STOCKS DISCOUNT FUTURE EVENTS

The stock market is an accurate barometer of business conditions. Stock prices are nearly always six to twelve months ahead of business conditions. First bond prices rise; second stocks advance; third comes business boom. The same happens in a decline. Stocks will be down six to eight months while business is booming, because they are discounting the future business depression.

Market movements, that is, the main swings, are the result or effect of causes which, as a rule, exist long before the effect is known to the general public. In most cases, news is discounted before it comes out and seldom has much effect after it is generally known. Either good or bad news that is expected usually falls flat as far as the effect on the market is concerned.

For instance, an extremely good or bad quarterly or annual report on a stock comes out and the market does not go up or down on it for the reason that it is not news to those on the inside. They knew it thirty to ninety days beforehand. Therefore, when the public gets the news and acts on it, it is too late, for those on the inside who “know” have already discounted it.

If bad news comes out suddenly and stocks start selling off in large volume, then it is safe to assume that the market is going lower, that the public is long of stocks and the insiders are out. If good news appears and stocks start down, it shows that it has been discounted. Your charts will show whether the market is in a period of distribution or accumulation.

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