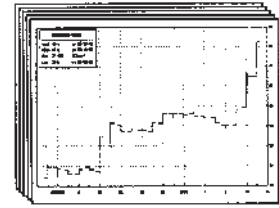

CHAPTER 1



THE OPENING BELL

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*"It's not whether you get knocked down,
it's whether you get up."*

—Vince Lombardi

In the late 1950s, my father could have been the poster child for "The American Dream." He was 42 years old, had sold his textile business for millions, and was retired, living the good life with his wife and two kids in Beverly Hills. In order to keep himself busy, he invested in the stock market.

Brokers would call my father two, three, four times a day with their "investment" ideas. "Jack, Bethlehem Steel looks good, . . . Jack, I like the autos, . . . Jack, how about we buy Woolworth and put it away for 20 years?" After my father invested all his cash, the brokers introduced him to a new investment technique: margin. "Jack, we can buy twice the amount of companies by using the stocks in your portfolio as margin. You will make double the amount of money when the stocks go up. Remember, stocks always go up if you hold them long enough."

This made sense to my father and he went along with the strategy. In May 1962, my father went bankrupt. On the day my mother was being operated on for cancer, the brokers who told my father that stocks always go up if you hold them long enough were mass liquidating his portfolio to meet the margin calls. My family's net worth was not only wiped out, but we owed the brokerage houses money. This was my

first experience with the buy-and-hold strategy that has once again become so popular with Wall Street.

My family packed a moving van and was forced to move back east. This was hard enough, but fate was not done with my father. Our moving van caught fire in Needles, Arizona, and all our possessions were destroyed.

There is an old saying that a dog will do one of two things if you kick him when he's down. The first is, he will roll over and die. The other is, he will not take it anymore and will jump up and bite you. The second analogy describes my father. Within five years, he had again created and again sold a multimillion dollar textile company. The Cooper family was able to sing, "California here we come, just back where we started from . . ."

This time, even though my father decided he was going to enjoy the country club life he was entitled to, there was a lingering matter that needed to be settled. He was going to make back the money he had lost in the stock market!

With this goal in mind, my father knew he needed to create a method that wasn't a buy-and-hold strategy. After doing much research, he discovered that the most profitable game was to buy "hot" initial public offerings (IPOs) and secondaries and sell them for small gains. Within a few years, my father was not only the largest player on Wall Street in the IPO game, but he had earned back all the money he had lost in 1962. A couple of years later, he had his revenge and retired with many more millions than he started with. This is where I come in.

By the early 1980s, I had started and sold a small business and found myself gravitating toward Wall Street. After a brief six-month stint at Drexel Burnham, I went off on my own and attempted to replicate my father's success in the IPO market. Unfortunately for me, the rules had now changed. Mutual funds, not individuals, were the major beneficiaries of the brokerage house allotments for the deals, and I was given such a small amount of stock that I knew I could never make a decent living at it. I therefore decided to apply myself to studying the markets and, lo and behold, by 1987, I had become a big-picture, buy-and-hold investor. I can remember the calls from brokers. "Hey Jeff, Enzobiochem Information Systems Technologies is going to earn \$0.30 this year, \$2.00 next year, and \$15.00 the year after. Even though the stock is at 100 times earnings today, it's at two times 1989's numbers! It's a steal!!!" And, as a rising tide lifts all ships, a rising bull market lifts all stocks. I was making great money until October 1987 when the buy-and-hold curse hit another member of the Cooper family. Fortunately, I did not go bankrupt, but I did get hurt and I learned a bitter lesson. Just as my father had twenty years earlier, I set out on a quest to create a methodology to beat the stock market.

It is now nine years later and I can confidently say that my quest has been successful. I make my living trading stocks and, more importantly, I do it from both the long side and the short side. If and when we go into a bear market, I know there will be no effect on my earnings and I will be one of the few players out there whose lifestyle will not change.

My strategies are simple and to the point. They revolve around price action and the notion that a stock in motion will remain in motion for at least the short-term (a few minutes to a few days). My techniques are the culmination of 15 years of observation, testing, and most importantly, real-life results. Unlike what many other authors of investment books would have you believe about their strategies, my techniques are not perfect (not even close). They do, though, give me an edge, and this edge, combined with proper risk control, allows me to make a comfortable living.

Before we proceed to the chapters describing my trading strategies, we will look first at the background and rules you need to know to properly trade my methodology. I recommend you give special attention to chapter 4. This is the chapter that teaches you how to identify the proper stocks to trade, and I consider this to be the backbone of my success.

Finally, my goal in writing this manual is to teach you a handful of short-term, low-risk setup patterns. The patterns will allow you to avoid the disasters associated with buy-and-hold and will give you a set of tools to use to profit from the stock market for the rest of your life. After you have studied the manual, I hope you will find I achieved my mission.
