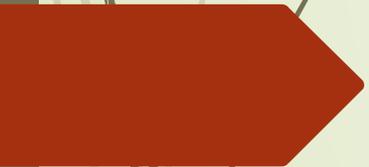


Stock Operations, The Livermore Method

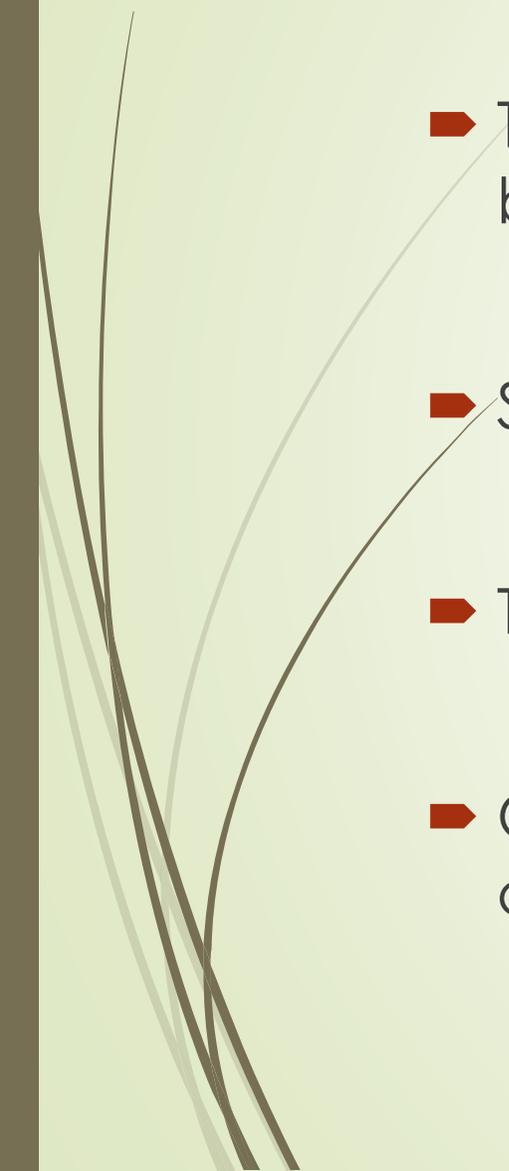
A Presentation Detailing the Results of my Research

Joseph Spennato





Motivations and Goals

- The primary aim of the project is to test the method detailed by Jesse Livermore
 - Secondly, I hope to improve my speculative prowess
 - Tertiary aim is to generate superior returns on capital
 - Quaternary aim is to learn more about Livermore, his life and career, and detail and organize his thoughts
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Origin of the Project

- I originally became interested in the gold market circa 2005-2006
- My experiences in speculation were limited, but satisfying
- Around 2010, I stopped trading owing to the incipient bear in gold
- Sensing the end of this down trend in Q3 2015, I chose to re-enter the market
- Not entirely satisfied with earlier performance, and convinced I could improve upon it, I chanced upon a book about Livermore and found myself intrigued



Key Tenets

- ▶ Cut Losses Quickly!!!
 - ▶ Fear a Big Loss

- ▶ Hold Profitable Positions!!
 - ▶ Hope for a Big Gain

- ▶ Pyramid Up!

- ▶ Use Pivot Points to Time Entry

Key Tenets II

- 
- Decide on an Acceptable Exit Point and/or if the Stock is no longer “Acting Right”
 - Control Your Emotions
 - Be Patient
 - Plan your Trade, and Trade your Plan!
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Some Great Examples From My Research

- Premise: Cut Your Losses Quickly
 - Corollary: Small Losses Frequently Become Big Losses!
- On 10/28/2015 I acquired 750 shares of Goldcorp for \$15.60
- Less than an hour later, I felt very uneasy with the trade, and closed it out for a small loss at \$15.47. Within days, Goldcorp was in the \$12 range.
- By December 2015, Goldcorp was in the \$10 range.
- Not until February 2016 would I have been able to break-even had I continued to hold, more likely would have sold out with a much larger loss.

Goldcorp, 1 Year Chart



Livermore Method in Action

- Premise: Hold Profitable Positions, Add to Winning Trades
- A few days into October 2015, Barrick Gold started to make a strong impulse move.
- Having missed the first leg, I aggressively bought into trend.
- I acquired 35 Call Options on Barrick for \$2.5 (\$250/contract)
- The contracts reached a high of \$3.15 before I was stopped out at \$2.90 on a strong reactions shortly after the high
- Total profit = \$1 400 - commission

Barrick, 1 Year Chart



Livermore Method in Action!

- More recently I noticed that Goldcorp had penetrated a key pivotal point on 3 March, 2016, which happened to be a Thursday
- I decided to acquire to 10 contracts at \$0.20(\$20/contract) based on the penetration of this key pivotal point
- Goldcorp opened up strongly on Friday, and I promptly sold the options for \$0.92(\$92/contract)
- Total Profit = \$720 - commission



Intangibles

- Fear is the most important emotion to overcome
- On many occasions, I correctly identified a profitable set-up to exploit
- Unfortunately, I failed to act on this knowledge out of fear of loss
- In part, this is the result of a diminished bankroll
 - Proper bankroll sizing is key to success
- News items are essentially meaningless

Conclusion

- ▶ Livermore was the best there ever was
- ▶ Everything he said about the market is right
- ▶ Making a serious loss is the result of carelessness and negligence, not random chance
- ▶ Making a serious gain is the result of care and hard work
- ▶ I would not attempt to speculate in stocks without the knowledge afforded to me by Livermore, nor should anyone else