

Here's how it appears on the chart. Initially the 30-week MA goes in a downside slope and starts to flatten out. In addition, important rallies and declines will toss the stock above and below the MA. During this stage, there will usually be several swings between support at the bottom of the trading range and resistance at the top of the range. This basing action can go on for months in some cases, years.

This is the point where many market players get itchy to move and catch the bottom price. But it doesn't do much good to buy at. Even if you catch the exact low, your money could be tied up for a long time with little movement, and time is money. Even more premature investors often get impatient and end up selling after months of frustrating sideways action right *before* the big move starts.

Now study Chart 2-2—Bethlehem Steel, which is in Stage 1 (shaded area). Note that after dropping sharply from 22 to 4 $\frac{5}{8}$ , it finally managed to rally up to and then above the MA. The next time took it slightly back below the MA, and then the next rally (on increasing volume) saw BS break above its horizontal trendline. The MA started edging higher. Once BS moved above 9 $\frac{7}{8}$ , it

