Jesse Livermore: Bio, Books, Quotes, Articles, Investment Style, Books

JESSE LIVERMORE (JULY 26, 1877 - NOVEMBER 28, 1940)

GREAT BEAR OF WALL STREET

HIS LOFTY SPECULATION WISDOM WILL STAND TALL FOR AGES TO COME

Famed for making and losing several multi-million dollar fortunes and short selling during the stock market crashes in 1907 and 1929

HIS LIFE

The life of Jesse Livermore has been immortalized in the book Reminiscences of a Stock Operator (Wiley Investment Classics), by Edwin Lefevre, which has now become a must read for most serious value investors. Dan Loeb, founder of Third Point LLC, has recommends the book as a "must read."

Born in Shrewsbury, Massachusetts, Jesse Livermore started his trading career at the age of fourteen. He ran away from home with his mother's blessing to escape a life of farming that his father wished him to have. He then began his career by posting stock quotes at the Paine Webber brokerage in Boston.
By the age of fifteen, he had earned profits of over $1,000 (which equates to about $20,000 today). In the next several years, he continued betting at the bucket shops. He was eventually banned from most bucket shops for winning too much money from them. He then moved to New York City and devoted his energies towards trading in legitimate markets.

This change would lead him to devise a new set of rules to trade the market. Jesse Livermore was a stock market operator from the early 20th Century. He was able to master the movement of stock and commodity prices and with this unique and gifted ability, he made millions in the Stock Market. At the height of his Trading Career, Jesse Livermore was a Billionaire when measured in today's dollars.

He married his first wife, Netit (Nettie) Jordan of Indianapolis, at the age of 23 in October 1900. Less than a year later, he went broke after some reverses in his stock trading; he asked her to pawn the substantial collection of jewelry he had bought her for a new stake, but she refused, permanently damaging their relationship.

They separated and finally divorced in October 1917. His second wife was Dorthea (Dorothy) Wendt. They had two sons, Jesse Jr. and Paul. His third wife was Harriett Metz Noble.

This Trading Master made his share of mistakes, during his early days of Trading Stocks. He carefully examined all his trades at the end of each year, learning from his successful and unsuccessful trades. Secretive and he left plenty of his Market Insights and Stock Trading Advice based on personal experiences and acquired knowledge. To the Public, Livermore was mysterious and guarded.

In 1940 Livermore Published, a Book Sharing his Trading & Market Genius a lot of key trading wisdom can be found in this Investing Classic, seen as Livermore's blueprint for trading the Stock Market.

He also shared what he learned, with his Sons, Jesse Jr. and Paul Livermore. Both of his sons were interviewed closely by author Richard Smitten, who published a Book about the Life of Jesse called, The World's Greatest Stock Trader that also has some of the writings of the Trading Legend included in the book.

In addition to writing a story about the life of Livermore, Smitten includes what is known as the Livermore Key at the end of the book, which was Jesse Livermore's way of following and interpreting the Market through Keeping Records, and inspecting those records carefully and regularly.

Jesse understood that Humans were often responsible for strong market moves up or down. If people moved markets, what moved people he wondered? In his lifetime of trading, he learned what moved people, it was Emotions! Feelings like fear and greed that could be amplified when felt by many could cause major bull or Bear Markets.

The mastery of knowing which side of the market to play, whether going long or short, and knowing when to enter or exit a trade with skillful execution, was his amazing talent. He
constantly worked to improve his trading methods, an effort that paid off immensely. He attended school until the age of 14 when his father demanded he work on the small family farm rather than continue going to school. This disappointed the young Jesse Livermore, who found a deep interest in numbers, math, writing, reading, and other subjects school had opened his eyes to.

His father, had dropped out of high school and worked on the farm most of his life and he expected his son to do the same. Jesse had different ideas for his future however. Upset that he was pulled from school, and not wanting to follow example of his father, Jesse made plans to escape the iron grip of his Dad, and the future life of a farmer.

Deciding the only way to escape these realities, was running away to start a brand new life for himself. He consulted with his mother, who gave him $5.00, and promised to keep his plans secret. Not long after, Livermore quietly packed and when night came over the farm, he left and headed towards the nearest road.

Livermore was on his way to beginning a life, where he could pursue his love of numbers, reading, and continue his learning. He would not return home, until years later after making millions in the Stock Markets. His father could not believe how much money his son had.

He thought the farm was the only option for his family’s survival, and yet, here was his son, with stacks of cash, telling him, that he could make even more money with the knowledge and skills he acquired trading the Market

Livermore’s love of numbers and fascination with the activity in the brokerage office was a major asset and it was not only before he was offered a job and quickly took it. He was assigned a spot on the Chalk Board, and began to write the market quotes of a company assigned to him. Another young man in the office, called out the stock quotes for the company Livermore was assigned, and Jesse would write them on the board.

His sense of numbers was so good and he wrote the quotes so flawlessly, the Manager decided to hire the young man as a new Chalk boy for the office. The small salary that he was paid was enough for to rent a room a few blocks away from the Pain Weber office.

Each day after work, he studied the quotes that he would write, memorizing them and then entering them into a notebook he always carried with him. Livermore started noticing how Stocks in the same Industry Groups, appeared to move together. This observation would help him develop his profitable Trading Strategy that he eventually wrote about.

Although Livermore had much to learn about trading profitably in the Stock Market, he later reflected and told stories to his sons and close friends about the many things he learned, working as a Chalk Boy recording Stock quotes.

Every morning, he would arrive to the office before everyone else. Sometime he waited outside at 6 a.m. for the others to arrive and open the office. He started reading multiple newspapers and developed a keen sense for what was happening in the stock market, business, the
economy, global trade, World finance, and other subjects, that gave him many new ideas and fresh perspectives on the world.

Each day as he wrote the stock quotes on the board for the investors and spectators who would call out buy and sell orders when certain quotes were drawn, Livermore began to notice some repeated patterns. They included the patterns occurring in the stock quotes he was writing on the chalkboard. He began to notice and carefully observe the fluctuations in price movements. He watched how those price movements moved in conjunction with other stocks, or another company in the same industry.

He watched the fluctuations occur as news events were reported in the office. He noticed there were patterns at those times too. The second and possibly most important observation that Livermore had was the reaction of the people themselves. From the other Chalk Boys, to the Manager of the office, to the men watching quotes, trying to decide whether to buy or sell stocks. They all reacted in predictable manners when certain events occurred.

These Observations can be found in his Quotes on Market Psychology. He noticed for example that when stock prices pulled back after a strong rise, men in the office would rush to sell their positions not wanting to lose their profits. As they sold, the price of a stock went down a little more but then starts to rise again.

He would watch the frenzy like excitement in the office as those same investors who just sold a stock, now jumped back in with even more zeal as it rose. Livermore noticed that emotions were high and seemed to guide investor’s decisions not only in that office, but surely around the country. He observed that human emotions collectively had major impacts on the on stock prices and the patterns seen in the Stock Markets in general.

When bad news came out, investors quickly sold a stock, only to often watch it rise past the level they sold it at a few weeks later. He would watch the bewilderment and even the confusion the men exhibited in the office as they reacted to stock price fluctuations. in the market when certain conditions were met.

He would go on to explain in his later years that his desire to work alone and trade his own account, was so he could focus on his own ideas, thoughts and emotions without the distraction of investors who were excited, nervous, and the various other emotions the stock market can influence traders. Livermore learned by keeping a notebook and recording Stock Prices of the companies he followed, that his own Stock Records were more reliable than opinions, rumors, or stock tips, given by others.

His records "spoke to him" as he put it, allowing him to profit immensely. Being right because of your work and trading execution, is a very rewarding feeling. The ability to repeat it with a high probability of success was even more rewarding.

Livermore began keeping a notebook and always carried it with him. It was filled with stock quotes that he had seen or written earlier in the day. When he arrived to his room after a day’s work, he carefully went over his notebook, studying the patterns that he had seen in the office.
He began making trades in his notebook that were not real, but practice to put his intuition and theory of patterns to the test.

Surely he thought, if the market had patterns just as if he observed, than its movements could be predicted with good accuracy, for the specialist trained to see such a thing - Read Livermore Quotes on Keeping Stock Records

As the story goes, Livermore would use his experience and knowledge on predictable Market Movements, to make fortunes in the stock market. He was famous for Reading the Tape that meant that he watched the Time and Sales of each company that he followed.

In the tape there are three columns, execution price, (right column) number of shares sold (middle) a time the execution was made (left column). The green means the price was higher or the same as the last execution price, whereas the red means the execution price was lower than the previous one. When institutional buying occurs, big orders can be seen coming across the Tape (the time stamp) and likewise when they are selling.

The keen investor learns what is happening by watching the orders that appear. Jesse Livermore always said that it is not what investors say that he is interested in (like rumors or opinions), but what they actually do. This meant watching the buying, selling, and interpreting the execution of orders. Did investors just say they liked a stock or were they actually buying it - this is what Livermore wanted to know. He perfected this skill and it made him rich.

INVESTMENT PHILOSOPHY

Jesse Livermore once said, "I think it was a long step forward in my trading education when I realized at last that when old Mr. Partridge kept on telling the other customers, "Well, you know this is a bull market!" he really meant to tell them that the big money was not in the individual fluctuations but in the main movements - that is, not in reading the tape but in sizing up the entire market and its trend."

He traded heavily in the early decades of the 1900s, an amazing era to speculate in stocks. His lofty speculation wisdom will stand tall for ages to come. ‘Reminiscences of a Stock Operator’ the greatest book on speculation contains the record of his historic feats.

A gifted financial journalist named Edwin Lefevre wrote this book. Mr. Lefevre penned the account as if from the first-person perspective of a fictional trader named Larry Livingston. As Lefevre had spent weeks extensively interviewing Jesse Livermore, market historians are virtually unanimous in viewing Lefevre’s classic book as a thinly disguised biography of Livermore’s trading life. The speculation wisdom contained in this miraculous book is just breathtaking and truly invaluable for all speculators to come.

Livermore’s words and experiences are so attractive and prevailing because he presents himself as just another ordinary speculator.

Somewhere else, Livermore talks about speculators perpetually blaming external manipulation
for their own bad bets, another way of refusing to accept full responsibility for the fruits of their own actions.

a speculator who cannot fully accept any possible outcome on any trade that he freely chose to make is destined to immature mediocrity.

In all of "Reminiscences", this crucial idea that the Really Big Money is always earned by prudently riding the large trends over time and not in day trading every minute fluctuation is one of the central themes of the book. Livermore hammers this repeatedly, attacking it from countless angles and spicing up all of his amazing lessons with his own enthralling personal experiences.

This old and successful speculator that Livermore mentions, Mr. Partridge, would always politely tell the younger speculators who asked him trading questions that it was a bull market. The young speculators were always eager to trade, but Partridge was old and battle-scarred enough to know that no mere mortal could even hope to catch every individual fluctuation so the wisest strategy was just to ride the major trends. His simple reply, which would annoy the youngsters since they could not yet perceive the deep wisdom in it, was to subtly advise them to just ride the primary trend and not worry about rapid-fire trading.

Livermore sometimes did not follow his own rules strictly. He claimed that his lack of adherence to his own rules was the main reason for his losses after making his 1907 and 1929 fortunes.

Moreover, this leads into what is perhaps the most famous quotation out of the entire book, Jesse Livermore's legendary "be right and sit tight". He said "And right here let me say one thing: After spending many years in Wall Street and after making and losing millions of dollars I want to tell you this: It never was my thinking that made the big money for me. It always was my sitting. Got that? My sitting tight! It is no trick at all to be right on the market. You always find lots of early bulls in bull markets and early bears in bear markets. I have known many men who were right at exactly the right time, and began buying and selling stocks when prices were at the very level, which should show the greatest profit. In addition, their experience invariably matched mine - that is, they made no real money out of it. Men who can both be right and sit tight are uncommon. I found it one of the hardest things to learn. Nevertheless, it is only after a stock operator has firmly grasped this that he can make big money. It is literally true that millions come easier to a trader after he knows how to trade than hundreds did in the days of his ignorance."

Be Right and Sit Tight! Marvel at Livermore at his finest! Like so many great truths in life this is so simple to understand, but so incredibly difficult to actually achieve. So much of speculation really boils down to patience, that extraordinarily difficult trait to acquire. Do your research, determine the primary trend, deploy your positions and then just hurry up and wait.

The patient and prudent contrarian speculator usually wins in the end, but the whole modern financial-market arena is configured to award impatience. From 24/7 financial television to 3-second guaranteed executions on Internet trades to after-hours trading, our modern market environment is cunningly designed to nurture a culture of continuous frantic trading. The
brokerages and financial industry *love* this go-go focus because they make money on each and every trade, and higher trading volume leads to much higher Wall Street profits.

Most individual speculators also love this light-speed market culture, primarily because they tend to be adrenaline junkies. It doesn't matter whether you are buying or selling, it doesn't matter whether your trade is big or small, but whenever your finger hovers a quarter inch above your mouse button and you are ready to pull the trigger and execute a trade the adrenaline rush and euphoria are simply *awesome*. Let us face it trading is fun and addictive. The very act of trading is a rush.

Yet, a truly great speculator must transcend and rise above this frenetic market culture. Rather than getting all caught up in the incessant hype, a speculator must carefully cultivate *patience*. He must figure out the primary market trends, deploy positions somewhere near the beginning, and then steadfastly *ignore* all the market noise and huge temptations to overtrade until the primary market trends appear to be ending. This is very easy to understand, but exceedingly difficult to actually accomplish in the real world.

**JESSE LIVERMORE BOOKS**

1. *How to Trade in Stocks: The Livermore Formula for Combining Time Element and Price*
2. *How to Trade In Stocks*
3. *Reminiscences of a Stock Operator (Wiley Investment Classics)*

**JESSE LIVERMORE QUOTES**

1. A loss never bothers me after I take it. I forget it overnight. Nevertheless, being wrong - not taking the loss - that is what does damage to the pocketbook and to the soul.
2. One of the most helpful things that anybody can learn is to give up trying to catch the last eighth - or the first. These two are the most expensive eighths in the world. They have cost stock traders, taken together, enough millions of dollars to build a concrete highway across the continent.
3. It is not as important to buy as cheap as possible as it is to buy at the right time.
4. There is only one side of the market and it is not the bull side or the bear side, but the right side.
5. It is what people actually did in the stock market that counted – not what they said they were going to do
6. the only way you get a real education in the market is to invest cash, track your trade, and study your mistakes
7. The examination of a losing trade is tortuous but necessary to ensure that it will not happen again
8. We are the sum total of our experience.
9. Keep the number of stocks you own to a controllable number. It is hard to herd cats, and it is hard to track many securities. Take your losses quickly and do not brood about them. Try to learn from them but mistakes are as inevitable as death.
10. Every once in a while you must go to cash, take a break, take a vacation. Do not try to play the market all the time. It cannot be done, too tough on the emotions.

11. The stock market is never wrong. Traders are wrong

12. Without specific, clear, and tested rules, speculators do not have any real chance of success

13. I believe that anyone who is intelligent, conscientious, and willing to put in the necessary time can be successful on Wall Street. As long as they realize the market is a business like any other business, they have a good chance to prosper

14. I believe that uncontrolled basic emotions are the true and deadly enemy of the speculator; that hope, fear, and greed are always present, sitting on the edge of the psyche, waiting on the sidelines, waiting to jump into the action, plow into the game.

15. I never try to predict or anticipate. I only try to react to what the market is telling me by its behavior.

JESSE LIVERMORE IN ARTICLES

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5. Jesse Livermore: Original Trend Follower and Great Trader

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14. Jesse Livermore - Wall Street Legend

15. Six lessons from stock speculator Jesse Livermore

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