W. D. Gann A Legend

By Les J. Clemens

William Delben Gann was born on June 6, 1878, in Lufkin, Texas, to Sam H. and Susan R. Gann, immigrants to Texas from the British Isles. Lufkin is midway between Houston and Texarkana. This part of Texas is cotton country and Gann's parents lived on a Neches River bottom cotton ranch near Lufkin. He grew up around the cotton warehouses in Angelina County where cotton was king. W. D. Gann was raised in a very strict Methodist church family. His mother, a very religious person, encouraged him to read the Bible at a very early age, and in fact, wanted him to become a minister. Gann was not sure he wanted to become a minister, but studying the Bible was certainly easier than working in the cotton fields, as was his father's wish. He attended church every Sunday with his parents and as he listened to the sermons found his interpretation of the Bible scriptures to differ from the minister's. In the Bible he discovered time cycles, repetition of important numbers, and references to the wise men following the stars. Also, that it was written in veiled language that made interpreting the real meaning difficult. Since Gann had a photographic memory, by age 21 he had nearly memorized the Bible.

During his school years Gann excelled in mathematics and was generally called as a gifted mathematician. His tremendous appetite for knowledge and his open-minded attitude led him into many different fields of study that eventually resulted in discoveries in the markets that would otherwise have been overlooked. He completed high school in a time when most children were only able to attend school through the third or fourth grade.

As a teenager, Gann liked to be called W. D., and he used these initials the rest of his life. W. D. pestered his parents until they relented and signed a minor release form that he needed to obtain a job. His first job was that of a News Butcher on the passenger train between Texarkana and Tyler, Texas. This job required him to be quick-witted, aggressive, and able to deal with all kinds of people. During his teen years, he worked in the cotton warehouses in Lufkin and Texarkana, Texas. While working in the cotton warehouse, he was introduced to commodity trading.

In 1902, at age 24, W. D. Gann made his first commodity trade in cotton, the market he knew best. The small profit from that trade marked the beginning of what was to become one of the most remarkable and legendary careers the speculative markets have ever known. Over the next 53 years, Gann took over $50,000,000 from the markets. It has been reported by a man who worked for Gann the last eight years of Gann's life, that approximately 1/3 of the money he made was for himself and the other 2/3 was for the accounts he supervised for clients. From that very first trade, it is believed Gann was using principles and techniques he continued using throughout his trading career. The notations on some of his early charts substantiated this belief. As time progressed, his trading methods were refined.

In 1906 W. D. went to Oklahoma City. He worked as a broker for a brokerage firm, trading for himself while handling large accounts for clients. He studied the cause of success and failure in the speculation of other traders. He found that over 90% of traders who enter the markets without knowledge and study usually lose in the end. Gann also lost a significant amount of money and admitted his trading was based on hope, greed, and fear. Later on, in his books and courses, he cautioned all traders about these emotions.

Early on, Gann began to note the periodical recurrence of rise and fall in stocks and commodities. This led him to conclude that natural law was the basis of market movements. He then devoted ten years to the study of natural law as applicable to the speculative markets. During that time he traveled to England, Egypt, and India to gain knowledge in ancient mathematics and astrology. In the British Museum in England he conducted extensive research on market cycles. In an Egyptian temple it is believed he found the basic construction of what was to become known as his

Square of 9 Chart. After exhaustive research and investigation of the known sciences, he discovered the Law of Vibration which enabled him to accurately determine the exact prices to which stocks or commodities would trade within a given time, and that each stock or commodity had its own rate of vibration.

At age 27, Gann was a well-known name in the Southwest. His views on the analysis of cotton prices were so well respected that a Texarkana newspaper, The Daily Texarkanian, ran a story on Gann's cotton predictions.

In 1908, at age 30, Gann moved to New York and opened his own brokerage office at 18 Broadway. He began testing his theories and techniques in the market. On August 8, 1908, he made one of his greatest mathematical discoveries for predicting the trend of stocks and commodities. This was "The Master Time Factor." Within a year, it became clear to others that his success was based on more than just luck. No one researched time cycles as extensively as Gann. His charts show the cycles with which he worked, went back to history's beginning, and bore no resemblance to other researcher's time cycle studies.

In October 1909, Richard D. Wyckoff, Owner and Editor of The Ticker and Investment Digest asked Gann for an interview to document his trading ability for one month. The interview was granted, and Gann's trades were monitored for 25 market days during the month of October in the presence of a Ticker representative. At that time the markets also traded on Saturday. Gann made 286 trades in various stocks, both long and short. There were 264 trades that resulted in profits and 22 in losses. 92.3% of the trades were profitable. The capital used doubled ten times resulting in 1000% gain on his original investment during those 25 trading days. What makes this even more phenomenal is that Gann did this with an average time between each trade of about twenty minutes. In one day Gann made 16 trades in the same stock, 8 of which were in either the top eighth or the bottom eighth of that particular swing. Such a performance is unparalleled in the history of Wall Street. As stated by James R. Keene, the famous speculator of that era, "The man who is right 6 times out of 10 will make his fortune."

It seems a foregone conclusion that Gann was picking tops and bottoms with a high degree of accuracy. At this point of time, in 1909, he was only 31 years of age, so whatever methods he was using had already been discovered.

This biographer believes that after his sensational performance Gann regretted having granted the interview, as it was stated m the printed article that he did not know the results were to be published. When the article was printed in The Ticker Investment Digest, Gann was besieged with people asking how he was able to pick tops and bottoms as he had demonstrated. His only answer to them was he used The Law of Vibration to make all his calculations. At this conjuncture there were only two choices: 1) to give away his secret discoveries and risk destroying the markets, or 2) to detract from his method of picking tops and bottoms by writing books and courses about mechanical trading systems, the use of geometrical angles, the use of Time and Price Charts, such as the Octagon Chart (Square of 9), Master 12 Chart (Square of 144), Hexagon Chart (the cube), Square of 90, Square of 52, 360 Degree Circle Chart, and many other trading techniques.

If Gann had continued trading using only his method of picking tops and bottoms, without a doubt he would have become one of the wealthiest men in the world, and in so doing would have attracted too much attention. He would have been asked too many questions by traders and would have been compelled to explain. However, at certain times, he probably used his method to advantage. Gann had a profound understanding of natural raw, so rather than place himself in an embarrassing situation, he chose to trade using his mechanical systems and other techniques he had developed. Also, having more capital than was required for a good living was not important to him, as he was more interested in the knowledge possessed by ancient civilizations and the occult sciences. Gann understood how the Laws of Nature controlled human beings and, therefore, he understood the markets, because the markets are nothing more than an expression of the actions of human beings.

The two previous paragraphs are my belief. You may agree or disagree, but before you arrive at a conclusion, carefully study Gann's 1909 trading demonstration. He made 286 trades in 25 days, which is 11 trades per day. To do this, you must pick the tops and bottoms on a short intra-day time period.

If what I believe is true, it is very sad to think that a genius individual such as W. D. Gann, had to disguise the truth throughout his life, with a smoke screen of many trading methods and techniques.

In 1918 his office address in New York was 81 New Street and in the early 1920's was at 49 Broadway. Over the years, Gann maintained several offices in New York all located on Wall Street with the address numbers of 78, 80, 82, 88, 91, 93 and 99.

At the height of Gann's career, he employed 35 individuals who made charts of all kinds, did analytical research at his direction, and performed many duties involved with his various publications and services. The name of one of his businesses was W. D. Gann Scientific Service, Inc., and the other, initiated in 1919, was W. D. Gann Research, Inc. The firms published the following Supply and Demand Letters: Daily Stock Letter, Tri-Weekly Stock Letter, Weekly Stock Letter, Daily Commodity Letter, Tri-Weekly Commodity Letter, and Weekly Commodity Letter. Telegraph Service was all offered as follows: Daily Telegraph Service on Stocks, Daily Telegraph Service on Cotton, Daily Telegraph Service on Grain, and Telegrams on important Changes Only, on Stocks or Commodities. Published under Annual Forecasts were: Annual Stock Forecast, Annual Cotton Forecast, Annual Grain Forecast, Annual Rubber Forecast, Annual Coffee, Sugar and Cocoa Forecast. Supplements to all Forecasts were issued and mailed on the first of each month. Special Forecasts on stocks or other commodities were made on request. Also offered were daily, weekly, monthly, quarterly, and swing charts on stocks and commodities. Gann taught advanced courses of instruction entitled Master Forecasting Method, at a cost of $2,500, and New Mechanical Method and Trend Indicator, at a cost of $5,000, to those who want it for their own use and will not publish, sell, or teach it to others. It is too valuable to be spread broadcaster. The cost of these courses and personal instruction in today's economics would be $25,000 to $50,000, or more.

As early as 1923, Gann offered a service entitled "The Busy-Man's Service." This was a service for professional and businessmen where Gann supervised their trading accounts by advising them what and when to buy and sell. In later years the name of this service was changed to "Personal Service." The cost of this service was on a 1 month, 3 months, 6 months, or annual basis, or on a Part-of-Profit Plan where the monthly fee was smaller and Gann received 5% of the net profits. Under the Part-of-Profit Plan it was required that a minimum of 100 shares be traded. The clients were advised by telegram or letter.

An article in The Evening Telegram dated New York, Monday, March 5, 1923, used the words “prophet” and “mathematical seer” to describe Gann. It also stated his followers declared he was 85 % correct in his forecasts. He predicted the election of Wilson and Harding using fortunate numbers and fortunate letters combined with cycles. He predicted the abdication of the Kaiser and the end of the war to the exact date six months in advance. His predictions were based on mathematics. He stated if he had the data he would use algebra and geometry to tell exactly by the theory of cycles when a certain thing is going to occur again. He further stated that there is no chance in nature, because mathematical principles of the highest order lie at the foundation of all things. The article pointed out that Gann received calls every day from prominent persons asking him to cast their horoscope. It also said he told politicians whether or not they would be elected and solved problems for clergymen, bankers, and statesmen.

In another article in the Morning Telegraph, dated Sunday, December 17, 1922, the Financial Editor, Arthur Andy, stated that “W. D. Gann had scored another astounding hit in his 1922 stock forecast issued in December, 1921, I found his 1921 forecast so remarkable that I secured a copy of his 1922 stock forecast to prove his claims for myself. And now, at the closing of the current year of 1922, it is but justice to say I am more than amazed by the result of Mr. Gann’s remarkable predictions based on pure science and mathematical calculations.”

W. D. and his wife, Sadie H. Gann, had one son and three daughters born to their marriage. Their son, John L. Gann, was in partnership with his father for several years in the late 1930’s and early 1940’s, operating under the firm name of W. D. Gann & Son, Inc. Apparently, the two personalities were not always compatible, as their association was ended in the mid 1940’s. This writer has been told one of their main differences concerned astrology, as John did not believe astrology had any effect on market movements, or human behavior. This probably upset W. D. as he knew well the effect of planetary motion on the markets and the individual. Following the association with his father, John served as a broker for many years for the . firm Sulzbacher, Granger & Co. in New York City. It is believed that John passed away in 1984.

For many years Gann maintained a home in Scarsdale, New York, which was, at the time, the estate bedroom community for New York City. In an article that appeared in the May 26, 1933 New York Daily Investment News, it was reported that Gann left New York in the first 1933 model Stinson Reliant airplane, piloted by Flinor Smith, a woman aviator, to conduct an extensive tour of the country analyzing cotton, wheat, and tobacco crops, and business conditions. The airplane was equipped with navigation instruments, radio receiving equipment and extra-large fuel tanks that gave a flying range of 750 miles. It was powered with a Lycoming engine and cruised at 135 miles per hour. Gann was the first Wall Street advisor to use an airplane for studying market conditions so he could advise clients much faster of changing market conditions. During his trip he was a speaker to members of Kiwanis, Rotary, Chamber of Commerce, and other business organizations in various larger cities throughout the United States.

In 1935, Gann made an airplane trip to South America for studying crop conditions, and to gather information on the increase and production of cotton in Peru, Chili, Argentina, and Brazil. He logged 18,000 miles by air and another 1,000 miles by automobile.

In July of 1936 Gann purchased a specially built all metal airplane, which he named “The Silver Star,” and used in making crop surveys. In July of 1939 he purchased a new Fairchild airplane for the same purpose.

Gann was a member of the Commodity Exchange, Inc. of New York, the New Orleans Cotton Exchange, the Rubber Exchange of New York, the Royal Economic Society of London, the American Economic Society, the Masonic LodRe, the Shrine, the Chicago Board of Trade, and was a devout Christian in the Methodist Church.

Gann had a winter home in Miami, Florida, and in the 1940's moved there on a full-time basis. His office was at 820 S. W. 26th Road in Miami. While in Florida, he continued his advisory services as well as teaching his commodity and stock market courses, either in person or by mail. By the late 1940's he had a recommended list of Books For Sale that included the subjects of numerology, astrology, scientific, and miscellaneous. He was involved in real estate holdings, and enjoyed large automobiles, especially Lincolns, which he purchased new yearly. In 1954, after making several successful coffee and soybean trades, Gann purchased a fast express cruising boat that he named "The Coffee Bean." It was reported that Gann wore the same type of suit throughout his life, and that his home was filled with items collected in his world travels. He vacationed often in South America. But, in the opinion of his peers, he did not live beyond his means.

W. D. Gann wrote some of the best books ever written on the stock and commodity markets. The following is a list of the books written by him:

Speculation a Profitable Profession
The Truth of the Stock Tape
The Tunnel Thru the Air
Truth of the Stock Tape/Stock Selector
Stock Trend Detector Scientific Stk Forecast
How to Make Profits Trading in Puts and Calls Face Facts America. Looking Ahead to 1950
45 Years in Wan Street
The Magic Word
How to Make Profits Trading in Commodities

Gann was a prolific writer. His style of writing was unique. Readers of his books considered him to be a poor writer with a limited use of the English language. Not so! Upon a closer study of his work, the reader will discover in time the Gann method of teaching. He will inspire the reader to research everything from the origin of numbers to the musical scale and vibrations. W. D. Gann, in my estimation, was a genius. He was born a Gemini with a high intellectual capacity, and a dual personality that caused him to be both genial and obstinate. He was a gifted mathematician, an expert chart reader, and had an extraordinary memory for figures. Take away his science and he would beat the market on chart reading alone. One of Gann's most important technical tools was his charts and no one kept up as many as he did. Gann's charts encompassed 55 years, from 1900 to 1955. During this time thousands of daily, weekly, monthly, quarterly, yearly, and other various charts, were made with care, each a work of art. He believed charting was an art and if you understood everything the chart was showing, it would aid in forecasting the next day, week, or month's, price movements. Gann was a workaholic, at times working 17 hours per day, 6 days per week. He was very demanding of those who worked with and for him, and same effort from them that he himself put forth. He expected to issue instructions only once and did not feel it should be necessary to repeat them.

Gann was deeply analytical and studied price actions of various stocks and commodities back through the years. He spent nine months in the British Museum working day and night researching stock and commodity prices and dates from 1820, and wheat prices and dates from

1200. He also spent long hours and long days in the Astor Library in New York City researching stock and commodity markets. He was a student of numbers, number theory, progressions, and the progression of numbers. His trading system was based on natural law and mathematics. Since time progresses as the earth rotates on its axis and in its order, and time is measured by numbers and progression of numbers, and prices in their movement upward and downward are also measured in numbers, it is understandable why Gann had an intense interest in numbers, number theory, and mathematics. A keen understanding of natural laws and their effect on mankind have a direct effect on the markets. The markets are only extensions or reflections of man's actions.

In Gann's time there were no calculators. He used a slide rule and the various master charts he developed, such as the Square of 9, for his calculator. He kept an open mind to any trading ideas to achieve perfection. When making his forecasts, he used many methods to arrive at the time for a trend change, and all of them to confirmed he was correct. In his early trading he made thousands of dollars. But, by listening to false rumors and other people's ideas, he also lost thousands of dollars. In 1913 and again in 1919, he lost small fortunes when the brokerage firms he was trading with went bankrupt. One of these firms was Murray Mitchell and Company. In those days the client's funds were not protected by exchange regulations in case of a failure, as they are today.

During this time he was also involved in two bank failures. Regardless of these losses and misfortunes, he was always able to rely upon mathematical science to aid him in making a financial comeback. This is why Gann states that knowledge of the market is more important than money.

Today, people believe "times are different," but Gann's time saw its bull markets and panics in the stock market bull markets and panics in the commodity market, wars, inflationary periods, depressions, bank closings, etc. In 1921 the rate of inflation was 100%. Strikes were rampant, jobs impossible to find, and productivity at very tow levels. The Great Depression of 1929 to 1932 and the outright confiscation of the citizen's gold that was exchanged for printed money, left deep scars on the country and it's citizens. W. D. Gann was avidly against the New Deal and Roosevelt's creeping socialism. Therefore, to learn from other people's past experiences, people today should understand Gann's famous quotation, "The future is but a repetition of the past, or as the Bible says, the thing that hath been, it is that which shall be; and that which is done, is that which shall be done; and there is no new thing under the Sun."

Gann said, "The average man's memory is too short. He only remembers what he wants to remember or what suits his hopes and fears. He depends too much on others and does not think for himself. Therefore, he should keep a record graph, or picture of past market movements to remind him what has happened in the past can, and will, happen in the future. Panics will come and bull markets will follow just as long as the world stands and they are just as sure as the ebb and flow of the tides, because it is the nature of man to overdo everything. He goes to the extreme when he gets hopeful and optimistic. When fear takes hold of him, he goes to the extreme in the other direction."

The following is taken from 45 Years in Wall Street and is very good advice and very true in today's world. "Every man takes out of life just exactly according to what he puts in. We reap just what we sow. A man who pays with time and money for knowledge and continues to study and never gets to the point where he thinks he knows all there is to know, but realizes that he can still learn, is the man who will make a success in speculation or in investments. I am trying to tell you the truth and give you the benefit of over 45 years of operating in stocks and commodity markets and point out to you the weak points that will prevent you from meeting with disaster.

Speculation can be made a profitable profession. Wall Street can be beaten and there is money operating in commodities and the stock market if you follow the rules and always realize that the unexpected can happen and be prepared for it."

In How to Make Profits in Commodities Gann made the following comments regarding knowledge as he believed knowledge is power. All who read this should heed and always remember his advice. "The difference between success and failure in trading in commodities is the difference between one man knowing and following fixed rules and the other man guessing. The man who guesses usually loses. Therefore, if you want to make a success and make profits, your object must be to know more; study all the time; never think that you know it all. I have been studying stocks and commodities for forty years, and I do not know it all yet. I expect to continue to learn something every year as long as I live. Observations, and keen comparisons of past market movements, will reveal what commodities are going to do in the future, because the future is but a repetition of the past. Time spent in gaining knowledge is money in the bank. You can lose all the money you may accumulate or that you may inherit - that is if you have no knowledge of how to take care of it - but with knowledge you can take a small amount of money and make more after time spent in gaining knowledge. A study of commodities will return rich rewards."

Sometime in 1947, Gann sold W. D. Gann Research, Inc. to C. C. Loosli, a San Francisco attorney. He became disenchanted with the business and on February 14, 1948, W. D. Gann Research, Inc. was transferred to Mr. Joseph L. Lederer of St. Louis, Missouri. The office for W. D. Gann Research, Inc. was maintained at 82 Wall Street in New York until 1952. Then it was moved to Scarsdale, New York, and in 1956 relocated to St. Louis, Missouri, where its only business was that of investment adviser.

In 1950 in Miami, Florida, Gann and a partner, Ed Lambert, founded Lambert-Gann Publishing Co. Ed Lambert was an architect who designed the InterState Highway System in the greater Miami area Lambert Gann Publishing Co. published all Gann's books and courses. W. I). Gann passed away in the Methodist Hospital in Brooklyn, New York, on June 14, 1955, at the age of 77. He was survived by his wife, Sadie, three daughters, and a son. That day the world truly lost a market legend.

After Mr. Gann's death in 1955, Ed Lambert continued to operate the business that included a chart service of updated Gann style charts. He was not as active in promoting Gann's writings as when Gann was alive, so for the following twenty years Gann's work became quite obscure. In 1976 Bill and Nikki Jones of Pomeroy, Washington, purchased Lambert-Gann Publishing Co. and the Gann copyrights. In the purchase were all of his personal research including thousands of his charts, papers, books, and writings he had collected through fifty years of trading and research. There were also tables and miscellaneous office furniture used by Gann. The largest Mayflower moving van available was required to transport this purchase to Pomeroy, Washington. Following Billy Jones' death in September 1989, Nikki Jones continues to operate Lambert Gann Publishing Co., carrying on the Gann tradition with the sale of his books and courses.

In this biographer's opinion, W. D. Gann was the greatest market researcher of all time. His trading career spanned more than a half century. During that time he devoted his total life to market research and trading. He researched every possible aspect of natural laws in conjunction with variables of price and time in market movements. This study became an obsession to find the cause and effect of market fluctuations, which he did. The trading techniques Gann developed work the same today as they did when he used them. His library contained volumes of books and manuscripts on harmonic waves, proportion, growth, gravity, electricity, nature, and natural phenomena. However, there were no books on open interest, volume, stocks, or commodities.

The only books and courses on commodities and stocks were his own. He was a humble man who stated, at age 75, that he had not learned all there was to know, and yet, he knew more about the markets than any trader who ever lived. There is an important lesson to be learned from the study of his life and his work. For those of you who have diligently studied his writings, you will understand my statements. Hopefully, for those of you who are not familiar with Gann, this writing will inspire you to begin. May the legend live on!

Les J. Clemens who wrote this article is a professional trader and researcher. He teaches advanced Ut D. Gann seminars once each month. Les and his wife Sandy, operate a mail order book business specializing in old, rare, stock and commodity astrology, mathematical, and esoteric books. Contact them at POB 2356, Estes Park Colorado 80517.

Order in the Markets

By Danton S. Long

Are mainstream methodologies the only way to find order in s ~a Real World Market? The delusion that one finds knowledge only through these “proven approaches” still persists. Thank God for Capitalism and fresh ideas! From my research, I found that the vast majority of these “accepted approaches” are either too subjective or unreliable to develop a consistent trading plan. That is not to say that they never work, just that the erroneous signals can be costly. I don’t know about you, but I need definite guidelines to determine trade selection!

Figure 1 - I developed “The Price Point System” under the assumption that price value is constant, time is not absolute but relative to the period of data acquisition and price movement progresses naturally. In other words, from the fixed price values I created a constant and infinite mathematical model for price movements to react within. I call it the fixed price values Price Points. The Price Points can be used as a stand alone system since price reacts within the Price Point boundaries, or they can be used as a beautiful addition or clarifier to other methodologies such as Fibonacci, Gann, Elliott Wave, Planetary, etc.

Figure 2 - Now that you understand the basic premise of its development (P.P.S.), let us examine the price movements within this mathematical model. All price movements (energy) are a direct reflection of contrary opinion buying and selling. To help put this concept in perspective I envisioned the price behavior, “the dispersing of motion or energy that will continue until either the driving force decreases, ceases to exist (lack of momentum of equilibrium), or resistance is encountered (natural, technical or fundamental). The combined influence will either alter price direction completely (correction), slightly impede it (congestion), or have no effect at all (penetration).”

Let’s review the concept briefly before continuing. First, price is a “unit of measurement” that measures the value or worth of Futures, Stocks or Indices. Prices react within the Price Point Areas. Price fluctuations around these areas confirm trade entry or exit (it doesn’t

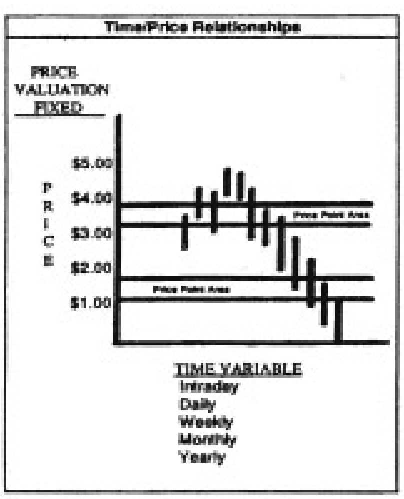

Figure 1

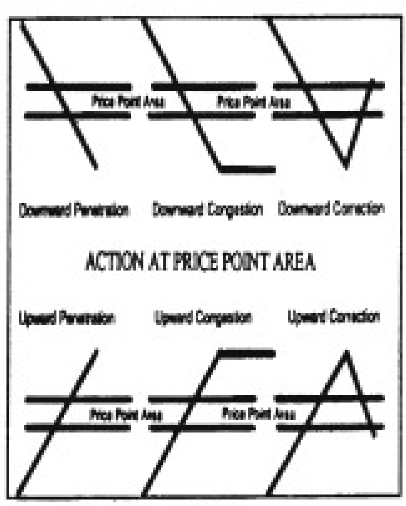

Figure 2

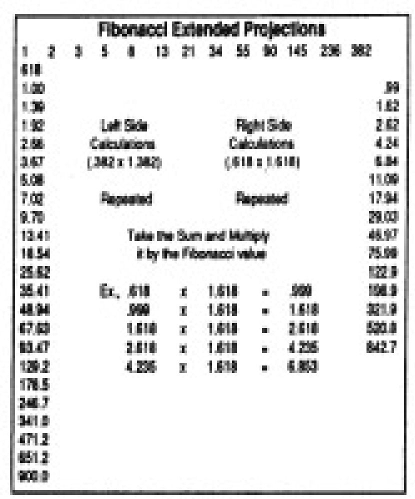

Figure 3

matter how you look at it, a dollar is a dollar). Second, the natural progressions of price will continue until either encountering resistance or the driving force ceases to exist. Third, time is not absolute but relative to the period of data acquisition. In other words, each respective level within the hierarchy (intraday, daily, weekly, monthly, etc.) creates its own natural rhythmic progression.

Figure 3 - I'd like to focus attention on the natural rhythmic progressions determined from a single price value (an isolated high or low). From this single price base we can project the natural expansion rate of price outward using two distinct Fibonacci ratios. The ratios of .382 and .618 are extended sequentially outwards past the 2.618 expansion, by simply multiplying each by 1.382 or 1.618 respectively.

Figure 4 - Essentially, we are creating a mathematically constant rippling wave of outward resistance for time and price to react to. After the projected natural expansion points (isolated high or low) have been determined, adjust them accordingly so that they conform within the infinite mathematical model. In other words, each projected expansion point is adjusted to the immediate Price Point Area.

This is important and it is why most price projections fail in other systems. In order to project forward to where price will go, we must first have the correct starting point. The starting point for all of my projections is always from the Price Point Area closest to the isolated high or low. I use the number derived from my P.P.A. closest to the isolated high or low. I do not use the isolated high or low itself. You can use the number of the isolated high or low if you want to and it will

Chart 1 & 2

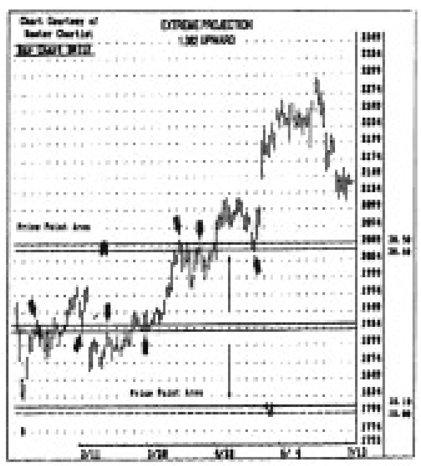

Chart 3

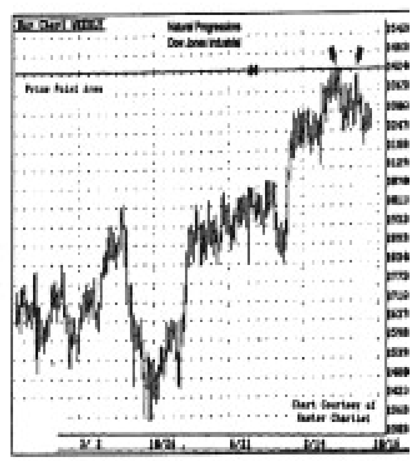

Chart 4

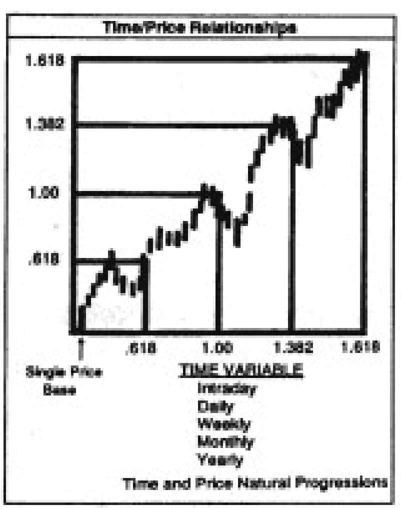

Figure 4

Dow Jones Industrial Average -

Projection Base	Adjusted Price		Fibonacci Expansion		Price Target
08-08-1896 Low	27.5	x	1243.80	=	3445.7
09-03-1929 High	385.0	x	75.99	=	3310.6
07-08-1932 Low	39.5	x	900.00	=	3594.5
12-09-1974 Low	570.0	x	48.94	=	3359.5
08-25-1987 High	2735.0	x	2.61	=	3451.0
10-20-1987 Low	1620.0	x	11.09	=	3416.5
07-20-1990 High	3010.0	x	1.61	=	3497.0
10-12-1990 Low	2340.0	x	4.24	=	3332.0
12-13-1991 Low	2830.0	x	2.00	=	3396.0

Figure 6

keep you in the ballpark, the question is, will it keep you in the game? By using my Price Point numbers I can make a much more accurate prediction for future price.

OK, how do I make money from this? Well, we've covered the basics so lets get down to business. First, we're going to examine several charts to establish the natural progression theory using a single price value. Second,we'll project the probable top for the Dow Jones Industrial Average.

Chart #1 - The isolated low of B was adjusted to conform to the mathematical model Price Point Area (P.P.A.). The P.P.A. value or price was then multiplied by the ratio .618 to project the first natural expansion area against the trend. As you can see, the price traded sharply up to the next P.P.A. before congesting. The point being, the adjusted expansion point (P.P.A.) provided adequate support and resistance for further price activity.

Chart #2 - From the same single price value at B (P.P.A.) let's examine the next natural expansion area, 1.00. After price penetrated the high point of the peak bar's peak that formed at the .618 expansion, it then rallies sharply up to the projected natural expansion area (P.P.A.) before correcting nicely to the .382 expansion area.

Chart #3 - Finally, using the same single price value at B (P.P.A.) project the next natural expansion area, 1.382. Beginning at the correction area, price once again progresses to the next expansion area. During this move however, price encounters resistance at the .618 expansion point. Once the price penetrates that resistance zone it then becomes support for price, as it continues onward to its projected destination at the 1.382 expansion. As you can see natural progression areas provide adequate support or resistance to price. If you look closely at this chart you will see that price reacted at both the 1.618 and 2.618 areas as well.

The first three examples established the effectiveness of the progression theory using ratios that were less than the 2.618 expanse. To project a probable Top for the Dow Jones Industrial Average, we'll use the ratios past the 2.618 expanse. These long term natural expansion points establish a probable price grouping zone of future resistance when combined with the short term expansion points. The combination confirms each projections validity, as well as establishing a timing alliance.

Chart #4 - To extract a projected Dow Top target take the difference of this projection range (3594.5 - 3310.6) = 283.9 (283.9/2)2 141.95 (141.95+3310.6) = 3452.55. In the week of June 5, 1992 the Dow Jones formed an isolated high pattern at 3435.2. The immediate Price Point Area was 3430.00. This formation occurred at a point that was exactly 17.35 points from our average projected target area, 5.2 points from the immediate P.P.A. and 10.5 points from the Dow Jones all-time low projection August 8, 1896. Hmmmrnm! Go figure! ! !

Further confirmation was given when the projected Fibonacci expansions of both the 1987 and 1991 crashes confirmed this area as well. There are two other influences worth mentioning. First, the retest of 3452.5 confirms momentum is weakening. Second, a developing head and shoulders pattern formation. Is this the Dow Top??? I'm short and watching price unfold! ! !

In conclusion, I've given you an exceptional tool to target both long and short term termination points. Remember, when targeting natural projection points I never get locked into a mentality that price has to reach a projected area." I have shown my fixed Price Point Areas on the Dow charts. These areas never change. When the Dow trades at these levels in the future, watch the action and reaction. The Price Point Areas for other levels on the Dow and all other commodities are listed in my book, the Price Point System.

Danton S. Long is the author of the "Price Point System "

Money Management

By Mike E. Riley

1) Have enough equity to assume at least 1 % risk of the value of one contract.

2) Since your money is at risk unless you will pay cash in full for all contracts so that you can withstand at least a (3%) of the value of a contract fluctuation against you. You must follow the rules of money management and use stops to keep losses at a minimum and approach trading as a business. Be realistic that business expenses are losses, so do not expect to use leverage and to profit on each trade. Be capitalized to be able to make 15 trades per year in anyone commodity as a track record with the possibility of 5 to 8 trades stopped out in a row at worst with 1/3 risk vs. gain. Do not expect a few stopped trades to be an example of how profits can be made in commodities. Your other choice is not to trade commodities because of leverage or capital.

A) Any given day a market will have a trading range of 1% of the value of a contract, any given week a 3% range. This is the nature of any market. The trading ranges we give are rarely greater than we say for the next week or month. If markets move very little, then do not expect large gains.

B) You cannot profit in the commodity markets unless your profits exceed your losses and losses are inevitable because of leverage. Trading too many contracts or too high a value contract for your equity may get you in trouble.

C) Learn to think in percentages % of your equity and market values, instead of actual dollars or money. That takes the emotion out of trading.

D) One contract of T-Bonds prices at 100 is $1000 per 1.00 pts. Times 100 is equal to $100,000 per contract therefore $25,000 equity is (4 to 1) leverage. A 1.00 pt. loss is $1000 but only 1% of the value of one contract and a 3% loss is 3.00 pts or $3000. Average margin required is $3000.

E) Use a 4 or 5 to 1 leverage factor. Never more than 10 to 1 leverage.

3) Never risk mover 10% of your equity. We prefer 5% on any one position.

4) Enter only 3 to I risk-reward trades. Never assume more than 1/3 risk verses your gain possibility because of slippage and commissions you cannot profit consistently.

5) Diversify into at least 3 different industries if you only trade with $5000 to $10,000, but only trade one commodity in each industry.

A) If you trade with $25,000 or more, for the greatest diversification, trade at the agricultures such as foods, fibers, and financials excluding the S&P, T-Bonds and currencies with 2 to 1 risk-reward or better for your greatest odds.

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Secret to Success

By Ted Tesser, Ms,cpa

Although making money is important, it is only one half of the equation for a successful career as a trader. An equally important component of this formula is how much of that money you have left after the losses, expenses, and yes, “Read My Lips,” taxes. In my opinion, the business plan and management of the trading business are the most significant aspects of a trader’s ultimate success and two of the most overlooked requirements.

Yes, a good trading system is a vital cog in this wheel. No doubt, you cannot manage your money if you don’t make any. For this reason, it is necessary to implement a well thought out, and balanced trading strategy. A successful trader must stick to a disciplined system with a historical record of generating consistent profits. The drawdown should be commensurate with this return, and tolerable by the available capital in the trader’s account. Trading a diversified portfolio is vital to cutting this drawdown.

The system also must fit the personality makeup of the trader. His or her tolerance for risk, need to be correct (percent accuracy), and level of desired activity or time available for trading (frequency of trades, and time frame being traded) are just as important as the system itself. There is no such thing as a “one size fits all trading system.” The most profitable system in the world will still lose money if it is not traded the way it was designed; and a trader will not consistently trade a system which does not suit his or her personality.

In addition, I have frequently seen traders conduct their business affairs, as would drunken sailors on a five day pass. As a professional who has been involved in trading from both sides of the market (ie. as a trader, and also as a

CPA-investment tax specialist who services traders), I have observed professionals who run their primary businesses prudently and conservatively, but seemingly throw all caution and common sense to the wind when it comes to trading.

Trading is a business and should be treated as one. Profit margins must be calculated, as well as cost of sales, risk/reward ratios, and return on investment net of taxes. The worst crime a trader can make, is to have made money, but then to hand it right over to the government because of a fundamental lack of knowledge of the tax laws and the strategies which can be used advantageously. No area of the recent Tax Reform Act was impacted more than that of the investor/trader, and Bill Clinton has no plan for immediate relief. Therefore it is vital for the trader to be aware of what is available to him under current law.

One “secret” that the government has kept under wraps, is the ability of individuals to qualify for Trader Status. Most people, even knowledgeable tax professionals, believe that unless you are a professional market maker, operating from the floor of the exchange, you are an investor. They are not aware that the Government will allow an intermediate classification called Trader, which provides significant financial benefits. This is especially true for those individuals trading commodities for their own account.

While the market maker (broker dealer-floor trader) can deduct 100% of his expenses, and treat his losses as ordinary, the lowly investor is limited to a deduction only after it exceeds 2% of Adjusted Gross Income. Furthermore, if AGI exceeds a certain level ($105,000 in 1993) there is a further exclusion to the tune of 3%. This means that although the investor is taxed on 100% of income, the expenses directly incurred in earning that income, such as computer hardware and software, data services, advisory fees, commissions, margin interest, etc. are only partially deductible.

A Trader, on the other hand, is an intermediate classification which has some of the benefits of both statuses. The trader, while allowed deduct 100% of his trading expenses on the Schedule C (Form for Self Employed Individuals), he does not have to pay self employment tax on the income, which is still treated as capital gain.

Recent Tax Court decisions, such as that of the Estate of Louis Yaeger vs. the Commissioner has the IRS when it comes to relegating traders to second class tax status for trading their own account. But the business must be set up properly. A small effort in this regard, with the proper knowledge of how to do it, can well be worth the price in real dollar savings. Even those who failed to recognize this and filed their tax return without taking advantage of this strategy can amend it to claim these benefits for a period of time after the return was filed.

The best tax planning begins at the beginning of the year, not on April 15th. A profitable trading system is vital, but a well thought out business plan, disciplined business management, and prudent tax planning can often be the difference between a successful trading career and one that is doomed to failure. After all, it is not only how much money you make that is important, but rather, how much of it you keep!

Ted Tesser, MS, is a Certified Public Accountant, licensed by the State of New York. His specialty is investment related taxation and he has recently completed a book entitled “The Serious Investors Tax Survival guide, “ published by Traders ‘ Library He also is a full time trader, trading systems developer, and has written a two part trading course entitled “Systems For Success How To Create and Have a Profitable Trading Business. N He can be reached at 212-683-2950, and will send those readers who contact him a free booklet entitled “Trading s A Business. “

Trading the dow with Mercury
Mercury and the Dow

By Carol Mull

In his book, Stock and Commodity Traders' Handbook of Trend Determination, George Bayer lists eleven rules for trading stocks. One of the most often mentioned and the easiest to use involves the planet Mercury.

Date	Location	Retrograde/ Halfway/ Forward
Mar. 18	11' 14' Aries	Regrograde
Mar. 28	5' Aries	Halfway
Apr. 10	28'45' Pisces	Direct
Jun. 6	23'20' Gemini	Halfway
Jul. 21	17' 26' Leo	Retrograde
Aug. 2	11' 43' Leo	Halfway
Aug. 14	6' Leo	Direct
Sept. 23	7' 10' Libra	halfway
Nov. 12	8' 21' Sagittarius	Retrograde
Nov. 22	0' 18' Sagittarius	Halfway
Dec. 2	22' 14' Scorpio	Direct

Exhibit 1, Bayer's Mercury Halfway Retrograde Place

Lows	Points	Highs	Points
Oct. 16	3174	Sept. 14	3376
Oct. 9	3136	Aug. 3	3395
Aug. 24	3228	Jun. 1	3413
Jul. 22	3277		
Jun. 18	3274		
Apr. 8	3181		

Exhibit 2 High and Low Points Apr thru Nov 30, 1992

Dates	Mercury Speed	DJIA Beginning of Period	DJIA End of Period	Up/Down
Apr. 1-10	Decreasing	3249	3225	Down 24
Apr. 10 - Jun. 2	Increasing	3225	3396	Up 171
Jun. 2 - Jul. 20	Decreasing	3396	3308	Down 88
Jul. 20 - Aug. 3	Increasing	3308	3395	Up 87
Aug. 3 - Aug. 14	Decreasing	3395	3329	Down 66
Aug.14 - Sept. 10	Increasing	3329	3305	Down 24
Sept.10 - Nov. 12	Decreasing	3305	3240	Down 65
Nov. 12 - Nov. 23	Increasing	3240	3223	Down 17
Nov. 23 - Dec. 2	Decreasing	3223	3286	Up 63

Date	DJIA	Up / Dn	Speed	Apect
Apr. 1, 1992	3249.33	+.22	.44	
Apr. 2, 1992	3234.12	-15.21	.41	
Apr. 3, 1992	3249.11	+14.99	.36	
Apr. 6, 1992	3275.49	+26.38	.23	Mercury conjunct Venus
Apr. 7, 1992	3213.55	-61.94	.15	Sun square Uranus
Apr. 8, 1992	3181.35	-32.20	.10	Sun square Neptune
Apr. 9, 1992	3224.96	+43.61	.04	
Apr. 10, 1992	3255.37	+30.41	.01	
Apr. 13, 1992	3269.90	+14.53	.17	
Apr. 14, 1992	3306.13	+36.23	.21	Jupiter conjunct Moon
Apr. 15, 1992	3353.76	+47.63	.26	
Apr. 16, 1992	3366.50	+12.74	.30	
Apr. 20, 1992	3336.31	-30.19	.46	Moon square Mars
Apr. 21, 1992	3343.25	+6.94	.49	
Apr. 22, 1992	3338.77	-4.48	.52	
Apr. 23, 1992	3348.61	+9.84	.56	
Apr. 24, 1992	3324.46	-24.15	.58	
Apr. 27, 1992	3304.56	-19.90	1.07	
Apr. 28, 1992	3307.92	+3.36	1.10	
Apr. 29, 1992	3333.18	+25.26	1.11	
Apr. 30, 1992	3359.12	+25.94	1.15	
May 1, 1992	3336.09	-23.03	1.16	
May 4, 1992	3378.13	+42.04	1.24	Jupiter trine Venus
May 5, 1992	3359.35	-18.78	1.25	
May 6, 1992	3369.41	+10.06	1.28	
May 7, 1992	3363.37	-6.04	1.69	
May 8, 1992	3369.41	+6.04	1.32	
May 11, 1992	3397.58	+28.17	1.38	
May 12, 1992	3385.12	-12.46	1.40	
May 13, 1992	3391.98	+6.86	1.41	Mercury trine Uranus
May 14, 1992	3368.88	-23.10	1.44	
May 15, 1992	3353.09	-15.79	1.46	
May 18, 1992	3376.03	+22.94	1.52	
May 19, 1992	3397.99	+21.96	1.54	Mercury trine Uranus
May 20, 1992	3393.84	-4.15	1.56	
May 21, 1992	3378.71	-15.13	1.48	Mercury square Saturn
May 22, 1992	3386.77	+8.06	1.59	
May 26, 1992	3364.21	-22.56	1.67	Sun square Jupiter
May 27, 1992	3370.44	+6.23	2.08	
May 28, 1992	3398.43	+27.99	2.09	Mercury conjunct Sun
May 29, 1992	3396.88	-1.55	2.11	
Jun. 1, 1992	3413.21	+16.33	2.12	
Jun. 2, 1992	3396.10	-17.11	2.13	
Jun. 3, 1992	3406.99	+10.89	2.11	
Jun. 4, 1992	3396.73	-7.26	2.12	Mercury trine Saturn
Jun. 5, 1992	3398.69	-1.04	2.10	
Jun. 8, 1992	3404.13	+5.44	2.07	
Jun. 9, 1992	3369.92	-34.21	2.05	
Jun. 10, 1992	3343.22	-26.70	2.04	
Oct. 28, 1992	3251.40	+15.67	1.10	
Oct. 29, 1992	3246.27	-5.13	1.08	
Oct. 30, 1992	3226.28	_19.99	1.06	
Nov. 2, 1992	3262.21	+35.93	.57	
Nov. 3, 1992	3252.48	-9.73	.54	
Nov. 4, 1992	3223.04	-29.44	.50	
Nov. 5, 1992	3243.84	+20.80	.46	
Nov. 6, 1992	3240.06	-3.78	.41	
Nov. 9, 1992	3240.87	+.81	.23	
Nov. 10, 1992	3225.47	-15.40	.16	
Nov. 11, 1992	3240.33	+14.86	.08	
Nov. 12, 1992	3239.79	-.54	.01	
Nov. 13, 1992	3233.03	-6.76	.10	
Nov. 16, 1992	3205.74	-27.29	.50	
Nov. 17, 1992	3193.32	-12.42	.50	
Nov. 18, 1992	3207.37	-14.05	1.00	
Nov. 19, 1992	3209.53	+2.16	1.08	
Nov. 20, 1992	3227.36	+17.83	1.15	Mercury conjunct sun
Nov. 23, 1992	3223.04	-4.32	1.21	Mercury trine Mars

Exhibit 4, Daily Record of Mercury's Velocity

Bayer refers to “Mercury’s halfway retrograde place,” and directs us “to find the point when Mercury turns retrograde and the place where it again moves direct.” We are told “to figure the difference of these two places in the Zodiac, divide by two, and look in Raphael’s Ephemeris for the date when halfway point is reached. This date is likely to be a bottom.”

If we apply this to the fall of 1992, we find that Mercury turned retrograde on November 12, 1992 at 8’21' Sagittarius, and went forward again at 22’14' Scorpio on December 2. The difference is 16’07'. One half of this is 8’3.5'. 22’14 Scorpio plus 8’3.5' is 0' 17.5' & Sagittanus, and Mercury crossed that point on the weekend of November 21-22. If you will examine the accompanying Exhibit 4, you will see that Monday, November 23, was indeed a down day, but definitely not a turning point.

The accompanying Exhibit 1 lists the dates and locations that Mercury turned retrograde, went forward, and was at the halfway position for the Period April 1 through November 30 ~1992. Exhibit 2 lists major high and low turning points for the same period. Although Lam presenting data here for an eight month period, have actually tracked Mercury halfway points through a three year period and could find little or no correlation with major high or low points.

What I do is to take Bayer’s research and carry it much farther. In the case of the Mercury rule, I listed the daily speed of Mercury, ignoring whether it was direct or retrograde. I was interested in whether Mercury was gaining speed or losing speed on a dwaily basis, and I did not care whether it was moving forward or backward.

When I had done this, I noticed that when Mercury was gaining in speed, the market was very likely to be an up-cycle, and when Mercury was losing speed, the market was most likely

Via Combusta stations of Mercury and U.S. national crises

date	volatility annual	net change	number of volatile days
11/23/53	6.4%	1.0%	0
10/18/54	8.6%	-2.2%	0
11/07/54	11.8%	4.7%	0
10/01/55	37.3%	-6.6%	2
11/16/60	8.6%	0.9%	0
10/10/61	5.3%	1.6%	0
10/31/61	6.2%	4.1%	0
09/23/62	13.8%	-4.1%	0
11/10/67	8.2%	0.1%	0
10/03/68	4.3%	0.9%	0
10/24/68	6.7%	-0.3%	0
11/19/73	22.6%	-9.1%	2
10/13/74	31.3%	16.1%	3
11/03/74	23.7%	6.7%	2
09/26/75	20.7%	2.2%	0
11/12/80	18.0%	7.8%	0
10/06/81	12.0%	4.7%	0
10/27/81	15.4%	4.9%	0
09/19/82	14.0%	1.1%	0
11/22/86	17.7%	2.5%	1
10/16/87	120.5%	-21.0%	6
11/06/87	31.6%	0.4%	3
09/28/88	7.5%	0.8%	0
Avg. volatility 10.8%, Avg. net change 0.7%, Total volatile days 19			

via Combusta stations and the S&P 500 since 1950

to be going down. (See accompanied exhibits~3 and 4.) Even when the market went down during Mercury increasing periods, such as August 14 through September 10 or November 12 through November 23, the points lost were likely to be minor. It was a few days before Mercury reached a standstill, market volume was very low and the Dow was likely to be down on the day Mercury finally changed directions.

Finally, I ran all the major aspects to Mercury for a three year period on my computer. If You will notice the accompanying Exhibit 4, you will see that the Dow will move up or down a significant number of points whenever there is a major Mercury aspect. Major aspects to other planets also affect the Dow, but those to Mercury seem to be especially potent.

I actually use about twenty different factors in computing my daily market forecasts, but Mercury's velocity has become one of the more important. I suggest that Bayer's work be used as a springboard for even more research.

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Astrology & Market Volatility

By Carl E. Whitney

Financial astrology today has two biases. The first is toward cycles. At first, it seems reasonable to correlate the regular, predictable rhythms of the planets with earthly phenomena. Many astrologers today work exclusively on correlating planetary cycles with tops and bottoms in the markets.

However, the traditional practice of astrology, often now dismissed as "event-centered," was oriented toward one-time occurrences, not regularly occurring cycles. We might ask ourselves if the traditional approach has any merit.

The second bias is toward predicting direction. This likewise makes good sense, as everyone wants to know which way the market is headed. However, astrology may be better at predicting volatility than direction. If we can predict periods of extreme volatility, this information is of use to options traders, and especially professionals, who tend towards the short side, and who can be wiped out by a drastic move in prices in either direction.

It has long been apparent that retrograde motion of Mercury and Mars bears on market volatility. Retrogradation is a phenomenon in which the planets appear to slow down, stop, and then move in the opposite direction.

In particular, the great crashes such as 1929, 1937, and 1987 tend to be associated with a retrograde Mercury. Prices can also move sharply to the upside, as in October, 1974.

Retrograde Mars is correlated with less dramatic but more sustained price movement. The plunge in late 1973 occurred while Mars was retrograde, and the final stages of the slide were accompanied by a retrograde Mercury. The spectacular gains in April, 1933, and the totally unexpected rally of January, 1976, were associated with a retrograde Mars.

A further point about Mercury is the curious connection of its stations (the points in the sky where the planet appears to stop in its tracks) with national disasters in the U. S., when those stations occur in a certain part of the sky. That part is the "Via Combusta," from 15 Libra to 15 Scorpio, which, according to one branch of astrology, is endowed with peculiar properties.

The accompanying table lists several instances of major events that occurred near a station of Mercury in the Via Combusta: among the events are two market crashes, the attack on Pearl Harbor, and the Cuban Missile crisis, which, we learned recently, came within a hair's breadth of turning into all-out nuclear war.

A more thorough examination of stock market history between 1950 and 1991 reinforces the notion that a Mercury station in the Via Combusta raises the probability of stock market volatility. Of the 100 most volatile days in that period (with a change of at least 2.675% in the S&P 500), 19 occurred within 5 trading days of such a station. That is, 19% of the volatile days occurred in 2.4% of the time. (The 253 days near the stations made up 2.4% of the days in the overall sample.) This is over seven times chance levels.

Even excluding 1987, a day near such a station was four times as likely as any other day to be volatile. Mercury stations in the Via Combusta accompanied the slide in November 1973 and the extreme volatility of October 1974, as well as the plunge of 6.6% on September 26, 1955—part of the "Heart Attack Market" caused by President Eisenhower's stroke, and the worst single day of the 1950's, even including the panic that followed the outbreak of war in Korea (which, by the way, occurred not long after a station of Mars).

Direction is a different story, as the average change for such periods nets out to just about zero.

(The astute reader knows that volatile days run in batches, and may wonder how our 253-day sample compares to randomly chosen samples of 253 days configured in strings of eleven consecutive days. The answer: of 100 such randomly chosen samples, none had more volatile days than our sample, and only two had more volatile days than our sample excluding the two 1987 stations.)

There are four Mercury stations in the VIa Combusta remaining in this century: November 15, 1993; October 9, 1994; October 29, 1994; and September 22, 1995. Option sellers should square their positions during the two weeks surrounding these dates. Venturesome investors can buy straddles (the simultaneous purchase of a put and a call option) and hold them for eleven days.

(Calculations were based on eleven trading days, or, more precisely, eleven net changes: five before the station, the day of the station, and five after. If the station fell on a non-trading day, the prior trading day was taken as the base date. Volatility is the standard deviation of the natural logarithms of the price changes.)

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