

Excerpt from *How to Make Money in Stocks* (Updated & Expanded 4<sup>th</sup> Edition)  
by William J. O'Neil, founder of [Investor's Business Daily](#)®

Get your copy today: [Amazon](#) | [Barnes & Noble](#) | [Borders](#) | [IndieBound](#)

## • INTRODUCTION •

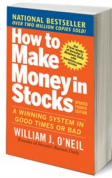
# You Can Learn and Benefit from America's 100 Years of Super Winners

**After the market debacles of 2000 and 2008, most investors now know that they** need to take charge and learn much more about what they're doing when they save and invest their hard-earned money. However, many investors don't know where to turn, whom to trust, or what they must stop doing if they are to achieve dramatically superior investment performance.

You don't have to give your money to a Bernie Madoff, who'll take it but won't tell you exactly what he's doing with it. Instead, you can and should read a few good investment books, attend some investment classes, or participate in an investment meet-up group so that you can learn how to invest with real confidence. At the very least, you should learn and understand well the sound principles and proven rules and methods that will protect and build your investment portfolio over time. Half of all Americans save and invest; now it's time to learn to do it intelligently with critical knowledge.

When I started investing, I made most of the same mistakes you've probably made. But here's what I've learned:

- You should buy stocks when they're on the way up in price, not on the way down. And when you buy more, you do it only after the stock has risen from your purchase price, not after it has fallen below it.
- You buy stocks when they're nearer to their highs for the year, not when they've sunk so low that they look cheap. You buy higher-priced stocks rather than the lowest-priced stocks.



Excerpt from *How to Make Money in Stocks* (Updated & Expanded 4<sup>th</sup> Edition)  
by William J. O'Neil, founder of [Investor's Business Daily](#)®

Get your copy today: [Amazon](#) | [Barnes & Noble](#) | [Borders](#) | [IndieBound](#)

#### 4 A WINNING SYSTEM

- You learn to always sell stocks quickly when you have a small loss rather than waiting and hoping they'll come back.
- You pay far less attention to a company's book value, dividends, or PE ratio—which for the last 100 years have had little predictive value in spotting America's most successful companies—and focus instead on more important proven factors such as profit growth, price and volume action, and whether the company is the number one profit leader in its field with a superior product.
- You don't subscribe to a bunch of market newsletters or advisory services, and you don't let yourself be influenced by recommendations from analysts, who, after all, are just expressing personal opinions that can frequently be wrong.
- You also have to acquaint yourself with charts—an invaluable tool most professionals wouldn't do without but amateurs tend to dismiss as complicated or irrelevant.

All these vital actions are completely contrary to human nature. In reality, the stock market is human nature and crowd psychology on daily display, plus the age-old law of supply and demand at work. Because these factors have remained the same over time, it is remarkable but true that chart patterns are just the same today as they were 50 years ago or 100 years ago. Few investors know or understand this. It can be to your inspiring advantage.

In this fourth edition of *How to Make Money in Stocks*, I'm showing you right up front, in Chapter 1, 100 annotated color charts of 100 of America's greatest winning stocks, covering each decade from the 1880s to the end of 2008—from the Richmond and Danville Railroad in 1885 and Northern Pacific during the famous corner of the stock in 1901, when it raced from \$115 to \$700 in one week, to Apple and Google in our twenty-first century.

There is a lot you can learn from studying these great examples. You'll see that there are such things as chart bases that have been repeated year after year with enormous success. There are 105 examples (among the 100 stocks) of classic bases that look like cups with handles when viewed from the side. Some are small, others large, and still others in between.

In addition to cups with handles, we've identified eight other distinctively different, highly successful base patterns that have occurred in cycle after cycle. Bethlehem Steel in 1915 is our first powerful high, tight flag example and served as a perfect historical precedent for later high, tight flags such as Syntex, Rollins, Simmonds Precision, Yahoo!, and Taser. All of these stocks had huge price moves.

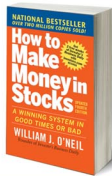
Charts will help you tell the better stocks and general markets from the weaker, riskier stocks and markets that you must sidestep and avoid alto-

Learn more at: [www.investors.com/book](http://www.investors.com/book)



Copyright ©2009, 2002 by William J. O'Neil; © 1995, 1991, 1988 by The McGraw-Hill Companies. All rights reserved. Printed in the United States of America. Except as permitted under the United States Copyright Act of 1976, no part of this publication may be reproduced or distributed in any form or by any means, or stored in a data base or retrieval system, without the prior written permission of the publisher.

Investor's Business Daily, IBD and CAN SLIM and their corresponding logos are registered trademarks of Data Analysis, Inc., an affiliate of Investor's Business Daily.



Excerpt from *How to Make Money in Stocks* (Updated & Expanded 4<sup>th</sup> Edition)  
by William J. O'Neil, founder of [Investor's Business Daily](#)®

Get your copy today: [Amazon](#) | [Barnes & Noble](#) | [Borders](#) | [IndieBound](#)

gether. That's why I put all these examples in Chapter 1, with notes marked on the charts to help you learn a skill that could just change your whole life and let you live better and smarter.

A good clear picture is worth a thousand words. These 100 examples are just a sample of what you've been missing. We have models of more than 1,000 great stock market winners over the last 100 years. It takes only one or two to make your year or your future. But you have to get serious and work at really learning and knowing what you're doing when you invest. You can do it if you really want to.

You'll probably find this a whole new way of looking at America and its stock market. From the railroad to the auto and the airplane, from the radio and TV to computers, from jet airliners to space exploration, from massive discount stores to semiconductors and the Internet, this country has shown rapid, unceasing growth. Living standards for the great majority of Americans have improved materially from what they were 100, 50, or even 30 years ago.

Yes, there will always be problems, and everyone likes to criticize. But America's innovators, entrepreneurs, and inventors have been a major driving force behind its unparalleled growth. They have created the new industries, new technologies, new products, new services, and most of the jobs from which we all have benefited.

Now it's up to you to learn how to intelligently take advantage of the relentless growth opportunities America's freedom makes possible and that entrepreneurs keep presenting for everyone during every business cycle.

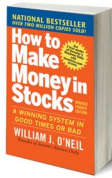
In the following chapters, you will learn exactly how to pick big winners in the stock market and nail down the gains they produce. You will also learn how to substantially reduce your mistakes and losses.

Many people who dabble in stocks either have mediocre results or lose money because of their lack of knowledge. But no one has to continue to lose money. You can definitely learn to invest wisely. This book will provide you with the investment understanding, skills, and methods you need if you are to become a more successful investor.

I believe that most people in this country and throughout the free world, whether they are young or old and regardless of their profession, education, background, or economic position, should learn to save and invest in common stocks. This book isn't written for the elite, but for the millions of ordinary guys and gals everywhere who want a chance to be better off financially. You are never too old or too young to start investing intelligently.

● **YOU CAN START SMALL—If you're a typical working person or a beginning investor, you should know that it doesn't take a lot of money to start. You can begin with as little as \$500 to \$1,000 and add to it as you earn and save more**

Learn more at: [www.investors.com/book](http://www.investors.com/book)



Excerpt from *How to Make Money in Stocks* (Updated & Expanded 4<sup>th</sup> Edition)  
by William J. O'Neil, founder of [Investor's Business Daily](#)®

Get your copy today: [Amazon](#) | [Barnes & Noble](#) | [Borders](#) | [IndieBound](#)

## 6 A WINNING SYSTEM

**money. I began with the purchase of just five shares of Procter & Gamble when I was only 21 and fresh out of school.**

Mike Webster is one of our in-house managers who also started small. In fact, Mike sold personal belongings, including his music CD collection, to raise cash for investing. Prior to managing money for the firm, he had a gain of over 1,000% in his personal account in 1999, a very unusual year.

Steve Birch, another of our in-house money managers, started managing money earlier. He took advantage of the roaring bull market of the late 1990s and protected most of his gains by going mainly to cash in the bear market. Between 1998 and 2003, he had gained over 1,300%. Both Mike and Steve have had their rough years, but they've learned from their many mistakes, which we all make, and have gone on to achieve significant performance.

You live in a fantastic time of unlimited opportunity, an era of outstanding new ideas, emerging industries, and new frontiers. However, you have to read the rest of this book to learn how to recognize and take advantage of these amazing new situations.

The opportunities are out there for everyone. You are now in a continually changing and, hopefully, improving New America. We lead the world in high technology, the Internet, medical advancements, computer software, military capability, and innovative new entrepreneurial companies. The communist/socialist system and the concept of a centralized “command economy” are now relegated to the ash heap of history. They did not work. Our system of freedom and opportunity serves as a model of success for most countries in the world.

Today it's not enough for you to just work and earn a salary. To do the things you want to do, go the places you want to go, and have the things you want to have in your life, you absolutely must save and invest intelligently. The income from your investments and the net gains you can make will let you reach your goals and provide real security. This book can change your whole life. No one can hold you back but yourself.

● **SECRET TIP—The first step in learning how to pick big stock market winners is to examine leaders of the past, like those you're about to see, to learn the characteristics of the most successful stocks. From these observations, you will be able to recognize the types of price patterns these stocks developed just before their spectacular price advances.**

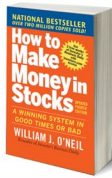
Other key factors you'll discover include what the quarterly earnings of these companies were at the time, what the annual earnings histories of these organizations had been in the prior three years, what amount of trad-

Learn more at: [www.investors.com/book](http://www.investors.com/book)



Copyright ©2009, 2002 by William J. O'Neil; © 1995, 1991, 1988 by The McGraw-Hill Companies. All rights reserved. Printed in the United States of America. Except as permitted under the United States Copyright Act of 1976, no part of this publication may be reproduced or distributed in any form or by any means, or stored in a data base or retrieval system, without the prior written permission of the publisher.

Investor's Business Daily, IBD and CAN SLIM and their corresponding logos are registered trademarks of Data Analysis, Inc., an affiliate of Investor's Business Daily.



Excerpt from *How to Make Money in Stocks* (Updated & Expanded 4<sup>th</sup> Edition)  
by William J. O'Neil, founder of [Investor's Business Daily](#)®

Get your copy today: [Amazon](#) | [Barnes & Noble](#) | [Borders](#) | [IndieBound](#)

ing volume was present, what degree of relative strength there was in the prices of the stocks before their enormous success, and how many shares of common stock were outstanding in the capitalization of each company.

You'll also learn many of the greatest winners had significant new products or new management, and many were tied to strong industry group moves caused by important changes occurring in an entire industry.

It's easy to conduct this type of practical, commonsense analysis of all past successful leaders. I have already completed such a comprehensive study. In our historical analysis, we selected the greatest winning stocks in the stock market each year (in terms of percentage increase for the year), spanning the past 125 years.

We call the study "The Model Book of Greatest Stock Market Winners." It's been expanded recently to cover stocks dating back to the 1880s. It now analyzes more than 1,000 of the biggest winning companies in recent market history in detail, super stocks such as

Texas Instruments, whose price soared from \$25 to \$250 from January 1958 through May 1960

Xerox, which escalated from \$160 to the equivalent of \$1,340 between March 1963 and June 1966

Syntex, which leaped from \$100 to \$570 in only six months during the last half of 1963

Dome Petroleum and Prime Computer, which advanced 1,000% and 1,595%, respectively, in the 1978–1980 stock market

Limited Stores, which wildly excited lucky shareowners with a 3,500% increase between 1982 and 1987

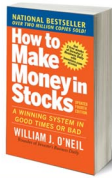
Cisco Systems, which between October 1990 and March 2000 advanced from a split-adjusted \$0.10 to \$82

Home Depot and Microsoft both increased more than 20 times during the 1980s and early 1990s. Home Depot was one of the all-time great performers, jumping 20-fold in less than two years from its initial public offering in September 1981 and then climbing another 10 times from 1988 to 1992. All of these companies offered exciting new entrepreneurial products and concepts. In total, we actually have 10 different model books that cover America's innovative and highly successful companies.

Would you like to know the common characteristics and rules of success we discovered from this intensive study of all past stock market leaders?

They're all covered in the next few chapters and in a simple, easy-to-remember formula we have named CAN SLIM. Each letter in the words

Learn more at: [www.investors.com/book](http://www.investors.com/book)



Excerpt from *How to Make Money in Stocks* (Updated & Expanded 4<sup>th</sup> Edition)  
by William J. O'Neil, founder of [Investor's Business Daily](#)®

Get your copy today: [Amazon](#) | [Barnes & Noble](#) | [Borders](#) | [IndieBound](#)

## 8 A WINNING SYSTEM

CAN SLIM stands for one of the seven chief characteristics of these greatest winning stocks at their early developing stages, just before they made huge profits for their shareholders and our country (companies and employees all pay taxes as well as helping to improve our standard of living). Write this formula down, and repeat it several times so you won't forget it.

The reason CAN SLIM continues to work cycle after cycle is that it's based solely on the reality of how the stock market actually works rather than on our personal opinion or anyone else's, including Wall Street's. Furthermore, human nature at work in the market simply doesn't change. So CAN SLIM does not get outmoded as fads, fashions, and economic cycles come and go. It will beat big egos and personal opinions every time.

You can definitely learn how to pick winners in the stock market, and you can become part owner of the best companies in the world. So, let's get started right now. Here's a sneak preview of CAN SLIM:

- C** Current Quarterly Earnings per Share: *The Higher, the Better*
- A** Annual Earnings Increases: *Look for Significant Growth*
- N** New Products, New Management, New Highs: *Buying at the Right Time*
- S** Supply and Demand: *Shares Outstanding Plus Big Volume Demand*
- L** Leader or Laggard: *Which Is Your Stock?*
- I** Institutional Sponsorship: *Follow the Leaders*
- M** Market Direction: *How to Determine It*

Please begin immediately with Chapter 1. Go for it. You can do it.

Learn more at: [www.investors.com/book](http://www.investors.com/book)



Copyright ©2009, 2002 by William J. O'Neil; © 1995, 1991, 1988 by The McGraw-Hill Companies. All rights reserved. Printed in the United States of America. Except as permitted under the United States Copyright Act of 1976, no part of this publication may be reproduced or distributed in any form or by any means, or stored in a data base or retrieval system, without the prior written permission of the publisher.

Investor's Business Daily, IBD and CAN SLIM and their corresponding logos are registered trademarks of Data Analysis, Inc., an affiliate of Investor's Business Daily.