



**JESSE  
LIVERMORE**  
USA



The book *The World's 99 Greatest Investors: The Secret of Success* provides a unique opportunity to learn from the most prominent investors globally. In the book they generously share their experiences and insights. Magnus Angenfelt, previously a top ranked sell side analyst and hedge fund manager, will be presenting one investor per month at InvestingByTheBooks. For those who cannot wait for the monthly columns, we strongly recommend you to buy the book.

- Never act on tips.
- Never buy a stock because it has had a big decline from its previous high.
- If a stock doesn't act right, don't touch it; because, being unable to tell precisely what is wrong, you cannot tell which way it is going. No diagnosis, no prognosis. No prognosis, no profit.
- Don't blame the market for your losses.
- Never add to a losing position. A losing position means you were wrong.
- Stocks are never too high for you to begin buying or too low to begin selling. But after the initial transaction, don't make a second unless the first shows you a profit.
- Always sell what shows you a loss and keep what shows you a profit.
- Don't argue with the tape. Do not seek to lure the profit back. Quit while the quitting is good - and cheap.
- There is only one side to the stock market; and it is not the bull side or the bear side, but the right side.
- The speculator's chief enemies are always boredom from within.
- A man must believe in himself and his judgement if he expects to make a living at this game.
- Bulls and bears make money, but pigs get slaughtered.
- Markets are never wrong. Opinions are!

BORN Shrewsbury, Massachusetts, USA 1877. Died 1940.

EDUCATION Dropped out of high school.

CAREER At the age of 14 Livermore left the farm where he grew up and hitched a lift to Boston. There he began working in Paine & Webber's Boston brokerage office. He studied price movements and began to trade their price fluctuations. Two years later he quit his job and started to trade on his own. When Livermore was in his twenties, he moved to New York to speculate in the stock and commodities markets. The rest is history.

**INVESTMENT PHILOSOPHY** Livermore was an autodidact who created his own investment strategy and traded with his own money. He focused on catching the big moves up and down, prudently riding the large trends over time and avoiding trading every minute. Livermore became the first trend follower long before the term existed. Perhaps his most important innovation was his strategy in security trading to increase the size of a position while it was going in the right direction but cutting losses quickly. In addition he also took surprising positions based on fundamental analyses of both companies and the economy at large. He saw every mistake as a way to improve his strategy, or as he wrote: “There is nothing like losing all you have in the world for teaching you what not to do. And when you know what not to do in order not to lose money, you begin to learn what to do in order to win. Did you get that? You begin to learn!”

**OTHER** Livermore was probably the greatest stock trader ever, and is certainly one of the most legendary. He was also nicknamed ‘the Great Bear of Wall Street’. After 1929 his wealth was estimated to \$100 million, or above \$2 billion in today’s prices. If we assume he started, as he said, with a few dollars, that means an annual return of 55 % for 37 years. He was famous for his memory and mathematic skills, but also for being a secretive loner who disliked distractions – his employees were not allowed to talk during market hours, for example. Livermore was by no means a perfect trader and went bankrupt at least twice, mainly because he ignored his own trading rules. When doing well, he liked to live well, with a handful of houses, several Rolls Royces, a private train carriage, a couple of yachts, and so on. His nominally anonymous biography, *Reminiscences of a Stock Operator*, went on to become a Wall Street classic and is still the traders’ bible. He also wrote *How to Trade in Stocks*. At the age of 63 he committed suicide after a long struggle with depression.

*Sources: Edwin Lefèvre, Reminiscences of a Stock Operator (1923); Jesse Livermore, How to Trade in Stocks: the Livermore Formula for Combining Time Element and Price (1940); jesse-livermore.com; Wikipedia.*