

Today's Interconnected Financial Markets Demand New Trading Strategies

By Louis B. Mendelsohn

With the world's financial markets becoming increasingly interconnected, serious futures and index option traders must now pay closer attention to related markets and their effects on the market being traded. Traders who continue to focus internally on only one market at a time (single-market analysis), oblivious to the underlying intermarket forces or market synergy that drives today's financial markets, are now at a severe competitive disadvantage and putting themselves at needless risk.

It's no longer good enough to "keep an eye" on what related markets are doing. A subjective assessment of intermarket relationships through visual examination of price charts or listening to daily news reports is simply not sufficient. Now, new, quantitative methods of analysis, capable of finding hidden patterns and relationships in related market data, are necessary to identify and profit from lucrative trading opportunities.

Complex patterns and otherwise hidden relationships between related financial markets are found through the use of neural networks, allowing the astute trader to discern and act upon trading information reflecting the intermarket dynamics inherent in today's global financial markets.

The Power of Forecasting Moving Averages

This methodology has been incorporated into an intermarket analysis software program that I developed known as VantagePoint, which utilizes neural networks to make forecasts of prices and anticipate the trend direction for various financial markets. VantagePoint's predictions include the next day's high and low, the 5-day moving average of closes two days in the future,

Excerpt from <i>VantagePoint's</i> Daily Report		
DATE	PTM	ANALYSIS
12/04/95	41	PTM Oscillator peaks on 12/04/95
12/05/95	36	PTM Oscillator weakening
12/06/95	34	Take profits on 12/06/95
12/07/95	27	PTM Oscillator still weakening
12/08/95	20	PTM Oscillator still positive, but weakening
Source: <i>VantagePoint Intermarket Analysis Software</i>		

and the 10-day moving average of closes four days in the future.

By comparing these forecasted moving averages with today's calculated moving averages, daily oscillators are created which form the basis of a predictive moving average crossover system. This unique approach retains all of the smoothing benefits of traditional moving average systems, eliminates the lag inherent in such systems, and thereby obviates the need to optimize the types and sizes of the moving averages.

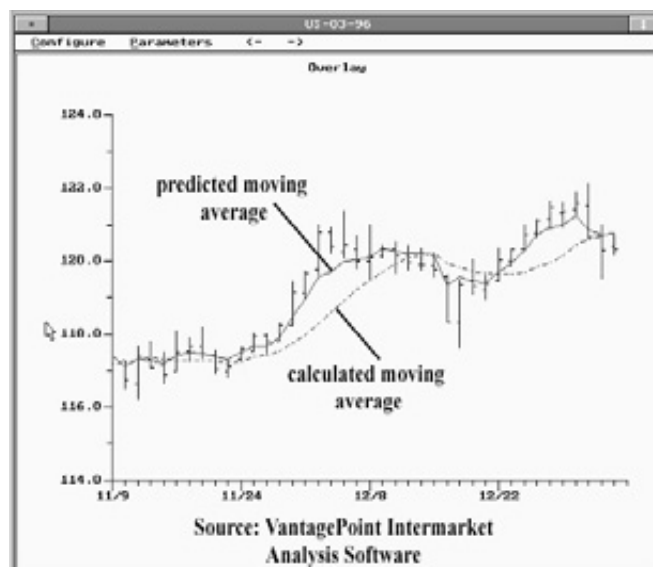
Additionally, VantagePoint's neural networks are trained using the open, high, low, close, volume, and open interest data for the past ten years from the target market and nine related markets that nonlinearly affect the target market being traded, so that the moving average forecasts are not based solely upon past price data on the target market only.

Here's An Example of How It's Done

Table 1 is an excerpt of Section 3 from an actual VantagePoint Daily Report for the US Treasury Bond market. This report was generated on Friday, December 8, 1995, for use on Monday, December 11, 1995. It shows predictions for the prior four days which had actually been displayed on earlier Daily Reports. This article will focus only on the PTM column in Section 3 of the report, which displays a moving average crossover oscillator that computes the difference in ticks between the forecasted 10-day moving average for four days in the future and today's calculated 10-day moving average.

Whenever the forecasted moving average crosses above the calculated moving average (in Section 3 the PTM difference turns positive), the direction of the market over the next four days is predicted to be up, and only long positions should be taken or held. This is what happened when the PTM went from negative to positive on November 16, 1995, triggering a long position to be taken on November 17, 1995. (Similarly, on July 31, 1996 a long position was triggered).

Alternatively, when the forecasted moving average crosses below the calculated moving average (in Section 3 the PTM difference turns negative), the direction of the market over the next four days is predicted to be down, and only short positions should be taken or held. This is what happened on February 15, March 5, and April 4, 1996 when short positions were triggered prior to the release of monthly employment data that has roiled the treasury



bond market this year.

The magnitude of the difference (the spread between the predicted and the actual moving average) provides an important insight into the market from a momentum standpoint. The narrowing or widening of the spread is an indication of the likelihood of the continuation of the trend and offers an early overbought/oversold warning of a change in the strength of the trend and its direction - often before or just as the market is actually making a top or bottom!

When the difference is positive, but levels off and then starts to narrow, it is an early warning to tighten up on your stop (using the predicted low for the next day), or close out the long position on either the next day's open or with a limit order near the next day's predicted high. This is exactly what happened after the PTM oscillator peaked at 41 on December 4, 1995, then dropped to 36 on December 5, 1995. The long position was closed out and profits taken on December 6, 1995. Chart 1 depicts the predicted and actual moving averages for this time period in late 1995. (Coincidentally, the PTM also peaked at 41 on August 2, 1996, indicating that the upside move was about to peter out). Alternatively, when the difference is negative, but levels off and starts to narrow, it's time to close out a short position and stand aside.

Depending on the size of your account, your trading style, and your risk propensity, you can act on changes in the value of the oscillator in one of several ways. You can either close out the position if there is any amount of weakness, or only close out the position if the weakness exceeds a certain "threshold" i.e. if the PTM indicator narrows by a minimum number of ticks. Otherwise, you would just tighten up on your stop and stay in the position.

There's Also a PTS Oscillator

For added confirmation, there is a second predictive crossover oscillator labeled PTS which is also displayed in the third section of the Daily Report. This indicator compares the forecasted 5-day moving average of closes for two days in the future with today's computed 5-day moving average of closes. The PTS reacts more sensitively than the PTM, typically turning from positive to negative or negative to positive before the PTM crosses.

Additionally, the PTM crossover from related markets such as the Eurodollar and the Five and Ten Year Tnotes are used as additional confirmation filters to the T-bond predictive information. Frequently the Eurodollar PTM oscillator will cross before the T-bonds PTM oscillator, while the PTM on the two Tnote systems help protect against false T-bond PTM crossovers. When used in conjunction with the T-bond report, predictive information from these related markets gives a T-bond trader an outstanding insight into what is likely to happen along the entire interest rate yield curve over the following four day time horizon.

In subsequent articles I will discuss these additional confirmation filters, illustrating examples from the T-bond market in 1996, in which the PTS on T-bonds and the PTM on these related markets can be used effectively as confirmation filters by T-bond traders to identify highly profitable trades while steering clear of marginal trades.

Louis B. Mendelsohn is a prominent trading software developer. In 1983 he was the first person to introduce the system testing capability to microcomputer trading software, with the development of ProfitTaker Futures Trading Software. He is president and CEO of Mendelsohn Enterprises, Inc. Wesley Chapel, FL. He can be reached at 800-732-5407 or 813-973-0496, or by Fax at 813-973-2700 or Email at mei.ptg@ix.netcom.com <http://www.ProfitTaker.com> Market Synergy is a trademark of Louis Mendelsohn. VantagePoint and ProfitTaker are trademarks of Mendelsohn Enterprises, Inc.

A Plan for Trading a Fast Trend

By Jerry Pegden

Integrating change-in-trend projections with price patterns

In the last issue of *Trader's World* we discussed the Gann Pullback (GP) technique and showed how it could be used to jump on a trend and/or pyramid with relatively small capital exposure. The GP technique looks for a market to pull back for a minimum of three bars before continuing the trend which then allows us to enter the market. Bonds in the first half of 1996 was an ideal market for this technique.

But what if a market develops a strong trend and there is no pullback? A different plan is clearly needed and that is what we present here using the sharp run-up in wheat prices in the spring of '96 as an example (Figure 1).

This plan requires the following steps:

(1) A method to project future time periods when a change in trend is likely (CIT time windows).

Figure 2. CIT projections (below bars in indicator window) and WRR signals

(2) Once in a CIT time window, we need a reliable entry signal that a change in trend may have begun.

(3) Once in the market, a method is needed to determine that we are indeed in a trend.

(4) And we need a market entry signal for adding to our positions. With this trend trading plan, the steps outlined are sequential. The signal in Step 2 is only taken within a time window

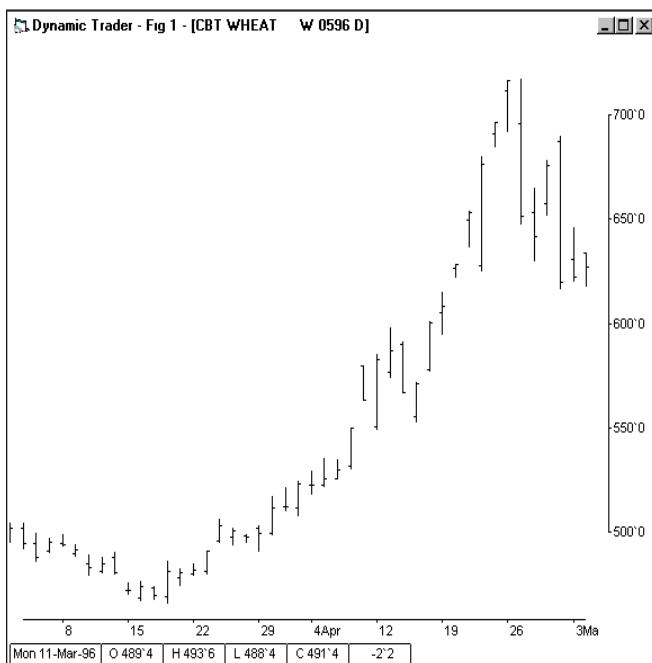


Figure 1. May beans rose sharply from mid-Mar to late-Apr.



Figure 2. CIT projections (below bars) and WRR signals

established in Step 1. The signals in Step 4 are only taken in the direction of the trend established in Step 3. Indeed, we have confidence to pyramid in Step 4 because of the unfolding of the events associated with Steps 1-3.

While the wheat trade examples below used tools available in the Dynamic Trader software, you could substitute similar tools. The important point is that once the simple conceptual principles are understood, rocket science is not necessary to implement a plan.

Step 1. Change in trend projections. Here we used the Fib Time Blitz. This routine projects future CIT time windows or potential turning point dates using time cycle ratios and time counts from previous important market highs and lows.

This Blitz was run from the Feb. wheat high and came up with four CIT time periods with a high probability of making a trend change. These are shown by the vertical lines below the bar chart in Figure 2. They were: March 19, around the weekend of March 30, April 10 and April 25-26. The low of the move was March 20 and the high of the move was April 26 - the first CIT projection nailed the low and the last the high.

So how does the trader take advantage of the advance knowledge provided by the CIT projections?

Step 2. Entry signal for the potential change in trend (CIT) period. When these potential turning point dates approach, we become alert to signals that the market may have changed trend. If we get a signal, we enter the market.

For this plan our entry signal is a Wide Range Reversal (WRR) bar. There are many WRR strategies. We structured this one with the added benefit of knowing we will always be working within potential CIT periods. Our computer automatically scans for these signals but they are easily identified with the eye.

The WRR rules we use are: If the current bar makes a new two-week low and has the widest range of the past two weeks and closes in the top 25% of that range then we are long at the close. The stop goes just below the low. (Just the opposite for a sell).

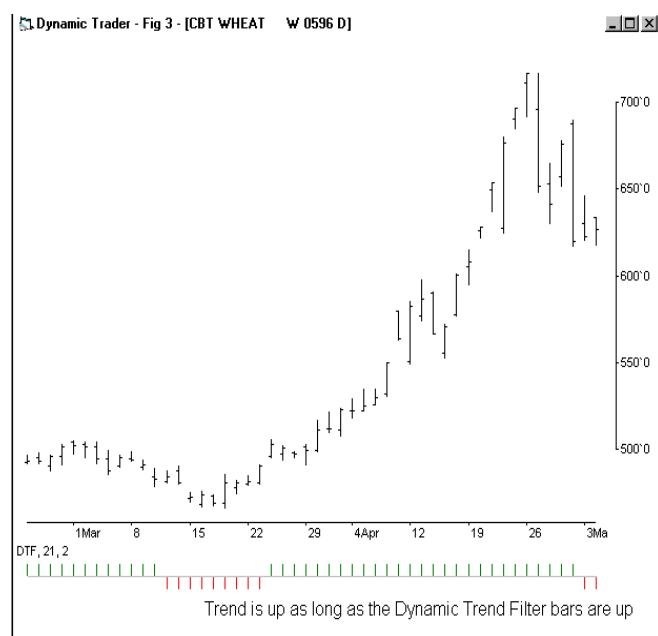


Figure 3. The trend indicator turned up shortly after the WRR entry. We now look for signals to add to our position.



Figure 4. The 3 narrow-range bar signals were taken since the trend was up. (1) was stopped out, (2) and (3) were profitable.

Figure 2 shows that we got a go-long signal in the first projected CIT period and a go-short signal for the last CIT period. There were no WRR signals for the middle two CIT projection periods.

Here's how the first signal worked. As we approached the March 19 potential turning point date, we go on alert. The market was moving down so if we were to have a CIT we will be looking for a reversal off a low. Our WRR conditions of a new low, a wide range bar and a close near the high, were met on March 20 so we were long at the close in anticipation of a new trend.

Step 3. Is a new trend underway? Once we determine an up trend is underway we look to add to our position. To do so we use an adaptive or dynamic moving average (DyMA). The advantages of a DyMA as a trend indicator are that it is more responsive than using the ADX while still providing fewer whipsaws than using traditional moving average crossovers.

Our rule is that an up trend starts when the DyMA turns up twice consecutively and remains in force until the DyMA turns down twice consecutively. This trend indicator is shown in the window below the bars on Figure 3. As long as the indicator points upward, the trend is up.

Step 4. Look to enter the market as long as the trend is up. Here we use a simple 7-period narrow range bar (NR7). For a bar to qualify as an NR7, its range must be the narrowest of the past seven bars. The pyramid rule is: if the trend is up then we go long if the high of the NR7 bar is taken out the next day. The next day's bar is the signal bar since it determines whether we enter a trade. Where does the protective stop go? Just below the NR7 bar.

During this up trend there were three NR7 bars as shown in Figure 4. All were followed by entry signals. The first signal bar took the NR7 high out at the open. Our protective stop just below the NR7 low was hit the same day for a small loss.

The second and third NR7 trades were profitable as the NR7 bar highs were taken out the following day.

When do we take profits on our initial position and pyramids? In general the initial position and NR7 pyramids are maintained as long as the trend filter is up and a reversal signal is not made on a CIT date. We haven't made that a fixed part of this plan because it depends largely on your trading style. For pyramid trades, methods include (1) a fixed dollar target; (2) being especially alert as potential CIT dates approach; and (3) progressively tightening stops to lock in a profit. Given that the WRR signal within a potential CIT time window is a fairly strong indication of a change in trend we have a bias to be a bit aggressive and not to clock profits on the initial position too early.

An ideal time to clock profits and/or reverse would be at the occurrence of another WRR in a CIT time window.

A WRR go-short signal occurred on Monday April 29, one bar after the market high and projected CIT date of Friday April 26 (Figure 2). The trend indicator turned down the next day, once again putting you on "pyramid alert".

It is left as an exercise for the reader to see how this method has worked on the wheat decline since the April 29 high.

The GP trading technique can be combined with this one. They are a powerful trend-trading duo.

Jerry Pegden is head of software development for Dynamic Traders Group, Inc. 6336 N. Oracle, Suite 326-346 Tucson AZ 85704. Voice 520-797-3668 Fax 520-797-2045

Election Year Stock Market Statistics

By Robert Miner

Simple statistical analysis can often provide a wealth of critical information.

Traders and investors often suffer from “paralysis of analysis” and are overcome with a great deal of irrelevant and overly complicated technical analysis. Often, a few simple statistical studies of the historical position of a market will provide the critical information needed to make a trading or investing decision.

Election Year Statistics

Historical statistics show a definite bias for the trend of the stock market in an election year. Since 1952, every election year has closed higher than the previous year except one. 1960 closed down just 2.9%.

Even more relevant to traders and investors for the second half of the 1996 election year is the fact that in each of the past eleven election years, the Dec. close was higher than the May close. The May to Dec. gain has ranged from 3.3% to 22%. See Table 1 below, Election Year Stock Market Statistics Table.

Table 1: This election year information was quick and easy to compile. This information clearly shows the upward bias in prices for the second half of an election year. It is also evident that the annual high in an election year is usually made in the second half of the year.

The Election Year Table also shows that the stock market election year high has occurred in the second half of the year in nine of the past eleven election years. In the two election years when the high was made in the first half of the year, the stock market came within 3% of the first-half annual high in the second half of the year. See Table 2 above, Dynamic Trader swing statistics report.

Dynamic Trader Swing Statistics Report			
Swing file name: MAY-DEC.:ELECTION YEAR			
Report name: May - Dec. Advances In Election Years Since 1952			
Date range: May-29-1952 to May-31-1996			
Swing Advances (11)			
Price		Time	
	Advance %		Advance in CDs
Median	5.9 %	Median	214
Minimum	3.3 %	Minimum	212
Maximum	22.0 %	Maximum	217
		Close	
		Print	

Stock Market Anniversary Dates

Dynamic Trader's Anniversary Dates Report of the DJIA (Table 3) shows that since 1885, the DJIA has had a strong tendency to make more trend changes in the Sept. to Nov. period than any other months of the year. The trend changes of this report were followed by at least a 20% price change.

May is one of the lowest frequency trend change months of the year for the stock indexes. The DJIA was used for the anniversary date report because the data goes much further back than the S&P data.

The high-to-date in 1996 for the S&P is May 23 which has been followed by an 11% decline into the July low. The odds are low that May was a bull market top in the stock market. The odds are high that the DJIA and S&P will exceed the May high and continue to rally at least into Sept. before making a top followed by a 20% or greater decline.

Table 3: The 20% swing file represents major swings. This anniversary date report represents data from 1885. There have only been two 20%+ trend changes in May in over 100 years! By far the most frequent months for major trend change is Sept. - Dec.

Time Rhythm Zone For A High

Dynamic Trader's Time Rhythm Zone projection for a top indicates that a bull market high from the April 1994 low should be made in the broad time period of Dec. 12, 1996 through July 25, 1997. This Time Rhythm Zone is calculated by measuring all of the intermediate degree low-to-high and high-to-high time ranges since 1950 and projecting the high-to-high time ranges from the prior high (Jan. 31, 1994) and projecting the low-to-high time ranges from the prior low (April 4, 1994).

The period when the high-to-high and low-to-low projections overlap is the Time Rhythm Zone for the next high of similar degree. The Time Rhythm Zone projections indicate the bull trend from the April 1994 low should exceed the May 1996 high and should not complete prior to Dec.

Election Year Stock Market Statistics Table

(S&P cash index, daily closing prices)

Election Year	Prior Yr. Close	May Close	Dec. Close	May-Dec. Gain/Loss	Election Year High
1952	23.77	23.84	26.57	11.5%	Dec. 30
1956	45.48	45.20	46.67	3.3%	Aug. 3
1960	59.89	55.83	58.11	4.1%	Jan. 5
1964	75.02	80.26	84.75	5.4%	Nov. 19
1968	96.47	98.68	103.80	5.2%	Nov. 29
1972	102.09	109.53	118.05	7.8%	Dec. 12
1976	90.19	100.18	107.46	7.3%	Sept. 21
1980	107.94	111.24	135.76	22.0%	Dec. 1
1984	164.93	150.55	167.24	11.1%	Jan. 6
1988	247.87	262.14	277.72	5.7%	Oct. 21
1992	417.09	415.35	435.71	4.9%	Dec. 18

Table 1: This election year information was quick and easy to compile. This information clearly shows the upward bias in prices for the second half of an election year. It is also evident that the annual high in an election year is usually made in the second half of the year.

Dynamic Time Projections

Dynamic Trader's Dynamic Time Projections for a wave 5 top from the April 4, 1994 low indicate that the top should not complete prior to Oct. 10. The periods of Oct. 10-11, Dec. 6-8 or March 8-10 are currently projected as having the greatest probability for a wave 5 top. While minor swings may adjust these dates if the S&P continues to advance as anticipated, a date earlier than Oct. 10 should not be projected.

Dynamic Time Projections indicate the bull trend should exceed the May 1996 high and not complete prior to Oct 1996 but should complete by March 1997.

Stock Market Outlook Conclusions For The Second Half Of 1996 Election year statistics, anniversary dates, Time Rhythm Zone and Dynamic Time Projections all signal the May 1996

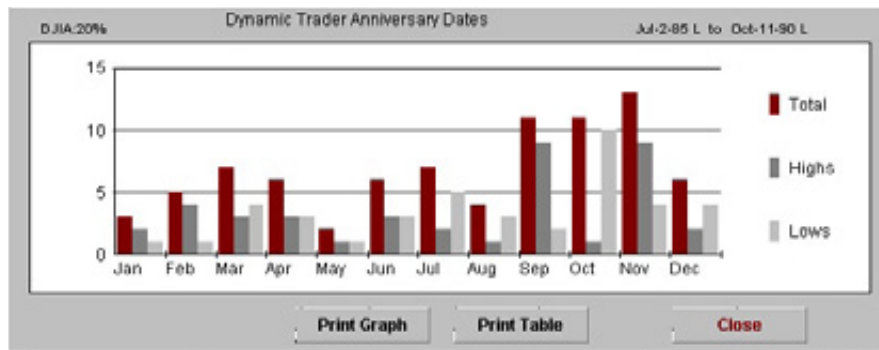
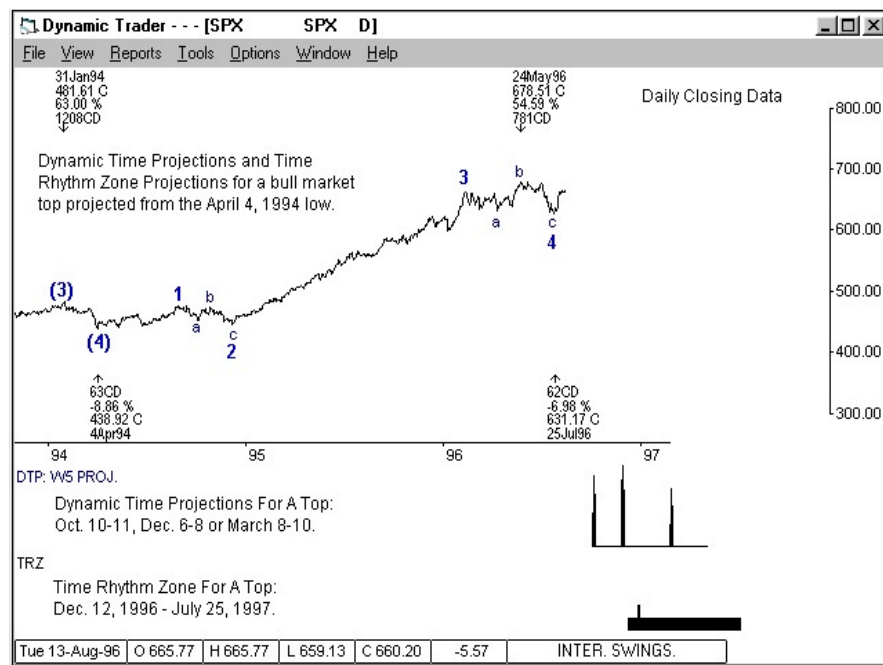


Table #: The 20% swing file represents major swings. This anniversary date report represent data from 1885. There have only been two 20% + trend changes in May in over 100 years! By far the most frequent months for major trend change is Sept. - Dec.



high should be exceeded in the second half of 1996. If the May 1996 high is not exceeded in the second half of 1996 and the Dec. 1996 monthly close is not higher than the May 1996 monthly close, a new historical extreme (since 1950) will have been made. While this is possible, traders and investors must make decisions based on the overwhelming probabilities.

Don't Ignore Simple Statistical Analysis

The four simple time analysis procedures described above, election year statistics, anniversary dates, Time Rhythm Zones and Dynamic Time Projections, may all be completed by anyone with a sufficient historical data base and a calculator. A spreadsheet program speeds up the data analysis and a program like Dynamic Trader that has all of the routines for this type of analysis built-in requires only a few minutes to complete all of the routines. Which ever the method to complete the work needed, traders and investors have no excuse not to know the position of any major market relative to the past at any point in time.

Don't ignore simple statistical analysis of the position of a market before making a trade or investment. The brief amount of time it takes to complete the work will pay off big in the long run. (Submitted Aug. 15, 1996)

Robert Miner is a CTA, private trader and president of Dynamic Traders Group, Inc. Miner publishes a monthly and weekly advisory service and has recently released his new trading course and software program, Dynamic Trader. This information is condensed from Miner's 50 page Stock Market Outlook '96-'97 and Beyond. This comprehensive report and a two month trial subscription to his monthly newsletter is available to Trader's World subscribers for a discounted price of \$55. Dynamic Traders Group, Inc., 6336 N. Oracle, Suite 326-346, Tucson, AZ. 85704, (520) 797-3668.

What is Gann's "Natural Law?"

By G.R.

Gann states in his *Tunnel Through the Air*, page 26, "He could not accept the theory preached and taught by preachers, because he knew that the things they taught were wrong. But thou, when thou prayest, enter into the closet, and when thou hast shut the door, pray to thy Father, which is in secret; and thy Father, which seeth in secret, shall reward thee openly." St. Matthew, Chapter 6:6. The truth is within yourself! This is where you will find what you are seeking. Don't let yourself be mislead. You should concentrate your learning efforts on the writings that the master himself (Gann) left behind for you! The basis of Gann's market methodology, i.e., natural law and the law of vibration, was existing before the year 1909. Gann stated in his *Ticker Interview* of 1909, "I then decided to devote ten years of my life to the study of natural law as applicable to the speculative markets... I discovered that the law of vibration enabled me to determine...." Ten years subtracted from 1909 gives us a date of 1899. Therefore, all of the information that Gann studied that related to natural law existed between these years. All of his rules and calculators discovered by him after this period of time were nothing more than quicker and easier ways to identify vibrational points in his charts using natural law. They all evolved from his insights made during this period of time. This is why Gann stated in his *Stock Course, Forecasting by Time Cycles*, page 12, "Remember follow all rules... If you ignore one important point, it may get you wrong. The whole can never exceed the parts and all the parts make up the whole. If you leave out one of the rules, you will not have a complete forecasting method or trend indicator."

Gann was a Mason. In his *Economic Forecaster*, page 14, it states, "W.D. Gann is a Christian, a member of the Masonic Order...." It is my belief that Gann taught his marketing methods as the Masons did. In *Morals and Dogma*, by Albert Pike (1871), page 64, the Masons still teach their initiates as explained in *Morals and Dogma*: "Nature is the great teacher of man; for it is the Revelation of God. It neither dogmatizes nor attempts to tyrannize by compelling to a particular creed or special interpretation. It presents its symbols to us, and adds nothing by way of explanation. It is the text without commentary; and, as we well know, it is chiefly the commentary and gloss that lead to error and heresy and persecution. The earliest instructors of mankind not only adopted the lessons of Nature, but as far as possible adhered to her method of imparting them. In the mysteries, beyond the current traditions or sacred and enigmatic recitals of the Temples, a few explanations were given to the spectators, who were left, as in the school of nature, to make inferences for themselves. No other method could have suited every degree of cultivation and capacity. To employ nature's universal symbolism instead of the technicalities of language, rewards the humblest inquirer, and discloses its secrets to every one in proportion to this preparatory training and his power to comprehend them." Gann taught with many words and phrases that are capable of varying interpretations depending on one's preparatory training.

Walter Gordon, a character in Gann's *Tunnel Through the Air*, was actually a story in part about the life of Gann. On page 23, it tells us what Gann studied that assisted him in his application of natural law to the markets. "He took a great interest in physics and higher mathematics, studied day and night, making very high marks in these studies. Also, he took an interest in chemistry." On page 41, it states, "After Robert returned, he began to study the Bible

more than ever, and worked out things according to science.” These topics are also mentioned indirectly in Gann’s Ticker Interview of 1909. Gann states, “Stocks are like electrons, atoms and molecules....” Chemistry and physics are both grounded in the study the behavior of the atom. But what is an atom? An atom is really nothing more than energy vibrating at a certain rate. Matter on the physical plane is an illusion due to the fact that it is only energy vibrating at a certain rate for a short period of time relatively speaking. Therefore, symbolic logic of energy forms is what we need to study and analyze. Your ability to apply symbolic logic to the markets derived from the laws of the physical sciences depends upon your preparatory training and ability to comprehend them. After all, natural law is nothing more than the laws of nature. This will allow you to gain the insight into

Gann’s deeper usage and meaning of his words and phrases. Have you ever looked at the science books that were used at the time Gann stated he discovered his applications of natural law and the law of vibration to the markets? The natural sciences were bound together at that time in science books usually called “Natural Philosophy.” This is from where I believe Gann derived the term “natural law”. These rules behind the symbolic forms have been limited in their application to the physical plane. We must remember that the physical plane is just one of several different planes.

There is no such thing as empty space. “Nature abhors a vacuum.” Between our physical matter lies other matter in higher energy forms. Our five physical senses and our scientific instruments cannot detect them. Therefore, the masses in general fail to acknowledge their existence. This does not mean that they don’t exist. “Nature does not fail to exist where we fail to perceive her.”

Eastern metaphysics state that there are seven planes of manifestation. The physical plane is but one. Different religions and groups name these seven planes by different names. Occult chemistry names these seven planes as follows: 1) Divine, or what the Kybalion by the Three Initiates (one of the books on the Gann reading list) calls “The All,” 2) Monadic, 3) Spiritual, 4) Intuitional, 5) Mental, 6) Astral, and 7) Physical. The physical plane consists of the lowest energy form, and within its confines exist all of the other six planes of manifestation. Each form exists within each other due to the energy level in each plane. One of the principles found in the Kybalion is “The Planes of Correspondence.” In the Kybalion, page 113, it states; “There is a harmony, agreement, and correspondence between the several planes of Manifestation, Life and Being. This is a truth because all that is included in the Universe emanates from the same source, and the same laws, principles, and characteristics apply to each unit, or a combination of units of activity, as each manifests its own phenomena upon its own plane.” On page 68, it states, “Let us endeavor to get a glimpse of the workings on higher planes by examining those on our own. “The Principle of Correspondence” must apply to this as well as to other problems, (i.e., market forecasting!)

The mental plane reflects the laws on the physical plane by the “law of correspondence.” Many of the books on the Gann book list explain how this process is actually carried out. In The Law of Physic Phenomena by Thomas Jay Hudson, (a book on the Gann book list), Hudson attempts to show how the mind is influenced by the power of suggestion. He makes the distinction between the subjective and the objective part of the mind. He states on page 26, “That the subjective mind, or man in the hypnotic state, is unqualifiedly and constantly amenable to the power of suggestion.” Our subjective mind is “tuned into the mental plane.” In another book on the Gann book list called Spiritual Radio by F.H. Du Vernet, he states on page 20, “The mind energy of God can penetrate our subconscious mind and influence our daily behavior.” (i.e. market forecasting!) Here we find the direct connection on how natural law is applied to

market psychology. This is why Gann left this book list behind to us. He left us the material that we need to figure out what natural law is and how to apply it to the markets. In *Lessons in Truth* by H. Emilie Cady, (a book on the Gann book list), she states on page 61, "The mental and spiritual worlds, or realms are governed by laws that are just as real and unfailing as the laws that govern the natural world.... When we know something of these laws, we can know positively beforehand just what the results will follow certain mental states." (i.e. market forecasting!)

The mental plane reflects the laws on the physical plane through the law of correspondence. Stock and commodity charts are nothing more than the total mental thoughts and reflections of all of the actions of the buyers and sellers in any market. The actions of these buyers and sellers are influenced by the mental plane of energy that permeates the physical plane. The mental plane reflects the known natural laws on the physical plane through the law of correspondence. This is why studying natural law is so important. The symbolic logic behind the natural laws are the principles that govern the chart patterns that we use in our Gann analysis. All energy systems will eventually adapt to each other through resonance. Otherwise there would be chaos in space and our physical plane would fail to exist. Because energy systems adapt to each other, the saying "as above, so below; so below, as above is" most appropriate. The greatest metaphysical teachers in the last 200 years such as Blavatsky, Leadbeater, Besant, Steiner and Spencer all agree with the Hermetic philosophy taught in the *Kvbalion* by the Three Initiates. You need to understand the mechanics of the scientific principles to understand Gann's concept of natural law.

The author's goal in this discussion is not to delve into any of the many direct applications of natural law to the markets that he has personally uncovered, but to show you a path to travel down which may bear you many fruits should you so choose. I will say, though, that one of the best books ever written since the passing away of W.D. Gann, was a book called *Torque Analysis* by William C Garrett (1973). Long out of print and due to its demand for republication, it will soon be republished by his wife, Mrs. Clarice Garrett. This book may be a great place for those of you who need to gain a glimpse into the application of symbolic logic of natural laws as they apply to market activity. Garrett by profession was an engineer. Whether he knew it or not, he had a natural gift in applying symbolic logic of scientific principles to the markets. He saw the unity of the oneness and formulated rules for predicting market turns. Garrett combined the genesis of cycles with the harmonic nature of cycles. But this was just the basis of his method. His method was further refined by other sets of natural laws. This is where his work really begins to overlap with the methods of W.D. Gann. In his analysis, he determined where the cyclical fields were forming and which of these fields were the strongest. Volume was then considered to determine the amplitude and lengths of the cyclical swings. But cycles in natural law are not static and perfectly symmetrical as Garrett realized. Cycles are dynamic. Gann has always used the square, circle and triangle in his rules. So did Garrett. Garrett realized that as a cycle moves, its movement is generated because of its thrust against its own circumference. This circumference was based upon the square and the circle. Because the cycle grows and expands or decays and contracts due to its thrust and recoil upon itself, Garrett was able to predetermine the growth rates which caused the cycle to be measurable. Garrett had also developed a torque oscillator that showed the relationship between price and volume. Anyone interested in purchasing this book, can contact the author.

In conclusion, the author's goal was to describe to you what was Gann's natural law. Your ability to gain the access into the deeper meaning of Gann's terms and phrases and how he applied them into his market methodology will be based upon your preparatory training. Without the effort from your part, Gann's words and phrases will be as the Kybalion states on page 14, "If you are a true student, you will be able to work out and apply these principles - if not, then you must develop yourself into one, for otherwise the Hermetic Teachings will be as "words, words, words" to you." This article was written in memory of my teacher and school, Dr. Jerome Baumring and the Investment Centre.

G. R. 6411 South Auer Street, Spokane Wa. 99223

Forecasting For Profit

By Jeanne Long

Lately it seems that almost everyone you talk to has boarded the stock market train and appears to be having a great ride. At the corner store or the local coffee shop, stock market novices are singing the praises of buying stocks as an easy way to make quick money. Many are feeling pretty smug since it is such an easy game. This in itself is enough to make a seasoned trader want to take profits and stand aside!

The newcomers did get a bit of a shake-up in July as the market took a tumble; but now (the first week of August 1996) they are regaining their confidence as the market stabilizes. What most market novices don't realize is that the stock market is a living and breathing entity - it must breathe to stay alive. Breathing means it must go down as well as up, and each breath has a length or a cycle. These market up and down cycles can be monitored by correlating them to planetary cycles, thereby enabling investors to keep a finger on the pulse of the markets.

PLANETARY MARKET CYCLES

One of the easiest cycles to monitor is generated by the planet Jupiter. It takes approximately 12 years for Jupiter to make one complete revolution or complete a 360 degree circle. In planetary terms, the 360 degree circle is divided into 12 equal parts, each having 30 degrees. Each of the 30 degrees is assigned to one of the 12 signs of the zodiac. Since there are 12 signs and approximately 12 years of a complete Jupiter cycle, one Jupiter sub-cycle (Jupiter through one sign), is approximately one year. The one year Jupiter sub-cycle does not necessarily begin in January and end in December, but its points of beginning and ending are clearly marked by a change of trend. For this reason, the sign that Jupiter is travelling through during its one year sub-cycle sets the general trend of the stock market. I say general because it is always important to remember that there are other planets besides Jupiter, and each in their own way



add to market movements. However, since Jupiter is the largest planet in our solar system, it is heavily weighted, and therefore has a discernible cycle which is useful when taken on its own. (If time permits, I will cover other cycles in future articles.)

HOW DOES JUPITER AFFECT MARKET PRICES?

In December 1994, Jupiter moved into the sign of Sagittarius which makes for a very strong up market, especially when it coincides with other up market cycles (as it did at that time). Therefore, the whole time Jupiter was travelling through Sagittarius, the market went straight up. During that time, even a novice buying stocks could hardly go wrong, it was easy pickings because almost everything was up. This cycle however, does not last forever; after one year Jupiter moves into the next sign and a new cycle starts. (It is not surprising to find that the other planets, travelling through Sagittarius have a similar positive market effect. In my book Basic Astrotech (1986) I illustrated how Heliocentric Mercury traveling through Sagittarius often creates short, sharp moves up in Gold generally of about 8 to 10 days.)

In January 1996, Jupiter concluded its trip through Sagittarius and started its journey in the sign of Capricorn. In general, Jupiter in Capricorn indicates a sideways or down market. I illustrated the previous example of Jupiter in Capricorn and the movement of the DJIA in my 1996 Trader's Astrological Almanac. I showed how the market moved up while Jupiter was in Sagittarius (1983) and that the market was down to sideways while Jupiter was in Capricorn (1984). Will the DJIA follow the 1984 pattern in 1996? Not exactly, there are two additional considerations to the movement of the Dow in 1996. The first was an additional market cycle indicating the market would top out in April-May 1996. By combining the Jupiter in Capricorn cycle with the other cycle, this indicated the market top should occur in the window somewhere between Jupiter moving into Capricorn in January through May 1996. Second and more importantly, 1996 is the election year. It is common knowledge that markets do not fall in election years. A falling market is a sure fire way not to be reelected. In election years markets are kept up by hook or by crook and, of course, smoke and mirrors. This being the case, 1996 will be somewhat of an aberration year for Jupiter in Capricorn. However, if you compare the low in 1984, which came in the summer, it coincides with the drop in the DJIA in July 1996 (It also occurred during the Jupiter Retrograde period to be discussed shortly). So, what should we expect from the DJIA for the rest of its trip through Capricorn? It should stay reasonably near present levels until the election, then will drop into a major low as Jupiter winds up its Capricorn



stay and moves into the sign of Aquarius in 1997. The other major cycles are also coming together to signal a low in the Spring of 1997. Following the correction, the market can form a base, gain strength and gather momentum in order to start another move up.

The action of the markets now, after the election and through the summer of 1997, will make stock trading harder than it has been in 1995 and the first half of 1996. Newcomers who are not used to anything but bull markets can get caught in sharp moves down and get badly burned. Investors will need additional and even superior information to help pick the stocks that have the potential to go up in 1997.

PICKING INDIVIDUAL STOCKS

Fortunately, Jupiter comes to the rescue again, enabling the investor to pick the stocks that have more potential for a significant increase in price. Jupiter's energy is expansive, and when by transit (the position of the planet at any given time) it passes over the fixed positions of the planets as they were on the day a company was incorporated (called the Natal Chart) or the day of the first trade, the price of that stock often goes up. Bill Meridian, in his book "Planetary Stock Trading" and Grace Morris, in her book 'How To Choose Stocks That Will Outperform The Market For 1996 & 1997", have both written extensively on Jupiter's effect on Stock Incorporation charts and First Trade chart, as one of configurations that tends to increase the price of individual stocks. However, for this article I shall dwell only on Jupiter's effect, due to limitations of time and space, but I heartily recommend both Grace's and Bill's books for further study of additional tools.

The first step then, is to find the incorporation date or first trade date of the stock. These dates are available from several sources, such as contacting the company, or the Secretary of State in the state where the company was incorporated. Moody's Handbook also lists many incorporation dates. Bill Meridian's previously mentioned book includes numerous first trade dates. You can also contact the New York Stock Exchange (NYSE) or NASDAQ (for over the counter stocks) through your broker to get these dates. There are several computer programs, including my Galactic Stock Trader™, that already have most of the incorporation dates and first trade dates in it's database. In fact, for the trader or investor who is not familiar with planetary information, the Galactic Stock Trader™ takes all of the guesswork out of how to pick the stocks with Jupiter energizing their incorporation or first trade dates for any given time frame. This is done by simply requesting a search of the stock file which contains over three thousand stock incorporation and first trade dates. Next specify, for example, that Jupiter between January 1996 and December 1996 should be aligned with the Sun, Mercury, Venus and/or Jupiter on the incorporation or first trade date. The short list of the specific stocks under Jupiter energy will then be listed either on the screen or in a print out. A partial segment of the print out is shown in Figure 1.

FIGURE 1

Cooper Indust.

11/28/1996 Jupiter Conjunct Sun

Northern Telecom

1/14/96	Jupiter Conjunct Mercury
1/27/96	Jupiter Conjunct Venus
3/18/96	Jupiter Conjunct Sun
6/22/96	Jupiter Conjunct Sun

11/10/96

Jupiter Conjunct Sun

Rockwell International

12/23/96 Jupiter Conjunct Venus

The printout shows several stocks, some have more energized dates listed than others. Obviously the more dates listed, the more energy is given to that particular stock in the specified time frame.

You will notice that Northern Telecom has 5 dates listed from January to November. Due to the extended time Jupiter energizes this stock's chart makes it most worthy of further investigation. The list indicated that Northern Telecom should increase in price starting near January 14, 1996, the date of the first alignment of Jupiter with Mercury. Chart 1 illustrates that the stock did in fact start up near that date and continued in a general trend up for the first half of 1996. The second date listed, Jupiter over Venus, added momentum and sent the price sharply up. The next date, March 14, 1996, when Jupiter went over the Sun, produced a top before a minor retracement. Then price went up to the next date, June 22, 1996, when Jupiter went over the Sun again, but this time Jupiter was in Retrograde motion. The Retrograde is important and needs further explanation. When Jupiter is viewed from the Earth it appears to move backwards or "retrograde" for several months of each year. It never actually moves backwards, but the apparent backwards motion is a result of the fact that the Earth is also moving, and when two moving objects going at different speeds come into certain visible relationships with each other, the slower one (in this case, Jupiter) will appear to move backward for a period of time.

The real importance of the retrograde motion of Jupiter is that it gives the planet the opportunity to pass over the same incorporation planet three times instead of once. In the case of Northern Telecom, Jupiter crosses the incorporation Sun three times (3/18/96, 6/22/96 and 11/10/96). Note that Jupiter only crosses Mercury (1/14/96) and Venus (1/27/96) once. And note also, in Figure 1; that Rockwell International and Cooper Indust. Only have one pass each of Jupiter, clearly showing why Northern Telecom is highly energized in 1996, making it a stock to follow.

To elaborate further, while Jupiter takes approximately one year to travel through each sign (a total of 30 degrees), it spends seven months in an area of only 10 degrees, due to the retrograde, and five months travelling quickly through the remaining 20 degrees. This means that incorporation or first trade charts having planets in the particular 10 degree retrograde area have concentrated Jupiter energy for an extended period of time.

It often happens that when Jupiter, during it's retrograde period, makes the second pass over the Sun of the incorporation chart, the stock price will make a retracement providing the investor with the opportunity to buy the stock again. Now let's look at Northern Telecom. Chart 1 shows the move up from the time of Jupiter's first pass over the Sun (3/18/96) to the second pass over the Sun (6/22/96). I will come back to the retracement of price following this second pass date after I have covered how and where to buy the stock in January 1996.

COMBINING PLANETARY AND TECHNICAL TOOLS

The Jupiter information alone explains why the price of Northern Telecom has had a good move up from January through June of 1996. But, in order to trade this stock, more information is needed. Specifically, where to buy. To provide entry points, we will enlist the service of a simple technical tool, the Dynamic Trio™.

The Dynamic Trio™ is a proprietary calculation designed by Robert Krausz, and is

available with the Fibonacci Trader™ software. The Fibonacci Trader™ can be an add-on module to the Galactic Trader™ and the Galactic Stock Trader™. The Dynamic Trio™ line (DT line) functions well as a trend indicator. When it is below the market, the trend is UP and you should be buying. When the DT line is above the market, the trend is DOWN and you should NOT be buying.

WHEN AND WHERE TO BUY STOCK

Chart 2 shows Northern Telecom stock with the Dynamic Trio™ line defining the trend. As you can see, the first Jupiter date (Jupiter over Mercury) was on 1/14/96. On 1/10/96 (at the arrow) price touched the DT line on this day and closed above it. This “touch” and close above the line in the vicinity of a planetary date was a clear BUY SIGNAL. You can buy the stock the next day on the open.

WHEN TO ADD TO YOUR POSITION AND HOW TO MONITOR YOUR POSITION

After the buy signal on 1/10/96 the market took off up until the middle of February, and then retraced back to where? The DT line! This occurred in early March, and this “touch” issued another BUY SIGNAL since it was near the Jupiter/Sun date of 3/18/96. This set up produced a good signal to add more stock to an already profitable position.

After 3/18/96, the Jupiter/Sun date, price retraced again, setting up a third buy signal at the DT line (4/1/96). In May and June, prior to the second pass of Jupiter over the Sun (6/22/96), there were two more “touches” on the DT line, but these “touches” did not generate BUY SIGNALS — WHY? Because I have a firm rule: only buy three times on the Dynamic Trio™ line. In other words, only the first, second and third “touches” are buy signals offering an opportunity to add to your position if you so desire. Following the third buy, price has generally moved too far to make additional stock buys profitable. Also, at some point price will come down to close below the DT line, giving a sell signal. This is another reason to use the “only 3” buy rule. The more times price “touches” the DT line, the greater the chance that price will fall below the DT line, but in general, you can get three “touches” out of a single trend.

WHEN TO TAKE PROFIT

You must certainly take profit if the price closes down under the DT line. A Friday close under the line is a very serious sell signal. The DT line is based on a weekly calculation, so as long as there is no weekly close under the DT line, the line will remain under the market. A weekly close under the line causes the line to spring up over the market, shifting the market to a sell mode.

Rule: If the Dynamic Trio™ line is under the market - only be looking to buy on or near planetary dates when price touches of the DT line.

If the Dynamic Trio™ line is over the market - do not buy. If you are trading an active stock, like IBM, you can sell short under the Dynamic Trio™ line, but that is another whole article and will not be covered here.

You should not wait for a close below the DT line to take profits on stocks; instead you can use my Planetary Lines (part of the Galactic Trader™ software) to determine the best profit point.

ANOTHER CONFIRMING TOOL

Chart 3 illustrates another confirming tool. Note the second line parallel to the DT line at point A. This second line is generated by the planet Pluto. The Pluto lines are placed horizontally across Chart 3 at \$2.40 apart. Why \$2.40? Because when the planet is placed on Gann's Wheel of 24 and converted into price, the planetary price lines are created. The exact mathematical calculation to do this procedure is clearly described in my book "The Universal Clock", and is automatically calculated by the Galactic Trader™ software, which was reviewed in the last issue of Trader's World Magazine.

The planetary lines create important support and resistance levels for price, and they are doubly powerful when they occur at the same level as the DT line. See point A on Chart 3; this double support is an EXCELLENT BUY. Once price bounces up off this strong Pluto and DT line, watch for price to go up three Pluto lines and occasionally four, before having a major retracement. (In an average market, the move will be to the 3rd Pluto line. In a very strong market, the move will be to the 4th line or higher before a retracement is made.)

How do you know if the 3rd Pluto line is going to hold as resistance to price? In this case, at point B, price slashed right through the Pluto line without a pause; this was a clear indication that it would continue on to at least one more Pluto line at point C.

The action of price at point C on Chart 3 is a clear example of the planetary line holding as resistance. Note that price never closed over the Pluto line. This is an indication of strong resistance and a warning that price will retrace to lower levels. Where can price retrace to? Obviously, down to the next lower Pluto line or the DT line just below the Pluto line. This time it bounced off the Pluto line and then continued down to the DT line.

There are only two things that can happen once price reaches the DT line.

1. Price touches the DT line and closes above it, thereby creating another BUY SIGNAL.
2. Price touches the DT line and closes below it, alerting you to take profits because the trend is over for the moment. A Friday close below the line is very serious, it means the market has now moved into a sell mode.

In this case, on Chart 3, the first scenario unfolded and another buy signal was issued, presenting a perfect opportunity to add to your position.

A 3rd buy signal was issued before price finally got above the 4th Pluto line in late April. Once above this line price came back to support on it again at point F. This was a double support point since Pluto and the DT line were together, indicating a further move up. This was not another buy signal because of our "buy only 3 rule".

Price now moved up to the 6th Pluto line at G; see Chart 4. The 3rd and 6th Pluto lines are very often the termination points of market moves. When price slashed through Pluto line 3, it indicated the market was stronger than average and therefore went up to line 4. However, when price reached line 6 at G, there was no close over the line at G, indicating there was no energy left in the market. The 6th line in a move up is a very strong resistance area. Where would it go down to? The answer is the same answer as given at point C! Either down to the next lower Pluto line, or the DT line. As we already discussed, there are only two things that can happen once price touches the DT line. In this case, price supported again at the DT line at H and again at 1, a double support line with Pluto and the DT line.

What has happened so far is that you have had a complete monitor on the market. You knew you could expect retracements, especially when price reached the 3rd (4th) or 6th Pluto lines and you also knew where to expect price to retrace to; the next lower Pluto line or the DT line. You now should know that after three "touches" of the DT line (Buy Signals) you must protect your position by watching for profit points as outlined below.

WHERE TO TAKE PROFIT

Note that on 6/22/96 we had Jupiter Retrograde conjunct the Sun, and as mentioned before, this often causes a retracement with a chance to buy again at a lower price. Confirming this retracement was price touching the 6th Pluto line twice at G and J, and after a valiant effort to move above it, with two closes over it at J, price came back and closed under the Pluto line, signaling the planetary line holding as resistance. Therefore, on or around 6/22/96 (planetary date) you had a chance to take some or all profit at one of three places. The first place was at the 6th Pluto line. The second place was on a close under the 6th Pluto line at J. The third place was on a close under the DT line.

To recap, at I, price shot up to close above the 6th Pluto line twice, but then closed back under the line. This is a negative signal. And finally at K, price closed under the Dynamic Trio™ line for the first time in seven months. If you hadn't taken profits already, you must now. This close under the DT was also a Friday close, which is a very serious sell signal. Even if you had not taken profit earlier at the Pluto line and waited until price came down through the DT line, you were still up \$10.00! A very nice trade.

The expected retracement on the Jupiter retrograde period near the Jupiter/Sun date of 6/22/96 occurred and where did price go down to? In this case, 4 Pluto lines down! The first big move up was 4 Pluto lines and the first big move down was 4 Pluto lines! Remember, price will generally move 3 lines unless the market is very strong and then it slashes through the 3rd to stop at the 4th. (Note that after the retracement, price then bounced back up 3 lines!) At this point the Dynamic Trio™ line has moved to the top of prices, meaning the market is now in a SELL MODE (see rules).

WHEN TO BUY AGAIN

There is still another Jupiter aspect to come in November 1996. Therefore, price should move back up into this aspect. Look for a buy signal to form as price closes over the DT line, especially if the DT line is at the same level as a Pluto line giving double support. Then look to take profit on or near the Sun/Jupiter date of 11/10/96.

Remember, the market turns negative following the election, therefore look to take profits at Pluto lines on or near 11/10/96 and certainly take all profits on any close under the DT line. There are several other fine tuning planetary tools that can be combined with the above to keep your finger even more tightly on the pulse of the market. For example, the Venus price lines, which clearly define and monitor short price hops up and down for this stock. The Venus price lines are calculated in exactly the same manner as the Pluto lines on Gann's Wheel of 24. They are displayed automatically on the Galactic Trader™ software. Another important timing tool is the transit to transit planetary aspects giving market reversal dates. For example, Mars aspecting Jupiter in 15 degree increments generally gives nice reversals on Northern Telecom. These aspects are especially useful when looking to enter or exit (buy or take profit). For example, if you are looking to take profit and price has reached a Pluto line, and a Mars/Jupiter aspect forms at that same time, the Mars/Jupiter aspect date can time the reversal and therefore the profit point for you. Further explanation of these additional tools would take up the whole magazine, and therefore will be left for future articles.

Gann Masters is Hot!

The Gann Masters Course developed by Traders World Magazine is hot! The number of course takers is approaching 1000! The reason the course is so successful is that it was developed by Traders World Magazine in cooperation with some big and profitable Gann Traders. W.D. Gann was rumored to have made 50 million dollars trading stocks and commodities. That was before he died in 1955 after studying and trading the markets for 40 years. Much of his books and courses are written in veiled language. They are very hard to understand. The reason Gann did this was to hide his good material in the course making the student search it out and test it himself. After the student did all the work to find it and back test it, it would mean a lot more to him, than if Gann just gave it to him. If you were Gann, after studying the markets for 40 years, would you give out your highly profitable trading secrets for just a \$3000 course?

Traders World went through the Gann course material and asked professional Gann traders what the important parts were. These parts were then clearly rewritten so students could understand it.

A Microsoft Excel™ template was developed which contains almost all of Gann's master charts including the famous Square of Nine. But these digital master charts are much better than Gann's. For one thing they can be expanded out to many more levels than Gann could do on a sheet of paper. You can also, for example, put the low or the high of a market move in the center of the Square of Nine and have it automatically expand all around the square. This gives you important future resistance and support points. Even dates can be put in the center giving you future support and resistance dates. The course is priced at \$90.00 plus \$3.00 shipping. It can be ordered from Traders World Magazine. 1-800-288-4266, Fax 417-886-5180.

Notice to CURRENT Students

Our new Gann Masters Internet site will be opening by the end of November. Current students send your Email number to publisher@tradersworld.com. We need this to set you up on the site as a member. You will be able to complete your required test and receive new Gann Masters information as well as be able to attend the Gann Master forums. This is a must for your continuing education.

Is Your Computer Causing You to Loose Money?

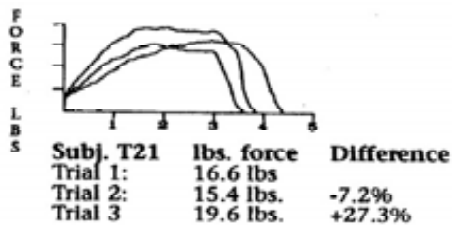
By Larry Jacobs

As a trader in front of a computer, do you find yourself fatigued, stressed and nervous in trying to find buy and sell signals. Do you find that you can't make money trading even though the signals are there? Research is finding that the 60 hertz electromagnetic fields emitted from your computer weakens the body, and in particular, the opponens muscle, the muscle which is associated with brain functioning in applied kinesiology. This is the reason that you may have not been able to make money trading the markets using a computerized technical analysis software program. This is also the reason that many day traders that sit in front of a computer all day can't make money. Their brain simple can't function properly with the electromagnetic fields being emitted from their computer. Some of the latest computer screens do have MPRII shield protection, but it still does not stop the all of the emission from the computer screen and it does not stop the electromagnetic emissions from the computer box.

Now there is finally the BioElectric Shield™ which shields you from these electromagnetic brain draining emissions. The BioElectric Shield is composed of a matrix of precision cut quartz (and other) crystals designed to balance and strengthen your natural field. Max von Laue won a Nobel Prize in Physics in 1914 by showing that x-rays could be reflected and redirected with zinc-sulfide crustal (ZnS), in much the same way as mirrors are used to reflect and redirect visible light. William Bragg won the Nobel Price in 1915 for establishing "Bragg's Law" which determines the specific crystal spacing (i.e. the specific lattice spacing) needed to reflect and redirect any type of electromagnetic energy. Since then, scientists have used crystals to reflect and redirect other types of electromagnetic radiation (like gamma rays). Modern science also has made extensive use of the fact that different crystals "resonate" at different frequencies. The first shortwave radios and electric watches were made of quartz crystals, because quartz amplified and stabilizes only certain fixed frequencies of vibration. For the same reason, the first lasers were made from rubies. The Bioelectric Shield strengthens your energy field in two ways: first by deflecting and redirecting energies that impinge on you from your environment, and secondly, by reinforcing your own natural energies so that they are much less susceptible to outside disturbances.

Over the past 5 years, more that 12,000 people have been tested using traditional applied kinesiology, a finger dynamometer, or computerized myography. Approximately 98% of this group showed a decrease in muscle strength when exposed to 60 hertz frequencies such as computers. Of this group that was weakened, 99% were strengthened when a Shield was worn. Research was conducted by Dr. Charles W. Brown, Dr. Yvonne Yurichko, and Virginia Bonta, Occupational Therapist. Additional, double-blind studies were performed by the 2 doctors to rule out a placebo effect. Of the 50 subjects tested, none were strengthened by the placebo and all were strengthened by the Shield.

The initial research utilized a computerized device which recorded 50 different acupuncture points representing the immune system and all the major body organs. After wearing the Shield for one month, the individuals tested showed a 108% to 400% improvement in the number of scores which fell into the "peak health" range.



Trial 1:	16.6 lbs	
Trial 2:	15.4 lbs.	-7.2%
Trial 3:	19.6 lbs	+27.3%

The above graph refers to the most recent research on 25 subjects. The graph shows the test results of one subject. Each line represents computerized myography, or muscle strength under three difference conditions. Conditions and results were:

1. The baseline muscle strength is established in pounds of force.
2. After subject sits 5 minutes in front of a computer, muscle strength dropped, on average, 16.89%, demonstrating a weakening effect on the body.
3. After subject sits with Shield on in front of a computer, strength improved 44.16%. 21 out of 25 subjects were actually stronger on their third reading than they had been on their first reading. This shows that the Shield not only effectively cancels the weakening effect of sitting in front of a computer, but actually strengthens a person beyond their initial reading even under adverse conditions. Therefore, a trader wearing the Shield is more effective analyzing or trading the market using their computer superior trading ability than the trader who does not wear the Shield.

It is interesting to note that of all the individuals tested, in various research conditions, only some people felt substantially different wearing a Shield. Most of us are unaware of the status of our immune system, muscles and other body functions. The Shield strengthens your body below your normal conscious awareness level. Research is the only tool that has shown how much stronger the human body is when protected by a Shield. Traders of the market really don't know that the computer they trade with is draining their mind power to effectively analyze the market no matter what software program they use.

The BioElectric Shield is a silver pendant with brass accents which contains a scientifically researched activated matrix of quartz and other crystals inside. Nobel prize winning physicists have shown crystals can stabilize and redirect energy. The shield utilizes these same principals to help traders who work with computers to cope with the effects of the electromagnetic fields emitted from their computer. The shield is an energy cushion between you and the brain draining power of your computer. The following are just some of the many letters received praising the effectiveness of the Shield:

When I wear the Shield, I have more energy, greater clarity of thought and better perceptions.
Dannion Brinkley, New York Times Best Seller, *Saved By the Light* COMPUTER USERS

"Really amazing. After years of suffering fatigue from fluorescent lights and computers, I suddenly have energy and ambition! Before, many days I just went home and went to bed. In the past month since I've been wearing the Shield, I've finally bought a computer for myself to use at home. Before the Shield, I would have never thought of getting a computer because I couldn't even recover from my daily use of computers at work. Now I can go home and work

on my machine for an hour or so and many evenings still have enough energy to study for another hour!" A. Hill, Lab Tech./UCLA

"Overall I feel balanced. I used to feel very drained, especially after working at my computer for more than an hour. I now feel a sense of comfort. I have been wearing my Shield for three years. I am always surrounded by computers. One day I forgot to wear it and wondered why I felt so tired. Now my motto is, Don't leave home without it! K. Thies, Graphics Designer/Publicist, CO

After working with computers all day, when I would get home a night I was exhausted. With the Shield, I am now alert and able to enjoy my evenings! Difficult situations bother me much less. It's as if the negative passes over me." A. Rand, Video Tape Editor

Generally I'm better able to concentrate and get my work done. I have 3 personal computers on my desk running all day. Often, if I'm not wearing my Shield, I can't concentrate a full day and often get a headaches T. Arnow, Technical Writer, CA, Psychotherapists/Counselors/Psychiatrists.

You can order the BioShield from Traders World Magazine. The price is \$139.95 for (North American Version) Sterling silver w/gold-tone (brass) accents. BioElectric Shield - International (Give Country) is \$160.00. To order call or use the Traders World ordering blank in the catalog section of this magazine. There is a 30 day money-back guarantee.

Can you “ See” it ? Truth Lost in Translation ?

By T.H. Murrey

Do we use .618 “Golden Mean” or .625 Fibonacci Ratio? Who do you Trade with: W.D. Gann or Murrey Math? W. D. Gann used .618 and Murrey Math uses .625 !!! Converting to (.625): allows you to memorize every major price reversal point for every stock between Zero and \$ 100.0 in just a few minutes, so that you are able to “predict” reversals (more accurately).

In my 1st article (Winter 1996, Issue # 21.), I told everyone to just accept what I say as “Gospel” and to “set” all your 8/8th divisions against the “Harmonic Rhythm” (inside the cube of the Base of Ten (10)), and it would be much simpler to just use the Fibonacci Ratio (.625) rather than the “Golden Mean”(.618), when we want to measure “runs” from extremes (high / low extremes). inside our 8/8ths.

I want to show you what I “saw” (Pure Math) that will allow you to set all “traded Markets” off the same rectangular frame “Square in Time” and make your entry and exits more profitable and worry-free.

How did I find this Pure Math System ?

I just “saw” it when I read the “obvious” “clue” that Leonardo da Vinci had drawn on his 14th Century sketch of the Man inside the Circle / Square / and a Triangle. (See Figure # 1--Man in Circle / Square / Triangle).

(He penciled in (.618 + - .625 or .382 + - .375).

Leonardo da Vinci “plagiarized” the earlier works of Marcus Vitruvius Pollio, from Athens, Greece, who “plagerized” the works of Pathegorus (and his Geometric Theroms), when he presented his sketch with the “clue” which was actually the obvious addressing of the fact that one must translate the “thought” (which eventually becomes man) to a measurement off the spoken and written base of Ten.

He was letting you know that the Human Body is measured in percentages against the

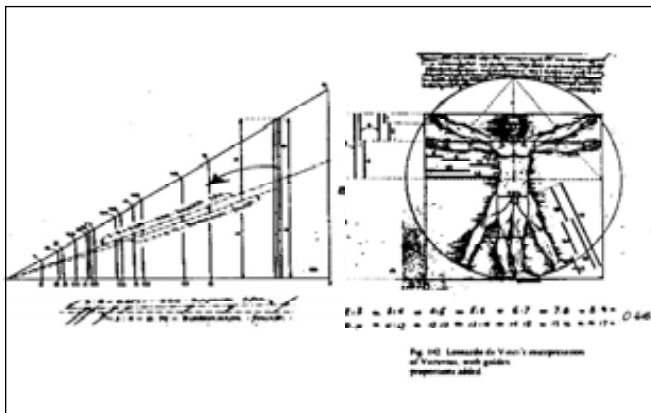


Figure 1 - Man in the Circle/Square/Triangle

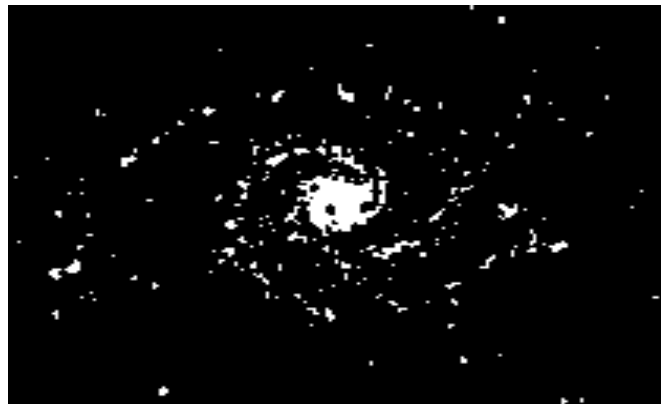


Figure 2 - Galaxies Spinning in Space

“Golden Mean” (.618), but the words that we use to express these “ratios” is expressed on the Base of Ten (10) (.625).

What “exactly” is the “Golden Mean?”

The “Golden Mean” is a Mathematical expression of the relationship between two masses or quantities (Positive and Negative or high and low) as they undulate in space as a “proportion of density at two extremes” through “Time.”

Let’s explore the logic behind the conversion of your “attitude” to continue to trade with a Law of the Universe (.618) that was designed to “observe” differences between masses in space, but not for Mathematical expressions set to the base of Ten (10) See Figure # 2. (Galaxy)

My contention is that all Math-Related calculations of any market “discussed” should be “traded” against the “Harmonic Expression” of a Musical Vibration on the base of Ten (10) as an exponent of an Absolute numbering system (not a random percentage of what Nature has to Reveal to you through Time. (Please convert from .618 to .625).

But, if the difference is so minute, why should I even bother with wanting to know the difference ?

Simple ! You may memorize all the 1/8ths of any market 9 months before it trades in the next Octave.

How did the “Golden Mean” come to be?

Someone who had nothing better to do than to “observe” the obvious “saw” Math in Nature.

Example: Growth rate of untreated Diseases: when the Spanish brought (sex related) viruses over and inserted them into the female “Native Americans” the rate of speed of duplication was as follows: (we shall substitute “real names” for numbers of sex partners) and we “see” the result of “unclean” casual sex to increase at the rate of: 1(1), 1(2), 2(3), 3(4), 5(5), 8(6), 13(7), 21(8), 34(9), 55(10), 87(11), 144(12), 231(13), 375(14) (remember this number), 606(15), 981(16) (remember that number) etc.

You “see” that the percentage of transmitted cases levels off after so many “infectious affairs” are reported as being not worth the “fun” for taking part. (The action wasn’t worth the reaction). The percentage (or odds) of becoming “infected” becomes more stable as the “common” man “sees” the reaction to his actions: disease.

You shall “see” that Nature has only one (1) Square number (144) $12 \times 12 = 144$, which is Pure Math Harmony Vertically and Horizontally (which are “sound pitch changes” in an Octave).

But, you “see” that the progression of “Time and Repetition” Squares repeat only once

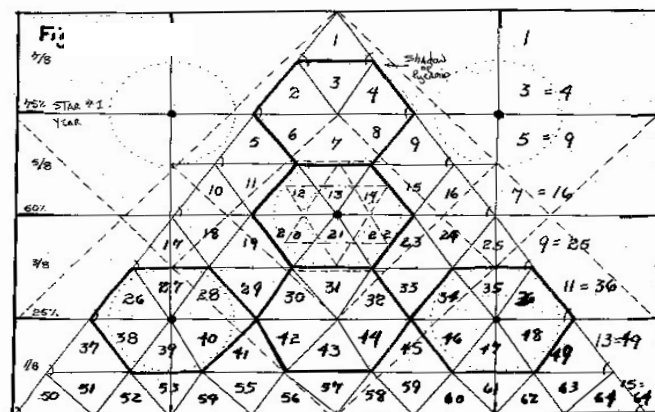


Figure 4 - Hexagons inside Triangle

Figure 3 Harmonic Circle/Square

in Nature and that is “exactly” at the 12th “cumulative” repetition of expansion. (12 x 12 or 87 plus (+) 55 = 144).

Now, at the (11th repetition) 87 we divide 34 by 55 and we arrive at .618181818.

There in “Nature” lies this number (.618) for the next sequence is the 12th Triad of progression, which equals Time (vertical) and Price (horizontal) “Perfection” for it falls off to .6041667 after its 12th cumulative repetition, but it picks back up after the 15th (Do, Re, Mi) into the next Octave of Repetition and continues to result in (.618) into the future.

Remember earlier when we learned that the 14th continuous repetition equaled 375? Well every thing in Nature is 12 “somethings” so 14 would have to be 2/8ths or 25.% into the next Octave and the only place that 375 can ever be “proportional to Music is to go on the base of Ten (10) by dividing 1,000 by 8 = 125. And then adding (Do, Re, Mi) or 125. X 3 = 375. And we know that the Star of David shall rest at the same place in any Square (25.% and 75.%) horizontal lines (because of the “thought” dots, which is the same as (14) or plus 2/8ths into the next Octave. (Pure and simple).

There is a 2nd simple way to “observe” the “Golden Mean” by “extracting” it from a “Golden Triangle.”

It is a Triangle with two sides that are equal and has equal arcs set to (6) (sound pitch) (12 x 6 = 72°) per arc with the top angle equaling (3) (12 x 3 = 36°) equal (sound pitch) parts, which equal (15) equal arc lengths (that flattened out to equal a straight line (180°) 12 parts of 100.% “somethings.”

Side Note: Musicians talk about the Circle of 5ths, which may be “seen” or “heard” by counting the Octave “pitch sound changes” in a straight line, Triangle, and a Circle: the Triangle = 15 parts and the Circle = 12 parts; which equal 180° which is the number of degrees in the straight line. (So 3 “parts” of the “sound pitch” must make the same “tone” which they do, which means that 15=12 or 12=15 in “Harmonic Terms”)(Circle=Square-Straight line)

The formula for the “Golden Mean” is arrived at by the following calculation: AB(side) divided by BC(side) = Gr, $\Delta (1 + \div (\text{Square Root } 5) \text{ divided by } 2 = 1.618. (\text{Ratio} = .618).$

Murrey Math way set on “Harmonic Base of Ten: My way, the “easy” way, is found off the base of Ten is to use the Fibonacci Ratio which is calculated by dividing the “Golden Mean” (Law of Random Repetition) by the number of cases increasing through time by the amount of time as an exponent of the number of cases which equates to:

1, 1, 2, 3, 5, 8
1, .50
2, .50
3,

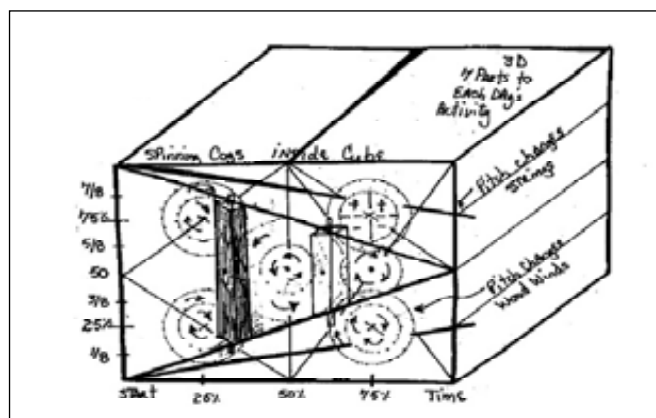


Figure 5 - Cube 3rd Dimension.

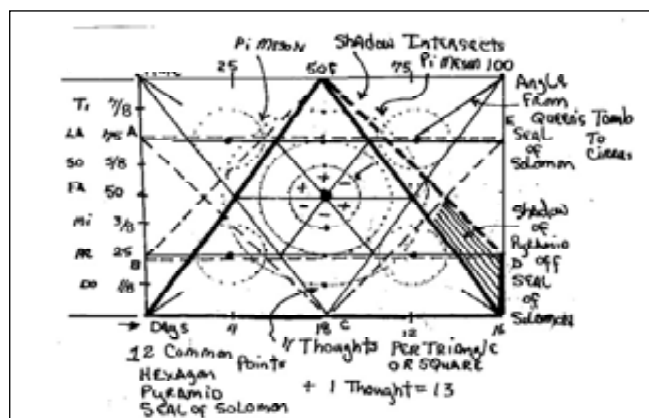


Figure 6 Trilogy Seal of Solomon

5, .625 (5th level) or 5/8ths
8, 1.00

Please place a dot (“thought”) on a plain piece of paper. Set a Triangle (centered) on top of the dot. Turn a second Triangle (the same size) upside down and place it centered over the 1st Triangle. Do you “see” the Star of David? A dot has been added on the 75.% line.

Now we lay the frame of a Square over the Star of David and we “see” that it rests on the 25.% and 75.% lines (horizontally) with the two dots placed at 3/8ths and 5/8ths inside an Octave (inside a Square).

The dots are now on the 25, 50, and 75.% lines. We add dots equidistant above and below the (3) dots and we have just divided the base of (10) by (8) or multiplied 100 by 1.125 %. (12.50 points is the distance between each dot, so we must transfer our Math “thinking” from “random sex occurrences” in Nature to the base of Ten (10), which yields (.375)).

This means that the mean average length of movement in one direction is $12.5 \times 3 = 37.5\%$; (.375) Murrey Math (3/8ths) is simpler to use on the Base of Ten (not (.618) off the “Golden Mean”).

Another simple analogy may be derived from the 3 dots placed into two overlapping Triangles called the Star of David and that is: every Triangle must have its own “thought” centered dot, so we shall end up with a dot in every smaller Triangle or every 12.5 % moves up or down based off the base of Ten (10).

I “observed” this distance run and published them in my book (2 years ago) and also informed you that all markets want to stay inside their 3 dots Trading Range (3/8ths, 4/8ths and 5/8ths) 43.% of the time, while they are moving across a “Square in Time” = to (16 trading days; or a quarter or a year).

It is hard for a market to “break into” this mean average channel of trading, but once it is in here, it wants to trades between 3/8ths and 5/8ths.

Once it “breaks above” the 5/8ths line “buyers” will come in having to pay an “extra premium” for your market, but it will have a hard time running up past the 75.% line (the 1st time it comes up to it).

Now, you can “see” why W.D. Gann spoke of the 1/8ths and how a market reacted off one set of lines differently from another. I don’t contest his evaluations, but he left the work incomplete.

He failed to mention that the 1/8th and 7/8th lines are the same as being “weak” and fast reverse lines.

He failed to recognize that the 2/8th, 4/8th, 6/8th and 8/8th lines act “exactly” alike in wanting to “resist” entry or “repel” markets in the opposite direction (this where we set



Figure 7 Snow Flake



Figure 8 Partheon

our Price-Time frame).

He never mentioned the fact that the “Trading Range” for all markets lies between 3/8ths (.375) and 5/8ths (.625), but he said that all markets would find the most support / resistance on the 50.% line.

But W.D. Gann did verify that markets wanted to reverse after a run inside an 8/8ths (high / low) at the (.382) or (.618) distance.

W.D. Gann also failed to tell you that all markets want to “run” up or down at different “exact speeds” per the Octave they were “currently trading inside.”

All markets want to move up (+1/8th, 2/8th, 3/8th, 5/8th, 7/8th, 9/8th, 11/8, or 13/8th) and they want to fall back down (-2/8th, 4/8th, 6/8th, 8/8th, 10/8th, 12/8th or 14/8th) inside the Octave they trade now.

W.D. Gann also failed to tell you that all of the Octave Lines are already “set” just waiting for your market to come back down there and “touch” it, or close above it and reverse and move back up toward its old highs (he knew them, but he wouldn’t tell).

W.D. Gann often had his 1/8th lines so far apart you would get “whip-lashed” inside a 1/8th of one of his 8/8ths extremes because it might work out to be more than 3.00 points in between each 1/8th line.

Example: 37.5 point high / low extreme move: divided by 8 = 4.68 points. Now Gann said to watch a market run up or down (.382) x 4.68 = 14.06 points to expect to sell the 1st time. Murrey Math says that this market is moving inside 12.5 points so we should divide 12.5 by 8 = 1.5625; so we are saying to sell 1.5625 x 3 = 4.68 points; so we could have 3 “winning trades” while all the W.D. Gann Traders” are watching their market make 9 tries (up and down) to make it up 14.06 points (3/8)

Knowing where these preset (1/8th) lines are before your market ever trades at these higher / lower prices allows you the “advantage” of being able to pre-calculate the reversal points against any “new” or higher territories this market has never reached.

It confounds me no end to ask any American if they have ever “thought” about the Japanese “Nikkei Dow. And they just look at me like I was Oriental !

I’ll bet you any amount of money you have, that every Octave any stock or market shall ever move higher into, has already been “tested” and “reacted to” the same way by the Japanese Dow, for the simple reason that is traded off the base of Ten (10).

Side Note: The Star of David’s lines are set to the “Golden Mean” (.618), but it is resting on the 25.% line in a Cube, so it is “Harmonically” set to base 10

I know you should “see” 6 Triangles on the outside of the Star of David, and 1 (Hexagon) (6 Triangles) on the inside. The total number of sides on the outside = 12; and the total of sides

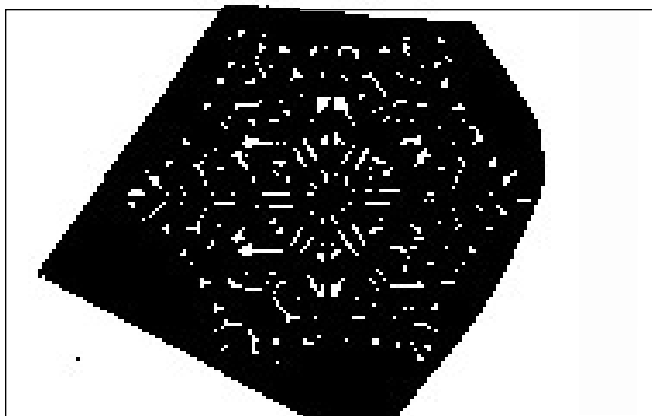


Figure 9 S&P 500

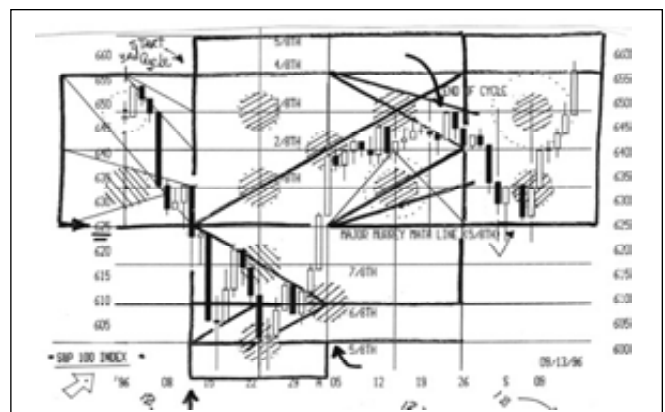


Figure 10 - OEX

in the middle (Hexagon) = 12 sides Each line that intersects an adjacent line segment is either (.382) or (.681) ("Golden Mean") of the total distance in a direction.

You are subject to the "Golden Triangle" when you are conceived by your parents, but not when you trade any market that is "traded" on the base of Ten.

The Trilogy of Three "Somethings" controls this Universe. (Baseball: 3 strikes your out (prison).

Two people meet; fall in love; and decide to conceive a child. The "thought" creates a third generation. One cell moves into a 2nd cell; thus forming a 3rd.

The one cell divides: 1, 2, 4, 8, 16, 32, 62 (it doesn't complete the "Square in Time" (or it would be complete), so it always has a physical "flaw." (Try and find a "perfect 10 Human Body ! (no plastic). This was what Leonardo da Vinci was displaying. See Figures #1. (Man in Circle) and (Human Dimensions)

"Habit" is a result of 3 consecutive "same" results derived from the same "thought." After "habit" comes your "Nature." People "see" you as it.

A single "thought" is the "bonding" of a Triangle. (Look at the "thought" on back of a Dollar Bill; the shadow of the pyramid is 12.5% out from the base.

The single "thought" moves to the center of the Triangle as soon as it is formed and becomes its "Habit" as long as this "Universe" exists.

All markets are composed of "Humans" trading within their "Nature" to perceive their own "reality" as they translate what they "hear" against what they "see" happening in front of them.

The biggest information failure in the Nation is the reversing of the obvious; that is to take what you "see" (market movement based on Math) and translate it back into "fundamentals" and "B.S." and "guesses" for why a market is going in the direction it is! Rather than just play with or against numbers.

Why not just take 5 minutes each day to "see" its direction and get on board and make a small profit every day, by selling off 1/2 as it goes up or down.

Side Note: Harmonically: as any Square (Cube) increases in size it always has 1 large Triangle with 7 smaller Triangles making (7) baselines each having a 50% midpoint of "thoughts" that shall be positioned as 1/16 (or Bonds 1/32nd) of an Octave.

See Figure #4. (Hexagons Inside Triangle)

The Parthenon has 16 columns down the "Time Side" (long side) to tell you two things: 1)there are 4 seasons: 4 divided into 16=4; and 2)the length of these 16 columns=the circumference of the Earth (minus 50 feet) (if we measure the top steps' distance by seconds, minutes, hours, degrees, then by 360 we get the circumference of Earth 432 b.c.).

The 16 columns x 4=64 (I Ching) trading days or reverse it by saying 1 year is = to 4 seasons x 13 weeks; minus Saturday and Sunday (per season); or 64 (1 trading season) x 4 = 256 average yearly trading days or the (average days for child to be born.

So, the "Square in Time" is set against the 4 seasons of each year (started over each year) with no regard to W. D. Gann's High/Low extremes. (The last time I looked up it was the amount of water, heat, length of a growing season, that determined the price of raw goods, not how many bales of cotton China "said" they wanted to "buy" to make \$1.00 tee shirts go up in price; because demand and supply are always reflected in the current running price of anything; (for "someone" has been known to lie).

If you want further proof of Murrey Math and "Harmonic Rhythm" please take a tape measure and count the distance between each column at the Parthenon, and you shall "see" that one column might be 14.06 feet from the next adjacent column (which is 1.5625 feet off center, which is 1/8th of the difference of 100. Divided by (8) Octave to equal = 12.50; then

divide 12.50 by its Internal Harmonic Octave $12.50 \div (8) = 1.5625$; then add 1.5625 to 12.50 feet and you have the column offset set against the two Human eyes that are “fooled” into averaging the distances between the columns to thinking that they are equally spaced out along the side of the building. (Also each column is tilted inward 3.12 inches as a “clue” to you later). See Figure # 8. (Parthenon)

As “Time” starts moving counter clockwise (to the right through time and space) (Lee and Yang) the Triangle starts to rotate in space in 7 directions (simultaneously) or the other three points rotate also.

This “creates” our Circle (Sphere). (Since we have only 1 life to live, one year at a time, we shall place our largest “Habit Circle of Conflict” in the middle of our yearly chart right at the center of Time (6 months) and the center of our Octave (determined simply by any market’s price). We shall have to place 4 additional circles (one for each season) equidistant from the center circle on the 25.% and 75.% price and time lines: (we start each year at the Frost)

See Figure # 3 (Harmonic Circle / Triangle / Square of Conflict).

Our Circle shall start to stretch and flatten out (to calculate the 3.12 minutes the Earth is off Time everyday) as it moves through space and it “forms” 5 circles to represent each season of each year.

The Earth flattens out at the poles as it rotates through its Universe as an “oblaque” sphere (core pressure).

This Cube shall be a Square, held together by the Circle, which is held together by the Triangle; that was “initiated” by a simple “thought.” (The number 4 comes into play because any Equal Angle Triangle shall be comprised of (4) smaller Triangles inside any (1) Triangle with each smaller Triangle’s size in direct proportion to each adjacent Triangle.

See Figure # 5. (Cube--3 dimensional)

Side Note: an American NASA Space Program experiment this past year, included holding up a cylinder containing a liquid suspended in space. When they injected a “shock” (increased) “vibration” into the cylinder the liquid formed a sphere (of 360 circles).

As the “shock” was increased slowly the sphere moved to form a cube. As soon as the “shock” was too great for the “tensile strength” of the capillary attraction of the cube to hold itself together, it divided into 2 equal spheres (of 360 circles). (We couldn’t see the Hexagon form since it didn’t have time to “crystallize”), it wants to evolve to the Cube.

This Trilogy of progression from the “thought” to the Triangle, to the Circle, to the Cube was “confirmation” of what we could already “see” and accept (using Murrey Math) from one simple “thought” (without having to travel to outer space).

Side Note: we use the base of Ten (10) “set” against the Star of David and we use the “Square in Time” inside the Cube of the Moslem Religion (Cabac) that is measured in Meters against Time instead of price.

We must accept this Basic Premise as “gospel” and it is this: any “thought” shall solicit a “Harmonic Stimulus” set to seven (7) or $1/8$ th or 1.125% of a cube set to base of ten separate divisions of an Octave) only in a up / down price direction that may be memorized; then converted from one market to the next by simply moving the decimal point L or R.

See Figure # 3 (Harmonic Triangle / Square).

A piece of typing paper w. 11. x h. 8.5 divided into itself = “Golden Mean” (.618), may be set to 12 “sound pitch changes” of “somethings” or off the base of Ten (10) and it fits perfectly on both.

Isn’t it curious that a Triangle starting at the lower left corner extended over to the right 50.% price line with a circle attached to it shall yield P (pi), which has no common square divisible repetition in it.

A 2nd confirmation is that the Star of David is set “Harmonically” inside the base of Ten (10) and (.618) on a piece of typing paper at a smaller scale off the 3/8th and 5/8th lines inside a Square in Time of 64 frames that are housed inside the 25.% and 75.% Time lines. (Remember that a folded piece of typing paper is cut in direct proportion to the perimeter off the top step of the Parthenon).

The 3rd confirmation of all these tying themselves together is the fact that the “Star of David” rests a third place and that is centered inside a circle in the Hexagon formed inside the Square in Time; which is in a circle; which is in a Triangle; which is in a Hexagon; which is composed of the smallest Star of David that equates to the 7 cells plus the cover cell of a Human Fetus the 1st 8 weeks after conception.

The Hexagon is the Living force for all animals for it transforms water in its 1st state (water) to its 2nd state (ice) allowing the molecules to expand in a Hexagonal Cube making it lighter (3rd state) and able to float and perpetuate a natural flow during the cold winter months. (Why doesn’t it contract like almost all other forms of matter when they get cold).

Side Note: the hereditary gene carrying part of each Human cell is called a D.N.A. Molecule, which in its simplest form is called Purine. This sugar / ammino acid based compound is constructed in a Hexagon form of 13 different atoms: (12 sides of 6 Triangles plus one (1) “thought” equals life. This basic compound winds itself into a perpetual band curving at an angle set of the base of Ten (10) not (.618).

Now let’s reiterate our Basic Premise: Do we use .618 Golden Mean or .625 Fibonacci Ratio ?

The “Golden Mean” is an expression of the relationship of the distance between its central mass (thought) inside a Triangle (which translates to “Habit”) as expressed through the “extremes” that the density of any mass shall allow any “thought” to drift away from its central “core” without leaving its Universe and then having it move to the right into another Universe through the passing of Time.

The “Golden Mean” is accurate in only two planes 2) Outer Space, and 2) and “guesses” disease or the number of pedals on a Sun Flower.

We must try and prove that the “Golden Mean is hidden inside a Triangle (set at the 3rd Trilogy) off the base of Ten (10), which is “everyday counting.”

Counting started with us “bidding” with our fingers and counting the height of a tall horse off how many “hands tall” he was against our hand’s (.618) size.

No one has ever stopped to think that if the entire Universe is “Harmonically” set to “Music” (which it really is), then how is it possible to take the twelve (12) “pitch changes” in “anything” and translate it into a Mathematical term (number) that is Musically Equal” to: Do, Re, Mi, Fa, So, La, Ti ?

The Base of Ten (10) was derived by the following simple Trilogy of Triangles: 1) 0, 10, 100; 2) 100, 1,000, 10,000; 3) 10,000, 100,000, 1,000,000.

Why would we move from 0, to 10, to 100 ?

Simple! The Triangle is the 1st “building block” going out to (Do, Re, Mi) (12) “somethings” that holds an expression together. $1; 3; 5 = 9$ “somethings” called Triangles which = S & P 500.

If we place a dot on a piece of paper we have placed it there because of a “thought.” If we draw a straight line on either side of the dot, the dot is the 50.% line (divided into 4 equal parts). This straight line shall have a “Harmonic Rhythm” of (12) twelve “somethings.” Now we fashion this flat line (180° angle) into a “Golden Triangle” we have just divided the (180° angle) into 3 equal angled lines (with arcs that equal 180° flat angled line). Lastly, we place a Square Frame over it the “Golden Triangle.”

But we must be able to “measure” sound from a Triangle (that always stays in the same equal angle Triangle as it grows in size in direct proportion to the original Triangle): it shall always be a Triangle that is 8 times larger than itself) that has 7 layers of equal angle Triangles that equal (1) one Triangle (that fits inside a Cube) (or 64 equal angle Triangles) inside a “Square Frame.”

The “Audible sound pitch changes” inside an Octave are: Do, Re, Mi, Fa, So, la, Ti, Do:

1/8	2/8	3/8	4/8	5/8	6/8	7/8	8/8
12.5	25.	37.5	50.	62.5	75.	87.5	100.

Triangles running count as they progress larger:

1	3	5	7	9	11	13	15
1	4	9	16	25	36	49	64

An Octave is 8/8ths of “something called sound.”

Now we must keep our Trilogy of Logic intact to prove that the Base of Ten (10) or a Cube of 100 or 1,000, 10,000 or 1,000,000 is a multiple of an equal set of ten “somethings” equal angle Triangles.

The simplest Trilogy from one Triangle to a third larger equal angle Triangle of the same form shall be comprised of (9) equal angle Triangles.

Now how are we going to express 10 Triangles, when the next larger equal angle Triangle shall be equal to (16) small Triangles.

The Logic must be consistent that any pile of squares that equal up to a square of 1,000,000 squares: these 10,000 squares = an Octave of (7) seven groups of “somethings” equally spaced (vertically and Horizontally) with 1 (64) Triangle.

We must be consistent with our logic because we must develop a math counting system that allows us to use our Small Triangles past (9) nine and keep counting Triangles, but to express them in a numeric sequence, rather than a “Harmonic Ratio.”

So, we simply place a small Triangle inside each of our 1,000,000 squares and we have kept our Triangle Theory consistent and we have satisfied the need to “create” a numeric expression of stacks of triangles as counting doesn’t progress in “True Trilogies” of (1/8ths) based on (.681) but rather (.000381) which we shall know soon is a larger Triangle that progresses (7) sizes (1/8ths of an Octave) larger to equal (64) smaller Triangles inside itself (which = one set of 100. minus 64 = 36 which is one “Harmonic Triangle” + Do, Ra, Mi, 12 x 3.

If we go forward from a Triangle with 64 smaller Triangles inside it, and we moved to the next (1st) Triad of the next Octave and it includes (17) Triangles, which adds up to 81 Triangles, then the next 12.5 % (Do, Re 25.%) is = to 19 Triangles added to 81 + 19 = 100., which the “resting place” for the Star of David in the next higher Octave in Pure Math on the base of Ten, which equals 100.

Now our Logic must go back to the simple fact that each digit of measurement is still just a “word” to “quantify in precise terms” a smaller square with a Triangle inside it that allows us to “verbalize” what we “see” for someone who isn’t able to “see” and translate the stack of Triangles inside a Cube.

So, (100) squares stacked up on top of one another, still equal a “Harmonic Rhythm” of a quantitative expression that is stretched up (1) Octave [a group of 12 “somethings with 7 “audible pitch changes and out to the right (100) “somethings”].

An Octave is divided into (7) “audible” equal parts. (To find what portion of a total length anything is, we must arrive at (7) equal parts by one of two methods: 1) multiply the total length by 1.125 % and then subtract the answer from the total length; or 2) simply divide the total length by (8).

So, let's go back to our squares that are stacked (100) high in a square and we want to find (1/8th) of this total of Triangles that actually "numeric expressions" of Triangles (surrounded) by a square "frame" called a group of "prices."

We divide 100 by 1/8th and we "see" the same thing that Leonardo da Vinci "penciled in" on an angle on his "sketch" of the "Man in the Circle, Square, with a Triangle, when he added (+ - .625 and + - .375).

We divide (100) by 8 (7 divisions of an Octave) and we arrived at 12.50. When we multiply (100) by 1.125 % we arrive at 112.5.

Finally, our stack of (100) "somethings" shall get its greatest 1st "shock" at the 1st trilogy of an Octave of Math (on the Base of (10) ten), so we "see" that (Do, Re, Mi (3) (3/th) is $12.50 \times 3 = 37.5$ or 375 (that number just came back in again).

You may arrive at the same answer as when I wrote my book proving this point 8 levels down into itself, or 8 levels outside itself by multiplying the basic cube (100.) by 1.125 % to get the "sound pitch" of a mathematical number as a "Harmonic Proportion" of itself (as we measure price change based on mathematical pitch proportions of itself).

One hundred may be multiplied by the Fibonacci Ratio (1.125 %) and we find 12.50 (1/8th) one of the 7 audible sound pitch variations off of "C."

The next "internal sound pitch change" inside any Octave shall be discovered by dividing each internal 1/8th of an Octave by itself and we get 12.50, or 1.5625, then .1953125, or .024414 or finally .00305, which is as low as any market shall be traded but the next internal Fibonacci Ratio (1.125 %) (1/8th) (division shall come right back to .000381, which the "Golden Mean" reciprocal of .681).

If we begin at: (1) 1,000,000 (125,000) and move internally back into our "Harmonic Octave" set to a Cube (on the base of 10), we shall "see" (2) 100,000 (12,500), then (3) 10,000 (1,2500), (4) 1,000 (125), (5) 100. (12.50), (6) 12.50 (1.5625), (7) 1.5625 (.193125), (8) .1953125 (.024414), (9) .024414 (.00305), (10) .00305 (.000381), (11) (.000381), (.000047683) and (12th) .000047683 at the 12th Internal Octave = .00000596, (which 1,000,000 divided into itself "Harmonically" Internally).

The 10th Triad equals = (.000381), which on the surface equates to .381, which would work in outer space, but we are on this Earth, where specific gravity of this planet defies the gravity of any other planets, when we express quantities in numbers.

The 12th Internal Octave has 5 zeros followed by the number 10, which equals the base of 10.

The 8th Triad down from 1,000,000 is 2.4414 cents, which is the "clue" that gave away that W.D. Gann already knew about the book written by S.P. Ouspensky, In Search of The Miraculous, 1949.

S.P. Ouspensky came to New York City, in 1923, after spending time in London, after leaving Moscow, Russia, after World War I.

In the book, In Search of The Miraculous, 1949, on page 136, S.P. Ouspensky took the Law of Octaves down only 1 level and left it there. He said he felt that it may be divisible by itself internally further, but he didn't want to spend the time to pursue it any further at that time.

W.D. Gann talked of the "Natural Numbers" on page 68, in his book How to Make Profits Trading in Commodities, 1942. Then he even listed for you the following: 12.50, 25.00, 37.50, 50.00, 62.50, 75.00, 87.50, and 100. But, he wanted to "throw you off, by in the next paragraph, giving you a list of "popular numbers" that markets want to trade around. (He knew that the average "trader" wants to do what "expert" tells them to do, so he added all those "popular numbers" to throw you off: it worked

He “really” didn’t want anyone to know that all markets were running to what S.P. Ouspensky had “deducted” through long conversations in logic. (I saw it by just looking at the sketch by Leonardo da Vinci and equating it to what W.D. Gann had said.

I never “saw” S.P. Ouspensky’s book until Mr. Edward Green, Chicago, Illinois, called me July 27th, 1996 and asked me if I had ever read it.

I had already finished my book two years ago. I had taken the markets to the 10th Octave (off the works of W.D. Gann and Leonardo da Vinci).

After I read S.P. Ouspensky’s book, I knew that W.D. Gann had listened to him, and I knew that what I had said two (2) years earlier was true:

The Numeric Expressions of Market Reversals are running expotentially against 37.5 of the Square it is currently trading inside as it is expressed by its current “trading price.”

The simplicity of this Base of (10) Ten Murrey Math Ratio is one’s ability to “memorize” the common Trilogy of “trading Octaves” inside the 1st Triangle (0, 10, 100.) set on the Base of (10) Ten; which is 12.50, or 1.5625, or .1953125, or 2.4414, cents, which was the “clue” that W.D. Gann gave us on page 71. When he talked about a 5 cent reversal of wheat in 1861. A 5 cent reversal was $2.4414 \times 2 = 4.88$ cents rounded off to the nearest penny; so that equated to the 25.% line (Do, Re).

The “link” that ties all this together is the “Seal of Solomon.” It has 12 equal angle Triangles inside the Star of David) with each adjacent intersecting line either .381 (3/8ths) (Do, Re, Mi) or .618(5/8ths) of the adjacent line), which means that the Human Body is set to the “Harmonic Rhythm” just as the rest of the Universe is set to a Triangle, inside a circle, inside a Cube.

See Figure #6. (Seal of Solomon / Trilogy)

Isn’t it curious that the Human Body is composed of 8 cells the 1st 8 weeks after conception, which is (1) cell for each point of the Star of David, plus one cell in the middle (“thought”), plus a covering cell.

This is equal to (M, V, E, M, J, S, U, N): the planets you “see” when you look up into the skies at night (8) that you can “see” and one (Sun) you can “feel.”

The Human Body divides: 1, 2, 4, 8, 16, 32, 62..... Everything else progresses against 1.125 % or 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 87, 144 (only Square) in “Nature.” (12 x 12).

The number 9 is internally perfect and “self-perpetuating, (Enneagram) (drugs have this molecular make up) so we must push on to the next cube, which shall be 9 plus 1 of the same of “something,” which gives us one group of 9 plus one additional unit of the same (like nine), so we express anything that is repeated 9 times in a row plus one more as 10 of that same “item.”

Isn’t curious that 999,999 is the same as saying .000005 plus one of the same item or (999,999) plus (1) which pushes it to the next cube 1,000,000 ?

So, finally isn’t it curious that multiplying one million by 1.125 % we get the root of the base of 10; and by multiplying .000005 times 8 to the 12th Triad or Octave, we get 1,000,000 ? (We must just accept it and go on and trade using (.625).

Also, isn’t it curious that the 11th Triad (Pure Math Internal Harmonic) is .000381, which tells us two “clues” to life and the Math Universe and that is “all that ever is” consists of (3) something’s set at a proportion of either .618 or .381 in space, but on the base of Ten. And under the “Golden Mean” after the 11th cumulative repetition in Nature we arrive at (.618181818): (.000381 + .618) puts Nature in “Harmony” with Pure Math.

This is what Leonardo da Vinci was trying to say, but he just wasn’t interested (at this time) in “trading stocks” in Venice, Italy; but rather enjoyed painting, but he did use these same (.625) ratios when he made his plans for his aeroplane and his helicopter.

Finally, the Human Body is proportioned to the adjacent lines and angles of a double tetrahedron (which is the "Seal of Solomon) expressed in a doubling of the Star of David (ten sided object), which may be the two Triangles over lapping.

But can you Trade it ?

Please look at Figures # 10. (S&P 100 Index) And #11. (S&P 500 Index). These two markets were "set" to Pure Math (Murrey Math) off a Cube (1,000) (2nd Triad) and we multiplied $1,000 \times 1.125\% = 1125$. ($1,125 - 1,000 = 125$). Our (1/8th) = 125. So, we multiply 125×5 (5/8ths) = 625.

Now we set our Base line at 625. This is the bottom of our (5th) Internal Octave inside zero (0) to 1,000.

But we can't trade 125 points, so we divide 125 by (8) or we multiply it by 1.125% and it = 15.625. But, we can't trade this wide Internal (1/8th) of this Cube, so we divide 15.625 by (8) or multiply it by 1.125% and it = 1.953125 (now we can trade these (3rd) Internal (1/8ths) of an Octave.

Now we add 1.953125 points to 625 (base of our Octave) and we start stacking "groups" of (4) or (8) $\times 1.953125$ points to form our next "higher" Trading Octave for both Indexes. The S&P 500 Index was "set" on the same (horizontal) Price line as the S&P 100 Index, but the "trading speed" of one market is faster than the "trading speed" of the other, we just use (15.625 points per (1/8th) for the S&P 500 Index and only 7.81 points per (1/8th) for the S&P 100 Index.

Both markets got support down at the (5/8th) line. But, each (5/8th) line was different but saying the same thing: it is hard to fall back down into the "Trading Range."

The S&P 500 Index got closing support on the Major (5/8th) (625) Murrey Math Line and the S&P 100 Index got its support on the (5/8th) line down in the next lower Internal Octave: which is $500 + 125 =$ that is our Major (4/8th) support line. The S&P 100 Index ran up (+6/8th) and stopped right on the (3/8th) line in the next higher Internal Octave. It reversed and fell back down (-) minus (3/8th) to get support at (625) Pure Math (5/8th) and it "shot" up into the "premium area" of Price.

The S&P 500 Index couldn't trade above the (3/8th) line but 3 days, then it fell back down (-) minus (3/8th) to get support on the Major (5/8th) line and then it "shot" back up (+) (3/8th) to the same (3/8th) line and this time it stopped just below the (3/8th) line, which W.D. Gann said was a bad sign for any more upside, so it reversed and fell back down and stopped right on the "thought" (dot in center of Triangle) (minor 50.% line) that W. D. Gann said to always watch for a market to reverse fast and "hard" which it did (as a result of Inflationary news).

I use no high / low extremes to "set" my Time Frame or my Price Lines. I do it off a 64 day frame "set at the 1st "frost" each October and it just find the nearest Internal Octave any market is trading inside and I spend only 5 minutes each day "looking" at the "obvious" and do as W.D. Gann said, "Trade with the Trend and sell into (+) (3/8th) profit runs. Please convert to Murrey Math (.625).

T.H. Murrey is author of Murrey Math, a system of trading which includes 326 illustrated easy to understand charts. The book addresses: 1) W.D. Gann's 64 rules, 2) Moving 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 \$78.00, add \$3.00 U.S. shipping, \$6.00 Canada, \$16.00 other foreign countries. The book is available from Traders World. Use the order blank in this magazine or call 800-288-4266, Fax 417-886-5180.

Cashing in on XGO

By Dr. Hans Hannula, PhD, RSA, CTA

As a researcher, I constantly think, ponder, and theorize about why markets move the way they do. Over the years, I have learned more and more about the mysterious forces that move markets, ourselves, and the universe. One of the problems I have pondered is "How predictable are markets?" Many say markets cannot be predicted at all. That is the random walk theory. Some have claimed that they could perfectly predict markets. That's the deterministic theory.

I have found that neither works. What does work is chaos theory. It says that markets can be partially predicted, but not always. Chaos theory says that markets operate in "domains" of behavior. Within those domains, their behavior can be predicted relatively well. But at the boundaries between domains, the behavior is not predictable. Imagine a ball balanced on the point where two bowls touch at their razor thin rims. This perfectly balanced ball is at the boundary point between two domains, the two bowls. A slight breath of air can tip the ball into either bowl. No one can predict which bowl. But once the ball falls into a bowl, its motion can be computed very accurately. Markets behave this way.

So another question I have pondered long and hard is "How can markets be predicted within a domain of behavior?" My approach has been to seek out the physical laws that move prices, similar to the laws of physics that move balls dropped in bowls. Through painstaking research I have found that there are forces that move prices, physical forces. The source and patterns of these forces were revealed in my Face Of God course. That was a major step forward. I could see the forces operating and the resulting behavior, but still I pondered.

I asked "What is the mathematical relationship between those forces and price action?" If I could find the answer to that question, I could predict future price action, at least within domains. I needed an new insight.

Such an insight came to me the morning of January 23rd, 1996. As I awoke, an idea came that said,

"It's energy absorption. Compute the energy being absorbed from the universe, and it will tell you where prices are going, for prices are energy."

That insight became the XGO program, because for any market X, it computes where that market will GO. Incredibly, it computes this from only one piece of information - the date of first trade. Price energy is computed for any future date after that. No past prices are ever used. None are needed. Just one formula. Very simple.

At first it may seem incredible that this can be done. But it is really not. If one understands the equations of motion of a ballistic body, such as an arrow shot into the air, one can compute its flight path. One simply needs the formula, and the launch data, such as weight of the arrow, the initial angle, the velocity, and the acceleration. From there it is "plug in the numbers and turn the crank." XGO, in a similar manner, computes the "energy flight path" of a market launched into the universe.

The XGO formula captures the harmony of energy flow from the universe into a stock, a commodity, or a person. It translates the graphical beauty and power seen in The Face of

God pattern into a number. That number represents the energy that moves price. It shows the direction of motion, the relative magnitude, and the dates of turns.

Mathematical Evaluation

Figure 1 is a chart of the Swiss Franc and its XGO forecast. The thin line is the XGO forecast. Notice how accurately it drew the price line in advance. Note the day to day detail. And the fine timing of highs and lows. Pretty impressive, huh? Almost perfect.

Not statistically perfect. Just good. There is a statistical measure of how well a forecast matches reality, called the correlation coefficient. A perfect forecast is 1.0. A total failure is 0. Most forecasts fall in between. Experience in evaluating intraday neural net forecasts used in real trading has led to the following interpretation of the correlation coefficient:

below .3 - useless for trading

.4 - helpful

.5 - decent

.6 - good

.7 - great

over .8 - excellent

We have found that the correlation coefficient is a very harsh judge of forecasts. The 10 billion neuron neural net (brain) between a trader's ears picks up things from the forecast that are not reflected in the correlation coefficient. Traders using technical analysis and a .5 or better forecast consistently make money. One trader I've worked with uses intraday forecasts that average .45. He wins on every 2 out of 3 trades, and makes \$1.83 for every \$1.00 he loses. So even a decent forecast can give one an edge in the markets.

So how good is that Swiss Franc XGO forecast? It computes to .61, a solid GOOD. Not bad for something using no price data. Such is the power of a fundamental theoretical approach.

XGO is not a perfect model of prices. It only computes the energy input to a market. The market uses that input and its own internal properties to produce the price output. For example, there are points in time when a market is at a chaos balance point. The ball is on the rim between the bowls.

At those points, a sharp break may occur and prices move much further than XGO predicts. This is a "quantum shift", or "band gap jump." Such breaks may temporarily give XGO a bad correlation coefficient, but the trading value of the forecast continues. After the quantum shift, prices return to following the XGO curve if it is simply shifted up or down. Figure 2 shows this situation.

Everyone wants to know about the stock market. Where is it going? Figure 3 shows the S&P 500 XGO forecast for the first part of 1996. Notice how well it has forecast the turns, especially those spike lows. For years I have worked on annual forecast methods. XGO tops them all. From February to early July, that forecast is a .614, a solid GOOD.

Market Evaluation

So can XGO really help your trading? The way to answer this is to look at an example. Figure 4 shows T-bonds, and the XGO function for bonds. Notice that while the forecast is not perfect, that it is pretty good. There are areas where the forecast does not work well. So to protect oneself from those times of poor forecast, one has to use trading rules. We have found these rules effective.

1. Make all entries and exits with stop orders.
2. Trade in the direction of XGO
3. Protect positions with a stop that trails XGO

T-bonds have been included in our hotline and newsletter position trading portfolio for nearly 5 years. We felt bonds were a key component of a balanced portfolio. But the trading results were not pleasing. They weren't bad-just not great. For four years we would win some money, then give it back. As shown in Figure 5, our equity moved about Zero, plus or minus \$4000. That portion of our portfolio was stuck in a trading range.

XGO changed that. Since applying XGO to this market, we've broken out of the trading range and established a nice trend. Be advised that past results do not guarantee future results, and that trading futures is risky.

We have found that the key to reducing that risk is a constant search for new technology. XGO is a part of that technology. It is making a difference in our results.

XGO Helps

So I have learned that markets can be predicted, at least within the limits of chaos theory. XGO has been a valuable addition to my trading toolbox. Used carefully, it can give one a trading edge. Over the several months since it came to me, I have learned that XGO is real. The equation is valid. It works. It is not perfect, but it is excellent. It is on the cutting edge. XGO is the state of the art.

XGO is one component in a growing set of market tools under development at MicroMedia. One can learn more by contacting the author or checking out his WEB site at <http://www.cashinonchaos.com/hans>. For your own XGO chart for one year, send \$36 and your date of birth to MicroMedia, Box 33071, Northglenn CO 80241, or fax to 303 457 9871

Interview with Bill Meridian

By Larry Jacobs

Question: Where do you work and what is your position?

Answer: I am a fund manager for an institution in the Middle East. My responsibilities include managing the technology stocks in the portfolio. I also sit on the currency hedging committee and am the technical analyst for the USA market.

Question: How long have you been studying the markets?

Answer: I became interested in the market in 1966.

Explain how successful you have been in the markets?

Answer: Funds under management have outperformed the S&P in 5 of the last 6 years. I can either be long stocks or in cash. No leverage can be used.

Question: What methods do you use to analyze the markets?

Answer: First, I must say that the single most important matter is to ask myself what this graph is trying to tell me about fundamentals in the future. All charts, whether technical bar charts or horoscopes, are a reflection of something real. Years ago, the price of cobalt rose without any news. Most cobalt comes from copper mined in Zaire. Weeks later, the Kinshasa mining province of Zaire was invaded. The price was telling us something. In the early 1980's, the disinflation stocks made big bases and started to rise, signaling the end of the inflation era. No one saw it then, whether smart money makes these moves, or whether some entity from the X-Files causes this, I cannot say. I always remember P.Q. Wall's statement that the market is a 600-pound gorilla that does whatever it pleases.

Question: You are extremely knowledgeable using Astrology for trading. Explain how you use it?

Answer: I'll use whatever works. Pattern recognition was the first method that I was exposed to. There were not many books in 1966. One of the few was the Edwards and Magee bible of technical analysis. I was a young kid, and thought that this was the way that all Wall Street looked at the markets. Fundamental analysis came along later. Momentum indicators and sentiment have also been very useful. Today's index options on industries are very useful. I keep one based upon the option trading on the semiconductor index, or the SOX. It gave overly optimistic reading in the summer of 1995, so this was a signal to lighten up on the semi stocks. That indicator then fell 90% into the summer of 1996, an indication of extreme pessimism. After the June-July decline, it looked as though the stocks had made a 3-wave decline. All momentum oscillators were oversold. I bought Micron at 23. Thus, the pattern, momentum, and the sentiment all confirmed. And, all the major Wall Street houses were bearish.

Seasonal tendencies as first researched by Arthur Merrill are very valuable. This is the type of analysis that started me on the road to cycles work. I noted that there was an annual cycle, an election year cycle, and a decennial pattern. Now the annual cycle is based upon a year, which is based upon the relationship of the Earth and the Sun. So why not research a 1.8 year cycle determined by the orbit of Mars? In addition, I noted that some of the stock market cycles as described by Ed Dewey were the same length as those of planetary periods such as 9.3 and 18.6 year cycles that are half and whole multiples of the orbit of the Moon's Node.

I use Gann's day counts and time ratios as Bob Miner does. This yields a series of

potential turning points. I then go to my planetary indicators and project those for the month ahead. I have found that those dates that are tagged by both methods tend to have a higher probability of being a turning point than those dates that are indicated by any of the individual methods used alone.

Once this is done, I attempt to confirm the turning point with the standard technical tools: overbought/oversold oscillators, wave pattern, etc. By this approach, the standard technical indicators assume the role that I always felt they should have. They describe the past and current condition of the market. After all, they are all based upon yesterday's data. The planetary and Gann-derived dates are based upon future data. Technicians and traders who do not utilize this approach are at a disadvantage. It is like trying to eat soup with a fork.

Question: How is it possible that planetary movement can affect a stock or commodity movement?

Answer: I use 2 approaches. First, I analyze past turning points and see if there are similar planetary patterns at the time of the highs and the lows. Second, select a phenomena such as eclipse and see how the market reacted at the time of the eclipse. There can be 2 results. The event has no effect on the market under study, or, it will have an effect. In this case, the phenomena may be associated with highs, low, or both highs and lows. The last case produces what I call tofu indicators; they have no flavor of their own. They tend to take on the flavor of the other indicators that occur at the same time. This is, they are indications of a reversal, depending upon whether the market is rising or falling before the phenomena. I have all the planetary indications posted a year in advance. Then I do new studies during the year that add to my tool box. For example, I only recently found that heliocentric Mercury 150 degrees to Pluto tends to fall near short-term tops. This is a light weight indicator which needs much confirmation.

All of the above methods yield high-probability turning points. In between, I add planetary cycles to the 3 cycles mentioned above. The Mars cycle was already mentioned. This cycle tends to peak out when Mars enters Libra. If it does so during the late summer when the annual or solar cycle also peaks, then there is an increased probability of a lower market in the second half. In the bond market, Venus cycles are much more important. I have a 5-cycle composite for bonds that turned down in late 1993. At the same time, the horoscope set for the first T-bond trade in Chicago in 1977 was hit hard. The market was very overbought, and I saw technical sell signals. Bonds fell for about 9 months. Now that is an example in which all the pieces fit together. It is not always so clear.

Planetary movement affects everything. If one is looking for a physical connection, I can offer one that I came across in 1973. We know from the work of John Nelson that the positions of the planets affect solar activity. Changes on the Sun affect the Earth's magnetic field. There is a substance called serotonin which is the stuff that sensitized the brain of a homing pigeon to the magnetic field and enables the bird to "home in." This same substance exists in the human brain. Serotonin levels can increase and decrease stress levels. Taking a long jet flight increases serotonin levels and stress. By the way, taking a sauna after a flight will relieve what is known as jet lag. That is the only casual link that I can suggest.

In the end, I recall what John Nelson said at a lecture in N.Y. A fellow asked him why the planets affected the Earth. He replied, "I don't know. And when you go to the early gates, you ask the grand high muckety-much. And he probably don't know either."

Question: Do you think that W.D. Gann used astrology to trade with and if so how did he use it?

Answer: I think that Gann did use astrology. My teacher was Charles Jayne, a practicing

astrologer for 53 years. He worked with Ken Brown of Cleveland, who was associated with L. Edward Johndro of California. Jayne said that Brown and Johndro were under contract to Gann to conduct research. Johndro was way ahead of his time. In fact, we became frustrated with his contemporaries, and kept most of his work to himself. He asked Brown to burn all of his work when he died, which Ken did. He left no published work. But in Brown's eulogy to Johndro, he said that Johndro had developed a method of forecasting commodity prices based upon the horoscopes of eclipses. He did not reveal the method.

I do not know how Gann used the planets. What he did say was not helpful. Most of the translations of Gann's planetary work that I have seen have turned out to be basic astrology. Gann said that a planet changing signs was important, but he did not say which planets, signs, or markets. That's why we need to do research, and this led me to develop software for that purpose.

Question: Are there a lot of mutual funds on the street that secretly use astrology but won't tell the public?

Answer: I do not know if a lot of Wall Street houses utilize astrology. Some do. I sold my software to them. Over the next decade, it will become more acceptable. I recall a fellow at the Bank Credit Analyst who said that he found astrological work amongst the old notes of Hamilton Bolton. When I was a junior analyst at ValueLine in New York, Mr. Arnold Bernhard said that an employee had studied what they termed 'solar radiations', but with not usable results. So there is interest.

The Street is remarkable in one respect. They care more about whether the methodology is acceptable and logical than they do about the results. They prefer to use the same worn out techniques over and over again rather than try something new. This is the reason that the majority of the funds cannot even keep up with averages.

Question: How long does it take a person to fully understand and start to use astrology in their trading?

Answer: This is a tough question. If one learns horoscope construction, the signs, the aspects, and transits, he can be doing some good work in 6 months to a year. I lucked-out. When I was a student in N.Y., all the old masters and hard-core fanatics were around. For instance, Dr. Edgar Wagner received his certificate of astrology in the year 1911. To absorb all that I learned in those days might take 5 years or more.

Question: What kind of books or software does one need to trade with astrology?

Answer: There are not many good books on the subject. I suspect that we will see more in the next few years. The difficulty has been that the market folks do not know enough astrology to be effective, or the astrologers do not have enough experience with the markets. Matlock's old book, *Man and cosmos*, is probably the best. Ray Merriman wrote a book about gold indicators that is good. I have read almost all of them. The older authors were simply handicapped by the enormity of the task. Without PCs, the number crunching is too formidable.

I wrote *Planetary Stock Trading*, which explains how I utilize first-trade horoscopes to select individual stocks. It also includes 1,000 charts which are otherwise very difficult to obtain unless you are a member firm and are willing to phone the exchanges a couple times a week over 10 or 20 years. I am working on a book about overall market forecasting now.

We released the first astro market software in 1988, the *AstroAnalyst*. Actually, I wrote the basic algorithm that is the heart of the program in 1983. It is still a very useful program. Unfortunately, the programmer did not want to develop it any further and I did. So, in 1989, I began working with Alpee Lavoie at AIR Software on the *Financial Trader* series. It was first specifically designed to sort through horoscopes set for the high and low days in any market

and tells the user what planetary effects are common to the turning points. We also added the Bradley model, leaving it open-ended so that the user can alter the variables. This is known as the Black Box. I also cooked up Bradley models for gold, bonds and currencies. Bersion 2 has Super Search which will find days upon which multiple planetary events occur, like find all the days upon which Mercury is retrograde and the Sun is in Cancer, or Mars in Leo. The Efficiency Tester will compute the 'Batting Average' of a planetary event, i.e.. how many times a market rose or fell before and after an aspect, eclipse, etc. Their third version is being moved into Windows now. An a junior version that only deals with first-trade charts is on the way, too.

I also use Bob Miner's Dynamic Trader for all my Fann-Fibonacci projections. It save enormous amounts of time.

Question: Can you explain and illustrate with perhaps a good chart an example of how astrology works with a real example that has happened in the last 6 months?

Answer: Yes, I recently bought Micron, MU on the NYSE. It was brought to my attention by a run that I did with the Financial Trader program. Jupiter went stationary direct on Uranus in the first trade horoscope of the stock. This a chart erected for the time and date that the stock began trading. I had an eye on the technical picture: buy signals daily, weekly, and monthly. The shares were bought at 23 3/4 and hit 33 a week later. Now I could find may stocks that had the same technical picture as Micron, such as Electronic Arts, ERTS on the NASDAQ. But ERTS did not have as bullish a horoscope as that of MU.

Question: Have you got any forecast or predictions for stocks based on your astrology?

Answer: Next year will likely see the biggest drop that we have seen since 1990. First, years ending in "7" tend to have a nasty correction. Fifty-five percent of such years have closed on the downside. Some, like 1987, have not closed lower, but did have a big correction. 1997 will also be the year after an election, the weakest in the 4-year election cycle. The average percent gain in such years has been in both the centennial and the election year cycles, so I was long all year. In addition, Jupiter will pass into Aquarius, the weakest of all the signs in its 12-year cycle. More than half of such transits have resulted in lower prices, well below the median. Late in the 4th quarter, I shall review the technicals to see if they confirm the studies. Then I will have to take the appropriate precautions.

I always ask myself what the fundamental causes might be. In 1997, I think that rising commodity pries will force an interest rate to increase. With valuations already stretched to the outer limits, a rate rise will make these inflated prices look even higher. Neptune in the sign of Capricorn has depressed prices since it entered that sign in the early 1980's. It usually has this effect in earn signs. But it is leaving that sign next year. More importantly, Jupiter will be conjunct Neptune at year end. This is an inflationary combination. The last time this happened, Nixon took us off the gold standard.

Technically, the commodities have made big bases and have broken 13-to-16 year downtrend lines. I was pounding the table about this in the summer of 1995. Using contrary opinion, all the straight Wall Streeters have been bearish. They remain bearish based upon fundamental, a confirmation that prices will rise further. Looking at the smart money, I wrote in my old newsletter that the Rockefellers were selling Rockefeller Center in the late 1980's, and that this told us that they were bearish on real estate prices. Well, now they have bought it back. In addition, the Treasury has announced the sale of inflation-indexed bonds. At the same time, they will alter their calculation of the CPI, which will effectively lower it by 0.2%. What does this tell us? Already, between April of 1995 and April of 1996, there has been an excessive increase in M2. This can only add fuel to the fire.

But the price rises will not be as big as those of the 1970s. First, Neptune was in an inflationary fire sign and there were 3 Jupiter-Neptune conjunctions. Now there will only be one, and Neptune will not enter a fire sign, but at least it will be out of an depressing earth sign. This is an indication of a different fundamental environment. For instance, the gold price had been held artificially low prior to the 1970's, and it is not now. This time, there will be a snap-back closer to the average price for most commodities. This will be important for equity portfolio managers. Major shifts in industry group leaders usually take place during market corrections, and if 1997 is a downer, leadership will swing away from the consumer and interest sensitive stocks, and toward natural resource and capital goods shares. These will be the leaders after 1997. Technology will be get hit, but it will recover and also be leader. The technology boom will likely run to 2003. The planets that rule networking and the ability to miniaturize remain in good combination, so these will be leaders in that sector. PCs will become voice-activated. The miniaturization methods being developed will open up the next big frontier, nanotechnology. This is the science of making very small parts and, eventually, mechanisms.

I do not foresee a depression. There will be a recession, probably beginning in 1999 and bottoming in 2000. There have been periods where the national debt has been enormous, but the new energy sources were discovered. The resultant boon to business sent profits soaring. I know that these 2 materials are not energy sources, but what do silicon and fiber optics cost in relationship to the benefit to the economy? I see tough times out in 2003-2004.

Oil has a special interest to me here in the Middle East. I have been a bull on oil since the summer of 1995. Nobody here believed me. In fact, the Arab countries started to cut back on spending, right at the low in oil. I took this as confirmation on the low. When asked what I thought the driver would be, my reply was politics and eventually military action. We live across the Gulf from Iran. There people are Persians, not Arabs, and they have a militaristic and imperial history. They consider the opposite side of the gulf to be theirs, and radio Tehran states this on a daily basis. Iran has acquired 3 submarines and have seized 3 of Abu Dhabi's islands. These islands sit at the mouth of the Straits of Hormuz, through which 40% to 50% of the world's oil flows. The Iranians aim to control this vital waterway. I now that little of this appears in the Western press, which, using contrary opinion, is a confirmation. The smart money here is the Journal of Foreign Affairs, published by the Council of Foreign Relations. There have been 5 mentions of Iran being the next hot spot. If they do not know what is going on, then no one does.

Now let us use the planets for some timing. The eclipse series next year is related to that of 1979 when the Shah fell from power. But the eclipse of the summer of 1999 is even more potent, and I have already projected a war stretching from Iran to the Balkans, This is what is holding the price of energy up.

Looking at the whole picture, it looks a lot like the Carter years. We will have a southern president (who will not likely complete his term), rising commodity prices, and conflict with Iran.

Question: Is it possible through astrology to know if a person is a natural for trading?

Answer: Yes, this is not difficult. It is the same as looking for musical or artistic ability. A formation of planets represents interest in a subject. If such a formation does not exist, then the person has no interest in trading. My chart shows little ability to play golf, and I simple do not have a great desire to play the game.

This ability usually involves Venus, Jupiter, and the 2nd, 5th or 8th houses. The asteroid Vesta is elated to paper securities. The late Frankie Joe was a master trader. He had Vesta trine Jupiter with an orb of only 1 minute of arc. That is a very favorable and powerful combination.

Those who have Jupiter-Neptune aspects do very well during inflationary periods, especially with futures. They tend to be overly optimistic and take large long positions. They do poorly during deflationary periods. Saturn-Neptune types do better in these times.

Question: Are there good times and bad times to trade based on astrology for an individual?

Answer: Yes again. Once the natal or birth pattern that represents trading is located, stressful or beneficial effects can be detected. I have had some success by altering my trading strategy to fit the planetary effects that are operative at the time. Saturn usually requires a more conservative strategy and closer stops. But there are times when one should simply cool it. I had very stressful aspects last year, and my personal trading suffered. There are disturbances in my personal life that distracted me from the market. Either do not let these matters buy you or stop trading. But this is tough when one must make investment decisions on a daily basis.

Bill Meridian will be giving a 2-day seminar at the London Kensington Hilton on Feb. 15-16, 1997. Contact Andy Pancholi by phone or fax at 1737-845231 in the UK. Bill is a fund manager in the Middle East. He recently completed Planetary Stock Trading, a book explaining the use of the horoscope of the first trade, complete with 1,000 charts of US stocks. Bill was a VP in Paine Webber's technical analysis department during the 1980's bull market. He can be reached at Cycles Research, 666 5th Ave., New York City, N.Y. 10103.

TradeStation

Version 4

TradeStation is a real-time technical analysis software package which has just about every feature you could possibly want. When you order the product you will be surprised as to what you get when you receive the package. It contains, of course, the software disks (actually 13 install disks), a CD Rom which contains up to 25 years of price data for stocks and commodities, 11 tutorials that teach you, step-by-step, how to use the powerful TradeStation features. The package also includes a video, which can help you more easily understand the step-up and installation, particularly the use of the security block.

Requirements: Microsoft Windows 95, Windows 3.1, Windows for Workgroups 3.11 for Windows NT 3.5 or Windows NT 4.0. Minimum of 8 megabytes of memory and minimum of 30 MB of hard disk space.

In this review the installation of the program was quick and simple. Using Windows 95, just insert disk 1 and go to the control panel and click add new programs. This turns on the install sequence. Follow the screen and answer any questions, it tells you when to change each of the 13 install disks. The install sequence is easy. TradeStation uses a security block, which requires a password from Omega Research, it comes with your invoice. You will also need to give the primary and secondary passwords for the data feed you are using. We highly recommend Signal by Data Broadcasting for the data feed. You can setup an account with them through us at a discount on the startup fee. It takes approximately 10 days, as we have to get you approved by the exchanges you are going to use. There is a one time setup charge, a monthly base rate and an exchange fee.

The com port needs to be set so it does not conflict with anything else in your system. For example the mouse uses com port 1 and the modem usually uses com port 3. So it's best to have your data feed coming in on com port 2. Another important thing to know is to have a high speed 16500 UART chip installed in your computer. -*This speeds up the data coming in through your com port. You can also use the new Signal high speed international data box that uses this high speed data flow. It will increase your real time data flow by at least 40 seconds. That is essential if your are going to day trade the S&P with a 1 minute chart.

It is important to have a good computer to trade with using a quality program like TradeStation. One that is made for real time trading. Traders World sells its own Pentium computers which are made for real time trading. They are built according to our specifications by one of the major computer companies specifically for real time trading. They feature the high speed 16500 UART communications chip, 32 MB of RAM, 1.7 Gig hard disk drive and a special video card using the S3 chip for a virtual screen. They are available using the Pentium chips up to 200 Mhz. It is recommended that real time trading computers stay on 24 hrs a day. There are two reasons for this. One is so you don't miss any data coming in during the beginning of the day and second it improves the life of the computer. What usually causes computer problems is the switching it on and off. This weakens the silicon chips. Traders World computers have three cooling fans in the computer plus a heat alarm that sounds if the temperature in the computer reaches 110 degrees! This allows you to keep your computer on without any worry. The virtual video card is important if you want the computer screen to seem as like a big sheet of chart paper. What it means is that you can make your monitor a port window on a screen 4 times larger. This makes the TradeStation screen chart 4 times bigger than normal! This

is great for long term traders who want to see the whole picture on one screen. Another very popular video card to use is the STB multi-port cards. These are excellent for day traders. You can configure TradeStation to run 2, 4, 8, or 16 monitors at once. This is excellent for professional traders who want to view all the markets at one time. To complement these video cards it is recommended to use 17" flat square screen monitors with a dot pitch of no less than .28. In some cases for one screen setups a 21" monitor can be used for optimum viewing ease. Some of our clients also use multiple screens.

TradeStation uses four different ways you can gather price data for the symbols you want to follow. Real-time delayed data collected using the Omega Server from Signal, BMI Bonneville, S&P Comstock or from Future Source. If you loose data you can use the Intra-day refresh data available from Omega's Web site or American On-Line. You can download daily price data from Dial Data or Telescan to integrate with the data that is available to you on the CD Rom. You can also used third party data in nine different formats from nine other vendors.

After TradeStation is setup and running on your computer. You need to setup a workspace which is like a manila folder to hold the charts or reports you want to view. You can have multiple charts in this folder. On a 17" screen 4 charts seemed to be about the right size of charts to have. Each one of these charts can be blown up any anytime. The charts can be organized according to time or by similar groups. For example you might view the S&P by a 1 minute, 5

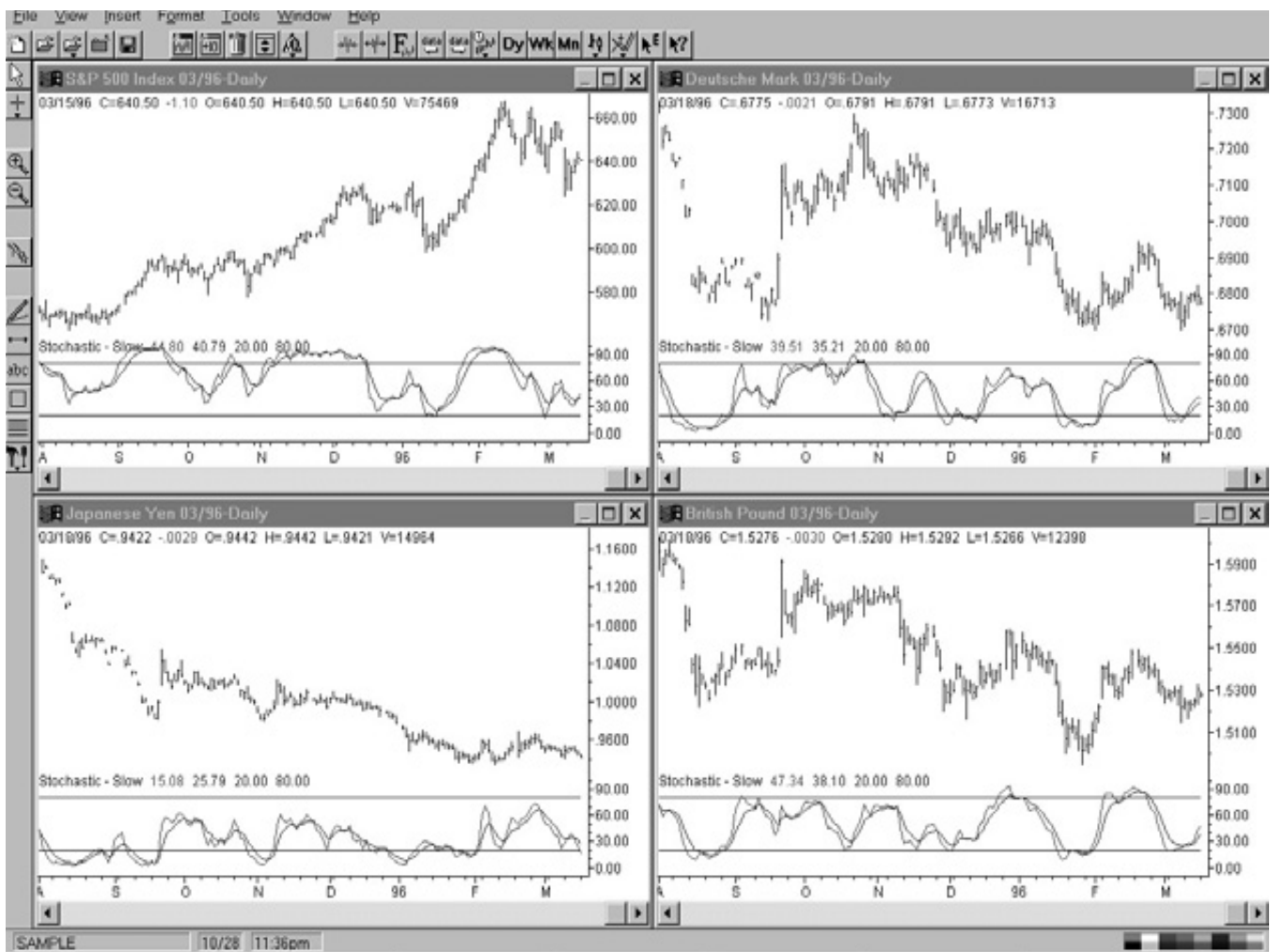


Figure 1 TradeStation features multiple windows on your screen. Four windows on a screen is popular on a 17" monitor in the 1074 x 768 resolution mode. Many traders use 2 - 4 monitors to easily view 16 charts at one time.

minute, 30 minute and 60 minute chart. Or you might have a 5 minute Corn, Wheat, Soybean and Oat chart on the workspace. It's up to your own preferences.

TradeStation also has the ability to put tick charts on the screen. A tick chart is different from a time-based minute chart. Rather than plotting prices during a particular time period, a tick chart plots the price of each transaction, regardless of whether the transaction is 100 shares or 10,000, and regardless of any time-frame involved between the last transaction and the current transaction. You can plot tick charts only if you use intra-day data, whether real-time or delayed TradeStation enables you to create tick charts based on a number of ticks, for example, each position on a 10-tick bar would represent 10 transactions. Many traders feel that tick data gives you better signals using oscillators.

Once the chart is created you can navigate around the chart using the zoom in and out feature for precise charting. You can also use the scroll bar to go left and right to view more data than is on the screen. If you use the virtual video card available from Traders World, you can view data on your screen as a port on a screen 4 times bigger than the port. The mouse acts as a hardware pan on this much larger screen.

TradeStation's data window allows you to view, in detail, the values of the price data plotted on a chart - open, high, low, close and volume (plus open interest).

The program also allows you to divide a chart into different sections, or subgraphs, when you plot more than one symbol in a chart window. As many as 8 subgraphs can be displayed in a window at one time. Using this feature allows you to compare, for example Microsoft with IBM's chart performance.

The bars in the program can displayed in many different ways: Open, High, Low, Close, or High, Low, Close, CandleStick, Dot on Close, Line on Close or Invisible Bars. Point and figure charts can also be created with variable box size and reversal amounts.

Once your charts are setup on the screen according to your preferences, you can use 14 different drawing objects on them. These are analytical in nature and can alert you when certain market conditions exist. Some can alert you to simple price trends, others can detect and alert you to more complex conditions - for example market cycles and Fibonacci cycles. The following lists the important analytical drawing objects included in the program: Trendline, Standard Cycle, Fibonacci Cycle, Gann Fan, Horizontal Line, Speed Resistance Line, % Retracement and Support and Resistance.

These drawing objects have alert capabilities. If a bar breakout occurs either by intra

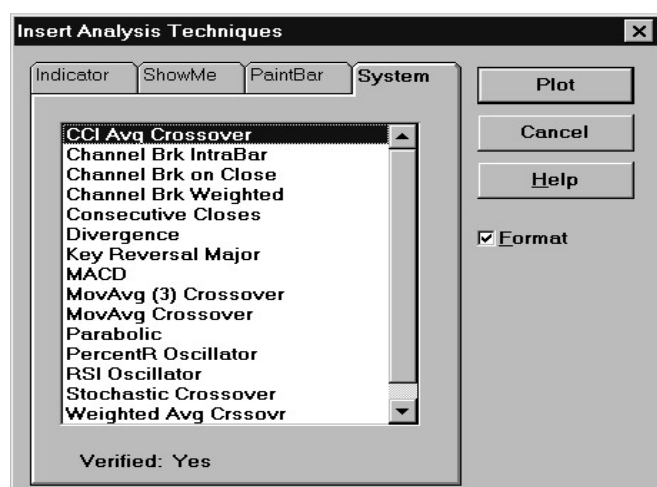


Figure 2 TradeStation includes over 150 built-in technical indicators and studies, plus you can create your own.

Description	Date	Value
MG-Beta	03/18/96	1.004
MG-Beta-Down	03/18/96	0.844
MG-Beta-Up	03/18/96	0.855
MG-Book Value Per Share	03/18/96	10.475
MG-Current Ratio	03/18/96	3.17
MG-Dividend Rate	03/18/96	0
MG-EPS % Change, Yr Ago	03/18/96	50.921
MG-EPS % Change, Yr to Date	03/18/96	52.127
MG-Free Cash Flow per Share	03/18/96	3.981
MG-Gr. Rate %, EPS	03/18/96	24.419
MG-Gr. Rate %, Net Income	03/18/96	27.076
MG-Gr. Rate, EPS # Years	03/18/96	3
MG-Gr. Rate, NI In, # Years	03/18/96	3
MG-Inst. Percent Held	03/18/96	36.995
MG-Last Split Date	03/18/96	05/24/1994
MG-Last Split Factor	03/18/96	2
MG-Net Profit Margin %	03/18/96	24.774

Figure 3 Now fundamental data can be viewed on stocks downloaded from Dial Data.

bar or on the close the program can alert you by screen display, by sound of a beep or even with a alphanumeric pager. This version of TradeStation can give you alerts on many more of the tools than the last version.

TradeStation now has over 150 built-in indicators & studies available to analyze market activity. These indicators are graphical representations of a mathematical formulas to analyze market conditions. The program allows you adjusted each formula to fit the each individual market. These indicators can be plotted in a subgraph above or below the charted price data. Some of the 80 indicators have an expert commentary which can be pulled up anytime. This provides not only a definition of each expert indicator applied to chart, but also discusses what each indicator looks for and what type of market each works best in. It also give you a bar-by-bar commentary about what each indicator is showing you about the market. It's like have your own built-in market analyst. It's an effective way to teach you about the indicators. The expert indicators will also trigger an audible or visual alert when market conditions match the alert criteria specified for that indicator.

TradeStation also has an Expert Analyst Indicator. It does what a professional market analyst does - it analyzes the market and then gives its interpretations of the market's direction. It does this through a technological breakthrough by Omega Research. It is able to analyze the market to mathematically determine which of a variety of conventional indicators are most appropriate for market conditions, then it gives you short term and long term interpretations of the market as well a detailed commentary explaining the analysis. The Expert Analyst is displayed in a subgraph at the bottom of your chart window. Visually, the Expert Analyst appears on the chart as a histogram - a series of thermometer like lines. It is divided in to two parts: the top half reflects the short term outlook and the bottom half the long term outlook.

Another unique feature of TradeStation is the ShowMe Studies that enable you to quickly and easily scan your charts for certain market conditions. The ShowMe study is very interesting. How many times have you looked at a chart an noticed a certain bar pattern the seemed to precede an important down-trend? Perhaps the down-trend was signaled by three bars in which the high of each bar was higher than the preceding bar and the close of the last bar was lower than the low of the preceding bar. This pattern would signal a significant change. In the past you would have had to scroll through the chart one bar at a time looking for that pattern. With TradeStation you tell it what you looking for and it does all the work for you. It scans the entire



Figure 4 TradeStation now has both daily and intra-day volume tick by tick to help you identify major moves.

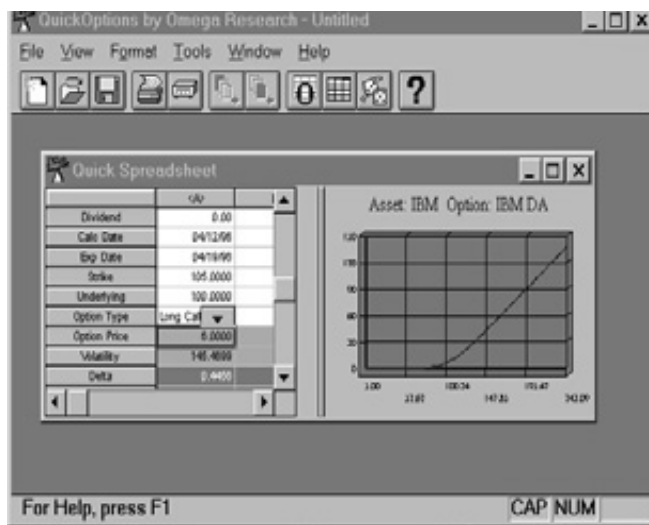


Figure 5 QuickOptions is a new feature which improves your option trading by letting you quickly analyze options.

chart, bar by bar, and then places a mark on each bar that satisfies your rules. TradeStation includes 13 built-in ShowMe Studies and you can write your own.

The PaintBar study is another unique feature of TradeStation. It works very much like the ShowMe studies. You set the rules and TradeStation goes through your chart to identify the bars that meet your criteria. However, rather than placing a mark on the bar, the study paints the bar itself to a different color when your custom criteria is met. PaintBar studies, unlike ShowMe studies, are usually used to mark bars where the defining criteria can occur for many bars in a row. For example, the criteria of a PaintBar study can be written to identify bullish markets, or bearish markets. TradeStation comes with 11 built-in PaintBar studies.

One of the most important functions TradeStation has is its ability to test and optimize trading systems you create. TradeStation is the only software that gives you the opportunity to develop, test and automate virtually any custom trading system. By using a systematic approach to buying and selling that is thoroughly tested on historical data you are much more likely to make money than if you trade based on intuition. TradeStation enables you to test and track complex trading systems encompassing dozens of conditions and formulas without becoming a programmer.

The first step in testing a trading idea is to create two sets of custom criteria. One set for entering the market and one for exiting the market. This is your trading system. Once you have this you can test your trading system by applying it to long term data. TradeStation automatically analyzes every bar of data looking for occurrences of your criteria and provides detailed information on how much money you would have made if you had made the trades based on your trading idea. TradeStation also has the ability to optimize the trading system and change the values of your system to make more money. It is important to not over optimize the system to fit only a small time period of data. The system should really be tested over a long period of time. TradeStation has a System Equity Indicator which can plot your equity as a histogram on your chart and it even updates real-time!

TradeStation now has a PowerEditor Function Wizard. Instead of having to type in the exact formulas for indicators and studies, you can now paste formula into your studies and systems thanks to the new PowerEditor Function Wizard. The PowerEditor Function Wizard comes with over 250 built-in functions to get you started and has a capacity for up to 1,000 user functions.

There has been numerous improvements made to the PowerEditor including the ability to reference intra-day trade volume in systems and studies, write your own Expert commentary for your custom analysis techniques using Easy-Language, create trading systems that work with the TradeStation Pager Alert, quickly find and correct syntax and typographical errors in systems and studies, easily change the fonts and print your studies and systems, you can also create one, two and three dimensional arrays in Easy Language - great when you need a large number of variables for storing the results of calculations.

TradeStation now has the capacity of allowing you to create indicators, ShowMe & PaintBar studies, and systems that automatically draw trendlines, and even write text on your charts all automatically.

A new application added to TradeStation is the NewsMonitor. It enables users to view news information on a real time basis. NewsMonitor is a comprehensive news monitoring tool equipped with features that allow you to view not only headlines but full stories. You can place alerts on keywords within headlines so that you're notified when a relevant headline comes in. It has the ability to perform searches on the headlines and display matching headlines either in a different color from the rest, or all by themselves and it can display an unlimited

number of news windows, each with a different search and display filter. It can even display graphic images such as weather maps.

Another new application added to TradeStation is the QuickOptions Real Time which helps evaluate your options trading strategy before you place a trade. QuickOptions RT is really an options calculator - it puts at your fingertips the tools you need to quickly examine the variables associated with options trading, determine the most profitable combinations of variables associated with options trading, determine the most profitable combination of variables, and calculate how much money you would make, all in a few seconds and without risking a dime. For example, suppose you think the price of IBM is going to rise to a never before seen high. To determine which IBM options you should trade in order to make the most of the high you think is coming, simply input your price expectations for IBM and QuickOptions will help you determine which IBM options will maximize your return and minimize your risk - the decision to buy or sell is yours, the important consideration is that by using QuickOptions, it's a well informed decision.

TradeStation 4.0 is a major software upgrade. Software upgrade tune-ups for the latest enhancements of this version can be downloaded free from the Omega Research World Wide Web site at <http://www.omegaresearch.com>. TradeStation has a well-deserved reputation at the most powerful trading software in the world and it can be seen from this software upgrade that they will remain the industry standard in real-time system testing and automation software. The program has more than 150 add-on solutions from 3rd party companies. The program is highly recommended for any serious real-time trader.

The program TradeStation, reviewed in this issue, has the ability to test and optimize trading systems on both short and long term data. This works fine with stock data, but there is a problem with commodity price data. Commodities trade with an expiring series of price data. So how do you test this series of expiring contracts?

One way is to test each individual contract from beginning to end. However, there is a problem with this. The liquidity is often very low at both the beginning and end of the contract. This causes slippage in actual trading from executions from stops. This means that the results doing back tests on historical data is not the same as real-time trading results. Another problem with this method is that it gives you a large number of tests over several years. You have to put all these together somehow, and try to make it work.

A second method would be to link the current nearby contract together with the last expiring contract on a continuous basis for testing purposes. This eliminates the liquidity problem at the beginning of the contract, but it still has the same problem low liquidity at the end of the contract. There is another problem of price gaps between contract months. Sometimes there is an extremely large price gap between the last expiring month and the current trading month. This is especially noticeable with the agricultural commodities such as the grains, cotton, and meats. This price gap ruins the ability to do system tests with the price data.

The Gann method of linking price data which links, for example December 95 Corn to December of 96 Corn works fine with long term Gann angles, but does not work for system testing primarily because of the big price gap between the contracts. Also it has the same problem as the second method of low liquidity at the end of the contract.

The only possible data method to use for system testing over long term historical data would be one that takes the nearby data, adjusts its price to that of the last contract and then ends it, before there is a liquidity problem at the end of the contract. Pinnacle Data Corp. has a program called DataMaker which allows you, for a given date range, to select fields of data from their data base of the nearby 50 popular commodities and combine them into one large

Slippage

By Barry Rosen

How many times have you placed your stop at a key Fibonacci retracement target and gotten hit by the locals and stopped out? With everyone using Fibonacci numbers, you have to be one stop ahead to win the race. Here are some tips.

Fibonacci numbers work because crowds - including "crowds" of prices - are dynamic systems that conform to mathematical laws. If you have ever been to the Museum of Science and Industry in Chicago, you may have seen the machine there that sorts balls randomly into eight slots and at the end of the run, the balls form a bell curve. Likewise, the Fibonacci numbers of .362, .500, .618, 1.618, and 2.168 etc. create important, predictable price values - even in the wild chaos of 400,000 T-Bond contracts traded daily in the pits.

A bull market is likely to a minimum retracement of .232 or .382, and if you are looking to get in an entry .37 from the top that will get you filled, then a safe, tight stop may be the only slippage factor below the 38% retracement. Knowing Elliott Wave principals can also aid you in choosing the proper stop, and we would recommend the basic Elliott Wave books to guide you in that area. On double tops and bottoms, locals will usually pick-off a stop 1 or 2 ticks above or below the market, but a real breakout or breakdown will be occurring if the market goes through slippage. While each market has its own behavior patterns, the following slippage numbers can keep you out of trouble and prevent the locals from gunning you down.

The following list shows the slippage factor for the most actively traded commodities:

S & P	.65
T-Bonds	7 ticks
DM	20 ticks
SF	25 ticks
Yen	25 ticks
Gold	\$1.10
Silver	2 cents
Copper	.60
Crude	.09
Beans	5 cents
Corn	2 cents
Wheat	2.5 cents
Live Cattle	.35
Hogs	.35
Bellies	.55
Cocoa	.10
Sugar	.08
Coffee	.55

Barry Rosen, the founder of Fortuncast Market Timing, began the service in 1987 with a monthly timing newsletter titled Investor's Fortuncast, now titled Fortuncast. As a registered CTA with the CFTC, Barry advises thousands of clients through hotlines, fax services and newsletters. Barry focuses on over 22 markets in his publications and his eclectic market timing methodology includes Gann, Elliott Wave, and unique cyclical timing devices based on the work of Gann. For more information, contact Fortuncast at 800-788-2796 or write Fortuncast, PO Box 2066, Fairfield, IA.

The Best Way to Trade with Limited Capital

By Bruce Babcock

One of the biggest swindles unscrupulous commodity vendors are pulling is to suggest that you can be a successful commodity trader with minimum capital. In order to sell their trading courses, they claim you can make a fortune starting with whatever amount you currently have available.

Most thoughtful experts agree that there is a minimum below which success is determined by luck. I set that amount at \$10,000. Below that, it is nearly impossible to apply proper risk management principles. Studies have shown that success is directly proportional to the amount of capital you have. To maximize your chances of success, it is best to have at least \$75,000.

My best mechanical system for small traders requires at minimum \$15,000 for a conservative approach involving a five-market portfolio. Without a little luck, trading that system with limited capital may require extraordinary patience to wait for the system's statistical advantage to assert itself.

If I had to trade with less than \$15,000, how would I do it in a way that would maximize my statistical advantage? My suggestion is to pick a few classical chart patterns and specialize in trading with them. You must have discipline and patience to wait for the patterns to develop correctly using only markets suitable for small accounts. Additionally, you must apply strict risk management and have great tenacity to let your profits run on the good trades.

Mid-America Exchange mini-contracts are a viable alternative for small accounts and highly recommended. Full-size contracts would occasionally be all right in such markets as Gold, Cotton, Soybean Meal, Soybean Oil and Oats.

The best book on chart pattern trading in futures is Peter Brandt's Trading Commodity Futures with Classical Chart Patterns (800-999-2827) . Peter has been earning his living trading this way for over 25 years. His entry approach is to identify clearly defined chart patterns as described in the Edwards and Magee classic, Technical Analysis of Stock Trends, with a 'measured move' representing a profit potential of at least \$2,000 per contract and a reward/risk ratio of at least 3 to 1.

There are some further requirements described in his book. For those who want to follow and learn from Peter's trading, he publishes a newsletter called The Factor (719-471-6898) .

Another successful expert who uses chart patterns for entry is Steve Brieze, publisher of the Bullish Review (612-423-4900). This excellent newsletter reports on and analyzes the CFTC Commitments of Traders Reports. Steve's personal trading approach is to concentrate on only two kinds of patterns. Here's how he described his method in an extensive, exclusive interview available from my Reality Based Trading Company (800-999-2827).

"I continue to believe that using standard chart patterns is a very lucrative way to trade. I've gone back to look at what has worked and tried to reduce the chart patterns down to a manageable few. The first is a failure swing top or bottom, which may be a double top or bottom or the last part of a head and shoulders or triple top or bottom. These are reversal-type patterns. The other one is a coil. That would include any type of triangle which is a consolidation. It is

typically a continuation pattern, but it can also be a reversal pattern.

"The problem with these patterns is that to trade a breakout and put your stop on the other side of the pattern usually creates more risk than I want to take and that most traders should take based on their account size. The typical approach to this would be to trade the breakout when it comes, but to put your stop at a money risk distance from the entry.

"I take the opposite approach. First, I determine where my stop-loss should be based on the pattern. I want to put my stop at the point where the pattern fails. Then I determine how much I'm willing to risk on the trade. In my case I never risk more than \$500 per contract on any trade. I don't trade the S&P, where that would be difficult.

"After I've established my stop, I know what the exit point will be. Now I have to find the entry point that will keep my risk within the required amount. This will usually be at a point before a breakout verifies the pattern, still within the pattern. I use the Commitments of Traders data to forecast which way a pattern is going to complete."

The biggest problem in trading with a small account is finding reasonable stop-loss points and still keeping risk to an appropriate level in relation to your account size. Since strings of losses are inevitable regardless of your approach, you must control risk so you are not wiped out by consecutive losers. Experts agree that for proper risk management, you should limit risk to no more than about one percent of your account equity. This is impossible with a small account.

Steve Brieese has been successful with stops under \$500. Peter Brandt's average loss is generally under \$400. You must be patient to wait for entries that qualify under your rules where you can place an intelligent stop at a point which will limit risk to less than \$400-500. If the current volatility is too large to accomplish this, you must pass the trade.

While novice traders spend all their time working on entries, seasoned traders know that the really difficult decisions in trading involve exiting profitable positions. Letting profits run on good trades is absolutely essential to long-term success.

I believe that judicious trailing stops are the best way to let profits run. On multiple contract positions Steve Brieese uses a combination of trailing stops and volatility. Peter Brandt prefers exiting at pattern objectives.

While successfully trading commodities with limited capital presents the highest challenge in trading, you can do it if you recognize the problems and construct a trading plan to accommodate the realities.

Bruce Babcock is the founder and Editor Emeritus of Commodity Traders Consumer Report. He has written eight books on trading including The Dow Jones-Irwin Guide to Trading Systems and Profitable Commodity Futures Trading From A to Z. He has designed over 25 computerized software systems for traders, a number of which he trades himself. His latest book is The Four Cardinal Principles of Trading, available from Reality Based Trading Company (800-999-2827).