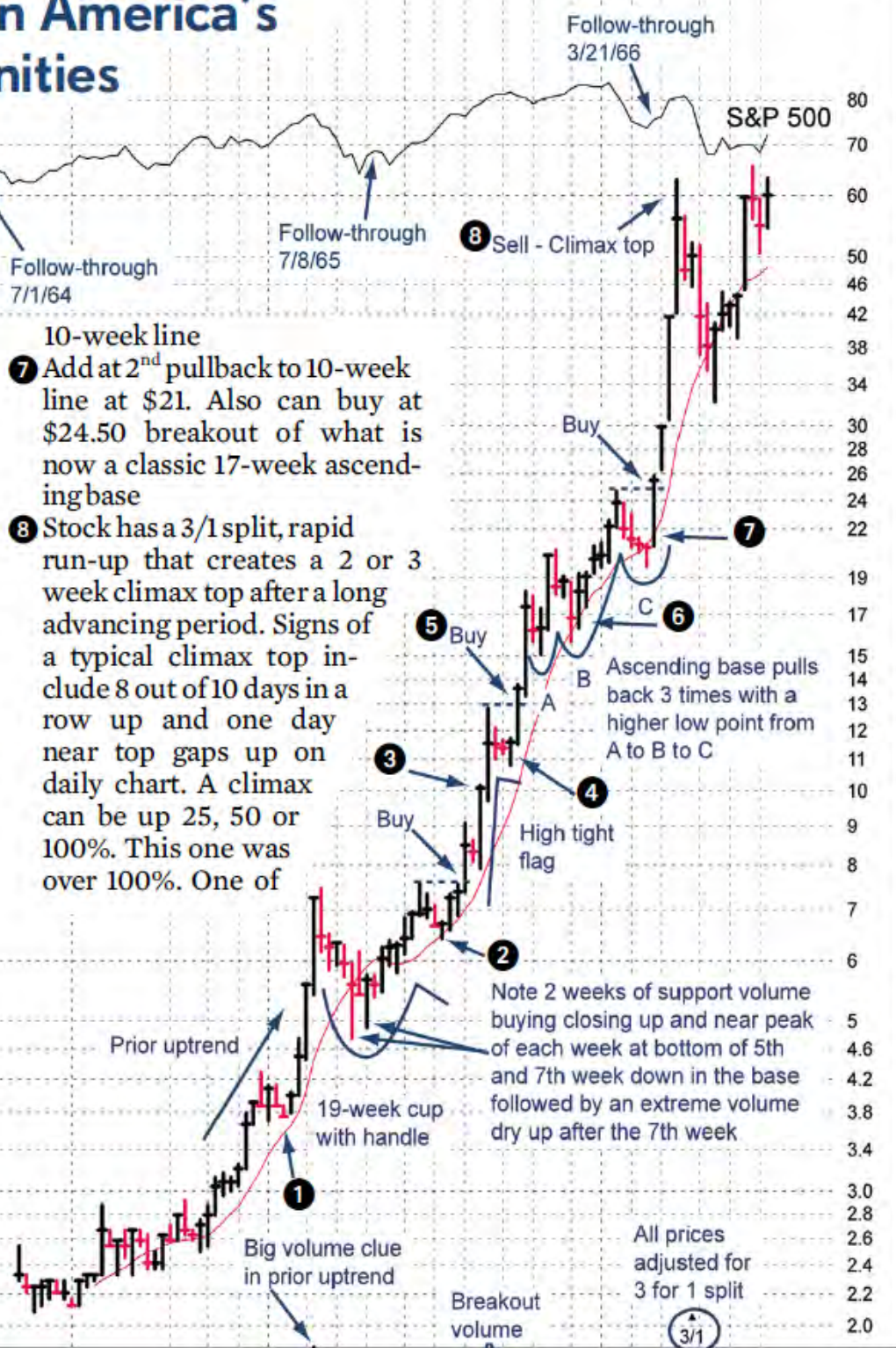
By William O'Neil

Simmonds Precision was a new high-tech leader. They created measurement, display and control systems for the aerospace industry, precision metal products, and electronic components. This was during the Vietnam War period and business accelerated in 1965 for aerospace and electronic systems.

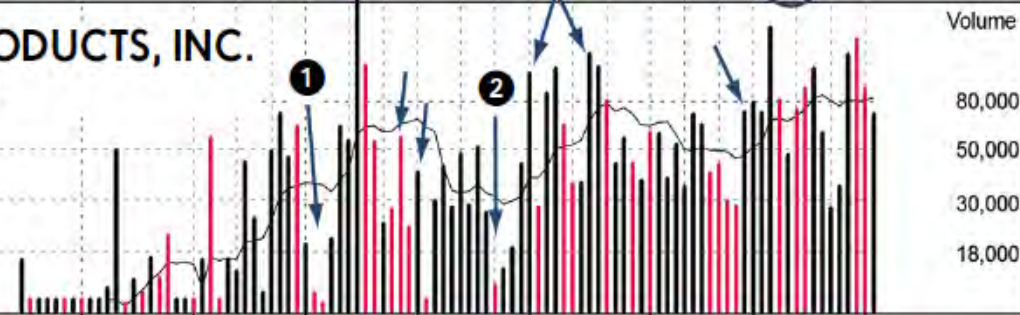
Simmonds Precision showed a classic 19-week cup with handle weekly chart pattern and an unbelievable 7-fold price increase in only 29 weeks that ended with an easy to recognize climax top.

- 1 Extreme volume dry up on 2 week pullback means no further selling comes into the market at the lows of the pullback.
- 2 Note also same extreme volume dry up at low in pullback of handle area.
- 3 Breakout from cup with handle goes up over 20% in first 3 weeks so our rule is to hold a full 8 weeks from breakout point and then reappraise if we should hold further or sell.
- 4 Simmonds closes several weeks unchanged with tiny weekly spreads...highly posi-

- 10-week line
- 7 Add at 2nd pullback to 10-week line at \$21. Also can buy at \$24.50 breakout of what is now a classic 17-week ascending base
- 8 Stock has a 3/1 split, rapid run-up that creates a 2 or 3 week climax top after a long advancing period. Signs of a typical climax top include 8 out of 10 days in a row up and one day near top gaps up on daily chart. A climax can be up 25, 50 or 100%. This one was over 100%. One of



SIMMONDS PRECISION PRODUCTS, INC. Weekly Chart



+200%	+100%	+100%	+33%	+0%	+0%	+25%	+67%	+175%	+160%	+260%	+380%	EPS % Chg
Sep 63	Dec 63	Mar 64	Jun 64	Sep 64	Dec 64	Mar 65	Jun 65	Sep 65	Dec 65	Mar 66	Jun 66	Sep 66 Date

- 5 End of 8 weeks hold rule so it's time to reappraise as mentioned in 3. Stock was a buy at \$13 with volume up huge, a new quarterly earnings report up 175%, stock is now up 80% since 1st buy. You have a big gain and cushion so must hold longer until a very clear sell signal of closing a week below the 10-week moving average line with volume for week up over 30% or a textbook climax top occurs.
- 6 Add at 1st pullback to

the days up will be up more points than at any point since the beginning of the move. On a weekly chart one of the weeks in the climax top will usually show the widest spread from low to high for that week when compared to all previous weeks on the way up.

If you save all the charts I've explained and marked up, you'll have a fine set of models for what you want to look for every week in the future.

In the next 20 years there will be 200 stocks that will go up 5 times

or more. Getting 2 or 3 could just change your whole life.

How can you do this? Learn to read charts well and do it each week. Learn the individual stock buy and sell rules and follow them. Learn the general market buy and sell rules and don't argue with the general market. Don't be lazy, believe in yourself and the rules. Develop a few motivated friends who also seriously study the CAN SLIM rules and are looking for the best stocks. Who cares who comes up with a big winner as long as you get the idea?

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SURGICAL CARE AFFILIATES Weekly Chart



Surgical Care Affiliates was incorporated in 1982, when hospital costs were mounting. The company developed, owned and operated outpatient surgical centers in many states. In 1990, their outpatient centers performed 109,500 surgical procedures. Once profitable in 1986, its earnings per share went from 2 cents to 4 cents in 1987, 12 cents in 1988 and 19 cents in 1989. Annual EPS growth rate was around 100%, sales were growing more than 50% per year and return on equity in 1989 was more than 20%. The number of

mutual funds owning the stock increased each year during the period shown on the chart. Chart prices are adjusted for stock splits. We never want to buy \$6 stocks for low-quality reasons.

Notice that the buy off the double bottom with short handle occurred at the time of the follow-through day on April 3, 1990. Many big leaders begin this way ... so stay alert as you wait and be ready to act at the right time.

Again, notice how the November 1990 sound key buy opportunity happened very shortly after the

October 18, 1990, follow-through day following a sharp correction in the S&P 500. Know what you're looking for, do your homework and be prepared.

During Surgical Care's first base, the stock's P-E ratio went from 28 to 36. It expanded along the way up to a peak P-E ratio of 92 times earnings. The company's product, sales and earnings growth rates are typically more important than its P-E. So don't miss a new leader because you argue with the P-E. Remember, you can't buy a Mercedes for the price of a Chevrolet.

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C B RICHARD ELLIS (CBG) Weekly Chart



CB Richard Ellis was a global commercial real estate services firm that offered a full-range of services to occupiers, owners, lenders and investors in office, retail, industrial, multifamily and other commercial real estate assets. They focused on several service competencies, such as strategic advice and execution assistance for property leasing and sales, forecasting, valuations, origination and servicing of commercial mortgage loans, facilities and project management and real estate investment management.

The company was incorporated

in February 2001. Clients included pension plans, investment funds, insurance companies and other organizations. Competitors were companies like Cushman & Wakefield.

The first chart base was a ten-week flat base that occurred by moving straight sideways in a very tight pattern where every week had a tiny price spread from high to low for the week. A good chartist could hardly miss this formation. Notice the extreme volume dry up on price pullbacks in the fifth and 12th week followed

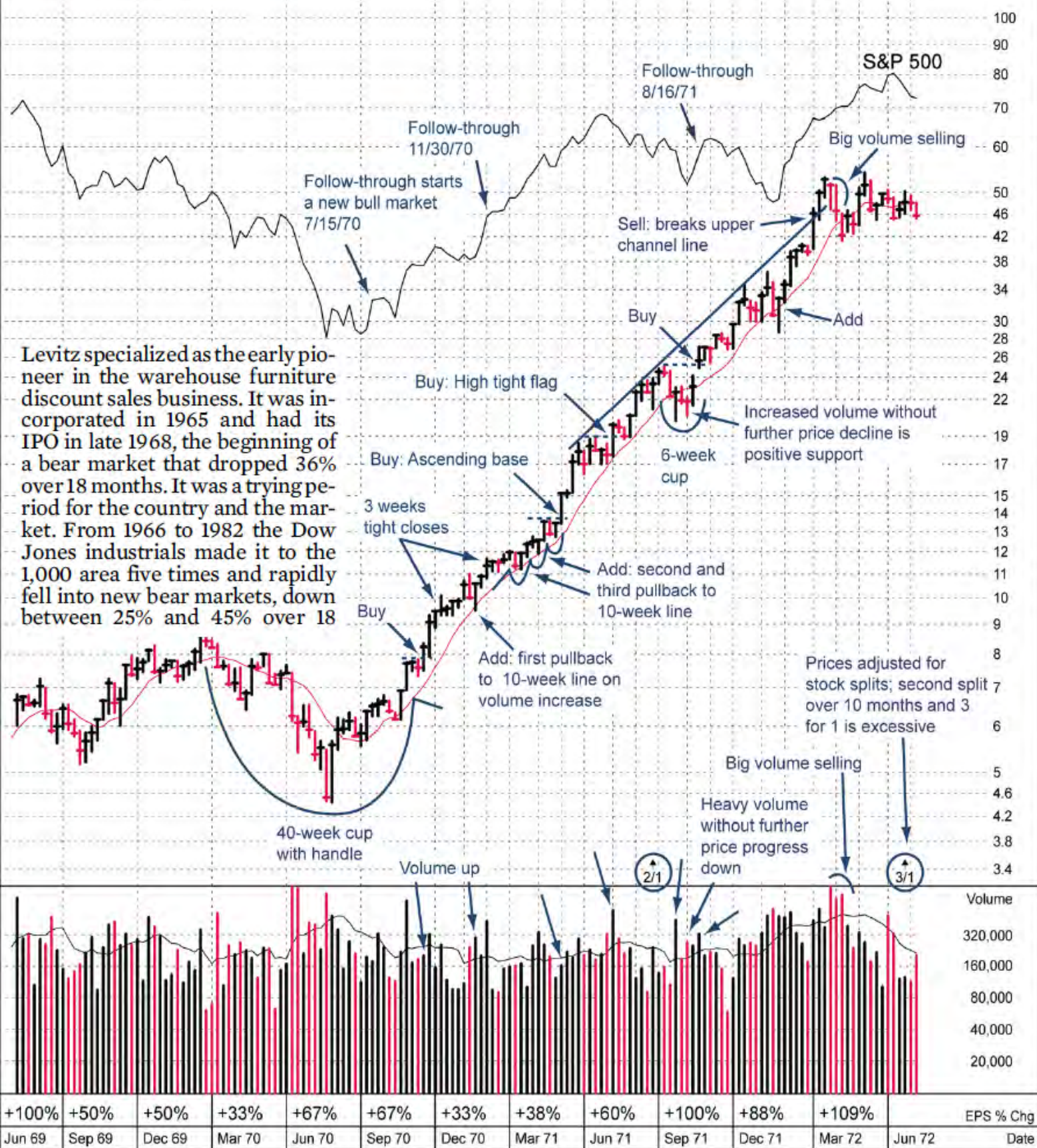
by up weeks in black on greater volume. Also note, the S&P 500 was busy making new lows as CB Richard Ellis held tight, refusing to sell off. That was a major divergence.

This was an IPO. A newer company that at the bottom of the chart showed huge quarterly earnings per share just before each of the three key chart bases took off like a rocket. It ended with more than a 350% profit in just a little over one and a half years. But, you had to have and follow both sound proven buy and sell rules. You can learn how to do this.

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LEVITZ FURNITURE (LEV) Weekly Chart



months or so.

It was the Vietnam era that began when President Kennedy sent military advisers to Vietnam in the early 1960s and continued under Presidents Johnson and Nixon until the Vietnam 1973 peace accords. But then came Nixon's Watergate, resignation and the Ford and Carter years.

Under Carter, the prime interest rate set a record high of 21% and inflation was 12%. We lost numerous countries to Soviet Union expansionism and Iran to the Ayatollah Khomeini, whose radicals seized our U.S. Embassy, taking hostages in 1979. Finally this pro-

longed back and forth period ended in 1982 with Reagan's largest tax cuts in U.S. history — 25% over three years — to set off a 17-year advance from 1,000 in the Dow to 11,750 in 2000. Inflation dropped to 1% from 12%.

While the Dow seemed to have its limits, the many two-year rallies that happened after 1966 found stocks just like Levitz that had huge increases that all started with a market follow-through day ending the market decline.

Digital Equipment, McDonald's, Sea Containers, Flight Safety, Pic 'N' Save, Humana, Wal-Mart and Home Depot were examples that

ultimately advanced 5, 10, or 50 times or more. Every cycle was led by America's innovators. So get prepared for the future leaders.

Levitz built a classic 40-week cup-with-handle weekly chart base and gave you many points to add to your position on the way up when the stock bounced off its 10-week moving average line — all the way up until the upside channel line told you it was time to sell. You must learn all the individual stock buy and sell rules and pay attention to the general market buy and sell rules, not personal opinions.

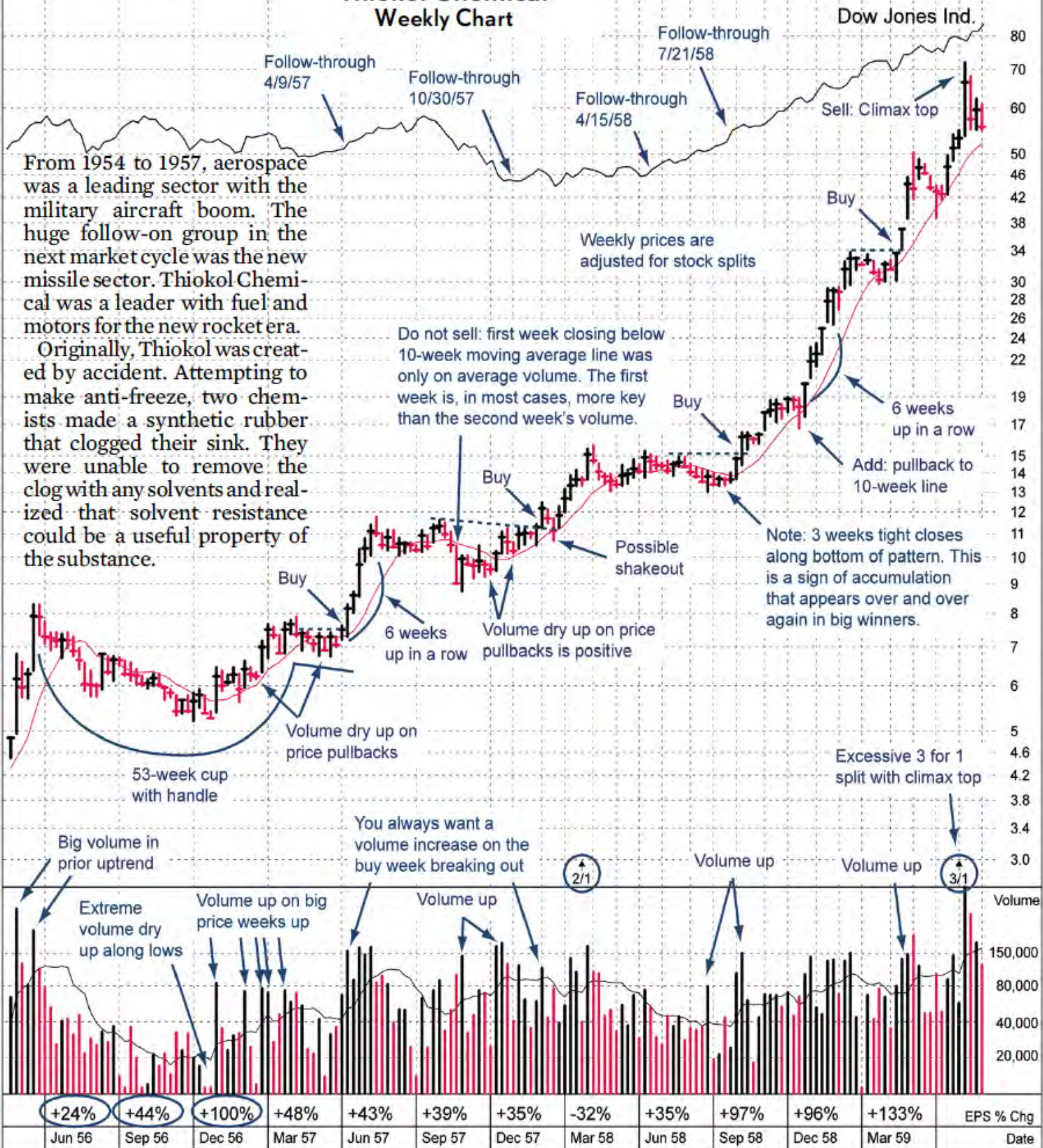
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profits are available (from \$11 to \$72 split-adjusted prices).

Be disciplined and scan charts every week so you don't miss stocks that finally complete their

Thiokol Chemical Weekly Chart



After World War II, the Jet Propulsion Laboratory discovered that the polymer made a very effective solid fuel for rockets. This concept was brought straight to the military. Thiokol continued to focus on military applications, designing and manufacturing rocket engines, especially for missiles.

Prior to Thiokol's 53-week cup-with-handle chart base, it had already proved itself in the market by coming out of a 15-week cup with handle in December 1955 and doubling in just 15 weeks. These bases were all built during corrections in the Dow Jones aver-

age and broke out around follow-through days in the market index. Too many investors use their personal opinions rather than using rules for timing the general market and individual stocks.

The three quarters of earnings growth before the April 1957 breakout were 24%, 44% and 100% (all accelerating). If you miss the first base, pay attention. Leaders can build a later base and opportunity. The early December 1957 volume breakout was actually a first-stage base, since this was the very beginning of a new bull market. This is where the biggest

base building. For the best prospects, do a price and volume check of each week within the stock's base to help you conclude if the stock is showing sound accumulation or too many price and volume defects. Next, do a fundamental analysis checking for excellent earnings, sales and return on equity. Read an archived story on Investors.com so you understand the company, and make sure the market is in an uptrend.

Don't be intimidated — you can learn how to take advantage of the many innovative new leaders in every new cycle.