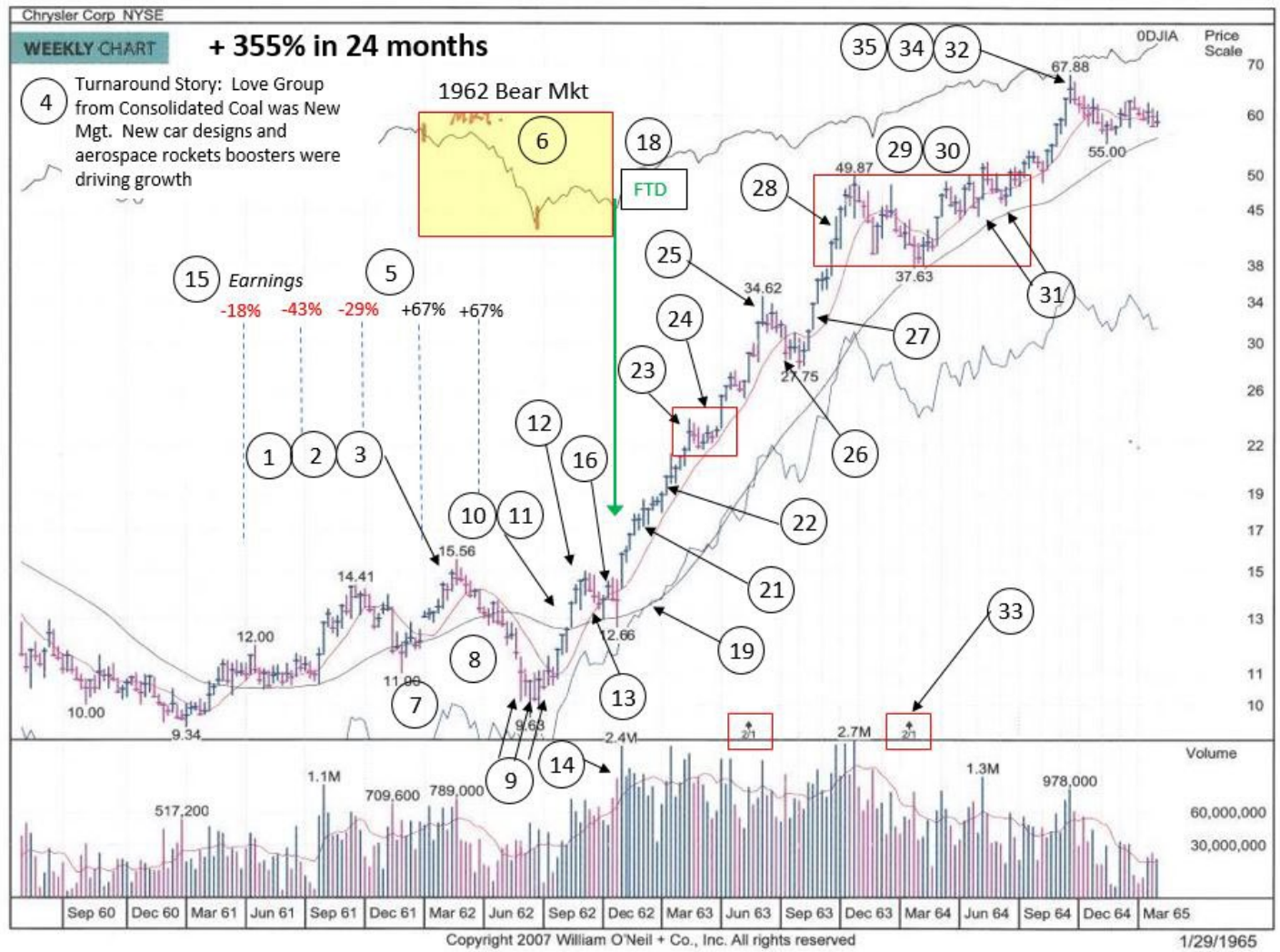


Briefing Notes: 40 Lessons from the Chrysler Trade 1962 –'64



The Base

1. Do not buy Stocks after the Market Tops...Wait for the right time
2. Do not buy Flawed Bases with Large Red Weeks in the Base (distribution)
3. Do not buy Flawed Bases with Handles that “drift up”, Handles should drift down
4. Know the Stocks Story
5. In a Turnaround Situation, wait for Quarterly Earnings to actually turn UP
6. Do not Buy Stocks in a Bear Market. Wait for the FTD
7. Watch Relative Strength Line in a Bear Market. Look for divergence when Market makes new low but a stock’s RS Line makes a higher low
8. The best Cup w handles are smooth and rounded at the bottom.
9. Support weeks at bottom of base with big blue volume spikes are constructive action
10. Right side of Base: Look for multiple up weeks on volume pick up (5wks+ is good sign)

11. Weekly closes at the Peak Price are signs of strength
12. Do not buy SUFB on right side of base (25%+ gain w/ no pullback)
13. Proper Handles drift down; tight closes are very constructive
14. Heavy Volume without Further Price Progress Down (HVWOFPPD) is Institutional Support
15. Acceleration in Quarterly Earnings before Breakout is a typical for Big Winning Stocks
16. Watch for early Alternate pivots in the Handle Area of a Base
17. Calculate a Price target using the PE Expansion Method
18. Buy on the Follow Through Day (FTD)
19. Relative Strength line should make a New High to confirm Stock Breakout

The Run-Up

20. Stocks was up 20% in 4 weeks from Stage 1 Base: Consider Adding
21. 3 or 4 Week Tight Action after Run up (Holding Gains): Consider Adding
22. Stock clears a resistance area as Volume Picks up: Consider Adding
23. Scale in/Scale out of Position; Up 25% from last Buy, consider reducing
24. Breakout from a Second Stage Base if holding a core position; Consider Buy/Add a whole new position
25. If Stock extended and a big reversal day, Offensively Sell: reduce positions as stock likely to pull back in
26. Sell a High Volume break of the 50d Moving Average
27. Be Flexible: If there is false sell signal, consider re-entering position
28. Watch for Stalling Action at New Highs is a serious signal

The Top

29. Recognize Later Stage Bases with “wide and loose” weekly price bars of 10%+
30. Late Stage Bases are more obvious and risky to initiate a new positions
31. Watch for loose Faulty Handles greater than 12% deep
32. Stalling or Reversal at New Highs with Huge Volume increase is an early sell signal
33. Multiple Stock Splits within one year usually occurs as a stock close to the top
34. Know the signs of a Climax Run: 20-50% in 2-3 weeks, Largest 1 day point gain, exhaustions gaps
35. Must sell everything when you see climax top; stock will collapse quickly
36. Try to Sell Offensively on the way UP vs waiting for stock to break down
37. Know the context of where you are in the move: Early Stage? Late Stage? Typical Big Winner runs for 18-24 months

38. Follow all your Rules and do not operate on Emotions

39. There is nothing new in the market... Good Chart Reading gets rewarded

40. Study Historical Big Winning Stocks; The Patterns Repeat!