Jesse Livermore quotes…many nuggets of wisdom. Print this and read it over and over (bold emphasis is ours).

It is what people actually did in the stock market that counted – not what they said they were going to do.

Livermore studied his mistakes objectively…"**the only way you get a real education in the market is to invest cash, track your trade, and study your mistakes**…It is emotionally difficult to review your mistakes, since the speculator must wade through his own bad trades and blunders. And these are not simple blunders; these are blunders that cost money. Anyone who has lost money by investing poorly knows how difficult it is to reexamine what occurred. **The examination of a losing trade is tortuous but necessary to ensure that it will not happen again**."

Livermore was brutal in self-analysis. He told his sons his conclusions: "Successful trading is always an emotional battle for the speculator, not an intelligent battle."…He knew that his biggest enemy was his own emotions.

"We are the sum total of our experience." When asked what makes a good stock speculator, Livermore replied "…it's an aptitude for the game, a stomach for the ride, and the ability to see what is happening without emotion. The ability to make observations that others don't and a good memory….Only speculate if you can make it a full-time job. Don't take tips of any kind, no matter where they come from. Don't worry about catching tops or bottoms, that's fools play. **Keep the number of stocks you own to a controllable number**. It's hard to herd cats, and it's hard to track a lot of securities. **Take your losses quickly and don't brood about them**. Try to learn from them but mistakes are as inevitable as death. And only make a big move, a real big plunge, when a majority of factors are in your favor….**every once in a while you must go to cash, take a break**, take a vacation. **Don't try to play the market all the time. It can't be done, too tough on the emotions**."

The unsuccessful investor is best friends with hope, and hope skips along life's path hand in hand with greed when it comes to the stock market. Once a stock trade is entered, hope springs to life. It is human nature to be positive, to hope for the best. Hope is an important survival technique. But hope, like its stock market cousin's ignorance, greed, and fear, distorts reason. See the stock market only deals in facts, in reality, in reason, and **the stock market is never wrong. Traders are wrong**. Like the spinning of a roulette wheel, the little black ball tells the final outcome, not greed, fear or hope. The result is objective and final, with no appeal.

I believe that the public wants to be led, to be instructed, to be told what to do. They want reassurance. They will always move en masse, a mob, a herd, a group, because people want the safety of human company. They are afraid to stand alone because they want to be safely included within the herd, not to be the lone calf standing on the desolate, dangerous, wolf-patrolled prairie of contrary opinion.

First, do not be invested in the market all the time. **There are many times when I have been completely in cash, especially when I was unsure of the direction of the market and waiting for a confirmation of the next move**....Second, it is the change in the major trend that hurts most speculators.

The last gasp of heavy volume provides a great opportunity to sell out any illiquid large holdings. I knew it was foolish to ever catch the tops or the bottoms of the moves. It is always better to sell large holdings into an advancing market when there is plenty of volume. The same is true on the short side; you are best to cover the short position after a steep, fast decline.

…the market will often go contrary to what speculators have predicted. At these times, successful speculators must abandon their predictions and follow the action of the market. **Prudent speculators never argue with the tape**. Markets are never wrong, but opinions often are.

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

Every stock is like a human being: it has a personality, a distinctive personality. Aggressive, reserved, hyper, high-strung, volatile, boring, direct, logical, predictable, unpredictable. I often studied stocks like I would study people; after a while their reactions to certain circumstances become more predictable.

I believe that having the discipline to follow your rules is essential. **Without specific, clear, and tested rules, speculators do not have any real chance of success**. Why? Because speculators without a plan are like a general without a strategy, and therefore without an actionable battle plan. Speculators without a single clear plan can only act and react, act and react, to the slings and arrows of stock market misfortune, until they are defeated.

If you can't sleep at night because of your stock market position, then you have gone too far. If this is the case, then sell your position down to the sleeping level.

I believe that anyone who is intelligent, conscientious, and willing to put in the necessary time can be successful on Wall Street. As long as they realize the market is a business like any other business, they have a good chance to prosper.

Remember, it [the market] is designed to fool most of the people most of the time.

I have always fully understood that I am not the only one who knows that the stock market is the world's biggest gold mine, sitting at the foot of the island of Manhattan. A gold mine that opens its doors every day and invites anyone and everyone in to plump its depths and leave with wheelbarrows full of gold bars, if they can – and I have done it. The gold mine is there all right, and every day somebody plumps its depths, and when the bell rings at the end of the day they have gone from pauper to prince, or gone from prince to supreme potentate, or gone stony broke. And it's always there waiting.

I believe that uncontrolled basic emotions are the true and deadly enemy of the speculator; that hope, fear, and greed are always present, sitting on the edge of the psyche, waiting on the sidelines, waiting to jump into the action, plow into the game.

These words [bullish, bearish] are not in my vocabulary because I believe they can create an emotional mind-set of a specific market direction in a speculator's mind.

I never try to predict or anticipate. I only try to react to what the market is telling me by its behavior.

I believe there are no good stocks or bad stocks; there are only money making stocks. So there is no good direction to trade, short or long; there is only the money-making way to trade.

Greed, fear, impatience, and hope will all fight for mental dominance over the speculator.

My satisfaction always came from beating the market, solving the puzzle. The money was the reward, but it was not the main reason I loved the market. The stock market is the greatest, most complex puzzle ever invented – and it pays the biggest jackpot….it was never the money that drove me. It was the game, solving the puzzle, beating the market that had confused and confounded the greatest minds in history. For me, that passion, the juice, the exhilaration was in beating the game, a game that was a living dynamic riddle, a conundrum to everyone who speculated on Wall Street.

Always remember; you can win a horse race, but you can't beat the races. You can win on a stock, but you cannot beat Wall Street all the time. Nobody can.

I did precisely the wrong thing. The cotton showed me a loss and I kept it. The wheat showed me a profit and I sold it out. **Of all the speculative blunders there are few greater than trying to average a losing game. Always sell what shows you a loss and keep what shows you a profit**.

If all I have is ten dollars and I risk it, I am much braver than when I risk a million if I have another million salted away.

I've got friends, of course, but my business has always been the same – a one-man affair. That is why I have always played a lone hand.

What beat me was not having brains enough to stick to my own game – that is, **to play the market only when I was satisfied that precedents favored my play**. There is the plain fool, who does the wrong thing at all times everywhere, but **there is also the Wall Street fool, who thinks he must trade all the time. No man can have adequate reasons for buying or selling stocks daily** – or sufficient knowledge to make his play an intelligent play.

For one thing, the automatic closing out of your trade when the margin reached the exhaustion point was the best kind of stop-loss order.

The game taught me the game. And it didn't spare me rod while teaching.

If somebody had told me my method would not work I nevertheless would have tried it out to make sure for myself, for when I am wrong only one thing convinces me of it, and that is, to lose money. And I am only right when I make money. That is speculating.

Early that fall I not only was cleaned out again but I was so sick of the game I could no longer beat that I decided to leave New York and try something else some other place. I had been trading since my fourteenth year. I had made my first thousand dollars when I was a kid at fifteen and my first ten thousand before I was twenty one. I had made and lost a ten thousand stake more than once. In New York I had made thousands and lost them. I got up to fifty thousand and two days later that went. I had no other business and knew no other game. After several years I was back where I began. No-worse, for I had acquired habits and a style of living that required money; though that part didn't bother me as much as being wrong so consistently.

Don't misunderstand me. I never allowed pleasure to interfere with business. When I lost it was always because I was wrong and not because I was suffering from dissipation or excesses. There were never any shattered nerves or rum-shaken limbs to spoil my game. I couldn't afford anything that kept me from feeling physically and mentally fit. Even now I am usually in bed by ten. As a young man I never kept late hours, because I could not do business properly on insufficient sleep.

For instance, I had been bullish from the very start of a bull market, and I had backed my opinion by buying stocks. An advance followed, as I had clearly foreseen. So far, all very well. But what else did I do? Why, I listened to the elder statesmen and curbed my youthful impetuousness. I made up my mind to be wise carefully, conservatively. Everybody knew that the way to do that was to take profits and buy back your stocks on reactions. And that is precisely what I did, or rather what I tried to do; for I often took profits and waited for a reaction that never came. And I saw my stock go kitting up ten points more and I sitting there with my four-point profit safe in my conservative pocket. **They say you never go broke taking profits. No, you don't. But neither do you grow rich taking a four-point profit in a bull market.**

I think it was a long step forward in my trading education when I realized at last that when old Mr. Partridge kept on telling other customers, "Well, you know this is a bull market!" he really meant to tell them that **the big money was not in the individual fluctuations but in the main movements-that is, not in reading the tape but in sizing up the entire market and its trend.**

The market does not beat them. They beat themselves, because though they have brains they cannot sit tight. Old Turkey was dead right in doing and saying what he did. He had not only **the courage of his convictions but also the intelligence and patience to sit tight**.

Disregarding the big swing and trying to jump in and out was fatal to me. Nobody can catch all the fluctuations. **In a bull market the game is to buy and hold until you believe the bull market is near its end**.

Remember that stocks are never too high for you to begin buying or too low to begin selling.

Suppose he buys his first hundred, and that promptly shows him a loss. Why should he go to work and get more stock? He ought to see at once that he is in the wrong; at least temporarily.

The Union Pacific incident in Saratoga in the summer of 1906 made me **more independent than ever of tips and talk - that is, of the opinions, surmises and suspicions of other people, however friendly or however able they might be personally**. Events, not vanity, proved for me that I could read the tape more accurately than most of the people about me. I also was better equipped than the average customer of Harding Brothers in that **I was utterly free from speculative prejudices. The bear side doesn't appeal any more than the bull side, or vice versa.** My one steadfast prejudice is against being wrong.

When I am long of stocks it is because my reading of conditions has made me bullish. But you find many people, reputed to be intelligent, who are bullish because they have stocks. I do not allow my possessions - or my prepossessions either – to do any thinking for me. That is why I repeat that I never argue with the tape.

Obviously the thing to do was to be bullish in a bull market and bearish in a bear market.

I came to learn that even when one is properly bearish at the very beginning of a bear market it is not well to begin selling in bulk until there is no danger of the engine back-firing.

Of course, if a man is both wise and lucky, he will not make the same mistake twice. But he will make any one of ten thousand brothers or cousins of the original. The Mistake family is so large that there is always one of them around when you want to see what you can do in the fool-play line.

Losing money is the least of my troubles. **A loss never troubles me after I take it.** I forget it overnight. But being wrong – not taking the loss – that is what does the damage to the pocket book and to the soul.

“I can’t sleep” answered the nervous one.
“Why not?” asked the friend.
“I am carrying so much cotton that I can’t sleep thinking about. It is wearing me out. What can I do?”
“Sell down to the sleeping point”, answered the friend.

He will risk half his fortune in the stock market with less reflection that he devotes to the selection of a medium-priced automobile.

It sounds very easy to say that all you have to do is to watch the tape, establish your resistance points and be ready to trade along the line of least resistance as soon as you have determined it. But in actual practice **a man has to guard against many things, and most of all against himself** – that is, against human nature.

A speculator must concern himself with making money out of the market and not with insisting that the tape must agree with him. Never argue with it or ask for reasons or explanations.

He should accumulate his line on the way up. Let him buy one-fifth of his full line. If that does not show him a profit he must not increase his holdings because he has obviously begun wrong; he is wrong temporarily and there is no profit in being wrong at any time.

Fear keeps you from making as much money as you ought to.

The game does not change and neither does human nature.

After I paid off my debts in full I put a pretty fair amount in to annuities. I made up my mind I wasn’t going to be strapped and uncomfortable and minus a stake ever again.

Among the hazards of speculation the happening of the unexpected – I might even say of the unacceptable – ranks high.

I trade on my own information and follow my own methods.

He was **utterly fearless but never reckless**. He could, and did, turn on a twinkling if he found he was wrong.

At the same time I realized that the best of all tipsters, the most persuasive of all salesmen, is the tape.

The speculator’s deadly enemies are: Ignorance, greed, fear and hope. All the statue books in the world and all the rule books on all the Exchanges of the earth cannot eliminate these from the human animal.

On Pat Hearne - He made money in stocks, and that made people ask him for advice. He would never give any. If they asked him point-blank for his opinion about the wisdom of their commitments he used a favorite race-track maxim of his: “You can’t tell till you bet.” He traded in our office. He would buy one hundred shares of some active stock and when, or if, it went up 1 percent, he would buy another hundred. On another points advance, another hundred shares; and so on. He used to say that he wasn’t playing the game to make money for others and therefore would put in a stop-loss order one point below the price of his last purchase. When the price kept going up he simply moved up his stop with it. On a 1 percent reaction he was stopped out. He declared he did not see any sense in losing more than one point, whether it came out of his original margin or out of his paper profits.

You know, a professional gambler is not looking for long shots, but for sure money. Of course, long shots are fine when they come in. In the stock market Pat wasn't after tips or playing to catch twenty-points-a-week advances, but sure money in sufficient quantity to provide him with a good sense of living. Of all the thousands of outsiders I have run across in Wall Street, Pat Hearne was the only one who saw in stock speculation merely a game of chance like faro or roulette, but nevertheless had the sense to stick to a relatively sound betting method.

After Pat Hearne's death one of our customers who had always traded with Pat and used his system made over a hundred thousand dollars in Luckawana. Then he switched over to some other stock and because he had made a big stake he thought he need not stick to Pat's way. When a reaction came, instead of cutting his losses he let them run – as though they were profits. Of course every cent went. When he finally quit he owed us several thousand dollars.

And he was right. **I sometimes think that speculation must be an unnatural sort of business, because I find that the average speculator has arrayed against his own nature. The weaknesses that all men are prone to are fatal to success in speculation – usually those very weaknesses that make him likable to his fellows** or that he himself particularly guards against in those other ventures of his where they are not nearly so dangerous as when he is trading in commodities or stocks.

The public ought always to keep in mind the elementals of stock trading. When a stock is going up no elaborate explanation is needed as to why it is going up. It takes continuous buying to make a stock keep going up. As long as it does so, with only small and natural reactions from time to time, it is a pretty safe proposition to trail with it.

But if after a long steady rise a stock turns and gradually begins to go down, with only occasionally small rallies, it is obvious that the line of least resistance has changed from upward to downward. Such being the case why should anyone ask for explanations? There are probably very good reasons why it should go down.

After spending many years in Wall Street and after making and losing millions of dollars I want to tell you this: It never was my thinking that made the big money for me. It always was my sitting.

There is only one side of the market and it is not the bull side or the bear side, but the right side.

When I'm bearish and I sell a stock, each sale must be at a lower level than the previous sale. When I am buying, the reverse is true. I must buy on a rising scale. I don't buy long stocks on a scale down, I buy on a scale up.

The price pattern reminds you that every movement of importance is but a repetition of similar price movements, that just as soon as you can familiarize yourself with the actions of the past, you will be able to anticipate and act correctly and profitably upon forthcoming movements.

The average man doesn't wish to be told that it is a bull or a bear market. What he desires is to be told specifically which particular stock to buy or sell. He wants to get something for nothing. He does not wish to work. He doesn't even wish to have to think.

I never hesitate to tell a man that I am bullish or bearish. But I do not tell people to buy or sell any particular stock. In a bear market all stocks go down and in a bull market they go up.

For years I had been the victim of an unfortunate combination of inexperience, youth and insufficient capital.

A speculator must not be a student. He must be both a student and a speculator.

In a speculator such an attitude (wishful thinking) is fatal.

A man must study general conditions, to seize them so as to be able to anticipate probabilities.

The message of the tape is same. That will be perfectly plain to anyone who will take the trouble to think. He will find if he asks himself questions and considers conditions, that the answers will supply themselves directly.

The public is so often whipsawed that one marvels at their persistence in not learning their lesson

In a narrow market, when prices are not getting anywhere to speak of but move within a narrow range, there is no sense in trying to anticipate what the next big movement is going to be. The thing to do is to watch the market, read the tape to determine the limits of the get-nowhere prices, and make up your mind that you will not take an interest until the prices breaks through the limit in either direction.

Do you wish to gamble blindly in the hope of getting a great big profit or do you wish to speculate intelligently and get a smaller but much more probable profit?

It would not be so difficult to make money if a trader always stuck to his speculative guns.

It always pays a man to be right at the right time.

Professional traders have always had some system or other based upon their experience and governed either by their attitude towards speculation or by their desires.

A man may beat a stock or a group at a certain time, but no man living can beat the stock market!

It cost me millions to learn that another dangerous enemy to a trader is his susceptibility to the urgings of a magnetic personality when plausibly expressed by a brilliant mind.

A man must know himself thoroughly if he is going to make a good job out of trading in the speculative markets.

Wall Street is always the same: only the pockets change.

When the market goes against you, you hope that every day will be the last day - and you lose more than you should had you not listened to hope. And when the market goes your way, you become fearful that the next day will take away your profit and you get out - too soon. The successful trader has to fight these two deep-seated instincts.

Throughout all my years of investing I've found that the big money was never made in the buying or the selling. The big money was made in the waiting.

Markets are never wrong, opinions are.

The game of speculation is the most uniformly fascinating game in the world. But it is not a game for the stupid, the mentally lazy, the person of inferior emotional balance, or the get-rich-quick adventurer. They will die poor.

Don't take action with a trade until the market, itself, confirms your opinion. Being a little late in a trade is insurance that your opinion is correct. In other words, don't be an impatient trader.

It is foolhardy to make a second trade, if your first trade shows you a loss. Never average losses. Let this thought be written indelibly upon your mind.

Remember this: When you are doing nothing, those speculators who feel they must trade day in and day out, are laying the foundation for your next venture. You will reap benefits from their mistakes.

When a margin call reaches you, close your account. **Never meet a margin call. You are on the wrong side of a market. Why send good money after bad? Keep that good money for another day**.

Successful traders always follow the line of least resistance. Follow the trend. The trend is your friend.

A prudent speculator never argues with the tape.

Few people succeed in the market because they have no patience. They have a strong desire to get rich quickly.

I absolutely believe that price movement patterns are being repeated. They are recurring patterns that appear over and over, with slight variations. This is because markets are driven by humans -- and human nature never changes.

When you make a trade, "**you should have a clear target where to sell if the market moves against you**. And you must obey your rules! Never sustain a loss of more than 10% of your capital. Losses are twice as expensive to make up. I always established a stop before making a trade."

I am fully aware that of the millions of people who speculate in the markets, few people spend full time involved in the art of speculation. Yet, as far as I'm concerned it is a full-time job -- perhaps even more than a job. Perhaps it is a vocation, where many are called but few are singled out for success.

The big money is made by the sittin' and the waitin' – not the thinking. Wait until all the factors are in your favor before making the trade."

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