

A Moon-Beam Thru the Tunnel

By Petter Ivar Amundsen

The “Tunnel Thru the Air” is mysterious and contains a valuable secret, clothed in veiled language.” These are Mr. Gann’s own words in the foreword of the novel. I have had the good fortune to discover a part of this secret. The reason for writing this article is to display the depth of his writing and inspire others to investigate its mysteries. I am also interested in getting to know a handful of people with whom I could exchange information. Together we could find more clues and solutions than what we would do on our own. Reading this article, you should be warned that you will be deprived of the great sensation of breaking through a barrier and experiencing the joy of discovery. Anyway, I know there are many more discoveries to be made and plenty of joy to be felt...

Have you ever considered the title of the book? “The Tunnel Thru the Air or, Looking Back from 1940”? Strange, isn’t it? The title will, however, give us two clues. The first is the slang spelling of the word through, the second is the year 1940. The last date in the book is in 1932. I was also puzzled by the fact that the subject of the title, the Tunnel, played merely a minor part in the plot. The story could have worked well without this artifact. There might just be a hidden meaning here somewhere...

Another curious fact is the frequent use of the number 69. Robert Gordon was born on 6.9.1906. He occupied an office on 69 Wall St. and the Jonah “key” is on page 69. What if Mr. Gann was hinting at the Zodiacal sign Cancer, which is symbolized by this figure? When I consider the Jonah parallel, that the “Son of man (would) be three days and three nights in the heart of the Earth”, I cannot help thinking about the moon’s disappearance during a lunation. It is invisible for three days and three nights. You could also say that it is “in the heart of the Earth” as it is placed directly between the Sun and the Earth, just as the voice of our heart receives the light of our Lord. The Son of man, Jesus, was the perfect reflector of the light from above. Cancer is ruled by the Moon.

On page 177 we find the first encounter between Robert and an astrologer. Robert wants to know how and when he will meet his Marie, and Professor Joyful, as he is called, tells him that they will reunite in New York, since this city is ruled by Cancer and his radix Venus is in this sign. On page 248 there is the letter from the Canadian astrologer who points to the heavenly constellations at the time Marie disappeared. Venus was about to change signs from Cancer to Leo and was separating from, among others, Mars. In the last sentence of the letter, he said that a progressed conjunction between Venus and Mars would bring her back. There are several methods for progressing a horoscope and progressing alone is not accurate enough to explain why they would meet at that date in 1932. What the statement does, is to throw some light on the association between Robert and Mars. The association between Venus and Marie is already well established.

If you cast a horoscope for the time and place Marie wrote her farewell note to Robert (June 5, 1927 - 3 a.m.), you will find that Venus and Mars is within orb of conjunction in the sign Cancer. They would not share this sign until August 1932! There would be several conjunctions between the two planets, but none in Cancer as viewed from the Earth. But what about the incident in Paris, mentioned on page 241, where Robert was sure he saw Marie? If you look up your Heliocentric Ephemeris you will find that “in the latter part of February 1929” there was a conjunction in Cancer! No wonder why the morning was “sunshiny”!

I hope you see the pattern here, but one important question remains. Why did they reunite around 11 a.m. on August 30, 1932? Why that date and that time? Mr. Gann was careful to write 3 a.m. on the farewell note. Could we not suspect that the timing of the reunion should be as accurate?

It is here we must confer the moon. If you cast another horoscope for the exact time and place of this final event and check out the position of the moon you will get the answer. The Moon is at the exact same spot it occupied when they were separated! This event is called a Lunar Return, just as any anniversary date is a Solar Return. Mr. Gann must have been doing some detailed planning to mold this plot together! But it does not stop here. Now it is time to look back to the title.

"The Tunnel Thru the Air." Doesn't it strike you that there is a similarity between this title and "The Lunar Return"? It sure made me take a closer look. The only problem appeared to be that you'd need an extra "r". Hey, wasn't there a subtitle? I grabbed my game of Scrabble and wrote the whole thing, subtitle, numbers and all across our coffee-table. My five-year old daughter would very much like to play with dad, but was told that this was a game for grown-ups! Now I could experiment back and forth and so I did. I tried several possibilities but nothing made sense. What about the number? Maybe it could be 0419 and point to some important page? No, the book is "only" of 418 pages.

Suddenly it dawned on me. Numerology! The numbers are letters, just as letters are numbers! Using the Pythagorean method and replacing zero with the letter "o", it took only ten more minutes before I had the solution. The new title that emerged made sense, no letters were left over and it seemed I had the original idea for Mr. Gann to write the book! Why he would start with the mother, Amelia Gordon, and why he would end it as he did. Do you want to know the hidden title? Here you go: "From the Lunar Return, looking back to his mother."

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The Gann Pullback

By Jerry Pegden

The Gann Pullback is an objective trend-entry indicator that will get you in a trending market with minimum capital exposure.

One of W.D. Gann's rules is that there is no market too high (low) to buy (sell) if the main trend is up (down). Gann also observed that strongly trending markets frequently pause for only a few bars before resuming the trend. Now that's easy to see on a chart in hindsight as is readily visible on the T-Bond chart in Figure 1 showing the five-month decline in bond prices from Jan 96 to May 96.

Selling any of the numerous minor pullbacks after the January high would have been a profitable ride. Indeed, it is easy to pick off the places where one would have pyramided. But in the real world, if you miss the beginning of a trend how do you jump on?

Four objective pieces of information are required for a trend-entry trade set-up: (1) criterion for identifying that a market is trending; (2) criterion for identifying a pullback; (3) criterion for the trade-entry price, and concurrently, (4) criterion for placement of the protective stop.

The Gann Pullback indicator provides these four criterion and thereby automatically identifies the trend-entry set-ups that allow the trader to jump on a trend or get back in a trend and/or pyramid.

Step 1: Identify a trending market. There are numerous criterion for a trending market. The



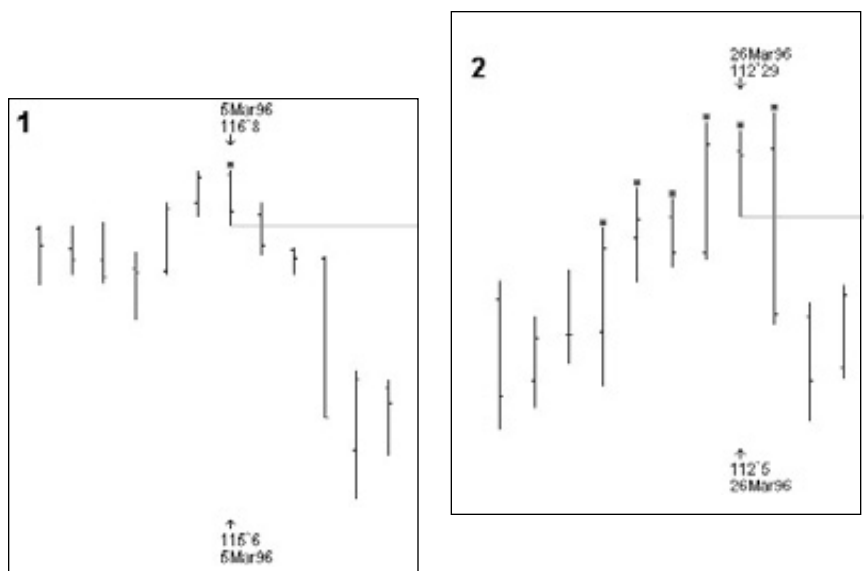
Gann Pullback indicator uses Wilder's ADX. An ADX above 30 signals a trending market. The trend direction is determined by Wilder's Directional Indicators. If -DI is above +DI the trend is down. If -DI is below +DI the trend is up.

For both the ADX and DI we have used a 14 bar period. In Figure 2, the first indicator below the bars is the ADX. It was above 30 from late Feb through early May. For this same period the -DI was above the +DI. Given this objectively determined down trend, we may now look for market pullbacks.

Step 2: Identify a pullback. Once the trend direction has been identified, we wait for the market to pause or temporarily pullback against the main trend. We are looking for a set-up bar. Since a downtrend is characterized by lower highs, our pullback set-up bar criterion will be three consecutive bars with higher highs or any combination of two higher highs and an inside bar. If one of these three-bar sequences occurs then the third bar in the pullback sequence is the set-up bar. It is the set-up bar that provides the entry and protective stop prices.

Step 3: Determine the trade entry price. Once the set-up bar has been identified, we look to enter the market in the direction of the main trend. The bar immediately following the set-up bar is the signal bar. The trade-entry criterion is that we will go short when the signal bar takes out the low of the set-up bar. Thus a sell stop would be placed one tick below the low of the set-up bar.

Step 4: Determine where to place the protective stop. If the short trade is elected and the high of the set-up bar is later taken out, then at a minimum we can assume that the pullback is incomplete. We would want to place a protective buy stop one tick above the high of the set-up bar if the entry sell stop is elected. The capital exposure is thus usually limited by the range of the set-up bar.



Summary for trend-entry signals in a declining market:

1. Trend: ADX > 30 and -DI > +DI.
2. Pullback: Requires three bars: three consecutive higher highs or two higher highs with an inside bar in any order generates a set-up bar. The third bar becomes the set-up bar.
3. Entry: Sell when the low of the set-up bar is taken out by the signal bar..
4. Protective stop: Just above the high of the set-up bar.

Now let's take a look at the Gann Pullback set-ups on the T-Bond chart that were identified by the Dynamic Trader software using the exact criterion discussed above.

There were a total of five pullbacks which are labeled 1,2,3,4 and 5 (see Figure 2 for a macro view and the individual charts 1-5 for a zoomed view). The set-up bars within each pullback are identified with a small square above the bar. Remember that the bar immediately following a set-up bar is a signal bar because it is the action of this bar that determines whether a trade is elected. As shown in pullbacks 2,3 and 5 a set-up bar can also be a signal bar. Overall, pullback trades 1,2 and 3 put you back in the trend while 4 and 5 had small losses.

Set-up 1. This was a textbook Gann Pullback. The open of the signal bar was lower than the close of the set-up bar and the market closed near the low of the day after taking out the low of the set-up bar. The low of the March 5 set-up bar was 115'6 so our entry sell stop would have been at 115'5. Our protective stop is 116'9, one tick above the March 5 high.

The market fell over five points in four days before another pullback. How much of the move would you have captured? The Gann Pull back does not tell the trader when to take profits. So it depends on your trading plan - whether you let the market take you out, have a fixed profit objective, trade multiple contracts, are a short-term or longer-term trader, etc.

Set-up 2. Here the market pulled back higher and higher creating a series of set-ups.



Figure 2

As each new set-up is made, we cancel the old trade-entry sell stop and enter a new one, one tick below the low of the new set-up bar. The fifth set-up was elected as the signal bar took out the Mar 26 low of 112'5. The market declined one additional day before starting another pullback. This trade would have been profitable with any trade plan as the high of the set-up bar was never taken out.

Set-up 3. Since the set-up bar had a narrow range (17/32nds), this very profitable trade had little risk. Entry was at 111'25, one tick below the April 2 low. The protective buy stop was at 112'12. Note that even though the signal bar took out the high of the set-up bar before the trade was elected, the protective stop is still the high of the set-up bar. The market fell sharply before starting the next pullback six days later.

Set-up 4. Entry was at 109'24, one tick below the April 16 high. Four days later you would have been stopped out at 110'18 for a loss. The stop-out bar was a swing high from which bonds immediately fell over three points. But that slightly higher high didn't register as a set-up bar since the pullback was only two bars and our rules require three.

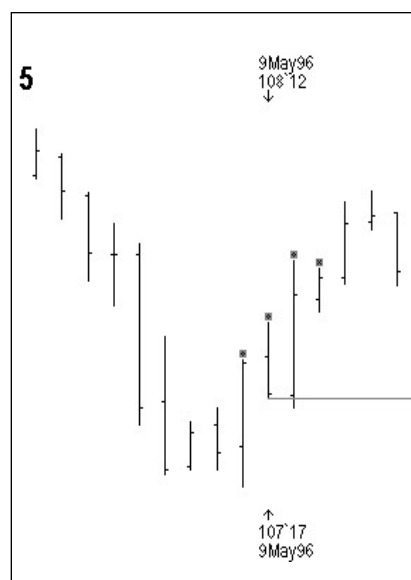
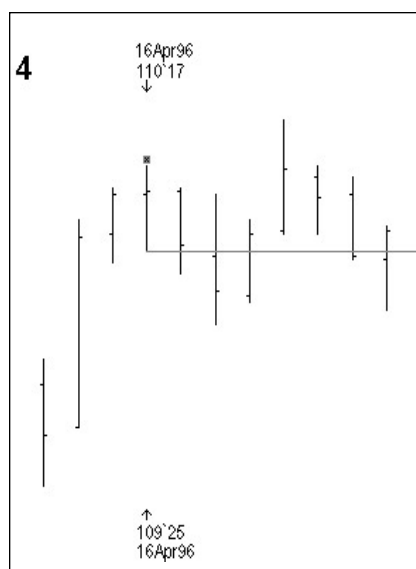
Setup 5. On this set-up you were stopped out on the entry day. The market opened near the low of the day and declined just enough to elect the trade by taking out the May 9 low of 107'17. From there it moved sharply higher closing well above the protective stop of 108'13.

The Gann Pullback is not a black box trading signal system. The trader must examine each set-up in the context of the Time, Price, Pattern and Position of the market (see Holistic Analysis of the Gold and Silver Markets in this issue of Traders World).

An examination of the fifth pullback trade in this context, for example, provides several reasons why this trade may not have been taken.

By the time of the fifth pullback, the down trend is loosing steam. The ADX is not strong, having declined back to the 30 area and +DI and -DI are starting to converge (Figure 2).

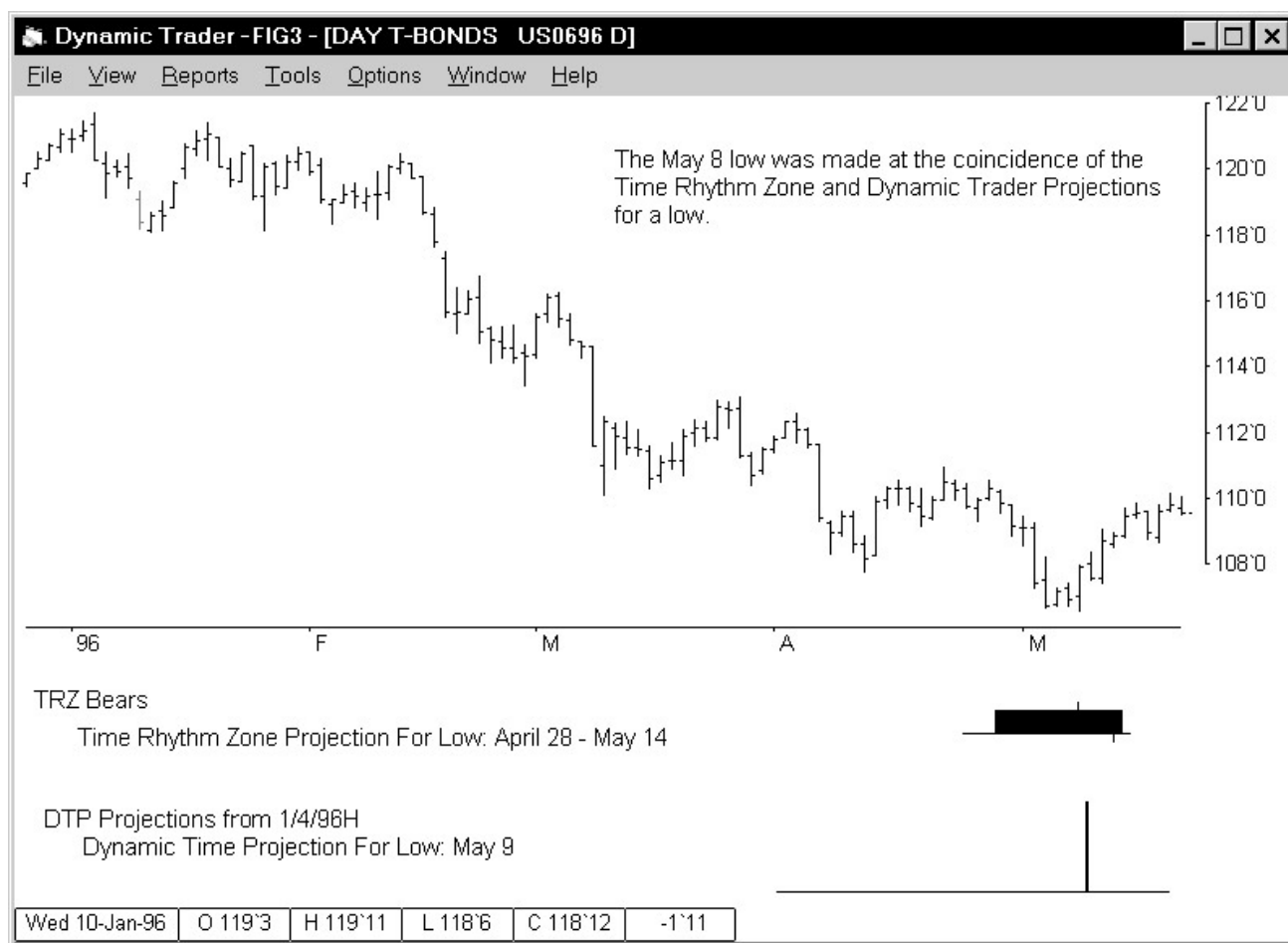
More important, two significant time projection techniques were pointing to this period for a significant low (Figure 3). Bear market Time Rhythm Zone™ projections were calling for a low between April 28 and May 14 and Dynamic Time Projections™ from the Jan 4,



1996 high clustered on May 9!

The idea behind the Gann Pullback was suggested by an article in the May issue of Larry Connor's Professional Traders Journal. Oceanview Financial Research, (310)-589-3165.

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Holistic Analysis of The Gold and Silver Markets

By Robert Miner

By taking a holistic approach to market analysis, traders and investors have a much higher probability of making high profit decisions. As this issue of *Trader's World* is going to press, a comprehensive analysis of the gold and silver markets suggests a major low is near at hand. We will take a look at the three major dimensions of market analysis to arrive at an opinion of the position of these two markets and develop a trading or investing strategy.

Time: W. D. Gann said that "Time is the most important factor." Most traders and investors do not have a consistently reliable time analysis methodology to apply to all markets. Including a reliable time analysis method in your trading and investing plan can be the difference between success and failure. Time projection analysis will validate price projections, trend direction and reversal signals.



My time analysis includes two important projection techniques: Dynamic Time Projections and Time Rhythms. Each is an entirely different approach, yet they complement each other. Dynamic Time Projection analysis proportions and projects past time cycles by the dynamic ratios. I have described this method in several past articles.

Time Rhythms measures all past cycles of a chosen degree and projects the range of time that the next high or low has at least an 80% probability of occurring. The Time Rhythms also provide the maximum probable period for the high or low to be made based on all prior cycles of similar degree. The details of how the Time Rhythm Zone projections are made will be described in a future article.

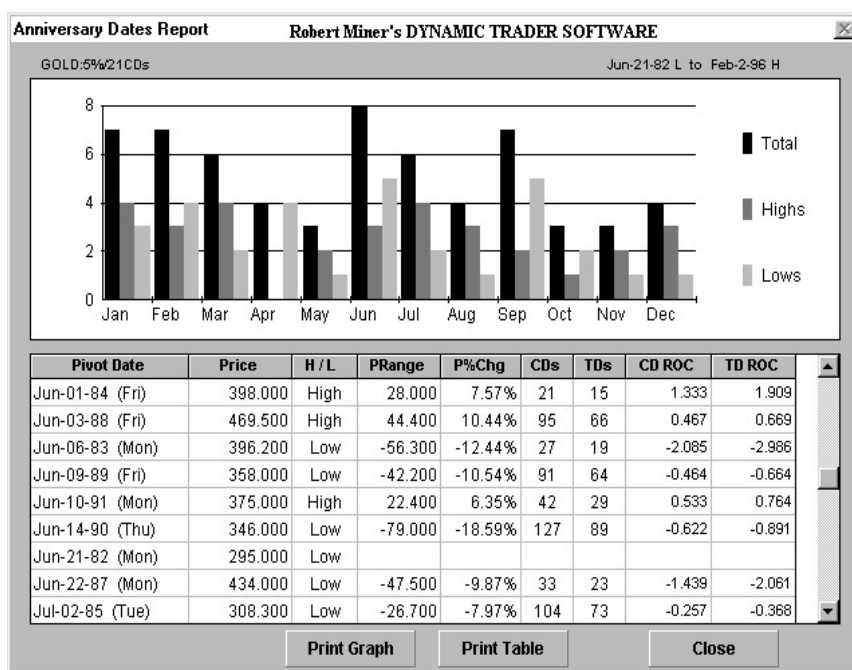
While no time projection methodology is 100% accurate, the combination of Dynamic Time Projections and Time Rhythms provide the targets for both the highest probability dates and time zone of trend reversal of a known degree as well as the extreme date the trend change should be made. Figure 1 shows the recent gold daily data and the Time Rhythm Zone and Dynamic Time Projection dates in the indicator windows below the chart.

What is the bottom line of the time projections for a low for gold and silver? The Time Rhythm Zone projection shows that the maximum date for a major low should be July 8. The ideal period for a low falls in the May 31-June 11 time zone. The Dynamic Time Projections (DTP) show two periods with the highest probability of making a low. The first, May 31-June 3, fell right within the Time Rhythm Zone. However, gold has already continued to decline to new lows beyond this period. The next DTP falls in the June 20-28 period which is still within the range of the anticipated extreme date for a final low of July 8.

Dynamic Trader Time Count: Counts of 144 and other numbers in the Fibonacci series are often found in the gold and silver markets. 144 calendar days from the Feb. 2 high in gold falls on June 25. Examine past intermediate degree swings in gold and you will not find many that exceed 144 calendar days and several that complete on or very near this important count.

The timing conclusions for a major low in the gold market: The final low will probably be made by June 11, but no later than July 8. If gold continues to decline to a new low from the Feb. 2 high after June 11, the final low has the highest probability of being made in the June 20-28 period.

This time analysis does not consider the wide range of anniversary dates of gold in June.



Future and Past Dates		
<u>CDs</u>	<u>Date</u>	<u>Date x days after</u>
144	02-Feb-96	25-Jun-96

More intermediate degree trend changes have been made in June than in any other month in the gold market. The past anniversary dates in June and early July are shown in Figure 2. The timing analysis for silver also indicates the ideal period for a low is by June 11. However, the extreme period for a low in silver is slightly earlier than gold and falls on June 24.

Figure 2 (gold anniversary dates): Since the 1982 low, more intermediate degree trend reversals have been made in June than in any other month. The dates of prior reversals are shown above. Note that the majority of the reversal dates were made on a Friday or Monday and that lows outnumbered the highs.

Price: Both gold and silver are nearing price support levels that should not be exceeded if a major low is in the making. Let's shift our attention to the silver market for the price analysis. Just below the current market position (though June 11) are two support levels. The price analysis is based on daily closing prices of the nearest active futures continuous contract, often called spot futures data.

The first support level is 512-498. This price zone includes the prior two minor swing lows made June 30 and Dec. 12 plus the 61.8% retracement of the prior rally swing and a 100% alternate price projection (App). Due to the pattern position of silver, the 512-498 price zone should be the maximum zone reached if silver is to make a major low by June 24 (gold, July 8) followed by a rally up out of the trading range.

However, there is one price zone lower that is the final zone of support. This zone is 480-474 and includes the 78.6% retracement and 100% alternate price percentage projection. If silver closed below 474, we must then consider that the bear trend would continue to new lows. See figure 3 for the silver support levels.

Pattern: Both silver and gold suggest that the recent declines are corrective. Each of the intermediate term rallies was of an impulsive nature, usually a five wave advance, while each of the declines appear corrective. Corrective patterns are typically either an ABC or diagonal (overlapping) ABCDE. The most recent declines in both silver and gold appear to be completing ABCDE corrective patterns.

Whichever direction price breaks out of the prolonged trading ranges in both gold and silver, the breakout should be dramatic. Gold is experiencing the longest trading range period since the inception of gold futures trading. A prolonged trading range may be viewed as a period of indecision. Trader psychology should dramatically change once the breakout decision is made which is why trading and investment decisions should be made prior to the breakout when the risk and capital exposure is at a minimum.

Current Position: Gold and silver should make a major low no later than July 8 and ideally by June 28 that should be followed by a rally that exceeds the trading range highs of the past few years. New lows from the Feb. 2 high after July 8 invalidates the bull market outlook, at least for the time being. A close by gold below 380.5 (Sept. 5, 1995 low) and silver below 498.0 is the initial indication that this bull market outlook is not valid. However, it will take a gold close below 372.5 and a silver close below 474 to invalidate the bullish outlook.

Figure 3 (daily silver, spot data): The two major support zones are 504-498 and 480-474. Typically, the E wave of an ABCDE correction would not exceed the first zone. Note the current decline appears be the e wave of a larger degree E wave. In other words, the pattern of the silver market implies the end of the larger degree correction should be near. A close below 474 signals the continuation of a bear trend to new lows. The 78.6% retracement zone is usually the last support projection for most markets.

Trading Strategies: Technical analysis is only useful if it provides the conditions for a trader or investor to take action. In the case of gold and silver, the time, price and pattern analysis described above provides for specific strategies and stop loss positions. As long as gold and silver have not traded lower beyond the extreme time period for a low of July 8 and have not closed below the price levels described above that invalidate the bullish outlook, traders and investors should use their short term timing techniques to enter long positions.

Or, the less risky strategy is to wait for gold and silver to exceed the most recent minor swing highs which would signal that a bull trend should be in the initial stages. In the case of gold, a close above 398.0 is the definitive signal to enter long. In the case of silver, it is a close above 547.3. Other low risk, entry strategies may be implemented such as the Gann Pullback which is described in another article by Jerry Pegden in this issue of Trader's World.

By taking a holistic approach to the analysis of the gold and silver markets, we have arrived at a firm conclusion of the position of these two markets. The analysis has also provided us with the conditions that invalidate our outlook, as well as the trading strategy approach that will take advantage of the current position and anticipated outlook. Traders and investors who take this approach and have the patience to wait for the highest probability conditions should find a significant improvement in their trading and investing results.

Robert Miner is the president of Dynamic Traders Group, Inc. Miner publishes the monthly Dynamic Traders Analysis Report and a weekly fax advisory service. He has also recently released the Dynamic Trader Software and Trading Course which was reviewed in the last issue of Trader's World. Robert Miner is also the first place winner in the 1993 Robbins World Cup Championship of Futures Trading, Professional Division.



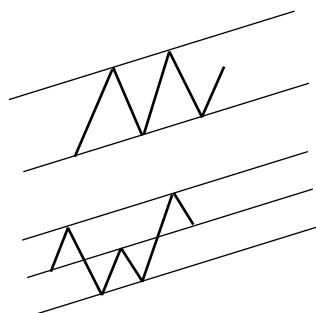
Intraday Trading

By Thomas Long

In recent months, more and more traders are turning to intraday trading for various reasons. Whether it is to avoid the risk of overnight positions, or to fine tune entry and exit points for longer term positions, this increased interest has prompted me to do a more in-depth study of intraday trading techniques and how they relate to the software that I use for my own trading. I am referring, of course, to Jeanne Long and Robert Krausz's combination program, the Fibonacci/Galactic Trader.

The combination of Robert Krausz's technical tools and Jeanne Long's planetary lines proves to be a simple and effective way to monitor not only the physical price movements, but also the natural rhythm of the markets. Planetary Lines give the natural support and resistance zones for any market.

For the sake of simplicity, I have contained my research in this article to three markets, and my studies on those three markets will show only simple combinations of planetary and technical tools that will enhance any trading system. I recommend that anyone interested in using



these programs for intraday trading conduct a thorough research of planetary and technical tools on all time frames to be used in your system. Then follow up with an intensive backtest of your system on historical data and a period of paper trading your system in a real-time situation. This thorough research and backtesting provides the mental reinforcement you will need to trade your system. I also recommend that you keep your system as simple as possible. The more complicated your system gets, the harder it will be to make trading decisions when the time arrives.

S&P 500 FUTURES

Charts 1-4 illustrate one simple combination of tools I recommend for the S&P 500 futures. Krausz's Dynamic Trio' and Long's Moon Line work in tandem to provide you with an excellent monitor for intraday trends in this market. You will note first that Krausz's Dynamic Trio' indicator is set to function on the Higher Time period of 5 minutes for the signals on the one minute bars. This use of multiple time frame analysis is a critical part of my trading philosophy. Jeanne Long's Moon Lines are set at 3 degree separations to provide the best possible monitor on the rhythm of this market in this time frame.

The Dynamic Trio' functions well as a trend indicator and a trailing stop. (Because it

combines time, price, and momentum) When the steps are up, you are looking only to buy unless price comes below the step. The opposite is true for downward steps. Where planetary lines are concerned, it would be helpful to note here that price typically bounces from one line to another, for example:

Chart 1 illustrates the morning activity for April 25, 1996. Note that the first trade never reached a profit zone and was reversed via the Dynamic Trio' at approximately 10:25am. When price cleared the next Moon Line on the down side it was a clear signal that price would most likely travel lower to the next Moon Line. So, once price has fallen through one Moon Line, as it did at our 10:25 entry, you can now expect it to travel down to the next level. As you can see, the lower Moon Line provided an excellent profit point for this trade.

Chart 2 illustrates another entry for a long position occurring immediately after contact with this lower Moon Line. At approximately 12:15 we initiated the long position via the Dynamic Trio'. Again, the Moon Line provided an excellent profit point. As a matter of your own personal preference, profit points can be either the termination of a trade, or simply the termination of a percentage of a position. In this case, either re-entry or continuation of the trade for the remaining contracts came at approximately 14:10 when price exceeded the level of the previous isolated high on the Moon Line. Again, profits were taken at the next Moon Line at 14:45. This close to the end of the trading day, I would maintain a flat position after the termination of this trade.

Chart 3 illustrates the first half of the following day's trading. The first entry was a long position with the same termination/re-entry pattern as the trade illustrated in Chart 2. This time, the re-entry terminated at the Dynamic Trio' with a reversal at 12:25. This reversal, coinciding with the Moon Line, ends in another reversal at 13:30 (See Chart 4) where price once again tests the Moon Line above, and culminates in a reversal to the short side at 13:55. The Moon Line again provides our profit point at 14:20. Re-entry of this trade at 14:35 is not noted or recommended due to the late hour of the trading day.

As you can see, two days of trading in this market provided many profitable trades using these simple tools.

US BONDS

Charts 5 & 6 show a very similar system on the Bonds using the 16-minute bars, the 80-minute Dynamic Trio', and the Heliocentric Uranus Line set to one degree. This trading scenario assumes holding of overnight positions, but does not recommend holding of weekend positions. Also, profit points are labeled (1) & (2). I recommend taking profits on one-half or two-thirds of contracts at the first profit point, and the remaining contracts at the second profit point.

The first position in Chart 5 was a sell initiated via the Dynamic Trio in the closing hour of trading on April 24. Followed by a profit point at the Uranus Line in the early morning of 4/25. The closing bar of 4/25 gives us a buy signal (a daily close above the Dynamic Trio' is considered a buy). On Friday, 4/26, profit could be taken once an isolated high set up around noon within a few tics of the Uranus Line (An isolated high very near a Planetary Line is a clear indication of a weak market). This action leaves us flat for the weekend.

Monday's opening (4/29) gave a sell immediately, via the Dynamic Trio' (remember, the isolated high near the Uranus Line on Friday indicated a weak market, so we are on our toes looking for this move). The first profit could be realized within the hour by the isolated low near the lower Uranus Line. No reversal is indicated, and the remaining contracts are taken off for a profit at the next lower Uranus Line on the opening bar of Wednesday, May 1.

Chart 6 illustrates a long position initiated on 5/1, terminating in a reversal on the opening bar of 5/2. (It can be noted here that a long position in such close proximity to the planetary line [i.e. the upper 40%] might not be taken at all. In other words, the market has no room to move. (This is a matter for further research, to determine a percentage of success case scenario.) The next signal is a strong sell, as it coincides perfectly with the Uranus Line. This short position achieves both profit points by the closing bar of Friday, May 3, and leaves us flat again for the weekend.

Around noon on May 8, as shown in Chart 7, a buy was taken on the Dynamic Trio', and achieved both profit points by the closing bar of Friday, May 10, completing an easy week of trading using another set of simple tools.

SOYBEANS

Charts 8 and 9 simply show an example of another combination of one of Robert Krausz's indicators with one of Jeanne Long's Planetary Lines. Here you can see the Krausz Ratio Bands' working together with the Earth Lines to pinpoint areas of increased Reversal Potential. Note that when price, the Earth Line, and the outer Ratio Band coincide, Reversals occur with regularity. This is just another tool that can be used with your trading system.

There are a multitude of avenues from which to approach trading, and I find this to be one of the most intriguing approaches. In this article, I have only scratched the surface of the many aspects of this program. There are many more indicators in the Fibonacci Trader' yet unmentioned, as well as an array of other Planetary tools on the Galactic Trader'. It is indeed exciting to use the first Real Time Planetary program and to be one of the first to witness firsthand the influences of planetary motions on every nuance of market activity. I could easily fill volumes with the insight that is waiting therein. For those yet unfamiliar with Planetary phenomena in relation to the markets, I suggest starting with Jeanne Long's Universal Clock, it is an excellent overview of the many ways in which the planets influence the market. Also, with the combination program come two tutorials. One, by Robert Krausz will give you an excellent understanding of the workings of the indicators of his own design contained in his program. The other, by Jeanne Long, will give you a comprehensive overview of the many functions of her own program. Both are an excellent source of information.

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Chart 1



Chart 2



Chart 3

Chart 4



Chart 4

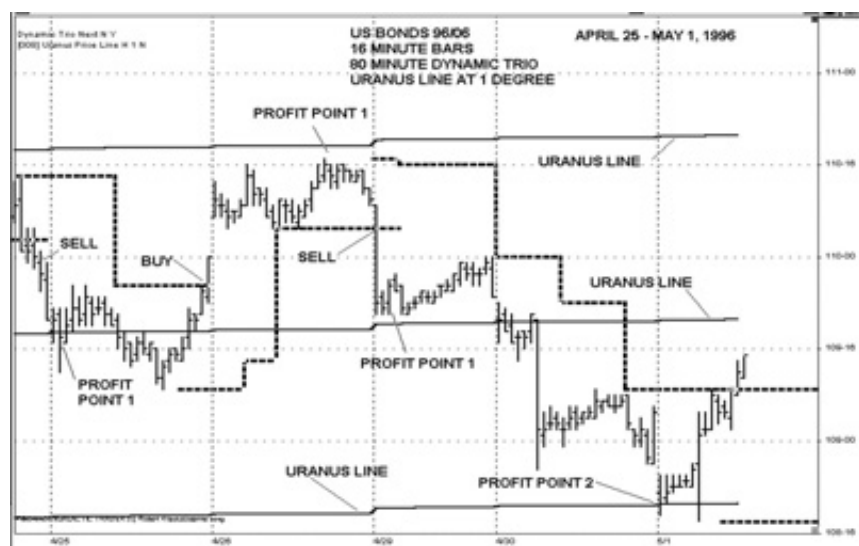


Chart 5



Chart 6

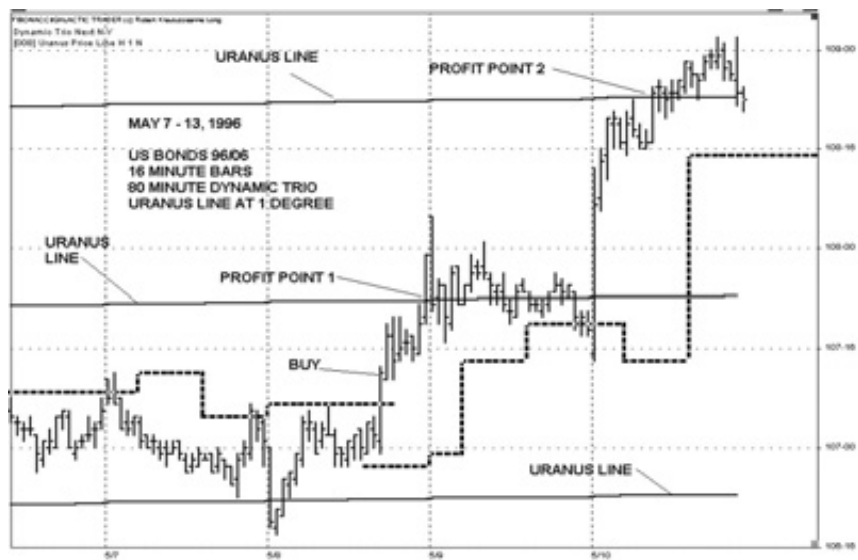


Chart 7

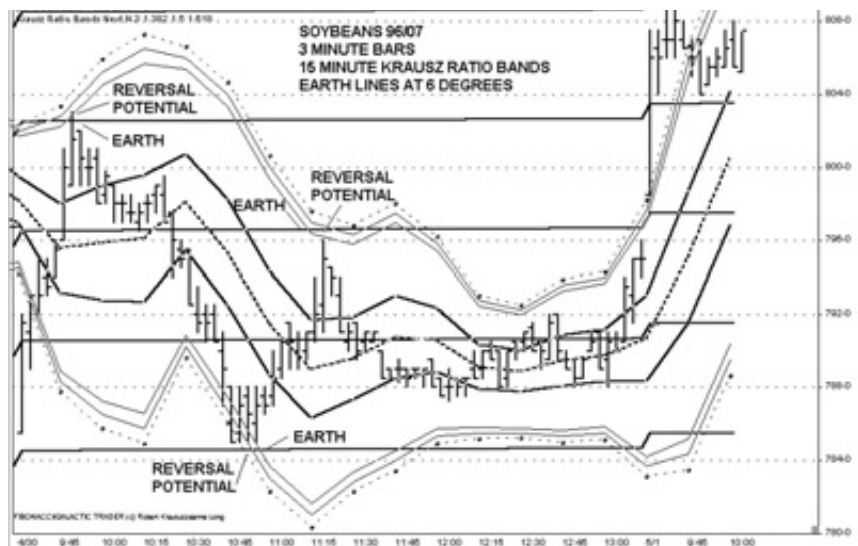


Chart 8

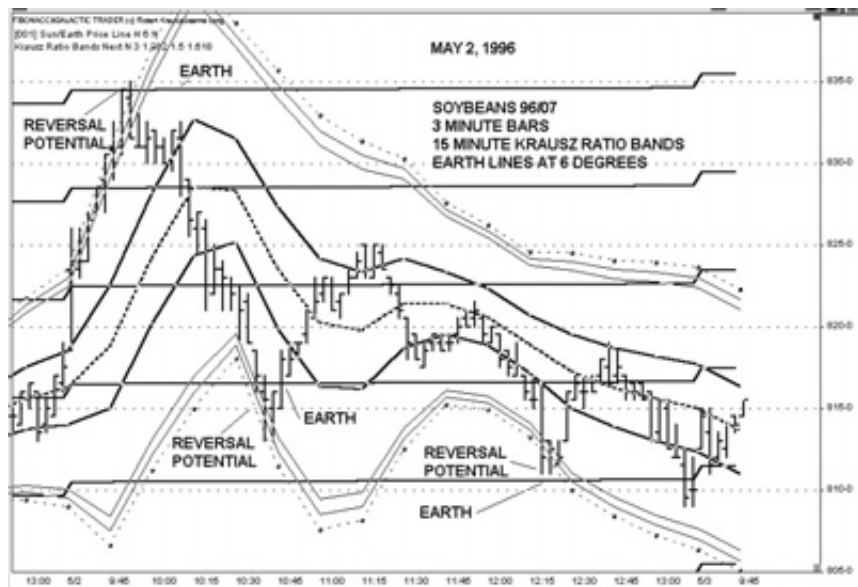


Chart 9

Jeanne Long's Galactic Trader

By Larry Jacobs

Galactic Trader 'P.A.S., Inc., 757 SE 17th Street, Suite 272, Ft. Lauderdale, Florida 33316
Phone orders: 512-443-5751
Fax for free brochure and orders: 512-443-7119 Program info. & technical assistance:
512-842-1166.

PRODUCT:

1. Real Time Planetary and Real Time Market charting program including 30 standard indicators.
 2. End Of Day Planetary and Market charting program including 30 standard indicators.
- Both programs operate in full Windows' environment (including Windows '95 and it is NT compatible).

EQUIPMENT REQUIREMENTS:

486 IBM-PC compatible with SVGA, 1024 x 786 resolution (Pentium recommended), 8 Mb ram or higher, Speed 33 MHz or higher. Hard drive 350 Mb is OK but higher recommended.

PRINTERS: Works with all Windows' compatible printers.

DATA FORMATS:

Real Time: Signal, Dow Jones Telerate, Reuters, S&P Comstock, and Knight Ridder. End of Day: CSI, Metastock, Pinnacle Data Corp., TC-2000, Stock Data, Signal.

PRICE:

Real Time \$1818.00

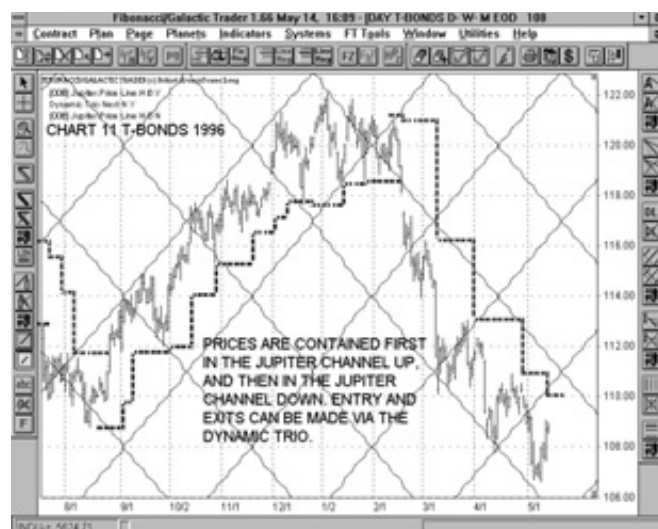


Chart 1



Chart 2

End Of Day \$1200.00
S&H \$50.00, Overseas S&H \$100.00

ADD-ONS:

The Galactic Trader Software is available in combination with The Fibonacci Trader Software as one program.

Real Time \$2582.00
End Of Day \$2120.00
S&H \$50.00, Overseas S&H \$100.00

INSTALLATION:

A simple 8-diskette process in the usual Windows' set up. Technical help is available at the telephone number above.

REVIEW:

When Jeanne Long's book the "Universal Clock" sold worldwide, traders who profited from her concepts had only one major request: COMPUTERIZE. After checking the core trading ideas (that had to be hand calculated daily) the feedback from traders was such that computerization was inevitable. Research that took weeks now takes 15 minutes; trading parameters that took hours are now instantly available.

Typically, Jeanne Long was not satisfied to put out a "state of the art" Astro Trading and Research program. A mega leap was called for. The "Galactic Trader" is the happy result. It really is the first program in the world that handles Real Time Markets (down to 1-minute bars) AND Real Time Planetary information and movements at the same time on one screen. There is also an End of Day version available.

Planetary cycles and trading tools can be used in a number of ways and many traders (whether they admit it or not) have been using astronomical information for years (including W.D. Gann). In this context it is the price that is the "variable" and the astronomical data is fixed at any point in time into the future. It is this fact that gave rise to one of Jeanne Long's revolutionary concepts of changing the Planetary position of the Universe into price lines on the screen after splitting it into units of 24.

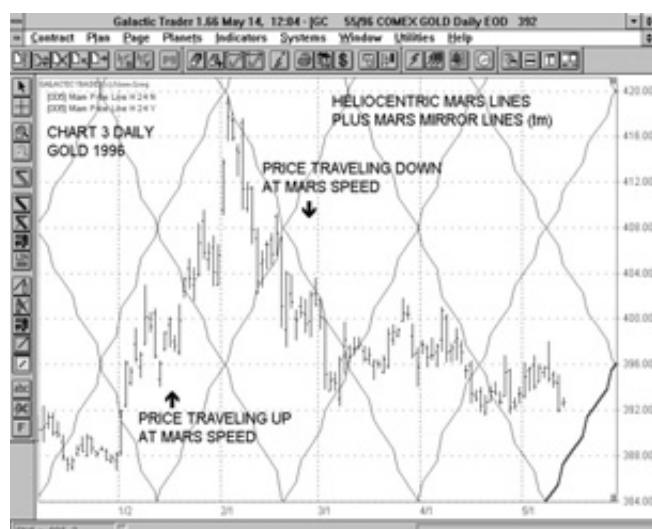


Chart 3



Chart 4

As these astronomical positions are all mathematical, their transpositions as prices onto the screen provide Support/Resistance/Speed Lines that can be measured and plotted into the future. Furthermore, as these Planetary Lines have had their mathematical points fixed for thousands of years, using them to backtest their validity of Support/Resistance for any specific market can be readily checked and used. Obviously one of the strengths of the program is the ability to backtest the validity of the appropriate Planetary Lines.

Unique to the Galactic Trader' is the ability to look at Geocentric or Heliocentric planetary tools individually or together at the same time on the same screen, unlocking the true nature of Universal cycles. THE FREE TUTORIAL IS INVALUABLE TO THE USER.

TECHNICALS

The 11 charts show only some of the capabilities of the "Galactic Trader". The research possibilities are amazing. But usefulness to traders without previous Astro "know-how" was obviously Jeanne Long's priority. Technically the program is state of the art in both versions: End of Day or Real Time.

There are 30+ standard technical tools and indicators included with the program. Ever popular tools i.e., Stochastics, RSI, MACD, Bollinger Bands, Parabolic, Kaufman's Adaptive MA, plus many others are all included.

The professional traders touch is visible in these interesting technical features:

1. All indicators can be changed to your selection. Not just colors etc., but the calculations can be fine-tuned.
2. When you open a new contract for any commodity and you state the Exchange it is traded on, you never have to open or redefine a new contract ever again. The program will do all that work as soon as a new contract comes on board.
3. Click on "SYSTEMS" and create permanently your own group of favorite technical tools. Give it a "NAME" and "voila". It is saved in memory and you can use it on any contract in the future with one click.
4. The EDIT bar function is easy to use and can be accessed directly on screen. If editing the 1-minute bar then even the daily will be corrected at the same time.
5. Data Importation runs smoothly in Metastock, ASCII, and Computrac formats.

MOST IMPORTANTLY THE GALACTIC TRADER' IS AVAILABLE AS A COMBINED PROGRAM WITH ROBERT KRAUSZ'S "FIBONACCI TRADER". (SEE OUR REVIEW IN



Chart 3



Chart 4

OUR WINTER 1996 ISSUE 21.)

6. All technical and Planetary tools are color coordinated and DSA is used (Direct Screen Access).

7. This adds an extra dimension as far as serious trading is concerned. Firstly, it makes available to Galactic Trader' users all of the unique technical tools of the Fibonacci Trader' such as Dynamic Trio", Krausz Ratio Bands, Fibonacci Ranger', Fibonacci Support/Resistance Zones, etc.

Secondly, it opens the world of Multiple Time Frames, a concept of technical analysis that could develop into the methodology of choice in the coming years.

PLANETARY FEATURES

CHART #1 - Planetary Lines

DJIA daily chart shows the movement of the planet Mars plotted into Price Lines. The power of Heliocentric Mars Lines is shown as they formed a channel that supported price for many months. (Nothing to do but stay long.) When price travels within a Mars channel, it is traveling at the speed of Mars. The concept of price traveling at the speed of Mars (or the speed of any other planet) is an important tool for monitoring the price in all markets. Sharp trend moves are created by the planet Mars. Longer term moves are held by lines created by Jupiter, Saturn, Uranus, Neptune and Pluto.

CHART #2 - Longer Term Planetary Lines

Gold daily with the longer term Jupiter lines illustrates how the prices climb and support from one Jupiter Line to the next. What carries price up from one Jupiter Line to the next? The answer is the Mars Line! The planetary lines work in tandem with each other, and can be combined with any valid technical tool for more informed trading.

CHART #3 - Mirror Lines'

Gold Daily. If prices travels up with the Planetary Line (in this case Heliocentric Mars), then the question is, how do they go down? Look carefully at this chart. The Mirror image of the Mars channel has never been published before. Gold travels up the Mars Channel



Chart 5

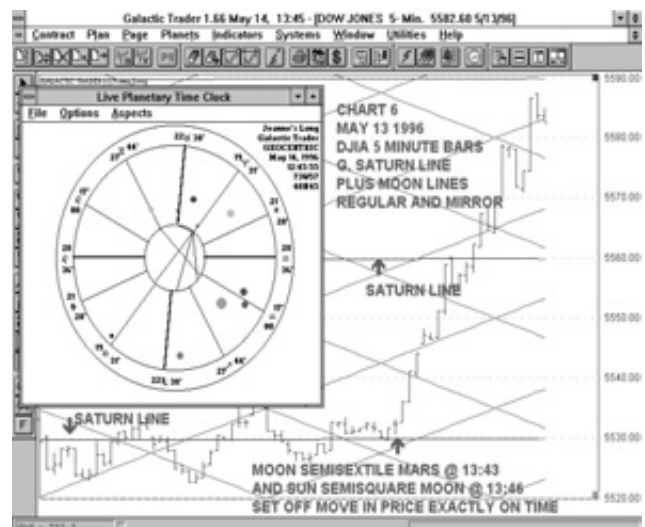


Chart 6

from January onwards. When price peaked in the 420 area in early February and then retreated, it was the Mirror image downsloping lines of Mars that contained the price. The first close above the downsloping Mars Line was the potential warning that the trend run down could be over.

CHART #4 - Intra-Day Trading

Having Real Time data with Real Time Planetary information is a dream that has become reality, if you turn your microscope onto the 5-minute bars and combine them with Moon Lines. Just as the major Planetary Lines affect the daily and weekly moves, the fast moving Moon sets up intraday Support and Resistance lines; one can go down to even 1-minute bars. The DJIA, Chart 4, shows the 5-minute bars bouncing up and down between two Moon Lines and steadily proceeding up. For much more information on this, combined with technical tools, see Thomas Long's article in this issue.

CHART #5 - Intraday Dow Jones 5 Minute Bars

The longer term Saturn Line acts as a magnet to the 5-minute bars. They dance and spiral just above and just below during most of the trading day, until 13:45 when the market took off like a rocket. Any reasonable technical tool with a valid trailing stop could have kept you in the move. What caused this?

Every day a small box can pop up in the upper left corner. This will show the precise time of all the planetary angles that occur that day (in this case, May 13, 1996). These angles, known as aspects, can be combined with the Planetary Lines (as shown) to provide a potential timing tool not previously available to intraday traders, or better entry points to longer term traders. Now add a valid technical tool to keep you in the trend, and exciting possibilities open up.

Of course not all aspects occur during the trading hours, for intra day traders these can be ignored. But the timing of the two aspects that occurred on this day (5/13/96) were: A. Moon 30° of Mars (Semisextile) @ 13:43 and B. Sun 45° of Moon (Semisquare) @ 13:46. These two aspects indicated strong potential energy entering the market. At exactly 13:45, the Saturn Line held the low of the 5-minute bar and prices exploded upwards, the DJIA closed some 64 points up.



Chart 7



Chart 8

CHART #6 - DJIA 5-Minute Bars. Saturn Lines With Lunar Mirror Image

If you are a professional trader, or just a beginner, then this chart should make you sit up. It shows how the previous 3 tools can be combined into one chart enabling you to take action at the most opportune moment. These were 1. Saturn Lines, 2. Moon Lines, 3. Planetary Aspects (Angles).

As illustrated in Chart 5, the prices dance around the Saturn Line, but now if you plot the Moon Lines and the Mirror Image Lines, you can see that the spiraling is not random. It is contained by the Moon Lines, above and below the horizontal Saturn Line. These provide support and resistance.

At 13:45 the 2 aspects mentioned in Chart 5 triggered the upward thrust. When this kind of momentum enters the market, prices just smash through the Lunar Mirror lines and strive to reach the next Saturn Line at 5560, where they paused briefly, then proceeded trying to reach 5590, being the next higher Saturn Line. Checking the Moon Lines carefully will show how they acted as temporary support and resistance during this power move up. Confirm with a technical tool and you are in business.

Chart 6 also illustrates the Intraday Live Planetary Clock which updates the planetary positions every 30 seconds. The clock can be set for any trading



Chart 9



Chart 10

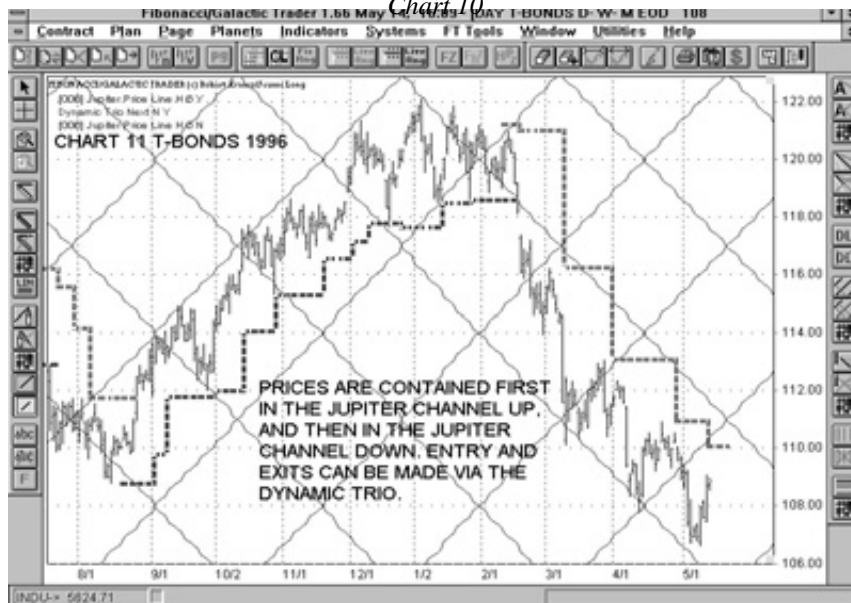


Chart 11

location in the world, such as New York, London, Tokyo, etc. The clock displays the actual planets' movement during each day with a choice of Heliocentric or Geocentric positions. It is a visual representation of the Planetary Aspect Window shown on Chart 5.

CHART #7 - Price Repetition

This is one of Jeanne's private tools which she revealed in her book the Universal Clock. It is now computerized, making it easy to use for traders without astronomical knowledge.

As this chart shows, price ranges tend to repeat on dates of specific aspects. This chart shows the Sun/Mercury conjunction and when this aspect occurs again, then prices will be in the same range as they were the previous time this aspect happened. This repetition occurs some 70% of the time. The tutorial that comes with the program shows many "aspect combinations" that affect different commodities and stocks. When the "price range" does not repeat, it is still in a predictable, mathematically correct proportion as per the "Universal Clock" book (W.D. Gann's wheel of 24).

The program allows the user to pick any planetary pairs, therefore research is fast and easily checkable. The concept of price repetition at mathematical intervals clearly reveal the geometric structure of the markets.

CHART #8 - Instant Aspect and Planetary Aspects Crude Oil - Daily Chart

To check what Planetary energies are in effect on a given day, click on the selected price bar and the "Instant Aspect" window pops up. Not only does this tell the aspects for that specific day, but also gives a choice of Geocentric or Heliocentric aspects. The Instant Aspects window makes short work out of research to determine the prominent planetary aspects at major highs or lows.

The day highlighted in Chart 8 is 4/17/96 (see arrow). The last aspect of the day was Venus/Neptune which often creates C.I.T. in Crude Oil; one day either side of the aspect date should be allowed.

Once a particular planetary pair has appeared several times in the Instant Aspect window at major Highs and Lows it is then advisable to go into the Planetary Aspects Section and ask for all dates of this particular planetary pair to be displayed on the chart. The dates will be displayed as highlighted bars into the past as well as into the future. Of course, by highlighting the bars this makes backtest visually easy. With just a click aspects are changed from Geocentric to Heliocentric for further easy research.

Through the Planetary Aspects Section other phenomena such as Eclipses, New and Full Moons or any combination of planetary aspects your heart desires can be displayed as highlighted bars on a chart. Dates of future aspects can be printed out up to the year 2050.

CHART #9 - 24 Price Lines

The mathematical proportions of the market are clearly displayed by the 24 Price Lines. These lines were discovered by Danton S. Long, who authorized it's use for the Galactic Trader'. 24 Price Lines combine well with other technical tools. This IBM chart shows how they can define support and resistance areas.

CHART #10 - Lunar Declinations

The Lunar Declinations show an up/down cycle that is often followed by the price itself. Note the peaks and valleys of the Declination line coinciding with the highs and lows of IBM Daily chart. The extremes or pivot points of price are easily checkable. This declination actually represents the Lunar cycle. Also, markets often reverse as the Declination line crosses the horizontal "0" Line. With a little research the Declination Cycle of the various planets can be a useful addition.

CHART #11 - Galactic Trader With Fibonacci Trader' Technical Tools

This up to date T-Bond chart (Daily) shows what can happen when Planetary information is coordinated with valid technical tools. Nearly 10 months of market movement is contained within the Jupiter channel in the up move and the down trend.

The Weekly Dynamic Trio" from the Fibonacci Trader' program is a technical tool that functions in Multiple Time Frames. Placing this onto the Daily bars provides entry and reversal points as well as a trailing stop. Not only are the Daily bars contained in the Jupiter channel, but prices are moving at Jupiter speed.

SUMMARY

The Galactic Trader' was created by a professional trader of great experience with Planetary and Astronomical information. If correctly used it puts within the trader's grasp for the first time a user friendly Real Time Astro program. The tutorial that accompanies the program is informative and well produced. The technical manual is comprehensive and clearly explains the features. The Galactic Trader' stands head and shoulders above any other Astronomical program. Not just because it is the first and only Real Time Astro program for the markets but because with some practice and study it can become a real trading tool using powerful concepts not previously available to the trading public. Recommended without reservation.

Investing with the Horoscope of First Trade of 1996

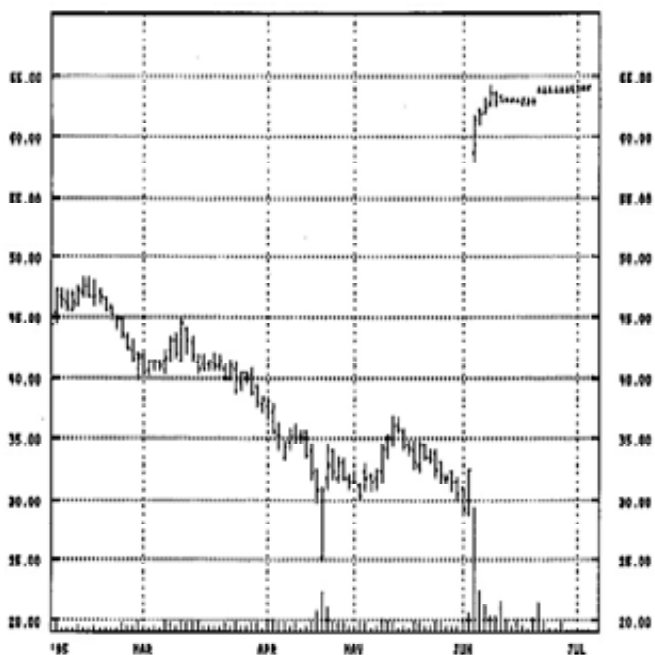
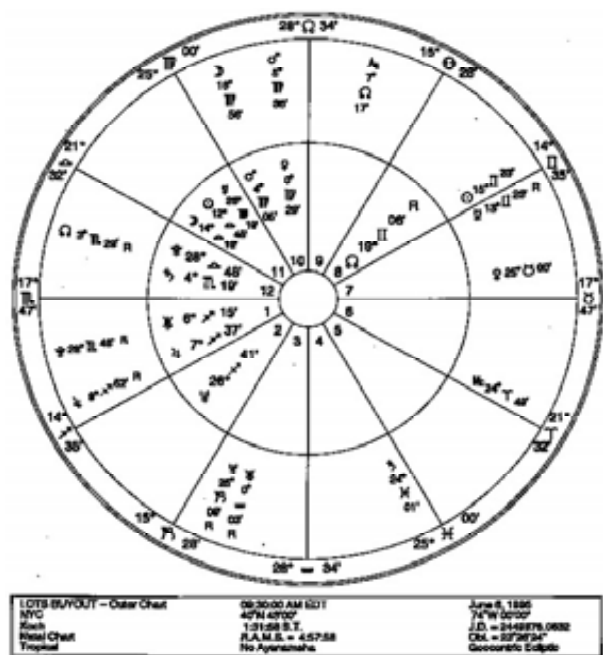
By Bill Meridian

The First Trade Chart: Introduction

These horoscopes are erected for the date that an issue began trading on a given exchange. The time is that of the opening of trading for the exchange. The New York Stock Exchange (NYSE) and the smaller markets began trading at 10 am until September 30, 1985. Beginning on that date, trading started at 9:30 am. The center of activity is Wall Street, so all charts are set for New York City.

Some history about the development of a company and its shares will be helpful in understanding this concept. A business opens its doors. Then it may incorporate. If shares are sold to the public, the sale takes place through an underwriter. The underwriter lines up buyers and then sells stock on the initial public offering (IPO) date to put a supply of stock in public and institutional hands. About 5 business days later, the stock opens trading. Sometimes, a major new issue of a leading company may be listed directly on the NYSE, as Readers Digest was on February 15, 1990. The IPO and first listing dates occur close together. The first trade date is the more important of the two. Usually, the chairman or president of the company will go to the exchange and make a token, personal purchase of 100 or 1,000 shares to begin the trading. In the words of the NYSE, trading begins "almost immediately." The selection of the 9:30 or 10:00 am time for the charts is supported by fact.

The Difference Between First Trade Charts and Incorporation



Charts

Incorporation horoscopes tell us about the ongoing operations of the company. If the chart is afflicted, the company faces a host of difficulties. Takeovers, strikes, changes in management, the success of new product releases, etc. are all tied to this chart.

Even the physical appearance of the company can be determined. Timed incorporation charts of both Warner Communications and Paine Webber show Venus on the ascendant. Both have large art collections. Paine Webber's display is in the ground floor atrium on New York City's 6th Avenue at 51st street.

The incorporation chart is a mundane chart. In such a chart, the public is symbolized by the Moon, and the public image is represented by the midheaven. Work by Charles Jayne demonstrated that energization of these areas in the incorporation chart did effect share price. But the rest of the chart did not. For example, when I was at Paine Webber, Pluto moved back and forth over the Sun. The company replaced its president. He announced a reorganization. The company's leading broker was busted for laundering money. Then the new president was fired and a new one was hired. He announced a new reorganization. None of these events affected the share price because these are not the types of matters that hurt earnings and, therefore, not the things that investors will focus upon when making buy-and-sell decisions.

In contrast, the entire first trade chart reflects investor interest and concerns. The parts of the horoscope that are currently being energized by transits, eclipses, etc. reflect the focus of Wall Street at that time. The planets represent those aspects of the company and its stock that investors are basing their decisions upon.

The Lotus Takeover

Chart 1 is the first trade horoscope of Lotus (LOTS) with the transits for June 5. IBM offered

JUPITER IN CAPRICORN NASDAQ PORTFOLIO FOR THE REMAINDER OF 1996					
STOCK	SYMBOL	DATE	INDUSTRY	1ST TRADE	
Continental Waste		CONT	Waste Removal		
Nextel	CALL	1/14/94	Telecom		
Lasermaster Tech.		1/28/92	Laser printers		
		LMTS			

PORTFOLIO	Buy Date	Sell Date	% Change	Portfolio	% Change
Cancer 3		7/28/89	8/17/90		-.36
Leo 3	8/17/90	9/12/91	+59.78		+39.08
Virgo 4	9/12/91	10/9/92	+3.53		+30.85

Health Management	HMSY	Health Care
2/6/96		

\$60 per share on that day (see graph 1), double the market value of LOTS on the day before. Note that Jupiter had passed over the natal Jupiter-Uranus conjunction and was about to retrograde back over it. Also, the LOTS Neptune is in late Sagittarius while there are three planets in Virgo and the Node in Gemini, all in fourth harmonic aspect from transiting Jupiter. This was a solid indication of the price rise.

Planetary Portfolios

Observation shows that Jupiter, Uranus, and eclipse contacts to these charts usually move the prices of the stocks up. One method that I have successfully utilized involves Jupiter. This planet is traditionally associated with expansion and optimism. Its passage over natal planets in the first trade chart usually lifts the price of the stock. Jupiter transits through one sign of the zodiac in about one year.

The Financial Trader program is set to find all the horoscopes that have 4 or more points in a given sign. This means that the chart had to have a total of 4 or more of the following in Scorpio: planets, angles (the midheaven and ascendant), plus the Moon's Node. For example, a scan of the 600 NASDAQ horoscopes in the database yielded 29 stocks that began trading with 4 or more points in Scorpio.

Once this list is generated, it is fed into a portfolio reporting system. The performance of the Scorpio group is measured from the day that transiting Jupiter enters Scorpio on November 10, 1993 until the day that it leaves on December 9, 1994. The equally-weighted NASDAQ portfolio appreciated by 12.63% versus the NASDAQ OTC Industrials drop of 10.59%. The top performer was 3 Com (COMS) with a 148.3% gain. The Jupiter dragnet also scooped up Gartner Group (GART) with a 132.3% rise. Twenty of the twenty-nine issues outperformed. Jupiter passing over the Scorpio points in the first-trade charts did the job.

This test was repeated for Jupiter's passage through different signs with the following results. In the Cancer and Leo tests, the requirement for inclusion on the list was lowered to 3, rather than 4, points. This was done because the 4-point screen generated too few stocks. Apparently, few stocks began trading when many planets were in these signs. The test assumes that one puts an equal amount of funds in each stock, buying on the day of Jupiter's entry into the new sign and selling on the day of the planet's passage into the next sign.

In each case, the Jupiter portfolios exceeded the benchmark.

In analyzing the results, one must realize that the effect of the planets are not mutually exclusive. That is, simply because Jupiter is beneficially contacting the planets in a given chart, this does not immunize the rest of the chart from negative influences from bearish planets. And, the charts may receive other bullish effects from planets besides Jupiter. In the first case the Jupiter effect is mitigated or negated due to the bearish influences. In the second case, the bullish influence is magnified. The Scorpio and Sagittarius portfolios are good examples. The above-average results from the Scorpio group were partly attributable to the favorable aspects from Uranus and Neptune in Capricorn, 60 degrees away. In the Sag stocks, Saturn in Pisces squared planets in Sagittarius, offsetting the positive effects of Jupiter and pushing the portfolio's performance closer to the benchmark. In the latter case, it requires a bit of fancier footwork and stock-switching to avoid the Saturn square.

At the time of this writing (July, 1995), the Sagittarius portfolio is up 24.29% from its buy date of December 9, 1994 versus a 27.65% rise in the NASDAQ.

A 1996 Portfolio

Jupiter sails into Capricorn on January 3, 1996. Many stocks began trading when planets were in Capricorn, so the 4-point scan of the database yielded 52 stocks. Thus far in 1996, this group has outperformed both the Dow and the S&P, but lagged the NASDAQ. From that list, I have selected some of the better 1st trade charts and the better longer-term technical graphs. (If you would like to have the entire list, drop me a line.)

Avoid those charts that make difficult aspects to your own. Experience has proven that one will have a difficult time with such stocks. The technical indicators give one an idea of where the stock is in its cycle. It is similar to the practice of the astrologer taking a life history from a client.

Disclaimer: The data in this article is provided for the research and use of the reader. This does not constitute a recommendation to buy or sell any stocks. No liability is assumed for actions taken using this data.

Bill Meridian obtained his MBA in 1972 and began to study astrology in the same year. A 9-year psychotherapeutic training apprenticeship followed. Since the 70's, he has been on Wall Street. Bill first began applying computers to financial astrology in 1983, and eventually designed the AstroAnalyst and Financial Trader programs, the first financial astrology software programs. He currently is a fund manager in the Middle East. His fund has outperformed the averages in 4 of the last 5 years. He can be contacted at Box 43910, Abu Dhabi, United Arab Emirates. He recently completed a book, Planetary Stock Trading, explaining the use of the horoscope of the first trade, complete with 1,000 charts of US stocks. It can be ordered from Trader's World. #8050 Price \$45.00

How to Choose Stocks that will Outperform the Market

By Grace K. Morris, M.A.

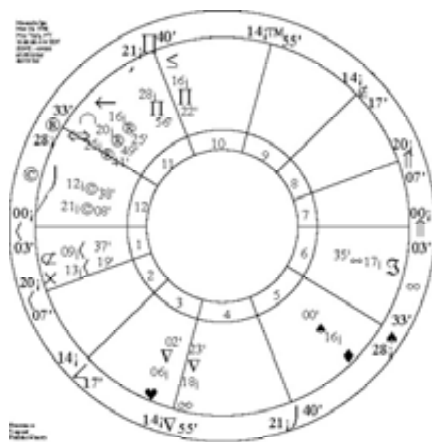
Today there are many techniques of market trading and investing. One technique that is gaining greater acceptance and respect is the use of planetary cycles in combination with more traditional methods such as technical and fundamental analysis. Known as the Astro Economics® system, this method is used by many leaders in the field of financial astrology. Examples: Bill Meridian's new book, Planetary Stock Trading, contains the IPO dates for hundreds of companies listed on the exchanges. Bill is a successful fund manager. Carol Mull's books, Standard & Poors' 500, and 750 Over the Counter Stocks, contain incorporation dates that she uses in her newsletter, The Astro Investor. Arch Crawford's stockmarket newsletter, Crawford's Perspectives, has been the number-one-rated market timer for five years. He combines the use of planetary cycles with technical analysis. Jeanne Long's Traders Almanac and her software program, the Galactic Trader, uses planetary cycles to time entry and exit points. For those interested in investing in individual stocks, the Astro Economics® method helps forecast the future trends of a company's business cycles and a potential increase in its stock price through the use of the incorporation date and the date of the company's Initial Public Offering.

In this article, we will look at two theories that can be used to select stocks that will do better than other stocks in a given period of time.

Theory I: an eclipse to Jupiter in the stock company's incorporation chart or its Initial Public Offering (IPO) chart will indicate a rise in the stock price.

Theory II: transiting Jupiter moving across multiple placements of planets in the same sign as Jupiter is in presently will indicate a raise in the stock's price.

The following companies are examples of stocks that should do well in 1996 using these two theories: Theory I, Merck, Motorola and Barnes and Noble, each will receive the Oct. 12, 1996 solar eclipse on the Jupiter placement in their IPO charts. Theory II, Continental Waste,



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Ralston Purina, Cisco Systems and Health Management Services, Inc. each have a grouping of planets in Capricorn, the sign of Jupiter's present transit.

Grace K. Morris, M.A., author of the book, *How to Choose Stocks That Will Outperform the Market For 1996 & 1997* and president of Astro Economics, Inc. publishes the *Astro Economics Stock Market Newsletter* and sponsors the *World Conference of Astro Economics*, the 9th



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Source: Ralston Purina



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Source: Ralston Purina

Smart Money

By Alan Friedman

We've all heard the expression "smart money" which represents investors or traders that have advance knowledge of market movements or news that will move a stock. But does this "smart money" really exist? And if the answer to this question is "yes", is it possible to track these investors so that we can follow them into the same stocks? The answer to both questions is a resounding YES! There are investors and traders who do use advanced knowledge of an impending event to make money trading stocks. And yes, we can use certain technical trading methods to piggyback on these investments made by "smart money".

How can we determine that "smart money" exists? For proof of this we have to look at some recent stock market history. Remember the insider trading scandals of the mid 1980's? Dennis Levine, Ivan Boesky, and others were using non-public information to reap huge profits. In their cases, secret information about takeovers were used to score outrageous gains. This type of "smart money" trading is still around today. Remember the heavy call option buying in LOTUS & LORAL before both were bought out? But this type of inside activity is obvious. There is another type of "smart money" activity that borders on the gray area of legality.

Suppose, for one reason or another, someone knew that a fund or brokerage firm was planning to purchase a certain stock in large quantity over the next few days. Wouldn't it make sense for this person to buy this particular stock BEFORE the fund or brokerage firm makes its' buy?

How can we track what the "smart money" is doing? One of the best clues is volume. When a stock trades 100,000 shares a day and all of a sudden volume soars to 300,000-600,000 shares, you have to ask yourself what is going on—who is doing the buying. Here's an important point; in many cases the stock barely budges despite the increased trading activity. "Smart money" likes to be subtle and therefore the net change of the price of the stock might be very small or even unchanged.

I have developed a technical tool that uses price & volume to track this "smart money". For example, on 3/13 I recommended buying IBM (IBM) at 116 1/8. Our rules call for us to exit our positions on the close of the fourth trading day from the time we entered the position. On 3/18 we sold IBM at 124 1/2 for a 14 4% profit using margin. Because we held the trade only 4 days, our annualized profit was 866%. The very next day, IBM plunged 3 points and within days the stock had dropped back to 114 1/4. What had happened here? In my opinion, "smart money" had purchased IBM at the 114-116 level in anticipation of heavy buying by others. We picked up on this development and were able to tag along for the ride as we bought IBM at 116 1/8. On the fourth trading day, we sold along with "smart money" and in the days that followed, IBM plunged as those that had pushed up the stock had already exited with nice profits leaving the public holding the bag!

Alan Friedman is editor of the Seven Percent Solution which uses his Smart Money Index to

Talent and Potential in Gann's Birth Chart

By Andria M. Lennon - D.F. Astrol.S

What makes one person a good trader? Or good at a certain business?, an accurate analyst or forecaster? Where are the areas in which it is easier for us to earn money or be creative or successful?

W.D. Gann, surely the most famous and successful individual trader of this century, used astrology to define both the trend of a commodity or stocks as well as the trend in an individuals life. It clearly would be beneficial to use astrology to see what it says about W. D. Gann himself, to gain further insight into his character.

Astrology in its appraisal of the moment of birth, gives us a snapshot in symbols of the vibrational pattern initiated at birth, direction in life. The birth chart gives us the knowledge of ourselves, our talents, weaknesses and the areas of life where we can fulfil ourselves. Self knowledge enables us to flow with the current and the forces of the Universe rather than struggle against them.

To make assessments about the future, astrologers use both progressions denoting the unfoldment of the birth chart, the inner self as time passes, and this is linked to the year for a day of the bible and as Gann s use in his time/price analysis, and the word transits denotes the actual movement of planets in the heaven at a certain time which affect the original positions in the birth chart. These are often experienced by us as outer events, or something that impinges on us.

According to Nicky Jones of Lambert Gann Publishing he noted his time of birth as 10 am. This gives us a Leo ascendant and Taurus midheaven. The Moon and Uranus rise in conjunction in Leo. This is a positive , outgoing ascendant, and his conservative side, puritanical lifestyle and appearance is better described by Virgo . However we shall work with this and note how the lunar aspects bring an ability for self-promotion, fascination for the future, attunement to cosmic/astrological forces (Uranus rules astrology) and emotional detachment.

The Gemini Sun is very much the versatile trader, writer, information gatherer, the broker, the link maker, doing more than one thing at the same time. Also it signifies mathematical and geometric ability . The ruler of the Sun sign is Mercury and so is extremely important in Ganns chart by progression to denote significant periods in his life. Mercury is the planet that describes perfectly the trader, and commerce. Gann's natal Mercury is in Taurus in conjunction with Pluto. This is a very powerful aspect, showing a deep thinker with an eye for the material gains and a desire for power and wealth and knowledge. Taurus is the sign and house of money, land, farms, earth and it has tremendous staying power, though being slow to start.

The Pluto link and the Moon Uranus square shows the early disruption or lack of schooling and feeling of lack in this area which compelled Gann to study hard and intensely. Intense effort is very Plutonian. The squares in the fixed signs also I believe gave him an affinity or understanding of the market triggers, particularly squaring of prices using astrological squares.

Venus, a very important planet in terms of wealth and money making ability is very strong in her own sign of Taurus in Ganns chart as well as being in conjunction with Neptune, giving a flair to the imagination and the ability to create a legend shrouded in the mystery of Neptune,

no-one seems to have cracked all his method completely to date.

Gann has the ability to draw a veil over many things and keep them hidden (i.e. his secret knowledge and methods) This aspect is also on a higher vibration deeply spiritual, giving psychic abilities. No doubt Gann combined mathematical, astrological and even intuitive psychic abilities to make his forecasts.

Venus is squared by Jupiter, traditionally the planet of expansion and good fortune, which is in its detriment in Aquarius. This reflects how Gann overcame probably initial loss or extravagance and errors of judgement and was able to transmute this aspect into the better circumstances promised by Venus and Jupiter, both considered beneficial planets.

Saturn, planet of lessons, business, hardship, is in detriment in Aries in the 8th House but close to the ninth cusp. This denotes strong mental discipline and the grounding of ideas, as well as Saturn being in a beneficial sextile aspect to Jupiter, denoting common sense and some good business sense. The religious faith here shows as a paternalistic authoritative image with rules and tough measures. Gann constant study of the bible fits well with these aspects. The relationships with Gann's father was probably unsatisfactory or experienced as a loss as some level.

Mars, the planet of drive, timing, action is in Cancer in the 12th house and is also in detriment, but is acquisitive, secretive, tenacious. This gives the ability to apply and stick to what he wants, to survive and protect himself and his family. Having Mars in the sign of the Moon gives a certain amount of fluidity to the drive and a sensitivity to the Lunar influences which Gann investigated within astrology. Sensitivity to market timing, as the

Moon rules the masses. Sometimes this can give a moody disposition and an undue sensitivity to criticism. There is an eye for money making opportunities and the 12th house showing the drive to study esoteric principles and a desire to spiritualise ones actions at some deeper level.

Also Mars in Cancer denotes an affinity or link to the past. (Cancer deals with memories and the past) This is apparent in Gann's research into past cycles and prices.

If this chart is correct the ruler of the 4th cusp Scorpio (early environment, the home) is Mars (as well as Pluto) and shows the early deprivation and fear (Cancer) of being in need or lacking food and essentials. The Moon square shows the unusual domestic circumstances and early impressions affecting him deeply in the way he shaped his future.

Incidentally people with Cancer /Gemini combinations often have exceptional memories, even photographic ones.

Interestingly the character Robert Gordon in A Tunnel Thru the Air, has Aquarius on the ascendant, the opposite of Gann and the Moon in the same place. Gann obviously designed this specifically as well as selecting a birthdate for Gordon of a very powerful and fortuitous stellium in Gemini in the lucky speculative 5th house area of the chart to live out the hidden hero of Gann's more cautious Mars in Cancer. Gordon seems to be a sub-personality of Gann's as well as a symbol of achievement. Both share the same nodal position. The nodes can denote the life path.

Saturn's position shows an old knowledge of prophecy. The futuristic and advanced ideas he offers are to do with the Uranus influence, the Jupiter in Aquarius (co-ruled by Uranus) and the Gemini Air signifies ideas and connections.

The remarkable concentration of energy in Taurus, sign of land, stock markets, the forces of nature, give a determination and perseverance to Gann with the added benefit of a flexible and quick opportunist Gemini Sun. There is the need to let off steam in this chart and I expect he did this in his private life.

The location of residence is all important in the chart, some places are better to live or work than others. In Gann's case his move to New York at the age of 25 is shown by a transit and progression in his chart. The Ascendant of his chart moves to Virgo, which seems to me to fit his methodical and conservative approach, and the Midheaven, very significant in terms of vocation and career, moves into Gemini, the sign of his Sun, thereby enhancing it and also making a Trine (beneficial) aspect to Jupiter. The solar return chart for that year (New York) shows very intense Pluto on the Midheaven with the Sun and Mercury, denoting success in career and powerful influences. Interestingly the progressed

Ascendant has moved to within one degree of the relocated ascendant, as if to say, this is the time to move. It looks as if Gann was using astrological knowledge to enhance his career. Jupiter in this chart falls in its own sign of Pisces on the 7th, denoting expansion in his relationships on all levels. The transits of the planets that year are very powerful,

Uranus trines his natal Moon Uranus and Jupiter squares his Sun stimulating the desire to move. Pluto had been conjunct his Sun in the previous year and shows that he must have experienced the urge to remould himself and leave the past behind. This is underlined by the fact that Venus the ruler of his Career, had also changed signs by progression in the last year and made him restless.

The other important date in terms of his destiny and reputation is at the age of 41, when he quits his job and goes it alone. 42 is often a time of power, especially in psychic work, 6 cycles of 7. Progressed Mars applies to the Ascendant degree(1) giving him courage and confidence. The Progressed Ascendant trines Mercury, his Solar ruler covers new ventures, the progressed Sun sextile the Mercury /Pluto midpoint, triggering his destiny,

Transiting Saturn squares his Mercury (separation, cutting links) Also around this time the progressed Midheaven and the Progressed Venus are moving closer together for some years and this denotes success in career/business.

Age 45 His first book, Truth of the Stock Tape is published. This is denoted in his chart by a creative venture and expression. Jupiter transits the 5th house, lucky, and progressed

Mercury which rules writing sextiles the Sun, his life expression, in Gemini which of course is ruled by Mercury. His progressed Ascendant is trine Pluto denoting the knowledge and in depth research he is revealing to the outside world (the Ascendant denotes our interface with the world.)

Age 49 Tunnel Thru the Air, is published, a more esoteric and mysterious book, his chart shows he is coming into a new outlook and change in himself. Progressed Venus is about to leave Gemini and the asc/mc angles are about to change signs, so important shifts in consciousness and approach to life take place. Progressed Mercury squares natal Mercury and I feel this signifies the emergence of knowledge from or about the past that drew him to forecast the future.

Age 51 Predicts Wall Street crash- and has success, progressed Mercury conjunct the Moon Uranus, an important psychic time and again using some knowledge of the repetition of the past Progressed Mercury square Pluto. The high point of his life. The

Venus/Midheaven aspect is still operative in a new sign, Cancer, and the hence the following year may have been problematic in terms of relationships.

Going onto his illness and death at age 77, the main transit are heavy Pluto, over his Moon (health) and a Square by Saturn, the sign Leo in which his Moon rules the heart, and he had a heart attack, followed by stomach cancer. At the time of his death his progressed Sun was very aptly in the last degree of Leo and transiting Jupiter, ruler of his 8th house of death entering Leo in the 12th and making a square to Venus, denoting joyful release

from the earthly body.

To this day his name lives on and the enduring nature of his knowledge can be seen by the fixed Taurean power of the Mercury Pluto mystery of knowledge, as well as the aura of mystique of the Venus Neptune conjunction.

It appears apparent that Gann not only used astrological timing for trading the market but used astrology to best effect in his own life, to progress his career. This suggests that every trader should not only be aware of the market cycles, but also aware of his own cycles in order to ensure success and trade a market that is attuned to his own astrological cycles.

I am grateful for the background information on the timing of his life (bio) in John L Gann, Jnr.s article, issue 20 traders World.

Biography- Andria Lennon was a commodity broker with Commercial Metals (London) for several years, and has recently been studying the works of W.D.Gann.

Having achieved one of the highest qualifications in astrology (Diploma of the Faculty of Astrological Studies, U.K.) she now uses personal astrology to advise traders and clients from her base in London.

Andria can be contacted at: E Mail: AML @ Camco.Demon. Co. UK. Fax 44 171 831 6622.

Cashing in on Natural Energy

By Dr. Hans Hannula, PhD, RSA, CTA

In my work on market behavior, I have developed the theory that market prices over time represent the present state of an energy field. Recent work has resulted in the ability to compute a measure of the energy coming into a market. This computation is based only on knowledge of the market's first trade date, and time.

If this sounds a bit like financial astrology, it isn't. It goes far beyond. My work has recognized that the centuries old observations of astrologers represent a body of folklore which must have a scientific basis. As a scientist and systems engineer, I have spent the better part of the past 25 years making observations of markets, developing theories about what physical processes are operating to move price, creating mathematical models based on those theories, and writing computer programs to simulate markets. In a nutshell, I try to scientifically discover what lies beneath the folklore of financial astrology.

It's like chicken soup. Mothers for centuries have known that when a child had a cold, it was helpful to feed them chicken soup. Finally, a PhD student, probably desperate for a thesis topic, studied the vapors given off by the chicken soup. He found that they contain chemicals very similar to the ones in the nasal decongestants sold by drug companies. Seems mother was right. She just didn't know why.

Folklore is the raw material of science. Natural energy drives markets. It does have a scientific basis.

Why do markets do what they do, then? Basically, they respond to energy from the universe according to how they were built. It turns out that the information about how a market is built is contained in the date of first trade, but not in the way understood by astrologers. We have been able to extract the underlying scientific principles, model them, and produce a program that computes an XGO function. The name XGO implies that market X will GO in the direction of the function. XGO is a measure of the natural energy coming into a market.

Netscape.XGO

So how well does XGO work? Look at Figure 1. It shows Netscape stock and Netscape.XGO. Notice two things in particular. First, the detail of XGO matches the detail of price movement. There are as many small swings in price as there are in XGO.

Second, notice the correctness of the direction. When XGO goes up, the price tends to go up. When it goes down, the price tends to go down.

There are times when XGO will make a low, and prices will make a low then, but a lower low on the next XGO low, which is higher. Conversely for highs.

This happens because XGO is the energy coming into that market, which also has its internal momentum. It may take more energy to turn the market. We have found the Hannula Market Fractal pattern taught in the Cash In On Chaos course effective in identifying which XGO turn will be strong enough to turn the market.

So while XGO is not a perfect forecast for markets, it is a very good tool, especially for timing. It surpasses anything I have seen or done to date, including some very good

neural networks.

Now look at Figure 2. This shows the Swiss Franc and its XGO. Notice first that the prices follow XGO very closely much of the time. Notice then that at other times, prices fall or rise sharply in a chaotic move. However, after this chaotic move, prices again follow XGO. What has happened here is that the market has made an internal “chaotic state transition”, a quantum leap if you will.

This chart shows the true chaotic nature of markets. They spend much of their time smoothly responding to the XGO energy inputs. During those periods, the correlation coefficient, a measure of fit, can exceed .9 (1.0 is perfect). Then at key times, these inputs trigger a chaotic state transition. We have made significant progress on identifying the points in time when these events can occur. That is also taught in our Cash In On Chaos course.

People and Energy

If markets have XGO functions, what about people? Astrology says they should. Indeed, they do. In fact, one of the things that led to the discovery of XGO was noting the changes in my own energy level over time.

Everyone knows, “Some days are diamonds, some days are coal,” to quote singer John Denver. Indeed the XGO function for a person gives a quick view of a personality. Figure 3 shows A, who is a steady, stable doctor, and B, who is an up and down, excitable broker (B’s function is plotted 40 points low for clarity). Notice that B has much larger energy swings than A.

We think of these “mood swings” as emotional and internal. XGO shows that they are more accurately our response to the changing energy fields of the universe. Those emotions we feel are largely electrical currents from our environment. We really respond according to how we were built. Experience has shown that XGO does a pretty good job of forecasting one’s joy/gloom curve. Because of that it has many uses, from picking good dates for important events, to trading.

Mutual Attraction

Folklore also says, “Birds of a feather flock together.” I have often noticed that traders of the same personality tended to trade the same thing, especially pit traders. S&P traders are very different from bond traders, currency traders, etc. So when I got a call from an S&P daytrader telling me trading was exhausting him, I decided to compare his XGO with that of the S&P. Figure 4 shows the two. Notice how very similar they are! It is obvious that this trader was attracted to the S&P because it “felt” just like himself. His natural cycles tuned into the S&P’s energy. In system theory, this is called “cycle entrainment”. The two energy systems fall into lock step, and exchange a great deal of energy. For a trader, this can lead to entrapment.

We have observed three consequences of this sort of “mutual coupling.” First, the attraction takes on the nature of a passionate love affair. Second, a trader coupled like this tends to see tops easier than bottoms. That’s because when that market is bottoming, the trader is emotionally down. Third, such a trader runs a high risk of becoming “over-coupled” to the market. As they trade, they share the energy swings with that market. Doing so can cause extreme exhaustion, poor judgment, and just bad trading. So the magnetic attraction can become a fatal attraction. A trader will start trading badly, know it, but not be able to stop themselves. It is no wonder markets like the S&P chew traders up!

XGO then serves as a tool not only for forecasting market turns, but for monitoring a trader

as well. On personal down days, the trader should not trade. If a trader becomes over-coupled, a vacation or a change in trading plan is needed.

One approach we have found successful is to use a One-A-Day approach to trading. The trader takes a signal during a small time window, makes the trade, and is done for the day. This “sampled data” approach creates “loose coupling” between the trader and the market. Figure 5 shows the result of using this approach in the S&P.

Another approach is to have the “tuned in” trader design the trading system to be used, and to delegate the execution of the trade to someone who is not “tightly coupled” to that market.

XGO Functions to Go

XGO functions for stocks, IBM, gold, Tbonds, wheat, Swiss Franc, and the Nikkei are carried monthly in the Cash In On Chaos Newsletter. Individual S&P 500 stock and other futures market XGO functions can be ordered for \$36 per year. Other stocks can be done if you provide the date of first trade or date of incorporation.

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

James S. Moore

DGM Investments Inc

M r. James S. Moore, 52, is the founder, President and sole shareholder of D.G.M. Investments since its inception in April 1979. He devotes all of his efforts toward DGM's activities. He also supervises a successful private \$90 million offshore "Multi-Manager" hedge fund model account for a foreign estate. He has been in the investment industry since January 1968, holding positions as broker, branch manager, senior officer in charge of trading, sales, marketing and director of investment policy at various brokerage firms. After six years as a leading producer for such firms as E.F. Hutton & Co., Conti Commodities and Dean Witter & Co. he was hired by Shearson in 1974 as Senior Vice President, Director of Sales and Marketing, and Manager of Proprietary Trading. By 1976 Shearson's futures and options sales grew from \$6 million to \$64 million and by 1978 the firm had become one of the largest futures brokers in the United States.

Mr. Moore established DGM Investments Inc. in 1979. The firm manages several private investment pools and joint ventures most of which rank among the better performing domestic and offshore funds as reported in The Barclay Institutional Report. The company is a flexible, computer oriented operation whose objective is to achieve outstanding performance by efficient use of capital and by utilizing the services of expert traders - most of whom operate directly from the exchange floors. As the cost of technology necessary to operate efficiently has fallen dramatically over the last few years, DGM has expanded using advanced asset management technologies. The analytical systems place particular emphasis on supervising the risks inherent in trading leveraged positions in various market sectors. DGM utilizes both qualitative and quantitative analysis of traders, strategies and capital allocation.

The firm carries joint ventures with experienced traders who have honed their trading skills on the exchange floors. The firm focuses especially on those traders who operate in the intermediate or longer term time frame. Each segment of the funds' portfolios are tailored around the specific trading strategy and expertise of a particular trader. DGM supervises the transition from "proprietary trader" to "asset manager" by initially investing its own capital in joint ventures with each trader. After successful completion of the "experimental" period, capital is allocated from one of DGM's funds. Each trader must also invest his own capital in the portfolio segment which he manages and is generally prohibited from trading for any other accounts, even his own proprietary account. Trader's who are exchange members are eventually required to contribute the use of their memberships to the benefit of the account which they manage. Thus, each trader's entire effort is focused solely on the profitability of one account in which the trader, DGM and the fund's investors own a financial interest.

Mr. Moore originally started the fund because it became clear to him that the brokerage industry was not utilizing the best aspects of his commodity fund designs but rather using it as a vehicle for commissions rather than to make profits. He believed the incentive of income should be the motivating force for trading.

DGM uses trading advisors who are responsible for all trading with oversight by James Moore. The trading advisor utilizes the information he gathers from operating from the floor of the exchange and combines it with his proprietary computerized technical trading system to effect the trades for the fund. Trades are made with consideration to "maturity" of the move and direction.

INSTITUTIONAL REPORT

TOP 30 CTAs 1st Quarter 1996

Trading Advisor	1st Quarter Return
1. DGM Commodity Investments Inc.	21.66%
2. Niederhoffer Investments	19.66%
3. Staines Currenty Investments	15.47%
4. Red Oak Commodity Advisors	15.04%
5. Marathon Capital Growth	14.67%
6. Di Tomasso Group, Ltd.	13.57%
7. Orion Futures	13.46%
8. AIS Futures Management	12.11%
9. Bonanza Capital Management	10.97%
10. Advanced Trading Strategies	9.92%
11. Dunn Capital Mgmt.	8.84%
12. Hill Financial Group	8.53%
13. Chescor, Ltd (High Beta)	8.43%
14. NCL Investments Limited	8.20%
15. John W. Henry & Co.(World F)	7.58%
16. Dunn Capital Mangement	7.33%
17. AIS Futures Management	7.28%
18. Northfield Trding, L.P.	7.00%
19. Coast Asset Management	6.96%
20. Robert P. Rotella	6.94%
21. Light Blue Trading(Bahamas)	6.90%
22. Frieberg Comm. Mgmt.	6.35%
23. MicroQuant Capital Mgmt.	6.01%
24. Kottke Grain Managers	5.85%
25. Campbell & Co. (F.M.E. Sm)	5.73%
26. Eckhardt Trading Company	5.62%
27. Eclipse Capital Mgmt. (M)	5.20%
28. MLM Gestion	5.13%
29. Chancellor Trust (QLS)	5.12%
30. Quantitive Finan. Strategies	4.87%

CTAs Managing Less Than \$10 Million as of 3/31/96

1. Visioneering R.& D. (V-SP500+)	105.52%
2. Timothy Hayes CTA	62.34%
3. Hanseatic Corp. (S&P 500)	50.22%
4. Bower Trading Inc.	49.67%
5. Villano Capital Mgmt, Inc.	38.92%
6. Visioneering R. & D. Co. (V-150)	34.40%
7. Tucker Mgmt Group	34.37%
8. G. Alex Sinclair	31.19%
9. Preview Funds, Inc.	28.32%
10. Worthington Corp.	27.13%
11. Kelly Capital Mgmt, Ltd.	25.74%
12. Cale Futures, Inc (Fund-Tec)	23.30%
13. CPT Capital Mgmt, L.L.C.	21.69%
14. Suter Financial Group, Inc.	19.53%
15. Finagra Management Inc.	18.11%
16. CR Capital Mgmt.	17.81%
17. Apostle Capital Mgmt.	17.26%
18. Dennis Trading Group.	16.83%
19. Witter & Lester (Stock Index Fut)	16.03%
20. SDK Investments, Inc.	15.64%
21. Hanseatic Corp (U.S. T-Bond)	15.43%
22. Loran Futures (Mode #2)	15.06%
23. K.D. Angle & Co.	14.87%
24. Marathon Capital Growth (Fin)	14.64%
25. Eiger Futures Mgmt. (Tortola)	12.46%
26. Visioneering R. & D. Co. (V-100)	12.29%
27. Brad Royer, CTA	12.24%
28. Tucson Asset Mgmt. (DL)	11.75%
29. Capital Futures Mgmt. S.A.	11.61%
30. Partin Company	11.60%

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Can You Trade It? That is the Question

By T.H. Murrey

The “technical world” of Gann Traders is replete with unique “trading systems” engendered from the minds of some very smart “traders,” who claim to have discovered the “true secret,” that was never really revealed (in its simplest terms) by W.D. Gann.

In the last issue of this trading magazine (Winter 1996 issue No. 21) I purported to have also discovered Gann’s Secret. (Trading set to Music).

I even told you on which page (# 71.) that I saw what he was doing (using pre-set lines 1/8ths in an Octave).

The book I read 50 times was How to Make Profits Trading in Commodities, by W. D. Gann, 1942.

I’m not allowed the space (at this time) to reiterate what I purported to be the “gospel” according to T. Henning Murrey, so one would might call Larry Jacobs at Trader’s World and order the last issue (or you might want to read my article on the Internet web site address <http://www.tradersworld.com> if you want more back ground on what I said as to why I think that much of what Gann said was a facade to “enshroud the simple truth” in a complex set of mathematical formulas to protect his “trading edge” (against his fellow traders in the “pits”).

Any normal, rational, individual of no more than average intelligence, is capable of devising any simple “trading system” that is better than “buy and hold.”

Every year the “technical trading world” finds another astute Gann trader, who proclaims that they have found the “Holy Grail” from Gann’s writings.

What I am here to say and prove is that W.D. Gann was whistling the same “tune” that

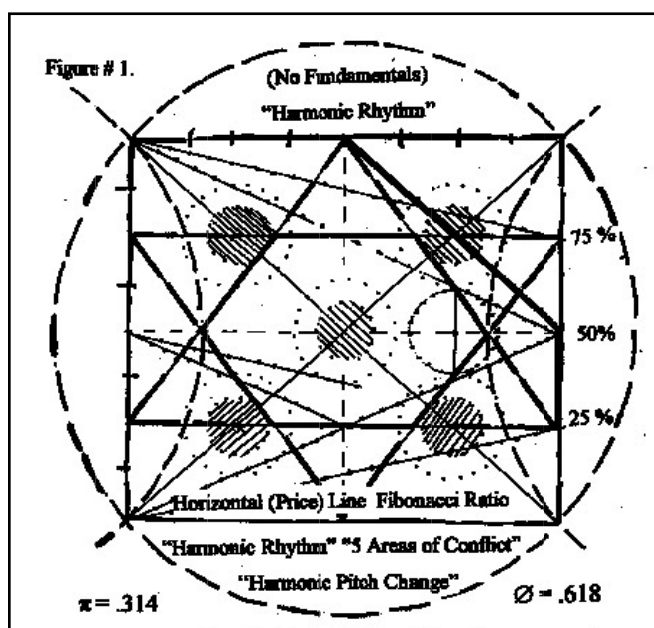


Figure 1

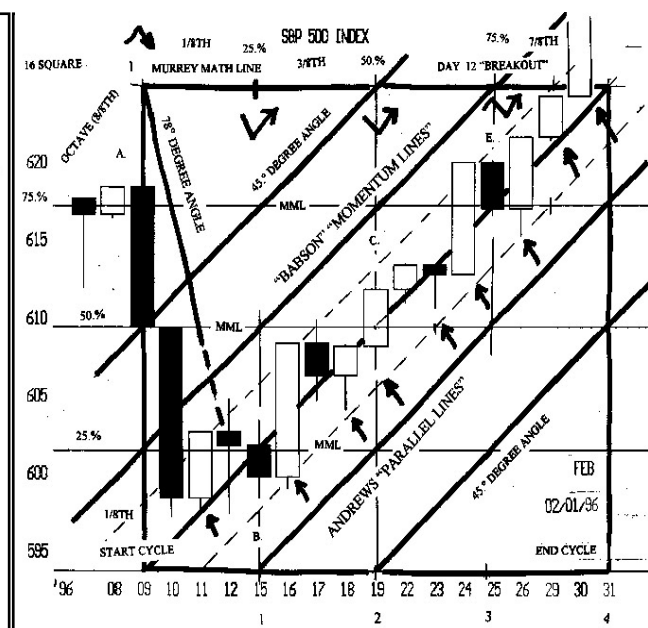


Chart 1

Fibonacci (Italy 1124 b.c.), Leonardo Da Vinci (14th Century), Marcus Vitruvius Pollio (1st Century), and the builders of the Pyramids (Egypt), Mayan Culture (Mexico), Socrates (432 b.c.) and Confucius (350 b.c.), Foxi (China) that is "The Harmonic Rhythm."

Please find Figure # 1. This is our "frame" which we shall refer to as the "Square in Time." It is actually a rectangle (Golden Rectangle) (same as a piece of typing paper) that we shall "set" each fall just after the 1st frost (then we just keep repeating this "Square" to the right until the year has ended). Just as the Mayan Culture "adjusted" for the changing "frost" each year, we reset our "Square in Time" every fall after the first frost.

Can you trade it ? That is the question !

Any intelligent "trader" may devise any kind of system that makes money 95.% of the time by just "buying low" and "selling often" with a small "profit." (You must always place a "stop loss" down below your entry price to protect against big losses).

I know what I am doing and how I want to trade, but that is not the issue: can I teach you to "tune" your "trading philosophy" to the "Masters" of Music?

I have something of "real value" if I can take just one set of rules and apply them (same rules) to all stocks, commodities, Indexes, or Currencies off the same "frame" off the same starting day each fall.

Can you trade it ? That is the question ! You must learn the rules to be a successful "trader."

Everyone wants to know how to trade in just one rule: when do I buy and when do I sell ? (lazy or scared).

Now let's "see" if the "Square in Time" has any real value and if the markets are "tuned" to a rhythm!

Our "test" shall be the S & P 500 Cash Market.

This market Index is comprised of the 500 largest corporations in the U.S. These stocks have their own "individual" "rhythm" so it would logically be assumed that they (as a group) couldn't have any set "Harmonic Rhythm" other than the "general market conditions prevailing."

Remember that I said that we always set our time frame in the fall (at the time of the 1st frost) ? Well, let's skip all the frames in the fall and move forward and start on the winter frames (this

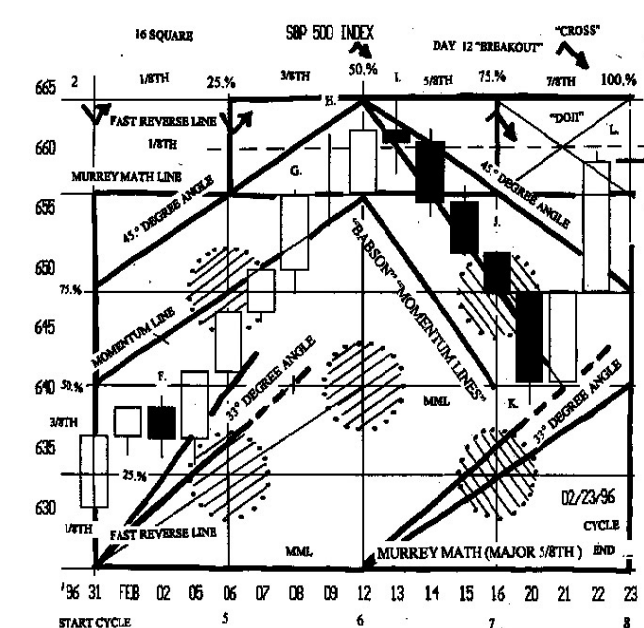


Figure 3

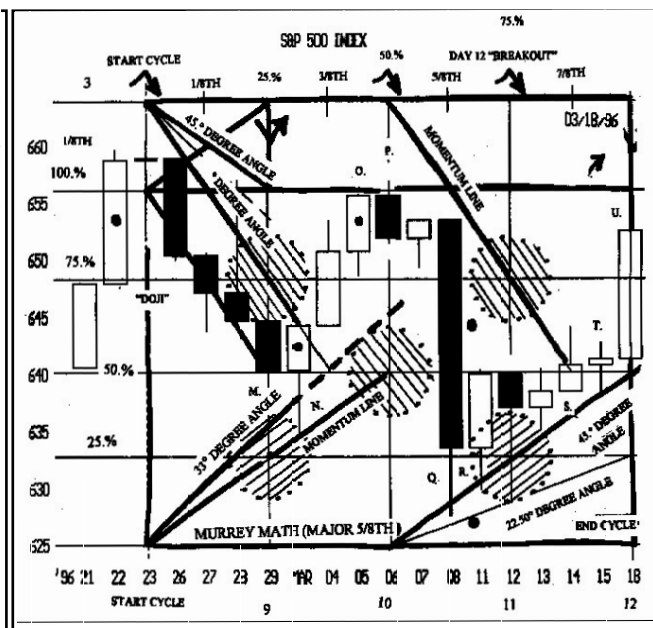


Figure 4

way if my trading system is predictable, it should hold up longer than the first few “frames” in the fall and “predict future reversals” in the winter, spring, and summer frames).

Chart # 1. Has us starting a new (16 day) cycle in Jan.'96. I made a bold outline around our Square.

We would expect this market to “react” to not only “pre-set” price levels (horizontal) but also Time Lines (1/8ths) into the future.

Side note: 90.% of all Americans don't know the difference between an up day and a down day on a stock chart. (So I always explain the difference). It is just easier to start over each time than it is to assume that most “investors” know much of any technical “lingo” about how to “read” a chart.

The Solid bar forms (Japanese Candlesticks) are down days. And the open bar forms are up days.

Note of Caution: There are over 750 different Japanese Candlestick formations that you might want to learn, but if you aren't Mr. Steve Nison, it's just a waste of time to learn more than 32 or 64 of them.

The Japanese Candlesticks were devised by Muneshia Homma (1724) for the rice Futures “traders,” “speculators,” and rice farmers, which (70.%) could read very little (much like this country) and had to rely upon pictures that told a story to understand “prices.”

Example: Chart # 1. Please find (A). This Index had a sharp long fall at the end of the last “Time Cycle.”

But if you go back just 2 days prior, you see a “Hangman” where it told you that this market wanted to fall soon. (The body is solid and the “tail” is long).

The thin line hanging from the solid body is the recorded downrange of intra-day activity where the stock market sold off early in the day and all the “optimists” went in on the low for the day and bought it back up to almost its opening price. The next day it traded in a very narrow range waiting for “news” or direction. On the “exact end of the previous 16 day cycle” the general market sold off - 7.00 points on this Index (which equates to almost 56. points on the Dow)

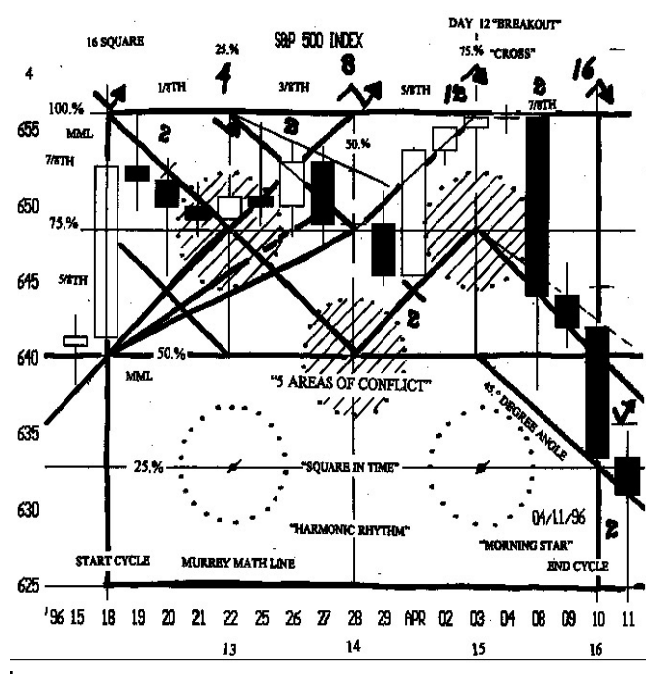


Figure 5

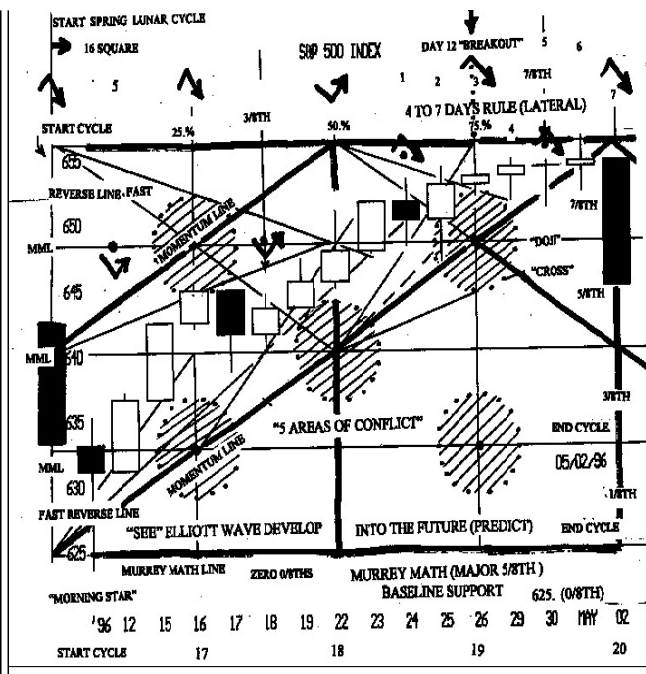


Figure 6

The next day it slide down even further and when it stalled out on the downside, it had stopped down around 598. (which is the 1/8th line) (which is a fast reverse line in the opposite direction).

This market consolidated for 3 days (moving laterally for 3 straight days), then on the 4th day (25.%) time line, it reversed fast to the upside. It kept running up on the 50.% line and cleared the 50.% (horizontal line) far enough for the "short sellers" to be taken out and having to cover, so the market moved up slightly, and laterally for 2 more days, then it went up big to 618. on the 24th, and right on schedule, on the 75.% line in time, it stalled out and went down. The next day this market sold off early in the morning and started charging up to take out all of the previous day's sell-off, so the "short-sellers" had to cover once again, and the general market was forced up by more "buyers." Please notice the 45 degree angle lines called momentum lines. (This market runs faster than 22.5 degrees).

Roger Babson spent much time and study deciphering future "affects" on a market as a result of past market trading action "momentum waves." (1880)

Andrews drew parallel lines off lows and highs and postulated that stocks or markets would bounce off equal multiples off these "observed" lines of support/resistance as a stock or market traded to the right in time.

John Murphy uses these "common sense" "observed" lines to project future support/resistance in markets.

Murrey Math Trading System doesn't have to do that. My way is much simpler: I simply draw the 45.° degree angle lines off the lower left-hand corner of my "Square in Time" as the market enters my square. I always expect this market to get tremendous support/resistance off the 45.° degree angle lines of this square. (Just as Andrews postulated and I have affirmed, this market reversed of 25. % and 75.% lines above and below the median line moving up the right in the "Square in Time." (This eliminates the "guessing" of just what low is the low for support).

Let's just draw a parallel line and get down to the "business" of trading not "knot-picking" strategy.

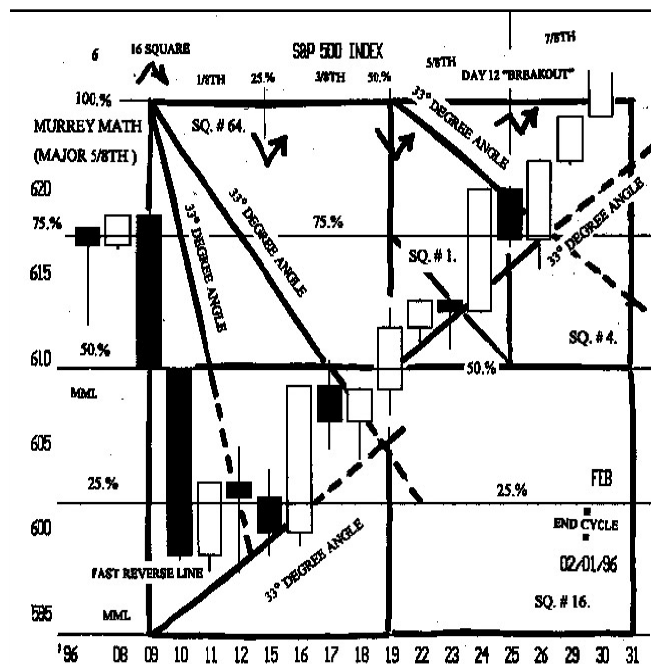


Figure 7

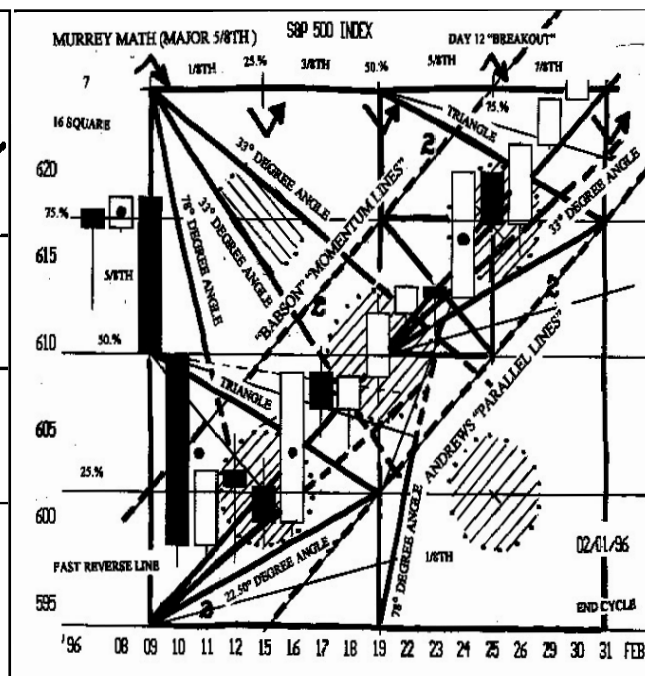


Figure 8

Notice the 78 degree angle line at the top left-hand corner of the square. All markets (everything) react faster off 78, 45, or 33 degree angle lines inside our square (same as old vinyl round records r.p.m.s).

Now you probably already asked yourself the obvious question: how did I set the horizontal (price) lines?

Simple: A) just “observe” the close of the day at the end of the cycle, which was 609.375, B) use “common sense” to “see” that this market wants to run up to its “perfect square” (which is 1,000), C) so we use the number that Foxi (China 3,000 b.c.) formulated Binary Math from the number 1.125 D) You are allowed to multiply only 4 numbers inside any “perfect square” by 1.125 to “set” the “Harmonic Rhythm” for that particular market E) Let’s choose 1,000 and $\times 1.125 = 125$, F) $125 \times 5 = 625$, G) 125 . Divided by 8 = 15.625, H) we subtract 15.625 from 625. = 609.375, I) then we deduct another 15.625 from 609.375 and we set the bottom of our “frame” down at 593.75. (“Harmonic Rhythm” - “Octave”) J) now we divide $15.625 \times 2 = 7.8125 = (1/8\text{th})$.

We now have the Octave that this market wants to trade within to the right inside this square. We know that all music pieces must change pitch in a orderly fashion to sound “melodious” to the human ear.

Juxtaposition, all markets want to move up or down their Octave (scale) at pre-set lengths (1/8ths) inside its particular scale (Octave).

All markets want to move up in increments of (1/8ths) + 1, 2, 3, 5, 7, 9, 11. And all markets want to fall in speeds set at - 2, 4, 6, 8, 10, or 12 (1/8ths).

My trading system uses no “smoke or mirrors” nor does it require any “fundamentals” to predict moves.

Please look at (A). This market fell (-5/8ths) and it stopped just above its (1/8th) line (which is a fast reverse line) and it consolidated for 3 days, and then on the 25.% line (Time) it exploded up for the next 12 trading days.

Please find chart # 2. We simply repeated our 16 day time cycle to the right and kept “trading inside this same Octave (horizontal price lines) (Murrey Math).

This market opened the day on its (1/8th) line and started this “new time cycle” by moving up this day.

And it continued to move higher until it stopped on the (1/8th) line in the next higher Octave.

If you go back to chart # 1. And start counting from down at the last low up to its high “exactly on the 50.% Time line” you shall see that this market has run up + 16 (1/8ths) short term, which equals 2/8ths long term which tells us that there is an 85.% chance that this market can’t move up any higher short term.

It fell-off sharply for 5 straight days and stopped “exactly on a 50.% Murrey Math Line” on the 20th.

The next day it reversed and took out all three of the “daily momentum price points” from the previous day.

It took 5 days to fall back down to its 50.% line, but only 3 trading days to make back up to its old high (+1/8th) above 100.% (8/8ths). (Close inspection shows you that it closed “barely” below the last high) strong potential “sell signal” (coming soon).

Please notice that the daily trading action reversed twice off “fast reverse” 45 and 33 degree angle lines in chart #2.

Please look at chart # 3. This market starts off above the Octave (8/8ths) on the (1/8ths) line, which is a fast reverse and fall line (Gann talked much about it) plus the range of daily

activity formed a “cross” “doji” or “rickshaw man” that signals a change in direction of this market. (Since it had already run back up a 2nd time and couldn’t close on the line or above the line, the odds were 95.% of a “sell off” soon.

The “sell-off” came sooner than later. This market “tanked for 4 straight days and stopped “exactly on a 50.% Murrey Math Line (exactly on a 25.%

Ideas for New or Unsuccessful Traders

By Bruce Babcock

Don't be too eager to trade in the beginning. Watch how the markets work for at least three to six months. Subscribe to a chart service and start watching market action from day to day. Pick a small universe of markets and update those charts by hand every day.

If you would rather follow price charts on your computer than subscribe to a published, weekly chart book, I suggest Omega Research's SuperCharts (800-556-2022). It is inexpensive yet extremely powerful. It has a wonderful tutorial feature that will analyze any chart and explain the important technical aspects. At the end of every day you can update your price data (futures, indexes and stocks) via modem for a very modest monthly fee.

I am constantly amazed at how many people try to trade without charts. They are the best way to understand market price action. You should pay special attention to trend. Of course, trend is only relevant in a particular time frame. On a daily chart I recommend picking a time frame between 15 and 25 days. Use the same one for all markets.

One important thing to notice as you watch price action unfold is how unpredictable the markets are. Mathematical analysis of historical market price action has shown that price changes are primarily random. There is a small trend component in most futures price action, however. It is this trend ingredient that allows traders to make money . . . but only if they follow trends.

Those who try to anticipate changes in trend rather than follow established trends are doomed to failure. In addition, with only a few exceptions, trying to find bargains by buying weakness and selling strength is likewise a prescription for eventual disaster.

Frustrated traders are constantly looking for some secret that successful traders use to make money. The only secret is that there is no secret. Those who are successful in the long run all follow the four cardinal principles of trading. They are: (1) Trade with the trend, (2) Cut losses short, (3) Let profits run, and (4) Manage risk.

There are many ways to implement each of those four principles. The important thing is that you have the discipline to adhere to each of them all the time without exception. You can read about how a wide variety of experts execute each of those principles in my new book, *The Four Cardinal Principles of Trading*.

By the way, books are your best value in commodity trading information. You get more ideas for your money from books. But don't assume that just because someone famous has written a book, all the ideas in it actually work. One of the unknown reasons why so many traders lose is that most of what you read in books, what I call "the conventional wisdom of trading," doesn't work. You must be extremely skeptical about everything you read. Insist on a rigorous demonstration that when the ideas are applied continuously for many years, they lead to profits. You almost never find this kind of proof in books.

Since most trading methods you will come across don't work over time, you must be careful not to trade with any approach you haven't tested rigorously on historical data. Notice that to test something, there must be objective rules. If you insist on trading with a subjective, seat-of-the-pants approach, don't be surprised if you eventually lose money.

Your method probably has a negative statistical advantage. Just like a casino gambler, you will eventually lose.

Don't blindly assume that a system which appears to be profitable in historical testing will necessarily work in the future. The testing must be rigorous enough to weed out those curve-fitted systems that only work in hindsight. Most commercially-sold systems are of this variety. It is quite easy to create a system with a fabulous hypothetical historical record simply by creating the rules to conform to known historical price action. Computer-aided optimization is good for this. That's why you should be suspicious of complex systems and all optimization.

Determining whether a system is over-curve-fitted is not an exact science. A good clue is whether the system trades multiple markets profitably over a five-to-ten year period using the same trading rules. Those systems designed to trade only one or two markets or those that use different rules for different markets are not likely to be profitable in the future.

If you aren't going to use a system that comes with its own testing software, you will have to test your prospective approach yourself. This may involve hand-testing on charts, which is not especially reliable. There are computer programs with generic system testing ability. The previously-mentioned SuperCharts is a good example.

Newsletters can be valuable in exposing you to various potential trading styles. A subscription to *Commodity Traders Consumer Report* (800-832-6065) can give you lots of information about newsletters, books and other sources of educational assistance. Published since 1983, it is the only objective source of performance information on advisory services. This information is invaluable if you intend to follow the trading recommendations of any advisory service.

Be extremely wary about expensive products. There is no relationship between price and quality in futures trading information. While it is generally true in life that you get what you pay for, commodity product vendors prey on this assumption by pricing their mediocre wares at outrageous prices. People then buy them with the idea that one could not sell something for so much money if it wasn't good. Do not assume that whatever a system or seminar may cost, you will quickly earn it back from profitable trading. It seldom works that way.

One important reason 95 percent of traders eventually lose is that they are too lazy to do the work it takes to be successful. Another reason is that they have no plan or method. They are guessing, gambling and hoping. That just isn't going to cut it in speculation, which is one of the most difficult endeavors there is. However, if you work hard and work smart, you can be part of the 5 percent who are wildly successful.

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