

I will try to give a brief summary. The main advantage to Murrey Math is that you know with one piece of information (the current price) what to judge the price behavior with. This is because the support/resistance prices are FIXED and remain the SAME. Start with 100. Divide by 8 = 12.5, divide by 8 again = 1.5625. Lastly divide by 8 again = 0.1953125 (=~ 19 cents). You will see from reading Murrey's book that everything has do with 1/8, 2/8, 4/8 and then 8/8 = 1/8 of higher octave. So, you form squares based on 1/8, 2/8, or 4/8 of some division from 100. Murrey also states in the book that 1.5625 is key for most stocks between 12.5 and 100. Meaning we want to judge things off multiples of 1.5625.

No matter where the stock price is, the same lines apply. For instance, Alcoa (AA) is currently trading at 24.30 or so. So, we want to look at the lines which are near the current price. That would be 25 (= 8/8) and 23.4375 (= 7/8). The next line down is 21.875 (= 6/8). If you take the recent 16 bar chart, you see that there is a low at 21.86 on 11/13/2002 and a high at 25.17 on 11/22/2002. So, we have a nice fit for a square from 21.875 (= 6/8) to 25 (= 8/8). This is a square of size 2/8. Remember, everything is 1/8, 2/8, or 4/8 of some octave interval. So, we would trade using this square until the end of the square unless price CLOSES above +2/8 of the current square (= 25.78125) or CLOSES below -2/8 of the current square (= 21.09375).

Now, let's go to the Gann crowd to compare and contrast:

Murrey Math square	Gann Square
8/8 = 25.00	8/8 = 25.17
7/8 = 24.61	7/8 = 24.76
6/8 = 24.22	6/8 = 24.34
5/8 = 23.83	5/8 = 23.93
4/8 = 23.44	4/8 = 23.51
3/8 = 23.05	3/8 = 23.10
2/8 = 22.66	2/8 = 22.69
1/8 = 22.27	1/8 = 22.27
0/8 = 21.87	0/8 = 21.86

Now, let's say price rallies up to 25.68 - what would be the effect on our squares?

Murrey Math stays the same except for adding two lines over the top to judge overshoot. +2/8 = 25.78	Gann Square must be RECALCULATED (it's a new world now!)
+1/8 = 25.39	8/8 = 25.68
8/8 = 25.00	7/8 = 25.20
7/8 = 24.61	6/8 = 24.72
6/8 = 24.22	5/8 = 24.25
5/8 = 23.83	4/8 = 23.77
4/8 = 23.44	3/8 = 23.29
3/8 = 23.05	2/8 = 22.81
2/8 = 22.66	1/8 = 22.34
1/8 = 22.27	0/8 = 21.86
0/8 = 21.87	

Notice also that we know from Murrey Math that 25.78 is a VERY IMPORTANT PRICE if we close over it. This is because the square would then increase in size to a square of size 4/8 ($4 * 1.5625 = 6.25$) from 21.87 to 28.12. Thus, our stock would then be near the 5/8 line in the bigger square.

The Gann square

tells us nothing except that we are at the high of the current move. If price closes at 25.80, we know a world of information from the Murrey Square, but the Gann square still only tells us that we are at the high of the current move. You can see that as a stock continues in a trend, the Gann square is basically useless until it stops and reverses. The Murrey Math square provides valuable information even during the trending period.

About memorization and additional information. Let's say we now want to check out JC Penney (JCP). It is currently at 22.93 or so. With Murrey Math, we know INSTANTLY that the lines of importance are 18.75 (= 4/8), 20.31 (= 5/8), 21.87 (= 6/8), 23.44 (= 7/8), and 25 (= 8/8). Why do we know this INSTANTLY? Because the LINES ARE THE SAME FOR EVERY STOCK! It is currently in a square from 18/75 (= 4/8) to 25 (= 8/8). So, basically in a square of size 4/8. We immediately know 2 things - JCP is moving TWICE AS FAST as AA, since it's 16 bar square is twice as big, and it is currently near the 6/8 line in the square.

With the Gann square, it's back to square 1: Low = 18.45 on 11/11, and High = 23.79 on 11/22. We must then calculate the square and keep recalculating every time the price moves outside of these bounds.

Hope this helps.

Anyone else feel free to add what is missing here...

Mike

These properties are listed here for convenience.

8/8 th's and 0/8 th's Lines (Ultimate Resistance)

These lines are the hardest to penetrate on the way up, and give the greatest support on the way down. (Prices may never make it thru these lines).

7/8 th's Line (Weak, Stall and Reverse) This line is weak.

If prices run up too far too fast, and if they stall at this line they will reverse down fast. If prices do not stall at this line they will move up to the 8/8 th's line.

6/8 th's and 2/8 th's Lines (Pivot, Reverse) These two lines are second only to the 4/8 th's line in their ability to force prices to reverse. This is true whether prices are moving up or down.

5/8 th's Line (Top of Trading Range) The prices of all entities will spend 40% of the time moving between the 5/8 th's and 3/8 th's lines. If prices move above the 5/8 th's line and stay above it for 10 to 12 days, the entity is said to be selling at a premium to what one wants to pay for it and prices will tend to stay above this line in the "premium area". If, however, prices fall below the 5/8 th's line then they will tend to fall further looking for support at a lower level.

4/8 th's Line (Major Support/Resistance)

This line provides the greatest amount of support and resistance.

This line has the greatest support when prices are above it and the greatest resistance when prices are below it. This price level is the best level to sell and buy against.

3/8 th's Line (Bottom of Trading Range) If prices are below this line and moving upwards, this line is difficult to penetrate.

If prices penetrate above this line and stay above this line for 10 to 12 days then prices will stay above this line and spend 40% of the time moving between this line and the 5/8 th's line.

1/8 th Line (Weak, Stall and Reverse) This line is weak.

If prices run down too far too fast, and if they stall at this line they will reverse up

fast. If prices do not stall at this line they will move down to the 0/8 th's line.

1. Sell at 7/8 line, buy back at 4/8 line.
Use stop loss at 8.3201/8 line.

2. Buy at 1/8 line, sell at 4/8 line.
Use stop loss at -0.3201/8 line.

This will work the majority of the time.

These factors will increase the odds:

1. Previous move 5/8 or more.
2. Double/Triple bottom on 1/8 or 7/8 line.
3. Higher low on 1/8, lower high on 7/8

If you do just that and nothing else you will make money.

Secondary Approach (also works, but less profits):

1. Buy at 0/8 line, sell at 2/8 line.
Stop loss at -1.3201/8.

2. Sell at 8/8 line, buy back at 6/8 line.
Stop loss at 9.3201/8.

The rest is learned over time.

PS This is like anything else - your return is directly proportional to the time and studying that you put in.