# EDITORIAL

## A New Type of Average for Security Prices

The market averages that are most popular with the American investing public are essentially weighted or unweighted means of security prices at designated intervals. As a rule, they ignore the volume of sales—an element to which experienced traders attribute considerable importance. Such averages endeavor only to reflect the average price level at periodic intervals, and all of those published are entirely satisfactory in this respect.

In this note we shall discuss an *acquisition average* which, instead of being concerned with the price level at a given moment attempts to answer the question, "what is the average price actually paid for the securities by their present owners."

The problem can best be appreciated by presenting two examples of acquisition averages prior to the mathematical theory. The first entry of Table 1 states that for the week ending January 7, 1928 United States Steel common closed at 150 6-8, and that the acquisition average on this date was $137.75. At the time of the market crash in October, 1929, the acquisition average had risen to about $212, and at the present moment this average has receded to about $48. Of course, some of the individuals who bought Steel at about $200 per share are still holding on to it, whereas others among the present holders obtained theirs in 1932 at less than $25 per share. According to our theory, the mean of such acquisition prices is the $48 noted above.

As an illustration of corresponding averages computed on a *daily* basis, table 2 presents the daily closing prices and acquisition averages for Auburn, covering the last half of 1934. This stock was selected because of its relatively small capitalization and frequent activity.