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.

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 probably 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 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.

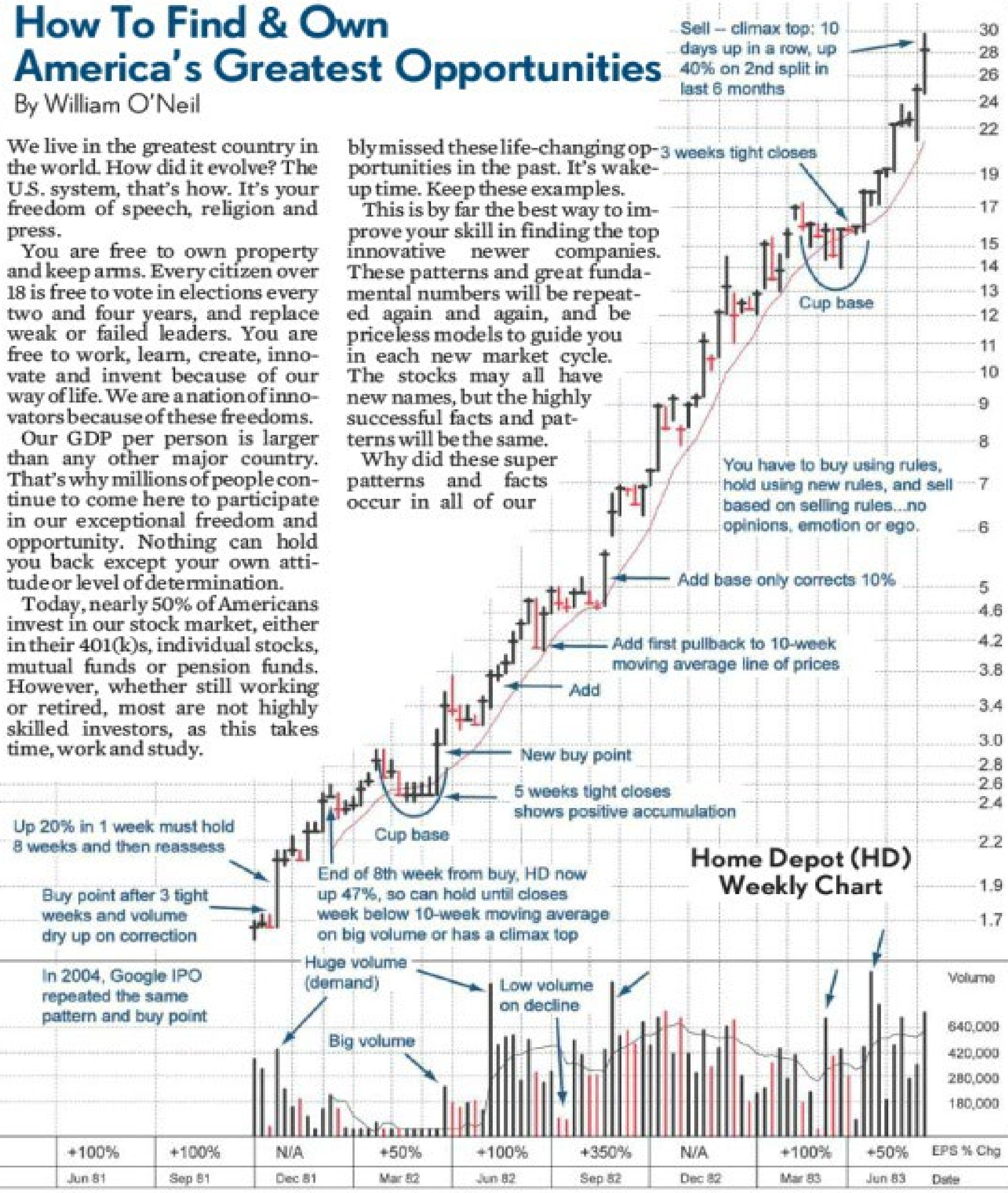
In 1981, in the middle of a bear market, they had a public offering of Home Depot stock.

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.



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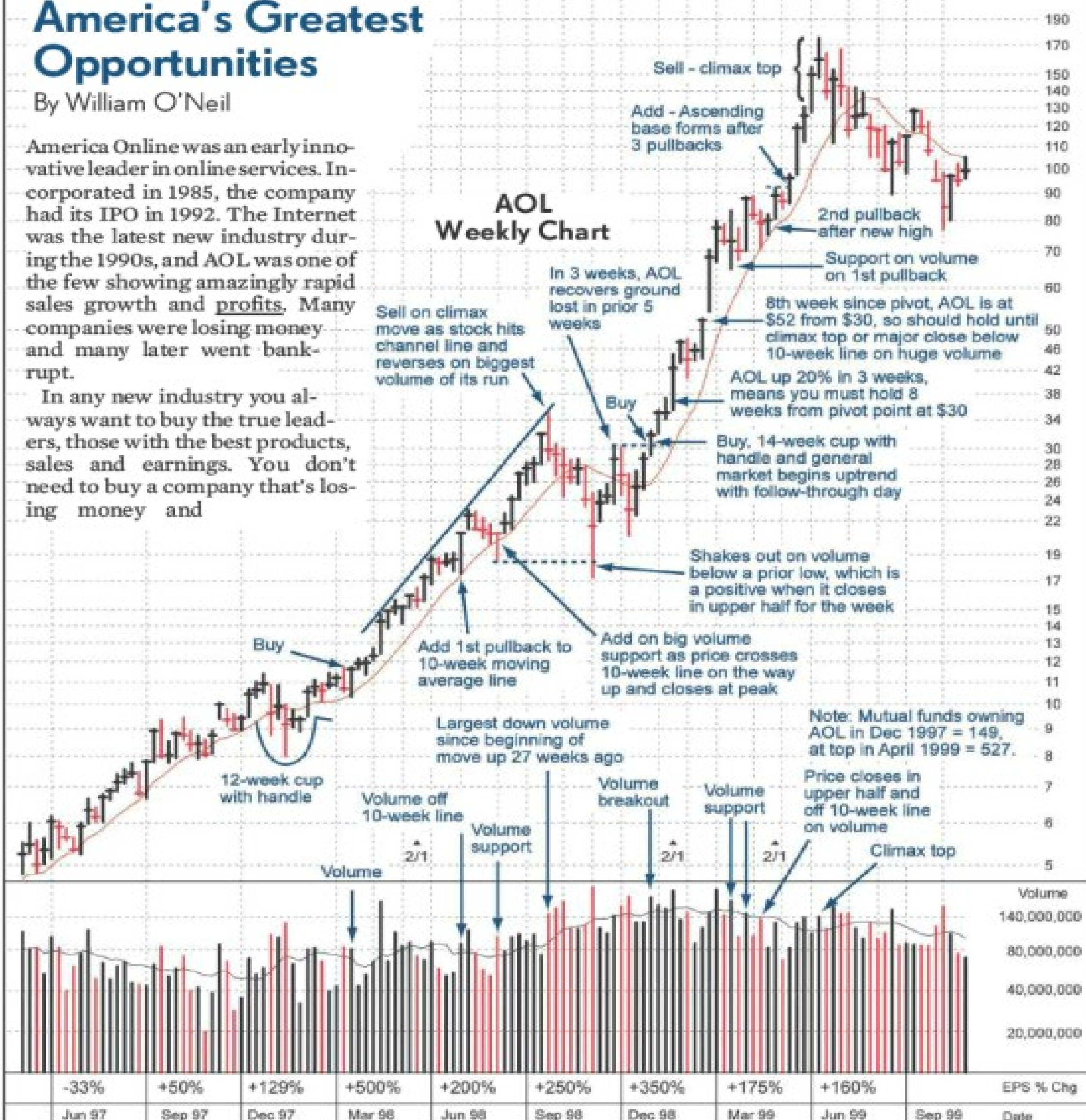
America Online was an early innovative leader in online services. Incorporated in 1985, the company had its IPO in 1992. The Internet was the latest new industry during the 1990s, and AOL was one of the few showing amazingly rapid sales growth and profits. Many companies were losing money and many later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

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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 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 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 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

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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 greenhorn 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.

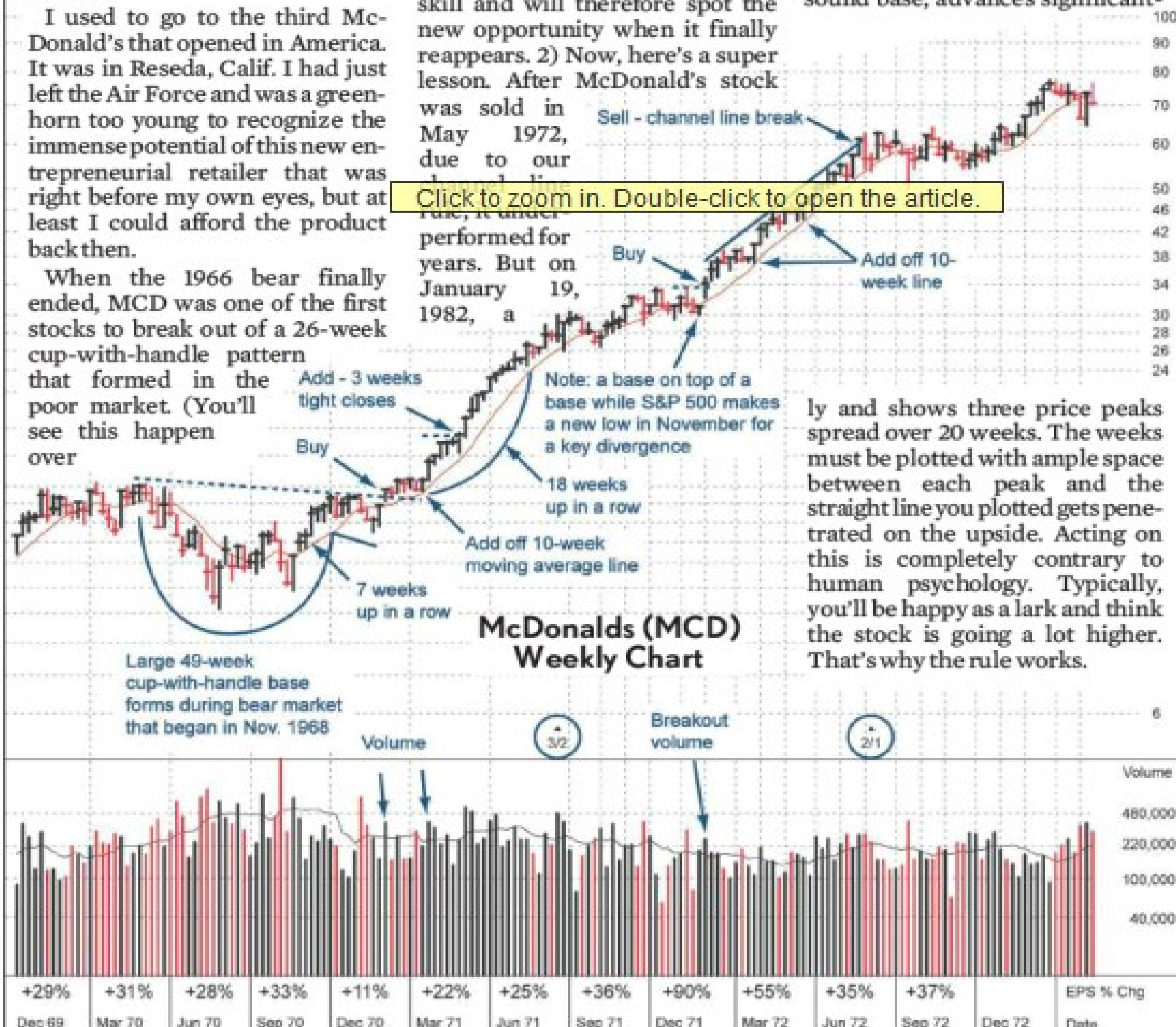
When the 1966 bear finally ended, MCD was one of the first stocks to break out of a 26-week cup-with-handle pattern that formed in the poor market. (You'll see this happen over and over in each new bull market.) It soared 500% in only 34 months in the 1967-68 bull market.

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 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 under performed for years. But on January 19, 1982, a 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 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 significantly 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.



McDonalds (MCD) Weekly 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

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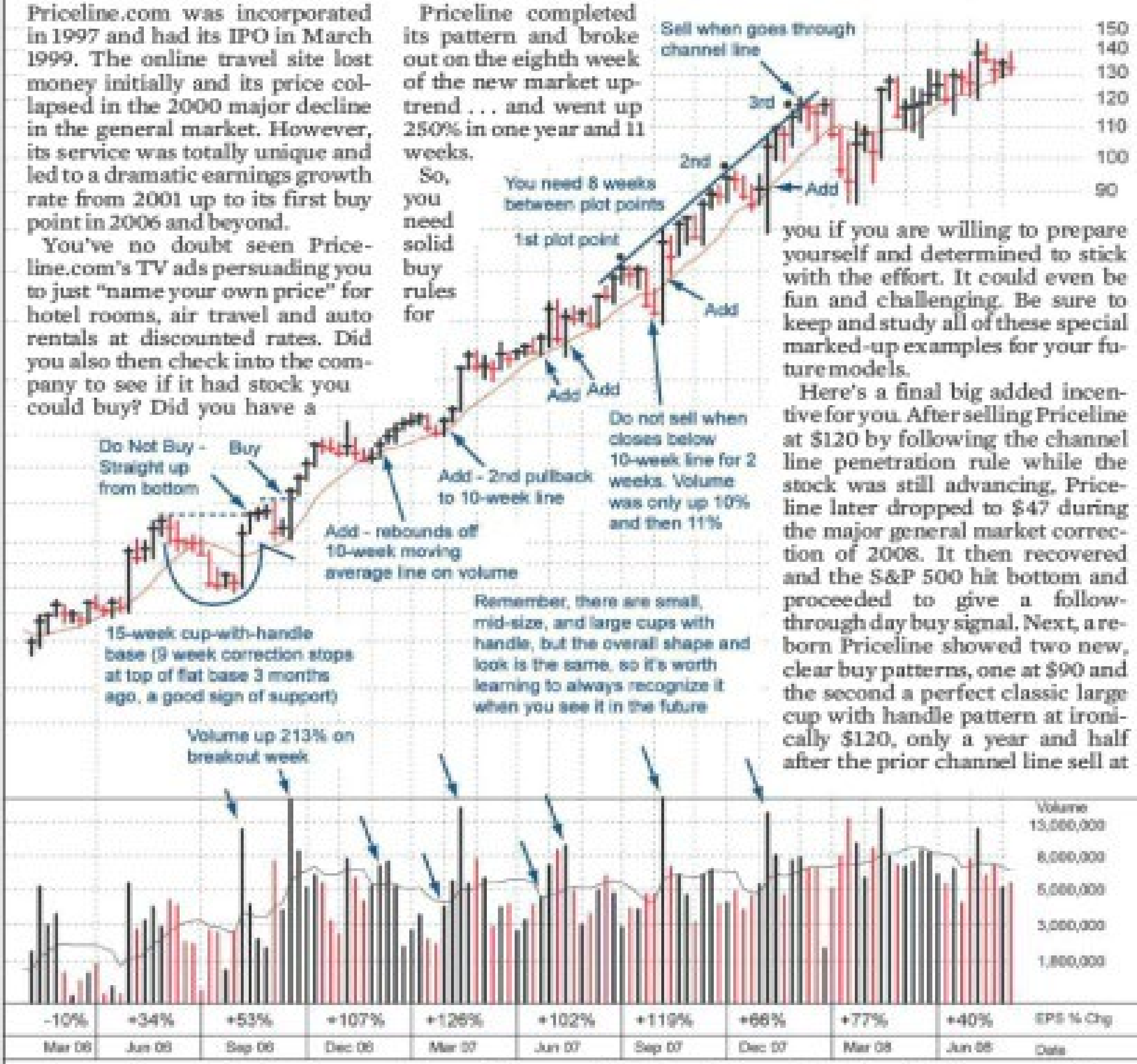
Priceline.com (PCLN) Weekly Chart



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 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?

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

So, you need solid buy rules for 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 you if you are willing to prepare yourself and determined to stick with the effort. It could even be fun and challenging. Be sure to keep and study all of these special marked-up examples for your future models.

Here's a final big added incentive for you. After selling Priceline at $120 by following the channel line penetration rule while the stock was still advancing, Priceline later dropped to $47 during the major general market correction of 2008. It then recovered and the S&P 500 hit bottom and proceeded to give a follow-through day buy signal. Next, a reborn Priceline showed two new, clear buy patterns, one at $90 and the second a perfect classic large cup with handle pattern at ironically $120, only a year and half after the prior channel line sell at $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

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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 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.

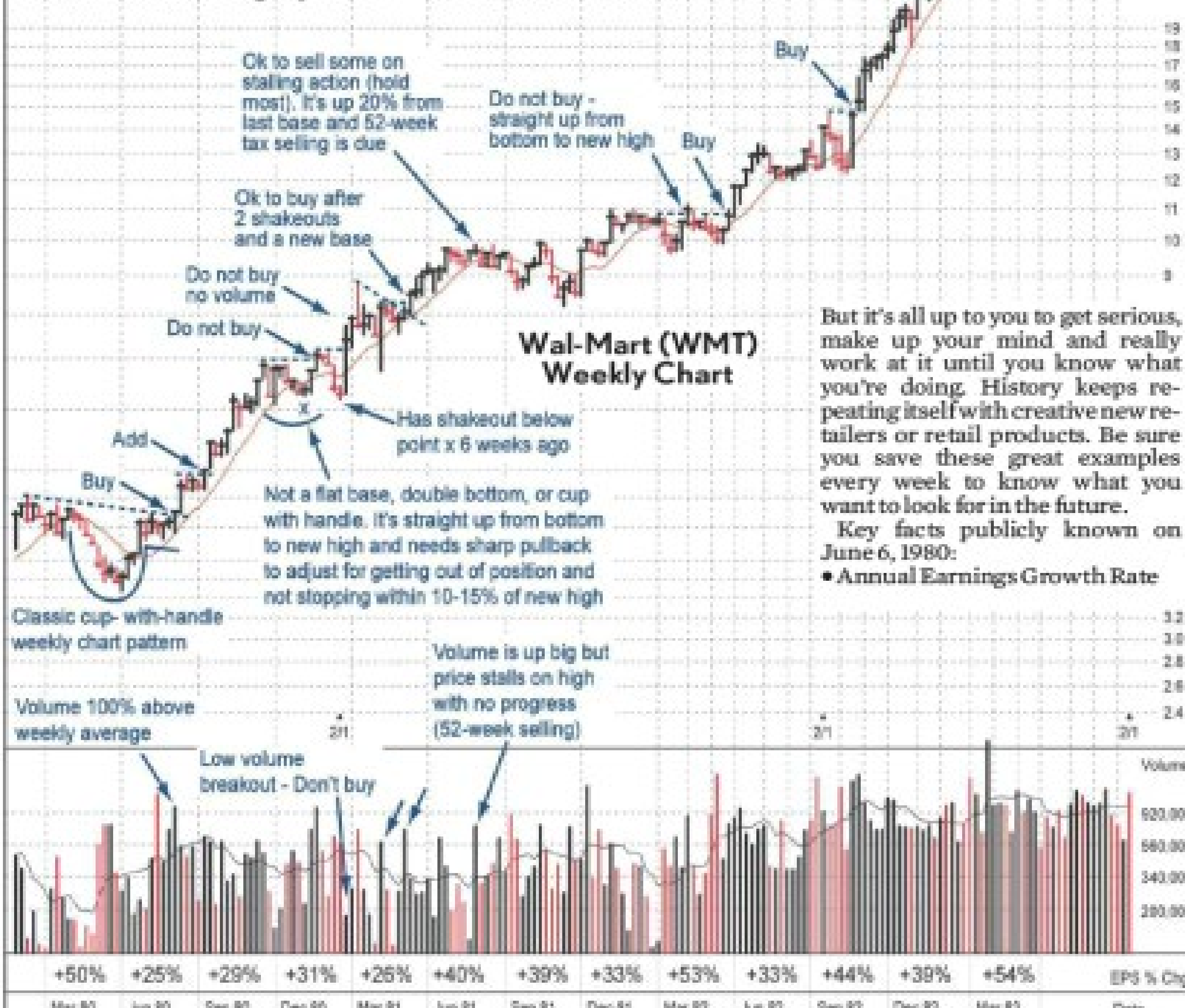
But that's not all. From 1993 to 2000, Wal-Mart had two more splits, and from early 1997 to the end of 1999 the price of the stock increased in value another four times, so your original $1,650 investment would be worth $12 million. That's astonishing!

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.

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 improve 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.



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 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

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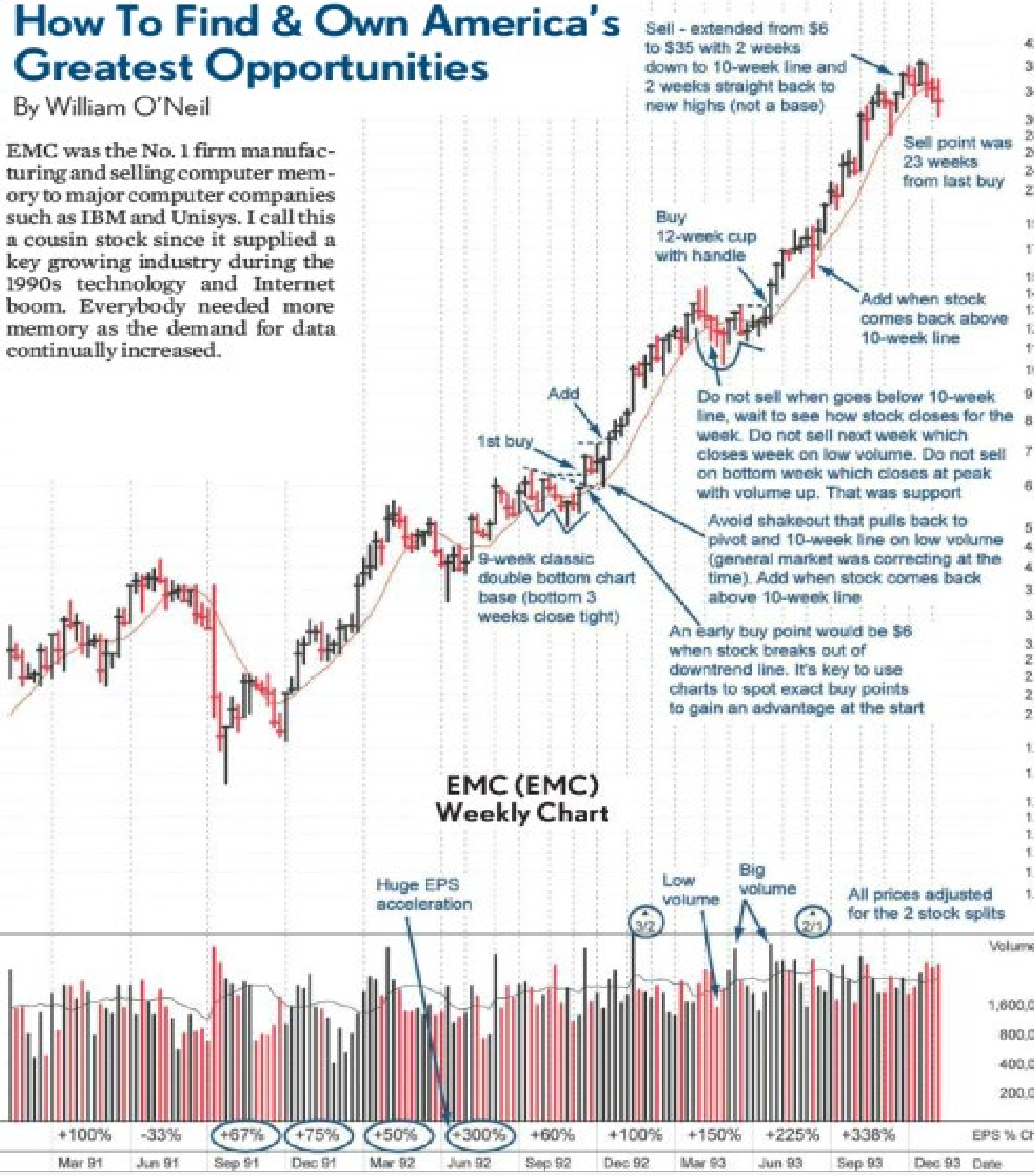
EMC was the No. 1 firm manufacturing and selling computer memory to major computer companies such as IBM and Unisys. I call this a cousin stock since it supplied a key growing industry during the 1990s technology and Internet boom. Everybody needed more memory as the demand for data continually increased.



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

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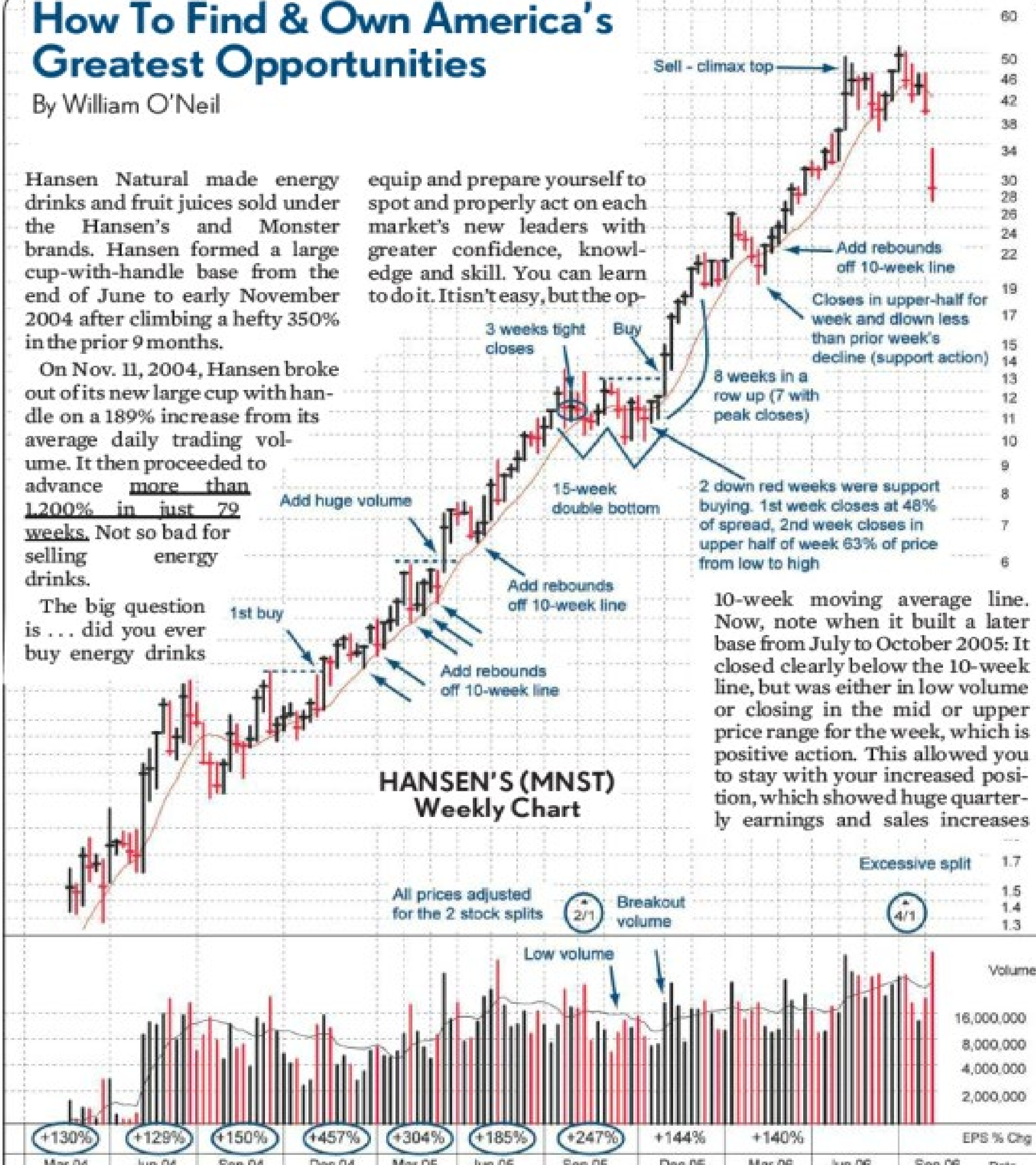

Hansen Natural made energy drinks and fruit juices sold under the Hansen's and Monster brands. Hansen formed a large cup-with-handle base from the end of June to early November 2004 after climbing a hefty 350% in the prior 9 months.

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 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, 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 opportunities 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 10-week moving average line. Now, note when it built a later base from July to October 2005: It closed clearly below the 10-week line, but was either in low volume or closing in the mid or upper price range for the week, which is positive action. This allowed you to stay with your increased position, which showed huge quarterly earnings and sales increases 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

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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%!

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 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 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%

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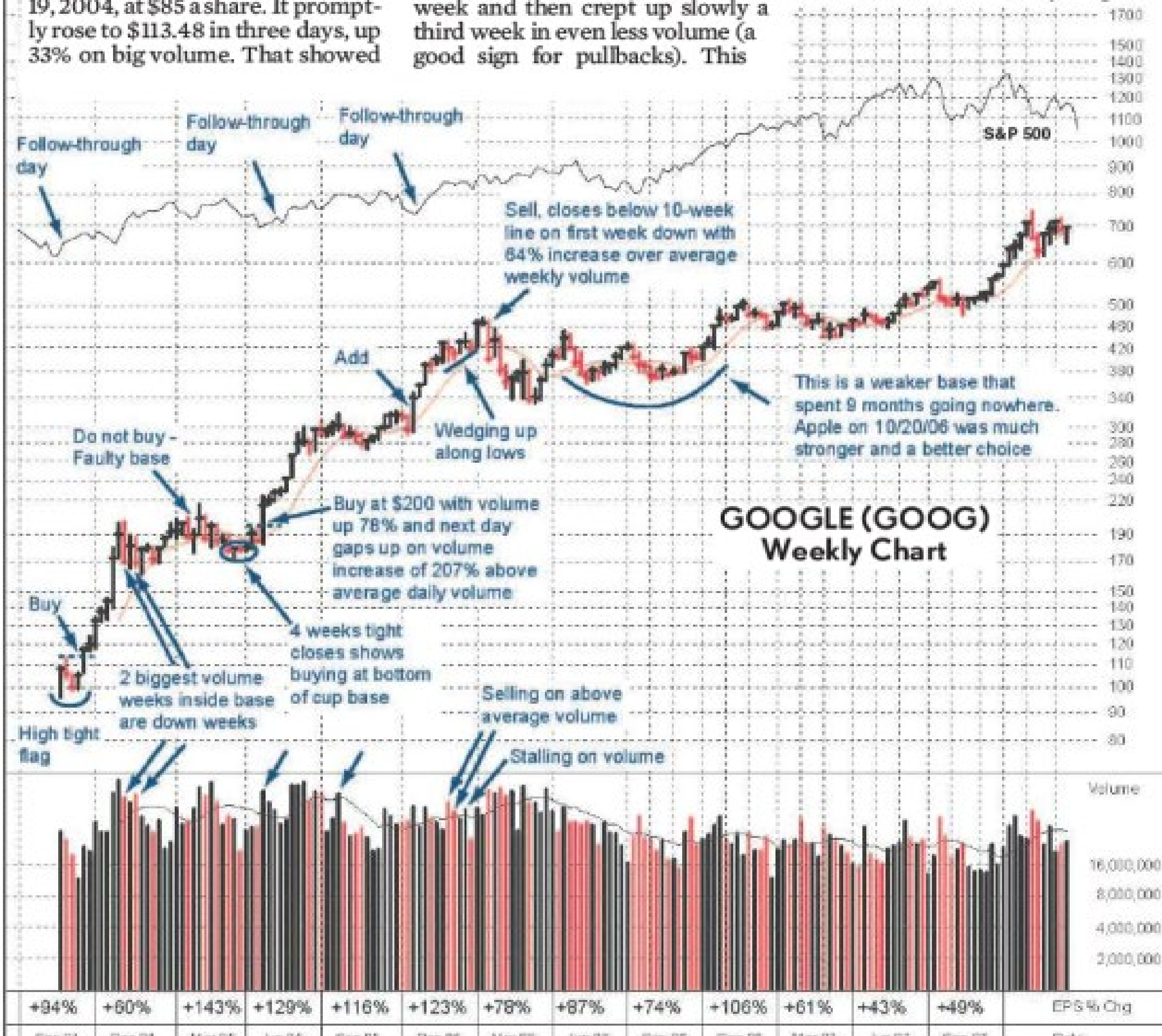

Google, headquartered in Mountain View, Calif., was incorporated in 1998. Goldman Sachs, one of the top investment bankers of technology companies, brought Google public with an IPO on Aug. 19, 2004, at $85 a share. It promptly rose to $113.48 in three days, up 33% on big volume. That showed signs of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

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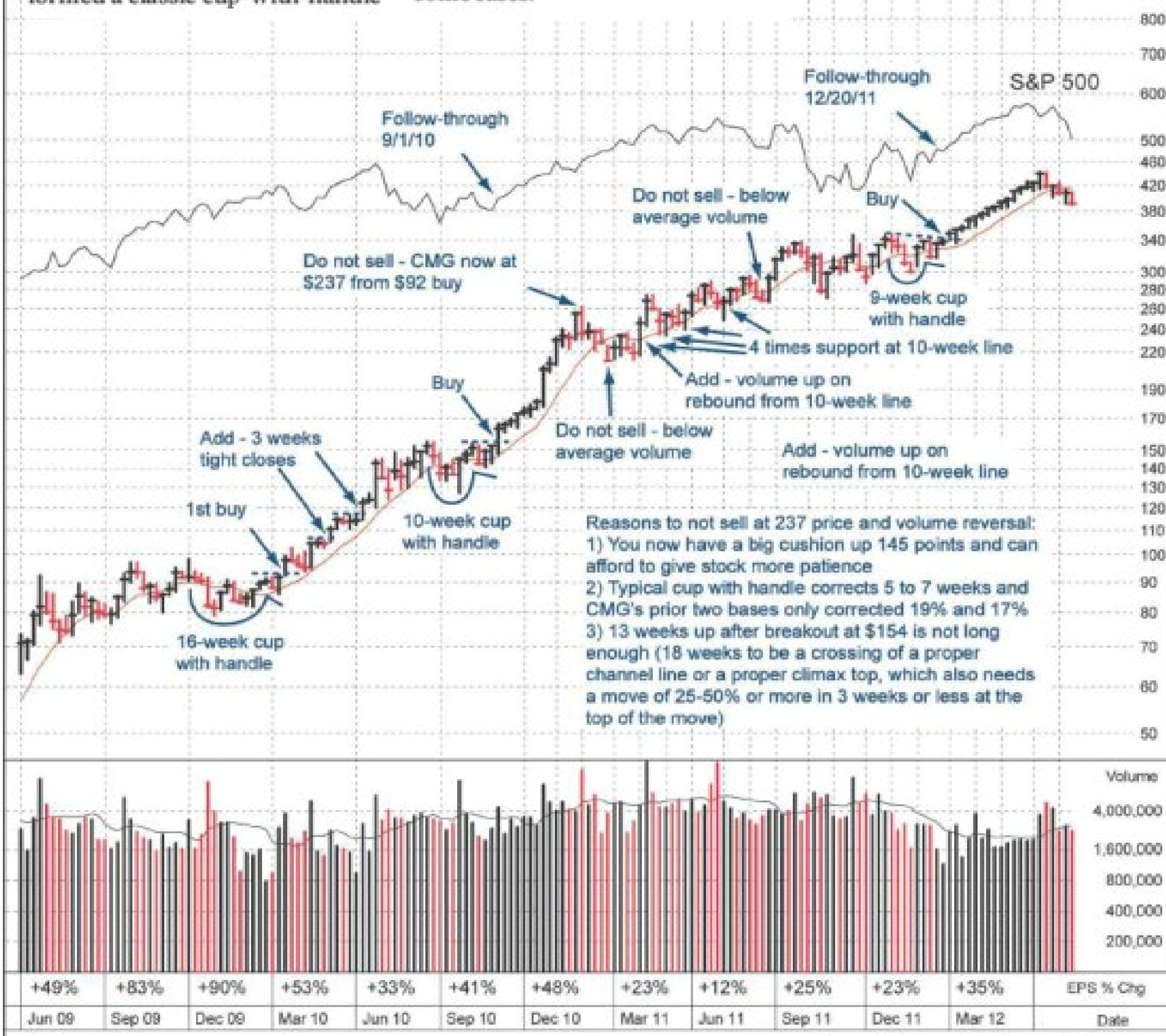
CHIPOLTE MEXICAN GRILL
(CMG)
Weekly Chart



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 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 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.

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

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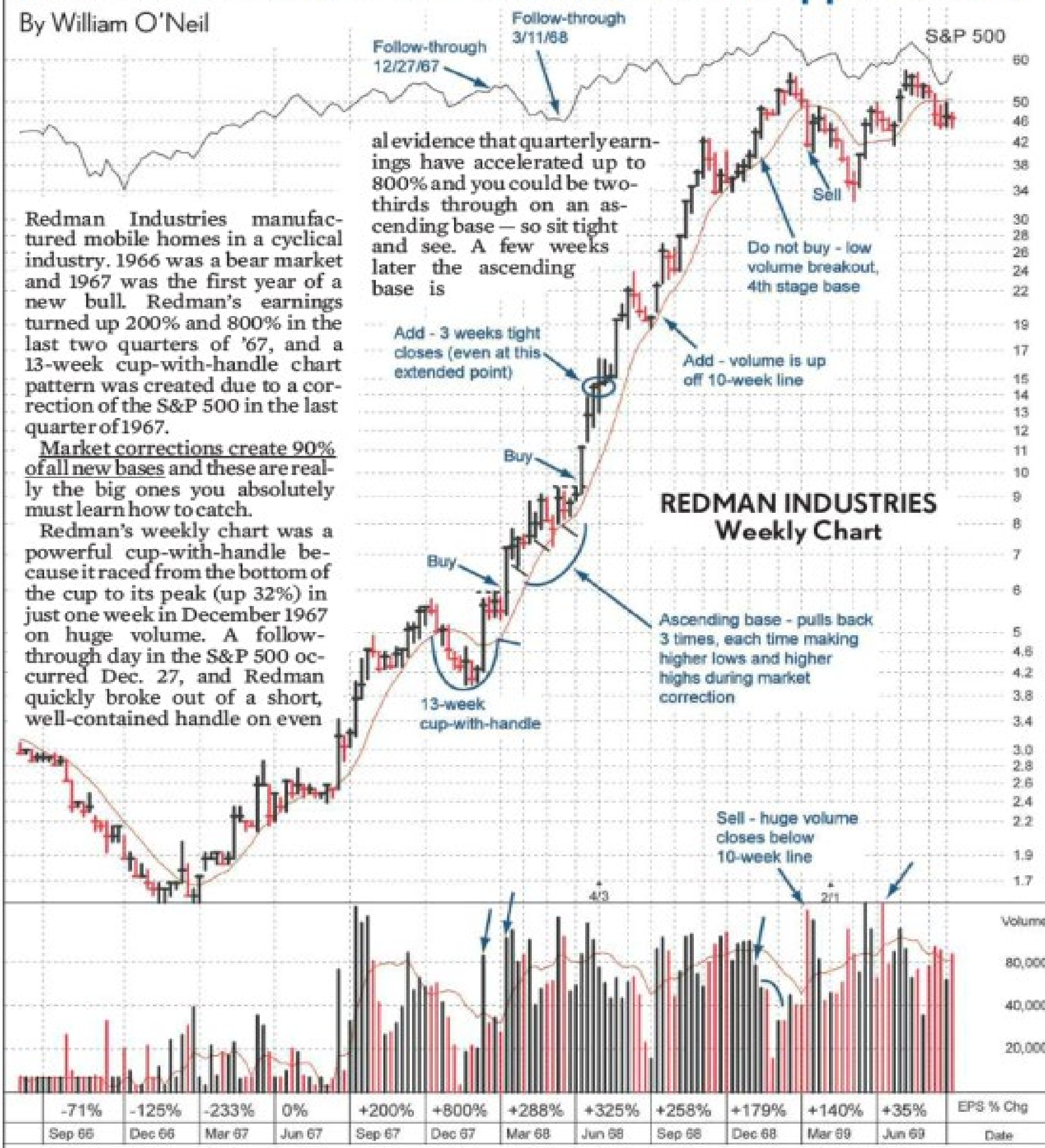


Redman Industries manufactured mobile homes in a cyclical industry. 1966 was a bear market and 1967 was the first year of a new bull. Redman's earnings turned up 200% and 800% in the last two quarters of '67, and a 13-week cup-with-handle chart pattern was created due to a correction of the S&P 500 in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

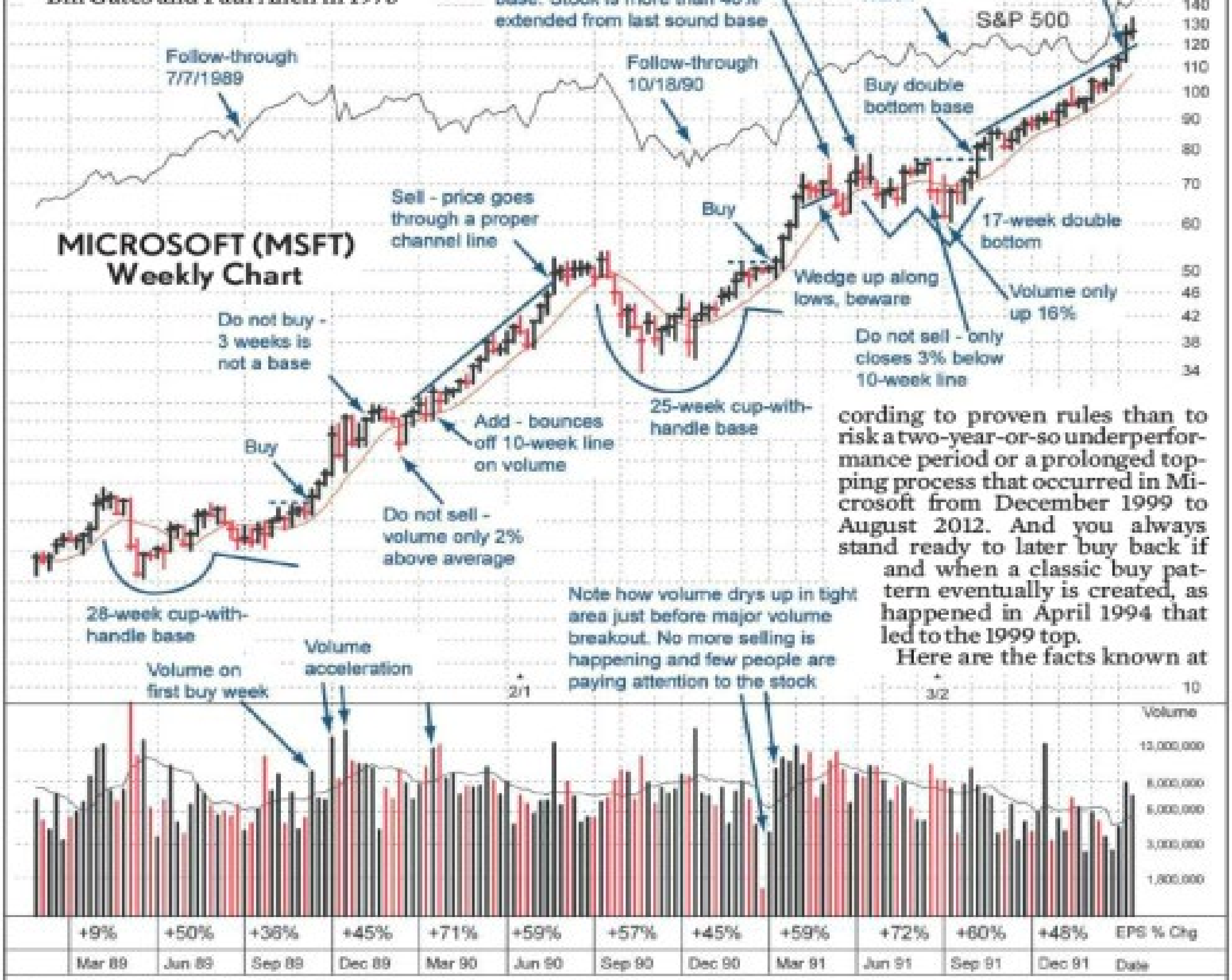
By William O'Neil

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 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 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 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 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 according to proven rules than to risk a two-year-or-so underperformance period or a prolonged topping process that occurred in Microsoft from December 1999 to August 2012. And you always stand ready to later buy back if and when a classic buy pattern eventually is created, as happened in April 1994 that led to the 1999 top.

Here are the facts known at 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

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 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.

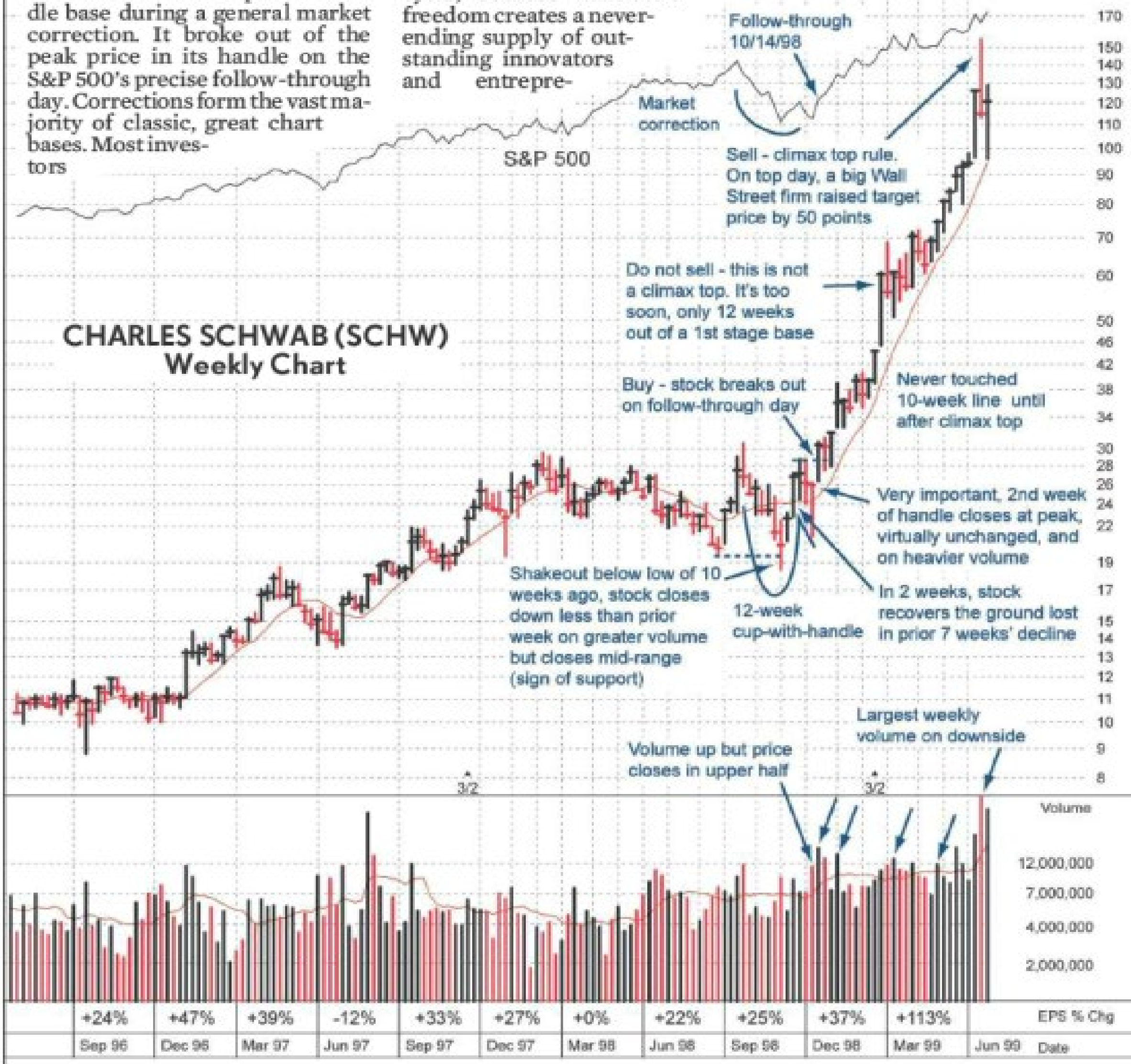
The big opportunities are there for anyone every new market cycle, because America's freedom creates a never-ending supply of outstanding innovators and entrepreneurs who create our new companies and most of our new jobs.

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 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.

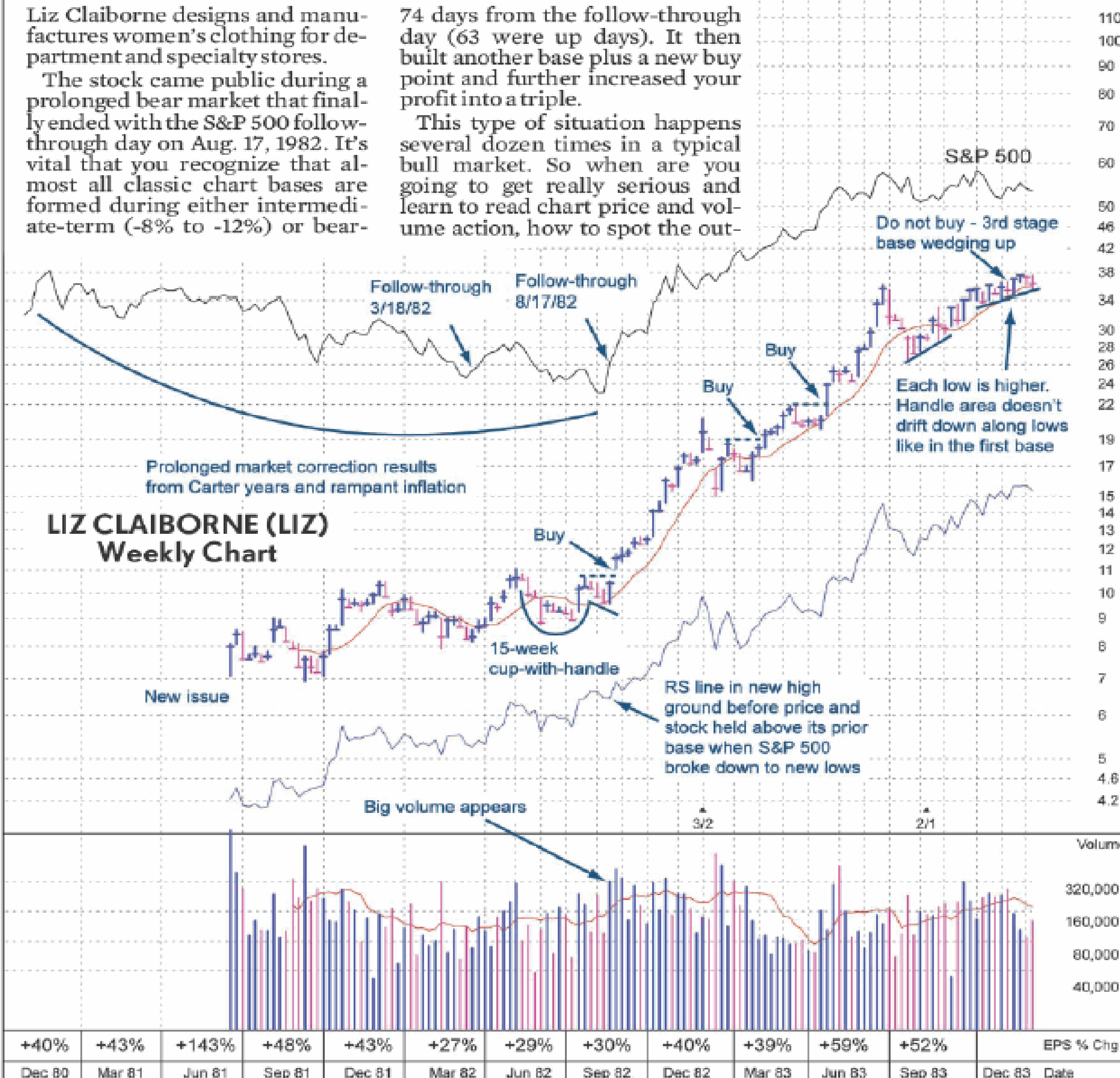
Known facts on the breakout week:

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

By William O'Neil



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-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 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 outstanding 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%, Pretax Profit Margins at 17.7%.

How To Find & Own America's Greatest Opportunities

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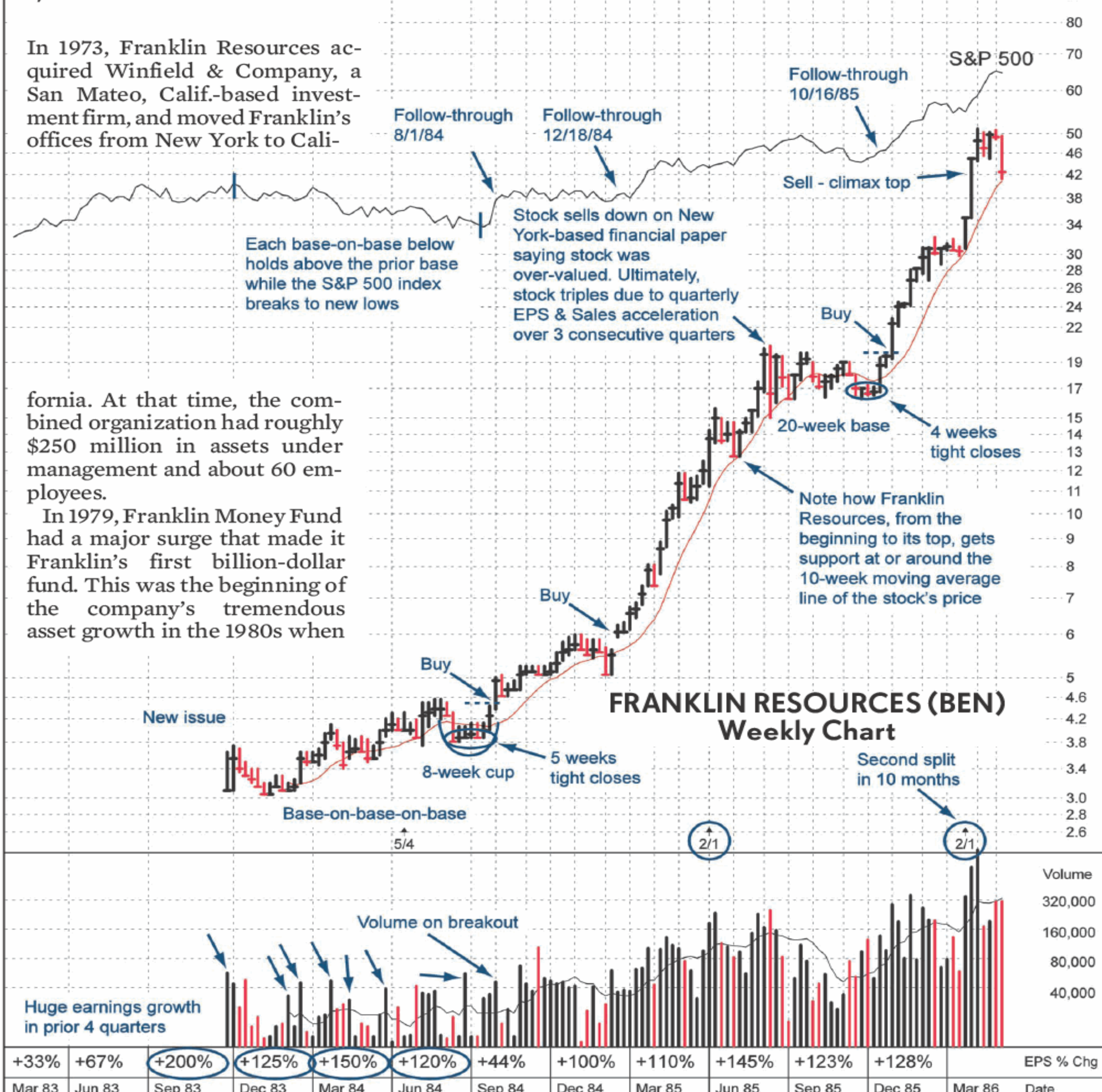
In 1973, Franklin Resources acquired Winfield & Company, a San Mateo, Calif.-based investment firm, and moved Franklin's offices from New York to California. At that time, the combined organization had roughly $250 million in assets under management and about 60 employees.

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 ... <u>and</u> ... 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

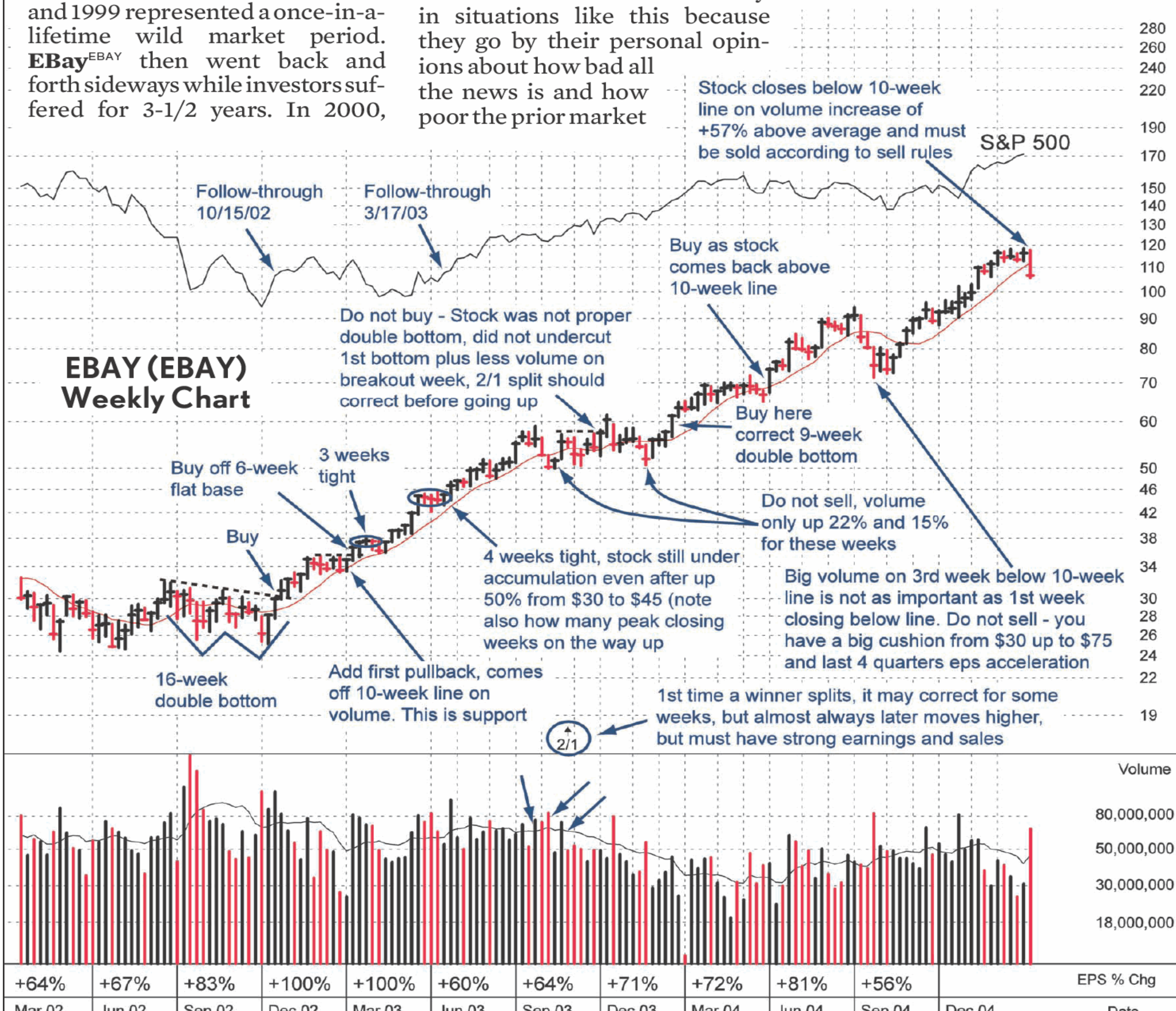
EBay was incorporated in 1995, had its IPO in September 1998, and proceeded to skyrocket from a split-adjusted $6 to a peak of $230 in only 7-1/2 months. 1998 and 1999 represented a once-in-a-lifetime wild market period. **EBay**[EBAY] then went back and forth sideways while investors suffered for 3-1/2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



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

Limited Stores, headquartered in Columbus, Ohio, had over 500 retail stores catering to 20- to 40-year-old women. Their medium-priced apparel appealed to the growing number of women entering the workforce.

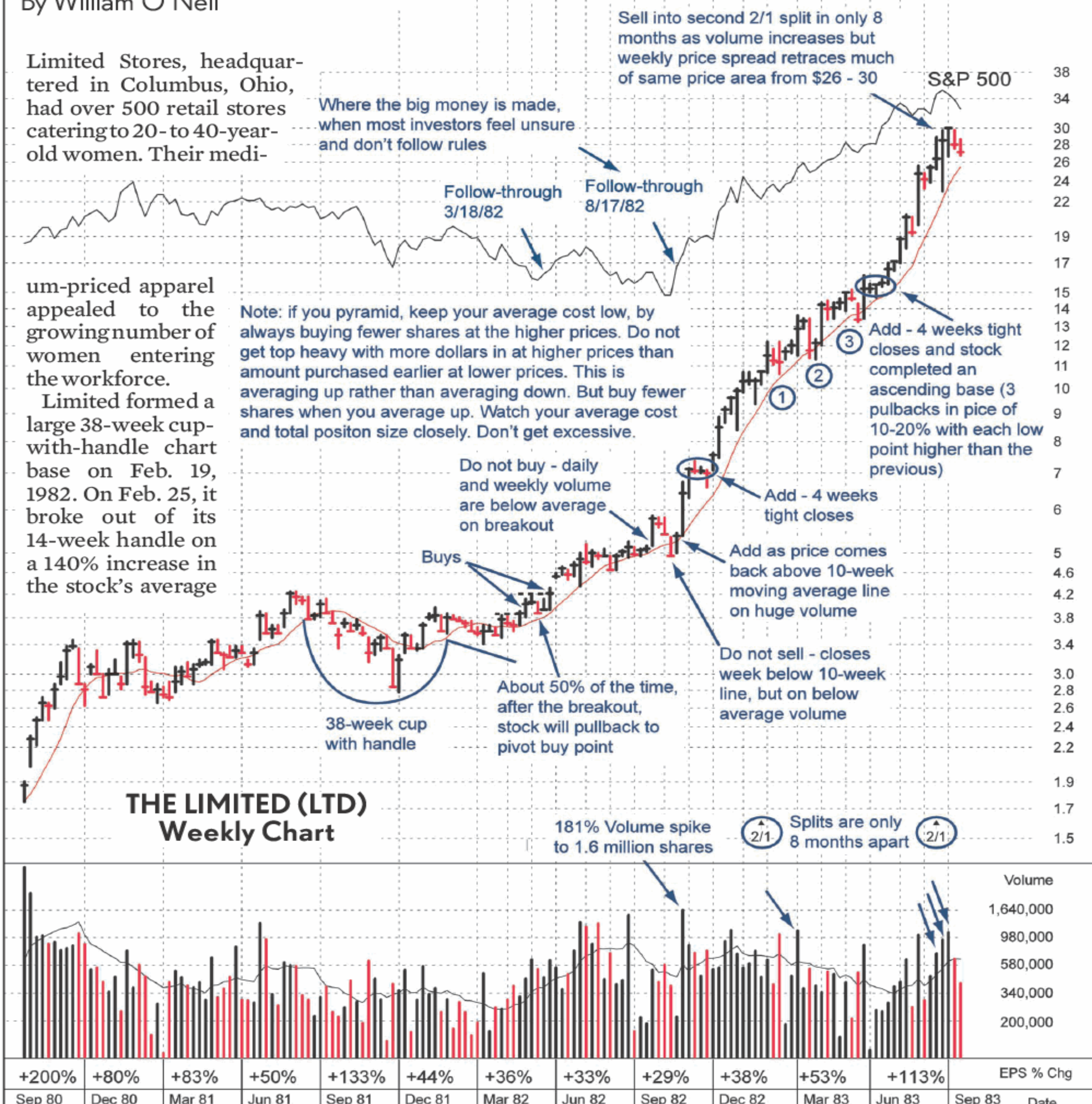
Limited formed a large 38-week cup-with-handle chart base on Feb. 19, 1982. On Feb. 25, it broke out of its 14-week handle on a 140% increase in the stock's average daily trading volume. The precise buy point price at that time was $15.50, but the chart prices are adjusted for two 2-for-1 stock splits. 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 because 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.

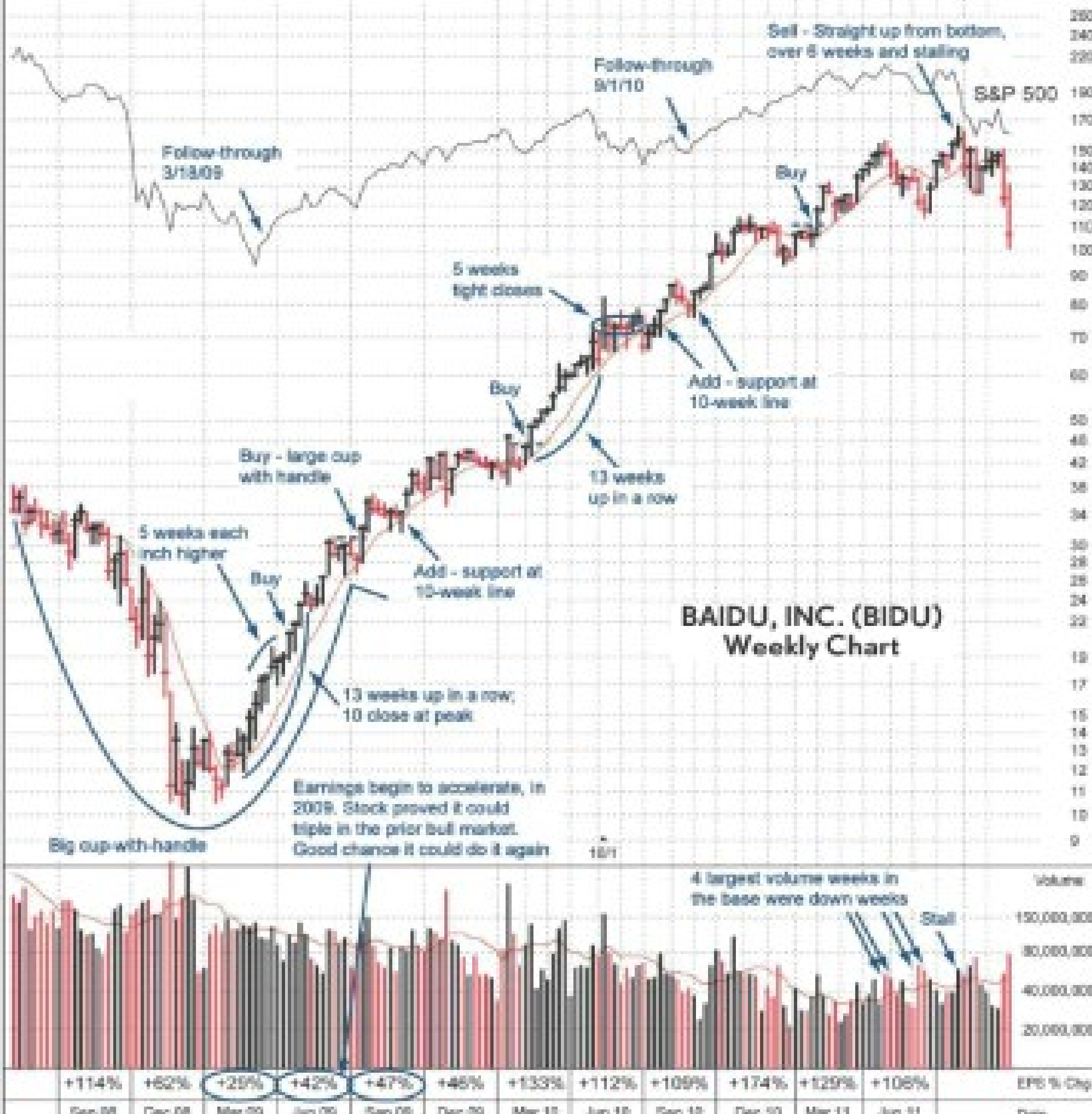
The somewhat flat, sideways area around the $5 price range from May 7, 1982 to July 16 (11 weeks) occurred while the S&P 500 was going down and making new lows. This was very important even though the stock broke out prematurely in low volume.

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



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.

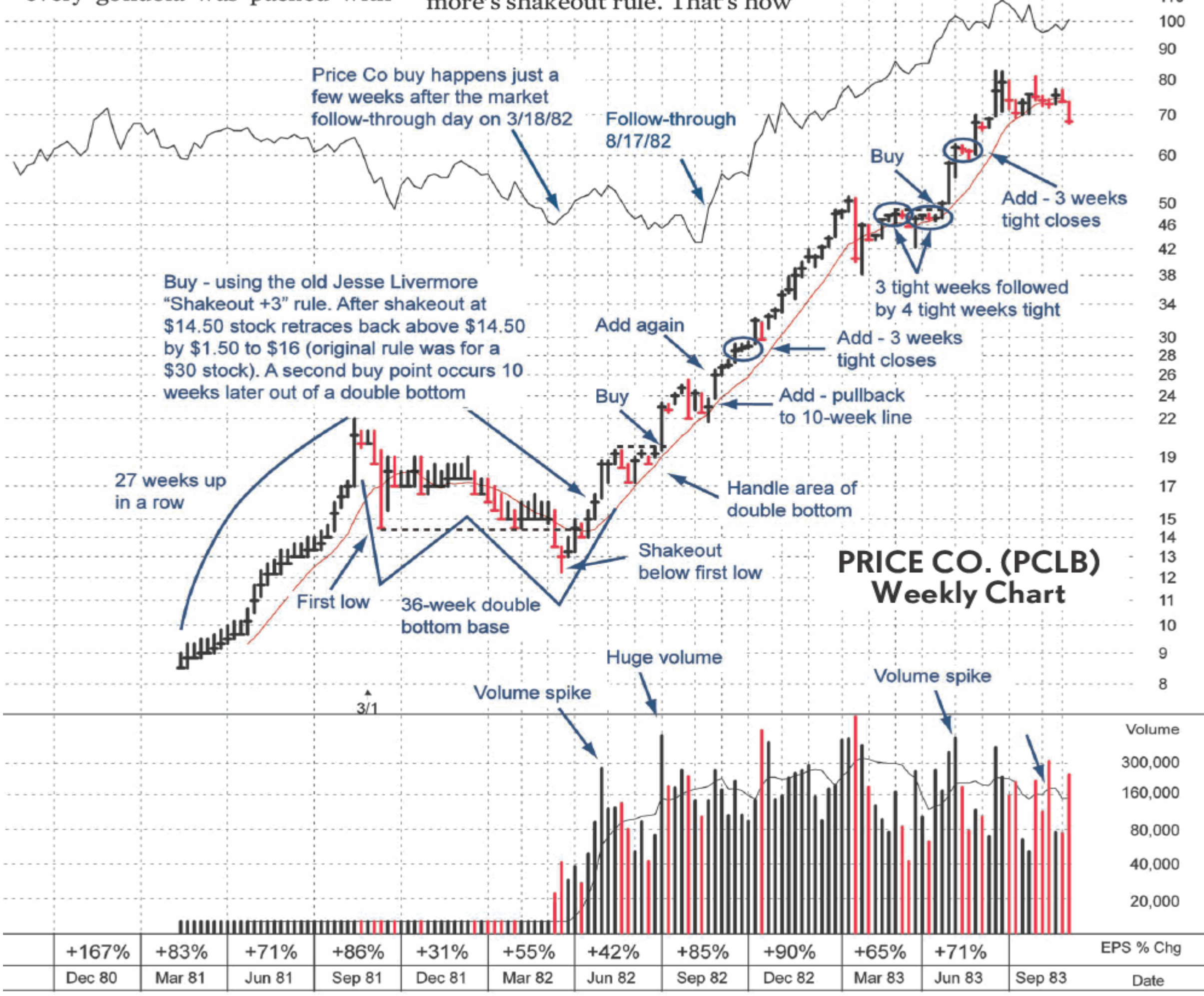
Important facts known at the time of the first buy:

- 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

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



$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.

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 a 12-fold advance began over the next 3-½ 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 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 average 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.

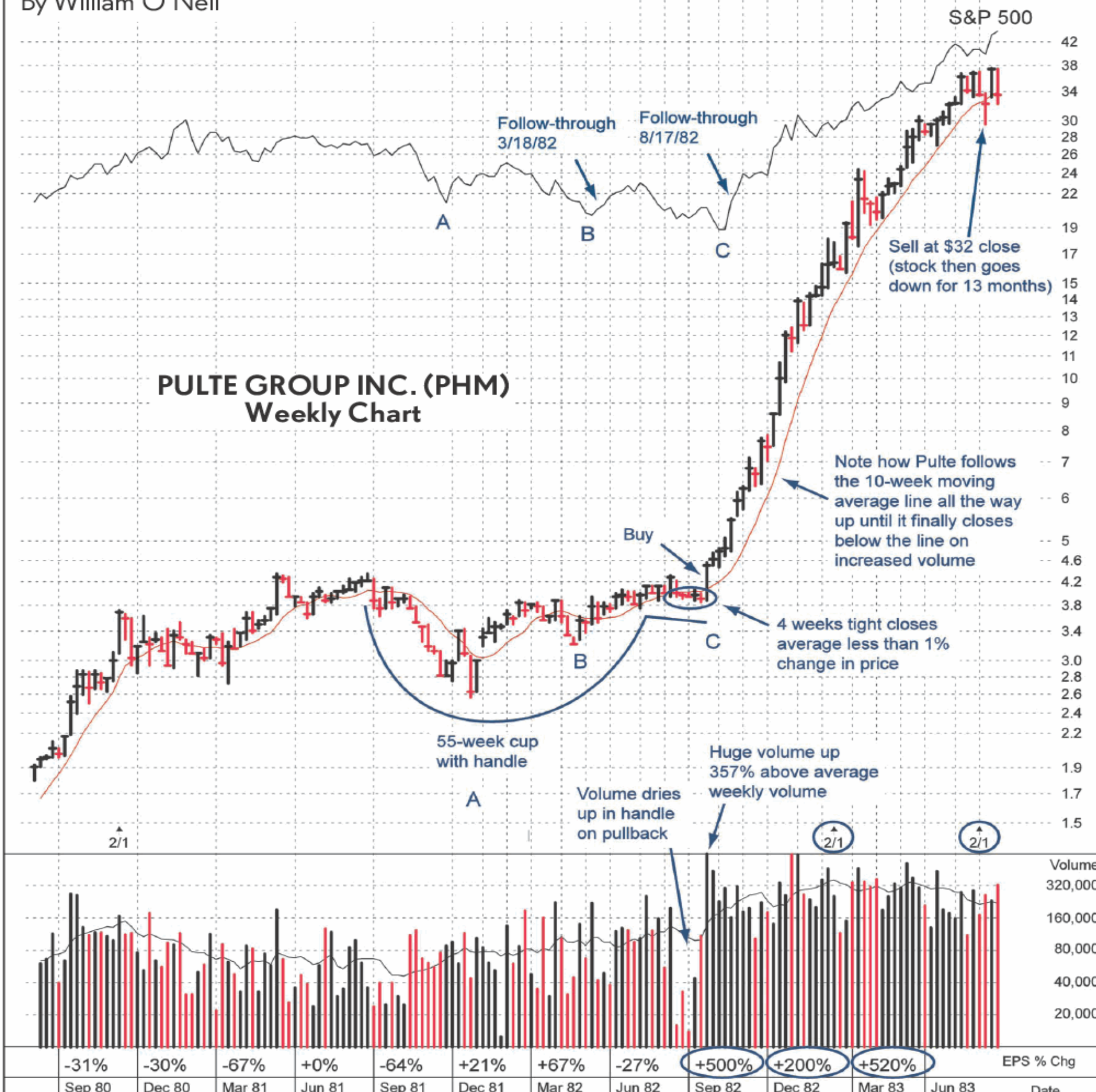
Three weeks later, Dell's earnings showed a third consecutive quarter of deceleration in its earnings growth rate. Dell wound up with a 53% drop 11 weeks after its peak. To excel in the stock market, you have to stay on the job every week checking your charts and company earnings reports.

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.

How To Find & Own America's Greatest Opportunities

By William O'Neil



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 understand 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.

How To Find & Own America's Greatest Opportunities

By William O'Neil

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

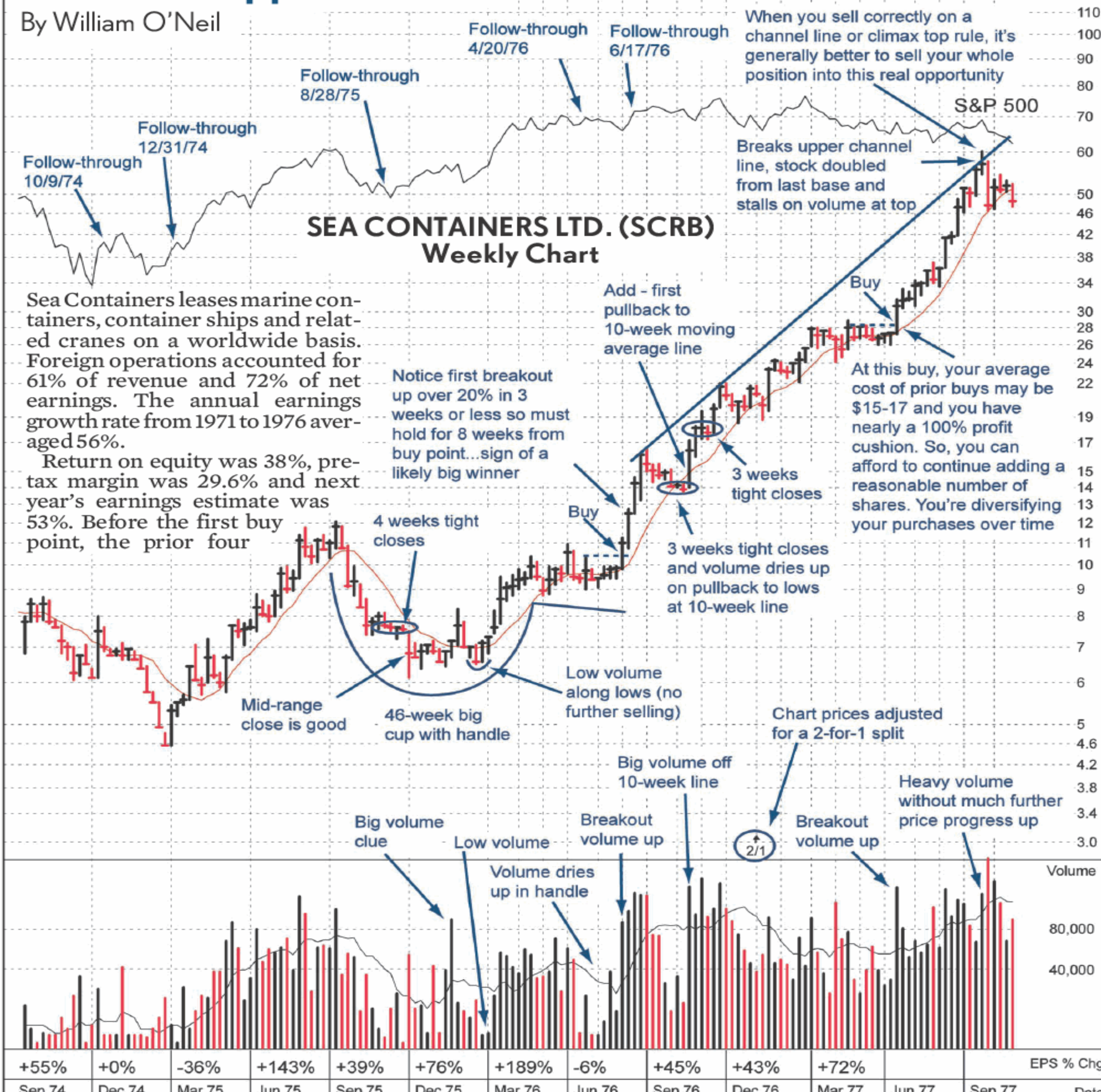
It highlighted industry developments and reviewed new products and technologies. Its analysis was used by senior management in information technology departments across corporations and government agencies. Clients gained the benefit of detailed research reports to help guide decision-making and manage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

How To Find & Own America's Greatest Opportunities

By William O'Neil



Sea Containers leases marine containers, container ships and related cranes on a worldwide basis. Foreign operations accounted for 61% of revenue and 72% of net earnings. The annual earnings growth rate from 1971 to 1976 averaged 56%.

Return on equity was 38%, pretax margin was 29.6% and next year's earnings estimate was 53%. Before the first buy point, the prior four 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.

How To Find & Own America's Greatest Opportunities

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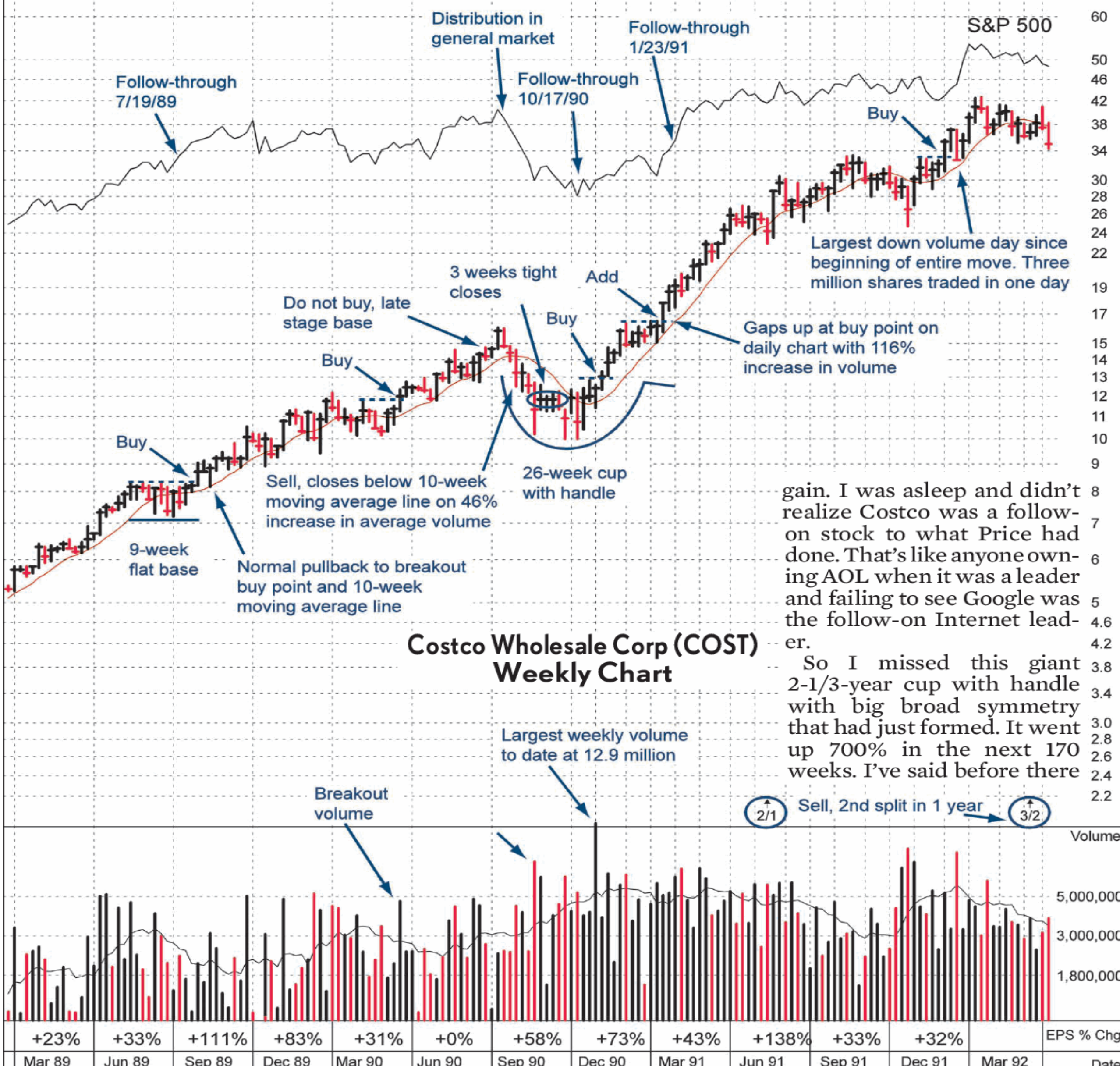

Costco had cash-and-carry membership warehouses. The earnings-per-share annual growth rate from 1985 to 1989 was 103% per year and the return on equity was 15.5%.

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 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 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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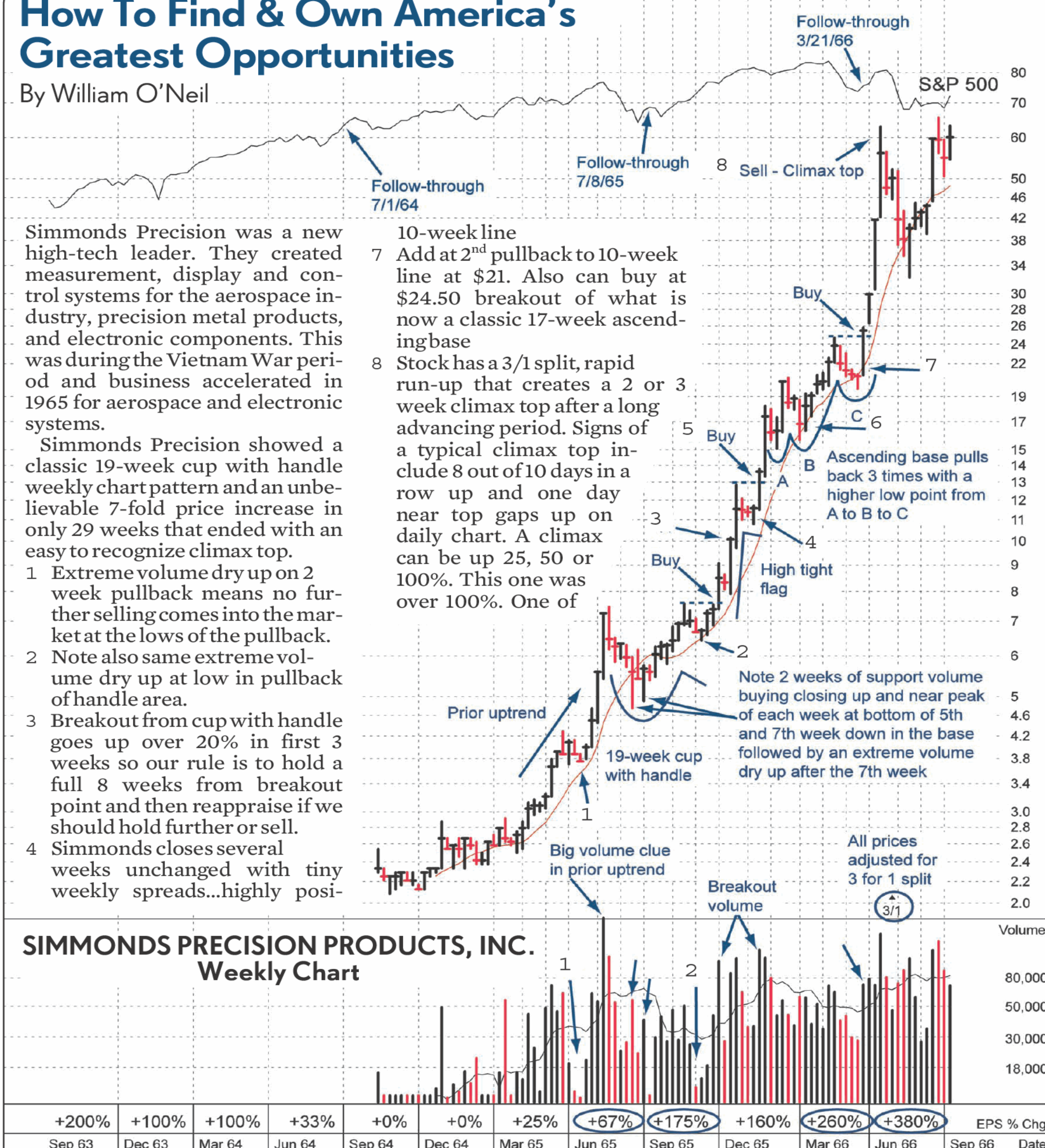

Simmonds Precision was a new high-tech leader. They created measurement, display and control systems for the aerospace industry, precision metal products, and electronic components. This was during the Vietnam War period and business accelerated in 1965 for aerospace and electronic systems.

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 positive to happen after a big move up.

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 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 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?

How To Find & Own America's Greatest Opportunities

By William O'Neil

The Xerox story, as portrayed in the book "My Years with Xerox" by John Dessauer, is phenomenally greater than can be conveyed on just one small chart. It's a perfect example of how America's economic system of wide-open freedom and opportunity actually works for anyone (regardless of background) motivated to pursue a practical new idea, work, learn and never give up.

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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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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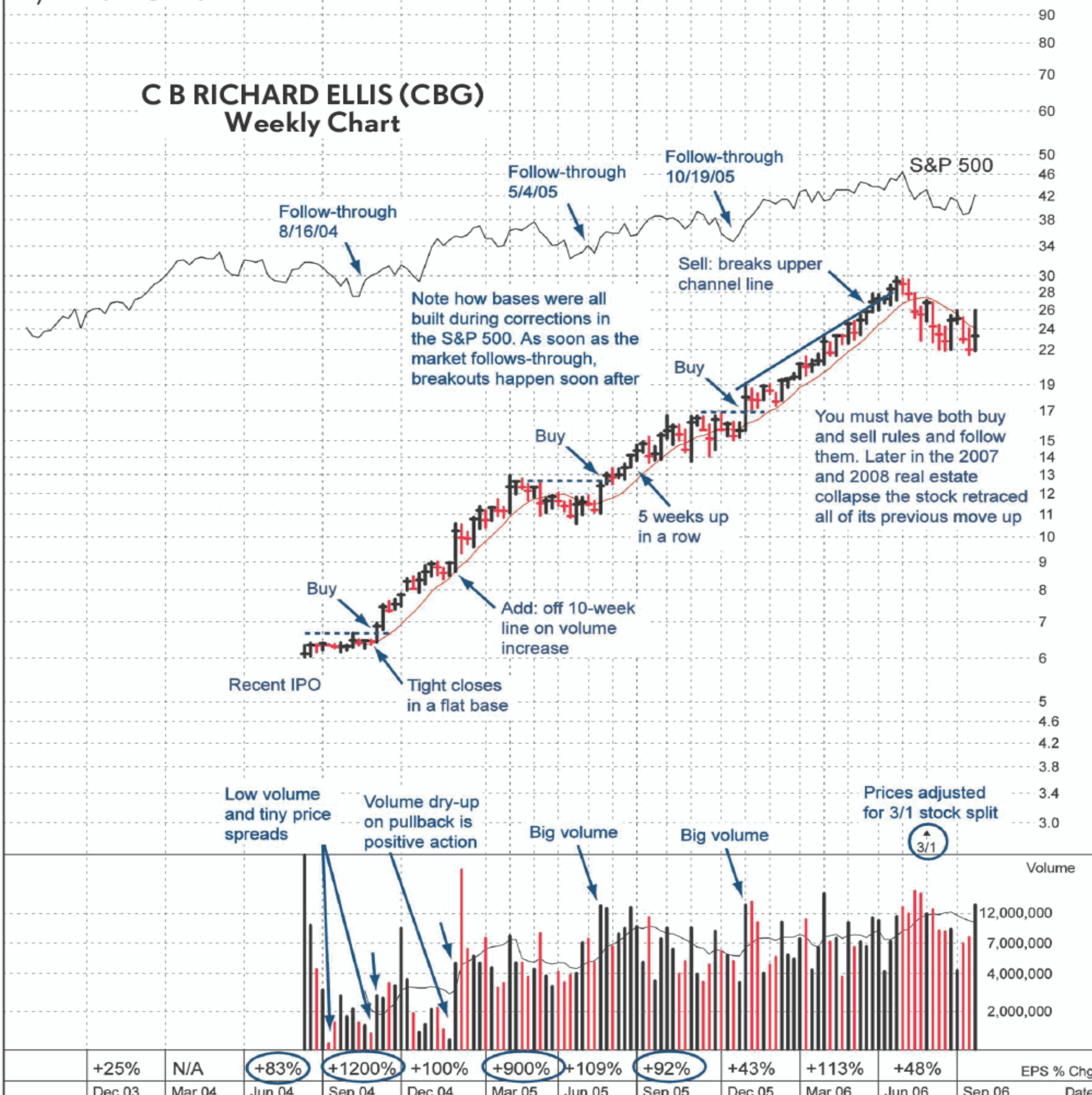

CB Richard Ellis was a global commercial real estate services firm that offered a full-range of services to occupiers, owners, lenders and investors in office, retail, industrial, multifamily and other commercial real estate assets. They focused on several service competencies, such as strategic advice 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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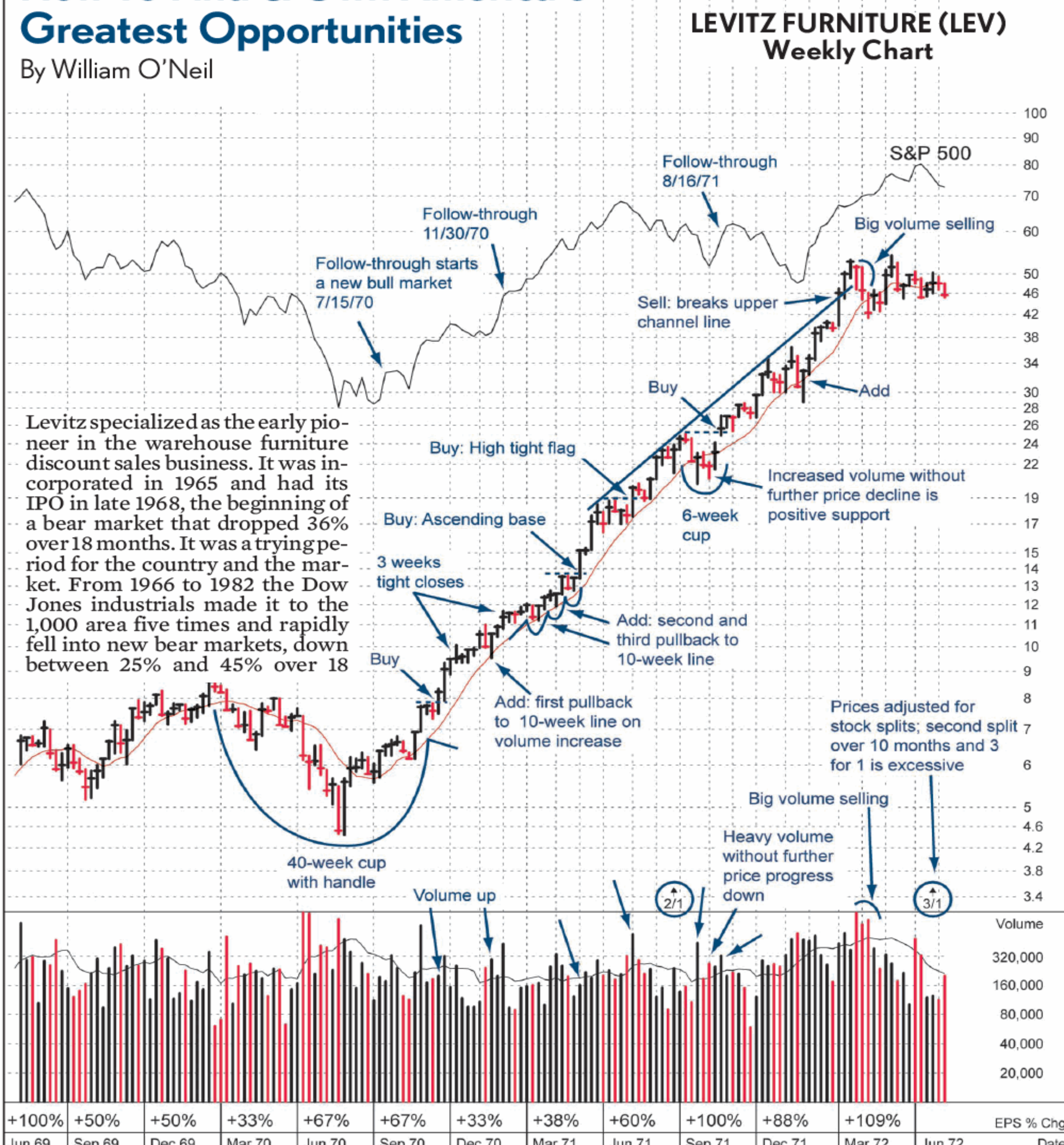

Levitz specialized as the early pioneer in the warehouse furniture discount sales business. It was incorporated in 1965 and had its IPO in late 1968, the beginning of a bear market that dropped 36% over 18 months. It was a trying period for the country and the market. From 1966 to 1982 the Dow Jones industrials made it to the 1,000 area five times and rapidly fell into new bear markets, down between 25% and 45% over 18 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 prolonged 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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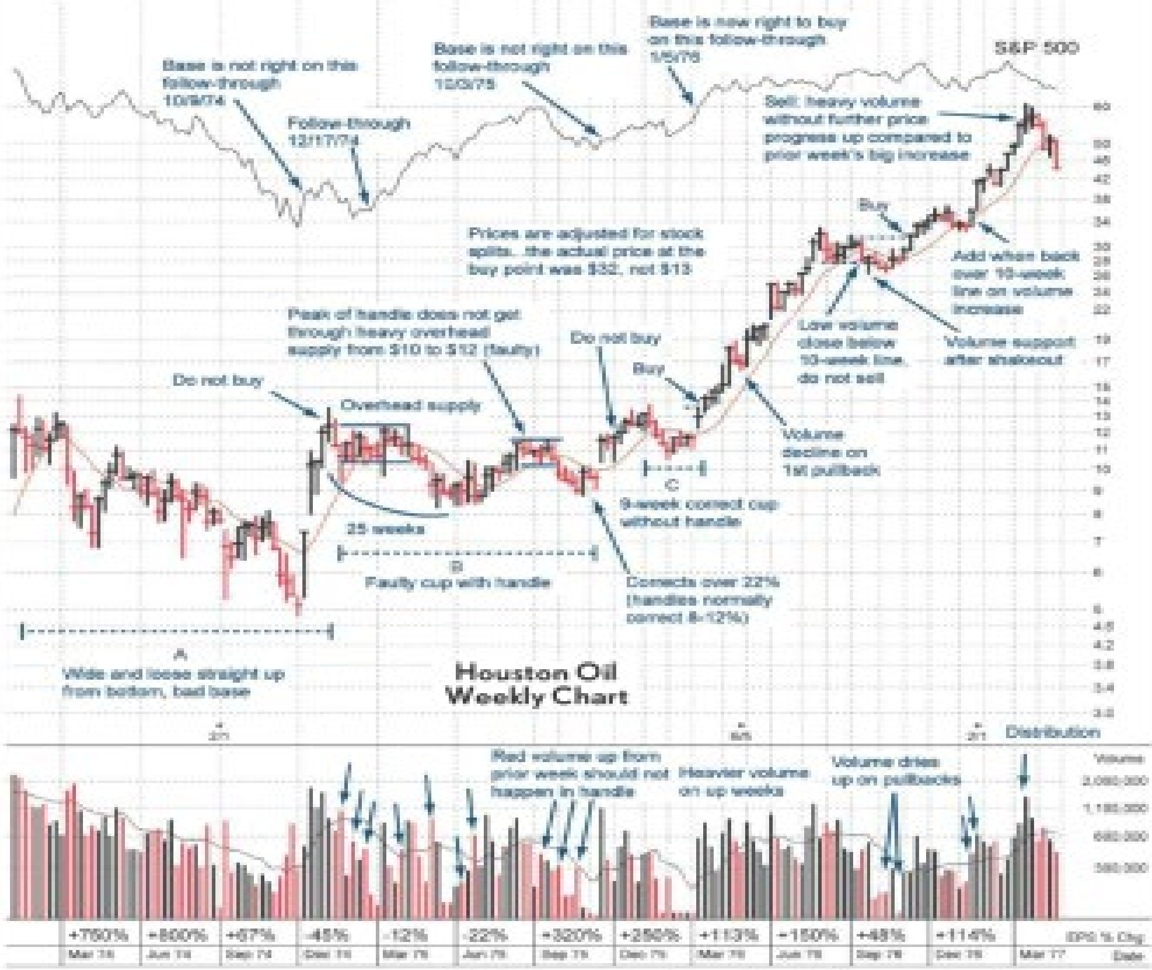

Houston Oil was newly listed on the American Stock Exchange in October 1972 as a young company incorporated in 1966. It explored for and produced oil and natural gas mainly in Texas.

From November 1972 to November 1973 it increased 10 times in price. Not bad for a new wildcat driller 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.

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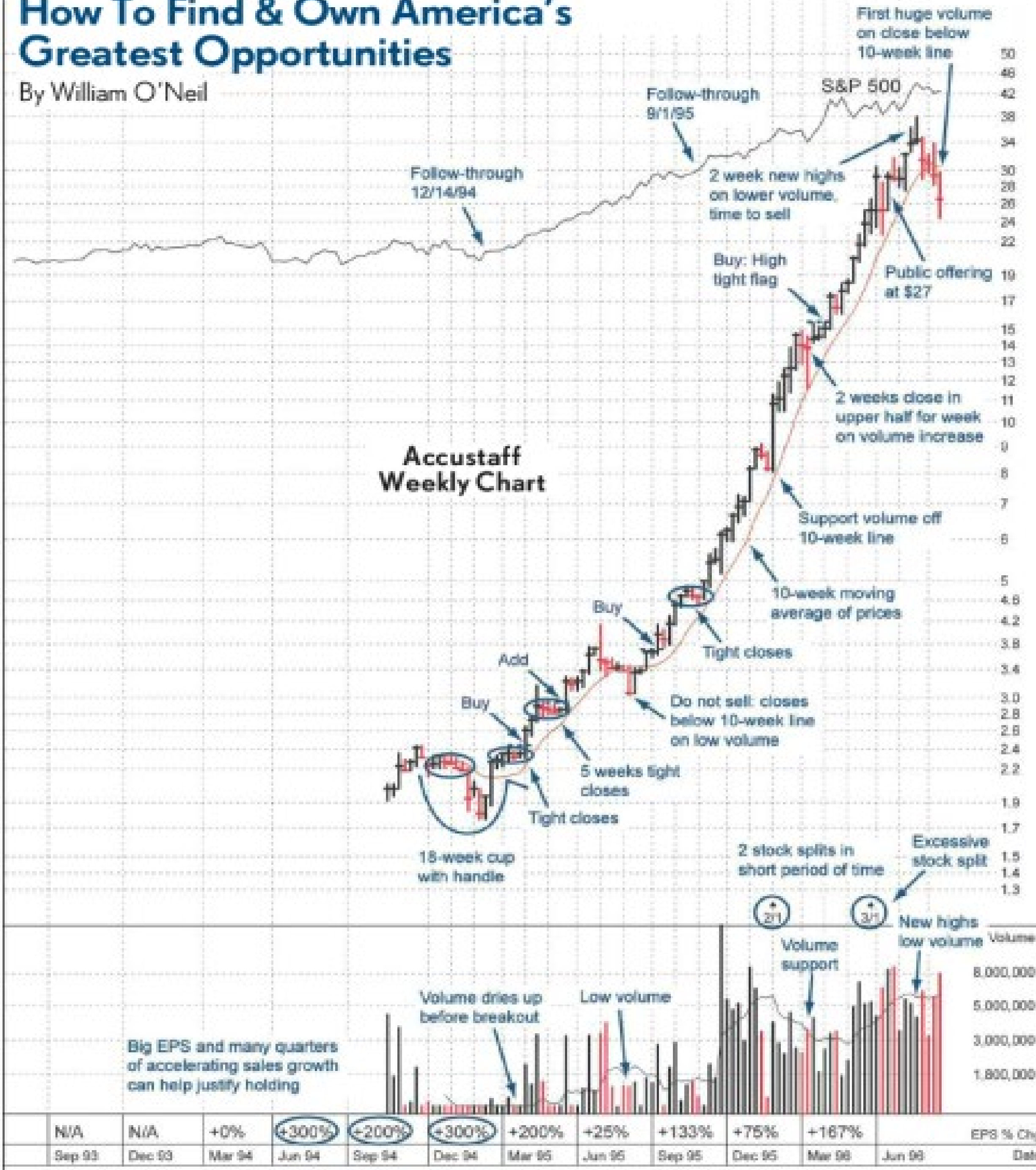

AccuStaff provided temporary staffing personnel to business and government customers with 63 company-owned branch offices in 18 states.

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.

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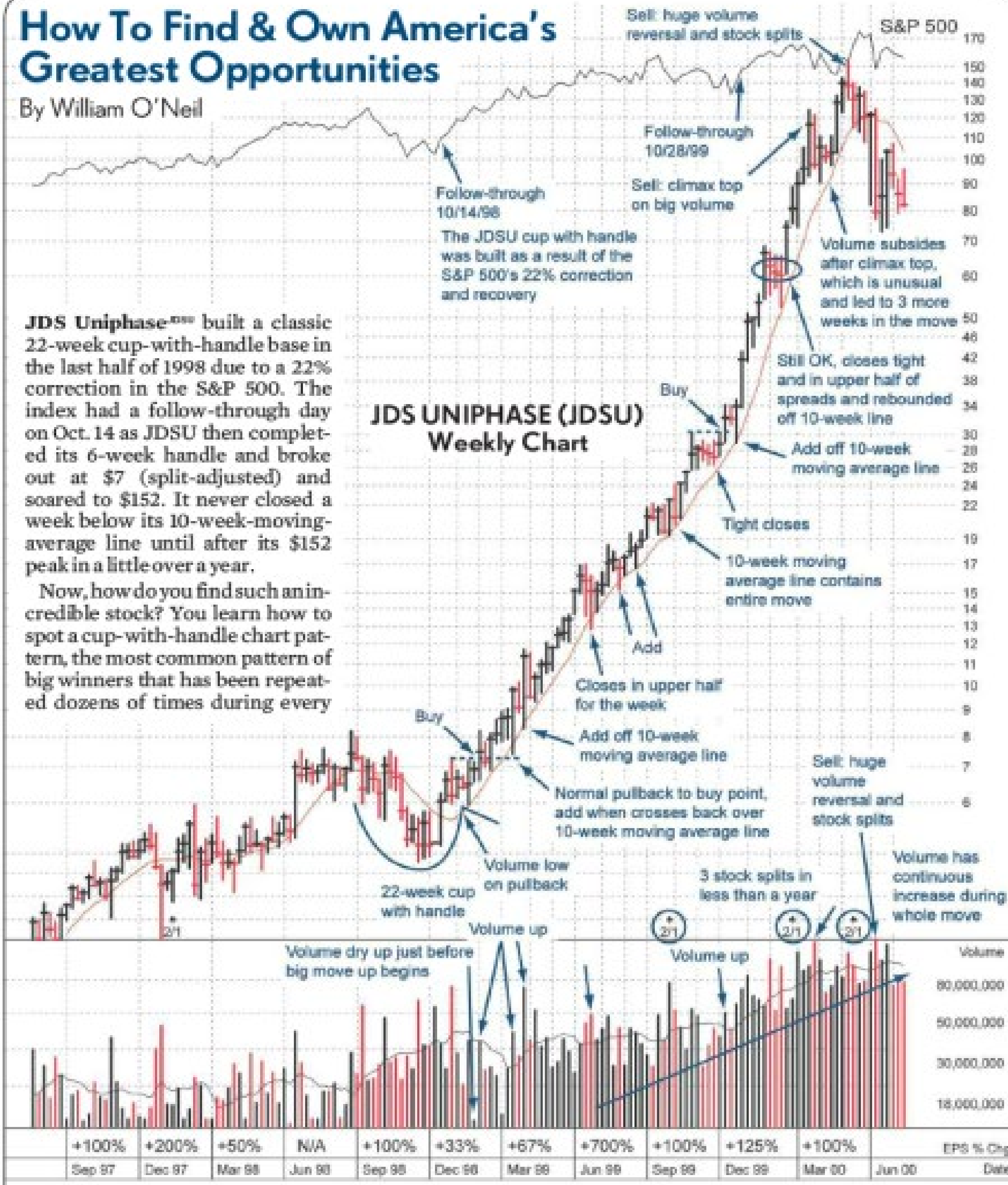

JDS Uniphase[DSU] built a classic 22-week cup-with-handle base in the last half of 1998 due to a 22% correction in the S&P 500. The index had a follow-through day on Oct. 14 as JDSU then completed its 6-week handle and broke out at $7 (split-adjusted) and soared to $152. It never closed a week below its 10-week-moving-average line until after its $152 peak in a little over a year.

Now, how do you find such an incredible stock? You learn how to spot a cup-with-handle chart pattern, the most common pattern of big winners that has been repeated dozens of times during every bull market in the last 50 years.

Once you learn to recognize this basic pattern, all you have to do is make sure you look at your charts every week so you won't miss it when it finally appears. Eighty-five percent of sound bases are created during market corrections that end with a follow-through day signaling a new uptrend.

So, now you know the market is in a confirmed uptrend and you've spotted a classic cup with handle. The third vital thing you must do is check the stock's critical key fundamentals: Are the earnings and sales up a large amount? Is the return on equity robust? Is the pretax margin strong? Have you read an archived IBD story on the company and its products? Lastly, does the stock have an increasing number of funds owning it?

The quarterly earnings were up 100% when JDSU broke out to new highs, sales were up 40%, pretax margin was 23.7% and the number of funds owning JDSU increased for each of the prior six quarters and continued to increase all the way to the stock's top. So you act, buying the stock and adding to it in smaller amounts during some of the add points I have marked on the chart.

But wait a minute, there is one last thing you must always do. Do you know what it is? You must always have a set of sell rules! Cut your loss if a stock drops 8% below the price you paid. If you're ahead and it is one of your better performers, you can hold it until it either closes a week below its 10-week-moving-average line in big volume or has a climax top.

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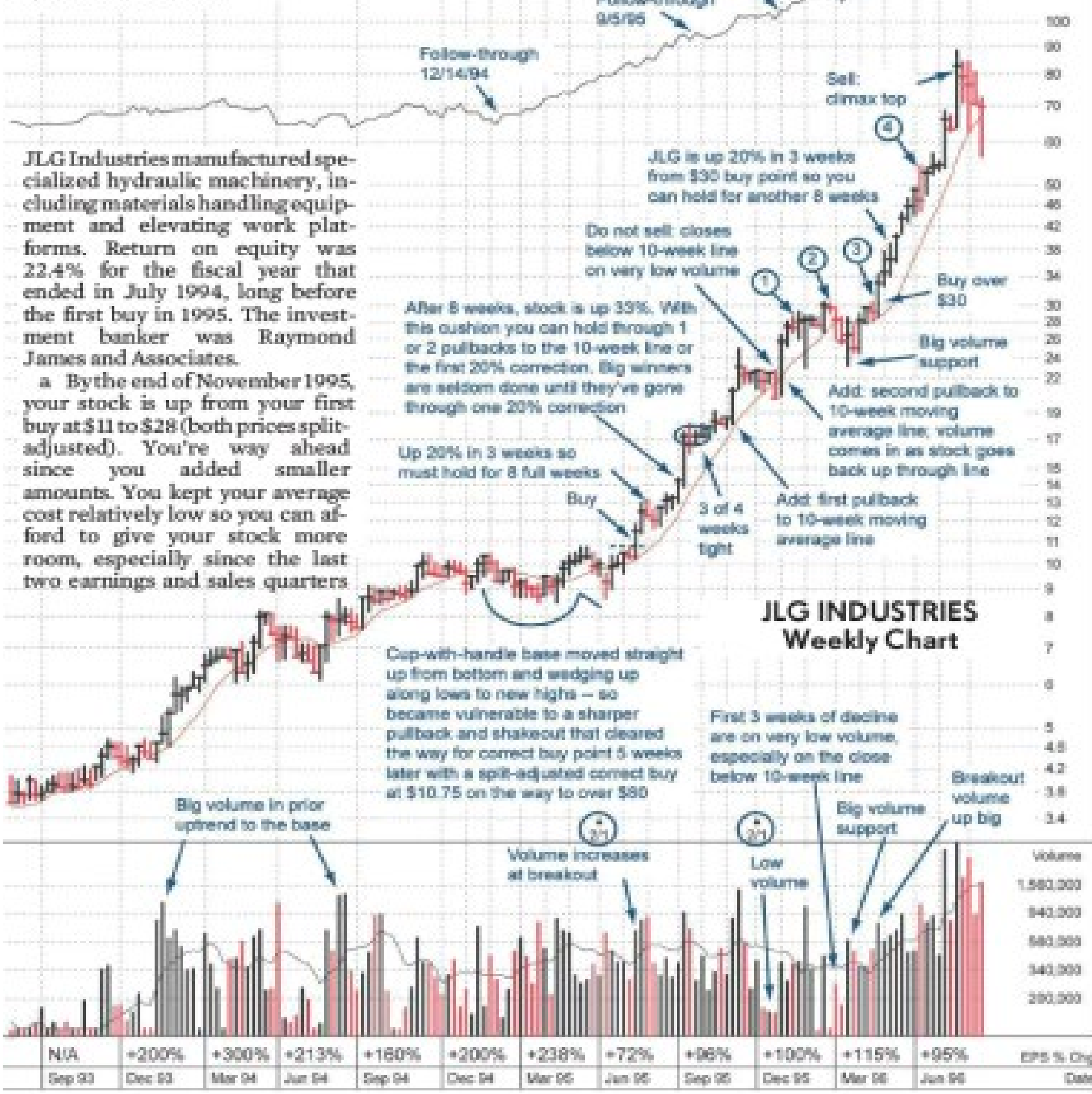

JLG Industries manufactured specialized hydraulic machinery, including materials handling equipment and elevating work platforms. Return on equity was 22.4% for the fiscal year that ended in July 1994, long before the first buy in 1995. The investment banker was Raymond James and Associates.

a 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.

b 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.

c 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.

d 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 channel-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.

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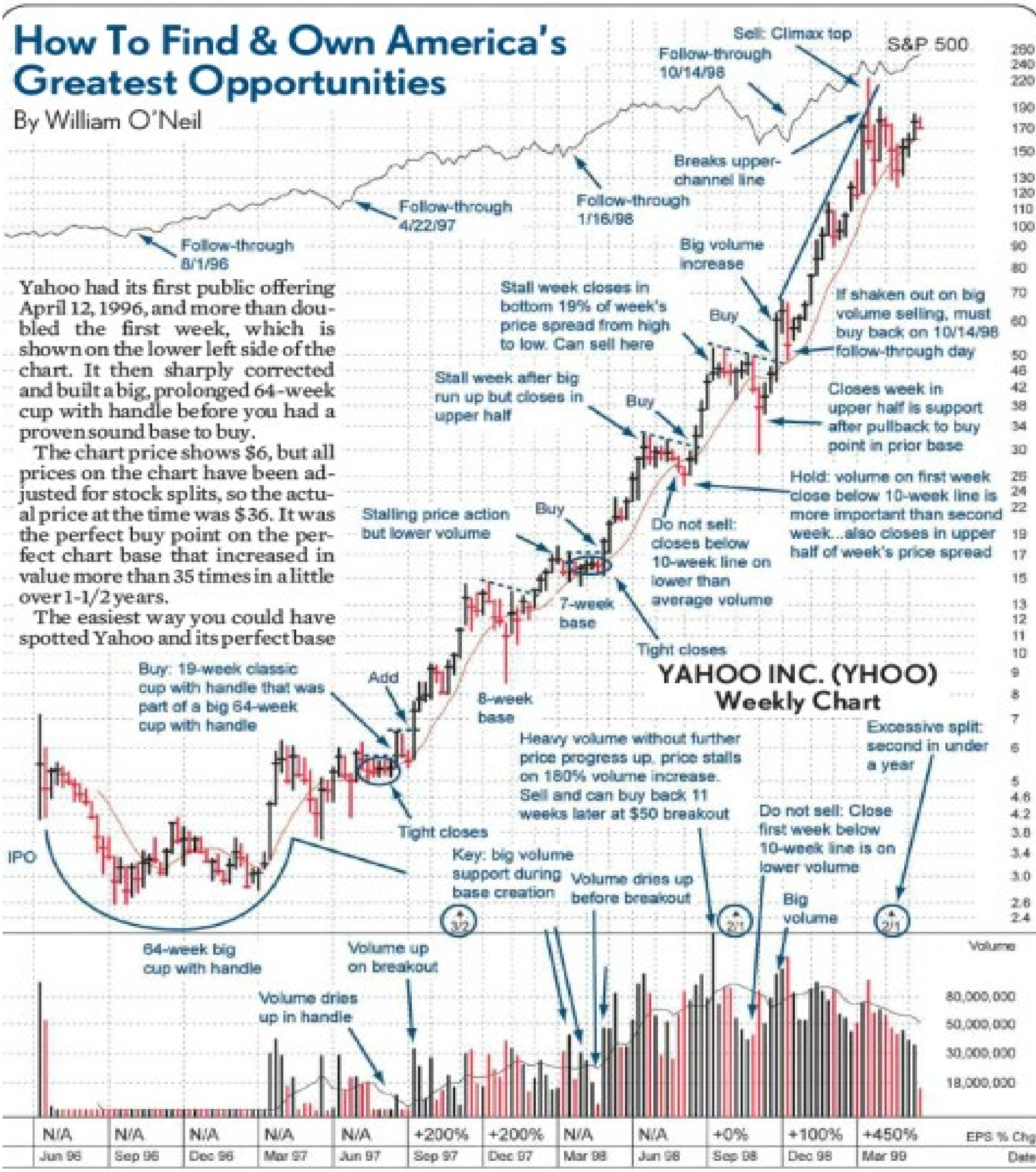
Yahoo had its first public offering April 12, 1996, and more than doubled the first week, which is shown on the lower left side of the chart. It then sharply corrected and built a big, prolonged 64-week cup with handle before you had a proven sound base to buy.

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 increased 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.

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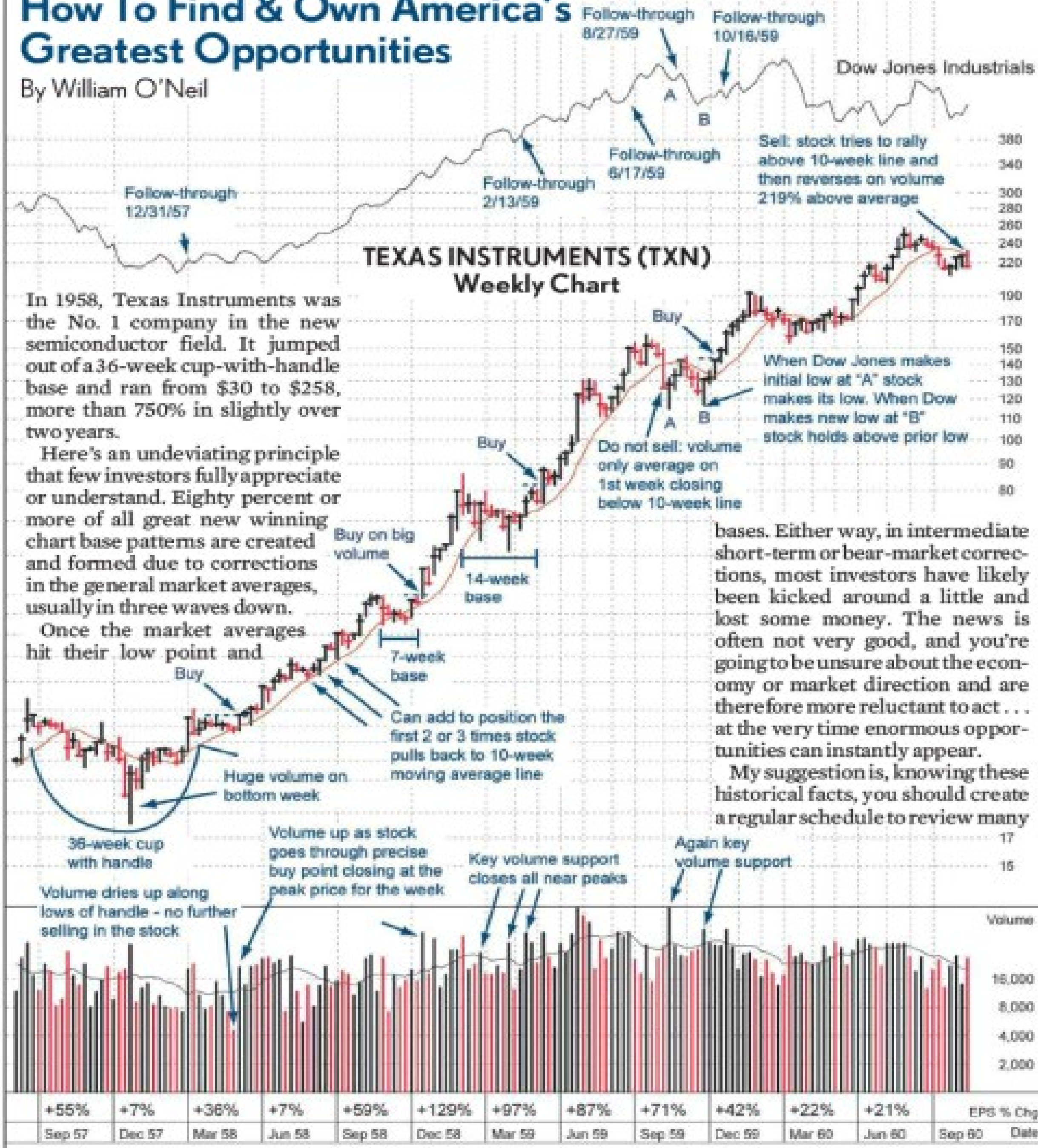
In 1958, Texas Instruments was the No. 1 company in the new semiconductor field. It jumped out of a 36-week cup-with-handle base and ran from $30 to $258, more than 750% in slightly over two years.

Here's an undeviating principle that few investors fully appreciate or understand. Eighty percent or more of all great new winning chart base patterns are created and formed due to corrections in the general market averages, usually in three waves down.

Once the market averages hit their low point and have a follow-through day confirming the new uptrend, opportunities abound. If the correction was only a short-term intermediate one of say 6% to 12%, one or two of the new winners will break out the very week of the follow-through in the general market and begin their super run. Not only that, the remaining 75% of the very best new big winners can move up and quickly complete the right side of their bases and break out in the next two, three or four weeks. That doesn't give you much time to act. You're either ready, knowing what to look for and on top of the situation, or you're a little unsure and hesitate. The market isn't easy — it doesn't wait until everyone is ready, prepared and certain.

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 bases. Either way, in intermediate short-term or bear-market corrections, most investors have likely been kicked around a little and lost some money. The news is often not very good, and you're going to be unsure about the economy or market direction and are therefore more reluctant to act . . . at the very time enormous opportunities can instantly appear.

My suggestion is, knowing these historical facts, you should create a regular schedule to review many 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.



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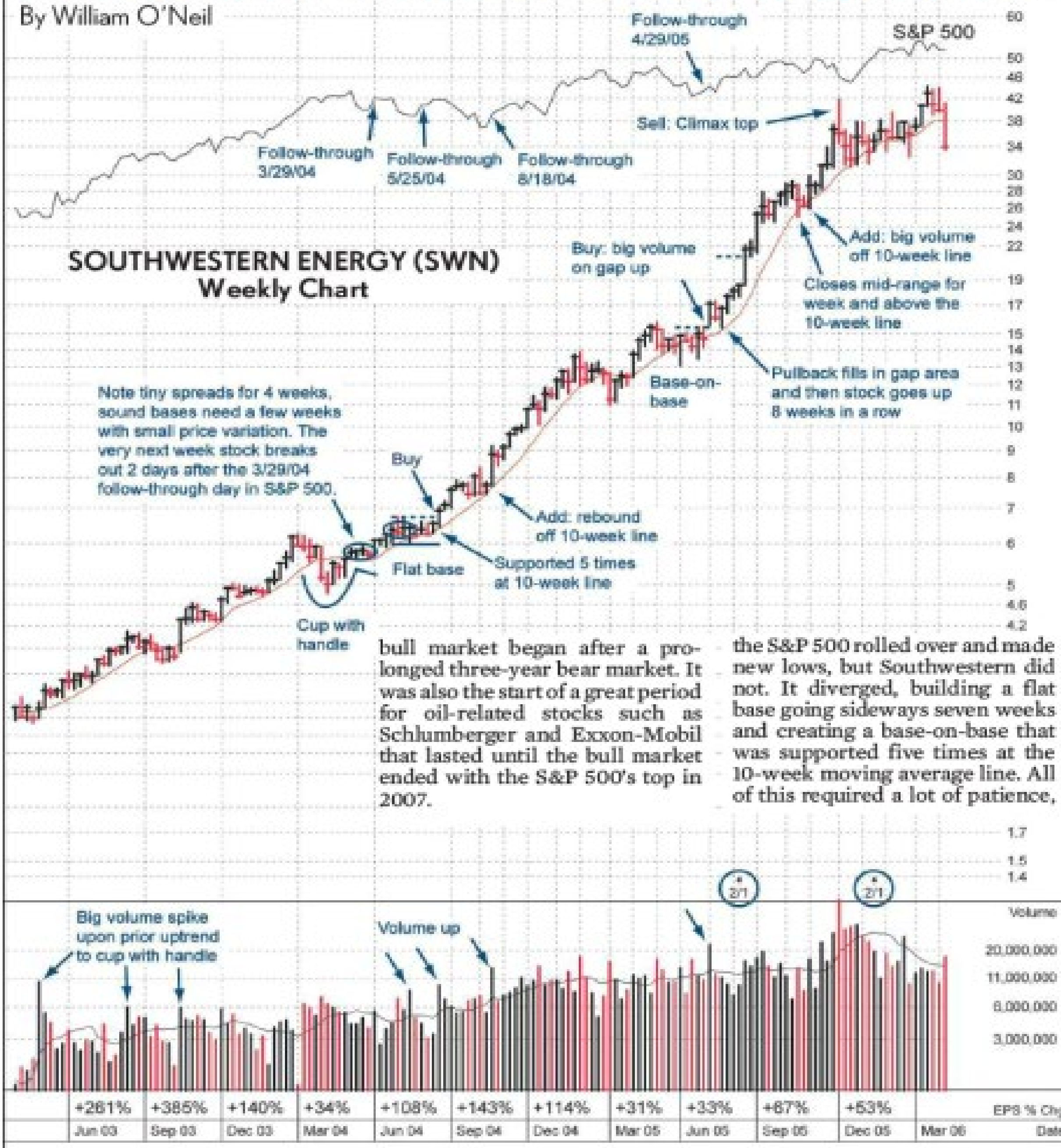

Southwestern Energy was a big market leader in 2004 and 2005, engaged in the exploration and production of oil and natural gas in Texas, Oklahoma, Arkansas, Louisiana and New Mexico. The Houston-based company also distributed natural gas through a 5,400-mile pipeline. Southwestern had proven reserves 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 bull market began after a prolonged three-year bear market. It was also the start of a great period for oil-related stocks such as Schlumberger and Exxon-Mobil that lasted until the bull market ended with the S&P 500's top in 2007.

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 the S&P 500 rolled over and made new lows, but Southwestern did not. It diverged, building a flat base going sideways seven weeks and creating a base-on-base that was supported five times at the 10-week moving average line. All of this required a lot of patience, 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.

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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?