

Studies in Stock Speculation

By ROLLO TAPE

Author of "Studies in Tape Reading."

XVI—Selecting Profitable Investments.

A WORD about long range operations, by which term I do not refer to trading for the long swings (fully described in previous chapters), but to the plan of taking a long look ahead in an endeavor to forecast how the condition of a property, its earnings, and the probable market price will stand, one, two or five years from now.

Each railroad or industrial property has, during its history, made a certain record which is available to every one. These records are tabulated in publications such as Poor's Manual of Railroads, Poor's Manual of Industrials, Moody's Manual, The Manual of Statistics, The Investor's Pocket Manual, etc.

Poor's Manual covers such subjects as mileage operated, including the length of all main lines and branches, together with trackage rights, leases, roads operated under agreement, and roads controlled by ownership of securities. It gives the history of a property; a map showing the territory traversed; an income account showing the sources of income, the distribution of expenses (with the number of dollars expended and percentage of gross earnings expended per mile of road); inventory of equipment; detailed tabulation of interest on bonds, equipment obligations, etc. There will also be found details of capital stock and bonds; comparative tables, for a period of years; general balance sheet, showing the financial condition of the property, etc.

With all of this information available, there is no reason why any actual or prospective stockholder should remain in ignorance as to the status of his property, and if these figures are not readily

understood, the investor will find a copy of Woodlock's "Anatomy of a Railroad Report" a splendid textbook on the subject. An excellent article on the subject will also be found in THE TICKER for July, 1910.

Moody's Manual contains, in addition to the above matter, a brief analysis of the position of the principal properties, together with a "conclusion," based on the analysis.

The Manual of Statistics is a less elaborate volume, but contains the essential facts of a great number of properties, including all those of importance.

Then there are small manuals, issued monthly and quarterly which give in a condensed form the essential figures for several years and the latest monthly earnings.

John Moody has carried the analytical feature further than anyone else in his "Analyses of Railroad Investments," which contains a comparative analysis of all the principal railroads of the United States together with certain deductions which enable the investor to approximate the actual values of securities.

Mr. Moody first considers the railroad in its normal state—its location, management, etc., and in judging the value of its securities, bases his estimates upon the results of the past ten years. Such operating factors as freight and passenger density, average freight train load, earnings per train mile, etc., are handled in a way that any one can understand.

Mr. Moody's introductory chapters are an education in themselves, as they bring out the principles which underlie analytical work of this kind. He explains the various classifications under which income and operating expenses are di-