

Square The Range Trading System

By

Michael S. Jenkins

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Preface

The tremendous success of my discovery of **The Secret Angle Method** and the simplicity of having the chart itself tell you where its harmonic breakpoints fall led me to follow that method to its natural conclusion in finding the primary origin of all price chart fluctuations. I have taken those ideas and combined them with Gann's primary discovery that time and price are interchangeable and each swing in the market i.e. each 'range' could alternate between time and price vectors. In this work I have attempted to lay out a strategy of mapping these resultant cyclic turning points in a chart for trading purposes by identifying high probability entry points. I also have tried to 'educate' the reader a little into the fine art of chart reading and interpretation by looking at the basics of each chart 'wiggle' and finding it's corresponding origin point. I do not intend to demonstrate a perfectly programmable template for all trades since the problems of scaling for each user and his or her particular software or hand drawn charts might require another full book.

finding each market turn based on geometry. Once you can grasp the principle and have some success in predicting the major reversals then you can advance to the more subtle pattern repetitions and the 'mirror image foldbacks' that lie at the heart of all great forecasting. I have only used geometry and trigonometry here so as not to cannibalize my life's major discovery of the way Gann used the planets to trade and which I still only teach 'face to face' in my private seminars. Even so the method explained in this work will substitute nicely for those who can't or won't accept the planets as natural forces driving the markets cycles.

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I encourage you to read the *entire* book and not skip the early chapters that explain the theory leading up to the final solution. All the ideas have been explained in prior books and in my newsletter but like all things 'hidden in plain sight' few can ever grasp the principles of the whole pattern. This book will complete all my prior teachings and likely conclude my work in this area, but you won't grasp it all if you do not understand the basic building block principles explained in the first several chapters, so read everything to the end and try and contemplate the foundation principles as they will lead to even greater discoveries. I also urge you to read my earlier books on basic trading so you know how to identify a reversal bar, how to project targets, and support and resistance and basic cycle calculations. These tools when added to this key turning point system will greatly put the odds in your favor for a successful trade.

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Acknowledgements

I wish to thank the following software products for the use of their charts in the various illustrations:

Ensign Windows

Ensign Software

<http://www.ensignsoftware.com/>

The vast majority of charts in this book were produced with Ensign Windows, but I am often asked what software I personally use every day and I use several products in addition to Ensign:

TradeStation: <http://www.tradestation.com/>

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Any of these products can be used with the methods described in this book

Introduction

I have always said that every future fluctuation in a chart's pattern can be seen in a past movement and it is only the angular displacement of the current pattern which tricks the eye into not being able to discover the identical past movement. Cycles are not evenly symmetrical like a sine wave that we often use to represent them. There is the problem of 'left hand / right hand translation' where the amount of time of the advance is different from the amount of time of the decline. These types of patterns are often described as 'saw' waves or irregular fractal patterns. Patterns also can be plotted in a different plane and this appears to distort the original pattern. This is the reason no moving average system works or any MACD or oscillator type overbought / oversold system. The 'fractal' patterns are exact and although you can often 'see' the pattern with the eye, the various legs can still be compressed or expanded and while the overall pattern remains the same shape, trying to buy or sell at a particular leg pivot is still difficult. In this work I reveal a method that should

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The difficulty academics have with the market is the 'regression to the mean' tendency of the market to vary about a central point. In the past the 'random walkers' always used

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moving averages typically prove that the gains and losses of the market evened out and this has largely been disproved. In fact, studies conducted by the majority of institutional investors and academics are still in the dark concerning cyclic influences in the market. For example we all know that if you flip a coin (US) 1000 times you should approximately get 500 heads and 500 tails and this is simple statistics that no math teacher will refute. But what if there were peculiar fractals present in the coin flips that no one noticed. What if there were a pattern of 'heads' from flip 37 to 46, and the next eight 'tails' and then seventeen heads etc. This pattern would eventually return to the starting point and the average would come out 50/50. Of course a normal computer run of 100 trials of 1000 flips might pick up this fractal pattern but the more difficult fractals have reinforcing feedback loops so a run of 5 heads might generate 5 times 1.2 tails and that might generate 0.8 heads times the last series and each series affected the next and yet the entire series would return to average out. Even advanced computer runs might not pick this up. This is similar to a fraction like 1/7 which repeats 0.142857142857142857 but is again modified by another repeating fraction so the actual mechanism can't easily be found. This is what happens in the charts of stock price patterns where each fractal recreates itself but modifies itself at the same time. Our principle of time and price being the same thing is proven with the observed fact that a \$50 high spins out 50 unit time periods and a break to

\$17 would spin out 17 unit time harmonics and each high and low spin out harmonic cycles that eventually return to a common denominator and the pattern repeats as the different individual cycles merge into one new cycle. Imagine if you will, a 'timing line' drawn down from a stocks high of let's say \$40, and when that timing line hits 'zero price' it turns back up and eventually the current price hits that trendline at a future price level that is quite different from the initial \$40 but none the less may cause a top to form again in the stock. By following that timing line down and up you can 'see' the origin at \$40 and without that timing line you would have no way of connecting the \$40 top with the recent top. If this timing line is a simple 45 degree angle the patterns can be fairly easy to see and the repetitions are very similar. If however, the angles are Fibonacci ratios or strange fractions, then the future high or low caused by the timing line can be hard to visualize as coming from that origin point. In many of my newsletters I show the backwards zero angle approach of taking today's high and assuming it could be a square out and if so I expect to

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go backwards with a 1 point per day timing angle and find a similar pattern. This was true at the top in late April to May 2011 when the 1371 top pointed backwards 1371 days to the top in July 2007 and the same fractal 'crash' repeated. These kinds of 1 to 1 timing line pointers are easy to apply and use but what I will teach you in this book are the very sophisticated and advanced angles that are specific to each and every chart and will always work whereas a simple 1 to 1 angle will often fail. Scaling of your charts WILL be a problem but won't negate the validity of the method, but only cause a bit more work and testing. If you always test your charts with several of these methods you will be able to narrow down to a precise day or two where the big turning points will occur. By the time you finish reading this book you should be able to know where the turns are but unless you use common sense and develop a strategy you can still be unsuccessful. When forecasting a date to precisely time a change in trend, it is essential that you let the chart validate the change. In other words if you predict the exact hour of a high or low, look at the 15 minute chart for that hour and let the 15 minute pattern reverse for a bar or two to give credence to the predicted 60 minute expected turn. Also, only trade at your exact calculated support and resistance that appears during the forecasted period and not just at the market. 99% of trading consists of getting in at the right price and the right time. If you spend a little time studying your charts you will see that all the future pivots come from the past so you literally have months to years to get prepared for today's trade. There is no need to watch the news or act impulsively. This book is a thoughtful 'system' or systematic analysis of past patterns recreating themselves into the future. If you take the time to think about your charts you will greatly benefit from reading this simple book.

Chapter 1

Time & Price Vectors

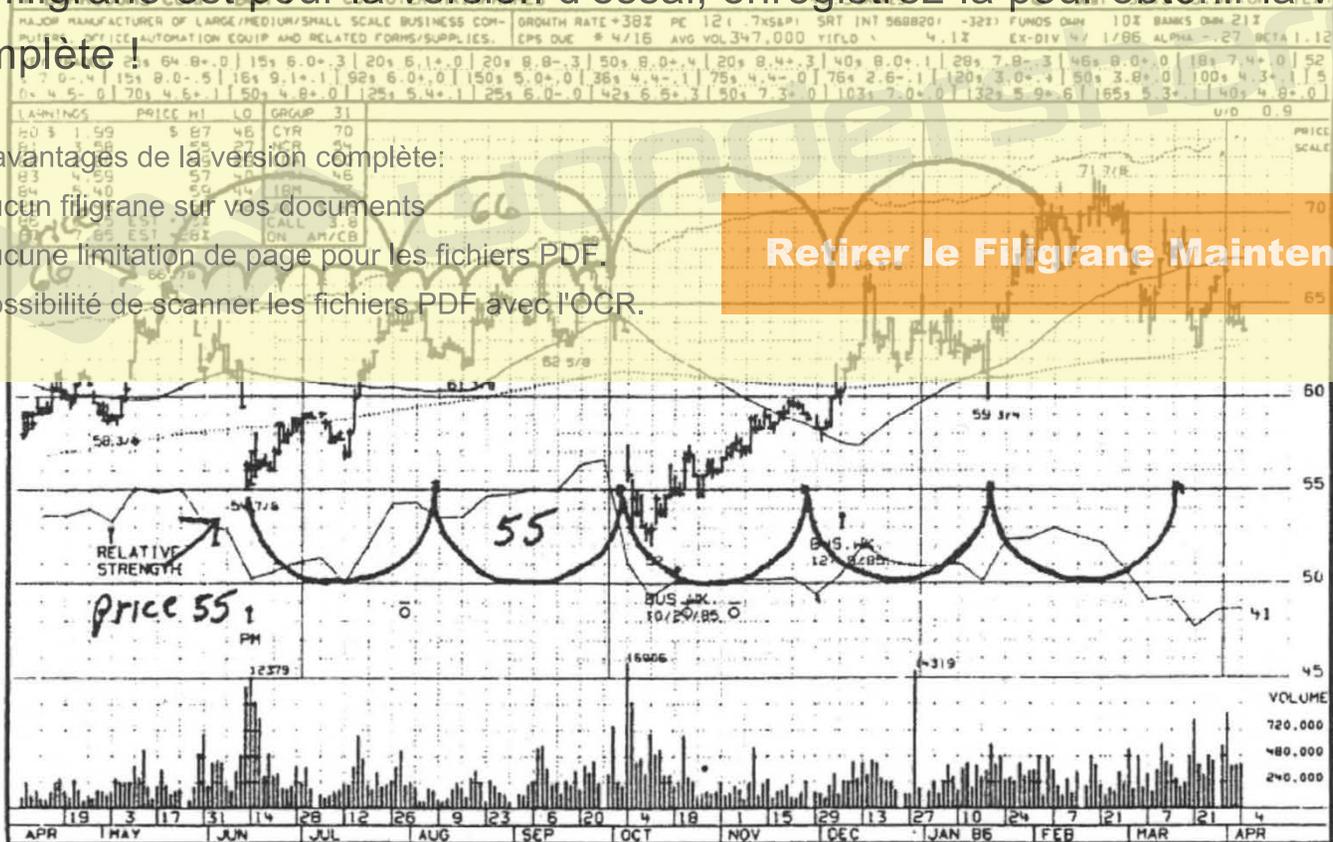
The primary discovery in all of technical analysis is that 'time' and 'price' are the same manifestation and are *interchangeable*. What I mean by this is that the psychological buying and selling of stocks or commodities is caused by time cycles and these time cycles are converted into prices. We observe this all the time and this can be easily be proven by taking say a \$50 high and moving over 50 hours, days, weeks, or months and seeing harmonic turns in the stock price pattern. This implies that the cycle of 50 units of time is embedded in the \$50 price. Below we see 66 day and 66 hour cycles from a high spinning out from a price of \$66, and the subsequent low near \$55 spinning out 55 time unit harmonics. Note the common cycle where 66 and 55 come together yields a 'crash gap' in the stock.

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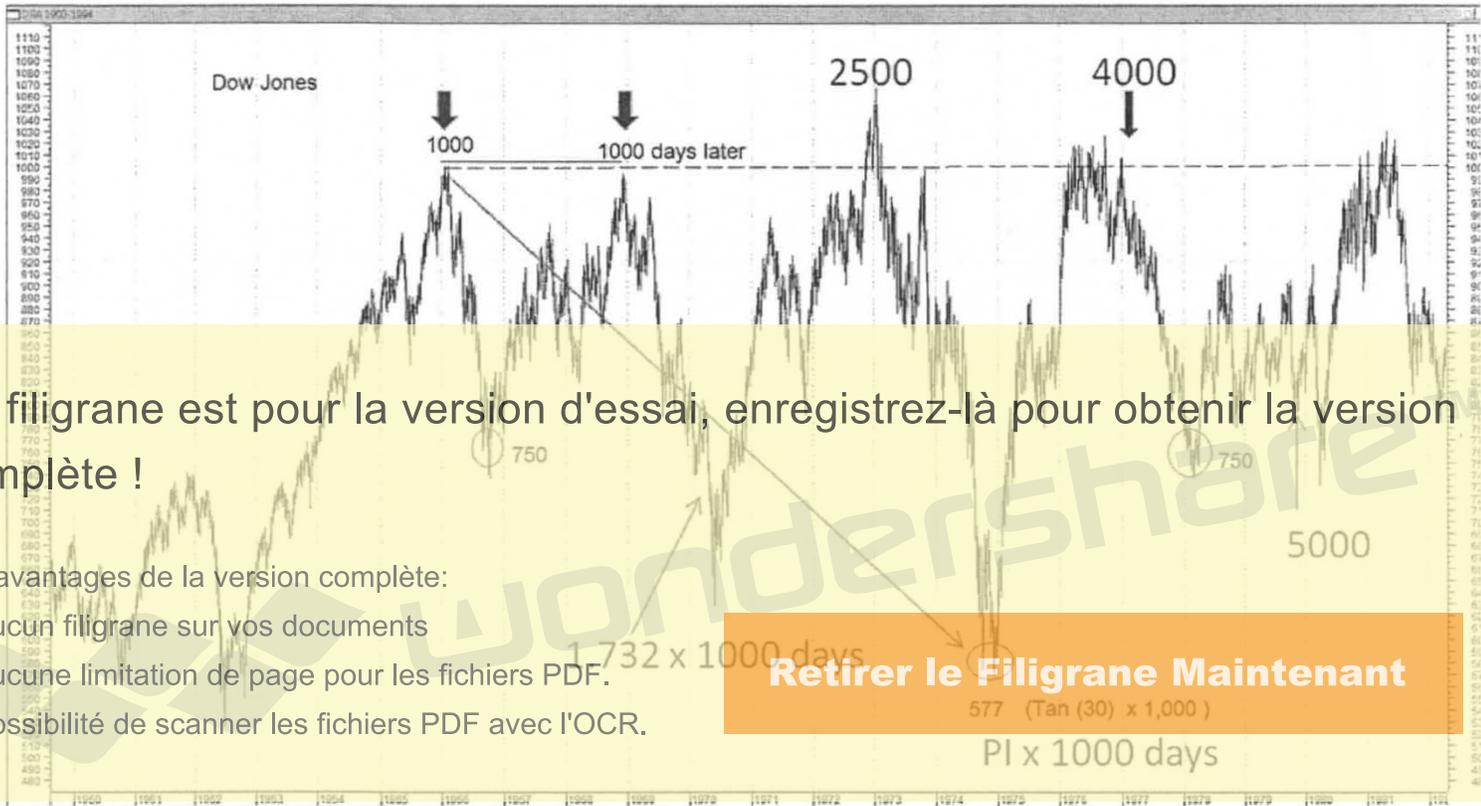
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Usually the cycle length only shows up in an obvious fashion at the major highs and lows like the first top on the Dow Jones of 1000 back in 1966 revealing a time unit of 1000, and 1000 *days* later the Dow again topped and the *price* was back at 1000. From that historic high the historic low was in December 1974 at 570 and this 570 is the Tan (30) degrees

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times 1000 and the date was approximately PI days later (3.14×1000). The 2007 top at 1576 times the Tan (30) degrees is 910 and that subtracted from the 1576 is exactly the low of 666. Also note the high of 1576 IS the Tan (30) i.e. $1576 = 1.576$ or $.576$. Additionally the October 10, 2002 low of 768.50 with the decimal moved to 76.85 and converted to months (76.85×30.4375 average days = 2339) gives the exact next low of March 6, 2009 proving that time AND price are intrinsically connected.



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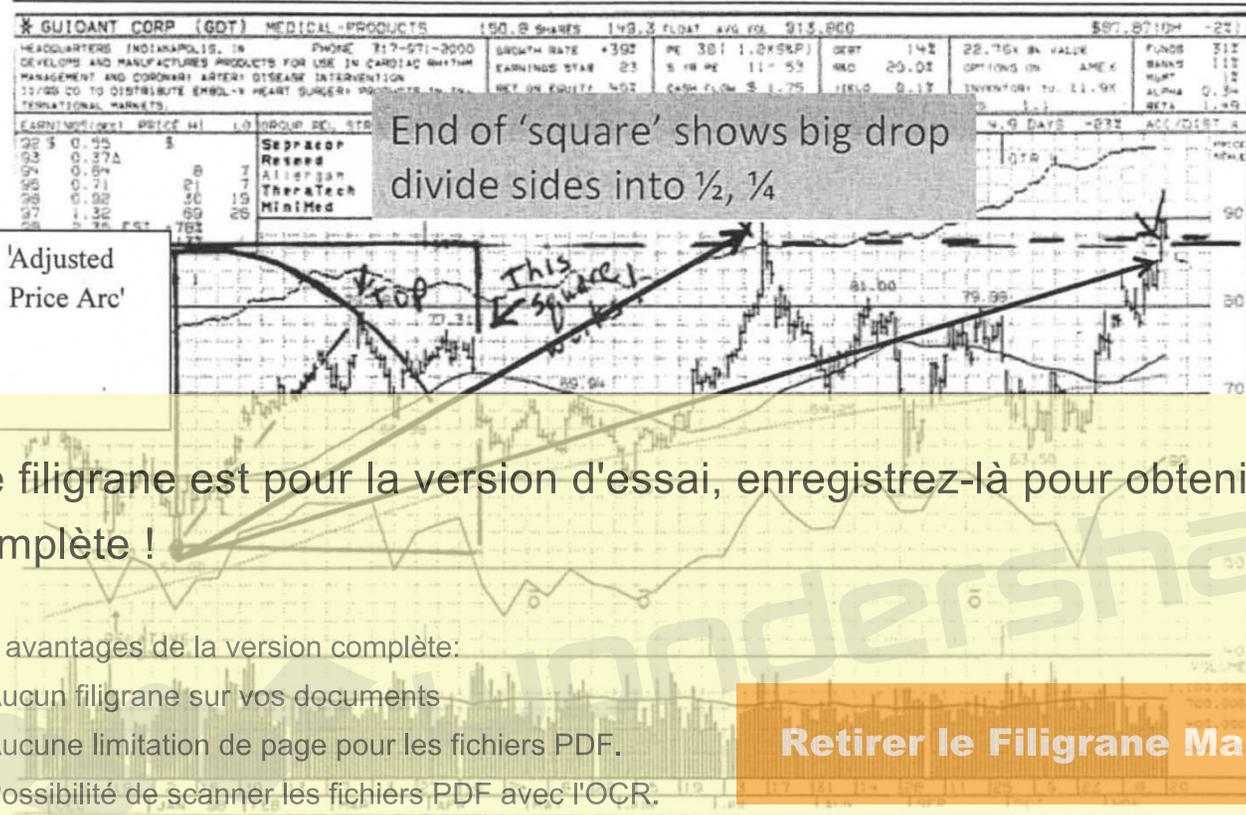
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The interchange of time and price and numbers lies at the core of W.D. Gann's methods and all the geometry I do in my own trading. Finding the 'seed' cycle, however, is not always so easy. The first place to start is to note that time and price energies are vectors. The price can advance 'straight up' or it can move forward and up at a rate of momentum. The 'angular' rate of advance in 'combined' time and price is what we usually call a trendline and it represents this combined force. Our job is to separate the time from the price components and try and find some cycle harmonics. This next chart shows the first step as drawing a 'circular arc' from the top of the price advance backwards and up to the 'straight up' maximum. This would give us the maximum possible price component if the time of the advance was almost instantaneous or zero time. We can then turn this maximum 'vertical' vector of price 'horizontal' (draw a 45 degree angle down to intersect low) and get the comparable time vector as if the price did not go up at all. In this way we can isolate the

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combined time and price forces operating on the stock. Now we can stack the price boxes vertically up to get target prices or we can lay them sideways to get time cycles. We see in this chart that at the end of the 'square' we get a gap down so the time cycle is now validated.

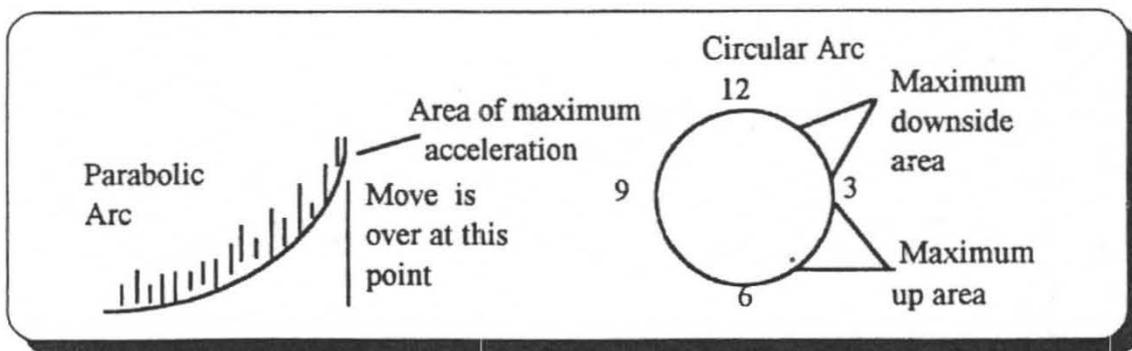


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Arcs describe human emotional behavior in that as the arc goes parabolic any investors who *can* be invested *will* be invested. They cannot stand the extreme emotionalism of the vertical move and must commit. We find these points of maximum force on the clock analogy from 12 to 3 o'clock for the 'crash' peak and from 6 to 3 for the panic buying peak.



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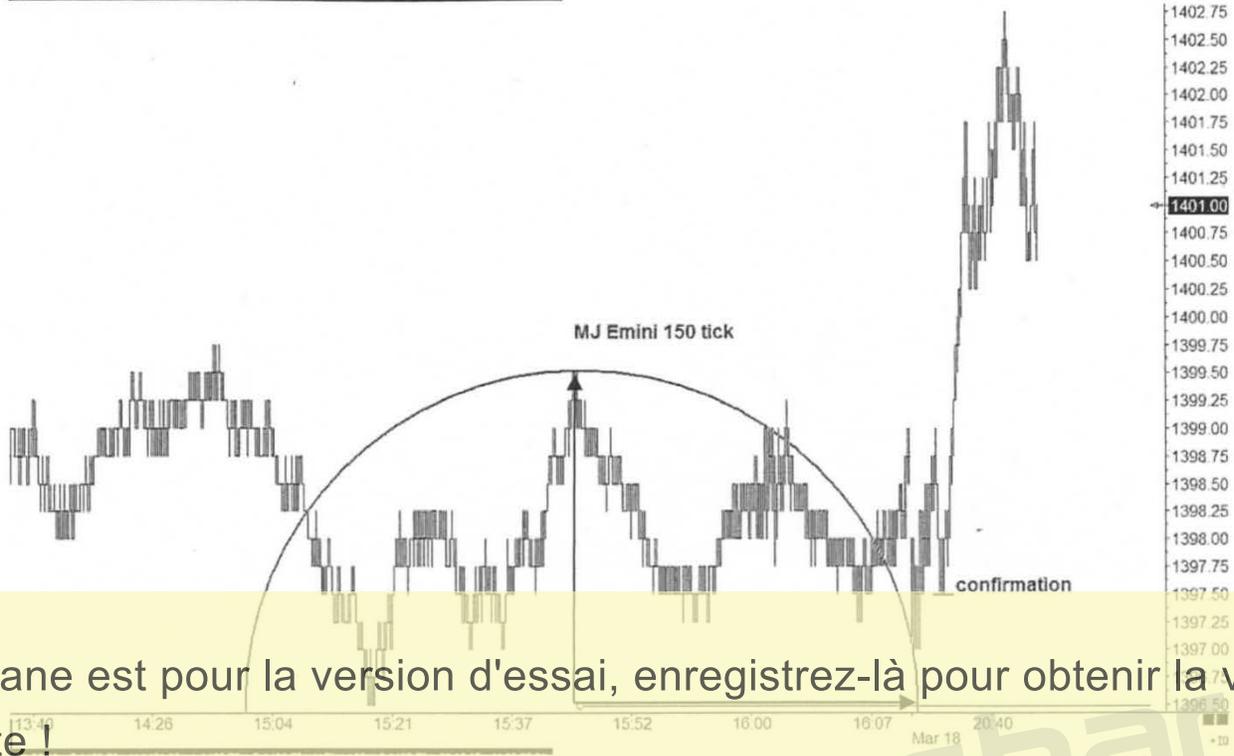
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Arcs can be used as full circles of support and resistance. At each individual point on the circumference of an arc or circle the combined vector forces are identical. Once you 'escape' from an arc the vector strengths change and either time or price overpowers the other showing a new or accelerating trend. In most cases we observe the principle that **'as much as they go up, they must go sideways or down'** i.e. time and price equality. *This is the key to everything you need to learn.* Keep thinking this after every sentence in this book. This is shown here where we see a low to high arc defining the amount of the decline or consolidation, with the 'low' due at the end point of the arc. The arc swung up from the high back thru the low gives a support arc and it's end point defines the end of an advance phase.

In the chart below of a 1 min S&P E-mini future we see where we will use this principle to make trades. The amount of price advance in price **MUST** be equal to the amount of the time consolidation or decline, so if we can measure this precisely we can exactly time the point of equilibrium where a new trend will emerge. In this case the easy method is to draw a circle **AT THE LEVEL OF THE STARTING LOW** and **UNDER THE HIGH**. In this way our arc will go down by a radius dimension that will equal the advance vertical price radius.

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21:53:10 C:1401.00 H:1401.00 L:1400.50 O:1401.00 V:294 I:128 S:1402.79 03-18-12 M00:04:59



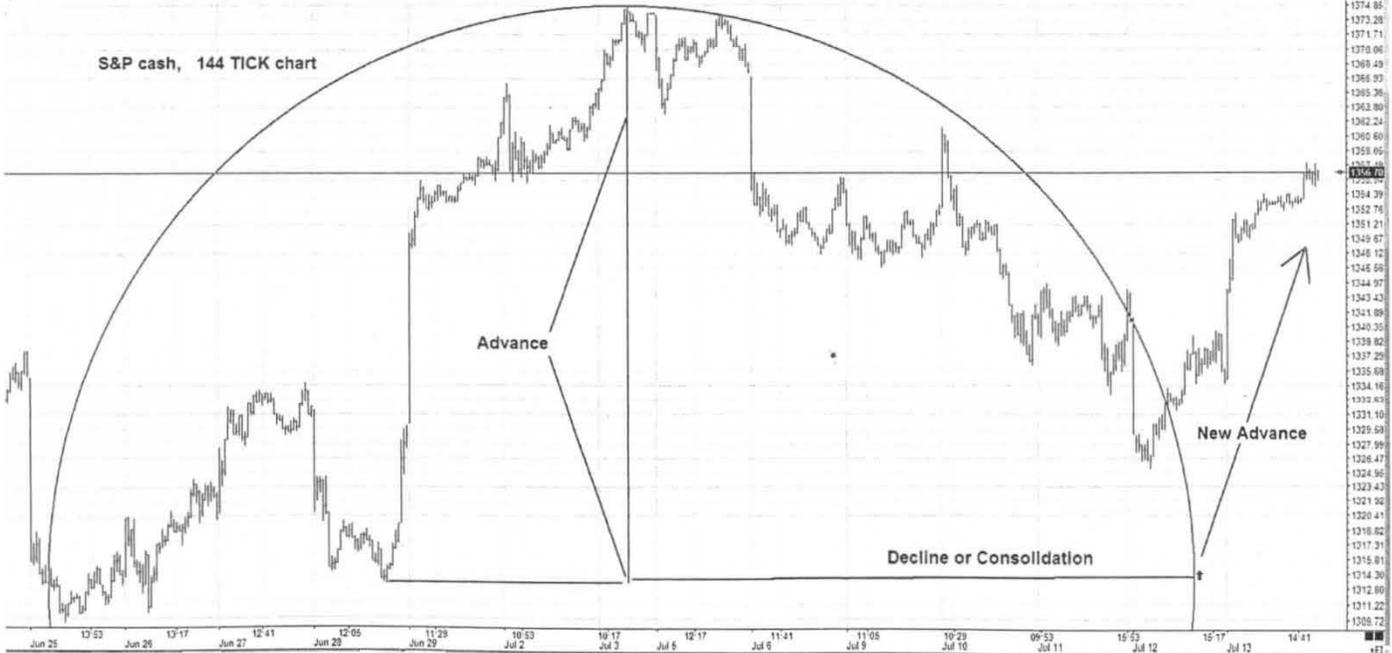
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This equality of vertical price and equal time balance is the key to all of Gann's methods. Les avantages de la version complète:

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11:53:56 C:1341.61 H:1342.08 L:1340.87 O:1341.35 V: 8144 S:1374.54 07-11-12 Q: 98%



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In my *Basic Day Trading Techniques* book I introduced to the world the concept of the **TCB** or **Time Conversion Bar** in which I took the time of the advance and turned that into a price bar to measure equality points in the chart



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In this chart the *time* duration of the advance becomes a 'DNA' bar to be hung from the top for a typical correction length in *price*. Here we take the time from the starting low to the high and use a circle to convert the horizontal time radius '1' to a vertical price equal distance '2'. We then attach this 'bar' to the high to find a balancing point for a correction low area. If you note on this chart, after the first top there was a second higher top at the point on the bottom circles' right hand side. If you now take that full diameter length of the time and hang that length vertically from the high you will get the next correction low (not drawn but prove it for yourself). This is a method of squaring a range, but the range is time in this case.

Below is a weekly chart with this same method and you can see it does an amazing job of identifying the time and price equilibrium points for market reversals.

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02-09-07 C:1438.06 H:1452.99 L:1433.44 O:1448.33 V:2,586,990,000 I:0 S:1210.47

S&P Weekly

Time Conversion Bar Trendlines

Think of These As A Type of 'Low of the High Bar' sell or buy signal

We can draw trendlines through our origin lows and the TCB low and now we see NO 'small misses'

The 'circled' areas are the trendline hits

Small Miss

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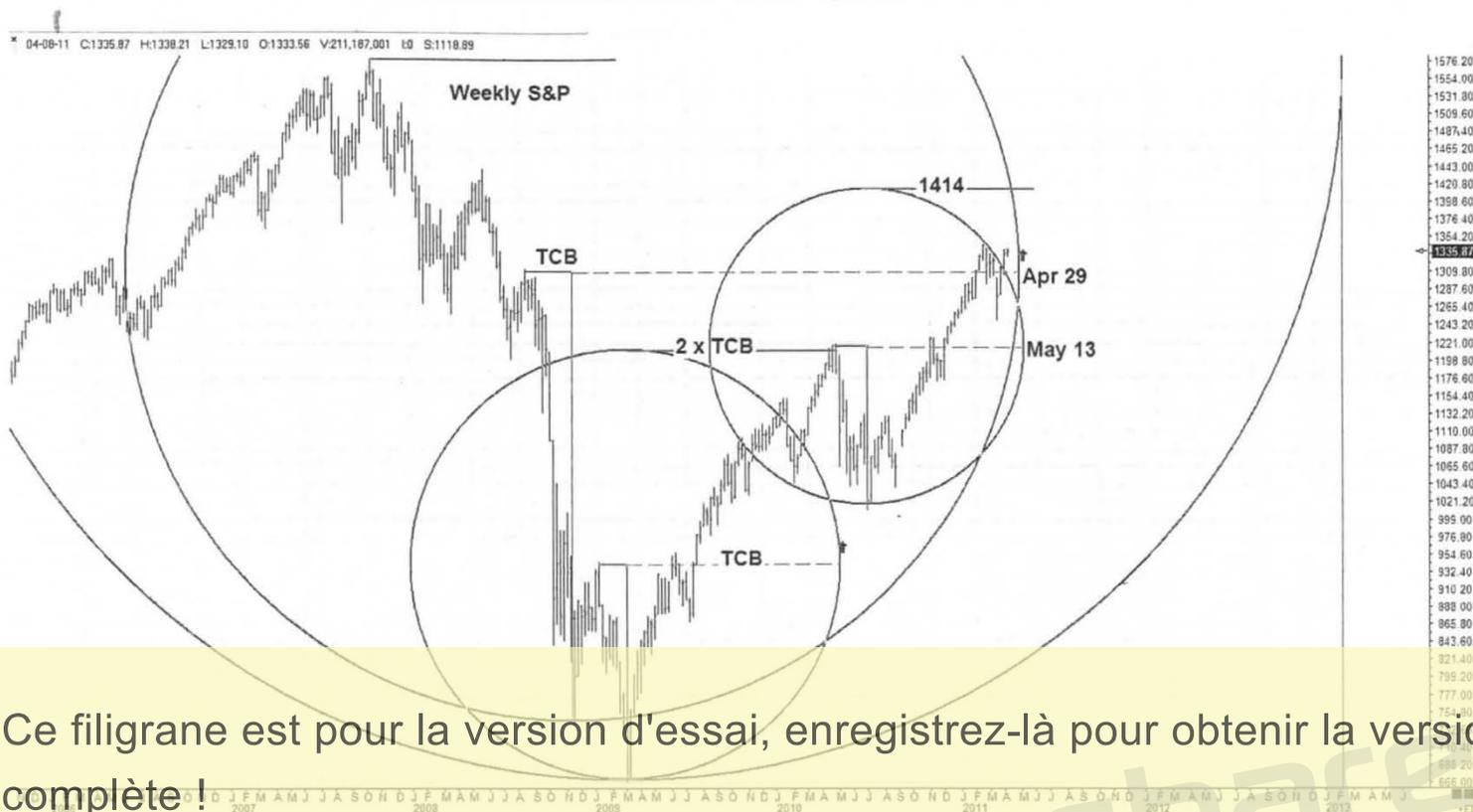
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Here we see another key solution to our problem in that we have now created a TCB ANGLE. Note how trendlines drawn thru these TCB points create unique support and resistance trendlines that the chart pattern responds to because they equally balance time and price in the exact proportion as the price data does. The TCB angles are totally unique to each chart because each time and price advance is unique.

These TCB's above are created from the *time* element which is then converted to price. In my **Stock Cycles Forecast** newsletter for 2011, I used an adaptation of this principle to forecast the EXACT closing high date for the year and the week of the closing final low for the year (I was using a weekly chart-but I personally knew the exact day from a method shown in the following paragraphs). I used the full TCB circle based on *price* length and converted it to time to make these forecasts. Below we see the chart the forecast was based on, and the April 29th end of the vertical maximum part of the circle.

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To follow this analysis we start at the final bottom low and look to the very last swing down going into that low. That high to low vector is swung sideways (3 o'clock) to give us the

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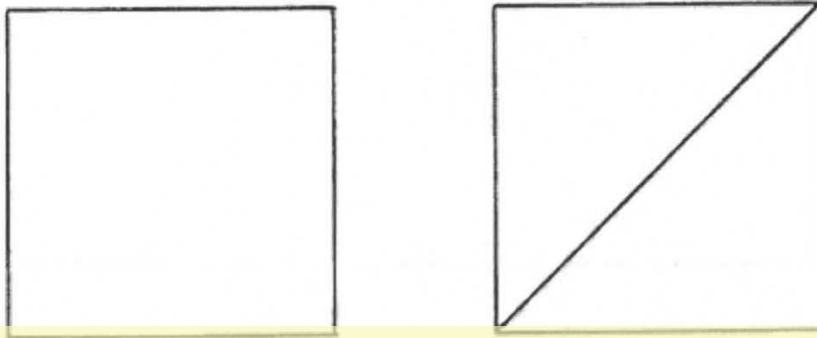
circle. From THAT high we now follow to the next correction low and swing up another price arc to get our May 13th top. Now we go back to the next to last swing prior to the ultimate low in March 2009 and that 'big' price drop is swung up to give us the April 29th closing high prediction.

The above TCB analysis is derived from the principle that time and price are intrinsically linked and the vector ray or trendline incorporates this combined energy. The circumference of a circle includes all these equal points of force and the radius is the measurement of the 100% factor either straight up or sideways. W.D. Gann referred to these balance points as time and price 'squared' since the horizontal and vertical distance were equal at a market turn and could be visualized as a 'box'. Below are some boxes that represent these points of force and we note that the primary '1 to 1' correspondence is the 45 degree diagonal of a square and we can bisect these squares to get smaller internal squares with 'nodal' points of force. This is where our typical 50% retracement or eighths or quarter retracements come from- these nodal points of force. Prices will try and gravitate to these areas. The problem again is one of scaling and if you don't have a scaled chart then these 'boxes' become

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distorted rectangles but can still be used since the diagonal of a distorted rectangle is still a 45 degree representation on that particular chart scale.

TIME AND PRICE SQUARES



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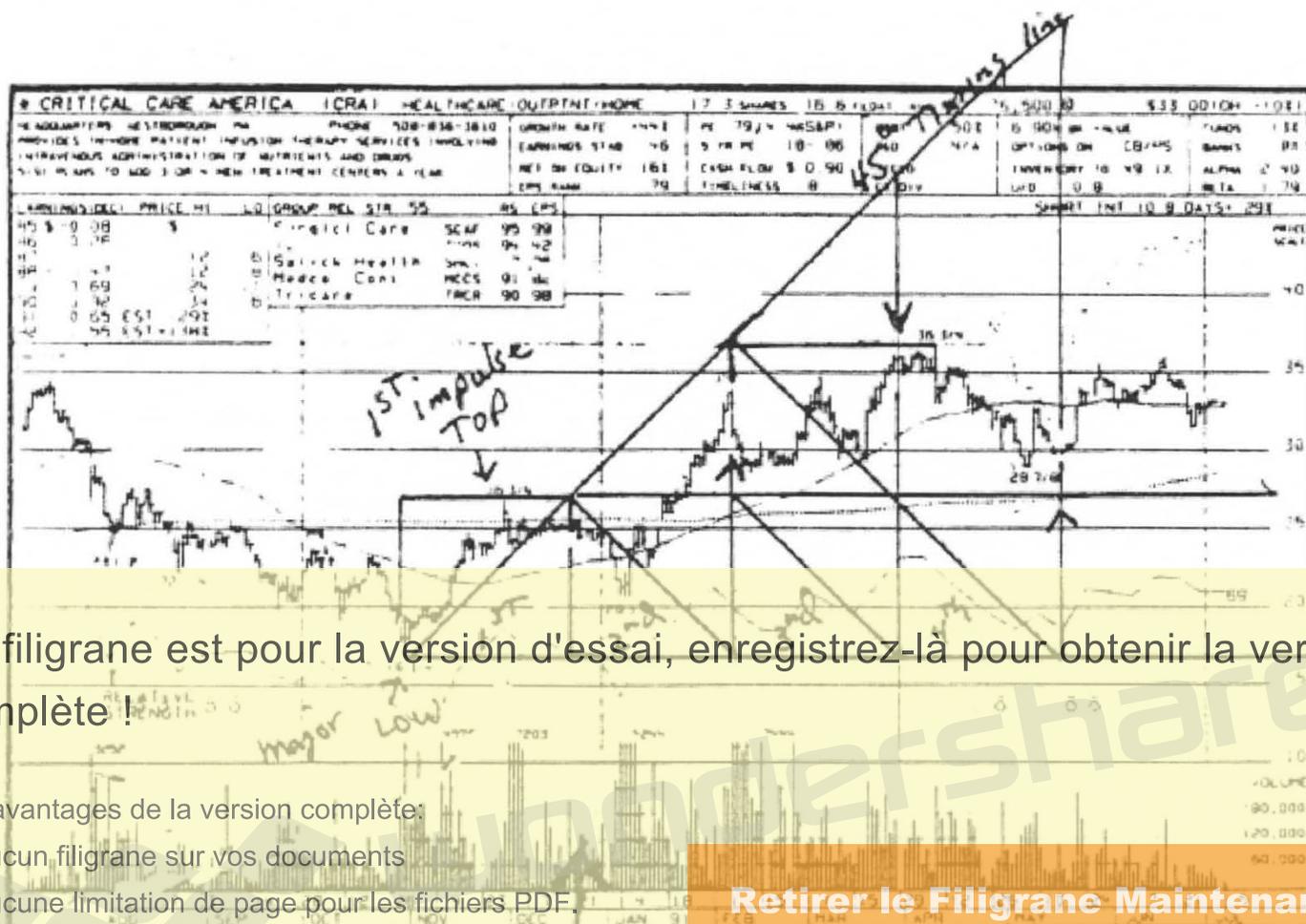
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A very quick analysis can always be made with an ascending 45 degree angle and placing the end of a box at a market top to find harmonics and levels like the following picture shows. This is just a 45 degree up and down 'tic tac' to create the same size boxes based on the chart pattern prices. Note this method is *not* the same as the arc from the top swung backwards and as such will not be as accurate, but none the less will give a quick analysis for estimating turns.



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This idea of a 45 degree angle balancing the time and the price vector energy, can also be referred to as a 'timing line' when used in this manner since it is not a trendline but a time and price equilibrium line and when an angle started from a origin low reached the top price it 'squares out' the range as the timing angle is then up and over the same amount as the price, and an equilibrium point is reached so a change in trend is indicated. All cyclic analysis has as its core idea, the equilibrium of time and price on different time frames so you can keep track of these on an hourly chart, daily, weekly or monthly by using a simple timing angle of 45 degrees to intersect highs and lows (this applies to scaled charts- 45's will differ, and we'll cover that later). This intersection of highs and lows is 'Squaring the Range' whereas an angle started from a high and going all the way down to 'zero' price would be a 'square of the high', or an angle going down from a low to the zero price would 'square a low'. As long as a market or stock stays in a trading range you just 'zig zag' up and down this range looking at each end point to find the possible end of the consolidation zone. On this above chart, we see major market turns at the end of each zig zag range end point. These timing ranges are cycles that we will trade.

Chapter 2

Square The Range



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...in 'Square the Range' ideas. It's a good study because it shows why 99.9% of all Gann students lose money or don't. The problem here is seeing the angles are true but degree lines and a few close hits are seen but nothing to write home about. The Arc by the way is only put on from the October low to the prior top level (centered at the low) to demonstrate to you that a 45 degree angle coming down from that high is the same as an arc radius and we can see both end points reach the bottom at the same time (late Feb. 2012). This means you can take any circle and use the angle between any of the Cardinal Points (N.S.E.W.) and a line between each 90 degree segment will be 45 degrees. That way you can make parallels to these slopes and move them around the chart to apply 45's to other points and 'square' smaller segments and you can also draw a 45 degree angle if your software doesn't tell you degrees but you can draw a circle. The first thing to note here is the inappropriate use of the first 45 down from the top at the left to square the range. It does give a close hit with the secondary low but remember our principle that the amount of the drop in price must be squared and the full amount of the vertical price drop from the first top to the low is measured by the angle starting at the LOW and going up to the top. Then you will have a time period equal to the drop. While the first angle down did give that same time period and did result in a secondary low, most of the time was used up BEFORE the bottom was hit so the more appropriate use is from a low going back up to a top for a square

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out OR starting at a top level but starting above the low and coming down like the arc did in this example. Remember we must have a PRICE change complete (from top to bottom), and then we need a TIME duration to equalize that drop. In this case if we look closely we see that the full advance from the October 4th low to the range top (where the arc hits bottom) encompasses 80+% of the move. At the point of the top intersection, the chart pattern actually started an up and down swinging distribution pattern prior to the breakdown whose midpoint of the top was the secondary low 45 degree angle, coming up to the top. Also of note on this chart is the 'midpoint' where the 45's cross and if you follow that intersection in December 2011 to the right and left you will see the support and resistance nodes of this square.

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This exhibit from my *Secret Science* book shows the square the range principle in that a price drop of 250 and then 267 S&P points (range), led to counterbalancing up moves of those same amounts in calendar days or solar degrees which resulted in tops. This also explains why bear markets and financial panics are often short term compared to bull moves. The prior bull move takes a few years of time 'creeping up', such as 365 to 900 days duration while a sharp drop of those many points in a panic will balance out that time and create a bottom in perhaps just a few weeks or months.

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Now let's see some of these simpler and more exact methods of doing square outs. These always result in a 'one to one' correspondence of time and price so by definition we must get a turn.

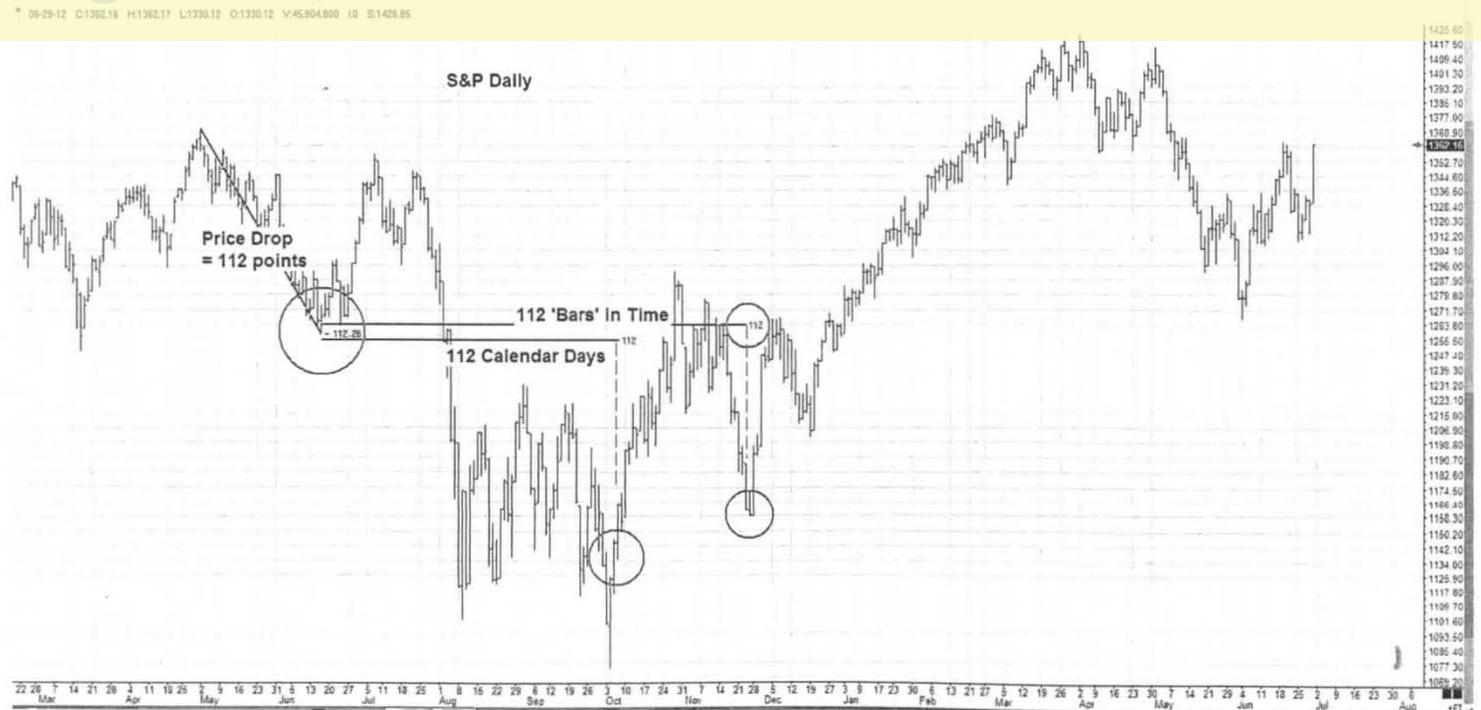


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Now we see why. The primary low was a simple time factor of calendar days so the 112 point drop was a true one to one correspondence of one point to one calendar day. The next exhibit shows a number of these square outs alternating between 'bar's and calendar days but this type of analysis can be done on any time frame like 1 minute, or 15 minutes, 60 minutes, Daily, Weekly or Monthly. W.D. Gann made up numerous translation tables like the 'Square of Nine' or 'Square of 24', or 'Hexagon Chart' and many others, in an attempt to find unit price to time unit translation schemes that would square out. Once you found one for the stock or commodity you were trading it would usually be good for a lifetime.



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We can see above that this is a very powerful technique and VERY PRECISE. One could make a great trading system from this alone and especially suited for option trading since the turns are almost never off by more than one bar. If you do these enough you will also find that many of these swings repeat the same type of 'measured move' so once you get the turn you have a good idea of how far it will run both in time and price amount. For example if we take the big high of May 2, 2011 at approximately 1371 and the final low on October 4, 2011 near 1075, the price drop is 296 so 296 calendar days later we will get a turn (July 26, 2012- probable big top phase as it defines the 'rally' phase from the price DROP low). A simple conversion of calendar days to trading bars is about 1.44 (365 /254) so the trading bar square out will be longer or 296 x 1.44 or about 426 calendar days (December 3, 2012). As your forecast progresses you want to 'adjust' it since often the price drop range is not accurate. That may be due to the 'running of the stops' and a big down bar on the last day, or a big emotional spike bar up on the high day. You might want to consider using closing prices rather than extreme ranges. For example in the above example of 296 price points of range, the closing ranges would yield only 237 points or some 59 days or bars difference.

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Now this would be unacceptable for a trading system but there are solutions. The first is you don't have to trade if you think you have questionable price data, but you watch and observe the tape for the turn to be verified, then you trade. The second and best approach is to divide the time period up into quarters or thirds and see if they have 'hit' so far. If your cycle is 296, what happened at day 148 (1/2)? In this case it was February 29, 2012 an exact top, so the 296 will probably be valid.

Below is a daily chart of Amazon which is a great trading stock and as you can see each of the swings results in a great trade at the predicted turn. These are all 'bars' as time units but

09-29-12 C:228.35 H:228.35 L:223.71 O:224.70 V:3,614,400 I0 S:221.23

AMZN Daily

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if I put the calendar days on it would work just as well. Again, remember the primary principle we are dealing with is that change can only come when the price differential is equal to the time passage. Each advance needs a time decline or consolidation, and each decline needs a time advance or consolidation, before the next move can began.

Most of the above are '1 to 1' price and time in either bars or days but most times the scaling factor is different and may require a small amount of adjusting the scale to find the right fit. Usually you can take the rise in price and find the 'obvious' low after that top and see if there is an obvious ratio like 2 to 1 or 4 to 1 or a decimal point move like 10 to one of price change to time change in bars or days. A simple example of this is seen in this next chart of Apple which shows a potential fit of ten price units to one time unit. You would keep doing this for all the little swing movements to see if it continued and if so probably adapt it as a permanent conversion unit for the next several months to years.

H:602.22 L:591.45 O:599.00 V:15,273,100 I:0 S:46.03

AAPL Daily



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Many times you would also find that the 1 to 1 units always work so you would keep track of them but the small swings would be 'mapped' out first with the 10 to 1 conversions. Also remember that there are many small 'swings' to a larger 'wave' in a long term time frame so also do this analysis on the very big swings from an intermediate swing low to high (like six to nine month swings).

Chapter 3

360 Degree Time and Price

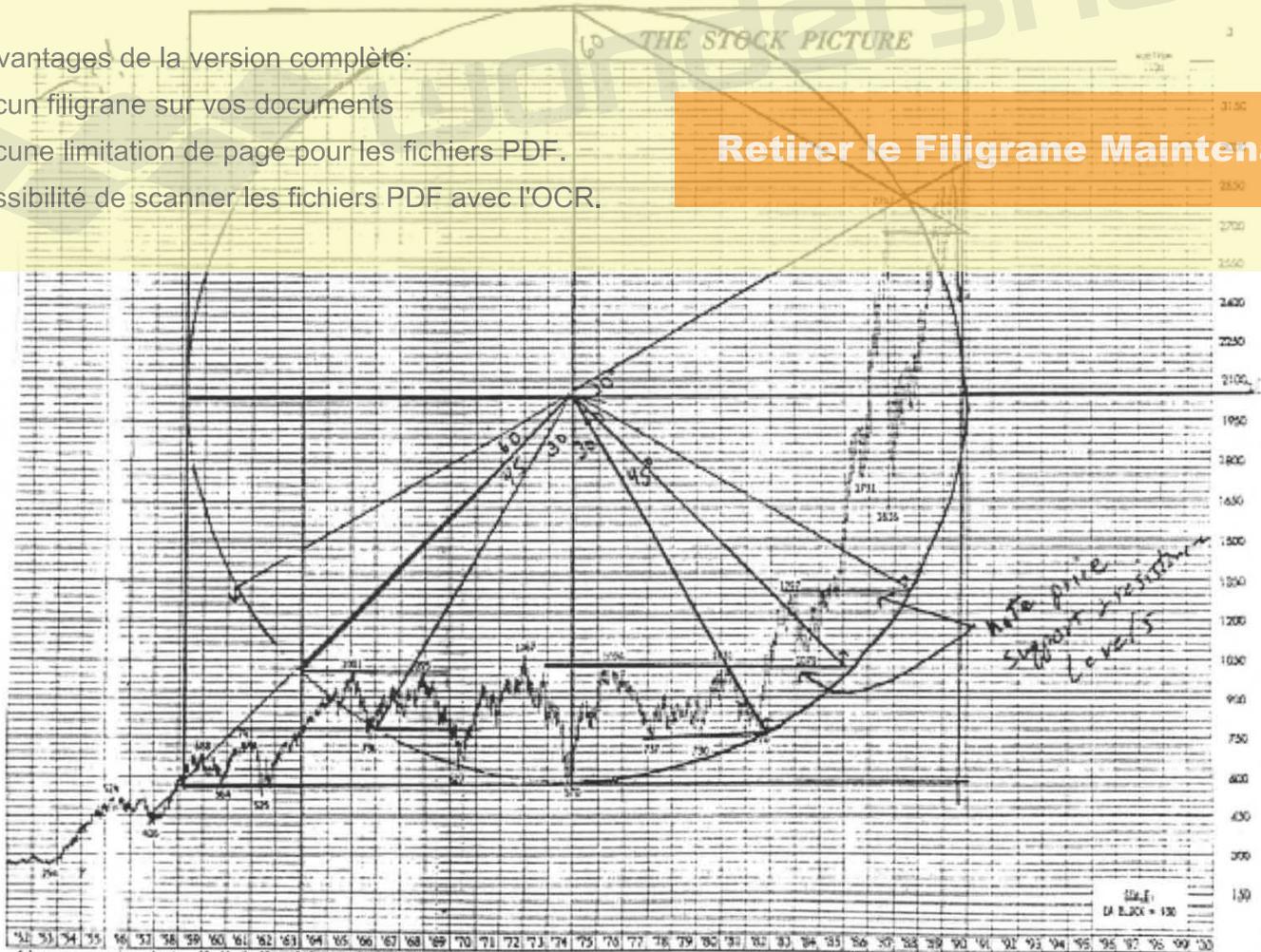
Before we can advance to the deeper understandings of time and price squaring we must go back to the basics of the circle and review how angles within a circle create time and space or price. The below chart is my favorite of all time and if you've read my other books you probably have seen it a number of times. Now we will get to break it down so we can apply its principles. The first thing about circles is that you need only 3 points to create a circle and in this chart the three points were the lows in 1966, 1970 and 1974. From these points the origin center of the circle was found and its corresponding radius and circumference. Next I drew standard 30, 45, and 60 degree angles down from the center. What we now realize is truly astounding in that ALL the future points past 1974 WERE KNOWN IN ADVANCE! It did not matter who was President or what the Federal Reserve did or even what the economy did, the future price structure of the Dow Jones followed the pre-calculated roads of the circle. As each angle was drawn a new point was found and a new bull up leg started at that point. The horizontal plane to that

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intersecting circumference point created the future bull and bear market trading zones. Those 'horizontal' support and resistance lines look like Sines and Tangents to our 30, 45, and 60 degree angles so we need to first review some Trigonometry.

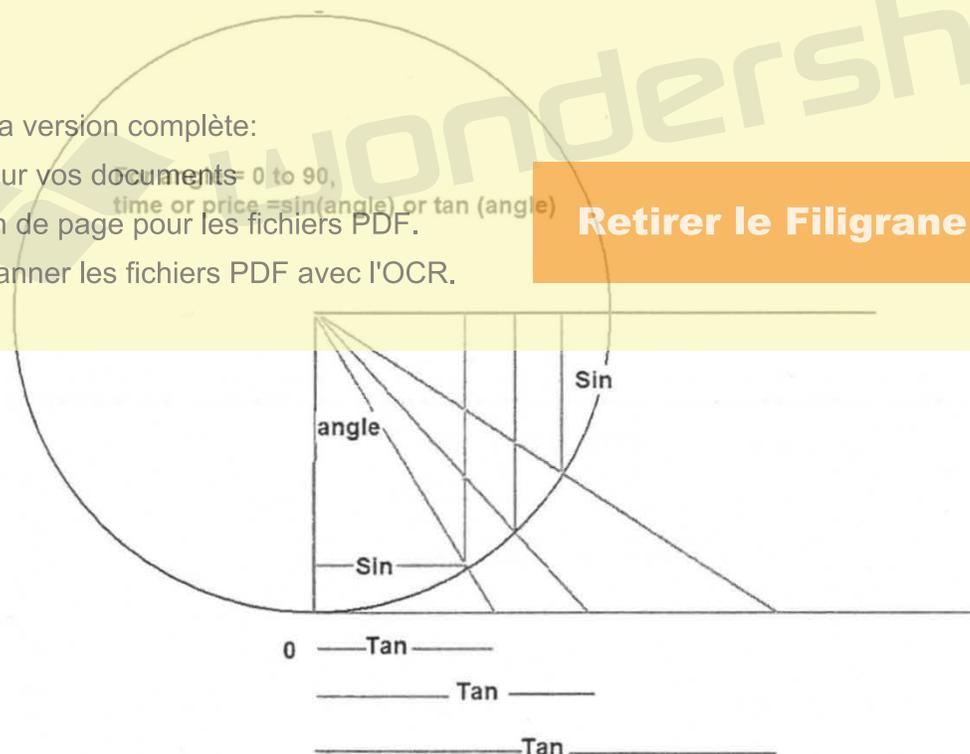
The exhibit that follows shows the typical circle and a few angles coming down from the center to represent 'time' which is always horizontal on our price charts, and the angles viewed going to the right represent 'price' or the vertical component. The angles from the center of a circle form triangles with the 'end side' either a Sin or a Tangent. The Sin length is measured from within the inside of the circle and the tangent from the outside tangential point. The three tangent lines shown below the circle are really just that one line at the bottom connected to the circumference but the different angles had differing lengths so I showed them below the drawing.

Angles Up or Down Create Time & Price
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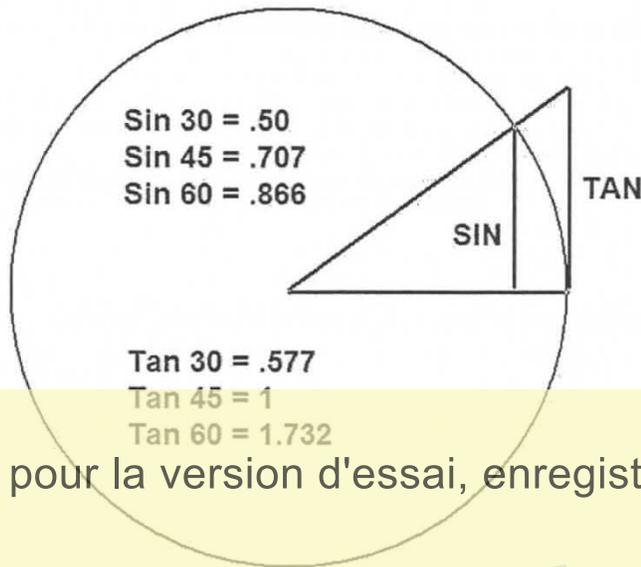
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This next picture below shows another representation along with the typical ratios of the standard angles 30, 45, and 60 and their sin and tangent ratios. These ratios are quite familiar to traders as popular retracement levels and since they are fundamental truths, if we

apply them to the proper starting point we can make some great market predictions.

The Circle Creates Support and Resistance in Time & Price



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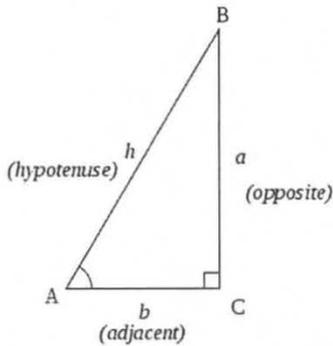
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This chart from the 1998 October low when the S&P hit 923.32 as a PRICE, then uses the Tan (30) times that price to get the TIME factor for the up move. That factor of Tan (30) x 923.32 = 533 as days and *exactly* 533 days later was the all time high on March 24, 2000, and the exact end of the bull market.



$$\tan A = \frac{\text{opposite}}{\text{adjacent}} = \frac{a}{b}$$



These Trig figures may help you visualize the 'vertical'

PRICE and the horizontal TIME components and the relationships to Tan (30) and its inverse Tan (60).

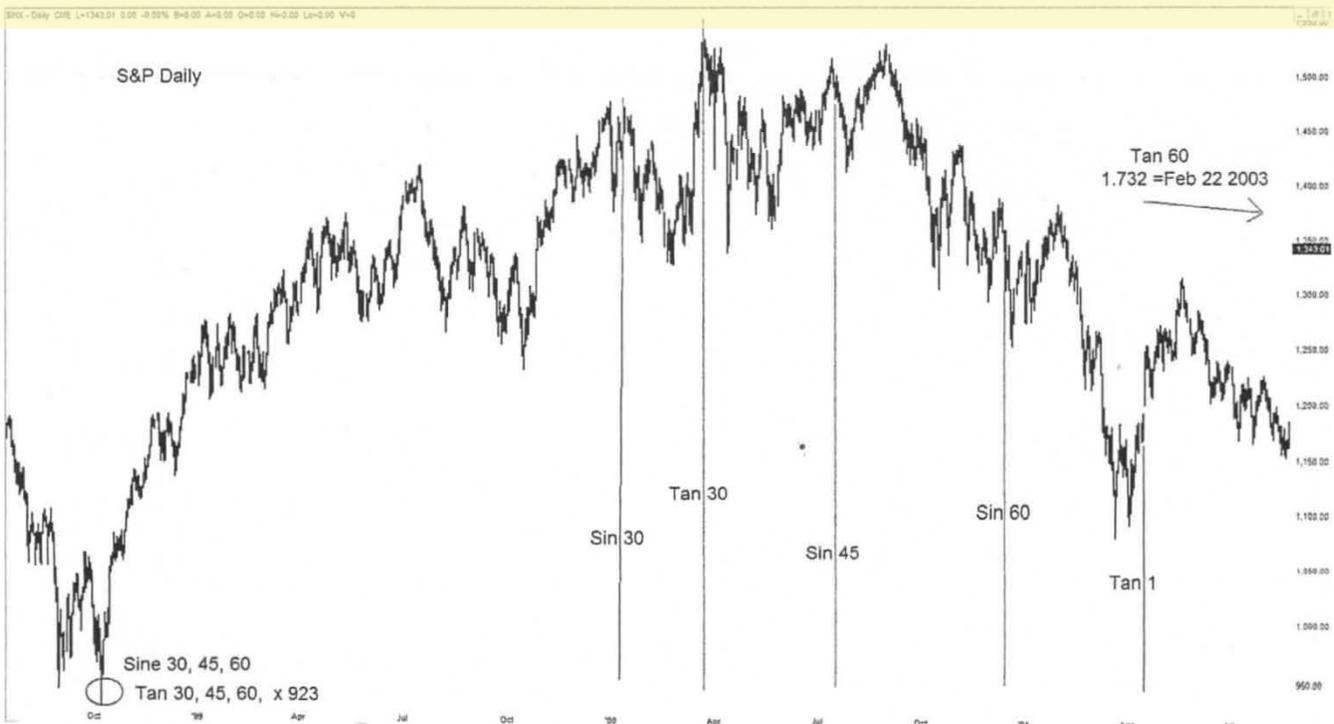
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Continuing along this line of reasoning that the price low spins out trigonometric functions of price and time and that these alternate, we can apply the various trig ratios and get the following results:

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These functions applied to prices will usually alternate between time and price distances but sometimes you can get a price to price relationship as previously noted how the October 11, 2007 all time high of 1576 calculated out to the exact 666 low in March 6, 2009. This is shown in the next exhibit as a differential of the Tan (30) of the top prices, subtracted from the top.

Tan 30 as Price



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You may be wondering by now why Tan (30)? They all work (degrees 1- 90) but most numbers in geometry spin out from the primary roots of the square roots of 2, 3, and 5, and a few Fibonacci ratios and PI. The Tan (30) is 0.577 which is the multiplicative inverse, or reciprocal of the square root of three which is 1.732, i.e. $1 / 1.732 = 0.577$. Many times the square root of three is the maximum expansion of an impulse series and those who have examined my 'box' method from prior courses have used this series to find culmination end points. Now if you apply the Tan (45) you of course get the ratio of '1' so this is your common price = time equation. The Tan (60) is the full square root of three or 1.732 so this is why we see these most often. Of course all principles must work on any time frame and while the 30, 45, and 60 degree segments are the main geometric fulcrums, the principle will work on each and every degree. If you have a math or computer programming mind you will quickly see how you use a simple formula like:

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For $x = 1$ to 90 (degrees of quadrant circle)

$\text{Sin}(x)$ times Price = calendar days or 'bars' (you can also use 'Tan' instead of 'Sin').

For example $\text{Sin}(1) = 0.0174524 \times 923.32 = 16.11$ days and if you go back to that October 8, 1998 low of 923.32 and count 16 days you will get the very first top to the move. Rather than give you a giant table of these 90 degrees, I'll make the point with the 'strong' harmonics of every 15 degrees:

$\text{Sin}(15) = 239$ calendar days = June 4, 1999 (i.e. $\text{Sin}(15) * 923.32$), this was a major low.

$\text{Sin}(30) = 462 =$ Jan 13, 2000 - first 'Final' top in S&P.

$\text{Sin}(45) = 653 =$ July 22, 2000- missed top by 4 days.

$\text{Sin}(60) = 800 =$ December 16, 2000- 4 days after top, beginning of breakdown.

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(923 days) and add it to the March 24, 2000 top and you get the October 3, 2002 bear market low! (Oct 3, vs. actual Oct 10th).

While the above 15 degree sines are all significant 'hits' from only ONE time and price origin, you may wonder why a few are off by a day or four. This is because the 923.32 price we are using may not be exact. Most panicky lows have 'slippage' and stops being run with little or no volume of transactions taking place at those prices. To be safe you usually take the extreme low *and* the close. Note that we are basically taking a number like 923 (low) and 959 (close) and if we multiply them with our Sines, or Tangents we get a range of target dates (like a 36 day range in this example). This is still good for long term forecasts in searching for a low or top but it's basically just a warning to pay attention. When we get to the forecast time zone then we can switch to the more exact 'square the range' with price drops equal to time counts as shown in the previous sections. This should get us to within one day of the exact high or low. If you examine my archives section of my website

www.StockCyclesForecast.com for old newsletters you will see that I caught almost every

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bull and bear market beginning and ending date for the last 25 years within a day or two in most cases and once or twice within a week to 10 days. Predicting where these events occur is not as hard as you think. Having the courage to look for the reversal bar and make the trade when every talking head on TV is distracting you is the hard thing to do.

19:15 C1362.50 H1362.50 L1362.00 O1362.25 V76 15:00 07-05-12 S1371.56 122



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Here's a 5 minute E-mini chart with the Tan (30) applied to a low and breaking that length

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1411.75 x Tan(30)
=815
1/8 =102
1/4 =204
1/3 =271
1/2 =407
5/8 = 509
2/3 =543

60 Minute E-Mini

Tan (30) break points



This 60 Minute E-Mini chart shows the Tan (30) harmonics and fractional parts of the whole 815 distance in bars. Note at the end of 815 bars the fractal top pattern from the origin repeats again.

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It has not been my intention here to teach trigonometry and those well educated will note that in a circle of 360 degrees each 90 degree quadrant can have a negative or positive angle. This will often give you strange results like $\tan(923) = 0.42$ but $\tan(985) = 11.43$. We must try other methods in these cases or reduce the whole numbers to numbers within 360 i.e. $985 - 360 - 360 = 265$ and reduce this to within 90 degree quadrants, or use Sines. Usually a geometric construction using a circle on the chart can replace all the math of the Sin and Tan functions to simple straight lines.

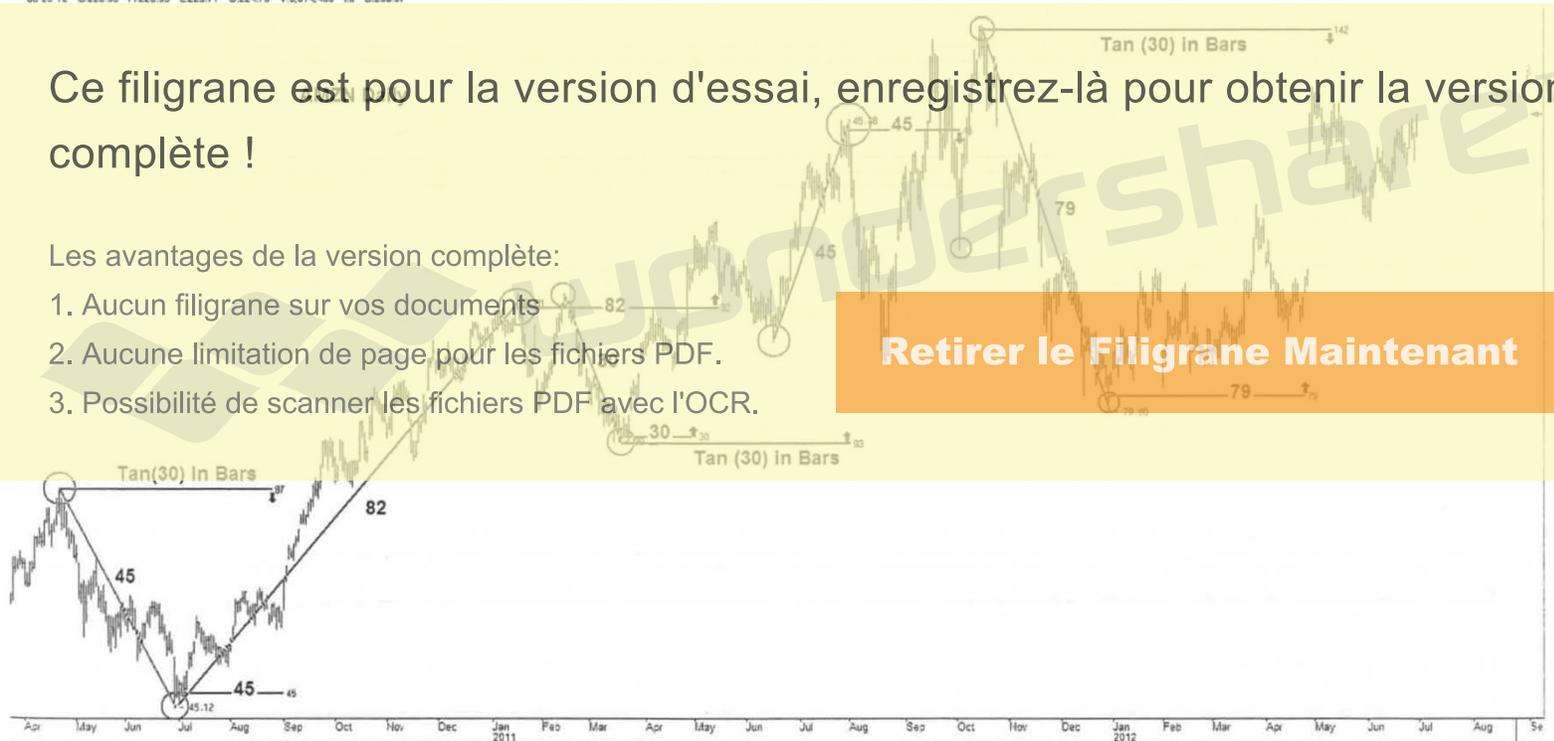
This next chart shows the Tan (30) in time 'bars' rather than calendar days. This is the Amazon chart shown previously but I have now added three 'Tan (30) in Bars' calculations from a top, bottom, and top, and you can see they picked up the correct price reversal pivots perfectly.

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Chapter 4

Ratio Timing Line Square Outs

The Idea of 'time & price' squared or equal, assumes a perfect balance. This is what you would have when a stock's price is resting on a trendline provided that the trendline is a true 45 degree slope or a one unit of time and one unit of price. When the stock touches such a trendline the time duration is exactly equal to the price change so the balance is perfect and we then see the stock either bounce off the trendline (a kind of change in trend- acceleration of existing trend) or it breaks thru the trendline and a reversal trend is started. Since stocks bounce off trendlines all the time but don't reverse the market there must be something else at work to create the ONE time the stock hits the trendline and breaks thru it. If you have understood the prior paragraphs up to now you will instantly know the solution. Since the 45 degree trendline is a '1 to 1' relationship, which means that a stock with a \$30 low will have a trendline at 31 one day later and 37 seven days later. If the stock touches the

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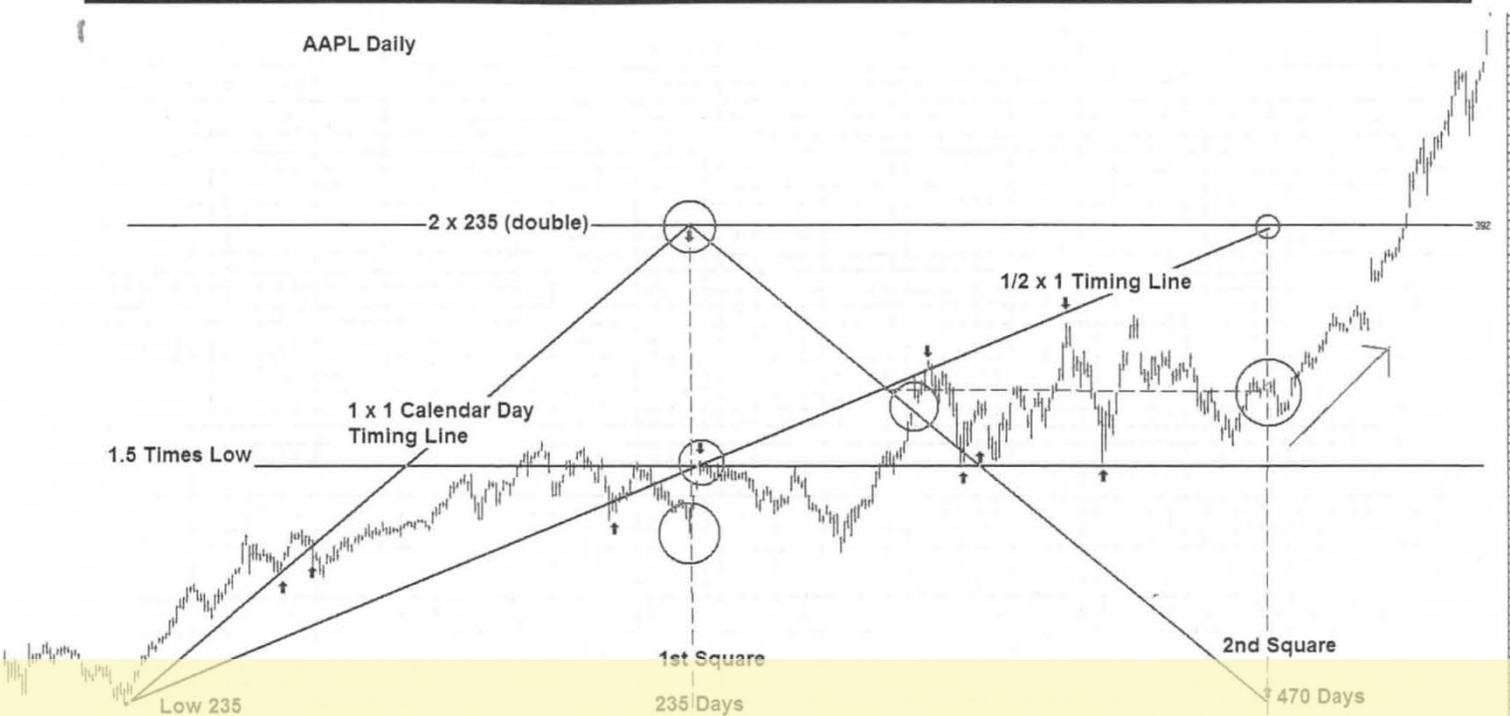
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could be but usually isn't). A timing line just goes up keeping track of time in an exact proportion like 1 to 1 or 2 to 1 or 4 to 1 or even a Fibonacci ratio like 1.618 to 1. When these timing lines square a high, low, or range, you can still get tradable turns in the market but usually the final highs and lows to start and end major bull and bear moves are 1 to 1 angles on some time frame. Most traders use one point per calendar day or one point per trading bar and these usually work but the big breakpoints in patterns often form near Fibonacci ratios like .382 or .618, or 1.618. These timing angles going up from lows or down from highs will intersect the current price level at Fibonacci relationships and often give bigger turns in the short run but don't always change the major trend. Many times its easier with a chart to just draw a straight line that keeps going as a timing line rather than zig zag up and down and perhaps lose some accuracy each time you turn the angle 45 degrees. The alternative is to draw a continuous line and look for doubling levels in price so a \$50 stock will see a turn when a timing line reaches \$100 or \$150, or \$200 just as it would if it went from \$50 to 'zero' then back to \$50, then back to zero.

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AAPL Daily



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This daily chart of Apple shows a one point per calendar day timing line from a low of \$235 and a 1/2 x 1 timing line. Early in the advance the timing line became a

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square out of 235 days from a \$235 price there was a low in the market but the price was not ON the primary 1 x 1 trendline so a major change from the origin point trend was not seen, but the 1/2 harmonic line touched the price very near that exact date and hit the 1.5 price resistance level from the low, causing a two month decline but not a major bear market. Likewise on the way down from the theoretical double top line (zig zag timing line) the price gaped thru and then bounced off the angle but the long term trend did not change. Even the intersection of the \$235 low for the 2nd square just gave another reiteration of the long term uptrend. These types of harmonic timing turns can give great trades but rarely change the market from a bull to a bear long term trend. Note the intersection of the 1 x 1 and 1/2 x 1 angles gave rise to a horizontal support and resistance line (dotted). It is important to note that THIS intersection is not just 1/2 of the price range since the intersection came with the 1 x 1 angle coming down from the theoretical double price. The intersection nevertheless was a good support and resistance level and created a 'harmonic node' which we will deal with at length shortly. In many of these timing line price hits, we are dealing with *ratio or proportion* square outs of a fractional harmonic of time and price like 2 units of time and one of price or 1/2 of price and 1 of time, or even less

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obvious ones caused by the intersections of the various timing angles at various nodal points. Before we leave Apple let's look at one more alternative and that is the one unit of price to one 'bar' of time. The Bar angles are the heavy lines with the former calendar day angles now appearing as 'dotted' lines. Now we can see slopes that more closely follow the pattern of the stock's price and the big culmination run and break occurred right at the 235 bar count double in time and the 1/2 by 1 bar angle caught the decline perfectly. Following up the 1/2 by 1 bar count angle to its top at the 2 x 235 line will result in the next major turn in July 2012. Both calendar days AND trading bars seem to work and give us turns but what is the single best one to use? This goes to the heart of W.D. Gann's methods and I only reveal them in my personal seminars but know that they are astrological based time counts and various planets as well as pairings that move at variable speeds. The reason he was so perfect in his predictions, however, is that from the date of birth of the stock it could be determined for once and for all time what time factor would be used and what kinds of angles would result in bull and bear markets. That is far too advanced for a book available

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