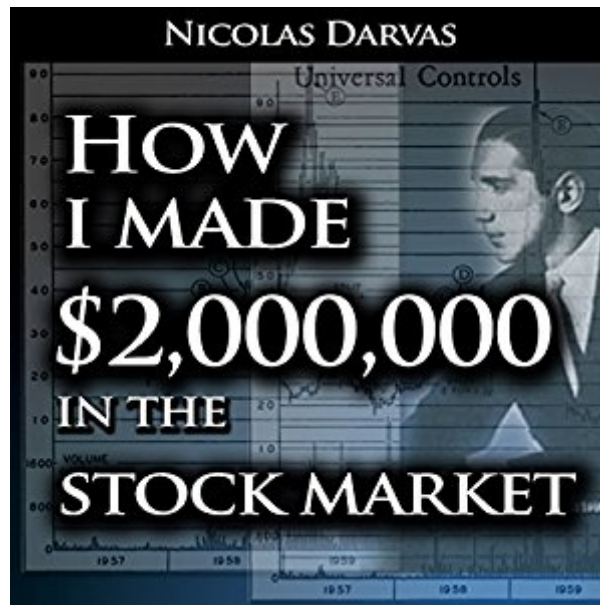


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# How I Made \$2,000,000 In The Stock Market



## Synopsis

Hungarian by birth, Nicolas Darvas trained as an economist at the University of Budapest. Reluctant to remain in Hungary until either the Nazis or the Soviets took over, he fled at the age of 23 with a forged exit visa and fifty pounds sterling to stave off hunger in Istanbul, Turkey. During his off hours as a dancer, he read some 200 books on the market and the great speculators, spending as much as eight hours a day studying. Darvas invested his money into a couple of stocks that had been hitting their 52-week high. He was utterly surprised that the stocks continued to rise and subsequently sold them to make a large profit. His main source of stock selection was Barron's Magazine. At the age of 39, after accumulating his fortune, Darvas documented his techniques in the book, *How I Made 2,000,000 in the Stock Market*. The book describes his unique "Box System", which he used to buy and sell stocks. Darvas' book remains a classic stock market text to this day.

## Book Information

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## Customer Reviews

I think this is an investing classic, for a few reasons: 1. It's very readable. The author describes his investing style as a narrative. It takes you through his investing evolution step-by-step, detailing his actual experiences. This made it very easy to follow, and also more real. 2. It emphasizes both technical and fundamental criteria. This is critical to good investing. Both areas tell a story. This is the best book I've seen that details an investor's journey through to discover that both matter, and integrate the two pictures. 3. It makes for a better system, in some ways, than Investor's Business Daily. I noticed other reviews that noted the similarity between IBD and Darvas. While they are similar styles, there are some key differences. First, Darvas looks for companies that have a good

high-growth STORY, but does not necessarily require the company to have high-growth earnings. He doesn't look at ROI, earnings growth rate, etc. (at least not in this book) The potential advantage of this approach over IBD is that sometimes stock prices reflect earnings potential BEFORE actual earnings show up. Alternatively, sometimes stock prices reflect perceived earnings declines BEFORE the actual decline in earnings.<sup>4</sup> His system makes sense from a technical standpoint, but is actually harder to do than you might think. I like his system because it's technically sound. For example, it emphasizes taking small losses and being patient for large gains (among many other things). Don't be fooled, however . . . it's trickier to follow than you think. Not because his system doesn't work, but because it requires a lot more discipline than you might imagine. In his main year of gains, he records investing in only a few stocks.

How did a world-famous dancer with no knowledge of the stock market, or of finance in general, make 2 million dollars in the stock market in 18 months starting with only \$10,000? Well, first, he used margin. Second, he was a genius! Lucky thing is, YOU don't have to be one to read this highly entertaining, readable book and use the techniques which Darvas intuited, pioneered and refined. This is the book that stopped me from being terrified of the stock market. The method it uses is so sound and so brilliant that it reduces the risk of loss to an almost negligible level. And despite what some say, it works even in a bear market; in fact, Darvas made most of his money in a period that was historically considered to be a "baby bear" market. The difference is that, during a bull market, Darvas-worthy stocks show up ten times a week. During a bear market, one of these stocks may take six or eight months to show up. Why do I say it works? I've tried it. The almost shameful secret here is that it's like being an Inside Trader without an inside trader's information. You can still cash in, though. Darvas's system catches stocks that are - in most cases inexplicably and with no accompanying news - suddenly experiencing heavy buying, driving them up powerfully to challenge and break through previous highs. And why are these stocks doing this? Nobody knows. Why does a pharmaceutical company in business 13 years which has never been able to bring a drug to market, never made a profit, and is predicting worse earnings to come suddenly have people buying it more and more each day, its price running up steadily and strong, with absolutely no news out of the company? Who CARES? In fact, one of Darvas's rules was to read absolutely NONE OF THE NEWS about the stock!

I am somewhat puzzled about how THIS book became a "classic". Mr. Darvas, "world famous dancer" with no training in stock trading starts out with a \$3,000 investment in 1952 that would turn

into a \$2,250,000 fortune by July of 1959. All this was done via telegraphs from Saigon through Paris to New York to wherever else he was invited to perform. This process included some weird technicality called "stock-right bonus purchase option"; a desperate over-the-counter buying frenzy of a trade-suspended stock when short sellers made a bad call and some other exotic stories. Also, it should be noted that the author traded using various margins that significantly increased his leverage. (By the end he had more than \$500k working capital along with a \$3,500/week "regular" income.) It is a hilarious, amusing story and you enjoy reading it till the very end, when you suddenly come to realize you must have had missed something. This book gives you very little factual knowledge about the Darvas system. In fact, the author had to attach an explanatory appendix to the end of the book, trying to clarify some quite fuzzy concepts (AND referring to his second book!). Reading the rest of the reviews here reveals that many reviewers read this second book from the author that attempted to further clarify the method. But what is the method? Volume action? Price action? It is a "techno-fundamentalist approach", without any further explanation of what fundamentals are actually considered. (He refers a lot to reading this and that in Barron's...but what?) What is an "Expensive-but-cheap, high velocity stock"? And what is really "techno" about it? His "boxes"? You never figure out how he picked the successful stocks to begin with ("It began to emerge from the swamp of sinking stocks like a beacon...").

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