



Brainy's Articles on Share Trading**

Nicolas Darvas — \$2 million

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Introduction

Nicolas Darvas was a professional dancer who made more than \$2 million in the stock market over an 18 month period while he toured the world dancing. It is interesting to note that he was also a university-educated economist, and that his 18 month highly profitable investing period was preceded by 7 years of experimentation in the markets.

Darvas authored the best-selling book *"How I Made \$2,000,000 in the Stock Market"* which quickly became a best-seller, and has been re-printed a number of times.

This Article in Brainy's series on Share Trading and Investing (number ST-6440) describes the key lessons that Darvas learnt, and explains the winning aspects of his investment strategy. A bullet-point summary of his winning strategy is included on page 7 below. This Article is an invaluable summary description of Darvas's experiences.

Quotations from Darvas' book are included throughout this Article, along with references to the page number (1994 edition) on which the text can be found. This will enable the reader to refer to the book for more details about his experiences and conclusions — such as his view that fundamental analysis is basically a waste of time. Read on to understand why . . .

" . . . I built a fortune with serenity from most of my stocks with the use of a single tool: the trailing stop-loss... Profits are a function of time, and so good reasons have to exist to keep a profitless purchase longer than three weeks." Nicolas Darvas¹

Caution! — Some readers might not feel comfortable with some of the views expressed in his book, and in this Article. This simply highlights the difference in opinion, and in risk tolerance and strategies, between different investors. There were also some professionals in the finance industry who did not like some of the things that Darvas wrote.

Darvas — the Early Years

Nicolas Darvas (1920-1977) was born in Hungary and studied economics at the University of Budapest before studying extensively to become a professional dancer. He fled Hungary during World War II and emigrated to the United States in 1951. He quickly became a world-renowned dancer along with his dance partner and by 1956 was touring the world.

In 1952, his first ownership of shares happened in a round about way. On one of his dancing tours, a club for which he was performing offered to pay him not in cash, but in shares in the company Brillund — a Canadian miner. As it happened, when he checked the stock price a few months later, they were returning a significant profit. This got him very interested in the stock market.

In the period from 1952 to late 1957 (some 5 years) Darvas went through some horrific times experimenting with the market and his strategy and approach. Like many share market novices, his successes and failures swung wildly. He tried many things, and he learnt a lot the hard way. By late 1957 he had worked out his winning system, and in the following 18 months during the bull market of 1957-58 he managed to increase his original few thousand dollars worth of stock to \$2,000,000 — that's two million dollars (in 1959)! Along the way he experimented with a number of investing approaches, some of which he concluded were useless.

One of the tools that he devised was his Darvas Box technical analysis chart tool which is featured in many of today's charting software programs. However, the Darvas Box idea is only a small part of his

1 Darvas, Nicolas; *"How I Made \$2,000,000 in the Stock Market"*; Lyle Stuart, 1994; page xii.

** - The two words *trading* and *investing* are often used somewhat interchangeably.

* — Brainy's eBook (PDF) Articles are only available to **Share Market Toolbox** members. Visit www.robertbrain.com/articles/ for more information.

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