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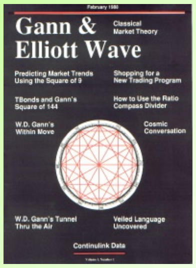

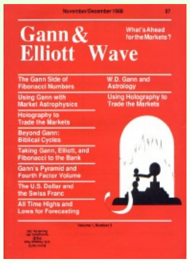
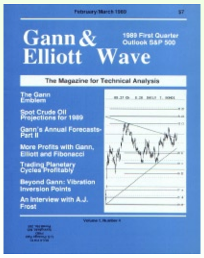
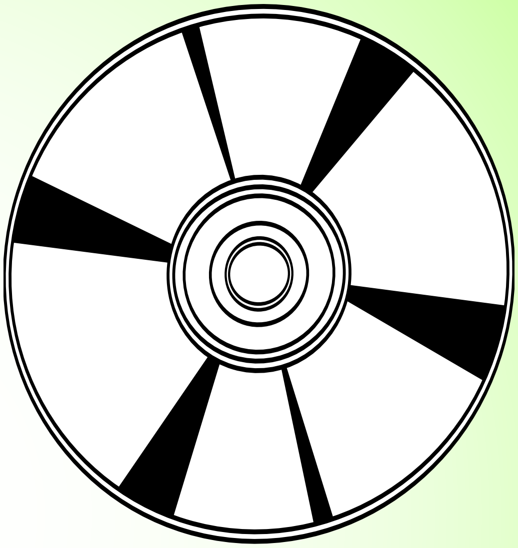
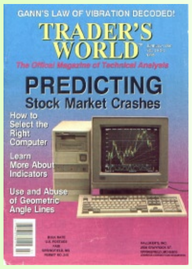
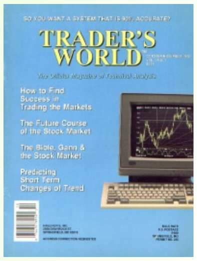
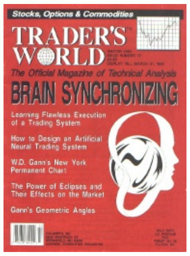
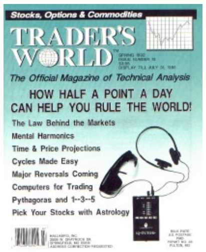
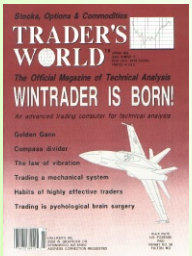
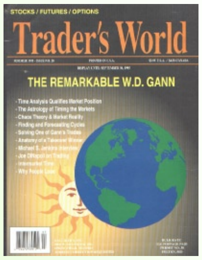
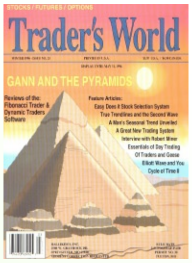
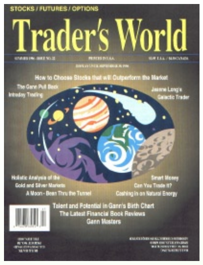
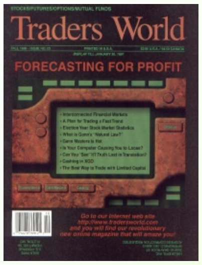
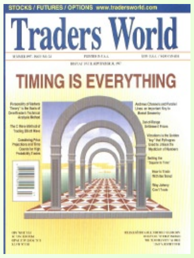
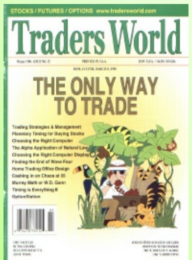
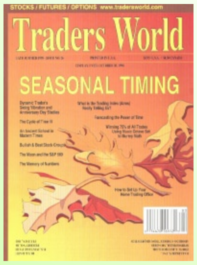
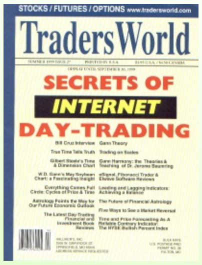
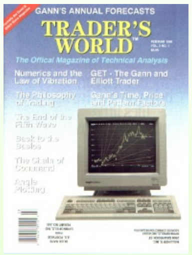
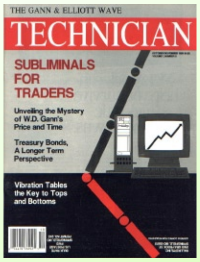
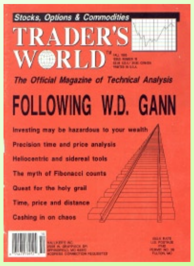
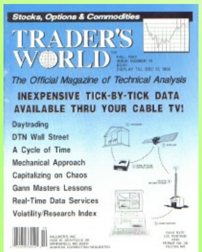

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This CD of Past Articles of Traders World Magazine

is dedicated to the

Greatest Trader of All Time

W.D. Gann.

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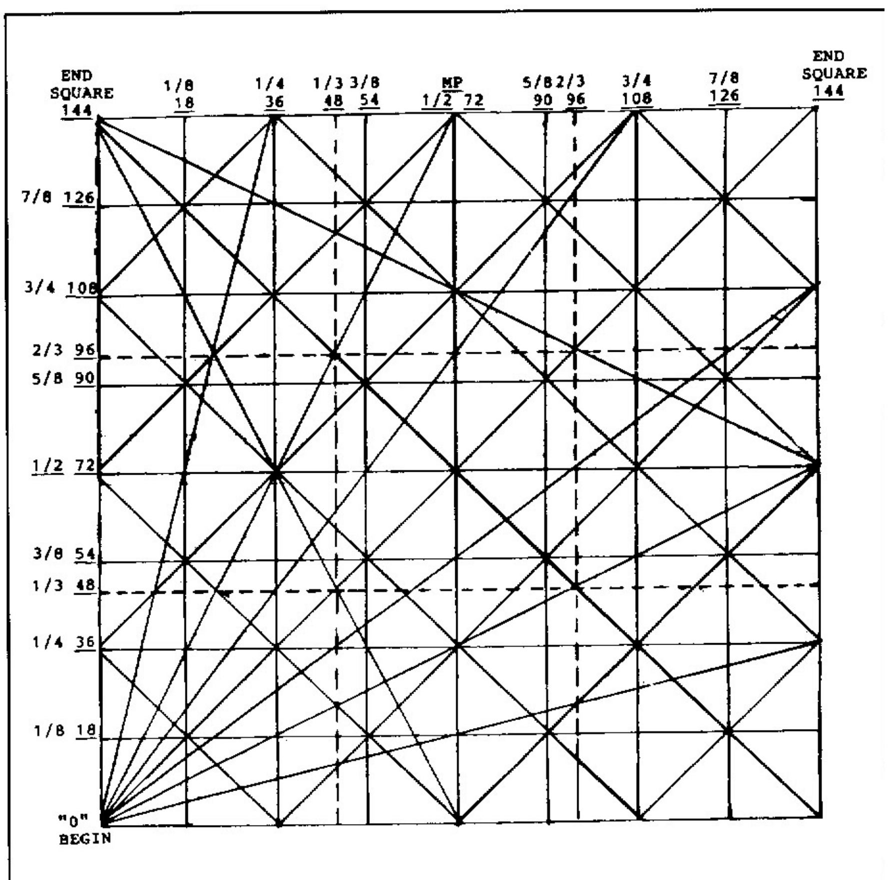
TBonds and Gann 's Square of 144

By Phyllis Kahn

In today's world of high tech hype and costly market systems, the difference between theory and the real market frequently spans a deep gulf of curve-fitting that fails miserably in current and future time. But a mathematical tool developed more than a half a century ago by the master trader W. D. Gann, is still performing in the 1980's markets exactly as he described that is should.

Very early in his career, W. D. Gann perceptively observed a GEOMETRIC relationship between price and time that has been largely ignored both by the old market masters and the new alike, who focus solely on price. When time is a consideration, generally it's perceived as a sine wave, a cycle apart from price.

Gann's unique solution was to create clear overlays that were divided into various Price and Time periods such as 360, 90, or 144, and then placed on significant highs and lows on monthly, weekly, and daily bar charts. He used these fixed, geometric figures which he called "MASTER PRICE & TIME CALCULATORS" to measure market strength, weakness and most important of all, the geometric PROPORTION of price movement to TIME. With study, the Calculator can be used effectively on yearly, monthly, weekly, daily and even intraday bar charts. During the depression Mr. Gann charged $5000 for a weekend course of instruction on its use. Today, with a program called GANNTRADER I this powerful tool is available to anyone with a personal computer.

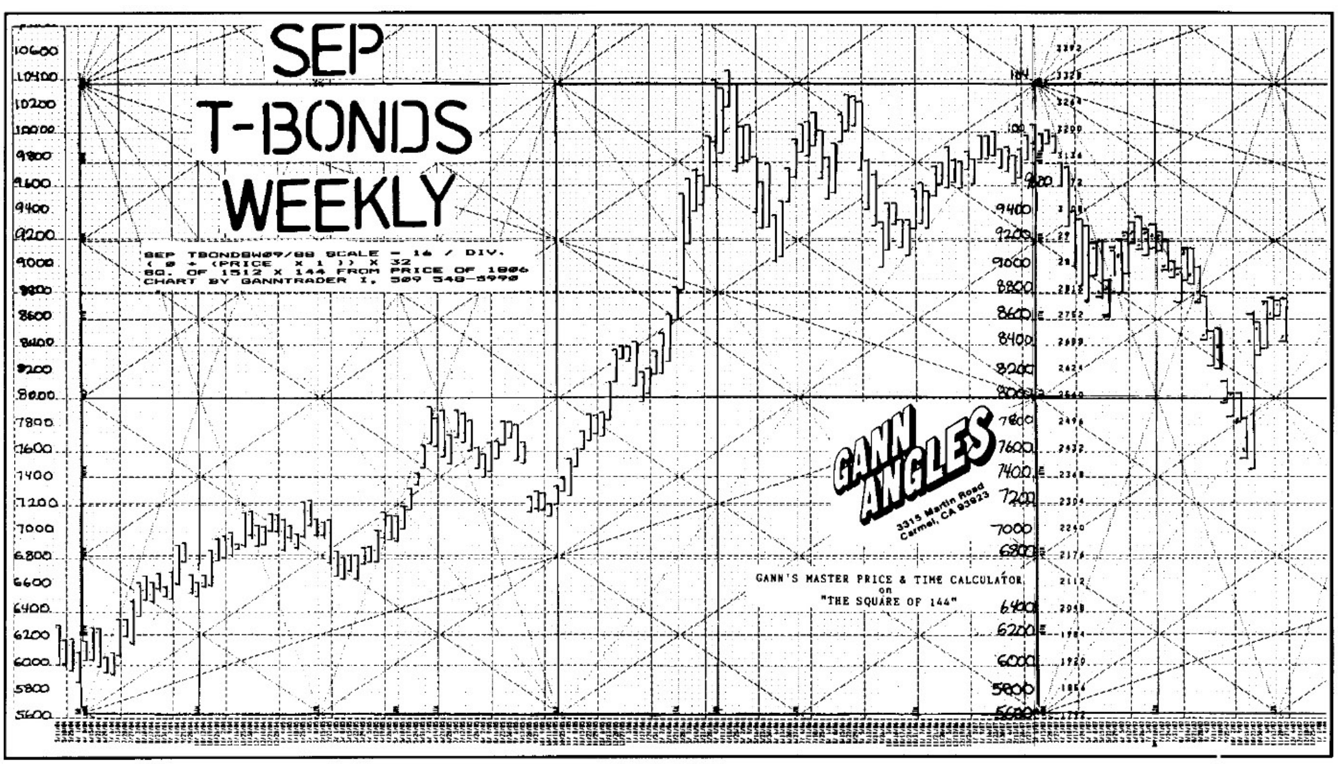


Master Price & Time Calculator - Square of 144

An overview of the schematic of the MASTER PRICE & TIME CALCULATOR shows that the horizontal axis is TIME, the vertical axis, PRICE. The ‘square” (actually a rectangle is divided into eights and thirds in both dimensions. Through years of observation Gann concluded that when prices reached the END of the Square in Time (price & time equal), not only did a change of trend occur but it was frequently accompanied by very strong momentum in the NEW (and opposite) direction. He also observed a change of trend at 1/2 in price and time of the Midpoint, what he called the “Grand Center” of the square. He ranked the divisions of price and time in importance:

1. The “End” of the Square the most important; when price and time expire.
2. The Midpoint, 1/2 or Grand Center of the Square. If the Square begins at a low, a 2nd higher low often occurs at the Midpoint, 1/2 or Grand Center of the Square. If the Square begins at a low, a 2nd higher low often occurs at the Midpoint or “Grand Center” where all the angles and price divisions converge. If the Square begins at a high, a 2nd lower high often occurs at the midpoint.
3. The next divisions in importance for a change of trend are 1/3 and 2/3. These two divisions in price and time often “balance” each other.
4. Then 1/4, and finally 1/8. All of the above statements are equally true for PRICE OR TIME. Contrary to common sense, which tells us that markets of today are totally different from those of 20, 40, or 60 years ago, current examples of an idealized Gann ‘Square” working out exactly in real time are not at all unusual. An illustration of one such perfect fit” in the veryreal world of Interest Rates occurred as recently as March 1987 in the most heavily traded of all future contractsTBONDS. The computer generated chart is a Square of 144, “overlaid” on a Weekly September TBond chart, Gann style i.e. Sep contracts only, in yearly continuation.

The Square of 144 begins at the bottom of the chart at the last major low in TBonds in June 1984. Just like the schematic, the computer-drawn overlay in divided into eights and thirds vertically and horizontally. Notice that on the 1st 1/8 in Time at 10/5/84, prices had a one week



pullback that corresponded exactly with that time division. After the low, prices again moved higher stopping exactly (again) at the 1/3 price division at 72 one week before the 1/4 time division was due. At 3/8 in time on the Square, prices almost, but not quite made it up to the 1/2 or Midpoint in price at 80. From there, prices retreated and corrected until one week before the Midpoint or 1/2 in Time was due (10/18/85), another higher low was made. Here is a market on a weekly basis that conformed to Gann's description: in a rising market a change of trend should occur at the "Grand Center" or Midpoint in the Square. At 71 weeks from the low, one week before the Midpoint in Time, the 7 week downward correction ended and prices continued their strong bull market behavior.

The advance accelerated after the Midpoint low, running prices all the way up to the Top of the Square (strong price resistance) in April 1986 just when the 2/3 Time division was due. That top was also confirmed by another Gann method. The price high at 104 on 4/17/86 was 104 months from the all time high in 1977, making it a Gann "squaring of price & time" on the Sep TBond MONTHLY chart. Although this suggested that a major change of trend could occur in TBonds (from up to down), there was still 48 WEEKS remaining in the Square of 144, the End of Square not due until the week ending 3/6/87.

But it's easy to see that after that important monthly and weekly high was made in April 86, the advance which had been in progress for 96 weeks (2/3 in sq. of 144) stopped making new highs and became extremely volatile. It had a major drop from 1-4 to 9116, then back to a lower high at 102 in Aug 86, then down again to a lower low at 90 in Sep. 86. As the advance faltered, there were several caution flags during January and February 87. Weekly price ranges began shrinking despite sharp advances in the stock market and of course, the Square of 144 was running out of time. (It had run out of Price at the top of the square in Apr. 86.) The finale of this almost 3 year market saga was staged on March 5, 87 when the Tbonds proved once again the genius of Mr. Gann's methods by making a 3rd lower top EXACTLY AT THE END OF THE WEEKLY SQUARE OF 144.

The trader in possession of this information was able to anticipate, almost a year in advance, the proper time to short into the top with great confidence as this most heavily traded of all futures conformed to the Square for almost three years. Imagine what this could have meant to the several brokerage houses that lost hundreds of millions of dollars in the momentum declines that followed the "End of the Square." In March 87, many leading interest rate analysts were "forecasting" prices to 108 or even 110 yet anyone who had this Square knew almost a year earlier that a major trend change was indicted and that patience to wait it out would be well rewarded.

But the value of the Square doesn't end with the top. The new square is a road map of FUTURE price and time. TBonds have entered the third Square of 144 since the 1981 low. Since trend during the first two squares was decidedly up and bullish, Gann principals suggest that the main trend during this square will be down and bearish. Judging from the 1st decline in April/May 87 that hit the 5/8 price division 8600 by making a low at 8603, followed by the next leg down that met the 3/8 division at 7400, it's clear that the accuracy of the previous two Squares can be relied upon to continue. As the major price Top was made at 2/3 in Time in the 2nd Square, Gann's Principals of balance implies that 1/3 into this new Square (2/5/88) should be a major low.

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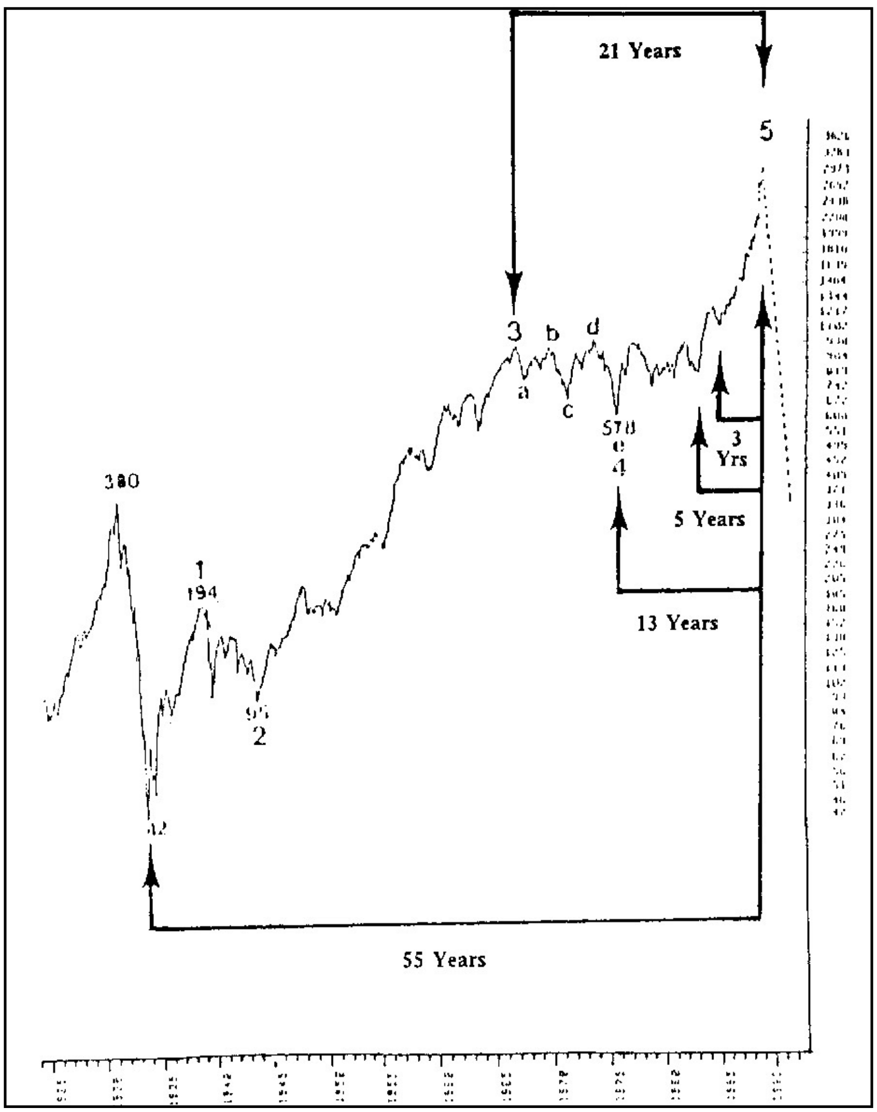
Classical Market Theory

By Frank Taucher

The 1987 (stock market) change-in-trend projection given by yearly Fibonacci Time Cycle Counts is as classic as we will probably experience in our lifetime in any market. 1987 IS THE 55TH YEAR FROM MAJOR LOWS MADE IN MANY MARKETS IN 1932 AT THE DEPTHS OF THE GREAT DEPRESSION.

As the Elliott Wave Theory states that the current major long term expansion is in the 5th and final wave of a 5 wave move that began off the 1932 lows (the third wave peaking in 1966 and the 4th wave bottoming (arguably) with the 1974 recession lows), the 1987 change-in-trend projection given by yearly Fibonacci Time Cycle Counts is as classic as we will probably experience in our lifetime in any market. 1987 is the 55 year off the beginning of the entire move, the 21St year off the peak of the third wave, and the 13th year off the low of the 4th wave. 34 years from the 1932 low marked the wave 3 top in 1966. 8 years later, in 1974,



the wave 4 low was made. 8 years after that, the 1982 major low was made. The entire 5 year bull market from 1982 to 1987 was equal in time to wave 1 of the bull market which lasted from 1932 to 1937.

Additionally, for you Gannophiles, I would point out that 1987 was 90 years from the 1897 April 19th and April 23rd lows at 38.49!

A peaking in 1987 would fit nicely with the Kondratieff Wave and would imply that the forth coming period will be one of severe economic slowdown. In fact, this theory is so bearish that thue believers should consider have about 6-12 months future expenses of readily available cash on hand. Supporting this outlook in the late 1987 were the slowest M2 money supply growth that HIS country had experienced in 17 years, the out-of-control twin towers (and we don't mean the two Houston Rockers basketball players or the New York skyscrapers, either, but the budget and the trade deficits), the recent downturn in only the leading economic indicators, but also the Columbia University index of leading economic indicators (which tends to lead even the leading economic indicators and turned down spring, 1987), third world indebtedness, banking insolvencies, etc. In fairness, however, we do point out that the above is not the only scenario. Other viewpoints are discussed in other sections of the Almanac.

Frank Taucher is the author of the 1988 Commodity Trader's Almanac available for $75.00 per copy from Market Movements, Suite 190, 8236 East 71st Street, Tulsa, OK 74133, (918) 493-2897.

Gold Trading

By James E. Schildgen

Professional speculation has three main components for every trade - to enter, hold and exit. The most challenging part of any market is projecting important highs and lows before they happen. This has also been referred to as goal or objective trading. Two of the most famous methods of price projection in use today were developed and advanced by W. D. Gann and R. N. Elliott. In following, Gann's Cardinal Square and Elliott's use of Fibonacci Progressions rather than just give a recommendation without explanation. These are just two of the many systems developed and used by Gann and Elliott. Further Gann and Elliott approaches are presented in my book, Analytical Methods for Successful Speculation.

R. N. Elliott was a bookkeeper who has a fascination for mathematical price series. He constantly developed different number progressions, high-low price cycles, but most of all, price cycle contraction and expansion series. His most famous progression series is the Fibonacci

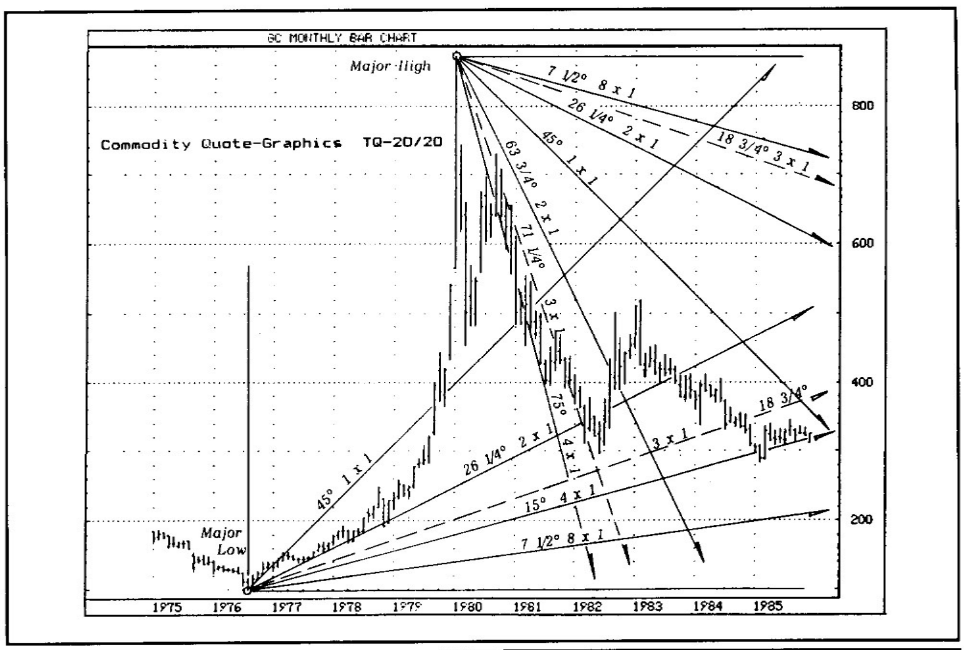


Chart B

C = $35.00/troy ounce

C x 2 =	$70.00	1972's August High - $69.00
C x 3 =	$105.00	1973's Intermediate High - $125.00
		1973's Intermediate Low - $90.00
		1976's Major Low - $99.00
C x 5 =	$175.00	1978's Intermediate Low - $183.00
		1974's Orthodox High - $180.00
C x 8 =	$280.00	1975's Major Low - $282.00
		1982's Major Low - $296.00
C x 13=	$455.00	1980's Panic Selloff Low - $453.00
		1982's Intermediate Low - $452.00
C x 21 =	$735.00	1980's Orthodox High - $732.00

Chart D

Cardinal Square -	Fixed Axis	Major Price	High/Low
(Assumed Base)	20	$20.67	Fixed Price
	40	42.22	1970-Fixed
		45.00	1969-High
	60	69.00	1972-High
	100	99.70	1976-Low
		127.00	1973-High
		129.00	1974-High
	200	199.50	1974-High
	260	249.40	1978-High
	340	345.80	1985-High
		453.00	1980-Low
	420	397.00	1981-Low
	520	515.00	1983-High
	620		Missed
	740	729.00	1980-High
	860	873.00	1980-High

Progression, named after the Italian, Leonardo of Pisa (Leonardus Pisanus (Latin) or simply Fibonacci). First published in 1202 A.D. as the Liber Abaci and later in 1220 A.D. in Practica Geometria, Fibonacci showed this mathematical progression using an involute process. (I.e. 1+1 = 2; 2+2 = 3; 2+3 = 5; 3±5 = 8; etc.) Using any number in the series as a multiplier or divisor, a ratio evolves of 1.618 or 0.6 18 or its inverse 0.382. This ratio is observable in numerous natural phenomena; the branching of trees, sea shells, spirals (i.e. the nautilus) sunflower seed growth, the human inner ear, etc.

For any market a significant primary high or low price must best used. Due to gold's previously controlled prices of $19.39 for 45 years, $20.67 for 97 years and finally $35.00 before deregulated in 1971, gold gives a good example of a significant low to work with.

When Fibonacci Progression is applied to gold using the $35.00 low, we have2x$35=$70; 3 x $35.00=$105; 5 X $35 = $175; 8 x $35 = $280; etc. An analysis of these prices is demonstrated in the copy of "Chart B, Fibonacci Price

Analysis", page 145 from Analytical Methods for Successful Speculation. Fibonacci Price Progression shows future meaningful highs will probably be $1,190.00 (34 x $35); $1,925 (55 x $35); or $3,115 (89 x $35). When or how these prices may be achieved requires an in-depth study of current financial data and their correlation to gold's price fluctuations.

The most famous and least understood market mathematician was W. D. Gann. Gann passed away in 1955 with a net worth of over $50,000,000 acquired from the markets. More astonishingly he was charging $5,000 (1955 dollars) for his market course, containing most, but probably not all, of his trading methods and secrets. That trading course cost was roughly half the value of a three bedroom home in 1955.

1 C 2 F 2

1920	1925	1930	1935	1940	1945	1950	1955	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010	2015
1915	1550	1555	1560	1565	1570	1575	1580	1585	1590	1595	1600	1605	1610	1615	1620	1625	1630	1635	1640
1910	1545	1220	1225	1230	1235	1240	1245	1250	1255	1260	1265	1270	1275	1280	1285	1290	1295	1300	1645
1905	1540	1215	930	935	940	945	950	955	960	965	970	975	980	985	990	995	1000	1305	1650
1900	1535	1210	925	680	685	690	695	700	705	710	715	720	725	730	735	740	1005	1310	1655
1895	1530	1205	920	675	470	475	480	485	490	495	500	505	510	515	520	745	1010	1315	1660
1890	1525	1200	915	670	465	300	305	310	315	320	325	330	335	340	525	750	1015	1320	1665
1885	1520	1195	910	665	460	295	170	175	180	185	190	195	200	345	530	755	1020	1325	1670
1880	1515	1190	905	660	455	290	165	80	85	90	95	100	205	350	535	760	1025	1330	1675
1875	1510	1185	900	655	450	285	160	75	30	35	40	105	210	355	540	765	1030	1335	1680
1870	1505	1180	895	650	445	280	155	70	25	20	45	110	215	360	545	770	1035	1340	1685
1865	1500	1175	890	645	440	275	150	65	60	55	50	115	220	365	550	775	1040	1345	1690
1860	1495	1170	885	640	435	270	145	140	135	130	125	120	225	370	555	780	1045	1350	1695
1855	1490	1165	880	635	430	265	260	255	250	245	240	235	230	375	560	785	1050	1355	1700
1850	1485	1160	875	630	425	420	415	410	405	400	395	390	385	380	565	790	1055	1360	1705
1845	1480	1155	870	625	620	615	610	605	600	595	590	585	580	575	570	795	1060	1365	1710
1840	1475	1150	865	860	855	850	845	840	835	830	825	820	815	810	805	800	1065	1370	1715
1835	1470	1145	1140	1135	1130	1125	1120	1115	1110	1105	1100	1095	1090	1085	1080	1075	1070	1375	1720
1830	1465	1460	1455	1450	1445	1440	1435	1430	1425	1420	1415	1410	1405	1400	1395	1390	1385	1380	1725
1825	1820	1815	1810	1805	1800	1795	1790	1785	1780	1775	1770	1765	1760	1755	1750	1745	1740	1735	1730

1 C 3

3 (End of Cycle) C 4 F 4

Chart C

Prior to gold's price being pegged at $35.00, it was first pegged at $19.39 and then $20.67, as mentioned above. Using a base price of $20.00 (which is a mean of $19.39 and $20.67) and by increasing increments of $5.00 Gann's Cardinal Square displays and apparently meaningful series as shown in "Chart C, W. D. Gann Cardinal Square Chart." To test which of the four axis worked best, a comparison grid is shown in "Chart D, W. D. Gann Cardinal Square Prices". Actual price highs and lows are shown to the cardinal square axis F2-F3 numbers.

Due to the many variances, it would appear that Gann's Cardinal Square is not as accurate in predicting significant highs and lows as Fibonacci Progression. I feel Gann's systems were more applicable in his lifetime due to the prominence of grains. There were virtually no precious metal, financial, or stock index futures with which to do price series analysis at that time.

Perhaps if gold's price has never been regulated by the U.S. Government, Gann's Cardinal Square and Fibonacci Progression may have been more accurate in future price predictions. However, since many invariable needs to regulate his environment, natural time/price sequences don't always work as well. Just look at the October 1987 stock market. Then again, Kondratieff's 52 year cycle of economic contraction may have begun in that market.

The most challenging part of speculation is exiting profitably at a predetermined major price objective. By hindsight, both methods presented some viability in these examples.

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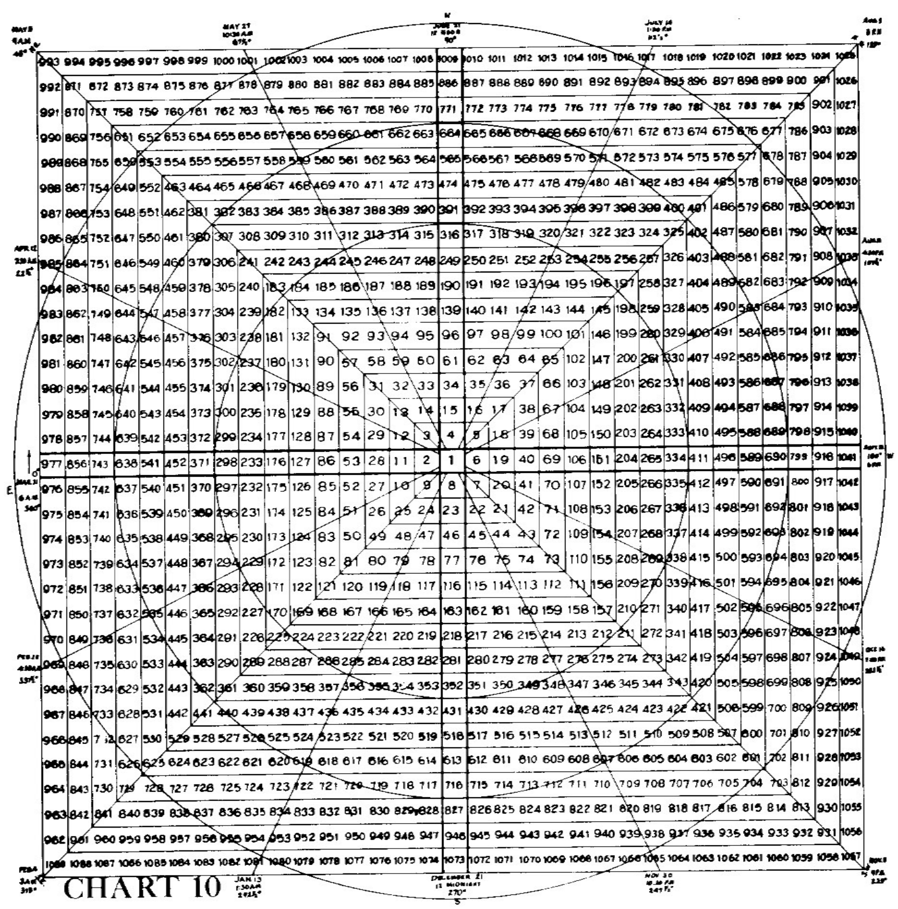
Predicting Market Trends Using the Square of 9

By Chris Kakasuleff

The square of nine popularized by W. D. Gann is very reliable in determining market trends. It is a useful market tool in almost all markets including stock indexes, stocks, commodities, and options. The numbers in the square of nine can be used as price levels of support and resistance, and most importantly as time units. These numbers can be used to count minutes, hours, market days, calendar days, weeks, months, and years.

First let's understand how the square of nine is constructed. In our illustration you see a spiral of numbers starting with one in the center, and then a commencement of numbers in a clockwise spiral that can go into infinity. In a clockwise spiral that can go into infinity. In addition overlaid on these numbers is a 360 degree circle. This circle is divided by 8. but can he divided by 16, 32, etc. When the circle is divided by 8. you have eight 45 degree angles. These angles are 0-45-90-135-I 80-225-270-315 degrees. Numbers from 2-1 1-26. etc. are on the 0 degree



Square of 9

angle. Numbers from 3-13-31. etc. are on the 45 degree angle. Numbers 4-15-34. etc are on the 90 degree angle. Please study which numbers correspond to the balance of each 45 degree angle on the 360 degree circle.

Now that you have a fair understanding of the construction of the square of nine, lets utilize its magical powers and turn its numbers into calendar days. To begin we must decide where we're going to count calendar days from. For best results, it is important to count the days from major market bottoms, or you may count the days from the birth or commencement of trading on any stock or stock index. In the stock market you could count the days from the first or commencement of trading on any stock or stock index. In the stock market you could count the days from the birth of the New York Stock Exchange on May 17th. 1972. Using this date could be tedious, hut rewarding. Another important date would be the all time modern low of the Dow Jones Industrials Average on July 8, 1932. You could experiment with the Dow low on December 6, 1974.

Probably the most useful low to count calendar days from, is the most recent major bear market low on August 12, 1982. Therefore in our example on how to utilize the square of nine, we are going to count calendar days from August 12, 1982.

First some rules and guide lines are in order here. Rule one is when the market has reached a high or low on a particular angle, then expect another high or low on the same angle in the next cycle. The next cycle is a continuation of the spiral of numbers around the circle, until they reach the same angle. As you can see in our illustration of the square of nine, the numbers 9, 25, 49, 81, etc all are at the end of each spiral therefore ending each cycle. An example would be if the market made a low on the 28th day in cycle 3 on the 0 degree angle of the square of nine, you would look for another low at 53 days on the 0 degree angle in cycle 4.

Another rule to follow is that market action or trends in the current cycle between the angles will generally follow the market trends that occurred in the prior cycle, between the same angles. If you have a low in the market on the 28th day in cycle 3 on the 0 degree angle and a market high on the 40th day on the 180 degree angle also in cycle 3, you can expect similar market action in cycle 4.

Rule three is the fact that at times you will be what I call psychological inversions. You will be expecting a low, as predicted on a particular angle in the last cycle, but instead on the same angle in this cycle you get a high, what you do here is invert or reverse all the highs and lows from the last cycle. If you had a low often 28 days of cycle 3 and a high at 40 days on cycle 3. but on the 0 degree angle of cycle 4 the market makes a high instead of a low then expect the market trend to be reversed. You should now expect a market low on the 180 degree angle in cycle 4, just the reverse of cycle 3 on the 180 degree angle where the market topped out. When the market reverses again, reverse the cycles back to their former pattern. In overcoming this aspect of the square of nine in trading its fairly simple to just watch the trend between the angles. IF the market action is the opposite from what it was doing in the prior cycle, the trend may be reversing.

The first date we'll be calculating is April 10th, 1987 which is 1702 days from August 2, 1982. This date is on the 0 degree angle in cycle 211. To determine what may happen around April 10th, we need to refer back to the 0degree angle of cycle 20. By utilizing a hand calculator you will find that in the last cycle 1541 days is on the 0 degree angle and this corresponds to October 31, 1986. Thus 5 days later the Dow peaked at 1899 on November 5th. Therefore in this cycle we should expect another high on the same either side of 5 days. And sure enough the magic of the square of nine produces results again, as on April 6th, 1987, 4 days before 1702 days on the 0 degree angle, the Dow reached an all time high that held for more than two months.

Lets move ahead to the 45 degree angle in cycle 21. We find the number 1723 which equals May 1st 1987. In the last cycle 1561 days was on the 45 degree angle and the date was November 20th, 1986. Two days earlier the Dow bottomed on November 18th. In this cycle the market reached a low 4 days earlier on April 27, 1987. Another remarkable revelation.

Before we move on to a few more examples, its important to realize that as more and more time passes from a major bean market low, the number of days between each 45 degree angle grows farther apart. Therefore its important after several months from a major low to divide the circle by 16. This gives you 16 angles between calendar days at 22 1/2 degrees apart.

This begins us at the next example. On August 25, 1987 the Dow closed at its all time high at 2722. The number of days that passed from August 12, 1982 was 1839. which is precisely on the 292 1/2 angle. On March 10th 1987 in the last cycle at 1671 days the Dow made a short team top also exactly on the 292 1/2 degree angle.

Of course there were many major factors contributing to the top on August 25th. These areas follows, August 12, 1987 marked 60 months from the low on August 12, 1982. A geometrical angle gaining 32 points per month crossed 2700 in August 1987. Also 52x52 equals 2704 the square of 52. A very important natural number. This all pointed to a major change of trend in price and time. However, I'm getting ahead of myself, as this is information for my readers in future articles.

Did the square of nine predict the great crash on October 19, 1987. We'll as noted on April 27th the Dow reached a low 4 days early on the 45 degree angle. In the next cycle on the 45 degree angle, 1893 days equals October 18, 1987 which fell on a Sunday. The next day the Dow crashed 500 points. Of course we cannot discount the help of another major cycle at that point. As two trading days earlier on October 15th marked the end of 270 weeks, or three quarters of the cycle of 360 weeks from the low on August 12, 1982.

An interesting side line on the square on nine is to realize that all angles on the cardinal squares are in harmony. That would be the 0-90-180-270 angles, and also the fixed squares 45-135-225-3 15 angles are in harmony. Let's see if this idea can produce anything of consequence. Well October 8, 1987 was 743 days from the September 25, 1985 lows. The number 743 is on the 0 degree angle. Also October 5, 1987 was 371 days from the September 29, 1986 low. The number 371 is on the 0 degree angle. October 8th, 1987 was marked 281 days from the December 31, 1986low.Thenumber28l is on the 270 degree angle. And finally October 5, 1987 marked 139 days from the May 19th low. The number 139 is on the 90 degree angle. Between October 15th and October 9th the Dow lost 158 points, the biggest losing streak in history up to that point.

One more example of our system using calendar days produced another bulls eye on November 10, 1987. This date falls one day after 1915 days which is on the 90 degree angle in the prior cycle the Dow closed at a low on May 20, 1987, two days earlier than 1744 days.

This is all hindsight now, isn't it dear reader. Therefore can the square of nine really look into the future to predict tops and bottoms? Let's put the reputation of the square of nine on the line, by predicting a market trend in the Dow after this article has gone to print. As noted earlier on August 25, 1987 the Dow reached an all time high on the 292 1/2 degree at 1939 days. In the next cycle on the 292 1/2 degree we find 2014 days have passed and the calendar date will be March 5, 1988. On this date we will expect the market to reach a high give or take a few days. Don't forget, watch out for psychological inversions. They could be dangerous to your bank account, so March 5. 1988 may turn out to be a low.

In my next article I'm going to write excerpts from an unpublished book that I'm writing about the application of the natural cycles of 45-52-144, and 360, and translating these numbers into days, weeks, and months. This article will teach you the mechanics of the division of time, and the application of the information to stock market prediction.

I'll touch on a pet theory of mine as to how these cycles are actually a time gauge for the manifestation al all events on the planet earth, thus giving us an understanding of the mechanisms of the Kharmic Wheel of Life. W. D. Gann proved the validity of this himself, by predicting in advance, World War II, the participants, when it would start, and when and how it would end, by using these very cycles. Until next time.

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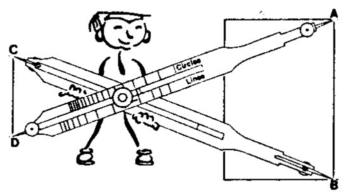
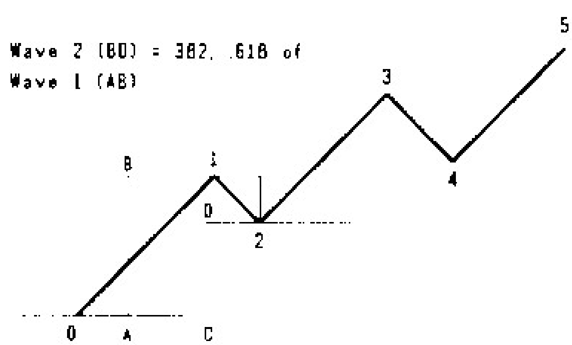
How to Use the Ratio Compass Divider

By Larry Jacobs



The Elliott Wave method of market analysis is an excellent technical analysis method. The basic idea of the Elliott Wave Theory, is that a bull market has five waves up to a top followed by a down turn. Waves 1,3, and 5 are thrust waves and waves 2 and 4 are corrective waves. Two of the thrust waves are the same length. Within each of these wave patterns are smaller wave patterns. The Elliott Wave Theory states that if wave 2 is a simple correction (prices falling without interruption in the down trend), then wave 4 will be a complex correction with a 3 wave A B C movement down to wave 4. Within this pattern, expanding waves usually will increase by the ratios .618, 1.000, 1.618. 2.618, 3.618 or 4.618. Corrections usually correct .382, .500 or .618 of the prior thrust wave. To get started you must first set the compass to the golden ratio. To do this close the compass. Set the cross hair to the golden ratio setting on the right-hand scale. CD = .618 AB. Use this setting to project the contracting or expanding waves objectives.

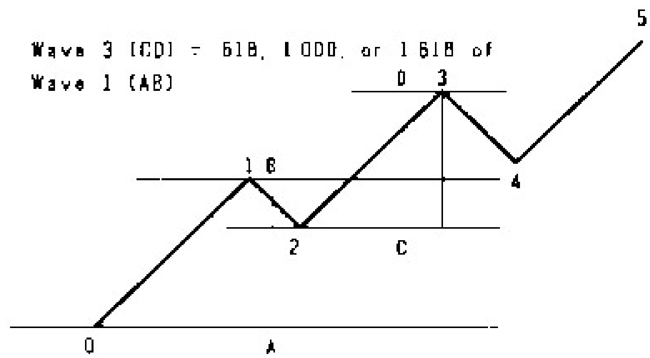
Wave 2



PROCEDURE:. Place the compass point A at 0 and point B at the top of wave 1. Flip the compass. Place point C on 0 base line and mark point D. Point D to the top of wave 1 is the .382 reaction point of wave 1.

THEORY: The corrective wave 2 will usually react .382 of thrust wave one. The next common is .6 18.

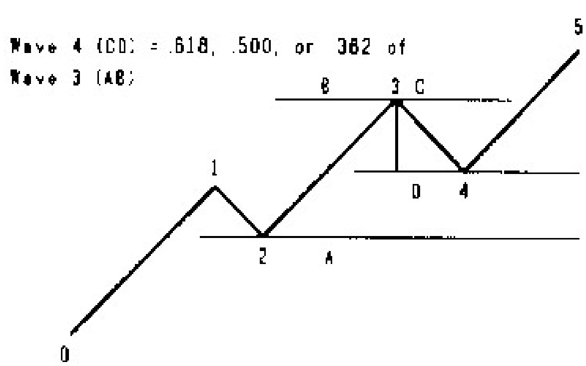
Wave 3



PROCEDURE: Place compass point A on the 0 base line. Place point B at the top of wave 1. Flip the compass. Place point C at the bottom of wave 2 and mark point D. This is the projected top of wave 3.

THEORY: Thrust wave 3 will usually advance .618 of wave I beginning at the bottom of wave 2. The next common advance is 1.000 of wave 1 and the least common is 1.618 of wave 1.

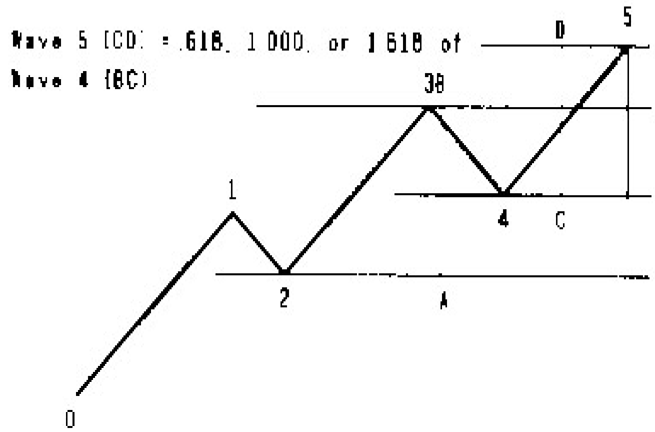
Wave 4



PROCEDURE: Place the compass point A at the bottom of wave 2 and point B at the top of wave 3. Flip the compass. Place the compass point C at the top of wave 3 and mark point D. This is the .618 reaction point for wave 4.

THEORY: The corrective wave 4 is usually .618 of wave 3. the next common retracement is .500 of wave 3 and the least common retracement is .382 of wave 3.

Wave 5



PROCEDURE: Place compass point A at the bottom of wave 2. Place compass point B at the top of wave 3. Flip the compass. Place compass point C at the bottom of wave 4 and mark point D. This is the projected top of wave 5.

THEORY: The thrust wave will usually advance .618 of wave 4. The next common advancement is 1.000 of wave 4 and least common is 1.6 18 of wave 4.

There are many other ratios that can be used to project wave lengths. Some are related to the golden ratios and others are linked to the 1/2 and 1/3 points of the Gann Square. The techniques to be used with these ratios are very interesting and can be highly profitable. In following issues we will go into some of the other ratios and techniques that can be used with them.

W. D. Gann's Within Move

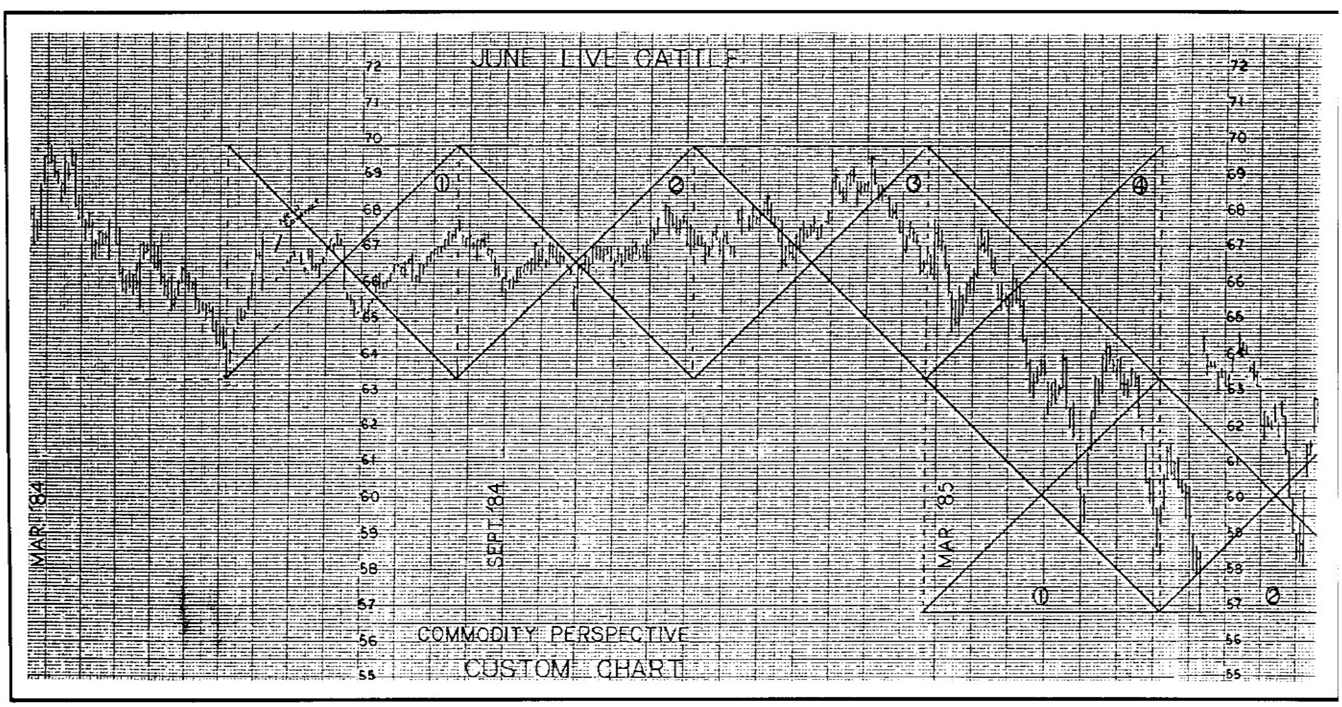
By Joel Rensink

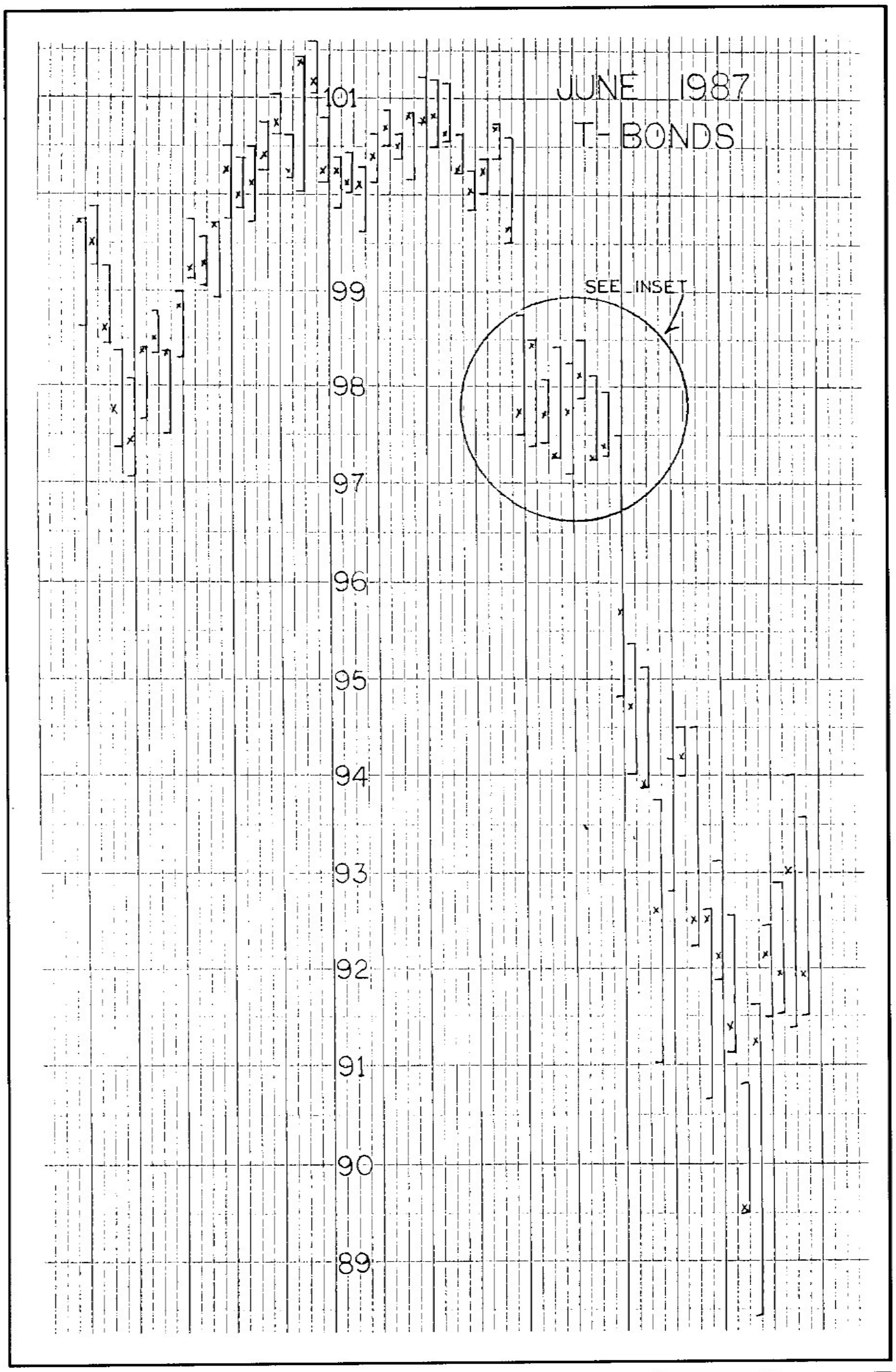
It is gratifying to be asked to write an article for a magazine which is interesting in the reality of trading the futures and stock markets. For the small or large trader alike, validity of what we use to trade is critical.

When people realize that trading the markets takes effort they usually start by studying all they can on market principals. Besides finding the best-known and least-followed advice of "cut your losses short and let your profits run", they read "the trend is your friend", "trade only when you KNOW what the trend is", and "buy on reactions in bull markets, sell reactions in bear markets." These are true enough, but, however well-intended; advice like the above is almost valueless unless it is accompanied with a true definition of trend so you can tell how large your bull or bear market is that you are looking for. Also needed is an indication of the bull or bear market is that you are looking for. Also needed is an indication of the time involved in the forecasted move so you would know if what may only appear at first to be a correction may in fact be a major change in trend.

In my study, only the works of W. D. Gann satisfactorily address these needs. Mr. Gann based his entire methodology on the concept of markets continually repeating themselves, and that they were their own best forecasters. Thus, he let the market filter itself. I want to discuss just one of his less complex buy highly accurate indicators, the within move; or trading range.

It is a rare trader who doesn't have rules on trading ranges. In his premier effort, the book "How to Make Profits in Commodities", Gann talked about the apparent movement of markets being either just up or down as being somewhat incorrect. This is because markets spend a great deal of time just going sideways. He said, "After it gets out of the sideway movement,

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T-BONDS
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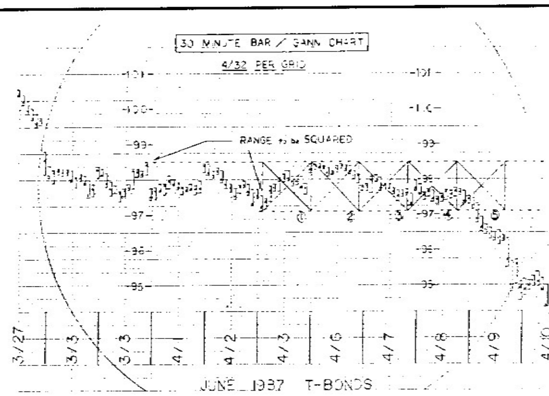
30 MINUTE BAR / GANN CHART
4/32 PER GRID
RANGE to be SQUARED
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JUNE 1987 T-BONDS

which is always accumulation or distribution, and breaks into new high or low territory, then you can trade in it with some certainty of having determined the correct trend." He went on to say that the narrower and longer the range was, the greater the expectancy of continued move when it finally broke out. Most traders like to compare apples with apples, as it were, in the market. In searching for proper ranges to get consistent performance for examination, we need constants to base against. Prices move up and down. Time constants never change, so it is the proportion of time and price (Gann's discovery) that makes it possible to compare a range of one market and time, and another.

This proportion of range size (price) versus length in time is perfectly handled with Gann's technique of squaring the range. He considered it "one of the most important and valuable discoveries" he had ever made, it rally was. When a market range is "squared" by time; meaning an equal number of units of time elapsing as units of price determining the size of the range; important changes in trend take place.

Gann students in general understand the concept well. The examples given are to show you an application of the important principal instead of completely explaining it in detail. How many squares the market has gone through with out breaking either the high or low determines the potential of a strong move when it leaves its range. Gann said to watch in particular the 3rd and 4th square; and then if it still was in the range; the 7th and 9th squares. When I go searching for a potential trade bases on ranges, I eliminate all ranges less than 3 squares in length. If you do this, watching all commodities, you should find about 10 or so situations a year.

I have found an EXTREMELY STRONG tendency for the markets to move exactly to a multiple of the range(s) it just left. The examples I have shown here are just a small sample of the more than 500 squared ranges of 3 squares or more that I have studied, roving to me the validity of a range's forecasting ability, this has application for even shorter time periods. I have included the 1987 June T-Bond example to show the way to do it correctly and the importance of squaring intra-day ranges for timing.

Since a market's tops and bottoms are created by its own unique sensitivity to ever-present time cycles, it is logical to assume that tops and bottoms of ranges are functions of time. By remaining in a range. The option is respecting the time cycles that are rising and falling within the range, defining yet other swing tops and bottoms because of smaller magnitude cycles. The longer that a market is trapped in a range, the greater the magnitude of time cycle contained. When broken, the major cycle leaving a range of 6 months duration should be a minimum of 1 -3 years in period.

To use this concept in actual trading, here are some suggestions:

1. Wait for a market to square out a range of 2 squares or more.
2. Watch the position of the market reference to 50% point in the range in the 3rd, 4th, etc., square to get indication of possible direction of break.
3. Buy or sell breakout of the range, at market or on stop. In an upside break place a stop-loss order under the last swing bottom prior to the breakout. Reverse if the breakout.
4. Consider the 1st multiple of the range the first possible target to be reached before some greater reaction. If this price is exceeded and closed beyond, watch other multiples and divisions of the range for reaction points both up or down.

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W D. Gann's The Tunnel Thru The Air

By Jim Purucker

Haven studied Gann's voluminous material since 1977, the book which intrigued me the most was, "The Tunnel Thru The Air", written in 1927. In the forward, Gann states the book is mysterious and contains a valuable secret", clothed in veiled language. Finding this secret was an exhilarating experience. However, I could not have found it without a basic course in Astrology and the ability to use an Ephemeris.

Gann states the purpose of the book is to teach the immutable laws of nature. Immutable laws are laws which man cannot change, such as the change of seasons, weather (floods, famines), earthquakes, volcanoes and specifically the rotation of the planets and their geometrical relationships to one another. The book reveals this valuable secret by describing natural astrological cause and effect timing points, where like causes produce similar effects.

One of the greatest keys to successful trading is following these natural laws of vibration. With the secret, I was able to prove, through practical application of this timing point, Gann's Cotton trade of 1926-27, his Rye trade of 1925 and 1945, and his Coffee trade of 1954. I had found the correct beginning point to trade the minor cycle of one year. The next step involved a simple, but effective, means to square time and price from the astrological zero or beginning point. This is when I discovered the value in the square of "9". By placing an overlay over the square of "9". anchored at the center, with calendar dates on the perimeter ("a wheel within a wheel"), I could simply square price and time from any price and any date. Thus, the credit given to Gann for this innovation in naming this lifetime trading tool, "The Gann Wheel".

Because 85% of anything we learn is from what we see, I had the secret to the timing points which I could SEE WHEN they would occur in the future (Ephemeris), and the ability to SEE price and time square on the GANN WHEEL.

The last step I wanted was a reliable price chart pattern which formed at and around the vibration points to make the greatest amount of profit in the shortest period of time. Why'? Gann said. "It's much better to trade 3 or 4 times per year and make large profits, than to make 100 to 200 trades per year and be wrong half the time and finally ending up with a net loss". I finally found a reliable chart pattern which I could SEE develop at the vibration points. By using simple Gann techniques, I developed a trading plan of WHEN and HOW to enter this pattern, with a defined risk (stop). The entry in this pattern confirms the start of Gann's second section, confirms always selling the first rally or confirms buying the first break, (for ELLIOTTICIANS, confirms that start of the third wave), the biggest and best part of the price trend. The profit objective is determined by one or more squares of price on the GANN WHEEL.

TRADING EXAMPLE

LONG TRADE:
(1) Natural TIME vibration (4-13-87)'
(2) Plus 90' Square (3 months (calendar days) or (64/67 market days) (7-15-87)
(3) 59.90 Price Square, 90' (GANN WHEEL)

SHORT TRADE:
PRICE PATTERN for the greatest amount of profit in the shortest period of time. The pattern is defined by the word G-A-N-N2-S (the S is for SHORT). Enter trade by drawing 1X1 angle from N2. Enter SHORT M.O.C. on CLOSE below 1X1 angle, at 57.40 on August 5th. Place buy stop at S (defined risk) 59.60. Next, place order to add to SHORT position by drawing a horizontal line from (A). Enter SHORT M.O.C. on CLOSE below horizontal line at 55.50 on August 14th. Next, lower stop to original enter on both positions to 57.40 (buy stop). Next, place open buy order to cover both SHORT positions at 51 .00 (180' opposition from 4-13-87 on GANN WHEEL). Order filled on 8-24-87 (cancel buy stop at 57.40).

Veiled Language Uncovered

By James Hyenzyk

It is my understanding that W.D. Gann wrote many of his books and courses in a hidden, veiled language. This was done intentionally. However, it was not designed to deceive the public. He was merely writing in the tradition of the Great Masters who wrote n the language of the astrologer. These Great Masters not only knew what to write but when to write. Gann considered himself to be a Great Master who had something to say and knew of something which would cause his writings to be read and reread by the world-at-large. Gann like the Great Masters like the Great Masters knew of and took advantage of a Time Factor which produces or creates permanency and constant reproduction. This Time Factor was the “when” to write. This is why Gann’s work is still popular today over 30 years since this death.

The purpose of this article is to reveal a few of the hidden astrological references that Gann scattered throughout his books and courses. By no means is this to be construed as a complete list of astrological veils. I am sure that Gann’s genius has hidden many that are well beyond the scope of my knowledge.

One of the first astrological references that I discovered while researching Gann’s work dealt indirectly with the markets. Instead, it was a reference to a natal chart of an individual. In his booklet, W.D. Gann, Economic Forecaster, Gann stated that he would only sell his courses to people who met his requirements. If he felt that after a thorough investigation a person would not make a success trading his method, he would ‘refuse” to send them the course. I believe that this “thorough investigation” was based on Gann’s interpretation of the individual’s natal chart.

Gann used basic natal chart delineation to determine if a client has a strong fifth house emphasis. The fifth house is considered by astrologers to be the house of speculation. If he found a strong fifth house emphasis, he figured that the individual would be drawn to speculation. He also looked at the money or second house to see if there was a connection to the fifth house. Finally, Gann looked for favorable aspects to the planets in these two houses. By studying the cycles and patterns in an individual’s chart, Gann was able to determine if success would come easily, or if it would have to be earned. He probably refused to send his course to individuals whom he felt would have more success in areas of life other than money.

The Gann Commodity Course is another good source for hidden astrological references. For example, in has chapter on Forecasting Grains by Time Cycles, Gann states that “Bottoms and tops change over a period of years not only because Supply and Demand change, but because the forces or causes of price change and on account of longitude and latitude. The cycle that it is working in either forms squares or triangles which lowers or raises prices according to the forces which produce the energy that causes the moves.” This paragraph in the course may not make sense to the average reader because it was written in the language of the astrologer.

The key words of this most interesting paragraph longitude, latitude, square and triangle are all basic astrological terms. Longitude is important because it is the primary tool of the astrologer. It is the distance, angle or aspect, measured along the elliptical path of al the planets from the beginning of Aries to the end of the sign Pisces. The latitude is the distance or angle, expressed in degrees north or south of the elliptical path. Squares which are considered bearish refer to planets 90 degrees apart. While Triangles or Trines which are considered bullish are 120 degrees apart.

Gann based his financial astrology theory on the premise that planetary longitudes could be converted to price. By doing this he as able to determine which planets were providing support and resistance to the markets. There is also evidence that Gann thought the planet Jupiter has a positive effect on the market that encouraged expansion in price. Saturn on the other hand was considered negative and restrictive to the market.

Taking all of the above into consideration, it can be determined that Gann believed markets make tops and bottoms based on the longitude of the active planets, namely Jupiter and Saturn. He also believed that as long as a price is 90 degrees or square to another planet, the market could move lower. In addition, a strong up move would be expected if the price were 120 degrees or trine to a planet.

Finally, the best source of Gann's astrological theories is the book Truth of the Stock Tape. If studied carefully, this book will reveal to one Gann's use of the phases of the moon, the lunation chart and the solar ingress chart in putting together a one-year forecast. Gann also discussed how he determines the swings of the Stock Market by using a Time Factor, the commodity curve, the money curve, and the curve of stocks. I strongly recommend that the serious Gann student use this book in combination with the Gann Commodity and Stock Course to develop a better understanding of how to forecast the markets.

In conclusion, as I mentioned in the first paragraph Gann wrote in a hidden, veiled language. He also stated several times in his works that it was not his aim to explain the causes of cycles. He felt that the general public was n M ready for it and probably would not understand or believe it if he explained it. Keep this in mind when you read his works and continue to look for the hidden meaning.

Jim Hyerczyk is a member of the National Council of Geocosmic Research. Also publishes a newsletter on Gann and Financial Astrology. He can he reached at P.O. Box 702, Worth, Illinois, 60465, (800-777-6060 and (312) 444-1155.

Continulink Data

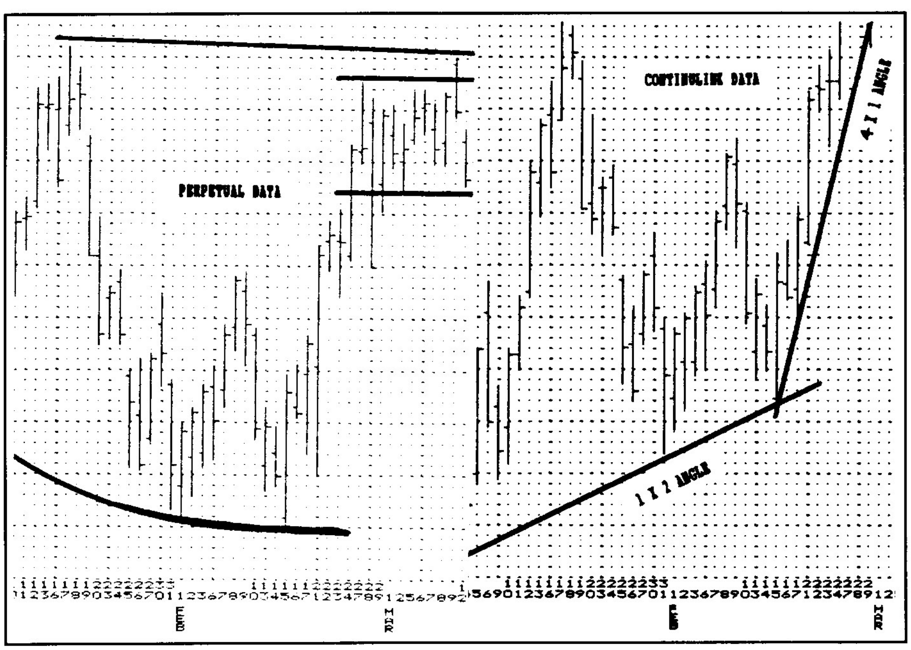
By David Green

Up until now, there have been three major methods of maintaining data and generating charts based on the data. They are as follows and probably account for 98% of data bases in use: One popular method is CSI Perpetual data. This method uses both a nearby contract and the next out contract. The two contracts prices are then averaged and time weighted.

Use of Perpetual synthetic data could result in your trading system giving false signals this is due to the price configuration being distorted due to the strong effect of the back contract. The back contract may display a much different signature and price pattern that the nearby contract your are trading. This can be due to seasonal factors. fundamentals, or thin volume compared to the nearby. In addition, the positive or negative contract premiums can cause major problems as it can distort the actual trend indicated by the nearby contract your are trading. This effect caused by increasing/decreasing spread premium can cause a pronounced change over time to the overall trend appearance.

Another often used method is nearly continuation data. Charts based on continuation data will result in price discontinuity and frequently large gaps, at contract rollover time. The gaps can have a dramatic effect on trading system indicators and also greatly alter chart perspective for "chart traders".

An additional well promoted method is Gann style data. Gann concept follows a specific contract for its life right from the start of trading. This is the opposite of continuation data that is constantly tracking new contracts. The major disadvantage to this method is that it can only be used with the W. D. Gann method of trading using Gann angles and time and price squaring. It doesn't work well with moving averages and various types of computer oscillators. None of the three popular methods above, due to the various reasons outlined, can be relied upon for



computer trading systems. None of the methods are truly valid for systems that rely heavily on price patterns, open-high-low-close relationships or chart trend perspective. All three methods are also of questionable or little value for long term back testing or development of a trading system.

A fourth method is proposed that will hopefully become widely used for computer trading systems in place of the three currently popular methods. Continulink data and charts generated from the data will solve all the problems alluded to and is by far the best method for computer trading systems. With this method you will only follow and maintain data on the active nearby contact being traded. The Continulink concept is based on mathematically linking the contract months on a pre-specified rollover date schedule. This is accomplished by back-adjusting all the historical data so that it corresponds to the new contract being followed and traded. To exemplify, the spread premium differential between the expiring and new contract is either added to or subtracted from all the historical data at rollover time. Once rollover takes place the date is maintained with the actual nearby prices being entered each day until the next switch over date occurs. There is an easy-to-use computer program to perform the rollover, back adjustment and management of historical data from the Trend Index Company.

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Mass Pressure Chart

By Nick Flamhouras

I started studying the works of the late W.D. Gann in 1973. The Dow Jones Industrials make their high in January of the year and were on their way to their ultimate low of 569 in December of 1974. the grains were in the bull phase os their cycle which would take the soybeans to almost $13.00 a bushel by June.

What was the driving force behind these bull and bear cycles? After much detailed study Mass Psychology was the obvious answer. But what good was this knowledge without knowing ahead of time when they would occur? Evidently, Mr. Gann found the answer, as a study of his now famous yearly forecasts would attest. It would take me almost ten years of study, pouring over historical data and re-reading his writings hundreds of times before I would have the correct “mind set” to understand.

For those of you interested in making these types of forecasts. I suggest you study any literature on astro-cycles as herein lies the answer to acquiring the correct mind set. What is meant by the mind set? This is the term used to describe when your mind is ready to accept certain laws. Until this time your eyes will see the answer, but your mind will not believe what it sees. I don’t have enough space in this article to teach a complete course in astro-cycles, but there are some key angular relationships that should help you.

First, Mr. Gann teaches us to look for changes in trend every 90, 180, 270, 365 days for important highs and lows. This is because the sun moves roughly one (I) degree per day; thus, after 91 days or 13 weeks the usn is square or 90 degrees from the high or low you started your count from. A time to start watching for a change of trend either major or minor. We would use the same reasoning 183 days later when the sun was in opposition (180 degrees) from its place at the low or high and start looking for technical indications of a change in trend. Now, we can use these same key angles in our astro observations to help us find termination points.

In this example I will use the cycle of the planet Jupiter. When the Dow made its low in August 1982 Jupiter’s position was 212 degrees longitude. In August of 1987 when The Dow made a top around 2700, Jupiter’s new position as 29 degrees longitude or 183 degrees to its starting point in August 1982.

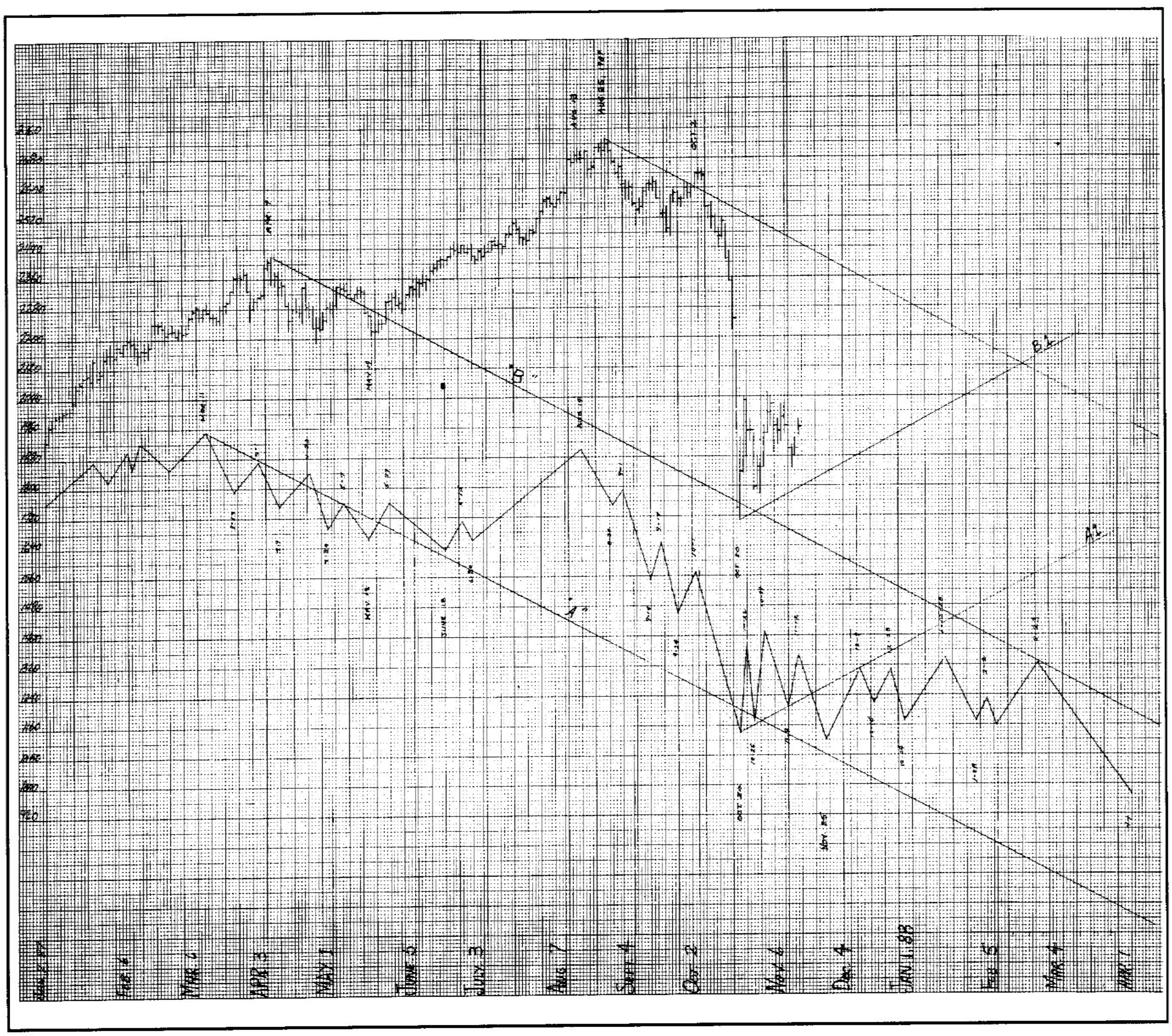
A point in time to start looking to our technicals for an indication of a change in trend. Are these astro-cycles merely “coincidental”, maybe? But who cares as long as they can help us become successful. If you did not have the correct mind set you would not have believed this cycle would be a valid one to observe. Don’t forget that “Nature does not cease to exist where we cease to perceive her.”

I have enclosed my 1987 annual forecast for The Dow Jones Industrials Averages and carried it out into the end of February 1988. Let’s start with January 1987. Note the Mass Pressure Chart indicated a move to March 11 and then a decline. Actual top on The Dow was April 7 (27 days) later. When the Dow made the low on may 19 the Pressure Chart was indicating May 18. From here the forecast was for slightly lower prices until June 18. As you can see, The Dow was showing considerable strength by moving higher while the Mass Pressure

Chart was moving lower. From here we get back in gear as the MPC was indicating upward pressure until August 13. The actual tip was made on August25 (12 days later). Now, it gets interesting; the MPC was showing a building up of negative pressure which would not subside until October 20 and although The Dow stayed in a tight range at high levels between August 25 and October 2 it had to play catch-up to balance out time on October 20. Also note I have drawn an angle (A) off the forecasted top of March 11 which coincided with the low of October20 on the MPC. I also drew and angle (B) from the actual top of April 7 which also caught the low of The Dow on October 20. Powerful stuff!

The first two months of 1988 look sideways to somewhat lower. From here, the market should trend higher moving above and below Angle B until October to November 1988. Past performance in no way can assure future forecasts will be as accurate as these have been. These road maps of time should be considered just another tool in our quest for market profits.

Annual Forecast of the Dow Jones Industrial Average



Stock Market Timing Using Astrology

By Larry Pesavento

The subject matter concerning astrology is quite extensive, to say the least. Part of the problem is that it requires a great deal of study to familiarize yourself with the position and mathematics of our solar system. In addition, there is the question of whether to use geocentric (Earth-centered) or heliocentric (Sun-centered) astrology. The answer to this is that both must be analyzed in order to be prepared for the unexpected.

The use of the computer software program “Blue-Star” from Matrix software has enabled the student of astrology to condense hundreds of hours of research into a more manageable time frame. This software program allows you to retrieve historical data based on the position of the planets. It is then necessary to go to past price charts and statistically verify what had precluded.. It was well worth the effort! Several of my colleagues questioned why I would share this information. My only response was that very few people would take the effort to learn how to use it in the market. I firmly believe that most good trading systems are sabotaged by the psychological weakness of its user. What is presented here is not a trading system and it should not be used as such. The material here is based on geocentric positions of the planets Venus and Uranus and their effect on short term trend changes in the stock market.

The two planets possess the unique Fibonacci relationship of .618! Figure I shows the relationship of Venus and Uranus when they are on opposite sides of the Earth or in opposition (180 degrees). This is how it would appear from the Earth looking into the sky. It takes 255 days for Venus and Uranus to make a complete cycle from conjunction (0 degrees) to conjunction (0 degrees). If we take 365 days and multiply it by .618 the answer is 255 days. When I first saw this relationship it was apparent that the cyclical implications would by revealing because of the Fibonacci number sequence.

Donald Bradley, in Stock Market Prediction by Llewellyn Publications, mentioned this effect on stock prices when Venus and Uranus were at certain critical degrees (aspect). After studying this phenomenon for many months, certain things became apparent from the trader’s viewpoint:

FIRST: The aspects were so accurate as a short term trading timing device that it could be used trading stock index futures (636 aspects were tested accurate to 92 percent plus or minus two days).

SECOND: The sample size was excellent! Over 60 aspects in a 90-year period from 1898-1987.

THIRD: Some aspects were associated with bullish price action, and others with bearish price action.

FOURTH: It was usually a short term (three to ten day) trend change, but more than 50 percent of the time the effect lasted several weeks.

The amount of research to verify this idea was frightening, but once I had seen the stock market reverse direction on these days, the question had to be answered. I have studied the technical implications of cycles in stocks and commodities for over twenty years and I must admit that it is the single most accurate short-term timing mechanism I’ve researched. Figure II shows the last six months of the Standard and Poors 500. Notice how the market abruptly changes trend on these days! How a trader may enter the market armed with this knowledge is a subject that deserves more space than is allotted in this article. Trend changes occurred on October 5, 1987 at Venus trifle Uranus (120 degrees); November 24 at Venus conjunction Uranus (0 degrees); January 14 Venus sextile Uranus (60 degrees); February 9 Venus square Uranus (90 degrees); and March 7 Venus trifle Uranus (120 degrees). Students of W. D. Gann have learned to respect these angular relationships.

Figure III shows that certain aspects have a positive effect and others have a negative effect.

For your convenience, I've listed the next six Venus-Uranus aspects in 1988. The serious market student owes it to himself to mark these days on his calender: May 19, 1988 Venus Opposition Uranus (180 degrees), May 27 Venus opposition Uranus (180 degrees); August 3 Venus opposition Uranus (180 degrees). These aspects are the same because of the retrograde motion of Venus or Uranus. My experience tells me that they will probably be more powerful than usual because of this retrograde motion. The second of October, 1988 has Venus trine Uranus; October 28 Venus square Uranus; and November 23 Venus sextile Uranus. Watch for changes in short-term trends on these days! Several other researchers have mentioned this Venus-Uranus correlation: James Mars Langham, Cyclical Market Forecasting Stocks and Grain, and T. G. Butaney Forecasting Prices.

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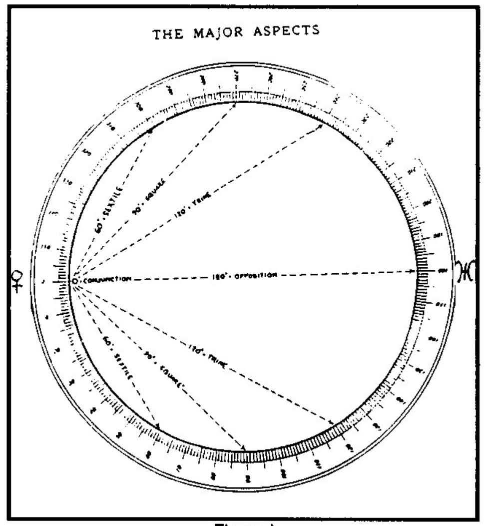


Figure I

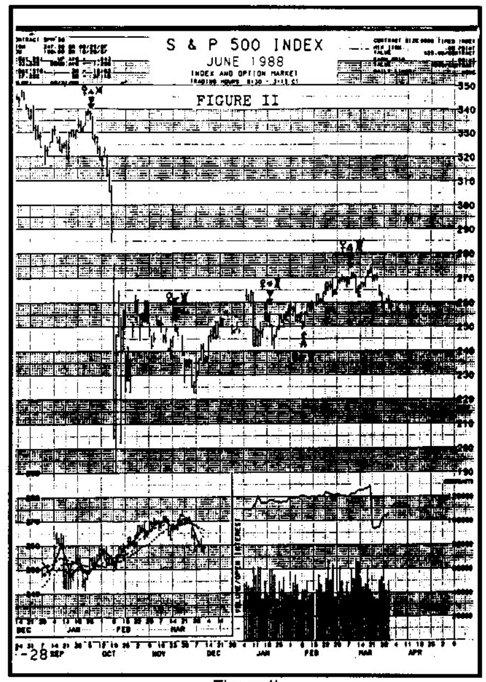


Figure II

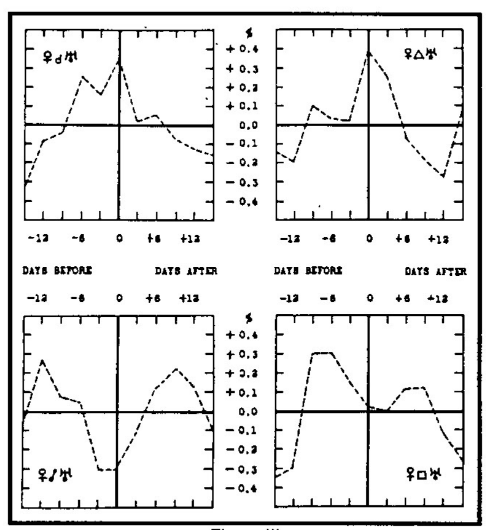


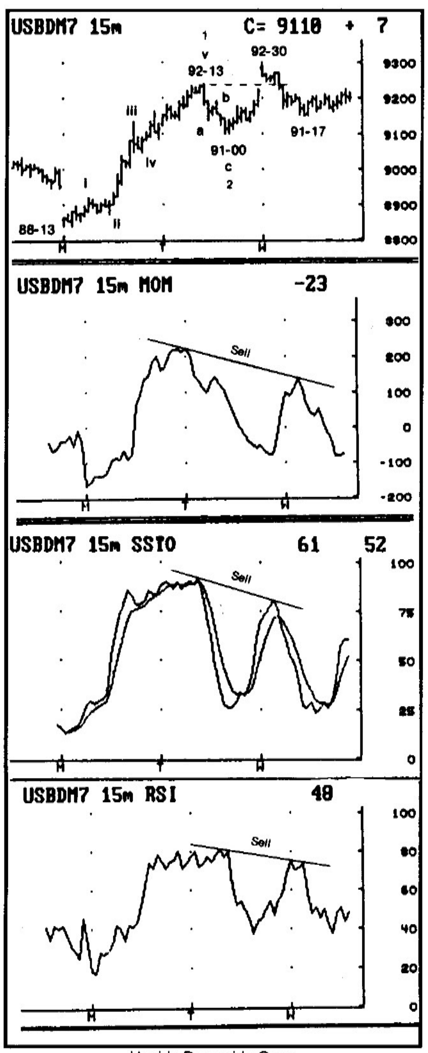
Figure III

Compuwave: An Introduction

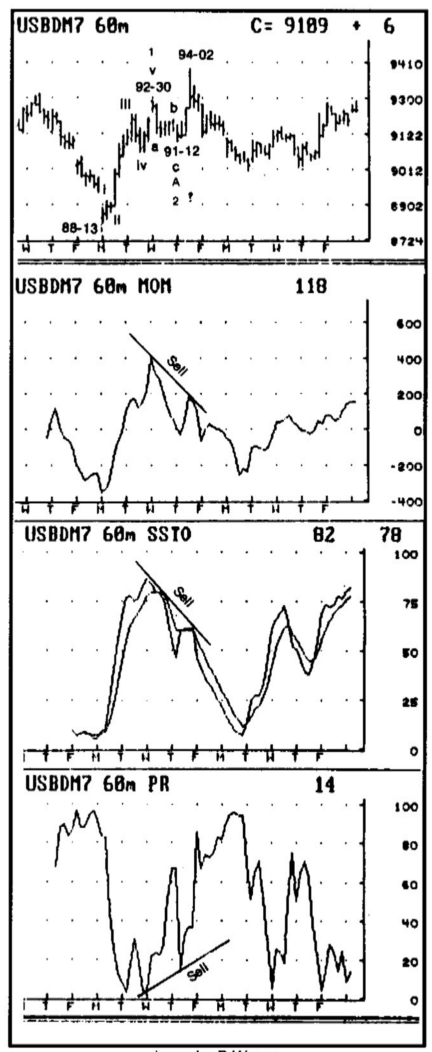
By Robert A Saperstein and Thomas Gautschi

The purpose of this article is to outline how COMPUWAVE analysis is profitable applied to the markets of the 80’s. Compuwave combines the projections of Elliott Wave analysis with today’s computer generated technical studies. The ideal markets to apply COMPUWAVE are those with large volume and broad public participation, so that mass psychology is represented in market moves. The U.S. Treasury Bond futures and the stock index futures markets stand out with these characteristics. Compuwave analysis can be applied to all time frames, from monthly down to intraday price swings.

The great advantages of Elliott Wave analysis are that the technician can anticipate market moves in a given wave structure and he can project amazingly accurate Fibonacci price targets. This allows him to construct trades, using the Elliott rules and guidelines, with well defined profit objectives and risk points. Even with these obvious advantages, Elliott Wave analysis does have limitations. The rules and guidelines are flexible enough to allow many different wave counts



Upside Downside Gaps

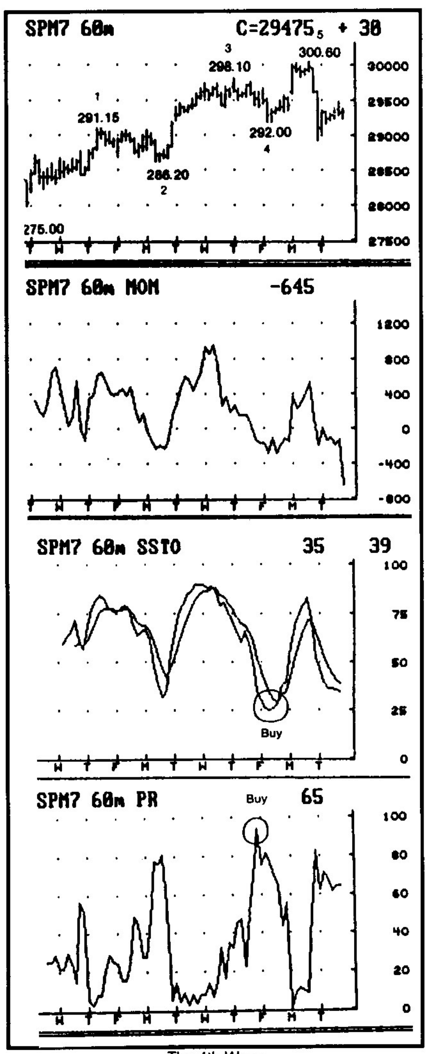


Irregular B Waves

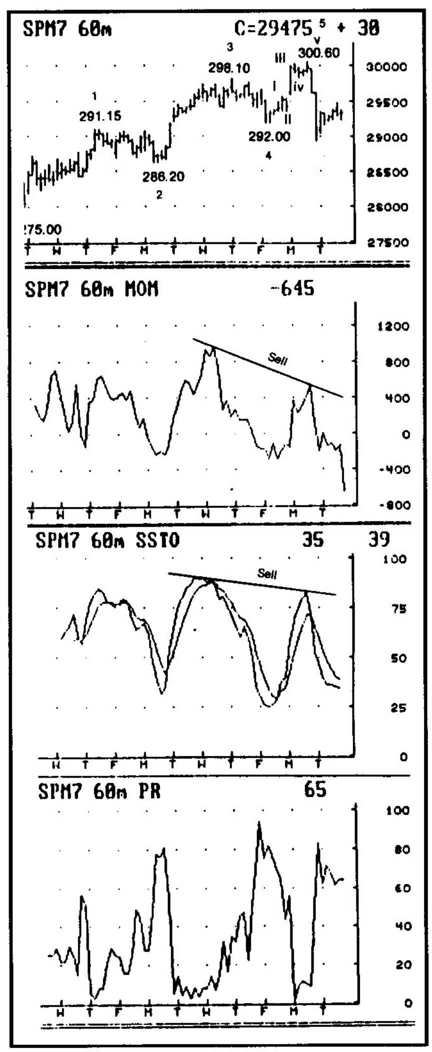
to be attached to a given market situation. The technician must look for all the possible counts, pick the most likely one by fitting the count into the next higher degree, and by determining the proper "wave personality." Determination of wave personality through market strength and weakness is where the computer generated studies can be applied. They will confirm the current count being used, or they can aid in the selection of the proper wave count from all the alternates.

The first set of COMPUWAVE tools are those used for standard Elliott Wave analysis. This begins with the hourly close-only charts of the futures and cash markets. The most actively traded 30 year U.S. Treasury Bond, S&P, NY Composite, and DJIA indexes are the cash markets to chart. Intraday 5, 15,30, and 60 minute bar charts are used to match the intraday price ranges with the hourly dots so that accurate Fibonacci price targets can be generated. Price targets for stock indexes are best calculated with the price swings, since the widely fluctuating futures premium causes wave overlaps or unreliable targets. Waves of larger degrees are counted on the daily, weekly and monthly charts. Cycles and bullish consensus figures offer additional support to the wave counts.

After using the standard Elliott Wave tools, wave confirmation or wave selection can now be greatly aided by the following computer generated technical studies: Slow Stochastics, Percentage of Range, Momentum, and Relative Strength Index. These mechanical studies



The 4th Wave



(Charts generated by Future Source Technical) will indicate when the market is overbought or oversold. Peaks of first, third, and fifth waves, and B wave rallies should give overbought readings on these studies. Second or fourth wave corrections and C waves within those corrections should give oversold readings. The studies also provide valuable divergence information. Third wave rallies should have the highest momentum in a five wave impulse. When the fifth wave rally arrives, Stochastics and Momentum peaks that are lower than where they were for the third wave will help confirm that the market is actually peaking a fifth wave.

After experimenting with many time periods to build the technical studies, 13 periods seem to offer the best signals. The slow Stochastics indicates an overbought condition when the k line crosses the d line in the area above 80 percent. Oversold is indicated when the lines cross in the area below 20 percent. The Percentage of Range indicator is best used as an oversold measure, when it moves above 95 percent. The Momentum indicator is best used to note divergences between waves. The RSI gives indications of being overbought at readings of 80 or above, and indications of being oversold at readings of 20 or below. Rate of Change, quite similar to Momentum, is also a useful study.

It is important to do the Elliott Wave analysis first, and then look at the technical studies afterwards. Initial wave analysis will provide a count or a few counts that have specific price targets attached to them. The mechanical studies will then aid in selecting the proper count, and a well defined trade can be constructed. Looking at the technical studies alone will give the technician an idea that a trend reversal is coming, but he will have no idea at what price to expect such a reversal.

When using the technical studies against the wave counts, be sure that the time frames of the studies are consistent with the degree of the waves. For instance, doing wave analysis on the hourly close only and hourly bar chart implies that the technical studies should be done on the hourly bar chart. In fact, at fifth wave rally peaks or bottoms on an hourly wave count, confirmation will often come with the 60, 30, and 15 minute technical studies all registering overbought or oversold at the same time.

Common situations where COMPUWAVE analysis can be applied are shown in the following:

1. Upside and Downside Gaps

Daily price gaps provide very useful information regarding the current count. For this article, a daily gap is defined as a morning opening above or below the previous day's range - excluding any evening or foreign trading. A gap that remains open during the trading session helps confirm that the market is in the third wave of an impulse, and trading in the direction of the gap carries a high degree of success. However, if the gap is filled during the day the follow-through is often very swift. *In this example the Bonds appeared to have counted five waves up from 88-13 to 92-13, completing a larger wave 1. A corrective three wave move to 9 1-00 was four ticks shy of a 38 percent retracement, and a rally to

92-08 into the close followed. The market was ideally set to gap up into a third wave. A look at the Stochastics showed that a buy signal was given for the two wave pullback. The next morning the market gaped above 92-13 by opening at 92-28, but the Stochastics, Momentum, and RSI were diverging with the peak at 92-13. This indicated that the gap must remain open to keep the market in the third wave. Therefore, whether long or not, a sell stop at 92-12 allowed the trader to catch a swift move to 9 1-17 as the gap was filled. The gap turned out to be an exhaustion fifth wave gap to 92-30, and the low at 9 1-00 was labeled as a fourth instead of a two wave.

2. Irregular B Waves

Once a market makes a five wave advance completing a larger one wave, and then completes a three wave correction, the ensuing rally should be either a third wave or a B wave. A third wave will normally announce itself with a gap-up opening. In the absence of a gap, when the rally starts carrying above the previous fifth wave peak, the computer generated studies can help determine if the rally should be aggressively bought as a third wave, or if it is simply a B irregular false breakout. This example continues the previous one, which ended in a fifth wave exhaustion at 92-30. The following three wave decline to 9 1-12 could have been labeled as an A or 2 wave. The sharp rally from 91-12 definitely had the appearance of being a third wave.

However, the Momentum and Stochastics studies clearly showed strong divergences between this rally and the fifth wave peak at 92-30. Note also the divergence on the Percent of Range study. These divergences helped identify the move to 94-02 as a B irregular, which would now lead to expectations of a C wave destined to undercut the A wave at 91-12.

3. Diagonal Triangles

This example continues the previous two with the Bonds having peaked a B irregular at 94-02. The expectation now would be for a five C wave to undercut the A wave at 91-12 and find support at a Fibonacci target. The standard 38 percent and 62 percent retracements of the five wave rally from 88-13 to 92-30 were 9 1-07 and 90-04. As the Bonds declined, each leg down took the form of three waves and the ranges began contracting. This led to the possibility of a diagonal triangle, which occur in the fifth wave or C wave positions. Since alternate legs of triangles are normally related by 62 percent, another target for the termination of the C wave could be generated. The third wave of the triangle went from 92-16 to 90-26, a move of 54 ticks. Sixty-two percent of this move, subtracted from the fourth wave at 91-14 yielded a target of 90-13. Since the 38 percent retracement had already been violated, the target range for the end of C was 90-13 to 90-04. Now the computer generated studies would confirm the Elliott Wave targets. The Percentage of Range study peaked at 96 mid-day on Monday, while the Stochastics study generated a buy signal after the opening on Tuesday. The C wave ended just before Monday's close, right into the target range at 90-12. Note also the divergence in the Momentum on the way down.

4. The 4th Wave

One of the most structured trades that Elliott Wave analysis can offer is buying a 4th wave against the top of a 1st wave. Since a 4th wave should never overlap the 1st wave, once the bottom of the 4th wave is targeted the risk becomes the distance between the target and the top of the 1st wave. The profit objective will be to liquidate above the peak of the 3rd wave. In this example the S&P rallied in a 3rd wave advance from 275 to 298.10, and it appeared to have potential to turn into a 5th wave rally. The targets for a 4th wave pullback were 293.55 for a 38% retracement of the 3rd wave, and 293.15 where the 4th would have equality with the 2nd wave. As the market came down into the target area, a look at the computer generated studies helped confirm that the decline was a 4th wave, even though it exceeded the target area by moving to 292. The Percentage of Range peaked at 94 into the close on Thursday, while Stochastics were entering an oversold area. Going long in the target area or below would require a stop at 291.10, just below the peak of the 1st wave, with an objective to liquidate above 298.10. The Stochastics further confirmed the 4th wave as it gave a buy signal during Friday's trading. The cash market also held much better against its 1 wave, giving the trader encouragement.

5. The 5th Wave

5th waves, as the final moves in an impulse, are clearly confirmed by the computer generated studies. The most powerful part of an impulsive move is located in the 3rd wave, while the 5th wave should be expected to be less dynamic. This difference in momentum in the two waves is exhibited by divergences in the Momentum and Stochastics studies, as shown in this example. After have bought the 4th wave in the previous example, the emergence of a 5th wave is confirmed by the studies as the diverge into a move above the 3rd peak at 298.10. The maximum that this 5th wave was expected to go was 303.90, since it could not be larger that the 3rd wave (which was smaller than the 1st wave). Once the market was above 298.10 though, the 5th wave could terminate anywhere between there and 303.90. This particular 5th wave was subdividing into 5 waves itself, with the peak of its 3rd wave a 300.25. So attempting to exit on a 5th of a 5th above 300.25 was perfect as S&P rallied one last time to 300.60.

Traditional Elliott Wave analysis is in itself a very powerful tool. Now the availability of the high speed computer’s technical studies makes wave analysis even stronger. The objectivity of the studies helps to bring wave analysis to a more scientific stage by reducing some of the uncertainties in proper wave selection. The COMPUWAVE combination of wave analysis with the computer studies’ confirmations produces trades that have the highest probability of being profitable. Nothing could be more straightforward than having a 5th wave target met along with the 60, 30, 15, and even 5 minute studies all at their extremes to exit the impulse and position yourself for the correction.

The examples presented in this article are just a few of the many instances where COMPUWAVE can be applied. Elliott Wave patterns are constantly in the process of unfolding. Careful attention to the weekly, daily, hourly close only and intraday charts for wave counts, supported by extremes and divergences on the computer generated studies, will produce a great number of structured trades with Fibonacci price projections and wave guideline risk points. It is often said that “they don’t ring a bell at the top,”, but COMPUWAVE should help ring its own bell for you.

Robert A. Saperstein and Thomas Gautschi produce the weekly market letter, COMPUWAVE, 36 Clearfleld Rd., Succasunna, NJ 07876.

Gann and the Planets

By Gregory Legrand Meadors

W.D. Gann used many esoteric techniques to predict future market direction and price targets with amazing accuracy. In the present context, the word “esoteric” means, “understood by only a chosen few” (Webster). These methods were never revealed in any systematic way, and many of the principles which Gann used in his forecasting system are awaiting your discovery. Some of these principles can be found in some of Gann’s fictional writings, which on the surface do not appear to have much to do with the market.

Such a book is Tunnel Thru The Air, in which Gann reveals some of the methods which he employed for his success. The esotericism of Gann’s forecasting is well known, but lesser known is the ancient body of esoteric sciences upon which Gann drew. Such sciences include numerology (the universal language of numbers), astronomical cycles, astrological interpretations, time cycles, Biblical symbology, and sacred geometry. These sciences contain

DATE	TIME	ASPECT
AUG 07, 1987	11:34 AM	☉ △ ♄
AUG 10, 1987	09:53 PM	♀ △ ♄
AUG 11, 1987	10:54 AM	♂ △ ♅
AUG 14, 1987	01:11 AM	☿ △ ♄
AUG 16, 1987	00:24 AM	☉ △ ♅
AUG 17, 1987	01:36 PM	♀ △ ♅
AUG 18, 1987	02:18 AM	☿ △ ♅
AUG 21, 1987	01:16 PM	☿ △ ♃
AUG 22, 1987	04:19 AM	♂ △ ♃
AUG 23, 1987	03:25 AM	♀ △ ♃
	03:58 AM	☉ △ ♃
AUG 24, 1987	11:01 AM	☿ △ ♆
AUG 27, 1987	04:32 PM	♀ △ ♆
AUG 28, 1987	11:44 PM	☉ △ ♆
AUG 29, 1987	09:55 AM	☿ □ ♄
AUG 30, 1987	11:13 PM	♂ △ ♆
SEP 03, 1987	00:13 AM	☿ □ ♅
SEP 04, 1987	06:26 AM	♀ □ ♄
SEP 07, 1987	07:37 PM	☉ □ ♄
SEP 10, 1987	03:48 PM	☿ □ ♆
	05:16 PM	♀ □ ♅
SEP 15, 1987	08:52 AM	♂ □ ♄
SEP 16, 1987	00:06 AM	☉ □ ♅
SEP 20, 1987	06:16 PM	♀ □ ♆
SEP 27, 1987	04:50 PM	♂ □ ♅
SEP 28, 1987	05:46 PM	☉ □ ♆
OCT 16, 1987	08:59 AM	♂ □ ♆
OCT 24, 1987	08:09 AM	♃ △ ♅

THE HARMONIC CONVERGENCE. During the Harmonic Convergence all the planets formed multiple trinces (120 degree aspects) which exactly timed the market highs. All the planets then separated into the negative squares which generated a negative influence.

the keys to accurate market timing. For example, in this book Gann advises reading the Bible three times to learn about cycles and how the Creator reveals nature's universal laws. Obviously, such a study requires years to master and cannot be picked up by the dabbler.

To get some background on the influence of cosmic influences, you can read Cosmic Patterns by J. H. Nelson. Nelson was an RCA scientist who discovered a direct correlation between the angular relationship of the planets and Sun Spots which affected short wave radio transmissions. His discovery gave him the knowledge to forecast future radio disturbances and also proved the physical effect of unseen cosmic influences based upon the angles (aspects) of the planets (Luke 21:25).

The widely advertised Harmonic Convergence last August involved several planets in conjunction (same longitude) in the constellation Leo (fire sign which governs the fifth house of speculation in the horoscope). This powerful congregation of planetary influences also formed positive grand trine aspects (120 degree angles) with the outer planets, which culminated at the August 24 New Moon which was the top of the market.

The planets Jupiter and Saturn are cosmic opposites in astrological interpretation. Saturn governs time and depression, while Jupiter governs expansion. On August 19, Jupiter turned retrograde motion (a condition where the planets appear to be moving backwards as viewed from earth). This condition which decreases Jupiter's positive influence lasted until December. At the same time, Saturn turned direct motion (which increased its negative influence). Students of price activity should note that in the last 20 years there have been no major market advances during the three and one-half month Jupiter retrograde cycle.

On September 22 a Solar Eclipse occurred in the Earth sign Virgo a portent of future market direction when activated. On October sixth, Mars (action) passed over this Solar Eclipse Degree (29 Virgo) activating this negative Earth sign Eclipse. It was here that the market started its record breaking 13 day drop. This was a textbook astrological event (read Encyclopedia of Astrology of by Devore, 1947, on Mars passing over an Eclipse Degree). Is it any wonder that the market came down to Earth? Mars then formed the negative Square (90 degree) aspect with Neptune (confusion, illusion) and was exact on October 16.

At the same time that the Solar Eclipse was activated by Mars, a Lunar Eclipse occurred in the 13th degree of Libra (scales, balance). In addition, Venus (NYSE ruler) entered the Bear sign Scorpio (opposite Tarus the Bull) and formed a powerful conjunction (0 degrees) with the destructive planet Pluto (Plutonium). The bomb was dropped when this conjunction was exact on October 19 resulting in a 508 point one-day crash.

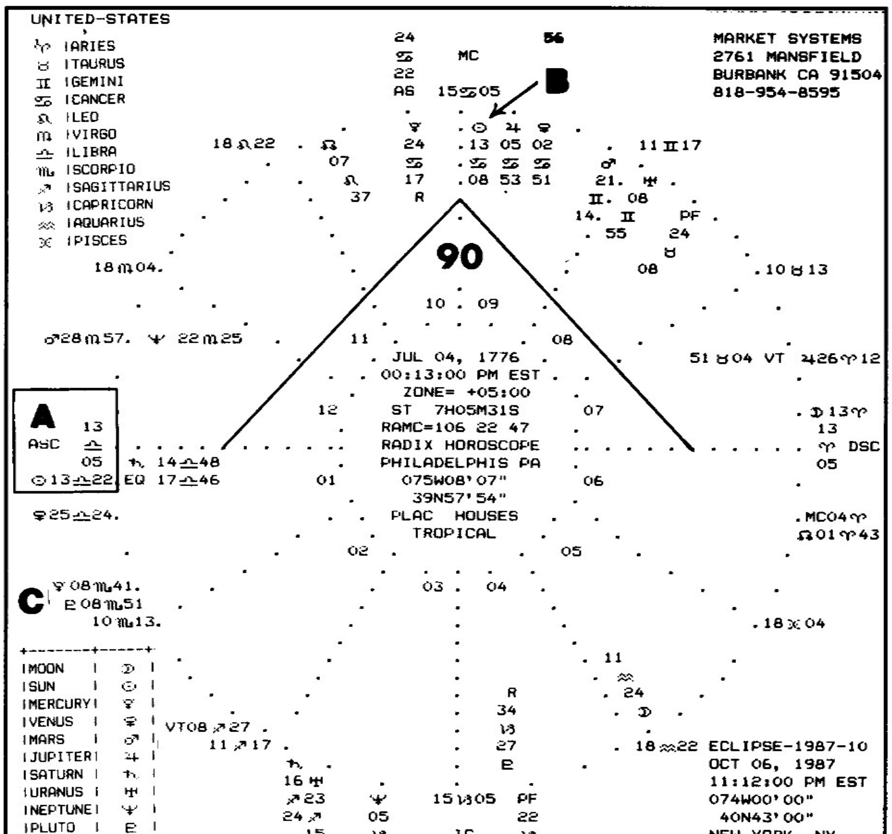
DATE	TIME	ASPECT
SEP 08, 1985	06:00 PM	♀ △ ♅
MAR 26, 1986	11:09 PM	♀ △ ♅
JUL 02, 1986	08:22 AM	♀ △ ♅
MAY 13, 1987	11:28 PM	♀ △ ♅
AUG 17, 1987	01:36 PM	♀ △ ♅
MAR 06, 1988	08:08 PM	♀ △ ♅
OCT 02, 1988	00:54 AM	♀ △ ♅

The market will usually move up for approximately two weeks as Venus approaches the 120 degree aspect with Uranus. The market generally declines afterwards. The short term cycle has been very acccurate in recent years.

Mercury (trading) was also conjunct to Pluto at 3 degrees Scorpio during the Lunar Eclipse. Around October 13, Mercury turned retrograde on the 13th degree in Scorpio, which presides over the eighth house of the Horoscope which governs other people's money, death, and destruction. For the advanced student, note the positions of the Lunar Eclipse and planets with the Lunar mansions (John 14:2).

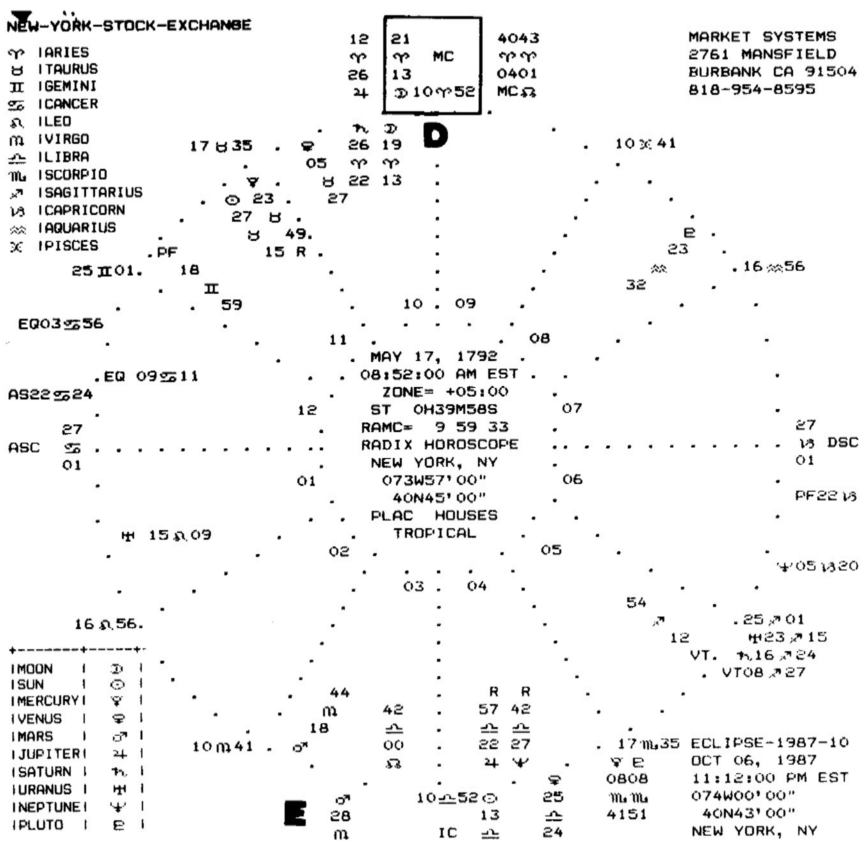
One astrological technique of forecasting which Gann used involves comparing the current planetary positions (transits) to the NYSE birth chart, and the use of progressions of the planets based on one year for a day (Ezekiel 4:7). According to McWitter's method in her book Astrology & Stock-market Forecasting (1932), the aspects to the planet passing over the Midhaven (top of the NYSE birthchart) are major indicators of market direction. Using this technique, one could have seen that Jupiter was in the Midhaven when the Sun started to form an opposition of October sixth and was exact (180) on October 19.

The number 13 is a powerful number in ancient symbology. The Dow high was 2722 (2+7+2+2= 13) which was 13 years from the October 1974 low. This number vibration (with the planets) clearly indicated the future market direction. They gave advance warning of the tidal wave of selling pressure last October. Many market letter writers and "advisors' claim that they forecast the August top and October crash, but before you buy market advice, ask to see the trade confirmations.



On the United States birthchart the October 6, 1987 Lunar Eclipse 1t 13 degrees fell exactly on the U.S. Ascendant (A) which was 90 degrees (Square) from the U.S. Sun at 13 degree Cancer. (B).

At the same time Mercury (communications, trading) was conjunct (0 degrees) with (destructive) Pluto (C) in the heavens. On October 11th, Venus (NYSE ruler) entered the Bear Sign Scorpio stinging the unwary investor during that week. She then formed the powerful conjunction with Pluto (plutonium) and the bomb was dropped when the conjunction was exact on October 19th resulting in a 508 point crash (Genesis 1:14)



The Encyclopedia of Astrology, by Devore (1947) states: "Eclipses on the places of the Sun, Moon, Ascendant, or Midheaven (M.C.) are however, unfavorable influences. Frequently their effects are not felt until some time thereafter, when another planet, principally Mars, transits (passes) over the degree on which the eclipse occurred."

The Lunar Eclipse at the 13th degree on October 6, 1987 fell on the NYSE Midheaven (D). At the same time Mars (E) passed over (conjunction) the September 1987 Solar Eclipse Degree (29 Virgo) generating an extremely negative influence. (Isaiah 13:10)

-EPHEMERIS-

+ 8:00 ET — Geocentric Tropical Longitudes for OCT 1987

Date	Sid. Time	Sun	Moon	Node	Mercury	Venus	Mars	Jupiter	Saturn	Uranus	Neptune	Pluto
5	8:53:52	11LI32 56	17PI05	01AR49	07SC03	23LI07	27VI46	26AR26R	16SA16	23SA12	05CP19	08SC47
6	8:57:48	12 32 02	01AR26	01 45	07 58	24 21	28 25	26 18	16 20	23 14	05 20	08 50
7	9:01:45	13 31 11	15 35	01 42	08 49	25 36	29 03	26 11	16 24	23 15	05 21	08 52
8	9:05:42	14 30 22	29 27	01 39	09 37	26 51	29 42	26 03	16 29	23 17	05 21	08 54
9	9:09:38	15 29 35	13TA00	01 36	10 21	28 05	00LI20	25 55	16 33	23 19	05 22	08 56
10	9:13:35	16 28 50	26 11	01 33	11 01	29 20	00 59	25 47	16 38	23 21	05 23	08 59
11	9:17:31	17 28 07	09GE02	01 29	11 37	00SC35	01 37	25 39	16 43	23 23	05 23	09 01
12	9:21:28	18 27 27	21 33	01 26	12 08	01 49	02 16	25 31	16 47	23 25	05 24	09 03
13	9:25:24	19 26 50	03CA48	01 23	12 33	03 04	02 54	25 23	16 52	23 27	05 25	09 05
14	9:29:21	20 26 14	15 50	01 20	12 53	04 19	03 33	25 15	16 57	23 29	05 26	09 08
15	9:33:17	21 25 41	27 45	01 17	13 06	05 34	04 12	25 07	17 02	23 31	05 27	09 10
16	9:37:14	22 25 10	09LE36	01 14	13 12	06 48	04 50	24 59	17 07	23 33	05 28	09 12
17	9:41:11	23 24 41	21 29	01 10	13 11R	08 03	05 29	24 51	17 12	23 35	05 29	09 15
18	9:45:07	24 24 14	03VI28	01 07	13 02	09 18	06 07	24 43	17 17	23 38	05 30	09 17
19	9:49:04	25 23 50	15 37	01 04	12 45	10 32	08 46	24 35	17 22	23 40	05 31	09 20
20	9:53:00	26 23 28	28 00	01 01	12 19	11 47	07 25	24 26	17 27	23 42	05 32	09 22

The Emphemeris shows the positions of the planets in the heavens during the Oct. 1987 crash.

The dates given in the “Cosmic Conversation” article (Feb. issue) were the exact trine aspects (120 degree) between Venus and the Big Wheel (change) Uranus (Ezekiel 1:16). Historically the market tends to move up prior to the completion of the Venus trine Uranus aspect, after which the market usually declines (unless more powerful vibrations are evident). This twice-per- year cycle recently occurred on the following dates: March 26, 1986; July 2, 1986; May 13, 1987; August 17, 1987; and March 6, 1988. Observe the market pattern two weeks before and after these dates. The drop into the November 11 time frame was based upon the Mars/Jupiter conjunction (0 degrees) and opposition (180 degrees) cycles which has timed many market lows and trend change dates. You can see it very clearly in August 1982.

Gann also mentioned the number 266 as a key in Tunnel Thru The Air and that the Biblical story of Jonah is the key to interpretation of the future. Could the number 266 represent 72 hours (2x6x6) which equals the three days and three nights in the story of Jonah or could it be the star (angle) of the Magi (Matthew 2:1)? There are other keys to this short story. Read it!

The Galactic Center which is located at 266 degrees of longitude (26 degrees, Sagittarius). Examine any geo-centric ephemeris and note that when the market crashed on October 24, 1929 (Black Thursday), the planet Saturn was at the Galactic Center (26 degrees 22 minutes Sagittarius). Saturn’s influence of timing and depression has a 29 year cycle. Would it not make sense to expect a sharp drop (third largest) to occur when Saturn reached the same location in the heavens? Would it not also be of significance if this date were a two year anniversary after the previous record drop on January 8, 1986. This planetary cycle from a previous crash date was missed by astrologers and market “advisors” who do not understand the cycles of previous market history. Did you know that the market also crashed on October 19(1937) completing a 50 year time cycle?!

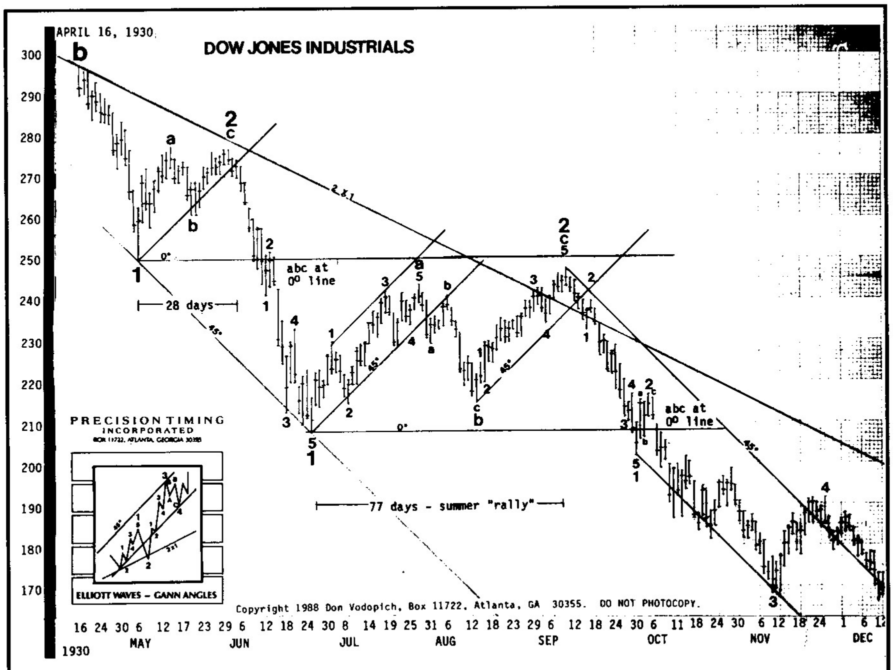
Many people laugh at some of these techniques, but they also lose their money in the market. When you have finished your lessons and have discovered the keys, you will then have knowledge. You will then be able to accurately interpret the “signs of the times” (Matthew 16:2-3) and the market with “uncanny” accuracy.

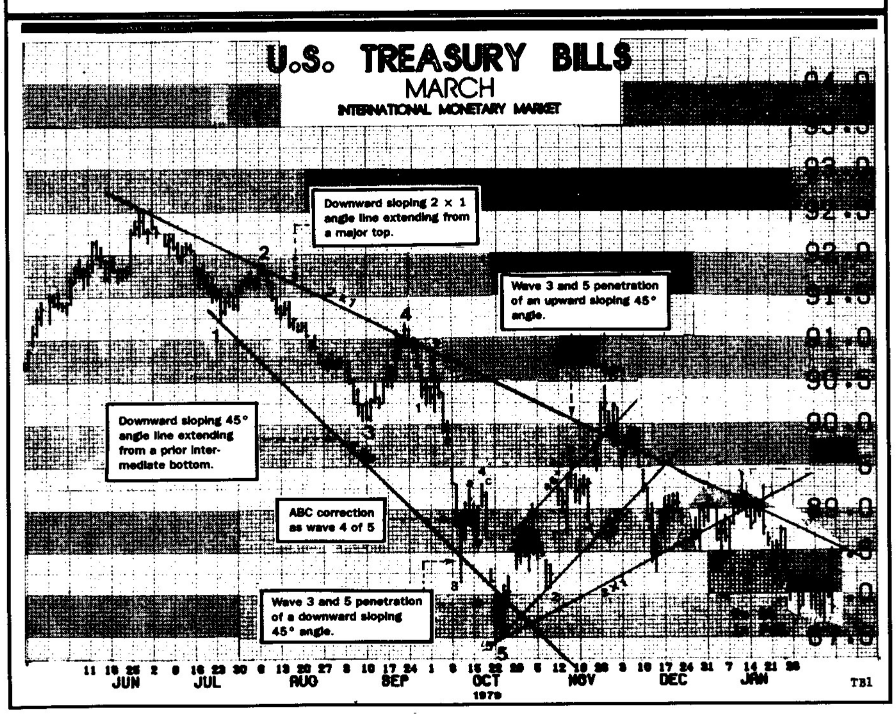
Understanding how Gann used the universal language of numbers, Biblical cycles, and sacred geometry are techniques that may be discussed in later articles.

Will History Repeat?

By Donald R Vodoptch

A lot of publicity has been generated about the parallel between the 1987-88 market and that of 1929-30, but few realize how precise the technical parallel has been. In fact, the Elliott wave structure of 1982-1988 compares very closely with the 1924-1930 wave structure. We can divide this period into three phases for comparative purposes.





1. The first phase is 1982-1987 versus the 1924-1929 period. The former was a virtual replay of the latter. Both contained fifth wave extensions.
2. The second phase covers the crash period. The decline from the top in both 1929 and 1987 covered exactly 56 days to the crash low point (October 29, 1929 and October 20, 1987). Both declines count as the “A” wave of an “ABC” bear market.
3. The third phase covers the rally from the crash low point. In 1929-30 stocks rallied for 169 calendar days to April 16, 1930, then began the long “C” wave decline. In 1987-88 stocks rallied for 175 calendar days (from the crash low point) to April 12, 1988, when the Dow Jones Industrial reached 2115.90. The other indices failed to better their March 18 highs. The rally in both situations counts as the “B” wave of an “ABC” bear market.

The conclusion is that all the technical elements are in place for a repeat of 1930-1932. In the 1930-32 bear market stock prices declined from 297.25 (April 16, 1930) to a low reading of 40.56 on July 8, 1932, a decline of 86.4 percent. But a look at the chart shows that the decline was rarely dramatic. It can better be described as a persistent erosion. There were several “ABC”rallies that took the form of flats, zigzags and triangles. The slow nature of much of the decline plus the many rallies served one purpose: It caused the market watchers to believe, to hope that the last decline was “the bottom.” It lulled the locked-in stockholders into a false sense of complacency and caused many to hold on to the bitter end. To quote the words of W.D. Gann: “Charts are records of past market movements. The future is but a repetition of the past; there is nothing new. History repeats and with charts and rules we determine when and how it is going to repeat.”

Don Vodopich is author of TRADING FOR PROFIT WITH PRECISION TIMING, Box 11722, Atlanta, GA 30305.

No Title???

By Joel Rensink

Most people get involved in trading commodities because they see the opportunities-prices always moving up and down-and realizing that if they are correct at the right times often enough, large profits will follow. In practice they find it isn't that easy, and start studying. Most Gann traders/students with whom I have become acquainted expend a great deal of effort to learn the ways of the market so that they can truly become professional traders. After all, trading commodities should be the perfect business, no employees or stock, just you and your money. Total responsibility for profits on you. And the losses. This is a great amount of responsibility.

There is a similarity between a professional trader and professionals in other vocations. Take for instance a medical doctor. It takes a great deal of education to be a good doctor. There are no guarantees for success when his diploma is handed out. If the doctor has chosen to be a heart specialist, there is no guarantee that his first cardiac patient will live or die despite the training that he received. The factors involved in his care for the patient are many: how well he studied under the doctors training him, the patient's condition relative to an average condition, how alert the doctor is to a change in the patient's condition, and ultimately, the validity of the treatment given to the patient.

Doctors are taught a methodology to care for the phenomena of health. All of it is based on numbers. Given 1000 flu cases, 366 responded will to this treatment while 687 responded better to this treatment. The more the apparent response the more the treatment is believed to WORK. A perception. Someone's.

If a doctor has enough patients and is successful with a large number of them, he will make big profits. But he has much responsibility--his success or failure is directly placed on his shoulders.

Interestingly, more doctors seem to be more successful in procuring profit than most aspiring traders. I believe the answer is in consistency. If a person decides to become a doctor, he is making a lasting commitment, one which demands effort, time, and BELIEF in what he is learning. This belief is undoubtedly based on results he obtains by following what he is taught. It becomes part of his nature to act on facts or rules, and when he goes into private practice he consistently follows the same pattern.

The aspiring trader doesn't necessarily have the commitment, or the desire to work on his trading for a very long period of time before he can be reasonable sure of profits. In fact, I have found that most traders aren't sure that they can even expect profits by following a certain way of trading. The reason must be that they haven't proven to themselves that any trade-able rule or group of rules followed consistently will end in gain over a long period of time.

In "How to Make Profits in Commodities" W. D. Gann stated, "Any method or system to make money trading in Commodities (or anything) must be based upon the exact law of mathematics." This seem logical, but is anything consistent enough to base a trading program upon?

It is possible to follow a mathematical system in the markets and gain in the long run. In the late 60's an interesting book was published by two mathematicians named Edward 0. Thorn and S. T. Kassouf, entitled, "Beat the Market." It contained their research and actual results of five years of market testing a mathematical system investing in stocks and warrants. When the book was published, the system had already produced an average yearly gain of 25 percent for the five years with no yearly losses. They showed how an average investor could employ the system with a $2,000 brokerage account, and even how one of the authors had more than double $100,000 in the five years of the test. The system proved in real-time to be consistently profitable in bull markets, bear markets, and even dead or sideways markets. The Holy Grail? Not by a long shot, but apparently effective. The writers showed that even if their strategy were employed through the 1929 crash it would have only profited--all the way up to 1966.

If the system worked as well as their proof why were they willing to put it in a book for anyone, including competitors, to read? They answered in chapter 11. Not only did they want to invest their own money in their system, but they thought they could easily sign up BIG money for a percentage of profits. It wasn't easy. BIG money thought it wasn't possible, or that 25 percent wasn't enough per year even if it seemed like it shouldn't lose. So they wrote the book proving their mathematical theory. Thankfully, that wasn't the end of it.

In as article in the WALL STREET JOURNAL, of April 6, 1988, the book "Beat the Market" came up again. A Mr. Regan, a stockbroker, met Mr. Thorn in 1969 after reading the book. Mr. Regan had contacts on Wall Street, and Mr. Thorn had his proven system. The WSJ reports that the two raised about $1.4 million and began investing, according to the system's precepts. The firm now has over $250 million in equity. According to the WSJ, the firm has had annual returns averaging 20.5 percent since 1969.

It won't take anyone very long to figure out how consistent profitability like that multiplies money. Yet the system and the idea has been there for 20 years. And still it works. All this goes to prove that if a person expects to make a profit from any freely traded market, it will have to be with a mathematically precise system or method and then followed CONSISTENTLY. That is why Edward Thorn is so successful. He discovered something that worked and then worked it. He is a professional, because he can follow his rules very well.

Probably not many of you are terribly interested in hedging stocks and warrants like Mr. Thorn. Lets assume then that accurate market trading is your aim. We all know that in Mr. Gann's books and courses that there are hundreds of rules and instructions. Which ones should you follow? Obviously, the ones which you can prove beyond a shadow of a doubt. Otherwise you will not be able to consistently, methodically carry them out. Gann said, "The difference between success and failure in trading in Commodities is the difference between one man knowing and following fixed rules and the other man guessing. The man who guesses usually loses. First, prove to yourself that the rules that I give you are good. They have worked in the past and they will work in the future. I KNOW they will work.. Don't take my word for it. Prove to yourself that they are good. You can make profits by strictly adhering to rules. Make up your mind. If you are not going to follow rules, don't start speculating ar trading in Commodities--or anything else for you will lose in the end" (Excerpts from PROFITS).

I believe that the main reason people have trouble trading on Gann indications is because they haven't absolutely proven that the rules REALLY work to themselves. I personally trade only on Gann's rules, no others. But only on the rules that I have tested and have seen work; over hundreds, even thousands of repetitions. I don't even think of them as Gann's rules anymore. I think of them as mine, because I proved them.

For example, Gann described a certain mechanical trading strategy in his commodity course called the "Trendline Indicator." He stated that if you were a conservative investor and only traded with this one rule as your guide, in active markets always in the market, you should have a large percentage of profits each year. He neglected to mention though, that it was possible to have large whipsaw losses if the market hot into a choppy range, and be a net loser.

Poring over hundreds of years of daily charts, I have proven to myself that this rule really does work, in active markets. To use this rule then, the only decision process becomes how much money do I want to trade on the rule and which market is the most active? If I had traded just this rule, for the last 11 months in T-Bonds, starting June, 1987 with believable fills, I feel I could have made approximately $ 8,300 per contract. Always in the market for the 25 trades it specified, long and short. This isn't too bad considering the violent up and down moves, whipsaw moves and fear and panic in the market place. But I didn't. Why? I'm human. I don't LIKE the idea ofjust trading on just one rule, even if I have proven it beyond a shadow of a doubt, to myself. I feel it is possible to have a better edge by a combination of rules. So do many others who trade by Gann theory. Hence this magazine.

This naturally means work. That's okay, considering how well our competition considers work today. Cornelius Vanderbilt, 19th century millionaire, being asked as to the best way to make a fortune, is reported to have said in reply, "There is no secret about it, all you have to do is to attend to your business and go ahead." In other words, just be consistent.

Joel Rensink is a trader and provides personal instruction for advanced Gann students. 451 Lake Ave., Balaton MN, (507)734-2052

Price Pattern Studies I

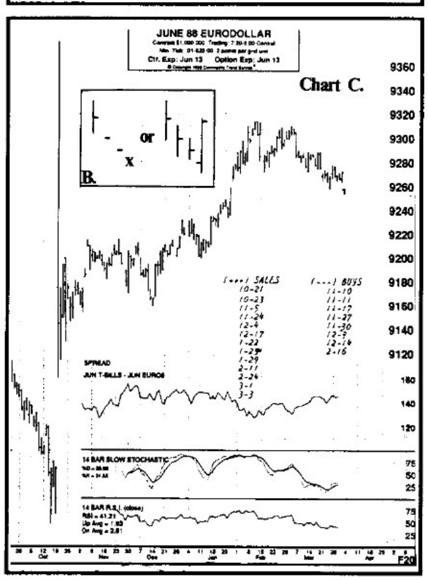
By Toby Crabel

In this study I have tested all possible two, three, four, and five-day close to open patterns for the T. Bond Futures market from 1978 to 1987. Three items are provided to explain the information. 1) A listing of patterns (Table A). 2) A graphic display of a pattern (Chart B). 3) A chart of June Eurodollars with examples of two of the patterns (#5:(---)), (#12:(+++)),(Chart C.) The Eurodollar chart is used in place of T. Bonds to display an actual day session open. The chart service used shows T. Bond night session opens on the daily bar chart. This study should be used in conjunction with day session opens only.

A.

BOND OPEN TO CLOSE SYSTEMS

SYSTEM NUMBER	PATTERN	BUY/SELL (B) (S)	#/TRADES	% PROFIT	AVE. WIN	AVE. LOSS	TOTAL PROFIT
1.	++	S	597	55	501	391	61,900
2.	-+	B	475	54	395	440	6,594
3.	+-	S	445	53	452	403	21,530
4.	--	B	603	56	477	391	56,724
5.	---	B	277	58	529	410	37,615
6.	--+	B	246	56	397	446	5,729
7.	-+-	S	220	55	438	396	12,963
8.	-++	S	300	53	445	383	16,759
9.	+--	B	316	55	426	374	20,325
10.	+-+	S	210	49	444	403	1,820
11.	++-	S	217	52	477	416	9,818
12.	+++	S	263	61	564	461	43,847
13.	++++	S	119	62	488	470	14,993
14.	+++-	S	104	53	523	415	8,454
15.	++-+	S	101	51	432	393	3,248
16.	++--	B	148	56	472	369	15,200
17.	+-++	S	137	52	448	435	3,133
18.	+-+-	S	107	52	419	352	5,533
19.	+-++	B	122	58	379	414	5,783
20.	+---	B	148	59	506	468	16,429
21.	----	B	123	57	566	351	21,000
22.	---+	B	121	54	423	485	289
23.	--+-	S	112	57	455	417	9,086
24.	--++	S	157	55	443	332	15,317
25.	-+++	S	139	63	629	451	31,291
26.	-++-	S	105	50	444	424	645
27.	-+-+	B	107	55	411	446	2,865
28.	-+--	B	162	53	391	375	5,162
29.	-----	B	63	60	712	309	19,333
30.	----+	B	59	61	338	443	2,000
31.	---+-	S	50	56	480	358	5,571
32.	---++	S	68	57	430	233	10,004
33.	--+--	B	81	60	359	341	6,700
34.	--+-+	B	60	58	361	413	2,305
35.	--++-	S	55	51	439	371	2,278
36.	--+++	S	67	66	680	334	22,244
37.	-+---	B	77	56	578	494	8,052
38.	-+--+	B	62	56	304	389	134
39.	-+-+-	S	51	59	385	351	4,190
40.	-+-++	B	68	53	392	429	394
41.	-++--	B	75	51	544	315	8,999
42.	-++-+	B	55	51	423	397	1,123
43.	-+++-	S	53	49	620	448	4,023
44.	-++++	S	61	61	517	466	7,965
45.	+++++	S	53	62	465	450	6,376
46.	++++-	S	49	55	445	374	3,774
47.	+++-+	S	45	56	471	362	4,527
48.	+++--	B	68	63	421	420	7,611
49.	++-++	S	68	56	465	481	3,089
50.	++-+-	S	55	47	459	359	1,499
51.	++--+	B	68	59	461	442	5,060
52.	++---	B	68	63	452	443	8,346
53.	+-+++	S	67	61	600	586	9,353
54.	+-++-	B	49	53	478	465	1,726
55.	+-+-+	B	46	50	488	482	153
56.	+-+--	S	79	56	400	457	1,600
57.	+--++	S	86	53	446	410	4,125
58.	+--+-	S	61	57	445	467	3,423
59.	+---+	S	61	57	445	467	3,423
60.	+----	B	58	53	399	394	1,442

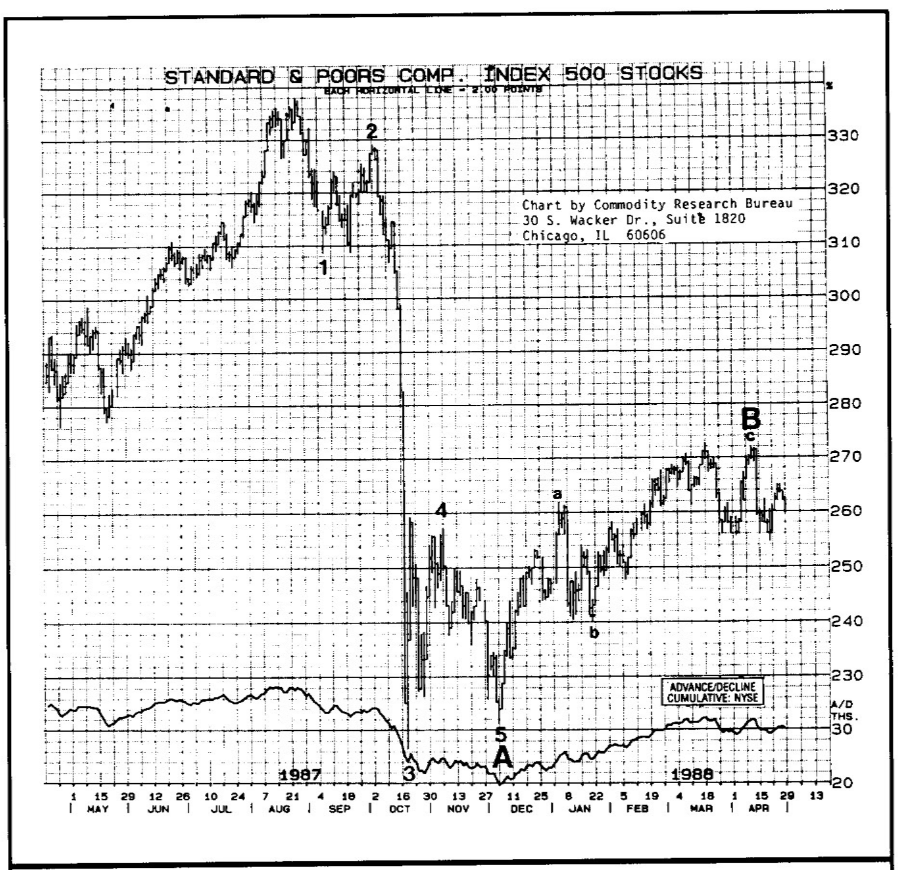


The primary objective of this study is to determine whether an intraday bias exists from open to close given the previous price pattern. A secondary objective is to define profitable trading systems.

A Compaq 386 personal computer with a custom written program for system development was used to test the patterns. The program used is system-oriented, therefore, the patterns are displayed as "systems". To determine a intraday bias, refer to the "% Profitable" column on Table A. To estimate if the system is profitable, refer to the "Total Profit" column, also on Table A.

Table A shows, beginning with the left-hand column, the System (Pattern) Number, the Pattern, Entry, # of Trades, Percentage of Winning Trades, the Average Dollar Amount of all Winning Trades, the Average Dollar Amount of all Losing Trades, and the Total Profit (Gross) before commission and slippage. In the Pattern column (+) symbolizes an up closing, (-) a down closing relative to the previous day. The exception is the sign on the far right which represents the open of that day and the point of entry for the trade.

Refer to System #5 on Table A and the first pattern on Chart B. The pattern is two lower closes with a lower open. This is represented by three minus signs (---) on Table A in the Pattern column. Beginning from left and working right, the first pattern on Chart B shows a daily bar with the closing price displayed. Immediately to the right of the daily bar is the closing that represents the next day's close (lower) and is the first minus sign in the (---) pattern. The next dash is also a lower close than the previous day and is the second minus sign in the (---) pattern. The last minus sign in the pattern (---) is the (X) on Chart B which represents the open. In summary, you have a lower close relative to the previous day followed by another lower close, followed by a lower open. In this case a long position was taken on the open of the third day and exited on the close of the third day. No stops were used in the tests.



The dates of entry on all possible buys after two lower closings and a lower open (#5) and all sales after two higher closings and a higher open (#12) are listed on Chart C. On the chart itself each daily bar shows the open (entry) with a dash on the left of the bar. The dash on the right of the bar is the close (exit).

I conclude that a bias does exist from open to close as evidenced by many of the patterns producing 60 percent or better results. Regarding the systems, gross profits are high enough on some to warrant a system trade, however, that is not the best application. Better systems do exist and I recommend further research using the most profitable patterns as the focus of the research. Note patterns 5,6, 12, 13, 21, 24, 25, 29, 30, 33, 36, 44, 45, 52, and 53 all of which will provide a good start in system development.

Some practical applications are to coordinate the patterns with support/resistance angles, and trend lines. For instance, an open on an important angle of support when a strong upward bias is indicated increases the validity of the support. Watch action around the open for confirmation of the bias before entering a trade. Place stops to enter just above or below the open in the direction of the bias. This should be done early in the session to anticipate early (urgent) entry on the part of market participants. Early entry usually results in a big move for the day.

The patterns can also be used to enter when a trend has been defined. For example, pattern #48; a buy after three up days, a lower day, and a lower open reflects a strong up market with a one day counter move. The lower open provides an excellent chance for low risk entry. The objective is new highs for the move. Note the high percentage profit (63%). I have observed that most of the best profits in this pattern come in strong uptrends. In trading ranges it is not as profitable.

I do not use these systems methodically in my trading but find them a useful starting point in system development. Increased and narrowing daily ranges can be applied successfully to the basic close/open patterns to form some very reliable systems. In fact, daily range differences relative to the previous day, or days, may be one of the most important concepts in system testing.

Toby Crabel is a registered CTA and owner of Toby Crabel & Company. He publishes “Market Analytics - A Logical Approach to Futures Trading.” For more information, contact Toby Crahel at RB&H Commodities, 1-800-621-2503 or at Market Analytics, (813)275-1651. All correspondence should he sent to Toby Crahel C/0 RB&H Commodities, 30 S. Wacker, Suite 1912, Chicago, IL 60606.

TBonds Square of 144 - Part II

By Phil/is Kahn

Recapping Part I of "TBONDS & GANN'S SQUARE OF 144" This square has been operative on the Weekly Bond charts since the all time low was made in 1981. The 1984 low was 144 weeks from the 1981 low, followed by a high on March 5, 1987 that was 288 weeks from the 1981 low and 144 weeks from the 1984 low completing the 2nd Square of 144. No one can deny the persistent continuation of this classic Gann and Fibonacci Square. Even the shorter divisions of Time have consistently produced important turning points, right up to current time.

The Midpoint in the 2nd Square brought in a major low that resulted in a momentum move up to the top of the Square exactly at the 2/3 Time Division (96 weeks). The end of the 2nd Square of 144 arrived right on schedule on March 5, 1987 bringing with it a change of trend from up to down as prices entered the 3rd Square of 144. Although the October low just below 7500 was two weeks prior to the 1/4 timing point, prices rested that week on a Gann 1x4 geometric angle rising from the 1984 low that gave strong support to the "flight to quality" powerful rally that followed. Traders using this Gann square were able to anticipate where the free fall in Tbonds would stop.

In Part I that appeared in the February 1988 issue of Gann & Elliott Wave, the 1/3 Time Division (48 weeks) was due on February 5, 1988. Gann's principle of Balance suggested that since prices had topped at 2/3 Time Division in the previous square, that a low would be made at 1/3 in the new Square. Instead, an inversion of the Cycle occurred and a TOP was made in the forecasted time slot NOT a bottom. This "180 degree out of phase" phenomenon is not uncommon. Since the top on February 5, prices have moved lower, breaking below the 2x 1 angle rising from the October 1987 low and then breaking below that all important 45 degree or lxi angle from the same low.

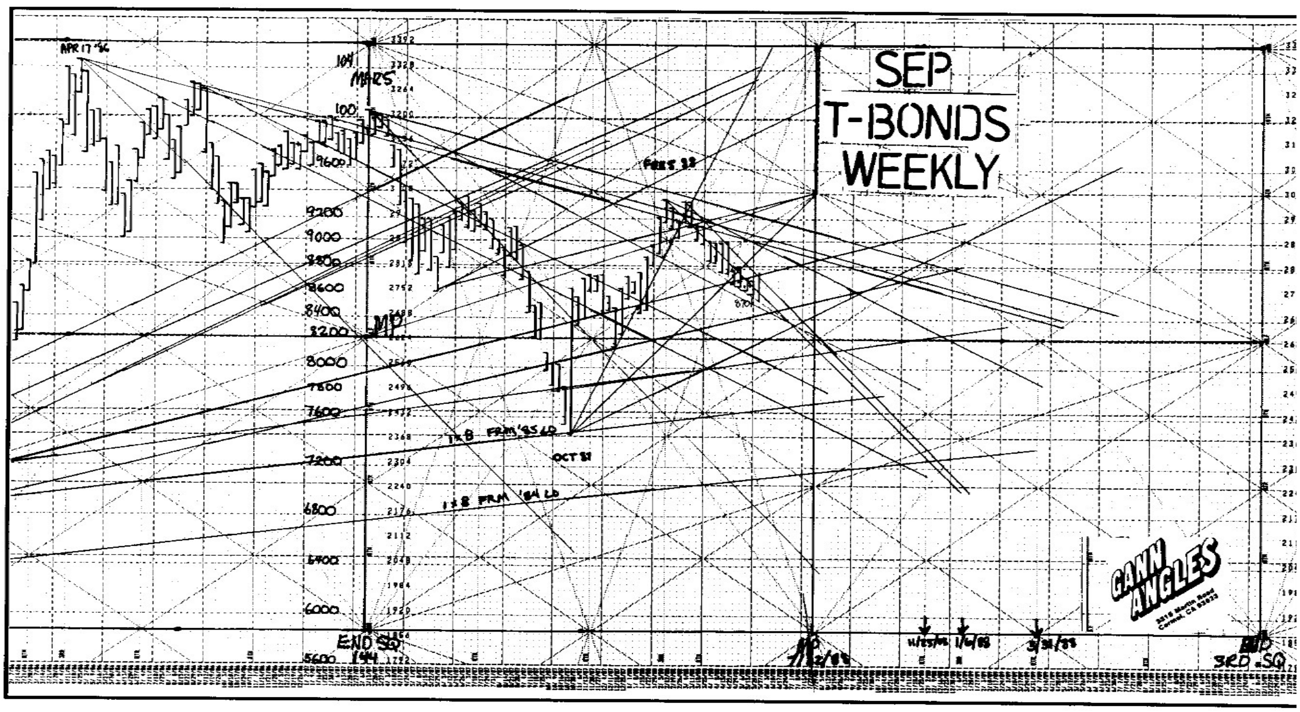
As the Master Price & Time Calculator is a forecasting tool with Time divisions as the vital key, we must look into the future to see what dates are signalled. In ranking the divisions on the Square, Gann considered the 'End' of the Square to be the most important. Just behind it in importance is the Midpoint or 1/2 of the Square followed by the divisions by "thirds." The remaining Weekly Time Divisions for the 3rd Square (also very significant) for Tbonds, are weeks ending:

The next major turning point in Tbonds is the Midpoint in week ending July 22, 1988. As the other two squares were bullish, this square in principle should be bearish, and in fact has been so. Because a high was made at the 1/3 Time Division in February 1988, the Midpoint should bring in a very significant LOW in July 1988 that will carry prices into a strong upswing that can last into the November 1988 2/3 Time Division.

Midpoint	72 weeks	=	Jul 22 1988
5/8	90 weeks	=	Nov 25 1988
2/3	96 weeks	=	Jan 6 1989
3/4	108 weeks	=	Mar 31 1989
7/8	126 weeks	=	Aug 4 1989
END OF SQUARE 144		=	Dec 8 1989

As we study the four Time Divisions that culminate in the “END OF THE SQUARE OF 144” in December 1989, we cannot know with certainty now which of the forecasted Time periods will be highs or lows. But even without that knowledge, we are able to identify a specific five day period in each quarter of 1989 that has a probability better than 80% of pointing to significant weekly reversal turning points from the then current trends. Anyone using this Calculator since the 1981 low, knows what Gann knew 50 years ago, that his Master Price & Time Calculator bestows upon its user, powerful foreknowledge available nowhere else. And nowhere is it more evident today than in Tbonds, the most heavily traded and most important of all futures contracts.

Phyllis Kahn is Editor of Gann Angles, 3315 Martin Road, Carmel , CA 93923, (408)624-8893.



In "Sync" With Natural Laws of Cause and Effect

By Jim Purucker

Since the February, 1988 issue of the GANN AND ELLIOT WAVE, another natural cause and effect timing point occurred the week beginning Monday, February 29 and ending Friday, March 4. Specifically, trades from the short side were presented in the T-Bonds, Muni-Bonds, T-Notes, T-Bills, and Eurodollars. Trades from the long side were presented in the Live Cattle, Hogs, Gold, Silver, Platinum, Crude Oil, Heating Oil, and CRB Index.

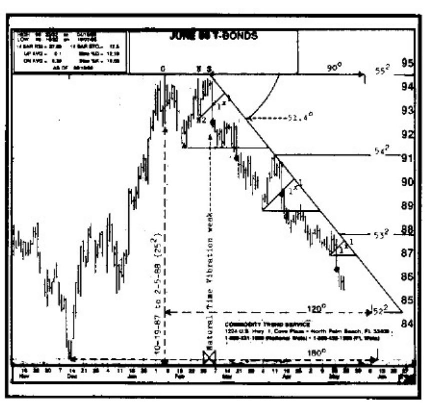
In chapter III of Gann's book, "How to Make Profits In Commodities," Gann states, "Time is the MOST important factor of all and not until sufficient time has expired does any big move start up or down. TIME must be allowed for accumulation (buying) or distribution (selling) BEFORE the trend can change."

Once you are aware of WHEN these natural timing points for the minor cycle of one year occur, the next step is to watch for the G-A-N-N2-(BIS) pattern to form on and around these TIME periods. Why? Because it takes TIME for accumulation or distribution to occur BEFORE the Natural Timing point is confirmed by the G-A-N-N2 price pattern. The G-A-N-N2 price pattern affords plenty of time (3-4 weeks) to SEE accumulation or distribution take place from G to B/S. As Gann says in Chapter II, page 29, of"HQwAQMak~ Profits in Commodities." "When you SEE the same picture or formation occur the second and third time on and around these Natural Timing points, you KNOW what it means."

There is an old adage, "a picture is worth a thousand words." I've changed this old adage to read, "a G-A-N-N2 picture, which occurs on and around these Natural Timing points, is worth 'X' number of dollars." You can fill in the 'X' with the numberof contracts you trade.

Why is the knowledge of these Natural Cause and Effect timing points so important to you as a trader? The following is an excerpt found on page 200 in Gann's book, "The Tunnel Thru the Air " which explains what occurs when these Natural Laws of Cause and Effect are violated.

Robert (Gann) was talking with an old veteran trader, Mr. Henry Watson. Mr. Watson told Robert the history of Daniel Sully. Mr. Sully had made 10 to 15 million dollars in the Cotton Market, but by violating and not following the "Natural Law." in March of 1904, he lost his whole fortune.



For those who are familiar with an Ephemeris, turn to March, 1904, and you can SEE the Natural Cause point which occurred in the first week of March, 1904,a leap year like 1988.

As an intelligent trader, don't you owe it to yourself to be prepared for these Natural Timing points and get in "sync" with these Natural Laws and reoccurring price patterns just as Gann did?

POSITION TRADE: SHORT JUNE, 1988 T-Bonds: Natural TIME vibration (2-29-88 through 3-4-88). Like produces like (3-5-87 TOP in T-Bonds).

The price pattern at the vibration point is defined by the word G-A-N-N2-S (S is for SHORT). Enter trade by drawing IXI angle from N2, enter SHORT M.O.C on CLOSE below IXI angle at 92-15 on 3-4-88. Place buy stop at 'S' (defined risk at 94-13). Next, place an order to add to SHORT position by drawing a horizontal line from 'A'. Enter SHORT M.O.C on a CLOSE below horizontal line at 9 1-01 on 3-li-88. At this point the price, an 'M' top, has confirmed entry into Gann's second section. Next, lower buy stop to original entry to 92-15 on both posltions. Next, draw a 51.4 degree angle from 55 2, 94-17 from 3-3-88, 360/7 = 51.4 degrees (51.4 degrees is the casing angle from the cardinal points to the peak on the Great Pyramid at Gizeh).

Next, add third short position M.O.C., by drawing IXI angle from 4-4-88 (after price touched 54 2 9 1-04, Even Square Pyramid Block on the GANN WHEEL square of '9') on close below IXI angle at 89-16 on 4-14-88. Next, draw horizontal line from 4-4-8 8 low and add fourth short position M.O.C. on close below horizontal line at 88-18 on 4-18-88. Next, lower buy stop to 89-16 on four short positions. Next, add fifth short position by drawing IXI angle from 5-12-88 at 86-29 and horizontal line from 5-12-88 (after price touched 53 2, 87-25, odd square Pyramid Block). Short M.O.C. on 5-17-88 at 86-10. Next, lower buy stop to 87-26 on five short positions. Next, as we are coming into the contract month, June as this is being written, place an order to cover the five short positions at 84-13 (18 2), otherwise, cover at the close on 5-31-88 and switch to September, 1988 TBonds.

In Gann's book, pages 43-44, "How to Profit From Commodities." Gann lists 28 Valuable Rules and states, "Anyone who follows them will make a success." The Key word is FOLLOW. Throughout the June TBond trade, Rule #25 was FOLLOWED. Rule #25 states, "Don't guess what the trend is. Let the market PROVE what the trend is."

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Using Gann with Astrophysics to Validate turning points.

By Hans Hannula, Ph.D..

Market Astrophysics is an analysis approach that I have developed over the last decade which produces a set of turning point dates based on a computer model of the physical universe. It is the purpose of this article to explain how I use Gann techniques to help validate these turning the S&P or the XMI. I call these AstroDow two, three, and four points, which have turning points about once a week, once a month, and once a quarter respectively. Clusters of these points together are, like any cluster of cycle points, very good trading opportunities. Like most such turning points, the AstroDow points are average points and may be off by a few days. For the best trades, additional information is useful to refine

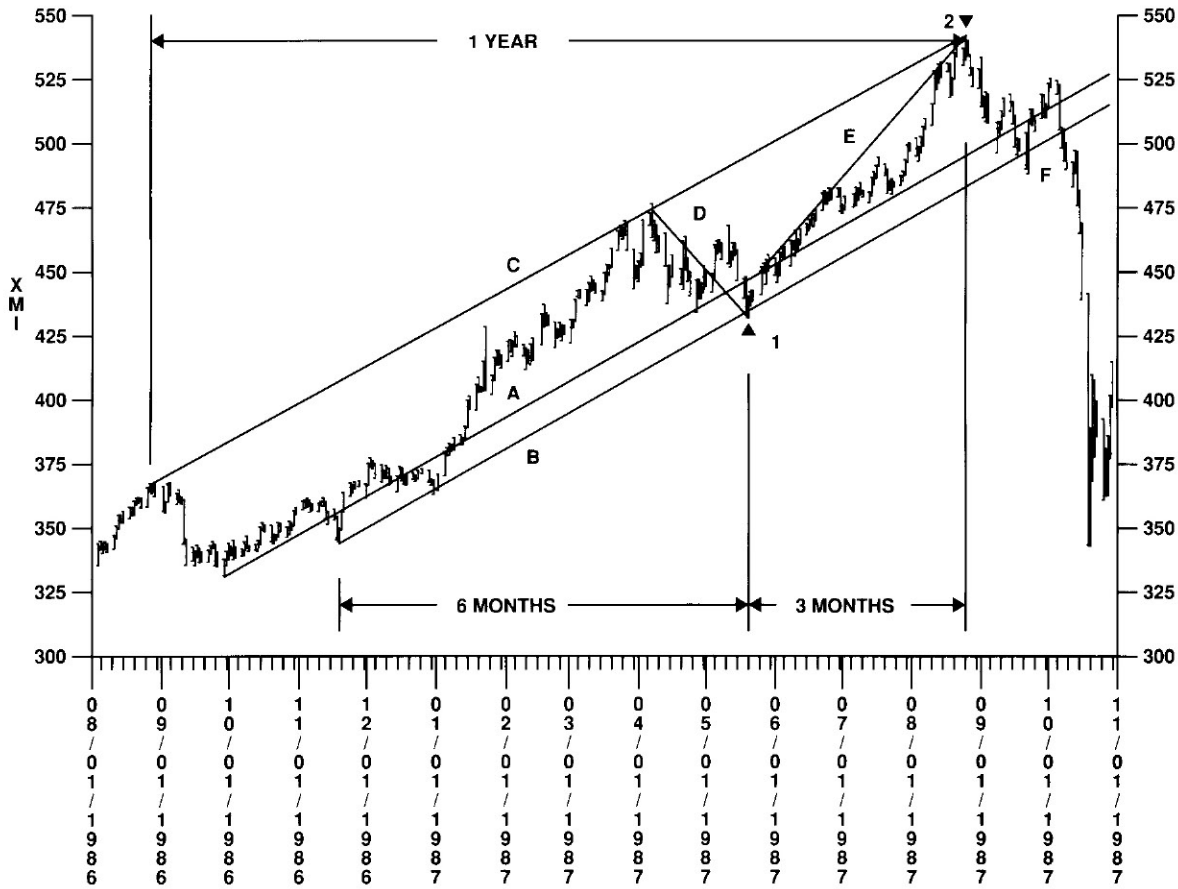

FIGURE 1. MAJOR MARKET INDEX

the timing and verify the point as a high or a low. Figure 1 is a daily chart (15 months shown) of the XMI points, thereby increasing significantly the odds of a correct trade. While applied here to the turning points I derive, this same validating approach can and should be used with any turning point system.

Turning point systems produce dates likely to be points of trend change, without necessarily calling for a high or a low. In my case, I have dates representing three cycles contained in the Dow or similar market averages, such as a losing trade. Further, if the market behaved normally, it could be expected to return to line C before a top was in place. I began looking for such a top as the summer progressed, and had noted the resistance offered by 1:1 line F. As August approached, I had an AstroDow cluster of an AD2 on 8/24 and an AD3 on 8/27. The latter was exactly one year from the 8/27/86 high from which line C originated. As the price action formed, it exactly touched line C on 8/13 and 8/25, the latter being within the AstroDow turning point cluster. Further analysis showed that this point was three months and a few days from 5/20, as well as at 541, exactly on the 180 degree angle on the Square of Nine. Going short for a return to at least line A was a high probability trade, with a stop at 543.

In both of these cases, I had used AstroDow turning point clusters to come up with a hypothetical change in trend date. Then I used basic Gann lines, time cycles, and the Square of Nine to confirm the hypothesis. This systematic application of Gann's work to support my own work allowed me to trade both of these points correctly and profitably. I also recognized the coming crash when line B was broken, but that's another story for another time. Meanwhile, if you trade any sort of turning point system, try supporting it with this trio of Gann techniques.

In mid May, 1987, as the market was declining, I was awaiting a major turn, based on having a triple cluster of AstroDow points. I had an AD2 point 5/25, an AD3 on 5/26, and AD4 on 5/24. All of these points were expected to be lows, because the prior point in each cycle was a high. By that time I also had a pretty solid up channel formed by lines A and C, with secondary channel bottom formed by line B. All of these are standard Gann 2:1 lines which rise 1/2 point per-day. From the top on 4/7, I also had drawn the down sloping 1:1 line D. Where this line intersected line B on 5/20 could be a support area. Further checking of possible cycles (see [4]) reminded me that we were six months from the sharp Boesky low of 11/19/1986. So there I was, with everything saying a major bottom was about to happen, and possibly a few days earlier than the AstroDow cluster.

When the market made a low on 5/20, then closed higher 5/21, I knew that the probabilities that the major bottom was in place were very high, about as close to certainty as one can be in the market. Further, the XMI index, which follows the Gann Square of Nine nicely, bottomed at 432, just one square off the 270 degree axis. It was possible to buy here with a very close stop, with little fear of a losing trade. Further, if the market behaved normally, it could be expected to return to line C before a top was in place. I began looking for such a top as the summer progressed, and had noted the resistance offered by 1:1 line F. As cluster of an AD2 on 8/24 and an AD3 on 8/27. The latter was exactly one year from the 8/27/86 high from which line C originated. As the price action formed, it exactly touched line C on 8/13 and 8/25, the latter being within the AstroDow turning point cluster. Further analysis showed that this point was three months and a few days from 5/20, as well as at 541, exactly on the 180 degree angle on the Square of Nine. Going short for a return to at least line A was a high probability trade, with a stop at 543.

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[l] Hans Hannula, "In Search of the Cause of Cycles", Technical Analysis of Stocks and Commodities, March, 1987.

[2] Hans Hannula, "In Search of the Cause of Cycles", expanded version reprinted in Cycles, Sep/Oct 1987.

[3] Hans Hannula, "In Search of the Cause of the Crash of 1987", letter, Cycles, December, 1987.

[4] Bill McClaren, Gann Made Easy, Gann Theory Publishing, 1987.

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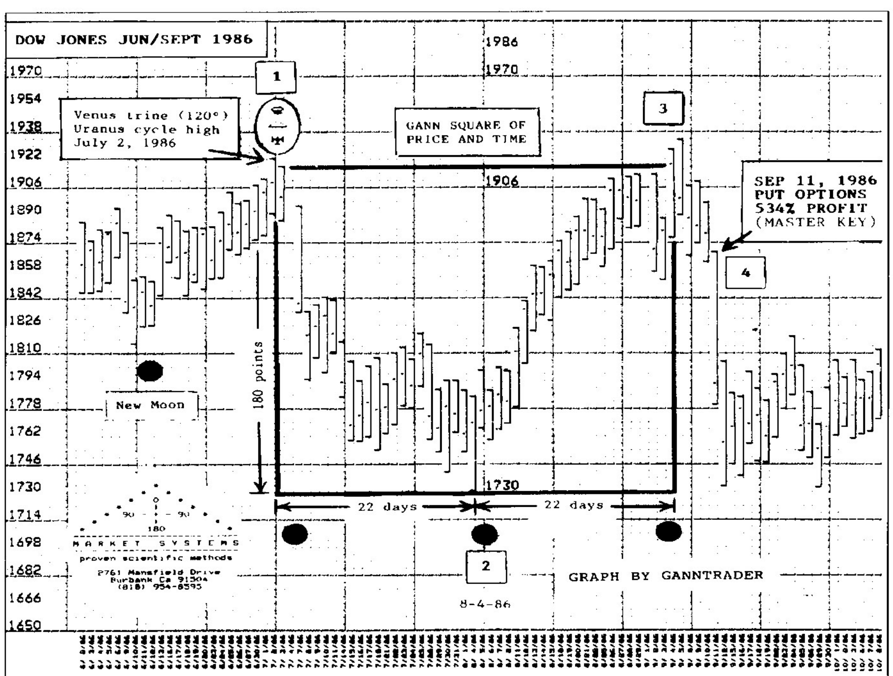
Beyond Gann: Biblical Cycles

By Gregory Legrand Meadors

In recent months, we have heard a great deal about astrology, especially the role it has played in the White House. This began a nationwide media focus on astrology, and its use in the financial markets. When you consider the financial power of foreign investors, many who use astrology, it should not surprise you that the markets often reflect astrological timing methods. Financial astrologers had information available to precisely forecast both the exact August top and the October crash! Why then, are the astrologers sometimes wrong? Perhaps if we look to W.D. Gann, the legendary financial predictor, we may find the answer. We know that Gann did not reveal his most valuable knowledge in his stock and commodity courses. For example, only through his writings did he advise students to read the Bible three times to obtain knowledge.

W. D. Gann did not rely on only one system to predict price movements. He used a variety of techniques, such as astronomical cycles which many astrologers fail to use. For example, Jupiter's position at the exact Dow low in August 1982 was at three degrees Scorpio. Jupiter's first opposition (180 degrees, 1/2 circle, cycle) to this sensitive degree (for the Dow) in the heavens was on March 22, 1988. A trend change occurred at this time!

Some of the more "modem" theories of market forecasting actually are mathematical principles that have ancient esoteric sources. For example, one theory uses the mathematical Fibonacci ratio which is revealed in the Great Pyramid. The problem with this approach is not accuracy, but rather reliance on only one forecasting method. Many followers of this method were looking for the Dow to explode during 1987 and reach the target of 3600. Because of their lack of knowledge of Biblical and astronomical cycles (some of these are also revealed in the



This is a perfect example of several "vibrations" coming together to form the Gann "Square of Price & Time". The Dow tops out on July 2, 1986 when Venus forms the 120 degree angle with Uranus (**1**). The Dow often moves up for two weeks and then declines when the 120 degree angle is exact (this bi-annual cycle recently occurred on 3/27/86, 7/2/86, 5/13/87, 8/17/87, and 3/06/88). The Dow drops **180** points (reversal number) in **22** trading days into the new moon (**2**). The Dow then advances (positive planetary cycles) **180** points in **22** trading days completing the "Square of Price & Time" (**3**) for the high in 1986. A master timing key is revealed in the first three scriptures of Jonah which precisely timed the October 19, 1987, 508 point crash; it also timed the September 11, 1986 record breaking drop (**4**).

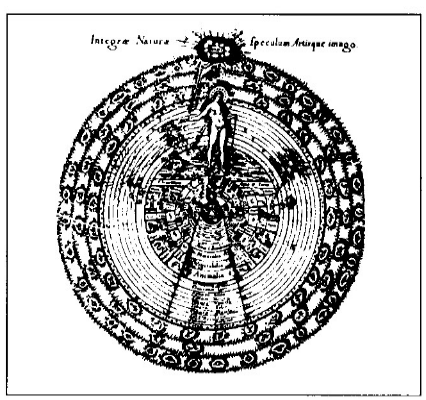
Great Pyramid), their myopic forecast doomed them to major losses when the Dow reversed unexpectedly into the October Crash.

The top of the market in August 1987 and the October Crash were forecasted months in advance in my Market Systems March 1987 newsletter. The reason these moves were predictable was that they were confirmed by astrological (see the article “Gann and the Planets,” August/September issue of the Gann & Elliott Wave), astronomical, numerological, and other time cycles that are found in one of the most enlightening sources that Gann recommended the BIBLE!

Many people have been misled about the financial markets by brokerage firms, financial news, etc.; and misled about Scripture by some religious viewpoints. Many know about the “three” wise men who followed the star which shone above the manger where baby Jesus was born. Yet Scripture clearly states that the (many) Magi (astrologers) visited Jesus when he was a “young child” in a house! (Matt. 2:11) During that time Jupiter (royal star) and Saturn (Israel) came together in a bright conjunction in the sign of Pisces (symbolized by two fish; Jesus feeds 5000 with two fish). This conjunction was probably located in the “Midheaven (Zenith)” of Jesus’ birth chart which would explain the “star above the house of Jesus” as the misunderstood astrologer’s reference to a “star in the Midheaven House.”

Scripture does state that you are not to worship or serve the stars (as gods or idols). Many believe therefore, that obtaining knowledge from the heavens (astrology) is evil. Yet Scriptures also state that God uses the heavens for signs and to provide knowledge to those who have wisdom and understanding. “And God said, Let there be lights in the firmament of the heaven to divide the day from the night; and let them be for signs, and for seasons, and for days, and years.” (Genesis 1:14). Note the scriptures Genesis 15:5 and Genesis 37:5-10. Jacob did not respond to Joseph’s first dream but recognized the importance of the second dream when God used the sun, moon, and stars to represent Jacob, his wife, and children. According to the book Astrological Secrets of the Hebrew Sages, by Rabbi Dobin, all the astrological and astronomical references in the Old Testament of the Bible would be equivalent to over two full pages of the New York Times!

The Biblical view, of course, is that God is Omniscient and Supreme, and the influences of the heavens only provide an indication of His Divine Will. “Can you bind the sweet influences of Pleiades (cluster of stars), or loose the bands of Orion? Can you lead forth Mazzaroth (signs of the Zodiac) in their season? Or can you guide Arcturus (the stars of the Bear) with her young (satellites)? Do you know the ordinances of heaven? Can you establish their rule upon the earth?” (Job 38:31-33) “The Heavens declare the glory of God, and the firmament shows and proclaims His handiwork. Day after day pour forth speech, and night unto night shows forth knowledge. There is no speech nor language, where their voice is not heard.” (Psalms 19:1-3) Thus everyone can see God’s pattern of creation in the heavens. “They fought from heaven: the



stars (planets) in their courses fought against Sisera." (Judges 5:20)

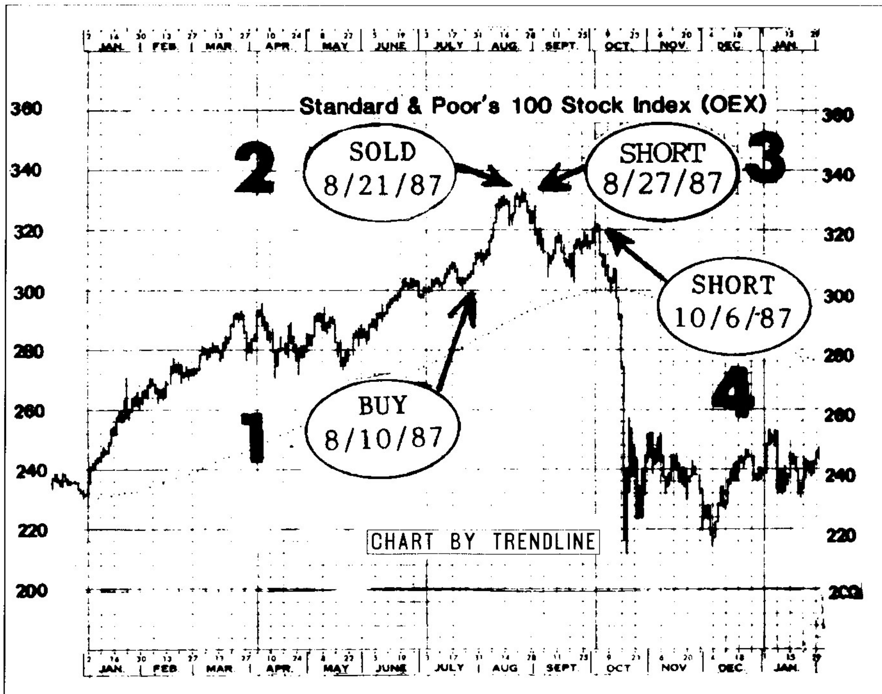
In the financial markets the length of days before a trend change is critical for market timing. "Happy is the man that findeth wisdom, and the man that getteth understanding Length of days is her right hand, and in her left hand riches and honor The Lord by wisdom hath founded the earth; by understanding hath He established the heavens." (Prov. 3:13-19)

Mars entered the sign Gemini on April 6, 1987 exactly timing the double top on the Dow. The length of days in this sign ended when Mars left Gemini and entered Cancer on May 21, 1987 exactly timing the length of days of this correction!

In the last issue I explained how the widely advertised Harmonic (planetary) Convergence (see Newsweek: 8/17/87) exactly timed the top in the Dow and why the October 6, 1987 lunar eclipse timed the start of the October crash. It amazes me how some can ignore these correlations. What could be more natural than the precision timing and mathematical beauty of cosmic cycles to time earthly cycles? Consider the moon, that faithful witness, whose axis rotation exactly equals the time it takes to circle the earth. (Psalm 89:37)

The Earth is a magnet, which is surrounded by a vast sea of electromagnetic energy. Most of this energy comes from the sun. Humans also produce electromagnetic energy through their nervous systems. Water covers most of the Earth and our bodies are mostly water. The moon affects the water on Earth (tides), and eclipses have a drastic effect upon the earth's magnetic field. Is it illogical to conclude that these cosmic events could also have an effect on human behavior and (investor) psychology? Where does the word "lunatic" come from? Johann Kepler,known as one of the founders of modern astronomy stated: "The planets forming angles (aspects) upon the earth by their luminous beams, of strength to stir up the virtue of sublunary things, have compelled my unwilling belief."

Two of the more interesting references in the Bible for financial information are the 1 1/2 and 3 1/2 year Biblical cycles. In Revelation the 3 1/2 year cycle is conjoined with the 12 signs of the



We purchased the leveraged OEX August call index options at 2 1/2 on 8/10/87 (1) and sold them at expiration on 8/21/87 (2) for 10 generating a 300% profit in two weeks. We also sold the IBM September call options (purchased on 8/7/87) on 8/24/87 (the exact high) for a 250% profit! We then sold SHORT the OEX September calls on 8-27-87 (3) and the October OEX calls at the lunar eclipse on 10/6/87 (4) generating maximum profits on our SHORT positions.

zodiac as well as the sun, moon, and stars: “A great and wondrous sign appeared in heaven: a woman clothed with the U.N., with the moon under her feet and a crown of twelve stars and his tail swept away one third of the stars of heaven... She had a place prepared by God, so that there she might be nourished for 1260 days (3 1/2 years).” (Rev. 12:1-6)

The astronomical and financial significance of these scriptures points to the Saros eclipse cycles. Saros (meaning “repetition”) refers to the name of the complete cycle of eclipses, for it was noticed that the eclipses would return to the exact location in each of the 12 signs of the zodiac every 6585 and one-third days. The rotation of the earth for the extra one-third day causes one-third of the background stars (that are visible on the previous eclipse cycle) to be “swept” from view. A complete series of Saros eclipse cycles occurs every 1260 years. According to Van Nostrand’s Scientific Encyclopedia, this was known by the Babylonians as early as 1000 B.C. The correlation of these Scriptures with the Saros eclipse cycles is unmistakable. Notice that when you multiply 360 (degrees of a circle) by the Biblical 3 1/2 measure you obtain both the Saros eclipse and Biblical number 1260.

One might be thinking at this point, “What does this have to do with the Dow Jones Industrial Average?” When you multiply the Biblical 1260 days by the I 1/2 time cycle you obtain 1890 days. Add this length of days to the start of the bull market in August 1982 and you have the start of the October 1987 crash! Multiply the August 1982 closing low of 777 (7 represents completion) by the 3 1/2 cycle and you obtain 2719.50, within three points of the 2722 Dow Jones August 1987 all time high! We sold all long positions at the high on the August 24, 1987 new moon. Our IBM call options generated over 250% profit. We then shorted the OEX on August 27, 1987.

In his book, Truth of the Stock Tape. Gann states that he used astrology and made forecasts based upon the numerical values of letters in a name. Few understand what Gann meant, and yet, most people are familiar with the “number of the beast (666)”, depicted in “The Omen” series of movies. “Here is wisdom. Let him that has understanding count the number of the beast; for it is the number of a man; and his number is 666.” (Revelation 13:18) If you count the numerical value of the “NEW

YORK STOCK EXCHANGE INCORPORATED, WALL ST, NEW YORK, NEW YORK” using standard numerical values (a=l, b=2, i=9,j=l) you will end up with 666! For example, “WALL ST” equals (5+1+3+3+1+2) = 15 = 6.

(John 1:1), but he does not reveal all his “pearls of wisdom” (Matthew 7:6). Consider the words “profit” and “prophet” which have the same sound “vibration”. In The Tunnel Thru the Air, Gann states that the Biblical story of the prophet Jonah contains many “keys” to market timing. The words in the first three verses of Jonah reveal a priceless time cycle “key” to those who have Biblical knowledge. This “key” precisely timed the record breaking 86 point drop on 9/11/86 (options paid 5 34%) and the record 508 point drop on 10/19/1987 (options paid over 100 to I). This market timing “key” applies to stock and commodity markets and is included in my Market Timing Course.

Remember, “There is a time for everything, and a season for every activity under heaven: A time to be born and a time to die, A time to plant and a time to uproot . . . A time to get, and a time to lose (Ecclesiastes 3:1). There is also a time to buy and a time to sell!

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The Gann Side of Fibonacci Numbers

By Granville Cooley

Forty-four is a Fibonacci number. Sixty-seven and one-half degrees is a Fibonacci number. Two-hundred and sixty-six is a Fibonacci number. Three-hundred and sixty degrees is a Fibonacci number. For those few of you who have never heard of Fibonacci numbers I can see you saying, “So what?”

For those of you who have “read” about the Fibonacci numbers, I can see you doing a double take. For those of you who are supposed to be Fibonacci experts, I can see your eyeballs rolled back, clicking in your head, and your feet up in the air as in a Mut and Jeff cartoon. The cartoon has a big balloon which reads, “He’s got it! He’s got it! By Gann, He’s got it!”

Those who have read about Fibonacci are saying, “What’s this Gann stuff? I thought Fibonacci has to do with Elliott Waves.”

It does, but there is also a Gann side to the Fibonacci phenomenon, sometimes apparent, but often not. It is quite possible that the Gann relationship to Fibonacci has been explored, but if so, I have seen little evidence of it.

I am talking about such things as:

(I) The master numbers.
(2) The angles.
(3) The signs and seasons.
(4) The signs and degrees.
(5) The stone of Simon.
(6) The eighth square.
(7) The death zone and the circle.
(8) The wanderings and the pyramid.
(9) The Great Cycle of Enoch.

We could add more but that’s plenty for our purposes now. Let’s investigate the phenomenon of Fibonacci of the above nine items with what I call simple observational arithmetic.

I say that because persons who write on Elliott, Gann, and other math wizards are used to writing in mathematical terms, not always understood by the average person.

Like many of you, I had a little algebra and geometry in high school and a little algebra in college, but my field for 20 years was journalism. And when you don’t have many reasons for using algebra and geometry over the years, it becomes hazy.

Books have been written on the markets by mathematicians showing the mathematical formulas behind certain systems. But they seem to be targeted for other mathematicians and those persons working with computers.

Those books are probably very good for those who understand the formulas, but one gentlemen, well known in the markets and considered a market genius in his own right, said he didn’t understand the books at all.

So methods I use might seem very elementary to those with a higher learning of math. If so, I ask them to bear along with those of us of less mathematical background as we explore the nine topics above in simple observational arithmetic.

In addition to not being a mathematician, I'm not an astrologer, astronomer, or Mason either. I've read a few books on such and can see some links with the Gann material, but that doesn't make me an expert.

As I said before, my field was journalism, and I'm no expert in that either so don't look for a journalistic gem in this article.

My "arithmetic" approach to Gann was to run thousands of numbers through a calculator looking for patterns that showed up in math, astrology, astronomy, and Masonic books, was well as sundry other books. Those patterns provided the basis for several "discoveries."

Before moving on the nine topics above, let's look at a couple of "amazing" facts that are noted by Fibonacci experts.

One of the "amazing facts" is that the ratio of the first term to the second term in a Fibonacci series is 1.618 and from the first term to the third term is 2.618. They also like to tell us that if we divide the second term into the first and multiply that times the 1.618 ratio, we will come up with the number one.

Let's put down two groups of three Fibonacci numbers and a group of three non-Fibonacci numbers and see what we can find by simple arithmetic observation.

Since all Fibonacci numbers do not fit the 1.618 ratio exactly, let's put down the ones that are the closest and eye ball them. The three numbers are 55, 89, and 144.

When we divide 55 into 89 we get 1.6181818. And when we divide 55 into the next higher Fibonacci number, 144, we get 2.6181818.

Now let's look at another series not so perfect but yet of the same Fibonacci series, 8,13, and 21. First, we divide 8 into 13 and get 1.625 and we divide 8 into the next higher number and get 2.625.

All very interesting. Now let's look at some non-Fibonacci numbers picked at random. Let's use the year 1988 and separate it into two numbers 19 and 88, and add the 19 to the 88 so we get the following sequence, 19, 88, and 107. Next, we find the relationship between the first number and the second, and the first and the third, in the same way we did the other two sequences.

We divide 19 into 88 and get 4.6315789. When we divide 19 into 107 we get 5.63 15789.

In all three cases above, the whole numbers changed when we divided the first number into the second and then the third, but the decimal fraction did not. What's going on here?

The mathematician is lighting his pipe and saying, "Elementary, my dear Watson, observe what you did."

Let's observe. In the first sequence the division by 55 into 89 can be counted as one unit of 55 with 34 left over, and the fraction of 34 divided by 55 is .6181818. When we added 55 to 89 to get 144, we simply added another unit of 55 to the pot which gives us two units of 55, or 110 with 34 left over.

That remainder of 34 divided by 55 will always be .6l81818. We could keep adding 55 to the pot and dividing by 55 till the cows come home and we would still end up with a remainder of 34. The whole number would grow but the decimal fraction would always be the same. Try it for yourself. It works every time.

Let's look at the second sequence of 8, 13, and 21. When we divide 8 into 13 we get one unit of 8 plus 5 left over, which represents .625 of 8. When we add 8 to the 13 to get 21, we are simply adding another 8 to the pot. Dividing 8 into 21 we have two units of 8 with 5 left over and 5 divided by 8 is still .635. We can add 8's to the pot until the cows come home and divide by 8 and still have a remainder of 5. It works every time.

In the third sequence of 19, 88, and 107, we divide 88 by 19 and get four units of 19 which equal 76 with 12 left over. The remainder of 12 divided by 19 gives us the decimal fraction, .1635789. By adding 19 to 88 to get 107, we are simply adding 19 to the pot of 88 and getting five 19's, or 95 with 12 left over. Need I tell you about the remainder of 12 and the cows again? It's still working!

Now for the second "amazing fact" about Fibonacci numbers that the experts like to point out to us. The fact that when you multiply 1.618 by .618 you get one or to be more exact .999924. The reason why the multiplication does not equal one is because the two Fibonacci ratios have been rounded off.

The two Fibonacci ratios are obtained by dividing the smaller Fibonacci number into the larger and then the larger into the smaller. Let's take the first part of our first example, 55 and 89. When we divide 89 by 55 we get l.6l81818 as before, and then we divide 55 by 89 and obtain .6 179775. When we multiply the two results we get .9999999.

From our second example we can use 8 and 13. Dividing 8 into 13 we get 1.625 as before. Dividing 8 by 13 we get .6153846. Multiplying the two results we get .9999995.

Let's pull a Dr. Watson and observe what we have done. In each case we divided a smaller number into a larger one and then the larger one into the smaller one and multiplied the results, getting a decimal number almost equal to one. The reason for it not being exactly one is the rounding off that has to be done.

So let's express each of the numbers as fractions and then multiply. We can express 89 divided by 55 as 89 over 55; and 55 divided by 89 as 55 over 89. We multiply and get 4895 over 4895. Any number over itself or divided by itself is always one. The same procedure for 8 and 13 gets us 104, over 104 or one. Ditto for 19 and 88 which equals 1672 over 1672 or one.

In our review of the two properties of the Fibonacci sequence we have really found nothing magic or amazing. It is simply how our mathematical system works. Interesting, but not amazing.

Now let's look at some of the other interesting properties of the Fibonacci sequence starting first with the Master numbers.

(This is the first part of a longer report by Grandville Cooley. Those interested in seeing more of this material should write him at #71 Lone Oak Village, Paris, Tenn. 38242)

Range Expansion

By Toby Crabel

This is a study of range expansion and its impact on the market. Other analysts have assumed that Range Expansion has an impact on price action on the day or days following range expansion. With the computer it becomes very easy to validate or invalidate this assumption. To begin with, it is necessary to set up a control or standard of comparison, so I borrowed from a previous study (Price Pattern Studies 1 - Bonds Open/Close Studies). In that study I tested all two, three, four, and five-day patterns in the T-Bond market, 1978 -1986. In order to make a proper comparison, I did the exact same test with only one added variable, an expanding daily range relative to the previous day's range on the second to the last day of each price pattern. From there it was possible to make direct comparisons between Price Pattern Studies (August/September issue of Gann & Elliott Wave) and the Price Pattern with the added variable of range expansion.

To briefly review what Table A is showing, refer to Pattern #5. Simply, this pattern is two lower closings and a lower open. This is read from left to right. An entry is assumed on the open or the minus to the far right of the pattern. Exit was on the close of the same day, thus the same open to close patterns. All patterns are set up in the same manner, but as you can see, become more complex as more days are included. Regardless of the number of days, the (+) or (-) sign in the pattern is always relative to the day immediately preceding it, and are closings unless it is the last (+) or (-) sign in the pattern which is an open.

My conclusion from that comparison is that there is a definite bias in the direction of the range expansion the day immediately following. Over 75 percent of the time, the price pattern showed either a percentage profitability favoring the bias of the range expansion, and/or an average win/loss ratio that made it clear that the range expansion was influencing the price pattern. There was one problem with the comparison--there was an obvious upward bias throughout the period. This was reflected in the inability of the range expansion to have an appreciable impact on patterns ending with (--) or (++).

In the control study, almost all patterns ending with (--) showed an upward bias from open to close. The same was true for the study on range expansion and in some cases it actually produced a better trade. This was contrary to expectations. Logically, the market should exhibit a bias in the direction of the range expansion, but in fact the range expansion seemed to be acting as a selling climax rather than a momentum increase.

This was baffling and the thought occurred to me that this was not a vigorous enough definition of range expansion. Consequently I decided to make a comparison between very simple two-day patterns and five variables, one for each test (refer to Table B). The variables were: the narrowest range relative to the previous three days (NR3), Narrow Range relative to the previous day (NR), control which included all possible patterns either narrowing or expanding, Range Expansion relative to the previous day (RE), and a Range Expansion greater than the previous three days (RE3). There was thought to be enough of a contrast between Range Expansion 3 and Narrow Range 3 to give decisive evidence one way or the other on the Range expansion impact on subsequent price action.

The four patterns studied were: a higher close followed by a higher open (++), a lower close followed by a higher open (-+), a higher close followed by a lower open (+-), and a lower close followed by a lower open (--). I assumed that a simple comparison between the NR3 and the RE3 in each pattern group would give me the information that I was looking for. In the case of the (±+) pattern both the NR3 and the RE3 were profitable sales with similar win/loss ratios. The only difference was the amount of total profit which favored the NR3. This is logical and in the case of an expanding range to the upside and subsequent higher open (RE3) should not be as good a sale as on a day without as much definition preceding it. It was not totally conclusive.

A comparison of RE3 and NR3 in the (-±) shows some clear differences. Both are profitable buys, but percentages favor the NR3 pattern and win/loss ratio with total profits obviously favoring the NR3 over the RE3. Again, this is logical for a day that exhibits an expanding range to the down-side theoretically is increasing momentum, and the subsequent higher open should not be as favorable a buy relative to a day lacking such definition. The clearest difference comes in the (+-) pattern where the profitable trades are actually in the opposite direction. The narrowest range in three days followed by a lower open proved to be a profitable sale 61 percent of the time, with a win/loss ratio of 1.17 :1, and total profits of $15,18l. The same pattern with the largest range in three days to the upside prior to a lower open proved a profitable buy 48 percent of the time with 1.10 : win/loss ratio and profits of $417. Total profits obviously are not dramatic in the case of the buy on the RE3 pattern, but there is a distinct contrast between the RE3 and the NR3 supporting the conclusion that range expansion does have an impact on subsequent price action. Where it is not so clear is in the pattern of a lower close followed by a lower open (--) where a momentum increase actually produced a better buying opportunity than on a day where there was no such range expansion. This can be explained by the dominant upward bias throughout the test period.

Nonetheless, it still seemed inconclusive that a range expansion was consistently impacting the subsequent price action. Therefore a third test sequence was done, this time taking into account only a higher close or a lower close. Again the variables of an expanding range relative to the previous three days, and a narrowing range relative to the previous three days were used in a direct comparison between the two. Entry was on close to open (C/O) and close to close (C/C) for either an overnight trade into the next day's open or a trade from the given day's close into the next day's close. The thought here was that if range expansion was actually affecting the price action it would most likely show up from close to open, and if it was a particularly strong affect it would carry into close of the next day. On a lower close and the close to open trade, the RE3 proved to be a better sale in all respects except for a slight difference in win/loss ratio. A lower close with a close to close trade showed buys for both RE3 and NR3, but as expected the NR3 proved to be the better buy with win/loss ratio and total profits reflective of this. In the case of a close to open trade, after a higher close there was a distinct difference favoring a buy in the direction of an RE3 over that of an NR3. In the case of a close to close trade after a higher close, the RE3 actually reflected a profitable buy, whereas the NR3 was a profitable sale, clearly demonstrating the RE3's affect on the following day's price action. From the tests exhibited in Table C and Table B, it is clear that the open acts as a climactic element in the price pattern. My observation is that most of the profits were made on the close to open trade, not on the open to close trade. In fact, the momentum increase had run its course by the time of the next day's open. This would suggest that if one was interested in trading in the direction of a momentum increase, one should consider profit--taking on the next day's open after the range expansion.

These tests conclusively support the concept of range expansion affecting subsequent price action, but there are some difficulties as demonstrated and it would appear that profit margins drop considerably the longer one is in the trade after the momentum increase. Also, and I think probably the most important piece of information taken from these tests, is that the trend is a stronger influence than short-term momentum increase or decrease. In other words, the underlying intermediate long-term trend will take precedence over a momentum increase indicated by a range expansion against the trend. Range expansions with trend hold more significance than if against trend. The psychology involved could be something as follows: In a strong up-trend, new shorts are constantly entering the market trying to pick the market top; the isolated range expansion to the down-side brings in more shorts; the high percentage open lower the following day and has very little follow through, and somewhere around mid-session after a bullish day, structure shorts begin to cover.

Emphasis should be placed on the necessity of integrating other market concepts along with range expansions. Without a firm grasp of the concept of day structure and a clear picture of the underlying trend, a trader will run into difficulties using range expansion on its own.

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Gann and the Circle

By Chris Kakasuleff

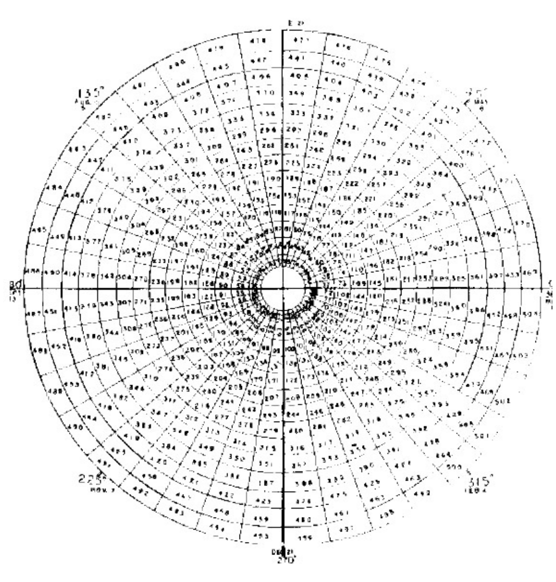
In order to pin point the manifestation of events upon the physical earth plane, you must first have a working knowledge of the astronomical mathematical formula. The 360 degree cycle popularized by W. D. Gann is our reference point. What did the wizard of Wall Street teach us about the great 360 degree cycle? The mathematical architect Gann generously left us a legacy of cosmic information to formulate into working principles to predict in advance short, intermediate, and long-term financial market trends.

In my long cerebral journeys into the very core of the secrets of the universe, time and time again nature has unveiled its self tome by proving that its greatest secrets are revealed in an essence of simplicity.

Mr. Gann articulated that the jewel of the 360 degree cycle in predicting stock market trends was literally calendar time. Let’s make sure I heard myself correctly here. I said that to beat mighty Wall Street all I needed as working tools was a calendar and maybe a calculator. What a powerful tool this concept is. Let’s now construct a foundation and manifest working principles for this earth shattering news.

To become the captain of our destiny in profitable stock transactions we need to follow certain guidelines and rules. First we must transpose calendar time onto the 360 degree circle. To devise our formula we must gaze upon the heavens and monitor the cosmic clock that regulates the motion of mother earth. The earth completes one revolution around the sun in 365.24 days.

To reconcile our revelation of calendar time being the domain for predicting market trends, we simply recognize the fact that the earth itself is at the mercy of the gravitational pull of the sun, therefore dictating its annual cycle of 365.24 days. As the Earth and its consciousness is the subordinate of the sun, so man and the manifestation of all events on



earth are in harmony with this same cosmic music of 365.24. Can you believe the simplicity of natures most guarded secrets?

Mr. Gann taught us that the beginning of each renewed annual Earth cycle commenced at the spring equinox. Gann indicated that by counting days from March 21 that many of nature's invisible secrets would be revealed. Gann went on to say that by no means was the stock market devoid or divorced from this natural calendar rhythm.

Just as the Earth has seasons of the year; a time to plant, a time to cultivate, a time to grow, a time to pluck, and a time to reap, so does Wall Street ebb and flow with this same circadian time piece.

My dear friend, please take time now to grasp this essence of universal law. Understand and cherish it as your eleventh commandment. By programming it into your belief system and consciously recognizing its manifestations in the drama of your own life's enfoldment, you will then posses in your heart a glimpse of the truth of all things. You will understand that life deals out no random events. You will cherish the fact that you indeed are the navigator of your life's destiny. You will discover the more you scratch at truth, the more it will itch.

As I mentioned earlier, Gann taught us that one avenue of endeavor using the cycle 365.24 was to mark time from March 21. 1-Ic said to start by making March 21 our zero point. Thus making March 22 day one. Gann divided the year into six teen equal parts. By dividing the year by four, our sum is the beginning of each new season of the year.

The philosophy Gann was spot-lighting onto our tunnel vision was that March 21 was the commencement of the annual reincarnation of life's new birth. By June 21 at the summer solstice point. Intense new growth had taken place in the animal, vegetable, plant, and insect kingdom. By the fall equinox on September 21 the peak of vitality was ebbing ever so slowly, and old age was replacing fruitarian as the dominant cycle. By the winter solstice, frozen and suspended animation ruled the northern hemisphere of the earth, and the suspended seeds of the perpetuation of life were invisible, as all life was hidden in the frozen tundra, meditating patiently for the return of the photons of light in the spring.

The wizard then instructed us to divide the year by eight. This gives us four more dates to consider. These are the halfway points of spring, summer, fall, and winter. Gann said to also divide the year by sixteen. This finally gives us sixteen important calendar days as our focus.

Gann told us that the most powerful resonating points using calendar time was six months or 180 degrees from the beginning point and then back around to the anniversary date itself. As summer becomes very hot and winter reaches frigid temperature extremes 182 days later, so too does stock market action reach volatile extremes. What goes around truly does come back around.

The next important model points are the one quarter points. Using our calendar we quickly realize that these points are 91 days apart. Gann said to expect a change of trend in the stock market at these points. Our analogy concerning confirms this rule, as each season of the year guarantees a change of trend in climate conditions.

Gann went on to suggest that by dividing the year by eight, into 45 day increments, we would find more wheels within wheels. The changing gears of market trends can easily become visible on any bar chart for those who recognize the signposts of calendar time.

Gann finally encouraged us to divide the calendar year by 16. This gives us a complete road map and blue print to predict in advance changes of trend in stock market forecasting.

Here is a listing of Gann's natural calendar year cycle. Each of these dates are approximately 22 and one-half days apart. Gann tells us to expect general changes of trend year in and year out, based on these natural time frames.

Anyone who is curious enough to research these dates will have discovered a new book of revelations. By just scooping the first two dates on our chart for the Dow Jones Industrial Average for 1988 should be an eye opener. The Dow closed at its first high for 1988 on Friday, March 18 at 2087. This date is one trading day before March 21. On our second date of April 12 which corresponds to the 22 and one-half degree angle of the circle, the Dow closed at post crash highs at 2110 exactly on April 12. Two trading days later the Dow water-falled 100 points in one day, confirming a change of trend.

This particular method of marking calendar time from March 21 is more appropriate for commodities, and raw materials that depend on the cycles of the seasons of the earth year.

An interesting sideline would be to take a closer look at the number 365.24. By multiplying this number by seven our sum total is 2556.68 days. This turns out to be precisely seven years of course, and the notorious seven year itch. The remarkable mind-boggler here is that 2556.68 days equals out to exactly 365.24 weeks. This new information totally vindicates the perfect time cycle as being 365.24 and not 360. Anyone who has the capacity to computer generate the complete cycles of 365.24 days, weeks, or years will find the mathematical validity of this sun generated number in stock market tops and bottoms. W. D. Gann discussed many times the power of the number seven in stock market action.

The timing of this article could prove to be quite revealing as August 12, 1989 is 2556.68 days or 365.24 weeks from August 12. 1982. The aging bull will be seven years old on that day.

Remember micro-man/woman is trapped unconsciously in this same fly paper cycle. All events upon the earth whether generated by group consciousness or individual karmic patterns must flow with the movement of these cosmic energies of space and time.

In my last article I discussed the power of the square of nine in predicting short term market highs and lows. We utilized this system to predict a short term high on March 5, 1988.

Well, it looks like we’ve got bragging rights, as the Dow Jones Industrial Average closed at 2081 on Tuesday, March 8, only two trading days from March 5, which fell on a Saturday. This short term top was the post crash high up to that point, with a second top one trading day before the spring equinox on March 18, a Friday.

Is there a way to utilize this cycle of 365.24 to trade the market? There are specific rules to follow that I have found over time to be extremely dependable in trading stocks, stock options and stock index options. But, I don’t want to give away all my secrets.

I am now in the process of publishing an in-depth stock market course in market timing. This course will include many precise market tools to confidently predict well in advance short, intermediate, and long-term market trends. The course will simplify the many complicated strategies proposed by W. D. Gann.

Each chapter will focus on a specific timing tool that in and of itself will prove to be profitable. The course will include chapters on Gann geometry, and explain in a simplified way, the most profitable way to use the angles to enter and exit trades. A complete chapter on the cycle of 365.24 which will explain the precise rules to predict market highs and lows will also he included.

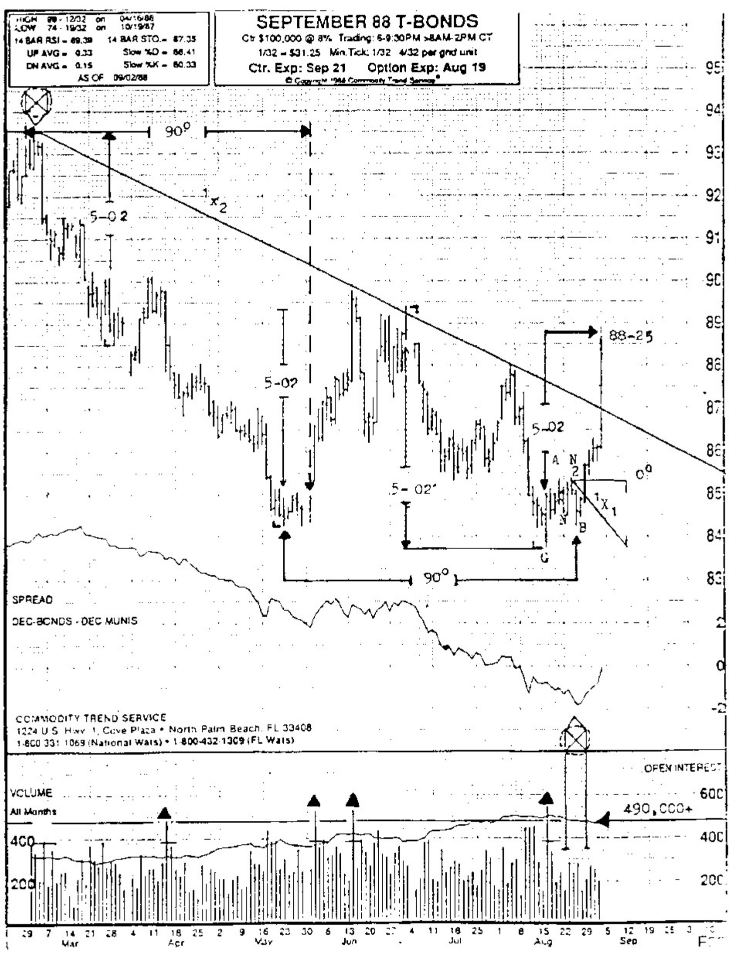
Another chapter will give a complete analysis of the square of nine and its unlimited use as a market barometer. In-eluded is a proprietary minute chart to enter and exit trades to the minute. Also included will be a market system based solely on the daily movement of the sun with a 70 percent accuracy rate. There will be many more chapters with specific market tools, too numerous to mention here.

Gann's Pyramid And Fourth Factor Volume

By Jim Purucker

On page 62 of Gann's book, How To Make Profits in Commodities, Gann states, 'After considering three important factors, time, formations, and resistance levels, the fourth and next very important factor is volume of sales. The volume of sales is the real driving power behind the market and shows whether supply and demand are increasing or decreasing. Large buying and selling orders are shown in the volume of sales. Therefore, a careful study of the volume of sales will assist in determining a change in trend, ESPECIALLY AFTER APPLYING THE OTHER THREE FACTORS OF TIME, FORMATION AND RESISTANCE LEVELS."

In the previous articles of the Gann & Elliott Wave the first three factors were presented for illustration. First, the astrological TIMING points for trading the minor cycle of one year. Second, the G-A-N-N2-B/S (buy/sell) FORMATION, what it is and how to define it, and when to act upon proven confirmation of the pattern following Rule number 25, implementing



an OFF-CON (I) & (2) condition. The third factor of importance was determining from a zero-degree beginning point of

TIME, a square (90 degrees) or trine (120 degrees) in time or price on the GANN WHEEL, combined with the odd and even natural square-root numbers on the GANN WHEEL for support-resistance levels. The odd squares begin at the peak of the Gann Wheel, the Great Pyramid of Gizeh, with number one as the capstone. The next square root level, square or course of stones, begin at number two and ends with number nine or Y (three squared). The square root of these odd numbers, which fall on the fixed angle of 41.475232 degrees to the South-West compass point, are the cornerstones for each course or square on the Great Pyramid.

An example in the previous article for the price high (2-5-88) on June ‘88 TBonds was 94-17. Converting 94-17 to 1/32nd Bond ticks (94 x 32 + 17) equals 3025 ticks. The square root of 30252 equals 55 (55 x 55), an important resistance level. On the GANN WHEEL, the zero-degree line intersecting the two-digit number 75 (10-19-87) price low is 180 degree opposition number 94, or 19 bond points. The difference in ticks was 625 ticks (25Th 625 divided by 32nds equals 19-17 bond points. Therefore, number 75 (75-00) plus 19-17, equals 2-5-88 PRICE HIGH at 94-17 (TO THE TICK)!

Now let’s analyze the September ‘88 T-Bonds. First, the astrological TIMING POINT to balance the week of 2-29-88 (l80) is due the week of 8-22-88, 9(1 square the week of 5-23-88 is 8-22-88. Price was 90~ square from 93-17 to 83-17, within nine ticks of the low price of 83-23 on the GANN WHEEL. Second, the G-A-N-N2- Buy formation began zero degrees on 8-16-88, marked “G” at 83-23, “A” formed at 85-11 on 8-19-88, on 8-23-88, “N”, signaling a PREPARE TO BUY condition (OFF-CON 2).

At this point, a brief description of an OFF-CON condition I & 2 (OFE)ensive (CON)dition is in order. In the movie, “WAR GAMES” DEE-CON (DEF-ensive CON-ditions) were progressive stages of readiness prior to missile launch.

For brevity, I only use two conditions of readiness rather than the four conditions in the movie. A stage (2) OFF-CON is “PREPARE TO BUY,” a stage (I) OFF-CON is the actual pulling the trigger for the buy executions CONFIRMING the G-A-N-N2-Buy formation, similar to the DEFCON (I) condition in the movie, where the missiles are actually launched.

Now, let’s pick up on 8-25-88 when the price drops below 84-16, the price low of “N”, which signals an OFF-CON (2) state of readiness, PREPARE TO BUY condition. OFF-CON (2) also gives the right to draw a I x I angle from N2 where the buy stop orders are placed. The I x I angle from N2 was at 84-31 on 8-2-88. For those traders who have substantial amounts of capital to risk

(Fund Managers, Banks, S&Ls, Insurance Companies. Corporations and high-net-worth individuals), I suggest a TOTAL PYRAMID contract position of 10, 100, 1,000, 10,000, or 100,000 or more, using a 5-3-2=10, or 500-300-200=1,000 sequence to build the pyramid properly.

For this hypothetical trade, 1,000 contracts are placed thus: Place a Buy Stop for 500 contracts five bond ticks above the I x I angle of (84-31) at 85-04, next place a buy stop for 300 contracts one bond tick above “A” (85-II) the zero degree horizontal at 85-12, add the final 200 contracts M.O.C. at 85-21, as long as the CLOSE is above the I x I angle from N2 and in the top 1/3 of the total price range for a total pyramid of I ,000 contract. The initial sell stop is one tick below the low of the day the price closes above the I x I angle at 84-24. Initial risk is 18 bond ticks or $563.5() per contract (x) 1,000 TOTAL PYRAMID, or $562,500. plus commissions, fees and of course, any slippage for poor fills.

August 29, 1988 was a unique trading day in the OFF-CON (I) BUY execution, as the

TOTAL Pyramid of 1.000 contracts were triggered and secured by the close of the 29th. On 8-29-88, the G-A-N-N2-Buy formation confirmed OFF-CON (I) condition with entry into Gann's second section.

The first objective to sell is 162 bond ticks added to the 83-23 low at "G". One-hundred and sixty two bond ticks divided by 32 equals 5-02 bond points (83-23 + 5-02) 88-25 objective. Previous vibrations of 5-02 bond points (1+6+2=9). Why nine'? The number nine seems to have a definite "power" or "vibration." Pythagoras is believed to have had a remarkable "WHEEL" by means of which he could predict future events. Look at the design and consturction of the GANN WHEEL (see ad in the GANN & ELLIOTT WAVE) the Trines 120Th240=9, l44=1+4+4=9, 216=2+1+6=9, 288=2±8+8=l8, or 1+8=9, 72=7±2=9 and 360=3+6+0=9. Gann's MASTER NUMBER 45=I+2+3+4+5+6+7+8±9454+59

Nine is the basis of the unit value of ALL numbers. On Friday, 9-2-88, the price objective 88-25 was executed. Average cost for 1,000 contracts was 85-10. 88-25 minus 85-10 equals 3-15 Bond Points, or $3,468.75 per contract times 1,000 equals $3,468,750, less commissions, fees, and slippage.

Now, Gann's fourth factor VOLUME OF SALES as another KEY, significant in trading T-Bonds. Notice the KEY TO DAILY VOLUME at trend turning points is 490,000+ contracts on 4-14-88, 6-1-88, 6-14-88, and 8-16-88. Here Gann says the trade has made up its mind, a change of trend is eminent and reveals it through ONE-DAY VOLUME of 490,000+ contracts. Yet, even with the KEY TO VOLUME, Gann, in his infinite wisdom, says, "In order to be a success, "FOLLOW A DEFINITE RULE." Remember Gann's rule number 25? Let the market prove ills at bottom with the G-A-NN2-B formation as the formation, provided nine trading days of accumulation prior to confirmation of entry in OFF-CON (I) on 8-29-88.

In conclusion, I would like to make you aware of two Aphorisms of Pythagoras, number four and number nine (an aphorism is a short pointed sentence expressing a wise, clever observation or general truth). Number four states, "assist a man in raising or lifting his burden; but, do not assist him in laying it down."

In this article I have done my best to help and assist you in your trading by giving you the tools to raise yourself up and out of the 90 percent losers, 10 percent winners ratio, which because of human nature, stays the same every year. However, you must be responsible for your losses, as well as your gains, and not place the blame for your losses on others.

Pythagoras' aphorism number nine states, "offer not your right hand easily to anyone." This statement warns not to offer wisdom and knowledge to those who are incapable of appreciating them. Gann would cast a birth chart (horoscope) of the individual purchasing his courses. In this way, he was trying to determine if the individual was skeptical or was capable of studying long and hard about the truths he was trying to teach. Gann wrote voluminous am-mounts of material to create a desire in the individual to search for hidden truths, much in the same way the ancients in the past clothed their secrets in veiled language; such as the writers of the Bible, Plato, Aristotle, and Pythagoras, to name a few.

Gann, in his wisdom, realized the unregenerate do not desire wisdom and knowledge, but through indolence would eventually cut off the right hand that was extended in kindness to them. Once one learns to like themselves, has a continuous positive winning attitude, takes responsibility, practices the greatest of virtues-patience, and follows a disciplined technical approach to Gann's rules, then, and only then, will it be your time and season to reap material wealth.

Many of my clients who have purchased the GANN WHEEL are extremely successful men and women in many different fields of endeavor. These people know how to get the job done

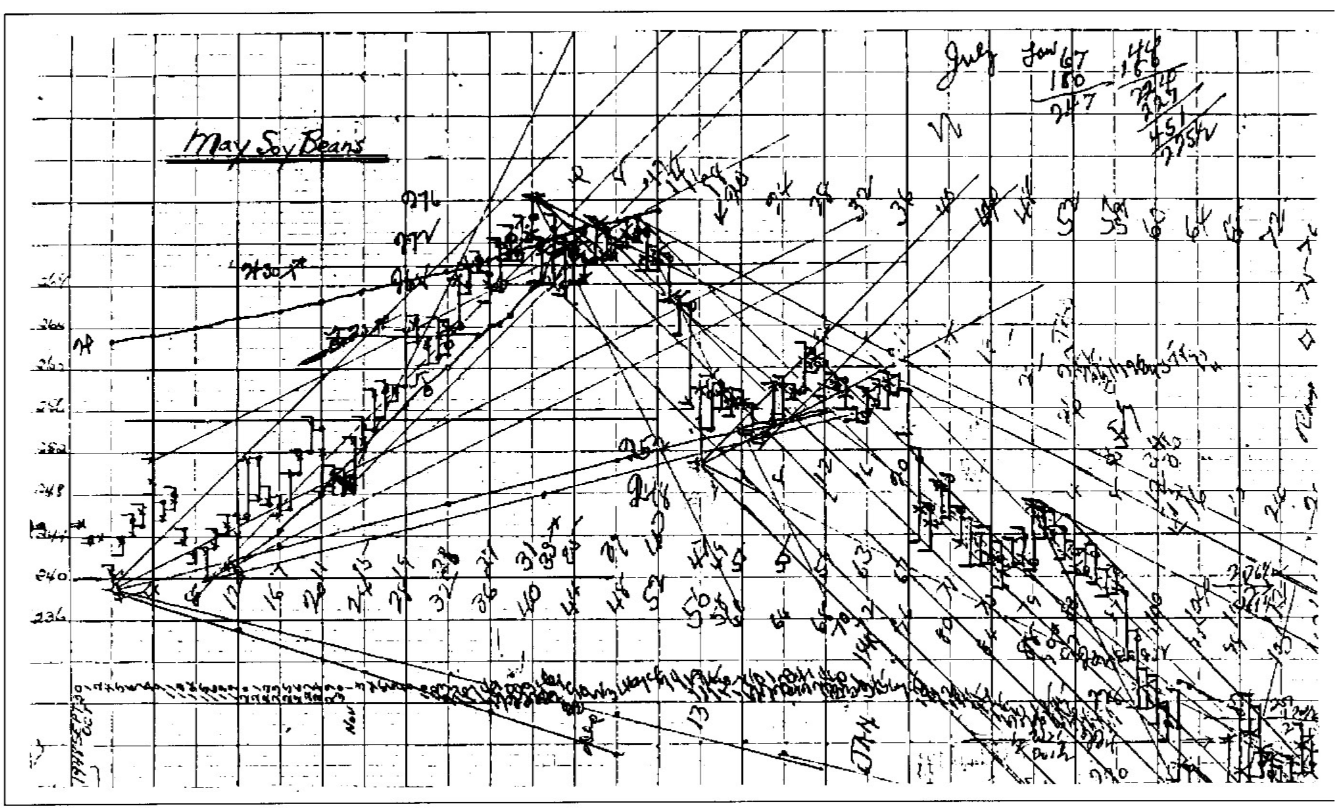
W. D. Gann and Astrology

By Norman Winski

Are you one of those people who have tried to read some of the writings by W.D. Gann and felt like you might as well be reading Greek? Consolation is here. Most beginning students of Gann's works feel thoroughly confused, if not totally baffled. The situation is somewhat analogous to someone who picks up a book written in Greek, having absolutely no knowledge of Greek, and tries to understand those writings on assumption that they are reading English. The difference is that Gann's writings utilize the English alphabet, therefore, wrongly reinforcing the illusion that he is communication to you in normal conversational English.

W.D. Gann was actually writing in another language" or jargon, but he usually didn't bother to tell most people this.

The language of W.D. Gann is Astrology. All though the writings and charts of Gann are allusions to the principles of Astrology. For example, in your Gann research you may have noticed Gann's use of the date of incorporation for a company, the date of the first day of trading for a stock or futures contract, the zodiacal dates surrounding the "Square of Nine" chart, the planetary symbols found in his own handwritten market charts, the planetary ephemerides with his personal notes written inside found among his books, the use of angles basic to astrology, and the collaboration with other astrologers. I said "other astrologers" because first and foremost, W.D. Gann was an astrologer. Everything else is supplementary.



Astrology is the correlation of extraterrestrial phenomena with terrestrial phenomena. It is a specialized branch of cycles. Gann liked to refer to it as “the law of nature” or “natural law.” The bottom line is that Gann said that timing was the most important factor and he based most of his market timing on astrological factors or principles.

Several years ago, I had the good fortune to talk on the telephone on several occasions with a former associate of W.D. Gann’s. Because of a promise to keep his identity a secret, I can’t tell you his name. But, he lived in Pittsburgh, Pennsylvania, and his initials are R.C. R.C. ‘s father was a very good astrologer and had worked with Gann. When R.C. was a young man, he followed in his father’s footsteps and started working with Gann. He worked with Gann on a full-time basis as a partner and collaborating astrologer for about ten years, from the late 1930’s to the late 1940’s.

During our conversations, R.C. told me that “first and foremost, Gann was astrological.” He also said that during that period, he worked with Gann. Gann made most of his money by selling market letters and $5000 courses. In 1948, when Gann accurately forecast the top of the soybean market, almost to the penny and the minute, Gann sold one soybean futures contract short and rode it down one dollar for a gain of $5000.

This is a tribute to “Gann the man” but it does punch a hole in Gann, the fifty mil lion dollar super genius trader. Of course, no trader is better than the system he uses. Was Gann a genius? Perhaps, but knowing that will neither help you trade nor help you learn the systems and perspectives Gann utilized. Were the systems Gann used ingenious? On that there is no doubt, the answer is a resounding yes. Gann was successful because he had the benefit of thousands of years of ancient principles on his side, of which he was a relentless student. If you are still skeptical about W.D. Gann using astrology, I have included a chart of May soybean futures used by Gann. A copy of this same chart also appears on page 202 of P.J. Kaufman’s 1978 book, Commodity Trading Systems and Methods. I mention this so that you can see for yourself that I did not in anyway alter this chart. Now, please refer to this chart. In the upper left hand corner you will find “May Soybeans.” Follow the vertical line down, which goes through the yin May (three horizontal lines). There you should find a strange looking four, followed by a 30 and an arrow like glyph. The strange looking four is the astrological/astronomical symbol glyph for the planet Jupiter. The 30 represents thirty degrees. The arrow like glyph is the symbol for the sign of Sagittarius (240 degrees). Gann was indicating that with Jupiter at thirty degrees of Sagittarius, 240 degrees plus 30 degrees equals 270 degrees, there should be important support/resistance at a price of 270.

There is another Jupiter glyph on the left side of the chart near the price of 264 on the price scale, with a dotted, jagged line extending up and to the right. The dotted line plots the movement of Jupiter. Directly to the right of this last Jupiter glyph, below the “a” in Soybeans, you will find a small circle with an arrow on top, the symbol for the planet Mars. This is followed by “22”, and the arrow like the glyph for Sagittarius. Gann drew a line to the right pointing to another dotted jagged line. This line represents the movement of Mars. Now, follow this line up to the right. Notice that it intersects with the Jupiter line. This represents Mars conjunct Jupiter or in the same place by longitude. This is an important astrological event which coincided closely with the retest high of the market.

The time has come for you to decide for yourself whether to learn the true ancient principles that Gann studied or to remain in a confused cloud of delusion. There are no easy answers. W.D. Gann took ten years of his life to study at the world’s greatest repositories of ancient knowledge and continued to study, the rest of his life. For those inclined, there is not greater awe inspiring

Taking Gann, Elliott, and Fibonacci to the Bank

By Robert Miner

Gann and Elliott market analysis ranges from the practical to the highly esoteric. From my point of view, any theory of the marketplace is of value only if it can be put into practical use. Whether a theory or technique is valid is based solely on whether its consistent use enables the trader or investor to profit consistently in his business of speculation. Gann and Fibonacci analysis is the basis of my time and price ratio analysis. Elliott wave analysis is the basis of the price pattern analysis.

My approach to investing and trading using Gann, Elliott, and Fibonacci analysis is three dimensional. These three dimensions are time, price, and pattern. Only when time, price, and pattern coincide do I consider the market in a position to offer a sufficiently low risk trading opportunity to enter the market. I'll describe how I analyzed recent market activity in gold using these time, price, and pattern techniques to enter actual trades.

There were many long term time price, and pattern indications that a major change in trend was likely in the gold market in the December 1987 January 1988. The gold rally cycle from the February 1985 low did indeed reach final top on December 14 and prices moved down sharply from there. By identifying the completion of a major bullish cycle, the trader can begin to determine the parameters of time, price, and pattern to trade the correction.

Once a major or minor cycle is complete, I always look for a ABC or three wave correction at a minimum. The market may unfold into a more complex correction. By following strict rules that require particular time, price, and pattern parameters to be satisfied and coincide, I find I can consistently enter the market at a very minimum risk and catch the larger swings. The first corrective wave from the December high unfolded in a clear Elliot five- wave pattern. Prices corrected approximately 38.2% of the February 1985 - December 1987 rally. The final week of the five-wave corrective pattern resulted in a reversal week with a new low and a close considerably above the previous weeks close. The A-wave was not complete and the trader's objective is not to determine the parameters to enter the direction of the trend on the short side to take advantage of the next wave down or the C-wave.

I will begin the detailed analysis with the market activity subsequent to the A-wave bottom of February 29. The market could unfold in a more complex corrective pattern than an ABC correction. The A-wave low of February 29 could result in the final price low of the correction. I usually go under the assumption that there will be a second corrective wave down from any extended rally. This is particularly true when a major time cycle has completed which was the case with the top in gold in December. The objective is to enter the market on the short side with minimum risk and take all the market will give us. Since the first leg of the correction resulted in a clear Elliott five-wave pattern in the February low, I would look for the B-wave to unfold in a ABC pattern. The completed B-wave is likely to correct either 38.2% or 50% of the A-wave. The A-wave correction was $101 (December 88 contract): December 14 high at 542 to February 29 low at 441. A 38.2% correction would be at 480 and a 50% correction at 491. The maximum correction to expect would be a 61.8% retracement at 503. 1 did not expect prices to retrace more than 50% due to the extend and swiftness of the first leg down into the February 29 low.

Price rallied from the February low to 479 in precisely seven weeks. 479 was just one dollar short of the projected 38.2% corrective level at 480. Seven weeks is 49 calendar days. Gann called any time interval of 49 the “death zone” and a period to prepare for a change of trend. Prices had unfolded in an ABC pattern of sorts into the 49th day at April 18. This appeared to be an ideal shorting opportunity. Prices were at a significant Fibonacci price retracement level exactly at the completion of an important Gann time cycle and Elliott corrective pattern. Time, price, and pattern had coincided. The weakest dimension at this point in time was the Elliott pattern analysis. The price pattern was not the clear Elliott ABC correction I’ve come to anticipate in the gold market and the precision of the coincidence of time and price overruled the Elliot pattern doubts. I looked for a confirmation of a top to short the market.

I went short on the close two days later on April 20. Price activity on April 20 resulted in a fairly wide ranging outside day where prices closed near the low of the day and below the prior day’s low. This was strong confirmation that the rally cycle from the February low had likely topped. I’m now short at 473.50. My stop was placed at 481. Just two days later prices moved down $8 and the stop was lowered to 475. So far so good. A small rally ensued the following week with prices failing to fill the gap left on April 22. On May second, when prices exceeded the first short term swing low of April 26, I moved the stop down 466 close only, just above the small gap left May second. This insures me of at least a small profit. I’m looking for a longer term C-wave correction which should extend at least $50 or 1/2 of the A-wave. I’m stopped out the following week on May 10 at 466 when the market closed right at my close stop. I now have a $7.50 profit ($750 per contract) in three weeks. I’ll take it with no complaints. However, I’m looking for a larger swing.

Gann reiterates throughout his work that time is the most important element. A market will not complete a trend until the time is up. At this point in time, it did not appear that the seven week cycle completed the B-wave correction. Now I must determine when the next most likely time for this phase of the correction is likely to end.

N/lay 29 would be 90 days from the February 29 low. The week beginning May 30 would be three months from the Feb. 29 low. Gold very often has a change in trend upon the completion of one of Gann’s natural time cycles of 30, 60,90, and 180 interval periods. I would look at the week beginning May 30 as a high probability change in trend period and a likely time to expect the completion of the B-wave cycle.

One June second, gold had the widest range day in months and broke out of the triple top at the important 38.2% retracement level of 480. A breakout above a triple top usually indicates and results in an explosive rally. I didn’t trust this breakout. In the larger picture the correction from the December 1987 top did not look complete. The week of the breakout completes the 90-day and three month cycle and strongly indicates a likely high and completion of the B-wave cycle. Just one day following the June third breakout results in a strong indication the breakout is false. June third results in a key reversal day. Price opened below the prior day’s low, moved to a new intraday high and closed below the day’s open and the prior day’s close. Strong indication of a reversal in trend. Two trading days later price closes down sharply below the triple top zone, a confirmation of the breakout was false. I go short at 476 near the close of June seventh. A Stop is placed at 482, just above the day’s high. Price and time activity has confirmed that the B-wave cycle is likely complete and a strong move down can be anticipated.

Within three weeks prices have moved down to the area of the A-wave lows of February 29. I’ve moved my stop down to 472, just above the first swing high. I’m tempted to take profits or a least tighten up the stop considerably as prices near the February low. However, the price objectives for the C-wave indicate prices will likely exceed the February low.

On July 25 the market closes down over $16 on the wildest range day in over six months with a strong close below the double bottom near 442. I move my protective stop down to 462, just about the most recent swing high and anticipate the market will move sharply lower following this breakdown. A bid disappointment results as the market immediately rebounds back above the double bottom. The market essentially moves sideways over the next two weeks with another move below the recent lows with still no follow thru.

This brings us up to the time this is being written (mid-Aug.). I'm profitably short from 476 with my stop at 462, this insures a $l4 profit ($l400 per con-tract). However, I'm in the market for the larger moves. Price, time and pattern activity do not yet suggest the move is over. Let's take a brief look at what we might expect in the weeks ahead and the parameters for time, price, and pattern activity.

Pattern Objectives: In a normal ABC correction to an extended rally, the C-wave will be lower than the A-wave low and in a proportion relating to the A-wave. Prices have barely exceeded the February lows and have not yet reached the minimum price objectives for the completion of the C-wave. It is likely there will still be lower prices before the completion of the C-wave cycle. What if the correction for the December high is going to unfold in a longer term Elliot 5 wave pattern and the June top is just the completion of wave two. If this is the case, much lower prices can be expected. That's fine by me. I'm short from near the June high and will take all the market will give.

Price Objectives: The 418-423 zone is the first level of major support below the double bottom near 440. The A-wave = 101. 61.8% x 101 from the B-wave top at 485 = 423. The June 3 high at 461 less the June 29 low at 442 = 43. July 21 high at 461 less 43 = 418. This important price support zone coincides with the longer term support trendline on the spot continuation weekly chart in the August time period. The next major support level lies at 396-397. A 61.8% retracement of the February 85 -December 87 rally is at 397. That rally lasted 146 weeks. December 87 high at 542 (December 88 contract) less 146 = 396. The final major level of support and most likely the maximum extent of the C-wave is at 384 where the C-wave would equal the A-wave. B-wave high at 485 less 101 = 384.

Time Objectives: Week beginning August 8 = 180 weeks from the February 85 low and 34 weeks from the December 87 high. Week beginning August 15 = 60 weeks from the June 87 low, 35 weeks from the December 87 high and 24 weeks from the February 88 low. Week of August 22 = 100 weeks from the September 86 high. Week of August 29 = six months from the February 88 low. February 27 = 180 calendar days from the February 29 low. These are all Gann and Fibonacci natural time cycles plus the 35 interval period cycle for gold. Gold's price was $35 for years. 35 is an important time and price vibration interval for gold.

The month of August and particularly August 25 completes an important Gann and Fibonacci time cycle for gold. On August 25, 1976 gold reached a very important low of $100. From that point gold entered a relentless rally into the 1980 high. August is 144 months (12 x 12) or 12 years from that important low. I will look for a minor or major change in trend in the last two weeks of August. If the cycle has not completed in that period. I will look at the week of September 19 which includes the fall equinox. Following that period. mid-October indicates a minor or major change in trend could occur. Keep in mind that Gann and Fibonacci time cycles do not indicate whether a high or low will develop, only that the cycle may come to completion and the market may reverse trend. A trader must look to the price and pattern activity going into these periods to determine if a trend change is likely.

The U.S. Dollar and the Swiss Franc

By Marcus Robinson

Before we embark upon a dissertation on our interpretation of the valid Elliott Wave count, let us briefly review this complex work so that we may provide ourselves with some common understanding of this intricate market theory. The Wave Theory was developed by R.N. Elliott to explain the aggregate decisions made in the markets at large. In short, the theories suggest that prices follow a basic eight-wave pattern, an impulse pattern of five advancing waves in the direction of the prevailing price trend and three corrective waves, retracing the price action of the impulse wave. There are additional triangular and rectangular price formations which are more complex in nature than those of the impulse or corrective variety, but nonetheless serve as trading sequences within the basic pattern.

Our interpretation of the wave count in the Swiss Franc is as follows: Our preferred count suggests that minor wave five of primary wave five peaked late last year on December 31 at 75.55 basis the nearest futures contract. The ensuing price pattern in a downward impulse wave (a five-waves down pattern) which is now in the process of putting in the price low of intermediate wave three of minor wave A (see figure 1).

Our interpretation in the U.S. Dollar Index is a perfect mirror image of the wave count we've provided for the Swiss Franc. The reasoning behind this phenomena is that we view the role of both markets as being quite similar in the overall currency markets. In our view, the Swiss Franc is in itself a basket of currencies' as is the Dollar Index because, as is well known, the Swiss are the bankers of the world. The Swiss Franc, on one hand, is backed partially by gold and by an international banking system which literally serves as the ultimate bank vault for the Western world. The U.S. Dollar Index was specifically designed to reflect the value of the greenback in terms of the world currencies from the economically advanced western world. We feel the comparison is worthy to note and is one of the reasons we have isolated these two markets as the major focus of our efforts in the currency markets.

As the theory goes, traders should expect to see a corrective rally emerge from here which will eventually give way to another five-waves down pattern which will be correctly labeled intermediate wave five of minor wave A.

From this low, we may expect a good sized advance. Since this will be a corrective wave it will be correctly counted as a three-wave advance. Once this upside correction completes itself (labeled intermediate wave B), traders should then be prepared for a spectacular decline into our

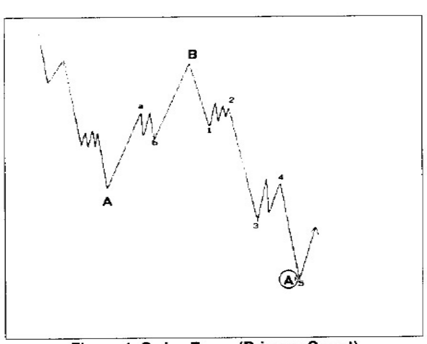


Figure 1, Swiss Franc (Primary Count)

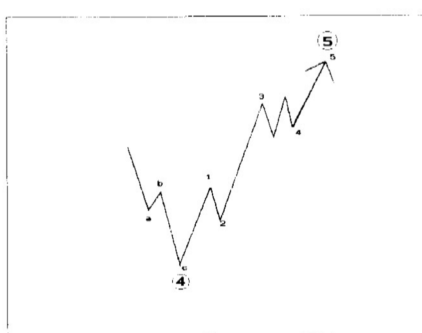


Figure 2, Swiss Franc (Alternative Count)

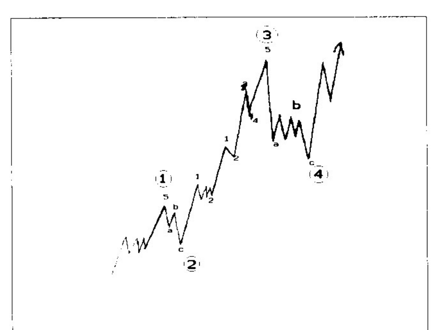


Figure 3, U.S. Dollar (Primary Count)

C-wave low as we have indicated in figure 2, our Elliott Wave model.

Our alternative wave count labels the recent peak in currency prices as primary wave three of a bull market advance. Under this scenario, the recent decline can be correctly counted as an A-B-C type fourth-wave correction of the recent advance. This count would be very bullish as it would assert that another impulse wave of minor degree (very powerful) lies directly ahead.

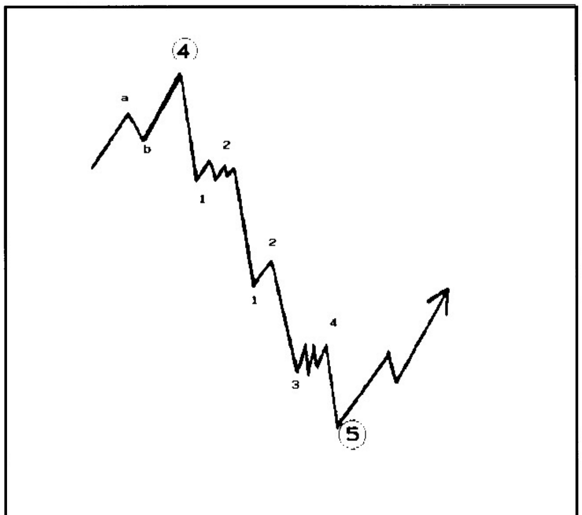
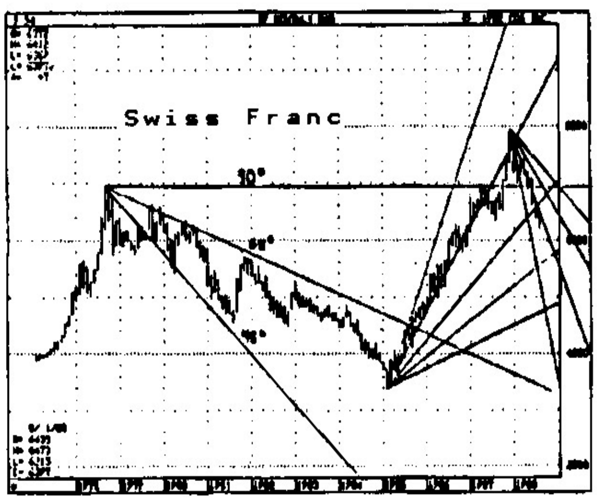
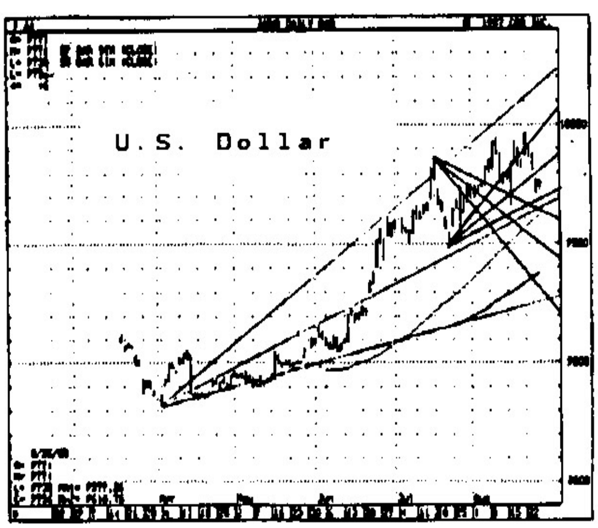


Figure 4, U.S. Dollar (Alternative Count)





Our road map scenario for the Dollar Index suggests that the low for primary wave C of the old bear market was put in last December, registering a low of 85.55 basis the cash contract. The recent rally that we've heard so much about is the emergence of a new bull market in the U.S. Dollar. Minor wave one put in a high of 92.50 last February resulting in a wave two pull back into May of this year. The recent upturn that we've seen in the market of late is intermediate wave three of primary wave one of the new bull market in the dollar. The wave three rally is currently in progress and should peak by no later than late October or early November. This should make for some pretty good political news given the presidential election this year. Once wave three is completed traders should see a sizeable decline in the value of the dollar as most major cycles turn down going into next year (see figure 4).

Our alternative scenario calls for an A-wave peak of A-B-C type counter trend rally to be put in here, then a brief pullback into late September (to form a B-wave low). Then traders should see a final thrust upward into late October/early November to put in the C wave high. Once this corrective trading cycle is complete, traders should see another sizeable decline in the Dollar emerge as we bring in the new year.

One of the unique characteristics of our trading model is that it produces exact price and time projections using a proprietary form of analysis which includes many of the price and time calculations of W.D. Gann and Leonardo Fibonacci de Pisa. Before we bombard you with a choice selection of the projections our system has generated, let us review some of the background information and formulas which were useful in developing our model.

The basic assumption of numerical systems based upon the work of Leonardo Fibonacci is that everything is relative. Not only is it relative, our interpretation of his work asserts that the relativity of price and time can be accurately expressed in terms of a ratio. The Fibonacci ratios we use most commonly are: .382, .50, .55, .618, and .892. We sometimes use the ratios of 1.382, 1.50, 1.55, 1.618, etc. for extended forecasts. A basic application of these ratios would be to multiply the measured range of a particular price advance to find its most probable retracement low or to determine the exact time periods for high probability turning points in the markets as well.

Before getting into the specific technologies we use in developing our profile, we would like to lay a little ground work to establish some basic mutual understanding. We acknowledge the existence of natural cycles which have certain affects on our planet, human thought, and emotion and thus affecting human behavior (the aggregate of which determines market dynamics). Probably a less intimidating approach to this subject is to rename it "cycle analysis" and right away there would be a body of cyclical data upon both, for our purposes they are equally which we could all agree. There are valid." The basic difference between several important cycles which we the two systems is that heliocentric could easily translate into a planetary movement is gauged by the orbit of the format and thus provide a very potent planets around the sun (a more scientific and unfortunately misunderstood tech- approach) and geocentric movement is technology. These cycles are: (1) The daily gauged by the rotation of the planets cycle seven days named after the seven around the Earth (a more esoteric no-medieval planets, (2) the monthly cycle). For our purposes we are inter-roughly calculated by the 28.5 day lunar cycle primarily with movement of the cycle (new moon to new moon), (3) the outer planets for the intermediate long quarterly cycles no one disputes; the term projections and for the shorter seasonal cycles of summer, fall, winter, termed projections we are mainly con-and spring. These cycles are closely related with the lunar cycle and it's connected to the heliocentric orbit of the vengeance with the heliocentric move-planet Mercury (87.97 days), and (4) the annual cycles the 365.2 days orbit of the Earth around the sun (heliocentric) or the esoteric notion of a 365 day orbit of the sun around the Earth (geocentric). We have only one comment regarding the use of heliocentric vs. geocentric astral-psychology and that is “use them both, for our purposes they are equally valid. The basic difference between the two systems is that heliocentric movement is gaged by the orbit of the planets around the sun (a more scientific approach) and geocentric movement is gaged by the rotation of the planets around the Earth (a more esoteric notion). For our purposes we are interested primarily with movement of the outer planets for the intermediate long term projections and for the shorter termed projections we are mainly concerned with the lunar cycle and it’s convergence with the heliocentric movement of the planet Mercury.

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THE PRICE AND TIME MODEL

THE SWISS FRANC
(nearest contract)

FIBONACCI PRICE PROJECTIONS

UPSIDE PRJECTIONS

Short Term:
64.47; 65.23; 66.43/66.87
Intermediate Term:
68.95/69.80; 73.18; 74.52
Long Term:
78.66/79.25; 81.23/82.18
85.55/86.90; 91.03/91.61
93.70/94.53

DOWNSIDE PROJECTIONS

Short Term:
63.63/63.50; 62.55; 62.18
61.31/60.05
Intermediate Term:
57.94/56.64
Long Term:
54.54/51.44; 46.68; 44.59
44.82/43.33; 38.99

PLANETARY PROJECTIONS

UPSIDE PROJECTIONS

64.40; 66.30/67.70; 69.20

DOWNSIDE PROJECTIONS

60.40; 58.70; 54.70

GANN PRICE / PROJECTIONS

UPSIDE PROJECTIONS

Short Term:
64.08; 65.02; 67.83
Intermediate Term:
70.64; 71.58; 73.45
75.33/76.27
Long Term:
83.08; 84.70/85.10

DOWNSIDE PROJECTIONS

Short Term:
63.55; 62.55/62.20
Intermediate Term:
61.55/60.55; 58.55
56.55; 53.76/52.83
Long Term:
50.95; 49.08; 45.33

TIMING MODEL

SEPTEMBER:
1/2, 9, 12/13, 21/22

OCTOBER:
3, 6/7, 13/14, and 25

NOVEMBER:
1/2, 8, 16/17, and 29

DECEMBER:
2, 8, 17, 28, and 31

THE U.S. DOLLAR INDEX
(nearest contract)

FIBONACCI PRICE PROJECTIONS

UPSIDE PROJECTIONS

Short Term:
96.50/98.60; 99.60; 102.17
Intermediate Term:
105; 109.47; 112.43
138.84; 152.98/155.93
Long Term:
124.35; 129.05; 134.05
138.84; 152.98/155.93

DOWNSIDE PROJECTIONS

Short Term:
97.75/97.55; 96.52; 94.96
Intermediate Term
92.29; 90.96; 87.07
Long Term:
85.55; 83.92; 80.55
77.76/76.80

PLANETARY PROJECTIONS

UPSIDE PROJECTIONS

100.70/102.30,
105.5/108.7/115.1;
124.70; 134.30

DOWNSIDE PROJECTIONS

95.90; 93.00/91.70;
90.30
87.10; 83.90

GANN PRICE /PROJECTIONS

UPSIDE PROJECTIONS

Short Term:
98.55/99.61; 100.55; 102.43
Intermediate Term:
108.05; 113.67/115.55;
119.30
Long Term:
123.05/124.93;
136.18/138.10141.55;
147.42; 153.05

DOWNSIDE PROJECTIONS

Short Term:
96.55; 95.30; 91.55/89.67
Intermediate Term:
84.05; 83.10; 81.55; 78.43
Long Term
76.55; 72.80; 69.05; 67.18

TIMING MODEL

SEPTEMBER
1/2, 9, 12/13, 21/22
OCTOBER
3, 6/7, 13/14, 25

NOVEMBER
1/2, 8, 16/17, 29
DECEMBER
2, 8, 17, 28, 31

Price Scales and the 45 Degree Angle

By Peter A. Pich

After several years of conversations on our customer support line, I have found some common misunderstandings that seem to be shared by a number of Gann students. One of them has to do with Gann's IXI, 2X1, 4X1 angles and their relationship with the 45 angle.

In Gann's lesson Geometric Angles he describes the 450 or IXI angle as follows: "The first and most important angle to draw is a 450 angle or a moving trend line that moves up one cent per week or I cent per month" Throughout his course material he uses the terms "45 degree line" and "IXI line" interchangeably.

In today's markets these terms are seldom the same. When Gann wrote his books and courses he traded the soybean market. His charts were scaled at one cent per price division so that a 1XI line and a 45 line were physically the same angle. In to days soybean market a chart would need to be scaled at four or eight cents per price division in order to make the chart a practical size to fit on your desk. The important term is not 450 line but rather a line that moves up a rate of one cent per day, week, or month. A more descriptive term would be "True 450 or a IXI angle that is adjusted for the scale of the chart. On a soybean chart with a scale of 4 cents per division the True 450 would have a physical angle as measured with a protractor, of 140. (Tangent of 1/4) The line would rise at a rate of one quarter price division per time division. Since the price division has a scale of four cents, the one cent per day requirement is satisfied.

When the PRICES WITH SQUARES module is used in the Ganntrader I software program the physical shape of the plotted square is automatically adjusted for the scale of the chart. For example, a Square of 144X144 on a chart with a four cent scale would be one fourth as tall as its length. The True 450 always runs from one corner of the square to the opposite corner. You can over-ride this feature by simply multiplying the price portion of the square by the scale of the chart. This will produce a physically square.

Another often asked question is what constitutes a one cent movement for markets and that aren't quoted in cents? The T-Bonds, currencies and S&P 500 are the three examples.

Using a full point in the bonds such as from 86-12 to 87-12 as the basis for the IXI angle is not very practical. A full point represents 32 X $31.50 or $1000 which is too large a number for an angle that is supposed to rise one point per day, week or month. I have found that treating the 1/32 ticks as the price portion of the IXI angles works well if the entire price is plotted in 1/32 ticks. The Ganntrader I program allows you to multiply the price by any number prior to plotting. Multiplying a bond Quote of 86-12 by 32 produces a tick number of 2764. (86 times 32 plus 12 = 2764) These numbers make a better fit with Gann's square of 90 and 144. Often you'll find the major highs and lows are multiples of 90 ticks apart.

Commodities, such as the currencies, that are quoted as fractions of a cent should have their decimal point shifted to the right prior to plotting. The program was designed for experimentation so it is a simple matter to try several decimal point shifts until the correct one is found. For example, Swiss Francs at $6500 should be changed to 65.00 or 6500.

You may also want to try to experimenting with using the minimum price fluctuation as the price value in the True 45 angle. The S&P 500 is quoted in five point increments. The True 450 angle might be one that rises at a rate of five points or 50 points per day, week or month.

Gann often charted Eggs using a scale of 13 points per price division. I don't know if this is related to the minimum price fluctuation of that market or if he had some other reason. The charts I've seen have 450 angles drawn on them. With a scale of 13 per division these angles rise at a rate of 13 points per day.

In his Cotton Course he describes the 450 or lXl angle as follows: "The first and always that most important angle to draw is a 450 angle or a moving average that moves up 10 points per day, 15 points per week or 20 points per month". This statement would seem to contradict this rule of I unit of price per time unit is a IXI angle. For the cotton market these numbers must have proven to be the correct point values to be the True 450 angle.

As a rule you will know when you have the True 450 angle when the prices in a normal Bull or Bear market follow it up and down. You should see occasional price moves above the 450 angle to the 2X1 and below it to the IX2. When you have found the True 450 angle for that particular market.

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Gann's Annual Forecasts

Part I

By Chuck Carpino

This article will review some of the predictions of W.D. Gann that were made in his Annual Forecasts. The Forecasts for 1919 to l922 can be found in his The Truth of the Tape. His 1929 Forecast is from the 1930 Wall Street Stock Selector. Gann's prediction method was unique because he attempted to provide his subscribers with specific trend forecasts, extreme high or low points, and bull or bear cycle swings. The fact that Gann did this for over four decades, could provide written testimonials, and audited brokerage statements of his profits is a tribute to his forecasting genius. As I review some of his forecasts, you should always keep in mind that they were prepared a year in advance.

In his Forecasts, Gann prepared a Stock Curve as well as a Railroad Curve when it was necessary. The Stock Curve was made up of 20 industrial stocks of his day and I suspect it deviated off its projected path more than the Railroad Curve. The reason is because there are so many industrial groups in the 20 stocks that news events of a major breakthrough in one or two industries would send those stocks up while the general trend should be falling, and it altered the curve. The same reasoning would apply as to why his grain and cotton forecasts seem much more accurate than his stock forecasts on a month to month basis. In making up his stock forecast, he considered his Curve for Interest Rates and the various commodities he tracked. This was probably to obtain some guide as to the inflationary pressures of his time. He then came up with an interpretation of their interaction, along with his numerous other methods, he built an annual forecast as to the general trend and strongest up or down months as he saw them.

Probably his most famous prediction was that of the 1929 bull market top which he accurately forecasted in late 1928. He correctly forecasted the bull move into the summer of 1929 and figured late March would mark the low in stocks. Actually, the base for the bull market stretched until May 27th before really commencing an upward move. However, March 26th was an important low just as he said it would be. You would have made money buying your stocks here. He correctly called for a distribution top during the summer months of July and August.

He said for September, One of the sharpest declines of the year is indicated. A Black Friday is forecasted and a panicky decline in stocks with only small rallies. Extreme high for the month around September 2nd to 3rd and a low around September 27th to 28th from which a fair sixed rally and a trading market running into the early part of November. After that, the big bear campaign will again get under way and stocks will continue to work lower, reaching extreme low for the year around Dec. 23rd to 24th.' Let's compare this prediction with the actual results. The exact date of the top in the industrials occurred on September 3rd at 386 and a vicious decline commenced. He did provide his clients with important advice - get out by late August. A nice entry point for shorts was also given as September 3rd. Unfortunately, if you has tried to short in early August, as he thought the highs would occur here, you would have suffered losses in the sharp August advance of 1929 (like August 1987). One of the most important aspects of his curve is that it will actually give you reversal dates as either a top or bottom. This is a big advantage over having a reversal date and waiting for prices to indicate the current trend before you can initiate a trade in the opposite direction. Most of the time the indicated highs or lows work out, but alas, no system is perfect and neither was Gann' s curve for the fall of 1929 correct on all points. A small bottom occurred on October 4th, not September 27th - 28th (this could be hazardous if prices are in a big decline, which they were) and mounted only a minor rally to October 11th before continuing their descent to 195 on Nov. 13, 1929. The final low was made here, not December 23rd. Take a closer look at what did occur on December 23rd. From a high point on December 23rd, making a higher low at a price level not to be seen again for another seven months. As you can see, his date for a low came in nicely, but it was a higher low. I have found it very difficult in prediction to determine if a second low is a final one, a double low, or a higher low. It seems you have to let prices dictate that to you.

Here's another one of his forecasts where he was very specific. In December 1920, he issued his 1921 Forecast in which he said, "The bull campaign top for the Spring culminates between April 28th to May 3rd. The month of May indicates serious declines." He had June as being dull and inactive. In actuality, the yearly top was at 80.03 on May 5th, with May 2nd - May 5th almost at the same price levels. By the end of May, prices had declined in a steady fashion to 73.44 and made a final low at 64.90 on June 20th. This was a Forecast which correctly got you out of your long and short positions at the right time for a long monthly decline.

What is most interesting about his work is that without price information, he was predicting the trend and identifying the dates of tops or lows, and doing it a year in advance. He wasn't always right, but when you look at his high accuracy ratio, you begin to understand what he meant by "Once you know the cause of market movements, you can predict the effect, long before Wall Street is aware of either."

Chuck Carpino, 406 Isolde, Houston, TX 77024

Short-Term Market Forecasting via Astrology

By Carol S. Mull

The market moves through periods of optimism, expansion, anxiety, depression, and panic, as dictated by the magnetic winds that govern the universe. These periods are known as economic cycles. Some economic cycles last for centuries, while others have a duration of only a few minutes, hours, or days. It is possible to obtain approximate market predictions via analyzing these sequences and projecting them forward, but more accurate predictions can be produced through astrology.

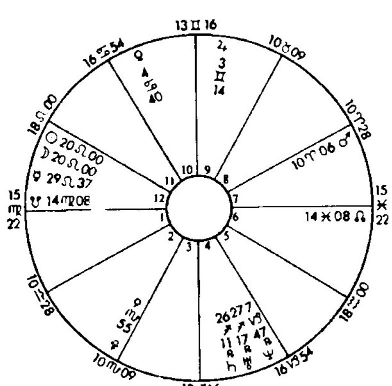
Astrology requires the exact computation of when and where the planetary bodies will reach exact aspects such as 900, 1 80~, I 200 from one another. Correlations have been found between planetary aspects and economics cycles. Today the theory that the magnetic forces generated by planetary aspects cause cycles is gaining acceptance by cyclic theorists and astrologers.

Like all astrological forecasting, financial astrology does not yield exact results, but its study can give indications that have a high degree of probability. The best results of all can be obtained when astrology is combined with the usual fundamental/technical methods.

Sun/Moon Aspects

The astrological aspects that are the easiest to learn and use are those between the sun and moon (these can be found in an almanac). Sun/moon aspects are so important to the market that you can be correct about 80 percent of the time if you use only this type of aspect.

The sun and moon are conjunct at the new moon, and unless overshadowed behavior aspects, the market can be expected to move upward at that time. The sun and moon are in square aspect (90 0) at the first quarter and last quarter, and a bear market is the normal result. The sun and moon are in opposition (1800) at the full moon, which usually brings a somewhat bullish market, but is not as positive as the new moon.



Sun/moon trines (1200) come halfway between the opposition and the first quarter or last quarter; they are indicators of bull markets.

Since aspects cast their influences before them, the expected effect will usually come the day before the aspect is exact. When it does reach exactness, it is all over.

Sunspots

Periods of solar prominence (sunspots) pour forth energy, causing all earthly activities to increase-including stock market trading. The usual result of this stimulus is a major market turning point, either up or down.

Increased sunspot activity occurs whenever the planets Mercury, Venus, Mars, and Jupiter are on the same side as the earth. The greatest influence of all this tidal-like force occurs when Jupiter and Venus are in a helio-centric line-up with the earth at 0~, 450, and 900, but lesser activity produces the well-known Dow cycles of 89 weeks, 124 weeks, and 208 weeks.

A very good illustration of this market indicator occurred last October 19 when the market dropped 505 points. Jupiter was exactly opposite the sun, increasing solar flares and market timing-thus forcing a turning point.

So, be aware that aspects to the sun mark major market turning points, both up and down. For exact timing, you will need to construct a helio-centric chart. Most computer programs have this option.

The Total Picture-Positive or Negative

Another valuable tool in short-term market forecasting is to tally all the aspects in the sky on a given day. This method was originated by David Williams, author of Financial Astrology, but I have altered his method somewhat. What I do is list the aspects that are within a degree of orb on a given day over New York City within market hours, plus the more important ones that fall after or before the market is open. I then assign a numerical value to each aspect: Conjunctions are ten, sextiles are three, trines ten, and oppositions six. In general, conjunctions, sextiles, and trines are positive, while squares and oppositions are negative, but this can be overridden by the nature of the planets involved. Saturn and Mars are always negative; Jupiter, Venus, and the sun are always positive.

When my list is complete I simply add my negative column, and then my positive column. If I have -84 and +15, I definitely expect a down-day at the market. Plus 64 and minus 16 would indicate a bull market.

This method of analysis works because it is an overall indication of how the majority of people will be feeling. If the populace is feeling depressed and fearful (Saturn/Neptune), they are apt to sell their stock.

Most Ephemeris's (catalog-type books listing all the planetary positions at Midnight by noon] at Greenwich, England on a daily basis) have an aspectarian section. Or computer programs are available. Or 'Dell Horoscope" magazine carries a aspectarian section in each issue.

This same method of tally aspects can be used on an hourly basis, or even fifteen minutes.

Another interesting experiment is to run charts for New York City for every half-hour for a given market day. Then, armed with your sixteen charts, sit back and watch the ticker tape. The sun, Mercury, and Venus will be in the mid-heaven around noon each day, which will produce a slight but noticeable rally. When Uranus is in the Midheaven, the market will be erratic; Saturn will bring a down-turn; Neptune will bring active trading in oils and drugs. Anyway, you will be able to observe the effects of different planets and aspects as they move across the midheaven on a minute-by minute basis.

Mars aspects

The planet Mars acts as a "trigger" for certain undesirable long term stock market movements, whenever this planet is square or opposes one of the outer planets. In fact, the stock market is 70 percent likely to develop a downward trend whenever Mars is in conjunction with one or more outer planets and simultaneously pattern is not alleviated by trines and sextiles. The orb for the square should be 50, but 80 can be allowed for the opposition. The following aspects are especially bad for the market: Mars conjunct Saturn, Mars square Neptune, Mars opposite Jupiter, Mars in opposition--regardless of the planet. All Martian retrograde stations should be regarded as critical to the market. In contrast, stock prices have consistently risen during the thirty days just before a conjunction of Mars with Jupiter or Mercury.

January and September Highs

The market is usually up January 9th through the 18th. This is because the sun reaches 23-25 Capricorn in mid-January, which produces a grand trifle with Mercury at 24 Tarus in the New York Stock Exchange chart, sun at 26 Taurus in the NYSE chart, seventh house cusp of NYSE chart, Neptune at 20 Virgo in the chart of the U.S.A., and Pluto at 24 Capricorn in the chart of the U.S.A. A similar effect happens each September when transit sun reaches 18-27 Virgo.

Retrograde Mercury

The planet Mercury rules trade and commerce as well as communication. Whenever it is in retrograde motion the market becomes sluggish, listless.

Eclipses

Eclipses bring an erratic, unpredictable market while they are overhead. Then, for about six months afterwards, that spot in the sky is sensitized. Whenever another planet, especially Mars, comes into aspect with that point, the market is likely to fall sharply.

Conclusion

I think of astrology as neither an art nor a science, but as a discipline. That is, it works in the same way that medicine, jurisprudence, and the ministry work. There is a body of principals and laws at the core of astrology, but these must be in the hands of a skilled and experienced astrologer who exercises capable judgement for good results. Like medicine, law, and theology, astrology may not always give quantifiable results--but it works, nonetheless.

If you wish to use it for market prediction, you should first learn the fundamentals. Since there are many charlatans around, I recommend that you contact the American Federation of Astrologers, Inc., P.O. Box 22040. Tempe, Arizona, 85282, phone (602)838-1751, and ask them for the name of a qualified teacher who lives near you. When you've mastered the basics, I have a mail order Course in Business and Investment Astrology.

My newsletter, "The Wall Street Astrologer," can be understood by both the trained astrologer and the non-astrologer. Send for a sample copy.

Using Holography to Trade the Markets

By Kevin K. LaRocca, CTA

Anyone who has studied the commodity market for a period of time has had an underlying sense of an order to the market, but they have fallen short because their approaches limited their scope of the full picture. Most of these approaches have exposed portions of this order, but have failed to reveal the complete picture.

In the past few years a new breakthrough in scientific technology has been developed, enabling us to accomplish such a feat. This major breakthrough is the science of holography.

The word 'holography' is derived from the words "holo" (complete) and "gram" (message). As the above words indicate, holograms capture, through a pictorial process, all the visual aspects of an object. In other words, it presents objects in a three-dimensional photographic format. A standard photograph, in comparison, merely collapses a three-dimensional object into a two-dimensional plane.

It is through the characteristics of this unique photographic process that we are able to expose the true order behind all market movement. In order to understand how holography is utilized to predict future turning points in the markets, we must first examine the characteristics of a hologram.

Holography is different than traditional methods of three-dimensional presentation because it utilizes laser technology. It is a simple process of photography recording the patterns formed by two interfering sets of light waves that are reflected off of an object. One of these must be a reference wave. It is this reference wave source that will finally be used to reconstruct for the viewer the originally recorded scene. These interfering sets of light waves are recorded on a special plate designed to capture and record the waves at the angles at which they are reflected. By simply shining the reference laser through the negative plate, the original wave patterns are reconstructed and the object is once again seen in its three-dimensional form. Without the proper light source, the negative plate appears as a meaningless pattern of swirls. Only with the

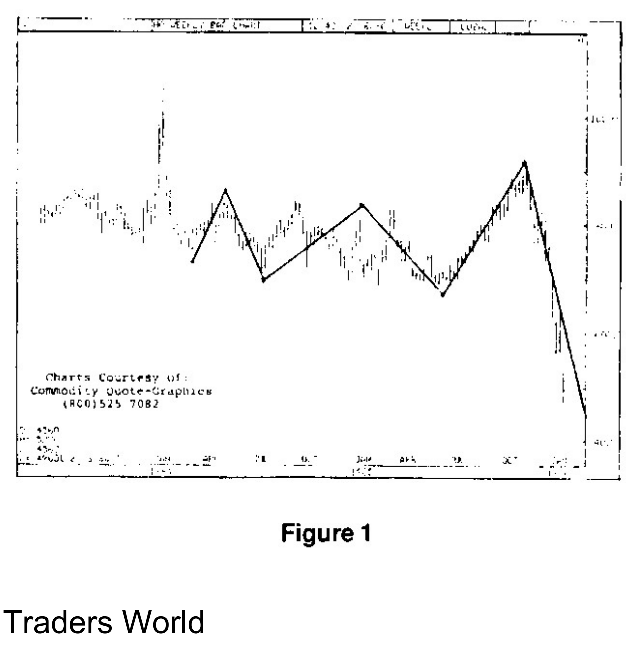


Figure 1

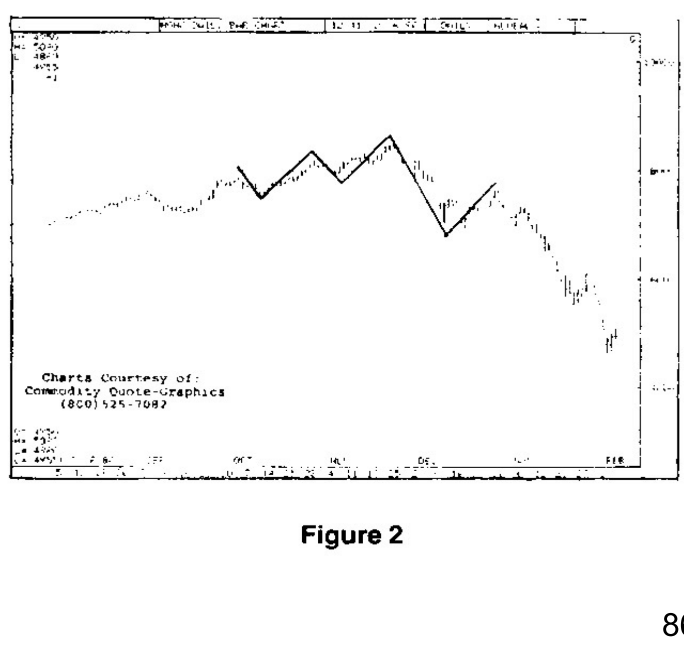


Figure 2

correct reference wave, can the disorder be brought into perfect order. Perhaps the most unique characteristic of a hologram is that the whole image can be seen through any of its individual parts. For instance, if one were to view a hologram of a horse, and were to cut one portion of the horse (ie, leg) and then enlarge that section to the original size, one would not see an enlarged leg, but instead, a picture of the whole horse. Like the negative plate of a hologram, the action of the commodity and stock markets seem to be a picture of intermingling wave patterns and, like holography, there are also two distinct light (wave) sources which govern their behavior. These two sources remain constant, and will never change, for without them, there would be no price fluctuations.

Once it becomes clear what these two light sources are, we then have the ingredients to reconstruct a hologram of the commodity and stock markets. Like the negative plate of a hologram, the true order of the markets can be brought into view only through the use of the proper reference wave. That is, order, from what appeared to be disorder. As a result of this methodology, we are now able to observe the markets in three-dimensional format which not only exposes their patterns, but also where all major and minor turning points will occur in the future. We also know whether it will be a top or a bottom. It is essentially a window into time.

Just like a hologram, we do not need the complete historical price action for a particular market, in order to find the pattern. Through a specialized process, I am able to take a small segment of the price action of a particular market and reconstruct the complete pattern. Once this pattern is found, it should remain constant, no matter how far into the future we go. Figure 1 is a weekly chart of heating oil prices from 1983 to January, 1986. The lines super-imposed on the chart represent my predicted turning points for this designated time period. As you can see, on this weekly chart, my predicted turning points occurred within a few weeks of the actual turning point. This shows the trend direction and the duration of the move. In order to narrow in on the actual day that a turning point will occur, I will apply the holographic process to a daily chart, as shown below in Figure 2.

On the weekly chart (Fig. 1), I predicted a top to occur on November 22, 1985. Knowing that I would be close to within a few weeks for that predicted point, I would look for a top during that time period on my daily chart (Fig. 2). This predicted point also occurred on November 22, 1985. The actual top in the heating oil occurred on November 23, 1985. By applying the holographic process, I was able to predict, within one trading day, when a major top in the heating oil would occur.

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The Gann Emblem

By David E. Bowden

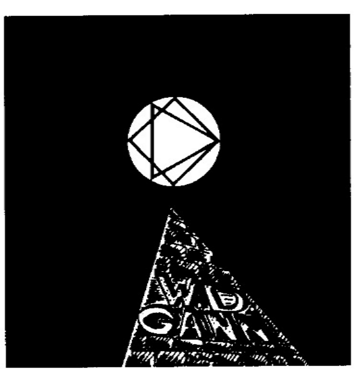
It has often been said that the best place to hide anything is right under the nose of the person who is looking for it. I have found this to be the case with most of the works of W.D. Gann. This simple, effective timing device is mostly not understood. Perhaps it is too simple because people love to complicate things.

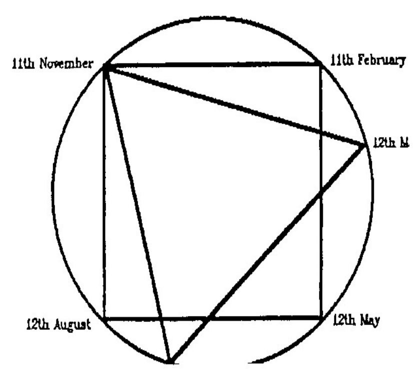
I bought my W.D. Gann Commodity Course for about $1,000 (in Australian currency) in November 1985. It has paid for itself a hundred times over in the past twelve months, so I will try to repay some of what it has done for me. I spent twelve months trying to make the course work for me and went up countless alleys. The emblem is, of course, a square and a triangle within a circle. I suppose many have figured that out, and for anyone who has studied the emblem for any period of time and not worked it out, I don't give you much of a chance in the futures industry. Now, what does all this mean and how do we use it?

First, Gann said in his writing , 'There are three important points that we can prove with mathematics or geometry: the circle, the square and the triangle. After I have made the square, I can draw a circle in it using the same diameter and with different squares produce the triangle and the square in the circle." It is not my intention to go into the construction of squares in this article, but to throw some light on the emblem.

The first thing we must realize is that any cycle is a circle. They are just spelled a different way. They go around and around and so keep reappearing. The circle we will deal with is the calendar year. To get things working, you need a calendar year in the form of a circle. I commonly use the astrological circle calendars as they are readily available. I should be on commission for the number I have bought and recommended to people.

Now, we have our calendar year going around the circle. The first thing to know is that the year should be divided into two sections between the autumn and spring equinox. Gann always did this. This is essential in Pyramid time. Let's look at the S&P Futures Contract. We place the point of the emblem on the date of last year's high, September 18, 1987. Remember, when looking for highs, go to the points of the square. The approximate dates are December 18, March 20 (autumn equinox) and June 19. The points of the triangle give





us January 18 and May 18.

How did we do? The first high from the crash occurred on December 24 (six days late). Then the next high was March 24 (four days late). The last high was June 23 (four days late).

The triangle gave us January 18 (last high before February low) and May 18 was nothing. The reason why September 18 gave us December 24 has to do with the degrees of the year. I usually mark highs in green and lows in red so they stand out.

Now for the lows. We place the point of the emblem on the low of November 11, 1987,and what do we get? The lows of February 10, May 12 and August 11. See how all this looks on your daily bar chart. The dates on the triangle of March 11 and July 12 gave us nothing, which prove the S&P Futures Contract is working stronger in squares than angles. That's good to know when you are working out price.

The degrees of the year are arrived at by dividing a year into 360 segments instead of 365.25 days. Now it is not as simple as a straight division of time but more a division of seasons resulting in four quarters of approximately 87, 92, 92 and 95 days, each representing 90 degrees. The year is divided into two sections by the autumn and spring equinox. I made up a circular calculator which gives me the whole year by degrees as Gann did in his circular charts. A simple way is to run the days in line across a chart of approximately 90 squares and one sees then graphically how the tops and bottoms conform. I call this a 90 degree chart and it is handy in my trading.

Many of the other writers for the Gann and Elliott Wave have done excellent work in relation to planetary influences, sun spots and solar eclipses. I believe these things have to be used in conjunction with "time." "Time is the most important factor in determining market movements because the future is a repetition of the past and each market movement is working out time in relation to some previous time cycle (page 64 in the W.D. Gann Commodity Course)."

A study of previous cycles and applications of Gann techniques enabled me to be aware of the exact day of the top of the bull market in 1987 and the dates of the November and February lows, six months in advance. My studies of the "Master Time Factor" indicate Gann could possibly have been right all the time. Perhaps he threw in a seven percent loss in trades to foil people following his every move. That's certainly the way he wrote.

The markets follow the timing of nature, so do the planets. Some markets make a high at a given date while others make a low. A study of their previous form is very important. "What has been will be again. There is nothing new under the sun. Look, they say, 'Here is something new!' But no, it has all happened before, long before we were born. No one remembers what has happened in the past, and no one in days to come what happens between now and then (Ecclesiastes 1:9-1 1)." This is why Gann put the Pyramid on the cover of The Tunnel Thru the Air, underneath the Emblem.

He went over the wheat contract and this is where he discovered his "Master Time Factor." It was through the wheat contract he could forecast wars, droughts and famine. The Bible is our guarantee. It also tells us we must obtain the old records. Put the Pyramid time and the Emblem together and you have a very powerful tool working for you in any market. But it's not for everyone. I suggest the keen student also study Ecclesiastes 3:1-15.

The advice on cycles is by no means a monopoly held by the Judaeo-Christian scriptures. The ancient Mayan Indians had a text which read "All moons, all years, all days, all winds reach their completion and pass away. So does all blood reach its place of quiet as it reaches its power and its throne. Measured was the time in which they could praise the splendor of the Trinity. Measured was the time in which they could know the suns benevolence. Measured was the time in which the grid of the stars would look down upon them; and through it, keeping watch over their safety, the Gods trapped within the stars would contemplate them.”

Many people ask about the share market. What is it going to do? I see our Australian share market making a top on October 2, 1989. For the American market I have nowhere enough data on the DOW to be exact, but since the 1987 top occurred approximately one month before ours, I would not care to hold stocks after September 3,1989. This is, of course, 60 years or 60 degrees from the 1929 top. An excellent “Gann” time.

I see much drama and panic for all markets around November 16, 1989, but perhaps a buying opportunity before Christmas, say Monday December 18. I hope this has been a help to some of you who have made a study of Gann. At a later date, I hope to write an article based on the book The Tunnel Thru the Air. I think this is the best book Gann wrote.

David E.Bowden is a former Gold Coast property developer. He saw the booms and subsequent downturns in that area. This led to an interest in the works of W.D. Gann. He trades on the Sydney Futures Exchange and advises a small group of clients in Australia and in the United States. He can he reached by mail at: Box 5258 Maroochydore South, Queensland, 4556 Australia.

Gann 's Annual Forecasts - Part II

By Chuck Carpino

Gann's 1919 forecast was sketchy and only one page long. Each year his forecast was expanded. By 1922 it totaled six pages and by 1929 it was up to ten. As his experience grew so did his confidence in sharing his views with his clients.

At the beginning of his annual forecasts, he summarized the year's major swings before discussing the minute moves within each month. These important swings represent the indications of his stock curve as calculated from his "Time Factor." Examples of predictions not based on his time factor are when he stated in his 1919 forecast, "Around the 20th to the

25th of January a very depressing influence is indicated for stocks." He further stated, "A depressing influence is indicated from September second to the eighth." I wanted to make this distinction so that Gann students would recognize that he combined various cyclic methods to make up his forecasts.

In 1919, the Dow opened at 80.00 and soared to 119.62 by November. Gann's general trend called for a bull year in stocks to last until the fall. This was an excellent forecast for the year and long term investors did nicely following his advice.

Early in the year Gann predicted, "An accumulation of stocks between January 20th and February 14th. Stocks bought during this period will show handsome profits on the advance in April and May." February eighth was the yearly low at 79.15 and the Dow rallied for several months without reactions to 105. That was a great forecast for the low and the ensuing trend.

Serious Gann students have probably wondered why he had such a wide range (25 days) for the low in this forecast. After all, most of his predicted highs or lows covered only three days to a week before the turn occurred. Why is this one covering 25 days? It is as simple as you might suspect. The reason the dates were so far apart was because the time factor he used was forming lows that stretched from late January to the middle of February and he knew the low point could have occurred anywhere in this time frame. The real beauty of his stock curve is when you get indications of a top or low within a very "tight range of a few days. The move will come out of the blue and quickly reverse the trend. His August forecast occurred in this manner. A more recent example would be a top indicated for November 10 to the 12 in 1986, and a low indicated for November 19 to the 21 in 1986. Unfortunately these types of indications don't occur every month and may only happen a few times a year.

For the month of June, Gann said, "From June 22nd to July 10th a depressing influence is shown and there is likely to be some marked depreciation in stocks." This was incorrect. The market's last top was on the ninth of June at 107.35, and a sharp decline occurred until June 16th at 99.56. From this price, the Dow recovered and made anew high on July l4, at 112.23. The curve I use, which has been matching his very closely (on the time factor predictions only), indicated tops on June 10 to June 12 and lows from July 10 to July 15. I too, had incorrect indications of a down market lasting until the middle of July. His July low had become a July high and this will automatically throw off the next trend projection. At this point, he probably would have advised in a monthly supplement that stocks would not be rising the latter part of July as he originally suggested.

Let's move on to August to see Gann's "tight fit" curve indications for this month. His forecast was, "Many stocks will reach the top of the boom between the 12th and the 15th, and have a quick decline until around August 23rd." The market rose from a low in early August to the 12 at 105.10 and then dropped to 98.46 on August 20 before reversing upward. That's a nice 6.6 percent drop right in the time period specified back in the fall of 1918.

Gann's fall forecast was bullish until around September 23. He advised selling here if stocks were strong into this time period. September was flat, so it's hard to say if he would have advised selling out here. He had October as being a down month, but it was very strong. The market peaked on November third at 119.62.

As I mentioned earlier, he was less willing to put in writing his indications of 1919. For some reason, he began to write longer forecasts in 1920. He completely left out the strong indication for a low in December of 1919 between the 18 and the 22. There was a mid-month low here at 103.55.

The curve was only one application of his time factor. Another application that I have used since November, 1986 is far more reliable. In fact, its reliability factor so far is about what Gann states in his marketing material -around 80 percent.

This technique provides only the cycle dates each month for a change in trend. Because it is difficult to consistently determine if the cycle will be a high or low, it is best to just consider the cycle dates as a change in trend. As long as the trend is into the expected date, one reverses one's position. These dates can be obtained a year in advance. I know because I have worked up real time cycle turns for each month for two years now.

When I mention this to people, there are usual signs of disbelief. To prove to you their accuracy, I'd like to share with you the predicted cycle dates in six letters I wrote to the leading Elliott theorist in the United States. All but the last letters were written anonymously for personal reasons. These letters span from May 1987 to February 1988 and were randomly written one to four weeks in advance. For the sake of brevity, I'll just give you the gist of the letters. The first letter in May of 1987 stated, 'The upsurge you have been calling for should occur on May 19 or 20, if not by May 21, it probably won't occur. A short term top one day either side of the May 30 weekend is indicated."

On August 13 1 wrote, "I show August 24th as a top with the best drop since the spring occurring until September 9th or 10th." On October 12 I said. "If the market is still dropping going into October 20 through the 23, it should reverse here. Within one day of October 30 there should be a top and November ninth or tenth will show a reversal date." November 19 was given as a trend change date as late as November 16 because I missed it originally. In fact, I missed many dates my first year doing this because I was not aware of all the

January 21 Low AR 1845 + 180 Degrees is 2025

August 23 Low at 1978 + 45 Degrees is 2023

There certainly was plenty of price resistance at 2025

Figure 1

proper cycles and how they worked. The fifth letter was written on November, 24 and is my favorite. It is here that I gave him, “Another turn will occur either side of December fifth and it probably will be a low. The market should move up until mid-month and cycles indicate selling at years end where we want to be long on December 31, 1987 for a sharp move up commencing on January 4, 1988.”

My final letter was written on February 17, 1988. In it I gave him an important date in 1989 as well as,” A sharp drop is indicated between March 22 and March 25.” On March second (weeks before the occurrence), I received a letter from J.B.P., an assistant, who thanked me and said he noted the dates on his calendar. I doubt that they have any idea of how accurate the timing was I had sent them. They turned out to be eleven out of eleven correct within one day of the actual turns. I could continue with examples from experiences I had this past spring with a Midwest money management firm, but I think you get the picture.

Having these dates does not assure success. One still has to be able to “pull the trigger” and then time his entry properly on the cycle date. Whatever short term signals one uses, it is here where they are most useful. For price timing on cycle dates, I like to use geometric, live and dead angles when I can find them and in that order. An example of what I call a dead angle would be from the year’s major highs or lows in price to add or subtract the degrees of the circle until a confluence occurs such as what happened on the November 16 low at 2026.67. The geometric one-half point per-day angle came in at 2025 from the August 23 low. The live angle was at 2025, being 45 degrees from the “live” position at 2070. Third in importance were the dead angles at 2025 (see figure I).

In this article I have tried to show that Gann used several cyclic techniques to work up his annual forecasts. The one I am most acquainted with is the time factor. There are at least four applications of it that I use and there are probably more, the rise to be halted by the cycle date of the 26. Two applications I have discussed include the Stock Curve for occasional monthly trends, high and low indications and the cycle dates for inter-month trend changes. The latter has proven to be around 80 percent accurate and can be provided a year in advance. They are almost always the exact high or low, rarely are they the acceleration point. In the last two years there have been over 30 per-year. In my opinion, they are the crux of all trading decisions. All other indicators are secondary, including price. As I am sure the reader recognizes that there are no guarantees in the market, I would like to offer some future time factor cycle dates which should reverse the existing direction of the averages, at least for the short term. I would expect some kind of a reversal to occur either side of the weekend of January 14 through the 15. January 26, the weekend of February fourth and fifth and February 23 and 24.

My trend road map for these projected turns is provided by the Stock Curve application of the time factor. Its indications are to expect the 14th and 15th to be some type of relative low, consolidation area from whatever tops are reached in early January. It is unknown if a base will be built for a week or if prices will begin to move up immediately. In 1988, bases tended to be built whereas in 1987, the cycle turns were almost always a spike low or high on the cycle dates. If the market moves up from this projected low. I would expect the rise to be halted by the cycle date of the 26th.

The curve also indicates relative lows between February fifth through the ninth, which further supports the 26th as a possible relative top. The theoretical date for the February low is February fourth or fifth, a weekend, so I am expecting the low to occur early should the market make some sort of top on the 26th. Regardless of whether the tops, bows, or trends invert or come out as forecasted, these dates are first and foremost, reversal dates of the existing trend at the time and that is the most appropriate way to use them in trading.

How to Make the Greatest Profit

ByJim Purucker and Pat Reda

On page 55 in W.D. Gann's book. How to Profit From Commodities, Gann states, You will always make the most profit by following the main trend and playing the long swing. You can never make much money jumping in and out of the market trying to scalp it. If you will put in time and study to determine the main trend, and then follow it the length of time that it should run and not get Out until you get a definite indication of change in trend, you will make big profits. It is much better to make three or four trades each year and make large profits than it is to try to make 100 to 200 trades a year and be wrong half the time, and finally wind up with a net loss. Yet there are times when it will pay to stay out of the market and wait for a definite indication and a real opportunity, which is sure to come if you wait.

After 14 years of research and reflection, I've come to realize the profound wisdom of W.D. Gann's statement, that in order to make the greatest profit one must trade with the long-term trend.

A major error is to focus on one or two favorite indicators, thus losing sight of the overall big picture.

In previous articles of the Gann & Elliott Wave, I have revealed some of the valuable trading tools and techniques to follow W.D. Gann's philosophy of how to make big profits.

In order to define the long-term trend, one must focus on, and look at the complete picture. To properly define the long-term trend, all of W.D. Gann's most valuable trading tools and techniques must be used and integrated into proper market analysis. This involves extensively following many indicators, as the weight of the evidence will determine when and how to enter a long term position trade and where to place stops for proper risk management.

A tremendous aid for following and analyzing Gann's most valuable trading tools and techniques on several different stock, option and futures markets comes through the use of computer technology. My long-term goal to computerize W.D. Gann's most valuable trading tools and techniques is complete.

Pat Reda, my long time associate, has provided the computer technology link for the past four years to finally achieve this goal. Pat has researched Gann and Elliott for the past seven years in the stock, options and futures markets, and is an electrical engineer with an extensive background in computer architecture and software design. He has designed software around the Gann Wheel and the Square of Nine chart in order to facilitate mathematical harmony of market movements in time and price.

Together we have developed an ultimate trading system which generates a disciplined set of rules to obtain major buy and sell signals with short-term risk parameters in any stock, options or futures market.

Past articles in the Gann & Elliott Wave magazine have provided the forum to release some of W.D. Gann's most valuable tools and techniques in order to assist others to help themselves and make themselves independent, successful traders.

In conclusion, I want to make you aware of Pythagoras Aphorism Number four, which states Assist a man in raising or lifting his burden; but do not assist him in laying it down. Once one learns the disciplines and sets of rules to follow W.D. Gann's most valuable trading tools and techniques, then and only then will it be your time to make the greatest profits by following the main trend and playing the long swing!

Reference to the chart of the S&P500 clearly points out some of the most valuable trading tools and techniques used by W.D. Gann.

For additional information on the Gann Wheel and the P/R Futures Hotline write: GANN WHELL GLOBAL ADVISORS OF AMERICA, Inc. Tempe, AZ 85283 or call Jim Pururcker at (602)820-7935.

Charting it Gann's Way

Phyllis Kahn

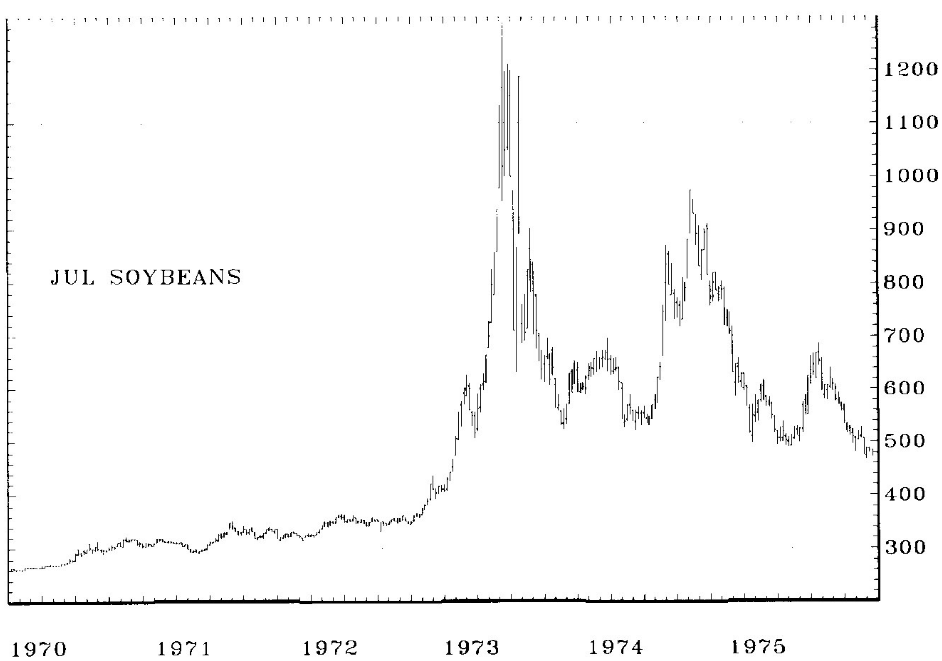
Frequently, new students of the Gann methods become mired incomplexities even when several of the most simple and powerful Gann concepts are so easy to understand and apply. For example, no market master before or after Gann has recognized the importance of treating each commodity contract month as a separate and complete entity. Gann's remarkable principle (an observation made over 50 years ago) that a mathematical relationship and a continuity in price extending over years of time exists in the same contract month is a tribute to Gann's genius that proves itself over and over again even in today's high-tech markets. The rule, requiring weekly and monthly charts of an individual contract month to be plotted in continuity from year to year applies to all futures markets. Since soybeans were one of Gann's favorite markets, we'll use it to illustrate how relevant the principle is (combined with other Gann methods) to market analysis that leads to low risk, profitable trading. There are several reasons why Gann insisted that this was the only way to chart commodities. Principle number one being the following:

To retain mathematical purity for price projections, Gann taught that significant highs were mathematically related to historic lows and/or historic highs.

If one uses weekly and monthly commercial charts utilizing "nearby futures" updating, lows and highs of price swings from different contracts, they will produce erroneous results for range calculations and price projections.

Mathematically, it's like mixing apples and bananas. "Nearby" charts can also show double or triple tops or bottoms that when compared to "same month" charts, they do not, in fact exist.

A powerful example of how important this occurrence is at the all time high in soybeans.



The current historic high in soybeans was made in June. 1973 in the July contract. In 1972, the July contract took out its own historic high from 1948 entering new uncharted price territory. A Gann analyst would take the old high, 433, multiply it by two, and then by three (three is important in Gann methods). When prices sailed through 866, it was clear they were headed for higher levels. Multiplying 433 x 3 = 1296; this calculation missed the 1290 high by only nine cents.

Logic and reason would tell you otherwise, yet 25 years later, the July 48 high helped identify the 1973 high. Of course, other Gann techniques must be used to confirm such calculations but it begins with information from a continuation of the same contract month.

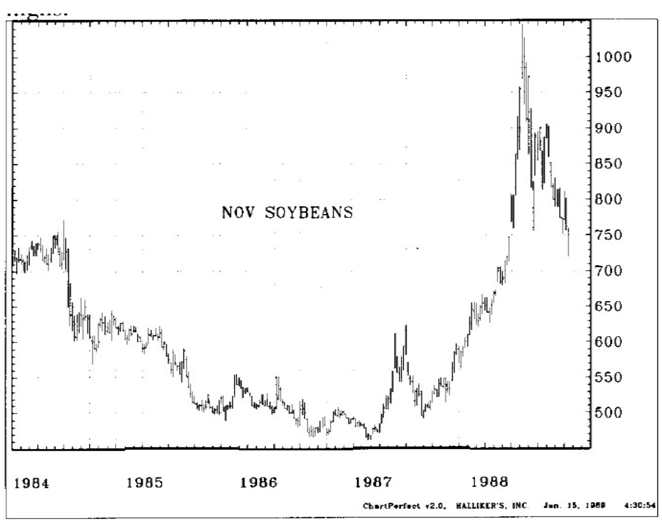
November soybeans have their own unique signature that differs widely from the July contract. The all time low of November beans was made in February, 1940 at 191 1/4. In 1974, 34 years later, this contract made new historic high at 956, an "exact" five-time multiple of 191 1/4.

In 1983, November beans made a new historic high at 968 but even then, nine years later, that five-time multiple still held its ground as resistance. Although November, 1983 soybeans made three attempts, there was not one close at or above 956 and the third high was the top of the market. Also coming into play at that top is Principle number two:

When two contracts (or more) of the same month but different years are trading simultaneously, all the angles, Midpoints, support and resistance apply equally to both contracts.

In August, 1983, while the powerful bull market was in progress, the November, 1984 contract began trading. It opened $2.50 below the November, 1983 contract. Plotting it on the weekly November chart showed that the distant contract was far below all the angles supporting the front month and bearish in a bull market. In August through early September, 1983, while the front month November, 1983 made a top at 968, the distant November, 1984, on the same chart, made a triple top at 721. Few traders, other than a Gann trader with a November continuation chart up to date, could have had the foreknowledge to anticipate and trade the top (other Gann methods were used for confirmation). Incredible as it may seem, history repeated itself five years later in 1988. When November, 1988 beans hit 1046 in June, 1988, the November, 1989 contract made high at 793, $2.53 below the 1988 contract!

While the November, 1989 contract was duplicating weakness seen at the 1983 high, another illustration of the value of keeping continuation charts was occurring simultaneously. Most Gann traders keep at least three separate soybean contract charts: November, May (Gann's favorite contract) and July (it contains the historic high for all contracts). During the



Trading Planetary Cycles Profitably

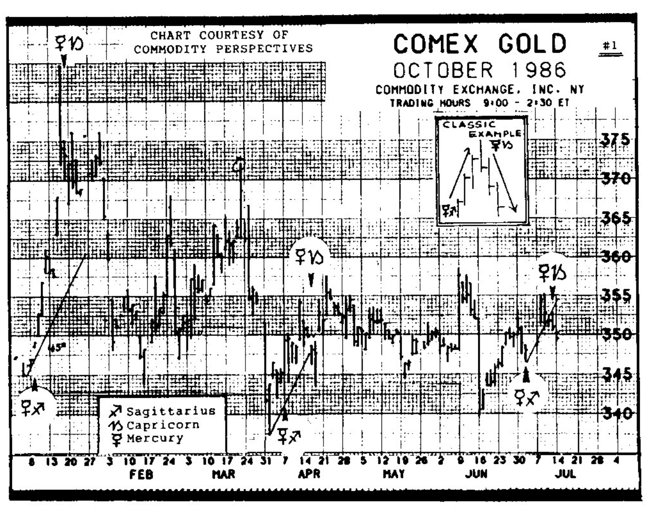
By Jeanne Long

The Natural cycles of commodity prices correlate beautifully with the natural cycles of the planets in our Solar System. Each commodity has its very own special cyclical rhythm, just as each planet has its own cycle. When combined they create a superb trading tool (this is a fact W.D. Gann knew well).

One of the cycles we have investigated rides in tandem with the fluctuation of gold prices, it is the passage (transit) of the planet Mercury through the area of the sky (zodiac) known as Sagittarius. Heliocentric Mercury makes one complete trip around the sun every 88 days, and is in the sign of Sagittarius for approximately 11 of those 88 days. Amazingly, this cyclical passage correlates with the increase in gold prices about 75 percent of the time. In the remaining 25 percent the reverse is true, as prices fall or enter congestion.

A classic example of the type of price action to expect is shown on graph I. This classic action calls for the price of gold to move up sharply while Mercury is in Sagittarius, then price falls rapidly as it travels into the next sign of Capricorn. Each sign has 30 degrees, and we find that prices tend to top out around the 26th degree of Sagittarius, which is the exact degree of the Galactic Center. The Galactic Center is sensitive to the transit of all planets and therefore is an important trading tool in itself.

Just how closely gold prices follow this classic example is dependent on other factors, such as whether any other prominent planetary cycles are also in effect. If this is the case, variables are created. The planetary cycles are cycles within cycles which all begin and end at different points. It is for this reason that the actual price patterns of gold while Mercury is



Graph I

in Sagittarius are never exactly the same. But there is more than enough similarity of pattern for use as a viable trading tool.

There are several ways to utilize this phenomenon for trading purposes. It can be combined with your favorite technical trading tools or used with my trading rules listed below.

1) Always BUY on the day before Mercury enters Sagittarius. Unless on that day a "key reversal down" or "two-day reversal down" pattern forms, in which case SELL (see graph II). Also if the close on the day in question is under a major trend line or if one of your favorite sell signals is given, do not buy (If you sell instead of buy, you must reverse all the STOP, rules given below). NOTE: Whenever key reversal or a two day reversal forms at the time of a planetary signal, it greatly increases the validity of these two technical signals.

2) For the next three days following an entry into a trade, place a STOP at 1.50 below the low of the day the trade was initiated.

3) After the third day, add a 45 degree trend line (Gann line) off the low, which would be the nearest previous low or isolated low (see graph I). Each day thereafter place a STOP at 50 cents under the 45 degree line.

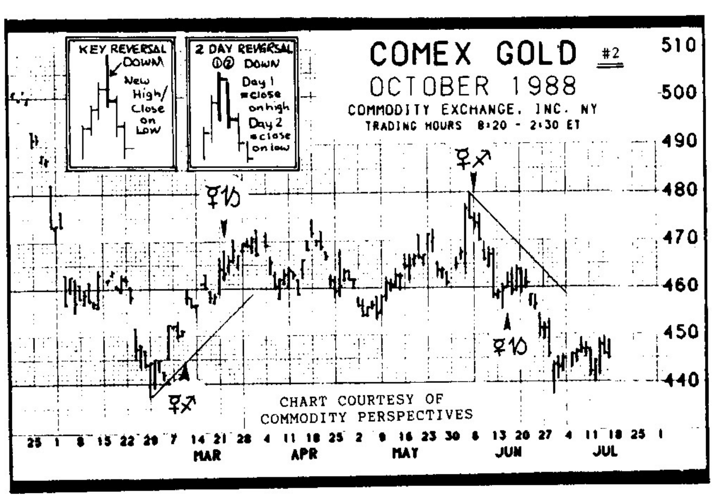
4) If you are stopped out in the first three days of the trade, immediately reverse your trade to SELL. Be sure also to reverse all the STOP rules to monitor this short position.

5) If a key reversal down pattern should form within the first three days, reverse and be short on the close of the key reversal bar. To qualify, this key reversal bar must be larger than the previous days bar or be at least five points in range.

6) If a two-day reversal down pattern forms within the first three days, reverse and be short on the close of the second day of the pattern.

7) WHERE TO EXIT THIS TRADE. Take trade off at the close on the day BEFORE Mercury leaves Sagittarius.

8) Optional. If the last day of Mercury in Sagittarius is, for example on January 18, the three days prior to the last day are January 15, 16 and 17. On each of these days place the STOP at 50 cents under the low of the previous day. If a key reversal down or a two-day reversal down



Graph II

form on the last three days, take the position off at the close of that day.

9) Trade in units of two contracts. Take the first contract off at a five point profit and leave the second contract on until stopped out or until rule number seven is initiated.

By following these rules and trading two contracts only from January 1986 to September 1988, the profits were $18,850.00. This was just four trades per-year of eight days or less in the market on each occasion. Combining this cycle with other planetary cycles and tools increases the profits tremendously, but also increases the exposure and risk. More methods of trading with the planetary cycles are clearly illustrated in my book Basic Astrotech, which is the result of many years of research.

Jeanne Long is the author of Basic Astrotech and the editor in chief of “A Traders Astrological Almanac 1989.” International lecturer, she is a professional full time trader in Florida. You may reach her at P.A.S. Inc. 2215 S. Federal Hwy. #22, Ft. Lauderdale, Fla. 33316.

Beyond Gann:Vibration Inversion Points

By Gregory and Helen Meadors and Neal Chabot, Ph.D.

Gann made millions in the markets by doing extensive historical research to determine how angles, numbers and astronomical cycles coincided with trend change dates. Much of this research was never revealed in Gann's courses, and many believe that he placed his advanced knowledge in coded form in his published works.

We do know with certainty that Gann believed the relationship between numbers and price cycles was the key to successful market trading. His research convinced him that in an unknown way these mathematical principles seem to cause the market to move toward given price targets within certain time periods. "If you wish to avert failure in speculation we must deal with causes. Everything in existence is based on exact proportion and perfect relationship. There is no chance in nature, because mathematical principles of the highest order lie at the foundations of all things, Faraday said, 'There is nothing in the universe but mathematical points of force."' 1

A few decades ago a scientist named John Nelson did years of research for RCA Corporation on the correlations between sunspots and the positions of the planets. He discovered that certain angular relationships between planets coincided with sun spot activity which would create magnetic storms on earth. By knowing in advance when these critical angular combinations would occur, it was possible to predict the disruption of terrestrial radio transmissions. Severe magnetic storms cause earth currents which affect undersea cables, telegraph lines and power transmission lines. Nelson published his findings in a book called Cosmic Patterns: Their Influence on Man and His Communications. His demonstration that these disturbances could be predicted based on planetary positions was revolutionary.

In the same way, our forecast of the exact August, 1987 top of the Dow Jones Averages six months in advance was thought to be without substance, until it was proven correct. The methodology of this prediction was discussed in our previous article, Gann and the Planets (August issue of the Gann & Elliott Wave).

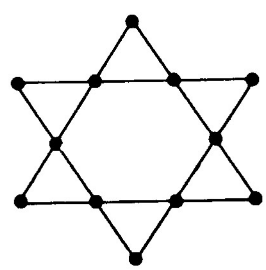


figure 1

The Seal of Solomon is comprised of two interlocking equilateral triangles with twelve points of intersection, and 18, 60 degree angles. Planets in multiple 60 degree angles (Solomon Inversion Point) often generate major changes in trend.

We referred to a Newsweek article of August 17, 1987 entitled “The Harmonic Convergence” which stated, “It’s the first time in 23,412 years that nine of our planets will be aligned in a configuration called a Grand Trine (several 120 degree angles between the planets) which allows for an unprecedented amount of energy to converge in one place and harmonize with itself, creating an energy greater than any experienced on earth to date.” We pointed out why the all-time high in the Dow Jones Averages happened to coincide with this widely promoted planetary phenomenon.

Some articles have recently appeared revealing that Gann used astrology to forecast prices. Although Gann used many astronomical correlations in his work, in many cases his interpretations of these cosmic patterns differed markedly from those of traditional astrology. He also gave to other astronomical data, such as planetary anniversary dates, a forecasting prominence which they never had before. For example, the 140 point drop (third largest in history) on January 8,1988 occurred when Saturn returned to the exact degree in the heavens where it had been on October 24, 1929, the infamous Black Thursday!

Rather than borrowing from traditional astrology, Gann developed new astroindicators that were consistent with his own system of numbers and geometric angles. Because he was an eclectic thinker, especially when it came to mathematics and the esoteric, Gann was able to synthesize market forecasting principles from many areas of ancient science. Another often overlooked source which inspired his forecasting abilities was the Bible. Gann considered himself a Christian and recommended to his advanced students of forecasting that they read the Bible three times

The body of knowledge sometimes referred to as “ancient wisdom” is based on the understanding of cosmic phenomena, geometry and the science of numbers. As a developed science, ancient wisdom does not proceed by trial and error experimentation, but relies on proven prior correlations between the eternal and temporal realms. The Elliott Wave, a relatively recent forecasting discovery, is partly based on the numerical progression of three, five, eight, 13, 21, 34, etc., ancient knowledge that was re-discovered by Fibonacci only centuries

Trades

1) Sold all long positions including IBM call options at the August 24, 1987 Harmonic Convergence top for 250 percent profit.

2) Sold short September S&P 100 Oex on August 27, 1987

3) Again sold short on Octomber 6, 1987 lunar exlipse! The October Crash has a similar pattern to the October 1929 crash, New moons and full moons often generte minor trend changes.

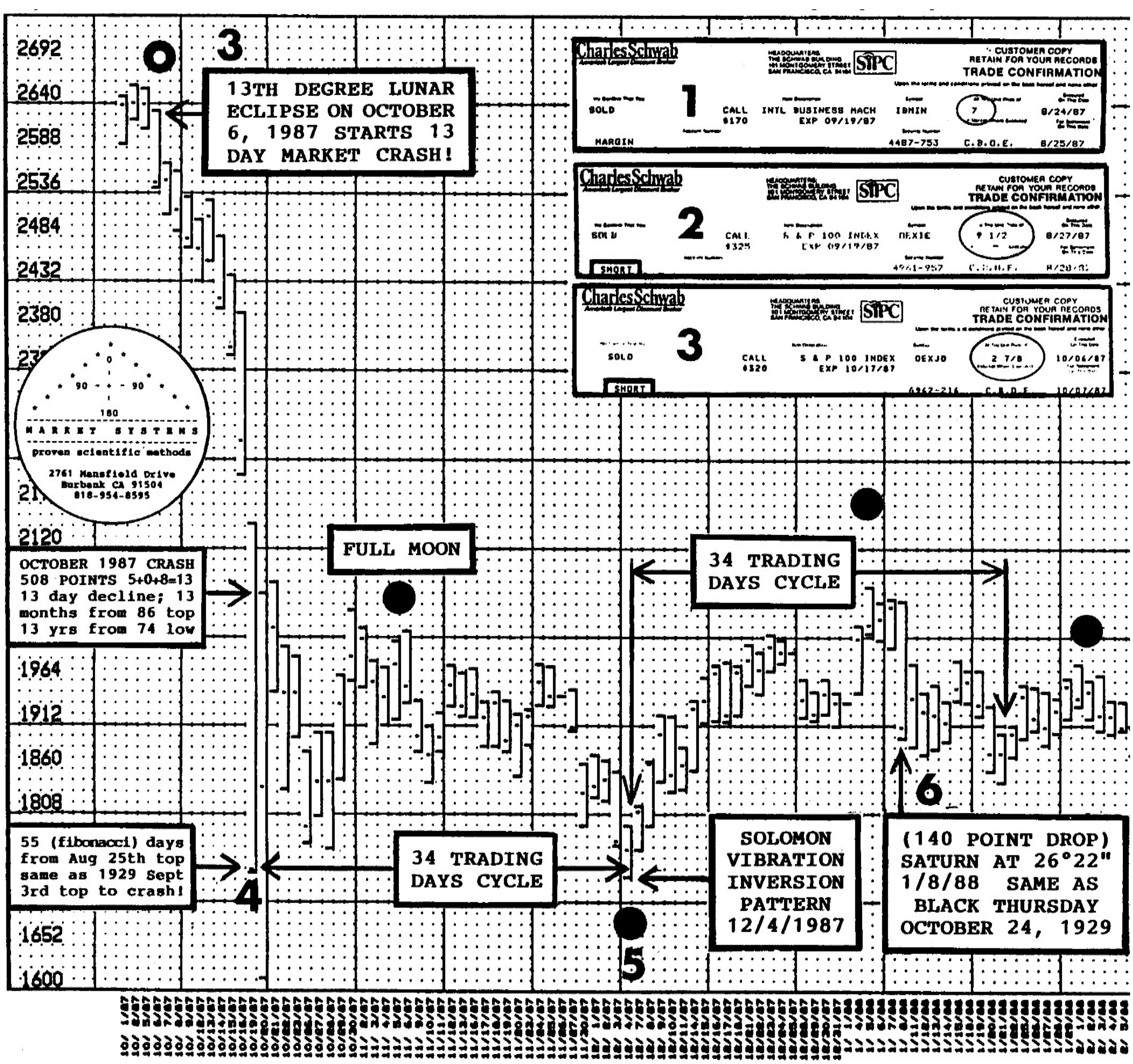
4) The October 1987 crash low, a Fiboancci number.

5) The 140 point one day grop occured on 1/8/19888 when Saturn returned to the exact degree in the heavens where it had been on infamous Black Thursday 10/24/1929.

ago. As we pointed out in the article, “Beyond Gann: Biblical Cycles (December issue of the Gann & Elliott Wave)”, the use of these forecasting tools is illustrated in the architecture of the Great Pyramid in Egypt.

Despite the plethora of predictive techniques, no particular system has even come close to being a reliable indicator in all markets at all times. The problem is to know when each method will work, for which markets, and for how long. It is obvious that the different forecasting techniques only work some of the time. This is especially true for astrology, which has achieved popularity during the Reagan era as the new Messiah” of forecasting systems. As we shall show, when certain planetary “aspects” are applied to the stock market, they can have quite different effects than what we would expect based upon the interpretation of traditional astrology. Gann discovered that planetary cycles are excellent indicators, but they must be placed in the correct interpretive context in order to have predictive value.

Out of our research has evolved a unified set of market principles or laws by which the various predictive techniques can be ordered and prioritized. This is a holistic meta-synthesis



of analytical methods, bringing different forecasting methods into relationship as part of one topological structure. This provides a “master key” to discern which forecasting techniques rule price patterns in particular time periods.

We call these market forecasting laws the “Genesis Principles” because we believe, with Gann and Plato, that they are the original “Forms” or “Patterns” by which the material realm is structured and ordered. In addition, the Genesis Principles express the vibratory nature of creation itself: “In the beginning God created the heaven and the earth. And the earth was without form, and void . . . And the spirit of God moved (vibration) upon the face of the waters (Genesis 1:1).”

Gann described the inner workings of his system as a “Law of Vibration” (see below), and many techniques and correlations that he discovered are included in the Genesis Principles. They are based on geometric and numerical structures which govern the creation and movement of visible phenomenon the case price structures.

Just as the DNA molecule contains the blueprint for cellular development in an organism, so we regard the Genesis Principles as the DNA code of market price movements. These principles reliably prescribe the patterns of price fluctuations. Using the Genesis principles we have forecast the major trend changes in the Dow Jones Averages during 1988 with 90 percent accuracy! In this article we will discuss how this was done through Vibration Inversion Points, that portion of the Genesis Principles that deals with trend changes.

Gann liked to describe the basis of his forecasting system as a “Law of Vibration” that he had discovered at work in the financial markets. As he says, “After exhaustive researches and investigations of the known sciences, I discovered that the Law of Vibration enabled me to accurately determine the exact points to which stocks or commodities should rise and fall within a given time.”

We have coined the term, “Vibration Inversion Points” (VIP) as another name for Faraday’s “mathematical points of force” which trigger trend changes. Vibration Inversion Points are places at which energy vector forces intersect. These points in a price chart are often critical loci for summary energy vectors that can reverse trends in the markets.

Our discovery of Vibration Inversion Points came after we asked ourselves the question, “Could the different price patterns of financial markets be unique mathematical fingerprints based upon an intrinsic geometric structure’?” It is possible that geometric forms, reflected from planetary positions, could provide the keys to price movement in the various markets. It is well known that many crystalline structures are patterned on geometric forms. A crystal of salt, sugar or water each have unique geometrical and mathematical structures.

We believe that each geometric form has corresponding mathematical values. Just as certain substances will only crystallize in the form of a particular geometric matrix, so numbers and geometric forms which govern a segment of a price chart are in an isologous family relationship. Geometric forms have morphological number equivalents that have been found to correspond to price targets and trend change dates. When a certain number or form is vibrationally active, the resulting chart pattern produced by the markets will display these number constants with high repetition. Our next article will describe how the number 13 was vibrationally active during the crash of October, 1987 and why this number is so important to the U.S. stock market. In the remainder of this article, we shall discuss the Vibration Inversion

Point that is built from a geometrical form with 60 degree angles. We call this the Solomon Vibration Point.

The most symmetrical geometric form that contains 60 degree angles is the equilateral triangle. This was discovered (or rediscovered) by Pythagoras, who expressed it as a geomathematical figure called the tetraktys. As a central symbol of the Pythagorean philosophy, the tetraktys demonstrated that all phenomena can be explained by numbers and geometric forms.

There are many examples in nature of the 60 degree structure, such as the 60 degree angle formed by water molecules when they crystallize (freeze). Based on our market research, when the planets form multiple 60-degree angles, a type of geometric crystallization occurs causing a restructuring of the vibrational energy at work in a particular market. The crystallization effect usually occurs at turning points in the markets, Faraday's "mathematical points of force (Vibration Inversion Points)."

When you take two equilateral triangles pointed in opposite directions and superimpose one upon the other, you will have constructed the Seal of Solomon, or Star of David, an extremely important geometric symbol in the history of ideas as well as market timing. Its two equilateral triangles intersect each other with perfect symmetry (see Fig. I).

Solomon's Seal has been given a number of interrelated psychological, mythological and cosmological interpretations. One of its primary meanings is to symbolize the intersection of the infinite with the finite: "As above (in the realm of eternal forms), so below (in the world of time and price)." Of all the personages in the Bible, it was Solomon who combined the qualities of wisdom and wealth. He was famous for his practical wisdom in ruling his kingdom, and the legend of his vast stores of gold is part of scripture: "Now the weight of gold that came to Solomon in one year was 666 talents of gold (2 Chronicles 9:13)."

Having provided some theoretical groundwork, let us give some examples of how the Solomon Vibration Point has worked in the stock market. On December 4, 1987, the Dow dropped down to test the lows that were established during the October crash. This was 34 trading days (a Fibonacci number) from the October crash low (see chart). However, the real reason why December fourth was a test of the major low and a major trend change had to do with Vibration Inversion Points. If you look up the positions of the planets in an ephemeris, Venus, Mars and Neptune were all aspected exactly 60 degrees from each other, forming the Solomon Vibration Point. They also were all in the sixth degree of signs (the Solomon 666). Traditional financial astrology states that planets forming the 60 degree angles (sextile) to each other have a positive influence on prices. This should have caused a rally until the aspects were exact. In this case this interpretation was obviously wrong.

What is important in the formation of the Solomon Vibration Point is the number of 60 degree angles. It is not simply another name for a sextile aspect. A single aspect between any two planets is nowhere near as important as the aggregate of the same aspect in the totality of planetary positions. This multiple identical aspectation creates a harmonic augmentation of the energy field. The nature of the effects which a Solomon Vibration Point will have on a market depend on the sensitive degrees of that market. When planets forming Vibration Inversion Points aspect those sensitive degrees their effect is more intensified.

In another example, the record-breaking drop of September 11, 1986 took lace when the angles between Mars/Jupiter and Venus/Neptune were exactly 60 degrees. We took advantage of this opportunity by establishing an option position which gave us 534 percent profit in one day! A similar pattern occurred on the January 8, 1986 record-breaking drop. Finally, look up the 60 degree aspects of the planets which formed the Solomon Inversion Point at the bear market low of August 9,1982! These major turning points confirm the importance of the Solomon Vibration Point. Those who traded the market based on the traditional astrological interpretation of the "harmonious" sextile aspects experienced great difficulty. As the prophet Isaiah warns, "Let now the astrologers, the stargazers, the monthly prognosticators, stand up, and save thee

McLaren Charts

By Larry Jacobs

KANSAS CITY,KS - While a large number of traders using technical analysis use daily charts to trade with, Bill McLaren uses a combination of daily, weekly and monthly charts. Mc Laren is the author of the best selling book Gann Made Easy. Trading for a living in his plush Overland Park office is his occupation, plus advising several funds on their investment timing.

McLaren’s strategy is to look for the high probability setups that can safely be traded with minimal risk. He goes from monthly to weekly to daily charts, searching for important time and price changes. A stock or commodity might square out 45 months, 45 weeks and 45 days from a previous high or low. A blow off move is one of McLaren’s favorites. These fast moves usually start at the breaking an important time angle. “If it doesn’t move fast, your wrong on your trade and you should take your profit or small loss and get out,’ said McLaren.

“Most traders get lost in their research trying to figure out how they can trade every move the market makes, which is laughable, because nobody can call every move the market makes,” said McLaren. “The downfall of most traders is they get too involved in the daily charts and over trades.”

McLaren occasionally checks his trading and if he finds he’s in the market more than he’s out, he won’t be making money. If he is out of the market more than he’s in, he’ll have a clear mind and can be an opportunist to shoot at the plums. He recommends a trader work from the monthly to weekly to the daily charts and wait for the setups. McLaren updates over 150 charts daily. “Trading by Gann is hard work,” says McLaren.

More Profits with Gann, Elliott and Fibonacci

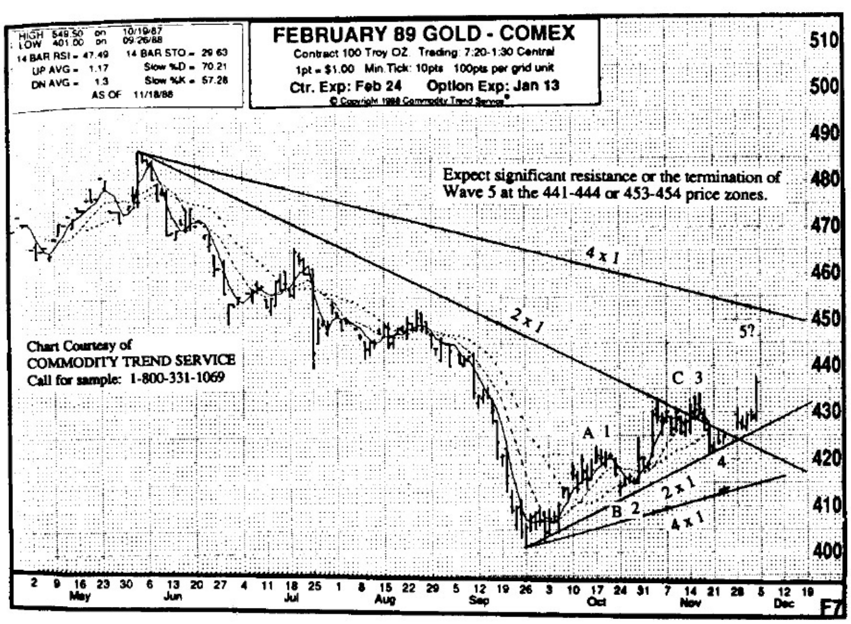
By Robert Miner

In the previous issue of the Gann and Elliott Wave. I described in detail the Gann, Elliott and Fibonacci methods I used for an actual trade in the gold market. The methodologies described resulted in a trade that was entered within just two trading days and $10 of the major intermediate term cycle high of June second. That article was completed in mid-August when the open short position described had so far resulted in over $50 profit ($5000 per contract). The article ended with the time and price objectives the market indicated for the termination of the move.

Let's briefly review what those time and price objectives were in mid-August and see how it came out. The price objectives for the termination of the short trade fell at the 418-423 zone, 396-397 zone and the 384. All were based on the December,1988 gold contract. The intra-day low for that cycle fell at 395.50 on September 26, just .50 below the projection! See the article in the previous issue of the Gann and Elliott Wave for how those price projections were calculated.

There were numerous time objectives that fell in the last three weeks of August. I stated in that article that the specific date of August 25 would likely be quite important and a date to watch for a change in trend. I next stated that I would look for the week of September 19 for a change in trend. The exact date anticipated, August 25 resulted in a swing high from when the market accelerated its move, down into the final low of the cycle. That major cycle low fell on September 26, just one trading day following the projected change in trend week of September 19.

Gann, Elliott and Fibonacci time, price and pattern analysis once again prepared me for significant time and price reversals in the market.



Let's continue our analysis of the gold market and make specific time and price forecasts for the future using Gann, Elliott and Fibonacci time, price and pattern analysis.

The gold price moved down strongly into late September just as anticipated. The intra-day low on September 26 was less than one dollar from my most important price objective at 396-397, a 61.8 percent retracement of the February,1985 to December,1987 rally. The market activity of the day that reached that price objective was a reversal day with a new low and a close higher than the previous day's close. The September 26 low was a reversal day at a very important price objective, just one trading day from the week of an expected important change in trend. Time, price and pattern had once again coincided to result in a significant change in trend.

The reversal day was not a strong enough indication to reverse to a long position from the short taken on June seventh. Because all the parameters for a major change in trend had been met, my reversal stop is placed very tight and I am looking very closely for confirmation that the trend has changed. The market consolidates in a sideways movement for six days following the September 26 low. On the seventh day, the market had a wide range outside day with a close above the high of the previous six day's trading range. Gann teaches that the seventh period often results in a change in trend. Study of past price history of gold will confirm that there is often a change in trend in the seventh day, week or month. Always be particularly alert at seven week intervals from swing highs and lows for a change.

Since time, price and pattern had all been satisfied to indicate a major change in trend, the outside breakout day up is confirmation enough at this point that the trend has changed. My short position is reversed to long on the close of this outside day on October fifth at 410 (now basis the February contract). Profit from the short position from the June seventh 476 through the reversal on the October fifth 405 (basis December contract) realized a $71 ($7100 per contract) gain from an $89 swing. The stop on the new long position is placed at 403, one dollar below the outside day's low.

The following day another confirmation of trend change occurs as gold gaps up. The stop is raised to 407.50, just 1.50 below the consolidation range high. Two days later the rally is further confirmed by another gap day up. The stop is raised to 409.50 or just one dollar below the first gap.

The price objective for this rally swing from the September low should be a ratio from either the June 3 high or the important August 25 swing high. Retracements in the gold market usually fall at one of the major Fibonacci ratios. The minimum retracement of minor and major swings is usually a 38 percent retracement of the previous minor or major cycle. A 38 percent retracement from the August 25 high falls at 420, and a 38 percent retracement from the June high falls at 434. A corrective cycle most often unfolds in a three-wave ABC pattern. If a five-wave pattern results, the reversal is more likely a major change in trend rather that just a correction to the prior cycle.

Price makes the first rally top at 422.50, just above the first objective of 420.

The strong down day of October 21 indicates that price is correcting the first swing. I am expecting at least an ABC rally which would result in at least two rally swings. The C-wave or second swing should exceed the high of the first swing or A-wave.

A 50 percent correction of the initial swing from the September 26 low at 401 to the October 17 high at 422 equals 411. A 62 percent correction falls at 409. And 409 falls just below the 2 x 1 Gann angle at this point in time. Price should not close below the 2 x I angle if a longer term rally is unfolding. The stop remains at 409.50, just below the 2 x 1 angle at a 62 percent retracement of the initial swing.

Price falls to within one dollar of the 2 x 1 Gann angle and reverses to continue its rally. Remember, my minimum expectations are for an Elliott ABC correction where the next swing or C-wave will exceed the first swing or A-wave high. Once price has closed above the A-wave high the stop is advanced. Due to the wide range and high close of the break above the A-wave high on November second, the stop is moved to just below the low of November second at 419.50. I now have a fair profit of $9 or $900 per contract. Not bad, but I am looking for a longer term and more profitable move. My objective is to remain in the market to take advantage of a more significant move if it develops.

Once price moves above the A-wave high, I can calculate the price objective of the next swing. The next minimum price objective is at 434, the 38 percent retracement of the June through September down cycle followed by 444, a 50 percent retracement of that cycle. The 434 objective coincides with 433, a price where wave C would equal wave

A. Price reaches the final high for the C-wave at exactly 434! This important ratio level also coincided with the 2 x 1 Gann resistance angle from the June high. On the December contract, the price did not close above the 2 x 1 angle for the C-wave high. The 433-434 level was determined as a significant resistance level by three different methods. This is very strong evidence that at least a short term reversal would unfold from that level.

If the longer term bear trend has not reversed from the September 26 low, the price high at 434 is likely the termination of the correction from that low. The market had unfolded in a three-wave ABC pattern into a significant price resistance level at that point. If that high was indeed the completion of a correction, the market should reassert its bearish trend and price should now continue down to new lows below the B-wave low followed by the September low. We must now set our parameters of what market activity will confirm or deny our expectations. I will hold the long position with the stop at 419.50 and let the market indicate what is in store.

If the bear cycle from the December 1987 high has reversed to a longer term bull market, the rally from the September low should unfold in a five-wave Elliott impulse pattern. That implies there would be at least one more swing to new highs above the November 16 high at 434. The correction from the wave-C high at 434 should not exceed the lower of a 62 percent retracement of the C-wave (420) and the 2 x I Gann support angle if we are to expect higher prices. The stop remains at 419.50 which falls below the 2 x I angle. Price corrects exactly to the 2 x I Gann angle and reverses back up. At this point the stop should be raised daily to $2.00 below the 2 x 1 angle which increases my profit daily.

On December second, the price activity results in another wide range day that breads above the wave-C high and closes at the top of the range. The market has confirmed a fifth wave is unfolding. The stop is moved to 426.50, 1.50 below the last short term swing low. I now have a 16.50 ($1650 per contract) profit locked in and expect even higher prices and more profit as the fifth wave unfolds. As a new high is confirmed, the waves can be relabeled 1,2,3 and 4 verses my original label of A,B and C.

This article is written and submitted the weekend following the Friday, December second breakout. If you read my article from the last issue of the Gann & Elliott Wave, you will know that I am not afraid to make specific time and price forecasts, I do this with every issue of my newsletter, The Precious Metals Timing Report. Unlike many authors of articles, I have proven these Gann, Elliott and Fibonacci methods are very reliable and am willing to put them to the test publicly with specific forecasts. The time and price low in September within less than one dollar and one trading day. That forecast was written and submitted to the magazine over one month before the low unfolded. Let’s take a look at what the Gann, Elliott and Fibonacci methods indicate for the time and price objectives for wave five.

Price objectives for wave five: 441-444 or 453-454. 441 - wave five = 62 percent of wave one - three. 443 - wave five = wave one or wave three. 444 -wave five = 50 percent retracement of June - September down cycle. 454 = August 25 swing high. 454 - 62 percent retracement of June - September cycle. The 4 x 1 Gann resistance angle falls in the area of 450 - 455 for the next three weeks. Wave five is likely to terminate at or very near one of these two price zones. A failure to reach at least 440 indicates a false breakout similar to the June false breakout and would not be a strong confirmation of a longer term trend change in September. A termination at 450 or higher is very bullish and is further confirmation of a longer term trend change to a bull market from the September low.

Once the five wave advance is completed, price objectives for the correction can be determined. Time objectives for trend change are December 5 - 6. The December 5 - 6 period is a 62 percent time ratio extension of the June high to September low. Wave one and wave three both lasted three weeks. If wave three lasts three weeks, it would terminate the week beginning December fifth. Following the December 5 - 6 period, I will then look to December 21-23 for indications of a change in trend. There is likely to be a significant change in trend or acceleration in the market from either or both of these two time periods.

My intermediate and longer term time ratio analysis indicate there is a high probability of a significant change the week of December fifth and/or the week of December 19 the last 10 days of January or the week of February 12. I will be particular alert the week of February 12 for longer term trend reversal indications.

You will note that nowhere in this analysis or trade, did I state what the market was going to do. I simply set the parameters the market would meet to indicate its next course of activity. The market itself confirmed or denied the outlook. Once a trader is able to avoid specific expectations for where the market ‘must” go and let the market be your guide to its own future activity, very significant profits are available.

Gann, Elliott and Fibonacci time, price and pattern analysis has once again resulted in substantial profits at very low risk and exposure. I describe this type of time, price and pattern analysis in each issue of my newsletter. Keep in mind that these Gann, Elliott and Fibonacci methods apply to all active markets.

I’ll update this trade in the next issue to see how it came out.

Robert Miner is the editor and publisher of The Precious Metals Timing Report. P.O. Box 35696, Tucson, Ariz. 85740.

The Astro-Harmonic Nature of Retrograde Motion

Larry Pesavento

A few short years ago, most stock and commodity traders would have laughed at the thought of a relationship between planetary movements and price action. The advent of mini-computers and sophisticated astrological software has changed all that! Now a trader has access to huge data banks of price and time parameters to analyze various astro-harmonic cycles. The following is one such example.

The planet mercury makes its revolution around the sun in approximately 88 days. This fast moving planet - only our moon moves faster than Mercury is usually visible in the sky each night.

Figure I shows the relationship of the earth to the rest of the planets. This indicates that some of the planets take longer to revolve around the sun (they have larger orbits). When a faster moving planet approaches a slower moving planet, the slower planet appears to be moving backward or as astronomers refer to as retrograde motion.' It would be similar to looking through your rear-view mirror as you pass a car on the freeway. The faster you are going, the slower the car you passed appears to be moving.

All planets except the sun and moon have retrograde motion when using geocentric (earth centered) astrology.

There is no retrograde motion when using heliocentric (sun centered) astrology. Johann Kepler, the father of modern astronomy, used the geocentric approach because he felt that the earth was "a" center of influence and not "the" center of influence. Sir Isaac Newton was also a geocentric astrologer. If it was good enough for these giants of intellectual thought, it is certainly good enough for most financial astrologers. Both geocentric and heliocentric astrology can be used to predict market behavior. It would be like going to a baseball game

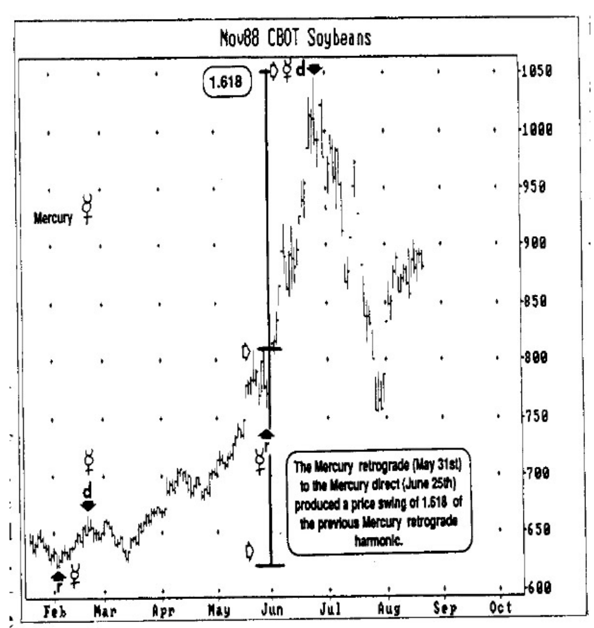


Figure II

and sitting on either the home team side or the visitor side. The game is the same, only the perspective is different.

After ten years of concentrated study in astrology. I have found that certain planetary harmonics such as the retrograde motion of certain planets, appear to have a profound influence on economic thought (i.e., price action).

A close examination of figure II for November, 1988 soybeans is a case in point. As Mercury moves from direct to retrograde motion, prices begin to vibrate in harmonic time with this planetary phenomenon. Elliott wave theorists may have more than a perfunctory interest in these time frames. Most often they are a Fibonacci relationship of one Mercury retrograde-direct harmonic to another. Mercury is retrograde approximately 24 days and is stationary about a day before and a day after. The trend changes are usually quite abrupt and offer substantial trading opportunities.

As a financial astrologer, I do not advocate using Mercury in retrograde or direct motion as a timing tool or an entry method by itself. It is considerably more complex! The planetary aspects of conjunction (OD, sextile (60~), square (90~), trine (120~), and opposition I 80~) most assuredly affect price action. A cycles (harmonic) trader has a huge edge when he uses planetary mathematics to help time his trades.

Space does not permit me to discuss the Jupiter-Uranus cycle which is associated with the 40-month economic cycle. Dewey and Daiken in Cycles - the Science of Prediction relates this study of using the Jupiter-Uranus planetary aspects (angles). Think about these facts:

1) Uranus went into direct motion on August 9, 1982 - the start of the biggest bull market in stock market history.

2) Jupiter went retrograde on August 19 - one week from the all-time stock market high.

Larry Pesavento is the president of Astro Cycles, 111 Cuyama,Shell Beach, Calif. 92449,

OUR SOLAR SYSTEM

Relative Size of the Planets and Their Orbits

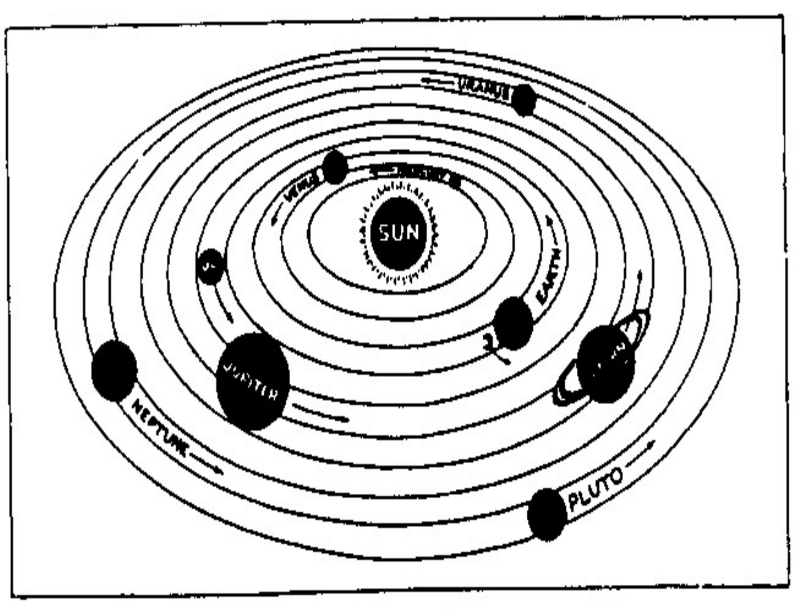


Figure I

An Interview with AJ. Frost -Elliott Wave Octogenerian

Mark Leibovit

Between 1983 and 1987 1 had the fortune of writing a monthly column for The Market Technicians Association Newsletter entitled, “Personal & Professional News.” The column focused on interviewing notable technical analysts and strategists in our industry, many of which could be described as being legends in their own time. In fact, I probably have enough material to publish a small book.

One of the many things I learned writing the column is that you don’t have to be famous to be right. Most famous analysts got where they are because they regularly appeared on financial television programs, spent huge sums of money running ads or hiring expensive public relations firms. I guess I fall somewhere in the middle of this group. There are other technicians, however, who don’t seek publicity and don’t promote themselves who have, in my opinion, more important things to say than they are given credit. One such individual is A.J. Frost.

A.J. Frost is now 81 years old and lives in Victoria, British Columbia. In my phone conversation with Frost in mid-November, he confirmed what I heard rumored for months and provided, I feel, one of the greatest revelations since (or probably before) the crash. What is this great insight?

Frost is co-author of the highly acclaimed technical book, the Elliott Wave Principle, described as the “Bible of wave analysis” and is co-authored by Robert Prechter, Jr. This book correctly foretold the bull market of the 1980’s and is now being billed as having also correctly foretold the bear market of the 1980’s. But, alas, there is more to the story than this.

When this book was written back in the late 1970’s, both Prechter and Frost agreed the Dow would reach the 2700 level, but sometime later they parted company when Prechter revised his forecast to over 3880, then 3686.

Frost never agreed on this higher projection that was given such overwhelming publicity by Wall Street and the financial press. As Prechter later admitted, the number took on a life of its own, probably well beyond his own intentions.

Well, the crash came and went and Prechter went into seclusion, except to his subscribers. Why? His new forecast was to Dow 400 (that’s right, 400!), having interpreted Elliott Wave theory to have completed that important and significant Fifth Wave, the wave to end all waves, so to speak.

Well, Frost is doing fine, except for a short hospital visit this week, and speaks loudly and clearly from his vantage point up in Canada, away from all the hot air on Wall Street. Frost disagrees with Prechter and says that Prechter will, in time, need to change his short-term bearish view, though Frost eventually agrees we’re going to have problems. According to Frost, “There’s no better investment than the stock market.”

Frost was once partners with the famous Hamilton Bolton, nicknamed Hammy. Frost is very strong on simple things. For example, he looks at three pre-conditions for a market top in addition to Elliott. The first is the debt/loan ratio which measures spending to short-term debt in the U.S. as a whole, excluding New York where the transactions are so big. Frost believes we’re coming into a secular top and that the only thing that seems to be holding the U.S. economy up is a declining dollar which has encouraged exports and discouraged imports. The other pre-conditions are a negative interest curve (higher short term rates over long term rates) which seems to be now unfolding and a rising Dow in relation to deteriorating breath.

According to Frost, what happened on October 19, 1987 normally wouldn't have happened until about December 6 and if it hadn't been such a sudden and unexpected plunge, "I don't think it would have meant anything," said Frost. "Back in 1986 the fourth wave close was at 1738.75, and during the crash the lowest close was 1738.41 which came within one percent of one percent of the previous fourth wave of one lesser degree and as far as I'm concerned it confirmed my Elliott wave count," Frost said more specifically.

"Bob Prechter had a different reading and he thought it destroyed his count...it may have destroyed his count, but it didn't destroy mine," said Frost.

Frost is, as you can see, still very much in the Bullish camp. He now expects to see a five-wave structure up climaxing over Dow 3000, and perhaps fairly quickly (next spring or summer). If it gets there "I feel we're then coming into a period of decline right into 1992-1994, experiencing a whole series of Black Mondays, Tuesdays, Wednesdays, Thursdays, and Fridays. . . I think it's going to be just pitiful," said Frost. This period of 1992-1994 may be reminiscent of 193 1-1932. In essence, Frost is looking for a period of euphoria followed by a period of panic. Frost is also looking for a weak bond market next year as we continue to experience a negative interest rate curve.

There's an underlying tendency for the stock market to move in increments of its square root and to turn on the square of even numbers (based on Hamilton Bolton's theory, and never published). The Dow number of 3250 is close to a square (57) and may, therefore be the ultimate high. Frost likes this theory because Elliott analysis incorporates some square root aspects.

Mark Leihovit, is the editor and publisher of the Volume Rehersal Servey. His specific market comments can he heard each Wednesday at 1:40 p.m. EST on the Financial News Network. P.O. Box 1451, Sedona, AZ 86336, (602)282-1275.

Indian Astrology

By Barry Rosen

If one stores up gold and silver when the Sun enters Simha (Leo) and sells them in the fifth month, he will get profit."-Brihat Samkita (Ancient Indian text). Futures trading and financial astrology are much older than one might imagine. Over 5000 years ago, ancient Indian texts explained in great detail how to forecast and make a profit on metals, sugar and grains. Some of these seemingly simple principles still have a profound degree of usefulness today and form the historical roots of Western financial astrology. A close examination of the Indian system of astrology reveals that it has predictive power above and beyond that of Western astrology. W.D. Gann obviously realized its value since he went to India and studied it.

In the November/December issue of the G&EW, Norrnan Winski pointed out that Gann collaborated with an astrologer between 1930 and 1940 and used astrology to forecast prices. In actuality, the famous Gann wheel was first used by tea merchants in seventeenth century India. My own research into Indian astrology and its application to the financial and commodity markets has allowed me to more easily understand and apply many of Gann's challenging concepts. More fundamentally, both Gann and the ancient astrological sages of India apparently discovered and made use of the same fundamental laws of nature governing the cosmos. In the paragraphs that follow, the fundamental differences between Indian astrology and Western astrology will be examined, and the usefulness of the Indian system for predicting the markets will be explained.

The Western Zodiac and the Indian Zodiac

The first major difference between the two systems lies in the calculation of the longitude of the planets. Ancient Indian astrologers observed that the equinoxes and solstices moved backward by one degree every 72 years, an astronomical phenomenon now known as precession. Over time this has resulted in a difference of slightly over 23 degrees between the tropical zodiac, used by Western astrologers, and the sidereal zodiac, used by Indian astrologers. In essence, the two Systems differ in their choice of a zero point for Aries -- the Western system uses the position of the spring equinox, while the Indian system uses a fixed star.

Thus when the sun is moving into Aries according to the Western system, it is still at seven degrees Pisces in the Indian system. Practitioners of both Indian and Western astrology recognize that each system- has its own validity, since both work. My personal preference for the value of the Indian system will become clearer below.

The Nakshatra Chart: Gaining a Microscopic Perspective

The Indian system subdivides each sign into nine sections of three degrees and 20 minutes; each of these subdivisions corresponds to a sign of the zodiac. For example, the first three degrees, 20' of Leo is the Aries subdivision, followed by the Taurus subdivision [1]. In watching daily market strengths for over 18 months, I have observed that on days when a planet enters certain critical subdivisions, it will exert more strength or weakness depending on the financial context.

So when Venus, the planet with the most impact on sugar and wheat prices, enters the

Taurus subdivision of a sign, one is more likely to see sharper rises in prices if the trend and context are ripe. And when Mercury, which influences U.S. stock shares is in the Virgo subdivision, then one will see stronger bullish moves in stock prices if the context is also strong. Thus the Indian system can fine tune calls by providing more detailed daily information on planetary strengths.

The Nakshatra System of Twenty-Seven Constellations

The original Indian astrological system uses 27 constellations or nakshatras in addition to the twelve signs. The Indian constellation Mrigashira, for example, in the sign of Gemini is actually the familiar constellation Orion. According to Indian astrology each of these constellations has its own unique characteristics, much like a sign of the zodiac. Knowledge of these nakshatras can yield unique information on planetary transits and strengths.

Using this system and the ancient texts, I predicted the 1988 summer drought in my April financial bulletin, due to the preponderance of critical planets in what are known as "waterless" nakshatras. Specifically, Saturn was in the constellation of Scorpii and Mars and the north node of the Moon were in the constellation of Beta Pegasi.

Planetary Periods: Beyond Transits and Progressions

According to Indian astrology, certain periods of time are governed by certain planets. These planetary periods, or mahadasas, occur in a specific sequence and last for a specific length of time. However, the starting point of the sequence is unique to the particular chart being analyzed, and depends on the nakshatra that the Moon occupies in the chart.

Based on the chart of the New York Stock Exchange (established in 1792), I determined that the stock market entered a sixteen year Jupiter period in August, 1982. This coincided with the start of the bull market. In general then, according to this system the market will continue to expand until 1998, since Jupiter is a "bullish" planet. Rises and falls within the current Jupiter mahadasa are explained by sub-periods, or antardasas. These sub-periods can either amplify or diminish the strength of the major period.

For those technicians interested in explaining alternative Elliott Wave counts, the Indian system of planetary cycles offers a means of gauging the quality of the waves, timing them, and understanding when a wave count is complete because a new cycle has started.

Indian dashas are a unique type of cycle that cannot be compared with Gann cycles. The concept of Indian time is that of a spiral, and sections within Indian cycles behave in a Fibonacci-like manner.

Indian Aspects: Angular Relationships Between Planets

Indian astrology, like Western astrology, includes aspects, the angular relationships between planets. The Indian and Western systems differ, however, since in Indian astrology each planet aspects other planets in a unique way. When Jupiter, for example, forms 120 or 240 degree aspects (trines) with another planet, the effect is strong, but if the aspect is 90 or 210 degree aspects, while trines involving Mars are relatively weak. Saturn's strongest aspects are 60 and 270 degrees. Conjunctions (0 degrees) and oppositions (180 degrees) are strong for all planets.

These concepts were illustrated on October 28, 1988 when Mars formed a 270 degree aspect to Saturn and Uranus. Many prognosticators expected a significant market effect due to the Western square, but the effect turned out to be negligible. Indian astrology explains this non-event since squares involving Mars are only strong when they are counter-clockwise (a 90 degree aspect); clockwise squares involving Mars (a 270 degree aspect) are very weak. And the Saturn aspect was actually a 90 degree aspect rather than a 270 degree one, which again according to Indian astrology is considered weak.Upon discovering the ancient Indian text quoted at the beginning of this article, the expression, "there's nothing new under the sun" came to mind. I felt that the most fundamental laws of nature governing commodities are actually the same laws that govern both the movements of the solar system and the depths of human psychology.

Anyone attempting to uncover the mysterious laws of nature that underlie the commodity markets will be rewarded and intrigued by the depths of Indian astrology. The study of Indian astrology leads not only to knowledge of economic laws, but ultimately to knowledge of the self.

On a more practical level, while no astrological system should be used 100 percent to time market entries and exits, a combination of astrological and technical signals can certainly stack the odds in your favor. Those interested in learning more about Indian astrology can contact me at the below address for bibliographical information.

Barry Rosen has been studying Indian astrology for the past three years. He currently holds two masters degrees and is a Ph.D. candidate at Indiana University. Rosen is presently teaching a seminar on financial astrology and consulting. His newsletter, Investor's Fortucast, which focuses on stock and commodities, began in August 1987. He recently began a newsletter for the oil industry, the Petro Star. Sample copies are available upon request. Invertor's Fortucast, 501 West Jefferson, Fairfield, IA 52556, (515)472-6866.

An A.J. Frost Follow-up

By Jeff Walker

While Robert Prechter was grabbing headlines for "Dow 3686" and posing with miniskirted models in People Magazine three and-a-half months before the debacle of 1987, Jack Frost was quietly sitting on what may yet turn out to be one of the great forecasts in stock market history. On September 21, 1985, with early September". Frost was not rattled by the subsequent drop that corrected 60 percent of the third wave advance from 1984. After all, he had foreseen a 50 percent drop that would have taken the Dow down to within 62 points of the October 19 close.

After the crash he predicted that the next sell-off on the Dow would hold above that October close, which it did in early December, and that the Dow would yet record that when it came to calling the '80's bull market, the celebrated Robert Prechter was not playing in the same league as his senior co-author A.J. Frost, who wrote the first draft of the Elliott Wave Principle.

With an accuracy that is almost obscene, Frost also told the Canadian analysts back in September 1985 to expect a complete collapse in oil prices in 1986, to $16 from almost double that figure. The average price in 1986 did turn out to be about $16 and oil prices have oscillated around that number ever since. Why the collapse? Because, "Any extraordinary margin of profit is a golden bone that the ravenous dogs of competition will pounce on," not exactly your standard Elliott wave explanation. At the same meeting, by the way, Frost called for the Toronto Stock Exchange to surpass 4,000 in 1987. It hit 4,100 in 1987.

For those trying to make sense of the Dow 1090 to 2722 rise, A.J. Frost counts nine waves with peaks in July 1985, May 1986, April 1987, June 1987 and August 1987 - corresponding to waves one, three, five, seven and nine respectively. He views Dow 2704 (52 squared) as the "orthodox top", with the B-wave of an irregular correction providing the August 25 high. Frost is more interested in slopes than in waves, and he notes five distinct ever-more vertical slopes underlying the above impulse waves, all bounded by an exponential curve extending from the summer of 1984 low.

A possible Frostian wave count from the B wave peak of 2722 is a C-wave way out of proportion to the preceding A- wave, with its unusual internal fourth wave followed by a fifth wave downside failure. More precisely, wave C's wave one ends at Dow 2515; Wave two rebounds in irregular fashion to 2640 on then rise in the fifth wave of a still intact 1980's bull market to over 3,000.

This prospect appears a lot less farfetched now that the Dow and many other indexes have surpassed their .382, .5 and .618 crash-retracement levels, with some going beyond the 2/3 mark or even to new all-time highs. History may the Dow around the 1300 mark, Frost told a meeting of Canadian technical analysts that the Dow would double to 2600, crash to 1,800, and then double again to 3,600. Months before the melt down, he recast his Dow prediction in terms of time. He advised the same group to, "Step aside in late August or October 2; Nightmare wave three finally ends at 1747 December 4 (not penetrating the October 9 low of 1738, as a fifth wave downside failure within wave three); Wave four is an A,B,C with a diagonal triangle in the A wave position (a formation added to the 1985 edition of Frost & Prechter's Elliott Wave Principle on page 48) ending in April '88, and its C wave ending in July 1988. The fifth of this

C wave from Dow 2722 is a spectacular failure stopping 237 points short of the bottom of its third, which had also been a failure.

Frost's big fifth wave of the 1980's bull market began in late August 1988, a year after its third-wave peak. It then corrected severely into mid-November 1988, making a wave one and two internally. It took off again into February 1989 in a wave three, and pulled back into late March in a wave four (or was this was another one and two?). The recent wave up into the high 2300's can be interpreted in a number of ways. Frost expects the Dow to top out near 3250 (57 squared) by the spring of 1990.

Most of Frost's preconditions for a top were dealt with in the last issue of G&EW. An additional one concerns the Tokyo market. Frost believes the Nikkei Dow is in the middle of its bull market, not at the tail end. He doesn't see much danger of the U.S.Dow falling out of bed until it's pushed by panicked Japanese investors repatriating assets to cope with a collapsing Nikkei Dow.

In the gold department, Jack Frost's wave count leads to a forecast dramatically different from Robert Prechter's. Prechter regards the $850+ top in early 1980 as the top in a five wave structure from the mid-sixties. This analysis makes it very difficult to label what has come after as a completed correction. So, Prechter goes with the highest probability scenario implied by his preferred wave count and that scenario is bearish. Frost; though, counts Prechter's B-wave in late 1980 as a fifth wave failure in a five-wave structure rising from 1970. This way, the corrective action between late 1980 and early 1985 could be counted as a completed A,B,C - and subsequent action could be abetted as waves one and two of a new five wave bull market, with wave two just completed. Frost would expect quite a strong move on the upside now, where as Prechter expects only bear market rallies along a slippery. slope to much lower gold prices.

Another contrast between Frost and Prechter is their degree of adherence to Elliott rules. Frost subscribes to Elliott only as a principle, not as a theory: If a market moves higher in five-wave patterns and lower in three-wave patterns, you know you're in a bull market. Switch 'higher' and 'lower' in the preceding sentence and you're in a bear market. Frost will allow exceptions to the rule that the third of five impulse waves cannot be the shortest and the rule that the waves one and four cannot overlap except in diagonal triangles. He doesn't have much use for Elliott's triangles, finding them overly handy in rationalizing erroneous wave counts. He doesn't even have a lot of use for dear old Mr. Fibonnaci. For Prechter's cycles and contrarian indicators he sees no use at all, except perhaps as filler for an otherwise brief newsletter. As for the Kondratieff wave, he would invoke it only as a minor prop for a forecast determined by more important factors. So far in the post-crash recovery we have seen the Dow industrials lagging behind a number of other indexes. According to A.J.Frost, the Dow will be outperforming the rest during the last stage of its fifth waveascent. Current under performance simply means that we have a long ways to go on the upside.

On a personal note, Jack Frost is more impressed by the aging bull market than he is by the aging human body. Clearly fed up with the physical limitations imposed by octogenarian status, he advised me, "Jeff, don't ever live to be 81." May this period be only a correction in Jack Frost's life, and may it be followed by the same kind of 80's revival he correctly forecasted for the stock market.

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Gann's Annual Forecasts Part Three

By Chuck Carpino

Gann's general forecast in 1920 was for two bull and two bear campaigns. The first bull swing was to culminate around April 22-24 with the bearish reaction ending in mid-June. Another bull rally was to be born in this decline and the ensuing uptrend was to have lasted until August. Gann warned about the last four months of 1920 having serious declines, ending in a panic around December 20.

When I first looked at the year's actual prices and compared them to his forecast, I thought that Gann was wrong in his general trend prediction. At a superficial glance, it appears that 1920 was simply a bear year. To give me a better perspective, I drew in the swings he predicted on a monthly chart of the actual prices. (see figure 1) The forecast still didn't look all that great even with his swings drawn on the actual data. I had to look further into the predicted monthly trends to see what he saw. The two supposedly most bullish months of 1920 and the most critical to his forecast were April and August. Neither month met his bullish expectations. However, if you could visualize a much stronger April and August in figure 1, it becomes clearer how right he was in calling for two bull and two bear swings that year.

According to the Decennial cycle, years ending in zero have not been the kindest to bullish investors. In this example, the general weakness of the year has muted the rally effort of April and August. Let's analyze Gann's forecast further by comparing the transportation index of 1920 to his projected curve of the market. (see figure 2) As you can see, the railroads were much stronger than the Dow in 1920 and they followed Gann's prediction much more closely than the industrials. Gann's prediction was accurately fulfilled, we just had to delve deeper into it to see what he saw.

As in my previous articles, I'll review only the months where Gann gave a specific monthly trend with the dates for the important highs and lows. I think it is important for you to note that he did not offer a trend every month in his forecasts.

For February, he predicted quite a bearish period. The actual lows occurred on February 25. Thereafter, he said a bullish trend would last until April 2224. Gann stated that there would be some sensational advances in April. In retrospect, the market topped between the eight and the seventeenth and moved lower the balance of the month. Why? Gann said that occasionally interest rates or commodity prices would cause his stock curve to deviate from its intended path. This occurred in April of 1920. The worst bond price decline of the year took place in April as prices dropped from 77.32 to 73.75. Like then, as it is now, stocks can not sustain a full bullish advance when bonds are getting murdered.

The bond curve and actual bond prices will almost always duplicate the projected stock curve and the dates of highs and lows in bonds will mostly match those in stocks. In the forecast section of this article you will see how both bonds and stocks are due to bottom together at the end of May. In figure 3, I have overlayed bond prices with the Dow Jones

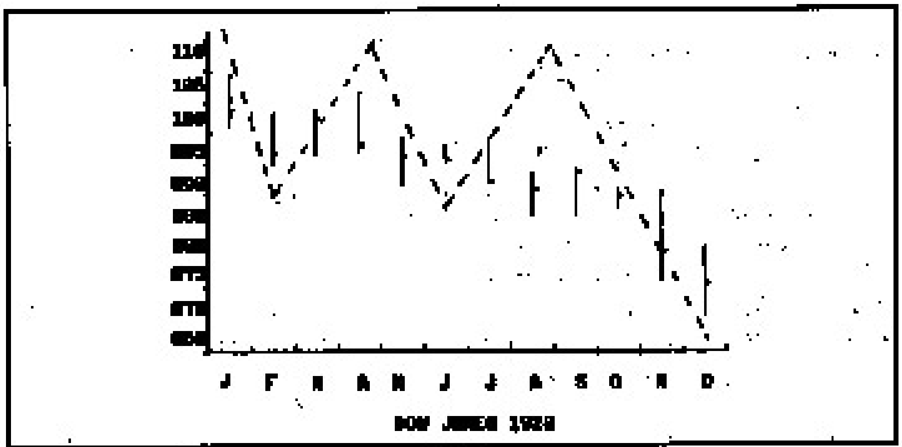


Figure 1

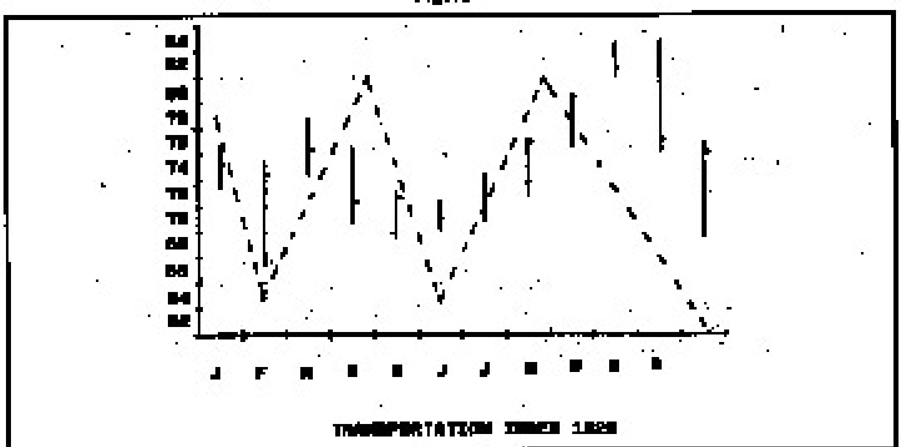


Figure 2

prices on the same dates so that you can see the clear similarities. Other commodity prices will also change trend on the dates of changes in trend in the stock market. Compare charts of the Dow, cotton, grains, coffee and sugar to see if reversals in trend are occurring on the same dates in unrelated markets.

Gann thought that June would fall in a cycle of very depressing influences. He said a rapid decline should occur 7-16, where a bottom should be made. I assume that what he meant was a drop from the seventh to the sixteenth. My curve indicated a top 6-4 to 6-9 and a low to occur 6-16 to 6-23. The actual top was on 6-12 at 93.20 and the-market dropped until 6-22 at the price of 90. 13.

You can see how closely this prediction worked out. I can't understand why Gann almost always used a bracket of dates when predicting a top or a bottom. My experience proves that there is an exact theoretical date within the bracket at which the top or low should occur. It might be off a day or so but certainly not a week. Sometimes these dates fall on a weekend so you have to watch Friday as well as Monday for the turn.

Another cause of a slight deviation is the release of an important government report which might cause the change in trend to occur a day early. An example of this was the PPI report issued before the market opened on March 17, 1989. The exact date for a predicted top was the eighteenth, a Saturday. The fact that the report would be critical to the market and that it would be released before the opening on the 17 meant that the top would occur on the 16, or a day early. Knowing that the curve was down until March 26 told me before the release of the report that it would not be favorably received.

When a solid trend is indicated by the stock curve, it is possible to anticipate whether a government report will affect the market positively or negatively (depending on which direction the curve is going). This knowledge is of a great benefit because it allows the trader to hold a position which he normally might liquidate.

The reader might also be interested in knowing all discount and prime rate hikes occur on Time Factor cycle dates. My forecast in the last issue of this magazine gave February

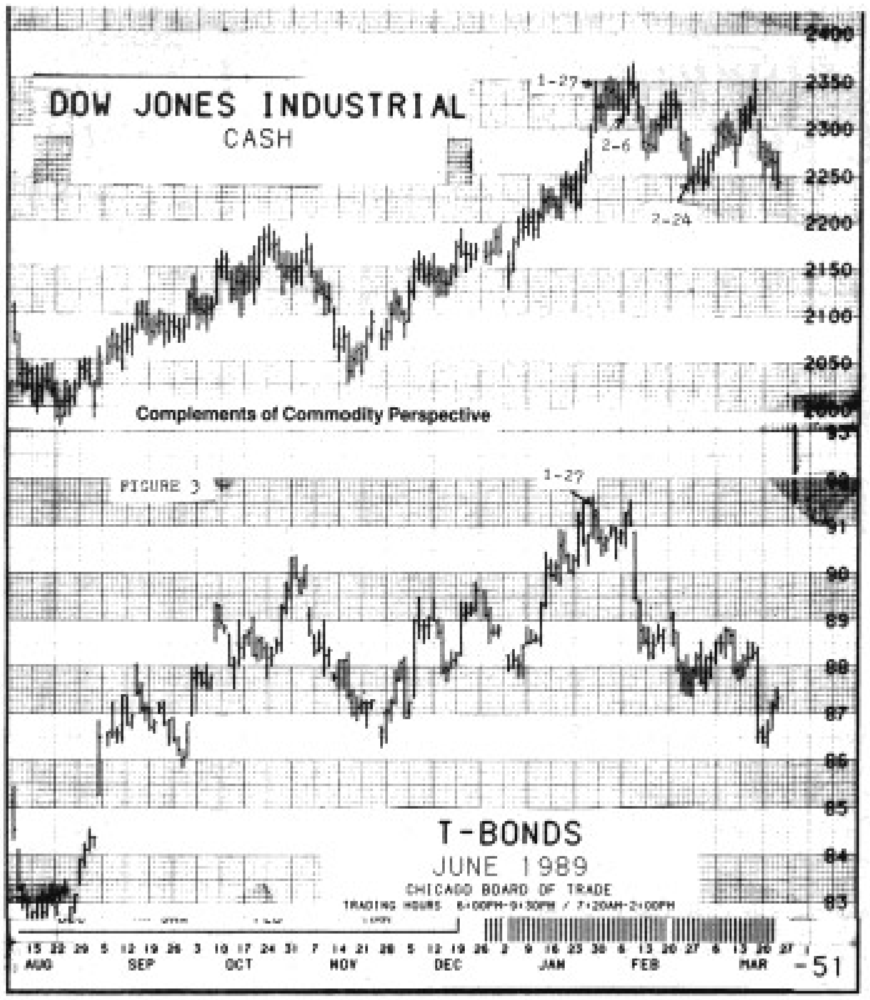
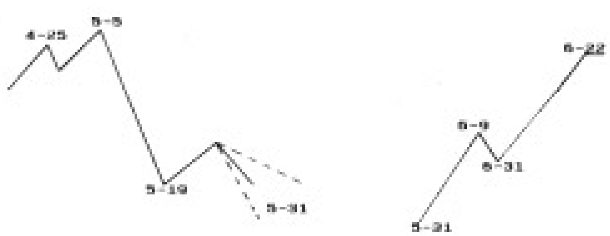


Figure 3



PROJECTED STOCK CURVE FOR MAY
& PRELIMINARY CURVE FOR JUNE

23-24 as a Time Factor date. This was the date for a prime rate and discount rate hike. The market sold off sharply and made a low. Getting back to the PPI report for a moment, I would like to mention that based on my method I was able to predict that the top in mid-March probably would be a one day spike top and I told that to a few subscribers of this magazine who contacted me in early March.

After the August highs, Gann saw a definite down trend in the final months of the year. The sharp drop in September occurred but it wasn't until November and December that the panic really got underway. Gann saw the culmination of a very malefic bearish cycle on December 19-22. Prices dropped from 85.48 in November to 66.75 on December 21. That date marked the exact low just as he said it would a year in advance.

I could like to offer my opinion of what the market will do in May. This article is being mailed to the G&EW on April 26 for publication. I have enclosed a drawing this time so you can see clearly the projection for stock prices. (see figure 4) The indications are to expect a distribution top between April 25 and May 5. The second Time Factor top is always the safest to short. May 5 may be a double top or higher top that is not known, but I suspect it will be a higher top than April 25. The trend for May should be down, which will correct the recent three waves up since November.

Even without the curve, any trader would know what to expect after the third section up. The 19 should be a reversal date, although it is not shown if it will be a low or a high. My experience tells me to anticipate this to be a low followed by a rally that will fail and cause a final low to occur on May 31. I am ignoring holidays and weekends and will just give you the expected dates. Bonds should also make a bottom at the end of May with stocks.

The degree of the decline will tell us more about the trend in the summer. I expect at least a five percent decline in May. In a bearish year the decline would be much worse. I have not really studied the month of June very carefully, but it seems the trend will be up to at least the 22, and then it should taper off go sideways, possibly down. Any reactions in June prior to the 22 should be minor and should not disturb the three week uptrend. Remember, run your geometric angles up from the low at the end of May. First the 4 x 1, then the 2 x 1. This way, if there is a sudden unexpected trend reversal, the breaking of the angles will cause you to stop yourself out of the market and avoid a loss of your profits. I would also advise to keep up geometric angles on the NYFE and the S & P.

Sometimes you will have prices hitting an angle on one of these indexes that is not showing up on the Dow Jones. I use Don Vodopich's idea of the 45 degree angle being a I x 1, a 26 degree angle being a 1 x 2, etc. and using Commodity Perspective charts as he suggests in his book, Trading for Profit with Precision Timing. The proper way to use an angle on the Dow is to draw free hand points per calendar day from the theoretical highs or lows. Therefore, a 4 x 1 in twenty days moves up 80 points from the exact low.

In closing, I would like to offer some price resistance levels that I do not think the Dow can penetrate before it makes the expected decline in May.

Based on the above resistance levels and knowing that the time for the rally is due to end no later than 5-5, I would not expect the Dow to go beyond the 2458 level before a decline sets in.

FORECAST FOR JANUARY?

Below is a reprint of my forecast for January written and mailed to the G&EW magazine in late December 1988. I would expect some kind of reversal to occur either side of the weekend of January 14-15 January 26 the weekend of February 4-5 and February 23-24. My trend roadmap for these projected turns is provided by the stock curve application of the time factor. Its indications are to expect the 14-1S to be some type of relative low consolidation area from whatever tops are reached in early January. If the market moves up from this projected low I would expect the rise to be halted by the cycle date of the 26. The curve also indicates relative lows between February 5-9 which further supports the 26 as a possible relative top. The theoretical date for the February low is the fourth or ffth a weekend so I am expecting the low to occur early should the market make some sort of top on the 26. >

In figure 5, I have reproduced a copy of my original curve for January. There was supposed to be two upward moves in January separated by a small reaction in the middle of the month. Note my mentioning a time factor date to occur on either December 31 or January 3. You will note that there was a sharp reversal down on December 31 and then again on January 3. This reversal was setting up the next sharp upward move. Time factor dates almost always occur as -reversals of the existing trend. Therefore, I was anticipating some sort of low to appear before the market could move up. The low on January 3 held the geometric angle, the live angle and another extraordinary clue for a bottom was that the isues up to down that day were not indicative of a market that had been down 33 points.

There was no reaction into the 15 as I had predicted, and this was very bullish because after the 15 the curve was turning up again until the end of January. The peak volume day and high print of the move occured on January 27, one day off my top. A base top then turned the market sideways untll Ferruary l. You should note that bonds topped on the 27 and moved lower into early Feburary just like the stock curve projected (check out the big low in sugar at the end of a five wave decline on January 25 and the low in soybeans on the 26).

For the first time in over a month, stocks had a four day decline into Monday, February 6, where a low was made just as the projection had indicated. You could have bought here but you had to get out on the eighth when 2360 failed for the second time that day. Note the 1 x I geometric angle from December 20 high on the S & P futures as well as lx2 from the October 24 high on the NYFE that halted the advance. This is why I mentioned earlier to keep up angles on three different indexes. There are certain cycles that occur at various day counts in conjunction with geometric angles that also provide reversal points. These cycles have to do with price and therefore are coincidental cycles, not predictive cycles.

By the middle of February after reviewing all the data, I figured that my date of the 24 would be a low and I got short. The trade was exited on February 24 at 3:30 p.m. after the market had been off some 33 points for a low to occur. If the market remains on its lows all day without dropping further, you should go ahead and get out. I did that even though I was aware that the 2 x 1 angle from January 3 and November 16 was a little bit lower at 2230 on the 24. The market did touch that angle first thing on the 27 before reversing upward. February 24 came in as a reversal date and a good spot to go long.

In summary, three of the four reversal dates came to pass that were predicted in December. Only the small reaction in mid-January in between the two upmoves did not come out. The small reaction from the late January highs occurred and can be more clearly seen on a bond chart.

Beyond Gann: Number Vibrations

By Gregory and Helen Meadors and Neal Chabot, Ph.D.

W. D. Gann made millions in the markets using techniques which have been called esoteric, which Webster difines as, "Understood by only a chosen few". Gann's cosmic perspective was that of the "perennial philosophy": the infinite order of things, expressed in the relationships of numbers (mathematics) and forms (geometry), is the pattern upon which the material world is structured. "As above, so below," expresses this eternal law.

The natural proportions of numbers are also reflected in the symmetry of the human body (fig. 1), which is neurologically structured like a receiving antenna for waves and vibrations of many kinds. In many ways still not understood, human beings receive and often react to stellar and cosmic influences. Just as we respond to the harmonies of music (sound vibration) and color (electromagnetic vibration), so we also respond (subconsciously) to electromagnetic vibrations of cosmic origin which affect the subtle nervous system. The "music of the spheres" may cause subconscious reactions which then appear outwardly as the phenomena of investor (mass) psychology, as measured by the Dow Jones averages.

In our recent articles on "Vibration Inversion Points" and "Biblical Cycles" we introduced you to the inter-relationships between planetary angles (harmonics), geometric forms and Biblical numbers. We discussed the hexagonal geometric formation known as the Seal of Solomon (Star of David) with its multiple 60 degree angles. We showed how Solomon Vibration Points (multiple planetary harmonic angles of 60 degrees) have exactly timed major turning points in the stockmarket and why this is often contrary to textbook astrological interpretations.

We have pointed out that geometric structures and planetary angles are really expressions of numbers, with each geometric form corresponding to a particular number or set of numbers. In our article, "Beyond Gann: Biblical Cycles" (November 1988 G&EW) we discussed the Biblical number "666" and how it corresponds to the name of "Solomon" as well as being the numerical vibration of the NYSE. This number is often thought to have negative connotations; however, readers should refer to 2 Chronicles 9:13 for a positive meaning.

In our previous article we also noted that during the widely advertised "Harmonic Convergence" of August 1987 (see Newsweek August 17, 1987), the high in the Dow was 66.6 times the Dow low of this century (July 8, 1932). Gann was known to use planetary cycles, numbers, and letters as forecasting tools. Using these and other proven analytical methods, we were able to forecast the August 1987 top and the October crash months in advance. Since then, we have obtained a 90 percent accuracy rate during 1988 (see trade confirmations in January 1989 G&EW).

THE NUMBER 13

It is obvious to any student of Gann (or anyone versed in the Pythagorean tradition) that the harmonics of numbers are extremely important for the price structure of any market. In our last article we asserted that during the August top and the October Stockmarket Crash of 1987, the vibrational patterns which were active corresponded to the number 13.

In the ancient systems of divination, the number 13 stands for death and transformation, and perhaps this is why thirteen is sometimes said to be unlucky. As we shall see, 13 has had an explosive impact on the stockmarket, but it is only unlucky for those who remain ignorant of its cycles of action.

Thirteen is also a Fibonacci number however, and our research has uncovered the fact that the number 13 and the Fibonacci sequence of 5-8-13-21 both have a special significance to the United States and the U.S. Stockmarket.l The remainder of this article will reveal some of our

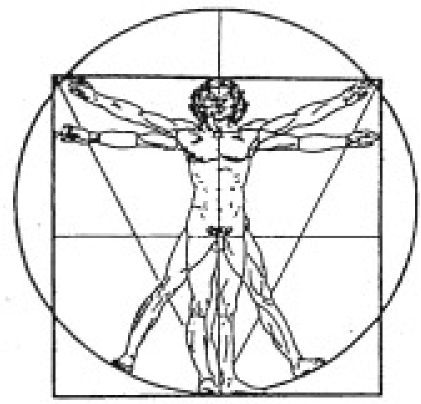


Figure 1

Figure 3

(fig 2). Observe that it contains three figures: a key, 13 stars in the shape of the Great Pyramid and the scales. Could the key to the U.S. financial markets be revealed in the mathematical, astronomical and even Biblical time-cycles contained within the structure of the Great Pyramid?2

Perhaps the designers of the U.S. Treasury Seal had a mystical passion for the knowledge contained in the Great Pyramid, as well as the symbolism of the number 13. This would be no surprise, since most of the founding fathers were Free-Masons, as was Gann. Benjamin Franklin, one of the leaders of the Independence movement, was particularly learned in the esoteric sciences. He and Thomas Jefferson both practiced astrology, and this fact may explain the unique horoscope for the signing of the Declaration of Independence (Fig. 3).

This may also explain the occurrence of astrological symbolism in the Great Seal of the United States and the U.S. Treasury Seal. Above the pyramid on the U.S. Treasury Seal (in the heavens) are the scales, a symbol of justice and balance of opposing forces. The scales are the symbol for the constellation Libra, and Venus is said to be the "governing" planet of Libra. Besides its reputation as the planet of love and money, Venus is said to "govern" the horoscope of the New York Stock Exchange. Mars, the planetary opposite of Venus, "governs" war and destruction, and Mars is in its "detriment" when passing through the constellation Libra (Treasury Scales).

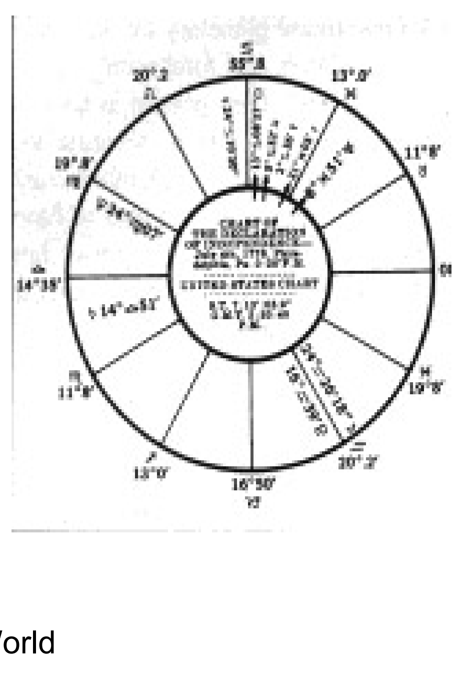
Was it just a coincidence that Mars (destruction) entered into Libra on October 8, and then passed over the celestial equator from North to South on October 13, 1987? No wonder the Dow went south! Was it another coincidence that Venus, the ruler of the stock exchange, also conjoined Pluto (plutonium, explosive) on October 19 resulting in the largest financial explosion in history, a climactic one day 508 (5+0+8=13) point drop?

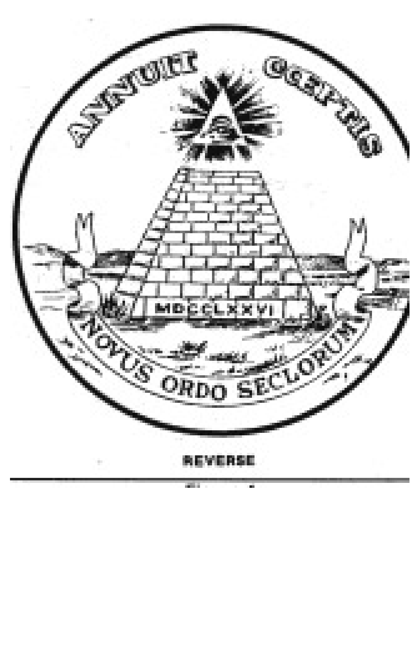
When the scales are out of balance, that is, when the weight on one side is heavier than that on the other side, it crashes down with almost no resistance. Perhaps what really happened during the 13-day October crash was that the scales were out of balance, having been irretrievably tipped by the natural laws of numbers and planetary harmonics.

In addition to the United States Treasury Seal, the Great Seal of the United States is contained on the back of every dollar bill (Fig. 4). Along with the Great Seal are 13 items, each with a count of 13 (some of these are not easily found). The Great Pyramid, first of the seven wonders of the world, is portrayed with 13 levels to its structure which spans 13 acres. The other side of the Great Seal (Fig. 5) shows the American eagle holding 13 arrows, 13 leaves and 13 berries in its claws. Above the eagle in the heavens are 13 pentagrams (stars), arranged in the form of Solomon's Seal (also associated with the number 13 and Gann's 45 degree angle).3 The pentagram displays a perfect Fibonacci relationship which is also revealed in the structure of the Great Pyramid and the Washington Monument (Fig. 6). The numerical value of the words, "In God We Trust", also equals 13: IN (9+5=14) + GOD (7+ 6+4=17) + WE (5+5=10) + TRUST (2+ 9+3+1+2=17), which total 58 and 5+8= 13. The other symbols and ciphers in the Great Seal challenge our mind and prepare us to discern the symbolic correlations of ancient knowledge. These hidden correspondences give us valuable knowledge for timing the U.S. financial markets.

13 SIGNALS MARKET CRASH

The number 13 had many correlations to the stockmarket prior to and during the October 1987 13-day crash. The August 1987 Dow Average top of 2722 has a numerical vibration of 13 (2+7+ 2+2=13). The number 13 also has symbolic connections with the moon, established forever as that "faithful witness in the heavens" (Psalm 89:37). The maximum number of full moons in a year is 13. How did the "unlucky" number 13, the 13 degree eclipse of the full moon, and the symbolism in the Great Seal of the United States provide us with additional information to





1927 by quoting the following passage from the Bible:

"And when I shall put thee out, I will cover the heaven, and make the stars thereof dark: I will cover the sun with a cloud, and the moon shall not give her light" (Ezekiel 32:7).

The last major bear market low in the Dow Averages occurred in August 1982 following a lunar eclipse in the 13th degree. Sixty-five full moons later (5xl3=65=the number of wing feathers on the American Eagle of the Great Seal), the next 13th degree lunar eclipse arrived on October 6, 1987 (start of the 13-day Crash), thus completing a major eclipse (and market) cycle. This 13 degree eclipse was an exact "square" (a "stressful" 90 degree angle) to the U.S. birthchart sun position providing, in this case, a textbook astrological prediction of the negative conditions that followed in the U.S. Bond and Stock markets.

During the 13-day Crash, following the 13 degree eclipse, and about October 13, Mercury (trading) became stationary (stopped its movement in the heavens as viewed from earth) at the 13th degree in the constellation Scorpio (death and transformation, sometimes symbolized by the Eagle), an extremely rare occurrence at this sensitive degree! In addition to these "signs", Saturn ("Father Time") reached 17 degrees 22" Sagittarius on October 19, 1987, which was exactly the Biblical Solomon 60 degree harmonic angle from its position of 17 degrees 22" Libra (the bear market low of August 6th, 1982)! Saturn was also 17 degrees 22 minutes during the December 1974 Bear Market lows. If these "coincidences" weren't enough, Venus (U.S. Treasury Scales) conjoined Pluto (plutonium, destruction) on October 19th and the bomb was exploded generating the final 508 (5+8=13) one day drop!

This was 13 months from the September 1986 low, 13 years from the major lows of 1974, and exactly 58 (5+8=13) years from the October 1929 Crash!

With knowledge of number "vibrations", especially how critical the number 13 is for the United States, we were able to use this "unlucky" number, which brought "luck" to us and our subscribers after we sold short on the 13th degree lunar eclipse of October 6, 1987. Interestingly, this date also coincided with the "buy Rosh Hashona, sell Yom Kippur" holiday cycle, which also marked the beginning of the Biblical 40-year cycle of the state of Israel.

Bringing together these number correlations and natural laws, one can see how the 13-day Crash of October 1987 was foretold. The next time that the number 13 could have substantial impact on the stockrnarket will be May 19, 1989. At this time Mars and Saturn will be in exact opposition (180 degrees) in the 13 degree. This is also a one and two-year anniversary date (solar return) from previous trend- change dates.

Investors and traders who are awake and aware will profit during this timeframe.

FOOTNOTES

1 The words, "United States of America" contain vowels having a numerical equivalent of 45, and consonants with a numerical equivalent of 39 (3x13). These two numbers can be further reduced to the Fibonacci number 21 (9 + 12), which is also the total number of letters in U.S.A.

2 "In that day shall there be an altar to the Lord in the midst of the land of Egypt and a monument at the border. And it shall be for a sign and for a witness unto the Lord of Hosts in the land of Egypt" (Isaiah 19:19-20).

3 The hexagram of Solomon's Seal (in the Great Seal) is composed of two equilateral triangles, and in each triangle are exactly ten stars. These form a figure known as the "tetraktys", on

which Pythagoras is said to have sworn his pupils to secrecy. The six-pointed star (Star of David) is well-known as the Seal of Solomon, the standard of Israel. In addition to the number 666, which we have covered in a previous article, the numerical value of SOLOMON contains both the number 13 and the well known Gann angle number of 45. The vowels (OOO) equal 6-6-6, and the consonants (SLMN) equal 1-3-4-5 = 13 & 45.

4 These principles are revealed in our comprehensive Genesis Market Timing Home-Study Course.

5 The article, "Gann and the Planets" (August G&EW) provides a detailed explanation of the "astrological" and planetary influences that occurred during the August "harmonic convergence" top and the October 1987 Crash. A reprint of this article is available for $5 from Genesis Capital Management.

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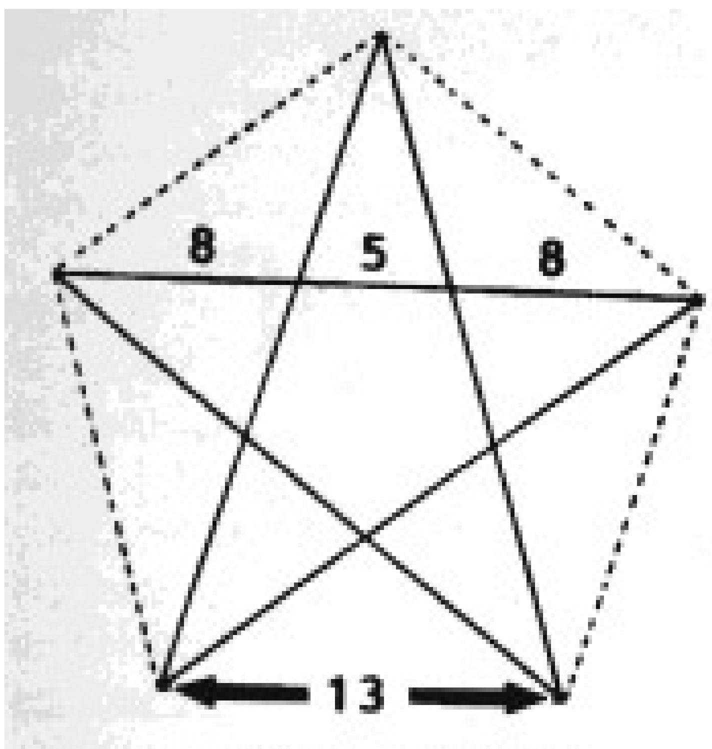


Hexagram of Solomon's Seal

Projecting the Precise Time of Important Tops and Bottoms

By Robert Miner

Time is the most important factor in forecasting market movements. The future is a repetition of the past and each market movement is working out TIME in relation to some previous Time Cycle. W.D. Gann. Time is: the most important dimension in market analysis, yet it is the most ignored factor. The best most traders and analysts can come up with in timing the market is to look for so called cycles of fixed length periodicity. This is a simplistic view of market movements that does not reflect market activity at all.

The key to market timing is found in the above statement by Gann, "Each market movement is working out TIME in relation (proportion) to some previous Time Cycle." Gann described three primary methods to determine time periods when change could be expected in market activity.

1. TIME COUNTS. Equal divisions or proportions such as eighths and thirds of a fixed period such as 360 or 144. The 360 represents the 360 degrees of a circle and 144 is 12 squared and a very important time and price number in the market. Time or price divisions of 144 are referred to as the Square of 144. The divisions of 360 are referred to as the Square of 90. These cycle lengths are called static symmetly. They are static because they are fixed and repetitious. They are important time divisions in any market but are secondary to the more important ratios of actual previous market activity.
2. PRICE SQUARED IN TIME. A proportion of the price range or the extreme high or low of a completed cycle will often indicate the subsequent time movement of market activity.
3. TIME CYC LE RATIO. A proportion of a previous time cycle will often indicate subsequent trend reversals.

These two time divisions are called dynamic symmetry. They are not of any fixed period. The length of these proportions will be different for every completed cycle as they are determined as a proportion of an actual cycle. These are the primary timing indicators as they represent and reflect an actual growing and evolving market.

If a trader calculates all the time counts, price square time and time cycle ratios for every major and minor cycle in a market, you will have so many time periods that the market will inevitably reverse at one of them. Your best signals come when there is a group or cluster of a number of time periods that come due within a narrow time zone of two or three days. When two or more time periods that are calculated by different methods coincide, there is a strong possibility for a change in trend to result.

I have developed several different forms that organize all the time data for any one market. I recently reviewed the time cycles and data from the December 14, 1987 top in gold to the present. Just for that 16 month period I have completed 44 pages and literally hundreds of time calculations on my timing forms. But that work resulted in accurately projecting all the important trend reversals in the market up to including the recent February 17 low. These trend reversals were projected weeks and months in advance. In fact, my previous article for G&EW magazine I projected the December top in gold within one trading day and the exact week of the February low. Later in my newsletter, I made a narrower time period for the February low to February 15-17 at a price of $381 - $386 (April contract). The low came on February 17 at $381.

These projections were in print literally weeks in advance. Let's take a look at some of the counts and ratios that resulted in price clusters that indicated a trend reversal was likely in these projected time periods.

CD = CALENDAR DAYS
TD = TRADING DAYS

12/6:61.8%x 115=71;71CD+9/26= 12/6
6/3H - 9/26L + 11 5CD 12/5:33%x210=70;70CD+9/26= 12/5
2/29L - 9/26L = 21 OCD 12/7:2 x 94 = 188; 188CD + 6/3 = 12/7
2/29L - 6/3H = 94CD 12/7: 72CD (1/2 Square of 144) + 9/26 = 12/7 12/2: 75% x 89.5 = 67; 67CD + 9/26 = 12/2
$89.5 = range of the 6/3H - 9/26L

In the issue of November 8 of my newsletter, I projected December 5-6 to be an important time period to be alert for change in market activity. Gold made an important top one trading day earlier on December 2, while platinum topped precisely on December 5.

2/17: 144CD + 9/26L
1.25 x 115 = 144
115CD = 6/3H - 9/26L 2/18: 1.618 x 89.5 = 145; 145CD + 9/26L 2/16: 1.5 x 172 = 258; 258CD + 6/3 = 2/16, 172CD = 12/14/87h - 6/3/88H
2/15: 1.382 x 37 = 51; 51TD + 12/2H = 2/15
$37 = range of 9/26L - 12/2H
2/14:2x37+74;74CD+ 12/2=2/14

In December, I had projected that the intermediate term trend was likely to reverse the week beginning February 13 and that February 15-17 was likely to be the period for the change to occur. An important low was made on February 17.

Similar time clusters projected the February 29 low, the June 2 high and the September 29 low or every other major top and bottom since the December 1987 high.

Let's put this timing analysis to the test and once again prepare in advance for possible future market activity. The next time period to be particularly alert for change in the price activity falls in the time zone of May 5-8 (Friday and Monday).

5/8: 50% x 1022 = 511; 51 ICD + 12/14/87H = 5/8
1022CD = 2/25/85L - 12/14/87H
5/8: 2.5 x 89.5 + 224; 224 CD + 9/26 = 5/8
$89.5 = range 6/3H-9/26L
5/6: 2/29L = 432CD (3 x 144 = 432)
5/5: 77CD = 2/17L
77CD = 12/2H - 2/17L
5/5: 3.382 x 89 = 301; 301CD + 2/29/88L = 5/5
$89 = 12/87H - 2/29/88L; 89 = Fibonacci #5/5: 48 weeks + 6/3H; 48 = 1/3 x 144

Be alert for indications of trend change within one trading day of May 5 or 8. While time is the most important dimension in the business of speculation, we must be prepared for the price and pattern activity as well. There is very important price support at the $374-$378 price zone basis the June gold contract. Should price move into this price zone in the May 5-8 time period a very important longer term low and reversal is likely to unfold. This article is submitted the week of April 24. By the time you read this, we will see how helpful this timing projection would have been to someone prepared in advance for important minor and major time and price reversals.

It will be well worth your time and energy to calculate all the time counts, divisions and proportions for every cycle in every market that you are interested in trading, It is a great deal of work, but can result in a great deal of profit. I'm sure you will find the effort as profitable as I have.

Robert Miner is the publisher of The Precious Metals Timing Report. He teaches subscribers in each issue the time and price analysis methods of W.D. Gann and R.N. Elliott. a

Equivolume - A Different Diagnosis

By Richard W. Arms, Jr.

I recently spent a of long and tense hours at the hospital bedside of a close relative. I noticed that a nurse would appear in the room at regular intervals, chart in hand and instruments at the ready. Her primary duty was to measure and record the patient's vital signs. She would rapidly check to ascertain whether the patient was still living, and if so, how well. Having noted and recorded pulse, blood pressure, respiration and temperature, she would as quickly move on to see if the patient in the next room's signs remained vital.

In that I have yet to lose my interest in attractive nurses, and charts have long held a fascination for me, albeit my experience is more with stock charts than medical charts, I reflected upon this periodic hospital ritual. The nurse's job appeared to be primarily one of recording data for the doctors who would, I hoped, turn the information into both a diagnosis and a prognosis. Their ability to look at all of the available data, combined with their skill and experience over many years, were the key to the decisions they would be called upon to make.

The interpretation of Equivolume chart follows closely the methodology used in working with Bar charts, but gains effectiveness, in many cases, because of the inclusion of volume.

It would be absurd, in fact negligent, if a doctor were to entirely ignore a part of the carefully gathered information. Whereas the pulse tells him that the heart is rhythmicly maintaining life at a certain pace, the blood pressure tells him how strongly the blood is being moved through the system, and the resistance it is encountering. Both are equally important measures of the present health and the anticipated future of the patient.

So it is with technical stock analysis. Huge resources of vital data are amassed and made available to the analyst. As with the doctor, the diagnosis of the current condition of the stock, combined with expertise and experience lead to a prognosis. The accuracy of that prognosis, and the profits or losses that inexorably follow, are a function of the skill of the diagnostician. To ignore a part of the data would be as foolish as would be a doctor who did not bother to check the patient's blood pressure.

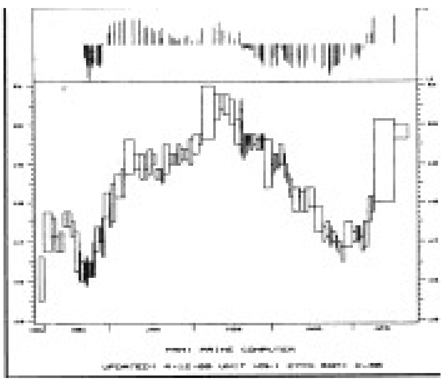
There are two vital statistics to stock action: price and volume. One mesmerizes most analysts, while the other often goes unnoticed. This is natural, if not excusable, in that the first decides whether one makes or loses money, while the second merely indicates how many shares changed hands. This subordinate role which has been assigned to volume has meant that most charting methods relegate the statistic to an afterthought position along the bottom of a bar chart, and point-and-figure chartists entirely close their eyes to its existence.

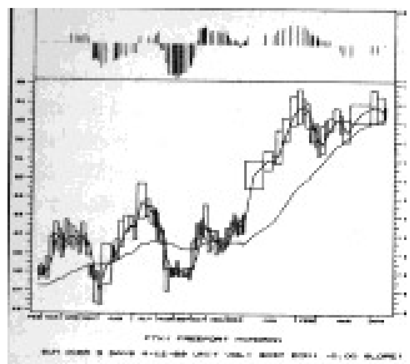
In studying a stock, the price tells us about its movement while volume indicates the quality of that movement. A price move gains or loses importance, depending upon the volume accompanying the move. There is certainly a great difference between a big jump on heavy volume and a similar move. on light volume, yet this difference often goes unnoticed, not because the information is lacking but because it is not easily interpreted.

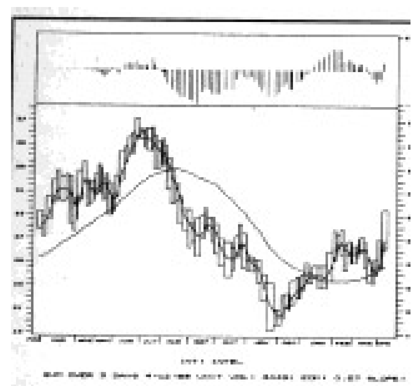
Equivolume charting, for the first time, makes volume an equal partner with price. This is accomplished by moving the volume off the lower margin and into the flow of information. Instead of representing a day's activity with a line, the posting is expanded laterally to form a rectangle. The top of the rectangle is the high for the day, the bottom line is the low for the day and the width of the rectangle represents the volume for that day. In this way, each day is represented by a box which has a distinctive shape and size, and those two factors, shape and size, give an accurate picture of supply and demand for that stock during that trading day.

The accompanying illustrations show the result of this procedure. The first chart, of Prime Computer, is a daily based chart. That is, each box represents one day of trading. The computer which drew the chart had to calculate the average daily volume of the stock, and arrive at a volume increment such that about 100 days of trading would be depicted on the chart, with all boxes in proportion. This number, the unit volume, appears in the legend, and will, of course, be different for every stock.

The other two charts, Freeport McMoran and Intel, are three day charts rather than daily charts. Each box represents three days of trading, thereby compressing the information and allowing a longer time span to be depicted. In addition, the three day charts have a pair of







moving average lines overlying the boxes. These are not the usual moving averages, but are a function of volume rather than time. Using a complex computer calculation, the lines are drawn to represent the price over particular volume durations rather than time durations. Note the signals imparted when these two lines cross!

Across the top of each chart is another piece of information; an oscillator which we call Ease of Movement. Its calculation is complex, and 1z descrlbed a mv book Volume Cycles In The Stock Market however, its tendency to reach extremes at turning points in the price of the stock should be apparent. The numerical value of the last day on the chart is given in the legend, allowing comparisons between stocks.

The interpretation of Equivolume chart follows closely the methodology used in working with Bar charts, but gains effectiveness, in many cases, because of the inclusion of volume. Trend lines, channels, gaps, support and resistance levels and consolidation formations all are used in a similar manner. In addition, because of the non-time "X" axis, cyclicality takes on a new significance.

Technical analysts who are intent upon making a correct diagnosis of a stock's action, in order to reach a correct prognosis, might well take a look at Equivolume. Volume is, at last, made a full partner with price. And that partnership could lead to better market decisions!

Richard W. Arms Jr. is an author investor publisher and speaker. He is the Vice President and Technical Analyst at Eppler Guerin & Turner Inc.

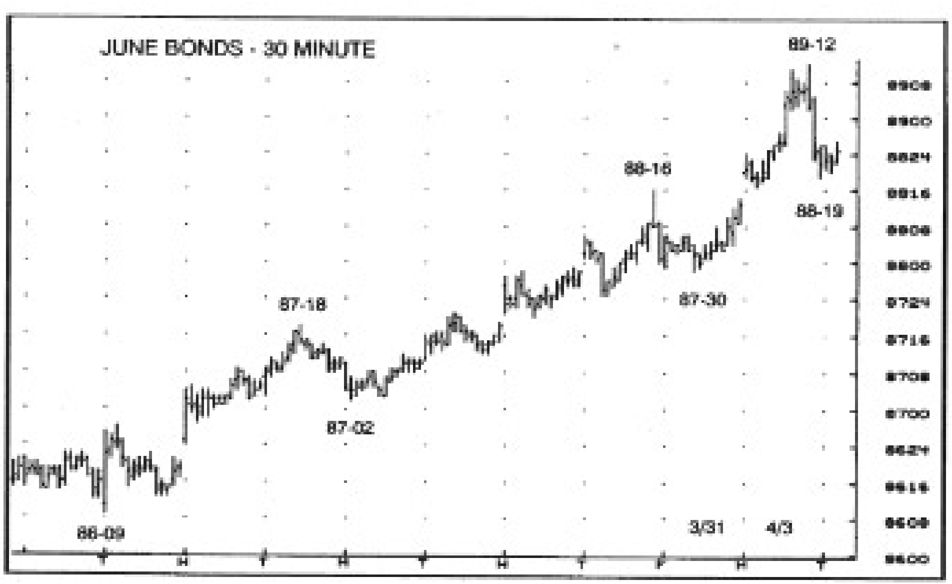
A Glimpse Into "Market Waves"

By Robert Saperstein and Thomas Gautschi

Complementary technical tools are an important adjunct to the primary Elliott Wave analysis that is used to generate trades. This was demonstrated in our previous article on Compuwave in the August/September 1988 G&EW, where standard computer generated technical studies are used to help confirm the current Elliott Wave count. Now with the development of the widely used Market Profile* analysis, new insights into analytical and trading techniques can be gained in conjunction with Elliott Wave analysis, to form the concept of "Market Waves". This article will illustrate one particular application as it was used in the generation of day trades in the Bond market.

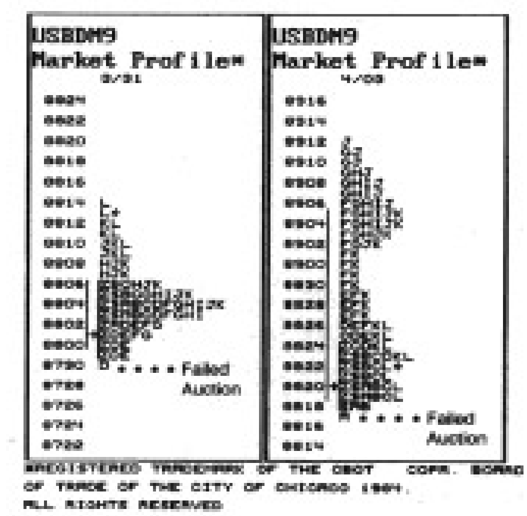
The accompanying 30 minute chart of June Bonds covers the rally from 86-09 to 89-12 in late March and early April, 1989. Notice that the chart contains only the action of the high volume daytime session. We feel this presents the cleanest patterns for wave analysis, and it is important for the detection of gapping action from day to day. Elliott Wave analysis is intended to gauge the market's patterns as the mass of market participants swing from psychological extremes of pessimism and optimism. Until the evening session achieves enough volume to adequately reflect such mass participation, it will be excluded from our wave analysis.

From a wave perspective, the initial rally from 86-09 to 87-18 had the outline of a 5-wave advance on the chart. The pullback to 87-02 was an exact 38 percent retracement before the rally continued to 88-16. The next pullback to 87-30 again retraced exactly 38 percent of the preceding rally from 87-02. So even with somewhat sloppy internal structures, the two perfect Fibonacci retracements implied with a good level of confidence that the market had created waves 1 through 4 of an impulsive move, and that a fifth wave rally to a new high would



follow. Off the fourth wave low of 87-30, two standard fifth wave targets could be generated. Wave-5 being equal to wave- 1 would project 8907, and wave-5 being 62 percent of waves 1 through 3 would project 89-10.

On the morning of Monday 4/3, the market gapped up at 88-20 in what appeared to be the middle of the fifth wave headed for its targets. With one of the standard Compuwave techniques being to buy overt gapping strength, this brought about the trade of buying the gap up, with a stop at 88-13, one tick below the previous day's high. The objective for patient traders would be a move to 89-06 to liquidate the trade in front of the first fifth wave target, to capture over a 1/2 point



gain. With the upper fifth wave target at 89-10, the trade could then be turned around to sell at 89-09 to catch an expected downside retracement. The opportunity to do this occurred within the last hour of the day, and confidence to do it was provided by the Market Profile.

For those new to Market Profile, the two additional charts are the profiles for 3/31 and 4/3. Each 30 minute time period is denoted by a letter, starting with Z,$,A and going through L. The first two periods comprising the first hour of trading are known as the initial balance period, and it is shown by the solid line closest to the letters. The concept of a "failed auction" occurs when one of the periods extends the range of the initial balance period by one tick, and then the market reverses to take out the other end of the range by two ticks or more. This creates the failed auction at the initial, unsuccessful range extension. This implies that within one to five trading days, the market should return to the point of the failed auction. The charts show that we had two failed auctions in a row. The first one happened at 87-30 in the D-period on Friday 3/31, and the second one happened at 88-17 in the Aperiod on Monday 4/3.

Relating this to the concept of selling at 89-09 into the upper fifth wave projection, the trader knew that Monday's failed auction at 88-17 would beckon the market back to that level, not to mention the one at 87-30. The 4/3 failed auction was actually satisfied precisely at 88-17 four days later. Nevertheless, on that Monday after hitting 89-12, the final hour saw a selloff down to 88-19, providing plenty of room for a quick and profitable day trade on the short end also. This provides a graphic example of one of the many ways that the use of Market Waves analysis can add to an existing Elliott Wave arsenal of tools to increase trading confidence and effectiveness.

The Jupiter Effect on the Stock Market

By Bill Meridian

I began studying technical analysis in the mid-1960's, a time during which there was great excitement and interest in the stock market. In graduate school in the early 1970's, I read all of the quantitative studies done on price movements. What caused stock prices to move? Was it news, was it fundamental developments in the economy, was it political developments? All of these studies came up with the same result. That is, there was no statistically significant correlation between market price movements and any of the previously-mentioned items. In fact, one of the stronger correlations, although it was not even statistically significant, was the relationship between inflation-adjusted earnings and the S & P 500 (the highest correlation that was found was between stock averages and the Washington Senators baseball team batting average over three consecutive years, but we all know that this was simply a random occurrence).

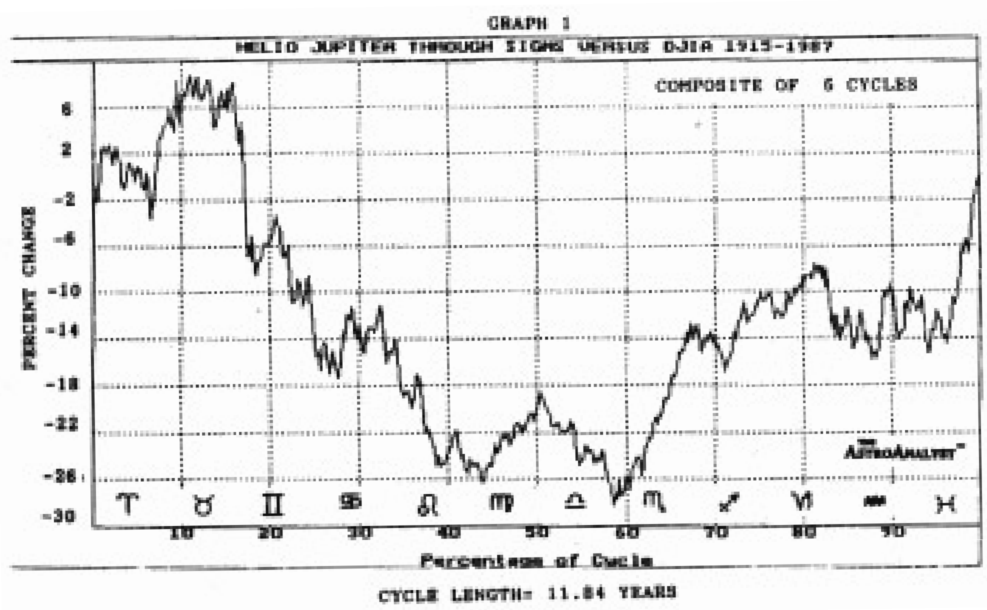
During the soaring 1960's, I was always amused by the fact that a highflying stock called STP was a big favorite with the investors. To this day, I can find no proof that STP oil treatment does anything beneficial for the engine of an automobile, yet everyone on Wall Street loved the stock.

All of these experiences led me to one conclusion, that irrational, emotional waves rule what happens in our economy and our markets. Support for this view came from F.S..C. Northrup, one of Einstein's contemporaries. He criticized conventional economics because he noted that movements in the marketplace were dependent upon people's values. Because values are intangible and emotional, they constantly change, thus we need to know what people will value in the future in order to have a valid forecasting model.

The Doctor From India

After coming to my conclusion about a method that would measure these emotional waves, I began studying astrology s not until 1974 that I felt I was on the right path. An acquaintance at a conference informed me that a Dr. Rao from India told her that gold prices tended to peak when geocentric Jupiter was 90 degrees from Neptune. That aspect was approaching. In fact, it occurred at the time that Americans were finally allowed to own gold again after many years on prohibition. The popular belief was that the yellow metal would soar to unbelievable heights when America's purchasing power entered the marketplace. Of course, the reverse happened; gold topped at approximately $190 an ounce and tumbled more than 50 percent in the ensuing correction. I was subsequently to discover that gold also reacted to other aspects of Jupiter and Neptune, such as the 22 1/2 degree, 45 degree and 135 degree aspects as well as the 90.

This was an exciting development, but as some wise man said, "Invention is five percent inspiration and 95 percent perspiration." Anyone who has attempted this type of study knows how much number-crunching is involved. The early pioneers, such as James Mars Langham, Lt. Cmdr. David Williams and L. Edward Johndro, could only explore limited areas due to the amount of work involved.

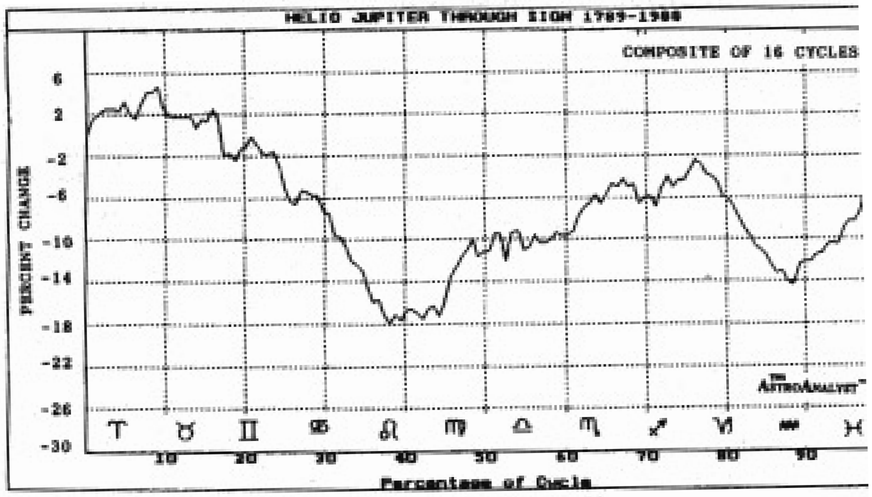


Development of the Astro Analyst

In 1976 I visualized a computer program which would do most of this work for us. I asked well-known astrologer Robert Hand, the president of Astrolabe Software in Orleans, MA to work on the program. We finally began to develop it in 1987.

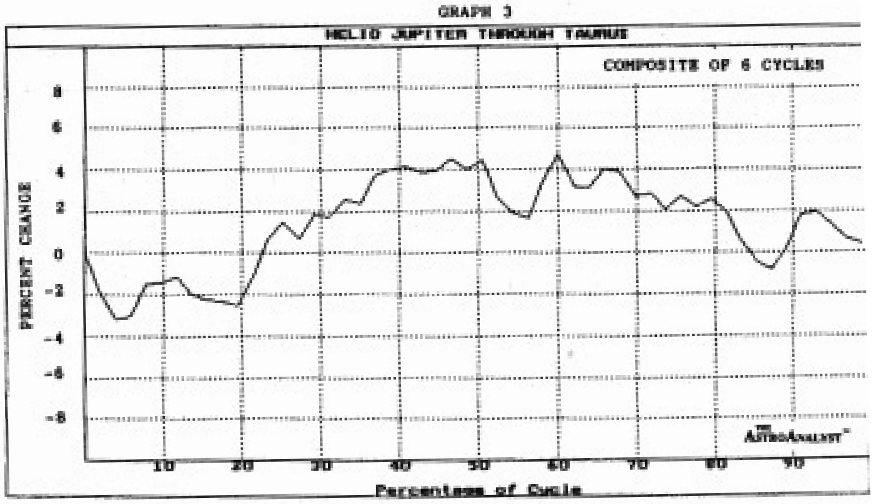
Graph 1 is a product of this work. Reading the graph requires a little explanation. The horizontal axis represents any cycle that the user chooses. In this case you are looking at heliocentric Jupiter's passage through the zodiac. At the very bottom of the graph are numbers in increments of 10 indicating the percentage of the particular cycle that has transpired. In this case the cycle is 11.84 years long, so at the 50 mark, the planet is halfway through its 11.84 year cycle. Just above that, I have added in for those who are more comfortable with this symbolism. The vertical axis represents percentage change in the Dow Jones Industrial Average corresponding with Jupiter's movement through its 360 degree orbit around the sun. The graph represents the average of six cycles beginning in 1915 and ending in 1987. Examination of the graph reveals that the market rises approximately seven percent from its entrance into Aries to its high point in Taurus. It then declines sharply until it reaches the sign Virgo, rallying only to decline again into late Libra. It then makes a sustained rally through Scorpio and chops sideways until it gets to mid-Pices, at which point it rallies up into the sign Aries again. Remember that the graph you're looking at is an average, and indicates tendency of market behavior during the Jupiter transit.

The next question to be answered is how consistent is this cycle? Graph 2 is constructed in the same way, except that it shows Jupiter's passage around the sun from 1789 to 1988. It is a composite of sixteen cycles, using monthly stock averages from the Foundation for the Study of Cycles. Note that the graph tends to hold its shape, still topping in Taurus and declining afterward. There is some change in the Libra area, but other than that, the two graphs are approximately consistent. This was an exciting discovery. Robert Hand and I were pleased to learn that many of the astrological market indicators that had been developed were consistent, whether they had been looked at over 50 years, 100 years or 200 years. In addition, we have



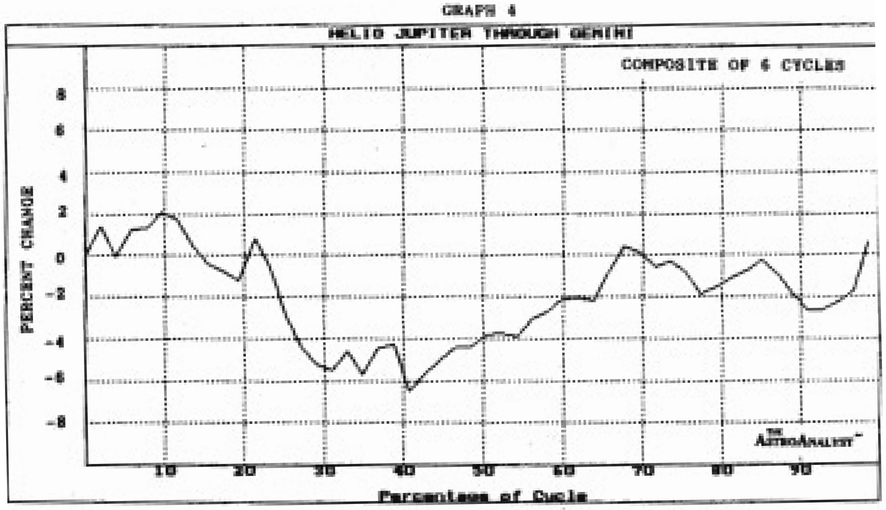
CYCLE LENGTH= 11.84 YEARS

GRAPH 3



CYCLE LENGTH= 360 DAYS

GRAPH 4



CYCLE LENGTH= 360 DAYS

found that there is little difference between the effect of heliocentric and geocentric sign changes on the DJIA when analyzing outer planets.

How valuable would these Jupiter cycles have been to the investor? Seen geocentrically, Jupiter transited into Taurus in September 1928 with the Dow at 220 and left the sign for Gemini in August of 1929 with the Dow at 345, thus giving the investor a 57 percent gain. Most of these profits were erased as Jupiter entered Gemini and the market tumbled. In similar fashion, the investor who sold stocks in January 1977 when the Dow was over 1000 and Jupiter entered Gemini, would have moved to 825 in the next year. I also note that helio Jupiter entered Gemini in November 1988, contributing to the market's tumble during that month.

Zeroing in on the Jupiter Effect

Let's utilize another one of the Astro Analyst's capabilities, and take a microscopic view of the Jupiter cycle. Graph 3 represents heliocentric Jupiter's passage through the sign Taurus only. In other words, the horizontal axis represents only the 30 degrees of space known as the sign Taurus. This passage takes 360 days, therefore the 50 mark on the horizontal axis represents half on this 360 day cycle. The market tends to rise until approximately 19 Taurus, and then decline.

Graph 4 represents heliocentric Jupiter's passage through the sign Gemini only. Note that the market tends to drop on average about six percent until Jupiter reaches approximately 13 Gemini.

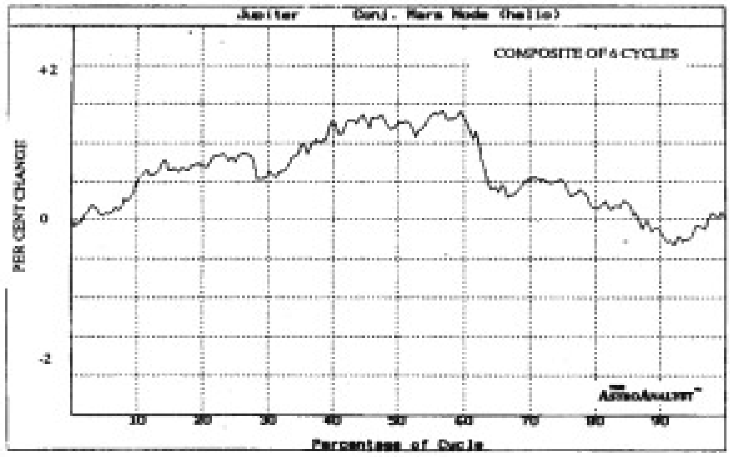
There is nothing special about these two particular degrees of the zodiac, however, from experience I realized that important planetary nodes lie at these degrees. Just as the moon has nodes, a well known concept in astrology, the planets have nodes as well. These points are created by the intersection of the planet's orbit with the orbit of the Earth. The north node of Mars lies at 19 Taurus. Thus, the passage of Jupiter over this node tends to create a high. The halt of the market's decline at 13 Gemini is no accident either. This degree contains the north node of Uranus.

Graph 5 utilizes the Astro Analyst in a new way. The vertical axis has- the same meaning, however the horizontal axis represents 100 days. The 50 mark on the horizontal axis represents Jupiter's transit over the node of Mars. In other words, the graph shows the average change in the market, the 50 days leading up to, and away from, the conjunction of Jupiter to the node of Mars. The user can analyze many planetary phenomena in the same way.

The Mars-Jupiter Cycle

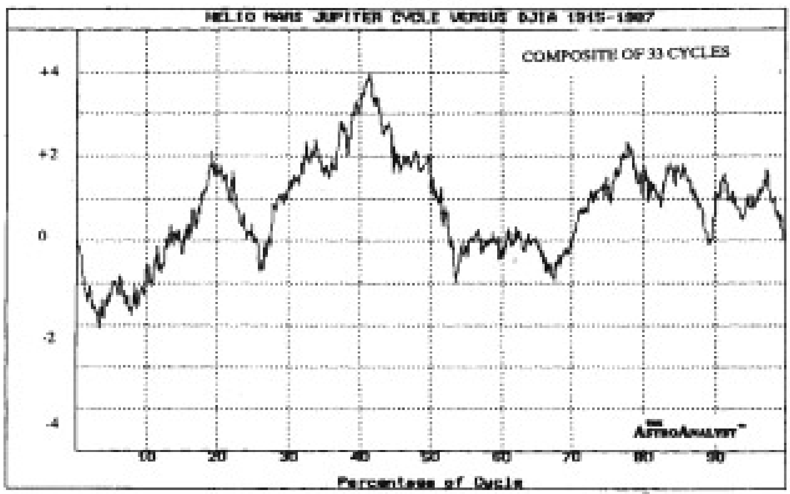
Graph 6 demonstrates the average percentage change in the market as Mars and Jupiter move through 360 degrees of their 816-day synodic cycle. At zero on junct, or zero degrees apart. At 50 on the horizontal axis, half of the 816-day cycle has expired and the planets are 180 degrees apart, or opposite, and so on. Note the tendency of the DJIA to decline prior to the conjunction (zero) and at the opposition (50). In graph 7, we see the DJIA change 50 days prior to and after the Mars-Jupiter conjunction. Equipped with this knowledge, the trader could anticipate a short-term decline if technical oscillators are overbought. Of course, this one cycle is not the only one. The Astro Analyst enables the user to ferret out all these relationships.

Thus we have gone from looking at a long-range cycle that would be of interest ot the long-term investor down to a closer view that would be of greater interest to the trader.



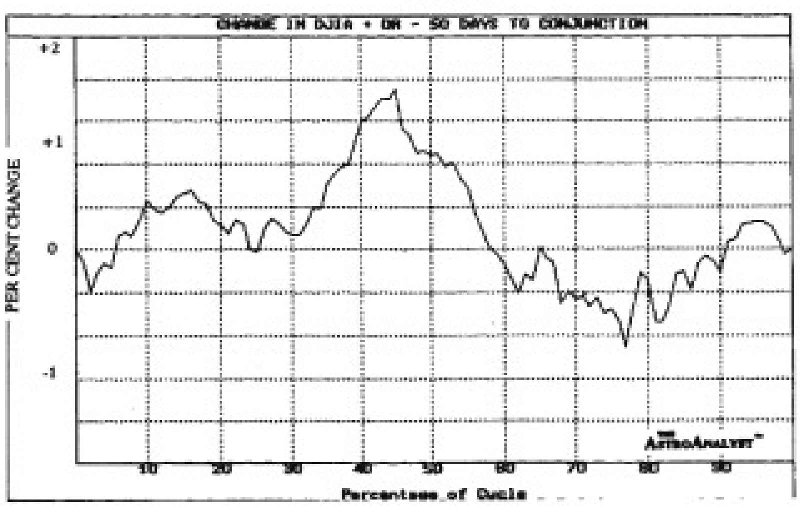
(100 DAYS)

GRAPH 6



CYCLES LENGTH = 2.23 YEARS

CHART 7



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Silver Astrology and the Golden Mean Ratio

By James W. Brock

For the past twelve years I have Si the past twelve years I been researching the correlation between the price of silver and the geometric relationships of the planets. My research has proven to me that at least 80 percent of the bull and bear markets can be predicted by astronomical patterns. One of the fascinating things I've discovered about the movement of the planets is their perfection to mathematical order. My type of astrological based market analysis is more complex than most astrology-based systems for I incorporate certain mathematical principles with planetary relationships, specifically the Golden Mean Ratio.

The Golden Mean Ratio or Phi (1.618 or .618) is a mathematical ratio found throughout nature, and is used by many market technicians in their predictions for future market behavior.

The constant 1.618 is one of the main tools of Elliott Wave analysis, and the Fibonacci series of numbers in constantly being used for market timing (the Fibonacci series is: 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233, 377, 610...). These numbers when divided into the preceding or following numbers of the sequence gives you a 1.618 or .618 relationship. For example, 89 divided by 55 equals 1.618, and 55 divided by 89 equals .618.

The .618 relationship can be found from the design of the Great Pyramid of Cheops to the Nautilus shell found in the depths of the ocean. The human body also has this numerical constant, for the distance across the out-stretched arms proportional to the height of the person comes to a .618 relationship. Therefore we must assume that this numerical relationship is a natural mathematical law of the universe and must not be ignored.

The most fascinating concept of researching astronomical phenomenon is that the planetary relationships vibrate to the constant 1.618 or a number relation within the Fibonacci series. As an example of this relationship I will take the sun's movement of 233 degrees within the zodiac (233 is a Fibonacci number).

While the sun makes this 233 degree movement, the moon has traversed the skies making approximately 8.5 lunar cycles. Breaking the complete moon cycle down to movements of 90 degrees (89 is a Fibonacci number), four 90 degree movements in one lunar cycle gives you 34; 34 times 90 equals 8.5 moon cycles (34 is a Fibonacci number). Therefore on the Fibonacci number scale you would say the sun and moon are a 233 minus 34 times 89, relationship.

Another example is the sun-Saturn quadrature relation, where every 377 days the sun and Saturn make the conjunction (377 is a Fibonacci number). Another beautiful illustration of Fibonacci harmony is the eclipse of the sun to a following eclipse of the sun. As an example: The sun's eclipse on May 30, 1984 and the following eclipse on November 22, 1984, the difference in time being 177 days, where 2 times 89 equals 178 (89 is a Fibonacci number). This gives you one of the two major concepts of my system of analysis, for the planetary bodies make these Fibonacci numbered "sine-wave" relationships. The second phase or concept of the analysis is the actual sky concept occurring on the specific date of a high or low in the market. The combination or "systhesis" of these two phases of analysis make up the foundation of my system of dinary facts of the sine-wave analysis is that it has predicted every major top in the silver market since the 1967 start of contemporary futures trading in this market within a three day projection of time!

The sine-wave structure is amazingly accurate, and as an example of several of the steps I take in my analysis, I will use the major top of January 21, 1980 in both silver and gold. You must remember that I'm observing astronomical happenings of the Fibonacci-based sine-waves which may have little meaning to the casual glance, but influence the future behavior of the markets. I ran a test of planetary angles and sign positions in the past and future to correlate an energy vortex or web of mathematical relationships. The relationships of past and future angle formations dictate the future behavior of the markets, not necessarily the past price action.

PHASE I - The Sine-Wave Analysis of January 21, 1980.

Actual aspects of the planets rounded to the nearest degree on January 21, 1980: sun I degree Aquarius, moon 20 degrees Pisces, Mercury I degree Aquarius, Venus 7 degrees Pisces, Mars 15 degrees Virgo, Jupiter 9 degrees of Virgo, Saturn 27 degrees Virgo, Uranus 25 degrees Scorpio, Neptune 22 degrees Sagittarius.

First Test: The sun 233 degrees back in time from the target date of January 21, 1980, is May 29, 1979. Aspects: sun 7.5 degrees Gemini square Saturn 7.5 degrees Virgo. Mercury conjunct sun square Saturn, Venus/Mars near conjunction. Back 8.5 moon cycles is June 3, 1979. Aspects: sun square moon's North node and sun square moon, Venus opposite Uranus.

Therefore, this first test sets up a Fibonacci numbered energy vortex of: sun, moon, Mercury, Venus, Saturn, Uranus and moon's node - a tremendous energy vibration which dictates that the future mathematical point in time of January 21, 1980, would be an important change for the market.

Second Test: The sun three years and three months back in time from the target date of January 21, 1980 is 10-20-2376 (13 x 90 degrees). Vibrational aspects working in this time frame: Mars opposite Uranus, Venus opposite Jupiter, eclipse of the sun and a sign cluster of planets in fixed signs: Venus, Mars, Jupiter, Saturn and Uranus. Also, this time frame was a low in the market before a sustained rally of five months began (21 weeks). Therefore, we have another Fibonacci numbered energy vortex, reinforcing the first test's energy points.

Third Test:The sun 4 times 377 days back from the target date of January 21, 1980 is December 10, 1975. Vibrational aspects working in this time frame: sun 135 degrees Saturn, Mercury opposite Mars, Venus opposite Uranus square Saturn, Jupiter stationary direct. Once again a tremendous energy vortex which adds to the foundation of energy points of tests one and two.

Special note: You might notice that the square aspect on May 29, 1979 between sun-Saturn at 7.5 degrees of mutable signs (Gemini-Virgo), was near the Venus-Jupiter opposition (Pisces Virgo) on January 21, 1980. This is a crossing point in Fibonacci-time of planetary bodies, which adds a further piece to our energy vortex puzzle.

There are many other tests I run, but this gives you a sample of the basic concept of the sine-wave theory of time based energy points. From the examples of my testing procedure you can readily see that these points of planetary energies set up a matrix of energy vibrations in time that influence market behavior. I usually correlate as many as 36 different types of these formations to build a foundation of energy points in time which have an affect on future market action. What is even more intriguing is doing a crossing mid-point of time with aspects in the past and future to a specific point. As an example: The Mars-Saturn sine-wave harmonic worked beautifully for the major top of January 21, 1980. I went back in time 89 weeks (23 moon cycles) and forward in time 89 weeks from the target date of January 21, 1980 (89 is a Fibonacci number). This gives you the dates of: January 3, 1978, and October 10, 1981. On May 3, 1978, Saturn was at 23 degrees--43 minutes of Leo! 24 degrees of Leo is the 144 degree of the zodiac starting with 0 degree Aries as the "0" point (144 is a Fibonacci number). This gives you a perfect Fibonacci sine-wave of Mars-Saturn crossing in time with the exact midpoint being January 21, 1980. Just one more validation of the energy points mentioned in tests one, two and three.

Special note: Another good example of a double-cross in fibonacci based time is the major top in silver of May 21, 1968, and the major low of November 2, 1971. The distance between these two dates in time is 2 times 89 weeks. On May 21, 1968: aspects were Mars at 9 degrees Gemini and Jupiter at 28 degrees Leo. On November 2, 1971: Aspects were Mars at 28 degrees Aquavius and Jupiter at 9 degrees Sagittarius. A perfect crossing pattern of Mars opposite Jupiter, and Mars opposite Jupiter between the two dates.

Phase II - Sky Aspects:In my research I've noticed that Mars and Venus, taken by themselves are focal point planets for predicting many bull and bear markets in silver and gold. The angle relationship and sign position of Mars and Venus consistently correlate with trend changes. The aspects of Venus square or opposite Mars, by itself with no other planetary angle relationship, is one of the dominant movers for silver. As an example:

Top on January 21,1980 - Venus 6 degrees to opposition to Mars.
Top on September 21,1980 - Venus square Mars, exact.
Top on May 14,1974 - Venus square Mars, exact.
Top on December 31,1967 - Venus square Mars.
Top on March 5,1984 - Venus Square Mars.

I always stress watching Venus and Mars angles and sign positions before making any decisions in trading the silver market because these angles are critical. It is also important to go to the next step in correlating the Venus-Mars dominance of market behavior by adding the elements of the slower moving outer planets. The angle and sign relationship of Venus-Uranus, Venus-Jupiter, Venus

Saturn, and Mars-Uranus, Mars-Juplter, Mars-Saturn gives you a focal point of energy. These relationships are necessary to start the up and down market action.

Examples of these relationships are:

Top on January 21, 1980 - Venus 6 degrees in opposition to Mars, Venus opposite Jupiter, Mars 6 degrees break conjunction Jupiter (a triangulation aspect between Venus-Mars-Jupiter, and very powerful). Saturn in sign vibration to Venus-Mars-Jupiter. This is a mutable sign cluster moon-Venus opposite MarsJupiter-Saturn. Also note the energy of the big up move is dissipating because of energy loss due to retrogradation of the outer planets.

Top September 23, 1980 - Venus square Mars approaching square-conjunct to Uranus. Sun-Saturn conjunction, sun break conjunction to Jupiter, Jupiter approach conjunction to Saturn (note, Jupiter conjunction or opposition to Saturn or Uranus usually sets up a long term vibration for silver).

As you can see this top had the correlation of most of the planets making powerful angles to each other. Also the sun-Saturn conjunction was stressed by the semi-square to Mars, a triangulation effect with the sun weakened by sign position and Saturn strong by sign position.

Achieving the Ultimate High

By Eric S. Hadik

Since October 1987, numerous theories have been offered to explain the action of the stock market and subsequently predict its future course. Conflicting projections ranging from as low as 400 to as high as 6000+ Dow, serve to confuse the public and often alienate them from stock market investing. The resultant quandary can be alleviated by first categorizing and then validating each theory according to the rules on which it is based. Ironically, the rules claimed as the foundation for each are identical and are clearly presented in a single text, The Elliott Wave Principle.l

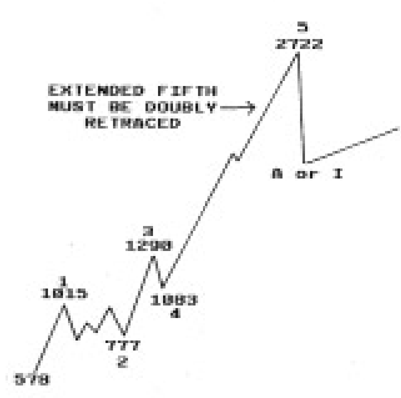
Reinforcing these rules with the use of common sense, I intend to dispel the notion that the Elliott Wave theory is highly esoteric realm of technical analysis and to encourage even the most basic technician to explore its potential.

Common sense should be employed immediately upon viewing the stock market. The market has recently (1982 1987) experienced one of its most dynamic rallies culminating an even broader advance which lasted more than five decades. It now necessitates a period of consolidation, comparable to the two within this advance, before another substantial move in either direction can be sustained (markets tend to trend only 15-20 percent of the time).

The next step is to subject these hypotheses to the scrutiny of Elliott and assess whether or not they conform to his standards. The initial assumption is that the bull market peaked in 1987 and is in the early stages of a major bear market which should continue well into the twenty-first century.

According to this scenario, the market is now in the second wave of a new Super Cycle wave and it is necessary to determine where this wave is most likely to terminate and the ensuing wave three commence. Regarding two waves Elliott observed that, "Second waves often retrace so much of wave one that most of the profits gained up to that time are eroded away by the time it ends."2 Therefore, a test of the 1987 highs is very possible without eradicating the bear market scenario.

Taking this scenario one step further by looking one step behind, an interesting revelation occurs. The alleged fifth waves of Primary and Intermediate degree are each extended, a rather uncommon occurrence in fifth waves. According to The Elliott Wave Principle "Fifth wave extensions are retraced twice," and are "never the end of a movement." To clarify,



the authors observe, "...that when an extension occurs in the fifth up-wave, an irregular top will carry the market into new high ground, thereby extending the 'movement' beyond the orthodox top of the fifth wave." So a return to the highs becomes the most probable conclusion, bear market or not.

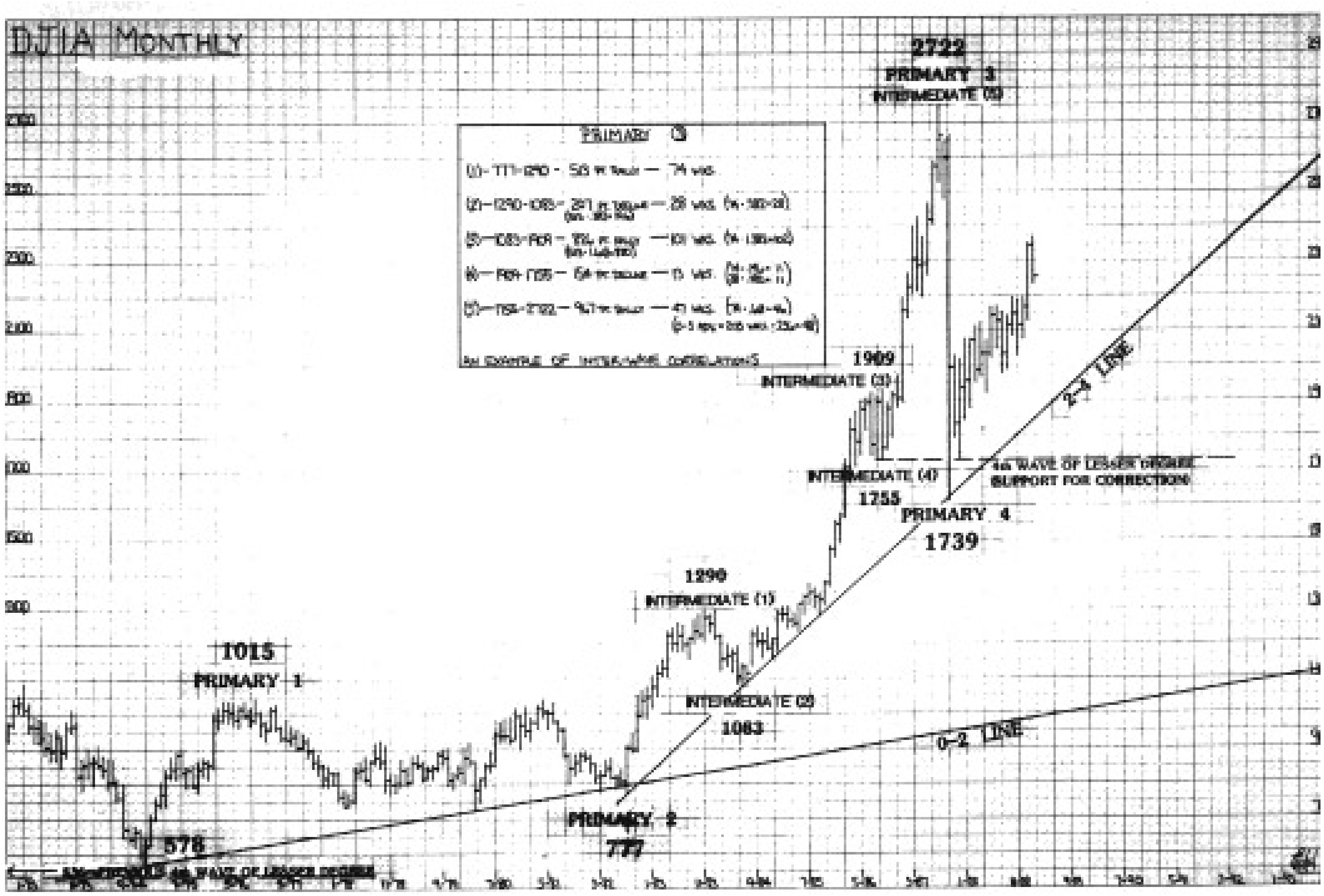
The second scenario contends that the up-trend remains intact and new highs, or extraordinary proportion, are yet to materialize. The underlying assumption is that the fifth wave will exceed the advance of the first wave (373 percent) and therefore, by the rule of wave equality, correspond to the advance of the extended third wave (970 percent).

The Elliott Wave Principle states that, "...the majority of waves contain extensions in one and only of their three impulse waves...(which) occur most often within third waves."5 Furthermore, "...fifth waves are usually less dynamic than popular conception holds."6 Consequently, it seems highly improbable that we will experience this euphoria in the market.

I would like to offer another alternative which has, until now, gone undetected. My inference, based on all available information, is that the market will rally into early September, 1989, and barely exceed the 1987 highs, fulfilling all necessary wave counts and terminating near 2750-2775 DJIA. Knowledge of the proceeding waves is necessary for ratio analysis and is provided in Figure 1.

Assuming that Cycle wave five is related to the proceeding impulse waves (five and 24 years) the most probable expectation is a 15 year rally (15 = 5 x 3, and 24 x .618). More precisely, an advance of 176 months is likely (285 months x .618 = 176) and would project a high in august 1989 (the anniversary of 1987 highs). This wave, if equal to wave one and related by .382 to wave three, would peak near 2735.

If Primary wave five were to correlate in like manner to Primary wave one, a high of 3060



would be expected. However, if wave five were related to wave three, by the most pertinent ratios, a high in September 1989 (60 months x .382 = 23 months), near the 2765 level (250% advance x .236 = 59 percent advance) is more likely.

Applying another of Elliott's rules, "Wave five is related by the Fibonacci ratio to the net advance from the beginning of wave one to the top of wave three," confirms this theory. The net advance of the first three waves is 371 percent and lasted 152 months. Multiplying each by .146(.6184), a fifth wave, advancing 54 percent and lasting 22 months, would peak near 2710 in August 1989.

There is also a very convincing argument from Gann, reinforcing this hypothesis, two areas of which I would like to mention. Gann placed much emphasis on the number nine and the use of anniversary dates, from year to year, in his analysis. Expanding the latter to decades and centuries, and combining with the former, reveals some interesting "coincidences."

I) Grand Super cycle wave five began 1789
2) Super Cycle wave three high 1929
3) Primary waves one and three highs 9/76, 8/87
4) Highs proceeding sharpest declines 9/29, 8/87

In addition, consider what might occur on the ninth day of the ninth month of the year nine in the ninth decade of 1900 (9/9/1989)! What might the 1990's hold? Judge for yourselves and see if you agree that any way you look at it, a high in September 1989 is a very real and startling possibility for the current Super Cycle wave structure.

Bibliography:

I Elliott Wave Principle Prechter and Frost, New Classics Library
2 ibid page 66 5 ibid page 25 ibid page 30 ibid page 25
4 ibid page 30 7 ibid page 107

This article was submitted in February 1989 by Eric S. Hadik Box 750161 Houston Texas 770757

Cycles: Predicting Price & Time...

By Jeff Rickerson

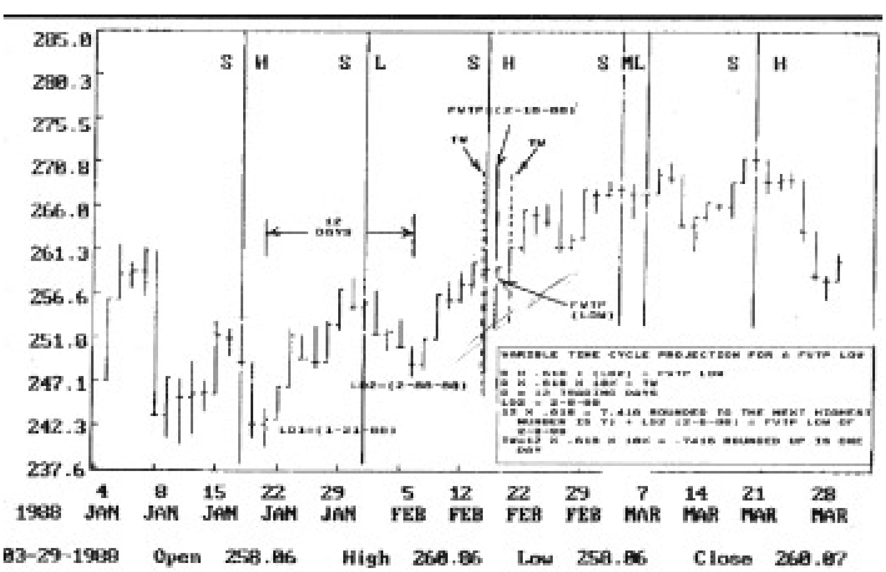
In the never ending quest to predict C the never ending quest to the futures markets (or the future for that matter) I have found that price/time series analysis; or the study of rhythmic behavior (both in nature and financial markets) is the key to unlimited profit potential in futures trading.

My interest in cycles was born out of my interest in commodity futures. Recurring cycles in commodities as well as in other areas have always fascinated me. I was curious as to why they recured with such predictive regularity. It was my intense curiosity and interest in why things in nature (or for that matter, the entire universe) occur and recur in regular time intervals with such predictability.

Variable Time Cycle Projection Equation:

(1) D X .618 + (LD2 or HD2) = FvTP
(2) D X .618 X 10% = TW
D= distance (trading days) between (HD1 & HD2)or (LD1 & LD2)
HD1,HD2 = High Point (day) #1, High Point (day) #2
HP1,HP2 = High Point (price) #1, High Point (price) #2
LD1,LD2 = Low Point (day) #1, Low Point (day) #2
LP1,LP2 = Low Point (price) #1, Low Point (price) #2
.618 = Fibonacci Factor
FvTP = Future variable Time Point
TW = Time Window
Variable Price Cycle Projection Equation:
(1) (LP1 - HP1) X .618 + HP1 = 61.8% retracement (buy) price
(2) (LP1 - HP1) X .50 + HP1 = 50% retracement (buy) price
(1) (HP1 - LP1) X .618 + LP1 = 61.8% retracement (sell) price
(2) (HP1 - LP1) X .50 + LP1 = 50% retracement (sell) price

NOTE: In bull markets choose low points; in bear markets choose high points for your cal culations for best results.



My research has isolated several major cycles which recur with startling precision. This precision, which can be precisely projected, increased my curiosity as to why this occurs; both in nature and financial markets.

The theory of cycle analysis is that certain events will occur within the cycle triggering prices (or other naturally occurring events) to change and move in the expected direction and duration of the cycle during a specific time interval. Before we begin discussing cycles we first must have an understanding of cycles. The word cycle comes from the Greek word circle. Simply stated, a cycle is the coming around to the point of beginning.

However, we want to be more specific in our measurement of recurring cycles in futures. We want to be precise as to when the cycle will begin and end. In cycles we are looking for rhythm. Rhythm is another Greek derivative which means "Measurable Time". A cycle with rhythm is one that comes around to the point of beginning at regular and measurable time intervals.

A rhythmic cycle has a tendency of being periodic, or one of periodicity. This is to say that the cycle repeats itself in a regular pattern of wavelengths at regular and precise time intervals. This is similar to the now famous Elliott Wave theories.

A wavelength is the length of a wave (high to high or low to low of a price wave or other wave, etc., that is being measured). An oscillation is a single wave in a series of waves. An oscillation is a fluctuation between a variable or fixed time intervals.

There is one last definition that is needed for your understanding of cycles. Frequency is the number of waves/oscillations in a specific time interval. This is import'ant because there are several short term waves in one long term wave. This creates both short term and long term cycles.

Where does all the above fit into our analysis and trading the stock market or other commodity markets? Well, first of all many economists, market analysis, financial consultants and investors/traders believe that all markets follow the "random walk" theory. This is to say that all markets are random and follow no pattern at all; that the markets just exist and that price/time movement is created from randomness and that history does not repeat itself in predictable intervals.

If the random walk theory is true then why do markets seem to mysteriously and suddenly snap back (after having been distorted) into specific cycles of rhythmic patterns that can be precisely determined before they occur.

The specific cycles of periodicity I am referring to can be measured and have been proven. It is this fact that markets (or other naturally occurring phenomenon) do have a specific and regular degree of predictability that I believe discredits the random walk theory of the markets as a 100 percent reason for why the markets behave as they do. I believe that the random walk theory is only 10 percent of the equation and occurs during time periods of distortion caused by such events as positive/negative government reports, threats of war or natural disasters, etc. However, even these events can be accurately calculated using the same cycle analylsis so the entire theory of random walk can easily be discredited.

In order to profit from cycle analysis in trading stock and commodity markets you must first isolate the minor and major cycles in those markets. You must then analyze those cycles for statistical significance on many years of historical data. Next those cycles must be able to be projected into the future and occur on or within a specific time period in order to be statistically significant -- that is not just by chance.

In my own cycle analysis I have used both fixed and variable calculations for projecting both price and time. A variable cycle projection is based on actual past high and low price/time points which change as new highs/lows occur. A fixed cycle projection is based upon a

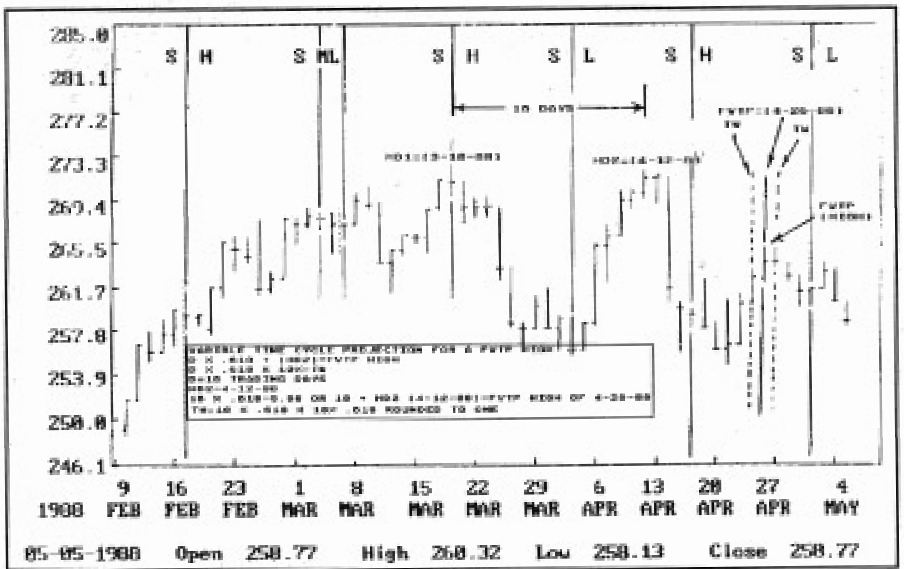


Figure 2

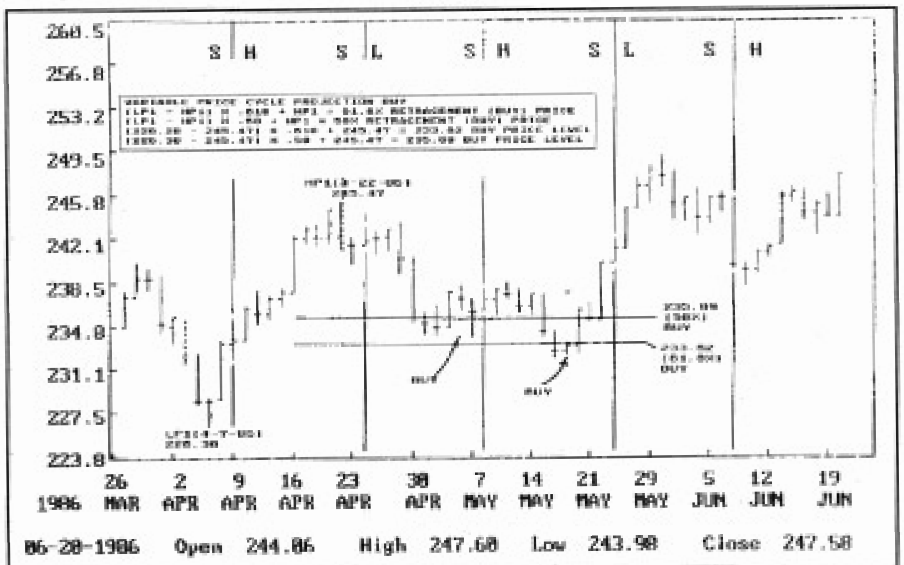


Figure 3

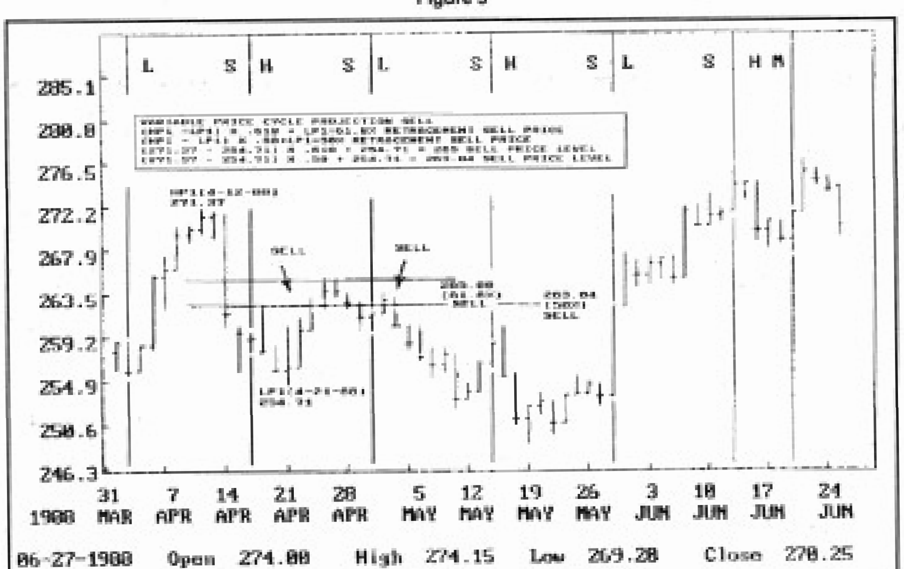


Figure 4

predetermined and set price/time equation that does not change regardless of past, present, or future price/time and continues into infinity.

In this article we will be concerned with only one variable calculation. I have chosen variable cycle projections for three reasons: (1) simplicity, (2) it works on all markets, (3) I am able to give a simple example that will be useful in current trading. Fixed price/time cycle projections involve my other proprietory knowledge that I have programed into a computer along with other variable cycle projections. Combining the two makes for a most profitable trading system.

I n making a variable cycle calculation for price and time please refer to Figures 1-4. In reference to Figures 1-4 the following equations and abbreviations will be used.

First pick two low points (L1 & L2) [See Figure 1]. Count the distance (trading days) between the two low points. Multiply this distance by the Fibonacci number .618 (round up to the next highest number). This gives you the number of days that you add to the most recent low (L1) that has occured which you chose. The resulting answer is the FvTP day which the next low will occur in the variable time sequence. Take the number of days which you added to low point number one (L1) and multiply that by 10 percent. This gives you a time window or the number of days on either side of the FvTP date that prices could also reverse. You would do the same for two high points (H1 & H2) [See Figure 2] in order to calculate the next FvTP high time point.

The above is one simple way to calculate a variable time cycle projection. In order to calcuate a variable price cycle projection use the variable price cycle equation. From a major low or high point calculate a 61.8 percent and-a 50 percent price retracement. This will give you a price window that prices have a high probability of reversing. Refer to Figure 3 and Figure 4 and plug in the appropriate values in the equation.

My current research and newest discoveries has allowed me to expand the basic definition of cycles; why they occur, and why they occur when they do using both variable and fixed price/time equations. I do not have enough room in one article to reveal the sequence of events that lead up to my discovery or even to reveal the discovery. However, in this article I hope I have introduced you to an important aspect of cycle analysis.

In future articles I'll get more specific on predicting both price and time using cycle analysis.

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New Concepts In Multi-dimensional Trading Systems

By Marcus S. Robinson

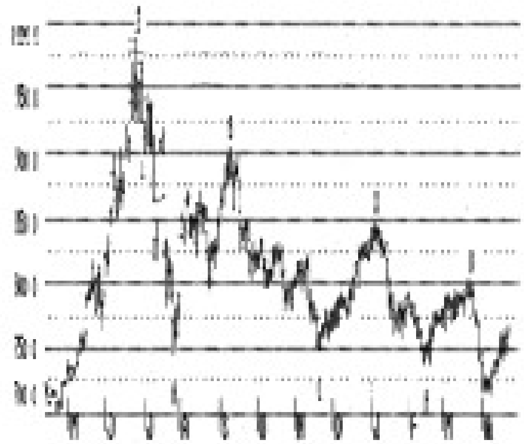
Trading stocks and commodities has become a very exciting yet volatile business. Professional traders around the world have searched out a variety of trading systems in the hopes of gaining a decisive edge in their hard won trading abilities. Over the past few decades a number of systems have survived this inexhaustible search for the financial holy grail. Many professionals have found it necessary to combine two or more trading systems to compensate for the inherent weakness in a single system approach (and I count myself among them).

I have tried as many as 100 different approaches to analyzing the markets with varying degrees of success. During the past decade I've followed the best of the Elliott Wave and Fibonacci Ratio technicians, the most exotic Gann practicioners as well as some of the most advanced computerized analysis of price momentum and trade facilitation available to date. As if this wasn't enough, I've delved into the lesser known world of astro-economic psychology. After this odyssey into the world of real time market analysis, I've come to grips with two immutable laws of trading securities and commodities: 1) there is no such thing as a "sure thing" trading system, and 2) if you don't get hung up on trying to predict the future, there's a lot of money that can be made with existing trading technologies.

The purpose of this special report is to introduce interested parties to a hybrid trading system called Spectrum Analysistm. This system can best be described as a profile on the markets which interest you most. This "profile" consists of three predictive technologies which are used to determine the overall character of the market (Elliott Wave Theory), major external forces which may influence the market (cyclical and astro-psychology) and the natural underlying structures of support and resistance in the market. This last feature is accomplished by the skillful use of Fibonacci ratios and concise interpretations of a market's Gann Architecture. While the results of the battery of studies will provide the trader with great insight into the probable future price movement, it is insufficient in determining tactical trading strategies in the heat of the battle. This primary level of analysis will provide the trader with the big picture from which to create an overall trading strategy.

To develop the all-important tactical trading decisions, I use a battery of computerized trend following systems. Included in this level of the profile are some of the "tried and true" trading systems such as Stochastics, Relative Strength Index (RSI), Commodity Channel Index (CCI), Williams %R, Volume and Open Interest oscillators as well as Multiple Moving Averages. These systems were chosen specifically for their abilities to determine overbought/oversold conditions both within a trend and/or at trend reversals. The studies are done in real time and in multiple time series. In order to apply the information gained from Level I and Level II, I combine this information with concise interpretation of the CBOT's Volume Profile/LDB as well as the current volume and open interest statistics. I assert that armed with this kind of information (preferably automated), traders can expect to see significant improvement in their trading results.

In the paragraphs to follow we will take a close look at the soybean markets and apply Spectrum Analysis to reveal the finer aspects of the profile and perhaps some mid-year profits.



Relevance III/The Preferred Wave Count

To begin this inquiry into the nearterm price direction in any market, it is useful to uncover one's psychological motivation for trading and the intended results of the process. In my case, I do this work for two reasons: 1) the personal satisfaction of sharing the information and 2) the tremendous profit potential of speculating in the markets. The intended outcome of this exercise is to produce a viable trading model which includes prices projections, Change In Trend (CIT) dates, a cyclical outlook and a general understanding of the overall structure of the market such that I can trade effectively.

THE WAVE COUNT

As previously stated, Elliott Wave theory allows for a concise interpretation ot the overall character of a market. It answers questions like, "Is this the beginning of a move or rather a corrective phase?" or "Should I expect an explosive move or just a slow grind to the next price objective?" In order to get a handle on the answers to those questions, one would have to be familiar with the many rules which are associated with this complex system. Here are some of the basics.

This theory assumes that the price action of a market is an expression of the aggregate of human emotion and decisions which are made in the markets. As the theory goes, a bull market will consist of a five wave pattern (3 waves up punctuated by two corrective waves down). Conversely bear markets tend to decline in three waves (two down waves punctuated by one up wave). There are rules of alternation which basicly means that any corrective move must alternate from a simple chart formation (ABC type corrections) to a more complex structure such as a triangle or flat correction.

Traders should keep in mind that under this market theory, there are numerous price patterns and wave degrees (size) which must be understood to apply the theory successfully. There are rules of equality which basically states that waves of similar degree must more or less equal previous waves of similar degree. Elliott Wave technicians often employ other technologies such as Fibonacci or Golden Section ratios to help determine the size or degree of a particular wave. Traders using this technology should emerse themselves in some of the well known books on this subject to gain greater insight.

The most objective approach to this technology is to create two or three high probability scenarios based on the rules authored by R.N. Elliott himself. This would entail counting the wave of previous price action and extrapolating future price action based on the theory. I generally look for three scenarios or "wave counts" which give me an overall characterization of where the market has been and it will most likely go next according to the theory.

In the case of soybeans, the July contract has been in the throws of a major correction of the explosive rally in the grain market caused by the drought of 1988. Using sophisticated computer technology to enhance our wave counting efforts (Relevance III Software), we've labeled the 1988 advance in the beans as primary wave III of a major bull market. If this interpretation is correct, all of the price action off the June 1988 high can be correctly labeled primary wave IV in progress. In the chart above you can-see that we have labeled this wave IV correction as a double zig-zag formation. This is our primary count. If the future price action validates this count, traders should expect to see a sharp advance unfold in the beans before long.

Our first alternate count is a variation on the same theme. It recognizes the June 1988 high as primary wave three and labels the correction of that move as an Elliott triple zig-zag in progress. If this interpretation is correct, then traders should expect to see and X wave rally (currently in progress) which will be followed by another ABC type decline into new lows for the move. While this count is short term bearish, it does imply the inevitability of a fifth wave rally of primary degree lying directly ahead.

Our second alternate count is extremely bearish suggesting sharply lower prices for the beans and the grain markets at large. This count labels the June 1988 as the completion of primary wave, signalling the end of the bullish move. This interpretation calls for an extended bear market to form. Based on this assumption we've labeled the July low as intermediate wave one of a larger five waves down pattern. We've labeled the September 1988 high as wave two for this move wave three is expected to have numerous complex subdivisions as current level, it now appears that we are in the initial stages of wave three of three. If this interpretation is correct, traders should see an unbelievable decline unfold in grain prices in the not too distant future. Later in this report we will explore some of the price and timing projection forecasts for each of these possible scenarios.

THE GANN ARCHITECTURE

As the name implies, these studies were inspired by the legendary Wall Street trader W.D. Gann. It goes without saying~that W.D. Gann was one of the most influential traders of all time. He developed this intricate system of trading stocks and commodities using a unique combination of precise mathematical and geometric principles which he applied successfully to his trading. Mr. Gann would divide a market price range into eighths and thirds in order to estimate support and resistance during market advances and corrections.

Gann's geometric angles were drawn from prominent highs and lows at a specific degree of angulation which represented the relationship between time and price. He explored and mastered these techniques and many more, making himself a fortune in the process.

A close inspection of the Gann architecture would reveal stiff resistance offered by the 1 x 1 downtrend line off the June 1988. As you can see in the chart above, this line has contained all rally attemps thus far in the correction. If the market were to successfully penetrate resistance offered by this line, it would most likely signal the end of this major correction and thus validate our prclcrreu wavc count. A tallure to penetrate resistance here would signal a continuation of the decline in progress and thus validate our alternate wave counts. It is interesting to notice how the rally attempt in March was aborted as prices approached the intersection of 2xl uptrend line off the March 1988 low and the lx 1 downtrend line off the June high just at the precise time and price. Traders should take note of how these geometric angles actually represent the underlying price/time structure for the market. Mastery of this one technique could greatly enhance the potential earnings of any trader!

As mentioned earlier in this section of the report, one of Gann's most popular techniques was to divide range of a prominent high and low into eigths and thirds. We have experimented with this techique in numerous variation and find that divisions of 1/8 to be typically more useful to us. As you can see in the chart we've provided, these range divisions can be extremely useful in conjunction with the geometric angles. Notice how the intersection of the lxl downtrend line with the 1/2, 3/8 and 1/4 range divisions have offered stiff resistance for every rally attempt we've seen so far this year. Mastery of this one technique could substantially impact the profitablility of even the most experienced trader. We've provided several study references for those of you who are so inclined.

PRICE PROJECTIONS

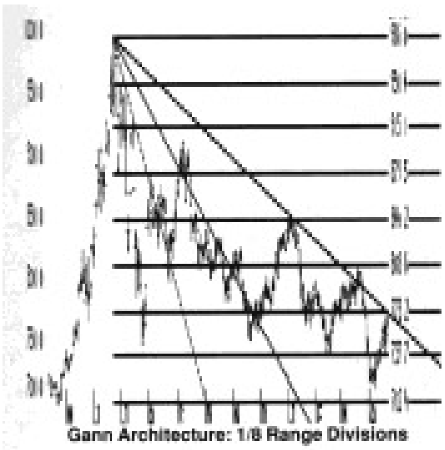
One of the unique characteristics of our trading model is that it produces exact price projections using a proprietary form of analysis which includes Golden Section Ratio (Fibonacci) analysls, eann structural analysls as well as some of the more obscure Gann applications of Astral Pyschology and planetary movements. In regard to the Fibonacci related Golden Section Ratios, the basic assumption in this numerical system is that everything is relative. Not only is it relative, our interpretation of his work asserts that relativity of price movement within a given market can be accurately expressed in terms of a ratio. We apply these ratios to the general price action of the market by multiplying them against the range of a previous rally or correction phase to project the future price objective for the succeeding price direction. The most common of the ratios we use to generate these price projections are; .382, .50, .55, .618 and .892 or their multiples (1.382, 1.50, etc.).

The first place to look is for a retracement of the prevailing trend to develop before any meaningful rally can unfold. The chart in this section of the report provides a graphic illustration of what a Golden Section retracement of the June 1988/April 1989 correction in a bull market.

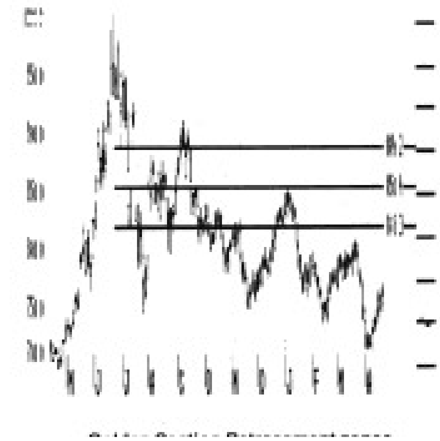
As you can see, the market would have to rally as much as $1.25 before you start getting excited about a test of the June high in the offing. Traders can use these projections as either potential exit points if you were long the market and/or as price target zones to sell into strength if the momentum indicators were registering overbought extremes. This approach would provide the trader with a practical guide to plan trading tactics in advance.

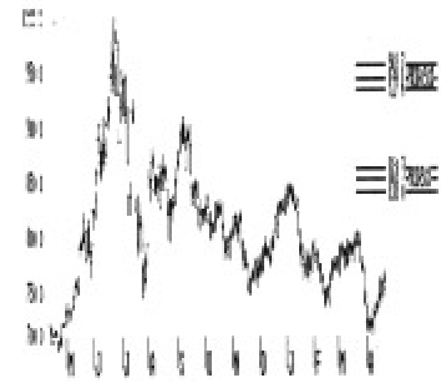
We then look for a confirmation of these retracement levels by overlaying another group of projections. To arrive at tnese numbers prevailing price trend (in this case we measure the range of the March selloff) and multiply them by several key Fibonacci ratios. As you can see, the overlap of the first group of projections in this study conincides with 50 percent and 62.8 percent retracement levels. We can now begin to refine our opinions about the market saying that if the market does rally above 8.00 (basis July), to expect a good deal of resistance at the 8.20/8.40 level. Again, the price zones can be used to exit long positions and/or entering a new short position.

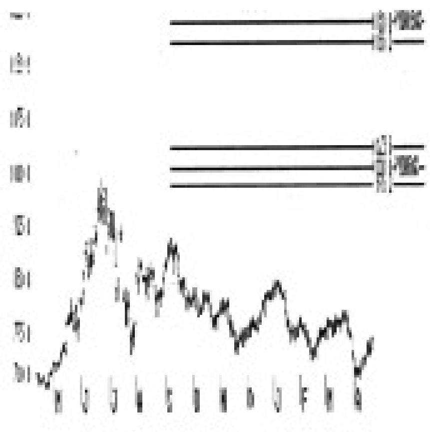
Now that we've gotten a handle on the potential retracement levels within the framework of



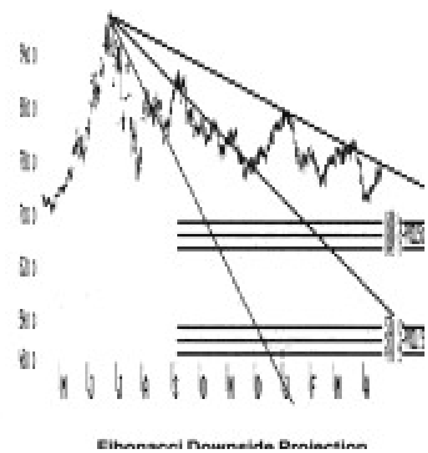
Gann Architecture: 1/8 Range Divisions







Long term Fobonacci Projections



the previous high for this contract, we can now turn our attention to the potentials of a breakout above the June 1988 high. To accomplish this, we measured the range of the September 1988 high and the April 1989 low and multiplied it by several Key Fibonacci ratios. This technique provided us with further insight into the probable price target zone of an extremely bullish move in the beans. While we cannot rule out further downside fron current levels, to prepare ourselves to take advantage of any such move, should one develop.

Traders should keep in mind that any break below 7.15/7.02 basis July would invalidate all of this upside projections and signal a continuation of the prevailing downtrend. The point here is to determine the natural underlying support levels for the market. To accomplish this, we measure the range of the August low and the September high. This rally phase of the market can be correctly labeled Intermediate wave B of primary wave IV (an alternate count). Under this scenario, the ensuing deline can be labeled intermediate wave C of a large ABC type coreection. What we're attemping to do here is find the most probable low for the move (if we have not seen it already). These downside projections can be used to exit a short position

Fibonacci Downside Projection and/or to initiate a new low position if the momentum studies signal an oversold extreme.

The Gann Wheel on May 1989 Coffee

By Jim Purucker and Pat Reda

Since the February/March 1989 issue of G&EW another natural vibrational time-trend change cause and effect timing point occurred the week beginning February 20, 1989. Specifically, a trade was presented from this natural timing point on the May 1989 coffee from the long side.

In chapter three of W.D. Gann's book, "How to Make Profits in Commodities," Gann states, "Time is the most important factor of all and not until sufficient time has expired does any big move start up or down. Time must be allowed for accumulation or distribution before the trend can change."

Once you are aware of when these natural timing points occur, the next step is to watch for the G-A-N-N2 Buy/Sell price pattern to form. This pattern allows plenty of time (3-4 weeks) to visually see accumulation or distribution to take place.

The May 1989 coffee trade starts from the zero degree natural cause and effect week of February 20, 1989, marked (G) on the chart. The high price of January 3, 1989, at 159.20 to the low price on February 21, 1989 at 122.90 was 3 squares of 90° on the Gann Wheel.

Next, follow Gann's rule #25, page 44 in "How to Make Profits in Commodities," "Don't guess when the market is at bottom. Let the market prove it is at bottom." From the low in May 1989 coffee at 122.90 a rally occurs into the week of March 13, 1989, making a high in price on March 17, 1989 at 135.24. This was one square of price 90 degrees from the 122.90 low and 180 degrees opposition from the 159.20 high of January 3, 1989 on the Gann Wheel, marked (A) on the chart. Three market days later, on March 22, 1989, as the accumulation pattern continues to build, the low or (N) marked on the chart, is put in place. The following day the (N2) of the price pattern is formed. From this point, more time is needed for the price to drop below the (N) low to trigger our actual buy recommendation on the P/R Futures Hotline broadcast, to buy one contract of May '89 Coffee @126.15 on 3-28-89. Initial protective stop 124.15. On the Sunday, April 2nd P/R Futures Hotline broadcast, the protective stop was raised to 125.45.

On the Tuesday, April 4th, P/R Futures Hotline broadcast, the protective stop was raised to our break-even entry point of 126.15. On the Thursday, April 6th P/R Futures Hotline broadcast, the stop remained at 126.15. On the Sunday, April 9th P/R Futures Hotline broadcast, the protective stop was raised to 128.15. On the Tuesday, April 11th P/R Futures Hotline broadcast, we recommended an additional long contract of May '89 Coffee @ 1st Order Vibrational Price Support of 131.95 M.IT. The protective stop was raised on the entire position to 130.15. On Wednesday, April 12th, we bought @ 131.95. On the Thursday, April 13th P/R Futures Hotline broadcast, we recommended to hold the 2 long May '89 Coffee contracts with a protective stop @ 130. 15. On the Sunday, April 16th, P/R Futures Hotline broadcast we recommended to buy a third May '89 Coffee contract at 2nd Order Vibrational

Price Line Support @ 134.30. The protective stop was raised on the entire position to 131.15, which was just below the final Major 1 st Order Vibrational Price Line Support of 132.85. This final Vibrational- Price Line Support @ 132.85 must hold in order to maintain the up trend in May '89 Coffee. A price breakdown below this level would reverse the psychology of the

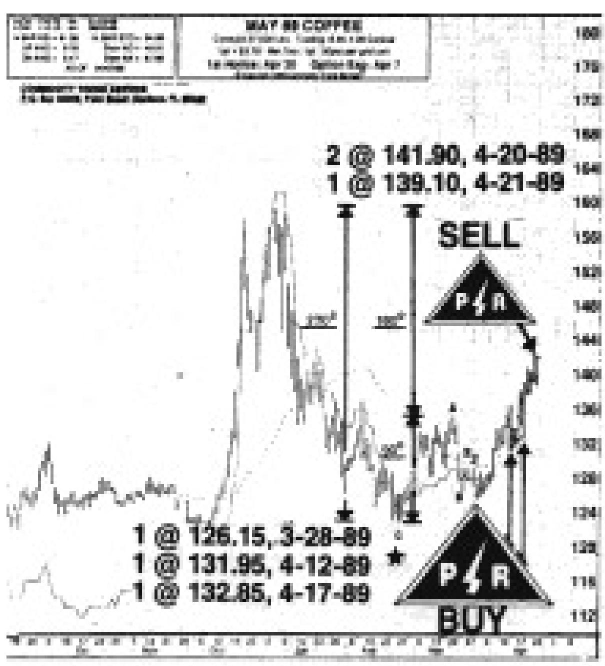
Coffee market, thus turning the trend decisively lower below the 2nd Order Vibrational Price Line Support of 134.30. The last line of major support was 90° lower at the 1st Order Vibrational Price Line of 132.85, as mentioned previously. I 32.85 was the opening price and the exact low of the day where we bought the third May '89 Coffee contract @ 132.85. Protective stop is 131.15 on the entire position. On Monday, April 17th, this final Major 1st Order Vibrational Price Line of 132.85 held and launched a major rally to close that day @138.85. Once again, the market has proven itself by picking up the energy for launch at the Major Vibrational Price Line Support on the Gann Wheel, confirming to all P/R Futures Hotline Subscribers, the major trend remained very bullish.

On the Tuesday, April 18th P/R Futures Hotline broadcast, we recommended to sell 2 contracts of May '89 Coffee @141.90 M.I.T., which was the Vibrational Price Line objective on the Gann Wheel, as well as a 50% retracement at the center of gravity from the contract high on 1-3-89 @ 159.20 and the 3-21-89 Low @ 122.90.

On Thursday, April 20th, we sold 2 contracts on May '89 Coffee @141.90. On the Thursday, April 20th P/R Futures Hotline broadcast we recommended selling the remaining contract on the open Friday, due to 1st notice day on the May '89 Coffee.

On Friday, April 21 st, we sold the remaining contract @ 139.10. The closed profit on the three long May'89 positions was $11,981.25 in 19 market days.

Jim Purucker and Pat Reda produce the PIR Futures Hotline through Gann Wheel Global Advisors of Canada, Inc., P.O. Box 747, Mount Royal Postal Station, Montreal, Quebec, Canada H3P 3G4. Pat Reda is available at (514) 354-1935. Jim Purucker is available at (602) 820-7935.



Treasury Bonds a Longer Term Perspective

By Robert R. Lussier

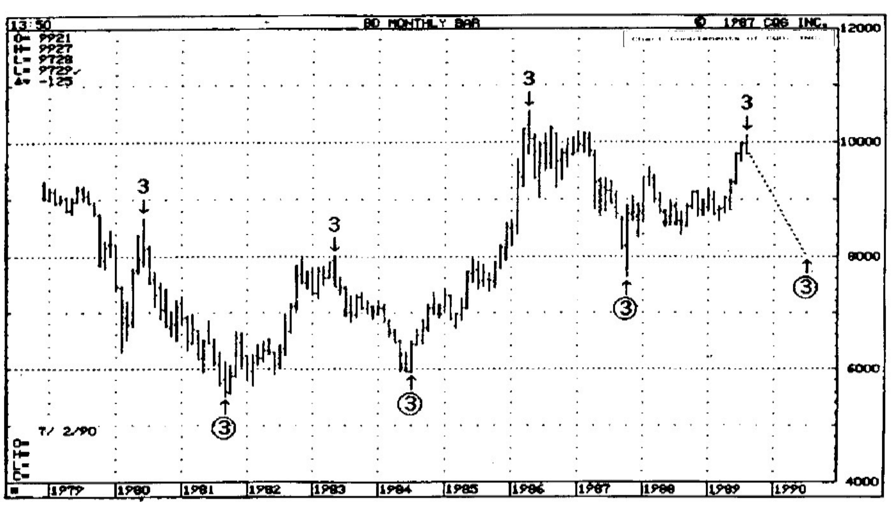
In today's volatile markets, speculators naturally focus on very short-term market movements. However, they forget that what happens in the present is directly related to a bigger picture that deserves more attention. Such a situation now exists in the treasury bond market. It has apparently been next to impossible to decipher the intentions of the Fed and even more difficult to interpret the significance of the plethora of economic data which bombard the market day by day.

Yet the technical picture, in terms of both patterns and cycles, is one that has exhibited exemplary clarity since the beginning of this decade. The cyclic profile has been exceptional at both extremes, i.e. tops and bottoms. Every three years, bonds have roughed and crested right on schedule because of two separate three-year cycles that have alternately punctuated both major highs and lows as regularly and accurately as the movement of a pendulum.

Cycles

I mentioned two separate three-year cycles since I believe that markets have to contend with two types of cyclic forces: cycle highs and cycle lows. These are separate entities that are in a constant tug-of-war; causing markets to demonstrate predictably exaggerated fluctuations from cycle low to cycle high and vice versa. Furthermore, these swings unfold following specific patterns that are reflective of human behavior and market moods as professed by Ralph Nelson Elliott over half a century ago.

In the present case, it is obvious that the three-year cycle high has delivered every important top starting with the peak in 1980 and working just as effectively in 1983, 1986 and more recently again, in the first week of August 1989, as I have been expecting. Corroborating this phenomenon, every three-year cycle low (1981-84-87) kicked off a rally lasting exactly 21 (Fibonacci) months on average. It has now been 21 months since the October 1987 low. I have



Cycles

found this kind of time symmetry to be a powerful and overwhelming argument in favor of a significant trend reversal as it has been in the past.

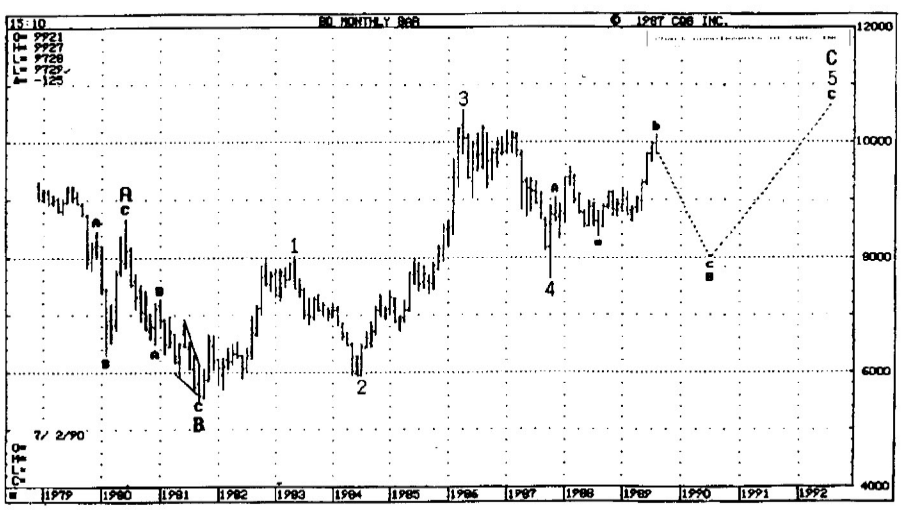
Elliott Waves

The Elliott Wave pattern has unfolded in great harmony with the cyclic outline just presented. The broad picture of the wave count can be best understood by referring to Elliott Wave Principle, by Frost and Prechter, (page 50. second paragraph): “As another application of the rule. if a large correction begins with a flat a-b-c construction for wave A, expect a zigzag a-b-c formation for wave B, and vice versa (see Figures 47 and 48).’ The application of this guideline is precisely how I view the wave count since 1979.

Wave A’ marks the end of a complex a-b-c irregular flat correction in June 1980 and is immediately alternated by a simple a-b-c zigzag ending wave ‘B’ in September 1981. Wave ~ as always, should contain five waves, of which only four have been completed thus far, with the final fifth well underway. Of course the market is not pressed for time, as we unfortunately seem to be much too often. This is why it’s always easier to resort to the fit-all, cure-all and much overused X’ wave. The ‘X’ wave is the perfect scapegoat label (hailed by many experts and neophytes alike) when a market takes a detour that does not seem to fit our sometime limited understanding of the message the market is conveying. If Elliott waves are not rendering a clear and simple explanation the analyst may end up forcing (‘X’ing) a wave count to an extent that substitutes hope for reality. In such a case, it is best to put time on your side and let the market clear up. You’ll find this approach less frustrating and most of all, less costly.

The current market pattern is further clarified by referring again to Elliott Wave Principle (page 23): “4) The time frame does not change the pattern, as the market still holds to its basic form. Waves may be stretched or compressed, but the underlying pattern is constant.” This tenet well illustrates how it can be that bonds are still forging a protracted wave ‘C’ from their 1981 low. The underlying “five waves up” pattern has remained clear and constant since then.

In case you may wonder about that overlap between waves four and one, it comes from the fact that wave one was a zigzag up’ as opposed to a ‘five waves up’ construction. This



Wave Count

signaled the onset of a large diagonal triangle. This construction is the only five wave formation that trends like a normal impulse wave but where the bottom of wave four overlaps the top of wave one. I must admit that this case is made a little more difficult by the absence of the type of convergence which normally shapes the diagonal triangle pattern.

A diverging diagonal triangle, albeit less common, is quite possible and has been noted in a few other instances by the author. I don't think that this detail of form divergence should take precedence over the larger cyclic clarity which corroborates the fact that the market continues to unfold according to my expected wave pattern.

Summary

In brief, bonds are at a major top now and should soon begin a decline that will set them back towards the 80 area, ideally by the third quarter of next year. They should then begin a rise that will bring them back above their 1986 high of 105 1/2 by the summer of 1992, thus fulfilling their wave count to neatly complete their very large irregular flat pattern 13 (Fibonacci) years from its inception in November 1979.

During' his three-year association with Robert R. Prechter Robert R. Lussier learned from the best how to balance the forces of cycles and Elliott waves as a chartkeeper and market consultant. He saw how Prechter achieved many of the best calls that immortalized him as a market guru and made the diagnostic elegance of the Wave Principle available for the benefit of many market participants. Lussier continues to fart her a deep commitment to implement additional innovative insights into market timing as a consultant for his own firm. Sigma Research Co. POB 845, Gainsville, GA 30503. (404) 534-0438, Fax: (404)531-1187

Achieving The Ultimate High Part II

By Eric Hadik

In the preceding issue I attempted to clarify the application of Elliott Wave in the stock market and offer a well substantiated argument for a higher Dow into late August/early September (the date for a high has been narrowed down to August 31 or September I, 1989). Much from that article was omitted and therefore left the reader with some very understandable questions which I will attempt to dispel in this subsequent article.

More than five months have elapsed since its writing and time, as always. has been the true test for this speculation. The yearly and monthly wave counts remain intact and are presently being reinforced by the weekly and daily action of the industrials.

I would like to venture further in this analysis and take a close look at the weekly wave formations, introducing some corroborating Gann analysis which supports the preceding hypothesis. and zero in on the precise target for the fifth and final wave high.

Using Figure I, a weekly DJIA chart, as the visual aid. I would like to examine the current wave structure and some unique correlations between the waves and their respective highs and lows (I have labeled the waves and provided the most obvious target based on inter-wave correlations). If you have any questions regarding the rules or ratios used, please refer to Achieving' the Ultimate High in the June/July issue of the G&EW).

Since the Primary third-wave high of August 1987, a consistent 15-week, or 104-105 day, cycle has manifest itself throughout this entire rally. predominantly between the highs, becoming

Figure 1

more precise as the wave unfolds and nears its ultimate destination (note: unless otherwise specified. 'days will represent actual calendar days thereby using the same methodology as was on the anniversary of the crash) and 60 weeks from the one-wave high of 2158. It would also occur 91 weeks from the December 1987 low of 1768, thought by many to be the orthodox low of the fourth-wave (for the record, I disagree, but it still remains an important low regardless of its nomenclature).

With this, many cycles coinciding in the same time frame, it becomes difficult to ignore the significance of this alignment or to dismiss it as simply chance. Reinforcing the importance of this cyclic phenomenon are the unique properties which the number 15 and its two counterparts, nine and 24, hold from both an Elliott and Gann perspective.

From a Gann standpoint, these numbers are very important particularly when considered in conjunction with a circle, or more specifically, a Gann shell. The smallest division which appears in a Gann wheel or in any circle or planetary cycle used for analysis is a 15-degree or 1/24 division. Considered with the fact that the number nine has stood as the foundation of much of W.D. Gann's work, the correlation of these three numbers begins to take on some importance.

It is not, however, until Fibonacci and Elliott rules are applied that the full impact of this series can be realized. The number 15 multiplied by .618 is nine. Fifteen multiplied by 1.618 is 24. These numbers are part of an interesting summation series, much like the more renowned Fibonacci Summation Series (0,1,1,2,3.5,8,13,21,34,55,89...) which would begin with zero and three rather than zero and one. The series would then progress from there (...0,3.3,6,9,l5,24,39,63,102...) with the ratios between each subsequent number being .618 and 1.618 like the original series (notice that the seventh number in the series is 24 and the ninth number in the series is 63, another crucial number Gann). The conclusion to be reached from this unique alignment is that the next significant high. and I believe the culminant one, should occur during the week of August 28 - September 1. 1989.

Observed by itself, this 15-week cycle differs little from any other cycle which appears in the market for a brief period of time only to be superceded by a greater or more powerful cycle when the time is right. However, when considered with the assumption that a high in 1989 would complete a 15-year fifth-wave (see A.T.U.H.) a 60-year cycle from the Super Cycle wave three peak in 1929 and if occurring on August 31, 1989 would occur 105 weeks from the August 24. 1987 high, it begins to gain new significance. A high on August 31 would occur 30 weeks from the (3) wave high of 2347, 45 weeks from the (I) wave high of 2183 (which coincidentally in Gann analysis, the product of nine and seven).

You may remember that much of the current wave structure in the stock market contains these numbers in time and price. The third wave of this Super Cycle Fifth wave lasted 24 years, from 1942 - 1966 and a high in late 1989 would occur just a half year shy of 24 years from the February 1966. A high in August 1989 would occur exactly 24 months from the previous

1/13 of 578 is 44 (Super Cycle Four low is 41)
1/3 of 578 is 192 (Cycle One high is 194)
2/3 of 578 is 385 (Super Cycle Three high is 381)
Three times 578 is 1734 (Primary Four low is 1739)
Five times 578 is 2890

(This would be the extreme target for the Ultimate High, though not probable based on other analysis)

Figure II

high of 2722, thus reinforcing the probability of this projected peak. I had also discussed that the cycle fourth-wave low of 578 is really the cornerstone of the entire wave structure, past and present. You may notice that 578 is just two more than 576, the square of 24 (see figure II for further explanation).

The 9-15-24 correlation is just one of many which exist in the markets and are perpetuated throughout present and future wave structures. For the sake of brevity I will leave this discussion for future articles. As of July 1 (the writing of this article) the fifth-waves of intermediate and minor degrees are the only remaining waves to unfold and, if on target, should peak on August 31, setting a high close in the 2814-2822 range and a entire analysis of this scenario which should be available at the time of publication.

Eric S. Hadik, (415) 939-1751, 1755 Trinity #63 Walnut Creek, CA 94596.

Gann's Annual Forecasts - Part Four

By Chuck Carpino

In December 14, 1920, Gann issued his 1921 Annual Forecast ~....F for the stock market. He thought the market would not have the wide fluctuations that had occurred in the past two years. Under his "Important Points of the Year," he wrote the following advice: 'The low point for the general market will be reached between the fifth and the tenth of February, although some stocks will make low around the 12 to 14. The spring campaign will start in February and will culminate between April 28 and May 3. You should certainly sell out long stocks on this advance, as the month of May indicates serious declines.

"The markets will not be very active during June and July, having small advances and becoming dull and remaining in a narrow range.

"August is a bearish month and quite a decline will take place. In fact, one bottom should be made in August. Then should follow an advance to the early days of September; decline to September 25; then advance into the early part of October. with the low point around the 15 and 16.

"The general trend after the October break should be up until the end of the year. many stocks making highest prices during the month of December. In fact, quite a boom will take place near the end of the year."

Gann's prediction for the spring bull campaign started early in the year and it topped out exactly where he said it would. The exact high occurred at 80.03 on May 5 (see figure 1). The market went into a bearish trend until June 20, where it bottomed at 64.90. The market stayed dull during the summer and made a minor high at 69.95 on August second. His bearish forecast for August was correct and his prediction for a bottom on the yearly chart occurred on August 24 at 63.90.

After the August lows, Gann correctly thought that the general trend would be up for the remainder of the year. From the early September highs, he said the market would work lower until the 25th of the month. The highs were at 71.92 on September tenth and the market dropped to 69.43 on September 20.

In the month of October, the highs were made in the first few days of the month and prices dropped to 69.46 on October 17, making this the low point for October. Gann's low was for October 15 and 16. The market rallied strongly the last two months of the year, just as he said it would.

In my opinion, his forecast accurately represented the picture of the general trend for 1921. He identified the most bearish months as May and August. He got his subscribers out at the top at the end of April and correctly got them long after the August bottom. Keep in mind that these predictions are based on only one variable, time. To be successful, he insisted on also utilizing price and volume. His point was that there are changes in the forecast that must be made sometimes based on what actual prices do. Cycles of time unequivocally determine the majority of price movements. Gann's Annual Forecasts prove that is what causes the highs and lows. However, there are times when the cycles will not work out the way they should according to the time element. When we see this happening, we must use stops to limit our losses.

One of the techniques Gann devised for determining the trend was the idea of time and space movements. He kept track of the greatest number of points the market declined on, reactions and the longest length of time it spent reacting before resuming the trend.

As an example of this technique, let's say that the NYFE during uptrends does not react more than two days down and not more than 2.8 points for the space movement. The first time that the NYFE had a greater reaction, say six days down and 4.5 points in price, Gann would have considered that an indicator of potential weakness that could be forthcoming.

I have found that the best way for me to use this method is to watch closely the next rally after the first larger drop in prices and longer reaction in time. If the rally afterwards stalls after making

nominal new highs, then you can consider that the trend is about to make an even greater price drop than the previous one. An example of this would be the reaction in stocks down in mid-June (being a greater time and space movement than previous reactions) followed by a nominal new high which stalled and then dropped an even greater distance afterwards.

In addition, take a look at the first reaction in August 1986 and 1987 and the subsequent rally to nominal new highs before prices collapsed. Make sure you give the market a few days to definitely show it is stalling after making slightly new highs. You would not have shorted the market after the early May 1989 decline because of the dynamic first day rally off the low with gaps and not stalling at all after it made new highs on the first day of the rally. The final rally is caused by the latecomers who have been waiting for the first decent correction to get on board. But these are the weak holders and they cannot hold the market up for very long unless it is an abnormally strong move.

Projections for Late July-August

As of today's date of July 10, my projections of highs and lows are as follows: The averages should continue to move up and make a top on July 17. From there, a reaction down until late July where an uptrend should occur in the month of August until the 18. The market should react down until the 24th or so before resuming upward until the first week of September. If the July 17 works out to be the top, run a 2 x I angle up from this high and expect the prices in August to touch this angle on the Dow. That should be the spot to cover ones long position. The picture of what this could look like is provided in figure 2. The important aspect though is not whether the

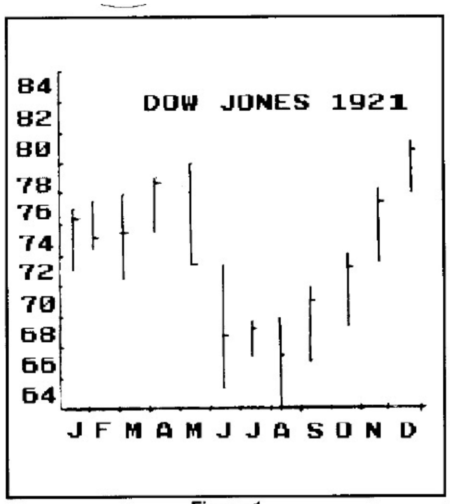


Figure 1

price behavior moves up or down with the magnitudes shown in figure 2, but rather that the highs and lows come out as projected. If the latter occurs, then the profits will come.

How the Previous Forecast Came Out

The curve projection for May began correctly with a distribution top occurring between April 25 and May 5. During this 12 day trading period, the down volume exceeded 60 million shares a day, ten out of the 12 sessions. Prices dropped 76 Dow points or 3.1 percent instead of the five percent I was anticipating. The trend of the market abruptly changed on April 12 and in one day took out the April 27 high.

The prediction for a weak May was incorrect after May 12 and my short position was stopped out on the open. My date of the 19 which was not indicated as a high or a low became a high (the high was one trading day later and .92 points higher on a close) and the cycles got back in sync by dropping into the end of the month as projected. Stocks and bonds were to have made lows on May 31 and the actual lows were May 30 and 31 respectively. After the 31, bonds made a massive rally but stocks did not rise as strongly as I would have expected.

In stocks, my high for June 9 came out correct, but the date for the low was missed. The uptrend for June was to have lasted until the 22, the final highs for the month. The highs were June 23 on a closing basis and remained there for two more trading days before collapsing on the LEI report. The pattern of prices was very tricky in this time period. The lows in futures were on the 16 (1 thought it would be the 13 originally) but the Dow Jones made lower lows until the 21. For my highs to come out as the cycles indicated, prices would be required to make a sharp increase quickly.

This occurred, but only at the last moment. Usually, prices will trend nicely into a date of a high or low. I only point this out to show an example of how the market can trick you with its price patterns. Keep in mind the following quote of Jeffrey H. Horovitz, executive director of the Foundation for the Study of Cycles, when making your projections based on cycles, “Market projection is part science and part art. Cyclical analysis offers the science and the individual analyst’s interpretation is the art.”

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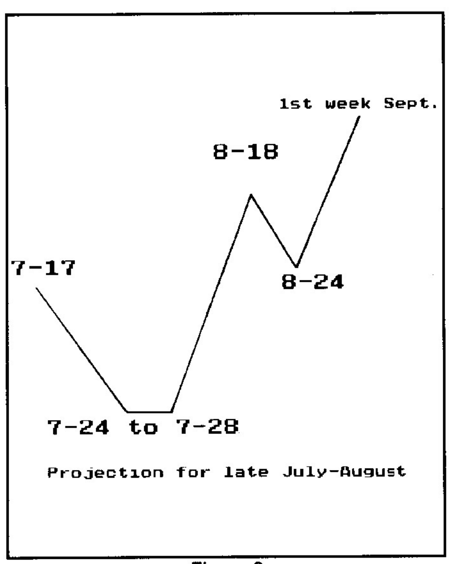

Figure 2

Vibration Tables the Key to Tops & Bottoms

By Phyllis Kahn

Another easy, yet very powerful application of a Gann principle is what I call the “Vibration” Table. In the Financial Times 1909 Gann article (which I’m certain you’ve read), Mr. Gann described each commodity and stock as having it’s own unique vibration”. The table is a series of fixed prices at increasingly higher levels that are not only strong support and resistance but often turn out to produce THE major top (or bottom) price that ends bull and bear markets.

The construction of a Vibration Table is grade school simplicity. The all-time lowest price of a commodity contract or stock is divided into eighths and thirds beginning at “0” and added TO ITSELF, creating higher and higher “cycles” of price; all prices in the series derived from the same historic starting number. That’s all there is to it.

But the underlying Gann principle, that there is an unchanging mathematical relationship between historic lows and subsequent highs that is continuous through time, is as powerful a market concept as you will encounter.

In order to appreciate how dynamic this principle is, let’s examine a Vibration Table based on the lowest price ever made by a November soybean contract. Futures trading in soybeans began in 1936; on February 9, 1950, the November contract made its historic low at price 191 1 4. According to Gann principle, subsequent major highs in November soybean contracts will be mathematically related to the price 191.2. This is true regardless of the number of intervening years between the original lowest low and subsequent highs. This is also one of the key reasons that Gann weekly and monthly charts must be the same contract month year after year -- to preserve the mathematical purity for price forecasting. (See my article in Eeb/Mar89 G&E Magazine).

NOVEMBER BEANS
VIBRATION TABLE (LOWEST LOW)

	0	191.2	382.4	573.6	764.8	956.0	1147.2
1/8	23.9	215.1	406.3	597.5	788.7	979.9	1171.1
1/4	47.8	239.0	430.2	621.4	812.6	1003.8	1195.0
1/3	63.	254.0	446.0	637.3	828.5	1019.7	1210.9
3/8	71.7	262.9	454.1	645.3	836.5	1027.7	1218.9
1/2	95.6	286.8	478.0	669.2	860.4	1051.6	1242.8
5/8	119.5	310.7	501.9	693.1	884.3	1075.5	1266.7
3/4	127.5	318.7	509.9	701.1	892.3	1083.5	1274.7
2/3	143.4	334.5	525.8	717.0	908.2	1088.4	1290.6
7/8	167.3	358.5	549.7	740.9	932.1	1123.3	1314.5
FULL	191.2	382.4	573.6	764.8	956.0	1147.2	1338.4
	1	2	3	4	5	6	7

Figure 1

Referring now to the Vibration Table in figure 1, notice that the original low has been divided into eighths and thirds. The column marked “I” begins at “0” and ends at the lowest low, 191.2.

Column “2” is 191.2 ADDED to 191.2 and also divided into eighths and thirds. Column 3 is 191.2 times three or as I shall refer to it -- “3 Cycles of the Low.” As in all cases with either Price or Time, Gann ranked the divisions into eighths and thirds in importance from the most important -- End of Cycle -- the next, midpoint or 50%, then 1/3, 2/3 and finally the 1/4’s and 1/8’s.

Observe the fifth column or “five cycles of the low” which is 956. In October 1974, the Nov. 1974 soybean contract made new historic highs that ended a spectacular bull market at price 956. Not 956 and 1/2 or 1/8 or 3/4 but exactly 956, proving the accuracy of Mr. Gann’s hypothesis some 24 years after the original low was made. This very precise illustration of the Gann “Vibration” principle occurred in modem times during a period of extreme volatility in an inflationary environment. Contrary to popular belief, such fundamental factors have no bearing whatsoever on mathematical relationships -- they affect only the price levels.

It was not until 1983 that “five cycles of the low” came into play again as major resistance. The Nov. 1983 contract made low at 568 1/2, just five cents below “three cycles of the low.” It was from this level that a new bull market began in October 1982. On August 25, 1983, with a roaring bull market underway and fueled by rumors of Brazil curtailing soybean sales, the Nov 1983 contract opened limit up at 967, 11 cents above the key 956 “End of cycle” price. It was the first time since the high nine years earlier that a November contract had regained that price. It did not hold limit that day; five days later it was at 882. In the ensuing weeks, it made two more attempts to break through 956, the final one on September 13, 1983. On that day it reached 968 (limit bid) but did not hold, closing out three cents above limit down, becoming a Gann key reversal day, and in fact, the high for the next two years. During the entire 1983

THE DOW VIBRATION TABLE (BASED ON 386 HIGH)			
1/8 = 48.25	1/8 = 434.25	1/8 = 820.25	1/8 = 1206.25
1/4 = 96.5	1/4 = 482.50	1/4 = 868.50	1/4 = 1254.50
1/3 = 128.66	1/3 = 514.66	1/3 = 900.66	1/3 = 1286.66
3/8 = 144.75	3/8 = 530.75	3/8 = 916.75	3/8 = 1302.75
MP = 193.00	MP = 579.00	MP = 965.00	MP = 1351.00
5/8 = 241.25	5/8 = 627.25	5/8 = 1013.25	5/8 = 1399.25
2/3 = 257.33	2/3 = 643.33	2/3 = 1029.33	2/3 = 1415.33
3/4 = 289.50	3/4 = 675.50	3/4 = 1061.50	3/4 = 1447.50
7/8 = 337.75	7/8 = 723.75	7/8 = 1109.75	7/8 = 1495.75
386.00	772.00	1158.00	1544.00
END CYCLE 1	END CYCLE 2	END CYCLE 3	END CYCLE 4
1/8 = 1592.25	1/8 = 1978.25	1/8 = 2364.25	1/8 = 2705.25
1/4 = 1640.50	1/4 = 2-26.50	1/4 = 2412.50	1/4 = 2798.50
1/3 = 1672.66	1/3 = 2058.66	1/3 = 2444.66	1/3 = 2830.66
3/8 = 1688.75	3/8 = 2-74.75	3/8 = 2460.75	3/8 = 2846.75
MP = 1737.00	MP = 2123.00	MP = 2509.00	MP = 2895.00
5/8 = 1785.25	5/8 = 2171.25	5/8 = 2557.25	5/8 = 2943.25
2/3 = 1801.50	2/3 = 2187.33	2/3 = 2573.33	2/3 = 2959.33
3/4 = 1833.50	3/4 = 2219.50	3/4 = 2605.50	3/4 = 2991.50
7/8 = 1881.75	7/8 = 2267.75	7/8 = 2653.75	7/8 = 3039.75
1930.00	2316.00	2702.00	3088.00
END CYCLE 5	END CYCLE 6	END CYCLE 7	END CYCLE 8

Figure 2

bull campaign, despite multiple attempts and a new historic price high, there were no closes at or above 956. The fifth mathematical "vibration" ruled once again, 33 years after the original low.

It was not until the 1988 drought soybean bull market, that the fifth vibration was finally taken out. The bull market ended when the Nov. 1988 contract hit 1046. just five cents below the midpoint in the sixth cycle, 1051. This article updates one I wrote in 1984 for a book by the Futures Symposium International that ended by saying. "When a November soybean contract finally closes above 956, you will have before you the next two important resistance price levels, 1051 .6 (1/2 of the sixth cycle) and 1147.2 (the end of the sixth cycle.)" So it was not surprising when three years later, Gann's "Vi hration Table" once again brought in the final high price with its invisible resistance and support levels, in the current market, you may find the contract low of the year in "End three Cycles of the Low" for the Nov. 1989 contract.

When the next bull market rages in soybeans, you too will have this before you. Remember that it's perpetual; it can be used year after year for November contracts. If prices in future years move beyond "seven cycles of the low," just add 191.2 to continue the Table into ever higher levels.

THE DOW VIBRATION TABLE

This Table is a variation on "cycles of the low" as it is based not on a historic low but on the 1929 high in the Dow Jones Industrial Average, ~ It was thehigh of a 60 year cycle so it's importance mathematically is obvious. It's divided into eighths and thirds beginning at "0' and added to itself in exactly the same manner as the Nov. soybean low.

When this Table was presented in the 1984 article, it had only "four cycles of the High." As you see in figure 2, the natural course of prices required extension of the Vibration Table to the current "eight cycles of the High." Cycles five, six, & seven have proven their value many times since their addition. Space doesn't permit a complete review of the last 30 years of Dow Tops and bottoms, but there are several that should be noted here. High and low prices are "calculated" intraday, by Dow Jones reference material, not "print" or closes. (see figure 3).

Notice that the intraday high August 25, 1987, did go through the "End of Cycle 7 2702" but did not stay above it as 2702 is Gann's "Death Zone" number of 7 x 386. At the time it

Dow Major Tops and Bottoms	
May 1970 Low 625	627.25 5/8 in Cycle 2
Jan 1973 High 1067	1061.6 3/4 in Cycle 3
Dec 1974 Low 570	579 Midpoint in Cycle 2
Aug1982 Low 769.9	772 End Cycle 2
Jan 1983 High 1296	1302.75 3/8 in Cycle 4
Sep1986Low 1730.6	1737 Midpoint Cycle 5
Apr 1987 Low 2180	2187 2/3 Cycle 6
Aug1987High2746.65	2750 1/8 in Cycle 8
Recent Intermediates	
May 1988 Low 1921.58	1930 End Cycle 5
Nov 1988 Low 2026.1	2026 1/4 in Cycle 6
Feb 1989 High 2369.3	2364 1/8 in Cycle 7
Jun 1989 Low 2412	2412 1/4 in Cycle 7

Figure 3

occurred, it was ‘natural” resistance, calling for at least a sharp correction. What followed was certainly that. Until proven otherwise, it’s been the terminal high for the Dow of the 13 year bull market that began in 1974. The markets have taught me not to expect perfection (not even from the Gann methods) but it would be perfect if the Dow 1989 final high came in on September third at 2702. Then, the 60-year cycle high would be exactly seven times the 1929 high on the same date.

The Vibration Table for the Dow has been outstanding over the years for both intermediate and final Dow prices. So there is no reason to believe that its effect will diminish in the future. As with the soybean Table, it’s perpetual, so if “eight Cycles of the High” should prove to be insufficient in future years, just add on to it, knowing that 10, 12 and 16 cycles are also very strong natural” invisible Gann resistance levels.

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Squaring Price with Time

By Robert Miner

This is one of the most important and valuable discoveries that I have ever made. If you stick strictly to the rule, and always watch a stock or commodity when TIME and PRICE come together, you will be able to forecast the important changes in trend with greater accuracy.

One of Gann's most unique and important concepts for projecting market time/price reversals is the relationship of price and time. Gann called it "squaring price in time." Important price highs, lows and ranges often project future time periods when minor and major trend reversals occur in the markets. The concept and technique is really quite simple.

The method to project highly probable time zones of future trend reversals from price extremes and ranges is identical to projecting future dates from prior time cycles. A price range or extreme is proportioned and multiplied by those important dynamic and static ratios of time and price that have proved to be prevalent in the markets. These values are projected forward in time by calendar day (CD), trading day (TD), weekly (WK) and monthly (M) counts from the date of the high. low or termination of the range. If these projected time periods coincide with time projections by other methods, resulting in a cluster of time periods within a narrow time zone, a market reversal is highly probable.

These price squared in time projeclions can be done either geometrical on a chart or simply by math and calendar counts resulting in a list of potential turning point dates. I prefer to do these projections by mathematically, as I like the least amount of clutter on my charts as possible.

Gann proportioned time and price cycles by static ratios or equal divisions

of one eighths and one thirds. It is important to also porportion time and price cycles by the most important dynamic ratios represented by the Fibonacci number series. These ratios are .146, .236, .382 and .618. These ratios are even more prevalent inmost markets than the static ratios.

Gann emphasized that these price in time projections should relate to trading day counts verses calendar day counts relative to daily counts. I have found that calendar day counts are as reliable and therefore just as important as the trading day counts. Calculate both calendar day and trading day counts. The trading day counts of any value will always be further out in time than the calendar day count. Weekly counts of the values are also important. I have not found price in time monthly counts to be particularly useful as the projected time periods from monthly counts are so far out in time that the time and price cycles prior to those distant monthly projections will more accurately indicate future dates.

Let's look at some examples of price square time projections from past market activity.

September 26. 1988 = tmportant Cycle Low
28= 1.67RTDDec. 14. 1987H-Feh.28. 1988L

28 = 1.236 RCD Feb. 25, 1985 L - Dec. 14. 1987 H

Let me explain my short hand symbols above. Sep. 28 was a date that fell 1.67 times the value of the price range of the Dec. 14, 1987 high to the Feb. 28, 1988 low by a trading day count from the Feb. 28, 1988 low.

December 2, t988 = High
2 = .75 RCD June 3, 1988 H - Sept. 26. 1988 L
5 = 3.142 RCD Dec. 14. 1987- Feb. 28. 1988L
February 17, 1989 = Low
15 = 1.382 RTD Sept. 26, 1988 L - Dec. 2. 1988 H
18 = 1.618 RCD June 3, 1988 H - Sept. 26. 1988 L
March 20, 1989 = High
19 = .5 RCD Dec. 2. 1988 H - Feb. 17. 1989 L
20=3RTDDec. 14. 1987H-Feb.29. 1988L

As you can see, each of these important highs and lows fell within two days of a square of a prior price range in time. Let's look at a few future dates that will square in time with important prices.

September 1989
1O=.6I8RWKAug.25,t976L-Ian.2t.t98OH
(Range projected by a weekly count).
18 = 1.236 HCD Dec. 14, 1987 H (High price counted forward by calendar days).
25 = 1.25 HCD Dec. 14, 1987 H December 1989
3=1.382HC1J Dec. 14. 1987 H

Should time cycle ratios and time counts also fall near these dates, we would want to be very alert for indications of trend reversal. At this time ~July), the September 10 date coincides with several other important time factors. I would be particularly alert to the price activity within one week either side of this date for an important high or low.

It is important for you to go back over past price market history and do the calculations and projections in order to prove to yourself the value of this profitable time projection technique. I suggest that you study one market completely. Calculate the time projections from the price of every major and intermediate cycle for just one market for at least the past 10-15 years. If you do this work, which is necessary, you will discover for yourself how profitable this technique really is. It takes very little time and effort to keep the calculations up to date once the past cycles have been calculated.

Not every price ratio and multiple will project a future market reversal. But, just about every important cycle high and low will fall within two-three days of an important price squared in time. Your diligent study to prove this technique will pay handsome rewards.

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Unveiling The Mystery of W.D. Gann 's Price and Time Squares from Theory to Practical Application

By Marcus Robinson

Much has been written about many of the fabled trading techniques of W.D. Gann. This article is not meant to be another one of the glorified recitations of folklore, but rather a healthy dose of trading practicality which I feel was the hallmark of Mr. Gann's success. If we get our work done with this article, you will be able to incorporate many of the techniques we'll cover into your present trading strategy. This article will confine itself to Gann's use of squares (geometric figures) not only interpret past market history but also to provide practical insight into the future direction of the markets he traded.

SQUARES

Gann referred to the various price and time cycles as squares. So. for the novice investor reading this article, it may useful to simply substitute the word "square" with the word 'cycle. This will help facilitate your understanding of these much maligned concepts. Squares or cycles are sometimes very difficult to visualize. So, Gann with his unique sense for practicality devised a method of actually displaying the many price and time cycles on a chart by the use of geometric angles which represented the duality of time and price. This in itself is an interesting yet blinding glimpse at the obvious - in terms of the market, price never occurs outside of the context of time.

To construct a square would call for an elaborate artistic effort which may result in a rather intricate network of vertical, horizontal and diagonal lines of varying degree which we call Gann Architecture. The charts are so intricate and provide so many lines that it will, for the most part. be useful to the average trader and of minimal use for the the advanced Gann technician. Nevertheless, to get a thorough understanding of Gann's work, it is necessary for the beginning student to construct a few of these charts by hand. If you aren't artistically inclined, we recommend using Peter Pich's Gann Trader Ito construct these elaborate charts.

To construct one by hand, choose a market and starting with its all time high or low and draw the basis square. You know, a box with four equal sides. The size of the box should be in harmony with the kind of chart you're working with. For example, using a weekly chart of the S&P 500 Index, I would recommend using the Square of 52 (for 52 weeks in a year).

Once you have drawn your square you need to draw all the angles which Gann used from each of the corners on the left side of the square. Then divide the square into eighths or l6ths from top to bottom and left to right to create a time/price grid. Once complete, you will have fully constructed the time/price square in its basic from.

The angles that Gann used were very simple. He simply divided the range or high by two (50 percent retracement zone) and this angle would serve as his most important support and resistance. to construct this angle simply draw a 45 degree (or lx 1) uptrend line from the bottom and top left corners of the square. To construct the second most important support/resistance points, draw a 37 1/2 and 62 1/2 percent (2x1 and 1x2) uptrend and downtrend lines from the two left corners. This would complete a basic square as the next set of line are of lesser importance but nevertheless should be monitored. They are the 25 and 75 percent lines (4x1 and 1x4) and should be drawn from the left corners as well. And finally, one should consider the weak lines which Gann considered. They are at the 12 1/2 and 87 1/2 percent division (8x1 and 1x8). Horizontal and vertical range divisions should be executed accordingly.

SQUARES OF THE HIGH AND LOW

I consider the use of squares off major highs and lows to be of greater use to the trader than the generic overlay technique described above. The technique is very similar and should provide the trader with a vast array of time/price projections which can be very useful to the active trader. Take for instance the square of the high for example. Using the S&P 500 Index, the recent all-time high for the move is around 348. Using this technique on the daily chart, you should draw a box that the top left corner starts at the 348 high and moves forward (horizontally to the left) in time by 348 days. As you can see, you going to need a sufficient amount of chart paper to complete this exercise. Then draw a vertical line down to zero. since all for sides of the square are equal, you can easily complete the box. Now, as in the previous exercise, divide the box vertically and horizontally into eights or sixteenths. Once this is done, allyou have to do now is draw in the Gann angles from the left hand corners and presto, you now have a fully constructed square of the high.

To construct a square of the low, you basically follow the same steps as when constructing a square of the high. The only difference is, instead of drawing the vertical lines down to zero, extend them upward to the high prominent high (which will most likely be the all-time high). Armed with the support and resistance architecture offer by the powerful charts a trader may be informed of the majority of time/price projections for its future market action.

SQUARE OF THE RANGE

The square of the range was Gann’s most practical and effective technique. This single technique alone can account for as much as 60 percent of the total effectiveness in any trading trading system. A trader could use this technique in any time series ranging from short term intraday charts to the long term monthly and annual charts. I utilize this strategy to develop my day trading strategies we recommend on our hotline service -MARKETLINE!, The Professional’s Choice. This service has averaged 27 trades a week in ten markets with an average percentage of profitable trades at 59.25 percent. Average daily Gains amount to more than $1300 per day on a $50,000 margin account. The core strategy employed in our analysis in all time series is Gann’s squaring of the range.

To construct this square, simply use the same techniques we’ve described above but confine the square to the range of the recent advance or decline you interested in and presto, you have in your hands perhaps the most effective trading tool available to date. While there are numerous trading strategies which can be developed with this tool, the most important things to remember are: I) don’t expect to see a reaction at each one of the range divisions and angles within the square. This would only result in a huge waste of time and trading at everyone of these area could result in tremendous losses. 2) look for the valuable opportunities to show up around the 37 1/2. 50 and 67 1/2 percent range division in angles, time and price. Any convergence and intersections of these lines should be regarded as significant opportunities. And, 3) as with all trading tools, they are most successfully employed when using another set of tools to confirm or invalidate your trading hypothesis. We recommend Elliott Wave theory, Fibonacci ratios and a variety of momentum oscillators to “smooth” the raw data developed with this technique.

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Six Orbits of Mercury, a Common Time Distance in the Stock Market

By Alan Richter, Ph.d.

Recently, the stock market travelled 533 days from the August 25, 1987 all time top to the February 8, 1989 post crash high or secondary top. This distance in days is five more than six orbits of Mercury (6 x 88 days 528 days). When I checked for this time distance in the historical records, I tound the following other examples listed in Table 1.

Now the first thing to note is that the movements can go from high to hieh (four examples), high to low (five examples), and low to high (one example). It might be significant that there were no examples of low to low, the traditional way that cycles are measured. It is of interest that the 1987-1989 situation resembled the 1929-1931 situation, although February 24, 1931 was not the post crash high. Nevertheless, in both instances, a prominent top occurred 533-539 days after the speculative top.

Now, another way to measure time distances is to combine Fibonacci numhers of weeks, such as 21 weeks + 55 weeks = 76 weeks = 532 days. The average time distance, 534 days, is closer to 76 weeks than it is to the six orbits of Mercury but this does not prove that Mercury is not involved. A third way to measure time is as follows: 900 days minus a year + 535 days. The three theoretical models together thus gives a time distance of 528-535 days, in fairly good agreement with the actual data of 525-540 days. Note that these time distances are always less than 18 months. Now, another time distance that I noted in the stock market is 11 orbits of Mercury or 968 days.

Again, the time distance can be expressed in a Fibonacci number of weeks, such as two years + 34 weeks, which is 968.5 days. Another way to describe this time distance is one year and 600 days + 965 days. Additionally, 968 is the same as two and one half years + 55 days. Note that the II orbit lengths are more normally distributed in terms of the iiature of the turning points, all four types of movements are found.

STOCK MARKET MOVEMENTS
525 TO 540 DAYS LENGTH

APRIL 3, 1899 - SEPTEMBER 24, 1900	HIGH TO LOW	539 DAYS
SEPTEMBER 30, 1912 - MARCH 20, 1914	HIGH TO HIGH	536 DAYS
SEPTEMBER 3, 1929 - FEBRUARY 24, 1931	HIGH TO HIGH	539 DAYS
MARCH 31, 1938 - SEPTEMBER 13, 1939	LOW TO HIGH	531 DAYS
NOVEMBER 9, 1940 - APRIL 28, 1942	HIGH TO LOW	535 DAYS
MARCH 9, 1956 - OCTOBER 22, 1957	HIGH TO LOW	531 DAYS
DECEMBER 2, 1968 - MAY 26, 1970	HIGH TO LOW	540 DAYS
SEPTEMBER 22, 1976 - MARCH 1, 1978	HIGH TO LOW	525 DAYS
FEBRUARY 17, 1987 - AUGUST 1, 1988**	HIGH TO HIGH	531 DAYS
AUGUST 25, 1987 - FEBRUARY 8, 1989	HIGH TO HIGH	533 DAYS
AVERAGE LENGTH		534 DAYS

*RETAIL SECTOR, ON BALANCE VOLUME

Now the question occurs, were any of the six orbit movements followed by 11 orbit movements, or vice versa? The August 8, 1896 to April 3, 1899 II orbit rally was followed by the April 3, 1899 to September 24, 1900 six orbit decline. The March 31, 1938 to September 13, 1939 six orbit rally was followed by the September 13, 1939 to April 28, 1942 II orbit decline. Additionally, there was a six orbit decline, November 9, 1940 to April 28, 1942 contained within the larger 11 orbit decline, September 13, 1939 to April 28, 1942. The September 15, 1953 to May 9, 1956 11 orbit rally was followed by the May 9, 1956 to October 22. 1957 six orbit decline. The December 2, 1968 to May 26. 1970 six orbit decline was followed by the May 26, 1970 to January 11, 1973 11 orbit rally. An 11 orbit decline, July 15, 1975 to March 1, 1978, and a six orbit decline, September 22, 1976 to March 1, 1978, conflowed to March 1, 1978.

Now, 6-11-17 is not a Eibonacci sequence. However, it is a variation on the more acceptable sequences: 6-10-16. 6-12-18, and 6 1/2, 10 1/2, 17. It is fairly close to the last sequence which is half of the well known 13-21-34 sequence, and intermediate between the first two sequences. If one accepts all of these sequences as occurring in nature then one can see that it is foolhardy to expect exact relationships and miss out on the realities. For example, the range in fraction relative to the theoretical 0.618 is 0.5 to 0.667. It is the 1-2-3 sequence which is the furthest from the theoretical. The sum of six orbits. II orbits and 17 orbits is 1496 days which can also be viewed as 1500 days. It is also 2 years + 21 weeks + 34 weeks + 55 weeks.

This article should not be construed as indicating that other integral numbers of orbits of Mercury do not occur in the stock and commodity markets.

Alan Richtei; Ph.D. West 1010 Boone Avenue, Apt. 10 Spokane, Wash. 99201.

Subliminals forTraders

By Robert Krausz, M.H. BHEC.

If trading stocks and commodities is 70-80 percent psychological then why has this subject been so badly neglected by writers and teachers? For every 100 books written about trading perhaps one examines this vital part of trading. The reason could be that workable, realistic answers are difficult to find. Furthermore psychological tools that can be put to direct use by traders and analysts have not been readily available to the trading public.

From the moment you are born, all events and happenings are programmed into your subconscious mind. Your personal experiences are filled and sorted for recall, to be used at a later stage when required. Unhappily the subconscious mind can not tell the deference between reality and imagination. A good example is when a young boy of five or six tries to help his father to ‘fix the automobile” and as soon as he picks up one of the tools the father shouts at him to put it down. This only has to happen a few times and the subconscious mind files it in the permanent memory.

When the boy is ll or 12, the father thinks the son is ready to learn how to use the tools and asks him to help with the “car fixing”. Without knowing why, as soon as the son picks up one of the tools he feels very uncomfortable. After trying a few times he may feel clumsy and unhappy. Eventually the father tells hem not to bother as he is just a “clumsy boy”. That boy is set for life to be condemned as useless with tools and not very handy. Does this story ring a bell?

Now, what has happened here? The first experience at the age of five with tools if filed away in the subconscious mind as “If I touch these tools, my father will shout at me. Therefore its bad.” When the boy is 12 and the father asks him to help, the conscious mind dips into the memory banks (which are housed in the subconscious) looking for a reference to tools. And just like the computer memory, the subconscious mind finds the correct file, that states..” If I touch these tools, my father will shout at me. That is bad”. The file is now checked by the conscious mind, which being the guardian of the boys actions decides how to actually react to the information contained in the file.

Please listen carefully as this is the crucial part. As the first experience that the son had with tools was “bad and unhappy” the conscious mind will try to protect the boy from having to go through again, that “bad” experience. Even though the original experience itself was not actually “bad” (just a fathers concern for his sons safety). But the subconscious perceived it as “bad”, it remained filed as such, due to the subconscious minds inability to distinguish between reality and imagination.

So all these years later here is the conscious mind generating a totally inappropriate reply, under the false premise that it is “protecting” the boy. Suddenly he becomes clumsy, which causes the father to give up on the son as far as tools are concerned. But it enables the boy to stop using the tools, thus satisfying the conscious mind, that it is doing its job by preventing the boy from being further exposed to “bad” experiences.

Not only did the conscious mind construct an excuse under a false premise, but the boy’s “bad” experience has been reinforced at the subconscious level, now he is also “clumsy”. Unless a way is found to wipe out these false premises it will remain with him for the rest of his life.

By the same token your bad trading habits and the lack of confidence, either in your method of trading or in your ability to take action are formed in exactly the same way. Once these inappropriate trading habits and lack of confidence are filed in our subconscious mind, we can only erase them by getting back to the level where there poor habits were installed in the first place at the subconscious level. Not only must these poor habits be wiped out at that level, but they must also be replaced by the winning habits (correct response) at that very same level. Only then can we truly make the best use of our methodologies and be on the way to confident trading.

We have to enter our subconscious computer, wipe clean redundant files that cause self sabotage during our trading and replace it with clean appropriate information suitable for the job in hand confident trading.

The American public first became aware of the power of subliminals in the early 1950,s when high speed visual subliminals flashed onto Kim Novaks face, urging the audience to “drink Coca-Cola”. The words were flashed unto the screen at a much faster rate then our eyes are capable of registering, yet the owner of the new Jersey Theater reported a 58 percent increase in sales. We now know that the mind picks up these high speed messages and without the conscious mind being able to filter them, they are recorded in the subconscious that can differentiate between negative and beneficial input. It just accepts all input as facts. In other words, these messages are recorded in the filing system of the subconscious mind in a subliminal manner.

Our job is to use the same route to access our subconscious mind by using subliminal tapes that are custom made for traders and analysts. In the last 20 years, subliminals have been used successfully for all purposes. Tapes have entered the main stream, for weight loss to goal achievement. Subliminal tapes are used by millions of Americans.

Now, for the first time, subliminal tapes made specifically for traders and analysts, are being made available through the Gann & Elliott Wave magazine. The three tape set covers most of the problems traders encounter.

Tape #1. Covers all aspects of accurate analysis and recall of same for actual trading. this tape can be played any time. 30 minutes.

Tape #2. The psychological problems of trading are covered by this tape that can be played any time. 30 minutes.

Tape #3. A “Total” tape that covers the major difficulties traders face on and off the trading floor. Due to the fact that this tape used the hemispheric equalization process, it must not be played when driving. For this tape only stereophonic headset is required.

As a professional trader, I am fully aware of the problems that traders face every day, during the stressful hours of market trading. By using the latest state of the art equipment and recording these tapes in California, I was able to combine my practical knowledge as a master hypnotist and member of the British Council of Hypnotist Examiners, together with my experience as an independent trader. I am not able to share with you these subliminal tapes to help improve your trading.

A booklet comes with the tapes that fully explains how to use them to obtain maximum benefit possible.

The first 100 applicants will have a unique opportunity to partake in a follow up experiment, that will be organized by the Gann & Elliott Wave magazine, who will check and collate the results of continued use of these subliminal tapes for traders. Please see and fill in the form in this article.

Robert Krausz, M.H. BHEC. is a professional trade,; a member of the British Council of Hypnotist Examiners and (‘an he ,’eached at P.A.S. Inc., 2215 S. Federal HWY #22, Ft. Lauderdale, FLA. 33316.

Beyond Gann: Harmonics and the 1987 Stockmarket Crash

By Gregory LeGrand Meadors with Helen Meadors and Neal Chabot, Ph.D.

W.D. Gann was not a conventional market analyst, but an innovator. He originated a number of market timing techniques, many of which are now widely used. In our "Beyond Gann" series of articles, we have discussed some of Gann's unconventional market forecasting techniques such as time cycles, geometric patterns, astronomical correlations and number vibrations.

In a 1909 interview in Ticker Magazine. Gann states," If we wish to avert failure in speculations we must deal with causes. Everything in existence is based on exact proportion and perfect relationship. There is no chance in nature, because mathematical principles of the highest order lie at the foundation of all things.

Most followers of Gann would say that this quote is consistent with a strictly mathematical

Figure 1

The constellation of the Great Seal of the United States is composed of 13 pentagrams, so arranged that their grouping forms a hexagram (Solomon's Seal) with two equilateral triangles of ten stars known as the Tetraktys, on which Pythagoras is said to have sworn his pupils to secrecy. The ancients knew of only seven heavenly bodies yet the Pythagorean mathematical system used ten as the base number for its conception of universal laws. Only in recent times have "modern" astronomers discovered the other three planets. Surrounding the constellation is a golden glory divided into 24 equal parts representing the 24 hours in a day. Around each glory are 19 clouds representing the 19 year Metonic moon cycle when the new moons and eclipses return to the same degree (day) of the year. (Revelation 4:4-8; 12:1-6) procedure of analysis. However, if their understanding of Gann is based only on mathematical techniques, calendar dates and geometric angles, this would certainly be "Gann made easy." Too easy. In the school of market analysis, those who relied on these methods alone failed their graduation exam during the October 1987 Crash! One needed to have a more thorough understanding, equivalent to a Master's degree, of Gann's esoteric methods of analysis to have passed the 1987 test. Those who did pass this test could have heard Gann's voice echoing the following Scripture: "To you it has been given to know the secrets and mysteries of the kingdom of heaven, but to them it has not been given" (Matthew13:11).

The new methods of analysis needed for a complete understanding of Gann involve both Scripture and a cosmic perspective. Based on our research, we believe that of all Gann's esoteric techniques, the most important for market timing, as well as the least known and understood, is his use of cosmic and planetary harmonics. In our article, "Gann and the Planets" (August 1988 G&EW), we revealed how the widely reported planetary phenomenon called the "Harmonic Convergence" allowed us to pinpoint both the August 25, 1987 stock market top and the subsequent decline months in advance, while most of the well known market advisors failed to foresee these events.

To further explain, let's look at the difference between calendar date cycles and forecasting based on the positions of planetary bodies. Many technicians have learned to use Gann calendar counts (30, 60, 90, 180 days etc.) from previous highs or lows in order to forecast future short term trend change dates. These monthly (zodiac) divisions were displayed around Gann's numerical wheels. It is a matter of experience that markets sometimes react with a dramatic trend change on the 180 day and the one year anniversary dates.

As an example of how planetary angles can act as hidden energy at certain calendar time periods, consider the dramatic one- day drop in the Dow Jones Averages of 90 points on April 14, 1988. In terms of calendar time, this date was a one-year anniversary from the April 14, 1987 low. In terms of planetary positions, however, the powerful Sun had reached the exact opposition (180 degrees; 1/2 circle; cycle) from its position on October 19, 1987, the low of the Crash!

In the last few years financial astrology has attracted a new interest on the part of investors

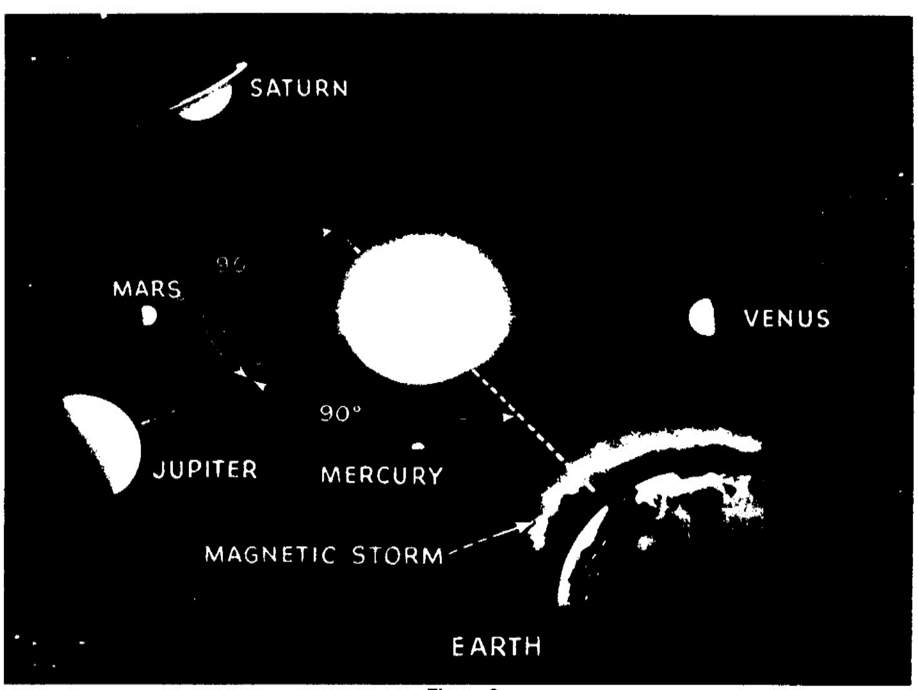
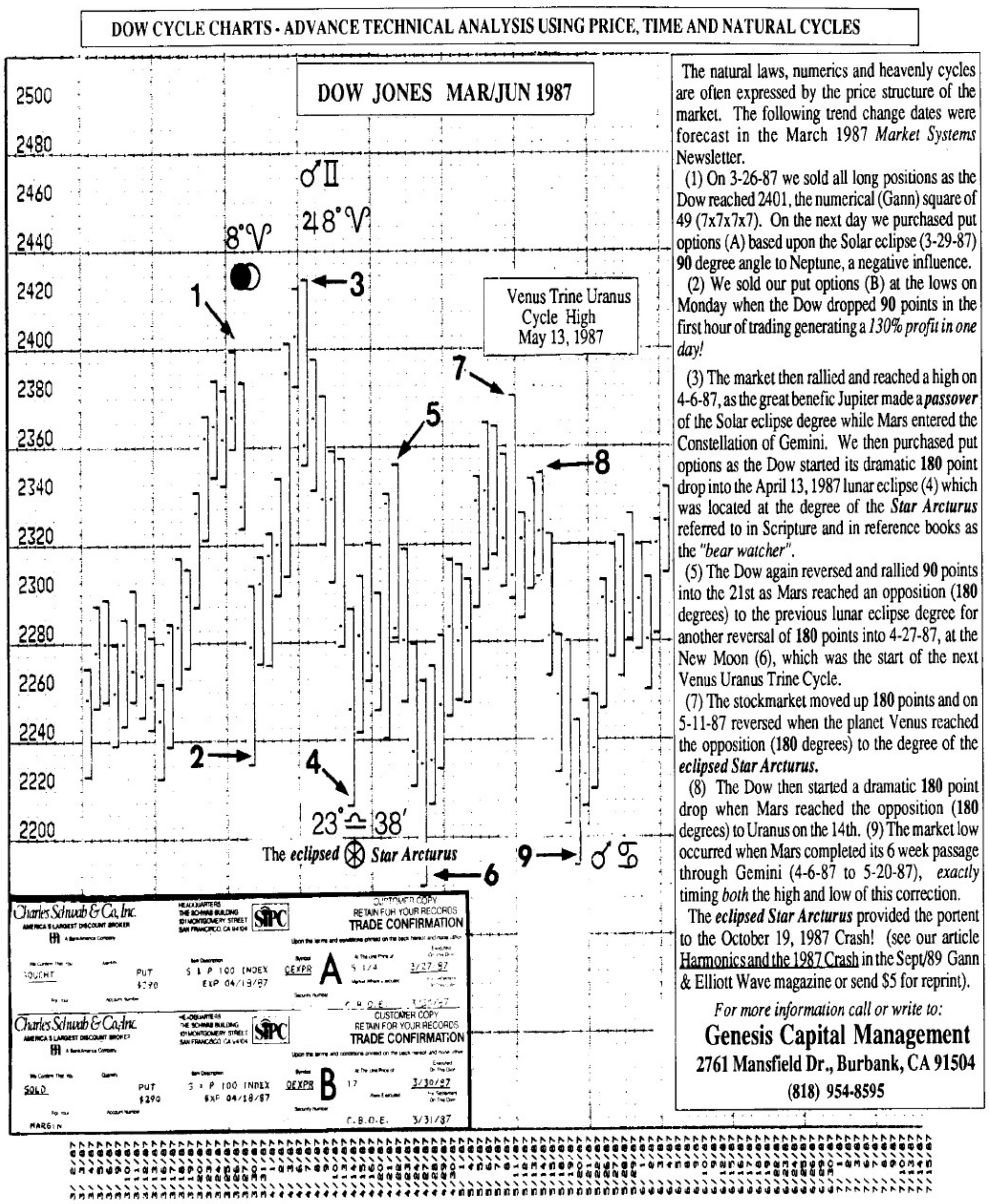


Figure 2

and market technicians. In using astronomical cycles, however, one must be careful not to assume common astrological interpretations. This would be an expensive mistake (as many have discovered), since one of the problems with using traditional astrology for market timing is that some of its presuppositions have gone unquestioned for centuries. We believe that one must not rely on old belief systems but instead look at heavenly cycles from a historical perspective. This is done by doing original research into celestial laws and cosmic patterns. Then it is possible to understand the relationships between heavenly harmonics and cycles in the financial markets. “The Heavens declare the glory of God, and the firmament shows and proclaims His handiwork. Day after day pour forth speech, and night unto night shows forth knowledge” (Psalm 19:13).

THE SEAL OF SOLOMON

One of the errors of the traditional astrological approach was demonstrated in our previous article on Vibration Inversion Points (February 1989 G&EW). We took a planetary aspect called the “sextile” (60 degree angle between planets), which is traditionally agreed to be a “positive”



aspect, and gave examples to show that when several planets have formed multiple 60 degrees angles concurrently, the stockmarket has reacted dramatically in a negative fashion. We called this powerful multiple aspectation the Solomon Vibration Inversion Point (VIP), derived from the geometric structure of the Biblical Seal of Solomon (Star of David). We stated that the intensity of the Solomon VIP (and thus its resulting influence on the direction of the market) is governed by its aspectation to other sensitive degrees.

There are also other symbols and geometric figures which are important in accurately forecasting the US. stock and bond markets. They are keys to understanding celestial harmonics and natural laws, and some of these symbols are represented within the US. Treasury Seal and the Great Seal of the United States (figure I).

RCA SCIENTIST DISCOVERS PLANETARY CORRELATIONS

A good example of how original research can lead to a knowledge of celestial harmonics was the study done by John Nelson, a scientist employed by the RCA Corporation. Nelson discovered that certain planetary harmonic alignments coincided with sunspot activity, which in turn generated magnetic storms in the earth's atmosphere, resulting in a disruption of radio transmissions (figure 2).

In his book Cosmic Patterns, Nelson comments, "If the planets, in certain alignments, can cause changes in solar atmospheric behavior, it is only reasonable to expect that they can also cause changes in some segments of our environment here on Earth. There appears to be harmonic synchronicity in planetary angular relationships, caused possibly by the gravitational interaction of one planet upon another throughout the millions of years the planets have been circling the sun. Nelson's research into the planetary correlations of sunspots gave him the

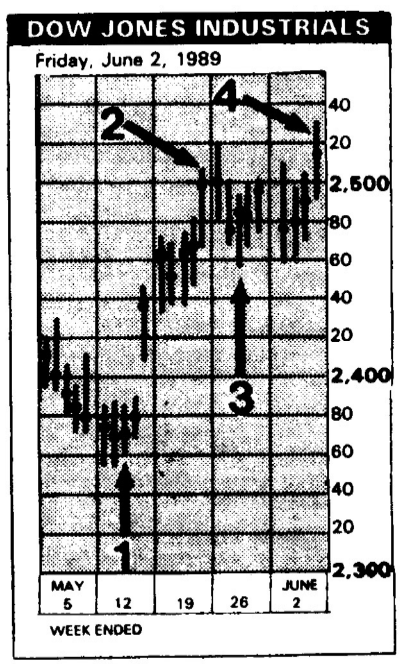
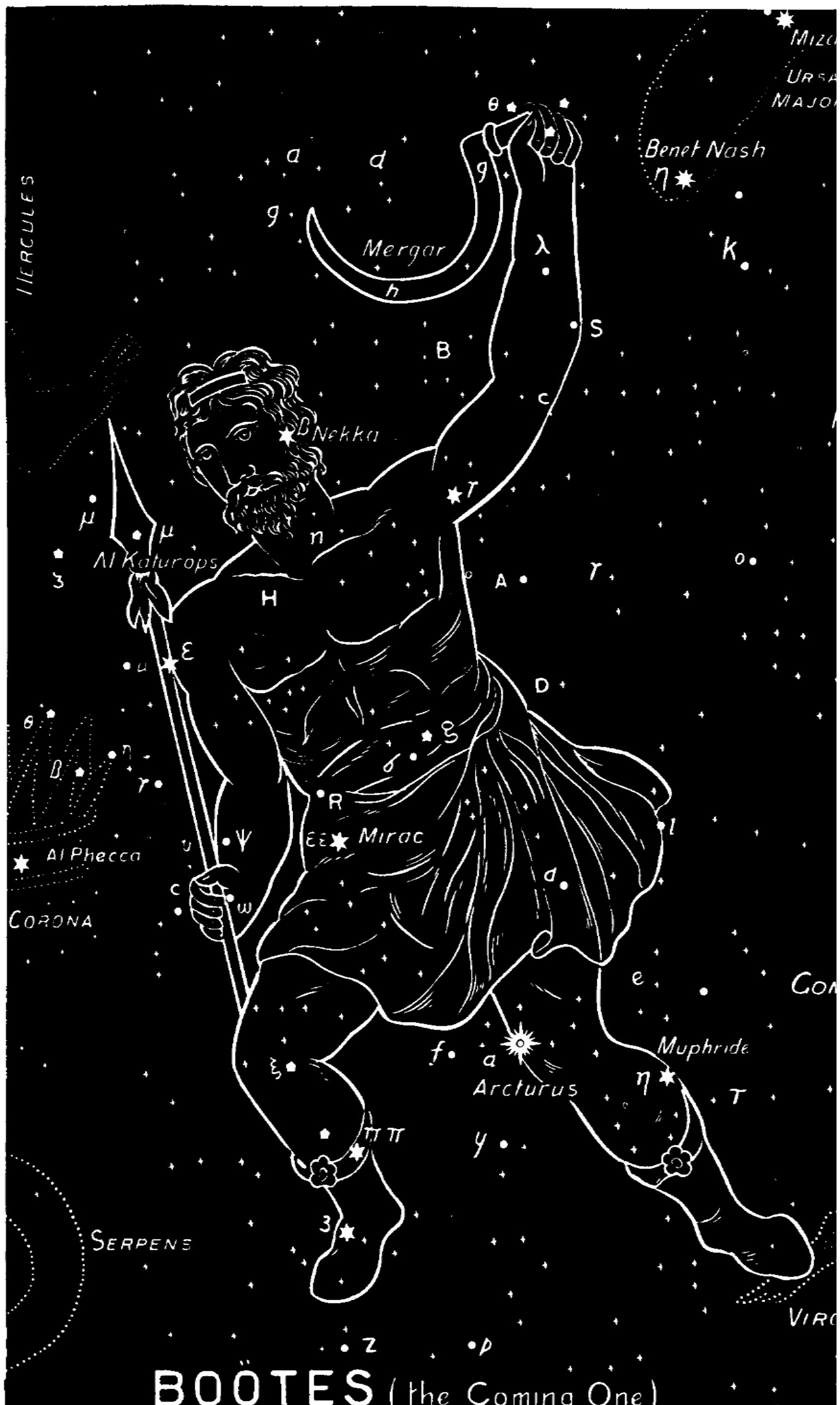


Figure 4

The May 11, 1989 trend change forecast was based, in part, upon the solar harmonic (180 degrees) from the November 13, 1989 *future* plantary cycle event. While most astro-analyst and market forecasters have been looking for another

ability to forecast future sunspot activity (and thus future disruptions of radio communications) with an 85 percent accuracy.

Using a similar approach, our historical research into natural laws and celestial harmonics has given us the ability to obtain over 90 percent accuracy in forecasting trend change dates

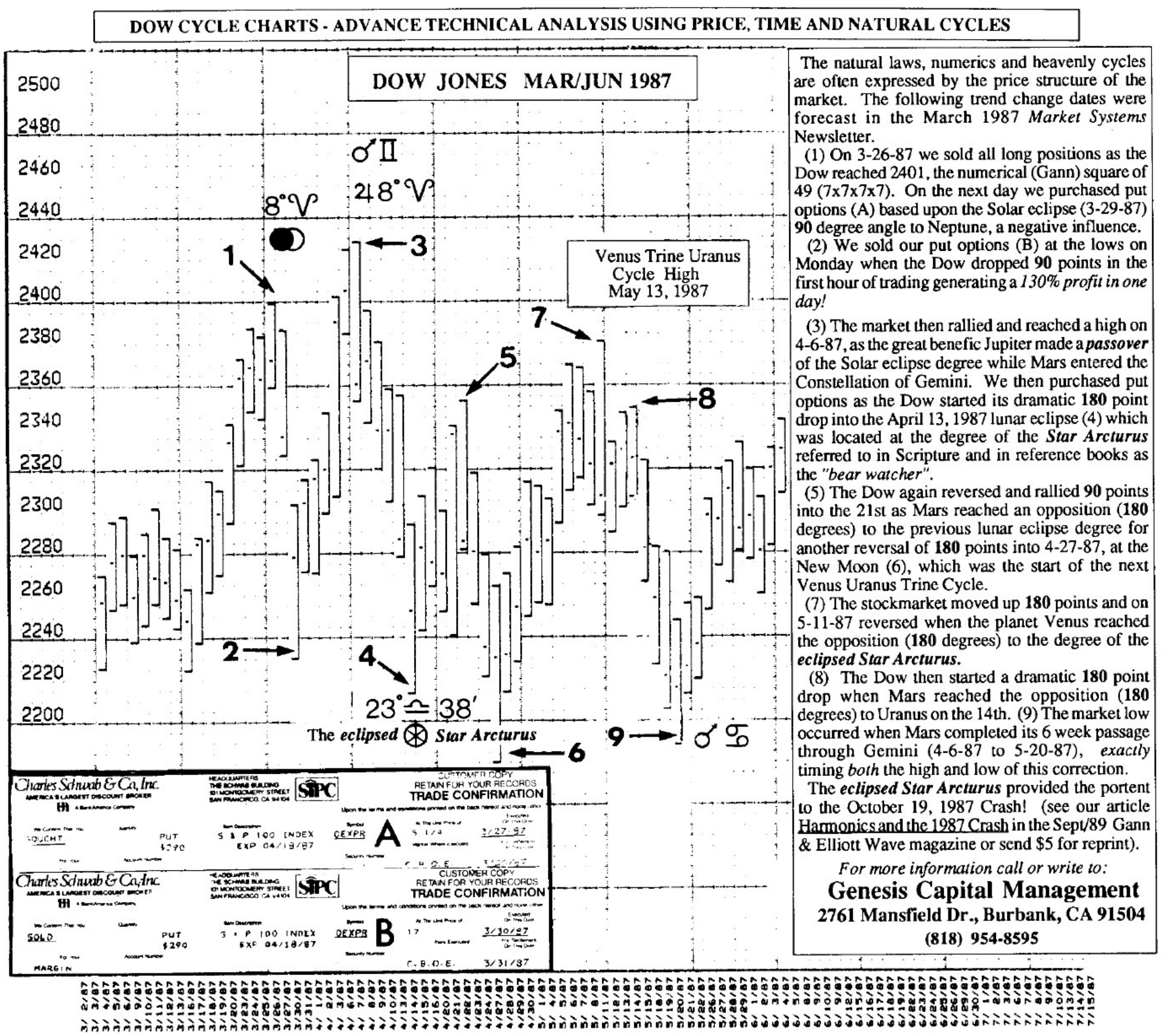


According to Capt's book on Biblical astrology, <u>The Glory of the Stars</u> , the H
meaning of the name of the Bootes Constellation is *"the coming."*. He is represer
the Reaper with a sickle in his hand, and his Star Arcturus is called the *"bear wa*
"And he that sat on the cloud thrust in his sickle on the earth and the earth was r
(Rev. 14:16). The April 13, 1987 lunar eclipse conjunction with the fixed Star A
***(the "bear watcher")* provided a portent for *"the coming"* reaping during the 1987 C**
Crash! Arcturus is the brightest Star in the Northern Hemisphere.

and the direction of the stockmarket. For example, one planetary cycle for timing short term rallies in the stockmarket has been the Venus Trine Uranus Cycle. When the planet Venus approaches an exact trifle (120 degree angle) to Uranus, the market usually moves up until the angle/aspect is exact. This semi-annual cycle has been 80 percent accurate during the last 100 years and an amazingly 100 percent accurate during the last five years (figure 3).

SCRIPTURAL "KEYS" FOR MARKET ANALYSIS

In the book The Magic Word Gann expresses his belief in God and the importance of reading Scripture. He never specified exactly what hidden wisdom was to be found in the Bible, but we have identified several areas in which scriptural knowledge and its perspective can contribute to market analysis. Our research goes "beyond Gann" by seeking to complete the research in those areas that Gann only partially explored. Our findings in these areas may help to explain those instances where Gann made predictions that were not accurate such as his



forecast for a stock market crash to start in 1953!

One of the areas of research we have focused on is the astronomical, based upon the premise that heavenly events often coincide with market events. Upon examination it is evident that Gann' s use of planetary patterns and cycles are not founded upon traditional astrology alone. Instead, Gann's methods are the result of empirical studies correlating heavenly events with financial cycles.

We, therefore, believe that Gann's research was scripturally influenced, because of his high degree of accuracy. His use of cosmic events was set in a Biblical context, so that the phenomena which he thought most important was that which traditional financial astrology has largely overlooked, such as eclipse phenomenon in the Bible and the fixed stars.

Another area in which our research is extending Gann's insights has to do with the dimensions of time past, present, and future. Gann believed, again with scriptural foundation, that the future is a repetition of the past. We have gone "beyond Gann" by saying that the future is not only a repetition of the past, but it also is a forecasting tool for the present. In a very unusual way, the future prefigures the past, in our present view, as time is seen as a continuum.

We have devised a method of research that analyzes the probabilities of major trend changes in the current market based upon the planetary harmonics in the future! This method represents a quantum leap and a new analytical technique. In a way, it is going "hack to the future" in order to understand the present market situation. It is based upon the scientific hypothesis that time is a continuum in the cosmic realm. Therefore, the future as well as the past is harmonically related to the present! For example, a financial astrologer can tell you that in the future, around November 13, 1989, a dramatic planetary cycle event will occur which should generate a major trend change in the stockmarket. If November 13, 1989 is going to be a major turning point it is probable that this date will also be a one year and/or a six month anniversary from a previous change of trend.

If this is the case, we should also look for a change of trend one year and/or 6 months even earlier (May II, 1989) from that date! Does this future planetary cycle event have a harmonic indicator for the major trend change that occurred exactly one year and six months earlier? In our previous article Beyond Gann: Number Vibration (June/1989 G&EW) we stated "Investors and traders who are awake and aware will profit during this (May 19th) time frame." In the May issue of the Market Systems Newsletter we stated that we were still bullish and that to expect a trend change on May 11th or 12th. This date was 34 Fibonnaci trading days from the March 27th low. This trend change date was based, in part, on what we saw for November 13, 1989, six months later! (figure 4)

ECLIPSES - A PORTENT TO THE FUTURE

Another area of our research using the future centers around the biblical references to eclipses. For example, when the stockmarket opened on January 2, 1987, a dramatic trend change occurred which was the start of a record-breaking three month rally. Traditional astrologers will tell you that the positions of the planets on or around this date do not have any particular alignments in the heavens or significance with respect to the U.S./NYSE natal birthcharts to account for the dramatic trend change.To find the cosmic correspondences for this dramatic trend change, which are also the major harmonic keys for the October 19. 1987 Crash, one must have knowledge of Scripture, planetary cycles and celestial harmonics!

The planet that is said to correlate with dramatic changes and events is Uranus, which also is said to represent computers. Anyone can look in an ephemeris and see that Uranus on Jan. 1, 1987 was located at exactly 23 degrees 38 minutes of the constellation Sagittarius.

When you go “hack to the future” and look at the lunar eclipse of April 13, 1987, you will discover that the numerical degree of this lunar eclipse is also 23 degrees 38 minutes in the constellation Libra. This activated the Uranian energy (dramatic change), as it was a 60 degree aspectation -- the Solomon VIP!

Most revealing, however, is the fact that this lunar eclipse degree is also the exact degree of the fixed star Arcturus which is referred to in Scripture: “Can you bring forth N4azzaroth (Zodiac) in his season? Can you guide Arcturus with his sons (stars of the bear). Do you know the ordinances (celestial laws) of heaven? Can you establish their rule upon the earth? (Job 38:32-33).

According to the Encyclopedia Britannica and the book The Power of Fixed Stars by Rigor. the star Arcturus is called the “hear guard or watcher”. It is located in the constellation Bootes which is symbolized by the Reaper. (fig. 5. On April 6, 1987 the stock market turned bearish and dropped dramatically (fig. 6), coinicing with the April 13th conjunction of this eclipse and the Star Arcturus (“bear watcher”). Was the bearish market reaction during this “cosmic conjunction” with Arcturus a portent to the future October 1987 Crash?

OCTOBER1987 CRASH --A STELLAR PERFORMANCE

To understand the intensity behind the now famous October Stock market Crash of 1987, one must have the knowledge to interpret the significance of the 23 degrees 38 minutes Arcturus eclipse conjunction, and be able to interpret the various planetary events taking place during the October crash.

On October 6. 1987, Venus reached 23 degrees 38 minutes in Libra, thereby making its passover of the degree of the eclipsed Star Arcturus. The Dow Jones Average dropped 90 points on this day providing a dramatic confirmation of the negative influence of Arcturus.

On October l7th/l8th. the powerful Sun also reached 23 degrees 38 minutes in Libra, thereby making its passover of the eclipsed Star Arcturus and completing an exact opposition (180 degrees) to Jupiter. (The previous Sun/Jupiter opposition occurred the day before the September 11, 1986 “crash”).

Also, on Sunday, OCtober 18th, Uranus again reached exactly 23 degrees 38 minutes Sagittarius, thereby generating another intense Solomon VIP aspectation to both the negative Sun/Jupiter opposition and to the eclipsed Star of the heavenly reaper, Arcturus, the “bear watcher”!

Could there be any doubt as to what the outcome would be with this combination of heavenly influences? Only a few market analysts. by whatever means, were able to foresee these events, while it was plainly written in the heavens.

Many investors experienced financial “death” during the passover as the heavenly reaper harvested 508 points (5+0+8=13) from the Dow Jones Averages.

Were you just a “bear watcher” or did you follow the heavenly indicators and sell short on October 6. 1987 (13th degree lunar eclipse). There were unbelievable profits made during this 13 day grand harmonic symphony performed by your Heavenly Host. (see trade confirmations in the Feburary/89 G&EW magazine).

Naturally, the October 1987 Crash was blamed on computer (Uranus) sell programs. After studying the multitude of negative indicators revealed in our “beyond Gann” series of articles, the famous October Crash should no longer be a “mystery”. (Matthew 13:11) fect market timing was the Heavenly Kingdom, and he could say that the keys to this Kingdom have been given to man (Matthew 16:19). Remember, “The law of the Lord is perfect, converting the soul; the testimony of the lord is sure, making wise the simple. (Psalm 19:1-14).

Therefore, “Seek ye first the Kingdom of God, and his righteousness; and all these things shall be added unto you.” (Matthew 6:33)

FOOTNOTES

The book Cosmic Patterns by RCA scientist I. H. Nelson is one of over two dozen books included in the Genesis Market Timing I-tome Study Course (includes research charts). Write for catalogue. 2 The temperature on the sunlit full at which time it also emits infra-red rays that are several times more intense than the rays it reflects from the Sun. During the first five minutes of a lunar eclipse, the surface temperature of the moon falls far below the freezing point, and the emission of the infra-red (electromagnetic) rays ceases (Encyclopedia of Astrology by Devore).

Gregory LeGrand Meaders is the author of the Genesis Market Timing Home Study Course and publisher of the monthly Market Systems Newsletter Dr. Neal Cha hot is co-publisher and manages investment programs. Helen Meadors is the Executive Director in charge of Public Relations. For information call or write: Genesis Capital Management, 2761 Mansfield Dr. But’-hank, CA. 91504 (818) 954-8595

Back to the Basics

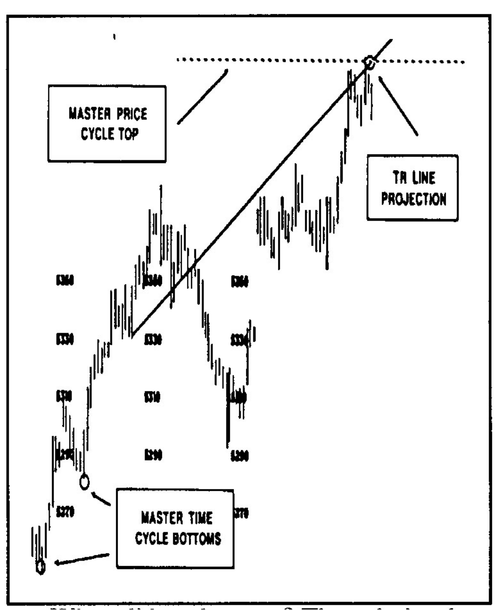
By Terry R. Davis

The key to understanding anything is by going back to the basics! By going back to the basics, I mean to understand the underlying forces that allow you to do anything. If we want to put in water lines we first have to understand how to sweat two pieces of copper pipe together. If we want to learn to drive, it would be a good idea to know where the ignition switch is. Look at our kids learning in school everyday! Learning the three R's is where most of us started our fundamental learning processes. We have built and continue to build on them all through our lives.

The concept of learning before doing has always been sound. But what does all of this have to do with the commodity markets? The great masters of trading perceived things at a different level than the average trader. If there is any doubt in your mind about this last statement I would suggest that you are reading a magazine that is dedicated to this one principal alone. The level we speak of is not a higher plane but a fundamental plane, an extremely fundamental plane. Fundamental in that the nature of their composite discoveries was not based on complicated formulas or black box computer programs but the true underlying causes the why of market action. Gann was obviously the chief spokesman for this fundamental type of trading. In fact, I have yet to see anything that he wrote that didn't fit into this fundamental mold. If the basics are so important, why do we get carried away with all of the other esoteric theories that are out there? Is it possible that in our mile-a-second world we have overlooked some extremely basic principals? The answer is a resounding yes!

If we look at any commodity chart we only have two axis. They are time and price. Let's look at time first and see what we have. Gann stated many times, "Nothing is more important than time!" Our most obvious place to start is cycles.

Libraries have been filled with books about cycles. Two statements presented in all cycle books as fundamental truths are: cycles start with the long-term and divide into smaller and smaller cycles and expect cycles to be 10-15 percent longer or shorter than the average length. These last two statements presented so frequently as fundamental truths are just not so!



When did cycles start? They obviously started at the moment of creation. Well, didn't they? How many long-term cycles were in effect after the Lord had created the world twenty-minutes ago? Not many! I am being mildly facetious to try to hammer home a point. We are trying to stick to the most basic nature of the market. Doesn't it stand to reason that we should have the most basic understanding of it for our foundation? If there weren't any long-term cycles in effect at this time, that must mean that the short-term cycles acting as a composite, make up the long-term. Does it make a difference? Yes, it does! Do we build a house from the roof down, or the foundation up? This is an exact analogy because it points to true fundamental cause and effect. If we could look at the markets with our Celestial Universal Law Book in hand it wouldn't be hard for us to determine the why's of market action. I have yet to see this book for sale.

Let's now approach number two. Cycles can be 10-15 percent off and still be valid. Where do cycles exist, just in the markets? Can we think of any in our daily lives? How about our daily 24-hour cycle. Let's see now, if we deduct 10 percent from 24 hours we get 21.6 hours. Can you imagine what the 6:00 news could do with the first 21.6 hour day. This may strike you as foolish but I am trying to establish the basic criteria for you to look at the markets in a whole new way. If cycles are not exact then how are the astronomers able to predict when the moon will be eclipsed, to the minute, 15 years from now? How are weathermen able to tell you when the sun will rise on July 23, 2006? Cycles are exact! Universal law is not haphazard. Many times in the Bible Jesus Christ said, "I am the same yesterday, today and tomorrow." Don't you think everything, including the markets, must obey universal law?

Let's next turn our attention to price? What do we know about it? It goes up and it goes down, but very little of the time is it stationary. How about cycles in price? Think about Gann's Square of 144. It is 144 trading days wide and $1.44 tall (soybeans). Could it be that there is also a price cycle co-existing with our time cycle. You bet there is! Let's go one step further and present a basic truth. Our price cycle starts at the same time as the underlying time cycle!

Before we go any further we need to take a step backward and clarify a couple of things. I mentioned in the proceeding paragraph soybeans. Are we just talking about soybeans? No! Are we talking about orange juice? Yes! What about the S&P? Yes! How about Swiss Franc? Yes! Why are all of these commodities related? Indeed, why are all commodities related? Because there are only two variables: price and time. Before all of you cycle buffs out there have a coronary let me throw you another curve! All cycles, with the exception of the precious metals are the same length. I can already here some of you crying, "Heretic, Heretic!" There are any number of you that can point to a daily chart and show me a different daily cycle for soybeans than for the S&P. I can do that same thing! What is the point?

We are searching for a basic understanding of what makes the markets as a whole function. When we look at a daily bar on a chart we see what happened over a day's length. What is our most basic time frame of trade. When markets are open don't they trade every minute? When you look at a daily bar for soybeans aren't you really looking at 225 minutes of trading? When you look at a daily bar for the S&P aren't you really looking at 405 minutes of trading? Are you starting to see how we are chipping away at the basics? Do I mean that you should be charting every minute's action? No. The time unit that I have found to be the most accurate on all commodities is the 30-minute time bar (if you pay no attention to this article and do nothing else but start applying what you are already using to this 30-minute time frame your trading profits and accuracy will go up substantially, this is a fact). Intra-day charts tell what is happening now. Isn't that when you trade, when you place an order. Of course it is. Cycles' lengths are all the same, except the precious metals, when you apply our 30-minute time yardstick to them.

We now have a way to relate all commodity markets to a common time frame. Remember that we are trying to build our foundation one piece at a time. This master time cycle is the cornerstone of our foundation, for it lets us relate each part (commodity) of the market as an individual part of the whole. This is very simplistic in nature if you will look at it as such.

We now need to turn our attention back to price. If there is a time cycle that will relate almost all markets, then maybe there also is a price cycle that does the same. Good news there is. There is a price cycle that relates every commodity, including the precious metals. On 30-minute bars all commodity moves are related to the number 44 (by coincidence [?] the lowest price cash soybeans ever sold was 44). Remember, we are talking about our basic 30-minute structure not daily. We are trying to start at the very beginning of knowledge and proceed forward one step at a time.

Let's take an example to make it clearer. Soybeans' price cycle on 30-minute charts is 44. Within the time cycle soybeans will move within this 44 range unless acted upon by other fundamental law. Another fundamental law? It is the law of projection. A noted scientist said, "There is nothing in the universe but mathematical points of force." This statement can be compared to one of Newton's laws: for every action there is an equal and opposite reaction. And finally Davis' Law: present market action predicts future market action. I hope you are starting to see that we are approaching the market as a living entity.

What are these mathematical points of force? They are a derivative of Gann lines. They allow us not only to project moves in the direction of the trend but retracements as well. Before you say, "I have seen this before!" Let me interject you haven't. Gann discovered lines drawn at prescribed angles would project a support level for prices. It seems like everyone that draws any type of trend lines, no matter what the time frame, call them Gann lines (in fact, if all of the information attributed to W.D. Gann is his, then he must have lived to be to be 200 years old). I much prefer to call these shorter term intra-day lines TR lines. The TR stand for Time Ratio. They are a direct derivative of the ratio between our master time cycle and our master price cycle. When we start applying our TR (Gann) lines to the shorter-term intra-day charts they take on much more importance and also play a crucial role in projecting exact price levels and trend change areas (in fact, the shorter the time frame the more exact these projections become. The only problem we have in going to a shorter term than 30-minutes is the sheer volume of work required to handle our charting).

Please see the chart on the preceding page which relates a little bit of what we have learned so far. It is in 30-minute bars.

I would hope you are starting to see the possibilities of this very basic nature of trading. Let's summarize our three basics: 1. Master time cycle. 2. Master price cycle. 3. TR projection lines.

These proceeding laws and the rules that govern them are all you need to be successful in the market. I fully realize that this flies in the face of complicated algorithms, computer programs and, yes, even astrology. Learn the basic underlying rules and structure of any task and your result is assured. Are the markets any different?

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Philosophy of Trading

By Les Clemens

Most people begin trading because they have heard about someone making a million dollars in a year's time and believe it is the easy road to riches. Beginning traders seem to fall into three sets of circumstances.

First: they get lucky on their first trades and make a lot of money. This leads them to believe the game is easy, so they start over trading. Within a year or two they take a big hit and their trading career is finished.

Second: they start trading with a small amount of capital and have moderate success in the beginning with winning and losing trades about evenly balanced. After a time they become impatient and increase their trading size. An unexpected event in the market occurs and all their capital is wiped out on one trade. They have no more money to put in and are forced to quit. This type person will eventually raise more money, start trading again, but probably will never succeed because they did not learn from their previous mistakes.

Third: they begin trading with limited capital and the losses are greater than the winnings. Over the next year or two the performance is up and down, but the losses increase and more capital has to be added to the account. Gradually the losing trades become substantial, the commissions add up and the question arises whether to continue trading. The decision is made to continue for another year to see if the situation can be turned around. More capital is injected and, fortunately, this trader has more capital to add. Finally, the trader becomes more experienced and trading success improves. Also, as time passes, the trader reads many books on technical analysis and attends trading seminars. The combination of the two adds to the trader's knowledge enabling him to become a consistent winner. The determination and persistence of this trader has made the difference. As W. D. Gann stated: "The difference between success and failure in trading commodities is the difference between one man knowing and following fixed rules and the other man guessing."

Most Difficult Task

To become a successful commodity or stock trader may be the most difficult task undertaken in your lifetime. Since the beginning of trading, speculators everywhere have been in search of the Holy Grail (the so-called perfect trading system). The trading system with no losses is non-existent. If everyone were winners, there would be no one to finance the game. The ratio of 90 percent losers and 10 percent winners, or 95 percent losers and 5 percent winners (depending on whose figures are used), has always been true in the past and will remain the same in the future. As you can see from the ratios, a small minority of large traders become wealthy from losses incurred by a large majority of smaller traders. This ratio of losers to winners is approximately the same ratio of wealthy people to the middle-class and poor. Did anyone ever say "life is fair?"

Hundreds of trading systems have been developed over the years in an attempt to take the most money out of the market. Many of these systems are really old techniques being revived. Of all these trading systems, only a small percentage are consistent winners. You must find the best trading system available and develop the discipline to follow its rules if you are to become a successful trader.

The Future is but a Repetition of the Past

Some people say that charts are of no value in determining the future; that they simply represent past history. That is correct. They are records of the past, but the future is nothing but a repetition of the past. Every businessman looks at his past business records to determine how to buy goods for the future. He judges by comparison with past records. We look up the record of a man and if his past has been good, we judge that his future will also be good.

Charts are simply a picture, showing market activity more clearly than words can convey. The same thing can be said in words, but is grasped more quickly when seen in chart form. A man's good or bad physical qualities can be recognized more quickly from his photograph than from a written description of him. To quote the old adage, "A picture is worth a thousand words."

Tops and bottoms in all markets are formed by patterns which repeat over and over again at different times. Once you learn to recognize these patterns (signals) you will know when to reverse your position. As the Bible says, "The thing that hath been, it is that which shall be; and that which is done, is that which shall be done; and there is no new thing under the Sun." This shows that history is but a repetition of the past and that charts are the only guide we have of what commodities or stocks have done in the past and by which we may determine what they will do in the future.

The Trend Is Your Friend

The trend of a market registers the dominating force currents from traders all over the world. It is the buying and selling of all trades and contains the condensed opinion of the majority. The trend monitors the greed, hopes and fears of traders everywhere who are trying to "strike it rich." The trend is a very reliable guide and barometer of supply and demand, it is really the great scale in which the weight of all buying and selling is weighed and the balance of supply and demand shown by the loss or gain in prices.

When supply exceeds demand, prices decline to a level where supply and demand are about equal. At this stage the daily price ranges become narrow and it may take weeks or months to determine which way the next move will be. When demand exceeds supply again, prices will advance.

The Trend always tells the truth, but the trick is, can you interpret it correctly? I always tell people, "The way to beat the market is to become an expert chart reader." This really means you must have the ability to recognize when the trend of the market has changed and then, of course, have the discipline to take a position with the trend. Time and price are the two main factors that make up a market trend. They are constantly trying to seek equilibrium or balance. The market always shows the stronger force - buying or selling, and that is what causes the trend. The trend is up as long as buying is stronger than selling and the trend is down as long as selling is stronger than buying.

Another favorite saying of mine is, "The time to look for a trend change is not as important as knowing when the trend has changed." Once the trend has changed and you take a position with the trend, you must have strong will power and a mind that cannot be influenced by news, false rumors, others' opinions or hearsay. You must stay with the trend until the chart definitely shows you the trend has reversed. A good mechanical trading system will tell you when the trend has changed. This is what W. D. Gann meant when he said, "Let the market tell its own story."

In the trend of the market there are many minor changes and quick reversals that I call noise or jiggles. The market consists of three trends - the main trend, the intermediate trend and the minor trend. The intermediate trend is the one I like to follow, as it produces good profits and allows you to stay in the trade for a fair amount of time.

In short, if you have a mechanical trading system that follows the trend and reverses when the trend changes, you will make a lot of money over time. As Gann said, “If it’s time to liquidate your long position, it’s also time to go short.” Now, do you see why I say, “The trend is your friend?”

Use a trading system that is mechanical and rather simple to understand. The more mechanical the trading system, the easier it is for a trader to control his human emotions - hope, greed and fear. As W. D. Gann said, “The market does not beat you, it is your own human weakness that causes you to defeat yourself.” Follow the rules of your trading system with extremely strict discipline. Never try to lead the market, form an opinion of which way the market is going or ask others’ opinions. Never try to pick tops or bottoms, as most traders who attempt to do so lose. You can become wealthy by taking profits of 1/2 to 3/4 from each trading range. Wait until the market shows a definite change in trend and then follow it. If you trade with the trend at all times and always use stop-loss orders, you will become a very successful trader. I am closing with my favorite words of wisdom form W. D.. Gann which I recite at the beginning of each trading day, “Prepare yourself for the unexpected to happen, which it usually does.”

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Gann's Time, Price and Pattern Factors

By Robert Miner

Gann was a wholistic trader. Just as a wholistic doctor considers all aspects of his patient's health mind, body and spirit. Gann considered all aspects or dimensions of the market in his analysis and trading. The three dimensions of the market are time, price and pattern. Trading activity is not likely to be successful unless the position of the market relative to each dimension is considered at all times. Any trading plan that is to be consistently successful must consider all three dimensions of the market before a trade is initiated.

Time Factor: Gann considered time to be the most important factor in the marketplace. If we are able to time our trades properly, we will take all the profit that is available from market activity. Market timing is the least understood and often not considered in a traders plan.

Price Factor: Price analysis is usually the easiest dimension of market activity to prepare for. Once a trader understands proportion and ratio of price activity, it is not difficult to determine well in advance the price levels that have the highest probability of reversal. However, price should only be considered relative to the time and pattern factors. The weakness of most trading systems is that they only consider price in their analysis. The result is almost a guarantee of a losing trading plan if price is the only consideration in making trading decisions. This is why virtually all trading systems and trading plans based on price alone are a sure road to failure in the business of speculation.

Pattern Factor: The trader must be familiar with past price pattern activity relative to any market he wishes to trade. All markets undergo repetitive price patterns over time. A study of past price pattern activity will reveal those price patterns that repeat over time and indicate the most probable subsequent price activity to anticipate when they are recognized.

Only when the trader recognizes that each dimension of market activity must be considered in a trading plan is success ensured. Gann recognized the importance of considering all aspects of the market at all times when he stated, "Use all the rules, all the time." There is no one rule or dimension of the market that will determine a trading plan and a cause for taking action. The importance of each factor is only relative to the position of the market relative to the other factors.

Important Time Factors for September 1989 - Gold Market	
Sept. 4 =	90 weeks from the 12/14/87 bullmarket high (Important time count)
Sept. 4 =	49 weeks from the 9/26 intermediate term low (important time count)
Sept. 5 =	62% time cycle ratio of the bull market from 2/85 - 12/87 (important ratio of past time cycle).
Sept. 7 =	Seven-year anniversary of the 9/7/82 major high (important time count and anniversary date of past important price extreme).
Sept. 10 =	62% of the price range in weeks of the 8/25/76 low - 1/21/80 high (price square in time).
Sept. 17 =	1.236 of the price high (June contract) of the 12/14/87 bull market high in calendar days from 12/14/87 (important ratio of price squared in time).

Table 1

Let's see how we would integrate each factor into a trading strategy that would indicate when to position ourselves in low risk and low capital exposure trades.

Let's take a look at the time, price and pattern position of the gold market going into September. We are going to examine how we would view the position of the gold market relative to all three dimensions of the market prior to an important change in trend. If any trading methodology or trading technique is valid, it must be able to indicate at any time in any market what decision is to be made. I will describe some the time, price and pattern factors that were evident at this point in time.

Time

There are three important time factor methods Gann described. I have described these in past articles in this magazine. 1) Time Cycle Ratios -every time cycle is related to a past and future time cycle in an important proportion found throughout all natural activity. 2) Time Counts - there are particular counts of time from prior important highs and lows that project when change is likely. 3) Price Square Time - the value of important price highs, lows and ranges relates to future time cycles. This relationship of price to time is a unique concept of Gann. (Please see Table 1).

These are all important time factors relative to major price cycles and extremes that indicated an important change in trend was probable in September 1989. There were many other intermediate and shorter term time factors that coincided with these dates. Time factors alone do not indicate whether a change in trend is likely to be a high or low or how important that change might be if it should unfold. That is why the time factor must be considered relative to the price and pattern factors (please refer to table 1).

Price

Price should always be viewed from all perspectives, not from just a single contract month's prices or the spot prices. Let's look at the price relationships of the gold market from the December 1987 high from two perspectives, the December and June contract month prices and the spot or nearest futures prices. Across the top are the dates of important intermediate term swing highs and lows beginning with the bull market high of December 14, 1987. They are labeled with wave counts for reference. The numbers in parenthesis are the price swing from the prior high or low (please refer to table 2).

The initial decline into the February 1988, low was a $92 swing, just $3.00 beyond a Fibonacci 1989, verses the June contract prices. Prices of many markets often make short, intermediate and long term highs and lows at the termination of price swings at or very near numbers in the Fibonacci series. The initial major advance from the February 24, 1985 bear market low was a price swing of $92 low verses the June contract made a bottom at a 39.3

Price Relationship of Gold

Begin		W1	W2	W3	W4	W5
	Dec. 14,87	Feb. 29, 88	June 3,88	Sept. 26, 88	Dec. 12,88	June 9,88
Sept.	502.5 (+221)	424 (-78.5)	469.5 (+45.5)	392 (-77.5)	433.3 (+41.5)	356.5 (-77)
Dec.	502.5 (+201)	441.5 (-61)	485 (+43.5)	395.5 (-89.5)	433.5 (+38)	367.5 (-66)
June	521 (+234)	429 (-92)	469.5 (+40.5)	412 (-57.5)	448.5 (-36.5)	356.5 (-92)

W1-5 = 146 (spot), 135 (Dec.), 164.5 (June)

Table 2

percent retracement of the February 1985 - December 1987 advance, just less that $3.00 from a 38.2 percent retracement.

The W3 range was 89.5 verses the December contract. W3 verses the spot contract was $77.50, just one dollar short of the W1 swing verses spot. As you can see, if a trader or investor were only to view the price activity of a single month's contract prices, this important and typical relationship of W1 and W3 would not have been evident. Verses all three price perspectives, W4 and W2 were closely related. This is another typical relationship of corrections to a trend.

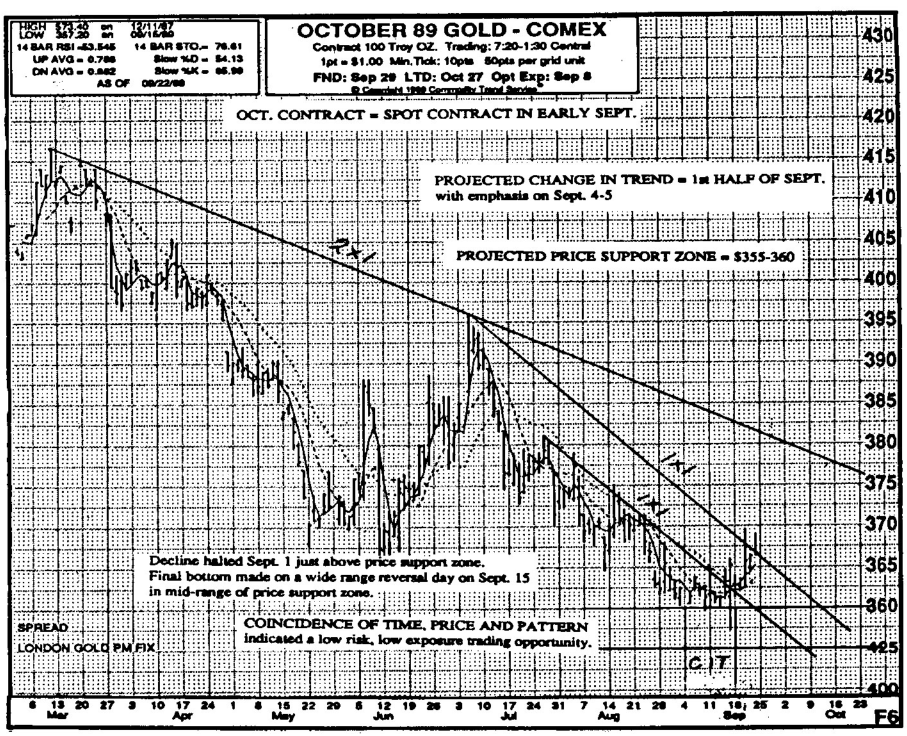
W5 was 92 verses the June contract prices, exactly equal to W1. W5 was $77 verses the spot prices, within $1.50 of W1 and W3. W5 bottomed at a $146 range from the December 14, 1987 high verses spot prices. One of the most important Fibonacci numbers is 144. The W5 low was made at a 67 percent retracement of the February 1985 -December 1987 advance verses the spot and December prices.

It is critical to view the markets from several price perspectives to get an accurate picture of the price position of the market. Many so called Gann trading and analysis experts ignore spot prices. Gann did not, and neither should you. As you can see, the spot price relationships were critical in understanding the price activity from an intermediate and long term perspective.

The various price factors indicated that the $355-$360 price level would have a high probability of resulting in significant support. There were many other price factors relative to prior shorter term price cycles that also indicated support at this price zone.

Pattern

The weekly spot chart for gold is illustrated on the following page. From an Elliott Wave perspective, gold may have made a textbook five wave pattern into the June 1989 low. The wave/price relationships certainly exhibit the symmetry typical of such a pattern. Gann described this typical price pattern long before Elliott's work. Gann described it by stating that, "Most



trends terminate after three sections in the direction of the main trend." If the June/September double bottom verses spot prices is to result in an important low from where a rally will ensue that will at least correct the entire decline from the December 1987 high and will be greater than any other rally since the December 1987 top, the June/September double bottom must not be exceeded verses the spot prices.

The intermediate term time, price and pattern factors had all indicated in advance that an important low was likely to form in the first half of September near the $355-$360 price zone. It must be emphasized that all this information relative to each dimension of the market was available in advance of a change of trend.

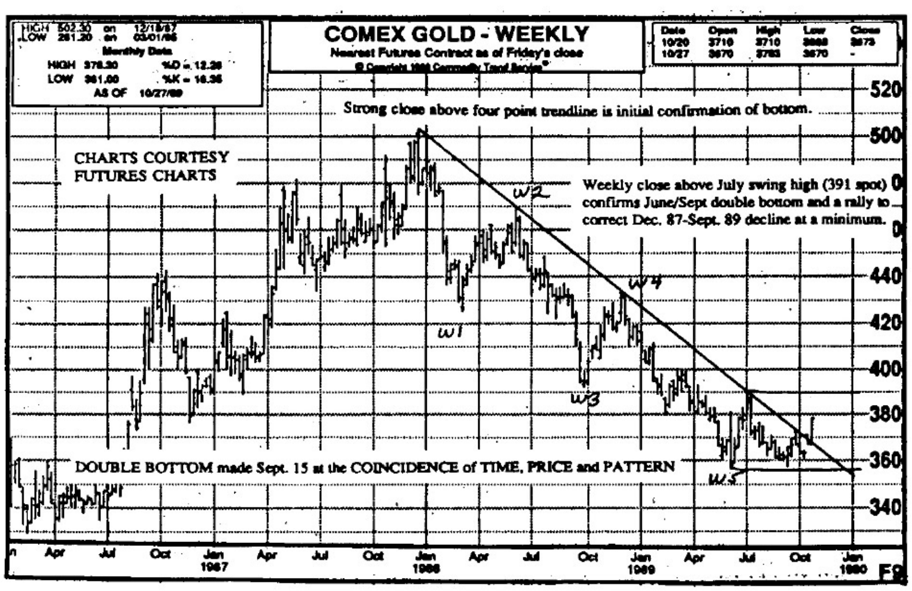
When time, price and pattern coincide to indicate a high probability of a change in trend, we are able to enter a position in the market with low risk and low capital exposure. Let's look at a trading strategy that would take advantage of our time, price and pattern analysis.

Trading Strategy

Assumptions: 1) Time Factor - the cluster of longer term time factors indicates that the first half of Septermber is likely to result in an important change in trend. The most important time period is likely to be September 4-5. 2) Price Factor - the price zone of $355-$360 is likely to result in significant support. 3) Pattern Factor -price pattern activity indicated the completion of a longer term price pattern in the $355-$360 price zone. If price were to reach the important price support zone in the time period indicated, a low risk opportunity to enter a position would be presented.

Gann stated throughout his work to only enter a position on, "indications of change in trend. In other words, go with the flow of the market activity. No matter what the market analysis indicates, have the patience to wait for the market's activity itself to indicate change before taking action.

Price made a low June 9 at 356.5 verses the spot contract right in the important support price zone. The price and pattern factors indicated an important low was probable. However, the time factor was not yet evident. On September 4, price tested that low verses spot prices. The time factor now indicated an important longer term low was likely at this price and time. The market was now making a double bottom at an important price support zone, completing pattern that typically results in an important change in trend at a time period that



indicated change was likely. A trade should only be entered when the market activity itself suggests a reversal in trend.

My strategy was to enter a long position on any day beginning September 5 (September 4 was a holiday) that price made a reversal day. In other words, a day when a new intraday low is made with a close above the prior day's close. Each day a new close only order is entered if a new intraday low is made. Reversal days do not unfold at every top and bottom, But when they do at the coincidence of time, price and pattern indications of change, it is a sure sign of at least a minor change in trend.

On September 15 price makes a new low and closes above the close and high of the prior day on a wide range reversal day. A long position is entered at the close at $369. Stop is at $362.50 or one dollar below the prior low of September. Normally I would place the stop one dollar below the low of the reversal day. In this case the reversal day was such a dramatic, wide range day that it was not necessary to place the stop that far away from the close of the reversal day. If price was to continue to advance, it should not exceed the nearby minor support prior to the reversal day low.

Three days later, price makes another wide range advance and exceeds the reversal day high and close. The low of September 15 is confirmed for at least a minor advancing swing. Once an initial swing high is made and exceeded, confirming the continuation of the advancing trend, the stop will be advanced.

We can never know how far or how long a trend may continue. The objective is to enter a position at the coincidence of time, price and pattern in order to position ourselves for an extended trend swing. If the reversal and subsequent swing results in a minor move, I have at least reaped a small profit that keeps me in the game for the next opportunity to position for an extended swing.

At this point in time (October 30), the price activity has not confirmed the September 15 low as a longer term low. With the stop advanced with the rally above the initial swing high of September 27, at least a modest profit of $1000 per contract is ensured. Only a weekly close above the July high (390 spot) will indicate the continuation of the advancing trend.

There are no certainties in the market place. The best a trader can do is to develop a trading plan that takes advantage of the time, price and pattern factors and trading strategies. 'Trading success is ensured to the trader who follows proven trading techniques and strategies and exercises the discipline to only enter trades when all dimensions of the market indicate reversal of trend or trend continuation.

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The End of the Fifth Wave

By Dan Akin Dimock

Perhaps, but although it might increase the number of winning trades, the average profitability of each could suffer. Also, much more is involved than just looking for five waves. To illustrate, let me give you a "pop quiz," asking you to solve one of the problems I present to my students. If according to the corresponding pattern involved, one could know which Elliott movements would end in three waves and which would end in five, could outstanding results be achieved? Is such knowledge all that is really necessary in order to earn a profit? Let's talk about it.

Elliotticians recognize that wave sequences of the same degree numerically alternate in the sense that threes follow fives and fives follow threes, and that the one exception to this alternation occurs only within counter-trend movements, where threes as well as fives can follow threes. But the final wave of any corrective pattern (other than triangular) will always subdivide into five waves rather than three.

Obviously, we can't know for certain whether a movement is going to actually develop into three or five waves until the fact occurs. We can only anticipate the event through the implied forecast of the previous pattern. But because five is the maximum number of subdivided waves of the same degree that may occur within any wave, it makes our trading a lot safer by waiting to enter a position at the end of that number. And because most corrections end with five subdivided waves rather than three, which works to our advantage, we are able to enter our trading positions with far less risk in order to capture most of the profitable primary movement that follows.

But suppose a trade is entered upon the completion of a five wave movement which is assumed to be wave (please refer to figure 1), with the expectation of profiting from an immediate change in trend to the opposite direction, which does occur. To monitor this new movement we use the knowledge that all odd numbered (main trend) waves always subdivide into five smaller waves, as would be the case if wave 1 of the larger five wave primary trend followed our entry. But instead, the wave we have entered subdivides into only three lesser waves. It is then followed by an abrupt reversal which quickly eliminates all profits. One way to address this

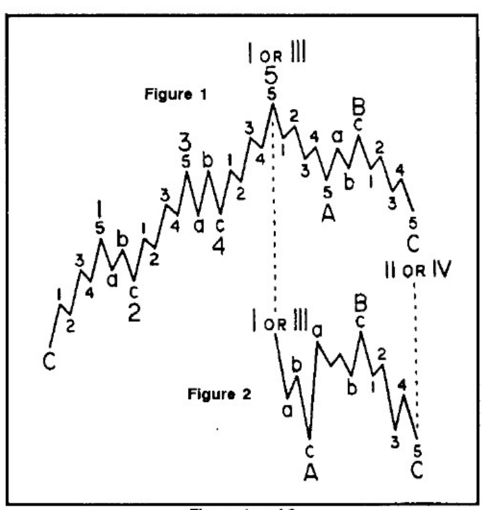


Figure 1 and 2

would be to never hold a profitable position beyond the conclusion of three waves of the same degree as the five waves that preceded them.

Conversely, suppose a market is expected to end on three waves (which it does, temporarily). But at this point the three waves are incorrectly interpreted to be the three waves of a corrective A-B-C (5-3-5) zigzag pattern. Because of this mistake the trader assumes the corrective phase is over and therefore takes a position in the opposite direction. But after a pull-back, the market then resumes its trend to complete a five wave movement (5-3-5/3-5) against the newly established position. One way to deal with this, other than by using stops is to rely on the Principle's "guarantee" (as I interpret it, but some would disagree) that no movement will fail to develop in less than three waves. By this, the trader can wait for the market to retrace, in three waves, back toward the point of entry where a less damaging (or a break even) point of exit may be taken. What do these examples teach us? To never enter a position at the end of three waves? Or to never hold a position beyond the conclusion of three waves?

Consider: The market has just completed five waves. Are we immediately headed into a correction, or has one just ended? Look again at figure 1, but no fair peaking at the answer. Does the big picture that immediately comes to mind speak so loudly that it's difficult to hear what is being asked? Did your first thought tell you one thing, because that's what it appeared to be; your applied understanding yet another, because you looked deeper? Did Elliott write it, or, are you (like me) so accustomed to seeing, and therefore visualizing the five impulse waves of the familiar lightning bolt that is used to properly illustrate his writings, that it tends to override his written explanation of the Principle?

Now for the answer to the five wave question. Did you answer yes, no or maybe? Either answer could be correct, depending on the five wave pattern involved. They don't all indicate the same outcome, therefore more information is required. Of the six possible patterns, five may be seen in figure 1, and one in figure 2 (incidentally, it was a trick question, let's refer back to it now). The question requires another question. Which wave containing five waves has the market just completed? By knowing which five wave movement is currently ending, we can know what the next wave will likely be (implying where the market is headed, relative to where it is) and thus how, or even whether, to trade it.

Interlocking Patterns

And so we see that more information is needed than just the number of waves in order to make intelligent trading decisions. For instance, wave formations have special identifiable characteristics which exist only in certain patterns. The skill to recognize these must be developed. In knowing which of these formations are indigenous to which patterns for their correct interpretation, the serious Elliott Wave student can substantially reduce the number of surprise occurrences that plague the unprepared trader. Identifying characteristics uniquely individual to each wave, and noted how various waves would only interlock with certain others just as with separate

Through association, he or she can know how to reasonably forecast in the earlier stages what each completed pattern will likely be (whether three or five waves), before the "guaranteed" third wave (and occasionally the first) of that pattern has ended. The experienced Elliott analyst can then more frequently anticipate, and take defensive measures against many unwelcome events. This is where the pay off can come in the form of much higher profits from winning trades and less draw-down in the fewer losing ones.

In reality, we know that these various patterns (which develop from the price activity reflected on bar charts) do not develop independently of, but rather because of and in harmony with the other market conditions. That's what makes the Elliott Wave Principle the valuable gauge that it is; collectively reading and inputting these combined conditions into one visible overall pattern out of the many possibilities that could develop. And by progressively narrowing its options in reaction to the trading in mass, will settle on a single identifiable pattern which alludes to the precise beginnings of the next market reversal.

As Frost and Prechter observed, "If you keep an hourly chart, the fifth of the fifth of the fifth (wave) in a primary trend brings you within hours of a change of direction in the market. It is a thrilling experience to pinpoint a turn, but never get hooked on the Principle so deeply that you refuse to recognize other technical tools."~2~ And R.N. Elliott made this comment about his findings, "Investment markets themselves progressively foretell their own future." He went on to explain, "Waves indicate the next movement of the market by their patterns whose beginnings and endings are susceptible to definite and conclusive analysis. (3)

Please read Elliott's statement again, and note particularly the words definite and conclusive. Unhedged words from an accountant who spent the better part of his life in a profession requiring the utmost in accuracy to describe that the markets are saying, first hand, what they are going to do next. What Elliott had uncovered was the language, a visual language of patterns, which the markets use to communicate how many waves a current movement, and the next, will sustain, and in which direction. But that language must be correctly interpreted in order to provide value to you and me.

So Elliott isolated and labeled each wave, making correct interpretations possible. He observed special pieces to a puzzle. He found these interrelated waves would then develop into repeating and therefore recognizable patterns that would connect to and imply what form the next pattern would commonly assume and in what configuration it would normally end, with no gaps occurring throughout the entire process.

To the best of my knowledge, this unbroken chain of interrelated patterns has not failed to appear on any day in any market during the approximate 55 year span that first of all Elliott, then his personally trained and licensed students, and then those that were to follow after, began applying his discovery to the markets (incidental, for those Fibonacci readers, The Wave Principle was written 34 years into this century, parts of which we are now discussing 55 years later, 89 years into the century).

Endnotes:

(1) Another type of C wave, which always subdivides into three waves, occurs only in triangles.
(2) Frost and Prechter, Elliott Wave Principle, Gainesville, GA; New Classics Library, Inc., 1978, p. 72.
(3) Ralph Nelson Elliott, Natures Law, chapter XIX, 1948.
(4) If you are new to Elliott, this book is the place to start. If something less involved than a book is preferred, you could begin with Numerical Structure, by Dan A. Dimock. This book has a simple, step-by-step format on the elementary level. Available from the author.
(5) Two particularly fine and educative newsletters are The Elliott Wave Theorist, edited by Robert Prechter, Jr., and The Elliott Wave Commodity Forecast, edited by Dan Ascani. Both are available through New Classics Library, Inc., (404) 536-0309.

Dan A. Dimock is a registered trading advisor. Professional services include: personalized Elliott Wave instruction,FR.E.D. (sin) managed accounts and fee consultation. The Dallas Institute of In vestment Finance, P0. Box 742422, Dallas, TX 75374 -2422; or call (214)248-7822.

Symbols, Numerics and the Law of Vibration

By Gregory LeGrand Meadors with Helen Meadors and Neal Chabot, Ph.D.

Gann never fully revealed (his methods for market VT forecasting. Therefore, if we wish to reconstruct his methods, we must go back and study his sources of knowledge - the places from which Gann himself discovered his secrets. Gann’s published writings provide clues to his sources of knowledge. In his January 15, 1921 Journal of Commerce interview he states that his calculations are based on, The science of letters, numbers and astrology.’

Another reference is found in his book Tunnel Thru the Air (which many have overlooked) where Gann states (chapter seven), “I am a believer in the Bible. It is the most wonderful book ever written, a book of science, philosophy and religion. I claim that all scientific laws are laid

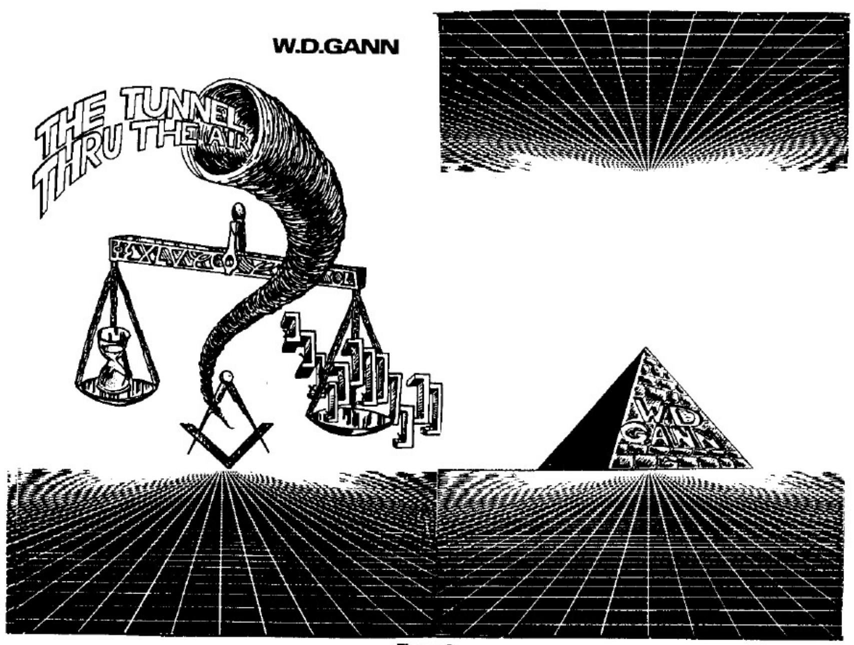


Figure 2

The front and back cover designs from Gann's book, *Tunnel Thru the Air* reveals a purposeful use of Masonic symbolism and numerical values. Gann's use of Gematria and numerics is particularly evident by his choice of the shortened version of the word through. THE (2+8+5=15=6) TUNNEL (2+3+5+5+5+3=23=5) THRU (2+8+9+3=22=4) THE (2+8+5=15=6) AIR (1+9+9=19=1). When the values for these words are added together the total equals **22**, a "master number". The master numbers (**11, 22, 33**) are not always reduced. The numerical value of the word THRU also equals **22** which leaves the remaining words having the value of 18 (666). The numerical total of all the letters equals 94 which reduces to 13 (9+4). The numbers 13, **22** and 666 are the numbers of Solomon (SLMN=1345=13=4; OOO=666) which again total **22** (6+6+6+1+3). (see 2 Chronicles 9:13). The subtitle of this book is *Looking Back From 1940*. The total numerical value is 83 which reduces to the master number **11**. The total number of letters & numerals in each title equals 19 for a total of 38 which again is a master number (3+8=**11**). When you add the 1940 date value (1+9+4+0=14) to the total value of the consonants in the second title you obtain 52 (Gann's square of 52) and when added to the vowels you obtain the well known Gann number of 45, which is engraved on the balance beam. The geometric pattern above and below the pyramid is symbolic of the concept "as above, so below". The 12 price bars can represent the 12 major constellations. Published by Lambert Gann Publishing, Pomoroy, Washington.

Figure 1

down in the Bible if a person knows where to find them."

At first glance Tunnel Through the Air appears to be a "fictional" love story unrelated to the financial markets. On a deeper level, however, this book expose Gann's most important sources of knowledge in this book, both through its content and in the symbolism of the book cover design.

The back cover of this book displays the Great Pyramid, which is also pictured in the Great Seal of the United States (Figure 1). The pyramid shape is also found in the arrangement of the 13 stars on the U. S. Treasury Seal. Students of the Great Pyramid have found in its structure many forms of knowledge (known since antiquity), including geometry, mathematical ratios, astronomical correlations and even dates at which future events would occur!

As we wrote in a previous article, Beyond Gann.~ Number Vibrations (G&EW June '89), the symbolism contained within the Great Seal of the United States and within the U.S. Treasury Seal provides keys that open doors to market timing knowledge. Since the Treasury Seal is on all U.S. currency, wouldn't it be fortuitous if the key to understanding the financial markets (U.S. Treasury) has been in our wallets all along? With knowledge and understanding it is possible to achieve amazing accuracy in forecasting the markets.

We have previously discussed Gann's use of cosmic influences. In this article we shall also discuss some of Gann's other methods. We will demonstrate Gann's use of the science of letters and numbers as applied to his writings, the Bible and the markets.

We must go back in history to a time when letters and numbers were much more interrelated than they are now. Many would be surprised to learn that the ancient Hebrews and Greeks had no numerals as such. They performed arithmetical calculations with the letters of their respective alphabets. In Hebrew and in Greek, letters also served the function of representing numbers. Therefore, every word, had a numerical value based upon the sum of the letter values.

In ancient manuscripts including the Old and New Testaments, not only are the numbers of chapters, verses and pages indicated by combinations of letters, but there are many examples of special spellings and unusual phrasing that also have simultaneous symbolic meanings. Biblical

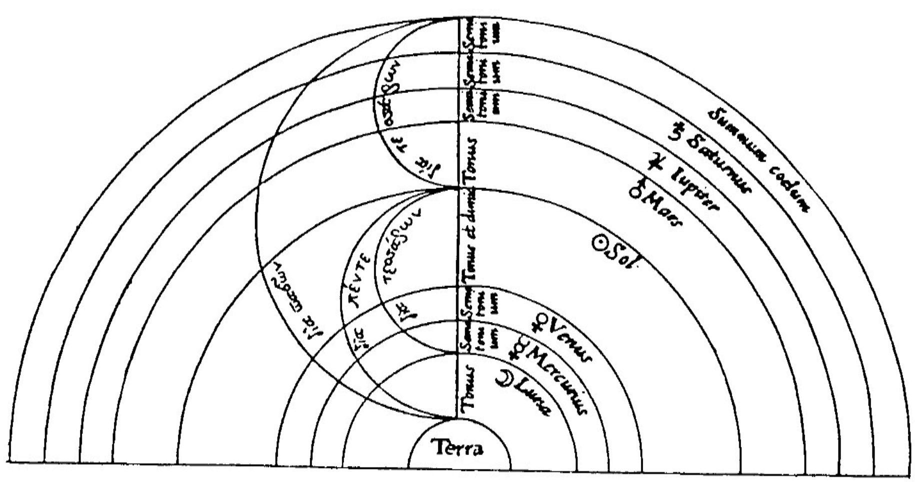


Figure 3

The intervals and harmonics of the spheres.

In the Pythagorean concept of the "music of the spheres," the interval between the earth and the sphere of the fixed stars was considered to be a diapason--the most perfect harmonic interval. The above arrangement is most generally accepted for the musical intervals of the planets between the earth and the sphere of the fixed stars. From the book *The Secret Teachings of all Ages* by Manly P. Hall (footnote 6).

interpretation based on the numerical values of letters and words is called Gematria, which is probably derived from the Greek geometry, whence comes the English noun, geometry. It is a fact that in the composition of the Old and New Testaments, and other ancient writings, this number-letter code method was utilized in order to preserve a record of arcane knowledge, while at the same time concealing the real significance of the writings from those who were not initiates. Gann's use of arcane knowledge is evident in his writings, and some of the symbolism he made use of is also preserved in the Great Seal of the United States and in the U.S. Treasury Seal.

We have deciphered the symbolic correspondences within the Great Seal of the United States and the U.S. Treasury Seal, providing us with valuable keys to forecasting the markets. The pyramid symbol on the dollar bill was placed there by some of our Founding Fathers, many of whom, like Gann, were Masons. The front cover design of Tunnel Through the Air (Figure 2) also contains Masonic symbols which signify natural laws. For

The Electromagnetic Spectrum

Frequency Hz		*Wavelength* m
10^{25}		
	cosmic rays	10^{-16}
10^{23}		
		10^{-14}
10^{21}		
	gamma rays	10^{-12}
10^{19}		
	X-rays	10^{-10}
10^{17}		
	ultra-violet	10^{-8}
10^{15}		
	visible light blue red	10^{-6}
10^{13}	infrared	
		10^{-4}
10^{11}		
	microwaves	10^{-2}
10^{9}		
	radar	
	U.H.F.	1
	V.H.F. F.M. radio	
	television	
10^{7}	shortwave radio	
	A.M. radio	10^{2}
10^{5}	medium wave radio	
		10^{4}
10^{3}	long wave radio	
		10^{6}
10		

Figure 4

Just as we emotionally react to electromagnetic vibrations of the visible spectrum (sight), we also respond to other cosmic electromagnetic vibrations which cause psychobiological changes, thereby affecting mass investor psychology.

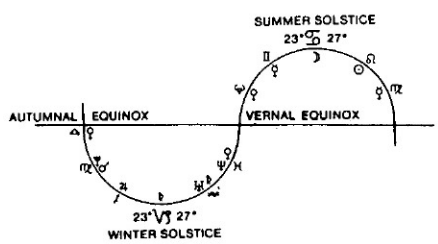


Figure 5

The seasonal Sun/Earth cycle is usually displayed as a wave pattern starting with the Spring Equinox (Aries) which is traditionally used as the beginning of the Zodiac. However, by following the Scriptural reference to the *midpoint of times* thereby using Libra as the starting point, a hidden correspondence can be revealed in the wave pattern. The constellation Libra (said to be governed by Venus which represents love and money) is symbolically represented by the *Scales,* which appear in the cover design of *Tunnel Thru The Air,* Gann's letterhead logo, and also within the U.S. Treasury Seal. Obtaining knowledge of the cosmic influences for market timing requires viewing the heavens from a historical perspective. To see a symbolic message revealed in the Sun/Earth wave pattern turn the page on its side.

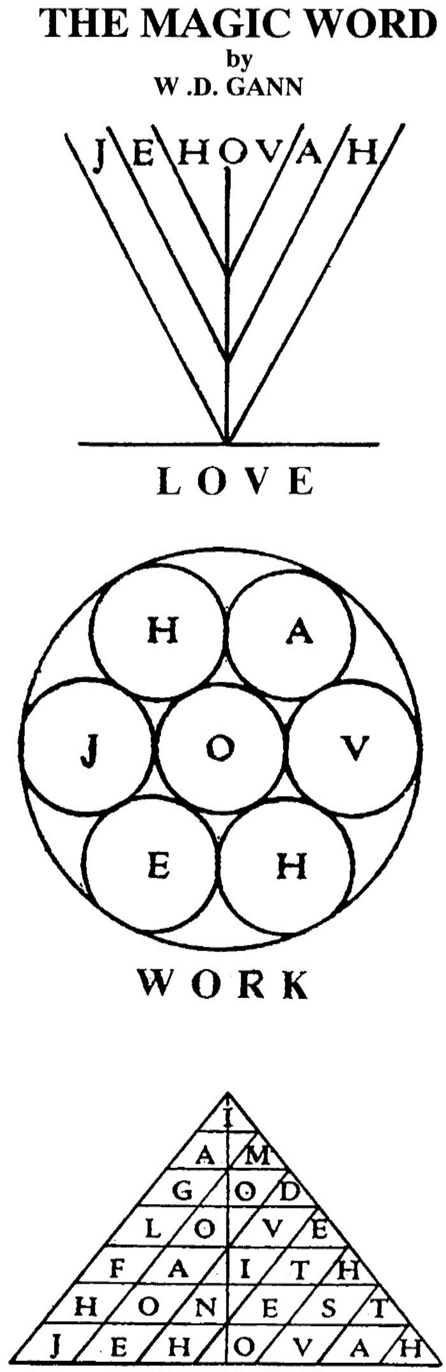


Figure 6

Gann's book *The Magic Word* contains three symbols. The top symbol contains six 60-degree angles (6 x 60 =360 circle/cycle) and when combined with the vertical line provides the seven points, which is symbolic of the Jewish Menorah. The candlestick can represent the seven known planets of Biblical times. The seven circles contain the Seal of Solomon (Figure 5). The Seal of Solomon also appears in the astronomically designed Stonehenge (Figure 8), and symbolically in the planetary pattern that occurred during the Harmonic Convergence August 25, 1987 top (Figure 9). Each degree angles made by each of the seven lines from the base of the Pyramid to a side equals 1/7th of a circle.

example, interwoven in the balance beam are the Roman numerals XLV representing the 45 degree angle -- the major angle drawn on price charts for major support and resistance. This number also represents a complete cycle, as the numbers one through nine added together equal 45.

The scale is balanced between price and time, which is symbolic of Gann's technique of squaring price with time. The Masonic pictures of the compass and the carpenter's square also represent the 90 degree angles of a square and the 60 degree angles of an equilateral triangle (the geometric structure used in the Seal of Solomon).

The number of segments of the triangle (three) added to the number of segments of the square (four) equal the number seven. Gann considered the number seven and its multiples to be critical vibration points in price and time. The number seven also has numerous correlations with Scripture and with natural laws.

One Biblical correlation to the number seven (and its accompanying vibrations) is revealed in the story of Jericho where the children of Israel followed seven priests blowing seven trumpets for seven days in their march around the city of Jericho, and on the last day circled the city seven times (Figure 5) before its walls fell (Joshua 6). Gann considered the number 49 (7x7) to be the "death zone." Note that the Dow Jones 1987 first quarter record breaking rally stopped when the Dow reached 49x49 (2401) on March 26, 1987. This was immediately followed by a sharp 120 point two-day drop which offered knowledgeable traders over 100 percent profit in OEX put options.

In another Biblical correlation, Noah was commanded to take into the ark all clean beasts by sevens (Genesis 7:2). The often heard story of pairs of animals going into the Ark and commonly

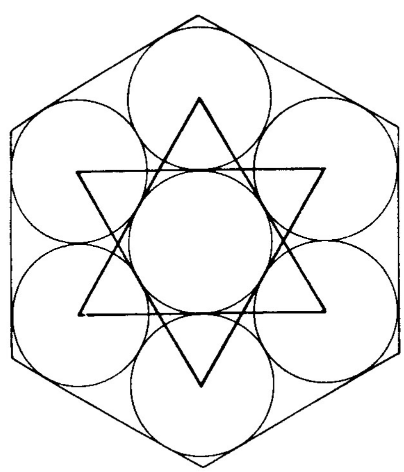


Figure 7

The article *Beyond Gann: Vibration Inversion Points* (February 1989 issue of G&EW) reveals the numerous correlations between major market turns and certain geometric planetary patterns that correspond to the structure of the Seal of Solomon.

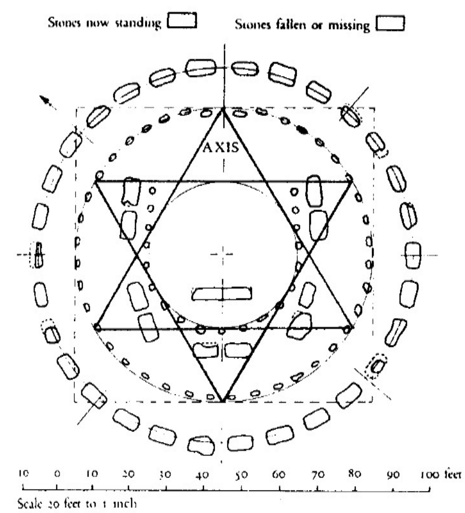


Figure 8

The ground plan of Stonehenge overlaid by the Seal of Solomon. Design from the book *The Dimensions of Paradise: The Proportions and Symbolic Numbers of Ancient Cosmology* by John Michell. (see footnote 6) pictured in Biblical stories refers only to the unclean beasts.

A notable feature in the Hebrew Tabernacle was the Menorah, a golden candlestick with seven branches. Gold represents the Sun and the seven branches may also represent the seven known planets in Biblical times. In Revelation we also have the seven angels which stand before God, also for the seven Churches; and the seven Spirits which are before his throne which God sent forth into all the earth. The number seven also appears in Revelation exactly 52 times -- the number of weeks in a year and the basis for Gann's square of 52. The people of biblical times used a lunar calendar which was based upon the seven day lunar phase. Interestingly, when we add the numbers from one to seven we arrive at the sum of

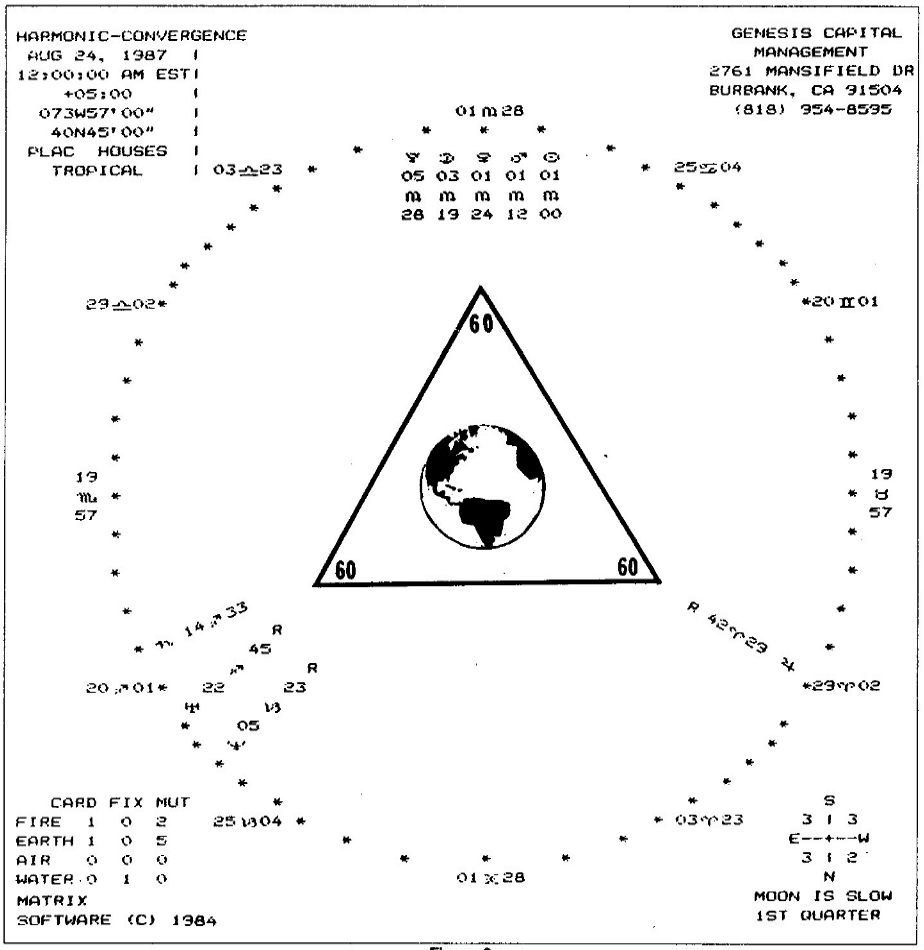


Figure 9

As viewed from the earth (geocentric), on the date of August 25, 1987 (stockmarket top) the inner planets were all in conjunction. This multiple conjunction occurred exactly **18** (**666**) months and **180** degrees from the *future* February 1989 eclipse. However, when the planetary pattern is viewed from a different perspective the cosmic pattern reveals the geometry of the Seal of Solomon with a **666** vibration. King Solomon received **666** talents of gold (Chronicles 9:13) each year (Sun cycle). Gold is said to represent the Sun which in turn is represented by the constellation Leo symbolized by the Lion (or the beast). Could the number of the beast of Revelation (**666**) be a symbolic representation of the Lion referred to as a beast in Revelation 4:7? The Amplified Version of this well known Scripture clearly states that **666** must be ***deciphered*** for its true meaning: "Here is (room for) discernment - a call for the wisdom (of interpretation); let any one who has intelligence (penetration and insight enough) calculate the number of the beast, for it is a human number - the number of a certain man; his number is **666**. (Revelation 13:18 Amp).

Interestingly, the numerical value of the *52 letters* of the NEW YORK STOCK EXCHANGE INCORPORATED, WALL ST, NEW YORK, NEW YORK equals **666**. Was it just coincidence that the 1987 high was **66.6** times the crash lows of this century (July 8, 1932). When the Sun enters into the constellation *Virgo* (the woman clothed with the Sun; Rev. 12:1) at the Autumn Equinox, it rises at 6 A.M. Six hours later it reaches its zenith, and in another six hours it sets (**666**). The word Solomon means Sun in three languages and thus an expression of *light*, as well as of knowledge, and understanding.

28- the number of days of a lunar cycle.

More importantly, our sense of existence correlates with our visual perception which can differentiate seven colors, and these are but a small segment of the electromagnetic spectrum. The human body also contains numerous sevens in its construction which is neurologically structured like a receiving antenna for electromagnetic waves and vibrations of many kinds. Just as we emotionally react to the visible electromagnetic spectrum (light vibrations), we also respond to other electromagnetic vibrations (invisible light) of cosmic origin (Figure 4). It is from this electromagnetic scale (ladder) that the planetary Laws of Vibration were developed by ancient philosophers. A ladder of correspondences in which various planets were correlated with the notes of a musical scale was the basis for the divine harmony known as “the music of the spheres (Figure 3).”

This leads us to the most important and (up to now) least understood of Mr. Gann’s methods -- his planetary Laws of Vibration, in which he correlated cosmic vibration with stock and commodity prices. In our previous article entitled Harmonics and the 1987 Stockmarket Crash (Nov., G&EW) we demonstrated several unique and advanced scientific techniques using celestial harmonics with biblical astrology for market timing which has proven to be far superior to traditional astrology. Cosmic vibrations are influenced by planetary patterns. These patterns have a present and historical correlation to price patterns in the markets. This demonstrates that human emotions of optimism and pessimism in the market are often a reflection of these cosmic vibrations.

In the 19 70’s a study of historical price movements in the stock market was undertaken with the support of influential persons in universities, government agencies, and major corporations. The findings were published in the book, Man and Cosmos, which revealed that stockmarket price movements had a high degree of correlation with cosmic cycles and planetary positions. Man’s psychobiological rhythms of pessimism and optimism were shown to be a reflection of cosmic rhythms.

The importance of obtaining knowledge of cosmic patterns and of the elements is revealed in the following Scripture: “For he gave me sound knowledge of existing things, that I might know

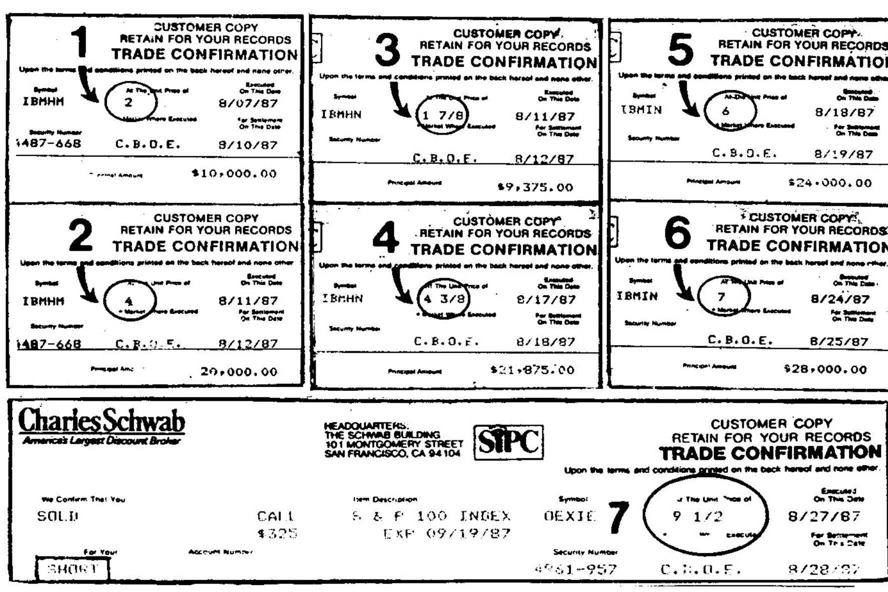
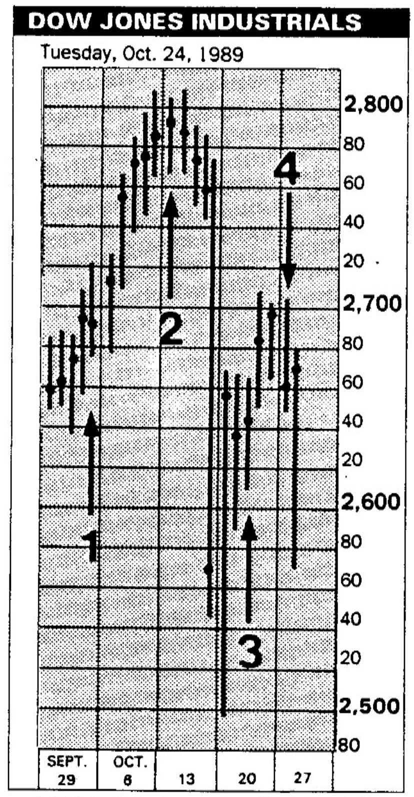


Figure 11

Actual trade confirmations demonstrate the leverage of stock options. IBM stock options generated over 250% profit when IBM stock increased 10% from 160 per share to 176 during the August 1987 Harmonic Convergence!

the organization of the universe and the forces of its elements, the beginning and the end and the midpoint of times, the changes in the sun's course and the variations of the season, cycles of years, positions of the stars . . Such things as are hidden I learned and such as are plain; for Wisdom, the artificer of all, taught me (Wisdom 7:17-22 N.A.B.)."

With the knowledge of the historical correlations between cosmic rhythms and psychobiological rhythms (mass investor psychology), we were able to forecast the exact August 25, 1987 all time high six months in advance based upon the future Harmonic (planetary) Convergence (see Newsweek article August 17, 1987 on the Harmonics Convergence). Interestingly, this cosmic event correlates with the following Scripture: "And a great sign (wonder warning of future events of ominous significance) appeared in heaven, a woman clothed with the sun, with the moon under her feet (Revelation 12:1 Amp)." The top of the stock market occurred at the time of the



In the September 29, 1989 *Market Systems Newsletter* we stated, "As of today it appears that the direction of this *(fast)* move will be to the upside (until October 9th). For those who like to trade short-term, the following dates have the energy for some **interesting counter-trend** moves. Look for what we believe will be minor downward or counter-trend moves on the 9th, 12th, 19th, 23rd, 27th and 31st. The **9th** and the **27th** are the most important. However, October **23rd** is 34 tradings days from the September 5th high and the 24th is a one-year anniversary date."

The above graph from the October 29, 1989 newsletter shows that the October **9th** trend change date was the exact closing high of the Dow. Note that the September forecast for the *fast up-move* ended when the S&P 500 index reached exactly 360 (6 x 60; circle, cycle) which was exactly 144 (Fibonacci) points from the October 1987 Crash lows. The Dow reached exactly 53 squared. This was the start of the downturn leading into the *(Friday the 13th)* 190 point one day "mini-crash" .

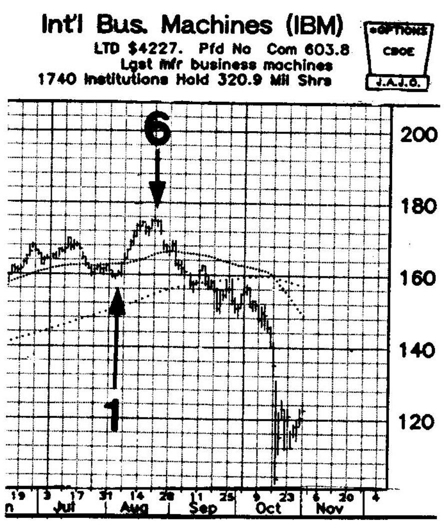


Figure 12

Virgo new moon (woman clothed with the sun and moon) as the Sun, Moon, Mercury, Venus and Mars had left the constellation Leo (element of fire) and entered the constellation Virgo (element of earth). It was a very rare multiple geocentric conjunction of the inner planets (Figure 9) which formed multiple 120 degree aspects (angles) to the outer planets. Thus the fiery overheated stock market reversed direction and came down to earth.

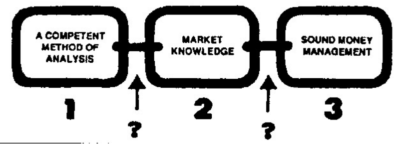
The cosmic patterns that occurred during the grand Harmonic (planetary) Convergence foretold the stock market 1987 top. Remember Gann's statement in Tunnel Thru the Air "In making my calculations on the stock market, or any future event, I get the past history and find out what cycle we are in and then predict the curve for the future, which is a repetition of past market movements. The great law of vibration is based on like producing like (as in repetition of wave patterns). Wireless telegraphy, the phonograph and the radio are based on this law. The limit of future predictions based on exact mathematical law is only restricted by lack of knowledge of correct data on past history to work from." This quote ends on page 77 in Chapter seven symbolizing the Masonic 777 sequence which is repeated in the letter total in the phrase "United States of America" Again, Gann's source for perfect market timing was knowledge of the natural laws and of the Heavenly music which sings with the knowledge of coming events. (Job 38:6-7)

1) The book The Great Pyramid Decoded by E. Raymond Capt. explains how the Great Pyramid reveals Biblical prophecy and time cycles.
2) From the book The Great Seal of the United States by Paul Foster Case.
3) Trade confirmations in the October 1989 Gann & Elliot Wave show that we enjoyed a 130 percent profit from the OEX "put" options.
4) The article Harmonics and the 1987 Stockmarket Crash reveals how Biblical references, celestial harmonics and the April 1987 eclipse of the Star Arcturus (the bear watcher) (Job 38:32-33) portended the October Crash! See advertisement or send $5.00 for reprint.
5) Historical astronomy claims mythology fathered the delineations of the heavenly bodies, but it is evident that the classic fables and myths, surrounding the constellations, are mere corruptions and imitations of an older and original composition. From the book Glory of the Stars (a Biblical study of the Zodiac) by E. Raymond Capt.
6) The Genesis Stockmarket Home Study Course includes over two dozen books, some of which are referred to in our "Beyond Gann" series of articles.
7) The numerical value of the 21(777) letters in the phrase UNITED STATES OF AMERICA totals 84 (7x12) which is the cycle in years of the planet Uranus. The consonants have a total value of 39 (3x13) and the vowels total 45.

Gregory LeGrand Meadors is the author of the Genesis Market Timing Home Study Course and with Dr. Neal Chabot publishes the monthly. Market Systems Newsletter ($266 1st yr.) Helen Meadors is the Executive Director in charge of Public Relations. Genesis Capital Management, 2761 Mansfield Dr., Burbank, CA 91504 (818) THE-GANN (843-4266)

The Chain of Command

By Robert Krausz



You are looking at the Golden Chain that is owned by every successful trader on Planet Earth-there are no exceptions. If we examine the chain link by link, we find that each link is of equal importance and all three depend on each other. If one is dropped or is weaker than the others, the entire chain collapses. When the three links in the chain are checked out and the trader feels convinced that he has all under his command and still loses money, that is when the true importance of the small interconnecting links is realized. The question marks in the above illustration become gigantic and overbearing. When the trader finally realizes that discipline is not enough to hold the chain together and that P.S.M. (Psychological Self Mastery) is required to transform a chain of burden into a chain of command, only then can confident trading begin. First let us examine the links in the chain.

LINK #1--A COMPETENT METHOD OF ANALYSIS

A competent method of analysis, otherwise known as a good trading method. Without this you are dead in the water. The question has to be asked, “What can be classified as a competent method?” The word that counts is competent. Many books have been written on this subject, mostly of no use at all to the full-time trader or investor. I will list what I, as a professional trader, consider to be the essential features of a competent methodology:

A) The methodology should show you clearly when the contract you are tracking has gone into a trendrun.
B) Advance warning setting up when the trendrun is possibly aborting.
C) Sufficient warning that congestion may be ending and a trendrun may commence, with an indication of the direction of that trendrun.
D) It should keep you in that trendrun for the maximum time possible (naturally keeping this within the frame of reference of the methodology).
E) The technique should help to define support and resistance areas to enable the trader to buy support and sell resistance, and not to rely on breakout trading which tends to follow the herd instinct.
F) All of the above points should be applicable to any time period that suits your TPT (Traders Psychological Temperament). What is the point of using a trading technique that only works on the daily barchart, when your TPT is clearly suited to the hourly time period? Not only will you lose money, you will finish up in the losers corner together with 90 percent of all commodity traders.

Please realize that we are discussing here the minimum requirements. the features of placing stops correctly has not even been mentioned. The speed with which you can become aware of being incorrect is also an important part of a good technique. The whole essence of a workable methodology is to provide the trader with a frame of reference that enables him to act under virtually any market condition, and that action should be more often correct than not.

LINK#2--MARKET KNOWLEDGE

Having market knowledge may sound corny or even childish, but how many of you really know how the markets actually work? Have you ever been on the trading floor in Chicago or New York or London? If not, why not? Even G.P.'s visit their local hospital sometimes.

Do you know the other players in the game their strengths, their weaknesses? What is their role in the markets? Which of them are market movers?

Do you know who are the market makers in the commodities you trade? Have you ever shaken the hand of the floor trader who actually places your orders?

Do you know why sometimes your order can not be filled, even though it traded through your price point? What are the most important segments of the trading day? How can all of the various government figures effect your contract? Are you aware of the difference between cash and futures of your preferred commodity? Do you know your brokers birthday?

LINK #3--SOUND MONEY MANAGEMENT

Sound money management is a big subject; some people consider this to be a part of competent technical trading technique. Some small portions, such as stops, could possibly be, but your trading ability will increase if you master this as a separate subject.

This is bottom line stuff, and if you want to stay in the game for years to come, this subject has to be mastered. Unfortunately, this has been a much neglected matter in books, seminars and magazines. Why, I do not know.

The basic concept (what ever your approach) has to be to place only a portion of your trading capital at risk each time you commit yourself to a trade. What percentage of your capital are you prepared to place? For how long? How much are you ready to lose each time you enter the market? Thirty percent at risk, or even 80 percent? Does it depend on how strong each trade is? It must be obvious that these questions have to be answered before any funds are committed to the market.

There you have the three links that make up the chain of command. Do you have all three under control and the discipline to carry it out and still you are losing in the markets, or just breaking even? Perhaps a tiny profit for the large risks you are taking? So what is wrong? Are we talking about the old greed and fear syndrome? No, it goes much deeper than that. The name of the game is confidence. Not the surface, shallow confidences of the showman, but the deep, solid confidence that comes only from knowledge of our own behavior during the stress of trading.

Instead of examining our trades, we should check how we reacted to a small loss. Were we too euphoric over a good profit? Was our judgment correct when we found ourselves on the wrong side of the market? This kind of self analysis may eventually lead to P.S.M. This road is very long, but there is a shorter and more sure route. What we are saying here is that confidence in our knowledge of links one, two and three is the foundation, but the glue that holds all three together is confidence.

The question marks in the illustration are most appropriate, as virtually every trader at some point in his trading life reaches the question mark stage. Is P.S.M. possible to a degree where confidence is automatic, without taking ten years to reach it? The answer is yes. The human brain does not care whether you are a large or small trader, the lack of confidence is registered day after day in the same area of your brain. The more it registers as such, the more stressful your trading becomes, and the more stress, the greater the imprint on the brain. To achieve P.S.M. this imprint has to be erased, and until it is erased, stress-free confident trading on regular basis is very hard to achieve.

To understand this process, we need at least a general idea as to how the mind works (of course, the writer is aware that it is more complicated than the description here, but for this purpose, a simple explanation must suffice). Actually, the brain is a large muscle, there are two spheres: the left brain and the right brain. Each side has its own function. The left side handles mostly logic, numbers, linearity and analysis. The right brain on the other hand does a totally different kind of job imagination, music, color, conceptualization and rhythm. The left brain is also responsible for keeping us safe and in control. If you doubt this, have a couple of vodkas and see what it does to your Left brain.

If we are to erase the unwanted imprints from our brain (and this absolutely has to be done if we are to change our low level of confidence), then it is necessary to access the part of the brain that can do this job for us quickly and efficiently.

Furthermore, it is not enough to erase the imprints we do not need, but they have to be over ridden with positive images that will bring about P.S.M.

Our brain emits from the second we are born (some may say even before), a brain wave energy that can be, and is, measured. During our normal every day activity, our brain emits 14-21 cycles per second. This is universally called the beta level. The next level below this is called alpha, and here the brain waves drop down to 7-14 cycles per second. We have a still lower level called theta, but we are not concerned with this here. The reality is that, although during the alpha level our cycles drop to the 7-14 range, the actual energy rises. This can be put to use.

What we have to realize is that while we are at beta level, our conscious mind is in full control of our activities. In fact, it is your conscious mind that stands as a guardian over all your actions, keeping you safe and filtering out the messages from your subconscious mind.

It is your right brain that tends to act in concert with the subconscious mind and it is your subconscious that we have to tap into to do the job in hand. Our primary purpose is to lower our brain waves to alpha level where the conscious mind is put to sleep so to speak, and is no longer acting as a guardian at the gate, and we can now gain access to the subconscious mind. Why do we want to do that? This is the seat of your memory, all of your actions and outside stimuli are recorded here since the day you were born. All of your good and bad habits emulate from here. If we want to change any of our behavior patterns, this is the place to start. We are extremely fortunate that the subconscious cannot differentiate between reality and imagination.

Therefore we can take advantage of this and tell our subconscious that we are already happy, confident traders and it will accept it as reality. Not only will it accept it but it will help with all its might to create that reality. Such is the nature of our subconscious mind. This is the reason why creative visualization! hypnosis/subliminal tapes work.

Now it is up to us to create the situation where we can lower our brain waves to alpha level to access our subconscious in a relaxed state. Once this level of relaxation is reached the habit altering work can begin. I have worked with a number of traders and within four to six sessions of self hypnosis with creative visualization and goal setting the confidence level rises dramatically.

From that point onwards the road becomes smoother, and the trader realizes what confident trading really means!

Robert Krausz is a full-time independent trader. He is the producer or the “Subliminal Tapes” for traders, master hypnotist and member of the British Hypnotist Examiners council. He lives in Florida.

Angle Plotting

By Jack Weiss

W.D.Gann said, 'Time is the most important factor in the forecasting of market movements. Joseph Rondinone, a student of Gann's in 1954 (just a year before he died), agreed in theory with the master, but Joe could never find a reliable way to incorporate time with commodity market price movements. Gann stressed anniversary dates. Joe found them to work sometimes and not work others.

After nearly thirty-five years of trial and error, Joe discovered a reliable trading method that would fuse price relationships with time (or more accurately, space). Joe calls it The Presto Five/Four Angle Trading Method. As far as is currently known, it is a unique system of plotting and trading.

The basic principle behind angle plotting is this: more emphasis must he placed on wide (or big) trading range days than on small ones. All technical traders have only four values to denote each day's trading action: the open, high, low and close. Conventional chartists plot each day on a single vertical bar line. The open is usually shown with a slight hash mark on the left of the bar, the closing price with a hash mark on the right side of the bar. It matters little if the day is a big, active day or a small congestive one.

Trend lines are drawn to suit the chartist and he then decides on his trading strategy. The most frequently used trend line is the standard forty-five degree line from a significant low or down from a prominent peak. It is Joe's contention that what appears as a forty-five degree angle on a conventional bar chart is really not representative of what has happened in the market. In other words, a twenty-five cent move in beans should carry more significance than a five cent move. And it is not uncommon for such trading activity to happen side by side.

Joe knew there had to be a better way to flush out Gann's price and time theory. Joe realized that it was just a matter of simple logic that four values (open, high, low and close) could not give a true picture of one day's trading activity.

So after years of experimentation, Joe developed the angle plotting method. This method gives weight to the open and the close of each day in relationship to either the high or low of that particular day, using a preset angle.

Figures 1 and 2 represent the same thirteen days of trading in the September 1989 Yen contract. Figure 1 is the conventional method used by Gann. The open is indicated by a small

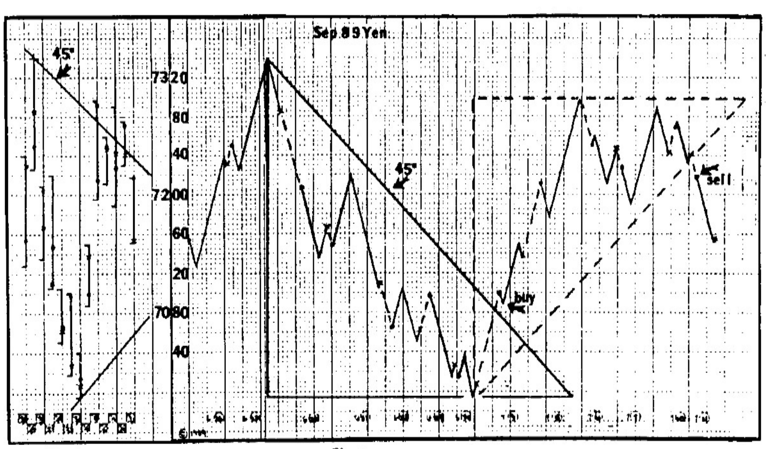


Fig 1 Fig 2

dot and the close by an “x” on a vertical bar which is capped on either end by a left-pointed high mark. This denotes the entire day’s trading range.

Figure 2 shows the same data, but in the angle plotting method. A solid line triangle encloses the trading activity from the second day forward. As the price descends it eventually fills the space toward the apex (where the forty-five degree angle and horizontal line meet). The price must either go lower, thus expanding the size of the triangle, or else trade above the forty-five degree line. As seen, the price jumps the forty-five line, immediately signaling a buy

The upthrust in the market is shown enclosed within dash-lined triangle (Joe does this to simplify chart reading). The price moves into a consolidation phase and then breaks down once again and gives a sell signal.

Both Figures 1 and 2 show forty-five degree lines. In the conventional chart picture, the long side trade would be missed entirely. In all probability, the trader would have decided to go long upon the upside penetration of the downsloping forty-five line. This would have resulted in a losing trade as the market immediately went into a consolidation period of four trading days, then went lower.

Figure 2 gives an entirely different chart picture. It shows that until there is a violation of the angle plotted forty-five degree line the trader should stay with a profitable position. The trading confidence this one principle gives the trader is invaluable for maximizing opportunities.

There are seven trading principles used in the Presto Five/Four Trading Method. Each principle has evolved from several decades of research. It is evident that Joseph A. Rondinone has taken W. D. Gann’s work to another level when it comes to fusing price and time. Joe believes his work will revolutionize technical analysis and conventional charting methods. After seeing Figure 2, you may agree.

Jack Weiss, a commodity broker with First Texas Futures, Inc. 8440 Walnut Hill Lane, Ste #680, Dallas, Texas 75231 Joseph A. Rondinone can be reached at Commodity Projections Systems, Inc., 6826 Town Bluff Drive, Dallas, Texas 75248.

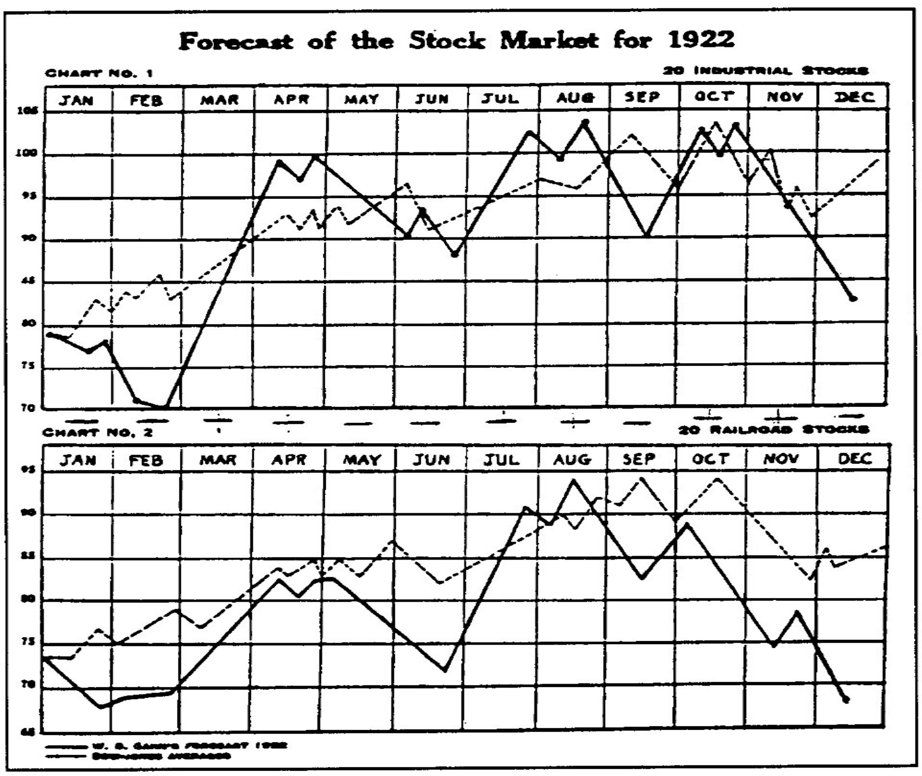
Gann's Annual Forecasts - Part Five

By Chuck Carpino

In all the articles I have done on Mr. Gann's forecasts, the one theme that I have been most impressed with is his accurate predictions on the general trend for the year. His 1922 predictions continued his streak of correctly anticipating the overall trend. Figure 1 shows his industrial and railroad curves for the year with actual price comparisons.

He knew that the year would be a bull market, especially the first six to eight months. Originally, he felt that the end of the year would be bearish and that some severe declines would take place. He revised that portion of his forecast in two supplements issued in September and November. In the former, he correctly changed his low from September 15 to the 30. In the latter, he notified his subscribers that stocks had bottomed in late November and would not decline any further in early December like his original forecast had predicted.

In the 1922 forecast, Gann predicted three highs for the year. One high would occur in April, with the other two in August and October. The three highs forecasted for 1922 is an example of his preoccupation with numbers, especially the number three. Whether the market was making three peaks, three sharp up days in a row or three lower lows in a trend, Gann felt that the



This year indicates a Bull market in stocks, especially the first six to eights months. The latter part of the year is more bearish and some severe declines will take place. The year 1922 promises greater properity for this country, improved business conditions, and a much better outlook than was experienced in the latter part of 1920 and in 1921. We will have some unfavorable periods at times and our Government will be confronted with some serious problems. There is danger of war as treachery is shown on the part of some foreign power who is supposed to be our friend. But the major influences favor success and general prosperity.

Figure 1

number three had a special meaning. He anticipated a change in trend after the third time the same event occurred. This pattern of threes will occur so often that it deserves to be the subject of discussion in a future article of Technically Speaking.

The astounding aspect of Gann's 1922 forecast was the prediction of the possible yearly high for October first to the 15 or 18 to the 24. The actual peak came in at 103.43 on October 14.

As for his monthly trends each month, you can judge for yourself whether he was correct. It seems his railroad curve was more accurate than his industrial forecast. In this year, some of the cycles just did not work out. Specifically, the late February lows, the late April tops and the mid-December lows failed to materialize. I have always said that his method was not perfect and that at times the cycles will simply not work. However, in the long run, his method is the most consistent and accurate of any available today. I say this because I know it is possible to draw a monthly curve with the correct highs and lows that will closely match stock prices most of the time.

To support this statement I have not only included a comparison of my July, August and early September forecast (written July 10 for this magazine's October - November issue), but also my September (figure 2) and late October -November (figure 3) forecast as projected in my monthly newsletter, The Timefactor. From these charts, you can see how it is possible to project future price trends and the highs and lows. During this July through mid-November time

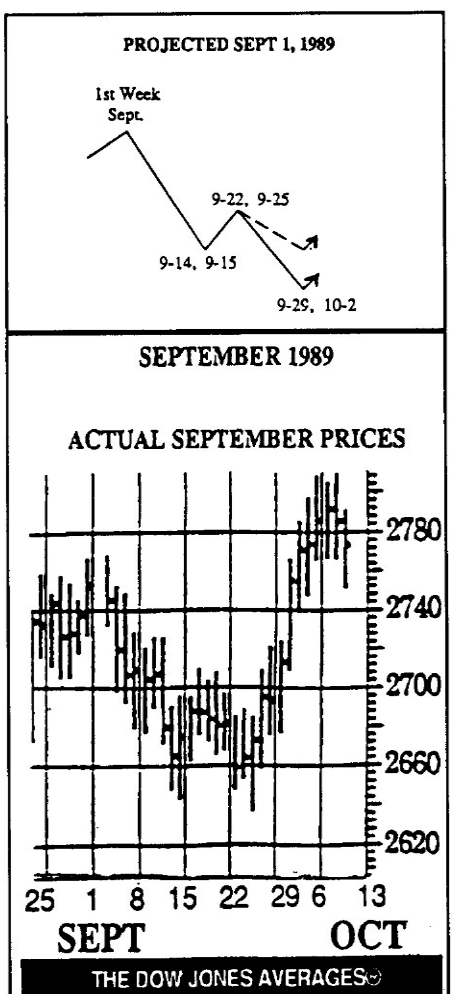


Figure 2

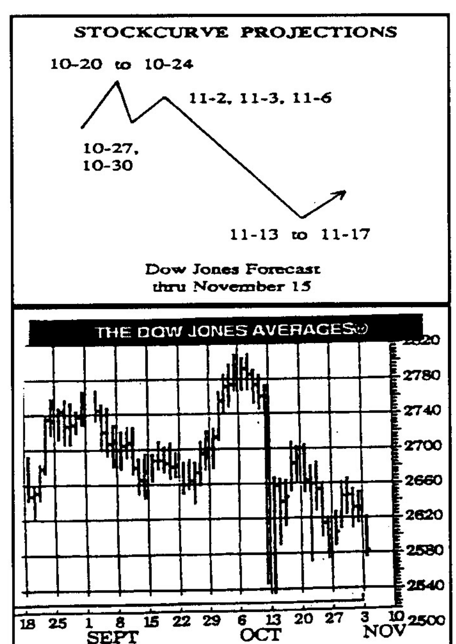


Figure 3

span, the only error I made was the drop into October 13 - 16. I simply made a mistake in my analysis and missed that low (it was definitely there). It would have been impossible though, for me to indicate the magnitude of that drop.

In regard to the composition of Gann's forecasts, you might be interested in knowing that the price movements to double tops or lower tops is more interpretive than objective. Let me give you an example of this in Gann's 1922 forecast of the railroad averages. He shows in his curve that the October peak will be a lower top than the August high. Actually, the October peak was a double top. He hedged this lower top prediction for October by stating in the narrative section of the forecast that, "It is possible if the rails are leading and are very strong that the October top may be nearly as high as the August top."

Now you know why my forecasts will usually only be done 30 days in advance. One gets a better feel for the internals of the market and the general mood of the market and one can more easily determine if prices will make only a small rally into projected tops or a larger rally to new highs in our top projections.

As you can see, Gann hedged his projection because he did not have a black box or a crystal ball to give him all the answers. He did however, have a scientific method that worked better than what anyone else has been able to formulate. Unfortunately for the general public, he never revealed how he did it in any of his commercial bonds or courses.

I suggest that for those with inquiring minds to read his 1909 interview with Wycoff. In this article, he hints at his technique in conceptual terms. When you grasp the concept, you can then begin your research that will eventually lead you to confidently make the kinds of specific forecasts shown in this article.

Balance of November

According to my cycle work, the Dow should make lows the week of November 13 - 17. The first day it closes up that week will identify the low. Stocks should rally until the 20 -22 and then make another low around November 29 or 30. Bonds are consolidating sideways to slightly up which is very bullish, because in the week of November 13 the cycles in bonds will begin to push bond prices higher.

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Gann's Law of Vibration Decoded

By Gregory and Helen Meadors with Neal Chabot, Ph.D.

As a young stockbroker, W.D. Gann already suspected that there were unseen causes, operating behind the scenes, that were responsible for certain price movements in stocks and commodities. He liked to think that these hidden causes were part of a natural law that was secretly at work in the markets. As he acquired more knowledge and developed his theories, Gann systematized his theory of price movement and called it the "Law of Vibration ". "

Gann's "Law of Vibration" has never been fully published. Gann kept his deepest secrets out of the popular books that he wrote about the markets, so it is difficult to reconstruct the precise steps by which Gann acquired his knowledge and developed his theories. When Gann did choose to be more revealing about his system, he did so in the supposedly fictional book Tunnel Through the Air The best description which Gann gives of his secret principles is in the 1909 interview he did for Ticker Magazine (later called the Wall Street Journal). Based upon the quotations in this interview, our article will elucidate the nature of Gann's "Law of Vibration."

In the Ticker Magazine interview Gann states, "In going over the history of markets and the great mass of related statistics, it soon becomes apparent that certain laws govern the changes and variations in the value of stocks and there exists a periodic or cyclic law, which is at the back of all these movements. Observations have shown that there are regular periods of intense activity on the Exchange followed by periods of inactivity."

"I soon began to note the periodical recurrence of the rise and fall of stocks and commodities. This led me to conclude that natural law was the basis of market movements. I then decided to devote ten years of my life to the study of natural law as applicable to the speculative markets and to devote my best energies toward making speculation a profitable profession."

Gann believed that all successful men, be they scientists, doctors, or businessmen, have devoted years to the study of their particular professions before attempting to practice them. Similarly, Gann spent many years in the pursuit of knowledge in order to turn his speculation into a profitable profession. Although we do not know all the sources Gann studied during this ten year period, we do know they included symbolism, geometry, mathematics, numerology, astrology, and the Bible.

With regard to esoteric symbolism, our previous article entitled, "Symbols, Numerics and

the Law of Vibration" demonstrated how both hidden knowledge and scientific principles are revealed in the symbolism of the Great Seal of the United States. Likewise, the symbolism of the U.S. Treasury Seal also provides keys to secret knowledge. (Figure 1)

The "Law of Vibration" which Gann discovered was far removed from something like probability theory. Rather it was a definite and precise way of forecasting prices, in accordance with periodic law. As he stated, "After exhaustive research and investigations of the known sciences, I discovered that the Law of Vibration enabled me to accurately determine the exact points to which stocks or commodities should rise and fall within a given time. The working out of this law determines the cause and predicts the effect long before the Street is aware of either."

This makes it clear that Gann was working not just with time cycles, but with actual resistances and support points in prices themselves. Even more surprising, Gann says that his discoveries apply not only to long term movements, but also to short term trades, and even for day trading!

"The law which I have applied will not only give these long cycles or swings, but the daily and even hourly movements of stocks. By knowing the exact vibrations of each individual stock I am able to determine at what point each will receive support and at what point the greatest resistance is to be met."

It is apparent that Gann is talking in this interview about a law of vibration which is intrinsic to the stock or commodity. In other words, the law of vibration operates from within the particular entity. The stock or commodity is not something entirely passive that is acted upon by an outside force. Gann refers to a stock or commodity as if it is actually a live entity, possessing its own particular vibration: "I have found that in the stock itself exists its harmonic or in harmonic relationship— the driving power of force behind it. The secret of all its activity is therefore apparent. By my method I can determine the vibrations of each stock and by also taking certain time values into consideration I can in the majority of cases tell exactly what the stock will do under given conditions."

"From my extensive investigations, studies and applied tests, I find that not only do the various stocks vibrate, but that the driving forces controlling the stocks are also in a state of

Figure [illegible]

vibration. These vibratory forces can only be known by the movements they generate on the stocks and their values in the market. Since all great swings of movements of the market are cyclic, they act in accordance with periodic law."

Since most vibrations we are familiar with can be mathematically described, it is evident that Gann was using mathematical calculations—the algorithm of his "law of vibration" —to describe and predict the movement of prices. What is also clear is that Gann is referring to a dynamic system with two centers of operation, physical and metaphysical. It is not just a linear cause-effect relationship from point A to point B. Rather, there is a unique bipolar relationship in which a stock or commodity is acted upon or changed by a larger causal influence in accordance with natural law. And, being acted upon by this larger causal influence, the price of the stock or commodity is modulated according to its own particular vibratory pattern. The stock or commodity price then reacts upon the larger vibrations (feedback loop) so that the result is both unique and predictable. It is not a simple one-way mechanical system, but a complex interplay of vibratory rates which are mathematically determinate and descriptive.

"Thus I affirm, every class of phenomena, whether in nature or in the stock market, must be subject to the universal law of causation and harmony. Every effect must have an adequate cause. If we wish to avert failure in speculations we must deal with causes. Everything in existence is based on exact proportion and perfect relationship. There is no chance in nature, because mathematical principles of the highest order lie at the foundations of all things."

What does Gann mean in saying that the vibratory forces are from the "highest order"? As we have demonstrated in previous articles, we need the understanding of "heavenly wisdom"—the knowledge of cosmic and planetary cycles. Some are familiar with cycle research which attempts to understand the many price cycles in the markets, but many times this study is confused by the fact that almost all of these supposed regular cycles are in fact irregular, occurring at varying intervals. However, by looking upward to heavenly phenomena and planetary cycles, we readily observe both regular (heliocentric) and irregular (geocentric) cycles. For those who wish to understand how such influences are possible, it has been documented for some time that cosmic patterns and celestial events affect man's psychobiological rhythms (mass investor psychology).2

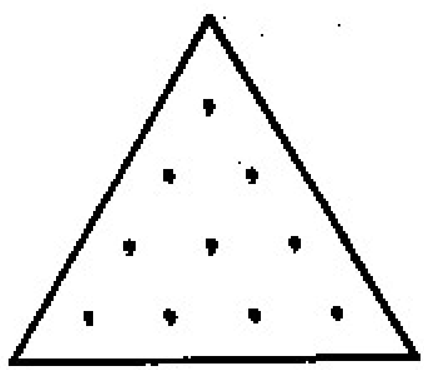


Figure 3

THE TETRACTYS

Theon of Smyrna declares that the ten dots, or tetractys of Pythagoras, was a symbol of the greatest importance, for to the discerning mind it revealed the mystery of universal nature. The Pythagoreans bound themselves by the following oath: "By Him who gave to our soul the tetractys, which hath the fountain and root of ever-springing nature." (From the book *Secret Teaching of All Ages* by Hall)

scale, where numbers and ratios deter-

In the same interview, Joann talked about stocks as if they possessed some numeric life all their own: "Through the Law of Vibration every stock in the market moves in its own distinctive sphere of activities, as to intensity, volume, and direction; all the essential qualities of its evolution are characterized in its own rate of vibrations. Stocks, like atoms, are really centers of energies, therefore they are controlled mathematically. Thus, to speculate scientifically, it is absolutely necessary to follow natural law "

Of all the ancient sources which Gann studied, perhaps the one who most influenced him was Pythagoras, who started a school of philosophy which believed that an object could be understood by knowing its number. In fact, the number was identical to it's very essence. Everything is categorized as active or passive (cp. yin and yang) depending on whether its number is odd or even. Pythagoras is credited with the discovery of the diatonic scale, where numbers and ratios determine the whole science of music. A vibrating string on a musical instrument which is twice the length of another (2:1 ratio) will produce a note which is an octave lower. Similarly, a 3:2 ratio will produce a fifth on the scale, while a 4:3 ratio will produce a third on the scale. This discovery of the seven-fold scale was confirmed in the field of chemistry with the discovery that elements in the periodic table of atomic weights repeat characteristics in groups of seven—at every eighth atomic number.

The key to all harmonic ratios is the Pythagorean tetractys, his supreme symbol of universal forces and processes (Figure 3). In this pyramid of dots made up of the first four numbers—1, 2, 3, and 4— there are embodied all sorts of correspondences between numbers, ratios, and their harmonics of vibration (notes on the scale). Having established music as a science with its exact harmonic ratios, Pythagoras proceeded to divide creation, according to the law of harmonic intervals, into proportionate planes and spheres, each of which was assigned a number, tone, harmonic interval, and color. Gann's "Law of Vibration" incorporates Pythagoras' law of harmonic intervals. It is obvious that Gann drew heavily on Pythagorean mathematics when he developed the squaring of price and time and the ratios by which highs and lows could be divided.

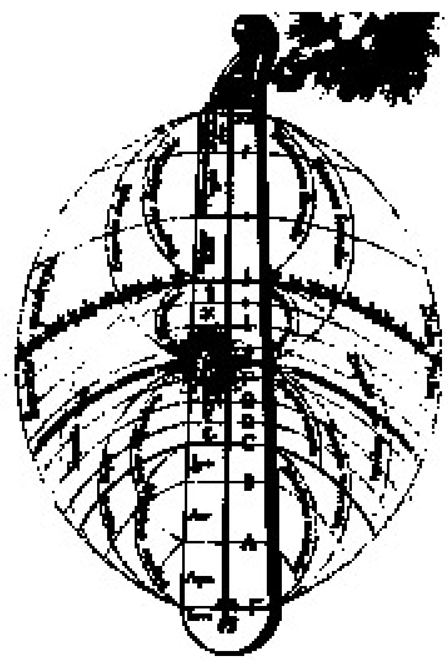


Figure 4

The Mundane Monochord with its proportions and intervals. (From Fludd's De Musica Mundana)

DATE	TIME	P1	ASP	P2
FEB 05, 1980	08:30 PM	♇	△	♆
AUG 30, 1980	03:54 PM	♇	△	♆
MAR 24, 1981	01:40 AM	♇	△	♆
JUN 26, 1981	09:13 PM	♇	△	♆
MAY 07, 1982	06:21 AM	♇	△	♆
AUG 14, 1982	00:46 PM	♇	△	♆
MAR 02, 1983	00:50 AM	♇	△	♆
JUN 12, 1983	01:04 PM	♇	△	♆
APR 1[illegible], 1984	07:[illegible] AM	♇	△	♆
JUL [illegible], 1984	05:17 AM	♇	△	♆
FEB [illegible], 1985	01:46 PM	♇	△	♆
MAR 25, 1985	06:54 AM	♇	△	♆
MAY 20, 1985	08:47 PM	♇	△	♆
SEP 04, 1985	08:00 PM	♇	△	♆
MAR 28, 1986	11:09 PM	♇	△	♆
JUL 02, 1986	08:22 AM	♇	△	♆
MAY 13, 1987	11:[illegible] PM	♇	△	♆
AUG 17, 1987	01:36 PM	♇	△	♆
MAR 06, 1988	08:08 PM	♇	△	♆
OCT 08, 1988	00:54 AM	♇	△	♆
APR 21, 1989	00:16 AM	♇	△	♆
JUL 28, 1989	03:36 PM	♇	△	♆
JUN 06, 1990	12:26 PM	♇	△	♆
SEP 11, 1990	04:06 PM	♇	△	♆

Figure 5

DATE	TIME	ASPECT
AUG 07, 1987	11:24 AM	☉ △ ♄
AUG 10, 1987	09:53 PM	♀ △ ♄
AUG 11, 1987	10:54 AM	♂ △ ♅
AUG 14, 1987	01:11 AM	☿ △ ♄
AUG 16, 1987	00:24 AM	☉ △ ♅
AUG 17, 1987	02:36 PM	♀ △ ♅
AUG 18, 1987	02:18 AM	☿ △ ♅
AUG 21, 1987	01:16 PM	☿ △ ♃
AUG 22, 1987	04:19 AM	♂ △ ♃
AUG 23, 1987	03:25 AM	♀ △ ♃
	03:56 AM	☉ △ ♃
AUG 24, 1987	11:01 AM	☿ △ ♆
AUG 27, 1987	04:32 PM	♀ △ ♆
AUG 28, 1987	11:44 PM	☉ △ ♆
AUG 29, 1987	05:55 AM	☿ □ ♄
AUG 30, 1987	11:13 PM	♂ △ ♆
SEP 03, 1987	00:12 AM	☿ □ ♅
SEP 04, 1987	06:28 AM	♀ □ ♄
SEP 07, 1987	07:27 PM	☉ □ ♄
SEP 10, 1987	03:48 PM	☿ □ ♆
	06:16 PM	♀ □ ♅
SEP 15, 1987	06:32 AM	♂ □ ♄

Figure 6

Certain planetary cycles and patterns have historically proven to be highly accurate for timing market trends and turning points. For example, the Venus Trine Uranus Cycle is a good short term indicator. Whenever Venus (♀) forms the geometric 120 degree angle (trine △) with Uranus (♅), the Stockmarket moves up two weeks prior to the date when the angle (aspect) is exact. This biannual cycle has been 85% accurate during the last 100 years and 100% accurate during the last 8 occurrences (4 years). The *Stockmarket* often declines after the completion of this cycle unless there are other positive influences evident. The above chart provides the time when the Venus Trine Uranus aspect is exact for a 10 year period. (Produced by the Blue*Star program from Matrix Software).

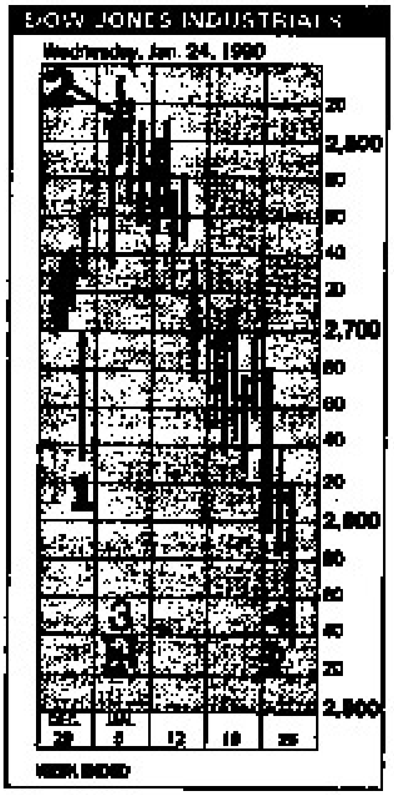


Figure 8

In the December 27, 1989 issue we stated "...we are looking for a major low around January 15th or 19th.... Longer term investors should continue to sell on rallies (1). In the November 29, 1989 *Market Systems Newsletter* we stated "we certainly expect a tradable counter-trend move to start around the New Year (2). We quoted our newsletter of the previous month of May in saying, "This will be followed by a major decline into Jan 19, 1990. Mark these dates on your calendar." Our 1989 forecast for a top at the New Year and decline into mid January 1990 was based, in part, upon the 84 year Uranus cycle and planetary harmonics. On January 1, 1990, the planet Uranus returned to the exact degree in the heavens where it was at the major Stockmarket top on January 19, 1906 (84 years ago). During mid January the planet Saturn reached 17 degrees 20 minutes which was an exact harmonic of Saturn's position which was 17 degrees 20 minutes at both the August 6, 1982 low, and the October 19, 1987 Crash low. Again, Gann's primary source for superior market timing was knowledge of the Heavenly music, which sings (celestial harmonics) with the knowledge of coming events. (Job 38:6-7, 31-33; Psalms 19:1-3).

fect a particular stock or commodity. This

The Electromagnetic Spectrum

Frequency Hz			Wavelength m
10[illegible]			
	cosmic rays		10[illegible]
10[illegible]			
			10[illegible]
10[illegible]			
	gamma rays		10[illegible]
10[illegible]			
	X-rays		10[illegible]
10[illegible]			
	ultra-violet		10[illegible]
10[illegible]			
	visible light	blue red	10[illegible]
10[illegible]	infrared		
			10[illegible]
10[illegible]			
	microwaves		10[illegible]
10[illegible]			
	radar U.H.F.		1
	V.H.F. F.M. radio television		
10[illegible]	shortwave radio		
	A.M. radio		10[illegible]

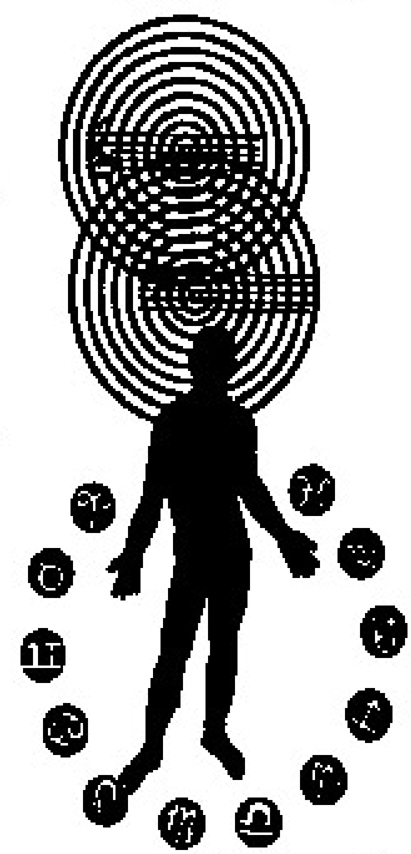


Figure 7

Just as man is influenced by sight and sound vibrations, he is also influenced (subconsciously) by other unseen light vibrations of cosmic origin (see electromagnetic spectrum) which impinge upon his (electromagnetic) nervous system. Picture courtesy of Robert C. Lewis from the book The Sacred Word and Its Creative Overtones.

A lesser known part of the Pythagorean system includes numbers ruling planets and the ratios of their orbits, which are in a harmonic relationship to each other.

Pythagoras believed that each planet corresponded with a note on the musical scale, and the distance between orbits reflected the vibratory ratios on the musical scale. This harmonic organization of the cosmos was called the "music of the spheres." Each planet was said to occupy its own sphere of influence, called a "heaven", and the Greeks recognized seven heavens, a concept which is also found in the Bible. Thus, Pythagoras conceived the universe to be an immense musical instrument, with its strings connected at their upper end to "absolute spirit", and at their lower end to matter— thus forming a chord stretched between heaven and earth. (Figure 4) Pythagoras believed that the heavens ascended in their order beginning with the sphere of the moon, which would be the first heaven.

In a previous article we explored the harmonic relationship between the planets which occurred at the August 1987 Stockmarket top, which prefigured the following decline (Figure 5). Similarly, there are geometric patterns or aspects between various planets which affect the Stockmarket. Some of these have proven to be good short term indicators. For example, whenever Venus forms the geocentric 120 degree angle (trine) with Uranus, the Stockmarket moves up two or more weeks prior to the date when the angle is exact (Figure 6).

A lesser known discovery regarding planetary influences is that the Stockmarket can be affected significantly when certain planets are located at sensitive degrees in the zodiac. For example, the planet Saturn was located at exactly 17 degrees 20 minutes within various zodiacal signs, on at least three significant occasions: during the December 1974 bear market lows, at the August 6, 1982 low, and the October 19, 1987 low of the Stockmarket crash. It again passed through the 17th degree during mid January 1990 generating a major decline as forecast months in advance in our Market Systems Newsletter.

Perhaps the most significant point Gann makes about the "Law of Vibration" is that "these vibratory forces can only be known by the movements they generate on the stocks and their values in the market". In other words, to obtain a high degree of accuracy when applying natural laws one must establish through empirical research which of the vibratory forces affect a particular stock or commodity. This can only be ascertained by doing original research to discover the historical correlations!

The problem with traditional astrological analysis is that it is beset with many preset "rules" developed for the purpose of interpreting human behavior and forecasting events. Many of these rules fail to work when applied uncritically to the markets. Some financial astrologers still rely on theories of planetary causes and effects stemming from the Middle We are fortunate to live in the "information age" where ancient sciences can be tested by a modern database of historical prices to give us new knowledge or confirmation of old knowledge.

To obtain a true understanding of "heavenly wisdom" one must "prove all things" by seeking to find the historical correlations for particular markets. By doing research one can discover how cosmic events combined with other natural laws correlate with market movements. We have clearly demonstrated this by maintaining an amazing 90% accuracy in forecasting turning point dates in our Market Systems Newsletter.

Gregary LeGrand Meadors is the author of the Genesis Market Timing Courses and with Dr. Neal Chabot publishes theMarketSystemsNewsletter. last year/$266) Helen Meadors is co-editor, and Executive Director in charge of Public Relations. For information call or write: Genesis Capital Management, 2761 Mansf eld Dr., Burbank, CA. 91504 (818) THE-GANN (843-4266)

Predicting Stock Market Crashes

By Chris Kakasuleff

It's not necessarily time that causes major market crashes, but instead the distance between major geometrical angles at important points in time.

On August 12, 1982 the Dow closed at a bear market low at 777. Four years later, on September 29, 1986, the low closed at 1755.

This 1000 point gain in four years was considered the most bullish time window in American stock market history. These market historians, in their wildest dreams, could not have predicted that eleven short months later the Dow would gain an additional 1000 points, closing at 2722 on August 25, 1987.

My reference to this information is to point out that in order to cash in on a market crash, there must be an extended volatile move in one direction. Eventually, this move in price will run into major resistance against a major Gann angle on a Gann monthly geometrical chart. This is precisely what happened in August, 1987.

This major monthly Gann angle was the 32 X 1 (an angle gaining 32 points per month) from the August 12, 1982 closing major bear market low at 777. This angle had grown to 2,710 intra month on August 25, 1987.

It had been many years since the Dow in price had penetrated this angle. But, that's precisely what price did on August 25, 1987, as the Dow closed at its all time high up to that time at 2722.

This 32 X 1 geometrical angle was 60 months old on August 12, 1987. This major time wheel of 60 months is 1/6th of the circle of 360 months.

The mathematical equation would be to multiply 32 points per month times 60 months equals 1920 Dow points plus the bear market low of 777 equals super resistance at 2697 for the Dow on August 12, 1987. This formula guaranteed a major change of trend.

This time period also was 5 years from the bear market low in August, 1982. Gann explained many times about the importance of 10 year cycles. His general rule was to expect a top 5 years from a major bottom, and then another bottom 10 years from the previous bear market low.

This low points to August, 1992. This will coincide with another major anniversary date.

On May 17, 1992, the New York Stock Exchange will be 200 years old. The natural square of the New York Stock Exchange is 20 X 20 equals 400.

This very reliable metaphysical system is wonderful for finding support and resistance on the NYSE Index.

You simply construct a table chart with each row containing twenty numbers placed vertically. At the end of row one you have the number 20. Row two starts with 21 and ends at 40, etc., until you've counted twenty rows which ends at 400.

You then divide the chart into quarters vertically, and horizontally, and draw in your 45 degree angles.

Notice that the NYSE ran into major resistance at the halfway point of this table chart at 200 and we're only 2 years from the bicentennial anniversary date of 200 years.

Why did I call this a metaphysical system?

I derived at this system by simply adding up the letters in the words New York Stock

Exchange, of which there are 20 letters.

My philosophy is, if it works consistently, it must be one of the foundations of the laws of nature, therefore, I don't hesitate to use it as a tool.

I highly recommend a book called Table Charts for Time and Price Projection by L.L. Jacobs, as a teaching tool for these systems.

Meanwhile back to the future. This year of 1992 will also be 60 years from the modern all time low on the Dow at 41, set on July 8, 1932.

Does it sound like I'm suggesting that you should sell your seat on the New York Stock Exchange? Hmmmm!

Let's resume our conversation about Gann monthly geometrical angles, and their ability as a predictive tool to foretell future events on the Dow Jones Industrial Averages.

Since the Dow low in December, 1974 at 577, all bull market have abruptly ended and have become bear markets when the Dow penetrated and fell below the 16 X 1 monthly angle. (An angle gaining 16 points a month from a bear market bottom). This was confirmed each time when the Dow made bear market tops against this angle and would then sell off.

The 16 X 1 monthly angle rising from the December, 1974 low was broken on the downside by price in January, 1977. This signaled the end to the 1975,1976 bull market.

The dominate resonance of group consciousness in the stock market became pessimistic, when suddenly there were more sellers than buyers.

The gravity center between optimism and pessimism at 16 X 1 had lost it's momentum on the upside.

In May, 1981, the Dow faltered through the 16 X 1 monthly angle rising from the April, 1980 low, forewarning the spirit of Gann, and all connoisseurs of Gann to cash in their chips and go on a cruise.

The current long term bullish to bearish gravity center 16 X 1 monthly angle began it's life on August 12, 1982.

The Dow flirted with this angle on the downside, many times in the second half of 1984. It instead proved to be a support level for changes of trend to the upside, and the bull market resumed it's charge in 1985. Did you ever notice the Dow always likes to be bullish in years ending in 5? Could it be the planet Mercury?

As I said earlier, on August 25, 1987, the Dow was making history by setting an all time high at 2722.

I also mentioned that at the very same time, the Dow in price, was caressing the 32 X 1 sister monthly angle growing from the same low from August 12, 1982. In addition, I mentioned this angle was crossing 2,710 on August 25, 1987.

The 16 X 1 sister monthly angle closed at 1745 on this same date. A major change of trend was quite obvious on a Gann monthly geometrical chart.

The dark clouds of fear and pessimism were clearly visible on the horizon.

The bull had run an eleven month 1000 point gain and was clearly exhausted.

Markets take longer periods of time to rise because of periods of profit taking. But, markets also fall very swiftly because of the fear of losses.

With this philosophy in mind, the stock market on a Gann monthly chart looked quite ominous indeed.

With the 32 X 1 monthly angle at 2710 and the 16 X 1 monthly angle at 1745, it didn't take a Ph.D. in mathematics to see a 1000 point spread between these two 5 year old aging angles.

It only took two months for the Dow to lose 1000 points. On the close of Black Monday, October 18, 1987, the Dow closed at 1738. On this same day the 16 X 1 monthly angle closed at 1773.

Once again, Gann rules tell us to expect a change of trend when price penetrates an angle.

This is exactly what happened in October, 1987. A new change of trend to the upside was in it's infancy. The mightiest bull of all time refused to succumb. The 16 X 1 angle had completely re-energized the lost momentum, and the bull was ready for another run.

To determine the next major change of trend in the Dow, we must examine and study the Gann monthly chart.

The knowledge of this information proved to be fruitful in January, 1990. On January 12, 1990, this chart began it's 90th month of existence.

This is 5/8ths of the square of 144 months (12 X 12) and 1/4th of the cycle of 360 months.

At this point, it must be understood that it is not necessarily time that causes major market crashes, but the distance between major angles at important points in time.

The 16 X 1 monthly angle from the August 12, 1982 low stood at 2217 on February 12, 1990. The 32 X 1 monthly angle stood at 3657 on this same date.

Since the Dow was not penetrating 3657 in price in this time frame, it did not qualify as having market crash potential, as the D^ow closed at it ' s all time high on January 2, 1990 at 2810.

The Dow had run into resistance hitting the angle, gaining 4 points per month from the August 25, 1987 high at 2722. This angle was closing at 2834 in this time frame. The Dow had also gained 1080 points from the Black Monday low of 1738. This 1080 number is a perfect harmonic of 90 months. This 1080 number is 360 X 3. Also, just as the square, of 52 X 52 equals 2704, stopped the bull in it's tracks in August, 1987.

The square of 53 X 53 equals 2809 also stopped the forward thrust in January, 1990.

The time clock of 90 months changed the trend of the Dow and it quickly lost 270 points in January. This 270 points is 3/4ths of the circle of 360.

The Dow found support at the 2540 level and had gained back it's support at the 2577 level. This level is very important support utilizing Gann's natural squares in price.

By adding 1800 to the bear market low of 777, we receive the number 2577. This 1800 point gain is 360 X 5. By adding another 360 points, we find the next resistance level at 2937 on the Dow.

What do the Gann monthly geometrical angles tell us about support on the downside for 1990?

The 16 X 1 gravity center of the current long term bull market closes at 2297 on July 12, and at 2313 on August 12. On August 12, this angle will be 96 months old. This is 2/3rds of 144 months.

I also like to keep up monthly angles on the Black Monday lows, and this particular angle of 16 X 1 closes at 2282 on August 12th.

The 32 X 1 monthly angle from the October 19, 1987 low has supported countless market rallies since October, 1987.

This angle is worth watching the first half of 1990 for support or resistance. It closed at 2602 on January 19th and 2634 on February 19th. This angle will close at 2890 on October 19, 1990. This is 36 months and 1/4th of the square of 144 months from the Black Monday low. Also, 2880 is 360 X 8 and the square of 54 X 54 equals 2917. And, as mentioned earlier, 2937 is 360 X 6 plus 777.

Remember, October was reckless in 1987 and 1989. Annual cycles tend to repeat themselves.

But, if the Dow falls into the 2300 area this year, it could offer strong support.

Any closes by the Dow Jones Industrial Average below the 16 X 1 gravity center from the August 12, 1982 low and the 16 X 1 angle from the Black Monday low for three months in a row, it's over and the fat lady has sung.

We will most definitely be in a bear market with this kind of technical breakdown.

If and when this scenario appears on your chart work, please be aware of bear traps. On August 12, 1990, the support level from the August 12, 1982 low stands at 1545. Climbing a paltry 8 points per month.

That is only two Dow points per week folks. The October 19, 1987 8 X 1 angle will stand at 2026 on October 19, 1990.

Look for bear market rallies to the 16 X 1 angles. Any consecutive closes, on the monthly charts below the 8 X 1 monthly angle from October 19, 1987, could invite a market crash.

Let's watch the market unfold in the months ahead.

But look, it's still February with the Dow in the 2600 range, and only 200 points from it's all time high. Right! Hey, want to buy my seat on the N.Y.S.E.?Do you have a seat on a plane to Rio? I'll trade you even.

Just kidding.

Another geometrical tool, to help you identify market momentum and the trend, is to study the monthly geometrical angles falling from the January 2, 1990 high. This helps you see with confidence on your monthly chart the current situation clearly.

Let's take 90 days from the top, as this is an important time window. This brings us to April 2, 1990.

The monthly angle falling at 32 points a month stands at 2714, 64 points a month at 2618 and 128 points per month at 2426.

If the Dow is about 2714 in this time period, look for new highs . If the Dow is sitting above 2618, it's much stronger technically than it was in February. But, if the Dow is in the low 2400 range in this time domain, the bull market could be on the edge of a cardiac arrest.

Moving on to another time window, for changes of trend, brings us to early June. This time window is 22-1/2 weeks from the January 2nd high.

The monthly angles falling from the high at this point include 128 X 1 equals 2170, 64 X 1 equals 2490, and 32 X 1 equals 2650. If the Dow is trading between 2170 and 2490 and especially below 2250, the trend is very bearish. However, if the Dow is trading between 2490 and 2650, this kind of consolidation could be medicinal and we could see new highs.

If the Dowis any higher in this time frame, all bets are off and look for new highs.

And finally, moving these angles to mid-year brings us to July 1, 1990. This time period is 180 days from the January high. Gann rules tell us to expect a low 180 days from a high or ideally 182 calendar days from a high.

However, we must always remain aware of psychological inversions, which means where we expect a low, we instead reach a high. All impending inversions can be rectified by Gann geometry in advance.

Picking out the trend in this time window using the angles falling from January 2, 1990, tell us that the angle of 128 X 1 stands at 2042, 64 X 1 at 2426, 32 X 1 at 2618, and 16 X 1 at 2714.

Once again, any consistent Dow closes below 2200 and the trend is very bearish. Any lows in this time frame above 2600 invites new highs on the Dow.

I'd also watch this time period in terms of the calendar day range between the August 25, 1987 high at 2722 and the Black Monday low on October 19, 1987 at 1738. The point spread here between these two numbers is 984. Turning price into calendar days and counting forward from October 19, 1987, brings us to June 29, 1990. Ranges between highs and lows reaching ending points can produce sharp changes of trend, depending on the geometry in force at the time window.

One of the most useful and dependable ways to determine current support levels is to analyze midpoints.

To determine midpoints on the Dow, you simply combine different highs and lows depending on the time frame you're interested in. If you're interested in a long term perspective, you take the current all time high on the Dow and subtract the bear market low from this high. You then divide the difference by 4 and add back the low to each of the four levels of interest.

By taking the 1990 high at 2810 and the bear market low at 777 and working the above formula, we find support at 2301, 1793, 1285, and of course 777.

The next midpoint numbers of interest would be to take 2810 and the Black Monday low at 1738. Here we find support at 2542, 2274, 2006, and 1738.

Notice that the 2542 midpoint number stopped the Dow slide in January, 1990 at 2543.

To give you an ultimate example of the reliability of midpoints, let's take the Dow high of 2722 and the bear market low at 777. The halfway point between these two numbers is 1749.

On Black Monday, the Dow closed at 1738. The next day, the Dow closed at 1841, never closing below 1749 again.

Taking the most current midpoints between the January high and low can be useful for short term traders. This point would point to more consolidation in price.

Let's touch on the square of nine and see what it tells us in price. The Dow closed at 2810 on January 2nd. The number 2809 is on the 315 degree angle of the square of nine in cycle

The Dow fell completely out of cycle 26 and moved 360 degrees to 2601 in cycle 25. It then made a closing low at 2543. Resistance on the upside will be found at 2917 on the 135 degree angle and 3025 on the 315 degree angle in cycle 27.

Support on the downside is 2501 on the 135 degree angle, 2401 on the 315 degree angle and 2305 on the 135 degree angle in cycle 24. A general rule to follow is that markets move 360 degrees with the trend, and 180 degrees against the trend in the square of nine. All numbers on the 135 degree angle are even squares, and all numbers on the 315 degree angle are odd squares.

Therefore, these two angles in particular offer the greatest support on resistance in market movement. In fact, it's important to watch all four of the fixed angles including those numbers found on the 45 degree, and 225 degree angles of the square of nine.

In another article, I explained how calendar days could be used as numbers in the square of nine to predict market trends. The Dow topped out exactly 2700 days from the August 12, 1982 low. We find the number 2705 on the 135 degree angle of the square of nine.

Therefore, the Dow made a top five days before this number on the 135 degree angle of the square of nine in cycle 26. In the previous cycle, the Dow reached a high on June 12, 1989 at 2496 days from the August 12, 1982 low. This was also 5 days before 2501 where we find the 135 degree angle. In cycle 25, the Dow hit a short term low at 2659 at exactly 2601 days from the August 12, 1982 low on the 315 degree angle. Therefore, cycle 26 should unfold in the same pattern as cycle 25. So far, so good, as the Dow did reach another high at the 135 degree angle of cycle 26. Therefore, we should expect another low at the 315 degree angle in this same cycle. This brings us up to April 21, 1990, where we find the number 2809, April 21st is a Saturday, so let's watch Friday the 20th, and Monday the 23rd.

Beware of psychological inversions, this low could be a top. If the Dowis at 2809 at the same time 2809 calendar

The high at 2810 and the low at 2543 gives us 2543, 2609, 2676, and 2743. By studying daily closes on the Dow in relationship to these numbers, will open your eyes to the validity of midpoints for levels of support and resistance. An example would be to watch for a break-out on the Dow above 2676, the halfway point from the high and the low. Days have expired, bring out the fireworks.

By the way, 2700 days is of major importance in terms of calendar days. As I said earlier, the Dow topped out at precisely 2700 days from the bear market low on August 12, 1982. The ultimate cycle number is the square of 90. This is 8100, and 2700 is one-third of 8100. And what else is so cool about 2700 days? Hey, that equals 64,800 hours of time, yea go on. Well 64,800 divided by 2 equals 32,400. This number 32,400 is 4 times the square of 90.

Thus, 8100 hours completes one total cycle in time. Four times this number completes 32,400 hours of time, which completes 360 degrees in time.

Another way of looking at this pure number analysis is that 64,800 equals 360 hours of time, 180 times. Well what has our analysis told us about crucial support levels for 1990? Hell, I don't know, I'm totally confused now. Well, let's give it our best shot anyway.

Our Gann monthly geometry, square of nine analysis, and midpoint interpretation all point to strong support on the Dow in the 2300 level. Any breakdown at this level will surely invite a bear market.

Upside momentum in the Dow invites resistance in the 2900 to 3050 range. Any movement in the Dow at these levels should be construed as very bullish. The bottom picking dates for the first 6 months of 1990 are the end of March or first of April. The first week of June and the end of June. Also mid April will be interesting since it is 6 months from the enormous peak and valley that took place between October 9th, and October 13, 1989. But once again, watch those inversions as any of these time windows could produce a high instead of a low. By the way, I have been graciously promoted to staff writer of this wonderful magazine. I look forward to serving you the reader through several 360 degree cycles.

Chris Kakasuleff is completing a stock market course and can be reached for private consultation at 1-317-872-7174 or 8213 Plaza Ln. Indianapolis, IN 46268. Chris also is accepting clients who are interested in profit projections in their own business utilizing Gann analysis.

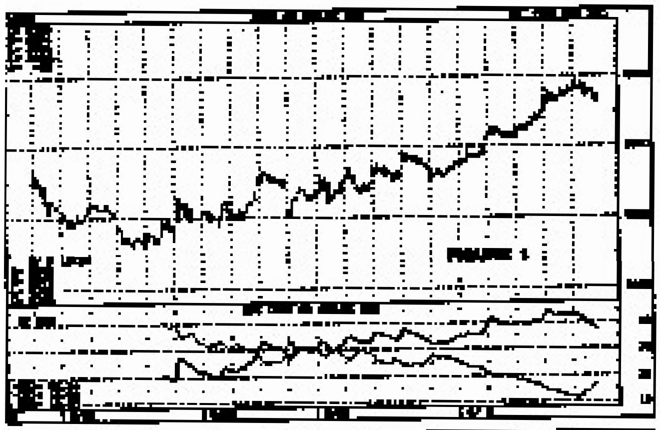
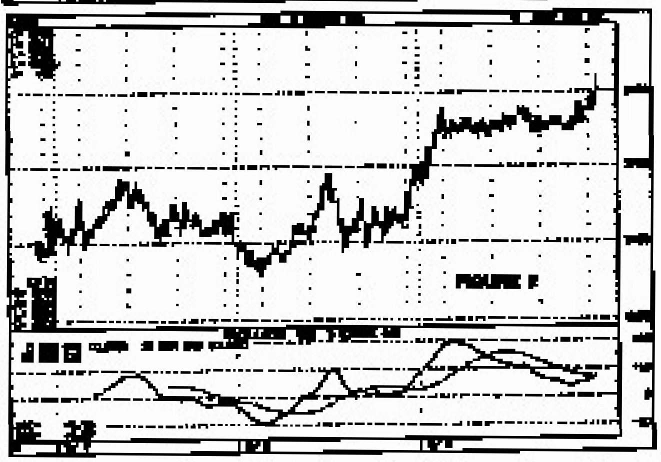


FIGURE 1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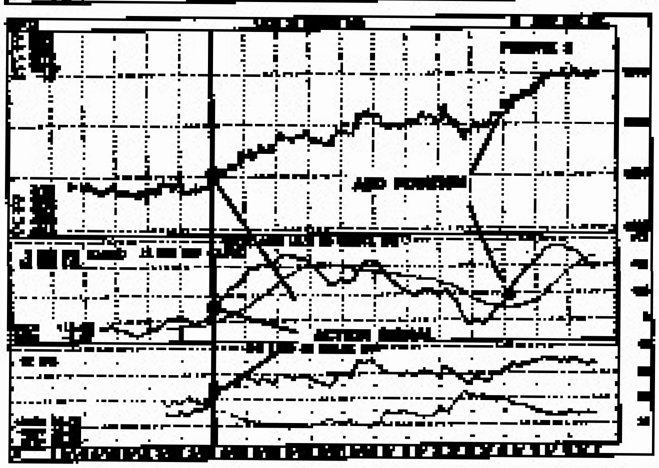
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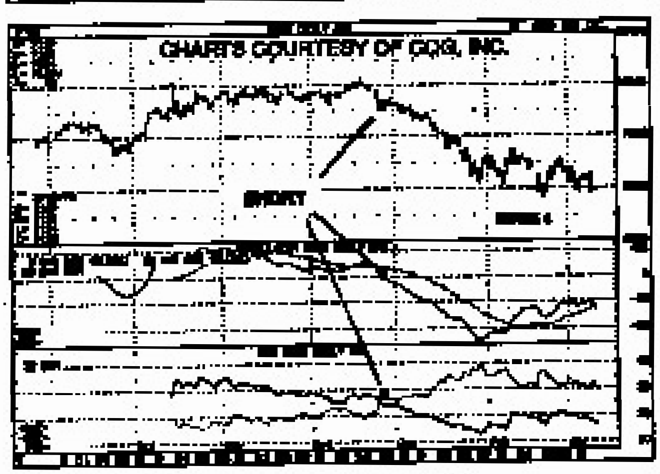
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SHORT

Techniques in Technicals

By Terry R. Davis

Sooner or later in every trader's career he/she runs into a Book or chart service with technical indicators on the charts. By these I mean RSI, ADX or moving averages. This is by no means a complete list. Anyone leafing thru this magazine is overwhelmed by what is available. The standards of yesterday have given way to more and more of less and less! Does anyone use any of these technicals in their trading? Good question, huh? On my quote system (CQG) I have an outstanding array of many of the bells and whistles (or is it dogs and ponies). Are there any of these so called indicators that work? For my money and many of the people I talk to....the resounding answer is almost always NO!

The field of technical indicators was broken wide open by Welles Wilder in his 1978 book, "NEW CONCEPTS IN TECHNICAL TRADING SYSTEMS." This book is excellent and if you don't use anything in it. It is still a gem! From that time forward the field of "Technical Trading Methods" has moved forward at an alarming (?) rate. We are all bombarded thru magazines, mail, TV and the phone for the latest whiz bang method. Do any of them work? Some do and sadly to say most don't. Follow ups on many of the "black-box" $3,000 systems promoted in the early 80's find many things lacking...notably profits. One such system which promised 75% correct trading in actuality produced 80 So losses. It was wrong so much of the time that one system owner reportedly started taking the opposite position instead of the one signalled. Then it was 80% correct! How are we to know what to do?

Different indicators suit different personalities. That may mean that stochastics work well for some but poorly for others. The same could be said for any indicator. Trading is a very individual thing. What I like you may despise. Reminds me of lima beans or worse yet brussel sprouts... how do people eat those things ....yuck! If you are like most people you will search and search for something that fits your personality. I know I did. Then the back testing begins. Where in the world can I get the information I need to test the "system". Thankfully, the information is now readily available and with a personal computer almost anything can be tested relatively quickly and easily.

Your individual makeup is what makes you a winner or a loser in the markets...or for that matter life. Since I am a system's developer myself I spend a great deal of time on the phone talking to people about trading in general. The thing that I hear over and over is the lack of planning on what people (should) expect from a trading method. There are many good methods out there that will make money....but do they? Why not? They just don't fit your individual makeup....what makes you tick as a trader. This is not a criticism of you as a trader..just a fact of human nature. Most people, myself included, have been around long enough so that we have read many things and are influenced by them to a greater or lesser degree. You must continue searching, on your own, for the method that makes you feel comfortable in the market place.

This applies whether it is my market structure method or one of the other fine methods on the market. BUT when you find something that works for you and fits your personality discard EVERYTHING else. Larry Williams in his book, "The Definitive Guide to Futures Trading, Vol

II", says after you find something that works for you the closer you can come to acting like a computer with the trading of the method the better off you are. Too many people find that after they are introduced to successful concepts they keep wanting to fall back on old habits. Folks, that won't work with any method !

I am going to show you a couple of indicators that I have found to be relatively reliable on any time frame chart...whether 1 min. or daily. These are purely price related and have very little to do with the driving forces of the market... NATURAL LAW! Now that I have given you that caveat let the games begin. One final drift away from the subject and then we will proceed. The information I am going to give you is free but it has great value. Sometimes we do indeed look "a gift horse in the mouth."

We are going to use two different technical indicators to confirm a buy or a sell. One is a short-term and one is a medium term. When they are in agreement you will have few whip-saws in the market. I am not going to tell you how to set stops. You ARE using stops, aren't you? On the daily charts these indicators will keep you in for a good deal of the move. On 30 minute charts they are also very effective and keep you in the market for most of a short-term move. They will work on any commodity. Please if you use this method or any other trade more than one unrelated market. You MUST have some diversity in what you trade. If you are in the farm related industry don't trade just agricultural products. The same holds true for the financials. Mix them up! If you don't I doubt very seriously if it is possible for you to be successful. If your account is not big enough to trade more than one market you shouldn't be trading anyway. Is that blunt enough?

Our medium term indicator is Welles Wilder's Directional Movement Index. I am not going to go into the construction of it here. You will have to look it up in his book to see how to construct it but it is basically a crossover method. (As an added bonus to this article if you will trade his directional movement method in the swiss franc market exactly as it appears in his book you will do very well). His book details using 14 as the number of bars in the formula. I have found that 32 is much better for this method. Please see figure 1 for an example! Also if the charts shown are by CQG!

Our short term indicator is an oscillator. An oscillator is defined as the difference between two moving averages. The two we are using are the 5 and the 15 bar moving averages. This is our oscillator. We are also going to plot the 20 bar moving average of the oscillator itself. This also give us two lines for crossovers. See figure 2 for an example!

Each technique is moderately successful by itself! It is the combination of the two that gives a valid signal. You wait until both different indicators give the same signal (cross) at roughly the same time and you take whichever (long or short) signal is generated. See figure 3 for an example. You stay with the trade as long as the DMI is still signalling long or short. This is basically a buy and hold (or sell and hold) strategy. You can pyramid as the short-term oscillator turns back in the direction of the DMI. See figure 3 again. Since we have only seen intraday up to this point let's take a look at a daily. See figure 4.

Try this method and see if it suits your trading style.

Mr. Davis is a small business owner and author of the acclaimed "Market Structure" course. He can be reached at IL watts 800-323-4616 or USA watts 800-225-7642 or 21 7-347-5101.

Historical Data Research: Veracity of the 100 Year Cycle

By Robert Flower

The famous Wall Street Prophet of the first half of the twentieth century W. D. Gann often said that major cycles were found in 100 and 500 year time periods. Following Gann's lead, research was initiated to determine the feasibility of this concept and to attempt a peek into what the 1990's may have in store. The following information is documented historical data based on that research.

The best place to start would be the most obvious, the Civil War of the 1860's, in which many Americans lost their lives as well as our nation being torn apart. In the 1960's we period of great civil strife and were involved in a very unpopular war which cost many American lives. In 1896, there was a great deal of city conflict which had its origins in religious and nationalistic premises. There was a great challenge to "The control of urban institutions by these nationalists". This is very much akin to the movement of the Afro-American today. There was a great move to reform, especially in politics and particularly in the area of corruption and mismanagement.

Moreover, in the 1880's and 90's there was a concentration of Wall Street manipulators and plungers which over capitalized railroads and dissembled them by selling off their various assets. These individuals were known as Captains of Industry. There were two depressions to speak of during that time. The first lasted from 1873 to 1879, which is very renascent of our recession of the 1970's era. The second was 1893 to 1896. During this period prices were reduced but there were higher wages. From the period 1878 to 1896, wholesale prices declined by as much as 25%. This was due to a drop in gold production stemming from a lack of interest in same and the contraction of government expenditures. It's ironic that these latter two are exactly what has been shaping up over the past several years. (Gramm-Rudman Act) Another factor which caused a sharp drop in costs stemmed from new technology and superior management. Again, events indicative of modern times.

In addition, during that time, there were huge bank failures as well as numerous small business bankruptcies - not unlike the events of the 1980's. There was also heavy unemployment (1970's), wage cutting (1980's) and labor unrest (1990's?). There were great transportation strikes in 1893 to 1894. During this period of time, businesses absorbed competition; buyouts and mergers were commonplace. In 1879, the gold standard was reinstated. As you may well remember in 1979 gold soared to record heights. In 1873, silver money was terminated as the commercial value was greater than the denominational value. If you remember in 1964, silver coining was also stopped and in 1979 people were melting coins for their silver value.

During this period of time social patterns exhibited inequities and deranged values as well as the abandonment of old fashioned values. The population was driven towards a heightened hunt for wealth. There was a substantial rise of obscure people who were vulgar and ostentatious in their lifestyles - "Dallas" anyone? Still, many people lived in poverty - our homeless of today. At that time Americans built houses with mansard roofs, and castle like dwellings (Tudor types) were popular just as today. Further, there was much new housing developed at that time. There were outbreaks of contagious and infectious diseases to a large degree. (Aids)

People listened to papers on poets, especially those of Greece and Ancient Rome. There was great innovation in finance, (todays unstable and shared mortgages, Junk Bonds, etc.) and transportation and there were great philosophical accomplishments. It was indeed an era of change.

At the turn of the century, there was a move towards "Progressivism". This was the traditional promise of American life something indicative of the Ronald Reagan era. People feared repression by corporations in their rise in status and prestige. They sort to restore equality of opportunity and social justice. There was an expose of the Standard Oil Co. the Alaskan oil spill?

Concerning foreign affairs, at that time there was a great conflict with Panama.

There were interventions into Haiti-, Dominican Republic and Nicaragua. This paralleled our limited intervention over the past several years, into Haiti, Granada and Nicaragua. It was also curious that the American president backed insurrectionists in Nicaragua and Panama due to leadership refusal to abide by American wishes. In 1895, there was also a war in Cuba brought about by foreign intervention (Russia and the missile crisis). In 1899, the United States employed an Open Door policy with foreign nations. During this time China's power declined leading to area instability. Japan made great growth into the modern era; not unlike Japan's industrial action and commerce of the 1970's and 80's.

The most interesting factors that may give us a clue to the 1990's developed in 1890 and in 1791, in the area of the American economy. In 1791, the first United States bank was established by Thomas Jefferson. With this bold stroke government credit was revived. . In 1890, the Sherman Silver Purchase Act was established. At this time the government purchased silver mines and silver supplies. There were treasury certificates issued against the silver. Gold and silver achieved equal parity although the ratio was 20 to 1. This helped in bringing about economic credibility to the government at that time. However, in 1893, the Silver Act was abolished and the depression of 1893 to 1896 ensued. In fact, silver was the basis of the 1896 democratic convention. William Jennings Bryan, the democratic presidential candidate and his famous Cross of Silver speech made history. The basis was return backing. --Maybe? Consider that even if gold doubled in value, it still would not eliminate our national debt. But, if gold went to $1,000 per oz and silver went to 15 - 1 ratio, it (silver) would still only be at $66 per oz.

The good news of the times was that there was great innovations and many new discoveries. In 1897, business improved, prices rose, more gold was discovered and there was substantially better bank credit. By 1900 the Currency Act was legislated and there was a return to the gold standard.

Unfortunately, we in America being such a young country have child says "What is the sense in studying history"?, Perhaps you can show them this article or a similar one to it.—

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The Wind of Change in Foreign Exchange

By Adam Hewison

One of the oldest and most widely followed foreign exchange ~ cross-rates is the Swiss franc / Deutsche mark cross. The reason for this is that Germany and Switzerland share at common border and are each other's major trading partner. Because of the two nations' close trading relationship, the cross-rate between the two is actually more important to their separate economies than what happens to the U.S. dollar. It really does not matter so much to them if the U.S.dollar is going up or down as long as the cross rate bet Keen the two countries is stable. That stability lasted for most of the nineteen eighties (see Figure I) as the cross-rate between the two countries traded in a narrow band between .8000 and .8600.(it takes .8600 of a Swiss franc to buy one D.mark.) That all changed in March of 1989. It was then that the D.mark moved over the .8600 level for the first time since 1981! That level had previously acted as resistance for eight years. All of this took place months before the winds of political change started blowing across eastern Europe.

Back to the Future

Going back to the early seventies the D. Mark enjoyed a twenty percent premium over its Swiss neighbor. That was all to change as the decade of the seventies drew to a close. During that time the Swiss franc had become the number one currency in the world, gaining 135 percent against the U.S. dollar and 46 percent against the Japanese yen.. The twenty percent premium the Deutsche mark once enjoyed over the Swiss franc rapidly diminished as the decade drew to a close. When the eighties arrived, the DMark was only a shadow of its former self as it was at a twenty percent discount to the Swiss franc!

Forward to the Future

It would appear that with the winds of political change in the air, economic change is fast becoming a reality in eastern Europe and in the Swiss franc / D mark cross. The Swiss franc, once the strongest currency in the world, is fast losing ground and status to the DMark. Let's examine Figure (2) to see just what has happened since the beginning of 1989 to the Swiss franc / D.mark cross-rate. As you can see in January the cross-rate challenged its historic resistance level at .8600 but quickly retreated back to .8500. March was another story as the D.mark soared over that level of resistance in a series of five waves. After the cross reached .8960 and completed the fifth wave of it's first leg, it dropped sharply back to its previous historical level of resistance at .8600 That area, which had acted as resistance previously, reversed roles and acted as a level of support. The set-back created the key counter trend second wave (more about this later) which goes counter to the primary trend. After about four months of trading between .8600 and .8670, the market finally sprang to life in October as it proceeded on its third and longest leg. A series of five waves carried the D.mark up to its best levels against the Swiss franc since 1980. On the first trading day of 1990 the Swiss Franc / D.mark cross closed out at .9233 in late New York spot trading. The four month advance completed wave five of the third primary wave. It was like deja-vu (all over again) as the cross-rate repeated its act of the previous year as wave five of the third leg was put into place. The sharp downward correction represented a 62 percent retracement of the January 1990 high and the 1989 July low. This is a perfectly normal set back for any bull market. However the setback should hold at present levels and not move much lower to be considered a valid wave four.

Beyond the Future

Predicting the future is what a lot of economists try to do, but few seem to get it right. I am not an economist but a trader, I am going to stick my neck out and predict that the Swiss franc / DMark cross-rate will trade at par some time in the next few years. Until that time I believe that the wave four correction that is currently underway has a eighty percent chance of holding. The next upward leg in this cross-rate will represent the final fifth wave up in this current bull market. I believe that this wave will take the cross- rate to the .9500/.9600 level and offer some great trading profits. As always in speculative trading situations, flexibility is the key. Remember the old trading adage "when in doubt, get out". It remains to be seen what the future hold's for the Swiss franc / DMark cross; only time will tell. The odds would favor the DMark continuing to improve against the Swiss franc, and when you trade with the odds in your favor your chances of success in the marketplace increase dramatically.

Conclusion

All references to the Swiss franc / DMark cross-rate are quoted in interbank terms. As the interbank market represents ninety-three percent of the world's foreign exchange activity and has a daily average volume of over 500 billion dollars it is the one to follow. The waves or legs shown on Figure 2 are my interpretations of R.N. Elliott's brilliant stock market observations. Elliott made his discovery about wave action in the early thirties. The Elliott theory is that

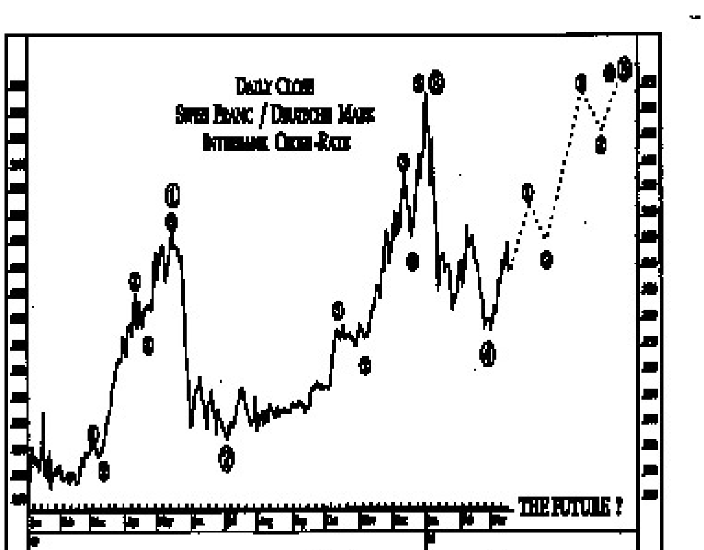

Figure 2

a market moves either up or down in a series of five waves or legs. There are three waves that go in the direction of the major trend and two waves that go counter to the trend. As far as I am aware, this is the first time that this theory has been applied to true cross-rate trading. One prediction that I can make about foreign exchange with complete confidence, knowing it will carry a 100 percent accuracy rating is this, "rates will fluctuate". Good luck trading and watch the cross-rates. \

Adam Hewison is president of The Rich Financial Group, Inc. 4716 Chesapeake Avenue, Shady Side, MD 20764 (301) 867-RICH The group specializes in foreign exchange trading in both the futures and interbank markets. Adam has just completed a major reference and trading book on foreign exchange; in it he covers all the major currencies against the U.S.Dollar beginning in 1972, as well as never before seen cross-rate charts Of particular note to market technicians and traders, every trading year since 1972 has been technically analyzed for all the major currencies; and for the first time he shows his key indicators and how they work. The book is entitled "RIGHT ON THE MONEY; THE DEFINITIVE GUIDE TO FORECASTING FOREIGN EXCHANGE RATES" and is available from The Rich Financial Group, Inc. The group also publishes "RIGHT ON THE MONEY: THE FOREIGN EXCHANGE REPORT", a monthly report devoted to all aspects of foreign exchange trading. Call or write for a free copy; supplies are limited.

The Ultimate High Achieved Synergy at 2800

By Eric Hadik

There are numerous ways to | effectively use, and just as many to flagrantly abuse, the Fibonacci or Golden Ratio. Since a lengthy dissertation on improper utilization of this mathematical phenomenon would serve little purpose, (the P+L column of your account statements will quickly allow you to recognize whether or not you are properly implementing its power and whether or not to seek a better approach) I prefer to concentrate on the benefits, or accentuate the positive utilizations, of this tool.

One of the more useful applications of this ratio is within the structure of the Elliott Wave, particularly when comparing known impulse and/or corrective waves attempting to project a subsequent wave or waves. Several examples of this concept are presented in the two preceding articles of this trilogy* and also in most publications on the Elliott Wave.

Relying on a single indicator or use of that indicator, however, can be fatal so a discussion of some additional applications is warranted to avoid the pitfalls of a narrow-minded trader. One of the simplest, and yet most profound methods for utilizing the Golden Ratio is derived from Gann's principle of calculating the various multiples of significant tops and bottoms as support or resistance for ensuing reversals.

Multiplying the six main derivatives of this ratio (.236, .382, .618, 1.618, 2.618 and 4.236) by each of the predominant wave tops and bottoms throughout the preceding sequence, in this case the fifth Cycle wave, and adding the product to that wave renders congruent levels of resistance with one or two of these levels appearing as the most potent. Conforming to the

August 1982 Low = 777
777 + (2.618 x 777) = 2811
July 1984 Low = 1079
1079 + (1.618 x 1079) = 2825
September 1986 Low = 1733
1733 + (.618 x 1733) = 2804
October 1987 Low Close = 1739
1739 + (.618 x 1739) = 2814
November 1988 Low = 2045
2045 + (.382 x 2045) = 2828

Figure 1

1974 Low = 578
$*24^2 = 576$
October 1976 High = 1015
$*32^2 = 1024$
August 1982 Low = 777
$*28^2 = 784$
January 1984 High = 1290
$36^2 = 1296$
July 1984 Low = 1079
$33^2 = 1089$
August 1987 High = 2746
$*52^2 = 2704$
Ultimate High Resistance =
2804-2828
$53^2 = 2809$
*Notice that the total of the square roots of the two most significant lows equalled the square root of the 1987 high.

Figure 2

principle of synergy, these levels are most reliable when coinciding wave projections and ratio analyses align, often correlating to Fibonacci Time Projections*.1

The most significant level of resistance in the Dow Jones Industrial Average is also the most concise, encompassing 24 points and ranging from 2804-2828 and some of the evidence is demonstrated in Figure 1.

This level, as originally noted in February 1989, presents an ominous barrier for the DJIA and the likelihood of a penetration through this resistance is relatively small. One final test of 2800 does seem feasible at this point but that would require a 200+ point rally from current levels in the face of what could be a breakdown of the Nikkei Index. (28,000 presents some unique support in this Index coincidentally.)

As mentioned in the previous articles, The Fibonacci Ratio can also be applied to cycles and wave longevity to develop time frames when major reversals are probable.

It is even more uncanny when other analyses are applied and produce a similar conclusion. Hamilton Bolton, a protege of R.N. Elliott and later A.J. Frost, pioneered the concept of squaring whole numbers as key levels in the market.

Each of the highs and lows in the Fifth Cycle Wave have occurred at or very near a squared whole number penetrating these levels only on an intraday or theoretical basis.

Incidentally, 2808 is a number, only the fifth up to this point which divides evenly by 9, 12 and 52. (These numbers may ring a bell to Gann students.)

The strongest argument for a top at 2800, though, is derived from the most credible sources- the works of W.D. Gann and to an even greater extent- The Holy Bible.

In W.D. Gann's 45 Years In Wall Street several guidelines are presented for calculating the normal time and magnitude for impulse and corrective sequences and accepted levels of support and resistance surrounding previous highs and lows.

In Gann's lifetime, the highest that the Dow had advanced was 386.1. or just shy of 400, and I have used the assumption that this natural level of resistance (natural because it was 1000% of the major lows at 40.56) represents the first multiple for each of his rules and the first full cycle of market action. As the market exceeded this region in the ensuing years and began accelerating in arithmetic terms, Gann's guidelines should be adjusted proportionately to compensate for the associated stock market prices.

This theory will be the topic for future articles but, presently, it is important to notice that 40 and 400 were the most critical levels in the stock market through most of Gann's life. When the market finally surpassed 400 in late

1954/early 1955 it never retested this level, let alone penetrating it, further reinforcing its significance. (It is interesting to note that Bob Prechter's long-term Elliott Wave Forecast calls for a return to 400.) 2800 represents the 7th cycle of market action (or the 70th since the major low at 40) and any Biblical student, or student of life for that matter, should recognize 7 as being the symbol of completion.

All throughout the Bible, one of Gann's most important guides, the number 7 (and 70) is used to represent culmination, the most noteworthy and predominant examples in Revelation, the final book of the Bible. (Anyone wishing to learn more about this principle, the power of 7, should obtain Rocky Freeman's The Amazing Sevens and/or James P. Dawson's I AM from 405-348-3410.)

When the end times are prophesied in Revelation, the final judgments come in the form of four sevens (coincidentally?) which encompass the seven year tribulation and reign of the Antichrist and culminate the prophetic seventieth week of Daniel. The fourth seven, the final and ultimate culmination and termination of the Gentile world power, is an angel declaring "It Is Finished". (A unique parallel to the foremost barometer of American economic power--the DJIA)

Reviewing recent action in the Dow Jones, we find that the final rally (fifth Primary wave) into January 3, 1990 commenced at 1616 on October 20, 1987, lasting almost exactly 3-400 pt. cycles. (3 is the other Biblical symbol for completion, particularly when viewing the Trinity.) This high occurred 28 months, and 1 week, after the August 1987 highs and currently I am expecting a 3rd test of 2800 (to mark completion of completion) to occur between April 30-May 4, 1990, ending a 28 week recovery from October 13-16, 1989.

If my calculations are correct, a high should occur on March 21 (28 trading days from the recent highs of February 8/9) making April 30 or May 1, 1990 the next 28 day cycle and the likely time for this final top.

For any lingering skeptics of the significance of 7 and 28, consider: Lunar Cycle = 28 days Biological Cycle (Woman's) = 28 days Human Gestation Period = 280 days (The formation of life) Gestation Period for a Rabbit = 28 days (The basis of the Fibonacci Sequence) Dow Jones Extreme Low = 28.50 (August 8, 1896) ...and the low immediately preceding this unprecedented 7 year rally occurred on August 12, 1982 at 777, just 7 points below the square of 28 at 784. 9

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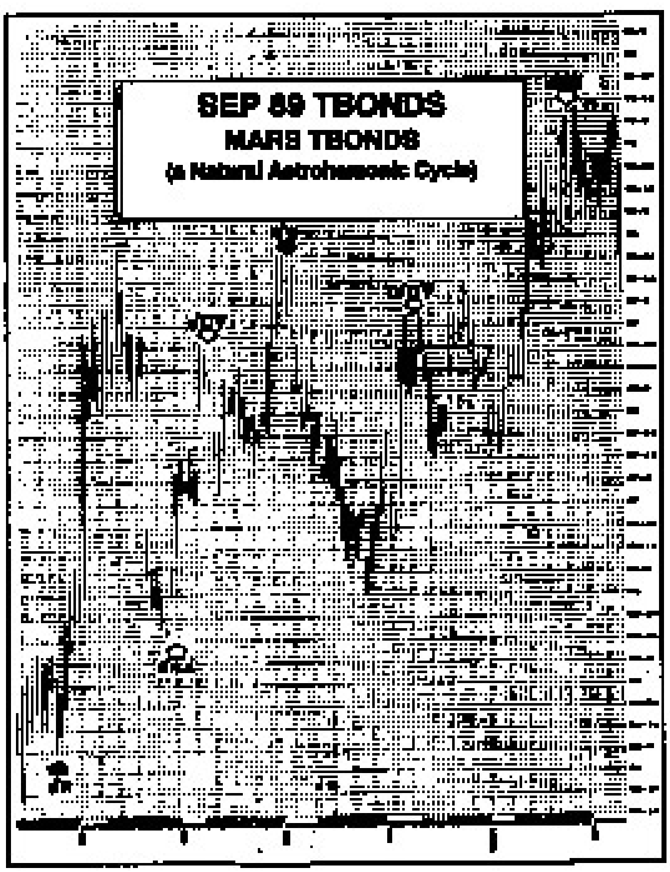
The Astroharmonics of Treasury Bonds and the Planet Mars

BY Larry Pesavento

When I first began researching astroharmonic events to see if there was a correlation between planetary positions and stock market movements, I logically would pick a significant high or low point and proceed to test the thesis. The Venus-Uranus cycle was used because the synodic period (one complete cycle) is 225 days divided by 365 days which equals .618 or the mystical Fibonacci number. In my book "Astro-Cycles - The Trader's Viewpoint, " I expanded Donald Bradley's "Stock Market Prediction" another forty years and found it was as valid as ever.

Treasury bonds were my next project because of the huge volatility and superb liquidity. I assumed that at extreme highs and lows similar astroharmonics would exist. The planet Mars was the answer. Mars is associated with energy and heat. It moves through the 12 Zodiac signs (30 degrees each sign) every 45 days.

Only the major aspects were tested in order to keep the program as simple as possible. Conjunctions (0 degrees), sextiles (60 degrees), squares (90 degrees), trines (120 degrees) and oppositions (180 degrees) were chosen. We asked the computer to give us these dates when



Mars completed these aspects with the outer planets - Jupiter, Saturn, Uranus, Neptune and Pluto. As a trader using these astroharmonic dates, one would expect a significant tradeable trend change to occur near these astroharmonic aspects of Mars to Jupiter, etc. The September 1989 T-bond chart illustrates several of the aspects. The smaller aspects of the inner planets were omitted because the chart would have appeared too cluttered.

The retrograde and direct motion of Mars should also be watched closely. Mars moves slowly in relation to Mercury and Venus, so it is not wise to expect a trend change on the day of Mars going direct or retrograde. I particularly like to use a pattern recognition system to signify that the energy of Mars is in effect. In this particular case, it is "breakaway gap" as Mars changes motion.

Our thanks to Bill meridian at Cycles Research and Rob Hand at Astrolabe for developing the program to test these ideas. Several years down the road, financial astrologers will be getting more than their equal time with other technical traders.

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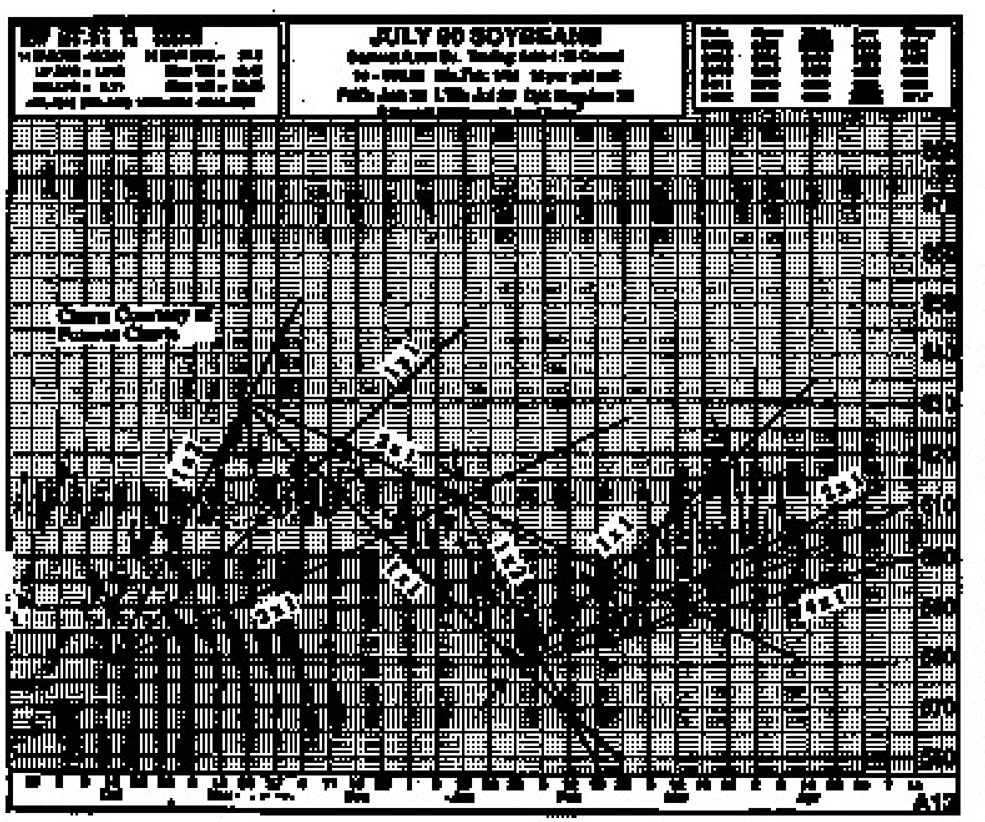
The Use and Abuse of Geometric Angle Lines Part 1

By Robert Miner

One of the many unique time/price relationships that W. D. Gann discovered was the relationship of time and price in the ratios that are derived from the diagonals and divisions of a square. It is easy to understand how these Gann or geometric angles are derived, but not as easy to use them properly for making trading decisions. Many amateur educators just regurgitate some of Gann's pronouncements concerning angles without having proven out for themselves how and when to consider the angles importance and how to use them to make profitable trading decisions.

This article will be part one of two parts relating to what I have found to be the most profitable use of the geometric angles. I have found that some of Gann's "rules" relative to angles do not accurately relate to market activity and would result in very bad trading decisions or significant losses if applied to actual market activity. I will relate to you a few



of my rules related to the geometric angles that are derived from my own research and trading experience and described in my course, THE W. D. GANN TRADING TECHNIQUES HOME STUDY COURSE.

Firstly, I will briefly describe what the angles are and how they are derived. The angles may be expressed as a certain degree of arc or as a relationship or ratio of time to price. An important angle is the diagonal of a square. This is a 45 or 1 x 1 angle. 1 x 1 represents a line where any point on the line is an equal number of horizontal units by an equal number of vertical units. In the case of a price chart for a commodity or stock, the horizontal axis is the time axis and the vertical axis is the price axis. A 1 x 1 or 45 angle would represent an advance of one unit of time by one unit of price.

A 2 x 1 or 261/4 angle is the diagonal line of a square that runs to the mid-point of the opposite side. A 2 x 1 angle on a price chart represents two units of time by one unit of price. A 1 x 2 angle represents one unit of time by one unit of price and is a 633/4 angle.There are also lx4, 4x l, 1x8 and 8x1.

Ideally, a chart is scaled at one price unit per time unit. This is sometimes not practical due to the volatility and wide range price activity of a market. For the relationship of the angles to maintain themselves, the chart scale must be in a doubling series from one price unit. For example, as long as soybeans are scaled at 1, 2, 4, 8, etc. per time unit, the relationship between the angles will remain. A 1 x 1 angle on a 1 per day scale will have the same relationship to price as a 2 x 1 angle on a 2 per day scale. The relationship of a 1 x 1 and 2 x 1 angle on a 1 per day scale will have the same relationship as a 2 x 1 and 4 x 1 angle on a 2 per day scale.

The value of these geometric angle lines is that they can be projected from a single point of time and price. A trendline can only be constructed once at least two highs or two lows have occurred. The geometric angle lines are therefore much more valuable for projecting in advance where price support or resistance might be found.

Let's take a look at a recent example with July soybeans and see how the angles would have contributed valuable information to help a trader make profitable decisions. You must keep in mind that angles by themselves must never used to make a trading decision. The price activity relative to the geometric angles is just one of the important PRICE FACTORS or price relationships that are used to make a trading decision. Unfortunately, many people have promoted angles as a trading technique rather than just one important piece of information used to make a trading decision.

We will look at the market activity of soybeans for this period primarily out of context of the TIME FACTORS and other PRICE relationships in order to understand how to best use the angles in our trading decision making process. We must keep in mind that our TIME, PRICE and PASTERN analysis, no matter how accurate, is of no use if we do not have a trading plan and trading strategies to take advantage of our analysis. In other words, we must know HOW TO TRADE. Unfortunately, the many people giving workshops and producing software trading programs are obviously not experienced or successful traders. We can only find our understanding of market activity worthwhile, if we can put it to profitable use with low risk and low capital exposure trading strategies.

We'll begin with the top of Nov. 16. Let's assume that our TIME, PRICE and PATTERN analysis indicated the Nov. 16 high was likely an intermediate term top and a correction to the Oct. 16-Nov. 16 rally of 4-7 weeks and 40-50% or more in price was likely to unfold.

The wide range down day of Nov. 20 with a close at the bottom of the daily range was the initial confirmation that Nov. 16 was most likely at least a minor top from where a decline would ensue that would most likely correct 40-50% or more of the Oct. 16 - Nov. 16 advance.

Let's assume that our TIME, PRICE and PATTERN analysis indicated that a 20-30 cent decline or more was likely from the Nov. 16 top, that we did not have a short position as of the wide range down day of Nov. 20, and we wanted to look for a low risk point of entry to take advantage of this potential decline. Ideally, we look for minor counter trend swings from the main trend to enter and/or add short positions.

Price initially declines 16 in three days. On Nov. 22, price makes a sharp up day giving an indication that the Nov. 21 low may be the first minor low of the decline. We would look for indications of resistance at an angle line. We would be particularly alert if an angle line coincided with an important price retracement level. A 62 % retracement of the first minor decline fell at 6.25. On Fri., Nov. 24, the 1 x 1 angle from the Nov. 16 top also fell at 6.25. Reactions generally do not exceed the 62-67% price retracement level if the trend is to continue. We would want to look very closely at the price activity should it reach the 1 x 1 angle or the 62% retracement zone.

On. Nov. 24, price opened at 6.24, just one cent below the coincidence of the 62% retracement of the prior minor swing and the 1 x 1 angle from the prior swing high. A close above 6.25 would indicate price was likely to continue to rally to new highs. A failure to close above 6.25 on this day would indicate that Nov. 24 was likely the termination of the reaction to the first minor decline from Nov. 16 and that the decline was to continue. A trading strategy would be to go short on an reversal indication Nov. 24, as price was at an important price resistance area.

A reversal day unfolded Nov. 24 with the close near the low of the day. With this short term daily price activity at this important coincidence of price resistance, the decline was likely to continue from this point. The trading strategy would be to go short on a close that indicated reversal, such as occurred this day. Let's say you were not able to be aware of the daily price activity and did not go short on the close on Nov. 24. With a minor top indicated for Nov. 24, we would then look for the next lowest risk opportunity to go short.

The following trading day, Mon., Nov. 27, was a gap down day. If price had opened within the range of the prior day, I would go short at the open. With the wide gap opening, it would be most prudent to wait to sell on another minor reaction against the down trend. Price makes a minor low at the 1 x 1 angle from the Oct. 16 low, has a minor rally and closes below the 1 x 1 angle on Dec. 1.

Gann stated in his original material what he called a "Law of Angles." Gann's "Law of Angles" is this: "Whenever an angle line is exceeded, price will continue to the next angle where at least minor support or resistance will be found." Many so-called Gann experts repeat this law of angles as if it were fact. Those who have taken the time to prove out trading techniques and relationships by the study of past market activity know full well that this so-called "Law of Angles" is absolute nonsense! Price will as often as not either not continue as far as the next angle or will sail through the next angle without hesitation.

One of my proven rules of angles is that "once an angle is exceeded, if price continues to the next angle, support or resistance may be found depending on the other price relationships and the position of the market at the time. Be alert to the TIME, PRICE and PATTERN factors and indications of change as price approaches the next angle." In other words, we do not expect price to continue to the next angle and we must not expect to find support or resistance at the next angle. Instead, we become alert to the other price relationships at the angles and to indications of change should price reach the next angle.

From the Dec. 4 minor low, price rallies above the 1 x 1 angle from the Nov.16 top. A 62%

retracement of the Nov.16 high to the Dec. 4 low falls at 6.21. On Dec. 14, price makes a high at 6.21, a price that coincides on that date with the 2 x 1 angle from the Nov.16 high and the 1 x 1 angle from the Oct. 16 LOW. From a price perspective relationship, we have an ideal price objective from where at least a minor high could be made. However, we must let the market itself indicate if change is being made.

Dec. 14 results in a gap signal day, a very reliable indication of reversal if it is made at a price and time when change is highly probable. We would sell at the close, when the reversal signal day would be confirmed, with an intraday protective buy stop just two cents above the high of the day. If we were not able to be aware of the price activity at any time during the day, the following day we would sell near the open if the open was within the range of the prior day.

Dec. 15 opened at 6.19 at the close of the prior day and made a slightly higher intraday high. The day resulted in an outside reversal day, very strong confirmation of at least a minor top and the validity of our price analysis and trading strategy. The protective buy stop for the short position taken at the open is at 6.24,3 above the 2 x 1 angle and 2 above the intraday high. Capital exposure for the short position is just $250 (5).

Price declined, making a minor low off the 2 x 1 angle from the Oct. 16 low. As the market decline, the intraday open protective buy stop is adjusted daily to 3 above the 2 x 1 angle from the Nov. 16 high. Price declined below the 2 x 1 angle from the Oct. 16 low to make a minor low on Jan. 5 at a 60% retracement of the Oct. - Nov. advance and traded along the 2 x 1 angle from the Oct. 16 low as resistance.

Price has now traded below the 2 x 1 support angle and to a 60% retracement of the prior swing which is usually the maximum percentage retracement to expect if the prior trend, in this case the bull trend, is to continue. In most cases, if a bull trend is to continue, price will not trade below the 2 x 1 angle from the prior low. Should we consider that the Dec. 5 low is the termination of the correction, or just a minor low prior to the continuation of the declining trend to new lows?

Because Oct. 16 was a long term low and price advanced fairly rapidly to the prior swing high from that low, if price were going to continue to new highs above the Oct. 2 swing high, only minor reactions should occur and price should not decline below a 50% retracement of the advance. Any further retracement would indicate that there was not enough buying power to take prices above the prior highs and the rally was possibly just a short covering rally with no sustained buying power.

With the decline below the 2 x 1 support angle from the Oct. 16 lows and below the 50% retracement price zone, I would consider that there was not enough buying power to take prices higher and a continued decline to the old lows or lower was likely. In other words, at this point in time, I would look for opportunities to add to the profitable short position.

Here is another one of my rules derived from the geometric angles that I have found to be very reliable and profitable: "Price will often exceed an angle by a small amount and "test" the angle from the other side before continuing in the direction of the trend. Look for indications of reversal at the "test" of the angle for the termination of the minor counter trend swing."

We would now want to look for an appropriate place to add to the short position. Price continues to trade along the 2 x 1 angle from the Oct. 16 low until it reached the 2 x 1 angle from the Nov. 16 high. The 2 x 1 resistance angle from the Nov. 16 high is what I call an "active angle." This angle has previously shown resistance (Dec. 15 high). An active angle is an important angle, because it has proven its value and is a known quantity.

Jan. 8: The protective buy stop for the short position is adjusted daily to 3 above the 2 x 1 angle from the Nov. 16 high. Place an MIT sell order to add to the short position at 2 below this 2 x 1 angle, adjusted daily. On Jan. 12, price gapped up on the open, advanced just .5 above the 2 x 1 angle and finished the day as an outside reversal day with a close below the prior two day's lows. Note the coincidence of the two angle lines at this point in time also coincided with the minor swing high of Dec. 29. If one were aware of the price activity during the day, another short position would be entered on the close when the reversal indication and top was confirmed. Two days later, price closes sharply below the prior swing low and the 4 x 1 angle from the Oct. 16 low confirming the top of Jan. 12.

Price is now in the third declining section or an Elliott 5th wave. This is most likely the final declining section and price should bottom at or above the Oct. 16 low. The 2 x 1 angle from the Nov. 16 top is too far away from the market to consider for protective buy stop placement for the profitable short positions.

Let's consider another one of my angle rules: "The angles from the prior minor counter trend extremes are the most relative to the immediate price activity. If price is likely to be in the final swing in the direction of the main trend and declining or advancing beyond one of the fast angles (l x 2, 1 x 4, 1 x 8) from the prior minor counter trend extreme, consider the 1 x 2 angle or greater in determining protective stop placement and as in indication of change in trend."

From the Jan. 12 top, the market is making the most rapid decline to date, falling below the 1 x 2 fast angle. A strong indication that a low has been made or will soon be made is if price should either close l or more or advance intraday 3 or more above the 1 x 2 resistance angle. We could use the 1 x 2 angle as-a reference to place the protective buy stop for the short positions. The first few days of the decline is rapid, declining substantially below the 1 x 2 angle. If we were to just use the 1 x 2 angle for stop placement, the stop would be a considerable distance above the market and would give back far to much well earned profit if hit. We must have an alternative reference for stop placement in this situation.

Let's recall the position of the market. Price is in the third and most likely final declining swing. Price is near a very important support area, the Oct. 16 swing low, which is not likely to be exceeded without a substantial rally related to the entire decline from Nov. 16. Price is declining at the greatest rate of any declining swing since the Nov. 16 top. Price should not react more than 50% of the decline from the Jan. 12 high prior to the termination of the decline. If price should rally more than 50% of the decline to date from the Jan. 12 high, the intermediate term decline is most likely over, and we would want to exit the market.

With this information, we would place the protective buy stop for the two or three short positions at the lower of a 50% retracement of the decline to date from the Jan. 12 high or 3 cents above the 1 x 2 angle from the Jan. 12 high. On Jan. 24, price makes an intraday high precisely at the 1 x 2 angle. At this point in time, 3 above the 1 x 2 angle would be lower than a 50% retracement and the stop would not have been hit.

Note the price and angle position in late Jan. The Oct. 16 low was at 5.79. The 1 x 1 angle from the Nov. 16 top, the beginning of the intermediate term decline, fell at the Oct. 16 swing low of 5.79 on Jan. 29. On Jan. 29, PRICE (the 52 range of the Oct. 16 - Nov. 16 rally) SQUARED IN TIME (52 business days from the Nov. 16 high). Jan. 29 was actually 49 trading days (there were three non - trading holidays) from the Nov. 16 high. Forty-nine is an important time count. Gann called 49 the "death zone" and instructed to be alert to change at 49 time units from any important high or low. Fifty-two is another important time count and is related to the 52 weeks of the year. Fifty two is a particularly important time and price count relative to the soybean market.

Most traders who are familiar with geometric angles usually make the mistake of only considering angles from highs as resistance angles. In many cases, they are more important as support angles that will often indicate termination of a decline. Another of my rules for angles: "An intermediate or long term decline is often terminated at an angle from the extreme high. Should the TIME, PRICE and PATTERN FACTORS indicate that the market is in the final section of a trend and the market make an intraday low at or very near an angle from the extreme high, look for indications of the termination of the trend, as the trend will probably have terminated." Reverse for a bull move.

In the week of Jan. 22, price was declining near the 1 x 1 angle from the Nov. 16 high and the beginning of the declining trend. Should price decline into this 1 x 1 angle, at least a minor reaction is likely and more than likely a low that terminated the decline from Nov. 16 was likely. Adjust daily an MIT buy stop for three July soybeans at the lower of 5.82 (3 above the Oct. 16 low) or 2~ above the 1 x 1 angle from the Nov. 16 high. If this price objective is hit, the profitable short positions would be closed out and a long position taken.

The protective sell stop for the new long position would be placed at 5.76 (3 below the Oct. 16 swing low). This profit objective and reversal stop was placed because the market was at a TIME, PRICE and PATTERN when the termination of the decline from the Nov. 16 high was likely. If this objective was not met prior to a rally, the protective buy stop 2 above the 1x2 angle would have taken us out of the profitable short position.

Price continues to decline making an outside reversal day on Jan. 29 with a low at the exact coincidence of the 1 x 1 angle from the Nov. 16 high and the Oct. 16 low. The activity confirmed a low for Jan. 29 and that price was likely to rally at least 40-50% of the Nov. 16-Jan. 29 decline. The MIT buy order was hit Jan. 25 at 5.83. With the protective sell stop for the new long position at 5.76 for a $350 capital exposure. The buy order 3 above the 1 x 2 resistance angle would be canceled.

Note that each action taken throughout this period was with reason and purpose. The geometric angles were used as one price factor to determine potential support and resistance. When properly used in conjunction with a proven trading plan and trading strategies, the geometric angles are a very useful tool. Beware of those who have little experience in the proper use of the angles and attempt to make you believe that they can be used by themselves as indications of support and resistance. They can not. Prove to yourself from the study of past market activity the proper use of the geometric angles. My course, THE W. D. GANN TRADING TECHNIQUES HOME STUDY COURSE, follows market activity day by day over long periods of time in this manner to teach traders how to view the market from all perspectives and how to make a trading decision in any market at any time.

In the next issue of TRADER'S WORLD, I will continue the analysis of the bean market and how to properly use the geometric angles to make trading decisions. I will give you a few more of my proven rules to use to make trading decisions and develop trading strategies. This article was completed and submitted on April 17, 1990. In the next issue, I will describe the market activity from the 1/29/90 low and why my TIME, PRICE and PATTERN analysis, including the price activity related to the geometric angles resulted in my going long the bean market today.

ROBERT MINER is the author of the authoritative and comprehensive W. D. GANN TRADING TECHNIQUES HOME STUDY COURSE and the publisher of the PRECIOUS METALS TIMING REPORT. For further information: GANN I ELLIOTT EDUCATORS, 6336 N. Oracle Rd., Suite 326-151, Tucson, Az 85704. (602)-797-3668.

How To Use Gann in the Agricultural Markets

By David Gleason

There is a time for everything under heaven: A time to be born and a time to die, a time to plant and a time to harvest, a time to break down and a time to build up, a time to weep and a time to laugh, a time to gain and a time to lose, a time for war and a time for peace. (Ecclesiastes 3:1)

William D. Gann told his students to read the bible three times to gain understanding and wisdom. Ecclesiastes 3:1 indicates the truth of cycles. TIME IS RELATED TO PRICE. Everything is in a cycle including commodity prices. An example of this would be Gann's square of 144. To start a square of 144 use a major cycle high or cycle low. It can be done on a daily, weekly, monthly or a yearly chart.

Terminology is a important part of understanding the square of 144. Let's review some of the terms.

START OF THE SQUARE The beginning of the square is calculated from a contract high or contract low.

ONE-EIGHTH POINTS A square of 144 is divided into eight each segment lasts 18 weeks.

ONE-THIRD POINT This division point occurs on week 48 from the beginning of the square.
MID-POINT This division point occurs on week 72 from the start of the square.

FIVE-EIGHTH POINT This division point is on week 90 from the beginning of the square.

TWO-THIRD POINT This division point is on week 96 from the beginning of the square of 144.

END OF THE SQUARE This occurs on week 144, hence the end of the square.

For an example I chose the weekly corn chart. Once a contract low is established the first surge of buying will end on the first or second 1/8 division point. In the case of corn it rallied 18 weeks to the first 1/8 division point. I have labeled this first surge as circle wave 1 on the weekly corn chart.

The correction wave, labeled circle wave 2, can be expected to last 8 to 18 weeks. One of two cycle lows often will end the correction. You can find these cycles by counting over 26 and/or 34 weeks from the contract low. Corn's correction ended on week 26 from the contract low.

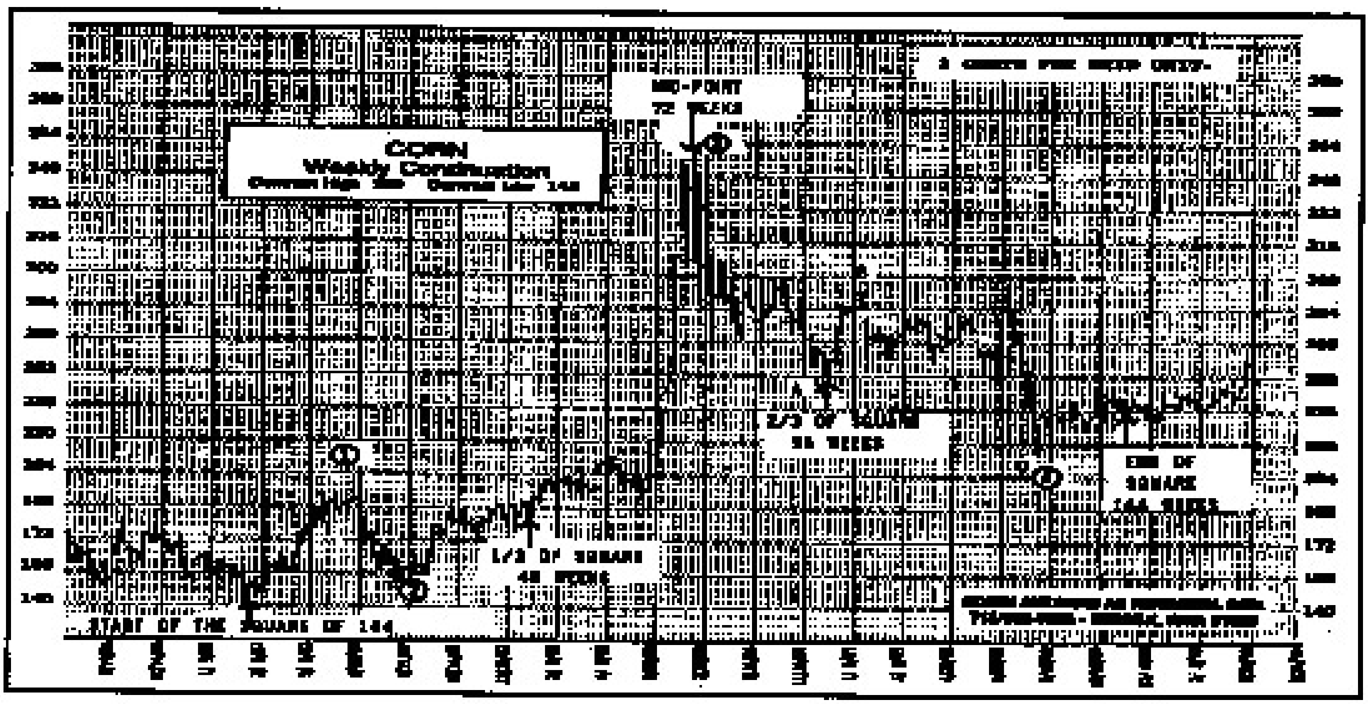
Calculating the target price for wave circle 3 is more difficult then wave circle 1 or wave circle 2. Time plays a larger role in calculating wave circle 3. When time expires, the uptrend is over. Time usually expires on a Gann division point. There were four division points where corn could have ended wave circle 3. The mid-point, five-eighth, two-thirds and the end of the square. Experience has taught me to not judge the division points too far in advance as cycle highs or cycle lows, always wait until a few weeks before they arrive before making a final decision. Corn reached our Fibonacci price target of $3.60 on week 72. Week 72 is the mid-point in time for the Gann square of 144 weeks. This coincided with the July 5 anniversary date familiar to all grain traders.

Why did corn finish the correction wave circle 4 at $2.17? To answer this question let's start from the 1988 contract high of $3.59. The first surge of selling ended on December 5, 1988 at $2.50. We will label this first surge of selling as wave A. This was a 50 percent correction from the contract low of $1.42 to the contract high of $3.59. Corn then made a 38% retracement back toward the contract high of $3.59. Stopping at $2.92. We have labeled this as the retracement wave B.

The length of wave A was 108 cents ($3.59 - $2.51 = $1.08). The length of wave B was 41 cents. ($2.92 - $2.51 = S.41). To find the length of C: add A + B and divide this sum by 50. 108 + 41 = 149. 50% of 149 = 74 cents. The calculation for the length of the C wave is 74 cents. $2.92 - .74 = $2.17. The difference between the contract high of $3.59 and the contract low of $1.42 is $2.17. When several calculations match it's called clustering. I like to see a cluster of numbers when predicting a top or bottom. $2.17 ended the correction wave circle 4.

To have a good technical analysis you need to be able to relate time and price. This is called time and price squaring. How can the numbers 72, 144, 217 and 360 be related? Using the Fibonacci sequence we easily find the correlation. (x = 72) Ix = 72, 2x = 144, 3x = 216, Sx = 360. Corn time and priced squared at $3.59. Corn time and priced squared again at $2.17. The next number in the sequence is 8x. 8 x 72 = 576. Yes, it is possible for corn to reach $5.75 on wave circle 5. Of course 5.75 could pertain to the 5.5 year cycle in corn.

We can use the Gann square of 144 as a valuable tool and look weeks in advance at important highs and lows. Can you imagine what it would have been like in 1988 to look at the weekly corn chart with the Gann division points marked? I clearly remember that exciting year. We sent out several chart recommending to purchase July corn at $2.09. Then in our June issue we recommended to take the profits on our corn position July 5 on the opening,



at the exact top of the market!

I have used Gann for years in the agricultural commodities and it continues to amaze me. The best explanation I have found for why it works is Ecclesiastes 3:1. "There is a TIME for everything and a season for EVERY activity under heaven".

David Gleason is editor of North American Ag Charts and author of the North American Ag Update which can be seen daily on the Data Transmission Network. He is a licensed CTA and a commodity broker for World Trade. Write or call: Box 313, Okobofi Ia. 51355 (712) 332-2779.

GANN MASTERS INTERNATIONAL

By Larry Jacobs

In three weeks Gann increased his capital over 1000% by short term trading the markets. He astounded the world by making 286 trades in various stocks, 264 of which made profits and 22 made losses. His accuracy in trading stocks and commodities throughout his lifetime was unbelievable.

Gann said their is nothing mysterious about my predictions. I use algebra and geometry and tell exactly by their theory of cycles where a certain thing is going to occur again.

Before Gann died in 1956 he said it had taken him 20 yeas of exhaustive study to learn the cause that produces effects.

In 1954 Gann made several courses available. His master course was $5,000, some $50,000 in today's money. Gann was acclaimed in many financial newspapers world wide including the Wall Street Journal, Financial World and the Financial Times of London. Before he died in 1956 Gann had made a fortune of over $50 million dollars.

A modern day organization has been formed to teach the trading methods of Gann. Halliker's, Inc., publishes of Trader's World Magazine, offers you the unique opportunity to reshape your trading, to add to it those necessary elements which makes for successful trading. The organization can help you find a successful method of trading, based on the rules of Gann, that will help each day of your trading become a satisfying experience.

You can now start sharing the advantages of being a member of Gann Masters International. Further, regardless of how many trading books you have read, what colleges or universities you may have attended - Gann Masters International offers you through their teachings a message of hope, fellowship

THE SYSTEM OF GUIDANCE

The lessons from Gann Masters International constitute a fascinating revelation of the mathematical mysteries of the markets. The lessons build into you the elements of confidence and success. Each lesson also takes into consideration the need for the acceleration of the awareness of the individual. It seeks to awaken his dormant ability and to develop his distinct powers rather than to cram his mind with useless trading techniques.

The student, in the privacy of his own home, is made to realize that he is comprehending and mastering the great trading methods of W.D. Gann himself, with other Gann traders, and a reliable, unique source of trading knowledge not available elsewhere.

Can you spare just a little time each week to study and learn the trading methods of W.D. Gann from our easy to understand lessons? If so, then you are well situated to obtain the many resulting benefits of being a member of Gann Masters International

HOW THE LESSONS ARE PREPARED

The management Gann Masters International decided that the Gann teachings for this remote, personal kind of training could not be put in book form like texts on accounting, which infrequently change. Any method for issuing the Gann teachings must be kept flexible. This is so that the new break throughs which our researches are consistently making - may be included that members may have the benefits which they make possible. Thus those teachings are issued in lesson form, four every month in the year. Their wording is in large, easy-to-read type. Suitable illustrations and charts are included with them whenever it is necessary to make a subject especially clear No outlay is spared by the staff of Halliker's to assure that the student is getting the maximum from his lesson.

NO COLLEGE EDUCATION NECESSARY

Anyone able to read and comprehend his daily newspaper would be able to understand the remarkable mathematical trading facts which these lessons contain. The lessons are not written in veiled language as many of the books and courses of W.D. Gann are. The mastery of any subject is shown by explaining it as clearly as possible, and in this, the lessons excel.

ARRANGED IN EASY STEPS

The member is presented to each topic in its order. Gradually and simply, an important factor, the clarification of a mystery, vital knowledge, or a bit of material merges into another. The student is not driven into a maze of terms and phrases which he cannot understand and which annoy and fatigue him. The lessons are organized by degrees and grades, each following in its proper order. The lessons are mailed to the student by fist-class mail.

MASTERS

POWER

VISION

KNOWLEDGE

SOME OF THE FASCINATING SUBJECTS TAUGHT

Below are indicated but a few of hundreds of engrossing subjects taught and thoroughly explained as part of the Gann Masters International system of guidance. The limits of room herein make it impossible to list more of these topics of truth which will be extended to you as easily manageable lessons. The subjects shown are all included in the Gann teachings, but they are presented to the member in a different order from that listed here.

How to construct proper charts, Different chart base numbers, Master overlays, Table charts, Mathematical trading squares, Major and minor trends, Reversal days, Swing charts, Resistance and support levels, Division points, Projection of time and price, Important time periods v Geometric angles, Pattern charts, Parallel angles, Percentage moves, Squaring tops and bottoms to Seasonal forecasting, Gaps, Space movement, How to protect profits, Hope and fear and Mental attunement.

LITTLE TIME REQUIRED

You will be required to devote only one to two hours once a week to obtain the essential value from the lessons. During the rest of the week, while walking, watching TV, or even working, you will find that, without hindrance with your affairs, you can mentally visualize some of the ideas you read. In fact, you can use them frequently in own trading.

YOUR STUDY ROOM AT HOME

We suggest that you create “ Your Home Study Corner” in your home as your study area. This can be a separate room or a part of your sleeping room that is free from noise. You select one night a week - any night will suffice and that becomes your Study Night. At that time you review and contemplate the marvelous disclosures which are included in your lessons.

SIMPLE EXPERIMENTS

There is nothing that establishes confidence in trading as a fact or principle of nature like being able to test it personally and prove it to yourself that it works. True knowledge is experience, for your never truly know a thing until you experience it. You are given some simple little experiment which you can perform to prove to yourself the accuracy of the statements made. These experiments may require technical bar charts which will be supplied to you for the experiment. As these laws of mathematics and geometry perform at your command, you immediately begin to sense a new-found power, and you know you are on the path to the mastery of Gann.

SIGNS OF RECOGNITION

You will receive a student ID card confirming that you are a member of Gann Masters International. There are three different levels of recognition. The Certified Gann Trader, The Advanced Gann Trader and The Master Gann Trader. If you successfully complete your first year of study you will receive the fist level of recognition, and be a Certified Gann Trader, after your second year of study you will receive the Advanced Gann Trader recognition level and after four yeas of study you will receive the Master Gann Trader recognition level.

FASCINATING MONTHLY NEWSLETTER

Gann Today™, the official publication of Gann Masters International, is issued free to each member each month as one of your many privileges. It is a leading periodical for self-improvement of trading by the methods of W.D. Gann. It contains well-written, simply presented articles which contain useful facts, which you, regardless of your Gann trading level, can apply with much benefit to your trading.

PERSONAL ATTENTION

A process for determining your personal progress and understanding throughout the degrees or grades of Gann Masters International has been established. Regular, simple examinations will be given to you and, buy their results, ways and means of further aiding you in your use of the teachings of Gann are then prepared. By these tests Gann Masters

International will be acquainted with your needs and requirements and thus be able to extend you any special services within its province.

INTIMATE ASSOCIATION AND CLOSED SESSION SEMINARS

As a member of Gann Masters International, you will be associated with an organization devoted to your personal trading development through utilizing little-known natural laws of algebra and geometry used by W. D. Gann. You will become united in thought and purpose with individual students throughout the world. This school with those of like mind, with its exchange of ideas, is a valuable benefit, for it causes us to grow inwardly and in accomplishment as we become stronger mathematical traders of the markets.

You will also have the opportunity of personal association with other students when you have reached a certain stage in the teachings of Gann through correspondence with other members and through closed session seminars. These seminars will be unique and will allow for an open exchange and discussion of many of the important Gann trading techniques that may not fully be understood by individual members Also at the closed seminar, each member is required to present some new Gann trading technique to the group. The information presented by the attending members during the closed sessions is for the attendees personal use and it can’t be revealed to anyone outside of the group. To attend these seminars the member must have passed the necessary tests for qualification. This is to insure attendees are near the same level of knowledge.

A PERSONAL INVITATION WE INVITE YOU TO BECOME A MEMBER OF GANN MASTERS INTERNATIONAL

Unite with Gann Masters International in their fascinating research and investigation into the universal laws of the markets. As a member of Gann Masters International, you would receive four lessons monthly, the monthly newsletter Gann TodAy™, and such other student credentials, records, forms and privileges as accompany an organization of this scope. These benefits would continue for as long as you maintain current paid tuition status and express a desire to study and learn the mathematics of the markets.

Please read the confidential application carefully, If you would like to join Gann Masters International, fill in all the information requested, and return it to us, along with the registration fee of $30 and the first quarter’s, 3 months, dues of $60. All questions must be answered completely (quarterly tuition payments must reach us one week prior to the quarter for which the tuition is being paid.)

Once your application has reached us, it will be reviewed by us. If you are accepted as a member, Gann Masters International will send your fist packet of study materials, If you are not satisfied with the lessons you receive, you can cancel your membership at any time and receive the unused portion of your dues. We look forward to hearing from you.

Acknowledgement should reach you within three weeks or less. If your application is rejected for any reason whatsoever, your remittance will be returned to you with a frank explanation. The lesson materials sent to you from Gann Masters International will always remain the property of Halliker’s, Inc. and are: only loaned to students. If you are accepted as a member to Gann Masters International you must keep confidential all reading matter and lessons sent to you.

ADDITIONAL STUDY MATERIAL

The following courses and books written by W.D. Gann are recommended as a supplement to your lessons from Gann Masters International. They can be obtained from the Halliker's catalog section in this magazine, credit card orders call 1-800-288-GANN or from Nikki Jones at the Lambert Gann Publishing Company:

How to Make Profits in Commodities,
45 Years in Wall Street Written in 1945,
Tunnel thru the Air,
The Gann Commodity Course,
The WD. Gann Stock Market Course,
The Magic Word, Wall Street Stock Selector Companion To Truth Of The Stock Tape

Other Gann material is also available in the Halliker's catalog including Bill McLaren's Gann Made Easy and his recent book Advanced Trading Techniques for the Price/7ime Calculator, which also includes the Gann Time and Price calculator.

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The Future Course of the U.S. Stock Market An Elliott Wave Perspective

By Glenn Neely

THE GROUND WORK: What Does the Theory Furnish the Technician? The Elliott Wave Theory furnishes a framework within which to organize a market's price action into specific formations over any time period. All market action under the Wave Theory breaks down into two major categories:

1. Action with the larger trend.
2. Action against the larger trend.

1. The majority of price movement in the direction of the trend will be constructed of five smaller phases or segments (see Figure la). Broadly speaking, this type of price action is defined as Impulsive (in nature). If a pattern on the largest scale possible is Impulsive, it cannot be completely retraced until at least one more comparable Impulse wave (in the same direction as the first) is completed.

2. Price action that moves in the opposite direction of the next larger trend is usually constructed of three smaller segments (see Figure lb). This type of action is classified as Corrective (in nature). When price action is correctively constructed, future price action will usually retrace the Correction completely.

DYNAMIC CONCEPTS

History demonstrates that man's progress is dynamic and logarithmic, not static or linear. Look at the historical,

Logarithmic chart on the U.S. stock market dating back to 1789 (see Figure 2, courtesy Foundation for the Study of Cycles). Sometimes advances occur in spurts, followed by consolidation phases that last for long periods of time. Then again, occasionally the reverse happens. This reveals the market's dynamic behavior. The relatively consistent advance on a log scale for the last 200-plus years demonstrates the logarithmic nature of economic progress.

PRICE ACTION LIMITATIONS

Elliott Wave price patterns force the analyst into specific conclusions. The conclusions are not based on emotion or opinion, but are forced upon the analyst through objective and detailed study. Predictions are derived from the highest probability outcome founded on historical precedent. When applied correctly, the Theory can help the analyst produce short- and long-term forecasts which are, occasionally, pinpoint accurate.

THE ANALYSIS: Implications of the Long Term Data

A quick overview of the long-term price activity (Figure 2) immediately brings to bear one important fact. The start of the advance, which has been in progress for at least 200 years, cannot be coincident with the beginning of the cur-rently available long-term data series. Remember, the Wave Theory is a natural law of progression. Its reflections of societal development are present whether someone is around to register them or not. It is only logical to assume that the recording of data would not necessarily coincide with the advent of a multi-century advance.

DETERMINING AN HISTORICAL LOW FOR THE LONG-TERM DATA SERIES

The data we are working with starts in 1789. Obviously, this country was inhabited and growing before that time, so there was economic activity taking place, albeit unrecorded. A quick glance at the start of the data series reveals that the price action was initially drifting sideways for several decades. This is not the way a trend (Impulsive action) begins. The commencement

of a trend (under the Wave Theory) must begin with Figure 1

Impulsive action—action that is only minimally retraced by later activity. You can see that the market drifted back and forth many times before finally advancing in the early 1800s. This implies the 20-plus-year consolidation must have been a Corrective phase following an Impulse (trending) pattern.

Methodically administering a host of subtle Elliott Wave techniques, I deduced that the best point of inception for the last 200-plus year advance was 030 (iR., 30 cents). The market was most likely at that level around the year 1765 + 10 years. The following observations helped me to arrive at the above conclusions:

1. For the last 200-plus years, the U.S. economy (based on stock market averages) has been advancing at a great clip (approx. 100,000% since the of fiscal projected low around 2.51 in 1789). Based on this evidence, it is safe to assume that the U.S. stock market has been in a trending pattern (Impulsion) since that time or before. According to R.N. Elliott, an Impulse wave should contain an Extension (one advance that is significantly longer than the other advances). Since 1789, there has not been an Extended wave (see Figure 2); the second and third advance are about equal, and the first advance is much smaller. This is a pivotal observation. If the nature of the advance since the 1700s is to be considered Impulsive, there must eventually be one advancing wave that is substantially longer than the others. Resting solely on that fact, it is imperative to assume the multi-century economic expansion, probably beginning with the colonization of North America, has not ended.

2. The large middle section (second advance) of the last 200-year advance (1860 to 1929) is Corrective in nature. Impulse patterns are known for their acceleration phases. These usually occur toward the center of the longest wave. It is immediately evident that the advance from 1860 to the high in 1929 does not exhibit any such acceleration phase toward its center. Actually, the reverse is true; the second advance consolidates toward its center (see Figure 2). This is basically impossible in an Impulse pattern.

3. From 1940 to 1960, the U.S. experienced the largest, most persistent, least retraced stock market advance in recorded history (see Figure 2). If a market starts to increase its rate of acceleration after prolonged periods of slower action (relatively speaking), it is an excellent indication that an Extended wave is getting underway. The strongest argument for an extension

beginning in 1949 is the gradually increasing market volume over the last forty years as the market continues to make new highs. Volume, as a rule, increases toward the center of an Extended wave, especially if that extension is a third wave.

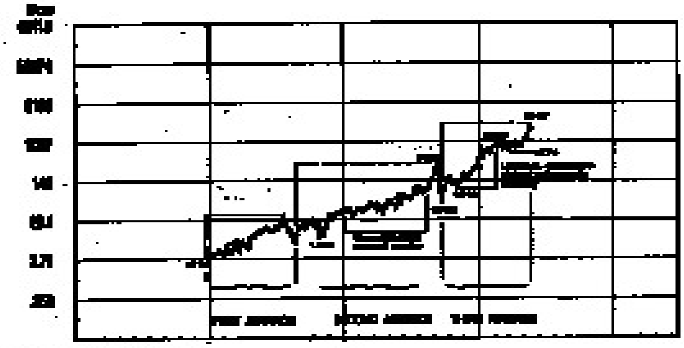
4. A base trend line can aid in the identification of Corrective patterns of the same degree (i.e., patterns within the same Elliott formation). When employing this technique on the available data (see Figure 4), the trend line runs across the low in 1860 and 1932. There is no doubt that a Flat pattern (with a C-wave failure), starting in 1835, concluded at the low in 1860. That Flat pattern contained the typical three segments common to most corrections. The complexity of the Flat correction is far too great to be directly relatable to the virtually vertical decline which started in 1929 and finished in 1932. If the two points identified by the trend line are to have any relation, the Corrective period after 1929 must have been more complex and time consuming than is immediately apparent. During Elliott's lifetime, he interpreted the price action from 1929 to about 1949 as a 21-year contraction phase (a Triangle, using Elliott's terminology; see Figure 4). Once a 21-year Triangle is included in the price structure, there is better time corroboration between the two corrective phases along the base trend line (i.e., a 25-year Flat Correction from 1835 to 1860, and a 21-year Triangle).

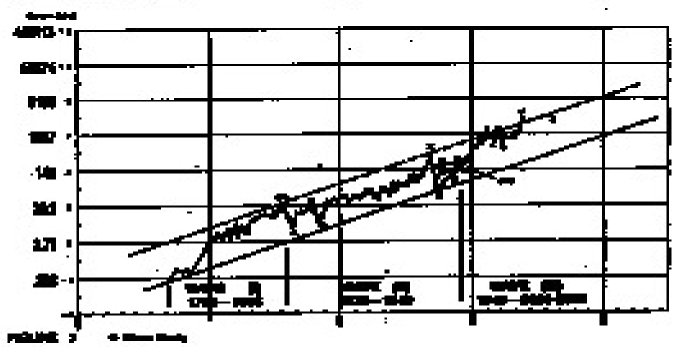
THE LONG-TERM WAVE COUNT

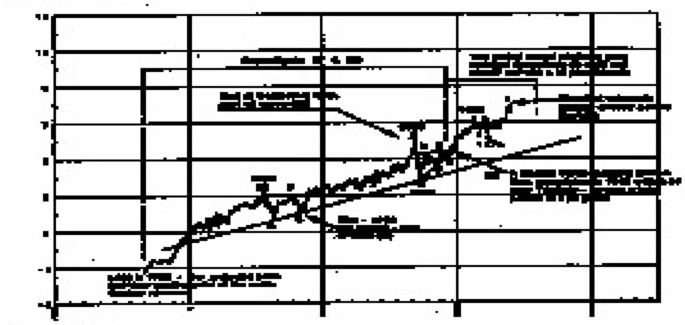
The previous analysis enabled me to determine that the historical starting point for the U.S. stock market was most likely 30 cents in 1765 (+ 10 years) ! From this it was possible to place a long-term wave count on the historical data series. The results displayed in Figure 3 (p. 219) are:

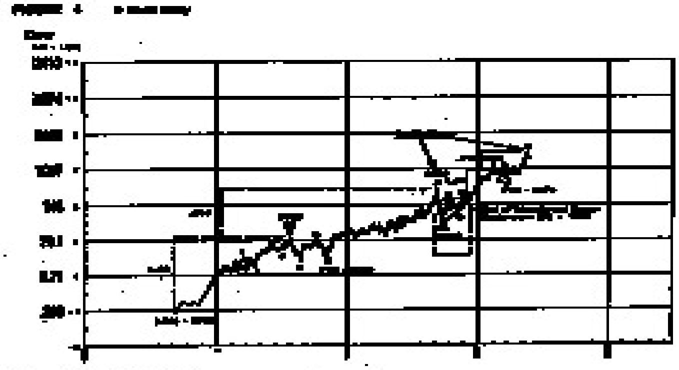
Wave (I) 1765 to 1835
Wave (II) 1835 to 1949
Wave (III) 1949 to 2020-2060

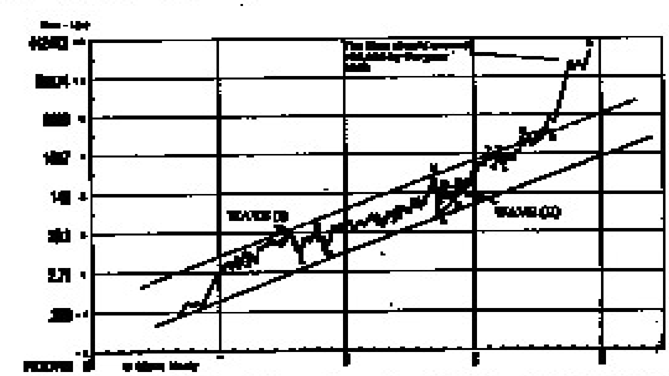
The following analysis details the place-











ment of the above wave count:

1. With a starting level of 030 (around 1765) established, the advance to 1835 now becomes a very clear Impulse pattern with a long (extended) first wave (see Figure 4). The 1835 high would be labeled wave (I) of SuperCycle degree.

2. It has already been decided that there was a Flat correction from 1835 to 1860, which was part of SuperCycle wave (II); and that the advance from 1860 to 1929, based on the highest probabilities, was corrective in nature. If that rally had been Impulsive, the low in 1860 would have been the end of wave (II) of SuperCycle degree. Since the advance is Corrective, the rally from 1860 to 1929 must also be part of SuperCycle wave (11) (see Figure 4).

When a second wave contains a Corrective advance of that magnitude (1860-1929), the second advance must be some variation of Running Correction. The most common form of Running Correction is the Double Three. A Double Three typically concludes with a Non-Limiting Triangle. This provides a perfect explanation for the 21-year Triangle between 1929 and 1949 that Elliott described. That Triangle terminated a 115 year corrective phase which finalized SuperCycle wave (11) (beginning in 1835; see Figure 4).

3. Wave-3 started in 1949 and is still unfolding. The powerful implications of a second-wave Running' Correction guarantee that the third wave will be the longest wave of this multi-century advance. When the third wave is the longest wave of a pattern, it will generally subdivide more than wave-l or wave-S. As this subdivision occurs, a smaller five-wave move (Impulse pattern) will become evident within the third wave. Inside this larger third wave, wave-l and 2 will usually mimic the price action of the larger first and second wave. (In this case, the larger first wave begins approximately 1765, and the second wave ends in 1949.) Applying this concept, we can anticipate that the advance from 1949 to some future date will look similar to the price action from 1765 to 1949 (see Figure 4).

From 1949, an Impulse wave is present that concludes at the high in 1966. That high is wave-l of Cycle degree. The sideward action from 1966 until 1974 would complete a three phase Flat correction. It was from the 1974 low that the latest “bull market” began in stocks. Once again, just like the period from 1860 to 1929, the 1980s “bull” market was Corrective in nature (see Figure 5). In addition, all of the action since the high in 1987 is unfolding into Corrective patterns.

The remarkable parallelism between Supercycle wave (I) and (II) and the latest Cycle wave-l and wave-2 (Cycle 2 is still unfolding) cannot be discarded. These additional conclusions can be derived from the growing evidence:

1. When measured from the low in 1932 (approximately 55.00), Cycle wave-l and SuperCycle wave (I) (ending 1035) relate to each other by 61.8% in price and time. This development is very interesting when it is considered that the historical prediction for the time and price beginning of the 200-plus year advance was concluded independently of this fact.
2. The corrections that follow the larger and the smaller first waves are both Flat corrections.
3. The two large corrective advances, one from 1860 to 1929 and the other from 1974 to 1987(?) are both Double Zigzag patterns (see Figure 5). Since the larger advance from 1860 was a Cycle degree X-wave, it is logical to assume that the pattern from 1974 to 1987 would be an Xwave of Primary degree (one degree lower than Cycle). As in 1929, the 1987 high is only part of a larger second wave.
4. Implementing the 61.8% ratio again, this time to the 21year Triangle, we can assume that a 13-year contraction started October 1987 (21 x .618).

5. The maximum extent of the correction, which began in October 1987, is limited to the 1932 percentage retracement of the previous Cycle X-wave (1860-1929). That retracement value was about 50%. Taking 50% of the advance from 1974 to 1987, a level of approximately 1640 is indicated on the Dow. Since the low the day after the 1987 crash was 1706 (very close to 1640), there is good reason to believe that the 1987 crash low is the corollary to the 1932 bottom. It cannot be ruled out that the crash low may be exceeded. If so, it should not be broken by more than about 100 Dow points.

6. Measuring the advance for SuperCycle wave (1), calculating 61.8 %, and adding that amount to the end of SuperCycle wave (I), you arrive at precisely the 1929 top (see Figure 5). This is a very typical stopping point for an Xwave in a Double-Three Running Correction. Checking the length of Cycle wave-I (1949 to 1966), multiplying by the fraction .618, and adding that amount to the top of Cycle 1 puts you exactly at the 1987 high.

The fact that multiple measurements, when applied to wave segments of one lower degree, produce the same results is beyond coincidence. There is no doubt that Cycle wave-I and wave-2 are, so far, mimicking the action of SuperCycle waves (I) and (II).

CONCLUSIONS

The inherent power of a IIS-year “Running Double-Three Correction” (SuperCycle wave (II), 1949) has astounding implications for the future. This allows us to arrive at a resolution on the most probable market and economic activity for the next 70 years:

1. The economic contraction which started in October 1987 will be of ONE LOWER magnitude in severity than the Depression of 1932. Why? The Cycle 2-wave currently in progress is of one lower degree than the correction in 1932. As the market moves sideward for the next 13 years, economic conditions should gradually improve as they did from 1932 to 1949.

2. SuperCycle wave (III) is going to be the Extended wave of the Impulse pattern (see Figure 6). In other words, SuperCycle wave (III) will be much longer than SuperCycle wave (I). This means the U.S. market, right after the turn of this century, should begin to advance again. This advance should last for decades, creating the biggest bull market of all time (see Figure 6). The minimum expectation for an Extended wave is 161.8% of the previous Impulse wave of the same degree. Measuring the length of SuperCycle wave (I), calculating the above ratio, and adding the product to the end of Super

Cycle wave (II) (1949) produces the incredible, minimum target of (you’d better sit down) over 100,000 basis the Dow. By applying time techniques to the Wave structure, that price level should not be achieved any earlier than the year 2020, and no later than 2060!

FUNDAMENTAL JUSTIFICATION AND COMMENTS

The seeds are currently being sown for an international boom of unprecedented proportions. Over the next few decades, the majority of third world countries should have become industrialized. This will bring dramatic improvements in the standard of living for all citizens of such countries. International competition should invoke jealousy and a “keep up with the Joneses” mentality, forcing such communist countries as Russia to move toward a more productive, capitalistic economy.

After the year 2000, the world should begin moving into the most optimistic period ever experienced. This psychology should be in full swing by the year 2050. Toward the middle of the next century, there should be a virtual lack of wars, famines, depression, etc.—a sustained period of prosperity and peace.

For those of you who find a 100,000 Dow incomprehensible, consider that the market, from my predicted low of 0.30 up to the 1987 high of approximately 2700, has increased in value almost one million percent in a little over 200 years. A move from 2700 to 100,000 is only 4900%. The analysis allows 70 years for this to take place. Thus, a move to 100,000 in 70 years is highly plausible in comparison to the historical record.

I realize the conclusions outlined in this article characterize a near utopian society; but remember, all conclusions are based on what the Wave Theory virtually "guarantees" will be the most incredible economic period.

This Article courtesy of the Foundation for the Cycles. Glenn Neely established the Elliott Wave Institute ilt 1983, and teaches the only real-time Elliott Wave course in the world. He is author of Mastering Elliott Wave

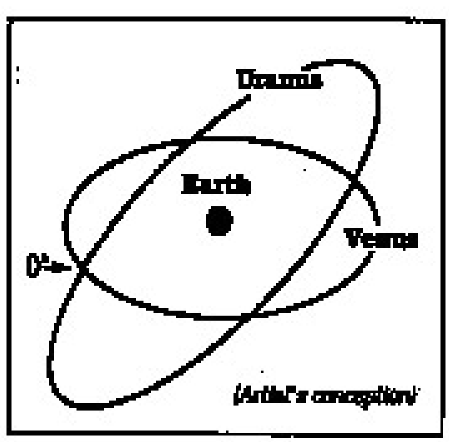


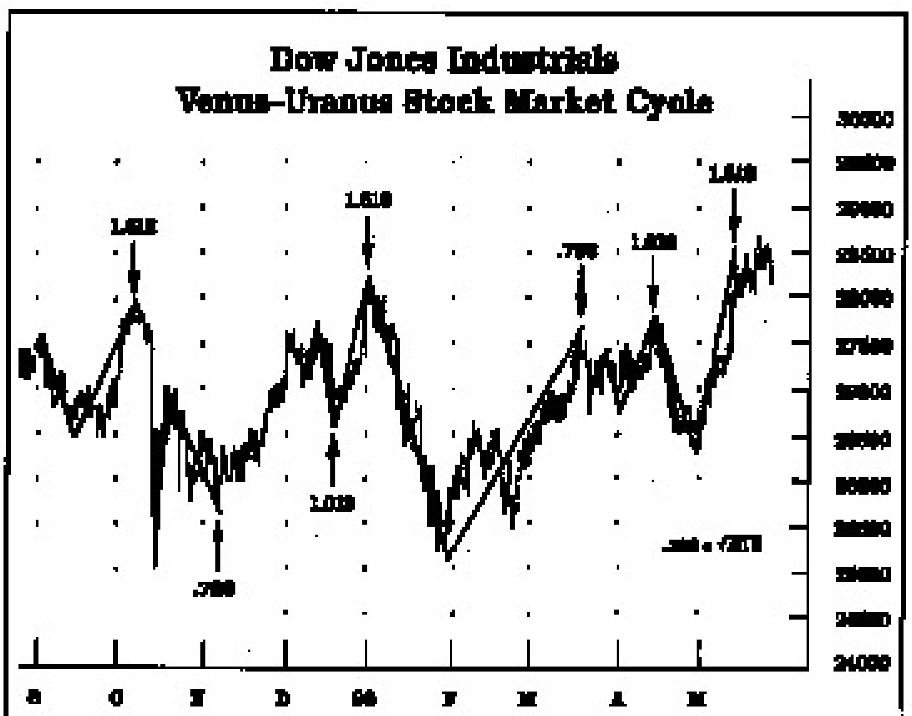
Figure 1

So You Want a Trading System that is 90 Percent Accurate? Here is a Good Starting Point!

By Larry Pesavento and Markus Niksch

CM ince the publication of our first book, Astro Cycles: The Trader's Viewpoint, several years ago, we have continued to review the results of the Venus-Uranus planetary cycle. Originally brought to our attention by Donald P. Bradley in Stock Market Prediction (1954), the phenomenon continues to operate aspect (cycle) to aspect (cycle) with over 90 percent accuracy in predicting short term stock market changes in trend.

Figure 1 shows the relationship of Venus and Uranus on a geocentric (earth-centered) perspective. As Venus and Uranus come next to each other at conjunction (0) they begin their 225 day cycle through all the major aspects. The interesting point is that if you divide the 225 day cycle by 365 days you arrive at (.618). Experience has taught us certain characteristics of this cycle that can be used in trading:



The arrows point to the major Venus-Uranus aspects which occurred during the last nine months. This is a very important cycle for the Stock Market and six of the seven trades produced excellent results. The swings drawn in clearly demonstrate the importance measuring price swings using Fibonacci ratios.

1. Some aspects were associated with bullish price action and others with bearish price action. Conjunctions (0), sextiles (60) and trines (120) are associated with upward moves in the stock market. Squares (90) and oppositions (180) are associated with weakness.

2. The aspects are short term phenomenon (3 to 12 days) and more than 50 percent of the time were the beginning of a huge move in stock prices.

3. The aspects set up two trading opportunities each time they occur. You can go long or short five calendar days before the aspect will be exact. Simply look at a price chart of the stock market and see what direction the stock market is moving, and expect the trend to reverse at that time. We prefer to use the Fibonacci price objectives to arrive at an expected price target. Wave Graders by Bryce Gilmore is an excellent software program we use in all of our market analyses.

Over 900 aspects (110 years) of stock market history has validated this naturally-occurring cycle. Why it works is unimportant to the astute trader. The statistics alone provide a strong case for the development of a trading methodology based on this cycle. The accompanying chart illustrates the accuracy of this cycle over the past year. It does include the June 6, 1990, high which was quite significant. The only necessary tool that is needed is an Ephemeris Manual that gives the exact times of the Venus-Uranus aspects. We recommend the ten year 1981 to 1990 Ephemeris from Astro Computing Services of San Diego, California (about $8).

We will leave it up to our readers' imaginations as to how to broaden the applicability of this naturally-occurring planetary harmonic. For instance, does the cycle work in Treasury Bonds? Does it work if a heliocentric (sun-centered) approach is used? Are Soybeans and Wheat effected? A lot of questions (hard ah) will answer these questions.

Larry Pesavento, Astro-Cycles, 1421 Price Street, Pismo Beach, California 93449 (805)773-0412.

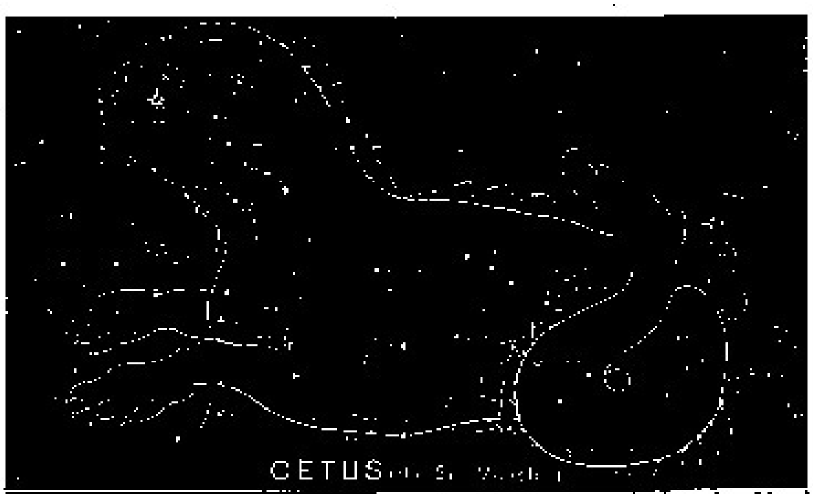
The Bible, Gann, and the Stock Market

By Gregory and Helen Meadors

In our series of articles we have discussed how W.D. Gann used a wholistic approach in order to forecast and trade the markets with precision accuracy. Gann would incorporate Scripture, natural laws, numerics, geometry, Pythagorean harmonics, astrocycles and the Law of Vibration.

As we revealed in our previous articles, Gann's primary source of knowledge forecasting future events was his knowledge of the historical correspondence between cosmic vibration (celestial harmonics) and its effect on man’s psychobiological cycles. These cycles have historically correlated with mass investor psychology and are reflected in Stockmarket movements, as well.

One of Gann’s presuppositions was that scientific laws related to market timing were alluded to or found in the Bible. As a student of ancient sources of knowledge, Gann may have also studied the Great Pyramid, the first of the seven Wonders of the World, which some believe is referred to in the Bible (Isaiah 19:19-20). The structure of the Great Pyramid contains an amazing array of mathematical (Fibonacci) ratios, biblical correspondences, and knowledge of the heavens.

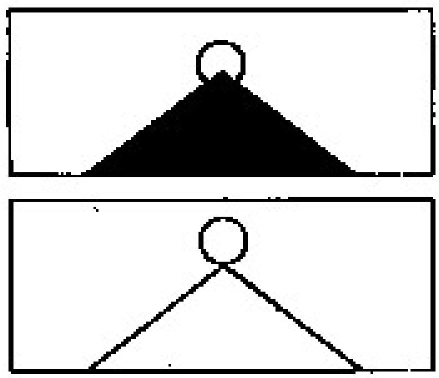


Gann was probably aware of the stored knowledge in the Great Pyramid, since the Great Pyramid and the heavenly cycles are also symbolically represented in the Great Seal of the United States, and in the U.S. Treasury Seal. 2

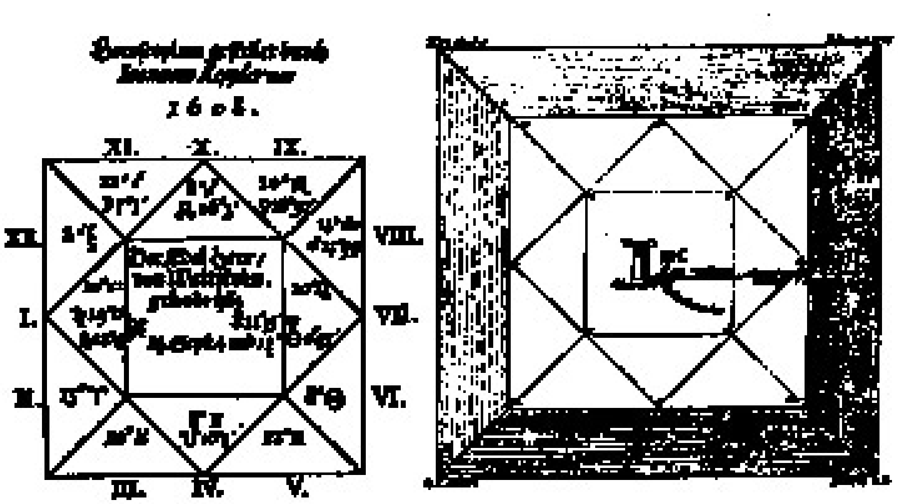
Gann also stated that one must use the right starting point in order to forecast the markets. In regards to the heavenly influences, the Great Pyramid does reveal a much older knowledge of the heavens than that presented by Ptolemaic, 1st century, astrology; or by the Pythaorean “music of the spheres”.

We also learn from earlier writings of the Persians and the Chinese, that there were four bright stars in the sky; in the east, the west, the north, and the south, which evidently corresponded to the Vernal Equinox, the Autumnal Equinox, the For the stars of heaven and the constellations thereof shall not give their light; the sun shall be darkened in his going forth, the moon shall not cause her light to shine.” Isaiah 13:10

The temperature on the Sunlit Full Moon exceeds the boiling point of water, at which time it also emits infra-red rays (light; electromagnetic vibration) which are several times more intense than the rays it reflects from the Sun. During the first five minutes of a lunar eclipse,



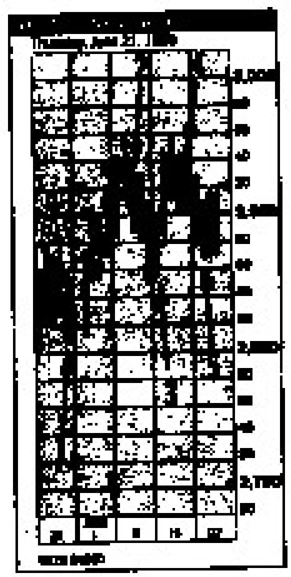
In early spring, when the sun rises just high enough above the apex of the Great Pyramid, the whole shadow on the north face vanishes at the stroke of



By placing the gallery of the Kings Chamber slightly to the east of the north-south axis of the Great Pyramid, the ancient astronomers could make their observations from the center of the truncated square, and a gnomon, or shadow pole, could be raised in dead center. That such a square was the prototype for astrological as well as astronomical computations, is strikingly illustrated by the format for horoscopes, which continued into the seventeenth century. The above horoscope was prepared by Johannes Kepler.

head of a woman and the body of a lion Since the word "Sphinx" means "to the surface temperature of the 4 moon falls tar below the freezing point, and the I emission of the infra-red light vibrations cease.

W.D. Gann, the legendary Wall Street trader, made references to the portents of eclipses and planetary positions. For example, the record breaking January/March 1987 rally ended on April 6, I 1987, exactly when the benefic planet Jupiter made I its Passover of the March 29, 1987 Solar Eclipse. I | degree. (This weekend Eclipse generated a sharp | sell off on Friday and Monday). TheApril 14,1987 j Lunar Eclipse provided the obvious portent (eclipse I conjoined Arcturus the bear watcher, Job I 38:32;33); while both She October 6, 1987 Lunar | Eclipse, and planetary postions provided the timing I for the dramatic 13 day October 1987 bear! The | next (weekend) solar eclipse occurs on July 21, 1 1990.



A Review Of Our Forecast

(1) Buy the dips going into June 6th.
(2) Expect a drop from 6th into the 11th.
(3) Counter-trend on the 11th
(4) Expect a lift going into the 14th/15th.
(5) Minor counter-trend on 19th.

In our previous article entitled Gann's Law Of Vibration Decoded (Trader's World/June 1990) we listed the upcoming dates of the Venus Uranus Trine Cycle (5/6/90, 9/11/90) and pointed out that this planetary cycle has been 100% accurate in forecasting a rising market during the last nine occurrences (4 years) and has maintained an amazing 80% accuracy rate during the last 100 years.

The graph is a review of our forecasts made in the May issue of the Market Systems Newsletter. Note how the market again rallied into the June 6th Venus Trine Uranus Cycle date, with our other turning point dates providing 100% accuracy. Our forecast for a short term top at Dow 3000 on July 12/13th was originally aired on Financial News Network during the Joe Epstein Show on June 28th. The accuracy of this forecast, in both price and time, was highlighted on FNN by Jeff Brown during his Guru Review Show.

When you have finished your lessons and

Winter Solstice/the Summer Solstice (the four cardinal points)

However, due to the westward precession of the equinoxes, the four cardinal points today do not have the same location with reference to the stars as they had ages ago. Since the Zodiac has moved 30 degrees in about 2500 years, we can tell approximately when the observations of these ancient peoples were made. When we go back in time, we find the four bright stars, Alerbaran, Antares, Regulus, and Fomalhaut, referred to by the Persians, located correspondingly in the constellations of Taurus (the Bull), Scorpio (the Eagle), Leo (the Lion) and Aquarius (the Man).

Interestingly, the symbols representing these constellations also correspond with the four faces of the “cherubim”, in the Book of Ezekiel, which were used as the emblems of the four “brigades” (Judah, Ephraim, Reuben and Dan) of Israel in the four-square Wilderness Camp (Ezekiel 1: 10).

Revelation 4:6 may also reveal the same corresponding constellations of the Zodiac; “And round about the throne, four living creatures full of eyes before and behind. And the first creature was like a lion, and the second creature like a calf, and the third creature had the face of a man, and fourth creature was like a flying eagle.” Possessing all these eyes could be symbolic of seeing into the future and into the past; and the lion, ox, man, and flying eagle may be precursors for the symbolism of the constellations of Leo, Taurus, Aquarius, and Scorpio.

In the Book of Job, the names of several stars and constellations are mentioned as being both ancient and well known. Both, “The Dragon”, and the constellation Draco, are identified by a passage in Job 38:31, “By his spirit he hath garnished (made bright or beautiful) the heavens; his hand hath formed the crooked (or fleeing) serpent” (Figure 3).

Job also speaks of Arcturus and of Orion (Job 9:9); the Pleiades (Job 38;31), and Cetus, (leviathan, figure 2) the seamonster (Job 41:1). In all 42 chapters of the Book of Job there is not one reference to Israelite history, nor to the Law. This suggests that the writer lived in an earlier time, before Abraham!

From repeated astronomical allusions contained in the Book of Job, various mathematicians have calculated that Job lived and wrote somewhere about 2350 B.C. This date would carry us back more than 1500 years before Thales, the first of the Greek philosophers; and more than 1000 years before Homer (mythology). And yet, in the time of Job, the heavens were already charted astronomically. The constellations, stars, and figures had been drawn and recorded!

Job describes the power, majesty, and works of God. He informs us that God is responsible for the naming and placing of these constellations.

The Psalmist also states that God named the stars, “He telleth the number of the stars; he calleth them all by their names” (Psalm 147:4). A similar statement is made by the prophet Isaiah who declares: “Lift up your eyes on high, and behold who hath created these (stars), that bringeth out their host by number: he calleth them all by names by the greatness of his might, for that he is strong in power; not one faileth” (Isaiah 40:26). In Genesis 15:5 the stars are spoken of as having been numbered (named) before Abraham’s time.

One commonly held doctrine of antiquity was that the constellations were divine in origin and “sacred” in character.

The figure of this constellation is a great serpent wound about (at lcast) one-half of the northern sky His tail alone extending over the territory of “the third part of the stars (Rev. 12:1-6) The Greek name (Draco) represents the sly and creeping deceiver, the Devil, called the “Dragons, that old “Serpent”. The Dragon and the Serpent are one and the same, but are manifested in different ways. No man ever saw a dragon, living or dead, yet all men talk of the dragon. Isaiah refers to the time when the Lord shall come - “a . . . great and strong sword | shall punish leviathan the piercing serpent; and he shall slay the dragon ,,,N (Isaiah 27:1). From the | book Glory of the Stars by E. Raymond Capt. paws, possessing the body and tall of a whale. This great sea-monster may be the Leviathan of job and Isaiah. The Creator asks Job: Canst thou draw out leviathan with a hook? or his tongue with a cord which thou Wettest down? Canst thou put a hook into his nose? or bore his jaw through with a thorn? (lob 41 :1-2).

As the early nations lapsed into idolatry, worshiping the stars and ascribing to them all sorts of divine and prophetic virtues, they still remembered that the mysterious symbols were manifestations of one supreme and eternal deity (which had been forsaken).

Historically, astronomy claims mythology fathered these remarkable delineations of the heavenly bodies. But, the classic fables and myths, surrounding the constellations, are mere corruptions and imitations of the original composition. These heavenly bodies have been mistakenly worshipped as gods as the following ancient book reveals: “For all men were by nature foolish who were in ignorance of God, and who from the good things seen did not succeed in knowing Him who is, and from studying the works did not discern the artisan; but either fire, or wind, or the swift air, or the circuit of the stars, or the mighty water, or the luminaries of heaven, the governors of the world, they considered gods. Now if out of joy in their beauty they thought them gods, let them know how far more excellent is the Lord than these, for the original source of beauty fashioned them. (Wisdom 13:1-3)

Job is asked, “Can you bring forth Mazzaroth (Zodiac) in his season? Can you guide Arcturus with his sons. Do you know the ordinances of heaven? Can you establish their rule upon the earth? (Job 38:32:33)

If the Zodiac is a circle of constellations and a circle has no beginning nor ending, where should we open the circle and begin our understanding of the Zodiac? A clue to the solution is found in the ceiling of the Portico of the Temple of Esneh in Egypt. There, an ancient circular Zodiac shows a sphinx, having the

By placing the gallery of the Kings Chamber slightly to the east of the north-south axis of the Great Pyramid, the ancient astronomers could make their observations from the center of the truncated square, and a gnomon, or shadow pole, could be raised in dead center. That such a square was the prototype for astrological as well as astronomical computations, is strikingly illustrated by the format for horoscopes, which continued into the seventieth century. The above horoscope was prepared by Johannes Kepler, head of a woman and the body of a lion, placed between the constellations of Virgo and Leo. This figure unites the beginning and the ending of the Zodiac. (Traditional astrologers use Aries (Spring) as a beginning) .

Since the word “Sphinx” means “to bind closely together” it symbolizes where the great circle of the heavens begins and ends. When one begins with the Virgin (Virgo) and ends with the Lion

In early spring, when the sun rises just high enough above the apex of the Great Pyramid, the whole shadow on the north face vanishes at the stroke of

The Great Pyramid might have been built about 2170 B.C. in order for so its Descending Passage to be aligned with the polestar, and at a time when the Pleiades were at zentith at midnight coincidentally with the vernal equinox. From the book Scrrets of the Great Pyramid, by Peter Tompkins.

(Leo), the twelve Constellations portray a pictorial story paralleling the Bible.3

Interestingly, the end of the 1987 bull market occurred when several planets exited the

Lion constellation (end of Zodiac & 1987 bull market) and entered the Virgin constellation. On August 24th, these planets formed a major conjunction (at the new moon), while also completing a grand harmonic (trine) alignment with the other outer planets. A Newsweek magazine article (August 17th) referred to this event,as the "Harmonic Convergence". As Scripture states: "A great and wondrous sign appeared in heaven; a woman clothed with the sun, with the moon under her feet and a crown of twelve stars ". Revelation 12:1. This Stock market top was no surprise to those who researched market movements in relation to the Heavenly "signs and wonders".4

In Gann's Law of Vibration interview he states, "Science teaches that an original impulse of any kind finally resolves itself into periodic or rhythmical motion, also just as the pendulum returns again in its swing, just as the moon returns in its orbit, just as the advancing year ever brings the roses of spring, so do the properties of the elements periodically recur as the weight of the atoms rises."

"The power to determine the trend of the market is due to my knowledge of the characteristics of each individual stock and a certain grouping of different stocks under their proper rates of vibration. Stocks are like electrons, atoms and molecules, which hold persistently to their own individuality in response to the fundamental Law of Vibration."

"In making my calculations on the stock market, or any future event, I get the past history and find out what cycle we are in and then predict the curve for the future, which is a repetition of past market movements. The great Law of Vibration is based on like producing like [historical correspondences]. The limit of future predictions based on exact mathematical law is only restricted by lack of knowledge of correct data on past history to work from.

"After years of patient study I have proven to my entire satisfaction as well as demonstrated to others that vibration explains every possible phase and condition of the market. Thus, to speculate scientifically it is absolutely necessary to follow natural law." (Figure 7)

To end our series of seven articles on W.D. Gann, we will quote from our first article published in the August, 1988, issue of this magazine. "Many people laugh at some of these techniques, but they also lose their money in the market.

In our previous article entitled Cannes Law Of Vibration Decoded (Trader's World/June 1990) we listed the upcoming dates of the Venus Uranus Trine Cycle (6/6/90; 9/11/90) and pointed out that this planetary cycle has been 100% accurate in forecasting a rising market during the last nine occurrences (4 years) and has maintained an amazing 80% accuracy rate during the last 100 years.

The graph is a review of our forecasts made in the May issue of the Market Systems Newsletter. Note how the market again rallied into the June 6th Venus Trine Uranus Cycle date, with our other turning point dates providing 100% accuracy. Our forecast for a short term top at Dow 3000 on July 12/13th was originally aired on Financial News Network during the Ira Epstein Show on June 20th. The accuracy of this forecast, in both price and time, was highlighted on FNN by Jeff Bowers during his Guru Review Show..

When you have finished your lessons and have discovered the keys, you will then have knowledge. You will then be able to accurately interpret the "signs of the times" (Matthew 16:2-3), and the market, with "uncanny" accuracy.

FOOTNOTES

l) In the 1970's a study of historical price movements in relation to cosmic cycles and planetary positions. The findings were published in the book, Man & Cosmos by Mattock ($40)

2) Our previous articles entitled Symbols. Numerics and the Law of Vibration; Gann's Law of Vibration Decoded; and A Review Of Our Forecast (1) Buy me dips going into June 6th. (2) Expect a drop from 6th into the 11th. (3) Counter-trend on the 11th (4) Expect a lift going into the 14th/lSth. (S) Minor counter-trend on l9th. Beyond Gann: Harmonics and the 1987 Stockmarket Crash, explain how some natural laws are symbolized in the Great Seal of the United States, and the U.S. Treasury Seal.

3) For a complete rendering of the constellations from one man's scriptural perspective, read The Glory of The Stars, by E. Raymond Capt.

4) For more information on Gann techniques, and how we forecast both the August, 1987, "Harmonic Convergence" top, and the October, 1987 Crash: send $25 for a complete set of our seven articles, (free with a subscription to the Market Systems Newsletter).

Gregory LeGrand Meadors is the author of the Genesis Market Timing Master Course and with Helen Meadors and Dr. Neal Chabot publishes the Market Systems Newsletter (see ad on this page, 1 year: $266). For information call or write: Genesis Capital Management, 2761 Mansfield Dr., Burbank, CA. 91504 (818) THE-GANN (843-4266).

Does the market harmonize like the notes in music making a major chord? A New Way to Trade

By Joe Rondinone

The chart shown in the December S&P500 Index plotted with the Presto System. The Presto Trading Method called the $15,000 break two days before it happened. From the low drawn upward as of 346.85 on Wednesday, September 27, the 45 degree line is outlined according to the Presto Seven Principles.

As each day's trading range is plotted, you stay long (as long as the 45 degree angle is below the price structure). You look for the 4th day for a correction. The 4th day makes a low below the 3rd day, but closes strong. The 5th day is next important for a high, closes very strong. The next day to watch is the 8th day for a high and sell off. This also closes strong. Now the 10th day is important. 1-3-5-8 days are all harmonic days. Pathagoras laid out the musical scales and those notes when played on the piano will harmonize making a major chord. The 10th day will be a #3 again and also will harmonize. The 364.50 price was hit on the 10th day after opening above the previous day's close and closed lower. Wednesday, the 45 degree major trend line was broken at 360.80 and closed at 359.80. This was a solid break at 360.80. The range for Thursday was all below the 45 degree line and Friday opened with a down gap; has a weak recovery, and fell to 328.85 limit. Monday, October 16th S&P opened at 323.85 - 500 points lower and rallied from there.

This S&P Presto plotted price structure is encased by the dotted lines with the 45 degree line as the main trend line. Each day's price action is plotted according seven Presto principals.

The Presto 5/4 Angle Trading Method is a plotting method of equalization of price action and price movement. The larger the daily price ranges, the more sideway space is consumed when angle plotted. The plotted area is now kept in proportion to the daily fluctuation of the price. Likewise, the small daily price ranges will consume a smaller sideway area. By this method, space is consumed until the price trades out of square (THE CROSSING OF THE ESTABLISHED 45 DEGREE LINE), thus give a reversal in trend.

Look again, this S&P chart shows:

You could stay long all the way up!

You would reverse your position to short breaking the 45 degree line!

There was no guessing as to where you took profits! As the price rallied, had you followed this chart, you needed no advice from anyone.

The squaring of price with time has been a subject of long discussion, can this be it??? Did this trader make a good profit??? Did he get out in time??? Could that trader be you??? This new discovery is for your consideration as a new way to trade.

Joe Rondinone is president of Commodity Projection Systems Inc. and author os Symmetries AngleTrading Method, Secret 38 Trading Rules. He can be reached at 2001 Lambert Court, Plano,TX 75075

Gann's Astrologers and the 60 Year Cycle

By Bill Meridian

It has been said recently about Gann's 60 year cycle... W.D. claimed that a rhythm exists in the market and economy that causes business conditions from 6 decades back to reproduce themselves in the present. So, 1929/1930 type conditions should have or are reproducing themselves now. My teacher Charles A. Payne Jr. knew Gann's two astrologers: Ken Brown and L. Edward Johndro. The latter two met in 1935 and began a 15-year partnership. Interestingly enough, Brown and Johndro never met face to face, just as Jayne and Johndro never met personally. They worked together primarily in the advising of important business men. With Johndro being the technician and Brown the contact man.

Johndro was one of the truly great American astrologers, thus the astrology world rewards innovative astrologers with the Johndro award on an annual basis. He was born on January 31, 1882. He began to study astrology in July of 1903, the same year and month Brown was born. He moved to the west coast of the United States where he lived for most of his life until his death on February 15, 1958 (conflicting dates are given as to his date of death). Johndro was eminently qualified as a technical astrologer. He was a mathematician, physicist, and radio engineer and in fact taught mathematics and physics professionally. In addition to being an innovator, he was also a rigorous tester of new ideas. If something did not work, he threw it out.

Mr. Jayne recalled Brown and Johndro working for W.D. Gann over a period of years. Because Johndro contemporaries did not appreciate his advanced style of astrology, he became embittered towards the end of his life. Upon his death, he requested Brown burn all of their correspondence and notes, a request that Brown honored. Johndro also advised Brown not to tell Jayne of the conflagration, fearing that Charles would have a heart attack. Be divided the zodiac in multiples of 15 degrees instead of 30. That means he was working in the 24th harmonic (360 divided by 15 equals 24). He is the only American astrologer to point out that aspects that are multiples of 15 degrees are significant in horoscope interpretation. For example, he found that 75 degrees, 105 degrees, etc. are valid aspects even though they are still not recognized as such by modern astrologers. The significance lies in market forecasting. I have found that these 75, 105, and 165 degree aspects are effective in determining turning points in market prices. It is interesting to know Johndro did market work for Gann and also knew of this phenomena, even though he never linked it to market forecasting in his sparse writings. (Upon his last trip to the U.S., I had the opportunity to ask John Addey, an English astrologer who did much to promote the modern use of harmonics, about the meaning of the 24th harmonic. His answer: 'change of trend'.) Johndro also did significant work on eclipses which he passed on to Charles Payne. Writing in 1958, Brown claimed that Johndro had developed a method for forecasting commodity prices based on cause he wrote so little, what can we glean from his style?

First, Johndro was a master occasional astrologist, determining how changing one's residence would effect their lives. Second, he developed very unique methods of direction and did a great deal of study on the fixed stars. He developed an eightfold division of the zodiac and a new system of sign rulership that was not appreciated by the astrologers of his day. Curiously, and more important to market astrology, he eclipse charts. He never committed this technique to writing, but apparently he found out that eclipse charts worked temporarily in forecasting prices. The next eclipse then began to “carry the ball” as far as the forecasting of a particular market. Thus the determination of prices were not determined by an individual horoscope but by horoscopes set by time, date, and place where the eclipse occurred. Let’s see how some of Johndro’s work, which was later developed by Jayne, was utilized by Gann.

Gann’s 60-year Cycle

Many of Gann’s number cycles and other methods were astro-based. He either did not want potential customers repelled by his esoteric techniques, or he wished to conceal their origin least others follow in his path.

In any event, Jayne spoke quite often about recurrence cycles-patterns formed by repetitions of synodic planetary cycles. A synodic cycle is formed by the conjunction of two bodies. At that point, they are zero degrees apart. The faster races ahead of the slower, making a complete transit of the zodiac before it catches up to the second body. This completed cycle, from conjunction to conjunction, is a synodic cycle. Every so many repetitions, the conjunction or zero-degree separation falls at the same place, or close to it in the zodiac. This constitutes a recurrence cycle. For example: Jupiter and Saturn meet approximately every 20 years. Every three completed cycles, the conjunction takes place at the same relative position in space and this completes one recurrent cycle. Here are some examples: The conjunctions of 1980-81 fell in early Libra while that of 1921 fell in late Virgo, just a few degrees earlier than the eighties’ occurrences. The oppositions (180-degree angles between the 2 planets) that began last year straddle the Cancer-Capricorn axis as did June 14, 1990 those of 1930-31 and 1872. Gann wrote that the halfway point between conjunctions (corresponding with the 180-degree angles) were times of general distress.

Here is a listing of the years of previous conjunctions: 1901, 1921, 194041, 1961, 1980-81.

Curiously, Gann began his 20-year cycle counts in these years. The coincidences and the Gann-Johndro connection convince me that the 20 and 60 year rhythms were based on Johndro’s planetary cycles. This then raises an interesting question: are Gann’s cycles based purely on number counts? Or are they rooted in the actual dates of astronomic events, which have become distorted due to Gann’s desire to concern their actual derivation? This is an important consideration now because there are five Jupiter-Saturn oppositions stretching from 1989 to 1991.

If we- utilize number cycles, then 1929 plus 60 equals 1989. While it is impressive that the DJIA topped the same day in September as in 1929 (if indeed that was a major top); conditions last year were tough, but not disastrous. If we rely on planetary cycles, then 1991 is the correct year to watch. I think that reliance upon the actual astro cycles is the proper view for several reasons. First, as explained above, the number cycles were likely an attempt to hide the planetary cycles. Second, there is a general astrological principle that the last hit from a series of charts as well as the stock market. The schedule for the oppositions (180-degree aspects) is: First-Sept. 10, 1989 Second-Nov. 14, 1989 Third-July 13, 1990 Fourth-March 15, 1991 Fifth-May 16, 1991

I project that we are not likely to see the full weight of this aspect (in terms of economic distress) until 1991. This fits the contrary opinion mold - while most 60-year cycle watchers are tracking a number cycle, the year will pass, proving the cycle “wrong” only to sneak up on us in 1991. It is interesting to note that the basic meanings of the two planets, expansion and contraction, supposedly balance or cancel each other out when at opposition; i.e., static or zero growth. Since the time of the first hit last fall, the market has made little progress and economic growth has been arrested (at the time of this writing). This stagnation is likely to last until

1991 if the cycle holds to past performance. Slow growth is not welcome in a credit-driven economy such as ours. A Morgan Guaranty econometric study demonstrates that GNP growth of less than 2% is enough to send corporate earnings into the red, so an actual fall in GNP is not necessary to wither profits. Growth simply has to be slow enough. Ah- the downside of using leverage!

Bill Meridian is a money manager residing in the Middle East He is the co-developer of the Astro-Analyst with noted astrologer Robert Hand and is also the publisher of Cycles Research newsletter. He has worked on Wall Street for over ten years as both a fundamental and technical analyst He is currently writing his first book-Planetary Behavior of Prices on Wall Street. For information concerning his newsletter and/or the Astro-Analyst software program, please contact Cycles Research at 78 Hubbard Avenue, Stamford, CT 06905 or call 800-URANUS-1. Or, contact Astrolabe at Box 28, Orleans, Ma. 02653, 1 -800-THE-NOVA.

Speculating or Investing?

By Terry R Davis

When a person first comes to the commodity markets, he/she is initially attracted by the high returns possible. They have been contacted by a broker or have seen something on FNN and have been told of the “easy” money available to them in the markets. They are told there is a lot of money to be made. There is ! Unfortunately, none of it has ever come easy to me. It’s been said that over 90% of the people end up losing in the futures markets. That probably is accurate. Have you ever seen those disclaimers stating to risk only money that you can afford to lose? Does that tell you something? Speculating is a risky business! Is there a way for Mr./Mrs. Joe Average to turn speculating into investing and take an above average return out of the market? The answer is YES!...and it is above 90% accurate! The method is so simple that you will probably say, “It can’t work!” Folks...it does!

Before we go any further let’s define speculation versus investing. The word speculation conjures up mental images in my mind. I would not classify these images as conservative. How about the word investing? Different image, correct? What are you trying to do with the money you have to “play the market?” What do you want it to do in one year? Do you want it to double, triple or (dare you think) quadruple? The chances for doubling and above are very close to nil ! Your chances are so low you have to look up to see bottom. That’s low!

Let’s spend a minute looking at the safest investment vehicles around. The first that comes to mind is passbook savings. There are no minimums and it earns 5 1/2%. The next and probably as safe would be some type of money market account or a small T-bill or treasury bond. You can expect to earn 79%. These are all very conservative and very safe. Right? The next would be some type of mutual fund. You can expect (if history is a judge) to earn between 8-18%. In the past they have been moderately safe. Since mutual funds are predominant buyers (versus short), if the markets are moving up they do well. If the market goes down so does your investment.

The next investment we should look at is real estate. Historically, real estate has made more people rich than any other investment vehicle. It is moderately safe but requires (generally) a large capital outlay and substantial time for it to grow in value. If you are managing it yourself you will also have to deal with tenant problems. Not fun!

Let’s move onto the un-conservative (maybe the wording is high-risk) investment vehicles. Your list may not be the same as mine! They are stocks and commodities. This list is not all inclusive but you get the idea of what I am speaking of. There is no doubt that when the market is right stocks and commodities can make a bundle. Especially commodities! Since we know the opportunity exists to make big money....WHY(?) don’t we? Why is it that fully 90% of people lose in the open-outcry markets. The reasons for failure in the markets is beyond the scope of this article but suffice it to say we all have some losses.

Since the opportunity definitely exists for great gains maybe there is a way to cut the risk and earn a moderate profit. My definition of moderate is 25-50% per year. THIS IS POSSIBLE WITH ALMOST NO RISK! ! ! (If you think this return is low in the commodity markets I would suggest that you take a look at the yearly returns for any of the publicly traded commodity funds handled and traded by “professionals”) The minimum amount of capital you will need is approximately $6,000. With this amount you will be trading on the Mid-Am exchange only! ALL of our trades will be low risk and all will be BUYS ! The basics of this “system” are from the book, “YOU CAN’T LOSE TRADING COMMODITIES”, by Robert Wiest and this article is being written with his kind permission. I have several methods with which I trade with. All, but this one, are my own discoveries. I have taken 30% of my trading capital and put it into this conservative method. IT WORKS... I AM USING IT NOW! Your question should be,-”If you are a successful trader, why use somebody else’s work”? This method is so dumb simple you can’t go wrong! Have I peaked your curiosity yet? This article, if you apply it, is worth the cost of your yearly subscription to this magazine many times over.

Okay, let’s get going. This method won’t work with stocks. By the way, Mr. Stock Trader, what is the lowest price a stock can get to? In 1929 a lot of them got to zero ($0). There are even a few today that reach this level! On the other hand, what is the lowest price that soybeans ever got to? This year November soybeans reached $5.96 per bushel before they started back up. Why didn’t the price go further down? Physical commodities have intrinsic value. The price cannot go to zero! At least it never has in my recollection. If nothing else, government programs set a support level that prices rarely achieve on the downside. The last time that corn got to $2 a bushel there were a slug of advertisements in the live-off-the-land magazines (Mother Earth News) for wood stoves that burned corn. When corn is under $2 ... corn is a better “wood” (dollar for dollar) than wood. Go figure! If you believe that commodities have intrinsic value then let’s just pick the bottom and ride it back up! That should be simple, right? Wrong, wrong, wrong soybean breath! Picking bottoms and tops is an exercise in futility. Well then, what do we do? I have already told you we will have between 20-50% return and trade above 90% ACCURATE! SOUNDS IMPOSSIBLE! You are probably asking yourself...”When is he going to tell us!” Drum roll, please! We are going to SCALE TRADE!

Let’s set some basic rules and then spell out how we will apply them:

1. Take a 5 year weekly chart of the commodity you want to look at and divide the high and low into 1/3 rds.
2. If price IS NOT in the lowest third (or getting ready to move into the lowest third) of the 5 year price range, DO NOT scale trade this commodity.
3. If the commodity that you are looking at is currently in or is entering into the lowest third estimate the lowest price that this commodity could reach on this move down.
4. Re-estimate the lowest price but set it lower than #3 (worst case scenario).
5. Establish how much money you have to invest (not speculate) in this commodity.
6. Start in the bottom 1/3 of the last 5 year range and buy on a scale down.
7. Sell on stops as prices rise.
8. Continue looking for other opportunities and follow steps 1-8 again.

Simple, huh? If you cannot or don’t want to do anything in the markets but make a CONSISTENT return on your capital this is the system for you! Let’s go on and define the rules one by one so that you have a better understanding.We are going to use line drawings for our examples. When you double check me (I hope you don’t take everything I say as gospel... but if you do I have some ocean front land for sale in Nebraska) you will find that real-time examples are just as good as the line drawings.

Rule 5 says, “how much money do you have to invest?” If you bought your first contract as prices entered the bottom third, how much would it take to hold the commodity to the worst case scenario? If that amount uses all of your available capital you are starting your scale too high. You want to use approximately 80% of your capital and buy the maximum amount of contracts on a scale down to your worst case scenario spot. It is highly unlikely prices will ever hit that level and your scale will normally only use 50% of your capital. You need to remember that it is possible, though! Your scale may be every 10 down or it may be every 13.5 down. Remember, you want to buy the maximum amount of contracts with your available capital but never run out of money. This is one of the keys! You have to allow for accumulated (paper) loss as well as margin required. You compute your scale and then place ALL of your BUY orders at once. When you actually start trading you will probably be using daily charts instead of weeklies. We will continue to use weeklies for this article. This is Figure 3 with the buys in place.

The KEY to this method is that commodities have intrinsic value and can only fall so far before SOMEONE wants it. If you hold the position and correctly distribute your available margin you CAN'T LOSE! Did you hear that?? You can't lose!

Let's hypothetically say we bought every 10 down. How do we get out? A rule of thumb I use is to sell every MidAm contract with a $100-120 profit. If you are trading full size contracts multiply this figure by 51 If we bought every 10 down we will sell every 11-13 up (capturing that much profit per contract). Let's use our example again. Let's assume that we were correct in our assumption and we filled all of our buys to the bottom. This can either happen over a period of months or sometimes days. Final bottoms are many times reached with a rush! Just like a coil spring must go the opposite way when it is released .... so must prices. This is our Figure 4:

Seven out of seven, not bad trading! This kind of trade may take months to fill and then to liquidate. There are many little nuances I have not touched on but I have given you the basics as I am trading them now. This method of trading is nearly as exciting as watching shellac dry! I never said this kind of trading was exciting... quite the opposite in fact. It only makes consistent money! Are you doing that now?

"YOU CAN'T LOSE TRADING COMMODITIES "BY ROBERT WIEST, PRICE $30.00, IS AVAILABLE FROM HALLIKER'S CATALOG AT THE BACK OF THIS MAGAZINE, CREDIT CARD ORDERS CALL TOLL FREE 1800-288-4266.

Mr. Davis is a small business owner and author. He has been involved with the commodity markets since 1980! His two books, MARKET STRUCTURE and THE POWER OF TWO, have been very well received by the investing community! You may reach him at USA watts 800-225-7642 or ILL wats 800-323-4616 or 217-347-5101

Predicting Short Term Changes of Trend in the Dow

By Chris Kakasuleff

One viable way to follow the current trend in the Dow is to keep a record of the short term tops and bottoms that have occurred over the last twelve months. Each short term top or bottom is actually a harmonic of another more important top or bottom from a previous cycle.

We will use two powerful cycles that are generic to all markets. These cycles are the 360 degree cycle and the 45 week cycle.

To utilize the 360 degree cycle in terms of calendar days requires you to divide the calendar year into time units that are harmonics of the 360 degree circle. By dividing the year by two gives us 182 days, and equals 180 degrees on the 360 degree circle. By dividing the year by four, gives us 4 time windows of 91 days, each which equals 90 degrees on the 360 degree circle. The division of time that I have found to be the most useful is to divide the calendar year into eight major time windows utilizing this system. They are 46 days, 91 days, 137 days, 182 days, 228 days, 273 days, 319 days and full circle back to 364 days. Through a process called interpolation, I was able to transpose calendar time onto the 360 degree circle.

As an example, to determine which day falls on the 315 degree angle in the calendar year of the 360 degree circle, I multiply 315 degrees by 365.24 days and divide the result by 360 which gives me 319 days.

Don’t expect these changes of trend to always fall on the exact day. I prepare for these changes of trend by predicting the week their going to occur.

I also like to take the time unit of 45 weeks and count it as one complete cycle of time.

You may also divide this time cycle into eight equal harmonics of sub cycles and expect wonderful results. But for this article we’ll just divide it into 4th's and 3rd’s.

Dividing the 45 week cycle by four gives us 11-1/4 weeks which equals 79 to 80 calendar days, 22-1/2 weeks which gives us 157 to 158 calendar days, 33.75 weeks which gives us 236 to 237 days, and 45 weeks which gives us 315 days.

Dividing this powerful cycle by 3 gives us 15 weeks which equals 105 days, 30 weeks gives us 210 days, and ends again at 45 weeks.

You may also divide the 360 degree circle by six giving you multiples of 60 day time units around the circle. I will not include division of the circle by six in this article, but advise that you the reader, include it in your technical analysis.

In broad idealistic general terms, one rule of thumb may be useful to follow.

From a market low expect all harmonics of 60 days to also produce a low except 180 days which should produce a top. Also from this same market low expect all harmonics of 45 days to produce a top, except 360 which should produce another low.

These same rules apply to tops. Multiples of 60 days around the circle should produce short term tops from a beginning top. Multiples of 45 days from a top should produce short term lows.

This rule has a tendency to break down because of psychological inversions. Where you expected a top in the market, instead the market inverts and bottom out. Then after a period of time the cycles reverse again back into harmony.

A knowledge of Gann geometry is required for you to recognize these inversions in advance.

For purposes of this article we will only be examining the importance of these cycles in determining short term changes of trend in the Dow and not whether the Dow is making a top or a bottom.

As our first example let's take the October 13, 1989 low on the Dow as our zero point and follow it around the calendar year by using the 360 degree cycle as our focus. On January 11, 1990, this low was 90 days old. The next day at 91 Gays the Dow lost 71 points. On February 23, 1990 the Dow made a low at 2564. This date was 133 days from the October low.

This was just 4 days off our ideal date of 137 days or 135 degrees of the circle.

The date April 13, 1990 is 182 days or 180 degrees from this October low. This date was Good Friday so the markets were closed. The very next trading day, Monday April 16th, the Dow made a high.

On May 28, 1990, this October 13, 1989 low was 227 days old. This is the 225 degree point of the circle. The market was closed due to Memorial Day. The next trading day at 228 days, the Dow gained 50 points.

On July 10, 1990, the Dow made another short term low. This was 270 days from the October 13, 1989 low.

Now let's swing our attention over to the 45 week cycle. First, the one quarter point of this cycle is 11.25 weeks. This turns out to be 79 days. This brings us to December 31, 1989. The market was closed. On January 2, 1990, the first trading day, the Dow made a top at 2810.

On January 26, 1990, this cycle was 15 weeks old or 1/3 of the 45 week cycle. Two trading days later the Dow made its low for the year at 2543.

On March 19, 1990, the Dow made a top. This date was exactly 22-1/2 weeks from the October 13, 1989 low. Since the October point was a low, we should expect that the half way point of this 45 week cycle would be a top, as it was 180 degrees from the low. This is exactly what happened to the day.

On May 11, 1990, the October 13th low was 210 days old. This is 30 weeks to the day from October 13th. Thirty weeks is 2/3 of 45 weeks. On this day the Dow gained 63 points.

At precisely the 3/4 point of this 45 week cycle which is 33 .75 weeks, the Dow made an all time high up to that point at 2935

As I'm writing this article in July and looking back at the results of the 45 week cycle from October 13, 1989, I would watch the 45 week point of this cycle closely. The dates August 24th through August 28th brings us 315 to 319 days from this October 13, 1989 low.

Remember cycles like to repeat. Since 45 weeks completes an important cycle in time and the beginning of this cycle was a low, we should expect another low in this time frame. But watch out for those inversions. It could make this time window a high.

Let's analyze another major cycle for trend information. Let's take the January 2, 1990 high at 2810. Here I'll give you one example of the power of dividing the 45 week cycle by eight.

In my own analysis, I always divide the 45 week cycle by eight. The 1/8 point of 45 weeks is 39.375 days. Biblical writers were aware of this powerful cycle that they rounded out to 40 days. On Friday February 9, 1990, this time window from the January 2nd high was 38 days old. The Dow made a short term high on this day.

During the week that followed at 44 days on February 15th, the Dow made another short term top. The 45 degree point of 46 days of this cycle fell on a three day weekend. In the following week the DOW made a sharp change of trend losing 85 points in just four trading days. This confirmed once again the validity of these powerful time wheels. The next change of trend utilizing the January.2nd top is 90 days which falls on April 2nd. The DOW made a low on this date at 2700. On July 3, 1990, this cycle was 182 days old. The next trading day on July 5th the market lost 32 points closing at 2879. One week later the DOW hit 3000 intraday confirming still another example of the viability of this system.

A few examples of the 45 week cycle also proves fruitful. On April 17, 1990, the January 2nd high was 105 days or 15 weeks old. This of course is 1/3 of 45 weeks. The Dow closed at a high of 2765. Did this powerful time window prove to be a change of trend? Absolutely, as 7 calendar days later the DOW water falled 111 points.

The first week of June this time cycle was 22-1/2 weeks old or at the halfway point of 45 weeks. On this date the DOW hit a new all time high.

There you have it. I've just given you a piece of the puzzle as to how markets move during the calendar year.

If Nostradamus were alive today how would he utilize this system?

He would probably go back one to two years and count all of the significant highs and lows that have occurred. This could produce up to two dozen dates over a two year period.

He would then create a computer program that would generate a clustering of these dates at specific points in the future, based on the harmonics of the circle of 365.24 days and 45 weeks.

The more cycles from highs and lows that accumulate together in the same week, the more powerful the change of trend will be.

Well, I've said enough. May you have 360 degrees of profitable trading in the future.

Chris Kakasuleff is completing a stock market course and can be reached for consultation at 1-317-872-7174 or 8213 Plaza Ln. Indianapolis, IN 46268

Indian Time Cycles and Market Forecasting: Cosmic Timing for Pinning Down Those Illusive Turns

By Barry William Rosen

It is a little known fact that W. D. Gann went to India and studied Indian Sidereal Astrology. In his notebooks we find sketches of astrological symbols on his charts; and in his memoirs, he discusses his journey to India. In fact, the famous Gain wheel was first used by tea merchants in seventeenth century India.

Gann also discussed the importance of using the starting date of when the first futures contract for a commodity began trading for predicting the future of that commodity. To my knowledge, there are very few individuals who use these starting dates to successfully time the markets; however, It is my experience, using Indian Sidereal astrology, that these charts are invaluable. If one can verify the starting time and date of the finst futures contract for a commodity, and run an Indian Sidereal natal chart from It then that chart can provide absolutely valid information for predicting, quantifying, and labeling the major and minor cycles that ultimately govern the major trends In the markets.

Below is:
a brief introduction to Indian Sidereal Astrology. How I became acquainted with it.
An overview of the Vimsottari Dasha system (which I will subsequently refer to as Indian time cycles). The practical application of using Indian time cycles for predicting the major movements and changes in those movement in the stock market and, a forecast for the future of the stock market based on Indian astrological time cycles.

Early Research Beginnings I first became interested in Indian astrology in 1985, when a jyotishi (Indian astrologer) told me that I was finishing up a twentyyear Venus cycle, and that my life would completely change in one year when I would enter a new six year Sun cycle. I was told that I would become famous, make great advances in my career, change professions and locations, and emotionally change from a depressing period, into one that was more jubilant and optimistic. And surprisingly, one year later, that is exactly what happened. I went from being an instructor in film studies In Bloomington, Indiana to studying Indian astrology, investments and commodities, and moving to southeastern Iowa.

My ability to forecast my own life and those of my friends very accurately, led me to apply Indian astrology to the markets. This connection became especially exciting when a friend of mine, who was a Gann expert, told me of Gann's interest in Indian astrology.

The Western Zodiac vs. the Indian Zodiac

Indian astrology is over 5000 years old and has its foundation in ancient science. Parashara, a great seer or ancient scientist, intuited the laws of space and time responsible for the evolution of human consciousness and recorded his findings in a book called the Brihat Hora Sastra.

As with all knowledge In book form, over time, the knowledge became fragmented and lost, as it migrated to various other cultures and became distorted. In its purest form, however, Indian astrology has always been acknowledged for its predictive abilities; whereas, Western astrology (with the notable exception of Medieval astrology) has excelled in its analytical and psychological insights.

The first major difference between Indian and Western astrology lies in the calculation of the longitude of the planets. Ancient Indian astrologer observed that the equinoxes and solstices moved backward by one degree every 72 years, an astronomical phenomenon now known as precession. Over time this has resulted in a difference of slightly over 23 degrees between the tropical Zodiac, used by western astrologers, and the sidereal Zodiac, used by Indian astrologers. In essence, the two systems differ in their choice of a zero point for Aries —the Western system uses the position of the spring equinox, while the Indian system uses a fixed star. Thus when the Sun is moving into Aries according to the Western system, it is still at 6 degrees Pisces in the Indian system. (For a further discussion of the differences, please see my article in the Winter 1989 NCGR Journal.)

A dasha is a period of time during which one's life is influenced or governed by a particular planet. For example, the shortest period, the Sun period, lasts for six years, while the longest period, Venus, lasts for twenty years. These cycles unfold in a fixed sequence and comprise 120 years before they repeat and begin again. The order of the cycles is:

Ketu (Moon's South Node): 7 years
Venus: 20 years
Sun: 6 years
Moon: 10 years
Mars: 7 years
Rahu: (North Node) 18 years
Jupiter: 16 years
Saturn: 19 years
Mercury: 17 years

Where the cycle begins is based on what lunar mansion or constellation the moon is in at the time of birth. For example, when soybeans started trading in 1936, the moon was in the constellation (nakshatra) of Orion, which is ruled by the planet Mars. Thus a sequential unfoldment of cycles began starting with a seven years Mars period followed by Rahu (North Node of Moon), 18 years, Jupiter 16 yeas, into its current Saturn period which lasts 20 years etc. If beans had begun trading a day later, then the cycle would have begun from the next constellation which is ruled Rahu or the North Node of the moon. The number of degrees the moon has transited through a nakshatra will determine how much time is left in the initial cycle. Thus if the moon were in the final degree of the constellation, the initial cycle will begin In the last section of the cycle. (Software is available for rapid computer calculation of these cycles—see references.)

Within major cycles are sub-periods or subcycles that also unfold In a set sequential pattern. The subcycle begins with planet ruling the major cycle and then continues in sequence. For example, the current Saturn period for soybeans started with a Saturn/Saturn period in Sept. 1979, and continued with a Saturn/Mercury period in Sept. 1979 followed by a Saturn/Ketu period etc. The major Saturn cycle will finish In 1996 and then soybeans will move into a major Mercury cycle starting with Mercury/Mercury, Mercury/Ketu, Mercury/Venus etc.

In order to properly use the Indian time cycles and their smaller periods, one must have the exact time of the start of the first future's contract of a commodity. Each minute that one is off can lead to changing the prediction low or high by 4 days. O'Non and Remnick illustrate the importance of the exact time using a brilliant analogy from physics:

To launch a rocket ship to the moon, knowledge of the precise angle, time, and location of the launching on earth are necessary. If it is launched at a slightly different time and angle, It will miss by 30,000 to 40,000 miles (24).

I have had to travel to the archives of the Chicago Board of Trade and other major exchanges to verify the first tick starting time and have collected an almost complete set of dates and times which I make available to participants in my advanced seminars.

Predicting the effects of the period is based on the natal chart placements at the time of birth. The positive or negative nature of these periods depends on the placement of the planet by house position, the houses he owns, the house he aspects, the planets that aspect him, and the sign that he is in. For example, in a person's natal chart which has lupiter In Cancer in the 9th with Scorpio ising, a speculator in a Jupiter period lasting 16 years would expect astounding results since Jupiter owns the 5th and the 2nd (speculation and accumulated wealth) and is exalted in the house of good luck and good fortune. Indian astrology is thus especially fruitful for looking into ones own chart and seeing what periods will bring the most good luck and good fortune. W. D. Gann was noted for emphasizing the importance of trading off of ones chart . My own experience has supported this notion. Even when my market timing is on, if my own chart suggest losses or obstacles in the cycles, I inevitably get bad fills, miss a major entry by a tick, or get stopped out before the market goes my direction.

In Indian astrology cycles are stronger than transits and aspects. This concept can explain why some Western astrologers are frustrated in their analyses. According to Indian astrology if the underlying period is positive, then bad transits or aspects will only have a minor negative effect; if the underlying period is negative, even good transits or aspects may not make a dent. In market terms the cycle or dasa often represents the underlying market sentiment. For example, in a bear market, when where is good news and the market falls to rally, the underlying sentiment remains bearish and no external event is going to alter it. More concretely one can remember well the Saturn/Uranus conjunction of Feb. 1988 that was forecasted to suggest a sequel to Black Monday, however, it failed to manifest, not only because of a spacial planetary combination (yoga) from Jupiter's trinal aspect on its own sign, but also because the underlying period, Jupiter/Mercury/Sun, was neutral to slightly positive.

Application Of The Indian CyclesTo Stocks

What is extraordinarily exciting about using dashas or Indian time cycles for market prediction is that it allows one to know the exact date that cycles change, to label them, and quantify whether they are strong ups, minor ups, strong downs, or sideways. If one studies the 198 year history of the stock market, and is familiar with the rules for predicting and interpreting the Indian dasha or time cycle system, the mysterious cycles which seem to govern stocks would no longer be a mystery. For example, by no accident the bull market which began in 1982 coincided with the beginning of a 16 year Jupiter period, which began in late August. In general then, according to this system the market will continue to expand until 1998, since Jupiter is a "bullish" planet and is well placed In the natal chart of the May 17, 1792 stock market chart. Rises and falls within the current Jupiter cycle are explained by sub-periods, or antardasas. These sub periods can either amplify or diminish the strength of the major period. Within this 16 year period, the transits of Jupiter, its retrogradation and aspects to it are especially influential since Jupiter assumes the second most important role in the NYSE chart next to the moon, the chart lord. In 1998 when the Jupiter period ends and the 19 year Saturn period begins, Saturn will assume the second most important role.

A recent study I did of the NYSE will explain how the dashas can be of used to spot short term and intermediate declines or rises. Certain combinations lead to very predictable outcomes. To get daily timing on the stock market, one needs examine four or five levels of dashas or cycles to break the larger 20 and 2-3 year periods down into 20 and 3-4 day periods. Amazingly, the cyclical combinations that are negative on the larger scale level will often prove negative on the smaller scale. A comparison of the Oct.-Feb. 198788 fourth level cycles (Jupiter/Mercury/Venus/Rahu etc.) with the third level periods In 1901-4 (Mercury/Venus/Rahu) reveals that the major lows coincide with a repetition of particular combinations. This principle can also be extended to sections of other cycles In other years. For example note the following:

Venus/Rahu/Saturn: (8-28-29 - 21730) Decline from high of 372.06 on 903-29 to a low of 230.07 on 10-29-29. Jupiter/Mercury/Venus/Rahu/Saturn (Dec 4, 1987) Signaled another major low and decline to 1747 on the Dow after being as high as 2051 following the crash.

Jupiter/Mercury/Venus/Venus/Rahu (October 19, 1987) The third level Venus period did contribute to the direction of the decline in combination with a number of bearish oppositions, the return to an eclipsed constellation, and the sidereal transit of Uranus into Sagittarius. This one example indicates how the Venus/Rahu combination can be used to signal a sharp decline if It occurs In a particular combination.

This particular Venus/Rahu combination is only one of many combinations that one can label, and historically study. Other combinations are bullish such as when the sequence unfolds from a Sun period into a Moon period and onto a Mars period. For example, the stock market's last major Moon Period went from August 1947-August 1957 During that time the Dow went virtually straight up from 179.74 to 492.32, a gain of over 200%. During smaller moon cycles within larger periods, such as the Mars/Moon period from Jan 21, 1964 to August 21st 1964 the market climbed from 776-838. And in the Rahu/Moon period from Jan 31, 1980 to July 31st, 1981, the Dow climbed from 875-935. Even on the third level we can usually count on a rally during a moon period, such as the recent Jupiter/MercurylMoon period from April 4, 1988 to from 2000 at the beginning of the period to almost 2200 by the end of the period.

From the above examples, one can see the value of being able to label and quantify the cycles in order to predict the magnitude of the move. As many cycle analysts know, one can often find major cycle lows and entry points: however, one may have no idea how large the move is going to be. The Indian time cycle analysis is a genuine solution to forecasting because it can predict the future, not just suggest it from the past.

Future Of The Stock Market Based on Indian Cycles

Applying the two examples from the past to the near future, we can forecast that the Jupiter/Venus period which began in July 1990, should lead to a major low which should manifest in January of 1992 followed by a grinding market and secondary low by the end of the Venus period i march of 1993.

The following parallel will make this clear:

• Venus/Rahu/Sat to Venus/Jupiter/Saturn, Sept 1929 - July 1932, Dow Fell from approximately 400 to 32.

• Jupiter/Venus/Venus/Rahuto
Jupiter/\enus/Venus/Jupiter/Sat urn, July 13,1990 to Oct. 5,
1990, Dow fell from 3000 to my estimate of 2155.

• A very positive cycle from FebJuly 1991 should lead to a retracement which should to at least to DOW 2740 and possiblg DOW 3000.

• Jupiter/Venus/Rahu/Saturn to Jupiter/Venus/Jupiter/Saturn, August 1991 to January 1992, Dow to fall at least 1820 or 1730 from recovery high in the 2680 to 2740 region.

Based on our analysis of moon cycles, one would expect that the Jupiter/Moon period, scheduled to start in Dec. 1993, will begin an historic climb. The low (which I have not calculated yet) sometime in the Jupiter/Sun period in 1993 will provide an excellent reentry for major investments which can be held to the end of the Jupiter period in 1998. Starting in August 1998, a nineteen year lackluster Saturn period will begin, and will coincide with major global economic reorganization into 2017.

While time docs not permit me to discuss the use of dashas in other major markets, a brief application to the crude oil market will illustrate its application to other commodities. Whenever a Venus cycle occurs on any of the major period levels, one can anticipate a rally in From the above examples, one can see the value of being able to label and quantify the cycles In order to predict the magnitude of the move. As many cycle analysts know, one can often find Oct. 12, 1990. The sentiment quickly changed from being very bearish to roaring up $3.00 In one week. Venus cycles tend to be the most bullish for crude. One can see that when combining Indian cycles with other major tools, like Elliott Wave, one can get additional information for clarifying Elliott Waves.

Anyone attempting to uncover the mysterious laws of nature that underlie the commodity markets will be rewarded and intrigued by the depths of Indian astrology. The study of Indian astrology leads not only to knowledge of economic laws, but ultimately to knowledge of the self. Understanding one's Indian cycles and transits is as important for trading successfully as a good timing system. A combination of the two is astoundingly useful and leads to an awe-inspiring appreciation of the order of natural law. While no astrological system should be used 100% to time market entries and exits, a combination of astrological and technical signals and a knowledge of personal trading periods can certainly stack the odds in one's favor and lead to the answer of one of man's greatest metaphysical questions-the relationship between his own consciousness and the universe.

About the author: Barry Rosen is a CTA and has been studying Indian philosophy (Medic Science) for fifteen years and Indian astrology for the past five years. He began applying it to the financial markets in 1987. His newsletter, Investors Fortucast, began in August 1987 by focusing on the stocks and is currently in its fourth year. Mr. Rosen offers seminars on Indian Financial Astrology and can be reached at: Investors Fortucast, R O. Box 2066, Fairfield, Iowa 52556. For subscription information and a free copy of his newsletter, contact: 1-800-634-9650.

Elliott and Andy

By David Kruse

From my initial introduction into the disciplehood of the Elliott Wave Theory, I've been convinced of its validity and usefulness to the trader. In the world of trading, the Elliott Wave Theory is similar to a religion, in that its practice and interpretation has developed many denominations. As has recently been widely publicized, even two of its high priests, Robert Prechtor and A.J. Frost, can arrive at sharply contrasting forecast conclusions for the same market. We are left to conclude that it's not the deity that is at fault, but the creativity of man's interpretive ability that makes this possible. The purpose of technical analysis to the trader should be that of his servant, not his master As such, I practice a practical religion. When having difficulty interpreting a market's wave count, I don't trade it. With the large number of active markets, do not get caught up in the constant need for interpreting any or every specific one. Though each and every market has an on-going wave count, they are not all worth trading. When a specific market's wave count becomes muddled, there will in all likelihood, be muddled results from any attempt to trade it. An Elliott trader needs to exercise the patience to wait for the wave count result or have the flexibility to move on. The question Elliott traders should ask themselves is not what is the clearest wave count for this market, but what market has the clearest wave count? That way you'll be focusing in on markets in a manner which should result in an increased percentage of trades in the win category.

From a personal standpoint, like many others, I've found trending markets are easier and more reliably counted than consolidating ones. When examining a chart, if at first glance your impression was that it looked like a jumbled mess, remember, more money is lost during a sideways consolidating than when market trends are up or down.

Look for the kind of 5 wave count that jumps off the chart and grabs you. Soybeans were a recent example.

While old crop contracts, at best, lacked clarity, new crop November has a very crystal clear 5 wave rally from October to December with a following 3 wave corrective move. We profited handsomely from purchasing that retracement.

While most Elliottians use Fibonacci relationships for targeting, we have instead, incorporated the use of Andrew Median Line analysis

The Median Line is drawn off of pivots or turning points...the extreme price on a bar chart where prices reverse. The beginning of the median line is at pivot 1 and connects at the half-way point of pivots 2 and 3. When applied to major or long term pivots, the result is the long term trend of the market. The same process is applied for intermediate and short term trends. The median line is the most important, as it will stop or reverse prices 80 percent of the time.

The response of a given market upon testing median line support or resistance provides additional clues to its relative strength or weakness. Gaping through a median line indicates a powerful move in the direction of the gap. A reverse from or a failure to reach the median line means prices will continue in the original direction.

Another aspect of Andrew analysis that we use frequently is targeting objectives from sideways action. One simply channels the sideways pattern, counting the number of times prices touch the channel, and multiplying that times the width of the channel. In a downside break-out, that figure is subtracted from the top of the channel for the 1st objective, and from the bottom price of the channel for the 2nd objective. Reverse the procedure for an upside break-out. This targeting tool, used in conjunction with the Elliott Wave Theory proves to be quite reliable in determining price moves. Keep the faith.—

(See accompanying chart for examples of both Median Lines and sideways action.) David Kruse is President of Commstock Investments Inc., editor and producer of the Commstock Radio Report, and author of the Commstock Market Advisory which can be seen daily on the Data Transmission Network. Commstock Investments is a registered CTA, as well as an Introducing Brokerage Commstock Investments Inc., 20 West 6th Street, PO. Box 3041, Spencer, IA 51301, 712/26v9400

The Use and Abuse of Geometric Angle Lines - Part 2

By Robert Miner

The prior issue of TRADER'S WORLD briefly described how the geometric angles are derived. That article used the soybean market from the Nov. high to April 17, the date the article was submitted, to describe the use of the geometric angles to make trading decisions. I described at the end of that article that I had gone long the soybean market that day, and that I would describe in Pan 2 why I went long, including the trading strategies for entry, stop loss and profit protection. If you do not have the prior issue of TRADER'S WORLD with Pan 1 of this series of articles, feel free to give me a call, and I will send you a copy of the article.

Before we continue with the commentary of the proper use of the geometric angles and the trading strategies relevant to the recent activity in the soybean market, let's review a few key points. The objective of the trader must be to have a trading plan and a set of proven trading rules that allow the trader to make a trading decision in any market, at any time. If a trader is to be successful, he or she must look at all dimensions of the market activity.

As I describe in my course, THE W. D. GANN TRADING TECHNIQUES HOME STUDY COURSE, there are three dimensions to market activity that the trader must fully understand. These three dimensions are TIME, PRICE and PATTERN. Unfortunately, most traders focus on just one dimension, and often, just one aspect of that dimension. But, that is why most traders are unsuccessful, they do not look at the whole aspect of market activity.

The geometric angles are very helpful to define position of the market, strength or weakness of the market, and price zones where change is likely to occur SHOULD PRICE APPROACH AN ANGLE. One of Gann's "rules" that is often repeated by unknowledgeable traders and educators who have not taken the time to prove out market relationships and trading rules was called by Gann the "Law of Angles."

"Law of Angles" sounds very impressive, but it is really very misleading as described by Gann. The "Law of Angles" described by Gann is this: "Whenever price exceeds an angle line, price will continue to the next angle." This "Law of Angles" implies that price WILL continue to the next angle, once one angle is exceeded. As anyone has discovered who has done the work to prove out trading strategies, this is not always the case. Frequently, price will exceed an angle and not reach the next angle before reversing trend in either a counter trend swing or the continuation of the main trend.

My rule of angles states: "Once an angle is exceeded, if price continues to the next angle, support or resistance may be found depending on the other price relationships and the position of the market as price approaches the next angle." A trader must not expect price to continue to the next angle and must not expect to find support or resistance at the next angle if price should continue that far. The trader must look at the whole of the market activity including other price relationships as well as the TIME and PATTERN factors in order to make the proper trading decision.

The geometric angles prepare the trader in advance where price may find support or resistance depending on the other relationships of market activity. The geometric angles should never be used alone to make trading decisions.

With all this in mind, let's cut to the chase. The previous article was submitted on April 17, the day I went long the market. We will take up the discussion of the market activity from the Jan. 29 low, as I promised in pan one. Let's review the position of the market up to that time. A trader must always begin from a long term perspective and work into the short term activity to determine the strength, weakness and trend of the market. From a long term perspective, soybeans had been in a bear market from the June 1988 high. On Jan. 29, price made a double bottom on an outside reversal day with the Oct. 16 low. Relative to cash or spot prices, the Jan. 29 low was higher than the Oct. 16 low.

The time of the previous bull campaign from the 2/27/87 low to the 6/23/88 high was 482 calendar days. 482 calendar days from the 6/23/88 high fell on Oct. 18, 1989! In other words, price made a swing low at a 100% Time Cycle Ratio of the prior bull campaign. It is very unusual for bear markets to last as long in time as bull markets. A knowledgeable trader would be well aware as we approached Oct. 18 that time was running out for the bear market. The bear market would not likely continue beyond Oct.. In fact, the trader would be very alert to other TIME FACTORS that might coincide with the Oct. 18 100% long term Time Cycle Ratio.

The double bottom/outside reversal day of Jan. 29 indicated at least a minor rally was likely to ensue. Given the context of the longer term TIME, PRICE and PATTERN relationships, the trader would be alert to indications that an important longer term low had been made, and would look for opportunities to go long for a rally that would likely exceed in time and price all other rally swings since the 6/23/88 campaign high.

Not the price activity off the Jan. 29 low. Price made the first swing top on Feb. 21 at the coincidence of the active 2 x 1 resistance angle and the 1 x 1 angle from the Jan. 29 low. A minor decline ensued making a bottom at the coincidence of a 67% retracement and the 4 x 1 support angle. Recall that the angles will give us the surest indication of support, if other price relationships fall at or near the angle at the time price approaches the angle.

Price advances from the 2/26 low. The first indication of strength is when price exceeds the active 2 x 1 angle from the Nov. high. The rally swing is confirmed once the swing high of 2/21 is exceeded. Price continues to rally, closing sharply above the next resistance angle, the 4 x 1 angle, on 3/9. If we followed Gann's "Law of Angles", we would expect price to continue to the next angle or the 4 x 1 angle before finding resistance. Yet the next day, price declines back below the 4 x 1 angle, beginning a three day counter trend swing.

The high of 3/9 was made at the coincidence of two important price relationships. Wave three equaled 1.618 wave one at 6.14 and 6.135 was a 67% retracement of the 11/16 high to the 1/29 low. This important price coincidence fell several cents above the 4 x 1 angle at the time the minor high was made. The knowledgeable trader would have been prepared for resistance at this coincidence of price relationships. Since this coincidence of price relationships fell just above the 4 x 1 angle, we would anticipate that price may not find resistance at the 8 x 1 angle, but just a,~that angle.

The trader should always add angles from the prior minor swing extreme as the market unfolds. These angles will be the most relevant to the current market activity and help to indicate minor support and resistance of the immediate swings. The 1 x 1 angle is very important in all markets. Once a market trend is confirmed, price will usually remain above the 1 x 1 angle as long as the immediate trend is in force.

A 62% retracement of the prior swing is usually the maximum counter trend move to anticipate if the trend is to continue. Price declined from the 3/9 high making a bottom at the coincidence of a 62% retracement to the 2/26 low 3/9 high and the 1 x 1 angle from the 2/26 low. Once again, we find that the coincidence of a price relationships and an angle line resulted in trend reversal.

Price continues to advance. Price is now in the third section in the direction of the trend or an Elliott fifth wave. More than likely, once this minor advancing section is complete, a correction to the entire advance from the Jan. 29 low will ensue. If our longer term view of the market is correct, that the Jan. 29 low was the final bottom of the bear campaign, that correction should not exceed 50-62% of the advance from Jan. 29 before making a counter trend low and continuing to new highs beyond the Nov. 16 top.

Once the 3/9 high is exceeded, we would look to the price relationships near the next angle, the 8 x 1 angle, for indications of potential resistance. At 6.1825, wave five would equal .618 of wave 1-3 and at 6.189 wave 5 would equal wave one. This is a very strong coincidence of price swing relationships. The trader would want to be very alert to indications of change should price reach 6.18-6.19, particularly if this price level were near an angle line when price reached this level.

On March 21 (if you are not aware of the importance of this date to trader's, you need help), price made a reversal day with an intra day high at 6.19 and precisely at the 8 x 1 angle. This coincidence of price swing relationships and angle line stopped the market dead in its tracks and terminated the rally swing. The final high was made on 3/27. Note the position of the 1 x 1 angle from the Jan. 29 low on that date. If you don't know the importance of price testing the 1 x 1 angle from the beginning of the trend in this manner, refer to Pan one.

Price fell sharply, exceeding the 1 x 1 active angle from the 2/26 low. Once again, we must consider the other relationships of market activity as price approaches an angle. The 1 x 1 angle did not offer support in this case. Price continued to decline. On 4/2, price was near the 2 x 1 angle. Why would we determine that this angle might be relevant and result in support?

The wave four swing low fell at 5.96. A 62% retracement of wave 1-5 fell at 5.94. Right in the time period of 4/2, the 2 x 1 angle fell near these imponant price relationships. On 4/3, price make a reversal day with an intra day low at 595. This would be a clear and definitive indication to go long at the close on the confirmation of the reversal day or near the open the following day. I had been out of town just prior to this time and did not have all my information up-to-date on the founh. However, that week I caught up-to-date, recognized that 4/3 was likely the termination of the counter trend move and anticipated that, if the market had made a long term low on the Oct. / Jan. double bottom, the next advancing swing would be explosive once the Nov. 16 high was taken out. I was looking for a safe opportunity to position on the long side for the next rally swing.

My TIME analysis indicated that April 13-16 (Fri. - Sun. = non-trading days) was a PROJECTED TURNING POINT PERIOD. There was a large cluster of important TIME FACTORS that fell in this period including several important TIME CYCLE RATIOS, PRICE SQUARED IN TIME, and TIME COUNTS. I would be very alert to the PRICE and PATTERN relationships going into this important time period. On April 12, price declined to the 2 x 1 angle, closing on the low of the day. There was no indication of bottom or reversal.

Carefully note the price activity on April 16, precisely within the Projected Turning Point Period. Price made an intra day low at the coincidence of the prior two swing lows and precisely at the 3 x 1 angle from the 2/26 low on a reversal day. TIME, PRICE and PATTERN all coincided to indicate an imponant bottom. I did not have an order to buy near 5.96. In this case, I was waiting for indication of change before taking action. Near the close and the confirmation of

The Solar Eclipse

By Greg and Helen Meadors

On January 14th, 1991, the Stockmarket made it's intra-day low one day prior to the Solar Eclipse, and then rallied over 500 point. In our previous article entitled Heavenly Influences and the 1990 Stockmarket Top", we stated, "Hopefully, the light will be seen before the next Solar Eclipses which OCCQtS on January 15, 1991. Interestingly, there are also several celestial harmonic indicators which occur the day before, and the day after this eclipse. This portends a major change in mass (investor) psychology."

For those who are still skeptical about using natural laws for market timing, consider the following forecast made in our December 16th, Market System Newsletter, as follows, NIf the intemational situation worsens, a drop, into the Solar Eclipse on the 15th, is likely....The market should trend in one direction, coins into the 8th/9th, or into the 15th.

The 8th/9th also has some longer temm harmonics that could generate a 1 or 2 day reaction in the market. However, the most important time-frame will be the day before, and the day after the January 15th Solar Eclipse (6:43 PM EST). Usually, a Solar Eclipse date is not a turning point date, however, in this case there are high energy harmonics occurring at the same time, therefore, fast moves with lots of action will occur."

The market did decline going into the Solar Eclipse, which was followed by a fast move, a 150 point rally, lasting two days, going into the 18th, exactly as forecast one month in advance! In our previous articles we pointed out the difference between traditional astrology and Celestial Harmonic Analysis; and how Gann's law of vibration is based upon planetary patterns and their correlations with sunspots, which in turn affect earth's electromagnetic environment, and eventually mass investor psychology

Understanding how manes psychobiological rhythms (mass investor psychology) are affected by Cosmic Rhythms, is the essence of Gann's law of vibration.

In Gannzs law of vibration interview he states, "Science teaches that an original impulse of any kind finally resolves itself into periodic or rhythmical motion, also just as the pendulum returns again in its swing, just as the moon returns in its orbit, just as the advancing year ever brings the roses of spring, so do the properties of the elements periodically recur as the weight of the atoms rises. From my extensive investigations, studies and applied tests, I find that not only do the various stocks vibrate, but that the driving forces controlling the stocks are also in a state of vibration. These vibratory forces can only be known by the movements they generate on the stocks and their values in the maket. Since all great swings of movements of the market are cyclic they act in accordance with periodic law. After years of patient study I have proven to my entire satisfaction as well as demonstrated to others that vibration explains every possible phase and condition of the market.

Gregory LeGrand Meadors is the author of the Genesis Market Timing Master Course, and publishes the Market Systems Newsletter (I year/$266). Helen Meadors is Editor and Public Relations Director. For daily Stockmarket updates call 1-900-234-m7 EXL 84 after 7PM FST; $2 per minute, Intraday updates at IPM EST are under 1 minute. Private Hotline also available (1 year/$S00, 6 months/$300- with newsletter X399). For our Market Timing Kit, recent newsletters 10 research articles and track reco;d, enclose $10. For more information write or call: Market Systems Newsletter, 2761 Mansfield Dr., Burbank CA 91504. (818) 843-4266.

Computers Wholesale

The original IBM PC computer was introduced in 1981 by IBM and became an instant success. The computer provided in one small box an extremely powerful expandable computer. Through the last few years IBM and other manufacturers have greatly improved the original design of the PC and its components parts. These manufacturers have become so efficient in making quality clone computer parts, that the computer business has become a commodity business. Large computer companies such as IBM and the other big names are finding it difficult to compete in this commodity market. By the time they design a new computer and get it out to the public, it's out of date. In addition, their standard markups of 40-50% put them out of the market.

For the average person it's much more efficient and economical to buy a PC Clone or upgrade your old computer with new state-of-the art parts. You can do this at a fraction of the cost of buying a name brand computer. Most people who originally bought a name brand computer are now upgrading their old computer with PC Clone parts. If you want to do that, you can order the parts from us or send us your computer box via UPS in a sturdy box which is well padded to protect the computer. We will replace the motherboard and other vital parts and maybe even replace the case and return it to you.

Name brand computes and PC Clones contain the same basic parts which are: (l) motherboards, (2) RAM memory - most computes use one to 8 MB, (3) case (4) floppy drives (5) hard disk drive, (6) controller for the hard disk drive and flopply drives, also contains serial and parallel pnnter ports, (7) keyboard, (8) morıitor with video card, (9) optional mouse and (lo) optional modem.

With proper instructions a computer can be put together in 30 minutes to 2 hours. We recorr nend the following books which are available from us. "Build Your Own 80386 Computer" and "Build Your Own 80486 Computers Tab\NfcGraw Hill is the publisher.

Traderbs World Magazine has made a purchase arrangement with one of the world's largest computer component supplies to supply parts to our subscnbels at pnces as low a dealer pnces. We also have fully built PC Clones for purchase by our subscribes Call or write us for quotes. The component parts and computers are some of the finest in the world. Check these pnces out with computer dealers or computer mailorder companies and you will see the difference. You can purchase these parts to upgrade your computer to todays standards at a fraction of the cost of buying elsewhere. If you are plamıing to put together your own computer, we can not be responsible for damage you do putting parts in your computer incorrectly. Call or write for custom computer configurations at (4l7) 882-9697. The parts and computers have 6 months guarantee. Shipping/handling is extra in brackets. ($$$) for U.S. only.

Financial Storm in the Markets

By James Flanagan

On all scores, we stand at the threshold of the most exciting opportunities we have seen in the markets since we began publishing the Investor's Edge Newsletter. Our market turning points based upon W.D. Gann's Master Time Factor, meets an important condition that greatly increases the probability for a successful forecast. This condition occurs when an important yearly time cycle marks the anniversary of an historic financial or fundamental event, that impacts many markets at the same time. This month, we celebrate the 60-year anniversary of the "banking holidaysN in 1931. Tnis event will place its stamp on how the markets trade over the next six months.

At times like this, the markets have a dynamic interrelationship with one antheL Extraordinary profit opportunities can present themselves simultaneously in many markets, keying off this powerful anniversary event. In 1987, when we celebrated the anniversary stock market crashes in 1837, 1857, 1877, 1907, 1907 and 1937, the market decline set off a chain reaction in the other financial markets, particularly in the explosive move up in the bonds. This was the last time that our cycle work held the same promise that it does now.

Looking at this 60-year cycle, which Gann called the "Great Cycle", by 1931 the economy was spiraling downward toward the worst depression in U.S. history, Obviously, we have not seen an Nexact fitN of this market cycle based upon current price action. However, an objective comparison of the 1980s and 1990s versus the 1920s and 1930s, confirnLs the startling influence on prices this 60-year cycle has had. Our short sale recommedation in silver all of last year, and more recently our buy recommendation in stock market on January 2, 1991, were due to a correct interpretation of the influence of this cycle. The most valuable insight I can give on the potential profit opportunities ahead, is to affirm the dominant influence this cycle has had, and should continue to have.

First of all, the stock market made final highs on September 3, 1929. Sixty years later on October 17, 1989, all of the stock market averages experienced a mini melt-down in price from all-time highs, from which some of the most important averages have never recovered (NASDAQ Over-The-Counter, Wilshire 5000 and Dow Jones Transportation Averages).

As the bear market progressed in stocks from 1929 through the first half of 1931, the impact on the bonds was bullish. The price strength we have experienced in out bond market has coincided exactly with this strength 60-years ago (Figures 1 & 2). The move up in 1931, lead to the landmark high in bond prices June 2, 1931 (lows in yields), followed by the credit crisis that lead to panic selling especially between October 9 and October 14, 1931 (Figure 3). Mark these dates on your calendar! This was the equivalent of an historic "Black Friday" sell-off in bonds. In the midst of the greatest deflationary contraction in financial history, bond prices broke wide open to the downside. During this flight to liquidity, no government obligations, including the bonds were immune from the selling. Can bond prices move down during deflation? They did and have repeatedly over the course of history.

Look at the May 1920 low in government bonds versus the September 1981 low 61 1/2 years lateL The explosive 'move up from the 1920s lows occured in September 1921. This chart punctuates the panic decline starting in June 1931. This was a big time profitable move in a short period of time.

How about short-term rates? The highest yields recorded for short-term government paper during the fist half of this century, were in December 1920. Sixty years later in December 1980, we made our all-time high yields (over 17%) in 3-Month T-Bill Futures. Unbelievable? Youbet!

Moving into the 1931 time frame, perhaps the best gauge of short term rates was the broker loan rate charged for borrowing against securities. These rates had seen a steady decline in yields starting in May 1929, and bottomed the week of May 16, 1931 at a yield of 1.38. By January 1932, this rate had spiked up to 3.21%. Three to Six-Month Treasury Certificates bottomed two months later in July 1931 yielding .41% (price of 99.59) before quintupling to 2.48% (97.52) in January 1932 (Figure 4). Time for us to watch for a major

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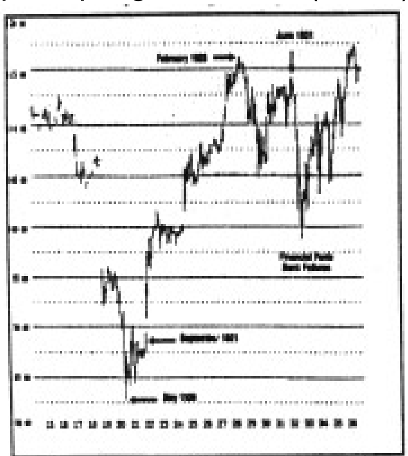
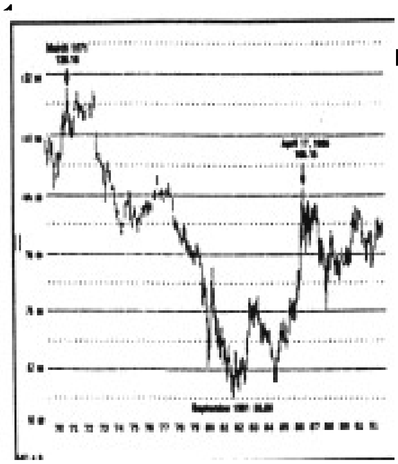


Figure 1 LONG-TERM GOVERNMENT BONDS



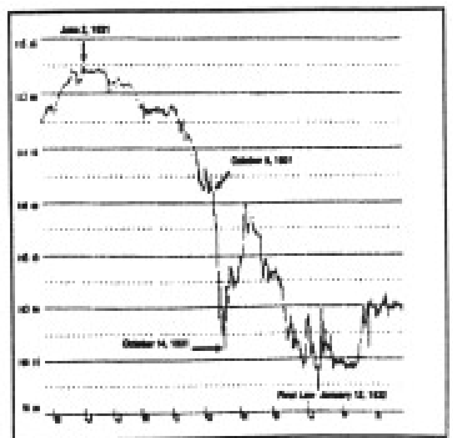


Figure 3 U.S. TREASURY'S 4 1/4S OF 1947 1931 60 YR

They say a picture is worth a thousand words, and the undeniable influence of the 60-year cycle in silver from the 1920 highs versus the 1980 highs is another mind boggler (Figures 5 & 6). The final blow-off top in N.Y. silver made on November 23, 1919 at $1.37 lt2, was within 1 1/2 months of the January 21, 1980 top at $50.35. London silver made final top on January 14, 1980. After 60 yeses, the top was made within 7 days of the exact anniversary date! The simplicity of following this 60-year cycle would be enough to make Nelson Bunker Hunt weep. There was no question about where he should have been in 1980. Out! !

Now look at the daily silver charts in 1931 and 1991 (Figures 7 & 8). The low silver made February 22, 1991 at $3.51, was within 6 days of the lows on February 16, 1931!

Another coincidence? Silver was the fist commodity to bottom during the runaway deflation from 1931 to 1932 (it later double bottomed in December 1932). All other commodities, with the exception of coffee, moved significantly lower through 1932, with most reaching final lows in December 1932. Table 1 shows five major commodities, and the price lows they had reached as of February 1931, when silver made its final low. After silver began to rally, pork bellies dropped another 67%, hogs another 36%, cotton another 54%, wheat another 42 %, and corn another 63 % .

We view with more than passing interest the public's perception that silver is no longer a precious metal, only an industrial metal. Sixty years ago to the date, this same erroneous belief debilitated the public's thinking. After February 1931, silver reasserted its historic place as a crisis hedge in the face of massive deflation. Yes, silver was a hedge against deflation. The inflationdeflation debate is academic to our recommendation to buy silveL We can have our cake and eat it too. Cash was king, and from February 16, 1991 to November 10, 1931, silver was better than cash. Nervous money moves towards hard assets in line with our Master Time

Factor projections. With the silver-gold ratio having tested the 1939-1941 all-time highs at 103 to 1 at the February 22 lows, we favor purchases of silver relative to gold although both should move higheL

Adjusted for inflation, silver also made its all-time lows on February 16, 1931 at .78 (Figure 9). This is another gauge of its extreme oversold condition relative to other assets. After the 1980 index high at 21.57, prices have now declined to their lowest levels since 1961. Think of it, buying at 30-year lows on the eve of a banking crisis.

(In December 1932, the nominal 1931 lows were broken, but only by 1/2 cents).

We interpret the lessons of history as offering an unbelievable buying opportunity in silveL After the final lows on February 16, 1931, a higher bottom was made on May 29, 1931, at 26 cents. We are not rigid about the exact cycle dates containing the lows, but we are exact about documenting them, and they should be close.

As discussed in our last letter, government bonds have moved onto the bear side of the 90, 45 and 5-year cycles. As of June 2, we will be on the bear side of the 60-year cycle also. Bonds should play their part in this drama. The advent of some type of banking crisis, coinciding with these dates is expected, although the response prices could be more subdued or more exaggerated. Time always takes precedence over price. If the move unfolds, we will be better able to gauge the extent of the price changes. The beauty of our cycle approach is that we don't have to put a fundamental face to the potential events that will precipitate these price moves. These long-term cycles are the catalysts that bring about price change, after which the fundamental events emerge.

It is no secret that our banks are in trouble, but timing the crisis is everything. We want to outline five potential home run strategies for profiting in Hisis environment. We list them below in their likely order of occurrence.

1. Short Government Bonds, Long September and December Put Options
2. Ted Spread: Long September T-Bills, Short September Eurodollars
3. Long Cash Silver, Futures and Call Options
4. Short September Eurodollar Futures, Long September and December Eurodollar Puts
5. Silver-golt Ratio: Long December Silver, Short December Gold
6. Short Stocks, S&P 500 Futures, Long Index Puts and Puts On Individual Issues.

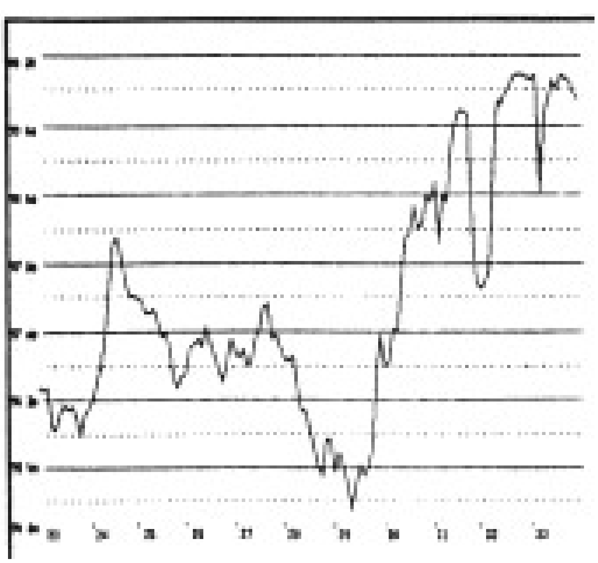


Figure 5 CASH SILVER MONTHLY 1914-1934

GOVERNMENT BONDS

As per our May 1 lever, we have profitably purchased September 92 and 94 put options above 96.16 basis the June futures. The exact 5-year, April 17, 1986 anniversary of the all-time highs, turning prices down on April 17, 1991 at 97.11, confines this as a potential major high. On futures positions, we are short multiple contract positions at 96.16 and 95.18. This market should offer pyramiding opportunities. Position trade stops belong at 97.13, and will be trailed as the market moves lower. We urge you to follow the hotline recordings religiously during this vital period of time. We are faced across the board, with what we feel is the greatest profit potential since our advisory service began Messages can be accessed by calling 1-900 234-7927, or by subscribing to our hotline service. We are making our subscriber only hotline service available to any newsletter subscriber for a 2-week trial subscription free of charge. Call our offices to sign up (213-828-4688 or 1-800-545-9331).

TED SPREAD

As you may well imagine, any fragility in the banking structure, will show up in the yield spread between the T-Bills and Eurodollars. This past week we entered this spread between 75 and 77 points in the September contracts, andcipahng a potential move to 150 points (S1875 profit per contact). Positions should be exited on any reading below 60 points. This market presents more limited pyramiding opportunities. If you are not in, enter orders to buy September T-Bills, sell September Eurodollars at the market. If you do not understand the mechanics of this hades or do not know what a Eurodollar is, call our offices and we will provide you with this informahon.

What makes this wade additionally intriguing is the synchronicity demonstrated between historic lows in this spread, and major highs in the stock market. As one would expect, an historically narrow spread reflects a high level of public confidence. This confidence has skyrocketed since the Iraqi war. A disruption in this false sense of security, should translate into a very profitable trade.

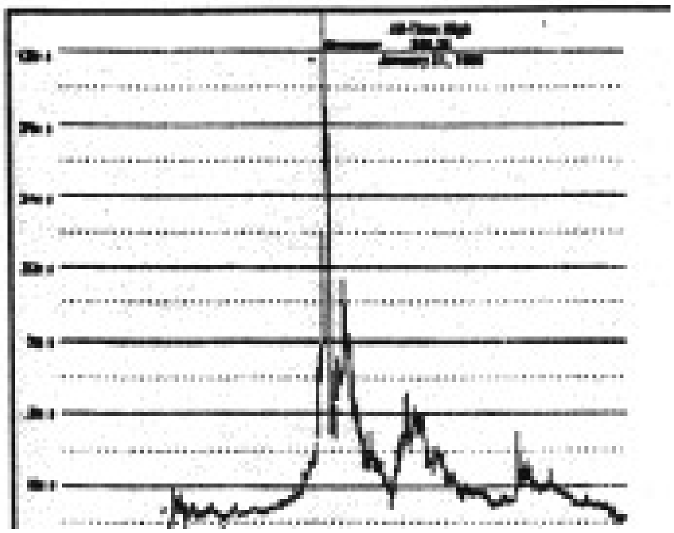
SILVER

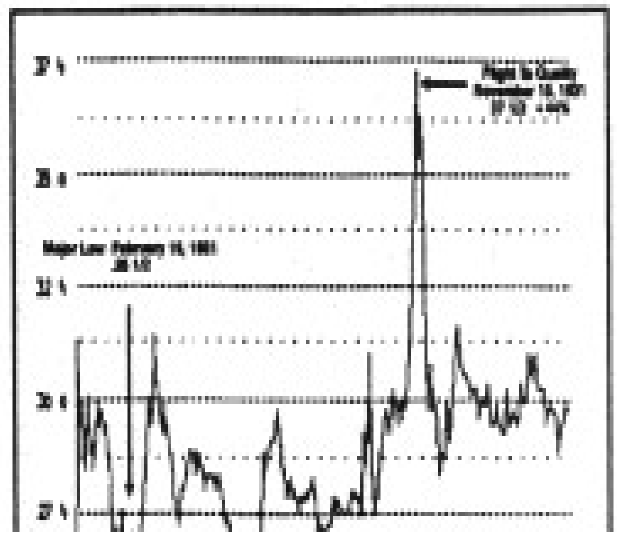
The trading public has its collective heads turned, and. can not conceive of a substantial move up in silver, in the face of "huge" warehouse stocks. A crisis of confidence would have little difficulty encouraging nervous investors to snap up the $1 billion in exchange warehouse stocks. Putting the supply of silver in perspective, two weeks ago the money supply as measured by M2, increased $12 billion dollars. One billion dollars in silver is a drop in the bucket.

A friend of mine who works as a futures broker at a major brokerage house, says that he can't get clients to buy silver for the life of him. The false breakout above the downtrend line in July silver this past week, has again disillusioned the bulls. One more raid on sell stops possibly below the uptrend line at $3.92, followed by a reversal above $4.00, would be a cinch indication for higher prices. Our hotline commentary is a must in this market. Call us if you don't have it, it's free for 2 weeks!

SILVER-GOLD RATIO

Simultaneous with the run up in silver, should be a move in the silver gold ratio from the 90 to 1 level, to 70 to 1. As stated before, we have likely seen generational highs in this ratio, and the smartest strategy is probably to buy and hold this spread for the long pull, rolling futures contracts year after year. This has presented us with a once in a lifetime opportunity.





Woody

By Larry Woods

In the year 3136 (56 square) Claude Hopper visited the Great Agriculture Hall of Fame and while there he noticed some numbers on the ceiling and he asked what those numbers were all about. The tour guide mentioned that back in those times food and feed were raised upon the land and there were times of famine and times of feasts. (Of course in these modern times all food is synthetic so there is always plenty). This meant the price of foods and feeds varied greatly over periods of time and that these numbers were used in predicting prices in the future markets when and where there were traders yelling and jumping about like deranged madmen buying and selling what was when called commodities.

These numbers on the ceiling were called Woody's Fantastic Fractions and Woody's advice was sought at taverns, coffee shops, and grain elevators which he freely gave and was worth every cent of it. He was like a voice in the wilderness yelling to hell with politicians, lawyers, market advisers, pimps and brokers. (The last two were very nearly one of the same).

Woody, the tour guide said, was fascinated with numbers (and figures) and preached that markets move either up or down in sevenths and retrace in eighths. He preached that marketing was more art than science and that was why the great agriculture universities seldom ever taught effective marketing. Their haven seemingly was fundamentals which entailed all sorts of complex formulas which only the privileged few were allowed to understand. His thoughts were that people made markets and as such were full of emotions of all sorts thereby making markets an art form.

Woody subscribed to a magazine called "Trader's World" and started to read the various articles. Some of these articles he understood and others he simply did not. He had difficulty correlating the angle of Venus to Mars to the rings around your anus to the price of soybeans in Jasper County, Iowa. This simply stretched his abstract thinking abilities beyond their limits. He continued to read these various articles and to find the assorted 'keys' that would fit into his realm of existence. He had his own set of numerical abstract figures which he freely shared with others. The guide said that they had this ancient device called a VCR and we will play it so you can observe Woody as he described his Fantastic Fractions. Be seated folks and I will play this crude device as it was recorded.

I've read some of W. D. Gann's books and like others have been amazed at what he could envision! However, I've also been amazed at what seems to be missing is his various writings. He talked about the importance of 8ths and 9, but somehow I haven't read about the most important number of the human condition that being the number seven. There are seven days in the week, seven year cycles of our existence and if you are a Bible scholar there are countless references to the number seven throughout the entire book or library. Why is it missing? As Tevia said in the play "Fiddler on the Roof" ... "I'll tell you. I don't know." When the question is asked about the market it is like asking "How is your wife?" The only reasonable answer can be "Compared to whose or what?" In one of my searches I discovered that the ancients did not use the decimal system, but used fractions extensively. So the challenge became to use sevens and fractions in such a way to compare prices. (I've never been able to use these in comparing wives however.)

I discovered that by splitting seven into sevenths, fourteenths, twenty-eights, and fifty-sixths (seven times eight) I was able to predict where support and resistance were hiding in the movement of the market and squiggles of the charts. In the case of an uptrend, multiply the bottom tic times 28/27, 56/53, 14/13. etc. using 56 as a numerator and reducing the denominator by one. This gives a greater number in each consecutive case. The numbers in a downtrending market are simply inverse of the uptrend ones. The greatest support or resistance is where the fractions are the smallest. (A 6/7 offers more support than a 51/56). One can use these numbers from two or more lows on a market incline or advance and where these numbers are close together there is much support or resistance. In many cases the numbers are very close to those achieved by a "Gann Wheel".

Let's use an example of June Live Hogs which made a low on August 23 of 47.70 which times 56/45 equals 59.36. On the Gann Wheel 47.70 plus 450 degrees gives 59.20. A subsequent low on December 4 of 48.60 which times 28/23 equals 59.17. $8.60 plus 420 degrees gives 59.30. On February 21 a low of 53.85 which times 56/51 equals 59.13. On the Gann Wheel 58.85 plus 216 degrees gives 59.40. Pretty close yeh? The top of LHM (June Live Hogs) as of this writing is 59.30. These numbers can be used as a filter in conjunction with the Gann Wheel. In the case (as of this writing) CN91 (July Corn) made a high of 2.68 times the various fractional numbers giving 2.58 (2.57 fixed cross) 2.54 (2.52) minus 90 degrees, 2.49 (cardinal cross), and 2.44 (2.68 minus 144 degrees). Pretty fantastic, right? I think I'll call these Fantastic Fractions, ... maybe Woody's Fantastic Fractions will also be etched on the ceiling of some great museum or library and by which future scholars will be mystified. The guide intoned, "And that's the way it was in 1991."

Mr. Woods is a farmer and an occasional trader. He can be reached at RR2 Box 141, Mitchellville, Iowa S0169. He is a partner in L & L Farm Spreadsheets, RRI Box 114 Collins, Iowa 500S4.

Astroharmonic Vibrations

By Larry Pesavento and Steve Shapiro, Ph.D

The purpose of this article is twofold: Fist we would like to introduce readers to the use of astroharmonic cycles, and the ease with which they can be used to accurately identify trend changes in the stock market.

Secondly, we would like to illustrate the relationships of these events to the stock market and demonstrate how accurately and precisely these relationships can often be determined.

Since publication of the book Astrocycles: The Trades Viewpoint, by Larry Pesavento, we have researched many astroharmonic cycles. The advent of computerized astroharmonic data such as the AstroAnalyst (Astrolabe: Orleans LA), provides ready access to a large amount of research material. It is now possible to complete research in minutes that previously too literally months or years.

It is important for the reader to understand and accept that these astroharmonic cycles are little more than normal periodic cycles that occur with naturally harmonic regularity.

A problem arises for some because the language of this analytical technique differs slightly from that typically used to describe familiar stock; market terms and price movements. In addition, it is necessary for the trader to familiarize himself with the actual geometry and energy associated with these Particular planetary events.

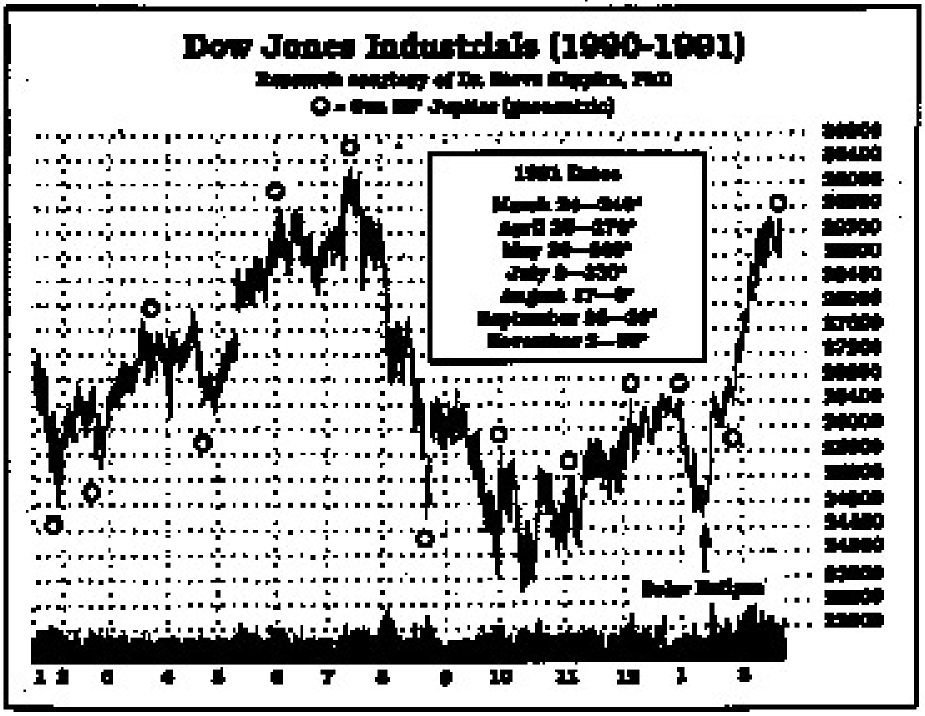
The existence of some kind of planetary energy influence on the earth and its population is more than just a matter of conjecture. A wide and historically significant body of documentation exists that clearly shows that at the time of the full moon there are significant increases in the incidence of emergency room trauma, poor surgical results, high crime rates, and other events with high emotional content. For the purpose of this discussion, the nature of these phenomena and why they occur is less important than the fact that they do occur.

Our purpose is to recognize that certain natural energy points exist and to develop a technique that identifies these energy points and uses them to identify trend changes in the stock market or any other market.

Our hypothesis is that if these "energy points" or "fields" exist, then it should be possible to choose any particular high or low in the stock market, determine the astroharmonic event that is occurring then, and test it over a period of years to figure out if trend changes occurred at or close enough to the date of the event to be meaningful to our analysis. The parameters we use to evaluate such a test are:

1. An expected accuracy rate of better than 80%.
2. The turning point must be plus or minus one day of the actual planetary event.
3. There should be a minimum of 100 samples for statistical reliability.

To illustrate the technique, we have chosen the Sun-Jupiter combination for two reasons: Commander David Williams in his excellent textbook, Financial Astrology, available in Trader's World Catalog has demonstrated that Sun-Jupiter does have a great influence on the trend of the stock market. To prove this thesis, it is only necessary to examine some of the major Sun-Jupiter aspects during the past decade. It will be seen that when this occurred, significant trend changes in stock market prices also occurred.



Most recently, the low of October 19, 1987 took place during a Sun-Jupiter op-position (180), and the July 16, 1990 high occurred at the time of a Sun-Jupiter conjunct (0).

The Sun-Jupiter cycle, or as astronomers refer to it, the synodic period, is nothing more than the time it takes Jupiter to complete a full orbit around the sun. This is 1.09 years. Beginning with July 16, 1990, when the sun was conjunct (0) Jupiter, adding 1.09 years produces the date August 17, 1991 as the next Sun-Jupiter conjunction (0).

The enclosed chart of the Dow Jones Industrial Average illustrates this analysis for the Sun-Jupiter cycle from April 1590 through April 1991.

Each of the circles identifies accurate trend change points within one day and illustrates Sun-Jupiter influence as the aspect moves 30 degrees at a time through its orbit. Stated more simply, a trader could expect a trend change to occur at 0 degrees, 30, 60, etc. all the way through the 360 of the zodiac.

It is important to remember that the 360 is not circular, it is elliptical. With the exception of the January 29, 1991 aspect, Sun opposition Jupiter (180), each of the turning points was quite exact. For educational purposes, we have included the remaining 30 degree as for Sun-Jupiter for 1991. It must be noted that the successful application of this technique in the past does not guarantee its continued or future success. The material presented in this article does not make any inferences to buy or sell recommendations.

ASTROHARMONIC VIBRATIONS

Feb 24	210
Mar 24	240
Apr 25	270
May 30	300
Jul 8	330
Aug 17	0
Sep 26	30
Nov 2	60

Mysticism in the Market

By Terry R. Davis

Anyone that is around the commodity or stock markets for very long starts reading about the "masters" of trading. If they (you) are like me they start to develop a reverential awe with regard to past master's supposed trading abilities. How is it possible for someone to be so consistently right or to make so much money? Could it be that some past master's trading abilities or supposed earnings could be larger than life? Could an entire trading record be based on one magazine article? We all are looking for the supposed "Holy Grail" ...the trading method that is never wrong and requires no work. I think traders look for esoteric things as Gann's or Bayer's writings or things like astrology or cycles to take them to this given point. Is there anything wrong with this quest for trading perfection? If it is tempered with knowledge and a true desire to learn it is a never ending search that will last a lifetime.

There is a story of an ancient well loved, gracious and benevolent king who wanted to leave the world a legacy on which to base further knowledge and also to preserve all the knowledge that had been accumulated up until his time. He brought together all the wise and learned men of the kingdom and told them to put all knowledge down on paper so it could be recorded for all posterity.... both rich and poor were to benefit. He said they had 5 years to accomplish this. Well, the five years went quickly and the learned group arrived and presented the king with twelve VOLUMES of accumulated knowledge. The king briefly looked at the volumes and quickly made a decree for the group to reassemble and condense the knowledge so that the common man could understand it too. In a year the prestigious group was back with a single large volume. The king again briefly looked at the book and again sent the group of scholars on their way to condense it one more time. Again the year quickly passed and the assigned group came back with a single page. This time the king read the entire page and said it was very good...but ...still much too long. Again they were told to condense all knowledge so that the great and the meek, all, could understand it. The next year quickly passed, as the previous ones before it had. By this time many of the learned men had quit but a few persevered. They presented a SINGLE PARAGRAPH to the king. Surely, this time, they thought, it would be alright. The king's eyes lit up when he read it. He said it was almost perfect. He asked them to try one more time. Condense it once more. The group left muttering but vowed to make one more condensation. This year went slowly by for the scholars. How could they condense all of the world's knowledge into a length of less than a paragraph. Night and day they worked to do this. It was finally decided that they had succeeded. They sent a message and arranged an audience with the king. They further let it be known that they had taken all knowledge from all of recorded history and had put it in A SINGLE SENTENCE! They met with the king at their appointed time and handed the sheet with the single sentence to the king. The king read it. As he did the astute group of scholars saw his eyes light up again. Had they been successful... they waited to hear from the king. The king was overjoyed with what they had accomplished. He said they had, indeed, succeeded. On the sheet of paper was one sentence that described all knowledge up to that point. It read "THERE AIN'T NO-FREE LUNCH."

Traders are hopelessly "hooked" on mysticism in the markets. If there is any doubt to this last statement I would suggest you look at the ads in this magazine that you are reading now. It may go by many different names. Gann angles, Elliott wave, Astrology and Natural law are buzz words and theories that come to mind. Does it exist within the confines of tradeable markets. The answer in my mind has to be a resounding YES!!!! When we hear the word mysticism it conjures up visions in our minds of fortune tellers or people gazing into a crystal ball. Webster's New World dictionary defines mysticism this way: belief in direct or Intuitive attainment of communion with God or of spiritual truths.

If we could understand the LAWS OF GOD wouldn't that make our trading easier? Read 2 Corinthians 5:18. Gann stated many times in his writings that the Bible would teach you all you needed to know about trading. He also said it should be read more than once. Perhaps it would do any country good if everyone read the Bible more than once. His square of 144 comes directly from the Bible. Many of Bayer's writings focus on Biblical truths. If we had "TH-E TRADER'S HANDBOOK of DIVINE NATURAL LAW" written by the Lord we would all be 100% traders. It is my belief that bits and pieces have been discovered by many of the past "giants" of trading. Many of today's successful traders use these laws both knowingly and unknowing in their day to day trading. Many repetitive cycles are related to the various orbits of the planets. Didn't the Lord create them too? My research has always been to understand the why of the markets and then apply it to my trading. Do Gann angles apply to natural law. Of course they do! Does Elliott wave fit in? Yes, it is also there. How are we to discern which, if any, is the trading method that will work for us? Do we need it all?

Let's use an analogy to understand mysticism or Natural Law. When we drive down the street we should marvel at this great invention called the automobile. I am typing this article on a Macintosh computer. Both of these inventions are modem day miracles. Our car can be as simple as a Ford Escort or as complicated and costly as a Mercedes 450 SEL. We don't need all the bells and whistles to take our kids to school everyday. We choose to have what makes us happy (or what we can afford). By the same token we don't need to know every Natural Law in the markets to make us successful. On any computer program for commodities there are so many indicators that it is hard to decide which one(s) to use. Do traders use them all. I have, perhaps, 35 indicators on my quote system. At the very maximum I use 3! Why? The rest are pure garbage!

Let's get back to natural law. I seem to have wandered off for a minute. I strongly believe that all natural law originated with our Creator. I further contend that everything was set in motion at the time of creation. Is Astrology natural law or some tomfoolery dreamed up to separate people from their hard earned money? Both! Astrology and cycles go hand in hand. Indeed, each one is a different way to describe almost the same thing. I have constantly ridiculed and good naturally made fun of people that use astrology in their trading for a long time. I don't intend to quit. Do I believe it is in sequence with other God inspired phenomena? Definitely! It is just one of the many Natural Laws that I do not use in trading. Let's go back to our automobile analogy one more time. Our most basic auto today has an air conditioner, a cigarette lighter, seat belts, radio, rear window defogger and on and on and on. Do we need any of these things to go to the comer market (if there is such a thing anymore)? The answer is an obvious no. By the same token we only need a very few natural laws to tell us whether to be long or short. Which laws? There's the problem! It takes a long time (more than one lifetime) to search through all things that seem to affect the markets. The search is endless!

America wants patience and wants it when? NOW! Commodity traders are basically the same. They (we) all know that the HG (Holy Grail) system exists and is just around the comer if we keep spending money for every new curve fitted $3,000 system to come out from this year's IN trading guru. Technicals get stranger and stranger by the day. The people selling systems do to. (If you don't believe that you should see me.) I am trying to make a point. The basic laws that govern the universe are unchangeable. Christ said, I'm the Alpha and the Omega, the same from the beginning to the end." Doesn't it seem to make more sense to rely on God inspired Natural Law in your trading than manage things like changing open interest? Your quest has begun when you take up the Natural Law banner. Good searching to you my friend.

Terry R Davis is a small business owner and trader. He has written two widely acclaimed courses on trading: Market Structure and Bubble Theory (The Power of Two).

Gann: Angles and the Square of Nine

By Bill McLaren

I believe it is prudent that I begin by prefacing this article with a few cautions. First, there is an abundance of misinformation related to the theory of Gann analysis that is available to the novice trader. Other schools of trading thought involving Fibonacci, Andrews, or Elliott may be related to some aspects of Gann, but beware of "pundits" that group some or all these schools under the umbrella of Gann theory. They are blatantly misguided. Second, you must have a basic understanding of price movement to be successful in trading. This knowledge is the foundation of analysis and all else is built upon it. Gann, Elliott, or even oscillators all present probabilities, but the only thing that is a certainty is that which is occurring on the price chart. The pattern in the movement of prices should justify the probability that your indicator is giving you the right signal. Third, quoting Mr. Gann, Whenever price and time are squared, you can look for a change in trend." The key word in his statement is "look." This means to look for some evidence that the trend has changed before positioning on that probability. I gave a seminar last year where the basic theme was stop trying to pick tops and bottoms and learn how to earn money trading." What I was attempting to explain in the seminar was how to identify what I call counter trend movements. Counter trend movements are identified as the first rally after the fall-off of prices from a significant high. When prices are trending upward, prices will tend to fall sharply off a significant high, either 1 to 3 days or 7 to 10 days depending on the momentum of the move. But after a high that completes a move, the fist counter trend will usually be within 1 to 3 days long. (Note IBM chart Figure #3) Conversely, the opposite is true when prices are trending downward. Once you've been able to locate these counter trend movements, I believe you will have acquired the knowledge to trade successfully.

The Use of Angles

Gann angles are employed for many reasons but probably the two most important being first, to define when price and time are back in balance with each other and second, to show the strength or weakness of a position. They are not to be used to randomly buy or sell support and resistance levels. Since the Gann method of charting is done on geometric charts where the two axis represent the same space movement, the angles therefore are a geometric relationship to price and time. The 1 x 1 (or 45°) angle line moves at the rate of one price increment to one time increment, so on a weekly stock chart this would represent one point per week. The slower 1 x 2 moves at 1/2 point per week and the faster 2 x 1 moves 2 points per week.

Referring to figure #I we see that a stock hits a high of $36 and moves down. Assuming that this is a weekly chart, when the 45° angle from the high moves down to zero, time would have moved 36 weeks and if a 45° angle were drawn up from zero at the time of the high, where those two angles meet would represent 50% of the high price ($18) in both price and time. This would obviously be very strong support on the geometric chart as price and time would be balanced or "squared" at a harmonic 50% of the high price.

Figure #2 shows that from the low, price moves above the 2 x 1 angle, then falls back to

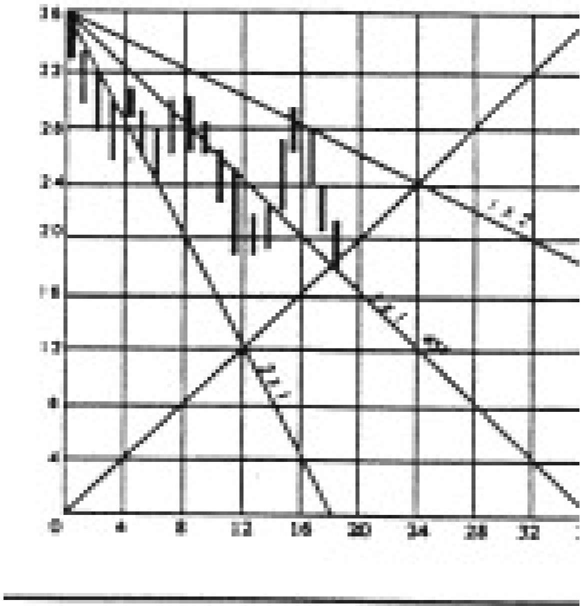


Figure 1

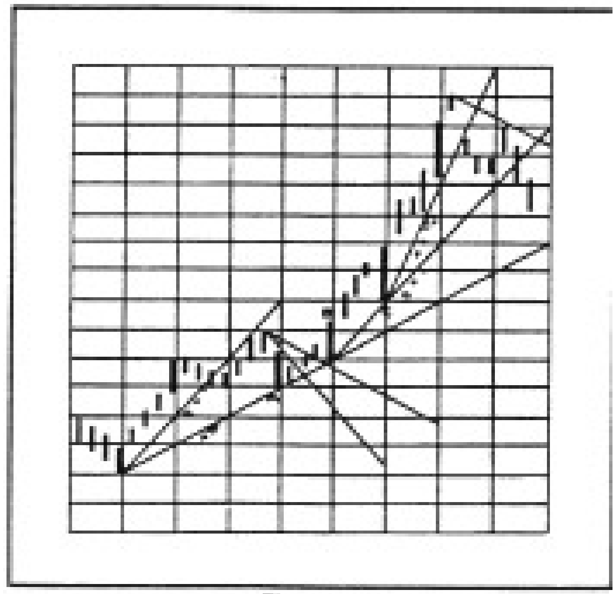


Figure 2

rest on the 45° angle (at point A) bringing price and time back into balance. At point "B" price moves above the 45° angle from the swing high placing the movement in a strong position from the tow (above the 45° angle) and strong position from the high (above the 45° angle from high), indicating a resumption of the uptrend. This is an example of a blow-off movement. Notice how at point "C" price finds the low at the next ascending angle, then again at point "D" on the next higher ascending angle. At point "A", price could have broken the 45° angle but at point NB" if price recovered that same 45° angle and also moved above the 45° angle from the high then the same conclusion would apply.

Figure #3 shows a daily chart of IBM. Notice how the high was precisely against the angle from the low "squaring price and time" and indicating a possible change in trend. There are many ways to qualify that probability is an important high and one of the ways is with the "square of nine" which we will look at a little later in this article.

Figure #4 shows a daily chart of the S&P contract. Notice how the last high is again squared with an angle from the low. This Squaring" occurs 36 days from the low and 72 points up from the low. Those well versed Figure #2 in Gann theory will recognize 36 x 72 as important harmonies of 144 and therefore qualifying that N squaring" as important.

Square of Nine

The square of nine, or spiral chart, is a very valuable tool for trading and forecasting. See Figure #5. It is used as a way to see the vibration of prices in degrees. It has been my experience that 90% of all stock's price swings will fit into these degrees of movement. Look at figure #5. Around the outside of the square of nine are the dates of the year. This circle encompasses a spiral of numbers, the first cycle of numbers ranging from 1 through 9. Notice on the 45 angle running from the center northeast to the date of May 6th are the squares of even numbers: 16, 36, 64, 100, 144, etc. Moving down to the southwest corner are squares of odd numbers: 25, 49, 81, 121, 169, etc. These are "natural" resistance levels but should be confirmed with other indicators. However, some stocks and the Dow Jones Industrial Average are uncanny for hitting significant highs and lows on exact squares of numbers.

There is one other aspect to using the square of nine. It is that the geometric angles can be overlaid on top of the spiral chart (Figure #6). Figure #3 shows an IBM chart where the low was at the 95-6 level. The first important high was at 116 followed by a counter trend move down to 105, then finally a blow-off into the high at 139. I have circled those prices on the square of nine and noted the degrees of movement on the IBM chart. You can also find these degrees of movement mathematically. For instance, to locate a 180 movement, take the square root of the number, add 1, and square the total. To find 360, add 2 to the square root and square that total. Now go back to figure #5 and look at the dark line that cuts across the chart. It starts on August 23rd and ends February 19th. The low on IBM occurred August 23rd (first of the double bottoms) and the high occurred February 19, or exactly 180 in time. Moving 360 in price and 180 in time while "squaring" the high price with the low on the trading day chart gave a probability that 139 on February 19th could be a significant high point

Ancient Geometry

By Bruce T. Gilmore

Geometricity is an apt word coined by market analysts to explain the natural mathematical phenomena that manifests itself within the affairs of men; to wit the speculative markets. Each markets price movement is a graphic footprint, representative of all the independent differing evaluations, the fears and hopes, the seasonal influences, the expectations for the future both rational and irrational, and the underlying cyclical forces generated by past market activity.

Each Market is a dynamic system. Markets vibrate in price and time from highs to lows and lows to highs in minor trends, intermediate trends & primary trends. Each trend of similar degree is the direct effect of an underlying cause. The dominant cause is the constant vibration of numerous cycles at work in any particular complex. These cycles range from short term to long term, each could be equated as a single wheel working within the confines of a larger wheel, ie., wheels within wheels.

Cycles are difficult to identify but their effect is not. Individual market cycles could be compared to the single instruments in an orchestra, the combined result of all the single instruments translates into a harmonic system and it is only the conductor who foresees the final outcome.

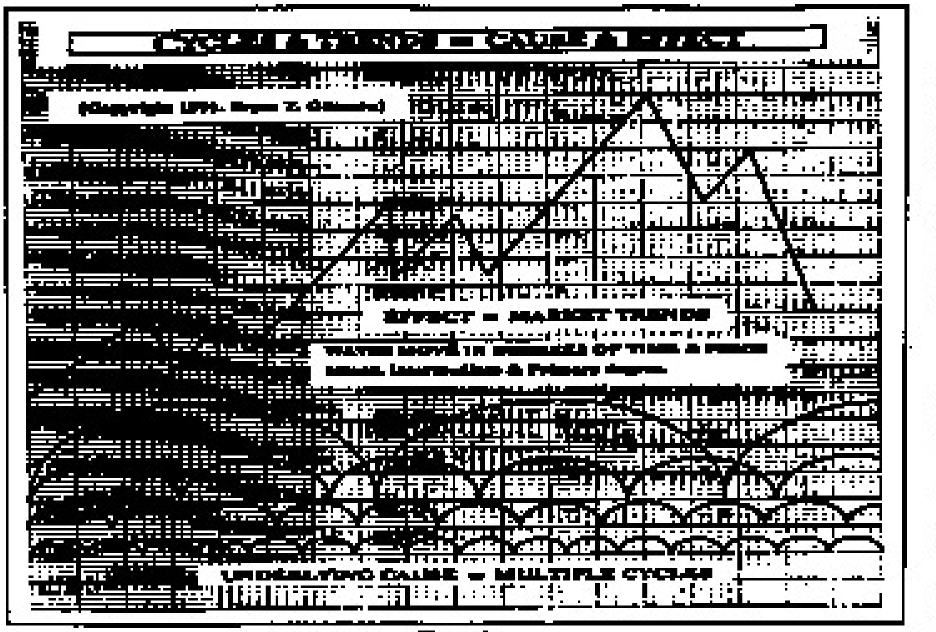
There is order within the apparent chaos and chaos with the apparent order. Any dynamic system will always act and react in such a way that it conserves energy wherever possible.

At intervals new shocks may be introduced to any system, but after a time the rhythm will return, as the dominant cycles vibrate and harmonize to conserve energy wherever they can. See Figure 1.

Individual cycles vibrate in harmony and act as the cause - the effect is evidenced in the unfolding trends. Identification of waves of similar degree at the conclusion of each trend, the effect can be measured, ie., mathematical relationships between starting value, points traveled, percentage change, time duration, average points traveled per day or week and the self same factors within all previous trends; all combine to form interlocking relationships that can be identified quickly, and in some cases anticipated well in advance.

THE ANCIENT PHILOSOPHERS

Knowing the cause is one thing, but to identify the effect correctly one has to have a knowledge of the divine canon; the ancient geometry and numerology practiced by the students of Pythagoras and Plato. At first glance this statement might appear esoteric to the layman, but with a thorough explanation and illustration you will easily grasp the significance of this thesis.



The revelation of this science to the ancient philosophers came from the cosmos. That is, the dimensions of the planets and their cycles can be used to demonstrate the origins of the ancient geometry and numerology that I find so useful in my market analysis work.

The earth and the moon when placed adjacent to each other, and their cardinal points joined together can be seen to represent the exact proportions found in the Great Pyramid Of Giza. The binding relationship between the roots of 1.00, 2.00, 3.00, 4.00, 5.00 and the irrational denominators 1.618 are shown to all maintain binding harmonic relationships. We can see this from the architecture of the great pyramid. See Figure 2.

The radius of the circle 5040 (1080+3960) as a factor of the Earth-s radius 3960 is equal to 5040:3960 or 1.2727:1.000. And 1.272 is the root of 1.618.

SQUARING THE CIRCLE

The great pyramid demonstrates the squaring of the circle using the dimensions of the earth and moon. This geometric exercise leads us to the use of all the ratios contained within the square, cube, golden rectangle, golden triangle and the circle, the sacred canon of proportions. From a single base each proportion can be demonstrated to exist in a strict geometric relationship. See Figure 3.

I don't intend to take this description to the extreme in this presentation as I have demonstrated these relationships in the "Geometry of Markets book. But here are the important ratios one needs to become familiar with when studying the geometric proportions relative to market analysis.

1.000, 1.272, 1.4142, 1.618, 1.732, 1.902, 2.000, 2.236, 2.618, 3.000, 3.142 and the reciprocals of these ratios 1.000, 0.786, 0.707, 0.618. 0.577. 0.526, 0.500, 0.447, 0.382, 0.333 and 0.318 These are only the start in our quest for knowledge but they are the prime ratios of importance.

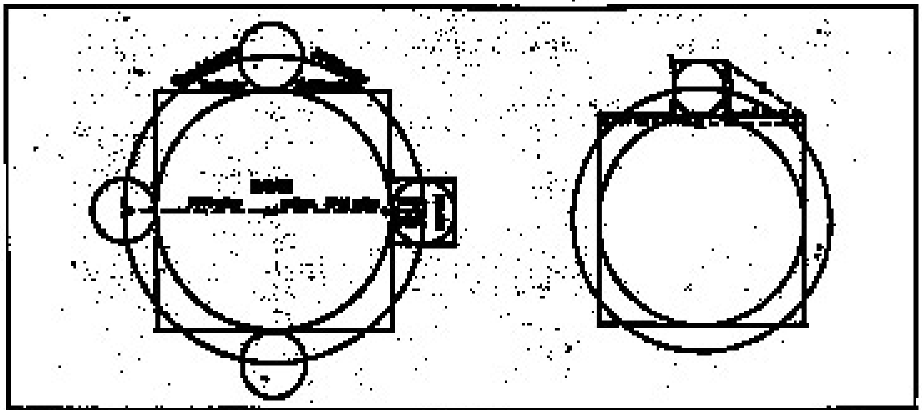
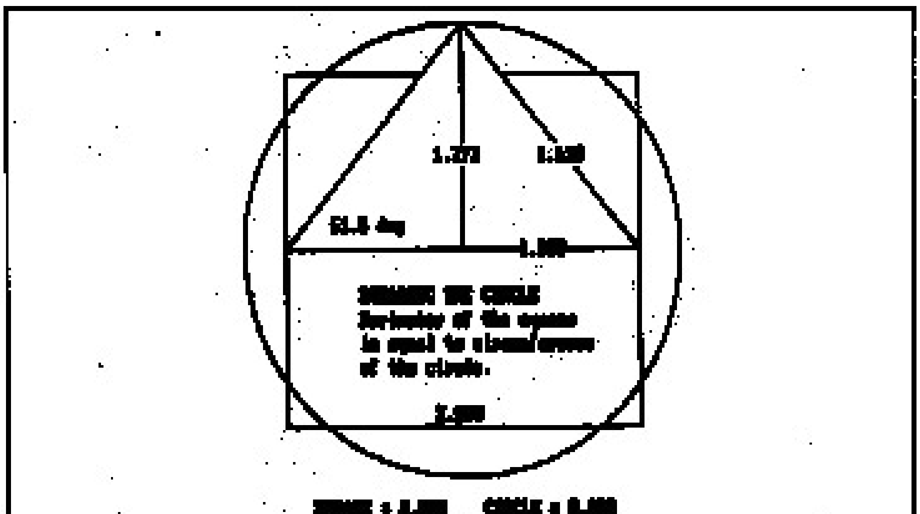


Figure 2



A hypotenuse calculation for a right angled triangle using the 5040 radius of the above circle and half the side of the above square, ie., the radius of the Earth 3960, would give the following result.

Figure 3

Figure 3

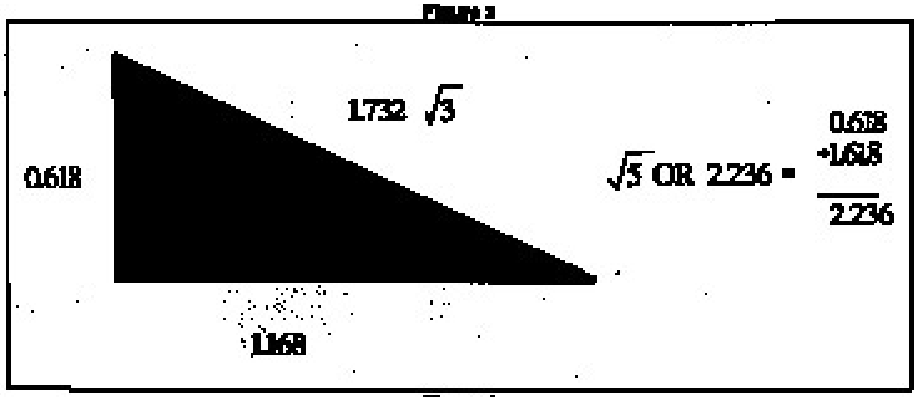


Figure 4

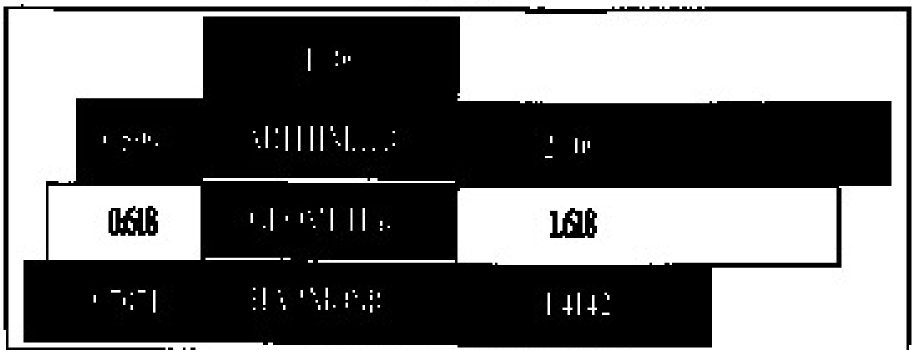


Figure 5 - THE TRINITY OF TRINITIES

ARITHMETIC - GEOMETRIC HARMONIC RELATIONSHIPS

You can demonstrate the relationship between PI and PHI by taking 4 times the reciprocal of PI, ie., 4 x 0.318 1.272 that is the square root of 1.618 PHI.

You can demonstrate how the diagonal ,of a cube, ie., root 3 or 1.732 can be the diagonal of a right angled triangle with sides of 1.618 and 1.618. See Figure 4.

PHI 1.618 and its reciprocal 0.618 added together give you the square root of 5,ie.,2.236. The three most important ratios below 1.000 are the division of unity 0.500, the golden cut 0.618 and the sacred cut 0.707. These ratios represent the reciprocal values of the sacred projections in the trinity of trinities, ie., the Arithmetic 1.000:2.000, Geometric 1.000:1.618 and Harmonic 1.000:1.4142 proportions of unity. See Figure 5.

THE TRUTH IS IN THE EXPERIENCE

For the purpose of this demonstration I will stop at this level and show you some divisions of price in time that unfolded in the Comex Gold futures between the low of 1985 the high of 1987 and the 1990 bear market low.

In the continuous December contract the expansions throughout the bull phase all related to the first impulse in strict geometric divisions. The low $301.50 squared to the high $502.30 at 66.6% increase in value. The high $502.30 (871214) was 1022 days and 1005 degrees (360 degrees per year) from the low. $502.30 by 2.000 - 1005. prices squared to time. See Figure 6.

1 ST MONTH FUTURES - COMEX GOLD

The 1985 low fell at $281.20 on the 25th February 19855. The 1987 high terminated at $502.30 on the 14th December, 1987.

From low to high the market increased in value 78.63%. This means that the low price $281.20 plus 0.7863 times $281.20 added up to $502.30. 0.786 is the reciprocal of 1.2272 (square root of 1.618) and 0.786 0.618. 1.272 is the ratio of the height in the Great Pyramid to half its base. ie., the height of the apothem (mid section as per squaring the circle diagram).

Trend reversals or corrections to the bear market began at precise retracement levels of the preceding bull market range. I have illustrated the 50%, 66.6% and the 70.7% levels.

For the bear market range from the 1987 high $502.30 to the low of 14th June, 1990 at $346.00 we had a decline of $156.30, -31.12%, in value which took 2.5 years exactly which was 901 degrees. 10 times Gann's square of 90. The 14th June, 1990 was also 5041 days from the $100 low in 1976. 5040 is the combined distance of the radii of the moon and the earth. This number is often referred to as Plato's mystical number. 5040 is also 720 weeks. 720 is Gann's master number. See Figure 7.

The dynamics of the price range relationships were the most amazing. The 14th June 1990 low fell on the sacred cut of 0.707 (the reciprocal of root 2). Rise in the bull market $221.10, decline in the bear market $156.30. 156.30:221.10 as 0.707:1.000.

The 15th September, 1989 low fell on the 0.666 in arithmetic means of 1.000, ie., 1.000:2.000 as 0.333:0.666. The 26th September, 1988 low fell on the 0.500 retracement.

From the 26th September, 1989 low (0.500) the market made a 38.2% retracement to the total decline. Then from the 15th September, 1989 low (0.666) the market rallied $70 in 143 days and from the 14th June. 1990 low (0.707) the market rallied $70 in 70

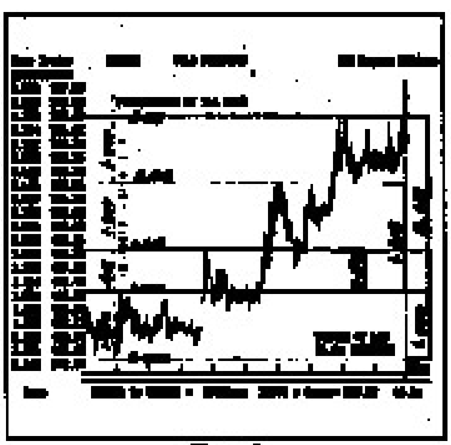


Figure 6

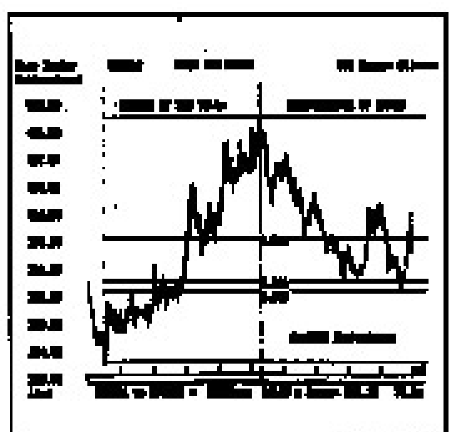
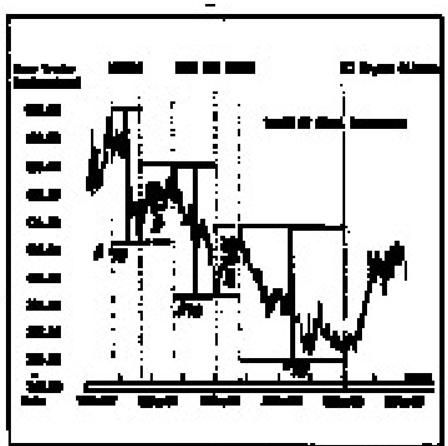
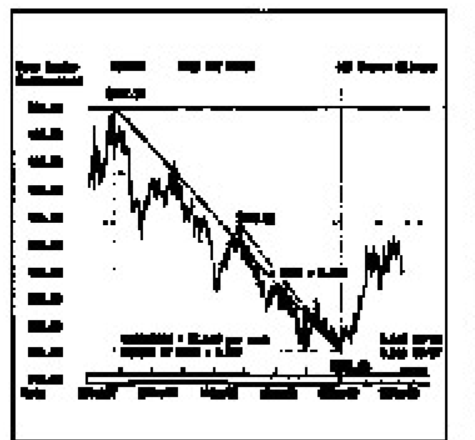


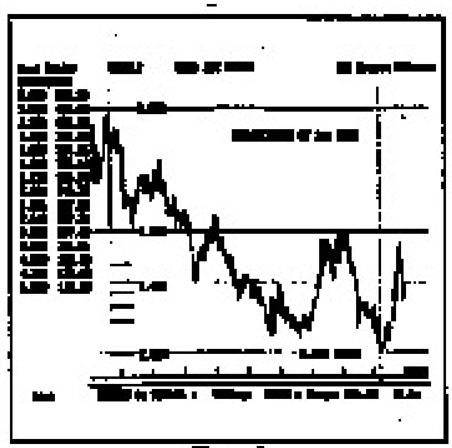
Figure 7

days. ie., $1.00 per day average to a point where it squared $0.618 per week with the 1987 high. See Figure 8.

When you review the dynamic relationships formed between the waves in the decline and the dynamics of the relationships to the previous bull market you would have to ask yourself the question. "How could a RANDOM market be so precise?" The answer is "markets are not random".







SEPTEMBER, 1989 LOW $355.10
PRIOR TO A BEAR MARKET RALLY

These examples are only a small part of the complete package but I think they are ample enough to illustrate my point. Nothing in nature occurs through chance, each system of market dynamics works out time and price in relationship to some previous experience. See Figures 9 & 10.

Our goal as market analysts is to endeavor to identify and quantify the components of past markets so that we can anticipate the future.

A thorough knowledge in the laws of ancient geometry and numerology will be the only reliable means. The combination of mathematics together with an understanding of cycles & market momentum will act as a filter when evaluating the relative importance of time, price & space signals within markets.

I am going to leave you with an example which will either inspire you to a greater effort in your quest for market understanding or convince you that you might as well forget the whole thing. See Figure 11. I only say this in jest, but if you are not prepared to forget the fantasy and only deal in hard core facts the door will never open for you.

Bryce Gilmore is author of the book Geometry of Markets and developer of the software program the Wave Trader Professional Time and Price Analysis Program. Gilmore s products are distributed exclusively by Gann / Elliott Educators, 6336 N Oracle, Suite 326-151, Tucson, AZ 8S704 (602) 797-3668

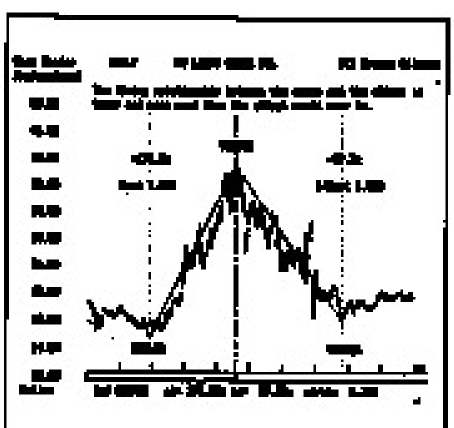


Figure 11 - OIL MKT 90-91 MIDDLE EAST CRISIS

I am going to leave you with an ex.

Neural Systems

By Lou Mendelsohn

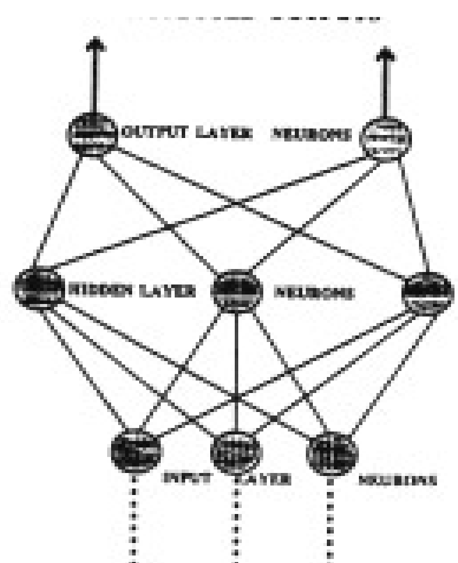
Artificial neural systems are information processing models which mimic how the human brain processes information. Unlike conventional, rule-based technical trading systems popular in the 1980s, neural systems do not need Redefined trading rules or "optimization" of technical indicators to generate trading signals. Instead, through an iterative "training" process, neural systems "learn" the underlying associations and causal relationships within technical, as well as fundamental, data affecting a specific stock's or commodity's price. Then, with a high degree of accuracy, neural systems can forecast future prices and trading signals for that market.

Artificial neural systems are also called neural networks, neural computers, adaptive systems, naturally intelligent systems, or neural nets. They are modeled after the structure and function of the brain. Because they can generalize from past experience, neural systems represent a significant advancement over rule-based trading systems, which require a knowledgeable expert to define "if-then" trading rules to represent market dynamics.

It is practically impossible to expect that one expert can devise trading rules which account for, and accurately reflect, volatile and rapidly changing market conditions. Inflexible, rule based systems simply are not dynamically adaptive, despite periodic reoptimizations of a system's indicators.

While today's trading systems, utilizing historical optimization procedures, risk becoming "over-optimized" or "curve-fitted" when too many technical indicators or rules are employed, neural systems gain in predictiveness as more data inputs are used during training. However, it's not as easy as it sounds.

Developing a profitable neural trading system is very much an art and not a science that can be followed cookbookstyle. There are many serious design issues that must be addressed when developing and training a neural trading system, if it is to be predictive, and most importantly, profitable.



Typically, neurons within a layer do not connect to each other. Neurons between layers communicate with one another by having specific mathematical weights (or connection strengths) assigned to their connections.

For example, you may want to develop a trading system to predict the next day's Treasury Bond prices. Designing the appropriate architecture for your neural system is quite exacting, with more than a dozen different neural designs available. One type of neural system that I have used extensively for financial forecasting applications is known as a "feedforward", "back propagation" system with "supervised learning".

Before training, the neural system has a "blank mind". Then you provide the system with an extensive amount of intermarket technical data related to TBonds, including various currencies, Eurodollars, the U.S. Dollar Index, the S&P 500, as well as fundamental data such as the Fed Funds rate. Neural systems carry the concept of "intermarket analysis" to its logical conclusion by being able to mathematically analyze and weigh the relative impact that each input market has on the predictiveness of the system.

These inputs must be preprocessed or "massaged using various statistical procedures, in order to meet the system's training requirements. Then they are paired with actual daily prices on Treasury bonds (the desired output). It is critical that the system's architecture, learning method, input data, outputs, and massaging techniques are judiciously selected in order for the system to train properly.

Learning is accomplished through a complex, mathematical, iterative process whereby the neural system is "trained" on the input data using statistical error analysis.

During training, whenever the system's projections are incorrect, the connection weights between neurons are modified to minimize such errors during subsequent iterations. Each input/output pair of data is called a fact. The system learns by having these error signals propagate backwards through the neuronal layers to prevent the same error from happening again each time a fact is George Lindsay's technique applied.

Dow Topped?

By Jerry Favors

George Lindsay examined in depth every Bull and Bear Market for the last 150 yeas, and categorized each Bull and Bear Market according to certain basic time spans. Lindsay found that the Bull Markets (or as Lindsay referred to them, Basic Advances) all tended to fit into certain time spans. Those time spans for these Basic Advances (Bull Markets) were labeled:

Subnormal...running between 414 and 684 calendar days

Short running between 704 and 739 calendar days

Long running between 770 and 822 calendar days

Extended running between 930 and 991 calendar days

Once a Basic Advance (or Bull Market) ends a Basic Decline (or Bear Market) must begin immediately. The only time this rule does not apply is when a "Sideways Move" (as Lindsay referred to them) occur. There have been occasions after the peak of a Basic Advance when the Dow, instead of beginning a Bear Market, moves down sharply, then moves back up near the old high or slightly higher. The Bear Market then begins in earnest from that second high. Chart #1 illustrates the 3 variations of these "Sideways Moves." Point A is always the prior Bull Market high. From that point the market first sells off very strongly, as you would typically expect at the beginning of a Bear Market. However once we reach the bottom at point B the market begins another rally which carries back up near or above prior Bull Market high, and peaks at point E. Notice the rally from point B to point E in each case unfolds in 3 waves (similar to a B wave in Elliott Wave terminology). Once the top at point E is reached the Bear Market begins in earnest. Keep in mind that the top at point A represents the peak of the Basic Advance, even though the actual highest price reached may not come until point E. In any case, the sideways movements are then followed by severe Bear Markets, and the next Basic Decline (Bear Market) is counted from the peak at point E. For instance, according to Lindsayss work a Basic Advance ended on May 14, 1965 at 944. The Dow should have begun a Basic Decline, or Bear Market, from that point.

The Dow did decline sharply from the May 14 top, as if the Bear Market had begun. The decline continued down to a low of 832 intraday on June 29, 1965. However the Dow then turned up and rallied to a new all-time high of 1001 on February 9, 1966, and the Bear Market began in earnest from there. In this case point A was the 944 high of May 14, 1965. Point B was the low of 832 on June 29, 1965. Point E was the February 9, 1966 all-time high of 1001. Now let us examine how the above discussion applies to our current position.

An Extended Basic Advance ended August 25, 1987. When an extended Basic Advance ends, the Basic Decline does not begin immediately, but at the top of the "right shoulder." Once any Bull Market ends, there is first a sharp decline, and then an attempt to regain the high (wave 2 or B in Elliott terms). That rally which tests the highs is the right shoulder After the

May 19,1988, two days early. This date also corresponded with the next Monthly Chart low after the 1987 crash. The Basic Decline ended there, and the Bull Market began in earnest from that point. Another Important rule to remember in regard to these Basic Advances and Declines is that in all market history there have never been 2 consecutive "Extended Advances" (Bull Markets lasting 930 to 991 calendar days). Since the 1984 to 1987 Bull Market leg was extended, the Bull Market leg from May 19, 1988 could not be extended, so it could not last as long as 930 days from May 19, 1988. This meant the Bull Market from May 19, 1988 had to be either Subnormal (414 to 684 days), Short (704 to 739 days) or Long (770 to 822 days). Once 739 days had elapsed from May 19, 1988 (or May 28, 1990) there was no question but that the Bull Market had to be Long", or 770 to 822 days. The high of 3025 intraday came on July 17, 1990. This was exactly 789 days from the Basic Low of May 19, 1988, and near the average duration of a Long Basic Advance. There is no question but that a Basic Advance ended on July 17, 1990, and a Basic Decline should have begun from there. We actually postponed the exact day of the Elliott Wave high, and stated on our hot-line that a major Bear Market should begin from that point. The Dow collapsed 681 points from July 17, 1990 to October 11, 1990, a period of 86 days. If you examine the table of Basic Declines you will find that there has never been a Basic Decline lasting for 86 days, so there was no way a Basic Decline could have bottomed on October 11, 1990, despite the severity of that collapse. What we did not count on however, was the "Sideways Movement" discussed earlier. These "Sideways Movements" almost always occur at the end of a Bull Market, or Basic Advance. If you examine the patterns for sideways movements on chart #1, you will see they always begin from what appears to be a Bull Market too. There is first a sharp decline, as we saw from July 17, 1990 to October 11, 1990. October 11, 1990 is point B on the chart. There is then a sharp rally to point C, which in this case is the December 1990 high. After point C there must then be a very sharp decline, which is deeper than a mere "technical reaction." That was the decline from December 21, 1990 to January 14, 1991. That January 14 1991 low becomes point D, and the rally to the final high at mint E begins from there. The Basic Decline, or Bear Market begins from point E. We are in a Sideways Movement right now and should be near the peak of mint E, as I will attempt to make clear later in this letter. Once that point E peak is in, the Bear Market will begin in earnest.

One might conclude that these Sideways Movements would make this theory of Basic Advances and Declines difficult to apply. However in the last 150 years there have only been 6 of these long Sideways Movements. Each occurred at the end of a Bull Market, and each was followed by severe Bear Markets. The Dow Jones began in 1897, and since then there have been 5 sideways movements as follows:

In fact if you examine each of the Basic Advances on chart #3, you will see that most of these Basic Advances ended exactly on the price highs, as you would expect them to These Sideways Movements are somewhat more difficult to time, since they have not been of uninformed duration. However Lindsay stated that the maximum duration of a Sideways Movement has been about 329 days. If we count 329 days from the mint A top of July 17, 1990, we arrive at Rune 11, 1991 as a probable maximum target area for the final high. The Bear Market would begin in earnest from that point.

This theory of Basic Advances and Declines is fascinating, and one of the most accurate methods of forecasting the stock market I have yet encountered.

(1) 1/19/1906 to 9/17/1906 (2) 12/27/1915 to 11/21/1916 (3) 9/03/1929 to 4/16/1930 (4) 4/06/1956 to 8/02/1956 (5) 5/14/1965 to 2/09/1966 to explain the theory in detail, but those of you who are interested will find it explained in Lindsay's "Counts from the Middle Section". A

(1) 1/19/1906 to 9/17/1906
(2) 12/27/1915 to 11/21/1916
(3) 8/03/1929 to 4/14/1930
(4) 4/06/1936 to 8/02/1936
(5) 5/14/1965 to 2/09/1966

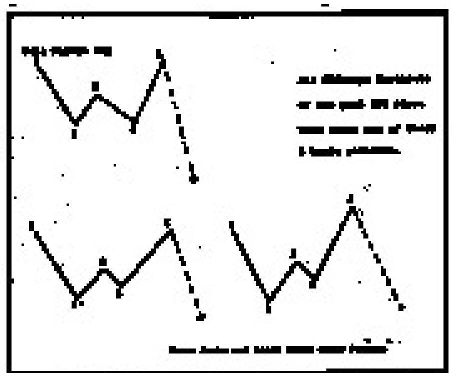


Chart #1 START OF A BEAR MARKET

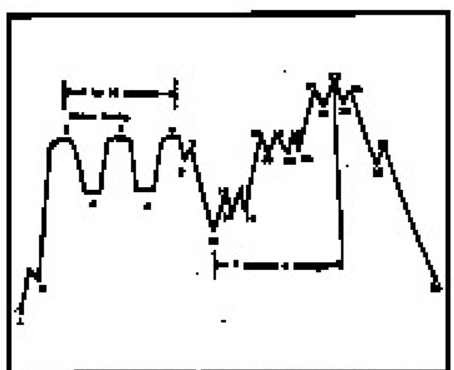


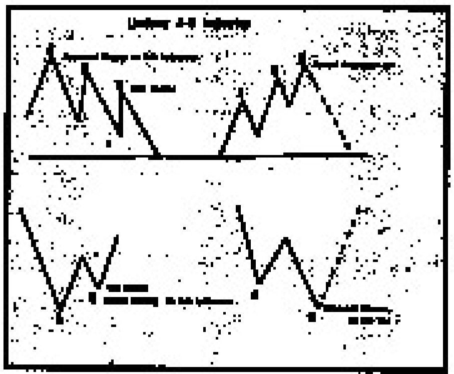
Chart #2 THREE PEAKS AND DOMED HOUSE

collection of Lindsay's best articles have been put together in a book by special permission ot Investor's Intellegence. The book is 98 pages and is available in the Trader's World Catalog for $19.95 in the back of this magazine.

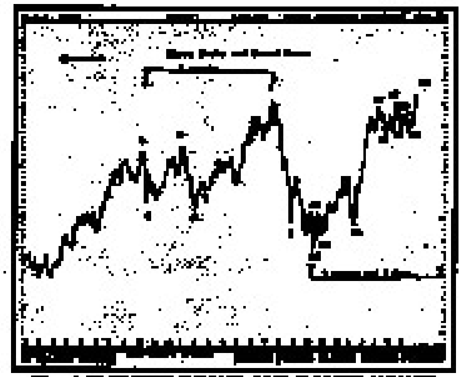
GEORGE LINDSAY'S "BEST SHORT TERM INDICATOR"

Lindsay's favorite short term indicator was his own method of interpreting the daily advances and declines. Most investors are familiar with the daily Advance/Decline Line. To compute the Advance/Decline Line you start with some arbitrary number and if the advances for the day outnumber the declines, you add the net advances (Advances minus declines - net advances) to that prior number for your new Advance/Decline Line number. If declines outnumber advances you subtract the net declines for the day from your Advance/Decline Line for the most recent plot. What you have then is a cumulative Advance/Decline Line that moves up or down each day. The theory is that if the Dow moves to a new high or low unaccompanied by a new high or low in the Advance/Decline Line a top or bottom is indicated. Anyone using this technique for any length of time will find that it is not especially useful. For instance, the Daily Advance/Decline Line peaked on August 8, 1989, with the Dow at 2699. The Advance/Decline Line continued to make lower tops, while the Dow rose 300 points over the next 11 months. Divergences of 11 months and 300 points are not especially useful to traders or investors. Lindsay did not use this Daily Advance/Decline Line at all. What he did was each day record the net advances or net declines for the day. For instance, if there were 1000 advances for the day and 500 declines, the net advances would be +500. If there were 1000 declines and 500 advances, the net declines for the day would be -500. Each day Lindsay would the net advances or the net declines for the day, not the cumulative Advance/Decline line. Lindsay also stated not to use any moving averages of this daily data, since they merely obscured the fine, important points shown by the raw numbers themselves. In interpreting these numbers there are 2 basic patterns you should be aware of. Those patterns are illustrated in Chart

This chart shows the basic patterns for a Sell Signal or a Buy Signal from this indicator To get a true Sell Signal we need to see a downward zigzag of at least 3 points in this A-D Indicator. For instance, point A might be a net of +1000 advances; point B would be say +800 net advances, and point C +500 net advances. While the A-D Indicator is tracing out this downward zigzag of at least 3 points, the Dow is creating an upward zigzag of at least 3 points. So at point A when we have +1000 advances, the Dow closes at 2900. At point B. with +800 advances the Dow closes at 2950. Note the Dow closes higher at point B. but the net advances that day were less than the + 1000 figure at point A. Finally at point C, we only have +500 advances, but the Dow closes at 3000. Here we have our required pattern of a downward zigzag of at least 3 points, accompanied by 3 higher closes in the Dow. This is the Sell Signal. To be precise, for a true Sell Signal to be given the Dow must record both a new hourly and a new closing high for that move (not necessarily a new Bull Market high) on the same day as one of the 3 points, A, B. or C in the A-D Indicator For instance, at point A on the A-D Indicator the Dow must also reach a new hourly high and a new closing high on the same day. Below the Sell Signal pattern we show the Buy Signal . To get a Buy Signal we need only to see a low at post A in the A-D Indicator followed by a higher low at point B. For instance, suppose at point A we see -800 declines, with the Dow closing at 2900. A few days later the Dow closes at 2850, but at point B there are only -500 net declines. This is a Buy Signal. Note we only need two points for a Buy Signal, while we need 3 points for a Sell Signal. Now let's see how this theory applies in reality. On May 29, 1990 the Dow Jones closed at 2870. That day there were 673 net advances for the day. That day was point A on the chart. On June 4, 1990 the Dow closed at 2935. On that day to explain the theory in detail, but those of you who are interested will find it explained in Lindsay's "Counts from the Middle Section". A collection of Lindsay's best articles have been put together in a book by special permission ot Investor's Intellegence. The book is 98 pages and is available in the Trader's World Catalog for $19.95 in the back of this magazine.



LINDSAY A-D INDICATOR



THREE PEAKS AND DOMED HOUSE

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That day was point A on the chart. On June 4, 1990 the Dow closed at 2935. On that day there were net advances for the day of +628. Notice the Dow closed 65 points higher but on that same day there were 45 fewer advances than on May 29. June 4, 1990 then becomes point B. Remember a true Sell Signal requires 3 points, so we still need to see one more new high on less than 628 net advances. On July 12, 1990 the Dow closed at 2969. On that same day there were 442 net advances for the day. Here we have the third lower top in the A-D Indicator, on the third higher top in the Dow. When the net advances turned down on July 13, we had our Sell Signal. The final high came 2 days later at 2999 on a closing basis. The Dow then collapsed 634 points, to a low of 2365 on October 11, 1990. Not a bad Sell Signal! Let's now examine each Sell Signal for the last few years. On August 24,19/9 Sync were 82 net advances for the days with the Dow closing at 2734. This was point A. The Dow closed at 2754 onOctober 3, 1989, however on that day there were only 487 net advances. Again notice the Dow closed higher on a lower peak in the net advances. However we still need a third lower peak for a valid Sell Signal. The Dow reached a new high of 2785 on October 6, 1989, however on this day there were only 133 net advances. There were your three lower peaks, and the Sell Signal was given the next trading day, on October 9, 1989. The Dow closed at 2809 on October 9, 1989, and forthose of you who don't remember, what followed was the Mini-crash of 1989." The Dow fell 32 points the next two days, then crashed 190 points in one day on October 13, 1989. Once again, the A-D Indicator gave a near perfect Sell Signal. The Sell Signal before that came earlier that same year. The Dow closed at 2439 on May 12, 1989, with 854 net advances that day. This became point A. The Dow rallied to a new reaction high of 2517 on June 2, 1989, with 703 net advances. Again notice the 703 net advances of June 2 was lower than the.854 net advances of May 12, even though the Dow Jones closed higher. Finally, the Dow closed at 2531 on June 23, 1989. That day there were only 637 net advances, so once again we have a Sell Signal. The Dow peaked that same day, then fell 91 points on a closing basis. Finally the only Sell Signal before that occurred in July 1988. The Dow closed at 2102 on June 8, 1988, with 1007 net advances. This again was point A. The Dow closed higher, at 2152 on June 22, 1988, with only 731 net advances. Still we need one more new reaction high or less than 731 net advances for a Sell Signal. This occurred on July 5, 1988, with the Dow closing at 2158. That day saw only 411 net advances, and marked our third lower peak, and a Sell Signal. The Dow peaked that same day then fell 169 points to a low of 1989 on August 23, 1988. As you can see, each of these recur often. For instance at the February 1966 high the time from the point 10 low to the Bull Market high was exactly 7 months and 12 days. The time from the point 10 low to the Bull Market high on January 5, 1953 was 8 months and 4 days. The time from the point 10 low in 1916 to the November 21, 1916 Bull Market high was 1 day shy of exactly 7 months. The point 10 low in 1990 occurred on October 11, 1990, so we would look for a point 23 Bull Market high in May or Tune of 1991. Ideally what we now need to see is a pullback lasting a day or so to point 22, and then a final rally to a new high, with that new high being point 23, the Bull Market high. The precise day of the top is better pinpointed with other tools, however the most important point to remember is Lindsay's rule, that in all market history there has never been a case when the entire gain in the Domed House was not totally retraced. The Domed House began a point 10 on October 11, 1990, at2344 intraday. This would call for a decline below that level at a minimum once the top was in. We suggest you examine the prior Three Peaks and Domed House patterns to prove to yourself that every case was followed by a major decline below the bottom of the prior point 10.

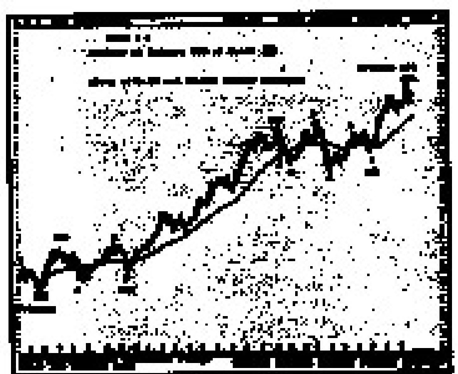

Chart #4 OUTLINE OF PRIMARY I OF CYCLE I

there were not advances for the day of

SUMMARY AND CONCLUSION

All of our work points to a final Bull Market high in early to mid-June at the latest. However there are other, many other, techniques calling for a major top right in this time frame. Lindsay says that nearly every Bull Market top has been timed by a Top-to-Top count. To apply this we take the closing low between two tops and add 107 calendar days. The result should be another important top. The time period can range from 102 to 113 days. We used a top-to-top count to time the April 18 highs last month. The next top-to-top count would be measured from the closing low of February 14, 1991. If we are measuring from a clear double top in the averages, we count the time from the closing low between those two highs. However if there is no clear double top (or a head and shoulders for nation) we count from the closing low of the last dip on the way up to the high. For instance, we stated earlier this year that the top-to-top counts indicated another possible top near mid-April. That key date here was the closing low of the last did up to the high in December 1991. The key date was December 24, 1990. If we add 107 days from that point we arrive at a target of near April 10, 1991. The time frame can range from as little as 102 to 113 days. April 17 was 114 days from the December 24, 1990 key day. The next key date is now February 14, 1991, again the last closing low before the high. If we add 107 days to February 14, we arrive at a target of June 1, 1991. Since June 1 is a Saturday our target date becomes June 3. Since the time can range from 107 to 133 days, a top is likely between June 3 and June 7, 1991. Another top-to-top count can be taken from the low of 2866 on February 26. If we add 107 days to that date we arrive at a June 13, 1991. Since the time can be as little as 102 days, we would look for a possible top near June 7. These two top-to-top counts point to a probable top in early to mid-June. Now for a top-to-top count to be valid, they must be verified by the low-to-low-to-high counts. This technique was also explained in our April 28 letter. To use this method we count the number of days from one low to another low. We then count that same number of days from the second low to arrive at a target date for a top. We also used this technique earlier this year to arrive at a target of April 19th days for a top, and the top came in on April 17 intraday, and April 18 on a print basis. Now if we count the number of days from the March 21 closing low to the April 29 low, we arrive at 39 days. If we add 39 days to April 29, we arrive at a target date for top near June 8, 1991. If we count from the April 29 low to the May 15 low we arrive at 16 days. If we add 16 days to the May 15 low we arrive at a target date near May 31, 1991 to early June. We would prefer to have more than 2 low-to-low-to high counts pointing to the early June time frame. We do show Trend Change Dates for early June due near the following dates: June 3 and June 7.

Our position remains that the Dow Jones is creating a major secular Bull Market top, with the final top most likely now in the first or second week of June. That top will be followed by the worst decline since the 1987 crash, with our downside target still near 1500 to 1600 in the Dow. If the patterns continue to operate as they have in the past, the Dow should lose nearly 50% of Its value from the intraday high seen in early to mid-June. A short term low will be due the first week of July 1991, with a more important bottom likely near October 4th day.

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reversal, price was almost 10 above the low of the day. If I were to go long near the close, my stop would have to be placed one cent under the low of the day or over 10 away from my entry position. This is more capital exposure than I was willing to take for the trade.

The next safest time and price to enter from the long side would be on a confirmation of trend continuation. The would result from a close above the 3/27 swing high at 6.19. Recall that I had anticipated that the next rally was likely to be explosive. Fast markets are very hard to enter safely. Besides, the 3/27 high was over 15 above the market at this time.

Because I anticipated a fast move above the Nov. 16 high was likely to develop, I bought July bean 625 calls near the open on April 17. Options are an ideal trading vehicle if the market relationships indicate a fast move is likely to develop. Price continued to advance above the 1 x 3 fast angle, testing that angle as support on 4/25 and closing strongly above the 3/27 high in a wide range move with a close near the high of the day. The game was afoot. My calls were already in the money and profits accumulating. Once an angle is tested as support or resistance, it becomes an active angle. An active angle is an important indication of trend continuation or termination. Once an active angle is exceeded, more than likely at least that section of the trend has terminated.

On April 26, price explodes above the Nov. 16 high in another wide range move with a close near the high of the day. The market is unfolding just as anticipated. We now look to see the price relationships to the angles from the most recent minor low of April 25. Price is rallying straight up above the 1 x 8 angle from the April 26 low. A decline below a fast angle is strong indication of the termination of the intermediate trend. Once price closed below the 1 x 8 angle, the advancing swing from the 4/16 low will have likely terminated, and I would take profit on my calls.

We must now be aware of price objectives where this rally swing may terminate. The 11/16 high (6.31) to 1/29 low (5.79) equals 52. A measured move above the 11/16 high equals 6.83 (6.31+ 52). Wave 1-5 equals 41. The 4/16 low (5.91) plus 82 (2 x 41) equals 6.73. It would be unlikely that price would exceed 6.83 without a significant counter trend move. The 4 x 1 angle from the 11/16 high fell in the 6.60 to 6.65 range in the next two weeks. It is very difficult to determine precise price objectives in explosive markets. Price can rally higher than any expectations and make a sharp reversal. I would be alert to the price activity at the 4 x 1 angle, anticipating that price was not likely to continue in a fast advance beyond 6.83.

On May 1 (precisely within the April 30-May 1 Projected Turning Point Period), price made an intra day high at 6.70 on a very wide range outside reversal day with a close near the low of the day and below the low of the prior day. The close was just on the 1 x 8 active angle. Options are only valuable in fast moving markets. While I may have anticipated that the market would eventually move to new highs, the TIME, PRICE and PATTERN activity indicated that this fast moving swing had terminated. I sold my calls near the open the following day, May 2.

Even though I missed taking profits near the swing high, I sold my calls the day after the top for almost a 200% profit in two weeks! Patience, discipline, market knowledge and trading strategies gave me the opportunity to make a significant profit in a short amount of time.

The geometric angles were very helpful to understand the position of the market, determing support and resistance, price objectives and protective stop strategies. However, their value is only in conjunction with an understanding of other TIME, PRICE and PATTERN relationships. The geometric angles were never used alone to make a trading decision.

Prove to yourself from the study of past market activity the proper use of the geometric angles. My course, Robert Miner's W. D. GANN TRADING TECHNIQUES HOME STUDY

COURSE, thoroughly describes and illustrates the proper use of the geometric angles and other important TIME, PRICE and PATTERN relationships of market activity. If you wish to make a success in the business of speculation, you must gain comprehensive knowledge of market activity and how to put that knowledge into practice. Gain that knowledge and act on proven trading rules and your success is inevitable.

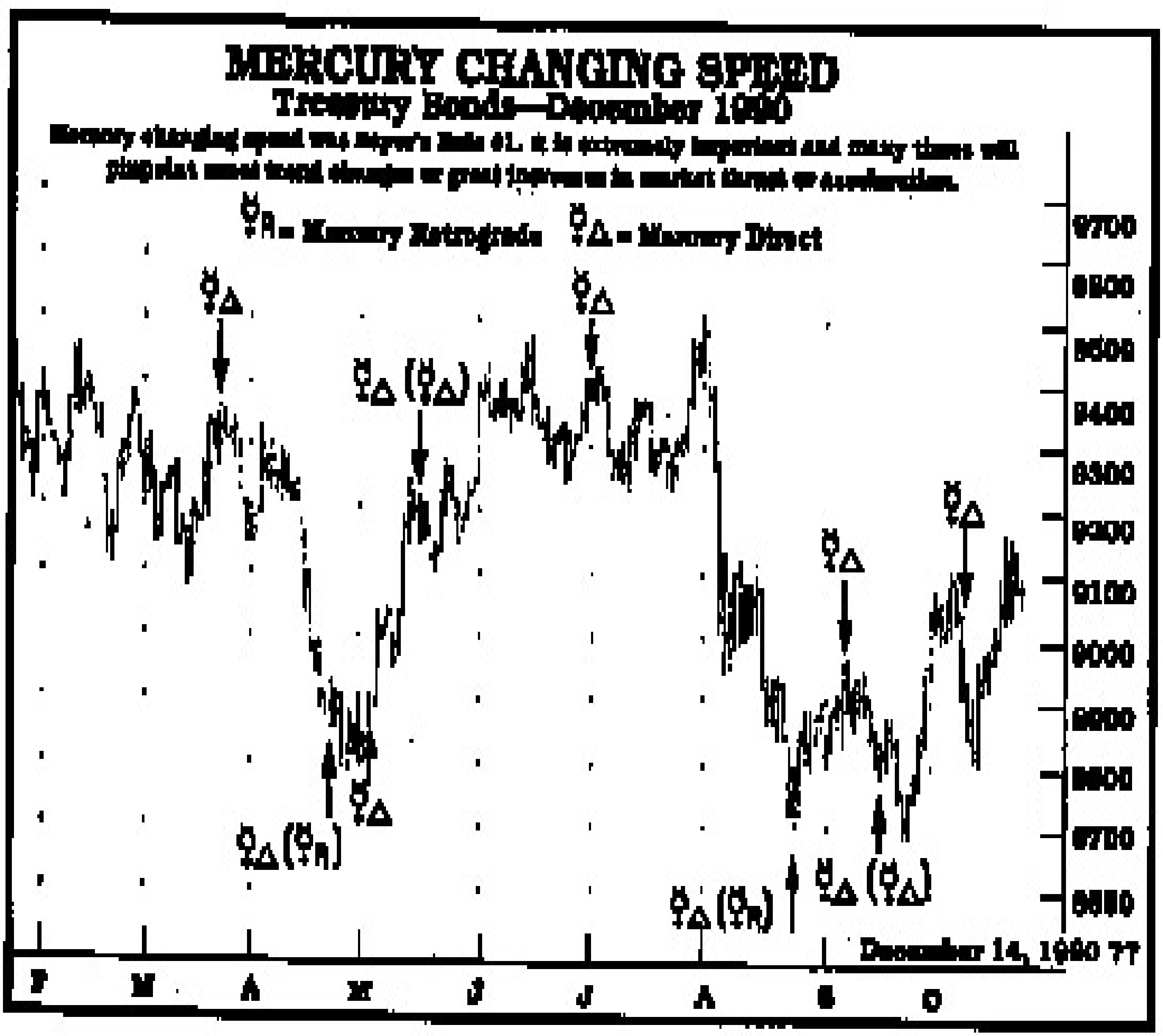
ROBERT MINER is a private trader and the author of the authoritative and comprehensive U: D. GANN TRADING TECHNIQUES HOME STUDY COURSE which has been acclaimed as the finest and most comprehensive trading course available. For further information: GANN/ELLIOTT EDUCATORS, 6336 N. Oracle Rd., Suite 326-151, Tucson, Az. 85704. 602-7973668.

Rule # I in Treasury Bonds

By Larry Pesavento

During the course of the last several years many articles have appeared in Trader's World that cover the mysterious topic of "astrology." Those interested in the subject matter quickly find out that astrology is really nothing more than the "ancient study of cycles." The lunar cycle of new moon to full moon is a 28 day cycle. Mars changing signs is a 45 day astroharmonic cycle. The 41 month stock cycle is the Jupiter-Uranus cycle.

A financial astrologer is, in fact, an historian of cyclical behavior. It amazes me that so few "true" students of the market have picked up on this approach to market behavior. I quit trying to



find out the reasons “why” these astroharmonic cycles cause abrupt changes in market trends. I am too pragmatic and prefer to profit from the events, rather than know the actual reasons why. My guess is that it probably has something to do with the electro-magnetic vibrations of the gravitational forces of the planets as they pass through their orbits.

The planet Mercury is the fastest moving planet in our solar system and the ancient Babylonians (around 6000 B.C.) associated the planet with speed and communication. George Bayer, a prominent financial astrologer and speculator in the late 1930-1940’s, wrote several books on Mercury's influence on the Wheat and other markets. My second book, Planetary Harmonics in Speculative Markets, reported on some of Bayer’s theories and how they worked, not only in wheat but in financial markets such as the foreign currencies, Treasury Bonds, Standard and Poors index and gold.

I have always believed that the only two things that move the markets are the emotions of Fear and Greed. Could it be that because our bodies are approximately 80% water that we are act to the gravitational pull of the planets, much like the moon affects the tides?

George Bayer’s book, Secret to Forecasting Prices on the Stock and Commodity Traders Handbook of Trend Determinants was my starting point. My good friend Neil Michelson at Astro Computing Services in San Diego offered his enormous data base and computer facilities to test some of Bayer’s ideas on the financial instruments introduced in the ’70s. My theory was that if it worked in the ’30s and ’40s it should work all the time.

George Bayer’s Rule #I was based on the speed of the planet Mercury (the fastest planet in our solar system). As Mercury passes through its elliptical orbit around the sun it changes speed at various times. It also experiences “retrograde motion” when observing this phenomenon using acentric (earthcentered) astrology.

This astroharmonic event has two applications for the astute trader. First, it will usually cause a quick change in trend, or second, it will cause a rapid acceleration in prices (thrust). Being cognizant of these important times gives the speculator a decided edge to expect the “unexpected.” In Planetary Harmonics of Speculative Markets the exact times of these dates when Mercury changes speed are given to the year 1996. December 1990 Treasury Bonds is a representative example of the effect of Mercury changing speeds. However, one should take into account other of Bayer’s astroharmonic events, especially if they occur at the same time Mercury changes speed.

Larry Pesavento Astro-Cycles PO. Box 1106 Pismo Beach, CA 93448 805-773-0412

Simple Rules for Finding Support and Resistance on the Dow

By Chris Kakasuleff

As I have mentioned in prior articles I have mentioned in articles, using midpoints from highs and lows on the Dow, are very useful in helping to determine support and resistance in price. By combining this idea of midpoints with other time proven predictive tools, your ability to predict the future course of the Dow Averages will improve quite dramatically.

I've received much correspondence from Gann enthusiasts asking questions about how price can be determined in advance. In this article, we will address valuable components to this issue. Although Gann time wheels must never be ignored in determining price levels and support and resistance points, in this article we're going to apply some rules to the aspect of looking at peaks and valleys of the Dow Averages, and use the price levels of the Dow alone to predict how high or low it may extend.

As our model we'll use the high and low of 1990 on the Dow Jones Industrial Average. First, let's determine the all important midpoints.

To determine midpoints on the Dow, you simply combine different highs and lows depending on the time frame you're interested in. If you're interested in a long term perspective, you take the current all time high on the Dow and subtract the base market low from this high.

You then divide the difference by 2 and add back the low. This number gives you the midpoint support if the market is falling from a high; at the midpoint resistance if the market is climbing from a low. This 50% retracement simple equation has a long historical record of reliability for determining tops and bottoms on the Dow and also individual stocks.

Let's work this equation using the 1990 high on the Dow at 3000 and the Black Monday low at 1738. The midpoint of these two factors gives us a number of 2369. In other words, a 50% loss on the Dow from 3000 using the price low of 1738 set on the Dow on Black Monday, October 19, 1987, as our intermediate term time factor shows strong support on the Dow in the 2360 area. This 50% retracement equals out to about a 630 point loss on the Dow.

Now let's move on to the second part of our formula for finding levels of price support on the Dow.

I have discussed, after many years of study, that price levels on the Dow move in increments of predictable percentages and numbers.

This means that the Dow will gain or lose a certain percentage of it's current value and then change direction. Then, it will lose a certain percentage and alter it's course again. This same rule holds true with specific numbers of points.

The percentage of gains or losses to watch from specific highs and lows on the Dow are 10-11%, 15%, 20-22%, 3033%, 40-44%, and 50-55%.

Using Dow numbers that have proven to be reliable over a historical period of time are gains or losses of 100 to 110 points, 200 to 220, 300 to 330 points, 400 to 440, 500 to 550 points, 600 to 660 points, etc..

When percentages of gains or losses match levels of gains or losses in Dow points, this serves as a very significant point to watch for a change of trend on the Dow.

This is the exact kind of market action on the Dow that proved to be the low for 1990.

In the February, 1990 issue of this magazine, I predicted a high in the 2900 to 3050 level on the Dow and strong support in the 2300 area using these very methods.

On October 11, 1990, the Dow closed at 2365.

Using our above formula, of finding levels on the Dow that synchronized both in percentages and number of point lost, was not very difficult.

Taking the percentage loss of 2022%, from 3000 on the Dow, gives us a price loss range of 600 to 660 points. This matches perfectly with our price level loss of 600 to 660 points.

This valuable market tool indicates that the Dow could fall to as low as the 2340 area, of which it did, intra day on October 11th.

By combining this information with our midpoint rules, creates a powerful combination for determining strong support on the Dow.

Our midpoint indicated strong support at 2369 on the Dow. This indicates a loss of 631 points from the 3000 point high on the Dow.

Our percentage rule indicated that a 20-22% loss would also find us in this same area of 2360 plus. A 21% loss brings us the closest to our midpoint level of 2369. This 21% loss also equals 2369 on the Dow using exact closing prices of the actual highs and lows in October, 1987 and on July 17, 1990 .

Now to confirm and rectify this price level on the Dow as strong support, we must turn our attention to the cycle of 360 points and harmonics of this level. Using guidelines of gains and losses of harmonics, of 360 points, is our icing on the cake. This number of 360 is on of W. D. Gann's master numbers. To find harmonics of this number, you can divide it by 2, 3, 4, 6, 8, 16, etc.. I have explained the usefulness of this formula in other articles. Our goal here is to find harmonics of .360 that will match our numbers above in the 2360 area of the Dow. numbers above in the 2360 area of the Dow.

The number 630 instantly stands out as a harmonic of 360 and virtually matches our above numbers exactly. By adding the numbers of 360 plus 270, we arrive at the number 630.

The number 270 is three quarters of the number 360, therefore, a major harmonic. Adding these two numbers together and combining the results with our numbers above gives us conclusive evidence that very strong support should develop on the Dow Jones Industrial Average at the 2360 to 2370 level from the high at 2999 on the Dow on July 17, 1990 . On October 11, 1990, the Dow closed at 2365 and has remained the low as I write this article three months later in January, 1991.

These simple rules prove that it doesn't take a rocket scientist to predict the future course of the Dow. Just a few basic laws of the Universe will do just fine.

Chris Kakasuleff is completing a stock market course and can be reached for information at 1-317-872-7174 or 8277 Harcourt Rd. Apt. 141A Indianapolis, IN 46268.

W. D. Gann's Master Time Factor Revealed

By James Flanagan

Time has done a great deal in adding to the legend of W.D. Gann and the trading methods that made him an alleged $50 million in profits during his career. Yet, despite his four published books and the stock and commodity courses he updated over the years, a great deal of mystery has been attached to his methods of trading. It is often asserted that Gann either did not reveal the most important of his secrets, or obscured them in his courses with very little explanation.

For vendors of trading systems and approaches, this has been used very effectively as a marketing tool in selling the "secrets" to W.D. Gann's success. After all, the search for the "holy grail" plays on all of our emotions, and our as sense of greed.

While we also have profited from the name of Gann, we believe Gann did reveal his most valuable forecasting technique, and spelled it out in clear language. Its value can only be appreciated by those willing to prove its effectiveness by looking back over hundreds of years of data in each market.

When Gann said, "I have more income than I can spend for my needs, therefore, my only object in writing this book is to give others the most valuable gift possible - KNOWLEDGE", we believe he was sincere. Our research to date, suggests that Gann's greatest gift was his discovery of what he referred to the Master Time Factor. In his various course he refers to the Master Time Factor alternately as Time Cycles, Major Cycles, Master Time Periods, Extreme Great Cycles and Law of Vibration. It is important that we provide a compelling argument from Gann's own published works, of why we believe that this was his most valuable contribution.

First off, it stands to reason that he would charge the highest price for his most valuable instruction. In the 1930's, he offered a series of three courses which he made available at $500, $1000 and $3000. Needless to say, a cost of $3000 in 1930 dollars was a very steep $20,000 in today's dollars. The third course differed from his other courses in one major respect, it included his "secret discovery of the Master Time Factor". This he stated clearly in the sales brochure he provided for those requesting information about his courses.

In this course, he lists the twelve things to look up before you make a trade. Heading the list at #I is, "Annual Forecast determines year of Time Cycles, whether bull or bear year and main trend of the general market up or down." This was the Master Time Factor. It is listed as #I because it is of primary importance. It is what makes many of his other rules understandable.

Reviewing some of his claims: "The law of vibration enabled me to accurately determine the exact points to which stocks and commodities should rise and fall." " By studying time cycles, you will learn why tops and bottoms are formed at certain times." "In order to be accurate we must know the major cycles." "Always consider the annual forecast and whether the big time limit has run out before judging a reverse move."

This chastening by Gann to his students, is backed up by some of the most spectacular forecasts of highs and lows in history during Gann's 50-year trading career. His prediction of the top for stocks in 1929 within three days, followed by a panic, is a matter of record. He accomplished this by using the Master Time FactoL

In his December 4, 1946 section under time cycles I quote, “Time is the most important factor in determining market movements because the future is a repetition of the past and each market movement is working out Time in relation to some previous Time Cycles. A study of the various Time Periods and Cycles will convince you how the grain market repeats the same price levels under the same Time Periods of some previous cycle.” In the various courses Gann published between 1923 and 1954, he applies the Master Time Factor to wheat, cotton, eggs, the stock averages and U.S. Steel.

Simply stated, Gann discovered that market action repeats based on specific time cycles. The major cycles (not in the order of important) are 150, 120, 100, 90 82-84, 60, 50, 40, 30, 20,15 and 10 years. The lesser cycles are 14,13, 9, 7, 5, 3, 2, and 1 year. I quote from Gann’s $3000 course, “By studying the yearly high and low chart and going back over a long period of time, you will see the years in which bull markets culminate and the years in which bear markets begin and end. Each decade or 10-year cycle, which is 1/10 of 100 years, marks an important campaign. The digits from 1 to 9 are important. All you have to learn is to count the digits on your fingers in order to ascertain what kind of a year the market is in.”

Following these instructions, when constructing a forecast in the stock market in 1991, we look back at the years 1841, 1871, 1891, 1901, 19071909, 1931, 1941, 1951, 1961, 1971, 1971, and 1981, to establish what the overall trend was during these market cycles, and on what dates specific highs and lows were made. If there is a consensus of cycles suggesting a major topping year, and in the current market, prices are moving up into these important topping dates, we look for a top and a change in trend down.

Typically, the yearly time cycles will have turning points on very similar dates. Once we know whether we are due for a bull or bear year, we determine which cycle we are following most closely and treat this as the dominant cycle. In the case of the stock market, the June 5,1990 high in stocks, one day off the 100-year anniversary highs on June 4,1890 (along with 1929 the most important bull market top in history) suggests that this is the dominant cycle for us to watch (Figure 1-2). Multiple confirmation to this high was given by the major highs in September 1869, on September 5,1899, November 19,1909, November 3,1919, September 3,1929, September 13,1939 and November 28, 1980. Taken together, they added up to the major distribution top from October 10,1989 to June 5,1990.

Note that based on this 100-year stock market cycle, the major contraction did not occur until February 1893. This time window starting in January 1993 is of particular importance because it is confirmed by major tops and extreme liquidation in 1873*, 1883, 1903~, 1913, 1923, 1953 and 1973* (*emphasis added). This may set up as the greatest shorting opportunity since the 7th year panic or “death zone” as Gann called it in the years 1837,1857, 1877,1907,1937 and 1987.

We believe Gann used the Master Time Factor as the most important component in determining major turning points in all the futures markets he followed. The ability to do this with a high degree of accuracy, is what made Gann a millionaire, and allowed him to make a world record more than once.

Based on Gann’s Master Time Factor, we should not be mystified by the deflation that has gripped our markets. The overall price deflation, as reflected by the CRB Index since the November 1980 all-time highs, has its sister markets in the decades of the 1870s, 1890s, 1920s and 1930s markets.

The silver has been a market classic in the context of this deflation. The highs in 1980 marked the 90-year and 60-year anniversaries of the 1890 and 1920 market tops. Based on Gann’s yearly time cycles, 1992 will mark the 90-year, 60-year and IO-year anniversaries of the 1902,1932, and 1982 lows (Figures 3-4). This is an important year to watch for final lows.

During the bear markets in the years 1890,1900,1910,1930,1970 and 1980 only brief short covering rallies occurred. In each year, these rallies were completed between August and September, and were followed by the resumption of the bear moves. Using these cycles as proxies for what to expect in our current market, the August 1990 rally highs in silver offered an ideal opportunity to enter short positions. As Gann would say, you do not have to guess what the market will do, you know.

Other market classics this year have been the zero year major lows in T-Bills prices (1920,1960,1970 and 1980), the zero year bull market blow-off and final top in cotton (1880, 189(), 1900, 1920, and 1980) and the zero year blow-off in crude oil (1890, 1920 and 1980). Soybeans have been the only market with mixed signals, and this probably explains the trading range we have experienced since 1989.

Of particular interest to us over the next four years, is the potential for higher prices in gold. This is the one commodity that provides us with a decidedly bullish argument based on the yearly time cycles. By observing Homestake Mining (a gold stock) as a surrogate for gold when the price of the physical metal was fixed until 1971, we have constructed a very bullish long term argument for gold. Major lows in Homestake were made in 1890, 1909, }1920,1929,1950 and 1960 (Figures 56). Add to this the abandonment of the Gold Standard in 1861 and 1971, and the likelihood exists for final bear market lows being in place. Based on these cycles, 1993 and 1994 should exhibit significant strength.

As an active researcher for twelve years in the techniques of W.D. Gann, it astounds me how few of his disciples utilize the Master Time Factor. The biggest hurdle is acquiring the historic price data necessary to make the forecasts. As Gann stated, “If I have the data, I can use algebra and geometry and tell exactly by the theory of cycles when a certain thing is going to occur again.” Once you have the data, making up a forecast is as simple as counting from one to ten. Nothing could be simpler, or more valuable.

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Heavenly Influences and the 1990 Stockmarket Top

By Gregory and Helen Meadors

The July 16, 1990, closing Dow Jones high at 2999.75 was similar to the widely advertised August 1987 “Harmonic Convergence” top (see article in Newsweek magazine, 8/17/87). They both had unique cosmic indicators which provided astro-economic analysts the information to forecast both tops, months in advance. To obtain a high degree of precision accuracy forecasting Stockmarket movements, one must master Gann’s natural law discoveries, including the spiritual aspect behind his elusive Law of Vibration method.

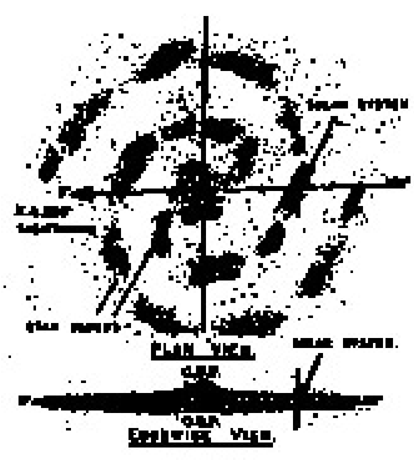
THE GALACTIC CENTER

For example, Edward R. Dewey, with the Foundation For the Study of Cycles published an article in the October 1969 issue of Cycles magazine entitled, “Stock Prices and Space.”

The study covered the Dow Jones Industrial Averages from 1897-1961. The report showed a significant correspondence between monthly price changes and the geocentric conjunctions (0 degrees) and oppositions (180 degrees) of certain planets when they are located in different segments of the heavens. Stock prices usually moved up when the planets were located near the Galactic Center. Mr. Dewey noted that 270 to 300 degrees of the Celestial Sphere is the area where the Celestial Equator intersects the Galactic Equator. He stated that these statistical correlations were profound and that there must be some kinds of extra forces in the solar-system having an effect on Stockmarket prices.

According to Van Nostrand Scientific Encyclopedia the Galactic Center is located at R.A. 266 degrees or 26 degrees Sagittarius prior to entering the constellation of Capricorn. It is located in the area referred to as the Milky Way.

The Galactic Center consists of a disc shaped collection of billions of stars, gas and dust, in which our own solar system is located (Figure 1). This area of the heavens emits powerful X-rays and Infrared Rays, and when our solar system is aligned correctly within the Galactic Center, stock prices rise.



When you look at the heavens on a clear night you will see a luminous white band stretching across the heavens. This is known as the Milky Way which is our galaxy. It consists of a disc shaped collection of billions of stars.
"For he gave me sound knowledge of existing things, that I might know the organization of the universe and the force of its elements, the beginning and the end and the midpoint of times, the changes in the sun's course and the variations of the season, cycles of years, positions of stars . . . Such things as are hidden I learned and such as are plain; for Wisdom, the artificer of all, taught me" (Wisdom 7:17-22 N.A.B.) Illustration from Astronomy, Maps and Weather, by C.O. Wylie.

During the last two years, Saturn, Uranus, and Neptune have been transiting the constellations of Sagittarius and Capricorn, forming several conjunctions with each other. Also the faster moving planets have been forming conjunctions and oppositions (aspects) to these slower outer planets as they have transited (moved) through the constellations.

Traditional astrological lore considers Capricorn (said to be governed by Saturn) to be a restrictive or depressive influence. But, while some astrologers, Elliott-wavers, and other market analysts were forecasting doom and gloom during these years, those who read the book, Financial Astrology by LCdr. David Williams, or the original Cycles article were aware that for the Stock market, these planetary aspects have historically had a bullish effect on mass investor psychology.

The Cycles article revealed that planetary conjunctions and/or oppositions would have a different effect on stock prices, depending upon where they were located in the heavens. The graph (Figure 2) shows the percentage that stock prices advance or decline, from 30 days prior to the day of the geocentric conjunctions and oppositions between certain planets. The broken lines on each chart represent chance expectations. Mr. Dewey stated, “The consistency with which stock prices tend to advance during the 30 days prior to conjunctions or oppositions of Mars, and Jupiter, and the superior and inferior conjunctions of Mercury, when in the same

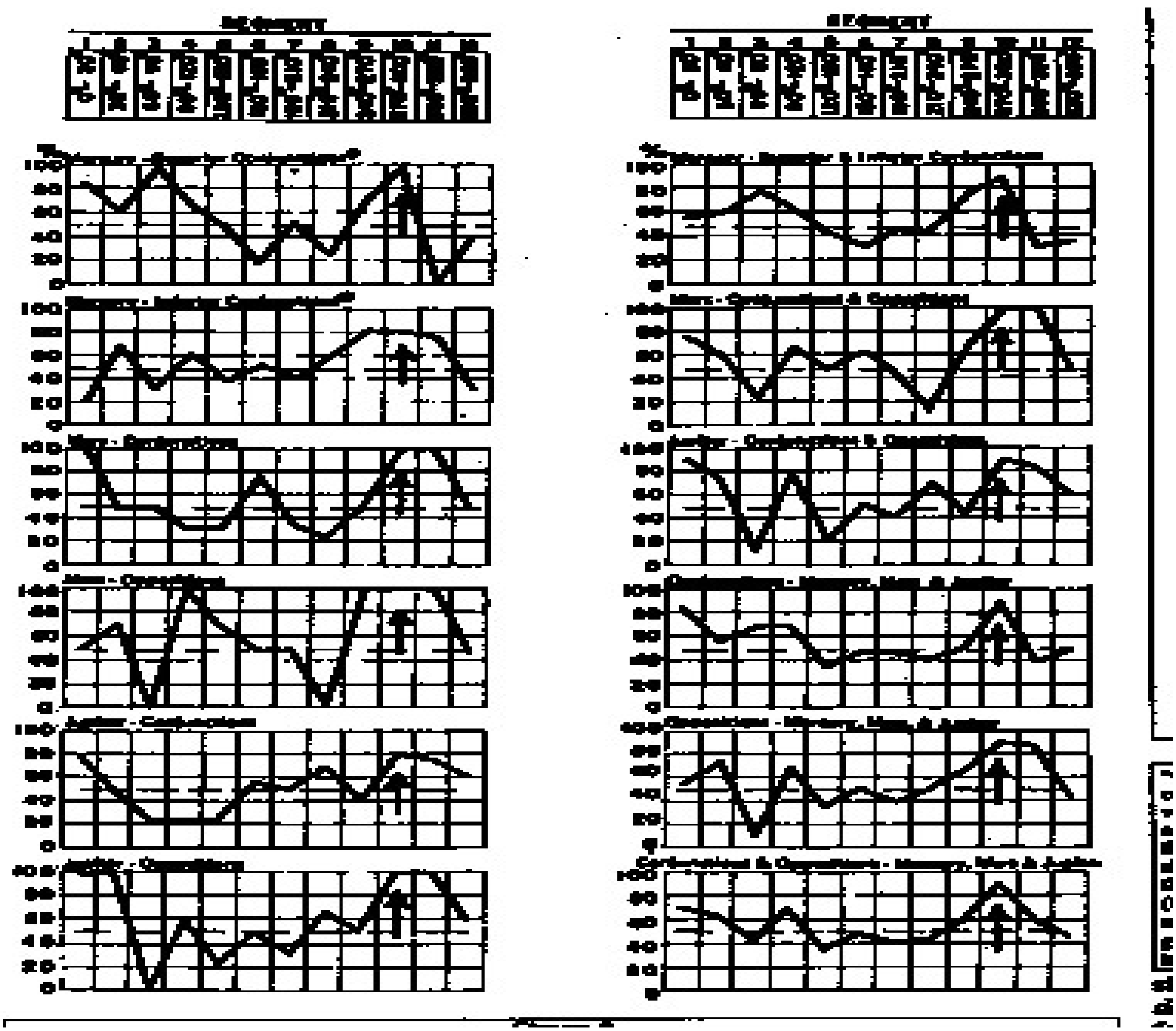


Figure 2

segment of space, is truly remarkable, and is surely not chance." On July 13, 1990, Jupiter and Saturn formed an exact opposition, which timed the Stockmarket 3000 top. The conjunctions and oppositions between these two planets occur about every 9 years. Heliocentrically (viewed from the sun), these aspects only occur once during their cycle; however, when viewed from earth (geocentric), the visual phenomena called retrograde, and the direct motion of the planets provide several dates when these planets form the same apparent angular relationship. (Figure 3).

The Stockmarket did rise going into most of these dates; however the November 13th date was generally flat following the October 13, 1989, 200 point drop. Why was the rise going into July, (Friday) the 13th, more significant, timing the exact high within I day on the Dow and S&P 500? To answer this question one but have knowledge of the natural laws and heavenly influences.

FORECASTS VALIDATES GANN'S LAW OF VIBRATION

In our May issue of the Market Systems Newsletter I stated, "On July 13th there is a major planetary pattern which could be a major top, or trend change date. Since it occurs near the Galactic Center, it portends higher prices going into this time-frame. Therefore, long term traders should look to be buying the dips into this time-frame." In the June issue we stated, "We do expect the July 12th/13th time-frame to be a significant turning point date, and possibly an intermediate top. We would like to see the market "squeeze" the shorts and rally into July 13th. If the technicals confirm and/or if we reach the 3000 level, we would like to short a spike top." (Fig. 4)

Perhaps, this was just a lucky forecast, however, for those who are skeptical regarding the "Heavenly VVsdom", consider the following televised forecasts: On June 20th, Financial News Network broadcast our Ira Epstein Show interview, with our forecast, "The Dow will go to 3000 by July 16th". During a 30 minute interview with Jeff Bower (Guru Review Show; FNN) on July 25th, I was asked how my methods differed from other market-timers. I stated that I used (amongst my own methods) some of the methods of the legendary forecaster W. D. Gann, including his Law of vibration which measures the influence of natural law on mass investor psychology. When asked to give a forecast for the following month, I referred

DATE	P1	ASP	PE
SEP 10, 1989	♃	☍	♄
NOV 14, 1989	♃	☍	♄
JUL 13, 1990	♃	☍	♄
MAR 15, 1991	♃	☍	♄
MAY 16, 1991	♃	☍	♄

Figure 3

A Review Of Our Forecast

Figure 4

to our July newsletter (prepared prior to Iraq's invasion of Kuwait) which stated, "The Dow should decline into August 3rd, rally into August 14th, or 15th for topping action, decline into August 23rd, and then start a rally phase going into September 11th. (This forecast was 100% accurate and is available on VHS).

The July newsletter was more specific stating: "Ideally, August 3rd, or (the lunar eclipse on) the 6th (10:20 EDT), will generate a sharp counter-trend move going into the 14th. Look to position your trade on the close of August 3rd, or during the first hour of trading (on August 6th) going into the Lunar Eclipse." The market did decline into August 6th, with the exact low tick occurring Monday morning, at the exact time of the lunar eclipse! On August 14th, Mr. Bower broadcast my short term update on FNN, "Greg Meadors says this is a "sucker" rally that should be shorted. He would use 342 basis the S&P cash for a stop loss." The market rallied to 341.92, on the 15th (our turning point date), and then declined dramatically going into our next major turning point dates of August 23rd and 24th (followed by a rally into September 1 st).

VENUS TRINE URANUS CYCLE

Subscribers to Trader's World magazine were provided with the September 11th date in our previous article entitled, Gann's Law of Vibration Decoded (June 1990, Trader's World). In this, and previous articles we revealed the particulars of this two planet cycle. In the August newsletter we stated, "We expect a rally phase from August 23rd to September 11th. (Figure 6) This period roughly coincides with the Venus Trine Uranus Cycle, a planetary configuration with an extremely high bullish track record. This biannual cycle has been 80% accurate during the last 100 years, and 100% accurate during the previous 10 occurrences (5 years). The last occurrence was on June 6, 1990. This time, however, a worsening situation in the Persian Gulf could create a negative bias in mass investor psychology, making a sustained rally phase difficult. If the technicals and price action confirm, we could see a counter-trend move starting on September 11th, or 12th.... Often, a short term drop occurs following thedate at which Venus is exactly "trine" Uranus (September llth)."The market did have difficulty maintaining a continuos rally, however the market was up over 150 points from the August 23rd low with a higher close on September 12th. This was followed by a counter-trend move to the downside, as forecast.

Segment	Degrees	Advances	Declines	Total Percentages	Advances Are of Total
1	0—30	17	7	24	71
2	30—60	15	8	23	65
3	60—90	9	12	21	43
4	90—120	16	6	[illegible]	[illegible]
5	120—150	9	16	24	38
6	150—180	14	17	31	45
7	180—210	13	17	30	43
8	210—240	13	16	29	44
9	240—270	13	9	22	59
10	270—300	22	5	24	82
11	300—330	11	7	18	61
12	330—360	12	13	25	48
	Totals	166	139	300	

Figure 5

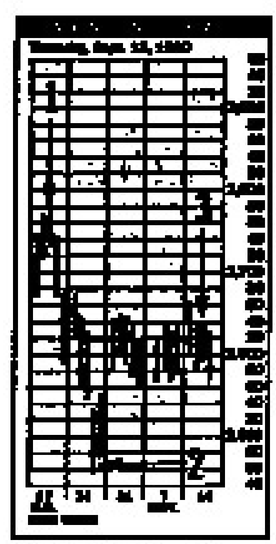


Figure 6

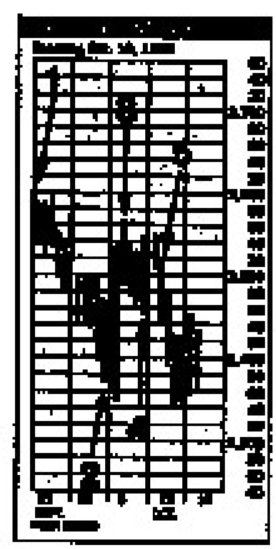


Figure 7

THE DOW 3000 TOP

The Dow Jones Averages reached 3000 intraday on July 13th, during a unique heavenly event. The planets Jupiter and Saturn were in exact opposition, however, the Sun was also configured in the planetary pattern, being exactly conjunct Jupiter and in opposition to Saturn. Based upon the Cycles article, an up move was expected going into the July 13th oppositions. However, to be able to forecast the intensity of the decline that followed, one needed knowledge of “Heavenly Wisdom, or else, to be connected with those who had advance knowledge of the Kuwait invasion.

There were both astronomical, and numerical events that were occurring at the Dow 3000 top. The numerical degree of the Sun/Jupiter/Saturn conjunction/opposition pattern was 22 degrees in the constellations of Cancer and Capricorn. The number 22 is one of three “master” numbers (11, 22, 33), which is appropriate for a major Stockmarket top. Most important, however, was the 22nd degree alignment in Cancer, which is the location of the fixed star POLLUX, one of the few in number of the #1 magnitude stars.

According to astrological lore (from the book, Fixed Stars and Constellation in Astrology, by Robson), this star is associated with craftiness, fighting, poisons, and crimes of public officials. Following this unique cosmic event, on a weekend, a Solar Eclipse also occurred while in Cancer (liquids), on July 22nd, which had the same effect on the Stockmarket as the March 29, 1987, weekend, Solar Eclipse. Both eclipses generated sharp declines on both Friday, and the following Monday. Also, the following lunar eclipses exactly timed the short-term market lows of April 14, 1987, and August 6, 1990.

As the Stockmarket continued to decline, Saddam Russian's plans for Kuwait were brought to light, as Mars (war) completed its opposition to Pluto (plutonium) on August 4th, and the light of the eclipsed full moon shone brightly on August 6th. Since the Kuwait invasion, the heavenly portents regarding oil, fighting, poisons, and the crimes of a public official, were brought to light finally, in the media. We have pointed out in previous articles that astrological lore should not be solely relied upon for Stockmarket timing, but it is interesting to note these correlations with the international events in the Middle East, and the conscious reactions of investors. When combined with the subconscious effects of the heavenly influences, the market declines were intensified. However, our forecast for the major reversal on August 23rd/24th, was based upon Gann’s Law of Vibration, and my harmonic analysis, not astrological lore. Our July newsletter stated, “August 23rd/24th has a high probability for a major reversal. Although there are not any significant planetary “aspects” in the heavens, our harmonic analysis technique indicates that this will be a major high energy point in time, with a high probability of a trend change. A major reversal did occur follow a spike closing low on August 23rd.

W.D. Gann used natural laws, and incorporated numerics, geometry, Pythagorean harmonics, astro-cycles, and the Law of Vibration to forecast the markets. Regarding natural laws, and scientific laws (related to market timing), he stated that they could be found in the Bible. Considering the recent heavenly, and earthly events, the following scriptures are appropriate, “Behold the day of the Lord comes! Fierce, with wrath and raging anger, to make the land (Babylon/Iraq), and the whole earth a desolation, and to destroy out of it its sinners. For the stars of heaven and the constellations thereof shall not give their light; the sun will be darkened at its rising, and the moon will not shed its light (Isaiah 13:9-10).

Hopefully, the light will be seen before the next Solar Eclipse which occurs on January 15, 1991. Interestingly, there are also several celestial harmoluc indicators which occur the day before, and the day after this eclipse. This portends a major change in mass (investor) psychology.

The Golden Cycle

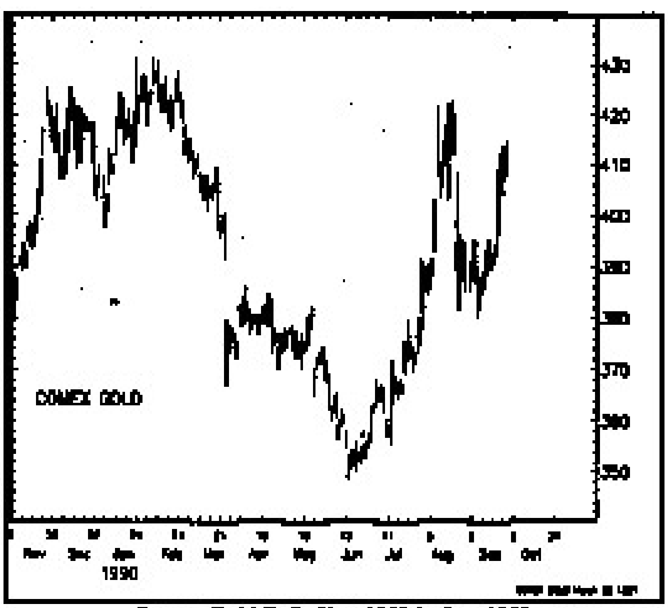
By Eric S. Hadik

The stock market is fast Th stock market is approaching one of the two most critical time frames of the year. In the next four weeks a major (one which will hold for at least two to three months) low is likely to develop, completing the fist wave down. In two weeks the first of a sequence of cyclic convergences appears on October 11-12, 1990. This two-day time frame occurs 81 days from the solar eclipse of July 22 and 80 days from the initial breakdown which portended this entire decline- July 23 (see the"Lost Cycle article in last month's issue for further explanation on the significance of this cycle).

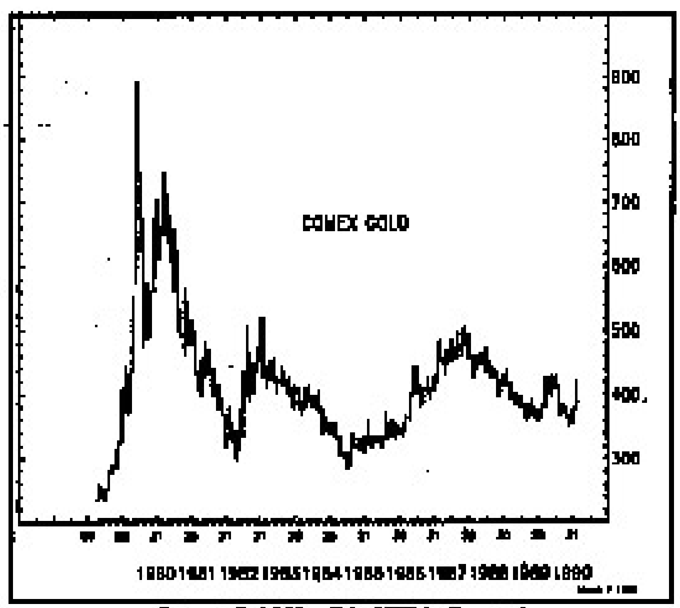
It is not, however, until October 22 and October 29-31, 1990, that the most important alignment of cycles occurs potentially ushering in a dramatic reversal or at least an extended period of consolidation. The basis for this expectation is derived from a comprehensive combination of markets, political and planetary projections, Elliott Waves, Gann angles and Fibonacci ratios combining with daily, weekly, monthly and yearly cycles to produce a greater synergy on this day than on any other in 1990. (It is interesting to note that October 22 precedes the dramatic tidal gravitational peak on December 2-3 by 40-41 days. This subsequent time frame also possesses a great deal of significance and synergistic power, cyclically as well as geographically.)

In the article, "The Lost Cycle", in this issue of TW several reasons were stated for closely monitoring the October 22, 1990, convergence. These reasons were:

1—80-81 days from the invasion of Kuwait by Saddam's forces
2—121 days since the summer solstice, and more importantly, 60-61 days prior to the winter solstice—more on this to follow
3—Three year anniversary of the October 1987 lows
4—Critical cyclic coincidence in the Dow Jones Industrial Average



Comex Gold Daily Nov 1989 to Sep 1990



Comex Gold Monthly 1979 to Present

After closer examination of the longer term cycles in the Dow and S&P 500, it was apparent that this date, particularly the month of October, is actually more likely to produce the lows for the year rather than the August 21-24 time frame mentioned in last months article which has already proved itself as a significant reversal date.)

October 22 occurs 60 days from the August 23 low and the inclusive week of October 22-26 occurs 60 weeks from the September 1, 1989 Orthodox (Ultimate) High. (Anyone following my Elliott Wave analysis realizes that I believe September 1, 1989 provided the Ultimate High in the stock market, recently reaffirmed by an interesting phone call and observation. The Dow Jones Transportation Average, the leader of stock market action from 1987-1990, registered its high exactly on September 1, 1989 coinciding with the peak in the Dow Jones 65 Composite—the combination of the Transportations, Utilities and Industrials.)

The following week arrives 61 weeks from the Orthodox High and more importantly, 61 yeas from the infamous October 29, 1929. If there is a major reversal forthcoming, it is likely to develop in this two week period. Keep in mind, however, that this will only terminate the first wave down.

It is this cycle which deserves a closer look and which I most often refer to as The Golden Cycle. Anyone familiar with the Golden Ratio recognizes .618 as the ratio which, among other things, is the foundation of the Elliott Wave Theory. Its application serves to identify future price and/or time levels where, or when, a culmination of the current wave, cycle or reaction is likely.

It is unique, when viewed in this context, that the most consistent and predictable cycle in the Comex Gold market is a 60-62 calendar day cycle. (60-62 calendar days usually encompasses 4041 trading days so it is also consistent with the “Lost Cycle”)

The 60-62 day cycle is not unusual since it is widely followed by Gann analysts because of its geometric application (60). But nowhere is it more prevalent (coincidence?) than in the gold market. It is evident on the daily, weekly and monthly charts and a few of the more recent examples are listed below as well as on the accompanying charts.

1989 High (November 24)—1990 High (January 24) == 61 calendar days
January 24, 1990 high—March 26, 1990 Low === 61 calendar days
(This wave culminated with a 28 Dollar drop on March 26)
February 5, 1990 High (Double Top)April 5, 1990 High == 60 calendar days
June 14, 1990 Low—August 14, 1990 High == 61 calendar days
July 12, 1990 Low—September 10, 1990 Low == 60 calendar days
October 15-16, 1990 == 61-62 calendar days from the August 14, 1990 Highs and should provide the next major low

December 14/17, 1990 will provide the most crucial revesal period in the Gold market this year as it comprises the convergence of the fist second and potentially third multiple (If October 1516 produces a low) of the 60-62 day cycle as well as the three year anniversary of the December 14, 1987, Highs at 507.4.

Throughout the decline of 1990 the 40-41 day cycle was evident, mostly on the lows at the same time the 60-62 day cycle was governing the highs and declines. The coincidence of these two cycles often provides the most potent reversal periods, particularly when it appeas 120-123 days from a previous major high or low, rather than 40 and 60 days from independent extremes. The 60-62 month period is also uncanny in its predictive potential as it should be since it represents the 5 year annivesary of highs and lows or in other words—half of a decade of market action. A couple examples, and projections, follow:

January 1980 (Lifetime High)-February 1985 (Major Low) == 61 months
January 1983 High- December 1987 High == 59 months (1 month error)
February 1985 Low— June 1990 Low == 64 months (2 month error)
(December 1987 High June 1990 Low == 30 months or 1/2 cycle)

January/February 1992 should mark the next major high The combination of daily, weekly and monthly cycles anticipate two other notable highs. The first occurs on November 21, 1990 and the second squares with price on February 18-22, 1991 at 438-440.

Other than noting its remarkable consistency in the Comex Gold market, there is not a great deal to add to what W.D. Gann has already observed regarding the unique properties of this cycle sequence (60, 120, 180...). Suffice it to say that the proof is in the application of them, particularly in the gold market, within the structure of a well-disciplined trading strategy. The final contribution to this cycle trilogy will focus on a very unique derivative of the Fibonacci Summation Series which governs the U.S. Treasury Bond futures market.

September 28, 1990 Eric S. Hadik 1755 Trinity #45 Walnut Creek CA 94596 (415)-939-I 751

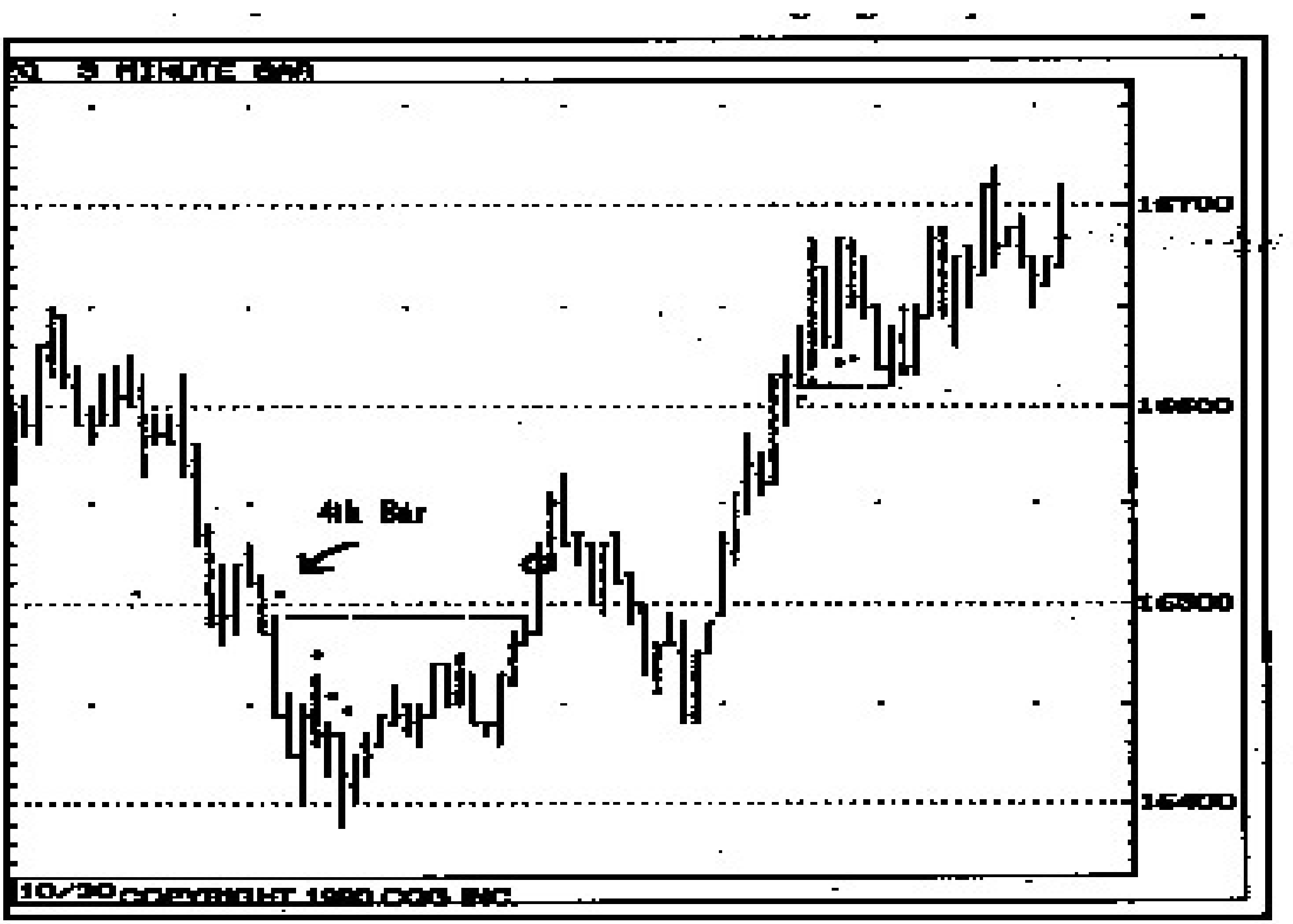
How Day Traders Can Enhance Their Profit Potential

By Jack Weiss

Getting In the market is easy; HowDay In the market is getting out is hard. Making money in the market is even harder, especially for day trades. The majority of futures trades use some type of technical or mechanical trading system. For the day trader it is a must. This article does not purport to tell trader how to get into a trade; only how to best come out of one. Day trading systems always stress entry points. After all, getting in the market right accounts for more than fifty percent of a trader's chance to make money. As real estate people say: location is everything. And so it is with commodity trading. Long or short, entry is all.

Trading system then emphasize the proper stop out points. This is essential for it defines risk, the only thing a trader can actually control. No disciplined day trader wants to be exposed to the vagaries of the market beyond prudent money management levels.

Left for last is the exiting of the trade. This is because no system can tell if there will be a profit or how much it will be. Systems use one of two ways to cash in a winning trade: either a



predetermined exit price or a market-onclose order (MOC).

Both methods have serious flaws. If a trader is going for a predetermined priceobjective, he either gets it or he doesn't. If he gets it he will be happy, but only for a few minutes as they may go farther than expected and profits are lost. On the other hand, if the objective price isn't reached, a nice winning trade may actually turn into just a minor gain or a stopout loss.

No trader can afford to have a winning trade turn into a loser. Besides being psychologically damaging, the trader must overcome the loss with even greater profits on subsequent trades just to get even.

The market-on-close order leaves everything to the commodity futures trading gods. And every trader knows how fickle they can be. Many a handsome profit can go down the drain in a matter of minutes using MOC orders. But trading systems use this type of order because computes cannot judge intraday activity. The only kind of day an MOC order is effective on is a so called Trend Day, when the market opens on one end of that day's activity and closes on the other. And that only happens about fifteen percent of each trading month. The rest of the time the trader is at the market's mercy. And that is not a happy prospect.

This article is directed to day trades. Especially day trades who have realtime five minute bar charts on their computes. By definition, a day trader needs an active, wide daily spread market in order to have a chance at profits. Only a mere handful of commodities qualify; ie, the stock index futures (S&P, NYFE), TBonds, Soybeans (in season) and crude oil (recently in vogue.)

The essence of this trading methodology is ~to alert the trader to within the daily activity of a given futures contract. In other words: spotting reversals!

Five minute bar charts are perfect for this purpose. Anything longer, say fifteen minute or hour charts can be an eternity in fast-paced markets. Charts of less than five minutes are too close to the action and trades have a tendency to overreact to price chances.

After several yeas of personal observation, the writer came to the conclusion that whenever the price of a futures contract had closed more than three lower low bars back from any intraday high, it was usually time to go to cash. Conversely, if a trader were short and the market retraced back up and closed above three distinctively higher highs from an intraday low, then it was prudent to cover shorts.

Because of volatility, four bars are used in the count for stock index futures. Counting the bars, however, is the tricky part. Say a trader has a profitable short position in the NYFE, for example, and is watching for a possible reversal. Beginning with the lowest priced bar in the session, the trader counts backward for four higher highs. (See NYFE (NCZ) chart). As seen, an intermediate low was made early in the day at the 164.70 level and a ten minute rally ensued only to fall to 164.00 where another feeble rally attempt failed. The low for the day at 163.90 finally caught; and note that the market struggles for just over one hour (stopping at the high of the fourth bar back) before signaling a reversal.

It is not uncommon for the contract to come back and test the lows as occurred in this instance. An aggressive trader, therefore, suspecting that the low for the day is probably in for that particular session, could take a long position in the 164.50 area for a chance at new highs at the end of the trading day. Once new highs for the day are being made, the trader must be on guard for another four bar reversal from that high. The market did trade back exactly four bars, never lower, and closed near the highs of the day. (Dots denote the higher/lower bars which are valid.)

There can be any number of bars which will not figure in the count. Bars that are equal to adjacent bars are ignored and not counted. Multiple five minute bars with a common high price but unequal lows are counted thus: each lower low bar back is valid. Bars with equal highs and lows are all counted as one bar. (Again, refer to the chart at the 166.85 level.)

Only the most current high bar starts the count. In other words, fresh information takes precedence. Every new five minute higher high has the potential to be the top for that session, so the trader must continually evaluate and count back from the high the appropriate number of bars for the market he is day trading.

A trader must not make the mistake of just counting four previous bars as signaling a reversal. because the usual pattern of a market is to have unequal five minute trading lengths. It is important to only count those bars which have lower lows (or highs, if short).

Another caution: It is permissible for the market price to retrace lower than three low bars back and still retain bullish day characteristics, provided it does not close below the third bar back.

Needless to say, there are many scenarios that will challenge the trader in making an accurate count. The nuances of this methodology require a certain expertise, but are achievable with practice. The main point is that trades are given an early warning signal that a market has run its course and is ready to reverse. All the market is really saying is: the high or low for that session is most likely in should now be expected.

There can be several reversals during any particular trading session. Excessive choppy trading will keep any day trader on his toes. Yet an alert trader can quickly identify a reversal and either get flat the market or switch trading sides. Intermediate day highs or lows can be counted but are not as reliable as fresh highs or fresh lows intraday. A day trader, by choice, must be on guard to count five minute trading bars in much profit as he can. The only trader who could do better would be one who could successfully sell the highs and buy the bottoms.

Every trader armed with the knowledge of knowing when a market is ready to reverse directions knows immediately what to do, take the money and run. Or change positions and try for profits in the opposite direction. Not many traders are nimble enough to make two successful, but opposite, trades in one market in one trading session. Using this reversal method will allow a day trader to capture more overall trading profits, once he becomes adept handling the bar count. (In other words, what to count and what to ignore.)

Knowing, as someone once said, reduces stress on both the trader and his pocketbook.

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The Lost Cycle

By Eric S. Hadik

And the rain was upon the earth forty days and forty nights...and the flood was forty days upon the earth. (Genesis 7:12, 17a) And Moses was in the mount forty days and forty nights. (Exodus 24: 18b) And he was there with the Lord forty days and forty nights. (Exodus 34:28a) And forty days were fulfilled for him; for so are fulfilled the days of those who are embalmed. (Genesis 50:3a) And they returned from searching of the land after forty days. (Numbers 13:25) And the Philistine (Goliath) drew near morning and evening, and presented himself forty days. (I Samuel 17:16) And when He (JESUS) had fasted forty days and forty nights, he was afterward hungry. (Matthew 4:2) And He was there in the wilderness forty days tested by Satan. (Mark 1:1 3a)

One of the most prominent and significant time frames throughout the Bible is the cycle of forty days, or more often than not forty days and forty nights. The preceding verses are but a few of the numerous passages, within the Bible, which emphasize the importance of this unique period of time. It's appearance spans all of written history, not just that of the Word, from the embalming practices of the ancient Egyptians and Israelites to the life of Jesus and on through to the modern day observation of Lent, the forty day period from Ash Wednesday to Easter Sunday observed by Catholics worldwide. It is also recorded that Jesus remained on Earth for forty days after His resurrection before ascending into Heaven.

The significance of this, from a trader's perspective, is realized when this cycle is applied to market action and used in tandem with other cycle and wave analysis for increased accuracy in trading.

It is very surprising that most Gann students choose to ignore this cycle, proven time and again throughout history, and instead elect to adhere to a forty-five day cycle which so often falls short of their expectations with no apparent explanation. The reason should now be obvious—it is due to the presence of the six-thousand year old, forty day cycle overriding the more popular (though often less effective) forty-five day cycle. So many followers of W.D. Gann also elect to ignore his exhortation to study the Bible, reading it three times before proceeding, instead diving immediately into angles, squares and cycles without the necessary foundation being laid fist. They are neglecting the structure that must fist be developed for a successful trading discipline.

The Bible possesses a vast wealth of knowledge and information and Gann's advice should be heeded by any student willing to devote the necessary time and effort to become an informed and enlightened trader. Trading should not be a one or two year whim but rather a lifelong endeavor. It is not just the Biblical implications, however, which emphasize the significance of this time frame, but also the numeric and chronological characteristics. A forty, or forty and one-half, day cycle is unique when considered in the following light:

1) 365 days divided by 9 = 40.55 (Why don't more Gann enthusiasts follow this?)
2) 2 times 40.55 = 81 (9 squared) 3 times 40.55 = 121/122 (11 squared, onethird of a year and only one degree from a very interesting angle)
3) 1932 low in the DJIA = 40.56
4) A six week cycle (the most prevelant in stock index action) measured from the commencing

Monday through the culminating Friday encompasses 40 days.

As mentioned in #2, the second and third multiple of this cycle are equally as important when seeking major reversal points in any market. It would be easy to selectively pick supporting charts and include them with this article to reinforce my point but that has never been my approach. I would prefer to outline the forthcoming dates when this cycle is strongest, and therefore most likely to produce dramatic revesals in the indexes. There are currently six time frames apparent which should be viewed for highs and lows.

The low cycles align on:

l-August 21-24, 1990
2-September20-21, 1990
3-October 19/22, 1990

The high cycles align on:

I-October 3/6, 1990
2-November 16, 1990
3- January 2, 1991

(Yesterday's invasion of Kuwait by Iraqi forces confirms the decline which is inevitable into the three year anniversary of the infamous Harmonic Convergence and a plethora of other cycles, including the forty day.) The initial low cycle is likely to produce the lows for the year, much like it produced the highs, on the same date, three yeas ago. This cycle should be utilized like any other, considering it not only from market highs and lows, but also from prominent planetary and seasonal dates. (It is interesting to note that yesterday's invasion came on the forty-fist day since the summer solstice and I will be closely monitoring the events in the Middle East on three subsequent dates-September 11+12 and most accurately on October 22 and December 1-2. The October date should be dramatic since it aligns with the three year anniversary of the crash, a cycle low in the Dow and eighty-fist day since the invasion, which is also the 121st day since the solstice.) These cycles, as well as the Elliott Wave and much of Gann analyses possess a certain level of subjectivity and I continually stress the placement of proper emphasis on any subjective analysis within a structured, disciplined trading approach. Cycles, and the Elliott Wave, are not panaceas but can play an important part and fill a perpetual void in many trading strategies. Entering the markets should be just like entering a business not just a lot of theory, but rather a structured, disciplined and prearranged strategy to participate in and capitalize from their existence. Recognize the strengths and weaknesses of these tools and utilize them accordingly.

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How to Use Volume to Determine Trend

James H. Burnett

How many times has the market made what you thought was a change in trend (i.e., bull to bear). You took a short position then found the market turned and went up substantially. By the time you or your stops caught the bad position, you probably lost.

For those of you who are Elliott wave counters (figure 1), the market you were in finished up a bull wave 5; you thought it was forming waves 1, 2 and the starting of wave 3 of a bear cycle you went short. Instead, you found it was a corrective A-B-C pattern then waves 1 and 2 of a new bull cycle where you should have gone long. This can also occur in a bear trend, fooling you into thinking it has shifted into a bull cycle as well.

A similar unfortunate mistake can happen when the market is shifting from a bull to a bear trend (or vise versa), and you think it is an A-B-C correction. In fact, it is waves 1,2 and the start of wave 3 of a new trend cycle. By the time you figure this out, it's too late to take a long position; it would be too risky by now.

I keep referring to the market. One of Charles Dow's basic tenets was to always buy with the trend of the market, i.e., don't buy a commodity/stock that is in a trend against or opposite the rest of the market.

Some of the traditional methods of determining the market's trend is to use head and shoulders, slow moving averages (SMA), breaking trend lines, oscillators and watching for gaps, etc.. These help to confirm ones thoughts. Even if you use envelopes, filters or more than one SMA at a time, they can still whipsaw. Usually, at best, they will give the confirmation quite late.

Let's face facts here. Knowing which trend you are in and which Elliott wave count you are on (as soon as possible) is the name of the game. Other indicators such as RSI, Lane's Stockastics, William's %R, Gann fixed angle lines Fibonacci fan and arc lines, etc used in combination are fantastic at telling you when to expect the exact day of a short term turnaround. These commonly used indicators are also found in the program I have written entitled "END OF THE RAINBOW." If ind that knowing when to expect these short term turnarounds help you determine the beginning and end of each Elliott wave - thus you know when to buy and sell provided you are in the correct trend . END OF THE RAINBOW also has a cycle finder and price target lines predicting the minimum and maximum of wave 3 and 5. These indicators, in themselves, can not tell you for sure which trend you are in while at the beginning of a trend cycle. This is when you will want to start your position.

How can one know which trend the market is in early in the game? Charles H. Dow gave us a few hints. One of his famous basic tenets was to assume the market is still in the existing trend until proven otherwise (this is helpful provided the market has not shifted trends). In my opinion, the most important basic tenet Dow gave us is 'the volumes must confirm the trend.

This right and left translation notes the time position of each wave's peak in relation to the adjacent troughs. (Notice I said peaks and troughs). In a bear cycle, the end of impulse waves forms the troughs and the corrective waves produce the peaks. If the commodity/stock is in a bull cycle, the peak is supposed to be to the right of center. In a bear cycle, however, it leans to the left. The screen output, (as shown in figures 3 and 5), is a horizontal neutral line with vertical-bars—(blue) above or below the neutral line and a slow moving average of the bar graph (light blue). When the bar graph and SMA are above the neutral line, it is bullish. On the other hand, when the bar graph and its SMA are below the neutral line, it is considered bearish. At the bottom of the graph is another bar graph (magenta) and its SMA (pink) indicating each days volume. This slow moving average can be removed, if desired, to view the bars more clearly. Figures 2 and 4 are the price lines of that stock. Finally, below the graph the screen prints the average volume during the entire time of the file and it prints that day's volume (each divided by 100) .

Note that in example A, (figures 2 and 3), the stock (Digital Equipment) did indeed go into a change of trend from a bull to a bear cycle. If you felt that wave 1 was a bullish A-B-C and wave 2 and the start of wave 3 was a wave 1 and 2 of a bull cycle - you would have been rudely awakened. With VOLUTREND you would not have taken a long position as the indicator went bearish in time to warn you to go short. Note example B in figures 4 and 5, (Apple Computer). This stock did form a complex corrective A-B-C pattern - then wave 1 and 2 of a new bull cycle.

You could have successfully taken a long position at the start of wave 3.

It is always wise to wait to take a position until the start of wave 3 rather than the start of wave 1. Wave 2 will many time completely retrace wave 1. By that time you will feel more confident about the trend in which you are actually involved. Getting out of the position at the end of wave 3 or 5 is a matter of opinion and how strongly you entire market is acting.

Reference: Technical Analysis Of The Futures Markets: A Comprehensive Guide to Trading Methods and Applications. John J. Murphy (1986), New York Institute of Finance NewYork, N.Y. 10270

James H. Burnett has been writing technical analysis graphic programs for over 3 years and instructs a class entitled "Stock Market Mechanics" at his local community college. James is also the president of the investment club, NNIC.

He can be reached for more information concerning "END OF THE RAINBOW". "END OF THE RAINBOW" also has an automatic file downloader. It loads your data files daily from your T.V. cable, even while you're on vacation. entitled "A8TRO-TECH 8IGNALS"

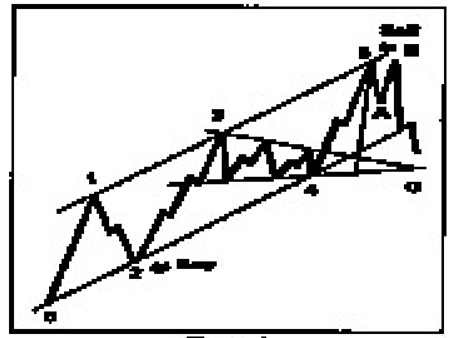


Figure 1

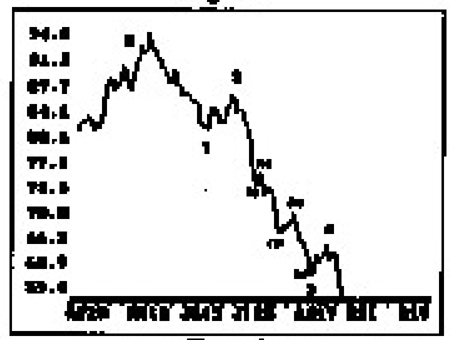


Figure 2

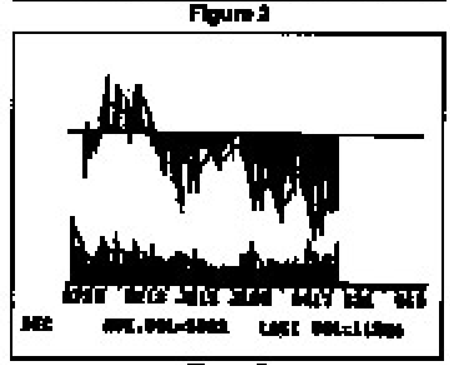


Figure 3

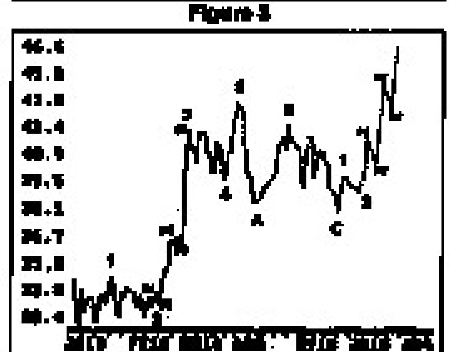


Figure 4

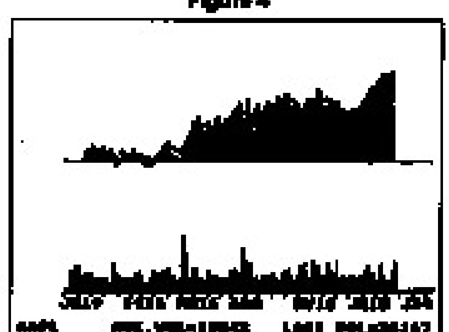


Figure 5

The Master Pattern: The Concept of Living Geometry and the Stock Market

By Robert J. Flower

The famous futurist and inventor,R. Buckminster Fuller, held that the universe was an ordered mechanism which lived: that is it has intelligence and all the other human qualities known to man. This also describes the basic character of Nature. This leads us to the monad, the basic irreducible form of the universe. It is the force which permeates everything and which everything mirrors. It evidences itself throughout Nature.

For years I have conducted exhaustive research into this study. It eventually led to the stock market. By attempting to explain nature and the monad through stock market dynamics, certain facts have come to light. The resulting information has led to an insight of the monad as a master pattern the umderlying, innate process, the living geometry of all processes and structures.

More recently, a contemporary of Fuller, Dr. Derald Langham, has developed a model from which the Master Pattern was gleaned, called Genesa. It was derived from years of constant experimentation with the geometry of genetics - the formation of cells and related natural systems. The process of this concept is identified in three parts: the pulse, the wave and the spiral. The pulse is geometrically described as the X,Y,Z Cartesian coordinates, while the wave is a combination of organizational factors which manifest eventually in a hexagonal form. The spiral is reflected in vertexes which relate to Phi and Euler's Number. See Figure 1.

Let s view this scenario by virtue of the ancient Mesopotamian chart known to W.D. Gann followers as the square of 9. See Figure 2.

Figure 1

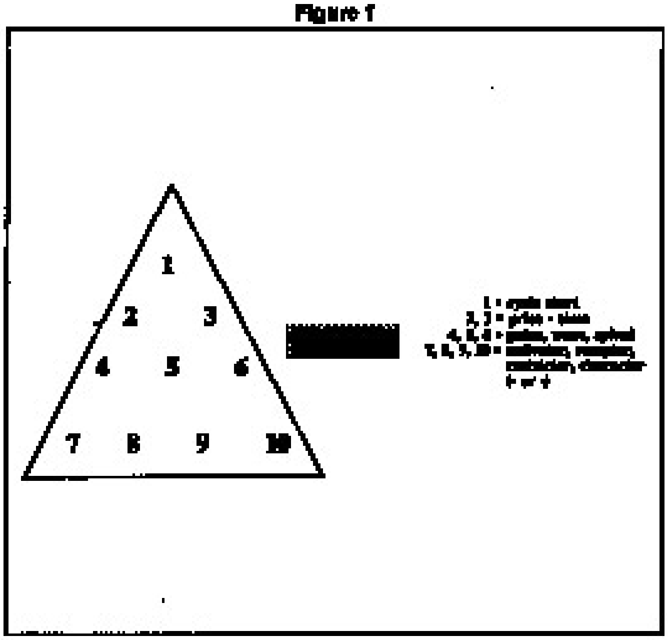
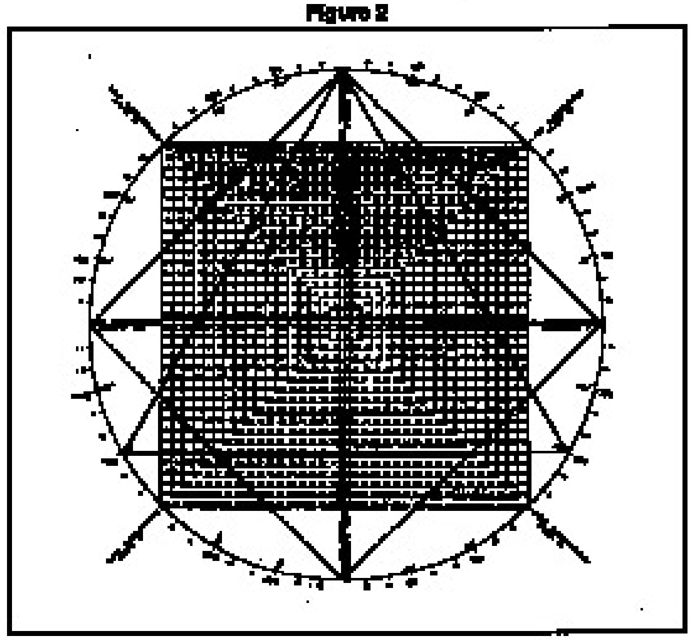


Figure 2



The Pulse

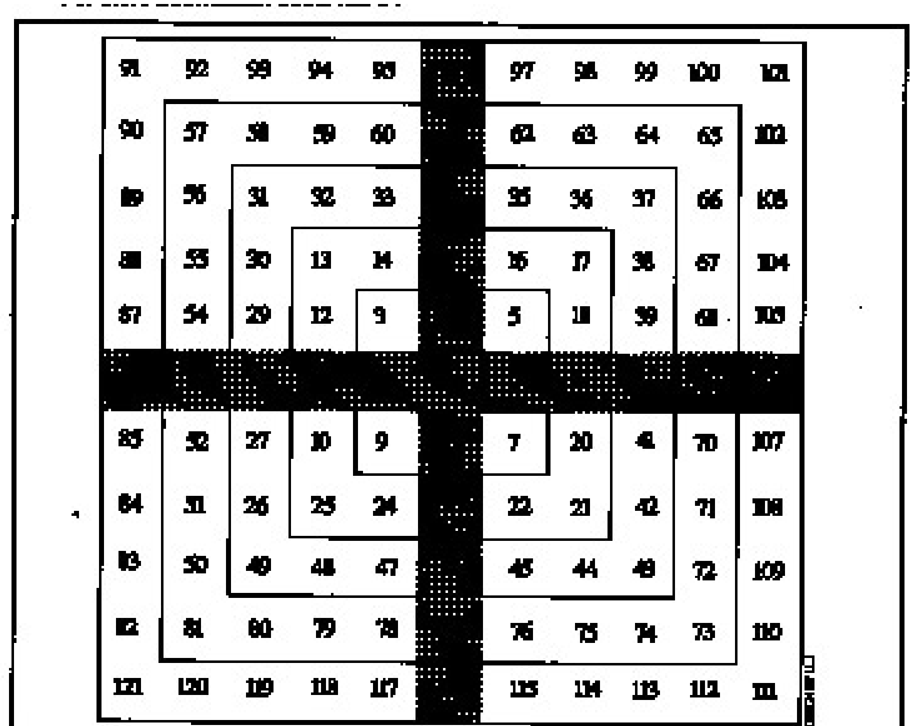
The pulse has several important aspects to it. In the first place, as we stated earlier, the pu]se is identified by virtue of the X and Y coordinates. The Z coordinate is identified as the 360 circle which encompasses the X & Y coordinates. Additionally, the pulse is identified in the square of 9 by the center of the square, the number 1. It is also recognized as the circle encompassing the square. This can be labelled with the central 1 as the microcosm and the outer circle as the macrocosm encompassing the square. This outer circle can also be interpreted as the pulse. It can be labelled as the central 1, as the microcosm, with another outer circle as the macrocosm. Actually, any number within the numerical field of the Gann Square of 9 can be utilized as the center. On a chart, the pulse is identified as the beginning of a move. It is the causal factor.

The Wave

The wave is simply identified as each completed square within the square of 9. Each individual square is a distinct segment of a wave, while any number of squares would comprise a wave series. One might say that each square represents a single (price molecule) in an entire chain or series of (molecular) price systems. If each of the squares starting from 9 were to light up in consecutive fashion, a very definite wave format is envisioned. On a chart, the wave is identified as the up or down movement following the pulse. It is also recognized as the format by which the causal factor (pulse) develops.

The Spiral

The spiral is actually a function of the ending of the individual squares, that is, the place where the square "leaps to the next level or square." this spiralling or escalating effect continues out to the next 360° degree circle. See Figure 3. At that point in time, another square



Each Square represents a pulse in itself. However, they also represent waves in a collective fashion.

Figure 3

manifests with the outermost portion completely enveloping the 360° circle (see chart) and so on. This then creates minor and major spirals. On a chart, the spiral manifests as the “spike” move. It is a mathematical function of Phi. Also, it is the effect factor of the causal and wave format aspects — the expression.

In psychological terms, the pulse, wave and spiral can be identified as cause, process and effect. Further, the pulse is semi-flexible and can be initiated at any point within the square, while the wave is fixed and very much set in its structure once it has been set in motion, the spiral is the action aspect of the three. The 3 are inter-connected in that from varying perspectives one can interpreted as another. For instance, a spiral may be a pulse point for a new move.

Understanding the Master Pattern

The key to comprehending stock market movement by virtue of the Master Pattern lies in the mathematical construction of the monad, its resulting geometry and a relativity factor. For instance, the Master Pattern for Gann’s Square of 9 is one. Why? Because the pattern starts with the #1, ends with a perfect square (of 35 or 1235) and takes into account the concept of a square and a triangle in total symmetry.

The Living Geometry of the Square of 35;

I have often wondered why Gann used the square of 35 as the basis of the square of 9. Recently it became dramatically clear. This was purely a scientific (mathematical and geometric) decision and had nothing at all to do with the prices of the commodities nor anything of a similar nature. The reasoning is that 352 halipens to be one of the few numbers (6 being one of the others) which enable one to equally employ a system of geometric squares and triangles within their analysis. By this I mean that if one were the numbers 1 through 1235 in the form of a triangle or a square, all other things being equal, that is, the size of the numbers, the spacing in between, the end result would be the same number, namely 1,235. This enables one to geometrically arrange a universe for perfect coordination of key geometric alignments (power and energy lines). These power and energy lines are known in astrology as squares and trines. The mathematics of other geometric forms such as the pentagon and octagon, etc. are equally fascinating. But that is another writing.

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A Lunar Chaos Theory

By Dr. Hans Hannula, PhD, RSA, CTA

The author has been on the trail of the physical causes of cycles in stocks and commodities [5][6]. This research has lead to many interesting discoveries, but none more interesting or potentially more profitable than a new theory of chaotic behavior in the moon's orbit. Before proceeding with the discussion of this discovery, a word about my methodology is in order.

In my work, which I call Market AstroPhysics, I follow a scientific approach with these steps:

1. Develop a physical theory for a particular cause and effect phenomenon
2. Develop a mathematical model to describe the phenomenon
3. Compute the time series for the model 4. Statistically correlate the time series with market action
5. If the statistics indicate a correlation that is far better than chance, test the relationship in real time to see if the predicted market action occurs
6. If realtime and statistical tests justify it, use the predictions as an aid in trading the markets

This approach has enabled me to sort out many new things about cycles and how they operate. Now let us proceed to look at one such phenomenon.

Basic Physical Mechanisms

Development of a physical theory of cycles begins with an examination of how the solar system is constructed. It is composed of ten very important chucks of rock orbiting about a ball of burning gas, our sun. The nine planets and our moon are the big rocks. For eons, these rocks have proceeded relentlessly on their courses, carefully balancing the forces they exert on each other and on the sun, and visa versa. To date, there have been two mechanisms proposed

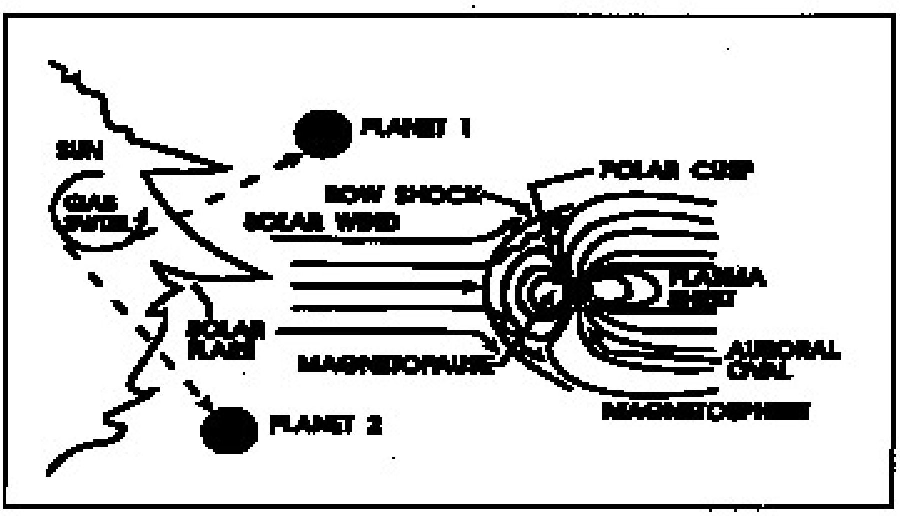

Figure 1. Solar Stirring Force

that could explain the effects of this system on earthly events Dr. Theodore Landscheidt [9][10][11] has presented many correlations between the center of mass of the solar system and the outburst of solar flares. His theory is that as the planets rotate, they shift the center of mass of the combined planet/sun system around. At times this center of mass actually moves outside of the surface of the sun. As it passes the sun's surface, a chaotic boundary condition exists, resulting in outbursts of large solar flares. This phenomenon is described by the equation in Figure A.

This equation computes the point at which the mass of the planets and sun is effectively concentrated. The outer planets, because of their large distances from the sun, dominate these equations.

Jupiter, because of its enormous size, is very influential.

The author has described another mechanism[5] Initially proposed by climate researchers in the early 1900's [2][12]. This mechanism is shown in Figure 1. As the planets orbit the sun, they exert tidal forces upon the gases of the sun, much as the moon raises tides on the earth. These forces are described by the equation in Figure B. Numerical solution of this equation reveals that Jupiter, Mercury, Venus, Earth, Mars, and Saturn are the most influential, in that order.

In Figure 1, this tidal effect is shown by planets 1 and 2 rotating a gaseous portion of the sun's surface. These gas swirls cause a number of solar effects, including sun spots, coronal holes, and solar flares. All of these effects combine to vary the amount of radiation that leaves the sun.

This solar radiation is carried toward the earth in two ways, as direct radiation, such as sunshine and radio waves, and as particles, carried by what is called the solar wind. This flow of charged particles forms a torrent of energy which blast spaceship earth, creating a bow wave and a wake just as a boat going upstream would do. This bow shock wave forms a magneto pause between the earth and the sun, and interacts with the earth's magnetic field, both shaping it and adding energy to it. At the north and south poles, the charged particles follow the magnetic lines of force, and enter our atmosphere in what is called a Polar Cap Absorbtion Event [8]. This leads to the auroral oval, producing our Northern and Southern Lights.

The bow wave also creates an envelope about the earth, called the magnetosphere. As the solar wind flows past the earth, the magnetosphere forms a teardrop shaped envelope of trapped particles, ending in what is called the magnetotail. It is inside this envelope that the moon orbits.

Figure A

$$\sum_i m_i r_i = 0$$

where

m = mass of the planets or sun
r = distance to the center of mass
i = index running from 1 to 10 for 9 planets plus the sun

Figure B

$$f = k \sum_i \frac{m_i}{r_i^3}$$

where

k = a constant to make gas swirl mass = 1
m = mass of the planet
r = distance from sun to planet
i = index from 1 to 9 for all planets

As the solar radiation varies, so does the earth's magnetic field, atmospheric ionization, and temperature. Scientists have tracked down a host of relationships between these events and a variety of earthly phenomena such as climate, weather, crime rates, plant growth rates, frequency of thunderstorms, blood PH levels, physciatric emergencies, etc.

My own work has related these events to market action as well. I believe there is also a third mechanism at work, one involving the moon. Let me explain.

A Theory of Lunar Chaos

The moon's orbit is the most complex of all the ten bodies under consideration[3]. While a planet's position may be accurately computed from an equation containing about nine or so terms, computing the moon's location to the same accuracy requires over 100 terms. Some of these terms are directly traceable to the pull of various planets and the sun on the moon. For example, there is a term related to Venus, our closest planetary neighbor. All these terms still do not describe a stable orbit, but one that rotates slowly in space, coming back to the same orientation in about 18.6 years. This is called the moon's nodal cycle. Most people are familiar with the moon's full moon, new moon, or synodic cycle of 29.531 days[19]. Many have tried to correlate it with market movements [16][13][18].

The moon has many other cycles. It moves closer to and further from the earth, in what is called the moon's anomolistic cycle, which is 27.554 days long. As the moon passes through the ecliptic plane (the plane of the earth's orbit) it crosses at it's node, to form what is called the moon's draconic cycle of 27.212 days (so named by the ancient Chinese, who viewed this cycle as having the power of a dragon). Further, as the moon passes the earth's equator, it forms what is called the lunar tropical cycle of 27.321 days. There is also the motion from star to star, which is called the sidereal cycle, of 27.322 days. Additionally, since the moon's orbit is tipped approximately 5 degrees, the observer on earth sees the moon "ride high" or "ride low" as it revolves in its orbit. The venerable Farmer's Almanac [20] points out the affect of this on tides, weather, and earthquakes.

I have, I believe, discovered another lunar cycle which I call the lunar chaos cycle. This cycle is shown pictorally in Figure 2.

My theory is that as the moon rides high and low, and moves closer and further from the earth, that the moon crosses the boundary between the ionized particles trapped in the moon's wake and the fast flowing solar wind. Figure 2 shows this possibly happening at two full moon positions (1 and 2) and two new moon positions (3 and 4). Such boundary crossings would lead to sharp disturbances in the earth's magnetic field, affecting those of us who live within it.

A further perturbation can be theorized as well. This is the perturbation of the nearby planets Mercury and Venus. If either of these interior planets should line up with the sun, earth, and moon just when the moon was high/low and full/new, their perturbations on the moon's orbit would also be maximized.

To test this theory, I created a simple mathematical model. This model computes the degree of exact alignment of a planet (either Mercury or Venus) with the Earth and moon, and when the moon is above or below 3 degrees inclination. This yields a lunar chaos function for each planet. The equations are given in Figure C.

These equations give a maximum value when the planet and moon directly line up and the moon is at maximum height above or below the ecliptic. They have zero values inside the theorized envelope boundaries, giving us non-linear equations. It is well known that nonlinear equations can lead to systems that exhibit chaotic behavior [4] [7] .

Statistical Testing

In testing any such theory, it is standard research practice to compare the observed correlations with what one would expect to see if the correlations were purely random. The probability of the correlation occurring by chance is computed from the formula in Figure D [17].

The first step in verifying the hypothesis of the lunar chaos theory is to examine the relationship with the earth's magnetic field. Figure 3 shows one year of a ten year study correlating the two lunar chaos functions with Kp Sum, which is the daily sum of the Kp planetary geomagnetic field measurements. The Mercury chaos function correlates 30 times better than chance and the Venus function correlates 62 times better than chance. Fully 92 percent of the Venus events mark sharp highs or lows in the electromagnetic field, while 83 per cent of the Mercury events do so.

The second step in testing the theory is to examine the relationship to human psychology. This is more difficult to do because of the absence of readily available data on psychological moods. However, I was able to obtain one data set that measures the number of psychological crises at a crises center over a two year period. The correlation of the chaos functions with this data is shown in Figure 4.

The Venus lunar chaos function correlated 36 times better than chance, while the Mercury function was 131 times better than chance. Fully 76 per cent of the Venus events coincided with highs and lows in the crises data, while 84 percent of the Mercury events did so.

Another step in the testing is to examine the relationship to market movements, which are commonly believed to be caused by the changing psychology of buyers and sellers.

One market which seems to validate this theory is gold. Shown in Figure 5 is one year of the ten year correlation study done between the lunar chaos functions and the price of gold. As you will note, the chaos functions tend to mark highs, lows, and volatile moves in gold. Particularly dramatic are those periods when both Mercury and Venus tug the moon as it passes into the solar wind.

Figure D

For A possibly causual events, correlating with B possible resulting events, with K of the B events falling within window W about each A event, over time interval T, the probability of chance occurrence is:

$$P_{TOTAL} = \frac{B!\; P^{K}\; (1-P)^{(B-K)}}{K!\;(B-K)!}$$

where

P is the probability of one event falling into time window W and equals AW/T

and n! means (n)(n-1)(n-2)...(2)(1)

Figure C

a(t) = 10 for |i| > 5 degrees

a(t) = 10 |i| for |i| > 3 and <5 degress

b(t) = 10 ((30 - |a|)/30) for |a| < 30

b(t) = 0 for |a| > 30 degrees

f(t) = a(t) b(t)

where

a(t) is a lunar inclination function

b(t) is a planetary alignment function

f(t) is a lunar chaos function

|i| is the absolute value of moon's inclination, i

|a| is the absolute value of the planet to moon geocentric angle

To test the possible randomness of this correlation, I performed a 10 year statistical study. I counted the number of lunar chaos events that coincided with mechanically selected highs and lows in gold. The mechanical selection process used was to take a 5 day moving average of gold near contract closes, and then to require at least a three percent countertrend move to indicate a significant high or low. This process yielded 85 significant highs and lows in the 3652 days of the test. A window of 10 days was used, since the average width of the chaos function "pulse" is about 6 days, and 2 days either side of this seemed a reasonable window. Table 1 gives the statistics of the study.

Table 1

	NUMBER OF CHAOS EVENTS	NUMBER TURNS HITTING WINDOWS	PROBABILITY OF BEING RANDOM	ODDS AGAINST BEING RANDOM
VENUS	121	41	.00138	724:1
MERCURY	121	40	.00254	393:1
BOTH	88	31	.00350	285:1

NOTE: NUMBER OF TURNS IN GOLD = 85

WINDOW = 10 DAYS, INTERVAL = 3652 DAYS

This study indicates correlations for the Venus Chaos Function that is 724 times better than chance, for the Mercury Chaos Function 393 times better than chance, and for both simultaneously, 285 times better than chance. While this is not positive proof of the theory, these values are certainly statistically significant.

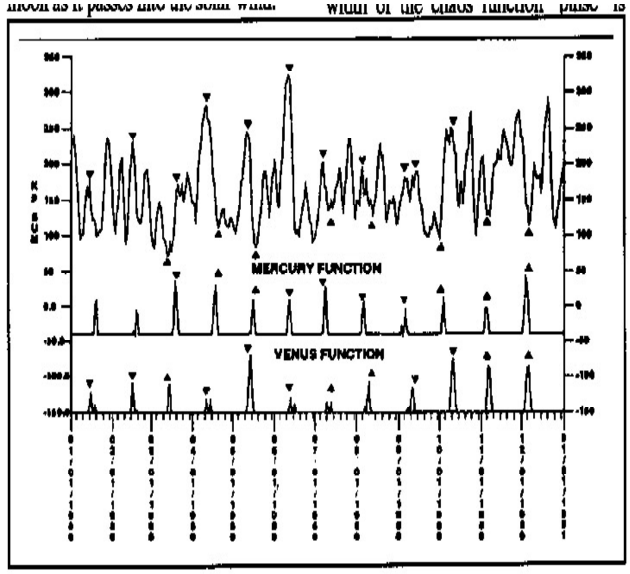

Figure 3. Kp Sum Magnetic Index and the Lunar Chaos Function

A Real Time Test

On October 1, 1990, gold gapped and closed lower. A few days later a correction had formed, and the question was, " When will the down trend end? ". Examination of the lunar chaos functions indicated a possible bottom in the period between October 15th and 21st, with the 17th as the most likely date. Further, gold could be expected to be volatile into this bottom. Figure 6 shows what actually happened. Gold bottomed on the 16th, after a plunge of over $60. The following rally recovered over 30 points.

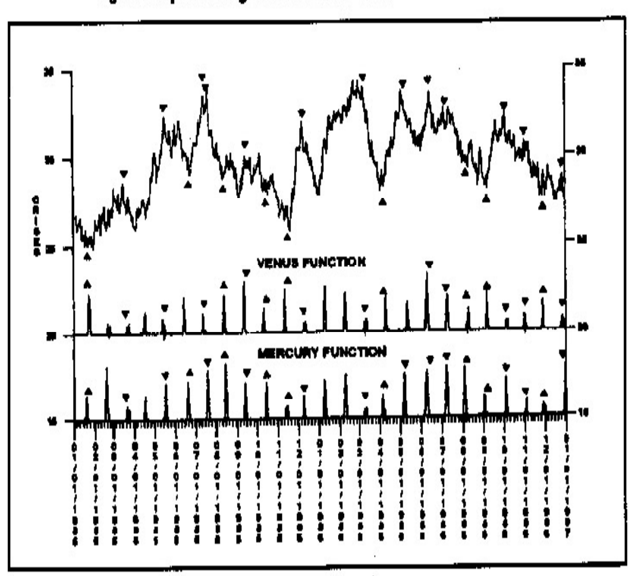

Figure 4. Psychological Crises and Lunar Chaos Functions

Other Correlations

One can also expect such a powerful phenomena to be found in other markets. Figure 7 shows the S&P 500 index with the lunar chaos functions. Note how the functions again mark highs and lows. The probability of these correlations being random is less than one chance in 297. Figure 8 shows the effect of this phenomenon on IBM stock. IBM was rallying steadily following the dramatic summer 1990 Iraq panic. Suddenly, IBM plunged nearly 13 points, and just as suddenly rebounded sharply. This was a new moon phenomenon, with the moon riding low, and Mercury and Venus both in line with the sun, moon, and Earth. I call this very noticeable “signature” a Lunar Chaos Notch.

Conclusions

While at first it may be hard for the average buyer or seller of stocks and commodities to accept that his fortunes are controlled by a burning ball of gas and ten pieces of revolving rock, this study presents scientific evidence that this indeed may be true. The theory of lunar chaos does provide a rational explanation of possible cause and effect. The statistics of correlation, while they do not “prove” the theory correct, are sufficiently strong to permit one to claim that this theory is possible.

Of course, as with any new theory, much needs to be done to improve it. Work is currently underway to procure the NASA lunar seismographic and accelerometer data for further verification of the timing of lunar chaos and related geomagnetic disturbances. How ever, even in its current form, this theory and the two chaos functions can provide traders with a valuable timing tool.

Dr. Hans Hannula is a trader, engineer, and programmer with over 20 years experience. He publishes the Market AstroPhysics newsletter, (303) 452-5566.

Learning Flawless Execution of a Trading System

By Mark Douglas

The proper execution of your trades is one of the most[fundamental components of becoming a successful trader and probably the most difficult to learn. Most traders find it is much easier to identify something in the market that represents an opportunity, than it is to act upon it. However, there are some very good psychological reasons why it is so difficult to act on a trading signal. To understand these reasons, you need to understand the nature of trading systems (defined as any methodology that consistently identifies an opportunity to buy or sell with a potential profit in some future moment) and how these systems interact with the markets and ourselves.

For example, most good trading systems, technical or otherwise, will consistently take money out of the markets over the long run. Most of these good systems have been available to the public for years, and yet, there is still a huge gap between what is possible and what most traders end up with. The problem with trading systems is they define market behavior in limited way when the market can behave in a most infinite combination of ways.

Systems mathematically or mechanically can reduce relationships in human behavior characteristics to percentage odd of what could happen next. They cat only capture a very limited number of these behavior characteristics compares to the billions that are possible. As; result, any identified pattern may or mat not be repeating itself with respect to the way the pattern or relationship] progressed when it was observed in the past. Therefore, we never really know if it is valid or not until it has actually completed itself. The big psychological problem here is that people have a great deal of difficulty acting on opportunities with probable outcomes.

Most people like to think of themselves yes as risk takers, but what they really want is a guaranteed outcome with some momentary suspense to make it feel like the outcome was in doubt. The women vary suspense adds the thrill factor necessary to keep our lives from getting too boring. However, when it come right down to it, no one trades to lose or puts on a trade believing it is going to be a loser, and all systems will definitely have some percentage of losing trades So it's difficult not to be tempted into trying to guess which ones are going to be the losers and not participate.

As most of you reading this article all ready know, trying to outguess you trading system can be and usually is all exercise in extreme frustration. The signals you get from a trading system will have you trading in ways that are corn completely contrary to your logic ant reasoning. Sometimes the system will] defy your reasoning and be right ant sometimes you will agree with the system and it will be wrong. You need to understand that technical trading system terns are not designed to be outguessed What I mean is, they aren't designed to give you isolated signals of an opportunity to be taken when it seems right. What they do is mathematically define, quantify, and categorize past relationships in collective human behavior to give you a statistically probable outcome of the future.

As a comparison to trading, it is much easier to take risks and participate in a gambling event with a purely random outcome based on statistical probabilities, simply because it is random. Meaning, if you risk your money on a gambling event that you know has a random outcome, then there's no rational way you could have predicted what actually happened. Therefore, you don't have to take responsibility for the outcome if it isn't positive. Whereas, with trading, the future is not random. Price movement, opportunity and outcomes are created by traders acting on their beliefs and expectations of the future. Every trader contributes to the outcome of the future by putting on and taking off trades in accordance with their beliefs. Since traders actually create the future by collectively acting on their beliefs about the future, the outcome of their actions is not exactly random. Otherwise why would traders try to outguess their trading systems, unless they had some concept of the future and how that future will effect the markets.

This adds an element of responsibility to trading that doesn't exist with a purely random event which is difficult to avoid. This higher degree of responsibility means more of your self-esteem is at stake, making it much more difficult to participate in. Trading gives you all kinds of ways to beat yourself up for all of the things you should have or could have considered that would have resulted in a more satisfying outcome.

Furthermore, you don't trade in an information vacuum. You form your expectations about the future with information that technical systems don't take into consideration. Consequently, this sets up a conflict between what your intellect says should be happening, and the purely mathematical means of predicting human behavior afforded by your technical system. This is precisely why technical systems are so difficult to relate to and execute. People aren't taught to think in terms of probabilities and we certainly don't grow up constructing a conceptual framework that correlates a prediction of mass human behavior in statistical odds by means of a mathematical formula.

To be able to execute your trading systems properly you will need to incorporate these two concepts into your mental framework--thinking in terms of probabilities and correlating the numbers or the mechanics of your system to the behavior. Unfortunately, the only way you can really learn these things is to actually experience it by executing your system. The problem is that rarely will the typical trader stay with his system beyond two or three losses in a row, and taking two or three losses in a row is a very common occurrence for most trading systems. This creates somewhat of a paradox or catch 22. How do you do it if you don't believe it, and you won't learn to believe it unless you do it long enough for it to become a part of your mental framework. This is where you employ mental discipline to eventually make flawless execution a habit.

When you form any habit it acts as a force on your behavior. This force exists inside of your mental environment in the form of a belief. Mental discipline comes into play when you need to establish a belief that does not yet exist, and more importantly, doesn't have the support beliefs in your mental system that already do exist. For example, if you are not a runner and decided you wanted to become one, you may have many beliefs that don't support this expression of yourself. These beliefs will act as resistance to your attempts to run by drawing your thoughts and attention to anything that will divert you from your intent to do so.

Mental discipline is a form of thought control employed to recognize the dynamics of this process focus your attention back on your goal and purposefully work through your resistance to establish this new expression of yourself. The more you do it the faster you will establish a new belief that you are a runner. This new belief will then act a force on your behavior motivating So you to run.

The same type of mental dynamics described above will also apply to learning how to properly execute a trading system. You will likely encounter many beliefs acting as force to divert your attention away from what you need to-do when you need to do it. As a result, you will need to employ mental discipline So a counteracting force to stay properly focused until you build a mental framework that is consistent with His new expression of yourself.

To build the mental framework necessary to execute effectively, I suggest that you take some percentage of your trading capital and designate it as money set aside strictly for educational purposes. With this designated capital, buy and trade a simple trading system with well defined entry and exit points. This system does not have to be expensive. You can get one out of the many books an technical analysis available today or; choose one being offered at an investment conference. I thank it is important to buy one instead of devise one of your own because it might beta little easier to stay focused on the objectives of this exercise. Any system you devise you are naturally going to want to make money with. Save it for later, after you have learned how to execute properly.

You will also need to find a system that suits your unique tolerance for taking a loss. The amount of money you risk per trade should be an amount that you are completely comfortable with. If you don't stay within this tolerance level you will be, at the very least uncomfortable, in which case to whatever degree you are, you shut down the learning process. When you are feeling pain, instead of being focused on what the market is teaching you about itself and yourself, you will be focused on information that will ease your pain. Which usually results in a painful lesson.

Once you have decided on your system you need to make a commitment to trade this system exactly as the rules call for. You will need to make a very strong commitment here and not play any games with yourself. The object of this exercise is to work through any resistance you may have to following your rules. Taking Call of the signals generated by your system is the only way you can get the first hand experience you need to establish a belief in probable outcomes, and relating the mathematics to the behavior.

After your system takes three or four losses in a row it's going to be very difficult to put on a trade generated from the next signal. But you have to do it anyway, in spite of any resistance to do otherwise. When that next trade turns out to be a winner you will have established a first hand understanding of the nature of technical systems and a belief in how you can-an make money in the long run, if of course you can execute your system properly by acting on every signal. Owe you establish this belief you will have the force of habit working for you and the struggle will cease. So while you are working at it, just do the best you can and look for ways to improve your performance.

What you need to learn by doing this exercise will come much faster if you keep in mind that it is not going to be easy (at least not for most peopled so be easy on yourself. The more accepting you are of your mistakes the less fear you will encounter when it comes time to make the next attempt. If your child was learning how to ride a bike I'm sure you wouldn't scold him for failing off and tell him not to try again. You would encourage him Land eventually he'll learn. Give yourself the same kind of understand and consideration. What you Dare doing is more of an exercise in learning trading discipline and the skill of flawless Sex execution, which I am defining as executing a trade immediately upon your perception of an opportunity :(inclusive within opportunity is the opportunity toxic a losing trade). In the lord run having this Skill is far more important than your immediate desire to Snake money. So keep your contract size light. You can always increase it later when you have learned to completely trust yourself to always do what needs to be done without hesitation. Stay with the exercise until it becomes second nature or a part of who you are. As you gain in your confidence, you will learn more and consequently learn how to make money as a trader. As you make money you will gain in your confidence. This positive cycle will expand your ability to be successful just as easily as a negative eye will feed on itself to end in despair.

There is something else that you need to be aware of. Trading a technical system in a rote manner will make you money but it won't necessarily satisfy your need for creative expression (unless you created Me system). Since all traders believe they know something about the market, the most satisfying trade is one based on your own ideas and reasoning process. These kinds of trades are an expression of your creativity and when they work, nothing feels better. This need for creative expression is a very powerful inner force that is hard to resist, especially for the sake of your technical trading system

So what I suggest you is express these creative trades in a separate trading account. By opening up a completely separate trading account for your creative trades and also trading a different commodity, it will help you avoid the inevitable conflicts that would result between what you think and what your system says to do. When these conflicts arise they diminish your ability to execute your system and have the potential to completely immobilize you to the point where you can't do anything at all, except watch the opportunity pass you by.

By making this kind of distraction and tangible separation between your intellect and your technical trading system, you will be creating for yourself the kind of psychological conditions that will enable you to learn, through experience, the effectiveness and value of your technical system. This article is a revised version the material contained in title Disciplined Trader". This hook is available an can he ordered in the Trader's World's World Catalog section # this Magazine Any reproduction d this article is prohibited without express written consent of the author - Mark Douglas is president off Trading Behavior Dynamics.

Synchronizing Your Brain for Successful Trading

By Larry Jacobs

Many traders have struggled to master the art of making money trading the markets. Traders have studied the techniques of the masters such as W.D. Gann and R.N. Elliott as well as many of the currently published new books on technical analysis. Some have achieved the results they wanted through deep concentration and study into the discipline and techniques of trading and have made tremendous amounts of money. Others have failed to understand or develop the discipline of trading and have become part of the statistic that 90% of the people that trade Lose money in the markets.

Few traders can utilize the full potential of their brain, for example to understand the complex trading methods of W.D. Gann, one of the most brilliant traders of all time. W.D. Gann was able to reduce the movements of the markets to mathematics and make millions of dollars trading the markets. The average person has difficulty reading and understanding his books and courses. Most people must read his material over and over again to understand his trading methods. Many traders have tried to understand Gann's concepts but finally just gave up. These are some of the people who say that the trading concepts of Gann just don't work. Others who were able to fully understand what Gann was saying have made hundreds of thousands or even millions of dollars and believe that nothing could be better than Gann techniques. Could it be that most peoples' minds are not developed enough to fully understand the concepts of Gann? More than likely, it is.

It's been said that the mind is one of the most under utilized resources in the world. The human brain consists of billions of cells and it has the potential to challenge the biggest computer in the world. The wonderful bio-computer between the ears has inconceivable potential. Very few people have tapped even part of its potential. The psychologist William James said the we human beings bungle through the days of our lives "as if only half awake." Abraham Maslow concurred, estimating the average person is operating well below his true capabilities, utilizing only 1015% of his mental potential. As unflattering as these remarks are, they are probably true.

All of us have experienced periods in our trading when for some reason our performance soared far beyond its normal parameters. For some reason everything came together and it gave us an opportunity to achieve fantastic profits. At such periods of peak performance, our mind and body is functioning at their full potential. Our entire entity is united and synchronized for success. When we are in this state we are empowered by deep forces within us and we are able to fully analyze the markets and make very profitable trading decisions. It's at those passing moments that we get a glimpse of our possible potential.

Athletes try to achieve what is call the Zone: a magical feeling, an aura,when you can't do anything wrong. All athletes have felt it. They talk about it, but they are not sure how to get it, how to keep it, or what it really is. Basically what it is a heightened state of consciousness, an altered states if you will. It's form varies among different people, but it's the same thing. Mind and body are functioning at their full potential. Traders, especially day-traders have the same zone, days when they do no wrong in day-trading. The reason they do so well on those days, is that their mind is in a heightened state of consciousness. They are sharp, ready and alert to take the right action on any change that might occur in the market. They are probably in the hyper-alert state of "Super-Beta" awareness. Just imagine if you could put your brain in the same state of mind or "Super-Beta" frequency of the best trading day you ever had in your life? What could that do to your profits?

To achieve this potential on a regular basis may not be as difficult as you may think. New and important understandings into the area of neuro-psychology are being made daily. New techniques and technologies are emerging which hold the promise of dramatically improving the functioning of your mind for better learning and functioning during different activities. A new technology has developed to voluntarily control the different states of the brain. An amazing megabrain device utilizing light and sound synchronizers is available to improve your brain performance. The device is made by InnerQuest and sells for $299. This remarkable portable device contains 21 present computerized programs to promote deep relaxation, meditation, mental alertness and concentration, high energy, enhanced creativity, accelerated learning and self-development, as well as improved sleep. Giving the usefulness and the popularity of this device, it's not surprising that a large number of traders will use the InnerQuest to condition, tune up, and build mental muscles to improve their trading profits.

The InnerQuest has the following 21 programs:

"A" 15 minute relaxation conditioning. Begins in Beta at 18 Hz. and slows to low Alpha, 7 Hz., over 5 minutes. Good to use as a "carefree break" in place of a coffee break. Use this daily to train for quick and easy relaxation. All FOCUS mode; returns to Beta to leave you refreshed and alert.

"A-1" 22 minute deep relaxation/ learning. Helps you progress into Theta conditioning at 5.0 Hz. Ramps from 18 Hz. to 5.0 Hz. over 7 minutes, multimodal through relaxation phase, then FOCUS through learning phase (13 minutes), returns to Beta over two minutes. Highly compatible with InnerQuest personal improvement cassettes.

"A-2" 30 minute relaxation exercise. Moves you between Alpha and Theta levels alternately while shifting emphasis from auditory to visual. Use to develop facility in shifting levels easily.

"A-3" 30 minute "Beta Wave". A high energy program to motivate, "psych-up" for sports activity, public speaking, etc. Multi-modal in waves ranging from 18 Hz. to 36 Hz. Try this one with your favorite "active" music! Light intensity is constant - set your comfort zone and hang on!

"A-4" 25 Minute "Alpha-Beta" wave. Alternates within 12 Hz. to 20 Hz. range. Good for light relaxation, music enjoyment; pleasant visuals. Light intensity varies 25 % in waves.

"A-5" 30 minute deep "AlphaTheta" wave. Slowly alternates within the range of 12 Hz. to 5.0 Hz. Good meditation trainer. Also use for personal programming. Light intensity dims in the Theta phases. All in FOCUS mode.

"A-6" Relax into sleep. 45 minutes. Our famous sleep trainer. Gently ramps to ever lower plateaus as intensity fades to zero, ending with "lights out" at 1.0 Hz. Good night.

"B" 40 Minute "Earth Harmony" program. A gentle relaxation from 18 Hz. then constant at 1.83 Hz., the Schumann Resonance frequency of the Earth's magnetic fields while alternating between FOCUS and EXPAND mode. Recommend prone position with head to North.

"B-l" 36 Minute deep relaxation and Theta learning. 7 minute relaxation period followed by gentle Theta wave for high retention of programming and mental imagery.

"B-2" 36 Minute High Creativity. All in EXPAND mode. Promotes intense hemispheric "crosstalk" useful in problem solving and creative thinking. Range: 33 Hz. to 7.0 Hz. Excellent to use while you are developing your trading strategy.

"B-3" 46 Minute Deep Relaxation/ High creativity. First relax into Theta then stimulate creative thinking in the EXPAND mode. Great for inspiration and inventiveness. Light intensity gradually dims to 60% at deepest levels.

"B-4" 25 Minute General Tune-Up. Multi-modal; a tour of patterns and frequencies combined with Alpha level relaxation. Good music enjoyment program.

"B-5" 45 Minute General Use. Deeper and longer period of relaxation following multi-modal ramp-down. Good also for cassette-guided learning.

"B-6" 45 Minute Accelerated Learning. Combine with your language course, etc. First ten minutes for deep relaxation, then 30 minutes for high retention followed by a five minute return to refreshed alert.

"AB" 60 Minute Ultra-Deep Relaxation. 10 minutes of inductive relaxation, 40 minutes in Delta wave, and 10 minute return with strong stimulation for full mental clarity. Excellent to use before intense study into for example, Gann material.

"AB-1" 15 Minute "Cat Nap". Rapid relaxation to Delta sleep level, 10 minute nap and return.

"AB-2" 40 Minute "Delta Alert". After 7 minute deep relaxation, light stimuli will go to Delta levels (1.0 to 4.0 Hz.) while audio will stimulate to maintain mental awareness. Experiment in this program with lucid, wakeful dreaming.

"AB-3" 30 Minute "K-COMPLEX CREATIVITY". Experiment in the hyper-alert state of "Super-Beta" as you spend 3 minutes each on plateaus of 31, 33, 35, 37, 39, 38, 36, 34, 32, & 30 Hz. in FOCUS up and EXPAND down modes. Use the "PAUSE" button to linger where you like.

"AB-4" 75 Minute "Delta Escape". This is a favorite while on long trips: air, land or sea. A great escape anytime. Deep relaxation and sleep, then a gentle return to high Alpha. Try combining it with meditative music at low volume.

"AB-5" 36 Minute Memory/Recall. Use this program when trying to recall forgotten events, find something you've hidden "where no one will find it", or experimenting with regression. 7 minutes of relaxation followed by all FRONT-BACK mode in Alpha-Theta range.

"AB-6" 35 Minutes. Call this one "Kaleidoscope" or "Carnival Ride". Some special effects for an exciting and fun experience. Fasten your seat belt!

There is also a line of self improvement Acoustic Brain Research/ InnerQuest subliminal cassette tapes compatible with the InnerQuest. The tapes can be used with or without the InnerQuest, however, InnerQuest has been found to improve the effectiveness of any subliminal tape by 400%. The tapes have been created with the most advanced and sophisticated auditory technologies available. This technology has been developed to allow the subliminal tape to speak directly into the unconscious mind in its own language. For example, the tape might want to convey the idea that it is safe for you to grow and change. "When you plant a seed deep into the earth . . . its roots grow underground. . Drawing to itself. . .everything it needs...to grow...when you plant a seed. ..deep. . .into the earth. . .you just forget about it...it grows automatically . . . underground." The associations are virtually endless. Everything known about plants and gardens is used by the unconscious mind to understand (and accept) growth and change. There is no resistance to the idea since the reference is to seeds, not to you. However, the unconscious mind also understands that this message is a statement about you. Therefore it accepts the statement and the opportunity for personal change has increased. Metaphors may be audible or subliminal. On tapes where subliminals are used, the exact script is included. The following is a list of subliminal tapes that are of great help to the average trader.

"A" The 24 Minute Nap. This tape seems like it's equivalent to 3 hours of sleep. The tape is ideal when you are feeling "tired and run down." Simply find 24 minutes when you can relax and put on the tape. After your "nap" you will be much more refreshed and ready to return to your tasks. It's great for you when studying trading books late at night. The tape can also be used to refresh yourself before landing or before any important occasion where you are required to function without fatigue.

"B" The 22 minute Vacation. This tape is a "mini 30 day vacation" and will greatly relax you. After the tape has ended just set quietly for a few minutes enjoying your sense of relaxation and refreshment.

"C" The "High Genius" Creativity Tape series has been designed for those interested in expanded awareness, mental development and everyday creative potential. Based on Higher Cognitive Principles found in scientific and artistic genius, these tapes have special implications for education, the arts and creative problem solving. Through this synthesis the tapes can assist you in: tapping subtle perceptual experiences that would have previously remained below your level of awareness; integrating language and perception; exploring personal and archetypal patterns of potentiality; facilitating insight to your creative work; and finding new answers and possibilities to specific questions or goals. There is a tape to assist you in: transforming your sleep and dreams to higher creative states; interpreting your dreams or dream images; or in deciphering creative images or symbols from your "waking dream" protocols of this tape series. This is an excellent set of tapes to listen to when you are into intensely studying the concepts of W.D. Gann.

A new set of two tapes has been developed for Trader's World subscribers. This special set of tapes is called "Gann Mind Tapes". It is a combination audible/subliminal set of two tapes which contain most of the important rules and principles of trading the market. When these tapes are listened to over and over again, the information they contain will go into the trader's mind. Information such as Gann's successful rules and principles of trading. If a traders is about to make a irrational mistake, hopefully, his mind might say, "stop, this is not one of the rules of successful trading." Another thing his mind might say is, "You can't trade based on this signal alone, you have never proved that it works enough to be reliable." Or his mind might say, "OK you have put your trade in, where's your stop and what is your profit objective?" The "Gann Mind Tapes" will allow your trading mind to fully grow and expand in the right direction with solid proven rules, helping you to avoid the pitfalls of most traders who trade on fear and greed. The set of tapes is available in the Trader's World Catalog section.

The InnerQuest and the subliminal tapes sound incredible, something straight out of a science fiction novel. But if there's one thing that we have realized in this rapidity changing world, it's that yesterday's fictions have become today's realities. The InnerQuest and the Acoustic Brain Research/InnerQuest cassette tapes talked about in this article are available in the Trader's World catalog section in this magazine.

Synergy:The Secret of Cycles

By Eric Hadik

Thirty months have transpired since the composition of "Achieving the Ultimate High" in February 1989, and yet everything that was applicable and pertinent then in the stock indices, is again exerting pressure on the markets. The cycles and Elliott Wave counts are again converging, although with greater impact, projecting a major downturn over the next two to three years. One significant oversight was made while composing that article and its two sequels, which the recognition of has added another dimension to current analysis. It is a principle which is present in all aspects of life and is recognized in varying forms. Solomon, considered to be one of the wisest men in all of history, applied this principle to humanity when he stated,"Two are better than one because they have a good return for their labor. For if either of them falls, the one will lift up his companion. But woe to the one who falls when there is not another to lift him up. Furthermore, if two lie down together they keep warm, but how can one be warm alone? And if one can overpower him who is alone, two can resist him. A cord of three strands is not quickly torn apart." (Ecclesiastes 4:9-12) Previously, in Proverbs 11: 14, he states, "For lack of guidance a nation falls, but many advisors make victory sure." The same principle applies in market analysis and can be utilized in many ways. It is the principle of synergy. One application, (which in retrospect shed some light on the apparent miscalculation for a major high in September 1989) is the use of correlating markets as confirmation when considering a technical or cyclical signal. An example of this can be seen in Figures 1 & 2, weekly charts of the Dow Jones Transportation Index (which led the 1988-1989 advance and subsequent Friday the 13th decline in October 1989) and the Dow Jones 65 Composite, the truest Dow Index which incorporates the Transports, Utilities and Industrials. Each of these charts confirm that a major high, perhaps the Ultimate High, was attained on September l, 1989, even though it was not evident on the chart of the 30 Industrials. (See Gann and Elliott Wave June/July and Nov/Dec 1989 issues for further explanation or write this author for copies.) These charts also confirm the major low projected for mid-October 1990 in The Golden Cycle, which was evident in all the indexes. Using this conjecture as a foundation, some significant conclusions can be drawn. The primary assumption is that the two year anniversary of this high will present an opportunity for another important reversal to occur. The two year cycle has been very consistent in the stock market and should once again prove to be valid due to the coincidence of major, intermediate and minor cycles aligning on one day—SEPTEMBER 3, 1991. Any student of stock market history should recognize this day as the exact date of the 1929 high. Utilizing the Golden Cycle (Trader's World Apr./May/June 1991) as a guide it is safe to project that a major reversal should occur 62 years from this date-SEPTEMBER 3, 1991. This date also represents the 60 week cycle from the July 1990 highs and the three month anniversary of the June 3, 1991 intermediate highs as well as the start of the ninth-forty and a half day (Lost Cycle) cycle from the October 11, 1990 lows, marking an imminent change in trend. (It also coincides with several multiples of a yet to be discussed cycle, 140 days from the highs in the DJU and DJT and 14 months from the 1990 highs.) September 1991 also marks another major convergence of cycles and completion of Waves in the Gold and Silver markets, in addition to an intermediate peak in Treasury Bond cycles at month's end. Considering that these two commodities (Gold and Silver) have existed through all known history, it is safe to conclude that all the previously discussed cycles, derived from Biblical mathematics, should occur even more frequently in this arena. If this is an accurate conclusion, then next month could prove to be the most significant in the precious metals since January 1980, based on a combination of Biblical and Gann related cycles.

September 1991 is:
• 140 months from the January 1980 peak
• (140 = 2x70 & 3 1 /2x40 -all Biblical #'s)
• 45 months from the December 1987 peak
• 2 year anniversary of the September 1989 low g 15 months from the June 1990 peak
• (August 31, 1991 = 20 years since abandoning the gold standard)

And a low on September 13 or 16 would be the culmination of numerous "7" related cycles:
• 84 weeks from a high
• 56 weeks from a high
• 35 weeks from a high
• 14 weeks from a high
• 140 days from a low
• 98 days from a high
• 84 days from a low
• 28 days from Monday's coup highs.

A low around this date would usher in a major reversal through the autumnal equinox indicating the beginning of Fall for stocks and a new season for Gold and Silver. Combining Cyclic, GaM and Elliott Wave analysis produces a higher level of synergy which increases the percentage of probability even greater. Figure 3 illustrates the pending peak of a diagonal fifth wave (the weakest topping formation in Elliott) at the time of this major cyclic convergence. This potent combination of analysis increases the odds of a 2-3 year correction in the indexes.

NOTE: If September 3 marks the peak in the market, then another synergistic time frame should be viewed with caution. This alignment occurs in mid-November, two days either side of November 20, 1991, and could represent the completion of the first waves in metals and stock indexes. This time frame is equally important in Bonds and currencies.

The application of synergy appears simple enough but certain pitfalls should be considered first. Certain conclusions should never be automatic when analyzing the markets. Economists perpetually correlate one market to another and this is where the danger enters in. Do not assume that just because one or two or more markets are projecting one scenario that all the usual consequences will occur. Each market (or complex of markets) has its own driving forces and fundamentals and the immediate correlation of one to another should be avoided at all costs. The important and often changing question is "Which market or fundamental is leading?" Consider the following: If the U.S. Dollar is dropping consistently and leading market focus, then Bonds will follow suit as their appeal begins to diminish...HOWEVER...if bonds are dropping and leading the way, it is likely that interest rates are rising and the Dollar along with them. If Bonds rally on lower interest rates then the appeal of Gold and Silver increases as holding costs are reduced and alternative investments (paper) lose favor...HOWEVER...if Gold and Silver are rallying on other factors, such as rising inflation or economic activity, then Bonds are likely to drop. This yin and yang of financial markets is ever present and any two markets may correlate inversely or conversely depending on which is leading, so use correlations (a form of synergy) with great caution. One other note of caution should be addressed with respect to this concept: Do not deceive yourself by utilizing two or three similar indices (i.e. RSI and Stochastics) and assume that their coincidence will increase your predictive probability. It is similar to assuming that since March, June and September Bonds rendered a similar buy or sell signal that it is three times as likely to work. So use prudence and discernment when applying the principle of synergy.

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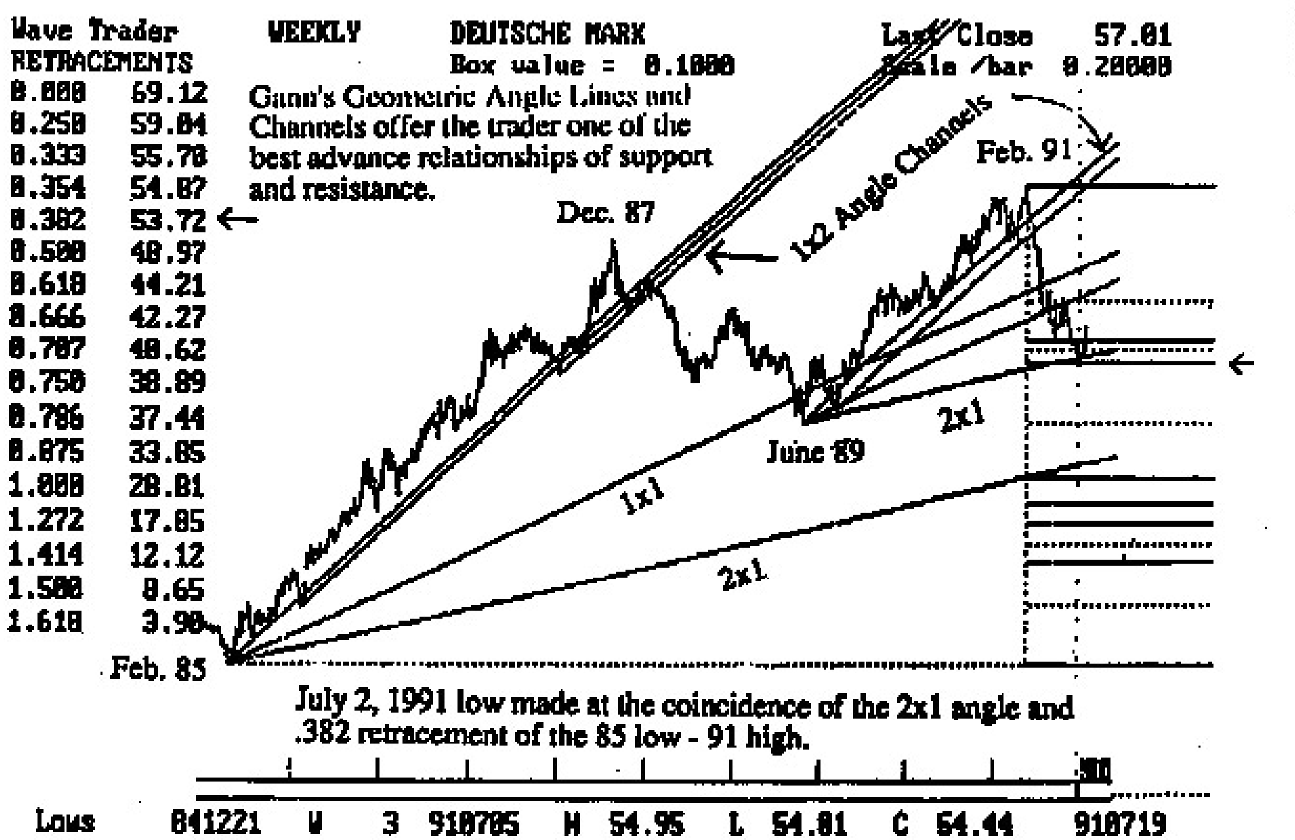
Gann's Geometric Angles

By Robert Miner

W. D. Gann discovered many unique relationships of time, price and market geometrically in market activity. Unfortunately, many educators and traders misuse many of Gann's important concepts or are not able to put them into practical market analysis and trading decision making. In almost ten years of studying and applying Gann's concepts and trading techniques to virtually every actively traded market, including almost two years of preparing my trading course related to Gann, I have expanded on Gann's techniques and discovered how to properly apply Gann's concepts to more thoroughly understand the position of the market and make practical trading decisions on a day by day basis.

Gann was a holistic market analyst and trader. In other words, he examined the market from every perspective before making a trading decision. It is important that the trader be aware of all dimensions of market activity, TIME, PRICE, SPACE, PATTERN and GEOMETRICITY, in order to thoroughly understand the position of the market and how the market is most likely to unfold in the future. A trader's analysis methodology must not only be able to consistently and accurately describe the position of the market, but must prepare the trader in advance for specific time and price zones where change is likely to occur with a high degree of probability.

It is beyond the scope of this article to thoroughly explain all dimensions of market activity for any single market. We will primarily look at just one of Gann's unique concepts of market analysis, GEOMETRIC ANGLES, and describe how they can be crucial in understanding the current



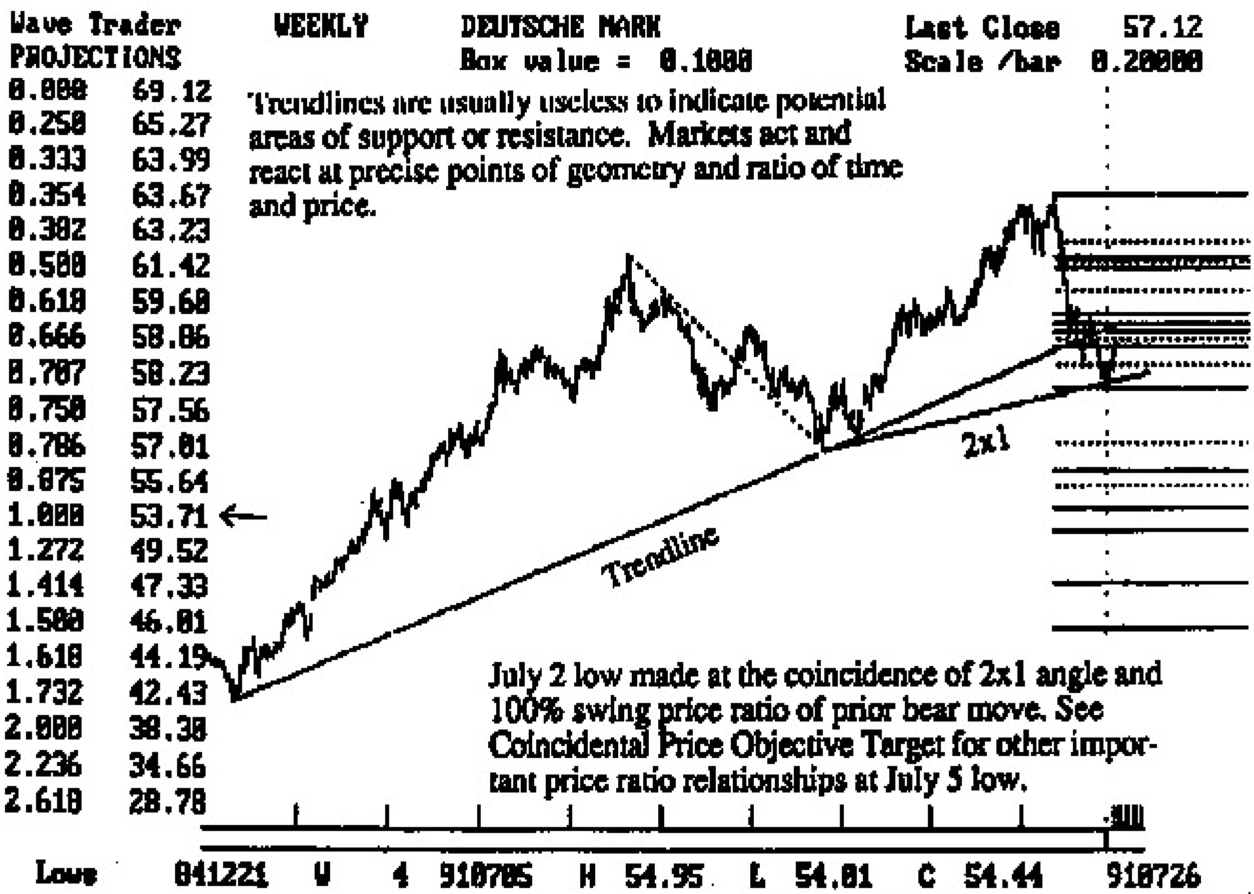
position of the market and future points of important support or resistance.

One of Gann's unique discoveries was that geometric angles were often the points of support or resistance for market activity. The static geometric angles are derived from the divisions of a square. The 1 x 1 or 45 degree angle is represented by the diagonal of a square and relates to one unit of time to one unit of price. A 2 x 1 angle is two units of time to one unit of price, a 1 x 2 angle is one unit of time to two units of price, etc.

When properly used, the geometric angles will give a good indication in advance of the price areas of support or resistance for a market and help to determine the position of the market and the continuation or termination of a market trend. Price will often make a change of trend precisely at a geometric angle. More often, we will find a trend reversal will occur a bit above or below an angle. When this occurs, we then construct an angle channel by drawing a parallel angle from the high or low made near the original angle from the price extreme.

The beauty of geometric angles is they are constructed from just one point of time and price or a single high or low. Trend lines must be constructed from at least two points, or, after a considerable amount of price activity has unfolded. The trader will find that the geometric angles will usually be much more accurate areas of support or resistance than trend lines. Few traders are aware of these important angles and how to put them to proper use.

Figure one (weekly Deutsche Mark) clearly demonstrates how geometric angles and angle channels have been very useful in our analysis of the position of the mark in the past and how they will come into play in the future. From the Feb. 1985 low, price made a sharp rally. At the first sign of reversal, an angle may be drawn, as an angle needs only one point of reference to be constructed. The best time / price ratio for the geometric angles for the mark on the weekly chart is at .l/wk for the 1 x 1 angle (.05/ wk for the 2 x 1, .2/ wk for the 1 x 2, etc.). The market tested the 1 x 2 angle at the first consolidation from the low. In Sept. 1985, price declined below the angle

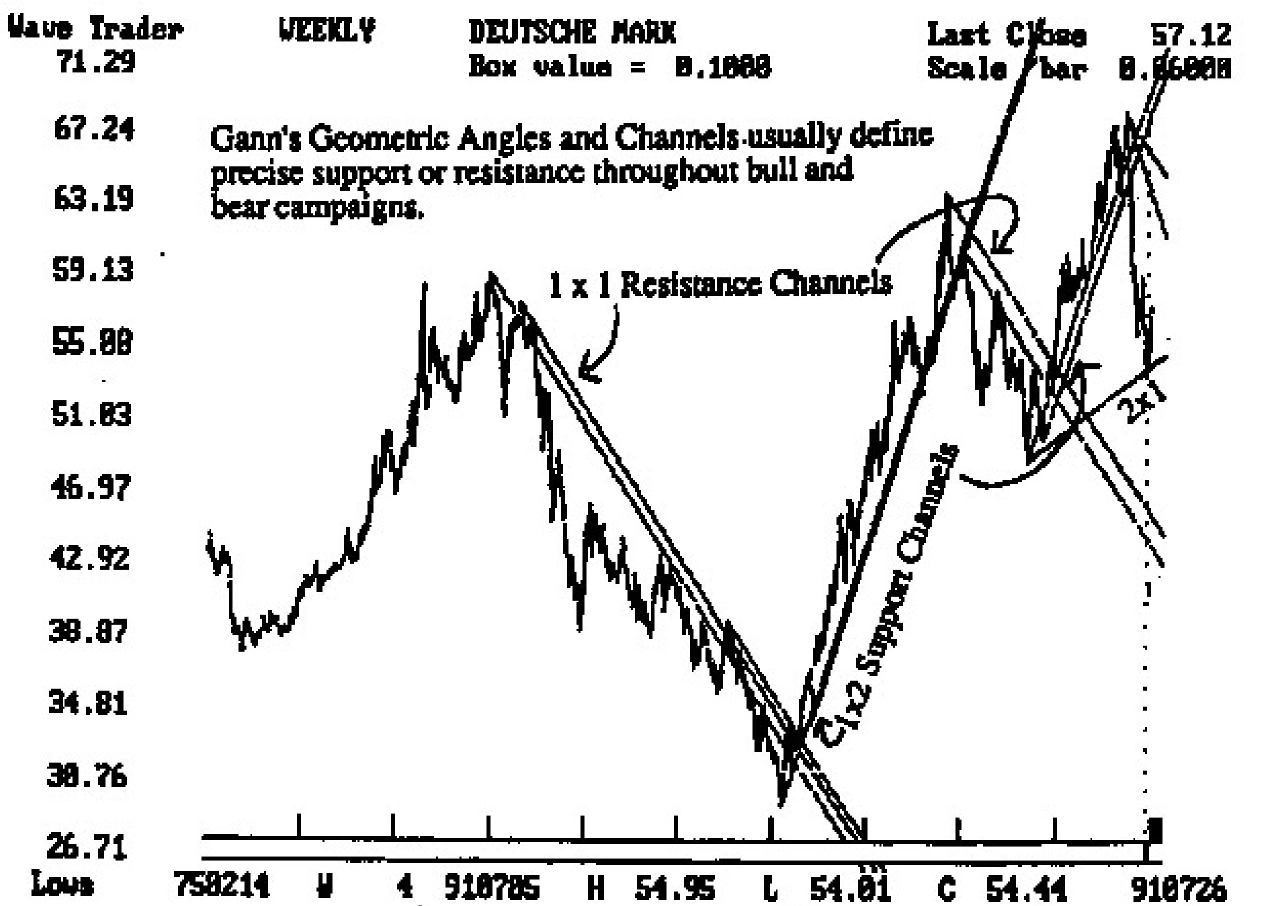


slightly before springing back above the 1 x 2 angle to continue the bull trend.

The 1 x 2 angle did not act as precise support, but an area to be alert to support if dynamic price ratio relationships coincided with the angle at the time the market approached the angle. Once the trend continued above the 1 x 2 angle from the extreme low, we construct a 1 x 2 angle from the low of the reaction that exceeded the original 1 x 2 angle from the extreme low. We now have an angle channel of two parallel angles, one from the extreme low and one from the secondary or first reaction low just below the original angle. This 1 x 2 angle channel now helps to define an area of support for the bull trend. The longer the market remains above the angle channel and the more often it is tested, the greater the degree of decline will occur once the channel is decisively broken. .

On the week of Aug. 14, 1987, price exceeded the 1 x 2 angle channel slightly, only to spring back once again and close above the channel the following week. Following this non-confirmation of decline, we now construct another parallel 1 x 2 angle from the low just below the original channel. This three point angle channel is now a very important zone of support. Once decisively broken, the market is likely to make a counter trend decline relative to the entire bull move from the Feb. 1985 low.

The market continued to rally, making a top on Dec. 31, 1987 and declined sharply to within the angle channel. For several weeks, the entire market activity is contained within the channel, unable to rally above the channel. The failure to spring back above the channel alerted the trader that any close below the three point 1 x 2 channel would be a strong signal to confirm the termination of the entire bull move from Feb. 1985 and a decline greater than any since that low would likely unfold. A correction to the entire bull campaign of Feb. 1985 to Dec. 1987 would be indicated once the angle channel was exceeded.



Within a few weeks, the market declined below the three point 1 x 2 channel, confirming the continuation of the decline and a greater bear move than any other since the Feb. 1985 low. The next support angle is the 1 x 1 angle from the Feb. 1985 low. Should the market continue to decline, the trader should be very alert to the price ratio and pattern relationships if the market reaches the 1 x 1 support angle. In June 1989, the market exceeded the 1 x 1 angle, then rallied above it. We can now construct another angle channel by drawing the 1 x 1 angle from the June 1989 low. The market declined below the top of the channel, making a swing low the week of Sept. 15, 1989, precisely at the lower angle line of the channel or the 1 x 1 angle from the June low.

The primary 1 x 1 angle from the Feb. 1985 low alerted the trader to the area of important support. The geometric angle should never be considered as a precise area of support, but an important area to be alert to the other price ratio, time and pattern relationships should price reach the angle.

Price springs back above the angle channel, continuing a new bull market. The 1 x 1 angle channel of the Feb. 85 and June 89 lows is now a very important zone of long term support. It is constructed of two lows of primary degree. Once exceeded, we will have a strong indication that the market is undergoing a bear move relative to the entire advance from Feb. 1985 and, more than likely, greater than the Dec. 1987 to June 1989 bear market. A confirmed decline below the 1 x 1 angle channel would indicate that the market would more than likely continue to decline below the June 1989 low.

From the June 1989 low, the market activity once again defined an important angle channel constructed from the June 1989 low and the Sept. 1990 secondary, Note how precisely this 1 x 2 angle Note how precisely this 1 x 2 angle channel resulted in support during the entire bull move from the June 1989 low. Once the 1 x 2 active angle channel was exceeded, the trader could expect at least a correction of the entire bull move from June 1989. Should the primary 1 x 1 support channel fail as definitive support, a bear move counter to the entire advance from Feb. 1985 would likely be under way.

Following the Feb. 1991 top, price declined sharply. The trader would be very alert should price decline to or within the primary degree 1 x 1 channel. If this channel is exceeded, a primary degree decline is under way that should be equal to or greater than the Dec. 1987 to June 1989 bear market. The market found short term support precisely at the bottom of the 1 x 1 channel, but has decisively broken that channel, indicating that a bear market of primary degree is under way. From an angle perspective, the market should eventually continue to decline below the June 1989 low, eventually making an important bottom near the 2 x 1 angle from the Feb. 1985 low. Should the market decline to the primary 2 x 1 support angle in the future, this will not necessarily indicate the termination of the bear market, but an area where at least intermediate degree support will be found.

As you can see, Gann's geometric angles, when properly used, have helped the astute trader to be alert to important areas of price support and determine the degree of counter trend move once exceeded and the intermediate and longer term position of the market. There are a few simple rules for properly applying Gann's geometric angles for market analysis and trading.

GEOMETRIC ANGLE RULES

1. The geometric angles may be constructed from any single point in time and price. 2. Support or resistance is often found precisely at an angle. Should an angle be exceeded and price recover back above the angle, construct a parallel angle from the extreme price beyond

the angle. This angle channel will be an important zone of support or resistance. 3. A confirmed decline (advance) beyond an angle channel will indicate a counter trend move of greater degree than any since the beginning of the angle channel. 4. Construct another parallel angle on any false break of the angle channel followed by a quick recover. 5. The more times the channel is tested, the more important it becomes as support or resistance. 6. On a confirmed break of an angle channel, the next angle is likely to be a zone of support or resistance should price continue that far. 7. Gann's geometric angles must never be used out of context of the other dimensions of market activity - time, price ratio, space and pattern.

As mentioned above, angles must never be used out of context of the other time, price and space technical relationships. Let's look at the immediate position of the market. The July 2, 1991 low was made at the 2 x 1 angle from the June 1989 low. Was this single geometric angle enough to alert us to a high probability that price would find support at this angle? No. Price will usually only find important support at an angle if there are other important price ratio relationships near the angle at the time price approaches the angle. The cluster of price relationships at the 2 x 1 angle in July were overwhelming. In fact, this was only the second price zone from the Feb. 11 high where there was such a large cluster of price relationships that support of at least intermediate degree might be found. Let's quickly take a look at them.

The astute trader would be prepared months in advance for important support near the 53.92 - 53.71 price zone. This was an important area of price relationships from several perspectives of intermediate and primary degree, as well as the area of the 2 x 1 support angle in early July.

53.92 - 53.71 (Important Price Support Zone)
53.92: 75% retracement of the 6/15/89 low - 2/11/91 high.
53.75: 50% price cycle relationship of the 1/3/80 high - 2/26/85 low from the 2/11191 high.
53.72: 38.2% retracement of the 2/26/85 low - 2/11/91 high (See Figure One)
53.71: 100% price cycle relationship of the 12/31/87 high -6/15/89 low from the 2/11/91 high.
2 x 1 Gann angle (weekly chart) from the 6/15/89 low (See Figure One).

On July 2, price made an intra day low at 54.01, just a few ticks above this price / angle - support zone. The market has initially rallied sharply from this price zone. How important will the rally from the July 2 low be? Given the strong coincidence of price relationships and angle at the July 2 low, the market should advance in a counter trend swing equal to or greater than any since the Feb. 11 top. However, it is very unlikely the market will advance above the 1 x 1 parallel angle channel. Support angles become resistance once exceeded, just as swing lows become price resistance once exceeded.

There are two very important Coincidental Price Objective Zones of primary degree below the market at this time. They are 48.97-48.32 and 44.2143.22. These two price zones are a result of important clusters of price retracement and swing price ratio objectives and percentage change objectives. The 48.97-48.32 zone is also a Price Termination Zone M that should be the minimum price zone that should be reached prior to any major bottom being made in the mark. It will be a good exercise for the reader to examine the various price ratio and percentage change ratio relationships of the primary degree swings from 1975 to discover all the price relationships into these two important price zones.

If the market declines to one of these important support zones at a time when the primary 2 x 1 support angle from the Feb. 1985 low falls in that zone, be prepared for an important low to be made. The coincidence of angle support and Coincidental Price Objective TM is an important indication of change. Figure Two illustrates the usual ineffectiveness of traditional trend lines. Price barely hesitated at the support trendline of the 1985 and 1989 lows. Price declined sharply below the trendline making at least an intermediate term low just a few ticks above the Coincidental Price Objective Zone of 53.91 -53.71. The 2 x 1 Gann geometric angle fell precisely within this zone at the time the market approached. Figure two also illustrates the alternative swing price relationship. The important ratio relationships of the range of the prior primary decline (Dec. 31, 1987 - June 15, 1989) are projected from the Feb. 11, 1991 high. The 100% price cycle relationship of this primary decline fell at 53.71, just below the low of July 2. Review the box above for important price ratio relationships into the important support zone.

Figure Three illustrates the precision which the angles acted as resistance during the prior two primary bear markets since 1975. Note that each bear market found resistance at the 1 x 1 angle channels and each advance found support at the 1 x 2 angle channels. The mark's bull markets advanced at an average twice the rate of the bear market's decline.

Just as a trader must have a precise methodology to determine well in advance narrow zones of price where support or resistance is likely to be found, the trader must have a methodology that will project very narrow periods of future time that have a high probability of trend change. How important that trend change may be will relate to the degree of past time cycles that are projected into the future. The major changes in trend will occur when time relationships from primary and intermediate term degree coincide in the same narrow time period.

The Feb. 1991 top in the Mark fell precisely within an important coincidence of direct and indirect Time Cycle Ratios TM from the four primary degree swings from the 1975 low through the 1989 low. Traders were prepared over one year in advance for a potential intermediate or major trend change in Feb. 1991. Because the Coincidental Time Objectives TM of Feb. 1991 were of primary degree, the new bear trend should also be of primary degree in time and price.

As of this point in time, the Mark has declined to the minimum price objective of primary degree, but has a considerable amount of time before a primary degree change in trend is likely to unfold. The earliest a primary low is likely to unfold is Feb. - March of 1992. The bear trend is more likely to continue through Aug. of 1992 or later.

Gann instructed that every current time cycle is unfolding in precise ratio relationships to one or more past time cycles. Gann's concept of time goes far beyond the traditional fixed length time cycles. Projected Turning Point Periods are determined well in advance from prior time cycle relationships in a similar methodology as the Coincidental Price Objectives TM. It would take far too much time to describe these relationships for the purpose of this article. Bryce Gilmore and I will thoroughly instruct in our time factor methods derived from Gann's unique concept of time at the Singapore workshop in Oct.

Projected Turning Point Periods TM are those future time zones, usually just 2-4 trading days, when trend change has the greatest possibility of unfolding. They can be determined months, even years, in advance. They are accurate to 80-90% probability. The Projected Turning Point Periods themselves do not indicate a high or low period, but simply a high potential period of trend change. Time must never be considered out of context of price, pattern, space and geometric angles. It is important to keep in mind that important change will only unfold when the market is trading at or very near the coincidental price projections and geometric angles within a day or two of the Projected Turning Point Periods. At the coincidence of time, price, space and angle, change is inevitable.

If no significant change occurs within two or three trading days of the Projected Turning Point

Period, the market is likely to continue its trend at least into the next period.

1991 Potential Projected Turning Point Periods Intermediate or Primary Degree for the Deutsche Mark Coincidence of Primary (from 2/11/91 high) and intermediate (from 7/2/91 low) Degree Time Cycle Ratios. July 2-9, Aug. 2-7, Sept. 5-9, Sept. 21-25, Oct. 25-28, Nov. 10- 14, Nov. 2426, Dec. 9-14.

As of this point in time (July 26), the Mark has made at least a short term low just two trading days prior to the July 49 period. Because that low was made just short of the 53.92 coincidental price projection and intermediate 2 x 1 support angle, most likely the market will advance in similar or greater degree of time and price of the advance from the April 29 low. A failure to advance in similar or greater degree will indicate a very weak market. The failure to change trend at a time, price and angle coincidence is an indication of extreme weakness.

At this point in time, the Projected Turning Point Periods underlined are the strongest dates in the next few months. Given the current position of price and pattern of the Mark, an ideal set-up would be to see an intermediate term high made in the Aug. 2-7 period. If a high is not made near the Aug. 2-7 period, the market will likely continue to advance or consolidate at least into the Sept. 5-9 period. Once an intermediate term high following the July 2 low is confirmed, these Projected Turning Point Periods may shift as a result of the ratio relationship of the new intermediate term swing.

The analysis of the past and current position of the Mark from the weekly chart is relative to primary cycle degree. The geometric angles and all the other concepts described are equally applicable to any degree of change, whether from a monthly or daily chart perspective or, even hourly charts. The geometry, time and price ratio and pattern analysis knows no time restrictions. All degrees of change unfold in the same relationships and processes.

The incorporation of Gann's concepts of time, price, pattern, geometric angles and space and trading techniques with the harmonic ratio analysis of time and price is a comprehensive and powerful tool to prepare traders well in advance for important changes in trend and to understand the current position of the market. No analysis methodology will project the future with certainty. All successful traders realize this. Gann's concepts of market geometry and time and price ratio analysis, when properly understood and implemented, will prepare the trader in advance for change and give the trader the edge that is necessary for success. Proper trading strategies and money management must always be implemented with any analysis procedure.

Robert Miner of Gann / Elliott Educators, has trained market analysts and traders in eight countries the concepts and practical trading techniques of v D. Gann through his original W. D. GANN TRADING TECHNIQUES HOME STUDY COURSE and his market letter, THE PRECIOUS METALS TIMING REPORT. Miner's Gann trading course expands upon the concepts and techniques of E D. Gann by integrating them with the most important elements of R. N. Elliott and harmonic ratio analysis. Gann / Elliott Educators is also the exclusive distributors of Bryce Gilmore s WAVE TRADER TIME AND PRICE ANALYSIS PROGRAM. GANN / ELLIOTT EDUCATORS, 6336 N. Oracle Suite 326-151, Tucson, Az. 85704, (602) 797-3668.

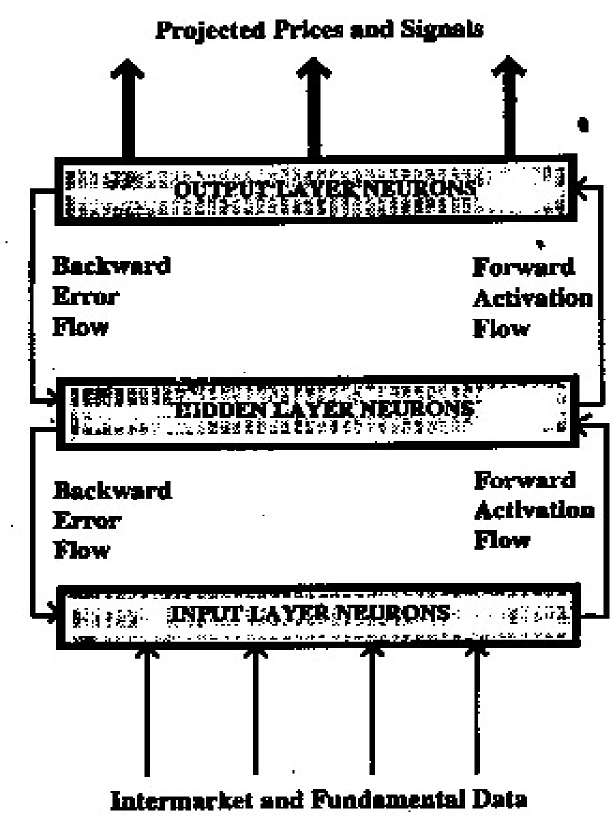
How to Design an Artificial Neural Trading System

By Lou Mendelsohn

Unlike technical trading systems popular in the 1980s, artificial neural trading systems use an iterative "training" process to forecast prices and trading signals without rule-based "optimization" of system parameters or technical indicators. Instead, neural systems "learn" the hidden relationships within selected technical and fundamental data that are predictive of a specific market's future price level.

This article examines the steps to follow in applying neural computing technology to the financial markets. First, you need to specify the output that you want to forecast. You should identify the appropriate input data that the system needs in order to generate an accurate forecast. Then the type, size, and structure of your neural system must be defined. Finally, the system has to be trained and then tested before it can be used as a predictive tool in real-time trading.

Most financial neural systems or "neural networks" generate real numbers in the form of forecasted prices, or classifications such as buy/sell signals or trend directions as their projected outputs.



Input data should be selected based on its relevance to the output that you want to forecast. Unlike conventional technical trading systems, neural systems work best when both technical and fundamental input data are used. The more input data, the better the system can discriminate the hidden underlying patterns that affect its productiveness.

Before you train the system, the data should be preprocessed or “massaged”, since neural systems work better with relative numbers, rather than absolute numbers. For instance, it is preferable to use changes in price levels rather than actual daily prices as your inputs and output.

Neural systems consist of one or more interconnected layers of neurons. In a typical system there are three types of layers: an input layer, a hidden layer, and an output layer.

One choice of system architecture successfully applied to financial forecasting is known as a feed-forward network with back-propagation supervised learning. This design has two or more layers. Neurons within a layer are not interconnected, while neurons in one layer receive inputs from each neuron in the previous layer and send outputs only to each neuron in the following layer. This is accomplished by assigning connection weights or strengths to the connections.

The input layer receives input data. The number of neurons in this layer is determined by how many different data categories are used, with each category taking up one input neuron. For instance, in a Tbond price forecasting system, if your input data includes each day’s closing price spread between TBonds and the DMark, Japanese Yen, Tbills, Eurodollar, Swiss Franc and Dollar Index, as well as the Fed Funds Rate and Dow Jones Utility Average (a total of eight categories of data), initially the input layer would be comprised of eight neurons. If you preprocess the data by taking a one-day momentum on the closing price of each of these markets, or smooth the time series with moving averages, you will increase the number of input neurons accordingly.

Depending on the number of input markets and the extensiveness of the preprocessing, it is not uncommon for a neural system to have several hundred input neurons. With supervised learning, each day’s input data provided to the system during training would also include the next day’s Tbond prices. Before training you should randomly shuffle the paired input data, so that the data is not presented to the system chronologically.

The hidden layer neurons do not interact directly with the outside world. This is where the network creates its internal symbol set to record the input data into a form that captures the hidden relationships within the data, allowing the system to generalize.

Selecting the appropriate number of neurons in the hidden layer and the number of hidden layers to use, is often found through experimentation. Too few neurons prevent the system from training. If too many neurons are selected, the system memorizes the hidden patterns without being able to generalize. Then, if it is subsequently presented with different patterns, it will be unable to forecast accurately because it has not discerned the hidden relationships.

The format of the output that you want to forecast determines the number of output neurons needed. Each output category uses one neuron. If you want to predict the next day’s high, low, midpoint, and a buy, sell, or stand aside signal for Tbonds, the system would need six output layer neurons.

During training, the system’s forecasted output of the next day’s Tbond prices and signal is compared with their known values. Forecasting errors are used to modify each neuron’s connection strength or weight, so that during subsequent training iterations, the system’s forecast will be closer to the actual value.

The “learning law” for a given network governs how to modify these connection weights to minimize output errors during later training iterations. While there are many learning laws that can be applied to neural systems, one of the most popular ones is the Generalized Delta Rule or Back-propagation method.

During each iteration of training, the paired data presented to the network generates a forward flow of activation from the input to the output layer.

Then, if the outputs forecasted by the system are incorrect, a flow of information is generated backward from the output layer to the input layer, adjusting the connection weights. Then, on the next training iteration, when the system is presented with the same paired input data, it will be more accurate in its forecast. The time necessary to perform training can be considerable depending on your computer's speed, the number of days of data (known as "fact-days"), and the number of neurons in each layer.

When the system reaches a stable state, it is ready for further testing. You can perform "walk-forward" testing by creating a testing file comprised of fact-days which were not used during training. Depending on the test results, you may need to redesign the system, including its architecture, learning law, input data, or methods and extent of preprocessing. You may even need to change the forecasted output that you want to predict. Unlike training, during testing the connection strengths are not adjusted to compensate for errors.

If your system can not train on certain paired data, it may contain contradictory or ambiguous information. You should reexamine each of your data inputs or eliminate redundant input data massaging methods before retraining.

Once your network has trained successfully, it is easy for it to forecast the expected output in real-time. All you have to do is provide it with the necessary input data, just as you did during training. However, as with testing, no adjustments are made to the connection strengths. You should consider retraining your system periodically, experimenting with different data and massaging techniques.

Neural trading systems represent a major milestone in the development of analytic tools for time series forecasting in the financial markets. With the ability to develop flexible, adaptive trading systems, which do not rely on predefined trading rules to model the markets, this "sixth generation" technology promises to bridge the gap between technical and fundamental analysis. It brings them together into a combined trading strategy that fully recognizes the impact of intermarket analysis" in the global markets of the 1990s.

Lou Mendelsohn, president Mendelsohn Enterprises, Inc., Zephyrhills, Florida, designs and tests neural trading systems for the financial industry.

Combust

By Larry Pesavento and Steve Shapiro, Ph.D.

One of the most powerful indicators of changes of trend in stock and commodity prices is combust, or the conjunction of the Sun and various planets. Conjunction occurs when the angle (aspect) between the sun and one of the planets is 0 degrees relative to the earth. Or, to put another way, combust takes place when the earth, the planet and the sun are aligned in a straight line.

One of the most consistently reliable combust combinations is Sun - Mercury, which occurs approximately six times a year. When this particular combust pattern appears, particularly in combination with other planetary events, it appears to exert a powerful influence on price activity.

For example, in 1991 Sun - Mercury combust occurred 6 times: March 2, April 14, June 17, August 21, October 3, and December 8. Looking at the chart for July Wheat reveals that on February 28th Wheat reversed its trend and rose in price from 274 to 297 on March 6th. On April 14th Wheat hit a short term high or 300 and reversed to 279 1/2 on April 29. And on June 17, after two days of relatively little price movement, Wheat's price activity accelerated, dropping an additional 35 cents in six trading days.

All of these moves were significantly greater than Wheat usually experiences during comparable time periods. While it is scientifically impossible to say combust caused these movements, it is certainly appropriate to observe that many times when combust occurred these accelerations in price also occurred, usually accompanied by changes in trend.

The days given were for the exact days of combust. This means when the planet was along the axis of earth's orbit. Other important times involving combust are when the planet (in this case mercury) enters and leaves the orb (plus and minus 13 degrees away from the ecliptic, or plant of the orbit).

The reader is invited to determine for himself the accuracy of the effect of combust by checking historical price activity of the other commodities with dates (entering the orb, exact, and leaving the orb should be used).

For the reader's convenience the dates of exact Sun Mercury combust for 1992 are offered. Feb 12; Mar 26; May 31; Aug 2; Sep 15; and Nov 23; Entering and leaving dates may be obtained from a standard ephemeris.

The successful application of this technique in the past does not guarantee its continued or future success. The material presented in this article does not make any inferences to buy or sell recommendations.

Larry Pesavento and Steve Shapiro, Ph.D. are authors of the book Harmonic Vibrations: A Metamorphosis from Traditions Cycle Theory to Astro-Harmonics and can be reached at AstroCycles, POB 1106, Pismo Beach, CA 93449 (805) 773-37417

Gann's New York Permanent Chart

By James Flanagan

Since 1982, there has not been one W.D. 1982, there has not been major high or low in the Stock Market that has not been predictable based upon W.D. Gann's Master Time Factor. Based upon our understanding of these cycles, we are approaching an historic crossroads in the Stock Market. The consensus of these Master Time Factor Cycles points to a final "blow-off" into all-time highs between May and October 1992, followed by a monumental bear market in 1993. I believe a correct interpretation of W.D. Gann's New York Stock Exchange Permanent Chart, provides the evidence of why these events will unfold according to a well defined historic pattern. I also believe that these cycles have already determined in advance when the next panicky Stock Market decline will take place.

In Table 1, we have reproduced the first half of this square which Gann describes in his course as, "a square of 20, or 20 up and 20 over (10 over in this table), making a total of 400 (200), which can be used to measure days, weeks, months or years, and to determine when tops and bottoms will be made against strong angles, as indicated on this Permanent Chart." The true value of this chart is the dimension it gives us with regard to Gann's Master Time Factor or Yearly Time cycles.

In Gann's own words, "The Great Time Cycles are most important because they record the periods of extreme high or low prices. By studying the yearly high and low chart and going back over a long period of time, you will see the years in which bull markets culminate and the yeas in which bear markets begin and end. Each decade or 10-year cycle, which is 1/10 of 100 years, marks an important campaign. The digits from 1 to 9 are important. All you have to learn is to count the digits on your fingers in order to ascertain what kind of a year the market is in. "

The most compelling example I have seen demonstrating the value of this cycle, was the 1987 anniversary of the "crashes" in 1837 (-34%), 1857 (-57%), 1877 (-46%), 1907 (-48%), 1917 (-34%) and 1937 (-50%). Historically, this "7th" year is the most dangerous for holding long stock positions. In close second is the historic tendency for major declines in the "3rd" year. As

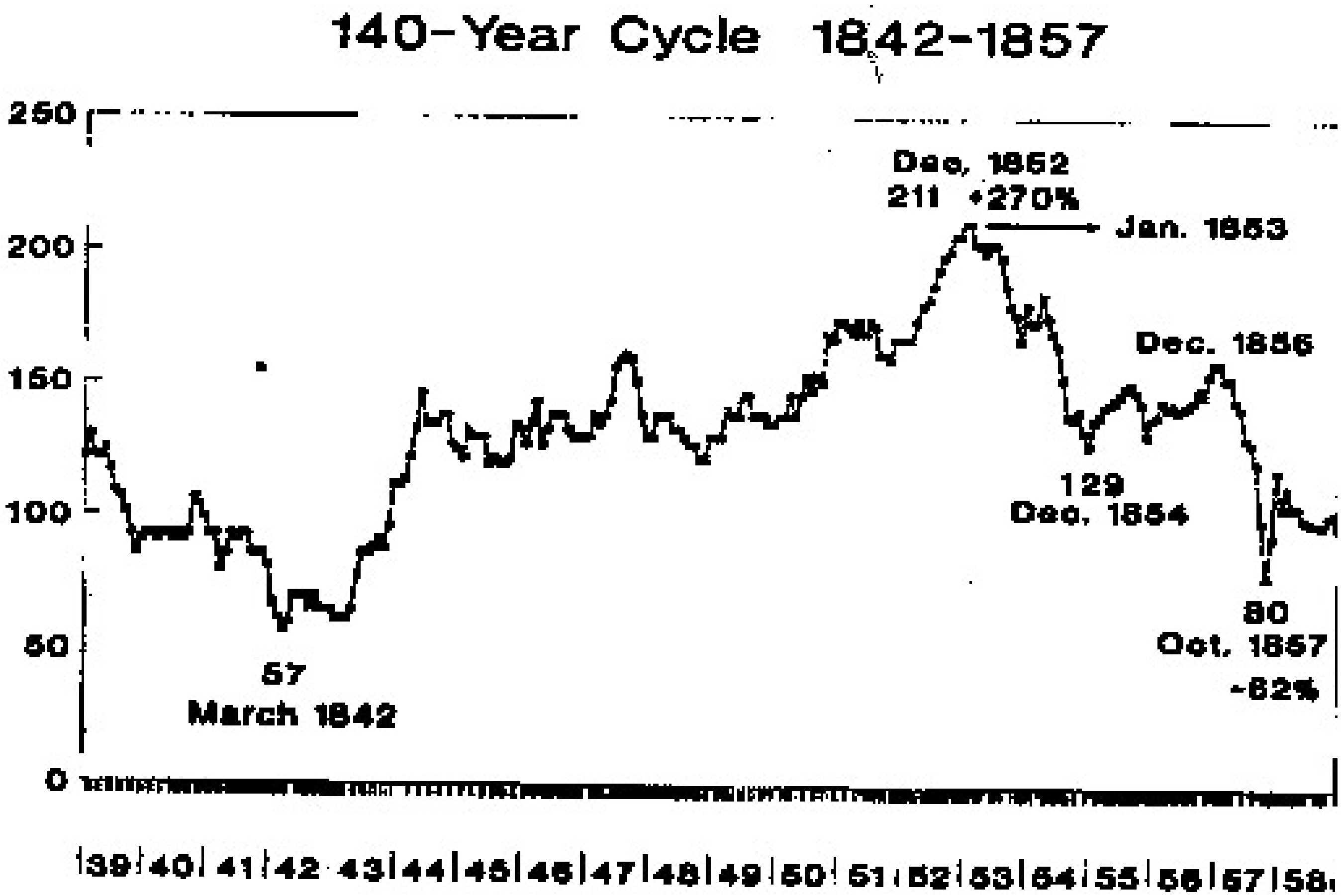
CYCLE	BULL MOVE	%MOVE
140	Oct. 1851-Dec. 1852	+33%
120	Oct. 1871-May 1872	+40%
100	Aug. 1891-Oct. 1892	+25%
90	Oct. 1901-Sept. 1902	+ 12%
80	Sept. 1911-Sept. 1912	+29%
20	Nov. 1971-Jan. 1973	+30%

we approach 1993 we need to be aware of this.

To construct a forecast in the Stock Market for 1991-1993, we look at all previous 10-year or decennial movements to determine the time periods demonstrating similar movements to our own. Having scrutinized the price patterns in the years 1791-1793, 18011803, 1811-1813 etc., we have determined that 1991-1993 is very similar to the consensus of movement in the 200, 140, 120, 100, 90, 80 and 20-year cycles. The conclusion based upon these cycles is that major bull market starting in 1982 will culminate in 1992, followed by a wicked bear market in 1993 (Figures 1-7). Additionally, there is a strong likelihood that the bear market will unfold over a period of four years, with two major assaults down. The first will be in 1993. The second will be to final depressionary lows in 1997.

Returning to the Permanent Chart, we have shaded the years when major lows were made and left clear the years when major highs were made during these critical “1st” through “3rd” years. During these three years alone, 17 of the 30 most important market highs and lows in the history of the Stock Exchange have been recorded. At the top of the square, six of the seven turning point years were major highs. In the middle of the square, seven of the ten turning points in the “1st” and “2nd” years turned out to be bottoms. This shows us that the decades alternate between highs and lows, suggesting that when the “2nd” year registers a final low as it did in 1982, the likelihood is that the “2nd” year in the following decade will register a final top. Thus 1992 stands out as a year for a major top.

Of additional importance is that the year 1992 falls not only at the top of the square, but also at the half-way point moving to the right of the square. This signals the completion of a bull market of higher degree or greater magnitude than any which have preceded it. This is confirmed by the current 293% appreciation in our market from low to high which has now



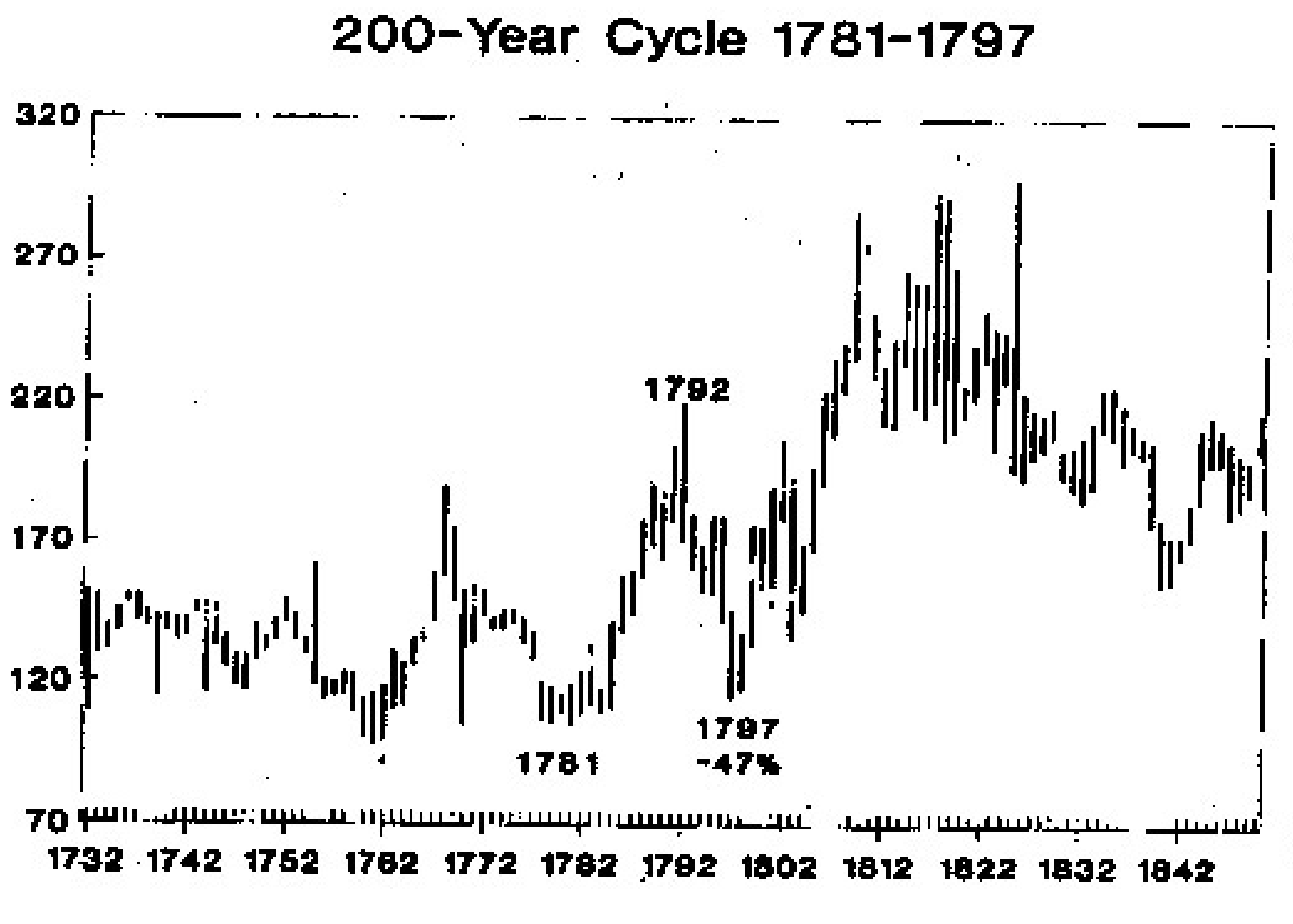
exceeded all seven previous bull market cycle highs in the“2nd” year including the 270% advance in 1852 and the 287% in 1872. Based upon the timing of the “2nd” year highs, we have yet to complete this bull market.

In Table 2, we have listed the final bull market legs that preceded the absolute highs in the “2nd” years. These cycles were unanimously bullish after November of the “1st” years (November 1991), with percentage gains during these final moves up ranging between +12% In 1902 to 40% in 1872 (29% average). If we experience a similar advance from current price levels, a move to 3500-3700 on the Dow Jones would imitate these average final moves up as early as May 1992 and no later than January 1993.

Looking down the road, while there was some diversity in how and when the tops were made, there is no confusion on when the onset of the major bear market occurred. The consensus is for a significant breakdown in Stock prices starting in January of 1993. We have placed an arrow on each chart designating January of the “3rd” year. Returning to the Permanent Chart in Table 1, we have highlighted these “3rd” years and the percentage declines that took place from high to low. Even in markets that did not establish final bull market tops, the market experienced severe reactionary tendencies (1833, 1933 and 1953). This “3rd” year bear syndrome is also evident in the panics and crises in 18th century England in 1763, 1773, 1783 and 1793.

THE 100, 90, and 60-YEAR CYCLES

Gann students have undoubtedly recognized that some of these cycles are of greater importance than others according to W.D. Gann. The dominance of the 100, 90 and 60-year



cycles is of particular interest.

Based upon the 100-year centennial cycle of panic and depression, we would expect our current market to duplicate the depressions of 1793-1797 and 18931896. The decade of the 1790s recorded the French Revolution and runaway inflation that destroyed their country. During the same period, England experienced its worst depression since 1721. One-hundred years later in the United States, the completion of the worst depression up until that time in 1896, coincided with the trough of the Kondratieff Wave 54-year cycle. Also, of interest based upon this 100-year multiple is the 200 year anniversary of the New York Stock Exchange on May 17, 1792, and the 500-year anniversary of Columbus's discovery of America on October 12, 1492.

Based on the 90-year cycle, September 1720 marked the top of the biggest market mania history had ever recorded during the South Sea Bubble in ,England (270 years). Ninety-one years after, the prospects for a U.S. war with England ushered in the Stock Market top in 1811, ultimately resulting in the panic of 1814 and the closing of the First Bank of the United States in 1812 (180 years). This market did not see final bear market lows until 1814. Ninety years after that, the Mckinley boom drove prices higher from 1896-1902 (90 year). The convergence of these cycles is the engine fueling this huge bull market. The antithesis will be the wipeout in 1993.

The harmonic 60-year or "Great Cycle" as Gann referred to it, is also due to play a significant role in the overall decline. These major declines were recorded in 1693 (300 year), 1753 (240 year), 1811-1814 (180 year), 1873 (120 year) and 1929-1933 (60 year).

CONCLUSION

Over the near term, there is a high probability that the Stock Market will experience a final "blow-off" move into a final high in 1992.

Over the long-term, we sum up our views in one word completion. Since time is more important than price, the strongest statement we can make is that regardless of where price is on January 1, 1993 you need to be short the Stock Market. This should start the next major transfer of wealth into 1997. As W.D. Gann was fond of saying, if we do our homework we don't have to guess what the markets will do we will know.

We have utilized the Cowles All Stock Index and S&P 500 because of their superiority to the Dow Jones Industrials both in terms of how the averages are constructed and greater representation of stocks.

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The Power of Eclipses and Their Effects on the Market

By David Wierzba

Eclipses have been considered an omen of things to come from the earliest days of mankind. Many traders still consider eclipses to be significant for the stock market while others ignore them completely. A great deal of confusion is generated on this subject, especially after the apparent failure of the widely advertised July 11, 1991 solar eclipse to have an effect on the market.

What do eclipses really mean for the stock market? First let's start with the basics. Eclipses are a common occurrence of about four to seven each year. There are two kinds of eclipses: solar and lunar. The solar eclipse is a new moon where the moon's orbit blocks the light from the sun. A lunar eclipse is a full moon where the moon passes through the earth's shadow.

Solar eclipses can be broken down into three different types. Total solar eclipses have complete sun coverage. Annular eclipses are total except for a ring of light surrounding the disk of the sun. Finally, with partial eclipses the moon only covers part of the sun.

Lunar eclipses also have three different types. In a total lunar eclipse the moon falls completely in the shadow of the earth and-disappears from view. In a penumbral lunar eclipse the moon falls into the area of partial shadow called the penumbra. A partial eclipse occurs when only a portion of the moon is covered by the earth's shadow.

Our study covers 141 solar eclipses and 143 lunar eclipses from 1929 to the present. Daily charts of the Dow Industrials were studied looking for an eclipse effect. For the purpose of this article we define "eclipse effect" as either:

a) A definite trend change (not just a small one day trend change) within 2 days of the eclipse.
b) A very significant trend change (monthly or longer) within 3 days of the eclipse.
c) A very volatile outside day within one day of the eclipse.

Of the 141 solar eclipses studied there were: 49 total, 47 annular and 45 partial. An eclipse effect was noted for 37 out of 49 total eclipses or 75%.

Dec. 21, 1991	partial lunar	Small low before a holliday rally
Jan. 4, 1992	annular solar	In 0 degree conjunction with Uranus. A significant trend change possible.
June 15, 1992	partial lunar	82% chance of a trend change
June 30, 1992	total solar	Possible trend change
Dec. 9, 1992	total lunar	76% chance of a trend change
Dec. 24, 1992	partial solar	Weak partial exlipse should have little effect on quiet holiday markets.

The 37 eclipse effects were almost equally divided between highs and lows for total eclipses. (17 highs and 20 lows). For annular eclipses, 32 out of 47 were significant or 68% of the time. For partial solar eclipses only 23 out of 45 eclipses or 51% coincided with an eclipse effect.

As expected partial solar eclipses were the weakest, exactly as one would expect. Some interesting solar elipses: 3/7/32 high for the year; 5/30/46 - high for the year; 5/20/47 low of the year; 10/23/57 - low of the year.

Of the 143 lunar eclipses studied there were 51 total, 53 penumbral and 39 partial. An eclipse effect was noted for 115 or 80%. For total lunar eclipses, 39 out of 51 were significant or 76%. For partial eclipses, 32 out of 39 were significant or 82%. For penral it was 44 out of 53 or 83%.

These results were surprising in two different ways. First, total lunar eclipses were not as strong as penumbral or partial. However the few percentage points difference between them is probably not statically significant. It was also surprising that lunar eclipses had a more consistent effect. Many people consider solar eclipses to be more important but only 92 of the 141 solar eclipses or 65% were significant.

Notable lunar eclipses: a) 7/26/34 low for the year. b) 11/7/38 - 2 trading days from the high of the year. c) 2/9/44 - 2 trading days from the low of the year. d) 9/15/51 - high of the year.

Eclipses have been associated with “crash” behavior in the markets but from our research that is not the case unless the eclipse is negatively aspected by an outer planet. On Sunday, March 29, 1987 the solar eclipse formed a near exact 90 degree square angle with the planet Neptune. On Monday, March 30 the market was down 57 points. Another example of crash behavior was associated with the June 15, 1973 lunar eclipse. The moon was at a bearish 180 degree opposition to the planet Saturn. The Dow was down 14.37 points or a steep 1.6% drop from the 900 level. The next eclipse to watch for crash behavior is the solar eclipse of May 21, 1993. This eclipse forms a bearish 90 degree angle to the planet Saturn. Watch out for this one!

For reference purposes next year’s eclipses and their anticipated effects are displayed in table 1.The material presented in this article is for research purposes only and does not make any buy or sell recommendations. The past application of this technique does not guarantee its continued success in the future.

David VVenba publishes Willow Financial 7iming, a forecasting and educational research newsletter. For a sample copy please send $2 to Willow Financial 7iming, P.O. Box 26637, Santa Ana, CA 92799.

The Law Behind the Markets

By Lee J. Franklin

Twenty-two years ago I began an investigation into the nature and history of money. The purpose was to satisfy a natural interest that wanted to understand everything about the idea of money. It was a spontaneous, intensive, self directed search for the Truth that lasted fifteen years.

The end of this quest naturally transformed itself into the beginning of another: seeking an understanding of the movements of the markets. At this time, it may be of interest to the reader to know that I began this second quest in the same fashion as the first: with focused intensity, self-direction and spontaneity.

Prior to starting this second quest, I had never picked up or read any book, newspaper or magazine that dealt in any way, with the markets. The reason for this was two-fold: 1) The interest did not exist, and 2) I feel it of crucial importance to begin all new investigations free of the prejudicial influence of the ideas of others. This method serves to maintain an attitude of intellectual honesty, natural wonderment and curiosity. In short, personal experience has taught me that being a “Trail Blazer” is far more exciting than tromping the beaten path. This same idea is wonderfully expressed by the late poet Robert Frost in his poem about the two paths in the woods. One path was wide, well worn and clear almost as far as you could see. The other was heavily overgrown, barely discernible. At the end of the poem, Mr. Frost reveals what his decision was at that time. He informs the reader that he took the path less traveled. And that, he said, made all the difference.

Upon entering the library of the business school at the local university, my mind was naturally drawn to the steel drawers holding microfilms of the New York Times and the Wall Street Journal.

Whizzing through a few rolls on the motorized viewer, my eye was caught by the financial sections which reported the daily, weekly, and yearly highs and lows for all the securities.

I began to make a record of and study the movements of the prices of securities as far back as they were available, focusing eventually upon those comprising the Dow 30 stocks. Putting the records together to form a more complete picture, I noticed a pattern, a certain “periodicity” to each one’s movement. Dwelling at night upon a mathematical model to explain the cause of those movements, my mind produced many models to test against the market’s moves.

There were times when the calculations were very right, and equally, times when they were very wrong

Some spectacular calls made, like the 125 point “drop” in April of 1988. And calling the closing number of the Dow within 4 points on expiration day in October of that year. However, large profits made on the correct calls were slowly piddled away with trades made on bad calls. It all came to a wash. Does all this sound somewhat familiar?

THREE VALUABLE LESSONS

From these experiences, three very valuable lessons were learned.

1. If one does not KNOW.., with knowledge derived from numerical facts, whether the market is at a “Top” or “Bottom”, one will lose..., period!
2. Work hard to perfect that which works, and set aside that which does not.
3. Never give up!

A few years ago, a friend returned from a visit to the South and handed me a thin, small book. Eighteen years of intense, sincere searching, seeking, knocking and asking, were about to be answered.

The little book was a short biography about a gentleman named Walter Russell. It was titled, “THE MAN WHO TAPPED THE SECRETS OF THE UNIVERSE”. The book described in brief, Mr. Russell’s youthful experiences leading to the time when he became “Illuminated” by a very bright white “Light” that put him into a trance-like state of mind. Afterwards, he was to spend months and years putting into words, the ideas he received from this “Illumination”. As I finished reading it, my mind became flooded by only one thought: “This man has KNOWLEDGE and can teach me how to obtain it.!”

I wrote to the address on the inside cover of the book asking for additional information. An Order Form was returned to me listing all the available writings of Dr. Russell. One title stood out: “A NEW CONCEPT OF THE UNIVERSE”. Within a week, UPS delivered it into my hands.

No quantity or quality of words can explain what happened next. As if by an unseen guiding hand, Dr. Russell’s book fell open to a diagram of his ‘Wave” and “Periodic Chart of the Elements”. I counted the component parts of Dr. Russell’s “Wave”..and nearly fainted from a rush of adrenaline ! NINE ! ! there were NINE parts to the “Wave”! Dr. Russell’s “Wave” of the Universe had the same component periodicity of NINE that I discovered in my securities records.

The intellectual “rush” that swept over me that day might be likened to the feelings of Mel Fisher when he finally found the sunken treasure of the Spanish Galleons near Key West Florida ! The LAW REVEALED.

I subscribed to Dr. Russell’s “Home Study Course in Universal Law, Natural Science Living Philosophy”, available through Trader’s World Magazine in the catalog section of this issue.* Contained within those precious volumes of KNOWLEDGE is The Great Law of Vibration. Dr. Russell refers to this law as a Universal Principle of all motion:

He states it as follows:

“...ALL MOTION STARTS FROM A POINT OF REST. SEEKS A POINT OF REST. AND RETURNS TO THE EQUILIBRIUM OF REST FROM WHICH IT SPRANG.”

My next and final step was to make the beginning point of Market Cycles, and securities within those Cycles, conform mathematically to this Law. The results have been astounding! In the last eighteen months, eleven major “Tops” and “Bottoms” were “Timed” within minutes of their occurrence! The Market achieves these major points “...of rest..” Between four to twelve times a year. They can be traded on a 100% probability basis, provided you have KNOWLEDGE of the following:

A. When to start and end each Cycle.
B. Which Securities belong in which Cycle.
C. How to maintain a “Balance” sheet on securities and assign starting values in conformance with the Natural Universal Law of Motion.

How Half a Point a Day Can Help You Rule the World

By John Piper

How many points do you think you could take out of the S&P futures every day of the week? When we ask people this question they tend to say one, two, or perhaps even more. Well, it's nice to dream but why not settle for just half a point a day from the S&P? Does that seem unreasonable?

The point is that if you can just make half a point every day, on average, you will be a millionaire at the end of fourteen months. Here's how. Let's assume there are 20 trading days in a month. You make half a point each day clear of the spread and commissions, the commission should be no more than $35. Each month you bring in $5,000. That is about half the amount you need to trade a single futures contract. At the end of the first two months you have doubled your money. You started with $10,000, you trade a single contract, you end up with $20,000. So you have doubled your stake and for the third month you trade two contracts. You go for just half a point a day, on average.

Every two months you double your money. At the end of six months you have $80,000 and at the end of a year you have $640,000. You are trading over 64 contracts a day so you are not doing too bad.

Why stop there? At the end of year 2 you would be worth $ 4 million and be one of the biggest traders in the U.S. market. What can stop you? Here is a list:

1. Consistency-this is your biggest stumbling block.

2. Losses - which are going to set you back.

3. Complacency - having attained wealth you will lose your hunger and the risks will no longer seem worthwhile.

4. Market limitations - you would become too big for the markets. Just getting in and out would cause you problems.

5. Personal limitations - at some point the numbers would begin to get frightening.

However, if you aim for just half a point a day you can use very tight stops so this should be practical from a Money Management point of view. The same goes for Risk Control - and you will need a lot of discipline.

Now let's get real. The idea of doubling your money every two months is a nice fairy tale - and it almost makes sense but we have skipped over the flaws. There is a lot of real sense in this fairy tale, so let's adapt it for the real world.

First, let's consider Money Management (MM) and how this is going to affect the majority of readers. The idea of looking for very small, short-term profits (i.e. half a point) does work and you need to apply correspondingly close stops. In all trading you must look for bigger profits than the losses you are prepared to accept. We like to see a ratio of around 3:1 - so if you're looking for a half point profit you need to use a 20 cent stop. That is a little dangerous for most of us, after all it can easily be equivalent to a single price change. For this sort of trading you have got to watch the market extremely closely. When we ourselves trade the futures we normally use a stop of about 50 cents but that is also a pretty short-term approach. In our view, at least when trading the S&P you need to be looking at a 2 point stop -that's if you are not very short-term inclined. Now 2 points at $500 a point (on the S&P futures) is a loss of around $1,000.

In MM terms that is not too bad, but much more would make no sense of starting capital of only $10,000 because it means you are risking 15-20% per trade-and if you do that you won't last long. Remember MM is all about staying in the game. The level of your preferred stop point dictates your risk per trade and thereby the amount of your starting capital.

Once you know how much capital you need to start with, the rest is simple arithmetic. If you need $20,000, because you prefer wider stops, then you have got to make another $20,000 before you double your money - that's 40 points out of the S&P futures. At the rate of half a point a day that is going to take you 4 months. The sums are not so exciting but if you double your stake every four months then at the end of the first year your $20,000 has become $160,000 and $1,280,000 at the end of the second. So it is still not too bad.

So what about losses? Clearly they are going to set you back - but as long as your MM is effective, only in the way of time. As long as your trading methodology is effective and you do make progress then this process will work for you.

We mentioned earlier that risk per trade is the variable. If you reduce this you reduce the original stake needed and the number of points needed before you can increase your trading position. So if you can use a 20 cents stop then starting capital of only $5000 is almost feasible. However you would be more prudent to use at least $10,000 and not to increase until you have made a further $10,000 (i.e. another 20 points).

It might be useful to put forward a few Do's and Don'ts. So here goes:

1. Don't bump up your initial trading position in relation to your cash. There is no point - if this works you will soon be trading more than enough contracts.
2. Don't rush increasing position size. You have to be prudent - that is the key to handling all risk. It is when risk is allowed to run out of hand that it become dangerous.
3. Don't feel you have to trade futures to achieve this sort of result. Options will do just as well and indeed would allow a lower capitalized start. But if you are trading options, it is the amount you make on the option, not on the number of points moved by the market which is important. Also options do not lend themselves so readily to very tight stop policies.
4. Do act on your stops - but we needn't say that need we?

A couple of other points. First, you can increase rather than be doubling each time. So you could increase each time you again make your original stake (and decrease when you lose that sum). Clearly the more contracts you are trading the more often this will occur.

Second, the market does provide a number of opportunities for taking small quick profits. In particular support or resistance points on the futures usually produce at least a .5 or 1 point reaction, especially if the market is oversold or overbought at that point.

One risk which must also be considered is the risk of being caught on the wrong side of a "fast" market action. If the market moves 20-30 points the wrong way and you are using a $5,000 margin per futures contract you are going to lose all your margin plus another $5,000-10,000. If trading 10 contracts or more this could be a very serious problem. It's bad enough on 1 or 2 contracts. This is the big worry with the sort of aggressive approach outlined above. Before adopting such an approach you must carefully weigh this risk.

In life there is one great truth (among others). This is that a man with a plan has a march on the no-plan man. So why not think about how this process could be applied to your trading. Perhaps you should become a man (or woman) with a plan?

This article was written by John Piper~ editor of The Technical Trader For further details contact 77T at 619, Catalina Boulevard, San Diego, CA 92106, TEL. (619) 226-4990. For our hot line service phone 1-900-288-1288 ($2 per minute).

Mental Harmonics

By Robert Krausz

Recently I had the pleasure of teaching some 30 very bright, part time traders at Commodity Management Inc. of Chicago. These traders were certainly a cut above the average. They were above the norm in the two areas that count knowledge of technical analysis and a commitment to trading. The group consisted of men and women ages 18-60, covering the social and economic spectrum. On average they had been trading for three years plus, so definitely, they were not your typical "Beginners 101."

The seminar was an intensive two day workshop on Symmetrics, a new method of technical analysis that uses "Time Squaring Price" concepts, the basis of my personal trading. The students grasped the validity and value of these new ideas quickly. As an added incentive, each student was to receive a personalized "Relaxation Tape" to assist with his or her personal trading problems. To achieve this, each student had to complete a questionnaire I had prepared. The 24 questions were simple and to the point.

The purpose was to get the students to identify what they thought were their problems in trading, eg. "What do you think are your weaknesses in trading the markets? Please place in order of importance."

The first eight questions were:
1) Execution (pulling the trigger?)
2) Analysis?
3) Lack of knowledge?
4) Lack of confidence?
5) No trading plan?
6) Personal problems?
7) Fear of loss
8) Not devoting enough time?

The rest of the questions were designed as a back-up to this central section.
1. Lack of confidence.
2. No trading plan.
3. Execution (pulling the trigger.)
4. Fear of loss.

Before we analyze the results, two points must be clearly understood.

A. The trader's replies were their own perceptions, what they believed prevented them from being competent floor traders. Please do not presume that these were in fact their real trading problems. The difference is subtle, but we are only concerned with the "belief system" of this group regarding their trading. Working at a subconscious level, "belief" is of primary importance, reality is secondary. It is the “belief system” (or mind set) that has to be corrected, if confident, successful trading is ever to begin.

B. Given the fact that most people are reluctant to admit their shortcomings, it was beyond the call of duty for this group to be so honest in their replies. Usually I find the more successful a trader is, the more readily he admits to his shortcomings and the more willingly he makes adjustments to improve (which is of course, the sort of thing that potential winning traders must do.)

The fact emerged that 90% (yes 90%) of the groups’ top four weaknesses were identical. Only the order of importance was different. In other words, here was a group of well-versed market traders, covering the socio-economic spectrum, different ages, etc., and 90% of them had the same perception of what blocked them from becoming successful traders.

Over the course of the last two years nearly 1,000 audio tape “Subliminals for Traders” have been purchased worldwide. All of the feedback showed that the trading problems of the Chicago group were in tune with traders everywhere, the exception being the 5 to 10% who are truly competent traders (the Market Wizards, if you like.) Their psychological problems were of a different variety, if any. It is this 5 to 10% who have learned and found their own way.

Let us examine in detail the top four weaknesses selected by the group in order of their importance.

1. Lack of confidence.
2. No trading plan.
3. Execution (pulling the trigger.)
4. Fear of loss.

What jumps off the page?
What is the root of the other three?
What causes “Lack of Confidence?”
What causes poor “Execution?”
What causes “Fear of Loss?”

Right. NO TRADING PLAN

Could this be one of the main characteristics that separates winning traders from losing traders? The answer has to be YES. Unequivocally. Imagine that relaxed, competent trading is a solid door, but this door needs more than one key to unlock it. A valid trading plan is but one of the keys.

So, what are the TASKS OF A TRADER before successful trading can begin?
1. Obtain a competent analytical methodology.
2. Extract a reasonable “Trading Plan” from the methodology.
3. Formulate rules for this “Plan” that incorporate Money Management techniques.
4. Back-test the “Plan” (in the time frame you intend to trade) over a sufficient period.
5. Discipline yourself. (The best plan in the world cannot work until you pick up the phone!) Without this you have nothing.

Self Management covers that vast uncharted area called "the Psychology of Trading. "Many years ago when I started trading in London, I was truly amazed by the variety of books and courses that were available on all the technical aspects of trading.

But the moment I needed information on mental discipline concerning trading, the pickings were very slim indeed, virtually nil.

That was the start of a 10-year plus journey into the workings of the mind which began with a call to Charles Drummond of Canada, a famous author and inventor of Point and Line charting, who told me about the "freeze" - Traders who were unable to take action. When the market changed direction, they could not.

What prevented the trader from facing reality?

The trader knew the trend had changed. He was fully aware that his analysis was no longer valid. Yet he did nothing.

It took me years of trading and investigating into the workings of the human mind before some answers were forthcoming. It was the very act of trading that exposed me to all of the psychological problems that arise been in other fields of endeavor, I can safely say "there is no other human activity that is like trading the markets."

Was it necessary for me to actually trade whilst investigating the psychological discipline required for successful trading? Yes. I sincerely believe so.

How can you teach boxing without having been in the ring? How do you describe pain without actually experiencing it?

The first reality (and one of the keys to the door) was that analysis and trading were not the same thing. One could not just take a method of analysis (no matter how great) and turn it into a trading system or trading method.

Analysis and trading are two different disciplines. Yes, good trading depends to some degree on accurate analysis, but there are some skillful traders around who are mediocre analysts. Their sound trading methodology compensates for the shortfall in their analysis.

It is the attempt to turn analytical methods directly into trading methods that often causes such horrible results for new and amateur traders. As soon as this becomes clear, with it comes the realization that it takes genuine commitment to become a competent trader. (To become a great trader is another story.)

It is usually at this point that the majority of the players just walk away and realize that trading is not their calling, be it stocks, options or commodities. The ones that survive and stay, the 5 to 10%, have taken the time to work their way through the "Tasks" mentioned earlier.

The majority of the time is taken to formulate and back-test a trading plan. It is the "back-testing" that gives the subconscious mind the conviction of reliability that enables the conscious mind to take action without hesitation. I know traders who have taken two full years to check and back-test their trading plans. They also happen to love what they are doing and love the market (not necessarily the other players, just the market).

The closer a trading plan comes to being 100% mechanical, the easier it becomes to develop the mental discipline to follow it and execute it without the fear of loss. The problem the Chicago group rated #1, "Lack of Confidence," disappears in direct proportion to the validity of a back-tested trading plan.

If a plan is found to work 60% of the time, then the trader will know that 40% of his trades will be losers or scratch trades. Part of the plan will be knowing how to handle the 40%, either through good money management or by qualifying the ability to "cut your losses and let the winners run."

A mental equilibrium develops when the trader reaches a certain level of trading competency.

The first four tasks have been satisfied. The last key to successful trading, in my opinion, is to achieve HARMONY between the conscious and subconscious mind. This balance has to be achieved to some large degree. The greater the balance, or alignment if you prefer, the greater are your chances for success.

One cannot be a winner until the subconscious mind is fully in tune with what the conscious mind has set out to achieve. (Please read this again!)

In other words, the goal orientation and creative visualization techniques I use with my students via Deep Relaxation techniques are of no real value until we get the subconscious to accept the fact that we have a good trading plan. The greater the acceptance, the greater the harmony, and the greater the winnings!

Deep Relaxation is a state of mind, not a state of sleep. I create a state of mind where the critical faculty of the conscious mind is bypassed and direct connection to your subconscious mind is established.

All memories, from the moment of your yesterday, are housed in your subconscious mind. All of your habits, good and bad, are in the same place. It is the generator of your emotions, good and bad. Your past experiences at all levels are recorded here.

This is where it is etched every time you have a losing trade. The more losses you have, the deeper the impression, the greater your critical faculty, the conscious mind, starts doing its job. Just like a guardian at the gate it says, “Hold it. No more!” It starts protecting you from further losses.

That is why when you are about to enter a trade, the adrenaline starts to flow, the skin tingles and even the sweat glands get active. Fear has arrived. Your conscious mind manifests physical conditions that induce a state of fear. In some traders, this goes so far that they are literally unable to move or act at the crucial moment (or even pick up the telephone.)

The longer this process goes on, the more difficult it is to correct it. Even after the trader has found his own route to a competent trading plan, the fear of loss and lack of confidence can be so deeply embedded in the subconscious mind that appropriate trading action still proves elusive.

Every trade can be a mental agony that leads to poor execution, late entry, not taking losses fast enough, and getting out of profitable positions too quickly and without reason.

So what to do?

Over many years the use of back-tested, valid trading plans, may cause the now invalid fears to disappear. However, a shorter route may be to replace these old invalid fears at the very place they were established in the subconscious mind.

If you have really put in the effort to validate your trading plan, then (and only then) are your old fears no longer applicable. We must communicate this new fact to the subconscious mind.

We literally have to erase the previous pictures of impending financial disaster and paint new pictures in beautiful colors, showing a happy, confident and successful trader, using a valid trading plan.

Through Deep Relaxation techniques we bypass the critical faculty of the conscious mind and establish selective thought processes. It is the critical faculty of your conscious mind that passes judgment. This is where judgement is made: Whether your soup is hot or cold; whether you can take this trade with confidence.

Once we can enter the subconscious mind, we have bypassed this critical judgmental faculty. We can now work in a non-critical, non-judgmental environment. Because the subconscious mind cannot distinguish long and short, hot or cold, it will accept the input as factual. The critical faculty is indeed suspended and bypassed. Routine judgment is stopped and selective thoughts and pictures can be installed without questions. The more often this can be done, the better is the chance of success. Repetition can be crucial.

Now we can inform the subconscious mind that the old fears are no longer valid. We replace those beliefs with the fact that we now have a valid back-tested trading program that is profitable. These thoughts can be “etched into the copper plate” of the subconscious mind. With sufficient practice and repetition the subconscious becomes convinced that this is the new reality.

If you truly back-tested and worked with your trading plan, your conscious mind is already aware of its validity. It is your subconscious mind that stopped you from taking correct action in the market.

So, having informed your subconscious that you are now the owner of a valid trading plan that is to your benefit, you may now have both your conscious and subconscious believing the same facts. They are coming to a point of harmony, and balance is achieved.

You now only have to convince your subconscious mind that you deserve your winnings. But that’s another story.

You can only have the trading edge when you have: Clearly defined objectives. Superior information. The ability to act on both!

I wish you joy and happy trading, Robert Krausz.

Robert Krausz is an independent full time trader and Member of the British Council of Hypnotist Examiners. He is the producer and publisher of “Subliminals for Traders” which sold worldwide. Internationally known lecturer on the “Psychology of Trading” and has travelled extensively in the Far East. His latest work “Mental Harmonics” tapes use Deep Relaxation techniques to help traders improve their confidence level. Currently lives in Florida using customized software, which incorporates Symmetrics (c), a “time squares Price” trading concept. Robert is Co-Founder of Global Research Forum, a non-profit organization for sharing information amongst traders. He will be speaking at the Computrac Seminar in New Orleans in November. 757 SE 17th St.., #2 72, Ft. Lauderdale, FL 33316.

Pythagoras and the Powers of 1--3--5

By Joe Rondinone

Pythagoras was born the son of a gem- engraver in Italy in 582 B.C. He died at 82. He started his arcane school at Cratona with these purposes; to study physical exercises, mathematics, music and religio-scientific laws. Do you know that he laid out the musical scale of vibrations per second? All musical instruments are tuned to this A, the 440 vibrations pitch.

Do you know that 1/3/5 notes when played on the piano harmonize? You will find 1/3/5/8 notes (8 is an octave - m music it is written as 8va). The 8th note is C again, a start of a new 1/3/5, only an octave higher. This will make 1/3/5/8/10/12/15 notes all harmonize. This is called a major chord. Any two or more of these notes in this 7 note combination will be in harmony with each other....

This harmony also appears in the structure of commodities: The big problem is the method of counting. Below I have outlined a chart on May Bellies, 1992. As I mentioned before, the major chord in music is 1/3/5. Basically, the 1st note is #1, you do not count from the C note to the D note for a one count as the Elliott Wave count. The 1st note is #1, the 3rd note is #3. This is a major error in the day count that has many counters confused. When you count the days for what they are, (day 1 is #1 not 0 day) you will be surprised how well you can make 3rd and 5ths and 8ths of this in price days...

In reference to the charts in this article, if a number on the chart has a circle around it, it is denoted by a c after the number, for example SC. If the number has a square around it in this article it is denoted by an S after the number, for example 3S.

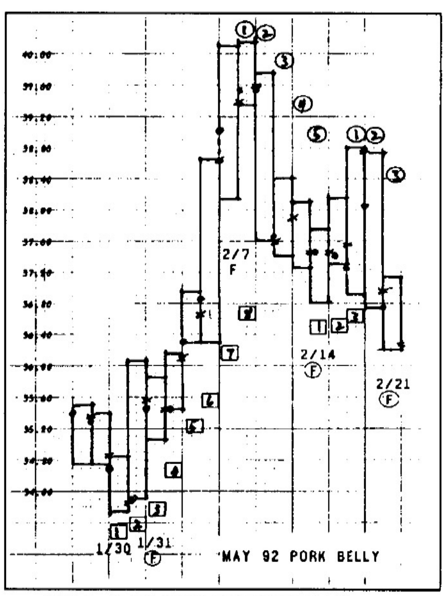


FIG 1- MAY 1992 PORK BELLY

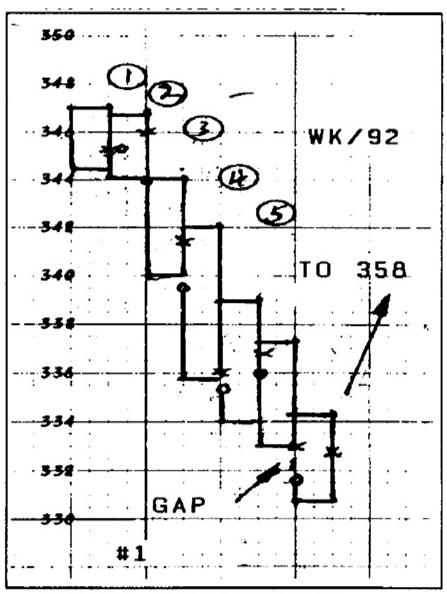


CHART 1 - MAY 1992 WHEAT

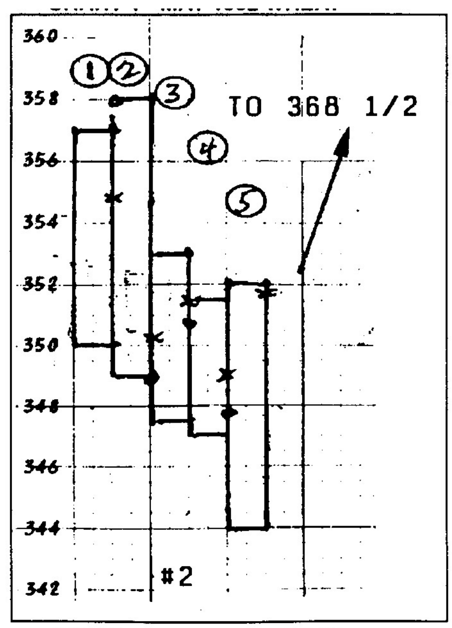


CHART 2 - MAY 1992 WHEAT

The next problem is the double count. It is important in Symmetrics that we use the double count because the high day can be the 8th day up, but it also becomes a day #1 down. You will notice in the chart below, the up days starting with #1 are in square boxes as 1S, and the 85 day up becomes a 1C day down also. The down day counts are all in a circle 1C.

In the May Pork Belly Chart (Fig #1), you will notice 34.11 was the low day 15, the 2S day was high at 36.05 and the 35 day was a 100 point correction or a 50% of the move from 15 to 35. In Symmetrics one rule is that if 35 day holds the 1S days bottom, the prices will go higher. A 62% correction is a strong support and a 50% correction is stronger, this means higher prices are coming. The price advanced to 40.15 high on day 8S when the low of day 8S is broken, we start a down count, the day 8S now becomes a 1 C circle down day. In Symmetrics the up days are numbered on the bottom of the price day and coming down the day numbers are placed on the top, or above the days move. The price fell to 36.80, 36.92 was a 62% of the 34.17 low to the 40.15 high. Here we have two buy principles; this was a 62% correction and a 5 day time. When this SC down low is in place, it now becomes a 15 day for a rally as soon as 1S days high is bettered. You have a 15 3S 55 day rally to 38.80. This is a 62% rally from 40.15 high 85 day to the SC day low. Prices for the day settled at 38.75 because of a split close. Next day the price broke the low of the 3S day and you have a 1C day move down. At this writing 2/21/92, we are 2 days down. Watch day 3C and day SC for support and reversal.

Now let's go to the May 1992 Wheat Charts. In my 38 RULE BOOK I have many charts that illustrate my rule of #38; called, "the rule can make you rich". Copies are still available and I include one copy with every trading method I sell. Rule #38 states; in a strong bull market, you should buy on all 3 and 5 day reactions because the prices will rally until a blow-off top is made. In this article we have four charts on the 1992 May wheat which should bring out the power of the 5 day reactions to the bull market and these should have been buying opportunities to buy long and also if long to add to your long positions.

Chart #1 shows a 5 day down to 333. Day 6 opened at 3311/2, made low at 330 3/4 and rallied to 358.

Chart #2 shows the high close at 354 3/4, this is day 1C because it was the high close day.

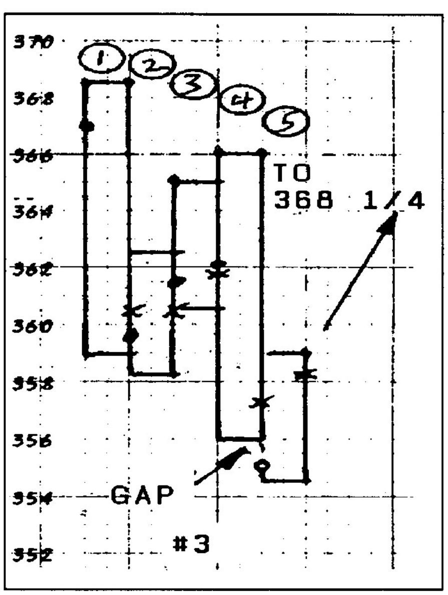


CHART 3 - MAY 1992 WHEAT

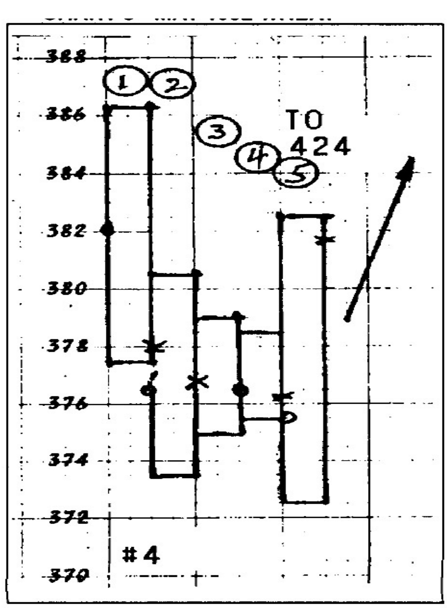


CHART 4 - MAY 1992 WHEAT

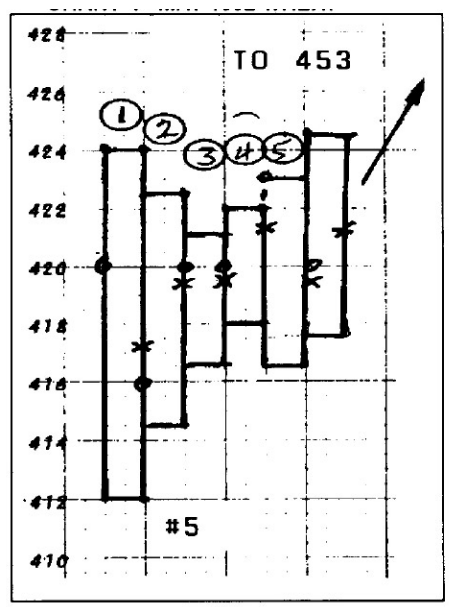


CHART 5 - MAY 1992 WHEAT

Day #2 opened with a higher gap, but fell to break day 1, making it day 2C. Day SC made a low at 344 and rallied to 369 high.

Chart #3 shows 369 high as a #1 1C day and although day 3C and 4C rallied, day 4C ended making a new low. Day SC opened gap down and raffled to 386 1/4. Closing the gap on day SC was rule #33 in my rule book to buy. Here you have two buy rules again, one buy on closing of the gap on the 5th day, and buy on the 5th day reaction, with a close stop of course...

Chart #4 shows the 386 1/4 high, sold down to 373 1/2 on the second day. Days 3C and 4C were inside days and day SC made a new low at 372 1/2 and rallied to 382 1/2, that day. The rally went to the 424 high on 1/24 Friday, low was 412. The chart will show that a five day reaction was in effect, but all the days were inside days. All 5 days within the 412-424 range of Friday 1/24. This must surely be termed a strong market with this holding power. On the 6th day a new high was made and a fast rally started that climaxed at 453. When this price was made a fast limit down followed. This limit day down broke the uptrend, at least to this point. These are some dynamic examples of how the natural laws of the 3-5 can be of benefit to the short term trader: A tool to add to your tool box...?

In music there are 8 different notes. In the study of harmony (musical harmony, composing, arranging) we call the 1st note, the tonic or #1. The 3rd note is a 3rd and the 5th note is a 5th with the 8 note is an octave (8va). I mention this count method because it differs from the Elliott Wave count concept. I don't believe Mr.. Elliott studies music or the Pythagorean theory,.

Now to a step further with music as compared to commodities. In music there are 8 notes to a musical scale. You start with C and the 8th note up the keyboard is a C again, only this is an octave higher. I want to bring out a minor point here, but it is very important. All band instruments are tuned to the A note which is a 440 per second vibration. As I stated earlier, the 8th note higher is A again and you may be happy to know this A vibrates at 880 times per second, and the next 8va higher is double or 1760 vibrations per second... The lower 8va below the 440 A will vibrate at 1/2 the 440 or 220 times per second.

In music, songs are written in different keys. A song with two sharps ##, it will be in the key of D, and the song will end on the D note. Is it possible that we should look at the starting price of a contract to designate the projected ending price? This could be for further study some day.

To get back to the note count, we have 8 notes, but there are 7 different notes: A-BC-D-E-F-G. After G comes A again, the eighth note. If you play a scale, you do not stop on the seventh note. The scale is not complete until you play the eighth note. Can this be compared to the market making a high and following a sell-off, goes up one more shot to make a new high and play that eighth note? Now the eighth note becomes a #1 again for the next octave (8va) higher scale, etc. With these 8 notes (white keys) there are 5 more notes, which are the black keys on the piano. We now have 8 white keys and 5 black keys. This is a total of 13, all Fibonacci numbers. Did Pythagoras come up with the number series 500 B.C., before Fibonacci? No matter from what note you start on the piano, there are 8 white and 5 black keys to any octave.

In music sharps and flats denote the key of that song. The key is governed by the number of sharps or flats. It is a firm law of harmony. You will not have a song with 3 sharps which will be in the key of A end up in any other note or chord but A. Can it be price structure? Think on that!

Joe Rondinone taught music for 30 years. He taught at the Julius Hartt School of Music

Cycles Made Easy

By Dr. Hans Hannula, PhD, RSA, CTA

Cycles have fascinated traders for decades. This magazine frequently carries articles describing vanous cycles, especially astrocycles. But if cycles are so clear and obvious, why don't cycle followers own everything? Maybe cycle aren't as simple as they seem. Let's take a look at cycles, and some new technology for trading them.

Figure 1, part A, shows an ideal cycle, such as might be found in a stock or commodity. It moves up and down between highs and lows. This cycle may be riding on top of an underlying trend, as shown. Now suppose we could extract the cycle without the trend, as in part B. If we then could measure how high the tops or bottoms were, we would know when this cycle was about to turn up (a buy) or turn down (a sell). If we marked high and low levels, we could call them buy and sell lines, as shown in part C. We could then use two very simple rules to guide our trading.

1. When the cycle goes above the sell line, and then comes back down through it, sell.
2. When the cycle goes below the sell line, and then come back up through it, buy.

If we could really do this in real markets, trading would be easy, fun, and very profitable. Wouldn't that be nice? Past Technology

Probably the most widely used cycle technique is the moving average. Many traders rely on regular or exponential moving averages for trading signals. Hurst, in his landmark book, The Profit Magic of Stock Transaction Timing, clearly explains that moving averages are really low pass filters, which can be used to extract cycles from stocks or commodities. He also points out the BIG problem with moving average techniques - the answer they give is valid one-half span ago. For example, when a 200-day moving average computed today turns down, it is reallysaying that the 200-day cycle turned down 100 days ago. That's great to know, but not very useful for trading.

This delay property is characteristic of all "digital filter" cycle extraction techniques.

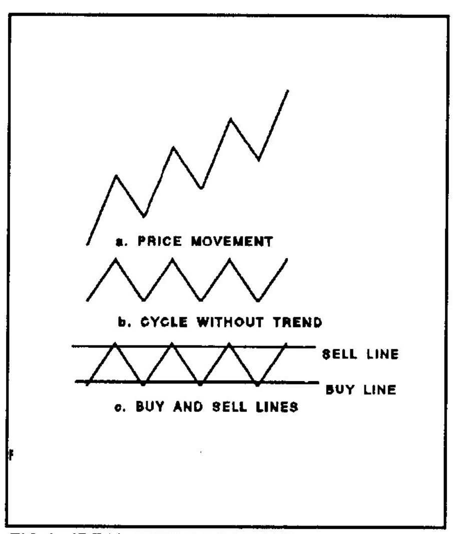


FIG 1 - IDEAL CYCLE BASED TRADING SYSTEM

For years I have experimented with algorithms which might overcome this problem. Finally, I have found one.

A New Technology

This new algorithm extracts cycles without delay. It can tell you today that the 200 day cycle turned down - TODAY While the algorithm is proprietary, I am making it available to other traders through a software package called the Trading System Toolkit. Now let's see how close the Zero-Delay (ZD) filter comes to our idealized cycle model.

It comes pretty close. It has stood the test of real time use in real markets. It has worked on all markets tried, because they all follow cycles. Figure 2 shows a real example using wheat. A cycle of approximately 29 days is extracted using a ZD filter. Note that this cycle does not behave perfectly. The highs and lows are not always the same level. Also, note that the time between turns is not always 29 days, or even the same. Real market cycles behave this way. They do so because they are the result of many cycles combining.

Now look at the buy and sell lines. They are not level and straight as in the ideal case.

The ones shown here are computed using another of my methods. This one computes the statistical distribution of prices over the last 89 days, and then marks a sell line at 1.45 standard deviations and a buy line at -1.45 standard deviations. In this way, the lines account for the volatility of prices. if price action gets slow and sluggish, the lines pinch down. if prices begin to move actively, the lines move apart. In essence, the lines "tune into" the underlying price volatility.

Finally, look at the indicated buys and sells. Most of them meet the rules of our ideal system. Price does move up above the sell line, and then back down. It also moves below the buy line, and then back up, giving signals that are near the ideal. A few times, the cycles don't quite reach the bands, and one might have to make an in-formed guess that the cycle has turned. One can usually trade these situations with a close stop, and do just fine.

The real problem in these non-ideal cases, is that the multiple cycles forming the one we are tracking are somewhat "out of sync" on their timing. Or it could be that the parameters of the systemneed to be tweeked. Maybe setting the buy and sell bands at +1.4 and -1.4 standard deviations would work better. Or perhaps using just the last 69 days of prices for the statistics would work better. Obviously, it may be both necessary and desirable to adjust the trading systemvalues (called parameters) as time moves along.

Real time use of these ZD based systems has shown two very important things about them.

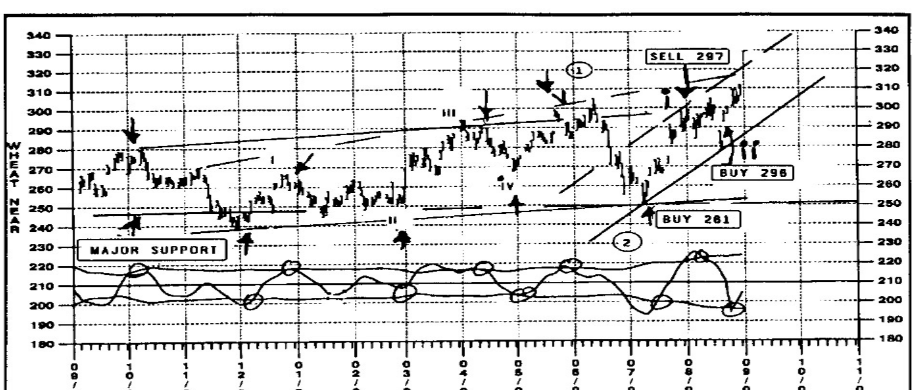


FIG 2

First, it is very easy to come up with a set of parameters that works well over one to two years time. But it has never been possible to come up with a set of parameters which works without adjustment for all time. For example, a 29 day ZD filter is working well with wheat in 1991. When tested on 1972 wheat, it also worked, but a 23 day filter worked much better.

There is an absolutely fundamental reason for this. Market cycles are caused by combinations of planetary cycles. The planets form over 7200 major cycles, each with its own period, so in any given year, these cycles change, and their combination changes. This causes price cycles to “slide in and slide out”. They become stronger, and weaker. A particular price cycle will appear to change its length. It may even, due to chaos (another topic for another time), double its length, or cut its length in half instantly. This is called “frequency jumping”.

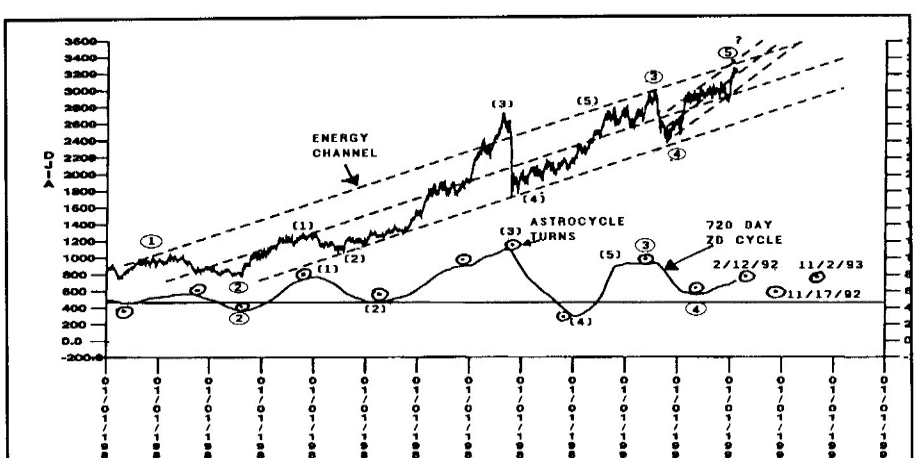
The genius of the ZD filter is that it will follow these shifts. It was designed to follow real planetary cycles, yet it uses nothing except price for its input. For example, in the wheat system, the cycle shifted from 36 days between turns to only 22, but the 29 day ZD filter followed this shift nicely. And finally, it does so without delay. No other filter has these capabilities.

Counting Elliott Waves

These wave counts are changed so frequently that I call them Chameleon Counts. Using the ZD filter greatly increases one’s ability to count Elliot waves. By applying a filter of a certain length, one seets the degree of the waves to be counted, reducing confusion. While one may still find one or two or three possible wave counts, the probabilities of a valid count which can be profitably traded are much greater. Figure 3 shows an interesting use of a 720 day ZD filter to extract the major waves (cycles) in the Dow. One can easily see that the bull move began in 1980, not 1982. Further work shows this cycle turning on a Mars-Node Astrocycle. So the ZD filter greatly aids putting all analysis styles together.

The Trading System Toolkit

The Market AstroPhysics Trading System Toolkit (MAPTSTK) is a collection of tools which allow traders to easily create, run, modify, and maintain cycle based trading systems. These systems depend on the ZD filter. The program runs on MSDOS, and provides the ability to describe a trading system, save and reload this description, display the trading system on the screen, and generate a MS-DOS batch file which will run the trading system on a printer. A wide variety of printers is supported, as is a VGA or super VGA display. A demonstration video is available.



DJIA, A THEORETICAL CYCLE, AND 720 DAY ZERO DELAY CYCLE

FIG 3

Proportional Time and Price Projections

By Robert Miner

Throughout W. D. Gann's original material, he frequently describes the "squaring" of time and price. This is usually understood to mean when price and time are equal (squared) change in trend will occur. The equality of price and time is usually described as a market that reaches a point where it has had a change of an equal number of units of price and time.

An example would be a point in time where soybeans had made a 60 cent move in 60 trading days. The diagonal of a square rises at the rate of 1 x 1 if each side of a square is equal to one. On a chart that is scaled 1 cent per trading day, a 60 cent move in 60 trading days would fall precisely at a 1 x 1 angle from the beginning of the move. This is where the term "squaring" price and time came from.

Any analyst or trader who has done a comprehensive study of past market swings in a variety of markets has found that few changes in trend are made at the "squaring" of price and time or when the units of price movement are equal to the units of time elapsed. Does this invalidate Gann's concept of the squaring of price in time, or, is there more to this concept than the literal interpretation?

Gann's concept of the squaring of price and time implies that time and price are of equal importance and important change in trend will not unfold unless there is an important time and price relationship that coincide. In my past articles in Trader's World, I have described the methods to project the highest probability of the future time of change by Time Cycle Ratio analysis. All traders are aware of basic price retracement analysis. Each analysis method of time and price is directed by the fact that changes in trend in the market occur at some important proportion of time and price of past cycles.

By expanding on Gann's concept of the equilibrated nature of time and price and proportional

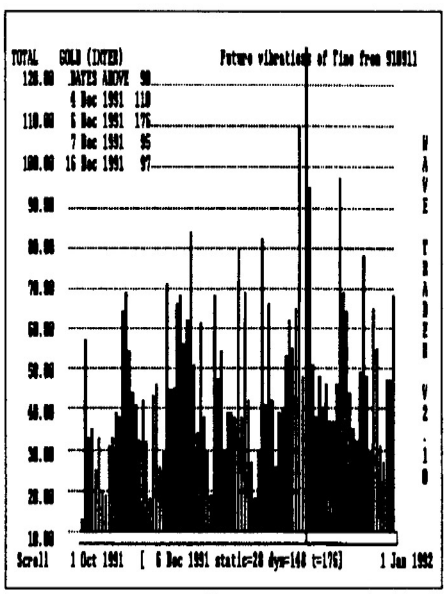


Fig 1

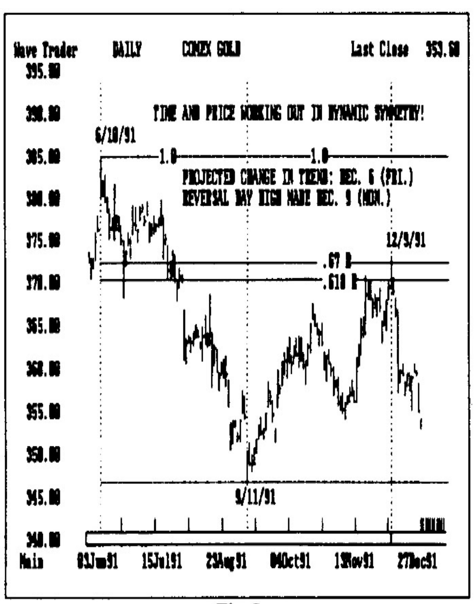


Fig 2

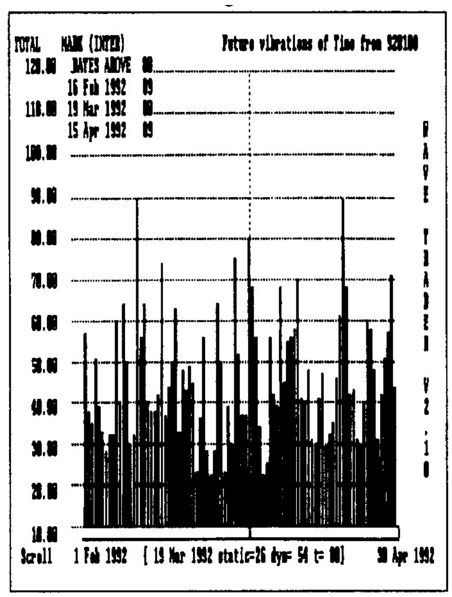


Fig 3

cycle analysis, we will find that important changes in trend only unfold when price and time are in proportion to one or more past cycles of similar degree. These proportions may not be the same ratio as with the squaring of time and price which implies the ratio will be one to one. At any point in time when price and time are in proportion to one or more past cycles, there is a high probability of change in trend. This occurs less frequently than one may think. When it does, be prepared to take action.

Since a picture is worth a thousand words, let's take a look at recent changes in trend for several markets. They will illustrate just a few of the important time/price relationships that coincided at important market junctures. For each of the illustrations shown, there were many other time and price relationships at each of the changes of trend illustrated.

Traders must keep in mind that all time and price projections are determined well in advance. The trader does not know in advance if the projected price objectives will be hit within the projected time objectives. If a trader will exercise the appropriate patience and discipline to only enter a trade on the set-ups of the coincidence of time and price, their success should be ensured.

The histograms shown are from just one of the time report routines in the WAVE TRADER analysis program (see the review in the prior issue of Trader's World) which calculates the coincidences of the Time Cycle Ratios of prior swings into the future. This methodology was described in my June 1989 issue of Trader's World, Projecting the Precise Time of Important Tops and Bottoms. The highest scoring future dates will have the greatest probability of change in trend. While this time projection routine is not infallible, I know of no other cycle or time projection methodology or analysis program that even comes close to the Wave Trader's Time Alert projections.

Figure 1: Gold, Wave Trader Intermediate Degree Time Alert

Dec. 6, 1991, a Fri., is projected as having the greatest probability of intermediate change in trend for the three month period of Oct. through Dec. 1991. A trader would want to be very alert to the price and pattern position of the market going into Dec. 6. The projected dates are important for plus or minus two trading days from the actual date projected.

Figure 2: Dec. 91 Gold

On Dec. 9, one trading day after the Dec. 6 projected date, gold made a wide range reversal day at the 67% retracement level. The time relationships of the prior swing was 1:1;

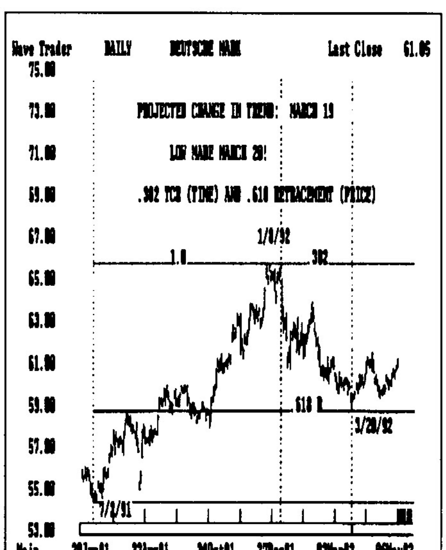


Fig 4

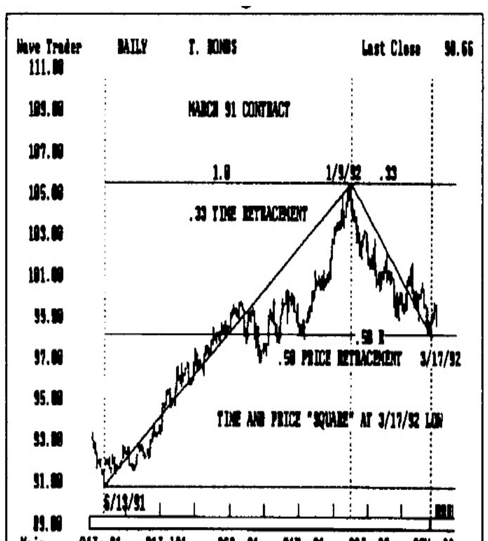


Fig 5

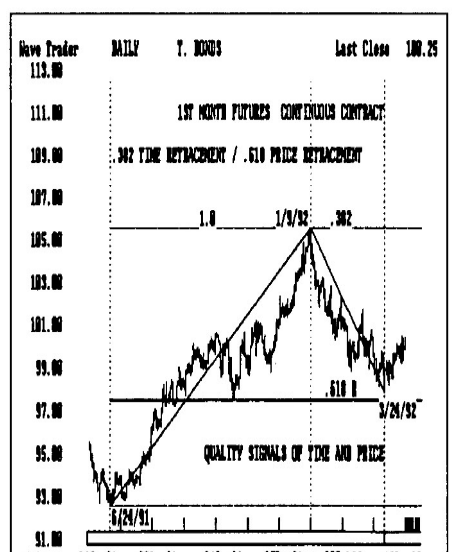


Fig 6

price relationship, 67% retracement. Note that price did not close above the 62% retracement level. Time and price are in proportion to the prior bear cycle of the June 6 high to the Sept. 11 low. There were many other time relationships going into this period that resulted in such a high relative Wave Trader Time Alert score on Dec. 6. Elliott Wave traders will note that the reversal day high of Dec. 9 was made in the fifth wave of the C wave of the counter trend that began Sept. 11.

Figure 3: Deutsch Mark, Wave

Trader Intermediate Degree Time Alert There were three dates that had the highest probability of intermediate change in trend in the four month period following the Jan. 8, 1992 top in the mark. These dates were Feb. 16, March 19 and April 15. They all seemed to be relatively significant from a time perspective. However, change in trend will only occur if price is also at an important proportional relationship of one or more past cycles.

Figure 4: Deutsch Mark, Daily Continuous

On March 20, just one day following the March 19 projected date, the mark makes a wide range signal day with an intra day low at a 62% retracement of price. One of the important time relationships on March20 was a 38% retracement of time of the prior cycle. Important change in trend will occur at the juncture of proportional time and price. The mark began a significant rally at this coincidence of proportional time and price.

Figure 4: T-Bonds, March 91 Contract

On March 17, T-Bonds made a wide range, outside reversal day at a 50% price retracement and a 33% time retracement to the prior cycle. How important was this coincidence of proportional time and price? From the March 17 low, bonds began a rally that was greater than any since the Jan. 9 high.

Figure 5: T-Bonds, 1st Month Futures Continuous Contract

If a change in trend occurs near the expiration of a contract, there often appears a distortion on a continuous contract. Many data services and traders use various types of adjusted or perpetual contracts that they believe will smooth the data for the distortions at roll over. These are bogus continuous contracts that do not reflect the precise time and price points needed to accurately calculate time and price relationships.

Figure 5 is a continuous 1st month futures contract that rolls over on the last trading day with no adjustment in price for the discount that the new bond contract is trading at. From this continuous bond chart, it appears that the low in March 1992 was made on the 24th. Even with this “distorted” chart of bonds, we find that the March 24 low on the continuous chart was made on a wide range reversal day at a 62% retracement of price and a 38% retracement of time! Whether a trader went long on March 17 or March 24, significant profits would accrue. Traders should always analyze the single month and continuous contract proportional time and price relationships if it appears the change in trend may unfold near a contract expiration period.

These have been just a few of the proportional time and price relationships that fell at recent intermediate term changes in trend in three markets. Just about every change of trend of any degree will fall on one or more obvious proportions of time and price. This analysis method is as relevant on 15 minute charts as it is on daily, weekly or monthly charts.

All future time and price objectives may be calculated in advance. A market will not make a change in trend at ever price proportion or every time proportion. But, when the market reaches a price objective within a time objective, a tradable set-up has unfolded and the trader should take advantage of the low risk and low capital exposure set-up. These time / price set-ups may be further filtered by pattern and momentum studies.

Every trader may deal with the reality of market activity by being prepared well in

The Jiggle Line

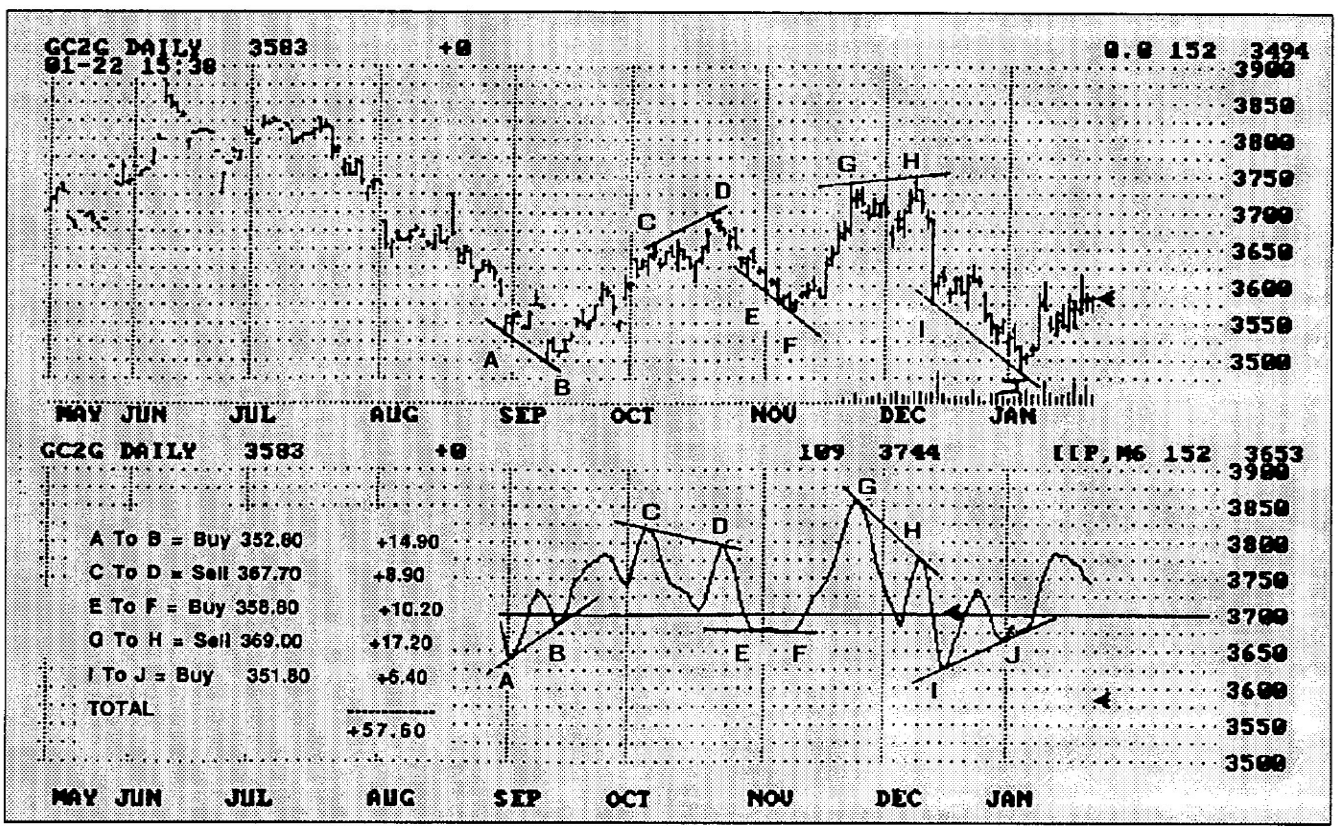
By The Cosmic Cowboy

I have been intrigued by the commodity markets for many years. I have actively spent the last few years searching for the "whys" of market movement. I found the jiggle line concept on one such search. The concept is from George Bayer's excellent book, GEORGE WOLLSTIEN: EXPERT STOCK AND GRAIN TRADER.

(Anyone searching for esoteric market concepts would do well to read all of Bayer's books.) After reading the book for the third or fourth time I finally decided to examine the jiggle line, as presented, more carefully. It was a simple matter to program the formula into Lotus 1-2-3 and hand chart it at the bottom of my daily wheat and soybean charts. Its movements puzzled me. Sometimes it would turn down in the middle of a move and price would continue rising and vice versa on a down move. For some reason, though, I steadfastly kept plotting it on my charts for months. I guess it was a case of TANSTAAFL. (There ain't no such thing as a free lunch.)

In the back of my mind I felt like Bayer had discovered something important but at the rate I was able to plot it I would never be able to learn anything. I simple needed to see more "jiggles" than I was able to see on my hand drawn dailies. To aid in my trading and research I added live Bonneville quotes and Ensign graphics to my arsenal. I had the Ensign program modified to have the jiggle line appear on any chart.

Now I could look at any time (frame) chart from 1 minute to monthly with the jiggle line overlaying both price and time. I found that the jiggle line was actually a type of momentum



indicator. Other indicators of the same type that I had studied caused me many whip-saws and great pain (to my trading account). The real break-through came when I finally noticed how the true signal was being sent. It was by the use of divergence. Prices would make a lower low while the jiggle line would make a higher low. From there it was an easy matter to make a simple system to buy or sell the open of the next day after such a signal was given.

The gold chart presented with this article shows 5 profitable trades (out of 5 possible) up to the current day this article is being written (Jan 21, 1992) with a total profit of $5760 over a time period of 4 months. The stop-loss order never needed to be more than $400 from your entry point on the day of the signal.

In a cursory study of 21 years of beans I found that the divergent signal averaged between 6 to 7 trades per year and made an average of $15,000 per year on a one contract basis. (If a simple money management tool is employed your returns are substantially higher.) At least 3 out of 4 trades were profitable if a common sense trailing stop was used. Other commodities have yielded like results. To be effective using this, or any other technique, you need to follow a minimum of 4-6 unrelated markets.

Fred Ruscher is a fidl-time trader and can be reached at 9210 N 54th Dr., Glendale, AZ, Phone 602-931 -0498

Major Reversals Coming in the Financial and Commodity Markets

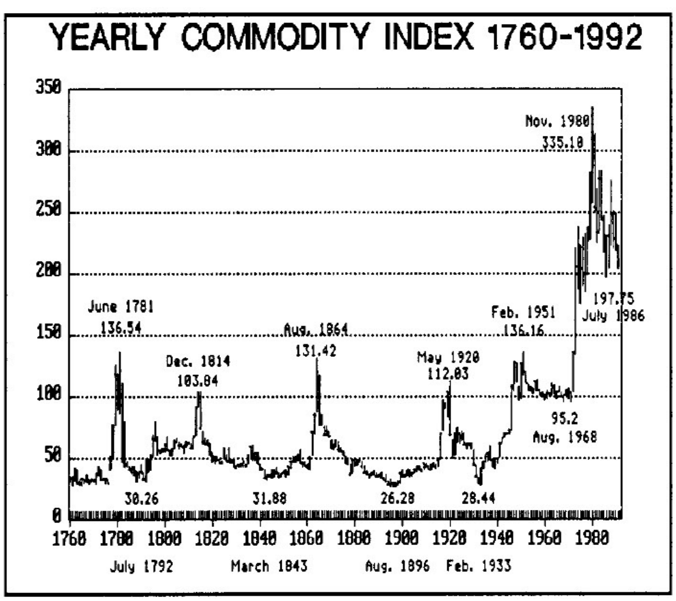
By James Flanagan

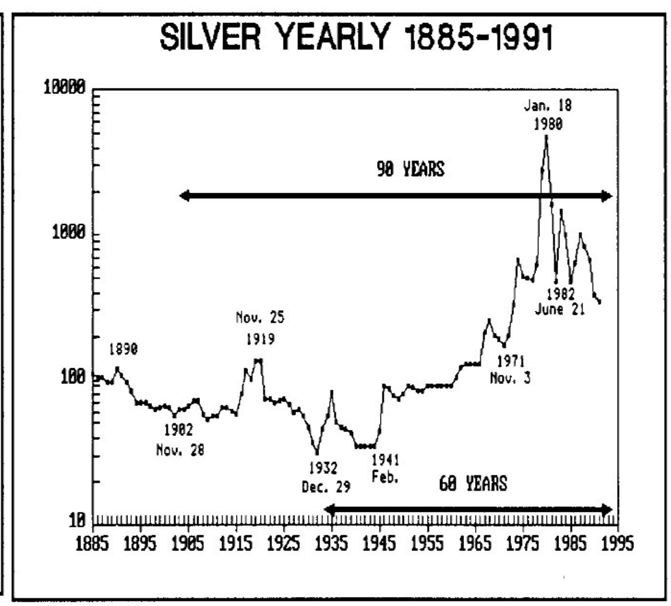
In the last issue of Trader's World Magazine, we revealed the pattern in the A Stock Market we believe is unfolding according to WD. Gann's N.Y Stock Exchange Permanent Chart. Gann's Yearly Time Cycles have determined years in advance that this Stock Market will culminate in a "blow-off" move from now until October 1992 with a wicked bear market unfolding after January 1993. I believe the likelihood for the simultaneous culmination of major deflationary lows in commodity prices also based on Gann s Yearly Time Cycles, makes for a potentially unprecedented shift in the financial tide. The enormity of this move away from financial assets (Stocks and Bonds) in favor of tangible assets (Gold, Silver, Grains etc.) makes for a possible once in a lifetime opportunity. If our prqjections are correct, the Stock Market top could on the order of importance of the 1929 top and the deflationary lows in overall commodity prices could be the most important since the last trough in the Kondratieff Wave in 1933.

During his career, the legendary WD.Gann made sñnilar astonishing and sensational predictions by virtue of his cycle theory. With the benefit of these cycles he forecasted almost to the exact dates the landmark high in the Stock Market in 1929 and the depressionary low in 1932. I do not presume to have the credentials that Mr~

Gann did. But I am a good disciple and plagiarizer. I am convinced that our forecasts for final top in Stocks, and final bottom in deflation duplicate what would have been WD. Gann's conclusions were he still alive.

By way of review Gann determined that repetitions occur in all the speculative markets based upon market movements in the past. This is not to be confused with traditional cycle theory where you look for highs or lows to occur based upon a periodic rhythm in the markets. Rather it is based upon a knowledge of how the markets traded during critical time periods counted backwards from the present. To work up a current forecast, we look backwards in





time to determine what price did 360, 270, 200, 180, 150, 120, 100, 90, 84, 60, 50, 45, 30, 20, 15 and 10 years previous in the expectation that our market will duplicate these prior years or "cycles". If our current market's price movement is paralleling these years, we make our future forecasts based upon the assumption that the parallel will continue. A high probability forecast occurs when a significant number of these cycles are in alignment and showing a consensus of market direction.

In working up our forecast for commodity prices, we will use the Warren and Pearson's Index of 30-Basic Commodities from 1760-1955, and the CRB Index from

1955 to date. We continue our indebtedness to Richard Mogey at the Foundation for the Study of Cycles for his tremendous resources in our research (2600 Michelson, Suite 1570, Irvine CA 92715, 714-261-7261).

Based upon this review of history, we find that virtually all of our most important Yearly Time Cycles were pointing lower until 1991. In the March 8, 1991 issue of our newsletter titled 'Tidal Thm Upward In Inflation?", we documented that the 20, 50, and 90-year cycles were in the process of making major lows. These lows were followe~l by the major inflationary markets starting in 1971, 1941 and 1901. Each of these yearly cycles is already pointing up in long-term secular bull markets. Our purpose in this article is to document the other most important Yearly Tune Cycles which all bottom by early 1993, and confirm a major deflationary low.

Notice in the yearly chart that the troughs of two of the four greatest deflationary lows in U.S. financial history were within one month of being exactly 90 yeats apart in March 1843 and February 1933. In WD. Gann's own ~iting he designated the 90-year cycle in commodities as the "Great Cycle". In his Commodity Trading Course he reviews the profound impact this cycle has had on wheat prices. For example: 1932 was 90 years from 1842. Study the wheat prices around this time. 1850 and 1851 - add 90 years and we get 194041. Note low prices of wheat around that time.

June 1855 high for Wheat $1.70. 90 years from this period gives 1945. Wheat reached high in June 1945, selling at $1.70, some options at $1.68 and $1.69. 1850-51, extreme lows for wheat. Add 45 years and we get 1895, when extreme low was reached. From 1895, we again add 45 years and get 1940." Is it a coincidence that the anniversary of the major deflationary low in August 1896 supported prices perfectly 90 years later in July 1986 intheCRBIndexandthis remains our 15-year low to date? No way. July 10, 1986 also marked the lowest price wheat has traded in the last 20 years - 90 years after the 1895-1896 lows.

The completion of the next major time factors from the 1843 and 1933 lows, is the 150 and 60-year anniversary lows. The bottoming of these two cycles suggests a major low between February and March 1993.

After the February 1933 low, prices rebounded 66% in 19 months in a violent rally from extreme oversold conditions. A significant high was not reached until 1937 after prices had advanced 106% in 3 1/2 years. The completion of this 60-year cycle which Gann likewise called one of the "Great Cycles" compels us to watch for another historic low in March 1993. 'This is the greatest and most important cycle of all, which repeats every 60 years or at the end of the third 20-year cycle."

Notice the precision demonstrated by the price of Silver based upon this cycle (Figure 2). On November 25, 1919 the blow-off inflationary top during World War I advanced prices from .47 to $1.37 an ounce. Almost exactly sixty years later price made final highs on January 18, 1980 at $50.35 during the Hunt Brothers corner. What would it have been worth for Nelson Bunker Hunt to have known that this 60-cycle was completing and issuing a major sell signal? How about five billion dollars! What if I also told you that the highest price Silver traded in

England between 1833 and 1920 was in July 1859, 120 years before our 1980 high. Another coincidence? Not according to Gann.

After 12 years of lower prices following the 1919 top, the price of Silver made a double bottom in 1931 and 1932. The first came on February 21, 1931 at .25 (our current low is $3.50 an ounce on February 16, 1991). The second bottom was December 28, 1932 at .24 1/2. We are twelve years removed from our 1980 highs. We will celebrate the 60-year anniversary low in December 1992 a time to look for major low in Silver. This low in 1932 was followed by a 230% advance in price to .81 in April 1935. In addition, November 28, 1992 will mark the completion of the other “Great Cycle”, the 90-year anniversary of the 1902 lows. If you are looking for the final low in Silver prices, you should have it by December 1992.

The 150-year cycle low in 1843, is a multiple of what Gann referred to as the 50-year ‘jubilee” cycle taken from the Bible. “A period of “Jubilee” years of extreme high or low prices lasting from 5 to 7 years occurs at the end of the 50-year cycle.” After the absolute low in March 1843 commodity prices did remain relatively stable before exploding higher during the Civil War. However, the grains were stand out performers. After final low in March 1843 the price of wheat advanced 200% from a low at 30 cents a bushel to a high at 90 cents in December1945.

Fifty years and eight months prior to the March 1843 low, the first of our four historic deflationary lows was established in July 1792. This cycle is particularly intriguing because of the almost exact 200 - year anniversary highs from June 1781 to November 1980. The 11 year, 1 month bear market from June 1781 to July 1792 was followed by an explosive 162% rally which carried commodity prices from a low at 30.26 to 79.16 by May 1796. We are 11 years, 4 months removed from our November 1980 highs. If we continue to parallel this 200-year cycle, July 1992 would also mark the beginning of an explosive move up in price.

Finally, it is important that we mention the 10-year anniversary low as of October 1992. In Gann’s words, “the important cycle for forecasting is the cycle of around 10 years. Fluctuations of about the same nature occur which produce extreme high or low every 10 years.” The 1982 low in the CRB Index supported a violent 11 month, 26% rally from 225.80 to 283.30 before resuming the bear trend into final lows in 1986. While of lesser importance, this cycle adds support to an already impressive army of historic cycle lows.

I believe that the bottom of this deflation coincident with our projected highs in the Stock Market no later than January 1993, is a mind boggling possibility. It is a “reasonable” deduction that this time period will usher in a generational shift away from financial assets (Bonds and Stocks) in favor of tangible assets. If so, there are important historic precedents on where our assets belong during this period of maximum opportunity. This shift demands an answer to the most important question which is how will we protect our investment capital? Of secondary importance is how we can multiply our speculative trading ca~l during these once in a lifetime markets.

James Flanagan is Editor of “The Investor’s Edge Newsletter”. National Institute of Investment Research. For a free trial subscription call 1-800-545-9331 or 1-310-828-4688.

Pick Your Stocks with Astrology

By Carol S. Mull

Hundreds of trading systems, soft ware packages, and books have been written and designed to forecast the fluctuations of the future and commodity markets, but very little has been produced in the astro-field to help investors and traders of individual stocks. The exceptions to this dearth of tools and information are a few books, mostly outdated, and a handful of newsletters. Mull Publications is planning to fill this gap with a series of products, books, and courses of study. The first of these products to be made

available is a collection of the astrological charts of approximately 2500 corporations, mutual funds, country funds, futures, commodities, stock exchanges, and currencies. The major portion of this collection is composed of individual corporate charts, i.e., virtually every stock that is commonly traded. It is available from Trader's World.

Matrix has put this chart collection on compact disk format, which will allow you to sort, compare, and manipulate huge numbers of charts. The Compact Data System lets you do this, and gives you a way to compare large sets of data, using a variety of unusual techniques. At your disposal are aspects and angular separations, sign and house placement, interface nodes, bum rate, harmonics, graphs, distance values, horizon orientation, and more. And, with a little astrological knowledge, you will be able to forecast such things as whether the stock is likely to go up or go down (both short-term and long-term), when a takeover or merger is eminent, if a growth stock is likely to become an mdustry leader, or when the CEO is likely to depart.

The incorporation chart disk sells for $200, like other disks in the Corporate Data Library. To run these, you need the Compact Data System, which costs $100 and comes with The Circle Book of Charts (over 1000 charts of historical personalities) as a bonus. So, total cost is only $300.

The collection is arranged into categories as follows: Basic Materials aluminum, other nonferrous, chemicals, forest products, diversified mining, paper products, precious metals, steel, Energy coal, oil and gas, oil field equipment and supplies, pipelines, Industrial air freight/couriers, building materials, containers and packaging, diversified industrial, electrical components and equipment, factory equipment, heavy construction, heavy machinery, marine transportation, pollution control and waste management, railroads, industrial and commercial services, transportation equipment, trucking, Consumer advertising, airlines, automobile manufacturers, automobile parts and equipment, beverages, casinos, cosmetics/personal care, food, food retailers, health care providers, home construction, home furnishings, household products, lodging, media, medical supplies, pharmaceuticals, recreation products, restaurants, retailers, consumer services, textiles and apparel, Technology aerospace and defense, communications, computers, diversified technology, industrial technology, medical and biotechnology, office equipment, semiconductor and related, software and processing, Financial banks, country funds, diversified financial services, insurance, mutual funds, real estate management, savings and loan, securities brokers, Utilities telephone systems, electric, gas, water,Conglomerates, Commodities and Futures currencies, cotton, energy, farm products (food), indexes, lumber, meat, metals, municipal bonds, treasury bills-bonds-notes, Exchanges

United States, foreign National U.S. Charts U.S., U.S. Currency, U.S. Treasury, etc. Money yen, franc, mark, pound, guilder, etc. (date made legal tender)

Within these categories, stock charts are filed by Ticker Symbol and exchange. For example, General Motors is GM:NY; International Business Machines is IBM:NY; Amgen, Inc. is AMGN:OTC. The birthdays of corporations are considered to be the date of their most recent incorporation, as that is when they become legal entities. It is important that it be the most recent incorporation, because companies grow and change over the years. As they do, they usually find that their old legal structure is no longer adequate. They are then likely to file new papers-of-incorporation, which action ends the legal existence of the former corporation, and may completely change the nature of the company. New products will be offered and new business policies will be adopted. Sometimes this is good for the company, and sometimes it is a disaster. It is always a change. The (Walt) Disney Company is a good example.

Disney Company used to be a Virgo. Virgo attention to detail was evident in the profusion of drawings made of animated creatures. Uncle Walt presided over a land that was squeaky clean and Tinkerbell scattered a white powder (Was it household detergent?) to bring enchantment to The Magic Kingdom. There was chatter everywhere; the very leaves of the trees were engaged in conversation. Nobody could possibly have been lonesome in Disneyland. There was no flowing blood, no deaths, no disharmony in the Magic Kingdom.

Then Disney Company was reincorporated and became an Aquarian. Almost overnight, they began to make a different type of movie. Epcot Center was built, and it was very Aquarian in nature. There was worldwide expansion, with theme parks in other countries.

Other examples of big changes are the tobacco companies. When Neptune, which rules tobacco, was conjunct Saturn, planet of restriction, laws were passed, which required the “This product is harmful label on cigarette packages. Public buildings, airlines, and restaurants would no longer allow smoking within them. In desperation, many tobacco companies became food companies, but still sold tobacco products in foreign countries. All these happenings were reflected in the charts of the tobacco companies.

Disney company and the tobacco companies were examples of major changes. Actually, both large and small changes occur in companies everyday. Companies merge, expand, file bankruptcy, experience business downturns, lay off workers, fire the boss, open branches, add new products, discontinue products and services. All these happenings affect the prices of their stocks. You will not be able to tell exactly what is going on from the company’s natal astrological chart, but you should be able to tell if it will be positive or negative for the company’s stock price and when it will happen.

Because there are so many mergers and reincorporations of businesses, Mull Publications and Matrix Software plan to keep updating this collection. That is, they plan to completely check, update, add new companies, and eliminate cornpanies that no longer exist to one-fourth of the collection each quarter, so that the entire body of material is checked once a year. You will be able to update by periodically purchasing an updated data disk ($30.), without replacing your Compact Data System.

Incorporation data such as this batch is not easily assembled. The dates and states of incorporation are usually published in the Moody and the Standard and Poor Directories, but that is not the most accurate source. If you ask your broker, he is likely to give you the date that the company went public, which is not what you need. This data was carefully assembled by writing to the corporate secretaries, founders or legal departments of the companies involved, or by checking with Secretary of State offices. Its accuracy cannot be guaranteed, but every effort has been made to provide the best information possible.

I have been working with incorporation data for about fifteen years. One of the things that has been of interest to me is that the type of industries that are the most prominent change a lot over the years, but the months in which most Standard and Poor's "500" companies are incorporated changes very little. What I mean is that fifteen years ago, manufacturing companies still dominated the "S&P 500." Major companies were those that have been termed " Smokestack America." Today, it is all high-technology computers and biotechnology. These changes correlate with the changes in our society.

Contrary to this, major national companies tend to be incorporated with about the same frequency at different times of the year. That is, each time the Standard and Poor's "500" list is published, there are likely to be twice as many companies with Cancer sun as there are with either Aries or Libra sun. The most used dates are close to July 4th, our nation's birthday. It may be that Cancer sun companies prosper in the United States because they do connect to the national chart, and that this would not necessarily be so in other countries. It is also true that major players on the U.S. stock market tend to have conjunctions of the planets in their charts with planets in the chart of the New York Stock Exchange. In fact, I have come to regard these connections to the U.S. chart and the N.Y.S.E. chart as indicators of whether or not an emerging company is likely to become a giant.

Over the long-term, a Blue Chip company is most likely to have a Cancer sun. Capricorn sun is second in frequency. During the years that the outer planets were transiting through Sagittarius, Sagittarian companies were third in frequency, but that changed when Saturn, Uranus, and Neptune moved into Capricorn. I expect Aquarian companies will be more dominant, when the heavier planets have moved into Aquarius.

Small emerging cornpanies,that break onto the scene with a lot of advertizing tend to have fire or air sign (Aries, Leo, Sagittarius, Gemini, Libra, Aquarius) suns, and they leave the scene just as quickly. The companies that grow and endure are more likely to have sun in an earth or water sign (Taurus, Virgo, Capricorn, Pisces, Cancer, Scorpio). An emerging company with Jupiter conjunct or trine the sun, and no other severe aspects, is sure to expand and prosper. A company with sun conjunct Pluto is likely to be a leader within its industry.

Astrology is a very good timing device, and for this reason, I have found corporate astrological charts to be extremely valuable, when trading options. Here is my approach:

Options are normally offered on about three hundred stocks. Of these, only about thirty are large enough cornpanies to have enough shares outstanding to make it possible for the option to move fast and significantly. A company with fewer shares outstanding may have great aspects and transits, but I would trade its stock rather than its option, because options must move fast and decisively to be profitable to the trader. I know the charts of these thirty or so companies very well, and I constantly monitor each of them for Jupiter and Saturn transits to their sun, Venus, Mercury, Mars, or nodes. The positions of their progressed suns and transits to their outer planets are likely to produce longer term policy changes, which are of interest to the investor, but are not fuel for the quick movements that bring profits to the option traders.

When option trading, depending on the market in general, purchase your option about ten days before the target aspect is exact, and sell as soon as the aspect is exact. Do not tarry. When the aspect is over, it is over. Keep your eye on the underlying stock rather than the option. If the market goes against you, sell immediately. This is not the place for hope and wishful thinking.

The financing for profitable takeovers has now evaporated, but they, too, can be predicted via the astrological charts of corporations. I benefited from three major ones, and can offer these guidelines:

Takeovers correlate with a transit Pluto aspect to the sun or to the progressed sun. Pluto aspects to other planets will bring rumors, but if the sun is not involved, it will not actually happen. During the takeover process, Pluto will go forward, retrograde, and go forward again, producing rumors and counter rumors over a period of several months to a couple of years.

Another indicator that a company may be a takeover target is an eclipse that is conjunct its sun. This is a sign that the company may be going out of existence and this signpost often precedes a takeover. However, the company may be going out of existence for other reasons.

The timing of a takeover is tricky. A Mercury aspect must be present to bring the negotiations to the attention of the public, and a Mars aspect is needed to trigger the actual event.

Not all takeovers and mergers are profitable to the investor. You can gauge the probability of a takeover or a merger being profitable to the investor by the presence of associated Jupiter and Venus aspects and the absence of Saturn aspects to the Pluto/sun aspect.

Now, in the 90s, takeovers are rare. Today, the same aspects that previously heralded takeovers are more likely to announce vast expansion, much reorganization, and a move into the international market. Even so, such aspects can indicate an opportunity for profit to the option trader.

Fifty commodity and futures charts are included with this collection. These are set for the time, date, and place of the first trade of that particular commodity or future on The Chicago Board of Trade, The Chicago Mercantile Exchange, or The New York Markets. The George Bayer wheat and corn charts are also included.

The United States Exchanges section includes the two commonly used inception charts of the New York Stock Exchange, the George Bayer chart for the inception of the New York Stock Exchange, the 1869 reorganization chart of the New York Stock Exchange, and inception charts for the Chicago Board of Trade, New York's COMEX, and Chicago's OEX. There are fifteen foreign stock exchanges in this collection.

An interesting thing about stock exchanges around the world is that so many of them have planets conjunct or in aspect to twenty-six degrees Taurus, which is the position of the fixed star Algol. By tradition, Algol has the nature of the business planets, Saturn and Jupiter. To be specific, the New York, Amsterdam, London, and Tokyo Exchanges have sun conjunct Algol, and in two more years the Frankfurt Exchange will have progressed sun tine that degree. The Johannesburg, Melbourne, Paris, Toronto, Zurich, Budapest, Helsinki, Lisbon, and Madrid Exchanges either have a planet in this position or they have planetary aspects to the position. Only the Singapore and Istanbul Exchanges appear to be unconnected.

In late 1993 and again in 1994, Pluto in Scorpio will be opposing the twenty-six degree Taurus Algol position. Transit Pluto opposite natal sun is the aspect that forced the break-up of the old Bell Telephone Company, due to government action. Pluto transits have a slow and inevitable quality. Surely, this aspect will bring sweeping changes to stock exchanges around the world.

This chart collection will provide you with an enormously useful tool for trading stocks, and can open the door to much more research into the ways that the planets affect the fortunes of corporations. It is available on compact disk from Trader's World.

Carol Mull is an active trader, writer, and lecturer. She is the editor/publisher of "The Astro-Jnvestor" newsletter and the author of two books and of numerous magazine articles. She is co-sponsor of the World Conferences of Astro-Economics. She can be reached at P.O. Box 11133 Indianapolis, Indiana, 46201-0133 Phone 317-357-6855.

How To Use Buy Stops and Sell Stops

By Mike Riley

It is important to have BUY & SELL STOPS for both sides of the markets. This is because you need to know where the turn of trend is on either position. We give BUY & SELL STOPS for both sides of the markets in all of our services.

Your buy stop (BS) or sell stop (SS) should be placed where the trend will change. A (BS) turns the trend up; and a (SS) turns the trend down. Short Term (ST), means within two weeks. INTERMEDIATE TERM (INTE), means after two weeks up to one month. Long term traders should use (INTE) stops. A market can have two or three tests of a price area before breaking up or down. The trend may not change with only one test, it may take two or three tests to change the trend. If a market needs more than one test, then you should place buy stops (BS) above the highest test one or two after the first test. You should place buy stops (BS), above the highest test one or two after the first test. Place sell stops (SS), below the lowest test after the first test.

If you want to scalp the market; then buy or sell the tested area. The safest test is the second test because it is a double top or double bottom (but can be a minor (short-term) or major (intermediated term)) top or bottom and the market will bounce off of the tested area, especially the double tops and bottoms.

Buy and sell intermediate term (INTE) double tops and bottoms, they are the safest and most rewarding place to make a trade. They will reverse the market 80% to 90% of the time.

If you want to catch the break-out up in a bull, then place the (BS) above the tested area after the second and especially the third test, and above the highest test, and look for the objective where it is should go up to. The market will break-out up on the fourth and fifth test.

If you want to catch the break-down in a bear, then place the (SS) below the tested area after the second test especially in the third test, and below the lowest test, and look for the objective where it should go down to. The market will break-down on the fourth and fifth test.

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Learn to Love Studying
and
Applying the Techniques of Gann
Gann Masters Lessons

By Larry Jacobs

In the last issue of Trader's World magazine we included a postcard which stated that any subscriber who wanted 6 free lessons to Gann Master's International should check the postcard and return it to us. Because of the large number of postcards we received we decided to summarize those 6 lessons in to the following article. The article contains most of the important parts of those lessons. It does not include the lesson exams or many of the large charts.

W.D. Gann was perhaps the finest trader of all time. With over 40 years of research and trading, he fully understood the markets and why they move the way they do. In his lifetime Gann wrote many books and courses about the markets. What he wrote, however, is difficult to read and understand. It is the job of Gann Masters International to find for you the important trading methods and techniques Gann used, prove that they work, and put them in an easy to understand lessons.

In Gann Masters, you will be presented to each lesson in its logical order Gradually and simply, an important factor, the clarification of a mystery, vital knowledge, or a bit of material will merge into another You will not be driven into a maze of charts and numbers which you cannot understand and which will fatigue you. The lessons are organized by degrees and grades, each following in this proper order So here it is, the summary of the first 6 lessons of Gann Masters.

If when you are trading, you find yourself feeling inadequate and unable to face making decisions with enthusiasm and confidence, then this course is for you. You're probably finding yourself making pathetic trades that lose money most of the time. You can learn to become more confident and successful in trading and awaken a new trader within you with Gann Masters International.

It doesn't matter who you are or what type of person you are, you can find total self-confidence in trading! If you look around at your friends and business associates that you know trade in the markets, you will find that very few of these them are successful at it. Most of them lack the necessary confidence and conviction in trading. They are not willing to put in the work to learn how to trade the markets properly. The majority of traders have surrendered to losses most of the time. Statistics say that 90% of people lose in the commodity markets. As a result they blame their brokers, the floor, outside circumstances for their failure to trade profitably. Eventually, most people think that their trading is so much controlled by outside events that they give up trading all together.

W.D. Gann, the greatest trader of all time wrote, "Speculation or investment is the best business in the world if you make a business of it. But in order to make a success of it you must study and be prepared and not guess, follow inside information, or depend on hope or fear. If you do, you will fail. Your success depends on knowing the right kind of rules and following them." He said that lawyers, doctors, engineers and professional men who make a success spend anywhere from two to five years time studying and preparing to practice their profession before making any money. Yet men enter into speculation in Wall Street without any preparation. They have made no study of it whatsoever. They try to deal in something they know nothing about. Is it any wonder then that they lose?"

Speculators and investors who simply guess, follow tips, rumors, newspaper talk and so called inside information have no chance of ever making a success. Unless they follow some well defined plan based on Science and Supply and Demand, they are sure to lose.

Gann Masters International is in a unique position to give you the rules of successful Gann trading. You must be willing to study and learn the lessons in the course that will be given to you. It will take you long hours of study and practice, but you cannot get something for nothing. It will cost you time and money, but it will be worth it in the end.

If you want to be a successful trader, then you must also change your inner aspect of what kind of a trader you think you are. You must believe that you are different than most all other traders and that you are going to be as successful as W.D. Gann was in the markets. To put it another way, you are not what other people think you are, but what you think you are.

Don't concentrate on your limitations or your failures of your past trading. You have been conditioned since you started trading by people around with false concepts and values. This has limited your full potential. You have the power to change your trading. You must realize your worth as a strong person and a very successful trader. The time has come for you to stop your bad habits of trading and start putting in the time and money to become a very successful Gann trader.

Put all things aside while you are studying each lesson. The hours you spend will be a small investment compared to the return that you will receive. To get the best results from these lessons, read each lesson through several times. You may have to return to some of the prior lessons if you have forgotten any of the material. Now, read the following rules carefully:

1. You must now assume that the truths you now hold to be true may in fact be false and those truths may hold you back from your full potential as a successful Gann trader. You must open up your mind freely to all new ideas and forget all false truths you believe to be true. There is no limit to what you can do if you use your full imagination to work on becoming a successful trader Once you believe that you are a trader as good as W. D. Gann, then you will act as though it were true. You have been unknowingly limiting your full potential through your "mistaken certainties" in your mind. If you can eliminate these "mistaken certainties" your potential for successful trading will go well beyond anything you know. You must now awake to the truth and limitations that you have imposed on yourself. You must now assume that many of the truths you now hold are in fact false and that these truths are keeping you back from fully utilizing your potential. You are primarily a product of what you have been taught up to now. If you want to change and become a successful trader, you must learn to understand everything that is taught to you and not believe it to be true until you have proven it to yourself. You will be given many Gann trading rules and techniques, but do not accept them as truth, until you have proven them to yourself.

2. You must be self-reliant. This will be a deterrent to the idea that other trades are smarter, wiser or more intelligent than you are. You will no longer look to them for support for trading

ideas which may be unprofitable. It is impossible to become a very successful trader if you are thinking other traders, analysts, etc. are smarter than you are. For example, if you have spent many hours researching all of the trends and cycles on wheat going back for over 100 years, you should be confident enough to trade it in the markets. However, if you are not self-reliant, then even the slightest comment from another trader might deter you from making a successful trade. When you become self-reliant you also will have the courage to listen to your inner feeling for hints or signs that you are on the right track. You will be taking a cue from the successful trader you are, not listening to someone outside of your inner thoughts. When you learn to follow the signs correctly and your inner prompting for hints on how to trade a particular situation, you will be a happy and successful trader. Dependency on the ideas of another trader or analyst is slavery by your own consent. It's very degrading for you to be dependent on the trading ideas of another person. One of the surest signs of dependency is that of looking up to the other trader as superior. Advice from others in the trading arena is everywhere. Most of it is free and not worth anything. You can have at any one time a dozen unpaid advisors who want to give you their opinion. Most of these advisors are, in fact, not qualified to give advice, but merely have the title that indicates that they must know what they are talking about. Most of these advisors can't trade their own accounts successfully, so how can they advise you to trade successfully? Overcoming your- dependency on other traders is difficult to do. You have been trained since childhood to depend on people. It did play an important role in your growing up and education, but it was never meant to take over your individual identity or thinking. Remember this important saying, "No one can ever let you down if you haven't been leaning on them?" No one can make you lose money in the markets, make you unhappy, angry or disappointed if you are not dependent on them for your trading ideas." Once you have developed your self reliance, you do not have to procrastinate or avoid making a decision to make a trade, because you will be confident to meet the situation with total self assurance.

3. You must accept yourself as a successful and intelligent trader. You can never be better than your own self-acceptance as a successful trader. Almost all of your problems in making trades are directly a result of how you feel about yourself as a successful trader. You can never be a better trader than how good of one you feel you are. You must have positive self-esteem about your own trading talents and abilities. Many traders seem to have a high self-esteem about their own trading talents and abilities on the surface. However, underneath, they are victims of their own low self-esteem. This low self esteem gets worse the longer they trade, until they go broke or completely give up. If you hope to be a successful trader, you must develop a high self-esteem of your own trading abilities.
4. You must love studying and applying the techniques of Gann to the markets. I haven't known any successful Gann student who did not fully love what he was doing. You will have to spend hours studying, learning and researching the mathematical techniques, and if you enjoy it. It will become financially rewarding. How much you love what you're doing, whether it be your current job or studying the techniques of W. D. Gann, will determine how successful you are.
5. Everything you need for successful trading lies within you. Your mind is your most usable asset to succeed in learning and trading the techniques of W.D. Gann. If you knew the powers in your mind, it would stagger your imagination. You must make full use of this very powerful resource to succeed in trading. You need to go way beyond what you think your mind can do. Don't let it be limited by what you think it can do. Don't look elsewhere for help, because you have in your own mind all the great power to understand and fully use Gann

techniques to trade and succeed with.

6. Successful trading requires that you devote yourself to fulfilling specific financial goals. If you do not fully commit yourself to this goal, you will be like a ship without a chart to follow and will eventually end up shipwrecked on a lost shore. Studies have shown that individuals that have a definite plan are more likely to succeed and be happy in life. At this time in beginning your studies of Gann, you need to make a plan which will utilize all of your talents and abilities. You must take the time right now to determine how much you want to study and what you want to do with this knowledge of trading.
7. If you are to achieve your maximum potential as a trader you must give yourself a physical and mental rest and relaxation period with inner communication through meditation. The meditation will establish a contact with the inner source of power within you. It will cleanse your mind and open it up to become more receptive to the techniques of Gann. When you have trouble understanding a part of Gann, it will guide you back to the right path again and help you to achieve your full potential. It will also help you to feel totally at peace with yourself.
8. Eliminate fear of failing. Fear has been around in trading the markets since they began. It has been the major cause of all market crashes. Fear is your enemy and a destructive emotion which will destroy your self-confidence in trading. If you are afraid, it is impossible to become successful at trading.

To remove any fear in yourself, you must have a positive mental attitude about yourself. Use the power within you to gain success at trading the markets and eliminate fear. Live one day at a time. Make positive statements to yourself continually during the day to help your mental attitude.

You must study the markets and know and understand them fully. You must prove all rules and techniques you have in your toolbox before you use them! When you see the rules and techniques work over and over many times, your confidence will overtake the fear you once had in trading the markets. As you cultivate a positive mental attitude about trading with the techniques of W.D. Gann, a new successful you will appear to trade the markets. You will be a trader with power and direction. Once you have fully committed yourself, you will never be the same again.

Success in your trading lies in your ability to find tops and bottoms in the markets you are trading. Using reversal patterns is one way that W.D. Gann found market tops and bottoms. Being on the lookout for reversal patterns is easy to do, if you know what you are looking for. The method of finding reversal patterns is easy to grasp and can set up in your trading almost immediately. In no time at all, you can be using this highly successful method for picking tops and bottoms.

Markets move from one point to another Reversal patterns show tops and bottoms, the technical strength of the market and the direction it will move. This will give you the timely advantage you need to enter or exit the markets at the right time. Using reversal patterns is totally price reliant, you use no volume or open interest to give you signals. You use only the open, high, low, and close of the market that you are trading.

Spotting reversal patterns can be used on all time frames, monthly, weekly and daily charts, to show ceilings and bottoms in the markets. Usually you need only two bar combinations to suggest a potential top or bottom in the market. Using reversal patterns is especially useful in position trading. By using monthly, weekly, and daily charts you should always know the direction of the market from three perspectives. Those perspectives are the major trend, the intermediate trend and the minor trend. From this knowledge you can build a very successful trading methodology. As time goes on you will eventually learn to anticipate these reversal patterns even before they happen. You can make a trade with the anticipation of the reversal signal happening. If the trade does happen and confirms your move, then stay with the trade. If the reversal signal does not occur, then use close stops or just exit the trade.

One way to use reversal signals is by trading the secondary reactions within a major trend. By trading the direction of the major trend, you will drastically limit your potential losses and dramatically increase your probability of success. The strategy in a major upturn is to go long using reversal signals at the bottoms of secondary reactions. Take profits at the peaks using reversal signals. By doing this you are entering your long positions at the over sold points in the market. You are exiting them when the market reaches over bought points. This is a tremendous way to trade in a major bull market. Use the reverse of this in a major downtrend.

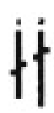
When you spot a reversal signal it is usually best to wait until the next day before taking your trade. With experience you might want to begin making your trade based on the reversal signal the day it happens. Often a protective stop can be placed above or below the reverse signal at a predetermined percent of the price of the commodity or stock. One percent of the price is often the best stop you can have. For example, if a reverse down day occurred on corn and the top of the reversal day was $3.61, you would take 1% of 3.61 that equals .036 and add that to 3.61 that means your stop should be at $3.64 3/4

There are many reversal patterns that give 1 to 3 day accuracy that a trend is reversing. It is important to remember that the further the reversal signal is from the last bottom or top, the more important it is. The signal must occur at least 3 days from the last top or bottom to be a reliable signal. Reversal signals should be used in conjunction with other timing signals to be reliable. It is important to remember that certain commodities and stocks will have a tendency to change directions on the same reversal patterns. Therefore, it is important to check back to see what reversal patterns turned the market in the past.

The following is a listing and discussion of these signals for topping formations. Reverse the patterns for bottom formations.

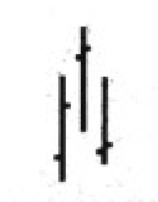
1. One-Two-Three Reversal - This formation is the most common reversal pattern. The market makes a high on 1 and falls off into 2 and makes another challenge to the top 3 that finally fails. Points 1 or 3 are the failing peaks and the reversal days.

2. Double Tops - Double tops are very common patterns. The market makes a move to a new high and backs off. It then makes another stab and matches to top again and backs off. This pattern occur often around major changes of time.



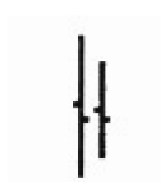
3. Triple Tops - Triple tops are not as common as double tops but are important when seen. The failure to penetrate a top after the third try is very bearish and will usually lead to a rood reversal.

4. Inverted "V" - The Inverted "V" is a formation developed at the top on high volume. The move becomes exhausted in one last gasp usually in one day and can never regain the strength it once had. The Inverted "V" top day can occur almost without any warning.

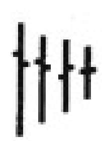


5. Narrow Range Day - Whenever there is a narrow range day following a prolonged rally of 5 or more days, the breakoff of that small day will usually tell the direction of the next move. If the price breaks the bottom of that inside day a decline will take place.

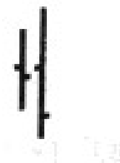
6. Inside day - An inside day is one in which the range of the day is completely inside the range of the prior day. The breakouts either up or down will usually tell the direction of the next move.



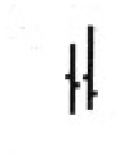
7 Coil Sometimes the three days range will form a coil each day having a smaller range. When the price breaks out of the second and third days range, the market will move in that direction



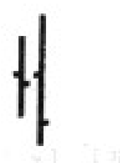
8. Outside Day - An outside day is one in which its high/low exceeds the prior days high low. If the outside day occurs after an extended price move, it suggests the end of the move and chance of direction.



9. Key Reversal Day - A key reversal day is one where the price trades above the prior days range and then closed below the previous days close. If it closes below its open, it is even more important for a change of trend.

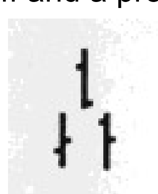


10. Hook Reversal - A hook reversal is similar to a key reversal except the close is not lower than the previous days close. The hook reversal means prices are headed lower.



11. Exhaustion Gap - This is a gap that Occurs near the end of an up move. It signals the last gasp of the bears of the market who have thrown in the towel and given up. It gaps above the previous day's high and comes down below the previous day's high and fills the gap.

12. Island Reversal - The island reversal occurs when the price gaps up above the previous days highs. The trading ranges may stay there for one or several days then gap back below the previous day's high. This is a blow off and a probable end to the upturn.



13. Breakaway Gap - The breakaway gap down occurs from a congestion area near the top of a market and usually begins a big down move. Gaps often become support or resistance areas.

14. Round Top - The round top is a gradual reversal of trend. The trend of prices gradually reverses and goes the opposite direction. This pattern usually leads to a major move.

15. Star The star formation is more important after a prolonged move. The star is a small range gap up that follows a long range day. The next day opens sometimes with a gap and Roes higher and usually closes near the low of the day. The next day many times closes near the low of the day. The next day many times gaps down away from the close and can't get above the 50% mark of the previous day.

Follow the trend

Perhaps one important factor to making money in the markets is to remember that the market is never too high to buy as long as the trend is up and never too low to sell short as long as the trend is down, because there are usually reasons for it being high or low. W.D. Gann in his books and courses said repeatedly to buy and sell according to the definite rules he gives and not according to hope and fear. He said the public loses money in the market because they always buy bottoms in the market thinking that the prices are too cheap. When they buy they only use hope for their reasoning. When they sell short the highs in the market the only reasoning they use is that they think that the price is too high in hopes that the market has topped. The public generally follows no rules of trading and therefore has a very poor chance of making money in the markets. They try to follow the fundamental information put out by the news media to guide them, but when they get the news it's too late. Very often, they get the most bullish news at market tops and the most bearish news at market bottoms.

Figure 2

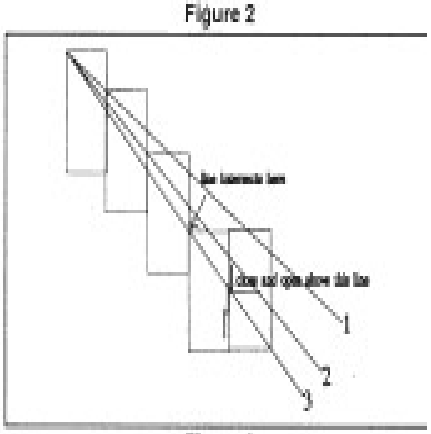


Figure 3

Figure 4a

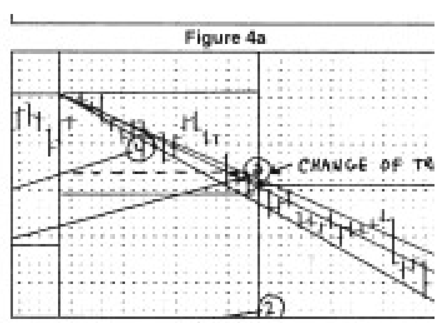


Figure 4b

Perhaps the best policy to trade with is to buy the secondary reactions in main uptrends and downtrends. See Figure 1.

It is important that you know how to figure out what the main trend of a market is and when it changes. It is important that you know the big picture of the market. You will find that long term trading techniques are more reliable than the short term. The longer the term of the trend, the fewer distortions there are. By trading with the long term trend you can improve your accuracy in both the short term and intermediate term trades. If the major trend of a market is up, then to safely trade you should only trade the long side of a market and vice versa in a down trend. It's that simple. This reduces the likelihood of losses, because if you are following the main trend of the market and you enter the market and the price goes against you, it will eventually correct itself so you are in a profitable position.

Now let's look at the duration of the different trends. What is meant by the phrase long term trend? It's the uninterrupted movement in a primary long term direction toward a given price. Long term trends usually last one year to 60 years. Intermediate term trends usually last 1 to 3 years and short term trends usually last 3 months to 1 year. See Figure 2. The long term trend is the most important trend because it exerts an underlying influence on the intermediate and short term trends. Yet very few traders are aware of the influences of the long term trend, or even know if it is up or down. For example, if the long term trend of corn is up, then the intermediate and short term trends of corn will be constantly influenced by that main trend. The long term trend has a powerful influence on a market. The long term trend will always win out over the intermediate and short term trends of the markets. News will often dramatically affect the short term trend of the market, yet it has little influence over the long term trend of the market. The perceptive short

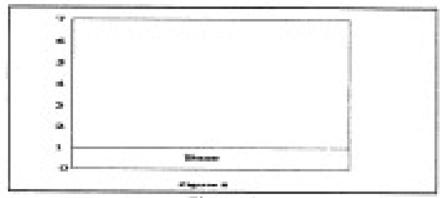


Figure 6

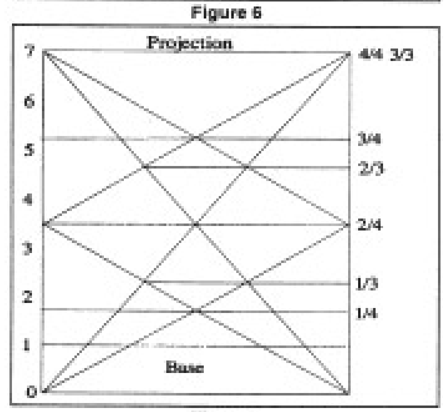


Figure 7

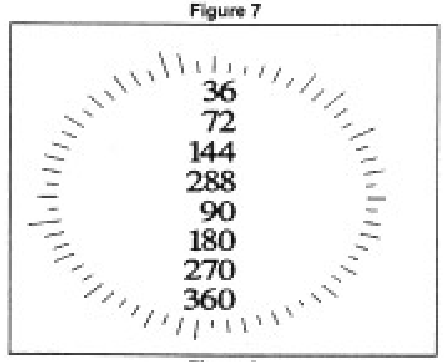


Figure 8

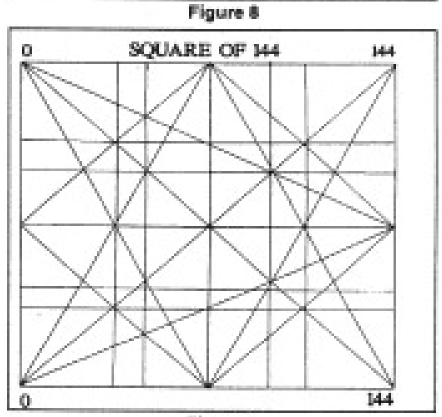


Figure 9

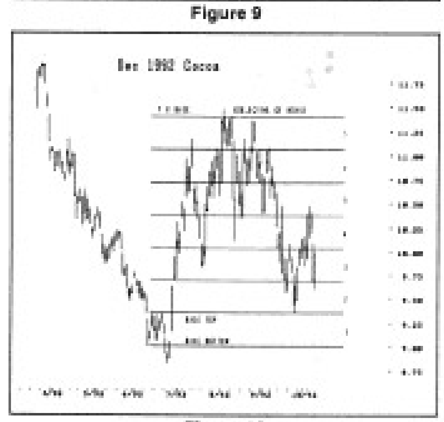


Figure 10

and intermediate term trader can use distorted secondary reactions to the main trend of the market to establish positions.

Knowing the main trend can help you overcome the tendency to use fear and greed in trading the markets. You won't be reacting to tips or rumors and your confidence will improve dramatically as you trade. The psychology of trading is important to your success. You should use news to reinforce what you are seeing on your charts. Your charts will usually start to change before the news does. Look toward the news and watch it carefully as it will change with your charts. You must master the ability to know the long term trend of the market, if you are going make money in the markets. You will avoid falling into the statistic that 90% of all future traders lose. The reason that they lose is that all they are buying and selling using fear and greed alone in the short term trends of the market. These short term trends have a tremendous amount of unpredictable distortions by many news stories.

In trading the long term you will need to have patience. The opportunities don't come every day. Most of your time will be spent waiting for the right time to enter the market. You must resist the temptations to enter the markets on rumors or news that goes against the long term trend of the market. When the opportunity arises you may want to place larger positions in the market for the bigger moves. You must be prepared to sit with your positions for a long period of time. You must resist the urge to trade just because you are bored. You must be prepared to realize that most of the time the position you take will be contrary to the prevailing fundamentals and news of the markets. This will test your discipline as a true Gann trader. Your opinions and positions must be keep secret, because they will not be popular with the current attitude of the public. History shows us that the markets usually make their tops when the public is most bullish and they make their bottoms when the public is most bearish. If you voice your opinions others will try to convince you that you are wrong and you may lose confidence in your trading, even if you are right. Because your opinions and positions will probably be against the current public opinion of the markets, you must do your work in isolation. This will help you overcome the pressure of others on your trading. Gradually your self-confidence in your trading will grow until outside opinions will not affect you. You will tend to do more research on analyzing the trends. You will need to avoid watching prices as the public does which causes fear and greed. Because you watch prices less, you can do more research when the markets are open and therefore be more productive.

One confusing thing Gann said was that for a market to continue in an uptrend, it had to keep making higher highs and higher lows. For it to continue into a downtrend, it has to keep making lower lows and lower highs. If you have ever looked at a chart, you will find that the price might move up 4 days and then drop one day. Then it will start up again. The question is, did that one day down end the uptrend? How do you know when the trend has reversed according to price? Remember, we are talking about price now, not time. That is another subject to be talked about later in the course.

One technique to use in determining if a market is in an uptrend or downtrend is as follows. First take a daily chart. See Figure 4a and 4b. Divide the chart up into monthly divisions by drawing vertical lines at the fist day of each month. Now draw a horizontal line at the bottom and at the high prices for each month. Now draw your trend lines off the bottom of the months in an uptrend and off the tops of the months in a downtrend. Using a daily chart with this method makes the trend of this chart much easier to see. Notice on Figure 4a higher lows and higher highs. On Figure 4b the monthly trend changed from up to down. Remember that a monthly trend is more powerful than a weekly trend and a weekly trend is more powerful than a daily trend.

See how clear the trend looks with the divisions of the days into monthly divisions. Remember, Gann said that for a market to remain in an uptrend, it has to keep making higher highs and higher lows. In Figure 5- the trend of the market changed. The market failed to make a higher high, it broke its monthly trend line and then made a lower low on the monthly chart.

Using this method, you will always know the trend of the market. It can be used on minute, hourly, day, week, month, yearly charts to figure out the trend. When Gann speaks of the trend making new higher highs or lower lows, this method will help you to see it much better 7 Times the Base

One overlooked technique that W.D. Gann used was “7 Times the Base.” This technique can be used effectively for projecting where a move might go. It is very essential that a trader can forecast where prices should go. The “7 Times the Base” technique can be used on all time frames - daily, weekly, monthly etc. It effectively gives you a projection of where the price is going to go. You can make adjustments to that forecast while the market is moving. You must remember that with this technique as with all others you learn, it is much better to use a combination of tools to forecast where the price should go instead of just using one technique alone.

Now let’s get into this lesson and learn how to forecast prices based on the “7 Times the Base” method. The first wave up from the base is usually the base measurement. That is from 0 point to wave 1 top. See Figure 5.

To use this technique simply find the bottom of a major move. When the trend starts back up, find the first top that it makes. After its makes that top it will usually back off a percentage of the move. The base measurement is from the bottom to the first top. Take this range and multiply it up from the base 7 times and mark that point on the chart. See figure 6 and figure 10. You can also divide it into the Gann divisions of 1/4.

1/3. 1/4, 2/3 and 4/4. See Figure 7. When you divide the ranges you can usually see how the prices break above and below the points. Again see figure 10. It is also possible to divide the square even further for more accuracy. That could be into 8ths and 6ths or even 16ths and 12ths. But for the example in Figure 10 we only divided it into 7 parts.

Remember that in this example, we are only projecting price and not time. Time projection will be learned in a later course. It would be possible to use the square in Figure 9 for a time forecasting tool and a road map tool for time forecasting. Briefly, if you know approximately where the time will end in this move based on other techniques you will learn later, a variable square could be created to end on that time frame. The square then could be overlaid on top of prices and the trend watched and followed closely through the overlay.

When, you use “7 Times the Base” method for forecasting and the price comes out to some important multiple of the natural square, you can substitute one of those fixed squares for the variable square. If, that does happen to be the case and a natural square does fit, that is another confirmation that the market will project to that price.

In a later section of this course you will learn that overlays for your charts should be made up according to the fixed natural numbers in Figure 8.

The fixed numbers are the number of squares vertically and horizontally of a major square. For example, Gann’s Square of 144 was 144 squares up and over. The square was divided into halves and thirds. See Figure 9.

Now let’s go through this particular example. See the chart in Figure 10. The base developed in the middle of June 1992, which is by the way an important part of the year. Important turns occur at the first part and mid-parts of the year. The market rallied in June and then came back through the base and then started up. Many times after a base is formed the market will break out through the bottom and come back up quickly indicating the market is ready to go. Sometimes this action takes out all of the stops. Watch this action very carefully. It is an indication of a major turn.

The base measurement is taken from the low of the base to the top of the base. Take this distance and multiply it up 7 times to get the projected top. You can also mark the seven base divisions on the chart as we did in figure 7.

Counting — The Universal Measurement

By Joe Rondinone

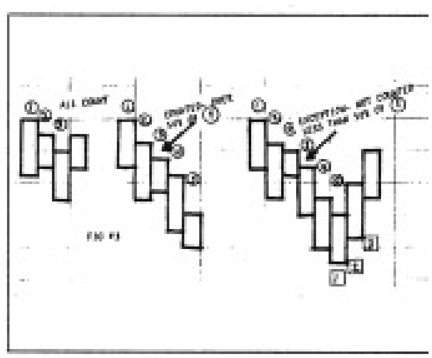
There are only very few activities in the human endeavor that have been as well studied as the buying and selling of commodities. Markets have attracted some of the worlds greatest accountants, analysts, researchers, mystics, hunch players and every Tom, Dick and Harry.

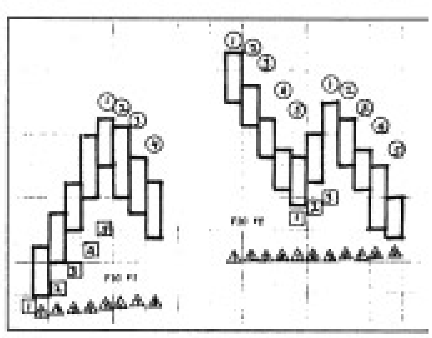
One year in the 1960s, Doc Whiting and I were long beans, we knew what the estimated crop was, we kept track of all crushings and exports. We were convinced there just had to be a shortage, yet the beans were going down. We kept buying more, there was going to be a shortage. Before long the government report was altered, they just found 30 million bushels (in a closet). Need I say more?

Because we are unable to follow all the figures, analyze all the numbers, true or not, we must rely on technical indicators and patterns which I have classified and assembled in numerical formations. They are simple to learn, easy to follow and have validity.

There has always been a problem with counting! Everyone counts, some by their toes, others by fingers, Chinese have their own calculators. If you buy two $10.00 items at a store, they need a calculator to add the two up. This is true.

But the 1st number everyone agrees on is #1. If you have land, you start to measure from the start of the boundary line. If you count money, you count each dollar, you do not count from





one to two as one dollar, right? Yet when we count the trading days, we count from high day to the second day as one day down. The Monday movement is #1 for the week, we do not count from Monday to Tuesday as one day. Monday is a #1 day, and Tuesday should be a #2 day... don't give up reading, we have not made out point yet...

In the 1970s I spent considerable time tracking down the son-in-law of Mr. Elliott. I understood Mr. Elliott had a 100 page manuscript. I wanted to see it, buy it, or get a copy of it. WHY? Because I spent many years studying Elliott Wave Theory and I was never sure of what I was counting. Could this manuscript contain the answer? Was this the missing link? I don't think anyone ever got the manuscript. That was the end of my wave study....

Here is the point! The double day count! If a move in any commodity declines for 5 days, make a law on the 5th day. This is the #S day, the next day the price rallies above the high of the 5th day. You will call this a one day up because it has crossed the high of the 5th day, right? Wrong. The low day is the #S day, it is also the #1 day for the rally. Thus we have a double day count. It is S day down and a #1 day for the up move. see fig. 1. If you are looking for a Fibonacci day count for rallies and declines, wrong counting can result in overstating or understating a position, which can be hazardous to your financial health. The 3, S. and 8 day counting will conform to Fibonacci form when this approach (the Symmetrics count) is used. The double day count is used on top and bottom days of all moves.

In fig. 2, we have the days numbered. In Symmetrics we use the circle 1 for the down days and the square 2 for the up days. Notice in fig. 2 how the double day count is displayed; it is counted for the up move and the down move. Now we also have a day count in symmetries. This is illustrated by the triangle with the number inside the triangle. This is great for reference to any certain day's move, also for a count from any important high or low for a Fibonacci interval count.

I want to point out one exception that has taken years to nail down. In Symmetrics counting, if you have an inside day in a three day move, all days are counted... If the move extends over three days, the inside day is not counted, unless it is over 0% of the previous day's move. This exception will make the Fibonacci count balance see fig. 3.

Joe Rondinone studied with ED. Gann in 1954. He developed the Presto S/4 Angle Trading method and the Angle Symmetries Trading Method. He can be reached at 214-867-5332 after 6 p.m., or write to him at P. O. Box 260-675, Piano, TX 75026.

The Beginning of Bob Buran's Successful Trading Career

Charlatans, pipe dreams and cowboys, how not to start trading commodities*

In the summer of 1979 my wife and I decided to leave our Wisconsin roots and go west. Like millions before us we packed everything we owned into a U-Haul and headed towards California with dreams of making a fortune in the sun. We arrived in the Golden State with a '68 Chevy Van, about $1000 in cash and an old dog.

After our meager funds were nearly exhausted, we finally found jobs and settled down in a two bedroom flat 65 miles east of Los Angeles. Aside from having a roof over our heads, little else seemed right. It seemed like we were always working, always tired and despite our best efforts we seemed to be just barely able to make ends meet. The hardest thing in the world is to work hard at something that gives you neither intellectual stimulation nor personal satisfaction. We knew we were going to get old fast living and working that way and we desperately wanted to find a way out. In 1983 we developed the ten year plan.

The ten year plan was basically an escape plan to get us free from the alwaysbusy-going-nowhere lifestyle that was eroding our quality of life. We figured we would be free by June 1993. The plan was simple. We would save every penny we could. We would drive old cars, wear old clothes and eat hamburger soup. I estimated we might be able to save $150,000 over a ten year period and with interest that could leave us with about $250,000 at the end of ten years. Then we could quit our jobs and buy a little cabin in the mountains someplace. We would have to live very frugally, but at least we would be free, no longer prisoners of modern urban life. It was a dream worth nurturing. The first problem was developing the discipline to save; at the time the only savings accounts we had were called Mastercard and VIsa. The second problem was, once the money was saved, how should it be invested? I had absolutely no background in business, economics or investment. I could barely balance a checkbook and I hated math. Nevertheless I bought a compound interest table and soon realized that the key to making the ten year plan work was getting a good return on the money we saved. First I looked into money markets and mutual funds, but they seemed so slow and so boring. What I needed was something that would take a small amount of money and make it a big amount of money fast. One day in 1984 while watching the Financial News Network I finally saw exactly what I was looking for. They had a guy on that was selling a course on trading commodities. It only cost $295. The guy said that this course would teach you how to make a fortune out of an initial three to six thousand dollar investment trading things like soybeans, silver, corn and sugar — especially sugar. Along with the course came a free hot line and what really sold me was that the guy had a broker working with him that specialized in setting up these three to six thousand dollar accounts. I immediately called the 800 number and ordered the course and didn't become the slightest bit suspicious when the guy double billed my Mastercard.

The book I got with the course was great. The story that really grabbed me was about a woman who opened a two thousand dollar account and bought one sugar contract at about five cents per pound. She left instructions with her broker to reinvest any profits in the same market and then she took off for Alaska. When she came back a year later her account was worth 7 million dollars. Sugar had stone to 52 cents her Bound. Now this was the kind of financial plan I was looking for!

At the time I was reading this book sugar was at about 5.70 and falling and I knew it couldn’t go below 5.00. I needed money fast to open an account so I took my wife out to a nice restaurant, plied her with a little wine and proposed we borrow six thousand to open an account right away. My wife has always supported me in every hair-brained scheme I have come up with and this was no exception. The lenders weren’t so easily convinced, however. Before I got the six grand they took out a second mortgage on our twobedroom bungalow, title to our two old cars and a chattel mortgage on all our clothing, personal belongings and furniture.

I was nearly manic with excitement in November 1984 when I filled out all the paperwork and sent it to my broker along with the check for six thousand. I started calling them two and three times a day to see if my account had been opened. Sugar had dropped to 5.40 and was making a five year low... it was going to be so easy. Finally, they told me my account was ready and I immediately bought five contracts of March ’85 sugar at 5.30. I couldn’t believe how lucky I had been: 5.30 in a market that couldn’t go lower than 5.00! I secretly began making plans for our fortune. In a few months, maybe a year, I would take my beautiful wife back to the same restaurant as before. We would order the same meal, the same wine and then I would say, “Honey I have something to show you.” Then I would present her with the check for millions. We would quit our jobs, buy our ski chalet in the mountains and call it the “Sugar Shack.”

On Tuesday morning, December 12th, 1984, March ’85 sugar opened below 5.00 per pound and plunged to a life-of-contract low. I went on margin and my positions were liquidated. I had lost over half the six thousand dollars of borrowed money on my first trade. I was still shaking and could hardly speak when I called my broker on Friday and asked him to send me a check for what was left over of our money. I was too numb to notice the contempt in his voice when he told me it might take them until Monday or Tuesday of the following week to get the check out. I hung up the phone, staggered into the men’s room and retched. There is no pain that goes as deep as the pain of shattered dreams.

I had to try to forget. That same night we packed up our cross country skis and headed up into the Sierras for a weekend of skiing. I could barely sleep that night and wondered how I was ever going to tell the woman who placed such unconditional trust in my judgement. Just before dawn I slipped out of our motel and drove up to the trail head. The mountain air was crackling cold and I slipped on my skinny skis as the sun rose over the White Mountains. Before heading out I put on my headset and slipped a Juice Newton tape into my Walkman. I started kicking and sliding down the trail and Juice started singing:

Traveling With The Rodeo It’s The Only Life He’ll Ever Know Started In New Mexico
Must Have seen A Thousand Years Ago Used To be The Best They Say
Riding Young Wild Horses For His Pay But Now Hews Much Too Old
It seems He Only Rides Wild Horses In His Dreams They Told Him:

Ride ‘em Cowboy Don’t Let Them Throw You Down You Can Make No Money If You Hit The Ground Ride ‘em Cowboy Don’t Let Them Throw You Down You’re The Toughest Cowboy In Town.* Copyright 1981 Capitol Records, Inc.

The words made me laugh and after a mile or so I started singing along with Juice. The freezing mountain air invigorated my lungs, my legs felt stronger and my body lighter as I glided through the lodge pole pine. Suddenly I realized everything here was just as beautiful as ever.

The snow was just as crisp and white, the sky just as blue, and the trees just as tall. And in that wonderful moment high up on that trail in the early morning all by myself I made a decision I'll never regret. I would call my broker on Monday. I would tell him to hold the check.

Over six years later my wife and I had taken over a half million dollars out of the markets. We quit our jobs in 1988, five years ahead of schedule, and moved not to the mountains, but to the sea shore where our home office overlooks the Pacific

Ocean. Of that half million about $70,000 was made in the sugar market. We do not call our house the "Sugar Shack." We are projecting one million dollars by the end of 1993. So what happened? Well, that is really what my current activities are all about. I am presently allowing anyone to examine my six hour video trading seminar, risk free. You see, making half a million dollars over a six year period is hardly big time but that is just the point. My wife (she started trading her own account in June 1990) and I are just little guys who have been pulling money out of the markets consistently, month after month, for nearly six years. We have been averaging about 13% return on total margin per month, or about 150% per year for this entire period. We have traded through two recessions, one stock market crash, one drought and a war. The money just keeps coming in.

Until fairly recently I figured we were just a couple of run-of-the-mill investors that were doing pretty well in the markets. But when I started talking to other traders on the phone and at seminars I began to get the feeling that practically nobody makes money in these markets and if they do make money they certainly don't make it in such a consistent and predictable manner. When I would tell people that we consistently made $70,000 to $80,000 or more on a

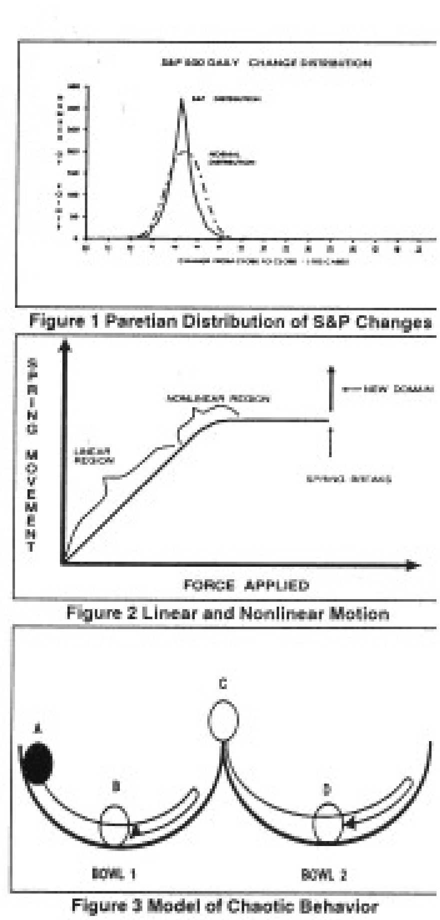


Figure 3 Model of Chaotic Behavior

$50,000 to $70,000 portfolio they would look at me like I was either a genius or a liar. Let me assure you right now that I am neither.

I am interested in providing the small investor with some insights into effective investing in the futures markets. Not some optimized mush, not some computer generated garbage, but insights based on a six year, real time, half million dollar track record. That is why I have gone public with my track record and my methods and systems. I cannot guarantee you success, but I do think you will find some of my ideas simple, unusual and interesting. I'm tired of hearing that 95% of small investors lose money in the futures markets. I put this seminar together for all those little guys. We can be winners and we can make money investing in the futures markets. O

Bob Buran is a successful trader and the producer of an in-depth video trading seminar of how he made over a half million dollars in the futures markets in the past six years starting with just $6000. He also developed the trading software program "The Grand Combo. " He can be reached at 30613 "J" Place, Ocean Park, WA 98640, Telephone (206) 665-5008, Fax (206) 665-6195.

Capitalizing on Chaos

Dr. Hans Hannula, PhD, RSA, CTA

Over the years, there have been many efforts to explain the motions of price over time. W. D. Gann described moves along Gann lines, within Gann Squares, and by his Law of Vibration. R. N. Elliott described market action as waves. Welles more recently has claimed that the markets follow a perfect order called Delta. In the 1960s, statistical models called the Efficient Market Hypotheses came into being. But all of these are obsolete. As clearly shown by Edgar E. Peters [6], the markets follow the laws of the new science of Chaos. My own research has shown that chaos is inherent in the markets and can be traced to the solar system.

Since the publication of the popular book Chaos, the Making of a New Science [3], many have tried to apply the theories to the markets [1]. But profitable application of theory requires a practical feel for the phenomenon you are studying. So let's start with,basics.

The Efficient Market Theory was based on the assumption that stock and commodity prices followed Gaussian statistics. This type of statistics has what is called a "normal distribution." It is usually the only form of statistics taught in most schools and the only form built into calculators, computer spreadsheets, etc.

In 1963, an IBM scientist named Benoit Mandelbrot published a paper showing that commodity prices did not obey Gaussian statistics, because they violated an assumption upon which these statistics depend. That assumption is that prices move continuously and never have gaps. Mandelbrot claimed this was a bad assumption. Traders would agree, having seen price gaps frequently. Mandelbrot went on to

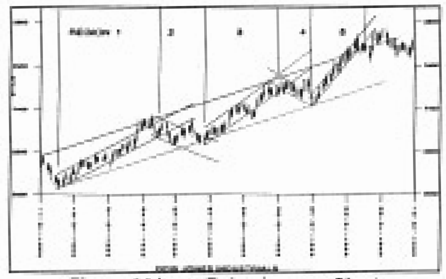


Figure 4 Linear Behavior on a Chart

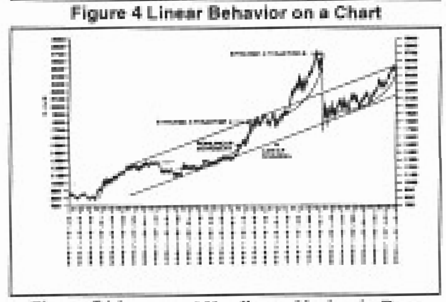


Figure 5 Linear and Nonlinear Motion in Dow

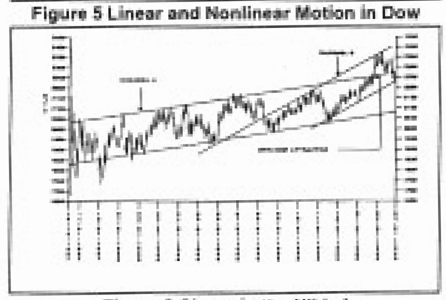


Figure 6 Chaos in the Nikkei

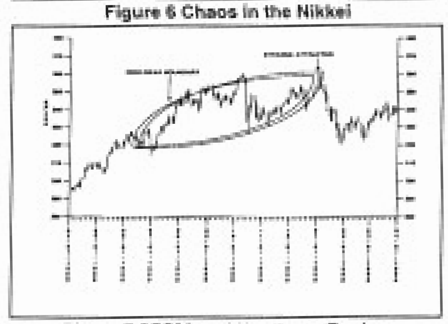


Figure 7 SP500 and Nonlinear Region

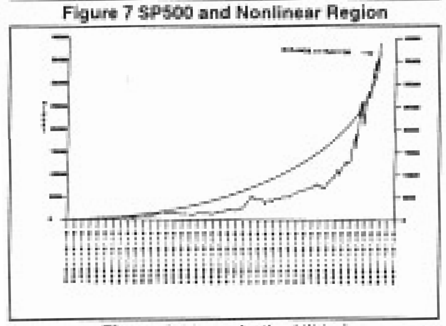


Figure 6 Chaos in the Nikkei

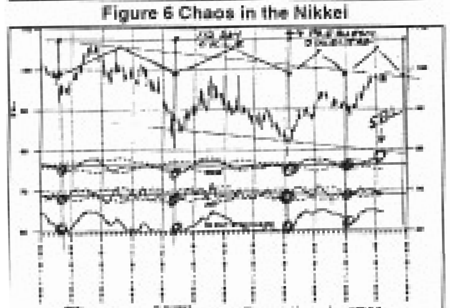


Figure 8 Frequency Doubling in IBM

show that prices followed a form of statistics called

Figure 1 shows the statistical distribution of daily S&P 500 futures price changes. These follow a distribution. This is characterized by having a much higher number of points at the peak, which is also skewed below the mean. Further, the tails of the distribution expand much further than they would for a normal distribution. What this means for traders is that prices can trade in a narrow range a lot of the time and also make sudden, wide swings. Anyone who has traded the S&P has experienced this. So, the Efficient Market Theory must give way to something closer to reality, which is Chaos Theory.

Chaos theory is a theory developed by scientists and mathematicians to describe the behavior of nonlinear systems. It has been found to describe all sorts of real physical systems from waterwheels to heart attacks. So what's a nonlinear system? Well, a nonlinear system is one that is not linear. What linear means is that the input output relationship of the system is a straight line. If you go out and press down on your car bumper with ten pounds of force the bumper might move one inch, and move two inches with twenty pounds of push. The distance moved is proportional to the force applied.

But as you push harder, the system becomes nonlinear. Near the end of the spring, it might take thirty pounds of force to move an additional inch. And when you reach the stops, no motion results as you add force. The output (distance moved) is no longer proportional to the input (force applied). That is nonlinear behavior. Figure 2 illustrates your car bumper's behavior.

If you continue to increase force, assuming of course that you are a very strong trader, you will suddenly get a lot of motion for no increase in force as the spring breaks. In fact, the equations relating force and distance in a compressed spring no longer apply. Your car suspension system has just entered a new "domain of behavior," one where the equations of motion for ballistic bodies apply.

If, before you broke your car spring, you just removed your hand abruptly, the bumper would raise up, settle down, raise up, etc. until it settled down to a point of rest. Linear systems have only one state of rest. Nonlinear systems can have one or more states of rest. If they have more than one, they are chaotic systems.

Consider the two bowls and the ball in Figure 3. If I release the ball at point A in bowl 1, it will roll back and forth, losing height each time until it reaches a state of rest at point B in the bottom of bowl 1. The bottom of the bowl is a point of rest, called an "attractor." But if I push the ball hard enough as I release it. It could conceivably balance itself at point C where the razor sharp rims of bowl one and two meet.

What happens here? This is a balance point between the force that would move it back into bowl one or draw it into bowl two. At this point the slightest force, such as a butterfly flying nearby, causing a slight wind to hit the ball, could tip the balance of the outcome. This balance point is the point that marks the boundary between two domains or regions, the two bowls. Within each bowl, the system is linear, and can be described by a linear equation. But the equation only applies within each domain, that is, each bowl. Each region has a point of rest, which is called a "strange attractor" in chaos jargon. The balance point can also be called a "strange attractor," which is obviously less stable than the bottom of bowl attractors.

So a chaotic system may exhibit very predictable behavior within a domain, but at the boundary of two domains, its behavior cannot mathematically be predicted. As soon as a new domain is entered and new equations apply the next phase of motion can be predicted, just as we can predict that the ball, if tipped into bowl two, will eventually come to rest at point D if no other inputs are injected.

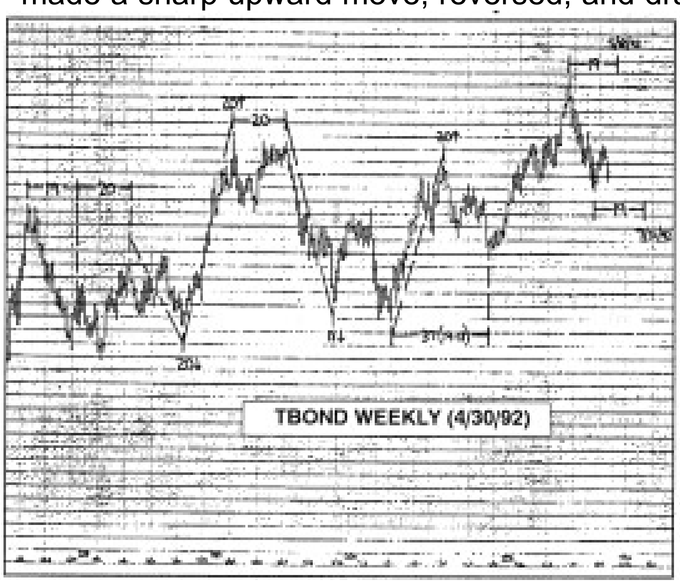
You can easily observe chaos in your stock and commodity charts, if you know what to look for. Stocks and commodities tend to move, over and over, in nice up channels and down channels. Within each channel, they move fairly regularly from channel boundary to channel boundary. They stay within the lips of the bowls. If one thinks of time as the input and price as the output, these straight channels represent linear behavior. Very frequently, the rallies and declines form straight linear channels which zig-zag between the boundaries of a larger channel. An example is shown in Figure 4.

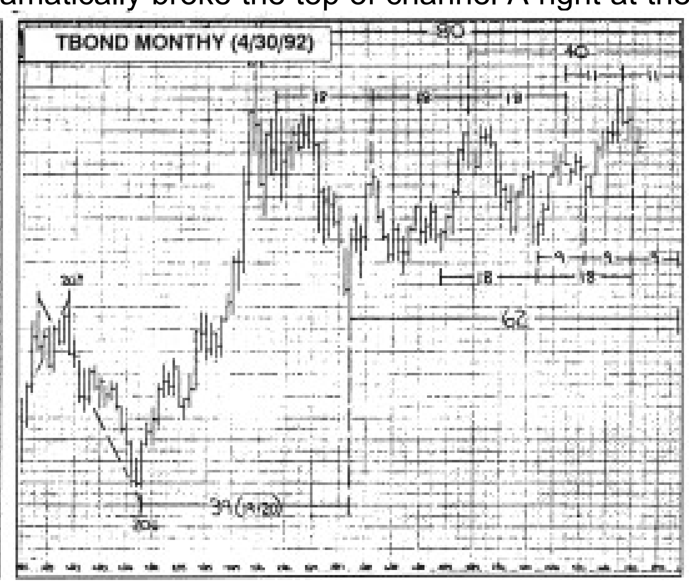
Nonlinear behavior can also be observed in markets Often, a price will rise or fall at an increasing rate, forming a curve rather than a straight line. This is nonlinear behavior. An example is shown in Figure 5. Note that most stocks and commodities exhibit both types of behavior.

In different time regions, either linear or nonlinear behavior can be seen. One can also observe such phenomenon as nonlinear behavior within a linear channel, as illustrated in Figure 5. Where these behaviors meet is a strange attractor, so an important thing to ask is, “What happens at a strange attractor?” Two conflicting sets of equations cannot describe the same behavior The result is a region of instability. Prices seem to do one of two things here. They tend to oscillate up and down in a triangle, usually of 5 waves, before resuming their course. Or they may move sharply into a totally new region. When they do this, they often form gaps. The primary message of gaps, then, is that a new set of equations applies and past chart interpretations, channel boundaries, etc., do not necessarily hold.

Figure 5 shows typical market behavior at strange attractors At strange attractor A, the market reached a state of balance, oscillating around the 1800 level for many months until the balance was tipped in favor of an upward move, which proved to be swift and sizable. At strange attractor B. however, the market broke sharply, and crashed back into the linear channel region which it had occupied before the 1987 rally. Just like the car spring, a breaking point was reached. Notice that where the market reentered the linear region it gapped, indicating that new equations applied.

Sometimes, the market will accelerate dramatically at a strange attractor. An excellent example of this occurred after the Crash of ’87. As 1988 progressed, the Dow moved very predictably within the channel lines marked A in Figure 6. In early 1989, as the market approached the top of the channel, I had computed the location of a strange attractor, shown in Figure 6. I anticipated that the market would once again turn downward. But the market made a sharp upward move, reversed, and dramatically broke the top of channel A right at the





strange attractor. Knowing the significance of this, I immediately computed the new channel equations, and drew the new channel B boundaries. That channel held until October of 1989, when the 1989 Mini Crash occurred.

The Mini-Crash indicated that another set of equations was in effect. At that time, I was able to compute a new nonlinear set of boundary conditions, this time on the S&P, which showed the region where the current set of equations would cease to work. This region is shown in Figure 7. In fact, I computed two nearly overlapping regions, with a high point in late December or early January. This point was very clearly the strange attractor the market was moving towards. The market reached the strange attractor marked in Figure 7 and broke sharply in the January sell off.

Another example of chaos in action is the Nikkei average. In mid 1989 I devised a method to compute the natural growth boundary curve for the Nikkei. This curve rose ever more rapidly but abruptly failed to exist in December, 1989. This curve, which was distributed to my subscribers in November 1989, showed the Nikkei topping at a projected 37233 on December 27, 1989. The long term curve is shown in Figure 8. The strange attractor is where the curve ends. Chaos theory indicated that a very sharp break could develop. That was nearly two years ago. The Nikkei is now some 54% lower.

Most traders also believe that cycles exist in markets, but often profess difficulty using them. Frequently, this is because the trader is thinking of cycles with an outdated model. Earlier models of cycles held that they were nice, regular, single frequency sine waves. They are not. Under the Chaos Model, cycles tend to have more than one frequency, just as chaotic systems have more that one attractor. On a chart, three frequencies are often visible. These are usually a base frequency, twice that frequency, and half that frequency.

Traders should be especially alert for “frequency doubling”, which is a property of chaotic systems that frequently warns of the onset of violent, nonlinear action. Figure 9, from the July issue of The Market AstroPhysics Newsletter, shows a chart of IBM. A 112 day nominal cycle has been extracted with the aid of a 26 day Zero Delay Filter [S]. For eight months, this cycle had a frequency of 112 days. Then it doubled (the duration halved) to 56 days. This warned of a possible sharp turn in IBM. With the ZD26 cycle above the sell line, and the 50 day stochastic near 100 percent, a sell signal was generated in early July.

What happened next is history. IBM sold off sharply to 88. In accordance with Chaos Theory, it gapped down. This turned out to be a very nice option trade, thanks to an understanding of Chaos Theory, and the Zero Delay filter, which was designed to track chaotic cycles, following their jumps infrequency.

Hans Hannula is a trader, scientist, engineer and programmer with over 20 years market experience. He has recently announced a monthly course called “Capitalizing on Chaos. “ He can be reached at MicroMedia, (303) 452-5566.

A Cycle of Time

By Eric S. Hadik

Are we experiencing a recession or a recovery? A recession or a recovery? Recover?Recede?...the pendulum swings endlessly to and fro. The danger of engaging in this debate is that when one of these alternatives finally becomes clear, it is nearly history. It has likely been intact for 6-12 months and is therefore poised for a change which then invokes the debate over exactly how long it has been in effect. Whether reality proves to be a recovery or a recession (or neither), the important questions are: Where are interest rates and subsequently, bills and bonds headed? And even more critical —How can these moves be capitalized on?

Predictive analysis is necessary to reach any solid conclusions in this matter and cycles, combined with Elliott Wave, are a tremendous aid in this respect. In addition to providing foresight in the markets, they also identify landmarks for confirmation (or invalidation) within an anticipated scenario. Although these techniques are severely limited in their trading application, they are able to convey a basic outlook of how the markets should unfold and, more importantly, where this scenario has derailed. This allows for a trading strategy to be integrated with these expectations and, subsequently, for fundamentals to confirm what the charts have already concluded.

The question regarding the economic fundamentals is often moot since literally dozens of unforeseen events could enter the arena, catapulting markets well beyond their anticipated extremes. For example—assuming that a recovery is underway and therefore rates should go no lower (and bonds no higher)—WHAT IF: The treasury again reduces the size of the long bond issuance, thereby limiting supply? WHAT IF: Japan and/or Germany are forced to lower interest rates, consequently increasing the appeal of dollar-denominated instruments?...or if the dollar experiences a sizeable rally without these foreign interest rate cuts? WHAT IF: Argentina decides to enter the marketplace directly to purchase U.S. Bonds for their debt restructuring?

The list of potential, realistic scenarios is vast and equalled by the more irrational/less expected occurrences. After all, who would have expected an Iraqi invasion of Kuwait or a coup detect in the Soviet Union and the subsequent moves in bonds, stocks and oil?

When utilizing projective analysis, primary emphasis should be placed on timing and secondary consideration given to price. Timing is the most important aspect of trading or any other facet of our lives. What is applicable and appropriate at one point in time could be exactly opposite at another. To quote Solomon: “To every thing there is a season, and a time to every purpose under the heaven..” (Ecclesiastes 3:1) (It may shock some to realize that “The Birds” did not originate that phrase in Turn.)

With this premise in mind, the focus will be concentrated on cycles (thus completing this trilogy) and their impact on the Bond market. (Two convergences of cycles will become apparent after walking through the ensuing analysis...In approximately three months an intermediate cycle low occurs between July 21-27, 1992 and should be followed by a five month rally into a MAJOR cyclic high in early December, 1992.)

The weekly and monthly bond charts deserve the most attention since they are the most consistent, and therefore predictable. The cycles applied are unique in many respects although common in others. The 40-42 (Lost) and 60-62 (Golden) cycles are both existent, though with less frequency. (Note: See “Lost Cycle” and “Golden Cycle” articles—both available from this author—for further explanation.) This eliminates their use as a primary indicator but still allows for application as a confirming indicator.

Fibonacci cycles and ratios are more prevalent, making them a helpful tool also. In the case of the bonds, however, they too are a secondary tool in this author’s work. All of these cycles enhance, and rarely contradict, the most consistent cycle in the bonds: The cycle of 19.

Careful observation reveals that the monthly charts have a very clear and concise 18-20 month cycle throughout the life of the contract. The weeklies possess a similar 18-20 week cycle which is even more significant when certain specific multiples are followed (i.e.76 and 93-95).

As the anticipated low in late-July nears, the daily (calendar)thwarts are, and should continue to, adhere to the same rhythm...March 2 high—April 9 high=38 days//April 23-28 (the current low) is 19 days from the April 9 high and 38 days from the March 16 low/April 9 high + 38 days coincides with a peak in the 19 week cycle and should provide a significant peak on May 18, June 19 arrives 38 days from the April 28 low, 57 days from the April 9 high and precedes the late July time frame by approximately 38 days, so will probably represent an intervening low...These are just a few near-term dates to monitor for potential highs and lows if July 21-27 is to be a symmetrical turning point (from a cyclic perspective) as many major reversal areas are.

It is this cycle—The Cycle of 19—which has been the most intriguing over the last several years in the treasury bond futures.

At first glance the number 19 holds no particular significance or application. That, however, is ONLY at first glance; closer scrutiny reveals that it is a very unique number from many, various perspectives.

First, by combining the works of W.D. Gann and Hamilton Bolton, it is evident that 19 squared= a circle, and thus a year. (Sound like a paradox?) In other words, 19 x 19=361 (360= a circle/365= a year). Inversely, the square root of a circle’s or a year’s degrees rounds off to 19.

So. 19, 19 day cycles= one year. Also, 19, 19 week cycles= 7 years (a very significant Biblical and natural cycle). Additionally, 19 months= 81 weeks (see “Lost Cycle” for further explanation of this significance).

Here is where it becomes most intriguing... There are 7 months in the year with 31 days and 5 months without. That means that .618 (rounded to nearest whole) of the months of the year have 31 days. (Simple enough?) Well, .618 of 31= 19. Therefore, month proportioned by the Golden Section= 12 days and 19 days. A year proportioned likewise= 5 months and 7 months. (This may sound like irrelevant babble at the moment, but pay close attention to these numbers—7,5,31,19 + 12—as they all come together.)

By combining three principles, expounded on in previous articles, the congruence of these numbers becomes apparent. These principles are: Summation Series//Biblical Cycles//Golden Ratio (trinities often work out so well!).

By utilizing two of the most frequently mentioned numbers in the Bible (7 and 12) to begin a summation series (one where each subsequent number is the sum of the two proceeding in the series) we arrive at: (5), 7, 12, 19, 31, 50, 81, 131,212, 343... (In previous writings, it has been demonstrated how certain summation series govern individual markets. This series is the controlling force behind the bond market and is very unique in relation to time, as we measure it.)

Following are some additional characteristics of this series...

#If we assume that each number in the series applies to days (i.e. 7 days, 12 days, 19 days, etc.), then the coinciding weeks (rounded off) begin the series again (50 days= 7 weeks, 81 days= 12 weeks, 131 days= 19 weeks...). Another way of stating this is that by dividing each number in the series by the base of the series (7), it self-perpetuates

#2—Every fourth number in the initial series is a multiple of 7 exponentially (rounded off in the second case)...7= 7xl, 50= 7x7, 343= 7x7x7. So, 7 not only begins the series, but plays a critical role throughout it.

#3—As is the case with all summation series, the further it is carried, the closer to a perfect Golden Ratio each subsequent pair becomes.

Regarding time as we measure it, (days, weeks, months, years) this is the most significant series for both its components and its properties and claims the two most prevalent Biblical numbers as its foundation (Unfortunately, for them, many people still have trouble rendering credibility to the Bible.)

The accompanying charts illustrate the repetition of these cycles and assist in pointing to the potential for a final high forthcoming in the bonds. Elliott Wave also factors in reaching this conclusion, based on numerous fifth waves unfolding, and still to come.

December is the optimum month for a peak, based on several different cycles, ratios and wave analyses coinciding with the 18-20 month cycle. (The 18-20 month cycle is also beginning to divide into 9 and 11 month cycles— 1/2 and .618 of 18-20 an event characteristic of an impending reversal. These subcycles are also converging in December 1992.)

December is also the coincidence of ‘'Lost and “Golden Cycles” (80 months from the April 1986 high//62 months from the October 1987 lows//40 months from the August 1989 highs), making it a very critical time frame. It also falls

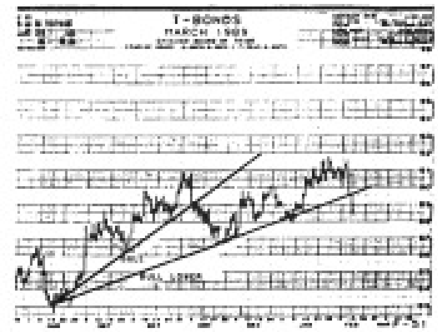


Figure 1

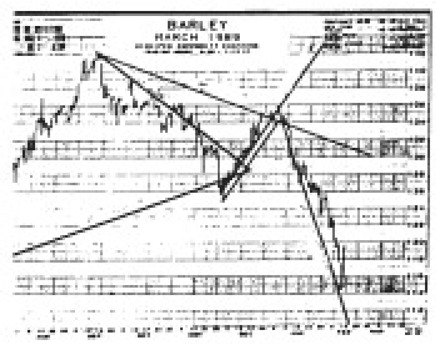


Figure 2

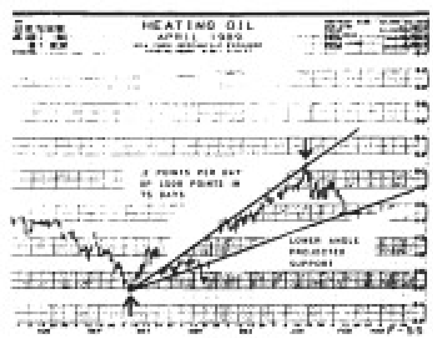


Figure 3

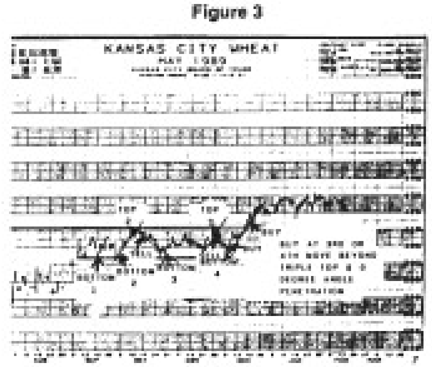


Figure 4

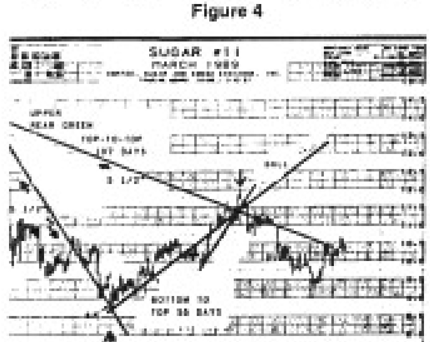


Figure 5

in the midst of the 7th 18-20 month cycle since the September 1981 major lows (7 is the Biblical number for completion).

The weekly charts align similarly during the last two weeks of November and the first two weeks of December (If July 21-27, 1992 is indeed a low, then one final 19-20 week rally—similar to the first wave rally—would culminate in this time frame also.) This convergence of long and intermediate cycles, in conjunction with other analyses, leads to the conclusion that a major cyclic peak is due around December 8-9,1992 (+ or - 1 week).

Utilizing Elliott Wave, two major objectives appear at 106-18—107-10 and again at 110-10—110-23. If either of these levels is being approached during the late November/early-December time frame, it would present a near-perfect alignment of time//price//Gann//Elliott Wave//Biblical Cycles//and Fibonacci, warranting close scrutiny.

As this time frame, smaller cycles and lesser-degree waves should also begin materializing, pinpointing a Major top. (Needless to say, there are specific support levels which, if penetrated, would invalidate this scenario and portend a sharp decline into December, instead. This, however, is a remote possibility at present.)

Gann's Angles & Squaring Methods

By David Green

In his trading course published in the early 1950s, W.D. Gann said geometric angles were the basis to his forecasting method." Gann used many diverse, complex, and exotic techniques but angles and squaring seem to have been his primary methods. Therefore, this article concentrates mostly on the angles and squaring

First, the markets will usually go up or down, on average, at a percentage inclination or declination paralleling one of the geometric angles. Second, the market will frequently find support or meet resistance when the price hits an angle going in the opposite direction.

A market that is declining will frequently receive support and possibly rally as descending price hits an angle drawn up from an important swing low due to the angle squaring and gravitational fulfillment taking place. If in fact, it is a bull market, the price will, likely ascend to the next steepest angle above the advancing support angle as a result of gravitational attraction.

In a bear market, the price may only receive minor support from the below up sloping bull angle and not rally to the next greatest steeper bullish angle. Instead, it is more likely, due to gravitational attractions, to move to the least steep declining angle drawn down from a prior important swing high or crash through the underlying bull angle support without a rally taking place.

A market that is advancing will frequently receive resistance and possibly decline as the advancing price hits an angle drawn down from an important swing high due to the angle squaring and gravitational fulfillment taking place. If in fact, it is a bear market, the price will likely descend to the next steepest angle below the declining support angle as a result of gravitational attraction.

In a bull market, the price may only receive minor resistance from the down sloping bear angle and not decline to the next greatest steeper bear angle. Instead, it is more likely, due to gravitational attractions, to move to the least steep advancing angle drawn up from a prior important swing low or smash through the underlying bear angle without a decline occurring. Gann talks at length about "swing highs and swing lows" and he refers to the geometric angles as "moving trend lines." That is exactly what they are. The angles are the only way possible to draw a valid trend line with only one reference point (swing high/low) available or in use.

Correctly drawn angles on a square chart and drawn from important swing highs/lows will frequently be a strong area of support or resistance when the price intercepts angles. A swing high can be defined as a high or high point with lower highs in front and behind the high point. Conversely, a swing low is a low or low point with higher lows in front of or behind the low point.

If the price closes at 2% to 3% (of the current price) above or below an angle for two or more consecutive days, this indicates a strong possibility that the current angle gravitational attraction is weak compared to price momentum and the next nearest angle's gravity attraction. This is a warning of a price direction reversal.

Quite open, when angles radiating from separate swing highs or lows meet, this marks a market turning point or change of trend. Sometimes, if not the exact day, within a few days of the crossing point. Also, price gets drawn to cross points, and angle crossing points sometimes will mark a cycle high/low.

We will now analyze S charts. We will look at the charts like we were actually analyzing the markets from a real-time perspective for hands-on learning. It is important that you properly align the dates on the bottom of each chart to identify the day or time periods involved. The charts are courtesy of Commodity Perspective and seem to be about the best widely used charts for Gann charting purposes. Charts used are in square proportion to allow Gann analysis. However, some of the chart scales could be improved upon. This is why it is best if you do the charts by hand or use a computer program designed specifically for square Gann charting.

In figure 1 the TBond chart displays both a bull 45 degree angle and a bull lower angle, both coming up from the major low in August. Note how the market received strong support and then moved up, after touching the 45 Angle in September and again in October. Note how the market received strong support, and then moved up, after touching the other angles in November, December and January.

Another valuable tool is the observation that once the market hits a support angle for the third or fourth time (the fourth time in particular), it will frequently penetrate the support angle and transform from a bull market to a bear market or vice versa. The sudden angle penetration that just occurred in February was the fourth attempt to penetrate the angle and indicates the start of a bear market. Also, the 45 angle was hit 3 times prior to the significant November decline.

In figure 2 the Barley chart displays how the market followed the 45 angle down from the major September high. Failed attempts were made to penetrate the angle on several separate occasions after October. Finally, the bear decline received support from the bull lower angle drawn up from the major low that happened in July. That angle finally caused the market to advance at a bull angle inclination coming from the midpoint of the day's ranker on the large key reversal up day that occurred on November 30th.

By December 13th the up move was confirmed by the magnitude of the move above the Bear 45 Angle, and closing near the day’s high. The bear upper angle, drawn down from the major high in September, caused major resistance to the steady advance that occurred from late November through early January. Starting on December 23rd through January 5th, the market quite obviously was encountering stiff resistance caused by the bear angle. Finally, by January 9th it was apparent the resistance was strong enough to cause a transformation back to a bear market.

Other strong indications of the down move were the fact that the bear upper angle crossed over the bull upper angles drawn from the November 30 mid-point on December 29 and again on January 3rd, drawn from the Nov. 30th intra-day low. January 3rd was in fact the exact high of the move! As mentioned earlier, angle crossing points are frequently change of trend days. Keep in mind, even during the advance, it was only a bear market rally, as the major trend was down unless the bear angle was crossed strongly or for several consecutive days. Thus, the drop below the angle, with confirmation by the big down day on January 10th, confirmed the bear market continuation move. You could have gone short here and made big profits with the huge down move that occurred in January and February.

The next chart of the Heating Oil market in figure 3 shows how the market’s time and price squared out against a bull 45 angle. From a low of 3565 on October 6 the market followed the bull 45 angle up to January. The inclination (slope) of the market vs. the angle was very precise starting in late November.

If you were following this market at the time, you would have observed that on January 18 the market closed at 5065. That closing price was up exactly 1500 points from the October low! (3565 + 1500 = 5065). January 18 was 75 days from the October low. Therefore, since we are working with a chart scaled with a grid value of .2 per day, we multiply 75 times .20 which equals 15 full cents or 1500 points. Thus, you could have easily predicted a top about January 18th near the 5065 level.

It turned out that the prediction would have been exact, both in terms of price and time, as the markets high closing price occurred on January 18th and the price was predicted exactly at 5065. I am sure you will agree that the accuracy of the predictions was amazing! Your actual sell indications would have come on January 19th due to the reversal down day and close under the angle. You would have either taken profits or gone short about that time, expecting a decline. However, if going short, expect support and possibly going long again, about mid-February, at the bull lower angle support area, from the October low.

The May KC Wheat chart in figure 4 shows the Gann concept of buying and selling against both double and triple tops, expecting resistance at the double/triple top Zero Degree or near zero angle, and expecting support at the double/triple bottom Zero Degree or near zero angle.

The chart also reflects a longer term buy signal once a fourth attempt at the triple top is penetrated. Remember, at the third or fourth attempt to penetrate horizontal resistance, a penetration and strong continuation move, after the penetration, is a fairly common occurrence. Also, the chart uses short term angle penetrations to confirm five of the miscellaneous buy/sell signals.

The reason for picking this particular flat looking chart was that it shows these techniques can also work in a sideways market or congested time period. Large moves or good trends are not mandatory to work with these techniques.

The March Sugar chart in figure 5 presents some interesting but complex and sophisticated little known aspects to the angles, plus a never before revealed surprise technique involving measurements of the angle lengths.

From the major high of 1439 recorded on July 14th the market moved down to its major low at 869 on September 26th. As you may recall, since Sugar moves in 1 point increments, the square of 1 is important. Since the chart has a grid value of 5 we will multiply the squares by a factor of 5.

The multi-even square of 1 is 10, square of 10 is 100, and 5 times the chart grid value equals 500. Thus we can look for time running out about 500 points below the major high. As previously outlined, since the July high was a volatile period, we draw the bear angle from mid-point of the range, radiating from near the 14 cent level. That is also a preferred price to draw from, as it is a whole even number. We observe that the reverse square of 500 is 50. Therefore, 50 days from the high is a possible turning point, especially true due to the price itself being close to a 500 point drop from its high. (1439 - 500 = 939).

September 22 high was 948 and 931 low. Median price for this 50th day was in fact 939! This day EXACTLY squared out the range from the high based on the multitudes and derivatives of the square of 1 combined with the graph scaling! As a further confirmation of a trend change prediction we can look at the bear angle. On September 26, the price squared out but the price completed a 2 day pattern High Low Close (definition, as previously outlined) and closed weak near its low.

That indicated the bear angle was still strong enough to influence the price down in spite of time running out. Also, the price should square again by hitting the angle after time was squared. These items indicated the market could still move a liable lower. On the day of the major low the price closed down and right at the bear angle. That confirmed a squaring of the angle taking place after the time ran out. Now that the angle had again been squared we can look for buy indications. Finally, in early October the price moved sideways to up, sufficiently far from the bear angle to confirm a break away.

That is especially noticeable if viewed by a perpendicular measurement from the angle slope. We can draw a new bull 45 angle from the September low and note the market followed the general trend of the 45 Angle up from September to December. On December 12th we should start looking for a top because of a new subject you are now going to learn about, which is Bull and Bear Angles crossing from different directions.

The bear upper angle from the July high crosses over the bull angle on the exact day of the highest closing price. Also, the next day, December 12th, the price itself ran out of time and closed weak after completing both a high-low-close pattern and a reversal down day during this 2 day cross-over period. Also, the short term bull upper angle drawn up from the minor swing low of November also crosses over both major angle on the same date.

Lastly, I would like to tell you about a unique and unusual technique I have developed for measuring the angles to predict trend changes. As far as I can tell Gann or others were not or are not familiar with this technique, so it is unique!

Measure the Sugar bear lower angle from the July high day mid-point angle starting point, to the September low. Then measure the bear upper angle from the same high and project the same distance the angle. Where the measurement intersects the bull 45 angle from the major low marks the turning point! The EXACT turning point as far as time is concerned and fairly close to the actual price turning point! I have also observed this technique to work when applied to certain angles in miscellaneous markets.

Thus we have many different conformations that a change of trend is imminent. In fact, we have so many powerful indications of a change of trend occurring about December 12th. that going short here would be about as close to a guaranteed successful trade as is possible! Finally, on December 15th a break-away day occurred involving a significant percent drop under the bull 45 angle and now confirming the market was following the bear upper Green angle from July high. That indicates the end of the bull move and start of a new bear move.

Is Day-Trading Right for You?

By Terry R. Davis

Everyone wants to daytrade. Why? IS it because of no overnight positions, ~no margin calls, smaller (or no) margins, smaller commissions, action that is immediate and lower risks? It would seem that daytrading answers all the negatives about trading. Good news... it does. Before you rush out and quit your job let's look at some of the benefits and drawbacks that go with starting any new business.

First, what are you willing to bring to this new business venture? Your Bust commitment should be an absolute devotion to begins successful. Do you have that? Almost no one does! If you already had this, you wouldn't be working for someone else. Well, would you? There is nothing more gut-wrenching on a day-to-day basis than the roller coaster ride your emotions go through every day. Now for the flip side of the coin. you have the commitment to be successful, the commodity markets can (but may not) make you richer than your wildest dreams. Better than that you can make more money than your wife can spend! Man o' man, that is a lot of money. I cannot stress strongly enough that being inwardly compelled to be a success (in anything) is worth more than any trading system (except the ones that I sell (ha!)). The Psychological Aspects Of Trading Should Not & Cannot Be Slighted. In fact, they are probably more important than your trading system. An excellent book on this subject is The Disciplined Trader by Mark Douglas (available from the Trader's World Catalog in this magazine). The next most obvious thing you must bring to your new business is capital! What amount do you need? Not much! All you need is $8,000-$10,000. If you are starting with less than this you are only deluding yourself. Trading on a shoestring and having to make the monthly mortgage payment is an invitation to divorce or suicide (Do not pass go, do not collect $200)...or both.

Next we have to decide what markets to trade. The ideal market would be one that has good daily movement both up and down with the opportunity to make $300 $1000 dollars a day. There are several that fit these criteria.

My picks are: 1) soybeans 2) S&P 3) Swiss Franc, Japanese Yen, D-mark or British pound. If I had to pick two (and I have) they would be the Swiss Franc and the S&P. If I had to pick one it would be the S&P. T-bonds, in my opinion, do not offer enough consistent intra-day movement to be a viable option to the ones previously mentioned. Two markets (one is better) are all that I am able to follow with any kind of trading regimen.

Risk per trade is the next factor we need to look at. My day trading is done almost exclusively from 4 minute bar charts. I also trade the S&P from the 15 minute chart. My risk per contract (excluding commissions) for soybeans and the Swiss Franc is $75, for the 4 minute S&P my risk is $125, and for the 15 minute S&P my risk is $200. My entries are virtually always "or better" orders. I do this so I am able to define my risk. My gains on the S&P are nearly always above $500 per contract. This means that I can be wrong 3 out of 4 times and still have a net Rain on the trades. I do not know what I can do to stress the importance of risk versus reward in daytrading. You must use stops to both enter and (most of the time) exit the market! I cannot use "at the market" orders and define my risk at the same time. My very livelihood depends on this risk reward ratio! I have days I can do no wrong and unfortunately, days that I can do no right! If you pick daytrading as a vocation, be prepared for a lot of both.

Overhead is one of the necessary evils in any business. Let's look at commissions first. AU you want from a broker is good fills and cheap commissions. If you listen to your broker for trading advice, all your broker will do is make you brokers Good brokers, in my opinion, take orders and get me good fills — period! I do not think you can daytrade without computer real-time quotes and graphics. There are many good real-time setups to chose from. It is beyond the scope of this article to "name names," but I would be happy to discuss them with you on the phone. Currently I have real-time quotes from the Mercantile Exchange (S&P - currencies) and 15 minute delay from the Board of Trade and New York. I do not pay for more than I use. My current monthly cost is $259. My current setup has all the bells and whistles. I use very few of the technicals that I have available on my current trading setup and if I could pay for less I would. I hope you see that I have pared my monthly expenses down to less than one profitable S&P trade.

Last, but not least, you need a trading discipline to follow. I am particularly fond of my own, Price Equilibrium. It lets me set the close stops found in this article. Whether it be my system or another system, you do need something that makes you take similar signals day after day. Any system is better than no system! My system is "user active" and you must be in front of the screen as market action unfolds. There are other daytrading systems that buy/sell price levels attained during the day. As a matter of a fact there are many systems out there. Make sure and find one that fits your temperament! Finding the trading system that will make you successful cannot be covered in this short article but I have sown the seeds of what it takes to be successful in the marketplace. Do you have what it takes? O

Mr. Davis welcomes questions. He has written three popular trading courses: MARKET STRUCTURE, BUBBLE THEORY: and his newest: PRICE EQUILIBRIUM. He is a small business owner and trader. He can be reached at 21 7-347-5101.

Data thru your Cable TV. Inexpensive Tick-By-Tick Data Thru Your Cable TV!

By Larry Jacobs

There is a lot of excitement regarding the release of the new Signal 3.0 and the new 9600 baud Signal Plus receiver for your cable TV. It's possible that this might be the most significant event that has happened to computerized technical analysis in the last 10 years.

The new Signal software and subscription service thru your cable TV provides real-time and delayed trading information from all major exchanges on stocks, options, commodities, futures options, mutual funds, money market funds, and market indices. In conjunction with the software, a receiver/processor translates signals received via cable TV channel (either CNBC or C-SPAN) to trading data on your IBM compatible computer screen. You receive trading information instantly, as soon as it reaches your receiver.

One of the advantages of the new Signal Plus receiver for your cable TV is the ease of installation. When you get the receiver box, you just take it out of the box, hook your cable TV cable to it, plug the power cord into your AC socket, and connect the serial cable from the unit into the serial Port of your computer. You turn your computer on and set up the software, either the Signal 3.0 software that comes with the unit, or use one of the many third party packages that are available. (In this issue of Trader's World, we are reviewing two software programs that work with Signal, the new MetaStock RT by Equis International and LiveWire by CableSoft.) The software should be set to 9600 baud and to your cable channel that broadcasts either CNBC or C-SPAN. You'll also have to put in your special code number in your program that Signal gives you, which authorizes you to receive service. That's all it takes to get the unit up and running. If you have any trouble, just call the Signal 800 technical line and they will be glad to help you with any installation problem. Signal has perhaps the best reputation in the business for quality of service. If anything goes wrong, call them and they will fix it right away. If equipment breaks down, they will overnight a replacement to you. Signal has both real-time and delayed service. I personally believe that the Signal delayed service fits most of Trader's World subscribers for the following reasons:

1. The service start up and on-going costs are very inexpensive. It's not really any more expensive than a telephone data retrieval service. A one time $325 usage fee charge for the Signal Plus cable receiver and a $60 per month charge for a basic package plan is very reasonable (see Figure 5). If you are an individual trader, investor or even a broker this is an excellent service. An individual trader that sits at home or in his office and trades has the best of all worlds. He can watch CNBC for late breaking news and watch his delayed

tick-by-tick technical analysis program for timing and trends in the market. A broker using his firm's real-time quote machine and the Signal delayed service with a computer charting software package can have all the essentials he needs for effective technical trading for a minimal cost. In most cases the firm will pay all of the costs of the delayed service for the broker. The broker just has to buy his computer and the charting software.

2. The Signal delayed service has highquality tick-by-tick data, not the snap shot data the other delayed services put out. You must understand that snap shot intraday data is not totally accurate! If you use a real-time technical analysis software program with snap shot tick-by-tick data, the charts and indicators will be inaccurate, because the highs and lows of the intraday data can be wrong. The S&P intraday cash price peaks and bottoms on your charts during the day may be off by as much as 10 points each! The indicators and oscillators you use can be wrong because of this. The Signal delayed data, however, is the same high quality data that is used with their real-time service. We have checked out the intraday highs and lows on tick-by-tick charts made with Signal delayed data and they are 100% accurate. With a good software package like LiveWire, you can save daily data into a database and eliminate the expensive daily calling up of data service via modem.

3. The Signal delayed service uses the minimum delay possible. The delay of quotes is in exact accordance with exchange regulations. There is no additional delay beyond the required minimum. For example, the CME and CBT are on a 10 minute delay, which is not bad. Ten minutes should not make that much difference in your trading success. If you are a good technical trader and you use timing cycles, you should be able to work around the delay without any problem. The delayed service also gives you 90 real-time indices which includes the S&P cash. The new release of LiveWive 5.0 charting program which works with Signal uses a spread study in which you can add the real-time S&P cash to the Premium index and get the near term S&P 500 future charts. Since the S&P cash and the Premium indexes are live, the calculated S&P futures is live. That means if you trade only the S&P 500 futures or OEX options, you would be able to save over $200 per month in data fee cost over that of real-real!

4. With the Signal delayed service and a charting package like LiveWire 5.0, you can have a complete on-line portfolio manage The package will give you a valuation of your entire portfolio any time of the day. You can set alarms for both stops and price objectives. You can figure out your taxes anytime. It's really great to know where you stand all the time, so you can make objective decisions.

5. Your timing using intraday tick by tick data should increase dramatically. To properly trade you should first look at monthly charts for the big picture, then look at weekly charts, then daily charts for closer timing. Now, if you have the new Signal delayed service and access to your computer chart program during the day, you can check out 60 minute charts, 30 minute charts, 15 minute charts and even the 1 minute charts so you can fine tune your exact point of entry or exit in the market. If you don't have access to your computer during the day, you can still have the tick-by-tick data being stored in your computer for your evaluation every evening.

If you feel that you have to have real time data to be successful, this is still the service to have. Signal has one of the highest quality services around. See the real-time data costs in the comparison of real-time data services..

Figure 1 illustrates how the system works. Data Broadcasting Corporation has central computers that receive trading information from the major stock, options, and future exchanges. The data is then transmitted by satellite to cable stations throughout the United States and Canada. The data signal is a carrier on a non-visible portion of a regular video broadcast. The receiver is connected to a standard cable television outlet, it decodes the data, and your computer displays it on the screen.

Data on over 50,000 securities is broadcast by major exchanges and services. The Signal receiver contains a computer. When you load the Signal software for the first time, the program is stored in the receiver's memory. Along with the Signal program, a sample collection file is loaded into the receiver. The receiver monitors trading data for all securities in the current collection and stores the current prices. The collection and current prices remain loaded in the receiver's memory until you unplug the receiver or load a different collection.

As long as you have the Signal software running in your computer, Signal displays data on the securities in the current collection on your screen and continues to update trading information for the securities as it is broadcast. If you exit the program or turn off your computer, the receiver continues to monitor the symbols already stored in the receiver as long as the receiver is plugged in.

If you choose to use the Signal 3.0 software, you can build lists of up to 950 securities, call collections (the actual number of securities you can track depends on how much memory you have in your computer and in your Signal receiver). With this software, Signal saves collections in files, which you load one at a time under the name you specify. You can include a variety of groups or portfolios in one collection and organize then on separate pages. If you want to monitor more than approximately 950 securities, you must create additional collection fields. When you load or create a new collection file, Signal ceases monitoring the previous collection.

You can view data stored in the receiver on a Detail, Alert, Summary, News, or Leaders page, in the Ticker window, the Symbol Detail window, the Instant Quotes window, or the Plus Window on the front of the Signal Plus receiver. A Detail page display most incoming data on securities. A collection can contain up to 99 Detail pages. You can list up to 18 securities on each page.

An Alert page displays data and also allows you the set alert values for trading data. When you set an alert value, Signal alerts you when that value is reached. You set alerts by entering limit values for volume traded and high or low trading prices. You can set Limit alerts on as many as you would like, but Signal can monitor only 250 symbols offline. Your computer signals an alert by means of visible displays and optional audible alarms.

Signal can compress Detail and Alert pages into Summary pages, which list as many as 72 symbols, their last trading prices, and the direction of the last change in price (up or down).

A News page displays information about the News alerts broadcast over the course of a day. Whenever the network broadcasts a Dow Jones News alert for a symbol, Signal displays the symbol, the time of the most recent alert, and the total number of alerts for the symbol. Unlike the other pages, the News page includes symbols that many not be in the current collection, even symbols that are listed on exchanges you may not subscribe to.

The ticker window displays the price and net change of the securities in your collection whenever they are traded. The information scrolls continuously though the window, which overlays the area of the page just above the status line at the bottom of the screen.

The symbol detail window displays all the information available about any security you select for your collection. The window overlays the top four lines of the page on the screen.

The Instant Quotes window displays information on a specific issue instantly, provided the symbol is stored in your receiver. The window overlays, the top four lines of the page that is on the screen.

The Leaders pages display trading data on the top 10 volume leaders and the top 10 price percentage gainers and losers for the NYSE, AMEX and OTC stocks, and stock options.

The Plus Window - the liquid crystal display (LCD) on the front panel of your Signal Plus receiver-can be set to display alerts, quotes on a specific symbol, ticker information, or the Dow Jones industrial average. The Plus Window is always active whether or not you are using Signal or your computer. As a result, you can monitor trading data both online and of offline..

If your use 1-2-3 or Symphony, you can exchange data between Signal and a worksheet. Using a defined worksheet format that reflects the Signal Detail page, you can transfer collections of security symbols from the worksheet directly to Signal. The transfer is done by means of a memory-resident program call The Link that allows 1-2-3 and Symphony to talk directly to the receiver. The Link program is the bridge between the real-time trading data received by the receiver and a 1-23/Symphony worksheet. With the new collection loaded form the worksheet, you can send incoming trading data back to the original worksheet. You can then use any of the worksheet graphing, database, or analytical capabilities with the data.

Whether you need real-time or delayed tick-by-tick data Signal is one of the finest and reasonable services around. To get started, call us for fax us and indicated that you want to get set up on the Signal real-time or delayed time. We will send you the necessary papers to get set up. Remember, there is a 30 day free trial period, if you don’t like the service.

If you live in one of the 40 cities that carries FM broadcasts for DBC Signal and want real-time data or end-of-the day data, you can get the Signal Plus FM receiver or the Signal enhanced receives The cities served are the following: Atlanta, Austin, Baltimore, Boston, Buffalo, Calgary, Chicago, Dallas/Ft. Worth, Denver, Detroit, Hartford, Honolulu, Houston, Indianapolis, Jacksonville, Kansas CIty, Las Vegas, Los Angeles, Maui, Miami, Minneapolis, Montreal, New Orleans, New York City, Orlando, Philadelphia, Phoenix, Providence, Sacramento, San Antonio, San Diego, San Francisco, San Jaun Seattle, St Louis, Tampa, Toronto, Vancouver, Washington DC. For Signal’s delayed data, you must use the Signal Plus cable receiver.

W. D. Gann A Legend

By Les J. Clemens

William Delben Gann was born on June 6, 1878, in Lufkin, Texas, to Sam H. and Susan R. Gann, immigrants to Texas from the British Isles. Lufkin is midway between Houston and Texarkana. This part of Texas is cotton country and Gann's parents lived on a Neches River bottom cotton ranch near Lufkin. He grew up around the cotton warehouses in Angelina County where cotton was king. W. D. Gann was raised in a very strict Methodist church family. His mother, a very religious person, encouraged him to read the Bible at a very early age, and in fact, wanted him to become a minister. Gann was not sure he wanted to become a minister, but studying the Bible was certainly easier than working in the cotton fields, as was his father's wish. He attended church every Sunday with his parents and as he listened to the sermons found his interpretation of the Bible scriptures to differ from the minister's. In the Bible he discovered time cycles, repetition of important numbers, and references to the wise men following the stars. Also, that it was written in veiled language that made interpreting the real meaning difficult. Since Gann had a photographic memory, by age 21 he had nearly memorized the Bible.

During his school years Gann excelled in mathematics and was generally called as a gifted mathematician. His tremendous appetite for knowledge and his open-minded attitude led him into many different fields of study that eventually resulted in discoveries in the markets that would otherwise have been overlooked. He completed high school in a time when most children were only able to attend school through the third or fourth grade.

As a teenager, Gann liked to be called W. D., and he used these initials the rest of his life. W. D. pestered his parents until they relented and signed a minor release form that he needed to obtain a job. His first job was that of a News Butcher on the passenger train between Texarkana and Tyler, Texas. This job required him to be quick-witted, aggressive, and able to deal with all kinds of people. During his teen years, he worked in the cotton warehouses in Lufkin and Texarkana, Texas. While working in the cotton warehouse, he was introduced to commodity trading.

In 1902, at age 24, W. D. Gann made his first commodity trade in cotton, the market he knew best. The small profit from that trade marked the beginning of what was to become one of the most remarkable and legendary careers the speculative markets have ever known. Over the next 53 years, Gann took over $50,000,000 from the markets. It has been reported by a man who worked for Gann the last eight years of Gann's life, that approximately 1/3 of the money he made was for himself and the other 2/3 was for the accounts he supervised for clients. From that very first trade, it is believed Gann was using principles and techniques he continued using throughout his trading career. The notations on some of his early charts substantiated this belief. As time progressed, his trading methods were refined.

In 1906 W. D. went to Oklahoma City. He worked as a broker for a brokerage firm, trading for himself while handling large accounts for clients. He studied the cause of success and failure in the speculation of other traders. He found that over 90% of traders who enter the markets without knowledge and study usually lose in the end. Gann also lost a significant amount of money and admitted his trading was based on hope, greed, and fear. Later on, in his books and courses, he cautioned all traders about these emotions.

Early on, Gann began to note the periodical recurrence of rise and fall in stocks and commodities. This led him to conclude that natural law was the basis of market movements. He then devoted ten years to the study of natural law as applicable to the speculative markets. During that time he traveled to England, Egypt, and India to gain knowledge in ancient mathematics and astrology. In the British Museum in England he conducted extensive research on market cycles. In an Egyptian temple it is believed he found the basic construction of what was to become known as his

Square of 9 Chart. After exhaustive research and investigation of the known sciences, he discovered the Law of Vibration which enabled him to accurately determine the exact prices to which stocks or commodities would trade within a given time, and that each stock or commodity had its own rate of vibration.

At age 27, Gann was a well-known name in the Southwest. His views on the analysis of cotton prices were so well respected that a Texarkana newspaper, The Daily Texarkanian, ran a story on Gann's cotton predictions.

In 1908, at age 30, Gann moved to New York and opened his own brokerage office at 18 Broadway. He began testing his theories and techniques in the market. On August 8, 1908, he made one of his greatest mathematical discoveries for predicting the trend of stocks and commodities. This was "The Master Time Factor." Within a year, it became clear to others that his success was based on more than just luck. No one researched time cycles as extensively as Gann. His charts show the cycles with which he worked, went back to history's beginning, and bore no resemblance to other researcher's time cycle studies.

In October 1909, Richard D. Wyckoff, Owner and Editor of The Ticker and Investment Digest asked Gann for an interview to document his trading ability for one month. The interview was granted, and Gann's trades were monitored for 25 market days during the month of October in the presence of a Ticker representative. At that time the markets also traded on Saturday. Gann made 286 trades in various stocks, both long and short. There were 264 trades that resulted in profits and 22 in losses. 92.3% of the trades were profitable. The capital used doubled ten times resulting in 1000% gain on his original investment during those 25 trading days. What makes this even more phenomenal is that Gann did this with an average time between each trade of about twenty minutes. In one day Gann made 16 trades in the same stock, 8 of which were in either the top eighth or the bottom eighth of that particular swing. Such a performance is unparalleled in the history of Wall Street. As stated by James R. Keene, the famous speculator of that era, "The man who is right 6 times out of 10 will make his fortune."

It seems a foregone conclusion that Gann was picking tops and bottoms with a high degree of accuracy. At this point of time, in 1909, he was only 31 years of age, so whatever methods he was using had already been discovered.

This biographer believes that after his sensational performance Gann regretted having granted the interview, as it was stated m the printed article that he did not know the results were to be published. When the article was printed in The Ticker Investment Digest, Gann was besieged with people asking how he was able to pick tops and bottoms as he had demonstrated. His only answer to them was he used The Law of Vibration to make all his calculations. At this conjuncture there were only two choices: 1) to give away his secret discoveries and risk destroying the markets, or 2) to detract from his method of picking tops and bottoms by writing books and courses about mechanical trading systems, the use of geometrical angles, the use of Time and Price Charts, such as the Octagon Chart (Square of 9), Master 12 Chart (Square of 144), Hexagon Chart (the cube), Square of 90, Square of 52, 360 Degree Circle Chart, and many other trading techniques.

If Gann had continued trading using only his method of picking tops and bottoms, without a doubt he would have become one of the wealthiest men in the world, and in so doing would have attracted too much attention. He would have been asked too many questions by traders and would have been compelled to explain. However, at certain times, he probably used his method to advantage. Gann had a profound understanding of natural raw, so rather than place himself in an embarrassing situation, he chose to trade using his mechanical systems and other techniques he had developed. Also, having more capital than was required for a good living was not important to him, as he was more interested in the knowledge possessed by ancient civilizations and the occult sciences. Gann understood how the Laws of Nature controlled human beings and, therefore, he understood the markets, because the markets are nothing more than an expression of the actions of human beings.

The two previous paragraphs are my belief. You may agree or disagree, but before you arrive at a conclusion, carefully study Gann's 1909 trading demonstration. He made 286 trades in 25 days, which is 11 trades per day. To do this, you must pick the tops and bottoms on a short intra-day time period.

If what I believe is true, it is very sad to think that a genius individual such as W. D. Gann, had to disguise the truth throughout his life, with a smoke screen of many trading methods and techniques.

In 1918 his office address in New York was 81 New Street and in the early 1920's was at 49 Broadway. Over the years, Gann maintained several offices in New York all located on Wall Street with the address numbers of 78, 80, 82, 88, 91, 93 and 99.

At the height of Gann's career, he employed 35 individuals who made charts of all kinds, did analytical research at his direction, and performed many duties involved with his various publications and services. The name of one of his businesses was W. D. Gann Scientific Service, Inc., and the other, initiated in 1919, was W. D. Gann Research, Inc. The firms published the following Supply and Demand Letters: Daily Stock Letter, Tri-Weekly Stock Letter, Weekly Stock Letter, Daily Commodity Letter, Tri-Weekly Commodity Letter, and Weekly Commodity Letter. Telegraph Service was all offered as follows: Daily Telegraph Service on Stocks, Daily Telegraph Service on Cotton, Daily Telegraph Service on Grain, and Telegrams on important Changes Only, on Stocks or Commodities. Published under Annual Forecasts were: Annual Stock Forecast, Annual Cotton Forecast, Annual Grain Forecast, Annual Rubber Forecast, Annual Coffee, Sugar and Cocoa Forecast. Supplements to all Forecasts were issued and mailed on the first of each month. Special Forecasts on stocks or other commodities were made on request. Also offered were daily, weekly, monthly, quarterly, and swing charts on stocks and commodities. Gann taught advanced courses of instruction entitled Master Forecasting Method, at a cost of $2,500, and New Mechanical Method and Trend Indicator, at a cost of $5,000, to those who want it for their own use and will not publish, sell, or teach it to others. It is too valuable to be spread broadcaster. The cost of these courses and personal instruction in today's economics would be $25,000 to $50,000, or more.

As early as 1923, Gann offered a service entitled "The Busy-Man's Service." This was a service for professional and businessmen where Gann supervised their trading accounts by advising them what and when to buy and sell. In later years the name of this service was changed to "Personal Service." The cost of this service was on a 1 month, 3 months, 6 months, or annual basis, or on a Part-of-Profit Plan where the monthly fee was smaller and Gann received 5% of the net profits. Under the Part-of-Profit Plan it was required that a minimum of 100 shares be traded. The clients were advised by telegram or letter.

An article in The Evening Telegram dated New York, Monday, March 5, 1923, used the words “prophet” and “mathematical seer” to describe Gann. It also stated his followers declared he was 85 % correct in his forecasts. He predicted the election of Wilson and Harding using fortunate numbers and fortunate letters combined with cycles. He predicted the abdication of the Kaiser and the end of the war to the exact date six months in advance. His predictions were based on mathematics. He stated if he had the data he would use algebra and geometry to tell exactly by the theory of cycles when a certain thing is going to occur again. He further stated that there is no chance in nature, because mathematical principles of the highest order lie at the foundation of all things. The article pointed out that Gann received calls every day from prominent persons asking him to cast their horoscope. It also said he told politicians whether or not they would be elected and solved problems for clergymen, bankers, and statesmen.

In another article in the Morning Telegraph, dated Sunday, December 17, 1922, the Financial Editor, Arthur Andy, stated that “W. D. Gann had scored another astounding hit in his 1922 stock forecast issued in December, 1921, I found his 1921 forecast so remarkable that I secured a copy of his 1922 stock forecast to prove his claims for myself. And now, at the closing of the current year of 1922, it is but justice to say I am more than amazed by the result of Mr. Gann’s remarkable predictions based on pure science and mathematical calculations.”

W. D. and his wife, Sadie H. Gann, had one son and three daughters born to their marriage. Their son, John L. Gann, was in partnership with his father for several years in the late 1930’s and early 1940’s, operating under the firm name of W. D. Gann & Son, Inc. Apparently, the two personalities were not always compatible, as their association was ended in the mid 1940’s. This writer has been told one of their main differences concerned astrology, as John did not believe astrology had any effect on market movements, or human behavior. This probably upset W. D. as he knew well the effect of planetary motion on the markets and the individual. Following the association with his father, John served as a broker for many years for the . firm Sulzbacher, Granger & Co. in New York City. It is believed that John passed away in 1984.

For many years Gann maintained a home in Scarsdale, New York, which was, at the time, the estate bedroom community for New York City. In an article that appeared in the May 26, 1933 New York Daily Investment News, it was reported that Gann left New York in the first 1933 model Stinson Reliant airplane, piloted by Flinor Smith, a woman aviator, to conduct an extensive tour of the country analyzing cotton, wheat, and tobacco crops, and business conditions. The airplane was equipped with navigation instruments, radio receiving equipment and extra-large fuel tanks that gave a flying range of 750 miles. It was powered with a Lycoming engine and cruised at 135 miles per hour. Gann was the first Wall Street advisor to use an airplane for studying market conditions so he could advise clients much faster of changing market conditions. During his trip he was a speaker to members of Kiwanis, Rotary, Chamber of Commerce, and other business organizations in various larger cities throughout the United States.

In 1935, Gann made an airplane trip to South America for studying crop conditions, and to gather information on the increase and production of cotton in Peru, Chili, Argentina, and Brazil. He logged 18,000 miles by air and another 1,000 miles by automobile.

In July of 1936 Gann purchased a specially built all metal airplane, which he named “The Silver Star,” and used in making crop surveys. In July of 1939 he purchased a new Fairchild airplane for the same purpose.

Gann was a member of the Commodity Exchange, Inc. of New York, the New Orleans Cotton Exchange, the Rubber Exchange of New York, the Royal Economic Society of London, the American Economic Society, the Masonic LodRe, the Shrine, the Chicago Board of Trade, and was a devout Christian in the Methodist Church.

Gann had a winter home in Miami, Florida, and in the 1940's moved there on a full-time basis. His office was at 820 S. W. 26th Road in Miami. While in Florida, he continued his advisory services as well as teaching his commodity and stock market courses, either in person or by mail. By the late 1940's he had a recommended list of Books For Sale that included the subjects of numerology, astrology, scientific, and miscellaneous. He was involved in real estate holdings, and enjoyed large automobiles, especially Lincolns, which he purchased new yearly. In 1954, after making several successful coffee and soybean trades, Gann purchased a fast express cruising boat that he named "The Coffee Bean." It was reported that Gann wore the same type of suit throughout his life, and that his home was filled with items collected in his world travels. He vacationed often in South America. But, in the opinion of his peers, he did not live beyond his means.

W. D. Gann wrote some of the best books ever written on the stock and commodity markets. The following is a list of the books written by him:

Speculation a Profitable Profession
The Truth of the Stock Tape
The Tunnel Thru the Air
Truth of the Stock Tape/Stock Selector
Stock Trend Detector Scientific Stk Forecast
How to Make Profits Trading in Puts and Calls Face Facts America. Looking Ahead to 1950
45 Years in Wan Street
The Magic Word
How to Make Profits Trading in Commodities

Gann was a prolific writer. His style of writing was unique. Readers of his books considered him to be a poor writer with a limited use of the English language. Not so! Upon a closer study of his work, the reader will discover in time the Gann method of teaching. He will inspire the reader to research everything from the origin of numbers to the musical scale and vibrations. W. D. Gann, in my estimation, was a genius. He was born a Gemini with a high intellectual capacity, and a dual personality that caused him to be both genial and obstinate. He was a gifted mathematician, an expert chart reader, and had an extraordinary memory for figures. Take away his science and he would beat the market on chart reading alone. One of Gann's most important technical tools was his charts and no one kept up as many as he did. Gann's charts encompassed 55 years, from 1900 to 1955. During this time thousands of daily, weekly, monthly, quarterly, yearly, and other various charts, were made with care, each a work of art. He believed charting was an art and if you understood everything the chart was showing, it would aid in forecasting the next day, week, or month's, price movements. Gann was a workaholic, at times working 17 hours per day, 6 days per week. He was very demanding of those who worked with and for him, and same effort from them that he himself put forth. He expected to issue instructions only once and did not feel it should be necessary to repeat them.

Gann was deeply analytical and studied price actions of various stocks and commodities back through the years. He spent nine months in the British Museum working day and night researching stock and commodity prices and dates from 1820, and wheat prices and dates from

1200. He also spent long hours and long days in the Astor Library in New York City researching stock and commodity markets. He was a student of numbers, number theory, progressions, and the progression of numbers. His trading system was based on natural law and mathematics. Since time progresses as the earth rotates on its axis and in its order, and time is measured by numbers and progression of numbers, and prices in their movement upward and downward are also measured in numbers, it is understandable why Gann had an intense interest in numbers, number theory, and mathematics. A keen understanding of natural laws and their effect on mankind have a direct effect on the markets. The markets are only extensions or reflections of man's actions.

In Gann's time there were no calculators. He used a slide rule and the various master charts he developed, such as the Square of 9, for his calculator. He kept an open mind to any trading ideas to achieve perfection. When making his forecasts, he used many methods to arrive at the time for a trend change, and all of them to confirmed he was correct. In his early trading he made thousands of dollars. But, by listening to false rumors and other people's ideas, he also lost thousands of dollars. In 1913 and again in 1919, he lost small fortunes when the brokerage firms he was trading with went bankrupt. One of these firms was Murray Mitchell and Company. In those days the client's funds were not protected by exchange regulations in case of a failure, as they are today.

During this time he was also involved in two bank failures. Regardless of these losses and misfortunes, he was always able to rely upon mathematical science to aid him in making a financial comeback. This is why Gann states that knowledge of the market is more important than money.

Today, people believe "times are different," but Gann's time saw its bull markets and panics in the stock market bull markets and panics in the commodity market, wars, inflationary periods, depressions, bank closings, etc. In 1921 the rate of inflation was 100%. Strikes were rampant, jobs impossible to find, and productivity at very tow levels. The Great Depression of 1929 to 1932 and the outright confiscation of the citizen's gold that was exchanged for printed money, left deep scars on the country and it's citizens. W. D. Gann was avidly against the New Deal and Roosevelt's creeping socialism. Therefore, to learn from other people's past experiences, people today should understand Gann's famous quotation, "The future is but a repetition of the past, or as the Bible says, the thing that hath been, it is that which shall be; and that which is done, is that which shall be done; and there is no new thing under the Sun."

Gann said, "The average man's memory is too short. He only remembers what he wants to remember or what suits his hopes and fears. He depends too much on others and does not think for himself. Therefore, he should keep a record graph, or picture of past market movements to remind him what has happened in the past can, and will, happen in the future. Panics will come and bull markets will follow just as long as the world stands and they are just as sure as the ebb and flow of the tides, because it is the nature of man to overdo everything. He goes to the extreme when he gets hopeful and optimistic. When fear takes hold of him, he goes to the extreme in the other direction."

The following is taken from 45 Years in Wall Street and is very good advice and very true in today's world. "Every man takes out of life just exactly according to what he puts in. We reap just what we sow. A man who pays with time and money for knowledge and continues to study and never gets to the point where he thinks he knows all there is to know, but realizes that he can still learn, is the man who will make a success in speculation or in investments. I am trying to tell you the truth and give you the benefit of over 45 years of operating in stocks and commodity markets and point out to you the weak points that will prevent you from meeting with disaster.

Speculation can be made a profitable profession. Wall Street can be beaten and there is money operating in commodities and the stock market if you follow the rules and always realize that the unexpected can happen and be prepared for it."

In How to Make Profits in Commodities Gann made the following comments regarding knowledge as he believed knowledge is power. All who read this should heed and always remember his advice. "The difference between success and failure in trading in commodities is the difference between one man knowing and following fixed rules and the other man guessing. The man who guesses usually loses. Therefore, if you want to make a success and make profits, your object must be to know more; study all the time; never think that you know it all. I have been studying stocks and commodities for forty years, and I do not know it all yet. I expect to continue to learn something every year as long as I live. Observations, and keen comparisons of past market movements, will reveal what commodities are going to do in the future, because the future is but a repetition of the past. Time spent in gaining knowledge is money in the bank. You can lose all the money you may accumulate or that you may inherit - that is if you have no knowledge of how to take care of it - but with knowledge you can take a small amount of money and make more after time spent in gaining knowledge. A study of commodities will return rich rewards."

Sometime in 1947, Gann sold W. D. Gann Research, Inc. to C. C. Loosli, a San Francisco attorney. He became disenchanted with the business and on February 14, 1948, W. D. Gann Research, Inc. was transferred to Mr. Joseph L. Lederer of St. Louis, Missouri. The office for W. D. Gann Research, Inc. was maintained at 82 Wall Street in New York until 1952. Then it was moved to Scarsdale, New York, and in 1956 relocated to St. Louis, Missouri, where its only business was that of investment adviser.

In 1950 in Miami, Florida, Gann and a partner, Ed Lambert, founded Lambert-Gann Publishing Co. Ed Lambert was an architect who designed the InterState Highway System in the greater Miami area Lambert Gann Publishing Co. published all Gann's books and courses. W. I). Gann passed away in the Methodist Hospital in Brooklyn, New York, on June 14, 1955, at the age of 77. He was survived by his wife, Sadie, three daughters, and a son. That day the world truly lost a market legend.

After Mr. Gann's death in 1955, Ed Lambert continued to operate the business that included a chart service of updated Gann style charts. He was not as active in promoting Gann's writings as when Gann was alive, so for the following twenty years Gann's work became quite obscure. In 1976 Bill and Nikki Jones of Pomeroy, Washington, purchased Lambert-Gann Publishing Co. and the Gann copyrights. In the purchase were all of his personal research including thousands of his charts, papers, books, and writings he had collected through fifty years of trading and research. There were also tables and miscellaneous office furniture used by Gann. The largest Mayflower moving van available was required to transport this purchase to Pomeroy, Washington. Following Billy Jones' death in September 1989, Nikki Jones continues to operate Lambert Gann Publishing Co., carrying on the Gann tradition with the sale of his books and courses.

In this biographer's opinion, W. D. Gann was the greatest market researcher of all time. His trading career spanned more than a half century. During that time he devoted his total life to market research and trading. He researched every possible aspect of natural laws in conjunction with variables of price and time in market movements. This study became an obsession to find the cause and effect of market fluctuations, which he did. The trading techniques Gann developed work the same today as they did when he used them. His library contained volumes of books and manuscripts on harmonic waves, proportion, growth, gravity, electricity, nature, and natural phenomena. However, there were no books on open interest, volume, stocks, or commodities.

The only books and courses on commodities and stocks were his own. He was a humble man who stated, at age 75, that he had not learned all there was to know, and yet, he knew more about the markets than any trader who ever lived. There is an important lesson to be learned from the study of his life and his work. For those of you who have diligently studied his writings, you will understand my statements. Hopefully, for those of you who are not familiar with Gann, this writing will inspire you to begin. May the legend live on!

Les J. Clemens who wrote this article is a professional trader and researcher. He teaches advanced Ut D. Gann seminars once each month. Les and his wife Sandy, operate a mail order book business specializing in old, rare, stock and commodity astrology, mathematical, and esoteric books. Contact them at POB 2356, Estes Park Colorado 80517.

Order in the Markets

By Danton S. Long

Are mainstream methodologies the only way to find order in s ~a Real World Market? The delusion that one finds knowledge only through these “proven approaches” still persists. Thank God for Capitalism and fresh ideas! From my research, I found that the vast majority of these “accepted approaches” are either too subjective or unreliable to develop a consistent trading plan. That is not to say that they never work, just that the erroneous signals can be costly. I don’t know about you, but I need definite guidelines to determine trade selection!

Figure 1 - I developed “The Price Point System” under the assumption that price value is constant, time is not absolute but relative to the period of data acquisition and price movement progresses naturally. In other words, from the fixed price values I created a constant and infinite mathematical model for price movements to react within. I call it the fixed price values Price Points. The Price Points can be used as a stand alone system since price reacts within the Price Point boundaries, or they can be used as a beautiful addition or clarifier to other methodologies such as Fibonacci, Gann, Elliott Wave, Planetary, etc.

Figure 2 - Now that you understand the basic premise of its development (P.P.S.), let us examine the price movements within this mathematical model. All price movements (energy) are a direct reflection of contrary opinion buying and selling. To help put this concept in perspective I envisioned the price behavior, “the dispersing of motion or energy that will continue until either the driving force decreases, ceases to exist (lack of momentum of equilibrium), or resistance is encountered (natural, technical or fundamental). The combined influence will either alter price direction completely (correction), slightly impede it (congestion), or have no effect at all (penetration).”

Let’s review the concept briefly before continuing. First, price is a “unit of measurement” that measures the value or worth of Futures, Stocks or Indices. Prices react within the Price Point Areas. Price fluctuations around these areas confirm trade entry or exit (it doesn’t

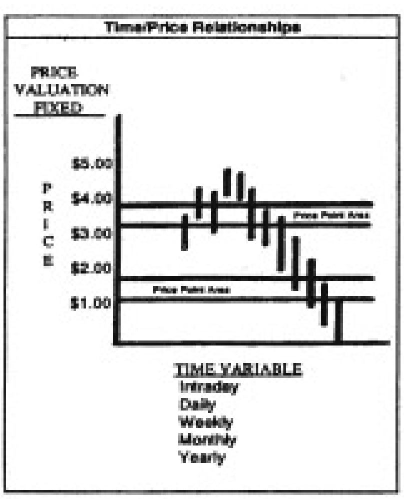


Figure 1

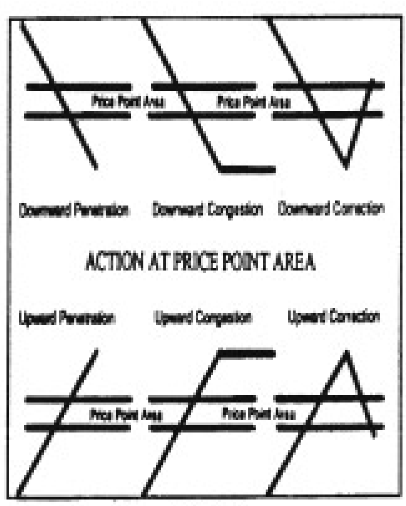


Figure 2

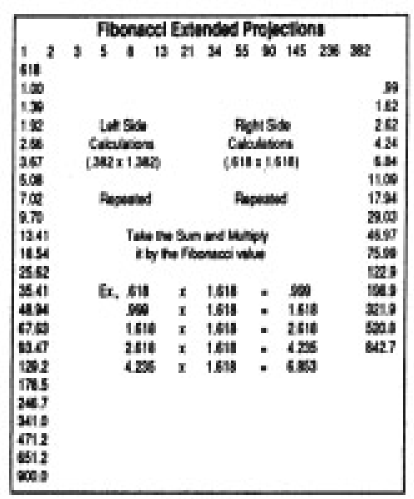


Figure 3

matter how you look at it, a dollar is a dollar). Second, the natural progressions of price will continue until either encountering resistance or the driving force ceases to exist. Third, time is not absolute but relative to the period of data acquisition. In other words, each respective level within the hierarchy (intraday, daily, weekly, monthly, etc.) creates its own natural rhythmic progression.

Figure 3 - I'd like to focus attention on the natural rhythmic progressions determined from a single price value (an isolated high or low). From this single price base we can project the natural expansion rate of price outward using two distinct Fibonacci ratios. The ratios of .382 and .618 are extended sequentially outwards past the 2.618 expansion, by simply multiplying each by 1.382 or 1.618 respectively.

Figure 4 - Essentially, we are creating a mathematically constant rippling wave of outward resistance for time and price to react to. After the projected natural expansion points (isolated high or low) have been determined, adjust them accordingly so that they conform within the infinite mathematical model. In other words, each projected expansion point is adjusted to the immediate Price Point Area.

This is important and it is why most price projections fail in other systems. In order to project forward to where price will go, we must first have the correct starting point. The starting point for all of my projections is always from the Price Point Area closest to the isolated high or low. I use the number derived from my P.P.A. closest to the isolated high or low. I do not use the isolated high or low itself. You can use the number of the isolated high or low if you want to and it will

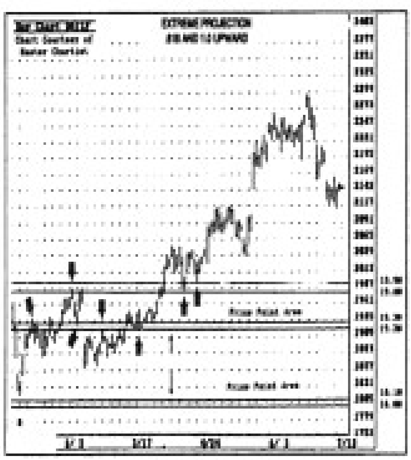


Chart 1 & 2

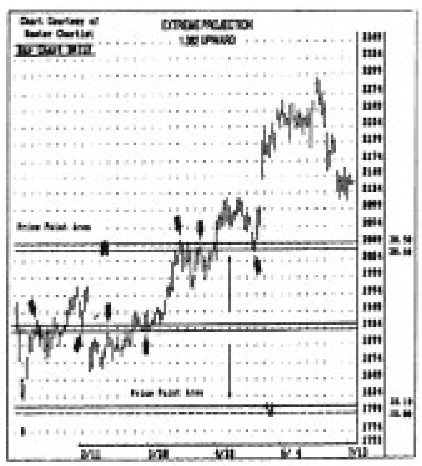


Chart 3

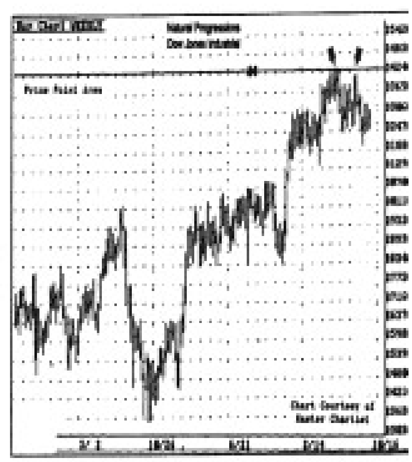


Chart 4

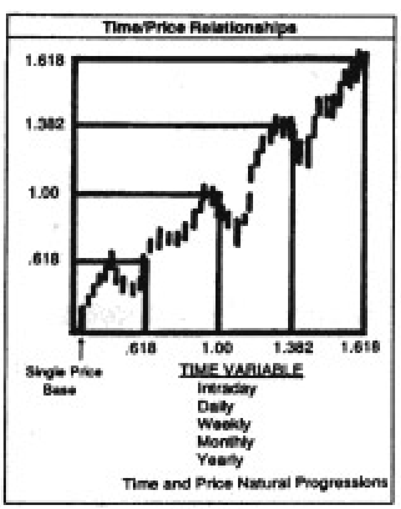


Figure 4

Dow Jones Industrial Average -

Projection Base	Adjusted Price		Fibonacci Expansion		Price Target
08-08-1896 Low	27.5	x	1243.80	=	3445.7
09-03-1929 High	385.0	x	75.99	=	3310.6
07-08-1932 Low	39.5	x	900.00	=	3594.5
12-09-1974 Low	570.0	x	48.94	=	3359.5
08-25-1987 High	2735.0	x	2.61	=	3451.0
10-20-1987 Low	1620.0	x	11.09	=	3416.5
07-20-1990 High	3010.0	x	1.61	=	3497.0
10-12-1990 Low	2340.0	x	4.24	=	3332.0
12-13-1991 Low	2830.0	x	2.00	=	3396.0

Figure 6

keep you in the ballpark, the question is, will it keep you in the game? By using my Price Point numbers I can make a much more accurate prediction for future price.

OK, how do I make money from this? Well, we've covered the basics so lets get down to business. First, we're going to examine several charts to establish the natural progression theory using a single price value. Second,we'll project the probable top for the Dow Jones Industrial Average.

Chart #1 - The isolated low of B was adjusted to conform to the mathematical model Price Point Area (P.P.A.). The P.P.A. value or price was then multiplied by the ratio .618 to project the first natural expansion area against the trend. As you can see, the price traded sharply up to the next P.P.A. before congesting. The point being, the adjusted expansion point (P.P.A.) provided adequate support and resistance for further price activity.

Chart #2 - From the same single price value at B (P.P.A.) let's examine the next natural expansion area, 1.00. After price penetrated the high point of the peak bar's peak that formed at the .618 expansion, it then rallies sharply up to the projected natural expansion area (P.P.A.) before correcting nicely to the .382 expansion area.

Chart #3 - Finally, using the same single price value at B (P.P.A.) project the next natural expansion area, 1.382. Beginning at the correction area, price once again progresses to the next expansion area. During this move however, price encounters resistance at the .618 expansion point. Once the price penetrates that resistance zone it then becomes support for price, as it continues onward to its projected destination at the 1.382 expansion. As you can see natural progression areas provide adequate support or resistance to price. If you look closely at this chart you will see that price reacted at both the 1.618 and 2.618 areas as well.

The first three examples established the effectiveness of the progression theory using ratios that were less than the 2.618 expanse. To project a probable Top for the Dow Jones Industrial Average, we'll use the ratios past the 2.618 expanse. These long term natural expansion points establish a probable price grouping zone of future resistance when combined with the short term expansion points. The combination confirms each projections validity, as well as establishing a timing alliance.

Chart #4 - To extract a projected Dow Top target take the difference of this projection range (3594.5 - 3310.6) = 283.9 (283.9/2)2 141.95 (141.95+3310.6) = 3452.55. In the week of June 5, 1992 the Dow Jones formed an isolated high pattern at 3435.2. The immediate Price Point Area was 3430.00. This formation occurred at a point that was exactly 17.35 points from our average projected target area, 5.2 points from the immediate P.P.A. and 10.5 points from the Dow Jones all-time low projection August 8, 1896. Hmmmrnm! Go figure! ! !

Further confirmation was given when the projected Fibonacci expansions of both the 1987 and 1991 crashes confirmed this area as well. There are two other influences worth mentioning. First, the retest of 3452.5 confirms momentum is weakening. Second, a developing head and shoulders pattern formation. Is this the Dow Top??? I'm short and watching price unfold! ! !

In conclusion, I've given you an exceptional tool to target both long and short term termination points. Remember, when targeting natural projection points I never get locked into a mentality that price has to reach a projected area." I have shown my fixed Price Point Areas on the Dow charts. These areas never change. When the Dow trades at these levels in the future, watch the action and reaction. The Price Point Areas for other levels on the Dow and all other commodities are listed in my book, the Price Point System.

Danton S. Long is the author of the "Price Point System "

Money Management

By Mike E. Riley

1) Have enough equity to assume at least 1 % risk of the value of one contract.

2) Since your money is at risk unless you will pay cash in full for all contracts so that you can withstand at least a (3%) of the value of a contract fluctuation against you. You must follow the rules of money management and use stops to keep losses at a minimum and approach trading as a business. Be realistic that business expenses are losses, so do not expect to use leverage and to profit on each trade. Be capitalized to be able to make 15 trades per year in anyone commodity as a track record with the possibility of 5 to 8 trades stopped out in a row at worst with 1/3 risk vs. gain. Do not expect a few stopped trades to be an example of how profits can be made in commodities. Your other choice is not to trade commodities because of leverage or capital.

A) Any given day a market will have a trading range of 1% of the value of a contract, any given week a 3% range. This is the nature of any market. The trading ranges we give are rarely greater than we say for the next week or month. If markets move very little, then do not expect large gains.
B) You cannot profit in the commodity markets unless your profits exceed your losses and losses are inevitable because of leverage. Trading too many contracts or too high a value contract for your equity may get you in trouble.
C) Learn to think in percentages % of your equity and market values, instead of actual dollars or money. That takes the emotion out of trading.
D) One contract of T-Bonds prices at 100 is $1000 per 1.00 pts. Times 100 is equal to $100,000 per contract therefore $25,000 equity is (4 to 1) leverage. A 1.00 pt. loss is $1000 but only 1% of the value of one contract and a 3% loss is 3.00 pts or $3000. Average margin required is $3000.
E) Use a 4 or 5 to 1 leverage factor. Never more than 10 to 1 leverage.

3) Never risk mover 10% of your equity. We prefer 5% on any one position.

4) Enter only 3 to I risk-reward trades. Never assume more than 1/3 risk verses your gain possibility because of slippage and commissions you cannot profit consistently.

5) Diversify into at least 3 different industries if you only trade with $5000 to $10,000, but only trade one commodity in each industry.
A) If you trade with $25,000 or more, for the greatest diversification, trade at the agricultures such as foods, fibers, and financials excluding the S&P, T-Bonds and currencies with 2 to 1 risk-reward or better for your greatest odds.

Mike Riley is editor of the Gann-Elliott Cycle Report Weekly Newsletter Hotline & Fax. He can be reached at 903-463-2110.

Secret to Success

By Ted Tesser, Ms,cpa

Although making money is important, it is only one half of the equation for a successful career as a trader. An equally important component of this formula is how much of that money you have left after the losses, expenses, and yes, "Read My Lips," taxes. In my opinion, the business plan and management of the trading business are the most significant aspects of a trader's ultimate success and two of the most overlooked requirements.

Yes, a good trading system is a vital cog in this wheel. No doubt, you cannot manage your money if you don't make any. For this reason, it is necessary to implement a well thought out, and balanced trading strategy. A successful trader must stick to a disciplined system with a historical record of generating consistent profits. The drawdown should be commensurate with this return, and tolerable by the available capital in the trader's account. Trading a diversified portfolio is vital to cutting this drawdown.

The system also must fit the personality makeup of the trader. His or her tolerance for risk, need to be correct (percent accuracy), and level of desired activity or time available for trading (frequency of trades, and time frame being traded) are just as important as the system itself. There is no such thing as a "one size fits all trading system." The most profitable system in the world will still lose money if it is not traded the way it was designed; and a trader will not consistently trade a system which does not suit his or her personality.

In addition, I have frequently seen traders conduct their business affairs, as would drunken sailors on a five day pass. As a professional who has been involved in trading from both sides of the market (ie. as a trader, and also as a

CPA-investment tax specialist who services traders), I have observed professionals who run their primary businesses prudently and conservatively, but seemingly throw all caution and common sense to the wind when it comes to trading.

Trading is a business and should be treated as one. Profit margins must be calculated, as well as cost of sales, risk/reward ratios, and return on investment net of taxes. The worst crime a trader can make, is to have made money, but then to hand it right over to the government because of a fundamental lack of knowledge of the tax laws and the strategies which can be used advantageously. No area of the recent Tax Reform Act was impacted more than that of the investor/trader, and Bill Clinton has no plan for immediate relief. Therefore it is vital for the trader to be aware of what is available to him under current law.

One "secret" that the government has kept under wraps, is the ability of individuals to qualify for Trader Status. Most people, even knowledgeable tax professionals, believe that unless you are a professional market maker, operating from the floor of the exchange, you are an investor. They are not aware that the Government will allow an intermediate classification called Trader, which provides significant financial benefits. This is especially true for those individuals trading commodities for their own account.

While the market maker (broker dealer-floor trader) can deduct 100% of his expenses, and treat his losses as ordinary, the lowly investor is limited to a deduction only after it exceeds 2% of Adjusted Gross Income. Furthermore, if AGI exceeds a certain level ($105,000 in 1993) there is a further exclusion to the tune of 3%. This means that although the investor is taxed on 100% of income, the expenses directly incurred in earning that income, such as computer hardware and software, data services, advisory fees, commissions, margin interest, etc. are only partially deductible.

A Trader, on the other hand, is an intermediate classification which has some of the benefits of both statuses. The trader, while allowed deduct 100% of his trading expenses on the Schedule C (Form for Self Employed Individuals), he does not have to pay self employment tax on the income, which is still treated as capital gain.

Recent Tax Court decisions, such as that of the Estate of Louis Yaeger vs. the Commissioner has the IRS when it comes to relegating traders to second class tax status for trading their own account. But the business must be set up properly. A small effort in this regard, with the proper knowledge of how to do it, can well be worth the price in real dollar savings. Even those who failed to recognize this and filed their tax return without taking advantage of this strategy can amend it to claim these benefits for a period of time after the return was filed.

The best tax planning begins at the beginning of the year, not on April 15th. A profitable trading system is vital, but a well thought out business plan, disciplined business management, and prudent tax planning can often be the difference between a successful trading career and one that is doomed to failure. After all, it is not only how much money you make that is important, but rather, how much of it you keep!

Ted Tesser, MS, is a Certified Public Accountant, licensed by the State of New York. His specialty is investment related taxation and he has recently completed a book entitled “The Serious Investors Tax Survival guide, “ published by Traders ‘ Library He also is a full time trader, trading systems developer, and has written a two part trading course entitled “Systems For Success How To Create and Have a Profitable Trading Business. N He can be reached at 212-683-2950, and will send those readers who contact him a free booklet entitled “Trading s A Business. “

Trading the dow with Mercury
Mercury and the Dow

By Carol Mull

In his book, Stock and Commodity Traders' Handbook of Trend Determination, George Bayer lists eleven rules for trading stocks. One of the most often mentioned and the easiest to use involves the planet Mercury.

Date	Location	Retrograde/ Halfway/ Forward
Mar. 18	11' 14' Aries	Regrograde
Mar. 28	5' Aries	Halfway
Apr. 10	28'45' Pisces	Direct
Jun. 6	23'20' Gemini	Halfway
Jul. 21	17' 26' Leo	Retrograde
Aug. 2	11' 43' Leo	Halfway
Aug. 14	6' Leo	Direct
Sept. 23	7' 10' Libra	halfway
Nov. 12	8' 21' Sagittarius	Retrograde
Nov. 22	0' 18' Sagittarius	Halfway
Dec. 2	22' 14' Scorpio	Direct

Exhibit 1, Bayer's Mercury Halfway Retrograde Place

Lows	Points	Highs	Points
Oct. 16	3174	Sept. 14	3376
Oct. 9	3136	Aug. 3	3395
Aug. 24	3228	Jun. 1	3413
Jul. 22	3277		
Jun. 18	3274		
Apr. 8	3181		

Exhibit 2 High and Low Points Apr thru Nov 30, 1992

Dates	Mercury Speed	DJIA Beginning of Period	DJIA End of Period	Up/Down
Apr. 1-10	Decreasing	3249	3225	Down 24
Apr. 10 - Jun. 2	Increasing	3225	3396	Up 171
Jun. 2 - Jul. 20	Decreasing	3396	3308	Down 88
Jul. 20 - Aug. 3	Increasing	3308	3395	Up 87
Aug. 3 - Aug. 14	Decreasing	3395	3329	Down 66
Aug.14 - Sept. 10	Increasing	3329	3305	Down 24
Sept.10 - Nov. 12	Decreasing	3305	3240	Down 65
Nov. 12 - Nov. 23	Increasing	3240	3223	Down 17
Nov. 23 - Dec. 2	Decreasing	3223	3286	Up 63

Date	DJIA	Up / Dn	Speed	Apect
Apr. 1, 1992	3249.33	+.22	.44	
Apr. 2, 1992	3234.12	-15.21	.41	
Apr. 3, 1992	3249.11	+14.99	.36	
Apr. 6, 1992	3275.49	+26.38	.23	Mercury conjunct Venus
Apr. 7, 1992	3213.55	-61.94	.15	Sun square Uranus
Apr. 8, 1992	3181.35	-32.20	.10	Sun square Neptune
Apr. 9, 1992	3224.96	+43.61	.04	
Apr. 10, 1992	3255.37	+30.41	.01	
Apr. 13, 1992	3269.90	+14.53	.17	
Apr. 14, 1992	3306.13	+36.23	.21	Jupiter conjunct Moon
Apr. 15, 1992	3353.76	+47.63	.26	
Apr. 16, 1992	3366.50	+12.74	.30	
Apr. 20, 1992	3336.31	-30.19	.46	Moon square Mars
Apr. 21, 1992	3343.25	+6.94	.49	
Apr. 22, 1992	3338.77	-4.48	.52	
Apr. 23, 1992	3348.61	+9.84	.56	
Apr. 24, 1992	3324.46	-24.15	.58	
Apr. 27, 1992	3304.56	-19.90	1.07	
Apr. 28, 1992	3307.92	+3.36	1.10	
Apr. 29, 1992	3333.18	+25.26	1.11	
Apr. 30, 1992	3359.12	+25.94	1.15	
May 1, 1992	3336.09	-23.03	1.16	
May 4, 1992	3378.13	+42.04	1.24	Jupiter trine Venus
May 5, 1992	3359.35	-18.78	1.25	
May 6, 1992	3369.41	+10.06	1.28	
May 7, 1992	3363.37	-6.04	1.69	
May 8, 1992	3369.41	+6.04	1.32	
May 11, 1992	3397.58	+28.17	1.38	
May 12, 1992	3385.12	-12.46	1.40	
May 13, 1992	3391.98	+6.86	1.41	Mercury trine Uranus
May 14, 1992	3368.88	-23.10	1.44	
May 15, 1992	3353.09	-15.79	1.46	
May 18, 1992	3376.03	+22.94	1.52	
May 19, 1992	3397.99	+21.96	1.54	Mercury trine Uranus
May 20, 1992	3393.84	-4.15	1.56	
May 21, 1992	3378.71	-15.13	1.48	Mercury square Saturn
May 22, 1992	3386.77	+8.06	1.59	
May 26, 1992	3364.21	-22.56	1.67	Sun square Jupiter
May 27, 1992	3370.44	+6.23	2.08	
May 28, 1992	3398.43	+27.99	2.09	Mercury conjunct Sun
May 29, 1992	3396.88	-1.55	2.11	
Jun. 1, 1992	3413.21	+16.33	2.12	
Jun. 2, 1992	3396.10	-17.11	2.13	
Jun. 3, 1992	3406.99	+10.89	2.11	
Jun. 4, 1992	3396.73	-7.26	2.12	Mercury trine Saturn
Jun. 5, 1992	3398.69	-1.04	2.10	
Jun. 8, 1992	3404.13	+5.44	2.07	
Jun. 9, 1992	3369.92	-34.21	2.05	
Jun. 10, 1992	3343.22	-26.70	2.04	
Oct. 28, 1992	3251.40	+15.67	1.10	
Oct. 29, 1992	3246.27	-5.13	1.08	
Oct. 30, 1992	3226.28	_19.99	1.06	
Nov. 2, 1992	3262.21	+35.93	.57	
Nov. 3, 1992	3252.48	-9.73	.54	
Nov. 4, 1992	3223.04	-29.44	.50	
Nov. 5, 1992	3243.84	+20.80	.46	
Nov. 6, 1992	3240.06	-3.78	.41	
Nov. 9, 1992	3240.87	+.81	.23	
Nov. 10, 1992	3225.47	-15.40	.16	
Nov. 11, 1992	3240.33	+14.86	.08	
Nov. 12, 1992	3239.79	-.54	.01	
Nov. 13, 1992	3233.03	-6.76	.10	
Nov. 16, 1992	3205.74	-27.29	.50	
Nov. 17, 1992	3193.32	-12.42	.50	
Nov. 18, 1992	3207.37	-14.05	1.00	
Nov. 19, 1992	3209.53	+2.16	1.08	
Nov. 20, 1992	3227.36	+17.83	1.15	Mercury conjunct sun
Nov. 23, 1992	3223.04	-4.32	1.21	Mercury trine Mars

Exhibit 4, Daily Record of Mercury's Velocity

Bayer refers to “Mercury’s halfway retrograde place,” and directs us “to find the point when Mercury turns retrograde and the place where it again moves direct.” We are told “to figure the difference of these two places in the Zodiac, divide by two, and look in Raphael’s Ephemeris for the date when halfway point is reached. This date is likely to be a bottom.”

If we apply this to the fall of 1992, we find that Mercury turned retrograde on November 12, 1992 at 8’21' Sagittarius, and went forward again at 22’14' Scorpio on December 2. The difference is 16’07'. One half of this is 8’3.5'. 22’14 Scorpio plus 8’3.5' is 0' 17.5' & Sagittanus, and Mercury crossed that point on the weekend of November 21-22. If you will examine the accompanying Exhibit 4, you will see that Monday, November 23, was indeed a down day, but definitely not a turning point.

The accompanying Exhibit 1 lists the dates and locations that Mercury turned retrograde, went forward, and was at the halfway position for the Period April 1 through November 30 ~1992. Exhibit 2 lists major high and low turning points for the same period. Although Lam presenting data here for an eight month period, have actually tracked Mercury halfway points through a three year period and could find little or no correlation with major high or low points.

What I do is to take Bayer’s research and carry it much farther. In the case of the Mercury rule, I listed the daily speed of Mercury, ignoring whether it was direct or retrograde. I was interested in whether Mercury was gaining speed or losing speed on a dwaily basis, and I did not care whether it was moving forward or backward.

When I had done this, I noticed that when Mercury was gaining in speed, the market was very likely to be an up-cycle, and when Mercury was losing speed, the market was most likely

Via Combusta stations of Mercury and U.S. national crises

date	volatility annual	net change	number of volatile days
11/23/53	6.4%	1.0%	0
10/18/54	8.6%	-2.2%	0
11/07/54	11.8%	4.7%	0
10/01/55	37.3%	-6.6%	2
11/16/60	8.6%	0.9%	0
10/10/61	5.3%	1.6%	0
10/31/61	6.2%	4.1%	0
09/23/62	13.8%	-4.1%	0
11/10/67	8.2%	0.1%	0
10/03/68	4.3%	0.9%	0
10/24/68	6.7%	-0.3%	0
11/19/73	22.6%	-9.1%	2
10/13/74	31.3%	16.1%	3
11/03/74	23.7%	6.7%	2
09/26/75	20.7%	2.2%	0
11/12/80	18.0%	7.8%	0
10/06/81	12.0%	4.7%	0
10/27/81	15.4%	4.9%	0
09/19/82	14.0%	1.1%	0
11/22/86	17.7%	2.5%	1
10/16/87	120.5%	-21.0%	6
11/06/87	31.6%	0.4%	3
09/28/88	7.5%	0.8%	0
Avg. volatility 10.8%, Avg. net change 0.7%, Total volatile days 19			

via Combusta stations and the S&P 500 since 1950 to be going down. (See accompanied exhibits~3 and 4.) Even when the market went down during Mercury increasing periods, such as August 14 through September 10 or November 12 through November 23, the points lost were likely to be minor. It was a few days before Mercury reached a standstill, market volume was very low and the Dow was likely to be down on the day Mercury finally changed directions.

Finally, I ran all the major aspects to Mercury for a three year period on my computer. If You will notice the accompanying Exhibit 4, you will see that the Dow will move up or down a significant number of points whenever there is a major Mercury aspect. Major aspects to other planets also affect the Dow, but those to Mercury seem to be especially potent.

I actually use about twenty different factors in computing my daily market forecasts, but Mercury's velocity has become one of the more important. I suggest that Bayer's work be used as a springboard for even more research.

Carol Mull is an active trader and the editor/publisher of the seven-year-old newsletter, "The Astro-Investor. " She can be reached at Mull Publications, PO. 11133, Indianapolis, Indiana, 46201, phone 317-357-6855.

Astrology & Market Volatility

By Carl E. Whitney

Financial astrology today has two biases. The first is toward cycles. At first, it seems reasonable to correlate the regular, predictable rhythms of the planets with earthly phenomena. Many astrologers today work exclusively on correlating planetary cycles with tops and bottoms in the markets.

However, the traditional practice of astrology, often now dismissed as "event-centered," was oriented toward one-time occurrences, not regularly occurring cycles. We might ask ourselves if the traditional approach has any merit.

The second bias is toward predicting direction. This likewise makes good sense, as everyone wants to know which way the market is headed. However, astrology may be better at predicting volatility than direction. If we can predict periods of extreme volatility, this information is of use to options traders, and especially professionals, who tend towards the short side, and who can be wiped out by a drastic move in prices in either direction.

It has long been apparent that retrograde motion of Mercury and Mars bears on market volatility. Retrogradation is a phenomenon in which the planets appear to slow down, stop, and then move in the opposite direction.

In particular, the great crashes such as 1929, 1937, and 1987 tend to be associated with a retrograde Mercury. Prices can also move sharply to the upside, as in October, 1974.

Retrograde Mars is correlated with less dramatic but more sustained price movement. The plunge in late 1973 occurred while Mars was retrograde, and the final stages of the slide were accompanied by a retrograde Mercury. The spectacular gains in April, 1933, and the totally unexpected rally of January, 1976, were associated with a retrograde Mars.

A further point about Mercury is the curious connection of its stations (the points in the sky where the planet appears to stop in its tracks) with national disasters in the U. S., when those stations occur in a certain part of the sky. That part is the "Via Combusta," from 15 Libra to 15 Scorpio, which, according to one branch of astrology, is endowed with peculiar properties.

The accompanying table lists several instances of major events that occurred near a station of Mercury in the Via Combusta: among the events are two market crashes, the attack on Pearl Harbor, and the Cuban Missile crisis, which, we learned recently, came within a hair's breadth of turning into all-out nuclear war.

A more thorough examination of stock market history between 1950 and 1991 reinforces the notion that a Mercury station in the Via Combusta raises the probability of stock market volatility. Of the 100 most volatile days in that period (with a change of at least 2.675% in the S&P 500), 19 occurred within 5 trading days of such a station. That is, 19% of the volatile days occurred in 2.4% of the time. (The 253 days near the stations made up 2.4% of the days in the overall sample.) This is over seven times chance levels.

Even excluding 1987, a day near such a station was four times as likely as any other day to be volatile. Mercury stations in the Via Combusta accompanied the slide in November 1973 and the extreme volatility of October 1974, as well as the plunge of 6.6% on September 26, 1955—part of the “Heart Attack Market” caused by President Eisenhower’s stroke, and the worst single day of the 1950’s, even including the panic that followed the outbreak of war in Korea (which, by the way, occurred not long after a station of Mars).

Direction is a different story, as the average change for such periods nets out to just about zero.

(The astute reader knows that volatile days run in batches, and may wonder how our 253-day sample compares to randomly chosen samples of 253 days configured in strings of eleven consecutive days. The answer: of 100 such randomly chosen samples, none had more volatile days than our sample, and only two had more volatile days than our sample excluding the two 1987 stations.)

There are four Mercury stations in the VIa Combusta remaining in this century: November 15, 1993; October 9, 1994; October 29, 1994; and September 22, 1995. Option sellers should square their positions during the two weeks surrounding these dates. Venturesome investors can buy straddles (the simultaneous purchase of a put and a call option) and hold them for eleven days.

(Calculations were based on eleven trading days, or, more precisely, eleven net changes: five before the station, the day of the station, and five after. If the station fell on a non-trading day, the prior trading day was taken as the base date. Volatility is the standard deviation of the natural logarithms of the price changes.)

This article was written by Carl E. Whitney. He can be contacted at PO. Box 1072 Santa Rosa, CA 95402

Cashing in on Chaos

Dr. Hans Hannula, PhD,RSA, CTA

Chaos theory is the best tool available for understanding and trading markets. The author's research in this area has yielded a vast array of trading technology. This technology, at its deepest level, is very esoteric and complex - full of nasty things like partial differential wave equations, nonlinear systems theory, and the like. But - the average mortal can use chaos theory effectively, if it is just taught in its simplest form. I do that in my Chaos Newsletter, and in my Cash In On Chaos video course.

One of the key discoveries of my research is that every move, in every market, on any time scale, forms a Hannula Market Fractal. The Chaos Clamshell is a simplified form of that fractal pattern.

Figure 1 shows the Chaos Clamshell (CC). There are linear trends in markets. There are nonlinear trends, as shown in A and B. Join the two to trap price action, and you have a Chaos ClamShell. Wherever the linear and nonlinear trends meet, a chaotic (wild) move can begin. The figure shows the four basic types.

Figure 2 shows the current estimate of the CC for the three year old bull market in stocks. It is at or nearing completion. The circled part shows the fractal self-similarity of the CC.

Another key insight is that the CC always has 7 moves. The reason is rooted in the mathematics of how energy cycles add together.

The nice thing about using the CC is that it is easy to trade. You sell right under the end of an up CC, and buy right above the end of a down CC. My newsletter carries examples of CC's in action. They helped us buy gold at 323 just before it shot to 405, sell IBM at 98 just before it fell to 50, and sell the Nikkie at 37000 just before it fell to 21000.

My current work is doing engineering models of markets, as shown in Figure 3. I have managed to program a model of the solar system and model the energy fluctuations that change human behavior. I call that Market AstroPhysics. Using the energy fields as input, I have modelled the S&P as a nonlinear dynamic system, using chaos theory. I use a neural net to initially adjust the model to match past behavior. Once the dynamics of a particular market are modelled, the neural network can be disconnected, because the market mechanism captures the transformation of energy into prices permanently.

Figure 4 shows the output of the S&P model, called SPGO. It attempts to predict the direction of the 10-30 day swings in the S&P. It does so correctly about 85 percent of the time. Four CC's are shown as A, B, C, D. The seven moves are shown for B and D. Note that the SPGO simulator does a very decent job of predicting the seven fractal moves. The amplitude of the swings still needs refinement. A similar model adjusted differently gives the S&P intraday fluctuations, called DAYGO

You can apply chaos theory to your own trading. Look for the Chaos Clamshells. Study how they work. Watch the seven magic moves. Do your homework. Understanding chaos can be most profitable. Happy trading.

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Investing May be Hazardous to Your Wealth

By Ted Tesser, C.P.A.

Investing May Be Hazardous To Your Wealth! by Ted Tesser, C.P.A. ? In my last article called “Secrets To Success,” I mentioned the advantages a Trader has over an Investor for tax purposes. Basically, a Trader is considered, by the IRS, to be running a business, and is given many of the tax advantages afforded such businesses. An Investor, on the other hand, is considered to be passively “investing” his money, instead of actively “trading” it. For this reason, he is subject to many limitations which affect his taxable bottom line. Some of the major differences are as follow:

I) Investment Versus Trading Expenses: An Investor must subtract 2% of his adjusted gross income from his investment expenses before he can deduct them. This includes computer expense (both hardware and software), data expense, advisory and hotline fees, etc. In addition, if the investor makes over $105,000, he is subject to an additional 3% exclusion from these deductions. A Trader, on the other hand, gets to write off his trading expenses dollar for dollar before paying any tax on his income.

2) Itemized Versus Standard Deductions: An Investor must itemize his deductions (rather than take a standard deduction) to deduct any amount of investment expense. If he has no other itemized deductions, he may not even have enough expenses to take advantage of this, and, may in fact, not be able to deduct any investment expenses at all. A Trader, on the other hand, may deduct his Trading expenses even if they are the only deductions he has. He is entitled to take a full standard deduction, which for married, joint files was $6,000 in 1992, and still deduct his trading expenses in addition to this.

3)Traders Get To Deduct Expenses “Above The Line”: An investor must calculate adjusted gross income (AGI) before he deducts even the limited amount of investment expenses to which he is entitled. This is a disadvantage because the larger the AGI the more limited are his other deductions (such as medical and casualty loss). The Trader, however, gets to deduct his trading expenses from income before calculating AGI.

4)Investment Interest Expense Limitation: The Investor is subject to another limitation on the investment interest deduction. He may only deduct investment interest (margin interest) to the extent of his investment income (interest + dividends + capital gains). If an investor has a bad year, and nets a loss, he will deduct no investment interest at all. A Trader, on the other hand, gets to deduct his margin interest dollar for dollnr sre “huRiness interest” on the Schedule

5)Deductibility of Investment Seminars: One of the more obscure aspects of the Tax Reform Act of 1986 was the elimination of the deductibility of investment seminars, plus related expenses. Prior to this Act, an investor was able to deduct, as an investment expense, the tuition, travel, hotel, meals, and miscellaneous expenses for attending such investment seminars as the “Annual Traders World Conference” in Chicago last year. This has now been taken away from the investor, and currently, no deduction is allowed for such seminars. Traders, however, can take all such expenses if they are related to trading.

6)Section 179 Depreciation: Another significant provision of the 1986 Tax Act was the decrease in depreciation expense allowed for assets such as computers, faxes, photocopiers, etc. Let's say you bought a computer for $4,000. If the depreciable life was set at 5 years by the IRS, you could only take 1/5 of the cost (or $800) as an expense in any one year. Traders, and other businesses, however, were given the option (called Section 179), of writing the whole item off in the year of purchase (up to $10,000 of write offs, with certain other limitations). This meant, that if you were a Trader, you wouldn't be limited to the $800, but rather could deduct the entire $4,000 in the year of purchase. This will become even more important as the proposed tax changes in Congress raise this amount from $10,000 to $20,000 this year.

7)Home Office Expense: Although the IRS has cracked down on its indiscriminate use by taxpayers they have not forbidden the home office. They have clarified the conditions under which the deduction may be taken. In order to deduct a home office, you must meet three conditions 1) it is your only place of business, 2) the designated area is used exclusively for business, and 3) you must have a profit in the business you conduct. You must also now file a separate form to take this expense Form 8826. But, and get this, you must have a business which again means Trader not Investor. In fact, the existence of an office from which to Trade, even a home office, is one of the requirements for being deemed a Trader by the IRS (we will look at some of the other requirements in a future article)

In conclusion, filing your tax return as a Trader gives you many significant advantages over being classified as an investor. Trading is a tough field, and it is vital to use every possible advantage to get ahead. Claiming "Trader Status," is surley one of the most important strategies for turning in a profitable bottom line on an annual basis.

Ted Tesser, MS, is a Certified Public Accountant, licensed by the State of New York. His speciality is investment related taxation and he has recently completed a book entitled "The Serious Investors Tax Survuval Guide " ' published by Traders' Library. He is also a full time trader, trading systems developer, and has written a two part trading course entitled "Systems for Success: How to Create and Manage a Profitable Trading Business ". He can be reached at 212-683-2930, and has offered those readers who contact him a free consultation and booklet on establishing "Trader Status".

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Trading and the Role of the Subconscious Mind

By Robert Krausz MH. BCHE

What are the tasks a trader takes? What are the tasks a must perform before successful trading can begin? All the talk about disciplined trading and mind management is of no consequence unless all the tasks are carried out correctly before you make your first trade.

1. Find a competent analytical and trading methodology.
2. Extract a reasonable “trading plan” from that method.
3. Formulate trading rules and money management techniques for this trading plan.
4. Backtrack “the plan” over a long enough time period.
5. Mind management, believe it or not, constitutes some 70% of you being a winner. The first four points alone will not give you the success you seek.

Confidence in your “plan” is paramount. It can be achieved only by relaxed trading. This comes about when your subconscious mind is convinced that a) you are a winner and b) you deserve your winnings. More about this later. Let us examine each of these tasks one by one:

Trading and analysis are two different disciplines. The longer I am involved with trading, the more I become convinced of this fact. You must recognize that analysis can only be the servant of trading and not the other way around. It is dangerous to your financial health to co-op analytical methods directly into your trading. The phrase “The map is not the territory>” is wholly applicable here. Until this is understood, happy trading is a little unlikely.

Therefore, this entire concept begs the question; What institutes a competent methodology? Please realize when I use the phrase “analytical methodology” I use it advisedly. Methodology does not mean a single indicator like RSI or Stochastics. It is a concept that can provide the trader with a reasonable road map, upon which he may plan his travel route. The route must take note of the fast highways as will as the stop signs. Speed traps built up areas and pit stops are all a part of the planned route. Analysis can be likened to the map of the entire city that you are planning to explore. When you have examined the total area, then you can decide your route and your destination.

Real time trading is the physical act of driving your car along your chosen route. Being aware of other drivers traveling in the opposite direction to you. A keen sense of the speed limit and knowledge of the route is needed if you are to complete your journey successfully and reach your destination safely. So what is the minimum that a trader can expect from a methodology before we can classify it as competent?

First, it is obvious that it must provide information about the market that is accurate enough to base a trading plan on.

Secondly, and this is important, if the basic concept is valid, then it should “work” in a similar fashion on all time periods. In other words, if a methodology appears to “work” only on the 60 minute bars, then I would be cautious about basing an entire trading plan purely on that methodology. Here are the minimum requirements:

A. Sufficient warning of a possible change in trend. This warning should enable you to take action in a timely manner. Once you become fully aware that "the trend is your only friend" this warning will become important. The CIT warning is a major flag in any methodology. I call it "superior information." The possible change of trend must show up in the time period you are trading. (Obvious? You would be surprised.) What use is CIT information on the Weekly bars if you are using the Daily? (The practical use of this information is part of the trading plan. That comes next. Remember, we are only discussing methodology at this point.)

B. Confirmation that a change in trend may have occurred. This should show within the framework of the analytical method. (It does not mean that the method of analysis can guarantee that the possible CIT must or will continue for even one more day. All you should expect is a signpost that the previous trend, or congestion has ended and a possible new trend could be starting.)

C. Keeps you in the emerging new trend. Until it really takes hold.

D. Makes you sit with the new trend.
As long as the market lets you. Any reasonable methodology (not black boxes) should have some simple way to keep you in for the majority of the move. Taking account of minor retracements, without whipping you to death. (I must confess, this starts to edge into the trading plan department.) Nevertheless, a decent form of technical analysis should be able to point you in the direction of the minor, intermediate and major trends. If it can't do that then forget it!

E. Defines areas of support and resistance. These areas of support and resistance must show on the time period you are trading. However, it should also show the points of support and resistance on a higher time period. (Due to my personal preference of using two time periods in my trading, for me this is imperative.) Of course, if a methodology "works" on all time periods, then the defined support/resistance areas of the higher time period can and should be used in the construction of your trading plans. Really, it does not matter how your method defines these zones of Support and Resistance, just so long as it defines it. You can use Time alone, Price alone or a combination of the two. (As I believe in the geometry of the markets, my personal preference is the last of these.) Whichever route you choose; Price, Time, or a combination, you will need an exact definition of you Support/Resistance points. How can you buy without a clearly defined support area? How can you sell without a clearly delineated resistance point?

F. Warning that congestion may be setting up. Your plan will show you this, but your analytical method should show a road sign, that you may be entering congestion. Of course, your plan should dictate the correct course of action. So these, dear trader, are the minimum points that you should expect from a valid methodology. If your method of analysis does not meet these simple requirements, perhaps you should think again! 90% of traders loose. So the 10% who are winners must be doing something different from the 90% - could be a competent trading methodology? Unto the trading plan.
Extract a reasonable trading plan Let us define the phrase "Trading Plan." It does not mean just buying and selling, like a yo-yo. A plan means a real plan. Yes, when to buy and sell. Also, we must establish exact stop loss points, stop and reverse points, pyramid points, profit points, scaling in, scaling out. Then we have sound money management. I know it's not a sexy subject but, without it consistent success will not and cannot happen.

The markets are a microcosm of life. If you don't think for yourself, someone else will do your thinking. If you do not have a plan of your own, you become a part of someone else's plan, helping him to realize his plan, at your cost. Without a plan you can't arrive at your destination, but he will arrive at his. Your trading plan should cover all possible situations the market provides. It must build a frame of Reference that is solid as a rock. No matter what the market throws at you, the plan should handle it.

Having worked with hundreds of traders world-wide on the psychology of trading, the number one problem in the majority of cases was the lack of a correctly backtracked trading plan. Without this you have nothing. What about "discretionary" trading? I guess I do not have sufficient funds to indulge in that. The jobs of the trading plan are:

A) Please realize that a plan is not just a frame of references. Your definitions have to be exact and not subjective. (ie: exact entry points, etc.) This way strict rules can be formulated. So exact qualifiers provide strict rules. These rules enable you to backtrack the plan correctly. They also cause you to follow the plan in a mechanical manner - after your backtrack. This double whammy of a) backtrack and b) mechanical rule following, should free the mind from fear of loss, enabling you to take the signals without concern. This leads the way to relaxed trading. We will explore this in great depth when examining mind management.

B) Warning of CIT, if certain qualifiers are met. This should alert the trader that we are possibly ending a previous trend run and we may be entering congestion or some type of reversal could be coming. A secondary signal should be built in to inform if the trend is not aborting but is continuing on its merry way.

C) Confirm that a CIT has taken place and possibly a new trend run may be starting. At this point the plan must not only inform you of this but should provide your actual entry point into the market. Furthermore, it must define at the same instant your stop loss or Stop and Reverse point.

D) Keep you in the new trend for as long as possible. Defining exact profit points (if applicable.)

E) Pyramid points are essential if you are to obtain maximum benefit from the trend run. The major difference between reasonable traders and really good traders is having a plan that recognizes a trend run early plus the trader's ability and confidence to add extra contracts when the plan qualifies that it is OK to do so.

F) Define exact points of support and resistance. Without this, buying or selling is a mere gamble.

G) Early warning that the trend may be ending, and it is time to say goodbye.

All of these points have to be defined at exact price points, there can be no fudging. If we are going to set up rules that can be backtracked we must be absolutely precise! The rest of the tasks will be covered in the next issue. In the mean time, I wish you confident trading. O

Robert Krausz is a full time independent trader, member of the British Hypnotist Examiners Council and a Master Hypnotist Robert trades in Florida using his own customized Symmetricst software. Call (305) 566-2636. (After trading hours only.)

Following the Footsteps of Gann

By Jeanne Long

BY studying past history and studying past history knowing that the future is but a repetition of the past, you can determine the cause according to the time and condition. Sometimes it is necessary to go a long way back to determine the cause. W.D. Gann. In the early part of this century the famous market trader W.D. Gann spent a number of years traveling in Europe and India in search of the Holy Grail.

His attention was focused on ancient geometry and ancient astronomy. A good portion of time was spent at the British Museum in London studying Egyptian artifacts and Sir Leonard Woolley's discoveries from the ancient city of Ur in Mesopotamia. Of special interest were the clay tablets with astronomical writings. From these tablets he gained some major insights into archeoastronomy and its relationship to price and time. Most of his discoveries regarding this material were never revealed to the general public. It is only through backtracking that the true story finally unfolds.

In order to understand how W.D. Gann made certain market predictions and how he developed his ideas, I followed in his footsteps. In 1991 I went to the British Museum to view the Egyptian displays and the artifacts from Ur, some dating from around 5000 years ago. Like W.D. Gann, of special interest to me were the clay tablets with the cuneiform writings describing the astronomical phenomena of the time. These tablets not only gave the planetary information but also predicted the events expected to occur at the specific time. Some tablets referred to the price of wheat in relationship to the planets Mercury and the Sun. It immediately became clear to me how W.D. Gann saw this as repetition of similar conditions, repetition of cycles, and even repetition of price.

My first step on the road to discovery was to check out the Mercury/Sun dates in relationship to price. However, at that time I was not trading wheat and therefore not familiar with its particular trading patterns. My favorite commodity is soybeans so I quickly put all the Mercury/Sun dates on my soybeans charts. To my surprise I found that the Mercury/Sun dates did indeed have a great deal in common with price.

For example, I noted the price of soybeans on a Mercury/Sun date and then noted price on the next Mercury/Sun date. With amazing regularity the price was the same. The relationship of Mercury/Sun to the price works just the same in the 1990's as it did 5000 years ago when those clay tablets were written! See Chart 1A.

All dates marked with an arrow on Chart IA are Mercury/Sun dates. The first thing that stands out about these dates, in fact hits you right in the eye, is that price on dates A and B are the same and price on dates C and D are also the same! In other words, the trading ranges of dates A and B overlap. The same is true of dates C and D.

The Mercury/Sun dates work in pairs, how these pairs form will be discussed later. The fact that they do work in pairs means that once you know the price range of date A, you then automatically know the price range of date B, which occurred six weeks later in this example. The same is true to dates C and D. Date D occurred approximately 8 weeks after date C, therefore at the close of trading on date C, you could then predict the price range for date D.

The bottom line is that once you have the price range of dates A and C, you also have the price range for dates BandD.

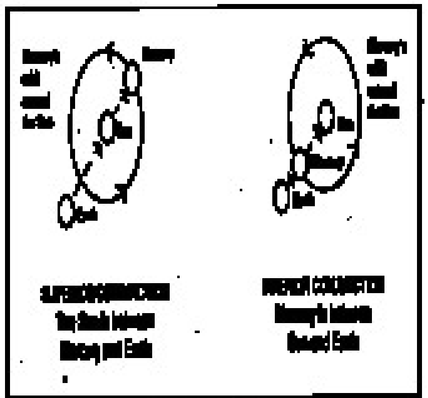

Illustration 1

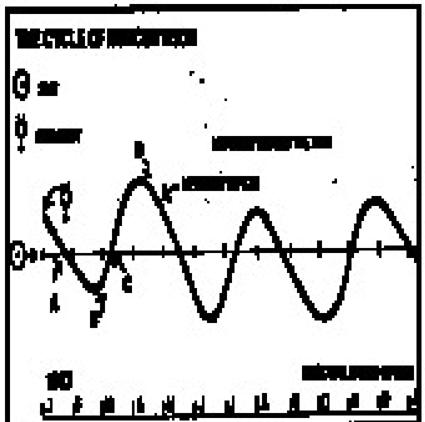

Illustration 2

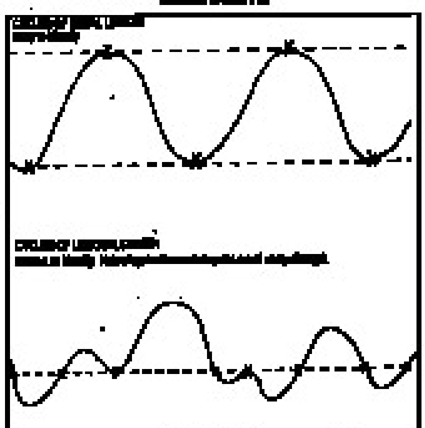

Illustration 3

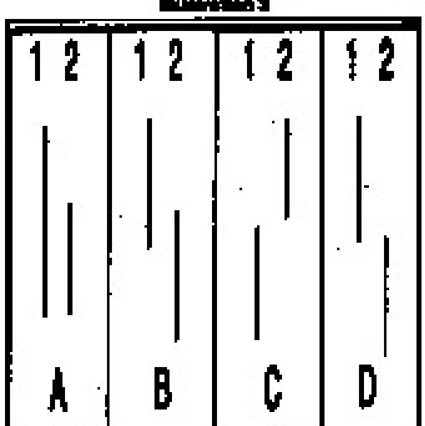

Illustration 4

Mercury/Saturn dates - Currencies
1993 August 9 and 24
September 8 and 23
December 5 and 23
1994 January 12
February 1 and 19
March 24

Mercury/Pluto dates - Japanese Yen
1993 August 4 and 22
September 7 and 28
December 4 and 24
1994 January 12 and 30
February 22
March 16

Sun/Pluto dates - Oil
1993 August 16
September 15
October 17
November 17
December 16
1994 January 17
February 16
March 18

Venus/Jupiter dates - Silver
1993 August 11
September 10
October 10
November 8
December 6
1994 January 3 and 30
Feburary 24
March 19

Sun/Jupiter dates - DJIA
1993 August 2
September 9
October 19
November 25
December 21
1994 Feburary 2
March 5

Mercury/Sun dates - Soybeans
1993 August 29
November 6
1994 January 8
February 20

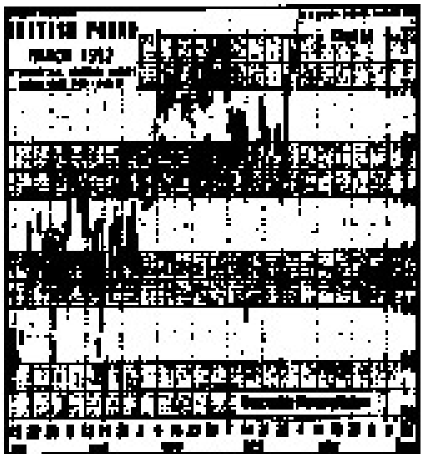

Chart 2A

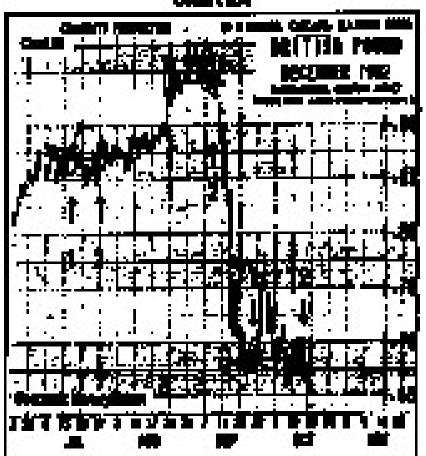

Chart 2B

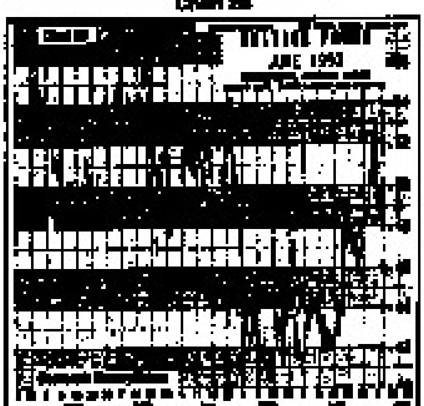

Chart 2C

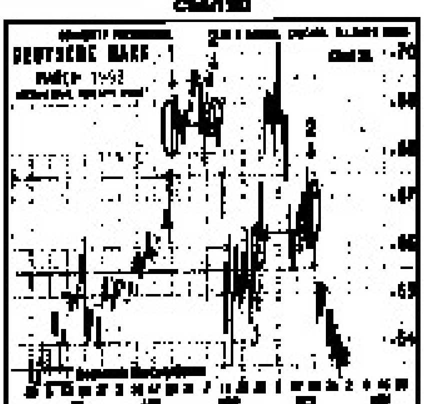

Chart 3A

Chart 1C

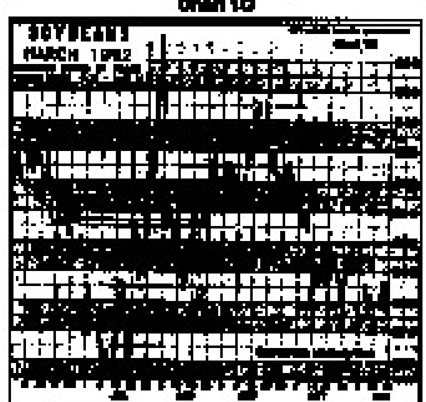

Chart 1D

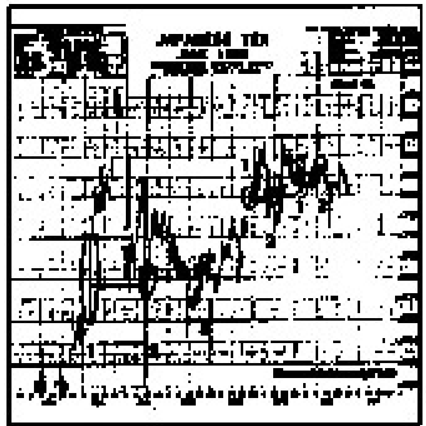
Chart 4A

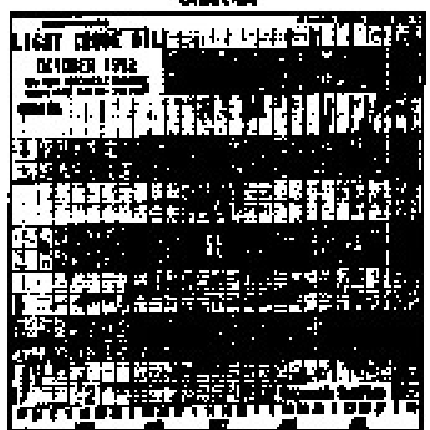
Chart 5A

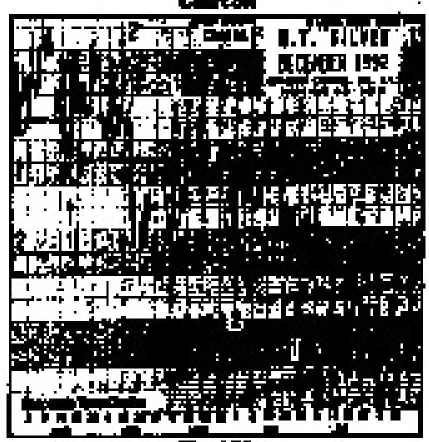
Chart 6A

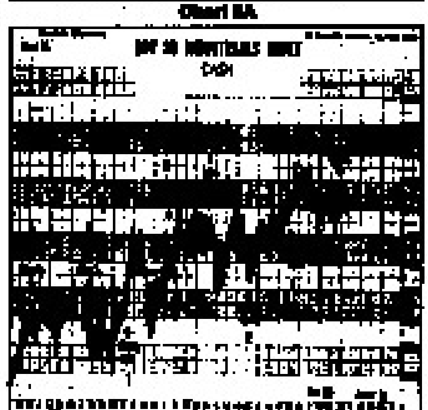
Chart 7A

Besides amazing your friends by forecasting price on certain dates, how can this information be used to assist trading? First, note how price had moved up over a period of two weeks prior to date B. Therefore, two weeks prior to date B, with the knowledge that price had to move up approximately 15 by date B, indicates that you would definitely be looking to buy. Any reasonable technical system can be used to initiate a buy signal in the 510 area. Profit could be taken on date B in the 520 to 525 area. Or if you are confidant with your technical exit signals, you can use them to exit the trade at the appropriate area.

Date D could have been traded in exactly the same manner. Your favorite technical tools would have initiated a buy approximately one week prior to date D. The knowledge that price will be trading in the 510 to 513 range on date D, enabled an order to be put in for profit to be taken in that predicted range on date D.

The above suggestions for trading are just that - suggestions. They are used to give examples of ways to take advantage of this material. I certainly do not recommend trading the predicted dates without a valid technical system to ensure proper entry and exit signals. However, when combined with your favorite technical tools, predicted dates can prove to be extremely valuable. As you proceed through the book you'll find the predictability of dates on certain other commodities truly valuable for trading options too.

How to determine Mercury/Sun dates.

MERCURY/SUN CYCLE

The relationship of Mercury/Sun on dates used for price repetition on the Soybeans. Illustration 1 shows a frozen moment in time. When viewed from Earth (Geocentrically) Mercury and the Sun appear to be together in the sky. This is known as a conjunction of Mercury and the Sun. The dates of the Mercury/Sun conjunctions are the dates used to predict price and time. Each arrow on Chart 1 A is the date of a Mercury/Sun conjunction.

There are two types of conjunctions, the Superior and the Inferior. One of each of these two types of conjunctions make up the pair used in the Soybean examples. The Superior conjunction sets up the first date, while the Inferior conjunction sets up the second date.

Illustration 2 shows the Mercury/Sun cycle for 1993 At point A, Mercury is in a conjunction with the Sun Jan. 23,1993). In the following days Mercury moves forward, ahead of the Sun to point B. Mercury is now at the farthest distance from the Sun that it will get in this part of the cycle. (It can at times be almost 28 away, as for example, at the beginning of April 1993). At point B, Mercury reversed direction and moves backwards towards the Sun. At this time, when viewing Mercury from Earth (Geocentrically), it appears to have a backwards motion which is called Retrograde* motion. Mercury makes a second conjunction with the Sun at point C (March 8, 1993), while still in Retrograde motion. Now Mercury falls behind the Sun to point D, where it appears from Earth to start moving forward again, called Direct motion. From point D, Mercury will move forward to the conjunction with the Sun and to repeat the whole cycle again.

For simplicities sake, on Illustration 3 (and on the example Charts 1A to 1 D), I have called the Direct (Superior) conjunction at A, #1. The Retrograde (Inferior) conjunction at C is #2. The price on the #2 conjunction date is compared to the price on the #1 conjunction date in all of the Soybean illustrations. The price range on the #1 conjunction date will predict the price range for the #2 conjunction date.

There are approximately 6 Mercury/Sun conjunctions per year, since we are comparing pairs this gives 3 pairs of conjunctions in all. This then only affords 3 opportunities per year to predict price when using the Mercury/Sun conjunction. However, many other planetary combinations can be used to predict additional prices. This information will be clearly illustrated in the following chapters.

*Retrograde: From time to time Mercury appears to be moving backwards, called Retrograde motion. Mercury never actually moves backwards in its orbit around the Sun. However, when Mercury is viewed from the Earth, Geocentrically it has a periodic apparent backward motion due to the fact that the Earth is also moving.

The easiest way to visualize this phenomena is to think in terms of two moving trains. When the faster train passes a slower train going in the same direction, the slower train, for a short period of time, has an apparent back

Sun Jan. 23,1993). In the following days Mercury moves forward, ahead of the Sun to point B. Mercury is now at the farthest distance from the Sun that it will get in this part of the cycle. (It can at times be almost 28 away, as for example, at the beginning of April 1993). At point B, Mercury reversed direction and moves backwards towards the Sun. At this time, when viewing Mercury from Earth (Geocentrically), it appears to have a backwards motion which is called Retrograde* motion. Mercury makes a second conjunction with the Sun at point C (March 8, 1993), while still in Retrograde motion. Now Mercury falls behind the Sun to point D, where it appears from Earth to start moving forward again, called Direct motion. From point D, Mercury will move forward to the conjunction with the Sun and to repeat the whole cycle again.

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The Correct Way to Optimize

By Bruce Babcock

In previous articles in this space IT previous articles in this space have made the case that the average person has the best chance to be a profitable trader if he or she adopts a 100-percent mechanical approach. This is the only surefire way to minimize the emotional influences that inevitably destroy nearly every trader. It is also the only way to know whether your method has been profitable historically.

Abandon the idea that you will ever find the “perfect” system. The perfect system this month may be lousy next month. It will definitely have many difficult periods in the future. Just as every trader and every methodology has losing periods, every system, no matter how brilliantly created, will encounter periods of market price action it cannot trade successfully. Thus, I am content with a good system. I define a good system as one that has a low enough drawdown and sufficient profitability in hypothetical historical testing to satisfy me as well as being robust enough to trade many markets profitably using the same parameters.

In creating a system, the designer must not fall into the trap of over curvefitting the system to back data. The more you bend your system around to improve performance on past data, the less likely it is your system will trade profitably in the future. This is very hard for inexperienced traders to accept. They expect that methods which worked well in the past will probably work well in the future. Past performance will only approximate (and I emphasize approximate) future performance to the extent the system is not over-curve-fitted.

The best way to guard effectively against over-curve-fitting is to make sure your system works in many markets using the same parameters. Successful system traders use the same system parameters for each market no matter how counter-intuitive this seems. If you doubt me, read the two “wizards” books by Jack Schwager. Jack himself manages money using systems that employ the same parameters for each market.

The more markets and the longer the historical time period your system can trade profitably, the more robust it is. I trade one of my systems in fifteen markets using the same parameters for each. It is historically profitable in even more markets over the last ten years.

So long as a system tests well over a large number of markets, there is no requirement that you trade it in all of them to diversify. You could have ten systems that all tested profitably in fifteen markets over the last six yeas and choose to trade each of them in only one market. That would allow you to trade ten diverse markets using a non-curvefitted system in each. It would be just as acceptable theoretically as trading one of those systems in the same ten markets.

That principle permits a kind optimization that will allow you trade one system using a different set of optimized parameters for each market. Those who want to optimize each market separately can do so without fear of over-optimizing.

Here is the correct process. Decide which markets you may want to trade. To be safest, you should trade only markets which test profitably using the same set of parameters (the system default parameters perhaps) for at least the last five years. Let’s say your system trades twenty markets profitably using the default parameters. That will be your universe for testing.

You may optimize the system on each market individually. Go ahead and knock yourself out trying to maximize the profit and minimize the drawdown in each market. You will probably come up with twenty different parameter sets. Now comes the hard part.

Take each one of your twenty optimized parameter sets and use it on the entire universe of twenty markets. See whether the optimized parameters hold up as well as the default parameters in trading all the other markets.

If an optimized parameter set trades all twenty markets profitably, you can be confident that you have not over-optimized to the point of curve-fitting. You may use that parameter set to trade the market you have created it for. If an optimized parameter set has a hard time trading other markets profitably, that is a warning signal you have over-optimized. You should start over with the commodity it was designed for and create another parameter set that does a better job on the rest of the markets.

Whether you require an optimized parameter set to trade all markets profitably that the default parameters do or just a certain percentage of them, is a question of judgment. You may want to use an optimized parameter set that trades profitably most, but not all, the markets in your universe. The more markets you require, however, the greater the chance that your system will work in the future and not just on past data.

While I have described this hyper-optimization process, I am not personally convinced that it is worth the effort. I know of no evidence that suggests such individually optimized parameter sets are likely to be more profitable in the future than an unoptimized single parameter set. If it makes you feel better to show larger hypothetical historical profits, however, it probably won’t hurt.

When you are satisfied with the parameter sets for all the markets in your universe, you are ready to create the portfolio you will actually trade. I arrange the markets in order of profitability using the average trade as the benchmark. Then I experiment with different portfolios trying to create one with as much diversification as possible while maintaining a low maximum drawdown in relation to the average annual portfolio profit. The proper starting account size should be equal to or greater than twice the maximum historical portfolio drawdown plus the total portfolio initial margin.

My software allows the portfolio selection process to be expanded even further by testing and including multiple systems in the total trading plan.

Bruce Babcock is Editor and Publisher of Commodity Traders Consumer Report. He has written seven books on trading including The Dow Jones-Irwin Guide to Trading Systems. He has designed over 25 computerized software for traders, a number of which he trades himself

Time, Price and Distance

By Dave Franklin

Life on Earth exists in three great Tim on Earth exists in three difficulty, perhaps even dimensions: Height, length and breadth. Two distinct words express this concept perfectly: Mass and space. Our bodies have mass and therefore, volume. We move the volume or mass of our bodies through space, in time. We live in three dimensions, move in three dimensions, think in three dimensions, even dream in three dimensions. Do you know anyone who does any of these things in two dimensions?

Perhaps now you understand why you experience great difficulty, perhaps even mental pain, when viewing market charts in an effort to comprehend their meaning. Your mind exists, sees and thinks in three dimensions, and the charts are drawn in two dimensions. Never the twain shall they meet!

Where does a security exist? What shape does it form as it vibrates and moves in time? We ask these questions because we understand them to be crucial to a truthful, broad understanding of the market. The market we are concerned with is made up of things called securities. We are not speaking here of things like Options, Warrants, Futures, or Indices on Futures or Options. Though they are labeled securities, they do not represent cause which is fundamental to the Great Law of vibration. Instead these securities exhibit the effect of the vibration of the real security called the underlying security.

Securities of effect... have no power of their own to move or vibrate. Here is an example. Let's say that IBM is selling at $65.00. The IBM April 65 call and put is asking $5.00 each. IBM is the underlying security. It represents cause. The IBM April 65 call or put represents effect. Calls and puts are securities of effect. They are wrapped around the security of cause. They have no power of their own to move or vibrate. Securities of effect are wholly dependent upon the vibration of the cause in order for them to appear to move.

Therefore with the exception of time, it is impossible to discern any truth whatsoever about a market or security being at a top or bottom, if measurements made from starting points are based upon securities of effect. A very important natural law addresses this point. It is stated as follows:

No one can discover and disclose a truth based on a false premise." Merrill M.E. Jenkins Sr., M.R. If you are making calculations to determine market highs and lows, and are using securities of effect to make those calculations, you will never come to the truth. If any of the premises in the foundation of your market methodology are false, your conclusions will also be false.

Central to cause is the idea of the corporation, which the symbol of the stock stands for. The corporation is an artificial person created by state law, and endowed with certain privileges and rights.

But where does a corporation exist? The corporation can have a variety of properties under its name: buildings, real estate, employees, equipment, patents, copyrights, stocks, resources, products, logos, media commercials, trademarks, bank accounts, and so forth. But the sum of all the corporation's tangible and intangible parts are not the corporation. The sum of these parts are the expression of the idea of the corporation! The expression of an idea, is not the idea!

For example: An artist paints a picture of a flower. The picture of the flower becomes a

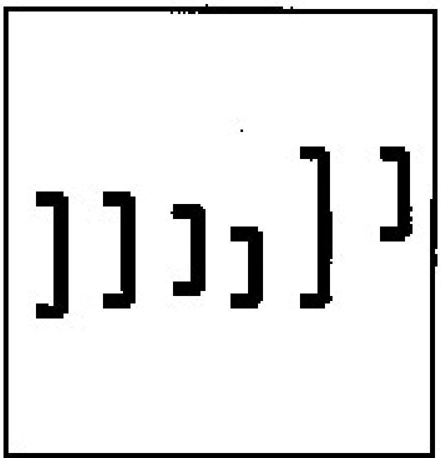


Chart A

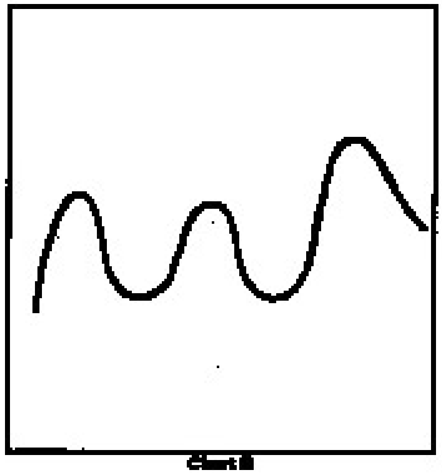


Chart B

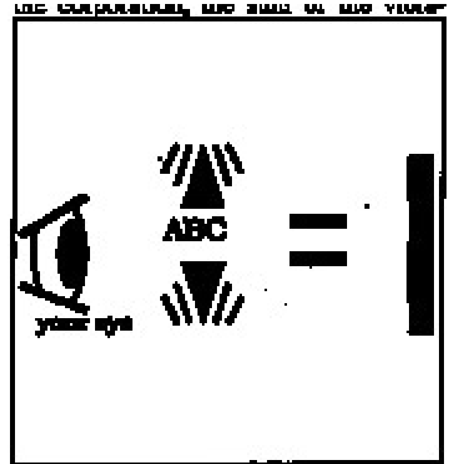


Chart C

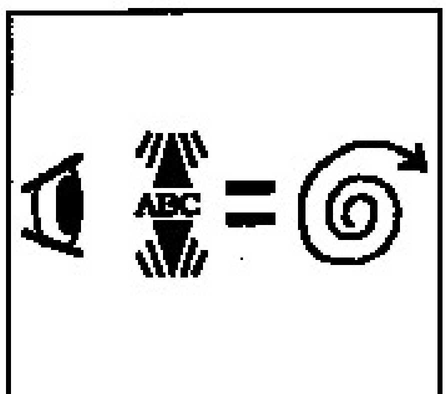


Chart D

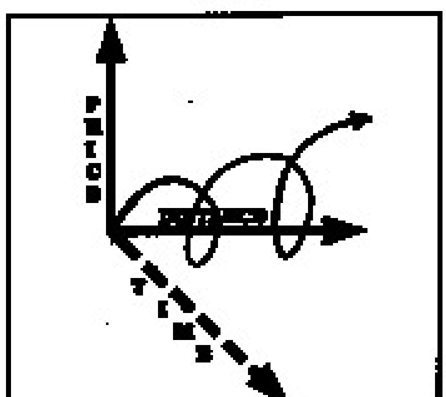


Chart D

representation or expression of the idea the Artists holds in his mind. But the picture of the flower.... is not the flower. The picture of the flower is the expression of the idea of the flower, and that idea exists only in the mind of the artist.

Remember the phrase, “Beauty is in the eye of the beholder?” What is beautiful to one person may be ugly to another. Thus, if someone say something is beautiful, where does the idea of that beauty exist? Answer: Only in the mind of the person who sees the beauty!

In the decision of Knox vs Lee. vs Lee. The U.S. Supreme Court said, “Value is an ideal thing,” that any thing has beauty or value or any other quality is an idea or ideal. And ideals can only exist in the mind! Therefore, we say the following: The idea of any thing only exists in the mind!

The full comprehension of this concept is of crucial importance to understanding the True nature of the cause of a security’s vibrations, and that of the Market as a whole. Why? Because, like the corporation, the sum of the vibrations of the Market’s individual parts equals the whole! The Wave of the Market that you view in your two dimensional charts is the product or sum of the vibrations of the individual stocks in three dimensions!

Each individual secretly has an idea that exists only in the minds of the public. The vibration or movement of a security’s price, in time, is an expression in part, of the idea of the value of the security. Therefore, the value or price, and the idea of a security exists only in the mind.

Accepting the statement that the idea of a security existing, have value, and vibration in price is only in our mind, the question is: What shape does it form as it vibrates and moves in time? If the security existed and moved in only two dimensions, a tracing of its vibration during the market day would form a single price bar. But that single line would not reveal the truth about the intraday vibration of the stock during the day.

For example, let’s say we track the price vibration of a fictional security called ABC for a single day in the market. It “opens” at $65 1/4, then rises to 68 7/8 by 10:04 AM.. Next, it falls back to 65 5/8 by 10:27 A.M., then rises again to 68 3/4 by 10:59 A.M.. It’s next move is down to 65 3/8 by 11:38 A.M., testing the low of the open. From there it slowly rises to break the day’s high by hitting 69 1/2 at 1:45 P.M. in the afternoon. For the remainder of the day, the stock slowly drifts downward by 1/8’s and 1/16’s to close at 67 3/8 dead in the middle (or the 50% point) of the entire day’s range.

Now we ask you, does price bar represent the price action of ABC during the day? Of course if we separate the “up” moves from the “downs”, it’s price action in two dimensions would look something like Chart A.

But this too, is not the truth of the stock’s movements! How so? Because..., We live in three dimensions, move in three dimensions, think in three dimensions,...” Therefore, with the idea of the stock existing in our mind, it also must move in three dimensions.

The price bar Chart A. only illustrates the stock price vibrating up and down. It does not show us the distance the stock moved during market hours, while the earth was rotating.

The stock appears to move in this direction... because the earth rotates in this direction from West to East. The curved line in chart B is a price bar that represents the truth of ABC stock’s price action for the day, in two dimensions. This chart illustrates the distance the stock traveled in one market day while vibrating. It does not tell us the time the stock has spent at each increment of price, during the stock’s current life cycle.

The market moves in three dimensions... Imagine that your eye views the price action of ABC stock from the left of Chart B., as the stock vibrates up and down in two dimensions, what does your eye see. See Chart C.

Your eye would see straight a price bar, like the A to the right of the equal (5) sign. This is because, when viewed in two dimensions, the “up” and “down” vibrations would only form a single line.

Now, imagine that your eye views the same vibrations of ABC stock as they exist in the real world, three dimensions. What would you see then? See Chart D. You would see a spiral!

This three-dimensional spiral is due to the fact that while the stock is vibrating around its center, the Earth is revolving on its axis, as well as moving around the Sun in a circular or elliptical path. As W.D. Gann wrote on page 76 of the Tunnel thru the Air. “Remember, everything in this universe is elliptical or circular in motion:”

In this Universe, there is no such Thing as movement in a straight line. The concept of a straight line is an ideal. Ideals only exist in the mind. All motion is curved. Though it may be imperceptible to the naked eye, even a beam of light from a flashlight is bent or curved by the omnipresence of the gravitational field it is passing through.

To reinforce this concept on a Universal level, we paraphrase the words of the famous physicist, Albert Einstein:

“If you had a telescope powerful enough to see to the farthest part of the universe, what would appear in the eyepiece would be..., the back of your head!

Therefore, any chart that depicts the movement of an individual security or group of securities with straight lines, does not illustrate the truth!

The truth is, that at the same time a cycle of securities are vibrating around their centers (foci), the path of their vibration is curved in Time and Distance, by the forward movement of the spinning Earth as it progresses on it’s orbit around the Sun.

Thus, if one were to record the invisible, three dimensional path made by the securities, they would literally bore a “hole” through Space, or per the title of W. D. Gann’s book, a Tunnel Thru the Air! The component coordinates of this three-dimensional spiral are: price time, and distance. See Chart D.

The spiral illustrated in this chart is the three dimensional path of a security as it vibrates around it’s center wheel moving forward in time and distance.

The third dimension of distance is clearly evident. Instead of a single security, visualize a group of securities in a cycle beginning at a center starting point, bounded by the three coordinates of time, price and distance. The mathematical sum of their vibrations describes an invisible curved path...” As these securities begin to move and vibrate in three dimensions, the mathematical sum of their vibrations describes an invisible curved path called a spiral.

The securities can continue to spiral outward form the center of time only as long as the sum of their vibrations continue to describe a spiral. This is due to the mathematical uniqueness of a spiral’s curved path with respect to the center starting point.

What is unique about a spiral is the fact that it’s path is curved progressively outward form the center thus, no section (arc) of the path is restricted by the constraints of a circle’s construction, such as the relationship of the radius to the diameter, and the diameter to the circumference via pi. But, when the curve of the spiral ceases to be progressive, forming instead, a uniform arc equal distinct form the center of time, the relationship of pi has been achieved.

The cycle and the market are now at rest from the beginning point of the great equilibrium. Further movement outward is restricted by the constants of a circle’s construction dictated by natural law. From this curve of rest the market must and does reverse!

“A Stock Market Timing Service “ -is available from the author. Serious inquiries may obtain information by sending $5.00 to: Dave Franklin, P*O. Box 530144, Livonia, MI 48153

Heliocentric and sidereal tools

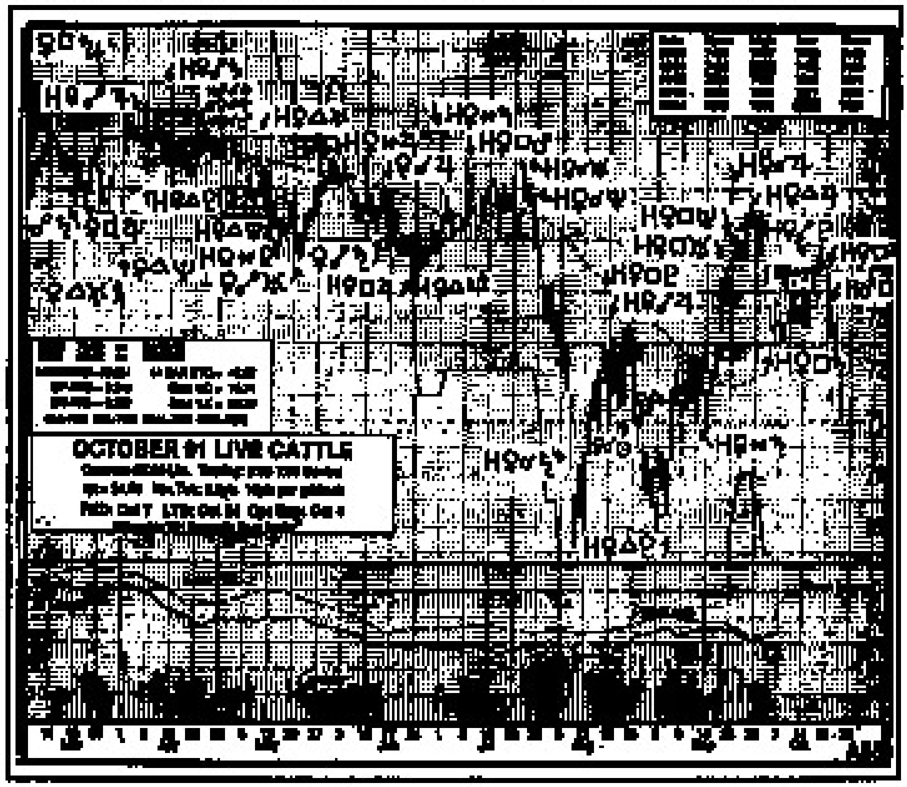
By Barry William Rosen

Live Cattle futures are one of the Hel Cattle futures are one of most difficult markets to trade. Bruce Babcock, who has done extensive testing of mechanical trading systems, has noted how few of them respond successfully to cattle data. What is the secret of this ancient market which has been a concern of trades since time immemorial? This article will attempt to suggest trading techniques combining heliocentric astrology, sidereal or Indian astrology, cyclical timing, and traditional technical analysis to improve your live cattle trading score.

The ancient Indian text, the Brihat Samhita, informs us that the sign of Taurus is the ruling sign of cattle. This should be no shock to Western astrologers and their love of Taurus the bull. The planet Venus, is the ruler of Taurus, and is the first key to understanding cattle prices. Since most commodities are led by more than one planet, what other planets should be used? If we run a sidereal natal chart from the first trade of cattle futures in 1964, we get Sagittarius rising, which is ruled by Jupiter. This is further born out by Indian astrological sources which note that the latter half of Sagittarius and the first half of Capricorn govern animals. The third planetary influence is also derived from ancient Indian sources, which associate one of the ancient Indian gods, Lord Shiva, with cattle. Shiva is also associated with the planet Saturn, which is also associated with the sign of Capricorn. Thus in looking at cattle futures astrologically, we must consider the planets Venus, Jupiter, and Saturn.

Heliocentric astrology and sidereal astrology can give additional insights into planetary strength, interaction, and ultimately trend changes and price movements. A quick overview of Indian sidereal astrology and how it can be used follows. Many Western financial astrologers use change of signs as an indicator for change of directions. The Indian system allows for a more microscopic examination of planetary transits by subdividing the zodiac into 27 fixed stars, each of which have four sections creating a total of 108 divisions. The first major difference between Indian and Western astrology lies in the calculation of the longitude of the planets. Ancient Indian astrologers observed that the equinoxes and solstices moved backward by one degree every 72 years, an astronomical phenomenon now known as precession. Over time this has resulted in a difference of slightly over 23 degrees between the tropical Zodiac, used by Western astrologers, and the sidereal Zodiac, used by Indian astrologers; in essence, the two systems differ in their choice of a zero point for Aries —the Western system uses the position of the spring equinox, while the Indian system uses a fixed star. Thus when the Sun is moving into Aries according to the Western system, it is still at 6 degrees Pisces in the Indian system. Practitioners of both Indian and Western astrology recognize that each system has its own validity, since both work. My personal preference for the value of the Indian system will become clearer below.

There are many ways to use Indian sidereal astrology to gain deeper insights into market behavior. Looking at the 1/9 subdivision of each sign of the zodiac is one way. From another perspective, a microscopic perspective, dividing each of the 12 signs into 9 sections of 3 degrees and 20 minutes creates the same result; these are called NAVAMSHAS. Each of these subdivisions corresponds to a sign of the Zodiac. For example, the first 320' of Leo is the Aries subdivision, followed by the Taurus subdivision followed by the Gemini section etc. In watching daily market strengths for over 24 months, I have observed that on days when a planet enters


OCTOBER #1 LIVE CATTLE

certain critical subdivisions, it will exert more strength or weakness depending on the financial context. So when Venus, the planet with the most impact on cattle prices, enters the Taurus, Libra, or Pisces subdivisions of a sign, one is more likely to see sharper rises in prices if the trend and context are ripe. Whereas, if Venus is debilitated in the Virgo section of a sign, we are more likely to see lower prices or sharp fall depending on the context. This is one way the Indian system can fine tune calls by providing more detailed daily information on planetary strengths. Heliocentric astrology is based planetary positions as viewed from the Sun. Heliocentric aspects occur at different times from geocentric ones. In conducting my research, I have found that Heliocentric aspects between Venus, Jupiter, and Saturn are more useful for finding important turning points than are geocentric ones. (Note: A heliocentric ephemeris and list of aspects is conveniently provided in this almanac.)

Finally, traditional linear cycles work rather well in the cattle market and can be used as additional tools to gain confirmation of a low or a high. On a daily level, from trading day low to trading day low, watch the 15, 20, and 27 trading day cycle. From high to high, watch the 34, 28, and 24 trading day cycle.

TECHNICAL TOOLS

When cattle trend, they tend to move in very definable channels. Simply, drawing a line from high to high, and from low to low will project future highs or lows. This is especially useful if you know where the cycle ends and time changes. Intraday, depending where they open, cattle will often tend to create a range within the channel. So, if one wants to buy the market, look to enter at the lower end of the channel above the previous day's low.

Stochastics, are also other useful technical tools for trading cattle. If the trend is up, and cattle are bottoming on the 60 minute stochastic, and you have 1-3 time signals of a change of trend, then you can feel comfortable taking a position here. SUMMARY: In addition to your technical arsenal of trendlines, Gann Squares, Elliott Wave counts, stochastics, RSI, etc., use the following planetary information for entering and exiting cattle trades at key support and resistance levels: In using the information below, keep the market's context and major trend in mind be examing monthly and weekly charts. The influences below will not be as strong in a bull market as it is in a bear market.

Create a CHART OF TIME CLUSTERS 3, 6, or 12 months. Note the following:

1) Use major heliocentric aspects (see heliocentric ephemeris) i.e., conjunction, square, trine and opposition between Venus, Jupiter, and Saturn and any planet (besides the moon) to pinpoint MINOR turns.
2) Use major heliocentric aspects (see heliocentric ephemeris) between Venus, Jupiter, and Saturn and any planet such as the conjunction, square (clockwise only), trine and opposition to pinpoint MAJOR turns.
   Note: Indian astrology does not consider sextile aspects except between Saturn and other planets to be important.
3) Do the same for GEOCENTRIC ASPECTS; however, give them secondary significance. Geocentric aspects between Jupiter, Venus and Saturn may be the only ones worth noting.
4) Count and note 15, 20, and 27 trading days from previous major lows. For longer periods time, consider multiples of these number. For example, Oct. 23, 1991 was 54 (27 times 2) trading days from the August 8th low. Use the continuation chart dates for major weekly lows and highs.
5) Count and note 34, 28, 24 trading days from previous major highs. For longer periods of

time, consider multiples of these number.

To find periods of strength in the market examine the following:

6) Use a sidereal Indian ephemeris or Indian software program to chart transits of Venus, Jupiter, and Saturn—especially on the microscopic level. Note places where Venus is strong on the microscopic level (i.e., Taurus, Libra, and Pisces navamsha, or 1/9TH DIVISION) or weak on the microscopic level (i.e., Virgo navamsha). (See references below.)

7) Note that markets often go up on days of the week that are related to their chief ruler. Statistically, note how often cattle go up or at least sideways on Friday (Venus's day) if the ruler of the day is unafflicted. II. Circle and underscore time clusters—places where cyclical dates and astrological dates coincide. III. Combine astrology with technicals. Consider: I) What is the major trend on the weekly chart? The daily chart? The 60 minute chart? Examine stochastics. Try to line up all three to trade in the direction of the trend or at least the daily and 60 minute charts should line up. 2) Look for channel line as discussed above if market is trending. Try to buy or sell at the top or bottom of the channel. 3) Since the cattle market's price structure responds especially well to Fibonacci retracements and projections, use rations of .382, .500 and .618 to help determine price. 4) Use what other technical tools such as Elliott Wave, Andrews Lines or Gann to give you additional information. PRACTICAL EXAMPLE:

FRIDAY, Oct. 18th: Heliocentric Venus square Jupiter Saturday, Oct.19th: Geocentric Venus trine Uranus Oct 2123: Venus in Virgo Navamsha (Sidereal Leo 16.40-20.00)[WEAK] Oct. 24th: Helio Venus trine Neptune. Oct. 24th-26th: Venus in Libra Navamsha (Sidereal Leo 20.00-23.20-STRONG)

Note how two important aspects occur into a weekend and are followed by three days when Venus is weak. Technically, on FRIDAY, the 60 minute chart was overbought on the stochastics and indicated RSI divergence on a triple top in the 76.90 region. Selling market on close and placing a stop above the old highs and looking to exit on Wednesday when the weak period ended. Result: Market made a high of 76.90 on Friday and fell to 75.60 into Wednesday. Exit Wednesday, Oct. 23rd (close) and go long as period of strength for Venus carries into at least Oct. 25th.

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Barry Rosen is a CTA and editor of monthly and daily publications predicting 18 commodity markets with specific market timing. For more information on his services contact Fotucast Market 7iming at 800-247-3678 or write Fortucast Market Timing, R O. Box 2066, Fairfield, M 53556.

Precision Time and PrIce Analysis

By Robert Miner

Elliott's and Gann's work is the relationship of cycles or waves to each other. Both of these great contributors to technical analysis of markets found that cycles are interrelated by price and time. Another way to put this observation is that swings of similar degree are related at important market turning points. Elliott found that the most important series of price relationships is based on the Fibonacci or golden section ratio of .618 and what is known as the Fibonacci number counts.

If traders apply the concept of the interrelationship of swings or cycles of similar degree and the Fibonacci ratios and counts to both time and price projections, they will usually be prepared well in advance for the time and price zones where change of trend has the greatest probability of occurring. As the time and price calculations are simple mathematics, the price and time targets are prepared days and weeks in advance. Change in trend will usually only occur when a time and price projections coincide. In other words, when a market trends into a price target zone within a time target zone, there is usually a trend change.

The qualifying factor to alert the trader if a change of trend is likely at a coincidence in time and price is the pattern position of the market. The most consistently reliable method of determining the position of the market is to be aware of the Elliott Wave pattern position of the market. If the Elliott Wave pattern is in the terminal stages, such as the fifth of the fifth of an impulse wave, a trend change at a time and price coincidence is almost inevitable.

Figures one and two illustrate several of the time and price projections that traders would have prepared well in advance that projected both the time and price of the Aug. 2, 1993 top in gold. Figure One (gold daily nearest futures): The decline from the July 20, 1992 high to the March 10, 1993 low lasted exactly 233 calendar days (CDs), a Fibonacci number count. Two hundred thirty three times .618 equals 144. If we count forward from the March 10 low 144 calendar days the target is Aug. 2.

Alternate cycle projections measure the relationships of cycles that move in the same direction. The rally from the March 10 low to the May 28 high was 56 trading days (TDs), just one day past a Fibonacci count of 55. Fifty six times .618 equals 34.6. If we count thirty four trading days forward from the June 14 low (the beginning of the alternate cycle), we have a target of Aug. 2.

Two important time ratio relationships of .618 both point to Aug. 2 and both include Fibonacci number counts.

Figure Two (gold daily nearest futures): There was a strong cluster of price ratio projections that fell in the 404.6-410.2 price zone including the following:

1. Wave 5 of 5 equaled .62 of Wave 1-3 of 5 at 410.2.
2. Wave 5 equaled .786 of Wave 13 at 408.1.
3. Wave 5 equaled Wave 3 at 405.2.
4. Wave five of 5 equaled 1.62 of Wave 4 of 5 at 404.6.

This was a very strong cluster of price target all falling near each other.

All of these time and price projections were prepared days and weeks in advance so the

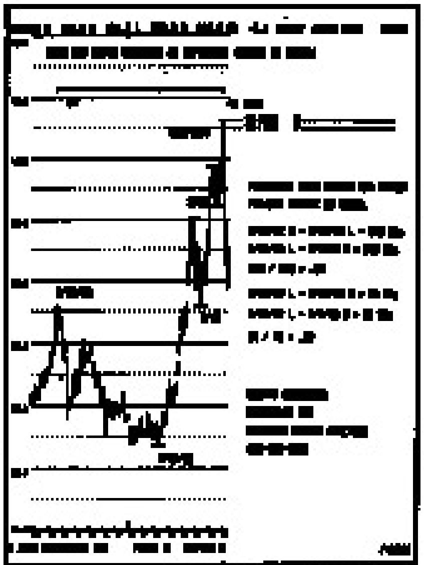


Figure 1

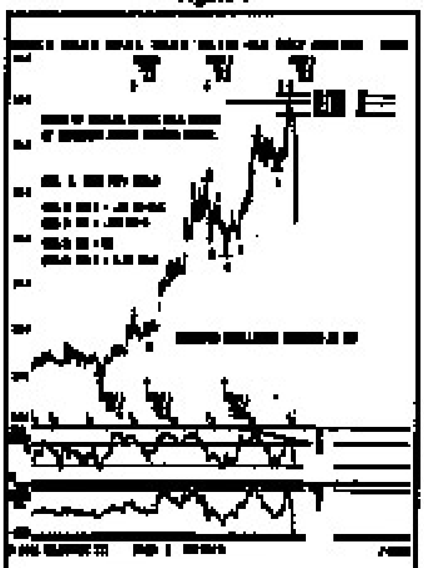


Figure 2

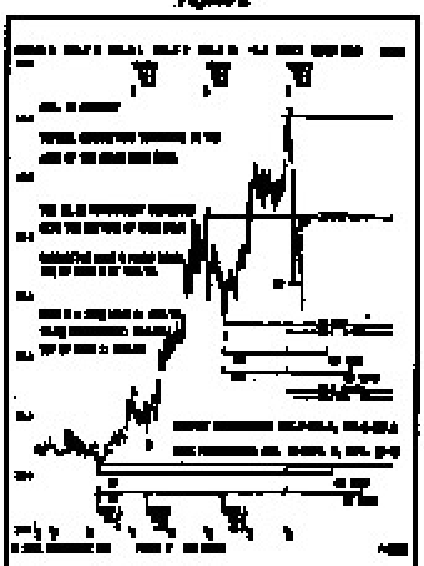


Figure 3

The Fibonacci Time Series Myth Explained

FIBONACCI TIME SERIES: *1 (Forward order only) *2

Daily: 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233, 377, 610, 987, 1597, etc.

Weekly: 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233, 377, 610, 987, 1597, etc.
(days) (7 14 21 35 56 91 147 385 1008 2639 6909
238 623 1631 4270 11179)

TABLE A - FIBONACCI TIME SERIES MYTH EXPLAINED

Solar eclipse example, July 22, 1990: *1

Daily: 1 D, 2 D, 3 D, 5 D, 8 D, 13 D, 21 D, 34 D, 55 D, 89 D, 144 D, 233 D
1* 2*

Weekly: 1 W, 2 W, 3 W, 5 W, 8 W, 13 W, 21 W, 34 W, 55 W, 89 W, 144 W,
1* 2*

Known cause
or event

TABLE B - ASTRO-CYCLICAL EVENT EXAMPLE

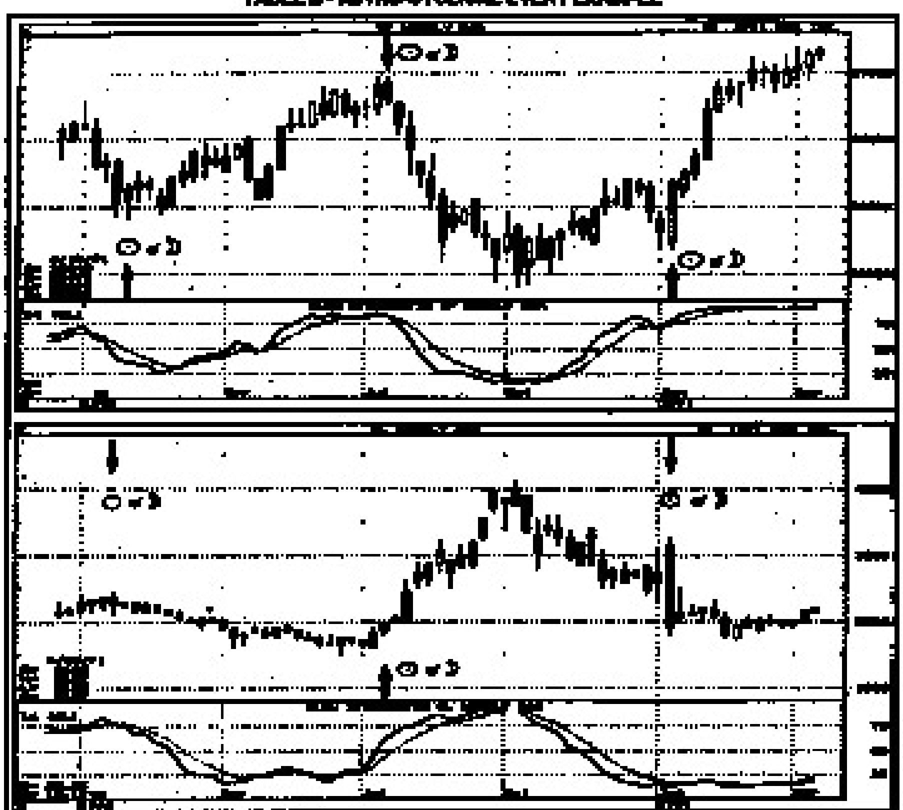


CHART A

trader was well aware of this potential price and time resistance zones long before the market reached this level. On July 30, one trading day prior to Aug. 2, gold made an intraday high at 407.50, precisely within the price resistance projection.

Figure 3

All of these time and price projections were prepared days and weeks in advance so the trader was well aware of this potential price and time resistance zones long before the market reached this level. On July 30, one trading day prior to Aug. 2, gold made an intraday high at 407.50, precisely within the price resistance projection. Elliott Wave pattern analysis indicated that gold was in the fifth of a fifth wave, a sure sign that the termination of the rally from the March 10 low was at hand.

An important confirming factor was the divergence of price and momentum oscillators on July 30.

While price was making new highs, the RSI and CCI oscillators were both making lower highs confirming the loss of trend momentum at the new price highs. While there was a strong time, price and pattern coincidence on July 30, gold closed that day near its highs. Traders must wait for a reversal signal before initiating trade entry. On Aug. 2, gold made a new intraday high at 409.0, still within the price target and directly on the time target, and closed the day below the prior days close for a daily reversal signal and the trigger to enter the trade on the close or the open of the following day.

If traders will have the discipline to prepare the time and price projections in advance and the patience to wait for the trading'set-up, they will find that low risk and low capital exposure trades will be found with regularity in most markets. There is no reason to consider entering a trade unless all of the important factors of time, price, pattern and divergent momentum are in proper alignment for trend change.

After-the-fact analysis is instructive to learn how to analyze and trade a market. But this new knowledge must be able to be put into practical application to make future trading decisions if it is to have any value. Figure three is a chart of the Dec. 93 gold contract. Let's see where the market stands as of Aug. 12 and how we might be prepared to trade the gold market. The rally into the Aug. 2 high appeared to be a five wave impulse pattern which suggests it is the first wave of a larger degree bull market. If this is true, the decline from the Aug. 2 high should be a correction to the March 10-Aug. 2 rally. We need to prepare the potential time and price zones where the gold market may terminate the correction.

The following dates are time ratios of the rally swing:

Aug. 31: .618 Time Cycle Ratio of the Wave 5 (6/14L-8/2H)

Sept. 5: .236 Time Cycle Ratio of the Wave 1-5 advance (3/IOL-8/2H)

Sept. 19: 100% Time Cycle Ratio of Wave 5

Sept. 26: .382 Time Cycle Ratio of Waves 1-5

These are just a few of the more important time factors. We would want to be alert during the two periods of Aug. 31-Sept. 5 and Sept. 19-Sept.

26 for potential changes in trend if gold is making new price lows.

The following are price projections from the Aug. 2 high:

364.8: Wave 4 low

363.1: 61.8% retracement of Waves 1-5362.7: Wave C would equal 62% of Wave A

349.3: 78.6% retracement 347.9: Top of Wave One

347.7: Wave C = 100% Wave A. These are just a few of the more important price relationships that may provide support for the gold market, if gold continues to decline. Traders would want to be alert to the position of time, pattern and momentum if Dec. gold declines into or near either of the 365-362 or 350 - 347 price zones. If gold were to close below 347, the lower end of the second price zone, more than likely a bull market is not in force and gold would continue to decline to new lows.

There is no excuse not to be prepared well in advance for the time and price of important trend change. Traders must have a consistently reliable analysis methodology and a well defined trading plan that includes trade entry and protective stop strategies. With patience and discipline, traders should be ensured success.

Discovering the underlying Natural Order in Markets. Quest for the Holy Grail

By Terry R. Davis

Much has been written about the Grail in recorded history. It is thought to be the cup that Jesus drank from at the last SUppeL Throughout history there have been epic poems, operas, plays, contemporary books and even one recent movie (get 'em Indy) about the search for this precious artifact. There is even some disagreement about what the Grail actually is. Is a cup...Christ's bloodline... or some other mystical "bauble?" Well, we are all on our own quest for it. To different people this quest takes them in different directions. To the car salesman the Grail is the closing line that culminates in every customer buying a car. To the tennis player it is playing a complete set without a single error. To traders it is the trading "system" that is highly accurate and generates more money that your wife or girlfriend can spend (that's a lot of money).

My quest for this mystical oddity started in the early 80's after I had been trading for a couple of years. Actually if you survive the first couple of years in the commodity markets maybe you have already found it. I looked down the same roads that traders before me had looked... and came up empty. I travelled to the Land of Gann, the Island of Wilder, Bayer's Bayou as well as many smaller principalities named after their illustrious counterparts. Ah(!).. so you recognize them: Andrews, Williams, Elliott's Landing, LeFevre's Crossing, Hurstis Hideaway, the Orb of Astrology and so on and so on. It seemed my travels would never end. I gave up many times and threw in the towel. Neural nets are the latest "fad" to catch the public's eye and it has the same foul stench I encountered in most of my travels.

My biggest challenge was in the Land of Gann. Yes, this surely had to be the right place. So many ideas. Some seemingly good. One thing became apparent right away. Everyone in this

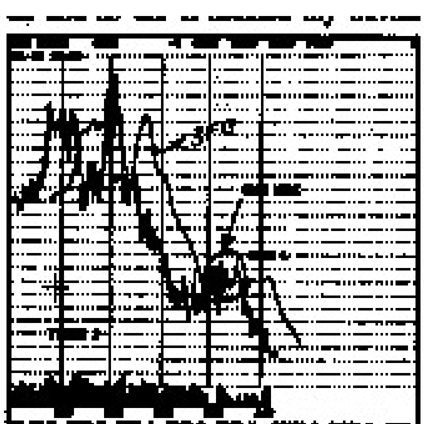


Figure 1.

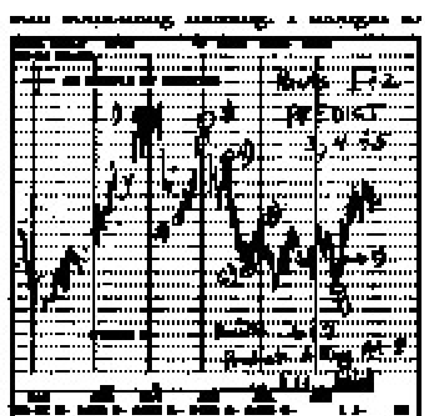


Figure 2.

land was making a living just from mentioning Gann's name. Silver tongued orators preaching "square time and price" seemed to abound on every comer. Strange, very strange! It seemed odd to me that none of these people were traders.. but good copy writers. Odd indeed! Odd indeed !!! The more I explored the less I found. I even employed a guide once in awhile. It was with great happiness when I was able to cross the Land of Gann off of my list and finally depart. There were no golden streets there and the smell of manure was always in the air.

Many of these travels yielded a tidbit here and a tidbit there. Hurst's Hideaway was without a doubt my most productive stop. The people of Hurst were more than happy to share with an outsider My knowledge grew by leaps and bounds. Cycles were everywhere. Surely this must be the Grail. I traded very successfully for over a year with the knowledge I had acquired there. I even wrote two books on extensions of the work Hurst had done on phase shifted moving averages. Boy, this was great! Finally a method that worked.... but.. there was still something missing. I thought to myself "I am missing the underlying structure that I feel must exist in the markets." If I could only tap into that then I would have it made. If I had known the quest was going to take another ten years I am sure I would have given up. The years passed slowly but the work continued.

In 1988, I made a trip to the Orb of Astrology to try to discern if there was anything there of interest. The people there were very different. They seemed to speak a different language every time I spoke to one of them. They would show me charts of why things happened and attribute it to the stars of all beyond me. Even with all that double talk I was able to see that there might be something there of interest. One of their books explained the concept of five waves unfolding before your eyes. Sure enough when I looked at past charts, there it was. After many attempts to use Elliott's teachings in my own trading I gave up. It was very good after the fact... but so was everything else. Unfortunately, I did not have a time machine to go into the past to place the orders. And further if I had a time machine I wouldn't be trading commodities. Still, I felt certain there was something significant to be learned on Elliott's Landing. It was just too subjective for me to trade with. Many other people felt the same way. By this time in my search I had made many other friends that were nearly as voracious for knowledge as I was. One friend, who shall remain nameless, decided to lean more Elliott knowledge from a man who said he could help him lean to trade using this approach. This "guru" said he had much knowledge and charged high prices to pass this knowledge on to other believers. My friend spent several days (and several thousand dollars) to learn this knowledge. The primary thing he learned: Elliott is too subjective to trade with. When asked to describe what wave we were in the master constantly repeated, "When in doubt you are in some type of Wave 4." That is akin to the man wno said he spoke every language but Greek.

When asked to speak Spanish his pat answer was. "That's Greek to me." Well, my friend was older, a little wiser and certainly he now had less money. It seemed there were silver tongued salesmen in every one the trading lands I had visited. In fact, it seemed that this was the main occupation in all of commodityland. Still, when I looked at past charts wave 4 was the hardest to understand. It was almost always a complex wave that put many people into the correct short term direction but the WRONG overall direction. Many years past before I was able to develop a moderately failsafe way to identify Wave 4 on daily charts. I will share this knowledge. If you will apply this one lesson to your position trading you will save yourself thousands of dollars! The first time price crosses over a 3 period moving average displaced 13 periods in the future you are in wave 4. If you want to "fade" the market this is the time to do it. See Figure 1. The market WILL resume its previous direction.

One of my next journeys was to Bayer's Bayou where I encountered a wacky German. His primary focus was astrology. He was a very strange man. Men in white jackets were always chasing him. He sometimes eluded them long enough to write, though. I did learn some very important knowledge that was non astrological in nature. What I was able to bring from Bayer's Bayou allowed me to piece together a more basic understanding of the harmony that MUST exist in the markets all of the time! if you do not think this harmony exists in nature please get up early tomorrow and watch a sunrise.

My constant travels over 13 years had definitely taken a toll on my life. I was always sure that just around the next bend the Grail was waiting. It was still several bends away but.... in 1990 1 was approaching fast. I had learned so much that I always had ten reasons to be long or short - at the same TIME. I wrote three books that detail trading systems I discovered along the way. They are (1) Market Structure, (2) Bubble Theory and (3) Price Equilibrium. The latter two primarily use a large part of the knowledge I gained on my many visits to commodityland. Holy Grail trading came from all the travelling I have done over the past 13 years.

It all came together one Saturday morning. During my many sojourns I collected many bits and pieces of information that I recognized as important but I didn't know how to apply or WHY they worked in the markets. That Saturday I was looking at a March 93 daily coffee chart and everything fell into place. I could apply all the correct knowledge that I had acquired to this particular chart. I reasoned if everything I had learned up to this point was correct on this chart maybe I could tie some of the other "bits and pieces" knowledge in here too. I could! If everything worked on things. I mean, what kind of idiot did they take me for. All the time I was there was always the odor of fire and brimstone in the background. I tell you straight that is a place I wouldn't want to live. If you must visit take a chalice with you.

Along my many travels I became a Christian. The more I understood the concept of God's creation the more I came to believe there was some underlying order or structure in not only the commodity markets but everything to do with everything. I was right! My Christianity and my visit to Hurst's Hideaway were like separate trips to the same place. I started to attribute most happenings in the markets to this underlying structure and set out trying to find it. Now I could write my quest or goal on a single piece of paper in one simple sentence.

I want to discover the underlying natural order in the markets.

Seems easy enough, doesn't it? I reasoned that if I had this I would be able to read the markets like a roadmap. I would be able to buy every low and get out at every top. What a life, huh? Well now I had a well defined goal. This goal had eluded every other market researcher since the dawn of time. How was I supposed to be successful when everyone else had failed? That seemed to be a question that I had no answer for. I further reasoned that surely some of the knowledge that had been assimilated and put out as public record might be of some value. I set out looking!

I picked up a travel brochure mentioning Elliott's Landing. The travel brochure made mention of a book entitled "Nature's Law." Very interesting! I must have that book. Well, it turned out all this whole country did was print books about Elliott's ideas. They even had a guru that was on TV telling why this and that happened. He made mention of many curious formations on charts. Double 3's, quadruple bypasses and many other things that were one chart then it had to work on every other commodity too. How in the world are coffee and beans related. By price! Markets are all intra-related by price. When you understand this very basic concept virtual total symmetry is present. When you have total symmetry then you only buy bottoms and sell tops. By the very nature of market symmetry this is only place you are able to take a trade. See Figure 2! After I had this "awakening" I watched the markets trade for several weeks and was in awe of what I had been led to discover. My son, who is 15, decided he wanted to learn to trade commodities. One night I took him in to the office and gave him his fist lesson. After about an hour he said that this looked easy - how come everybody isn't doing this? I replied that it had taken me 13 yeas before it could be made to look easy. Well, he wanted to trade but didn't have any money. I explained paper trading to him. So he decided he would try that. We started with a hypothetical $1000 which he, remember he is 15, turned into $3183 in 22 trading days. Five profits and one small loss. The Grail had been found ! I had found something that made all the previous Master's works pale in comparison. market symmetry! I opened a new account and increased it 22% in 15 days. I had to tell someone about my discoveries. I decided to share it with a select few people that had purchased my previous books. A seminar was held in June. The fist week following the seminar I had many calls and many questions. One student found a trade that I had missed. The trade went on to yield Four Thousand Dollas profit in six days in the British Pound with a risk of $400. Another student decided he would just follow the currencies. He has been right 12 out of 13 trades at the time of this writing. Another student from Mississippi is now looking for something to occupy his time other than sitting in front of the computer screen all day. He has found it takes very little time to trade and he wants to keep busy. Still another quit his full time job to trade for a living!

Terry R Davis is a Small Business Owner and trader. If you have any questions about this article or quote equipment he uses, please feel free to call him at 800-225-7642 . or 21 7-3475101.

The Seven Percent Solution

By Alan Friedman

Each and every trading day the price action of a stock, commodity, option, or anything that is traded can be placed into one of four different categories. We will examine all four of these categories, but there is one specific price pattern that many times comes before big moves in stocks.

A Rally Day occurs when the stock makes a higher high than the previous day while the low is the same or higher than the low of the previous day.

Example:

Day	H	L	C
One	25	24 1/2	25
Two	25 1/2	24 5/8	24 5/8

Even though the close on day two is lower than the close on day one, day two features a higher high and a higher low making day two a Rally which is considered bullish price action. A Rally Day occurs when a stock makes the same or lower high when compared to the previous day with a lower low than the low of the previous day.

Example:

Day	H	L	C
One	25	24 1/2	24 1/2
Two	247/8	24 1/4	247/8

Even though the close on day two was higher than the close on day one, day two features a lower high and a lower low making day 2 a Rally which is bearish.

An Inside Day occurs when a stock has the same or lower high than the previous day and the same of higher low than the low of the previous day.

Example:

Day	H	L	C
One	25	24 1/2	
Two	247/8	24 1/2	24 1/2

Day two is an Inside Day which is considered neutral.

The most important of these four categories is the Qutside Day. This day occurs when a stock makes a higher high

a lower low when compared to the high and low of the previous day.

Example:

Day	H	L	C
One	25	24 1/2	
Two	26	24	26

Day two is an Outside Day which is an important signal. Not only does it signal an increase in volatility, it also signals that a big move is coming. Let’s look at some examples:

HEWLETT PACKARD (HWP)

Date	H	L	C	
2/11/92	62 7/8	61 7/8	62	
2/12/92	64 3/4	61 1/4	64 1/8	Outside
2/13/92	65	64	64 5/8	Rally
2/14/92	64 7/8	63 5/8	63 5/8	Reaction
2/18/92	65 3/4	63 7/8	64 3/8	Rally
2/19/92	73 5/8	68 7/8	73 1/2	Rally
2/20/92	78	72 3/8	76 5/8	Rally

In this example, you can see that the Outside Day on 2/12 came just before a nearly 14 point move in Hewlett Packard! But using Outside Days on their own will not make you money. In fact, the problem with using such a signal in the past has been the inability to quantify whether the Outside Day was signaling a buy or sell. However, my proprietary methodology allows me to determine not only which direction the move will be, but also where to take profits and when to add to your position. My daily fax service, The Seven Percent Solution, uses this method to make recommendations for stock and option traders. Let's look at an example of a trade you will find in my service:

FEDERAL EXPRESS (FDX)

Date	H	L	C	Day Type
10/2/92	36	35 5/8	35 5/8	Reaction
10/5/92	341/2	34 1/2	36 5/8	Outside
10/6/92	37 1/2	36	371/8	Rally
10/7/92	37 1/4	37	371/4	Inside
10/8/92	38 1/2	37 3/4	38'	Rally
10/9/92	38 1/4	37 5/8	38 1/2	Reaction
10/12/92	381/2	373/4	381/2	Rally
10/13/92	401/8	38 1/2	40	Rally

By 10/21, the stock was 43 and by 12/16, FDX was over 56! At no time did the stock trade even 1/8 below the low of 34 1/2, made on the Outside Day on 10/5.

Outside Days even signal major down moves. For example, on 11/10/92, IBM made an Outside Day with a high of 68 and a low of 657/8. My subscribers shorted IBM and bought puts on Big Blue and by 12/2 1, the stock was as low 48 3/4.

Traders have two different ways to trade using The Seven Percent Solution. Stock traders will concentrate in one or two positions at time using a margin account and a deep discount broker. Our target on any one trade is 10% (20% in a margin account.) We use a 6% stop (12% in a margin account) in addition to a time stop. If a trade does not hit our target within eight weeks after our entry, we exit the position. Our goal is to net 7% monthly. Why 7%? Because 7% compounded monthly will double your

Day Type money over 12 months. Hence the name of my service, The Seven Percent Solution.

The other way to use my recommendations is with options. I have found the best way to trade options with this method is to divide your capital into four equal units and invest one unit in each trade. Our goal is 20% monthly which, when compounded over 12 months, will give you an incredible 791% annual return. Is this possible? One of my subscribers had an amazing streak of 14 consecutive winning trades using my service.

Why do Outside Days work as a technical signal? My theory is that there are insiders or "smart money" if you prefer, that know when a big move will take place in a stock. To shake out the public, these insiders (quite possibly the specialists) help create a lower low to shake out weak "longs" or higher highs to squeeze the shorts. Whatever the reason for the occurrence of Outside Days, they are accurate in signaling that a major move is on the way. The Seven Percent Solution can help you profit from this signal.

Alan Friedman is Editor of The Seven Percent Solution. He has been interviewed on The Financial News Network. Alan can be reached at (305) 654-0015 or (305) 464-6307-Beeper.

Trading is Psychological Brain Surgery

By Bill Williams, Ph.D., C.T.A

Once upon a time people got together, swapped things and traded. The trading of goods wasn't something they analyzed or fussed and fretted over, it was just something they did along with planting seeds in the spring, harvesting them in the fall and then trading with their neighbors for wild game, tools or other necessities. If they had a trading problem they sought advice from their grandparents, great uncles, older brothers and other people who were successful traders. In the past these were the experts and until not so long ago they gave practical advice based on real life experiences.

Then came the sophistication of modem life. From the ashes of World War II there arose an entirely different class of traders. Trading experts, the ones with degrees and nameplates on their doors and great mahogany desks. It wasn't long before rhetoric replaced reality as the primary shaper of our trading practices. Nonsense replaced common sense. Our interest became centered around moving averages, stochastic, RSI, point and figure, point and line, oscillators, DM1, ADX, CCI, volatility, bullish consensus, momentums roc, MACD, plus numerous others. Then came the newsletter and books such as how I made 40 million last year trading one contract of the Eurodollars. Not surprisingly American traders became confused, batted, and out of control. The vast majority of them joined the ranks of the chronic losers.

Over the last 15 years, we have taken the practical and common-sensical job of trading, dressed it in fancy language and turned it into something very abstract and therefore, difficult. What the experts haven't romanticized, sentimentalized and idealized, they have scrutinized and analyzed to such an extent that we no longer are able to see the forest for all the obsessing we do over the trees. The process of trading, or speculation as it is now called, has been transformed into a pseudo-intellectual science, something at which traders think they must strain their brains in order to profit. Trading, however, is anything but an intellectual endeavor. In fact, the more you Brain Strain the more likely you are to find yourself with a losing P & S statement. I am currently writing an article examining why the smarter and more intelligent you are the more difficult it is for you to make a profit trading.

Good trading does not emanate primarily from the head. It comes from the gut and the heart. It is not a matter of long hard thought but a matter of how intuitively sensitive you are to your needs and the needs of the market and the matter of how firmly grounded you are in the oil of common sense. Traders who think too much tend to say things like "trading is the hardest thing I've ever done." I know many traders who used to feel that way. When they stopped thinking so much about it and stopped obsessing over all the little details, stopped worrying about whether one decision was going to ruin their trading for life and started paying at least as much attention to their own internal operations as to the needs of the market - that's when trading became a relatively easy way to earn a good living. Because I have traded for 34 years and have held commodity trading workshops in 12 different countries on 5 continents I am sometimes labeled as an expert. Well that's true. I am an expert at trading my own account. I have become an expert at trading through trial and error which is the only way anyone ever becomes an expert trader. I am not an expert as a result of having obtained a degree in engineering and a graduate degree in psychology. In fact my formal schooling did more to hinder my ability to trade than to help it. Graduate school filled my head with a lot of abstractions and theory about human behavior but it did nothing toward advancing my common sense. It caused me to think a lot about the right way to trade but the harder I thought the more I lost touch with my intuitive knowledge. Trading is not so fundamentally difficult but the experts make it sound difficult and we make the mistake of believing them. After all, they have batches of degrees, don't they? In fact their rhetoric often conceals more than it reveals. If you strip away all that fancy intellectual language you will discover some basic timeless truths that serve to make trading quite simple. The problem with these truths is that they are neither romantic nor sentimental. They are realistic, pragmatic, hard headed. I happen to think that it is about time that we return to a commonsensical vision of trading and that is what The Profitunity Trading Approach is about. Successful trading comes from the gut and the heart. It is about trimming the fat off the roast and understanding that the way your brain works makes you a winner met or a loser. The old "know yourself first and then know the market" has stood the test of time. We only misplace our "common (trading) sense" when we try to make a science and technology out of dealing with our own emotions. When I first started trading full time, I spent over six thousand dollars in the first month on newsletters. That six thousand dollars cost me many times that amount because I listened to what I read in the newsletters from these so called experts. Then I did a little research and found that the vast majority of these experts who wrote the newsletters didn't trade. I was paying them good money to risk my own hard earned dollars while they were unwilling to rely on their own analysis. (Oh yes, I am well aware of the "I would lose my objectivity if I had my own money in there" argument.) Your first concern should be to get in touch with your capacity to be a winning trader. Trading does not have to be difficult and it cam be very rewarding. In short, you should learn to depend upon yourself in trading. After all you're am expert too. You may not know it but you are, just like me. So have fun, it is time to "enjoy being a trader" instead of worrying about "becoming a trader."

Dr. Williams began trading in 1959 and has actively traded ever since. Trained both as an engineer and a psychologist, he is a registered Commodity Trading Advisor. His primary occupation is trading his own funds. In addition he does consulting with individuals, banks, and corporate traders. If you would like more information about Dr Williams and the Profitunity Trading Group's approach to trading he will send you material about applying the Science of Chaos to trading and will include a "demo" disk illustrating his approach. Profitunity Trading Group, 6100 Brandy Run Rd. S. Mobile, AL 36608-3338. (205) 341-0292, Fax (205) 341-0277.

Gann angles & squares

By Dave Green

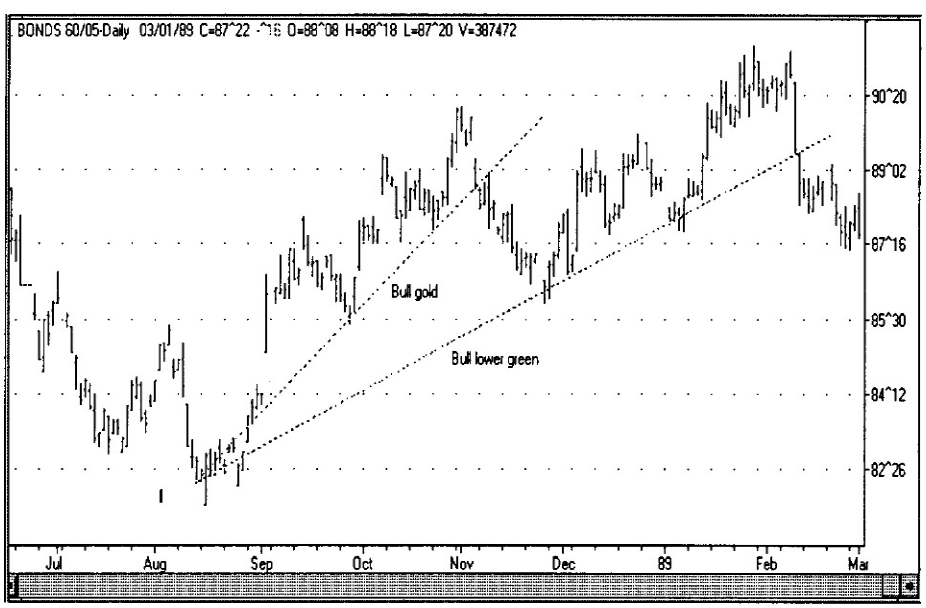
W. D. Gann traded for over 50 years and reportedly made $50,000,000.00 trading from the early 1900's through the early 1950's. In his Trading Course published in the early 1950's, he said Geometric Angles were "the basis to his forecasting method". Gann used many diverse complex and exotic techniques but angles and squaring seem to have been his primary methods. Therefore, this article concentrates mostly on the angles and squaring methods.

Most important & reliable concepts involving angles. ..Markets will usually go up or down, on average, at a percentage inclination or declination paralleling one of the geometric angles. Second most significant area, is the market will frequently find support or meet resistance when the price hits an angle going in the opposite direction.

General concepts and observations. ..A market that is declining will frequently receive support and possibly rally as descending price hits an angle drawn up from an important swing low due to the angle squaring and gravitational fulfillment taking place. If in fact, it is a bull market, the price will likely ascend to the next steepest angle above the advancing support angle as a result of gravitational attraction.

In a bear market, the price may only receive minor support from the below up sloping bull angle and not rally to the next greatest steeper bullish angle, instead it is more likely, due to gravitational attractions, to move to the least steep declining angle drawn down from a prior important swing high or crash through the underlying bull angle support without a rally taking place.

A market that is advancing will frequently receive resistance and possibly decline as advancing price hits an angle drawn down from an important swing high due to the angle squaring and gravitational fulfillment taking place. If in fact, it is a bear market, the price will likely descend to the next steepest angle below the declining support angle as a result



March 89 TBonds

of gravitational attraction.

In a bull market, the price may only receive minor resistance from the down sloping bear angle and not decline to the next greatest steeper bear angle, instead it is more likely, due to gravitational attractions, to move to the least steep advancing angle drawn up from a prior important low or smash through underlying bear angle without a decline occurring.

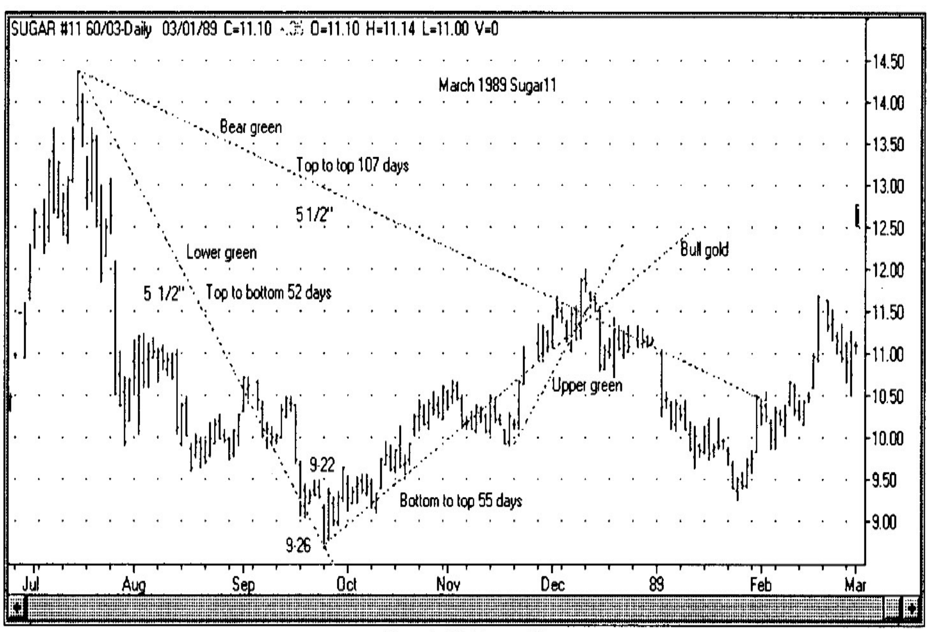
Points to originate the angles from.. .Gann talks at length about “swing highs and swing lows” and he refers to the geometric angles as “moving trend lines”. That is exactly what they are. The angles are the only way possible to draw a valid trend line with only one reference point (swing high/low) available or in use.

Correctly drawn angles on a square chart and drawn from important swing highs/lows will frequently be a strong area of support or resistance when the price intercepts angles. A swing high can be defined as a high or high point with lower highs in front and behind the high point. Conversely, a swing low is a low or low point with higher lows in front of or behind the low point. One way to tell if angle support/resistance failed is price closing at 2% to 3% (of the current price) above or below an angle for two or more consecutive days, indicates a strong possibility that the current angle gravitational attraction is weak compared to price momentum and the next nearest angles gravity attraction. This is a warning of a price direction reversal.

Angles drawn from different points.. .Quite often, when angles radiating from separate swing high or lows meet, that marks a market turning point or change of trend. Sometimes, if not the exact day, within a few days of the crossing point. Also, price gets drawn to cross points, and angle crossing points sometimes will mark cycle high/low.

We will now analyze 3 charts. We will look at the charts like we were actually analyzing the markets from a realtime perspective for hands-on learning. It is important that you properly align the dates on the bottom of each chart to identify the day or time periods involved. The charts are courtesy of Omega Research.

March Tbonds chart.. .The TBond chart displays both a bull 45 degree angle and a bull lower angle, both coming up from the major low in August. Note how the market received strong support, and then moved up, after touching the 45 Angle in September and again in October. Note how the market received strong support, and then moved up, after touching the other angles in November, December and January.



March 89 Sugar11

Another valuable tool is the observation that once the market hits a support angle for the third or fourth time (4th time in particular), it will frequently penetrate the support angle and transform from a bull market to a bear market or vice versa. The sudden angle penetration that just occurred in February was the fourth attempt to penetrate the angle and indicates the start of a bear market. Also, the 45 angle was hit 3 times prior to the significant November decline.

May Wheat chart This Wheat chart shows the Gann concept of buying and selling against both double and triple tops, expecting resistance at the double/triple top Zero Degree or near zero angle, and expecting support at the double/triple bottom Zero Degree or near zero angle.

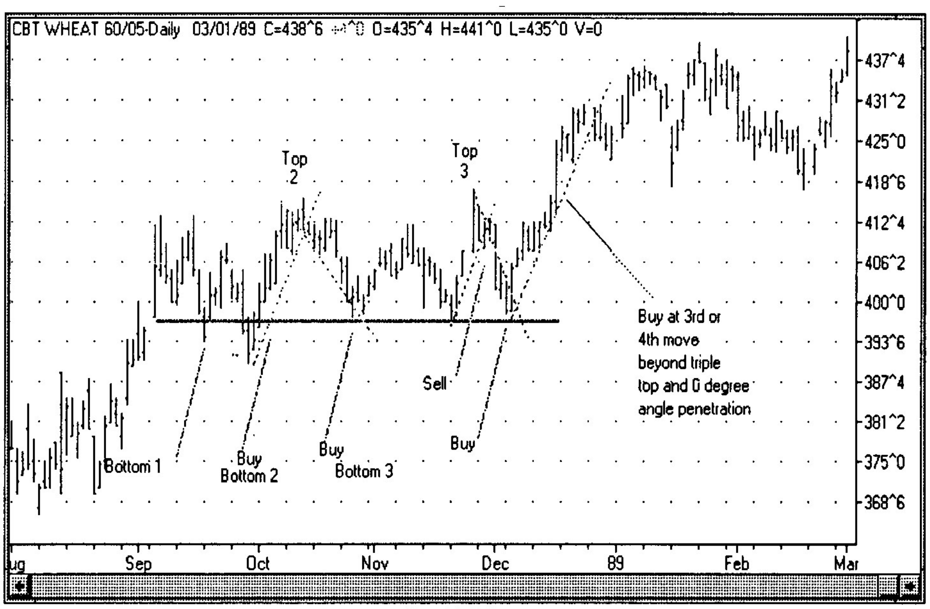
The chart also reflects a longer term buy signal once a fourth attempt at the triple top is penetrated. Remember, at the third or fourth attempt to penetrate horizontal resistance, a penetration and strong continuation move, after the penetration, is a fairly common occurrence. Also, the chart uses short term angle penetrations to confirm five of the miscellaneous buy/sell signals. Reason for picking this particular flat looking chart was that it shows these techniques can also work in a sideways market or congested time period. Large moves or good trends are not mandatory to work with these techniques.

March sugar chart.. ..The Sugar chart presents some interesting but complex and sophisticated little known aspects to the angles, plus a never before revealed surprise technique involving measurements of the angle lengths.

From the major high of 1439 recorded on July 14th the market moved down to its major low at 869 on September 26th. As you may recall, since Sugar moves in 1 point increments, the square of 1 is important. Since the chart has a grid value of 5 we will multiply the squares by a factor of 5.

The multi-even square of 1 is 10, square of 10 is 100, and 5 times the chart grid value equals 500. Thus we can look for time running out about 500 points below the major high. As previously outlined, since the July high was a volatile period, we draw the bear angle from mid-point of the range, radiating from near the 14 cent level. That is also a preferred price to draw from, as it is a whole even number. We observe that the reverse square of 500 is 50. Therefore, 50 days from the high is a possible turning point, especially true due to the price itself being close to a 500 point drop from its high. (1439 - 500 = 939).

September 22 high was 948 and 931 low. Median price for this 50th day was in fact 939!



May 89 Wheat

This day exactly squared out the range from the high based on the multitudes and derivatives of the square of 1 combined with the graph scaling! As a further confirmation of a trend change prediction we can look at the bear angle. On September 26, the price squared out but the price completed a 2 day pattern High Low Close (definition, as previously outlined) and closed weak near its low.

That indicated the bear angle was still strong enough to influence the price down in spite of time running out. Also, the price should square again by hitting the angle after time was squared. These items indicated the market could still move a little lower. On the day of the major low the price closed down and right at the bear angle. That confirmed a squaring of the angle taking place after the time ran out. Now that the angle had again been squared we can look for buy indications. Finally, in early October the price moved sideways to up, sufficiently far from the bear angle, to confirm a break away.

That is especially noticeable if viewed by a perpendicular measurement from the angle slope. We can draw a new bull 45 Angle from the September low and note the market followed the general trend of the 45 Angle up from September to December. On December 12th we should start looking for a top because of a new subject you are now going to learn about, which is Bull and Bear Angles crossing from different directions.

The bear upper angle from the July high crosses over the bull angle on the exact day of the highest closing price. Also, the next day, December 12th, the price itself ran out of time and closed weak after completing both a high-low-close pattern and a reversal down day during this 2 day cross-over period. Also, the short term bull upper angle drawn up from the minor swing low of November also crosses over both major angles on the same date.

Lastly, I would like to tell you about a unique and unusual technique I have developed for measuring the angles to predict trend changes. As far as I can tell Gann or others were not or are not familiar with this technique, so it is unique!

Measure the Sugar bear lower angle from the July high day mid-point angle starting point, to the September low.

Then measure the bear upper angle from the same high and project the same distance to the angle. Where the measurement intersects the bull 45 angle from the major low marks the turning point! The exact turning point as far as time is concerned and fairly close to the actual price turning point! I have also observed this technique to work when applied to certain angles in miscellaneous markets.

Thus we have many different confirmations that a change of trend is imminent. In fact, we have so many powerful indications of a change of trend occurring about December 12th, that going short here would be about as close to a guaranteed successful trade as is possible! Finally, on December 15th a breakaway day occurred involving a significant percent drop under the bull 45 angle and now confirming the market was following the bear upper Green angle from July high. That indicates the end of the bull move and start of a new bear move.

This article is based on selected condensed excerpts from our comprehensive Gann Techniques Trading Course, available for a special price of $75.00 to Traders World readers. In addition, a free Info Package on our #1 rated computerized Swing Catcher System is available: Trend Index Co - RRJO - Eau Claire WI 54701-9077. (715) 833-1234.

How to Qualify for Trader Status

By Ted Tesser, CPA

In the last two articles, we explored the differences and advantages in classifying yourself as a "trader" versus and "investor" on your 1993 tax return (see Trader's World Summer and Fall Issues, 1993.) In this article, we will explore some of the criteria which have been deemed essential for one to qualify for this distinction.

First of all, there is no IRS Code section which clearly identifies this election. The Code defines an Investor as "a person who buys and sells securities for his own account" (IRC 263A.) On the other hand, the IRS Code also defines a professional Dealer or Market Maker as one who holds "securities for sale to customers in the ordinary course of business (Reg. section 1.471.) The Code does not specifically define what a Trader is.

The definition of Trader has evolved through various court decisions over the years which create and define this hybrid category. Basically, a Trader is an investor who trades with such a high level of activity, that the investing becomes a business to him. And, although he does it for his own account, he is still afforded some of the benefits of the professional.

Over the past few years, many cases have been decided in favor of the trader status, and several of these in particular stand out as landmark decisions. As early as 1935, the Supreme Court decided on the Trader designation in Snyder vs. the Commissioner. The Court stated that "a taxpayer can be involved in the business of trading securities."

In 1967, in the case of Reinarch vs. the Commissioner, an option writer did not even have to prove that he was running a trading business, because the nature of option writing lent itself to the basic definition of Trader. In 1978, in the case of Marlowe King vs. the Commissioner the same was decided for a future's trader - even though some of his transactions were long term!

More recently, in 1991 two cases were decided in favor of trader status, and each was significant. In Nubar vs. the Commissioner, it was held that the extensive trading of stocks and commodities constituted engaging in a trade and business. In the most significant of decisions, Ropfogel vs. the U.S. District Court-Kansas, the criteria were specifically identified which qualify a person for this coveted status.

These factors were determined to be the following:

1) The average holding period of the security (or other trading instrument.)
2) Whether long or short-term profits were expected.
3) The extent of financial leverage that was employed.
4) Taxpayer's intent to collect dividends and interest.
5) The expectation to derive profit from frequent trading.
6) The presence of the Schedule C on the tax return.
7) The existence of an office.

To summarize, to be classified as a trader, an investor should file a Schedule C, engage in very frequent trading, and profit from short-term transactions. If the trader is engaged in futures or options activities, they will, however, allow longer term transactions.

Interest and dividends should not be a significant part of income, and the trader should not be buying investments for reasons of fundamental under valuation in the market. He should be doing so to capture short-term swings in market movement. For this reason, technical rather than fundamental analysis gives more support to the Trader status.

Frequency of trading is an issue, and daily trading is best, although not required. Also, trading should involve substantial amounts of time tracking and analyzing investments, but a full-time profession is not necessary for trader status.

In short, not everyone will qualify for Trader status, but many people do. It is better to cover as many bases as possible in qualifying, and well worth the effort to do so.

Ted Tesser is a Certified Public Accountant in New York City and an active Futures Trader He is the author of “The Serious Investor’s Tax Survival Guide,” and currently has produced a video entitled “Qualifying for Trader Status-How To Do It.” It is available for $49.95, and he is offering our subscribers a $10 discount, with a full money back guarantee. He will also provide a free booklet on Trader Status to interested readers, and he can be reached at (212) 683-2930.

The Second Dimension

By Joe Rondinone

The "Second Dimension" is a formula of adding the correct width! area! space to the price movement, of any duration and in proportion to the price fluctuation for all price periods. This is another new and important discovery now added to the angle symmetrics trading method. Because the plotted chart price will not only be vertical line on y our chart with each price posted equally spaced. The plotted price will now be plotted according to the "Second Dimension" principle to include width! area! space. This plotted price will now form a rectangle formation of price with a width! area! space in proportion to its price activity.

When this width! area! space is added to the price movement, the price and time factor became tradeable. The formula for the application of the "Second Dimension" ration is all included in the new and expanded angle symmetrics trading manual.

The key is the squaring of price with time. This is a new discovery of a W.D. Gann student of long ago. Mr. Gann left us in 1955. The squaring of price was a prime challenge. Like Tom Edison, who after 999 failures he did not call them failures -on the 1000 try was successful.

As I once read, had Tom Edison (who was an eighth grade drop out) gone to college, We probably would b e reading by larger candles. Pre-set

ideas and principles are like being stuck in a tunnel. You just follow the crowd. Likewise, schools teach in one pattern, with their guidelines, therefore we all think along the same lines.

What we in the commodity trading profession are interested in knowing. . .When do we buy and where do we sell? What are the signals and how so we get them? If squaring price with time, how is this brought about? How can we square price with time to get valid buy and sell signals? Why do trend lines work only at times? W hat scale do we use for charting? When a large chart is reduced from a $0.01 per block to $0.02 per block, why does the 45 degree not apply? When do you use the 1x2, 1x4, 1x8 angles? Is there a method that will adhere to one projected angle? Is there a charting scale for all commodities?

The answer to all the questions are here, just ask!

A corn poser of music must discover new melodies, new ideas, new rhythms, and the combination of many notes with different sound vibrations to produce one song.. .1 being a student of Gann, I too was not setting on any principle carved in stone. In my studiesof math, algebra, geometry, mechanical drawing, music composing, playing, music arranging and writing harmony, plus performing professionally, I did learn that there is system and order in all things.

To make commodity trading profitable, there had to be a missing principle. The question was, how can a valid buy and sell signal be produced? What is there now that is lacking? The price alone was not producing trade-able signals. All the trading rules alone were not either.

After many years of experimenting with volume, open interest, all the RSI's Inc. there still was a conflict; I read all the Gann books, I took all the his courses, all his methods that he personally sent me, I spent time with is partner, Ed Lambert, his son, John L , and believe me when I say, "They were not with holding anything from me." There was absolutely no evidence of them holding back.

In 1963, I quit trading. I became an "Edison." I worked on many principles that were not used, "How could a valid buy or sell signal be generated that warrants putting your money on safely?" I studied the Benner Pig Iron principle and applied them to the commodities. They worked well if you added price tot he ten cycles in a moving angle. It worked well with pork bellies one year. The next year the cycle was in reverse, and before it became evident, there was a big loss. This was price at a moving angle (plotted).

This brings my recall of the early years when 1 was a member of The Foundation for the Study of Cycles. In the 1950's Mr. Dewey was the director at the time. Many cycles went perfect for two years, and finally you had it. You go with the third year only to find the cycle pattern changed once you were committed.

To me, Gann's price and time principle always surfaced. Finally this problem is solved. This is the birth of the "Second Dimension." (Adding width! area! space to the p rice structure.) Then came the how much width?. How can we predict the breakout? One principle is certain: a gallon jug will only hold one gallon, no more. It makes no difference how smart you are. That law cannot change. Can we use a $0.20 move to be 20 blocks wide? or Make $0.20 move 10 blocks wide when plotted on the chart? After tries, (good, bad, indifferent) the exact principle for charting the price with the correct space! width! area was produced. This is now known as the angle symmetrics trading method. It works on all commodities, because with my experiments, a charting scale has been developed (composed) that keeps all price structures in exact proportions to the 45 degree true trend line. There are eight symmetrics trading principles to learn and follow. These will produce valid signals within active markets.

No matter what price plotting method you are now using, Elliott Wave or just line p lotting, once the prices square the 45 degree line. The trend will take place.

1. With this angle symmetrics trading method, you will learn to square price with time.
2. You will learn how to build the price and time triangles.
3. With the time triangle you will learn to stay with your position until the price breaks out of the triangle.
4. You will learn how to square price with time for 45 minutes, 60 minutes, daily and weekly periods.
5. You will learn to draw the true trend line, this comes when all the price movements are equalized according to the Symmetrics Principle.
6. You will learn how to plot all size moves to the 45 degree angle. Also you will learn how oats, corn, beans, bonds, cotton, Japanese Yen, Franc, silver, and gold are all plotted using the lxi (45 degree) angle bythe Symmetrics plotting principle. (Most important for price plotting scale.)
7. These are all new principles, there are complete in themselves for trading. Some of these principles could also be added to your present trading methods.

NEXT: I want to bring to your attention that for a modest p rice of $1920.00, I am offering youth is angle symmetrics trading method, which is fully described in these pages. I so not send out glossy literature. What I do send out is proven commodity trading concepts: As many testimonials state, I thinkit is first class material that I only send first class mail. I had my 73rd birthday in October, 1993 and feel I should share some knowledge. If I knew 38 years ago what I know now, WOW! what a future I could have.

I was asked to speak at the TRADER'S WORLD conference in November. I spoke at 8 A M on Sunday morning. Idid not expect anyone would be there that early. Guess what?!? Everyone was there, full house. After speaking, I was mobbed for more information.

Trading a Mechanical System

By Fred Ruscher

Developing a system that makes a little money is more difficult. Developing a system that makes a lot of money is tantamount to finding the Holy Grail. The first step in the development of a mechanical system is choosing a technical indicator that you like and fully understand. Then, you use that indicator to determine your entry point. It may be an order to buy or sell at an or better price. It may be an order to buy or sell on a stop.

The second step, now that you are long or short a market, is to develop your stop placement on the position which you have just taken. This is probably the most crucial step of all. If your stop is too close the trade will not have a chance as the floor brokers will just pick off your trade and say thank you very much for your contribution to their well being. If your stop is too far away then your reward to risk ratio will not be high enough and you will have to be right more often than you are wrong. We all know how difficult that is, as we still have to make a profit after a commissions and bad fills.

The third step is developing a target. Most systems miss this step completely. Target you say, what target? This trade is going straight to the moon and never looking back. Fat chance. Targets should be identified by using Elliot Wave techniques, gap forecasts, fibonaaci retracements or any other method you can find. The chart (Fig.1) on bean oil will serve as an example. Stochastic gave us a buy signal with the crossover on November 3rd. We can buy at 2370. Initial stop at 2270. The rally in June to July was 497 points times 1.618 equals 804 points. 2270 plus 804 equals 3084 for our new target. Our risk is 100 points compared to our reward of 700 points. Our stop can trail the highest close made by 100 points.

The chart (Fig. 2) on copper is another example. This time I am using an momentum oscillator as the technical indicator and I am waiting or divergence. A divergent signal is given when price makes a lower low and the oscillator makes a higher low. This tells us that the momentum has decreased. The number and volume of sellers has decreased in relation to

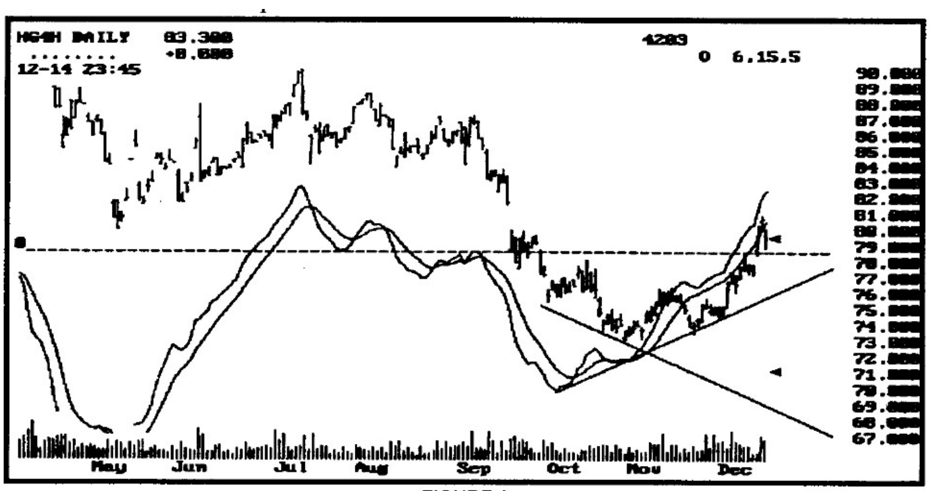


FIGURE 1

how far price was moved. Since the momentum has decreased, this means that we can expect a possible turn around in the trend.

Copper made a low on November 26th, 1993 at a price of 73.00. This low was a new contract low, yet the oscillator made a much higher bottom than the previous one. I do not buy Copper on this indicator alone. I watch the first rally which ends on November 11th, 1993 at a price of 76.25. I want to cut down on my risk so I place an order to buy at 74.30. The low at 73.00 minus the high at 76.25 equals 3.25 points times the fibonacci .618 equals 2.00. I subtract 1.95 from 76.25 equals 74.30.

This is my buy point. The stop is placed at 72.90 for a risk of 1.40 points. The first target is found by multiplying 3.25, the amount of the first rally, by 1.6 18. This equals 5.25 plus 73.35, the first pivot low after the contract low, equals 78.60. 78.60 minus 74.30 equals 2.30. Our risk of 1.40 points has a reward of 2.30 points. This is not really that great, yet it is better than 1 to 1.

Now it is important that you back test your system. I personally do not use continuous charts in any of my back testing. I will roll over my testing from one contract to the next on a preset date near the end of the contract that is approaching delivery. Only when the back testing shows very favorable results will I be able to take the final step of the mechanical system. That step is the taking of the great leap of faith and actually trading the system in the market place.

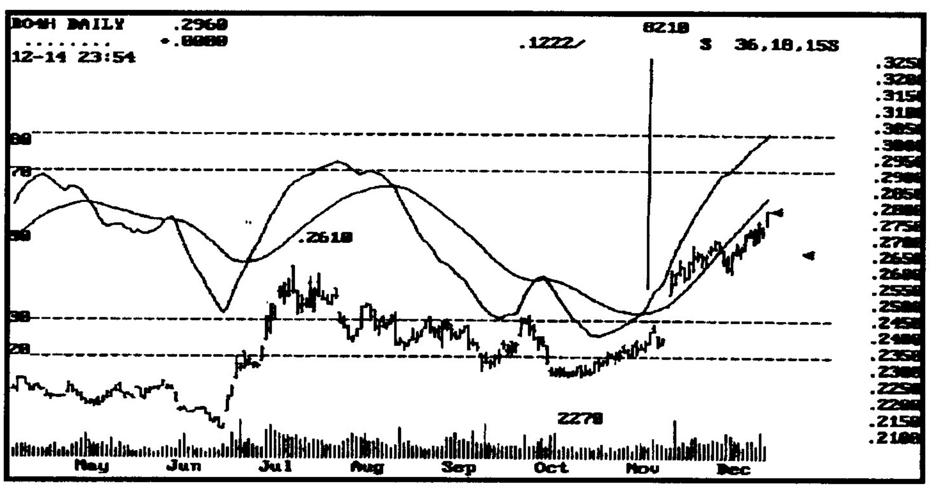


FIGURE 2

The Edge that Makes the Difference

By Robert Koppel and Howard Abell

Traders always speak of "getting the edge" and this is particularly true of the most successful traders. However, to a person, the top traders understand that the edge has little to do with the common sense or conventional notion of getting a good fill in the market or being stopped out exactly at your price. And it makes little difference if these traders employ fundamental or technical analysis, whether they are day traders or position themselves for the long pull. The idea that was repeated time and time again by the top traders was that an edge is essential, and their edge is the overriding ability to be resilient to whatever the market sends in their direction: weathering difficult times, even "busting out" with little emotional impact, being able to maintain unassailable confidence in themselves and their proven methodology at all times. For these top performers, trading is a game and although methodologies vary widely, they all shared in common a burning, unquenchable desire to become successful at trading (however they define success), often at significant personal and professional expense. Other commodities in capturing the edge included: A personal discipline based on hard work, independence, and patience. A love of trading. Well-defined risk management. Total acceptance of losing as part of the trading process. The edge that makes the difference then comes down to this.

1. Fully understand your motive for trading. Once you know what your motives are examine them carefully. Most traders trade in a constant state of conflict. It has been our experience that many people who think they want to trade really don't. In addition, your motive should include a strong need for personal independence which is crucial.

Trader Response	Having the Edge	Losing the Edge
Patience	Waits for opportunities to materialized based on well thought out game plan	Little planning, reacts according to personal whim
Discipline	Sees the big picture, responds deliberately	Emotional, anxious often confused about what to do
Strategy	Highly planned; limits losses, lets profits run	Little planning, does not rely on consistent methodology
Expertise	Well prepared- has done necessary homework	Little market knowledge, unprepared
Motive	Long-term motive i.e. intellectual challenge	To make money, instant gratification
Goals	Clearly defined	Ill defined
Risk Control	Highly controlled risk/reward ratio	Little or no control over risk/reward ratio
State of Mind	Positive, resourceful empowering beliefs and focus. High level of self-esteem and trust, relaxed and confident	Nervous, anxious, believes the worst will happen. Focus is distracted. Traders in conflict

2. Develop a personal strategy that works for you and fits your personality. If the system doesn't feel right, you're going to lose before you even start.

3. It has to be fun. We can't stress this point enough. Trading has to literally, feel good. Which is to say, you must be in a frame of mind which allows you to envoy the process effortlessly, be resourceful, and make good judgments.

4. Hard work is essential. There's no way to get around it. You must put in the time. As Woody Allen said, "Ninety percent of existence is showing up." You must also be able to keep trading in perspective.

5. Confidence. You must possess a repertoire of personal beliefs that constantly reinforces feelings of high self-esteem and confidence in your analysis and execution of trades, whether you win or lose. Needless to say, discipline, patience, personal responsibility, and repeated success make this a lot easier.

6. Positive state of mind. If there is a single variable which guarantees success it is this one. The top performing traders have developed an internal terrain that reduces anxiety and promotes excellence. They manage to achieve this end by internally representing external events in such away that assures success, adjusting and redefining as they deem appropriate. They do this by employing a belief system that does not allow for the concept of failure and a personal focus which concentrates on what is essential to achieving this end. In short, they have mastered the ability to create states of mind and body that are resourceful and assure whatever it takes to succeed. Exactly how they do this we present in great detail without psychological jargon, in The Innergame of Trading. In addition, we clearly demonstrate how all serious traders can measurably improve their trading by rejecting the psychology of losing and embracing the winner's state of mind.

Robert Koppel is a former long term member of the Chicago Mercantile Exchange He is currently Director of Trading at A bell Asset Management Corp. Howard A bell is president of A bell Asset Management Corp., a CTA firm managing individual and institutional portfolios. A former member of the Chicago Board of Trade and the Chicago Mercantile Exchange, he was president of C.S.A., Inc., a Futures Commission Merchant. He is the co-author of The Insider's Edge (Pro bus, 1985). For information about The Innergame of Trading contact Bob Koppel or Howard A bell at 1-800-634-0270, Fax 1-312-641-3199. The Innergame of Trading is available from Trader's World Magazine. Call 800-288-4266 to order There is a 15 day money back guarantee.

The Law of Vibration

By Petter Amundsen

I state that the law of vibration is the fundamental law upon which wireless telegraph, wireless telephone and phonographs are based. This is an excerpt from the famous interview with Mr. Gann in the December 1909 issue of the Ticker and Investment Digest. Mr. Gann gives three examples of where you can find the Law of Vibration at work. I don't know why he omits the most obvious area for experiencing vibration, which is sound, but rather mentions technical inventions. This might have something to do with his appetite for inventions, ref. The Tunnel through the Air, and his emphasis on scientific forecasting.

Anyway, any student of Mr. Gann's work would benefit from the studying the natural musical intervals and their connection to mathematics, It will be much easier to accept the effect of mathematical resistance levels once you have experienced or understood why they work. I claim that the natural musical intervals is the key to many of Mr. Gann's methods, since music is the most common place to find evidence of the Law of Vibration (and Oscillation) that is fund throughout the universe.

It is said that Mr. Gann was influenced by Pythagoras, and the harmonics of the universe experienced through musical intervals on the monochord is the cornerstone of his teachings. It is important to remember that the intervals found in a modem piano are not natural, but tempered, in order to function when playing in any key, be it C major or F sharp minor. However, you can experience the different quality of an octave and a pure fifth and a minor third well enough to understand why some price levels (frequencies) will give better support/resistance than others. Mr. Gann said that numbers vibrate, and this is probably the most difficult thing

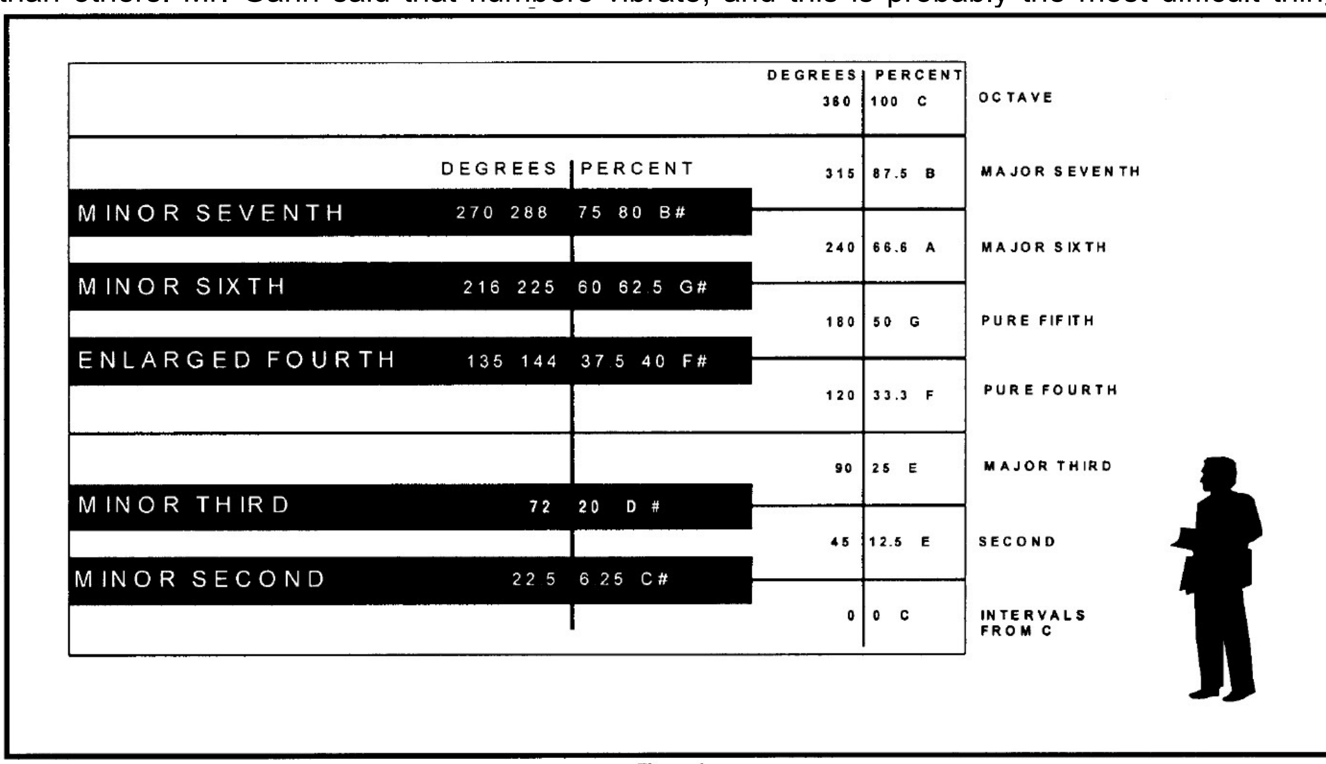


Figure 1

to understand while studying his methods. It is rather something you just accept because you can see that it works.

"The number are not intermixed, chaotically and accidentally, but are subject to regular periodicity. The changes and developments are also seen to be in many cases undulatory."

This means that the actual price traded at and ranges are vibrating and will influence price-levels in the future. We are taught to take a high, low and range and divide into eights and thirds and sometimes tenths. He says that the most important level is 50% and also 100% if up from a low. Now, why are these levels so important?

Imagine there is an important bottom in Bordeaux Reg Wine futures at 256 cents/gallon. This number is the same frequency at the middle C on your piano, just to make things easier. We are in a bull market and the price climbs to the 50% level which is 384 cents. The market has then risen a pure fifth up to the first G up from C. Try playing this interval on a piano.

The tonal quality of a pure fifth is almost like an octave, the two notes, C and G melt together as if they were one. In fact, they are the closest of relatives, Since G is the first natural harmonic of C (apart from C itself). If you have ever tuned an instrument you will know the sensation when the vibrations level out at the pure fifth or the octave level. The two frequencies together are powerful! Try humming in the shower,slowly up and down to seek the frequency of the bathroom itself. When you find it, you need only produce a weak tone to saturate the whole room with sound! It is the same with the markets. The old bottom is still vibrating, and when the market trades around it's natural harmonics, price will be affected. The natural harmonics will be like magnets to the market. The vibrations seek equilibration.

Now, our Red Wine future, which we are long, breaks through the pure fifth level on the fourth attempt and is heading for the octave which is 512 cents/gallon. The octave represents a full circle and is 100% up from the bottom. This will be the first C above middle C, and the price is now theoretically the same as it was at the important bottom. If our 256 bottom was important, the market must react around the octave level. Equilibration will only last a very, very short period, though, and will make the market react to other opposing forces, just like perfect harmony in our lives never lasts long each time we experience it. It's all the same.

A perfect example is found in May Soybeans: The all time low was 67 cents July 16, 1939. The all time high came in 225 degrees of a 60 year cycle later, April 22, 1977 at 1076 1/2.

The octaves up from 67 are 134, 268, 536 and 1072. We got our four and one half cents of lost motion at the top after 37 years! To indicate how little this is musically, please consider this; on a modern tempered piano they stretch the octaves a bit to make the tempering sound better. Four octaves up from 67 will then be 1,115.5, and still sound like a pure octave!

The other "gann-levels" come in the following ways on the natural, not tempered, scale: (See Figure 1)

The reason why there are two levels for some of the black keys is that some natural semitones will differ if played from above rather than from below. Ask your local violinist!

You do not see 30 and 60 degrees here. That done not means they are not harmonics! Our scale has twelve keys, Other cultures have chosen otherwise and have more or fewer notes. The minor harmonics are important, but you should focus on the basic intervals like thirds, fourth, fifth, and sixths unless your trading plan is so accurate that you can benefit from using the whole array. By the way, 144 degrees up from 536 (third octave May beans) nailed the 1993 high at 751.

Armed with this information you can make a "keyboard" of resistance levels for each major low or high.

Very important: When using a high as your basis, you must first divide it into sub-octaves, taing 50% off to get the octave below and then 50% off this octave and so on. Then you fill in between from below and up! If you simply take a high and divide by 8 and 3 you are missing a whole lot! Always calculate from below and up! Why Mr. Gann did not day this, I don't know, but I am sure he knew that this is the proper way to do it!

The angles work just the same way. 8x1, 4x1, 2x1, lxi, 1x2, 1x4 and 1x8 are all octaves, and they incorporate the duet between the time cycle and the price cycle. The 1x6, 1x3, 2x3, 3x2, 3x1 and 6x1 angles are the pure fifths. These are very powerful angles, simply because the fifth if further away in the natural overtone scale then the octave. The reason you do not make angles based on quarters, thirds etc. is that you will most certainly suffer from the information overload.

The musical intervals will of course be found influencing the time cycles. That is why I use degrees as well as percentages. The universe is governed by the same mathematical low of vibration. Musical intervals and the effect of the cycles are merely two effects from the same cause. The octave is one full cycle. That is why time and price is the same.

PS. If you look at the musical intervals astrologically, you will be suprised. Play the "evil" aspects, 0, 90, 180, 270 degrees (C, E, G and B flat) as a chord. Then play the "good" aspects 0, 120, 240 degrees (C, F, A), and you have played a beautiful cadence!! Tension released!

P.P.S. The fibonacci rations have nothing in common with natural musical intervals.

Fading Tommy's Daddy!

By Terry R. Davis

Commodity traders are a sorry lot. We are always sorry that we bought at the top or sold at the bottom. All of us have done this... .and many more continue to do it as part of their private trading "system." Tommy's daddy always did this. If I was long in the bonds and Tommy's daddy came along a few days later and bought, I knew it was time to reverse my position and go net short. I knew I never wanted to be on the same side of a trade as Tommy's daddy. He always waited too long or was too hesitant to act when the time was right. Boy, could he read an Elliott wave. In an up market he would buy within two ticks of a dynamic wave 3 top. To further mystify me his next trade would be to sell the very bottom of wave 4... to the tick. There was something truly uncanny about his ability to call market turns. Unfortunately for Tommy's daddy he was continually on the wrong side at these turns. When he "hit" an occasional winner he would liquidate that position in a matter of days (if not hours.. if not minutes)!

As I mulled these things over in my mind I remembered when I first became a trader. I had one of these very same things. Somehow, in my thirteen years in the markets I have learned to quit shooting myself in the foot. Jessie

Livemore in his excellent book, "Reminiscences of a Stock Operator," says there are three types of traders; 1) the kind that don't know anything and realize it, 2) the kind that don't know anything and think they do and, 3) the ones that are trying to obtain mastery of the markets. My dealings with hundreds of other traders over the years seems to bear these findings out. Tommy's daddy had enough money to live the good life even if the markets never treated him with much respect. If you have traded long enough, you have probably run across Tommy's daddy too. You may have even been Tommy's daddy. The markets are surely no respecter of persons. Tommy's daddy can be young or old. ..rich or poor... male or female. The continued disdain that the market had for Tommy's daddy knew no boundaries. Whenever he had a bullish position before a bullish report came out... .you guessed it ... the market went down. Whenever gold had to go to $1500 it went to $300. What gives? What made Tommy's daddy such an accurate trader? He continually batted 85%. That's right 85% wrong. One of the first $3000 systems suffered from the extreme ills of curve fitting past data. After the system had been on the market for perhaps a year, it was found that the system was indeed 75% accurate. To be 75% accurate you had to fade every trade by doing the exact opposite of what was signaled. Somehow the developer had succeeded in getting Tommy's daddy into a hand-held calculator. This was a mighty task for the early 80's.

Every new trader can be categorized as taking the 'stage' as Tommy's daddy. New traders are coming to the market (for the slaughter) day in and day out. There has never been a shortage, and there probably never will be. Traders that are hooked on the game but are virtually never right are also with us in even greater abundance than in the past. Everywhere you look Tommy's daddy is their to help you. They are there to help you make money.

What would you pay for a system that was at least 75% accurate? We may disagree on a cost but it would surely be a large sum. Right? The Tommy's daddy system is available for absolutely no cost other than commissions. To get this system you will have to pay retail commissions. The heart of the system is dealing one-on-one with a small brokerage firm. Every small town commodity office has Tommy's daddy trading there. In fact, there are probably several trading there on a regular basis. Getting to know the manager of this small firm personally is the key to exploiting the Tommy's daddy system. You are looking to "fade"

Tommy's daddy on every trade. You need the manager to be able to accomplish this. He is bound by law to maintain the confidentiality of his office traders' account. He however does not make any money unless trades are placed. Your proposition to him is this:

Whenever Tommy's daddy (he knows his real name) takes a trade, he is to place you on the other side of the trade. You don't need or want to know Tommy's daddy's real name. This allows him to maintain the confidentiality that he is bound to uphold. It also allows him to make double commissions on trades. You and the broker have your needs met; the ability to make money. Most Tommy's daddy traders are small traders so you may be able to follow more than one's "recommendations." Nearly 100% of small town brokerage house traders lose money. If your account is moderate to large you may want to "fade the equity run." This means you take the opposite side of all traders made in the office. What are you waiting for? Get to know the small town broker!

Terry Davis is a full-time trader and small business owner. His Holy Grail Fax Service is ahead by 650% this year and is once again the open new subscribers. He can be reached at 217-347-5101 or 800-225-7642. He welcomes your calls.

Golden Gann

By Jim Watkins

Gann was absolutely golden in his forecasting of many market moves. The purpose of this article is to show a terrific forecast of gold that came to fruition in 1993. After reading a number of Gann articles and books, I noted that Gann often used anniversary dates of/for major events. Early in 1992, Jim Flanagan, Editor of Past Present Futures, sent me an article on silver. He said that 1993 would be a great year for silver.

So I thought that gold might also have a good move if silver moved, and it did! I was watching gold while Jim did his business in the silver market. Many of you should recall that gold and silver made all time highs in 1980. Gold made its high on January 21, 1980. Using the thirteenth anniversary, according to Gann and an Indian induction cycle (13 years) on January 21, 1993, DEC gold struck a low of $335.50 but no 334.00 Golden Ratio occurred on this significant date.

On March 9, 1993, DEC gold had a contract low of 331.70 Show 3321 NRP, its final low. Also show 3336 Golden Ration Number. Using Gann's anniversary date and then using the square of nine chart, you could have known to buy any opportunity prices below 333.60 and 334.00 Golden Ratio Number. Also 3/9/93 was a big, big cycle of time-Gann time.

Now from the Golden Ratio number 333.6 to the 391.0 Golden Ratio number the market must prove that it can penetrate either up or down. On May 19, 1993, December gold hit 389.00 high with no follow through of the 391.0 Golden Ratio number. So the market having failed to move over the Golden Ratio 391 Golden Ratio number, the market had to back down.

How much should or could the market retreat? As the market dropped from the May 19th high down to June 1 low of 371 Golden Ratio again failing at 383.5 on June 4, retreating again to 371 Golden Ratio and making a low of 364.8 or 3646 Natural Resistance Point before rallying to its final peak of 414.0 on August 2nd. Note 411.0 Golden Ratio point struck twice, July 30th and lastly August 2nd and then plunging back to 343.0 (45d S.E. line) a rally followed rising to 10/2 1 high at 3767 Natural Resistance Point and falling back again. Note market touched 361.0 (squared 19) on 11/1 and 11/2 low.

Calculations:
I. 1/21/80 - 1/21/93 13 years
II. 873 HI 871 (450 NW line)
III. 3336 GR to 391.0 GR
IV.334 GR to 441 GR
331.7 to 414.0 = 82.30
GR 334.0 to GR 441.0 = 77.00
Lo missed 2.30, Hi missed 3.00
Dec 93 silver 553 H 553
45 Degrees NW
362 L 361 Squared 1
Definitions:
NRP Natural Resistance Point
GR Golden Ratio

45 Degree Lines
Squares Even, Odd, Cycle
Just a point of interest
Dec 93 Wheat 360H 361
Squared 19
294L298GR
289 Squared 17
Dow Jones 3692.61 High 3721 61
3136 Lo
3087.41 (941/7)
3087
Oct 5, 1992 Low
Golden Ratio 3752

Theory:

All market moves are acted upon by momentum to or through NRP, GR, 45 lines and squares.

Note: 11/17 date the market dropped down to 369.60 low giving ample opportunity to buy below 371.0, the Golden Ratio Line, and then closed at 377.20. This trade showed a profit of $620 at the close of the day and a limited risk of 140 dollars/contract. Thank you very much, Mr. Gann.

Calculations:
I. 361.00 to 381.00
S.W. 450 to N.W. 45 Degrees
(19)2 = 361
11/1/93 H 360.90 C 362.10 L 360.7
11/2 H 364.7 L 363.6 L 361.0
II. 361.0 to 381.0
360.70 to 381.2 11/1 to 11/15
11/5/93 H 381.20 C 377.80 L 375.30
Range 20.50
361.00 missed Lo 30 cents
III. 1/21/93 13 years to 1/21/80 All Time High
1/11 334 Hit
1/15 334.0 Low 3/31, 4/16
1/18, 2/4, 2/22 334.0 Low 353 GR Gapped up 4/26
2/26 356 (22 1/2) Hit 4/26, 4/28
3/8 3336 GR 332.7 Low 356 (22 1/2) Low 4/27
3/9 ~3321 (22 1/20) 331.70 Low
361(19) Hit 4/29, 30, 5, 3, 4,5,6,7, 11
3/10 3321 (22 1/20) 332.0 Low 366 (22 1/2) Hit
371 GR Gapped Up 5/13
381 (45) Hit 5/18, 19 Hi 389.0
391 GR No Hits 5/19 Lo 378.5

Returning to the market’s low of 360.7 on Noven~ber 1 and another key low of 361.0 (19

) S.W. 450 line on November 2 were touched. Then the market rallied to 381.2 on November 5th which was only 20 cents/ounce over the N.W. 45 line price of 381.0. If the market does not "see" and then react to these significant Gann square of nine chart numbers, then I miss what is significant. I stated earlier that the date 10/21/93 was a natural resistance point time cycle. Since this article is about price calculations, time calculations will be discussed in a later article.

The reaction top 381.20 (381.0 N.W. 45 line number) was followed by another key price of 371.0, a Golden Ratio Number, on 11/17 (actual low 369.60). The first rally attempt ran out of momentum. High at 380.4 failed to penetrate 381.0 on November 19th, then falling back to 368.0 low November 29th and below 371.0, the Golden Ratio line. However, the market failed to break 366.0, the next lower 22-1/2 line.

Remember the theory of prices being touched and electing the next number that is lower in this case or higher in line of the market's momentum. When markets hit a key price--Golden Ratio, Natural Resistance Points, 45 line numbers and, of course, do not neglect squares. Watch all price touches and prices that are not touched. Touches and no touches are key indicators to trend continuations and market failures.

The reaction low of November 29 was followed by several weak days allowing a purchase below 371.0. The rally carried to 377.0 touching 376.4 Natural Resistance Points which indicates thrust to 381 should occur.

Jim Watkins is an active trader in stock, option, bond ad futures markets. Since 1988, he has drawn on his over 27 years of experience to provide daily market predictions to private and corporate investors. Jim can be reached at (901)767-0355.

Compass Divider

By Larry Jacobs

The ratio compass is the most popular trading tool in existence today. In the Trader's World catalog the instrument outsells all other trading tools by 10 to 1! This article will discuss how to use the ratio compass to forcast Elliott Wave moves. To use the ratio compass tool correctly, you must understand the Elliott Wave Theory. Here is the basic theory:

1) In a bull market there are 5 waves up to the top.

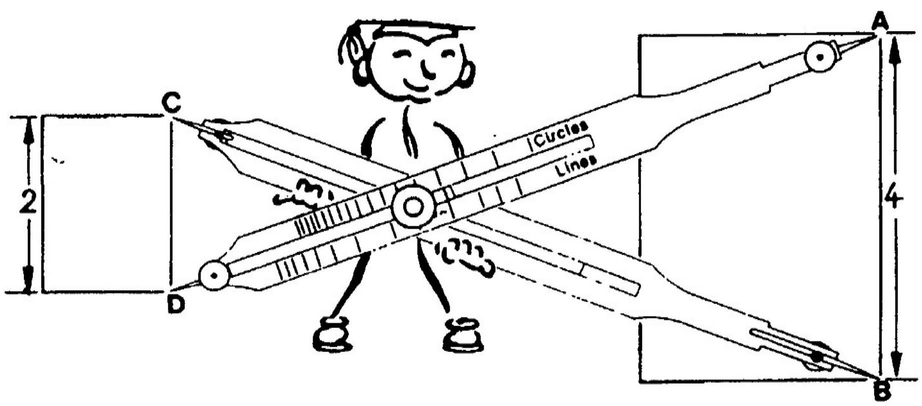
2) Waves 1, 3 and 5 are thrust waves in the direction of the move.

3) Waves 2 and 4 are countertrend or reactionary waves against the main trend.

4) If wave 2 reacts straight down without any zigzag (this is a simple correction) then the other reactionary wave, which is wave 4 will be a complex one. That means you will have a zig zag or an A-B-C type of reaction.

5) The expanding or thrust waves 1. 3, and 5 will usually increase by the following ratios: .618, 1.000, 1.618, 2.618, 3.618 and 4.618.

6) The corrective waves 2 and 4 will be .382, .500 or .618 of the prior wave.The ratio compass can be set so one side is .382 and the other side is .618. That is the most popular setting of the ratio compass. The other way to set the ratio compass is so one side is .500 and the othe side is 1.000. This is a setting of 2 to 1. It is quite easy to make the change from one setting to another. These two settings will give you all you need to do precision ratio analysis. The compass can be used on both paper and even on computer screens. The new 17" flat display monitors are excellent. They are almost like paper if you use a white background and a high quality video card.



The following Elliott Wave secret ratios will help you determine what length each wave should be:

1) Corrective wave 2 is usually .382 or .500 of wave 1.

2) Thrust wave 3 is usually .618 of wave 1 or 1.000 of wave 1.

3) Corrective wave 4 is usually .618 .500 or .382 of wave 3. If this is an A B C corrective wave then wave 3 is 1.618 of wave A to B.

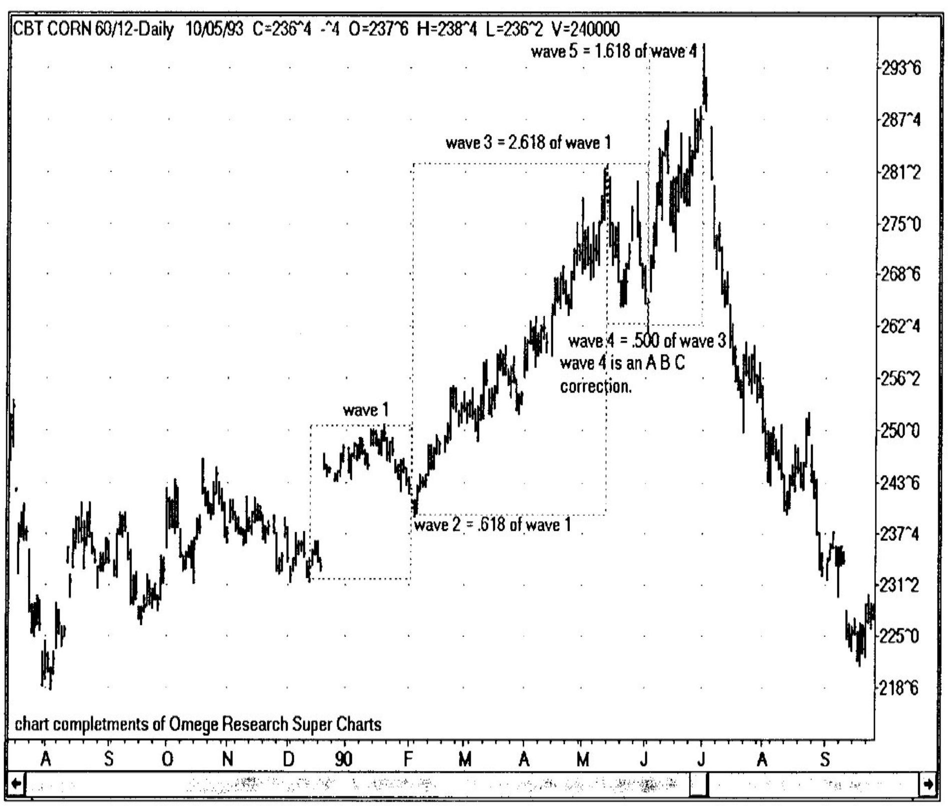
4) Thrust wave 5 will usually advance .618 or 1.000 of wave 4.

5) The bottom of wave 4 is usually the .500 mid point of the entire move. These ideas should give you an understanding of how to use the ratio compass to determine where a market is in the overall wave structure and where it might go.

The projections that you get from using the ratio compass should be used in conjunction with other technical analysis techniques. Never use just one method to trade with. Use many methods to cross check other methods.

The ratio compass used in this example is a high quality precision aluminum instrument 7 1/2" in length made in Germany. It is available from Trader's World Magazine. The regular price of the instrument is $97.95 but is priced at $79.95 in the Trader's World catalog. The ratio compass comes with a detailed trading manual of many different trading techniques. There is a 15 day money back guarantee.

Trader's World Magazine, 2508 W Grayrock Dr., Springfield, MO 65810. 800-288-4266, Fax 417-886-5180.



The Seven Habits of Effective Future Traders

By Bruce Babcock

Stephen Covey's The Seven Habits of Highly Effective People has been on the national best-seller lists for years--first as a hardback and then as a paperback. I wondered how its list might relate to commodity futures trading.

My interpretation of Covey's agenda is as follows: 1) Take responsibility for yourself and your life, 2) Act in light of your vision of success in life, 3) Act with proper attention to the correct priorities, 4) Act in a way that maximizes benefits for everyone, 5) Try to understand the other person before putting your point of view across, 6) Exploit the potential for cooperation among the people in your life, 7) Pay attention to maintaining and refining your physical, mental, social and spiritual dimensions. While there does not appear to be any direct relationship between my commodity trading list and Covey's overall life experience list, there are some definite similarities and differences. It is well known that normally successful approaches do not work in trading. Additionally, life in general requires involvement and interrelating with other people, while trading is a more solitary endeavor. Here is my list of successful habits for traders.

ONE. Understand the true realities of the markets. Understand how money is made and what is possible. The markets are what is called chaotic systems. Chaos theory is the mathematics of analyzing such non-linear, dynamic systems. According to Edgar Peters, author of Chaos and Order in The Capital Markets, mathematicians have conclusively shown the to be non-linear, dynamic systems. Among other things chaotic systems can produce results that look random, but are not. A chaotic market is not efficient, and long-term forecasting is impossible. Market price movement is highly random with a trend component.

Unsuccessful and frustrated commodity traders want to believe there is an order to the markets. They think prices move in systematic ways that are highly disguised. They want to believe they can somehow acquire the "secret" to the price system that will give them an ad, vantage. They think successful trading will result from highly effective methods of predicting future price direction. They have been falling for unsuccessful methods and systems since the markets started trading. The truth is that the markets are not predictable except in the most general way. Luckily, successful trading does not require effective prediction mechanisms. Successful trading involves following trends in whatever time frame you choose. The trend is your edge. If you follow trends with proper money management methods and good market selection, you will make money in the long run. Good market selection refers to selecting good trending markets generally rather than selecting a particular situation likely to result in an immediate trend. There are two related problems for traders. The first is following a good method with enough consistency to have a statistical edge. The second is following the method long enough for the edge to manifest itself.

TWO. Be responsible for your own trading destiny. Analyze your trading behavior. Understand your own motivations. Traders come into commodity trading with a view to making money. After awhile they find the trading process to be fascinating, entertaining and intellectually challenging. Pretty soon the motivation to make money becomes subordinated to the desire to have fun and meet the challenge. The more you trade to have fun and massage your ego, the more likely you are to lose. The kinds of trading behaviors that are the most entertaining are also the least effective. The more you can emphasize making money over having a good time, the more likely it is you will be successful.

Be wary of depending on others for your success. Most of the people you are likely to trust are probably not effective traders. For instance: brokers, gurus, advisors, and friends. There are exceptions, but not many. Depend on others only for clerical help or to support your own decision-making process. Don’t blame others for your failures. This is an easy trap to fall into. No matter what happens, you put yourself into the situation. Therefore, you are responsible for the ultimate result. Until you accept responsibility for everything, you will not be able to change your incorrect behaviors.

THREE. Trade only with proven methods. Test before you trade. When applied consistently, most trading methods don’t work. The conventional wisdom that you read in books is mostly ineffective. Notice that commodity authors never demonstrate the effectiveness of their methods. The best you can hope for is a few, well-chosen examples. The reasons for this is that they are lazy and their methods mostly do not work when tested rigorously. You must be skeptical of everything you read. You must somehow acquire the ability to test any trading method you intend to use. The reliability of non-computerized testing is highly suspect. You must, therefore, use software that tests a particular approach or a variety of approaches. You must learn the correct way to test and evaluate trading approaches.

Have a good approach. Follow the three cardinal rules of trading. 1) Trade with the trend. 2) Cut losses short. 3) Let profits run. These are well known clinches. Yet virtually all losing traders violate these titles consistently. Trading with the trend means buying strength and selling weakness. Most traders are more comfortable buying weakness and selling strength, the essence of top and bottom picking. Trade good markets. Trend is your only edge. You must emphasize those markets which trend the best. This will maximize your statistical edge over time. I wrote a book ranking the markets in historical trendiness. I will continue listing the seven habits of highly effective traders in my next article.

Bruce Babcock is Editor and Publisher of Commodity Traders Consumer Report. He has written eight books on trading including The Dow Jones-Irwin Guide to Trading Systems and Trendiness in the Futures Markets.

The Importance of Volume Surges

By Alan Friedman

My last article (see Trader's World, Spring 94 #17,) I cussed the importance of "outside days" as potential signals to forecast 10% moves in stocks. Recently I have discovered a particular trading pattern that is extremely accurate in forecasting quick 2 point moves in stocks. Instead of using "outside days," this particular pattern uses what I call "Volume Surges."

It has been well documented by a number of technicians (Mark Leivobit, Stan Weinstein, Joe Granville) that volume is a very important technical tool to track. For example, Granville's On-Balance Volume basically looks for an up-trend in price (or vice versa for down trends.) Weinstein's stage analysis will put you in stocks breaking out of bases - but only if the volume increases on the breakout. Leivobit's Volume Reversals detect accumulation or distribution stocks by tracking the high, low, volume and close of each trading day and comparing this data with the same data from the previous trading day.

Many times when you flip through a chart book, you will find that volume does seem to swell just as a stock breaks out to make a sustained move over a few months. But I like to find stocks that make a big increase in volume and play them for a short-term 2 point move. I will show you examples later in this article.

What I am going to say now may go against conventional wisdom, but I believe that it is better to trade with a short-term time frame in mind rather than be a long term "investor." The reasons why are simple - it is easier to forecast short term moves. Anything can happen over a longer period of time. In fact, the way I see it, the longer you hold a trade, the more time you have that things can work against you. However, if you trade for the short term using a mechanical system you can benefit from quick sudden moves and you will be more flexible which will allow you to deal with quick changes in investor psychology. For example, just before the March massacre, I got stopped out on three long positions with small losses and proceeded to take quick 2 point profits on eleven short positions and a long position in Newmont Mining. Had I been a long term investor, I might not have had the chance to pick up these quick profits.

Now let's look at some examples of how "Volume Surges" can lead to quick 2 point moves:

GAP STORES (GPS)

DATE	H	L	VOL	C	COMMENT
2/16/94	41	40 1/2	361,100	41	
2/17/94	43 1/4	41 1/4	753,700	43 1/4	VOL. SURGES!
2/18/94	45 1/8	42 7/8	1,095,700	43 1/4	MORE VOL!
2/22/94	45 1/8	43 3/4	522,600	44 1/4	INSIDE DAY
2/23/94	46 1/4	44 5/8	783,400	45 3/8	TARGET HIT!

In this example, we see that on 2/17, there was a heavy rise in volume as short-term traders “in the know” wanted to buy GPS. Volume increased the next day as well and these traders were right as GPS eventually hit a quick 2 point profit target. I also want to add that this trade took place against the backdrop of a weak general market. When you see a volume surge like this that suggests a trade against the short-term market trend, it usually is indicative of something in the way of news that will be coming out soon-like downgrading of the stock. Let’s look at another example:

FORD MOTOR (F)

DATE	H	L	VOL	C	COMMENT
1/26/94	65 1/4	64 1/4	1,152,600	64 7/8	
1/27/94	66 3/4	64 7/8	2,742,900	66 3/4	VOL. SURGES!
1/28/94	67 3/8	64 7/8	1,600,900	65 1/4	
1/31/94	67 1/8	66 1/8	1,149,700	67	
2/1/94	68 1/4	66 1/2	1,607,800	66 3/4	
2/2/94	67 7/8	66 5/8	1,366,400	67 3/4	
2/3/94	69 5/8	67 5/8	3,197,600	67 3/4	TARGET HIT!

Note the extreme surge in volume on 1/27 which sets up the nice rise in over the next few trading days. Ford also gave us a signal on the downside:

FORD MOTOR (F)

DATE	H	L	VOL	C	COMMENT
3/23/94	64 1/8	61 7/8	1,727,000	63 3/8	
3/24/94	62 1/4	60	3,747,300	61 3/8	VOL. SURGES!
3/25/94	61 1/2	60 1/4	1,886,600	60 1/4	INSIDE DAY
3/28/94	50 3/4	59 5/8	2,090,400	60 1/8	
3/29/94	60 3/4	59 1/8	1,657,700	59 1/4	
3/30/94	59 7/8	58 1/4	2,363,900	58 1/4	
3/31/94	59	57	2,554,800	58 3/4	TARGET HIT!

Again, it is easy to see that the large increase in volume came just before the move lower. For those trading stocks, this method requires the use of a deep-discount broker and a margin account. Stop points are used and have usually limited losses to 1/2-2 points. Most of the moves take place within 1-20 trading days. Option traders can use at or out of the money calls and puts. One trick is to wait to enter your option position until you have a good chance of a 100% gain.

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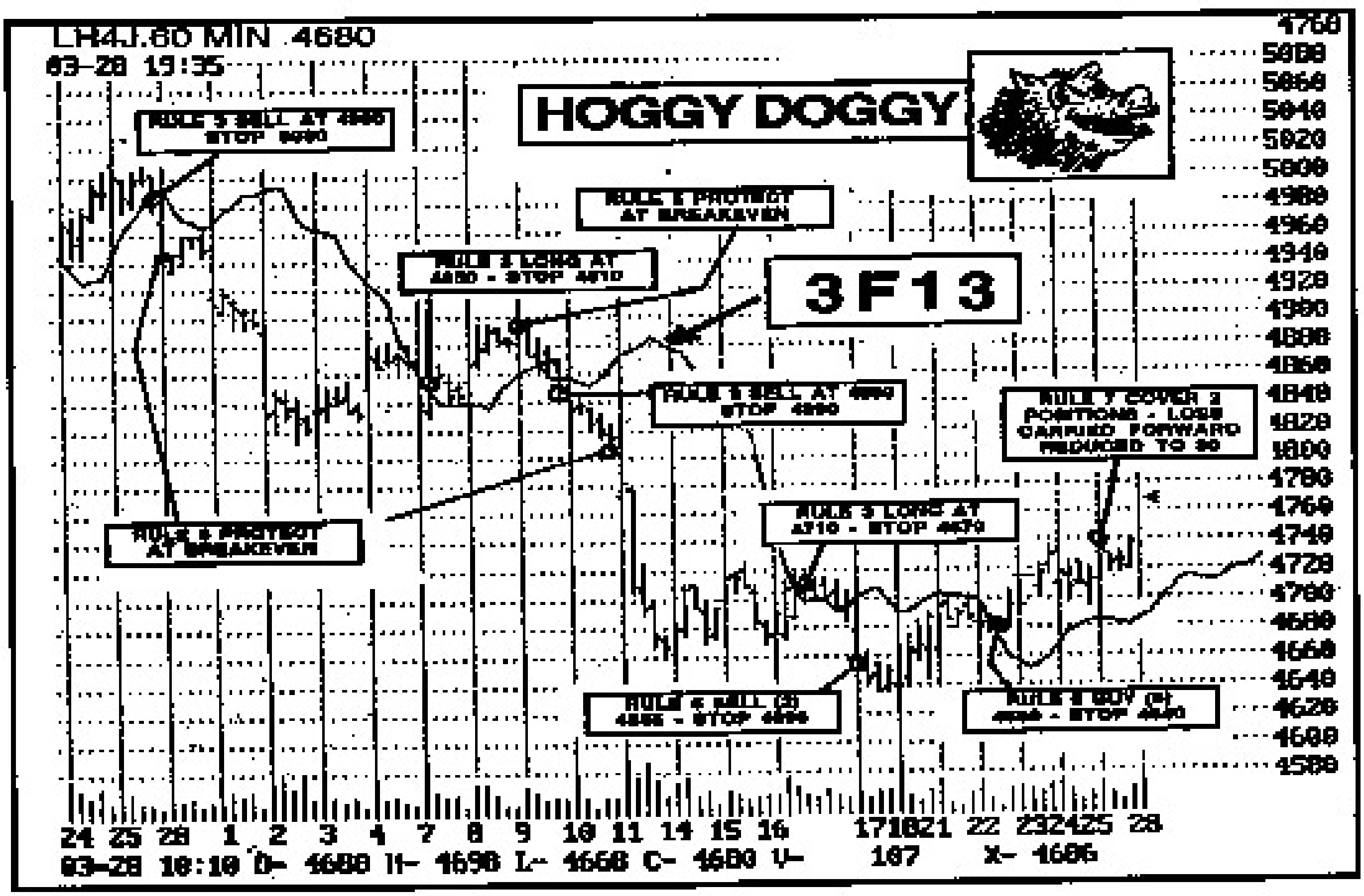
Hoggy Doggy

By Terry R. Davis

I have searched for a true investment method (versus speculation) for the commodity markets for 13 years. The only other published "true" investment method that I have seen in that time is scale trading. Scale trading is extremely accurate but is very capital intensive. It leaves most accounts in the dust. Most traders (or investors) either don't have or will not commit the amount of money necessary to make necessary to make scale trading a viable alternative. What's left. Funny you should ask?

I want to reiterate; what I am showing you is investment in nature. A yearly return in the neighborhood of 25-30% is what we are shooting for. If your return is greater than this so much the better.

Besides finding something to use as an investment trading method I wanted something that could be traded in small ($2000) self-directed IRA account. I am happy to say from my REAL-TIME trading that I have found both. My monthly return so far is 12%. I have Been correct 6 out of 8 trades. This accuracy is much higher than what I expected. Historical accuracy (over 10 years studied) SHOULD only be about 40%. Accuracy is not critical in this method . . . profits are! I stumbled on to this method while completing my SMOOTHIE trading course. The course is broken into two sections: one on SPECULATING and the second on INVESTING. The investment method I have called the SIMPLETON.



As its name implies it is very easy to use. The derivation I am showing you is called the HOGGy-DoGGy because all you trade with it is hogs (or cattle.) These two commodities have low volatility. Low volatility translates to low risk but not necessarily to low potential for profits. Risk on all trades is roughly 40 points per contract. Please, always use a stop. This method trades exclusively from 60 minute bar charts. You can trade it yourself with real-time or delayed quotes. It makes little difference. You can even (God help you) let your broker trade it for you. Yes, it is so easy even a broker can understand it (that is easy.) You may have to explain it to him a few times though.

RULE 1) For every $2000 you are allocating to this method trade one MIDAM hog or cattle (not both.) This is very conservative trading.

RULE 2) Construct a 3 period exponential moving average (ema = ((ema *2) +close)/3) of the close (60 minute bars) and shift into the future 13 time frames. This is commonly called a phase shifted moving average or a displaced moving average. This particular DMA is referred to a 3F13 (a 3 period moving average shifted Forward 13 time frames.) It is a normal component of most charting packages. Make sure the formula is the same.

RULE 3) When the close of any 60 minute bar is above the 1)MA (displaced moving average) buy I contract at the market - if the close is below the DMA sell one contract at the market.

RULE 4) Risk 40 points from the theoretical fill. This means if the close of any bar is 5560 and you are buying your stop is 5520, no matter what your actual fill was - sometimes this will cause you to risk slightly more than 40 points but that risk will always be in the ball park.

RULE S) Anytime your open profit is 40 points from the theoretical fill, immediately come to break even (excluding commissions) on your stop.

RULE 6) Anytime you have a loss the next trade is for 2 contracts. You keep adding contracts (1 at a time) until you get back to even. You then start with one again.

RULE 7) At anytime you can cover your carried forward loss with roughly half your open position do it. Hold your remaining contract(s). Your next trade will be back at the starting amount (1) providing you do not have a loss on remaining held contract(s).

RULE 8) Exit your position on a reversal or stop out at break even.

RULE 9) If you are stopped out of a long you cannot take another long until price has retouched the DMA - converse for short.

RULE 10) After your account get larger start trading both a hog and a cattle - use exactly the same rules.

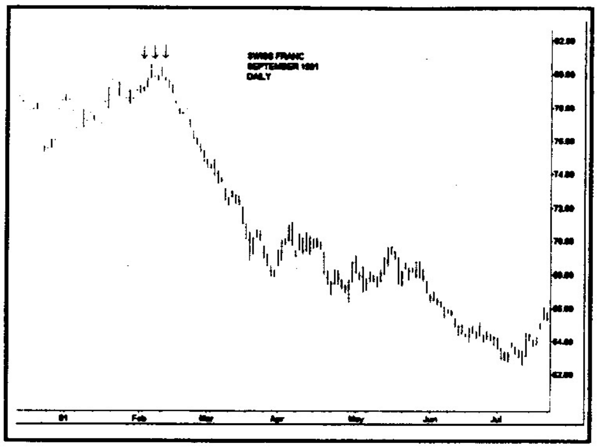
RULE I I) RETIRE!

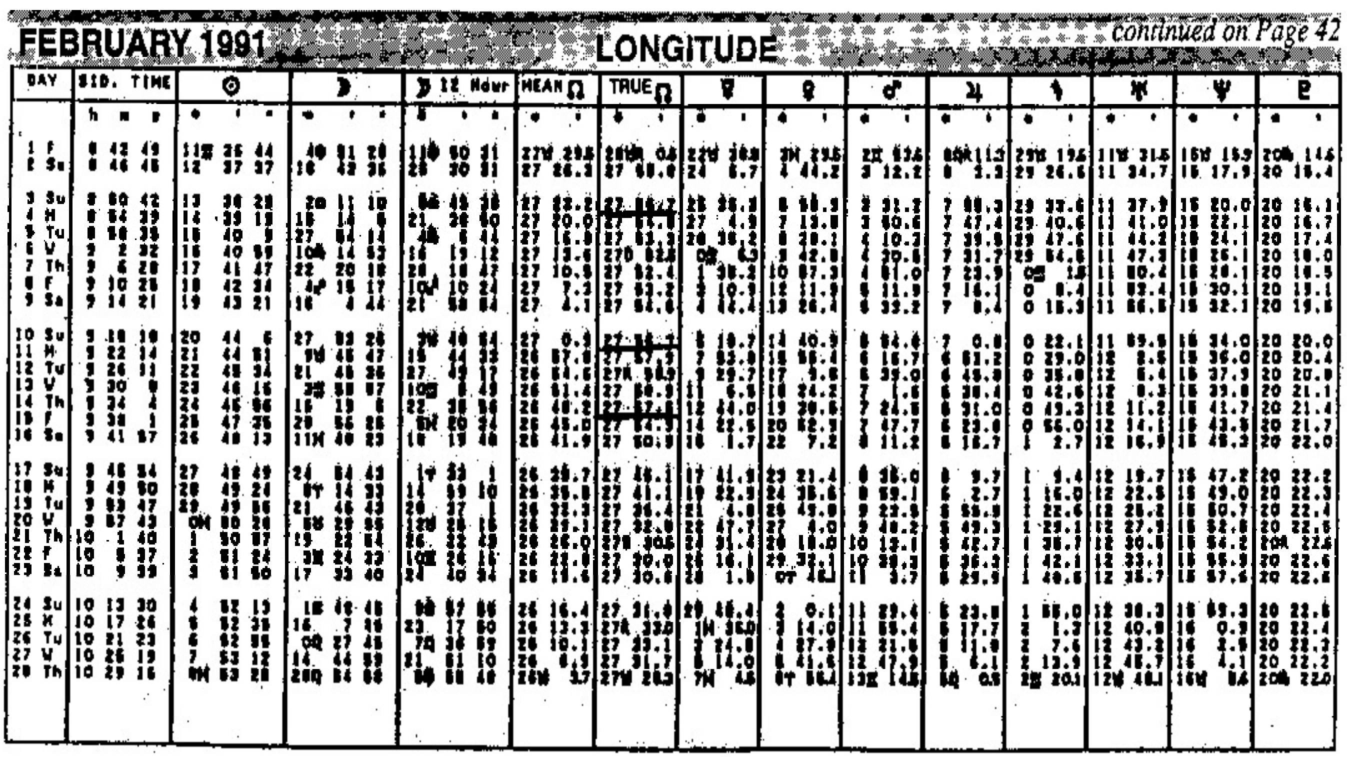
Terry R. Davis is a prolific writer and researcher. He is also a small business owner and full time trader. The Smoothie course is currently available. Any questions about this article or trading in general are welcomed. Call him at (217) 347-5101 or (800) 225-7642. His Holy Grail daily fax service is ahead 678% since June 1993.

The Return of the Natal Node

By Ruth Miller, Ph.D., and Ian Williams

What was so special about the moon's node that our ancient ancestors classed it as a "planet?" Did they know something which we should investigate? It was this intrigue that set us both off on the path of research and writing. Our findings were conclusive. Having researched 20 years of soybeans and spot checked various other markets the moon's




FEBRUARY 1991 LONGITUDE continued on Page 42

DAY	SID. TIME	☉	☽	☽ 12 Hour	MEAN ☊	TRUE ☊	☿	♀	♂	♃	♄	♅	♆	♇
	h m s	° ' "	° ' "	° ' "	° '	° '	° '	° '	° '	° '	° '	° '	° '	° '

node was a prominent factor in many of the market turns. New barriers were being broken down through our own research. Would the ancients be trembling in their graves? No, not quite, but they may be getting a little bit hot under the collar at our findings.

Having just recently published our book titled “Practical Astro—A Guide to Profitable Trading” which incorporates the use of the node in identifying many of the short and intermediate turns in the market, we would like to share our findings on use of the node on a longer term basis. Before we present our research we would both like to make one point absolutely but are traders who use astrology to aid us in our decision making. Even we find certain facets of astrology/astronomy difficult to explain, and unfortunately the moon’s node fits into this category. To use our information however, does not require any technical expertise in this area, so we will only give a brief description of what is happening in the heavens for a node to occur.

If you are not aware, the moon’s orbit around the earth is inclined at an angle of 5 degrees to the plane of the ecliptic (the earth’s path.) When the moon crosses this point of intersection, that point is classified as the moon’s node. As the moon passes the ecliptic going north we call this the ascending node or the true node, and when the moon passes the ecliptic going south, we call this the descending node. These nodes are always opposite each other in the zodiac.

Twice a month the moon will cross the ecliptic, and this occurrence can be found in the geocentric ephemeris in the lunar section under the heading maximum/zero latitude (A.C.S. Publication.) As a result of the S degree incline to the ecliptic and various other deviations in the moon’s path, we have certain peculiar phenomena occurring. One is that the position of the nodes will move backwards in the zodiac when viewed from earth (geocentric view.) These nodes will move backwards 3 minutes per day, and will take approximately 18.6 years to make one complete revolution around the zodiac. This movement is call the “regression of the nodes.”

With these basic concepts in mind, how does one use this approximate 18.6 year cycle, and where is its starting point? Would it be fair to say the logical place for a starting point would be the first day the commodity traded on the exchange? This information can be obtained from the research department of the exchange on which the commodity is traded. At this point we would like to caution you that because various exchanges do trade the same commodity the first day of trading may vary, and therefore, different results might be obtained.

Having found the starting date, one must look in the geocentric ephemeris for the true node column. This column is situated in the longitude section of the ephemeris, and looking at the date the commodity first traded you will find the sign and degree of the node for that particular day.

For example, Currencies first trading on the CME on May 16, 1972. The position of the true node on that day was 27 degrees 56 minutes Capricorn.

Our research has shown that when the true node returns to its natal node degree a change in trend often occurs that can be of significance.

To calculate the approximate date of the next natal node return, add 18.6 years to the date that the commodity first traded or to its last natal node return.

Using the Currencies as our example gave us an approximate date of 11/6/90 as the time period for the natal node return. With this information, go to the ephemeris and look for the day when you find 27 degrees 56 minutes Capricorn. You may be surprised to find that 27-56 Capricorn did not occur until February 3rd., 1991. This was due to the variation in the nodes speed that is a normal occurrence.

Who would have thought that after 18 3/4 years a major turn would occur in the Currency markets? Were we surprised at this occurrence? No, not at all. During the February 3- 14,1991 time period, a “triple whammy” occurred.

After 18 3/4 years the true node had returned to its natal node degree, and during this time period, had passed over this critical natal node degree three times—twice while retrograde and once while direct. The effect was devastating to say the least as can be seen in the Swiss Franc daily chart.

Does the return of the natal node have an effect on other markets? You be the judge and jury.

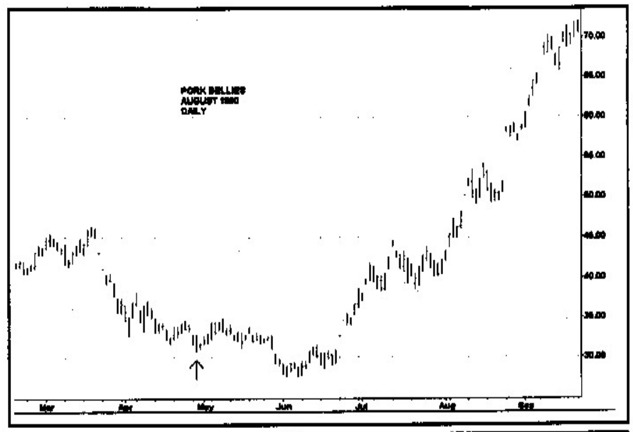
Were you trading silver in 1987, if so did you catch any of the move from $5.50 to $9.50? The natal node return for silver was February 28, 1987 when the true node degree reached 11 degrees 48 minutes Aries.

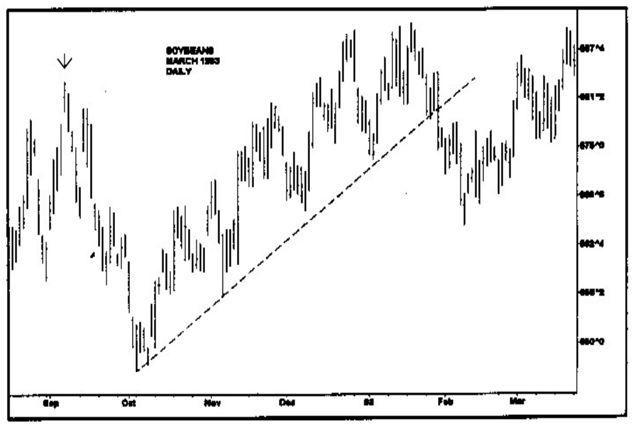
This was another case of the “triple whammy” effect as the node made transits over this degree. Silver had been trading in a relatively narrow range from December through February. A few days following the last transit an explosive upmove began. This move should not have been a surprise to anyone in the “know.”

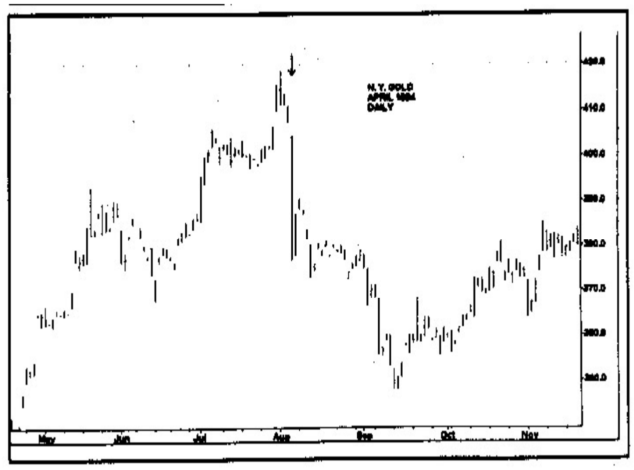
Coffee shows a significant low in 1975 and a three month bottom formed during that period. The natal node return of 3/12/75 was the fifth natal node return for coffee as it had been trading since 31711882. In retrospect, bottom picking here was never a problem. A move from 49 cents a pound to $3.30 was a once in a lifetime opportunity. The last natal node return for coffee was 10/4/93. May coffee traded at a low of 76.95 on that day and on 4/21/94 traded at a high of 83.70. Is this a signal for a repeat performance of 1975? Who knows.

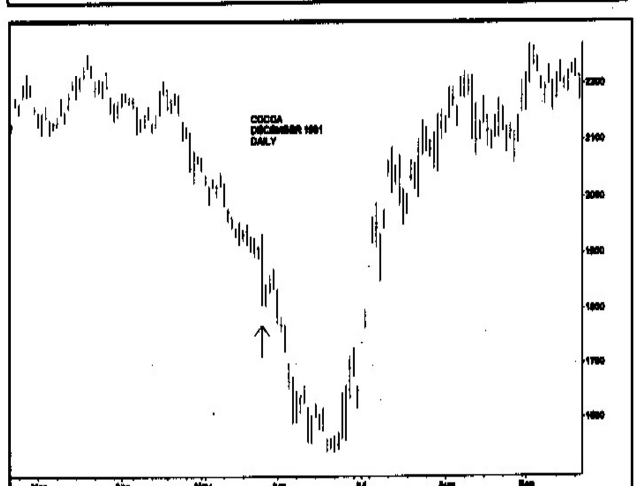
The daily soybean chart showed a change in trend on the exact day of the natal node return of 8-08-92. This was not a major trend change, but an intermediate trend change of 35 cents ($ 1750 move).

You could have had your chocolate cake and eaten it also if you had known to expect a reversal in cocoa on June 12, 1981 when the natal node returned to 2-32 Leo. The exact low was a week later. Sometimes it does take another aspect to act as the trigger for a move to begin. Needless to









say, any trader should have enjoyed being on board for this roller-coaster ride.

The December Comex Gold chart pinpoints the natal node return for 8/5/ 1993. The top was made on August 2nd when other aspects of our work came into play. This change in trend would be classed as a major trend change as gold dropped from $415 to $345 in approximately 6 weeks.

Does every natal node return produce the same significant results as the charts illustrate? No, not quite. In a few commodities the turns came a month or two later. Traders should therefore use their own entry techniques and money management rules for capitalizing on any major moves that may occur.

The 1980 pork belly market was one such example. Bellies had fallen from 57.50 in November of 1979 to 31.00 on 4/27/1980, the date of the nodal return. The market drifted lower in a 4 cent range for the next month, and without warning exploded to the upside, trading to the 72 cent area in a short period of time. The charts included should have shown you how powerful the natal node return was in influencing significant market turns.

The use of various nodal aspects for short and intermediate turns will give any trader an added advantage; these you will find detailed in our course book Practical Astro. Other “goodies” are also included for those who are not astrologically minded.

MAY THE NODE BE WITH YOU IN YOUR TRADING.

Ruth Miller and Ian Williams are independent traders and researchers. They can be contacted by mail at Box 446, Martinsville, IL 62442 or by phone at 217-382-4176

Secret Rules of W.D. Gann

By Mike Riley

These are the 24 step-by-step rules to aid in under standing W.D. Gann...

1. Amount of capital to use: Divide your capital into (10) equal parts and never risk more than 1/1 0th of it on any trade, (try 5%.) In today's market, you should work with at least $10,000, preferable $25,000, in risk capital. It is best to have in capital, at least (2) times your margin, preferably (3) times for normal trading. If you try to work with less capital or don't have enough risk capital, you should not trade commodities.

2. When in doubt, stay out: Never enter a trade until you are sure of your objectives. Know where you will enter, where you will exit with a profit and where you will place your stop loss order using your trading rules.

3. Use stop loss orders: Always protect a trade with stop loss orders to limit your losses. Enter stop loss orders as soon as you have entered a trade. Stop loss orders should be placed where trend turns against your position, not just an arbitrary dollar stop. Keep a small loss from becoming a large one.

4. Never cancel a stop loss order. Once it has been placed at the time of the trade, leave it. This is the kind of discipline needed to make money.

5. Avoid buying or selling late: Enter at a specific price area that will give you at least (2 to 1) risk-reward ratio and know the profit objective to exit.

6. Always calculate (risk-reward): Always use at least a (2 to 1) risk reward ratio or better, risking no more than 10% of your risk capital, (try 5%); risk $500 Or $1,000, or do not make the trade.

7. Never over-trade: This is violating your capital rules. Never trade too many contracts where your risk is more than 10% of equity on any one position.

8. Never buy or sell just to get a scalping profit. Trade with the main trend or the long pull. The more you enter I the more risk you take.

9. Don't buck the trend Never buy or sell if you are not sure of the trend as indicated by your charts and rules. If you can't determine the trend to be either up or down, stay out of the market.

10. Be just as willing to sell short as you are to buy long: Your objective is to stay with the trend and to make money. If the trend shows done, sell on rallies to buy back at a lower price.

11. Trade only active markets: Keep out of slow ones, they will whipsaw you.

12. Distribute risk equally: Follow only (3) to (5) markets, trade in two or three different commodities. Trade a mixture of metals, grains, meats, and foods. Large traders can use any of the markets.

13. Use market orders to exit a trade: Trade at the market when you liquidate a position. Limit orders to enter a trade, market orders to exit.

14. Never let a profit turn into a loss have a profit of $500 or more, move your stop up to break even so there will be no loss.

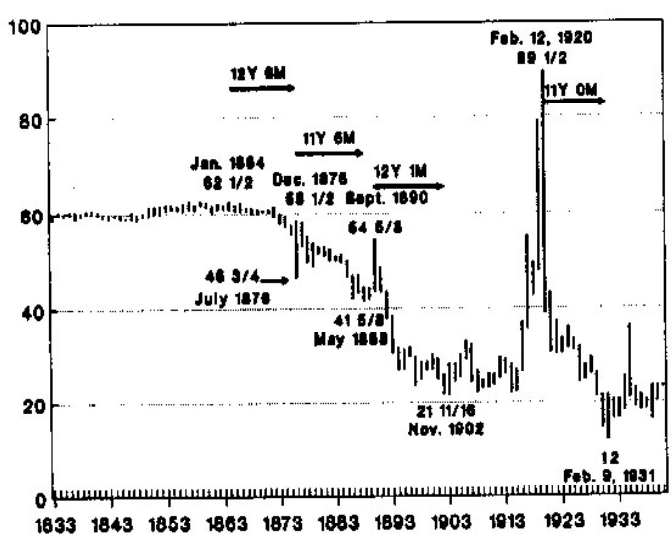
15. Reduce trading after the first loss- never increase! Reduce to a 5% risk.

16. Never average a loss: This is one of the worst mistakes a trader can make. For example, gold both at $400 per oz. falls to $350. Don ‘t buy more at $350 to average your price to $375. It could fall to $350 again, leaving you with a 50 to more of a loss.

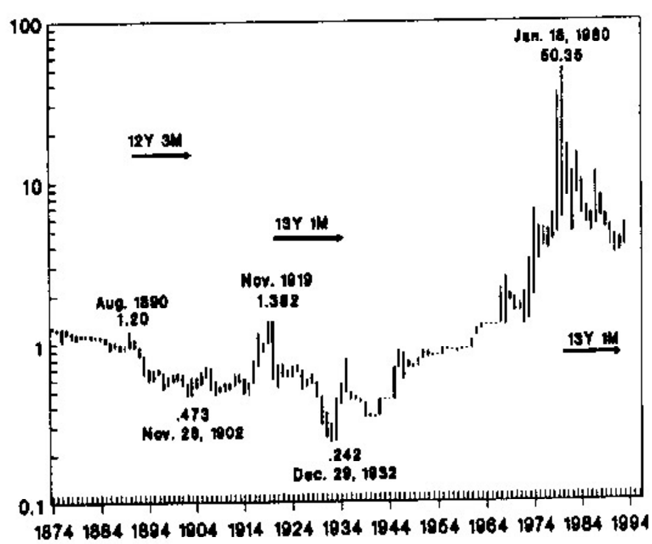
17. Double losses can take your position out of the market . Short term traders liquidate at double tops, double bottoms, and triple tops, triple bottoms, unless the market is moving extremely fast, hold at triple tops and bottoms.

18. Never get out of the market just because you have lost patience: Nor should you get into the market because you are anxious from waiting. For example, if you are holding gold long for (2 to 3) weeks and it goes nowhere, as long as the trend is up, and you are not stopped out, stay in.

LONDON SILVER MONTHLY 1833-1941



N.Y. SILVER YEARLY 1874-1992



19. Be careful about pyramiding at the wrong time: Wait until the commodity is very active and has crossed resistance levels before buying more and until it has broken out of the zone of support before you sell more. Adding to your positions can be very profitable at the right time.

20. Avoid increasing your trading after a long period of profitable trades: You should keep a disciplined, planned trading program based on 5% to 10% risk.

21. Never change your position in the market without a good reason: When you make a trade, make it with a good reason according to some definite rule. Then do not get out unless there is a definite indication of a change in trend.

22. Make your analysis accurate. This will avoid any guess work later on.

23. Don't guess when the market has topped: For long term traders (one month or more,) let the market prove it is at its top. The same holds true for bottoms. By following definite rules, you can do this with accuracy. Analysis of the wave pattern tells you if the market is at a top or bottom. Double tops and double bottoms tell you if a top or a bottom is at hand.

24. Don't follow another man's advice unless you know his trading system works. When you decide to make a trade, be sure that you are not violating any of the 24 rules. These are vital to your success It is important to have enough money to trade these markets for many years to come. Proper use of risk capital will keep you in there. When you close a trade with a loss, go over these rules and see which ones you have violated. Then, do not make the same mistake again. Experience and investigation will convince you of the value of these rules. Observations and study will lead you to a correct and practical theory for successful trading in the futures market.

Time Periods

By James Flanagan

Trading In Commodities," I immediately identified with his practical philosophy that the big money is made on the big moves. My desire to anticipate and capitalize on these moves has lead to extensive research into Gann's work on "Time Periods." I believe this is one of his most valuable methods. If I were to sum up the basis of Gann's trading philosophy in one phrase it would be "the future is a repetition of the past." He researched prices hundreds of years in the past to determine where a market stood relative to history.

He said every market movement is a function of the moves that have preceded it. The truth of this is revealed in his study of "Time Periods." WHAT ARE "TIME PERIODS" What Gann means when he refers to Time Periods is the amount of time spent during specific cycles and the different sections which make up those cycles. 1. The time from major top to major top 2. The time from major bottom to major bottom 3. The time from major bottom to major top 4. The time from major top to major bottom 5. The time spent in accumulation and distribution zones

MOVES UP OFF MAJOR LOWS IN THE SILVER

Dates of Bull Market	Price	% Move Up	Duration
1. Dec. 29, 1932 - Apr. 26, 1935	.81	+234%	2 yrs. 3 mos. 28 days
2. Nov. 3, 1971 - Feb. 26, 1974	6.43	+400%	2 yrs. 3 mos. 23 days
3. Dec. 2, 1908 - Oct. 10, 1912	.6412	+35%	3 yrs. 10 mos. 8 days
4. Nov. 28, 1902 - Nov. 17, 1906	.7175	+54%	3 yrs. 11 mos. 19 days
5. Jan. 28, 1976 - Jan. 18, 1980	50.36	+1225%	3 yrs. 11 mos. 23 days
6. Sept. 1, 1915 - Nov. 25, 1919	1.375	+197%	4 yrs. 2 mos. 24 days
7. Nov. 1941 - July 1946	.90	+156%	4 yrs. 8 mos.

Table 1

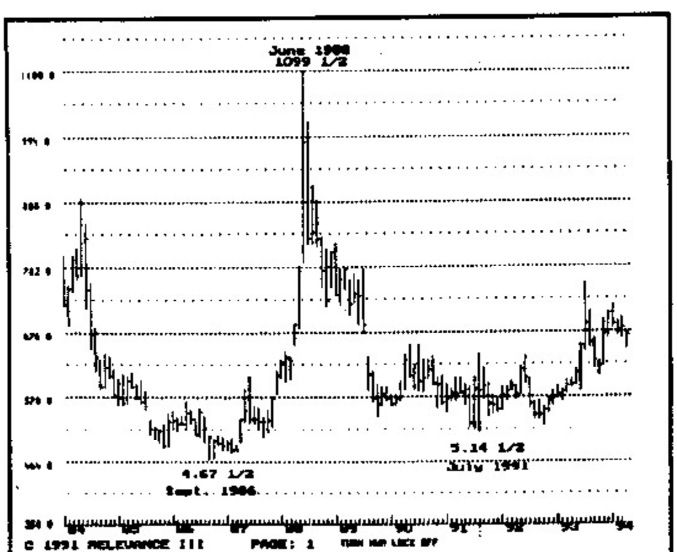


Figure 3 SOYBEANS MONTHLY 1984-1994

SOYBEANS 1915 - 1994
MAJOR BEAR MARKET DECLINES WITH BULL MOVES THAT FOLLOWED

DATES OF MOVES DOWN

MAJOR LEGS DOWN/BEAR MARKETS	MO TIME/DN	%MOVE DN	TIME UP	%MOVE UP
1. Feb. 19[illegible] - Oct. 19[illegible]	32M	-[illegible]%	21M	+[illegible]%
2. Feb. 19[illegible] - Nov. 19[illegible]	45M	-[illegible]%	[illegible]M	+[illegible]%
3. Jan. 1948 - Feb. 1949	13M	-[illegible]%	17M	+[illegible]%
4. Jul. 1954 - Sep. 19[illegible]	14M	-[illegible]%	[illegible]M	+[illegible]%
5. Jun. 1973 - Oct. 1973	4M	-[illegible]%	4M	+31%
6. Sep. 19[illegible] - Sep. 19[illegible]	36M	-61%	21M	+[illegible]%
BULL MARKET CORRECTIONS				
1. Jul. 19[illegible] - Oct. 19[illegible]	15M	-[illegible]%	[illegible]M	+15[illegible]%
2. Apr. 19[illegible] - Aug. 1962	16M	-32%	16M	+[illegible]%
3. June 19[illegible] - Apr. 19[illegible]	10M	-33%	[illegible]M	+[illegible]%
MAJOR DECLINES FOLLOWED BY CONSOLIDATION				
1. Apr. 1937 - Oct. 19[illegible]	18M	-[illegible]%	7M	+47%
2. May 19[illegible] - Jul. 19[illegible]	2M	-33%	5M	+[illegible]%
3. Jul. 19[illegible] - Oct. 19[illegible]	5M	-34%	4M	+[illegible]%
4. Jul. 1962 - Aug. 19[illegible]	13M	-[illegible]%	11M	+7[illegible]%
5. Apr. 1977 - Sep. 1977	5M	-[illegible]%	21M	+70%
6. Dec. 19[illegible] - Oct. 19[illegible]	22M	-[illegible]%	11M	+[illegible]%
FINAL BEAR LEG				
1. Jul. 19[illegible] - Dec. 19[illegible]	41M	-[illegible]%	7M	+1[illegible]%
2. Dec. 19[illegible] - Aug. 1940	8M	-[illegible]%	13M	+1[illegible]%
3. May 19[illegible] - Sep. 19[illegible]	40M	-40%	19M	+[illegible]%
4. Aug. 19[illegible] - Oct. 19[illegible]	36M	-41%	44M	+[illegible]%
5. Aug. 1976 - Dec. 1976	4M	-32%	16M	+14[illegible]%
6. Jun. 19[illegible] - Aug. 1981	36M	-[illegible]%	12M?	+44%

TABLE 2

Simply stated, market moves tend to last as long as they have during previous campaigns. For example, if bull market tops tend to occur four years apart, you would look four years out from any major top and expect another major top. If an accumulation zone has typically lasted one and a half years, probabilities are that future accumulation zones will also complete at the end of one and a half years. Within the major Time Periods there are smaller moves or sections which also have characteristics which can be depended upon to repeat from one bull or bear market to the next. Examples of these would be measured corrections in a bull or bear market, impulse waves in favor of the trend, and of primary importance, the "runaway" portion of a cycle, when as Gann said "a great deal of money can be made in a very short period of time." The greatest amount of profits come from determine which time from the past a market is most closely following.

Historically every market has sister markets which are almost identical with ones found in the past. You can make a great deal of money if you can identify what market you are duplicating from the past and then buy or sell in anticipation of it. Since the time periods during bull and bear markets and the sections within them duplicate decade after decade, Gann referred to this as "balancing of time." "By watching the balancing of time and price, it will help you to determine when prices are reaching extreme highs or extreme lows."

With a knowledge of these previous time periods you can tell how long a move will last.

CALCULATIONS:

NOVEMBER SOYBEANS 1993	LOW	HIGH
I. 757 1/2 - 555 1/2 = 202 cents	555 $^{1/2}$	757 $^{1/2}$
II. 553 TO 757 = 204 cents $(14)^2 = 196$	45°	45°
III. 553 + 196 $(14)^2 = 749$	45°	
IV. 555 1/2 + 204 = 759 1/2 (Failure High)	555 $^{1/2}$	757 $^{1/2}$
V. 555 1/2 + 196 $(14)^2$ = 751 1/2	Actual	Calculated
VI. 576 $(24)^2$ + 196 $(14)^2$ = 772 (Failure High)		757 $^{1/2}$
VII. 576 $(24)^2$ - 24 = 552 (Failure Low)	555 $^{1/2}$	
VIII. 232 + 23 = 552	555 $^{1/2}$	
IX. 180 + 576 = 756	757 $^{1/2}$	

DEFINITIONS:
Natural Resistance Point N.R.P.
Golden Ratio (Cardinal #) G.R.
Golden Cross G.R.
Fixed Cross G.R.

P.S. One of my formulas projected 756-3/4 as of 7/9, hit on 7/19 757-1/2!

Swing Trade Stress Point	EIGHTS 1/8				CHART POINTS		TWELFTHS 1/12					
	LOW	HIGH		DIFF	N.R.P.	G.R.	LOW	HIGH		DIFF		SQUARES
CALCULATIONS	553	757		204	553*					204		
												529 (23)
November 1993	-1/8	527 1/2				566	-1/12	536				
Soybean	1/8	570 1/2			571		1/12	570				
Contract/Actual 757 High	2/8	604			577		2/12	587				576 (24)
555 1/2 Low	1/3	621			583	589	3/12	604				
	3/8	629 1/2			595		4/12	621				
	4/8	655			601*		5/12	638				
	5/8	680 1/2			607	613	6/12	655				
	2/3	689			619		7/12	672				625 (25)
	6/8	706			631 1/2	636	8/12	689				
	7/8	731 1/2			644 1/2		9/12	706				
	8/8	757			651*		10/12	723				
	9/8	782 1/2			657 1/2	664	11/12	740				
					670 1/2		12/12	757				
					677*		13/12	774				676 (26)
					684 1/2		14/12	791				
					697	690						
					703*							
					709 1/2	716						
					722 1/2							729 (27)
					736							
					750	743						
					757*							
					764							
						771						
												784 (28)
						1279						
SOYBEANS					1288							
ALL TIME HIGH		1290										
												1296 (36)
BEAN PRICES												
ROUNDED OFF TO												
1/2 CENT												

“You should always figure the time from any top or high level to the next top or high point. Also figure the time from any low level to the next low level. Then figure the time from a low level to a high level and the time from the last high level down to the low level. By doing this, you will know when Time Periods balance or come out about the same as a previous move. This is balancing of time. By knowing these dates and prices, it will help you to determine the duration of the next move.” “By studying the Tables (the examples he gave) and records given of past cycles and the time from tops to bottoms and from main bottom to main bottom and the time from main top to main top, you will be able to make up a forecast one year or more in advance. This is the reason why you must have a chart a long ways back in order to see just what position a commodity is in and at what stage it is between extreme high and extreme low.” “When you see the clouds gather you know that it is a sign of rain, and you seek shelter, because experience has taught you that certain formations of clouds invariably indicate rain or storm. When you see the same signs in the stock market that have always meant distribution in the past, you should take it as your warning, stand from under, and protect yourself against the decline.” In his courses and books, he has tables for the major time periods going back as far as 100 years in stocks and commodities. In referring to the stock market “during the period from 1892 to 1938 the time periods between the tops were as follows There were 2 at 53 months apart; 7 at 42 to 49 months apart; 4 at 35 to 40 months apart; 2 at 20 to 21 months apart; and I at 11 months, 19 days. From the above, you can see that most campaigns make tops between 3 and 4 years or between 35 and 49 months. Only 2 cases running an extreme of 53 months and 2 running out in 20 to 21 months and 1 in a little less than a year.” You can conclude that during normal times the probabilities favor a final top after the stock market has been moving higher for 35 to 40 months. But it is also important to know the extremes to which a market has gone in the past.

During abnormal or exceptional moves the longest Time Periods will help as much as eleven to fourteen weeks. We see that the average moves lasted from two to five weeks and a few from six to eight weeks. This will be a guide for you in future campaigns and enable you to figure about how many weeks a move will run in opposition to the main trend before the market again resumes the main trend.”

The value of counting the Time Periods from tops to bottoms is great. You must determine final highs and final lows. As Gann said, “Unless you know the greatest as well as the least movement, you cannot do accurate forecasting.” In another table Gann also shows the reactions opposite the trend during bull and bear markets. Listen to his conclusions. “By going over these tables you will find that only six times in over forty-two years did a move. In opposition to a trend last demonstrated this past year in silver. In Figure 1 & 2 you can see the major Time Periods from high to low in silver since 1833. From January 1864 to November 1902, the London market moved down in three sections which lasted 12 years 6 months, 111 years 5 months and 12 years 1 month. In the N.Y. Silver market from 1890 to present, we have experienced declines of 12 years 3 months, 13 years

1 month and the recent decline from January 1980 to February 1993 which consumed 13 years 1 month. As you can see our current decline duplicated the exact Time Period consumed between November 1919 and December 1932 which was the only other major decline since 1902. By virtue of our market duplicating the Time Periods of the four major bear market declines in history, probabilities were high that after a 13 year, I month decline we were very close to an historic extreme in February 1993. Ours was a very mature long-term bear market. On this occasion the obvious Time Periods helped us to “buy low.” Turning our attention to the greatest advances in history in silver, we also have important Time Periods which have repeated decade after decade. In reviewing every major bull market since the turn of the century, we see that their lengths have covered one of two approximate Time Periods. Table I lists these major bull markets by length.

The first two bull markets from 1932-1935, and 1971-1974 completed within 5 calendar days of one another. Both experienced blow-off moves into their final tops. The next four bull markets lasted between 3 years, 10 months and 8 days and 4 years, 2 months and 24 days. In other words, the length of four of the seven bull markets this century varied by no more than 4 months and 16 days. The Time Periods during these previous bull markets, tells us to look for future bull markets in silver to culminate in approximately 2 years, 3 months, or approximately 4 years. Our bull market which started in February 1993 should do likewise. Other Gann forecasting tools will help in determining which advance is most likely.

SOYBEANS Looking at the Time Period from major highs to major lows after the June 1988 drought highs of $10.99 1/2, soybeans experienced a protracted bear market that carried its price to $5.14 1/2 on July 10,1991 (Figure 3). In Table 2, I have summarized the historic record of every bear market in soybeans since 1915. Based on the duration of these 24 major bear markets from high to low and the percentage move down, we ranked as the 4th longest bear market in history as of the July 1991 low (37 months) and tied for 5th in overall percentage decline (53% off the highs). Since the longest bear market in history was 45 months from February 1925 to November 1928, end as of February 1992 we were 45 months from the highs, we had good reason to believe that the July 1991 lows would not be broken unless history was rewritten. Since this seldom happens, it was time to look for potential purchases.

Knowing the Time Periods from the past helps us anticipate major as well as the intermediate moves. Every market has certain characteristics and idiosyncrasies which are unique to that market, and can be learned only by a study of history and a study of Time Periods. Gann said “the farther back you have a record of a stock or commodity and the more you study it, the more you will understand its actions and know when it is making tops and bottoms. You should become thoroughly acquainted with the stocks and commodities you trade, and by studying them, you will learn their individual moves which are peculiar to themselves.” With the help of Time Periods, the trader can then make deductions based upon probabilities and not based upon hope, fear or guesswork. By observing the past trends, you discover the current position of a market. These previous market moves give important clues on what our market is going to do. As Gann said, “By studying past history and knowing that the future is but a repetition of the past, you can determine the cause according to the time and conditions.”

James Flanagan is President of the National Institute of Investment Research which is a registered CTA and publishes Past Present Futures newsletter. For free information including a free issue to their newsletter call (800) 545-9331 or write N.I.I.R, 1043 1 7th St., Santa Monica, CA, 90403.

Using Gann's Square of Nine Chart Squared Soybeans

By Jim Watkins

Greeks, Egyptians and Mynas all used observations relating to the angles and orbital patterns of stars and planets for over 4000 years. Here we shall discuss how to square the soybean market using Gann's Square of Nine Chart (with angles.) For example, the 1993 November soybean contract first created a low of $5.55 1/2 and a subsequent high of $7.57 1/2. Now starting with the northwest 45 ° line on the Square of Nine Chart, you should find two related numbers 757 and then down and around (720 °) to 553 another 45 ° N.W. line number. Taking the difference between these numbers, 757 and 553 is 204 cents. First take the square root of 204 approximately equal to 14.282857. But not adding 204 to the actual low instead use the whole number (14') +555 1/2 = 751 1/2, thereby missing the contract's high of 757 1/2 by only 6 cents; and if we used the 45° line number of 553 and added 204 cents, we would target a price of 757 missing the actual high by 1/2 cent. The 45° lines on the Square of Nine Chart were, are and will be very important to Gann and Gann followers.

Also that the actual low of 576 was struck on June 16, 1993, and using 576 one cent less than the 450 (577) northeast corner line on your Square of Nine Chart, would anyone believe that the low price of 576 is an exact square (24)2 = 576. Now we should also remember how important Gann felt that squares and 45's were: 45 °, 45 days, weeks and months and note his book title "45 Years On Wall Street." Also he said that an enormously important number was the 24th harmonic of numbers. Now what number could be more important than squared 24! (Note midpoint 1/12 on graphic.)

How about 576 (242) -24 equaling 552 and 1 cent below the 553 N.W.45° line and 3 1/2 cents lower than the actual low of 555 1/2. Further theory says that marks have difficulty going

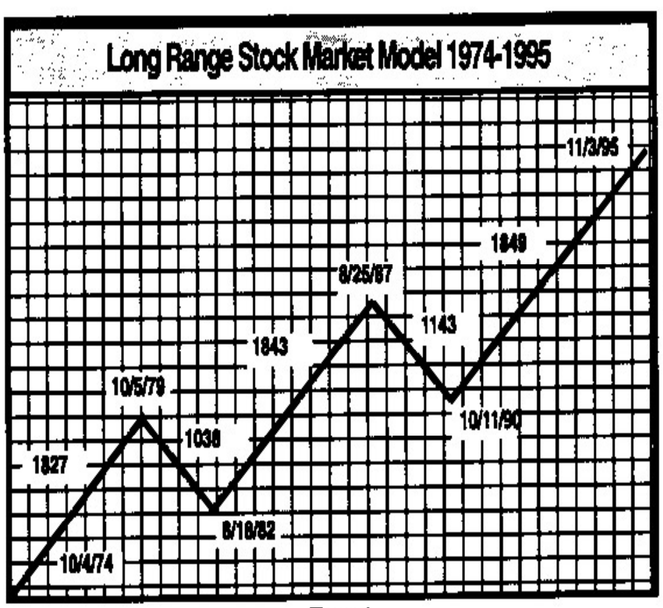


Figure 1

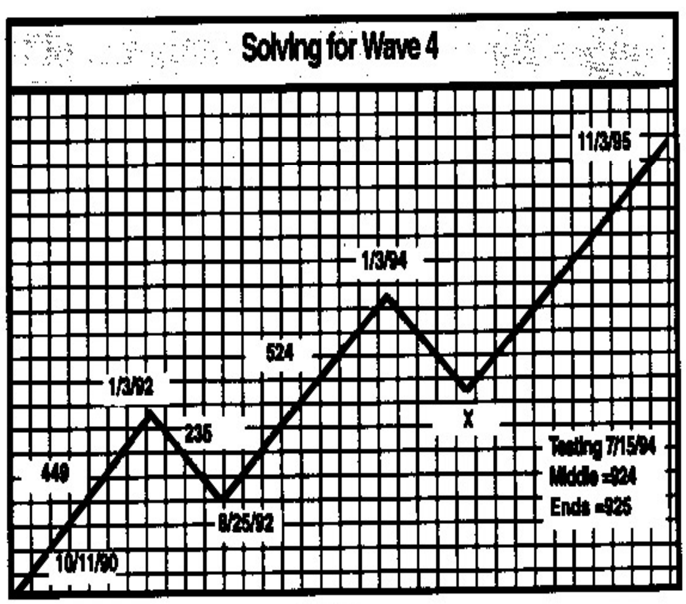


Figure 2

through 450 angle lines and the same goes for squares. So November soybeans bottomed in front of the 45° number 553 (actual low 555 1/2) and made a flash low at squared 24 (576) and promptly took off almost straight up to tick one-half cent above 757, another 45 ° line number. Then another squared number enters calculations. When we add this (14)2 = 196 to the 450 line number of 553 /196=749, only 8 l/2 cents under the actual high of 757 1/2. We can show that if we use 45° lines and squared numbers, we can find tops and bottoms for any market. The method to be used is to assume that any number in order above or below each number struck should also be struck.

Failing to touch each in-line number can be called “A Failure Point.” If we add 180 (7.5 x 24) to 576 we find 756, and this number falls 1 l/2 cents below the actual 757 l/2 contract high—not an insignificant occurrence in my opinion. Than you very much Mr. Gann.

Jim Watkins is an active trader in stock, option, bond andfutures markets. Since 1988, he has drawn on his over 27 years of experience to provide daily market predictions to private and corporate investors. Jim can be reached at (901) 767-0355

Finding the End of Wave 4

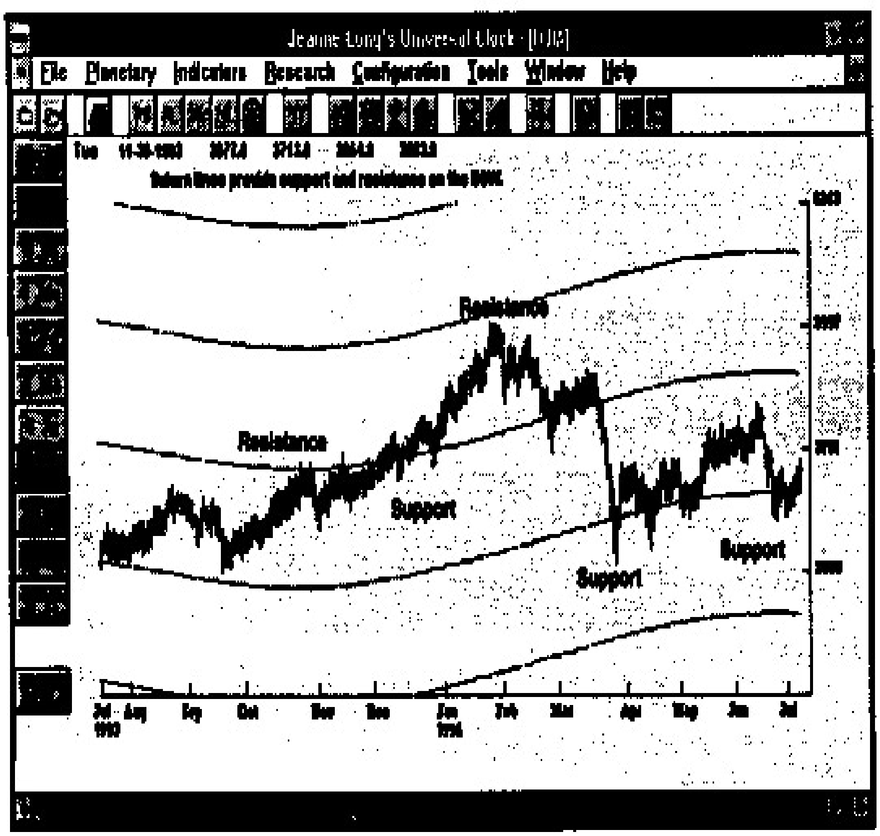
By Alan Richter, Ph.D.

I am dealing with a model where we just topped out in the stock market in wave three of five waves that began on October 11, 1990. How can we predict the end of this correction? We have two unknowns, the end of wave 4 and the end of wave 5.

By using a larger cycle that began October 4, 1974 we can make a prediction about the final end of the whole bull market giving us a possible solution to the end of wave 5. Then, we have one unknown and can solve the problem.

The model for the period starting October 4, 1974 is shown in Figure 1. The time distances of the waves obey the Fibonacci relationships as

shown:
Down time in day 2,181
(Waves 2+4)
Net time spent going up 3,338



(Waves 1-2+3-4+5)
Up time in days 5,519
(Waves 1+3+5)

This is in reasonable agreement with 21-34-55. Regarding the actual dates used for the bottoms and tops, there is general agreement regarding most of them. I used the October 5, 1979 date for a stock market high because the later dates (11/20/80, 4127181, 6/15/81) did not give good mathematical results. Also, the 1979 date makes sense because it predates much of the oil and gold inflation.

The November 3, 1995 date is 7700 days from the October 4, 1974 low, it is 3 days before the Jupiter square Saturn aspect in the heliocentric, and it makes a symmetry point about the Uranus conjunct Neptune heliocentric aspect of April 21, 1993 where the conjunction is approximately equidistant between the low of October 11, 1990 and a potential top of November 3, 1995. (I used August 8, 1982 Sunday because it met astronomical relationships best.)

Now, although the November 3, 1995 date is still a hypothesis, what happens if we plug it into the formula for the present situation?

Figure 2 shows the model for the current bull market that began October 11, 1990. Here I made use of important dates in the S&P 500 Futures On Balance Volume Chart that I prepare daily. January 3, 1992 was an important top and August 25, 1992 was an important low.

We test the Heliocentric Midpoint Aspect for July 20, 1994, Jupiter = Saturn/ Uranus. This model obeys the relationship, Middle S ec ti on (waves 2+3+4) equals the Ends (wave 1+5.) By making use of the Geocentric Ephemeris for fine tuning. I prefer the close of Friday, July 1 5, 1994 for the end of wave 4. The normal are; Down: Up: Total or Down:

Net: Up. This formula, Middle = Ends, is an example of minuscule amount of time spent going down.

Alan Richter is an independent trader. He can be reached by mail at N. 1618 Lincoln Street, Apt. 8, Spokane, WA 99205.

Now a new kind of timing software Universal Clock Software

By Jeanne Long

The Universal Clock Software is based on all of the important - concepts from Jeanne Long's best selling book "The Universal Clock." This Windows program gives quick and easy access to W. D. Gann's market reversal dates and astronomical aspects as related to prices of all commodities and stocks worldwide. The complicated planetary calculations used by W. D. Gann are now incorporated into an easy to use windows program with practical trading applications.

For the first time an astronomical program for the markets, developed by traders for traders is available at a reasonable price.

It is important to note that no prior knowledge of astronomical planetary information is necessary to put the Universal Clock Software to good use. There is no strange jargon, all menus and planetary data are in plain English. The software puts planetary timing, price predictions, planetary support and resistance, plus much more, right at your fingertips, in an understandable manner.

The program includes all of the planetary trading tools illustrated in the Universal Clock Book plus many more. These tools are briefly described below.

Price Repetition Dates: Prices often come back to a previous price range under certain planetary relationships. The software can mark price bars that meet certain criteria, such as Sun Pluto affects for Crude Oil.

Mercury aspects or Soybeans, Sun/Jupiter or the DJIA and S&P etc. Past repetition dates can be viewed on the graph as well as future dates given along with the anticipated price range.

All of the aspect models mentioned above are already built in and you need only to choose from a menu . It is easy to build more models and add them to the list for retrieval later.

Planetary Channel Lines: These planetary support and resistance lines are easy to generate on all commodities and stocks. They can also be projected out into the future to give the trader the advanced knowledge of important support and resistance zones to come. Although the planetary channels from the Universal Clock are demonstrated (see Figure I) you can, if you choose, customize the channels to range from 7.5 to 360 to fit each market you trade. The planetary lines are clicked on/off via icons. Each icon has a planetary symbol, along with the planet's name in English and which function key to press to activate the lines.

Planets crossing the Clock's sensitive points: On dates of crossing, certain markets tend to reverse. A table of past and f future dates can be printed out or the software will mark the bars on the price chart f or the various planets. Past dates are excellent for research projects, white future dates alert the trader to possible changes of trend.

The Universal Clock Wheel: For those who want to explore the whys and wherefores of planets and price, and just how planets translate into commodities and stock prices, this section is for you. However, it is not necessary to understand or use this section to benefit from the software, since the planetary/price information generated from this section is also displayed on the regular bar charts in a simple and useful way.

Other features in the Clock/Wheel section include a 5-day grid/table of planetary positions which can be displayed on the Clock. One can add planets daily and watch them go around the Clock One click on the price table will give color coded arcs at low to high of price as planets translate to price if a planet is also crossing a sensitive point, meaning a price reversal may be imminent, then it will be highlighted in a different color.

Other Features: Click on a bar and you will have a window of planetary relationships and the equivalent prices pop up for that day. You can mark offer have the program calculate the high and low swings for any market, then ask what percent of the time was a certain aspect or planetary event present at or near those changes in trend dates. The answer appears as a graph/table.

Or if you don't have a particular event in mind, you can choose a list of planets and harmonics and have the Universal Clock Software do a super search for all aspect occurrences at the highs and lows and print a table of the percentage hits for each aspect. (See Figure 2.)

Say you are interested in the stock market and the effect of eclipses. Build a swing file of the DJIA for 60 years. (by the way, you can load any amount of data, 100 years of DJIA data if you like.) What percentage of the time was the eclipse at a primary high?

Major high? Intermediate high? What about lows? The program will show you the average pattern before and after the eclipse +/- X days. The program will also allow you to scan through each eclipse individually to see it's pattern at market highs and lows. One can do the same with any planetary event or model.

The software comes with various change-in-trend date files which we will call swing files (dates labeled primary, major, intermediate or minor pivots) for several markets. Use these swings to test and build planetary models. You can ask questions about these high/low swings such as: how often was a planet(s) on the sensitive points of the Universal Clock? Or on a chart, show me the swing highs and lows marked and the dates of say eclipses, or ask what was the frequency of specific planetary relationships occurring at these highs/ lows? You can even print out an ephemeris (where the planets are located) as a monthly table or as a daily wheel.

Since the software is developed by traders for traders it allows the integration of standard technical indicators and tools with unique planetary modules. You can easily combine planetary energy models with your favorite technical indicators to help. For example: eliminate false overbought/oversold signals from RSI and Stochastics.

Technical indicators: Moving averages bars or a line of "closes" only. Update of Data: Formats include CSI, Techtools, Metastock TC200 and ASCII, daily end-of-day data. The Universal Clock Software has all of the above and more. It has context sensitive help throughout the program, is user friendly and trader friendly. In addition the software uses the tab/ folder concept to eliminate the need to search through layers of menus to find what you are looking for. (See Figure 3.) Since it is a true windows program it supports all windows printers - big, little, color, fast, slow . . .

Obviously this software is an important research tool, but it is mainly designed with use during trading in mind, It is not a complex astrological program for astrologers but a much needed easy-access planetary program for traders. It will happily accommodate in-depth analysis of all astronomical phenomena with the technical tools provided with this super program.

For more information about the Universal Clock Software, contact Jeanne Lone at PA.S. Inc., 757 SE 1 7th Street, #272, Ft. Lauderdale, FL 33316.

How to Trade a Small Account

By John Brown

Since you are reading this magazine, you have prob ably received many of the “not quite, but almost the Holy Grail” brochures. Perhaps you have taken the plunge on a few systems or seminars. If so, have you managed to recoup the expenses you have incurred for this information?

I have spoken with hundreds of traders from around the country. I have found that the majority conclude that most of what they read or study from books, seminars, or courses does not work for them in real time trading. Countless explanations for this outcome could be proposed. In this article, I will focus on a very basic issue. Since so many traders I work with are really under capitalized, I would like to address the problems facing any trader who is attempting to overcome the odds against trading futures with an account sized in the $5,000 - $25,000 range.

If we accept the prevailing view that a consistently applied, concrete trade plan is crucial for success in trading, then we can proceed to a consideration of two fundamentally different approaches to structuring a trading plan. Let us consider one approach I will term the “buy high/ sell low,” or “breakout” approach, and a second approach, the “sell high/buy low,” or” support/resistance” approach.

All things being equal, there are many good reasons to favor the breakout approach. If you buy new highs or sell new lows you are guaranteed to catch a trend, if indeed one is occurring. You are allowing the market to through.

Of course the degree of success in a breakout strategy will depend on the design of the system and its money management. If your thoroughly tested system or method applies consistent, repetitive, testable entry and exit criteria, and is not over-optimized, it may continue to perform well in the future—if market conditions continue to conform to variables you have isolated as the components of your system.

The breakout approach presents some sticky issues when money management is considered. Obviously, stop placement must be appropriate to allow some general “slop” or random “noise” in price action for most breakout strategies. This necessitates the use of wider stops than for support/resistance entries. Yet some breakout systems have produced spectacular profits. They make money for the trader who can stick with the system through the inevitable drawdowns and whipsaw periods. One more caveat—they make money if the account size is more than adequate to cover drawdowns.

A closer examination of the breakout approach reveals a serious flaw for the small account trader. An intelligent trader will always consider the risk of ruin for his or her trading method. The “worst case scenario” in back testing can easily be exceeded when real time trading commences. I am amazed when I hear from traders with $5,000.00 to $10.000.00 accounts, trading systems with $500.00 - $600.00 stops. They fail to consider the obvious math. A $5,000.00 account suffering seven or eight $500.00 losses, plus commissions, and the trader is out of business ! Can the trader assume eight straight losses would never happen? Why not? Certainly it can happen—and probably will—sooner rather than later.

One simple money management survival rule might be to limit our stop on any single trade to a maximum of 2% of account acuity. That means $200.00 on a $10,000.00 account. This would allow for the system to sustain 10 losses in a row, four times within a short period and still remain afloat to capture the profits which might follow if the market finally breaks out of the whipsaw mode. The odds for survival will thereby increase dramatically as the account will be less vulnerable to extended periods of unfavorable market behavior.

Of course, the obvious objection arises. With such close stops, how does one avoid constantly getting stopped out? Part of the answer is—you are right, close stops may not be applicable to many breakout methods, which must give the market more room to follow through from an initial thrust. Close stops might take the trader out of many of the biggest winners. This brings us to a consideration of our second alternative for a trading plan, the “sell high/buy low,” or “support/resistance” approach. For many small account traders, this might just be the way to go.

The idea of buying low and selling high has an obvious appeal which quickly becomes complicated. Most traders have experienced the discomfort of entering a position when the market was “oversold” or “overbought,” only to find that an abundance of sellers or buyers were available to take the market far beyond old support or resistance. This experience tends to discourage the continued bold futility of bottom picking or top picking.

I do not mean to propose that the only hope for the under capitalized trader is to master the dubious art of forecasting tops and bottoms. I have yet to see the merit of trying to use my opinion to turn the trend of a market, even if I can back it up with the opinions of Gann, Elliott, and a few astrologers! (Though I have found it useful to ask; “What is the trend on the longer time frame?”) Rather I would suggest that the small trader must undoubtedly work harder to be among the fittest who survive. A smaller margin of error requires more precision in every phase of the trading approach. By means of pattern recognition (price action patterns, chart patterns, indicator patterns, etc.,) it is possible to develop a trade plan with a fine enough degree of precision to be tested objectively and traded objectively. What I am really addressing here is the need for more precise entry and exit criteria, with attention to favorable location of entries.

There are many ways to structure a trading system with an emphasis on favorable entries. What is necessary is to isolate the variables to make the system work in real time. Consider these examples. Trend criteria for the time frame of primary focus, vis a vis the trend for longer and shorter time frames. Criteria for retracement levels of support or resistance for favorable entry and low risk stop placement on the time frame of primary focus. Measurement of diminishing momentum on the shorter time frame, for timing of entry in the direction of the longer time frame trend. Classical reversal or continuation chart patterns on a shorter time frame for entry with the longer time frame trend. All of the above in the context of price action criteria for clear cut, objective, testable entries and exits.

It is not necessary to make a system or method terribly complicated in order to factor in these variables. In fact complication may be counterproductive for backtesting, execution, and reliability. However, I feel many systems or methods around currently are far too simplistic, with inappropriate stop loss strategies and drawdowns too large for the small account trader. With the availability of so many technical charting programs and historical data, it is quite possible to design, back test, and execute a reasonably sophisticated trade plan with entries and exits fairly close to the market.

My perspective on trade system design emphasizes money management not merely as a component or adjunct of a trade plan. Rather, it must be integral to the method or system—the foundation of its feasibility for my temperament and account size. I prefer to know a lot of details about how a method behaves in practice. How many trades per week or month? How many winning weeks? Average profit per trade, per day, per week, etc.? Duration of flat periods, and of drawdowns? Average open equity per trade, per win, per loss? How many wins above $300.00, or $400.00, or $500.00, etc.? Largest number of consecutive losses? How many streaks of 4 losses in a row? How many of 5 or 6, etc. ? The more details I can grasp from a trade by trade analysis, the better prepared I am to be able to trade the system in real time.

The reader should now recognize that this solution I am advocating is one of a very careful design of your trading plan. I am proposing a little extra work, research, preparation, etc.—time spent on identifying objective entry and exit criteria and organizing a trade plan for lower risk trading—can be very rewarding. I see no reason why a trading plan based on the “buy low, sell high approach” need be in any way inherently less effective than “breakout” strategies —if it can be objectively tested.

Of course, once a trade plan has been formulated, tested, and is deemed worthy, the real trick is to make it work in real time. For many this is the Waterloo. But all of the forgoing has been to suggest that preparation and organization are more than half the battle. This is what I endeavor to share with traders who attend my seminars on trading. The “precision” approach can provide the crucial factor to tip the scales in favor of the small account trader—smaller losses and disaster avoidance. This approach will allow the trader to stay afloat for the occasional windfall trades, and to have the courage to pull the trigger according to the plan, to partake in the opportunities available in the market.

Hopefully, there have been some ideas in this article applicable for those of you who are attempting to conquer the markets with a small account. Perhaps anything is possible for those who work hard, with a lot of perseverance. Perhaps you will discover the magnificent alchemy of consistency which can transform your small account into a large one.

John Brown is a full time trader and system designer for “All Time Trading Systems.” He also teaches weekend seminars on trading and trading system design. He can be reached at (515) 472-4606, 3-5 P.M. central time.

The Line Sine Wave of the Market

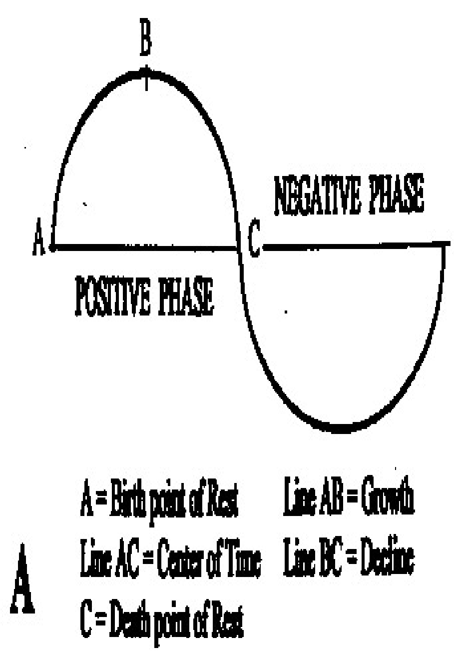
By Dave W. Franklin

In Natural Law, the following se quence of four words describe the Life Cycle of every individual Thing in the Universe: Birth, Growth, Decline, Death. Chart A. illustrates this concept. In the Stock Market, TIme travels a mathematical path identical to those four words. This path forms the TIme Sine Wave of the Stock Market.

The TIme Sine Wave describes the maximum arc in degrees (plus or minus) that Natural law permits TIme to deviate from it's center or straight line. The maximum arc for the Stock Market is (+)(-) 221/2 degrees. Thus when Market TIme spirals from a -22.5 to a +22.5, it has completed a 45 degree rotation. Most important to this readership is that knowledge of the time Sine Wave provides precise calculations for squaring and for timing Highs and Lows within the Cycle.

Let's examine two actual Time periods that illustrate the Stock Market's Sine Wave. Chart B. Covers the first two weeks of the 1994 February Market Cycle. Chart C. Illustrates the second and third week of the May 1994 Market Cycle. Chart B. Shows the February Cycle tracing a negative (-) Sine Wave while Chart C. Shows

May making a positive Sine Wave. Note that when the February Market reached it's maximum deflection of -22 degrees, the market reversed. Note also from the February chart the fact that it left the Center of rume at the rlme value of 315. The market reversed precisely when Elme had achieved the value of 280, or one full Eune square down from 315. In the past six months, I have documented the fact that the Stock Market reverses on movements of one full square on the Elme Sine Wave.



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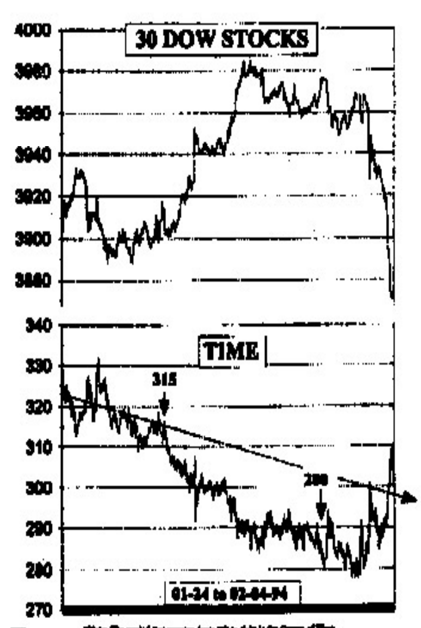
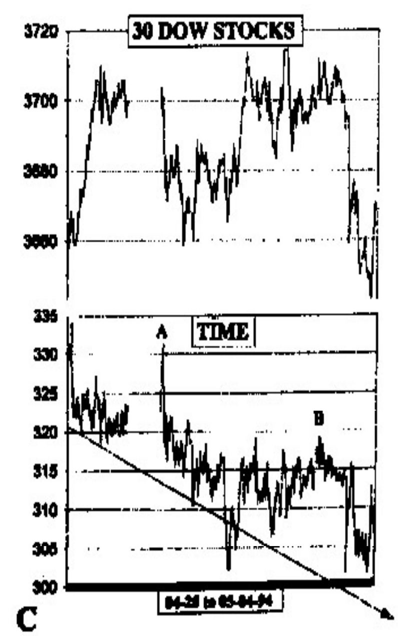


B



C

May and February happen to be identical components of the Whole Market Elme Circle. By adding their respective rume waves (-22 + (+)22 = 0) we see that from February to May (a Ilme value of 90 days or 90 degrees) the Stock Market achieved a perfect me balance point of ZERO.

Many years ago I came to the conclusion that to succeed. One must mathematically know when the market will change trend. If one does not know precisely when..., one will lose. And losing hard earned money is one of Life's hardest, most bitter pills to swallow. Bottom line, you have to know when...

Before vou can know when.... vou must first mathematically know the True Trend. The True Trend always obeys the Elme Law of the Market. Whether the Cycle is an Up Market or Down Market, the Eune Law rules the trend. Stated simply, The rume Law says: 2II ME RUNS DOWN, NOT UP". Chart D. Illustrates the UP market the week of 117-94, and Chart E. Illustrates a Down Market. Note well that in opposite markets, Eune ran down.

Now take a closer look at points A and B on Chart C.. Notice that when Elrne increased by moving away from the center line, the market quickly reversed to return back to the Center of Eune. I call this phenomenon the "Backflow of Eune". rume "Back flows" and full square moves on the Eune Sine Wave are proving to be ideal set ups for profitable trades. Conclusion: knowledge of the position of Tlme from it's center line with respect to the market is the most important factor for knowing the True Trend.

Those who have followed my research are aware that there are Three Eune Cycles which govern the Stock Market. The larger rume Cycle contains 18 stocks, the smaller one 5 stocks, and the middle one holds 7. Thus, my research has independently confirmed what W.D.Gann wrote on page 78 of THE TUNNEL THRU THE AIR, wherein he stated,

Therefore, in cycles there must be a lesser, a greater and intermediate cycle, or cycles within cycles."

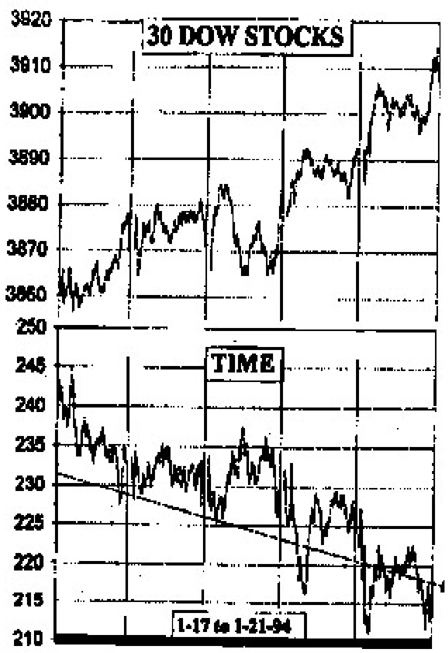
Assembled together, these Three Elme Cycles form the Market into a perfect 360 degree circle, with each individual Time Cycle contributing to the whole in direct pro portion to it's size. The Whole Market rlme Cycle is the auintessence of "wheel within wheel" construction. Properly maintained, the Market Circle (cycle) produces a PERMANENT MASTER TIME GRID for the Elme Sine Wave whereby Cycle Tops and Bottoms repeat on identical values of squares of Time.

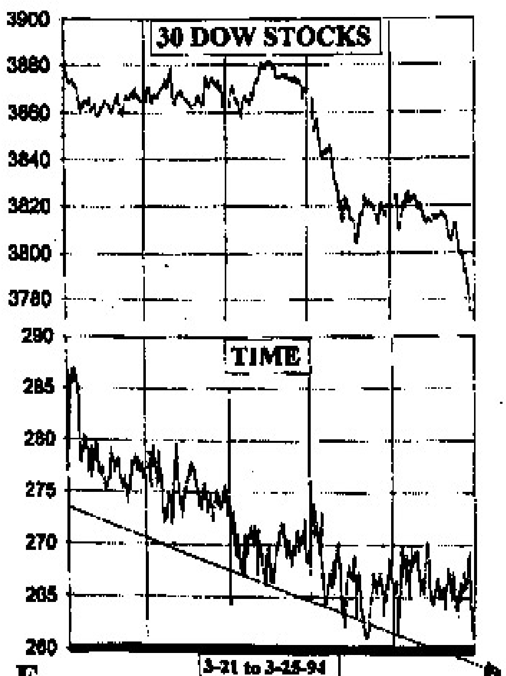
Twenty-four years of my life have been devoted to intensive research into monetary history, banking, and Natural Law. The last six years have been dedicated to achieving an independent, mathematically rational understanding of movements in the Stock Market. With respect to the Stock Market, the research has produced the following conclusions:

l) The stock Market moves in three dimensions: Elme, Price and Distance.
2) Mathematical experience proves the most important factor to be TIME.
3) TIME calculations tell the True Trend, not Distance or Price.
4) The Market reverses on full Tlme squares of the Elme Sine Wave.

Personally, the discovery of this Tlme Sine Wave marks the zenith of more than two decades of arduous research. For me, Elme indeed, has been proven to be the most important factor for proving all things.

David Franklin is a private citizen who specializes in research for understanding the unique and seemingly impossible.


30 DOW STOCKS
TIME
1-17 to 1-21-94
D


30 DOW STOCKS
TIME
3-21 to 3-25-94
E

The Seven Habits of Effective Futures Traders (Part Two)

By Bruce Babcock

Stephen Covey's The Seven Habits of Highly Effective People has been on the national best-seller list for years - first as a hardback and then as a paperback. In the last issue I examined how the same concept might be applied to commodity trading. The first three habits in my list were: I) Understand the true realities of the markets; 2) Be responsible for your own trading destiny and understand your own motivations; 3) Trade only with proven methods. Here ale the remaining four key habits.

FOUR. Aade in correct proportion to your capital. Have realistic expectations. Don't overtrade your account One of the most pemicious roadblocks to success is a manifestation of greed. Commodity trading is attractive precisely because it is possible to make big money in a short period of time. Paradoxically, the more you try to fulfill that expectation, the less likely you are to achieve anything.

The pervasive hype that permeates the industry leads people to believe that they can achieve spectacular returns if only they try hard enough. However, risk is always commensurate with reward. The bigger the return you pursue, the bigger the risk you must take.

It is better to shoot for smaller returns to begin with until you get the hang of staying with your system through the tough periods that everyone encounters. An experienced money management executive has stated that professional money managers should be satisfied with consistent annual returns of 20 percent. If talented professionals should be satisfied with that, what should you be satisfied with? Personally, I believe it is realistic for a good mechanical system diversified in good markets to expect annual returns in the 30-50 percent range.

FIVE. Manage risk Manage the risk of ruin when you create your trading plan or system. Manage the risk of trading when you select a market to trade. Manage the risk of unusual events. Manage the risk of each individual trade.

The risk of ruin is a statistical concept that expresses the probability that a bad run of luck will wipe you out. On average, if you flip a coin 1,024 times, you will have ten heads in a row at least once. Thus, if you are risking ten percent of you account on each trade, chances ale you will be completely wiped out before long. If your trading method is 55 percent accurate (and who is?,) you still have a 12 percent chance of being wiped out before doubling your capital if you risk 10 percent of capital per trade.

In order to reduce the harm caused by unavoidable strings of losses, you must keep the amount you risk on each trade to about one or two percent of capital. This makes trading with small accounts difficult. Another element of risk is the market you trade. Some markets ale more volatile and more risky than others. Some markets are comparatively tame. Some markets have lower liquidity and pooler fills which increases risk. Pay attention to the risk of surprise events such as crop reports, freezes, floods, currency interventions and wars. Most of the time there is some manifestation of the potential. Don't overtrade in markets where these kinds of events axe possible.

The most important element of risk control is simply to keep the risk small on each trade. Always use stops. Always have your stop in the market. Never give in to fear or hope when it comes to keeping losses small . Preventing large individual losses is one of the easiest things a trader can do to maximize his or ha chance of long-term success.

SIX. Stay - oriented. Don't adjust your approach based solely on short term performance. Our entire society emphasizes instant gratification. We are consuming our long-term capital.

Most traders have such an ego investment in their trading that they cannot handle losses. Several losses in a row are devastating. This causes them to evaluate trading methods and systems based on very short-term performance. The trader who chucks his or her system after four losses in a row is doomed to spend his or her trading career changing from one system to another.

Don't start trading a system based on only a few trades, and don't lose confidence in one after only a few losses. Evaluate your performance based on many trades and multi year results.

SEVEN. Keep trading in correct perspective and as part of a balanced life. Trading is emotionally intensive no matter whether you ale doing well or going in the tank. It is easy to let the emotions of the moment lead you into strategic and tactical blunders.

Don't become too elated during successful periods. One of the biggest mistakes traders make is to increase their trading after an especially successful period. This is the worst thing you can do because good periods are invariably followed by awful periods. Knowing how to increase trading in a growing account is perhaps the most difficult problem for successful traders. Be cautious in adding to your trading. The best times to add are after losses or equity drawdowns.

Don't become too depressed during drawdowns. Trading is a lot like golf. When a golfer is playing well, he assumes he has found some secret in his swing and will never play poorly again. When he is hitting it sideways, he despairs he will never come out of his slump.

Since correct trading is boring, don't depend on trading as your primary stimulation in life. Unfortunately, the exciting aspects of trading, such as easy analysis and trade selection, are counterproductive. Good trading is repetitive and pretty dull. Thus, if you depend on trading for your major excitement, pursuit of fun will probably cause you to lose. If you can afford it, fine. If not, seek your entertainment elsewhere. The common theme of the seven habits is self-control. As I've often said, if you can master yourself, you can master the markets.

Bruce Babcock is Editor and Publisher of Commodity Traders Consumer Report. He has written eight books on trading including The Dow Jones-lrwin Guide to Trading Systems and Profitable Commodity Futures Trading from A to Z He has designed over 25 computerized sofiware systems for traders, a number of which he trades himself

Trading the Stock Market Indexes

By Scott D.Wolfe, C.T.A.

Trading in the stock market in success in the stock market indexes is an exciting daily challenge. As a C.T.A. (Commodity Trading Advisor) who specializes in trading the New York Composite Index, I have learned some very interesting things about the stock market which I hope may be beneficial to you in your trading.

Because of the paradoxical nature of the market and its uncanny ability to fool continuously the majority of its participants (including even profession traders) it is definitely a sporting arena not for the inexperienced or the faint of heart. Indeed, one of the key elements to successful investing or trading is the ability to do the opposite of what "seems" like "is supposed to" or "should" happen and the ability to quickly admit mistakes about being on the wrong side of the market, in order to get out rapidly and cut losses. If a person can develop these disciplinary qualities after first learning rudimentary working knowledge of the market, they should be on the steady road to success. If you add to that the opposite function, which is the psychological strength to hold on to trades on the correct side of the market that are making profits, you have the basic overall success formula in a nutshell. The difficult part of all this is that there is no definite or exact process to be followed in order to develop these skills other than by patience, trial, and error.

Practically speaking, direct participation in the market with proper guidance from someone experienced in these matters, is the only way to really develop the necessary knowledge and skills. However, in this article I will attempt to give you, the reader, some important strategies used by professional floor traders, exchange members, and specialists who generally are the correct minority in the stock market.

In trading, as I mentioned earlier, I prefer to use the New York Composite Index, which is the stock market index contract traded out of the New York exchange. The NYFE (pronounced "knife"), as it is affectionately know by its traders, can cut you a big piece of the stock market pie if you know how to trade it, or it can slice your ... well, let's just say it can be very volatile. The NYFE index is comprised of about 1700-plus stocks traded on the New York Stock Exchange condensed into one index price. This index moves at about half the speed of the well-known S&P 500 Index traded out of Chicago and therefore at about half the dollar value.

First of all, in order to understand the general, overall tendency of the stock market, picture a rubber band held and stretched to one extreme until the tension is at its limit, brought back to the center, stretched in the opposite direction to its limits, and then again brought back to center. This is similar to how the stock market functions about 70% of the time, stretching from overbought to oversold and from oversold to overbought. The other 30% of the time the market will break out of its established range and move to new highs or lows and there again trade from the overbought/oversold extremes in that new range.

Our market studies show this occurring on a continuous basis both in daily, weekly, monthly, and yearly time frames. Obviously, the key would be to understand the how, where, and most importantly the who of this ongoing process and movement between overbought and oversold.

I propose that one of the most crucial and key elements to following and trading this pattern is understanding what I call "everyone" or what is more commonly known as consensus opinion. Although there are several excellent publications and services that track consensus opinion, I have found that one of the easiest ways to figure out what "everyone" wants to do is written in the market movements themselves. You merely have to learn how to go opposite the consensus of "everyone." Here are several ideas that you may find helpful in trading the stock market indexes. You should observe the ideas in real time for a few months and notice the different variations before attempting to try to trade with them. Also as you probably already realize and as a C.T.A., I am required by regulation to tell you, there are no assurances that any of these methods will always work or be valid strategies under all market circumstances. Futures trading is risky and you should only use risk capital.

-1- If you see all the business news on television, radio, and/or popular print media being overzealous in negative or positive reporting, you need to generally look towards taking the opposite side of that consensus when it gets to extremes. How to figure out extremes? Watch for a fast, hard move in the direction of the news on the Indexes and then an almost as quick recovery to the price it ran from. On the NYFE index this is usually a move of 1 1/2 points or more. For example, say that "everyone" is totally negative on the stock market and on a given day the Dow is down 40 points by noon. After a hard, fast down move on the NYFE with almost immediate buying that not only closes the Index above or near where it ran lower from, but the Dow recovering to closing, say down only 12 points or so, this is often a very powerful short term buy signal. If you are very astute at trading the NYFE you can be prepared for this an catch even the hard, fast dip to reverse into and get long. This is normally a very high-confidence trade that can make excellent profits on a day trade or short-term trade basis. The fast price recovery is the key and the market is loudly telling you the direction that I favors.

•2- Another high-confidence trade although somewhat more tricky is as follows: If the Dow Jones Industrial Average is up or down 20 points or more on any given day's close and the next day opens and runs in the opposite direction to the point where the Dow is up or down 15 points or so in the opposite direction of the previous day's session close, enter a trade on the Indexes from the direction of the previous day's close. For example: On a given day the Dow is up 26 points and the next day it opens lower and is down 15-20 points mid-morning. You would look to buy the stock market Indexes at that level when the Down is down, and hold for a rally. The Dow should recover to at least break-even within the first hour or so after you enter the trade. This is a regular signal used by many experienced traders and works about 75% of the time. Just be sure to put a stop below your entry point or so to limit your losses. Remember also that if your stops are too tight (within 5 ticks of the high or low of the day) a favorite practice of the floor traders is to go on a "search and destroy mission" to hit those stops and earn quick profits by taking you out of your position.

-3- Another excellent signal, which requires more experience than that of the previous two, is to watch for the first market run direction right after the open, usually within the first 20 minutes. A run of about 10-15 ticks on the NYFE index is often, but not always, a signal that the market is giving as to which way it wants to go. The key is that the move is very quick and spunky which a slight pullback of about half the run. If you are good at this and very agile, you can jump aboard on the quick pullback in the direction of the run for a usually very good day trade at least through the morning session or first few hours. This is a very high-confidence trade when it sets up properly.

As far as psychology goes, there are many important things to know. Ironically, however, the first and most important thing to learn is simply that you have to be extremely honest with yourself and really, really know how to trade. All the psychology instruction in the world will not help you if you do not know what you are doing.

Why is it that people will quickly admit that they know very little about, say, mechanics or medical procedures, or electronics, but when it comes to money, investing, or trading, their egos wants to pretend that they know what they are doing? You can't learn to become a top pro football player by practicing in the park on weekends, or a skilled heart surgeon after a few years in medical school. Trading is a learned, exact science, art, and sport that is usually better left to the professionals until you really know what you are doing.

A large part of this business is losing trades and unless you are psychologically equipped and prepared you could have a very expensive experience instead of making nice profits. However, if you really decide you want to learn to trade, remember this key psychological understanding: you will give yourself as much money out of the markets and trading in direct proportion to your acquired trading skills, self-valuation, and self-worth. If you have any guilt feelings about past financial rnistakes or even stresses related to job, family, or other relationships, the stock market or for that matter any financial market is a tough place to try to resolve these conflicts and may compound the problem. But if you have a good, calculating mind, some extra risk capital, and a total, undying enthusiasm to win and beat the market, trading the stock Indexes can be a very rewarding and satisfying business.

Scott D. Wolfe is a C.7:A. who trades for his own account and manages accounts for private clients. He is also a public speaker who has lectured worldwide on thefinancial markets and business success.

Don't Give Your Trading ProfFIts Away To The IRS This Year!

By Ted Tesser, C.P.A.

As a Certified Public Accountant who is also a trader, I am con stantly thinking in terms of saving my clients money. Traders, in particular, need to hold on to every dollar they can, so as tax time approaches, it is wise to investigate any potential tax saving opportunities that exist.

First of all, traders should try to convert ordinary income to long term capital gain. Under the 1993 Tax Act, one of the few perks left for taxpayers was that long term capital gains (held for a year or more) are taxed at a maximum of 28% rate as opposed to the ordinary tax rate (as high as 39.6%). Commodity traders have another perk, in that all xcommodities are treated as 60% long term and 40% short term, regardless of how long they are held. This is also true for many types of options.

If you hold mutual funds, selling the fund the day before a dividend is declared and buying it back the day after may save you taxes. This way, you will avoid having a dividend paid to your account and taxed at a higher rate then the long term captial gain would be. Also, if you invest in stocks, consider growth stocks as opposed to stocks that pay current dividends. They will provide you with a tax advantage by payuing you income taxed at a lower rate (as long term capital gains).

Also, review all your hodings at year end to try to maximize your tax position. You may have unrealized losses that you want to sell that can offset gains you may have taken throughout the year. You can look for investments that have gone bad and write them off without any proof that the company has actually gone bankrupt yet. As long as the investment is deemed worth- less (and this is somewhat subjective) you can write it off. Also, nonbusiness bad debts (bad personal loans) can be taken as short term losses and written off against your capital gains.

One technique that is real handy is called shorting against the box. If you own an investment that you are holding at a gain and you want to sell it, you may not have to pay tax on the gain. You could short the exact same investment in another account and not offset the two positions. The IRS hasruled that you can hold this position of being long ans short in stock and osme types of options forever. You cannot do this, however, in commodities, because commodities are marked to market on a daily basis.

Another thing you may want to think about at year end, is setting up a retirement plan that may lower your taxes. It is now possible to trade almost any vehicle in a retirement plan, especially if you have your own business. I have customized plans so that my clients can trade anything from options to futures. For those of you who do not qualify for deductible retirement plans, annuities also are a great way to defer tax savings.

Some other strategies that should be considered before year end are making gift transfers to other family members. By "gifting" investments to other family members you can reduce current taxes as well as estate taxes.

Finally, one of the best techniques for saving money is to set up a trading business. If you qualify as a trader, someone who trades his own account on an active and short term basis, you can take advantage of many favorable provisions in the tax law not available to investors. I have written several articles in prior Traders World issues on exactly how to do this, and over the past 25 years there have been many court cases that have supported the trader status.

If you qualify for this preferred tax status, one thing you can do is to hire different people in your family to work for you and pay them salaries from your business. By doing this, you could hire your son or daughter ot help out in the business, and thereby make his or her allowance tax deductible. By hiring your spouse, you could set up another tax deductible retirement plan that would not have otherwise been available.

There are many other strategies that can be integrated into the trader business. Please contact my office if you wish more information on this tax strategy.

Ted Tesser is a Certified Public Accountant in New York City, and an active Futures Trader. He is author of "The Serious Ivestor's Tax Survival Guide' and currently has produced a video entitled "Zero TaxesforTraders". It is available for $49.95, and he is offering our subscribers a $10 discount, with a full money back guarantee. Look for the coupon in this issue to order, or call (212) 532-7620.

A New Era

By Patrick Mikula

Traders attempting to learn the Exposi attempting to learn trading methods of William Gann often study material written by other traders. These students generally run into two problems. The first problem is that much of what is written is just a rehashing of the same material. We all know how this works. A book promises Gann's secret trading methods then explains the 50% rule. The second problem is a lack of proof. Hoping to learn Gann's secrets, a trader buys a book only to read the author's opinion intermixed with Gann lingo, but little or no proof that Gann actually used the trading method described. Information about Gann methods is rewritten, repromoted and resold resulting in an endless cycle of frustration for Gann traders.

I am Patrick Mikula, a private futures trader. I know more about W. D. Gann's astrological trading methods than any living person. That is a big statement, but it is true. My new book, "Gann's Scientific Methods Unveiled" is the single largest book of Gann's astrological trading methods ever published. My book is devoted entirely to exposing the hidden astrological trading methods in W. D. Gann's "How To Make Profits Trading In Commodities," which will be referred to as "Profits".

Since W. D. Gann wrote "Profits" in 1941, it has become one of the best known books on commodity trading. Yet no one before now discovered the trading methods Gann actually concealed in his book.

To explain what is hidden in "Profits", a little background is required. The book, "Profits" was not written by W. D. Gann alone. It specifically states in the 1941 edition that the book was written "BY W. D. GANN and JOHN L. GANN." John L. Gann was W. D. Gann's son. W. D. Gann was just like you and I; he had hopes, dreams and a vision of how his life might unfold. One of his dreams was that his son would become a better economic forecaster and trader than he was. This dream started to materialize when W. D. Gann went into business with his son some time around 1939 under the name "W, D. GANN & SON, INC.." . "Profits" was the first large book offered to the general public by this father and son team. The dedication from the 1941 edition of "Profits" reads, "Dedicated To My Son, John L. Gann and Clarence Kirven who have encouraged and inspired me to give my best efforts to writing this book. W. D. Gann". I believe that W. D. Gann wanted "Profits" to bring John Gann his own recognition and respect within the industry. So W. D. Gann did in fact give his "best efforts" to writing "Profits". This is the key to understanding why "Profits" is so different than the other books written by W. D. Gann.

Although we know that W. D. Gann and John Gann wrote "Profits" together it has been unclear which part was written by William and which part was written by John. I believe the answer to this can be found on page 312A in the back of the 1941 edition. This page is not included in the 1951 secondeditionwhichiscurrently available. In the second paragraph under the heading "Credit To Faithful Workers" W. D. Gann writes "To my son, JOHN L. GANN, I owe a debt of gratitude. He has been a hard, faithful, conscientious worker. He has cooperated in the production of this book. Much of the work on percentages are his discoveries. He is well qualified for the work and I hope some day he will be able to write a better book than

I have been able to write".

The third and fourth sentences from the quotation above give us two important facts. First John Gann worked on the production of the original 1941 edition of "Profits" and second, most of the techniques dealing with percentages were John Gann's discoveries.

Now what exactly do you think John Gann's contribution to the book was? I have studied the writings of W. D. Gann from a literary point of view and I am convinced that W. D. Gann wrote "Profits" in its entirety. It is my opinion that John Gann's contribution was to take all the historical data and apply the techniques which he discovered and calculate the percentages which are throughout "Profits". For most Gann traders, the techniques dealing with percentages are often a main part of their trading plan. It is my opinion that W. D. Gann did NOT use the majority of these techniques dealing with percentages.

If you remove the "work on percentages" in "Profits", you are left with the secrets W. D. Gann concealed in his book. W. D. Gann took the same historical price data that his son was working with and applied his scientific astrological methods and made an astrological framework of dates. W. D. Gann hid this framework by surrounding it with all of the "work on percentages" prepared specifically for the book by his son. Each date in the framework is like a piece to a puzzle. The complete puzzle makes up the framework which reveals W. D. Gann's scientific astrological methods. This framework of dates is the key to understanding and proving W. D. Gann's astrological methods. In my new book Gann's Scientific Methods Unveiled I will show you the exact location within "Profits" of the dates in this framework.

Gann's Scientific Methods Unveiled, does not fall victim to either of the problems I sited in the first paragraph. The astrological analysis of Gann's "Profits" is based on my personal knowledge and has produced a wealth of material never before published. Secondly, my book uses Gann's own writing to prove that he used the astrological methods presented. This is truly the beginning of a new era for Gann traders.

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The Gann Spiral

By Petter Amundsen

In my last article (issue #17) I con nected the Gann resistance levels with natural musical harmonics. I concluded with a statement that there are no Fibonacci ratios in music. I was referring the popular .618/.382 that we all know too we In this article I will try to prove that these ratios are not really Fibonacci ratios and that Mr. Gann used Fibonacci ratios quite openly in his books and courses in a better way than they are used today by the advocates of the Golden Section. Some experts are claiming that Mr. Gann kept these ratios away from his readers because they would make trading too easy and would ruin the marketplace! I claim that he used them an taught them.

The Golden Section

The Golden Section, or PHI, is the correct name for the .618/1.618 ratio. It is so called dynamic ratio, connected with growth, and is found throughout the universe. It is closely connected with the number 5, since the square root of five, minus one, divided by two is 0.618. Number five, and the pentagon, are intimately connected with the animal kingdom, just as the hexagon is found in the mineral kingdom (crystals, snowflakes.) So far the theory of .618 controlling the animated markets holds. The problems arise when dynamic growth enters the scene. S0ren Kierkegaard taught that "in life only sudden decisions, leaps, or jerks can lead to progress." These shocks lead to growth by oscillation.

The Fibonacci Sequence

This sequence was first introduced by Leonard da Pisa, alias Fibonacci, in the book Liber Abaci, published in 1202. It goes like this: 1 1 2 3 5 8 13 2134 55 144 233 377 610.... Mark that it commences with a pair of number ones. The philosophy in this is it is representing growth and creation must start with something. Nothing begets nothing. I have seen these numbers defined as an additive sequence where the ratio between successive numbers is PHI. This is almost correct when you are above 89, but, as is shown in "Elliott Wave Principle" by Frost and Prechter, every additive sequence where the sum of two successive numbers gives the next one will reach this ratio (page 109.) Thus this is not a sole property of the Fibonaccis. In fact, the Lucas numbers (1 3 4 7 11 18 29...) are closer to this definition, as 2.618=3, 4.236=4, 6.85=7, 11 etc. What I find is important here is that PHI is really never reached. The sequenced numbers are oscillating closer and closer to this "ratio of least resistance." Therefore, PHI and Fibonacci ratios are not the same thing even if the attraction between them is strong.

True Fibonacci Ratios

We have all seen the Golden Section logarithmic spiral matching the Nautilus shell, the dying leaf and the pine cone. These epitomes of dynamic essence don't strike me as being particularly frisky, are they? The Ram's horn is not genuinely volatile in its structure! In fact, the concept of the Golden Section spiral in nature isn't questioned enough by the public to disclose its intimate link with Mr. Gann's methods. We have for instance been taught that Man's height

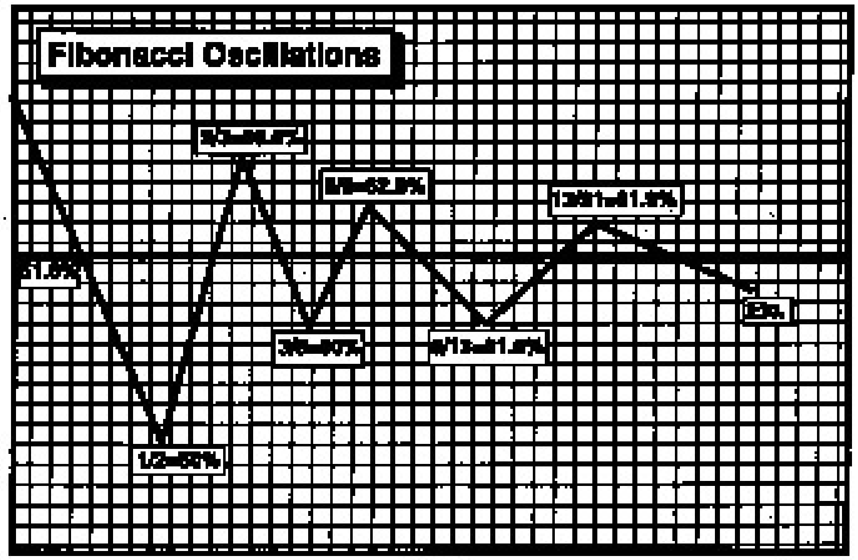

Figure 1

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Have you ever questioned the 50% retracement being placed between the 38.2% and the 61.8% using your favorite software? What has the 1/2 ratio got to do with PHI and PHI squared? Logically, absolutely nothing! If you must use only three levels, they should rather be 37.5%, 50% and 62.5%. These are linked together by the Fibonacci sequence, being growth by oscillation. When the oscillation reaches PHI it is dead. Life will then coagulate into a Golden Section spiral, and dynamics is long gone!

Shocks

Oscillation starts with a sudden impact. For the creation of our universe it could have been The Big Bang, for T-Bonds it may be a surprising report. It could also be extraterrestial influence like planetary positions, sunspots, etc. The shocks hit the markets constantly, and then they fluctuate. Tony Plummer describes these shocks in his extraordinary book "Psychology of Technical Analysis." He also expands on Systems Theory and Limit Cycles. This book is a must read! The only problem I see is that he expects an even, Golden Section spiral to materialize after a shock, not taking the intra-spiral oscillations into account. I believe they make the market behave the way Mr. Gann showed us they do.

Conclusion

This is merely an appetizer for the student of market oscillations. I also felt someone should comment on the myth of "Mr. Gann's deep Fibonnaci secret." He told us all we need to know about ratios. I agree he didn't exactly open the vault of "the great overview" for me on this matter, but the more I studied the more I saw the beauty in his methods. Long Live W. da Fibonacci! O

Petter Amundsen lives in Oslo, Norway. He is a church organist and a trader. He has just launched The $mall Trader's Gannfax™ and can be reached by fax at 011 (for US callers) 47 22 14 15 96.

Synchronicity in Market Timing

By Carolyn Boroden

The definition of "synch nicity" is meaning ful coincidence. In the realm of Fibonacci time and price analysis, when we see a meaningful coincidence of time and price cycles in a particular market, there is a high probability of a change in trend in that market. This creates a low risk, high probability trading opportunity.

The first step in Fibonacci time and price work is the identification of the prior important swing highs and lows in a market. The second is the projection of both time and price from these highs and lows, using the ratios derived from the Fibonacci number series. The ratios derived from this series that are most often found at trend reversals are .382, 50, .618, .786, 1.00, 1.272, 1.618, 2.618 and so on. The third step is waiting for a daily reversal signal to pull the trade trigger.

The following example in the Swiss Franc market will help to illustrate these concepts.

As I was setting up my timing work for the Swiss Franc for the month of April this past year, I noticed a strong coincidence of timing cycles occurring between 4/14/94 - 4/18/94. This alerted me to fine tune my price analysis as we approached this important time zone and to look for a trading opportunity in the Swiss Franc.

The cycles due at this time included (see Figure 1):

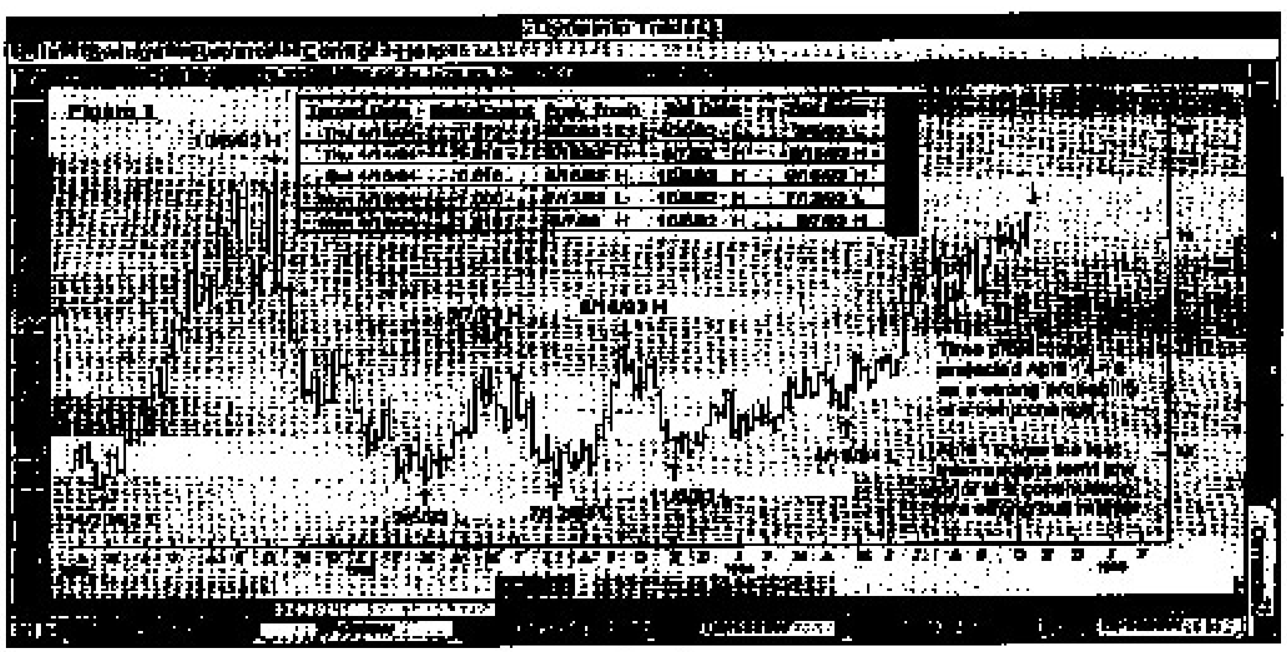
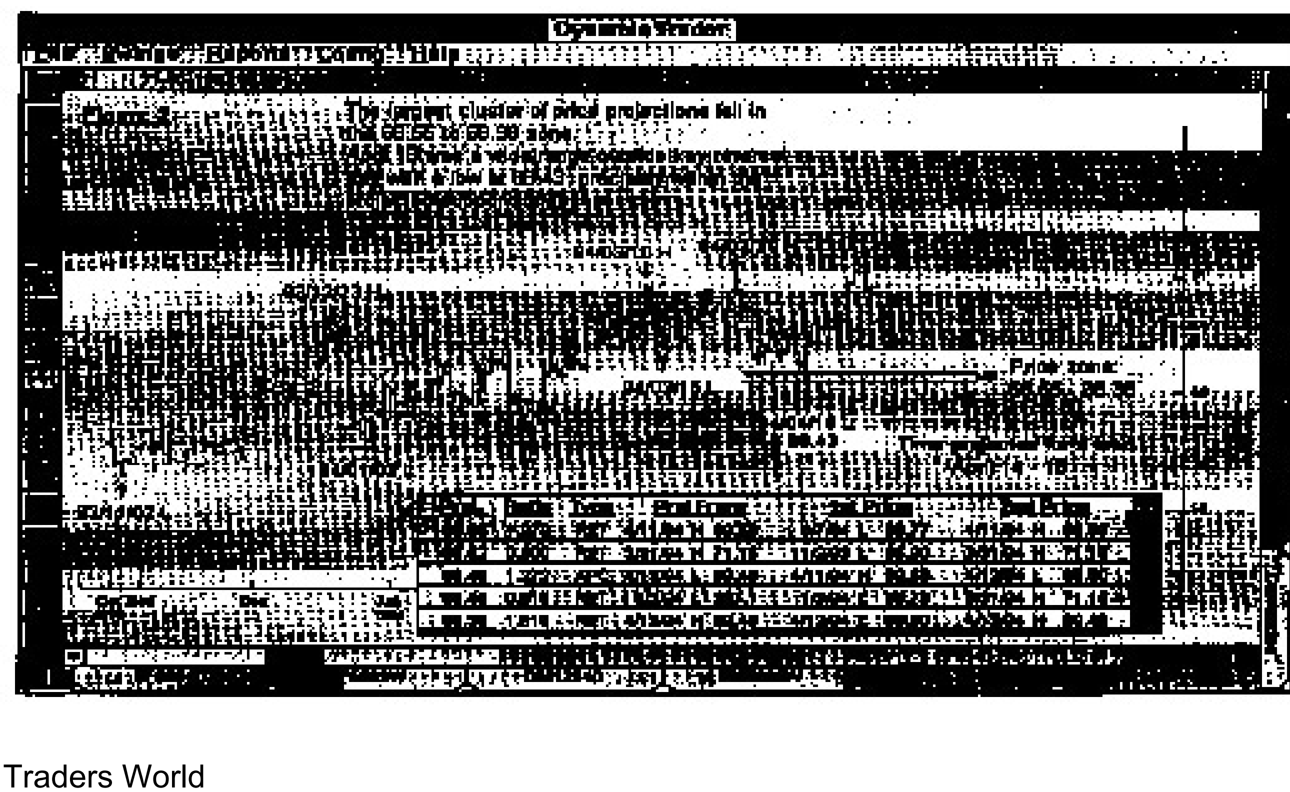


Figure 1

The Swiss Franc market was essentially trading down into this time period. If a change in trend was to occur, the market was setting up for a potentially important low into this time period. Price wise, there were three support zones I had calculated from prior swings that included a large coincidence of price projections. The first zone came in at 68.55-.38 with five projections. The next potential support zone was just below at 68.27-.22 with three price projections followed by 67.91-.70, also with three price projections. The 68.55-.38 price appeared to be the most important as it had the largest cluster of price projections.

On Friday, April 1 th, the first price support zone was reached. However, there was no daily reversal signal April 15 h. On Monday, April 18th, Friday's low

4/14	1.272	4/20/92	low	-	3/5/93	low
[illegible]	[illegible]	[illegible]	High		[illegible]	[illegible]
4/15	[illegible]	[illegible]	High	-	[illegible]	high
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
4/15	1.618	10/8/92	High	-	6/7/93	high



Michael S. Jenkins on Trading

In a recent interview with Michael S. Jenkins, we asked what makes him one of the best traders today. He gave us his background on how he got started trading, his philosophy on trading, how he goes about a trade and more.

Background

I have a lways been interested in the stock market beginning as early as 9 years of age. I started investigating stocks, saving money and trading. Graduated from college in 1971 with degrees in Economics and business. I then went on to get a Masters in Business and become a Certificated Public Account. After that, I started off working in a bank trust department as a portfolio manager investing for widows and orphans with typical prudent man investing fundamentals. After a number of years in a very large bank trust department, I had fairly good success and was hired by a major mutual fund complex. I ran that complex for about 10 years period running three different funds. My claim to fame was that on a number of funds I was up 50-55 percent per year for a number of years. That placed me in the top ten of all mutual fund managers in the country.

Current Occupation

After 8-10 years with that mutual fund complex, I then became a private trader in New York city to privately trade my own money and to work for some specialists firms. I trade the specialist's firms capital on a proprietary basis. I have been doing that for about 12 years and about 11 years ago I started the Stock Cycle Forecast newsletter and hot wire service. since I do professionally trade cycles in my work and I have all this work done, I incorporate it in a newsletter for the general public. I also recently published two books that I have written on the stock market. One is called the "Geometry of Stock Market Profits A Guide to Professional Trading for a Living." This is about my proprietary techniques, primarily how I view the Gann methods, where they come from, and the geometry of time and price. A book I recently published is called "Chart Reading for Professional Traders." It is about chart reading, and what you can learn from looking at charts. The interesting thing I do that is a little bit different than most technicians is that I do a great deal of work with circular arcs, using arcs, circles and parabolics, to describe the emotions of the market, to forecast the market. Many people use trend lines, oscillators and cycles, but only the Circular Arc Techniques can specifically define an area as being a high, or a low. As you know, many cycles techniques, people can predict a turning point but they don't know if it is a high or a low. Whereas if we have a we can measure that. What I do with the Gann techniques is I plot out cycles from these major highs and lows, and when we get these cyclical turns I am looking to see if we have had an emotional exhaustion of a move that has gone in a normal expected maximum duration. Let's say in the past year it has always been a pretty good trade that once the S&P futures go 1200 to 1400 basis in a straight line there has always been a significant correction over several days of a 400 to 500 basis counter move. So if we had a big runaway move in the market and suddenly the S&P is up 1200 to 1400 basis, under normal circumstances we would be looking for a change in direction based on the measured move principle. However, we would also tie in that change in direction with a cycle time period that was coming out and also perhaps numbers, trend lines, and angles. That's basically the philosophy behind it. There is a lot more details where these numbers come from and whether we are taking them from a Gann octagon chart or using the roots of numbers for previous highs and lows. But basically the concept is that there is a cyclical time period that goes in a measured move direction and once it reaches that normal measured move ,as exemplified in the past several days or weeks of average trading, we want to be prepared to fade the trend and look for a different direction.

General Stock Market

This same type of an analysis also works well in the general stock market. A lot of people are looking for an end to the current bull market and I am one of those people. We can apply the same type of analysis to the long term periods in history. As you know W.D. Gann popularized the decennial pattern (the 10 year cycle of looking back 10 years ago, 20 years ago, 30 years ago, 40 years ago, etc.) and finding what those particular years did and what quarter of the calendar the highs and low fell in. So if you observed 10 different observations of each 10 year period and you found that 8 or 9 out of 10 had a high in the first quarter, we would then make an estimate that this would probably happen this year and within that 10 year cycle the dominate cycles would be 10 years, 20 years, 60 years. Note that a 10 year cycle can be considered a "measured" vector distance of calendar time. In addition to the 10 year cycle there are two of the master cycles not publicized that I find very useful. The 100 year cycle and one cycle that the Hindus practiced using astrological techniques for several thousand years and based all their cycles and numbers on 120 years. So, if we look back say 100 years ago we are talking about a market this coming year in 1995 that will look like 1895. If we go back 120 years we are going to find a market that is going to look like 1875. A1though there was a rally during the year in both years, they basically lead to bear markets the following two years. This is basically where I am coming to that with the end of the current rally we will start a bear market and it will probably last 2 years or so as we last saw in 1973-1974. One other interesting thing I might note this year in particular is the interesting influence of cycles that Gann used that weren't publicized very much. Gann was well known to use the number 7 and it was a biblical thing, since there were 7 days in a week and the number 7 comes out in a lot of the Gann material, but in 1994 we are seeing harmonics of 7 years that are very similar to the stock market going all the way back 100 years or more. For instance 7 years ago was 1987, 7 years before that 1980, 7 years before that was 1973, and 7 years before that was 1966, and 7 years before that was 1959. You take these all the way back into 1840 and you will find an interesting thing in that almost every single case the top was made basically this year and the following year was pretty hard down, certainly the first half of the following year was a very significant correction. So that type of cycle research based on the 7 year harmonics shows that after this top in the next month or so we should have a very major correction in the first part of 1995 and similar to 1980 which was 14 years ago there is a very similar pattern to what we have seen in the stock market this year. 1980 had a top at the end of January, early February like we had in 1994. There was a major breakdown with the Hunt brother's financial panic which ended on the last day of March, which is what we have this year. A major rally started from the end of April that was basically led by inflation themes, metals, mining, coppers and oil stocks. The market rallied up into the Fall of 1980 with the Ronald Regan election and right around election day there was a big election celebration rally and that was the high. The oil stocks posted their lifetime highs for several years at that point. So far this year the various groups that we see rotating around are following that theme almost perfectly and many of the short term cycles I follow are indicting some type of major top probably in the middle of November this year. I am using a date of around the 10th of November and if that turns out to be the high we might have a little plunge and then another attempt to rally back in the first week in December. I think after that we are looking at 3 to 6 months of very hard down and then we will get a significant bounce after that.

Historical Data Sources

There are several books published by Dow Jones Irwin. This book publisher produced a handbook on the Dow Jones Averages from 1895 that gives you the daily high, low and close. I also have some rare charts that I have accumulated in the past 20 to 30 years, such as the old Axe Houghton Industrial Stock Average. I have a chart of it that goes back to the 1850s. I also have some rare charts from Securities Research Corporation in Boston that puts out a 20 year chart each year. I was fortunate that when I started out in the early 70's I called up a number of these publishers. They were throwing out all of their old past charts that went back 40 or 50 years. I asked them and they just gave them to me. It is hard finding good legitimate data that's clean that goes back past the 1920's and the early turn of the century. If you can find some, it is very valuable specially on 120 year cycles, 180 year cycles. The data from the early 1800s is very similar to what we are dealing with now, the 180 years in particular, 1820 ish era.

Daily Data

It is not absolutely necessary to use daily data because when you are doing longer term projections cycles expand and contract so there is no such thing as a 10 year cycle that's exactly 10 years. In the natural world cycles can be 9 1/2 years, to 10 1/2 years and be termed a 10 year cycle. What's important in looking at the data is the wave or the shape. There is actually a form, shape and pattern to it. We call this pattern recognition. Like Elliott Wave's where you are counting waves. For example if you can count five waves to a movement, then the movement is complete. So in actually doing a broad stroke interpretation, you don't have to have real detailed data. You can use monthly, quarterly data or even a chart of yearly highs and lows can be helpful. I do have daily data in my long term files so I can do percentages. When you get down to detail work, I rely on hourly charts. Once I have made a determination that say a 10 year or a 100 year cycle is the operative cycle and I am looking for some kind of major high or low coming up at that point I throw away the big scheme. I might point out and it is very important, that most people who get caught up in cycle forecasting don't realize that using cycles and forecasting has nothing at all to do with trading. When we are trading, we are making money, we are trying to make a living off of capital gains. What the cycle and the forecast is used for is that it sets up our strategy. If we are looking for a top in the market we build a scenario of probabilities and we say we look for this approximate date with approximate time because we think there is a cycle coming due and with that as a back drop we set up our of fading the market, maybe of getting out of our longs, or maybe getting a little defensive but not just blindly shorting the market or buying lots of puts saying the market is going to crash here. So we develop a working scenario of what we think the cycle is going to do and then when we actually pull the trigger and make the trade, this is based on solid technical analysis, especially with an hourly chart. Here we want to use simple technical tools like looking for a signal reversal bar. For instance on a bar chart if you are in an up trend and each bar has a higher high and a lower low at the final high bar the bar after that will have a lower top and when it breaks the low of the high bar you get a technical sell signal. At least at that point you have objective evidence that a sell signal has been generated and if you have a cycle that has also come out and is calling for a top, it is legitimate at that time to put on a short using the high of that move as your stop out point. So to really define these cycles we look for the footprints of the energies that are manifested in the market. I use an hourly chart on the Dow Jones, the OEX and S&P to do that.

Forecasting

My primary forecasting tool is the Dow Jones. I use it because it is widely disseminated around the world where people watch it every day and it has great emotional impact with the masses as a whole and so it is very good for forecasting. When I get a major sell signal on the Dow I then go to the other tools I'm going to use to exploit it, whether it is the OEX, S&P or just stocks in general and then fine tune those charts. I use an hourly chart and I also start the count with very detailed Fibonacci numbers. Many traders don't realize most movements in the market run anywhere from 10 to 13 hours most of the time occasionally long moves will run 21 hours or 34 hours in one direction. Once you get a turn on a hourly chart, and it is a valid reversal, it is good for 2,3, or 4 days at a time. But once you break a 3 day trend you might go three weeks at time. Once you get a signal reversal on an hourly chart, it is the first sign that you could be going for 3 or 6 weeks or even 3 months in a primary direction. One of the key fundamental truths that I have used all my life in trading and this is a direct quote from W.D. Gann too (and a lot of people don't pick up on it) is that the primary cycle in the market, and in stocks in particular, is based on the year having 52 weeks. You can divide the 52 weeks of the year into eights and sixteenths so: 52 divided by 8 is basically 6 1/2 weeks and 52 weeks divided by 16 is 3 1/4 weeks. You can take any stock chart, and 90% of the time if you find the high or the low, you can count over 3 1/4 weeks and you will find the next high or low. It works like clockwork. Once we get a buy or a sell signal in stocks and we are going long or short the particular issue the fundamental unit will be 3 1/4 weeks. If it is still going in the same direction after 3 1/4 weeks, it will go 6 1/2 weeks. These bigger term movements are basically the 3 1/4 and 6 1/2 week cycles all chained together. Those are fundamental units that are greatly over looked with people that are trading stocks. There is no such things, in my opinion, as a 4 week cycle, or a 5 week cycle, or a 10 week cycle. The 10 week cycle is basically the 3 1/4 week and the 6 1/2, it is really 9 3/4. In the stock market as a whole most of the big movements will run 6 1/2 weeks (45 days), or what Gann called 7 times 7 or 49 days. You often will have a panicky breakdown that will go 7 weeks maybe 9 weeks. However, most of the big moves that we have seen in the last 30 years especially big breaks in the market once there is enough momentum on the tape to declare a breakdown has occurred, usually go 6 1/2 to 7 weeks.

Computer Trading

My office has about six different computers that I use doing various scan routines. We use, Metastock, DollarLink, Data Broadcasting, etc. At one time or another, I have tried them all. I must say one thing about the use of computers in trading, it is a great tool and it can really help you out but I find that a lot of traders get lazy and rely too much on the computer's screens and the chart approximations. It is very easy to draw a 15 minute chart or an hourly chart of some S&Ps or a daily chart on some stocks with the computer and every other day when you redraw the chart the computer changes the scale, changes the trend line and your arcs. It is very difficult for a human being to keep track of what he is looking at using a computer. So I insist in my work when I am doing my forecasts is to maintain a hand drawn hourly chart. The hourly chart I draw on the Dow Jones I have on one continuous long piece of paper that I have done for 10 to 15 years now. This way your time and price axis is always the same. If you have a big move in the markets maybe your chart will have to glue 3 or 4 pieces of paper up the side of a wall or something, but at least there is a continuity there which helps you have trend lines going back a long way. One of the reasons that I do that and most people don't even remotely realize how powerful these long term cycles are is that hourly counts going back into the thousands of hours are very accurate. For instance in the stock market everybody knows the Fibonacci number series 3, 5, 8, 13, 21, 34 etc. and often people will use an hourly chart and will count their 21 or 34 hours and some will count out to 89 hours or even 144 hours. I rely on the long term counts, for instance the number 1.618 Fibonacci ratio. I will move the decimal point and use 1618 hours or 1382 hours. Now these go out even a full year or more and when they come out they are always good for a movement of over 100 points in the Dow Jones Industrials Average and they are almost always accurate within 2 or 3 hours of the turning point after a whole year or more. It would interest people to know in August of 1982 at the bear market low when the Dow Jones closed at 770 up to the August of 1987 top it was almost exactly 7700 trading hours. That's more than just a coincidence. You would not even know that unless you keep detailed hourly counts. I do that on my computer studies and hourly charts that I keep by hand. I always maintain hourly charts of 3000 hours from a top of 3000 or 4000 hours or 5000 hours. These are valuable and unless you have some backup charts that you are maintaining by hand it is very hard to keep track of it on the computer. I do use the computer to sort through a database of 3000 stocks to get some ideas of rotation or what groups are going in and out of favor. I do use standard indicators like Bollinger Bands, Stochastics, Oscillators, Moving Averages even though I think that they are worthless for trading purposes, because they miss the point. They are an approximation only. Where as if you do a detailed cyclical approach that I use you can get very precise. But never the less these are good filters to at least start an analysis of some data. Breaking through the Bollinger Bands which are basically standard deviations above the moving average, at least when you start breaking through those standard deviations you know there's something going on there other than just random chance and that there is a good indication of cyclic activity at work. We should focus our attention on those groups of stocks that are breaking out or breaking down and then work on more detailed circular arcs, measured move theory and cycles.

Systematic Approach

This is a systematic approach to trading the markets and when really applied the way that Gann did it, believing that time and price are the same thing, it can yield unbelievable results. In the recent book that I wrote; "Chart Reading for Professional Traders." I give kind of a guide to S&P trading for a living. You take an S&P chart, or bonds, corn, or wheat, or any other commodity. On a tick by tick chart throughout the day you put these little circular arcs on them. What I mean by a curricular arc is, let's say when you have the opening bulge where in the first 20 or 30 minutes of trading the S&P goes down and then they suddenly zoom up a 100 basis and that whole movement is done in 1/2 hour or so. Once we have that measured, move from the low to the high we can draw a little circle around it putting the center of the circle on the low and drawing an arc up to the high and swinging that arc down. Where that arc goes maximum down will define for us early in the day an exact turning point sometime in the afternoon. Frequently it will come out around 2:00 or 2:30 where the turn is. It will usually be accurate within 2-3 minutes and it will be a major move of 100 basis or more for the S&P trader. So having knowledge of circular arcs and these minute measured moves which can be drawn on the charts to see it is to believe it. They are there and they work all the time. These circular arcs work because time and price are the same thing when measured in "vector distances." All points on an arc are the same time and price vector. Breaking away from an arc signifies a change and we trade that change.

Cycles and Astrology

When I left the fundamental world of the bank trust departments being a CPA and doing fundamental research, I found out that I really wasn't making money doing that. I became a CPA solely to be able to read the annual reports and decipher them even down to the footnotes. I thought that was the road to riches. I was sadly disappointed. Then I got into technical analysis and cycles in particular. In the process of studying cycles I basically "reinvented the wheel." I studied everything there was. I took a look at astrology and I was introduced to the W.D. Gann course. I found out that Gann lived and breathed numerology and astrology and he thought that they were two separate things and that energies that ruled the emotions of the people were emanating from the planets. This was astrology in practice. As the planets moved they did create emotions on this earth, but he also felt numerology was something separate and apart from the astrological cycles and that there were also set number cycles where every 49 days, 50 days, or 100 days or 1000 days you would have very precise cycles that had nothing to do with real world astrological formations. There were two different worlds looking at charting and forecasting and often the number one question I'm asked is should I keep my charts on a trading day basis or a commodity he was currently looking at and once he equated that number to the planet in the sky it was a simple process for him to look in an ephemeris which shows you were the planets are located every year and forecast out the next 6 - 9 months out into the future. He could then plot the longitudes to the planet, convert them to the numbers and say this is where the particular stock is going to go to. If you take that approach you will get some very good broad based projections. They are not very detailed and there is a lot of slippage along the way. There are some difficulties in defining exactly what planet may be doing it. Gann often used a combination of 4 or 5 different planets and averaged them together. It is a fact that if you look at the final highs and final lows of the stock market's history if you find the numbers that they gravitate to on those final highs and lows can easily be converted into a number where there is a well know planetary occurrence going on, like a solar eclipse where two big planets are making a conjunction or a position and the degree of longitude where they are positioned in the sky can easily be converted into the price levels that they hit on that day. That is, in essence, what is behind the whole W.D. Gann method. This is how W.D. Gann did most of his yearly forecasts. In his yearly forecasts he would often use the heliocentric pattern, the Sun centered where planets only go around the Sun on direction all the time, and so a planet like Saturn is bullish or bearish depending on what section of the Zodiac that it is in. That would be a bull move and then it would change to another sign that would be a bear move so he would draw a stick figure on his charts like a little teepee where it would go straight up, the planet would change signs and then it would go straight down. Now superimposed on that system he would use the Earth centered system. Now viewing the planted from the earth we have this apparent retrograde motion where the planets go both backwards and forwards so then there are almost always three different positions where the planet will be at the same point. Let's say there is a conjunction between Jupiter and Saturn. The planets will be coming around and conjunct at one point and then they will pass each other, but one of the plan ets might go retrograde, then it will go backwards again and catch up with the other planets and conjunct it a the second time and pass it and then when it stops going retrograde and goes forward again it will reverse and go back and go through it a third time. Ninety percent of the time it only does it three times. Gann found this to be the cause of triple tops, triple bottoms and head and shoulder patterns where the planet would make a conjunction on say the left shoulder of the pattern, go back through it where the head of the pattern was and then the right shoulder would be the third conjunction. On the Heliocentric sun centered when you would just have the straight up pattern to the top and the straight down. But the left and right shoulders on the head and shoulder pattern would be these retrograde movements that would go back and forth. In the Gann course, his basic rule is you can buy at double or triple bottoms but on the fourth time it almost always goes through. This rule was based on the principle that these conjunctions and oppositions where the planets came backwards and forwards would only occur three times during a retrograde motion and then they would be gone and you would not see them again.

Master Time Factor

I have some opinions about what Gann's master time factor is that I don't won't to express in public. Their have been some books and course around that some people said the master time factor was basically a 60 year cycle, which is worth noting in that for 3000 years from 2000 BC on, astrologers have always known the seven primary planets that are visible with the naked eye in the ancient world and the seven planets that the days of the week are named after. That all seven of these return approximately to the same position in the sky every sixty years. So if you are doing astrological forecasting this would give rise to a master cycle of about sixty years. So a lot of people put great store in forecasting a primary harmonic to the 60 year pattern. Unfortunately as with any astrological type forecast, even though they may return 60 years you can get opposite results at 60 year intervals. For instance 60 years ago a lot of people are bullish for this next year because it was 1934 and you still had a big upsurge in 1935, 1936 and 1937, before you had the big top. That still shows an ongoing bull market. But if you go back another 60 years from that and 120 years then we are back into 1874 and 1875 and instead of 2 more years up, you have 2 1/2 years straight down. The same 60 year harmonic but exactly backwards. It is kind of like the Elliott Wave principle where cycles often alternate. One is in one direction and the other is in the opposite direction. Now I would be more inclined to believe that instead of watching 1935, 1936 and 1937 being straight up the next several years were going to have the alternation of that or a cycle inversion here in the next month and instead of being a major low as it was in 1934 it turns out to be a high and the next 2 1/2 years are down as 1875, 1876 and 1877 was.

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New Cycles Software

By Larry Jacobs

W.D. Gann and R.N. Elliott were two of the finesl market traders of all time. They both felt that understanding and using market time cycles was the most important factor for successful trading. R.N. Elliott said that "Man is subject to rhythmical procedure; calculations have to do with his activities and can project far into the future with a justification and certainty heretofore unattainable." Up to now, calculating time cycles was a very difficult job. Many times too difficult and perhaps time consuming for the average trader. Now, four new computer software programs for use with the IBM personal computer may change that. These program are designed for forecasting time cycles in the financial markets.

Why should you consider using the new programs for forecasting time cycles? The reason is that it will help you to get in and out faster than you would with most of the trend following software available on the market today. Most of the existing trend following software use various oscillator tools such as relative strength and stochastics or it uses some form of moving averages. These tools usually get you in and out of the markets too late giving small profits on your trades or even worse, they give you small losses. Cycle timing software allows you to anticipate tops and bottoms and therefore getting you in sooner and out faster of the trades. That helps to eliminate the slippage of oscillator and moving average trading systems. You can therefore trade from more of the spread between highs and lows.

There are two kinds of cycles used to forecast in the market, static and dynamic. Static cycles have a fixed time between intervals. W.D. Gann used the static cycles of the circle such as 45, 60, 90, 180 and 360. Market tops and bottoms would occur on a regular interval of one or a combination of these static cycles of the circle. Dynamic cycles, on the other hand, do not have a fixed time between intervals. They seem to occur at irregular intervals based on some proportion of time such as the

Fibonacci number series. The number series is 1,1,2,3,5,8, 13,21,34,55 and so on. The distance between these numbers is based on the proportion of 1.618. Each number is 1.618 times the previous number. It is believed that every top and bottom in the market is related to each other by some Fibonacci ratio. Many traders actually use a combination of both static and dynamic cycles.

Many of these new software programs help you to both understand and forecast both static and dynamic time cycles in the market. In this software review we will give you an idea of what these programs can do to improve your timing in the markets.

Nature's Pulse

This software program contains ten market forecasting technical tools as well as thirteen useful charting features and reads end-of-the-day data formats. The following is an explanation of the forecasting tools contained in the program and how they work:

A-Cycle is a simple but effective time study that lets you analyze static cycles within a market. You can select up to 100 dates and then project a single fixed cycle from those selected dates. You may be looking for a single time count and may only want to see one cycle at a time, or you may choose to have the cycle repeat.

B-Cycle allows you to have the program select up to 100 pivot points for calculating future points for static cycles. This study is ideal for Gann students, because it can project a series of static cycles (e.g. 30, 45, 60, 72...) from each pivot point. It can just as easily project the Fibonacci number sequence (1, 1, 2, 3, 5, 8, 13, 21...) for followers of the Elliott Wave Theory. The B-Cycle builds upon the

A-Cycle concept by allowing the user to run different fixed cycles, rather than just one fixed cycle using several different starting dates.

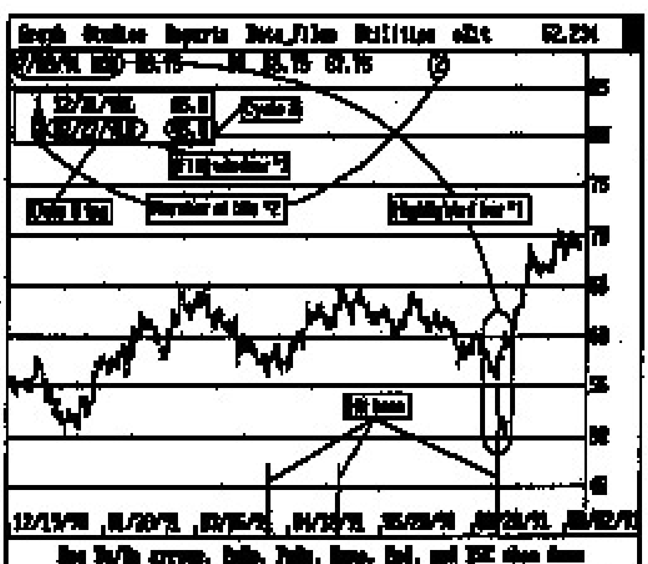
C-Cycle, which is perfect for the analysis of the "Golden Section Ratio," lets you choose up to 50 price swings and then multiplies the time difference between the beginning and end of each swing by a set of multipliers of your choice. The C-Cycle is designed to take the distance between pairs of pivot points that you select (known as swings) and then multiply those swings by a multiplier file of your choosing. The resulting products are then added to the earliest of the pair of pivot points. The C-Cycle is especially useful for dynamic analysis.

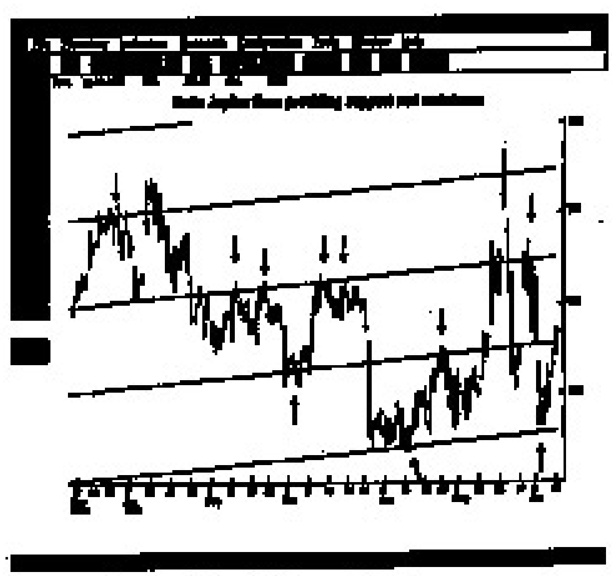
D-Cycle can be used for both static and dynamic cycle time analysis. The D-Cycle is considered to be one of the most powerful and popular tools contained in Nature's Pulse. This is because the D-Cycle takes all possible combinations of the time differences between pivot points, then multiplies these combinations by the multiplier file of your choice, and finally adds the resulting products to the first data of each combination found.

E-Cycle uses the technique developed by Larry Williams to project a turning point in the price trend of a market. The E-cycle requires finding a price pattern in the shape of a "W". The distance between the two lows in multiplied by the square root of pi. Then, that product is added to the center high. The result is a future point in time indicating a likely spot for a change in trend. The same can be done for a mirror image of the same type of price pattern in the shape of an "M."

Time and Price Accordion is a computerized proportional divider allowing you to analyze the relationship of static and dynamic cycles within a market as well as the support and resistance levels. You can use any proportions you wish. It's an easy tool to use and saves time.

Power Count. Many times a high or a low become a reflection or zero point over a period of time. As you count to the left from this point, the time to turning points is repeated as you count to the right of the reflection point. Power Count makes it easy to count the number of bars from highs to lows, highs to highs or lows to lows. Power Count displays the time from one point to another in trading days, calendar days, weeks, months and years.


Nature's Pulse


The Universal Clock

AutoMode allows you to forecast a change in trend for a particular issue without any input in a matter of seconds. Automode will look back 150 bars from the selected date and tries to find significant pivot points. If five good dates are not found it will go back even firther to find five reasonably spaced pivots. Then these cycles are calculated using the D-Cycle with multipliers of 2,3,4, 1.618,2.618 and 4.236. Finally the software automatically determines if there are any clusters and if so, the first cluster is identified as the next change in trend forecasts.

AutoScan is the most powerful forecasting tool of Nature's Pulse. It is designed to quickly look through a portfolio of stocks, futures, indices and mutual funds, alerting the user to only those issues which are forecasted to have a change of trend within the last few or next few days, which is called a forecast viewing window. A proprietary method is used to forecast these turning points.

This program has many other excellent features such as a user friendly mouse driven charting package. It has a popular feature called TeleZoom which lets you switch from one time frame to another with ease and speed. The program let's you view your chart in either trading days or calendar days with volume bars. The charts can be automatically scaled. Theprogram features regular bar charts, close-only or colorstick charts, which used the same principle of candlestick charts but allow the price patterns to stand out and be recognized. Nature's Pulse also gives you an option of displaying an issue in either a standard-price scaled chart or a logarithmically-price scaled chart.

Nature's Pulse is priced at $1595 and is available from Kasanjian Research, P.O. Box 4608, BlueJay, CA 92317, (909) 337-0816.

The Universal Clock This easy-to-use Microsoft Windows based software program is based on the popular book The "Universal Clock" written by Jeanne Long. The program is designed for traders who are not necessarily involved in planetary cycle information. It will allow you to use this planetary data without knowing anything about planetary cycles other than what shows up on the screen. After they read the manual, they can thumb through each commodity or stock they want to look at and then just in a matter of minutes they can determine what planetary signals work on that particular stock or commodity. The book demonstrates price repetition patterns for several commodities including Beans, Wheat, the Dow, S&P, Yen, Deutche Mark, Swiss Franc, Silver, Crude and Sugar. The software includes all of the Planetary studies needed to test these patterns and project future prices from this book. This program gives quick and easy access to W. D. Gann's market reversal dates and astronomical aspects related to prices of all commodities and stocks. The program gives Price Repetition Dates where prices often come back to a previous prince range under certain planetary relationships. It can look at planetary dates or configurations or aspects and look at the price on that date to tell when tat same price configuration occurs again. If it tends to repeat the price, which often happens, then it will show you when the next one is going to occur out in the future so that you will know what price it will be at that particular time. It has the ability to predict where price is going to be. That prediction is not 100% accurate because the market moves up and down, but it will give you about a 70% accurate prediction of price. So when you look at all the other aspects of it then you can get a good idea where price is going to be at that particular point.

It also gives planetary channel lines which give support and resistance lines on all commodities and stocks. The planetary channel line function of the program translates the planets position into a price based on the 360 degree circle. It then converts from the 360 degree circle to W.D. Gann's wheel of 24 into price. The program then helps you to know how price functions at these particular points. The program also give sensitive dates where on dates of crossing certain markets tend to reverse. The program also includes a Universal Clock Wheel. One click on the price table will give color coded arcs at low to high of price as planets translate to price. If a planet is also crossing a sensitive point, a price reversal may be imminent. The software provides over 60 different planetary studies as well as technical analysis tools including moving averages, MACD, Bollinger Bands, Relative Strength, True Strength and a trend line drawing tool. The program reads end-of-day data format only.

To effectively use the program the trader can look at the planetary lines, for example, which gives support or resistance to price. So let's say price is heading in an upward direction and it comes to a planetary line and say their technical signal gives them a sell then it would be a very good sell because planetary resistance has stopped price and reversed it. Another confirmation that price has reversed at that particular point would be that if you have certain planetary patterns or aspects that cause reversals. For example in the planetary studies section of the manual there is a whole grouping of planetary aspects that an individual could put on screen and they could see how price reverses at these particular points with regularity. So if you have that sort of thing occurring at planetary lines, you would have a technical signal and two planetary signals to sell. You would combine it in that particular way to insure that you would have a good reason to take a trade. Price tends to bounce between the planetary lines. It bounces from one to the other. When it touches the low one it bounces up to the high one and then it goes back down to the low one.

This program is for traders not astrologers. It's for people who know nothing about astrology. People can within a short period of time learn how to use this program and visually see on the screen what is working and what is not and therefore use it in the future. The program is also a research tool. Once the trader is familiar using it then they can research whatever data they have in the computer. If they have 20 years of data on Soybeans, for example, then they could run a whole research project on it.

The Universal Clock software is availa e from P. S. Inc., 757 S.E. 17th St., #272, FT. Lagderdale, FL 33316.

Time Dynamism

This is another Microsoft Windows based program. It is designed provide points of change in trend and acceleration in trend in the markets. The program is primarily for futures markets but it will work with the stock market also. The program consists of sophisticated time, price retracement and expansion spreadsheets. In the time part of the program the ratios and integers have been reduced to about 30 that are considered the most important. This software is designed to be used with 3 or 4 degrees of movement - super/major, major, intermediate and minor. That means you can make 3 or 4 time files for each entity - stock, commodity or bond. The largest degree, super/major should be from a monthly chart that should go back at least thirty years. The next lower degree, major, should be from a weekly chart going back on a weekly chart of at least 10 years. The next lower degree, intermediate, should be from a daily chart going back 2-3 years. Once these time files are set up they are easy to keep up, every week or couple of weeks. Some super/major files don't have to be updated for months. After these times files are updated the trader goes to the frequency report section which can create a histogram or a spreadsheet type report. This can be a summary, detailed or a slim report. These reports give groupings of hits that are based on a minimum score required to display that can be put in by the trader. In the frequency report the highest number of hits determines the importance of the time cycle. The trader can run a printout for each degree of movement and then match up the times that have heavy clusters of numbers of hits or ratios for a particular day or couple of days.

With the larger degree of movement the program can check for active pivot pairs which one can look back in a file pivot pair results. You can check for any pivot pair result for that file and look to the ratio and see where that has projected in the past for many years. The trader can then look on a chart to see if they hit or happen at a particular time that there was a high or a low. This can be helpful to know when to project highs or lows in the market.

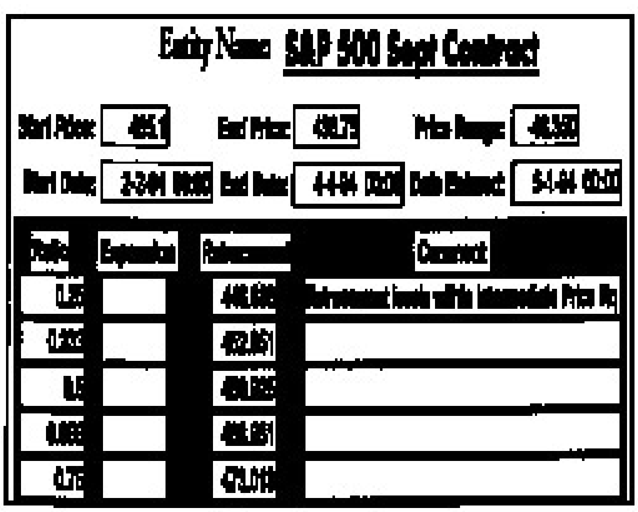
This spreadsheet program can also determine price expansions and retracements based on ratios that are input into the program. They can be set up for each degree of movement.

The recommended method of using this program is to run all time projections for each degree of movement. Then one should be run the price projections and retracements on each degree of movement. All these reports can be printed out and scanned for matching clusters of dates and price projections. If a particular date has a high number of hits it should be a reliable turning point. This is a powerful program which should not be underestimated. It should be used with any quality techical analysis program.

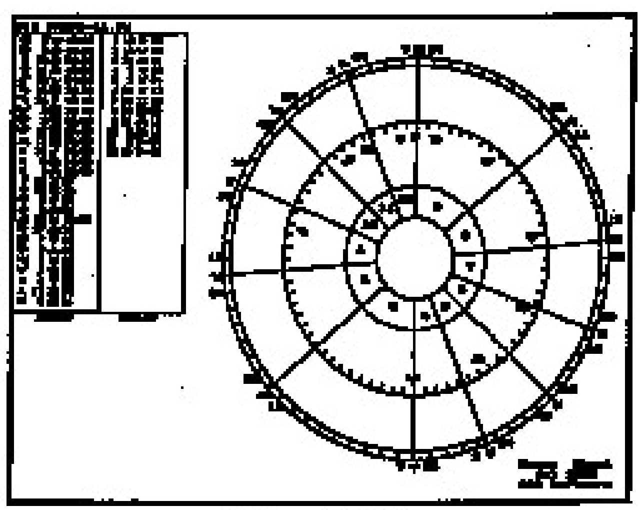
The Time Dynamism software is Microsoft Windows based program and is priced at $595. It is available from The Investment-Trader, 439-A Country Club Rd. Rockford, TN 37853, (615)982-7189.

The Financial Trader

This program is based on astronomical cycles and does just about every astronomical cycle there is. The program is very tool oriented. Most astrology programs are not very tool oriented and there is no varying any type of data. This program does a fantastic job with the Bradley indicators. Bradley was a person that wrote a famous market forecasting book back in the 1920s about how certain planetary functions in the sky affect markets. He had a formula that he went through to weigh every aspect in the sky. After that he would draw a forecasting graph and say, for example, this is how the market should go in 1994. This program has that formula in it. The Bradley formula has been revised quite a bit, because they found that it didn't follow the market that well. So the programmers went back and used all the aspects, the angle differences between



Time Dynamism



The Financial Trader

the planets that Bradley used. They went back on data into the 1800s to see if the aspects were bearish or bullish and corrected the formula to make it extremely accurate.

There is another famous forecaster, George Bayer, who did a lot of work on grains. He did a lot of work with planetary study with speeds of planets, aspects between planets, etc. that certain things happen in the market. They took all of his rules used in his books and they made models for them, so you can take it an drop it over any type of history and find out what it does. They also did a super search, which means you can find any type of cycles in the sky. You can do up to 21 different types of criteria. So you could say when two planets are at this degree, in this sign, or in that sign, hitting this planet or that planet what the market should do. This creates models that can be dropped over the market with lines to see how it affects the markets or you can send it through efficiency testing which the program has. You could say here is my model which I think moves wheat or any type of market and then send it though an efficiency test to show what it does 10 days before the exact aspect, the exact day of the aspect, and the 10 days after the aspect. It will go through all the history. The program will do three different kinds of averages movable averages, mean averages and standard deviation averages. The program will draw a curve to see on the day of the aspect what the market did. For example, if you have a model that moves gold, in 2 seconds you can go to your computer create the model, send it through the efficiency test to see if it moves gold or not. It saves a lot of time.

Another powerful thing the program does is full astrological research. Everything that was ever written about astrology. How you would use that for instance, if you want to work with the S&P, you would take the history of the S&P, you could mark it anyway you want for example through the Elliott Wave, Fibonacci, new highs, etc. You can then mark these points with a click of your mouse. Every time you click you mouse, it marks the day of the file, then it will go on an calculate for every day that you mark. It will calculate all the planetary positions for that day. It will then create a file where you may have a hundred different days and then you can send it through this research package and tell what these days have in common. It may, for example that every day you marked 14 degrees Scorpio was hut so many times, Venus and water sign was hit so many times. Full moons, new moon and all the midpoints and the harmonics and everything that's going on. This gives you a full program when you use astrology.

The program has one of the largest data bases for first trade charts. It contains when a company made its first trade - the time and the day which is very important in astrology. The program has over 2000 of them.

The program also has a black box where you can create different weights for an astrological phenomena. This technique was created around Lt. Col. David Williams theory. With the black box you can then send results to a bunch of charts or the time in the sky from now to the end of the century. If you put the moment you were born and the day of your birthday in the program it can tell which of the 2000 companies in the database that you you are compatible with if you trade with these companies. Another very good part of the program is the Time Tunnel. You can use various techniques to see when certain planets are in stress and are not in stress in the sky to predict the stock market.

The Financial Trader software is available from A.I.R. Software, 115 Caya Ave. w f Hartford, CT 06110, (203) 232-6521

Robert Miner's new Dynamic Trader software was not ready so we could get it in this review. We understand that this Microsoft Windows based program will have excellent time projection techniques incorported in it. It will be available in January of 1995 from Gann/Elliott Educators, Inc, 6336 N. Oracle, Suite 326-346, Tucson, AZ. 85704, (602)797-3668.

Popular Trading Prices for Wheat

By Jim Watkins

Systems and techniques to fore cast events have been used for thousands of years. Highly accurate predictions of celestial events were made long before the birth of Christopher Columbus. For those interested in calculation of time, eclipses and some theories on

Stonehenge, read "How the Shaman Stole the Moon" by Dr. William Calvin, an amusing and informative book.

Today, thanks to Gann, we can forecast the wheat market using some of his favorite price multiples. One-62 cents, also have of 62 cents (31)-

can be of assistance. For the L)ecember 1994 wheat low of $3.09, the calculation is 62 times 5 which equals 310 cents. Experimenting with coarse and fine price levels, multiply 62 times 7, and a price of $4.34 is forecast as a possible high. This forecast of $4.34 has not been struck as of October 13, 1994. Use all multiples of 31 and 62 whenever you are

Swing Trade

December Wheat 1994 Contract High 418 3/4 - Low 309

Stress Points Eights (1/8) Chart Points Twelfths (1/12)

	Low	High	Diff.	N.R.P.	G.R.		Diff.	Diff.	Cycle Squares
[illegible]	309	418 3/4	109 3/4	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	282 3/4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	1/8	313 1/2			316	1/12	308 1/4		
				[illegible]	[illegible]	2/12	318 1/2	[illegible]	[illegible]
	2/8	329 3/4			334	3/12	328 3/4		
						4/12	339		
	3/8	344 1/4		345		5/12	349 1/4		
			[illegible]	[illegible]		[illegible]	[illegible]		
	6/8	374 3/4			371	7/12	369 3/4		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		
	6/8	390 1/4			391	9/12	390 1/4		
[illegible]	[illegible]	[illegible]	[illegible]	401	[illegible]	10/12	400 1/2	[illegible]	400 (20)
	7/8	405 1/2				11/12	410 3/4		
[illegible]	[illegible]	[illegible]		421	[illegible]	12/12	421	[illegible]	
	8/8	436 1/2				13/12	431 1/4		441 (21)
	[illegible]			[illegible]		[illegible]	[illegible]		

N.R.P = Natural Resistance Point G.R.= Golden Ratio, Golden Cross, Fixed Cross, 45 ° line

Table 1

forecasting wheat targets.

Next, referring to the low price of wheat in the year 1852 at 28 1/2 cents, with this multiple of a histsrical low price of 28 1/2 cents times 23, we get $6.55 1/2. The actual alltime high for wheat on the Chicago Board of Trade was $6.45. So this first calculation of $6.55 1/2 missed the actual high by 10 1/2 cents. Combining multiples of 28 1/2, 31, and 62 cents, we find 31 times 21 equals 6.51, and this misses the high of $6.45 by 6 cents. I will repeat, theses calculations missed by 10 1/2 cents and 6 cents. Additionally, use 7 cents and all multiples, and find that 7 times 92 is 644 and 7 times 44 is 308. The calculations using 7 cent multiples missed the December 1994 low by one cent and the all-time high by one cent. Not an insignificant occurrence in my mind. Notice how we narrowed our accuracy down to smaller and smaller misses of the actual low and high prices.

Now to highs and lows on the chart included. Key prices of 316, 334, 352, 371, 391 and 411 were struck. These numbers are on the chart as Golden Ratios and are located at zero, 90, 180, 270, and 360 degree price lines. Forty-five degree line numbers-- 307, 325, 343, 361, 381 and 401, all have been touched (note contract low $3.09, high $4.18 3/4.) The next higher forty-five de gree line number of 421 has not been touted as of this writing.

Note: All Natural Resistance Points (N.R.P.) are 22 1/2 degrees apart. All Golden Ratio (G.R.) numbers are on zero, 90, 180, 270 and 360 degree lines. Several other key numbers are found on the 45 degree lines. These are the northeast, northwest, southeast, and southwest degree lines. Also the southwest 45 degree line numbers are odd square root numbers 9, 25, 49, 81, 121 etc....

Even-numbered squares are located one number off the northeast line, i.e. N.E. line number 401--one unit less equals 400, and that is 20 squared. Each of these numbers is important when measuring the strength and/or weakness of a market. Wheat is our illustration here, but all markets can be evaluated in a similar manner.

Jim Watkins is an active trader in stock, option, bond, and futures markets. Since 1988, he has drawn on his over 27 years of experience to provide daily market predictions to private and corporate investors. Jim can be reached at ECM Research at (901) 767-0355

Percentage Change Price Projections

By Robert Miner

The following article is condensed from the "Percentage Change Price Projections" section of the Dynarnic Training by Robert Miner. If a trader wishes to understand the mathematical relationships at major trend changes, the trader must take an additional perspective of price analysis than simply projecting Fibonacci price retracement levels. The knowledgeable trader will make larger degree price projections by percentage change and rate of change as well as the familiar price range retracements and projections. This article will describe percentage change price projections, and how they are used in conjunction with range price retracements and projections to alert the trader well in advance to major price support and resistance targets. A future article will describe rate of change price projections.

Most traders are familiar with calculating price retracements of prior swings as potential support or resistance price levels. The most familiar retracement levels are associated with what are called the Fibonacci ratios of 38%, 50% and 62%. Markets frequently make at least minor highs and lows at these retracement levels. This is particularly true of minor and intermediate term market swings up to approximately 90 days in length.

Markets tend to make highs and lows at Fibonacci retracements less often at the primary degree trend changes. We will consider primary degree trend changes those market cycles which last anywhere from several months to several years. They are the trend changes that would be the obvious highs and lows on a monthly chart. Priy degree trend changes are important for traders to identify, as the most profitable trades are those taken in the direction of the main trend.

Price range retracements and projections are made by measuring the price range of a prior swing for retracement or projection. This is the type of price projection analysis most traders use on a regular basis. The same methodology that we use for price range projections is used for percentage change price projections. Rather than use the price range of each prior swing to measure retracements and projections, we use the percentage change of that swing.

Percentage change of price is a better comparison between price swings than comparisons of the price range of swings. A lOtorallyfromapriceof lOOis lOpoints while a 10% lally from a price of 200 is 20 points. While the second rally was twice the price range as the first, each new swing made the same change relative to the beginning point for each movement Each swing changed by 10%. The table below shows the 50% retracement projection of a swing by both range and percentage change. The swing advanced from 300 points to 400 points for a range of 100 points. The pPrcentage change of the swing was 33% which is the lOOpointrangedividedby 300. From the low of 300, the swing advanced 33%. A 50% retracement of the swing's range falls at 350 which is 50 points (100 x 50is) subtracted from the 400 points high.

We calculate the 50% percentage change retracement in the same way but use the percentage retracement instead of the range. The 50% percentage change retracement of the 300 point to 400 point swing is calculated by multiplying the percentage change of 33% times 50% (16.5%) decrease from the 400 point level. (400 x 16.5% = 66: 400 - 66 = 334).

50% Range Retracement
Compared with 50% Percentage Change Retracement

As you can see, a percentage change retracement or projection will always provide a different target than a range retracement or projection.

Currencies are known for fast, volatile and persistent trend swings - the type of profit making trends that traders want to identify at the trend reversal pivots, not weeksaftertheyhavebegun. In Feb. 1991, the mark began a severe decline. Temporary support was found at the 50% and 62% range retracement levels. Most establish ment traders believe the 62% retracement level is the last stand of support for counter trend, and, when it was exceeded they became very bearish, expecting a continuation of the bear market and new lows in the mark

Dynamic Traders knew there was a very important support level just below the 62% range retracement projection. That support level was the 50% percentage change retracement target which fell at 54.78.

See Figures 1-3 and their comments before continuing.

Let's look at the current position of the } as of the first week in Oct. 1994. On July 12, the mark made a spike high at 65.95 which has not been exceeded as of the first week in Oct., three months later. While the July high was made near the 61.8 % range retracement thelow we have

in the past how often that retracement level is exceeded. What other price projections

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

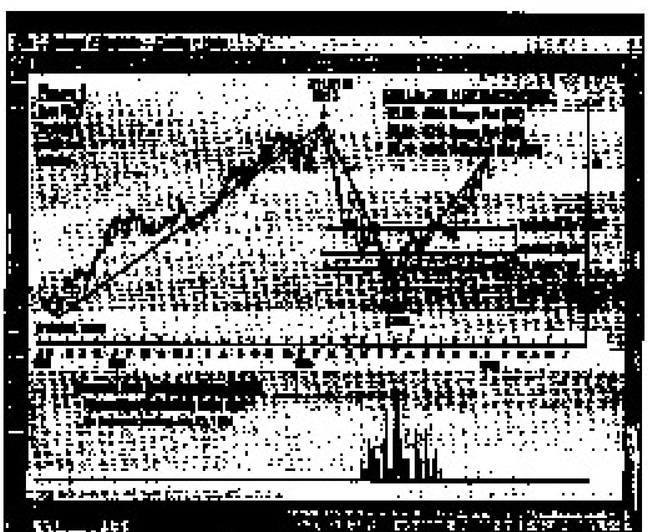


Figure 1

[Mark, weekly chart] The mark crashed through the 50% and 62% range retracement levels. The final low was made just a few ticks below the 50% percentage change retracement. Note the strong confluence of Time Retracements at the July [illegible] low. The histogram below the bar chart are the major degree time projections from the Feb. [illegible] high which projected late June to early July as having the greatest probability for a low within the five month period of May - Sept. 1991. The major degree time projections are made from market cycles lasting several months to several years. Intermediate degree time cycles would hone into the exact day within the four week period targeted for trend change. The final low was made the week ending July 5, 1991.

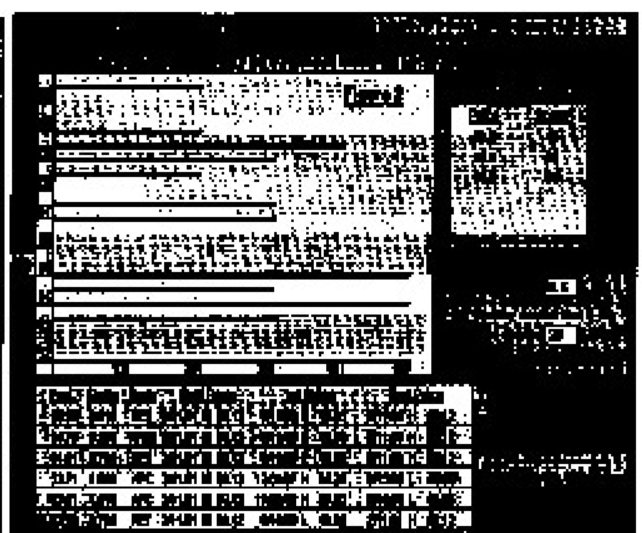


Figure 2

These price projections combine both range and percentage change projections of prior major cycles. The length of the histogram bar projections is determined by both the number of price projections and projection weighting system given to each individual. Two price zones contained the most important projections for support: [illegible] and [illegible] [illegible]. The low was made at [illegible] on July [illegible]. Recall from Figure One that the highest time projection score fell at the time the mark's price reached the [illegible] support zone. When time and price coincide, change is inevitable. These price zones are projected from the long term cycles on the weekly chart. Minor degree projections from the daily chart would provide much narrower price zones.

fell near the 61.8% range retracement that would have alerted us in advance that the mark was at a very important resistance level?

Figure 4 is a weekly chart of the mark fromtheSept.1992highthroughthepresent time (first week of Oct). We can see that the 65.78-66.10 price zone was a very important cluster of dynamic price projections that included four percentage change projections including the 78.6% percentage change retracement .786 is the square root of .618 and is acritical numberforbothrange and percentage change retracements. The 78.6% percentage change retracement coincided within nine ticks of the 61.8% range retracement!

Refer to Figures four and five before continuing.

In July 1994, the mark traded into an incredible wall of projected time and price resistance, each of which was projected well in advance. The mark has not been able to exceed the July high in three months. The projected price and time zones, when properly understood and incorporated into a complete trading plan, are invaluable tools for the trader who understands dynamic ratio price and time projections.

The recent three month trading range in the mark may be a consolidation period prior to a continued bull market or the July 12 high may be a major counter trend top prior to a continued bearmarket. Otherfactors of pattern and trend position reveal that part of the story. However,traderswereprepared from both a price and time projection perspective that the first half of July and the 65.78-66.10 price zone when: important targets for trend change. Once the mark breaks out of the prolonged trading range, new price and time projections will provide traders with the price and time of the next trend change.

Traders who do not incorporate price percentagechangep,njections intheiranalysis plans are putting themselves at a disadvantage. Traders who do incorporate price percentage change along with their price range projections will not only find the explanation for prior major highs and lows in every market, but wiS be prepared for the future trend change projections that range retracement traders will miss.

Robert Miner is the author of the forthcoming Dynamic Trader, a comprehensive package

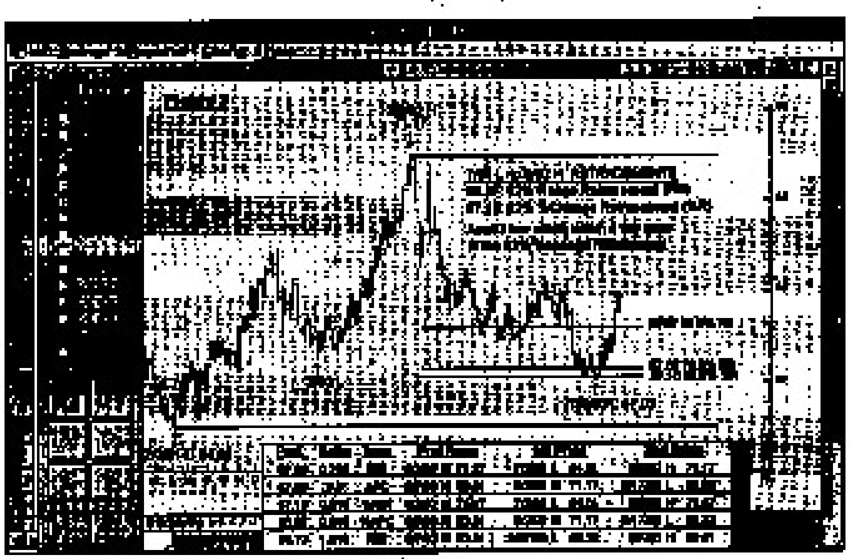


Figure 3

From the Sept. 1992 high, the mark crashed through the 62% range retracement level and the prior major swing low from March 1992. Most traders would be very bearish expecting no more retracement support. In July 1993, the mark made a low at the 62% percentage change retracement target and reversed for the greatest rally in time and price since the Sept. 1992 high. This level coincided with the 78.6% range retracement.

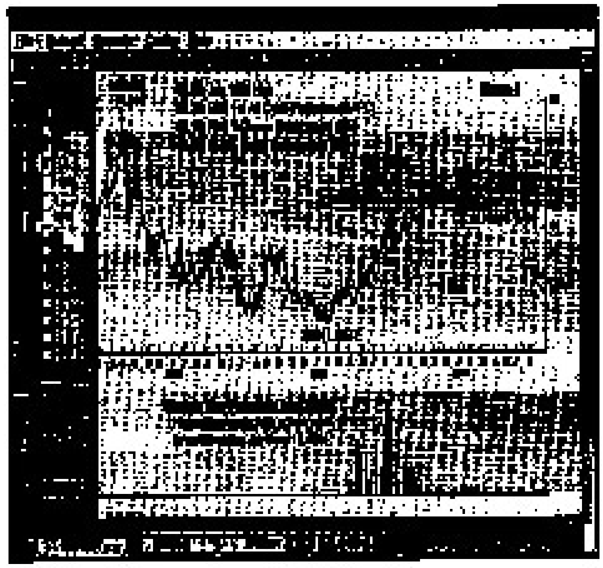


Figure 4

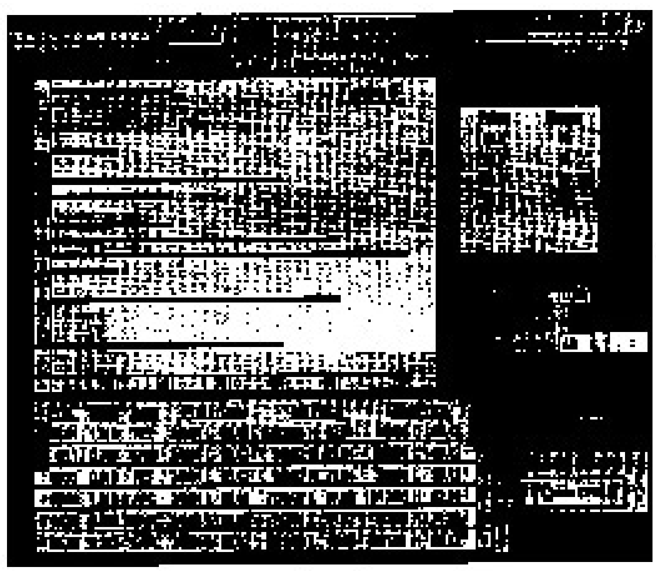


Figure 5

of training and softwarefortraders which wiLt be released Jan. 2, 1995. Miner also publishes the monthly educational and analysis newsletter, the Major Market Analysis Report and weeklyfax reportfor traders. Evrfurther inforn1btion contact: GannS Ellioa Educators Inc. • 6336 N. Oracle @ Suite 326-346 Tucson, Az 85704. Voice (602) 797-3668, Fax (602) 797-2045.

Why People Lose

By Terry R. Davis

Every time you pick up a magazine or book list there is something new being expounded or presented! Let's try and take an objective look at the subject. Is trading easy? Of course! Trading is easy; it is the making money from it that is hard. Before we go on we need to decide if there are any good trading systems available. Are there really any methodologies out there (besides mine) that are capable of being successful and producing real hand-held profits. If there aren't any profitable systems available then all of the psychological exercises in the world won't make you be a success. In other words if the horse is already dead, he won't be able to give you a ride to the mailbox at the end of the lane. There are many advertisers in all of the various trade magazines that all are claiming huge potential profits and virtually no losses. It is important to realize that their is NO WAY TO TRADE WITHOUT LOSSES. If you believe that there is you are only deceiving yourself. There are several systems and sellers that have been around for a long time. There sheer staying power probably indicates that they are doing something right. Commodex comes to mind. It has been available on a daily basis since I started trading in 1980. This article is not meant to be a recommendation for any one system or seller but longevity in the markets does seem to point to successful underlying principles.

Every system, like people, has its pros and cons. It is extremely important that you pick a methodology that fits your trading style. As a system developer and seller myself I have come up with numerous trading systems that I could not follow no mater how good the historical results were. They just didn't fit my particular trading style. I doubt if you are much different. Many people cannot hold a currency position overnight because of the gaps that sometimes form on the open. This is neither good nor bad. It just reflects their internal basis for surprises first thing in the morning. Very few traders know that it is a simple matter to place stops in the EFP (exchange for physicals) market and cut your risk of gap openings.

I will state categorically that there are successful trading systems available to the public at large. It is beyond the scope of this article to cover which ones I favor. Why, then, do people that buy these systems fail? If the system will perform then it must be the persons own failures (psychology) hampering his/her success. Do the mental aspects of trading preclude a systems good points? The answer to that is: WITHOUT A DOUBT! I believe that the mental aspects of trading greatly overshadow any trading methodology...no matter how successful. Psychology is very close to 100% of what it takes to be successful in the markets. Psychology is very close to 100% in any field or endeavor we undertake. I am not trying to tell you that you can become a .400 hitter just because you want to be. Anything that you have innate ability in or just the wish to be successful in will have mental training at its very core. Not 90%..but 100%. If it is that important maybe we should examine it further. In the last few years athletics has embraced the idea that mental calisthenics are every bit as important as physical endurance. In trading all you have are mental calisthenics and consistently following the same rules over..and over..and over. The common thread among most trading methodologies is following and understandable set of rules time after time through good and bad times. Is it possible to have 100% winners? If you are that naive please call me about a castle I have for sale near Buckingham Palace. We are all bombarded by articles, mail-outs and general advertising promising the impossible.

Any system that produces 55% winners will make a fortune over time. Providing of course that you take all of the signals. For any system to deliver on claims that it makes all signals must be followed.. both the good and the bad. I have been known to skip some of my own signals and just pick and choose the ones I "know" will be good. This is a true exercise in futility. The one thing I have discovered is that all of the trades I skip will be winners. I have been trying to figure out a way to "fade myself." Every trader will come to a time when he can do no wrong. Conversely every trader will come to a time when he can do no right. One of the best traders I know once had twenty-one losers in a row. How would you handle this? Could you take the next signal? Look at the below graph. See Figure 1.

Two extremes...correct? Both of these extreme emotions are VERY HARMFUL to your trading life. One is recognized as an extreme positive and the other as an extreme negative. After living through both over the years I can readily say that ELATION is by far the worst feeling to recover from. It makes you take bigger risks that you should, take trades than are marginal at best and a variety of other stupid results. Strive for mediocrity of emotions. Not extreme positive or extreme negative.

How do you develop faith in a system? Do you paper trade? Real time trade immediately or a cross between the two. As organized religion has recognized for along time: PERFECT FAITH IN ANYTHING IS HARD TO COME BY. Can perfect faith be achieved in this lifetime? Who knows? We don't need perfect faith to be successful. What we do need to bring to the marketplace is belief in positives instead of negatives. We need this, not only in trading, but in life. Isn't trading part of life? We have all known people who suck the very life out of you because of their negativism. How we view things in any of the aspects of you life determines if our life will be happy or sad. One person's positive is another person's negative. Two shoe salesmen were sent to the African Sahara to sell shoes to the barefooted natives. Salesman Negative wired back to his company: Unable to sell any shoes - natives all are barefoot. Salesman Positive wired back to his company: Send me all remaining stock in warehouse. Selling shoes like crazy- natives all are barefoot. Life is truly a matter of perspective on how each individual views it. One further story: Two traders were out for a walk on the beach when one of them spied what looked like Aladdin's lamp partly covered with sand. He quickly rushed over and picked it up. He was filled with anticipation as he rubbed it and stood back. Sure enough out popped the genie. The genie said the traders could have any one wish that he desired but with that one wish also came severe consequences. The trader pondered for a minute what the genie said and decided to chance it. He told the genie that from this day forth he never wanted to make another bad trade. The genie said that was an easy task and granted the trader his wish instantly with a mere snap of his fingers. The genie then proceeded to describe the severe consequences that would befall the trader. The genie said his wife would leave him, his children would hate him and the only people that would be able to stand him would be his trading buddies. To which the trader responded "yeah, so, what are the extreme consequences you were telling me about?" As you can see from this analogy success is relative to what you want it to be. What would make you consider yourself a success a as a trader? This is a question only you can answer for yourself. Until you have an answer to this question you should not start on the journey. Since I am a seller of systems I get to talk to aspiring traders every day. Every one want to trade full-time. They want to do something they really love - trading. If that is true lifetime goal what are you willing to sacrifice to get there? Are you ready to quit you job tomorrow? Are you willing to do the research and develop your own system. How does your wife feel about this? And by the way..how long can your kids live on Rice Krispie sandwiches before they start to complain? Maybe a better goal would be to keep your present job and start learning about trading as a part-timer with your longer term goal (if you decide you actually do like trading) to be a full-time trader. Is that a better way to put it? I think this is a better general goal. At least it is attainable. My feelings from talking to literally hundreds of traders is that they are looking for a system that is 99-100% accurate, makes them $10,000 per week and requires absolutely no labor (mental or physical) on their part. That system flatly doesn't exist! QUIT LOOKING FOR IT! Let's put these negatives aside and get back to our original premise: psychology.

Homework, and more homework. There are many good books available to traders. Two books that I recommend are Mark Douglas' THE DISCIPLINED TRADER and CONFESSIONS OF A STOCK OPERATOR by Edwin Lefevre (both available from Trader's World). I have probably read "Confessions" 13-20 times. It is good. One other book that I like is AS YOU BELIEVE by Barbara Dewey (415-669-1664). This very short list is by no means conclusive. It is only meant to give you a leg up on the competition. Please notice we have not picked on any on a specific malady yet. Stopping smoking or overeating will help you with many seemingly unrelated trading problems you have. When we correct one of our internal flaws it definitely helps in other areas of our life. You already know this! By changing your outlook on one thing it helps to change your outlook on many thins. The term 'BASIC PSYCHOLOGY IN LIFE' covers a scope much wider than commodity or stock trading.

Let's work on one individual problem It is more of a multipart problem. Most people that are in the markets for very long are totally and positively addicted very quickly. There is no drug as effective. With this addiction comes the desire to learn more and more. We buy books, tapes and various literature to help us become better and better traders. Before very long we have 16 reasons to be long.. Which isn't so bad except that we also have 16 reason to be short. This is a sorry situation but one that every dedicated researcher runs into before very long. We know so much that we don't know anything! Let me give you a personal war story. My intermediate term system (the Smoothie) is very straightforward. It is easy to understand and delivers objective signals. It has done very well as I apply it. (My fax service using this method is ahead over 1000% since 1993.) I decided to convert it to a computer program and hopefully take some of my subjectivity out of it. After all, haven't we all heard that a strictly mechanical system will do much better that a subjective system? One I got my "beta" copy working I was checking it along with signals I got by looking a at charts to make sure the two jived. After about a week of this I noticed one very serious "flaw" developing. The computer program was producing profits at a rate of 200-300% greater that I was. Some flaw, huh? How can this stupid machine do better than its creator? When I would have a $2500 open profit the program would have $10,000. Bummer! This continued happening on such a consistently reliable basis hat even I started to take notice. After verifying that the program was taking the trades correctly I started taking the trades verbatim from the computer. My equity curve followed a consistent upward slope. LOSSES? Hell, yes there were losses but the program had instructed the computer never to risk more than $500 per contract. My greatest joy was watching the signal be generated to buy coffee on the Friday before the big freeze and see price lock up limit for many days. NONSUBJECTIVE mechanical signals definitely play a part in eliminating psychological hang-ups.

The second point I think we should touch on is the use of stops. Anything that I can do to keep myself from screwing up (psychologically speaking) I want to do. I can't' identify the point in my early trading career that I decided to always use stops. If you have a stop in the market at all times that it is a very simple matter to eliminate the psychological blunder of not getting out of losing trade soon enough. This is an extremely simple option to follow but many people seem to ignore it's marked or its extreme simplicity. Very early after I started trading I ran into a very successful business man who only traded hogs. Hogs with no stops that is. How much could anyone lose trading hogs, anyway? (Stanley Kroll in one of his early books say "Pick a number, a very big number!") I proceeded to see this man run a $30,000 account into a deficit, lose his very successful business and his wife and family by trading hogs without the benefit of stops.

There are many simple things that you can do to conquer human weakness. Mechanical systems and stops are two very easy choices that anyone make. It seems that my ride down the trail of commodity success has come to many crossroads. Psychology is a at least 85% of trading success. A good mechanical system is the other 15%. You must define what level of success you are trying to achieve and then adjust your road map, time frame and sights to that goal. There should be absolutely no compulsion to trade. The markets continue to be open Monday through Friday every week without fail. You can only be successful if you will spend the time to learn the markets...and much more importantly yourself. Good Trading.

Terry Davis is a successful trader, systems developer and programmer. He teaches one-on-one training for a variety of time frames. His Smoothie computer program is available now. Call him anytime at (217)347-5101.

The Astrology of Timing the Markets

By Nicholas Symington

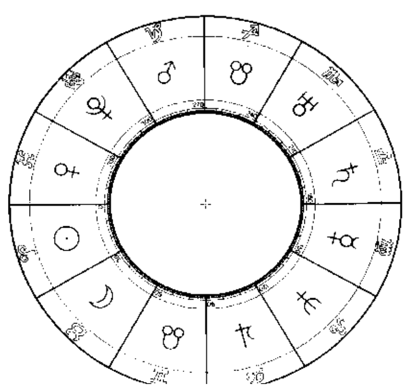
The vast majority of indicators avail able to traders remain price oriented. Although many techniques exist to predict important price levels, Gann and others have taught, it is the combination of price and time that produce the most reliable turning points in the markets. A natural timing tool for traders utilizes astrology. Its fundamental premise maintains that the starting moment of any event, be it the birth of a child, the start of a business, or the initiation of a trade, reveals the basic structure of the event; its points of strength and weakness, as well as other inherent tendencies. By computing a chart of the planetary positions in the heavens for the exact time and place that an event has occurred, a skilled astrologer, using this birth or inception chart, can analyze the character of that moment and forecast probable future outcomes.

What makes astrology so alluring to some traders and technicians is the number of variables that can be adopted to determine the correspondence between astronomical happenings and market action. Eclipses, the Venus Uranus cycle, declinations and latitudes, or an endless array of other phenomena and combinations can be studied. One can become overwhelmed by the number of possibilities and theBy Larry Jacobs

The new version of the popular Signal program has just been released and it is bringing high praise from subscribers.

The features of the program are tremendous. For one thing you can update your spreadsheets in real-time! That's because it supports DDE (Dynamic Data Exchange). This means that data is passed real-time to our active Excel for Windows spreadsheet. You can let your Excel for spreadsheet run in the background while you simultaneously run Signal.

The next advancement in this Windows program is that you can access news headlines with a click of a mouse. You can pull up news, a variety of reports, and reports via subscription. You can see the news update real-time on your screen as it happens.



With this program you can also watch your bottom line improve tic by tic. You can track as many portfolios as you need by creating Portfolio for Windows with Signal.

The new program also allows you to mix real-time and delayed data in the same window. That means that in addition to the exchanges you need to monitor real-time you can get less expensive delayed quotes on the exchanges less important to you in the same window!

Of course, you get the legendary ease of use of the windows environment with Signal for windows. You can design as many custom screen layouts as your trading requires.

So don't delay. Call Trader's World for more information on how to set up your real-time or delayed-time Signal for Windows. We offer a discount of the setup of your account. complexity of astrological information. Most astrological data used by traders are general, or global, and not specific to a particular place or market. For example, an eclipse occurs on a certain date at a certain time, having a general effect on everyone. How that eclipse affects an individual would be determined by where the eclipse is located in a person's birth chart, which represents the intersection of a specific time and a particular place at the moment of birth. How that eclipse might affect a particular market can be best determined by reference to some starting point which uniquely defines that market.

One possible starting point would be the date, time, and place that a future market first trades or, in the case of the stock market, the inception date of the New York Stock Exchange. Analyzing the relationship of an eclipse to these inception charts affords a more accurate insight to the singular effect an eclipse may have on each market. Questions may arise over whether these inception charts may accurately represent the trading of a particular future or whether several inception charts may exist for the same market; thus, creating the problem of choosing the most reliable chart or investing all of them. The real power of astrology as a timing tool lies elsewhere. The precision that it can demonstrate reflects the precision that exists in the markets. When constructing a chart for the birth of an individual, there forever

File Edit View Leader Options Window Help

Symbol	Last	Change	Pct	Vol	Time	Date
Top 10 NYSE Volume Leaders:						
VOD	38	-0 1/4	-0.7	11.2M	4:55	Jun27
UNH	43	0	0.0	3.80M	4:55	Jun27
FNQ	22 3/4			3.35M	4:55	Jun27
MU	57			3.30M	4:55	Jun27
AMD	36 7/8			3.13M	4:55	Jun27
HUM	18 7/8			3.01M	4:55	Jun27
CPQ	43 3/8			2.89M	4:55	Jun27
MOT	66 1/8			2.88M	4:55	Jun27
TMX	29 3/8	+0 7/8	+3.1	2.80M	4:55	Jun27
WX	15 3/4			2.74M	4:55	Jun27
Top 10 AMEX Volume Leaders:						
XCL	0 3/4			5.71M	4:55	Jun27
VIA.B	41 7/8			4.26M	4:55	Jun27
CYE	18			936K	4:55	Jun27
VIA	42 1/8			821K	4:55	Jun27
IDC	7 3/8	+0 3/16	+2.6	818K	4:55	Jun27
TKN	37	+2 1/2	+7.2	719K	4:55	Jun27
AMH	11			652K	4:55	Jun27
BLM	0 5/8	+0 1/8	+25.0	639K	4:55	Jun27
BUS	4 7/8	+0 1/8	+2.6	622K	4:55	Jun27
RYO	3 1/8			622K	4:55	Jun27

Tue Jun 27 04:55:48 OK

exists an indeterminacy of the exact moment of birth, making forecasts of future trends, at times, imprecise. However, in the markets, a high or low, whether it be for the hour or for the past ten years, occurs at a precise time, at a specific place. By using significant highs and lows as starting points and computing charts for those times, astrology can give accurate timing points for the future.

Obviously, important highs and lows can be viewed as the joining of time and price to generate a change in trend. From an astrological perspective, it corresponds to the intersection of time and space to produce a meaningful event; in this case a critical price. Because of the exactness in time that an important price manifests, a highly accurate chart for its manifestation can be computed, that reveals not only the character of the moment where time and price converge, but future dates that affect or vibrate to this original chart.

While the inception chart of an event is static according to the time and place of its occurrence, there exists in astrology several dynamic methods that indicate how such chart is activated in various ways in the future. These methods, called transits, progressions, and directions involve moving the planets at various rates of speed and then comparing their changing positions of the inception chart. Transits simply mean the daily position of the planets relative to this chart. Directions, especially certain types of progressions, require more complex calculations, which any good astrological computer program can perform. Of all the celestial bodies, the Moon has the most potency as a timing device, no matter what method may be used. Only the Moon needs to be used, and only its contacts planets and points in the inception chart are important.

In practice, two techniques work well in forecasting future timing points. The first involves computing a chart for the exact time a place that a market has formed the last important high low. By employing several of the real context. While general of global astronomical phenomena may correspond to price events in the markets, such phenomena would have times of being in phase with market action and out of phase at other times, because what is being observed in nonspecific to a market. Using the exact moment that price attains a turning point gives an extremely precise starting point, which then allows astrology to be effective and specific to exact market. Briefly, this serves to introduce the basis of astrology, as an effective timing tool. At a later time, its application to particular markets will be demonstrated.

Gann Masters

By Larry Jacobs

W.D. Gann was perhaps the finest trader of all time. With over 40 years of research and trading, he fully understood the markets and why they move the way they do. In his lifetime, Gann wrote many books and courses about the markets. He said "Speculation or investment is the best business in the world if you make a business of it. But in order to make a success of it you must study and be prepared and not guess, follow inside information, or depend on hope and fear. If you do, you will fail. Your success depends on knowing the right kind of rules and following them." He said that lawyers, doctors, engineers and professional men who make a success spend anywhere from two to five years time studying and preparing to practice their profession before making any money. Yet men enter into speculation in Wall Street without any preparation. They have made no study of it whatsoever. They try to deal in something they know nothing about. Is it any wonder then they lose?"

Gann Masters is in a unique position to give you the rules of successful Gann Trading. You must be willing to study and learn the lessons in the course that will be given to you. It will take you long hours of study and practice, but you cannot get something for nothing. It will cost you time and money, but it will be worth it in the end.

In Gann Masters, you are presented to each lesson in its logical order. Gradually and simply, and important factor, the clarification of a mystery, vital knowledge, or a bit of material will merge into another. You will not be driven into a maze of charts and numbers which you can't understand and which will fatigue you. The lessons are organized by degrees and grades, each following in proper order. The lessons are as follows:

W.D. Gann a Legend
Study and Be Prepared
Capital Required
Right King of Charts
Know the Trend
Mathematics
Elliott Wave Theory
The Time Factor
Support and Resistance
Table Charts
Forecasting Time
Forecasting Price
Excel Spread Sheet
Swing Charts
Gaps
Tops and Bottoms
Volume and Open Interest
Gann Channels

Types of Orders
Making it Work
Test Application
Certification

The course also contains the Microsoft Excel spreadsheet template which includes all of the master tables, circles, tritables, projection charts, the square of 9 and 4 illustrations. To run this spreadsheet you will need at least a 386 computer with 4 MB of RAM and 20 MB of hard disk space.

The Excel spreadsheet is fantastic. Many of the time and price projection techniques that Gann used can be done with this program in a fraction of the time it took him. If he were alive today, he would have this program.

When you are through with the course and feel that you understand the Gann trading ideas and techniques, you will take the Gann Masters test. The test includes true & false questions and multiply choice questions. You will also be required to write a 500 word term paper on one of the Gann subjects.

If you pass the test you will receive the powerful Gann Mind Tape which trains your subliminal mind to learn the Gann trading rules. This is an excellent tape which continually refreshes your mind and keeps successful Gann trading rules on the tip of your mind.

You will also be admitted in the Gann Masters User Group. This is a group of traders who have successful passed the test and are working with other Gann traders to become very successful. In the Gann Users Group:

1) You will have the ability to contact other students in the group that are studying Gann just like you are. This will be on the Trader's World Internet. All of you Gann Students have similar trading interests. You can make friends with the members in the group and help each other learn better.

2) You will have access to the research papers written by the other Gann Master members on Trader's World Internet.

3) You can ask questions which we will relay to expert Gann traders that we know. The answers to those questions will be available on the Trader's World Internet.

4) You will have access to the Master Time Factor Years when they are completed on Trader's World Internet.

5) You will have access to the latest Gann Master Templates for Microsoft Excel program on the Trader's World Internet.

Once you are in the Gann Masters Users Group, you will have to work to stay there. We will expect you to help other Gann students achieve that status that you have. As a group you will get to be better traders working together as time goes on until you are all master traders.

Before any trader can enter into the Gann Users Group, they must sign an agreement saying that they must keep secret any of the advanced Gann trading techniques they have learned there. Any violation of this agreement will cause them to be expelled from the group.

It's time for you to join Gann Masters and start trading the way a master trader does. This is your opportunity. Don't pass it up. The time is now! The price is just $90. Call 1-800-288-4266, 417-882-9697 or Fax 417-886-5180 to join. You can also return the Trader's World post card in this issue to get started.

Solves on of Gann's Trades

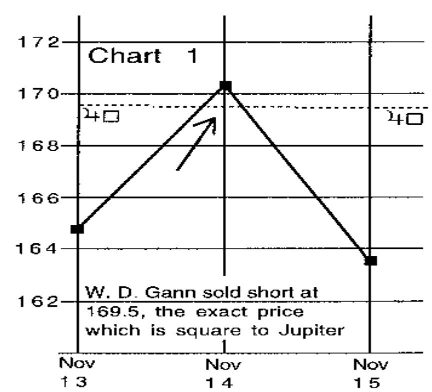
By By Patrick Mikula

Virtually everyone who teaches how W. D. Gann traded and forecasted the markets ignores the actual trades, trade recommendations and forecasts which William Gann, himself, made. The reason for this, quite simply, is that the methods being taught cannot solve the mystery of how W. D. Gann made his trades and forecasts. However, I do not ignore W. D. Gann's trades and forecasts but rather, I hold them up as absolute proof that I teach the methods which W. D. Gann actually used. In this article I am going to reveal the solution to one of W. D. Gann's actual trades in the soybean market.

There are numerous times in which W. D. Gann stated that he took some action in the markets. One such time, Gann wrote, "November 14 high 170-3/8. Note from the extreme low of the option, 139-3/4, to the extreme high 202, the 50% or halfway point was 170-7/8, making Soy Beans again a short sale around 170. The writer sold Soy Beans short at 169-1/2." Gann said that this halfway point was the reason soybeans were in position to be sold short. Now let me show you how W. D. Gann actually made this trade. Look at Chart 1. It is a line chart showing the soybean prices for three days: November 13, 14 and 15, 1941. This chart shows the top on November 14 where Gann sold short. I have placed the longitude which is square (meaning 90 degrees away) to the planet Jupiter on Chart 1. Notice that the Jupiter square line crosses right under the high price W. D. Gann listed in the quotation. Could this be a coincidence?

The longitude of Jupiter at midnight on the day Gann sold short was 19 degrees Gemini 30 minutes. This listing is in zodiac sign degrees to Jupiter's longitude of 79-1/2 degrees, we arrive at 169-1/2 which is the exact price at which W. D. Gann tells us he sold short the soybeans market. So in the quotation, W. D. Gann says that he sold short at a price which is exactly square to Jupiter's longitude. This is no coincidence. Chart 1 represents the legitimate astrological solution to one of W. D. Gann's soybean trades. The arrow on Chart 1 points to 169-1/2 on November 14 where Gann says he sold short. The quotation from W. D. Gann discussed in this article is representative of his writing style. W. D. Gann wrote in a deliberately misleading manner in order to convince the reader that he used nonastrological methods. It is my opinion that W. D. Gann used relatively few of the non-astrological methods which he sold during his life time. I do not believe W. D. Gann made trades, trade recommendations or forecasts without checking with his astrological methods such as the one I described in this article.

Patrick Mikula is author of the book Gann's Scientific Methods Unveiled. The book is available from Trader's World Catalog in this magazine.



Anatomy of a Takeover Winner

By Alan Friedman

Those familiar with THE SEVEN PERCENT SOLUTION know that my proprietary short term trading method finds stocks about to move 5% within 15 trading days. And sometimes we can find the footprints of insiders in takeover situations. We had purchased W.R. Grace (GRA) on 4/27 at prices ranging from 52 3/4-54 1/8 (adjusted for the dividend we will receive) and we had purchased the May 50 calls at 4 3/8. On 5/5, after news hit the tape of a buyout offer for Grace's medical unit, we sold the stock on the gap open at 58 and we sold the calls at 7 3/4. Using margin and a deep-discount broker, the annualized returns on 500 shares came out to between 400%-650%. The calls were sold for a profit of 77%. Not all of our trades work out as well, but I want to take you on a day-by-day replay on how THE SEVEN PERCENT SOLUTION played this trade.

APRIL 19, 1995

During trading hours a beep from my Quotrek alerted me to unusual activity in W.R. Grace stock. The stock had formed an "Outside Day" meaning that the stock had made a higher high and a lower low when compared to the range of the previous day. This action often precedes quick and volatile moves in stocks. But we still had no idea in which direction the move would occur. At this point, we stay on the sidelines for further signals.

APRIL 20-21, 1995

The action in Grace today tells me that the expected move will be on the upside. But we still do not enter yet as I wait for the action during the next few days to give me a potential entry price, exit price, and stop price. The next day, the action in GRA tells me that my potential target in the stock is 56 5/8.

APRIL 24-25, 1995

Grace trades sideways, forming two "Inside Days". This action is neutral and has no predictive nature.

APRIL 26, 1995

W.R. Grace pulls back, albeit on light volume. This action give me my entry price of 53 1/8.

APRIL 27, 1995

GRA gaps open at 54 1/2. Those who used buy stops at 53 1/8 paid 54 1/2 while those who waited were able to buy the stock at 53 1/8 toward the end of the day. Still, we're long with a target to 56 5/8. We also bought the May 50 calls at 4 3/8 on the open. The stock closes at 53 5/8 (remember that price) on nearly three times the volume of the prior day. This action of a higher high, higher low, and higher volume is positive for GRA.

APRIL 28, 1995

Another "Inside Day" for GRA with another close at 53 5/8. More interesting is the volume which has soared to slightly more than 1 million shares. This is very unusual because volume on most inside days is lower than normal. High volume on "Inside Days" is often indicative of very smart (and quiet) accumulation.

MAY 1, 1995

We are yelling "Mayday" after today's action. Grace drops sharply to a low of 51 after appointee Albert Costello as the new CEO. (I jokingly tell my subscribers that perhaps the Street reacted poorly because they thought the new CEO was LOU Costello). Still, GRA rebounds to close at 52 1/4 and 51 seemed to hold twice in the afternoon. The troubling part of the day's action for me was the surge in volume to more than 1.7 million shares.

MAY 2-3, 1995

Two more inside "Inside Days". Still, very bullish developments occurred. GRA never went below 51 3/4 during the two days which confirmed a short-term bottom in place at 51. Also, on May 3, over 4 million shares traded which made GRA number 2 on the NYSE Most Active list. That trading is very suspicious as it came on an "Inside Day". Grace closes at 52 5/8 on May 3rd.

MAY 4, 1995

Despite a volatile and roller-coaster day for the broad market, which closed down despite being up sharply in the morning, GRA acts like a rock with an open 53 and a close at 53 5/8 (there's that number again!). Interesting points today included the relative strength in the stock, and the fact that today's range was exactly one point which I consider to be manipulation. After the close I check the news on Grace and I'm shocked to see that $3.5 billion bid is made for the company's medical unit. I tell subscribers to expect the stock to at least hit our target 56 5/8 on the open tomorrow.

MAY 5, 1995

After a slightly open, GRA opens at 58 and closes at 58 3/8, up to 4 3/4 for the day. We sell and take our profits after only seven trading days.

FINAL ANALYSIS

My proprietary method, which catches stocks for 5% moves within 15 trading days, was sensitive enough to get us involved in a takeover situation without us knowing the news. Of course, this is one of the best arguments for using Technical Analysis. We were able to follow those in the know without us even knowing what was to take place. Also, this trade was a major victory for mechanical methods. Without having set rules in place, how many of you would have been shaken out on the drop to 51 and then missed the entire move up? We had our game plan and we stuck to it and this included stops. In fact, our stop was 50 1/2 and although we came seriously close to getting stopped out, we never did. Having a game plan and the discipline to use it keeps your emotions in check. Finally, I want to point out that in many cases when a stock gets hit hard and then rebounds intraday, you have to ask yourself who was hurt. In most cases it is the small investor who was "shaken". When you see that action occur, 9 times out of 10, you'll be better off holding the stock and not giving in to your emotions.

Joe DiNapoli on Trading

Joe DiNapoli has been trading since 1964 when he first went to college. He went to college as an electrical engineer. His father also was a trader. He traded all his life. He did not teach Joe specifically what to do, or which techniques to use, but he did show Joe, by example, that a lot of money could be made. He also taught Joe certain basic market axioms that have served Joe throughout his trading career. When Joe got out of college and went to work for a defense contractor, he had a lot of free time and spent at least 50% of that time trading. He had about 30 - 35 other engineers at the firm following his trades. They traded very actively and made some very serious money trading speculative, over the counter stocks.

When Joe got out of the defense contracting area. He started trading on his own and traded everything from cash markets, tangibles, stocks, and even options on stocks before there were any listed exchanges. Eventually in 1980 Joe focused in on the commodity markets. Since that time he has since put the majority of his effort into the trading of this area. I recently had an in depth conversation with Joe on Trading. Here's what he had to say.

The problem is, that with the advent of the bond and S&P futures contracts, everything is trading like a commodity. The volatility is there, because the tail is waging the dog. Since equities and bonds are trading like commodities, you may as well trade the futures market and take advantage of the inherit benefits, like low transaction costs and high leverage. You can also sell short with less difficulty. My favorite contracts are the S&P and Bonds, but over the last 3 or 4 years I have returned to trading some of the agricultural commodities. The lesson I had to learn was that when I went to a restaurant or when I purchased a new car, no one cared where the money came from. The money spent just a well, whether I made it in the grains or in the S&P. That was a revelation to me, because I always felt that the profits were somehow better when earned from the S&P pit. I go where I can most easily make the money. That may still be the Bond and S&P pit, but I am open to the other tremendous markets available. Soybean meal was one that I focused on earlier this year and it turned out very well. I now have a broader base.

There are many traders who can make a lot of money and then they lose a lot of money. I go for consistency. My goal is to be profitable every week, every month, and certainly every year. I have a very good record of consistent gains over time. Using my techniques, the percentage of winning trades is usually quite high. That's due in part to consistently taking logical profit objectives, once I have positioned myself properly in the market.

I used to have three data services coming in to my trading room. For years I used CQG. When they pulled the plug on the TQ20/20, I went over to using Aspen Graphics. Right now I only have one data service, Data Broadcasting Corp., and I use Aspen Graphics as my intraday graphics package. I also use two other computers. One runs my FIBNODES program. That's always up and running while I'm trading. I use the third computer simply for data collection. I then use this date in my end-of-day graphics TRADING PACKAGE, to make certain evaluations not available in Aspen.

The Aspen Graphics software is very good and since I pay for it just like everyone else, I feel free to comment on it's high and low points. First of all, it's a tremendous piece of software, in its ability to do manipulate charts easily and quickly. It also displays certain studies I use. It has quick response time and is truly a professional level intraday software package. They do have a significant disadvantage in that they do not create market aligned bars. Instead they create time alined bars. What that means is, if you're trading in the eastern time zone for example, and the bond market starts at 8:20 with the first half hour from 8:20 to 8:50, the software aligns it from 8:00 to 8:30. This means that the first bar only has 10 minutes worth of data in it. The next half hour goes from 8:30 to 9:30. So, certain time frame intraday charts are created incorrectly and therefore, all the indicators developed from them are incorrect. Hourly S&Ps, half hour, and hourly bonds don't have the "correct" high, low, last. This disadvantage, though not minor, is the only significant problem that I would sight for Aspen Graphics.

I'm looking into Larry Ehrhart's, WINdo TRADr™, to solve some of Aspen's shortcoming's, but I haven't had time to make a full evaluation yet. It looks pretty promising though.

When I started trading commodities in the early 1980s, I found out very quickly, that it was a much more rigorous game than what I had been involved with in the past, even though I had traded a wide variety of instruments including options and small OTC stocks. The commodity markets require a higher level of sophistication and knowledge. I spent literally years and years investigating Displaced Moving Averages and various indicators and systems. I spent hour upon hour watching how they worked, not just in back trading but forward in time. I put actual positions on and when I found something that I through was useful. I traded, it not in size, but I traded just the same, to see if it was useful, out forward in time. If it's not useful forward in time, what's the point?

I came to a lot of conclusions from this research. I ended up using Displaced Moving Averages as one of my trend indicators. My research pointed to a 3-day simple Moving Average of the close, displaced forward 3 days, a 7-day simple Moving Average of the close, displaced 5 days forward and a 25-day Moving Average of the close, also displaced forward by 5 days. Those 3 moving averages gave me a feel for the short, intermediate, and long term trend of the market. I still use those moving averages today, over 10 years after the research was completed.

The 3 x 3 is particularly useful in very fast markets, because it will tend to contain trend. It's important to realize that I did not come to these conclusions easily. I investigated mathematical moving averages, all sorts of weighted moving averages and back then, I was using an old Epson CPM machine. It took a long time to crunch numbers. Eventually, I found there was no advantage in going to more complicated moving averages.

The 3 x 3 did something else for me. It allowed me to recognize certain, very effective, signals and patterns. Double repenetrations and single reprenetrations, failures of double repenetrations, give me what I refer to as directional indicators. They tell me which way the market was apt to go and they are typically powerful. My whole approach as it developed through time, was to find the trend or direction of the market. Now that may seem like the same thing, trend and direction, but I separate them. Trend is developed from trend indicators and direction from a variety of direction indicators. Directional indicators are usually patterns. At any rate, once I determined the trend or direction of the market, let's say it's up, then I use a leading indicator to position myself within that trend direction.

The primary leading indicator I use is Fibonacci. The other is a study I developed in the early eighties, from a detrended oscillator, called the Oscillator Predictor. Anyway, once I have positioned myself in a move then I use a leading indicator to exit that move at a logical profit objective. This technique allows me to buy dips in an uptrend or sell rallies in a down trend. If applied properly, it gives me a high percentage of winning trades. You are repeatedly taking profits. Typically, I don't go for the big move. I look for the businessman's profit. That keeps me at the computer. It keeps me wanting to trade the next day. If I was ending up with 50, 30 or 50% winning trades, even if my winners overcame my losers, in terms of total profit, psychologically it wouldn't suit me. If I take a logical profit objective and the thing keeps going it, doesn't bother me. I know my techniques can get me back in, if I choose to reenter, it may be at a higher level, but it will also be a safer level.

I also use another trend indicator, the combination of the MACD and stochastics. I do not use Stochastics or MACD for overbought and oversold readings, that spells trouble. I only use a detrending oscillator to determine overbought or oversold conditions. Years ago, I just used Stochastic and then Jake Bernstein and I gave a seminar. It was back in 1988. He was using a particular type of MACD what he called a DEMA, Dual Exponential Moving Average. I learned how to use this indicator to determine trend from him. Then I did something that I think was very interesting with the Stochastic. I deliberately adjusted the numbers to make it weak and I left the MACD, using Jake's numbers, very strong. The result was that, as an uptrend weakened, the Stochastic would give me a sell signal much sooner that would the MACD. That showed me where the weak longs, or let's say the public was giving up on a particular trend. The MACD being designed as a much stronger indicator would hold the trend until it should break. This combination allowed me to position myself, by use of the Fibonnaci work I developed, within the trend, while the MACD was still holding. Let me give you an example. Both the MACD and the Stochastic are showing the market is going up. The MACD remains in an up mode Stochastics goes into a sell mode. It's weaker. I have run a Fibonacci series according to the way I do Fibonacci. It's sitting there, on the computer screen, as a list of numbers, precalculated by my FIBNODES program. At the point the Stochastics is giving me a sell signal, I'm looking to go long on a significant FIBNODE. Think about it, the only thing that's going to give me a retracement is bad news or a technical signal giving a sell. So, I use the weak stochastics sell signal to allow me to position myself long. I'm really buying the market when the weak longs are selling. Very often what happens is that the Stochastics immediately goes back into the positive mode. I am now in a profit, the MACD is never broken and I look to the part of my FIBNODES program for the price are to take my logical profit objective. This concept maybe difficult to digest, since you are buying at sell signals. It's certainly difficult to teach in a large lecture, but I can usually get the concept across in a private seminar setting. It's an extremely good way to trade. If you want to position yourself within a trend and you don't simply just want to buy. You need some weakness. The way this Stochastics is designed, it provides a window on that weakness. It shows me where the weakness is coming in.

If you simply use a lagging indicator, even the good ones, like the Displaced Moving Averages, or the MACD, or the Stochastics, as most people do, you often get stopped out before the market goes your way. The advantage of doing what I am doing is to create a higher probability of a winning trade. You determine the trend or direction of the market, you wait for weakness, you position yourself. You've done your Fibonacci work, so you also know where to place your stop, where to get in, and you also know where to get out.

You can apply what I am doing all the way from a 1 minute chart to a monthly chart. You don't change the methodology. The only thing you change is the chart you're looking at. Obviously if your trading a monthly chart the stop is going to be thousands of points away on the S&P, while you're trading a 5 minute chart it might be 6 or 7 ticks. That obviously changes because the ranges are so large or different. The actually methodology does not change!

Some of my students want to trade the 3 minute charts. I advise them against it. You need very, good floor access, such terrific arb capabilities that it's almost impossible unless you're trading with such large numbers of contracts to get the kind of service. Most people should make a 5 minute chart the absolute minimum. Most people should use a much higher time frame chart. Beginners attempting to trade 3 & 5 minute charts is suicidal!

The problem you run into in the very long term, dealing with weekly and monthly charts, is how to develop continuation data in a proper manner. For Fibonacci work you need to develop this data one way, and for normal indicator work, like MACD, and Stochastics, you need to develop data in another way. With Fibonacci work you should run your continuation chart to the end of the contract and start the next contract wherever it is. Don't close the gap or making any adjustment. You don't go to where the open interest is the highest or anything like that. You would not use the new contract until the day after the old one expires. For lagging indicator work, you can use a variety of methods. You can close the gap between two different contracts by adding or subtracting a "fudge factor", or you can switch over from one to the other contract, when open interest trails off. But you can't make those kind of adjustments if you're going to do Fibonacci work properly.

Some of the things that I have looked at over the years that I don't use are standard moving averages, trendlines, classical pattern recognition, except to look for failures of classical patterns. In other words, I don't look at head and shoulder patterns for example, in the typical way. I look at them when they fail. I let them give a buy signal, get the public in, and when they fail, I take advantage of it! These failures fall into the category of directional signals. If you know what to look for and which time frames to select, they can be incredibly powerful! I typically do not look at time work. I am a price axis guy. That doesn't mean that I haven't done literally years of research on time using Fibonacci, Cycle work, astronomy, and astrology. I've looked at a lot of this stuff. Some of it has merit. What I am saying is that I have not discovered accurate enough means of timing entries to make it worth my while. Instead, I let my trend or directional indicators tell me when to get in the commodity. Then, I use all my work on the price axis. I also do not use Elliott Wave, except perhaps at what is called the point of recognition, where by definition, everyone can look back and say what they should have done. I find Elliott Wave work my too subjective and complicated for me. I don't use indicator divergence. For example, price making a higher high and indicators not making a higher high. I know it's popular with new comers but indicator divergence will lead you down a path which is typically the one you don't want to be on. I divergence. What I mean by that ins say the S&P cash makes a higher high and the futures do not. I think that is significant I also watch the Dow Jones. I actually run Fibonacci series for those three indexes, though I'm just trading the S&P, in all time frames I'm observing. What that means is, if I'm watching a 5 minute chart, I must also have a Fibonacci series for all time frames, above the lowest time frame I'm trading. I look at 5 minute, half hour, hourly, daily, weekly, and monthly. Now, obviously if you're trading a 5 minute chart, the weekly and monthly Fibonacci series are almost never going to change. A daily Fibonacci series will change fairy infrequently. However, the 5 minute, the half hour, and the hourly change fairly often. Sometimes the half hour will encompass the hourly Fibonacci Nodes. So you may not need to carry both. When the indicators come together at FIBNODES, consistent with the trend, I act. Typical charting software, even my own graphics package, can't keep up with all this activity in a practical way. That's why I developed the FIBNODES program.

How to deal with the stress of trading is very important. There are two parts of me as an independent trader. There is the manager and the trader. They perform two separate functions. The manager has to observe and control the trader. The trader can't trade without the manager's approval. It's very critical for the manager to be able to determine when the trader is not fit to trade, because the trading approach I use involves some judgment, particularly regarding size. The most important tool I have is not my computer, my FIBNODES program or anything else, it's me. Unless I'm "right" I shouldn't be trading. So, the manager constantly watches the trader, to see if he is fit to trade. Fortunately, I have a fairly weak body so it's easy to tell. I act irritable. Or dark circles may appear under my eyes. I start to care whether I take a profit or loss. I know

I am trading well when I am fairly unemotional about the whole thing. Whether I take a profit on loss on a given trade is not terribly significant to me, because I know over time things will work to my ultimate profit. If I find myself swearing over a trade or getting emotional, my manager says “hey, something is wrong.” If I have a long series of winning trades I Will tend to increase my sizes sometimes more dramatically than I should. My manager is watching me all the time. The manager within me makes the decisions about whether or not the trader is fit to trade.

What I have found over the years, is that if I am extremely actively, involved in intraday trading, I’m good for 3 - 4 weeks. Then I need at least one week off. Sometimes I can last for a period of 5 or even 6 weeks, sometimes I can only go 2 weeks. But it’s absolutely critical and necessary for me to take trading breaks. It’s very, expensive if I don’t .

The definition of a professional is the one that makes the least mistakes. Not the one that never or seldom makes mistakes. Mistakes are defined by actions that do not follow my system. A mistake is not determined by a profit or loss. For example, if I enter an order improperly, or I don’t put a stop where it belongs, it’s a mistake. The manager, at anytime after spotting a mistake, has the ability to force the trader to close all positions and stay out of the market for 3 full days. There is nothing a trader hates more than not to be able to trade the move that he’s been following for a week or two. So, my trader is very careful not to make mistakes. I have taught many people to take trading breaks and work with a part of them as a manager and almost none of my students do this. I think it’s absolutely critical.

When am I stressed, how do I deal with it’ll Every morning I do 10 to 15 minutes of Yoga. This is without fail. In a year there is probably not 3 days that I don’t do Yoga. Also, the trading breaks help a lot. I male sure that I have specific down times during each day when I am absolutely not reachable. Typically between 6:30 and 8:30 PM. Since I do business in Europe and Asia, I might get calls at any hour. I reserve quite time for myself. I also get off in a motor home. I spend time walking on the beach and simply relaxing.

Another more subtle aspect of stress develops if a trader is trading a time frame that he does not belong in. If a 5 minute trader is trading a daily chart he will have a lot of stress. If a daily trader is trading a half hour chart, he’s going to have a huge amount of stress. As you gain experience in the game you begin to learn the time frames that you feel more comfortable in. You should listen to yourself in that respect. I trade all time frames, but I don’t recommend this to anyone who has not been trading the markets for at least 5 years. I have monthly positions, weekly positions, I have 5 minute positions. I have different accounts for different time frames. Part of my ability to pull this off is, I have direct floor access with very, excellent service for my trades in the 5 minute world. I deliberately use other accounts with order desks when I am trading daily based or above.

All in all, trading has provided me with an incredible life style. I can live where I choose, keep my business activities to a desirable, conservative level, and meet incredibly talented people worldwide. I’d recommend this life style to anyone who treats speculation like a profession and a trade, all in one. Expect that success will take years of development, study, and hard work. If you’re willing to pay the “admission fee” and you have the basic talents needed, the rewards can be truly dramatic.

Joe DiNapoli is president of Coast Investment Software, Inc. He is a veteran trader with over 20 years of solid market trading experience. He is also a dogged and through researcher, an internationally recognized lecturer and widely acclaimed author. He can be reached at 813-346-3801, Fax 813-346-3901.

Interview with Michael Jenkins Part II

What goes into developing a cyclical forecast and how do you put together the harmonics of time and price and angles and to come up with a forecast of an estimated time and the price for the completion of that forecast for both stocks and commodities and the market averages?

The easiest way to start is to think about a purely cyclical stock. We can probably imagine something like a steel stock that goes from $10 to $20 and back to $10. This may happen for 10 or 15 years. So it would be quite easy in examining the data over many years to see the low was $10 and the high was $20 and every time it got to $20. We're at the high of the cycle. But then something new develops in the company. They have a new product or demand increases from overseas and suddenly the stock goes to a high of $25. If it's a purely cyclical stock the ensuing low will still drop 50% like it used to from $20 to $10 but this time it would go from $25 to $12 1/2 and we would still see the rhythmic high and low at recurring intervals.

So in our basic analysis what we have to do is go back preferably with a very long term chart with 30 years or so of data. Even if we only have 3, 5 or 10 years of data it is helpful to look at all our highs and lows and do some time counts between the highs - number of days weeks and months and try and find a correlation that is in mathematical proportion that will give us some indication that the cycles are increasing 25/20 or 25%. This one cycle high would be 1.25 multiple of a previous high. That 1.25 is a proportionate increase and we want to find highs in the stock market as a whole that are exact proportionate multiples of previous highs and lows. The easy ones are common multiples 1.25, 1.50 times, 2, times 3 times and we can also get into more exotic ratios like Fibonacci ratios (1.618 times, or 2.618 times a former high or low) and then there are other natural geometric numbers that come up in all of life and the stock market. Numbers like the square root of 2 or the square root of 3 or the square root of 5 which of course what the whole Fibonacci sequence is based on. So what we will find when we do the analysis is one of these multiples coming out and not just one time but every single high in the history of the stock will be one of these multiples on the same date and it will forecast an approximate price level.

So let me give you an example. As of today (end of April 1995) it looks like we may be coming up to a top and I say may because you never know in this game but we might be expecting a top as we are 600 to 700 points off the low without a significant correction. We have some anniversary dates coming up. The market looks like it's due for a technical correction. We want to start to look at the data from previous highs and lows to see if there is some reason to believe that we could get something here. The first thing we want to do is examine our typical Gann cycles. Go back 10 years ago in 85 it was very bullish. We can look back 20 years ago, 30 years ago. I mentioned in a previous article two the key cycles I always look are 100 years and 120 years. That would be 1895 and 1875. Both of those years have a top here in late spring to early summer then they go down for two years straight. They are indicating a very significant top. But one of the more likely ones we're seeing probably is a 30 year cycle from 1965. In the fall of '64, the November election was a landslide election just like this past year was and the market had a little plunge down into December just like we had this past year and then it went vertical and it did not have it's first top until the 2nd week of May 1965 and then it had a very significant correction of about 10 to 15 percent. It did recover after that and went on to an all time high and the final top was February of 1966, that's when the Dow hit 1000. But that would indicate on a 30 year cycle that there would be a top here somewhere near this anniversary at the end of April to the middle of May. So we would want to be looking for price and time harmonics that might give us a price for that. Now we know too that 30 years is exactly 360 months. So that's a Gann number. From that date to May 1st would be 10944 calendar days or 1563 weeks. If we put a multiple of 2.75 on the number of weeks we come up with a target of 4300 as a possible price target. If we use 2.875 we get 4494 or 3 gives us 4689. So that gets us to this particular price area. Another top we might want to look at would be the most recent one of a year ago January of 1994. Now that top was January 31st and if we take it up to May 1st of 1995 it comes out to 455 calendar days or 65 calendar weeks. And we will note that 65 squared is 4225 and 66 squared is 4356. So the price level based on the squaring of time would fall somewhere between 65 and 66. If we use 65 1/2 it comes out to the 4300 level.

Another interesting technique and I'll explain this more as we go on because this goes to the very heart of the Gann Octagon chart and the Square of 9 which is basically an elaborate way of picking square roots of numbers and incrementing square roots of numbers. That's really an ancient calculator the logarithmic key. The technique is to take the 1994 top of 3980 and take the square root of that which is basically 63.08 and then we want to increment that square root by a proportionate number that will approximate the price level that we expect to be the top in the near future. For instance if we took that square root of 63.08 and incremented it by a Fibonacci ratio of 2.618 and added that to it we would be 65.618 and you square that you'll get a target of 4317 very close to tonight's close. So here we have a case where you have both in time 65 1/2 weeks ago was a major high 65 1/2 weeks ago squared gives you a target of 4300 and if we take the price on that date and take the square root of it and increment it by a Fibonacci ratio we also get a price target of 4317. Of course if we get through this price zone, we would use 3.618 as the increment and get 4449 as our next target. Now this demonstrates one important principal with 2 elements and that is from every high and low in the past we need a time cycle and a price projection cycle that would give us the same number. In this case it was 65 weeks squared giving us a price level based on a time period and then we took the price back at that time period 3980 took the square root and incremented that which also gave us a comparable price target.

Another way of looking at it would be to take the 1929 high as everyone recalls was approximately 386 on September 3, 1929. From May 1, 1995 it's exactly 65.65 years ago. And 6565 squared is 43.09, so if the market was to top out here at 4309 or somewhere in that area it would be a perfect squaring of the time from the 1929 high of the price of 386. Now does that 386 price also generate a target somewhere 4300? If we take 386 and take the square root of that and we increment it we will find if we add 46 to it which is just a little over 45 Gann number will get 4309 adding 47 as the increment would give us 4442. Almost identical to what the squaring of the years gives us. So there in 1929 example you have a number of years in terms of time giving the 4300 target and the price level giving you the 4300 target. Then we can take something a little closer to home which is the 1989 top which produced the 200 point down day in 1989. The top then I recall was 2810 on the Dow Jones. If we took the square root of that and incremented it by the Fibonacci number 13 and re square, it will get 4357. If we count the number of days that top was 2026 calendar days ago or exactly 45 squared another Gann number squared. We have a Gann number squared 45 days ago with a top incremented by a 13 Fibonacci number gives us a 4350 target. We talked about 30 years ago being 360 months; well if we go back half that cycle of 15 years ago, 180 months was a major low on April 21, 1980. That was 5488 days ago or 180 months and if we do a ratio analysis we're looking for a target zone somewhere around the 4300 to the 4320 area as a possibility. 5488 days divided by 4320 gives us 1.27 and most Gann students would know right off the bat that ratio is the square root of phi 1.618. So there is a Fibonacci relationship ratio of the 4320 price which could be hit in the next week divided by the number of days from the 1980 low 180 months ago and we would also have a relationship there if the master cycle was 30 years in length and this would be equivalent to 1965 then we would expect that 15 years ago in 1980 which is 180 months ago we would get the exact opposite type of a pattern and we do see in 1980 on April 21st we have a major low in the stock market. So what I getting at it looks like were beginning to see a pattern here. We might be getting a top in the market the end of April to the first couple weeks of May should be up around 4300 - 4320. It might goes as high as 4350, or overshoot to 4440.

Another example is the 1990 top which was a big one when the Dow Jones hit the 3007 on July 16. That's a ratio of 1.44 and Gann said 12 x 12. 1.44 times that high would give you 4330 and that too is exactly 250 weeks ago. Anyway the analysis goes on that way where we want to get a time and a price projection during this time period. Now this is only a forecast. In big runaway moves we've got to keep in mind that as a rule of thumb the market will not top until we have a significant technical reversal. And often times in a runaway move you can add 200 - 300 points in just a matter of weeks. So we would have to adjust these targets if they got through this 4350 area. The next clusters of prices are 4535 and 4650. It doesn't take too much difficulty to adjust some of the incremental numbers with a few of these things and we could get higher targets the next range of numbers that would be in harmony with these major highs and lows would be up around 4500 - 4600 on the Dow. So we're basically saying that if there is a top during this time period May 15, 1995 so then we will probably have a top around 4350 otherwise it could go another 150 - 200 points more and that would probably buy us another 2 or 3 months of time before we would expect that top to really come in.

The other thing to keep in mind in cycle work especially in the Gann method is too look for natural phenomenal that might be causing cycles. For instance in 1965 there was an eclipse that coincided with the top on May 14th of that year and on this year roughly April 28th there was also a solar eclipse. So we have a natural phenomena where there is an eclipse in both time periods which caused a top in the first one. I might also add that on the 1990 top of July 16, there was also a solar eclipse. So we have a high in 1965, a high in 1990 which were on exact days of solar eclipses and the numbers and ratios are coming out for the end of April which is also a solar eclipse. That might be a give away as to which time cycle in the past to start working on to see if there are a number of days, weeks or months in harmonic price levels because it may be related to natural phenomena.

Some other ways of doing this tie in with Gann's ideas of geometric angles. Gann used angles of 1 x 1 which is a 45 degree angle, a 1 x 2 a 1 x 4 a 1 x 8 a 1 x 16, etc. When you start an angle at the origin of a low, what you'll actually be doing is keeping a sort of moving average where you go over so many days of time and up so many units of price and only when the price and the time in the future hits that angle on that angle and only on that point you'll be in exact proportion to both a price and a time unit from where the origin was. A lot of traders use the Gann angles, but I think they miss one of the most important points, at least the theoretical point of the angle. Although you can trade off the Gann angles in that when they break a 2 x 1 angle they will go down to the next angle, the 1 x 1 angle. Most traders know that when the trendline breaks the market usually goes down. These angles are not really used for that purpose. They are really timing angles because they are relating a unit of time to a unit of price and as a cycle is manifesting on stocks, you loose momentum and the stock starts to deteriorate and goes down. It will start to break these angles and when it hits the angle that is the point where the proportion is exact where so many points per days, weeks or months from the origin are exactly proportionate at that one moment and that is the indication that the cycle is turning when you break through that trendline. The market doesn't immediately collapse when you break a trendline, sometimes it can go much higher just loosing momentum. The trendlines are to warn us that there are proportionate time cycles that are coming out.

Besides using the standard Gann 1 x 1, 2 x 1, 4 x 1 angles we want to look at the other natural proportionate the numbers that we find in mathematics and in nature. Now anybody who has seen the Gann Octagon Chart or the Square of 9 will note that it's not just a lot of numbers going around but usually there is an overlay with a square, a circle, and a triangle over the top of this and this relates to numbers of time periods to natural proportionate ratios found in nature. For instance the square gives rise to the ratio of the diagonal of the square which we refer to as the square root of 2. The diagonal of the square is the square root of 2 and the ratio is 1.414 so that's a natural ratio of expansion. If something goes past a full square you can usually expect it to go a proportion of the square root of 2, which is 1.414 times the basic unit will give us a strong harmonic. If we then take 2 squares and add them on top of each other and draw a diagonal from the left corner of the first square up to the right corner of the second square we end up with a proportion which is the square root of 5. Now those who are not mathematically inclined I might point out the simple Pythagorean theorem where the diagonal of the right triangle is equal to the two sides squared and then you take the square root of that. So if you have two little boxes added up on top of each other and the side of each box let's say is one unit, the vertical sides measure 2 units and you square that you'll get 4 and the horizontal unit on the bottom will be 1 and so the diagonal from the high to the low will be the square root of 5. If you stacked up a number of boxes, 3 on top of that or 4 on it, it's the same thing. 3 boxes equals the square root of 10. 3 squared plus 1 squared is the square root of 10.

This is a technique where I initially draw a little Gann square around a high or low on a stock, commodity, or market average, and if it exceeds that trading range you stack another little box up on top of that or even a third box on top of that and then draw these diagonals and rotate the diagonals down horizontally. You will get the proportionate time cycles where they are horizontal. Now the square root of 5 is also important to note which is mathematically 2.236. This is the origin of the Fibonacci ratio. The Fibonacci numbers and the relationship of those come from the square root of 5. The only other one missing one is the square root of 3. It has been said that the square root of 2, the square root of 3, and the square root of 5 are the basic key relationships in the universe which all the numbers are built on. I have found that to be basically true. If we work with the square root 2, 3 and 5 we will get all the number combinations we will ever need. The square root of 3 is a little hard to visualize except if you imagine a circle and you move it over 50 percent for a second circle like 2 little pretzels rings that are linked together like the Olympic rings. Where they link in the middle the distance between the vertical part of those linking rings is the square root of 3. That ratio is 1.732 and it is also the same as the tangent of 60 degrees. Now these relationships the square root of 2, 3 and 5 are normal expansion numbers. We would use these as with the number of days, weeks, or months from previous highs and lows in history and we would either multiply them times these expansion ratios or we would divide those number of days by these expansion ratios. We will often find that the price targets we're looking for will then come out to a certain number on a certain date. At final lows and highs, we often find 10 or even 20 occurrences where highs and lows of previous history will all come out within the various ratios, targets. That's basically our major forecasting technique. I would add one more advanced concept here. That is the idea of the circle. When were using a circle in trying to find out what the unit lenghts are that are proportionate what we really want to do is take the tangent of the various angles of a circle. For instance the tangent of 45 is 1 unit. That's why the 45 degree angle is so important. It is a direct 1 to 1 relationship. If we have a 30 degree angle in the circle the tangent of 30 degrees is .577 and the tangent of 60 degrees is 1.73. These ratios .577, 1 and 1.73 are proportionate lengths of a circle that will give us all of our major working numbers when we draw a circle around commodities high or low. I will have to back up to explain that a little. This is all gone over in the two books that I have written. The Chart Reading book in particular describes the whole theory of circular arcs and if we want to relate a time and price to a uniform measure, the best way of relating it is by taking a low to a high and drawing a circle around that low to a high. By drawing a circle around that relationship what we have done is we have unified price and time. You are over so many days weeks or months and the price has gone up so many units. When we draw a circle around that, both the time and price will be related at every single point along that circle. When we draw a circle around that and identify the center of the circle we then can get some working numbers that relate to the cycles that generated that low and that high. We would take the radius, for example, from the center of the circle to the end, which might be 1 unit and then we would be able to divide that up by the tangent of 30 degrees, the tangent of 60 degrees or any other angle we may want to use. Those proportionate parts of that radius can then be extended out horizontally from highs and lows from which that circle was drawn, and it will give us precisely the cyclical targets for that particular stock or commodity. This is a very important and specialized technique of dividing a circle.

I want to go back now briefly to the Gann Octagon Chart or the square of 9, to touch on why this is important. We basically started off doing the square roots of numbers and incrementing things. The Octagon Chart, as you know, is a method of calculating the squares of odd and even numbers and in that chart there are numbers that go around in a circle and from the left hand corner going down diagonally we see the following numbers in sequence 9, 25, 49, 81, 121, 169 etc. all the way through. These are the squares of the odd numbers of 3, 7, 9. 3 squared is 9, 7 squared is 49, 9 squared is 81, etc. So the odd numbers squared go down. On the upper right hand corner and extending up we have the even squares; 4 squared is 16, 6 squared is 36, 8 squared is 64, 10 squared is 100, 12 squared is 144. The even squares go up. Most people take a number on the Cardinal Cross section and when it hits that number they find massive resistance or support. Especially in the S&P pit every day the S&P will bounce off all these numbers that line up on the vertical support and resistance axis. What these numbers really represent are increments of square roots. For instance any number that appears vertically or horizontally in the Gann octagon chart, if you take the square root of that number and increment it by two, and re square it you will go all around the circle and you will get the next number in sequence. So for instance directly down on the Octagon chart is the number 46 . If we took the square root of that we have 6.78 and if we add 2 to it we have 8.78 and if we re square that we get 77 which is exactly the next number down from 46 on the Octagon chart. That represents going all away around the wheel 360 of degrees. So if you were at $46 in price and went all away around you would end up at 77. It also means if you wanted to go half way around the circle all you would have to do is take the square root of the number and add 1 to it and re square it and you would get the number directly above it. So in the case of 46 we could take the square root of that add 1 to it and then re square that and you'll get 61. Which is directly above the chart above the number 46. Likewise if we wanted to go out 90 degrees we could add instead of 1 to the square root, we could add 50 cents to the square root. We would get the numbers every 90 degree rotation. If we wanted to go to a 45 degree rotation we could take 25 cents and add it to the square root. So what I getting to is this. All the numbers vibrate off these natural squares. If your trading stocks or your trading S&P's rather than use the Gann Octagon chart which is based on the natural numbers 0 through 9 and they go up in whole numbers. The particular stock or commodity that you're trading will have a major high or low at it's own unique number which may not be on the chart. You may have a final high or low let's say at number 172 which is right in the middle of nothing on the chart and yet that 172 being a final high or low is a very key number. So in order to find out the maximum support and resistance on that number, you will then do the process of taking the square root and increment it by 25 cents, by 50 cents by 1 all away round to 2 to get all the major harmonics of price and time for that particular commodity. Indeed for S&P traders if you want to know a million dollar secret all the fluctuations every day in the S&P pit are basically 1/16 to 1/32 fluctuations of the current price level. So at the 500 level on the S&P which the square root of that is 22.36. We can increment that by 1/32, which is .03125 and resquare and we will get approximately a 140 point basis movement. That would go from 500 to 501.40. If we use 1/64 you will get approximately 70 point basis movement. You will often note in the S&P that they will go 70 cents or so with the tape and pull back. If they go more than 70 cents then they will go 140 cents and if they go more than that they will double again. All you are seeing there are 1/64 increments of the square root of the number and it's bouncing around the Gann Octagon chart. That's where we get time and price. What we really want to do in forecasting after we get those time and price numbers is we want to use the same technique in getting the time. Then we can use those same numbers in our charts to get a time element from a previous high or low. We would want to increment the square root of a major low or a major high and would also want to find out the distance in time between that low or high where we are currently situated, and that would also be a number that would be related harmonically in this square root chart.

Another point about of the whole Gann Octagon chart is that Gann was primarily an astrologer and Gann believed that it was the planets that were causing the movements of stocks and commodities. He found a number of simple techniques to use the planetary movements to forecast stocks and one of the simple techniques was that he would take the longitudes of the planets where they were situated in the sky and convert them to numbers and using these proportionate increments he would find a number that equated to the approximate selling price of the stock. For instance if IBM or any other stock was near $90 that might mean that there was a planet or an eclipse or some astronomic event that was located at 90 degrees of the Zodiac, or 0 Cancer, sine 30 degrees for Aries, 30 degrees for Taurus, 30 for Gemini and 0 Cancer would be the 90th degree. So if there would be a planet situated at 90 degrees what Gann would basically know is, that as that planet moved forward 1 or 2 or 3 degrees, the price of the stock would go up 1, 2 or 3 dollars. He would track the movement of the heavenly bodies through the Zodiac in a numerological fashion and what Gann often did than just to relate to one particular planet he would often average 4 or 5 of the bigger moving slow planets and take an average of their longitude and relate that to where the stock market averages were now and maybe look at them every 3 months or 6 months. That way he could draw a trendline that would extend for 3 to 6 or 9 months or more and give a longer term projection of the numbers the stock market would have to sell at if indeed those planets were moving through space at those longitudes. This, of course, relates itself to the Gann Octagon chart as a square root calculator in that ultimately the planets and their orbits describe logarithmic functions and that the formula for gravity that holds the planets in the solar system together is an inverse proportion and that the gravitational force between two bodies is inversely proportionate to the distance they are apart and the size of the bodies. So if there was an effect on the stock market for human beings emotionally buying and selling due to planets it would show up in square root patterns of prices of stock. That is indeed what Gann thought was happening and that's why he developed the

The Remarkable W.D. Gann

By John L. Gann, Jr.

If you had been a businessman traveling across Texas in 1891, you might have bought a newspaper and a couple of cigars from a tall, lanky 13-year-old selling them on your train. And as you talked with your fellow travelers about investments, you might have noticed the youth eavesdropping intently on your conversation.

If you had asked him, the boy might have told you his name was Willy and, yes, he was interested in commodities. His dad was a farmer in Angelina County, and just about everyone he knew was as well. They were all concerned about the prices their cotton would bring. And had you inquired whether young Willy also wanted to till the East Texas soil when he got older, he might have said no, he didn't think so: he wanted to be a businessman.

"Well, good luck, young Willy," you might have said. "Maybe you'll have your own business some day, maybe you'll even be famous. Who knows? No one can predict the future."

The young eavesdropper going up and down the aisles of that train was William Delbert Gann. Was it really true, he might have wondered, that no one can predict the future?

W.D Gann was born on a farm some seven miles outside of Lufkin, Texas, on June 6, 1878.

He was the firstborn of 11 children two girls and eight boys of Sam Houston Gann and Susan R. Gann. The Ganns lived in a too small house with no indoor plumbing and with not much of anything else. They were poor, and young Willy walked the seven miles into Lufkin for three years to go to school.

But the work he could do on the farm was more important to the family, so W.D. never graduated from grammar school or attended high school. As the eldest boy, he had a special responsibility, and those years working on the farm may have been the beginning of his lifelong dedication to hard work. His religious upbringing as a Baptist may also have had something to do with it, for his faith stayed with him throughout his life as well.

A few years later W.D. worked in a brokerage in Texarkana and attended business school at night. He married Rena May Smith, and two daughters, Macie and Nora, were born in the first few years of the new twentieth century. W.D. made the fateful move to New York

City in 1903 at the age of 25.

Working most likely at a major Wall Street brokerage, W.D. made other changes in his life as well. He divorced his Texas bride and in 1908 at the age of 30 married a 19-year-old colleen named Sarah Hannify. W.D. and Sadie had two children--Velma, born in 1909 and W.D.'s only son, John, who arrived six years later. In addition, Macie and Nora came to live with their father and were raised in New York by their Irish stepmother.

During the First World War the family moved from Manhattan to Brooklyn first to Bay Ridge, then to Flatbush. W.D. reportedly predicted the November 9, 1918, abdication of the Kaiser and the end of the war. But it was after the armistice that the fortunes of the Ganns of Brooklyn took their most dramatic turn. The W.D. that traders know today emerged in the Roaring Twenties.

In 1919 at the age of 41, W.D. Gann quit his job and went out on his own. He spent the rest of his life building his own business.

He began publishing a daily market letter, the Supply and Demand Letter. The letter covered both stocks and commodities and provided its readers with annual forecasts. Forecasting was an activity with which W.D. had become fascinated.

The young business prospered, and three years later W.D. Gann became a homeowner, buying a small house on Fenimore Street in his adopted home of Brooklyn. The market letter led to more ambitious publishing. In 1924 W.D.'s first book, Truth of the Stock Tape, was published.

A pioneering work on chart reading, it is still regarded by some as the best book ever written on the subject. An individualist and ambitious hard worker, W.D. self-published Truth through his new Financial Guardian Publishing Company. He personally wrote his own ads to market it and negotiated with bookstores to carry it.

Truth as praised by The Wall Street Journal and sold well for years. Some consider it the best of his many books. For a first effort it was a significant accomplishment.

His market forecasts during the twenties were reportedly 85 percent accurate. But W.D. didn't confine his prognostications to prices. It was widely reported he predicted the elections of Wilson and Harding and, indeed, of every president since 1904.

At age 49, W.D. Gann wrote what is perhaps his most unusual book, the 1927 Tunnel Through the Air. It is a prophetic work of fiction, not a genre every Wall Street analyst dabbles in. But W.D. Gann was one of a kind. The book is perhaps best known for having predicted that attack on the United States by Japan and an air war between the two powers. Through Tunnel may have had little to offer investors, it was well-publicized and enhanced its author's growing reputation.

The market in the Twenties seemed to be defying the law of gravity, but W.D. Gann didn't think it could last forever. In his forecast for 1929, he predicted the market would hit new highs until early April, then experience a sharp break, then resume with new highs until September 3. Then it would top and afterward would come the biggest crash in its history. We all know what happened.

W.D. prospered during the Depression, which he predicted would end in 1932. He acquired seats on various commodities exchanges, traded for his own account, wrote Wall Street Stock Selector in 1930 and New Stock Trend Detector in 1936.

He continued making remarkably accurate forecasts as well as some less successful ones like the electoral defeat of FDR. He developed a new interest in investing in Florida real estate. He became a small-scale home-builder in Miami as well as the owner of a block of stores on the Tamiami Trail.

He also became airborne. He bought a plane in 1932 so he could fly over crop areas making observations to use in his forecasts. He hired Elinor Smith, a noted 21-year-old aviator, to fly him around. The novelty of his high-flying research--W.D. was the first to study markets in this way--helped keep him in the spotlight.

W.D.'s son John also went into the securities business in 1936 at the age of 21. A year later he went to work for his dad until in 1941 his Uncle Sam announced he had plans for the young man in Europe.

Back in Brooklyn, Sadie had health problems for some time and died at age 53 in 1942. Then after 20 years on Fenimore Street, an aging W.D. Gann moved to Miami for reasons both of health and personal preference. His How to make Profits in Commodities came out the same year.

He kept his business in New York, relying on his long-time personal secretary. In Miami he continued studying the market, trading, real estate investing, and instructing students. The next year at the age of 65, when most are thinking retirement, W.D. decided he'd get married and did, to a much younger woman.

Son John worked on W.D.'s business in New York briefly after the war, then left to pursue his own interests in the Industry. The two differed in their approach to the market. John L. Gann pursued a successful lifetime career with Wall Street's major brokerage housed until his passing in 1984.

The post-war years saw W.D. start taking it easier. He published 45 Years in Wall Street in 1949. He sold his business to Joseph Lederer, a fellow student of the market. Around the same time he also separately sold the rights to all his books to Edward Lambert. He continued, however, to study, teach, and trade. He was made an honorary member of the International Mark Twain Society in 1950.

In 1954 he suffered a heart attack. A year later advanced stomach cancer was discovered. The doctors operated, but W.D. failed to recover. He died in June, 1955, at the age of 77.

He was buried with his second wife in Green-Wood Cemetery in Brooklyn at a location that looks toward Wall Street. It was a fitting location since he had studied the Street all his adult life.

In 1995, 40 years after his passing, William D. Gann is still talked about, written about, and studied avidly. His books are back in print and are sold by Trader's World and Lambert-Gann Publishing Company. It's an extraordinary testimonial to his work and one that even W.D. couldn't have predicted. Or could he? What lessons might there be in this remarkable man's life?

First is an affirmation of the American Dream. William Delbert Gann of Lufkin, Texas, started with nothing. He and his family had no money, no education, and no prospects. But less than 40 years after overhearing businessmen talk on railroad cars in Texas, W.D. Gann was known around the world.

Second, hard work pays. W.D. rose early, worked late, and approached his business with great energy. Virtually all his education was self-administered. This teacher, writer, and prescient forecaster had a third-grade formal education. But he never stopped reading.

Third, unconventional thinking may have its merits. W.D. was intellectually curious to an extraordinary degree. He was unafraid of unorthodox ideas, whether in finance or in other areas of life. He wasn't always right--none of us are--but he dared to pursue a better idea.

Fourth, there may be something to that clean living business after all. A conservative Baptist, W.D. didn't smoke, drink, play cards, or dance. He was serious in demeanor and a conservative dresser, although he lightened up somewhat in his later years. He respected the value of a dollar and was prudent in his personal spending. Not every internationally acclaimed seer would continue to live in a modest house in Brooklyn.

InterMarket Time

By Will Hobbs

We all recognize intermarket relationships exist, though we may not know exactly how they relate or if they are really tradable. A significant increase in interest in the technical approach to this area probably occurred with John Murphy's ground breaking book Interenarket Technical Analysis. However, can a trader use any of this and yet keep exposure minimal? We know Stock Indices and T-Bonds experience short term turns together at times, Gold and Silver commonly have turns on the same day or within a few days of each other, etc. So, time may be an area to relate. Looking at any Chart tells us each market is working out its own patterns and operating at differing price levels. However, changes of trend or the acceleration in trend do occur almost simultaneously at times in some markets. Some we see happening regularly. In the following section we will show how you may want to set up financials and a few of the relationships to watch. Then we will do the same for Agriculturals. There are several software programs available for projecting time. Though you can get good results just using a pocket calculator, time and comprehensiveness are sacrificed. The following dates are not projections for this year but a past year chosen only for illustration purposes showing some of the financials:

S&P 500: Aug. 5

T-Bonds: Aug. (3-4); 12; (22-24,26). Sept.(1-2,6)

Gold: Aug. (1-2); [11-12) (18)], Sept. (2,6) Silver: Aug.[1-2];(8); 16; 31; Sept.[2,6]16

Copper: Aug(12); (17); (26,29) Sept.15- 16

Crude: Aug. [3-4]; (15); [19,22] Swiss F: Aug. (15); (19,22-23)

D Mark: Aug. (12, 15-16); (22); 26; 30.

BPound: Aug. (2---4); 10-11; [19,22];(24). JY: Aug. [5,8]; 15; (29); 31.

Any timing system should be developed enough that relative importance and critical aspects are readily accessed and shown. Such a system might be designated by the subsequent symbols: Sequence of importance: [ ]>( )>_. If ( ) or _ within [ ] or [ ], ( ), respectively, added importance. Bold also add importance (They are particularly high score days, or cycles or swings operating.). Bold are usually more reliable within [ ], ( ), or _.

Many Traders trade one of a group and very few follow all markets that show interrelationships, at least not in a detailed way. However, it is worthwhile to at least look at how others are acting. With time, we first check for days or clusters that are common among all markets followed, Financial and Agricultural. Then we see what different markets or families of markets have the same time projections. Next, we check within each family we anticipate trading that month to see how the time projections shape up. From a practical level if we have not run all these times ahead, then if we see pattern nearing completion and our price projections possibly matching the patterns anticipated end, we check times at least within the family or very closely related to the market we intend to trade. This is a probable confirmation for our time projections and an indication of a projection becoming a reality for the market of prime interest. If we trade TBonds, then we want to know the dates out ahead for the S&P 500. If we think a short is coming up in the Swiss Franc, we want to know the potential turning times for the Deutsche Mark especially, and also for the British Pound. If you have the time, do the Japanese Yen and the Dollar Index even if you do not trade them. We trade the Yen, though rarely the Dollar Index, which of course is not a Currency anyway, besides it does not have good tradable form in our opinion. But we often run its time projections. Actually, when anticipating trading a Currency we find that we can regularly narrow the projections to one day, or be no more than one trading day off a turn by considering the other related currencies. If we trade Gold or Silver, we do the time for the other one. Platinum could be added in here. Copper can be added in too, and if you trade it, then include doing Gold and Siver time.

In addition to the specifics of time we watch the form and action of market groups, but if you have dates, the objectivity, and therefore your confidence can be enhanced. Is there a time relationship in the way we are discussing between T-Bonds and Crude? If so, does one make a high, the other a low, or do they just sometimes beyond coincidental expectation have the same turns? What about the British Pound and, or the Japanese Yen and Crude. Both countries economies are fundamentally affected by Oil prices, but is their technical activity, as time in this case? Some of our questions are being answered or confirmed, and as we study this phenomena, further questions arise. By setting off dates we can more easily see possible relationships. For the markets you particularly watch, you may want to set up Financial and Agricultural sets to see if you think it beneficial to run time for any but those you may currently project. Next, we have a set for the Agriculturals from the same prior year. If you trade one or more of them you may want to consider projecting time for one you have not, that is in its family. Soyoil could be added in here also. We would not necessarily include Soymeal as it is spread traded like the US Dollar. Agricultural Projections:

Soybeans: July (22) Aug. [3-4-5]
Corn: July (22,25) Aug.[3-5] (15)
Wheat: July[5]; [15,18];<u>20-22</u>;(29, Aug. 1)
L Cattle: July (5); (<u>18</u>)28-29 Aug.(12,15)
Hogs: July <u>7-8, 11</u>; (18-19) Aug. [4-6]
Pork: July(25-26) Aug. [5,8] [12,15]
Sugar: July 7; (15,18) 16
Coffee: July- No standout time Aug. (1 4), Esp(2)(11-12); 17
Cocoa: July (15,18); (26); (29)
Cotton: July (14); (<u>22,25</u>)

For the sets above we would want to be aware of the August 2-4; 12,15; and 19,22 periods for the Financials? High occurrence days for the Agriculturals fall on the Financial early and mid August dates.The Agriculturals would be updated and compared with the Financial late August and September periods no later than just past mid August. When projecting a number of markets, splitting up the sets still easily allows comparative time analysis. Doing each set 6 weeks ahead provides perspective, and only a few will need updating within this period. Comparative time analysis may be even more critical for Agriculturals than Financials because of their lower volume and open interest and seasonality. When we do Soybeans, although it is very reliable, we always look at Corn, then note Wheat times secondarily. Corn and Beans have time projections more in common than either with Wheat, perhaps because they are more similar in planting and harvesting time. If we are trading Pork, Hog time is run, likewise with the Softs, Sugar, Coffee, and Cocoa. If we were going to be out of town several days in late July till July 30, then we know well ahead of time to be prepared if we follow the S&P 500 or T-Bonds; the Precious Metals; Crude, the British Pound or Japanese Yen; the Grains; or the Pork Complex. With so many important projections in this many markets with potential time relationships extant, we can be assured of several market moves. □

Will Hobbs is founder of the Investment-Trader, and is a Trader, System Developer, Author, and Developer of the Time Dynamsim™ Software.

Time Analysis Qualifies Market Position

By Robert Miner

There are two important time analysis and projection techniques. The first time projection technique is Directional Time Projections. Directional time projections relate to the direction of the potential trend change. Will the time period projected be a high or a low? Projections from a prior low are only relevant to a potential high. Projections from a prior high are only relevant as a potential low. In other words, the Directional Time Projection is only valid as a potential trend change in one direction.

Directional time projections incorporate a unique set of swing relationships and ratios that are specific for projecting a trend change against the prior swing point. There may be two or three outstanding periods of 1-3 days over a two or three month period with a potential for trend change. Non-directional time projections will help to qualify the direction time projections. Price, pattern and volatility projections will complete the analysis picture and indicate the degree of trend change.

Non-directional time projections do not indicate whether the time period projected will relate to a high or a low. Non-directional time projections simply indicate a potential trend change. Non-directional time projections validate the potential significance of directional time projections.

Non-directional time projections are a complex web of geometric time relationships that are projected without regard for direction. When there is a large cluster of projections within a narrow range of time, there is a high probability of trend change.

The most reliable time projections are those which include projected dates from both directional and non-directional time projections. When these dates coincide, there is an exceptionally high degree of probability that a market will make a trend change of the same degree as the past swing point (high or low) from where the directional time projections were made.

Volatility Bands (Standard Deviation Bands): Standard deviation bands create a channel that encloses price activity. The typical standard deviation bands are also called Bollinger Bands. Usually, they are constructed two standard deviations above and below a 20 period moving average. A two standard deviations channel will enclose 95% of the data of the period chosen. The width of the channel fluctuates relative to the volatility of the market.

I will not go into a detailed description of standard deviation volatility bands, as they have been thoroughly described in the trading literature. There most useful function is to reliably indicate support and resistance in relatively low volatility, trading range markets such as the broad base-building soybean market in late 1994 through early 1995.

Volatility band by themselves are only useful within the context of time and price analysis. Some of the general guidelines of volatility bands are:

1. Price activity will spend little time outside of the band channel. 2. Price is usually near the extreme of the channel at trend changes. 3. Price will usually trend to the opposite trend channel following a change in trend. 4. If a market is in an impulsive trend, reactions against the trend will usually not exceed the mid-channel line and will test the extreme channel two to three

times prior to reacting to the opposite extreme.

May Beans into the Feb. 1 Low: See Figure 1. For the three month period following the Nov. 28 high, directional time projections indicated two periods in late Jan. and Feb. with a high degree probability of making a low. These periods were Jan. 27-31 and Feb. 9-10. Both periods were of about equal strength. However, the qualifier was the non-directional time projections. The non-directional time projections pointed to Feb. 1-3 as a trend change period. This period came closest to the Jan. 27-31 period. Beans made there low on Feb. 1. That low was projected to be of the same degree as the Nov. 28 high. In other words, a rally of larger degree than any since the Nov. 28 should unfold from a trend change in late Jan. To early Feb.

Note how beans tagged the volatility support channel precisely within the projected time period. Beans then rallied straight up to the upper channel. Because the time analysis indicated that the rally was of intermediate degree, reactions against the upper channel should only reach near the mid-channel line until the trend had terminated. This is exactly what unfolded. Miner Article - Includes one illustration

Trader' s analysis methods must indicate to them what to expect from a market position. Knowing the potential degree of trend change provides specific information how to use various methods of technical analysis as the market unfolds. Volatility channel analysis by itself is not very useful. Should a trader expect the market to reach the opposite channel or only the mid-channel line once a channel extreme is reached? Time analysis is one important indicator of degree of trend change and will allow the trader to apply the proper rules to other technical analysis methods.

Robert Miner publishes the monthly Dynamic Trader Analysis Report and weekly Dynamic Trader Fax Report. Each report includes a comprehensive education section to teach traders analysis methods and trading strategies. Robert Miner is the first place winner of the 1993 Robbins Trading Company World Championship of Futures Trading. For further information: Dynamic Traders Group, Inc.. (V) 520-797-3668, (F) 797-2045.

Finding and Forecasting Cycles

By Stan Ehrlich

We are all aware of many cycles around us, but may not try to use them. Some are very short, like your heart beat, and some are very long like the Kondratieff Wave or long economic waves (50-54 years). In investing, technicians are producing trades by analyzing price movements and trends, while the fundamental analyst is analyzing supply and demand factors. Which ever type of research you use, I think you will agree that timing is of the utmost importance.

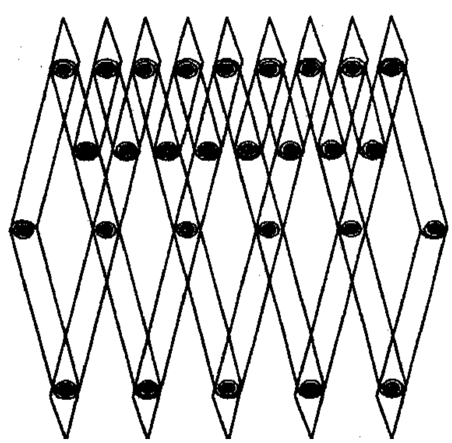
Technical analysis is of great help to those critical time periods when you expect a possible top or bottom to occur, because of a time cycle. The fundamentals usually shift during (which may be difficult to detect) or after trend changes. So the use of cycles can help the analyst anticipate when a market turn may develop. The monitoring of technical studies at those time periods help warn the trader that a turn is likely, or is in the process of happening.

Cyclic turning points during bull markets can be of three different degrees.

Long Term (6 months or more): These cycles are more likely to produce a major bottom formation over a moderate time span of several weeks or a few months. These will most likely be head and shoulder, sideways consolidation trading ranges, or possibly double bottoms. Watch for historic support and resistance areas. Other formations may occur, but remember to look for major long term patterns.

Intermediate (about 60-180 days). These cyclic lows can be signaled by small head and shoulder patterns, double bottoms and the like. There may also be one, two or several day reversals, or key reversals possibly following exhaustion gaps and/or touching important trend lines. Large percentage retracements in long term bull markets are also important to watch for.

Short Term (60 days or less): Shorter cyclic turns will probably be one or two day reversals, also correlating with gaps, trend lines, short term oscillators, over bought and oversold



indicators, and similar short term oriented technical signals. Certainly smaller percentage retracements should be watched for, and the backing and filling of gaps is quite common. In general, look for standard charting reversal patterns and signals relative in size to the cycle you are using.

During bear markets, long term, intermediate and short term cyclic high turns will occur in much the same manner as cyclic lows. It is probable that sharper tops, characteristic of bull market in its later stages, may occur. Remember that cyclic highs are slightly less reliable to use than the lows. This is not to imply that tops are useless as cyclic indicators.

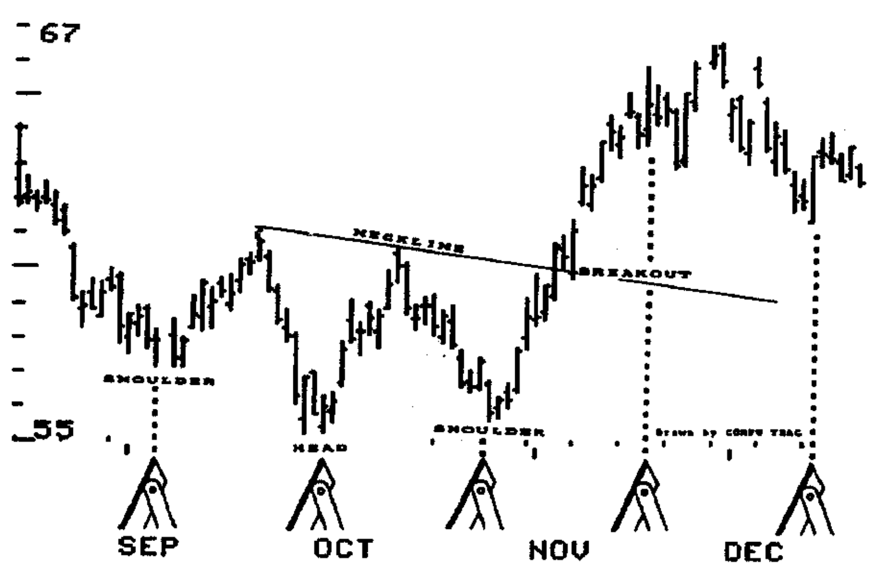
It should be noted that a cycle low or high may cause a break out of a formation and begin a trend, possibly after sideways price action, or the occurrence of a pennant or channel formation.

When studying cycles in earnest, it is important to start with the proper perspective. Begin with long term monthly continuation charts and proceed to analyze the market cycles for a long term point of view first, working into very short term cycles last. This will provide perspective relative to the major bear market movements. It may be necessary to acquire monthly continuation charts to accomplish this task.

Then, working with weekly continuation charts, daily charts, and possible tick to tick charts, you should be able to analyze price action more accurately. It should be noted that the shorter term of the cycle, the more difficult it is to recognize turning points. Cycles of several weeks, and more, have the greatest usefulness because they usually generate sizable moves. It is a common practice to quote cycle lengths from low to low (i.e. from trough to trough). Also, after finding a cycle in one market it is advisable to check other markets that are closely associated to see if the same cycle is present in that market. For example, a cycle in Live Cattle may also be useful in Feeder Cattle. It may be that the cycle you have found in one market is a cycle in a particular index, and therefore may be usable in several markets.

Although some cycles are common to many markets, some are unique to particular ones. Combining cycles of different lengths can result in some dramatic effects.

Particularly fast and substantial price moves are sometime the result of two or more cycle highs or lows occurring in a very short time frame or simultaneously. The reverse occurs when opposite cyclic forces combine to neutralize each other, sometimes creating the familiar trendline sideways price action which may make it harder to see the cyclic results which



otherwise would be more pronounced.

The Ehrlich Cycle Finder has become a very popular tool for finding cycles on both chart paper and even computer screens. It is an expanding and contracting chart tool with 9 points on one side and 5 points on the other side. To use the device, place the ECF's far left or right hand point on a prominent market bottom. Depending on whether most of the price action is to the left or right of your market low, slowly begin to expand the ECF in the appropriate direction while holding the endpoint steady on the decided low. While very slowly expanding the tool, you should begin to find lows occuring in a series of approximately equal time spans. Be sure to watch very carefully how well lows match up with the ECF points. Some judgement as to how much tolerance or variation of timing you are willing to accept must be made. Up to five or ten percent of the cycle time span is generally acceptable. You should not except to find many cycles with exactly equal time periods, although it happens.

The greater number of cyclic lows found in a series will increase the accuracy of the next cyclic low projected. This might require a longer time span than is available on the charts that you are using.

As a guideline, use at least five or more repetitions for the most reliability. Again, the more repetitions you find, the more likely you have found a good cycle and the more accurate your timing predictions should become.

When you have measured the timing cycle accurately, simply shift the ECF one or more cycles (point to the tool to the right and you have calculated the next expected cycle turning point or points into the future. Make a reference market on your chart on that day or week to remind you of the likely turn in price action at that time. Continue the expansion process because the low you have picked as a starting point may be a cyclic low involving more than one cycle!

After you have found a series of cyclic lows that you feel is usable, look for the cycle highs approximately in the midpoints between the cyclic lows. This is one way you may find cycle highs. Cyclic highs are somewhat less reliable to use than cyclic lows. This is probably due to the emotionalism which often accompanies tops. Reversing the previous process can be used to find cycle highs first, then cycle lows.

Stan Ehrlich is president of Ehrlich Commodity Futures and Ehrlich Cycle Finder Company, he can be reached at 1-800-800-4321. The Ehrlich Cycle Finder is a fantastic tool for the trader. The tool has several other functions than finding cycles. It normally sells for $74.95 and comes complete with instruction booklet and cassette tape. However Trader's World has made an arrangement that subscribers of the magazine can purchase it for the next 90 days for only $49.95 plus $5.00 for shipping. Use Trader's World catalog order #4713. This offer expired September 30, 1995. Use the order blank in the catalog section of the magazine or call 800-288-4266 for faster service.

The Gann Pivot System

By Bruce Babcock

In my last article I discussed the natural progression of learning for a new trader. He or she quickly determines that in order to be successful, one must master market predicting. After reading some books in the conventional literature, he attempts to find repetitive market patterns and cycle using price bars or mathematical indicators. He may fall prey to various expensive system promotions.

In spite of the abundance of such prediction methods in books, systems and software, in the long run, probably 95 percent of traders lose. Nevertheless, almost no traders question the proposition that exploitable, repetitive price patterns and cycles exist.

People are naturally susceptible to wishful thinking. They believe what they want to believe in spite of obvious evidence to the contrary. Short-term luck causes many such faithful traders to reinforce their invalid beliefs.

Unsuccessful traders have a distorted view of the markets, themselves and what they are really doing when they trade. It is very difficult for them to shed these misconceptions so they are domed to long-term failure.

It turns out that it is possible to examine historical market price action with mathematical and statistical tools and determine whether such repetitive patterns and cycles exist. Chaos Theory is the mathematics of analyzing systems such as market price action.

For those willing to plod through some fairly technical, jargon-loaded language, I recommend Edgar Peters' two books on Chaos Theory and the market, Chaos and Order in the Capital Markets (1992) and Fractal Market Analysis (1994). Both are published by John Wiley & Sons and are available in the Trader's World Catalog in this magazine.

Chaos analysis tells us that market prices are highly random with a trend component. The amount of the trend component varies from patterns and repetitive short-term cycles with predictive value do not exist. The patterns of prices and indicators traders use as much chance to predict short-term market prices using technical analysis as you do to predict future numbers on a roulette wheel.

In writing his second book Edgar Peters examined four years of tick data in the S&P. He concluded that while short-term data is not totally random, the deterministic element is so small as to be barely measurable. He concluded that "it is highly unlikely that a high-frequency [short-term] traders can actually profit in the long term." He also found that there are no cycles in intraday data.

As I read the literature, this is not opinion. It is scientific fact. Traders who ignore it do so at their financial peril. Does this mean the markets are a random walk and that eventually all traders will lose because of the costs of trading? No.

Traders can exploit the longer-term trend component of commodity market price action to obtain a statistical edge. This is precisely what trend-following systems do. It explains why good trend-following systems traded in diversified market portfolios tend to make money year after year while day-traders invariably lose in the long term.

To be a successful speculator, you must put yourself in the same position as the house in casino gambling. On every bet the house has a statistical edge. While the house may lose in the short term, the more gamblers bet, the more the house will eventually win. If you trade with an approach that has a statistical edge and if you follow your approach rigorously (a big if), like the casino, you cannot lose in the long term.

My calculation of the trading success quotient is that one-third depends on the system, one-third on the portfolio of markets traded and one-third on the trader's discipline to follow the system precisely. We can never know for sure whether our system has a statistical edge. The best we can do is create it without over-curvefitting and test it historically. If the system has been over-curvefitted, any historical testing will be preordained and worthless.

A simple way to guard against over-curvefitting is to use exactly the same rules for all market s and test your system on as many markets as possible. If it is profitable in a wide variety of markets in a long historical test that generates a large number of trades, it is probably not over-curvefitted.

To maximize your edge while minimizing your risk, it is crucial to select an optimal portfolio for your system and account size. Since a market's price trend component is what gives you a statistical edge in the first place, you can increase your edge by concentrating your trading in markets with the highest historical trend component. I have written a book called Trendiness in the Futures Markets which is a systematic examination of the tendency of 29 popular markets to trend in all time frames between 5 and 85 days.

While we can measure the various markets' tendency to trend in history, we cannot know for sure which markets will trend the most in the next six months to a year. Thus, to reduce short-term risk, we must diversify as well as concentrate. My research has shown that optimum portfolios for trend-following systems have between 10 and 20 markets. I personally trade 19 different markets with various trend-following systems.

Another aspect of managing risk is keeping drawdown in relation to account size under control. Because drawdown and profitability are closely related, to reduce drawdown, you must accept smaller profits. It is impossible to evaluate the optimum portfolio for your system unless you compute the joint historical drawdown when trading the entire portfolio. I suggest a starting account size representing twice the maximum historical portfolio drawdown plus the total margin for the portfolio.

Contrast this rigorous, scientific approach to the way most traders operate. They have no idea whether their methodology has a statistical edge. They assume that if it is in a book or came from a famous guru or cost a lot of money, it must be good. They trade with highly subjective methods that can never be tested. They are too lazy to create some hard and fast rules and perform proper historical testing. If this is you, don't be surprised if your trading produces loses. For you, trading may be fun, but you will pay for your entertainment.

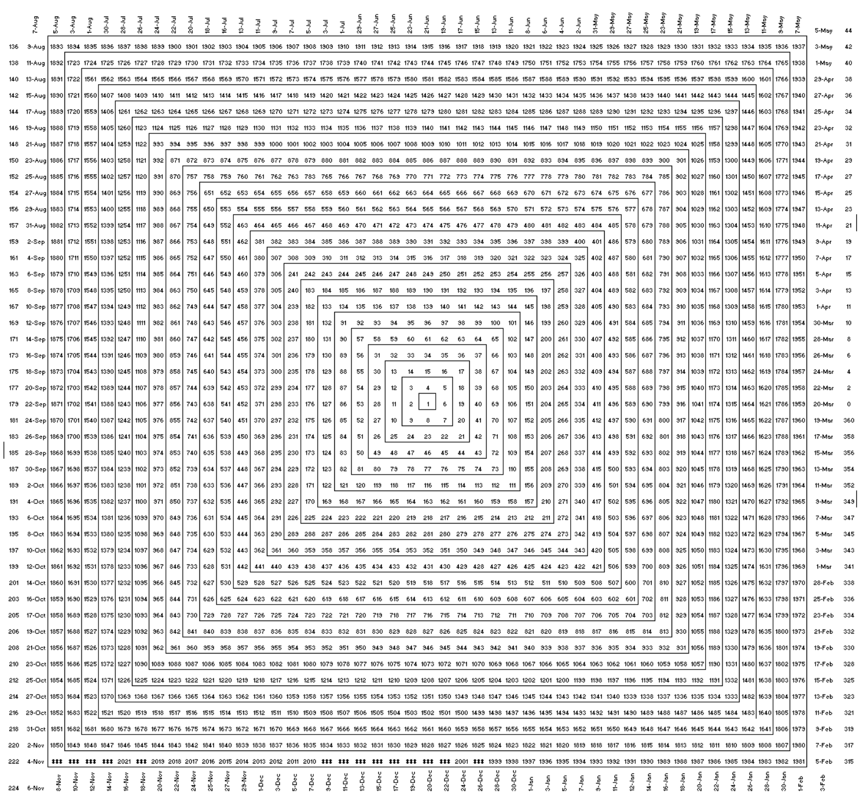
Bruce Babcock is Editor and Publisher of Commodity Traders Consumer Report.

Gann and the Pyramids

By Larry Jacobs

W.D. Gann went to Egypt to study the great pyramids. He felt that the math behind the pyramids was very important to the study of the financial markets. The Great pyramid of Giza was the structure studied by Gann. It was built based on the same Fibonacci mathematical relationships that work in the markets. Look at the measurements of the Great pyramid of Giza: Base = 2.000, Height = 1.272, Diagonal = 1.902, Slope = 1.618 Other ratios derived are: .382, .618, 1.000, and 1.382. Looking down directly on top of the pyramid you will find that it is really the square of 9 used by Gann for all of his mathematical calculations for tying together time, price and seasons of the year. When the number 1 is placed in the center of the square and price spirals around you will find that important market price tops and bottoms will line up in a straight line. When dates of the year are placed around the outside of the square of 9, important tops and bottoms will match seasonal time points of the year. The square of 9 chart is one of the most important mathematical tools used by the Gann trader. See Figure 1.

W.D. Gann spend his lifetime studying and trading the markets using mathematics. Some say he made over $50,000,000 trading the market back in the 50's. Gann wrote many books and courses about trading the market which are available in this magazine. The books are written in



veiled language which most people have trouble understanding.

We at Trader's World Magazine new that most successful traders in the world used the techniques of W.D. Gann. So we created Gann Masters with the purpose of finding those successful rules of Gann and teaching them to students who are willing to put in the necessary time and effort to become master traders. This was done by extensive research with the help of several successful Gann traders.

In Gann Masters we created a course in which the student is presented with a series of lessons in logical order.

The course is designed for the modern trader. It contains the Microsoft Excel spreadsheet template which includes all of the famous Gann master table charts, master circle charts, master tri-tables, projection charts and even the square of 4 and 9. See Figure 1. Many of Gann's time and price projection techniques can be done with this Excel template in a matter of seconds.

Gann said the year before he died, that the master time and price overlays were his most important discovery and we believe it. The master overlays are also in the same shape of the pyramids. The Gann Masters Course explains how to make the various master overlays. The Gann trader should use the 72, 90, 104, 120, and 144 square master overlays. By placing these over charts the trader can find all the cycles the market is working in. The overlays must be used with accurate and precision charts. Only two computer programs (Gann Trader II and Max:Chart) can make these kinds of charts. We are current writing a program in Windows format that will be available soon to Gann Master students that will take ASCII format data (intra-day or end of day) from any program you are using such as Trade Station, MetaStock, etc. and create precision Gann charts which master overlays can be used on.

A Gann Master's Forum is now available on the INTERNET! Gann Master members can E-mail us their course questions, ask other Gann Master members questions and generally have an open discussion of important topics. This will bring together Gann Master members from all over the world into a unique and powerful group of traders which the world has never seen before.

Gann Masters is a 200 page couse which includes the Microsoft Excel Template, the Gann Masters Subliminal Mind Tape for learning Gann's rules and access to our special group of Gann Master members on the INTERNET. To order call 800-ATT-GANN, Fax 417-886-5180. E-mail: publisher@tradersworld.com. #8000 $90.00 - 30 day money back guarantee.

Interview with Robert Miner

By Larry Jacobs

Robert Miner is the president of Dynamic Traders Group, Inc. in Tucson, Az. In 1989, Miner released a home study course based on the work of W. D. Gann, appropriately called The W. D. Gann Home Study Trading Course. Miner also publishes a monthly advisory and educational report and weekly fax advisory report called the Dynamic Trader Analysis Report.

One of the most prolific trading writers with over 15 educational, trading articles published in the U. S. and overseas since 1987, Miner is not only a market analyst and trading advisor, but a trader as well. In 1993, Miner won first place in the Robbins Trading Company World Cup Championship of Futures Trading. In Jan., Miner is releasing the Dynamic Trader Software and Trading Course.

Robert, a few years ago you wrote a comprehensive home study course about Gann trading techniques. Are all of your analysis and trading techniques related to Gann? No, but Gann's work provided the original foundation for my methods. Gann was by far the most holistic market analyst. He stressed throughout his work that the trader must take a complete approach and "use all of the tools, all of the time." In other words, price analysis should not be viewed out of context of time analysis, time analysis should not be viewed out of the context of price analysis and so on. I've always considered pattern analysis extremely important to understanding the position of a market and have incorporated Elliott wave analysis into my work.

There are other technical analysis methods that I include, but time and price analysis and projection routines remain the foundation. They are the most accurate description of market position.

The most important knowledge about markets I have gained is from relentlessly studying market patterns and crunching the numbers. While I have had some good guidance from past analysts and traders, including Gann, and some current educators and traders, it has been my own research that has provided the most useful information.

Why do you think Gann's work is valuable or unique? Gann challenges the trader to look at the markets from a different perspective than is common, today. Gann's most important contribution was educating traders that markets unfold in ratio and proportion. That is, current market cycles are related to past market cycles by particular geometric ratios or proportions.

In effect, all of Gann's analysis techniques are leading indicators in that they project time and price targets that are in proportion to past market swings and have a high probability of future trend change. Virtually all of the technical analysis techniques taught today are lagging indicators. That is, they simply describe in one way or another what the market has already done and, to a certain extent, what the position of the market is relative to the past.

It seems that you are saying the concepts of Gann and Elliott that you have built upon are more important than the specific analysis techniques that they originally described. Precisely.

If Gann's work is based on geometric ratio and proportion, why didn't he use the Fibonacci ratios in any of his work? Excellent question. Gann was obviously steeped in symbolic mathematics and geometric symbolism. He matured during the turn of the century when there was a revival in this area of knowledge and inquiry. Yet, he only mentions static ratios based on the circle and square in all of his works. (Static ratios are even divisions of a number such as quarters, thirds, etc.). Yet, the Golden Mean ratio, .618, is the most important ratio in geometry, philosophy and symbolism from ancient times.

In my Gann course, which was first issued in 1989, I stated that the lack of any mention of the Fibonacci or Golden Mean ratio in Gann's work was conspicuous by its absence. I suggested that it was inconceivable that Gann did not apply the Fib. ratios in his work. My course material described all of the techniques from the perspective of giving precedence to the Fib. and other dynamic ratios over the static ratios.

Do you use Gann swing charts? Only in a limited sense. Gann taught to make both time and price swing charts that were to signal the direction of the main trend and for trade entry and exit. A price swing chart ignores time and only registers a new swing or trend change if the market reverses by a fixed amount of price. A time swing chart only reverses if a swing against the trend of a minimum number of days occurs regardless of the price range of that swing.

Time and price swing charts are excellent trend indicators but are terrible as trading tools. By the time a new swing meets the criteria of trend change, the market may have moved a considerable price distance which is more than any trader would stand to remain in a position.

What I have found very valuable from studying swing charts is learning about minor reactions against the main trend. Depending on the age and position of the trend, reactions are rarely more than two to three days against the main trend. This implies that the protective stop loss should rarely be further than the three day extreme. Gann stated over and over again in his work that the final swing of a trend is usually fast with only one or two day reactions against the trend. This is true and also implies that a protective stop loss should be no further away than the one or two day low if the analysis indicates that the market is in the final stages of the trend.

What is the master time factor? I don't know and neither does anyone else. I suspect it was no more than a marketing ploy by Gann, the consummate promoter. I've seen and heard all of the stuff by people who claim to know the master time factor, but nothing that I have seen or heard by these people show that they have any analysis or forecasting technique that is better than chance. Sure, they show amazing past examples of their discovery but come up real short in current and projected analysis.

It should be kept clearly in mind that Gann was a master salesman and promoter. He was in the business to sell products and services to traders and investors. Anyone who reads his books and courses and has ever been involved in marketing or sales knows that Gann was always promoting his publications and services. He constantly threw the bait out to keep the customers curious and coming back. He did this primarily by alluding that his methods were very esoteric and that he had made startling discoveries about market movements and market geometry.

I suspect that Gann could have made a very good living selling ice cubes to Eskimos. Even today, people are still buying into the so-called hidden meaning of Gann's veiled truth of the markets. No one has yet been able to show any practical applications of these so-called amazing discoveries they have made of Gann's "hidden truths."

Gann made great contributions to market analysis and market understanding. I would rather focus on what Gann taught that has practical application rather than search for the so-called Holy Grail of trading. I think there is a very serious detraction from Gann's positive accomplishments by the people who continue to claim to have discovered Gann's hidden secrets. The proof of their discoveries can only be in their published analysis and forecasts which they seem to have a conspicuous lack of. I've put my knowledge and reputation on the line every month with published analysis and forecasts since 1986. Why aren't these people who claim to have discovered the hidden secrets, the Holy Grail of the markets, doing this? The answer is pretty simple as far as I am concerned. The only thing they have discovered is how to tap into the illusions of others.

What other analysis and trading techniques do you use? It seems from the discussion up to this point, that Gann analysis is all I do. This isn't true, although I know a large proportion of your readers are interested in Gann analysis techniques, plus I humbly claim to have written the only practical instructional material related to Gann's work. Gann and Elliott are the foundation of my methods. I have expanded upon and developed practical time and price analysis and projection techniques based on the concepts in Gann's work and have simplified the pattern analysis described by Elliott.

I consider time, price and pattern the critical dimensions of market activity. My analysis techniques consider each one of these factors. When each factor is telling me the same thing related to the position of the market, I have the confidence to make a trading decision. Over the years, I have explored just about every technique that has been published, from traditional cycle work to so-called oscillators. I have found very little of practical value from these other areas, although they have helped a great deal to understand how markets work. I also find simple statistical analysis very helpful.

Got an example? Sure. Average trend and counter trend swing length in time and price in bull and bear markets. In addition, for the past few months, I have been studying and applying the practical application of volatility analysis related to average ranges and volatility envelopes to my trading. They are a good and logical complement to my established work. As is usual, I have found that the traditional way volatility studies are taught to be applied are not necessarily the best application.

Someone reading my advisory reports wouldn't have a clue that Gann is the basis of my work unless they understood that ratio and proportion are the basis of Gann's work which is also the basis of my work.

You mentioned R. N. Elliott. Is Elliott wave an integral part of your analysis methods and trading strategies? You bet. Elliott's work is a brilliant description of the crowd psychology process. The most important application of Elliott wave is to discern impulse and corrective trends as they are unfolding. That information alone is very valuable. It provides the trader or analyst with two important pieces of information. One, what is the position of the market relative to the trend. Secondly, Elliott wave patterns are very reliable to identify if a market is near a trend termination.

Unfortunately, the Elliott wave principles are not as objective as many people have taught. There are Elliott wave guidelines that will reliably project market activity and provide the conditions for the market activity that will invalidate the outlook. But, the trader must know specifically when Elliott wave patterns are not reliably providing this information.

In the Dynamic Trader Trading Course that accompanies the Dynamic Trader software, there is a big section on the practical application of Elliott wave and how to integrate it with time and price analysis and projection routines. I think this Elliott wave instruction is the most complete, practical application of Elliott wave that has ever been taught. When Elliott wave is kept in its proper context, it is extremely valuable. But, it should never be used as the sole analysis method to make a trading decision.

If Elliott Wave analysis is so useful, how come the most popular Elliott Wave analysts have been so bearish on the stock market for several years and have been trying to pick a top in the stock market throughout 1995? Obviously they haven't studied my course. I was very bullish on the stock market through the fall of 1995. The time, price and pattern conditions for a top didn't begin to fall into place until Oct.. And, these were just the minimum conditions. I don't know how anyone with a firm foundation in R. N. Elliott's work didn't think a major bull swing would develop from the Nov 1994 low.

What makes a successful trader? I think the most important factor is confidence in the analysis methodology which provides the trade signals and trade management techniques. Most novice traders don't take the time to thoroughly learn a method to analyze the markets and what trade signals are valid or not. Unfortunately, many beginning traders believe that trading is simply finding some mathematical formula or simple set of rules that will automatically provide buy and sell signals. This myth is perpetuated by system sellers and system testing software developers.

If traders take the time to thoroughly study market behavior by studying past charts and testing every single analysis and trading technique, they will gain the confidence to understand market activity. Few traders take this time. Trading is no different than any other business. The skills must be learned and experienced in order to be put into practice in a consistent manner.

Is timing a critical factor? Time and price are the consequence of the same cause. My strength is time analysis. I believe I have learned how to integrate reliable timing analysis and projection techniques better than any other analyst or trader. It has taken almost ten years of focusing on time analysis and timing techniques to arrive at my methods. Gann was the primary influence in developing my time projection techniques. Although I do not do time analysis as he described, his geometry and ratio time analysis became the foundation of my work.

What do you mean, time and price are the consequence of the same cause? We could spend a lot of time on philosophy, but there is only one cause for any action. Time unfolds in exactly the same manner as price. My time analysis methods are almost the same as my price analysis methods. I am just using dates instead of prices. Dates and prices are just different scales that measure the same action.

Does your time analysis use Fibonacci ratios? Yes, but others as well. There are other dynamic, growth ratios found in the market and in nature. There are five regular polyhedra, also called the Platonic solids, which are the basis of all crystalline growth. There are ratios associated with these growth pattern that are relevant, although the Fibonacci ratios are the most common.

Can you comment on the similarities and differences of trading, market analysis and forecasting? Each of these areas is much different from the other. The common factor is that the practitioner must understand that the backbone of the business is probabilities, never certainties. The purpose of market analysis is to be able to accurately describe the position of the market, most of the time! No matter what analysis techniques are used, they will fail occasionally. That is why one of the most important factors of analysis is to be able to identify the specific market activity that voids the analysis position.

Market forecasting and forecasters have a deservedly bad reputation. No one knows what the future holds, no one. Yet people want to believe that someone can divine the future for them which puts pressure on some market analysts to provide forecasts of the future. I'm a forecaster only in the following sense; if it is understood that a forecast is a high probability guess of how a market should unfold relative to its current position, and, the specific event that invalidates the forecast is described. Then a so-called forecast has value. If it is believed that the forecaster has some special knowledge that allows him or her to prophesize the future, the believer will get what he or she deserves, a direct run to the poor house.

Trading is a completely different ball game from market analysis. While a trader must have some methodology to analyze the market to provide the information to make a trading decision, trading strategies and money or trade management are as or more important than analysis techniques. Very few novice traders are aware of this, but all experienced traders know this to be true.

Almost all of the trading literature concentrates on new and unusual (usually overly complicated) analysis techniques with very little attention to trading strategies including entry and stop loss techniques and trade management such as stop loss adjustment, pyramiding and exit techniques. I think this is because there is very little written by actual traders who have had successful trading experiences. I can usually, immediately tell if a trading or investment book or magazine article has been written by a real trader. Most are not, but are written by analysts or academics who are proficient at crunching numbers into mostly meaningless statistics and useless, lagging indicators.

Robert, you seem to wear a lot of different hats. Are you a trader or a market analyst and trade advisor? I'm firstly, a market analyst / advisor and trading educator. That is my primary business. I've published a monthly advisory service since 1986. Currently I publish the monthly Dynamic Trader Analysis Report and a weekly fax service. One of the most important objectives of the advisory service is education. Each monthly report includes either a comprehensive trading tutorial or research report. Even the weekly fax report is educational, as I always provide an explanation for the market position opinion. I want traders to learn to do their own analysis and make their own trading decisions and use my work as a trade alert or check against their own work.

I gauge the success of my advisory reports by the renewal rate. I have over an 80% renewal rate for both the monthly and weekly reports which is 2 - 3 times the rate of the industry average. I have subscribers that have been with me since the 80's when I did the four page, Precious Metals Timing Report. My monthly Dynamic Trader Analysis Report is now 25-30 pages each month of analysis and education, sometimes even more.

I have also been trading since 1986. In 1993, I entered the Robbins Trading Company World Cup Championship of Futures Trading and won first place with over a 118% return on account for the year. My methods work! However, I do not consider myself a trader because it is not my primary business. My primary business is to provide analysis, advice and education to my customers.

So, how do you juggle these two hats? It can be a big disadvantage to be in the analysis and advisory business and also trade. They are two completely different jobs. Trading to me is like a part time job, the same as it is with other people who have full time jobs and trade part time. I have to set aside time when I am committed to making and following up on trading decisions and understand that there are times that I cannot devote to that. One of the great values of my time and price projection analysis is that I am prepared in advance for the conditions that signal a trade set-up. As that time is approached, I can change to my traders hat and prepare to make a trade. If a market is not approaching a time and price projection, I can ignore the markets from a trading perspective and tend to my research and analysis.

How is the much awaited Dynamic Trader software program you are developing different from other technical analysis programs, and when will it be available? It should be available by the time your readers receive this issue. It will be shipping on Jan. 22. I've gone to school big time over the last two years on software development. The original idea was to develop a program that would do a few time and price projection routines that were not found in any existing program. The original programmer said he could have the job done as I had laid out to him in about six months. Six months came and went with almost no progress. I was about to give up on the whole project when about a year ago, Jerry Pegden who had moved from New York to Tucson to work with me, said he could oversee the development of the program. He had had some programming experience and was better able to work with the people who would do the most difficult part of the actual programming.

The whole concept of the program changed from a niche program that would have a limited number of routines to a program that would include the most comprehensive time and price analysis routines and reports available from any source as well as incorporate the other technical analysis methods that I employ that complement the time and price routines.

While the program is being released more than a year later than I originally planned, there is one thing I am completely confident about; the Dynamic Trader Software and Trading Course will make all other time and price analysis and projection software obsolete. I don't make that claim lightly. I have just about every available time analysis software and none of them include all of the analysis techniques necessary to make a confident trading decision. That is why I finally decided to develop my own software. While some of these other programs try to do time ratio projections, none of them includes some of the critical time projection techniques. I believe this is because most other time analysis programs were not developed by successful traders or people who personally developed the techniques.

The Dynamic Trader software program will include a comprehensive trading course on time, price, pattern, trend and volatility analysis as well as other appropriate and practical technical analysis methods. Up to this point in time, my W. D. Gann Home Study Course was literally the only comprehensive course for traders. I know there are many videos and workbooks available, but none take a complete approach to analysis and trading strategies. In other words, they are not holistic trading courses like my Gann course was. The Dynamic Trader program will go a step further and not only provide a comprehensive, practical training course for traders, but the software to implement the analysis and provide the information for the trading decisions. The Gann Home Study Course is no longer available. What will be in the Dynamic Trader course material that is not in your Gann course or other material you have published? Lot's. One good example is there is little if any material that has been published or taught on how to actually put R. N. Elliott's wave principles into practical application. The Dynamic Trader course material will have the most complete instructional material on the practical application of Elliott wave for traders that has ever been published. It will describe when Elliott's wave principles are valid and when they must be ignored. The course material will also include time and price analysis and projection techniques that I have not included in my workshops in the past. Most important, the course material will teach traders what is the relevant information needed to make a trading decision, how to get that information quickly and how to use it to put on a trade. It will teach traders how to manage the trade from where to place the initial protective stop loss to the signals to adjust the stop and take profit.

What direction are you currently taking relating to your trading and analysis? The most important direction is to continue to refine the market analysis and trading strategies in order to eliminate as much subjectivity regarding the trading decision as possible.

Bob, do you have any final comments or advice for our readers? I'm sure you remember the Hunt brothers of the silver bull market fame of the late 70's / early 80's. Their father (I forget his first name) was considered the wealthiest man in America in the 1950's. In a rare interview, the interviewer asked him what advice he would have for a young person starting out in the business world. The senior Hunt said: "You must know what you want and be willing

True Trend Lines and The Second Wave

By Joe Rondinone

I would like to and quickly address two overlooked and misunderstood principles of chart analysis. This could come as a surprise to many experts , but you can judge for yourself if these points I make have merits, or have I waisted 37 years of researching.

First, I'd like to point out the drawing of trend lines. When I started with W. D. Gann studies in 1954, I was given the 1/1 angle, l/2 angle, l/4 angle, and 1/8 angle to work with. Like other vague rules, it was impossible to know which angle to draw when a move started. Was a 1/1 going to hold or 1/8? Well, read on, I am going to give you the right angle, the only one when you do....

Rule One: You can not draw a True Trend Line from unequal values, In order to draw any trend lines for 15 min, 30 min. 60 min. daily or weekly; you have to make a level field. You have to equalize each price period in itself. The value of the move should be reflected in price and time squaring.

If you have a 12¢ in beans one day, a 8¢ the next, 5¢ the next, 10¢ the next etc. how can you possibly draw a valid trend line from these unequal values??? I know, just draw a line from high to high etc. Wrong! Refer to chart one, chart two and chart four. In chart one I have spaced the price movements two blocks wide, chart two , the price is plotted only one block for each period. In chart four, we have an example of the price with an added width/space/area/ called

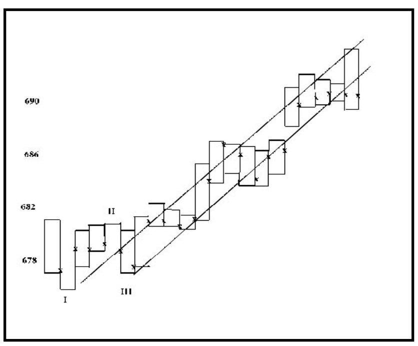


Chart 1

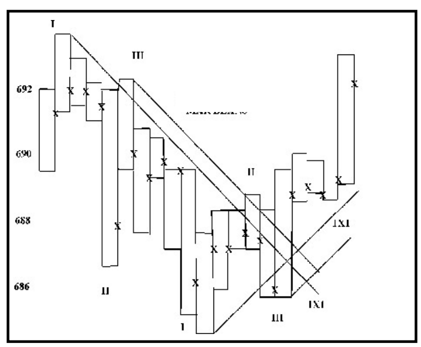


Chart 3

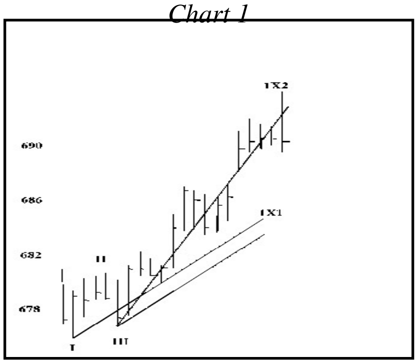


Chart 2

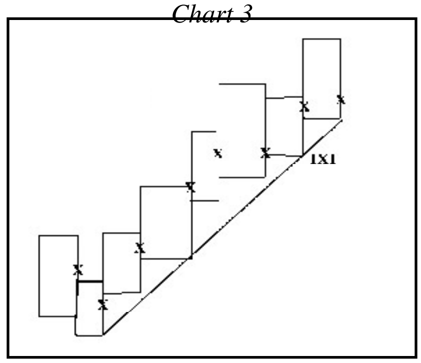


Chart 4

time; added in proportion to the movement of price. Here we have an equalization of price and time. Note: (This chart does not denote the exact Symmetrics (c) ratio of plotting) this is used to demonstrate how a squared price will follow the 45 degree angle. Which of the three charts would you choose? or put your money on? Angle Symmetrics charting is the squaring of price with time in a geometrical way calculated to follow the one angle. Because the width/ area/ space/ or time is added in true proportions to each price movement, the price is squared and is confined to the area of the 45-degree until the trend changes.

Another point of Symmetrics charting is that all moves will be in true proportion. This means that if you chart 1/2¢ to 1/8 inch, or 1¢ to 1/8 inch or 1¢ to a 1/2 inch; because you are adding proportional width to each period of price, it will stay in square perfectly. YES, regardless of what size grid paper you use.   Can you understand the depth of this?

“The Second Wave” In an uptrending market, the first rally usually does not hold. If you draw a 45 degree angle from the low of the move, the correction that follows in many cases does break the upward 45 degree line. This could catch your stop because it is below the 45 degree line. Worst, you may be stopped out and also go short in a bull market and could be costly. Over the years, I developed a rule: “If the correction is 50% or more of the previous move, you should draw a new trend line from this second wave” A stop below the first low should hold if the trend is to continue This “Second Wave” is the correction of the first move. Refer to chart one on January Beans. I use Roman Numerals I-II-III “Every action has a reaction” I learned that in high school. It works in trading also That is, sooner or later. Now the important point to remember is: once prices cross the II point or level, a sizeable move should follow. Refer to chart three: You had a I and a large break followed to II point, from II a (correction) followed to III and the price declined. Then you have a rally, a I is at the bottom at 684, The rally to II and the 50 % or more break, III, Once the price crossed the II level a sizeable rally ensued. This I-II-III action and the reaction, ”The second wave” can come in a one day if using 15 min periods, or it can come in two weeks or even months apart. It is wise to always watch for those corrections they are not trend changes.

When the Symmetrics plotting principle is combined with the Second Wave and the True Trend Line is drawn, trading should improve.

Joe Rondinone is president of Angle Symmetrics Trading Institute, P.O. Box 260675, Plano, TX 75026-0675.

Of Traders and Geese

By John Chapman

These two species have a surprising amount in common, particularly early on. Baby geese, through a process known as imprinting, fix upon the first large creature they see after hatching and consider it to be their mother. The fact that “Mother” is a human doesn’t matter, and if the real mother goose shows up later, the baby geese will run to their human mother. Imprinting seems to be an innate process for new traders, as well as for new geese, and the results are equally seriocomic.

I became aware of this common trait with our feathered brethren after listening to many tales of the early missteps of my fellow professional traders. There seemed to be a strong common thread running through their stories; my own “unique” story turned out to be simply a minor variation of the standard.

My broker recommended that I buy a Jul/Dec cotton spread. He said that it was a high probability trade and that since it was a “spread” it was a conservative way to get my feet wet in commodities. (He failed to explain that the liquid doing the wetting would be human blood, my own!) After the spread went against me a ways, he “saw it turning” and recommended picking up another Zone, which I did. I soon learned that Jul/Dec cotton is not a conservative trade; it is old crop versus new crop, a little like spreading apples and oranges, and it is capable of moving hundreds of points at $5 per point per contract. My first step into the “land of easy money” cost me twenty percent of my annual pay’

After a respectable period of mourning for my depleted savings, I concluded that someone out there had made some mighty easy money off of me, and that this game might not be so bad from the other side of the table. I set out in a determined and disciplined way to learn how the game was played. So, it seems, did most of the other long time professionals. Almost all of them seem to have taken a licking on either their first trade or else very soon afterwards. Conspicuously missing from the club were ones who had made a killing in their early trading. I suspect this is due to the effects of imprinting.

The problem with winning in the early going is that it imprints your “successful” technique indelibly on your mind. Equally bad, it also imprints on you how little work it takes to win in this game. These are both killers. Very few people who try their hand at trading commodities start with a polished and successful technique. Early successes, therefore, are almost always a matter of luck. But, once you “know” from early triumphs that your technique is a winner it will take more than a few losses to dislodge that conviction from your mind. A sprinkling of winning trades among the growing list of losers is usually all it takes to keep the goose in the pot.

Very few seem to recover from the sustained period of trauma which inevitably follows. Their pumped up egos and dreams of riches are slowly ground to pieces. This, in combination with the heavy betting that people will do when they “know” that they are right, leave these players mentally and financially crushed. The ones who started out as early losers are also traumatized and often pack it in for good, but their pain tends to be short and sharp compared to the drawn out agony of the early winners. Many more of the former are likely to come back for another round, and when they do, they start off with a healthy dose of reality as a background. With that important advantage it is not surprising that a large percentage of long term professionals come from this group.

While imprinting most often victimizes new players, plenty of intermediates and veterans have fallen prey to the phenomenon, particularly those who didn't get a painful enough shot in the beginning. As a trader progresses through his career he will make many changes to his basic system and will probably try out numerous new systems. Some of these modifications, even if they aren't valid improvements, will, out of pure coincidence, start off with some big winners. If that lucky streak imprints a defective trading system on the trader's mind, he may be in for much of the same pain as the "lucky" beginners.

Separating luck from substance is a perennial struggle for traders. It is a burdensome task which we are inclined to shunt aside amidst the ecstasy of discovering the goose that lays the golden egg.

John Chapman is a professional trader and can be reached at 33 Bruce Path, Short Hills, NN 07078

Robert Krausz's Fiboancci Trader

By Larry Jacobs

Fibonacci Trader Corporation 757 SE 17th Street, Suite 272 Ft. Lauderdale, Florida 33316 Phone: 512-842-1166 Fax: 512-847-7329 Fax for orders: 305-566-2427

PRODUCT: A Real Time and End of Day charting program operating in full Windows environment (including Windows '95). All charting and indicators operate in Multiple Time Frames (see review).

EQUIPMENT REQUIREMENTS: 486 IBM-PC compatible with SVGA, 8 MB RAM or higher. 33MHz speed. Hard drive 350mb. Mouse.

PRINTERS: Works with all Windows compatible printers.

DATA FORMATS: Real Time: Signal for Windows, Dow Jones Telerate, Reuters, S&P Comstock, Knight Ridder, and Signal. End of Day: CSI, Metastock, Pinnacle Data Corp., TC-2000, Stock Data, Signal.

PRICE: $786.00, Real Time and End of Day (plus $50.00 S&H; Overseas: $100.00 air).

ADD-ONS: John Jackson's "High Probability Zone Analysis™," as disclosed in his best selling book, "Detecting High Profit Day Trades in the Futures Market" (Windsor Books), is exclusively available in Real Time on the Fibonacci Trader™ as an ADD-ON. This also applies to the " Fibonacci Zone Analysis."

Both available on rental basis. Example: Total Grain Complex = $40.00 per month for both. Brochure is available on request.

INSTALLATION: A simple 4-diskette process in the usual Windows™ set up. Technical help is available at the telephone number above.

REVIEW

The Fibonacci Trader™ operates in a Multiple Time Frame manner. The concept is unusual but the program proves the underlying theory, that the markets are geometric and each time frame has its own structure. Soon after installation you can see that a professional trader was responsible for the design of the entire project. Everything about it is state of the art. But what captures the attention is the ease of manipulation and the attention to details that only a trader would consider important. Some data is provided with the program (both Daily and Intra Day) so you can start finding your way around and exploring the many features immediately after loading. Click on the HELP menu and it takes you through the many functions available in the program. From Set Up or Creating a New Trading Plan, to Exiting the Fibonacci Trader. Written in a clear and direct manner this HELP facility really does help you. Once, again, the practical approach is obvious.

MULTIPLE TIME FRAME APPLICATIONS

Let us start with the unique basic concept of the Fibonacci Trader™. All charts (referred to as Plans) are set up in three time frames from the moment you define a contract. If trading the Daily TBonds, you can pick Daily/Weekly/Monthly time periods (a default). This takes one “click” to define. Once this plan is opened, not only are 30+ standard indicators available in real time (based on the daily action), but the user can view the chosen indicator on Weekly and Monthly basis as well.

For example, if you are trading the Daily T-Bonds, you can have the Daily Stochastics with the Daily bars, just below the chart AND you can project the Weekly and Monthly Stochastics onto the Daily bar chart itself. This way you can have an instant “live” picture of how the Stochastics of the Higher Time periods are confirming or denying potential action points.

The same routine can be applied to Intra Day trading and the program handles charting down to the 1 minute bars. “New Market Wizard” Robert Krausz, who designed the program for his personal use, is but one of the professional traders who incorporate at least two time periods into their trading plans. But this is the first time that these concepts are available to the trading public via a full blown charting program.

The 30+ standard indicators ‘defined in the Manual can all be plotted in three time frames. The same applies to the dozen or more indicators unique to the Fibonacci Trader™. The focus of the program is on trading rather than attempting to forecast turning points that may or may not occur. The reality of the market is “numero uno.” To achieve this reality the program’s exclusive feature of on-screen display of Multiple Time Frames is a major step forward. The 30+ standard indicators include: Stochastics, RSI, MACD, Kaufman’s Adaptive MA, Bollinger Bands, Gann Swing Charts, Parabolic, etc. Some of the technical program management features that I found very useful were:

1. Direct Screen Access (DSA).- The indicators in use are shown on the screen (color coordinated), and by “clicking” on these you obtain direct access to edit them, no need

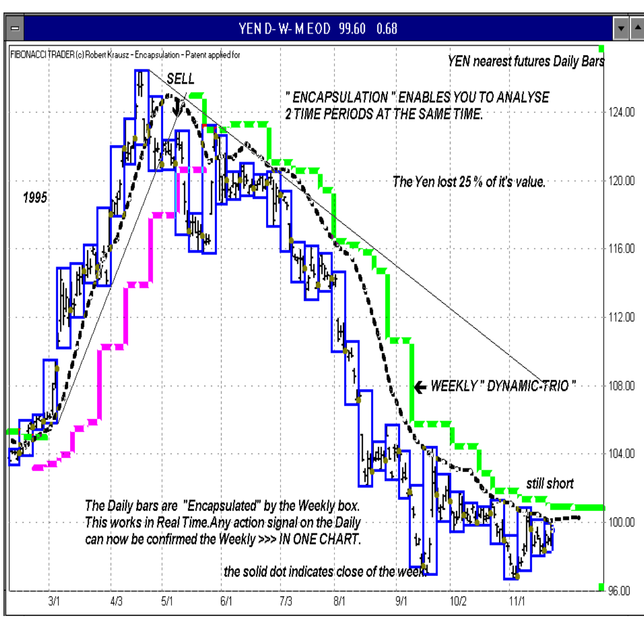


Chart #1 - ENCAPSULATION™ (See Pg. 23)

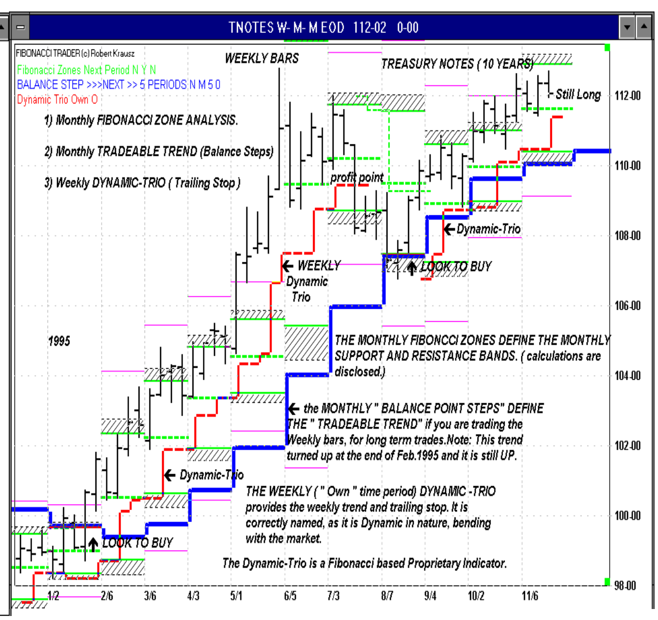


Chart #2 - FIBONACCI ZONE ANALYSIS (See Pg. 23) to open files.

2. Once you define any contract and state which Exchange it is traded on, you never have to open a new contract month again. As one contract comes on the board the program will automatically track it.

3. Under the “SYSTEM” heading you can create your own trading system with any number of indicators by just “clicking.” For example, if you want a specific MA, plus MACD, plus Bollinger Bands of the Higher Time period you can insert these under a name, i.e., “My Plan #1.” Once saved, this plan can be recalled instantly for any bar chart or contract.

4. All major indicators can be changed, not only the calculations but also the color, thickness and quality of the lines. You can also create NEW indicators in any time period.

5. A small green square in the corner of the screen gives instant access to the “Scroll Bar” which automatically activates the Tutorial Facility. This enables the trader to do a back-track bar-by-bar, so doing a physical check of a trading plan. This is the next best thing to plotting the bars by hand. It is an important feature; it allows you to practice your plan and help you memorize your trading rules. For traders not familiar with the multiple time frame concepts, this feature is worth serious exploration.

6. The ability to move or hide the Buttons is handy, as is the Values” window that shows the numbers of your chosen indicator as well as the bar values.

7. The Import of Data is smoothly handled and is explained in the “Help” file as well as in the User’s Manual. (Metastock, ASCII, Computrac)

8. The program saves to historic 15,000 “live” bars for each plan. This will be increased with next year’s free update.

9. All the facilities of the program are available in a TICK CHART of any bar’s close; see Chart #4. Or as TICK VOLUME BAR format.

10. The EDIT BAR facility is the best I have ever seen. The bar that you want to edit can be accessed directly on the screen. You can even edit the one minute bar if you had a bad tick. Once you have edited the appropriate one minute bar, all other ti°me periods you are using will be corrected as well. The program has a special feature not to accept most bad ticks during the trading day. Many of these program management features are unique to the Fibonacci Trader™. We now come to the heart of the program.

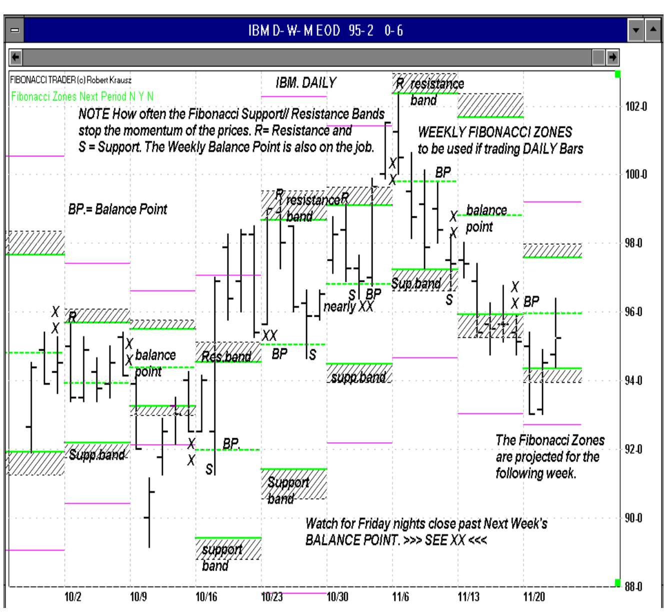


Chart #3 - FIBONACCI ZONE ANALYSIS (See Pg. 23)

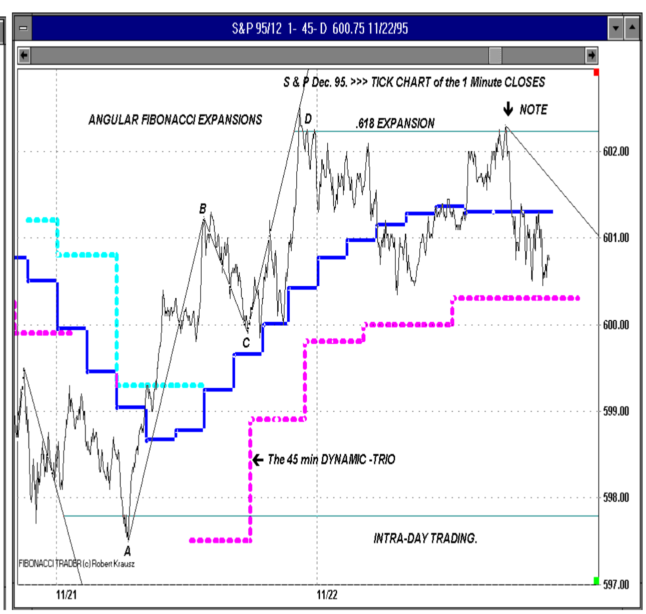


Chart #4 - ANGULAR FIBONACCI EXPANSIONS (See Pg. 23)

TOOLS AND INDICATORS FOR THE FIBONACCI TRADER™

1. One of the most exciting features included in this program is ENCAPSULATION™ (patent applied for). Simply put, Encapsulation™ is the boxed enclosure of the smaller time frame's bars by the larger time frame's range, further enforcing the validity of the multiple time frame methodology. In other words, the daily bars can be enclosed by a box representing the weekly range (or hourly to daily, weekly to monthly, etc.). This allows you to see the two time frames moving in tandem, allowing for a more exact analysis of the two time periods.

2. Krausz's "Dynamic Trio™" is a proprietary indicator that proves to be an excellent all purpose trading tool. It is a step formation line that moves with the trading range, defining the trade, providing entry and exit points, and trailing stops. A real trader's tool; see Chart #8 for my comments.

3. Balance Steps™ work well in tandem with the Dynamic Trio™. This indicator is a simple average that defines quite clearly the Tradeable Trend Mr. Krausz believes this to be an invaluable tool because it classifies the trades most likely to succeed, i.e. those with the trend, and can work very well as a money management tool.

4. The "Fibonacci Zones'* define support and resistance bands on the higher time period. These can be used in combination with John Jackson's High Probability Zone Analysist as an effective means of qualifying short term trades.

5. Krausz's Ratio Bands™ are another one of these excellent new tools. These are Fibonacci based support and resistance bands that indicate quite clearly the points at which the market may reverse, retrace, or rally.

6. Add to these the Fibonacci Ranger™, another Fibonacci based tool. The Fibonacci Ranger is set to define a swing based on the highest or lowest price of the user defined number of days (using the Fibonacci sequence: 1,1,2,3,5,8,13,21,etc.). It can be used as an indicator of trend change and also for entry and exit points. More tools include Angular Fibonacci Expansions, Arkay Swing Charts, Fibonacci Multiple Time Fans, Fibonacci Volatility Channels™, Hi-Lo Bands of 3 Time Frames, Daniel Lines, Andrew Forks ala Fibonacci, Fixed Angle Lines, and Fibonacci Retracement Lines. Of course, no program would be complete without the drawing tools, and this

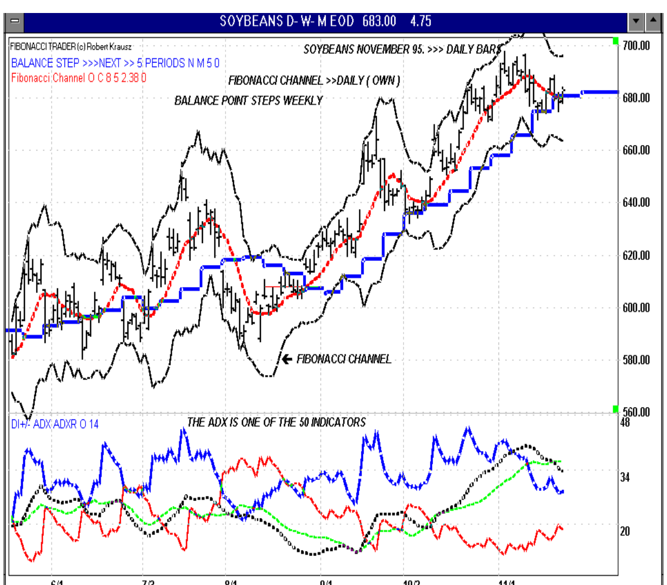


Chart #5 - FIBONACCI CHANNEL (See Pg. 23)

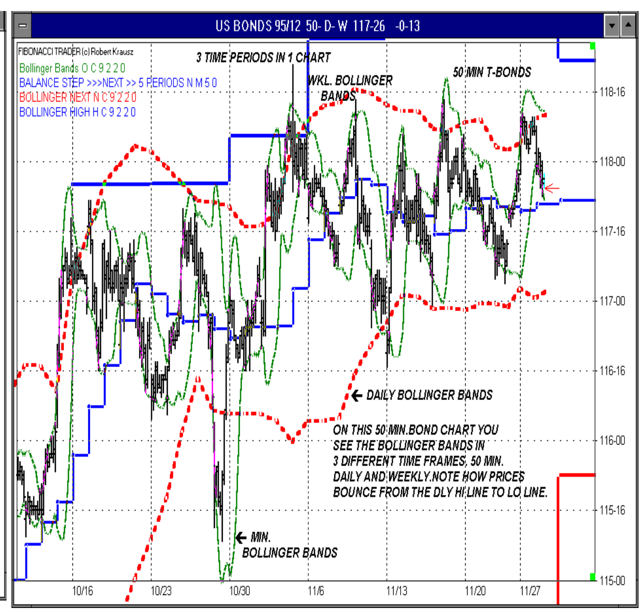


Chart #6 - 3 TIME FRAME INDICATORS IN 1 CHART (See Pg.

TOOLS AND INDICATORS UNIQUE TO THE FIBONACCI TRADER™	
Encapsulation™ (Patent applied for) Dynamic Trio™ Fibonacci Zone Analysis Arkay Swing Charts Fibonacci Ranger™ Krausz Ratio Bands™ Fibonacci Multiple Time Fan	Fibonacci Volatility Channels™ Balance Point Steps™ Hi-Lo Bands of 3 time frames Direct Screen Access (DSA) (High Probability Zone Analysis (c) John Jackson) Daniel Lines TRADERS TUTORIAL BOOK

one has some of those too: including trend lines, fixed lines, and text.

The Fibbonacci Trader™ has zoom control; including an intuitive feature that allows you to move the screen up or down to accommodate an expanding trading range. Two plans of the same market viewed together on one screen can be linked in scale. It has color and sound alarms, page saving options, multiple bar options (line, candlestick open-high-low close, high-low-close), bar insertion, goto date capabilities, and many more. Remember, everything is easily accessible from the screen to be edited.

SUMMARY

The Fibonacci Trader™ is a compendium of 30+ Standard Indicators and some dozen+ New Tools and Indicators, mostly Fibonacci-based All operations are in Multiple Time Frame format, that should help the trader and the analyst to approach the Commodity or Stock Market from a new and solid perspective. It is an excellent value at $786.00. We highly recommend it. The TUTORIAL is a must read.

<u>EXPLANATION FOR ALL CHARTS:</u> The charts in this review give a reasonable idea of the power behind some of these indicators.

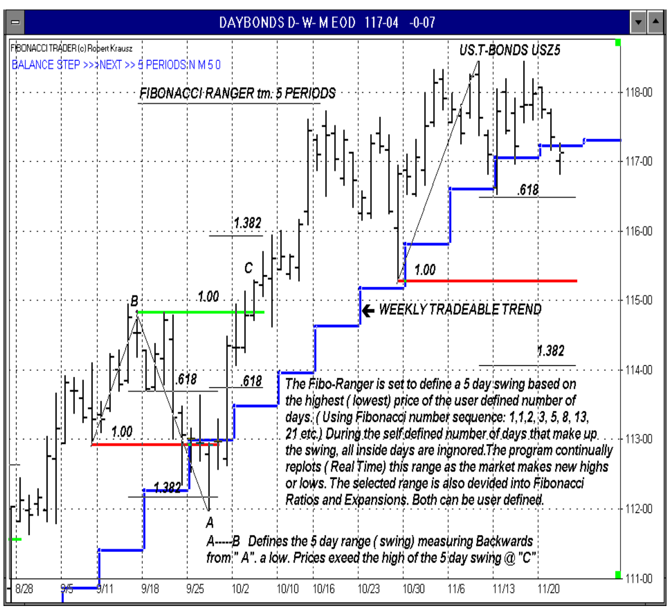


Chart #7 - FIBONACCI RANGER (See this page)

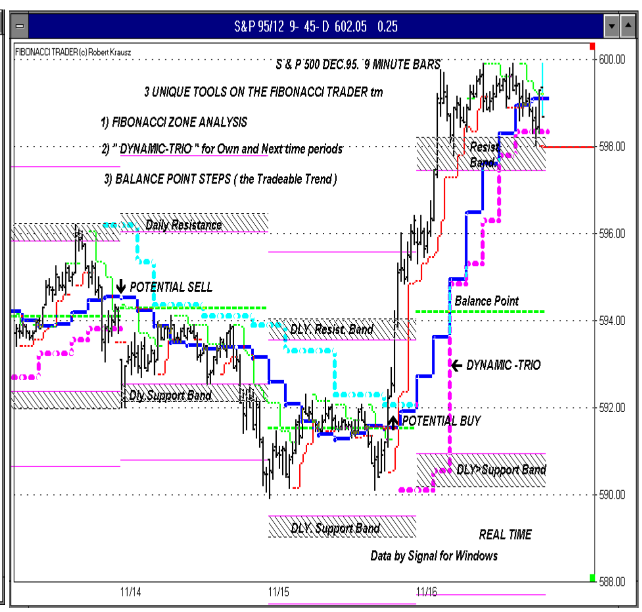


Chart #8 - DYNAMIC TRIO™ (See this page)

Chart #1 - ENCAPSULATION™

The Japanese Yen chart takes on new meaning when you put a box around one week's trading range, thus encapsulating it. The program does this real time. The trader can now analyze two time periods at the same time.

Chart #2 - FIBONACCI ZONE ANALYSIS (For Weekly Bars)

For this, the Monthly Support and Resistance (MSR) zones are plotted a full month ahead. So the trader is aware in plenty oftime where next month's support and resistance bands might be. The Monthly "Balance Point Steps" clearly show the "Tradeable Trend."

Chart #3 - FIBONACCI ZONE ANALYSIS (For Daily Bars)

The Daily bars of IBM tell the same story. Note how important the weekly Balance Point is, in relation to the previous week's close.

Chart #4 - ANGULAR FIBONACCI EXPANSIONS

A unique way of projecting an Expansion an the S&P one minute Tick Closes. By plotting at an angle, Time as well as Price is taken into consideration. Four Expansions are available and they can be user defined. This chart also shows the only proprietary indicator in the program, namely, the Dynamic-Trio™, for the "next" time period, i.e., the 45-minute time period.

Chart #5 - FIBONACCI CHANNEL

A band formation based an pure Fibonacci ratios. When combined with your favorite.indicator and the Fibonacci Trader's awn "Balance Point Steps" this can be a handy guide as to potential exhaust of prices when Tap or Bottom of the Channel is touched. The direction of the Bands is also important (up to date chart).

Chart #6 - 3 TIME FRAME INDICATORS IN 1 CHART

U.S. T-Bonds, 50-minute chart shows the popular Bollinger Bands in 3 time frames; the 50 minutes / the Daily / the Weekly. The implications are clear; note how the 50-minute bars bounce from the High to the Low of the DAILY Bollinger Bands.

Chart #7 - FIBONACCI RANGER

A new indicator that can define "n" number days swing in real time (any time period). This combined with the TRADEABLE TREND can be a useful action decider.

Chart #8 - DYNAMIC TRIO™

S&P 500 9-minute bars (intraday techniques) This is the most powerful indicator in the entire program, and I do not say that lightly. This alone is worth many times the cost of the program. It is not surprising that it is a proprietary calculation that works in all time periods. What is surprising is that Robert Krausz decided to share a Real Time tool of such power that clearly defines time, price and momentum in one line.

Robert Miner's Dynamic Traders Software & Trading Course

By Larry Jacobs

Dynamic Traders Group, Inc.
6336 N. Oracle, Suite 326-346
Tucson, Az. 85704
(520) 797-3668, Fax: (520) 797-2045

PRODUCT: End of Day charting program operating in full Windows environment.

EQUIPMENT REQUIREMENTS:
486 IBM-PC compatible with SVGA and 8 MB RAM or higher. Mouse

INTRODUCTORY PRICE: To May 1, 1996: $900, After May 1, 1996: $1300 Call for free demo package.

REVIEW:

Robert Miner, a long time contributor to our magazine, has finally released his new software program, Dynamic Trader. Integrated with the software is an extensive trading course that not only fully describes the principles and applications of dynamic market analysis but the practical trading strategies necessary to make trading decisions.

Miner's first article for us was in 1988 and was entitled "Taking Gann, Elliott and Fibonacci

To The Bank." Since then he has contributed an article to just about every issue of our magazine and has shown us the foundation of his dynamic time and price projection techniques. His new software program and trading course are a unique combination of trading education and analysis software.

Dynamic Trader Software: Dynamic Trader is one of the best designed and easiest to use Windows programs we have seen. Users have a choice of menu or key commands for all routines. Most of Miner's dynamic time and price analysis and projection routines and reports are entirely unique to his program. While several other programs are available that incorporate some of the simpler aspects of his dynamic projections, Miner has provided a far more comprehensive approach and much wider range of flexibility with his unique projection reports.

Dynamic Trader includes three time projection reports: Fib Time Blitz, Dynamic Time Projections and Custom Time Projections. The Fib Time Blitz routine projects future dates with a high probability of trend change. These dates are considered non-directional targets. Non-directional means that a trend change is likely but the projected dates are not specific as to a potential high or low. The Dynamic Time Projections are directional time targets. If they were projected from a high, they are relevant to a potential low. The highest probability targets are when both the Fib Time Blitz and Dynamic Time Projections dates coincide. The Custom Time Projection report allows users to include a limited number of time factors as chosen by the user for the unique market condition. A histogram of the target dates from these reports can be displayed below the chart.

Dynamic Trader has the most complete and flexible price analysis and projection routines that we have seen in any program. Users may choose the exact series of ratios they wish to use for any price projection. They may choose to make the projections from the price extremes of the bar chosen (high or low) or from the closes. Users may also choose the price projections to be done by the price range or by the percentage change of the swing being measured. We don't know of any other program that allows the user these choices.

Miner is very adamant in his instructional material that long term price analysis must be done by closing prices and by percentage change in order to get an accurate picture of the price position of a market. The chart price projections are clearly shown with the projected price, ratio and type of projection clearly displayed.

Miner has included time and price report templates for most Elliott wave market conditions. If a user wants to project the highest probability time and price of the end of a fifth wave, the user may choose Wave 5 time and price projection setups. Projection choices may be made for all impulsive and corrective conditions.

We can't think of any time or price routines related to dynamic projections and Fibonacci ratios that have been left out of this program. And, there are several that are new to us as well. If there are any Fib or dynamic projection techniques that the user has incorporated in his or her trading plan that is not a built-in routine of Dynamic Trader, the software will allow the user to build their own template.

Dynamic Trader also includes several of the well known indicators including RSI, standard deviation bands, MACD, moving averages, etc. The program includes the Dynamic Trend Indicator which is based on what is also known as an adaptive or flexible moving average.

Dynamic Trader is also covers market geometry well as trendlines, Andrew's channel, Babson action/reaction lines and parallel channels may quickly and easily be applied. For those traders who include average true range breakout signals as part of their trading plan, Dynamic Trader will display the long and short trigger signals according to the ATR breakout percentage criteria input by the user.

The software includes a detailed and very well prepared User's Guide. The User's Guide walks the user through each routine with screen shots of each step and includes a complete table of content and index.

Dynamic Trader Trading Course: One of the many things that sets the Dynamic Trader package apart is Miner has included a comprehensive trading course along with the software. One of Miner's strong points we have seen over the years in this magazine is his ability to teach analysis and trading techniques. The Dynamic Trader Trading Course is over 400 pages. The course not only includes the background theory to Miner's analysis and trading techniques but the practical trading applications developed from real-time trading experience. Everything in Dynamic Trader is fully disclosed. There are no black box or proprietary routines or reports.

A few of the chapters from the DT Trading Course include: Market Dimensions, Time Analysis, Price Analysis, Pattern and Elliott Wave, Reversal Signals, Stop Loss Placement and Adjustment, Developing A Trading Plan, Practical Statistical Analysis, Option Strategies and a lot more.

Of special interest to readers of Traders World is the chapter in the course on Elliott Wave analysis and trading techniques. Miner is very critical of Elliott Wave analysts and traders who try to place an Elliott Wave count on every market, all of the time. While Elliott Wave analysis can be an important tool for any trader, Miner is quick to admit that practical Elliott Wave analysis is only applicable to about 50% of market conditions. The course describes how the trader can recognize when Elliott Wave analysis is practical and how to apply it to specific trading strategies. The Elliott Wave chapter in the Dynamic Trader Trading Course is the most complete and realistic Elliott Wave training we have seen.

Miner is one of the few trading advisors and educators who have actual successful trading experience. In 1993, Miner won first place in the Robbins Trading Company World Cup Championship of Futures Trading, Professional Division with over a 118% return on his account. His real time trading experience is reflected in the practical approach to analysis and trading techniques that are a part of the Dynamic Trader Software and Trading Course.

We think this package is one of the best values for traders of every level. It includes a 30 day money back guarantee. The free demo package includes a 32 page booklet that not only provides a complete description of the program and course material but is very educational as well. Check it out.

A Mans's Seasonal Trend

By Patrick Mikula

In 1930 W.D. Gann wrote the book Wall Street Stock Selector. In this book W.D. Gann wrote about one of the underlying concepts which guided his market analysis. This was "A MAN'S TREND". W.D. Gann wrote that a man has periods of good luck when he should press his advantage and trade aggressively and he also has periods of bad luck which should be used for rest and recuperation. These cycles of good and bad luck make up a man's seasonal trend.

Gann provided the reader with an example of this from his own life. W.D. Gann wrote that his seasonal trend turned negative and he lost a lot of money in 1907. Gann goes on to say that his personal seasonal trend turned positive "in the Spring of 1908" and he started trading successfully in wheat. To understand what W.D. Gann was talking about, you have to cast W.D. Gann's. horoscope. The inner ring on the horoscope in Chart 1 shows the positions of the planets the day W.D. Gann was born, which was June 6, 1878. Notice that Saturn was at the longitude 1 degree, 42 minutes Aries. The time period when W.D. Gann's seasonal trend turned positive was Spring 1908, which started in late March. If we look up this time period we can see that Saturn returned to 1 degree, 42 minutes Aries on April 2, 1908 which is early in "the Spring of 1908". This can be seen in the outer ring of Chart 1. W.D. Gann believed that his personal seasonal trend turned positive when Saturn returned to the natal position in his birth chart.

The basic concept which W.D. Gann based a man's seasonal trend on was the interpretation of a traders personal horoscope. The reason this is so important for traders is revealed in the following two quotations again taken from Wall Street Stock Selector, "A man's life runs in cycles just the same as stocks" and "Man's seasonal trend changes just as the market and he has his good and bad cycles." In both of these quotations, W.D. Gann told us that stocks run in cycles the same as a man's life and we have already proven that W.D. Gann based the seasonal trend of a man on interpreting his personal horoscope. This means W.D. Gann believed the seasonal trend of a stock was based on interpreting the stock's personal horoscope.

This is one of W.D. Gann's guiding concepts for his market analysis. It is my opinion that quite a lot of Gann's actual stock market trades and forecasts were achieved when W.D. Gann grouped the important horoscopes for a stock and interpreted them. This could include the use of a horoscope on the incorporation date, first trade date and the stock's all time extreme high and low prices. These horoscopes would all be integrated and used at the same time to determine a stocks seasonal trend.

If you need more proof, look back to the previous issue #20 of Trader's World where on page 13 there is an ad which shows a letter prepared by W.D. Gann written to one Mr. Rondinone. The first line of this letter reads "I have finished the calculation on your date of birth ..." The "calculation" W.D. Gann was doing on this mans date of birth was the interpretation of his horoscope to determine Mr. Rondinone's seasonal trend. W.D. Gann determined that Mr. Rondinone's personal seasonal trend would turn positive between April 27 to May 15 as shown in the letter.

Patrick Mikula is author of the book Gann's Scientific Method's Unveiled. The Book is available from the Trader's World Catalog in this magazine.

The Easy Does It Stock Selection System

By Chris Kakasuleff

Purchase the year end stock guide published by Standard and Poor Corporation (call 1-800-221-5277). In January 1995 it cost $5.00. They also publish an up-to-date month-to-month guide. This guide includes thousands of stocks on the New York, NASDAQ, and American Stock Exchanges. The technical data in this guide gives us information that is fundamental to our success in choosing the right stocks to buy.

Our primary interest in this guide is the column listing, “Price Ranges.” In this column it gives the extreme high and low for each stock over the past twenty years. It also lists the extreme high and low of each stock for the past two years. This technical data is vital for our success in choosing potential winners.

Begin buying Barrons magazine every Saturday. Look in the index of this newspaper for the page listing winners and losers. On this page you’ll find a listing of stocks that were percentage gainers for the previous week. This page includes the winners on all three major exchanges.

Our purpose for looking for stocks in this section of Barrons is that some of these stocks apparently are actively moving upward in a trend that can be defined and utilized following some simple Gann rules.

One of the most important fundamental rules for determining the true trend of a stock is to find its midpoint in price. To calculate the various midpoints of different stocks, simply go through the pages of our Standard and Poor Stock guide. Look in the column listing price ranges. Then take the high of the last 20 years and add it to the low of the last 20 years and divide this result by two. This is the midpoint or gravity center of this stock.

If the stock is currently trading above its midpoint, it will levitate and have a bias to the upside. But if the stock is now trading below its midpoint, it will have a tendency to gravitate downward.

Let’s take an example from the stock guide of 1994. On page 104 you’ll find IBM’s all time high and low. The all time high is 175-7/8 and the all time low is 37-5/8. When we add them together, our answer is 213-1/2. We then divide this number by two and the answer is 106-3/4. IBM made a low of 40-5/8 in 1993, far below its midpoint. In September 1995 IBM was trading in the 100 to 110 range and has since sold off into the low 90’s after running into serious resistance of its midpoint.

When considering the purchase of a stock, avoid buying any stock that’s currently trading below its midpoint. This stock is in a precariously weak position from a strictly technical point-of-view. It is below its gravity center; therefore, it will have a tendency to gravitate downward and you may have to hold the stock for quite sometime into the future before the stock works its way back through its midpoint.

One of the pleasant consequences of its buying stocks above their midpoints, is that usually the stock will make two or three tops giving you allowances and chances to sell the stock at a profit.

Here’s an Example: You buy the stock at a nice price just above its midpoint. After several weeks the stock makes a high, but you didn't sell it. The stock may or may not retrace back to its midpoint, or 50% from its high.

Stocks above their midpoint will retest their highs giving you another chance to profit. Stocks that are below their midpoints seldom give you a second chance to sell.

Stocks that are below their midpoints seldom give you a second chance to sell a profit. They trend upward, hit resistance of their midpoints, and sell off rapidly. Now that we understand midpoints, let's utilize this important rule to find some good stocks for purchase.

On the Winners and Losers page of Barrons, you'll find stocks that made substantial percentage gains for the week. We're only interested in these stocks that made percentage gains, that at the very same time are above their midpoint. It's possible that none of the stocks on the NYSE, AMEX NASDAQ, had percentage gains for the week and are currently above their midpoints. If so, wait until next weeks Barrons.

By the way, I personally like to buy stocks that are trading between 4 and 20 dollars a share. Stocks that trade under 3 dollars a share stay under 3 dollars a share 85% of the time. Stocks trading below 20 dollars a share allows you to purchase a substantially greater amount of share which translates into greater profits. Also, I generally avoid the NASDAQ Exchange because some of the NASDAQ stocks are not listed in the S & P Stock guide.

Let's say that you have examined Barrons for the last 3 or 4 weeks and have discovered 6 to 8 stocks that are currently trading above their midpoints. What is the next step in determining which of these stocks has the greatest upside potential? We do this by following another simple Gann rule. This rule will define for us the real strengths of these stocks.

In order to utilize this rule you'll need to examine Barrons or the Wall Street Journal going back 3 months to 1 year, but more likely 3 to 6 months. If you don't subscribe to these financial news magazines, you'll need to go to your local library and discover the information we're looking for. We're looking for one specific statistic for technical analysis. On what date did the stock or stocks you're interested in made an important low, and how much has the stock gained from that low in months and weeks to the current time.

A simple way of understanding and measuring Gann geometry is to look at price and time in this light. Let's the stock you're interested in made a final low at 10 on May 1st, 1995. Let's pretend that today's date is August 1st and the stock is trading at 16.

We've already examined the Standard and Poor Guide for this stock and discovered that its all time high and low is 15 and 5. Therefore we know its midpoint is 10, which just happens to be its low on May 1st, 1995.

What I want you to understand here is crucial to your success in trading stocks profitably. There is a direct relationship between a stock's current price and the time that has expired since its low. The faster a stock moves up in the shortest period of time the stronger it is.

In our hypothetical scenario with this stock it has gained 6 points in three months. Therefore, this particular stock is gaining two points per month. A technical way to intellectualize this is that the stock's price is moving twice as fast as monthly time.

We can say geometrically that there is a 2 x 1 relationship between price and time on a monthly time scale. If this stock was now trading at 22 after 3 months from its low at 10, it would have gained 12 points in three months and would be even more powerful as price is moving at 4 times the rate of monthly time (4 x 1). And of course a stock that's gaining 4 points a month is gaining 1 point per week, 1 x 1 per week.

Now we can identify rule number 2. Only buy stocks that are gaining at least 1 point per month and that are also above their midpoint.

A stock that has at least a 1 to 1 monthly relationship with price and time gives us a nice leverage point to start with. The next important rule to utilize is to calculate the percentage gains a stock has made from its low.

Gann percentages are a powerful measuring tool to determine where the stock may run into resistance and sell off.

Commencing again with our hypothetical stock we know it made a low at 10 three months ago at its midpoint. It's gaining 2 points a month and after 3 months it's now trading at 16.

One of Gann's major percentage rules dictates that stocks in an uptrend from their lows are likely to run into resistance and sell off at 50% or 100% from their low.

If this particular stock had been gaining only 1 point per month from its low at 10, we would expect it to be trading at around 13 now. Maybe it was gaining 2 points per month earlier and had already hit 15, which would be a 50% gain and now after 3 months it's trading downward at 13. Stay away from this particular stock as technically it's losing its momentum.

Three months can be a strong change of trend point for stocks especially if they've already gained 50% from their low and are now selling off

But in our scenario the stock has already eclipsed a 50% gain and is trading at 16 after 3 months and in fact has set up an time high in price. This can be another indicator that the stock is headed higher.

The next obvious data to analyze is a 100% gain from its low at 10. This would, of course, be 20. This would also be a 300% gain from the stocks low at 5. Buy this stock now as sometime in the next 3 months it will make new highs at 20. Sell it immediately when it does. This will give you a nice 4 to 5 point profit in three months or less.

Stocks that are able to sustain a rise up to six months from their lows generally sell off after six months. So don't become too greedy and hold your stock. You may lose all your gains and more.

By the way these same rules can be used by studying the weekly list in Barrons, of stocks that are making 52 week highs, as many of them are also above their midpoints.

In addition you could use this same information to short stocks. Just reverse the rules and only buy stocks that are below their midpoints. See just as the title of this article suggested. This really is a no muss, no fuss method to beat the stock market. Good Luck!

Chris Kakasuleff is putting the finishing touches on two books McCann Simplified" which spanned this article and "Cycles and Numbers in Human Affairs from Zero to Infinity."

The Cycle of Time II

By Eric S. Hadik

Probably the most overlooked yet most prevalent—cycle today is what I have termed "The Cycle of Time". In April 1992, the original article "A Cycle of Time" in Trader's World focused on this cycle's predominance in the Bond market. The cycle combined with other pertinent analysis was utilized to predict a powerful rally in the Bonds over the ensuing 6-12 months...with initial targets at 106-18—107-10 and 110-10—110-23.

Bonds were currently trading in the 96's and this prediction seemed highly unlikely to most readers...but history served as a powerful vindicator. Within 8 months, Bonds reached 111-28, in route to 122-06.

To quote from that article, "...All of these cycles enhance, and rarely contradict, the most consistent cycle in the bonds: The Cycle of 19...It is this cycle—The Cycle of 19—which has been the most intriguing over the last several years in the Treasury Bond Futures." But, the Bond market is not the only place that this cycle is so ubiquitous...

It is prevalent in the Stock Indexes, Deutschemark, Yen, Gold, and Crude Oil...particularly on the monthly and weekly charts. Before delving into these markets—and what "The Cycle of Time" may be projecting—let's examine some significant aspects of this cycle...

The basis—or foundation—for this cycle comes from Biblical mathematics. Within the Bible, two specific numbers represent "completion". Most people easily recognize the first—it is the number 7. This number represents "completion" from an earthly/human standpoint. Everything from the days of creation (and the days of our week) to its numerous applications in prophecy reinforce the importance of the number 7.

The second number of completion is not as easily recognized—it is the number 12. Throughout the Bible, the number 12 represents completion from a heavenly/celestial standpoint. From the 12 sons of Israel to the 12 Disciples of Christ (which represent the Old and New Testament leaders—and heavenly elders), Biblical mathematics confirm 12 as the number of heavenly completion. (The 12 months of the year—based on heavenly bodies—and the 12 divisions of the stars/constellations also testify to this principle.) These two numbers join to represent complete completion.

The combination of these two numbers reveals another critical number—the number 19. The name I have chosen for this cycle—the "Cycle of Time" is due to its many applications in time, as we observe it.

The number 19's application to time—and geometry— supports the theory that this is a crucial cycle. To begin with, the square root of 360 (rounded off) is 19. 19 squared is 361. This is consistent with Gann/geometric theory and Hamilton Bolton's squared number theory.

This means that the square root of a circle's degrees—or a year's days—rounds off to 19. Therefore, 19-19 day cycles is essentially a year. Also 19-19 week cycles is 7 years—a key Biblical and natural cycle. 19 months is 81 weeks (the 2nd multiple of the "Lost Cycle"). 19 years is also a complete Lunar cycle. So, the number 19 plays an integral part in various natural time cycles.

With the Golden Ratio applied, 19 weeks = .382 of a year and 19 months = 1.618 years. These numbers (7, 12 +19) are linked by the Golden Ratio (.618/1.618) and form a unique summation series which applies directly to time. Other relationships to time contribute to this same summation series. To quote from the 1992 article:

There are 7 months in the year with 31 days...and 5 without... .618 (rounded to nearest whole) of the months of the year have 31 days...618 of 31 = 19. Therefore, a month proportioned by the Golden Section = 12 days and 19 days. A year proportioned likewise = 5 months and 7 months...

By combining three principles, expounded on in previous articles, the congruence of these numbers becomes apparent. These principles are Summation Series/Biblical Cycles/Golden Ratio (trinities often work out so well!)."

The article went on to lay out the following summation series (a series where each subsequent number is the sum of the two preceding it...all summation series ultimately introduce the Golden Ratio between subsequent components as the series progresses)...

(5), 7, 12, 19, 31, 50, 81, 131, 212, 343, 555, 898...

This may be the most unique summation series in existence. In addition to applying so closely to time and measurements, it also comprises the original Fibonacci Summation Series several times...as I will soon demonstrate. But, first, it is important to examine the series for its primary significance, with respect to time.

To begin with, there are 7 days in a week, we utilize a 12-hour clock and there are 2-12 hour divisions in a day (just like the 2-12 man divisions in the Old and New Testament forming the 24 elders in heaven), and 12 months in a year. There are 7 months with 31 days (as previously mentioned)...and 5 without. And—in Jewish law—there are 50 years in a Jubilee.

Parts of this series apply to other forms of measuring...32 (1 point error) and 212 degrees are the Fahrenheit extremes of water—freezing and boiling; there are 12 inches in a foot, 12 in a dozen, and 12 dozen in a gross.

Some interesting aspects of this series are as follows...

#1—If each number in the series is applied to days (i.e. 7 days, 12 days, 19 days), then the coinciding weeks (rounded off) begin the series again...50 days = 7 weeks, 81 days = 12 weeks, 131 days = 19 weeks. Another way of stating this is that by dividing each number in the series by the base of the series (7), it self-perpetuates. In addition to beginning with 7, this series closely relates to exponential multiples of 7... 7 = 7 x 1, 50 = 7 x 7 (with 1 point error), and 343 = 7 x 7 x 7. If you consider the Biblical/Jewish principle of a Jubilee year, 50 also fits perfectly...and is an additional example of a time period within this series.

#2—This is where the Fibonacci Summation Series begins to fit in...Look closely at the series again... 7, 12, 19, 31, 50, 81, 131, 212, 343, 555, 898. It is the original Fibonacci Summation Series (0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89...) contained within the "Cycle of Time" series.

Now, look again at the numerals not originally highlighted (starting with 50 and carried further)... 50, 81, 131, 212, 343, 555, 898, 1453, 2351, 3804. The Fibonacci Summation Series again unfolds—initially as the last numeral and then as the outer numerals. So, hidden within the "Cycle of Time" Summation Series is the Fibonacci Summation Series in several areas. No other series holds this many coinciding principles or mathematical significance. And no other cycle holds so many revelations for the next decade.

The "Cycle of Time" also has application to 1995...

In mathematics, it is important to know the factors of a number to recognize its full significance. Multiples of 7, 9, 12, 40, etc. should have equal—or greater—significance than the original factors which combining to form that number. For example, 1995 is evenly divisible by 19.

In fact, 1995 divided by 19 = 105 (or 7 x 15 or 5 x 21). Although it is admittedly a "stretch", this may be one reason why the 19th of so many months has had cyclical relevance...a pattern which is expected to repeat again in October, and possibly in September—as a precursor. If the cycle of 19 is truly a Biblical (related) cycle, it follows suit that it should have a continual impact on Israel—the original recipient of God's laws and principles (and consequently—His cycles). Additionally, since a lunar cycle is 19 years—and the entire Jewish calendar is based on lunar activity—19 years should be particularly important to Israel. Each month and every festival in the Jewish calendar are based on the New Moon.

The last century has proven that the "Cycle of Time" certainly has had—and is likely to have—a profound impact on the Jewish nation. (To be consistent, it should be remembered that each Jewish year begins in the September/October period of our year and ends at the same time the following year. Thus, a period which spanned from 1900 to 1920 could still be a 19 year period depending on the months of the events in question (i.e. November 1900—March 1920 would only be 19 Jewish years, instead of 20)).

Since precise dates for ancient history are not as reliable—and since Israel's recent history has been most predominant in the last 100 years—the last century will be the only period examined in this discussion...

1896-1898 marked the early stages of the revitalization of Zionism, the publication of "The Jewish State" (Der Judenstat) and the First Zionist Congress in Basel, Switzerland.

In 1917—19 years later—in the latter stages of World War I—General Edmund Allenby marched into Jerusalem, freeing the city from the Turks (400 years after the original occupation).

In 1948—31 years after the freedom of Jerusalem in 1917 (31 = 1.618 x 19) and 50 years from 1898 (50 = 2.618 x 19 and the Year of Jubilee)—Israel declared her independence and again became a nation.

In 1967—19 years from the declaration of independence in Israel in 1948 and 50 years from the freedom of Jerusalem in 1917—Israel fought a major war (though it lasted only a Biblical 6 days—or 12-12 hour periods) and saw its territory expanded for the first time.

In 1979—12 years after the Six Days War (12 = .618 x 19) in 1967, 31 years after the establishment of Israel as a nation in 1948, 57 years (3 x 19) from 1922—when the British gained administration over Palestine, granted by The League of Nations...(Britain's mandate continued until 1948) and 81 years from 1898 (81 = 4.236 x 19)—three events occurred which did—and will continue to shape—the future of Israel into the early part of the next century...

In Biblical mathematics—and in modern day lore—major events—sometimes with negative connotations—occur in three's. A recent example occurred on April 19th—a day predicted to be a major turning point in the markets by The Weekly Re-Lay. Three markets—the Deutschemark, Yen and Gold each set major tops on that day while three explosions rocked the world...Oklahoma City, the Japanese subway gas bombs and a car bomb/assassination attempt in Spain. This occurred three days after Easter and only days after a lunar eclipse. Biblical examples of the number three are numerous.

The three important events in 1979 were... #1—The signing of the Camp David peace accord between Israel and Egypt in 1979. #2—The rise to power of Saddam Hussein in Iraq (Babylon)...and... #3—The culmination of the overthrow of a pro-Western Iranian (Persian) government (the Shah) and the American hostage taking.

Though it may not be immediately apparent, these three events will affect Israel over the next 10 years. This is particularly true following the recent Iran/Iraq pact of nonaggression and the numerous Russian (Gog)/Iranian agreements being forged against the will of the Clinton Administration.

The Administration's surprise sanctions against Iran—also in April of this year (??)—further solidified the anti-Western sentiment which has pushed Iran and Iraq into a “common-enemy” friendship targeted against Israel and the U.S. This was just one of many events uniting the Arab (and Persian) world and serving as a precursor to the next 3 years. But this is not where it ends...

1991 witnessed another event leading to this uniting of “strange bedfellows”...Iran and Iraq...

In 1991—12 years from the 1979 trio of events, 19 years from the devastating 1972 Olympics—where Israeli athletes were murdered and 50 years from the start of US involvement in WWII—which led to Israel’s freedom 7 years later—the American-led coalition attacked Iraq in retaliation for its invasion of Kuwait. Iraq immediately used this event as an excuse to bomb Israel in the hopes of uniting the Arab world...but Saddam Hussein’s timing was off—he was 7 years early.

The 39 days of bombing (which fell 1 day short of the Biblical 40 days—failing to complete the job) heightened the “bully” image of the US in Arab eyes. It allowed for the transfer of high-tech weaponry to countries like Saudi Arabia, previously denied access due to their threat to Israel. This threat still exists and will increase when the monarchy is overthrown in Saudi Arabia. Egypt is also at risk—and under continual attack—from Muslim extremists. All these events point to two future dates which should have a dramatic impact on Israel, the Middle East and the world via escalating oil prices, etc.

1998 is 7 years from the Persian Gulf War in 1991 (.382 x 19), 19 years from the trio of events in 1979, 31 years from the Six Days War in 1967, 50 years (and a type of Jubilee*) from the Israeli independence in 1948, 57 years (3 x 19) from the start of WWII, 76 years (4 x 19) from the British mandate over Palestine in 1922, 81 years from the freedom of Jerusalem in 1917 and 100 years (2 Jubilees) from 1898. All of these cycles are related to the “Cycle of Time” by the Golden Ratio (1.618)...and the “Cycle of Time” Summation Series (“COTSS”).

When validating cycles—like the “Cycle of 19”—it is always important to monitor the midpoint for confirming events. In 1988—9 1/2 years from the earliest 1979 event, Iran and Iraq declared a cease-fire in their multi-year conflict. This was one-half of a 19 year lunar cycle and projected another uniting event 9 1/2 years in the future—1998.

(Of additional cyclic interest is that the freeing of Jerusalem in 1917 occurred on the 400th anniversary of the Turks siege of Jerusalem in 1517. 80 Jewish years later—in late-1997/1998—Israel should witness more dramatic events. This would be 12 times the Biblical cycle of 40 years from the original occupation.)

Further reinforcing this date (late-1997—1998, which encompasses one specific Jewish year) is the recent commencement of celebrations commemorating the 3000th anniversary of King David’s reign—an event with enormous prophetic implications. These celebrations have just begun and are scheduled to last for 17 months (inciting Arab neighbors). However, the closest multiple of “The Cycle of Time” is 3002 years—which is 158 x 19. The 3002nd anniversary would fall precisely at the beginning of the 1997-1998 Jewish year. The second date of significance is...2005. 2005 is 7 years from 1998, 31 years from the Arab oil embargo and the Yom Kippur War in 1973-74, 38 years (2 x 19) from the Six Days War in 1967, and 57 years (3 x 19) from Israeli independence in 1948. 2005 is also 513 years (27 x 19 or 3 x 3 x 3 x 19 and may be the true “civilization cycle” as opposed to 510 years) from the founding of the “New World”...perhaps a true “New World Order” will arise.

Since America is so closely allied to Israel...and the majority of the Arab world hold both in great contempt—it follows that to some degree “as goes Israel—so goes America”. By this I mean that any attack/embargo/terrorism aimed at Israel could also be aimed at the

U.S....OR...will spur a reaction by America, drawing her into the fray.

This could be viewed from a human perspective as a dangerous alliance or from a Biblical perspective as a blessed one... “And I will make of thee a great nation, and I will bless thee,...and thou shalt be a blessing. And I will bless them that bless thee and curse them that curseth thee: and in thee shall all the families of the earth be blessed.” Genesis 12:2+3

One market perspective involves the effect that a Middle-East war would have on energy, currency and precious metals prices. Since I have long speculated that 1995 will act as a precursor to 1998, the next three years should see progressively deteriorating conditions in the Middle East...and escalating energy/precious metals prices.

1998 + 2005—like 1945 (and 1917 and 1991)—could mark the worst and the best that this period has to offer. In 1945, WWII was at its worst and the atom bombs were dropped...but...the declaration of surrender and peace was also signed. 1998 could represent the peak of tensions—and a subsequent reprieve from those tensions—pointing ahead to 2005.

The Cycle of Time”—points to 1998 as a major convergence of cycles related to Israel and the Middle East. The remaining implications—to the markets, investments and political structure—will be reserved for future discussions.

One additional thought-provoking point...Considering the importance of threes and the significance of factors which make up a number, 1998 is an interesting year...and an interesting number. Think about it!

The “Cycle of Time” has also had an interesting impact on American politics and foreign policy—reinforcing the theory that “as goes Israel—so goes America” (to a certain degree). One needs only to start counting from the official beginning of the USA to see its impact...

1789—Ratification of the US Constitution and first President taking office. 1865—Civil War (76 years—or 4 x 19 years later).

1941—WWI entry (76/152 years later).

1979—Iranian hostage taking/ascension to power of Saddam Hussein/US brokered peace accord between Israel and Egypt—providing additional fuel to the fire (and deterioration of relations between Middle East and America...38/114 and 190 years later). 1998—??? (19/57/133 and 209 years later).

The “Cycle of Time” has had a similar impact on world events and the focus and concentration of power over the last 500 years...

1492—Discovery of the “New World”.

1607—First settlement in America—Jamestown, VA (115—or 6 x 19 years—*1 year error—after discovery of “New World”)

1777—Revolutionary War—the re-focus of attention from Europe to America (285—or 15 x 19 years after discovery of “New World” and 170—or 9 x 19 years* after first settlement)

1929—World financial peak/greatest financial collapse in modern history and death of the constitutional republic in America...transfer to “New Deal” socialism—soon after (437-or 23 x 19/323—or 17 x 19*/152—or 8 x 19 years later)

1948—Establishment of Israel and re-focus of attention to the Middle East (456—24 x 19/342—or 18 x 19/171—or 9 x 19/and 19 years later)

1967—Six Days War—intensifying focus on Middle East and laying the groundwork for the next 28 years of conflict over landscape of Middle East (475—or 25 x 19/361—or 19 x 19**/190—or 10 x 19/38—or 2 x 19 and 19 years later)

**This event—and the first Jewish settlements—the crux of Israel’s conflict—occurred 360 years—or 1 complete cycle/circle from the first settlement in America. In one full circle of time, world focus on two significant settlements has gone one half-circle around the globe.

2005—??? (“New World Order” //financial collapse)

(513—or 27 x 19/399—or 21 x 19/228—or 12 x 19/76—or 4 x 19/57—or 3 x 19 and 38—or 2 x 19 years after... “New World”, new settlement, new country, financial collapse, another “new” country, more new settlements...)

The “Cycle of Time” has also had a strong impact on the financial markets...

The S+P has seen several 19 month events (waves or cycles) over the last decade. For example... 6/84 Low—8/87 High = 38 months; 8/87 High—10/90 Low = 38 months; 6/84 Low—10/90 Low = 76 months; 10/90 Low—5/92 High Close = 19 months; 6/92 High—1/94 High = 19 months; 10/90 Low—1/94 High = 39 months

It may continue to have an effect if July—September 1995 experiences a reversal lower and November/ December 1995 sees the first significant low in the overall stock market...

6/84 Low + 133* months = 7/95; 10/90 Low + 57 months = 7/95; 10/87 Low + 95 months = 9/95; 1/94 High + 19 months = 8/95. *133 months is 7 x 19—and therefore another sign of completion. For this to be accurate, the stock indexes would have to maintain the highest monthly close in July and the highest intra-month spike in September.

For this to occur, the market should set a high around September 15th/18th.

A high on September 15th/18th would also culminate a 76 week (4 x 19) advance from the April 1994 low and low weekly close. It would also be 171 weeks (9 x 19) from the June 1992 highs and 153 weeks (1 week error of 8 x 19) from the October 1992 lows. It would also be the 1 year anniversary of the initial rally highs in the DJIA last year.

In the event a decline begins in late-September, the first monthly time frame to watch for a low would be late November/early December.

10/92 Low + 38 months = 12/95

4/94 Low + 19 months = 11/95

Assuming that September 15/18th is the high—or high close—a 12 week decline would terminate between December 4th and December 15th. 12 weeks—in addition to being .618 x 19—is also the duration of the most recent decline (9/94—12/94) and the last substantial decline (7/90—10/90).

Intervening declines have lasted 7 weeks (10/91—12/91), 19 weeks (5/92—10/92) and 9 weeks (9 1/2 weeks—to be precise—from January 31, 1994—April 4, 1994). Each of these declines directly relates to the “Cycle of Time”. December 9th is also an anniversary low...from 1994. The “Cycle of Time” also relates to other financial markets and is aligning in May/June 1996 in Bonds which represents 31 months from the 10/93 high, 19 months from the 11/94 lows, 133 weeks from the 10/93 highs, 76 weeks from the 11/94 lows and 38 weeks from the 8/95 lows.

This cycle holds many other conclusions for the remaining financial markets which will be examined in the third installment of “The Cycle of Time”. Cycle of Time II—9/15/95

Cycle of Time II—Update 1/10/96 Since “The Cycle of Time II” was completed, numerous events have validated its existence and application. First, were major tops set in two of the most appropriate indices. Both the Nasdaq—which had fueled the entire advance until mid-September—and the Mutual Fund Index (Investor’s Business Daily)—which is the best representative of this euphoria—topped out in mid-September and have since consolidated. Another series of extraordinary events took place in The Middle East soon after this report was published. First was the assassination of Yitzhak Rabin. Then came terrorist attacks on US forces in Saudi Arabia and soon after, a foiled attempt on the life of Egypt’s prime minister—Hosni Mubarak. In the same 2-3 month period, King Fahd of Saudi Arabia suffered a stroke and turned over much of his power to his half-brother. If this isn’t enough to validate

A Great New Trading System

By T.M. Murry

W.D. Gann used this same trading system in 1910 but he didn't tell anyone exactly how to do it ! How do you think he could merely walk from one "trading pit" to the next and ask 3 simple questions of his fellow traders and then "jump in" and make a profit and "sell out" just before it stalled out and reversed back toward its last "run?"

Simple! he already had its support/resistance lines memorized. He always used the same 8 sets of lines for any and all commodities and he even proved the validity of his system's accuracy when he published 264 out of 388 trades in 25 days, in 1910, and turned $ 10,000.00 into $ 1,000,000.00 in 25 days, but now no one listens, knows, or cares who he is.

In one of his books, that he wrote and published in 1942 (the same year I was born) he quoted Faraday to explain his trading system. Then in the next paragraph, he confused everyone, by giving them a list of "popular price numbers" that all commodities want to run to and reverse in time).

I am willing to tell the entire world right now, today? W.D. Gann traded way back then using 8th grade Math and a Square Frame (daily) or Rectangle Frame (weekly) to trade all commodities (memorized from his charts from a Square).

W.D. Gann, used the same frame, for every commodity, but just set it against a "Harmonic Sound Pitch of the Key of C," amassed $50,000,000.00 in his life time of trading by keeping it simple and all in his head.

Why doesn't everyone trade his rules? Simple! W.D. Gann made up weird rules! Why did he make up weird rules? He didn't want everyone to figure out his 8th grade Math trading system without reasoning it out for themselves.

He used (Fibonacci Italy 1124 a.d.)"golden mean" (1.618) to estimate "normal market runs" inside his Memorized 8 "Harmonic lines" in his trading frame.I read only one of his books, but I read it 50 times, and I finally saw what he was really doing. He was using the "golden mean" inside an Octave relating to the base of 10 for every commodity traded.

Confirmation of the simplicity of what he was really doing was evident when I read (page 71) 50 times and finally "saw it." (On this page W.D Gann noticed that Wheat reversed after it couldn't hold a 5 cent up move beyond its old high). That was it ! All the pieces fit together after that day. (I had seen it).

I "saw" the answer of how one may "predict price-action % runs" when I looked at the

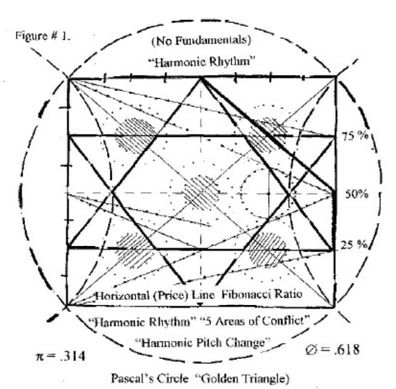


Figure 1

classic drawing by Leonardo da Vinci when he took a naked man and framed him inside a Square and a Circle, when he plagiarized the 1st Century a.d. architect Marcus Vitruvius Pollio (Rome, Italy Architect) who wrote the first book on architecture called Ten Books on Architecture and included his “naked man” picture “squaring the circle.”

I saw the “real proportion” of price action written by Leonardo da Vinci on an angled line on this 14th Century picture proving that all of the body’s parts are in direct proportion to the “golden mean” (1.618) when he added next to (.618) (+ - .625) and (.382) (+- .375) (Fibonacci Ratios).

What Leonardo Da Vinci had “seen” was the same thing that Marcus Vitruvius Pollio had known in the 1st Century that all human proportions are set to the “golden mean” and all architecture and all numbers are set on the base of ten, so they shall move against the Law of Exact Proportion which is .375 and 62.5 against a constant gravity pull.

Rather than spend an inordinate amount of time in a discourse of whether or not it is best to use .618 or .625, just accept it as “gospel” because planetary objects move to .618 and all “Man made things” are set to Fibonacci Ratios (we use .625 and .375).

It is not the intent of this article to delve into the occult, astrology, or predicting commodity price reversals off any astrological charts, but every man who is married to any woman, or who has a teenage daughter in their house, or goes deep sea fishing, or plants crops, or is an animal breeder, or is a “free bleeder” is subject to the 28 day cycle of the Moon’s affect on their lives and the changes in the Moon !

The Mayan Indians fashioned the Lunar Calendar back as far as 3113 b.c. of the 20 day ovulation cycle of their females and the 1st frost in the fall.

If you set every Square for any commodity or stock or Index off one of 8 preset math lines vertically (Octave) and you predict market reversals of a rectangle set to the Key of “C” inside an isosceles triangle off retracements of .625 or 37.5 you may memorize these preset numbers and days and shift them to any commodity or stock in a matter of simply asking someone the current price level of whatever they are trading.

If one were to learn how to trade the U.S. Bond Market set off 1/32 in vertical price action and 1/32nd in “Time” to the right you shall be set to the “Harmonic Sound Pitch of Music” set to the tune of more profits.

Every trading rule that W.D. Gann wrote about was set to the “Harmonic Rhythm” is already inside the head in the “natural rhythm” of the average 6.25 year old child.

I have taught elementary, junior high, high school, and junior college, and I gave every class

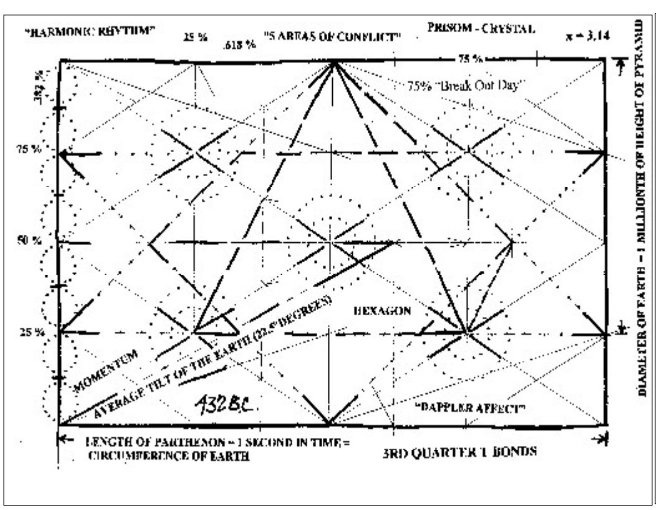


Figure 1

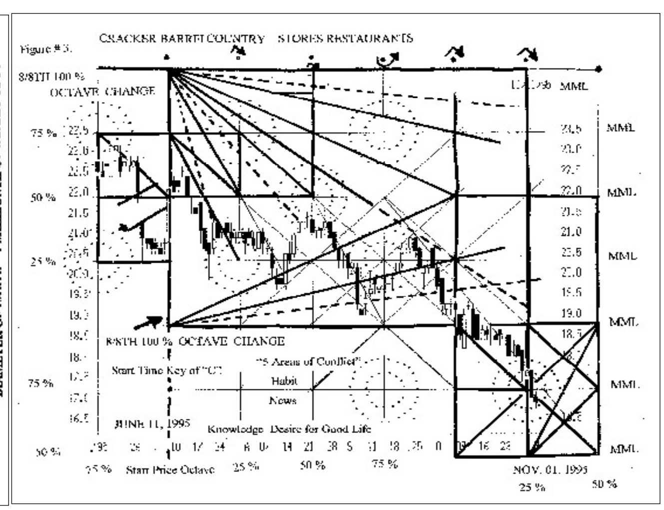


Figure 2

a simple test that if you asked 64 1st graders to make up the trading action of the Bond market scratched on a piece of typing paper, (representing 1 year's price action) you shall see that these kids unknowingly will draw one of W.G. Gann's 64 formations.

I have given them the same test that Socrates (Athens, Greece 432 b.c.) gave his teenage pupils by having them draw a continuos line in the sand inside a rectangle that he had fashioned into the "golden rectangle."

You might turn a piece of typing paper sideways and start on the left edge and "make up" the trading action of any commodity for 1 year by moving in a continuos line from the left side to the right edge of the paper. (Please do it right now).

As soon as you are finished please fold it down in half from the top to the bottom. Then fold it down in half again. And finally do it a third time. Now open it out flat and look at your reversals. Now fold it over left to right in half. Now fold it over in half a second time. Now do it a third time. Now open it out and look at your reversals in time. Please count how many times you reversed right on a price line (1/8th) and a time line (1/8th line).

Anything you trade is doing the same thing that you are doing as it trades to the right in "Time." "Time" is the least considered and least understood ! My book predicts (Reference Sheet T.) exactly how far any commodity, stock or Index shall run up or down before it stalls out and reverses in price or "Time." This is the simplest trading system in the world that doesn't use any fundamentals ! (Built-In).

All fundamentals are reflected in the speed and Percent of Movement as soon as fundamentals or "news" affects your commodity, stock or Index).

1) Draw a vertical starting line; 2) add four lines to the right, 3) Draw a horizontal line, 4) add four lines up, 5) Draw 5 circles, 6) watch the price action as it enters the square; 7) Draw an angled line under any reverse (up or down) one of 7 and enter the next day after a reversal. 8) You are allowed to draw the 7 different angles lines (up or down). (each angle you draw shall be either a 45, 22.5, 11.25, 5.625, 56.25, 67.5, 78.75 degree.

A) moving averages (allowed to use only 2 sets), B) Indicators: 1) stochastic, 2) R.S.I., C)"Time Frames"1) Weekly (rectangle),2)Daily (square), D) Always know yesterday's price-action range and the amount of volume, E) Always know how far it has already run up or down, F) Observe the angle it reversed on, G) predict the place in the future where you shall sell 50 % of your position before it gets there, H) Watch the "5 Areas of Conflict" circles ahead of it !

Always "Buy the Bounce." (or sell against it). Every market is trading against the "Golden Triangle" inside the "Golden Rectangle" or the "Golden Square in Time." (please draw a line above

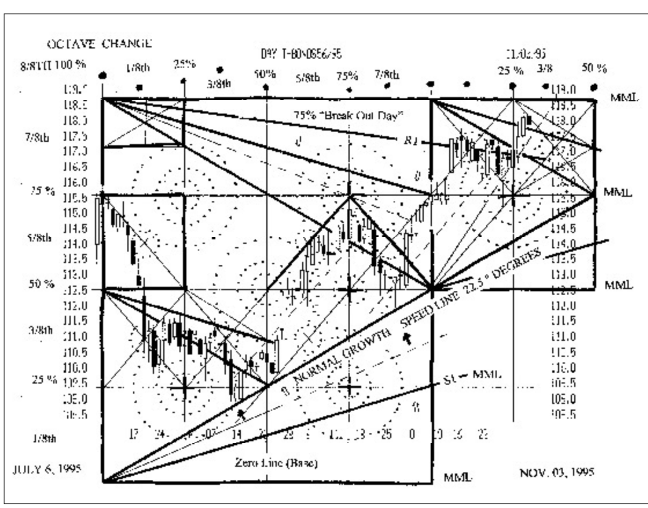


Figure 3

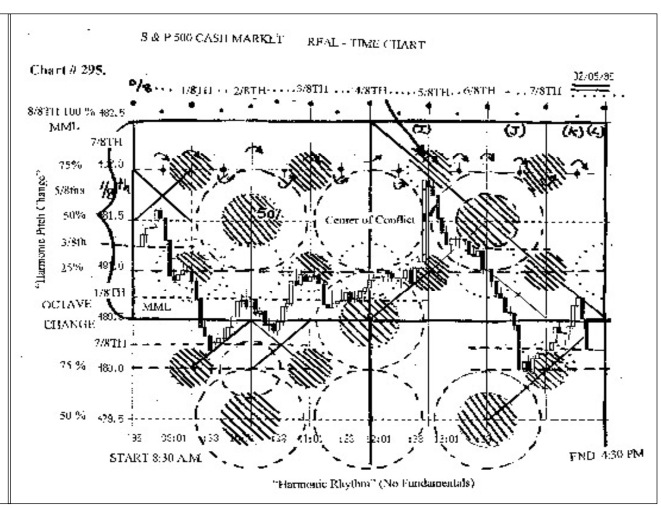


Figure 4

and below the “Golden Triangle” 11.25∞ above and below it. (a market is still under the influence of the “Golden Triangle” as long as it bounces off these support/resistance lines).

Please look at the “Square in Time Chart” (Fig. # 1.) daily price action, and the “Golden Rectangle Chart” (Fig. # 2.) weekly chart.

You may choose not to believe me, but all you have to do is take out a $ 1.00 bill and look on the back and you shall see a triangle set up in “Time.”

If my simple trading system works, then any stock shall support my trading rules. Please look at the Cracker Barrel Country Stores chart (Fig. # 3.). This local stock reversed around 5 different circles of conflict. Please remember that I started my vertical lines off the Square set for the 3rd Quarter of the U.S. 30 Year T. Bonds. Then I set the bottom (horizontal line) of my Square off a “Harmonic Pitch Line” and you “see” that it had to know where to reverse in “time.”

Skeptical “old timers” who want to start their 0/8th thru 8/8ths off a known high / low retracement pattern over a given period of time, can’t believe that you don’t have to touch the high / low extremes and still be able to set the same rules for any commodity or stock to move to the right off a preset percentage to a Square. (Socrates 432 b.c. bifurcation). (Square of Four).

The most profound query posed to me by a famous “trader” in Nashville, who has been published all over the world and even created his own “trading software program” was, “can you trade it ?”

Please look at the chart Day T-Bonds 56/95. Note that the last trading day recorded was 11/03/95. I never consider the high / low range to place my frame nor do I consider the last high or low to start my timeline. I use the first frost as the Mayan Indians have done for 5,000 years and they start it over every year, which is what we do each year: set our base off the nearest “Sound Pitch Line” inside an Octave off either 2/4, 4/4, or 3/4 or 8/8.

Next you draw a triangle to the right just like the one on the back of a dollar bill. Just as Socrates said, 432 b.c. “you must go from 1 Square to 4 Square in the progression in Nature.” And Confucius said back in 350 b.c. that all that you trade shall trade inside the Square of 64:I Ching.

You must remember that it makes no difference what you trade, it is all the same equation: every traded market moves against its current price level set inside its present 1/8th “Harmonic Price Level.” (Same start day).

After you learn the rules to trade the Bond Market, you simply take this frame and these rules (no exceptions) and set the same frame over any commodity or stock, or Index and start making “more Profit.” (Same start day).

This is the greatest trading system in the world because you don’t have to know anything about what you choose to trade: remember that a change in price (reflected by any amount or speed) will always reflect the change in “intrinsic fundamentals.” Since we are to always “follow the trend” who cares if we don’t get all of move as long as we are in “early” on the right side of the trade.

Please look at the Bond chart and you will be amazed to find how many times this market reversed and wanted to avoid the “5 Areas of Conflict” as it traded to the right in “Time.” It reversed right on the 3/4 time line, which is the “breakout day.” Close inspection shall count 18 reversals off pre-set lines giving no concern to any price movement !!!

I don’t have any reason to build credibility ! The book and the simplicity of my trading system does that. I have a B.S., M.A., and worked on my Ph.D. at the University of Maryland (didn’t finish) and I have a Ph.D. In Logic and Common Sense from m.i.t.

I spent the past two years working out the “bugs” to this simple (Perfect Trading System) in the world. I have even set up a standard Square “day traders’ frame.” In my book chart # 295. S&P 500 Cash Market Real-time for the day 02/09/95. The last time that Mr. Greenspan raised the Interest Rates. It reversed 16 times in a row off my 16 Murrey Math Lines (horizontal) which I set for all markets. Next we look along the top of the chart and we see that this market reverse 16 times in a row simply by dividing the trading day inside a “Frame in Time.” It even reversed off 45∞ degree angle 7 times during that famous day. The greatest reverse occurred right at the 5/8th line in time and the Dow went up 20 points on the “news” of the increase and then it fell down 35 points on the “news.” It also wanted to stay out of the circles. Does it work for me? Jan.’95 I was in an O.E.X. option every day of the month (longest 3 days) never lost !

I have a book which teaches how to trade with this system of trading which includes 326 illustrated easy to understand charts. The book addresses: 1) W.D. Gann’s 64 rules, 2) moving averages, 3) setting the Square in Time, 4) setting the % runs to reverse, 5) “Harmonic Rhythm,” 6) volume and daily activity, 7) Murrey Math Lines, and 8) Options Trap. The book is available for $62.50 #5216 in the Trader’s World Catalog in this magazine.

Elliott Wave & You

By Terry R. Davis

Have you ever read that Elliott Wave is too subjective to trade with? I have a friend , who shall remain nameless, who sought Elliott knowledge. He searched for a chaotic mentor and finally found one who promised great knowledge for a great amount of money. He flew to his house and was taught at the feet of the master for a weekend. One of the mentor's favorite sayings was "when in doubt about the wave count you are in some type of wave four." This is closely akin to saying you speak all languages but Greek. When asked to speak Spanish you reply - "that's Greek to me." My friend came home bubbling with his new found knowledge. He was so impressed with his psychological mentor that he let him trade a $100,000 managed account. After a month's worth of following the markets my friend came to a remarkable conclusion: Elliott wave is too subjective to trade with. Unfortunately, this knowledge came with a price tag in the thousands.

What about my friend's managed account? The mentor increased the account by $5000 the first month. Excellent! At the end of the second month the account was back to even and the mentor had frozen—he couldn't pull the trigger anymore. So much for Elliott wave, right? Not exactly! You may think from this proceeding paragraph that I think Elliott Wave has no value. After all wasn't it George Lane who said "any system is a success if it sells enough copies." Being in the "systems" business myself I must say that I would have to agree with Mr. Lane's comments. I am a Christian and believe that the cyclical nature of all things (including the futures markets) has to be in harmony with nature. Elliott wave has been referred to as nature's law. I would rephrase it and say "Elliott Wave is one of nature's laws." I do not think of EW (Elliott Wave) so much as a system but as an adjunct to determining which side of the market I should be on. For this it is excellent. Wave four is the hardest to identify because of the many formations that take place there: double threes, a-b-c's, quadruple bypasses and the like. If this sounds like so much B.S. ... That's because it is. For us to identify wave four we

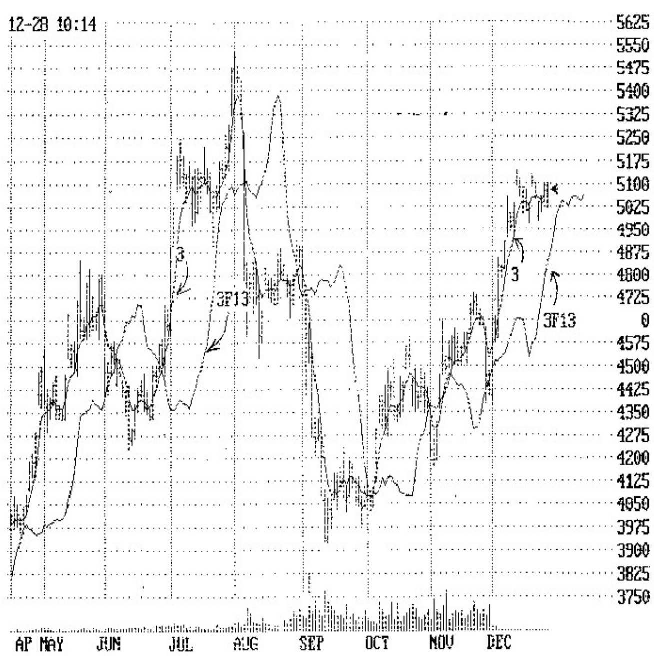


Figure 1

Figure 2

need to look outside of EW structure for another technical.

Welcome to the world of displaced moving averages. This concept (to the best of my knowledge) came from Jim Hurst's excellent cycle work on half-cycle differencing in the stock market. Hurst was (is) a genius in his own right. Again, that is another story. The displaced moving average is sometimes called a phase shifted moving average. For the rest of the article I will call it DMA (displaced moving average). This concept has been around since the late seventies. I present this concept in my one-on-one teaching of beginning traders and I am always surprised how few people have seen it before. We are going to use a 3 period exponential ma and displace it 13 periods in the future. This is very easy concept to understand (especially after 15 years) but it always seems to cause problems in being able to be understood easily. Let's look at Figure 1. On this chart we have two different moving average lines. The first is a 3 period exponential average (Tradestation calls the average a 5 period exp.). The second line is identical but has been "shifted" into the future by 13 time frames. Tough so far! Do you see it? Don't go any further in this article until you understand this subject. I say time frames as opposed to days because this 3FL3 dma (<3> period <F>orward <13>) can be applied to many, time frames with remarkable results.

Now let's turn our attention back to EW. Wave four catches more people off guard than any other place in wave structure. It's been said when the market is moving up (in a down market) but something just doesn't "feel right" you are probably in wave four. In a down market this is where the public comes in as buyers. Do lambs to the slaughter ring any bells? What I going to show you is more of a way not to trade than a way to enter the market. If we don't lose isn't that very close to winning? If you realize that being successful in trading is very near 100% psychological you will realize how important it is for you to fool your 'humanity'. To me not being wrong is very important. You must remember if you are right on your trading around 50% of the time you will make a fortune (do I need to put in a disclaimer here?). What are we taught as we grow up. If you got a 50% on that math paper in school what was your grade? A big fat "F". In commodity trading that same score rates a "B" (at least). Your humanity will constantly get in your way throughout your trading life. Hasn't it already? You can't escape being human so you must outsmart it. This is accomplished by doing all the right things at the right times. I have

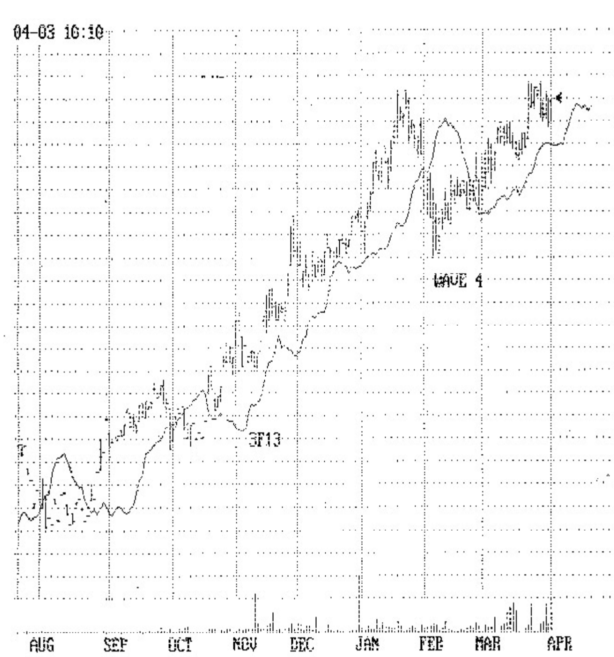


Figure 3

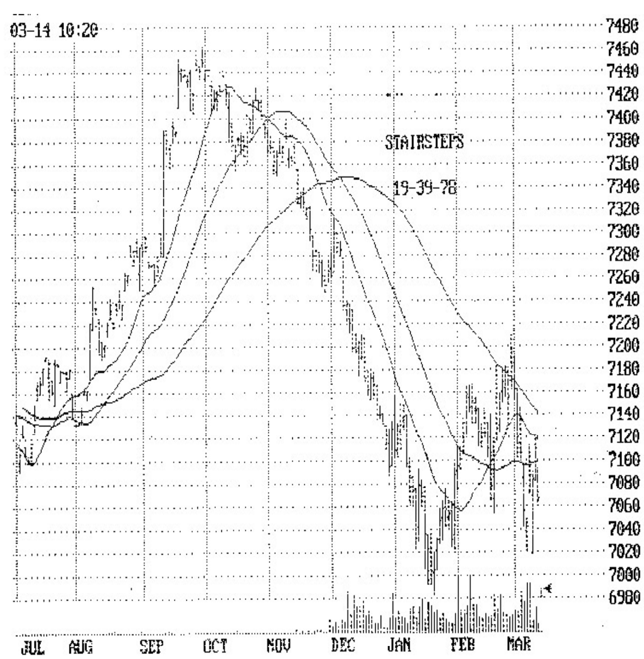


Figure 4

been trading for 15 years now and like to think I don't make beginner's mistakes anymore. This is more or less true! What about experienced traders' mistakes. Sadly to say they still haunt me!

To be an overnight success in the futures markets has taken me 15 years. What a journey? Sorry for these asides but they are very important in how things relate to trading and I wouldn't put theses ramblings in if I didn't think they were important. Do you understand Figure 1? Now turn to Figure 2. The first time a sustained move crosses back over (from below to above in this case) the 3FL3 DMA you are in wave 4 and should be looking for a place to 'fade' (resell) this short term reversal. Turn to Figure 3 for the exact opposite. When a sustained move crosses below the 3FL3 you should be looking for a place to re buy the market. Since this is the end of wave four what does that tell us? I'm waiting.....! It is the beginning of wave five .. The last impulse wave. The primary characteristic of wave five that I have noticed in actual trading is the speed and direction it has. For this reason you need a very close trailing stop if you are lucky enough to get in at this bottom. A one day trail is not out of line. I hope you will not take everything I am telling you at face value (if you are I have some land for sale).

I want you to get out your own charts and see if what I am telling you is true. I always hesitate to write articles like this because people think that anything for free is not worth much. I have even had people call me on the phone and argue with me about free information. Smart huh? If you will study this information you will have more Elliott savvy than most of the people making a living selling it. Is there a way to determine where price will stop when you are in wave four? Why I thought you would never ask. I have found that everything in the markets is related by a power of 2 (I even wrote a book with that same title). This means that all technicals can be doubled or halved. Any technical that you are now using should have validity in the marketplace when it is doubled or halved. If someone tells me something they are using to make money this is the first thing I check. If I still see validity then I will do more research to see how it can fit into my own trading. I am constantly being asked to manage money and I have been doing more and more lately (since I am not a CTA the maximum number of accounts I can manage is 15). I am constantly looking for something better than what I now have. The pro fisherman on the bassmaster circuit will try to quickly catch a limit of fish (normally around 8) that are legal. Then

Figure 5

Figure 6

they will keep fishing in the hope that they can cull some of the smaller fish they have already caught. If they catch a bigger one than the smallest one that they already have they throw back the smaller one and replace it with the one they just caught. As an active researcher I am always doing this. At times I have culled all of my own systems and have been trading with other people's systems entirely while still looking for one that is better. On that same vein I am always trying to reduce the parameters that a trading methodology has (a coin toss only has two parameters). You see the pattern developing don't you? You might even say cosmic! (I wouldn't say that but you might.) I think you are getting the drift. There have been many things detrimental written about moving averages. For the life of me I don't know why because they provide a wealth of information to those of us that incorporate them in our trading. As in everything else there seems to be certain sequences (not Fibonacci) or individual starting points that work better than others. Originally I taught new students using exponential numbers. There are as many ways to calculate EMA's as there are charting packages so I have completely switched to simple moving averages. There is only one way to calculate them and every package does it the same way. Voila! Commonality (I just had to get that word in this article)!

The two values I use are 39 and 78. They extend both ways. In other words there also exists a 19 or a 156. Do you see the relationship of 2 involved in these values. Price will stairstep up and down these three values in every directional move. See Figure 4. They are not a trading system by themselves but knowing how to use them in conjunction with ew provides great insight into where the market will hesitate. This is where you can get on board the trade for a quick fast ride. When I trade on dailies I never risk more than $500 per contract. I do not trade the stock indexes on position methods because the risk needs to be $1200 on the S&P or $700 on the NIFE. This is outside my comfort zone so I don't have any inclination to enter. If you feel this risk factor presents no problem to you then be my guest. If you are trading something like corn or bean oil there is no reason to ever risk much more than $250.

There are already some of you thinking... I don't mind risking a little more than that on corn. Let me be more direct. Don't be stupid. Chances are very great that I know a lot more about trading than you do. My claim to fame (if that is what you call it) in this industry is risking very little to position trade. Okay, I've insulted 1\3 of you ... Let me take a shot at the rest of you... You know who you are... The ones who don't use stops for any number of perceived reasons. You know the ones.... The floor brokers are always picking off my stops and then the market turns right around and goes my way or the ever faithful - I can stand a little heat - it'll give it all back to me tomorrow or if not then tomorrow or the day after that. How much can you lose trading one contract without a stop. Pick a number... And then add one hell-of-a-lot of zeros to it.

When I first started trading in 1980 I met a likeable fellow at the local gambling (brokerage) house who only traded hogs without stops. He was a very successful businessman in his own right. Instead of merely taking his losses he locked them in by spreading the next contract month against them. Brokers love this practice (twice the commissions). In a period of four months I watched this man lose a paid for business, his house and his wife and family because he traded without stops or refused to take a loss and get on with other things.... All of this in the non volatile hog market. When I place a trade I want something to happen now! Obviously, I want the market to go my way. If it doesn't I want to be stopped out right away so I can go on to the next trade. There is nothing more demoralizing than going on day after day with a loss on the tally sheet. Your whole world revolves around what hurts.. In this case your psyche. Well, I think I am finally at the end of another tangent.

Back to our values that were presented earlier - 39 or 78. When price penetrates the 3FL3

Essentials of Successful Day Trading

By Gary Smith

There are only a few key rules for successful day trading, but almost every day trader violates them. Successful day trading is not an everyday affair and not a multiple trade affair. Inexperienced traders simply refuse to accept this. The plain fact is most days are not suited for profitable day trading.

Second, successful day traders are not scalpers. What most amateurs can't seem to grasp is that once the S&P starts moving explosively in one direction without any significant reaction, that trend will normally continue until the close.

Third, never trade stock futures with ultra-tight stops. Traders using 60 or 70-point stops in the S&P either don't understand the creature they are trading or they are infected with a gambler's mentality.

I generally don't do anything during the first fifty minutes. I'm trying to trade on just the big trending days. They don't happen every day, and you usually can't tell it's going to be a big trending day until at least after the first fifty minutes. The market doesn't give enough clues about what kind of day it's going to be until then. After that, if the futures are acting in a certain manner and my tape indicators are showing strength or weakness, I'll make a move.

When I first started, I was trading with 40 and 50-point stops in the NYFE. That equates to 80 to 100 points in the S&P. I found out that too often I would be knocked out of my trades, after which the market would go back in my direction. At the end of November, 1986, I started using wider stops. That made a humongous difference in my trading. I nearly doubled my average monthly profit after I widened my stops.

The range for an ideal protective stop for day trading in the S&P is between 120 and 200 points. Research-wise, I found 170 to 200 points is optimum, but in my own trading I usually use a stop of 120 to 130 points. In the NYFE, which I trade more frequently, I use 80 to 90-point initial stops. That's pretty much the ideal for the NYFE. I find that if I put on a trade and get stopped out using that kind of stop, the market will rarely come back and prove me wrong.

I am very critical of vendors who run ads in the back of Futures magazine purporting to teach people how to trade the S&P using 50 and 60-point stops. It's impossible to trade with such small stops off the floor. I challenge anybody to show brokerage statements to prove they have traded successfully that way for as little as a year and a half.

You should never set a profit objective on a day trade. Always carry it to the close. The only thing that should get you out of a profitable trade during the day is a trailing stop. People familiar with my methodology say that the biggest reason I'm successful is that I never set profit objectives. I assume that when I'm in a trade, it's going to go in my favor until the end of the day.

On a long position I'll trail the stop off the high of the day by a certain number of points. If I'm short, I'll trail my stop off of the intraday low by a certain amount of points.

One thing I learned when I started understanding the price action in the S&P is that once the market sells off from an intraday high by a certain number of points, that high will not be approached again. Either the market will continue sideways, or it will reverse and start going down. The same holds true on the downside. Once a market bounces off a low by a certain number of ticks, that tells me the low is in for the day. I want to get out of my short position.

I treat long and short positions a little bit differently in terms of what you do during the day. The dynamics of the S&P on a up-day are different than they are on a down-day. Remember, I'm trying to focus only on the big trending days. In the case of a big uptrending day, the market reacts less from its intraday highs than it does from the lows on a down-day. On big downtrending days you get some fairly big bounces off the intraday lows. You have to treat the downtrending days differently by giving the market more room. I use a little bit wider trailing stop if I'm in a good short position than I do if I'm in a good long.

I have never been successful holding positions overnight. Many traders will get into a position with the anticipation that they're only going to be in for a day trade. When they find themselves with a $1,500 or $2,000 profit at the end of the day, the natural tendency is to think of holding overnight because of the big cushion of profits. Although other traders may have had a different experience, I've seldom been successful capturing any carryover the next day. When I hold an S&P or a NYFE position overnight, I always seem to give back a couple hundred dollars of profit the next morning.

I've researched how to determine when to hold a large profitable day trade overnight. The only thing I've come up with is that for you to hold overnight, it should have been such a strong day that there were at least 1,300 advancing issues and the up-to-down volume was at least four to one. Those days don't occur all that often.

Another thing that sets me apart from the average stock index futures trader is I do not believe in the traditional futures indicators such as moving averages, oscillators, chart patterns, trendlines, etc. When I look for strength and weakness, I'm looking at tape indicators such as the Dow Jones Transports, the Utilities, NASDAQ, the Tick Index, the Arms Index, Advances/Declines and the futures/cash spread.

Although I discuss how I look at the tape indicators in great detail in my book, I can't give you any objective rules about how to interpret them. It's a matter of experience.

One thing I always tell traders is that I don't have any special abilities. If you want to make money nearly every month like me, you need only two things. You need discipline, and you need experience. Until you gain that experience, you can be very successful using the objective, systematic rules I describe in my book. No judgment is required, although you must be able to watch the market during the day. If you can't do that, your broker can trade my system for you.

Gary Smith is the only person with a documented 10-year record of successful day trading. This article is excerpted from a long interview that appeared in the September, 1995 issue of Commodity Traders Consumer Report. 1731 Howe Avenue, Suite 149, Sacramento, CA 95825. (800)-999-CTCR or (916)-677-7562. Gary has just published a new book on day trading called, Live The Dream By Successfully Day Trading Stock Futures.

A Moon-Beam Thru the Tunnel

By Petter Ivar Amundsen

The "Tunnel Thru the Air" is mysterious and contains a valuable secret, clothed in veiled language." These are Mr. Gann's own words in the foreword of the novel. I have had the good fortune to discover a part of this secret. The reason for writing this article is to display the depth of his writing and inspire others to investigate its mysteries. I am also interested in getting to know a handful of people with whom I could exchange information. Together we could find more clues and solutions than what we would do on our own. Reading this article, you should be warned that you will be deprived of the great sensation of breaking through a barrier and experiencing the joy of discovery. Anyway, I know there are many more discoveries to be made and plenty of joy to be felt...

Have you ever considered the title of the book? "The Tunnel Thru the Air or, Looking Back from 1940"? Strange, isn't it? The title will, however, give us two clues. The first is the slang spelling of the word through, the second is the year 1940. The last date in the book is in 1932. I was also puzzled by the fact that the subject of the title, the Tunnel, played merely a minor part in the plot. The story could have worked well without this artifact. There might just be a hidden meaning here somewhere...

Another curious fact is the frequent use of the number 69. Robert Gordon was born on 6.9.1906. He occupied an office on 69 Wall St. and the Jonah "key" is on page 69. What if Mr. Gann was hinting at the Zodiacal sign Cancer, which is symbolized by this figure? When I consider the Jonah parallel, that the "Son of man (would) be three days and three nights in the heart of the Earth", I cannot help thinking about the moon's disappearance during a lunation. It is invisible for three days and three nights. You could also say that it is "in the heart of the Earth" as it is placed directly between the Sun and the Earth, just as the voice of our heart receives the light of our Lord. The Son of man, Jesus, was the perfect reflector of the light from above. Cancer is ruled by the Moon.

On page 177 we find the first encounter between Robert and an astrologer. Robert wants to know how and when he will meet his Marie, and Professor Joyful, as he is called, tells him that they will reunite in New York, since this city is ruled by Cancer and his radix Venus is in this sign. On page 248 there is the letter from the Canadian astrologer who points to the heavenly constellations at the time Marie disappeared. Venus was about to change signs from Cancer to Leo and was separating from, among others, Mars. In the last sentence of the letter, he said that a progressed conjunction between Venus and Mars would bring her back. There are several methods for progressing a horoscope and progressing alone is not accurate enough to explain why they would meet at that date in 1932. What the statement does, is to throw some light on the association between Robert and Mars. The association between Venus and Marie is already well established.

If you cast a horoscope for the time and place Marie wrote her farewell note to Robert (June 5, 1927 - 3 a.m.), you will find that Venus and Mars is within orb of conjunction in the sign Cancer. They would not share this sign until August 1932! There would be several conjunctions between the two planets, but none in Cancer as viewed from the Earth. But what about the incident in Paris, mentioned on page 241, where Robert was sure he saw Marie? If you look up your Heliocentric Ephemeris you will find that "in the latter part of February 1929" there was a conjunction in Cancer! No wonder why the morning was "sunshiny"!

I hope you see the pattern here, but one important question remains. Why did they reunite around 11 a.m. on August 30, 1932? Why that date and that time? Mr. Gann was careful to write 3 a.m. on the farewell note. Could we not suspect that the timing of the reunion should be as accurate?

It is here we must confer the moon. If you cast another horoscope for the exact time and place of this final event and check out the position of the moon you will get the answer. The Moon is at the exact same spot it occupied when they were separated! This event is called a Lunar Return, just as any anniversary date is a Solar Return. Mr. Gann must have been doing some detailed planning to mold this plot together! But it does not stop here. Now it is time to look back to the title.

"The Tunnel Thru the Air." Doesn't it strike you that there is a similarity between this title and "The Lunar Return"? It sure made me take a closer look. The only problem appeared to be that you'd need an extra "r". Hey, wasn't there a subtitle? I grabbed my game of Scrabble and wrote the whole thing, subtitle, numbers and all across our coffee-table. My five-year old daughter would very much like to play with dad, but was told that this was a game for grown-ups! Now I could experiment back and forth and so I did. I tried several possibilities but nothing made sense. What about the number? Maybe it could be 0419 and point to some important page? No, the book is "only" of 418 pages.

Suddenly it dawned on me. Numerology! The numbers are letters, just as letters are numbers! Using the Pythagorean method and replacing zero with the letter "o", it took only ten more minutes before I had the solution. The new title that emerged made sense, no letters were left over and it seemed I had the original idea for Mr. Gann to write the book! Why he would start with the mother, Amelia Gordon, and why he would end it as he did. Do you want to know the hidden title? Here you go: "From the Lunar Return, looking back to his mother."

Petter Ivar Amundsen can be reached at fax: +47 22 14 15 96

The Gann Pullback

By Jerry Pegden

The Gann Pullback is an objective trend-entry indicator that will get you in a trending market with minimum capital exposure.

One of W.D. Gann's rules is that there is no market too high (low) to buy (sell) if the main trend is up (down). Gann also observed that strongly trending markets frequently pause for only a few bars before resuming the trend. Now that's easy to see on a chart in hindsight as is readily visible on the T-Bond chart in Figure 1 showing the five-month decline in bond prices from Jan 96 to May 96.

Selling any of the numerous minor pullbacks after the January high would have been a profitable ride. Indeed, it is easy to pick off the places where one would have pyramided. But in the real world, if you miss the beginning of a trend how do you jump on?

Four objective pieces of information are required for a trend-entry trade set-up: (1) criterion for identifying that a market is trending; (2) criterion for identifying a pullback; (3) criterion for the trade-entry price, and concurrently, (4) criterion for placement of the protective stop.

The Gann Pullback indicator provides these four criterion and thereby automatically identifies the trend-entry set-ups that allow the trader to jump on a trend or get back in a trend and/or pyramid.

Step 1: Identify a trending market. There are numerous criterion for a trending market. The

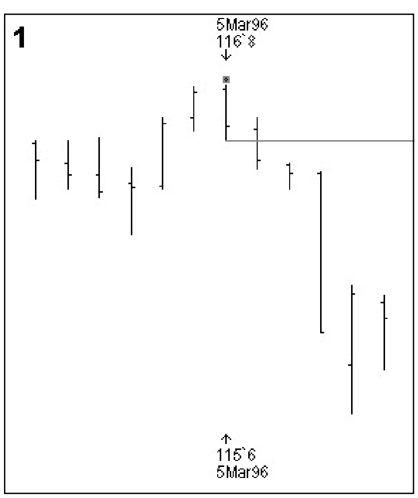
Gann Pullback indicator uses Wilder’s ADX. An ADX above 30 signals a trending market. The trend direction is determined by Wilder’s Directional Indicators. If -DI is above +DI the trend is down. If -DI is below +DI the trend is up.

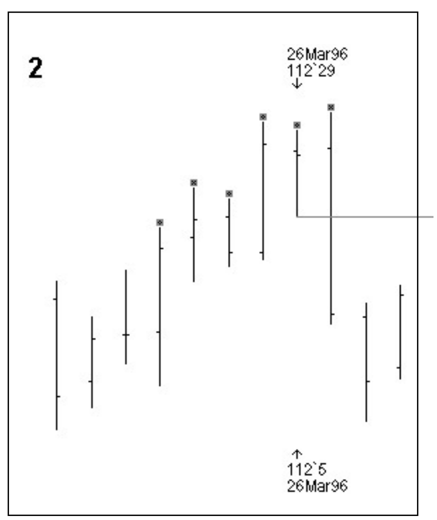
For both the ADX and DI we have used a 14 bar period. In Figure 2, the first indicator below the bars is the ADX. It was above 30 from late Feb through early May. For this same period the -DI was above the +DI. Given this objectively determined down trend, we may now look for market pullbacks.

Step 2: Identify a pullback. Once the trend direction has been identified, we wait for the market to pause or temporarily pullback against the main trend. We are looking for a set-up bar. Since a downtrend is characterized by lower highs, our pullback set-up bar criterion will be three consecutive bars with higher highs or any combination of two higher highs and an inside bar. If one of these three-bar sequences occurs then the third bar in the pullback sequence is the set-up bar. It is the set-up bar that provides the entry and protective stop prices.

Step 3: Determine the trade entry price. Once the set-up bar has been identified, we look to enter the market in the direction of the main trend. The bar immediately following the set-up bar is the signal bar. The trade-entry criterion is that we will go short when the signal bar takes out the low of the set-up bar. Thus a sell stop would be placed one tick below the low of the set-up bar.

Step 4: Determine where to place the protective stop. If the short trade is elected and the high of the set-up bar is later taken out, then at a minimum we can assume that the pullback is incomplete. We would want to place a protective buy stop one tick above the high of the set-up bar if the entry sell stop is elected. The capital exposure is thus usually limited by the range of the set-up bar.





Summary for trend-entry signals in a declining market:

1. Trend: ADX > 30 and -DI > +DI.
2. Pullback: Requires three bars: three consecutive higher highs or two higher highs with an inside bar in any order generates a set-up bar. The third bar becomes the set-up bar.
3. Entry: Sell when the low of the set-up bar is taken out by the signal bar..
4. Protective stop: Just above the high of the set-up bar.

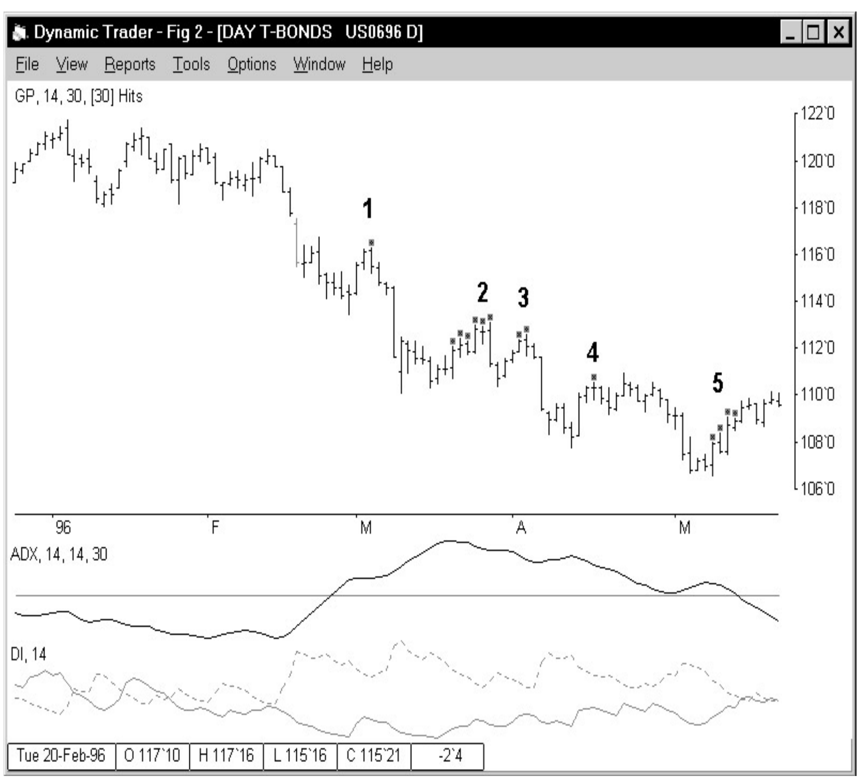
Now let's take a look at the Gann Pullback set-ups on the T-Bond chart that were identified by the Dynamic Trader software using the exact criterion discussed above.

There were a total of five pullbacks which are labeled 1,2,3,4 and 5 (see Figure 2 for a macro view and the individual charts 1-5 for a zoomed view). The set-up bars within each pullback are identified with a small square above the bar. Remember that the bar immediately following a set-up bar is a signal bar because it is the action of this bar that determines whether a trade is elected. As shown in pullbacks 2,3 and 5 a set-up bar can also be a signal bar. Overall, pullback trades 1,2 and 3 put you back in the trend while 4 and 5 had small losses.

Set-up 1. This was a textbook Gann Pullback. The open of the signal bar was lower than the close of the set-up bar and the market closed near the low of the day after taking out the low of the set-up bar. The low of the March 5 set-up bar was 115'6 so our entry sell stop would have been at 115'5. Our protective stop is 116'9, one tick above the March 5 high.

The market fell over five points in four days before another pullback. How much of the move would you have captured? The Gann Pull back does not tell the trader when to take profits. So it depends on your trading plan - whether you let the market take you out, have a fixed profit objective, trade multiple contracts, are a short-term or longer-term trader, etc.

Set-up 2. Here the market pulled back higher and higher creating a series of set-ups.



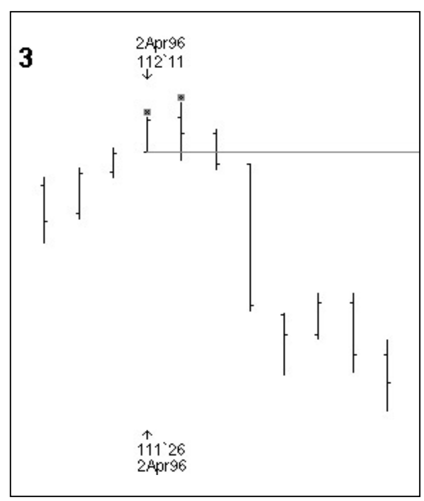


Figure 2

As each new set-up is made, we cancel the old trade-entry sell stop and enter a new one, one tick below the low of the new set-up bar. The fifth set-up was elected as the signal bar took out the Mar 26 low of 112‘5. The market declined one additional day before starting another pullback. This trade would have been profitable with any trade plan as the high of the set-up bar was never taken out.

Set-up 3. Since the set-up bar had a narrow range (17/32nds), this very profitable trade had little risk. Entry was at 111‘25, one tick below the April 2 low. The protective buy stop was at 112‘12. Note that even though the signal bar took out the high of the set-up bar before the trade was elected, the protective stop is still the high of the set-up bar. The market fell sharply before starting the next pullback six days later.

Set-up 4. Entry was at 109‘24, one tick below the April 16 high. Four days later you would have been stopped out at 110‘18 for a loss. The stop-out bar was a swing high from which bonds immediately fell over three points. But that slightly higher high didn’t register as a set-up bar since the pullback was only two bars and our rules require three.

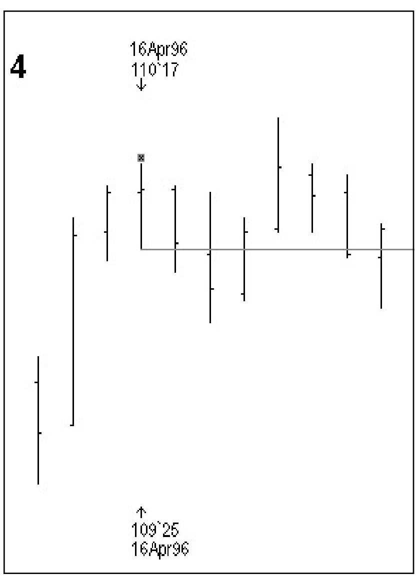
Setup 5. On this set-up you were stopped out on the entry day. The market opened near the low of the day and declined just enough to elect the trade by taking out the May 9 low of 107‘17. From there it moved sharply higher closing well above the protective stop of 108‘13.

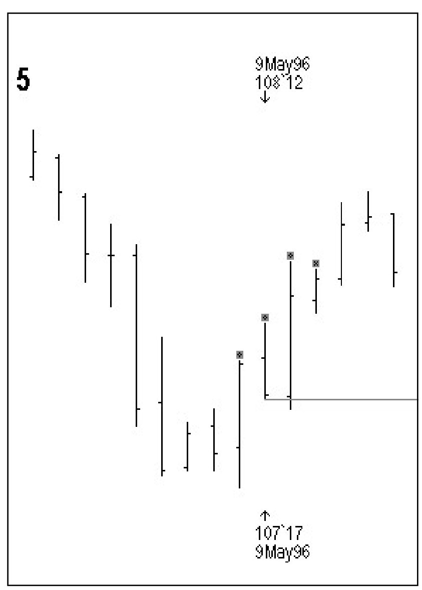
The Gann Pullback is not a black box trading signal system. The trader must examine each set-up in the context of the Time, Price, Pattern and Position of the market (see Holistic Analysis of the Gold and Silver Markets in this issue of Traders World).

An examination of the fifth pullback trade in this context, for example, provides several reasons why this trade may not have been taken.

By the time of the fifth pullback, the down trend is loosing steam. The ADX is not strong, having declined back to the 30 area and +DI and -DI are starting to converge (Figure 2).

More important, two significant time projection techniques were pointing to this period for a significant low (Figure 3). Bear market Time Rhythm Zone™ projections were calling for a low between April 28 and May 14 and Dynamic Time Projections™ from the Jan 4,





1996 high clustered on May 9!

The idea behind the Gann Pullback was suggested by an article in the May issue of Larry Connor's Professional Traders Journal. Oceanview Financial Research, (310)-589-3165.

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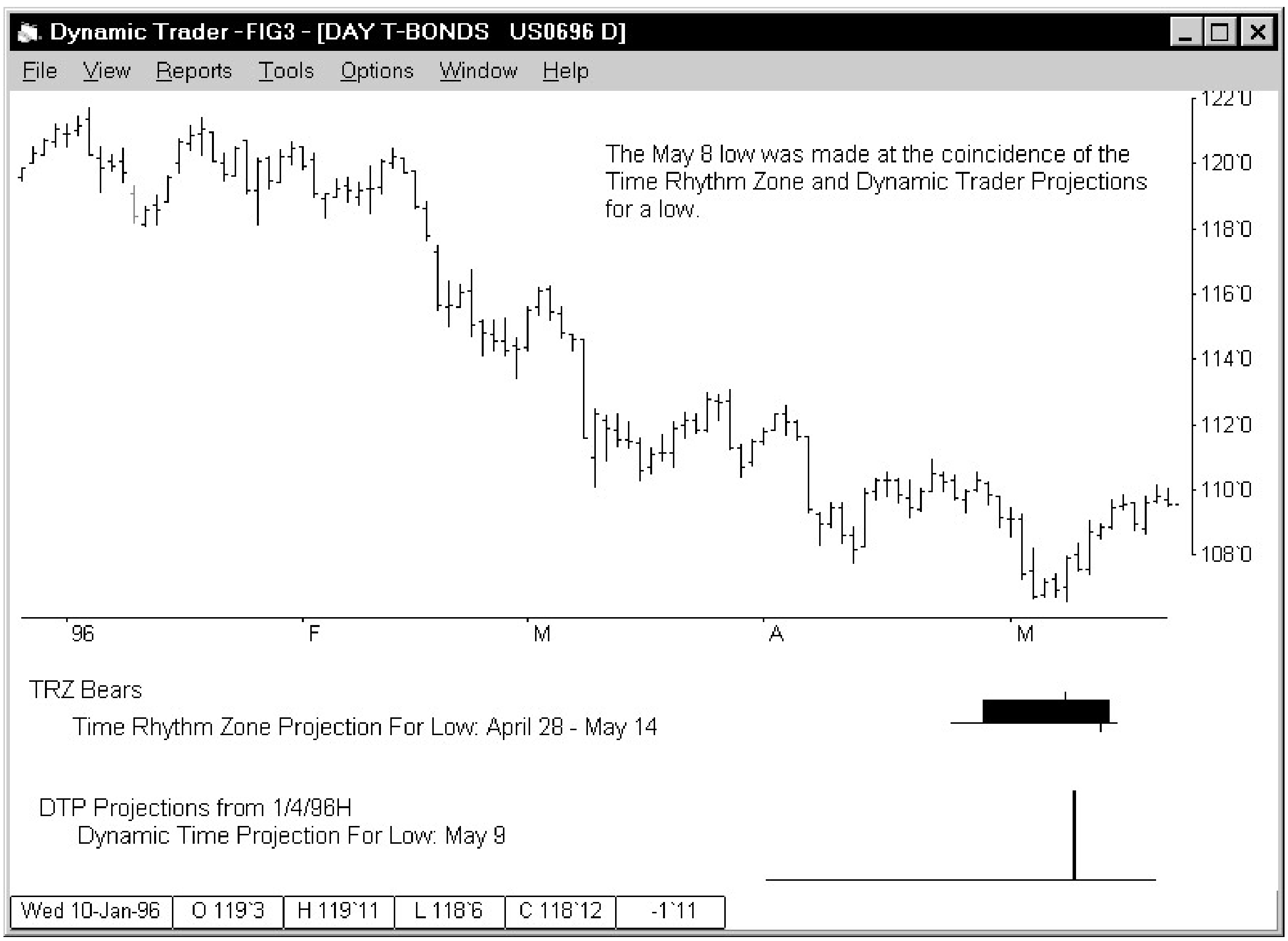
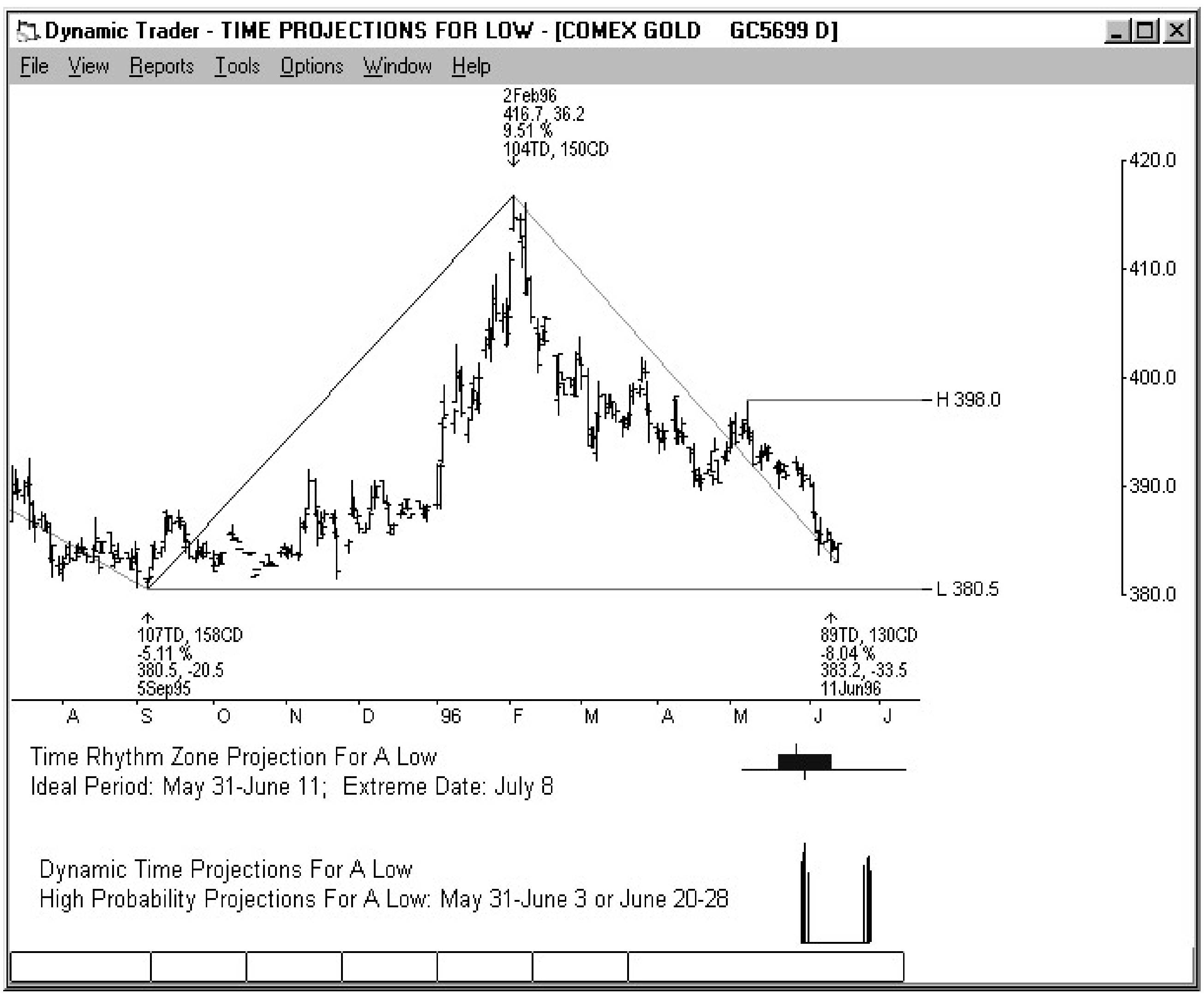


Holistic Analysis of The Gold and Silver Markets

By Robert Miner

By taking a holistic approach to market analysis, traders and investors have a much higher probability of making high profit decisions. As this issue of Trader's World is going to press, a comprehensive analysis of the gold and silver markets suggests a major low is near at hand. We will take a look at the three major dimensions of market analysis to arrive at an opinion of the position of these two markets and develop a trading or investing strategy.

Time: W. D. Gann said that "Time is the most important factor." Most traders and investors do not have a consistently reliable time analysis methodology to apply to all markets. Including a reliable time analysis method in your trading and investing plan can be the difference between success and failure. Time projection analysis will validate price projections, trend direction and reversal signals.



My time analysis includes two important projection techniques: Dynamic Time Projections and Time Rhythms. Each is an entirely different approach, yet they complement each other. Dynamic Time Projection analysis proportions and projects past time cycles by the dynamic ratios. I have described this method in several past articles.

Time Rhythms measures all past cycles of a chosen degree and projects the range of time that the next high or low has at least an 80% probability of occurring. The Time Rhythms also provide the maximum probable period for the high or low to be made based on all prior cycles of similar degree. The details of how the Time Rhythm Zone projections are made will be described in a future article.

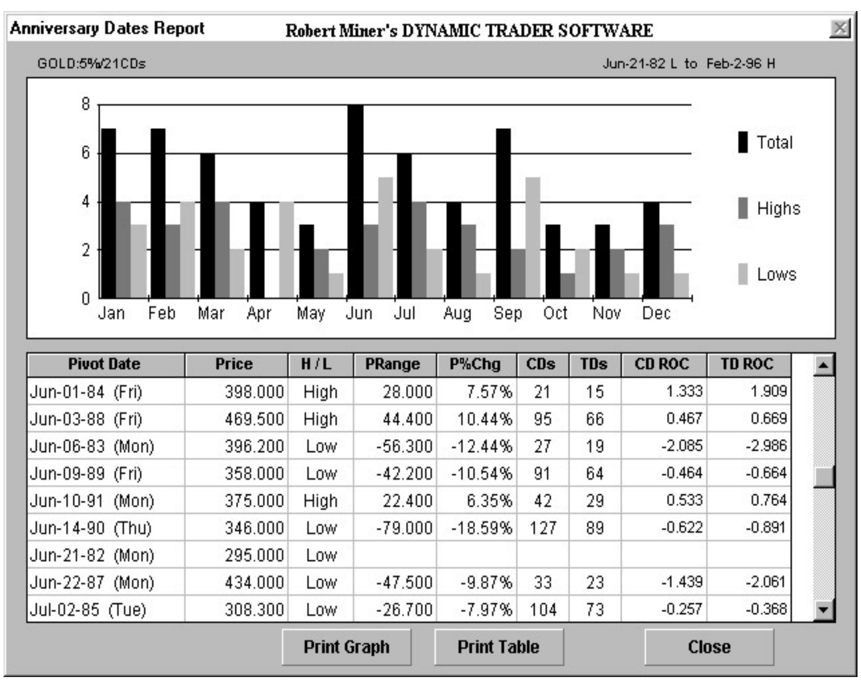
While no time projection methodology is 100% accurate, the combination of Dynamic Time Projections and Time Rhythms provide the targets for both the highest probability dates and time zone of trend reversal of a known degree as well as the extreme date the trend change should be made. Figure 1 shows the recent gold daily data and the Time Rhythm Zone and Dynamic Time Projection dates in the indicator windows below the chart.

What is the bottom line of the time projections for a low for gold and silver? The Time Rhythm Zone projection shows that the maximum date for a major low should be July 8. The ideal period for a low falls in the May 31-June 11 time zone. The Dynamic Time Projections (DTP) show two periods with the highest probability of making a low. The first, May 31-June 3, fell right within the Time Rhythm Zone. However, gold has already continued to decline to new lows beyond this period. The next DTP falls in the June 20-28 period which is still within the range of the anticipated extreme date for a final low of July 8.

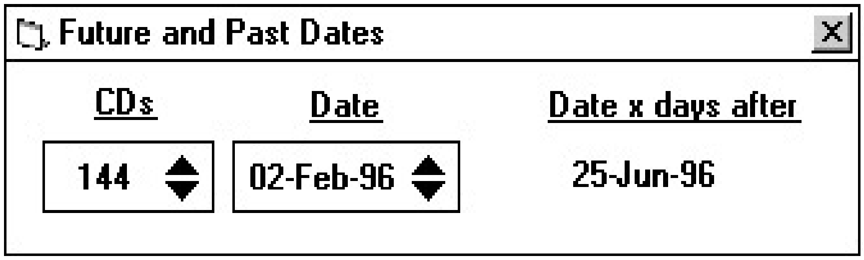
Dynamic Trader Time Count: Counts of 144 and other numbers in the Fibonacci series are often found in the gold and silver markets. 144 calendar days from the Feb. 2 high in gold falls on June 25. Examine past intermediate degree swings in gold and you will not find many that exceed 144 calendar days and several that complete on or very near this important count.

The timing conclusions for a major low in the gold market: The final low will probably be made by June 11, but no later than July 8. If gold continues to decline to a new low from the Feb. 2 high after June 11, the final low has the highest probability of being made in the June 20-28 period.

This time analysis does not consider the wide range of anniversary dates of gold in June.



Pivot Date	Price	H / L	PRange	P%Chg	CDs	TDs	CD ROC	TD ROC
Jun-01-84 (Fri)	398.000	High	28.000	7.57%	21	15	1.333	1.909
Jun-03-88 (Fri)	469.500	High	44.400	10.44%	95	66	0.467	0.669
Jun-06-83 (Mon)	396.200	Low	-56.300	-12.44%	27	19	-2.085	-2.986
Jun-09-89 (Fri)	358.000	Low	-42.200	-10.54%	91	64	-0.464	-0.664
Jun-10-91 (Mon)	375.000	High	22.400	6.35%	42	29	0.533	0.764
Jun-14-90 (Thu)	346.000	Low	-79.000	-18.59%	127	89	-0.622	-0.891
Jun-21-82 (Mon)	295.000	Low						
Jun-22-87 (Mon)	434.000	Low	-47.500	-9.87%	33	23	-1.439	-2.061
Jul-02-85 (Tue)	308.300	Low	-26.700	-7.97%	104	73	-0.257	-0.368



More intermediate degree trend changes have been made in June than in any other month in the gold market. The past anniversary dates in June and early July are shown in Figure 2. The timing analysis for silver also indicates the ideal period for a low is by June 11. However, the extreme period for a low in silver is slightly earlier than gold and falls on June 24.

Figure 2 (gold anniversary dates): Since the 1982 low, more intermediate degree trend reversals have been made in June than in any other month. The dates of prior reversals are shown above. Note that the majority of the reversal dates were made on a Friday or Monday and that lows outnumbered the highs.

Price: Both gold and silver are nearing price support levels that should not be exceeded if a major low is in the making. Let's shift our attention to the silver market for the price analysis. Just below the current market position (though June 11) are two support levels. The price analysis is based on daily closing prices of the nearest active futures continuous contract, often called spot futures data.

The first support level is 512-498. This price zone includes the prior two minor swing lows made June 30 and Dec. 12 plus the 61.8% retracement of the prior rally swing and a 100% alternate price projection (App). Due to the pattern position of silver, the 512-498 price zone should be the maximum zone reached if silver is to make a major low by June 24 (gold, July 8) followed by a rally up out of the trading range.

However, there is one price zone lower that is the final zone of support. This zone is 480-474 and includes the 78.6% retracement and 100% alternate price percentage projection. If silver closed below 474, we must then consider that the bear trend would continue to new lows. See figure 3 for the silver support levels.

Pattern: Both silver and gold suggest that the recent declines are corrective. Each of the intermediate term rallies was of an impulsive nature, usually a five wave advance, while each of the declines appear corrective. Corrective patterns are typically either an ABC or diagonal (overlapping) ABCDE. The most recent declines in both silver and gold appear to be completing ABCDE corrective patterns.

Whichever direction price breaks out of the prolonged trading ranges in both gold and silver, the breakout should be dramatic. Gold is experiencing the longest trading range period since the inception of gold futures trading. A prolonged trading range may be viewed as a period of indecision. Trader psychology should dramatically change once the breakout decision is made which is why trading and investment decisions should be made prior to the breakout when the risk and capital exposure is at a minimum.

Current Position: Gold and silver should make a major low no later than July 8 and ideally by June 28 that should be followed by a rally that exceeds the trading range highs of the past few years. New lows from the Feb. 2 high after July 8 invalidates the bull market outlook, at least for the time being. A close by gold below 380.5 (Sept. 5, 1995 low) and silver below 498.0 is the initial indication that this bull market outlook is not valid. However, it will take a gold close below 372.5 and a silver close below 474 to invalidate the bullish outlook.

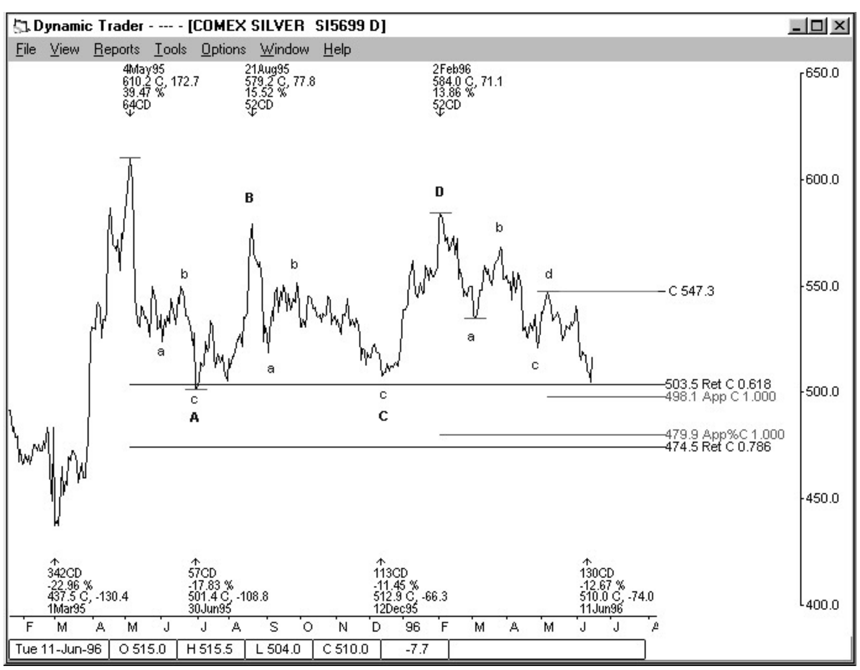
Figure 3 (daily silver, spot data): The two major support zones are 504-498 and 480-474. Typically, the E wave of an ABCDE correction would not exceed the first zone. Note the current decline appears be the e wave of a larger degree E wave. In other words, the pattern of the silver market implies the end of the larger degree correction should be near. A close below 474 signals the continuation of a bear trend to new lows. The 78.6% retracement zone is usually the last support projection for most markets.

Trading Strategies: Technical analysis is only useful if it provides the conditions for a trader or investor to take action. In the case of gold and silver, the time, price and pattern analysis described above provides for specific strategies and stop loss positions. As long as gold and silver have not traded lower beyond the extreme time period for a low of July 8 and have not closed below the price levels described above that invalidate the bullish outlook, traders and investors should use their short term timing techniques to enter long positions.

Or, the less risky strategy is to wait for gold and silver to exceed the most recent minor swing highs which would signal that a bull trend should be in the initial stages. In the case of gold, a close above 398.0 is the definitive signal to enter long. In the case of silver, it is a close above 547.3. Other low risk, entry strategies may be implemented such as the Gann Pullback which is described in another article by Jerry Pegden in this issue of Trader's World.

By taking a holistic approach to the analysis of the gold and silver markets, we have arrived at a firm conclusion of the position of these two markets. The analysis has also provided us with the conditions that invalidate our outlook, as well as the trading strategy approach that will take advantage of the current position and anticipated outlook. Traders and investors who take this approach and have the patience to wait for the highest probability conditions should find a significant improvement in their trading and investing results.

Robert Miner is the president of Dynamic Traders Group, Inc. Miner publishes the monthly Dynamic Traders Analysis Report and a weekly fax advisory service. He has also recently released the Dynamic Trader Software and Trading Course which was reviewed in the last issue of Trader's World. Robert Miner is also the first place winner in the 1993 Robbins World Cup Championship of Futures Trading, Professional Division.



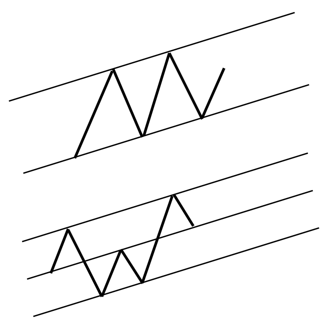
Intraday Trading

By Thomas Long

In recent months, more and more traders are turning to intraday trading for various reasons. Whether it is to avoid the risk of overnight positions, or to fine tune entry and exit points for longer term positions, this increased interest has prompted me to do a more in-depth study of intraday trading techniques and how they relate to the software that I use for my own trading. I am referring, of course, to Jeanne Long and Robert Krausz's combination program, the Fibonacci/Galactic Trader.

The combination of Robert Krausz's technical tools and Jeanne Long's planetary lines proves to be a simple and effective way to monitor not only the physical price movements, but also the natural rhythm of the markets. Planetary Lines give the natural support and resistance zones for any market.

For the sake of simplicity, I have contained my research in this article to three markets, and my studies on those three markets will show only simple combinations of planetary and technical tools that will enhance any trading system. I recommend that anyone interested in using



these programs for intraday trading conduct a thorough research of planetary and technical tools on all time frames to be used in your system. Then follow up with an intensive backtest of your system on historical data and a period of paper trading your system in a real-time situation. This thorough research and backtesting provides the mental reinforcement you will need to trade your system. I also recommend that you keep your system as simple as possible. The more complicated your system gets, the harder it will be to make trading decisions when the time arrives.

S&P 500 FUTURES

Charts 1-4 illustrate one simple combination of tools I recommend for the S&P 500 futures. Krausz's Dynamic Trio‘ and Long's Moon Line work in tandem to provide you with an excellent monitor for intraday trends in this market. You will note first that Krausz's Dynamic Trio‘ indicator is set to function on the Higher Time period of 5 minutes for the signals on the one minute bars. This use of multiple time frame analysis is a critical part of my trading philosophy. Jeanne Long's Moon Lines are set at 3 degree separations to provide the best possible monitor on the rhythm of this market in this time frame.

The Dynamic Trio‘ functions well as a trend indicator and a trailing stop. (Because it combines time, price, and momentum) When the steps are up, you are looking only to buy unless price comes below the step. The opposite is true for downward steps. Where planetary lines are concerned, it would be helpful to note here that price typically bounces from one line to another, for example:

Chart 1 illustrates the morning activity for April 25, 1996. Note that the first trade never reached a profit zone and was reversed via the Dynamic Trio‘ at approximately 10:25am. When price cleared the next Moon Line on the down side it was a clear signal that price would most likely travel lower to the next Moon Line. So, once price has fallen through one Moon Line, as it did at our 10:25 entry, you can now expect it to travel down to the next level. As you can see, the lower Moon Line provided an excellent profit point for this trade.

Chart 2 illustrates another entry for a long position occurring immediately after contact with this lower Moon Line. At approximately 12:15 we initiated the long position via the Dynamic Trio‘. Again, the Moon Line provided an excellent profit point. As a matter of your own personal preference, profit points can be either the termination of a trade, or simply the termination of a percentage of a position. In this case, either re-entry or continuation of the trade for the remaining contracts came at approximately 14:10 when price exceeded the level of the previous isolated high on the Moon Line. Again, profits were taken at the next Moon Line at 14:45. This close to the end of the trading day, I would maintain a flat position after the termination of this trade.

Chart 3 illustrates the first half of the following day’s trading. The first entry was a long position with the same termination/re-entry pattern as the trade illustrated in Chart 2. This time, the re-entry terminated at the Dynamic Trio‘ with a reversal at 12:25. This reversal, coinciding with the Moon Line, ends in another reversal at 13:30 (See Chart 4) where price once again tests the Moon Line above, and culminates in a reversal to the short side at 13:55. The Moon Line again provides our profit point at 14:20. Re-entry of this trade at 14:35 is not noted or recommended due to the late hour of the trading day.

As you can see, two days of trading in this market provided many profitable trades using these simple tools.

US BONDS

Charts 5 & 6 show a very similar system on the Bonds using the 16-minute bars, the 80-minute Dynamic Trio‘, and the Heliocentric Uranus Line set to one degree. This trading scenario assumes holding of overnight positions, but does not recommend holding of weekend positions. Also, profit points are labeled (1) & (2). I recommend taking profits on one-half or two-thirds of contracts at the first profit point, and the remaining contracts at the second profit point.

The first position in Chart 5 was a sell initiated via the Dynamic Trio in the closing hour of trading on April 24. Followed by a profit point at the Uranus Line in the early morning of 4/25. The closing bar of 4/25 gives us a buy signal (a daily close above the Dynamic Trio‘ is considered a buy). On Friday, 4/26, profit could be taken once an isolated high set up around noon within a few tics of the Uranus Line (An isolated high very near a Planetary Line is a clear indication of a weak market). This action leaves us flat for the weekend.

Monday’s opening (4/29) gave a sell immediately, via the Dynamic Trio‘ (remember, the isolated high near the Uranus Line on Friday indicated a weak market, so we are on our toes looking for this move). The first profit could be realized within the hour by the isolated low near the lower Uranus Line. No reversal is indicated, and the remaining contracts are taken off for a profit at the next lower Uranus Line on the opening bar of Wednesday, May 1.

Chart 6 illustrates a long position initiated on 5/1, terminating in a reversal on the opening bar of 5/2. (It can be noted here that a long position in such close proximity to the planetary line [i.e. the upper 40%] might not be taken at all. In other words, the market has no room to move. (This is a matter for further research, to determine a percentage of success case scenario.) The next signal is a strong sell, as it coincides perfectly with the Uranus Line. This short position achieves both profit points by the closing bar of Friday, May 3, and leaves us flat again for the weekend.

Around noon on May 8, as shown in Chart 7, a buy was taken on the Dynamic Trio‘, and achieved both profit points by the closing bar of Friday, May 10, completing an easy week of trading using another set of simple tools.

SOYBEANS

Charts 8 and 9 simply show an example of another combination of one of Robert Krausz's indicators with one of Jeanne Long's Planetary Lines. Here you can see the Krausz Ratio Bands‘ working together with the Earth Lines to pinpoint areas of increased Reversal Potential. Note that when price, the Earth Line, and the outer Ratio Band coincide, Reversals occur with regularity. This is just another tool that can be used with your trading system.

There are a multitude of avenues from which to approach trading, and I find this to be one of the most intriguing approaches. In this article, I have only scratched the surface of the many aspects of this program. There are many more indicators in the Fibonacci Trader‘ yet unmentioned, as well as an array of other Planetary tools on the Galactic Trader‘. It is indeed exciting to use the first Real Time Planetary program and to be one of the first to witness firsthand the influences of planetary motions on every nuance of market activity. I could easily fill volumes with the insight that is waiting therein. For those yet unfamiliar with Planetary phenomena in relation to the markets, I suggest starting with Jeanne Long's Universal Clock, it is an excellent overview of the many ways in which the planets influence the market. Also, with the combination program come two tutorials. One, by Robert Krausz will give you an excellent understanding of the workings of the indicators of his own design contained in his program. The other, by Jeanne Long, will give you a comprehensive overview of the many functions of her own program. Both are an excellent source of information.

Thomas Long is a professional trader and the Director of Technical Development for the Fibonacci Trader Corporation. P.O. Box 1684, Wimberley, TX 78676. (512) 842-1166, fax (512) 847-7329.

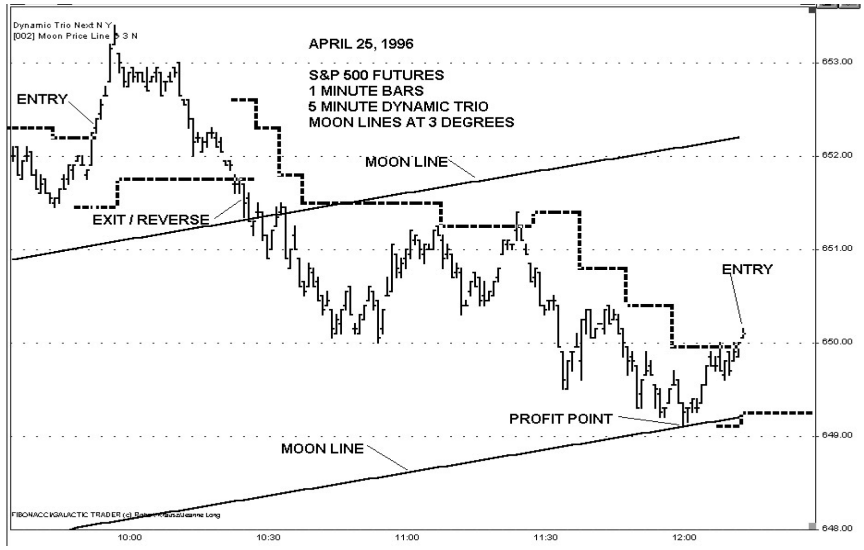


Chart 1

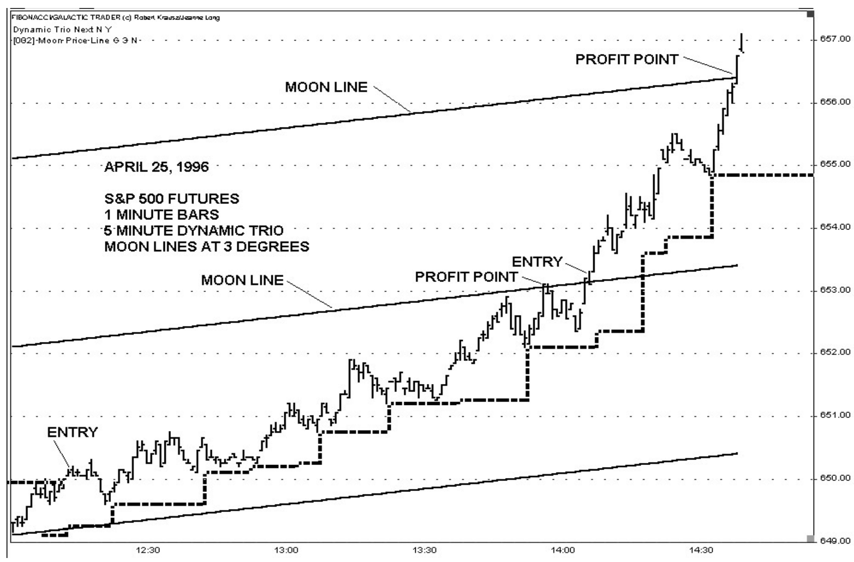


Chart 2

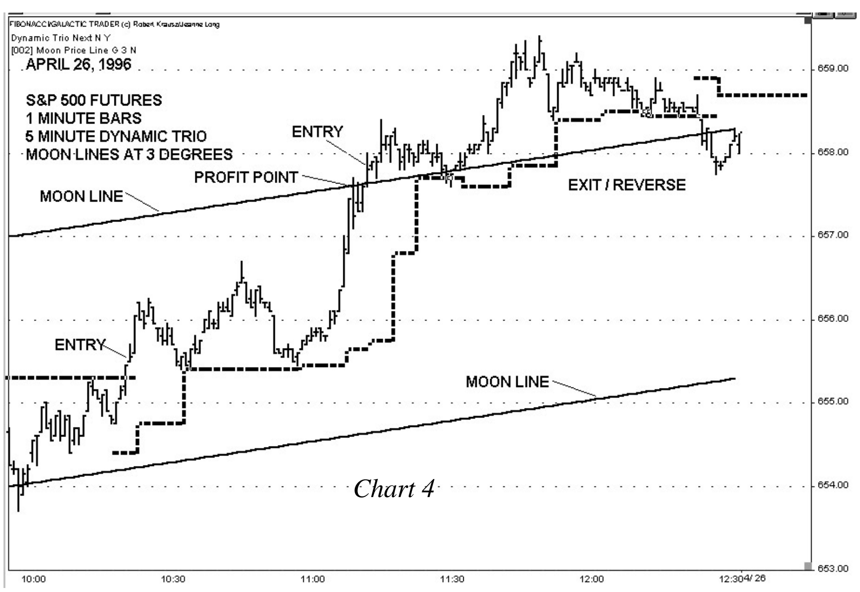


Chart 3

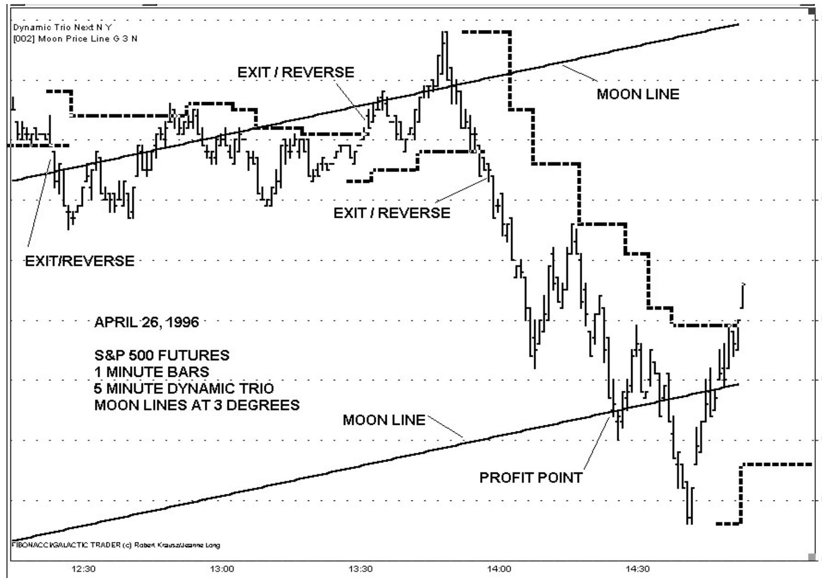


Chart 4

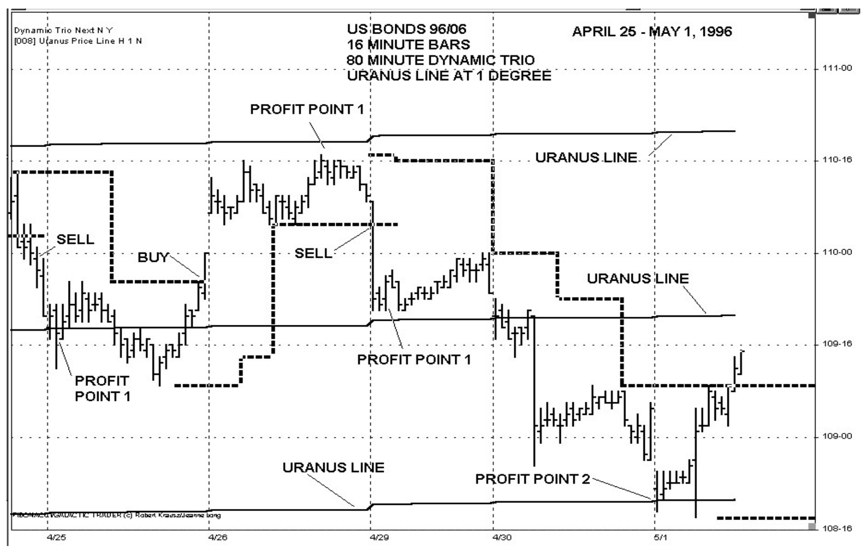


Chart 5

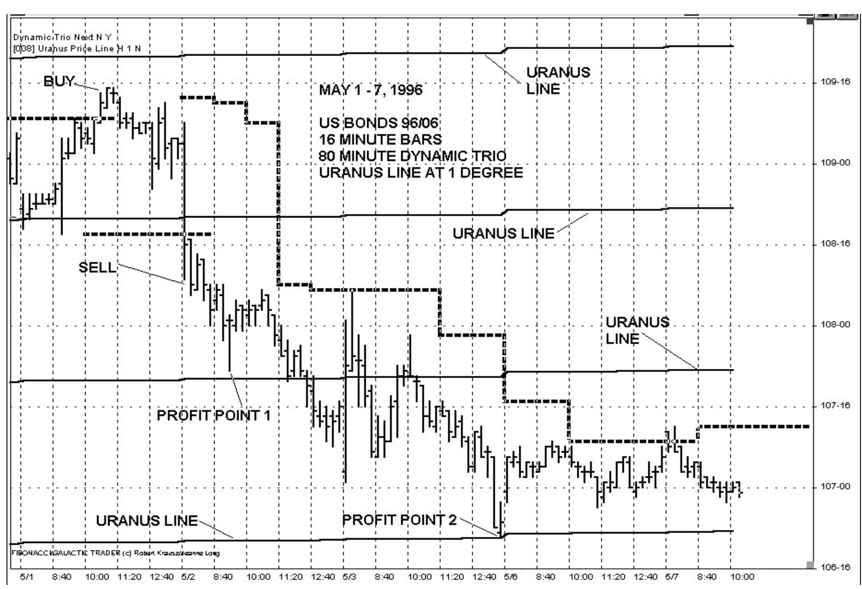


Chart 6

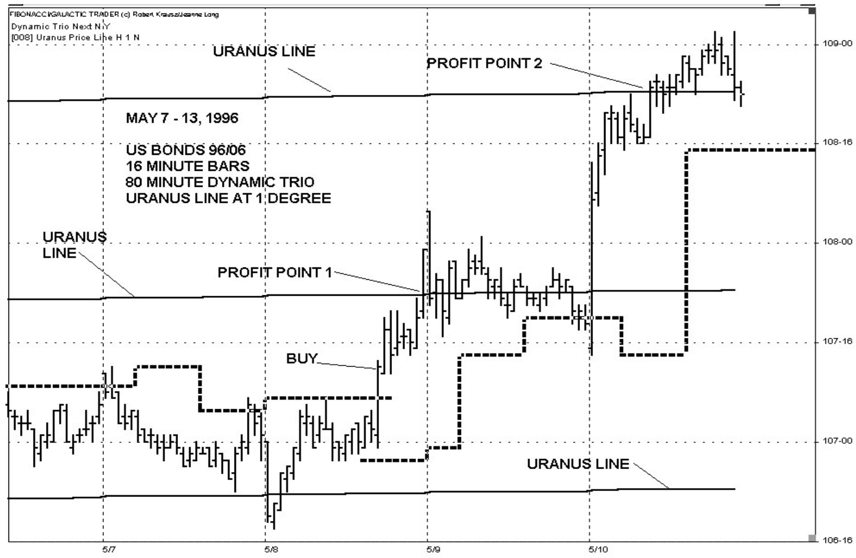


Chart 7

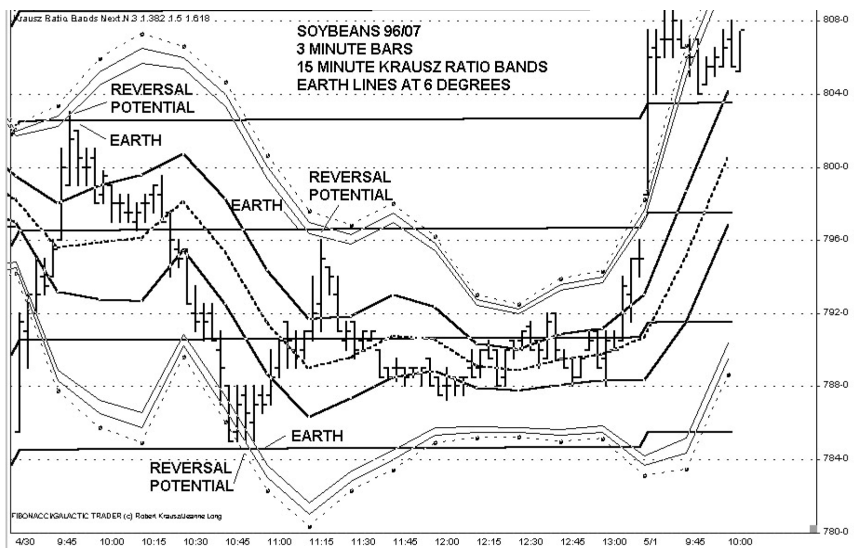


Chart 8

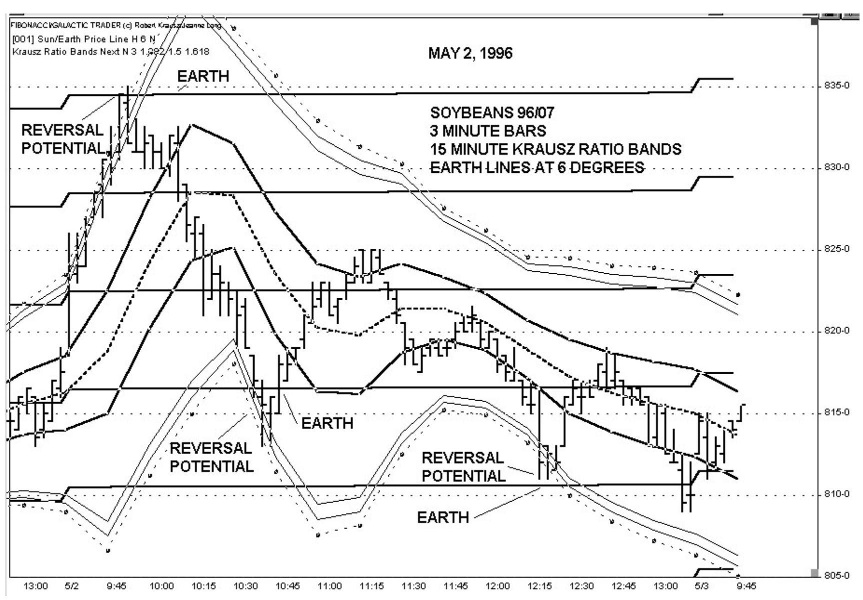


Chart 9

Jeanne Long's Galactic Trader

By Larry Jacobs

Galactic Trader 'P.A.S., Inc., 757 SE 17th Street, Suite 272, Ft. Lauderdale, Florida 33316
Phone orders: 512-443-5751
Fax for free brochure and orders: 512-443-7119 Program info. & technical assistance: 512-842-1166.

PRODUCT:
1. Real Time Planetary and Real Time Market charting program including 30 standard indicators.
2. End Of Day Planetary and Market charting program including 30 standard indicators.
Both programs operate in full Windows' environment (including Windows '95 and it is NT compatible).

EQUIPMENT REQUIREMENTS:
486 IBM-PC compatible with SVGA, 1024 x 786 resolution (Pentium recommended), 8 Mb ram or higher, Speed 33 MHz or higher. Hard drive 350 Mb is OK but higher recommended.
PRINTERS: Works with all Windows' compatible printers.

DATA FORMATS:
Real Time: Signal, Dow Jones Telerate, Reuters, S&P Comstock, and Knight Ridder. End of Day: CSI, Metastock, Pinnacle Data Corp., TC-2000, Stock Data, Signal.

PRICE:
Real Time $1818.00

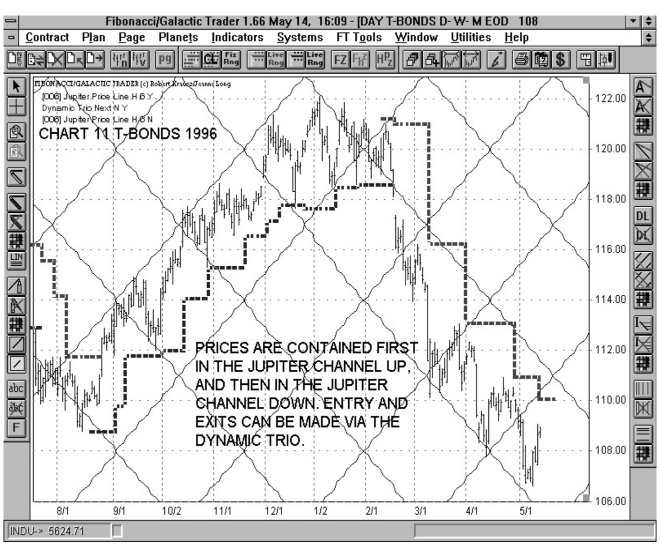


Chart 1

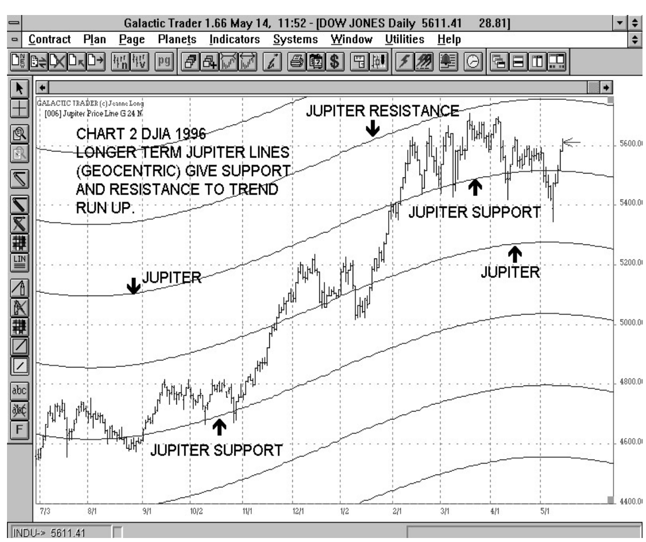


Chart 2

End Of Day $1200.00
S&H $50.00, Overseas S&H $100.00

ADD-ONS:
The Galactic Trader Software is available in combination with The Fibonacci Trader Software as one program.
Real Time $2582.00
End Of Day $2120.00
S&H $50.00, Overseas S&H $100.00

INSTALLATION:

A simple 8-diskette process in the usual Windows' set up. Technical help is available at the telephone number above.

REVIEW:

When Jeanne Long's book the "Universal Clock" sold worldwide, traders who profited from her concepts had only one major request: COMPUTERIZE. After checking the core trading ideas (that had to be hand calculated daily) the feedback from traders was such that computerization was inevitable. Research that took weeks now takes 15 minutes; trading parameters that took hours are now instantly available.

Typically, Jeanne Long was not satisfied to put out a "state of the art" Astro Trading and Research program. A mega leap was called for. The "Galactic Trader'" is the happy result. It <u>really</u> is the first program in the world that handles Real Time Markets (down to 1-minute bars) <u>AND</u> Real Time Planetary information and movements at the same time on one screen. There is also an End of Day version available.

Planetary cycles and trading tools can be used in a number of ways and many traders (whether they admit it or not) have been using astronomical information for years (including W.D. Gann). In this context it is the price that is the "variable" and the astronomical data is fixed at any point in time into the future. It is this fact that gave rise to one of Jeanne Long's revolutionary concepts of changing the Planetary position of the Universe into price lines on the screen after splitting it into units of 24.

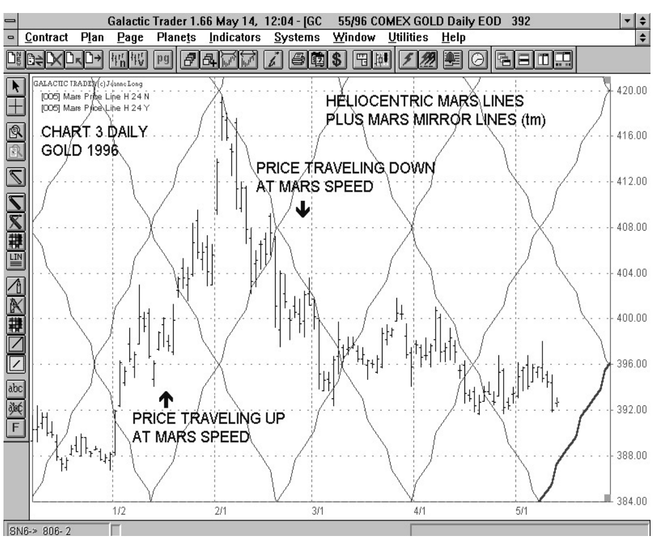


Chart 3

Chart 4

As these astronomical positions are all mathematical, their transpositions as prices onto the screen provide Support/Resistance/Speed Lines that can be measured and plotted into the future. Furthermore, as these Planetary Lines have had their mathematical points fixed for thousands of years, using them to backtest their validity of Support/Resistance for any specific market can be readily checked and used. Obviously one of the strengths of the program is the ability to backtest the validity of the appropriate Planetary Lines.

Unique to the Galactic Trader‘ is the ability to look at Geocentric or Heliocentric planetary tools individually or together at the same time on the same screen, unlocking the true nature of Universal cycles. THE FREE TUTORIAL IS INVALUABLE TO THE USER.

TECHNICALS

The 11 charts show only some of the capabilities of the "Galactic Trader‘". The research possibilities are amazing. But usefulness to traders without previous Astro "know-how" was obviously Jeanne Long's priority. Technically the program is state of the art in both versions: End of Day or Real Time.

There are 30+ standard technical tools and indicators included with the program. Ever popular tools i.e., Stochastics, RSI, MACD, Bollinger Bands, Parabolic, Kaufman's Adaptive MA, plus many others are all included.

The professional traders touch is visible in these interesting technical features:

1. All indicators can be changed to your selection. Not just colors etc., but the calculations can be fine-tuned.

2. When you open a new contract for any commodity and you state the Exchange it is traded on, you never have to open or redefine a new contract ever again. The program will do all that work as soon as a new contract comes on board.

3. Click on "SYSTEMS" and create permanently your own group of favorite technical tools. Give it a "NAME" and "voila". It is saved in memory and you can use it on any contract in the future with one click.

4. The EDIT bar function is easy to use and can be accessed directly on screen. If editing the 1-minute bar then even the daily will be corrected at the same time.

5. Data Importation runs smoothly in Metastock, ASCII, and Computrac formats.

MOST IMPORTANTLY THE GALACTIC TRADER‘ IS AVAILABLE AS A COMBINED PROGRAM WITH ROBERT KRAUSZ'S "FIBONACCI TRADER". (SEE OUR REVIEW IN

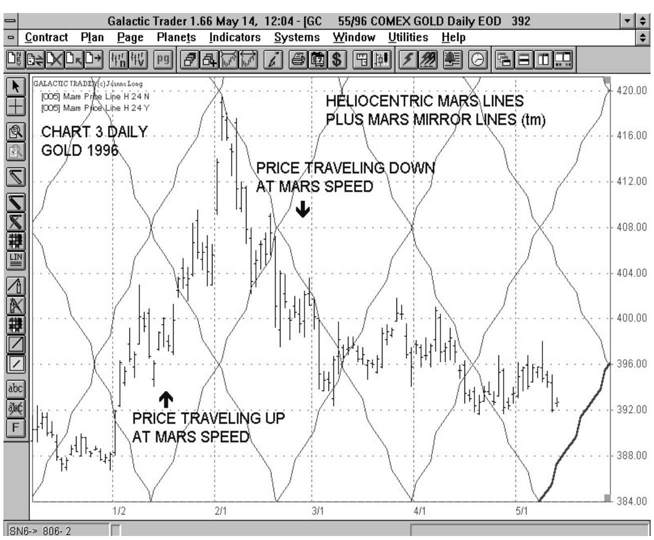


Chart 3

Chart 4

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6. All technical and Planetary tools are color coordinated and DSA is used (Direct Screen Access).

7. This adds an extra dimension as far as serious trading is concerned. Firstly, it makes available to Galactic Trader‘ users <u>all</u> of the unique technical tools of the Fibonacci Trader‘ such as Dynamic Trio", Krausz Ratio Bands, Fibonacci Ranger", Fibonacci Support/Resistance Zones, etc.

Secondly, it opens the world of Multiple Time Frames, a concept of technical analysis that could develop into the methodology of choice in the coming years.

PLANETARY FEATURES

CHART #1 - Planetary Lines

DJIA daily chart shows the movement of the planet Mars plotted into Price Lines. The power of Heliocentric Mars Lines is shown as they formed a channel that supported price for many months. (Nothing to do but stay long.) When price travels within a Mars channel, it is traveling at the speed of Mars. The concept of price traveling at the speed of Mars (or the speed of any other planet) is an important tool for monitoring the price in all markets. Sharp trend moves are created by the planet Mars. Longer term moves are held by lines created by Jupiter, Saturn, Uranus, Neptune and Pluto.

CHART #2 - Longer Term Planetary Lines

Gold daily with the longer term Jupiter lines illustrates how the prices climb and support from one Jupiter Line to the next. What carries price up from one Jupiter Line to the next? The answer is the Mars Line! The planetary lines work in tandem with each other, and can be combined with any valid technical tool for more informed trading.

CHART #3 - Mirror Lines‘

Gold Daily. If prices travels up with the Planetary Line (in this case Heliocentric Mars), then the question is, how do they go down? Look carefully at this chart. The Mirror image of the Mars channel has never been published before. Gold travels up the Mars Channel

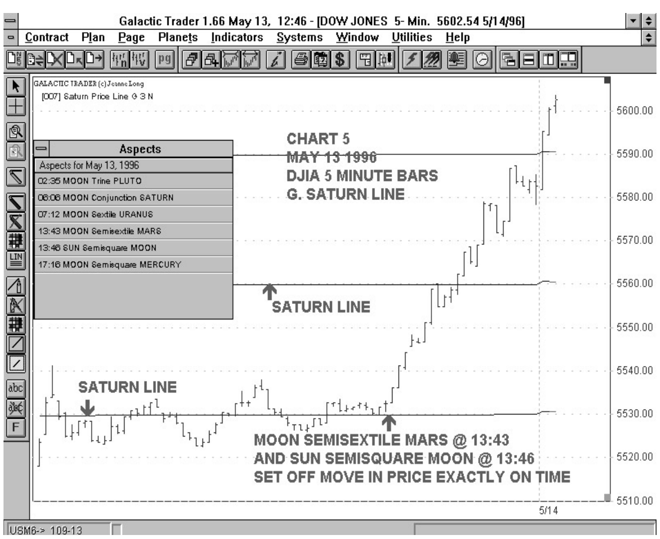


Chart 5

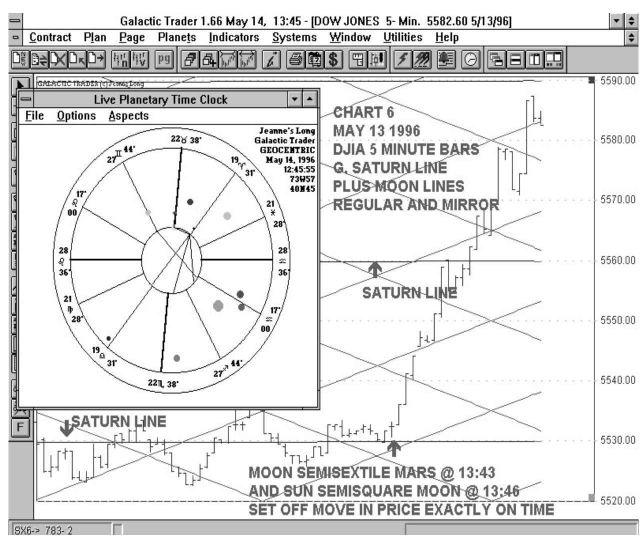


Chart 6

from January onwards. When price peaked in the 420 area in early February and then retreated, it was the Mirror image downsloping lines of Mars that contained the price. The first close above the downsloping Mars Line was the potential warning that the trend run down could be over.

CHART #4 - Intra-Day Trading

Having Real Time data with Real Time Planetary information is a dream that has become reality, if you turn your microscope onto the 5-minute bars and combine them with Moon Lines. Just as the major Planetary Lines affect the daily and weekly moves, the fast moving Moon sets up intraday Support and Resistance lines; one can go down to even 1-minute bars. The DJIA, Chart 4, shows the 5-minute bars bouncing up and down between two Moon Lines and steadily proceeding up. For much more information on this, combined with technical tools, see Thomas Long's article in this issue.

CHART #5 - Intraday Dow Jones 5 Minute Bars

The longer term Saturn Line acts as a magnet to the 5-minute bars. They dance and spiral just above and just below during most of the trading day, until 13:45 when the market took off like a rocket. Any reasonable technical tool with a valid trailing stop could have kept you in the move. What caused this?

Every day a small box can pop up in the upper left corner. This will show the precise time of all the planetary angles that occur that day (in this case, May 13, 1996). These angles, known as aspects, can be combined with the Planetary Lines (as shown) to provide a potential timing tool not previously available to intraday traders, or better entry points to longer term traders. Now add a valid technical tool to keep you in the trend, and exciting possibilities open up.

Of course not all aspects occur during the trading hours, for intra day traders these can be ignored. But the timing of the two aspects that occurred on this day (5/13/96) were: A. Moon 30^{o} of Mars (Semisextile) @ 13:43 and B. Sun 45^{o} of Moon (Semisquare) @ 13:46. These two aspects indicated strong potential energy entering the market. At exactly 13:45, the Saturn Line held the low of the 5-minute bar and prices exploded upwards, the DJIA closed some 64 points up.

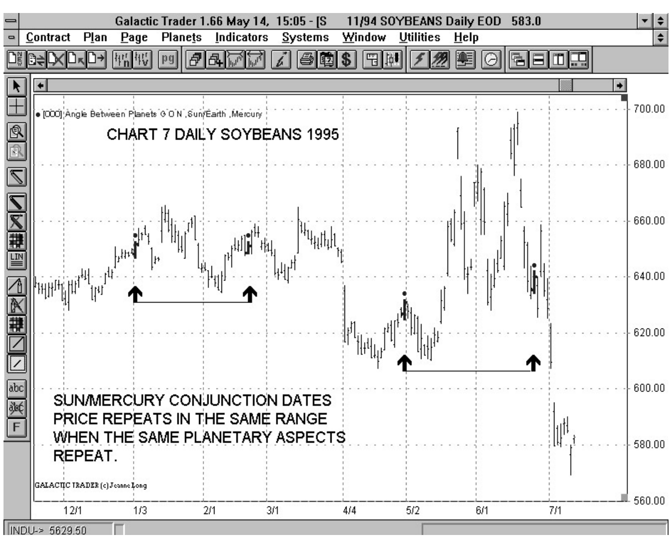


Chart 7

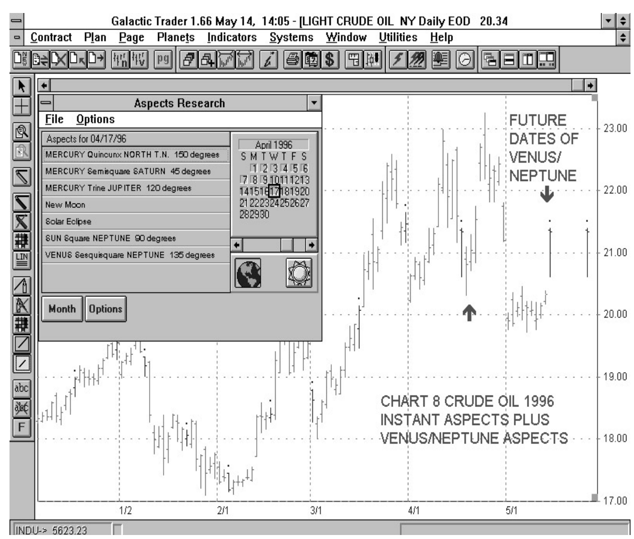


Chart 8

CHART #6 - DJIA 5-Minute Bars. Saturn Lines With Lunar Mirror Image

If you are a professional trader, or just a beginner, then this chart should make you sit up. It shows how the previous 3 tools can be combined into one chart enabling you to take action at the most opportune moment. These were 1. Saturn Lines, 2. Moon Lines, 3. Planetary Aspects (Angles).

As illustrated in Chart 5, the prices dance around the Saturn Line, but now if you plot the Moon Lines and the Mirror Image Lines, you can see that the spiraling is not random. It is contained by the Moon Lines, above and below the horizontal Saturn Line. These provide support and resistance.

At 13:45 the 2 aspects mentioned in Chart 5 triggered the upward thrust. When this kind of momentum enters the market, prices just smash through the Lunar Mirror lines and strive to reach the next Saturn Line at 5560, where the paused briefly, then proceeded trying to reach 5590, being the next higher Saturn Line. Checking the Moon Lines carefully will show how they acted as temporary support and resistance during this power move up. Confirm with a technical tool and you are in business.

Chart 6 also illustrates the Intraday Live Planetary Clock which updates the planetary positions every 30 seconds. The clock can be set for any trading

Chart 9

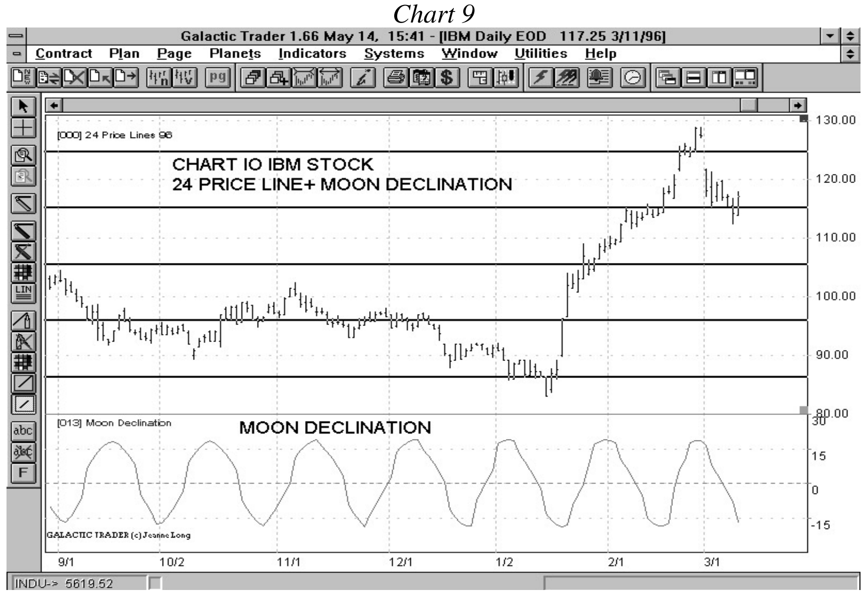


Chart 10

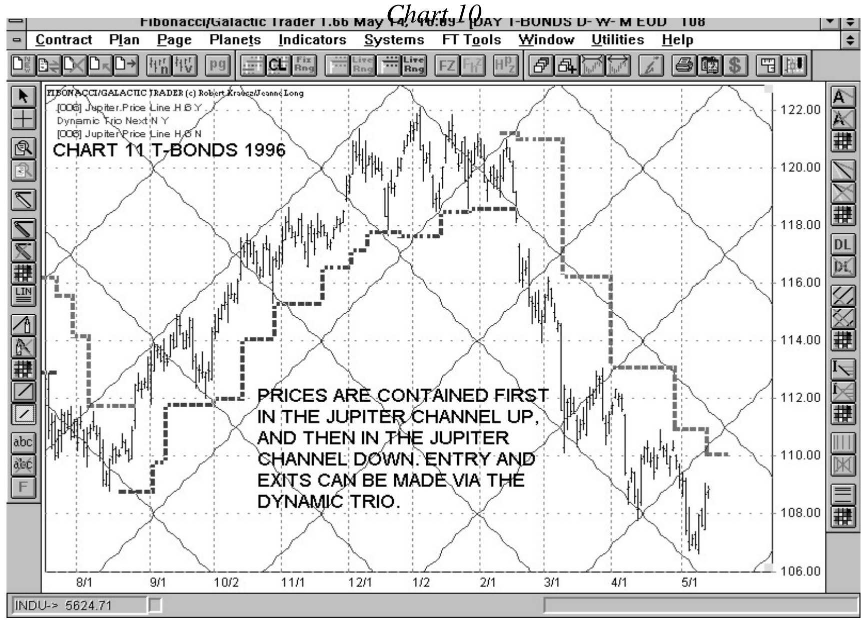


Chart 11

location in the world, such as New York, London, Tokyo, etc. The clock displays the actual planets' movement during each day with a choice of Heliocentric or Geocentric positions. It is a visual representation of the Planetary Aspect Window shown on Chart 5.

CHART #7 - Price Repetition

This is one of Jeanne's private tools which she revealed in her book the Universal Clock. It is now computerized, making it easy to use for traders without astronomical knowledge.

As this chart shows, price ranges tend to repeat on dates of specific aspects. This chart shows the Sun/Mercury conjunction and when this aspect occurs again, then prices will be in the same range as they were the previous time this aspect happened. This repetition occurs some 70% of the time. The tutorial that comes with the program shows many "aspect combinations" that affect different commodities and stocks. When the "price range" does not repeat, it is still in a predictable, mathematically correct proportion as per the "Universal Clock'" book (W.D. Gann's wheel of 24).

The program allows the user to pick any planetary pairs, therefore research is fast and easily checkable. The concept of price repetition at mathematical intervals clearly reveal the geometric structure of the markets.

CHART #8 - Instant Aspect and Planetary Aspects Crude Oil - Daily Chart

To check what Planetary energies are in effect on a given day, click on the selected price bar and the "Instant Aspect" window pops up. Not only does this tell the aspects for that specific day, but also gives a choice of Geocentric or Heliocentric aspects. The Instant Aspects window makes short work out of research to determine the prominent planetary aspects at major highs or lows.

The day highlighted in Chart 8 is 4/17/96 (see arrow). The last aspect of the day was Venus/Neptune which often creates C.I.T. in Crude Oil; one day either side of the aspect date should be allowed.

Once a particular planetary pair has appeared several times in the Instant Aspect window at major Highs and Lows it is then advisable to go into the Planetary Aspects Section and ask for all dates of this particular planetary pair to be displayed on the chart. The dates will be displayed as highlighted bars into the past as well as into the future. Of course, by highlighting the bars this makes backtest visually easy. With just a click aspects are changed from Geocentric to Heliocentric for further easy research.

Through the Planetary Aspects Section other phenomena such as Eclipses, New and Full Moons or any combination of planetary aspects your heart desires can be displayed as highlighted bars on a chart. Dates of future aspects can be printed out up to the year 2050.

CHART #9 - 24 Price Lines

The mathematical proportions of the market are clearly displayed by the 24 Price Lines. These lines were discovered by Danton S. Long, who authorized it's use for the Galactic Trader'. 24 Price Lines combine well with other technical tools. This IBM chart shows how they can define support and resistance areas.

CHART #10 - Lunar Declinations

The Lunar Declinations show an up/down cycle that is often followed by the price itself. Note the peaks and valleys of the Declination line coinciding with the highs and lows of IBM Daily chart. The extremes or pivot points of price are easily checkable. This declination actually represents the Lunar cycle. Also, markets often reverse as the Declination line crosses the horizontal “0” Line. With a little research the Declination Cycle of the various planets can be a useful addition.

CHART #11 - Galactic Trader With Fibonacci Trader‘ Technical Tools

This up to date T-Bond chart (Daily) shows what can happen when Planetary information is coordinated with valid technical tools. Nearly 10 months of market movement is contained within the Jupiter channel in the up move and the down trend.

The Weekly Dynamic Trio” from the Fibonacci Trader‘ program is a technical tool that functions in Multiple Time Frames. Placing this onto the Daily bars provides entry and reversal points as well as a trailing stop. Not only are the Daily bars contained in the Jupiter channel, but prices are moving at Jupiter speed.

SUMMARY

The Galactic Trader‘ was created by a professional trader of great experience with Planetary and Astronomical information. If correctly used it puts within the trader’s grasp for the first time a user friendly Real Time Astro program. The tutorial that accompanies the program is informative and well produced. The technical manual is comprehensive and clearly explains the features. The Galactic Trader‘ stands head and shoulders above any other Astronomical program. Not just because it is the first and only Real Time Astro program for the markets but because with some practice and study it can become a real trading tool using powerful concepts not previously available to the trading public. Recommended without reservation.

Investing with the Horoscope of First Trade of 1996

By Bill Meridian

The First Trade Chart: Introduction

These horoscopes are erected for the date that an issue began trading on a given exchange. The time is that of the opening of trading for the exchange. The New York Stock Exchange (NYSE) and the smaller markets began trading at 10 am until September 30,1985. Beginning on that date, trading started at 9:30 am. The center of activity is Wall Street, so all charts are set for New York City.

Some history about the development of a company and its shares will be helpful in understanding this concept. A business opens its doors. Then it may incorporate. If shares are sold to the public, the sale takes place through an underwriter. The underwriter lines up buyers and then sells stock on the initial public offering (IPO) date to put a supply of stock in public and institutional hands. About 5 business days later, the stock opens trading. Sometimes, a major new issue of a leading company may be listed directly on the NYSE, as Readers Digest was on February 15,1990. The IPO and first listing dates occur close together. The first trade date is the more important of the two. Usually, the chairman or president of the company will go to the exchange and make a token, personal purchase of 100 or 1,000 shares to begin the trading. In the words of the NYSE, trading begins "almost immediately." The selection of the 9:30 or 10:00 am time for the charts is supported by fact.

The Difference Between First Trade Charts and Incorporation

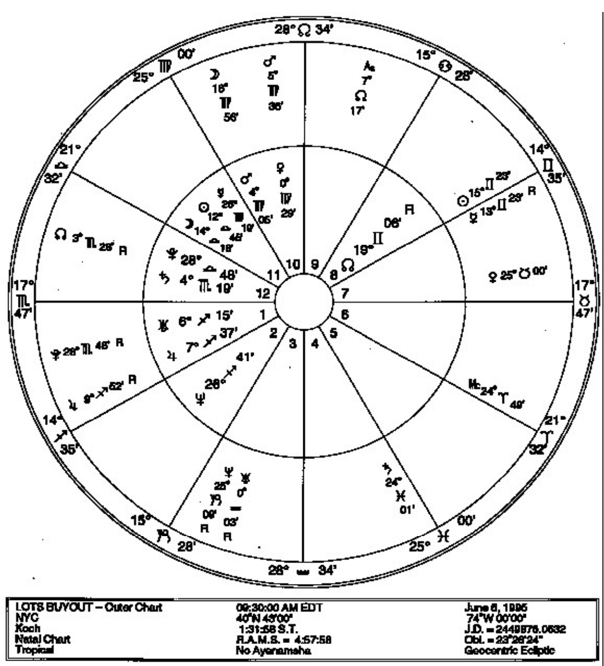
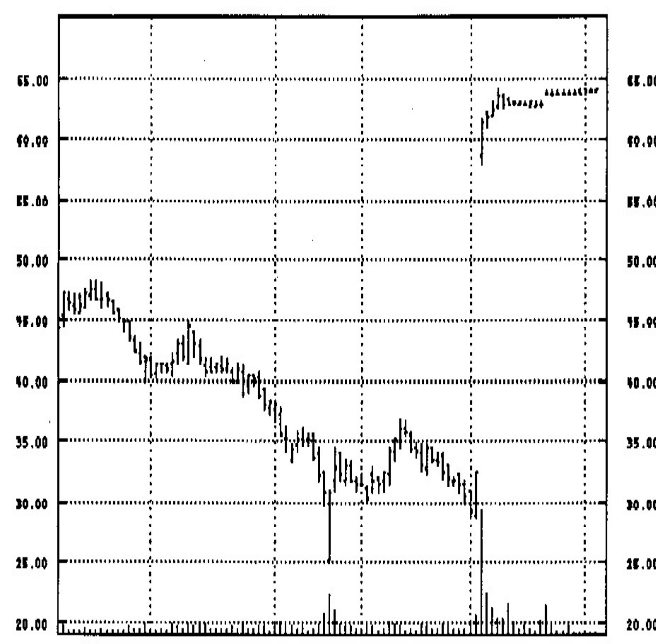


Chart 1



Graph 1

Charts

Incorporation horoscopes tell us about the ongoing operations of the company. If the chart is afflicted, the company faces a host of difficulties. Takeovers, strikes, changes in management, the success of new product releases, etc. are all tied to this chart.

Even the physical appearance of the company can be determined. Timed incorporation charts of both Warner Communications and Paine Webber show Venus on the ascendant. Both have large art collections. Paine Webber's display is in the ground floor atrium on New York City's 6th Avenue at 51st street.

The incorporation chart is a mundane chart. In such a chart, the public is symbolized by the Moon, and the public image is represented by the midheaven. Work by Charles Jayne demonstrated that energization of these areas in the incorporation chart did effect share price. But the rest of the chart did not. For example, when I was at Paine Webber, Pluto moved back and forth over the Sun. The company replaced its president. He announced a reorganization. The company's leading broker was busted for laundering money. Then the new president was fired and a new one was hired. He announced a new reorganization. None of these events affected the share price because these are not the types of matters that hurt earnings and, therefore, not the things that investors will focus upon when making buy-and-sell decisions.

In contrast, the entire first trade chart reflects investor interest and concerns. The parts of the horoscope that are currently being energized by transits, eclipses, etc. reflect the focus of Wall Street at that time. The planets represent those aspects of the company and its stock that investors are basing their decisions upon.

The Lotus Takeover

Chart 1 is the first trade horoscope of Lotus (LOTS) with the transits for June 5. IBM offered

JUPITER IN CAPRICORN NASDAQ PORTFOLIO FOR THE REMAINDER OF 1996

STOCK	SYMBOL	INDUSTRY	1ST TRADE DATE
Continental Waste	CONT	Waste Removal	1/14/94
Nextel	CALL	Telecom	1/28/92
Lasermaster Tech.	LMTS	Laser printers	

PORTFOLIO	Buy Date	Sell Date	% Change Portfolio	% Change NASDAQ
Cancer 3	7/28/89	8/17/90	-4.42	-.36
Leo 3	8/17/90	9/12/91	+59.78	+39.08
Virgo 4	9/12/91	10/9/92	+3.53	+30.85

Health Management	HMSY	Health Care	2/6/96

$60 per share on that day (see graph 1), double the market value of LOTS on the day before. Note that Jupiter had passed over the natal Jupiter-Uranus conjunction and was about to retrograde back over it. Also, the LOTS Neptune is in late Sagittarius while there are three planets in Virgo and the Node in Gemini, all in fourth harmonic aspect from transiting Jupiter. This was a solid indication of the price rise.

Planetary Portfolios

Observation shows that Jupiter, Uranus, and eclipse contacts to these charts usually move the prices of the stocks up. One method that I have successfully utilized involves Jupiter. This planet is traditionally associated with expansion and optimism. Its passage over natal planets in the first trade chart usually lifts the price of the stock. Jupiter transits through one sign of the zodiac in about one year.

The Financial Trader program is set to find all the horoscopes that have 4 or more points in a given sign. This means that the chart had to have a total of 4 or more of the following in Scorpio: planets, angles (the midheaven and ascendant), plus the Moon's Node. For example, a scan of the 600 NASDAQ horoscopes in the database yielded 29 stocks that began trading with 4 or more points in Scorpio.

Once this list is generated, it is fed into a portfolio reporting system. The performance of the Scorpio group is measured from the day that transiting Jupiter enters Scorpio on November 10,1993 until the day that it leaves on December 9,1994. The equally-weighted NASDAQ portfolio appreciated by 12.63% versus the NASDAQ OTC Industrials drop of 10.59%. The top performer was 3 Com (COMS) with a 148.3% gain. The Jupiter dragnet also scooped up Gartner Group (GART) with a 132.3% rise. Twenty of the twenty-nine issues outperformed. Jupiter passing over the Scorpio points in the first-trade charts did the job.

This test was repeated for Jupiter's passage through different signs with the following results. In the Cancer and Leo tests, the requirement for inclusion on the list was lowered to 3, rather than 4, points. This was done because the 4-point screen generated too few stocks. Apparently, few stocks began trading when many planets were in these signs. The test assumes that one puts an equal amount of funds in each stock, buying on the day of Jupiter's entry into the new sign and selling on the day of the planet's passage into the next sign.

In each case, the Jupiter portfolios exceeded the benchmark.

In analyzing the results, one must realize that the effect of the planets are not mutually exclusive. That is, simply because Jupiter is beneficially contacting the planets in a given chart, this does not immunize the rest of the chart from negative influences from bearish planets. And, the charts may receive other bullish effects from planets besides Jupiter. In the first case the Jupiter effect is mitigated or negated due to the bearish influences. In the second case, the bullish influence is magnified. The Scorpio and Sagittarius portfolios are good examples. The above-average results from the Scorpio group were partly attributable to the favorable aspects from Uranus and Neptune in Capricorn, 60 degrees away. In the Sag stocks, Saturn in Pisces squared planets in Sagittarius, offsetting the positive effects of Jupiter and pushing the portfolio's performance closer to the benchmark. In the latter case, it requires a bit of fancier footwork and stock-switching to avoid the Saturn square.

At the time of this writing (July,1995), the Sagittarius portfolio is up 24.29% from its buy date of December 9,1994 versus a 27.65% rise in the NASDAQ.

A 1996 Portfolio

Jupiter sails into Capricorn on January 3,1996. Many stocks began trading when planets were in Capricorn, so the 4-point scan of the database yielded 52 stocks. Thus far in 1996, this group has outperformed both the Dow and the S&P, but lagged the NASDAQ. From that list, I have selected some of the better 1st trade charts and the better longer-term technical graphs. (If you would like to have the entire list, drop me a line.)

Avoid those charts that make difficult aspects to your own. Experience has proven that one will have a difficult time with such stocks. The technical indicators give one an idea of where the stock is in its cycle. It is similar to the practice of the astrologer taking a life history from a client.

Disclaimer: The data in this article is provided for the research and use of the reader. This does not constitute a recommendation to buy or sell any stocks. No liability is assumed for actions taken using this data.

Bill Meridian obtained his MBA in 1972 and began to study astrology in the same year. A 9-year psychotherapeutic training apprenticeship followed. Since the 70's, he has been on Wall Street. Bill first began applying computers to financial astrology in 1983, and eventually designed the AstroAnalyst and Financial Trader programs, the first financial astrology software programs. He currently is a fund manager in the Middle East. His fund has outperformed the averages in 4 of the last 5 years. He can be contacted at Box 43910, Abu Dhabi, United Arab Emirates. He recently completed a book, Planetary Stock Trading, explaining the use of the horoscope of the first trade, complete with 1,000 charts of US stocks. It can be ordered from Trader's World. #8050 Price $45.00

How to Choose Stocks that will Outperform the Market

By Grace K. Morris, M.A.

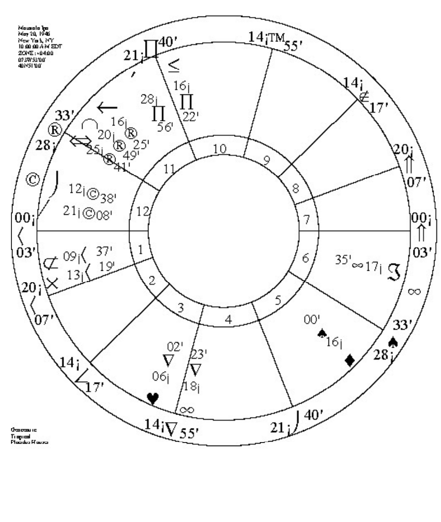
Today there are many techniques of market trading and investing. One technique that is gaining greater acceptance and respect is the use of planetary cycles in combination with more traditional methods such as technical and fundamental analysis. Known as the Astro Economics® system, this method is used by many leaders in the field of financial astrology. Examples: Bill Meridian's new book, Planetary Stock Trading, contains the IPO dates for hundreds of companies listed on the exchanges. Bill is a successful fund manager. Carol Mull's books, Standard & Poors' 500, and 750 Over the Counter Stocks, contain incorporation dates that she uses in her newsletter, The Astro Investor. Arch Crawford's stockmarket newsletter, Crawford's Perspectives, has been the number-one-rated market timer for five years. He combines the use of planetary cycles with technical analysis. Jeanne Long's Traders Almanac and her software program, the Galactic Trader, uses planetary cycles to time entry and exit points.For those interested in investing in individual stocks, the Astro Economics® method helps forecast the future trends of a company's business cycles and a potential increase in its stock price through the use of the incorporation date and the date of the company's Initial Public Offering.

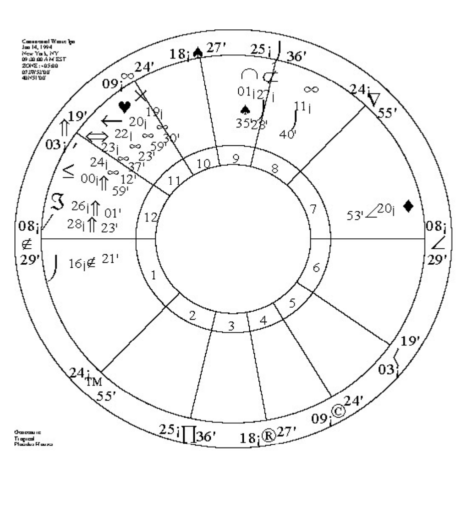
In this article, we will look at two theories that can be used to select stocks that will do better than other stocks in a given period of time.

Theory I: an eclipse to Jupiter in the stock company's incorporation chart or its Initial Public Offering (IPO) chart will indicate a rise in the stock price.

Theory II: transiting Jupiter moving across multiple placements of planets in the same sign as Jupiter is in presently will indicate a raise in the stock's price.

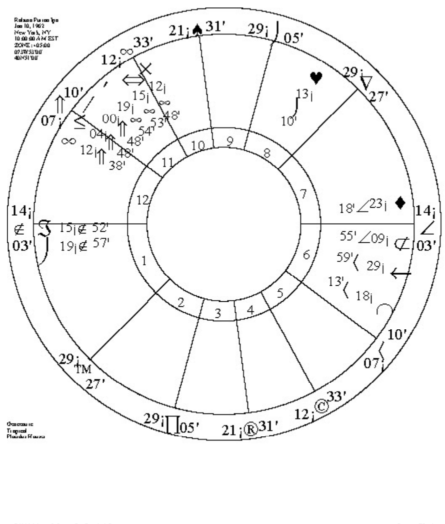
The following companies are examples of stocks that should do well in 1996 using these two theories: Theory I, Merck, Motorola and Barnes and Noble, each will receive the Oct. 12, 1996 solar eclipse on the Jupiter placement in their IPO charts. Theory II, Continental Waste,

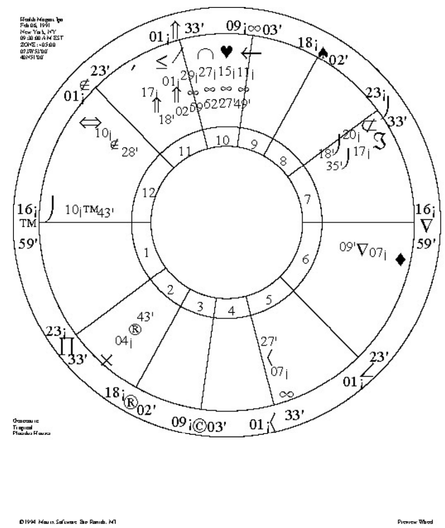




Ralston Purina, Cisco Systems and Health Management Services, Inc. each have a grouping of planets in Capricorn, the sign of Jupiter's present transit.

Grace K. Morris, M.A., author of the book, How to Choose Stocks That Will Outperform the Market For 1996 & 1997 and president of Astro Economics, Inc. publishes the Astro Economics Stock Market Newsletter and sponsors the World Conference of Astro Economics, the 9th





Smar Money

By Alan Friedman

We've all heard the expression "smart money" which represents investors or traders that have advance knowledge of market movements or news that will move a stock But does this "smart money" really exist? And if the answer to this question is "yes", is it possible to track these investors so that we can follow them into the same stocks? The answer to both questions is a resounding YES! There are investors and traders who do use advanced knowledge of an impending event to make money trading stocks And yes, we can use certain technical trading methods to piggyback on these investments made by "smart money"

How can we determine that "smart money" exsists? For proof of this we have to look at some recent stock market history Remember the insider trading scandels of the mid 1980's? Dennis Levine, Ivan Boesky, and others were using non-public information to reap huge profits In their cases, secret information about takeovers were used to score outrageous gains This type of "smart money" trading is still around today Remember the heavy call option buying in LOTUS & LORAL before both were bought out? But this type of inside activity is obvious There is another type of "smart money" activity that borders on the gray area of legality

Suppose, for one reason or another, someone knew that a fund or brokerage firm was planning to purchase a certain stock in large quantity over the next few days Wouldn't it make sense for this person to buy this particular stock BEFORE the fund or brokerage firm makes its' buy?

How can we track what the "smart money" is doing? One of the best clues is volume When a stock trades 100,000 shares a day and all of a sudden volume soars to 300,000-600,000 shares, you have to ask yourself what is going on-who is doing the buying Here's an important point; in many cases the stock barely budges despite the increased trading activity "Smart money" likes to be subtle and therefore the net change of the price of the stock might be very small or even unchanged

I have developed a technical tool that uses price & volume to track this "smart money" For example, on 3/13 I recommended buying IBM (IBM) at 116 1/8 Our rules call for us to exit our positions on the close of the fourth trading day from the time we entered the position On 3/18 we sold IBM at 124 112 for a 14 4% profit using margin Because we held the trade only 4 days, our annualized profit was 866% The very next day, IBM plunged 3 points and within days the stock had dropped back to 114 114 What had happened here? In my opinion, "smart money" had purchased IBM at the 114-116 level in anticipation of heavy buying by others. We picked up on this development and were able to tag along for the ride as we bought IBM at 116 1/8 On the fourth trading day, we sold along with "smart money" and in the days that followed, IBM plunged as those that had pushed up the stock had already exited with nice profits leaving the public holding the bag!

Alan Friedman is editor of the Seven Percent Solution which uses his Smart Money Index to

Talent and Potential in Gann's Birth Chart

By Andria M. Lennon - D.F. Astrol.S

What makes one person a good trader? Or good at a certain business?, an accurate analyst or forecaster? Where are the areas in which it is easier for us to earn money or be creative or successful?

W.D. Gann, surely the most famous and successful individual trader of this century, used astrology to define both the trend of a commodity or stocks as well as the trend in an individuals life. It clearly would be beneficial to use astrology to see what it says about W. D. Gann himself, to gain further insight into his character.

Astrology in its appraisal of the moment of birth, gives us a snapshot in symbols of the vibrational pattern initiated at birth, direction in life. The birth chart gives us the knowledge of ourselves, our talents, weaknesses and the areas of life where we can fulfil ourselves. Self knowledge enables us to flow with the current and the forces of the Universe rather than struggle against them.

To make assessments about the future, astrologers use both progressions denoting the unfoldment of the birth chart, the inner self as time passes, and this is linked to the year for a day of the bible and as Gann s use in his time/price analysis, and the word transits denotes the actual movement of planets in the heaven at a certain time which affect the original positions in the birth chart. These are often experienced by us as outer events, or something that impinges on us.

According to Nicky Jones of Lambert Gann Publishing he noted his time of birth as 10 am. This gives us a Leo ascendant and Taurus midheaven. The Moon and Uranus rise in conjunction in Leo. This is a positive , outgoing ascendant, and his conservative side, puritanical lifestyle and appearance is better described by Virgo . However we shall work with this and note how the lunar aspects bring an ability for self-promotion, fascination for the future, attunement to cosmic/astrological forces (Uranus rules astrology) and emotional detachment.

The Gemini Sun is very much the versatile trader, writer, information gatherer, the broker, the link maker, doing more than one thing at the same time. Also it signifies mathematical and geometric ability . The ruler of the Sun sign is Mercury and so is extremely important in Ganns chart by progression to denote significant periods in his life. Mercury is the planet that describes perfectly the trader, and commerce. Gann's natal Mercury is in Taurus in conjunction with Pluto. This is a very powerful aspect, showing a deep thinker with an eye for the material gains and a desire for power and wealth and knowledge. Taurus is the sign and house of money, land, farms, earth and it has tremendous staying power, though being slow to start.

The Pluto link and the Moon Uranus square shows the early disruption or lack of schooling and feeling of lack in this area which compelled Gann to study hard and intensely. Intense effort is very Plutonian. The squares in the fixed signs also I believe gave him an affinity or understanding of the market triggers, particularly squaring of prices using astrological squares.

Venus, a very important planet in terms of wealth and money making ability is very strong in her own sign of Taurus in Ganns chart as well as being in conjunction with Neptune, giving a flair to the imagination and the ability to create a legend shrouded in the mystery of Neptune, no-one seems to have cracked all his method completely to date.

Gann has the ability to draw a veil over many things and keep them hidden (i.e. his secret knowledge and methods) This aspect is also on a higher vibration deeply spiritual, giving psychic abilities. No doubt Gann combined mathematical, astrological and even intuitive psychic abilities to make his forecasts.

Venus is squared by Jupiter, traditionally the planet of expansion and good fortune, which is in its detriment in Aquarius. This reflects how Gann overcame probably initial loss or extravagance and errors of judgement and was able to transmute this aspect into the better circumstances promised by Venus and Jupiter, both considered beneficial planets.

Saturn, planet of lessons, business, hardship, is in detriment in Aries in the 8th House but close to the ninth cusp. This denotes strong mental discipline and the grounding of ideas, as well as Saturn being in a beneficial sextile aspect to Jupiter, denoting common sense and some good business sense. The religious faith here shows as a paternalistic authoritative image with rules and tough measures. Gann constant study of the bible fits well with these aspects. The relationships with Gann's father was probably unsatisfactory or experienced as a loss as some level.

Mars, the planet of drive, timing , action is in Cancer in the 12th house and is also in detriment, but is acquisitive, secretive, tenacious. This gives the ability to apply and stick to what he wants, to survive and protect himself and his family. Having Mars in the sign of the Moon gives a certain amount of fluidity to the drive and a sensitivity to the Lunar influences which Gann investigated within astrology. Sensitivity to market timing, as the

Moon rules the masses. Sometimes this can give a moody disposition and an undue sensitivity to criticism. There is an eye for money making opportunities and the 12th house showing the drive to study esoteric principles and a desire to spiritualise ones actions at some deeper level.

Also Mars in Cancer denotes an affinity or link to the past. (Cancer deals with memories and the past) This is apparent in Ganns s research into past cycles and prices.

If this chart is correct the ruler of the 4th cusp Scorpio (early environment, the home) is Mars (as well as Pluto) and shows the early deprivation and fear (Cancer) of being in need or lacking food and essentials. The Moon square show the unusual domestic circumstances and early impressions affecting him deeply in the way he shaped his future.

Incidentally people with Cancer /Gemini combinations often have exceptional memories, even photographic ones.

Interestingly the character Robert Gordon in A Tunnel Thru the Air , has Aquarius on the ascendant, the opposite of Gann and the Moon in the same place. Gann obviously designed this specifically as well as selecting a birthdate for Gordon of a very powerful and fortuitous stellium in Gemini in the lucky speculative 5th house area of the chart to live out the hidden hero of Ganns more cautious Mars in Cancer. Gordon seems to be a sub-personality of Ganns as well as a symbol of achievement. Both share the same nodal position. The nodes can denote the life path.

Saturns position shows an old knowledge of prophecy. The futuristic and advanced ideas he offers are to do with the Uranus influence, the Jupiter in Aquarius (co-ruled by Uranus) and the Gemini Air signifies ideas and connections.

The remarkable concentration of energy in Taurus, sign of land, stock markets, the forces of nature, give a determination and perseverance to Gann with the added benefit of a flexible and quick opportunist Gemini Sun. There is the need to let off steam in this chart and I expect he did this in his private life.

The location of residence is all important in the chart, some places are better to live or work than others. In Ganns case his move to New York at the age of 25 is shown by a transit and progression in his chart. The Ascendant of his chart moves to Virgo, which seems to me to fit his methodical and conservative approach, and the Midheaven, very significant in terms of vocation and career, moves into Gemini, the sign of his Sun, thereby enhancing it and also making a Trine(beneficial) aspect to Jupiter. The solar return chart for that year (New York) shows very intense Pluto on the Midheaven with the Sun and Mercury, denoting success in career and powerful influences. Interestingly the progressed

Ascendant has moved to within one degree of the relocated ascendant, as if to say, this is the time to move. It looks as if Gann was using astrological knowledge to enhance his career. Jupiter in this chart falls in its own sign of Pisces on the 7th, denoting expansion in his relationships on all levels. The transits of the planets that year are very powerful,

Uranus trines his natal Moon Uranus and Jupiter squares his Sun stimulating the desire to move. Pluto had been conjunct his Sun in the previous year and shows that he must have experienced the urge to remould himself and leave the past behind. This is underlined by the fact that Venus the ruler of his Career, had also changed signs by progression in the last year and made him restless.

The other important date in terms of his destiny and reputation is at the age of 41, when he quits his job and goes it alone. 42 is often a time of power, especially in psychic work, 6 cycles of 7. Progressed Mars applies to the Ascendant degree(1) giving him courage and confidence. The Progressed Ascendant trines Mercury, his Solar ruler covers new ventures, the progressed Sun sextile the Mercury /Pluto midpoint, triggering his destiny ,

Transiting Saturn squares his Mercury (separation, cutting links) Also around this time the progressed Midheaven and the Progressed Venus are moving closer together for some years and this denotes success in career/business.

Age 45 His first book, Truth of the Stock Tape is published. This is denoted in his chart by a creative venture and expression. Jupiter transits the 5th house, lucky, and progressed

Mercury which rules writing sextiles the Sun, his life expression, in Gemini which of course is ruled by Mercury. His progressed Ascendant is trine Pluto denoting the knowledge and in depth research he is revealing to the outside world (the Ascendant denotes our interface with the world.)

Age 49 Tunnel Thru the Air, is published, a more esoteric and mysterious book, his chart shows he is coming into a new outlook and change in himself. Progressed Venus is about to leave Gemini and the asc/mc angles are about to change signs, so important shifts in consciousness and approach to life take place. Progressed Mercury squares natal Mercury and I feel this signifies the emergence of knowledge from or about the past that drew him to forecast the future.

Age 51 Predicts Wall Street crash- and has success, progressed Mercury conjunct the Moon Uranus, an important psychic time and again using some knowledge of the repetition of the past Progressed Mercury square Pluto.The high point of his life. The

Venus/Midheaven aspect is still operative in a new sign, Cancer, and the hence the following year may have been problematic in terms of relationships.

Going onto his illness and death at age 77, the main transit are heavy Pluto, over his Moon (health) and a Square by Saturn, the sign Leo in which his Moon is rules the heart, and he had a heart attack, followed by stomach cancer. At the time of his death his progressed Sun was very aptly in the last degree of Leo and transiting Jupiter, ruler of his 8th house of death entering Leo in the 12th and making a square to Venus, denoting joyful release from the earthly body.

To this day his name lives on and the enduring nature of his knowledge can be seen by the fixed Taurean power of the Mercury Pluto mystery of knowledge, as well as the aura of mystique of the Venus Neptune conjunction.

It appears apparent that Gann not only used astrological timing for trading the market but used astrology to best effect in his own life, to progress his career. This suggests that every trader should not only be aware of the market cycles, but also aware of his own cycles in order to ensure success and trade a market that is attuned to his own astrological cycles.

I am grateful for the background information on the timing of his life (bio) in John L Gann, Jnr.s article, issue 20 traders World.

Biography- Andria Lennon was a commodity broker with Commercial Metals (London) for several years, and has recently been studying the works of W.D.Gann.

Having achieved one of the highest qualifications in astrology (Diploma of the Faculty of Astrological Studies, U.K.) she now uses personal astrology to advise traders and clients from her base in London.

Andria can be contacted at: E Mail: AML @ Camco.Demon. Co. UK. Fax 44 171 831 6622.

Cashing in on Natural Energy

By Dr. Hans Hannula, PhD, RSA, CTA

In my work on market behavior, I have developed the theory that market prices over time represent the present state of an energy field. Recent work has resulted in the ability to compute a measure of the energy coming into a market. This computation is based only on knowledge of the market's first trade date, and time.

If this sounds a bit like financial astrology, it isn't. It goes far beyond. My work has recognized that the centuries old observations of astrologers represent a body of folklore which must have a scientific basis. As a scientist and systems engineer, I have spent the better part of the past 25 years making observations of markets, developing theories about what physical processes are operating to move price, creating mathematical models based on those theories, and writing computer programs to simulate markets. In a nutshell, I try to scientifically discover what lies beneath the folklore of financial astrology.

It's like chicken soup. Mothers for centuries have known that when a child had a cold, it was helpful to feed them chicken soup. Finally, a PhD student, probably desperate for a thesis topic, studied the vapors given off by the chicken soup. He found that they contain chemicals very similar to the ones in the nasal decongestants sold by drug companies. Seems mother was right. She just didn't know why.

Folklore is the raw material of science. Natural energy drives markets. It does have a scientific basis.

Why do markets do what they do, then? Basically, they respond to energy from the universe according to how they were built. It turns out that the information about how a market is built is contained in the date of first trade, but not in the way understood by astrologers. We have been able to extract the underlying scientific principles, model them, and produce a program that computes an XGO function. The name XGO implies that market X will GO in the direction of the function. XGO is a measure of the natural energy coming into a market.

Netscape.XGO

So how well does XGO work? Look at Figure 1. It shows Netscape stock and Netscape.XGO. Notice two things in particular. First, the detail of XGO matches the detail of price movement. There are as many small swings in price as there are in XGO.

Second, notice the correctness of the direction. When XGO goes up, the price tend to go up. When it goes down, the price tends to go down.

There are times when XGO will make a low, and prices will make a low then, but a lower low on the next XGO low, which is higher. Conversely for highs.

This happens because XGO is the energy coming into that market, which also has its internal momentum. It may take more energy to turn the market. We have found the Hannula Market Fractal pattern taught in the Cash In On Chaoscourse effective in identifying which XGO turn will be strong enough to turn the market.

So while XGO is not a perfect forecast for markets, it is a very good tool, especially for timing. It surpasses anything I have seen or done to date, including some very good neural networks.

Now look at Figure 2. This shows the Swiss Franc and its XGO. Notice first that the prices follow XGO very closely much of the time. Notice then that at other times, prices fall or rise sharply in a chaotic move. However, after this chaotic move, prices again follow XGO. What has happened here is that the market has made an internal "chaotic state transition", a quantum leap if you will.

This chart shows the true chaotic nature of markets. They spend much of their time smoothly responding to the XGO energy inputs. During those periods, the correlation coefficient, a measure of fit, can exceed .9 (1.0 is perfect). Then at key times, these inputs trigger a chaotic state transition. We have made significant progress on identifying the points in time when these events can occur. That is also taught in our Cash In On Chaos course.

People and Energy

If markets have XGO functions, what about people? Astrology says they should. Indeed, they do. In fact, one of the things that led to the discovery of XGO was noting the changes in my own energy level over time.

Everyone knows, "Some days are diamonds, some days are coal," to quote singer John Denver. Indeed the XGO function for a person gives a quick view of a personality. Figure 3 shows A, who is a steady, stable doctor, and B, who is an up and down, excitable broker (B's function is plotted 40 points low for clarity). Notice that B has much larger energy swings than A.

We think of these "mood swings" as emotional and internal. XGO shows that they are more accurately our response to the changing energy fields of the universe. Those emotions we feel are largely electrical currents from our environment. We really respond according to how we were built. Experience has shown that XGO does a pretty good job of forecasting one's joy/gloom curve. Because of that it has many uses, from picking good dates for important events, to trading.

Mutual Attraction

Folklore also says, "Birds of a feather flock together." I have often noticed that traders of the same personality tended to trade the same thing, especially pit traders. S&P traders are very different from bond traders, currency traders, etc. So when I got a call from an S&P daytrader telling me trading was exhausting him, I decided to compare his XGO with that of the S&P. Figure 4 shows the two. Notice how very similar they are! It is obvious that this trader was attracted to the S&P because it "felt" just like himself. His natural cycles tuned into the S&P's energy. In system theory, this is called "cycle entrainment". The two energy systems fall into lock step, and exchange a great deal of energy. For a trader, this can lead to entrapment.

We have observed three consequences of this sort of "mutual coupling." First, the attraction takes on the nature of a passionate love affair. Second, a trader coupled like this tends to see tops easier than bottoms. That's because when that market is bottoming, the trader is emotionally down. Third, such a trader runs a high risk of becoming "over-coupled" to the market. As they trade, they share the energy swings with that market. Doing so can cause extreme exhaustion, poor judgment, and just bad trading. So the magnetic attraction can become a fatal attraction. A trader will start trading badly, know it, but not be able to stop themselves. It is no wonder markets like the S&P chew traders up!

XGO then serves as a tool not only for forecasting market turns, but for monitoring a trader as well. On personal down days, the trader should not trade. If a trader becomes over-coupled, a vacation or a change in trading plan is needed.

One approach we have found successful is to use a One-A-Day approach to trading. The trader takes a signal during a small time window, makes the trade, and is done for the day. This “sampled data” approach creates “loose coupling” between the trader and the market. Figure 5 shows the result of using this approach in the S&P.

Another approach is to have the “tuned in” trader design the trading system to be used, and to delegate the execution of the trade to someone who is not “tightly coupled” to that market.

XGO Functions to Go

XGO functions for stocks, IBM, gold, Tbonds, wheat, Swiss Franc, and the Nikkei are carried monthly in the Cash In On Chaos Newsletter. Individual S&P 500 stock and other futures market XGO functions can be ordered for $36 per year. Other stocks can be done if you provide the date of first trade or date of incorporation.

XGO is one component in a growing set of market tools under development at MicroMedia. One can learn more by contacting the author or checking out his WEB site at http://www.cashinonchaos.com/hans. For your own XGO chart for one year, send $36 and your date of birth to MicroMedia, Box 33071, Northglenn CO 80241, or fax to 303 457 9871.

James S. Moore
DGM Investments Inc

Mr. James S. Moore, 52, is the founder, President and sole shareholder of D.G.M. Investments since it's inception in April 1979. He devotes all of his efforts toward DGM's activities. He also supervises a successful private $90 million offshore "Multi-Manager" hedge fund model account for a foreign estate. He has been in the investment industry since January 1968, holding positions as broker, branch manager, senior officer in charge of trading, sales, marketing and director of investment policy at various brokerage firms. After six years as a leading producer for such firms as E.F. Hutton & Co., Conti Commodities and Dean Witter & Co. he was hired by Shearson in 1974 as Senior Vice President, Director of Sales and Marketing, and Manager of Proprietary Trading. By 1976 Shearson's futures and options sales grew from $6 million to $64 million and by 1978 the firm had become one of the largest futures brokers in the United States.

Mr. Moore established DGM Investments Inc. in 1979. The firm manages several private investment pools and joint ventures most of which rank among the better performing domestic and offshore funds as reported in The Barlcay Institutional Report. The company is a flexible, computer oriented operation whose objective is to achieve outstanding performance by efficient use of capital and by utilizing the services of expert traders - most of whom operate directly from the exchange floors. As the cost of technology necessary to operate efficiently has fallen dramatically over the last few years, DGM has expanded using advanced asset management technologies. The analytical systems place particular emphasis on supervising the risks inherent in trading leveraged positions in various market sectors. DGM utilizes both qualitative and quantitative analysis of traders, strategies and capital allocation.

The firm carries joint ventures with experienced traders who have honed their trading skills on the exchange floors. The firm focuses especially on those traders who operate in the intermediate or longer term time frame. Each segment of the funds' portfolios are tailored around the specific trading strategy and expertise of a particular trader. DGM supervises the transition from "proprietary trader" to "asset manager" by initially investing its own capital in joint ventures with each trader. After successful completion of the "experimental" period, capital is allocated from one of DGM's funds. Each trader must also invest his own capital in the portfolio segment which he manages and is generally prohibited from trading for any other accounts, even his own proprietary account. Trader's who are exchange members are eventually required to contribute the use of their memberships to the benefit of the account which they manage. Thus, each trader's entire effort is focused solely on the profitability of one account in which the trader, DGM and the fund's investors own a financial interest.

Mr. Moore originally started the fund because it became clear to him that the brokerage industry was not utilizing the best aspects of his commodity fund designs but rather using it as a vehicle for commissions rather than to make profits. He believed the incentive of income should be the motivating force for trading.

DMG uses trading advisors who are responsible for all trading with oversight by James Moore. The trading advisor utilizes the information he gathers from operating from the floor of the exchange and combines it with his proprietary computerized technical trading system to effect the trades for the fund. Trades are made with consideration to "maturity" of the move and direction.

THE BARCLAY INSTITUTIONAL REPORT TOP 30 CTAs 1st Quarter 1996

Trading Advisor	1st Quarter Return
1. DGM Commodity Investments Inc.	21.66%
2. Niederhoffer Investments	19.66%
3. Staines Currenty Investments	15.47%
4. Red Oak Commodity Advisors	15.04%
5. Marathon Capital Growth	14.67%
6. Di Tomasso Group, Ltd.	13.57%
7. Orion Futures	13.46%
8. AIS Futures Management	12.11%
9. Bonanza Capital Management	10.97%
10.Advanced Trading Strategies	9.92%
11.Dunn Capital Mgmt.	8.84%
12.Hill Financial Group	8.53%
13.Chescor, Ltd (High Beta)	8.43%
14.NCL Investments Limited	8.20%
15.John W. Henry & Co.(World F)	7.58%
16.Dunn Capital Mangement	7.33%
17.AIS Futures Management	7.28%
18.Northfield Trding, L.P.	7.00%
19.Coast Asset Management	6.96%
20.Robert P. Rotella	6.94%
21.Light Blue Trading(Bahamas)	6.90%
22.Frieberg Comm. Mgmt.	6.35%
23.MicroQuant Capital Mgmt.	6.01%
24.Kottke Grain Managers	5.85%
25.Campbell & Co. (F.M.E. Sm)	5.73%
26.Eckhardt Trading Company	5.62%
27.Eclipse Capital Mgmt. (M)	5.20%
28.MLM Gestion	5.13%
29.Chancellor Trust (QLS)	5.12%
30.Quantitive Finan. Strategies	4.87%

CTAs Managing Less Than $10 Million as of 3/31/96

1. Visoneering R.& D. (V-SP500+)	105.52%
2. Timothy Hayes CTA	62.34%
3. Hanseatic Corp. (S&P 500)	50.22%
4. Bower Trading Inc.	49.67%
5. Villano Capital Mgmt, Inc.	38.92%
6. Visioneering R. & D. Co. (V-150)	34.40%
7. Tucker Mgmt Group	34.37%
8. G. Alex Sinclair	31.19%
9. Preview Funds, Inc.	28.32%
10.Worthington Corp.	27.13%
11.Kelly Capital Mgmt, Ltd.	25.74%
12.Cale Futures, Inc (Fund-Tec)	23.30%
13.CPT Capital Mgmt, L.L.C.	21.69%
14.Suter Financial Group, Inc.	19.53%
15.Finagra Management Inc.	18.11%
16.CR Capital Mgmt.	17.81%
17.Apostle Capital Mgmt.	17.26%
18.Dennis Trading Group.	16.83%
19.Witter & Lester (Stock Index Fut)	16.03%
20.SDK Investments, Inc.	15.64%
21.Hanseatic Corp (U.S. T-Bond)	15.43%
22.Loran Futures (Mode #2)	15.06%
23.K.D. Angle & Co.	14.87%
24.Marathon Capital Growth (Fin)	14.64%
25.Eiger Futures Mgmt. (Tortola)	12.46%
26.Visioneering R. & D. Co. (V-100)	12.29%
27.Brad Royer, CTA	12.24%
28.Tucson Asset Mgmt. (DL)	11.75%
29.Capital Futures Mgmt. S.A.	11.61%
30. Partin Company	11.60%

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Can You Trade It? That is the Question

By T.H. Murrey

The “technical world” of Gann Traders is replete with unique “trading systems” engendered from the minds of some very smart “traders,” who claim to have discovered the “true secret,” that was never really revealed (in its simplest terms) by W.D. Gann.

In the last issue of this trading magazine (Winter 1996 issue No. 21) I purported to have also discovered Gann’s Secret. (Trading set to Music).

I even told you on which page (# 71.) that I saw what he was doing (using pre-set lines 1/8ths in an Octave).

The book I read 50 times was How to Make Profits Trading in Commodities, by W. D. Gann, 1942.

I’m not allowed the space (at this time) to reiterate what I purported to be the “gospel” according to T. Henning Murrey, so one would might call Larry Jacobs at Trader’s World and order the last issue (or you might want to read my article on the Internet web site address http://www.tradersworld.com if you want more back ground on what I said as to why I think that much of what Gann said was a facade to “enshroud the simple truth” in a complex set of mathematical formulas to protect his “trading edge” (against his fellow traders in the “pits”).

Any normal, rational, individual of no more than average intelligence, is capable of devising any simple “trading system” that is better than “buy and hold.”

Every year the “technical trading world” finds another astute Gann trader, who proclaims that they have found the “Holy Grail” from Gann’s writings.

What I am here to say and prove is that W.D. Gann was whistling the same “tune” that

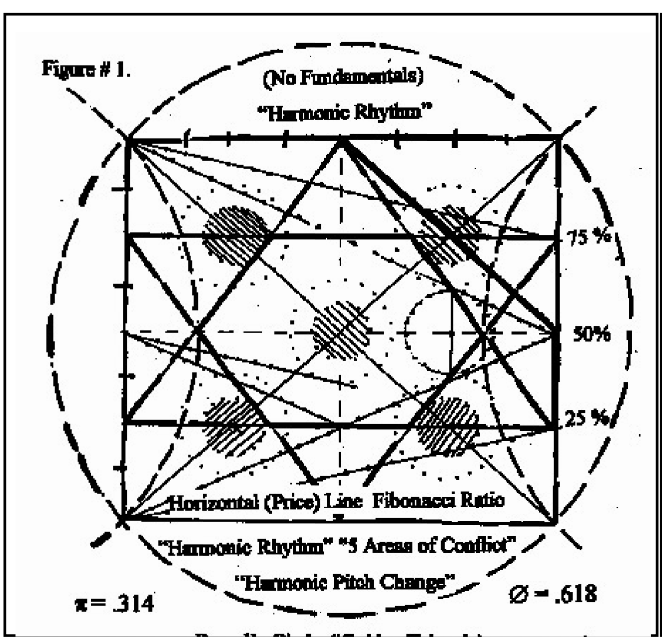


Figure 1

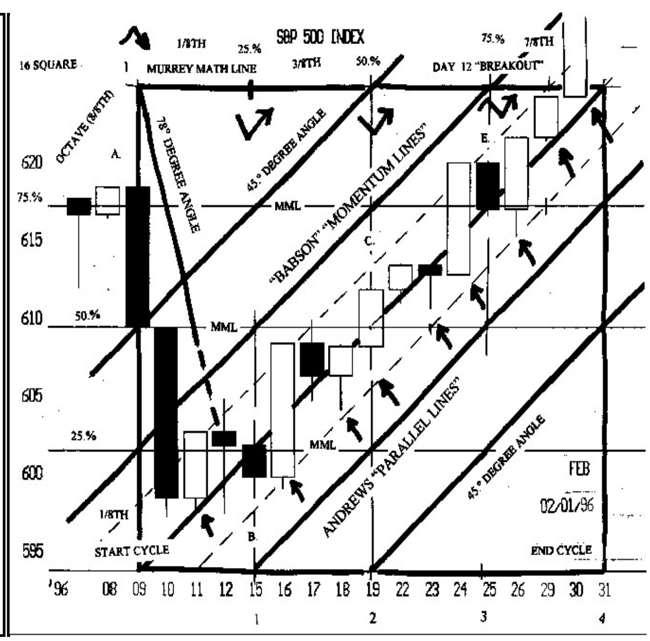


Chart 1

Fibonacci (Italy 1124 b.c.), Leonardo Da Vinci (14th Century), Marcus Vitruvius Pollio (1st Century), and the builders of the Pyramids (Egypt), Mayan Culture (Mexico), Socrates (432 b.c.) and Confucius (350 b.c.), Foxi (China) that is “The Harmonic Rhythm.”

Please find Figure # 1. This is our “frame” which we shall refer to as the “Square in Time.” It is actually a rectangle (Golden Rectangle) (same as a piece of typing paper) that we shall “set” each fall just after the 1st frost (then we just keep repeating this “Square” to the right until the year has ended). Just as the Mayan Culture “adjusted” for the changing “frost” each year, we reset our “Square in Time” every fall after the first frost.

Can you trade it ? That is the question !

Any intelligent “trader” may devise any kind of system that makes money 95.% of the time by just “buying low” and “selling often” with a small “profit.” (You must always place a “stop loss” down below your entry price to protect against big losses).

I know what I am doing and how I want to trade, but that is not the issue: can I teach you to “tune” your “trading philosophy” to the “Masters” of Music?

I have something of “real value” if I can take just one set of rules and apply them (same rules) to all stocks, commodities, Indexes, or Currencies off the same “frame” off the same starting day each fall.

Can you trade it ? That is the question ! You must learn the rules to be a successful “trader.”

Everyone wants to know how to trade in just one rule: when do I buy and when do I sell ? (lazy or scared).

Now let’s “see” if the “Square in Time” has any real value and if the markets are “tuned” to a rhythm!

Our “test” shall be the S & P 500 Cash Market.

This market Index is comprised of the 500 largest corporations in the U.S. These stocks have their own “individual” “rhythm” so it would logically be assumed that they (as a group) couldn’t have any set “Harmonic Rhythm” other than the “general market conditions prevailing.”

Remember that I said that we always set our time frame in the fall (at the time of the 1st frost) ? Well, let’s skip all the frames in the fall and move forward and start on the winter frames (this

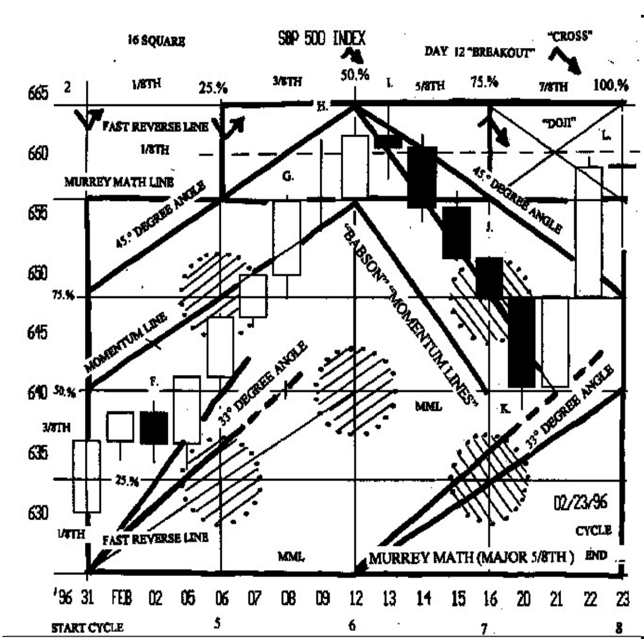


Figure 3

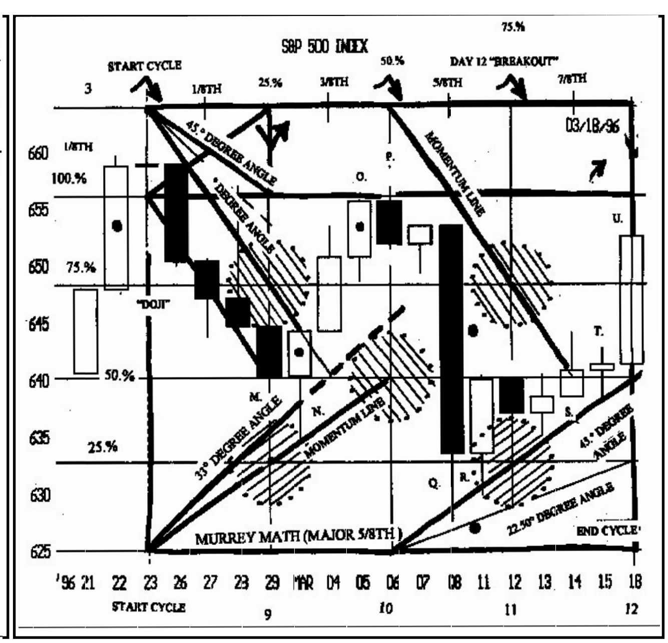


Figure 4

way if my trading system is predictable, it should hold up longer than the first few “frames” in the fall and “predict future reversals” in the winter, spring, and summer frames).

Chart # 1. Has us starting a new (16 day) cycle in Jan.’96. I made a bold outline around our Square.

We would expect this market to “react” to not only “pre-set” price levels (horizontal) but also Time Lines (1/8ths) into the future.

Side note: 90.% of all Americans don’t know the difference between an up day and a down day on a stock chart. (So I always explain the difference). It is just easier to start over each time than it is to assume that most “investors” know much of any technical “lingo” about how to “read” a chart.

The Solid bar forms (Japanese Candlesticks) are down days. And the open bar forms are up days.

Note of Caution: There are over 750 different Japanese Candlestick formations that you might want to learn, but if you aren’t Mr. Steve Nison, it’s just a waste of time to learn more than 32 or 64 of them.

The Japanese Candlesticks were devised by Muneshia Homma (1724) for the rice Futures “traders,” “speculators,” and rice farmers, which (70.%) could read very little (much like this country) and had to rely upon pictures that told a story to understand “prices.”

Example: Chart # 1. Please find (A). This Index had a sharp long fall at the end of the last “Time Cycle.”

But if you go back just 2 days prior, you see a “Hangman” where it told you that this market wanted to fall soon. (The body is solid and the “tail” is long).

The thin line hanging from the solid body is the recorded downrange of intra-day activity where the stock market sold off early in the day and all the “optimists” went in on the low for the day and bought it back up to almost its opening price. The next day it traded in a very narrow range waiting for “news” or direction. On the “exact end of the previous 16 day cycle” the general market sold off - 7.00 points on this Index (which equates to almost 56. points on the Dow)

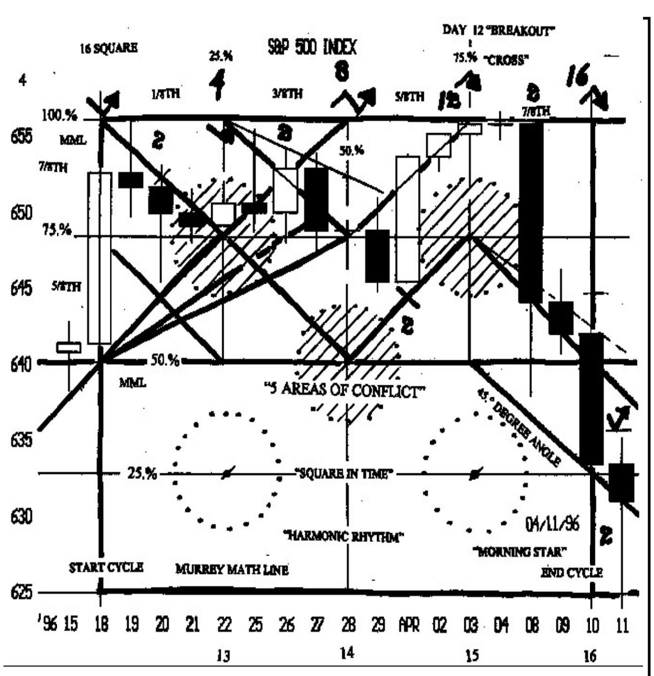


Figure 5

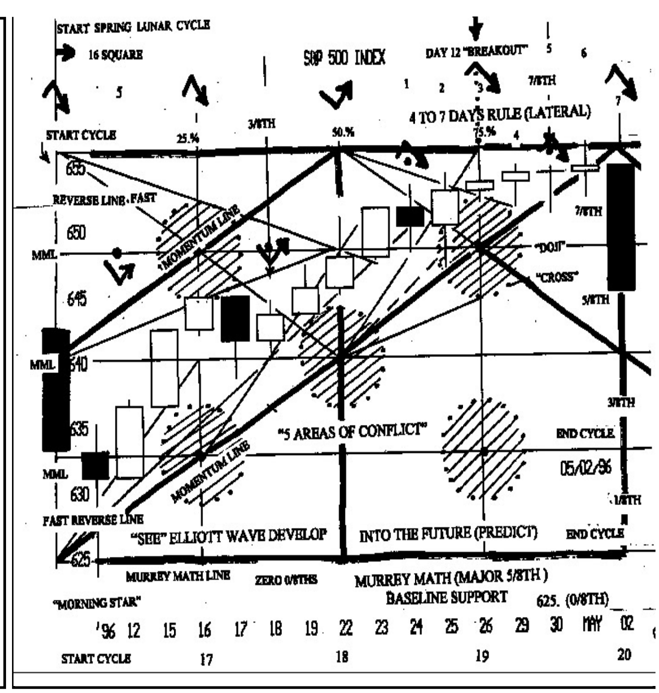


Figure 6

The next day it slide down even further and when it stalled out on the downside, it had stopped down around 598. (which is the 1/8th line) (which is a fast reverse line in the opposite direction).

This market consolidated for 3 days (moving laterally for 3 straight days), then on the 4th day (25.%) time line, it reversed fast to the upside. It kept running up on the 50.% line and cleared the 50.% (horizontal line) far enough for the "short sellers" to be taken out and having to cover, so the market moved up slightly, and laterally for 2 more days, then it went up big to 618. on the 24th, and right on schedule, on the 75.% line in time, it stalled out and went down. The next day this market sold off early in the morning and started charging up to take out all of the previous day's sell-off, so the "short-sellers" had to cover once again, and the general market was forced up by more "buyers." Please notice the 45 degree angle lines called momentum lines. (This market runs faster than 22.5 degrees).

Roger Babson spent much time and study deciphering future "affects" on a market as a result of past market trading action "momentum waves." (1880)

Andrews drew parallel lines off lows and highs and postulated that stocks or markets would bounce off equal multiples off these "observed" lines of support/resistance as a stock or market traded to the right in time.

John Murphy uses these "common sense" "observed" lines to project future support/resistance in markets.

Murrey Math Trading System doesn't have to do that. My way is much simpler: I simply draw the 45.∞ degree angle lines off the lower left-hand corner of my "Square in Time" as the market enters my square. I always expect this market to get tremendous support/resistance off the 45.∞ degree angle lines of this square. (Just as Andrews postulated and I have affirmed, this market reversed of 25. % and 75.% lines above and below the median line moving up the right in the "Square in Time." (This eliminates the "guessing" of just what low is the low for support).

Let's just draw a parallel line and get down to the "business" of trading not "knit-picking" strategy.

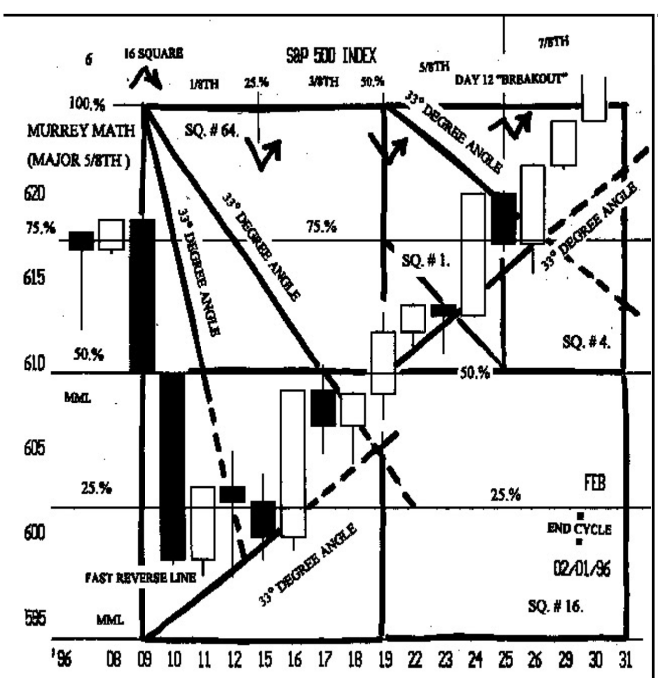


Figure 7

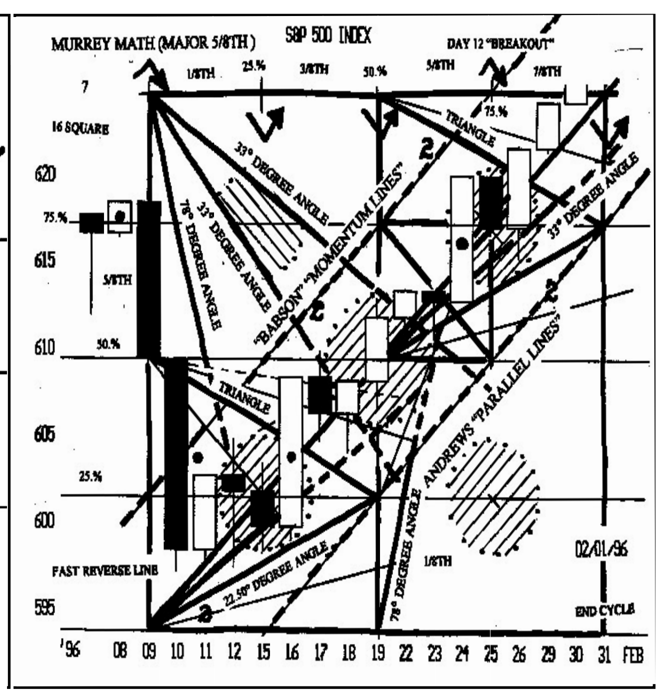


Figure 8

Notice the 78 degree angle line at the top left-hand corner of the square. All markets (everything) react faster off 78, 45, or 33 degree angle lines inside our square (same as old vinyl round records r.p.m.s).

Now you probably already asked yourself the obvious question: how did I set the horizontal (price) lines?

Simple: A) just "observe" the close of the day at the end of the cycle, which was 609.375, B) use "common sense" to "see" that this market wants to run up to its "perfect square" (which is 1,000), C) so we use the number that Foxi (China 3,000 b.c.) formulated Binary Math from the number 1.125 D)You are allowed to multiply only 4 numbers inside any "perfect square" by 1.125 to "set" the "Harmonic Rhythm" for that particular market E) Let's choose 1,000 and x 1.125 = 125, F) 125. X 5 = 625, G) 125. Divided by 8 = 15.625, H) we subtract 15.625 from 625. = 609.375, I) then we deduct another 15.625 from 609.375 and we set the bottom of our "frame" down at 593.75. ("Harmonic Rhythm" - "Octave") J) now we divide 15.625 x 2 = 7.8125 = (1/8th).

We now have the Octave that this market wants to trade within to the right inside this square. We know that all music pieces must change pitch in a orderly fashion to sound "melodious" to the human ear.

Juxtaposition, all markets want to move up or down their Octave (scale) at pre-set lengths (1/8ths) inside its particular scale (Octave).

All markets want to move up in increments of (1/8ths) + 1, 2, 3, 5, 7, 9, 11. And all markets want to fall in speeds set at - 2, 4, 6, 8, 10, or 12 (1/8ths).

My trading system uses no "smoke or mirrors" nor does it require any "fundamentals" to predict moves.

Please look at (A). This market fell (-5/8ths) and it stopped just above its (1/8th) line (which is a fast reverse line) and it consolidated for 3 days, and then on the 25.% line (Time) it exploded up for the next 12 trading days.

Please find chart # 2. We simply repeated our 16 day time cycle to the right and kept "trading inside this same Octave (horizontal price lines) (Murrey Math).

This market opened the day on its (1/8th) line and started this "new time cycle" by moving up this day.

And it continued to move higher until it stopped on the (1/8th) line in the next higher Octave.

If you go back to chart # 1. And start counting from down at the last low up to its high "exactly on the 50.% Time line" you shall see that this market has run up + 16 (1/8ths) short term, which equals 2/8ths long term which tells us that there is an 85.% chance that this market can't move up any higher short term.

It fell-off sharply for 5 straight days and stopped "exactly on a 50.% Murrey Math Line" on the 20th.

The next day it reversed and took out all three of the "daily momentum price points" from the previous day.

It took 5 days to fall back down to its 50.% line, but only 3 trading days to make back up to its old high (+1/8th) above 100.% (8/8ths). (Close inspection shows you that it closed "barely" below the last high) strong potential "sell signal" (coming soon).

Please notice that the daily trading action reversed twice off "fast reverse" 45 and 33 degree angle lines in chart #2.

Please look at chart # 3. This market starts off up above the Octave (8/8ths) on the (1/8ths) line, which is a fast reverse and fall line (Gann talked much about it) plus the range of daily activity formed a “cross” “doji” or “rickshaw man” that signals a change in direction of this market. (Since it had already run back up a 2nd time and couldn’t close on the line or above the line, the odds were 95.% of a “sell off” soon.

The “sell-off” came sooner than later. This market “tanked for 4 straight days and stopped “exactly on a 50.% Murrey Math Line (exactly on a 25.%

Ideas for New or Unsuccessful Traders

By Bruce Babcock

Don't be too eager to trade in the beginning. Watch how the markets work for at least three to six months. Subscribe to a chart service and start watching market action from day to day. Pick a small universe of markets and update those charts by hand every day.

If you would rather follow price charts on your computer than subscribe to a published, weekly chart book, I suggest Omega Research's SuperCharts (800-556-2022). It is inexpensive yet extremely powerful. It has a wonderful tutorial feature that will analyze any chart and explain the important technical aspects. At the end of every day you can update your price data (futures, indexes and stocks) via modem for a very modest monthly fee.

I am constantly amazed at how many people try to trade without charts. They are the best way to understand market price action. You should pay special attention to trend. Of course, trend is only relevant in a particular time frame. On a daily chart I recommend picking a time frame between 15 and 25 days. Use the same one for all markets.

One important thing to notice as you watch price action unfold is how unpredictable the markets are. Mathematical analysis of historical market price action has shown that price changes are primarily random. There is a small trend component in most futures price action, however. It is this trend ingredient that allows traders to make money . . . but only if they follow trends.

Those who try to anticipate changes in trend rather than follow establish trends are doomed to failure. In addition, with only a few exceptions, trying to find bargains by buying weakness and selling strength is likewise a prescription for eventual disaster.

Frustrated traders are constantly looking for some secret that successful traders use to make money. The only secret is that there is no secret. Those who are successful in the long run all follow the four cardinal principles of trading. They are: (1) Trade with the trend, (2) Cut losses short, (3) Let profits run, and (4) Manage risk.

There are many ways to implement each of those four principles. The important thing is that you have the discipline to adhere to each of them all the time without exception. You can read about how a wide variety of experts execute each of those principles in my new book, The Four Cardinal Principles of Trading.

By the way, books are your best value in commodity trading information. You get more ideas for your money from books. But don't assume that just because someone famous has written a book, all the ideas in it actually work. One of the unknown reasons why so many traders lose is that most of what you read in books, what I call "the conventional wisdom of trading," doesn't work. You must be extremely skeptical about everything you read. Insist on a rigorous demonstration that when the ideas are applied continuously for many years, they lead to profits. You almost never find this kind of proof in books.

Since most trading methods you will come across don't work over time, you must be careful not to trade with any approach you haven't tested rigorously on historical data. Notice that to test something, there must be objective rules. If you insist on trading with a subjective, seat-of-the-pants approach, don't be surprised if you eventually lose money.

Your method probably has a negative statistical advantage. Just like a casino gambler, you will eventually lose.

Don't blindly assume that a system which appears to be profitable in historical testing will necessarily work in the future. The testing must be rigorous enough to weed out those curve-fitted systems that only work in hindsight. Most commercially-sold systems are of this variety. It is quite easy to create a system with a fabulous hypothetical historical record simply by creating the rules to conform to known historical price action. Computer-aided optimization is good for this. That's why you should be suspicious of complex systems and all optimization.

Determining whether a system is over-curve-fitted is not an exact science. A good clue is whether the system trades multiple markets profitably over a five-to-ten year period using the same trading rules. Those systems designed to trade only one or two markets or those that use different rules for different markets are not likely to be profitable in the future.

If you aren't going to use a system that comes with its own testing software, you will have to test your prospective approach yourself. This may involve hand-testing on charts, which is not especially reliable. There are computer programs with generic system testing ability. The previously-mentioned SuperCharts is a good example.

Newsletters can be valuable in exposing you to various potential trading styles. A subscription to Commodity Traders Consumer Report (800-832-6065) can give you lots of information about newsletters, books and other sources of educational assistance. Published since 1983, it is the only objective source of performance information on advisory services. This information is invaluable if you intend to follow the trading recommendations of any advisory service.

Be extremely wary about expensive products. There is no relationship between price and quality in futures trading information. While it is generally true in life that you get what you pay for, commodity product vendors prey on this assumption by pricing their mediocre wares at outrageous prices. People then buy them with the idea that one could not sell something for so much money if it wasn't good. Do not assume that whatever a system or seminar may cost, you will quickly earn it back from profitable trading. It seldom works that way.

One important reason 95 percent of traders eventually lose is that they are too lazy to do the work it takes to be successful. Another reason is that they have no plan or method. They are guessing, gambling and hoping. That just isn't going to cut it in speculation, which is one of the most difficult endeavors there is. However, if you work hard and work smart, you can be part of the 5 percent who are wildly successful.

Bruce Babcock is the founder and Editor Emeritus of Commodity Traders Consumer Report. He has written eight books on trading including The Dow Jones-Irwin Guide to Trading Systems and Profitable Commodity Futures Trading From A to Z. He has designed over 25 computerized software systems for traders, a number of which he trades himself. His latest book is The Four Cardinal Principles of Trading, available from Reality Based Trading Company (800-999-2827).

Today's Interconnected Financial Markets Demand New Trading Strategies

By Louis B. Mendelsohn

With the world's financial markets becoming increasingly interconnected, serious futures and index option traders must now pay closer attention to related markets and their effects on the market being traded. Traders who continue to focus internally on only one market at a time (single-market analysis), oblivious to the underlying intermarket forces or market synergy that drives today's financial markets, are now at a severe competitive disadvantage and putting themselves at needless risk.

It's no longer good enough to "keep an eye" on what related markets are doing. A subjective assessment of intermarket relationships through visual examination of price charts or listening to daily news reports is simply not sufficient. Now, new, quantitative methods of analysis, capable of finding hidden patterns and relationships in related market data, are necessary to identify and profit from lucrative trading opportunities.

Complex patterns and otherwise hidden relationships between related financial markets are found through the use of neural networks, allowing the astute trader to discern and act upon trading information reflecting the intermarket dynamics inherent in today's global financial markets.

The Power of Forecasting Moving Averages

This methodology has been incorporated into an intermarket analysis software program that I developed known as VantagePoint, which utilizes neural networks to make forecasts of prices and anticipate the trend direction for various financial markets. VantagePoint's predictions include the next day's high and low, the 5-day moving average of closes two days in the future,

Excerpt from *VantagePoint's* Daily Report

DATE	PTM	ANALYSIS
12/04/95	41	PTM Oscillator peaks on 12/04/95
12/05/95	36	PTM Oscillator weakening
12/06/95	34	Take profits on 12/06/95
12/07/95	27	PTM Oscillator still weakening
12/08/95	20	PTM Oscillator still positive, but weakening

Source: *VantagePoint Intermarket Analysis Software* and the 10-day moving average of closes four days in the future.

By comparing these forecasted moving averages with today's calculated moving averages, daily oscillators are created which form the basis of a predictive moving average crossover system. This unique approach retains all of the smoothing benefits of traditional moving average systems, eliminates the lag inherent in such systems, and thereby obviates the need to optimize the types and sizes of the moving averages.

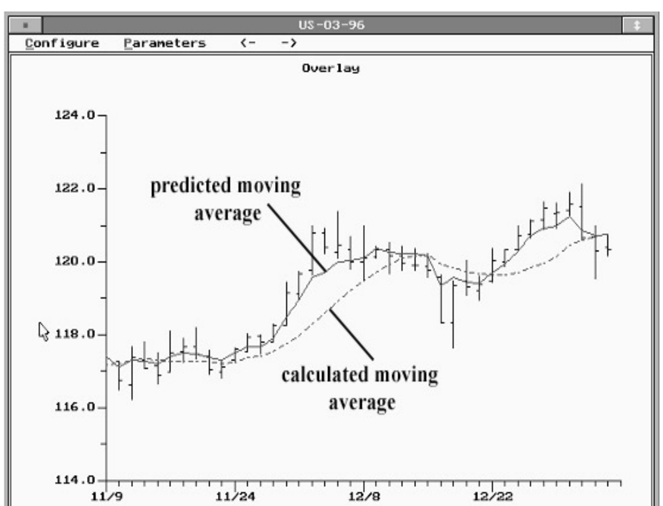
Additionally, VantagePoint's neural networks are trained using the open, high, low, close, volume, and open interest data for the past ten years from the target market and nine related markets that nonlinearly affect the target market being traded, so that the moving average forecasts are not based solely upon past price data on the target market only.

Here's An Example of How It's Done

Table 1 is an excerpt of Section 3 from an actual VantagePoint Daily Report for the US Treasury Bond market. This report was generated on Friday, December 8, 1995, for use on Monday, December 11, 1995. It shows predictions for the prior four days which had actually been displayed on earlier Daily Reports. This article will focus only on the PTM column in Section 3 of the report, which displays a moving average crossover oscillator that computes the difference in ticks between the forecasted 10-day moving average for four days in the future and today's calculated 10-day moving average.

Whenever the forecasted moving average crosses above the calculated moving average (in Section 3 the PTM difference turns positive), the direction of the market over the next four days is predicted to be up, and only long positions should be taken or held. This is what happened when the PTM went from negative to positive on November 16, 1995, triggering a long position to be taken on November 17, 1995. (Similarly, on July 31, 1996 a long position was triggered).

Alternatively, when the forecasted moving average crosses below the calculated moving average (in Section 3 the PTM difference turns negative), the direction of the market over the next four days is predicted to be down, and only short positions should be taken or held. This is what happened on February 15, March 5, and April 4, 1996 when short positions were triggered prior to the release of monthly employment data that has roiled the treasury



Source: VantagePoint Intermarket
Analysis Software

bond market this year.

The magnitude of the difference (the spread between the predicted and the actual moving average) provides an important insight into the market from a momentum standpoint. The narrowing or widening of the spread is an indication of the likelihood of the continuation of the trend and offers an early overbought/oversold warning of a change in the strength of the trend and its direction - often before or just as the market is actually making a top or bottom!

When the difference is positive, but levels off and then starts to narrow, it is an early warning to tighten up on your stop (using the predicted low for the next day), or close out the long position on either the next day's open or with a limit order near the next day's predicted high. This is exactly what happened after the PTM oscillator peaked at 41 on December 4, 1995, then dropped to 36 on December 5, 1995. The long position was closed out and profits taken on December 6, 1995. Chart 1 depicts the predicted and actual moving averages for this time period in late 1995. (Coincidentally, the PTM also peaked at 41 on August 2, 1996, indicating that the upside move was about to peter out). Alternatively, when the difference is negative, but levels off and starts to narrow, it's time to close out a short position and stand aside.

Depending on the size of your account, your trading style, and your risk propensity, you can act on changes in the value of the oscillator in one of several ways. You can either close out the position if there is any amount of weakness, or only close out the position if the weakness exceeds a certain "threshold" i.e. if the PTM indicator narrows by a minimum number of ticks. Otherwise, you would just tighten up on your stop and stay in the position.

There's Also a PTS Oscillator

For added confirmation, there is a second predictive crossover oscillator labeled PTS which is also displayed in the third section of the Daily Report. This indicator compares the forecasted 5-day moving average of closes for two days in the future with today's computed 5-day moving average of closes. The PTS reacts more sensitively than the PTM, typically turning from positive to negative or negative to positive before the PTM crosses.

Additionally, the PTM crossover from related markets such as the Eurodollar and the Five and Ten Year Tnotes are used as additional confirmation filters to the T-bond predictive information. Frequently the Eurodollar PTM oscillator will cross before the T-bonds PTM oscillator, while the PTM on the two Tnote systems help protect against false T-bond PTM crossovers. When used in conjunction with the T-bond report, predictive information from these related markets gives a T-bond trader an outstanding insight into what is likely to happen along the entire interest rate yield curve over the following four day time horizon.

In subsequent articles I will discuss these additional confirmation filters, illustrating examples from the T-bond market in 1996, in which the PTS on T-bonds and the PTM on these related markets can be used effectively as confirmation filters by T-bond traders to identify highly profitable trades while steering clear of marginal trades.

Louis B. Mendelsohn is a prominent trading software developer. In 1983 he was the first person to introduce the system testing capability to microcomputer trading software, with the development of ProfitTaker Futures Trading Software. He is president and CEO of Mendelsohn Enterprises, Inc. Wesley Chapel, FL. He can be reached at 800-732-5407 or 813-973-0496, or by Fax at 813-973-2700 or Email at mei.ptg@ix.netcom.com http:/www.ProfitTaker.com
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A Plan for Trading a Fast Trend

By Jerry Pegden

Integrating change-in-trend projections with price patterns

In the last issue of Trader's World we discussed the Gann Pullback (GP) technique and showed how it could be used to jump on a trend and/or pyramid with relatively small capital exposure. The GP technique looks for a market to pull back for a minimum of three bars before continuing the trend which then allows us to enter the market. Bonds in the first half of 1996 was an ideal market for this technique.

But what if a market develops a strong trend and there is no pullback? A different plan is clearly needed and that is what we present here using the sharp run-up in wheat prices in the spring of '96 as an example (Figure 1).

This plan requires the following steps:

(1) A method to project future time periods when a change in trend is likely (CIT time windows). Figure 2. CIT projections (below bars in indicator window) and WRR signals

(2) Once in a CIT time window, we need a reliable entry signal that a change in trend may have begun.

(3) Once in the market, a method is needed to determine that we are indeed in a trend.

(4) And we need a market entry signal for adding to our positions. With this trend trading plan, the steps outlined are sequential. The signal in Step 2 is only taken within a time window

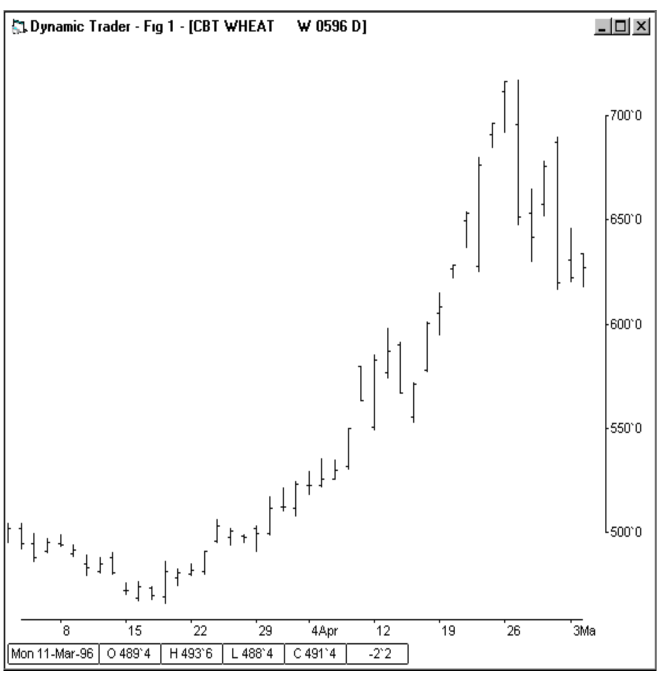

Figure 1. May beans rose sharply from mid-Mar tolate-Apr.

Figure 2. CIT projections (below bars) and WWR signals

established in Step 1. The signals in Step 4 are only taken in the direction of the trend established in Step 3. Indeed, we have confidence to pyramid in Step 4 because of the unfolding of the events associated with Steps 1-3.

While the wheat trade examples below used tools available in the Dynamic Trader software, you could substitute similar tools. The important point is that once the simple conceptual principles are understood, rocket science is not necessary to implement a plan.

Step 1. Change in trend projections. Here we used the Fib Time Blitz. This routine projects future CIT time windows or potential turning point dates using time cycle ratios and time counts from previous important market highs and lows.

This Blitz was run from the Feb. wheat high and came up with four CIT time periods with a high probability of making a trend change. These are shown by the vertical lines below the bar chart in Figure 2. They were: March 19, around the weekend of March 30, April 10 and April 25-26. The low of the move was March 20 and the high of the move was April 26 - the first CIT projection nailed the low and the last the high.

So how does the trader take advantage of the advance knowledge provided by the CIT projections?

Step 2. Entry signal for the potential change in trend (CIT) period. When these potential turning point dates approach, we become alert to signals that the market may have changed trend. If we get a signal, we enter the market.

For this plan our entry signal is a Wide Range Reversal (WRR) bar. There are many WRR strategies. We structured this one with the added benefit of knowing we will always be working within potential CIT periods. Our computer automatically scans for these signals but they are easily identified with the eye.

The WRR rules we use are: If the current bar makes a new two-week low and has the widest range of the past two weeks and closes in the top 25% of that range then we are long at the close. The stop goes just below the low. (Just the opposite for a sell).

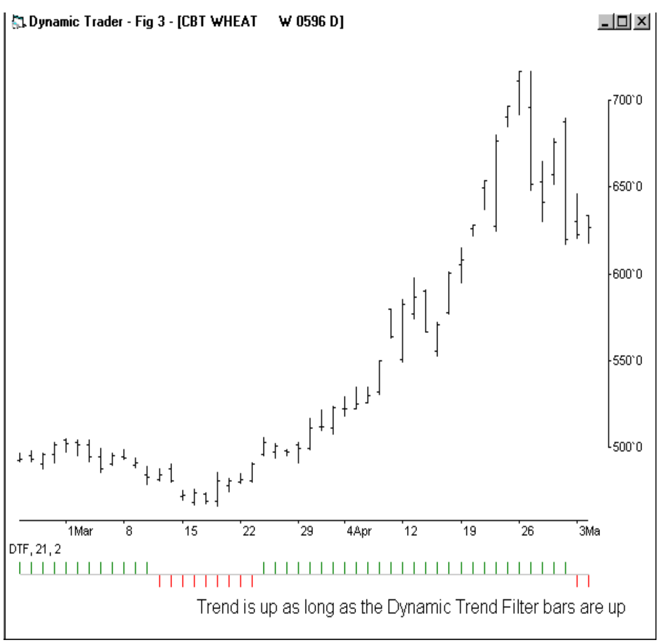

Figure 3. The trend indicator turned up shortly after the WRR entry. We now look for signals to add to our position.

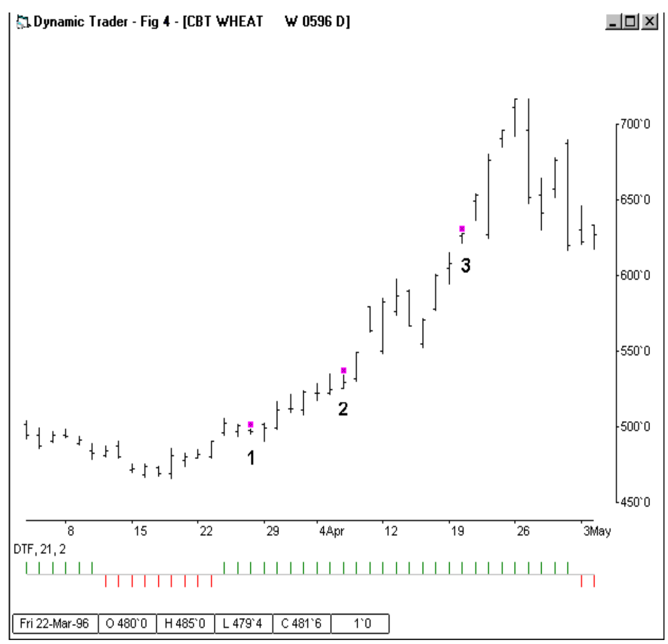

Figure 4. The 3 narrow-range bar signals were taken since the trend was up. (1) was stopped out, (2) and (3) were profitable.

Figure 2 shows that we got a go-long signal in the first projected CIT period and a go-short signal for the last CIT period. There were no WRR signals for the middle two CIT projection periods.

Here's how the first signal worked. As we approached the March 19 potential turning point date, we go on alert. The market was moving down so if we were to have a CIT we will be looking for a reversal off a low. Our WRR conditions of a new low, a wide range bar and a close near the high, were met on March 20 so we were long at the close in anticipation of a new trend.

Step 3. Is a new trend underway? Once we determine an up trend is underway we look to add to our position. To do so we use an adaptive or dynamic moving average (DyMA). The advantages of a DyMA as a trend indicator are that it is more responsive than using the ADX while still providing fewer whipsaws than using traditional moving average crossovers.

Our rule is that an up trend starts when the DyMA turns up twice consecutively and remains in force until the DyMA turns down twice consecutively. This trend indicator is shown in the window below the bars on Figure 3. As long as the indicator points upward, the trend is up.

Step 4. Look to enter the market as long as the trend is up. Here we use a simple 7-period narrow range bar (NR7). For a bar to quality as an NR7, its range must be the narrowest of the past seven bars. The pyramid rule is: if the trend is up then we go long if the high of the NR7 bar is taken out the next day. The next day's bar is the signal bar since it determines whether we enter a trade. Where does the protective stop go? Just below the NR7 bar.

During this up trend there were three NR7 bars as shown in Figure 4. All were followed by entry signals. The first signal bar took the NR7 high out at the open. Our protective stop just below the NR7 low was hit the same day for a small loss.

The second and third NR7 trades were profitable as the NR7 bar highs were taken out the following day.

When do we take profits on our initial position and pyramids? In general the initial position and NR7 pyramids are maintained as long as the trend filter is up and a reversal signal is not made on a CIT date. We haven't made that a fixed part of this plan because it depends largely on your trading style. For pyramid trades, methods include (1) a fixed dollar target; (2) being especially alert as potential CIT dates approach; and (3) progressively tightening stops to lock in a profit. Given that the WWR signal within a potential CIT time window is a fairly strong indication of a change in trend we have a bias to be a bit aggressive and not to clock profits on the initial position too early.

An ideal time to clock profits and/or reverse would be at the occurrence of another WRR in a CIT time window.

A WRR go-short signal occurred on Monday April 29, one bar after the market high and projected CIT date of Friday April 26 (Figure 2). The trend indicator turned down the next day, once again putting you on "pyramid alert".

It is left as an exercise for the reader to see how this method has worked on the wheat decline since the April 29 high.

The GP trading technique can be combined with this one. They are a powerful trend-trading duo.

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Election Year Stock Market Statistics

By Robert Miner

Simple statistical analysis can often provide a wealth of critical information.

Traders and investors often suffer from "paralysis of analysis" and are overcome with a great deal of irrelevant and overly complicated technical analysis. Often, a few simple statistical studies of the historical position of a market will provide the critical information needed to make a trading or investing decision.

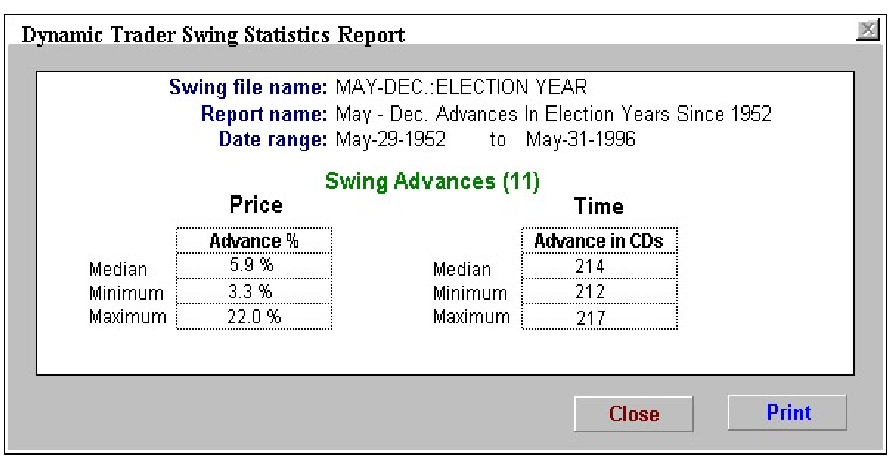
Election Year Statistics

Historical statistics show a definite bias for the trend of the stock market in an election year. Since 1952, every election year has closed higher than the previous year except one. 1960 closed down just 2.9%.

Even more relevant to traders and investors for the second half of the 1996 election year is the fact that in each of the past eleven election years, the Dec. close was higher than the May close. The May to Dec. gain has ranged from 3.3% to 22%. See Table 1 below, Election Year Stock Market Statistics Table.

Table 1: This election year information was quick and easy to compile. This information clearly shows the upward bias in prices for the second half of an election year. It is also evident that the annual high in an election year is usually made in the second half of the year.

The Election Year Table also shows that the stock market election year high has occurred in the second half of the year in nine of the past eleven election years. In the two election years when the high was made in the first half of the year, the stock market came within 3% of the first-half annual high in the second half of the year. See Table 2 above, Dynamic Trader swing statistics report.



Stock Market Anniversary Dates

Dynamic Trader's Anniversary Dates Report of the DJIA (Table 3) shows that since 1885, the DJIA has had a strong tendency to make more trend changes in the Sept. to Nov. period than any other months of the year. The trend changes of this report were followed by at least a 20% price change.

May is one of the lowest frequency trend change months of the year for the stock indexes. The DJIA was used for the anniversary date report because the data goes much further back than the S&P data.

The high-to-date in 1996 for the S&P is May 23 which has been followed by an 11% decline into the July low. The odds are low that May was a bull market top in the stock market. The odds are high that the DJIA and S&P will exceed the May high and continue to rally at least into Sept. before making a top followed by a 20% or greater decline.

Table 3: The 20% swing file represents major swings. This anniversary date report represents data from 1885. There have only been two 20%+ trend changes in May in over 100 years! By far the most frequent months for major trend change is Sept. - Dec.

Time Rhythm Zone For A High

Dynamic Trader's Time Rhythm Zone projection for a top indicates that a bull market high from the April 1994 low should be made in the broad time period of Dec. 12, 1996 through July 25, 1997. This Time Rhythm Zone is calculated by measuring all of the intermediate degree low-to-high and high-to-high time ranges since 1950 and projecting the high-to-high time ranges from the prior high (Jan. 31, 1994) and projecting the low-to-high time ranges from the prior low (April 4, 1994).

The period when the high-to-high and low-to-low projections overlap is the Time Rhythm Zone for the next high of similar degree. The Time Rhythm Zone projections indicate the bull trend from the April 1994 low should exceed the May 1996 high and should not complete prior to Dec.

Election Year Stock Market Statistics Table

(S&P cash index, daily closing prices)

Election Year	Prior Yr Close	May Close	Dec. Close	May-Dec. Gain/Loss	Election Year High
1952	23.77	23.84	26.57	11.5%	Dec. 30
1956	45.48	45.20	46.67	**3.3%**	Aug. 3
1960	59.89	55.83	58.11	4.1%	Jan. 5
1964	75.02	80.26	84.75	5.4%	Nov. 19
1968	96.47	98.68	103.80	5.2%	Nov. 29
1972	102.09	109.53	118.05	7.8%	Dec. 12
1976	90.19	100.18	107.46	7.3%	Sept. 21
1980	107.94	111.24	135.76	**22.0%**	Dec. 1
1984	164.93	150.55	167.24	11.1%	Jan. 6
1988	247.87	262.14	277.72	5.7%	Oct. 21
1992	417.09	415.35	435.71	4.9%	Dec. 18

Table 1: This election year information was quick and easy to compile. This information clearly shows the upward bias in prices for the second half of an elextion year. It is also evident that the annual high in an election year is usually made in the second half of the year.

Dynamic Time Projections

Dynamic Trader's Dynamic Time Projections for a wave 5 top from the April 4, 1994 low indicate that the top should not complete prior to Oct. 10. The periods of Oct. 10-11, Dec. 6-8 or March 8-10 are currently projected as having the greatest probability for a wave 5 top. While minor swings may adjust these dates if the S&P continues to advance as anticipated, a date earlier than Oct. 10 should not be projected.

Dynamic Time Projections indicate the bull trend should exceed the May 1996 high and not complete prior to Oct 1996 but should complete by March 1997.

Stock Market Outlook Conclusions For The Second Half Of 1996 Election year statistics, anniversary dates, Time Rhythm Zone and Dynamic Time Projections all signal the May 1996

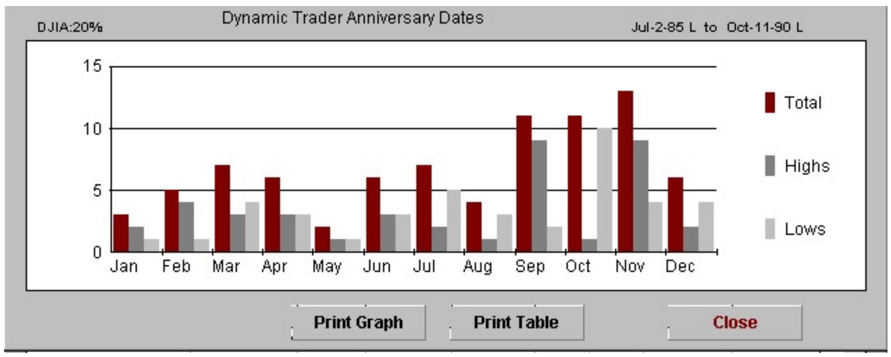
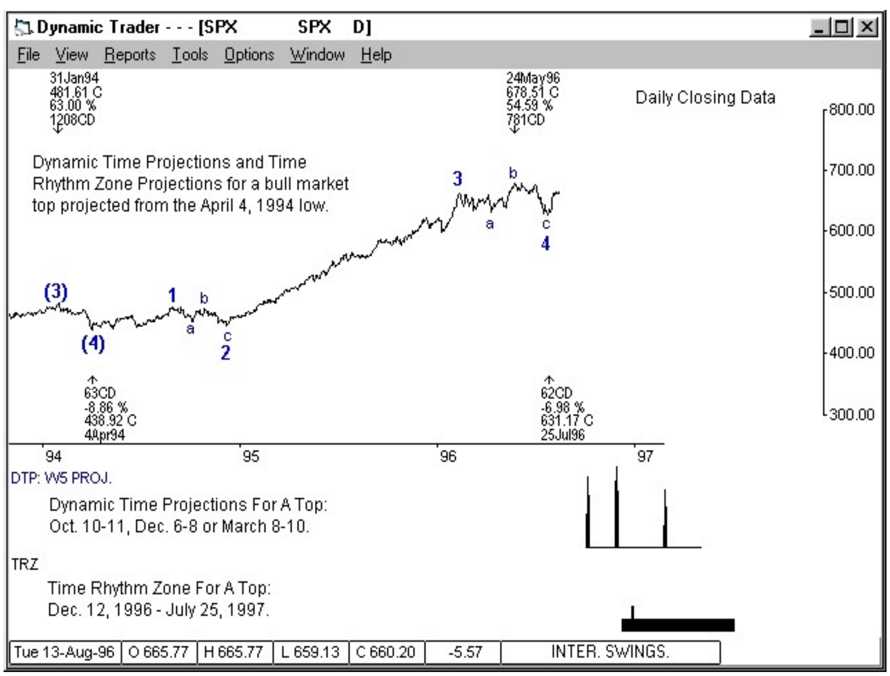


Table #: The 20% swing file represents major swings. This anniversay date report represent data from 1885. There have only been two 20% + trend changes in May in over 100 years! By far the most frequent months for major trend changee is Sept. - Dec.



high should be exceeded in the second half of 1996. If the May 1996 high is not exceeded in the second half of 1996 and the Dec. 1996 monthly close is not higher than the May 1996 monthly close, a new historical extreme (since 1950) will have been made. While this is possible, traders and investors must make decisions based on the overwhelming probabilities.

Don't Ignore Simple Statistical Analysis

The four simple time analysis procedures described above, election year statistics, anniversary dates, Time Rhythm Zones and Dynamic Time Projections, may all be completed by anyone with a sufficient historical data base and a calculator. A spreadsheet program speeds up the data analysis and a program like Dynamic Trader that has all of the routines for this type of analysis built-in requires only a few minutes to complete all of the routines. Which ever the method to complete the work needed, traders and investors have no excuse not to know the position of any major market relative to the past at any point in time.

Don't ignore simple statistical analysis of the position of a market before making a trade or investment. The brief amount of time it takes to complete the work will pay off big in the long run. (Submitted Aug. 15, 1996)

Robert Miner is a CTA, private trader and president of Dynamic Traders Group, Inc. Miner publishes a monthly and weekly advisory service and has recently released his new trading course and software program, Dynamic Trader. This information is condensed from Miner's 50 page Stock Market Outlook '96-'97 and Beyond. This comprehensive report and a two month trial subscription to his monthly newsletter is available to Trader's World subscribers for a discounted price of $55. Dynamic Traders Group, Inc., 6336 N. Oracle, Suite 326-346, Tucson, AZ. 85704, (520) 797-3668.

What is Gann's "Natural Law?"

By G.R.

Gann states in his Tunnel Through the Air, page 26, "He could not accept the theory preached and taught by preachers, because he knew that the things they taught were wrong. But thou, when though prayest, enter into the closet, and when thou hast shut the door, pray to thy Father, which is in secret; and thy Father, which seeth in secret, shall reward thee openly." St. Matthew, Chapter 6:6. The truth is within yourself! This is where you will find what you are seeking. Don't let yourself be mislead. You should concentrate your learning efforts on the writings that the master himself (Gann) left behind for you! The basis of Gann's market methodology, i.e., natural law and the law of vibration, was existing before the year 1909. Gann stated in his Ticker Interview of 1909, "I then decided to devote ten years of my life to the study of natural law as applicable to the speculative markets... I discovered that the law of vibration enabled me to determine...." Ten years subtracted from 1909 gives us a date of 1899. Therefore, all of the information that Gann studied that related to natural law existed between these years. All of his rules and calculators discovered by him after this period of time were nothing more than quicker and easier ways to identify vibrational points in his charts using natural law. They all evolved from his insights made during this period of time. This is why Gann stated in his Stock Course, Forecasting by Time Cycles, page 12, "Remember follow all rules... If you ignore one important point, it may get you wrong. The whole can never exceed the parts and all the parts make up the whole. If you leave out one of the rules, you will not have a complete forecasting method or trend indicator."

Gann was a Mason. In his Economic Forecaster, page 14, it states, W.D. Gann is a Christian, a member of the Masonic Order...." It is my belief that Gann taught his marketing methods as the Masons did. In Morals and Dogma, by Albert Pike (1871), page 64, the Masons still teach their initiates as explained in Morals and Dogma: "Nature is the great teacher of man; for it is the Revelation of God. It neither dogmatizes nor attempts to tyrannize by compelling to a particular creed or special interpretation. It presents its symbols to us, and adds nothing by way of explanation. It is the text without commentary; and, as we well know, it is chiefly the commentary and gloss that lead to error and heresy and persecution. The earliest instructors of mankind not only adopted the lessons of Nature, but as far as possible adhered to her method of imparting them. In the mysteries, beyond the current traditions or sacred and enigmatic recitals of the Temples, a few explanations were given to the spectators, who were left, as in the school of nature, to make inferences for themselves. No other method could have suited every degree of cultivation and capacity. To employ nature's universal symbolism instead of the technicalities of language, rewards the humblest inquirer, and discloses its secrets to every one in proportion to this preparatory training and his power to comprehend them." Gann taught with many words and phrases that are capable of varying interpretations depending on one's preparatory training.

Walter Gordon, a character in Gann's Tunnel Through the Air, was actually a story in part about the life of Gann. On page 23, it tells us what Gann studied that assisted him in his application of natural law to the markets. "He took a great interest in physics and higher mathematics, studied day and night, making very high marks in these studies. Also, he took an interest in chemistry." On page 41, it states, "After Robert returned, he began to study the Bible more than ever, and worked out things according to science." These topics are also mentioned indirectly in Gann's Ticker Interview of 1909. Gann states, "Stocks are like electrons, atoms and molecules...." Chemistry and physics are both grounded in the study the behavior of the atom. But what is an atom? An atom is really nothing more than energy vibrating at a certain rate. Matter on the physical plane is an illusion due to the fact that it is only energy vibrating at a certain rate for a short period of time relatively speaking. Therefore, symbolic logic of energy forms is what we need to study and analyze. Your ability to apply symbolic logic to the markets derived from the laws of the physical sciences depends upon your preparatory training and ability to comprehend them. After all, natural law is nothing more than the laws of nature. This will allow you to gain the insight into

Gann's deeper usage and meaning of his words and phrases. Have you ever looked at the science books that were used at the time Gann stated he discovered his applications of natural law and the law of vibration to the markets? The natural sciences were bound together at that time in science books usually called "Natural Philosophy." This is from where I believe Gann derived the term "natural law". These rules behind the symbolic forms have been limited in their application to the physical plane. We must remember that the physical plane is just one of several different planes.

There is no such thing as empty space. "Nature abhors a vacuum." Between our physical matter lies other matter in higher energy forms. Our five physical senses and our scientific instruments cannot detect them. Therefore, the masses in general fail to acknowledge their existence. This does not mean that they don't exist. "Nature does not fail to exist where we fail to perceive her."

Eastern metaphysics state that there are seven planes of manifestation. The physical plane is but one. Different religions and groups name these seven planes by different names. Occult chemistry names these seven planes as follows: 1) Divine, or what the Kvbalion by the Three Initiates (one of the books on the Gann reading list) calls "The All," 2) Monadic, 3) Spiritual, 4) Intuitional, 5) Mental, 6) Astral, and 7) Physical. The physical plane consists of the lowest energy form, and within its confines exist all of the other six planes of manifestation. Each form exists within each other due to the energy level in each plane. One of the principles found in the Kybalion is "The Planes of Correspondence." In the Kybalion, page 113, it states; "There is a harmony, agreement, and correspondence between the several planes of Manifestation, Life and Being. This is a truth because all that is included in the Universe emanates from the same source, and the same laws, principles, and characteristics apply to each unit, or a combination of units of activity, as each manifests its own phenomena upon its own plane." On page 68, it states, "Let us endeavor to get a glimpse of the workings on higher planes by examining those on our own. "The Principle of Correspondence" must apply to this as well as to other problems, (i.e., market forecasting!)

The mental plane reflects the laws on the physical plane by the "law of correspondence." Many of the books on the Gann book list explain how this process is actually carried out. In The Law of Physic Phenomena by Thomas Jay Hudson, (a book on the Gann book list), Hudson attempts to show how the mind is influenced by the power of suggestion. He makes the distinction between the subjective and the objective part of the mind. He states on page 26, "That the subjective mind, or man in the hypnotic state, is unqualifiedly and constantly amenable to the power of suggestion." Our subjective mind is "tuned into the mental plane." In another book on the Gann book list called Spiritual Radio by F.H. Du Vernet, he states on page 20, "The mind energy of God can penetrate our subconscious mind and influence our daily behavior." (i.e. market forecasting!) Here we find the direct connection on how natural law is applied to market psychology. This is why Gann left this book list behind to us. He left us the material that we need to figure out what natural law is and how to apply it to the markets. In Lessons in Truth by H. Emilie Cady, (a book on the Gann book list), she states on page 61, “The mental and spiritual worlds, or realms are governed by laws that are just as real and unfailing as the laws that govern the natural world.... When we know something of these laws, we can know positively beforehand just what the results will follow certain mental states.” (i.e. market forecasting!)

The mental plane reflects the laws on the physical plane through the law of correspondence. Stock and commodity charts are nothing more than the total mental thoughts and reflections of all of the actions of the buyers and sellers in any market. The actions of these buyers and sellers are influenced by the mental plane of energy that permeates the physical plane. The mental plane reflects the known natural laws on the physical plane through the law of correspondence. This is why studying natural law is so important. The symbolic logic behind the natural laws are the principles that govern the chart patterns that we use in our Gann analysis. All energy systems will eventually adapt to each other through resonance. Otherwise there would be chaos in space and our physical plane would fail to exist. Because energy systems adapt to each other, the saying “as above, so below; so below, as above is” most appropriate. The greatest metaphysical teachers in the last 200 years such as Blavatsky, Leadbeater, Besant, Steiner and Spencer all agree with the Hermetic philosophy taught in the Kvbalion by the Three Initiates. You need to understand the mechanics of the scientific principles to understand Gann’s concept of natural law.

The author’s goal in this discussion is not to delve into any of the many direct applications of natural law to the markets that he has personally uncovered, but to show you a path to travel down which may bear you many fruits should you so choose. I will say, though, that one of the best books ever written since the passing away of W.D. Gann, was a book called Torque Analysis by William C Garrett (1973). Long out of print and due to its demand for republication, it will soon be republished by his wife, Mrs. Clarice Garrett. This book may be a great place for those of you who need to gain a glimpse into the application of symbolic logic of natural laws as they apply to market activity. Garrett by profession was an engineer. Whether he knew it or not, he had a natural gift in applying symbolic logic of scientific principles to the markets. He saw the unity of the oneness and formulated rules for predicting market turns. Garrett combined the genesis of cycles with the harmonic nature of cycles. But this was just the basis of his method. His method was further refined by other sets of natural laws. This is where his work really begins to overlap with the methods of W.D. Gann. In his analysis, he determined where the cyclical fields were forming and which of these fields were the strongest. Volume was then considered to determine the amplitude and lengths of the cyclical swings. But cycles in natural law are not static and perfectly symmetrical as Garrett realized. Cycles are dynamic. Gann has always used the square, circle and triangle in his rules. So did Garrett. Garrett realized that as a cycle moves, its movement is generated because of its thrust against its own circumference. This circumference was based upon the square and the circle. Because the cycle grows and expands or decays and contracts due to its thrust and recoil upon itself, Garrett was able to predetermine the growth rates which caused the cycle to be measurable. Garrett had also developed a torque oscillator that showed the relationship between price and volume. Anyone interested in purchasing this book, can contact the author.

In conclusion, the author's goal was to describe to you what was Gann's natural law. Your ability to gain the access into the deeper meaning of Gann's terms and phrases and how he applied them into his market methodology will be based upon your preparatory training. Without the effort from your part, Gann's words and phrases will be as the Kybalion states on page 14, "If you are a true student, you will be able to work out and apply these principles - if not, then you must develop yourself into one, for otherwise the Hermetic Teachings will be as "words, words, words" to you." This article was written in memory of my teacher and school, Dr. Jerome Baumring and the Investment Centre.

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Forecasting For Profit

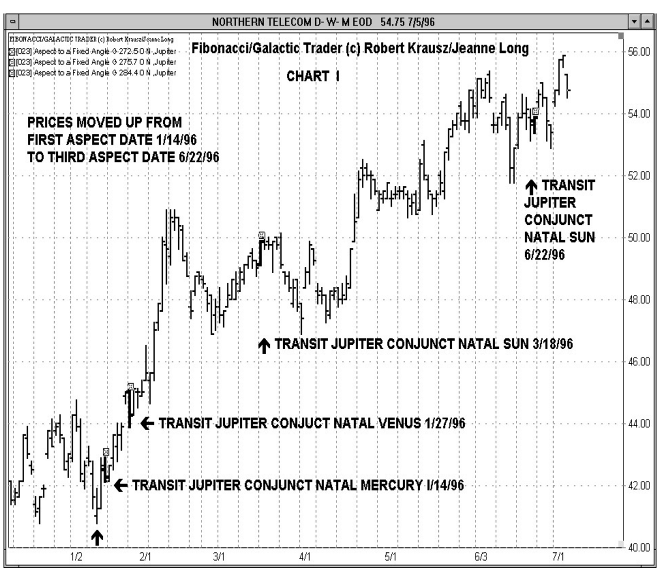
By Jeanne Long

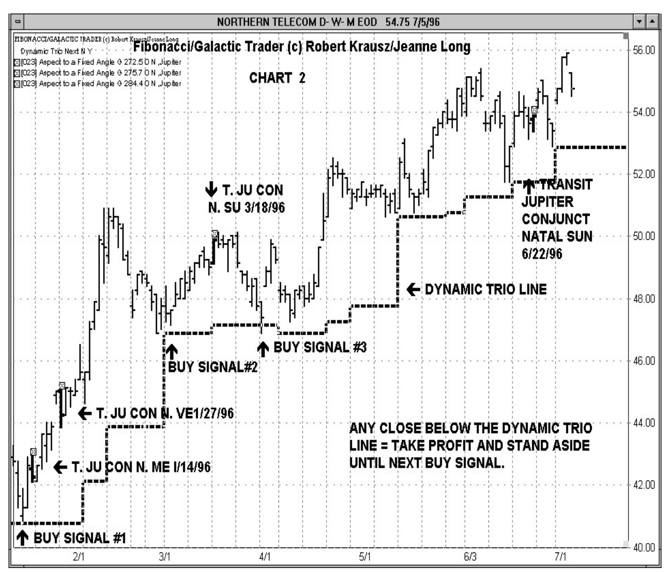
Lately it seems that almost everyone you talk to has boarded the stock market train and appears to be having a great ride. At the corner store or the local coffee shop, stock market novices are singing the praises of buying stocks as an easy way to make quick money. Many are feeling pretty smug since it is such an easy game. This in itself is enough to make a seasoned trader want to take profits and stand aside!

The newcomers did get a bit of a shake-up in July as the market took a tumble; but now (the first week of August 1996) they are regaining their confidence as the market stabilizes. What most market novices don't realize is that the stock market is a living and breathing entity - it must breathe to stay alive. Breathing means it must go down as well as up, and each breath has a length or a cycle. These market up and down cycles can be monitored by correlating them to planetary cycles, thereby enabling investors to keep a finger on the pulse of the markets.

PLANETARY MARKET CYCLES

One of the easiest cycles to monitor is generated by the planet Jupiter. It takes approximately 12 years for Jupiter to make one complete revolution or complete a 360 degree circle. In planetary terms, the 360 degree circle is divided into 12 equal parts, each having 30 degrees. Each of the 30 degrees is assigned to one of the 12 signs of the zodiac. Since there are 12 signs and approximately 12 years of a complete Jupiter cycle, one Jupiter sub-cycle (Jupiter through one sign), is approximately one year. The one year Jupiter sub-cycle does not necessarily begin in January and end in December, but its points of beginning and ending are clearly marked by a change of trend. For this reason, the sign that Jupiter is travelling through during its one year sub-cycle sets the general trend of the stock market. I say general because it is always important to remember that there are other planets besides Jupiter, and each in their own way



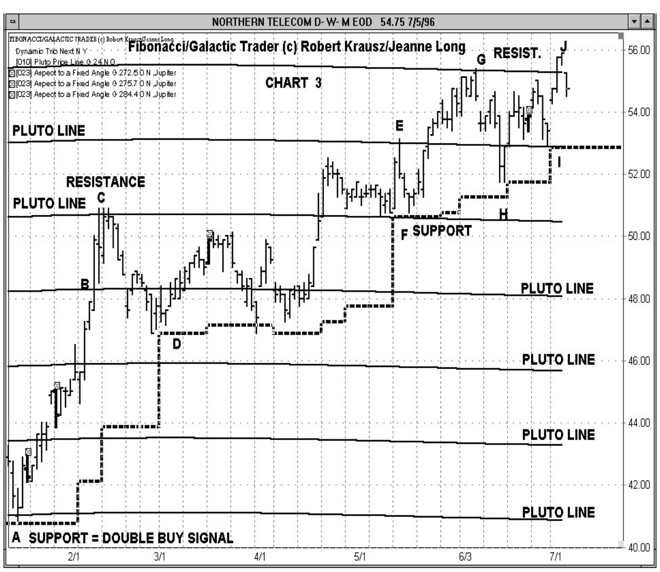


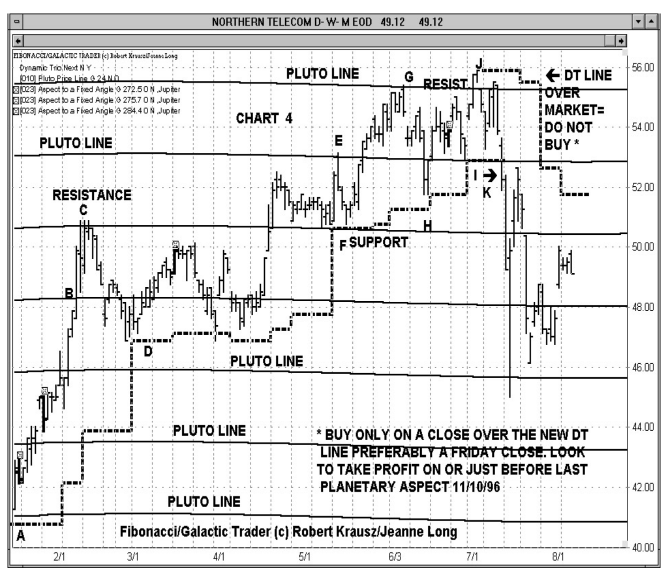
add to market movements. However, since Jupiter is the largest planet in our solar system, it is heavily weighted, and therefore has a discernible cycle which is useful when taken on its own. (If time permits, I will cover other cycles in future articles.)

HOW DOES JUPITER AFFECT MARKET PRICES?

In December 1994, Jupiter moved into the sign of Sagittarius which makes for a very strong up market, especially when it coincides with other up market cycles (as it did at that time). Therefore, the whole time Jupiter was travelling through Sagittarius, the market went straight up. During that time, even a novice buying stocks could hardly go wrong, it was easy pickings because almost everything was up. This cycle however, does not last forever; after one year Jupiter moves into the next sign and a new cycle starts. (It is not surprising to find that the other planets, travelling through Sagittarius have a similar positive market effect. In my book Basic Astrotech (1986) I illustrated how Heliocentric Mercury traveling through Sagittarius often creates short, sharp moves up in Gold generally of about 8 to 10 days.)

In January 1996, Jupiter concluded its trip through Sagittarius and started its journey in the sign of Capricorn. In general, Jupiter in Capricorn indicates a sideways or down market. I illustrated the previous example of Jupiter in Capricorn and the movement of the DJIA in my 1996 Trader’s Astrological Almanac. I showed how the market moved up while Jupiter was in Sagittarius (1983) and that the market was down to sideways while Jupiter was in Capricorn (1984). Will the DJIA follow the 1984 pattern in 1996? Not exactly, there are two additional considerations to the movement of the Dow in 1996. The first was an additional market cycle indicating the market would top out in April-May 1996. By combining the Jupiter in Capricorn cycle with the other cycle, this indicated the market top should occur in the window somewhere between Jupiter moving into Capricorn in January through May 1996. Second and more importantly, 1996 is the election year. It is common knowledge that markets do not fall in election years. A falling market is a sure fire way not to be reelected. In election years markets are kept up by hook or by crook and, of course, smoke and mirrors. This being the case, 1996 will be somewhat of an aberration year for Jupiter in Capricorn. However, if you compare the low in 1984, which came in the summer, it coincides with the drop in the DJIA in July 1996 (It also occurred during the Jupiter Retrograde period to be discussed shortly). So, what should we expect from the DJIA for the rest of its trip through Capricorn? It should stay reasonably near present levels until the election, then will drop into a major low as Jupiter winds up its Capricorn





stay and moves into the sign of Aquarius in 1997. The other major cycles are also coming together to signal a low in the Spring of 1997. Following the correction, the market can form a base, gain strength and gather momentum in order to start another move up.

The action of the markets now, after the election and through the summer of 1997, will make stock trading harder than it has been in 1995 and the first half of 1996. Newcomers who are not used to anything but bull markets can get caught in sharp moves down and get badly burned. Investors will need additional and even superior information to help pick the stocks that have the potential to go up in 1997.

PICKING INDIVIDUAL STOCKS

Fortunately, Jupiter comes to the rescue again, enabling the investor to pick the stocks that have more potential for a significant increase in price. Jupiter's energy is expansive, and when by transit (the position of the planet at any given time) it passes over the fixed positions of the planets as they were on the day a company was incorporated (called the Natal Chart) or the day of the first trade, the price of that stock often goes up. Bill Meridian, in his book "Planetary Stock Trading" and Grace Morris, in her book 'How To Choose Stocks That Will Outperform The Market For 1996 & 1997", have both written extensively on Jupiter's effect on Stock Incorporation charts and First Trade chart , as one of configurations that tends to increase the price of individual stocks. However, for this article I shall dwell only on Jupiter's effect, due to limitations of time and space, but I heartily recommend both Grace's and Bill's books for further study of additional tools.

The first step then, is to find the incorporation date or first trade date of the stock. These dates are available from several sources, such as contacting the company, or the Secretary of State in the state where the company was incorporated. Moody's Handbook also lists many incorporation dates. Bill Meridian's previously mentioned book includes numerous first trade dates. You can also contact the New York Stock Exchange (NYSE) or NASDAQ (for over the counter stocks) through your broker to get these dates. There are several computer programs, including my Galactic Stock Trader™, that already have most of the incorporation dates and first trade dates in it's database. In fact, for the trader or investor who is not familiar with planetary information, the Galactic Stock Trader™ takes all of the guesswork out of how to pick the stocks with Jupiter energizing their incorporation or first trade dates for any given time frame. This is done by simply requesting a search of the stock file which contains over three thousand stock incorporation and first trade dates. Next specify, for example, that Jupiter between January 1996 and December 1996 should be aligned with the Sun, Mercury, Venus and/or Jupiter on the incorporation or first trade date. The short list of the specific stocks under Jupiter energy will then be listed either on the screen or in a print out. A partial segment of the print out is shown in Figure 1.

FIGURE 1
Cooper Indust.
11/28/1996 Jupiter Conjunct Sun

Northern Telecom

1/14/96	Jupiter Conjunct Mercury
1/27/96	Jupiter Conjunct Venus
3/18/96	Jupiter Conjunct Sun
6/22/96	Jupiter Conjunct Sun

11/10/96 Jupiter Conjunct Sun

Rockwell International
12/23/96 Jupiter Conjunct Venus

The printout shows several stocks, some have more energized dates listed than others. Obviously the more dates listed, the more energy is given to that particular stock in the specified time frame.

You will notice that Northern Telecom has 5 dates listed from January to November. Due to the extended time Jupiter energizes this stock's chart makes it most worthy of further investigation. The list indicated that Northern Telecom should increase in price starting near January 14, 1996, the date of the first alignment of Jupiter with Mercury. Chart 1 illustrates that the stock did in fact start up near that date and continued in a general trend up for the first half of 1996. The second date listed, Jupiter over Venus, added momentum and sent the price sharply up. The next date, March 14, 1996, when Jupiter went over the Sun, produced a top before a minor retracement. Then price went up to the next date, June 22, 1996, when Jupiter went over the Sun again, but this time Jupiter was in Retrograde motion. The Retrograde is important and needs further explanation. When Jupiter is viewed from the Earth it appears to move backwards or "retrograde" for several months of each year. It never actually moves backwards, but the apparent backwards motion is a result of the fact that the Earth is also moving, and when two moving objects going at different speeds come into certain visible relationships with each other, the slower one (in this case, Jupiter) will appear to move backward for a period of time.

The real importance of the retrograde motion of Jupiter is that it gives the planet the opportunity to pass over the same incorporation planet three times instead of once. In the case of Northern Telecom, Jupiter crosses the incorporation Sun three times (3/18/96, 6/22/96 and 11/10/96). Note that Jupiter only crosses Mercury (1/14/96) and Venus (1/27/96) once. And note also, in Figure 1; that Rockwell International and Cooper Indust. Only have one pass each of Jupiter, clearly showing why Northern Telecom is highly energized in 1996, making it a stock to follow.

To elaborate further, while Jupiter takes approximately one year to travel through each sign (a total of 30 degrees), it spends seven months in an area of only 10 degrees, due to the retrograde, and five months travelling quickly through the remaining 20 degrees. This means that incorporation or first trade charts having planets in the particular 10 degree retrograde area have concentrated Jupiter energy for an extended period of time.

It often happens that when Jupiter, during it's retrograde period, makes the second pass over the Sun of the incorporation chart, the stock price will make a retracement providing the investor with the opportunity to buy the stock again. Now let's look at Northern Telecom. Chart 1 shows the move up from the time of Jupiter's first pass over the Sun (3/18/96) to the second pass over the Sun (6/22/96). I will come back to the retracement of price following this second pass date after I have covered how and where to buy the stock in January 1996.

COMBINING PLANETARY AND TECHNICAL TOOLS

The Jupiter information alone explains why the price of Northern Telecom has had a good move up from January through June of 1996. But, in order to trade this stock, more information is needed. Specifically, where to buy. To provide entry points, we will enlist the service of a simple technical tool, the Dynamic Trio™.

The Dynamic Trio™ is a proprietary calculation designed by Robert Krausz, and is available with the Fibonacci Trader™ software. The Fibonacci Trader™ can be an add-on module to the Galactic Trader™ and the Galactic Stock Trader™. The Dynamic Trio™ line (DT line) functions well as a trend indicator. When it is below the market, the trend is UP and you should be buying. When the DT line is above the market, the trend is DOWN and you should NOT be buying.

WHEN AND WHERE TO BUY STOCK

Chart 2 shows Northern Telecom stock with the Dynamic Trio™ line defining the trend. As you can see, the first Jupiter date (Jupiter over Mercury) was on 1/14/96. On 1/10/96 (at the arrow) price touched the DT line on this day and closed above it. This “touch” and close above the line in the vicinity of a planetary date was a clear BUY SIGNAL. You can buy the stock the next day on the open.

WHEN TO ADD TO YOUR POSITION AND HOW TO MONITOR YOUR POSITION

After the buy signal on 1/10/96 the market took off up until the middle of February, and then retraced back to where? The DT line! This occurred in early March, and this “touch” issued another BUY SIGNAL since it was near the Jupiter/Sun date of 3/18/96. This set up produced a good signal to add more stock to an already profitable position.

After 3/18/96, the Jupiter/Sun date, price retraced again, setting up a third buy signal at the DT line (4/1/96). In May and June, prior to the second pass of Jupiter over the Sun (6/22/96), there were two more “touches” on the DT line, but these “touches” did not generate BUY SIGNALS — WHY? Because I have a firm rule: only buy three times on the Dynamic Trio™ line. In other words, only the first, second and third “touches” are buy signals offering an opportunity to add to your position if you so desire. Following the third buy, price has generally moved too far to make additional stock buys profitable. Also, at some point price will come down to close below the DT line, giving a sell signal. This is another reason to use the “only 3” buy rule. The more times price “touches” the DT line, the greater the chance that price will fall below the DT line, but in general, you can get three “touches” out of a single trend.

WHEN TO TAKE PROFIT

You must certainly take profit if the price closes down under the DT line. A Friday close under the line is a very serious sell signal. The DT line is based on a weekly calculation, so as long as there is no weekly close under the DT line, the line will remain under the market. A weekly close under the line causes the line to spring up over the market, shifting the market to a sell mode.

Rule: If the Dynamic Trio™ line is under the market - only be looking to buy on or near planetary dates when price touches of the DT line.

If the Dynamic Trio™ line is over the market - do not buy. If you are trading an active stock, like IBM, you can sell short under the Dynamic Trio™ line, but that is another whole article and will not be covered here.

You should not wait for a close below the DT line to take profits on stocks; instead you can use my Planetary Lines (part of the Galactic Trader™ software) to determine the best profit point.

ANOTHER CONFIRMING TOOL

Chart 3 illustrates another confirming tool. Note the second line parallel to the DT line at point A. This second line is generated by the planet Pluto. The Pluto lines are placed horizontally across Chart 3 at $2.40 apart. Why $2.40? Because when the planet is placed on Gann's Wheel of 24 and converted into price, the planetary price lines are created. The exact mathematical calculation to do this procedure is clearly described in my book " The Universal Clock', and is automatically calculated by the Galactic Trader™ software, which was reviewed in the last issue of Trader's World Magazine.

The planetary lines create important support and resistance levels for price, and they are doubly powerful when they occur at the same level as the DT line. See point A on Chart 3; this double support is an EXCELLENT BUY. Once price bounces up off this strong Pluto and DT line, watch for price to go up three Pluto lines and occasionally four, before having a major retracement. (In an average market, the move will be to the 3rd Pluto line. In a very strong market, the move will be to the 4th line or higher before a retracement is made.)

How do you know if the 3rd Pluto line is going to hold as resistance to price? In this case, at point B, price slashed right through the Pluto line without a pause; this was a clear indication that it would continue on to at least one more Pluto line at point C.

The action of price at point C on Chart 3 is a clear example of the planetary line holding as resistance. Note that price never closed over the Pluto line. This is an indication of strong resistance and a warning that price will retrace to lower levels. Where can price retrace to? Obviously, down to the next lower Pluto line or the DT line just below the Pluto line. This time it bounced off the Pluto line and then continued down to the DT line.

There are only two things that can happen once price reaches the DT line.

1. Price touches the DT line and closes above it, thereby creating another BUY SIGNAL. 2. Price touches the DT line and closes below it, alerting you to take profits because the trend is over for the moment. A Friday close below the line is very serious, it means the market has now moved into a sell mode.

In this case, on Chart 3, the first scenario unfolded and another buy signal was issued, presenting a perfect opportunity to add to your position.

A 3rd buy signal was issued before price finally got above the 4th Pluto line in late April. Once above this line price came back to support on it again at point F. This was a double support point since Pluto and the DT line were together, indicating a further move up. This was not another buy signal because of our "buy only 3 rule".

Price now moved up to the 6th Pluto line at G; see Chart 4. The 3rd and 6th Pluto lines are very often the termination points of market moves. When price slashed through Pluto line 3, it indicated the market was stronger than average and therefore went up to line 4. However, when price reached line 6 at G, there was no close over the line at G, indicating there was no energy left in the market. The 6th line in a move up is a very strong resistance area. Where would it go down to? The answer is the same answer as given at point C! Either down to the next lower Pluto line, or the DT line. As we already discussed, there are only two things that can happen once price touches the DT line. In this case, price supported again at the DT line at H and again at 1, a double support line with Pluto and the DT line.

What has happened so far is that you have had a complete monitor on the market. You knew you could expect retracements, especially when price reached the 3rd (4th) or 6th Pluto lines and you also knew where to expect price to retrace to; the next lower Pluto line or the DT line. You now should know that after three "touches" of the DT line (Buy Signals) you must protect your position by watching for profit points as outlined below.

WHERE TO TAKE PROFIT

Note that on 6/22/96 we had Jupiter Retrograde conjunct the Sun, and as mentioned before, this often causes a retracement with a chance to buy again at a lower price. Confirming this retracement was price touching the 6th Pluto line twice at G and J, and after a valiant effort to move above it, with two closes over it at J, price came back and closed under the Pluto line, signaling the planetary line holding as resistance. Therefore, on or around 6/22/96 (planetary date) you had a chance to take some or all profit at one of three places. The first place was at the 6th Pluto line. The second place was on a close under the 6th Pluto line at J. The third place was on a close under the DT line.

To recap, at 1, price shot up to close above the 6th Pluto line twice, but then closed back under the line. This is a negative signal. And finally at K, price closed under the Dynamic Trio™ line for the first time in seven months. If you hadn't taken profits already, you must now. This close under the DT was also a Friday close, which is a very serious sell signal. Even if you had not taken profit earlier at the Pluto line and waited until price came down through the DT line, you were still up $10.00! A very nice trade.

The expected retracement on the Jupiter retrograde period near the Jupiter/Sun date of 6/22/96 occurred and where did price go down to? In this case, 4 Pluto lines down! The first big move up was 4 Pluto lines and the first big move down was 4 Pluto lines! Remember, price will generally move 3 lines unless the market is very strong and then it slashes through the 3rd to stop at the 4th. (Note that after the retracement, price then bounced back up 3 lines!) At this point the Dynamic Trio™ line has moved to the top of prices, meaning the market is now in a SELL MODE (see rules).

WHEN TO BUY AGAIN

There is still another Jupiter aspect to come in November 1996. Therefore, price should move back up into this aspect. Look for a buy signal to form as price closes over the DT line, especially if the DT line is at the same level as a Pluto line giving double support. Then look to take profit on or near the Sun/Jupiter date of 11/10/96.

Remember, the market turns negative following the election, therefore look to take profits at Pluto lines on or near 11/10/96 and certainly take all profits on any close under the DT line. There are several other fine tuning planetary tools that can be combined with the above to keep your finger even more tightly on the pulse of the market. For example, the Venus price lines, which clearly define and monitor short price hops up and down for this stock. The Venus price lines are calculated in exactly the same manner as the Pluto lines on Gann's Wheel of 24. They are displayed automatically on the Galactic Trader™ software. Another important timing tool is the transit to transit planetary aspects giving market reversal dates. For example, Mars aspecting Jupiter in 15 degree increments generally gives nice reversals on Northern Telecom. These aspects are especially useful when looking to enter or exit (buy or take profit). For example, if you are looking to take profit and price has reached a Pluto line, and a Mars/Jupiter aspect forms at that same time, the Mars/Jupiter aspect date can time the reversal and therefore the profit point for you. Further explanation of these additional tools would take up the whole magazine, and therefore will be left for future articles.

Gann Masters is Hot!

The Gann Masters Course devel-oped by Traders World Magazine is hot! The number of course takers is approaching 1000! The reason the course is so successful is that it was developed by Traders World Magazine in cooperation with some big and profitable Gann Traders. W.D. Gann was rumored to have made 50 million dollars trading stocks and commodities. That was before he died in 1955 after studying and trading the markets for 40 years. Much of his books and courses are written in veiled language. They are very hard to understand. The reason Gann did this was to hide his good material in the course making the student search it out and test it himself. After the student did all the work to find it and back test it, it would mean a lot more to him, than if Gann just gave it to him. If you were Gann, after studying the markets for 40 years, would you give out your highly profitable trading secrets for just a $3000 course?

Traders World went through the Gann course material and asked professional Gann traders what the important parts were. These parts were then clearly rewritten so students could understand it.

A Microsoft Excel™ template was developed which contains almost all of Gann's master charts including the famous Square of Nine. But these digital master charts are much better than Gann's. For one thing they can be expanded out to many more levels than Gann could do on a sheet of paper. You can also, for example, put the low or the high of a market move in the center of the Square of Nine and have it automatically expand all around the square. This gives you important future resistance and support points. Even dates can be put in the center giving you future support and resistance dates. The course is priced at $90.00 plus $3.00 shipping. It can be ordered from Traders World Magazine. 1-800-288-4266, Fax 417-886-5180.

Notice to CURRENT Students

Our new Gann Masters Internet site will be opening by the end of November. Current students send your Email number to publisher@tradersworld.com. We need this to set you up on the site as a member. You will be able to complete your required test and receive new Gann Masters information as well as be able to attend the Gann Master forums. This is a must for your continuing education.

Is Your Computer Causing You to Loose Money?

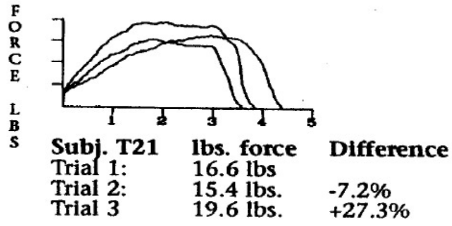
By Larry Jacobs

As a trader in front of a computer, do you find yourself fatigued, stressed and nervous in trying to find buy and sell signals. Do you find that you can't make money trading even though the signals are there? Research is finding that the 60 hertz electromagnetic fields emitted from your computer weakens the body, and in particular, the opponens muscle, the muscle which is associated with brain functioning in applied kinesiology. This is the reason that you may have not been able to make money trading the markets using a computerized technical analysis software program. This is also the reason that many day traders that sit in front of a computer all day can't make money. Their brain simple can't function properly with the electromagnetic fields being emitted from their computer. Some of the latest computer screens do have MPRII shield protection, but it still does not stop the all of the emission from the computer screen and it does not stop the electromagnetic emissions from the computer box.

Now there is finally the BioElectric Shield™ which shields you from these electromagnetic brain draining emissions. The BioElectric Shield is composed of a matrix of precision cut quartz (and other) crystals designed to balance and strengthen your natural field. Max von Laue won a Nobel Prize in Physics in 1914 by showing that x-rays could be reflected and redirected with zinc-sulfide crustal (ZnS), in much the same way as mirrors are used to reflect and redirect visible light. William Bragg won the Nobel Price in 1915 for establishing "Bragg's Law" which determines the specific crystal spacing (i.e. the specific lattice spacing) needed to reflect and redirect any type of electromagnetic energy. Since then, scientists have used crystals to reflect and redirect other types of electromagnetic radiation (like gamma rays). Modern science also has made extensive use of the fact that different crystals "resonate" at different frequencies. The first shortwave radios and electric watches were made of quartz crystals, because quartz amplified and stabilizes only certain fixed frequencies of vibration. For the same reason, the first lasers were made from rubies. The Bioelectric Shield strengthens your energy field in two ways: first by deflecting and redirecting energies that impinge on you from your environment, and secondly, by reinforcing your own natural energies so that they are much less susceptible to outside disturbances.

Over the past 5 years, more that 12,000 people have been tested using traditional applied kinesiology, a finger dynamometer, or computerized myography. Approximately 98% of this group showed a decrease in muscle strength when exposed to 60 hertz frequencies such as computers. Of this group that was weakened, 99% were strengthened when a Shield was worn. Research was conducted by Dr. Charles W. Brown, Dr. Yvonne Yurichko, and Virginia Bonta, Occupational Therapist. Additional, double-blind studies were performed by the 2 doctors to rule out a placebo effect. Of the 50 subjects tested, none were strengthen by the placebo and all were strengthened by the Shield.

The initial research utilized a computerized device which recorded 50 different acupuncture points representing the immune system and all the major body organs. After wearing the Shield for one month, the individuals tested showed a 108% to 400% improvement in the number of scores which fell into the "peak health" range.



Trial 1:	16.6 lbs	
Trial 2:	15.4 lbs.	-7.2%
Trial 3:	19.6 lbs	+27.3%

The above graph refers to the most recent research on 25 subjects. The graph shows the test results of one subject. Each line represents computerized myography, or muscle strength under three difference conditions. Conditions and results were:

1. The baseline muscle strength is established in pounds of force.

2. After subject sits 5 minutes in front of a computer, muscle strength dropped, on average, 16.89%, demonstrating a weakening effect on the body.

3. After subject sits with Shield on in front of a computer, strength improved 44.16%. 21 out of 25 subjects were actually stronger on their third reading than they had been on their first reading. This shows that the Shield not only effectively cancels the weakening effect of sitting in front of a computer, but actually strengthens a person beyond their initial reading even under adverse conditions. Therefore, a trader wearing the Shield is more effective analyzing or trading the market using their computer superior trading ability than the trader who does not wear the Shield.

It is interesting to note that of all the individuals tested, in various research conditions, only some people felt substantially different wearing a Shield. Most of us are unaware of the status of our immune system, muscles and other body functions. The Shield strengthens your body below your normal conscious awareness level. Research is the only tool that has shown how much stronger the human body is when protected by a Shield. Traders of the market really don't know that the computer they trade with is draining their mind power to effectively analyze the market no matter what software program they use.

The BioElectric Shield is a silver pendant with brass accents which contains a scientifically researched activated matrix of quartz and other crystals inside. Nobel prize winning physicists have shown crystals can stabilize and redirect energy. The shield utilizes these same principals to help traders who work with computers to cope with the effects of the electromagnetic fields emitted from their computer. The shield is an energy cushion between you and the brain draining power of your computer. The following are just some of the many letters received praising the effectiveness of the Shield:

When I wear the Shield, I have more energy, greater clarity of thought and better perceptions. Dannion Brinkley, New York Times Best Seller, Saved By the Light COMPUTER USERS

"Really amazing. After years of suffering fatigue from fluorescent lights and computers, I suddenly have energy and ambition! Before, many days I just went home and went to bed. In the past month since I've been wearing the Shield, I've finally bought a computer for myself to use at home. Before the Shield, I would have never thought of getting a computer because I couldn't even recover from my daily use of computers at work. Now I can go home and work on my machine for an hour or so and many evenings still have enough energy to study for another hour!" A. Hill, Lab Tech./UCLA

"Overall I feel balanced. I used to feel very drained, especially after working at my computer for more than an hour. I now feel a sense of comfort. I have been wearing my Shield for three years. I am always surrounded by computers. One day I forgot to wear it and wondered why I felt so tired. Now my motto is, Don't leave home without it! K. Thies, Graphics Designer/Publicist, CO

After working with computers all day, when I would get home a night I was exhausted. With the Shield, I am now alert and able to enjoy my evenings! Difficult situations bother me much less. It's as if the negative passes over me." A. Rand, Video Tape Editor

Generally I'm better able to concentrate and get my work done. I have 3 personal computers on my desk running all day. Often, if I'm not wearing my Shield, I can't concentrate a full day and often get a headaches T. Arnow, Technical Writer, CA, Psychotherapists/Counselors/Psychiatrists.

You can order the BioShield from Traders World Magazine. The price is $139.95 for (North American Version) Sterling silver w/gold-tone (brass) accents. BioElectric Shield - International (Give Country) is $160.00. To order call or use the Traders World ordering blank in the catalog section of this magazine. There is a 30 day money-back guarantee.

Can you " See" it ? Truth Lost in Translation ?

By T.H. Murrey

Do we use .618 "Golden Mean"or .625 Fibonacci Ratio? Who do you Trade with: W.D. Gann or Murrey Math? W. D. Gann used .618 and Murrey Math uses .625 !!! Converting to (.625): allows you to memorize every major price reversal point for every stock between Zero and $ 100.0 in just a few minutes, so that you are able to "predict" reversals (more accurately).

In my 1st article (Winter 1996, Issue # 21.), I told everyone to just accept what I say as "Gospel" and to "set" all your 8/8th divisions against the "Harmonic Rhythm" (inside the cube of the Base of Ten (10)), and it would be much simpler to just use the Fibonacci Ratio (.625) rather than the "Golden Mean"(.618), when we want to measure "runs" from extremes (high / low extremes). inside our 8/8ths.

I want to show you what I "saw" (Pure Math) that will allow you to set all "traded Markets" off the same rectangular frame "Square in Time" and make your entry and exits more profitable and worry-free.

How did I find this Pure Math System ?

I just "saw" it when I read the "obvious" "clue" that Leonardo da Vinci had drawn on his 14th Century sketch of the Man inside the Circle / Square / and a Triangle. (See Figure # 1--Man in Circle / Square / Triangle).

(He penciled in (.618 + - .625 or .382 + - .375).

Leonardo da Vinci "plagiarized" the earlier works of Marcus Vitruvious Pollio, from Athens, Greece, who "plagerized" the works of Pathegorus (and his Geometric Theroms), when he presented his sketch with the "clue" which was actually the obvious addressing of the fact that one must translate the "thought" (which eventually becomes man) to a measurement off the spoken and written base of Ten.

He was letting you know that the Human Body is measured in percentages against the

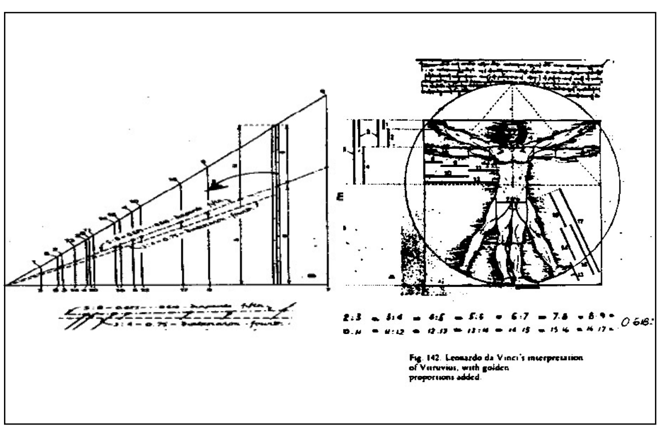


Figure 1 - Man in the Circle/Square/Triangle

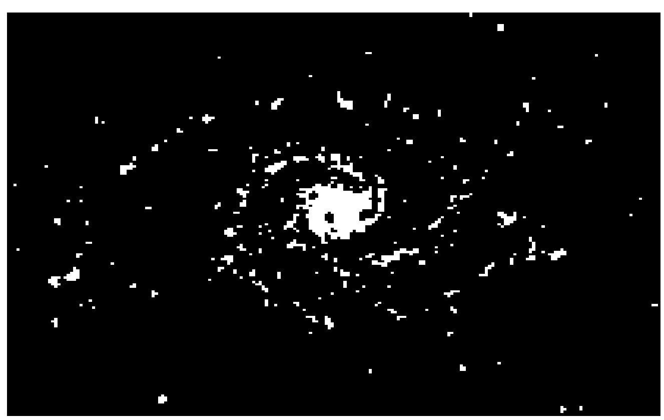


Figure 2 - Galaxies Spinning in Space

“Golden Mean” (.618), but the words that we use to express these “ratios” is expressed on the Base of Ten (10) (.625).

What “exactly” is the “Golden Mean?”

The “Golden Mean” is a Mathematical expression of the relationship between two masses or quantities (Positive and Negative or high and low) as they undulate in space as a “proportion of density at two extremes” through “Time.”

Let’s explore the logic behind the conversion of your “attitude” to continue to trade with a Law of the Universe (.618) that was designed to “observe” differences between masses in space, but not for Mathematical expressions set to the base of Ten (10) See Figure # 2. (Galaxy)

My contention is that all Math-Related calculations of any market “discussed” should be “traded” against the “Harmonic Expression” of a Musical Vibration on the base of Ten (10) as an exponent of an Absolute numbering system (not a random percentage of what Nature has to Reveal to you through Time. (Please convert from .618 to .625).

But, if the difference is so minute, why should I even bother with wanting to know the difference ?

Simple ! You may memorize all the 1/8ths of any market 9 months before it trades in the next Octave.

How did the “Golden Mean” come to be?

Someone who had nothing better to do than to “observe” the obvious “saw” Math in Nature.

Example: Growth rate of untreated Diseases: when the Spanish brought (sex related) viruses over and inserted them into the female “Native Americans” the rate of speed of duplication was as follows: (we shall substitute “real names” for numbers of sex partners) and we “see” the result of “unclean” casual sex to increase at the rate of: 1(1), 1(2), 2(3), 3(4), 5(5), 8(6), 13(7), 21(8), 34(9), 55(10), 87(11), 144(12), 231(13), 375(14) (remember this number), 606(15, 981(16) (remember that number) etc.

You “see” that the percentage of transmitted cases levels off after so many “infectious affairs” are reported as being not worth the “fun” for taking part. (The action wasn’t worth the reaction). The percentage (or odds) of becoming “infected” becomes more stable as the “common” man “sees” the reaction to his actions: disease.

You shall “see” that Nature has only one (1) Square number (144) 12 x 12 = 144, which is Pure Math Harmony Vertically and Horizontally (which are “sound pitch changes” in an Octave).

But, you “see” that the progression of “Time and Repetition” Squares repeat only once

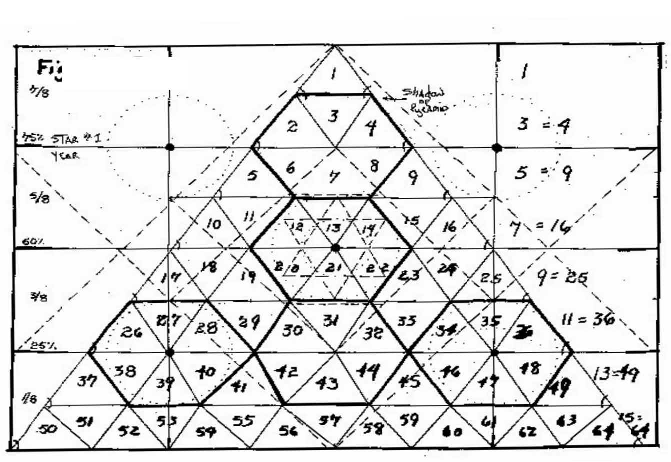


Figure 3 Harmonic Circle/Square

Figure 4 - Hexagons inside Triangle

in Nature and that is "exactly" at the 12th "cumulative" repetition of expansion. (12 x 12 or 87 plus (+) 55 = 144).

Now, at the (11th repetition) 87 we divide 34 by 55 and we arrive at .618181818.

There in "Nature" lies this number (.618) for the next sequence is the 12th Triad of progression, which equals Time (vertical) and Price (horizontal) "Perfection" for it falls off to .6041667 after its 12th cumulative repetition, but it picks back up after the 15th (Do, Re, Mi) into the next Octave of Repetition and continues to result in (.618) into the future.

Remember earlier when we learned that the 14th continuous repetition equaled 375? Well every thing in Nature is 12 "somethings" so 14 would have to be 2/8ths or 25.% into the next Octave and the only place that 375 can ever be "proportional to Music is to go on the base of Ten (10) by dividing 1,000 by 8 = 125. And then adding (Do, Re, Mi) or 125. X 3 = 375. And we know that the Star of David shall rest at the same place in any Square (25.% and 75.%) horizontal lines (because of the "thought" dots, which is the same as (14) or plus 2/8ths into the next Octave. (Pure and simple).

There is a 2nd simple way to "observe" the "Golden Mean" by "extracting" it from a "Golden Triangle."

It is a Triangle with two sides that are equal and has equal arcs set to (6) (sound pitch) (12 x 6 = 72°) per arc with the top angle equaling (3) (12 x 3 = 36°) equal (sound pitch) parts, which equal (15) equal arc lengths (that flattened out to equal a straight line (180°) 12 parts of 100.% "somethings."

Side Note: Musicians talk about the Circle of 5ths, which may be "seen" or "heard" by counting the Octave "pitch sound changes" in a straight line, Triangle, and a Circle: the Triangle = 15 parts and the Circle = 12 parts; which equal 180° which is the number of degrees in the straight line. (So 3 "parts" of the "sound pitch" must make the same "tone" which they do, which means that 15=12 or 12=15 in "Harmonic Terms")(Circle=Square-Straight line)

The formula for the "Golden Mean" is arrived at by the following calculation: AB(side) divided by BC(side) = Gr, Δ (1 + ÷ (Square Root 5) divided by 2 = 1.618.(Ratio = .618).

Murrey Math way set on "Harmonic Base of Ten: My way, the "easy" way, is found off the base of Ten is to use the Fibonacci Ratio which is calculated by dividing the "Golden Mean" (Law of Random Repetition) by the number of cases increasing through time by the amount of time as an exponent of the number of cases which equates to:

1, 1, 2, 3, 5, 8
1, .50
2, .50
3,

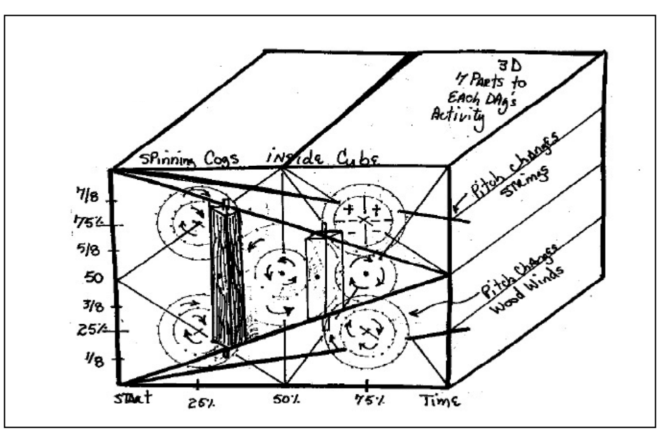


Figure 5 - Cube 3rd Dimension.

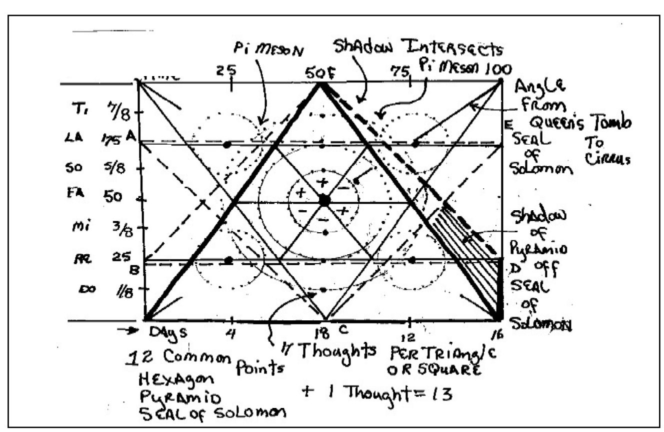


Figure 6 Trilogy Seal of Solomon

5, .625 (5th level) or 5/8ths
8, 1.00

Please place a dot (“thought”) on a plain piece of paper. Set a Triangle (centered) on top of the dot.Turn a second Triangle (the same size) upside down and place it centered over the 1st Triangle. Do you “see” the Star of David? A dot has been added on the 75.% line.

Now we lay the frame of a Square over the Star of David and we “see” that it rests on the 25.% and 75.% lines (horizontally) with the two dots placed at 3/8ths and 5/8ths inside an Octave (inside a Square).

The dots are now on the 25, 50, and 75.% lines. We add dots equidistant above and below the (3) dots and we have just divided the base of (10) by (8) or multiplied 100 by 1.125 %. (12.50 points is the distance between each dot, so we must transfer our Math “thinking” from “random sex occurrences” in Nature to the base of Ten (10), which yields (.375)).

This means that the mean average length of movement in one direction is 12.5 x 3 =37.5%; (.375) Murrey Math (3/8ths) is simpler to use on the Base of Ten (not (.618) off the “Golden Mean”).

Another simple analogy may be derived from the 3 dots placed into two overlapping Triangles called the Star of David and that is: every Triangle must have its own “thought” centered dot, so we shall end up with a dot in every smaller Triangle or every 12.5 % moves up or down based off the base of Ten (10).

I “observed” this distance run and published them in my book (2 years ago) and also informed you that all markets want to stay inside their 3 dots Trading Range (3/8ths, 4/8ths and 5/8ths) 43.% of the time, while they are moving across a “Square in Time” = to (16 trading days; or a quarter or a year).

It is hard for a market to “break into” this mean average channel of trading, but once it is in here, it wants to trades between 3/8ths and 5/8ths.

Once it “breaks above” the 5/8ths line “buyers” will come in having to pay an “extra premium” for your market, but it will have a hard time running up past the 75.% line (the 1st time it comes up to it).

Now, you can “see” why W.D. Gann spoke of the 1/8ths and how a market reacted off one set of lines differently from another. I don’t contest his evaluations, but he left the work incomplete.

He failed to mention that the 1/8th and 7/8th lines are the same as being “weak” and fast reverse lines.

He failed to recognize that the 2/8th, 4/8th, 6/8th and 8/8th lines act “exactly” alike in wanting to “resist” entry or “repel” markets in the opposite direction (this where we set

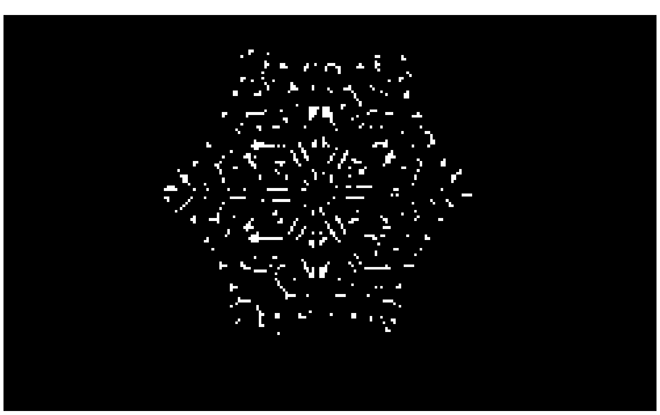


Figure 7 Snow Flake

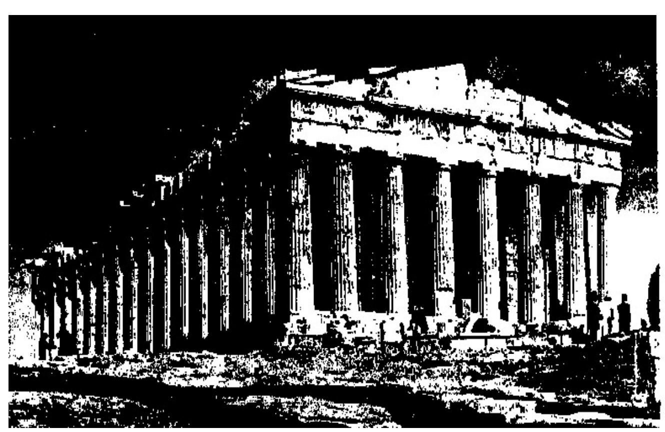


Figure 8 Partheon

our Price-Time frame).

He never mentioned the fact that the “Trading Range” for all markets lies between 3/8ths (.375) and 5/8ths (.625), but he said that all markets would find the most support / resistance on the 50.% line.

But W.D. Gann did verify that markets wanted to reverse after a run inside an 8/8ths (high / low) at the (.382) or (.618) distance.

W.D. Gann also failed the tell you that all markets want to “run” up or down at different “exact speeds” per the Octave they were “currently trading inside.”

All markets want to move up (+1/8th, 2/8th, 3/8th, 5/8th, 7/8th, 9/8th, 11/8, of 13/8th) and they want to fall back down (-2/8th, 4/8th, 6/8th, 8/8th, 10/8th, 12/8th or 14/th) inside the Octave they trade now.

W.D. Gann also failed to tell you that all of the Octave Lines are already “set” just waiting for your market to come back down there and “touch” it, or close above it and reverse and move back up toward its old highs (he knew them, but he wouldn’t tell).

W.D. Gann often had his 1/8th lines so far apart you would get “whip-lashed” inside a 1/8th of one of his 8/8ths extremes because it might work out to be more than 3.00 points in between each 1/8th line.

Example: 37.5 point high / low extreme move: divided by 8 = 4.68 points. Now Gann said to watch a market run up or down (.382) x 4.68 = 14.06 points to expect to sell the 1st time. Murrey Math says that this market is moving inside 12.5 points so we should divide 12.5 by 8 = 1.5625; so we are saying to sell 1.5625 x 3 = 4.68 points; so we could have 3 “winning trades” while all the W.D. Gann Traders” are watching their market make 9 tries (up and down) to make it up 14.06 points (3/8)

Knowing where these preset (1/8th) lines are before your market ever trades at these higher / lower prices allows you the “advantage” of being able to pre-calculate the reversal points against any “new” or higher territories this market has never reached.

It confounds me no end to ask any American if they have ever “thought” about the Japanese “Nikkei Dow. And they just look at me like I was Oriental !

I’ll bet you any amount of money you have, that every Octave any stock or market shall ever move higher into, has already been “tested” and “reacted to” the same way by the Japanese Dow, for the simple reason that is traded off the base of Ten (10).

Side Note: The Star of David’s lines are set to the “Golden Mean” (.618), but it is resting on the 25.% line in a Cube, so it is “Harmonically” set to base 10

I know you should “see” 6 Triangles on the outside of the Star of David, and 1 (Hexagon) (6 Triangles) on the inside. The total number of sides on the outside = 12; and the total of sides

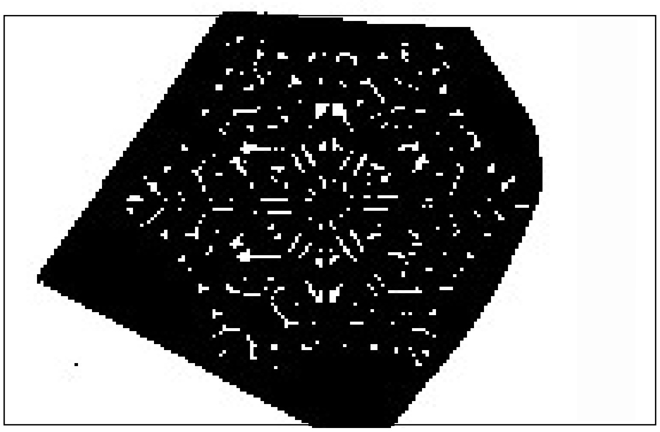


Figure 9 S&P 500

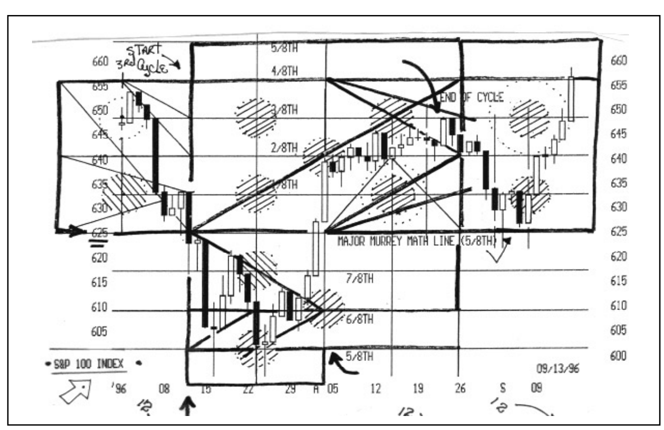


Figure 10 - OEX

in the middle (Hexagon) = 12 sides Each line that intersects an adjacent line segment is either (.382) or (.681) ("Golden Mean") of the total distance in a direction.

You are subject to the "Golden Triangle" when you are conceived by your parents, but not when you trade any market that is "traded" on the base of Ten.

The Trilogy of Three "Somethings" controls this Universe. (Baseball: 3 strikes your out (prison).

Two people meet; fall in love; and decide to conceive a child. The "thought" creates a third generation. One cell moves into a 2nd cell; thus forming a 3rd.

The one cell divides: 1, 2, 4, 8, 16, 32, 62 (it doesn't complete the "Square in Time" (or it would be complete), so it always has a physical "flaw." (Try and find a "perfect 10 Human Body ! (no plastic). This was what Leonardo da Vinci was displaying. See Figures #1. (Man in Circle) and (Human Dimensions)

"Habit" is a result of 3 consecutive "same" results derived from the same "thought." After "habit" comes your "Nature." People "see" you as it.

A single "thought" is the "bonding" of a Triangle. (Look at the "thought" on back of a Dollar Bill; the shadow of the pyramid is 12.5% out from the base.

The single "thought" moves to the center of the Triangle as soon as it is formed and becomes its "Habit" as long as this "Universe" exists.

All markets are composed of "Humans" trading within their "Nature" to perceive their own "reality" as they translate what they "hear" against what they "see" happening in front of them.

The biggest information failure in the Nation is the reversing of the obvious; that is to take what you "see" (market movement based on Math) and translate it back into "fundamentals" and "B.S." and "guesses" for why a market is going in the direction it is! Rather than just play with or against numbers.

Why not just take 5 minutes each day to "see" its direction and get on board and make a small profit every day, by selling off 1/2 as it goes up or down.

Side Note: Harmonically: as any Square (Cube) increases in size it always has 1 large Triangle with 7 smaller Triangles making (7) baselines wach having a 50% midpoint of "thoughts" that shall be positioned as 1/16 (or Bonds 1/32nd) of an Octave.

See Figure #4. (Hexagons Inside Triangle)

The Parthenon has 16 columns down the "Time Side" (long side) to tell you two things: 1)there are 4 seasons: 4 divided into 16=4; and 2)the length of these 16 columns=the circumference of the Earth (minus 50 feet) (if we measure the top steps' distance by seconds, minutes, hours, degrees, then by 360 we get the circumference of Earth 432 b.c.).

The 16 columns x 4=64 (I Ching) trading days or reverse it by saying 1 year is = to 4 seasons x 13 weeks; minus Saturday and Sunday (per season); or 64 (1 trading season) x 4 = 256 average yearly trading days or the (average days for child to be born.

So, the "Square in Time" is set against the 4 seasons of each year (started over each year) with no regard to W. D. Gann's High/Low extremes. (The last time I looked up it was the amount of water, heat, length of a growing season, that determined the price of raw goods, not how many bales of cotton China "said" they wanted to "buy" to make $1.00 tee shirts go up in price; because demand and supply are always reflected in the current running price of anythong; (for "someone" has been known to lie).

If you want further proof of Murrey Math and "Harmonic Rhythm" please take a tape measure and count the distance between each column at the Parthenon, and you shall "see" that one column might be 14.06 feet from the next adjacent column (which is 1.5625 feet off center, which is 1/8th of the difference of 100. Divided by (8) Octave to equal = 12.50; then divide 12.50 by its Internal Harmonic Octave 12.50 by (8) = 1.5625; then add 1.5625 to 12.50 feet and you have the column offset set against the two Human eyes that are “fooled” into averaging the distances between the columns to thinking that they are equally spaced out along the side of the building. (Also each column is tilted inward 3.12 inches as a “clue” to you later). See Figure # 8. (Parthenon)

As “Time” starts moving counter clockwise (to the right through time and space) (Lee and Yang) the Triangle starts to rotate in space in 7 directions (simultaneously) or the other three points rotate also.

This “creates” our Circle (Sphere). (Since we have only 1 life to live, one year at a time, we shall place our largest “Habit Circle of Conflict” in the middle of our yearly chart right at the center of Time (6 months) and the center of our Octave (determined simply by any market’s price). We shall have to place 4 additional circles (one for each season) equidistant from the center circle on the 25.% and 75.% price and time lines: (we start each year at the Frost)

See Figure # 3 (Harmonic Circle / Triangle / Square of Conflict).

Our Circle shall start to stretch and flatten out (to calculate the 3.12 minutes the Earth is off Time everyday) as it moves through space and it “forms” 5 circles to represent each season of each year.

The Earth flattens out at the poles as it rotates through its Universe as an “oblaque” sphere (core pressure).

This Cube shall be a Square, held together by the Circle, which is held together by the Triangle; that was “initiated” by a simple “thought.” (The number 4 comes into play because any Equal Angle Triangle shall be comprised of (4) smaller Triangles inside any (1) Triangle with each smaller Triangle’s size in direct proportion to each adjacent Triangle.

See Figure # 5. (Cube--3 dimensional)

Side Note: an American NASA Space Program experiment this past year, included holding up a cylinder containing a liquid suspended in space. When they injected a “shock” (increased) “vibration” into the cylinder the liquid formed a sphere (of 360 circles).

As the “shock” was increased slowly the sphere moved to form a cube. As soon as the “shock” was too great for the “tensile strength” of the capillary attraction of the cube to hold itself together, it divided into 2 equal spheres (of 360 circles). (We couldn’t see the Hexagon form since it didn’t have time to “crystallize”), it wants to evolve to the Cube.

This Trilogy of progression from the “thought” to the Triangle, to the Circle, to the Cube was “confirmation” of what we could already “see” and accept (using Murrey Math) from one simple “thought” (without having to travel to outer space).

Side Note: we use the base of Ten (10) “set” against the Star of David and we use the “Square in Time” inside the Cube of the Moslem Religion (Cabac) that is measured in Meters against Time instead of price.

We must accept this Basic Premise as “gospel” and it is this: any “thought” shall solicit a “Harmonic Stimulus” set to seven (7) or 1/8th or 1.125% of a cube set to base of ten separate divisions of an Octave) only in a up / down price direction that may be memorized; then converted from one market to the next by simply moving the decimal point L or R.

See Figure # 3 (Harmonic Triangle / Square).

A piece of typing paper w. 11. x h. 8.5 divided into itself = “Golden Mean” (.618), may be set to 12 “sound pitch changes” of “somethings” or off the base of Ten (10) and it fits perfectly on both.

Isn’t it curious that a Triangle starting at the lower left corner extended over to the right 50.% price line with a circle attached to it shall yield P (pi), which has no common square divisible repetition in it.

A 2nd confirmation is that the Star of David is set “Harmonically” inside the base of Ten (10) and (.618) on a piece of typing paper at a smaller scale off the 3/8th and 5/8th lines inside a Square in Time of 64 frames that are housed inside the 25.% and 75.% Time lines. (Remember that a folded piece of typing paper is cut in direct proportion to the perimeter off the top step of the Parthenon).

The 3rd confirmation of all these tying themselves together is the fact that the “Star of David” rests a third place and that is centered inside a circle in the Hexagon formed inside the Square in Time; which is in a circle; which is in a Triangle; which is in a Hexagon; which is composed of the smallest Star of David that equates to the 7 cells plus the cover cell of a Human Fetus the 1st 8 weeks after conception.

The Hexagon is the Living force for all animals for it transforms water in its 1st state (water) to its 2nd state (ice) allowing the molecules to expand in a Hexagonal Cube making it lighter (3rd state) and able to float and perpetuate a natural flow during the cold winter months. (Why doesn’t it contract like almost all other forms of matter when they get cold).

Side Note: the hereditary gene carrying part of each Human cell is called a D.N.A. Molecule, which in its simplest form is called Purine. This sugar / ammino acid based compound is constructed in a Hexagon form of 13 different atoms: (12 sides of 6 Triangles plus one (1) “thought” equals life. This basic compound winds itself into a perpetual band curving at an angle set of the base of Ten (10) not (.618).

Now let’s reiterate our Basic Premise: Do we use .618 Golden Mean or .625 Fibonacci Ratio ?

The “Golden Mean” is an expression of the relationship of the distance between its central mass (thought) inside a Triangle (which translates to “Habit”) as expressed through the “extremes” that the density of any mass shall allow any “thought” to drift away from its central “core” without leaving its Universe and then having it move to the right into another Universe through the passing of Time.

The “Golden Mean” is accurate in only two planes 2) Outer Space, and 2) and “guesses” disease or the number of pedals on a Sun Flower.

We must try and prove that the “Golden Mean is hidden inside a Triangle (set at the 3rd Trilogy) off the base of Ten (10), which is “everyday counting.”

Counting started with us “bidding” with our fingers and counting the height of a tall horse off how many “hands tall” he was against our hand’s (.618) size.

No one has ever stopped to think that if the entire Universe is “Harmonically” set to “Music” (which it really is), then how is it possible to take the twelve (12) “pitch changes” in “anything” and translate it into a Mathematical term (number) that is Musically Equal” to: Do, Re, Mi, Fa, So, La, Ti ?

The Base of Ten (10) was derived by the following simple Trilogy of Triangles: 1) 0, 10, 100; 2) 100, 1,000, 10,000; 3) 10,000, 100,000, 1,000,000.

Why would we move from 0, to 10, to 100 ?

Simple! The Triangle is the 1st “building block” going out to (Do, Re, Mi) (12) “somethings” that holds an expression together. 1; 3; 5 = 9 “somethings” called Triangles which = S & P 500.

If we place a dot on a piece of paper we have placed it there because of a “thought.” If we draw a straight line on either side of the dot, the dot is the 50.% line (divided into 4 equal parts). This straight line shall have a “Harmonic Rhythm” of (12) twelve “somethings.” Now we fashion this flat line (180∞ angle) into a “Golden Triangle” we have just divided the (180∞ angle) into 3 equal angled lines (with arcs that equal 180∞flat angled line). Lastly, we place a Square Frame over it the “Golden Triangle.”

But we must be able to “measure” sound from a Triangle (that always stays in the same equal angle Triangle as it grows in size in direct proportion to the original Triangle): it shall always be a Triangle that is 8 times larger than itself) that has 7 layers of equal angle Triangles that equal (1) one Triangle (that fits inside a Cube) (or 64 equal angle Triangles) inside a “Square Frame.”

The “Audible sound pitch changes” inside an Octave are: Do, Re, Mi, Fa, So, la, Ti, Do:

1/8	2/8	3/8	4/8	5/8	6/8	7/8	8/8
12.5	25.	37.5	50.	62.5	75.	87.5	100.

Triangles running count as they progress larger:

1	3	5	7	9	11	13	15
1	4	9	16	25	36	49	64

An Octave is 8/8ths of “something called sound.”

Now we must keep our Trilogy of Logic intact to prove that the Base of Ten (10) or a Cube of 100 or 1,000, 10,000 or 1,000,000 is a multiple of an equal set of ten “somethings” equal angle Triangles.

The simplest Trilogy from one Triangle to a third larger equal angle Triangle of the same form shall be comprised of (9) equal angle Triangles.

Now how are we going to express 10 Triangles, when the next larger equal angle Triangle shall be equal to (16) small Triangles.

The Logic must be consistent that any pile of squares that equal up to a square of 1,000,000 squares: these 10,000 squares = an Octave of (7) seven groups of “somethings” equally spaced (vertically and Horizontally) with 1 (64) Triangle.

We must be consistent with our logic because we must develop a math counting system that allows us to use our Small Triangles past (9) nine and keep counting Triangles, but to express them in a numeric sequence, rather than a “Harmonic Ratio.”

So, we simply place a small Triangle inside each of our 1,000,000 squares and we have kept our Triangle Theory consistent and we have satisfied the need to “create” a numeric expression of stacks of triangles as counting doesn’t progress in “True Trilogies” of (1/8ths) based on (.681) but rather (.000381) which we shall know soon is a larger Triangle that progresses (7) sizes (1/8ths of an Octave) larger to equal (64) smaller Triangles inside itself (which = one set of 100. minus 64 = 36 which is one “Harmonic Triangle” + Do, Ra, Mi, 12 x 3.

If we go forward from a Triangle with 64 smaller Triangles inside it, and we moved to the next (1st) Triad of the next Octave and it includes (17) Triangles, which adds up to 81 Triangles, then the next 12.5 % (Do, Re 25.%) is = to 19 Triangles added to 81 + 19 = 100., which the “resting place” for the Star of David in the next higher Octave in Pure Math on the base of Ten, which equals 100.

Now our Logic must go back to the simple fact that each digit of measurement is still just a “word” to “quantify in precise terms” a smaller square with a Triangle inside it that allows us to “verbalize” what we “see” for someone who isn’t able to “see” and translate the stack of Triangles inside a Cube.

So, (100) squares stacked up on top of one another, still equal a “Harmonic Rhythm” of a quantitative expression that is stretched up (1) Octave [a group of 12 “somethings with 7 “audible pitch changes and out to the right (100) “somethings”].

An Octave is divided into (7) “audible” equal parts. (To find what portion of a total length anything is, we must arrive at (7) equal parts by one of two methods: 1) multiply the total length by 1.125 % and then subtract the answer from the total length; or 2) simply divide the total length by (8).

So, let's go back to our squares that are stacked (100) high in a square and we want to find (1/8th) of this total of Triangles that actually "numeric expressions" of Triangles (surrounded) by a square "frame" called a group of "prices."

We divide 100 by 1/8th and we "see" the same thing that Leonardo da Vinci "penciled in" on an angle on his "sketch" of the "Man in the Circle, Square, with a Triangle, when he added (+ - .625 and + - .375).

We divide (100) by 8 (7 divisions of an Octave) and we arrived at 12.50. When we multiply (100) by 1.125 % we arrive at 112.5.

Finally, our stack of (100) "somethings" shall get its greatest 1st "shock" at the 1st trilogy of an Octave of Math (on the Base of (10) ten), so we "see" that (Do, Re, Mi (3) (3/ths) is 12.50 x 3 = 37.5 or 375 (that number just came back in again).

You may arrive at the same answer as when I wrote my book proving this point 8 levels down into itself, or 8 levels outside itself by multiplying the basic cube (100.) by 1.125 % to get the "sound pitch" of a mathematical number as a "Harmonic Proportion" of itself (as we measure price change based on mathematical pitch proportions of itself).

One hundred may be multiplied by the Fibonacci Ratio (1.125 %) and we find 12.50 (1/8th) one of the 7 audible sound pitch variations off of "C."

The next "internal sound pitch change" inside any Octave shall be discovered by dividing each internal 1/8th of an Octave by itself and we get 12.50, or 1.5625, then .1953125, or .024414 or finally .00305, which is as low as any market shall be traded but the next internal Fibonacci Ratio (1.125 %) (1/8th) (division shall come right back to .000381, which the "Golden Mean" reciprocal of .681).

If we begin at: (1) 1,000,000 (125,000) and move internally back into our "Harmonic Octave" set to a Cube (on the base of 10), we shall "see" (2) 100,000 (12,500), then (3)10,000 (1,2500), (4) 1,000 (125), (5) 100. (12.50), (6) 12.50 (1.5625), (7) 1.5625 (.193125), (8) .1953125 (.024414), (9) .024414 (.00305), (10) .00305 (.000381), (11) (.000381), (.000047683) and (12th) .000047683 at the 12th Internal Octave = .00000596, (which 1,000,000 divided into itself "Harmonically" Internally).

The 10th Triad equals = (.000381), which on the surface equates to .381, which would work in outer space, but we are on this Earth, where specific gravity of this planet defies the gravity of any other planets, when we express quantities in numbers.

The 12th Internal Octave has 5 zeros followed by the number 10, which equals the base of 10.

The 8th Triad down from 1,000,000 is 2.4414 cents, which is the "clue" that gave away that W.D. Gann already knew about the book written by S.P. Ouspensky, In Search of The Miraculous, 1949.

S.P. Ouspensky came to New York City, in 1923, after spending time in London, after leaving Moscow, Russia, after World War I.

In the book, In Search of The Miraculous, 1949, on page 136, S.P. Ouspensky took the Law of Octaves down only 1 level and left it there. He said he felt that it may be divisible by itself internally further, but he didn't want to spend the time to pursue it any further at that time.

W.D. Gann talked of the "Natural Numbers" on page 68, in his book How to Make Profits Trading in Commodities, 1942. Then he even listed for you the following: 12.50, 25.00, 37.50, 50.00, 62.50, 75.00, 87.50, and 100. But, he wanted to "throw you off, by in the next paragraph, giving you a list of "popular numbers" that markets want to trade around. (He knew that the average "trader" wants to do what "expert" tells them to do, so he added all those "popular numbers" to throw you off: it worked

He “really” didn’t want anyone to know that all markets were running to what S.P. Ouspensky had “deducted” through long conversations in logic. (I saw it by just looking at the sketch by Leonardo da Vinci and equating it to what W.D. Gann had said.

I never “saw” S.P. Ouspensky’s book until Mr. Edward Green, Chicago, Illinois, called me July 27th, 1996 and asked me if I had ever read it.

I had already finished my book two years ago. I had taken the markets to the 10th Octave (off the works of W.D. Gann and Leonardo da Vinci.

After I read S.P. Ouspensky’s book, I knew that W.D. Gann had listened to him, and I knew that what I had said two (2) years earlier was true:

The Numeric Expressions of Market Reversals are running expotentially against 37.5 of the Square it is currently trading inside as it is expressed by its current “trading price.”

The simplicity of this Base of (10) Ten Murrey Math Ratio is one’s ability to “memorize” the common Trilogy of “trading Octaves” inside the 1st Triangle (0, 10, 100.) set on the Base of (10) Ten; which is 12.50, or 1.5625, or .1953125, or 2.4414, cents, which was the “clue” that W.D. Gann gave us on page 71. When he talked about a 5 cent reversal of wheat in 1861. A 5 cent reversal was 2.4414 x 2 = 4.88 cents rounded off to the nearest penny; so that equated to the 25.% line (Do, Re).

The “link” that ties all this together is the “Seal of Solomon.” It has 12 equal angle Triangles inside the Star of David) with each adjacent intersecting line either .381 (3/8ths) (Do, Re, Mi) or .618(5/8ths) of the adjacent line), which means that the Human Body is set to the “Harmonic Rhythm” just as the rest of the Universe is set to a Triangle, inside a circle, inside a Cube.

See Figure #6. (Seal of Solomon / Trilogy)

Isn’t it curious that the Human Body is composed of 8 cells the 1st 8 weeks after conception, which is (1) cell for each point of the Star of David, plus one cell in the middle (“thought”), plus a covering cell.

This is equal to (M, V, E, M, J, S, U, N): the planets you “see” when you look up into the skies at night (8) that you can “see” and one (Sun) you can “feel.”

The Human Body divides: 1, 2, 4, 8, 16, 32, 62..... Everything else progresses against 1.125 % or 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 87, 144 (only Square) in “Nature.” (12 x 12).

The number 9 is internally perfect and “self-perpetuating, (Ennegram) (drugs have this molecular make up) so we must push on to the next cube, which shall be 9 plus 1 of the same of “something,” which gives us one group of 9 plus one additional unit of the same (like nine), so we express anything that is repeated 9 times in a row plus one more as 10 of that same “item.”

Isn’t curious that 999,999 is the same as saying .000005 plus one of the same item or (999,999) plus (1) which pushes it to the next cube 1,000,000 ?

So, finally isn’t it curious that multiplying one million by 1.125 % we get the root of the base of 10; and by multiplying .000005 times 8 to the 12th Triad or Octave, we get 1,000,000 ? (We must just accept it and go on and trade using (.625).

Also, isn’t it curious that the 11th Triad (Pure Math Internal Harmonic) is .000381, which tells us two “clues” to life and the Math Universe and that is “all that ever is” consists of (3) something’s set at a proportion of either .618 or .381 in space, but on the base of Ten. And under the “Golden Mean” after the 11th cumulative repetition in Nature we arrive at (.618181818): (.000381 + .618) puts Nature in “Harmony” with Pure Math.

This is what Leonardo da Vinci was trying to say, but he just wasn’t interested (at this time) in “trading stocks” in Venice, Italy; but rather enjoyed painting, but he did use these same (.625) ratios when he made his plans for his aeroplane and his helicopter.

Finally, the Human Body is proportioned to the adjacent lines and angles of a double tetrahedron (which is the "Seal of Solomon) expressed in a doubling of the Star of David (ten sided object), which may be the two Triangles over lapping.

But can you Trade it ?

Please look at Figures # 10. (S&P 100 Index) And #11. (S&P 500 Index). These two markets were "set" to Pure Math (Murrey Math) off a Cube (1,000) (2nd Triad) and we multiplied 1,000 x 1.125% = 1125. (1,125 - 1,000 = 125). Our (1/8th) = 125. So, we multiply 125 x 5 (5/8ths) = 625.

Now we set our Base line at 625. This is the bottom of our (5th) Internal Octave inside zero (0) to 1,000.

But we can't trade 125 points, so we divide 125 by (8) or we multiply it by 1.125% and it = 15.625. But, we can't trade this wide Internal (1/8th) of this Cube, so we divide 15.625 by (8) or multiply it by 1.125% and it = 1.953125 (now we can trade these (3rd) Internal (1/8ths) of an Octave.

Now we add 1.953125 points to 625 (base of our Octave) and we start stacking "groups" of (4) or (8) x 1.953125 points to form our next "higher" Trading Octave for both Indexes. The S&P 500 Index was "set" on the same (horizontal) Price line as the S&P 100 Index, but the "trading speed" of one market is faster than the "trading speed" of the other, we just use (15.625 points per (1/8th) for the S&P 500 Index and only 7.81 points per (1/8th) for the S&P 100 Index.

Both markets got support down at the (5/8th) line. But, each (5/8th) line was different but saying the same thing: it is hard to fall back down into the "Trading Range."

The S&P 500 Index got closing support on the Major (5/8th) (625) Murrey Math Line and the S&P 100 Index got its support on the (5/8th) line down in the next lower Internal Octave: which is 500 + 125 = that is our Major (4/8th) support line. The S&P 100 Index ran up (+6/8th) and stopped right on the (3/8th) line in the next higher Internal Octave. It reversed and fell back down (-) minus (3/8th) to get support at (625) Pure Math (5/8th) and it "shot" up into the "premium area" of Price.

The S&P 500 Index couldn't trade above the (3/8th) line but 3 days, then it fell back down (-) minus (3/8th) to get support on the Major (5/8th) line and then it "shot" back up (+) (3/8th) to the same (3/8th) line and this time it stopped just below the (3/8th) line, which W.D. Gann said was a bad sign for any more upside, so it reversed and fell back down and stopped right on the "thought" (dot in center of Triangle) (minor 50.% line) that W. D. Gann said to always watch for a market to reverse fast and "hard" which it did (as a result of Inflationary news).

I use no high / low extremes to "set" my Time Frame or my Price Lines. I do it off a 64 day frame "set at the 1st "frost" each October and it just find the nearest Internal Octave any market is trading inside and I spend only 5 minutes each day "looking" at the "obvious" and do as W.D. Gann said, "Trade with the Trend and sell into (+) (3/8th) profit runs. Please convert to Murrey Math (.625).

T.H. Murrey is author of Murrey Math, a system of trading which includes 326 illustrated easy to understand charts. The book addresses: 1) W.D. Gann's 64 rules, 2) Moving aaverages, 3) Setting the Square in Time, 4) Setting the % Runs to Reverse, 5) Harmonic Rhythm, 6) Volume and Daily Activity, 7) Murrey Math Lines, and 8) Options Trap. The book is $78.00, add $3.00 U.S. shipping, $6.00 Canada, $16.00 other foreign countries. The book is available from Traders World. Use the order blank in this magazine or call 800-288-4266, Fax 417-886-5180.

Cashing in on XGO

By Dr. Hans Hannula, PhD, RSA, CTA

As a researcher, I constantly think, ponder, and theorize about why markets move the way they do. Over the years, I have learned more and more about the mysterious forces that move markets, ourselves, and the universe. One of the problems I have pondered is "How predictable are markets?" Many say markets cannot be predicted at all. That is the random walk theory. Some have claimed that they could perfectly predict markets. That's the deterministic theory.

I have found that neither works. What does work is chaos theory. It says that markets can be partially predicted, but not always. Chaos theory says that markets operate in "domains" of behavior. Within those domains, their behavior can be predicted relatively well. But at the boundaries between domains, the behavior is not predictable. Imagine a ball balanced on the point where two bowls touch at their razor thin rims. This perfectly balanced ball is at the boundary point between two domains, the two bowls. A slight breath of air can tip the ball into either bowl. No one can predict which bowl. But once the ball falls into a bowl, its motion can be computed very accurately. Markets behave this way.

So another question I have pondered long and hard is "How can markets be predicted within a domain of behavior?" My approach has been to seek out the physical laws that move prices, similar to the laws of physics that move balls dropped in bowls. Through painstaking research I have found that there are forces that move prices, physical forces. The source and patterns of these forces were revealed in my Face Of God course. That was a major step forward. I could see the forces operating and the resulting behavior, but still I pondered.

I asked "What is the mathematical relationship between those forces and price action?" If I could find the answer to that question, I could predict future price action, at least within domains. I needed an new insight.

Such an insight came to me the morning of January 23rd, 1996. As I awoke, an idea came that said,

"It's energy absorption. Compute the energy being absorbed from the universe, and it will tell you where prices are going, for prices are energy."

That insight became the XGO program, because for any market X, it computes where that market will GO. Incredibly, it computes this from only one piece of information - the date of first trade. Price energy is computed for any future date after that. No past prices are ever used. None are needed. Just one formula. Very simple.

At first it may seem incredible that this can be done. But it is really not. If one understands the equations of motion of a ballistic body, such as an arrow shot into the air, one can compute its flight path. One simply needs the formula, and the launch data, such as weight of the arrow, the initial angle, the velocity, and the acceleration. From there it is "plug in the numbers and turn the crank." XGO, in a similar manner, computes the "energy flight path" of a market launched into the universe.

The XGO formula captures the harmony of energy flow from the universe into a stock, a commodity, or a person. It translates the graphical beauty and power seen in The Face of

God pattern into a number. That number represents the energy that moves price. It shows the direction of motion, the relative magnitude, and the dates of turns.

Mathematical Evaluation

Figure 1 is a chart of the Swiss Franc and its XGO forecast. The thin line is the XGO forecast. Notice how accurately it drew the price line in advance. Note the day to day detail. And the fine timing of highs and lows. Pretty impressive, huh? Almost perfect.

Not statistically perfect. Just good. There is a statistical measure of how well a forecast matches reality, called the correlation coefficient. A perfect forecast is 1.0. A total failure is 0. Most forecasts fall in between. Experience in evaluating intraday neural net forecasts used in real trading has led to the following interpretation of the correlation coefficient:

below .3 - useless for trading

.4 - helpful

.5 - decent

.6 - good

.7 - great

over .8 - excellent

We have found that the correlation coefficient is a very harsh judge of forecasts. The 10 billion neuron neural net (brain) between a trader's ears picks up things from the forecast that are not reflected in the correlation coefficient. Traders using technical analysis and a .5 or better forecast consistently make money. One trader I've worked with uses intraday forecasts that average .45. He wins on every 2 out of 3 trades, and makes $1.83 for every $1.00 he loses. So even a decent forecast can give one an edge in the markets.

So how good is that Swiss Franc XGO forecast? It computes to .61, a solid GOOD. Not bad for something using no price data. Such is the power of a fundamental theoretical approach.

XGO is not a perfect model of prices. It only computes the energy input to a market. The market uses that input and its own internal properties to produce the price output. For example, there are points in time when a market is at a chaos balance point. The ball is on the rim between the bowls.

At those points, a sharp break may occur and prices move much further that XGO predicts. This is a "quantum shift", or "band gap jump." Such breaks may temporarily give XGO a bad correlation coefficient, but the trading value of the forecast continues. After the quantum shift, prices return to following the XGO curve if it is simply shifted up or down. Figure 2 shows this situation.

Everyone wants to know about the stock market. Where is it going? Figure 3 shows the S&P 500 XGO forecast for the first part of 1996. Notice how well it has forecast the turns, especially those spike lows. For years I have worked on annual forecast methods. XGO tops them all. From February to early July, that forecast is a .614, a solid GOOD.

Market Evaluation

So can XGO really help your trading? The way to answer this is to look at an example. Figure 4 shows T-bonds, and the XGO function for bonds. Notice that while the forecast is not perfect, that it is pretty good. There are areas where the forecast does not work well. So to protect oneself from those times of poor forecast, one has to use trading rules. We have found these rules effective.

1. Make all entries and exits with stop orders.
2. Trade in the direction of XGO
3. Protect positions with a stop that trails XGO

T-bonds have been included in our hotline and newsletter position trading portfolio for nearly 5 years. We felt bonds were a key component of a balanced portfolio. But the trading results were not pleasing. They weren't bad-just not great. For four years we would win some money, then give it back. As shown in Figure 5, our equity moved about Zero, plus or minus $4000. That portion of our portfolio was stuck in a trading range.

XGO changed that. Since applying XGO to this market, we've broken out of the trading range and established a nice trend. Be advised that past results do not guarantee future results, and that trading futures is risky.

We have found that the key to reducing that risk is a constant search for new technology. XGO is a part of that technology. It is making a difference in our results.

XGO Helps

So I have learned that markets can be predicted, at least within the limits of chaos theory. XGO has been a valuable addition to my trading toolbox. Used carefully, it can give one a trading edge. Over the several months since it came to me, I have learned that XGO is real. The equation is valid. It works. It is not perfect, but it is excellent. It is on the cutting edge. XGO is the state of the art.

XGO is one component in a growing set of market tools under development at MicroMedia. One can learn more by contacting the author or checking out his WEB site at http://www.cashinonchaos.com/hans. For your own XGO chart for one year, send $36 and your date of birth to MicroMedia, Box 33071, Northglenn CO 80241, or fax to 303 457 9871

Interview with Bill Meridian

By Larry Jacobs

Question: Where do you work and what is your position?

Answer: I am a fund manager for an institution in the Middle East. My responsibilities include managing the technology stocks in the portfolio. I also sit on the currency hedging committee and am the technical analyst for the USA market.

Question: How long have you been studying the markets?

Answer: I became interested in the market in 1966.

Explain how successful you have been in the markets?

Answer: Funds under management have outperformed the S&P in 5 of the last 6 years. I can either be long stocks or in cash. No leverage can be used.

Question: What methods do you use to analyze the markets?

Answer: First, I must say that the single most important matter is to ask myself what this graph is trying to tell me about fundamentals in the future. All charts, whether technical bar charts or horoscopes, are a reflection of something real Years ago, the price of cobalt rose without any news. Most cobalt comes from copper mined in Zaire. Weeks later, the Kinshast mining province of Zaire was invaded. The price was telling us something. In the early 1980', the disinflation stocks made big bases and started to rise, signaling the end of the inflation era. No one saw it then, Whether smart money makes these moves, or whether some entity from the X-Files causes this, I cannot say. I always remember P.Q. Wall's statement that the market is a 600-pound gorilla that does whatever it pleases.

Question: You are extremely knowledgeable using Astrology for trading. Explain how you use it?

Answer: I'll use whatever works. Pattern recognition was the first method that I was exposed to. There were not many books in 1966. One of the few was the Edwards and Magee bible of technical analysis. I was a young kid, and thought that this was the way that all Wall Street looked at the markets. Fundamental analysis came along later. Momentum indicators and sentiment have also been very useful. Today's index options on industries are very useful. I keep one based upon the option trading on the semiconductor index, or the SOX. It gave overly optimistic reading in the summer of 1995, so this was a signal to lighten up on the semi stocks. That indicator then fell 90% into the summer of 1996, an indication of extreme pessimism. After the June-July decline, it looked as through the stocks had made a 3-wave decline. All momentum oscillators were oversold. I bought Micron at 23. Thus, the pattern, momentum, and the sentiment all confirmed. And, all the major Wall Street houses were bearish.

Seasonal tendencies as first researched by Arthur Merrill are very valuable. This is the type of analysis that started my on the road to cycles work. I noted that there was an annual cycle, an election year cycle, and a decennial pattern. Now the annual cycle is based upon a year, which is based upon the relationship of the Earth and the Sun. So why not research a 1.8 year cycle determined by the orbit of Mars? In addition, I noted that some of the stock market cycles as described by Ed Dewey were the same length as those of planetary periods such as 9.3 and 18.6 year cycles that are half and whole multiples of the orbit of the Moon's Node.

I use Gann's day counts and time ratios as Bob Miner does. This yields a series of potential turning points. I then go to my planetary indicators and project those for the month ahead. I have found that those dates that are tagged by both methods tend to have a higher probability of being a turning point that in those dates that are indicated by any of the individual methods used alone.

Once this is done, I attempt to confirm the turning point with the standard technical tools: overbought/oversold oscillators, wave pattern, etc. By this approach, the standard technical indicators assume the role that I always felt they should have. They describe the past and current condition of the market. After all, they are all based upon yesterday's data. The planetary and Gann-derived dates are based upon future data. Technicians and traders who do not utilize this approach are at a disadvantage. It is like trying to eat soup with a fork.

Question: How is it possible that planetary movement can affect a stock or commodity movement?

Answer: I use 2 approaches, First, I analyze past turning points and see if there are similar planetary patterns at the time of the highs and the lows. Second, select a phenomena such as eclipse and see how the market reacted at the time of the eclipse. There can be 2 results. The event has no effect on the market under study, or , it will have an effect. In this case, the phenomena may be associated with highs, low, or both highs and lows. The last case produces what I call tofu indicators; they have no flavor of their own. They tend to take on the flavor of the other indictors that occur at the same time. This is, they are indications of a reversal, depending upon whether the market is rising or falling before the phenomena. I have all the planetary indications posted a year in advance. Then I do new studies during the year that add to my tool box. For example, I only recently found that heliocentric Mercury 150 degrees to Pluto tends to fall near short-term tops. This is a light weight indicator which needs much confirmation.

All of the above methods yield high-probability turning points. In between, I add planetary cycles to the 3 cycles mentioned above. The Mars cycle was already mentioned. This cycle tends to peak out when Mars enters Libra. If it does so during the late summer when the annual or solar cycle also peaks, then there is an increased probability of a lower market in the second half. In the bond market, Venus cycles are much more important. I have a 5-cycle composite for bonds that turned down in late 1993. At the same time, the horoscope set for the first T-bond trade in Chicago in 1977 was hit hard. The market was very overbought, and I saw technical sell signals. Bonds fell for about 9 months. Now that is an example in which all the pieces fit together. It is not always so clear.

Planetary movement affects everything. If one is looking for a physical connection, I can offer one that I came across in 1973. We know from the work of John Nelson that the positions of the planets affect solar activity. Changes on the Sun affect the Earth's magnetic field. There is a substance call serotonin which is the stuff that sensitized the brain of a homing pigeon to the magnetic field and enables the bird to "home in." This same substance exists in the human brain. Serotonin levels can increase and decrease stress levels. Taking a long jet flight increases serotonin levels and stress. By the way, taking a sauna after a flight will relieve what is known as jet lag. That is the only casual link that I can suggest.

In the end, I recall what John Nelson said at a lecture in N.Y. A fellow asked him why the planets affected the Earth. He replied, "I don't know. And when you go to the early gates, you ask the grand high muckety-much. And he probably don't know either."

Question: Do you think that W.D. Gann used astrology to trade with and if so how did he use it?

Answer: I think that Gann did use astrology. My teacher was Charles Jayne, a practicing astrologer for 53 years. He worked with Ken Brown of Cleveland, who was associated with L. Edward Johndro of California. Jayne said that Brown and Johndro were under contract to Gann to conduct research. Johndro was way ahead of his time. In fact, we became frustrated with his contemporaries, and kept most of his work to himself. He asked Brown to burn all of his work when he died, which Ken did. He left no published work. But in Brown's eulogy to Johndro, he said that Johndro had developed a method of forecasting commodity prices based upon the horoscopes of eclipses. He did not reveal the method.

I do not know how Gann used the planets. What he did say was not helpful. Most of the translations of Gann's planetary work that I have seen have turned out to be basic astrology. Gann said that a planet changing signs was important, but he did not say which planets, signs, or markets. That's why we need to do research, and this led me to develop software for that purpose.

Question: Are there a lot of mutual funds on the street that secretly use astrology buy won't tell the public?

Answer: I do not know if a lot of Wall Street houses utilize astrology. Some do. I sold my software to them. Over the next decade, it will become more acceptable. I recall a fellow at the Bank Credit Analyst who said that he found astrological work amongst the old notes of Hamilton Bolton. When I was a junior analyst at ValueLine in New York, Mr. Arnold Bernhard said that an employee had studied what they termed 'solar radiations', but with not usable results. So there is interest.

The Street is remarkable in one respect. They care more about whether the methodology is acceptable and logical than they do about the results. They prefer to use the same worn out techniques over and over again rather than try something new. This is the reason that the majority of the funds cannot even keep up with averages.

Question: How long does it take a person to fully understand and start to use astrology in their trading?

Answer: This is a tough question. If one learns horoscope construction, the signs, the aspects, and transits, he can be doing some good work in 6 months to a year. I lucked-out. When I was a student in N.Y., all the old masters and hard-core fanatics were around. For instance, Dr. Edgar Wagner received his certificate of astrology in the year 1911. To absorb all that I learned in those days might take 5 years or more.

Question: What king of books or software done one need to trade with astrology?

Answer: There are not many good books on the subject. I suspect that we will see more in the next few years. The difficulty has been that the market folks do not know enough astro to be effective, or the astrologers do not have enough experience with the markets. Matlock's old book, Man and cosmos, is probably the best. Ray Merriman wrote a book about gold indicators that is god. I have read almost all of them. The older authors were simply handicapped by the enormity of the task. Without PCs, the number crunching is too formidable.

I wrote Planetary Stock Trading, which explains how I utilize first-trade horoscopes to select individual stocks. It also includes 1,000 charts which are otherwise very difficult to obtain unless you are a member firm and are willing to phone the exchanges a couple times a week over 10 or 20 years. I am working on a book about overall market forecasting now.

We released the first astro market software in 1988, the AstroAnalyst. Actually, I wrote the basic algorithm that is the heart of the program in 1983. It is still a very useful program. Unfortunately, the programmer did not want to develop it any further and I did. So, in 1989, I began working with Alphee Lavoie at AIR Software on the Financial Trader series. It was first specifically designed to sort through horoscopes set for the high and low days in any market and tells the user what planetary effects are common to the turning points. We also added the Bradley model, leaving it open-ended so that the user can alter the variables. This is known as the Black Box. I also cooked up Bradley models for gold, bonds and currencies. Bersion 2 has Super Search which will find days upon which multiple planetary events occur, like find all the days upon which Mercury is retrograde and the Sun is in Cancer, or Mars in Leo. The Efficiency Tester will compute the 'Batting Average" of a planetary event, i.e.. how many times a market rose or fell before and after an aspect, eclipse, etc. Their third version is being moved into Windows now. An a junior version that only deals with first-trade charts is on the way, too.

I also use Bob Miner's Dynamic Trader for all my Fann-Fibonacci projections. It save enormous amounts of time.

Question: Can you explain and illustrate with perhaps a good chart an example of how astrology works with a real example that has happened in the last 6 months?

Answer: Yes, I recently bought Micron, MU on the NYSE. It was brought to my attention by a run that I did with the Financial Trader program. Jupiter went stationary direct on Uranus in the first trade horoscope of the stock. This a chart erected for the time and date that the stock began trading. I had an eye on the technical picture: buy signals daily, weekly, and monthly. The shares were bought at 23 3/4 and hit 33 a week later. Now I could find may stocks that had the same technical picture as Micron, such as Electronic Arts, ERTS on the NASDAQ. But ERTS did not have as bullish a horoscope as that of MU.

Question: Have you got any forecast or predictions for stocks based on your astrology?

Answer: Next year will likely see the biggest drop that we have seen since 1990. First, years ending in "7" tend to have a nasty correction. Fifty-five percent of such years have closed on the downside. Some, like 1987, have not closed lower, but did have a big correction. 1997 will also be the year after an election, the weakest in the 4-year election cycle. The average percent gain in such years has been in both the centennial and the election year cycles, so I was long all year. In addition, Jupiter will pass into Aquarius, the weakest of all the signs in its 12-year cycle. More than half of such transits have resulted in lower prices, well below the median. Late in the 4th quarter, I shall review the technicals to see if they confirm the studies. Then I will have to take the appropriate precautions.

I always ask myself what the fundamental causes might be. In 1997, I think that rising commodity pries will force an interest rate to increase. With valuations already stretched to the outer limits, a rate rise will make these inflated prices look even higher. Neptune in the sign of Capricorn has depressed prices since it entered that sign in the early 1980's. It usually has this effect in earn signs. But it is leaving that sign next year. More importantly, Jupiter will be conjunct Neptune at year end. This is an inflationary combination. The last time this happened, Nixon took us off the gold standard.

Technically, the commodities have made big bases and have broken 13-to-16 year downtrend lines. I was pounding the table about this in the summer of 1995. Using contrary opinion, all the straight Wall Streeters have been bearish. They remain bearish based upon fundamental, a confirmation that prices will rise further. Looking at the smart money, I wrote in my old newsletter that the Rockefellers were selling Rockefeller Center in the late 1980's, and that this told us that they were bearish on real estate prices. Well, now they have bought it back. In addition, the Treasury has announced the sale of inflation-indexed bonds. At the same time, they will alter their calculation of the CPI, which will effectively lower it by 0.2%. What does this tell us? Already, between April of 1995 and April of 1996, there has been an excessive increase in M2. This can only add fuel to the fire.

But the price rises will not be as big as those of the 1970s. First, Neptune was in an inflationary fire sign and there were 3 Jupiter-Neptune conjunctions. Now there will only be one, and Neptune will not enter a fire sign, but a least it will be out of an depressing earth sign. This is an indication of a different fundamental environment. For instance, the gold price had been held artificially low prior to the 1970's, and it is not now. This time, there will be a snap-back closer to the average price for most commodities. This will be important for equity portfolio managers. Major shifts in industry group leaders usually take place during market corrections, and if 1997 is a downer, leadership will swing away from the consumer and interest sensitive stocks, and toward natural resource and capital goods shares. These will be the leaders after 1997. Technology will be get hit, but it will recover and also be leader. The technology boom will likely run to 2003. The planets that rule networking and the ability to miniaturize remain in good combination, so these will be leaders in that sector. PCs will become voice-activated. The miniaturization methods being developed will open up the next big frontier, nanotechnology. This is the science of making very small parts and, eventually, mechanisms.

I do not foresee a depression. There will be a recession, probably beginning in 1999 and bottoming in 2000. There have been periods where the national debt has been enormous, but the new energy sources were discovered. The resultant boon to business sent profits soaring. I know that these 2 materials are not energy sources, but what do silicon and fiber optics cost in relationship to the benefit to the economy? I see tough times out in 2003-2004.

Oil has a special interest to me here in the Middle East. I have been a bull on oil since the summer of 1995. Nobody here believed me. In fact, the Arab countries started to cut back on spending, right at the low in oil. I took this as confirmation on the low. When asked what I thought the driver would be, my reply was politics and eventually military action. We live across the Gulf from Iran. There people are Persians, not Arabs, and they have a militaristic and imperial history. They consider the opposite side of the gulf to be theirs, and radio Tehran states this on a daily basis. Iran has acquired 3 submarines and have seized 3 of Abu Dhabi's islands. These islands sit at the mouth of the Straits of Hormuz, through which 40% to 50% of the world's oil flows. The Iranians aim to control this vital waterway. I now that little of this appears in the Western press, which, using contrary opinion, is a confirmation. The smart money here is the Journal of Foreign Affairs, published by the Council of Foreign Relations. There have been 5 mentions of Iran being the next hot spot. If they do not know what is going on, then no one does.

Now let us use the planets for some timing. The eclipse series next year is related to that of 1979 when the Shah fell from power. But the eclipse of the summer of 1999 is even more potent, and I have already projected a war stretching from Iran to the Balkans, This is what is holding the price of energy up.

Looking at the whole picture, it looks a lot like the Carter years. We will have a southern president (who will not likely complete his term), rising commodity prices, and conflict with Iran.

Question: Is it possible through astrology to know if a person is a natural for trading?

Answer: Yes, this is not difficult. It is the same as looking for musical or artistic ability. A formation of planets represents interest in a subject. If such a formation does not exist, then the person has no interest in trading. My chart shows little ability to play golf, and I simple do not have a great desire to play the game.

This ability usually involves Venus, Jupiter, and the 2nd, 5th or 8th houses. The asteroid Vesta is elated to paper securities. The late Frankie Joe was a master trader. He had Vesta trine Jupiter with an orb of only 1 minute of arc. That is a very favorable and powerful combination.

Those who have Jupiter-Neptune aspects do very well during inflationary periods, especially with futures. They tend to be overly optimistic and tale large long positions. They do poorly during deflationary periods. Saturn-Neptune types do better in these times.

Question: Are there good times and bad times to trade based on astrology for an individual?

Answer: Yes again. Once the natal or birth pattern that represents trading is located, stressful or beneficial effects can be detected. I have had some success by altering my trading strategy to fit the planetary effects that are operative at the time. Saturn usually requires a more conservative strategy and closer stops. But there are times when one should simple cool it. I had very stressful aspects last year, and my personal trading suffered. There are disturbances in my personal life that distracted me from the market. Either do not let these maters buy you or stop trading. But his is tough when one must make investment decisions on a daily basis.

Bill Meridian will be giving a 2-day seminar at the London Kensington Hilton on Feb. 15-16, 1997. Contact Andy Pancholi by phone or fax at 1737-845231 in the UK. Bill is a fund manager in the Middle East. He recently completed Planetary Stock Trading, a book explaining the use of the horoscope of the first trade, complete with 1,000 charts of US stocks. Bill was a VP in Paine Webber's technical analysis department during the 1980's bull market. He can be reached at Cycles Research, 666 5th Ave., New York City, N.Y. 10103.

TradeStation Version 4

TradeStation is a real-time technical analysis software package which has just about every feature you could possibly want. When you order the product you will be surprised as to what you get when you receive the package. It contains, of course, the software disks (actually 13 install disks), a CD Rom which contains up to 25 years of price data for stocks and commodities, 11 tutorials that teach you, step-by-step, how to use the powerful TradeStation features. The package also includes a video, which can help you more easily understand the step-up and installation, particularly the use of the security block.

Requirements: Microsoft Windows 95, Windows 3.1, Windows for Workgroups 3.11 for Windows NT 3.5 or Windows NT 4.0. Minimum of 8 megabytes of memory and minimum of 30 MB of hard disk space.

In this review the installation of the program was quick and simple. Using Windows 95, just insert disk 1 and go to the control panel and click add new programs. This turns on the install sequence. Follow the screen and answer any questions, it tells you when to change each of the 13 install disks. The install sequence is easy. TradeStation uses a security block, which requires a password from Omega Research, it comes with your invoice. You will also need to give the primary and secondary passwords for the data feed you are using. We highly recommend Signal by Data Broadcasting for the data feed. You can setup an account with them through us at a discount on the startup fee. It takes approximately 10 days, as we have to get you approved by the exchanges you are going to use. There is a one time setup charge, a monthly base rate and an exchange fee.

The com port needs to be set so it does not conflict with anything else in your system. For example the mouse uses com port 1 and the modem usually uses com port 3. So it's best to have your data feed coming in on com port 2. Another important thing to know is to have a high speed 16500 UART chip installed in your computer. -*This speeds up the data coming in through your com port. You can also use the new Signal high speed international data box that uses this high speed data flow. It will increase your real time data flow by at least 40 seconds. That is essential if your are going to day trade the S&P with a 1 minute chart.

It is important to have a good computer to trade with using a quality program like TradeStation. One that is made for real time trading. Traders World sells its own Pentium computers which are made for real time trading. They are built according to our specifications by one of the major computer companies specifically for real time trading. They feature the high speed 16500 UART communications chip, 32 MB of RAM, 1.7 Gig hard disk drive and a special video card using the S3 chip for a virtual screen. They are available using the Pentium chips up to 200 Mhz. It is recommended that real time trading computers stay on 24 hrs a day. There are two reasons for this. One is so you don't miss any data coming in during th beginning of the day and second it improves the life of the computer. What usually causes computer problems is the switching it on and off. This weakens the silicon chips. Traders World computers have three cooling fans in the computer plus a heat alarm that sounds of if the temperature in the computer reaches 110 degrees! This allows you to keep your computer on without any worry. The virtual video card is important if you want the omputer screen to seem as like a big sheet of chart paper. What it means is that you can make your monitor a port window on a screen 4 times larger. This makes the TradeStation screen chart 4 times bigger than normal! This is great for long term traders who want to see the whole picture on one screen. Another very popular video card to use is the STB multi-port cards. These are excellent for day traders. You can configure TradeStation to run 2, 4, 8, or 16 monitors at once. This is excellent for professional traders who want to view all the markets at one time. To complement these video cards it is recommended to use 17” flat square screen monitors with a dot pitch of no less than .28. In some cases for one screen setups a 21” monitor can be used for optimum viewing ease. Some of our clients also use multiple screens.

TradeStation uses four different ways you can gather price data for the symbols you want to follow. Real-time delayed data collected using the Omega Server from Signal, BMI Bonneville, S&P Comstock or from Future Source. It you loose data you can use the Intra-day refresh data available from Omega’s Web site or American On-Line. You can download daily price data from Dial Data or Telescan to integrate with the data that is available to you on the CD Rom. You can also used third party data in nine different formats from nine other vendors.

After TradeStation is setup and running on your computer. You need to setup a workspace which is like a manila folder to hold the charts or reports you want to view. You can have multiple charts in this folder. On a 17" screen 4 charts seemed to be about the right size of charts to have. Each one of these charts can be blown up any anytime. The charts can be organized according to time or by similar groups. For example you might view the S&P by a 1 minute, 5

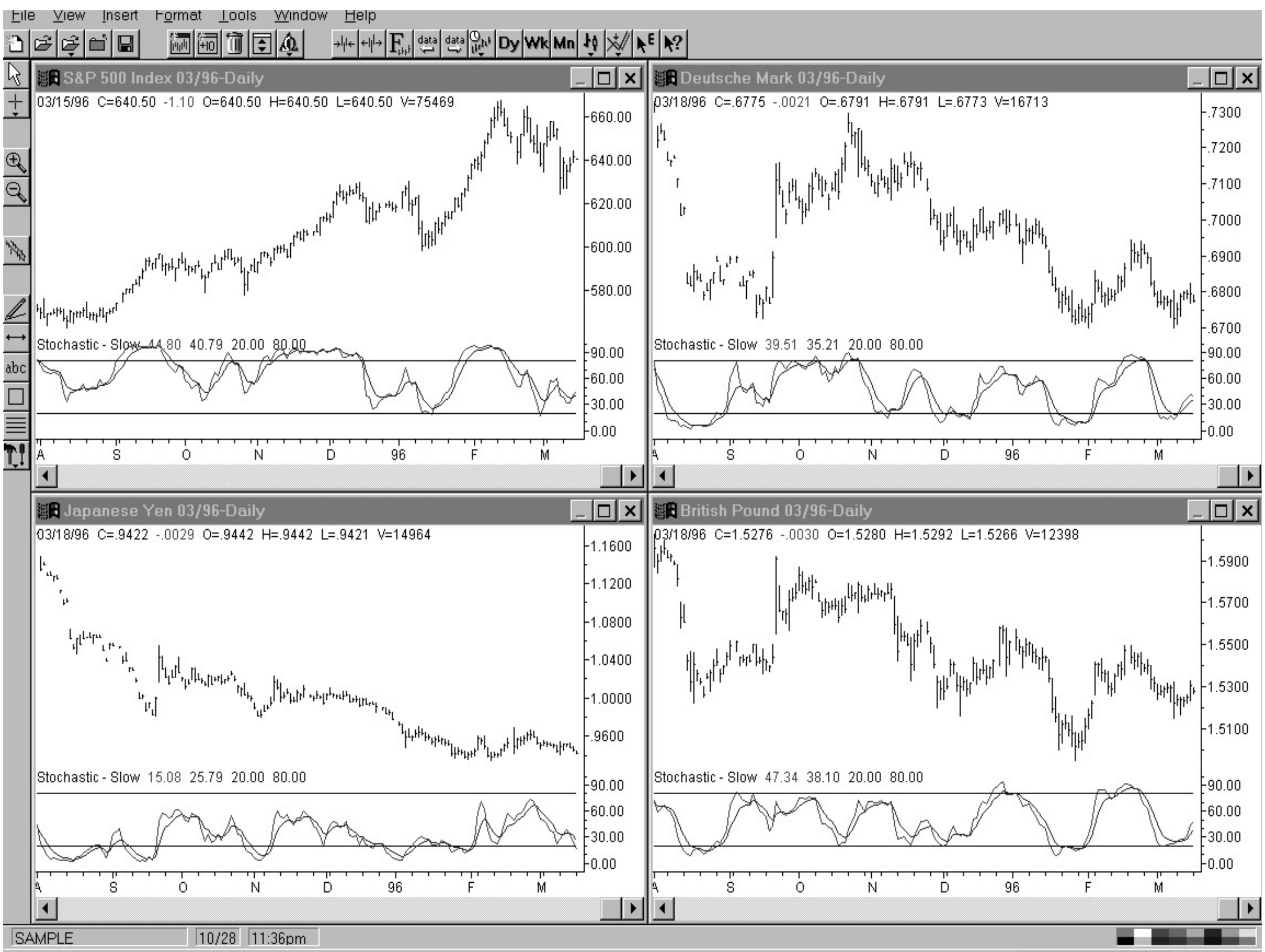


Figure 1 TradeStation features multiple windows on your screen. Four windows on a screen is popular on a 17” monitor in the 1074 x 768 resolution mode. Many traders use 2 - 4 monitors to easily view 16 charts at one time.

minute, 30 minute and 60 minute chart. Or you might have a 5 minute Corn, Wheat, Soybean and Oat chart on the workspace. It's up to your own preferences.

TradeStation also has the ability to put tick charts on the screen. A tick chart is different from a time-based minute chart. Rather than plotting prices during a particular time period, a tick chart plots the price of each transaction, regardless of whether the transaction is 100 shares or 10,000, and regardless of any time-frame involved between the last transaction and the current transaction. You can plot tick charts only if you use intra-day data, whether real-time or delayed TradeStation enables you to create tick charts based on a number of ticks, for example, each position on a 10-tick bar would represent 10 transactions. Many traders feel that tick data gives you better signals using oscillators.

Once the chart is created you can navigate around the chart using the zoom in and out feature for precise charting. You can also use the scroll bar to go left and right to view more data than is on the screen. If you use the virtual video card available from Traders World, you can view data on your screen as a port on a screen 4 times bigger than the port. The mouse acts as a hardware pan on this much larger screen.

TradeStation's data window allows you to view, in detail, the values of the price data plotted on a chart - open, high, low, close and volume (plus open interest).

The program also allows you to divide a chart into different sections, or subgraphs, when you plot more than one symbol in a chart window. As many as 8 subgraphs can be displayed in a window at one time. Using this feature allows you to compare, for example Microsoft with IBM's chart performance.

The bars in the program can displayed in many different ways: Open, High, Low, Close, or High, Low, Close, CandleStick, Dot on Close, Line on Close or Invisible Bars. Point and figure charts can also be created with variable box size and reversal amounts.

Once your charts are setup on the screen according to your preferences, you can use 14 different drawing objects on them. These are analytical in nature and can alert you when certain market conditions exist. Some can alert you to simple price trends, others can detect and alert you to more complex conditions - for example market cycles and Fibonacci cycles. The following lists the important analytical drawing objects included in the program: Trendline, Standard Cycle, Fibonacci Cycle, Gann Fan, Horizontal Line, Speed Resistance Line, % Retracement and Support and Resistance.

These drawing objects have alert capabilities. If a bar breakout occurs either by intra

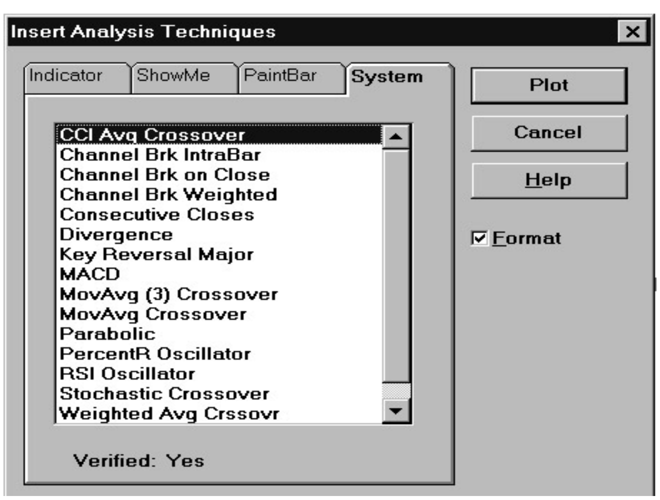


Figure 2 TradeStation includes over 150 built-in technical indicators and studies, plus you can create your own.

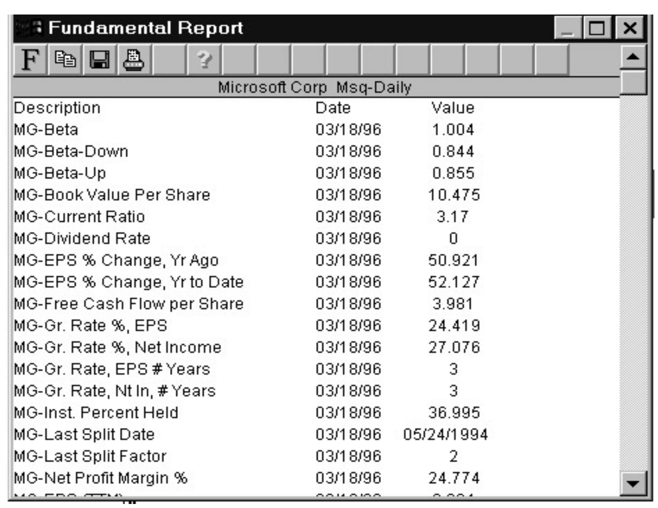


Figure 3 Now fundamental data can be viewed on stocks downloaded from Dial Data.

bar or on the close the program can alert you by screen display, by sound of a beep or even with a alphanumeric pager. This version of TradeStation can give you alerts on many more of the tools than the last version.

TradeStation now has over 150 built-in indicators & studies available to analyze market activity. These indicators are graphical representations of a mathematical formulas to analyze market conditions. The program allows you adjusted each formula to fit the each individual market. These indicators can be plotted in a subgraph above or below the charted price data. Some of the 80 indicators have an expert commentary which can be pulled up anytime. This provides not only a definition of each expert indicator applied to chart, but also discusses what each indicator looks for and what type of market each works best in. It also give you a bar-by-bar commentary about what each indicator is showing you about the market. It's like have your own built-in market analyst. It's an effective way to teach you about the indicators. The expert indicators will also trigger an audible or visual alert when market conditions match the alert criteria specified for that indicator.

TradeStation also has an Expert Analyst Indicator. It does what a professional market analyst does - it analyzes the market and then gives its interpretations of the market's direction. It does this through a technological breakthrough by Omega Research. It is able to analyze the market to mathematically determine which of a variety of conventional indicators are most appropriate for market conditions, then it gives you short term and long term interpretations of the market as well a detailed commentary explaining the analysis. The Expert Analyst is displayed in a subgraph at the bottom of your chart window. Visually, the Expert Analyst appears on the chart as a histogram - a series of thermometer like lines. It is divided in to two parts: the top half reflects the short term outlook and the bottom half the long term outlook.

Another unique feature of TradeStation is the ShowMe Studies that enable you to quickly and easily scan your charts for certain market conditions. The ShowMe study is very interesting. How many times have you looked at a chart an noticed a certain bar pattern the seemed to precede an important down-trend? Perhaps the down-trend was signaled by three bars in which the high of each bar was higher than the preceding bar and the close of the last bar was lower than the low of the preceding bar. This pattern would signal a significant change. In the past you would have had to scroll through the chart one bar at a time looking for that pattern. With TradeStation you tell it what you looking for and it does all the work for you. It scans the entire

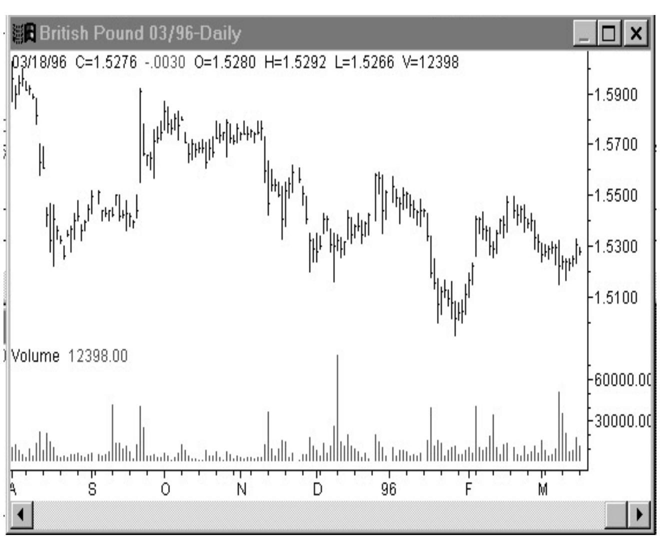


Figure 4 TradeStation now has both daily and intra-day volume tick by tick to help you identify major moves.

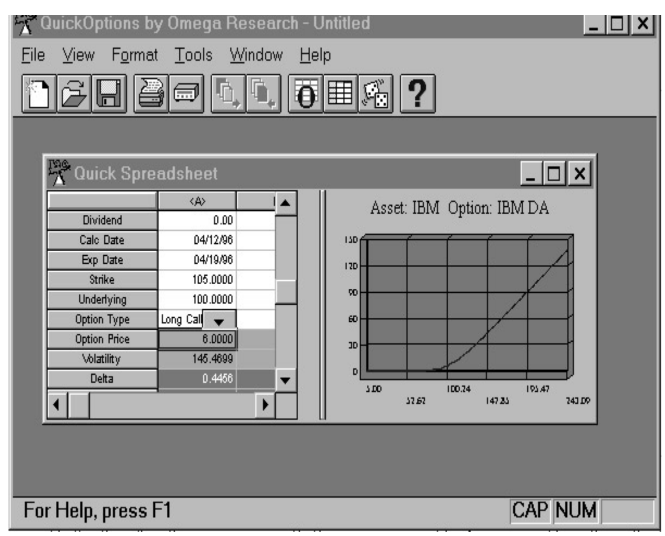


Figure 5 QuickOptions is a new feature which improves your option trading by letting you quickly analyze options.

chart, bar by bar, and then places a mark on each bar that satisfies your rules. TradeStation includes 13 built-in ShowMe Studies and you can write your own.

The PaintBar study is another unique feature of TradeStation. It works very much like the ShowMe studies. You set the rules and TradeStation goes through your chart to identify the bars that meet your criteria. However, rather than placing a mark on the bar, the study paints the bar itself to a different color when your custom criteria is met. PaintBar studies, unlike ShowMe studies, are usually used to mark bars where the defining criteria can occur for many bars in a row. For example, the criteria of a PaintBar study can be written to identify bullish markets, or bearish markets. TradeStation comes with 11 built-in PaintBar studies.

One of the most important functions TradeStation has is it's ability to test and optimize trading systems you create. TradeStation is the only software that gives you the opportunity to develop, test and automate virtually any custom trading system. By using a systematic approach to buying and selling that is thoroughly tested on historical data you are much more likely to make money than if you trade based on intuition. TradeStation enables you to test and track complex trading systems encompassing dozens of conditions and formulas without becoming a programmer.

The first step in testing a trading idea is to create two sets of custom criteria. One set for entering the market and one for exiting the market. This is your trading system. Once you have this you can test your trading system by applying it to long term data. TradeStation automatically analyzes every bar of data looking for occurrences of your criteria and provides detailed information on how much money you would have made if you had made the trades based on your trading idea. TradeStation also has the ability to optimize the trading system and change the values of your system to make more money. It is important to not over optimize the system to fit only a small time period of data. The system should really be tested over a long period of time. TradeStation has a System Equity Indicator which can plot your equity as a histogram on your chart and it even updates real-time!

TradeStation now has a PowerEditor Function Wizard. Instead of having to type in the exact formulas for indicators and studies, you can now paste formula into your studies and systems thanks to the new PowerEditor Function Wizard. The PowerEditor Function Wizard comes with over 250 built-in functions to get you started and has a capacity for up to 1,000 user functions.

There has been numerous improvements made to the PowerEditor including the ability to reference intra-day trade volume in systems and studies, write your own Expert commentary for your custom analysis techniques using Easy-Language, create trading systems that work with the TradeStation Pager Alert, quickly find and correct syntax and typographical errors in systems and studies, easily change the fonts and print your studies and systems, you can also create one, two and three dimensional arrays in Easy Language - great when you need a large number of variables for storing the results of calculations.

TradeStation now has the capacity of allowing you to create indicators, ShowMe & PaintBar studies, and systems that automatically draw trendlines, and even write text on your charts all automatically.

A new application added to TradeStation is the NewsMonitor. It enables users to view news information on a real time basis. NewsMonitor is a comprehensive news monitoring tool equipment's with features that allow you to view not only headlines but full stories. You can place alerts on keywords within headlines so that you're notified when a relevant headline comes in. It has the ability to perform searches on the headlines and display matching headlines either in a different color from the rest, or all by themselves and it can display an unlimited number of news windows, each with a different search and display filter. It can even display graphic images such as weather maps.

Another new application added to TradeStation is the QuickOptions Real Time which helps evaluate your options trading strategy before you place a trade. QuickOptions RT is really an options calculator - it puts at your fingertips the tools you need to quickly examine the variables associated with options trading, determine the most profitable combinations of variables associated with options trading, determine the most profitable combination of variables, and calculate how much money you would make, all in a few seconds and without risking a dime. For example, suppose you think the price of IBM is going to rise to a never before seen high. To determine which IBM options you should trade in order to make the most of the high you think is coming, simply input your price expectations for IBM and QuickOptions will help you determine which IBM options will maximize your return and minimize your risk - the decision to buy or sell is yours, the important considerations is that by using QuickOptions, it's a well informed decision.

TradeStation 4.0 is a major software upgrade. Software upgrade tune-ups for the latest enhancements of this version can be downloaded free from the Omega Research World Wide Web site at http://www.omegaresearch.com. TradeStation has a well-deserved reputation at the most powerful trading software in the world and it can be seen from this software upgrade that they will remain the industry standard in real-time system testing and automation software. The program has more than 150 add-on solutions from 3rd party companies. The program is highly recommended for any serious real-time trader.

The program TradeStation,reviewed in this issue, has the ability to test and optimize trading systems on both short and long term data. This works find with stock data, but there is a problem with commodity price data. Commodities trade with an expiring series of price data. So how do you test this series of expiring contacts?

One way is to test each individual contract from beginning to end. However, there is a problem with this. The liquidity is often very low at both the beginning and end of the contract. This causes slippage in actual trading from excutions from stops. This means that the results doing back tests on historical data is not the same as real-time trading results. Another problem with this method is that it gives you a large number of tests over several years. You have to put all these together some how, and try to make it work.

A second method would be to link the current nearby contract together with the last expiring contract on a continuous basis for testing purposes. This eliminates the liquidity problem at the beginning of the contract, but it still has the same problem low liquidity at the end of the contract. There is another problem of price gaps between contract months. Sometimes there is an extremely large price gap between the last expiring month and the current trading month. This is especially noticeable with the agricultural commodities such as the grains, cotton, and meats. This price gap ruins the ability to do system tests with the price data.

The Gann method of linking price data which links, for example December 95 Corn to December of 96 Corn works fine with long term Gann angles, but does not work for system testing primarily because of the big price gap between the contracts. Also it has the same problem as the second method of low liquidity at the end of the contract.

The only possible data method to use for system testing over long term historical data would be one that takes the nearby data, adjusts its price to that of the last contract and then end it, before there is a liquidity problem at the end of the contract. Pinnacle Data Corp. has a program called DataMaker which allows you, for a given date range, to select fields of data from their data base of the nearby 50 popular commodities and combine them into one large

Slippage

By Barry Rosen

How many times have you placed your stop at a key Fibonacci retracement target and gotten hit by the locals and stopped out? With everyone using Fibonacci numbers, you have to be one stop ahead to win the race. Here are some tips.

Fibonacci numbers work becuase crowds - including “crowds” of prices - are dynamic systems that conform to mathematical laws. If you have ever been to the Museam of Science and Industry in Chicago, you may have seen the machine there that sorts balls reandomly into eight slots and at the end of the run, the balls form a bell curve. Likewise, the Fiboancci numbers of .362, .500, .618, 1.618, and 2.168 etc. create important, predictable price values - even in the wild chaos of 400,000 T-Bond contracts traded daily in the pits.

A bull market is likely to a minimum retracement of .232 or .382, and if you are looking to get in an entry .37 from the top that will get you filled, then a safe, tight stop may be the only slippage factor below the 38% retracement. Knowling Elliott Wave principals can also aid you in choosing the proper stop, and we would recommend the basic Elliott Wave books to guide you in that area. On double tops and bottoms, locals will usually pick-off a stop 1 or 2 ticks above or below the market, but a real breakout or breakdown will be occurring if the market goes through slippage. While each market has its own behavior patterns, the following slippage numbers can keep you out of trouble and prevent the locals from gunning you down.

The following list shows the slippage factor for the most actively traded commodities:

S & P	.65
T-Bonds	7 ticks
DM	20 ticks
SF	25 ticks
Yen	25 ticks
Gold	$1.10
Silver	2 cents
Copper	.60
Crude	.09
Beans	5 cents
Corn	2 cents
Wheat	2.5 cents
Live Cattle	.35
Hogs	.35
Bellies	.55
Cocoa	.10
Sugar	.08
Coffee	.55

Barry Rosen, the founder of Fortuncast Market Timing, began the service in 1987 with a monthly timing newsletter titled Investor’s Fortucast, now titled Fortuncast. As a registered CTA with the CFTC, Barry advises thousands of clients through hotlines, fax services and newsletters. Barry focuses on over 22 markets in his publications and his exlectic market timing methodology includes Gann, Elliott Wave, and unique cyclical timing devices based on the work of Gann. For more information, contact Fortucast at 800-788-2796 or write Fortucast, PO Box 2066, Fairfield, IA.

The Best Way to Trade with Limited Capital

By Bruce Babcock

One of the biggest swindles unscrupulous commodity vendors are pulling is to suggest that you can be a successful commodity trader with minimum capital. In order to sell their trading courses, they claim you can make a fortune starting with whatever amount you currently have available.

Most thoughtful experts agree that there is a minimum below which success is determined by luck. I set that amount at $10,000. Below that, it is nearly impossible to apply proper risk management principles. Studies have shown that success is directly proportional to the amount of capital you have. To maximize your chances of success, it is best to have at least $75,000.

My best mechanical system for small traders requires at minimum $15,000 for a conservative approach involving a five-market portfolio. Without a little luck, trading that system with limited capital may require extraordinary patience to wait for the system's statistical advantage to assert itself.

If I had to trade with less than $15,000, how would I do it in a way that would maximize my statistical advantage? My suggestion is to pick a few classical chart patterns and specialize in trading with them. You must have discipline and patience to wait for the patterns to develop correctly using only markets suitable for small accounts. Additionally, you must apply strict risk management and have great tenacity to let your profits run on the good trades.

Mid-America Exchange mini-contracts are a viable alternative for small accounts and highly recommended. Full-size contracts would occasionally be all right in such markets as Gold, Cotton, Soybean Meal, Soybean Oil and Oats.

The best book on chart pattern trading in futures is Peter Brandt's Tradinq Commodity Futures with Classical Chart Patterns (800-999-2827) . Peter has been earning his living trading this way for over 25 years. His entry approach is to identify clearly defined chart patterns as described in the Edwards and Magee classic, Technical Analysis of Stock Trends, with a 'measured move' representing a profit potential of at least $2,000 per contract and a reward/risk ratio of at least 3 to 1.

There are some further requirements described in his book. For those who want to follow and learn from Peter's trading, he publishes a newsletter called The Factor (719-471-6898) .

Another successful expert who uses chart patterns for entry is Steve Briese, publisher of the Bullish Review (612-423-4900). This excellent newsletter reports on and analyzes the CFTC Commitments of Traders Reports. Steve's personal trading approach is to concentrate on only two kinds of patterns. Here's how he described his method in an extensive, exclusive interview available from my Reality Based Trading Company (800-999-2827).

"I continue to believe that using standard chart patterns is a very lucrative way to trade. I've gone back to look at what has worked and tried to reduce the chart patterns down to a manageable few. The first is a failure swing top or bottom, which may be a double top or bottom or the last part of a head and shoulders or triple top or bottom. These are reversal-type patterns.

"The other one is a coil. That would include any type of triangle which is a consolidation. It is typically a continuation pattern, but it can also be a reversal pattern.

"The problem with these patterns is that to trade a breakout and put your stop on the other side of the pattern usually creates more risk than I want to take and that most traders should take based on their account size. The typical approach to this would be to trade the breakout when it comes, but to put your stop at a money risk distance from the entry.

"I take the opposite approach. First, I determine where my stop-loss should be based on the pattern. I want to put my stop at the point where the pattern fails. Then I determine how much I'm willing to risk on the trade. In my case I never risk more then $500 per contract on any trade. I don't trade the S&P, where that would be difficult.

"After I've established my stop, I know what the exit point will be. Now I have to find the entry point that will keep my risk within the required amount. This will usually be at a point before a breakout verifies the pattern, still within the pattern. I use the Commitments of Traders data to forecast which way a pattern is going to complete."

The biggest problem in trading with a small account is finding reasonable stop-loss points and still keeping risk to an appropriate level in relation to your account size. Since strings of losses are inevitable regardless of your approach, you must control risk so you are not wiped out by consecutive losers. Experts agree that for proper risk management, you should limit risk to no more than about one percent of your account equity. This is impossible with a small account.

Steve Briese has been successful with stops under $500. Peter Brandt's average loss is generally under $400. You must be patient to wait for entries that qualify under your rules where you can place an intelligent stop at a point which will limit risk to less than $400-500. If the current volatility is too large to accomplish this, you must pass the trade.

While novice traders spend all their time working on entries, seasoned traders know that the really difficult decisions in trading involve exiting profitable positions. Letting profits run on good trades is absolutely essential to long-term success.

I believe that judicious trailing stops are the best way to let profits run. On multiple contract positions Steve Briese uses a combination of trailing stops and volatility. Peter Brandt prefers exiting at pattern objectives.

While successfully trading commodities with limited capital presents the highest challenge in trading, you can do it if you recognize the problems and construct a trading plan to accommodate the realities.

Bruce Babcock is the founder and Editor Emeritus of Commodity Traders Consumer Report. He has written eight books on trading including The Dow Jones-Irwin Guide to Tradinq Systems and Profitable Commodity Futures Tradinq From A to Z. He has designed over 25 computerized software systems for traders, a number of which he trades himself. His latest book is The Four Cardinal Principles of Tradinq, available from Reality Based Trading Company (800-999-2827).

"Personality of Markets Theory"
OmniTrader's Technical Analysis Method

By Ed Downs

The Personality of Markets Theory in a nutshell says that individual securities exhibit individual personalities. If you can pinpoint a security's personality, and apply the right trading system for that personality, you can predict its next move...and make money.

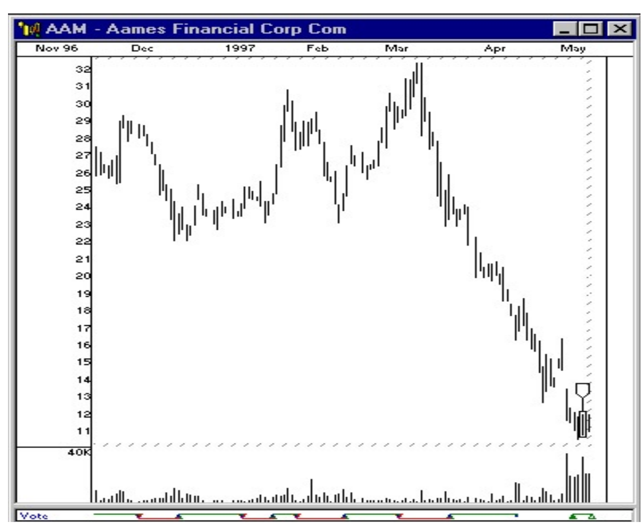
The easiest way to see how the Personality of Markets theory works is by looking at the futures market. Futures personalities are much more consistent because they are often based on supply and demand. If you look at a chart for live hogs, you will see that there is a lot of volatility, with wild swings between high and low points. That's the nature of the hog market -- its personality. At the other extreme is the currency market. Here, you see long, steady trends. There aren't a lot of surprises in this market. Its personality is stable, even boring.

The two most common types of market personalities are trending personalities, as seen in the currency market, and trading range personalities, as seen in the live hog market. Gapping personalities are also found in volatile stocks.

So, what causes these different personalities to develop? Price moves occur because of what people do. And, human nature says that people tend to be rather predictable. Furthermore, the same people make up a large portion of the market. So, the traders who liked a stock last week and are selling it this week, will probably like it again next week. Again, human nature says that once you've traded a security and either made a good move, or missed a move, you will look for another opportunity to try again. Also, different types of people are attracted to different types of securities.

Technical analysis is the art of measuring these repeating patterns of human behavior in order to predict future behavior and the resulting price action. By looking at the past behavior of the market, traders have observed certain patterns and created trading systems based on those patterns. You can use these systems to predict what will happen next in the market or in a particular security.

The problem is that there have been hundreds of trading systems developed; all of



which work well as long as the market is exhibiting the personality for which the system was designed.

So, what's a trader to do? Ten years ago, when I founded Nirvana Systems, Inc. that was the question that challenged me. I answered it with OmniTrader. (Nirvana Systems released the first version of OmniTrader in 1994 and this spring, we released Version 3.0. OmniTrader, the only completely automated technical analysis software program, isolates the personalities of individual securities, then generates buy and sell signals based on that information.

Over 100 proven trading systems are built-in to OmniTrader. OmniTrader isolates personality by testing every system against the securities you select, over a backtest period (typically one year). Let's say five of those systems proved profitable over the test period. The likelihood of one of those systems producing a profitable signal tomorrow is very high. That doesn't mean that you'll only use those five systems from now on, however. The key to OmniTrader is that you're looking at a relatively short trading period. Because OmniTrader works so fast, you can easily retest the security or securities on a daily or weekly basis for new buy and sell signals.

The next step for the profitable trader is to look at the security's chart to see if the personality of the backtest period is similar to what is being exhibited today. This is very easy to recognize. If a security has been in a trading range personality for months, the buy or sell signal is based on that personality. If the security has recently taken off on an upward trend, it is now exhibiting a different personality. The stock is obviously violating its backtest period and you should not trust the signal.

It's important to note that OmniTrader is not a new "trading system." It's best to think of it as a completely automated "opportunity generator." You don't need to tweak it or tune it. Just select the securities you want to test, let OmniTrader run, then look at the resulting signals on the Focus List. Verify the personalities of the most promising securities by looking at the charts. The whole process takes just minutes a day. And, it works. Our users typically report that over 70% of their trades are accurate using OmniTrader.

Nirvana Systems is continuing this concept with new developments we will be announcing this year.

Attachments: two screen shots of OmniTrader charts. One shows a security exhibiting a trending personality. The other shows a security exhibiting a gapping personality. Both stocks are similar in time frame, price, and volume. The primary difference is their unique personalities.

Ed Downs is founder and CEO, Nirvana Systems, Inc.

Forecasting
The Power of Ranges

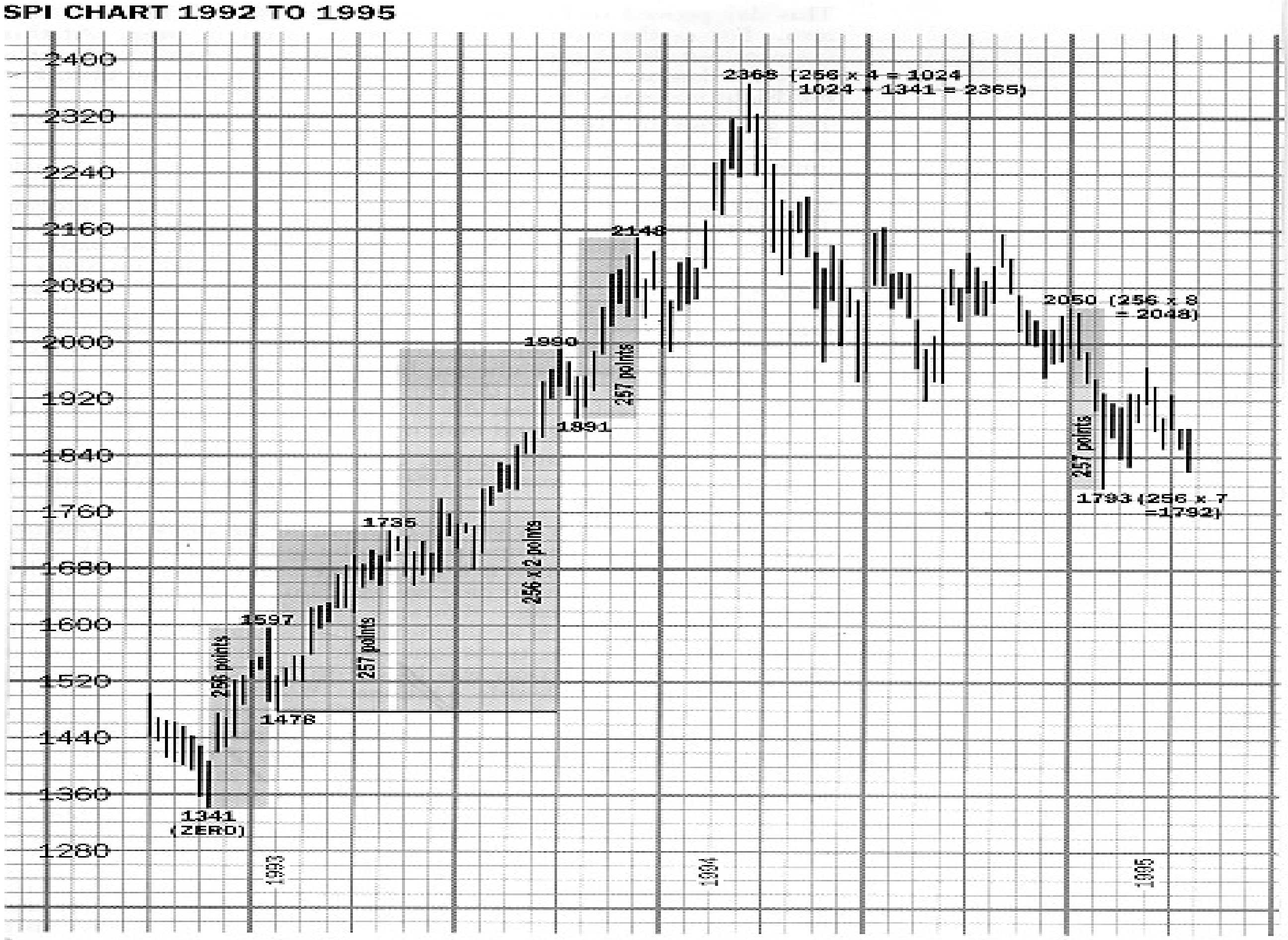
By David E. Bowden

I see myself more as a technical trader than a technical analyst. It has been light years since I submitted an article to this magazine. At that time (February 1989) I acknowledged the contribution that W.D. Gann's Commodities Course had made to my career as a trader. I still believe that trading is where the benefits of analysis lie. In the previous article I made one clear and basic forecast. It was not until after that forecast came in that I had this ground swell of interest in how I applied Gann's message.

In most ways, little has changed. I still use a combination of Gann's various techniques, mixed in with a couple of my own theories, to make my trading decisions. I accept that this is different to what is generally written. Most analysts who write about trading principles treat their theories a little like religion. They each claim to have a monopoly on the pure truth. Of the traders amongst us, I think few would argue that the check book indicator is the best way to judge the value of what is available by way of trading packages.

I think a further qualification should be made for those who are just starting out on a trading career. In trading there is no such thing as one glove that fits all hands. Any form of analysis is

SPI CHART 1992 TO 1995



still “analysis”. In the trading business, as in any form of business, the objective is to develop a process, or system, that shows a profit. I suggest that you look at a trading plan as a series of business decisions hopefully proven over a number of years. That is the proof, but the question you must ask yourself is “Can I handle it?”

My way is to use the strategies laid down by W.D. Gann in his books and courses. They have been very kind to me. By that I mean I have made a fair profit. This has occurred over a twelve year period so who can argue with that? When I started out my primary goal was to make a good living out of trading. In those days I quantified that in the $200,000 per annum area. If I were starting out today I would set my sights higher. Why do I look at it this way? Because the money is there to be earned and I believe that’s how you keep score in the game. Let someone else earn the Nobel Peace Prize, I’m happy to put my profits in the bank. For that reason I basically trade for myself. I conduct seminars because I enjoy them. Traders pay me to speak about something I love. It’s a good life.

I may be a little different to some involved in Gann analysis because I believe money management is of more importance to a traders overall success than say, squaring time and price, though they all have some relevance. As I said earlier, I use a combination of Gann’s techniques combined with some of my own to reach my trading decisions. I am self taught and I follow simple methods. I don’t want to knock anything that you are currently using in your trading, as long as it is profitable. The check book indicator is still the best indicator.

When I’m trading I find I must have time alone to assemble my thoughts. My style of trading is basically trend-following, but when my time frames come up, I measure the optimism/pessimism of the crowd and basically do the opposite of what the mob does. At that point I’m a contrarian. What I’m saying is that during a run in any stock or commodity, the mob is not always wrong. But history shows they are always wrong at any major turning points.

Top and Bottom Pickers Go Broke

The run-of-the-mill top and bottom picker usually ekes out a miserable existence. He or she is usually taking positions against the trend throughout any major bull or bear campaign and so is flailed into submission by the market. The most important shortcoming of this style of trading is that when a decent change of trend emerges, the trader has dispersed all of his or her firepower. The psychological and financial resources are spent. I witnessed this in the 1987 bull run.

How Does One Succeed?

You start with a plan that is committed to paper. Your plan must be tested and revised until it is in the briefest possible form. It must be simple. You must have faith in it. It must be a mix of formula and strategies. Most importantly, you must put it to work.

There is no “one” way to make money in the market any more than there is “one” way to lose it. I will tell you about my way. From the beginning, long before I ever took a position in the market, I was impressed by W.D. Gann as a person and as a trader. So many of the thoughts that I pass on here are his thoughts. His thoughts and my thoughts are by now hopelessly entwined. I must say that in most cases he had the thoughts first. There is no doubt he, like R.N. Elliott, is a legend. I often have cause to smile at the odd trader who knocks him. Gann died in 1955 and yet forty years after his death you mention the name Gann amongst traders anywhere in the world, and everyone knows that you are talking about W.D. Gann, the legend. I wonder if, forty years after the passing of some of these genii, whether their names will even be known in their hometown, much less as a legend! It is so easy to be critical. I have traveled all over the world and I've never seen a monument erected to a critic.

Gann was known to call exact turning points in the market long before they happened. He first used the phrase "Black Friday" in 1928 when describing the panic that would envelop the American stock market. He also said that the market would peak on 3 September 1929, which it did. That's what makes him a legend. Now, if you are that good you need read no further. Just go off and trade tops and bottoms with gay abandon. For you others, here's a plan... and I believe you must have a plan.

For me there are two main elements in technical analysis, "time" and "price". "Time" is more important than "price". When you have mastered those two elements, you can begin on the third exercise which is squaring time and price, a hybrid that Gann developed. Squaring time and price is usually done by drawing geometric lines on a chart. These so-called "Gann angles" do the work for you.

In studying time and price the chart only gives you a picture of what has happened. You must do the work then transpose the work onto your working chart. I feel you should draw the chart and transpose your work manually when you begin. There seems to be some coordination between the pen and the eye that does not occur when a computer is used. At least that has been my experience and I have witnessed this with hundreds, if not thousands, of traders. All of my Super Traders began by hand-drawing charts. It's part of the gaining of wisdom. They can measure the results in dollars. As I said earlier, that's how you score the game. The proof of the pudding is in the eating thereof. I have had a few servings both good and bad. This qualifies me to go on. Heaven help one who follows the advice of another who has not had his or her fair share of puddings!

I often think that the only way to respect money is to have it and lose it, then acquire it again. It certainly is one way to introduce an element of discipline into your trading, or anything else for that matter.

As price is the first element to be mastered, we will exercise a small amount of discipline and confine our lesson to this subject. You can trade very successfully using either price or time, but I think you should be the master of both. They become your servants. Then, and only then, you can start on squaring time and price, moving averages, stochastics and so on.

I will use the Australian Share Price Index (S.P.I.) contract to illustrate the value of knowing something about the element of price. As you have probably gathered, I have a deep respect for the psychology a trader must apply when practicing his or her craft. I have been involved with some of the most respected psychologists associated with trading, and I rate expertise in technical analysis and trading as highly, and every bit as necessary, as a sound psychological base. I know some say the psychological background is the most important aspect. I feel that is because they have never mastered the art or science of analysis to the degree that the analysis actually gives you the psychological advantage - or, to put it another way, the guts to take the trade. I mean, that's why I advocate putting the work in on a trade - so that you'll have the guts to take a position and hold it and not go off half cocked at every minor reaction.

I know many luminaries in this business who say it is just not possible to call market turns in advance. They say it just can't be done. I feel it would be more correct of them to simply say that they can't do it. I believe you develop this skill by following past masters. I have been game, time and time again, to put my name on the line by forecasting markets - sometimes years in advance. I've been right - and sure, I've been wrong... but I've been right a lot more times than I've been wrong. When I'm wrong, my stops get me out and sometimes reverse my position - automatically. The success or otherwise of my plan is measured by my trading account. Remember, that's the way we score the game.

The Study of Price

My last article contained a forecast that was based on a time sequence. This time we will confine our lesson to price. Following is a simple breakdown of how the market throws up a range, or a price, which can be used to complete a forecast. I have tried to show you how to recognize this phenomena early in the piece. You can learn these lessons by desperation or inspiration. Sometimes to get the inspiration we need repetition. In this lesson I am trying to show you the process of repetition. While it is said that desperation is the mother of invention, undoubtedly in technical analysis repetition is the mother of skill. This is just an introduction. At a later stage you can add from your own grab bag of tricks, as you become more familiar with this form of analysis.

We start our study of price by calculating a major range. The range is, of course, the difference (or "space") between a top and a bottom. The definition of major may vary with the time frame that the individual trader accepts as a unit of time. This is determined by the length of time we use to construct a bar on our chart. By this I mean you may use a quarter hour, daily chart, weekly or monthly chart as your main decision-making vehicle. You must make up your mind if you live in a quarter hour, daily (or whatever), world. That's what you are living in. In any case you use a major top or bottom as a zero. That's where your world starts.

For this exercise we will use the daily chart, (for I believe that's where you should begin) and so as to have a fair sample of time we will use the low of 16 November 1992 as our zero. This gives us about three and a half years of market action. Remember, we are only using price in this lesson so we will note that the price on that day was 1341. [I have included a weekly chart due to space limitations. All calculations were made using a daily chart.]

The low of the year, 16 November 1992, was a very forecastable day for a major change of trend. 1341 was recognized as a buying point by many traders who are well known to me.

We are studying price action and reaction, so we will let the market tell its own story.

The first run out went until 5 January 1993 and the high came in at 1597, giving us a range of 256 (1597 - 1341 = 256). We will call this range 360 degrees, or if you prefer 100%. We call it this to emphasize that the number 256 is a complete cycle - and the market has thrown it up. You could say we are working on a square of 256. In time you will recognize such numbers as they keep getting placed in front of you. As I say, hindsight soon becomes foresight. I could write about the significance of numbers, and from where they evolve, but it would need a book, or a series of books, to paint the entire picture. It does not make a lot of difference to the check book indicator whether or not the chicken came before the egg.

So we recognize a major range, once again with hindsight, but when the low of the year for 1993 comes in we are in a position to rate the next run!

From this low, which is yet to happen, if the market does less than 256 points on the upside it can be judged to be weak. If it does the exact 256 points it is in balance - and if it goes over this figure it is strong. In that case we would not expect a significant retracement, or change of major trend, until we witness a decrease in range. It is as simple as that, so don't complicate it. This is all pure Gann. He was the original source. Tubb's Law of Proportion was based on the same principle but came in a more tradable package. William Dunnigan and Charles Lindsay came later. Gann balanced both time and price, as illustrated by his lesson of that name on page 36 of the W.D. Gann Commodities Course. You may wish to break this range into quarters, which I call seasons. They give me my price pressure points. If you wish to go further into this subject you would be well advised to read Tubb's Stock Market Correspondence

Lessons, Lesson Nine, on his Law of Proportion.

In any event, the low for 1993 came in on 11 January at 1478. We would expect the next top to be 1478 + 256 = 1734. In real life the first top came in at 1735 on 15 April. This gave us a range of 257 points, just one point out. The market had a minor retracement then proceeded to the price of 1990 on 2 September. 1478 + (256 x 2) 514 = 1990, exactly. The S.P.I. then had a short, sharp retracement, the biggest for the year to date, to 1891 on 15 September. We would complete a trading plan and trade the market from as close as our analysis allows us to get to the 1891 low.

Our target is, of course, 1891 + 256 = 2147. The cycle high for the year 1993 was 2148, just one point out. It came in on 2 November. This was again a very forecastable date by Gann technique. I had newspaper articles published throughout 1993 calling for a top in the first week of November. More importantly, a number of traders made what would be regarded as sizable profits trading, exactly as outlined in 1993. A number called 2148 exactly. What's more, they traded their forecasts.

As is common knowledge, the top for the 1992-94 bull run came in on 4 February 1994 at 2368. Once again, our first range out called the market - and is still calling the market for 1995-96. (1341 + (256 x 4) = 2365) - just three points from the 2368 top.

I have covered approximately three years of market movements, illustrated how 256 gave the trader a series of major pressure points. The market put in a major low of 1793 (256 x 7 = 1792) on Wednesday 23 November 1994. The swing top previous to this had occurred on Monday 24 October 1994. The top on that day was 2050 (256 x 8 = 2048) so you had both the square of 256 and Time by Degrees (30 calendar days) working. Also, the final run down into this major low was 2050 - 1793 = 257 points!

To round off this sequence, I suppose I should mention that the high for 1995 occurred on Monday 7 August, which was 257 days from the low of 1994. This was the day that time and price squared. It was also in our "Time by Degrees" window from a change in trend.

I do not believe that any of the techniques mentioned in this article are above the understanding of the average trader. All of the equipment required is a hand held calculator, that calculates both time and price and a hand drawn chart. You should back test your calculations and then follow up with a period of "paper trading" to eventually give you the strength to trade your own market.

As further proof that it is possible to complete a forecast that works, I would like to go back to my previous article in February 1989. In it I called for a top of the market for Monday 2 October 1989. In Australian publications I called for a top on Tuesday 3 October, with the time difference between our two countries, they are basically the same day. As time will tell the high of the year came in on Wednesday 4 October. This was followed by the 1989 crash on Black Friday 13 October when the DOW fell 213 points. The price on 4 October was 1855.0 which was exactly the price I forecast to many of my clients. In those days our market traded to a decimal point. It should also be noted that this was the highest that our market had traded since 1987 and that the 1989 top was not taken out until 1993. I am only writing this to prove that it is possible to get it right with basic equipment. I called the 1987 top, to the day, by exactly the same methods. All of this is backed up by my trading statements. The check book indicator is still the best indicator.

I will try to explain, in a quick way, some of the time factors that came into play for the 1989 call. The article was based on using the Gann Emblem for time forecasts. The 2 October date was 15 years or 180 months from the 1974 low of our market which occurred Monday 30 September 1974. This was a major low. It was 1260 days or 180 weeks from a major high which occurred on Monday 21 April 1986. It is also interesting to note that the price on 21 April 1986 was 1254.5 so price was basically square 1260 days later. After the article was printed the low of the year occurred on Friday 7 April, which was 180 days before the actual high. That April date was very tradeable. It was another one of my forecasts.

I have had numerous other calls published. Most related to the local market that I trade, but some refer specifically to the DOW.

Most of what has been written so far is basically an explanation of previous market action. I often say a well trained monkey on a stick can explain something after the event, but that's what many lessons are based on. My article in 1989 was a little different in as much that I made a call based on my theories. You can be the judge. I still get the same question over and over, "What is the market going to do?". I had published in 1996 that the markets would take off in the second quarter of 1997. The specific days were included in the lessons contained in my seminars. That has come and gone. The next major pressure time would be from Monday 28 December 1998 until Monday 4 January 1999.

Always remember, the actual top and bottom of each year are only two days. It's the other 250 days that you should worry about. Top and bottom pickers usually go broke. It's the strength of your trading plan that determines your success or lack of it.

David E. Bowden is an Australian trader who has used his interpretation of the works of W.D. Gann to turn the world of trading and forecasting upside down. He can be reached alternatively between his offices in the United States and Australia. PO Box 198, Spring Hill Qld 4004 Australia phone: (07) 3839 3177 Fax: (07) 3839 3319 http://www.sitm.com.au and 211 Glenn Avenue, Washington C.H. Ohio 43160 USA phone: (614) 636 8380, Fax: (614) 636 8638.

Timing is Everything

By Eric Hadik

Cycles would have to be considered the primary factor in Gann's analysis. As he explained (paraphrased), a trend will not terminate until sufficient time has elapsed for its completion.

In other words--you can have all the resistance and support imaginable, but it means nothing if a trend has not encompassed enough time and reached a mature enough state to reverse (thus, the principle of squaring price and time).

When considering cycles, a trader should consider the natural world before narrowing his scope to the markets as a whole or to any market in particular. As Gann frequently demonstrated, weather (flooding/droughts) is very cyclical... because life is cyclical. Gann also utilized cycles to forecast political events (in particular--wars) and other extraneous events--which would impact the markets.

One topic which is neglected in today's investment world is that of earth cycles. Though sounding esoteric, the study of earth cycles (particularly earthquakes and volcanoes) is often a very mathematical and quantifiable discipline... and follows Gann's principles.

Since these cycles originate from a combination of astronomical and geo-physical origins, it should be of particular interest to T.W. readers that many are very predictable. More importantly is what can be learned from studying earth cycles and subsequently applied to market analysis.

Before delving into this subject, it should be emphasized: It is NEVER recommended that investors attempt to trade solely off cycles like these. As my subscribers are well aware--these topics are for additional consideration. A disciplined, objective trading strategy should always come first and be enacted in conjunction with this type of analysis. With that made clear...

Most investors tend to be narrow minded and resistant to insightful or innovative ways of thinking. When I broach the subject of earth cycles, I am often greeted with blank stares... or worse. Even those traders who are open-minded are sometimes ignorant of certain factors which could have a effect on the markets in which they are involved.

For instance--many traders had told me emphatically that the only way earth cycles might have any application is if they trigger 'super-volcanoes'. These large volcanoes spew enough particulate high enough into the stratosphere to have a significant impact on weather cycles in the ensuing months or years. This is true... but it is not an exclusive case...

In late 1994, there were individuals who thought I was crazy projecting a significant earthquake--in either Japan or California--for mid-January 1995. (In fact--I was not predicting... merely identifying the increasing probability of its occurrence.) That was until a catastrophic quake hit Kobe, Japan on January 16, 1995.

Of course, these same pundits were quick to point out that an earthquake has no bearing on the markets--unless it were to devastate an area like New York or Tokyo. They argue that earthquakes have no bearing on financial markets beyond the scope of their immediate region.

In many cases, this is true--and was commonly accepted as irrefutable fact. That was until the estimated costs of the Kobe earthquake grew to exceed 50 billion US Dollars. At that point, the Japanese Yen entered a parabolic move upwards--rallying over 26.00 points--or over $32,500 per contract in futures terms--in the ensuing 13 weeks.

Simultaneously, the Nikkei Stock Index plummeted over 5,000 points--or more than 25%--in the subsequent 21 weeks. An objective observer would have to conclude that this was more than random coincidence. So, why would the Yen skyrocket and the Nikkei plummet?

Because the Japanese had to convert investments to cash and repatriate large sums of capital to pay for the damages. This meant liquidating foreign holdings (i.e. US stocks, bonds and Dollars) and buying Yen. The interesting thing is that the Yen was already in an uptrend--and the Nikkei had already begun a decline BEFORE this fundamental event hit.

This event confirmed the technical outlook and triggered the parabolic 50-75% of the respective moves. As in most cases, markets usually anticipate external (fundamental) events.

I am certain that the question still arises--'Why focus on earth cycles and why so emphatically now?' The answer is many-fold:

#1)--First is the reinforcement to Gann's geometric theory of time... which is applicable to all market analysis and to cycles of almost any nature. Once this concept is understood and internalized, cycles can be better utilized in market analysis and applied to trading.

#2)--Second is a discussion on the topic of synergy. Again--this is a principle which should govern every trader's decision-making, since trading is ultimately a 'numbers game'. It is another lesson to learn from these earth cycles. The more factors corroborating a specific trade (or projected earthquake/volcano)--the higher probability for success it has.

#3)--Third is potentially a more important topic--and the ramifications it will have on civilization over the next decade(s). It is the topic of solar retrograde... and its third occurrence which began in April 1990. This has already had a dramatic effect on world-wide crop production and its influence is expected to continue into the next decade.

Already, US grain stocks are so depleted that another difficult growing year will send prices skyrocketing, triggering price inflation--which will quickly filter down to precious metals and then to bonds and thereafter to stocks (if the markets are not already anticipating these events by then).

#4)--Fourth is a return to the topic of cycles, albeit from a longer-term perspective. Multi-decade and multi-century cycles pinpoint the next several years as having an increasing risk of major volcanic eruptions (particularly in Italy and NW North America) and dramatic earthquakes (throughout the entire world--but particularly in Japan, the US, the Middle East and Europe).

Multi-millennial cycles--evidenced by the sudden return of several comets (which affect the stability and energy of planets millions of miles out of their direct path)--are also now in force.

#5)--Fifth--and finally--is a discussion on the topic of climate and climate cycles... and the effects that the previous two points (#3 & #4) could/will have on climate throughout the earth in the coming years.

Most readers who are even remotely familiar with Gann have some understanding of his concept of time. Since a solar year is 365 days (and could have been--at one time in the past--360 days) and is governed by circular and elliptical planets, rotations and orbits--it only makes sense that time is geometric. Measurements which hold increased significance in a circle (90, 180, 360 degrees) will also hold increased significance in time (90, 180 or 360 days, weeks, month, years).

The circular--or cyclical--nature of time is also apparent in Gann's concept of anniversary dates (hence the dual-expression that an event has come ‘full-circle’ or ‘full-cycle’). Significant events often occur on the anniversary of other noteworthy events.

Significant historical turning points can be used to project future reversals by applying this idea to cycles (adding multiples of 30 periods--whether days, weeks, months or years)... but should always be filtered with synergy. In other words, unless several cycles--emanating from several prior turning points--converge at a specific date in the future, it is not a high probability forecasting tool.

The idea of geometric time (where periods of days, weeks, months or years are divided the same as a circle--in 15 or 30 degree increments) is not isolated to market cycles. In fact, Gann applied to the market what was already present in nature (just as R.N. Elliott did with the Elliott Wave Theory). As demonstrated from the following tables extracted from the 1/02/97 INSIIDE Track, geometric time is ubiquitous in earth cycles as well.

When preceding earth events (earthquakes of significant magnitude or serious volcanic eruptions) follow a consistent pattern occurring in 30/60/90/180 day intervals--they often act as a precursor for the future. The 1995 Kobe Japan quake was a perfect example of this...

January/July (U.S./Japan) Earth Cycle

July 12, 1992...The third in a series of Yucca Valley, CA earthquakes with a 7.0+ magnitude.

July 15-16, 1992...Second eruption of Mt. Pinatubo

January 15, 1993...5.7 magnitude quake in Gilroy, CA

January 16, 1993...7.5 magnitude quake in N. Japan

July 12, 1993...7.8 magnitude quake in N. Japan.

January 17, 1994...6.6 mag. quake in Northridge, CA

[July 18--24, 1994... Shoemaker-Levy 9 comet collision with Jupiter (long term effects unknown...but enormous energy released... see 6/03/96 INSIIDE Track).]

July 31, 1994...6.4 magnitude quake in N. Japan

January 16-17, 1995...6.8 earthquake in Kobe, Japan

July 3, 1995...5.6 magnitude quake struck Tokyo

This first table demonstrates a unique cycle of earthquakes/volcanoes which continue to occur in mid-January and mid-July of each ensuing year (180 degrees apart). Almost all have been located in either Japan or the Western US region, but the tectonic plates affected cover a much wider region--so pinpoint geographic accuracy is certainly not an attribute of these earth cycles.

A quake expected for Japan could strike anywhere from far-east Russia, China or the Philippines. On the other side of the Pacific, earth changes could strike anywhere from Alaska to Mexico... BUT... the most common occurrence in this cycle has been in Japan and the US.

Of added interest is a point I stressed in several previous letters: This entire sequence was preceded by man-made, earth-shaking events. To quote:

“Prior to this sequence of earthquakes was another significant event which released a great deal of energy... in a much longer, drawn-out process. The bombing of Iraq began on January 16, 1991 and lasted 39 days and nights (1 shy of the Biblical 40 days and 40 nights).

Since I believe that unnecessary pressure has been placed on the earth’s plates and crust by the detonation of massive explosives, it is of particular interest that... the detonation of the first nuclear bomb [occurred] on July 16, 1945...” (Beware The Ides Of July!!!--6/12/95)

So, both the mid-January and mid-July periods have had man-made energy-releasing events in the past...slightly more than a Gann 45 years apart (though Saddam’s troop movements began precisely on the 45th anniversary). Whether this has an effect or not--and whether this annual ungrounded period spurs men to take such extreme actions--is for you to decide.

In addition, one of the greatest releases of energy in our universe occurred less than three years ago... also during the mid-July period. This event took place exactly 49 years (7 x 7--or completion multiplied by completion) from the 7/16/45 atomic bomb test.

Though scientists still do not know what to conclude from this massive disturbance in our solar system, the July 18-24, 1994 collision between Shoemaker-Levy 9 comet and the planet Jupiter released energy beyond our comprehension.

The following table (originally from the 7/19/94 Dallas Morning News) places in perspective the destructive force of just one single fragment from this comet entering Jupiter's atmosphere...

Comet Explosion Comparison

Atomic Bomb over Hiroshima--15 kilotons (15,000 tons of TNT) // Peak Exp losive Power of US nuclear arsenal-- 20,000 megatons (1 megaton = 1 million tons) //Peak of USSR arsenal--60,000 megatons // Shoemaker-Levy 9 fragment G, 2 miles wide, exploded in the upper atmosphere of Jupiter--6,000,000 megatons (6,000,000,000,000 tons of TNT)

In other words, the explosive force of this comet fragment blast was 400,000,000 times the explosive power of the atomic bomb at Hiroshima...How's that for perspective?! And, that was only one fragment. Imagine what the cumulative effect of this 6 day event (another Biblical parallel) must have been.

Though this may not seem directly related to the current discussion, consider the massive energy and magnetic field which travel with--and surrounding--comets which enter our vicinity. This abundance of energy could alter the stability of the earth's crust. To further demonstrate the potential correlation, a couple recent observations should be reviewed--

"Another series of quakes should not be missed...June 9--21 1996 saw 5 quakes of 7.0 magnitude or greater (3 were 7.5+) strike the 'Arc of Fire', while 2 eruptions took place on Mt. Ruapehu (New Zealand) and a 6.0 quake struck Armenia....Following these cycles, the most interesting time on earth or in the heavens could well be the coinciding of Comet Hale-Bopp making its closest pass to earth at the same time of a Lunar and Solar eclipse... all surrounding the Ides of March. (If ever there were a time when 'kings could fall', it would be this one...) This time is also 270 degrees from the June '96--7.0+ quakes." (01/02/97 INSIIDE Track)

Comet Hale-Bopp is scheduled to make its closest pass in mid-March, 1997 and could be an additional trigger (synergy) for plate slippage on earth. This time period is between a Lunar and Solar eclipse--two items with which Gann aficionados and 'Tunnel Thru The Air' readers are very familiar. Many significant market moves have occurred or begun around eclipses. So, do not be surprised to see energy released from the hyper-inflated stock market 'bull-oon'.

In keeping with the idea of geometric time--and the lessons which can be learned from it--another recent quote is applicable...

"As Jan. 16/17th drew closer, October (90 days/degrees prior) saw 6.0+ quakes in the Arabian Sea, Philippines, Canada, Lebanon, Egypt, the Mediterranean (consistent with my expectations for an Italian volcano in the next 1-3 years), Solomon Islands (2), Indonesia (2), Fiji Islands, Russia AND--at precisely the 90 day prior point--Japan was rocked by 2 major quakes on Oct. 18 (6.8... following more than 5,000 quakes in 4 days) and on Oct. 19 (7.0)."

(01/02/97 INSIIDE Track)

This is an almost unprecedented amount of earth activity in such a tight time frame--all focusing attention on future dates in multiples of 90, 180 and 360 degrees/days... with

January 16-19th and July 16-19th being the tightest convergence of cycles, though April 16-19th will also be significant.

It is of particular interest--and a reinforcement to the accuracy of these earth cycles--that these two recent major Japanese quakes (10/18-19/96) occurred precisely 7 years (a Biblical period of completion) from the October 1989 San Francisco (Loma Prietta) earthquake. This is another reason for focusing attention on April 16-19th--which is now 180 degrees forward--as well as the mid-January and mid-July cycles.

Since October 1995, another cycle has developed--linked to lunar cycles (though not isolated to Japan or the West Coast). Each of these quakes/volcanoes occurred within days of the full moon. Since the cycle of full moons is very close to a 30-day cycle, it is also closely related to the idea of geometric time...

1995--96 Full Moon/Earth Cycle
10/06/95--7.0 quake in Indonesia
10/06/95--Volcano on Mt. Ruapehu in N.Z.
10/09/95--7.6 quake in Colima, Mexico
01/01/96--7.7 quake in Indonesia (w/tidal wave)
01/01/96--7.2 quake in Russia & volcano
02/02/96--6.5 quake in Yunnan, China
02/07/96--7.1 quake on Kuril Islands
03/03/96--6.8 quake in Nicaragua
03/05/96--6.3 quake in Taiwan
05/02/96--5.2 quake in Seattle, Washington
05/02/96--6.0+ quake in Okinawa, Japan
05/02/96--6.6 quake on Solomon Islands
(05/01--05/02--4 quakes from 6.0--6.6 on S.I.)
05/03/96--5.9 quake in China
05/07/96--6.5, 7.0 quakes in Kuril Islands
05/07/96--6.0 quake in N. Mullucca Sea
05/30/96--6.0 quake on S. Sandwich Islands
06/01/96--6.8 quake--French Guinea
(05/30--6/01/96--3 quakes ranging from 5.3--6.8)
06/02/96--6.2 quake on N. Mid-Atlantic Ridge
08/01/96--6.0 quake in Indonesia
08/05/96--6.7 quake in the Tonga Islands
08/06/96--6.5 quake in the Fiji Islands
10/01/96--6.3 quake in Arabian Sea
10/02/96--6.4 quake in Philippines
10/02/96--Volcano in Iceland (under Europe's largest glacier... flooding feared)
10/04/96--Volcano in Papua New Guinea
12/22/96--6.0 quake in E. Sea of Japan
12/26/96--6.0 quake in Indonesia
(01/02/97 INSIIDE Track)

I have been following/researching earth activity for the last 10 years and have never seen the consistency or intensity that this cycle is manifesting. Applying laws of momentum and physics, it should continue 'unless acted on by an equal or greater force' (whatever that might be).

Since both the Japan/US earth cycle and the Full Moon cycle converge in the middle half of January--I will be looking for significant earthquakes in these two regions (generally speaking) between January 9--26th. July will be the next--and even more significant time frame--due to the additional factors listed previously... with mid-April representing a secondary cycle in the making.

What heightens my attention to Japan even more, however, is market-related. (The markets should always take precedence if trading/investing is the ultimate objective.). The Nikkei is in a similar position to January 1995. (The fact that the Yen has not yet confirmed a low could push the ideal date for an event in Japan to mid-April, however.)

In November 1996, I warned readers that the Nikkei had confirmed a top and that it was close to confirming a 3rd wave (Elliott Wave terminology) lower. This wave is typically the most dynamic--reinforcing the forecast for a dramatic slide in the ensuing months.

As this report is being completed (January 9/10th), the Nikkei has confirmed these expectations falling over 17% from its late 1996 highs and over 10% in just the current week. Since this is only part of the anticipated move, it will take an external event (fundamental) to confirm the technicals and trigger the parabolic phase of this evolving bear market.

I have speculated that the Nikkei would again lead the world's stock markets lower and recent action is adding credibility to this analysis. If an earthquake struck a critical area (Tokyo?), it could trigger a great deal of repatriation of investments and begin a sharp correction in our markets. This would fit with my projections for a significant S+P/DJIA reversal in the immediate future. With or without an earthquake or volcano in mid-to-late-January, this market analysis remains intact!

An imminent low in the Japanese Yen is also a possibility. In 1995, there was little warning prior to the Yen entering a parabolic rally. 1997 may be similar. If 81.10--83.20 holds (Yen futures) in the next couple weeks, a sharp rebound should follow. This, too, would take a fundamental event if the Yen is to reach as high as expected.

What I am trying to convey is that a great deal of technical analysis already pinpoints mid-to-late-January 1997 as a critical period in all the markets. This analysis is completely independent of any subjective or esoteric cycles like the ones I am discussing. Cycles in Gold, Silver, Bonds, Stock Indexes, the Dollar and Crude Oil all align in this time frame.

However, when forged with uncanny earth cycles like these, an intriguing conclusion might be reached. One or more significant earth events could occur in the middle half of January (1/09--26/97)... and/or in mid-April, 1997.

I would not speculate at events of this nature without synergy (increasing confidence). I am not a sensationalist. This should also be true with trading. The high-percentage trades--not high visibility ones--should receive a trader's attention and energy. Too many traders are consumed with picking the exact top or bottom of a market (ego-boosting)--instead of waiting for confirmation and taking the mid 60-70% of a move (profit-boosting), when risk is easier defined and more manageable.

Regarding synergy... just because a couple cycles identify a potential turning point--or 1 or 2 indicators give a sell signal--it is not justification for action. As stated before, trading is a 'numbers game'. A trade (or a forecast of any type) is not always going to be right... no matter how good it looks or feels. You must always 'stack the odds' in your favor.

Trading can only be judged by the bottom line. In this way, it is unlike any other business in the world. Most businesses can be judged by what good they do or service they provide AS WELL AS their profitability. Trading can ONLY be judged by results... by profits or the lack thereof.

With this in mind, traders should only be interested in taking high-percentage, low-risk trades. One of the ways to accomplish this is by utilizing synergy in all your decisions. Reverting back to the earth cycles, January 1997 is a plethora of cycles--as will be July 1997 (and mid-April). In addition to the tables noted earlier, some additional comments will demonstrate this:

"Other precursor quakes point to January 1997 as a very tenuous time. One example is a cycle in Taiwan & Honshu, Japan. In March (3/05, 3/16) 1996, major quakes struck these two areas (6.3, 6.6, respectively). 5 months later (8/10 & 8/10) quakes again struck these regions (6.1, 6.0). (August 9-10 was a seismically active day with two other 6.0 quakes and two volcanic eruptions in Indonesia and the Philippines.)

As I have demonstrated before, a third occurrence often follows in a pattern like this. The next cycle aligns Jan. 9/ 10, 1997 (precisely at the new moon). Considering the January 16/17th cycle in Japanese and West Coast US quakes, and a 14 month cycle of full moon quakes...January 9-26th could be dangerous..." (01/02/97 INSIIDE Track)

This additional cycle sequence focuses on Japan and Taiwan (or China) as a high-risk area in January. Even though my prognostication could be wrong (if no significant quakes or volcanoes strike the 'Rim of Fire' between January 9-26th), I am willing to reveal it and put my credibility on the line because of synergy. I am also more willing to take trades in the market--and place capital at risk--when several (preferably 5 or more) indicators confirm... and reasonable risk can be defined.

The third, fourth and fifth topics I cited earlier are more applicable to agricultural traders... though they should impact the entire market in the months/years to come. These converge in the discussion of solar retrograde.

A majority of traders are unaware of this phenomenon, though I suspect that proportionately more T.W. readers are apprised of it. Solar retrograde involves the sun's rotation within our galaxy--and the shifting center of mass within our solar system (thus exerting stronger gravitational force on certain planets--like the earth). Rather than enter a lengthy discussion on its origin and explanation, I will simply focus on its cyclic nature... and the ramifications.

Solar retrograde is only known to have occurred three times... the third of which began in 1990. It is an approximately 180 year cycle (consistent with Gann's geometric principles) which also occurred in the 1630's and the 1810's. Both previous events were characterized by MAJOR earth changes and DRAMATIC climate swings (ultimately affecting the primary markets of their day). Its impact was felt for decades to come.

The 1630's ushered in the 'Little Ice Age'--which lasted several decades. This particular occurrence of solar retrograde had more affect on climate than tectonic plate movement. In areas where wheat was the staple crop, it could not be grown for decades to follow.

If you think there is no market application to this--consider one of the most infamous speculative bubbles in history--the Holland Tulip Bulb mania. It occurred between the years 1634--1637--precisely when this period of great change and increased instability (both in and surrounding the earth) was unfolding.

Not surprisingly--and again consistent with Gann geometry--the US stock market entered the parabolic stage of its current mania in 1994... exactly 360 years after the commencement of the tulip bulb fiasco. What goes around--comes around... or as Solomon observed--'there is nothing new under the sun'. I suspect that 360 years (one circle--or cycle--of time) later, the US bubble will also burst in 1997 (though my stock market cycles do not show a final low until 1998).

In the 1810's, on the other hand, solar retrograde impacted both climate and plate tectonics significantly...

1811-12 witnessed hundreds of earthquakes along the New Madrid fault in the midwestern United States. The two greatest of these quakes were each over 8.0 and caused massive damage--wiping out entire towns, temporarily changing the course of the Mississippi River, heaving up paved roads on the Atlantic seaboard and ringing church bells in New England--over 1000 miles away.

1815 saw the eruption of Mt. Tambora in Indonesia--which ushered in the infamous 'year without a summer' in 1816 (due to the immense amount of sun-ray-blocking particulate spewed into the stratosphere).

During 1816, temperatures were dramatically below normal and the northeast US and large portions of Europe experienced freezing temperatures EVERY month of the year. You can imagine the effect this would have on crops--when the growing season is measured in days instead of weeks or months.

It is interesting that 90 years after the beginning of the 'Little Ice Age' and the Tulip Bulb debacle (1634-37), a major earthquake struck. In 1727, one of the twelve most deadly earthquakes in history occurred in Iran--killing 77,000 people and causing enormous damage.

It is also interesting that 90 years after the 1811--1816 period, the US experienced what remains as its most notorious earthquake--the San Francisco quake of 1906. Another--more intense quake struck Italy two years later in 1908--killing over 100,000 and causing a devastating tsunami (tidal wave).

The period of 1996--1998 is an additional 90, 180, 270 and 360 years from these earth-shaking/earth-changing eras. (1998 is also 75 years from an 8.3 quake which struck Japan in 1923--killing 143,000 and spurring the great 'Tokyo fire'.) If you do not think that this will result in earth upheaval, nothing will. This is only one of many reinforcements to the conjecture that multi-decade and multi-century cycles align in the next few years.

This hypothesis is not unprecedented since the two second-most devastating earthquakes in Italy also struck 90 years apart--in 1693 and 1783... each killing over 50,000. This--combined with cycles stemming from major volcanic eruptions in the same country--make Italy a high-risk area in 1997-2001.

Other cycles--like two devastating quakes in Lisbon, Portugal--also converge (similar to the aforementioned Taiwan/Japan series of quakes where three successive events are evenly displaced). These Lisbon quakes occurred 243 years apart--in 1512 and 1755. An additional 243 years forward identifies 1998 as a critical year. (243 is the 6th multiple of my previously revealed 'Lost Cycle' of 40.5.)

The beginning of a new upswing in the 22 year sunspot cycle (which troughed in 1995-96) corroborates these cycles. This period is often one of climate and earth instability.

Raymond Wheeler's (and others') climate studies concur with the expected impact of solar retrograde and portend continued cold/wet climate for the next couple years... in an era when all we hear about is the much touted 'global warming'.

Large portions of the US broke historic snowfall records last winter. The mid-west US experienced 9 months with freezing temperatures between September 1995 (record early freezes in Chicago and numerous other major cities) and May 1996 (record late-freezes in many regions).

Also--in the current winter of 1996-97, the NW United States has been paralyzed by its worst snowstorms in recent history--while the upper mid-west has experienced a similar fate. In the beginning of the season--and earlier than any similar events--the Cleveland area was pounded with massive amounts of lake-effect snow... while many regions consistently set record maximum-minimums (lowest high temperature for a specific date).

In addition--record flooding hit the mid-west immediately after solar retrograde began (in the early-1990's) and moved to the west coast, thereafter. Once again--the entire west coast--for the second year out of the last three--is being inundated with precipitation in 1996-97. Look for this to continue throughout January and potentially into March/April 1997.

Flooding has also spread throughout the globe in recent years. The impact on countries like North Korea and China is already being seen and could spur dangerous repercussions in the years to follow. In addition--record flooding has often preceded major earthquakes. (Whether this is a result of the immense additional weight applying pressure on a given area... and then releasing that same pressure... has not been proven.) California and the Pacific northwest should be on alert for the next 6-12 months!

Europe, however, is the sight of some of the most noteworthy events. Preceding the deadly cold snap now taking place (another confirmation of climate cycles and solar retrograde), a fateful event took place at the same time as the aforementioned Japanese earthquakes... in October 1996. (These events are also pointing to October 1997 as the 4th key period to scrutinize.)

A large volcano--located beneath a glacier in Iceland--began to erupt. Initially, massive flooding was predicted for much of Northern Europe.

Though this has not yet occurred, Europe is not out of the woods. With an increase in earth activity, this volcano is bound to erupt more than once and the ramifications could do more to impact grain prices than US weather cycles. (Rotterdam is only one high-risk area.)

All of these factors force the same conclusion--the earth is changing and will continue to change for the next 5-10 years... or more. It is always in the latter stages of cycles like this that the most extreme action occurs. This is another lesson to be learned from earth cycles and applied to trading... that a parabolic move often culminates a cycle. This principle is probably the most important factor that an option trader can integrate into his/her trading strategy.

If this is true, it means the worst is yet to come. (I am not an alarmist... only an aware-ist. I believe the next 12-18 months will offer unprecedented opportunity to informed and alert investors.)

Though this may seem like more of a discussion on earth cycles, it is applicable to many aspects of trading. In addition to the factors already explained, a time of earth upheaval is also a time of emotional instability.

Subtle changes in the earth's core and its atmosphere--which gravitate to its surface--affect our physical and emotional 'grounding'... and thus--our decision making (i.e. investments). It is, historically, at times like this when caution is thrown to the wind and irrational behavior takes hold.

So... It is no surprise that our stock market is completing a manic rally and that investor sentiment is so euphoric--at a time when major earth changes are already taking place (and likely to increase in intensity). The gravitational change cannot help but alter traders' emotions and will likely result in the creation of millions of investing 'manic-depressives' in the next 1-3 years.

My cycle work for 1997-98 has already identified specific periods when investor emotions should reach their extremes and significant reversals should occur in many markets.

I address this subject to provide a stark contrast to the hundreds of articles on micro-trading--which focus on the minute to minute changes in a given market... or a specific derivative of that market... or an option on the derivative of the underlying market (you get the point).

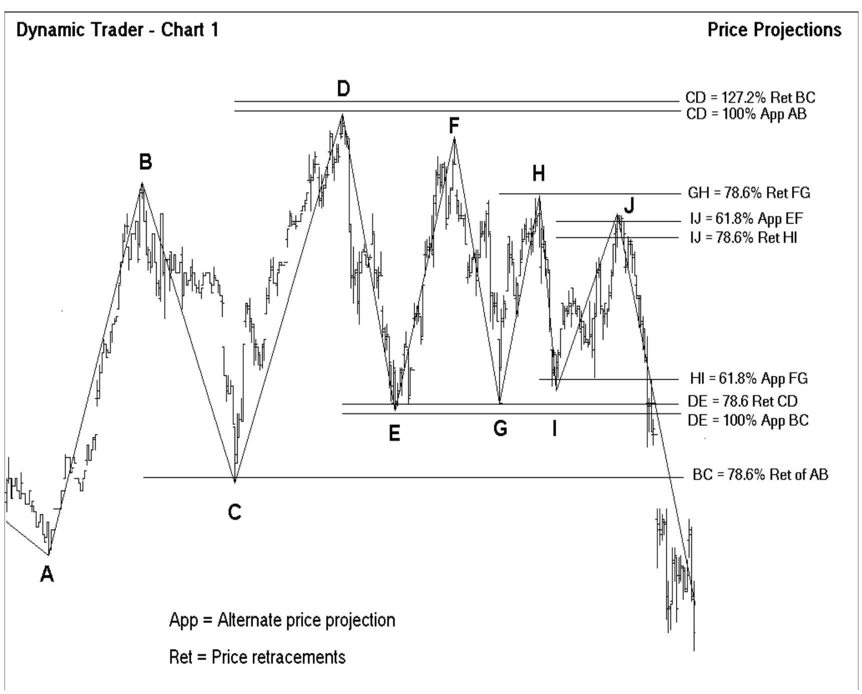
In other words, we have come to the point where we can not only no longer see the forest

Combining Price Projections, Time Projections and Time Counts for High Probability Trades

By Jerry Pegden

This article has two purposes. The first is to review the basics of combining price projections, time projections and time counts for high probability trades. We will call this methodology Dynamic Trading which is explained in full in Robert Miner's soon-to-be-released book, Dynamic Trading. The second is to answer a frequently asked question about Dynamic Trading: can I use this methodology with stocks? with intra-day data? with mutual funds?...

There are four charts with this article. Each chart is the same market and time span. The market is not identified since for our analysis it doesn't matter if it is beans, bonds or snow shovels. The highs and lows are labeled A through J on each chart. The highs and lows, which are called pivots, have been connected with straight lines to form swings. Referring to any of the four charts, the first two swings are AB and BC. Chart 4 only shows the swings without any of the bars. As price projections, time projections, time counts and the Dynamic Time Projection histogram are discussed, we will refer to these swings and pivots.



Price Projections

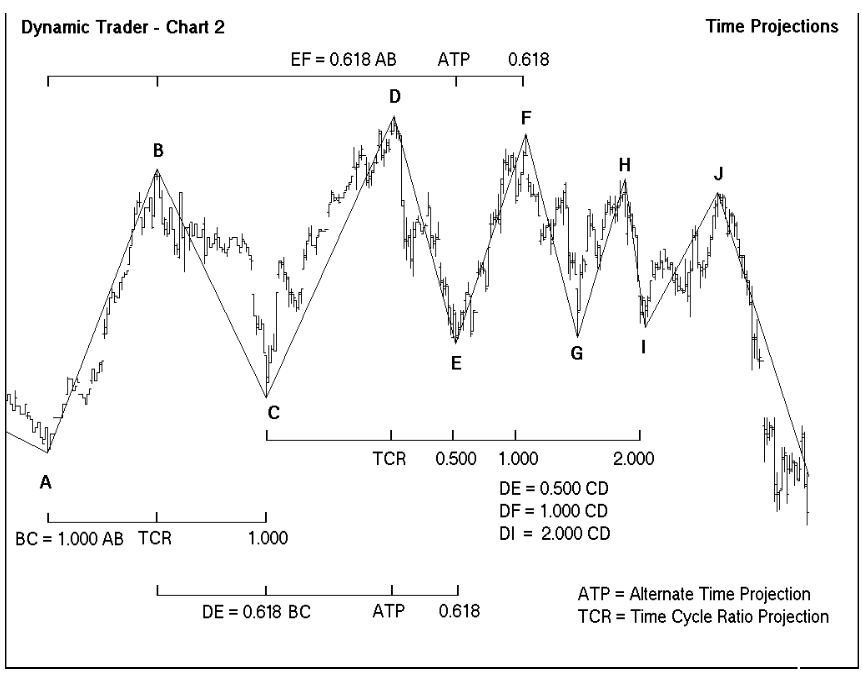
The primary purpose of price projections is to find price support and resistance. Price projections are always made in advance of the current market activity using previous pivot highs and lows. Two types of price projections are shown in Chart 1: price retracements which most traders are familiar with and alternate price projections which may be new to many. These are abbreviated on the charts as Ret and App.

The price retracement ratios used are 50%, 61.8%, 78.6% (square root of 61.8%), 127.2% (square root of 161.8%) and 161.8%. A retracement example from Chart 1: Swing BC retraced 78.6% of the price of swing AB. This is shown by the horizontal line at pivot C. The alternate price projection ratios used are 61.8%, 100% and 161.8%. An alternate price projection example from Chart 1: The price range of swing CD was just a couple ticks short of 100% of the price range of swing AB. In other words, the price range from C to D was almost the same as the price range from A to B. This is shown by the horizontal line labeled “CD=100% App AB” just above pivot D. The range of swing CD was a 100% Alternate Price Projection of the range of AB at the horizontal line above pivot D. This is an alternate price projection because we compared a swing with the alternate swing of the same direction.

Sometimes markets have favorite time and price ratios and time counts. A 78.6% price retracement would seem to be a price ratio to make note of when trading this market. Four of the pivots were made at the 78.6% price retracement.

A clustering of price projections usually results in stronger support and resistance. Pivots D, E and J each had two price projections. As the market approaches price projections, we go on alert for a reversal signal.

Time Projections



The primary purpose of time projections is to find time support and resistance. Time projections are calculated in the same manner as price projections, except the time range between pivots is used instead of the price range between the pivots.

Two types of time projections are shown in Chart 2: time retracements which are referred to as time cycle ratio projections and alternate time projections. These two time factors are abbreviated TCR and ATP.

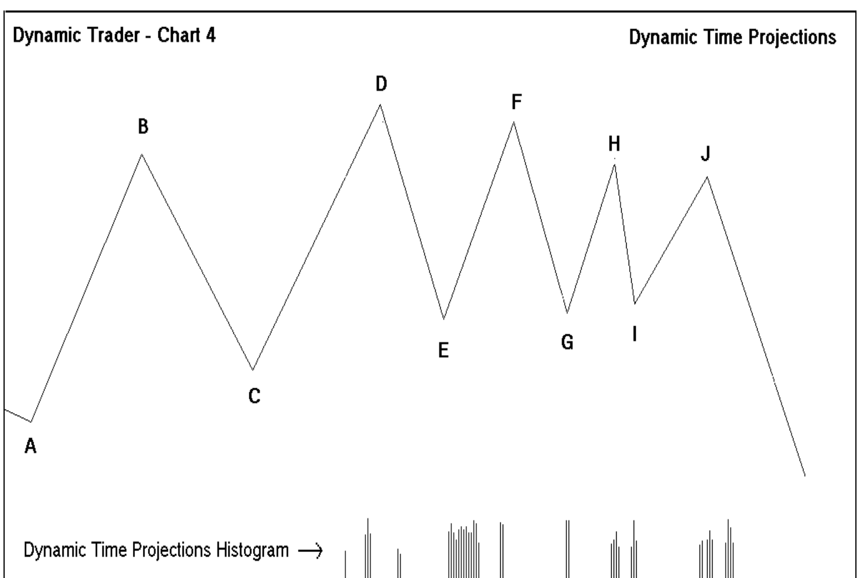
The time cycle ratios shown in Chart 2 are 50%, 61.8%, 100% and 200%. A TCR example from Chart 2: The 50%, 100% and 200% time cycle ratio projections of the time of swing CD lined up nicely with pivots E, F and I. This is shown by the horizontal line starting just under pivot C in Chart 2.

Alternate time projection ratios used included 61.8%, 100% and 161.8%. An ATP example from Chart 2: The 61.8% ATP of swing BC projected from the swing D high nailed the E pivot low. In other words, 61.8% of the time of swing BC added to the date at pivot D projected forward right on the pivot E low. This is shown by the horizontal line labeled “DE = .618 BC.”

We look for time clusters for the same reason we look for price clusters. Clusters offer stronger support and resistance. We had a time cluster at pivot E with a 50% TCR and a 61.8% ATP.

Time Counts

Time counts are also made from each pivot and often fall on or very near subsequent pivots. The most important time counts are from the Fibonacci number series and what W. D. Gann called the Square of 90 which is divisions and multiples of the number 90. Chart 3



The Dynamic Time Projection histogram allows us to combine time projections and time counts into a single signal. In deriving the histogram, a more comprehensive set of ratios and counts were used than those shown on Charts 2 and 3. The histogram bars alert the trader to future periods of time for likely changes in market direction. If the market is coming into price support/resistance (Chart 1) in one of these time periods, then we may have an ideal setup.

shows just a few of the counts from this period. The swing C low pivot was made dead on the 89 bar count and the G low on the 233 count from pivot low A. The swing I low was 144 bars from the swing C low and the J high was 180 bars from the C low. The F swing high was 55 bars from the preceding high, D.

Dynamic Time Projection

Histogram Chart 4 shows just the swing file with the Dynamic Time Projection histogram at the bottom of the chart. The Dynamic Time Projection routine in the Dynamic Trader software allows us to combine all the various time cycle ratio projections and time counts into a single signal. The vertical histogram bars represent the many time cycle ratios and time counts projected forward from the prior pivots. Higher bars represent overlapping time projections. The histogram includes many time projections that were not illustrated on the charts 2 and 3.

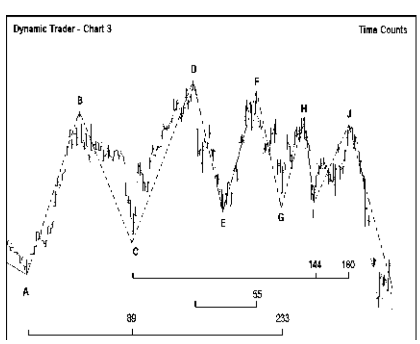
As you can see, almost every pivot was made at a cluster of time projections. These projections were made well in advance of the pivot.

By combining the price projections and time projections, traders and investors are prepared well in advance for relatively narrow time and price zones with a high probability of trend change.

Dynamic Trading

Dynamic Trading combines the three most important market factors, time, price and pattern, into a cohesive, logical and consistent analysis methodology and trading strategies that are adaptive to the current market conditions. This article has just described the basics of time and price analysis. Is Dynamic Trading applicable to all types of markets? Absolutely. From intraday to mutual funds. Are you interested in what market these charts were made from? They are 80-minute bars of T-bonds. Do you see how intraday analysis and trading strategies may help you to position with lower risk?

Jerry Pegden is in charge of software development with the Dynamic Traders Group, Inc., 6336 N. Oracle, Suite 326-346, Tucson, Az. 85704.



Andrews Channels and Parallel Lines An Important Key To Market Geometry

By Robert Miner

Andrews Channels and Parallel Lines are an excellent, geometric charting technique for indicating in advance areas of support and resistance, whether a market is strong or weak and change in trend targets. They are valuable because their construction is derived from the form of the current market activity. They are not fixed relationships, but are market driven. A market is a growing, evolving process that continually redefines the nature of the future growth.

Figure 1

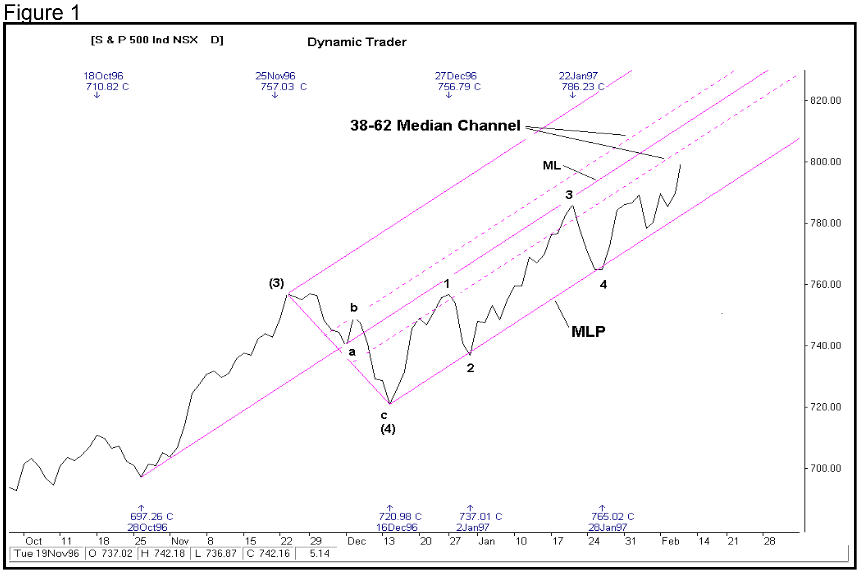


Figure 2

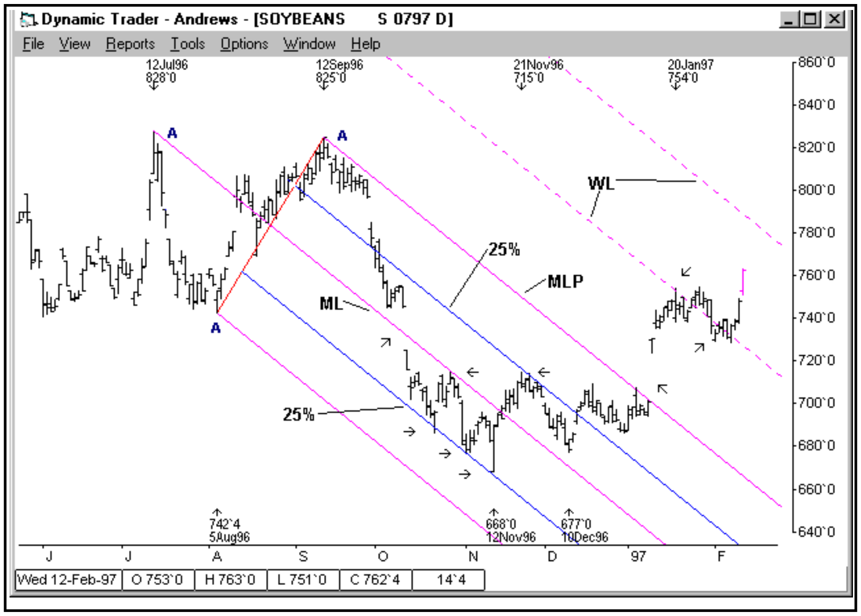


Figure 3

Figure 4

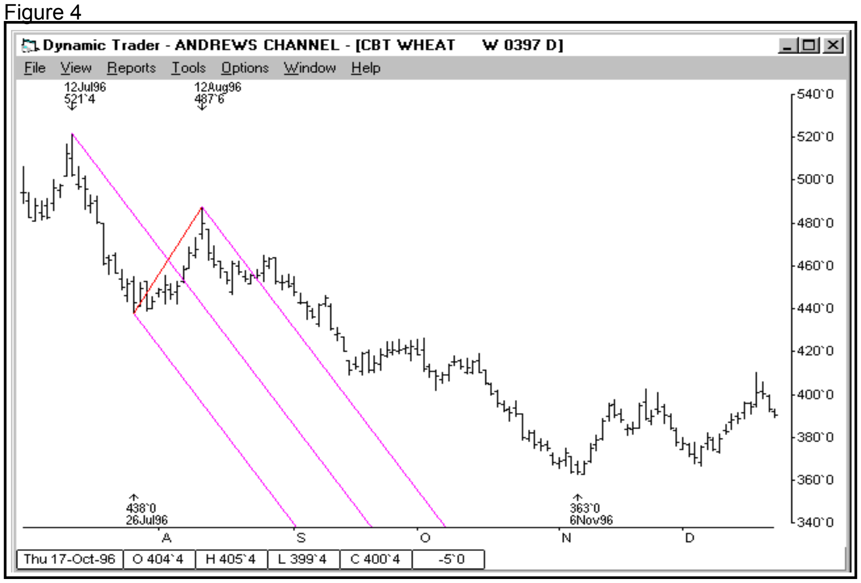


Figure 5

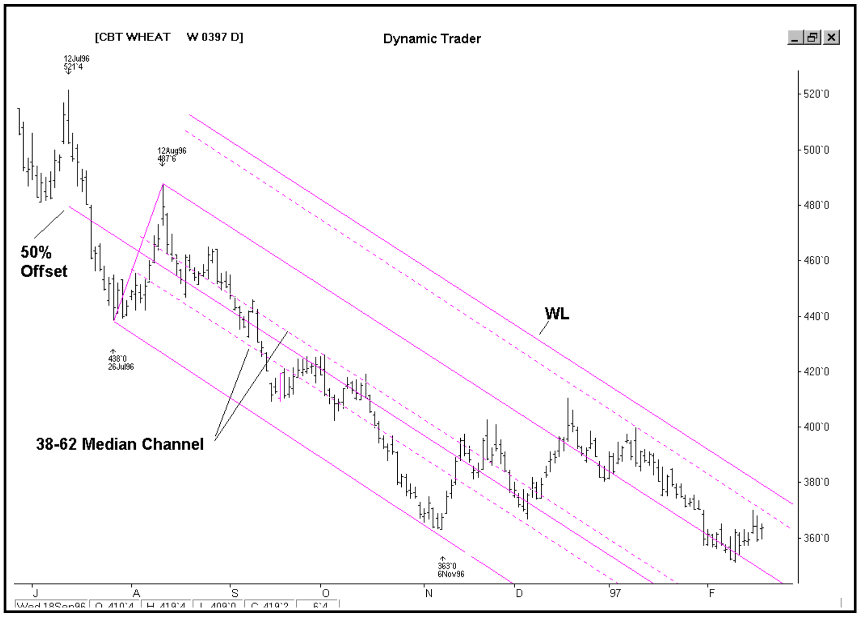


Figure 6

Figure 7

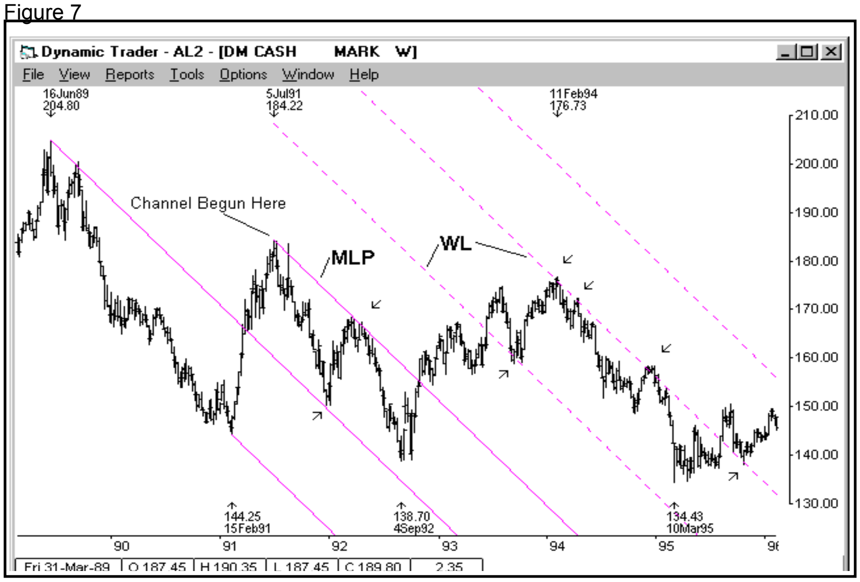


Figure 8

How To Construct An Andrews Channel

Figure 1 shows the basic Andrews channel on the Deutsche mark weekly chart. The initial Andrews channel is constructed from three pivots. The three pivots are labeled X on the chart. A line is drawn that bisects the vector line of the second two pivots and two parallel lines are drawn from the second two pivots. These three parallel lines form the Andrews Channel with a line that bisects the channel in two.

The line that bisects the channel is called the Median Line (ML). The outside channel lines are called the Median Line Parallels (MLP).

The three pivots on the mark weekly chart are defined by the initial low (July 1991) followed by the initial high (Sept. 1992) and the first reaction low (Feb. 1994). The Median Line extends from the July 1991 low and bisects the vector line from the Sept. 1992 high to Feb. 1994 low. Two parallel lines to the median line are drawn from the second two pivots.

Over a year after the channel was initially constructed, the mark made a major high in April 1995 at the Median Line. The mark then made an intermediate term low when it reached the lower Median Line Parallel in early 1996. The break below the channel signals the major trend in the mark is bearish. A new channel should now be drawn using the Sept. 1992 high, Feb. 1994 low and April 1995 high.

Figure 2 is the recent close-only, daily chart of the cash S&P. The initial Andrews channel was constructed from the Oct. 28L, Nov. 25H and Dec. 16L. Weeks later, the waves 2 and 4 lows were each made on the MLP. The dashed lines on either side of the ML are parallel lines that divide the channel into 38.2% and 61.8% divisions. The 38-62 Median Channel usually provides an important zone for resistance or support for most markets. Only the Dynamic Trader software program includes the 38-63 Median Channel, an important geometric division of the Andrews channel.

The wave 5:(5) top in the S&P should be made either within the 38-62 Median Channel or at the upper MLP. The odds favor the 38-62 Median Channel as the final resistance zone for the top since it has already acted as resistance to the waves 1 and 3 highs. Andrews channel lines often help to confirm wave counts.

Figure 3 is a daily chart of July 1997 soybeans. This chart shows two additional parallel lines. The initial channel is divided into 25% segments providing a channel with one quarter divisions. Note that each of the lows in Oct. and Nov. 1996 were made right on the lower 25% division. The Nov. high was made dead-on the upper 25% division.

Warning Lines (WL) are constructed parallel to the initial channel and an equal distance from the MLP ashalf the channel width. When a market has made a confirmed breakout from theoriginal channel, it is an important signal that the major trend has probably reversed. Note that the breakout up from the channel was made on a big gap day. Warning Lines provide areas of support and resistance. The first Warning Line projected the initial resistance in Jan. following the breakout. The second WL will probably provide the next zone of resistance as soybeans advance.

Figure 4 is a silver weekly chart from the April 1994 high. The initial channel is constructed from the April 1994 high, March 1995 low and May 1995 high. These pivots are each labeled A. The lines labeled B are the 25% divisions. This chart also shows a new line, the Sliding Parallel (SP). Silver declined below the ML in July 1995 and quickly reversed up. A parallel line to the initial ML is drawn from the July low. This is a Sliding Parallel line. Another SP line is drawn outside of the upper, initial MLP line an equal distance to the difference of the ML and first SP. The upper SP line is the same distance from the MLP as the lower SP is to the ML. Where was the next major high made? At the upper Sliding Parallel line in Feb. 1996!

In July 1996, silver declined below the upper 25% line by a few cents and quickly reversed up. A SP line is drawn from the July 1996 low. The Dec. 1996 low was made dead-on the SP line drawn weeks earlier! If silver continues to rally, the narrow channel formed by the upper MLP and SP may be an important area of resistance. More importantly, if this channel is exceeded, it will signal the major trend for silver has changed to bullish.

Figure 5 is the daily July 1997 wheat contract. The basic Andrews Channel is formed from the July 12 high, July 26 low and Aug. 12 high. Wheat almost immediately broke out of this channel as it continued the bear trend. Maynard Holt taught in his Trading Techniques book which is no longer available to consider off-setting the initial channel by 50% of the range of the first two pivots. The Dynamic Trader program allows the trader to do just that. Figure 6 shows the new channel with the 50% off-set.

Figure 6 shows the same chart as figure five but with the Andrews channel off-set 50%. The 38-62 Median low was the most significant low since the April 1996 top. The Nov. low was made just a tick or two above the MLP support line of the 50% off-set channel!

Figure 7 is a weekly chart of the cash DM. The basic Andrews channel was constructed from the Sept. 1992 low, Feb. 1994 high and March 1995 low pivots. The channel was begun once the March 1995 low was established. See how the lower MLP has defined the support for the past two years! This was not an after-the-fact trendline drawn by connecting established lows. It was defined in advance by the prior three pivots, by the unique action and reaction of the market itself.

Figure 8 is also a weekly cash DM chart beginning from the June 1989 high. The channel was initially drawn when the July 1991 high was established. The upper MLP and WLs were important support and resistance for more than four years! Do you think Andrews Channels and Parallel Lines could be an important technical analysis tool for you?

As you can see from these examples, the Andrews Channel and properly drawn parallel lines can be a very reliable method to prepare well in advance for support, resistance and trend change in every market. It is extremely important that the lines are drawn properly and that the Sliding Parallel, Warning Lines and static and dynamic channel divisions are drawn correctly and at the proper distance from the initial channel lines.

These lines may be initially constructed with a parallel ruler on chart paper. The Dynamic Trader software is the only technical analysis program currently available that includes a full complement of Andrews Channel projections including all relevant parallel lines and the unique 38-62 Median Channel.

Robert Miner was recently named “Guru of the Year” by the 1997 Supertraders Almanac. His company, Dynamic Traders Group distributes his Dynamic Trader Software and Trading course, the monthly Dynamic Trader Analysis Report and Dynamic Trader Weekly Fax Report. Miner’s new book, Dynamic Trading, will soon be released. Dynamic Traders Group, 6336 N. Oracle, Suite 326-346, Tucson, Az. 85704. (V) 520-797-3668, (F) 520-797-2045, (Web) www.dynamictraders.com.

Vibrations is the Golden “Key” that Pythagras used to Unlock the Mysticism of Numbers

By Joe Rondinone

Pythagras was born the son of a gem-engraver in Italy. He died at 82. He started his arcane school at Cratona with these purposes: To study physical exercises, mathematics, music and religio-scientific laws. He laid out the mathematical relation of the original Greek musical scale. Pythagras proclaimed that nothing exists but through vibrations. He also stated that mathematics are ground in, and strickly built on numerical vibrations. This word “vibrations” is the golden “key” that Pythagras used to unlock the mysticism of numbers.

Numbers:What are they?

There are only 9 numbers. This is the medium that expresses the total value of everything. All values are represented by numbers, price and vibrations in music. Let’s look at the musical scale for background. Music tone in measured in sound vibrations. As you progress up the keyboard on a piano, the pitch gets higher, the vibrations get more rapid. As you go down the keyboard the vibrations get slower, thus making lower sounds. Numbers are very important in music. The piano is tuned to a 440 pitch. This means the “A” key vibrates 440 times per second. A piano has 8 white keys to an octave (8va) and 5 black keys right? Now if “A” note vibrates at 440 times per second, the next 8va (octave) higher will vibrate twice as fast, or 880 vibrations per second; and the next octive higher will also double 880 or 1760 vibrations per second, etc. When these vibrations are correct, the piano is in tune. You will notice that all symphony ochestra musicans tune up. They are tuning up to the piano which is at 440 pitch. Many violins tune to the A minor chord of A-F-D with the A on the top.

Vibrations of the Scales

There are only 8 notes to the scale. More important; There are only 8 notes to all music! When you play the C scale you will play: C D E F G A B C and for a two octave scale you will paly it twice as; C D E F G A B C D E F G A B C. This is called a C scale, major scale. There are two different minor scales, whole tone scales and and chromatic scales. Major and minor scales come in all 12 keys. Why do I bring this all out? I am trying to show how much there is in music markings as compared to how little we have in price markeings. Keep reading. The best is still to come.

Below we have a musical staff

You will notice the G clef, it starts on the 2nd line, or it circles the 2nd line. That line is the G line. Then we have the timing, it is 3/4, Waltz Tempo, we have one sharp, it is on the 5th line so it is a F#. We have 5 lines and 4 spaces as marked. In music, you can have no sharps or flats, that music is in the key of C. If you have one sharp, the music will be in the key of G. You can have as many as 12 sharps or 12 flats in music, but you will see mostly 6 or less. Now, the rules of music dictate that one sharp is always F#, the second sharp is always C# and it is placed in the 3rd space. Flats also follow order. One flat is always B flat, second is E flat. The key of G has one sharp...always.

Music has Timing, Note Values

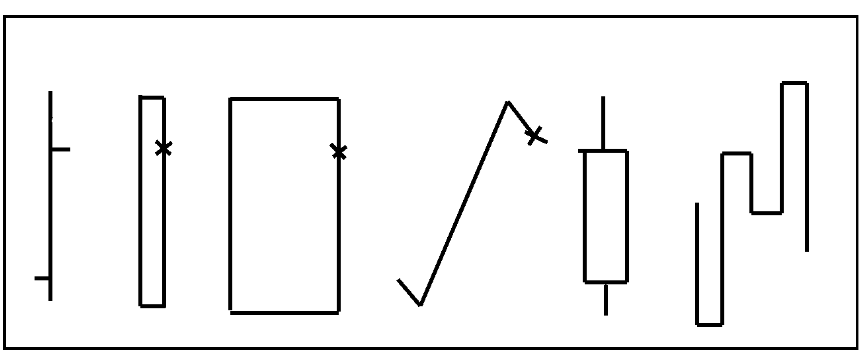
A measure is defined by the timing in the signature. There are to be 3 beats in a measure if we have a 3/4 time. Now we had notes that have different value: We have whole notes ==o A Easter egg and it gets 4 beats " " half note d and Easter egg with a stem, it gets 2 beats " " " " " a quater note d with a stem but filled in, gets one beat " " " an 1/8 note ===d Easter egg with a stem and also a flag. These get 1/2 beat each. We also have dotted whole notes, dotted half notes, dotted quarter notes and even dotted eight notes. The dot gives the note an added 1/2 the value of the notes value before it.

What does this have to do with trading?

You ask and just wait, the best is still to come. In music I have pointed out only a few of the increments that a musician must know before he plays one note. When we make a trade what do we know? What is the most important ingredient that could work towards success? The golden word is timing! Time is the important lost ingredient in price plotting. In music, if a note is 4 beats, you must give it four beats, not 2 beats or one beat. In plotting prices we space the price of each day equally...one space apart, not matter if the day' range is 10, 20, 5 or 30 cents. They are all plotted. Then we try to match a trend line to the unequal values. If you want to prove a point, try drawing a trend line after the first low or high is in place. See how that works...We all like drawing trend lines after the chart is completed. But what is the point, it only tells what you should have done.

Why am I telling you all this?

Because there is a better way to chart prices! A way that will give valid buy and sell signals by the squaring of each time period of 15 minutes to daily or weekly periods...How??? Look: Here we have exmples of some popular charting methods. (See diagram of six chartng methods below in Figure A.) Figure 1 is a static vertical bar, one space wide with the opening and close hanging on the stem. Figure 2 is a closed bar, also equally spaced on the chart with the opeing and close posted. Figure 3 is a vertical line denoting the price movement, but here is



the bomb...it is to be posted with width/space/area. Time is in exact proportion sideways to it's price movement upwards: thus forming a rectangle with the price opening on the left vertical line and the closing price on the right vertical line. This is the the second dimension...the width of the rectangle is governed only by the amplitude of the movement. This will give different size rectangles, dicated only by the price movement as outlined by the 8 Angle Symmetrics Trading Principles. Figure 4

Out-of-Range Settlement Prices

By Bob Pelletier

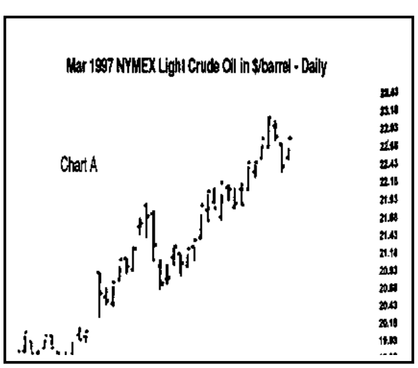
The process of building a trading system involves not only proposing a credible method for measuring market movement, but also accurately interpreting historical market information. Your successful simulated trading technique may not operate as expected in the markets if your data resources do not accurately express the market's behavior.

A basic flaw of many analysis systems which has been perpetuated by most data vendors is the assumption that the settlement price of a commodity is equivalent to the market's final closing price. In reality, the settlement price may represent a price outside the high-low range. You cannot buy or sell at the settlement price because the settlement price is determined after the market has closed.

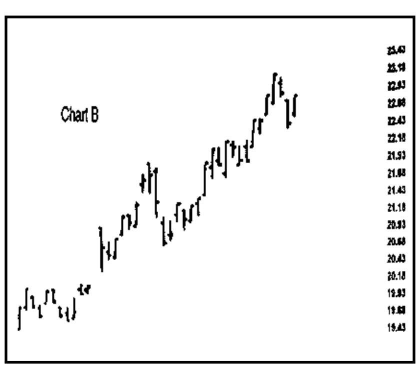
Unlike security closing prices, the settlement price in the futures arena is the price exchanges use to compute daily gains and losses for open positions. Each day, following the final bell, an exchange settlement committee meets to establish the settlement price. They focus on the time and price of the last trade, the last bid and ask, and pricing information on more active nearby delivery months. Very often, the last consummated price is used for the settlement. However, if trading is not continuous and the last trade for a given contract is not time-wise correlated with nearer delivery months, more discretion is introduced. The resulting judgment can be a settlement that lies outside the high-low range. It can be a value where no trading occurred. This can lead to confusion among traders and analysts as to how the true high, low and settlement should be represented.

CSI, in our QuickTrieve update service, and all of the eight competitive data vendors we surveyed handle the dilemma this way: If the settlement price is above the high, the high is adjusted upwards to match the settlement. If the settlement is below the low, the low is adjusted downwards to match the settlement. The result is an open-high-low-settlement data set that may include a range of prices where no trading occurred. This is a convention we adopted in the 1970s to accommodate analysis program vendors of the day who believed compromising actual market conditions would simplify basic efforts to write analysis software. Then, as now, most charting programs required that the close be within the trading range. This convention was accepted as the industry norm.

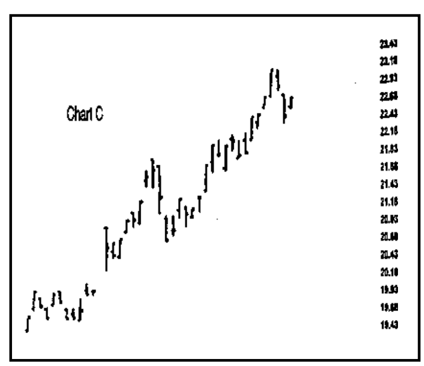
Even sophisticated analysts could easily overlook the fact that the high, low and settlement



CSI's raw, unadjusted data - The true high-low range and the settlement price are shown. Note that voids may exist between the high-low bars and settlement prices.



The current norm (possibly adjusted highs or lows) - Note that the voids in chart A were filled by extending the high-low bar to accommodate the outlier settlement prices whenever the settlement was positioned outside the high-low range.



Adjusted settlements - The settlement may be adjusted to match the closest point in the high-low range where trading could have actually occurred.

information downloaded from your favorite data vendor may not fully reveal the market's past statistical experience. Traders should be aware that in the commodity markets, the given high and low may reflect adjustments made to accommodate decades-old charting techniques.

We took a look at New York Mercantile energy markets to see how often the settlement price occurred outside the high-low trading range. Our analysis showed that at NYMEX, about half the time contracts at least three calendar months from their delivery month were affected. The price distance from the high or low of the day can easily become quite significant. These more distant delivery months can represent about 10% or more of the total contract volume recorded. This suggests that at least 5% of the time a trader following these markets will be examining adjusted statistics. Out-of-range settlements are more common at NYMEX and mercantile markets than at most other markets, but any commodity involved in the settlement mechanism can be affected.

If your system requires entering or exiting the market at the closing price and you used the settlement price as a proxy, then your results may be flawed. Similarly, if your system buys or sells at some projected price within the high-low range, you may be focusing upon a price that lies outside the actual trading range where no fill can be attained. Simulated profit calculations could include transactions where no trading could have occurred, such as at the settlement. A failure to understand these points could cast doubt on your efforts to explore market behavior in search of workable trading procedure.

Fortunately, in CSI's basic data archives, we have saved the true high, low and settlement price released by the exchange for every contract in our data base. With the launching of our new Unfair Advantage software, we can now release futures market data in any one of three basic forms to accommodate the purist who demands the ultimate in accuracy for this market analysis, synthesis and simulation. An interesting observation on competitive data services (and where CSI deviates from the norm) is that every one of the eight competing data firms who accepted our call reported they could not recover the raw data. They are unable to reveal the true high-low trading range because neither they nor their suppliers had saved the original information.

Below are charts showing three ways data might be presented when the settlement lies outside the trading range. With the click of a mouse, users of Unfair Advantage can express data in 'Chart A,' 'Chart B,' or 'Chart C' form, depending upon the conditions and objectives of their research.

To state it another way, Chart A represents the official exchange situation which actually occurred. Chart B is a compromise that may render invalid either the high or the low. Chart C produces an accurate high and low, but suggests a modified closing price that cannot be used for accounting or realistic value assessments on a given commodity at the end of the day.

Charts A, B and C represent a NYMEX crude oil contract that is about three months to expiration. Taking positions this distant from expiration would be a fairly typical scenario for the risk-adverse speculator. It would give such a trader sufficient time for his short term trading algorithm to develop into a profitable posture before facing eventual contract termination.

Chart A's improved method of reporting high, low and settlement prices represents a real breakthrough in accurately interpreting historical market information. This type of charting eliminates the common flaw of assuming that the settlement price of a commodity is equivalent to the market's final closing price. It also avoids the common practice of corrupting the high-low range to accommodate an out-of range settlement. Your successful simulated trading technique, operating on data resources which more accurately express the market's behavior will likely perform better in actual trading.

Setting the "Square in Time"

By T.H. Murrey

Everyone wants a Square Deal ! or Someone Wants to Square Off ! or Everything Comes Back to Square One ! So All Markets Run Through a "Square in Time."

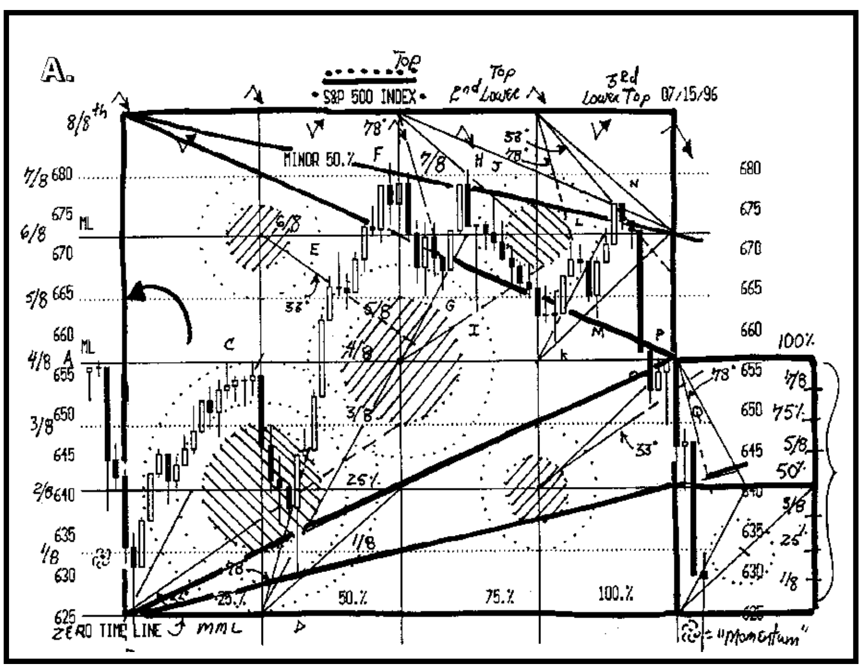
The recorded annuals of many primitive civilizations mentions wanting to set the outer boundaries of their Universe inside a Square (that is actually a cube), that is moving in a spiraling wave pattern to the right (counter clockwise) through space in Time.

Religious transcripts mention (4 Corners) or (4 Angels) to set boundaries around their known territories (as they perceive them).

It is hard for the average American "high school drop-out" to accept the fact that the Earth is spinning and rotating simultaneously around the Sun, while the Moon is also revolving around the Earth as they (all 3) move counter clock wise through space to the right (50.% of all seniors don't graduate their senior year in the 4 largest U.S. cities).

So, it would be equally as absurd, to expect the average "anybody" to perceive that the Universe is a Cube composed of any amount of different kinds of "Mass" that aligns itself in Triangles (Hexagon) inside a Cube, which are enshrouded by a Circle (sphere) of Universal Magnetism (or gravity).

90.% of all "experts" in any field are over 40 years old and they refuse to use the



computer as a 3-Dimensional focal point to track their "money-making" decisions (they would rather read words).

"One Picture is Worth A Thousand Words" is true for Playboy. But even they revert back to "mundane" interviews about politics and fill their pages with semantics rather than simply "overkill" or "overthrill" your senses with outrageous physical examples of the pure and simple "golden mean" proportions and visual "antics" of "heavenly ecstasy" to sell a Fibonacci ratio of "visual acuity." ("Golden Mean" of human body is the (.618) difference from the base of one's heel to one's navel as a direct proportion of the whole distance from one's heel to one's head).

And one must sell "provocative advertising" to even sell words these days. Even the financial T.V. shows fill up our "brains" with hours of words, when they should simply flash a chart moving through a "Square in Time" as the "daily price action moves to the right" and dispense with all the curt aphorisms about P. E. Ratios and Projected Earnings Expectations (for the next 12 months). (Coca Cola is presently selling at 44 times earnings: great) ! ?

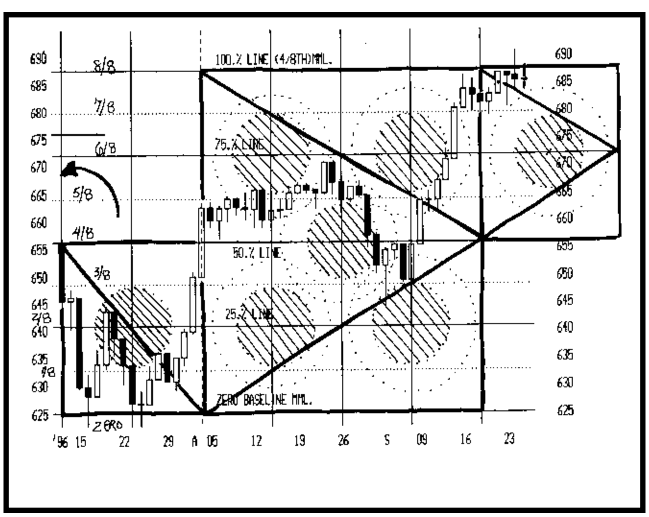
It has been my experience that it is far better to present the "daily price action" as it should be (and that is in a Japanese Candlesticks format) which contains the four parts of each trading day: 1) open, 2) close, 3) high, and 4) low, rather than convert what one "sees" to what one must translate through one's vocabulary and ability to reason through one's inherent ability or formal training. (You don't have to explain Playboy in words).

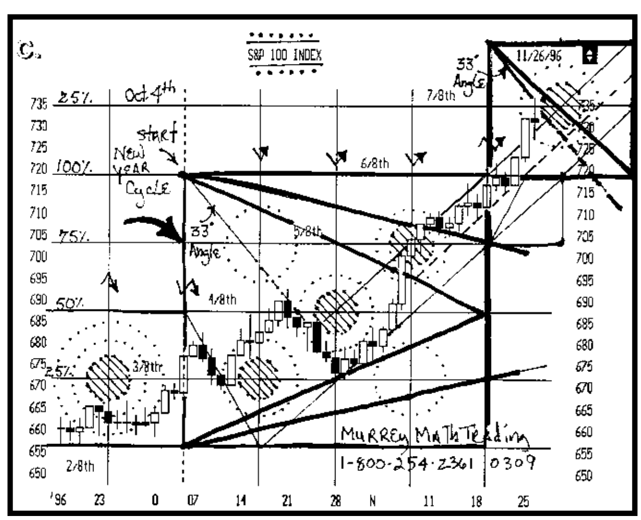
A computer is still used 90.% of the time to do only two functions and those are to: 1) record messages, or 2) hold current prices on a screen, when clients call and query current conditions of your particular market's daily price action activity.

The "in-house" software provided by a majority of all firms never considers how to set up areas of conflict before they occur or predict future market reversal price points to protect profits.

So, rather than make that "quantum leap" from words to a 3-D movie screen, (and present each day's trading action as a body with 6 sides) let's try and present our "Square in Time" in a plan-view (up 8/8ths {Harmony} and to the right {Time} 8/8ths).

Any movie made today is enhanced by the use of computers that create a "truer" visual acuity field of acceptance of what one "sees" (not how one "reads" about what they watch happening). Since most movies are an escape from reality, we don't want to present something that is skewed too far away from what the majority of all "traders" presently perceive markets doing through sentences, so we shall present a simple Square (frame). Please look at chart





(A) S&P 500 INDEX (Daily Chart) starting April 10th, 1996 through (One Quarter) “Square in Time” July 12, 1996 (64 trading).

Time is pre set to 64 days: where 1/8th = 8 trading days to the right (into each new square). The horizontal price lines were set “Harmonically” off the same math that set the columns at the Parthenon (432 B.C. on the Acropolis, in Athens, Greece to honor one of their Gods Athena).

The present replica of the Parthenon is located on the back side of Centennial Park, which was sold to the city to use as a public park to celebrate Tennessee’s 100th Anniversary, which just happens to be located at the northern most terminal of the Natchez Trace, which was a dirt road built to allow early pioneers to travel south from Nashville, Tennessee down through Mississippi toward the Gulf Shores of America in the late 1700’s to trade commodities.

This “Harmonic” Greek structure is constructed off Pythagorean lines, distances, heights, angles, and degrees of (Phi) Δ .618 “Golden Mean.”

A simple example of proof that this structure proves that the Earth is / was round before 432 B.C. is realized by taking a measurement of the longside distance in length of the top step supporting the 16 columns; then multiplying this distance times the number of seconds, minutes, hours, degrees to equal 360∞ degrees and you shall miss the circumference of the Earth by 50 miles. (Why didn’t the educated people tell us the Earth was round instead of keeping everyone uneducated to what they could really “see”) ? Have you ever been to the ocean ? Is it flat ?

If you walk down the street along the 16 column side of the Parthenon you shall “see” 16 equally spaced columns holding up this mathematically perfect dimensioned building built of (Phi) Δ

But what your eye “sees” is just as much at fault as what you hear; for you see what you want to see and you hear what you are told is important to know (when you read fundamental reports).

These columns are spaced apart at precise odd intervals of my Internal Octaves off a Perfect Square on the Base of Ten as explained in my trading system Murrey Math Trading System.

Please refer back to my last article in Trader’s World (Issue 23. Fall 1996) where I went into great detail proving that P.D. Ospensky (a Russian Philosopher) mentioned the existence of the fact that anything is composed of 12 like parts and may be subdivided into an internal octave of smaller parts. (It is amazing to me why he didn’t just pick up a book written on the math reasoning it took to construct this Pagan Goddess Temple and he would have seen that Pythagorean Geometry proclaimed the Internal Octave to us long before 432 B.C. (and that is that all Harmonious Lines in Nature want to be set at 3/8ths or 5/8ths or 1/8ths of any given distance on one of 7 different External or Internal Octaves; depending upon your perspective).

If you move close enough to the columns to stand between them you will think the same thing at 1.5625 feet from them that you observed back at 12.50 feet or 100 feet or even out on West End Ave. (1,000) feet off away from the building and it is that all of the columns are equally spaced so that the eye will “see” this Harmony and not recognize the fact that they are unevenly spaced equally apart. These columns are set at an off set of 1.5625 feet off center of a distance of 14.06 feet or 15.62 feet.

How many rich stock brokers drive into work each day from West End Avenue from their homes in Belle Meade, and look over and see all of these columns equally spaced in Pure Math Harmony ?

There is only one way to arrive at this number (1.5625 feet) and that is through The Murrey Math Trading System" 1995. Internal Octaves divided off the Base of 10 Perfect Square of 100.

100 divided by 8 (or multiply by Fibonacci number 1.125%) =12.5

Then divide 12.50 by 8 and get 1.5625. There you have it; an Internal Octave of the 1st Perfect Square on the Base of 10 (100).

You must expand your logic to the next Perfect Square out (using Socrates' 4 Square Principle (actually it is the Sun moving across the Equator in its elliptical Time Cycle above and below the Equator some 30∞ degrees north or south latitude) to cube all of Nature off the base of 10 {Metric System) which would be 1 Square = 1 (100), 2 Square = 4 (1,000), 3 Square = 16 (10,000), 4 Square = 64 (100,000), and so on out to the right.

Chart (A) S&P 500 INDEX is currently trading between 625 and 1,000. So, we are trading inside the 2 Square (zero to 1,000). Each Harmonic Internal Octave is 1,000 x 1.125% or 125. So, we would expect anything to trade inside its closest Internal Octave inside its Perfect Square (which in this case is 1,000).

No person, except W.D. Gann, would tell you to take the high / low difference between zero and 1,000 and trade it as 1/8th of any trading range years before it has ever happened, but all "traders" using The Murrey Math Trading System" 1995 know that all markets already know these numbers years in advance and they shall be affected by these numbers as a proportion to their Perfect Square of mathematical Harmony inside its current Perfect Square. (Let's see if the S&P 500 INDEX reverses off an Internal Octave that is set just as the Columns in the Parthenon were set off Internal Octaves off the base of 10 (432.B.C.) in Athens, Greece) that the Human Eye can't detect (without reading it).

The next smaller Internal Octave inside 125 = 15.625. and the next smaller Internal Octave inside 15.625 = 1.953125 (1/8th Harmonically). (Just as P.D. Ospensky said we should learn).

W.D. Gann proclaimed that all markets want to run +3/8ths or + 5/8ths inside their two extremes (high and low) traded over time.

The Murrey Math Trading System" 1995 proves that all markets already know these numbers years in advance and they shall be affected by these numbers as a proportion to their Perfect Square of mathematical Harmony inside its current Perfect Square. (Greatest example is the Nikkei Dow).

It has already traded into each higher External Octave into 4 Square = 100,000. We multiply 100,000 x 1.125% = 12,500. But since it is currently trading back down below 25,000 we must reset our speed of trading action off the Square of 10,000 x 1.125% = 1250 to predict Harmonic Reversals into the future.

Americans don't get excited when the Japanese stock market reverses up and down 1250 points in one week, yet we are trading at almost 7,000 points on the Dow and they are still putting in trading curbs down at moves as small as 50 points. It should really be set at 15.625 x 5 = 78.125 (5/8ths) of 125.

Now let's set the horizontal lines (8/8ths) off the Internal Octaves established off the 2 Square (1,000) since the S&P 500 INDEX is trading in April,'96 (4 candles before the frame set in April '96) just below 656.25. (this market reversed on a "doji" star 3 days before the end of the January to April 13 week quarter). The previous trading day it formed a "Hangman" sell signal.

Please notice out to the side of 656.25 I have placed (4/8ths), which W.D. Gann said was the most critical (0/8ths to 8/8ths) to move through up or down). This market was set to an Internal Octave with no concern of its last high or low and it reversed right on its Internal Octave 50.% line by simply dividing 1,000 x 8 = 125; then dividing 125 x 8 = 15.625; and then multiplying 125 x 5 = 625 (5/8ths); so now we set our zero baseline off this major (5/8ths) line inside the Perfect Square 1,000.

We can't trade moves of 125 points so we must find the next smaller Internal Octave and it = 15.625, so we start adding 15.625 to 625 (0/8ths). Common sense says that the S&P 500 INDEX doesn't want to move up or down (short term) more than 62.5 points, since 1 point = 10 on the Dow 30 Average.

Then we wouldn't expect the Dow to move up or down more than 625 points before it would reverse and come back to its mean average of wanting to move along to the right through Time on 22.5∞ degrees (normal growth appreciation rate over a year).

Under the The Murrey Math Trading System" 1995, we know that any Harmonic 1/8th, 2/8th, 4/8th or 8/8th shall be divided into smaller 1/8ths and you shall see the same market reactions on a short term basis that you would see longer term off major 1/8ths.

(1/8th) 15.625 x 4 = 62.50. We set the major (5/8th) line 625 as our (0/8ths) line and extended our 15.625 (1/8th of 125) x 4 = 62.5 and arrived at 687.50. We shall call this (8/8ths).

Since we set (4/8ths) as (8/8ths), we must divide each 15.625 into half so as to arrive at our (1/8ths) = 7.8125 between 625 and 687.50 now becomes (8/8ths).

Close inspection proves that all I did was take 50.% of a major Internal Octave inside a Perfect Square (1,000) and sit back and "read" my Japanese Candlesticks and watch for support or resistance reversals off every 7.8125 (1/8ths) within this Pure Math Frame. (Simple Huh) ? (you may "see" it fast) !

Please observe reversal (A) 4 days prior to the end of the square when it reversed right on the (4/8ths) 50.% line and fell back down and reversed back up to end the trading days off the bottom near the 25.% line at (B).

Down at (B) it reversed and moved up for exactly 16 trading days (25.% of 64 day frame) and fell back down at (C) and closed one time right on the 25.% (2/8ths) line at (D).

It reversed and moved up fast +3/8ths to the (5/8ths) line at (E) and formed an "Evening Star" and then the next day it formed "2 opposing dogs" which was a sell signal that was not confirmed the next day because the "buyers" wanted to get in higher up around 665. After the market had already moved up +5/8ths in only (3/8ths of its Time Frame).

Common sense says that all markets want to move up on a 22.5∞ degree angle as it passes through its square, so our market should fall back down to 656.25 at the end of its square, so that price and Time shall = out the accelerated speed of "news" about the market

This market made a strong "breakout" to the upside and finally stalled out up at (F) on the (7/8ths) line, which is a "weak line" subject to fast reversals off the length of the last move up. (This move up totaled +7/8ths, so it was Time for it (price wise) to reverse and fall back down for support along its 22.5∞ degree angle at the end of its square.

This market went laterally sideways for 4 trading days (4 to 7 rule) in a row (F) and fell back down and settled on the 75.% Radiation Circle of Conflict out from the "Habit Circle" at (G) and held for 4 days in a row, then moved back up to test the old highs at (F). At (H) it could hold only 1 trading day and it "tanked" hard and fast taking out the open, waist, and hips of trading activity from the previous day's trading activity.

Please look at (I). This day was a real sell signal: the market wanted to fall but the "buy at the top" buyers say a great deal way up here, so when the market was on its lowest point of the day back down at 664 they came in and drove it back up to the day's opening price at 672.50.

This market had a few buyers at higher levels two days later then it fell lower for 7 trading days in a row to finally settle just below the (5/8ths) line right on the “Breakout Day” on the 75.% Time Line in our 64 day trading cycle at (K).

This market reversed back up at (K) with a “doji” “rickshaw man” “sell signal” and it moved back up and stalled out a 3rd time at (N) just above the (6/8ths) line on an observed W.D. Gann rule Third Lower HighRule. In just 10 trading days this market fell back down to the same price as it had been some 64 trading days earlier, when the trading action had entered its “Square in Time.”

Please note that this square has 5 circles of conflict drawn inside our square. This market knows where these conflict circles are as far out as 1 year in advance (as witnessed by the round daily trading action when it entered the frame of 64 trading days).

Let’s move now to chart (B) S&P 500 Index and you “see” that we have started a new Time Frame off the last trading day of chart (A) and we “see” that this market started “reacting” to this new square and its 5 circles of conflict as it traded through its triangle set off its (5/8ths) base of a Perfect Square (1,000), which = 625.

This market moved up (short term) (8/8ths), which is an intermediate term (Murrey Math Line) (4/8ths) set to Pure Math.

It formed a W.D. Gann rule Double Bottom off 625 (0/8ths) and moved up + (6/8ths) off pure math and reversed and fell - (3/8ths) back down to a Pure Math (3/8ths) line right on the diagonal line of its equal angle triangle (for support) and it moved up + (5/8ths) to the Pure Math (4/8ths) (8/8ths) lines.

It is important to note here that this chart (B) should end on October 7, 1996. (It is curious that the Earth moves back as it moves forward through Time (precession), so we must set our 1996 - 1997 (fall to fall) trading frame off an earlier starting date since the Earth’s apihelian reversed earlier this year, so we move our frame back to an earlier date (inside the previous Time frame and set it off October 4th.

Under any W.D. Gann high / low price extremes (8/ths) or square of “9”, one should simply keep repeating your Time frame where ever it moves into the future. (We start our frames over each fall).

ºMurrey Math Traders set all markets off the same starting date Time frame (vertically) along Pure Math (horizontal) (8/8ths).

This Time frame (chart A) was extended off a chart frame (64 trading days) that started back in January, 1996, which was started off a chart that was started the previous (1st Frost week) in October 1995.

This chart was connected onto each previous chart as our price action moved to the right from one (64 day trading frame) to the next (64 day trading frame), until we see its current trading action as it moved through its 3rd quarter off our “trading year” based off the 1st Frost Day of 1995, into its 4th quarter chart starting in July and finishing in October of each year.

It is important to note that this market has already started trading into its 3rd day into its (4th) quarter of 1996. This 4th quarter chart shall finish out its year on October 7, 1996.

Please look at chart (C) S&P 100 Index. I called everyone and informed them that the Earth was tilting back for winter a few days earlier, so we needed to move our “Square in Time” back to October 4th, 1996, so we would be trading along the next year’s precession off its moon / sun / earth “magnetism.”

This chart (C) S&P 100 Index (Daily chart) starting October 4th, 1996. Please note that this market’s Time frame moved backwards and it still knew to want to trade around its 5 circles of conflict and its center circle and notice that it bounced off the same angled line of support in a new equal angle triangle (set into the future off a new Time frame off moving backwards).

My simple trading system doesn't have to start with W.D. Gann's (#1) Rule: take the extreme high and low price action reversals and divide them by (8) and watch for reversals off these two extremes in 1/8th increments.

I set up a Square for our markets to run through by setting up vertical "Time Line" days into the future (starting at the 1st Frost (in October each fall) and run them consecutively (until the next October Frost), when we start all over again.

Side Note: this trading system requires that you "re-set" the 1st Frost day each year, so that our Time Frame doesn't move forward and run ahead of the start of next year's 1st Frost. (It is my premise that all humans are short-term "savers" and they don't think ahead any further than 9 months out into the future, so the markets and the spendable income of most humans won't last any longer than their ability to plant, grow, harvest, sell and spend whatever their efforts bring them as a reward for their hard works.

Coincidentally, this 1st Frost Day parallels the moving action of Orion (constellation) as it passes by the Pyramids at Giza, Egypt.

Down here in Tennessee we just watch and "see" when the hummingbirds leave Tennessee. (They can't take the cold air).

This might be the only "Perfect Trading System" ever observed through nothing more than "cornball visual recognition of the obvious" price movement being (supported / resisted) off the "Internal Octaves" inside a Perfect Square set off the Base of 10.

It takes only 5 minutes to set any market to this trading "Square in Time." Once you learn to set one market, you may move on to the next market without having to "study" its trading action for 6 months. It is true that all markets are driven by supply and demand for any product against off the "bounty" nature provides.

T.H. Murrey is the author of Murrey Math Trading which can be ordered through Traders World Catalog.

Why Johnny Can't Trade

By Dr. Hans Hannula, PhD, CTA, RSA

Why is it that bright, well educated men and women armed with the latest in computer technology, technical analysis techniques, trading software, and superb real time data feeds and piles of mechanical trading systems, can't make money? In the futures markets, between 80% and 90% of new traders do not last six months. This is a horrible failure rate. Compounded over three years it means that only a few percent of traders ever make it.

So are the markets rigged? Are the traders just being sucked in, ripped off, and thrown away? Is there some grand conspiracy to deprive these people of their money? Are the developers of trading systems, trading software, educational material, etc. all dishonest "rip-off" artists? What is going on here?

After over 30 years of watching markets and five years of day trading the S&P, I, too, have felt the joy, gloom curve experienced by traders. I have seen my equity curve go up and then come down, go up and come back down. Each time it came down, I studied harder. I have continued to learn many new and undiscovered things about markets.

I have learned that markets are energy systems. I have also learned that I, too, am an energy system. Anyone who trades a market should understand the market as an energy system and themselves as an energy system.

I think there are several reasons why Johnny can't trade.

Reason number one is that commodity trading is inherently difficult. This is especially true of real time commodity trading. The knowledge and skill required to trade something like the S&P 500 well are equivalent to the knowledge and skill and decision making ability required of a combat pilot or a brain surgeon. Many, pieces of input data must be collected, analyzed, condensed, and weighed to make a trading decision. Then that trading decision must be executed swiftly, precisely, and correctly. This is a task that is not easily accomplished by anyone, let alone by newcomers. This level of performance is rarely achieved. Yet it can be achieved.

The second reason Johnny can't trade is that the industry misleads him. Johnny's mailbox is constantly filled with advertisements that tell him that while he was working at his ordinary job, everyone else was getting rich. If he had only bought the Dow when it was at 1000, he would have multiplied his fortune by sixfold today. Or if he had bought gold at 35 and sold it at 800, he, too, would be rich. These ads always tell Johnny how easy it is to make the money. Some of these ads are even true. What they don't tell Johnny is how to keep the money.

The third reason Johnny can't trade is that he needs education. This is compounded by the fact that trading is not a discipline taught in colleges and universities. There is a great deal to know about markets and trading. A serious trader must be willing to invest in course after course and spend the time to master the material before they will begin to understand why markets behave the way they do.

Unfortunately, a trader is like the early barnstorming pilot, who had to not only fly the airplane, but fix it when it broke without tools and without a clear knowledge of aerodynamics.

There is a great deal of good educational material in the industry. There is also a lot of material that is not based upon thorough research or a particularly successful track record. Much of this material is based upon too few samples of data, with conclusions drawn too quickly. Many traders do recognize their need for education. They tend to persist and keep studying and keep working. But this leads to the fourth problem.

Johnny can't trade because Johnny does not understand himself. Like markets, Johnny is an energy system. Johnny will have days when he makes decisions well. He sees the patterns well. He trades well. He makes money. Johnny is happy.

Johnny will have days when he couldn't trade his way out of a wet paper bag. He will rationalize the information. He will place the wrong orders. He will react to the market instead of anticipating it. He will make error after error. Yet somehow, when Johnny gets in this mode, does he quit? No! Like a magnet stuck to a refrigerator, Johnny will sit at his screen and place order after order trying to make up what he lost. Johnny is not in control.

Some people will tell Johnny that he is "too emotional." Johnny grew up being programmed to believe that men did not have emotions. He learned that it was wrong to have emotions. What Johnny doesn't understand is what emotions are.

Emotions are electric currents. It is a scientific fact that the earth's ionosphere is charged by the solar wind coming from the sun to a voltage of approximately +300,000 volts [6]. The earth Johnny stands on is at 0 volts. This means that between the earth and the top of Johnny's head is a voltage of approximately 240 volts. This is the earth's electric field. This voltage causes an electric current to flow through Johnny. That current is over 2000 times as strong as the currents in Johnny's neurons [1]. Changes in the electric field can cause 10%-20% changes in the voltage in very short periods of time [6].

Johnny is trying to operating a 10 billion neuron neural network in that electric field. His brain is completely electrochemical. His brain is completed unshielded from this external field. Within Johnny's brain are the neurons. Each neuron collects a number of inputs, adds them together, and if the value is over a certain level, generates an output signal. These signals are all small voltages. The output signals become our decisions.

Imagine that the decision to enter a trade about to be made. Inside the neuron the voltages added together are almost at the decision threshold. Suddenly, an external voltage adds just enough energy to the neuron to make the decision, even though the input data was not sufficient to make the decision.

Johnny just made an "emotional" decision. On days when the external currents flowing through Johnny are extremely strong, he may make many emotional decisions. On days when the currents are weak, his decisions may be sound and "rational."

One result of my research has been the XGO formula. This formula computes the energy being absorbed by a market or by Johnny on a given day. A most interesting thing happened in my own trading. I noticed that my equity curve rose and fell along with the swings in my XGO energy chart. There was a level of energy above which I traded well and below which I traded as if I were totally stupid. Knowing that I was using some of the best software in the world, some of the best analysis methods in the world, and some of the best money management in the world, I found this startling.

I realized a hard, cold fact. I was being driven by external energies as well as by my own. At first it was hard for me to believe that something external was running my equity curve and not me. The more carefully I analyzed the data, the more obvious it became. My equity curve did go up and down with my natural energy curve.

When I looked at the level above which I traded well, I found that my energy curve was only in the “okay to trade” area about 40% of the time. Now this was hard to accept. The data was telling me that I was not free to trade any day I wanted to. Says who? This is America. It is a free country. I fought in combat for freedom. Why can’t I be free to trade?

I felt frustrated. Then I recalled a book I had read several years earlier on biocircuits [7]. Biocircuits are an external arrangement of wires that allow a person to draw energy directly from the universe. Biocircuits were researched and used for over 35 years by Leon Eeman and others. They were found to promote relaxation, improve health, and even heal specific ailments. I had also been to Mark Douglas’ trading psychology course and had learned many good things from Mark [3]. For years I had used positive affirmation tapes to improve my performance in other areas.

As I researched these areas, I came across the work of Mr. Owen Lehto [5]. Mr. Lehto had developed a technique for measuring energy in foods and for analyzing nutritional needs from saliva samples. I discovered that I could use his measurement technique to measure my own personal energy. So I decided to conduct an experiment.

I wanted to see if I could improve the number of days that I could trade well by boosting my energy using biocircuits. I first computed my energy function using my XGO software. I decided to use Mr. Lehto’s energy measurements to verify the result of the experiment. I made a special affirmation tape and constructed my own biocircuit. For six weeks, the first thing I did every morning was to lay in the biocircuit while listening to the affirmation tape. Before I did the exercise, I measured my energy. After the exercise, I again measured my energy. Figure 1 shows the results.

My energy level before the exercise did follow my theoretically calculated XGO energy curve. This validated both the XGO curve and the energy measurement technique. The XGO curve is shown by line A on the chart. My energy before laying in the biocircuit is shown at B. My energy level after laying in the biocircuit is shown at C. On the average, I boosted my energy by a factor by 2.6. What I had found was a way to boost my own energy level above the level of poor decision making. My experiment was a success. I had a way to avoid “emotional” decisions!

After doing much research in energy fields, and particularly after reading about the effects of magnets on organisms, especially the work by Davis and Rawls [2], I developed a concentration headband. This specially designed headband incorporates a correctly oriented flexible magnet. When I wear it, my own electrical fields in my head are strengthened and my head is somewhat shielded from the influences of the external field. I now never trade without wearing my headband.

I also learned that not only was I being subjected to variations in the earth’s electric field, but that I was also subjecting myself to a potentially harmful radiation from my computer screen. Mind control by beaming signals at people is not new. The Soviet Union for years bombarded the American Embassy in Moscow with a microwave signal. This carefully designed signal had devastating affects upon the embassy personnel. When President Nixon visited the Soviet Union, members of his staff housed at the embassy became severely depressed. Many of them broke down and sobbed powerfully, yet they could not explain why.

The science of generating these signals is relatively well documented in public documents. Of course, much more information exists in classified government files. What is known is that a high frequency microwave signal modulated by a low frequency signal in the range of the human brain waves can induce psychological changes in the human brain [1]. These changes can cause depression and severe impairment of decision making ability. The Soviets went so far as to build the most powerful radio transmitter on the planet and use it to beam a radio signal called the “woodpecker.” The signal was a rapidly sweeping radio signal modulated with low frequency in the range of human brain waves. Speculation is that this was used to interfere with the mental activity of the free world.

Your computer monitor generates a “rapidly sweeping radio signal modulated by low frequency.” In other words, Johnny may be trading badly because he is being mesmerized by his computer screen. The screen is a stun gun and Johnny’s been stunned. This mesmerizing effect has also been noticed by the well-known trading psychologist Van Tharpe.

Fortunately, we have found a simple and effective solution for this. This screen radiation may be effectively trapped with four small energy traps placed on the corners of a computer screen. These traps are simply tuned circuits which trap the signal and dissipate it as heat. Using Mr. Lehto’s energy measurement technique I have found that these traps could change a screen from a negative 130 energy points to a positive 100 energy points. Applying these energy traps to all the electronic devices in my trading office changed the office reading from -2000 to +800.

We have also found that it is extremely important to monitor your own vitamin and mineral levels. After having a saliva test, I found that I was low in key minerals, in particular magnesium. Working with other traders and other people, we have found that many people are extremely low in magnesium. Many people are also excessively high in calcium. This creates a chemical imbalance which definitely effects the behavior of a person’s neural network. Magnesium supplies conducting ions in neurotransmitters, which are critical in the brain chemistry. These are important for conducting signals from one neuron to the next. Calcium, on the other hand, acts as an insulator to prevent conduction of electricity. Excessive calcium is often due to low magnesium, although there are other causes. It is extremely important for Johnny to have his trace minerals in balance.

So maybe Johnny can’t trade because he doesn’t understand the care and feeding of the neural network between his ears. Every trader who sits down to trade has the world’s most fantastic super computer between his ears. Those 10 billion neurons are capable of extremely powerful pattern recognition, decision making, and trade execution.

But Johnny needs to give that brain a chance. To help traders we offer a Trader’s Energy Kit which consists of an Energy Charging Kit, a Concentration Headband, and 8 energy traps. With this, Johnny should be able to trade better.

What, may you ask, has been the effect on my own trading? The first change I have noticed is consistency. I make far fewer losing trades, and I have almost eliminated the “stupid” trades. The second effect I have found is that I can take the market or leave it. I do not feel magnetically attracted to it anymore. I feel absolutely zero emotion on a day I don’t trade. If the market screamed a thousand points on that day, I simply don’t care. When I do trade, I have found that my focus is far sharper. I no longer believe that the short I just put on is the beginning of the Crash of the Millennium. I take my profits more quickly. In my last set of 20 trades in the S&P I raised my account 50%. My goal is 100% consistent execution of my rules.

I firmly believe that to trade well Johnny must be persistent, study hard, and learn to manage himself. The things we have discovered about Johnny as an energy system have been extremely helpful. Hopefully it will shorten our time to total trading success. I recently asked a very successful trader how long it took him to learn to trade successfully. His answer? It took him 20 years. So maybe in five years in day trading the S&P, I have learned enough to understand why Johnny can’t trade, and I have learned what it takes for Johnny to trade well. So if your ambition is trading, perhaps you can benefit from what we have learned.

Now I picked on Johnny and did not mention Jane. I am well aware that there are many female traders. I am also well aware that females have an extra layer in their brain. This is a physical, biological fact. It is a higher order layer that supervises the lower layers. Men simply don't have this layer. So maybe Jane can trade better than Johnny. She accepts emotions. She has this extra computing layer to better handle them.

Whether you are a Jane or Johnny, you must cope with the external electromagnetic field and it's effects on you. You must cope with the man made electrical fields around you. If you do this, study markets thoroughly, equip yourself with good tools and techniques, and are a bit lucky, you can succeed as a trader. □

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The C Wave Method of Trading Elliott Wave

By Myles Wilson Walker

The basic premise of Elliott Wave Theory is that all actively trading markets can be predicted because price moves (as represented on a price graph) are a picture of massed human emotions. What happens from a low to a top is always pretty much the same be it stocks, soybeans or currencies and the speed of the market is a measure of emotional pitch.

Traders of a bull/bear move are in already, either waiting to get in kicking themselves they didn't act sooner or are shorting because the move has gone too far. Others have closed out early and want to get back in but are hesitant to give back any profit. Success is fraught with worry about closing out paper profits and euphoria when the market closes higher.

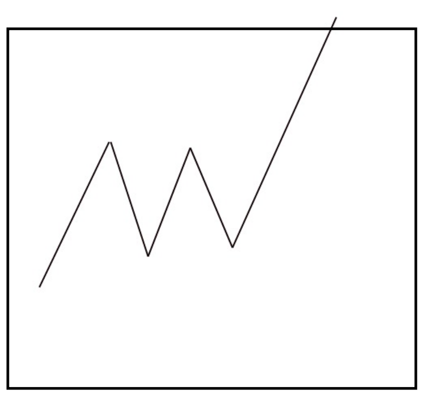
Objectively the markets are just about 100% pure emotion. No wonder price waves up and down exist! This why its so hard for most people to make money. The are always dong the wrong thing by responding reactively to these emotional/price waves. Elliott wave looks for these waves and uses them to anticipate change.

Until my book no one had been able to successfully turn the theory of Elliott Wave into a practically step by step method for real time trading.

There are 11 end patterns and when you match the pattern with the market you are in you can catch the change. By end pattern, I don't mean just a top or a bottom. You don't need any other indicators the C wave patterns and entry rules are complete within themselves, as any good method should be.

The Copper 10 minute intraday chart (see figure 2) gives you an idea of the opportunities that exist when clear patters develop. There is a logic behind the labels for each wave which is explained in detail in my book.

The C wave patterns are found on daily and intraday charts and are ideal for short term swing trading. Each market has an optimum time frame for intraday trading because if the time of each price bar is too small you get too much noise and if set too big your



risk at entry is large.

When I suggested doing a book about my Elliott Wave innovations, my publishers insisted that it be written so that anyone could learn without any previous knowledge of wave theory. This I have done by simplifying the logic routines into practical steps and introducing several breakthrough concepts in wave counting as well as the C wave patterns themselves.

I would be doing my work an injustice by trying to teach you the C wave/Elliott Wave counting method in such a short article. My main point is that you don't have to be a genius or spend months learning for this to work for you. If you did nothing more than learn the simple concept of the ABC correction and scanned 5 to 10 markets daily or intraday for the clearest low risk C wave patterns your trading would be successful.

Objectively the markets are just about 100% pure emotion. No wonder price waves up and down exist! This is why its so hard for most people to make money. They are always doing the wrong thing by responding reactively to these emotional/price waves. Elliott wave looks for these waves and uses them to anticipate change.

Until my book no one had been able to successfully turn the theory of Elliott wave into a practical step by step method for real time trading.

There are 11 end patterns and when you match the pattern with the market you are in you can catch the change. By end pattern, I don't just mean a top or a bottom but all the price moves in between, these are opportunities to get on again with the major trend. An A B C is the typical correction (see figure 1).

In average market, conditions these are the best time periods to set your charts for trading C waves intraday

S&P500	5 minues
Tbonds	60 minutes
EuroDollar	60 minutes
Currencies	60 minutes
Beans	15 minutes
Wheat	30 minutes
Live Cattle	15 minutes
Hogs	15 mintues

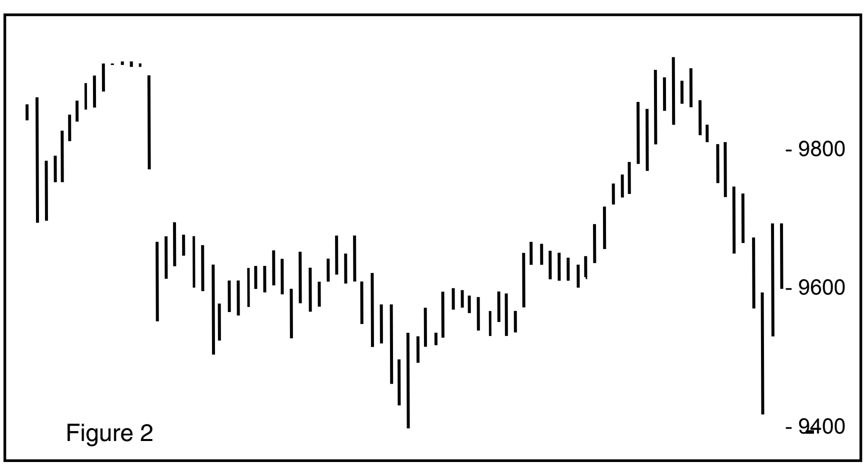


Figure 2

Bellies 15 minutes
Sugar 30 minutes

These time periods can be adjusted for very quiet or active markets. The main criteria is seeing the patterns clearly, taking fast profits and getting into trades with the smallest risk.

The C wave method in its entirety is a trend following system using only daily charts. If used like this there must naturally be a bigger commitment in learning time than just the A B C pattern approach discussed earlier. I believe that interest develops naturally over time as you gain confidence. The C wave method being a multi level approach offers something for everyone on matter what their current skill level. My book“How to Identify High-Profit Elliott Waves in Real Time” is available from Traders World for $69.95 subscriber pay $49.95 plus shipping.

How To Trade With The Trend

By Bruce Babcock

There are four cardinal principles which should be part of every trading strategy. They are: 1) Trade with the trend, 2) Cut losses short, 3) Let profits run, and 4) Manage risk. You should make sure your strategy includes each of these requirements for success. In this issue I will begin a series of articles on these principles.

Trade with the trend relates to the decision of how to initiate trades. It means you should always trade in the direction of recent price movement.

Mathematical analysis of commodity price data has shown that these price changes are primarily random with a small trend component. This scientific fact is extremely important to those desiring to pursue commodity trading in a rational, scientific manner. It means that any attempt to trade short-term patterns and methods not based on trend are doomed to failure.

A good example of such a doomed method is Japanese Candlestick patterns. This theoretical conclusion is consistent with my previous research. Many years ago, just as Candlesticks came into vogue, I attempted to create a profitable trading system incorporating Candlesticks. I tried many patterns and many types of systems, all without success. I have never seen anyone else demonstrate the effectiveness of Candlesticks using objective rules either.

Successful traders use a method that gives them a statistical edge. This edge must come from the tendency of commodity prices to trend. In the long term you can make money only by trading in synch with these trends. Thus, when prices are trending up, you should only buy. When prices are trending down, you should only sell.

While this important principle is well-known, traders violate it surprisingly often. They are looking for bargains so they prefer to try to buy at the very bottom or sell at the very top before new trends become established. Winning traders have learned to wait until a trend is confirmed before taking a position consistent with that trend.

Here's what consummate market expert Jake Bernstein said in my book, The Four Cardinal Principles of Trading (Irwin 1996): "Of all the common market principles, I put 'Trade With The Trend' at the very top. It's a lesson I've had to learn and relearn practically every year. All traders have the tools to find trends. That's what makes it especially frustrating when we go contrary to the trend or when we try to pick tops and bottoms."

The alternative to trend following is predicting. This is a trap that nearly all traders fall into. They look at the commodity trading problem and conclude that the way to be successful is to learn how to predict where markets will go in the future. There is no shortage of people willing to sell you their latest prediction mechanism. We all want to believe that predicting is possible because it's so darn much fun to make a prediction and be right.

Here's Jake Bernstein again with a little dose of reality: "It took me over nine years to realize that, although it may be a romantic and ego-satisfying goal, forecasting is not necessarily synonymous with profit. To anticipate trends is a difficult and often haphazard task, and it tends to lead to losses more often than profits."

Trading with the trend is hard to do because a logical give-up exit point will be farther away, potentially causing a larger loss if you are wrong. This is a good example of why so few traders are successful. They can't bring themselves to trade in a psychologically difficult way.

You can define the concept of trend only in relation to a particular time frame. When you determine the trend, it must be, for example, the two-week trend or the six-month trend or the hourly trend. So an important part of a trading plan is deciding what time frame to use for making these decisions. While it is perhaps easier psychologically to keep the time frame short, the best results come from longer-term trading. The longer you hold a trade, the greater your profit can be.

Here's what Russell Sands said in an interview with Commodity Traders Consumer Report. Russell was an original member of Richard Dennis' Turtles group and has built a successful career as a money manager and advisor generally using the Turtle methodology.

"The best approach is to be a long-term trend follower. Trend following is statistically valid in the sense that everybody has tested it for years and years, and it works.

"I acknowledge that the market trends maybe 20 percent of the time and chops back and forth in consolidation 80 percent of the time. The trick is how to define where the trend starts and where it stops. If when a market does trend, you get in at the right time, ride that trend and then get out at the right time, you'll make enough money to more than offset the losses you take during non-trending periods.

"Another part of the basic philosophy is that we don't know when the market's going to trend and when it's not. In fact, we don't know what the market's going to do at all. We can't predict anything it does. We don't believe in predictions. Instead, we react to the market."

For the greatest chance of success, your time frame to measure trends should be at least four weeks. Thus, you should only enter trades in the direction of the price trend for the last four weeks or more. A good example of a trend-following entry rule would be to buy whenever today's closing price is higher than the closing price of 25 market days ago, and sell whenever today's closing price is lower than the closing price of 25 market days ago.

When you trade in the direction of this long a trend, you are truly following the markets rather than predicting them. Most unsuccessful traders spend their entire careers looking for better ways to predict the markets. If you can develop the discipline to measure trends using intermediate to long-term time frames and always trade in the direction of the trend, you will make a giant step in the direction of profitable trading.

Bruce Babcock is the founder and Editor Emeritus of Commodity Traders Consumer Report. He has written eight books on trading including The Dow Jones-Irwin Guide to Trading Systems and Profitable Commodity Futures Trading From A to Z. He has designed over 25 computerized software systems for traders, a number of which he trades himself. His latest book is The Four Cardinal Principles of Trading, available from Reality Based Trading Company (800-999-2827 or www.rb-trading.com).

Trading Strategies and Trade Management

By Robert Miner

This article is excerpted and condensed from the Trading Strategies and Trade Management chapter of Robert Miner's landmark new book, Dynamic Trading. The complete book chapter is 68 pages of the 580 page book which is profusely illustrated throughout with recent real-world chart examples.

Because of space limitations, we are unable to include chart examples of all the strategies and techniques described in this excerpt. We thought it was more important for readers to learn the concepts and thinking process that is important when developing a trading plan and trading strategies. Also see our review of Dynamic Trading in this issue.

Trading Strategies

Most traders, particularly those who are new to trading or have not found success trading, spend all or most of their time trying to devise or discover the ultimate, risk-free technical analysis and entry technique to put them into a trade.

Successful traders know that no such technique exists and the best that can be achieved from their technical analysis approach is to put the odds of success in their favor by identifying those trade set-ups with a high probability of success. Successful traders spend more of their time developing trading plans and trading strategies than trying to discover the elusive "Holy Grail" of risk-free trading.

There are many entry strategies available to enter a market. I suggest traders stick to the four trend-reversal and three trend-continuation strategies described later in this chapter. They have the highest probability of resulting in a profitable trade with the minimum amount of capital exposure. The following pages describe these entry strategies and the initial protective stop-loss placement. First, let's review what we are trying to accomplish and the basic assumptions for Dynamic Trading strategies.

The objective of Dynamic Trading technical analysis is to identify opportunities within the context of the analysis methods. The technical analysis methods will not accurately describe the position of every market, all of the time. That is not the purpose of technical analysis. The purpose of technical analysis is to identify markets that are in a position to allow a trade with relatively low risk and acceptable capital exposure.

Loss control or identifying the protective stop-loss level is the most important factor in trading. It is the only factor that the trader has control over. The potential profit of any trade is always no more than guess work and can never be defined. I always get a kick out of trading, educational material that teaches a trade should not be taken unless there is a "3-to-1 risk/reward ratio." Whenever you see this, you know the person probably has no successful trading experience.

First of all, risk is the probability of an event occurring. It has absolutely nothing to do with a dollar amount. More importantly, you can never define the potential profit. You can only define the potential capital exposure by where the protective stop-loss is placed. This is not even a sure thing given a market can gap against you beyond the stop-loss price.

The protective stop-loss level must always be determined within the context of the same methodology that determined the trade opportunity. The same information that describes a trade opportunity must provide the exact market activity that voids that opportunity.

The protective stop-loss level must always be determined before a trade entry is initiated. Before initiating a trade ask yourself: “What is the market activity that invalidates the decision to make this trade?” That is your protective stop-loss. Once the protective stop-loss level is determined, the price level that is acceptable for a trade entry is precisely defined within the amount allowed for capital exposure on any one trade. If the market activity does not allow trade entry within the acceptable parameters for capital exposure, the trade cannot be initiated.

Generally, the Protective Stop Loss (PSL) on the initial trend-reversal trade entry should not be adjusted until the market activity has confirmed the trend reversal. If a trade is entered at or near a suspected trend reversal, traders should not be too quick to bring the protective stop loss (PSL) close to the market. The PSL is adjusted each time the dynamic technical analysis describes a price level that should not be exceeded if the trend is to continue.

There is more than one protective stop-loss technique that is a part of a trading plan. The stop-loss technique implemented at any one time will depend on the position of the market relative to the analysis methods. The PSL technique in the initial stages of a trend should be different than in the latter stages of a trend. Dynamic Trading analysis will signal what stage the trend is in.

Let the market take you out of a trade. It is usually best to let the market stop out the trade rather than to take a profit at a price objective. If a market reaches a price objective or the analysis indicates that a trend is at or near completion, the protective stop-loss can be moved very close to the market such as just beyond the prior day’s low or high or on any day a market closes below the open, etc. This prevents a trader from exiting a trade when the market may continue the trend beyond expectations, but still allows only a small amount of the unrealized profit to be given up if stopped out.

The amount that will be gained by remaining in a market that continues to trend beyond expectations will more than offset the amount of potential profit that is given up in those cases where the market takes you out of the trade with less profit than may have been gained if exiting at a price objective. Allowing the market to take you out of a trade is dealing with things as they are. Taking a profit at an objective is speculating on the future when it is not necessary to do so.

The exception to this plan is with multiple position trading. One position may be exited at a profit objective while the balance are not.

Entry Strategies and Initial Protective Stop-Loss Placement

The two types of entry strategies used depending on the current market position are trend-reversal and trend-continuation strategies. Several of these entry strategies will be described in this section along with their initial protective stop-loss placement.

The main concept for the initial protective stop-loss placement is as follows: The same analytical methods and trading strategies that signal a trade-entry opportunity must also signal if the analysis or entry strategy was invalid. The protective stop-loss is initially placed where the entry strategy is invalidated.

The objective of the initial stop-loss placement is to immediately exit the position with a relatively small loss if the entry strategy or analysis is invalidated. Remember, the overriding requirement for long-term trading success is capital preservation. If capital is needlessly reduced by remaining in losing trades beyond the invalidation signal, capital will be less available for the trade signals that result in the profits necessary to remain in business.

If the market moves in the anticipated direction following the trade-entry, the next objective is to remain in the trade for the majority of the trend.

The main concept for the protective stop-loss adjustment as a trend progresses is as follows: The protective stop-loss is kept relatively far from the current market activity in the initial stages of the trend until the new trend direction is confirmed. The protective stop-loss is brought relatively close to the market when the dynamic technical analysis signals that the market is near a position to complete the trend.

Initial Protective Stop For Trend Reversal Entries

There are four trend reversal trade-entry set-ups: reversal-day, signal-day, snap-back-reversal-day and reversal-confirmation-day. Each of these trade-entry set-ups are applicable to daily or intraday bars.

Where is the Protective Buy Stop (PBS) or Sell Stop (PSS) placed if one of these three daily reversal signals occurs? In the case of one of the reversal days or a signal day, the protective buy stop for a short sale is placed one tick above the high of the day as each of these signals involves having made a new high. If these signals are to result in a valid daily reversal signal, the high should not be exceeded. If the high is exceeded, it is no longer a valid daily reversal signal, and you want to immediately be out of the market and wait for the next trade set-up and reversal signal. In the case of a snap-back reversal-day, the stop-loss is placed one tick above the higher of the high of day one or day two.

One of the four trend-reversal signals will not always occur at a trend reversal or the ideal coincidence of time, price and pattern. The trader has one of two choices in this case:

Do not take the trade at the time, price and pattern set-up unless one of these three reversal signals is made. You may miss entering trades at some important tops and bottoms, but, so what? If the conditions were not all in your favor at the trend reversal, a trade is not warranted. If you limit your entry trigger to one of these three signals, you may have fewer trades, but you should have a higher percentage of wining trades than if you broadened your acceptable entry techniques.

Trading junkies may not like this recommendation, but their objective is not to maximize profits but to always be in the market regardless of the consequences. If your objective is to maximize profits, you will only enter with reliable signals that you have proven to yourself are valid. Remember, there is always another trade set-up approaching that will meet all of the criteria of your trading plan, whatever that criteria may be.

The second choice is to include entry techniques other than these four trend-reversal signals. It is not necessary to enter a trade at the trend reversal. You may also use trend-continuation entry set-ups strategies to safely enter a position after the trend reversal has unfolded.

Trend Continuation Entry Strategies

There are three low risk and low capital exposure trend-continuation-day entry strategies discussed in this chapter: inside-day, outside-day and Gann-pull-back. While many other trend continuation set-ups are monitored by the Dynamic Trader software, the basic strategies described with these three set-ups are applicable to all trend continuation trade entry set-ups.

Many traders are under the illusion that trades cannot be entered with an acceptable capital exposure after the new trend is established. Of course this is not the case. While the trend-reversal entry strategies are designed to buy at or near the bottom and sell at or near the top, we must also have trading strategies that allow us to enter after the new trend is confirmed. Trend-continuation entry strategies do just that.

It is important to keep in mind that we are trading against a pivot reversal. The Dynamic Trading analysis factors of time, price and pattern are each designed to identify trend reversals as well as the probable extent in time and price of the new trend. There are several entry strategies with low-risk and low-capital exposure to use after the new trend is established.

The Principles of Stop Loss Placement

Dynamic Trading analysis methods help to identify how long in time and price a trend is likely to continue, the specific time and price zones with a high probability for trend reversal and the pattern that signals a trend termination.

The protective stop-loss should be kept relatively far from the current market position until the trend is confirmed.

The protective stop-loss should be brought relatively close to the market position when the Dynamic Trading analysis signals a trend has a high probability of terminating.

As a trend continues, traders must have a plan to adjust protective stops to either reduce the capital exposure for a loss or protect unrealized profits.

If a market approaches a set-up of projected time, price and pattern that signals the trend has a high probability of terminating, the protective stop-loss should be brought very close to the current market position.

There are many protective stop-loss strategies that may be utilized. The most effective and logical ones will be contingent on the market activity as it unfolds.

The initial protective stop strategies for trend reversal and trend continuation trade-entry have already been described. It is usually prudent to keep the initial stop away from the market in the initial stages of a trend until the market has confirmed that a new trend is underway. The initial stages of a trend can often be volatile with the market coming back to test the pivot extreme.

Multiple PositionsShort and Intermediate Term Trades

Initial positions should be taken with at least two units. A unit is a specified number of contracts. For our discussion, we will consider one unit is one contract. If two contracts are traded, one contract should be considered a short-term position and one an intermediate-term position.

If the market moves in the anticipated direction, the objective is to take profits on the short-term position relatively quickly and remain in the market with the intermediate-term position for the majority of the trend.

Why cover the short-term position relatively quickly? If the technical analysis of the markets was right-on all of the time, we would hold all positions to the ultimate trend objective. No analysis method is correct all of the time. The objective is to take profits on one unit relatively quickly in the event the market does not reach the trend objective.

Short-Term Profit Objective

The minimum profit objective for the short-term position should be the minimum price target anticipated if the main trend is not in the direction anticipated but is only a correction.

For instance, if the trader believes that a new bull-trend is beginning, what would the price objective be if the rally was only a typical correction to the prior bear-trend? In other words, what is the minimum expectation of the rally if it is only a corrective rally to a bear trend and not a new bull trend? The short-term long position would be covered if the market reached the minimum price anticipated if the main trend had not turned and the rally was only a correction.

Intermediate-Term Profit Objective

Where is the objective for the second unit of a position? It is most important to first have a concept of what we are trying to accomplish and the practical application usually follows with little effort.

The intermediate-term profit objective is where time, price and pattern coincide to signal the termination of the trend.

In other words, the profit objective is defined by the market activity particular to any one situation. While this sounds very vague, it is firmly grounded in the reality that a market is dynamic and fixed rules for profit-taking are not based on the reality of a dynamic market. Dynamic Trading analysis methods will usually provide you with a firm opinion of the current position of a market and the high probability objectives of any trend or counter-trend.

The Putting It All Together chapter will provide a variety of examples of all the trading strategies and trade management techniques for just about all market conditions.

Robert Miner was named “Guru of the Year” by the 1997 Supertraders Almanac. His company, Dynamic Traders Group, distributes his Dynamic Trading Software and Trading Course as well as his newly released book, Dynamic Trading.

Since 1986, Miner has written an educational and market advisory report which is currently available either weekly or bi-weekly by e-mail or fax. The reports include a detailed trading strategy tutorial each month.

For more information visit his Web site at www.dynamictraders.com or contact Dynamic Traders Group, 6336 N. Oracle Suite 326-346, Tucson Az. 85704. Also see the book review of Dynamic Trading and ad for Dynamic Traders Group in this issue.

Timing is Everything II How to Utilize Cycles Effectively

By Eric Hadik

In a preceding article (Summer '97 issue), attention was focused on unprecedented cycles aligning in 1998 - 2001. This included market cycles which project surprising moves in Bonds, Dollar, Stock Indexes, Gold, Soybeans, Crude Oil and the CRB over the next 12 months. July/ August was projected to see the first signs of this transition. October/November should see confirmation of reversals in most of these complexes and the start of a sharp correction in the S+P and DJIA.

But, it is not just market cycles that are noteworthy. In fact, they might be considered secondary. The real concern should be the earth-related (earthquakes, volcanoes, even tsunamis), climate related (floods, drought, cold), astronomical, and Biblical cycles — which all align in 1997/98—2001. Technically, this period will be ushered in on Tishri 1, 5758. For those not used to seeing dates from the Jewish calendar, the equivalent date is October 12, 1997 (Roshashanah).

A brief tangent is necessary to lay the groundwork for the principles about to be described. Three years ago, I described why this period would be so profound. In a Sept. 1995 report, it was explained why the world's attention had moved 180 degrees in 360 years (from the first American colonial settlement in 1607 to the first Jewish/Jerusalem settlement in 1967 — following the 6 Days War).

This report concluded that the 'peace process' would immediately begin deteriorating and reach a crossroads in 1998. It was also forecast that the period between 1998—2005-07 would see developments in the Middle East which would change the scope of life as we know it.

Though the validity of the second conclusion can not yet be judged, the first has evolved with uncanny precision — reinforcing the cycle principles about to explained. 6 weeks AFTER this report was published, Yitzhak Rabin was assassinated and the peace process stalled. 7 months later, Israel elected a prime minister who believes more in peace through security than peace through blackmail or bribery. As a result, Israel's former Arab 'friends' have since turned their back on her.

Now — exactly 1 month before this critical period begins — Israel announced that it would no longer abide by the agreements and concessions made since the 1993 Oslo accord. The Palestinian disregard for these agreements has finally spurred repercussions — exactly when cycles had forecast.

So, the first application of this cycle analysis has been right on target and should provide tremendous trading opportunities over the next year, if you know what to look for. Most of the markets listed in the first paragraph will be dramatically impacted by war or increased instability in the Middle East.

Since this multi-century cycle is reaching a parabolic stage, there is no better time to determine how to utilize other cycles to help trade the markets during this time. It is important to have a practical application for tools like this if they are to be beneficial to traders and the remainder of this discussion will be devoted to making cycles more 'user friendly'.

As stated before, cycles are a primary factor in Gann analysis. As he explained (paraphrased), a trend will not terminate until sufficient time has elapsed for its completion (the principle of squaring price and time).

In other words — you can have a plethora of resistance and support, but it means little if a trend has not ripened to the point of full maturity. It is reasonable to conclude that the timing of a trade has everything to do with how successful it will be and whether or not specific indicators will be effective. So, let's examine cycles in more detail.

Cycles are not perfect (from our perspective) nor are they the Holy Grail. They are not a stand-alone tool, nor even a trading strategy in and of themselves.

Rather, they are an overview or a foundation on which a successful strategy should be erected. Cycles are a measuring and projection of time — assuming (as all technical analysis does) that "history repeats itself". However, do not expect history to repeat itself in the same fashion, at the same place, and in the same degree each time. This adage would be better modified to "history parallels itself" or "history revises itself... as it repeats".

If it merely repeated itself, it would indicate that all of life is revolving in a circle. Instead, life (the markets, etc.) should be viewed as a spiral — constantly revolving in a circular pattern BUT never returning to exactly the same spot. An example of this is the similarity between America in the 1920's & '30's and Japan in the 1980's & '90's. Gann's 60 year cycle pinpointed the NIKKEI top — which occurred in 1989... 60 years after the 1929 DJIA peak.

The events were remarkably similar, but disguised by their change in location (spiral — not a circle!). An observation from a 1993 article — which discussed these two events — is worth repeating:

"The dilemma that many analysts face — however — is that cycles do not exhibit themselves in identical manner when repeating. If they did, we would exist in a closed circle, never moving forward or backward. Unable to recognize this fact, many traders attempt to develop a static system — in a dynamic world — and quickly succumb to frustration, discarding cycles as a valid form of analysis.

The reason for the absence of homogenous repetition is another principle which is ubiquitous in Elliott Wave, fractals, etc. — We are perpetually in a different phase of a larger and/or smaller cycle, which is itself in a progressive — or digressive-phase of a larger or smaller cycle, and so on and so on...

Having recognized these principles, it is the analyst who can identify the similarities — within analogies —while also distinguishing the differences that will gain a greater understanding of cycles."

This single point — and the grasping of it, or lack thereof, is the largest determinant in how traders view cycles. Those looking for a 'static world' scenario become quickly disillusioned with the imperfect nature of cycles. Those understanding the true nature of cycles have a much easier time grasping them... and using them effectively.

Another principle should assist traders in comprehending cycles. The theory of fractals coincides with cycles. Each cycle progression is a unit in a larger cycle progression... and so on... and so on. Each unit of a cycle progression can be broken down into a group of smaller units... and so on... and so on. This principle also explains how cycles and Elliott Wave work hand in hand.

Simply put, a normal cycle progression revolves around a moving mean point. It is like a sine wave which spends half its time below the mean (identifying successive lows) and half its time above the mean (identifying successive highs). The breakthrough (through the "mean" or "zero level") occurs during a dynamic "3" wave up and a desperate "C" wave down.

Picture a sine wave oscillating around the "0" level. Once it exceeds 0, it would be equivalent to a market which has broken through long-term resistance — usually in the midst of a “3” wave higher. As this sine wave makes its way up to +1 — and then begins its descent back to 0 — an unseen pressure is pushing down on the wave — first subtly, and then with more authority.

This force could also be viewed as a compelling force which continually attracts the cycle towards an elusive median or balance (the ‘0’ line) — like a pendulum swinging to and fro. Once the sine wave breaks below the “0” line, an upward pressure begins to mount — first subtly, then with more authority.

The market is the same. The sine wave peak at +1 is synonymous with the “5” wave peak (or sometimes the 3rd wave peak preceding a slightly higher ‘5’ wave peak) in the market — when the downward pressure begins to manifest itself more boldly.

This is how cycles work — after a “3” wave breakout higher and a ‘C’ wave collapse lower. Following a ‘3’ wave higher, what was formerly a cycle between successive lows (applying upward pressure) has now flipped and becomes a cycle between successive highs (applying downward pressure)... starting with the peak of the “3” wave. The entire “3” wave is usually one full cycle, following successive low-low cycle occurrences. This is when the transition takes place.

In other words, if a normal cycle is 21 days between lows, the ‘3’ wave will encompass an entire 21 days during its rally and then be followed by an ensuing high 21 days later. Successive 21 day cycles will continue to evolve between consecutive highs...until the “C” wave breakdown occurs (crossing through long-term support in a parallel to the sine wave crossing below “0”). This ‘C’ wave should also consume an entire 21 days in its descent.

This describes the basis for <u>Hadik’s Cycle Progression</u>‰. (See Table 1) In a text-book situation, think of cycles as unfolding in the 8-count progression shown in the accompanying table...

<u>Hadik’s Cycle Progression</u> ‰.

#1—<u>Low-Low</u> (0-(2) wave low)
#2—<u>Low-Low</u> ((2)-2 of (2) wave low
#3—<u>Low-High</u> (2 wave low- (3) wave high)
#4—<u>High-High</u> ((3) wave high—(5) wave high)
#5—<u>High-High</u> ((5) wave high—B wave high)
#6—<u>High-High</u> (B wave high—2 of C wave high)
#7—<u>High-Low</u> (2 of C wave high—3 of C wave low)
#8—<u>Low-Low</u> (3 of C wave low — 5 of C wave low

At this point, the sequence begins anew (C wave = 0).

The problem that most cycle analysts and cycle programs have is that they are constantly searching ONLY the lows or ONLY the highs for a consistent cycle. The futility of this exercise forces most novice “cyclists” to quickly give up in desperation.

As I have stated before, cycles are a dynamic entity — they keep progressing and changing (direction — not amplitude). This disguise is what throws most cycle observers off track and forces most technicians to mistakenly conclude that cycles are ambiguous, inconsistent and worthless.

In contemplating the best way to convey these cycle applications, I came up with a fairly accurate analogy. This analogy not only describes the cycle theory, but also the best way to trade the market utilizing this technique. It is drawn from the game of volleyball.

In a well executed game of volleyball, each team attempts to utilize all three allowable contacts with the ball. (It may help to consider team ‘A’ as the bulls — or up-trends — and team ‘B’ as the bears — or down-trends.)

The ball first comes across the net (through support) and a desperate attempt is made to save it from crashing to earth. Once the ball rebounds higher (the first ‘set’), gravity takes its toll and it comes back down... BUT... is contacted at a higher level (the second ‘set’... like a higher low in a developing up-trend) — while purposely kept on the same side of the net.

The ball heads higher again — only to ‘pull back’... BUT... is contacted at yet a higher level and spiked across the net. (This spike — the 3rd allowable contact — is like a 3rd wave — when the market surges through resistance, often after a much smaller pullback, and cycles flip to the other side of the ‘net’.)

The subsequent reaction comes in one of three forms. Either the ‘bears’ block it (indicating a false break-out to the upside) and the ‘bulls’ must regroup and ‘set’ up again, OR the bears replicate the set-and-spike pattern that the bulls just used (a subsequent topping pattern), OR the bulls initial spike results in a score (a great trade) and the bulls get another chance to send the ball through the next level of resistance (on the ensuing serve).

And so the battle rages — back and forth, back and forth. This analogy may break down in certain areas but you should get the point. And, an important lesson can be learned from this — which directly applies to trading.

It is best to ‘set’ up a winning trade by first taking small trades (a campaign) in the direction of the developing trend. These are facilitated during the first of first and first of third waves higher. The mounting profits can then be used as additional risk for the 3rd hit... or 3rd wave higher. This analogy goes hand-in-hand with the sine wave example illustrated previously.

Now that you should have a better understanding of cycles and how they truly evolve, the next step is to learn how to calculate and implement them.

One of the most popular ways is to set up a computer program which tests each market back to the beginning of time and then averages the cycles out to come up with a composite cycle (which often breaks a day down to 3 or 4 decimal places, like a 22.364 day cycle).

This is also one of the most futile ways of approaching cycles, since averages or composites are made up of extremes. You will rarely, if ever, find this cycle hitting exactly on the 22.364 day time period. This is due to the fractal principle. Since any market cycle is always part of a bigger cycle (and breaks down into smaller cycles), it could take 10-20 years for one entire cycle of cycles to unfold in a particular market.

So, if you have developed a composite cycle from 20 years of data — it will likely be applicable (if, at all) 12 1/2% of the time. Why? Because cycles will act differently as they unfold within each of the 8-step progression described in Table 1. When a market is in a major (1-2 years or more) ‘3’ wave rally, the minor and intermediate cycles within that rally (the ones a trader would use) will be different than the equivalent minor and intermediate cycles within a major basing period.

Since this 20 year major cycle would also evolve in the 8-step progression, each phase (which is theoretically 12 1/2% of the overall move) would act completely different and provide extremely diverse cycles from which a composite would be formed. At best, the composite would work 10-20% of the time. At worst, the market would rarely — if ever — adhere to this precise cycle.

Having studied diverse cycles for almost two decades, I keep coming back to the KISS principle (Keep It Simple, Stupid). This leaves two primary means for determining cycles within any given market. These may not work all the time; nothing does. But, they will work more consistently and more practically than any other approach.

First is the implementation of known cycles. It is better to choose known cycles which have applied throughout history — as Gann did — and test them over the same 20 year period. The objective is to determine which is a constant in a given market and which is a fleeting phenomenon.

Gann was able to deduce certain principles about time — which have stood the test of time... both forward from his day, and looking back. His primary conclusion was that time is geometric. Therefore, cycles should unfold the same way that a circle (or a year) does. To repeat from last issue's article...

"Since a solar year is 365 days (and could have been — at one time in the past — 360 days) and is governed by circular and elliptical planets, rotations and orbits — it only makes sense that time is geometric. Measurements which hold increased significance in a circle (90, 180, 360 degrees) will also hold increased significance in time (90, 180 or 360 days, weeks, month, years).

The circular — or cyclical — nature of time is also apparent in Gann's concept of anniversary dates (hence the dual-expression that an event has come 'full-circle' or 'full-cycle'). Significant events often occur on the anniversary of other noteworthy events.

...The idea of geometric time (where periods of days, weeks, months or years are divided the same as a circle—in 15 or 30 degree increments) is not isolated to market cycles. In fact, Gann applied to the market what was already present in nature (just as R.N. Elliott did with the Elliott Wave Theory)."

Simply stated, in order to project cycles forward, Gann would (among other things) add increments of 30, 45, 60, 90, 120, 180, 270, 360 days, weeks, months or years to significant highs and lows in order to determine when a future turning point was more likely. (He used other multiples of 15 & 30, but these are the ones I find the most consistent. 105, 135, 210 & 240 are other geometric cycles which I frequently use.)

As you view markets with this in mind, the first observation may be how a market will periodically adhere to a 30 day cycle. The 30-year Bonds are an excellent example of this — often providing subsequent lows on the same 1-3 day period in each month (i.e. successive lows between the 11th—13th of several months). This is an example of 30-day cycles influencing the market.

As you calculate forthcoming cycles one principle should govern this process greater than any other...SYNERGY.

It matters little when one or two cycles align. The impact on the market could be so subtle that a trader would never even notice it... or be able to capitalize on it. The goal for a trader is to determine when several (particularly unrelated) cycles converge in a specific 3-5 tick window. This synergy greatly increases the probabilities that a market will turn during this time frame.

The second method of cycle determination is through observation. A market will commonly enter a period of time when a certain cycle takes hold. It could be geometric, it could be Biblical (7, 12 or 40-related) or it could be Fibonacci-related... or none of the above. Once a cycle has linked three successive highs or lows, it is safe to assume that it has taken hold and that subsequent occurrences will be seen.

However, a trader must keep Hadik's Cycle Progression in mind when attempting to trade off this cycle. A market could easily be in the process of breaking out when a new cycle is identified. The next time it hits could be at an opposite extreme (a high, if the preceding events at occurred at lows... or vice-versa). If this is the case, the first assumption to make is that this cycle will begin to apply to ensuing highs... rather than lows.

Here again, the important issue is NOT when one cycle or the other hits. The critical measure of a period's significance is how many cycles align and how tightly this convergence is.

WARNING: DO NOT IDENTIFY A TIME FRAME YOU LIKE AND THEN SEARCH FOR CYCLES TO CONFIRM IT!

This type of curve-fitting will rapidly, or ultimately, lead to financial ruin. Because there is such a variety of cycles which can be used (another complaint of cycle antagonists), a trader could 'find' a 'coincidence' of cycles in almost any particular time window.

The key is to approach a market with little or no preconceived notions and calculate known and consistent cycles projected from previous turning points. After accomplishing this, the next step is to observe recent history (prior 90-180 days) and see if any other cycles appear to be taking hold. Then, and only then, should convergences be noted and integrated into a trading plan. (If possible, it is even recommended to do these three tasks at separate times to avoid the temptation to 'fit' a market into a cycle bias.)

There are other means of determining and utilizing cycles to be addressed in future articles. Much of this cycle information is drawn directly from Eric Hadik's Tech Tip‰ Reference Library... where additional charts, diagrams and examples can be found. This collection of over 20 axioms and indicators has been developed over a period of nearly two decades while analyzing and trading the markets.

To conclude, a couple points should be emphasized... The use of cycles is a foundation-building event. It is not a panacea and is not, in and of itself, an actual indicator (much to the surprise of many). A disciplined, objective trading strategy should always come first and be enacted in conjunction with this type of analysis. Cycles reveal when certain indicators (like a Double-Key‰ or 2-Close Reversal‰) should work.

Ironically, other indicators often determine when to apply certain cycles and how to trade them. Cycles are just one key ingredient in the making of a successful trading strategy. When isolated, they are powerless. Conversely, a strategy without them is lacking a great deal of potency.

There are many other factors which compliment the use of cycles, and which should always be integrated when utilizing cycles. These, too, are addressed in the Tech Tip‰ Reference Library.

As I have warned for the last three years, the end of 1997 and all of 1998 begins the most serious and perilous convergence of long-term cycles I have witnessed in 19 years of studying cycles and the markets. I believe the next 12-18 months will offer unprecedented opportunity to informed and alert investors... while virtually eliminating the majority of investors in a very short period of time. Will you choose to be a lemming or a leader? Information, and a specific plan of action, are the key!

Eric S. Hadik is president of INSIIDE TRACK Trading Corporation — a registered CTA outside of Chicago, Illinois — and publisher of INSIIDE Track monthly newsletter, the Weekly Re-Lay fax service and Eric Hadik's Tech Tip‰ Reference Library. Readers can obtain a free sample of INSIIDE Track and the Weekly Re-Lay by calling, faxing, e-mailing or writing their office at: PO Box 2252 — Naperville IL 60567 — 630-585-9218 (voice) // 630-585-5701 (fax) // insiide@aol.com.

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Cashing In
On Chaos at 55

By Dr. Hans Hannula, Ph.D, RSA, CTA

I knew that my 55th birthday was very important in my life, my career, and my business. From my chaos work I had found that 55 degrees was a Chaos Point in a cycle. This is because 360 degrees divided by 60 degrees is a stable sixth harmonic, while 360 divided by 6.5, or 55.38 degrees, creates a half harmonic inversion, switching the stable cycle to 720 divided by 13. This period doubling is a precursor to chaos, leading to high energy, fast, chaotic moves in markets.

My concern about my 55th birthday came from the knowledge that years of age are the "degrees" on a cycle of 360 years. That is the meaning of the Biblical "day for a year" (Numbers 14:34 and Ezekial 4:6). Day means degrees.

So I realized that after my 55th birthday that my life would make a rapid chaotic change. But which way would it be - UP or DOWN?

Fortunately for me, my chaotic turn was UP. My trading took off like a rocket. I was thrilled, and a bit mystified. Why now? Sure, my Chaos Market Theory was working, my Market AstroPhysics was working, and my application to real time trading was working, but this was different. Somehow, I was seeing things clearer, crisper, and interpreting my trading information much better. I know that to trade well, one needs to understand how markets work, and how you work. I have mastered the market part, but am still working on the myself part. If I could understand my greater success, I could learn more about energy cycles for both markets and people.

People, like markets, are driven by energy cycles. These cycles come from the earth's electromagnetic field, which causes electric currents to flow through us [3]. These currents are caused by the electric charge of 300,000 volts in our ionosphere. This voltage varies according to cycles in the solar radiation, which in turn varies according to planetary cycles. In my market work, I have learned to track market moves to these cycles. My XGO software [2] uses these cycles to make energy forecasts for markets and for people.

The ancient art of astrology also uses planetary cycles. I have studied this folklore extensively, and found much of it to be valid. Unfortunately, much of the literature is cluttered with junk, and little of the material available is complete. So I have developed my own ways of looking at things, and my own tools, such as my WinGephi program. This program allows me to look at both heliocentric (sun centered) and geocentric (earth centered) plots of planetary positions. These are drawn as wheels with a spoke for each planet. So when I asked "Why now?" I turn to these wheels. Here is what I learned.

The Big Bang

My natal chart contains a Grand Trine of Neptune, Sun, and a cluster of planets Uranus, Saturn, and Jupiter, with Jupiter on my Ascendant. The Ascendant is where the sun rose the day you were born. So I have a "Jupiter Rising." That's supposed to be good for business. This Grand trine is also aligned in a special way. It's spokes are at 180, 300, and 60 degrees on the circle. This makes it "naturally harmonic."

Figure 1 shows the geocentric chart for my 55th birthday. The natal planets are the dots, and the current planets are the spokes. A marks my Grand Trine, with Mars (R), Saturn (S), and the moon's Node (O) transiting my natal Neptune on the leg marked 1.

The Sun part of my Grand Trine (marked 2) was being transited by current Sun, Neptune, Uranus, and Jupiter. This leg of my Grand Trine also aligns with my natal Pluto. I call this line my Life Axis. Very close to this axis is my Creativity Axis, formed by the cluster of natal Moon, Venus, and Mercury. Transits of this axis bring me my discoveries.

The third leg of my Grand Trine (marked 3) is being transited by current Moon (T) and Pluto (P). My market work has shown that option volatility follows a Pluto-Moon cycle.

So it was very clear that on my 55th birthday my Grand Trine was being hit with a great deal of electric energy. Astrology books [1] note that your 55th birthday comes as Neptune trines (120 degrees) natal Neptune. This is supposed to bring a heightened awareness, greater spirituality, and greater intuition. This Neptune trine hit the day before my 55th birthday.

Heavy energy intake makes us feel down. Going into my birthday I was so apprehensive and down, that my wife decided to throw me a birthday party - for the first time ever. Normally, we celebrate my birthday with a quiet dinner. These birthday downs are why the practice of giving presents arose - to cheer up the birthday celebrant.

Anatomy of A Trade Set

Shortly after my birthday I began trading a new "trade set." I trade a certain number of trades, then quit for a while. This gives me a chance to do other things, evaluate my progress, and rest. Also, I day trade the S&P, but not every day. I try to pick the good days to trade, and then focus on trading them well. I did good - by the end of March my account had risen to 450 percent of the original equity. The trade set ended when I had a bad day April 1. At the end, the account was still up to 356 percent.

This is shown in Figure 2. Note the points marked A, B, C, and D. A and B were spectacular days C and D were bad days. A series of more normal days shows up between C and D. So what make A, B, C, and D special?

My chart for A, January 23rd, is shown in Figure 3. I was hot. I saw a Hannula Market Fractal (advanced version of Chaos Clamsell)[2] setup for a sharp drop, and cashed in very nicely.

So why was I so sharp? The Moon (T) had lined up on my Life Axis, directly hitting Sun and Uranus. Symbolically, that translates as energy (Moon), heat (Sun), and electricity (Uranus). That's the astrology part. The important thing was that this energy burst was at a 55 degree position as shown. This 5 day movement of Earth brought me exactly to my Chaos Point. I was thrilled. The turn was UP!

By the time I experienced point B, I was sure. Figure 4 shows that chart. As the Moon(T) approached leg 2 of my Grand Trine, Venus hit Uranus and Jupiter - at the 55 degree point. Venus was activated by my Sun transiting my natal Mercury, Venus, Moon Creativity Axis. Again I recognized a Hannula Market Fractal and traded it perfectly. The winds of fortune were blowing strong, and I had set my sail well.

Of course, I expected some down days. I had one on February 14th, point C on the equity curve. Figure 5 shows that chart. My mind seemed foggy. I was a step behind the market. I traded too aggressively. I lost the fight. So I looked to see why. Again, the 55 degree point was being hit - by Mercury transiting Uranus and Jupiter. Astrologers link Mercury to the mind. Further, my natal Mercury was being transited by Venus. Astrologers say that Venus is often a surrogate for Neptune. My natal Neptune was being transited by Mars. Mars is linked with aggression. So the aggression overcame my intellect. I knew that by the close of trading. Now I could see why in the chart.

From point C to D, things were pretty normal. Trading was average, consistent, and steady. But as my equity curve rose, I was aware that it was looking like a Hannula Market Fractal itself. Such fractals end with a sudden thrust in the opposite direction. This came on April 1st. Figure 6 shows my chart for that day. That day I really was trying not to trade, but late in the day I suddenly felt aggressive, pushed my entry stop too close, and got caught in a “fist fight” with a wildly oscillating market. I lost the fight.

When I studied my chart it was very clear why. As the Moon again approached my Grand Trine, it trined my natal Node, which was being transited by Mars. I associate the Node with knowledge. Mars of course is aggression. Then my mind, in the form of natal Mercury, was being hit by transiting Jupiter (business). That was the attraction to trade. But the real problem was current Mercury transiting natal Mars. Again, my aggression overrode my knowledge and my intellect.

Interestingly, on both days C and D I discovered that I had failed to wear my Concentration Headband [4]. So I did not take every step possible to protect myself from the external cycles. They got to me even before I traded. Another lesson.

Knowledge and Profits

That ended my trade set. I have developed the disciple to terminate a set when it stops working. In this case it was very easy to do that, because I was well ahead. And through study, I had learned a lot about myself. The power in my trading is my knowledge of how markets work, developed over years of research. The weakness is my tendency to be too aggressive at times. Now I see that these periods come from the battle between my Mars and Mercury cycles. So I’ll watch those closer next time.

Not a bad Chaos Turn at 55. It was up. I started a new up Hannula Market Fractal which could be huge. And my career cycle of Jupiter-Neptune definitely turned up. That’s a 13 year cycle - half of which is 6.5, the harmonic that set my chaos turn at 55 degrees. Lucky 13. And now I know that the Grand Trine in my natal chart really means something. It only took a transit of the Sun leg by both Neptune from leg 1 and Jupiter from leg 3 to awaken my awareness. I’m beginning to understand myself. It’s all natural energy. It’s all electricity.

References

[1] Hand, Robert Planets in Transit, Whitford Press, 1979. [2] Hannula, Hans, “Cashing in on Chaos”, Trader’s World, Spring, 1993.[3] Hannula, Hans, “Cashing in on Natural Energy”, Trader’s World, Summer, 1996. [4] Hannula, Hans, “Why Johnny Can’t Trade”,Trader’s World, Spring, 1997.

The WinGephi graphical ephemeris used to make the charts for this article is one component of a growing set of trading tools from MicroMedia. One can learn more by contacting the author or checking out his WEB site at http://www.cashinonchaos.com/hans. or by contacting Hans at MicroMedia, Box 33071, Northglenn, CO 80241, voice: 303 452 5566 , fax 303 457 9871.

Planetary Timing for Buying Stocks

By Jeanne Long

In the 1997 Trader's Astrological Almanac (published in October 1996) several stocks were recommended for a buy at the Spring low, which was called to occur in March/April 1997. The instructions were to take the technical and planetary buy signals demonstrated in the 1997 Almanac article if and when they occurred in the time window of the Spring low, simply because once this low had formed, the market should make a good move up. The recommended stocks were selected by the Galactic Stock Trader™ software in a simple and easy way that allows traders to take advantage of planetary tools and timing without a big learning curve.

The questions to be answered in this article are as follows: 1) What are the benefits of using planetary timing as opposed to random selection of stocks? 2) Does planetary timing give the investor the trading edge? 3) Does planetary timing help curb losses? 4) Does planetary timing give more confidence to buy or take profits? 5) Does planetary timing improve profits? The rest of this article gives the answers to all of these questions.

In order to determine if a stock (or a commodity) has the potential for increase in price in a given time frame, it is necessary to know the Incorporation date or 1st Trade date (preferably both) of the stock. Fortunately, the Galactic Stock Trader™ has approximately 3000 Incorporation/1st Trade dates in its data base. These two important dates give specific points of reference for planetary timing since the planet's positions on those dates are FIXED for the life of the Stocks. These FIXED planetary positions are better known as the stock horoscopes or NATAL (birth) positions of the planets.

With such a large data base of Incorporation and 1st Trade dates at hand it is easy to run a comparison of where the positions of certain planets are today and reference them back to the FIXED positions on the dates of the Incorporation or 1st Trade. This research facility is built into the software.

One of the easiest searches is to find future dates when the planet Jupiter (called transiting Jupiter) is passing or traveling over the FIXED (Natal) planetary positions of the Stock horoscopes (Incorporation date or 1st Trade dates). More importantly, to look for transiting Jupiter passing over the FIXED positions of Sun, Mercury, Venus and Jupiter in the Incorporation or 1st Trade horoscopes. This gives the potential for increase in the price of the stock.

What could be a time-consuming and tedious job, not to mention a big learning curve has been reduced to just a few simple clicks with the Galactic Stock Trader™ as shown in Figure 1.

By clicking on transiting Jupiter in the 1st column, and then on Sun, Mercury, Venus, Jupiter in the second column. Plus choosing a date or time frame, then a search of the approximately 3000 stocks in the data base can begin. In the example, the dates chosen for the search were January 1, 1997 to December 31, 1997. The results of the search are shown on the screen or in a printout as in Figure 2.

HOW DID THE SELECTED STOCKS PERFORM?
Following the Rules recommended in the Almanac:
1. Buy at Spring low in March/April 97.
2. Use planetary support lines.
3. Use planetary reversal dates.
4. Use technical buy signals.

Illustrating these tools on Schumberger, Chart 1 graph shows the following:
All the graphs used in this article are from the Galactic/Fibonacci Trader™ software, which puts all planetary tools onto stock graphs. (This is a separate program from the Galactic Stock Trader™, which searches a data base for stocks with potential for increase in price.)

Rules for Planetary and Technical Tools Used to Monitor and Buy Stocks

1. Planetary Support (or resistance) lines

The planetary lines that create support for Schlumberger are the Jupiter lines. These lines are created from the actual position of the planets and transformed into price. Note on Chart 1 how price travels within the range of two Jupiter lines (Jupiter channels). When stock price is strong it moves up from one Jupiter line to the next, with the Jupiter line under the price becoming the support to current price.

2. Planetary Reversal Dates

Price reversals occur on specific dates of certain planetary aspects (aspects are the relationship between two planets). The planetary aspects that create reversals with regularity for Schumberger are as follows:

Geocentric Aspects: Venus/Saturn, Venus/Neptune, Venus/Uranus, Venus/Pluto, Saturn/Uranus.

Heliocentric Aspects: Earth/Mercury, Earth/Neptune, Venus/Saturn, Venus/Uranus, Venus/Neptune, Venus/Pluto, Mars/Uranus.

Look for a price reversal to occur within two days of the aspect (reversal date). Fortunately, it is not necessary for the trader to calculate all of these aspects or planetary lines. The Galactic Trader™ software does it automatically. Reversal dates / aspect dates show up as highlighted bars on the screen. They are also projected out into the future. Or a list of future reversal dates can be printed out, alerting the trader in advance that a reversal date is about to occur. Naturally, the more aspects occurring on the same date or within a few days time frame, the stronger the influence for a price reversal.

3. Technical Tools: Dynamic Trio NEXT and Dynamic Trio OWN

(Specific Technical tools in the Galactic/Fibonacci Trader™ software)

Dynamic Trio NEXT Line: (Heavy dotted line) See Chart 1

This important line gives longer term trend direction. When it is under the price, it is supporting a trend up. If this line is above the price it acts as resistance in a trend run down.

The general rule of thumb is to only BUY when the Dynamic Trio NEXT (DT NEXT) line is under the price and only SELL when the line is above the price. However, on rare occasions, with specific rules, the general rule will be modified as described below under Perfect Set-Up #5.

The DT NEXT line also functions as a point of no return. In other words, as a STOP. If this line is under price in a trend run up and price then goes down through it, especially if price closes under it, and even more importantly, closes under it on a weekly basis = look to take profit on stock and stand aside. Unless, of course, profit has already been taken at higher profit points. For example, the Dynamic Trio NEXT STOP is a conservative longer term STOP. It allows the market to breathe and make its regular small retracements while keeping the trade in tact. However, if price makes a very sharp move up (see June on Chart 1) then the DT NEXT, under these terms, will be quite a distance below price. Therefore, after a sharp move up, especially if a planetary line on top forms as resistance to price, while at the same time planetary reversal dates occur, it is wise to take some or all profit, especially if price then falls below the Dynamic Trio Own Line; see next section.*

Dynamic Trio OWN Line: (Solid small step-like formation) see Chart 1

This line is built on a smaller time frame and is used as the technical tool to give Entry/Buy signals (*and sometimes sell or profit signals as described above). The Dynamic Trio OWN line is used in specific combination with 1) the Dynamic Trio NEXT line, 2) the Planetary Lines and 3) Planetary Reversal dates. The four tools work together to create a SETUP to buy with. *The Dynamic Trio OWN Line also functions as a Stop/Profit point after a sharp move up has occurred and then price falls down through this line.

An example of a perfect SETUP forming with all 4 tools is as follows:

1. The DT NEXT line is under price and price comes down near it or actually touches it. See Chart 1 at Setup #1 and Setup #2.

2. The planetary line that creates support for this stock (for example, the Jupiter line on Schumberger) is traveling very close to the DT NEXT line, so that both act together to form support as price comes close to them or touches them. See Chart 1 in March/April 1997 at Setup #1 and Setup #2.

3.One or more planetary aspect/reversal dates occur within a day or two of price reaching the two support lines. This occurred on Chart 1 at Setup #1 and Setup #2.

4. In order for price to reach the DT NEXT line and planetary line, a retracement down will have occurred. This retracement down will have caused the shorter term Dynamic Trio OWN line to be traveling ABOVE the price. Therefore, after the price has touched the DT NEXT and planetary lines at the planetary reversal dates, price will then reverse and bounce up. Shortly thereafter price will penetrate the Dynamic Trio OWN line which has been above price. At this point a BUY signal is given. See Chart 1 at Setup #1 and Setup #2.

5. The above is an example of a perfect setup. All components of a setup were in effect during the March/April expected low period, making a confident buy. However, since we don't have a perfect world, we don't always have a perfect setup either. More on this under the discussion of Ahitibi-Price stock walk-through.

PUTTING IT ALL TOGETHER

Walk-through of rules on Schlumberger Chart 1:

1. We were looking to buy Spring low in March/April 1997.

2. Looking for price to Support at or near Jupiter line AND DT NEXT line. This occurred 3/3/97.

3. Looking for Schlumberger's specific planetary aspects to occur in the same 3/3/97

time frame.

Schlumberger's Planetary reversal aspects were as follows:

• 2/28 Friday - Earth/Mercury, H. Venus/Saturn, H. Mars/ Uranus and G. Saturn/Uranus

• 3/3 Monday - Earth/Neptune, G. Venus/Pluto

• 3/4 Tuesday - G. Venus/Saturn, G. Venus/Uranus, H. Venus/Neptune

4. Looking for price to go up through the Dynamic Trio OWN; this occurred on 3/4.

This many reversal signatures all occurring in such a short time frame indicated an important low was forming, confirmed by price being supported at the Jupiter line and the DT NEXT line = LOOK TO BUY as price goes up through the Dynamic Trio OWN line. This happened on 3/4, Schlumberger was bought at 103. A perfect setup had formed (Setup #1).

The very same setup occurred again in April as price retraced to the Jupiter Support line AND the Dynamic Trio NEXT line, price again encountered strong support on 4/11, 4/14 and 4/15 on these lines.

The planetary reversal dates occurred at the very same time:

• 4/11 Friday - Venus/Neptune
• 4/13 Sunday - Earth/Mercury
• 4/15 Tuesday - H. Venus/Pluto
• 4/16 Wednesday - G. Venus/Neptune, H. Venus/Uranus
• 4/17 Thursday - Earth/Neptune

Six reversal aspects specifically attuned to Schlumberger occurred within 5 trading days, with price at the Jupiter Support line AND the Dynamic Trio Next Line = LOOK TO BUY as price goes above the Dynamic Trio Line OWN. This happened 4/16 and Schlumberger was BOUGHT at 106 1/2. Again a perfect setup #2 had formed. The high price to date of this writing has been 142 1/2 and a stock split of 2 for 1 occurred on 7/14. We were stopped out on the short term stop as prices came down through the Dynamic Trio OWN line on 8/8, giving excellent profit on this trade.

Walk-through Ahitibi-Price Chart 3:

In this instance, the only reason a valid Buy signal was given was because the buy signal occurred in the Spring low time window already discussed. Had the buy occurred outside this time window it would not have been valid with the rules given in this article.

Look at Chart 3 and note that the Buy signal given by price trading (and especially closing) over the Dynamic Trio OWN for the first time in March and April 1997, this occurred on April 9th. There was no other buy signal given during March or early April, the Dynamic Trio OWN was above price and following price down during this time. The first penetration of this line occurred 4/9/97 setting up the buy signal only if the other two components, planetary lines and planetary reversal dates, were present on April 9th. The next section will determine the lines and reversal aspects.

PLANETARY LINES OF SUPPORT (AND RESISTANCE) ON AHITIBI-PRICE

The lines of Mars show that in intermediate trend runs price travels within the confines of Mars channels (see Chart 2). This is known as price traveling at the speed of a planet. Note how more often than not the highs and lows of price terminate at the upper and lower lines of the Mars channel. Also note that the diagonal line traveling down from left to right on Chart 2. These lines are the Mars Mirror Lines™ created by the Galactic Trader™ software. Price travels down the Mars lines in trend runs down in exactly the same way it travels up them in a trend run up. Mars clearly seems to travel with price.

The other planetary lines displayed on Chart 3 are Jupiter lines, which have less of a slope than the Mars lines. The important point to note is that Jupiter supports the longer term lows as shown on 10/21/96 and 4/4/97. In both instances price came within 1/2 of a point of the line.

It was both the Jupiter line and the Mars line that price came within 1/2 of a point of on 4/4 and 4/8/97. At the same time there was a strong series of planetary reversal signals on these very same dates.

Planetary Reversal signal dates for Ahitibi-Price:

4/4 Geocentric Planetary Aspects: Venus/Jupiter, Sun/Jupiter

Heliocentric Planetary Aspects: Earth/Mercury, Mercury/Venus, Venus/Pluto, Mars/Uranus

4/8 was Double low with 4/4.

(You will find that many of the same aspects listed above also occurred on 11/10/96 major low.)

With all the signals in place and the BUY signal issued, the following buys occurred:

4/9/97 Bought at 14 1/2 as price traded above the Dynamic Line OWN. Stop was placed under the 4/8 low at 14.

4/16/97 Second Buy at 15 as prices traded above the Dynamic Trio Line OWN for the second time. Stop still under low of 4/8.

4/24/97 Third Buy at 16 as price traded above the Dynamic Trio NEXT Line. When prices closes above this line on a weekly basis. The close above the DT NEXT line now indicates the longer term trend of this stock is up. A weekly close above the DT NEXT line causes the line to move under the stock price and now this line supports the trend run up. STOP is now placed under this line. (See Chart 3.)

The high of this stock at the time of this writing has been 21. The conservative long term STOP is still under the Dynamic Trio NEXT at 19. However, after a sharp move up, it is always wise to take some profit. There are two places to take profit after a sharp move.

1. A portion of profits can be taken at Jupiter and Mars resistance lines above the market as shown on Chart 3 on 7/11 and the day following three of the major planetary reversals aspects occurred. You would have known well in advance that these aspects would occur on this date; as you can see on the screen or in a printout the future reversal dates for a month at a time or even a year at a time if you so desire. After a sharp move up, such as the one that occurred in early July 1997, it is wise to take some or all profits at planetary reversal dates when the planetary lines form as resistance on top.

2. The second point to take some or all profit is if and when price falls through the Dynamic Trio OWN Line which on Chart 3 is shown just above 19 1/2; this occurred on 7/21. On 8/8 price fell through to the Long Term STOP line of the Dynamic Trio NEXT at 19.

Walk-through American Home Products Chart 4:

Chart 4's setup is exactly like Chart 2 and 3 of Ahitibi-Price. The fourth component was filled by the Spring low March/April 1997. The usual 4th component, the Dynamic Trio NEXT line, was still above this price at the time the buy occurred. The Buy came on 4/15 as price thrust through the Dynamic Trio OWN Line and bought at 60. The other two confirmations were the planetary line of Mars held price for support on 4/11 Friday and 11/14 Monday with American Home Products reversal aspects occurring on 4/11, 4/15 and 4/16.

- 4/11 Friday - Earth/Mercury, H. Venus/Neptune
- 4/15 Tuesday - H. Venus/Uranus
- 4/16 Wednesday - H. Venus/Uranus, Geo Venus/Neptune.

The STOP again went under low of 4/14 at 56 1/2.

The second Buy occurred 4/30 at 67 as price went above the Dynamic Trio NEXT line. This line then jumped below price as of close on Friday of that week and the long term conservative STOP was now under the Dynamic Trio NEXT Line.

Note how price traveled up within two Mercury Lines (channels) with the Dynamic Trio NEXT Line tracking it up almost parallel to the Mercury Line, meanwhile the STOP was tracking up under the NEXT line. High of price to date has been 84 3/4. The short term profit/stop under the Dynamic Trio OWN was hit on 8/1 at 81. The longer term conservative stop is still valid at 77 as of this writing in early August 1997.

HOW OTHER RECOMMENDED STOCKS FARED

Carolina P&L: Bought May 2 at 34 1/2. High 35 3/4. Stopped out 35 3/4 on July 8.

Dunn & Bradstreet: Bought on March 6 at 25. Stopped out on March 28 at 26. Rebought on May 1 at 25, High 27 3/4. Short term stop/profit point at 26 1/2 on July 18. Long term conservative stop at 26 as of this writing.

Gentex Corp: Bought on April 25 at 18 1/2. Stopped out under long term stop at 19 on July 10. Rebought on July 22 at 20. Took short term profit at Jupiter/Mars lines at 24 1/2. Stopped out on all at 23.

New England Electric: Bought on March 25 at 34 1/4. High of 38 3/4. Profit on Jupiter line at 38 1/2. Long term conservative stop now at 37.

Oklahoma Gas: Bought on April 29 at 41 1/2. High of 46 1/2. Still in trade. Conservative long term stop now at 45 as of early August.

Raymond James: Bought on April 18 at 23 1/2. Stopped out on June 26 at 26 1/2 on long term stop. Short term stop took profit at 28.

Data General: Bought on April 7 at 17. High of 32. Short term profit at Jupiter line at 31 1/2. Long term conservative stop still at 28.

Homestake Mining: Bought on May 1 at 13 1/2. Stopped out on conservative long term stop at 13 1/2 on June 2.

Nigara Mohawk: Bought on April 29 at 8 1/2. Profit on Jupiter line and short term stop at 9 1/2 on July 23. Long term stop still at 8 1/2.

Paine Webber: Bought on April 4 at 30. Short term stop/profit at 38 on August 8. Long term stop still at 36.

Union Carbide: Bought on April 10 at 44 1/2. Stopped out under long term stop at 46 on May 21. Rebought on June 10 at 46. Short term stop/profit at 55 on August 8. Long term conservative stop still at 50.

QUESTION:

Did we fair better by picking stocks via planetary timing rather than by random choice?

To answer this question we first need to look at the overall stock market moves as of to date. The overall market has gone up in the first 6 months of 1997 approximately 26%. However, 30% of stocks went down during that same time. Naturally, of the 60% of stocks that went up in price, some increased more than 26% while others less than 26%.

Using the planetary timing, we fitted pretty much into the average scenario of the market, except that we had NO LOSSES. Otherwise, some of our stocks had only a minor increase, while others had huge increases.

Our gains were over 26% all in a 3-4 month period while the general market of 26% increase was over a 6 month period. Therefore, the planetary timing far improved the general/random picking of stocks.

COULD OUR PROFITS HAVE BEEN IMPROVED?

Certainly. In this article I have demonstrated the most simple and easy use of planetary timing. With an additional learning curve and by using more complex planetary tools (demonstrated in my lectures and workshops) the profits could have easily been doubled. More complex techniques of the Galactic Trader™ stock search recommended: Microsoft, Exxon, Royal Dutch, and Armstrong World, just to mention a few.

However, back to my original point. An investor or trader can improve profits and dramatically cut losses by combining simple and easy planetary timing and support tools into their trading tool box. The 1998 list of stocks will be printed in the 1998 Trader's Astrological Almanac with the important dates to buy or sell. A partial list of these stocks are: Exxon, Union Carbide, Northern Telecom and Lucent.

Jeanne Long is an independent investor and trader. Designer of the Galactic Trader™ and Galactic Stock Trader™ software for her own personal use. Many banks and financial institutions worldwide now take advantage of planetary timing in this easy-to-use format. She can be reached at 757 SE 17th Street, #272, Ft. Lauderdale, Florida 33316 USA. Phone (512)443-5751, Fax (954)566-2427, E-Mail: pas24@bga.com. Please visit our web page at www.galacticinvestor.com for a free demo of the software.

The Alpha Application of Natural Law to the Speculative Markets

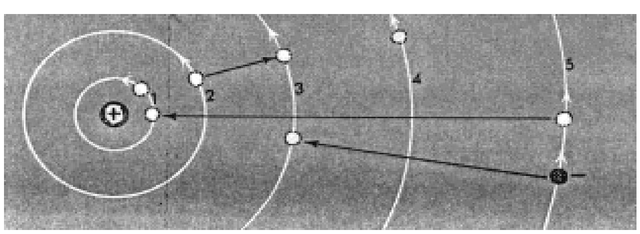
By Greg Ruff

This article contains excerpts of alpha principles from a short course that is available for purchase from the author. Hence the term “alpha.” This short course is also an excerpt from a much larger course. It evolved into existence because many investors don’t know how to apply natural law principles that are at the heart of W. D. Gann’s trading methods. As we all know, Gann bases his methodology from the principles of natural law that he had discovered by 1909 (See Traders World Fall 1996 - Issue No. 23 by G.R.). The goal of this smaller course is to help those find a starting point in order that they may begin to apply natural law principles to market behavior. This will assist in bestowing upon oneself the ability in predicting turning points in both time and price with greater certainty and accuracy.

The few principles discussed in this article are the foundations of many of the courses currently being offered to the public at this time. I hope to present to you in this article the basis as to why these laws from our physical sciences apply to the market behavior found in our chart patterns. These applications are only the “alpha” or the starting point, from which you may begin to delve into the deeper meanings of Gann analysis. Although some may try to incorporate these principles into their trading strategies with success, further research is needed on our part to unlock the full potential Gann offered to us in his rules and methods he left behind to us in his courses and books.

In the book titled Natural Law in the Spiritual World by Henry Drummond, pages xvi & xvii, Drummond states, “But in almost every case, after stating what appeared to be the truth in words gathered directly from the lips of Nature, I was sooner or later startled by a certain similarity in the general idea to something I had heard before, and this often developed in a moment, and when I was least expecting it, into recognition of some familiar article of faith. I was not watching for this result. I did not begin by tabulating the doctrines, as I did the Laws of Nature, and then proceed with the attempt to pair them. The majority of them seemed at first too far removed from the natural world even to suggest this. Still less did I begin with doctrines and work downwards to find their relations in the natural sphere. It was the opposite process entirely. I ran up the Natural Law as far as it would go, and the appropriate doctrine seldom even loomed in sight till I had reached the top. Then it burst into view in a single moment.” Needless to say, we must also climb this latter to see this burst of unity to discover the appropriate doctrines and applications behind Gann’s methodology.

Our “alpha” point to discover Gann’s application of natural law will start with the study of

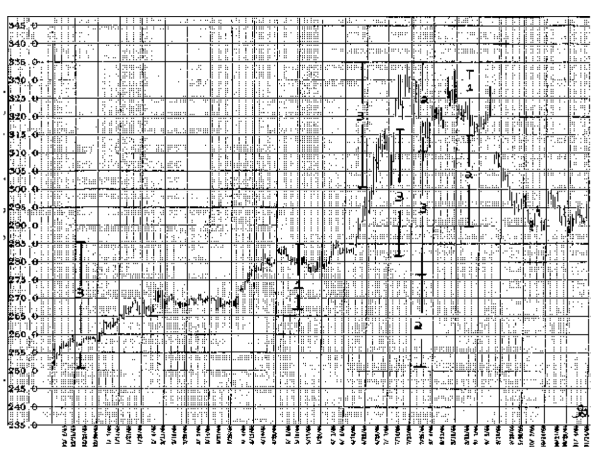


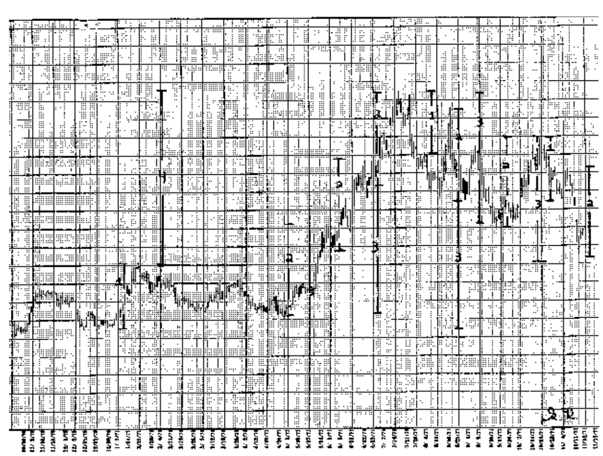
the behavior of the atom. My authority for asserting this is found in the statements made by Gann. Robert Gordon was a character in Gann's Tunnel Through the Air that was, in part, about Gann himself. On page 23, he states, "He took a great interest in physics... mathematics... and chemistry." In his Ticker Magazine interview of 1909, Gann states, "Stocks are like electrons, atoms, and molecules.... Stocks, like atoms, are really centers of energies." Therefore, let's apply the natural law of an atom to a few chart patterns. In order to fully comprehend the inner meanings of Gann's methodology, we have to gain the necessary insight into the way Gann viewed the markets. Without this insight, it is going to be very difficult to interpret correctly the applications of Gann's rules and methods. We need to get into the man's mind and thought process. But before we do, we must lay the proper foundation for the construction of our forms that will characterize the behavior of an atom. This is what I believe Gann did, and therefore so must we.

Neils Bohr introduced quantum concepts and new laws of mechanics governing the behavior of the atom. According to Bohr, the electron within the atom can revolve only in certain orbits, which are at definite distances from the nucleus. The electron in the hydrogen atom can only be in one of these defined orbits. It cannot be in any position outside an orbit, at least not for any measurable or finite length of time.

Discrete orbits in the atom. The electron can revolve in definite orbits only, but it can "jump" from one orbit to another.

The electron jumps in predefined orbits from one shell orbit to another. Our mental thought process that is reflected in the trading swings in our chart patterns also displays similar characteristics of the electrons jumping in their predefined orbits. The reason why the swing behavior in our chart patterns reflects this electron behavior can be found in a prior article written in the Traders World Fall 1996 - Issue No. 23 by G.R.. The formula for determining the areas that the electron will travel within its various shell orbits involves the use of integers that are squared. The radii of the successive orbits are proportional to the square of the integers, i.e. to 1, 4, 9, 16, 25, 36, 49 etc. The squaring of numbers are used in many scientific formulas. These defined orbits can be determined by utilizing the construction of three simple shapes: 1) the square, 2) the circle and 3) the triangle. Constructing a progressive pattern out of these shapes has been the foundation behind many different types of forms such as paintings, vases, cathedrals, monuments etc. The names given to the construction of these various patterns are different, such as: 1) the swirling square concept, 2) the squaring of the circle, 3) dynamic symmetry using the progressive square roots of the diagonals, or 4) the Pythagorean construction of A squared + B squared = C squared. Although the names and applications of



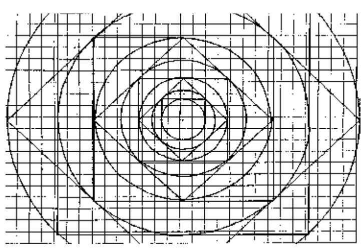


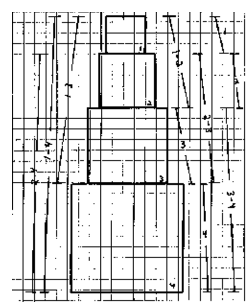
these progressive patterns appear to be different, they all share a common foundation analogous to the discoveries of natural law that Drummond and Gann had unveiled. Although we can choose any of these methods to determine the various orbits in which the electron travels, let's choose the concept of the squaring of the circle. Once we understand this simple idea, perceiving the unity in the other constructions of the progressive patterns will burst into view, as Henry Drummond stated above. This concept is derived from the evolution and involution between the planes of space or through the Law of Correspondences.

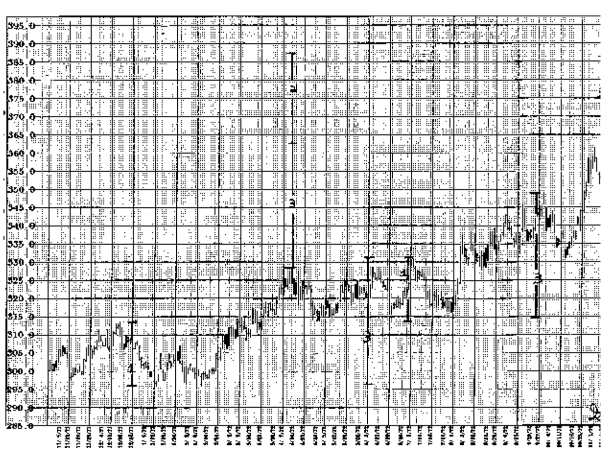
Below you will find a diagram showing the concept of the squaring of the circle. The concentric circles in this diagram represents the various energy levels in each of the electron's shell orbits. Due to limited space, I can't prove to you that the construction of these successive orbits are proportional to the squares of the integers. (This is explained in complete detail in the alpha course.)

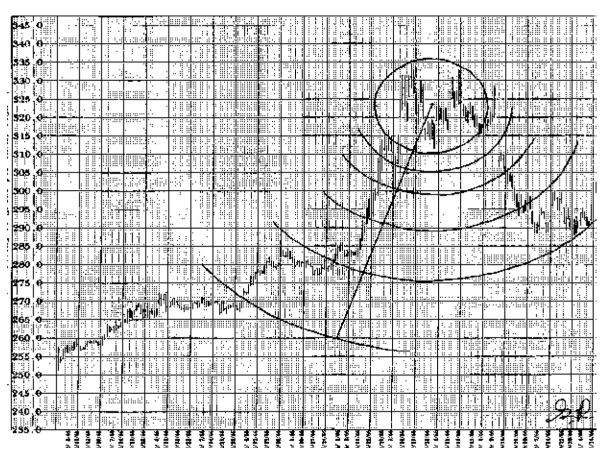
As we saw in our first diagram of the electron in its various orbits, the electron can jump between any two concentric shells. The atom will either absorb or dissipate an equivalent amount of energy depending upon the jump by the electron between the various orbits. For our purposes, the total amount of this energy can be exhibited by stacking the corresponding squares of each concentric circle on top of each other.

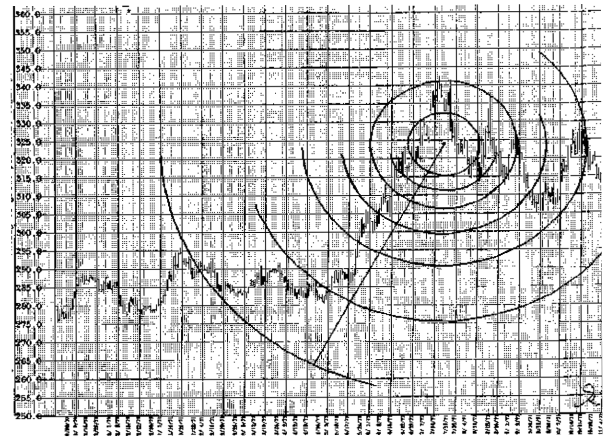
Theoretically, each square represents the same area of space as found in each of the corresponding individual circles or shells. Therefore, each corresponding square and circle (shell) contains the same amount of energy that is analogous to the electron traveling in that particular orbit. The total amount of energy or force that we will measure as vectors is shown by the measured lengths of the various combinations next to the stacked squares. For example, the vector 2 - 3 shows the total amount of space that a vector would travel through given the amount of force absorbed or dissipated by an electron jumping from the second to the fourth orbit. This is one way to measure the change of energy in a market pattern. The other would

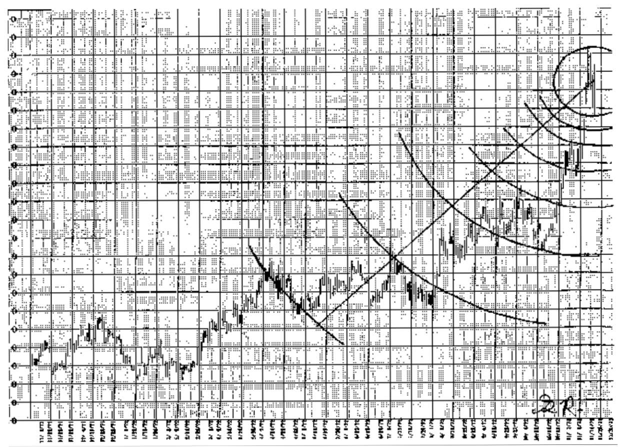


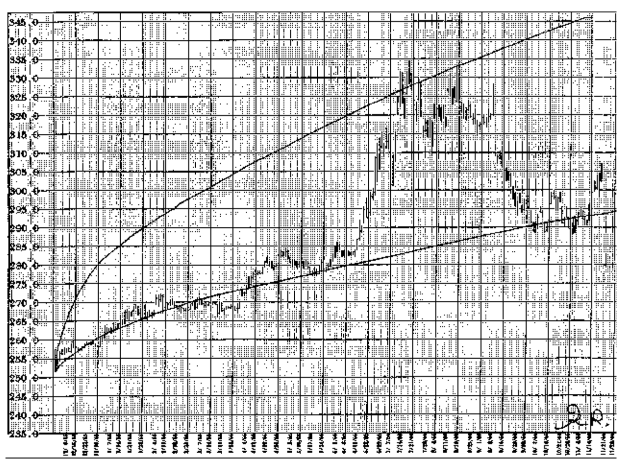


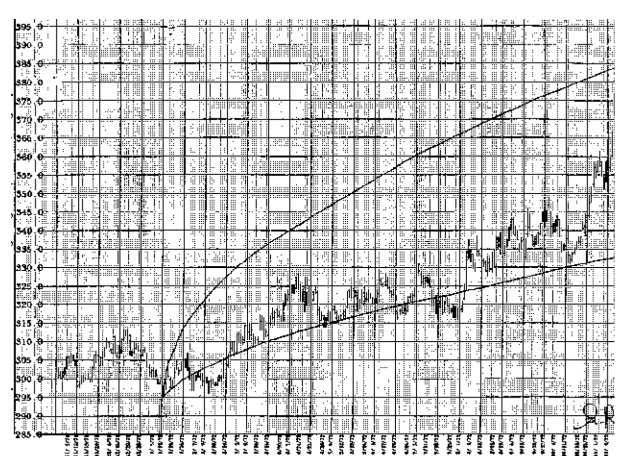


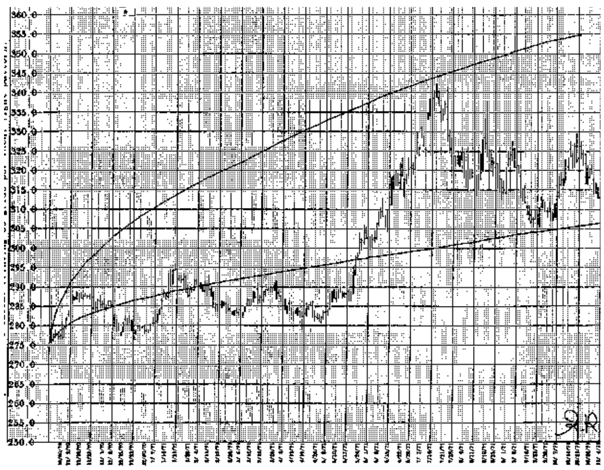


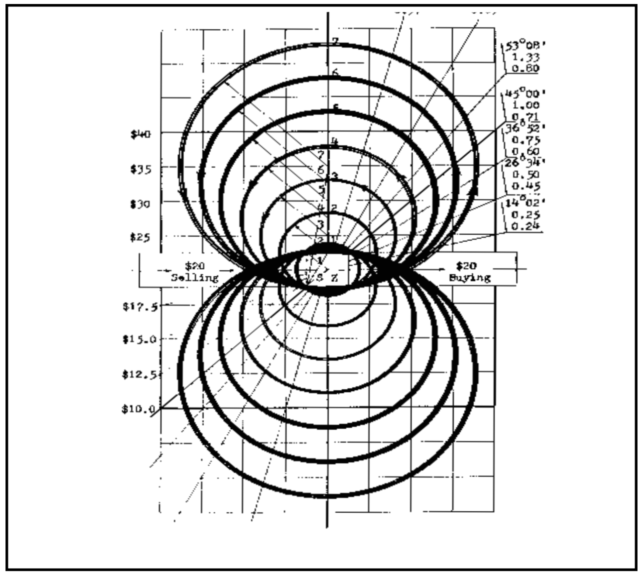








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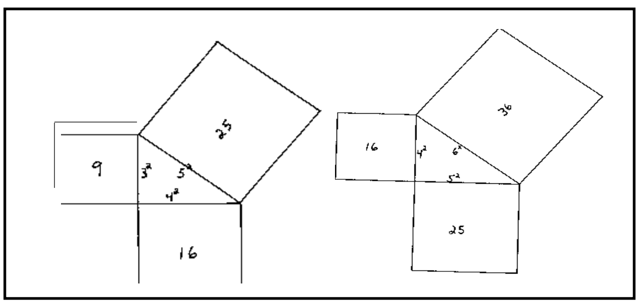
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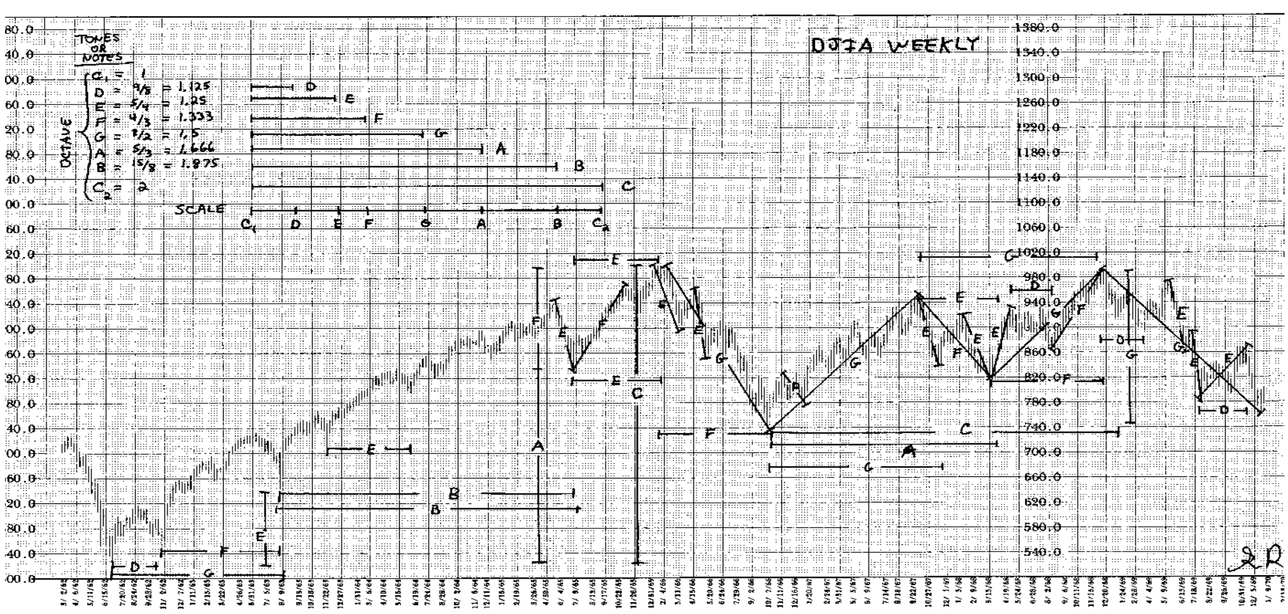

DJIA WEEKLY
TONES OR NOTES
OCTAVE
C1 = 1
D = 9/8 = 1.125
E = 5/4 = 1.25
F = 4/3 = 1.333
G = 3/2 = 1.5
A = 5/3 = 1.666
B = 15/8 = 1.875
C2 = 2
SCALE

be to lay the center of the concentric circles on particular tops and bottoms in the chart pattern and see where the energy levels found in the various orbits lie. Just because the actual electron may not be in any particular shell orbit doesn't mean that the underlying forces of higher and lower energy zones doesn't exist in those places.

The following were picked at random by myself. They will be used to demonstrate the principles mentioned above. The charts consist of the 66, 71 and 72 Daily Beans. The author's alpha course of natural law contains other markets demonstrating the same proving that the applications behind these natural law principles are valid in all markets. These charts demonstrate that the mind encounters resistance and support levels that are analogous to the total energy absorbed and dissipated within the shells of an electron and registers them in the swings in our chart patterns. This higher corresponding vibration of energy found on the mental plane affects the human subconscious accordingly. Therefore, the actions of all investors and speculators are influenced by this natural law process. The charts do, in fact, suggest that this is the case, and they speak for themselves. Applying the total amount of force demonstrated by the various vector lengths found in the stacking of the squares on top of each other furnishes the following results as seen in Chart 1, 2 and 3.

Utilizing our next form of subshells found in the various shell orbits of an electron discussed above demonstrates similar points of support and resistance found in the same charts as above. Also note the number of occurrences that these markets trade between two adjacent subshells before proceeding further. Again, the following charts speak for themselves. See Chart 4, 5 and 6.

Chart 7, 8 and 9 are another demonstration of another natural law phenomena that occurs throughout the various chart patterns. I call these GR velocity accelerators or decelerators. The application of this natural law process as it applies to market behavior is discussed in the author's alpha course. However, please note that the GR velocity accelerators in all three charts are accelerating at the same rates.

For those of you that apply the shapes of ellipses to predict turning points in your chart patterns from the works of George Bayer, GR velocity accelerators or decelerators provides the natural law foundations as to why his ellipses appear to have merit.

The final chart 10 demonstrates the application of the natural law of musical vibrations found in the DJIA. I made this chart back in 1986 - 1987 and demonstrated this principle to the students at the Investment Centre at one of its seminars. Limited space does not permit any discussion about this concept here, and therefore, I will let the chart speak for itself. It becomes very obvious that once the correct applications of natural law to chart patterns is understood, some greater unseen force is operative amongst and through us. Many books on the Gann reading list explains the omnipotence and omnipresence of this force and the cause and effects from it. Because this chart was originally very large, space herein permits only a partial view of it.

I want to present the following question to you about the Pythagorean theorem. "Can you see and apply the unity and potential application of the Pythagorean theorem with the principles presented above?" Notice how the structure of its form is constructed. Also note that the integers 3, 4 and 5 squared all agree with the construction of our form for the electron's subshells i.e., 9, 16 and 25. If we continue this progression with the next level of serial whole numbers using the form of the Pythagorean doctrine, we get the squares of 16, 25 and 36 and so on. Continuing on with this process will lead us to 36, 49, 64, 81, etc. There is total agreement between the two methods. Both show the "essence" of the oneness and the true application of natural law principles.

Diagram 1 is taken from Torque Analysis by William C. Garrett. This is only one of several diagrams that offers terrific insight into market behavior once you understand its symbolism. This is why this author believes it is one of the best investment books written in the last half of century. For those of you that have a copy of it, hold onto it. It will soon be back out of print. Garrett definitely had an understanding of the cyclical fields of energy that developed in the markets. The following fact is a hint about market turning points to those who already have this book. These cyclical fields of force represented by the growth sequence found in the squaring of the circle, have a Fibonacci series of numbers within them. His theories were developed in accordance with the natural law principles from his engineering background. His principles found in Torque Analysis have direct applications to our chart patterns. They share similar characteristics found in other forms of natural laws which are discussed in greater detail in the author's alpha course.

The fundamental principle behind all of these forms can be found in many numerology books, especially those on the Gann reading list. They can be found in all things. As Gann states, "The parts cannot exceed the whole or the whole cannot exceed the parts."

My goal in this presentation was to try at least to make you think that there may be something in this article that would motivate you to investigate further this path of work. As many questions that this article may have answered, it raises many more. The author believes that the "why" markets behave the way they do can only be found proceeding down this path. This is how we progress in life. One must "Seek and ye shall find" and "hold fast to those things that are good." This method shows you how to build a solid foundation in your analysis of the markets. This foundation is called Natural Law. Only by accepting the occult truth that the teachings of both of the metaphysical and physical doctrines are extensions of the same principles of each other can the "essence" of Gann's methodology be unveiled. The metaphysical and physical doctrines are polar opposites of the same pole. The applications of the few principles herein discussed are only the initial points to possess a greater understanding about Gann analysis. This path can take you down to some magnificent discoveries in enabling you to draw market forecasts into the future. Prove it to yourself as this author has done. A taped seminar about these topics can be purchased from Gannsoft Publishing at (509) 684-7637.

Murrey Math or W. D. Gann?

By T.H. Murrey

Murrey Math trading frame set April 10, 1997 missed market top by one day. The Murrey Math October crash intraday support line = 875 set April 10th 1997, 2 points off. October 1997 crash intraday Gann major support line price = 858.33, 3 points off. Gann said the greatest support was at 50%. Gann said the number one rule after any market runs up at least 3,6, or 12 months, one may take this high/low extreme price range and divide the difference by 8 and you should expect this market to be a great "buy" opportunity, if and when it falls down to its 50% line.

The S&P 500 Cash Index moved to higher highs 5 times since this past April 10, 1997. Then 3 days ago it came down and tested its major 50% line from our lows set back on April 10, 1997.

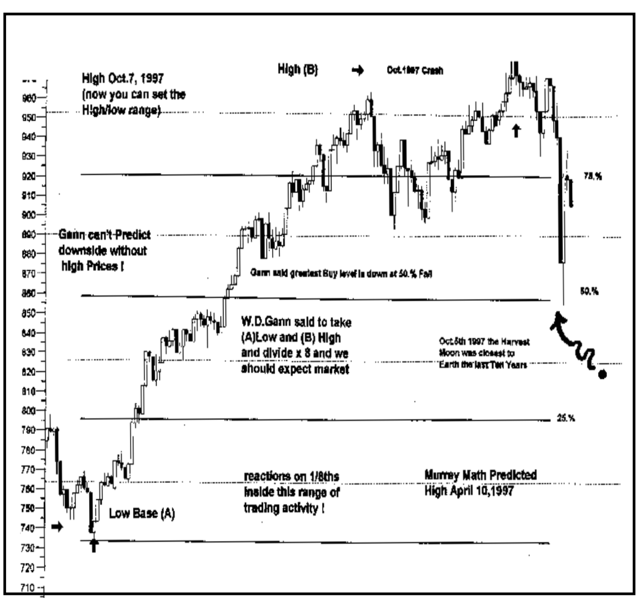
Under the Gann rules, every time a market makes more new highs, you must reset your 8/8ths and make the range of prices wider every time you reset your frame. So, finally October 7th, 1997, you reset your Gann frame and registered the 50% line down at 858.33, major support.

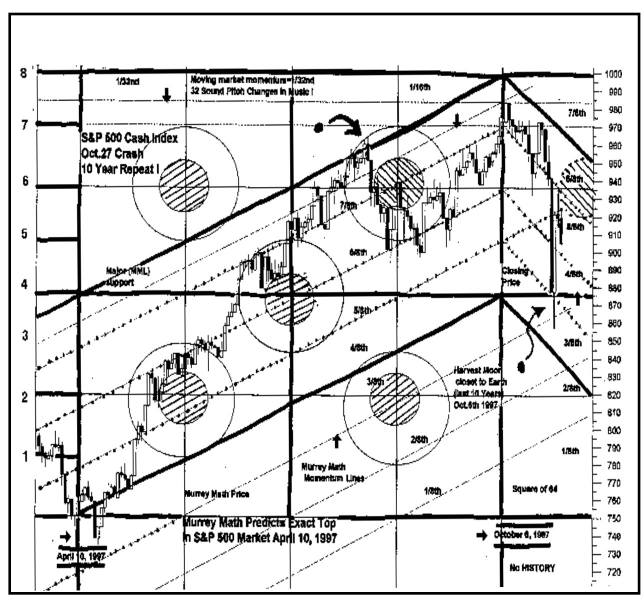
Look at the Gann chart 1, set Oct. 7th, you get the greatest buying coming in down at 858.33, no matter how long it takes this market to move back down to it.

It took only 15 trading days to get back down to June 1997 prices. The intraday low reversal price was 855.28 and the Gann 50% line = 858.33, off only 3 points.

Please look at the Murrey Math Trading Frame Square in Time chart 2: you see that April 10th, 1997, we predicted that the end of our trading frame would be on the Harvest Moon (that occurred on October 5th, 1997) so we reset our Fall Quarter 1997-98 Trading Frame off the first Frost each year and the 1st trading day shall be October 6th, 1997.

You shall see that Murrey Math sets the 50.% line down at 875 off pure math. Please notice that the largest volume sell-off in US trading history, stalled out down at 877.10, which is just 2





points off the Murrey Math 50.% line. Murrey beat Gann. Please look at chart 2. Gann students had to wait until Oct.7, 1997 before they could reset their (8/8ths) trading frame.

But, under Murrey Math, on April 10, you just set the 0/8ths line at 750 (pure math) based on the square of 1,000, and start trading up to the top of our square. 64.

Every Gann or Murrey Math Trader in the world was ready to go long down at 875, (which was our 50.% support line.

Gann missed terribly on a closing basis, but he was off on the intraday 50% support line by only 3 points.

87.5% of all Americans are Buy and Hold, so they didn't care that the markets were falling (and they gave back 12.50% "free profits" in just 15 trading days and convinced themselves that taking no profits was the prudent long term mental attitude.

Just 10 years ago our markets ran up 23 straight trading days and no one took any profits and every mutual fund lost -23% in 3 trading days, but it took 18 months to recover after Black Monday, 1987.

The 1st week in October CNBC-TV had 50 different experts on TV who said that our economy was immune to another crash.

Our President has often had foreign friends from Thailand at the White House to discuss the Thailand currency problems 38:1 ratio.

Back in July I had new brakes put on my Mercedes and Sam, who is from Thailand, worked on my car and he told me to get ready for a currency blowout in Thailand soon.

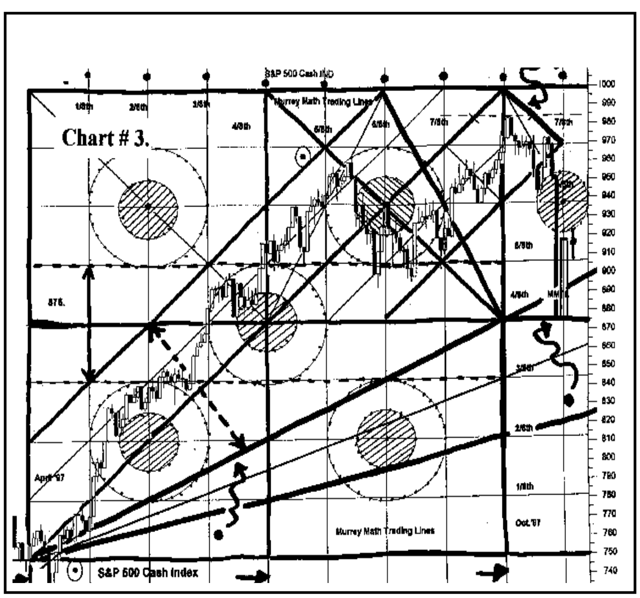
Murrey Math students were E mailed and made aware that a currency crisis in Southeast Asia was near and also that this market was too over bought and profits should be taken quickly at the end of our trading frame.

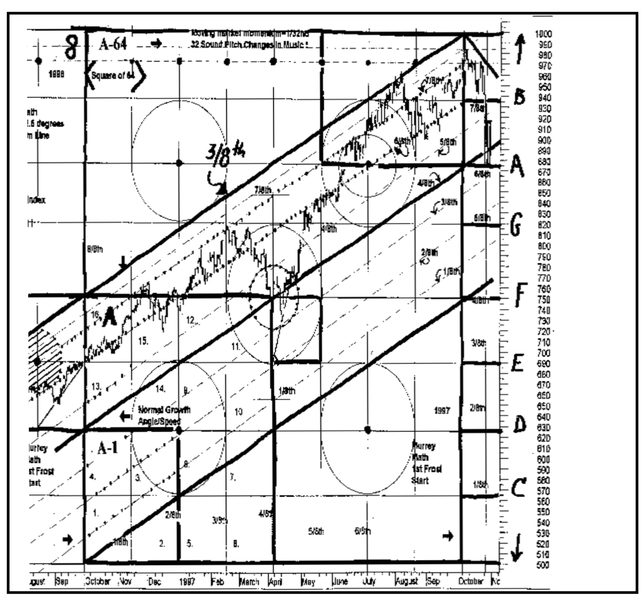
But back to predictions and do you see that Gann and Murrey Math are so close to one another: Gann off 3 points intraday and Murrey off 2 points on a closing basis.

But, you don't need to reset your 8/8ths every time our market moves up to higher highs, so we keep the same lines, so we can memorize them, and trade them for up to 6 months, and spend your computer time raising your children or teaching them Murrey Math.

Gann Refused to tell you three simple rules!

W. D. Gann has been regarded as the world's best trader because his trading techniques have stood the test of time by two measures: followers and his trading strategies.





Traders have spent years studying, analyzing, and customizing his techniques.

Little did they know that W. D. Gann refused to tell them, exactly, the same way he traded off the same three simple rules.

W. D. Gann traded his markets exactly as he taught everyone, but he had his three rules "fine tuned" more precisely for himself.

W. D. Gann preached three simple rules: 1) Price, 2) Time, and 3) Percentage of Run.

But, how he set his Time Frame, square, and where he placed his base, his price support levels, or how he arrived at exactly how far any market would run up or down, was not exactly how he instructed others.

I read only one of his books, but I read it 50 times, and I saw that he had made up an alternative way to set the Time, Price and Percentage Run, so that you would believe his trading techniques, but you still wouldn't have the same trading edge he did, when you went into a trade against him.

I know exactly what he was doing in these three techniques that were 100%, set to music, inside the base of ten, or the seasonal growth cycle of plants, and speed equated to the spiral frame of an Atom of Hydrogen proportional to the female form.

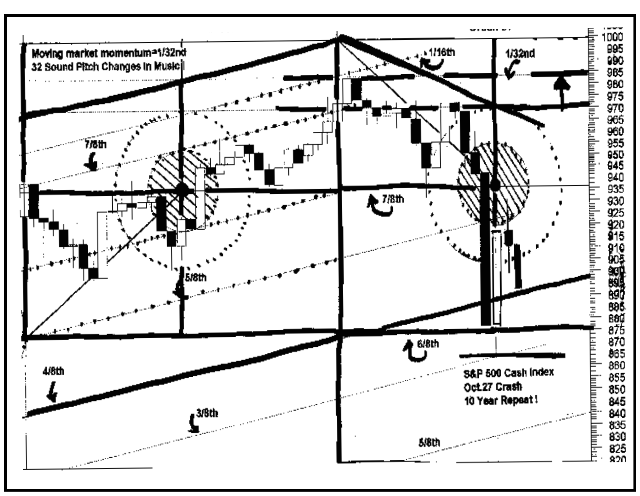
Every group of humans expresses themselves in music harmony, no commercial is without music in the background. W. D. Gann constructed the Square of 9 off the 12 pitch changes in music, which may be seen in math by using the square root of 2, where Brad Cowen has done great work, but most traders are scared off by the mention of music, math, memory, much less square root, as applied to any trading system, so we simply draw 7 lines inside a rectangle that looks like a square, that is set to the base of ten, and start trading and let the terminology stay in some lexicon of terse aphorisms, on a shelf.

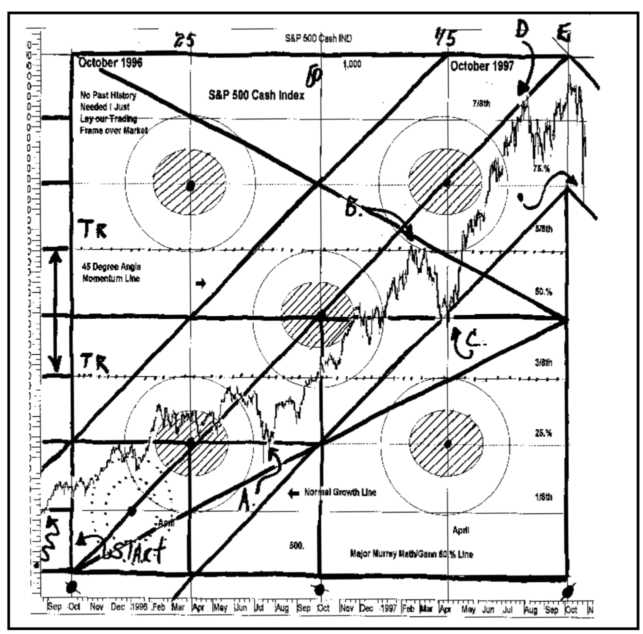
Please see chart 2 with its Octave lines. The "genius" of Murrey Math trading frames, lines, angled momentum lines, circles of conflict, is that you never use any past history of daily activity to set your frame.

Please look at chart 2 and you shall see that this market reversed hard right on the top of its momentum line in August, 1997.

This market topped out just 1 day into the new Fall 1997 Murrey Math trading frame !

The closing high for the S&P 500 Cash Index was exactly 1/32nd off 100% or 8/8ths of





its April-October MMTF Trading Frame.

Please move over to, see the dot and arrow, the largest volume day ever in the U.S. and you shall see that our markets stopped within 2 points of our major 50% support.

The next morning a major “long” was a seller and had to go bankrupt and send the markets down the 1st hour of the day and at 9:30 am. our markets went sideways for 18 minutes, true story, so you could buy an option long, then it ran up 45 points in only 5 hours of trading, an option would have yielded $30,000 profits in only 5 hours.

Please call any brokerage house and ask them to send you a one minute tick chart of the S&P 500 Cash Index and they will see that you had plenty of time to go long back up at 875, major Murrey Math Line Support, and ride back up to 45 points of momentum profits!

I am currently writing these notes, on this article, right in the middle of the music triangle of Nashville, TN, for I am sitting in Bread and Company, coffee shop, next to the Barbecue Village Inn bar, which is set at a 22.5 degree right angle to the Blue Bird Cafe, world famous for music, and on either side of me are Pam Tillis and Amy Grant, and choosing a bagel is Donna Summers and two friends. These three women understand music and harmony and how to change them into money, base of ten.

W. D. Gann said to look at any market over a period of time, at least 3 months, then find the last high or low trading period, then take the difference between these two points, then divide the difference by eight, then expect markets to reverse most often inside these 1/8th lines.

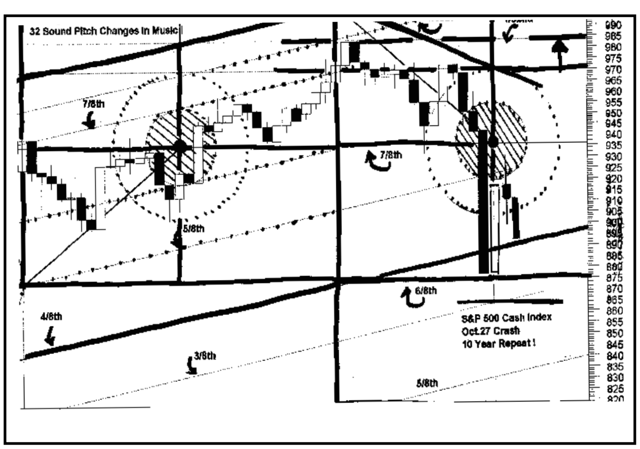
Secondly, W. D. Gann said to take the vertical line between a high and a low and box it in making a square., called Square of 9.

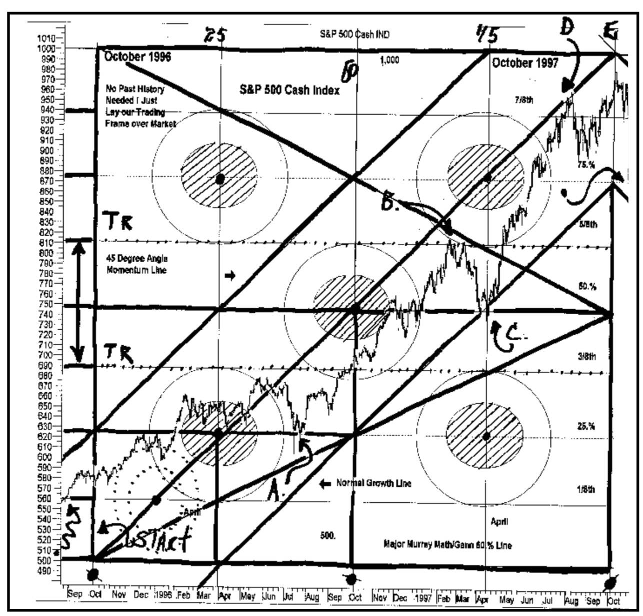
Thirdly, W. D. Gann said one may take any high or low and multiply it by the Fibonacci Ratio of 1.125 to expect any market to expand or contract in the near future.

All three of these trading techniques are valid and profitable, but they are achieved by: 1) guessing and resetting your high/low extremes too often, so you can’t memorize price levels, 2) setting a square that won’t predict time true enough into the future, 3) and lastly the percentages of growth shall always tend to be too wide to keep from having prices come back against you, when you expect more profits.

Time was Gann’s number one consideration.

W. D. Gann saw a time-trading cycle of 20 years, 1/8th; or extending to 60 years, 3/8ths,





.382. Fibonacci Sequence, FS.

But, in 2,637 B.C., the Chinese, in The Book of Fate, noticed the 60 year cycle.

The Chinese continue living in this 60 year cycle: our most recent Chinese cycle started in 1935 and ended in 1995.

Edgar Cayce, Hopkinsville, KY., died 1954, dreamed that Atlantians placed knowledge under the Phoenix, near the Great Pyramid about 10,500 B.C., at completion.

I contend that it was exactly 10,390 B.C.

The Serpent Constellation was parallel to the horizon in these years. Was it not Canaan who had 10 children and one of his sons, Cadmus, and his wife Harmonia were turned into serpents? Genesis 3:1 tells about the serpent. 1957 Elvis was leading young women astray with rock and roll.

10,390 equals = 13 = 1+3+9=13: Trilogy.

Let's start counting forward back from 10,390 B.C. to the present and let's see if any dates off pure math match up to trading cycles today:

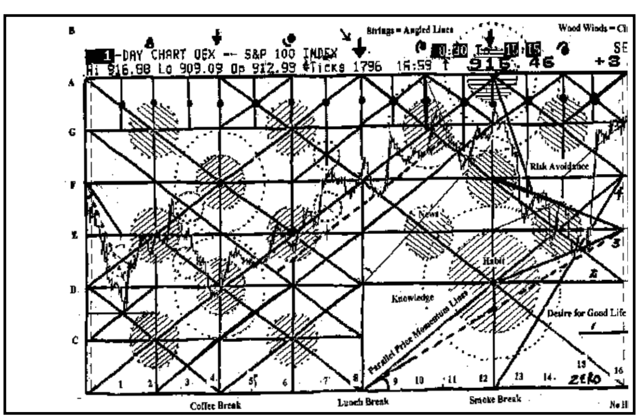
10,390, 9140, 1/8th, 7890, 2/8th, 6640, 3/8th, 5390, 4/8th, 4140, 5/8th, 2890, 6/8th, 1640, 7/8th, 390, 8/8th = -390 B.C.. forward: 860 A.D., 1/8th, 2,110 = + 2/8th in time.

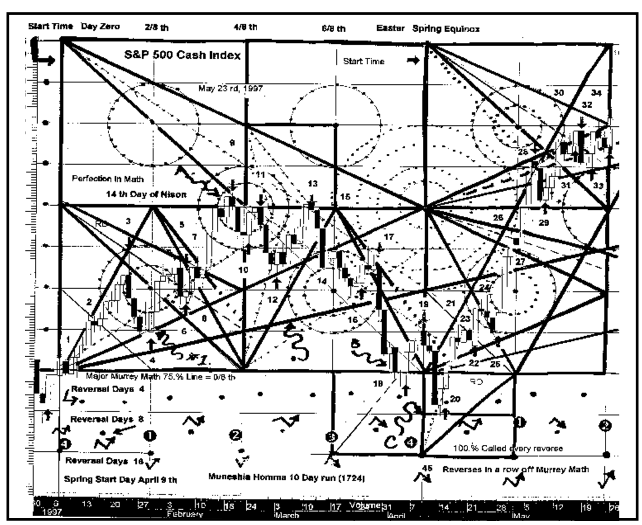
860 A.D., 1/8th to 2110, 2/8th, which matches up with the slowing down and stopping of the rotation of the earth in its 12,500 year polar cycle shift, pivot.

The Emerald Tablets which are 12,500 years old, speak to past knowledge. Market trading is set to the Hertz Sound Magnetism inherent in this Earth. But we get short term reactions, when the planets come closer to the Earth. The Moon was the closest to the Earth in the past ten years on this current Harvest Moon October 5th, 1997, plus we have 5 planets on the same side of the earth for the last five days of this month.

Macaroni Art, in Monaco, Spain, and Australia from 50,000 B.C., proves that men recorded the earth's pole shifts. Crystals that are stacked at 90 degree angles reflect the pole-shift of earth. Gregg Braden wrote Awakening to Zero Point to prove that the Earth's Hertz Resonations affect man's actions. Leet and Judson wrote Physical Geology that the 20 plates of this Earth are resonating its own Octave Pitch Sound.

Personal Note: It is my theory that if you live in the same home for 12.5 years, longitude and latitude, earth/magnetism, or inside your mother for 273.2 days, Oestral Time Cycle by Peter Pilchta, who wrote God's Secret Formula: states inside your mother is equal to absolute zero -273.2 degrees, and 27.3 is also the average days of the Moon around the Earth, Sidereal Cycle, and the moon's radius, 27.3 degrees, is the same as leap Year Cycle, then your brain





reacts better where you were born.

Michael Baretti, in Australia, wrote in the Mungo Excursion, that the poles shifted 120 degrees 50,000 years ago. And Gordon Park, in Australia, found 12 bodies buried in a circle and two objects were visible: crystals and necklaces with 47 teeth, while they had their two front teeth missing, 49, more on this 49 later. Tetrites were found in Australia, so down under had to once have been up there.

You must see and understand that the Earth's Hertz magnetism has been recognized as far back as 50,000 B.C. The Earth has 3 days of magnetism and one day of neutrality. We must accept that the Earth has a 4 day cycle and we shall adapt our trading frame to reflect a similar 4 day trading cycle, over a one year time period, more later. Presently, the Earth's rotation is slowing down, not global warming effect, three times the last 25 years the world clock, in Colorado, has been adjusted backwards.

In order to set our trading frame parameters more accurately, we need to move inside 860 and 2,110 A.D. and move forward +156.25 = 1016.25, 1/8th, 1172.50, 2/8th, 132875, 3/8th, 1485.00, 4/8th, 1641.25, 5/8th, 1797.50, 6/8th, 1953.75, 7/8th, 2110.00, 8/8th.

156.25 years is exactly the last time the El Nino, warm ocean patterns, this extreme!

Now, from 1953.75, 0/8th, every 2.44 years and we get 1995.25, 1/8th, 1995.25, 1/8th, 2,000.13, 3/8th.

Now, when we divide 2.4414 years by 8 = .305 months, so we multiply x 2 and we get .61035 months for every 25.% as a major time reversal time point.

So, we add .61035 to 1992.81 +.6,1993.42, 1/8th, 1994.03, 3/8th, 1485.00, 4/8th, 1641.25, 5/8th, 1995.86, 5/8th, 1996.47, 6/8th, 1995.25, 1/8th, 1995.25, 1/8th, then the next 2/8ths reversal shall be: 1998.30, let's see what happens.

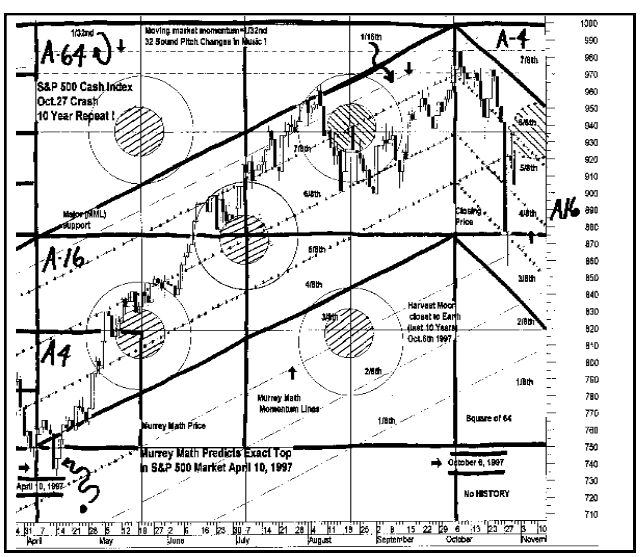
I predicted last December, 1996, that it would be extremely volatile in January, March, July, and August and October of 1997: then watch out for 1998.30, March.

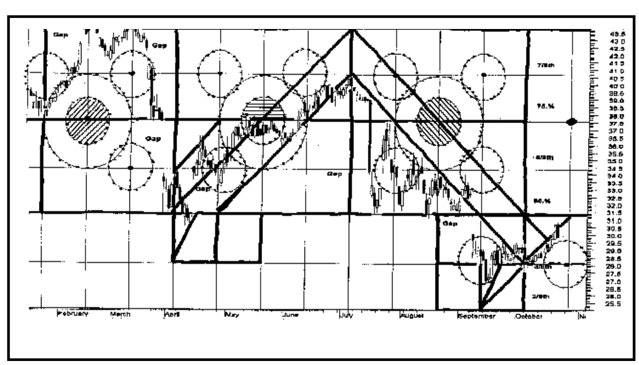
19.53125 years before 1953.75 was 1934.18, a reversal time point and 19.53125 years after 1953.75 = 1973.28, February.

If we look back at the S&P 500 Cash Index, we see that it had a swing of -21% starting on January 11, 1973, recession.

We had a time pivot point in 1929, March, to signal that this market was over bought.

Past, Present, Future, edited by James Flanagan, in his February issue, tracking the commodities, S&P 500 and Bonds off Gann's 60 Year Cycle, said that Gold was in a bear market





until October, 1997. He said that later in March of 1997, the market to start selling off because of the 1937 stock market highs. They called for a drop of at least -35% from its high, the rally in April, 1997 took all markets to all-time highs, off 6 months.

W.D. Gann told the entire world about the 1929 Crash, the very day within 5 minutes, but only 12.5 % had any “real” assets to protect, and only 6.25% knew how to short any market, so predictions are worthless.

Murrey Math teaches students to predict positions 6 months down to intraday.

October 23rd, 1997, Thursday, the Hong Kong currency crash): I E-mailed 100 Murrey Math students that I have seen markets move down a second day, Friday, after bad news, so, it would take this weekend, and time and discussion, all over the world to sort out its affects, so one would have to wait until 11:45 am, on Friday before going long, but to watch out when the Bond “pit jumpers” run over and reverse the market, so they can make a profit against the S&P 500’s reversal up off its lows.

Results: it reversed both times today within 5 minutes of when I posted my students, each reversal was worth more than 87.5 points in less than 2 hours.

I warned our students to not enter long positions before Tuesday or Wednesday, when Mr. Greenspan speaks again, we’ll see.

Further proof that 10,390 is our beginning:

In Africa, along the Niger River, in the Tobokun region, the Tobuku tribe spoke of a Cirrus “B” star that was behind Cirrus.

They also said there small people who lived in caves (lower gravity) on the sides of cliffs, (from outer space). Who knows ?

There are three land masses that we have found that exert zero gravity: 1) in the tomb of the Great Pyramid, 2) Peru, South America, and in Southwest U.S.A. in the Anassi Indian cliff villages.

Scientific Note: In 1979, the Viking Space Craft was shot out into outer space to go to the outer limits of our Universe, and it reported back years later that there was indeed another star behind the one we could see, called Cirrus “B”.

As soon as the U.S. Government found out about these people, telling these stories, they told them to change their story.

The U.S. government held back these peoples’ stories from being shown on the Discovery Channel for one year. The problem is that our government was only 3,000 years too late: story told 700 years before Christ.

The Star Cirrus has always been said to be the “pointer” star down into the passage of the Great Pyramid.

But Howard-Vyse had asked Sir John Herschel which star back long ago would have been the star that matched up with the passage.

His studies proved that it might be Thuban: inside the Constellation Draco.

He combined his findings with the Mayan Indian 26,000 Tolzkin Calendar year Precessional Cycle.

He set the last alignment of Thuban with the Great Pyramid’s passage at 2123 or 3440 B.C.

My time calculations set the major 5/8th at 3358.75 B.C., whose counting.

Time consists of: 1) Start and 2) Finish.

W. D. Gann taught you look at any two periods, high/low, at least one year wide, and from there move out 1.38, or 1.618 or 2.68 as the best time period to expect future reversals, this work was verified by an intensive study done by Robert Minor, that said time spans past this length weren’t valid.

Murrey Math students are instructed to look at periods of time from 3 perspectives at the same time: 1) 58.59 or 19.53125 years, 2) or 4 years or 1 year starting in the fall, or 3) from 64, 32, or 16 trading days.

Murrey Math students know that time is stretched longer than price, so one must make a rectangle, when we trade price movement, %, inside our trading square. W. D. Gann knew this for he read Fibonacci’s books in London but choose not to tell you.

Fibonacci numbers translated by a Russian, N.N. Vorob’ev, in 1951, into English 1961, presented the logic that this Universe is set to an Octave of music, set to the base of ten, vertical, 8 X horizontal, 8 = 64.

We know that the ‘Z’ was put as the last letter of the alphabet to signify to things: 1) Light, spiraling, through space, and 2) that all you may want to know, completeness, is contained in light waves, sorry Zorro.

We shall see later, that all markets are moving to the right, as if they are moving along a 22.5 degree angled line inside a 37.5 degree angle triangle, while coiling, as a slinky would surround a rod, and while moving forward, try and move around 5 liquid-filled spheres, suspended inside a yearly trading shoe box.

Please look at chart 3 and you shall see that the S&P 500 Cash Index was running +37.5 degrees above its normal growth line of 22.5 degrees, so it was just a matter of time before it would come back down to this line, and it took only 15 trading days to erase the last 3 months uptrend.

This may be a foreign concept to “see” right now, but all markets are actually moving to the right in 3D, Fourth Dimension.

Please indulge me two parallel ways of thinking that have always been different, but we call them “change” after we are made aware of them: 1) Light/Mass/Speed, and 2) Time/Price/Percentage.

1) Einstein addressed Light as it is presented in a straight line, but Tom Bearden, Professor of Nuclear Physics, at the Georgia Institute of Technology, purports to define energy as moving forward on both a Longitudinal and Transverse plane through space and man has been capturing his energy from the weaker of the two, for one has free energy, that if harnessed, shall accelerate faster than light, called overunity.

2) All markets are moving forward to the right on a daily, weekly spiral, that is trying to stay just above a 22.5 degree angled line, rod, set off the start of each Murrey Math Trading Season Stanza, 32 days.

Please see the S&P 500 Cash Index chart 4, 8x8 and you shall see that our market tracked along a 22.5 degree angle through a one year trading frame. Also Solar polarity of Hydrogen in the Sun, loop = 11.25 years: which equates to “C” inside an Octave.

Our 22.5 degree angle crosses the key of “F”, 4/8ths which the human ear hears easiest, .625 difference between C and F, which is the sound pitch of an ocean wave, Leonardo da Vinci recognized this as part of his painting frame, which is our, MMTF, “yearly growth line” over 1 or 2 years except we reverse it into the future, for he set the 22.5 degree equal triangle from right to left and we set ours from left to right and you shall recognize it as Pascal's Triangle, 70. See chart 6, 2yr and you shall see this triangle predicted the market’s break out exactly on our 75% time line.

We divide chart 5, 32/16, into 1/16ths parts on an angled momentum line, and we see that it trades forward up and down, to the right, off the Transverse angle of daily trading, as it moves Longitudinally to the right in a straight line, over time.

Notice chart 6, 2 yr. :this market based out exactly on its musical/math, 2/8th, line, July 1996, and went up exactly, 4/8ths, and you see that it couldn't break above its 5/8ths parallel momentum line B. Notice that it reversed at B and fell back down to C and then ran up to D momentum and fell back down for support. Now, go over to chart 9, 8x13 and you shall see a close up of our last square and its momentum lines. Remember, we never look at trading action to set our Murrey Math Momentum Trading Lines, updated version of Andrews Parallel Lines, because we may set our lines off our, MMTF, Frame every 3,6,12 months, 2 years.

Notice chart 4, 8x8 this market reversed off its baseline 2/8ths in sq.3 July 1996 and it went up exactly +3/8ths in price and reversed and fell back down to the 4/8ths, support.

Move back to sq. 3 and you shall start counting time and at the start of our square and we would expect markets to reverse at 62.5% time from any start and we see that our market stalled exactly on our time line +3/8ths into the next square +5/8ths.

Now, let's prove that I, W. D. Gann, and N.N. Vorob'ev can set our brains to a hologram by figuring out how to rearrange the Square of 64 by actually increasing it to = 65 !!!

Please look at chart 4, 8x8 and you see 16 squares down in the lower left side. This was part of the "genius" that Gann refused to show you and that was the simplicity of the square of 64. We played the smaller square of 64, outside to the left, 4, 8x8, Sq. 3, until it moved into our 8x8 square, then we started playing it inside its square of 16 until it traded above 16, then we expanded it to 64 and we have shifted our squares but we keep the same math/music momentum lines, all the way to the end of our square of 64 then we start over again.

You may ask why I choose a Square of 64? Simple: Music Structure-Sound Pitch, plus all markets may have price divided into 32 ticks, U.S.Bonds, and momentum shall be divided into 1/16ths, which the SEC just forced stocks to convert trading prices.

Look at chart 5, 32/16 and you shall see a perfect example of a market reacting to pure math-music: I have divided the horizontal lines, 1/8ths into 32 equal parts and our angled 22.5 degrees momentum lines into 16 equal parts of vibration trading price.

You see that this market reversed exactly off 32x16, which is the maximum vibrations per Octave, 2112, so it reversed hard.

Everything thing in this universe measured shall be moving either into or out of a Crystallin State, human eye after 3 days.

All Crystals are capable of producing heat, energy, electricity, magnetism, light refraction, and sound pitch change music. Our 22.5 degree angled momentum lines are a perfect example of Euclid's Parallelogram crystal. See chart 6 2 yr. and you will see one side of a crystal: please notice that this market at A moved up from an exact Murrey Math Line and stalled out up at B +3/8ths, exactly on another Murrey Math line, 5/8ths, set to music/math never trading action) and it reversed at C off Murrey/Gann's 50% line inside the scale of 500 to 1,000, no history needed. We play it moving through square.

Milton Babbitt, constructed a graph of: Permutations of 12 Tones as they change frequency when any sound creates a double vibration, like two girls twirling two jump ropes in different directions: everytime you shall see these ropes appear to be touching, you will hear a sound pitch change, which is exactly where all markets want to reverse inside the Murrey Math Trading Square in Time trading Frame, 0-100, 49 pitch changes:, 0,1,2,3,4,5,6,7,8,9,10,11 vertically, x 0,1,2,3,4,5,6,7,8,9,10,11 horizontally: to denote sound pitch changes inside an Octave, but these 4 duplicate: 8:4,9:3, 10:2,11:1. So we have only 7 "heard" tones inside any Octave, the most common being the Major Mode Octave of: C,D,E,F,G,A,B, which was expressed by Herman Helmholtz, Germany, in the 1880's, in Sensations of Tone.

Two jump ropes twirled in opposite directions shall crossover visually, in one loop, 2, 3 or 4 loops. So, you would expect markets to run: 4/8ths, 1/3, 2/3, or 2/8, 6/8ths.

W. D. Gann mentioned 1/3 or 2/3 moves, but he didn't address it in depth, for he didn't want you to see it inside an Octave set off the base of ten, you could memorize all of his published internal "natural numbers".

Messiaen discovered that all sounds may be wrapped in: 1) Four Colors r,y,b,g, 2) Rhythm, 3) Harmony, and 4) Melody.

All songs require a harmony and melody to gain musical acceptance. Chet Adkins invested $5.00 in a guitar: self-taught from East Tennessee: 30 years later was declared the greatest country guitar player ever ,playing both the melody and harmony.

And Roger Birkman, Ph.D., created The Birkman Method of asking any person a set of 8 positive and 8 negative questions to ascertain which of 4 personalities we all fall into out of habit.

He reduces traits of our habit as a result of our attacking change through our present perceptions and assumptions.

None of the four personalities: 1) perspective, 2) personable, 3) sociable, or 4) objective, are suited for trading markets.

My psychological acumen instructs me to present you with a pure-math trading system that leaves nothing to chance, or has any exceptions, or uncovered trading rules.

The five circles in each square are mental conflict areas that date back as far as 3,000 B.C. to The Book of Five Rings by Miyamoto Musashi, China. All humans are torn between these 5 conflicts: 1) Earth: Magnetism: Knowledge, 2) Water: Hydrogen: Desire for Good Life, 3) Fire: Sun: Risk Avoidance, 4) Wind: Yen and Yang: News, 5) Emptiness: No Interest to Learn: Habit. Sugar is 5 circles of chemical bonding,CHO and the Quadrupole Magnet in nuclear physics uses the same 5 circles of energy, more later.

The Sun/Earth axis-tilt yearly wobble forms a rectangle of four separate boxes, that the past observers called Four Square. We need to see that all musical sound pitch changes and market reverses want to turn every 1/8th inside an Octave, which in any square = a 11.25 degree angled line in any square.

Or more simply put it equates to the wavelength of Hydrogen as it reverses its polarity every 11.25 years on the Sun in a twisted ban much like the Double Helix wrap of the humane body's 64 codons.

4 X 4 = 16 X 4 = 64: 4 cubed is the Trilogy of this Universe, as proven by the Periodic Table's electron rings linked through an atom's magnetic valence attraction purported by Peter Plichta's great findings. He sees 4x3 = 12 or 4 cubed = 64, but we cube 64 x 4, 4th dimension = 384., 384 are the number of days in 13 lunar cycles of the Moon, so we set our intraday trades against this many minutes to determine trading momentum.

Please look at chart 7. S&P 100 Cash Index Options Expiration Intra-Day Chart, Bloomberg, showing one minute ticks.

You see that this market reversed 16 times in a row off our 384 time frame! This market moved down and reversed off a 1/16th line and up and closed right on its 5/8ths line, pure math. Only 7.8 points all day. 8 X 8 = One Octave or 7 pitch changes.

Peter Meyer constructed an events of the past time frame for man to be set to King Wen's China B.C. I Ching, 64 personality traits. He wrote The Mathematics of Timewave Zero and extracted the human cycle to be set to waves of 64 days, which is the Murrey Math two stanzas trading Octave.

Now, I shall address our "64=65" quandary with the same question these men pondered: how do you cut one square of 64 square inches and make it into a four sided rectangle that has 65 square inches?

I shall give you several clues to speed up our learning curve: 1) take two plain pieces of typing paper and cut them into 8 inch squares; 2) take square A and write Music/Time in the center and mark off one inch increments on each of the four sides; 3) in the 2nd square write Music/Math and mark all four sides in 1/10ths increments; Market's 1st trilogy 100, Abacus, 1202 A.D., next, 4) we take our Music/Time 8” sq. and get ready to cut it into 4 solids: Hint: 2 of these objects must be Right Triangles and two must be uneven four sided objects.

Now, we know that disease spreads, rabbits procreate, and music changes its pitch to the Fibonacci Sequence, FS, 1/1,1/2,2/3,3/5, 5/8, 8/13, 21/34, 34/55, 55/89, ... and we know from studying the works of Sir William Jones, England, late 1800’s, translated the Hindu Chromatic Scale, so we place math inside an Octave of Music, which are the 5 white keys and 3 black ones on a piano, so we use the 1st three Trilogy #3, 5, 8; we must have 14 sides, 10 are FS numbers.

We must have two triangles exactly alike and two objects that are four sided and just alike (the triangles must have two FS numbers and the other two must contain 3.

Since we can only use 3, 5, 8, then move along the top to the right, and place a dot over inch #5. Next, I would move up from the bottom on the left side and place a dot on the #5 inch. Next, cut a vertical, parallel line, along the 5” line. You now have two rectangles: one 5x8” and one 3x8”.

Now, take the 5x8” rectangle and lay it down so that the 5 inch dot is on the left side and going up the rectangle. Move over to the right side of this rectangle and place a dot down at the 3rd inch line up from the bottom. Now cut an angled line from dot to dot.

You should have a four-sided object that has two 5” sides and one 3” side and one odd lengthened side.

Lastly, take the 3x8” rectangle and simply cut it into two right triangles.

Finally, let’s rearrange these four objects so that we form a rectangle that contains 65 square inches of surface mass.

Our original 64” square may be fashioned into a parallelogram, Euclid: or a rectangle, Socrates, platonic solid, of 65.

Hint: The long sides and short sides shall be different but the same FS numbers: you must have guessed that the next FS # after #8 is #13, so one side must be 13. There you have it: 5 x 13 = 65 sq.

Please look at chart 4, 8x8 and see the 16 squares that are 1/4th of 64: now look at the chart 6, 2 yr. chart and you shall see that a longer time period has elongated each square, but our angles and horizontal prices are the same price and pitch.

You have just discovered what all three of us already knew: a 3x8" right triangle = 37.5 degrees not 38.2, as you were guided to believe. The FS inside an Octave shall equate to 37.50% MMTL, if you align the 8” squares to the base of ten square.

Conversely, 5/8ths shall equate to 62.50%. I have preached this in every article.

Now what do we derive out of all this? Simply that all Murrey Math students are expected to memorize all 49 of the price reversal levels inside an 8” square trading frame from zero to 100.

W. D. Gann told you to take the last low/high and divide by 8, when you do that, you must always be referring back to charts or you must always be changing your internal 1/8ths every few months, when all we do is just ask what the last low or high was and find the nearest, Pure Murrey Math Trading Line, and make your decision off the Murrey Math Square in Time, which really isn’t square.

We are learning that the square of 9 is less accurate for time is elongated as it moves to the right because a sq. 8x8 = 64 sq. and a rectangle 5x13 = 65.

Confirmation of 13 as representing Time is seen in 4 unrelated Universal Truths: 1) 3 months = 13 weeks, One Murrey Math trading Stanza, 2) the Sacred Marriage between the Earth, Moon and Sun is measured against: the Moon moving 13 days around the Earth as both the Earth and Moon rotate 13 degrees around the Sun recorded by Robin Heath, from England and 3) John 21:5, where we find fish being caught, 153 off a triangle 12:13:5, or 4 or those who are skeptical about working on Friday 5 week the 13th month 12 times year, which matches up to the Pentagon angled lines in your eye or in the Aubrey Circle at Stonehenge, England.

Murrey Math sets its trading frame to the right in a stanza trading frame of 13 weeks set on the 1st Frost of each fall.

We must address the Starting Date, Harvest Moon, of the 1st Frost, each fall to set our MMT Square in Time, that is diametrically opposed to W. D. Gann's high/low extremes.

Please look at chart 6, 2 yr. and you shall see that Murrey Math traders set their trading frame off the Harvest Moon.

Now look at chart 3 and you shall see January 1997, 1/4 year later is April 10, and our market took off right on the spring planting caused by the Moon's closeness to the earth and exploded up on a 67.25 angle.

Now, get ready to deny everything I say!

I set our Murrey Math Trading Frame to the average height of all females 64 inches.

Every normal female after 12.50, has a 14 day cycle equal to the amount of Sun that shines on the front and back of our Moon, 14-14, with 1.5625 days of transition. So every woman is affected by the harvest Moon and pumpkins for procreation reasons.

The face plate on the Viking Space Craft and the wire frame of an Atom of Hydrogen that fits perfectly over The Great Pyramid. Dr.Harry Alsleban, noted that the Ra Numbers, from the Sumerian and Egyptian Bureau of Standards 3,120 years B.C. had over 2,500 musical note frequencies, phonics, applying them to Bach’s symphony, proportional to Pi and Phi, has etched on it, a wire frame of a female, with the notation: Hydrogen Atom Wavelength = 168 centimeters, 21x8, or 64.

It also has a dot, followed by a straight line that explodes into 16 particles exploding into that many directions, Oppemheimer's nuclear fision/fusion of Uranium 238: and most importantly it had numbers, not words, to express Pi and Phi to show the entire Universe that every Human on this Earth is knowledgable of basic: Music and Murrey Math. Side note: sounds are constantly being transmitted in math digits but no words or fundamentals.

Helen Wills, tennis player from the 1920's, was said to have the perfect .618/Phi face.

Merna Loy, 1920's movie star, was said to have the perfect FS body: 34, 21, 34, body.

Maria Carey has a 5 Octave pitch range. National Anthem is set to 4 Octaves.

Babies at birth have a navel set at 50.% of their total length 18.75” and at 12.50 it moves up to .618% of total body length, baby’s spine = constellations.

Michael Fumento, in his book, The Fat of the Land, proclaims that the average American female (at a height of 64 inches tall) is +25% over weight. And he equates weight gains to the consumption of sugar average per person per year = 150 lbs. He says that Coca Cola started with a 6.25 oz. bottle and now it has progressed up to 64 oz. "go cup": (he says 312,000 die each year from too much $C_{12}H_{22}O_{11}$ compounds in our diet.) In my last article, I mentioned that KO and its price $72.00 price = 44 times earnings, so it fell back down to $52.00.

We need to address our starting date!

It is proven in the book Fatal Shores, that the Aboriginees, in Australia, preferred to have their children born 273 days after the 1st Frost each year, after the Harvest Moon without clothes, hospitals, or child care aid, just using logic and common sense.

The Mayan Indians, Noah, the Egyptians, and the Tennessee Hummingbird set their Time Clocks, not to the tilt of the Earth's axis on the Fall Equinox, but they all reacted 14 days later, which we call the 14th Day of Nison, when one group left Egypt.

Twice each year there is no shadow on the Great Pyramid, fall and spring, and it lasts 14 days each. When we deduct these 28 days we get 153 days, seed time, or the number of fish, John:21.5. feed to the flocks. The opposite days 207 are the growth days and the number of bones in a female's body.

Remember Steve Nison got the Japanese Candlesticks, by Muneshia Homma,1724, translated into to English, so we could “see” what a trading day’s action told us, instead of us having to rely on turning math into words and guesses. He set a trading day to 4 parts and I set it to 7.

Noah was said to have landed his Ark 3 days after the 14th day of Nison; Females, after 12.50 puberty, have chemical reactions, after 17 days, into their 28 day cycle, and notice a change of amounts of estrogen and progesterin on the 17 day, when their % reverses; 17 is one of the ratios of a 64 inch square: and 17 is the 7th Prime Number; and 17 is the 50% Pivot Day in a 32 day trading cycle, or the 25% PD in a 64 day TC, or 12.5% in a 128 day TS, and 1/16th PD in 256 day TS.

We start our Trading Frame each year off the Harvest Moon because we know that the C.R.B. Index records harvested raw goods that we consume, supply and demand is measured every fall against the 1st Frost.

Four Seasons start just above 30 degrees, most Northerly touch of Sun’s direct rays on this Earth north latitude, where the Great Pyramid, the Gulf of Mexico touches Florida, and the Tower of Babel or Jerusalem.

Peculiar Side Note: Each Octave have 12 tones and Nashville, TN. Home of country music, Memphis, Elvis, and Bransford, M.D. are located along Do,Re,Me, 36 degrees, North Latitude above the Equator. Nashville is set on 87.5 degrees west longitude, 7/8th, or the Key of “B” 5 # sharps, volatile.

Lastly, we want to correct the misconception that markets will expand from "random" lows or highs off the Fibonacci Sequence 1.618.

But, Murrey Math students love the simplicity of the MMRPM’s Murrey Math Rate Percentage Run. 1.125% of 4 Square.

Any 8 inch square is either 1, 4, 16 or 64 squares, simultaneously. So, we learn to multiply our trading square zero/8th, 2/8th, 4/8th or 8/8th and we may “best guess” where any market shall expand to in the next Trading Frame, 1 year.

Please look at Chart 9, 5x13: Please move over to the lower left-hand corner and find the curely arrow pointing to April 10,1997. We shall be able to make our Murrey Math MMRPM upside price-reversal predictions before the S&P 500 Cash Index trades there.

In the lower left corner of chart 4, 8x8 you shall see the date July 1996 and an A.

As soon as our daily trading action moves into square A1 we make up projections only inside A1-A2-A3-A4. After our trading action moves outside A-4 we expand our trading projections inside A1-16. As soon as our daily trading action moves outside squares A1-16 we shift our long term trading projections to go no further than squares A-64. After this trading frame is complete, we reverse the process, by trading down inside new squares A-4 and presently we are down into squares A1-16. Music.

We must move back to our musical Fibonacci Gann N.N. Vorob’ev Peter Plichta Milton

Babbitt Murrey Math 8 inch square.

Please move our 8 inch 64 sq.” music/Time frame over beside our music/math base of ten, square, which we set our top at trilogy 10, 100, 1000.

Multiply 1,000 X 1.125 MMRPM: we get Murrey Math Musical Octave 8/8ths of 125 points.

So, we subtract 125 from 1,000 and we set our baseline down at 750. Now, we shift back to W. D. Gann and we divide 125 by 8 creating seven internal Octave-musical parts MMTL Murrey Math Trading Lines, where we shall expect our market to reverse before it ever trades inside our next square of (64) Trading Cycle.

Each MMTL line shall equal = 15.625 points. Now, under Gann, the "golden mean" = .618, but under Murrey Math, we know that our 37.5 degree angle in an 8 inch square equates to 62.5, 5/8ths or 37.50, 3/8ths on the base of ten, where we count our money. So, we expect our market to get strong resistance when it moves up +5/8ths, no matter how fast it takes to get up there.

Now, look at chart 4, 8x8: see how many times this market reverses off exact price, Time lines and how it shot out of its center circles of conflict off 33 degree angles.

Each square is divided into 7 internal time reversal points. When we start 16 trading days before our new square, and we count over in time, we see (under Murrey Math) this market has been predicted to want to reverse up +5/8ths in price and time.

This market reversed exactly in Murrey Math Price and Time on the exact 5/8th line after a +5/8ths run in Time and right on the 3/8th time line into the yearly MMTF Cycle.

Please notice that this market reversed 9 times exactly on a MMML Momentum Line, it reversed (8) off a Murrey Math Price line, and (6) times off a time line. (Not bad for a trading system that uses no prior history).

If we go from our starting day forward into the next MMTC quarter April to October, and view chart 5, 32x16 we see that this market topped out exactly after a +7/8ths up move on the 1st trading day of our yearly Trading Frame. (great or what)?

All Murrey Math students learn to expect any market that moves up +7/8ths and stops on a 7/8th line, to reverse fast and move back down to 50%. Please look at chart 9, 5x13 you see that this market has run up +7/8ths and you shall see that this short-term 13 trading weeks market is trading too far above its 22.5 degree line.

When this market comes down to 875, it shall be at par value Time/Price Murrey Math.

This Pure Music-Math Trading System is correct in this past quarter of the year exactly off the random trading rules of the Law of Exact Proportion (this is why W. D. Gann refused to tell you, although he printed the "natural numbers" in his book for you to discover it, if you could) I did.

Let's look at Chart 2 S&P 500 Cash Index and you shall see the 37.5 degree triangle, dashed lines, set inside our trading square, which it didn't want to move above during this quarter of trading action.

The lower side, hypotenuse, 22.5 degree angle, is the normal growth rate that this market should move up along while it trades to the right into the next trading frame. See the curly arrow points to the angle.

Anytime a market moves up above this growth line by more than 1/8th in less than 7/8th time, it shall want to reverse, then move back down below the line, the same amount it had just moved above the line.

Please look at Chart 8, S&P 500 Cash Index from January 1997 through April, 1997, Spring Equinox, 50% Time Period on Murrey Math.

Please find the large triangle that comes together on the 50% line on April 10, 1997.

Now, since we are looking at only 1, 64, MMTF Trading frame, we would expect this market to want to grow between the 11.25 and 22.5 degree angles.

We see that this market moved up fast above its 22.5 degree angle right on the 25.% Time line #1, 4 and it moved up +3/8ths and stalled-out just above the 50.% line A, 9: Then it reversed and fell back down at B, 18, right on the Murrey Math Base Line, then tried to move back up, but at 19, it reversed back down to C, 20 exactly -3/8ths below the 11.25 degree angle line and stopped exactly on MMTL line 7/8ths line in the next lower Octave.

This market was moving to the right, longitudinally = time, at an angle of 11.25 degrees appreciation and when it got +3/8ths or -3/8ths away from it would come back to the line and wave under it the same amount it went above it, notice how this market exploded up when it came around the circle from April 10, 1997?

Music is the key to trading, without knowing anymore than whistling all the way to the bank, when you use Murrey Math, but you should at least see the parallel between sound pitch, how long you live, and where all stocks wants to trade, they all three hover around 437.50 cycles per second or 43.75 years, or $43.75 for stocks!

Grant Jeffrey wrote the book The Signature of God and states that the average age of man is only 43.75 years since the Floods. He goes on to state that if women procreated at the Fibonacci Sequence, since the floods, we would equal the number of humans we have on Earth right now. He parallels the works of Gregg Braden in Awakening To Zero Point and Genesis, where man was asked to go forth and multiply, no limits.

Personal Opinion: my opinion is that the Earth’s Hertz are speeding up , toward sleep state, since the speed of the Earth's spin is slowing down and magnets are losing holding power, so when the billions of people and the Earth’s Hertz ratio 12:13, then the Earth will stand still.

The Melody Sax was set to the key of middle C so two players could read the same sheet music: now if you check with Wall Street, they will tell you that humans don’t want to buy stocks priced over $50.00 per share, plus you will see that most stocks are traded between $43.75 and $18.75.

And you already know that if you bundle up all stocks and put them in an Index you will have a group called the S&P 100 and 500 and you know that if you multiply 43.75 x 2 and move the decimal over one place you shall see Murrey Math exactly on all our charts!

Columbia, COL, chart 10 is a perfect example of a stock set to the life of a human.

We simply draw a line at 43.75 and come down one octave to 31.25 and let it trade inside our square and we would expect it to get support at F, 4/8ths, 50% line and we see that it reversed 3 times off this line.

Please notice how this stock could never trade inside its center circle and it went up fast as soon as it moved to the right and got away from it? See the three “gaps” up at the top? Those were sell signals to be out.

A curious parallel to this stock's price action pivot points 25, 50, 75% equal 3.12 points and each 1/8th = 1.5625 points, which is the offset difference between the columns at the Parthenon, right next door to C.O.L.

We have seen markets react on a 2 yr. chart, 6 months chart, 1 quarter chart, 1 day time and lastly we shall look briefly at a Trader’s Intraday Chart 7

This is an intraday trading frame that all traders who get in or out during the day shall find will bring them great knowledge that leads to wealth to share with others.

October 27th, 1997 our markets crashed along with the Hong Kong Currency devaluation.

Finding the End of Wave Four Again

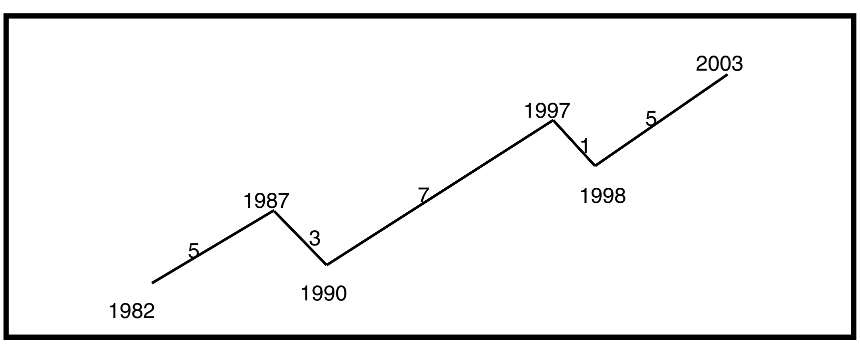
By Alan Richter, Ph.D

In the summer 1994 article in Traders World, I presented a model of the stock market which was proved wrong by events. However, there are some parts of the model as well as concepts in the article that I still think are valid. I Still like the idea of a 21 year long multi-year bull market but I now believe that it began in 1982, not in 1974.

At the time of writing this article, the market is deteriorating from a high of July 31, 1997 (Dow Jones Industrial Average High 8328.99). (Although the DJIA Intraday High of August 7, 1997 was higher than the high of July 31, 1997, I reject it because of “looks”, it appears inside an obvious downward trend in the market, hence, a fluke). So, we are again faced with the question, when will wave four end?

I am going to use two independent arguments from different lines of research. First, in the book, “The Spiral Calendar” by Christopher Carolan, published in 1992, he forecast a major low in the Dow Jones Industrial Average near July 27, 1998 based on time differences from previous major lows which are square roots of Fibonacci numbers of synodic months. This book can be ordered through Traders World.

In my own work on heliocentric midpoint aspects (“The Investment Astrology Articles of Dr. Alan Richter”. Also available from Traders World, I presented the evidence for major stock market bottoms associated with the heliocentric aspect Jupiter = Saturn/Uranus. That aspect will occur on August 2, 1998. Because of the high in the Dow on July 31, 1997, I am going to specify a one year correction and call for the low on the anniversary, namely July 31, 1998 in agreement with both Carolan’s Research and my own heliocentic work. Now, how low will the market go by the target date, July 31, 1998? If we draw a trendline starting from the August 1982 low (Point 0), through the low of October 1990 (End of Wave 2), (I do not use the low of October 1987), then the Dow Trendline Value will be approximately ca. 3900 at that time, and the S&P 500 trendline value will be ca. 480. But, a 61.8% decline of the move from 1990 - 1997 yields a Dow value of 4630 and S&P 500 value of 548. Thus, even horrendous declines in the



Dow and S&P in the time frame July 31, 1997 to July 31, 1998 will not take out the support in the long range multi year bull market. If I am wrong and the bull market does not resume, the key values are the November 23, 1994 lows which must not be broken.

A model of the 21 year long multi year bull market is show in Figure 1. The model obeys the following Fibonacci relationships.

Wave 3: Remainder: Total is 7: 14: 21.
Wave 1 = Wave 5 = 5 years
Wave 1 + Wave 2 (or Wave 3 + Wave 4) = 8 years
Wave 3 + Wave 4 + Wave 5 = 13 years

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Choosing the Right Computer Display

By Larry Jacobs

Most computer companies spend many hours designing and building systems with the intent of increasing profit margins. These systems are designed to incorporate the latest in computer technology for the advertising punch, but they are not designed for the real-time or end-of-the-day trader. Please do not buy the latest advertised hot computer system for trading. It will not fit the bill.

The trader is the most important part of the computer system and his productivity is overlooked in designing a successful system. Many day-traders spend all day looking at their screen. That means from 7:20 when the metals open, to 3:15 when the S&P 500 closes. That's 8 hours a day looking at the screen. If the trader has to squint at a small or fuzzy screen he is not going to trade very effectively. Therefore the computer display is the most important part of the system. However, most traders work with inadequate displays costing them thousands of dollars in trading profits due to tired eyes and headaches.

Typical Day Trading Computer System	
Computer	$2000
15 - 17" Display	$500
Trading Software	$2000
Total Cost	$4500
Should be: Computer	$1500
21" Display	$1500
Trading Software	$1500
Total Cost	$4500

Using the new Windows 95 or NT screen environment, the trader might use several programs simultaneously to trade with. He might use intraday trading software such as TradeStation, a Microsoft Excel spread sheet, and a software program to call in orders via modem. Many day traders prefer to have all of the charts they are trading visible at one time. S&P day-traders like to see the 5, 15, 60 minute and the daily chart at one time.

Traders World has researched the most popular 21" computer displays and found the Cornerstone high-resolution display to be the choice display for the trader. Also in two recent display reviews, one by PC magazine and one by Imaging magazine, the Cornerstone display came out on top on image quality, the most important requirement by the trader.

Now let me explain what makes up a display monitor's specifications. First is the addressable resolution. It is the number of horizontal pixels by the number of lines vertically. Most traders use 640 x 480, that means that there are 640 pixels horizontally per line by vertical 480 lines. Increasing the resolution on the screen to higher numbers allows for higher legibility by traders. This gives the trader more room to put multiple charts on the screen. Typical trading applications might require a display capable to at least 1600 x 1200.

The ability of the electron beam in the tube to excite only its intended target pixel affects the legibility of the display. If the electron gun excites the target and neighboring pixels, the display will appeal fuzzy. Cornerstone uses an electron gun with a small spot size and corrected beam shape to produce crisp and clear charts from edge to edge of the display. The allows the charts to be clear from the center to the outer edges of the display.

Screen flicker occurs when refreshing the pixels on the screen does not occur fast enough. The phosphors on the screen visibly fade before being refreshing. Refresh rate is the measurement of how often the phosphors are refreshed measured in Hertz. (Hz).

The VESA (Video Electronics Standards Association) recommends a minimum refresh rate of 75 Hz. Anything slower than that and you will see screen flicker. Cornerstone says that it is better to have it above 80 Hz. With the test unit we used, I would agree.

It is recommended that the full time day-trader use a 21 inch display. When using a large screen, it is vital that the resolution be increased as well. Sometimes it is beneficial to raise the resolution up to 1600 x 1200. This will increase the screen 2 1/2 times and increase the information displayed by 6 times compared to a 15 inch VGA display.

We tested Cornerstone's 21 inch monitor, the Color 50/101st. The display features their new SuperFocus technology for improved image quality from edge-to-edge. We found that the Cornerstone's SuperFocus did allow all charts on the screen to be sharp and clear. SuperFocus improves edge-to-edge image quality with new electron gun technology that changes the shape of the electron beam to eliminate elliptical distortion as the bean is directed from corner to corner. Elliptical beams light up more phosphor on the inside of the screen than desired - causing a fuzzy image. SuperFocus maintains a small , circular beam throughout the screen delivering the sharpest focus available.

Cornerstone's new high contrast glass we found also improves chart readability. Cornerstone has increased the contrast ratio of the on-screen image by nearly 10%, blacks appear blacker and whites appear whiter. Charts were very easy to read.

Pricing on Cornerstone monitors has been reduced up to 23% since January 1996. The 21 inch 50/101sf that we tested is street priced at $1565. Cornerstone's color monitors have a demonstrated MTBF of 300,000 hours, a performance rate that is at the high-end of what is available on the market today. They come with a standard 3 year warranty.

For more information contact Victoria McDonald at Cornerstone Imaging, Inc. 1710 Fortune Drive, San Jose, CA 95131, Phone 408-325-3371 or Fax 408-435-8998. You can also contact Traders World Magazine at 800-288-4266 or Fax 417-886-5180.

W. D. Gann
Treasure Discovered

By Robert Krausz

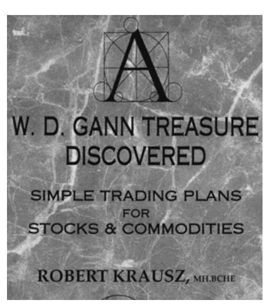
W. D. Gann charged $5000 for his courses back in the 1950's. It was rumored that he made some $50 million dollars trading the markets in his lifetime. W. D. Gann also published a number of books in his lifetime, however, most of them were written in veiled language. It is very difficult to dig important material out of his books. Gann only wanted to give people a little information to start them out and did not want to reveal all of his secret techniques of trading. This is the first book about Gann which revealed how he really used the mechanical swing charts. The author of this book started his research into swing charts when he found an original Gann manuscript of his Mechanical Method & Trend Indicator For Trading in Grains. In it were altered pages with Gann's signature. The alterations were made in 1955 just before Gann died. They were not in the original manuscripts published in 1933. The alteration told how to turn swing chart trading into a treasure.

The discovery of the new swing chart trading technique provided the author with two vital pieces of trading information: The trend direction and support and resistance points of the market. With this information the author developed a valid trading plan which could define: the market direction, the tradeable trend, support and resistance points and money management rules. The money management rules include capital required for the plan, stop and reversal rules, profit protection rules and percentage of capital required per trade.

Using the valid trading plan the author tested two "real time" plans and two "end of day" plans. The "real time" plans were: A) Basic Plan with 10-year back test for the 30-Year bonds and B) Professional Plan with a 6-year back test for the 30-Year T-Bonds contract. The "end of day" plans were A) Basic Plan for five major stocks - IBM, ELI Lilly, Philip Morris, Intel, and J.P Morgan each with its own 5-year back test. B) Basic Plan for T-Bonds, with a 5-year back test. This gives a total of 46 years of back testing. This is illustrated with both actual charts and tables. The book is divided into the following 8 important chapters:

Chapter 1 - The Real Story. This chapter explains how the author found the alteration of the swing chart rule.

Chapter 2 - Gann Swing Trading Basics. This chapter explains what causes the swing direction to change, what causes the trend to change and what the slope is.



Chapter 3 - Basic Swing Plan Real Time Rules, Results, Charts 1987 - 1996. For trading T-Bonds real time trading 3 contracts, commission is not included. Here are the results:

1/2/87 - 1/6/87 net profits $31,406.25
1/13/88 - 12/28/88 net profits $34,406.25
1/13/89 - 1/31/89 net profits $47,218.75
2/5/90 - 12/27/90 net profits $36,375.00
1/31/91 - 1/9/92 net profits $42,843.75
1/14/92 - 12/28/92 net profits $24,187.50
1/8/93 - 12/30/93 net profits $51,656.25
1/3/94 - 12/29/94 net profits $32,343.75
1/4/95 - 1/4/96 net profits $54,937.50
1/16/96 - 1/14/97 net profits $58,968.75

Chapter 4 - Basic Swing Plan for Stocks & Shares Rules, Results, Charts Eli Lilly, IBM, Philip Morris, J.P. Morgan, Intel 1991 - 1996. For using the daily plan of trading of 1000 shares with 12 cents share per round turn. Here are the results:
Eli Lilly Co. 1992-1996 net profits $47,625.00
IBM 1992 - 1996 net profits $108,375.00
Philip Morris 1992 - 1996 net profits $98,625.00
J.P. Morgan 1992 - 1996 net profit $32,500.00
Intel 1992 - 1996 net profit $68,500.00

Chapter 5 Professional Swing Plan for U.S. T-bonds Rules, Results, Charts 1991 - 1996. This chapter explains trading T-Bonds using the professional daily plan. Initial account size $30,000 pyramids on 1/3 of original position, commissions not included. Here are the results:

1/2/91 - 1/2/92 net profits $22,500.00
1/7/92 - 1/4/93 net profit $9,125.00
1/14/93 - 12/28/93 net profits $35,843.75
12/31/93 - 12/28/94 net profits $38,687.50
12/30/94 - 1/4/96 net profits $63,312.50
1/5/96 - 11/7/96 net profits $63,968.75

Chapter 6 Basic Swing Plan End of Day U.S. T-Bonds Rules, Results, Charts 1992 - 1996. Initial account size $30,000, trading 3 contracts, commission not included. Here are the results:

1/14/92 - 12/28/92 net profits $11,906.25
1/4/93 - 12/30/93 net profits $25,500.00
1/3/94 - 12/29/94 net loss ($375.00)
1/13/95 - 1/4/96 net profit (19,500.00)
1/16/96 - 1/14/97 net profits ($44,343.75)

Chapter 7 Advanced Concepts Multiple Time Frame Swing Charting. This is a very important chapter which explains multiple time frames which is the author's expertise. The chapter explains that each time frame basically has it’s own structure. The higher time frames override the lower time frames. Therefore the trend created by the higher time period enables you to define the tradeable trend. This chapter alone is worth the price of the book.

Chapter 8 Swing Direction and Neutral Slope. This final chapter explains with many illustrations of how the swing changes direction, how the trend changes direction and how the swing become neutral.

This book is a necessity for any trader who wants to learn how W. D. Gann really used swing charts. It teaches you how to back test the market with a valid trading plan, which is the only way to make money in the market. This is the only way you will have the confidence to trade. This book comes highly recommended by Traders World and includes an excellent video that fully explains the trading plan with detailed charts and examples. The book is hardcover with 390 pages. It can be ordered from Traders World for $161.80 plus $20.00 S&H (U.S.)

Dynamic Trading™

By Robert Miner

Review by Larry Jacobs

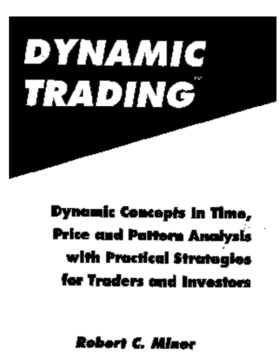
The technical trading field has many great books which attempt to put many aspects of technical analysis and trading together in one volume. Books by Gartley, Edwards and McGee, Murphy, Rotella, Schwager and others come to mind. Recent years have seen a growing interest and resurgence in dynamic time and price analysis techniques that haven't been covered in these books. There have been occasional articles in trade publications, a seminar now and then and a small number of software programs that have incorporated some of these techniques.

But this information has all been scattered about and incomplete making it very difficult for anyone wanting to learn these techniques and how they are applied in a comprehensive approach to trading decision making. They have not been put together in one complete source. That is, until now.

The recently released Dynamic Trading by Robert Miner is the first comprehensive book of dynamic time, price and pattern techniques and trading strategies and how to put them together into a practical trading plan.

Dynamic Trading is divided into eight chapters that begin with the basics of time, price and pattern analysis through putting it all together to make real world trading decisions. Dynamic Trading is 580 pages in length including the glossary and appendix. The book is a shinning example of clarity of presentation - from describing the individual Dynamic Trading analysis techniques to developing a trading plan and applying practical trading strategies.

Miner takes a comprehensive approach to technical analysis. Where most writers focus on only one or two narrow approaches to technical analysis or trading, Miner recommends the trader must look at a market from every perspective in order to reliably identify the market



position. The three important factors that he describes in Dynamic Trading are time, price and pattern analysis. Miner suggests the trader should wait for the high probability set-ups when all three factors are in alignment before considering a trade.

Chapter 7, Putting It All Together, is the most important chapter of the book. All of the pieces of the previous chapters are masterfully woven together. Most trading books only show the "well chosen examples" of the techniques they describe. In Putting It All Together, the reader is walked through a trading campaign to illustrate how a trading plan evolves and is executed in almost all market conditions. The reader is shown in detail how the time and price projections are made and updated as a market evolves and how trading strategies are prepared in advance. Here are some highlights from some of the chapters in Dynamic Trading.

The Dynamic Time Analysis chapter provides a complete description of Time Cycle Ratios™, Trend Vibration™ and Time Rhythm Zones™. Each technique is thoroughly described and illustrated with many chart examples. More importantly, Miner shows how to integrate each of these techniques into a comprehensive analysis of the time position of a market to pinpoint well in advance the narrow time zones he calls Projected Turning Point Periods™ which have a high probability of making a trend reversal. Would you like to know the minimum time period to anticipate for a new trend with 90% probability? His Time Rhythm Zone technique provides just this and helps keep the trader from prematurely exiting a position prior to the completion of an impulsive or corrective trend.

Many traders have a very difficult time with Elliott wave pattern analysis. The chapter called Pattern and Practical Elliott Wave Analysis provides a thorough description of the most frequent and predictable Elliott wave patterns as well as how to confirm which pattern is unfolding. More importantly, Miner emphasizes that symmetrical and predictable Elliott wave patterns are only found about 50% of the time in any market. Miner provides two concise and handy tables that walk you through all of the rules and guidelines for both impulsive and corrective wave structures. By following the Practical Elliott Wave Trading tables, you will easily be able to determine if a market is in a predictable Elliott wave position.

In Dynamic Price Analysis, Miner describes three price projection techniques: retracements, alternate price projections and price expansions. Most traders will be familiar with one or more of these price analysis methods. The key to putting these individual price projection techniques to practical value is how to combine the techniques to project zones or clusters of projections that provide price targets with a higher probability of making support or resistance than any one technique will allow. At the end of the Dynamic Price Analysis chapter, Miner provides a table of the most important ratios to use for each approach as well as the specific approach to take if the market is unfolding in one of the high probability Elliott wave structures.

Many books provide isolated analysis techniques but fail to provide the trading strategies and trading plan how to put the results of the technical analysis into practice. The Trade Strategies and Trade Management chapter provides specific entry set-up, stop loss and profit taking strategies. See the article in this issue for an excerpt from this chapter. Dynamic Trading even provides a format for the reader to keep a trading log or journal.

Miner has published a futures advisory letter since the mid-1980's. Most of his reports have included descriptive comments that help to educate the subscriber to his analysis techniques and why and how trading decisions are made. These reports provide a wealth of material to show how the Dynamic Trading method has been applied in the past.

The last chapter, The Real World of Dynamic Trading, provides excerpts from recent reports. The importance of these examples is they are not after-the-fact analysis and trade examples. The dated reports where written as the markets were evolving. Miner emphasizes throughout this chapter to “Trade Market Behavior, Not Forecasts.” He explains the downfall of most traders is to believe the purpose of trading is to predict the future rather than identify trade opportunities within the context of their trading methodology.

The appendix includes the comprehensive Dynamic Trading Guidelines Table which summarizes the whole approach of Dynamic Trading and makes it easy for the reader to quickly consider the best course of action for most market conditions. The tables provide the trading implication and potential trading rules for each market condition. Once readers are familiar with the Dynamic Trading approach, they can quickly refer to the Dynamic Trading Guideline Tables for a summary of the rules and conditions necessary to consider a trade.

Dynamic Trading is a great effort to teach a logical, analytical approach to trading. You will be hard pressed to find better value for your trading education dollar than with Miner’s new Dynamic Trading book. The book is 580 pages and cost $97 plus $10 S&H (U.S.) There is a 60 day money back guarantee. It is available from Dynamic Traders Group, 6336 N. Oracle, Suite 326-346, Tucson, AZ 85704, Phone 520-797-3668, Fax 520-797-2045. Access to their Internet site: www.dynamictraders.com

Trading with DiNapoli Levels

By Joe DiNapoli

Review by Neal Hughes

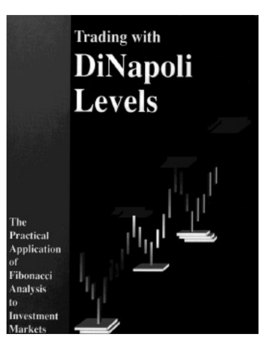
If you want a quick, general discussion on Fibonacci analysis, this book is not for you. In fact, the author takes seven chapters to cover the context for entering a trade, before even getting into Fibonacci techniques. After laying the ground work, and discussing Fibonacci techniques, Joe DiNapoli details methods and approaches few have thought about, much less published. Now I know what's been missing in the other Fibonacci books I've read! Book summary by chapter.

Trading Methods, Judgmental vs Non-Judgmental, Position vs Intraday. Section 1 Chapter 1: The author begins the book with a refreshing dose of reality. Although it would be nice if you could live where you want, trade when you want, and turn a modest amount of money into a mountain pure financial muscle, reality can be a little different. Joe warns that even with access to the best approach available, there is more to it than most of us are led to believe.

Chapter 2: Prerequistites, Ground Rules and Definitions. Determining trend, direction, movement, and failure, understanding leading indicators, lagging indicators, logical profit objectives, time frame, confirmed and unconfirmed signals, your trading plan, and how to tell whether you are trading well, are the subjects of this chapter. A clear understanding of these aspects is the foundation which will allow you to apply the lessons in the rest of the book.

Chapter 3: The Essential Components of a Successful Trading Approach. Joe introduces the outline of the basic components of a sound trading methodology here, including Market Entry Techniques, Exit Techniques, and Leading Indicators. You might already know that most trading indicators are based on some type of moving average (or averages), smoothed in some way. This makes them lagging indicators. Think about it. Joe shows the reader how to anticipate, not react, and how to close a trade (sell) when most of the crowd is buying.

Context. Section 3: Chapter 4: Trend Analysis, Using Displaced Moving Averages (DMA). The author has researched DMA's for 3 years, taught about DMA's for over 11 years and traded with them since the early 80s. Over that time, he has found which DMA's are most successful. Through a series of questions and answers gleaned from his teaching experiences, he anticipates the problems most readers will encounter in understanding the application of DMA's. This knowledge alone is worth the price of the book, as anyone who has been the victim of excessive whipsaws will know.



Chapter 5 Trend Analysis, Using the MACD/Stochastic Combination. Twenty-five years of trading have taught Joe to use a specific combination of the Stochastic and MACD indicators to determine market trend. This unique approach is detailed in the book.

Chapter 6 Directional Indicators. (Power Patterns for High Probability Trading Signals.) This chapter is really one of the most valuable in the book, even if you never use the Fibonacci techniques covered later. Some authors come up with 9 hot new patterns a week. This author has been at it 25 years and has narrowed it down to the 9 most successful patterns. I studied two of the patterns and found that I could make consistently profitable trades with only that information. Not every time, no guarantee of untold riches without risk, but the “Double Repo” is as close as I’ve seen. The other pattern which I found easy to use is the “Bread and Butter Signal”, so named because it occurs frequently and although it does not produce guaranteed huge profits, it can put bread and butter on the table if applied correctly and consistently.

Chapter 7 Overbought and Oversold Indicators what Works, What Doesn’t and Why. The author spends considerable time discussing the common pitfalls and shortcomings of indicators the public typically uses. Only after that aspect is covered does he explain how oscillators are useful, even in trending markets. You will learn how to use his oscillators to filter out bad trades, and determine stop-loss placement.

Section 3 Dinapoli Levels. Chapter 8 Basic Fibonacci Analysis, Retracement and Objective Analysis. Fibonacci ratios are excellent at predicting crowd behavior, as well as other interesting and even strange applications. The author shows us the basics of calculating probable future turning points of markets.

Chapter 9 Dinapoli Levels Introduction. This chapter defines terms and underlines cautions. It’s more of the no-nonsense, practical approach, stressing the importance of building a proper foundation. I have read many books on the numerous ways of applying Fibonacci techniques. This chapter erases all the complicated methods, focusing instead on what Joe DiNapoli has proven to work.

Chapter 10 Dinapoli Levels Multiple Focus Numbers and Market Swings. Are you tired of having your stops hit, only to see the market turn around and go where you though it would after you have exited the trade? Do you feel like the insiders, market-makers, locals and specialists are gunning for your stops.There are solid methods revealed to help avoid these problems.

Chapter 11 Trading with Dinapoli Levels. This is where the prior chapters really start to pay off. With the assistance of Hyper Hank, Conservative Carl, and Diligent Dan - humorous, but vitally important characters -the author leads us through some actual trades. We explore different trading styles and experience how these techniques can be applied appropriately. We see how a trader’s psychology can torpedo his knowledge and his ability to realize profit. A valuable software tool call Fibnodes is introduced, though it is not necessary for the application of these techniques.

Chapter 12 Tying it All Together. Joe leads us through a trade, step by step, bar by bar, minute to minute, looking at it from different perspectives. Throughout the book, Joe injects his emotions and his perspective. This not only helps the reader to remain focused, but also gives comfort that you are learning from someone who is a master of the game.

Chapter 13 Fiboancci Tactics Protect Yourself and Still Catch the Big One. The author explains entry placement techniques more deeply, with a continuing emphasis on trading conservatively. The techniques have numerous chart examples, with defined entry and stop placement rules to reduce or limit your risk.

Chapters 13 through 15 Avoiding a Typical Mistake. More Market Examples. The author takes us step by step, through market action, exposing us to more of the chart as we move forward. In each case, we are able to build on the techniques we have learned, so we can later apply them to our own real-time charts.

At $162 this is not an inexpensive book, but after studying it I've concluded it would be a lot more expensive to be without it! This book can be ordered through Traders World.

Neal Hughes is the creator and developer of The Traders Corner and TradeNet, on-line forums for technical and fundamental analysis of equities. Neal can be reached at neal@halcyon.com or 11121 NE 97th Street, Kirkland WA 98033-5100, USA.

Option Station

By Larry Jacobs

In the last five years option trading has become extremely popular. The reason for this is that it gives you the power to leverage your capital or increase your income from an investment. In the past the problem was that you had to be a top level mathematician to figure out the mathematics behind the possible complex positions. Only a few highly qualified traders were able to trade the possible complete option strategies.

Omega Research has created a new product called OptionStation which is designed to sort through the possible option positions and find those that offer the best possible chance of making money based on one's perception of the direction of the market.

Here's how it works. All you have to do is tell OptionStation your market outlook - that means are you bullish or bearish or just neutral. OptionStation will magically examine the entire database of options for the market selected, using over 20 built-in strategies such as butterfly spreads, calendar spreads, bullish/bearish credit/debit spreads, straddles, strangles, and create a list of the most profitable option positions available ranked by expected profit, and risk.

With OptionStation, now any investor can work with the strategies that were once only available to the professional mathematical trader. OptionStation does all the complex math involved automatically.

OptionStation can be especially valuable to the experienced Gann Trader who is able to project the probable time and price of a stock in a future time period. He can select the specific strategies that will benefit most from the price move. He can even copy the option positions best suited to his market outlook, into the program's Power Spreadsheet that he can view, modify and customize to find those offering the most attractive balance of risk and potential profit. The spreadsheet will tell him where is the greatest risk exposure, how will volatility effect his position, how time decay will work for or against him, how much he will make if the position is closed out and finally if the trade is still as attractive as it was when he open it. The spreadsheet also allows the trader to set customized alerts which can be sent directly to the traders pager, so he can stay in touch with the markets.

The heart of OptionStation is the Portfolio. It stores important information on the underlying assets you select, and the options contract symbols for those underlying assets. You can add symbols you want to work with and OptionStation will automatically find those symbols for each underlying asset and corresponding option contract, filling in the strike, series, type and expiration date for each. The OptionStation Portfolio will automatically link the correct symbol settings and information for the symbols you add.

The Position Search provides an automatic and speedy search for option positions on any underlying asset in your OptionStation Portfolio. It virtually does the work for you. The search can be even performed on multiple underlying assets at the same time. The Position Search displays up to the top 50 positions with the highest expected profit based on the strategies and assumptions you define. Definable assumptions include your maximum dollar risk per trade, underlying asset volatility, option liquidation date and price. You can select over 20 of the most often used trading strategies individually, or choose a market outlook and let OptionStation apply the correct strategies for you. You can copy Position Search results directly into a Power Spreadsheet for analysis and charting with one mouse click.

The Power Spreadsheet is where you enter positions and view and analyze their dollar risk and reward. The Power Spreadsheet offers a thorough tabular-style spreadsheet with editable fields. You can enter hypothetical contract unit numbers to compare to the existing unit numbers, change the option base price, or change the number of units per position or contract. As changes are made, the results are updated, allowing you to see how your bottom line will be affected.

The Position Chart provides graphical charting analysis. Each Position Chart is generated from an entered position in the Power Speadsheet. When you change the position information in the Power Spreadsheet, the Position Chart adjusts accordingly. The Position Chart even adjusts each time a quote update is transmitted by your data vendor when you are using real-time/delayed data. You are able to graphically see the risk and reward of each position by displaying the breakeven point, and the profit and loss incurred by opening or exiting a position. You are able to plot 4 separate plot lines on the same chart, and each plot line can have a different volatility, liquidation date and interest rate. Then, compare the plot lines to find the best case and worst case scenario for your selected position and the accuracy of applied strategies. You can also view an additional risk chart displaying one of five Greeks, which measure the expected change of factors that influence an option's value, such as market price, volatility, time decay and other factors.

The Probability Calculator offers a very simple way to determine the statistical likelihood of a given asset price's movement in the market. You determine the time span when you anticipate the move and the target price, which can be a single price or a range. The results are immediate, and you are shown the probability percentages above, below and between the target prices.

The primary advantages that options offers are... 1) It prepares you to buy a stock at a lower price when you think the market will go up by purchasing a call option to buy the stock at its current price. 2) It allows you to leverage your gains by controlling more stock or futures contracts with your initial investment. 3) You can protect your investments from a market decline by purchasing an option to sell your stock or futures contract at the current market value. 4) You can even make money above and beyond what your current investments are bring in by selling covered calls. 5) You can profit from a big market move - even if you're not sure which way it will be by purchasing a straddle, which consists of buying a put and a call. 6) You can make money even if the market goes nowhere buy purchasing a butterfly spread or writing a straddle. You benefit by profiting from the time decay factor of the option.

The interesting point to note is that the majority of option traders only buy calls and puts. This, however, only makes up a small portion of the opportunities that option trading offers. By working with the different combinations of option strategies, the average investor can dramatically increase his ability to make profits. The problem is that most traders are not aware of the option strategies that exist, and even if they are, the complexity of these strategies leaves them wondering which strategies to use in any given situation.

OptionStation gives the trader access to the high level strategies that were once only available to the professional trader. So if you are a user of options, OptionStation is a must to achieve your maximum advantage.

OptionStation is priced at $1799.40 and can be purchased from Omega Research, 8700 West Flagler St, Ste 250, Miami, FL 33174. Phone (305)551-2240 or Fax (305)551-2240, website at www.omegareserch.com

The Only Way to Day Trade

By Bruce Babcock

There are four cardinal principles which should be part of every trading strategy. They are: 1) Trade with the trend, 2) Cut losses short, 3) Let profits run, and 4) Manage risk. You should make sure your strategy includes each of these requirements for success. This is the second in a series of articles on these principles.

In the last issue I discussed trading with the trend. Trade with the trend relates to the decision of how to initiate trades. It means you should always trade in the direction of recent price movement.

Mathematical analysis of commodity price data has shown that these price changes are primarily random with a small trend component. This scientific fact is extremely important to those desiring to pursue commodity trading in a rational, scientific manner. It means that any attempt to trade short-term patterns and methods not based on trend are doomed to failure. It also explains why day trading is darned difficult and why almost no day trader is a long-term success.

The shorter the time frame in which you examine price action, the smaller the trend component is. Commodity price action is fractal. That means that as you shorten or lengthen the time frame, price action remains similar in behavior. Thus, five-minute charts have roughly the same appearance as hourly charts, daily charts, weekly charts and monthly charts.

This similarity in chart appearance convinces traders that you can day trade successfully with the same tools you use on longer-term charts. Of course, they try to use much of the arsenal of technical analysis that doesn't work on long-term charts either. Things like oscillators, candlesticks and Fibonacci numbers.

However, even trend-following tools that work in intermediate to long-term time frames won't work in day trading. This is because the trend component is so very small in short-term data that you must use a highly effective method to overcome the costs of trading.

In longer-term trading, you can let your profits run. You do it by definition or it wouldn't be long-term trading. In day trading you can only let your profits run to the end of the day. This means your average trade (the average profit of both your winning and losing trades) must necessarily be much smaller than if you could let your profits run for days, weeks or months. However, your costs of trading—slippage, commissions, the bid/asked spread and mistakes—stay roughly the same on a per trade basis. Thus, your day trading system must be much more consistent and robust to stay ahead of the costs of trading than would an intermediate to long-term system. There are few day trading approaches that meet this test.

Since market price action is mostly random, successful trading methods must somehow exploit a non-random feature of market price action. The tendency of most markets to trend is the only possible edge in trading, so a winning approach must harness trend in some way. Tradeable trends do not show up often in the very short term. They certainly are not present every day. That is why the person who tries to day trade at least once every day, and perhaps even more often, is doomed to failure. The more often you day trade, the more likely it is that you will be a long-term loser.

There is a wonderful fantasy about day trading. You get up in the morning, have a nice breakfast and go to your home office. There you have a powerful computer with fancy software that brings you real-time intraday charts and quotes. You look over the day's market activity and find some promising situations. You watch the markets for awhile until a suitable trade presents itself. You pick up the phone and call your broker to make your trade entry.

Then it's time to relax and grab a hearty cup of coffee or a frosty glass of juice while you watch your profits mount. By the end of the day, you are out of your position with a nice profit. Most days are profitable, although not all. You seldom have a losing week. Never a losing month. You make as much money as you need. Some days you don't bother with trading at all. You have better things to do. You play golf, sail, do lunch. You take extended vacations whenever you want. Life is sweet.

There are plenty of people out there ready to sell you a day trading course or system for thousands of dollars that will show you how to implement this fantasy. The only problem is they haven't been successful traders. They make money only by selling their losing methods to others.

Here's what trading legend Larry Williams said about day trading: "If you're day trading, you're going to end up frying your brain. When you go home, you're not going to be a nice person to be around. I'm already not too nice a guy to be around. So when I do a lot of that type of trading, who would want to be around me?

All the day traders I talk with are losing money. The oscillators, the supposed support and resistance levels, all that other technical analysis stuff out there doesn't work very well in day trading. Plus I found I make more money by holding overnight and trading out of positions in the next day or two. If I've really got a strong signal, it should last for more than a few hours.

Gary Smith is the only person with a documented long-term success record in day trading. He made money consistently for over ten years. However, he trades relatively infrequently, maybe once or twice a week. "Successful day trading is not an everyday affair and not a multiple trade affair," he cautions. "Inexperienced day traders simply refuse to accept this." Gary's book is called Live the Dream by Profitably Day Trading Stock Futures.

I have been day trading successfully for the past couple of years using a system that trades on average only two or three times a month. I have also recently published a second day trading system that trades only once or twice a month. Of course, I make almost all my money trading with my more effective long-term systems. For me, day trading is only for fun and for a little diversification.

If you want to be a successful trader, your best chance is with a long-term, trend-following system. If you must day trade, don't do it very often. The more you trade, the more likely it is you will lose.

Bruce Babcock is the founder and Editor Emeritus of Commodity Traders Consumer Report. He has written eight books on trading including The Dow Jones-Irwin Guide to Trading Systems and Profitable Commodity Futures Trading From A to Z. He has designed over 25 computerized software systems for traders, a number of which he trades himself. His latest book is The Four Cardinal Principles of Trading, available from Reality Based Trading Company (800-999-2827 or www.rb-trading.com).

Dynamic Trader's Swing Vibration and Anniversary Day Studies

By Robert Miner

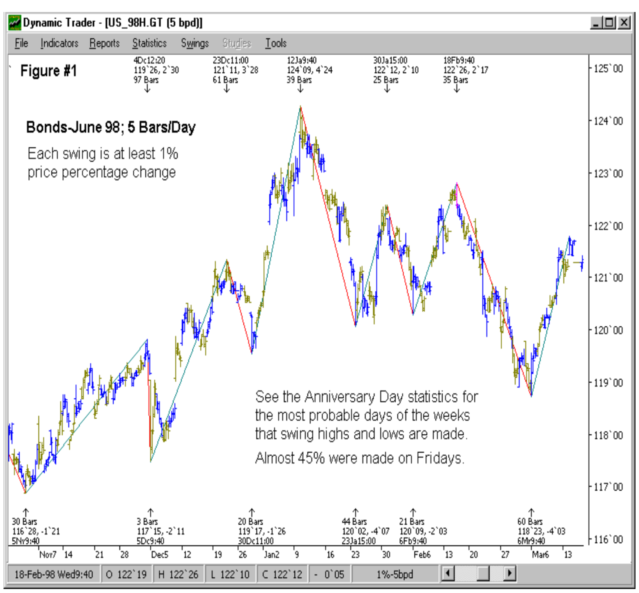
There are two important pieces of information that will be very profitable for traders to be aware of for any market they are trading. What is the most frequent range of price for any swing and on what day are most of the minor trend changes made. This information will be critical for making short-term trading decisions and identifying when to enter an intermediate-term position.

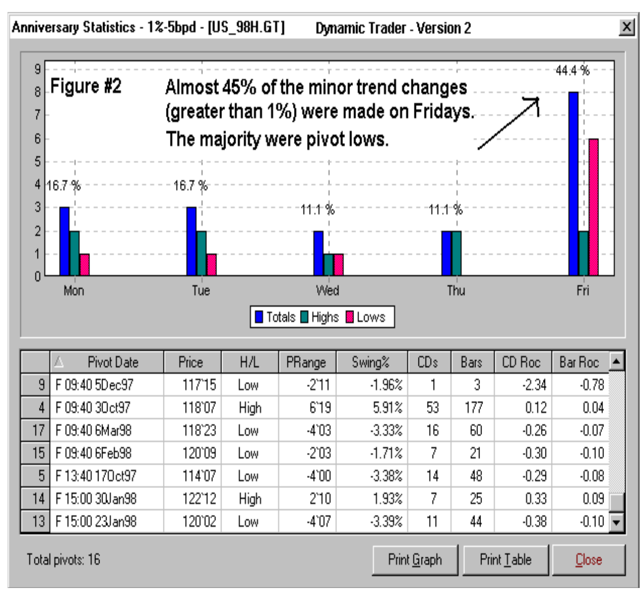
Anniversary Days

Knowing the days of the week when most minor trend changes are made will alert the trader when to look to enter a trade, take profits or prepare to reverse position. Intermediate-term traders can use this information to help determine the best time to enter a trade. Figure-1 is a recent period for bonds with 5-Bars-Per-Day data. Each bar represents 80-minutes. By dividing the trading day into equal units, you avoid the problem of the last bar of the day being an odd unit. The swings shown on the bar chart are each 1% or greater in price change between pivots. In other words, it required a price change of greater than 1% in order for a new swing to begin. Are there one or more days of the week when the pivot highs and lows are made more frequently than other days?

The Anniversary Day table in the Dynamic Trader program will display a bar-graph showing the total number of pivots made for each day of the week. Figure-2 shows the results of this study for the short-term reversals from this intraday chart. One day of the week stands out as having by far the greater percentage of pivot reversals than all the other days. That day is Friday when almost 45% of all of the minor trend changes were made. Of the minor reversals made on Friday, reversal lows were made three times more often than highs.

Traders can use the day-of-the-week reversal study in two important ways. Very short-term





	Pivot Date	Price	H/L	PRange	Swing%	CDs	Bars	CD Roc	Bar Roc
9	F 09:40 5Dec97	117`15	Low	-2`11	-1.96%	1	3	-2.34	-0.78
4	F 09:40 3Oct97	118`07	High	6`19	5.91%	53	177	0.12	0.04
17	F 09:40 6Mar98	118`23	Low	-4`03	-3.33%	16	60	-0.26	-0.07
15	F 09:40 6Feb98	120`09	Low	-2`03	-1.71%	7	21	-0.30	-0.10
5	F 13:40 17Oct97	114`07	Low	-4`00	-3.38%	14	48	-0.29	-0.08
14	F 15:00 30Jan98	122`12	High	2`10	1.93%	7	25	0.33	0.09
13	F 15:00 23Jan98	120`02	Low	-4`07	-3.39%	11	44	-0.38	-0.10

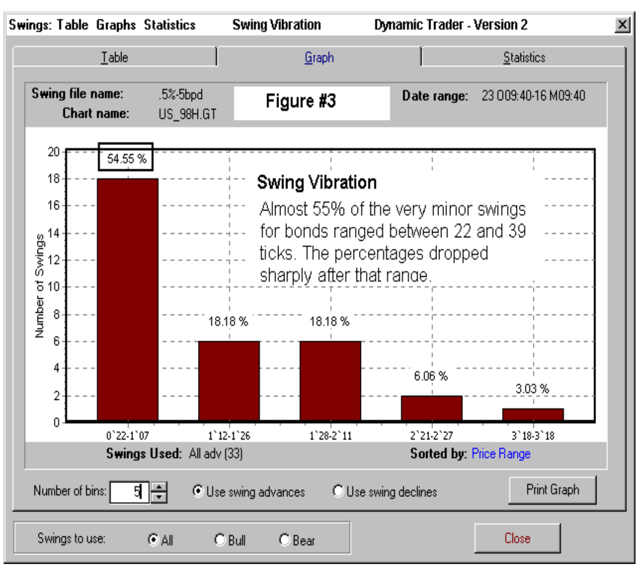
traders who look for trades of just one to two points in bonds should be very alert on Friday's for potential trend changes. Friday would be a day to look to enter a trade against the trend going into Friday or protecting an open position. Intermediate-term traders should be alert to a short-term trend change on Friday as a day to enter a position. Since three times as many lows as highs were made on Fridays, if the larger degree trend is bullish, traders should be especially alert on Friday for a potential short-term low to enter long in the direction of the larger degree bull trend.

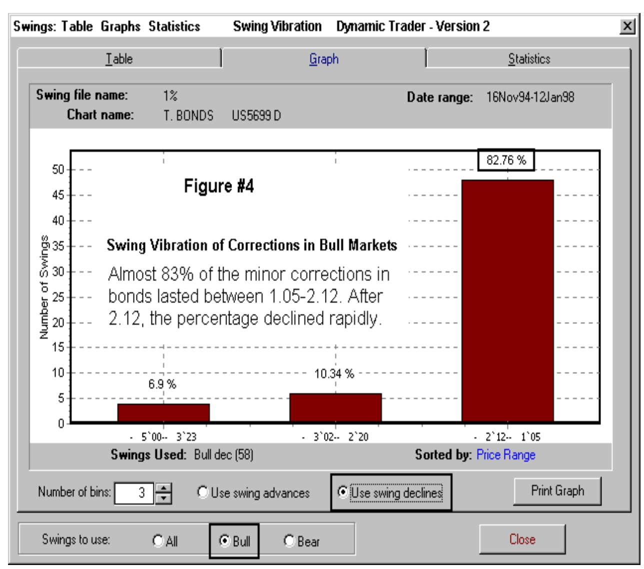
Swing Vibration

Swing Vibration is a fancy name for typical price range of a swing. Knowing the price range of the most typical minor swing will prepare the trader for where to take profits on a short-term trade. The first thing to do is to construct a swing file of all of the minor swings. Then measure the swings and sort them by bull and bear market and trend and counter-trend. Then group all of the swings into ranges to see if there is one range where a relatively large proportion of the swings fall. If we know the range that a high percentage of the swings fall into, we will have an idea of how far in price to anticipate a minor swing will run to.

One of the many statistical routines in Dynamic Trader will automatically calculate the Swing Vibration for any degree of data. Figure-3 shows the results of the Swing Vibration of a bond swing file that includes very minor degree swings that made at least a 1/2 percent change in price. This table only includes impulse or trend direction swings in a bull market. In other words, short-term rallies in a larger degree bull trend.

The table in Figure-3 is very revealing. All of the swing ranges have been divided into five "bins" or price ranges. Fifty-five percent of the very minor bond swings were made in the 22-39 tick range (.22-1.07). If a minor trend change is made, traders should anticipate a minor swing of at least 22 ticks. If the minor swing nears 39 ticks, traders should prepare to take profits as the odds of the trend continuing decreases rapidly. The Swing Vibration studies may be made just for bull or bear swings. They may also be sorted by either corrections in a bull or bear market or trend swings in a bull or bear market. Figure-4 shows the results of only considering the minor corrections in a bull market. A swing file was made on a daily chart for bonds with swings that made at least a 1% change in price or more (chart not shown). Only the minor corrections against the bull trend were analyzed.





A phenomenal 83% of the counter-trend swings in bull markets were made in the range of 1.05 to 2.12. With this information at hand, traders know that minor counter-trend swings in bull markets made a price range of at least 1.05 and few extended beyond 2.12. If a counter-trend swing approaches a range of 2.12, the odds are very great that the minor counter-trend is near completion. The same type of study may be done for trend swings in a bull market as well as counter-trend and trend swings in a bear market.

Anniversary Day and Swing Vibration statistical studies are just two simple approaches to gathering relevant information that can be put to practical use by traders to make trading decisions. The key ideas are relevant and practical. Is the information relevant to your trading objectives? Does it provide you with key information that will help you to make a more informed trading decision? Is the information practical? In other words, is there a simple way it can be applied to making a definite trading decision?

The information given by these two studies can be made by the trader entering the input data into a spreadsheet and designing the spread sheet to make the calculations or by using the Dynamic Trader program which automatically makes all of the calculations from a swing file of any degree. However you choose to output the information, I'm sure you will find it a valuable addition to your technical analysis approach.

Robert Miner has just released version 2 of Dynamic Trader that was used to illustrate this article. For more information about Dynamic Trader or Robert's recently released book, Dynamic Trading, visit the Web site at www.dynamictraders.com. Dynamic Traders Group, Inc., 520-797-3668. (Fax) 520-797-2045.

The Cycle of Time III

By Eric Hadik

Almost 7 years ago, this trilogy began with an article explaining the foundation of the Cycle of Time. It was used to project a sharp rally to new all-time highs in Bonds (then trading around 97-00). Bonds rallied to 122-06 over the next 16 months.

In September 1995, the second installment was written and projected an immediate deterioration in the Middle East peace prospects. This was expected to escalate into 1998, at which point at least one dramatic event was/is anticipated. Six weeks after that report was published and sent, Yitzhak Rabin was assassinated and the 'peace process' has never been the same.

This report also conveyed my beliefs that 1998 would represent the most likely time for a transition (by overthrow or some other means) of governments in Egypt and Saudi Arabia. It now appears that an accelerating shift in thinking and attitudes may be the means by which Egypt and Saudi Arabia slowly turn against the West.

So, is it any surprise that attacks on Egyptian tourists, for the express purpose of destabilizing the moderate Egyptian government as well as avenging US convictions of terrorists, escalated as we entered 1998?

...Or that Saudi Arabia and every surrounding country would not allow the US to contemplate using their air bases to launch strikes against Iraq?

Before the first stage of the Persian Gulf War, Saudi Arabia was not allowed to buy numerous hi-tech weapons from the U.S. In 1990/91, they were not only allowed but were chosen to house the most advanced and top-secret aircraft of that time -- the Stealth Bomber.

But, memories are convenient and an imminent threat by Saddam Hussein is no longer sensed by his neighbors. Thus, it is time to re-focus each nation's attention back on Israel as was the case before Saddam's attack.

The basis for the Cycle of Time comes from Biblical mathematics. Within the Bible, two specific numbers represent varying forms of 'completion'. Most people easily recognize the first, the number 7. This number represents 'completion' from an earthly/human standpoint.

Everything from the days of creation and the days of our week, to its numerous applications in prophecy, reinforce the importance of the number 7.

The second number of completion is not as easily recognized -- it is the number 12. Throughout the Bible and the natural world, the number 12 represents completion from a heavenly/ celestial standpoint.

From the 12 sons of Israel to the 12 Disciples of Christ, which represent the Old and New Testament leaders and heavenly elders, Biblical mathematics confirm 12 as the number of heavenly completion. The 12 months of the year, based on heavenly bodies, and the 12 divisions of the stars/constellations also testify to this principle.

Numbers of measurement within our own culture reinforce this principle (inches in a foot, items in a dozen, dozens in a gross, etc.) and traders, analysts and mathematicians from Fibonacci to Gann recognize the significance of the number 144 -- 12 times 12.

The numbers 7 & 12 join to represent complete completion.... or a two-dimensional type of completion encompassing terrestrial and celestial completion. The combination of these two numbers reveals another critical number -- the number 19. The name I have chosen for this cycle -- the "Cycle of Time" is due to its many applications in time, as we observe it.

The number 19's application to time and geometry supports the theory that this is a crucial cycle. To begin with, the square root of 360 (rounded off) is 19. 19 squared is 361. This is consistent with Gann/geometric time theory and Hamilton Bolton's squared number theory and is expounded on later. This means that the square root of a circle's degrees, or a year's days, rounds off to 19. Therefore, 19-19 day cycles is essentially a year.

Also 19-19 week cycles is 7 years, a key Biblical and natural cycle. 19 months is 81 weeks (the 2nd multiple of the "Lost Cycle"). 19 years is also a complete Lunar cycle. So, the number 19 plays an integral part in various natural time cycles.

With the Golden Ratio applied, 19 weeks = .382 of a year and 19 months = 1.618 years. These numbers (7, 12 +19) are linked by the Golden Ratio (.618/1.618) and form a unique summation series that applies directly to time. Other relationships to time contribute to this same summation series. There are 7 months in the year with 31 days...and 5 without. .618 (rounded to nearest whole) of the months of the year have 31 days. .618 of 31 = 19. Therefore, a month proportioned by the Golden Section = 12 days and 19 days. A year proportioned likewise = 5 months and 7 months (when rounded off to the nearest whole numbers).

The following summation series, where each subsequent number is the sum of the two preceding it, builds on this three-number sequence and reveals several additional important numbers:

(5), 7, 12, 19, 31, 50, 81, 131, 212, 343...

All summation series ultimately introduce the Golden Ratio between subsequent components as the series progresses. So, by the time you hit the 6th or 7th number in any summation series, the ratio between each successive factor is 1.618/.618, depending on whether you are comparing the greater to the lesser or vice versa.

But this may be the most unique summation series in existence. In addition to applying so closely to time and measurements, it also comprises the original Fibonacci Summation Series several times within it.. Look closely at the series again...

7, 12, 19, 31, 50, 81, 131, 212, 343, 555, 898

It is the original Fibonacci Summation Series--(0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89...)--contained within the "Cycle of Time" series.

Now, look again at the numerals not originally highlighted (starting with 50 and carried further)...

50, 81, 131, 212, 343, 555, 898, 1453, 2351, 3804

The Fibonacci Summation Series again unfolds --initially as the last numeral and then as the outer numerals. So, hidden within the "Cycle of Time" Summation Series is the Fibonacci Summation Series in several areas.

In addition to beginning with 7, this series closely relates to exponential multiples of 7... 7 = 7 x 1, 50 = 7 x 7 (with 1 point error), and 343 = 7 x 7 x 7. If you consider the Biblical/Jewish principle of a Jubilee year, 50 also fits perfectly...and is an additional example of a time period within this series.

The fact that 1997-98 & 1998-99 are the completion of a Sabbath of Sabbaths (49 & 50 years) since both the statehood of Israel in May 1948 and the start of the DJIA bull market in 1949 tie these series in even closer (see accompanying INSIIDE Track quotes from February & March 1998). "7 YEARS OF PLENTY...

It is fascinating that the final 15 years of a 360-year cycle, which commenced at the collapse of the Tulip Bulb Mania, would see the most parabolic move of the entire 360-year bull market. This conforms to previously described cycle theory which states that 90% of the move often takes place in the final 10% of time (the 90/10 rule).

Since the high in 1961 was 741/DJIA, this means that investments went from 0-741 in the first 90% of the cycle (from 1637--1961, a 324-year period from the depths of despair to a growing sense of optimism). In the final 10% of this 360-year cycle, or the last 36 years, the market exceeded this top by better than 1,000%.

10% of the move took 90% of the time to evolve and 90% of the move took only 10% of the time to unfold.

There is another cycle that is now reaching fruition. It is Biblically derived, dating back to early Jewish history and Mosaic law, but is also Gann-related...

"Count off seven Sabbaths of years -- seven times seven years -- so that the seven Sabbaths of years amount to a period of forty-nine years. Then have the trumpet sounded everywhere on the tenth day of the seventh month; on the Day of Atonement sound the trumpet throughout your land.

Consecrate the fiftieth year and proclaim liberty throughout the land to all its inhabitants... The fiftieth year shall be a jubilee for you; each one of you is to return to his family property and each to his own clan.

The fiftieth year shall be a jubilee for you; do not sow and do not reap what grows of itself or harvest the untended vines... In this Year of Jubilee everyone is to return to his own property..." Leviticus 25:8-11, 13**

In August 1949 (the latter portion of the Jewish year of 5709), the market began a 7 year bull run, eclipsing all previous moves since before the Great Depression. This followed a 7-year low-low cycle from 1942 and a devastating 3-year bear market between 1946--1949. It also began a 49-year run that culminates in 1997/98.

This 49-year period, 7 Sabbaths of 7 years each, began with a 7-year euphoria and is concluding with a 7-year euphoria? The 49th-50th years, back to back Sabbaths when reaping was not allowed, would equate to 1997-98 and 1998-99. It may be a stretch, but will investors be reaping profits during this period?" (INSIIDE Track -- February 1998

"7 YEARS OF PLENTY... NOW WHAT? Last month, I discussed several cycles and how they led to the conclusion that 1997 should be the year that will be recognized as the high in the DJIA in years to come... when judged from a closing basis...

I also touched on a Biblical cycle, which is distinctly Gann-related due to its emphasis on the number 7 and the squaring of this number of 'completion'. It involved the Biblical principle of Sabbaths & Sabbaths of Sabbaths (in years, not days). The 49th and 50th years from the beginning of a major cycle are time frames to watch for notable changes, whether market or political.

...1998 & 1999 are the 49th/50th years from the beginning of the current market cycle. It started with a 7-year dynamic rally akin to the 7-year rally that began in Oct. 1990 (or Jan. 1991, when the move really broke out to the upside)...

1949--1956 were the years which catapulted this bull market to a new plateau and also the period when the 1929 highs were finally exceeded...This is just one of the reasons I place so much emphasis on the 1949-'56 bull market and why 1998 should see the culmination of this 'Sabbath of Sabbaths'.

...1997-98 and 1998-99 (based on the Jewish years beginning in October of the preceding year, i.e. 10/97-10/98) are the culmination of similar cycles since Israel became a nation and the first attack against her was launched by her Arab neighbors. Middle East tensions entered a bull market at that point and should reach at least one crescendo in the next 20 months.

As I originally explained in my 1995 Report "The Cycle of Time II' (and have since addressed in diverse cyclic discussions), one convincing way to judge the accuracy of a cycle is to identify the mid-point and see if similar events took place. If so, these events and the period between them add reinforcement to the scenario of like-events taking place at an equidistant cycle in the future.

...the period from 1948--1998 can be subdivided into two halves with 1973 as the mid-point. 1973 represented the top of the stock market (preceding a 2-year, 40+% decline), and a surprise Arab attack on Israel on Yom Kippur. Other events surrounding 1973 included the demise of a US President, the beginning of an explosive bull market in Gold (following a substantial price decline in 1969--1972, much like recent action) and the start of a multi-decade escalation of crude oil prices. Could 1998--1999 be similar? (INSIIDE Track -- March 1998

There are many additional reasons linked to this cycle why 1998, and particularly May 1998, is so critical to our markets and to Israel & the Middle East. (October 1998 is second only to May 1998 in importance.)

Before I add to this analysis, however, it is important to review another significant excerpt from the 1995 Cycle of Time II. This report explained why 1998 should begin true Middle East troubles that are likely to extend into 2005 A.D. The association with Israel is recounted in the accompanying sidebar "Israel & the Cycle Of Time". Once you have read through this 11/2 page reprint, consider the following:

October 1996 was the end of the Jewish year 5757. This year completed another cycle of 19 (5757 divides evenly by 19) since the inception of Jewish dating and ushered in a new 19 year period. This cycle lasts until 5776 and is expected to see unprecedented events in the Middle East and Israel in particular.

May 1998 = the 19th month of this new Jewish Cycle (since the start of 5757 in October 1996).

For students of numbers & readers familiar with Hamilton Bolton's theory about squares of numbers and their importance, October 1996 ushered in one of the most important 19-year cycles in Jewish history. Why? Follow me...

5757 / 19 = 303. October 1996 completed the 303rd Cycle of Time (19 year period) for Israel and began the 304th cycle, which will culminate in the year 5776 (October 2014--2015).

304 / 19 = 16. Not only is this cycle divisible by 19, it is also divisible by 192, or 361. The period from 5757--5776 is the culmination of two levels of Cycle of Time revolutions. It is also an interesting multiple of squared numbers since both 16 and 361, which multiplied together equal 5776, are square numbers of 4 and 19, respectively.

Since this is taking the study of numbers to a somewhat esoteric degree, and since I may have lost some readers who are frantically reading and rereading the previous paragraphs, I will take this no farther at the present, but I will expound on the importance of 361 on page 6.

In addition to being the 19th month of this 19th cycle of 19-year cycles, May 1998 also is the 7th month of the Jewish civil year of 5758.

The 7th month of the sacred year, which is just beginning now (March/April 1998), spans September/ October 1998, the next critical cycle in both the markets and the Middle East (due primarily to other cycles).

For a better appreciation of this time frame, see the reference to Leviticus 25:8-13 in the Sabbath quote on page 3. The 10th day of the 7th month will equal September 30, 1998, when the command was given to blow the trumpets. Trumpets were used for important reasons in Israel's culture, one being a battle-cry.

This coming Yom Kippur (the 10th day of the 7th month) is also the 25th anniversary of the 1973 Arab surprise attack on Israel that occurred on one of their highest Holy Days.

As discussed elsewhere, the 1973 attack was also the 25th anniversary of the statehood of Israel in 1948, so two equidistant 25 year cycles culminate in 1998, in either May or September/October (May 1948/October 1973/May or October 1998... 25 year cycle).

I could spend hours discussing the subtle nuances and derivations of this time period in Israel, but that is only part of the purpose for this report. Readers who want to learn more about the importance of the year 1998 should contact me to learn about a couple very intriguing books that reinforce my theory.

You might be wondering what impact Israel will have on the markets. That all depends on whether you lend much credence to Biblical history and prophecies. If not, why not consider a couple other aspects of this important Cycle of Time? What may be the most universal threat to the computerized culture also has a Cycle of Time impact next month...

May 1998 = 19 months before the Y2K implosion. It begins the final 19 months of the decade, the final 19 months of the century and the final 19 months of the millennium as well. And, what single number is the root of the entire problem that could bring down Western society in a moment (that moment being the first second of the next millennium)?

...The number 19 The omission of this critical number in the original computer programs is the cause of what will transpire over the next 19+ months.

This coming Cycle of Time (May 1998-December 31, 1999) will be the most momentous period that investors of this era are likely to ever see. And it all ties into the number 19. Are you prepared?

ISRAEL AND THE CYCLE OF TIME (Written September 1995)

If the cycle of 19 is truly a Biblical (related) cycle, it follows suit that it should have a continual impact on Israel. Since a lunar cycle is 19 years -- and the entire Jewish calendar is based on lunar activity -- 19 years should be particularly important to Israel. Each month & every festival in the Jewish calendar are based on the New Moon.

The last century has proven that the "Cycle of Time" certainly has had -- and is likely to have -- a profound impact on the Jewish nation. To be consistent, it should be remembered that each Jewish civil year begins in the September/October period of our year and ends at the same time the following year. Consider the following...

1896-1898 marked the early stages of the revitalization of Zionism, the publication of "The Jewish State" (Der Judenstat) and the First Zionist Congress in Basel, Switzerland.

In 1917, 19 years later, in the latter stages of World War I -- General Edmund Allenby marched into Jerusalem, freeing the city from the Turks exactly 400 years after the original occupation.

In 1948, 31 years after the freedom of Jerusalem in 1917, (31 = 1.618 x 19) and 50 years from 1898 (50 = 2.618 x 19 and the Year of Jubilee), Israel declared her independence and again became a nation.

In 1967, 19 years from the declaration of independence in Israel in 1948 and 50 years from the freedom of Jerusalem in 1917, Israel fought a major war and saw its territory expanded for the first time. [4/07/98 NOTE: 1967 was almost exactly 19 centuries from 70 A.D., when Jerusalem was sacked by Rome.

In 1979, 12 years after the Six Days War (12 = .618 x 19) in 1967, 31 years after the establishment of Israel as a nation in 1948, and 57 years (3 x 19) from 1922 -- when the British gained administration over Palestine, granted by The League of Nations, three events occurred which will continue to shape the future of Israel into the next century...

#1 -- The signing of the Camp David peace accord between Israel and Egypt.

#2 -- The rise to power of Saddam Hussein in Iraq (Babylon)...and...

#3 -- The culmination of the overthrow of a pro-Western Iranian (Persian) government (the Shah) and the American hostage taking.

Though it may not be immediately apparent, these three events will affect Israel over the next 10 years. This is particularly true following the recent Iran/Iraq pact of nonaggression and the numerous Russian (Gog)/Iranian agreements being forged against the will of the Clinton Administration.

The Administration's continual sanctions against Iran further solidified the anti-Western sentiment that has pushed Iran and Iraq into a "common-enemy" friendship targeted against Israel and the U.S. This was just one of many events uniting the Arab (and Persian) world and serving as a precursor to 1998. But this is not where it ends...

1991 witnessed another event leading to this uniting of "strange bedfellows" ...Iran and Iraq.

In 1991 -- 12 years from the 1979 trio of events, 19 years from the devastating 1972 Olympics -- where Israeli athletes were murdered and 50 years from the start of US involvement in WWII -- which led to Israel's freedom 7 years later -- the American-led coalition attacked Iraq. Iraq immediately used this event as an excuse to bomb Israel in the hopes of uniting the Arab world...but Saddam Hussein's timing was off -- he was 7 years early. [4/07/98 NOTE: Remember, this comment was written in 1995, before any of the recent victories by Saddam Hussein in 1998.]

The 39 days of bombing (which fell 1 day short of the Biblical 40 days - failing to complete the job) heightened the "bully" image of the US in Arab eyes. It allowed for the transfer of high-tech weaponry to countries like Saudi Arabia, previously denied access due to their threat to Israel. This threat still exists and will increase if the monarchy is overthrown in Saudi Arabia. Egypt is also at great risk - and under continual attack - from Muslim extremists. All these events point to two future dates which should have a dramatic impact on Israel, the Middle East and the world via escalating oil prices, etc.

1998 is 7 years from the Persian Gulf War in 1991 (.382 x 19), 19 years from the trio of events in 1979, 31 years from the Six Days War in 1967, 50 years (and a type of Jubilee*) from the Israeli independence in 1948, 57 years (3 x 19) from the start of WWII, 76 years (4 x 19) from the British mandate over Palestine in 1922, 81 years from the freedom of Jerusalem in 1917 and 100 years (2 Jubilees) from 1898. All of these cycles are related to the "Cycle of Time" by the Golden Ratio (1.618)...and the "Cycle of Time" Summation Series ("COTSS").

When validating cycles like the "Cycle of 19", it is always important to monitor the midpoint for confirming events. In 1988 -- 9 1/2 years from the earliest 1979 event, Iran and Iraq declared a cease-fire in their multi-year conflict. This was one-half of a 19 year lunar cycle and projected another uniting event 9 1/2 years in the future --1998.

Of additional cyclic interest is that the freeing of Jerusalem in 1917 occurred on the 400th anniversary of the Turks siege of Jerusalem in 1517. 80 Jewish years later -- in late-1997/1998 -- Israel should witness more dramatic events. This would be 12 times the Biblical cycle of 40 years from the original occupation.

The second date of significance is... 2005. 2005 is 7 years from 1998, 31 years from the Arab oil embargo and the Yom Kippur War in 1973-74, 38 years (2 x 19) from the Six Days War in 1967, and 57 years (3 x 19) from Israeli independence in 1948. 2005 is also 513 years (27 x 19 or 3 x 3 x 3 x 19 and may be the true "civilization cycle" as opposed to 510 years) from the founding of the "New World"...perhaps a true "New World Order" will arise.

Since America is so closely allied to Israel...and the majority of the Arab world holds both in great contempt -- it follows that to some degree "as goes Israel -- so goes America". By this I mean that any attack/embargo/terrorism aimed at Israel could also be aimed at the U.S... OR... will spur a reaction by America, drawing her into the fray.

This could be viewed from a human perspective as a dangerous alliance or from a Biblical perspective as a blessed one... "And I will make of thee a great nation, and I will bless thee,...and thou shalt be a blessing. And I will bless them that bless thee and curse them that curseth thee: and in thee shall all the families of the earth be blessed." Genesis 12:2+3

One market perspective involves the effect that a Middle-East war would have on energy, currency and precious metals prices. "The Cycle of Time" points to 1998 as a major convergence of cycles related to Israel and the Middle East... One additional thought-provoking point... Considering the importance of threes and the significance of factors that make up a number, 1998 is an interesting year...and an interesting number. Think about it!

The 361st Degree There is another point that needs to be made with respect to the Cycle of Time. The reason that a circle does not perfectly divide by 19 is meaningful.

An event or a market does not truly come 'full-circle' until it has begun a subsequent cycle. In other words, it is the 361st degree of a circle - or the 1st degree of a subsequent circle or cycle - that is the most important. The 360th degree merely completes the first cycle. The 361st begins an entire new one.

This is important when applied to some of the most notable market and earth cycles previously described. Consider the following:

1998 is the 361st year since the collapse of Tulip Bulb Mania in 1637. If any time is poised for the beginning of a new collapse, it is 1998-1999 (reinforcing the Sabbath quotes again).

1998 also ushered in the next cycle of 360 months since both the 1907 and 1937 DJIA collapses. These new cycles of 360 months could begin with a bang, particularly the first 19 months, which extend through July 1999.

1979 Revisited (or Relived?)... Getting back to a single 19-year cycle, the following applications are equally noteworthy. 1998/99 is 19 years since 1979/80.

1979--1980 is the period that included the Iranian hostage crisis, rise of Saddam Hussein, the Camp David peace accord & the final aggressive move of the Soviet Empire... the invasion of Afghanistan. Iran, Iraq, Egypt and Russia have been uniting in recent years. The December '97 Iranian-based conference of Islamic leaders, the first time that many Middle East leaders set foot in Iran since 1979, accelerated the cohesiveness that has been growing since the early-1990's. 1998 is a full Cycle of Time in the Middle East.

1998 is also 19 years since the much acclaimed Camp David peace accord. Over the last 12 months, Hosni Mubarak has taken a much more antagonistic stance towards Israel. It should be obvious to even the most passive observer that relations are rapidly deteriorating between Israel and Egypt and Mubarak is taking a leading role in pushing for more power for

An Ancient School in Modern Times

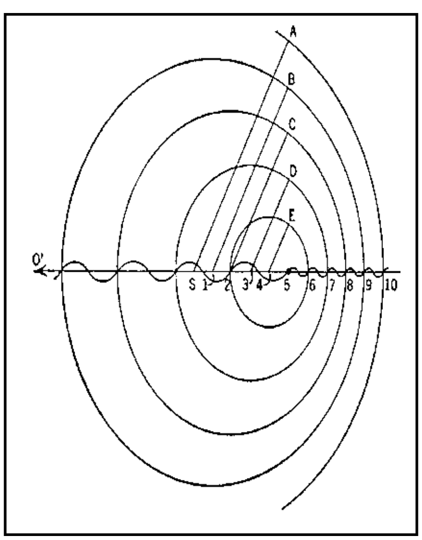
By G.R.

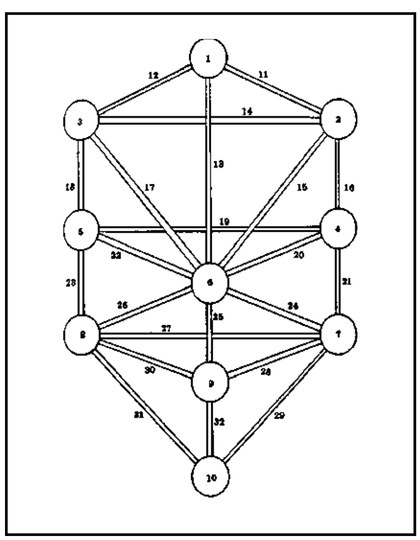
Not long ago there was a school in Los Angeles, Calif., called the "Investment Centre," that taught technical trading to its students utilizing the symbolic laws found in nature. Dr. Jerome Baumring was its teacher. The goal of the Investment Centre was to teach its students how to forecast a market move in both time and price. Like many of us, it attempted to integrate the rules and methods employed by W. D. Gann into its own trading methodology. As will be discussed shortly, the Investment Centre used unconventional teaching methods to convey its knowledge to its students.

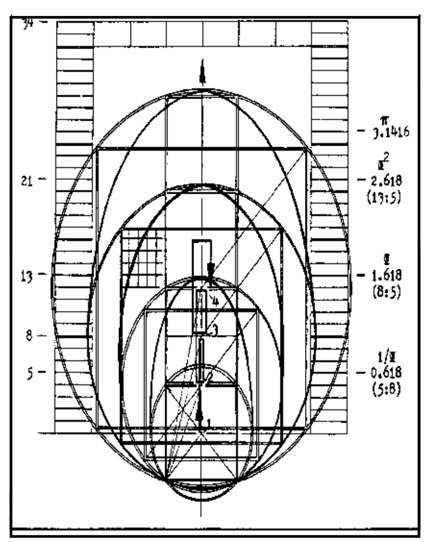
Many seekers of market truth have stumbled across the remnants of the Investor Center in one manner or another. It's possible they saw its name in one of the many reprint books it use to publish from its extensive library. It's more probable, though, that they heard about it from one of its former students who are now either traders, computer trading programmers, market letter writers or publishers of market literature. No matter what the source may have been, many of these seekers have sought additional information about this school. What did this school teach? What was its teaching methods? What books did Dr. Baumring consider important for its students to study in order for them to understand his lectures? A recent inquirer suggested that I write an article about this school for your magazine. After reflecting upon this request, I finally decided to write this story about it.

Hi, I am G.R.. I was Dr. Baumring's teaching assistant at his seminars. The following story is about the Investment Centre, its teacher Dr. Jerome Baumring, and my personal involvement with both of them.

In order to graduate from this school, each student was required to attend twelve public seminars. Each of these seminars lasted over an entire weekend. Each seminar cost $750.00. We called each of the seminars Gann 1, Gann 2, Gann 3 etc. There were four seminar groups in total. The same seminar group would meet every fourth month. There were between twenty to fifty students in each group. Before each seminar, a notebook was given to each of the



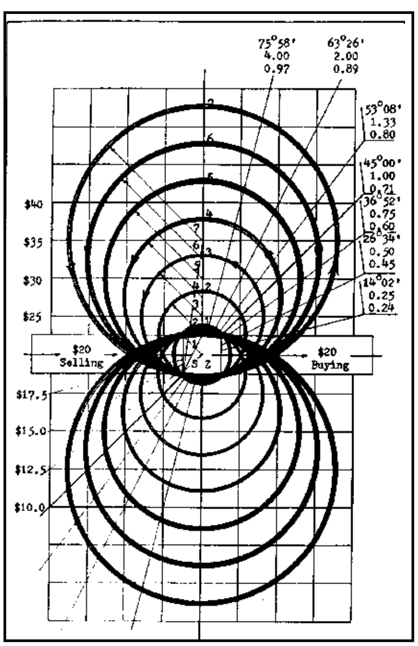


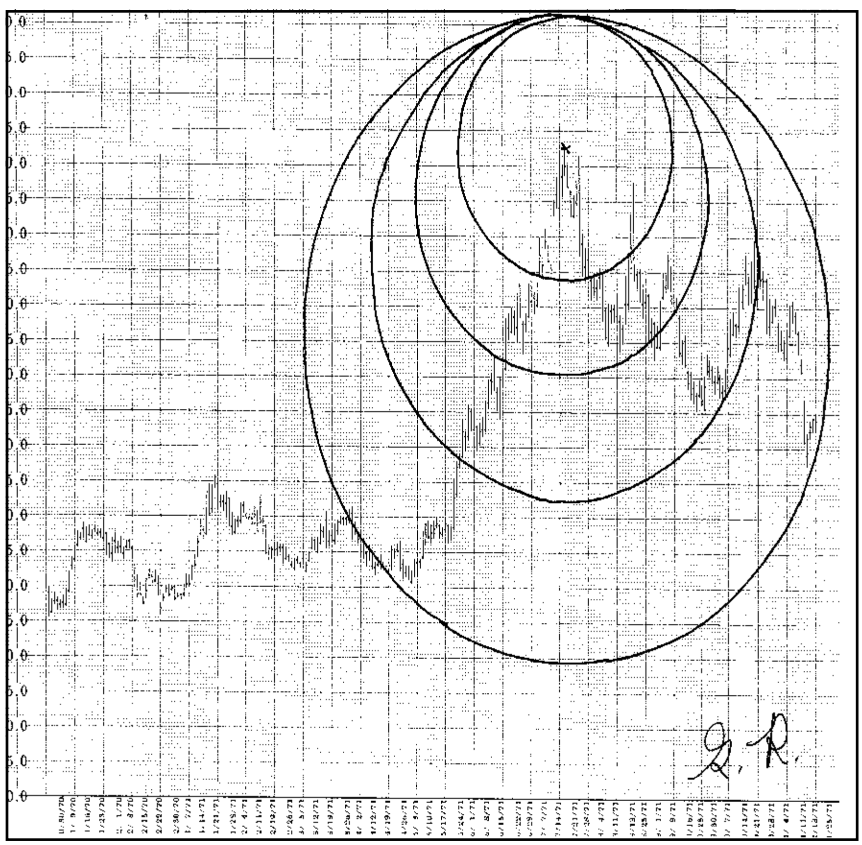


students containing excerpts from books in Dr. Baumring's library about a variety of subject matters. These topics covered a wide range of subject matter with which the student was requested to study. Dr. Baumring considered this extremely important. This would provide the students additional information to understand the concepts being taught at the seminars. Anyone interested in finding out what topics each of these notebooks contained can look at the web site www.cet.com/~sadacorp. To assist the student's awareness in these subject matters, a recommended reading list of books was also given with the notebooks. Many of these recommended reading books were reprints from some extremely rare and hard to find books. These reprints were made available to the students by the Investment Centre. If the demand warrants it, I will attempt to find a way to make them available to your readers again.

In addition to the seminars, Dr. Baumring gave private lessons. They too were given in a series of lectures over time. There were about twenty "private students" in total. I was also a private student. The cost of becoming a private student was originally $25,000.00 and later on it became $35,000.00. For the most part, the private students were taught the same concepts and applications that were taught at the public seminars. However, the principles taught to the private students were in greater detail.

The Investment Centre started as a used book store in the late fifties. Donald Mack was its owner. He had collected a extensive amount of rare stock market books. Dr. Baumring also had accumulated a vast library of scientific, metaphysical and market literature. Dr. Baumring met Don in the late seventies. Dr. Baumring came to Don asking if he knew how Gann used his words in his books and courses in making his market forecasts. Dr. Baumring always thought that the same words could convey different interpretations to different people depending upon their preparatory training and mental makeup. Could there be different layers of applications in his rules and trading methods as they pertain to the markets depending upon the reader's





mental makeup and preparatory knowledge? It seems like this statement must be answered in the affirmative because very few of us actually use any of his rules in our trading strategies. Those of us that attempt to integrate Gann's trading methods into our own trading strategies fail to utilize all of his rules contrary to his instructions. His methods are probably the most misunderstood of all of the traders that we try to analyze. Yet to many of us, his trading methods are the most intriguing . But why is this so? Has the following thought ever occurred to you? In order to apply natural law to our chart patterns, is it possible that the information that we need to derive and assimilate from our chart patterns is not visually accessible from the perspective of a casual chart reader? Using our visual sight alone may mislead us unless we are able to grasp the fundamental mechanics of natural law. (See my prior articles in the Traders World Winter 1997 and Fall 1996 issues). Increasing our mental awareness of this fact may help us to integrate the various natural laws into our chart patterns. If we can accomplish this task, we should be able to initiate ourselves with some completely new trading methods utilizing Gann's trading methodology! After all, the foundation of Gann's trading methodology is based upon natural law as Gann stated in his Ticker Interview of 1909. He states, "This led me to conclude that natural law was the basis of market movements." As Dr. Baumring would state, "What do the words "natural law" mean and how is it applied to the markets? If this is the basis of his market movements, I think this is an appropriate question. Integrating the symbolic forms found in our natural laws will assist us tremendously in comprehending how Gann applied his Natural Law and Law of Vibration to the markets.

If this thought process is correct about approaching market behavior in this manner, we should be able to make better market forecasts in both price and time. Dr. Baumring thought that this process would empower him to teach his students with the necessary preparatory training skills to reach this level of thought process or awareness. This thought process, or what his students labeled it as the process," created the goals of the Investment Centre and gave birth to its school.

"From old Egypt have come the fundamental esoteric and occult teachings... If their teachings were written down at all, its meanings were veiled." (The Kybalion by the Three Initiates (1930)). Almost everything the ancients taught were in symbolic form. This statement is self-evident. Since the teaching methods employed by the Investment Centre were similar to these ancient schools, I consider the Investment Centre as an ancient school in modern times.

Since the concepts of the school were taught in symbolic form, different interpretations could be derived from his lectures depending upon the student's preparatory training and mental makeup. The same lesson taught by Dr. Baumring could be developed into more than one trading technique. The concepts of his lectures taught the fundamental teachings of natural law. For the most part, he strived to give to the students the working principles of each natural law phenomena discussed at his seminars, leaving you the opportunity to apply those applications to the markets yourselves. As he told me many times, "I will show you the correct path. However, I will not do your walking for you." Therefore, it is my opinion that there is still a massive amount of knowledge to be gleaned from the symbolic forms taught by him. Because he taught in this manner, many students were unable to comprehend his lectures. Failing to comprehend this fact would make it very difficult for anyone to assimilate what his teachings were designed to accomplish. Dr. Baumring was a very gifted speaker. He was mesmerizing when he spoke. His lectures were very stimulating. The topics that he chose to discuss were so out of the ordinary that you knew deep down inside yourself that he had a great message to convey. His lectures not only taught the application of natural law to the markets, they also gave you a new prospectus on life itself.

What did Dr. Baumring teach? What were the teaching methods he employed to convey the meanings of his subject matter material to its students?

Dr. Baumring integrated a very wide range of subject matters together. Although he had access to many kinds of market literature through the Investment Centre, he used primarily some of the older and rarer classical material written between the years of the 1880's through the 1950's. I believe the reason behind this decision was that when people of those times were educated they viewed the principles found in our natural sciences differently than today. The basic premises behind the behavior of the form being analyzed were emphasized. There was less material in each section to study. Because of this fact, they studied the other basic premises of the natural sciences in greater unity than we do today. To prove this reasoning to yourself, all you have to do is to look at the older science text books. They were titled "Natural Philosophy." The title alone supports this conclusion. Having learned the laws and principles of the natural sciences in their simplicities, it would have been easier for them to truly understand the "essence" or "process" behind the principle. These principles overlap each other because all physical matter share a common characteristic. All matter is energy. All energy is constant. The same laws, principles, and characteristics apply to each unit, or combination of units of activity in its plane. There are many other reference sources you can use to draw this conclusion yourself. Older metaphysical books explains this process in great detail. Unlike the modern metaphysical textbooks, you can see the total integration of these laws in the older writings. With these types of educational backgrounds, more market technicians discovered trading techniques utilizing this thought process. To give you an example of what I mean, the following is an example of the same thought process that I learned and taught at the Investment Centre.

Dr. Baumring use to display the following two diagrams on the overhead projector and make comments about them in his lectures. These diagrams were shown to the students several times over the course of his lectures. These two diagrams below can be found in William Garrett's book titled Torque Analysis. But he never showed how they could be used to predict turning points in the markets. The key to understanding their application to chart patterns rests with our understanding of natural law as it applies to both the physical and mental planes of manifestation. See my prior articles in Trader's World past issues for a further discussion on these points. These diagrams display cyclical fields of force or energy. All is energy. These fields of force display the quantum jumps of electrons in their shell orbits. This is natural law found in our science of physics. Our minds obey this law through the law of correspondence or through the doctrines of evolution and involution. Each plane of manifestation contains its own frequency band. This is how we distinguish one plane of manifestation from another. Energy frequencies found in one plane will radiate their energy into the other planes causing all objects tuned into those frequencies to vibrate. This includes our subconscious part of our minds.

This is in total agreement with our physical and metaphysical laws. Therefore, we should be able to apply these laws to our chart patterns since chart patterns are really nothing more than our total mental thoughts which are electrical in nature. Having said this, let's apply these diagrams to the following chart patterns.

There is more here to analyze than meets the eye. The representation of these diagrams overlap other principles found in our natural sciences. These diagrams also can represent compression waves. Compression waves are found in all types of phenomena such as the sound made from a moving object. This is commonly known as the "Doppler effect." See Figure 1.

Doppler effect - The effects upon the apparent frequency of a wave train produced (1) by motion of the source toward or away from the stationary observer, and (2) by motion of the observer toward or from the stationary source; the motion in each case being with reference to the supposedly stationary medium. Therefore, it is easy to see that when the source moves, the waves are crowded together on the side toward which it moves, and are more widely separated on the opposite side, thus producing, respectively, an apparent increase and apparent decrease in frequency. This effect applies to sound, light and other mediums that register themselves upon our senses including the thought process of the mind. Nothing is exempt from the natural law process.

A moving planet and its magnetic field displays the same characteristics as the diagram above illustrates. The Earth's magnetic field is compressed more on one side of it than the other. Most astronomy books will display this same effect on the planets magnetic field. This is another example of the similarity of natural law from objects moving through space. In fact, some theories claim that all matter is allowed to be formed in the first place because of two opposite compression or pressure forces acting on a single point from two or more sides.

All matter creates compression waves as it travels through a different medium other than its own. As we study natural law, we start to begin to see the unity of natural law as it is displayed throughout our universe. It applies to both of our seen and unseen worlds. The ancient symbol of the Star of David with its two interlaced triangles conveys this message. This concept of unity between all things and ideas is what Dr. Baumring sought to teach his students. He gave several examples utilizing diagrams and explanations from a variety of subject matter found in both of our natural and metaphysical sciences. His attempt to integrate these principles and ideas allowed his students the opportunity to discover the method of uncovering the unity found in the universe. Finding this unity would allow the student to integrate many of these laws to our chart patterns to predict turning points in both price and time. A deeper understanding of this methodology would hopefully allow the students to make market forecasts in advance. Once this process was understood, the insights and knowledge needed to interpret Gann's rules and trading methods at his own level might come to pass. In a nutshell, this is what the Investment Centre was all about. It attempted to show and explain that the principles in natural law was universal and is expressed in all things including the markets.

For example, on February 4, 1997, physicist Andrew Strominger announced a theory that linked black holes with tiny strings of matter. This theory possibly explains a critical step in how the universe is put together. Strominger found a perfect mathematical fit between strings and physicist Stephen Hawking's astonishing discovery that black holes radiate heat. The connection brought physicists closer to an over arching theory that could explain everything in the universe. According to string theory, the fundamental building blocks of the universe are not particles or forces but tiny loops that vibrate in ten dimensions. Is Strominger really the first person to hypothecate this theory? It can be definitely debated that the basis of this theory has been put forth in other writings long before it appeared recently in this form.

The ancient Kabbalah has for many centuries taught the principle of Otz Chim, Hebrew for the Tree of Life. See Figure 2.

The Tree of Life is no tree at all, but rather a pictograph. It is a representation of the spiritual nature of both the universe and man by the use of a combination of symbols. It consists of ten circles, or centers, such a center having the Hebrew name of Sephirah. Learned Rabbis have stated that the Sephiroth are ten holy emanations, meaning that each Sephirah emanates from the one above it, the topmost being the first emanation. Understanding this concept becomes the doorway to the void itself. Many books on the Gann reading list deal with this subject matter. Understanding how the parts and the whole work together is the key to understanding the deeper meanings and applications of Gann's trading rules. Gann's esoteric side of his teachings and the

Investment Centre's teaching methodology sought to teach everyone this unity of the working mechanics and integration of the laws of the physical and metaphysical sciences.

Time does not permit me to go into many of the concepts that Dr. Baumring taught at the school. Some of the more unusual applications he applied to the markets using natural law principles are as follows: 1) He would lay a string of DNA on top of a Wheat chart to predict turning points in it; 2) He would unfold various platonic solids to predict tops and bottoms in the chart patterns; 3) Patterns from various geometrical structures in the arts, structures, and paintings were also used to predict turning points; 4) Sacred geometry and lattice structures of various objects were delved into extensively. In this regard, he loved putting pictures or diagrams of some form or shape on the overhead projector. It could be anything. He would then let the students stare at it for awhile wondering why its form was projected on the screen in the first place. Then he would talk about it for several minutes before moving on to other subject matters. He left you wondering about the significance of the projected image. At some point later in time, you would see the same form or diagram again on the projector or in a recommended reading book. Dr. Baumring would then attack it from a new point of view. His discussions were mixed with analogies of scientific and metaphysical principles. His concepts and methods required lots of reflection and preparatory training. However, I never found it that difficult to understand his symbolic logic. It was easy for me to grasp onto the natural law behind the order of the symbolism and apply it to the markets. This was one of the reasons why I became his assistant at his seminars. One day I heard Dr. Baumring say that he needed an assistant to apply one or more of the symbolic forms of logic in his notebooks to the students at the seminars. He wanted to give the students a different perspective on what the underlying principle was displaying in the chart patterns. I told him that I could do it. I showed him an application of one of the principles from the notebook and the rest was history. This turned out to be my job at the seminars. At each seminar, I took one or more of the principles from one of the topics in the notebook and showed the class how it applied to a chart pattern. Because of the time constraints involved in learning this knowledge, the student was required to study the natural sciences in greater detail on their own. This extra work was necessary if the student wanted to comprehend the deeper meanings and applications of Gann's trading methodology. As I look back at the Investment Centre, I came to realize that it takes a greater background of knowledge to integrate those principles with Gann's trading methodology than what was taught at it. In this regard, I find some fault with the teaching methods demonstrated by my teacher. Yet at the same time, the basis of those principles were taught to us. I guess we hadn't yet developed the skills necessary to interpret his symbolic forms of teaching. However as I stated in my last article, "If you are a true student, you will be able to work out and apply these principles, if not, then you must develop yourself into one, for otherwise the teachings will be as words, words, words to you."

The Investment Centre has come and gone. The bookstore officially closed its doors in 1990. Don Mack moved to England. Dr. Jerome Baumring passed away in January, 1991. The library collection of each of its respectful owners was either sold, given away or thrown away. The books that were either sold or given away were allocated in various size allotments to used book stores, book collectors or its former students. Not much of the Investment Centre remains today except for the philosophy that it taught to its students.

A school's excellence and merit will be eventually measured in part by the degree society embraces its teachings and doctrines over time. Time itself requires that its messages be carried on by its own students. Therefore, a school's success can be determined by the community's acceptance of its teachings through its students. Your readers will probably recognize the

Bullish & Best Groups and Stocks for 1998

By Grace K. Morris, M.A.

Morris is one of the few experts in the field of financial astrology who clearly saw the bull market of the '80s and '90s back in the '70s. At her financial workshop in 1979 - when inflation and interest rates were at an all-time high - she said that we would see interest rates in November 1984 begin to move down for the next 14 years. She also said inflation would change to deflation by the end of the same cycle. We are now at the end of that cycle in 1998 having experienced the great bull market. So what's does Morris see ahead in the next cycle?

We continue to be bullish on the stock market as the combination of low interest rates and no inflation should continue for the next few years. This allows us to concentrate our time and effort on choosing individual stocks that will outperform the market.

How do we pick stocks for the year? First, we look at which groups of stocks will most likely do well in the coming year. Then, we look at which individual stocks in those groups that should do well. Using the Astro Economics(method, we apply a combination of technical, fundamental and planetary cycle analysis. Using planetary cycle analysis, we utilize both the incorporation data and IPO (Initial Public Offering) data to set up a computer chart for the date, time and place of incorporation and for the first trade. These two charts give us information to determine the state of the company (the incorporation chart) and the stock price movement (the first trade chart).

In the January 1997 issue of our Astro Economics Stock Market Newsletter, we said " As Jupiter enters Aquarius to join Uranus, expansion will occur in technology, computers, cyberspace (the Internet), outer space, air space (airlines and travel on the Internet), the air waves (radio, television,....electronics)....". As Jupiter began moving from Aquarius into Pisces in February of 1998, airline stocks had soared, Westinghouse had become CBS and Disney stock doubled since purchase of ABC to name a few examples.

When we look back, it reminds us to stay focused on our group picks when we chose our individual stock picks for 1998. (Remember in April of 1996 when oil stocks as a group went from almost last place to their first place rating in Value Line in December 1997 as Saturn moved from Pisces into Aries.) Now that Jupiter has moved into Pisces, the most promising stocks will probably be in the chemical, medical, energy and pharmaceutical areas. These groups should move from bottom-of-the-list positions to front positions as oil stocks did. In particular, the chemical group that Value Line lists in three categories: basic, specialty and diversified, are ranked #68, #73, and #85 at the bottom of the timeliness list in March 1998. Just as we saw oil field services/equipment move from the bottom of the list in 1996 to its #1 rating December 1997, we should see chemicals, beverages, (soft #63 and alcoholic #42), petroleum (#49 and #72), shoe (#79), water utility (#82), tobacco (#62), drugstore and drugs (#44 & #20), medical services (#48), all begin to move to higher positions by the end of this year.

In 1997, Jupiter and Uranus in Aquarius expanded our awareness of 'digital' as laws were passed moving us from annotated TV to digital TV as a future goal. Business on the

Internet expanded, and new technology in computers and the medical field exploded. Microsoft, Cisco Systems and Dell Computers roared ahead and should continue to do well. With Jupiter in Pisces, Uranus and Neptune in Aquarius and Pluto in Sagittarius, technology will still be leading the way. When we add medical and pharmaceuticals in 1998, the biotech stocks will also have an edge.

New (Pisces) words for 1998: 'photonics' and 'fiber optics'. And newer companies such as Ciena Corp. and Lucent Technologies can be put on the 'Stocks to Watch' list.

In 1998, if groups like chemicals, pharmaceuticals, health care providers, medical equipment and supplies, food, beverage and tobacco, hospitals and biotech are favored, then some of the stocks that fit that profile are Abbott Labs, Anheuser Busch, DuPont, Kellogg, Medtronic, Merck, Philip Morris, Proctor & Gamble, Safeway, Tellabs and Union Carbide.

To begin the task of selecting individual stocks that will outperform the market in 1998, we look for companies' whose IPO and incorporation charts have multiple placements of planets in Pisces since Jupiter (expansion) is transiting Pisces in 1998.

For accurate data, call the Secretary of State, Division of Corporations, Dover, DE. (1-302-739-3073) for the date and time of incorporation of companies registered in that state, call state capitols for companies incorporated in their home state or the company's shareholder department. IPOs are listed in Barrons each week and Bill Meridian's book, Planetary Stock Trading lists 1000 first trade charts. (In my monthly Astro Economics(Stock Market Newsletter, I use both the first trade chart and the incorporation chart. If both indicate a winner in the year ahead, this is my choice.)

To speed up the search for the stocks use Jeanne Long's computer program, The Galactic Stock Trader. To search the entire 3,000 stock database, click on transiting Jupiter in one column and all the planets in next column. Then click in the time frame of your search using the calendar (example: Jan. 1, 1998 to Dec. 31, 1998). Then let the computer do the work.

You will have the exact dates that Jupiter will transit a particular placement in the chart and the name of the company you will want to study further for investment. (Example: Jupiter will conjoin Microsoft's IPO Sun on May 16, 1998 and again on Sept. 21,1998.) You can also find the exact dates Saturn will create problems for a particular company. (Example: Saturn will oppose Nike, Inc's IPO Sun on Apr. 18, 1998.)

These are some of the results of our search for 1998. Transiting Jupiter in Pisces in 1998 will move across groups of planets in Pisces in these companies' first trade charts - Abbott Labs, Microsoft, Oracle Systems, Phillip Morris, Sun Microsystems and Union Carbide to name a few.

Grace K. Morris, M.A., a psychotherapist and timing/trends specialist, is president of Astro Economics, Inc., which publishes two newsletters. Astro Economics, Inc. sponsors the World Conference of Astro Economics, an annual event that features outstanding international speakers on the stock and commodities markets. The 11th annual conference is scheduled for April 1999 in Vancouver, BC, Canada. She can be reached at 1415 W. 22nd St., Tower Floor, Oak Brook, IL 60523, phone 1-630-684-2271, fax 1-708-425-7380 e-mail:astro@netwave.net, Website: www.astroeconomics. com.

The Moon and the S&P 500

Dr. Hans Hannula, Ph.D., CTA, RIA

Moon Tides

There is absolutely no doubt that the Moon has a major influence on the S&P 500, especially during the trading day. This influence comes from a real, physical cause and effect relationship.

Everyone knows that the Moon has a strong effect on the oceans. It pulls the ocean waters into massive tides. On the average the Moon raises the entire ocean surface about six feet as the earth rotates. In a particular bay, the rise and fall may be far larger, due to the shape of the bay. In the Bay of Fundy, tides can rise 50 feet. So in ocean tides, there is an average level, and a "personalized" level for each bay.

The same thing applies to the effect of the Moon on markets. There is an average effect, and a "personalized effect." But what is it that is being tugged by the Moon? What links the Moon to the intraday price swings?

The link is through the earth's electric field. As the solar wind carries ionized particles from the sun, they form a charged layer around the earth, called the ionosphere. That layer charges up to about +300,000 volts. The earth's surface, upon which we stand, is the zero volt end of that battery. You, me, all of us, stand in that electric field. It places a voltage of about 250 volts on our heads. It causes a current of 250,000 nanoamperes to flow though us. Our brains work on currents near one nanoampere. So these external currents are much, much larger than our bio-currents. When these currents surge, we feel them as emotions. And when we feel emotional, we trade emotionally! So prices move up and down with tides in these currents. These tides can change 20 percent in a few hours.

The Moon is a major contributor to these tides in the earth's electric field. At new Moon, the Moon is between the earth and the sun. It traps charges, lowering the voltage on the ionosphere, and on us. We feel down and sad. At full Moon, the Moon reflects charges that have passed the earth back into the ionosphere, raising the voltage. We feel giddy and happy. We trade according to how we feel.

As the earth rotates, it moves the stock and commodity exchanges past the Moon every day. It moves them under the Moon, away from the Moon, and to Moonrise and Moonset positions. These four positions can be found in the intraday price actions of stocks and commodities.

Each stock or commodity has a different sensitivity to these electric tides. Just as the shape of a bay determines the response of the bay to the average tides, the nature of the market determines the response of the market to the Moon tides in the earth's electric field.

Learning to compute tides has taken mankind several hundred years. Only with the invention of the computer and intense mathematical modeling has the goal been reached. So it should come as no surprise that the Moon's electric tides have not been computed - until now. After many years of effort, I have learned to compute the Moon tides that effect the S&P 500. This is a very difficult task, and one I am proud to have accomplished.

Unlike the ocean tides, there are TWO Moon tides, a positive one and a negative one. They are caused by the counter-rotating waves set up in the earth's electric field. So one never has a perfect picture of which way prices will go, just when they will turn.

This is what leads to chaos is markets. The two forces work against each other, as the buyers and the sellers compete. When these forces balance, prices congest. When one force wins a temporary advantage, prices move rapidly - we call that chaos. The S&P 500 is famous for it's "streaks". It's built like the Bay of Fundy. Several examples will show just how powerful the Moon is in the S&P 500.

Moon Tides on February 11-12th

Many doubt that the planets and the Moon affect markets. I don't because I watch them all the time with my Chaos Trader RT program. This program lets me draw, in advance, price support and resistance lines caused by the electric

fields associated with each body. Each line is color coded to indicate which planet with which it is associated. In these figures, however, the lines are black.

Figure 1 shows the S&P intraday prices for February 11 and 12, 1998. At A, (on Feb 11) Mercury was holding price pretty flat. And the Moon was also attracting prices, shown at B.

Overnight, the Moon line moved above the Mercury line. That made the Mercury line a "repellor", pushing prices away. When prices touched the line at C, they were driven down hard. They bottomed at D, where Moon and Saturn brought support. They started to follow the Exchange line E. Mercury slowed the advance at F. At G the cluster of Pluto, Mercury, Moon, and Venus lines caused congestion. When that was broken, prices did a "Band Gap Jump" to another cluster at H.

Notice how these clusters of electric field flux lines quantize price? It's pretty awesome. It's all electric fields in action.

Now, notice the ball marked I. That's the FULL Moon lined up with the Exchange. See how it acted as a strange attractor (SA) before 12:50 Eastern, then as a strange repellor (SR) afterwards? That's where chaos theory comes in. Prices move from one of these SA/SR points, to another. The trick is to find them. I work hard at that, but it is never easy. There are at least 11 overlapping electric fields.

MoonTides on February 19-20th

History tends to repeat. Moon patterns sometimes repeat in the market every quarter Moon. The pattern shown in Figure 2 for February 19-20 is nearly identical to the one eight days earlier.

On the 19th, prices vibrated about the Venus line at A and the Moon line at B. They were also following the Pluto line at C. In the morning of the 20th, they broke below the Moon line D at point E. They followed the Exchange line at F until after solar noon. They balanced at 1026 (H), a Chaos Balance level. As the earth rotated, it lined up the Exchange with the quarter Moon at G. Overnight, the Moon had passed the planet Pluto, associated with explosions.

The market did just that. It broke back above the Moon line at L, and followed the Exchange line I. The move met resistance at Mercury J and Sun K. Mercury was forming a conjunction with Earth.

The next such pattern was to occur on Feb 26th, when the New Moon is in the same position as the Full Moon was Feb 12th, and the Quarter Moon was on the 20th. That full Moon was a total solar eclipse occurring south of the Exchange.

MoonTides for February 26th

Figure 3 shows the Moon on the solar eclipse of Feb 26, 1998. The line A is a MoonTide energy forecast. The day began with a bounce off of the Mercury line at B. Prices then ran up to the Moon line at C, and sagged into the New Moon (black disk) at D. At that point the eclipse was exact and the low had been tested.

The MoonTide forecast was for a sharp rally. It occurred at D to E. This is a "streak," as discussed in my Fractal of Pi course.

At E, prices hit the Exchange line, which stopped the streak and let prices be "captured" by the Moon flux line. At F, where the MoonTide shows a sharp "jerk," prices jerked upward and closed higher.

This pattern is essentially the same as seen in the two previous examples. The only difference is whether the Moon is the full, new, or quarter Moon.

MoonTides on March 6th

Figure 4 shows the Moon causing a fast rally on March 6, 1998. Line A is the MoonTide energy function.

Prices formed a base on the cluster of Moon and Mercury lines at B. They made a dip at C, as forecast by the MoonTide, then rallied into a high at 12:50, at D. That is when the exchange lined up with the quarter Moon. After that, the fast rally slowed considerably! Prices sagged into the forecast low at F, and spent the afternoon crossing the Venus line at E. The tops were set by the Pluto line at G.

After "hitting the Moon", prices closed less than two points higher, after rising 13 points going into the Moon. Clearly, S&P traders are affected by the Moon. Does that mean they are lunatics?

MoonTides March 31st and April 1st

Figure 5 shows the MoonTides March 31st and April 1st, 1998. The lines marked A are the Moon electric field flux lines. The curve marked B is the negative MoonTide energy function. Prices roughly followed it.

The quarter Moon was at the Exchange just before the open on March 31st. It is shown at C. Prices bottomed early on the Moon line A. They then rallied sharply until solar noon. The ball at D is the Sun.

Prices stopped on the Moon flux line and headed south. They bottomed at E, as the Exchange lined up with the New Moon, the solid ball.

On the 1st, the declined continued until 9:58 Eastern, precisely when the quarter Moon at F lined up with the Exchange. Prices then rallied, and hung around the Moon flux line A for a few hours. Then they rallied sharply into the close, drawn by the New Moon at G.

Pretty dramatic. It's the Moon again!

MoonTide Forecasts

These examples clearly show that the Moon strongly affects the S&P 500. More examples can be found on the author's website.

The message is clear. If you day trade the S&P 500, you need to be aware of what the

Moon is doing. MoonTide forecasts are available via fax or data subscription from the author. Additionally, traders with Internet access can get a free MoonTide forecast and a real-time Chaos Clinic commentary on Fridays go to the site address http://www.cashinonchaos.com/hans.

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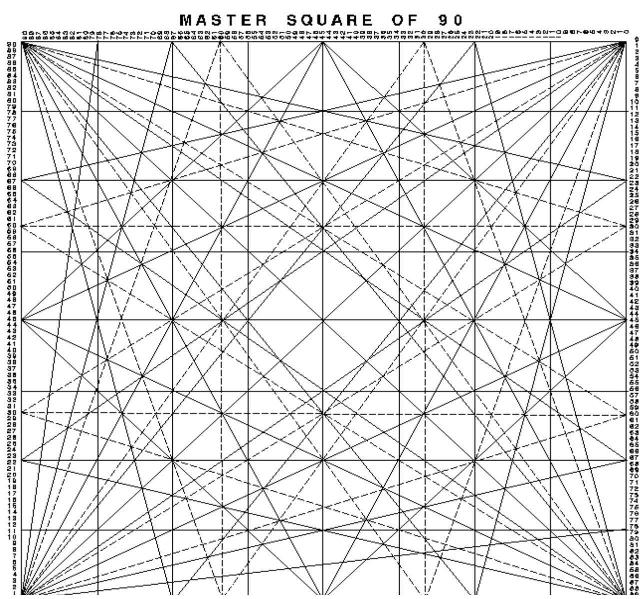
Seasonal Timing

By Larry Jacobs

Traders have long been searching for that mystical holy Grail which possesses the secrets to making a fortune in the futures market. Many think that W. D. Gann found the Grail, since he made 50 million dollars in the market. If you read Gann's book, "How to Make Profits in Commodities" you will find that he used a combination of techniques to forecast and trade in markets. Perhaps the most overlooked factor is seasonality. Few traders put very much importance to season timing. This article may in fact reveal that seasonal timing, Gann's way, is the most important factor in trading commodities successfully.

Now, lets look into how Gann really used seasonality to forecast and trade commodities. First, Gann believed that today's market could be forecast by looking back at harmonic years. Harmonic years are a natural vibration of prices in the history of mankind. This means that prices will do today what they did back in the harmonic years. One set of harmonic years are back every 10 years. Therefore you must go back and find a daily chart of what the market was doing during that exact time period of the harmonic years. So for 1998 you would go back to 1988, 1978, 1968, 1958, 1948, 1938, 1928 and so on. You would then look at all of the charts to see what the trend was doing during those time periods. If you were looking at May Soybeans, for example, and saw that most years the market would turn up in September, that would be your guide to the seasonality of the market.

In looking at past charts, another thing you should look for is an exact replication of present trading activity. Past harmonic markets will in many cases do exactly what they did in the past. This means they will sometimes lock on to anniversary days and trade day for day with the past trend. What I am saying is that May Soybeans (may have) topped September 29, 1968 after moving up in a trend. If you find they are doing the same thing



today and they top September 29, 1998, then you can sometimes trade and know what the market is going to do day to day!

You should not trade the markets by this one method alone. That would be foolish. Use some of the other techniques Gann used to tie it all together. For example, monthly markets move on the basis of one year. It is important to watch the divisions of the year. You divide the year into 4 parts. Watch for changes at the end of 3 months, 6 months, 9 months and 12 months. Most changes occur during the 9 and 12 month period.

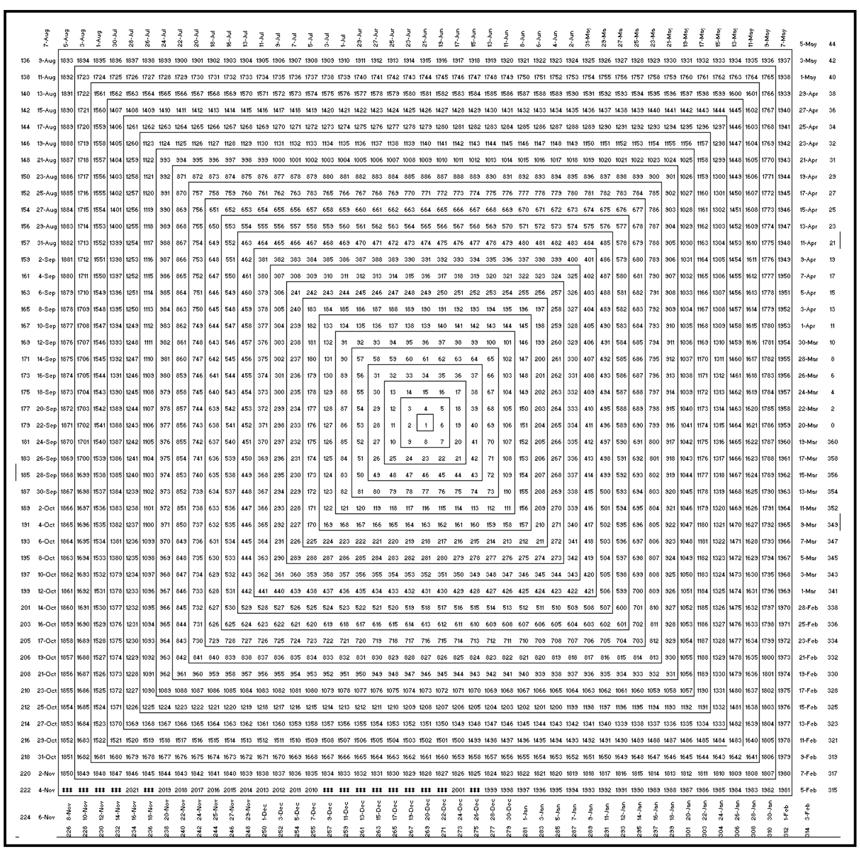
Another Gann technique is to watch the trend of a market, determined by three different factors. Either by breaking angles, tops or bottoms. When a daily point is broken the market will move 3 to 10 days. When a weekly point is broken the market will move only 3 weeks and when a monthly point is broken the market will move at least 3 months. When a yearly point is broken the market will move up to 3 years.

The market is in its strongest position when its price equals its square in time. If May Soybeans make a top at $6.00 and drops, it will square itself in 600 days, weeks, or months from that high. You can also break it down into harmonics. Divide 600 days into halves which gives you 300, 150, 75, 37.5 days. Watch for important changes during these time periods.

Go back and check how long a market normally moves. For example, some markets make a practice of moving at least 5 months. You can breakdown the movements into 4 parts to determine when it might end. The fastest part of the move is always in the 3 or 4 sections.

Geometric angles will tell you what time cycle the market is moving in. When it breaks an important angle the market will start a new time cycle.

Check back on the market you are studying and find the cycle that it is trading in. A commodity will stay in the same cycle forever. Many traders will print out a long term chart and



lay it out in from of them and find the important cycles. There are two types of cycles in the market. One is the variable and the other is the fixed cycle based on the circle of 360 degrees. The variable cycle is simple the bottoms or tops that you see occurring in a market. To find these, the most popular method is spreading out a long term chart in front of you and using the Ehrlich Cycle Finder to find the average tops and bottoms of the move. The fixed cycle are the 1/2 divisions of the 360 degree circle which are 360, 180, 90, 45, 22 1/2, 11 1/4. The 1/3 divisions of the circle can also be used. 360, 120, 60, 30, 15, 7 1/2.

Another technique Gann used was the Square of Nine Chart. Gann found this chart in Egypt. The chart starts at 1 and spirals around a circle going out forever. Gann found that many tops and bottoms are on the same horizontal or vertical line.

Gann also found that priory anniversary dates are important to watch. Many markets will make their tops and bottoms on an exact date from the prior year.

Gann also found that the market will make lows or highs during the same year in the 10 year cycle. For example, soybeans might make lows during the ninth year: 1919, 1929, 1939, 1949 etc. Or they might make highs during the 4 year: 1914, 1924, 1934, 1944 etc.

In 1955, just before Gann died, he said that the time and price overlays were his most important discovery. There were 2 plastic overlays that were sold with his course. They were the square of 144 and the square of 90. Gann used these for his angles and time counts, but he also used these in a reverse manner to forecast where a market was going by laying the right side of the overlay on the project bottom and watching the price action toward that price.

Obtaining data for seasonal analysis is difficult. One of the best sources of long term data is now available from CSI data. Their commodity data goes back to the 1940's and it is extremely clean. Their new program, Unfair Advantage, allows you to update the data through their connection on the Internet. The data can then be formatted into perpetual, continuous, or Gann style charts. A new feature allows you to even construct a seasonal forecast of prices and overlay that projected line on your price chart, taking a lot of the work out of seasonal analysis.

These are just some of the techniques used by Gann along with seasonality to trade the commodity markets. To be successful many timing methods must be tied together. A complete explanation of how this can be used is in the Gann Masters Course and its companion secret web site where some 800 Gann Master members can talk to each other and get updated lessons. The cost of the course is $90.00 S&H $4.95. It can be ordered through Traders World Magazine.

The Memory of Numbers

The year begins March 21st when the sun enters the sign at Aries. The Law of the Triangle. Everything exists by the three manifestations. Number nine is the Perfect number. It can prove out all mathematics. 230 B.C. Pythagoras

By Joe Rondinone

Number One

Number one could be the beginning, a starting point, a dot. You can not make a pattern if you have a stick. With a stick you can make a shadow, if the sun shines. In music we have a one-note melody. A single note melody is the lead tune, the solo... Solo means alone. The first note of a scale, the starting point, we always count starting from number one.

Number Two

Number two is the second note of the musical scale. It has duality. With two sticks you can make a cross, any type of a cross, but only a cross. In music when you add another note to the lead melody, it is referred to as harmony notes. Lead melody notes can have harmony in 3rds, three separate notes apart that will harmonize. You can also have fourths. The first note and the fourth, and also you can have fifths, the first note of the scale and the fifth note of the scale. You can have the one and sixth together, the first and the seventh and then you can have the one and eight note called the octave. But you must remember these are only two notes. They can make harmony, as you hear songs called a duet, two voices singing different notes, the solo note and the harmony note.

Number two is a very important number, because with the two will produce the three. In your car you have a battery, it has two terminals on the battery. One is a negative and the other is the positive. There are two sexes, at least I was told. Now watch what happens when these two opposites are combined you get:

Number Three

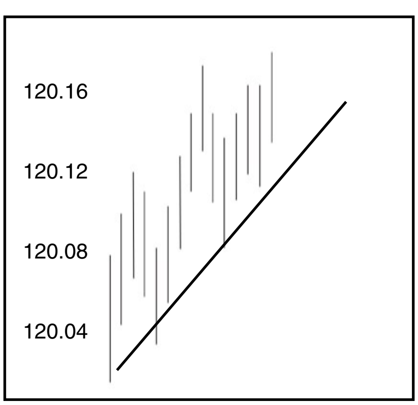
In music, it takes three notes to make a chord. A C major chord has three notes, C E G. A C minor chord also has three notes. C E Flat and G, why the flat? The minor chord has the third note of all minor scales with a flat third note. The C chord has three inversions, C E G...E G C... G C E., You can build on any of the three notes and they will always harmonize. No chord can exist with less then three notes. I want to mention one thing that is most important: number three is a very important number. Nothing can exist without three. This is the law of the triangle. Remember the two posts on your battery I mentioned before? Well if the negative is number one and the positive is number two, put the battery cables on each post separately... Now touch the cable ends together, WOW! You just made a third point. Sparks flew. A male gets together with a female, well sooner or later you have three. One alone of the two caused nothing. Another example would be a ball player. The ball, number one is thrown, the batter, number two hits the ball with the bat. The ball flies, number three, the manifestation.

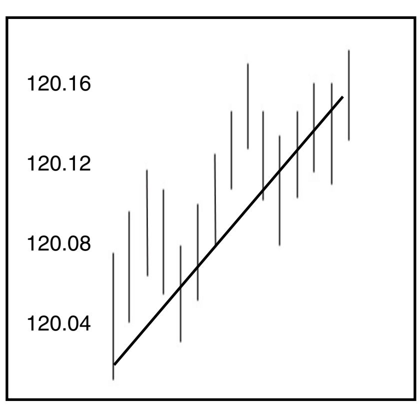
Applying Numbers to Trading

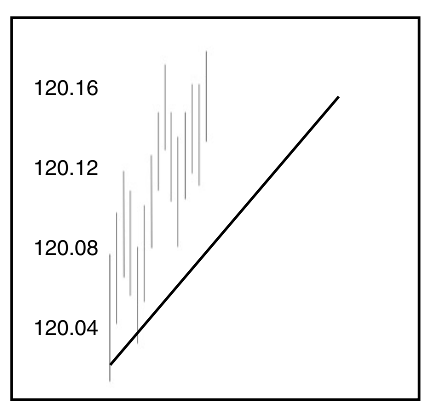
In my many years of trading, I studied charts, I could not believe news that was offered to the trade, in the 1950s and 1960s, you were laughed at going around with charts. After my studies with the late W.D. Gann, I felt sure that the chart reading was the instant news to trade by. It took me many years to learn how time squares price. Time in this case would be space area. Here again I studied outside the given path to learn what I hit on about Pythagoras and his teachings. The bottom line came to one conclusion. The law of the triangle has to have three points. There must be three points to the charting of price. The high point is one, the low is the second point, but where is the third point? One day I sat down on the floor with a large Gann type chart on beans and I decided I would give each daily price move equal width, forming a square box. Well, I must tell you; I was off the large paper in no time. Yet, I was convinced this was the way, because each move up and down was given the same width. This was really squaring the price. This was a square and not a triangle, but wait, there are two triangles in a square. From this acorn the mighty Angle Symmetrics brainstorm was born. Now you know that in the charting of prices, the law of the triangle was the key. Want me to tell you more, I can...

Angles are numbers also

As traders we all draw angles, trend lines from here to there, up and down as we like. A 45 degree angle can fit our pattern, or we decide to draw a 2 by 8, or a 1 by 3, or a 3 by 4 to fit our pattern







of moves. Below I have drawn three print outs of the same bond prices.

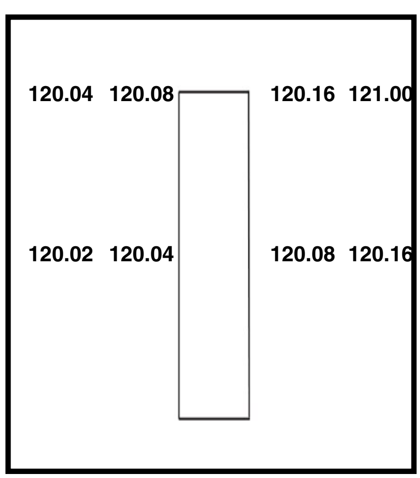
Figure #one We have a rising 45 degree angle or a 4 by 8 pattern posted (or charted) one space apart.
Figure #two: We have the same pattern posted two spaces apart.
Figure #three: Shows the same-posted prices 1/2 block apart. The same 45-degree angle is applied to each posted price pattern. What value is the 45-degree angle trend line in Figure two and three? The point here is that the trend line can only be placed to follow the price movement, not that the price movement should follow the true trend line.

Now let us place a movement in proportion of all considerations: The move, the grit size of the paper used, and the scale of the prices charted. In Figure Four: we have plotted price, with all three dimensions: the high, the low and the third point: the width of each price. Remember the law of the triangle? Remember the battery cables? Here the plotted price stays in proportion with all the plotted scales and no matter what size grit paper used. Study this principle carefully and maybe you will see the truth and the application of Angle Symmetrics principles, which are applied laws of the triangle...numbers, are our most valuable denominator in the analysis of movements. But all values must be kept in true proportions. Angles are numbers, proportions are numbers, when both are kept in balance through a charted commodity or stock, true and profitable analysis can be made. This is a copyrighted principle I have developed after many years of study. I must stop here on number three for now, I want to cover number nine. The perfect number. Study carefully...

Number Nine

Pythagoras was the first mystic to use theosophical reduction and addition. When I was in school in 1937, my junior year, my math teacher taught a special course about using number nine to prove addition, plus a lot more. She was a whiz... She passed away soon after, we were the only class that had this great teacher. She called it casting out nines. Here are a few high points: We will use addition, multiplication, and subtraction. Watch...

2x9=18 add 1+8=9
3x9=27 add 2+7=9



4x9=36 add 3+6=9
5x9=45 add 4+5=9
6x9=54 add 5-4=9
7x9=63 add 6+3=9
8x9=72 add 7+2=9
9x9=81 add 8+1=9

Now add all the numbers together" 1 2 3 4 5 6 7 8 9 total is 45. 4+5=9

You can prove any addition with the use of nine. When you add the column numbers and get the total. The addition of the numbers sideways, (when added across) should equal the total of the addition when added downward.

Example:
753=15=6
987=24=2+4=6
479+479=20 2+0=2
Now add these numbers down
6+6+2=14 1+4=5
5 is the point to prove...
add the total addition of these columns, you get 2219 is 2+2+1+9 for a total of 14=1+4=5
Both numbers add, so the addition is correct.

There is still another way to use nines to prove addition. It is known as casting out nines.

Example: Add all the numbers sideways, but first take out all the nines. Also take out all the nines in the total addition at the bottom.

8 7 4=1
3=3
7=7
5 4 9 9 0
568=1+5+6+8=20+9-11-9=2

As we know too well, everything we touch or do is related to numbers. What we buy, what we sell, what we trade is all interpreted in numbers. There are only nine numbers, but what importance they represent. I hope I have thrown some light on this bright subject. □

Joe Rondinone is president and publisher of Commodity Projection Systems. He studied with W.D. Gann in person in 1954. He can be reached at P.O. Box 260675, Plano, TX 75026-0675 972-867-5332.

What is the Trading Index (Arms) Really Telling Us?

By Elton Borton

The Trading Index, or more currently called the ARMS index, tells us that this is a ratio of breadth to volume. That is expressed thusly:

stocks advancing
stocks declining
volume advancing
volume declining

The much celebrated work of Sherman McClellan features the 5%, 10%, McClellan oscillator and the summation index. This is a breadth technical indicator that examines only the numerator of the ARMS ratio. But, this is only half of the entire stock market action! We are taught that the denominator of any ratio is the determinant of the equation. This would indicate that volume, and not breadth, tells us about price behavior. No one has seriously attacked this volume side of the ratio until Turning Points Advisory Timing Service, Inc. (TPATS) introduced their new computer software called SMARTIMER[tm].

SMARTIMER uses many uniquely new math models to generate instant buy, sell, or hold recommendations. Since volume precedes price, SMARTIMER is capable of generating recommendations at the close of today's stock markets, that can forecast the direction of tomorrow's price action with a high degree of accuracy. Therefore, this is ideally suited for both mutual fund timers as well as positional day-traders.

SMARTIMER's math models are primarily based on the principles of calculus. The first derivative is velocity and the second derivative is acceleration. Using the differences between these two derivatives, it is possible to determine the turning points of sell-offs and rallies. It is also possible to determine a price trend that tells us when to either sell and stay out or buy and stay in.

SMARTIMER software gives separate buy, sell or hold recommendations for both the NYSE and the NASDAQ stock markets instantly. These recommendations are generated from five data entries for each stock market. These data are composite index values, stocks advancing, stocks declining, volume advancing, and volume declining. Although the math models only need the volume information to calculate the instant recommendations, the composite values and breadth are used to feature McClellan's work. This provides the information for technicians who follow the oscillator and summation index and also completes the total ARMS ratio study.

There are six graphs and six spreadsheets. A separate set of three is used for each stock market. One set shows McClellan's work, the second set shows the last six months of day-by-day trades, recommendations and profit/loss and the third set shows the unique volume indicators that drive the program. The serious technician is able to see the data in motion (graphs) and see the real data values (spreadsheets).

This software is the only one of its kind that truly shows what is happening within the

ARMS index ratio. You can see divergencies of price and the indicators; which signal high risk of sudden sell-offs. And you can also see convergencies of price and the indicators; which signal an imminent strong rally and trend reversals. A real plus for all serious technicians and traders.

The volume indicators feature six math models. There are two short-term indicators called the “Borton oscillator” and “Pace”. When prices are ready to reverse, these two indicators give an early signal by changing direction. There are two intermediate-term indicators called the “Bucket” and “Trend”. These will confirm the short-term indicators for price direction and momentum. Then, there are two long-term indicators called the “Volume Sum” and “Climax”. These indicators tell the duration of any price movements by giving over-bought and over-sold signals. All of these indicators are shown in graphic format for viewing relative movements. The actual values are also seen in the indicator spreadsheets. This is a technicians’ dream world that allows valuable insights into price structures and expected price movements.

Unlike other wand waving theories that only use educated guess-work to determine price action, SMARTIMER makes a calculated decision with every data entry, every day and stands by it. No hedging and no redefining the guess-work. SMARTIMER takes the emotion out of the decision making process. SMARTIMER has out-performed the stock market every year since 1986.

The disadvantage of SMARTIMER is that it requires data input to be entered for each trading day. SMARTIMER is only for the serious trader who has data access and can put the correct data into their computer every day. There are no auto data feed ins; it takes digital entries only.

It is truly amazing that volume can tell us so much about price action! Isn’t it time we started thinking more about volume?

For more contact Elton Borton, President or Greg Meadors, Vice President at Turning Points Advisory Timing Service, Inc., 28790 Olympia Way, Sun City, CA 92586 Phone (909) 301-3778, Fax (909) 301-4383

Forecasting The Power of Time

By David E. Bowden

In Traders World Magazine, Summer 1997 issue 24, I wrote an article called "The Power of Ranges", based on Lesson Eight from The Number One Trading Plan. This time I will attempt to give an outline of how I see the Share Price Index trading throughout 1998. I suppose we could call this article "Forecasting - The Power of Time".

To get the most out of this piece it should be read in conjunction with the first story in that I spoke of both price and time. Although time is more important than price, never forget that price is your first lesson. As in most things it pays to get your first lesson or "base" right before you move on.

To sum up the first lesson, I said that you should always look at your minor and major ranges. The ranges we were looking at were a minor range of 256 and how that developed into a major range of 1027 or approximately 400 % (256 x 4 = 1024). This range occurred from the major low (1341) November 16, 1992 and the major top (2368) on February 4, 1994 (2368 - 1342 = 1027). So now to take that lesson a little further, our next major low (1793) occurred on November 23, 1994. If we add our major range (1027) to our major low (1793) we get a target price of (1027 + 1793) = 2820.

This was the same technique that I used to call the top at exactly 1855, which fell on October 4, 1989.

Our all-time high (so far), that occurred on October 2, 1997, came in at 2827. I can accept that you say, "that's okay with hindsight", but I first put this calculation through for a major high early in 1995 - and what's more I never changed my mind. I'd like to add a little more confirmation that price targets can be established well before the event.

In my Number One Trading Plan course I gave a lesson on calculating the prime number of the Share Price Index. This Prime Number came out at 2832. There was only one number - 2832. It is worth noting that the high of the December contract came in at 2835 on September 25, 1997 then made a lower top of 2827 on October 2. So on a continuous chart we call the October 2 top the all-time high. While on a contract chart, which is often called a Gann (or seasonal) chart, we would call the September 25, 1997 high the all-time high. The midpoint between the two tops is 2831.

This was printed on page 106 of The Number One Trading Plan in 1996. What I'm saying is that it is possible to come up with the right figure and stick to it. I firmly believe you should get a working knowledge of price before you move on to time calculations.

You don't need to be a rocket scientist or have an IBM main frame to be successful, but you do need a working knowledge of how markets operate, as they tend to repeat and you start with price. You get on top of that before you move on to time. We will move on to time now.

The October tops of 1989 and 1997 were anniversaries. In the previous article I devoted one paragraph to time. In that paragraph I mentioned the significance of November for our Share Price Index contract. I stated that November produced the top for 1991, the low for 1992, the top for 1993, the low for 1994, and a significant low for 1995. The point I made was the importance of anniversaries.

To prove my point the high for 1996 came in at 2432 on November 26, 1996 during one of our major seminars. That was basically on the anniversary of the 1994 low. For 1997 the market double bottomed on November 19 and 25 at 2435 and 2437 respectively, the same price as on the anniversary in 1996. This was an excellent buying opportunity, but I wonder how many of our rocket scientist traders, with their foolproof computer trading programs recognized it as such. It's not really all that complicated. The run up from November 25 to January 6 (another anniversary) was 375 points. That's over $9,000 per contract. Anniversary dates are where you start your time analysis. You don't need Pluto squaring with Neptune and the sun coming up from the west on a lunar eclipse.

It is from watching anniversaries that you learn the flow or rhythm of the market. These rhythms are often referred to as cycles. First you must learn to recognize them - to be aware of their existence. You should look at them as a friend, for they are your way to make money. If you get your thinking, or cycle, in tune with the market, your decisions seem to flow.

The by-product is that you can make a lot of money. If you go against the rhythm or trend of the market you are "out of whack". You must have a way of analyzing the trend, and just as importantly, knowing approximately when the trend will end. If you either go against a trend when it is occurring, or stay on after the change has occurred, you will get crushed.

We recognize trends by way of price and time. To establish the trend by price alone we use swing charts. Higher tops and bottoms means that the trends is up and conversely lower tops and bottoms mean the trend is down. We should establish the minor range by measuring the first range out from a major top or bottom. Next you check the volatility or violence in the market. If volatility is high, price targets will be exceeded and subsequent correction in a bull market will be a panic reversal. I call them crashes and mini crashes. You can tell all of this by careful attention to ranges. You start with the daily high and low. If you are not getting the big range days you will never have a strongly trending market. In other words you won't make much money. If any trader tells you that he or she just made a killing, what they are actually saying is that they have found a strongly trending market. When you know that much you can go on to "time".

As I said earlier, you start by looking for changes of trend around the anniversaries of major tops and bottoms. You have them marked on your chart for possible changes of trend. Next you will divide the year from anniversaries into halves, quarters, and thirds. That's as far as you go for a start in natural time. After you have a working knowledge of the effect of time on the market, you will start counting the days between bottoms and tops. You can even go so far as to draw a swing chart using the days of a swing as the count. What you are looking for here is the balance and overbalance of time. This simple calculation will tell you when price and time targets are going to be met, or in some cases blow out the window. It is another way to rate the market.

A way of combining the two elements of time and price on a chart is to draw an angle. I use angles to tell me if a market is weak or strong. A simple trend line drawn from the absolute bottom to the absolute top in a bull market should be placed on a new low, once the new low has been established.

From this angle you can compare the strength or weakness of the second leg. Once again this will give you forewarning if price and time targets are going to be met. It helps you rate a market - you do not need any more than good charting paper a basic geometry set and a couple of pens and pencils.

That will certainly enable you to test your skill. In some countries the law states that you must include a disclaimer saying the previous success is no guarantee for future performance.

I go along with that, but I'd like to add that previous failure is less of a success indicator, so I heartily endorse some time being spent testing your trading plan because it helps to know if your theory works in practice. Don't look for something that works always, but at least be assured that it works sometimes.

So now as a backdrop to my call for the Australian share market, we will scan my call in 1996, the time of the last article. Some complained that I did not back up my last session with a forecast based on its contents. I mean, with all the money that they pay me for these articles, it's the least I can do... so here goes.

In September 1996 The Age published a lengthy interview under the heading "No Need To Panic, Says Guru". The reporter, Ian Davidson, actually caught me on my mobile phone as I drove home, and we spoke for about forty minutes.

Here are some of the extracts, though you need to read the whole article to get the proper prospective. It was recorded in late July, when the general market was still very nervous. There was still panic in the air.

I said that the market would not be a buy until March 1997. "Getting into the second quarter of '97, we are going to have a strong year and, after that, we are going to have a pretty good run that I expect to last for about 2 years." I said that this applied to the U.S. Market and Australia. I also said in June 1996 that the "Tiger Stocks" were running out of steam, and that Australia would be the new flavor of the month.

To be fair I also expected, as I said earlier, for the Australian market to go lower. I expected a "mini crash" for the Dow in October - November, because that's what it usually does. This occurred on December 3, 1996. I also said that the overall market would continue to make higher tops for approximately two years. The only way I would have changed my mind on that call was if the 1997 low took out the low for the past year.

So now how do I see the Australian market in 1998? As I said in the Safety in the Market Summer 1997-98 Ticker Tape, I think it's going up. That was a tough call in November 1997. Here is the basis of my thoughts.

Firstly, you must look at the predominant sentiment. Most commentators are negative or at least cautious, so that means it is probably a good time to buy. By Christmas this year if the market goes up everyone will understandably be totally bullish, so it will be time to sell out and go short. I would also watch Wednesday January 6 or Thursday January 7, 1999 - because that is an anniversary.

The thing about major tops is that they are the ultimate temptation. I mean, it feels so easy, and so right to buy them. The closer to the absolute top, the easier it is to rationalize your purchase. That is why so many traders lose so much around major tops - and to a lessor degree major bottoms.

I suppose, as usual, some analysts will sit on the fence and run with a forecast long after the event. I first gave this forecast in 1995. I have not changed my opinion in that time. I will change my mind when the facts change. The mini-crash in October 1997 did not alter my view; in fact it only strengthened it. As I said to my traders in November 1997, I will have to see the October 1997 low of 2210 taken out before I would call the market down. So far, that low has not been tested in 1998.

Currently the market looks to be building momentum. All the "Moms and Dads" are flocking in. Next we have the negative gearers, who will be followed closely by the doctors. It's a worry, but 1999 will see the reversal and panic in the market that some are predicting for today's market!

Winning 75% of All Trades Using Music Octave Set to Murrey Math

By T.H. Murrey

The Murrey Math Marketing Company set out in 1994 and developed a trading system called The Murrey Math Trading System, which sets all markets to an octave of music (price and time). This past week we have just completed our software that sets all markets in a trading frame set to music: A) Price = Octave and B) Time = a 1/2 stanza: 32 trading days.

We studied all markets and found that they set a rhythm-pattern over time that winds like a snake making a pattern inside "what."

Since Nashville is called "the Athens of the South" (for it has 15 colleges of higher learning, plus three institutions in which to matriculate an M.B.A.), which prompted the 100 Year Celebration of Nashville to build a replica of the Parthenon at Athens, Greece, which is harmonically set (built to the dimensions of a female body 64 inches tall back in 552 B.C..) and simultaneously called "Music City" (which more Nashvillians are more proud, since only 68% of our school children graduate from high school these days and everyone in town is a song writer), we set out to find the correlation between math and music (and then develop a trading system based on logic and common sense).

"Music City" has almost as many recording studios (digital now) as it does churches (Nashville has the highest ratio in the country) per capita.

Digital music converts perceived sounds into numbers and distributes them on a memory disk and allows the "board operator" to "mix," "match," insert or delete: 1) one note, 2) one phrase, 3) one stanza, or even raise or lower the speed or volume without having to back to the artists and ask them to do it over again.

Glenn Meadows (Masterphonics on 16th Ave. South) pioneered the way to bringing Nashville "up-to-date" by installing the 1st state of the art digital board in Nashville.

Glenn Meadows, along with every music person in Music City strives to present the most audible replication of sound through state of the art equipment that is "hooked on phonics."

Everyone thinks "phonics" is new or "improved" but in Sumeria in 3,125 B.C.. there were schools teaching children "it."

All children learn faster when they learn to read "phonically." All music is phonics. All phonics is music. All math is phonics. All music is math. (there I have said it).

Historical Note: Pythagorus (math teacher only to geniuses) {and he allowed in very few women} had his students go to sleep and wake up to music in 3/4 time (552 B.C.) (so much for new theories) !

We mailed out a copy of my last 10 page article (in Trader's World Magazine (5th straight article published by them): issue #25 winter 1998) to many professors at all of these institutions of higher learning: no response from a single "teacher."

I was even "cutoff" the radio the other day for mentioning that Time was set to music: WLAC-Radio station talk show host Pat Riley cut me off saying that my views were "too far out for his listeners," who were discussing what would happen to us at the end of the millennium! (Go figure).

My Reaction-to-Total - Rejection? Try the same thing from the flank! Historical Note: World's worst flank covered general in U.S. history: George Washington !

He had 9 war encounters and lost 5 because he had to flee for not protecting his flank !

Best Flank protection general was “Stone Wall” Jackson who covered every time for Robert E. Lee (Civil War).

So we decided to go at the universities and “intelligencia” from the “flank.”

I wanted to find a group of individuals who were said to be “no good” at math (as reported by the women’s groups for not being able to raise their hands in class and get the “reward” of “correct interactive participation” rather than a good report card), so I set out to find (8) girls to teach The Murrey Math Trading System by music.

I cogitated how I would accept these 8 individuals into my “sampling-core group.”

I devised the scientific method called: coincidental-random appearance sighting.

I have included 8 young women into my study from “random chance” as I go through my daily activities.

We shall later be introduced to: MaHa, (28.12), The Twins (26.56), Ursla, (20.38), Beth, (14.06), USA (Ooosa) (12.5), Vanessa (10.93) (9.38), Latangila, (7.18) and finally Lauran,(5.46) years young pre-schooler.

All (8) of these young women never ever heard of Murrey Math and in just one hour they were raised to Master Level Trader Status (one must be able to set The Murrey Math Trading Frame TM 1998 and then predict at least 75% of all future trades with a profit).

I gave them no more knowledge or understanding of any traded markets than 5 instructions: 1) turn on the lap-top, 2) download the data from the software vendor: Primate Software called Quote Monkey, 3) “click on” download, 4) access the directory with your name on it (that I created for them), now, find a market in the directory that you want to predict in the near future and “click on it.”

The charts you shall “see displayed” are set to music with just one click of the mouse. (can you see in color was the only question I asked these young women) ? They said yes !

I asked them if they wanted to learn to trade the “markets” and they said, “is it difficult?”

And I replied that it was no harder than trying to decide whether or not to buy “green” shoes or “sell” red shoes.

They all loved to shop, so they were willing.

The scientific reasoning behind how I chose each of these “willing subjects” was based on “appearance only.” (physical beauty).

I figured that since they were all so cute that they had to be “dumb” so if my software worked at all, it could help those “pretty air heads who talk like “valley-girls.”

1) Maha: 28.12 years old bar tender (5’4" tall 118.75 lbs (Hawaiian) {with the smile of an angel and the cold steel eyes of a pirate} I was seated at the bar at the Princeton Grille in Green Hills (my Ph.D.. is from M.I.T.) just a home run from the back door or the parents of George Sisler (the Nashville baseball player who Ted Williams had to beat his 42 consecutive hits in as many games to finally go on and break the record before Pete Rose finally broke his) talking music and Murrey Math with Ed King, who played guitar with Lynard Skinard’s band for 20 years and who has his “Alabama song” in the movie Forest Gump.

When we had finished our conversation MaHa asked me to teach her Murrey Math. (I said O.K., because I knew she was very intelligent, for she had just yelled back to her assistant 8 drinks in a row from 8 strangers who had just sat down at the bar).

I told her that I would come to the bar the next day and bring my computer and I would teach her in one hour (how to trade Murrey Math 75% accurate in price and time) or she could go over to Dillard’s Department Store (next door started in Arkansas just like Walmart) and put

$100 worth of clothes on my tab: how could I lose!

She learned Murrey Math by the time I had finished off two Jack Daniels on the rocks !

I took back my credit card and she took her stock “tips” over to her boy friend’s house.

The Twins: (26.56 old) country music singers from Grinders Switch, Tennessee.

Last weekend I decided to go down town to “Lower Broad” to the basketball arena and see A.P.S.U. play Murray State U. play in the O.V.C. tourney. Murrey State is 26 and 3 so they beat A.P.S.U. easily.

Murray State was so good that my team (I played there in 1960 through 1964 and helped take our team to the sweet 16 of the small college tourney) had to employ a zone defense. They used a 2-1-2 zone: Murrey Math.

Please look at all of my charts (done in my new software and it appears that all daily trading action is revolving around a 2-1-2 zone defense inside a half court of a basketball court.

I laughed to myself for I couldn’t even attend any sporting event without equating what I do to help others learn Murrey Math to “it.”

After the game, I came out on the “Lower Broad St.” exit and I started wandering down past all the restaurants and shops (about 37.5) between the basketball arena and the river.

I stopped in the shop of George Gruhn, Gruhn Guitar, where every word spoken is a derivative of Murrey Math: music, sound pitch, octaves, and money: (profits) I mean high prices in low places !

George Gruhn’s father was a pathologist in 1963 and he sent his brilliant son to: 1) U. of Chicago, 2) Duke U., and 3) U.T., and then he met Hank Williams Jr. and they decided to start a shop for great instruments.

25 years later George Gruhn is an American Icon for hearing quality music set to math and turning it into money: Murrey Math!

Personal Side Note: George and I talked for a few minutes and I admired his 25 years of hard work that has taken his music-love to 30 employees and a reputation of honesty and fairness to help others make better music (which leads to more money) Murrey Math.

Only 4 blocks away I passed the Nascar Restaurant, so I peeped in, then I went in, then I bought a ticket, and took the simulator ride (out of this world); then I peeped into the Planet Hollywood Restaurant; and then I went into “Tootsies’ Orchard Lounge, a world famous “honky-tonk” for music (its back doors open out to the back door of the Ryman Auditorium) {home of country music} so stars would leave the Ryman after playing four songs and go down into “Tootsies” and give a free concert till they closed the doors}.

“The Twins” were playing on stage (I can’t tell you who they are because they don’t want anyone in Nashville to know them).

Their mother just happens to be in the Country Music hall of Fame ! Go figure !

I asked them for their autograph after they finished their “set” and we engaged in light conversation for a few minutes.

Looking at these two beautiful women is like looking at a woman standing next to a mirror (and can they harmonize) Murrey Math.

The next week I mailed them some charts and they called me back and I met them down town and taught them Murrey Math. (It was easy for them because they are always together and two heads are better than one, so what one didn’t see the other did, so they picked it up real fast).

Ursla D. (20.38 years) 5' 4" 118.75 lbs.: a beautiful college senior at Tennessee State University studying speech pathology.

Last Sunday I stopped by Uncle Bud’s Restaurant for lunch and Ursla waited on me.

As I was waiting for my lunch I was reviewing 4 charts of the high-tech market (set in color to Murrey Math) using our new software), and ursla asked me what those graphs were (and we started talking).

We finished our conversation by my giving her my E Mail address: then I taught her Murrey Math in one week from the Internet lessons I send out everyday all over the world.

USA (Ooossa) Nickname “gift” (12.5 years) Parents are from Thailand) daughter of Sam, (who works on my Mercedes), is the smartest 6th grade math student in the Nashville Public Schools this year.

I was driving down the interstate and I had to slow down fast and my front brakes made a weird noise. I immediately drove over to Sam’s shop and asked him to look at my brakes.

While Sam was fixing my brakes, I taught “gift” the 49 reversal price points that all stocks want to reverse off from zero to 100.

Her Uncle Guy works there and I gave him my E Mail address to follow Murrey Math on a daily basis: since he works on Mercedes all day, he can’t think about anything else, but this child was “bored” with grease and motor noise and fume smells and was excited to use her brains rather than her hands to entertain herself (adults always do things the hard way), we looked at my web pages and went through my free lesson on the Internet.

One hour later my brakes were fixed and Sam’s daughter was a Murrey Math Master Level Trader just as much as her father is equally a Master Level Mercedes Mechanic from 20 years of experience.

Later that day I went over and showed my new software to an old friend in the real-estate business and he wrote a check faster than I could install it in his computer.

After I left his office I decided to go across the street on 16th Ave. and have lunch at Sammy “B.’s.”(next to Masterphonics).

I sat at the bar, back in the corner, down near the phones, so I would be out of the way: this restaurant has some “famous” music industry folks coming in for lunch each day: I looked across the room and saw Ralph Emory talking about his next TV. show special for T.N.N.

As I perused the work of my youngest Murrey Math student, I was careful to keep my charts out of the eyesight of most of the restaurant’s patrons. (some people think I am weird for wanting to help others make money: the selfish ones tell me to keep it a secret and let only them know how to do it.

A tall “music-type” comes over and takes the last seat at the end of the bar next to me. (everyone seems to know him). I keep putting the finishing touches on my charts, then as I turned a page to a color chart, the man next to me engages me in a query: What in the world is all that: it’s beautifully symmetrical, but I have no idea what I am looking at,” he said smiling, and pulling his shoulder-length hair back behind his ears and squinting over at me as we exchanged greetings from his question.

“This is a stock, Nations Bank, set to music,” I said smiling, hoping he wouldn’t think me any more weird than the rest of the folks in the room (who were all discussing words and sounds as music: not math as music (but I guess I’m the only one right now who does or can see that it is or does).

We introduced ourselves and he didn’t know how famous I am nor did I know how famous he is presently: he is Earl Bud Lee (“Buddy” to his friends and he said I could call him “Buddy” so I did), but this still didn’t tell me anymore than what I could see and hear from conversing with him during lunch.

We talked on the same level for 1.5625 hours and then we concluded that we had a good conversation and I left Sammy “B’s.”

When I got back to my car, I looked in the back seat, and saw an 11x17 Intraday chart of the OEX 100 Cash Index set to Murrey Math (where this market this past Jan. 21st-22nd 1998 it reversed 9 times and closed the trading day EXACTLY on Murrey Math Lines I constructed way back in 1994) and so all of my students know that all markets are EXACT and you can trade Intraday and make money (contrary to the opinion of all of those who don't trade using Murrey Math - but I shall "blast" out about intraday trading next time) presently I am proving that any "girl" with my new software and no experience can trade 75% accurate on any time span with just one hour of Murrey Math Training).

I grabbed one of my signed and numbered intraday charts that prove that anyone "lazy-enough" to go hunting for deer can trade intraday (any day of the week) and pulled it over the back seat and headed back inside to give one to "Buddy." (my new friend in the music business).

When I came back inside "music people" were standing around him, one women was hugging him and another was waiting to hug him. I over heard one of the men say, "this is "Buddy" he is the man."

I stepped back and listened a little longer and found out that he had co-written "Friends in Low Places." This man gets a check in the mail every time someone turns on a radio anywhere in the world: we're talking major big-time song writer and we had lunch together and I am coming back in here to give him my autograph (when I should be asking him for his) well sometimes you can't tell which shoe should be on which foot, especially when one should go in your mouth).

I squeezed my way back into his circle of admirers and handed him my intraday chart and sheepishly told him to please keep it and we should talk again soon. (this innocent ignorance is equal to sitting down next to Michael Jordon and asking him why a grown man with a suit and tie on is wearing

Nike tennis shoes at lunch). Oh well, he knew Murrey Math after 1.5625 hours of me talking nonstop or he was just calmly amused and "bored" waiting for the mail.

Next I went by Kinko's to see if Raine (who writes religious music and has the face of an angel) had finished my color copies of my intraday 11x17 charts for my new book owners to display on their walls and to train themselves to believe that all things are possible with the Murrey Math Intra-Day Trading Frame (coming out soon): after we fine tune to the end of day software.

I spied a young afro-american child about 14.06 years old and so I went over and asked her mother what her name was and we exchanged names and hers is Vanessa: (this is one beautiful young girl) I found out a few moments later that she had won an opportunity to go to New York City (in the near future) and participate in a beauty/ modeling contest among others her age.

I gave her mother my number and told her that I would send her some math equations in a few days and I would expect her daughter to do quite well with it and quickly.

We talked about the weather and then I left and went immediately to the post office and mailed her mother my book and a pile of Murrey Math charts and "cheat sheets."

As I was exiting the U.S. Post Office (across the street from Public Hillsboro High School, I ran into two groups of friends simultaneously Bob, Sue, and their children Jessi and Hugh O'Donnell, a graduate of Notre Dame.

It was hard to talk to both groups at once: Hugh was trying to talk and Jessi was throwing me a spiral pass with a football (this girl is a real "tom-boy" right now) her mother even confessed that she had "whipped" a boy at school for calling her a "tom-boy."

Hugh (a prominent Realtor in Nashville) was telling me about a Hillsboro High graduate Wayne F. Murphy at 19 (as a marine reserve) who had just that day received the Bronze Star for valor in a war (Korean) from 1950 and who still lives in this neighborhood: and to think it only took the Marines almost 50 years to bestow it on him (better late than never).

Hugh wanted to talk about Murrey Math and Jessi wanted to go out for a pass: I flipped a coin and asked both groups to go down to the Village Inn and drink some beer and talk Murrey Math: so we did.

I had tried to explain it to Hugh for three years, but when he saw me let Jessi use the Lap-top computer and do all the work and guess correctly 75% of the time (after only three beers) that's me drinking the beer, he finally admitted that it was just "numbers."

After I went to the cleaners, I headed toward Radnor Lake, Tennessee. Every house bordering this American Revolutionary piece of property (640 acres) set to Murrey Math for we use 64 trading days, just ask Benjamin Reed from North Carolina given one square mile of land or 640 acres for being a private (and living to tell about it) for his payment toward ridding this country of the British king because of the "Tea Tax."

As I approached the parking lot I saw Kathernine get out of her Bronco with her two children, Lauren and Taylor. They live one hill over from the "nature park." Every family living adjacent to this park is rich and powerful and smart. The lowest priced house starts at $ 187,500 and the largest house has 18,750 square feet.

Katherine and her ex-husband had trust funds given them and these children have them also: they can just go to school to eat their lunch if they prefer, but they enjoy being young and really don't know any better right now so they are eager to learn all they can about everything.

Natural Law is the Basis of Market Movements

By David S. Cerf

W. D. Gann is without a doubt the most accurate trader ever. Although he wrote several books and courses it is a common belief amongst students of Gann analysis that he never fully disclosed all that there was to his methods. The books he did write are often criticized for being difficult to follow and written in what has been described as a vague and random manor one place that is said to be where he chose to be more specific (albeit somewhat veiled) about his methods was the interview he did in 1909 for Ticker magazine (which later became the Wall Street Journal).

"During the month of October 1909 in 25 days Mr. Gann made in the presence of our representative, 288 transactions in various stocks on both the long and short side of the market. 264 resulted in profits, 22 in losses.

We have seen him in one day give 16 successive profitable orders in the same stock 8 of which turned out to be at either the top or bottom eighth of that particular swing. The capital with which he generated was doubled 10 times so at the end of the month he had one thousand percent on his initial margin."

This is absolutely beyond belief amazing accuracy, excuse me, 16 consecutive profitable orders 8 of which are in either the top or bottom eighth of that particular swing (and he was going to tell you how to do this in one of his books?) If he did leave this information, he didn't exactly spell it out for anyone.

Probably the most common and widely known Gann method that people are familiar with are the geometric angles which are constructed from single significant high and low points on a price chart. The first and most important angle is the 45 degree 1 X 1 angle which represents the 50% diagonal of a square and relates the moving average of 1 price unit per 1 time unit traveled. The next most important above the 45 degree 1 X 1 angle is the 63.5 degree 2 X 1 angle which relates the moving average of 2 price units to 1 time unit traveled and next below the 45 degree 1 X 1 angle is the 26.5 degree 1 X 2 angle which represents the moving average of 1 price unit for every 2 time units or 1/2 price unit per time unit. Gann instructed his students to draw these angles from significant highs and lows and that when prices would come into contact with a geometric angle, price and time were said to be, in his terms, squared, and thus to look for a change in trend at that point.

Many have learned to use these angles to find that they can be quite accurate for periods of time, but usually not enough to be solely or consistently relied upon. The concept of squaring price and time is one of the main premises of Gann analysis that he taught his students.

Now let us for a moment examine some of the quotes he made from the 1909 Ticker magazine interview. "I soon begin to note that periodical recurrence of the rise and fall of stocks and commodities. This led me to conclude that natural law was the basis of market movements. I then decided to devote 10 years of my life to the study of natural law as applicable to the speculative markets and to devote my best energies toward making speculation a profitable profession."

If natural law is the basis of market movement how come there is never any specific reference to the mathematical sequence of numbers and ratios found predominantly throughout nature ever mentioned in any of his published work? Now if you had devoted 10 years of your life to study the markets and you found something unbelievably accurate, would you want to reveal it? Why? What would be the point? You would risk your orders being front run by other traders using the same techniques you developed.

"The law which I have applied will not only give these long cycles or swings, but the daily and even hourly movements of stocks. By knowing the exact vibrations of each individual stock I am able to determine at what point each will receive support and what point the greatest resistance is to be met. Thus I affirm, every class of phenomena, whether in nature or in the stock market, must be subject to the universal law of causation and harmony. Every effect must have an adequate cause. If we wish to avert failure in speculation we must deal with causes. Everything in existence is based on exact proportion and perfect relationship. There is no chance in nature because mathematical principals of the highest order lie at the foundation of all things."

This could possibly be construed as being a reference to the mathematical sequence universally found in nature (and finally..."stocks like atoms are really centers of energies therefore they are controlled mathematically. Thus to speculate scientifically, it is absolutely necessary to follow natural law."

Keywords? controlled mathematically, absolutely necessary and natural law.

In addition to representing the open high, low and close for a given time period a price bar on a chart could also be said to represent the mass collective mathematical recording of the human psychological and emotional responses mainly; optimism, pessimism, fear and greed and thus a reflection of human nature. Therefore we would look to the mathematical sequence found in nature to measure; "exact proportion and perfect relationship."

In case if you haven't been; please let me introduce you to Fibonacci de Pisa (Italy 1124 a.d.) the man currently credited with rediscovering what was already known approximately 3700 years earlier at the time of the building of the great pyramid in Giza in 2623 B.C.; the mathematical sequence found universally in nature.

Briefly; the Fibonacci sequence proceeds 1,2,3,5,8,13,21,34,55,89, 144, etc.. Each number in the sequence is related to the next number by a ratio of .618. Each number in the sequence is related to the previous number by a ratio of 1.618 and alternate numbers in the sequence are related by ratios of .382 and 2.618.

If we now shift our focus to our knowledge of Gann's squaring price and time via geometric angles and the Fibonacci rations and proportion both price and time of a previous market movement we would then be squaring price and time within the Fibonacci sequence in relation to a previous market movement.

This leads me to conclude that this is what Gann was alluding to when he mentioned that "...natural law was the basis of market movements" and that "Everything in existence is based on exact proportion and perfect relationship" and finally that "...mathematical principles of the highest order lie at the foundation of all things."

In my next article I will discuss in detail a systematic method for determining these mathematical points of force where short and long term trend changes occur allowing one to achieve Gann like accuracy!

David S. Cerf is a private trader in Chicago and can be reached at (847) 361-0401.

Dynamic Trader Software and Trading

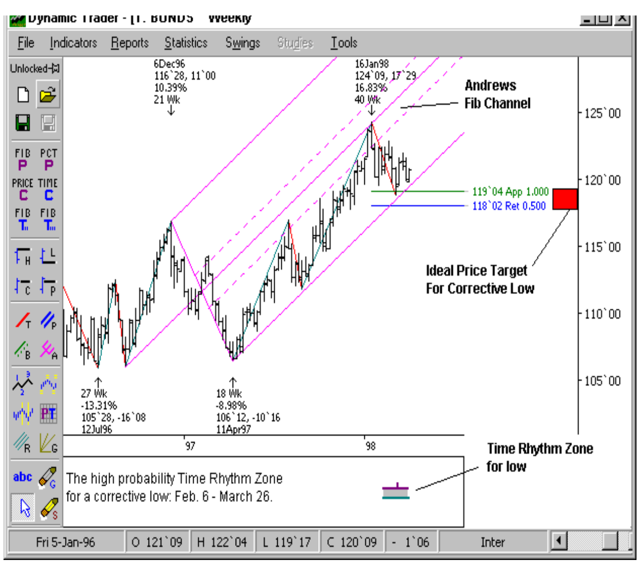
Course - Version 2

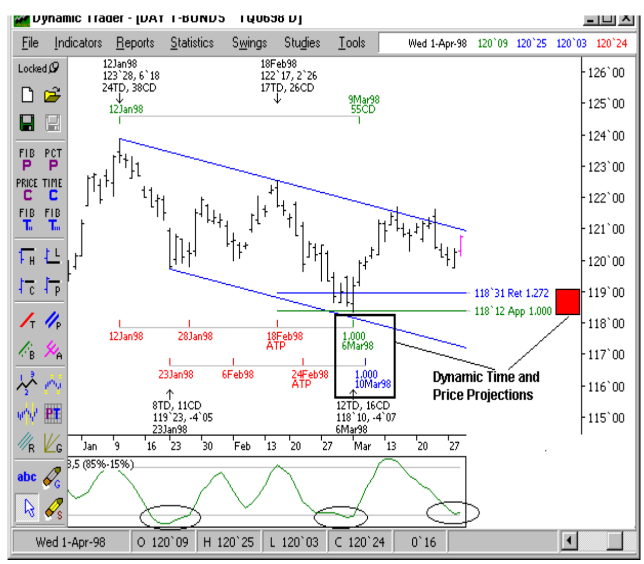
Dynamic Traders Group, Inc. 6336 N. Oracle Suite 326-346 Tucson, AZ. 85704
www.dynamictraders.com (520) 797-3668, Fax (520) 797-2045

Product: End-of-Day and Intraday technical analysis and charting program for Windows 95/NT.
Equipment Requirements: Windows 95/NT, Pentium
Data Formats: End-of-Day: AIQ, ASCII, Computrac, CSI, Ensign, Bridge, MetaStock, Super-Charts, TC2000, TechTools. Intraday: ASCII, Ensign, GenTick, MetaStock, Trade Station and SuperCharts Real-Time by free utility provided and CQG by free utility provided.
Price: $1700 + S&H. Includes the Dynamic Trader Trading Course and six month subscription to the Dynamic Trader Weekly Report.

In the winter 1996 issue (#21) of Traders World, I reviewed Robert Miner's new software program Dynamic Trader Version-1 soon after it had been released. I found many unique features in the program that weren't available in other technical analysis software programs. Almost two years after the initial release of Version-1, Miner has released Version-2 of Dynamic Trader.

Two years is a long time between software version releases. After having used Dynamic Trader Version-2 for the past few months, I find the time between releases was well spent developing a more sophisticated and easier to use, even elegant program. Version-2 of Dynamic Trader is a major upgrade. Not only does Version-2 have many new features, but also some of the unique routines and reports from Version-1 have been substantially improved and expanded in Version-2. Dynamic Trader Version-2 can easily claim to be the most comprehensive technical analysis software available for time, price and trend analysis.





Unique Time Analysis Routines

Miner has long been known for his unique approach to time analysis. Taking his cue from W. D. Gann who taught that every cycle is working out in proportion to a past cycle, Miner has added his own approach to time analysis and come up with several time projection routines that are unique to Dynamic Trader. These routines include his Time Rhythm Zones™, Dynamic Time Projection Report, Fib Time Blitz™ and Time Cycle Ratio™ projections.

Each time projection routine serves its own purpose. Using long-term daily data, the Time Rhythm Zone routine may project a fairly broad time zone of 2-3 weeks where a trend has a high probability of making a major trend reversal while the Dynamic Time Projection Report will usually focus in on a 2-4 trading day range. All of the time and price projection routines are designed for intraday data as well. Using intraday data such as 30-minute charts, the minor degree projections for trend reversal are often made within a few hour time range.

Each of the time projection reports are made from swing files that are automatically built by Dynamic Trader. A cursor is placed on a swing pivot high or low and the projection is made. The time projection routines are not black box. Everything is revealed and fully explained. The user has the choice to use the default time templates included with the program or construct their own for unique situations.

Dynamic Price Analysis

While many technical analysis software programs can do simple Fib retracements, Dynamic Trader allows the user to do virtually any price ratio extension, retracement and expansion possible. A new feature in Version-2 is the End-Of-Wave (EOW) price projections. The EOW routine includes price projection templates for each typical wave structure. The user only has to click on the most recent high or low pivot, choose the wave structure projection template and all of the projections are done at once. Each price projection is labeled on the chart by wave type, ratio and the exact price target. The user will quickly see the price projection cluster for the highest probability price targets.

Two more new price analysis features round out the comprehensive price projection routines in Version-2 - price squaring of highs and lows and price counts. Price squaring of highs and lows is a technique made popular by W. D. Gann that few software programs include. A new price count routine is also included which allows the trader to lay the price "squares" of 360, 144, 24 or any other number on the chart from past highs and lows or from "0". The latter I have not seen in any other program.

Gann Chart Geometry

Also new in Version-2 is the addition of several other Gann related techniques. Miner has added Gann geometry with the time/price extension boxes. The user can designate any division, angle or ratio. Gann angles have also been added. While some of the popular software programs include Gann angles, most apply them incorrectly. Dynamic Trader allows the user to designate the exact ticks per day to use for the 1x1 angle so each angle is drawn precisely correct. In the 1980's, Miner wrote a comprehensive course on the trading techniques of W. D. Gann. These new additions to Version-2 demonstrate his intimate knowledge of the Gann trading techniques and the care with which these routines were properly designed for the program.

New Swing Statistical Reports

Version-2 has substantially beefed up its statistical routines. Would you like to know on what day of the week minor highs and lows are made? The Swing Statistics report will show a table with the total number of minor highs and lows for each day of the week for any market. This is invaluable information for the short-term trader. Another new feature in the Swing Statistics report will show the swing "vibration" or the typical swing lengths in time and price for any data file. For instance, you may find that 50% of all of the minor, short-term bond swings fell in the range of 28-37 ticks and 30% of the swings were from 52-68 ticks. How would you use this information? If bonds made a short-term swing greater than 37 ticks, the odds are they would continue to at least 52 ticks. Valuable information to have at your disposal? You bet. Like all of the other routines in Version-2, the Swing Statistics reports will read either daily or intraday data files. See Miner's article in this issue for more information on statistical studies.

Visual chartists will find Dynamic Trader's on-screen graphics a dream. The on-screen charts are crisp and clean and easy to manipulate the time and price scales. The interface is very intuitive and has been carefully thought out to make all of the key routines and reports quick and easy to get to.

End of Day and Intraday Data

The reports and routines in Dynamic Trader are designed for daily and intraday data. Dynamic Trader does not read a real-time signal but will read most saved intraday data file formats. Most software provided by real-time data suppliers allow the data to be saved in an ASCII file format which is read by Dynamic Trader. Trade Station and CQG users are provided a free utility by Dynamic Traders Group for those programs that will convert the TS or CQG data to a file format that may be read by Dynamic Trader. Dynamic Trader also includes a utility that will convert GenTick data to any time period bar required.

Trading Course and Weekly Report Included

Dynamic Trader is more than just a software program. Purchasers of the software also receive the comprehensive, updated Dynamic Trader Trading Course (Version 2) and a six-month subscription to the Dynamic Trader Weekly Report. The new Trading Course teaches the user all of the background of the time, price, pattern and trend analysis techniques. There is a lot of new material in the Version-2 Trading Course including additional material on practical trading strategies. The course also teaches how to develop and implement a trading plan and specific trading strategies for entry, stop-loss and exit. It is a complete trading education itself. Until Miner put together the Dynamic Trader Trading Course, they was no comprehensive trading education material that included all of the factors necessary for successful trading including technical analysis, trading plan and trading strategies.

The Dynamic Trader Weekly Report is typically 10-12 pages of analysis and trading recommendations as well as trading education. Each month a two-part trading tutorial is included that focuses on practical trading strategies. Miner explains how the Dynamic Trading analysis was used to make the trading recommendations so the subscriber can learn the complete Dynamic Trader approach and trading strategies. The subscription to the weekly report makes the Dynamic Trader package an ongoing trading education as well as the ideal practical education how to put the DT software to day-to-day use for market analysis and trading decisions. The Dynamic Trader package of software, trading course and weekly report is a unique package of technical analysis tools and practical trading education.

It is unusual in the technical analysis software and trading education business for the vendor to offer an unconditional guarantee for their products. Usually the guarantee includes all sorts of conditions that for practical purposes prohibit a return of the product. The Dynamic Trader Software and Trading Course is sold with a 30-day unconditional money back guarantee. I believe that clearly demonstrates Miner's confidence that users will easily find value with the Dynamic Trader package.

Is Dynamic Trader for you? If you are looking for a unique and comprehensive approach to time, price, pattern, trend analysis and trading strategies, I think you will find Dynamic Trader right up your alley. Dynamic Trader is not another "system" development software package loaded with a plethora of redundant indicators and confusing statistical routines. Dynamic Trader is different. The combination of unique software, trading course and weekly report subscription is the most complete trading tools and trading education package available that I know of. And, it costs less than many of the expensive weekend workshops that promise to make you a super trader in two days. If you are interested in a new, logical approach to trading, take Miner up on his guarantee and check it out for yourself.

How to Setup Up Your Home Trading Office

By Larry Jacobs

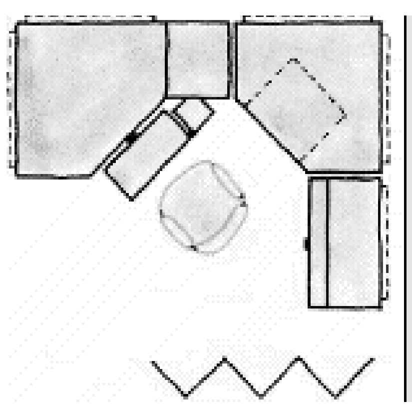
Many people are discovering the advantages of having their own home trading office, whether it's their office away from the office, or the headquarters of their own small trading business. You can get furniture anywhere, but by reading this article you can take advantage of the knowledge resulting from our extensive research on issues like ergonomics and technology improvements.

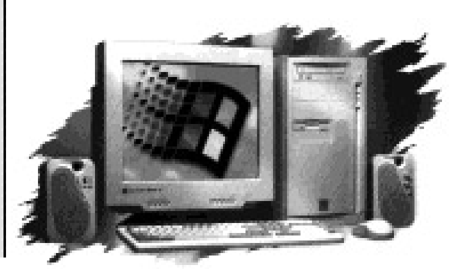
The changes in computer technology and communications has made it possible for you to stay home and trade the markets better than you could ever before. This is the beginning of a grassroots movement of environmentalists and over worked professionals who believe that they can work-at-home and do their own thing better than they could at a crowded and noisy office. The benefits to the telecommuter have been well documented. News, magazine articles, books and first-hand accounts of working parents seeking a better balance of work life and family life describe the advantages of the one-minute commute. Although it is difficult to measure, many traders report improvements in their trading effectiveness when they are freed from the constraints of a central office. Now let's look at what you need to setup that perfect at home trading office.

Trading at home through the internet will soon explode. Signal Online soon will be interfaced with popular trading programs such as TradeStation 5.0. This will give you the ability to use the most advanced technical indicators to trade with. You'll have 2 1/2 second push button trading ability. You can even tune in to hear the trading on the floor of the S&P and Tbond pit through your speaker system! Check out ZapFutures, an advertiser in this issue. They have this order system now!

We looked at the home office furniture industry and found that the Herman Miller collection of home office furniture was some of the best around. It is designed specifically to help you work most effectively in the place you most like to be, your home.

The Herman Miller Aeron chair is their best selling chair. It is a next generation work chair that embraces the diversity of human form and function in a home trading office. It doesn't look like any chair you've ever seen. It doesn't feel like any chair you've ever sat in. Right away you'll notice how the Aeron chair's tilt lets the seat and back move in easy harmony. Your natural body





motions and work postures, from forward-sitting to lounging, are healthfully supported. Replacing foam and fabric, the highly permeable suspension helps you stay cool as it holds you comfortably. The Aeron chair comes in three sizes, so it fits just about everyone. It is excellent to sit in for long periods of time and trade or research the markets. See Figure 1.

The Herman Miller Beirise Collection of home trading furniture puts you in control. It provides accommodating, healthful support that can be arranged to fit you and your space. The freestanding, unhanded components are lightweight and fit through doorways, up stairs, and around corners, and you can easily rearrange them when your needs change. All tables, bookcases, and cabinets visually complement your home interior and are scaled to residential dimensions. In a small area, you have ample space to spread out papers, place electronics, and store materials. Components are simple to use and understand, so you can easily create the home trading office that works best for you.

We setup a demo office with this furniture and found it to be excellent. See Figure 2. With two corner tables, this arrangement is ideal for a home trading computer setup. It can support two 19" computer screens leaving ample surface area for technical manuals. A lockable cabinet with drawers keeps files secure and private. The components of this arrangement are the (2) BC210 Corner Tables, (1) BC215 Corner Table Extension, (1) BC420 Cabinet with Drawers BC430, (1) Overhead Bookcase BC700, (1) Adjustable Keyboard and Mouse Tray G5010, (1) Pencil Drawer.

To help you design your own office. A complete Home Office Configuration Program is available to you on our Traders World Internet Website: http://www.tradersworld.com.You can design your office to scale and order all the components online if you want. We also sell an excellent book entitled Home Office Design by Neal Zimmerman. It is a detailed book that contains the information you need to create a conformable home trading office. 206 pages $19.95 S&H (4.95). It can be ordered on our internet site or by phone 800-288-4266.

Your home at work as well as your home trading office can be a newly discovered source of potentially dangerous pollution. Yellow distored color, irritating flicker and glare, as well as radiation from common fluorescent tubes, television and computer screens can harm you. Dr. Ott invented the OTT-LITE(r), the first total spectrum, radiation-shielded light source. It's the closest light to natural sunlight. Over the last 40 years, Dr. Ott has expanded his research and has created products that have revolutionized the field of lighting. OTT lighting products in reading lamps, overhead fixtures and on desks totally change environments by reducing light pollution. Dr. Ott's lighting products are accessable thru our Home Office Configuration Program on our website.

What is the right kind of computer you need for trading? Over the past year, we've seen many advances: Intel Pentium II and the AMD K6-2 chips have reached 300 to 400 MHz, and the system bus is now 100 MHz. These chips greatly appeal to traders involved in graphics-intensive work such as trading and are highly recommended. As voice and video become more integrated into everyday trading applications through the internet, users need the extra power. Today, a 300 to 400 MHz computer should suit most needs.

Most users settle for the monitors that come with their computers, believing that they are all the same. But the truth is, monitors are not the same. It is the most important part of the computer. The part you look at all day long. Your eyestrain is important. The perfect trading computer for the home office or home should have either a 17-inch, 19-inch or 20-inch flat square monitor. The true trading professional will want to go up to a 20 or 21-inch monitor. Another configuration would be to use two of the new 19-inch monitors side-by-side. Two monitors are now easy to setup with Windows 98. These new 19" monitors are now the same size as the 17-inch, but with the much larger screen. Why use larger monitor? The main reason is for better trading and comfort. A 17-inch monitor has about 35 percent more screen area than a 15-inch monitor, and a 19-inch unit delivers 75 percent more. That means you can run many programs at the same time. You might have a a trading program such as TradeStation, a spreadsheet and be reading fundamental research from Signal all at the same time.

You should find a monitor that supports a refresh rate of at least 85 Hz for the resolution you're likely to use. Most users use 1024 x 768 resolution for trading. There are also different types of tubes: either shadow mask, aperture grille. A shadow-mask tube creates the picture element from dots, an aperture grille from vertical stripes, and a slot mask from elongated ovals. Shadow-mask tubes tend to deliver sharper text and Aperture-grille tubes generally deliver richer, more saturated colors, so they have the edge for image editing. The best for trading charts are the shadow-mask tubes. The Shadow-mask tube should a dot pitch of 0.26 mm or less.

To get the most performance out of a perfect PC, you need the best possible graphics accelerator. Traders need the new 3D cards, because they'll soon see applications like trading programs spreadsheets taking advantage of the new 3D functionality so they should be 3D-compatible. Be sure the card's RAM is upgradable to 8MB for the 19" or 20" screen. The card should be compatible with AGP, the new high-bandwidth graphics pipeline that takes graphics processing off the PCI bus. The following configuration is recommended for trading and can be ordered from Traders World.

You can now setup and design your own trading computer system with a monitor with our Trading Computer Configuration Program on our internet site. This program will give you the latest new products and the lowest prices for trading computers. These computers are designed specifically for trading to stay on 24 hours a day. They have now 3 fans to stay cooler than other computers. Go to our internet address http://www.tradersworld.com or call us at 800-288-4266. Here is one example of a system you can have configured. This system is excellent and in many tests can run as fast as an Intel 400 MHz computer system and at a much lower cost.

AMD K6-2 300 MHz 3D Now Computer

AMD K6-2 300Mhz 3D Now Processor
100 MHz Motherboard
64MB 100Mhz SPD DIMM
Mid-Tower 235 Watt Power Supply
8 MB AGP VGA Card
US Robotics 56K v.90 Fax Modem
AWE 64 Audio Sub-System
32X CD-Rom
6.4 GB U-DMA Hard Disk Drive
1.44 MB Floppy Drive
104 Keyboard
MS-IntelliMouse
MS-Windows 98
One Year Warranty
Monitor extra
Price: $949 plus S&H

Big Profits in the Options Market

By Alan Friedman

Did you ever dream of being on a roll with your trading? I mean, taking a small amount of money and turning it into a significant sum? If you are willing to take a small amount of money and gamble with it, I have developed a trading system that can allow you to piggyback on “smart money” accumulation of equity options. This system can, in as few as 4-5 trades a year, potentially turn as little as $1,000 into a nice 5 digit figure. Of course, as with any investment that promises high rewards, there is substantial risk involved. With this system, the most you can lose is the amount you invest. If you start with $1,000, and are willing to play with some risk capital, the most you can lose is $1,000. The upside is unlimited.

Recently, The Wall Street Journal ran an article that stated that insider trading had moved from the equity market to the arena of the equity option markets. While it is illegal to trade on non-public information, it is certainly legal to piggyback on “informed” buyers in the options market as long as you have no knowledge of any non-public information about the stock in question. Now, is there a way to spot this “smart money” as they purchase options in the market? The theory behind my methodology, called The WOLF system, is that options with high volume and low open interest can be under accumulation by “smart money”.

Open interest is the number of contracts outstanding in a particular option and is created when both parties to an option transaction are opening a new position. The buyer is going “long” the option while the seller is going “short”. Open interest tells you the liquidity of an option. When open interest is low, an option is usually illiquid and does not trade frequently. Because of this illiquidity, the option usually has a wide spread between bid and asked and as a result, the public usually stays away from low open interest options. Thus, when heavy volume comes into an option with low open interest, it might be the result of non-public buying. Because the public is wrong about 95% of the time when they buy an option, you usually want to piggyback on a professional trader. But before I show you an example, let me make it clear that not all situations where an option has high volume and low open interest are the result of “informed” buyers. There are various filters I use to eliminate volume from public buyers and I will get to some of those rules later. Now, let’s look at an example.

Back on May 14th, the HOME DEPOT (HD) June 75 calls traded 5397 contracts with open interest of 1933 contracts. The high ratio of option volume to open interest indicated that there was urgency on the part of a buyer to purchase these calls. Regardless of the lack of liquidity, a buyer wanted these options so bad that he/she was willing to overlook the lack of a liquid market in those calls. After looking at the moving averages and the chart, I determined that this was a valid signal and the next day, subscribers to The WOLF daily service bought these calls at 1 5/8.

Did someone know something in advance? A few days after we entered the trade, HOME DEPOT announced a stock split and an increase in the dividend. On June 1st, the calls hit our target of 5, and we sold for a 231% profit in 2 weeks.

Sometimes, you can catch a takeover by looking at option volume and open interest. On September 9th, 1986, the DURACELL September 50 calls traded 2682 contracts with open interest of 727. The calls had doubled that day, closing at 1 while the underlying stock moved slightly higher. With The WOLF daily service, you would have picked up the calls the next morning at 1 1/4. The very next day, GILLETTE announced a takeover bid for DURACELL and the calls soared to 8. The SEC investigated and found that two insiders had been buying the calls prior to the takeover. Of course, you would have been able to keep your entire profit because you were simply piggybacking on other traders and had no knowledge of non-public information.

You don't always need a takeover to catch a big move. Last year, the SEC charged a compliance officer at a major Wall Street firm with selling inside information to traders. One of the tips she was alleged to have sold was information that GEORGIA PACIFIC (GP) was going to restructure. Sure enough, on September 15th 1987, the GEORGIA PACIFIC October 100 calls traded 4023 contracts with open interest of just 28. The calls closed that day at 2 3/8. Days later, GP announced the restructuring and the calls subsequently traded as high as 8!

Does this system work as well for put options? On October 23rd 1987, the BOSTON CHICKEN (BOST) December 12 1/2 puts traded 3561 contracts with open interest of 105. The stock was 13 at the time, and the puts closed at 1 5/16. A few weeks later, the stock was down to 8 and the puts were nearly 5.

Now, I have to give you some words of warning. If you simply look at option volume and open interest, you will get only part of the picture. It is important to use some technical analysis as well as some common sense. I look at things like the stock's moving average and the 52 week high-low; an option that gets active because the stock just hit a new high is usually being bought by the public, not "smart money". A stock that is too far extended from the moving average is due for a pullback and should not be bought. Also, if a stock has two options with similar trading volume, you can assume that the trade is a spread and is not the result of "informed" buying.

Getting back to the very first sentence of this article, here are the simple money management rules that just might turn $1,000 into a very nice 5 figure number. First of all, realize that this is gambling and that you should be using risk capital-money you can afford to lose. Use a 200% profit target on your trades and take only one trade at a time. If the option drops 50% from your purchase price, exit immediately. Continue to rollover the proceeds from one trade to the next. Finally, this system trades very infrequently, perhaps as few as four trades a year will be made.

While past performance is not a guarantee of future results, using the disciplined rules of The WOLF system, including all of the filters, would have resulted in the following results for 1997, starting with just $1,000. (No commission, slippage or taxes have been computed in the figures):

TRADE #1-STARTING CAPITAL $1,000 Option Date Volume
Open Interest TBR FEB 80 CALL 1/7/97 7101 965

You would have bought 2 calls at 4 on 1/8 and sold at 12 to turn the $1,000 into $2,600.

TRADE #2-TRADING CAPITAL $2,600 Option Date Volume
Open Interest SPLS JUL 20 CALL 5/29/97 6295 14

You would have purchased 12 calls at 2 1/8 on 5/30. On 7/1, after the FTC blocked the STAPLES-OFFICE DEPOT merger, you would have sold at 4 1/4.

TRADE#3-TRADING CAPITAL $5,150 Option Date Volume
Open Interest GP OCT 100 CALL 9/15/97 4023 28

21 calls would have been bought at 2 3/8. After a restructuring was announced you would have sold at 7 1/8 for a 200% profit.

TRADE#4-TRADING CAPITAL $15,125 Option Date Volume
Open Interest BOST DEC 12 1/2 PUT 10/23/97 3561 105

The puts tripled as the stock dropped sharply lower.

STARTING CAPITAL $1,000 ENDING CAPITAL $45,312.50

By watching for situations where option volume and open interest are telling you that there is a buyer urgently accumulating the option, and by taking a gambling approach to your trading, it is possible that you can score outsized returns on only 4-5 trades per year. Don't consider this a plan for your retirement money. Instead, look at this as though you were going to Las Vegas and you were planning on dropping some bucks at the tables. The major difference is that you won't be playing many hands, and that by using the 200% profit target and the 50% stop rule, and by sticking to those situations where "smart money" is buying the options, you are putting the odds more in your favor. I have more examples of how this method works at The WOLF web site.

http://www.netword2000.com/wolf/wolf.htm

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Alan Friedman in editor of The WOLF, a daily service that uses open interest and option volume to find options under accumulation by "smart money". Mr. Friedman can be reached at (954) 431-7005.

Biblical Stock Trading

By Joseph Arechiga

For the past few years I've been involved in trading stocks. However my trading usually resulted in two things. One being the loss of my hard-earned money. The second being because I'd lost money I'd be driven to pursue new techniques to use in my trading. Last November I decided I'd had enough of using the programs of others. Many of the investors who offer their techniques and strategies were unreliable because they relied upon wild and/or risky trades that could have resulted in serious damages. So I decided that I would no longer rely on the programs of others. I would now rather develop my own programs to trade with, using another mentor, say, someone like God.

God can predict the future, anyone who studies the prophecies in the bible knows that. So it is possible to know the future in advance. And since the best way to trade obviously is to know the future in advance the Bible seemed like the best place to go. The bible has been known to have a good track record for predicting future events not only with me but also with some better-known names.

It is written in the scriptures, "...Ye can discern the face of the sky but can ye not discern the signs of the times?" (Lk 12:46) In other words, you can see the motions of the heavenly bodies so aren't' you able to tell in advance when certain events are to happen? To prove this biblical concept valid, I present the following proof.

The Magi (Wise Men) Did you ever wonder in the story of the nativity of Christ how it was that the wise men from the east knew that the king of the Jews had been born just by looking at the heavens? If it was so obvious why didn't stargazers from all over the world know this? There is a simple explanation for this but most people never question it. The answer is quite pertinent to trading stocks.

In 580 BC Judah, comprised three of the southern tribes of the twelve tribes of Israel, and was taken into captivity by King Nebuchadnezzar of Babylon. One of the captives, Daniel, helped the King follow God's will by interpreting his dreams. Besides interpreting dreams Daniel also knew how to interpret riddles, puzzles, and of course knew how to interpret planetary SIGNS. Ancient Israel's calendar and Holy day system was based on lunar cycles. In the scriptures that Daniel was caretaker of during the captivity of Judah, the book of Genesis states, "And God said, Let there be lights in the firmament of the heaven to divide the day form the night; and let them be for signs, and for seasons, and for the days and years:" (Gen 1:14). The key point being that the heavenly bodies are for SIGNS to predict future events! During the 70-year captivity of Judah Daniel was made the chief Magi. It follows that during this period Daniel imparted much knowledge to the Magi concerning biblical prophecies and their corresponding astral SIGNS. So after Judah was finally released and went back to Jerusalem the Magi never forgot Daniel and his wisdom. As time passed the Magi kept handing down Daniel's knowledge from generation to generation. And when the astral SIGN finally appeared in the heavens the famous "magi" went to pay homage to the king of the Jews. After all Daniel had wisdom beyond anything ever known in Babylon so this King of Jews must have been worthy of much respect.

This explains why wise men from the east came to pay homage to the King of the Jews when they saw his "star". Daniel had instructed them what to look for in the heavens and its significance. Considering the detailed records that Babylonians kept of eclipses and other astral phenomenon imagine how much better Daniel must have been to be made head of the Magi by the Babylonian King!

To show what kind of sign Daniel must have taught the Magi, here is a biblical example, "Now a great SIGN appeared in heaven: a woman clothed with the sun, with the moon under her feet and on her head a crown of twelve stars." (Rev 12:1) Note again the key word SIGN, this shows up numerous times in the prophecies of the bible. In this case the virgin is the constellation Virgo and by using any astronomy program set to Babylon's coordinates you can find the date of a very important event which is misdated by the majority of historians today.

The point I'm making is that the King of Babylon considered Daniel very wise. And this pattern of "wise" men having tremendous knowledge of the bible, the heavens, and other biblical wisdom tools is common and repeated throughout history. MORE WISE MEN At this point some readers might think I'm crazy but if you're a religious person you probably know that I'm not completely oblivious to what I'm talking about. For those of you who aren't religious and do think I'm crazy just take into account an abbreviated section of my rÈsumÈ. For the past two years I was a Software Design Engineer at Microsoft. For those of you who might not be Bill Gates fans for the two years prior to that I also worked as a Software design Engineer at Hewlett Packard and before that at Trust Company of the West (two smaller companies that you may have heard of).

If you still think I'm crazy I assure you I'm not the only one who believes the Bible holds the keys to solving all the secrets of the universe. Like I said before, here I give you the names of better men that have come before me who might happen to agree with what I'm saying: Benjamin Franklin was responsible to a large extent for our use of electricity. He also helped in the creation of the Farmers Almanac. As some of you might know, by using planetary configurations, the Farmers Almanac tells people the best times to do many activities such as planting and harvesting and forecasts the weather for the entire year for the whole United States. With so much to cover and in such a broad time span the accuracy of the results are quite awesome. Whether or not the Almanac formulas are from the bible or not they still use the planets for their predictions. Plus he picked the dates for the signing of the declaration of independence, elections, and inaugurations. The dates picked would always keep Jupiter 120 degrees from the sun. The 120-degree aspect is considered the most favorable for peace in Astrology. Benjamin Franklin was a devout Christian as were all of the founding fathers of the United States of America. So here again is the pattern of biblical and planetary knowledge working together hand in hand. It is said that JOHANNES KEPLER "went further than Copernicus and even Galileo in breaking with the dogma, common to Aristotelians and Platonists alike, that the heavenly bodies had to move in perfect circles. This enabled him to establish that the true orbits of the planets in our solar system are not circular, but elliptic, with one focus occupied by the sun." (The harmony of the spheres p 221.) Johannes Kepler also was a devout Christian with profound knowledge of the planets. W.D. GANN made millions of dollars a year. He could tell when a stock or commodity would reverse to within 1/8th of a point usually. Not to mention that he did this at a time when there were no computers and the United States was in the middle of The Great Depression. W.D. Gann was also a devout Christian who knew the planets like the back of his hand. All you need to do is open any page of Gann's book, The Magic Word and read any sentence to prove this to yourself. (i.e. "The Bible teaches a divine law and how you can make it work. It teaches two things: Obedience to the law brings reward, disobedience to the law brings punishment. The Good Book does not say that you have to wait until after death to receive a reward. What people want is health, happiness and prosperity here and now on this earth, not a promise of something after they are dead. This is a practical religion and the

Magic Word, Jehovah, will teach you how to get what you need, here and now! Prove all things and hold fast to that which is good")

ISAAC NEWTON invented calculus, researched alchemy, biblical chronology, prophecy, and considered research of the bible fully as important as his work in physics, mathematics, and astronomy. Newton basically provided the technology necessary to take the United States to the moon. He was also a devout Christian who knew the planets intimately.

So if you're going so far as to think that these men were crazy too please quit reading this article. But if not, the fact that all these men were religious, obeyed the laws of God, and knew the planets intimately should gain your trust in believing me that the bible does in fact impart creative ability to those who tap it's power. WHAT DROVE THESE WISE MEN What drove these men seems obvious; they wanted to seek out the hidden puzzles of the universe. They wanted to seek out the things that most people considered, at the time, impossible to figure out. As it is written, "It is the glory of God to hide things and the glory of kings to seek them out" (Pro 25:2). So although people today use electricity, gravitational equations, elliptic orbit theory, etc... one should keep in mind the source of all these blessings... Biblical Wisdom.

Another Biblical Wisdom Device I have already covered the importance of the bible and the planets but there is one more biblical wisdom device I have not yet covered - Numerology. Few people I've questioned know this fact, but the three languages the bible was originally written in are Hebrew, Greek, and Aramaic. These three languages also use the same letters as numbers. In other words, the bible, when not being read could be counted. In the book of Revelation we read, "Let him with wisdom count the number of his name for his number is 666" What this verse is telling us is that to have more wisdom one must learn how to convert letters to numbers and interpret their meaning. In Judaism this is called Gematria. Pythagoras also had a system for converting non-numeric alphabets to numbers.

And notice in the bible there is a book of Numbers. That's interesting in and of itself. Why on earth would the bible have a book called numbers? But once you start doing a little arithmetic with this and other books vital clues begin to show themselves. God places great importance on numbers in the bible. One quick example is found in the Greek portion of the bible, the word used for Satan (Satanas) adds up to 666 and Christ's name, Christos, adds up to 777. 6 being the number of man and 7 the number of completion. HOW THIS APPLIES TO TRADING Okay so a lot of great geniuses have and still do read the bible and know the planets and biblical numerology you say but how does this apply to trading the stock markets and making some cash? Let me show you.

Planetary cycles, stock market cycles, and historical cycles repeat themselves. This principle along with some very special numerical sequences taught in the bible let one predict certain events including stock and commodity trend changes down to the minute with uncanny accuracy. Although W.D. Gann had amazing talent in this field he didn't have a computer, so he probably didn't experiment as much as would have liked to since he had to do much of his work by hand. I have been lucky enough to have been born in the computer age and worked with some of the best programmers in the world so I can dream up and program tons of different experiments and put many pieces of the puzzle together.

Here is a sample of an intraday trading chart for the S&P 500 dated 5/22/98 with one minute bars. Notice all the trend changes happen right on schedule. Although there is sometimes a phase shift meaning that highs are lows and lows are highs the timing is impeccable! This timing plus a system like Murrey's harmonic 8th lines create a pretty dangerous trading system! You get price plus time.

This biblical trading technique is equally accurate for long term trades too. But due to

Think in Graphics

By Gilbert Steele

I think in graphics, not only in numbers. I think like if a tree is a pine tree can I tell it apart from an oak tree, or a maple tree? Can I see the difference? Some people who trade the stock market see a pattern and say, hey I recognize that. I have been here before. That stock is going to go straight up or straight down because I know this market I have been here before. If they draw one line or do one calculation on the chart they have enacted upon technical analysis. Whether you side with fundamental analysis (spread sheet) or technical analysis; either way you are talking about pure math.

Gann, Hurst, Fibonacci, and Kepler: I plan on tying all four mathematicians together. As you read the following words, please picture the concepts (draw) in your mind's eye. First of all, when you were born you grew 2, 4, 8, 16, 32, 64 chromosomes polarized by two (north and south). Did you ever wonder why the Random Access Memory on your computer became available in Megabytes of 8, 16, 32, 64, etc..? Leave it at 8- Here is another concept for your minds eye: If you poured water down a drain you see that it swirls. if you put red dye in the water and dropped the temperature to a freeze, you could catch a frame of the helix we are discussing. Now pull that drain water (frozen) out of the pipe and lay it on its side. That red swirl (barber's pole) would be like a stock's price coming under the bottom and over a top as it trades to the right in time. According to Johannes Kepler, this is the elliptical orbit of bodies in motion, stocks, electrons, planets, moon, solar system, even Haley's comet. Picture Haley's comet coming up over the top going away and coming back to us in our solar system. This is also a number one quadrant in my constant Of eight system. That is 1 up over the top, 2 down for a fall. The cycle comes up on three and goes down on 4- up on 5, down on 6, up on 7 and finishes down on eight for the cycle to start over. Each cycle has its own characteristic, but I found that eight is the fold over point.

J.M. Hurst - "Profit Magic of Stock Transaction Timing' has the number eight in his work for the careful eye-Hurst is also showing you an elliptical orbit in his own way when he demonstrated the wave signals applied to any stock. There are eight branches to W.D. Gann's square of nine if you count the cardinal cross and its counterpart. The odd squares, 1, 9, 25, 49, 81,etc.. are where the helix rolls over. Texas Instruments will go to the 3 high top range in 60 - 100 trading days. Based on the quadrant characteristics TXN is currently in it will make 3 humps when it tops out, with the third being the top. As stated before, there are specific characteristics for each quadrant. Going back to Gann's square of 9, notice how 1, 2, 4, 8 are all on the Cardinal Cross. 'This is not a coincidence. Gann has 9 on the fulfillment of time which is the square of 3, a Fibonacci number. 8 is the Fibonacci number as a chromosome number. If I have 1 + 2 (male + female) it will = 3 (children: future manifest in the third dimension.) Maximum extremes come together and generate the third dimension polarized by 2 which is 9 (3 X 3}. We are talking about the fullness of time (length X width X heights), and we are talking about reproduction polarized by two forces (strong/weak, male/female).

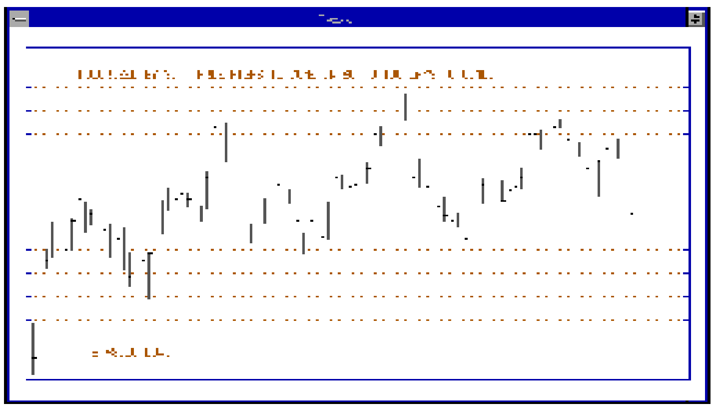
Now, picture the earth with the moon orbiting around it. Why doesn't the moon fail toward the earth or fly off to the sun? In physics we call this a stable orbit.

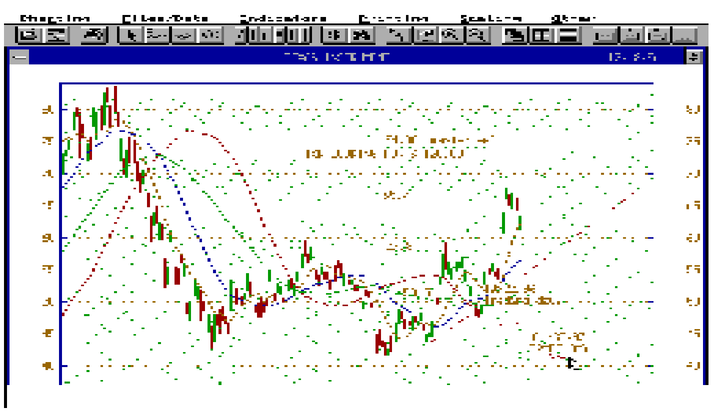
My database goes back 34 years on TXN. I can tell you that TXN has a perfect repeatable count which has never missed. With my count! can call the stock's direction four years into the future. I easily know the pattern the stock will make on the chart six months ahead. The

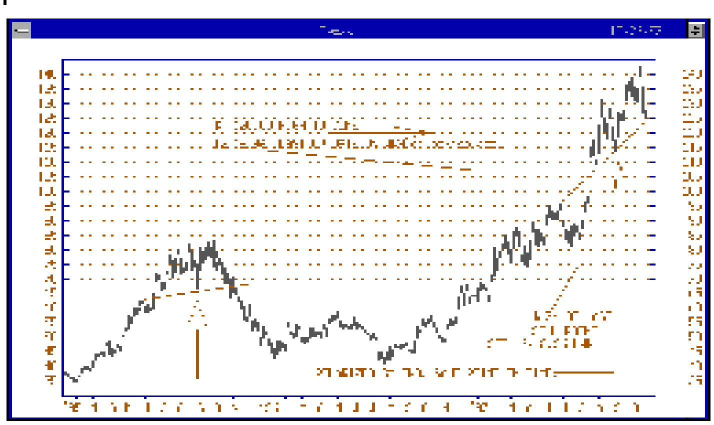
1987 correction, was 100% predictable on the modeling. This is the 7th quadrant maximum high, so the direction was down.

For those of you who have an engineering background, I myself have am a retired electrician. After 30 years in the business I earned the nickname 'Slide Rule.' if you understand electrical components, then you know that DC components must be installed in ONE polarity only. If you're dealing with AC, it comes in the wall at 60 cycle sinusoidal wave signal which is polarized by two. This is the up and down behavior similar to chart action of the stock market. If you are dealing with Polyphase (length X width X height), then you are now at the preferred phase for all of your electrical circuits. Electricity Light accelerates at a rate which is consistent with the genetic makeup of the chromosome. Remember the computer: 2, 4, 8, 16, 32, 64, etc.. The computer is made up of 32 CD ROM, 64 ma, memory chips.

Gilbert Steele http://www.nlcomm.com/~gsteele/ Gilbert Steele, 1232 Severn, CT - Se Warren, Ohio 44483, 330 395-8129 E - mail gilbertsteele@cisnet.com







The Secrets of Internet Day-Trading

By Larry Jacobs

Are you interested in day trading stocks and futures on the internet as a business? If you are, then you need to know the secrets of how to do it right. This article will tell you what tools you need to get started and some techniques that work. The day trader now has the tools available to him on the internet that were once only available to professionals. You can start off part time or you can go into it full time. The capital you have to work with and the monthly income you need to live on has a lot to do with which way you go, full or part time.

The information in this article is gathered from reliable sources which Traders World Magazine has acquired from its association with traders. This article is written from the perspective of these people who make a living from trading. They love what they do and have studied the markets to be successful at trading.

The Tools You Need

The first thing you need to do is get setup with a reliable on-line broker. If you are trading both stocks and futures, you may need to use two different on-line brokers. Many on-line brokers don't handle both. There are many on-line brokers, so you need to find the one that is right for you. The two most important things to look for are low cost commissions and speedy fills. By speedy fills, I mean getting the order there and getting the fill back as fast as possible. This is so crucial, that even seconds count! This might mean the difference between a profit and a loss. Why is speed so important in getting your fill back? One reason is, you can't really put in a sell order until you know you have purchased the security or futures contract. Most electronic on-line ordering systems are for stocks, but there are now beginning to be more for futures trading. Look into ZapFutures 800-441-1616, Robbins Trading Company 800-453-444, PMB 800-6PMB INC. They all have state of the art electronic trading.

You should be trading by placing exact prices to get in and out of the market with stops for your capital protection. Market orders alone just won't do it. Avoid firms that will just allow market

Dual Trading Monitors

orders even if they charge a much lower price. That's because they make money with a market order on the difference in the spread. You can't afford to use market orders. Your key to success as a day trader is using a combination of limit orders and stop orders properly.

There is no way to really tell which on-line broker to use. It is necessary for you to use trial and error until you find the one that you can successfully work with. You should do research on the firms you wish to setup an account with and then open an account with at least two of the firms. Try trading with both firms and then choose the one you like most. Keep the second firm for a backup.

Panasonic Flat Screen Monitor

It's a good idea to have two accounts open in case one of the firms has technical trouble and goes down. The biggest danger in trading over the internet is a major on-line failure with the trading firm you are dealing with, your internet service provider, the entire internet backbone or even your own computer. One of these can fail at any time. It is inevitable that one of these will go down at least 1% of the time. You need to have some contingent plan if one of these goes down. Some backups you might have are a second computer, a backup internet service provider and a telephone connection to call the broker directly.

Customer service is also very important. Some firms have a lot of errors. You may find mistakes on your confirms regarding trade discrepancies on price fills. You might get unfair executions on orders. You need to be able to work with the on-line broker to solve these problems. If you can't work with them, then you need to switch online brokers.

It's extremely important that you keep good records of your trades. There are two reasons for doing this. One is to be able to compare your fills with the online broker's fills and the other reason is to know how you are doing with your trading plan. You need to record the date, time, quantity purchased or sold and the price. Keep a running total of the profits and losses year-to-date so you know how you are doing. It's easy to set this up using a spreadsheet, like Microsoft Excel. If you don't keep good records you may loose money due to errors from the accounting department of the on-line broker. Always reconcile every trade confirmation you get back from the broker.

The Home Trading Office

Your home trading office is one of the most important factors affecting your trading. You need a quiet room in which you can concentrate and do a good job at trading. W.D. Gann, one of the most successful traders of all time, had a trading office which was locked during trading hours. No one was allowed to come in to distract him from his trading. With the technology of today you can create a virtual trading office without much expense. This is what you need for an effective trading office:

Trading Computer

I prefer a trading computer with the latest high speed microprocessor. The Intel Celeron 466 MHz, Intel Pentium III 500 MHz or the AMD K3 400 Mhz which is coming late June. All of these chips are excellent. The computer should be assembled with the right other components to be perfect for your trading. You should avoid buying a computer out of the box at a local computer store, discount supercenter or even on the internet. You need to have a computer specifically designed for day-trading with the latest technology. You need a computer that is easily upgradeable. Having the latest in technology is imperative. You are competing with on-line traders who have the latest. Seconds count in your trading. The computer you get should be quiet and run cool. The computer will be on 24 hours a day everyday of the year.

Now let's look at the right computer for trading. There are not that many components to a computer anymore. Today's modern computer carries only a few components: the case, motherboard, video card, hard disk drive, 3 1/2" floppy, CD Rom, modem, sound card and memory. This is what we recommend:

Case: We recommend a screwless ATX case with side-open panels and screwless installation capabilities to make PC upgrades a snap. With a screwless case you can upgrade your computer in a matter of minutes instead of hours and you can do it yourself. You don't need to take it into a repair shop. Most of the screwless cases, give you three drive bays for 5.25" devices. The cases allow the CD-ROM, FDD, and hard drive devices to be easily be upgraded in just a few minutes. The cases are CE and FCC class B compliant.

Motherboard: The motherboard is extremely important in a computer. We recommend a 100 MHz 440BX Motherboard that supports up to a 500 MHz Pentium III motherboard. If you are using a AMD processor then a 100 MHz Motherboard that can support the highest K3 processor. The motherboard should provide flexibility and expandability for both the processor and the memory upgrades with DIMMs.

Video Card: For a desktop computer, we recommend the ATI Windows 98 video card ($59.00) which gives you the ability to use up to 9 monitors all at the same time. You can also use the ATI-TV card ($99.00). For digital displays we recommend the ATI Expert LCD card that allows you to export to an LCD monitor. This card can also be used in a multiple monitor situation. It is compatible with the ATI-TV card. Each card must go into a different slot on your

Herman Miller Home Office

Office Planner

The Famous Herman Miller Aeron Chair

computer for multiple monitors and you must use Microsoft Windows 98.

If you need multiple monitors all under the fast AGP port then you should look at Appian Graphics is the leader in multiple monitor graphics solutions. It's Duet accelerator (AGP or PCI, $399 street), based on the S3 Virge/MX 3D controller, can spread a single screen image across two monitors, provide a wide view of an application on one screen while zooming in on the second, or show a different application in each monitor simultaneously. The drivers support all functions under Windows 95, 98, and NT 4.0, and Appian expects to support Windows NT 5.0 when it ships.

For users who need more performance, Appian has the Jeronimo Pro card. The Jeronimo Pro is offered in a 2-port and 4-port version (with two or four Permedia P2 64-bit accelerators from 3Dlabs, respectively) and comes in four versions based on the amount of memory you require and whether or not you want the optional video input capability: Pro 2-port with 4 MB per channel without video ($500); Pro 2-port with 8 MB per channel without video ($799); Pro 4-port with 4 MB per channel without video ($799); Pro 4-port with 8 MB per channel with video ($999). Each is bundled with the same HydraVision software as the Duet. An optional Appian TV Tuner ($199) is also available for financial traders to view broadcast channels with stereo sound on CNBC on one of their multiple monitors when using the Jeronimo Pro 4-port.

Memory: We recommend at least 64 MB and prefer 132 MB. Having a lot of memory frees up the hard disk drive and allows you to run multiple programs at once and speeds up your entire computer.

Modem: The computer should have an internal V.90 56K, or an ISDN modem. The brand name should be 3COM - US Robotics. Cable or DSL modems are even better, if you are in an area where they are supported. If you are using a portable computer and you are in an area that supports wireless communications via the AirCard from Sierra Wireless, then you should get the Sierra Wireless exclusive AirCard combo. It is the first type II PC Card package to offer circuit switched cellular and packet dtad functionality without bulky extensions and extra batteries. The Sierra Wireless AirCard links your notebook computer directly to the internet for trading. It is also a full function 33.6 Kpbs cellular/landline modem and Group III fax.

Hard Disk Drive: Speed is very important in this area. We are recommending a 5400 or a 7200 RPM internal Ultra ATA Drive. It should be at least 6 MB. You will find tick data will slowly fill up a small drive.

Monitors: What is the best monitor to get for day-trading? According to Appain Graphics, the part-timers start out with a single 17" screen and then will put in a multiple monitor card and go to 2 monitors. One excellent situation is to use two of the new 19" monitors that only take up the space of two normal 17" monitors. Professionals go with a Jeronimo Pro four port card with four 21" monitors or 19" monitors. They can also use the Appian TV tuner and watch CNBC in one of the screens.

The new flat panel monitors are also getting popular for those that can afford them. There are two types of flat panels, digital and analog. The digital monitors require a special digital card and they produce excellent sharp images. The analog monitors work with regular video cards and they are almost as sharp as the digital monitors. Flat panel monitors do not have the scanning and refresh problems of regular monitors. Many traders that use them say they don't tire their eyes as much as a regular monitor.

For this article we tested the new Panasonic Panaflat LC50S monitor. This is a 15" Color Liquid Crystal Display. It's base is less than 8" thick and width is 3.1" and only weighs 15.6 lbs. It supports resolution of 1,024 x 768 @ 75 Hz. It also has built in speakers. It was tested with charts produced with several technical analysis programs, TradeStation, Fibonacci Trader, MetaStock and ELWAVE. We tested it side by side with a NEC 17" monitor which has been my favorite monitors.

The difference between the two monitors was dramatic. The charts on the Panasonic were extremely clear without any distortion. It's screen has a 200:1 contrast which gave it super crisp charts. It's screen also offered a wider angle of vision, 140 degrees more than a normal flat screen. It also was much smaller and took up less desk space yet the screen on the 15" Panasonic is exactly the same size as the 17" NEC. The Panasonic also do not throw off any heat like the NEC did. If you can afford it, I would recommend a 2 - 4 monitor setup using the digital flat panels.

Internet Connection: If you want the best access to the internet for quotes, news and real time service consider cable modems or DSL modems for the fastest and affordable internet access. DSL modems provide simultaneous voice and high-speed data services over a single copper wire pair. Cable modems allow high-speed data access via a cable TV. The cost of these is around $40 - $60 per month compared to the normal cost of $20 for a unlimited regular 56K internet access account. In tests it has been found that cable modems do better during off peak hours while DSL modems do better during peak hours. So trading during the day, the cable modems would be superior. If you can't get access to a cable or DSL connection, then we recommend only using V.90 56K digital, or ISDN access to the internet. 28.8 internet access is the last choice and the slowest you can get. We are currently recommending Earthlink Sprint Total Internet Access with digital V.90 56K and ISDN access. Also they are getting ready to roll out their DSL access in many cities. The cost of their V.90 56K service is $19.95 for unlimited use. ISDN is $34.95 monthly for 100 channel hours and $.99 per hour in excess of 100 hours. You can order a setup CD from Traders World and Earthlink will eliminate the setup charge for the digital V.90 access. Call 800-288-4266 or e-mail us at earthlink@tradersworld.com

Real-Time Quote System Recommend: Signal, Bonniville, and others. See internet site for more information and demos.

Real-Time Trading Software: Recommend TradeStation, Equis Professional, Fibonacci Trader and ELWAVE others. Check our internet site for recommendations and to download demo programs.

Part-Time Notebook Day Traders If you feel that you don't have the necessary money to start full time day-trading at home and you can't afford to quit your job, you might opt for a portable laptop for trading. We recommend a 14.1" or 15" notebook for this trading. You can carry this computer back and forth from work and home. The notebook should only have the new XGA TFT screen which are extremely bright and clear, matching the quality of the Panasonic monitor. It should be capable of supporting up to 1024 x 768 resolution. The notebook should be upgradeable to the latest processor. Right now you can get the Intel 466 MHz Celeron, The 400 Pentium II or the K3 380 MHz microprocessor. We also recommend signed for trading with the right components. Our Traders World Internet site always has the latest. You can configure your notebook with the latest microprocessor, the right amount of memory and right desired screen size. Later, if you want to, you can upgrade your microprocessor to a higher speed when Intel or AMD lowers prices.

These notebooks allow you to connect to the internet at home or work via your telephone line with a modem. Using, for example eSignal, you can get up-to-minute daily news, real-time quotes, daily charts and real-time charts for the day anytime you log on. If you are a mobile professional you can get this information on the go through a wireless modem using an AirCard from Sierra Wireless. You need to be in one of the areas supported by ATT or Bell Atlantic and you can get this service for a low monthly flat fee. Keep in mind, however, that the speed of this wireless modem connection is only 19K. All the latest information and costs associated with trading via a notebook are available on our internet site.

Home Office for Trading: You need to set up a nice home office for trading. If it’s used solely for your trading business, you can depreciate it’s cost off on your income taxes. It should contain adequate desk storage space for all of your trading needs. Herman Miller is an excellent choice for the at home trader. They produce two home office styles, which are both excellent.

They also produce the famous Aeron chair. It’s been called the most comfortable chair in the world. It’s designed with high-tech materials using body-friendly engineering, in three sizes to fit every body. The springy Pellicle suspension material distributes weight and lets air circulate, keeping you cool. The Kinemat tilt mechanism floats you through your day of trading.

The Herman Miller Beirise Home Office Collection’s versatile components fit your home office into any room of your house. There are a palette of finishes that lets you choose the look you want. You can mix and match Beirise components to build the office you need.

You can use our new book “How to Setup a Successful Home Trading Office” which has a room planner to design your office.

Effective Lighting: Through research we have found that lighting can affect your trading. You must have natural light. Other unnatural light drains your energy. We recommend the natural lighting by OTT. See our internet site.

At-Home Advantages

Trading at home has many psychological advantages over working for a company. The differences are great. First, you don’t have to commute to work. This is especially nice if the weather is bad. You can get up at 8:30 instead of 5:30 and eat breakfast while you are reading the latest news on the markets or watching CNBC. You can save an hour or two per day on this alone. That adds up to a lot of money saved at the end of the year. You also don’t have to put up with a boss or rude coworkers. More and more working at home is getting a degree of acceptance from the public.

You must be able to work alone with total isolation. You may not hear or talk to anyone for hours. If you are fed up with the corporate world this might be just what you’re looking for. After you start making profits trading, the whole situation will give you a great deal of accomplishment.

Full Time or Part Time

Should you quit your job to become a day-trader? It depends on several factors. How big is your family? Can you afford the quit your job and the income it brings? Don’t forget the insurance from your job for you and your family. How much money do you have to trade with? The money you trade with should be money you can only afford to loose. If you are under pressure using money designated for living, for you're kid's college or any other important thing, you won't be able to make successful trading decisions and you will loose.

If you are doing day-trading part time then you need at least $10,000 in risk capital. For full time you need at least $50,000 in risk capital. In stocks you will be using 50% margin and in futures you will be using only 5 - 10% margin. The safety factor is that you will be risking the money only during the day and not overnight, therefore will not have to pay any interest. You must also remember that you are responsible for the entire amount of what you trade. For example it you buy $20,000 worth of stock at 50% margin, you only put up $10,000. It the market falls over 50% you could lose more than your $10,000. In commodities, it is even more serious, because you are on even smaller margins.

Trading Strategies - Bid/Ask System Now let's look at successful strategies for making profits day trading. One method is to trade stocks with 1000 share blocks placing limit orders in a tight trading range on stocks with high volume. This method works best with NYSE stocks rather than NASDAQ stocks, because there is a much tighter spread. What you are trying to do is bid where the specialist is bidding and sell where he is selling making the spread. The spread may be as little as 1/16, 1/8 or 1/4 of a point, but on a 1000 share lot with only $10.00 commission, that ads up. The reason that you can go in a bid at the specialist price and get it, is that your order has priority over the specialist. You should get a feel of this method before you try it. It takes a lot of practice. You need a market that is sideways or at least moving in the direction of your trade. If you trade 10 times a day for 1/8 point, you have made a lot of money without too much risk.

Trading Strategies - Buy Good News

The internet trader has an edge over most other traders. When he hears the news on CNBC on a fast breaking news story he can click a buy button and fill his order within a few seconds. If the public wants to buy a stock after hearing a news story, they have to dial the broker on the phone and possibly wait on hold a few minutes to talk to him. He will then take your order for the stock, he will probably check your account to see if there's money in it to cover the trade, he will then put the trade in via his terminal, a wire operator or by calling the exchange. The at home day-trader can buy and sell the same stock five times while this client/broker transaction is going on. When the momentum of the news subsides the day trader can sell the stock and take his profit.

Trading Strategies - Read the Tape Using this technique you read the ticker tape on your computer watching the levels that stocks form. When a level is broken through you buy the stock and sell it when the momentum subsides. You can also short a stock based on the same principal. When an important level is broken you can short a stock and cover the short when the downward momentum subsides. Your mind is forming a visual level of a stocks resistance or support and you can effectively act on an break of one of these levels. The reason this works effectively is that with a click of a button you can buy a stock that breaks a resistance level in a few seconds.

Trading Strategies - Sector Strength You can trade on sector strength. If you find a leader in a group of stocks is taking off on some good news like earnings or a buy another stock in the group. When the strength subsides, exit the position. If the leading stock in the group starts to weaken, you can short one of the other stocks in the group.

Trading Strategies - Stochastics If you have an real-time charting package, you can use stochastics to trade intra-day. The most effective strategy is to select a stock or future's contract and put together 4 charts with different time frames. You should use bar or candlestick charts. For example on the S&P500 you could have a 1, 5, 60 minute and a daily chart. You want the daily and the 60 minute chart in an uptrend with higher bottoms. To buy the S&P wait for the stochastics to get down to the 10-20% level on the 60 minute chart. Then go to the 5 minute chart and wait for the stochastics to get to the bottom. Then you go to the 1 minute chart and wait for the stochastics to get to the bottom. You then wait for the 1 minute chart to to break a 1 minute bar high and then you buy it. Put a stop under the low and let it go up. When you have an acceptable profit you take it or move your stop up to protect profits.

Trading Strategies - Murrey Math Trading One effective method of trading is to use the Murrey Math Levels of Trading. The market you are trading is broken down into 8, 16, 32 or 64 levels based on time and price. See the Murrey Math article in this issue. When you reach a level of major price and time you can take a position with a close stop. If the market moves to a profit you can protect your profits with a stop. Take profits at the next important Murrey Math time and price intersection.

Trading Strategies - Trend Line Trading You can use a trend line drawn from prior tops or prior bottoms to initiate positions. You must have at least 3 touches of the trend line and the trend line must be at least a predetermined length before you can consider it valid. When the trend line is broken, you can take a position with a stop under the prior low. You can move the stop up to a break even position and let the market go.

Day-Trading is extremely difficult to master. You must find a method of trading that you feel comfortable with. You must accept your losses and don’t gloat with your wins. You must adapt to changes in the market and react swiftly to the swings in the market. Concentration is very necessary in this tough game. Money management is absolutely necessary to be successful. You need to back test your method of trading and be comfortable with what you are doing. Then trade conservatively until you are making money in the market. Stick to a consistent plan once you have established how you are going to trade. Risk a maximum of 10% on any one trade and no more. That will allow you to make at least 10 trades. If you can’t make money in 10 trades then you need to change what you are doing or get out of the market completely.

There are many day-trading strategies that can be employed to make money in the markets. We have only listed a few of them in this article. Which one you use or combination of the ones you use is based a large part on your own personal psychology. Go to our web site to learn about other day-trading techniques you can successfully use. Since you have read this article you have made a conscience effort to understand day-trading. Most day-traders know that in this profession you are continually learning. It takes hard work and persistence to stay in this line of business. I hope that this article has given you an idea of what it takes to get started in this new exciting field.

Five Ways to See a Market Reversal

By T.H. Murrey

Please look at these four charts (TYX - US 30 Yr. Interest Rates) covering Six months starting back at August, 1998 through the end of March 1999. These charts have been presented with the Murrey Math Trading Frame Software 1998 Version 1.7678.

This software uses the same logic and trading techniques prescribed by W. D. Gann, who memorized all his horizontal 1/8th through 8/8th lines before he went to the “pits” to trade “live” and make 10 of 11 trades (winners) per trading day.

W.D. Gann asked his “students” (of which I am one) but I came by Gann through Maynard Holt (who wrote the software Relevance III and also has had articles published in this magazine) who came to Gann through his studies through his “personal” studies with Andrews (famous for his “pitchforks” parallel momentum lines 1st discovered by Roger Babson: 1890’s) to learn to recognize market reversals off (4) simple reversal signals: 1) “bounces” (up) or “bumps” (down) off horizontal support or resistance lines set off any given set of two extremes, 2) reverses off one of seven speed lines (angled up or down), 3) momentum angled lines (45 degrees) and 4), Time reversals: trading squares.

W.D. Gann also used volume signals (at highs and lows) as a “exhaustion” reversal signals off high volume: we shall discuss this aspect of his trading philosophy in another article.

There are over 80 different software companies and 187 “Gurus” out there trying to tell us where the best place to set in motion W.D. Gann’s # 1. Rule: find the extreme high and low and divide this difference into 8/8ths.

We subscribe to the theory that W.D. Gann already knew what these extremes might have been (beforehand): for he merely walked into the “pits” with a small sheet with numbers on it (although he was the “master” chart “follower”).

Everyone has always tried to figure out how hard it was to do what Gann learned to do (win almost all the time trade off 8th grade math) but he really went: one potato, two potato, three potato: trade.

No human could ever win 264 out of 288 trades with a complicated trading system!

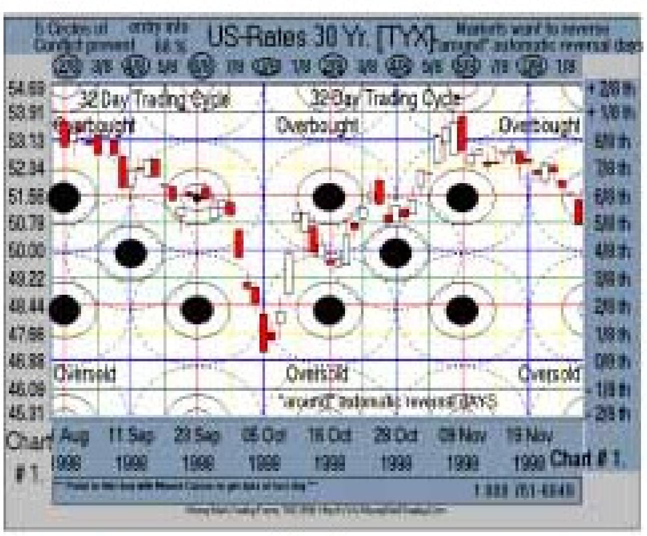


Chart #1

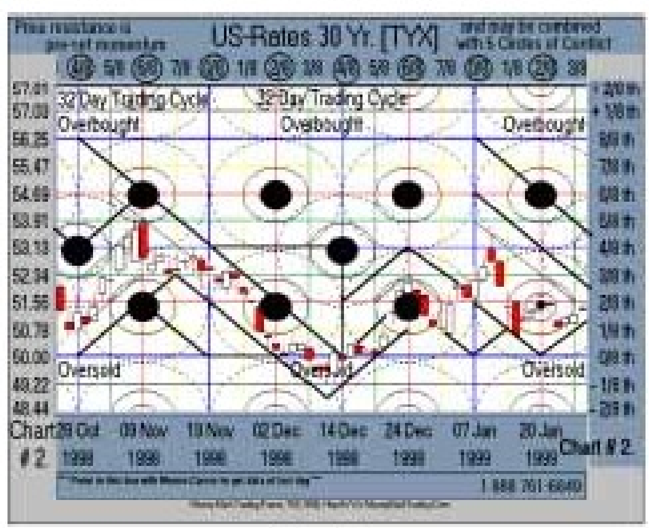


Chart #2

We used what W.D. Gann instructed us to do in his book on commodities (on pages 34 and 68 and then expressed it more fully on page 71, when he said to watch Wheat fall back in 1861 if it didn't hold up 5 cents above its highs) and asked us to just trade off the "natural numbers."

Our software automatically sets up the Trading Frame off the universal "natural numbers" passed on to W.D. Gann by P.D. Ouspensky, when he gave lectures in New York City, in 1921: so you are "freed up" to peruse other interests such as executing timely trades.

Please look over to chart # 4. and you will "see" that the US 30 Yr. Interest Rates reversed 12 times (almost exactly) off lines that were set back at the start of chart # 1. and brought forward (to the present trading frame) # 4.

We use the same simple method W.D. Gann used to set all markets: "natural numbers."(inside an Internal Octave).

P.D. Ouspensky instructed us to do this.

I am the only "Guru" to have "seen" what he was trying to make you "see."

Gann refused to show you the "obvious," but he did give us (3) "obvious" clues and one hidden "clue" when he told us only once that markets reverse of 1/8 or 2/8th.

That's why he told you twice and then led you to most frequent numbers markets reverse off (hoping you would "see" it for yourself). We did: me and my software.

I give Learning Academies in different cities and I have some students who cross the oceans to hear me speak and I show them how simple W.D. Gann traded.

W.D. Gann never used moving averages: i.e.., RSI, Stochastic, William's % R, which are tremendous indicators (that must always be a little late to "predict").

Looking back from chart # 1. through # 4. one may "see" that US Rates are moving higher, while everyone on T.V. says they are finally going lower (down to where) ?

Please go back to chart # 4. and look more closely at (# 8. and # 10) and you will "see" that these reversals occurred exactly between two 1/8th lines (inside the 8/8ths trading frame).

W.D. Gann said to also "watch for reversals" off minor 50.% lines inside 1/8ths (which this market did twice).

This fulfilled our verification that W.D. Gann had all these numbers memorized and set any market (trading in the same price range) off the same numbers.

So, our software automatically does the same "mental work" of deciding which set of highs and lows are best suited for any market (as soon as you click on the market desired

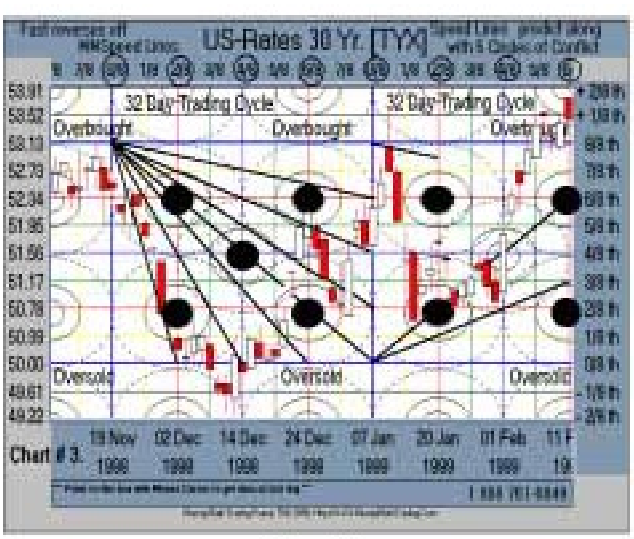


Chart #3

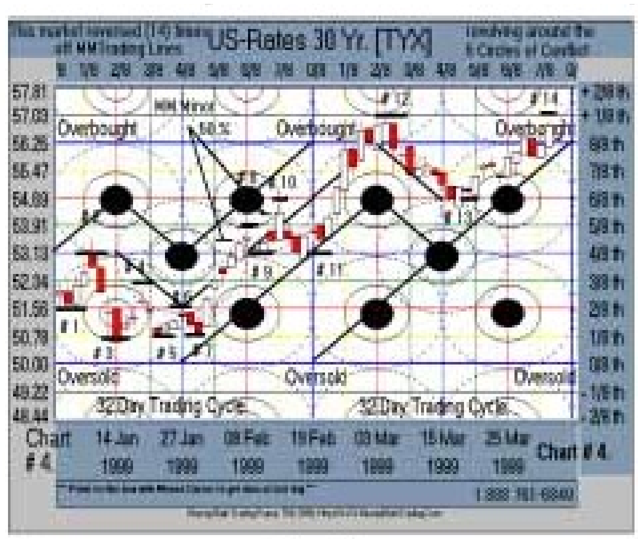


Chart #4

to “observe”).

We took W.D. Gann one step further and “saw” that markets will Automatically adjust their 8/8ths and 4/8ths lines when the trading action expands or contracts as time moves to the right and past extreme highs and (or) lows lose their “affect” on the current trading action.

Everyone has always been taught to keep old highs or lows in their sight (trading memory) when our trading strategy will throw out (time-wise) old highs that are not inside our present band-width, which is set off either its last (16), (32) or (64) trading days.

We have helped traders make more profits “quicker” by having the most mathematically accurate 1/8ths in which to react to rather than “guess.”

W.D. Gann asked us to (# 2) insert angled lines inside our trading frame starting at either the upper left or lower left hand side after we decided which was our “best-guess” high / low extremes.

We let the software find the trading frame automatically for you and insert the angled lines automatically with just one click, so you may keep focused on trading and profiting not “busywork.”

Please look at chart # 3. and you will “see” the down angled lines in one trading frame and the up-angled lines in the next trading frame (signaling reversal “buy” and “sell” reversals).

Some new “students” have trouble understanding this angle concept.

Just pretend it (the angled line) is a boat paddle swinging toward an object and upon touching it, the velocity of its touching it would reverse it much as a hockey-stick hitting an ice puck would send it faster in the opposite direction.

We refer to these lines as “speed lines” because the speed of reversals are “speedier” or more violent when touching these lines (up or down).

We have studied speed lines and have noticed that reversals off 78. degree, 67. degree, 45. degree and 33. degree angles are more violent than others.

W.D. Gann noticed that markets (he centered his trading on commodities mainly) would set a “trend” and move along this trend (moving in the same direction) for 4 to 7 weeks before reversing (as we have seen in wheat, corn and soybeans the past 3 months).

Please look at charts # 2. and # 4.

We set the up and down parallel lines (we call them momentum lines) or trend lines, since they continue in one direction for an extended period of time, off the upper or lower left hand corner of our trading frame (pre-set by the software for you).

The software automatically knows where to insert them and which Trading Frame in

Chart #5

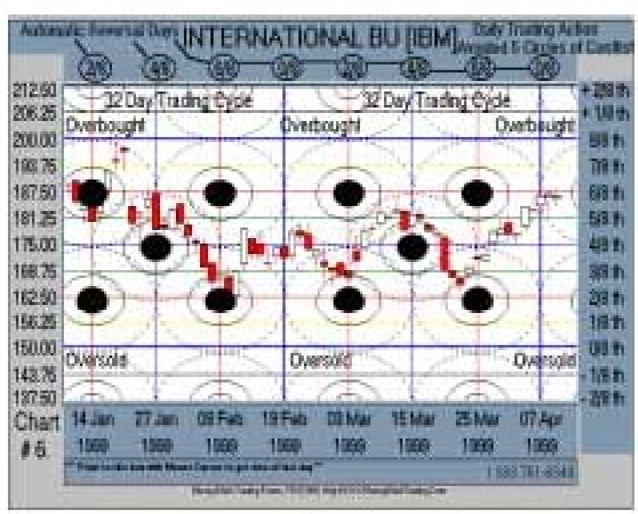


Chart #6

which to place them.

Please notice (count) how many times this market reversed off these pre-set lines (set off our pre-set trading frame) that we set off pre-set horizontal lines back 6 months.

We “teach” trading simple.

Please look at chart # 2. and you shall “see” several lines that are thinner than the others.

We have found that momentum lines should be drawn off the even numbers: 0/8th, 2/8th, 4/8th, 6/8th and finally 8/8th horizontal line and extended up and to the right set at 45 degree angles only.

Our parallel lines (Andrews Parallels) are set automatically by the software and we just sit back and watch to see if the price breaks our lines, instead of waiting for Low A1., then High B1., then Low A2., then on to draw parallel line High B1 to High B2, then onto our extension sets (above and below our original parallel lines. There are very few rules to trading parallel momentum lines so you may just take all the W.D. Gann horizontal lines (1/8th) rules and apply them to these angled lines that measure daily trading to the right (going forward).

We insert the thinner lines in our trading strategy (for they signal a weaker market): (if it doesn’t move up or down off the more bold (even) lines: this tells us to reverse positions faster.

We have done extensive work on “watching markets reverse” off 45 degree paralleled angled lines (inside our trading frame) and we find them to be as accurate as the W.D. Gann “theory” of taking the two extremes (high / low) and dividing them into an octave then “watching for reverses off them. (this is because markets actually slide to the right as they move up or down through time:(just imagine price bouncing off the walls of a shoe box as it rotates in a spiral to the right): right !

We have found that markets will move to the right in a channel (at a 45 degree angle most often) and then we shall expect reversals to come off 45 degree up angles set off Time Lines: 0/8th, 2/8th, 4/8th, 6/8th, or 8/8th and even into the next trading frame.

But we should not look for these channel reverses to repeat more than 3 or 4 times: they break down over time.

Charts # 2. and # 4. confirm these rules.

We are aware that markets will move to the right and spike up or down off 67. degree or 22.5 degree angled lines, but the 67. degree reverses (87.5% of all “traders” are always too late to enter) and the 22.5 degree angle markets are (too “boring” to participate in) so most traders leave them alone.

So we just want you be aware of them and react to them if they suit your trading philosophy.

Anyway, the speed angles take care of most of these (67. degree and 22.5 degree angle momentum) trading conditions.

We believe it to be better to trade off fewer rules and to trade off markets that present themselves as more predictable.

There are already enough rules to learn.

Time and Price are “weighed” and argued back and forth as being more critical as a measure of the next move, but we subscribe to the “theory” that “Price change” in the shortest period of time is more important than Time movement of price (look at today’s volatility).

The two numbers (ratios): 38.2% and 61.8% are used by every “Guru” as the standard Fibonacci Numbers or the Golden Mean Numbers run (up or down) minimum or maximum price movement or time movement by which we might expect the greater odds that any market shall reverse directions.

We propose that W.D. Gann actually meant 3/8th (37.5%) or 5/8th (62.5%) of any 8/8th extremes (memorized the night before) then traded (without a computer).

Please go along (all four) charts and count how many reversals occurred off the even Time Lines and how many occurred off the "odd" Time Lines.

From chart # 1. we "see" that this market fell -9/8ths in (6/8th Time) and then it reversed and went back up exactly +9/8ths in (6/8th Time) and we never took either of these two extremes and set them as our "start" or "end" of our trading frame but we simply note that it reversed both times off (even) Time MMLines!

Please count the different reversals inside these charts # 1. through # 4. How many ran up or down 3/8th or 5/8th ?

How many reverses occurred exactly off one of our (even) Time Lines (set one year earlier and simply brought forward) ?

We count (23) market reverses (if only for one day) off pre-set MM reversal days.

So we must take every reversal: no one knows when the "big one" comes.

There were (32) (even) reversal opportunities: this market "reacts" to rate changes set to a change in raw goods produced off: water, light, and the amount of heat in the ground between the winter and spring:(ask any farmer).

We simply let the software set its own trading frame (width set to Binary Math): 1,2,4,8,16,32,64, then 1,2,4,8,16,32,64) starting back at the 1st Frost each year (10-1) (Noah) and come forward each frame till the end of any trading year: then we start over: the earth does this !

Please look at chart # 2. and we shall "see" that this market reversed off Time Days (2/8th), (6/8th), (4/8th), and finally (2/8th) exactly on the day !

W.D. Gann often said to watch for any market to get up above or below its 8/8th or 0/8th and it would most likely not move above or below these lines more than 1/8th or 2/8th and then it would come back down into its trading frame (8/8th).

Please look at all four charts and you will "see" that the software automatically types in "Overbought" and "Oversold" on the Trading Frame for you, so you don't have to guess when to expect reversals: off extremes.

Too many traders get caught up in trying to find the best 8/8ths trading frame and spend too much time chasing trades that reverse off "some off 1/8th line" (they can't see).

We just keep it simple and use his generic" Natural Numbers" 1/8th trading lines set to Base 10.

This market reversed every time off its Overbought / Oversold "conditions."

This market did it (two times) Up at 53.12%: then in chart # 4. on Feb. 12th it broke above the third time (but failed to hold) did it break the W.D. Gann "3rd Time Rule" to higher highs?

The "Habit" Rule is three tries to change.

Genesis: has 99 sets of three parables.

We subscribe to the "observation" that a market must close above its +2/8th line by one cent or close above its +1/8th line for 4 to 7 days in a row (not three to seven as W.D. said) to satisfy the "3rd Time rule."

During W. D. Gann's day, the return of one's securities was longer, but now, the S.E.C. has changed the reporting period to (hold three days) then release or return your monies for more trades, so this "creates" the rhythm of the (4) day short term trading cycle we "see" all the time now in the US 30 Yr. Bond Market and the S&P 500 Cash Index Market.

But, W.D. Gann also spoke to markets "hitting up against old highs" as many as four or five times before they broke through to higher highs, (but he quit there): odds too high for more.

Too many “Guru’s” stop at his set of “three tries” rule and expect everything to reverse exactly off three tries (because Gann said it):(please read it all).

We “see” that his “5th Time” Rule was completed in chart # 4. on Feb. 21st when it “drove through” 5.391% and shot straight up to 5.625%.

Some traders are always confused when any market breaks out to higher highs or lower lows, but we let the software automatically tell us where to expect any market to stall-out : after it takes out its current 8/8th line or 0/8th MMTLines.

Example: please look at chart # 1. and you shall “see” that the 8/8th line = 5.313% and then on to chart # 2. and the last low was down at 50.00% with its high up at 5.625, so the trading frame automatically reset to the extremes: 0/8th at 50.00% and 8/8th up at 5.625%.

Then into chart # 3. this market slowed down in its higher and lower range, so the software automatically made the 1/8ths smaller but just as effective since it can not get out of its current 8/8ths until it does (then the software will automatically widen for you) and you will take wider spread profits off wider 1/8ths).

Every W. D. Gann student has been taught to do exactly this (expand and contract the widths of the range) off each new high / low extremes, but we have all been “confused” about where and when to do it. (this isn’t our job).

Please look at chart # 1., then chart # 2., the on to # 3., and finally to chart#4.

You “see” the same thing our software knew inherently: that all markets expand and contract and as Time moves to the right and as past trading action leaves our minds, we should dismiss it until our current trading action comes back (up or down to challenge it) to breakout higher or fall lower to lower lows.

This concept is Physics at its lowest level.

This is exactly what W.D. Gann tried to tell you (but not exactly): he wanted the edge (down in the “pits”). He quoted Faraday as saying everything is measurable down to the Nth degree.

Plus, without a computer he couldn’t teach students who were afraid of math and geometry: Pathagoras and Euclid.

I know you “saw” that the 8/8th trading line in chart # 1. shifted to the 4/8th trading line in chart # 2., then it shifted back to the 8/8th trading line in chart #3., then, finally it has moved back down to its 4/8th line again in chart # 4.

Too many “traders” won’t shift the width of their 1/8 bands to accommodate the market’s current rhythm, so they will get into trades that are ready to reverse.

Please look back at October 5th 1998, (chart #1.) where we told everyone to go short the Bond Market and “pocket triples” on our “put options” in only four trading days.

Please notice that this market reverses more often and more violently off its (even) (1/8th) Time Lines: 2,4,6,8,0.

We believe in W.D. Gann’s Trading Square, but we let the software pick the same starting point each year (1st Frost) and you can “see” how much more accurate you are doing this than setting your Time Frame (yourself) off which (?) high or low: who knows?

Funny, but everyone (all Gann students included) set rates this year off the 1st Frost (week) recognized by our software (because W.D. Gann’s High / Low Extremes Starting Point lined up with our computer’s “Starting Day:” set to (10:1).

Some traders say this isn’t right, but the software never picked last October 5th for any reason other than it said it was the best day to start based off the world temperature (that kills all commodities).

Anytime a student wants to predict the future (market extreme turns) I ask them how many falls did it take after 1929 for the stock market to finally bottom out !?

They think it just fell all the way down in just one day: and bottomed out.

It took many short-legged falls until late 1932: (they wouldn't let you buy gold: it happen again folks). We should trade off: 4, 8, 12 day swings and let the future do as it wishes.

No one but the rich had any money in the stock market in 1929 (anyway): so who cares anyway: most of us have "day jobs."

The rich were "greedy" so they chose to go bankrupt (for buying with no margin).

5. Trading rule: 5 circles of Conflict.

Please look at chart # 1. and we shall "see" that this market already knows where the 5 Circles of Conflict are located even before it trades into the square: (out into the next Trading Frame).

Our 5th way to "see" a market reverse is watching market reactions to its Circles.

These 5 Circles of Conflict are the dominant "factors" that make all of these other "market reversal helpers" more accurate and predictable.

No one has ever inserted the 5 circles of Conflict (Trade Marked by the Murrey Math Trading System) into their trading strategy because no one ever "saw" them.

I "discovered" them back in 1993, and they grow more powerful as one looks at trading frames as far out as 32 or 64 days.

We should share the validity of the circles (as they affect daily and (intra-day) trading action for reversal signals).

The Elliott Wave must set itself to these 5 Circles of Conflict.

Thus, students of Elliott Wave Theory (Grand Scale Move = 144) would make more predictable "calls" if they set our 5 Circles of Conflict out in front of their market's trading action, then relaxed and watched the daily trading action avoid the se circles 75.% of the time.

These 5 Circles of Conflict go all the way back to 12,500 b.c. Egypt Pyramids.

Physics is a math language to predict movement into the future off "measured performance" off observable reactions.

One of my closest friends was a Physics teacher at Vanderbilt University, but all his brains couldn't make him as much as a flight attendant with 20 years duty, so he went into "selling" and he is making more money showing people how to profit off looking at charts than he did trying to teach them to "think."

The 1st thing he said when he opened up my software was, "you are using the Standing Wave to predict future stochastic-shocks into the future."

He asked me how I learned it and I reported back that I just "saw" it.

W.D. Gann told you to look at a chart so you could "see" price reversals more clearly than you could "read" it: (he asked you to just "see" it).

The radio and the T.V. occupy too much of your "mental queries" if they do more than give you "scores."(you must "see" anything).

No human alive ever imagined the greatness of physics from listening to the radio how great Michael Jordon performed "physics."

All sports, trading markets and religion are based of pure math (numbers).

We may all agree that Pat Head from U. of Tennessee teaches her girls the 2-1-2 zone defense: easiest to learn.: watched me play college basketball: (she watched me play college basketball: 1960).

Physics is measured off math formulas (that scare grown ups): they tell you they are no good at math (long before you tell them that all our physics is hidden deep inside the software: so not to worry).

And finally to religion: some preachers think that numbers are sinful to religion.

Every religion is based off a trilogy and the number (13), which is good luck (wisdom): m.w.d = 12.5.13.

Please allow me some of your time to expound upon the 5 Circles of Conflict as how they parallel religion in their basic logic premise to numbers.

The 1st recorded logic: religious:numbers equation to the 5 Circles of Conflict were recorded as the 32 Paths of Gra. (1 a.d.)

The most read religion is the Old Testament's 5 Scrolls (circles) called the Torah.

The most used math equation to count is the Moslem use of Base of Ten: (Abacus 1202 a.d.).

There are 304,805 letters arranged in rows (64) with 4,772 letters per linear progression in the Torah.

Sir Isaac Newton, Physics teacher from Vanderbilt University: England Branch, spent 25 years trying to break the code of the Torah.:(he couldn't).

Every student of the Torah has tried to "see" a hidden story inside history !

Every student of "anything" wants to know the "why" behind "how it works" Why ?

Every alphabet created by humans has substituted numbers (frequency pitch) into letters which may be created by forcing air out you mouth (at different speeds), so if you work backwards, you may hear that words are letters and letters are sounds and sounds may be substituted for numbers (which are represented in physics).

The comprehension level of most "rookie" traders is filled with so many "habits" and "old traders' tales" that they cannot move forward to accept the simple fact that digital recorders actually turn sound into (numbers) and store them until we ask a machine to reproduce them by creating a frequency pitch off noise (not an instrument): music.

Anyone "over forty" will not comprehend what I just said (nor do they care to know anymore than how safe they can make their personal lives) from "change."

32 and 64 are the Binary Sets to all Knowledge !

The Bible Code written by Michael Drosnin (found in the Torah that Yitzhak Rabin would die by assassination, so Michael Drosnin told him personally when he would die and he was assassinated anyway soon after).

Cracking the Bible by Jeffrey Satinover. M.D. spread the word that the Torah was set to a frame of (64) rows of 4772 letters.

Aryeh Kaplan, Physicist (youngest to join U.S. Government who has written over 50 books) wrote Sefer Yetzirah: The Book of Creation. In this book he establishes he fact that the Hebrew Alphabet is arrived at from two different math formulas: A) Circle and B) the 32 Paths of Gra. (both are based off Binary Math and Fibonacci Sequence).

The 32 Paths of Gra were "discovered" in the 1st Century by a Rabbi who refused to "believe" in the Egyptian "Tree of Life." We subscribe to the 32 Paths of Gra not the Tree of Life.

Please look at our chart # 1. and chart # 2. and you will "see" two sets of (5) Circles of Conflict, which are actually only (8), so we add the center circle from the last circle and the center circle into the next square, then we have the 32 Paths of Gra.

There are: 1) 10 points, 2) 22 lines, 3) seven vertical lines, 4) 12 diagonal lines, which are only (22) lines.

In the 1st Century (Jewish) intellectuals assigned one of the 22 letters of the Hebrew

Alphabet, which may derived at through Binary Math or from equal parts of any circle, to the 32 Paths of Gra.

The #32 (in Hebrew) = Heart, Honor, and Glory.

Torah says earth is a Blue Emerald. Tzitzit of blue wool has 32 threads. Torah: Genesis: 32 paths outlined. Song of Moses: Deuteronomy: 32: “all of Israel may be found in these five books.” 32 sound pitch change variations in “C.” Zechariah: said the universe is equal to 1/3200th of part of the Torah. Primary Genatria has 32 principles of Exegesis used by Chazal it interpret the Torah. Pathagoras said the Universe’s circumference was equal to multiplying the radius of hydrogen x 3.14 (out 16). 31 nerves going to brain + thoughts. 32 branches to Date Palm. The Seifirot has 10 parts. 10 Utterances on the 6th day. Six 1st perfect Number: then 28, 496. Book of Ezekiel etched onto 64 stones. Mayan Indians had two calendars: 20 x 13 = 260 and 365 minus (5) days called the civil calendar. They predict end 2010a.d. Our calendar 365 days = blood vessels. Bible Code speaks to: 2000, 2010, 2113. Nuclear war predicted in 2,000 a.d. Murrey Math predicts 2112a.d.

All of this is good information: but “the ear is not satiated from hearing or eyes from seeing, it is thought turned to wisdom,” that transforms us to traders.

So, we set out trading Frame to: 4,8,16, 32 or 64 days Binary-Math:=1,2,4,8,16,32,64: 128, 256, 1024 (9th place).

3/8th and 5/th of 1024 = 640 and 384.

384 = the lunar calendar: Sun:Moon: Earth Eclipse. 640 square acres = 1 mile.

Female height = 64 inches. Female cube = 384. (N.A.S.A. verified 1970 and 1979).

On perfect sphere = 384 circles or (64) hexagons: around sphere: golf ball.

The golf ball is a sphere = flat plane = circle: 22 letters in Hebrew Alphabet divided into 360 (Noahian Calendar Days) (10:1) so 22 (letters) into 360 degrees = 16.363636. 16 x 24 hours equal 384 days = Lunar Calendar.

All that I have told you was already deciphered by the Essences who translated the Torah from Hebrew and Aramaic and stored the scrolls in the caves (for later generations for confirmation).

You may be offended that I set our Trading Frame inside the 5 Circles of Conflict, which are the Standing Wave in Physics.

The Ulam Spiral is a math spiral of numbers highlighting the Primary numbers out to 262,144 and then you stand back and “observe” it and you “see” the standing wave (5 Circles of Conflict) set to a square (with ten triangle pedals around the center circle).

The Bible Code was deciphered by Harold Gans (cryptologist) who headed the Manhattan Project for the U.S. Government to “create” the Hydrogen Bomb (U 238) implosion of the ratio of 1:16 hydrogen expansion from a compressed piece of Plutonium.

The Bible Code was finally deciphered as a result of the work of: 1) Alan Turing from London, England who “fathered” software and deciphered the Enigma German Secret War Code, (sorry Bill Gates) and John Von Neumann from Los Alamos, New Mexico, who “fathered” the computer (sorry Michael Dell) who is moving 3,120 workers to Nashville, Tennessee next month: we love it for home prices: up fast.

One last comment about the Torah: it was discovered by Nechunya (Jerusalem) in the 1st Century: a day equals 29.530588 days per Lunar Month: how did he know without a computer ?

It took almost 3,125 years for an American Satellite to prove it true. (what was already known).

But, all this “good news” will make you not one “tin” dime off what you learned about trading off 5 simple rules (set up by Master Trader).

So let's look at: BKX (Bank Index) chart (chart # 5) and we shall "see" all the profits you need (to feed your family and not work at your day job anymore).

18 trades over 4 months "profited" $50,000. staying with only one market !

Interest Rates moved every few days, so this market reverses against rate changes: how simple is it to trade ?

Markets that reverse off (odd) Time Lines fall or rise off rhythm. See it ! ?

But do you circles work on normal stocks?

Yes indeed: look at chart # 6. I.B.M. (no hits) !!!

We hope you shall have learned that "trading" is simple (if we keep the rules to (5) and we let someone else do all the work for us: why make life complicated ? (5 rules are covered by the software).

All these numbers were here before we got here and they will be here after we leave here: (for our children to learn all over again).

Some are "offended" at linking morals, religion, math and trading: but one man got mad twice when he found the "money changers" giving out "plug" nickels, and he also said that "yod" 1/10th (Base Ten) should be returned from your trading profits: so please go for it: trade off only (10) simple rules (for all markets) and cheerfully pay your "dues."

The Murrey Math book (two learning manuals) is available from Traders World Magazine for $78.00 Murrey Math Software (end-of-day version) which includes two sets of software and the Murrey Math book is $583.00 A Murrey Math 90 Trial on the software is $90.00. A CD of Murrey Math Lessons is priced at $150.00. Add shipping of $4.95 for any of the above in U.S. Foreign shipping is extra. To order call Traders World Magazine at 800-288-4266 or go to our secure order catalog on our site to order at www.tradersworld.com

Everything Comes Full Circle
Cycles of Price & Time

By Daniel Ferrera

Of all the techniques used in technical analysis the use and knowledge of dominate cycles is one of the only methods that allows you to forecast and anticipate a point in time in the future where the market under study is likely to change trend. This is possible because price action unfolds in repetitive rhythms over time. W.D. Gann used this knowledge of cycles to make many accurate forecasts of both price action and time. He believed that "Time is the most important factor in determining market movements" because everything moves in cycles, as a result of the natural law of action and reaction. "By a study of the past, I have discovered what cycles repeat in the future." Because a cycle literally refers to a circle, Gann knew what the harmonic divisions of the 360 degree circle would be accurate forecasting tools. This is applicable to all time frames, i.e. hours, days, weeks, months, years, etc. Therefore the important natural cycles are 15, 30, 45, 60, 90, 120, 150, 180, 210, 240, 270, 300, 330, 360. (See figure 1 - 60 day cycle illustrated)

If we add a momentum chart (5 period MA - 34 Period MA) over this period we can make an interesting forecast using a cycle technique called a mirror image foldback. Where we assume time has found a balance point and is folding back over the same emotional energy that has just elaspsed (For a detailed explanation of this technique see the book Market Geometry by Michael Jenkins available at Traders World 800-288-4266). See figures 2 and 3 which detail this technique.

If your are interested in using cyclical analysis in your trading approach and have Microsoft Excel, I have written a file that will calculate future (Gann, Fibonacci, Bible, & Spiral Calendar) cyclical turning points based on past turning points as far back as 1900. If you would like a copy of this file, send me your name and mailing address along with $9.00 and I will send you the cycle file and instructions along with a Gann Price Square Calculator and instructions.

Daniel Ferrera can be reached at 18963 Stamford, Livonia, MI 48152

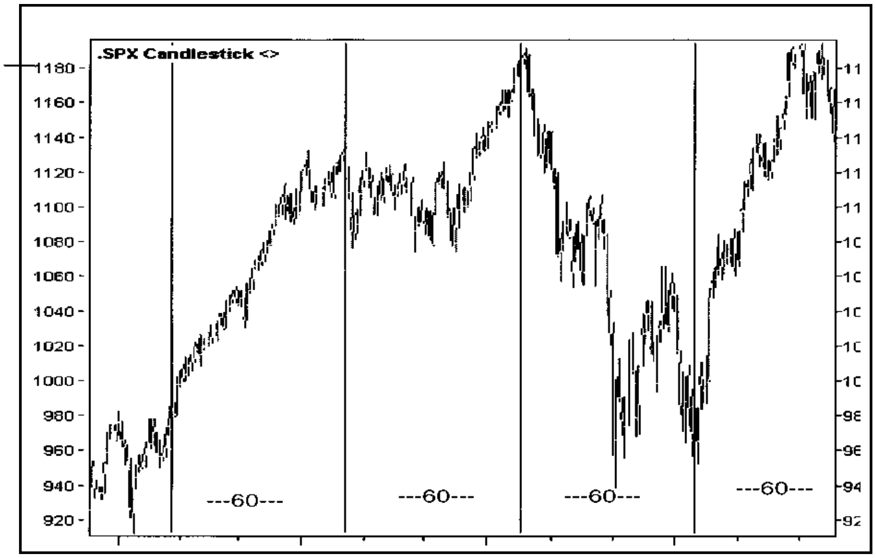


Figure 1

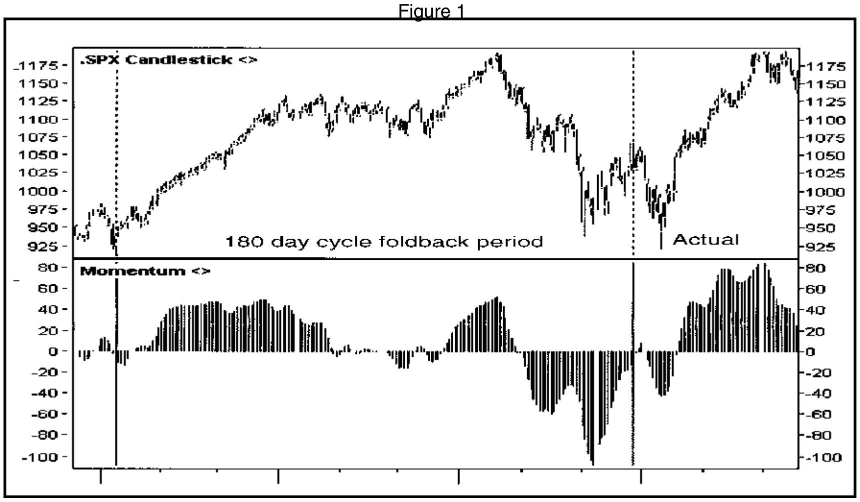


Figure 2

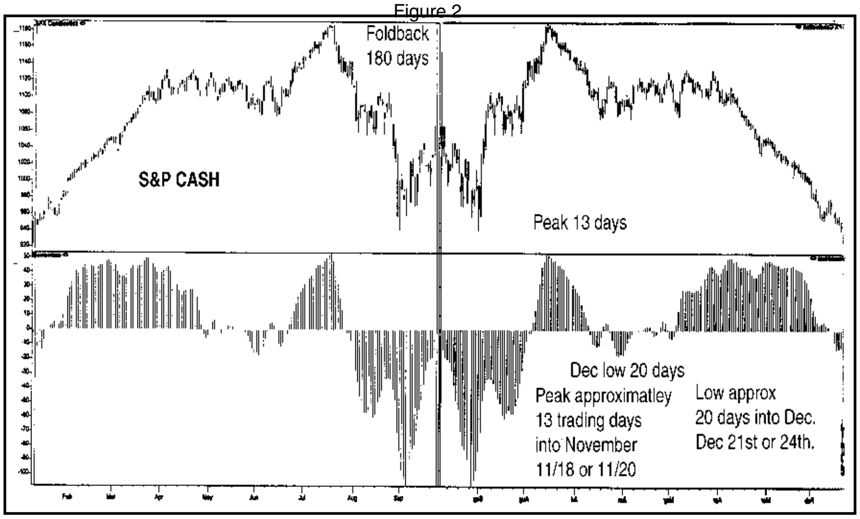


Figure 3

Gann Theory

By James A. Hyerczyk

Gann Theory can be described as the study of pattern, price and time relationships and how these relationships affect the market. Gann Theory looks at pattern, price and time as the key elements in forecasting the future movement of the market. While each element has its own unique characteristics, each also has a unique, overlapping quality. The study and focus of Gann Theory is to find the interlocking relationship between these three primary indicators of changes in trend and market direction. In other words, in certain instances a pattern is having a large influence on the market while at other times price and time are exerting their dominance on the market. It is the balance of these three elements - especially price and time - which create the best trading opportunities and often lead to more success in the market. Gann theory helps the trader to determine the best combinations of pattern, price and time to initiate successful trades. While trades can be triggered by each element individually, a trader who weights his signal too much toward one of these elements may experience a large number of losses while a trader who is patient enough to wait for a proper balancing of pattern, price and time may experience more success. Pattern, Price and Time Pattern study consists of the proper construction of Minor, Intermediate and Main Trend Indicator Swing Charts and Closing Price Reversal patterns. Price study consists of Gann Angle analysis and percentage retracements. Time study looks at swing timing, cycle timing and historical dates.

The combination of these three factors helps the trader decide when and where to buy or sell. In this article, I will describe techniques which help the trader determine how to discover the elements through proper chart construction and how each are related in trading activity.

Gann Theory and Its Application to Trading Gann theory is based on the principle that price and time must balance. Markets are constantly in a position of change and subject to movement sometimes with great volatility. Gann Theory states that there is order to this movement. By using the proper tools to analyze this movement, an accurate forecast for future direction can be made. Finding the balancing points is necessary to predict future prices and movement. Gann developed a number of methods to help determine these balance points. The first method uses patterns created by swing charts to find the balance points. The second method uses angles and the squaring of price and time to find the balance points. Finally, the third method uses time. While the perfect market remains balanced all the time, it also proves to be uninteresting because major moves occur when price is ahead of time or time is ahead of price. The proper use of the various Gann analysis tools will help you to determine when these major moves are most likely to occur. The 7 Steps for applying Gann Theory to trading

Now that the theory has been explained, how can it be applied to trading? The first step is to create the charts which properly demonstrate the concepts of pattern, price and time analysis. The second step is to create swing charts or trend indicator charts which provide the trader with a way to analyze the size and duration of the rallies and breaks.

The third step is to use the information derived from the swing chart to forecast future price and time targets. In addition to forecasting, this chart is also used to determine the trend of the market.

After the pattern has been analyzed in the form of the swing chart, the trader moves to step four which is the creation of Gann angle charts. Using the tops and bottoms discovered with the swing chart, the trader draws properly scaled geometric angles up from bottoms and down from tops. Since these angles move at uniform rates of speed, the trader uses the angles of support or resistance and attempts to forecast the future direction and price potential of the market. Percentage retracement levels are also created using the information derived from the swing charts.

Each paired top and bottom on the swing chart forms a range. Inside of each range are the percentage retracement levels. The strongest being the 50 percent price level.

Step five is to draw the percentage retracement level inside of each range. At this point, the trader can judge the strength or weakness of the market by relating the current market price with the percentage levels. For example, a strong market will be trading above the 50 percent price.

Finally, time studies are applied to the market in step six. Traders should use historical charts to search for anniversary dates and cycles that could indicate the dates of future tops and bottoms. The swing chart is used to forecast the future dates of tops and bottoms based on the duration of previous rallies and breaks. Gann angle charts are used to predict when the market will be squaring price and time.

Finally, the percentage retracement chart creates the major time divisions of the current range with 50 percent in time being the most important. Step seven is to combine the information obtained from the pattern, price and time charts into a trading strategy. This is the most important step because it demonstrates where the three charts are linked. For example, the swing chart tells the trader when the trend changes. If the trend changes to up, the trader uses the previous rallies to forecast how far and how long the rally can be expected to last.

The Gann angles drawn from the swing chart bottom show the trader uptrending support which is moving at a uniform rate of speed. In addition, the Gann angle chart shows the trader the time required to reach the swing chart objective based on the speed of the Gann angle. The 50 percent price level acts as support when the market is above it and as resistance when it is below it. The strongest point on the chart will occur at the intersection of the uptrending Gann angle and the 50 percent price. Finally, time indicators are used to prove to the trader the upside target is possible because anniversary dates and cycles can verify the existence of similar market movement in the past.

In Conclusion ... By combining pattern, price and time, the trader creates a trading strategy. This trading strategy is based on the principle of price and time balancing at certain points on the chart. The three methods of analysis draw this information out of the chart. Without the proper application of the three analysis tools, valuable information would be lost to the trader. This is the very essence of Gann theory, which states there is order to the market if the proper tools are used to read the charts.

James A. Hyerczyk is a noted Gann expert, commodity trading advisor and president of J.A.H. Research and Trading in Palos Park, Illinois. His most recent book is Pattern, Price & Time: Using Gann Theory in Trading Systems and can be purchased at a discount by calling: 800-272-2855 ext B823 Pattern, Price & Time Item #8438 $59.95 Save 10% by asking for ext. B845 NOW $53.95 plus shipping

The Future of Financial Astrology

By Patrick Mikula

The history of financial astrology is quite fascinating. It is a known fact that some of the greatest market traders and forecasters used financial astrology but the method has never been able to gain wide support in the financial community. The reason for this lack of acceptance is that financial astrology has always been a very discretionary approach to trading and requires a large amount of time just to learn the basics. At the Vibration Research Institute we are working to automate financial astrology into what we have named Mechanical Astrology. This term refers to fully mechanical astrology trading systems.

In this article we are going to discuss two simple Mechanical Astrology trading systems. The first step when setting up an astrology trading system is to identify an astrological event which correlates to the financial markets. For the first system we will use the observation that the moon phase often correlates with swing tops and bottoms. We will use the four main positions of the moon phase, which are the first quarter moon, the full moon, the third quarter moon and the new moon. To generate our buy and sell logic, we will combine the lunar phase with the Stochastic which is the best known momentum indicator. If the observation that the moon phase correlates with swing tops and bottoms is true then we should be able to combine a bottom in the Stochastic and the moon phase for a buy signal and a top in the Stochastic and the moon phase for a sell signal. To further test the correlation of the moon phase to the markets, we will also use a moon phase to exit each trade. So the buy long logic for this system will read, buy if X moon phase occurs and the Stochastic is below 20. Then exit long when Y moon phase occurs. The sell short logic for this system will read, sell if X moon phase occurs and the Stochastic is above 80. Then exit short when Y moon phase occurs.

Our final question for this system is which moon phase do we use for X and Y? This question is best answered by the computer. For this type of system testing we use the AstroTrader program which is an add-on for TradeStation or SuperCharts. We write this system in Easy Language and then use the TradeStation system tester to run this system with all possible combinations to show us which moon phase correlates with a particular market. When this system is tested back to 1990 on soybean futures using a continuous contract, we find that using the New Moon for the entry and the Full moon for the exit had the highest correlation. This produces 44 trades with an overall 66 percent profitability with the long trades being 54 percent profitable and the short trades being 88 percent profitable. The system logic for soybeans would read, buy long if a new moon occurs and the Stochastic is below 20, then exit long on the next full moon. Sell short if a new moon occurs and the Stochastic is above 80, then exit short on the next full moon.

The second trading system we will discuss will not use any traditional technical indicators such as the Stochastic. Instead we will discuss a system based only on an astrological correlation to a financial market. We will try to find a correlation between a planet crossing into a new zodiac sign (which is called ingress) and the movement of the crude oil market. We will write the system to test the activity leading up to the ingress and following the ingress. There are two possible buy signals and two possible sell signals. The first possible long signal is, buy long X bars before Y ingress and exit on Y ingress date. The second possible long signal is, buy long on Y ingress date and exit X bars after Y ingress date. The first possible sell signal is, sell short X bars before Y ingress and exit on Y ingress date. The second possible sell signal is, sell short on Y ingress date and exit X bars after Y ingress date.

The final question concerns what planetary ingress do we use for the Y ingress date and how many bars do we use for X. These questions are answered by programming this buy and sell logic into TradeStation using the AstroTrader program and then using the system tester. Crude oil futures were tested using a continuous contract from 1990 to the present. The system tester tested all ingress for heliocentric planets. We found that there was a correlation between crude oil prices rising and the Mercury ingress into Cancer and Virgo. After 36 trades there was 67 percent winners if the system bought five days before the Cancer ingress and 65 percent winners if the system bought five days before the Virgo ingress. Correlations also occurred using the other planets but there were considerably fewer trades because of the longer orbit times so we have not included them. After running all the tests and finding which planet and which ingress correlates to the crude oil market we can finalize the buy and sell logic for this particular market. The buy logic will be, buy five bars before heliocentric Mercury ingress Cancer and Exit long on the actual ingress date. The second buy logic will be, buy five bars before heliocentric Mercury ingress Virgo and Exit long on the actual ingress date.

It is important to note that before using a Mechanical Astrology trading system you must study all the system statistics just as with a traditional mechanical system. This includes the maximum draw down, maximum and minimum wins and losses in a row, account size required and so on.

The two systems presented in this article are based on research done with fairly common astrological events. On a standard horoscope at any moment there are over 30,000 possible combinations. If we include heliocentric and Sidereal astrology the number of possible combinations goes over one-half million. This means that there are quite a few reoccurring astrological events which we can program into trading systems and back test to find correlations to the financial markets.

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Astrology Points the Way for Our Future Economic Outlook

By Alphee Lavoie

In the last few years most of America has been enjoying a very good economy. Astrologically it is easy to see the reasons for this rising economy. In the early 1900's, financial astrologer, Louise McWhirter, predicted changes in the U.S. economy by using the North Nodes of the Moon. According to her findings when the North node of the Moon enters the sign of Scorpio the economy goes from 'below normal' to 'normal'. When the node reaches the sign Leo the economy is above 'normal'. When it enters the sign Taurus the economy starts to go from 'normal' to 'below normal' until it reaches the sign Aquarius when it hits the bottom. From the time that the Node is in the sign Aquarius to Scorpio the economy goes from 'below normal' to 'normal' again.

The North Node is not a planet. It is a sensitive point in the sky. Its position is calculated when the Moon crosses the ecliptic going from South to North. The point moves backwards along the ecliptic through the twelve signs of the Zodiac. It takes the North Node of the Moon 6,793 days (about 18.6 years) to complete its cycle. This tells us that the U.S. economy has a cycle of a little over nine years of above average and below-average. The business world is very well aware of this 18 year business cycle as it is mentioned and referred to in many business/financial books even though the authors might not know that is actually an astrologically timed cycle.

Just look and see how well this cycle has worked in the past. On November 28, 1928 the North node entered the sign Taurus indicating that the economy was going from normal to below normal. It reached the sign of Aquarius in July of 1933 which is the time that we were exactly in the middle of the depression. Just before the second World War the Node entered the sign of Scorpio indicating that the U.S. economy movement was moving back to normal and, of course, reached the above normal phase in November of 1942. Since then the North node has twice cycled once back into the sign of Aquarius twice making the economy below. The first time that we saw its effect was in March of 1952 and the second time was October of 1970.

When President Clinton took on the Presidency of our country in January 1993 the North Node was at 21 degrees of Sagittarius. According to our graph (see below) it was a below normal economy during the first term. The economy was below normal to normal because by the time we went to the election poles for his second term the North Node was in the sign of Libra where the economy was moving from normal to above normal. I'm sure that this factor was a help to Clinton in winning his re-election.

According to McWhirter's theory the economy had reached above normal phase and peaked in September of 1998. The next cycle that shows indicates a downward movement towards a normal phase until it reaches the sign of Taurus in May of the year 2003. The next cycle moves into the sign of Aquarius making the economy at its worst in January 2008.

Since the North Node entered the sign of Scorpio in January of 1994 the Dow Jones has risen over 135 percent in just four and a half years. It has more than doubled since it began in the 1800's. Will the market continue to go up? According to McWhirter's cycle the market should not have peaked until this past September of 1998. But it is very possible for the market to maintain an upswing until the nodes enter the sign of Taurus which will be in May of the year 2003. However, I don't think that it will have the same gain that we had in the last four years. But it's possible that the market could continue on a slow rise for another couple of years. This year (1999), beginning in June and continuing through to the end of November the market will have to brace itself for some of its hardest aspects. I am sure that we will see a strong down swing during those months. There is still plenty of money to be made in the stock market now, at least until Saturn reaches the sign of Gemini which will be in the summer of year 2000.

In 2003 not only will the economy begin to change from normal to below normal but the United States will also have to contend with one of the hardest aspects in the natal chart. Transiting Saturn in the sky will be conjunct the United States birth Sun at 13 degrees of Cancer and in October of that year Saturn will station retrograde on the Sun of the United States chart. When Saturn falls on the Sun of a country's chart it always indicates a restricting, hampering pressure that brings up fears, changes and need to restructure the country in some manner. The Saturn/Sun aspect is always difficult time for the U.S. Under this aspect the U.S. has to deal with many crosses. In June 1945 Saturn was conjunct the Sun when we were right in the middle of the second world war. Astrologically speaking, the fear that Saturn evokes was probably a factor in making us drop the bomb on Hiroshima, which was followed by the Japanese surrender on August 15th of that year. The last time we saw the Saturn/Sun aspect afflict the United States's chart was between August 8, 1974 (the day we saw President Nixon resigned) through May of 1975.

Some of the exciting aspects in the next 10 years. The last time that Uranus was conjunct the United State's natal Moon in the 3rd house at 27 Aquarius 02 it brought in the first air mail delivery system. This aspect is due to occur again March 2002, August 2002 and January 2003. Could it possibly indicate that our mail system will begin to find its delivery entirely through the internet?

We seem to be moving into the millennium with a strong economy for a few more years and then the U.S. will have to reorganize and structure for the next few years.

Between the Node going into Taurus and Saturn sitting on the U.S. Sun the economic climate in the year 2003 will most likely be a difficult year for all of us. The next five years following may also show a poor economy with little chance for much recovery.

The planet Uranus will be squaring the Sun in the Stock Exchange in March and August of 2002 and January of 2003. That same aspect sent the Dow plunging in December of 1941, Spring of 1942 and June of 1962.

Alphee is a dynamic speaker and has lectured all over the world for local and national organizations.He has authored two best selling books, Horary Lectures and Lose This Book...and Find It Through Horary and has two more books on the way. He is the research director for the National Council of Geocosmic Research, NCGR. He is also the Education Liaison for the Astrological Federation of Astrologer's Network. His software company, AIR Software, is now one of the top three companies in the world. The outstanding programs he produces include: STAR TRAX, NOSTRADAMUS, FATHER TIME, ARP, The Astrological Research Package, AIRHEAD and FINANCIAL TRADER, all of which have won international acclaim. Alphee can be contacted at Air Software 1-800-659-1427 www.alphee.com

Trading on Scales

By John Chapman

Scaling is a simple, but very useful, technique employed by most professional traders and misused by some with serious consequences). Trading on a scale simply means staggering your purchases or sales instead of doing everything at a single level. Conceptually it is trivial, but hidden in the simplicity is a set of very useful tools. These don't tell you which way the market will go, but they can do a lot to optimize your existing forecasting tools and can help you cope with a number of human weaknesses.

There are two basic types of scales for putting on a position - adding to a position that is moving against you, which I call a fading scale, and adding to one that is going your way, which I refer to as a pyramiding scale. The rationale behind the former is that as the market becomes increasingly mis-priced, a progressively larger position is warranted. In the latter, as the market unfolds along the lines you predicted, the odds that your analysis was correct increases, thereby justifying a larger position.

Scales of both types can be front-end loaded, back-end loaded, or uniform. They can be evenly spaced or set at technically significant points.

But, why bother when you could theoretically pick a spot part way down the scale, buy the entire number of lots contained on the scale and have the same expected profit? The problem is that to come up with such a single point equivalent, you would need to figure out, not only whether the commodity was mispriced, but how far into mispriced territory the thing was likely to go. It is hard enough to decide what to do IF something happens, without also having to calculate the odds of the event happening.

Suppose that the speculative longs are being shaken out, and you decide that if the market falls to 1000 you would like to be long 2 lots. If it happens to go overboard and reach 998 you would like to be long 4 lots. You may have no idea how likely this shake-out is to carry beyond 1000 to 998, but you may have definite ideas about how mispriced the market would be IF it carried that far. You might place a scale to buy 2 lots at 1000 and 2 more at 998.

In some instances you may have very strong opinions about the likelihood of different sized moves, and could therefore substitute a single order. However, unless your trading system was keying on a specific event e.g. a breakout at a certain point or the market moving to a specific technically significant level, I would still choose to scale.

Besides enabling a trader to tailor his position to his assessment of the market, scaling can play a vital role in counteracting human foibles. I reluctantly admit to having put on plenty of positions without first having done enough homework; this is not recommended, but life is imperfect. However, there is nothing like having a loss on the first few lots of your scale to generate some belated but inspired research. And luckily, scaling often buys time to wake up and bail out before you are in too deeply. It also buys time for new information to come to light.

Scaling also helps the less focused among us in other ways. Since a scaler starts getting in sooner than a single point buyer, he is in the market a larger percentage of the time, which stimulates him to be more in tune with the market. Having one's neck on the chopping block does sharpen the wits.

The scaler also gets valuable feedback for coping with the dreaded "second thoughts syndrome". Bold market opinions sometimes undergo a magic transformation moments after people get into a position. The confident, greed-driven desire to get in is replaced by a wave of doubt. Discovering the water is too hot by first dipping one's toe in (scaling your way in) has certain readily understood advantages over the bodily plunge.

For some people fading scales are difficult emotionally. In order to fill your entire scale you have to be losing money on your early positions. People have a strong aversion to getting deeper into a situation where they are already losing money (usually a healthy instinct). It can seem positively perverse to be rooting for your positions to go against you.

Sometimes you want your entire scale filled; so in fact you are rooting against your early positions. Other times you want your later orders filled IF the market gets there, but by that time you would be taking a big enough hit on your earlier lots that you would prefer that it not get there. I refer to these two types of fading scales as "happy scales" and "consolation prize scales" respectively.

On a happy scale if the market goes up after your early purchases you make money, and if it goes down you get to put on some really promising positions, to make even more money. The example above where orders were placed at 1000 and 998 was a happy scale.

To illustrate a consolation prize scale, suppose that you bought 1 lot each at 1025,1020,1015,1010, and 1005, at each of which levels the odds of a good up move improved. At 1000 your assessment was that there would be a 75% chance of a 10pt up move vs a 25% chance of a 10pt down move. You decided that you could risk a 10 lot total position on such odds, so your scale included an order to buy 5 more at 1000.

That is a perfectly reasonable strategy. You would want that 10 lot total position IF it got there, but your situation would then be a 75% chance of getting out at 1010 and 25% of getting out at 990. You would already be down 75 pts on your first 5 lots (25+20+15+10+5). Your 10 lot position from the 1000 level has an expected gain of only (.75*10pts-.25*10pts)*10 lots=50pts, which is not enough to make up for the loss on your earlier purchases. You have completed a consolation prize scale.

There is another kind of fading scale, call it the "I've got to get my money back scale". These are after-the-fact, "inspirational" reinterpretations of the odds, which now justify a much bigger position. The more common term for it is "averaging down". Averaging down has probably wiped out more traders than war, famine, and pestilence combined.

People feel a desperate desire to get back what they have lost. They will play double or nothing or even more extreme versions of averaging down to do it. Since these "I've got to get my money back" scales bear some resemblance to legitimate scaling, traders who should know better often rationalize them as scaling.

In the example above, if the decision to buy at 1000 was an after-the-fact inspiration or if your scale was originally to buy only 1 lot at 1000, red flags should go up. Perhaps the acid test is to ask yourself if you truly believe that each additional purchase on the scale has better odds than the one before it. If it can't pass that test you are probably rationalizing the alluring and deadly impulse to average down.

Pyramiding scales, like fading ones, have their share of pitfalls, but these are mild in comparison to the evils of averaging down. The pitfalls in pyramiding come from two sources - faulty reasoning and the relief they can offer from unpleasant stress.

Somehow people don't think of paper profits the same way they do realized profits. There is a sense that they are playing with the market's money until the position is actually closed out. They argue that adding to a winning position means that they have a cushion of the "market's money" to protect themselves with thereby making this a safe way to trade.

Rationally, of course, you should always mark your positions to market; paper profits are your money, not the market's.

The consequences of not considering paper profits as really theirs are threefold. First, protected by the perceived cushion, people tend to take bigger positions than the situation justifies. Second, feeling safe because of their cushion, they hesitate to bail out promptly when trouble appears. And third, in the absence of a cushion they take positions that are smaller than the circumstances warrant.

Even traders who understand the proper use of pyramiding scales and are quite objective about marking to market, are not entirely immune to the emotional allure of the cushion. Regardless of how irrational it is, psychologically these cushions relieve stress. And depending on the degree to which stress interferes with your performance, pretending that the cushions are the market's money could be worth the cost.

Not all scaling is used for accumulating positions; scales can be used equally well for liquidations. Progressively selling out as objectives are reached is analogous to a fading scale; call it a fading liquidation. Reducing your position as the market moves against you, which I refer to as a contingency bailout, is like the mirror image of a pyramiding scale. You use it to reduce your position as you gradually lose confidence in your original assessment. It is essentially a progressive stop.

Like their accumulation cousins, liquidation scales come with their own set of crutches and perils. Scaling out as the market reaches various objectives can help those who are overeager to book a profit, to not dump their entire position too early. Conversely, a contingency bailout makes it easier for those who can't bring themselves to take a loss, to ease out in a somewhat disciplined manner.

The biggest pitfall is in using contingency bailouts as an excuse to stay in a position when you should be bailing out of everything in a hurry. The power of hope keeps people in losing positions too long, and contingency bailouts can either help people to handle this emotional weakness or can worsen it by providing cover for it.

All of the scaling techniques discussed in this article have three things in common.

1) They can be used to continuously optimize your position size vs probability of success.

2) They provide a means for counteracting various human weaknesses.

3) They can be abused and become a smokescreen for certain destructive impulses.

In my own trading I am constantly working a whole array of scales - all of the types discussed in this article - fadings, pyramids, contingency bailouts, and fading liquidations. I use them for both spreads and outright positions. Some of my scales may stay in place for weeks, resulting in my putting on and taking off positions multiple times; others will come and go or be modified several times in the same day. While I do take advantage of some of the crutches and have at one time or another been guilty of most of the sins, to me scaling is primarily a tool for constantly fine-tuning my positions.

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Gann Harmony: The Theories & Teachings of Dr. Jerome Baumring

By W. Bradstreet Stewart

There has recently been a resurgence of interest in the forecasting principles of W. D. Gann and correlatively the interpretation and explanation of Gann provided by the late Dr. Jerome Baumring of the Investment Centre. It is common for the new (and old) student of the Gann methodologies to be overwhelmed by a mass of disordered and conflicting material regarding the mystic figure and cryptic teachings of this great market master, W. D. Gann. The only proponent of the application The Law of Vibration to financial market forecasting since Gann himself was Dr. Jerome Baumring of the Investment Centre. There has been enough curiosity and confusion regarding Dr. Baumring to warrant a more detailed elaboration and clarification of the history and theories of this visionary analyst and philosopher.

Donald Mack, a highly respected market historian and scholar, founder of the Investment Centre Bookstore stated, "In our capacity as book suppliers to the world in our specialist area of stock and commodity books, we have met many who have been trying to fit together the pieces of the puzzle that is Gann. However, no one to our knowledge has come close to solving the mysteries inherent to the Gann methodology except for Dr. Baumring, whom we saw evolve from his initial introduction to Gann to a complete mastery some years later. So much so that we unequivocally state that he is the only person we know of that has solved every aspect that Gann wrote about."

Dr. Baumring was introduced to Gann while in traction recovering from a car accident which severely injured his spine (ultimately the cause of his untimely death). While in the hospital, someone gave him a copy of Perry Kaufmann's Commodity Trading Systems and Methods in which is presented a copy of Gann's May Soy Beans chart which caught his eye. Dr. Baumring noticed on this chart a tiny almost indistinguishable point and arc which had been drawn with a compass on the chart. This sparked a flame in his imagination leading him to commit the next three years, 16 hours a day, 7 days a week to the understanding of Gann's trading methodologies.

It was evident to Dr. Baumring that Gann was using techniques which were not outrightly presented in his courses, and that the key to deciphering his cryptic writings lay in an understanding of "how Gann used words". He realized that he would have to study everything that Gann himself had studied in his time in order to obtain a frame of reference coincident with that of the Master. Dr. Baumring approached Donald Mack and requested the use of his massive investment library, while accumulating an extensive personal library of old scientific, metaphysical and market works which Gann most likely would have had access to himself. Dr. Baumring read over 5,000 books in those years, a feat only accomplished with the help of a photographic memory and an ability to read 1,800 words a minute.

After three years of indefatigable research, even with his expertise in pharmacology and mathematics, his gift as a mechanic, and a background in Zen and martial arts, he had hit an unassailable wall. Faced with the prospect of failure, he awoke late one night to hear an inner voice direct him to his charts. As he sat down at his chart table, this voice walked him step by step through the final barriers to understanding.

After this breakthrough and its integration into a complete system which he called "Gann Harmony", Dr. Baumring turned to the markets to prove the validity of the system. He began with a $25,000 account and in less than two years compounded his investment into over a million dollars. Having proven that the system was capable of producing the promised returns, he then verified that it was applicable to all markets, doing a full analysis of and trading 18 futures markets and a selection of stocks. In order to prove Gann's theories on a larger scale, Dr. Baumring traded for a silver hedging company. This was the time when the gold and silver markets exploded to their all time highs. Dr. Baumring had forecast the top of the silver market to within a three minute window, and implemented a sophisticated strategy allowing him to transition from a position 200 contracts long to a position of 200 contracts short in a screaming exponential market. As the timing point for the top approached with the market moving as only commodities do at all time highs, a gentleman he was advising was hesitant to sell at the timing point and asked if he could wait another minute. His hesitation cost him $60,000.

In an interview in the Herald Examiner on February 4, 1986, Dr. Baumring stated, "From now to the end of the third quarter, the market will be sideways or down, perhaps some 200 points (on the Dow). Then we expect a rally like 1927 to 1929, to 3000 or more by 1988 or 1989. There will be 400 million-share days on the market." At that time such high volume and volatility were unheard of, but a year and a half later when Black Monday scared the pants off of Wall Street, Dr. Baumring just smiled as he had been short five S & P options from the last high and had just made $120,000.

With his understanding of the markets now complete, Dr. Baumring began looking for another challenge. One of the unfortunate by-products of his new understanding was the lack of people capable of communicating on a stimulating level. Like Gann, Dr. Baumring also felt an obligation, what he often referred to as a "karmic debt", to, as Gann said, pass on the enlightenment that had been heaped on himself in abundance. There seemed to be one resolution, to share his understanding of "Gann Harmony". Teaching this system would certainly be a challenge, would balance his "karmic debt", and at worst, would develop some stimulating interaction. We think it best to let Dr. Baumring describe for himself the results of his decision, so the following quotes have been extracted from his seven page announcement of a series of Courses he called THE INVESTMENT CENTRE STOCK & COMMODITY COURSES - A Distillation of the Insights and Wisdom of W. D. Gann. (the complete announcement can be viewed on the Internet at www.sacredscience.com)

"Beginning with this announcement of our coming very thorough Course of Instruction in W. D. Gann's almost unknown methods of analysis of stocks and commodities, we feel very strongly we must resolve the misinformation and misconceptions of this great, great man's exceptional methodology. To put a stop to so much that has been wrongly propagated (generally by mostly sincere people) as to what Mr. Gann's approach involved (such as astrology, angles, his numbered squares, cardinal crosses, and on and on), we unequivocally state that to the best of our knowledge nobody to date has ever dealt with, or has been able to even accurately explain The Law of Vibration which Mr. Gann with great authority said was the key to explain all phases of market action. Without properly understanding the basic laws relating to Vibration, of what value could any or all of the propagated so-called Gann concepts possess?"

"This Course begins with a thorough examination of The Law of Vibration, and thereafter progresses to Number Set Theory (Numerology), followed by the Law of Proportion as demonstrated by Geometrical applications, and going onward into the areas vital to Gann analysis such as harmonics, the mathematics of music, angles... When the area of Angles is studied,... (we) will clear away for the first time the misuse of the technique that has been propagated as " Gann Angles". To accomplish this we will turn to Gann's own writings where he states in no uncertain terms that there is much more than just the Diagonal Angle, or as he says, 'There are three kinds of angles - the vertical, the horizontal and the diagonal angle, which we use for measuring time and price movements'. Of the three, the diagonal angle is the least important."

Dr. Baumring's approach to interpreting Gann was to follow Gann's clues and clear indications as to what were the necessary topics in need of understanding and application. Gann's well known Ticker Interview (this full interview can be viewed at www.sacredscience.com) states very clearly that the foundations of his system were mathematics, chemistry, physics, astronomy, harmonics, natural philosophy, "the universal law of causation and harmony", wireless telegraphy, etc., all summed up in the Law of Vibration. He was continually amazed to find that most Gann students and "experts" have very little knowledge in even one of these fields, let alone in all of them. How can one possible expect to understand Gann's methodologies when one does not even understand the most fundamental principles upon which Gann says his system is based? How can one possibly be expected to predict the future when one does not even understand the principles and laws which govern the present? There is no question that without a thorough understanding of these principles it is IMPOSSIBLE to understand Gann! Dr. Baumring's approach was to thoroughly educate his students in every field necessary to develop an understanding of the Universal System of cause and effect founded upon the Law of Vibration. He made this easier for his students by personally selecting from over 5,000 books the clearest and most easily accessible presentations of the exact concepts needed for an understanding of Gann's methods. These presentations were collected together into a series of Notebooks which Dr. Baumring presented to his students along with required reading lists necessary to elaborate the concepts into a complete understanding.

In his lectures, Dr. Baumring would tie these principles together with demonstrations in the markets leading the student to the integration of a complete Universal System, or Cosmology. He presented a number of perspectives and concepts which had never before been considered, though fundamental to Gann, such as the markets being, at minimum, a three-dimensional phenomena, exactly like a large molecule rotating in space, in and out of the Z plane, with DNA coding sequences governing the entire process. Without understanding that the market is 3-D, twisting like a plant governed by the phyllotactic laws of dual number series and harmonic composition and decomposition, all measurements taken on a 2-D chart become misleading. He translated the "mystic" terms of the esoteric tradition into modern counterparts: "astrology" becoming "numerical astrophysics, celestial mechanics, or optics", "numerology" becoming "number set theory", "mystic symbolism" becoming "symbolic logic", "sacred geometry" becoming "lattice and matrix theory or the projective geometry of light". He often mentioned that these different branches of knowledge were merely various manifestations of One Phenomenon in differing forms of Symbolic Logic.

Dr. Baumring taught using a methodology unlike those of our modern educational systems. He believed that in order for knowledge to reside as inherent knowing, an individual must recreate the process of discovery within himself. Jerry would regularly comment, "I am merely the Sherpa (guide, way-shower), you must walk the path yourself." This attitude is based upon the Christic principle he often quoted of "Give a man a fish and you feed him for a day; teach a man to fish and you feed him for life." He made clear that even if he were to explain the entire process outright, it would be of no avail, for without the catalyzing power of insight attained only through personal discovery, the student would be unable to digest and integrate the principles. Now this does not mean, as many students and Gann seekers fear, that it takes some form of Divine Grace or Mystical Revelation to perceive the true workings of the market. Rather the process of study and research develops an insight into the necessary principles of Cause and Effect, Natural Law and its manifestation in reality, which are absolute prerequisites for an integrated understanding and application.

Robert Miner wrote, "I have been lucky. Over a decade ago my most influential teacher of market analysis and trading, Dr. Jerome Baumring who has since passed away, taught me to not only look at the market from radical new perspectives, but to prove everything out myself."

On a personal note, no mention of Jerry Baumring is complete without a few comments about his delightfully eccentric character. Jerry was the type of person who naturally used words such as "happenstance", "prestidigitation" and "isness". He was a master mechanic, and I more than once arrived for a lesson to find him elbow and undershirt deep in grease with his car disassembled on the ground. I would read while he put it back together, and to this day I carry a book everywhere I go, just in case. He drove an old Cougar and an old Mustang, and when I asked why he didn't buy himself a decent car, he guffawed saying that the older cars were built with much greater quality than the newer ones, which contained unfixable computers and plastic parts, whereas he had built his cars with his own hands.

Jerry's primary form of R&R was book hunting all over the world. He would climb ladders and crawl on filthy floors digging into the deepest, darkest, spider-infested corners, and I'll be damned if he didn't always come up with some jewel everyone else had missed. He was a spontaneous not a methodical book collector. Jerry would stop at a garage sale and find some amazing first edition for a dollar while also buying the broken toaster for ten cents because the power cord was worth two dollars. As he toted his booty, toaster under one arm, book open in the other hand, upon mention that buying the toaster seemed silly, he would reply that it was a 2,000% return on his investment, and that didn't include the book.

From the last anecdote it is not difficult to understand the continual state of his house and office. I once pulled out a chair from his book-piled dining room table, looking for a seat, only to find the chair laden with too many books to inconspicuously move. He hid his best books in his dresser with the most rare beneath his underwear. In the corner next to his side of the bed was a 3 foot high and deep waterfall of books deposited there after his evening reading. His office was in a continual state of disheveled flux due to the massive amount of information continually being processed.

Dr. Baumring's work hours were 8:00 AM to 4:00 AM Monday through Sunday structured by a 100% spontaneous schedule. As a private student one could expect regular phone calls between 1-4 AM, and lessons scheduled for 8:00 AM would often begin past midnight, or would occur in a distant hotel room while on a book hunting expedition. Strangely enough, the best lessons and deepest insights often occurred on the most unlikely occasions. Private students generally went through about 100 books a year, always finding or being given better and better material when ready. There is no student of Dr. Baumring's who does not acknowledge the profound impact he has had upon their understanding of the Universe.

The current state of Dr. Baumring's teachings, students, library and the like warrants clarification. Upon Jerry's death, his widow, Dr. Wendy Baumring, was determined to assure that her late husband's work and materials would remain available both to his students and to all those seeking a fundamental understanding of the methodologies of W. D. Gann or of the Universal theories upon which his methods are based. The SACRED SCIENCE INSTITUTE (also known as the Glass Bead Game) was formed in cooperation with Mrs. Baumring for the purpose maintaining the accessibility of the teachings and research materials of Dr. Baumring. All of Dr. Baumring's Notebooks containing his selections of conceptual presentations necessary for understanding Gann, as well as his complete reading lists, Gann's recommended reading list, and the most complete collection of writings of the great Market Masters considered important by Dr. Baumring are currently and will remain permanently available. We have also organized a complete set of Lecture Notes of over 240 pages of Dr. Baumring's direct teachings from all Nine Seminars, soon to be followed by the availability of several hundred pages of Lecture Notes from the lessons of private students. These have been released to provide the serious student with the resources and direction necessary for an understanding of Gann.

Dr. Baumring's library is also remains completely intact, and will be preserved in conjunction with two further libraries with a total of over 7,000 volumes, one of the most complete cosmological libraries in the world. From these libraries the rarest and most important books in every field of metaphysics, science, cosmology and the markets have been selected for publication with around 200 titles available now and another 400 to be added in 1999.

Dr. Baumring was very strict about presenting Gann in his most original and complete format. In response to these desires, we have released a series of Unpublished Writings of W. D. Gann, containing his most important works, never before available to the public due to their rarity, and organized in the original manner as presented by Gann. They include Gann's unpublished course on the Master Time Factor which he sold for $2,500 in 1939, and a number further unpublished forecasting courses, providing a complete supplement to the material currently available through Lambert-Gann. We have compiled a scientific collection including a series of courses written months before Gann's death delineating his Mathematical Formula for Market Predictions and including, for the first time, the complete instructions for Gann's Mathematical Price Time & Trend Calculator, as well as three other calculators with instructions. Gann students will be surprised at the added clarity derived from having Gann's most important writings organized in their intended format.

Currently, there are a greater number of serious students of the theories of Gann as presented by Dr. Baumring than when he was alive and there will soon be an Internet forum created on-line to facilitate the communication and interaction of people engaging in serious research in various branches of Cosmological theory including Financial Market Forecasting. The SACRED SCIENCE INSTITUTE is committed to permanently providing the best and most complete research materials to the seeker of Universal understanding.

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Leading and Lagging Indicators: Achieving A Balance

By Joe DiNapoli

How would you like a trading methodology that gives you predefined entry levels, reasonably tight stops, and precalculated profit objectives as soon as you enter the move? We're not through. Add to that a very high percentage of winning trades. This is not only the promise but it can also be the reality of properly mixing high quality leading and lagging indicators in an overall trading methodology.

Almost every technical indicator is a lagging indicator. Moving averages, MACD, the RSI, Stochastics, you name it, we're talking lagging indicators. First there's a move in price, then sometime later in the game, the indicator signals buy or sell. That's why lagging indicators are called lagging indicators. They lag behind market action. They give signals after the fact. Leading indicators, on the other hand, tell us ahead of time where the market is likely to find support or where the market is likely to find resistance. Most traders who have attempted to use leading indicators have looked toward some form of overbought or oversold oscillator. Most oscillators, however, are in the camp of coincident or lagging indicators. They may tell us when a market is at a resistant point or when a market is at a support level, but typically they do not give us useful information ahead of time. Traders rightfully view the use of leading indicators as a dangerous enterprise because few traders understand how to place a true leading indicator in the proper context to achieve the desired results. The trick is to achieve the proper balance by mixing leading and lagging indicators across time frames. If we can accomplish this objective, we can come up with a trading approach which is far superior to using either of the two exclusively.

Let's look at the problem more closely. Traders, being rational human beings, prefer lagging indicators because they want the comfort level of seeing a market already in a move prior to their entry. Unfortunately, this kind of comfort comes at a price. Once the lagging indicator is firmly established in a given direction, everyone else sees the move and everyone else is getting in at about the same time. Those who provide the necessary liquidity to fill the orders of the lagging indicator traders need to make their profit, so now we're ready for a re-tracement. This re-tracement is typically to the area where the lagging indicator players put their stop. The net result is the lagging indicator trader may be right on market direction, but is all too often stopped out before the market goes the way he knew it would all along. So how do we overcome this situation? Buy precalculated dips in an overall uptrend. Sell precalculated rallies in an overall downtrend. We determine the location of such dips and rallies with high quality leading indicators.

In my trading career I have found only two leading indicators that have the reliability necessary to justify employing them. The first is the Oscillator. Here's how it works

First, determine the context for the trade using lagging indicators. Then establish the entry level using a high quality leading indicator. Continue to use the leading indicator to find a stop placement point. In the case of an uptrend, this would be below a substantial support level. In the case of a downtrend, the stop would be above a substantial resistance level. Notice I don't use money stops. If the stop is too large for money management criteria, simply don't take the trade. Since the stop placement point is known ahead of time, it's easy to make that calculation. Once the stop and entry are in place, it is now possible to calculate an expansion level (leading indicator) to take profits. The closing order is placed in the market immediately upon making this calculation. Do not wait for the market to get there and see what happens.

If you are using high quality leading indicators, the advantages of this type of trading are substantial. You can achieve an extremely high percentage of winning trades. In addition, your orders will be filled with a minimum of slippage, because you are buying a dip when the market is coming at you and you're selling a rally when the market is advancing. If you're trading size, this can be a huge advantage as compared with initiating a trade with buy stops or sell stops. If you're trading a two lot, this approach can be significantly beneficial on your execution as well, but more on that later. Is there a downside? Obviously! It takes some experience to learn just how to employ the techniques. Let's say the market approach you're using to determine the direction has indicated a strong upmove. You're buying a dip within that upmove but you placed your entry order too conservatively, on a support point that is not reached. The market takes off without you. If you do this repeatedly and you're right eight out of 10 times about the overall market direction, you're going to be filled only on the two times you're wrong! This can be frustrating to say the least and underlines the need for the accurate use and thorough knowledge of high quality leading indicators to make the methodology work. Another problem arises when you're taking profit objectives. You come to a clear point of resistance, you clear your trade, and the market keeps going. If you're not a disciplined trader, you may end up getting right back in "at the market", just as the market is about to have a serious correction. If you're managing money, you may have some explaining to do. This problem can be mitigated if you trade multiple contracts. You can always hold some. I have tried this approach over the years, and I've found that exiting all positions at predetermined logical profit objectives is always better for my bottom line.

Another method you can use to accommodate runaway bull moves is to reenter the market on pullbacks against support points on lower time frames. Let's say you may have exited a daily position on Tuesday and you reenter it on a half-hour chart on Thursday. What's interesting about this approach is that even if you reenter the market at a higher price, you may be at a safer level. That means that statistically you would be less vulnerable to adverse volatility that could hit your stops and force you to take a loss. This approach allows you to control risk without raising your stops to areas likely to be hit!

Typically, I look for my lagging indicator or coincident indicators on a higher time frame. Then I combine that indicator with my leading indicators on a lower time frame. For example, let's say a daily pattern that I use as a setup to go long has just occurred. I'll look at an hourly (or less) chart to calculate the precise entry and stop placement points. Depending upon the nature of the lagging indicator that provided the context for the trade, I determine the strength of the market. I will then use precalculated profit objectives on either the hourly or the daily chart as my exit point. The approach works equally well using a half-hour chart as a setup and dropping to a five minute chart for your leading indicator analysis. If you're a monthly-based mutual fund trader you can consult daily analysis to determine your entry, exit, and profit objectives.

The lagging and coincident indicators I use to establish market trend or direction are displaced moving averages, a combination of the MACD and Stochastic, as well as a series of 9 price patterns. The only leading indicators I use are, as I said, a price-predicting oscillator as well as a specialized, advanced form of Fibonacci analysis. The more accurate your lagging indicators are the better your results. The more accurate your leading indicators are the better your results.

Now let's examine different types of traders to see who would be best suited to this approach and who might not be well served by this type of trading methodology. Let's take a fund manager with over five million under management. Such an individual can afford to diversify over a wide variety of markets and hedge his trading over a variety of different systems. He has the equity to take the market drawdowns that a much smaller trader couldn't afford and he can hire help to be there when he wants a day off. Maybe he doesn't need this approach. On the other hand, let's take a trader with a $25,000 to $50,000 dollar account. This trader is often an individual who is attempting to make a living out of the market. He is often a one-man shop and needs income from which he can pay his bills. He may also need the support of his friends and family to continue this enterprise. It is very difficult for your wife to understand your explanation of a 30% win ratio and substantial losses for two months, even if the gain on the third month outweighs the losses. A high accuracy trading plan that shows consistent winnings avoids this issue and entices this type of an individual back to the computer. It fosters his ability to interact with the market in a very positive way.

Another consideration is the type of brokerage operation that may be available to him. The influential connections that a larger trader is able to cultivate may not be feasible for the smaller trader. We all know a one lot in the S&P is treated differently from a 10 or a 50 lot. It may be particularly attractive to a one or a two lot trader to have price orders in the market at predetermined levels prior to the market getting there. He avoids the necessity for handpicked filling brokers doing his "bidding." In between the 50,000 and five million dollar million account there's a lot of elbow room. Where you fit in can be dictated by many factors. For hedging purposes this approach can be a godsend. You eliminate all need for context since you know already that you have to own a couple of million dollars of, say, Swiss francs or Deutschemarks . What you do at that point is simple. Look at where you are in relation to your leading indicators. Act or wait as the numbers dictate.

Typically, mixing leading and lagging indicators is not suited to strict non-judgmental trading systems. It is perfectly suited, however, to traders who allow for some level of judgment in their trading operations. System traders have to be there day in and day out taking their signals so that when the big move comes, it will bail out their losses. This is very difficult on a one-man shop. However, an approach that yields a high percentage of winning trades and that is judgmental in nature can be picked up and traded at will, at almost any time of the year. This allows for a lot of down time for other activities. After all, isn't that why most of us got into trading in the first place?

Those using this information for trading purposes are responsible for their own actions. No guarantee is made that trading signals or methods of analysis will be profitable or will not result in losses. It should not be assumed that future performance will equal or exceed past results.

Joe DiNapoli and author of Trading with DiNapoli Levels. The book covers his compreshensive and modular trading approach. It's available through Traders World for $162 plus $4.95 shipping. Call 800-288-4266.

Timing is a Measurement
Tempo is a Rate of Speed

By Joe Rondinone

Everything in our universe has measurements. We wear shoes of different sizes, different size clothes, different size cars, we have two and four door cars, different horse power motors. Our house is at 44 SO SO street, the house has four bedrooms, three baths, two stories and a two car garage. We measure our height and weight, we count our money and so on... What can you think of that is not a measurement in size, value or price? Of course we all know this, right? We as traders are interested in prices, everything we trade is by price.

The Problem

The problem is we have an outdated method of charting prices. You can't be satisfied with a record keeping charting affair if there are better ways that can identify market movements that produce trend disclosures. Charting values of different sizes and charting them equally is the problem, I find it impossible to think this is logical and final. For example: Let's suppose a man or woman walks one mile in 5 minutes, then he walks two miles in 10 minutes and he walks three miles in 15 minutes. How would you chart this adventure? Here is one way...

One inch equals one mile. Two inches equals two miles. Three inches equals three miles. See figure 1.

__________ One Inch

_____________________ Two Inches

___________________________________ Three Inches

Figure 1

Good layout, but it is not in a charted form, so let's do this, give each mile a proportional square, aside the runs in a vertical manner. See Figure 2.

Give the one mile walk a one inch block along side the walk. Give the two mile walk a two inch block along the two mile walk and give the three mile walk a three inch block along the three mile walk. See Figure 3. This is a better charted form, we are now showing the measurement of

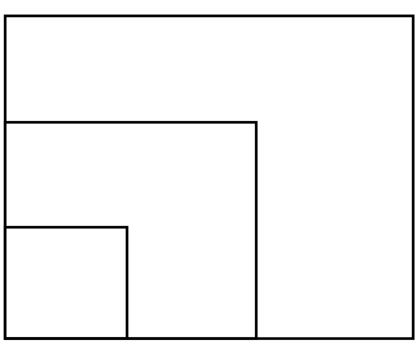


Figure 2

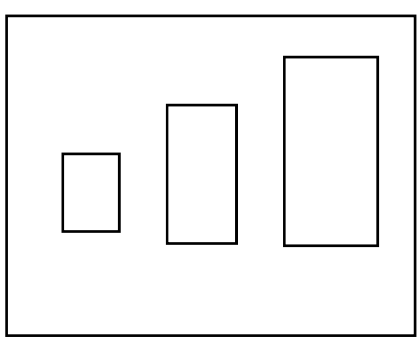


Figure 3

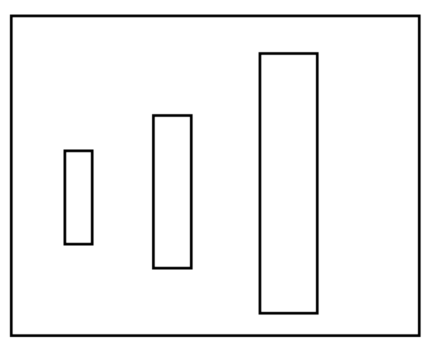


Figure 4

the walk with the value of time. Great... we are so close to a better charting method. Let us put the amplitude (the measured walk) and the time of the walk together such as this.

Does this seem more logical? This is a lot better block charted form, we are showing the measurement of the walk with the value of time, good. We are so close to a great charting method.

Now lets put the amplitude (the measurement walk) and the time of the walk together as follows: Let's post the walk (movement) as a vertical bar and for each 5 minutes let's give the vertical one block in width. Let's post the walk (movement) as a vertical bar and for each 5 minutes let's give the vertical one block in width, each 10 minutes will get two blocks in width, and the 15 minutes will get a width of 3 blocks of width. The width is attached to the vertical bar as shown in Figure 4.

The Square of Price with Time

As presented with the man and time experiment, it can be worked with the posting of traded prices. The posted price of any period can be posted in intervals of 15 minutes, 30 minutes, 60 minutes or daily periods. If you add width/space/time to the total price movement making a rectangle with each posted period, see below. See Figure 4.

In this demonstration, let's use one block in width for each 5 cent move, 5 cents move gets one block, 10 cent move will get two blocks, 15 cent move gets three blocks etc. Now you have a value of space/area/time added to it. If the value of time is in true proportion, in all the postings, of the charted prices, this is the first step in the process of squaring price with time. Because each movement is squared with time value, a true trend line could be drawn that has value in trend following. The logic being, why would you draw a trend line from unequal values? Note: This is based on my Angle Symmetrics Trading Method, but do not use the above width as shown, this is not the true Symmetrics Formula.

The second charting discovery that has become great in the square of price with time is a simple charting method I called Presto 5/4 Angle Trader. This is a simple theory to understand although it took many years to complete. Getting the correct angle to draw was the hardest to match to the correct area for posting the four prices for each period. Presto has four movements

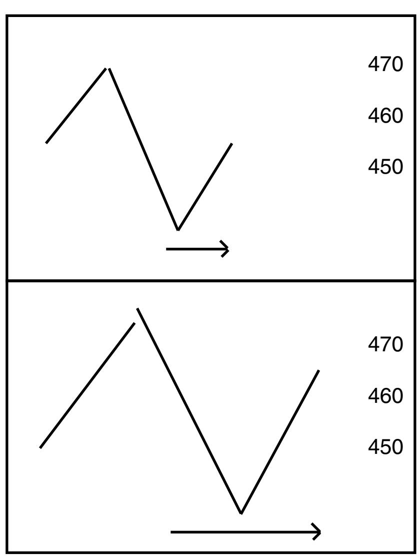


Figure 5

to any price move. You have the opening, the high, the low and the close. We all know that much, don't we? The big trick is to put these four movements of each period so that they will use up the correct space to correctly give validity to the squaring process. Let's say the price opens at 450, rallies to 460, drops down to 440 and closes at 450. What does that look like on regular bar chart? When I was a broker at Stotler in Dallas, a client called the broker next to me and asked what the beans did today. He answered, "they did nothing" meaning they closed at the same price as yesterday. They went from 450 to 460...10 cents down to 440...20 cents and closed at 450 again. Is that nothing?

A move of 40 cents is nothing? Now let's see my Presto charting of the same move below. Warning, the listed charted angles are not Presto angles, they are for movement demonstration only. See Figure 5.

Now you see how the width/time is of value. If the price rallied to 470, 10 cents higher than the 460 high, this would give your angle a 10 cents move upward and also a 10 cents downward. This is a disclosure of new methods that are being used by my students. I must tell you that the Symmetrics Trading Methods are not anything like the volume trading method. I will tell you the difference in a few words; If you have a limit day in beans, with only one contract traded, volume posting would be only a dot on the next line on your chart. With Angle Symmetrics, it would be a limit posting with the closing price posted six or more blocks wide, because the price movement of 30 cents calls for a width of many blocks wide.

The Law of the Triangle

In closing, I want to mention that much of my work has been according to the law of the Triangle. Nothing can exist without three points. This is why we have the high, the close and the width to all my charting. Remember in music, no chord, in any key, can exist without three separate notes.

Joe Rondinone is president of Commodity Projection Systems. He has personally studied under W.D. Gann in 1954, one year before he passed

How to Succeed in the Markets

By Neal Hughes

Truths about trading, published in the hope you will avoid learning this the hard way:

1. How to save a lot of money and increase your trading capital. (There is no Holy Grail) There is no magical mathematical system that will consistently make money in the markets. All mechanical trading systems experience periods of profit and periods of losses. I've seen reports of the best trading systems having winning trades on average only 48% of the time. Winning 60% of the time is considered spectacular for mechanical systems. Most people lose money on trading systems, this is because they quit during a string of losses. If you follow a blind system, you have to stick with it, even during bad times; this can require deep pockets. Most people cannot do that, so trying to buy a "successful system" is futile for most people. For discretionary traders, there are also no magical indicators, which generate good signals all the time. The trader must learn to know when an indicator should be followed, and when it should be ignored.

Advice: Some people are far better suited to mechanical systems trading than discretionary trading. It requires complete confidence in the system and suppression of emotions. The trader must execute every signal.

If you are not such a trader, don't waste your money on these systems/indicators, instead add the money you would have spent on such systems to your trading capital.

2. Discretionary trading can be very rewarding. But it is hard work, and can also be very stressful. Finding a style/methodology that suits your personality is difficult, and many people lose a lot of money in the process of finding one. Don't expect the first book/methodology you buy to be the magic one. Finding/developing a good system for your personality is possible, but not easy. Even when you reach a degree of comfort with your style, the learning process never ends. Trading is not a low-stress easy occupation.

Advice: the best discretionary traders tend to have firm rules and strict methodologies in place (almost mechanical in many respects). In order to trade with consistency, they design a system that actually reduces the amount of discretion in their trading, but they retain input in key areas of their plan.

3. Backtesting and paper trading are valuable tools (and abused concepts). A system/methodology that looks good in a back-test or in paper trading may not do well in real trading. Backtesting and paper trading are valuable tools. I paper-trade every new concept before committing capital to the idea. Backtesting and paper trading allows testing in a risk-free environment, can help you refine your techniques, encourage discipline, and saves you a lot of pain/losses during the testing/educational cycle. But backtesting/paper-trading is not trading. During a paper-trading exercise, your focus is on testing for success. During real trading, your focus is often on preventing loss. Emotions come into play during real trading; no amount of paper trading can cater to this reality. Backtesting in the futures arena usually involves "back-adjusted" continuous contracts.

These adjusted continuous contracts do not represent real prices, or a real trading environment accurately. All backtesting results should be treated appropriately. Also, most backtesting excercises dramatically underestimate trading costs and slippage.

Advice: Ask for a documented real trading performance history when reviewing mechanical trading systems. Then determine if the results are compatible with your objectives and personality. If real trading results are not available, you must determine if the system tester used an appropriate means of testing, as well as generous amounts for trading costs and slippage. Requesting documented results is not appropriate for discretionary methodologies because your own personality will affect the outcome.

4. How to dramatically reduce your trading costs. The real cost of trading is very high. Commission costs are the least you should be concerned about. Slippage will be dramatically higher than you think. Most trading systems/methodologies will have you buying into an existing trend, and selling (or attempting to) into a price-decline or panic. Slippage can be horrendous in these circumstances.

Most backtesting results dramatically underestimate slippage costs. There are other costs too, add commissions, slippage, computer equipment, quote service, software, communication costs, loss of interest on your trading capital, the cost of losing trades (lost capital), the cost of your learning process (those mistakes you made). Do you get the idea? Forget about commission costs, don't quibble about the cost of books or courses, get ready to spend some real money if you want to trade well.

Consider the emotional cost. How would you feel after losing 30 percent of your capital? Would you continue trading in that case? How would you feel after 4 losses in a row? How about 5 losses in a row, with your spouse consistently saying, "I told you so"? This serves to explain the concept of "emotional capital". The beginner trader needs to find a system/methodology that reduces both financial and emotional costs.

Advice: look for a system that helps you buy dips in an uptrend, sell rallies instead of selling into a downturn, provided of course that your personality can accommodate this style. If you can't handle a series of consecutive losses, tend towards discretionary trading (as opposed to mechanical) or consider earning a living in a different industry.

5. How to get rich starting with only $5,000. Almost all the successful traders I've met have suffered severe losses before they became successful. This means that you will most likely reach a point at which you have lost so much of your starting capital that you consider yourself a failure before you succeed. Your initial capital will probably be insufficient to carry you through this process. Start accumulating more trading capital now. Your first objective is to make your trading capital last through the learning process. Most people do not meet this test. You will therefore probably require more capital than you anticipate.

Advice: On the other hand, starting small is a great way to reduce your risk, learn to trade with smaller positions and build up some confidence, before you enter a more demanding environment. Most traders do start small, because it makes sense. But you will probably not become wealthy on only $5,000.

6. It can be done. I know several people who have become successful at trading. Read published interviews of these traders. Yes, it can be done! All of the traders I know do not consider it an easy stress-free source of instant riches. They treat it as a serious business because they are trading with real money. Some of the best traders burn out periodically, and need to take a break.

Advice: Successful traders tend to strive for balance. They do not trade all day every day, and then study charts after hours, then take a few trades in the aftermarket, and talk trading all their waking hours, etc. Most successful traders tend to have a balanced life-style with varied interests. Some have other businesses; many obtain revenue from training other traders, selling systems etc. Good traders need to counter the stress of trading in healthy ways. Trading is a psychological adventure, manage your mind and emotions. Take vacations regularly, and get physical exercise, in order to fight stress and burnout.

7. Following someone else's advice most often leads to failure. A newsletter subscription will not bring you easy riches. It is very difficult to trade on someone else' advice. You will not have the same degree of confidence in each trade as the advisor does, you do not have the same floor connections, your slippage will vary, and you may close the trade inappropriately due to fear.

Advice: Guru's are great for education. If the advisory service has good and practical educational content, it could be worth the subscription, but following someone else blindly usually fails.

8. Locals and specialists are not "out to get you". This section only applies only to the trading of liquid instruments. (Do not trade any other kind!) Locals and specialists do not "gun for your stop", unless it is within easy reach and in an area where many stops reside. There are many stops at different prices in the market at any time, if your stop is located inappropriately, your stop will likely get hit. This is not the fault of the locals, it is your responsibility to place your stops appropriately. Yes, locals will try to trade in an area of clustered stops, but only if the equilibrium of buyers and sellers permits it to happen. Locals have a privileged position, being able to profit from the spread between the bid and ask. Too many traders think this is an unfair condition. It can be unfair if the spread is manipulated. But bear in mind that the locals assist in creating an orderly market. They provide liquidity, they take the other side of your trade. Locals take risks every day that you would not be comfortable with. Don't begrudge them their ability to trade the spread. It is to your benefit, and you would not do it for the same benefit. Think of working hours each day in a very loud sweaty pit with these aggressive sharks. Better them than me! Recognize that we benefit from their activities.

Advice: Visit an exchange, spend some time there. Even find employment at an exchange, if possible. Try to befriend a local, you will learn a lot! Too many people trade with a very limited knowledge of market mechanics. Knowing how the "locals" exploit their edge is valuable, you can make money with that information (this is particularly valuable to the day trader).

9. Take responsibility. It is OK to be wrong, you will make losing trades. You cannot control the markets, in trading there is much beyond your control. You can only control yourself and your actions. Take responsibility for your own actions. Don't blame your broker, your software, your quote service, or the leader of any country. It is YOU who makes each trade. If you have a losing trade because you were bumped into it because of a bad price tick, tough! You made the trade. The more you take responsibility, the better trader you will be. Don't blame everyone else!

Hint: In reality you cannot be responsible for everything, and you can't attempt to control everything. Part of trading is to jump in and make a trade with what information you do have. Don't be so careful that you are paralyzed! You have to take some risks (within your loss tolerances).

10. Fear of capital loss it the greatest cause of failure. The emotion of fear causes traders to make mistakes. It is normal to have your emotions effect your trading without being aware of it! Fear will cause you to miss good trades, enter and exit trades too early or too late, and make silly unexplainable errors. Fear will cause a beginner to quit trading just after an important lesson has been learned. Many traders quit along the path of success because of fear. Trading under the influence of anger or euphoria is very dangerous too. As soon as you are overconfident, wham! The market teaches you a severe lesson. Remember,

never trade when you are angry.

Advice: On the path to success, there are some key concepts that can reduce fear. First, build confidence, paper trade, and then trade in small quantities. Second, shift your focus from money, focus instead on what you have learned from each trade (both profitable and unprofitable), and what you have yet to learn. Focus on the path to success, instead of money. Learning is a positive experience; success and money will follow naturally.

11. How to consistently make good trades. If you are hard on yourself unnecessarily, you will fail due to lack of confidence and fear. If you derive enjoyment from trading you will do better. Do not strive for the enjoyment of making money. Instead, strive for the enjoyment of trading professionally. Redefine (in your mind) what a good trade is. A good trade is one where you traded according to your plan/strategy/methodology, regardless of profitability or loss. Accept that losses are a cost of doing business, not personal failures.

Advice: Reward yourself for making a good trade, regardless of profit or loss. Talk to others about how your strategy ensures your success because it protects you during a losing streak, rather than complaining about a losing streak. Of course, this requires that you have a good strategy and confidence in it. When you have reached this level, you will know you are a professional trader.

Neal Hughes can be contacted at Coast Investment Software Inc., 1998 - http://www.fibtrader.com

eSignal

To be successful at day trading or even investing, it is necessary that you have all the timely information possible. One place you can find this crucial information is from the newly released eSignal service by Data Broadcasting. The following are some of it's new features which make it appealing to any traders or investor.

Full Text News - Just by clicking a symbol you have setup on your screen, you can pull up headlines for that particular issue for the past 24 hours. Then by clicking on the headlines you have access to the full text news. Other news services also available at an extra cost include: Comtex Wall Street Wire, Dow Jones Business News, Future World News, Internet Financial Network, PR NewsWire and Business Wire, CBS MarketWatch, and the Dow Jones News Service.

Option Montage Window - This new window is exceptional. Just right click on a symbol and select autolist. This will open up all currently trading option contracts for a symbol.

Multi-Day Interval Charts - Now you can access Intra-day Interval charts by right clicking on a symbol and selecting Intra-day History, then Interval Chart. This opens a chart window for the symbol you selected. Then, simple click on the Analytics toolbar to add any of 20 popular technical studies to your chart. Your chart can span up to 5 days if you are an on-line user or more days if your are a broadcast user.

Multi-Day Time and Sales Charts - Now you can track up to 5 days of time and sales data for any stock or index. To open a time and sales window, right click on a symbol, then select Intra-day History, then Time and Sales to open the window. Once the window is open, click the Properties toolbar, then select the General tab, then specify the number of days of time and sales data you wish to display.

News Research Menu - Access general research and DBC's symbol lookup through the new Research menu. Then, right click on a specific stock or mutual fund symbol for in-depth research from Baseline, MarketGuide, Standard & Poors Personal Wealth Premium service.

Layout Menu - The new Layout menu lets you open a variety of preset layouts (or your own custom layouts) for particular issue types (stocks, options, futures, etc.) and screen resolutions (1024 x 768 or 800 x 600). To open the sample layouts or any new layouts that you create, click on the Layouts menu, then select the desired layout from the list. Then select the appropriate screen resolution for your monitor. There are layouts specific to charting, futures, foreign exchange, portfolios, and more.

Embedded Browser Window - Just press the Toolbox toolbar in Signal or the Text Manager application to access DBC's Trader's Toolbox, an exclusive site for Signal subscribers that contains links to in-depth research, and news and commentary from CBS MarketWatch from a variety of well respected sources. Then, once you have your embedded browser window open, you can save it in your layouts so that it is automatically built into your trading screens. You can also type new URLs into the embedded browser window to browse other web sites from your Signal screen.

NASDAQ Level II windows - contain Level II data as well as a Level I quote for the symbol you specify. Level I and Level II quotes are updated in real-time. Level II data appears in the main part of the window. Each Level II quote includes the market marker ID (MMID) and time. Bid, size, ask, and ask size data is displayed depending on the current sort option selected for the window. The color bands or background colors behind the Level II data change to highlight the best bid and ask quotes. Yellow signifies the highest bid or lowest ask quote (Inside Market). Green signifies the next best quote (1st outer). Dark blue signifies the second best quote (2nd Outer). Light blue signifies the third best quote (3rd Outer). You can insert a scrolling ticker into any NASDAQ Level II Window by clicking on the T toolbar. Trades in this ticker window are color-coded green for up ticks, red for down ticks and white for unchanged.

Price/Volume charts - display the volume of an issue at each price it has traded while the chart is open. Data is displayed in a horizontal bar graph, with bars representing trade volume at a various price levels.

Time/Volume Charts - let you see the volume of an issue at the time intervals you choose. For example, you can see volume in 15 or 30 minute intervals. The information is displayed in a horizontal bar chart, with each bar representing the volume for the time interval

Edit Time and Sales - You can edit to eliminate spurious or anomalous data. When you edit Time & Sales data for a trade, your changes are reflected when you display a Tick chart for the symbol.

Trend Lines - You can now draw trend lines in graphic charts to make it easier to view the general trend of the data.

For more information call Data Broadcasting at 800-S-MARKET. www.dbc.com

The Fibonacci Trader

1835 US1 South 119, Suite 352
St. Augustine, FL 32086
Phone: 512-443-5751
Fax 904-819-0737
www.fibonaccitrader.com

Product: 32 bit Intra-day Investment analysis software

Equipment Requirement: IBM-PC Pentium II, CD ROM Drive, Windows 95/98/NT. Data connection.

Price: Real-Time Version $986.00 End-of-Day Version $786.00

The Fibonacci Trader was designed by Robert Krausz, featured in the best selling book New Market Wizards, and author of the A W.D. Gann Treasure Discovered, his is also editor of the Fibonacci Trader Journal. This program was designed to trade the markets multiple time frames. The program has many indicators and technical indicators not found in other software programs.

This is the just released 32 bit version of the Fibonacci Trader. This version is designed to be used more effectively on a Pentium II or III computer using Windows 95, 98 or NT. The speed of the program has been substantially increased over the old version. The Fibonacci Trader uses a hardware lock to ensure that only authorized users can run the program. It goes on the printer port on the back of your computer. The installation of the program is fairly easy. Put in the Fibonacci Trader CD in your CD Drive, click on start from the tool bar and click run and follow the instructions on the screen. Once the program is installed you use the main menu to

edit the exchanges to suit your time zone, as well as add any new exchanges. You then click Groups and select a group to create or edit. You then set the contracts which you are going to follow in the group. The contracts can be real-time, manual or end of the day. End of the day requires that you specify a data vendor for downloading of data. You have complete control over the contract specifications and adjustments such as stock splits, etc.

Plans - Most software programs limit you to only one time frame. With the Fibonacci Trader you have the ability to view the market's actions and all indicators in different time frames on the same screen. You set up plans each of which has 3 time periods. The first time period is the time period you are trading called "Own." The next higher time frame, which sets the trend and other key information is called "Next." The highest time frame is called "High" and usually is referred to for the long term trends. Typical Plans will be Daily/Weekly/Monthly or for intra-day, say for the T-bonds 10minute/50 minute /Daily. The advantage of the multiple time frames is that you can view the daily and the weekly trends all on the same chart. If you combine these charts with indicators it gives you a true in-depth view of the trend of the market from a multiple time frame view.

The Fibonacci Trader has most of the standard indicators used in many technical analysis programs as well as its own set of unique indicators which work especially nice with the multiple time frames. Most of these work with the Own, Next and High time periods. Some of these are the Arkay, Balance Point, Directional Volatility, Double Hi-Lo, Dynamic Balance Point, Fibonacci Zones, Gann Swing Chartist, HiLo Bands, Krausz Ratio Bands and the Triple Switch.

The Fibonacci Trader also included an indicator based system testing module. There are many features including the ability to combine indictors, set up entry and exit rules. You can back test, view tables of results in both summary and tabular form, plus the individual trades will be displayed on the charts and linked to an alarm.

Another unique feature of the Fibonacci Trader are the FT Tools. These are a set of Fibonacci tools which can automatically pull up and plot the Fibonacci range values.

Fibonacci Zones are another unique feature of the program. The program plots the resistance and support zones based on the Next or High time periods. Some traders use these zones for taking partial profits if a zone is hit or a breakout occurs a new trend many be underway.

The program also features unique Fibonacci Zone Channels Next and High Period. These are Fibonacci Zones that are plotted as a channel line instead of horizontal support and resistance levels. The tool can be used to forecast support and resistance levels.

This unique program should be considered for any trader that is interested in real-time trading using multiple time frames with emphasis on Fibonacci techniques. To complement the program, Mr. Krausz has written a new book, A W.D. Gann Treasure Discovered. (See back cover advertisement) The book teaches you how to backtest your data and develop a trading plan.

ELWAVE

P.O. Box 2944, 2601 CX Delft, The Netherlands
www.prognosis.nl

Product: 32 bit Elliott Wave analysis software

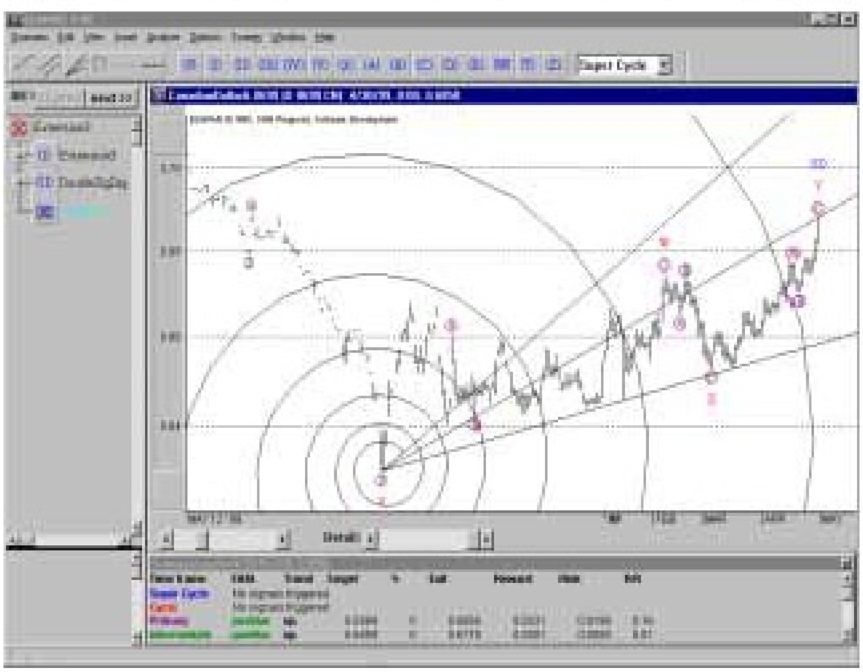
Equipment Requirement: IBM-PC Pentium II, CD ROM Drive, Windows 95/98/NT. Data connection.

Price: Full end of day version. $995, Full Real time version. $1295, Full 30-day trial version. $75

ELWAVE is a Windows based software program by Prognosis Software Development. It has been specially designed for investors to apply the Elliott Wave Principle profitably to the markets.

The Elliott Wave Theory is known for its accurate forecasts. The problem is that there are many rules and guidelines that must be followed accurately and consistently. This requires time and experience when dealing with the markets.

ELWAVE was designed to take the complexity out of using the Elliott Wave Theory. A true Elliott Wave model was programmed into this software. The program is capable of analyzing the fractal nature of the markets by searching and approving patterns in patterns in patterns and so on. The program searches for the best alternatives of Elliott Wave and will show a clear outlook presenting the most preferred alternative. In addition it will summarize results, so the user gets a



clear picture of the forecast and probabilities as derived from the Elliott Wave Principle. Although the analysis is done automatically, ELWAVE is not considered to be a black box. The program gives full insight in and information about the patterns of Elliott Wave by displaying all rules and guidelines, as well as the Fibonacci relationships.

The interface of ELWAVE has been designed as a true Object Oriented Interface. This way you can access every object, like indicators, targets, spirals etc. directly on the screen for most commands are built right into the object itself. For this reason ELWAVE is very user friendly and intuitive to use.

Perhaps the most relevant feature of this program is that it is not just a momentum model. It is dedicated to the Elliott Wave principle. The program clearly presents favored outlooks and alternatives. It ranks them according to probability, determined by both price and time, Fibonacci, guidelines, patterns and validity of internal wave structure. The Wave inspector gives complete information or a summary on every pattern. The program is very fast, it can analyze 100 years of Dow Data in under 2 minutes, 3 wave degrees deep using a Pentium 100 MHz computer. The program has no limits in analysis depth. The program labels the whole chart, not just the latter part, and does so very quickly, important because the total picture determines the score of a pattern.

Using Elliott Wave you can analyze any section of the chart without the need to reanalyze the whole chart again. This means that intra-day analysis can get updated within a very short time span, mostly between approximately. 30 section and under 2 minutes depending on computer speed. The program allows you to define your own wave count and have ELWAVE analyses it or check it.

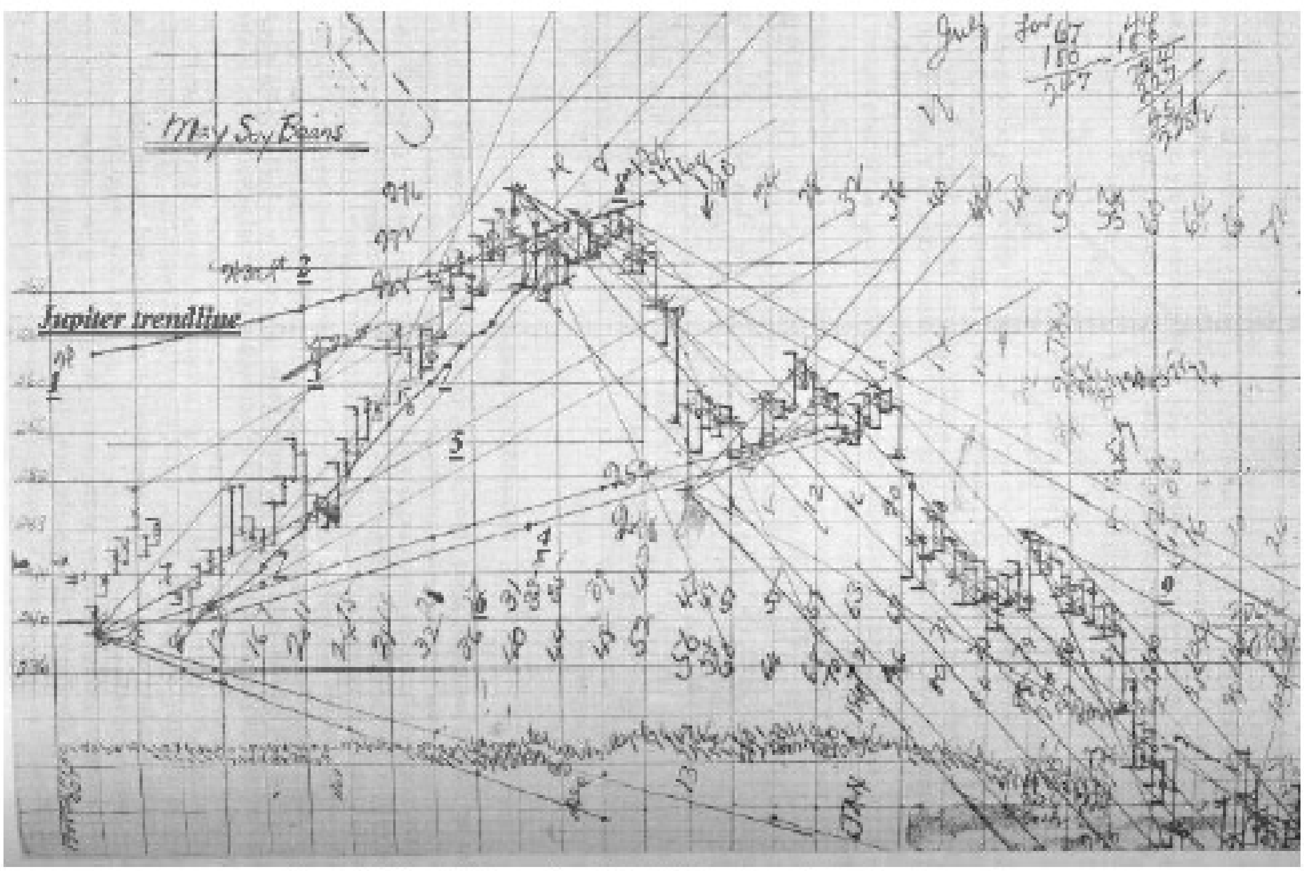
The program has 2 sets of rules, one implementing the classic rules containing strict Elliott interpretation and the Modern rules that include all the knowledge of Prognosis acquired in the last 10 years. There is a special proportional Fibonacci and swing filter which groups waves of the same degree together. It combines time and price lengths of waves and will recognize that a sharp wave 2 connects to a flat wave 4 that has very little retracement. The program will determine the relevant multiple time frames by itself, where every wave degree represents a time frame. The program shows all Fibonacci time as well as price relationships of patterns in the Wave inspector. The Fibonacci pane shows all Fibonacci ratios of the selected wave and its sub-waves at once. The program projects specific targets, displaying a target range and most likely targets. The program now gives target clusters and batch processing. The program can use logarithmic indicators for long term analysis. It's ideal for intra-day traders, it can read extremely large files, in MetaStock 60,000 data points, around 200 years of daily data. A real time link is available using a DDE link, provided your data vendor supports this the use of a DDE link. The program comes with an extensive 175 page manual covering how to operate the program, an introduction to the Elliott Wave Principal and a description of valid patterns and how to trade for profits.

ELWAVE is so good it was selected by Traders World to be used in conjunction with our new Elliott Wave Masters Course. The course cost is $90 (see page 48) and includes a Full working version of ELWAVE which can be used only with the data included on the CD. If you decide to buy the program at a later date you can take off the full $90 you paid for the course from the price of the ELWAVE trading program.

W.D Gann's May Soybean Chart: A Fascinating Insight

By Myles Wilson

I thought it would be interesting to take a look at Gann's actual price chart for May Soybeans 1948-1949 and see what techniques we could see him using on the chart. Top left is the astrological symbol for the planet Jupiter just at the beginning of a Jupiter trend line (1) He started this trend line on the 4th of October 1948 when Jupiter was at 22 degrees Sagittarius. 22 degrees Sagittarius is also 262 degrees of the 360 degree circle. Gann's first price marking was at 262 cents and then he started moving his trend line up by 1 cent every time Jupiter moved by 1 degree. I notice that he also noted the fractions of the degree as well. The next interesting chart marking (2) is a line drawn along at 270 cents marking the price/degree where Jupiter would change signs from Sagittarius to Capricorn. A planet changing signs of the zodiac is known as ingress and this chart shows several planets ingress but he only marked Jupiter's in this way. (3) Uranus and then Venus and Mars ingress within one day of each other. He put a little cross on the day of the Mar's crossing. (4) Each zodiac sign is 30 degrees of the circle. (360 degrees divided by 12 signs = 30 degrees) Gann marked 270 price for Jupiter's ingress and then marked 15 cents below this (5) as well 30 cents lower (6) all potential price targets. Another interesting trend line is created by the movement of the planet Mars (7) Mars moves



One of W.D. Gann's Soybean Charts with all of this angles and calcuations drawn on it.

faster than Jupiter and this is reflected in the steeper slope of the Mars trend line. The high on May beans was 276 cents. Notice that on the day when the Mars trend line would be at 276 (8) prices began breaking out of their range. There are a few light markings that are probably impossible to see in a reprint like this but one of them (9) is a little arrow pointing down when the moons nodes changed to 29 degrees of a new sign. This is like a planetary ingress because the moon's nodes run counter-clockwise. It is always fascinating to study this chart and there are other things buried in there as well that I will discuss at a future time. Another thing that I have found fruitful to study is the dates for which he forecast market turns and how they relate to planetary phenomena.

Myles Wilson Walker is a private trader and author of how to Identify high profit Elliott wave trades in real time (Windsor books). The book is excellent and can be purchased through Traders World Magazine. Price is $49.95 plus $4.95 shipping. Mr. Walker's Gann site can be found at homepages.ihug.co.nz/~ellsann or he can be contacted via Fax 0649 5750404.

Interview with Bill Cruz

Question: Bill, you and your brother Ralph created Omega Research which created the award winning TradeStation strategy back-testing program. Your company is the largest and most successful in the world in this area. This year your company will do $30 million in sales. How did you get started?

Answer: I got started, not to be in the software business, but to create a better market analysis tool for my own trading. You see, I wanted to be able to back-test my own trading strategies (trading systems) and no tool existed to allow me to do this, so I set out to create it for my own personal use. I later discovered that many other traders had the same desire of back-testing their own trading systems. That was the beginning of Omega Research over 16 years ago. Today we are a public company with over 200 employees dedicated to creating next generation trading tools focused on strategy back-testing and automation. We believe that to be successful, a trader needs to trade using a set of non-emotional, objective trading rules that he/she has back-tested, and then trade those rules religiously every day.

Question: How is the TradeStation 2000i different than TradeStation 4?

Answer: Even though TradeStation 2000i is offered as an upgrade to existing customers, it's really a whole new product. We redesigned TradeStation from the ground up taking into account everything we've learned in the last 16 years. It allows traders to describe their own trading strategies more easily than ever before thanks to advancements in Easy Language and our new System Builder. It performs the most accurate historical simulations ever possible thanks to it's "Look Inside a Bar Technology" and it offers the most complete historical performance reports ever offered including over 20 tabular and graphical reports. In addition, TradeStation 2000i offers traders the ability to view, back-test and automate trading strategies based on intra-bar information normally invisible to most traders using it's new Activity Bar technology. Activity Bars plot a new dimension to the left and right of a bar, any custom intra-bar activity desired by the trader. Best of all the criteria is defined using Easy Language, so practically anything is possible. For example, you could plot trading activity (volume) at each price point of a bar, or you could plot to the left of the bar in red the trading volume that traded at the bid at that price while plotting trading volume that traded at the ask to the right of the bar. This will show you who controlled the market at that price point; buyers or sellers. This is just an example of the hidden information that Activity Bars will display. But best of all you can create a trading system that uses rules based of Activity Bars to see if your trading ideas based off Activity Bars really work. In addition to offering next generation system testing, automation and market analysis capabilities, TradeStation 2000i is designed to fully embrace the benefits of the Internet. For a full listing of the over 200 new features in TradeStation 2000i your readers can visit www.omegaresearch.com/tradestation.

Question: Omega Research products have an Easy Language programming language.

Could you explain how this works and its advantages to the trader?

Answer: I was a classical violinist before I started trading, not a computer programmer. Therefore I wanted to create a language that would allow me to describe my own trading ideas to the computer without needing to learn programming. That's Easy Language, an English-like language based on trading terms that empowers traders to describe their own trading ideas easily to the computer, but yet is powerful enough to describe virtually any trading idea, regardless of how complicated. Today, 16 years later, it's the industry standard language of traders used by over 100,000 traders around the world. It's supported in TradeStation, RadarScreen, OptionStation and over 100 Omega Research Solution Providers.

Question: Your newest product is the Omega Research ProSuite. Could you explain what this program is?

Answer: Omega Research ProSuite is TradeStation, RadarScreen, and OptionStation in one integrated suite. At Omega Research we believe traders need to answer three basic questions in order to trade successfully 1) When to Buy and Sell. 2) What to Buy and Sell. 3) How to best Buy and Sell. TradeStation is designed to help traders answer the question "when to buy and sell". It allows traders to back-test their own trading strategies for timing when to buy and sell. RadarScreen is designed to help answer the question "what to buy and sell".

Question: Once you have a trading strategy that you've back-tested, there are so many trading instruments to trade, which should you trade?

Answer: RadarScreen is the ultimate in market scanning (real-time and end-of-day). It allows you to use the same Easy Language as TradeStation to find instruments meeting your conditions today. OptionStation is designed to answer the question "how to best buy and sell" by utilizing the leverage of options.

Question: I understand that you have built into Omega Research ProSuite Tracking Center protocols which enable brokerage firms to extract buy and sell orders from the program on a real-time basis. Could you explain how this works and it's implications to on-line trading?

Answer: We are working with our Omega Research Solution Providers to allow brokerages to automatically place orders whenever TradeStation triggers a buy/sell. The Tracking Center provides an open API, and brokerages are creating the software that monitors TradeStation buy/sell orders and places the orders. There are a number of brokerages who are currently working to release this new functionality.

Question: You have a solution provider program in which over 200 companies are enrolled. Could you explain how this works?

Answer: Omega Research ProSuite is more than an application, it is a trading platform. We have over 200 companies that have created add-on solutions that plug-in to the Omega Research ProSuite. These include market timing models written in EasyLanguage, cycle analysis, indicators, pattern recognition, neural networks, etc. which are designed specifically for use with Omega Research ProSuite. For a complete list vist www.omegaresearch.com/solutionproviders.

Question: One of the fastest growing areas of growth in trading are the internet online day-traders. How do you feel your program can help them.

Answer: Whether you are a day trader or long-term trader, we believe that you greatly increase your chances of being successful if you trade with an objective, back-tested trading strategy. Our products allow both types of traders to accomplish this goal by providing the means to develop such strategies.

Question: If you were a day-trader, what tools, oscillators, etc would you use to succeed?

Answer: The answer varies depending on whether you are a trend-follower, choppy market trader, or volatility trader. However, regardless of what type of trader, every trading system should include a market driven entry and exit criteria, a non market driven stop loss to preserve your capital during unexpected situations, and a money management strategy for pyramiding your profits. As it relates to using indicators or oscillators to create your entry and exit criteria, Omega Research ProSuite includes over 200 indicators and oscillators and a new technology called “Expert Commentary”” which allows a trader to click on any bar on the chart and have that indicator interpreted for them based on conventional interpretation. Its a great way to learn new indicators. Most importantly, by using Easy Language, a trader is able to easily modify any of our indicators or create their own and then back-test it to see if it works.

Question: With the advancements in computers and trading software, what changes do you see in the next 3 - 5 years in trading.

Answer: I believe to succeed traders need to gain the advantage of using the best trading tool of the time. At Omega Research our goal is to be the company offering that tool. Even though we are proud of our current products and the success our customers have achieved using them, we have a vision for a next generation tool that we have begun building. It’s a long-term project. I can’t say more at this time.

Gilbert Steele's
Time & Dimension Chart

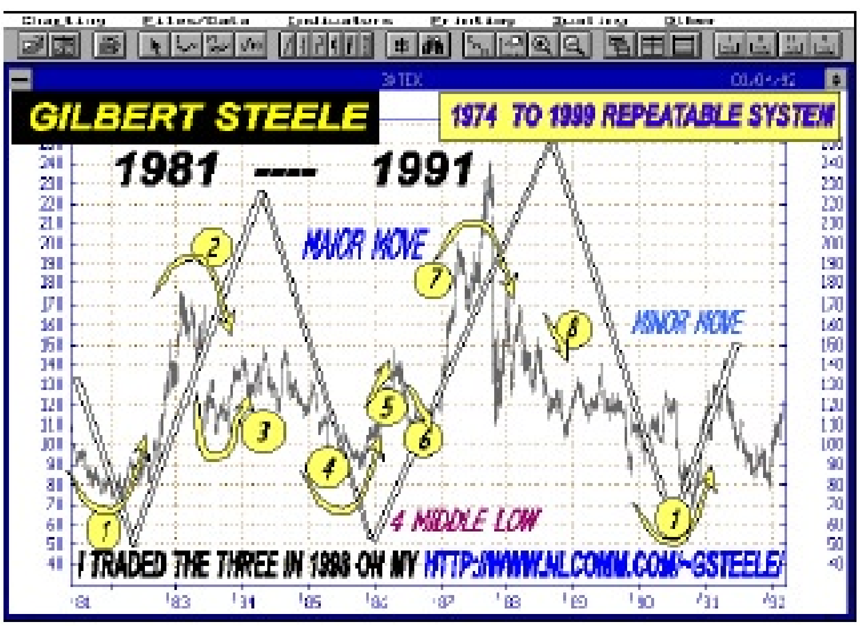
By Larry Jacobs

A couple of years ago Gilbert Steele contacted me and was interested in writing several articles for Traders World. He explained his story of how 33 three years ago he was standing in church and challenged God to be real to him in a very special way. He then had what is called an out of body experience. He found himself in a tunnel traveling through time and space. In this tunnel travel he had received a revelation regarding the math required to predict the stock market.

I was somewhat skeptical of his story. I had seen several stories about people having out-of-body experiences, but I didn't fully understand about how it could change a person or his knowledge. I have talked to Steele several times since that first contact and found him to have an extraordinary ability to forecast the markets. I witnessed him call the turns for Texas Instruments (TXN) many times. He also is on record for calling the 1987 stock market crash to the day and the dollar, before I knew him.

Steele has given us three large articles explaining his theory of how the markets work. They are published on our Traders World Interactive website at www.tradersworld.com.

The articles explain some of the ideas behind Steele's concepts of how the markets work. He believes that the main factor of the market is time and that our side of the universe is polarized by two; A male force and a female force. Time is subject to the laws of Fibonacci 1, 2, 3, 5, 8...etc. and DNA 1, 2, 4, 8...etc. Gilbert says that even the chromosomes of our bodies are based on the numbers of 1, 2, 4, and 8. These numbers gives us the math code of when a major move will occur. He explains that it's something like a Two Line Cross Over Moving



Average. One line of the moving average is the male force and the other line is the female force. The third is time or the trigger that causes the market to turn. Gilbert uses the software program WinWaves 32 which we will review in the next issue. You can see in his Time and Dimension Chart that he uses a different wave count than most Elliott Wave students. He goes through 8 counts and then starts over following an unusual wave structure. Study this chart carefully. It may illustrate the secrets behind the markets. Then go to his articles on our website. They are a must read for any serious student of the market.

Gilbert has also produced an excellent video tape which explains a lot of his theory. The tape can be ordered from Traders World for $49.95 plus $4.95 shipping. 30 Day Money-Back Guarantee. To order call 800-288-4266 or go to our website: www.tradersworld.com Gilbert is also interested in managing discretionary accounts.

A Reliable Contrary Indicator: The NYSE Bullish Percent Index

By Thomas J. Dorsey

The new Wall Street paradigm has changed considerably of late. It has changed from the old “buy low, sell high” paradigm to “buy high - and try to find a greater fool to buy still higher.” Investors have come to believe their god given right is a 30 percent annual return. My senior portfolio manager at Dorsey, Wright Money Management, Mike Moody, recently described the situation as follows:

“There is no generally accepted measure of risk in the investment industry. People with modern portfolio theory backgrounds will sometimes call beta or standard deviation “risk,” but both are really just measurements of fluctuation. Actually, investors are never bothered by rapid fluctuations - as long as it is upward! Unfortunately, we cannot always count on the market to be so accommodating. Perhaps a more appropriate description of risk for individuals would include “permanent loss of capital” as part of the definition.”

A man named Earnest Staby (one of the pioneers in the Point & Figure method of technical analysis) was thinking about measuring market risk back in the mid 1940s. He realized that traditional bar, Point & Figure, line graphs or the like were ineffective in determining market tops and market bottoms. He felt that at market tops, these charts look the absolute best and conversely at market bottoms these charts look the absolute worst. He realized that what was needed was some sort of soulless barometer that would become negative at market tops and positive at market bottoms. A contrary indicator that would afford the investor the ability to become less aggressive as the market reached high risk levels and more aggressive when the market reached low risk levels. It took until 1955 for this indicator to be developed. In 1955, A.W. Cohen introduced the New York Stock Exchange Bullish Percent Index.

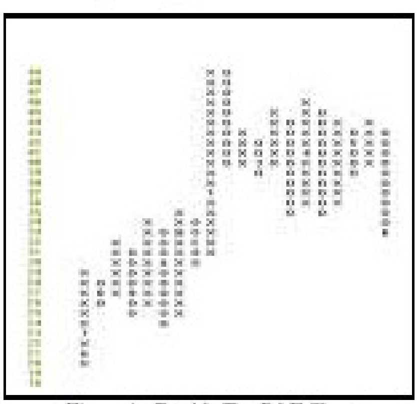


Figure 1 - Double Top P&F Chart

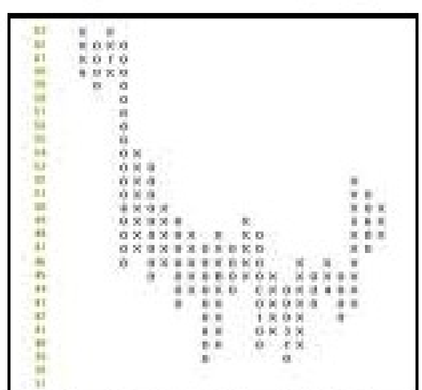


Figure 2 - Double Bottom P&F Chart

The Point & Figure Method

The NYSE Bullish Percent Index is simply a compilation of the percent of stocks on the NYSE that are on Point & Figure buy signals. The beauty of this analysis method is that clear buy/sell signals are generated on the individual stock charts. These signals can then be tabulated and evaluated versus the total number of stocks underlying the index. The Point & Figure method was created by Charles Dow (the first editor of the Wall Street Journal) as a simple, logical, organized way of recording the imbalances between supply and demand. In the end, it is the imbalance that causes all stock prices to move, and nothing else. If there are more buyers in a particular stock than sellers who want to sell, then the price will rise. Conversely, if there are more sellers in a particular stock than buyers, then the price will decline. If buying and selling are equal then the price will remain the same. There is nothing else.

These same forces cause prices to change in the supermarket or anywhere you turn on this globe. The charts are made up of X's (Stock rising in price) and O's (Stock declining in price). Buy signals are given when a column of X's exceed a previous column of X's, and sell signals are given when a column of O's exceed a previous column of O's. The following boxes illustrate the most simple double top and double bottom patterns. One would simply add up all the stocks that were on buy signals underlying the NYSE and then divide by the total to get a Bullish Percent. Let's say there are 2000 stocks underlying the NYSE and 1000 of those stocks are on buy signals, then the NYSE Bullish Percent would be at 50 percent.

The "Football" Indicator

The chart of the NYSE Bullish Percent runs vertically from zero to 100 percent. We look at this as our football indicator because when the index is in a column of X's, we have the football. When the index is in a column of O's, the market has the ball. The key is how the index shifts from one column to the other, either X to O, or O to X. It takes a six percent (each box on the chart equals two percent) net change to shift columns. For instance, a week's market activity produced 120 new buy signals and there were 160 new sell signals, and the index is currently in a column of O's. If we net out 160 sells and 120 buys, we have a net change of 40 new sells. Divide 40 by 2000 and you get two percent or one box change this week. Therefore, if the index was in a column of O's and each box represents two percent, the index would decline one box. In the case of a rising market, the opposite would take place. Once again, it takes a net six percent change to shift columns - or in the football vernacular - it takes six percent to either lose or gain the football depending on which way the shift takes place.

We play offense (buy stocks) when we have the ball, and we play defense (protect what we have) when the market has the ball. We look at the chart's scale as the football field. Where the index "is" on the chart (field position) is very important, too. We consider above 70 percent as a high risk level and below 30 percent a low risk level. Let's see why:

When there are more than 70 percent of the stocks underlying the NYSE on Point & Figure buy signals there are no disconcerted investors; just about everyone is making money and the newspapers are as bullish as can be. Earning estimates are coming in on the money like clockwork. It is also the point where everyone is in that wants to be in. If a broker called his client with a new recommendation for a stock purchase, the investor's response might be "I love the idea, what stock should I sell to get the money to buy it?" He's already in the market and has no funds to create new demand for this new idea. He is in a situation where he must create supply to have the liquidity to create demand. The net of selling to buy is a wash concerning supply & demand.

The other side of the chart presents opportunity and is found below 30 percent. When there is less than 30 percent of the stocks underlying the NYSE on a Point & Figure buy configuration, everyone is out of the market that wants to be out. The availability of supply to force the market lower is very low at this point. This presents opportunities for buying stocks, while the level above 70 percent presents opportunity to hedge or exercise more caution. One would not want to buy stocks with unbridled enthusiasm at a Bullish Percent reading of 76 percent. Conversely, the probability of loss is low at a Bullish Percent reading of 26 percent. What this index does is help investors to become defensive when the market is high and become more offensive when the market is low.

The “Six Degrees of Risk”

Earl Blumenthal added dimension to this index that A.W. Cohen did not have. Blumenthal added six levels of risk that further provides guidance for the investor when using the Bullish Percent concept. Let’s take a look at these risk levels.

Bull Alert - This risk level can only happen when the index is below 30 percent and reverses up (see above for how the index shifts from one column to the other). This is the most bullish risk level as it can only take place from below the 30 percent level. We call this a green traffic light.

Bull Confirmed - This risk level comes into play when the index is in a column of X’s (you have the ball) and rises to exceed a previous column of X’s. Field position is very important in this risk level as Bull Confirmed at 70 percent is much less positive than at 30 percent. We call this a green traffic light.

Bull Correction - This is simply a reversal into a column of O’s (you lose the ball) from a column of X’s, and this reversal must come from below the 70 percent level. It is generally short-lived and an opportunity to buy stocks on pullbacks. We call this a yellow traffic light.

Bear Alert - This risk level can only happen from above 70 percent. A reversal from above to below 70 percent (remember a reversal changes columns) will change the risk level to Bear Alert. You have lost the ball and defense is the order of the day. Defense can come in many fashions, like put hedging or setting stops, or simply buying less stocks. The decision belongs to the manager of the portfolio to determine what defense means to him. We call this a red traffic light.

Bear Correction - The exact opposite of Bull Correction. It is a reversal up from Bear Confirmed, signaling a breather from the recent decline in prices. It is generally short-lived and must come from above the 30 percent level. Traders can buy stocks for trading purposes or short sellers can plan to sell short negative stocks on bounces to resistance. We call this a flashing red traffic light.

Bear Confirmed - This is the exact opposite of the Bull Confirmed risk level, however, Bear Confirmed is a condition where a column of O’s exceeds a previous column of O’s. Like the Bull Confirmed risk level, field position is very important. Bear Confirmed at 30 percent is much different from Bear Confirmed at 70 percent. In conclusion ...

After using this index as the backbone of our business, I am totally convinced nothing comes close to providing the guidance this index does. It’s not a market predictor - simply a very good gauge of the prevailing risk. When the risk is high we choose to become less offensive. When the risk is low we choose to become more offensive. In many cases, the truth lies somewhere in between. A great adjunct to the NYSE Bullish Percent are the 40 Bullish Percent Indexes on sectors we follow. The NYSE Bullish Percent Index allows one to become a great caboose on the market train. We’ll leave the predicting to others.

Thomas J. Dorsey is a founder of the investment advisory and money management firm

Dorsey, Wright & Associates and an internationally recognized expert on risk management. He is also the author of Point & Figure Charting: The Essential Application for Forecasting and Tracking Market Prices, which can be purchased at a discount by calling:

800-272-2855 ext B845   Point & Figure Charting Item #2364 $59.95   Save 10% by asking for ext. B845 NOW $53.95 plus shipping

Time and Price Forecasting

By J. White

As a student of market geometry and of the techniques of Gann, I offered a response based on the objective rules I have developed to apply Gann to my trading. First letís consider Gannís proposition concerning the relationship of price and time. One of Gannís most famous quotes was ìWhen time and price coincide, change is imminent.î Gann also introduced the concept of ì vibrationî in the markets contending that each market had a characteristic rate of vibration. And he discussed the concept of balance indicating that markets often are out of balance but must return to balance before a change can occur. To put all this together consider a 45 degree line on a price-time chart as a condition of balance which represents a one to one relationship between price and time. It could be argued that the the relationship between price and time is arbitrary since it depends on the scaling of the chart and that is correct. For the the relationship to be valid the chart must be scaled so that one unit of time equals one unit of price. To determine the price unit to use we make use of the concept of vibration. Vibration is a word describing the cyclical rate of movement of anything. We use frequency to measure the rate of vibration. Frequency measures the number of cycles per unit of time. A cycle is just a movement from one position to the opposite extreme and return to the original position. In the markets we also measure a cycle from the occurrence of one extreme high or low to another occurrence of a high or low. The price distance between the high and low is the amplitude of the cycle. The time distance between the peaks or troughs is the period of the cycle. The rate of movement or vibration of a market cycle can be considered as the price change per unit of time between the high and low. Now we know that any particular market will move at different rates at different times. However if we were to measure a number of these rates and plot them as a distribution function we would most likely find a fairly normal distribution around an average. So to find the vibration rate of any market we must calculate the average rate of advance and decline for a number of occurrences and take the average. This then will represent a one to one relationship between price and time for that market. We can then use this information to scale our chart. To

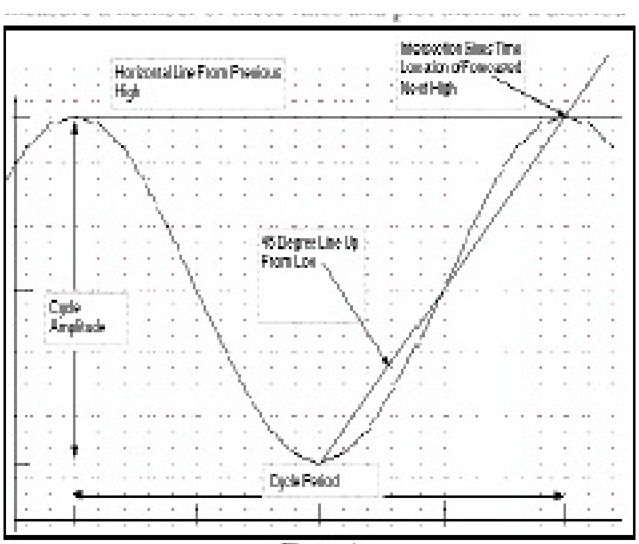


Figure 1

SUMMARY OF ACCURACY TEST
GANN FORECASTING TECHNIQUE

MARKET	MOVES	AVERAGE FORECAST ACCURACY	RANGE OF ACCURACY	[illegible]	[illegible]	[illegible]	[illegible]	FAILURES
ADPT-DAILY	7	2.43	-6 TO +1	5.7	2 TO 10	4.18	2.75 TO 7.5	0
AMGN DAILY	20	1.8	-3 TO +4	4.6	2 TO 10	2.83	0.375 TO 4.625	0
[illegible] DAILY	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] TO 8.50	0
CRUS DAILY	9	3.44	-8 TO +16	9.7	2 TO 28	1.875	0.50 TO 3.125	0
DIGI DAILY	11	2.40	-3 TO +12	7.5	2 TO 14	3.24	0.625 TO 7.125	0
MU DAILY	12	3.50	-2 TO +24	8.75	3 TO 38	6.32	2 TO 24.375	0
PMTC DAILY	13	2.32	-4 TP -6	7	2 TO 14	5.86	2.375 TO 12.25	0
SPY	14	1.87	-1 TO -8	5.14	2 TO 8	3.61	0.875 TO 10	0

Figure 2

do this we set the dimensional measure of one unit of time equal to the dimensional measure of one unit of price. As an example, if one day on our chart is 1/4 inch and the vibration rate is $0.50 per day then we would scale the price axis so that 1/4 inch equals $0.50. With the data plotted to this scale a 45 degree line on the chart represents a one to one relationship between price and time or a locus of points were time and price are equal. Now how do we use these relationships in trading. There have been many techniques in the literature describing how to use 45 degree lines. The technique which I have developed to be most useful to me is described below. To understand the theory behind the technique consider the perfect cycle represented by a sine wave in the diagram. Note that when the amplitude of the sine wave is equal to 1/2 the period, there is a one to one relationship between the horizontal axis measuring time and the vertical axis measuring amplitude. Also note that a 45 degree line down from a high or up from a low, intersecting a horizontal line from the previous high or low exactly marks or ìforecasts ì the next turning point. This only works when there is a one to one relationship between amplitude and half-period. If we assume that the impulse of a previous high or low will be felt at some periodic time in the future, we can apply this to our correctly scaled price - time chart by simply drawing a 45 degree line from the last significant turning point and a horizontal line from the previous opposite turning point. The intersection of the two lines represents a point where price and time are equal and where a cyclical turning point can be expected to occur based on represents a point where price and time are equal and where a cyclical turning point can be expected to occur based on impulse of the most recent cycle. We can then use other techniques to confirm the condition and enter the trade. I personally use this technique to refine Natureís Pulse forecasts and tell me the direction of the trade. In summary: (1) I have described the logic behind the 45 degree line and price- time relationship. I have also given an objective way to determine the rate of vibration and scale a price-time chart. (2) I have described the cycle theory and objective rules for using the 45 degree line to forecast future turning points as influenced by previous cycles. There is much more to learn about market geometry but this simple primer demonstrates a highly accurate technique for forecasting turning points. I believe it answers the question concerning the existence of a mathematical relationship between price and time and it presents an objective way to use the information to generate a series of forecasts which can be evaluated against actual market turns. In Part 2 of this post I will describe the documentation of accuracy and reliability of the technique.

In last monthís Pulse Rate I wrote an article describing an objective technique for using the Gann concepts of Market vibration and time - price relationship expressed by a 45 degree line to forecast future cyclical turning points in any market. In this article I will describe the technique used to test the accuracy of the forecasting method and present the results of an exercise to document that accuracy. In testing the effectiveness of any forecasting technique the analyst is interested in three questions. Of primary concern is Did the market react in the direction of the forecast? How many failures occurred? Second, How accurate was the technique in forecasting the time for the reaction? Ideally the forecast time and the actual time would correspond. And third, How significant was the forecasted move in terms of price and time? In my test of this technique I attempted to answer each of these questions. To apply a test I first had to define the characteristics of the reversal being forecasted as well as the definition of a failure. I defined a reversal as characterized by a pivot bar having the highest high or lowest low of the move and two or more bars on each side of the pivot bar with (a) lower highs and lower lows for a high pivot or (b) higher highs and higher lows for a low pivot. Also within this 5 bar pattern is a 4 bar reversal of the closing price with at least two lower closes after the highest close (high pivot) or two higher closes after the lowest close (low pivot). The 45 degree forecasting line is always drawn from the extreme close of the move. A failure is defined as the occurrence of a more extreme close and a more extreme high or low within three bars of the pivot bar. This would result in a redefinition of the pivot bar and a trader being stopped out if he had entered his stop just outside the extreme of the first pivot bar. The Table below presents a summary of test cases of this technique. I have not hand picked these cases but have merely pulled them from the markets I trade using this technique. I have included cases of securities trading from $5.00 to $90.00 and from the NASDAQ, NYSE and American exchanges. I also included an intraday case using 65 minute bars. In the table the Average Forecast Accuracy column is the sum of the absolute values of the differences between the forecasted pivot and the actual pivot, using trading days, divided by the number of moves. The Range of Accuracy column gives the range of forecasting errors in trading days. A minus number indicates the actual pivot occurred before the forecasted pivot time. The Average Bars per move and Range of Bars per Move are in trading days between actual pivots. The Average Points per Move and Range Of Points per Move reflect the difference in close price between the extreme close price and the close of the next actual pivot bar. The final column indicates failures or in this case absence of failures. This may be the most astounding result of all. This indicates the risk of false moves is very low. Several other things should be noted from the data. First the average accuracy of all test cases was 2.5 bars while the average bars per move was about 7and the average points per move was over 3. This indicates the technique is effective in forecasting tradeable moves. Incidentally the large deviations in the Range of Accuracy column are due to strongly trending markets after the forecast date but in the direction of the forecast. There is a technique for re-setting the timing line in these cases which tells you when the move is over however I did not apply it for this test. If applied this would improve the accuracy of the forecast . I do not claim that 100 cases proves the validity of this technique however the results are based on objective definitions of the parameters being tested and allow for individual verifacation by others as in any good technical approach. I think you will agree the results are encouraging. If anyone would like to personally verify the results , I will gladly send them the detailed data. Just E-Mail your request to JWhite43@AOL.com

Electronic Day Trading
SOES(tm) Trading

By Mark A. Seleznov

Day Trading can be easily described as the buying and selling of stocks during the trading day in your own account. Your goal as a Day Trader is to be profitable, and flat (carrying no positions at the end of the trading day.) Don't be misled into thinking that anyone can walk through our doors, sit down at a computer, click off some trades, and be profitable. Day Trading is a serious business. It is a profession and like other professions it requires training and experience. Your success in Day Trading relies on your willingness to dedicate yourself and your abilities to learn the techniques required to be successful. Why the interest in Electronic Day Trading? It is one of the last bastions of pure capitalism. It levels the playing field. It is a true equalizer.

The 1990's has brought an evolution in Electronic Trading and an expanded and more common use of Electronic Trading in a number of marketplaces. The terms Electronic Day Trading and SOES(trading have been used interchangeably by most people. For the purposes of this discussion, we will use them interchangeably as well.

The OTC market is a negotiated market without a central place or trading floor. It is composed of a network of thousands of brokers who make securities transactions for themselves and their customers. Professional buyers and sellers seek each other out electronically and trades are made in a matter of seconds.

The NASDAQ action market has been a leader in this area. Nasdaq market makers input their bids and offers electronically into their Nasdaq workstations. The average person only sees the best bid or offer (NBBO, National Best Bid and Offer), but Electronic Day Traders use Level 2 market maker screens to see all the bids and offers of each market maker in a particular stock.

A little history and definition of the term NASDAQ SOES(tm) will help you understand what SOES(tm) is and what SOES(tm) is not. The whole NASDAQ SOES(tm) system is projected to have a major overhaul shortly. It is advised that you check any rules that are discussed in this article with your own broker.

NASDAQ SOES(tm) was created in 1985 and made mandatory after the 1987 market collapse. At that time, many small investors were unable to sell stocks as prices fell because they couldn't reach dealers or market makers on overloaded phone lines. SOES(tm) provides small investors with quick access to the Nasdaq market. The purpose of the SOES(tm) system is to enable the average person to get an "honest, immediate, legitimate execution and to bid and offer shares in between the spread to achieve price improvement. Day Traders add liquity to the markets benefiting all investors.

The existence of the SOES(tm) (Small Order Execution System), SelectNet, ECN's like Island, Bloomberg, and Archapelico, and REDI has eliminated significant advantages enjoyed for years by the market making community.

SOES(tm) Day Trading provides a way for individuals to trade for their own accounts and decreases the significant advantages of market makers and larger institutional investors.

Day traders are in the unique position of having a very short-term relationship with the market. For many years, Day Trading was considered to be the most speculative of speculative trading activities. Today, the Day Trader is in a much more advantageous position.

The Electronic Day Trader is the gunslinger of equity trading. The trader can limit losses, with the ability to "SOES" out of a position instantly. Traders use real-time quotes and decision support software enabling them to see market makers adjusting their quotes as they happen. They can see real time executions permitting traders to view the last trade and volume that was executed. The visual capability that comes from state of the art software and technology that is available to the trader through tickers, quote screens, and charts, has come a long way over the past few years.

Objectives of the SOES Trader

Electronic SOES(tm) traders succeed by cutting losses and grinding out their profits. Successful traders know that trying to hit a home run is a sure way to get burned. The tools that are available combined with small commissions and trading costs, eliminate the need to take big risks. Learning to use the tools available with maximum efficiency, is one of the most important elements contributing to successful trading.

Electronic Day Trading Tools

• Reliable Real time quotes
• Advanced Decision Support Software
• High Speed Computer Workstations
• Reliable Network Connectivity to • Execute Trades

Trading capital

The minimum trading capital (equity) required to trade successfully, is in the range of $100,000. Potential traders should keep in mind that capital used to trade should be money that they can afford to lose. The loss of this capital should not alter the traders life in any meaningful way. Only a small number of traders, actually have the discipline and talent to be successful consistently.

Margin requirements and regulation T

Traders are customers of a broker/dealer that executes their order. Customers are subject to normal Regulation T and margin requirements. A margin account allows the trader to enhance the leverage in securities transactions using credit extended by the brokerage firm. Regulation T empowers the Federal Reserve Board to establish how much credit a brokerage firm can lend. In most cases, 50% of a position can be financed by the brokerage firm. In other words, $100,000 of equity capital can support $200,000 in positions.

Attitudes of a Successful Trader—the problem with opinions

A trader with an "opinion" on the stock, can hurt his short term trading results. However, trading without any prejudice frees you to trade from both the long side and short side of the market. The trader can watch the activity in a particular stock and take action based on what is happening. rather than his opinion. Trading is the art of second by second risk management.

As an example, suppose the market on a stock is 20 x 20 1/8 (1000 x 1000), Suddenly, large market makers, like Goldman Sachs and Morgan Stanley, enter a 20 1/8 bid. This could indicate to you the short term direction of the stock. It does not matter why they are buying but only how fast you can react and buy stock. The trader must react first and rationalize later.

Past experience is a negative

Ironically, an individual with past experience who believes they know a great deal about stocks and markets often make poor day traders. Trading is a game played from moment to moment. It makes no difference if the trader knows the earnings of a particular company before it is announced next week. What matters is the way other investors are reacting today. Buy if it's going up and sell if it's going down.

Stocks are "four letter words"

It is best to view stocks simply in three and four letter terms rather than individual companies. If a group is performing well, pick the best stock in the group and trade it from the long side. Do not buy the weakest stock in the group with the hopes that it will catch up. Chances are it will not. Buy strength, and sell weakness.

To make money trading, you do not need to forecast the future

You have to extract information from the market and find out whether bulls or bears are in control. You need to measure the strength of the dominant market group and decide how likely the current trend is to continue. You need to practice conservative money management aimed at long-term survival and profit accumulation. You must observe how your mind works and avoid slipping into greed or fear. A trader who does all of this will succeed more than any forecaster.

Winning attitudes of a
successful Trader

Every day is a new and different day for the trader. It does not matter that the tech stocks were strong yesterday. What does matter, is identifying the groups that are active today. Traders often make the mistake of focusing on one group too long. The action might be somewhere else on a given day.

Every day is a "new day"

If a trader has an overnight position, and hence an opinion, he is no longer free to trade the market momentum. If, on the other hand, the trader is "completely flat" coming into the new day, he is free to make unbiased assessments and trade the market. I really don't care what Asia or Europe is doing, but I can react to what they did when our markets open. I don't have to worry about the "daily number of the day", just act on the trend.

Effective trading can be learned

Many traders are quite capable of learning to be more effective. One of the prerequisites, however, is to learn from people who are organized in their thought process. Successful day trading is built upon a unique foundation combining art and science.

Reading the Tape

SOES(tm) trading is a modern form of trading via tape watching. The rules of the Nasdaq market dictate that all market makers in a stock must display their current quotes. Market makers are constantly updating and changing these quotes in response to supply and demand, news, and other factors that influence market movement. Herein lies the opportunity for the SOES(tm) trader. The Electronic Day Trader is constantly looking for the beginning or the end of a trend, and tries to buy or sell a stock short, while the stock is moving in price. Always remember: "The trend is your friend". Fighting the trend is a surefire path to disaster. To Day Trade profitably, you must take advantage of brief flurries in prices. Large intraday price moves can occur in response to news and other outside influences. At times, the rumor mill will drop or rally prices quickly. Program trading is still a profitable activity for large institutional type traders. Regardless of the source, consider all price rallies or declines which occur quickly within the days trading session to be an opportunity for you to either exit your current position at a profit, or to establish a new position using support and resistance methods.

The key is Discipline, Discipline, and more Discipline

Improving your chances for success:

• Buy up stocks. Sell down stocks.
• Know what price and where the stock started to move.
• Do not trade stocks you consistently lose money in.
• Review your trading activity often. (take good notes)
• Be aware of the underlying trend. (market sectors)
• Use your ticker effectively. (recognize market maker activity)
• Use ECN's and SelectNet: Don t give up spread twice.
• Be aware of the time of day.

Frequent reasons for bad trades

• Trading stocks not in motion
• Chasing stocks up or down too many levels
• Greed
• Bottom Fishing (terrible habit!)
• Taking shots
• Impatience
• Not reviewing bad trades and
• learning from them

Different trading styles

Arbitrage: Involves the simultaneous purchase of a security from one market maker, or exchange, and the sale of it through another, and profiting from the difference in prices from the two market makers or exchanges.

Example: DELL is being low offered by MSCO @ 89 1/8, and is simultaneously being high bid by AGIS @89 1/4 . By buying the stock from MSCO @ 89 1/8 and immediately selling it to AGIS @ 89 1/4 , you have arbitraged $125.00 profit.

The previous example used an O.T.C. stock, arbitrage can be exercised on exchanges. CPQ is being high bid on the N.Y.S.E. @ 57, and low offered by P.S.E. @ 56 3/4 . In this instance you can buy CPQ on the P.S.E. and instantly sell it on the N.Y.S.E. and lock in $250.00 profit from the price differences between the two exchanges.

Grinder: This style of trading is typically the most active of the different styles of trading. It is based on taking positions and immediately bidding or offering your position at a 1/16 or 1/8 above or below, locking in a small profit. Locking in small profits of a 1/16 or 1/8, 30 to 40 times per day can be very profitable, and satisfying.

Market Maker: Typically this person tries to emulate the market makers. With this style you will attempt to buy on the bid side of a stock, and sell on the offer side of a stock. This can be difficult to trade in this manner.

Position: A position trading style can be very lucrative. A position trader can often just be in one position at a time, but generally this position may be rather large. A position trader tends to be long or short one stock, but in a size greater than 1000 shares. A position trader will buy/sell 1000 shares of stock on the SOES system, wait five minutes or more, then buy/sell another 1000 shares, this is building a position. He may also choose to enter his position in one transaction. To achieve this he may buy/sell his intended position by way of an E.C.N. or Selectnet, where they are not restricted to the 1000 share maximum per transaction, and the are not subject to the five minute rule.

TERMINOLOGY

Bid/Bid Into: The bid is the price that a market maker buys stock at, and the general public sells stock at. As a trader you may try to buy stock on the bid, either to go long or to close a short position. Bid Into is used to buy a stock, or go long, creating an opening transaction by using either Selectnet or a E.C.N.

Cancel: To cancel a previous order, will be followed by a cancel message on your order entry screen.

Dealer Flip: To indicate when a market maker flips from the bid to the offer, or the offer to the bid, in a stock that he has been making a market in.

Down Off: When a market maker was the high bid and he is no longer willing to pay that price for the stock, the market maker then adjusts his bid down to a price at which he will resume buying. Typically this is a bearish sign.

Down to Ask: When a market maker lowers his current ask/offer to the current offering price, in hopes of selling as much stock as possible before the price drops to a uncomfortable level—a bearish sign.

Drops Bid*:* A market maker who is currently the high bid in a stock suddenly adjusts his bid price downward because he is no longer willing to pay the bid price for that stock.

E.C.N.: Electronic Communications Network, consists of ARCA (Arcapelago), BTRD (Bloomberg), INCA (Instinet), ISLD (Island), and TNTO (Terra Nova). E.C.N.s work as order matching systems, and allow traders to advertise a price better than the current bid or offer.

Fill: Used when an order is executed.

5 Minute Rule: Explanation is that

if you buy 1000 shares of stock, on the S.O.E.S. system you may not buy more stock on the S.O.E.S. system for 5 minutes, after the time of your initial execution. The same applies to the sell side. However, if you buy 600 shares of a stock on the S.O.E.S. system you may buy up to 400 shares on the S.O.E.S., to round your position up to a 1000 share block. There are exceptions for E.C.N.s and selectnet. You can buy or sell on these systems as many shares, and as many times as you want.

He Drops: This term is used when a market maker "drops" his bid, from being the best bid, to a lower level after filling his obligation on S.O.E.S.

He Lifts: Used when a market maker "lifts" his current offer up and is no longer the lowest offer, after he has filled his obligation on S.O.E.S.

He Stays: Used when a market maker has filled his obligation on S.O.E.S. on the bid or the offer and he remains as the high bid, or the high offer, and continues buying or selling stock at the current levels.

High Bid: To indicate when a market maker is willing to buy stock at a higher price than other market makers at that particular moment. This is a bullish indicator.

Hit the Bid: Indicates when a trader has sold a stock on the current bid price.

Inside Market: This is the location between the highest bid and the lowest offer quoted at that time.

Lift Offer: Term used when a market maker moves up his offer price and is no longer willing to sell stock at his previous offer price. Typically a bullish sign.

Limit Order: A limit order is used to buy or sell a stock at a specified price, no more and no less. If a limit order is entered on S.O.E.S and there is no market maker at that specific price your order will be automatically canceled, and reported "No S.O.E.S. Market Maker Available." Limit orders are time sensitive, after the time expires, so does the order.

Low Offer: Is used when a market maker lowers his offering price and is now the lowest offer available, and is willing to sell his stock at a lower price than anyone else. Bearish signal on stock.

Market Order: An order to buy a certain stock at the current market price, whatever it may be when your order gets there

Offer Out: Price at which a market maker sells his stock at, and the general public buys at. When you "Offer Out," you are in essence taking the role of a market maker by offering to sell your stock on the offer, on an E.C.N. or Selectnet. This strategy is used to close a long position in most cases, or it can be used to create an open position, thus creating a short position.

Override: Another name is "On the O." Used when a trader is going to offer his stock at a price that is higher than the current offer, or bid at a price that is lower than the current bid price.

Refreshes: Essentially the same as "He Stays." Used when a market maker has filled someone at the bid or offer and the market maker remains, continuing to buy or sell stock at the quoted price.

Reflash: The term "Reflash" is used when a trader has a bid or an offer placed at a marketable price, and is not being executed. Understand that market makers see thousands of orders everyday and it is possible that your order passed right by him unnoticed. By "Reflashing" you will be re-entering your order instantaneously and bringing it right to his attention. It is the market makers decision whether or not to fill your order at that price.

Short: To sell a stock you do not currently own. To go short you "borrow" stock from the Broker / Dealer, then sell the stock, with the intent to buy the stock back at a lower price than you had initially sold it for, creating a credit in your account.

Spread: The spread is the difference between the bid price and the offer price.

Ticks: Down Ticks, Up Ticks, and Zero Plus Ticks, are all important types of ticks. An "Up Tick" occurs when a stock trades higher than the previous trade on the bid or offer. "Down Ticks" occur when a stock trades at a price lower than the current bid or offer—remember the stock has to trade. A Zero Plus Tick happens when a stock Up Ticks on a trade and the following trade is executed at the same price level. Note that N.A.S.D. rules state you may only "short" stock on an Up Tick or a Zero Plus Tick.

Timed Out: After you place an order, whether on the S.O.E.S. system or on a E.C.N., the order will only be "live" for a specified amount of time. When your order has "Timed Out" this means that it has run out of time and it will be automatically canceled by the proper exchange. Time constraints vary for each type of order.

Open / Close: Describes open and closing transactions. In more detail, "To Open" means your initial transaction to enter you in a position. "To Close" is used to describe a transaction that will exit you from a position. There are opening buys and opening sells, there are closing buys and closing sells. If you have an opening buy you must have a closing sell, and in turn, if you have a opening sell you must have a closing buy.

Too Late: Too Late applies to the S.O.E.S. system. It is used when a trader has placed an order to buy or sell a stock and then changes his mind, and wishes to cancel the order. After attempting to cancel the order the trader receives a message in his order entry screen that says "Too Late," this means that it is too late to cancel the order and he will be getting his execution soon.

Off the Offer: When a market maker who was the low offer lifts, or raises, his offer and he is no longer the low offer. The reason being that he is no longer willing to sell his stock at that price level. This is a bullish sign.

Up to Bid: This happens when a market maker moves his current bid to the highest bid. This is a bullish sign because the market maker will now pay a higher price to buy a stock than any other market maker at that time.

U R Out: That is what will appear on your screen after you have successfully canceled an order, and it means exactly what it reads. After receiving this message you are free to re-enter the order if you wish.

ViolationShort Sale: A trader will receive this message in his order entry system window.

It is given when a trader has attempted to short a stock on a down tick, which is against N.A.S.D. rules. The order is automatically and immediately canceled.

Mark A. Seleznov is the Managing Partner of Trend Trader, LLC, a Stock Brokerage firm, member of NASD, SIPC, specializing in Electronic Trading for Institutions, Day Traders, and Retail clients. Trading is offered at their on-site facility in Scottsdale, AZ, as well as remote from their customer's offices and homes.

True Time Tells Truth

By John Berends CTA

The study of Gann methods leads one down an interesting road, a path that seems neverending. The Gann student is exposed to a great deal of esoteric information. The esoteric side of the Gann material can be confusing and is often passed over or misunderstood. To make use of any of the higher principles one needs to bring such principles to our plane and ground them in our world.

Traders often speak of trends, seasonals, swings and pull backs. On most of their computer screens can be found indicators such as stochastics, RSI, and moving averages. It is easy to lose site of the connection between our plane, the trader's plane and Gann's plane, the esoteric plane. To most these two planes are totally unrelated, but to the true Gann student they are totally integrated.

The first step in grounding our cosmic principles begins with a proper understanding of the concept of time. To distinguish the proper concept from the second hand on a watch or a calendar on a wall we will call this new concept "True Time". The question at hand is reduced to, "What is time, really?" One popular answer might be, "365.2422 days = 1 year = 12 months = 52 weeks." No, these are just measurements or names for "True Time". What is a day? One day is the amount of time between successive sunrises. Yes, this is true but what causes the sun to rise? The movement of our planet earth spinning on its axis. The keywords of the last statement are planet and movement. These two words are the basis of any and all definitions of time. Another way to state this principle is to say, "Time is planetary movement."

There is nothing mystical about using planetary movement to mark time. This method has been done for thousands of years. Sure, the names have been changed, Instead, of one earth revolution around the sun, the term one year is used. Instead on one lunar revolution around the earth the term month is used. Yes there is a bit of fudging going on, but a quick study of history will prove these cycles are cosmically related. The sharp student will recognize the names Saturnday, Sunday and Moonday. Actually they are called Saturday, Sunday and Monday. A

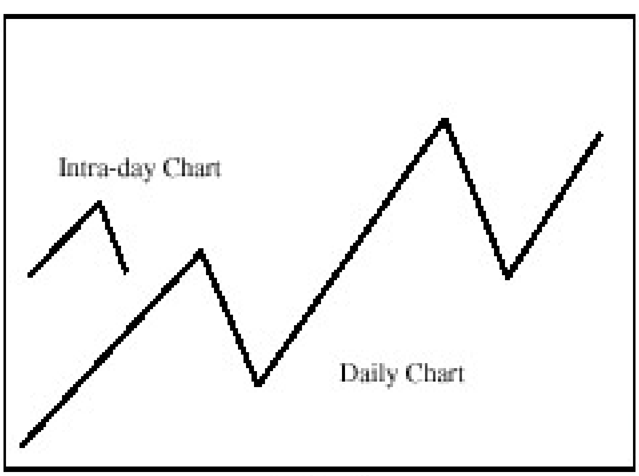


Figure 1

Figure 2

further study will give other planetary correspondences to the days of the week.

If indeed planetary movement is time (True Time) the definition of time cannot be limited to the movement of the sun, moon and earth. One must include all other heavenly bodies in the definition of true time. Examine some of these "True Time" factors:

1 Month = 4 weeks = 1/12 year = 1 lunar revolution 1 season = 13 weeks = 1/4 year = 3 lunar revolutions = 1 mercury revolution =1/8 Venus rev. 1 week = 7 days or earth revolutions = 1/4 lunar revolution = 1/52 year 32 weeks = 1 Venus revolution 98 weeks = 1 Mars revolution 11.86 years = 1 Jupiter revolution 29.5 years = 1 Saturn revolution 84.0 years = 1 Uranus revolution

These measurements are not exact, but neither were Gann's references to them. In fact, his were much more vague.

30 days, weeks or months 45 days weeks, or months 90 days, weeks or months 120 days, weeks or months 180 days, weeks or months 240 days, weeks or months

A close study will prove these numbers are close approximations of the "True Time" factors listed earlier. Students of Gann know that cycles are not limited to those above or even the divisions of the above but this should be enough to lead them along the right path.

The next step to grounding our "True Time" principle is to clearly defining the trading concepts used every day. One of the most important terms to consider for most traders is trend. American Heritage Dictionary defines trend as: " 1 A general tendency or course. 2 To have a certain direction. 3 To have a certain tendency." What is missing from the conventional definition of trend is the inclusion of time. To a trader trend really depends on what time frame is being examined. What time frame is on the chart? A trend on a five minute chart may not even show itself on a daily chart.

The "True" definition of trend is: "The general tendency or course of a cycle of larger degree." See diagram 1. This larger degree cycle appears as a straight up move because the trader's eyes are fixed on the shorter time frame and perceives a trend. The trader is unaware of the larger cycle because of his limited perception and is often unaware of its eventual end. Swings often occur that move in opposite direction of the trend. After a short while prices reverse and move in agreement with the trend like cycles within cycles or wheels within wheels. To define trend one only needs to cross-reference the larger time frame or cycle to determine its position.

It is important to remember our definition of time and its relation to trends and cycles. The

Figure 3

numbers discussed earlier are of great importance in understanding the working of cycles and trends. Also, remember the geometric divisions of the natural planetary cycles. Astrologers use terms like squares, conjunctions, trines and oppositions. These are nothing more than the divisions of the whole. For example, the Moon whole is roughly equal to 28 calendar days. The square is equal to 7 calendar days. The trader will recognize this as 5 trading days or 5 bars on the daily chart since there is no trading on Saturdays or Sundays.

One simple method traders use to identify cycles and trends is through the use of moving averages. Most often two or more moving averages are compared to define trend. If a faster moving average is above a slower moving average the trend is said to be up. If the faster moving average moves below the slower moving average the trend changes to down. Knowing that trends are really cycles of a larger degree, let's examine the moon example from above. (See Figure 2) Figure 2 shows a simple 5 bar moving average and a simple 20 bar moving average. How many traders have used the inputs 5 and 20 and not even realized they were trading with the moon? Ever tried a 21 bar stochastic or a 5 bar RSI? This is an attempt to measure the movement of price over the last lunar revolution or 1/4 lunar revolution. Try different "True Time" inputs to your own or to the popular indicators. There are better indicators but popular indicators are available to most everyone and prove the point.

Figure 3 shows an example of "True Time" trend and cycle combinations. First, the 20 bar and 60 bar moving average is consulted for trend indication. Remember 20 bars equal roughly the moon and 60 equal roughly mercury. When the moon movement is lower than mercury this cycle is down. This is easily seen in figure 3 as the faster moving average is lower than the slower moving average. A trader that trades only with the trend will only enter short positions during this period. In order to trigger a short position the 5 bar and the 21 bar stochastics are consulted. When the faster quarter moon or 5 bar stochastic crosses below the slower 21 bar moon stochastic a sell signals is produced. A trader following the trend could trade this signal many times while the trend remains negative. In this case 3 such signals are given. If more trades are sought the trader needs simply change the inputs or look at short time frames. Changing time frames and data is a matter of personal preference. All traders should seek the time frame in which they are most comfortable.

Traders with an open mind will apply the principles discussed and discover even better cycle combinations than those shown. The esoteric side of Gann will not be some distant ideas for only far out newsletter writers. The cycles when applied to simple everyday indicators become much clearer. A close friend noted that once cycles are seen in this way they cannot be denied. One who discovers this method of viewing "True Time" cycles will never look at an indicator or price chart the same again.

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