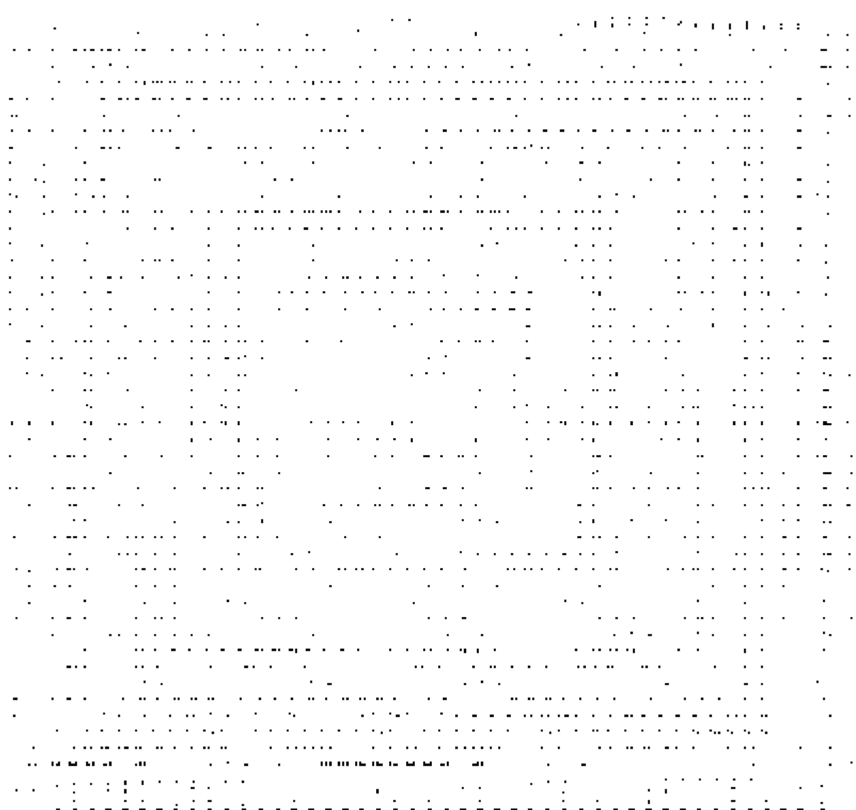
Gann and the Pyramids

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.

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

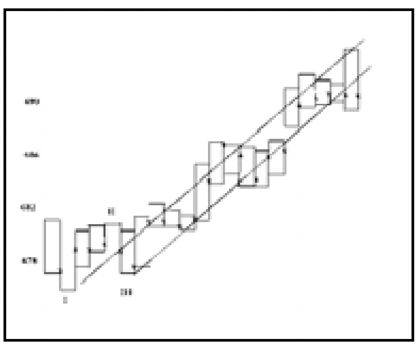


Chart 1

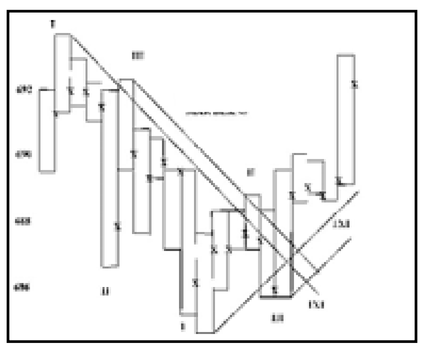


Chart 3

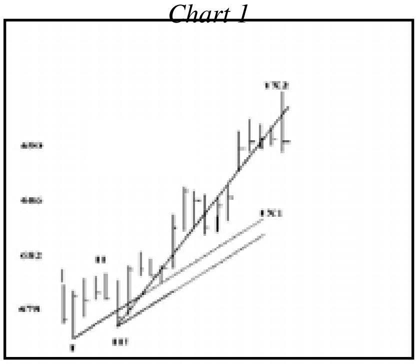


Chart 2

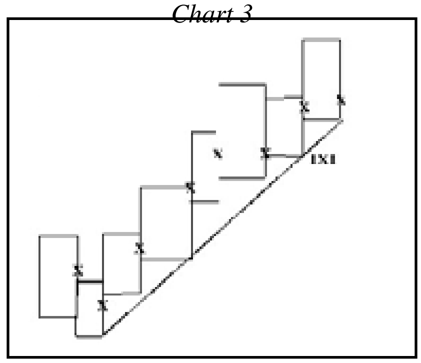


Chart 4

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.

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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.

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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

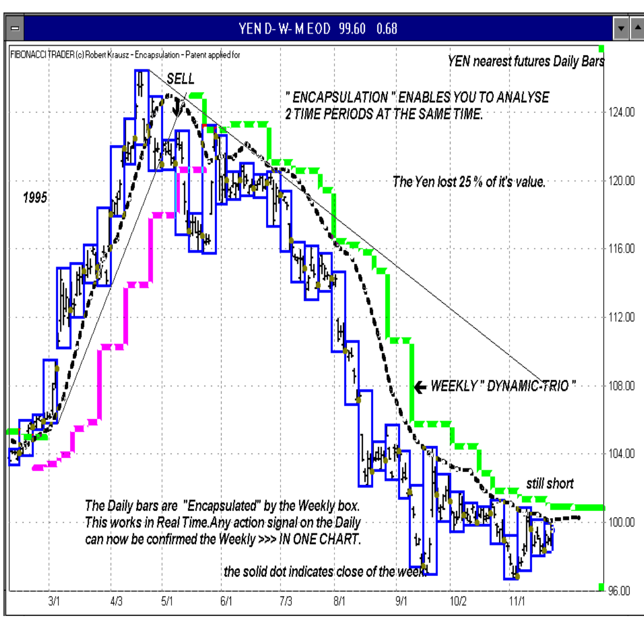


Chart #1 - ENCAPSULATION™ (See Pg. 23)

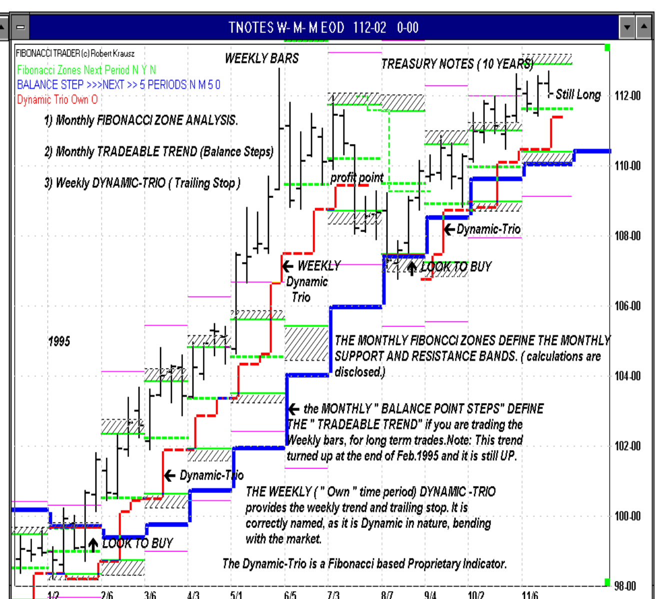


Chart #2 - FIBONACCI ZONE ANALYSIS (See Pg. 23) to open files.

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 tiºme 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.

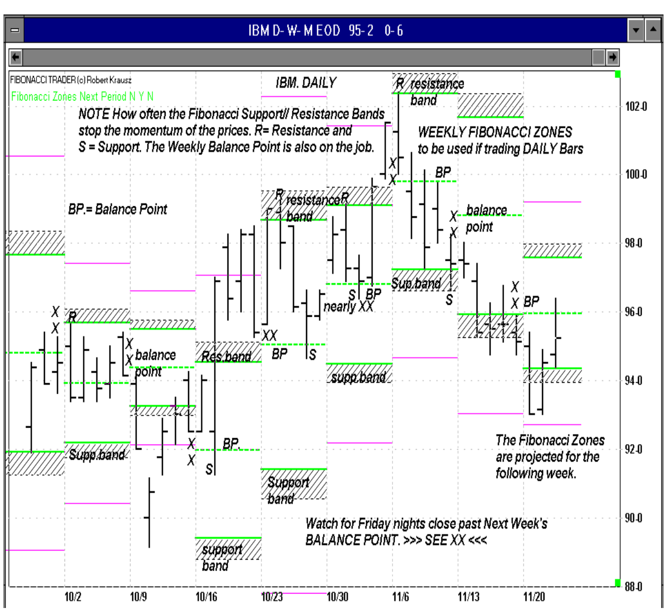


Chart #3 - FIBONACCI ZONE ANALYSIS (See Pg. 23)

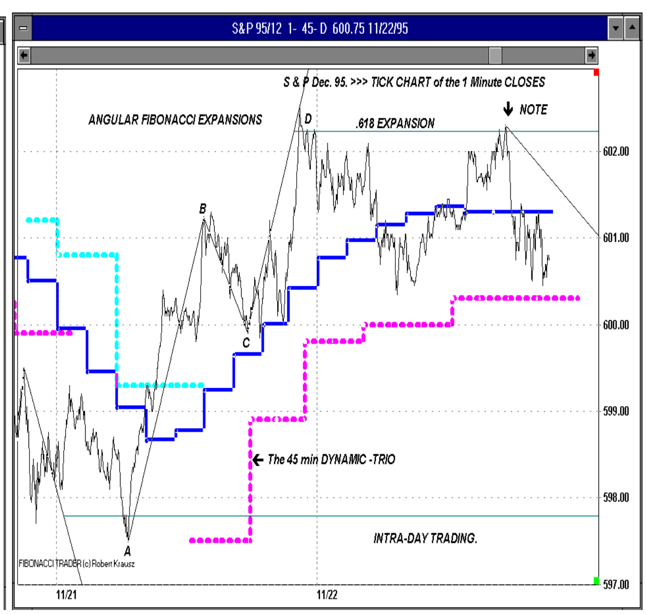


Chart #4 - ANGULAR FIBONACCI EXPANSIONS (See Pg. 23)

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

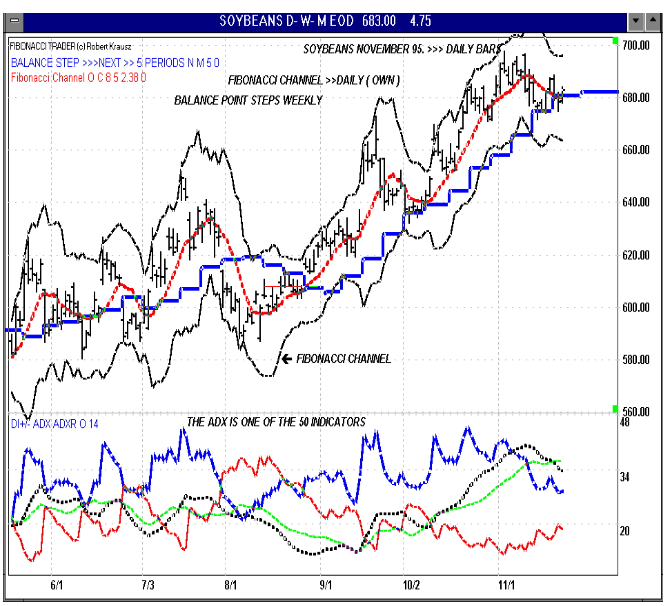


Chart #5 - FIBONACCI CHANNEL (See Pg. 23)

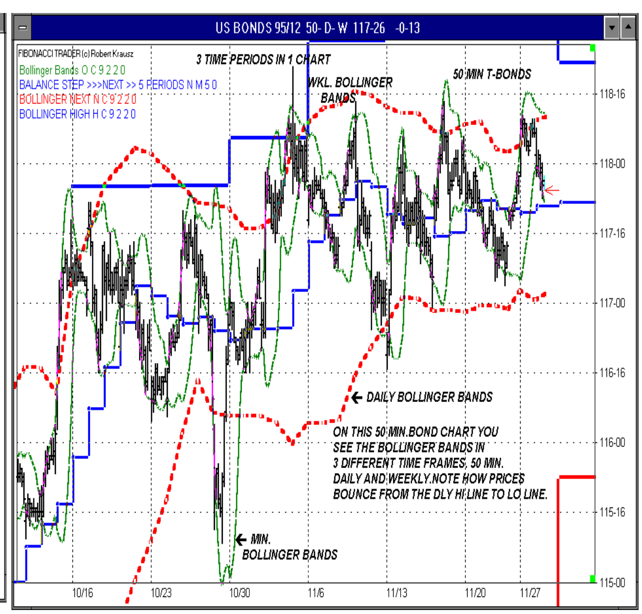


Chart #6 - 3 TIME FRAME INDICATORS IN 1 CHART (See Pg.

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

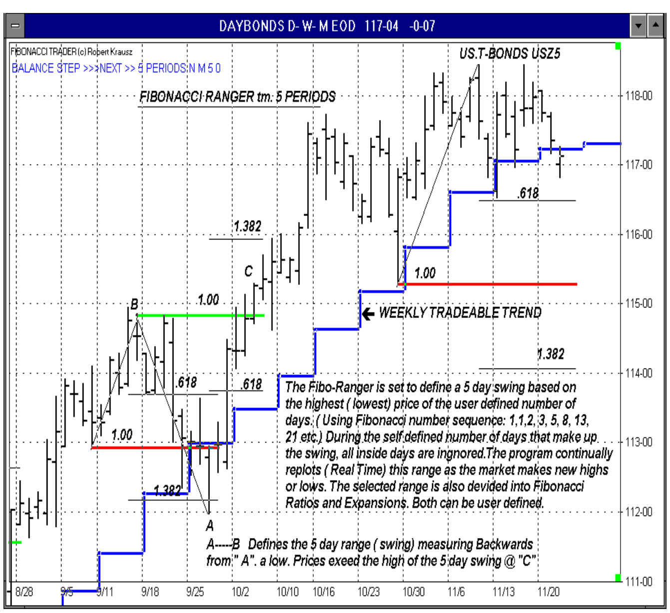
one has some of those too: including trend lines, fixed lines, and text.

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.

EXPLANATION FOR ALL CHARTS: The charts in this review give a reasonable idea of the power behind some of these indicators.



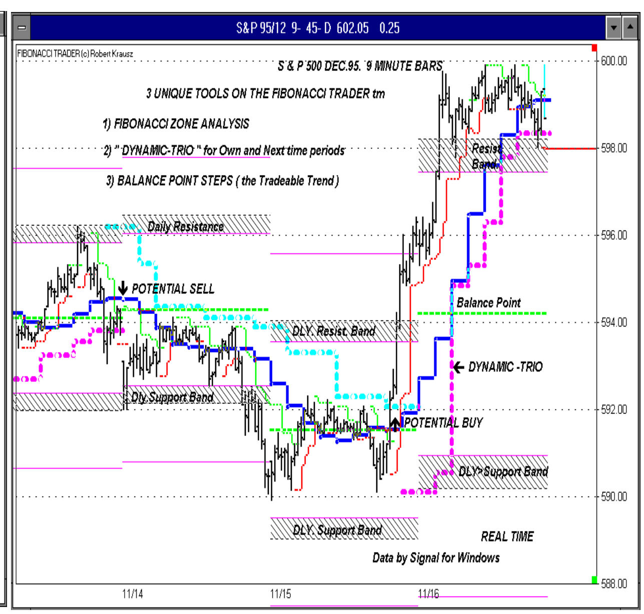


Chart #7 - FIBONACCI RANGER (See this page)

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

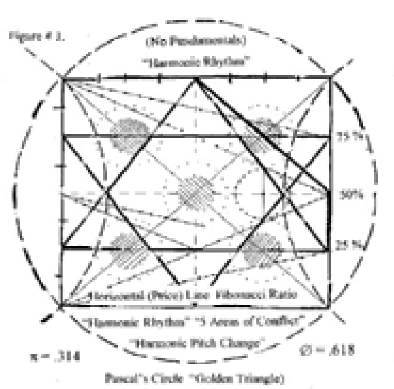


Figure 1

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

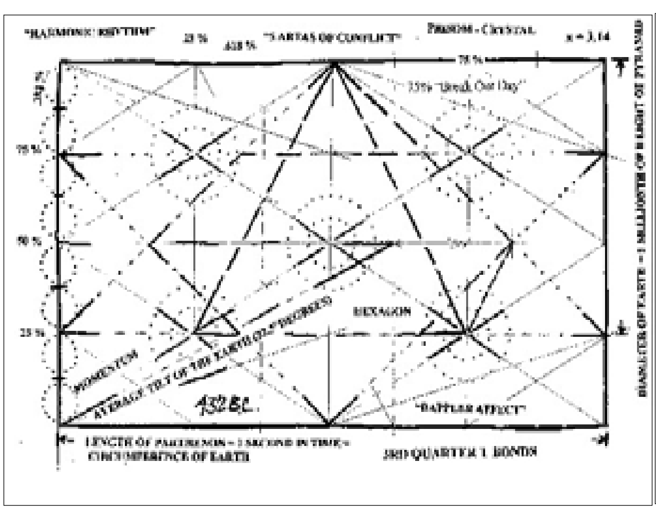


Figure 1

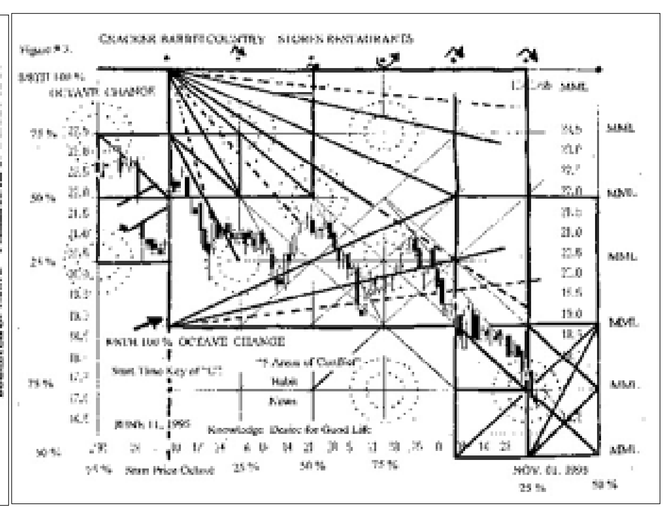


Figure 2

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

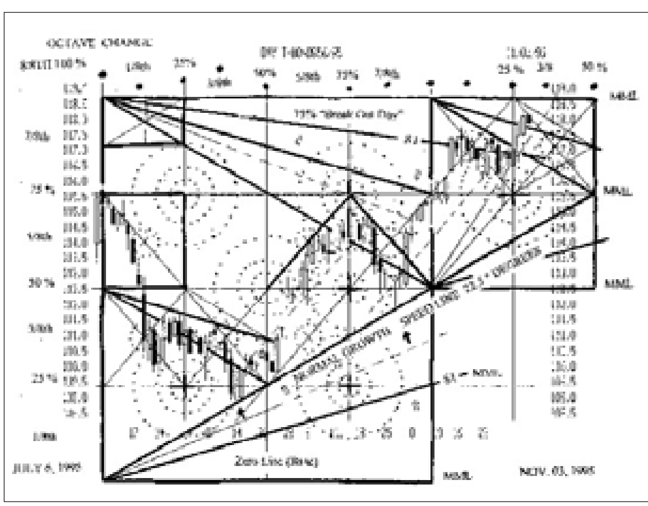


Figure 3

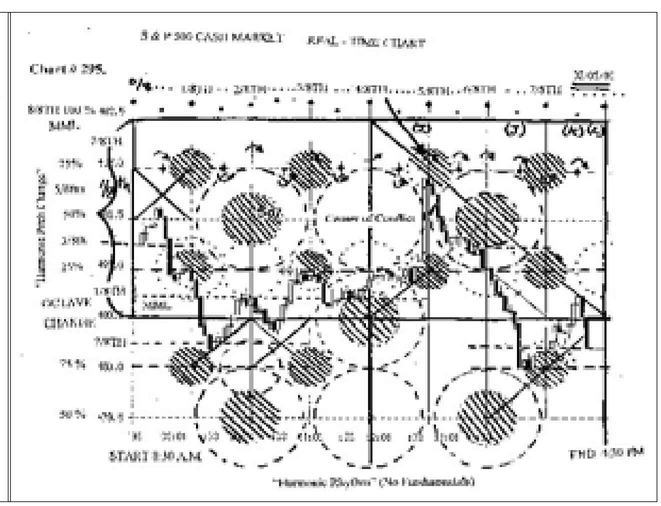


Figure 4

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

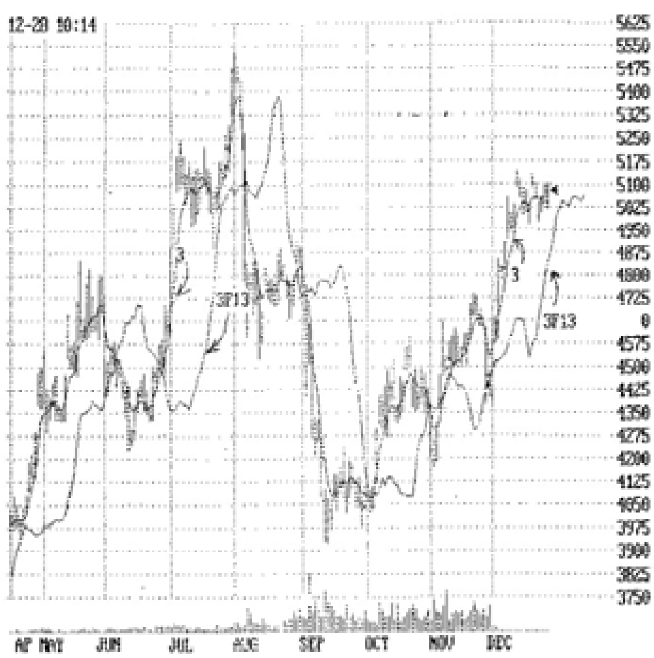


Figure 1

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

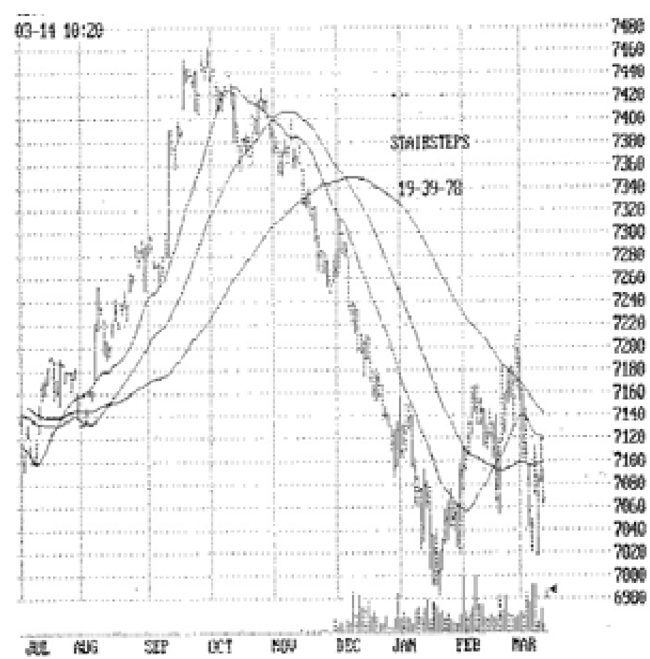


Figure 4

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.