Using Gann with Astrophysics to Validate turning points.

By Hans Hannula, Ph.D..

Market Astrophysics is an analysis approach that I have developed over the last decade which produces a set of turning point dates based on a computer model of the physical universe. It is the purpose of this article to explain how I use Gann techniques to help validate these turning the S&P or the XMI. I call these AstroDow two, three, and four points, which have turning points about once a week, once a month, and once a quarter respectively. Clusters of these points together are, like any cluster of cycle points, very good trading opportunities. Like most such turning points, the AstroDow points are average points and may be off by a few days. For the best trades, additional information is useful to refine

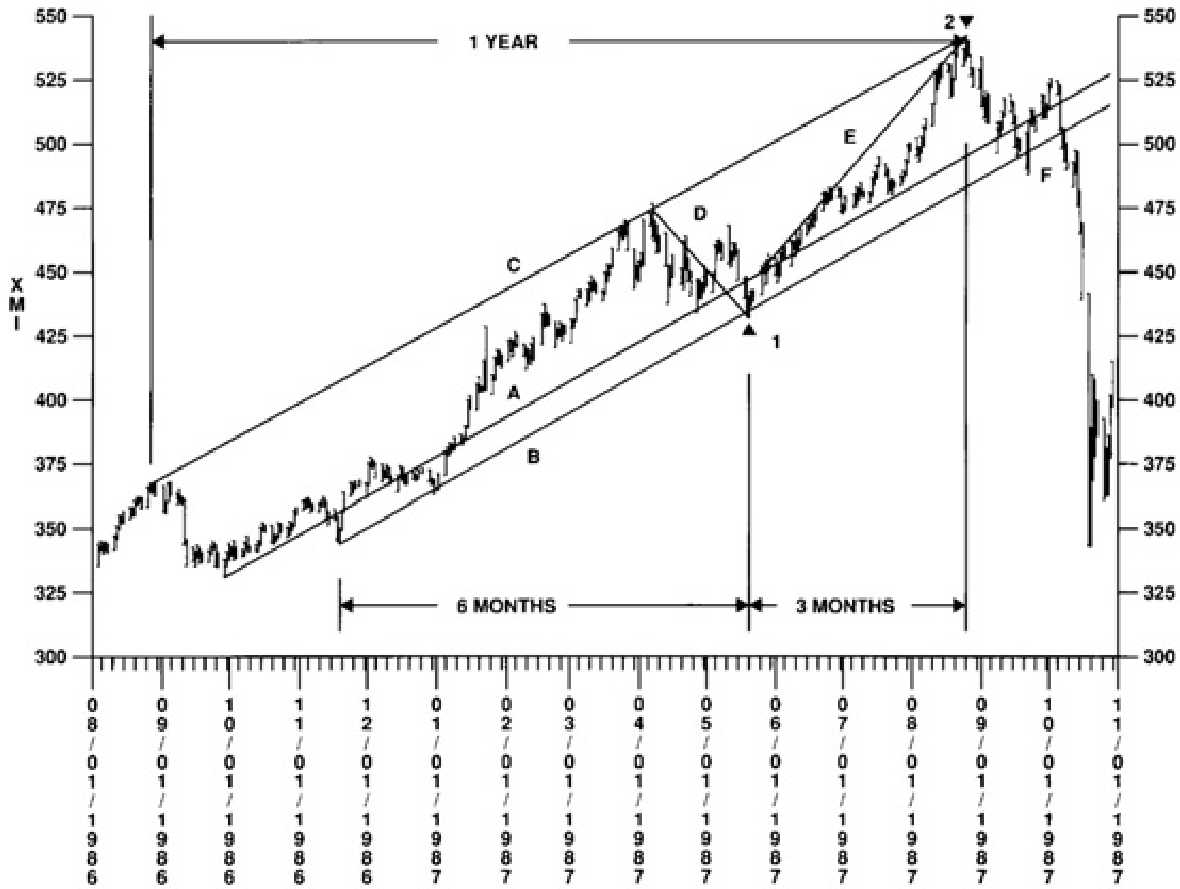

FIGURE 1. MAJOR MARKET INDEX

the timing and verify the point as a high or a low. Figure 1 is a daily chart (15 months shown) of the XMI points, thereby increasing significantly the odds of a correct trade. While applied here to the turning points I derive, this same validating approach can and should be used with any turning point system.

Turning point systems produce dates likely to be points of trend change, without necessarily calling for a high or a low. In my case, I have dates representing three cycles contained in the Dow or similar market averages, such as a losing trade. Further, if the market behaved normally, it could be expected to return to line C before a top was in place. I began looking for such a top as the summer progressed, and had noted the resistance offered by 1:1 line F. As August approached, I had an AstroDow cluster of an AD2 on 8/24 and an AD3 on 8/27. The latter was exactly one year from the 8/27/86 high from which line C originated. As the price action formed, it exactly touched line C on 8/13 and 8/25, the latter being within the AstroDow turning point cluster. Further analysis showed that this point was three months and a few days from 5/20, as well as at 541, exactly on the 180 degree angle on the Square of Nine. Going short for a return to at least line A was a high probability trade, with a stop at 543.

In both of these cases, I had used AstroDow turning point clusters to come up with a hypothetical change in trend date. Then I used basic Gann lines, time cycles, and the Square of Nine to confirm the hypothesis. This systematic application of Gann's work to support my own work allowed me to trade both of these points correctly and profitably. I also recognized the coming crash when line B was broken, but that's another story for another time. Meanwhile, if you trade any sort of turning point system, try supporting it with this trio of Gann techniques.

In mid May, 1987, as the market was declining, I was awaiting a major turn, based on having a triple cluster of AstroDow points. I had an AD2 point 5/25, an AD3 on 5/26, and AD4 on 5/24. All of these points were expected to be lows, because the prior point in each cycle was a high. By that time I also had a pretty solid up channel formed by lines A and C, with secondary channel bottom formed by line B. All of these are standard Gann 2:1 lines which rise 1/2 point per-day. From the top on 4/7, I also had drawn the down sloping 1:1 line D. Where this line intersected line B on 5/20 could be a support area. Further checking of possible cycles (see [4]) reminded me that we were six months from the sharp Boesky low of 11/19/1986. So there I was, with everything saying a major bottom was about to happen, and possibly a few days earlier than the AstroDow cluster.

When the market made a low on 5/20, then closed higher 5/21, I knew that the probabilities that the major bottom was in place were very high, about as close to certainty as one can be in the market. Further, the XMI index, which follows the Gann Square of Nine nicely, bottomed at 432, just one square off the 270 degree axis. It was possible to buy here with a very close stop, with little fear of a losing trade. Further, if the market behaved normally, it could be expected to return to line C before a top was in place. I began looking for such a top as the summer progressed, and had noted the resistance offered by 1:1 line F. As cluster of an AD2 on 8/24 and an AD3 on 8/27. The latter was exactly one year from the 8/27/86 high from which line C originated. As the price action formed, it exactly touched line C on 8/13 and 8/25, the latter being within the AstroDow turning point cluster. Further analysis showed that this point was three months and a few days from 5/20, as well as at 541, exactly on the 180 degree angle on the Square of Nine. Going short for a return to at least line A was a high probability trade, with a stop at 543.

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[I] Hans Hannula, "In Search of the Cause of Cycles", Technical Analysis of Stocks and Commodities, March, 1987.

[2] Hans Hannula, "In Search of the Cause of Cycles", expanded version reprinted in Cycles, Sep/Oct 1987.

[3] Hans Hannula, "In Search of the Cause of the Crash of 1987", letter, Cycles, December, 1987.

[4] Bill McClaren, Gann Made Easy, Gann Theory Publishing, 1987.

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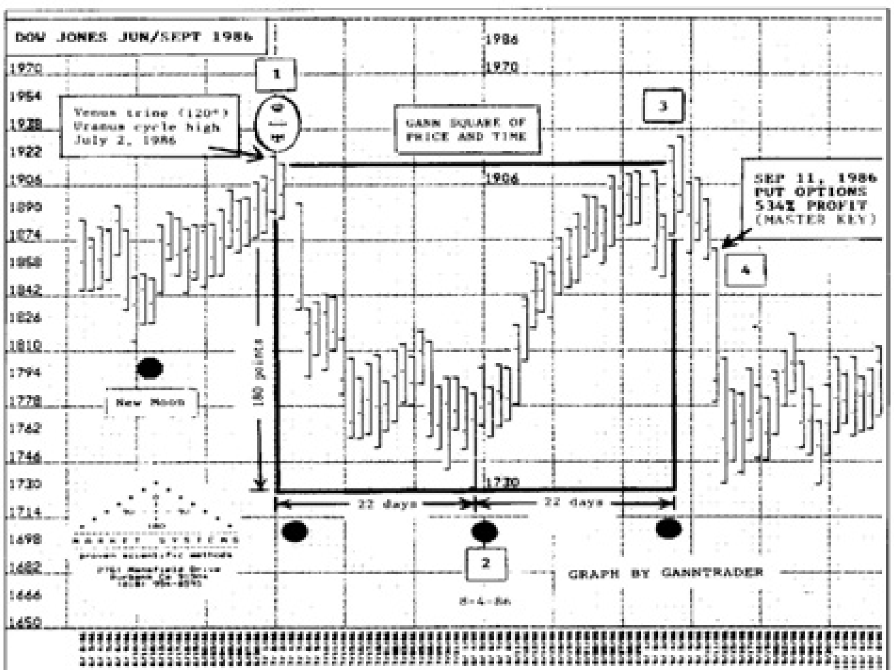
Beyond Gann: Biblical Cycles

By Gregory Legrand Meadors

In recent months, we have heard a great deal about astrology, especially the role it has played in the White House. This began a nationwide media focus on astrology, and its use in the financial markets. When you consider the financial power of foreign investors, many who use astrology, it should not surprise you that the markets often reflect astrological timing methods. Financial astrologers had information available to precisely forecast both the exact August top and the October crash! Why then, are the astrologers sometimes wrong? Perhaps if we look to W.D. Gann, the legendary financial predictor, we may find the answer. We know that Gann did not reveal his most valuable knowledge in his stock and commodity courses. For example, only through his writings did he advise students to read the Bible three times to obtain knowledge.

W. D. Gann did not rely on only one system to predict price movements. He used a variety of techniques, such as astronomical cycles which many astrologers fail to use. For example, Jupiter's position at the exact Dow low in August 1982 was at three degrees Scorpio. Jupiter's first opposition (180 degrees, 1/2 circle, cycle) to this sensitive degree (for the Dow) in the heavens was on March 22, 1988. A trend change occurred at this time!

Some of the more "modem" theories of market forecasting actually are mathematical principles that have ancient esoteric sources. For example, one theory uses the mathematical Fibonacci ratio which is revealed in the Great Pyramid. The problem with this approach is not accuracy, but rather reliance on only one forecasting method. Many followers of this method were looking for the Dow to explode during 1987 and reach the target of 3600. Because of their lack of knowledge of Biblical and astronomical cycles (some of these are also revealed in the



This is a perfect example of several "vibrations" coming together to form the Gann "Square of Price & Time". The Dow tops out on July 2, 1986 when Venus forms the 120 degree angle with Uranus (1). The Dow often moves up for two weeks and then declines when the 120 degree angle is exact (this bi-annual cycle recently occurred on 3/27/86, 7/2/86, 5/13/87, 8/17/87, and 3/06/88). The Dow drops **180** points (reversal number) in **22** trading days into the new moon (**2**). The Dow then advances (positive planetary cycles) **180** points in **22** trading days completing the "Square of Price & Time" (3) for the high in 1986. A master timing key is revealed in the first three scriptures of Jonah which precisely timed the October 19, 1987, 508 point crash; it also timed the September 11, 1986 record breaking drop (4).

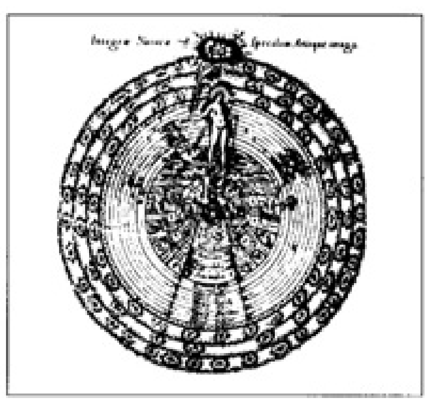
Great Pyramid), their myopic forecast doomed them to major losses when the Dow reversed unexpectedly into the October Crash.

The top of the market in August 1987 and the October Crash were forecasted months in advance in my Market Systems March 1987 newsletter. The reason these moves were predictable was that they were confirmed by astrological (see the article “Gann and the Planets,” August/September issue of the Gann & Elliott Wave), astronomical, numerological, and other time cycles that are found in one of the most enlightening sources that Gann recommended the BIBLE!

Many people have been misled about the financial markets by brokerage firms, financial news, etc.; and misled about Scripture by some religious viewpoints. Many know about the “three” wise men who followed the star which shone above the manger where baby Jesus was born. Yet Scripture clearly states that the (many) Magi (astrologers) visited Jesus when he was a “young child” in a house! (Matt. 2:11) During that time Jupiter (royal star) and Saturn (Israel) came together in a bright conjunction in the sign of Pisces (symbolized by two fish; Jesus feeds 5000 with two fish). This conjunction was probably located in the “Midheaven (Zenith)” of Jesus’ birth chart which would explain the “star above the house of Jesus” as the misunderstood astrologer’s reference to a “star in the Midheaven House.”

Scripture does state that you are not to worship or serve the stars (as gods or idols). Many believe therefore, that obtaining knowledge from the heavens (astrology) is evil. Yet Scriptures also state that God uses the heavens for signs and to provide knowledge to those who have wisdom and understanding. “And God said, Let there be lights in the firmament of the heaven to divide the day from the night; and let them be for signs, and for seasons, and for days, and years.” (Genesis 1:14). Note the scriptures Genesis 15:5 and Genesis 37:5-10. Jacob did not respond to Joseph’s first dream but recognized the importance of the second dream when God used the sun, moon, and stars to represent Jacob, his wife, and children. According to the book Astrological Secrets of the Hebrew Sages, by Rabbi Dobin, all the astrological and astronomical references in the Old Testament of the Bible would be equivalent to over two full pages of the New York Times!

The Biblical view, of course, is that God is Omniscient and Supreme, and the influences of the heavens only provide an indication of His Divine Will. “Can you bind the sweet influences of Pleiades (cluster of stars), or loose the bands of Orion? Can you lead forth Mazzaroth (signs of the Zodiac) in their season? Or can you guide Arcturus (the stars of the Bear) with her young (satellites)? Do you know the ordinances of heaven? Can you establish their rule upon the earth?” (Job 38:31-33) “The Heavens declare the glory of God, and the firmament shows and proclaims His handiwork. Day after day pour forth speech, and night unto night shows forth knowledge. There is no speech nor language, where their voice is not heard.” (Psalms 19:1-3) Thus everyone can see God’s pattern of creation in the heavens. “They fought from heaven: the



stars (planets) in their courses fought against Sisera." (Judges 5:20)

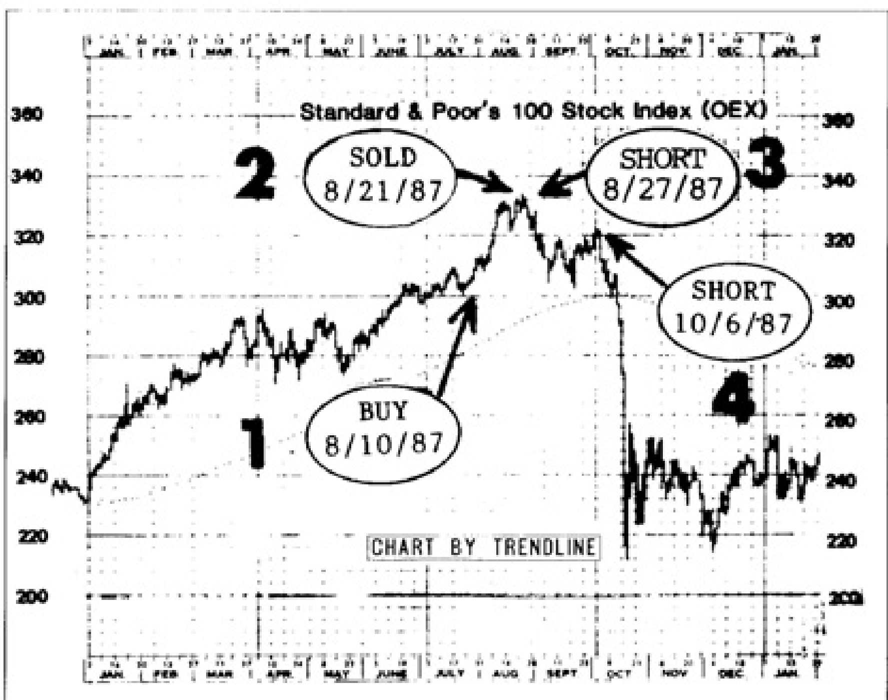
In the financial markets the length of days before a trend change is critical for market timing. "Happy is the man that findeth wisdom, and the man that getteth understanding Length of days is her right hand, and in her left hand riches and honor The Lord by wisdom hath founded the earth; by understanding hath He established the heavens." (Prov. 3:13-19)

Mars entered the sign Gemini on April 6, 1987 exactly timing the double top on the Dow. The length of days in this sign ended when Mars left Gemini and entered Cancer on May 21, 1987 exactly timing the length of days of this correction!

In the last issue I explained how the widely advertised Harmonic (planetary) Convergence (see Newsweek: 8/17/87) exactly timed the top in the Dow and why the October 6, 1987 lunar eclipse timed the start of the October crash. It amazes me how some can ignore these correlations. What could be more natural than the precision timing and mathematical beauty of cosmic cycles to time earthly cycles? Consider the moon, that faithful witness, whose axis rotation exactly equals the time it takes to circle the earth. (Psalm 89:37)

The Earth is a magnet, which is surrounded by a vast sea of electromagnetic energy. Most of this energy comes from the sun. Humans also produce electromagnetic energy through their nervous systems. Water covers most of the Earth and our bodies are mostly water. The moon affects the water on Earth (tides), and eclipses have a drastic effect upon the earth's magnetic field. Is it illogical to conclude that these cosmic events could also have an effect on human behavior and (investor) psychology? Where does the word "lunatic" come from? Johann Kepler,known as one of the founders of modern astronomy stated: "The planets forming angles (aspects) upon the earth by their luminous beams, of strength to stir up the virtue of sublunary things, have compelled my unwilling belief."

Two of the more interesting references in the Bible for financial information are the 1 1/2 and 3 1/2 year Biblical cycles. In Revelation the 3 1/2 year cycle is conjoined with the 12 signs of the



We purchased the leveraged OEX August call index options at 2 1/2 on 8/10/87 (1) and sold them at expiration on 8/21/87 (2) for 10 generating a 300% profit in two weeks. We also sold the IBM September call options (purchased on 8/7/87) on 8/24/87 (the exact high) for a 250% profit! We then sold SHORT the OEX September calls on 8-27-87 (3) and the October OEX calls at the lunar eclipse on 10/6/87 (4) generating maximum profits on our SHORT positions.

zodiac as well as the sun, moon, and stars: “A great and wondrous sign appeared in heaven: a woman clothed with the U.N., with the moon under her feet and a crown of twelve stars and his tail swept away one third of the stars of heaven... She had a place prepared by God, so that there she might be nourished for 1260 days (3 1/2 years).” (Rev. 12:1-6)

The astronomical and financial significance of these scriptures points to the Saros eclipse cycles. Saros (meaning “repetition”) refers to the name of the complete cycle of eclipses, for it was noticed that the eclipses would return to the exact location in each of the 12 signs of the zodiac every 6585 and one-third days. The rotation of the earth for the extra one-third day causes one-third of the background stars (that are visible on the previous eclipse cycle) to be “swept” from view. A complete series of Saros eclipse cycles occurs every 1260 years. According to Van Nostrand’s Scientific Encyclopedia, this was known by the Babylonians as early as 1000 B.C. The correlation of these Scriptures with the Saros eclipse cycles is unmistakable. Notice that when you multiply 360 (degrees of a circle) by the Biblical 3 1/2 measure you obtain both the Saros eclipse and Biblical number 1260.

One might be thinking at this point, “What does this have to do with the Dow Jones Industrial Average?” When you multiply the Biblical 1260 days by the I 1/2 time cycle you obtain 1890 days. Add this length of days to the start of the bull market in August 1982 and you have the start of the October 1987 crash! Multiply the August 1982 closing low of 777 (7 represents completion) by the 3 1/2 cycle and you obtain 2719.50, within three points of the 2722 Dow Jones August 1987 all time high! We sold all long positions at the high on the August 24, 1987 new moon. Our IBM call options generated over 250% profit. We then shorted the OEX on August 27, 1987.

In his book, Truth of the Stock Tape. Gann states that he used astrology and made forecasts based upon the numerical values of letters in a name. Few understand what Gann meant, and yet, most people are familiar with the “number of the beast (666)”, depicted in “The Omen” series of movies. “Here is wisdom. Let him that has understanding count the number of the beast; for it is the number of a man; and his number is 666.” (Revelation 13:18) If you count the numerical value of the “NEW

YORK STOCK EXCHANGE INCORPORATED, WALL ST, NEW YORK, NEW YORK” using standard numerical values (a=l, b=2, i=9,j=l) you will end up with 666! For example, “WALL ST” equals (5+1+3+3+1+2) = 15 = 6.

(John 1:1), but he does not reveal all his “pearls of wisdom” (Matthew 7:6). Consider the words “profit” and “prophet” which have the same sound “vibration”. In The Tunnel Thru the Air, Gann states that the Biblical story of the prophet Jonah contains many “keys” to market timing. The words in the first three verses of Jonah reveal a priceless time cycle “key” to those who have Biblical knowledge. This “key” precisely timed the record breaking 86 point drop on 9/11/86 (options paid 5 34%) and the record 508 point drop on 10/19/1987 (options paid over 100 to I). This market timing “key” applies to stock and commodity markets and is included in my Market Timing Course.

Remember, “There is a time for everything, and a season for every activity under heaven: A time to be born and a time to die, A time to plant and a time to uproot . . . A time to get, and a time to lose (Ecclesiastes 3:1). There is also a time to buy and a time to sell!

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The Gann Side of Fibonacci Numbers

By Granville Cooley

Forty-four is a Fibonacci number. Sixty-seven and one-half degrees is a Fibonacci number. Two-hundred and sixty-six is a Fibonacci number. Three-hundred and sixty degrees is a Fibonacci number. For those few of you who have never heard of Fibonacci numbers I can see you saying, “So what?”

For those of you who have “read” about the Fibonacci numbers, I can see you doing a double take. For those of you who are supposed to be Fibonacci experts, I can see your eyeballs rolled back, clicking in your head, and your feet up in the air as in a Mut and Jeff cartoon. The cartoon has a big balloon which reads, “He’s got it! He’s got it! By Gann, He’s got it!”

Those who have read about Fibonacci are saying, “What’s this Gann stuff? I thought Fibonacci has to do with Elliott Waves.”

It does, but there is also a Gann side to the Fibonacci phenomenon, sometimes apparent, but often not. It is quite possible that the Gann relationship to Fibonacci has been explored, but if so, I have seen little evidence of it.

I am talking about such things as:

(I) The master numbers.
(2) The angles.
(3) The signs and seasons.
(4) The signs and degrees.
(5) The stone of Simon.
(6) The eighth square.
(7) The death zone and the circle.
(8) The wanderings and the pyramid.
(9) The Great Cycle of Enoch.

We could add more but that’s plenty for our purposes now. Let’s investigate the phenomenon of Fibonacci of the above nine items with what I call simple observational arithmetic.

I say that because persons who write on Elliott, Gann, and other math wizards are used to writing in mathematical terms, not always understood by the average person.

Like many of you, I had a little algebra and geometry in high school and a little algebra in college, but my field for 20 years was journalism. And when you don’t have many reasons for using algebra and geometry over the years, it becomes hazy.

Books have been written on the markets by mathematicians showing the mathematical formulas behind certain systems. But they seem to be targeted for other mathematicians and those persons working with computers.

Those books are probably very good for those who understand the formulas, but one gentlemen, well known in the markets and considered a market genius in his own right, said he didn’t understand the books at all.

So methods I use might seem very elementary to those with a higher learning of math. If so, I ask them to bear along with those of us of less mathematical background as we explore the nine topics above in simple observational arithmetic.

In addition to not being a mathematician, I'm not an astrologer, astronomer, or Mason either. I've read a few books on such and can see some links with the Gann material, but that doesn't make me an expert.

As I said before, my field was journalism, and I'm no expert in that either so don't look for a journalistic gem in this article.

My "arithmetic" approach to Gann was to run thousands of numbers through a calculator looking for patterns that showed up in math, astrology, astronomy, and Masonic books, was well as sundry other books. Those patterns provided the basis for several "discoveries."

Before moving on the nine topics above, let's look at a couple of "amazing" facts that are noted by Fibonacci experts.

One of the "amazing facts" is that the ratio of the first term to the second term in a Fibonacci series is 1.618 and from the first term to the third term is 2.618. They also like to tell us that if we divide the second term into the first and multiply that times the 1.618 ratio, we will come up with the number one.

Let's put down two groups of three Fibonacci numbers and a group of three non-Fibonacci numbers and see what we can find by simple arithmetic observation.

Since all Fibonacci numbers do not fit the 1.618 ratio exactly, let's put down the ones that are the closest and eye ball them. The three numbers are 55, 89, and 144.

When we divide 55 into 89 we get 1.6181818. And when we divide 55 into the next higher Fibonacci number, 144, we get 2.6181818.

Now let's look at another series not so perfect but yet of the same Fibonacci series, 8,13, and 21. First, we divide 8 into 13 and get 1.625 and we divide 8 into the next higher number and get 2.625.

All very interesting. Now let's look at some non-Fibonacci numbers picked at random. Let's use the year 1988 and separate it into two numbers 19 and 88, and add the 19 to the 88 so we get the following sequence, 19, 88, and 107. Next, we find the relationship between the first number and the second, and the first and the third, in the same way we did the other two sequences.

We divide 19 into 88 and get 4.6315789. When we divide 19 into 107 we get 5.63 15789.

In all three cases above, the whole numbers changed when we divided the first number into the second and then the third, but the decimal fraction did not. What's going on here?

The mathematician is lighting his pipe and saying, "Elementary, my dear Watson, observe what you did."

Let's observe. In the first sequence the division by 55 into 89 can be counted as one unit of 55 with 34 left over, and the fraction of 34 divided by 55 is .6181818. When we added 55 to 89 to get 144, we simply added another unit of 55 to the pot which gives us two units of 55, or 110 with 34 left over.

That remainder of 34 divided by 55 will always be .6l81818. We could keep adding 55 to the pot and dividing by 55 till the cows come home and we would still end up with a remainder of 34. The whole number would grow but the decimal fraction would always be the same. Try it for yourself. It works every time.

Let's look at the second sequence of 8, 13, and 21. When we divide 8 into 13 we get one unit of 8 plus 5 left over, which represents .625 of 8. When we add 8 to the 13 to get 21, we are simply adding another 8 to the pot. Dividing 8 into 21 we have two units of 8 with 5 left over and 5 divided by 8 is still .635. We can add 8's to the pot until the cows come home and divide by 8 and still have a remainder of 5. It works every time.

In the third sequence of 19, 88, and 107, we divide 88 by 19 and get four units of 19 which equal 76 with 12 left over. The remainder of 12 divided by 19 gives us the decimal fraction, .1635789. By adding 19 to 88 to get 107, we are simply adding 19 to the pot of 88 and getting five 19's, or 95 with 12 left over. Need I tell you about the remainder of 12 and the cows again? It's still working!

Now for the second "amazing fact" about Fibonacci numbers that the experts like to point out to us. The fact that when you multiply 1.618 by .618 you get one or to be more exact .999924. The reason why the multiplication does not equal one is because the two Fibonacci ratios have been rounded off.

The two Fibonacci ratios are obtained by dividing the smaller Fibonacci number into the larger and then the larger into the smaller. Let's take the first part of our first example, 55 and 89. When we divide 89 by 55 we get l.6l81818 as before, and then we divide 55 by 89 and obtain .6 179775. When we multiply the two results we get .9999999.

From our second example we can use 8 and 13. Dividing 8 into 13 we get 1.625 as before. Dividing 8 by 13 we get .6153846. Multiplying the two results we get .9999995.

Let's pull a Dr. Watson and observe what we have done. In each case we divided a smaller number into a larger one and then the larger one into the smaller one and multiplied the results, getting a decimal number almost equal to one. The reason for it not being exactly one is the rounding off that has to be done.

So let's express each of the numbers as fractions and then multiply. We can express 89 divided by 55 as 89 over 55; and 55 divided by 89 as 55 over 89. We multiply and get 4895 over 4895. Any number over itself or divided by itself is always one. The same procedure for 8 and 13 gets us 104, over 104 or one. Ditto for 19 and 88 which equals 1672 over 1672 or one.

In our review of the two properties of the Fibonacci sequence we have really found nothing magic or amazing. It is simply how our mathematical system works. Interesting, but not amazing.

Now let's look at some of the other interesting properties of the Fibonacci sequence starting first with the Master numbers.

(This is the first part of a longer report by Grandville Cooley. Those interested in seeing more of this material should write him at #71 Lone Oak Village, Paris, Tenn. 38242)

Range Expansion

By Toby Crabel

This is a study of range expansion and its impact on the market. Other analysts have assumed that Range Expansion has an impact on price action on the day or days following range expansion. With the computer it becomes very easy to validate or invalidate this assumption. To begin with, it is necessary to set up a control or standard of comparison, so I borrowed from a previous study (Price Pattern Studies 1 - Bonds Open/Close Studies). In that study I tested all two, three, four, and five-day patterns in the T-Bond market, 1978 -1986. In order to make a proper comparison, I did the exact same test with only one added variable, an expanding daily range relative to the previous day's range on the second to the last day of each price pattern. From there it was possible to make direct comparisons between Price Pattern Studies (August/September issue of Gann & Elliott Wave) and the Price Pattern with the added variable of range expansion.

To briefly review what Table A is showing, refer to Pattern #5. Simply, this pattern is two lower closings and a lower open. This is read from left to right. An entry is assumed on the open or the minus to the far right of the pattern. Exit was on the close of the same day, thus the same open to close patterns. All patterns are set up in the same manner, but as you can see, become more complex as more days are included. Regardless of the number of days, the (+) or (-) sign in the pattern is always relative to the day immediately preceding it, and are closings unless it is the last (+) or (-) sign in the pattern which is an open.

My conclusion from that comparison is that there is a definite bias in the direction of the range expansion the day immediately following. Over 75 percent of the time, the price pattern showed either a percentage profitability favoring the bias of the range expansion, and/or an average win/loss ratio that made it clear that the range expansion was influencing the price pattern. There was one problem with the comparison--there was an obvious upward bias throughout the period. This was reflected in the inability of the range expansion to have an appreciable impact on patterns ending with (--) or (++).

In the control study, almost all patterns ending with (--) showed an upward bias from open to close. The same was true for the study on range expansion and in some cases it actually produced a better trade. This was contrary to expectations. Logically, the market should exhibit a bias in the direction of the range expansion, but in fact the range expansion seemed to be acting as a selling climax rather than a momentum increase.

This was baffling and the thought occurred to me that this was not a vigorous enough definition of range expansion. Consequently I decided to make a comparison between very simple two-day patterns and five variables, one for each test (refer to Table B). The variables were: the narrowest range relative to the previous three days (NR3), Narrow Range relative to the previous day (NR), control which included all possible patterns either narrowing or expanding, Range Expansion relative to the previous day (RE), and a Range Expansion greater than the previous three days (RE3). There was thought to be enough of a contrast between Range Expansion 3 and Narrow Range 3 to give decisive evidence one way or the other on the Range expansion impact on subsequent price action.

The four patterns studied were: a higher close followed by a higher open (++), a lower close followed by a higher open (-+), a higher close followed by a lower open (+-), and a lower close followed by a lower open (--). I assumed that a simple comparison between the NR3 and the RE3 in each pattern group would give me the information that I was looking for. In the case of the (±+) pattern both the NR3 and the RE3 were profitable sales with similar win/loss ratios. The only difference was the amount of total profit which favored the NR3. This is logical and in the case of an expanding range to the upside and subsequent higher open (RE3) should not be as good a sale as on a day without as much definition preceding it. It was not totally conclusive.

A comparison of RE3 and NR3 in the (-±) shows some clear differences. Both are profitable buys, but percentages favor the NR3 pattern and win/loss ratio with total profits obviously favoring the NR3 over the RE3. Again, this is logical for a day that exhibits an expanding range to the down-side theoretically is increasing momentum, and the subsequent higher open should not be as favorable a buy relative to a day lacking such definition. The clearest difference comes in the (+-) pattern where the profitable trades are actually in the opposite direction. The narrowest range in three days followed by a lower open proved to be a profitable sale 61 percent of the time, with a win/loss ratio of 1.17 :1, and total profits of $15,18l. The same pattern with the largest range in three days to the upside prior to a lower open proved a profitable buy 48 percent of the time with 1.10 : win/loss ratio and profits of $417. Total profits obviously are not dramatic in the case of the buy on the RE3 pattern, but there is a distinct contrast between the RE3 and the NR3 supporting the conclusion that range expansion does have an impact on subsequent price action. Where it is not so clear is in the pattern of a lower close followed by a lower open (--) where a momentum increase actually produced a better buying opportunity than on a day where there was no such range expansion. This can be explained by the dominant upward bias throughout the test period.

Nonetheless, it still seemed inconclusive that a range expansion was consistently impacting the subsequent price action. Therefore a third test sequence was done, this time taking into account only a higher close or a lower close. Again the variables of an expanding range relative to the previous three days, and a narrowing range relative to the previous three days were used in a direct comparison between the two. Entry was on close to open (C/O) and close to close (C/C) for either an overnight trade into the next day's open or a trade from the given day's close into the next day's close. The thought here was that if range expansion was actually affecting the price action it would most likely show up from close to open, and if it was a particularly strong affect it would carry into close of the next day. On a lower close and the close to open trade, the RE3 proved to be a better sale in all respects except for a slight difference in win/loss ratio. A lower close with a close to close trade showed buys for both RE3 and NR3, but as expected the NR3 proved to be the better buy with win/loss ratio and total profits reflective of this. In the case of a close to open trade, after a higher close there was a distinct difference favoring a buy in the direction of an RE3 over that of an NR3. In the case of a close to close trade after a higher close, the RE3 actually reflected a profitable buy, whereas the NR3 was a profitable sale, clearly demonstrating the RE3's affect on the following day's price action. From the tests exhibited in Table C and Table B, it is clear that the open acts as a climactic element in the price pattern. My observation is that most of the profits were made on the close to open trade, not on the open to close trade. In fact, the momentum increase had run its course by the time of the next day's open. This would suggest that if one was interested in trading in the direction of a momentum increase, one should consider profit--taking on the next day's open after the range expansion.

These tests conclusively support the concept of range expansion affecting subsequent price action, but there are some difficulties as demonstrated and it would appear that profit margins drop considerably the longer one is in the trade after the momentum increase. Also, and I think probably the most important piece of information taken from these tests, is that the trend is a stronger influence than short-term momentum increase or decrease. In other words, the underlying intermediate long-term trend will take precedence over a momentum increase indicated by a range expansion against the trend. Range expansions with trend hold more significance than if against trend. The psychology involved could be something as follows: In a strong up-trend, new shorts are constantly entering the market trying to pick the market top; the isolated range expansion to the down-side brings in more shorts; the high percentage open lower the following day and has very little follow through, and somewhere around mid-session after a bullish day, structure shorts begin to cover.

Emphasis should be placed on the necessity of integrating other market concepts along with range expansions. Without a firm grasp of the concept of day structure and a clear picture of the underlying trend, a trader will run into difficulties using range expansion on its own.

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Gann and the Circle

By Chris Kakasuleff

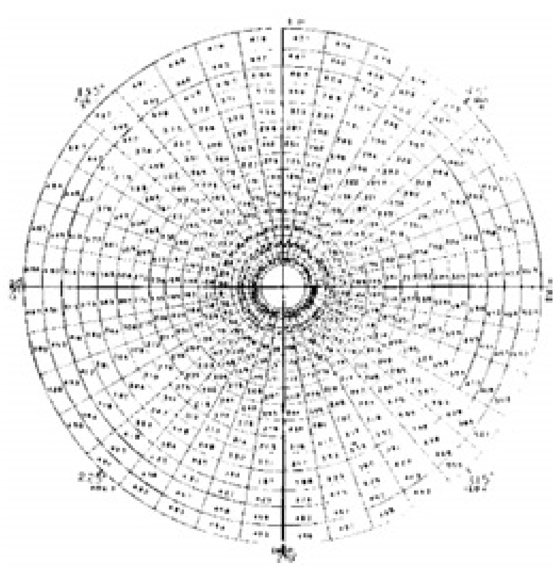
In order to pin point the manifestation of events upon the physical earth plane, you must first have a working knowledge of the astronomical mathematical formula. The 360 degree cycle popularized by W. D. Gann is our reference point. What did the wizard of Wall Street teach us about the great 360 degree cycle? The mathematical architect Gann generously left us a legacy of cosmic information to formulate into working principles to predict in advance short, intermediate, and long-term financial market trends.

In my long cerebral journeys into the very core of the secrets of the universe, time and time again nature has unveiled its self tome by proving that its greatest secrets are revealed in an essence of simplicity.

Mr. Gann articulated that the jewel of the 360 degree cycle in predicting stock market trends was literally calendar time. Let's make sure I heard myself correctly here. I said that to beat mighty Wall Street all I needed as working tools was a calendar and maybe a calculator. What a powerful tool this concept is. Let's now construct a foundation and manifest working principles for this earth shattering news.

To become the captain of our destiny in profitable stock transactions we need to follow certain guidelines and rules. First we must transpose calendar time onto the 360 degree circle. To devise our formula we must gaze upon the heavens and monitor the cosmic clock that regulates the motion of mother earth. The earth completes one revolution around the sun in 365.24 days.

To reconcile our revelation of calendar time being the domain for predicting market trends, we simply recognize the fact that the earth itself is at the mercy of the gravitational pull of the sun, therefore dictating its annual cycle of 365.24 days. As the Earth and its consciousness is the subordinate of the sun, so man and the manifestation of all events on



earth are in harmony with this same cosmic music of 365.24. Can you believe the simplicity of natures most guarded secrets?

Mr. Gann taught us that the beginning of each renewed annual Earth cycle commenced at the spring equinox. Gann indicated that by counting days from March 21 that many of nature's invisible secrets would be revealed. Gann went on to say that by no means was the stock market devoid or divorced from this natural calendar rhythm.

Just as the Earth has seasons of the year; a time to plant, a time to cultivate, a time to grow, a time to pluck, and a time to reap, so does Wall Street ebb and flow with this same circadian time piece.

My dear friend, please take time now to grasp this essence of universal law. Understand and cherish it as your eleventh commandment. By programming it into your belief system and consciously recognizing its manifestations in the drama of your own life's enfoldment, you will then posses in your heart a glimpse of the truth of all things. You will understand that life deals out no random events. You will cherish the fact that you indeed are the navigator of your life's destiny. You will discover the more you scratch at truth, the more it will itch.

As I mentioned earlier, Gann taught us that one avenue of endeavor using the cycle 365.24 was to mark time from March 21. 1-Ic said to start by making March 21 our zero point. Thus making March 22 day one. Gann divided the year into six teen equal parts. By dividing the year by four, our sum is the beginning of each new season of the year.

The philosophy Gann was spot-lighting onto our tunnel vision was that March 21 was the commencement of the annual reincarnation of life's new birth. By June 21 at the summer solstice point. Intense new growth had taken place in the animal, vegetable, plant, and insect kingdom. By the fall equinox on September 21 the peak of vitality was ebbing ever so slowly, and old age was replacing fruitarian as the dominant cycle. By the winter solstice, frozen and suspended animation ruled the northern hemisphere of the earth, and the suspended seeds of the perpetuation of life were invisible, as all life was hidden in the frozen tundra, meditating patiently for the return of the photons of light in the spring.

The wizard then instructed us to divide the year by eight. This gives us four more dates to consider. These are the halfway points of spring, summer, fall, and winter. Gann said to also divide the year by sixteen. This finally gives us sixteen important calendar days as our focus.

Gann told us that the most powerful resonating points using calendar time was six months or 180 degrees from the beginning point and then back around to the anniversary date itself. As summer becomes very hot and winter reaches frigid temperature extremes 182 days later, so too does stock market action reach volatile extremes. What goes around truly does come back around.

The next important model points are the one quarter points. Using our calendar we quickly realize that these points are 91 days apart. Gann said to expect a change of trend in the stock market at these points. Our analogy concerning confirms this rule, as each season of the year guarantees a change of trend in climate conditions.

Gann went on to suggest that by dividing the year by eight, into 45 day increments, we would find more wheels within wheels. The changing gears of market trends can easily become visible on any bar chart for those who recognize the signposts of calendar time.

Gann finally encouraged us to divide the calendar year by 16. This gives us a complete road map and blue print to predict in advance changes of trend in stock market forecasting.

Here is a listing of Gann's natural calendar year cycle. Each of these dates are approximately 22 and one-half days apart. Gann tells us to expect general changes of trend year in and year out, based on these natural time frames.

Anyone who is curious enough to research these dates will have discovered a new book of revelations. By just scooping the first two dates on our chart for the Dow Jones Industrial Average for 1988 should be an eye opener. The Dow closed at its first high for 1988 on Friday, March 18 at 2087. This date is one trading day before March 21. On our second date of April 12 which corresponds to the 22 and one-half degree angle of the circle, the Dow closed at post crash highs at 2110 exactly on April 12. Two trading days later the Dow water-falled 100 points in one day, confirming a change of trend.

This particular method of marking calendar time from March 21 is more appropriate for commodities, and raw materials that depend on the cycles of the seasons of the earth year.

An interesting sideline would be to take a closer look at the number 365.24. By multiplying this number by seven our sum total is 2556.68 days. This turns out to be precisely seven years of course, and the notorious seven year itch. The remarkable mind-boggler here is that 2556.68 days equals out to exactly 365.24 weeks. This new information totally vindicates the perfect time cycle as being 365.24 and not 360. Anyone who has the capacity to computer generate the complete cycles of 365.24 days, weeks, or years will find the mathematical validity of this sun generated number in stock market tops and bottoms. W. D. Gann discussed many times the power of the number seven in stock market action.

The timing of this article could prove to be quite revealing as August 12, 1989 is 2556.68 days or 365.24 weeks from August 12. 1982. The aging bull will be seven years old on that day.

Remember micro-man/woman is trapped unconsciously in this same fly paper cycle. All events upon the earth whether generated by group consciousness or individual karmic patterns must flow with the movement of these cosmic energies of space and time.

In my last article I discussed the power of the square of nine in predicting short term market highs and lows. We utilized this system to predict a short term high on March 5, 1988.

Well, it looks like we’ve got bragging rights, as the Dow Jones Industrial Average closed at 2081 on Tuesday, March 8, only two trading days from March 5, which fell on a Saturday. This short term top was the post crash high up to that point, with a second top one trading day before the spring equinox on March 18, a Friday.

Is there a way to utilize this cycle of 365.24 to trade the market? There are specific rules to follow that I have found over time to be extremely dependable in trading stocks, stock options and stock index options. But, I don’t want to give away all my secrets.

I am now in the process of publishing an in-depth stock market course in market timing. This course will include many precise market tools to confidently predict well in advance short, intermediate, and long-term market trends. The course will simplify the many complicated strategies proposed by W. D. Gann.

Each chapter will focus on a specific timing tool that in and of itself will prove to be profitable. The course will include chapters on Gann geometry, and explain in a simplified way, the most profitable way to use the angles to enter and exit trades. A complete chapter on the cycle of 365.24 which will explain the precise rules to predict market highs and lows will also he included.

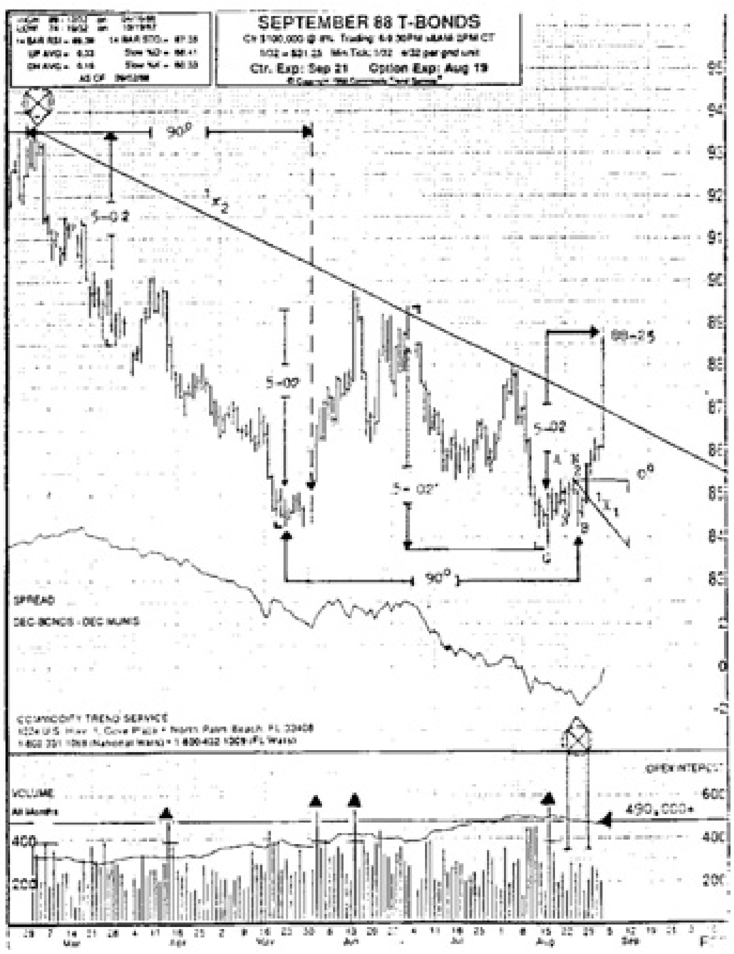
Another chapter will give a complete analysis of the square of nine and its unlimited use as a market barometer. In-eluded is a proprietary minute chart to enter and exit trades to the minute. Also included will be a market system based solely on the daily movement of the sun with a 70 percent accuracy rate. There will be many more chapters with specific market tools, too numerous to mention here.

Gann's Pyramid And Fourth Factor Volume

By Jim Purucker

On page 62 of Gann's book, How To Make Profits in Commodities, Gann states, 'After considering three important factors, time, formations, and resistance levels, the fourth and next very important factor is volume of sales. The volume of sales is the real driving power behind the market and shows whether supply and demand are increasing or decreasing. Large buying and selling orders are shown in the volume of sales. Therefore, a careful study of the volume of sales will assist in determining a change in trend, ESPECIALLY AFTER APPLYING THE OTHER THREE FACTORS OF TIME, FORMATION AND RESISTANCE LEVELS."

In the previous articles of the Gann & Elliott Wave the first three factors were presented for illustration. First, the astrological TIMING points for trading the minor cycle of one year. Second, the G-A-N-N2-B/S (buy/sell) FORMATION, what it is and how to define it, and when to act upon proven confirmation of the pattern following Rule number 25, implementing



an OFF-CON (I) & (2) condition. The third factor of importance was determining from a zero-degree beginning point of

TIME, a square (90 degrees) or trine (120 degrees) in time or price on the GANN WHEEL, combined with the odd and even natural square-root numbers on the GANN WHEEL for support-resistance levels. The odd squares begin at the peak of the Gann Wheel, the Great Pyramid of Gizeh, with number one as the capstone. The next square root level, square or course of stones, begin at number two and ends with number nine or Y (three squared). The square root of these odd numbers, which fall on the fixed angle of 41.475232 degrees to the South-West compass point, are the cornerstones for each course or square on the Great Pyramid.

An example in the previous article for the price high (2-5-88) on June '88 TBonds was 94-17. Converting 94-17 to 1/32nd Bond ticks (94 x 32 + 17) equals 3025 ticks. The square root of 30252 equals 55 (55 x 55), an important resistance level. On the GANN WHEEL, the zero-degree line intersecting the two-digit number 75 (10-19-87) price low is 180 degree opposition number 94, or 19 bond points. The difference in ticks was 625 ticks (25Th 625 divided by 32nds equals 19-17 bond points. Therefore, number 75 (75-00) plus 19-17, equals 2-5-88 PRICE HIGH at 94-17 (TO THE TICK)!

Now let's analyze the September '88 T-Bonds. First, the astrological TIMING POINT to balance the week of 2-29-88 (l80) is due the week of 8-22-88, 9(1 square the week of 5-23-88 is 8-22-88. Price was 90~ square from 93-17 to 83-17, within nine ticks of the low price of 83-23 on the GANN WHEEL. Second, the G-A-N-N2- Buy formation began zero degrees on 8-16-88, marked "G" at 83-23, "A" formed at 85-11 on 8-19-88, on 8-23-88, "N", signaling a PREPARE TO BUY condition (OFF-CON 2).

At this point, a brief description of an OFF-CON condition I & 2 (OFE)ensive (CON)dition is in order. In the movie, "WAR GAMES" DEE-CON (DEF-ensive CON-ditions) were progressive stages of readiness prior to missile launch.

For brevity, I only use two conditions of readiness rather than the four conditions in the movie. A stage (2) OFF-CON is "PREPARE TO BUY," a stage (I) OFF-CON is the actual pulling the trigger for the buy executions CONFIRMING the G-A-N-N2-Buy formation, similar to the DEFCON (I) condition in the movie, where the missiles are actually launched.

Now, let's pick up on 8-25-88 when the price drops below 84-16, the price low of "N", which signals an OFF-CON (2) state of readiness, PREPARE TO BUY condition. OFF-CON (2) also gives the right to draw a I x I angle from N2 where the buy stop orders are placed. The I x I angle from N2 was at 84-31 on 8-2-88. For those traders who have substantial amounts of capital to risk

(Fund Managers, Banks, S&Ls, Insurance Companies. Corporations and high-net-worth individuals), I suggest a TOTAL PYRAMID contract position of 10, 100, 1,000, 10,000, or 100,000 or more, using a 5-3-2=10, or 500-300-200=1,000 sequence to build the pyramid properly.

For this hypothetical trade, 1,000 contracts are placed thus: Place a Buy Stop for 500 contracts five bond ticks above the I x I angle of (84-31) at 85-04, next place a buy stop for 300 contracts one bond tick above "A" (85-II) the zero degree horizontal at 85-12, add the final 200 contracts M.O.C. at 85-21, as long as the CLOSE is above the I x I angle from N2 and in the top 1/3 of the total price range for a total pyramid of I ,000 contract. The initial sell stop is one tick below the low of the day the price closes above the I x I angle at 84-24. Initial risk is 18 bond ticks or $563.5() per contract (x) 1,000 TOTAL PYRAMID, or $562,500. plus commissions, fees and of course, any slippage for poor fills.

August 29, 1988 was a unique trading day in the OFF-CON (I) BUY execution, as the

TOTAL Pyramid of 1.000 contracts were triggered and secured by the close of the 29th. On 8-29-88, the G-A-N-N2-Buy formation confirmed OFF-CON (I) condition with entry into Gann's second section.

The first objective to sell is 162 bond ticks added to the 83-23 low at "G". One-hundred and sixty two bond ticks divided by 32 equals 5-02 bond points (83-23 + 5-02) 88-25 objective. Previous vibrations of 5-02 bond points (1+6+2=9). Why nine'? The number nine seems to have a definite "power" or "vibration." Pythagoras is believed to have had a remarkable "WHEEL" by means of which he could predict future events. Look at the design and consturction of the GANN WHEEL (see ad in the GANN & ELLIOTT WAVE) the Trines 120Th240=9, l44=1+4+4=9, 216=2+1+6=9, 288=2±8+8=l8, or 1+8=9, 72=7±2=9 and 360=3+6+0=9. Gann's MASTER NUMBER 45=I+2+3+4+5+6+7+8±9454+59

Nine is the basis of the unit value of ALL numbers. On Friday, 9-2-88, the price objective 88-25 was executed. Average cost for 1,000 contracts was 85-10. 88-25 minus 85-10 equals 3-15 Bond Points, or $3,468.75 per contract times 1,000 equals $3,468,750, less commissions, fees, and slippage.

Now, Gann's fourth factor VOLUME OF SALES as another KEY, significant in trading T-Bonds. Notice the KEY TO DAILY VOLUME at trend turning points is 490,000+ contracts on 4-14-88, 6-1-88, 6-14-88, and 8-16-88. Here Gann says the trade has made up its mind, a change of trend is eminent and reveals it through ONE-DAY VOLUME of 490,000+ contracts. Yet, even with the KEY TO VOLUME, Gann, in his infinite wisdom, says, "In order to be a success, "FOLLOW A DEFINITE RULE." Remember Gann's rule number 25? Let the market prove ills at bottom with the G-A-NN2-B formation as the formation, provided nine trading days of accumulation prior to confirmation of entry in OFF-CON (I) on 8-29-88.

In conclusion, I would like to make you aware of two Aphorisms of Pythagoras, number four and number nine (an aphorism is a short pointed sentence expressing a wise, clever observation or general truth). Number four states, "assist a man in raising or lifting his burden; but, do not assist him in laying it down."

In this article I have done my best to help and assist you in your trading by giving you the tools to raise yourself up and out of the 90 percent losers, 10 percent winners ratio, which because of human nature, stays the same every year. However, you must be responsible for your losses, as well as your gains, and not place the blame for your losses on others.

Pythagoras' aphorism number nine states, "offer not your right hand easily to anyone." This statement warns not to offer wisdom and knowledge to those who are incapable of appreciating them. Gann would cast a birth chart (horoscope) of the individual purchasing his courses. In this way, he was trying to determine if the individual was skeptical or was capable of studying long and hard about the truths he was trying to teach. Gann wrote voluminous am-mounts of material to create a desire in the individual to search for hidden truths, much in the same way the ancients in the past clothed their secrets in veiled language; such as the writers of the Bible, Plato, Aristotle, and Pythagoras, to name a few.

Gann, in his wisdom, realized the unregenerate do not desire wisdom and knowledge, but through indolence would eventually cut off the right hand that was extended in kindness to them. Once one learns to like themselves, has a continuous positive winning attitude, takes responsibility, practices the greatest of virtues-patience, and follows a disciplined technical approach to Gann's rules, then, and only then, will it be your time and season to reap material wealth.

Many of my clients who have purchased the GANN WHEEL are extremely successful men and women in many different fields of endeavor. These people know how to get the job done

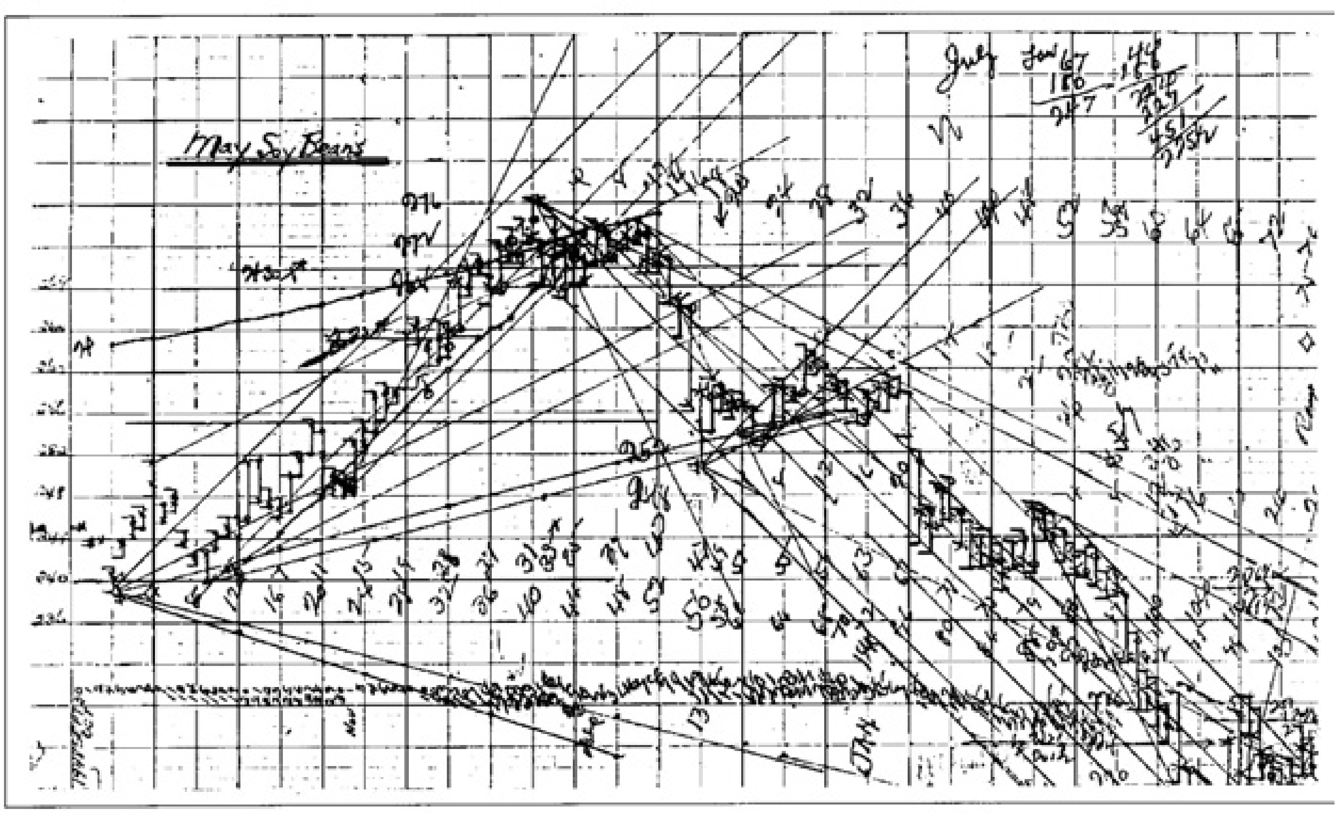
W. D. Gann and Astrology

By Norman Winski

Are you one of those people who have tried to read some of the writings by W.D. Gann and felt like you might as well be reading Greek? Consolation is here. Most beginning students of Gann's works feel thoroughly confused, if not totally baffled. The situation is somewhat analogous to someone who picks up a book written in Greek, having absolutely no knowledge of Greek, and tries to understand those writings on assumption that they are reading English. The difference is that Gann's writings utilize the English alphabet, therefore, wrongly reinforcing the illusion that he is communication to you in normal conversational English.

W.D. Gann was actually writing in another language" or jargon, but he usually didn't bother to tell most people this.

The language of W.D. Gann is Astrology. All though the writings and charts of Gann are allusions to the principles of Astrology. For example, in your Gann research you may have noticed Gann's use of the date of incorporation for a company, the date of the first day of trading for a stock or futures contract, the zodiacal dates surrounding the "Square of Nine" chart, the planetary symbols found in his own handwritten market charts, the planetary ephemerides with his personal notes written inside found among his books, the use of angles basic to astrology, and the collaboration with other astrologers. I said "other astrologers" because first and foremost, W.D. Gann was an astrologer. Everything else is supplementary.



Astrology is the correlation of extraterrestrial phenomena with terrestrial phenomena. It is a specialized branch of cycles. Gann liked to refer to it as “the law of nature” or “natural law.” The bottom line is that Gann said that timing was the most important factor and he based most of his market timing on astrological factors or principles.

Several years ago, I had the good fortune to talk on the telephone on several occasions with a former associate of W.D. Gann’s. Because of a promise to keep his identity a secret, I can’t tell you his name. But, he lived in Pittsburgh, Pennsylvania, and his initials are R.C. R.C. ‘s father was a very good astrologer and had worked with Gann. When R.C. was a young man, he followed in his father’s footsteps and started working with Gann. He worked with Gann on a full-time basis as a partner and collaborating astrologer for about ten years, from the late 1930’s to the late 1940’s.

During our conversations, R.C. told me that “first and foremost, Gann was astrological.” He also said that during that period, he worked with Gann. Gann made most of his money by selling market letters and $5000 courses. In 1948, when Gann accurately forecast the top of the soybean market, almost to the penny and the minute, Gann sold one soybean futures contract short and rode it down one dollar for a gain of $5000.

This is a tribute to “Gann the man” but it does punch a hole in Gann, the fifty mil lion dollar super genius trader. Of course, no trader is better than the system he uses. Was Gann a genius? Perhaps, but knowing that will neither help you trade nor help you learn the systems and perspectives Gann utilized. Were the systems Gann used ingenious? On that there is no doubt, the answer is a resounding yes. Gann was successful because he had the benefit of thousands of years of ancient principles on his side, of which he was a relentless student. If you are still skeptical about W.D. Gann using astrology, I have included a chart of May soybean futures used by Gann. A copy of this same chart also appears on page 202 of P.J. Kaufman’s 1978 book, Commodity Trading Systems and Methods. I mention this so that you can see for yourself that I did not in anyway alter this chart. Now, please refer to this chart. In the upper left hand corner you will find “May Soybeans.” Follow the vertical line down, which goes through the yin May (three horizontal lines). There you should find a strange looking four, followed by a 30 and an arrow like glyph. The strange looking four is the astrological/astronomical symbol glyph for the planet Jupiter. The 30 represents thirty degrees. The arrow like glyph is the symbol for the sign of Sagittarius (240 degrees). Gann was indicating that with Jupiter at thirty degrees of Sagittarius, 240 degrees plus 30 degrees equals 270 degrees, there should be important support/resistance at a price of 270.

There is another Jupiter glyph on the left side of the chart near the price of 264 on the price scale, with a dotted, jagged line extending up and to the right. The dotted line plots the movement of Jupiter. Directly to the right of this last Jupiter glyph, below the “a” in Soybeans, you will find a small circle with an arrow on top, the symbol for the planet Mars. This is followed by “22”, and the arrow like the glyph for Sagittarius. Gann drew a line to the right pointing to another dotted jagged line. This line represents the movement of Mars. Now, follow this line up to the right. Notice that it intersects with the Jupiter line. This represents Mars conjunct Jupiter or in the same place by longitude. This is an important astrological event which coincided closely with the retest high of the market.

The time has come for you to decide for yourself whether to learn the true ancient principles that Gann studied or to remain in a confused cloud of delusion. There are no easy answers. W.D. Gann took ten years of his life to study at the world’s greatest repositories of ancient knowledge and continued to study, the rest of his life. For those inclined, there is not greater awe inspiring

Taking Gann, Elliott, and Fibonacci to the Bank

By Robert Miner

Gann and Elliott market analysis ranges from the practical to the highly esoteric. From my point of view, any theory of the marketplace is of value only if it can be put into practical use. Whether a theory or technique is valid is based solely on whether its consistent use enables the trader or investor to profit consistently in his business of speculation. Gann and Fibonacci analysis is the basis of my time and price ratio analysis. Elliott wave analysis is the basis of the price pattern analysis.

My approach to investing and trading using Gann, Elliott, and Fibonacci analysis is three dimensional. These three dimensions are time, price, and pattern. Only when time, price, and pattern coincide do I consider the market in a position to offer a sufficiently low risk trading opportunity to enter the market. I'll describe how I analyzed recent market activity in gold using these time, price, and pattern techniques to enter actual trades.

There were many long term time price, and pattern indications that a major change in trend was likely in the gold market in the December 1987 January 1988. The gold rally cycle from the February 1985 low did indeed reach final top on December 14 and prices moved down sharply from there. By identifying the completion of a major bullish cycle, the trader can begin to determine the parameters of time, price, and pattern to trade the correction.

Once a major or minor cycle is complete, I always look for a ABC or three wave correction at a minimum. The market may unfold into a more complex correction. By following strict rules that require particular time, price, and pattern parameters to be satisfied and coincide, I find I can consistently enter the market at a very minimum risk and catch the larger swings. The first corrective wave from the December high unfolded in a clear Elliot five- wave pattern. Prices corrected approximately 38.2% of the February 1985 - December 1987 rally. The final week of the five-wave corrective pattern resulted in a reversal week with a new low and a close considerably above the previous weeks close. The A-wave was not complete and the trader's objective is not to determine the parameters to enter the direction of the trend on the short side to take advantage of the next wave down or the C-wave.

I will begin the detailed analysis with the market activity subsequent to the A-wave bottom of February 29. The market could unfold in a more complex corrective pattern than an ABC correction. The A-wave low of February 29 could result in the final price low of the correction. I usually go under the assumption that there will be a second corrective wave down from any extended rally. This is particularly true when a major time cycle has completed which was the case with the top in gold in December. The objective is to enter the market on the short side with minimum risk and take all the market will give us. Since the first leg of the correction resulted in a clear Elliott five-wave pattern in the February low, I would look for the B-wave to unfold in a ABC pattern. The completed B-wave is likely to correct either 38.2% or 50% of the A-wave. The A-wave correction was $101 (December 88 contract): December 14 high at 542 to February 29 low at 441. A 38.2% correction would be at 480 and a 50% correction at 491. The maximum correction to expect would be a 61.8% retracement at 503. 1 did not expect prices to retrace more than 50% due to the extend and swiftness of the first leg down into the February 29 low.

Price rallied from the February low to 479 in precisely seven weeks. 479 was just one dollar short of the projected 38.2% corrective level at 480. Seven weeks is 49 calendar days. Gann called any time interval of 49 the “death zone” and a period to prepare for a change of trend. Prices had unfolded in an ABC pattern of sorts into the 49th day at April 18. This appeared to be an ideal shorting opportunity. Prices were at a significant Fibonacci price retracement level exactly at the completion of an important Gann time cycle and Elliott corrective pattern. Time, price, and pattern had coincided. The weakest dimension at this point in time was the Elliott pattern analysis. The price pattern was not the clear Elliott ABC correction I’ve come to anticipate in the gold market and the precision of the coincidence of time and price overruled the Elliot pattern doubts. I looked for a confirmation of a top to short the market.

I went short on the close two days later on April 20. Price activity on April 20 resulted in a fairly wide ranging outside day where prices closed near the low of the day and below the prior day’s low. This was strong confirmation that the rally cycle from the February low had likely topped. I’m now short at 473.50. My stop was placed at 481. Just two days later prices moved down $8 and the stop was lowered to 475. So far so good. A small rally ensued the following week with prices failing to fill the gap left on April 22. On May second, when prices exceeded the first short term swing low of April 26, I moved the stop down 466 close only, just above the small gap left May second. This insures me of at least a small profit. I’m looking for a longer term C-wave correction which should extend at least $50 or 1/2 of the A-wave. I’m stopped out the following week on May 10 at 466 when the market closed right at my close stop. I now have a $7.50 profit ($750 per contract) in three weeks. I’ll take it with no complaints. However, I’m looking for a larger swing.

Gann reiterates throughout his work that time is the most important element. A market will not complete a trend until the time is up. At this point in time, it did not appear that the seven week cycle completed the B-wave correction. Now I must determine when the next most likely time for this phase of the correction is likely to end.

N/lay 29 would be 90 days from the February 29 low. The week beginning May 30 would be three months from the Feb. 29 low. Gold very often has a change in trend upon the completion of one of Gann’s natural time cycles of 30, 60,90, and 180 interval periods. I would look at the week beginning May 30 as a high probability change in trend period and a likely time to expect the completion of the B-wave cycle.

One June second, gold had the widest range day in months and broke out of the triple top at the important 38.2% retracement level of 480. A breakout above a triple top usually indicates and results in an explosive rally. I didn’t trust this breakout. In the larger picture the correction from the December 1987 top did not look complete. The week of the breakout completes the 90-day and three month cycle and strongly indicates a likely high and completion of the B-wave cycle. Just one day following the June third breakout results in a strong indication the breakout is false. June third results in a key reversal day. Price opened below the prior day’s low, moved to a new intraday high and closed below the day’s open and the prior day’s close. Strong indication of a reversal in trend. Two trading days later price closes down sharply below the triple top zone, a confirmation of the breakout was false. I go short at 476 near the close of June seventh. A Stop is placed at 482, just above the day’s high. Price and time activity has confirmed that the B-wave cycle is likely complete and a strong move down can be anticipated.

Within three weeks prices have moved down to the area of the A-wave lows of February 29. I’ve moved my stop down to 472, just above the first swing high. I’m tempted to take profits or a least tighten up the stop considerably as prices near the February low. However, the price objectives for the C-wave indicate prices will likely exceed the February low.

On July 25 the market closes down over $16 on the wildest range day in over six months with a strong close below the double bottom near 442. I move my protective stop down to 462, just about the most recent swing high and anticipate the market will move sharply lower following this breakdown. A bid disappointment results as the market immediately rebounds back above the double bottom. The market essentially moves sideways over the next two weeks with another move below the recent lows with still no follow thru.

This brings us up to the time this is being written (mid-Aug.). I'm profitably short from 476 with my stop at 462, this insures a $l4 profit ($l400 per con-tract). However, I'm in the market for the larger moves. Price, time and pattern activity do not yet suggest the move is over. Let's take a brief look at what we might expect in the weeks ahead and the parameters for time, price, and pattern activity.

Pattern Objectives: In a normal ABC correction to an extended rally, the C-wave will be lower than the A-wave low and in a proportion relating to the A-wave. Prices have barely exceeded the February lows and have not yet reached the minimum price objectives for the completion of the C-wave. It is likely there will still be lower prices before the completion of the C-wave cycle. What if the correction for the December high is going to unfold in a longer term Elliot 5 wave pattern and the June top is just the completion of wave two. If this is the case, much lower prices can be expected. That's fine by me. I'm short from near the June high and will take all the market will give.

Price Objectives: The 418-423 zone is the first level of major support below the double bottom near 440. The A-wave = 101. 61.8% x 101 from the B-wave top at 485 = 423. The June 3 high at 461 less the June 29 low at 442 = 43. July 21 high at 461 less 43 = 418. This important price support zone coincides with the longer term support trendline on the spot continuation weekly chart in the August time period. The next major support level lies at 396-397. A 61.8% retracement of the February 85 -December 87 rally is at 397. That rally lasted 146 weeks. December 87 high at 542 (December 88 contract) less 146 = 396. The final major level of support and most likely the maximum extent of the C-wave is at 384 where the C-wave would equal the A-wave. B-wave high at 485 less 101 = 384.

Time Objectives: Week beginning August 8 = 180 weeks from the February 85 low and 34 weeks from the December 87 high. Week beginning August 15 = 60 weeks from the June 87 low, 35 weeks from the December 87 high and 24 weeks from the February 88 low. Week of August 22 = 100 weeks from the September 86 high. Week of August 29 = six months from the February 88 low. February 27 = 180 calendar days from the February 29 low. These are all Gann and Fibonacci natural time cycles plus the 35 interval period cycle for gold. Gold's price was $35 for years. 35 is an important time and price vibration interval for gold.

The month of August and particularly August 25 completes an important Gann and Fibonacci time cycle for gold. On August 25, 1976 gold reached a very important low of $100. From that point gold entered a relentless rally into the 1980 high. August is 144 months (12 x 12) or 12 years from that important low. I will look for a minor or major change in trend in the last two weeks of August. If the cycle has not completed in that period. I will look at the week of September 19 which includes the fall equinox. Following that period. mid-October indicates a minor or major change in trend could occur. Keep in mind that Gann and Fibonacci time cycles do not indicate whether a high or low will develop, only that the cycle may come to completion and the market may reverse trend. A trader must look to the price and pattern activity going into these periods to determine if a trend change is likely.

The U.S. Dollar and the Swiss Franc

By Marcus Robinson

Before we embark upon a dissertation on our interpretation of the valid Elliott Wave count, let us briefly review this complex work so that we may provide ourselves with some common understanding of this intricate market theory. The Wave Theory was developed by R.N. Elliott to explain the aggregate decisions made in the markets at large. In short, the theories suggest that prices follow a basic eight-wave pattern, an impulse pattern of five advancing waves in the direction of the prevailing price trend and three corrective waves, retracing the price action of the impulse wave. There are additional triangular and rectangular price formations which are more complex in nature than those of the impulse or corrective variety, but nonetheless serve as trading sequences within the basic pattern.

Our interpretation of the wave count in the Swiss Franc is as follows: Our preferred count suggests that minor wave five of primary wave five peaked late last year on December 31 at 75.55 basis the nearest futures contract. The ensuing price pattern in a downward impulse wave (a five-waves down pattern) which is now in the process of putting in the price low of intermediate wave three of minor wave A (see figure 1).

Our interpretation in the U.S. Dollar Index is a perfect mirror image of the wave count we've provided for the Swiss Franc. The reasoning behind this phenomena is that we view the role of both markets as being quite similar in the overall currency markets. In our view, the Swiss Franc is in itself a basket of currencies' as is the Dollar Index because, as is well known, the Swiss are the bankers of the world. The Swiss Franc, on one hand, is backed partially by gold and by an international banking system which literally serves as the ultimate bank vault for the Western world. The U.S. Dollar Index was specifically designed to reflect the value of the greenback in terms of the world currencies from the economically advanced western world. We feel the comparison is worthy to note and is one of the reasons we have isolated these two markets as the major focus of our efforts in the currency markets.

As the theory goes, traders should expect to see a corrective rally emerge from here which will eventually give way to another five-waves down pattern which will be correctly labeled intermediate wave five of minor wave A.

From this low, we may expect a good sized advance. Since this will be a corrective wave it will be correctly counted as a three-wave advance. Once this upside correction completes itself (labeled intermediate wave B), traders should then be prepared for a spectacular decline into our

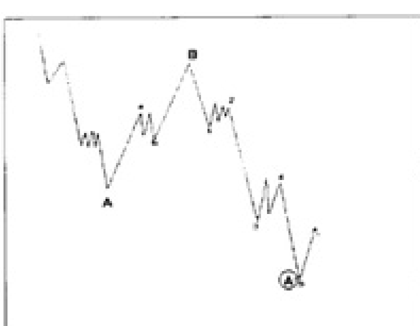


Figure 1, Swiss Franc (Primary Count)

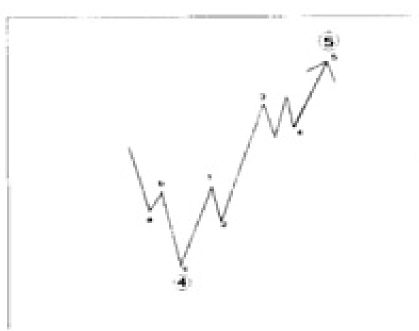


Figure 2, Swiss Franc (Alternative Count)

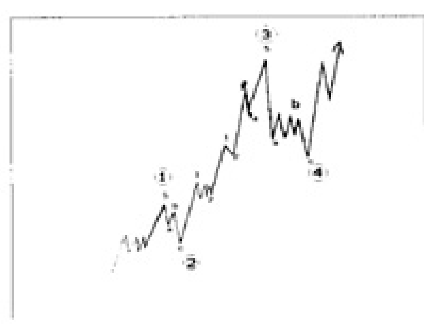
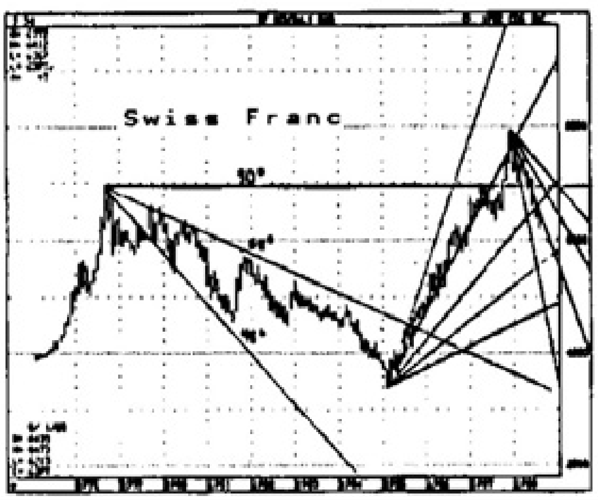


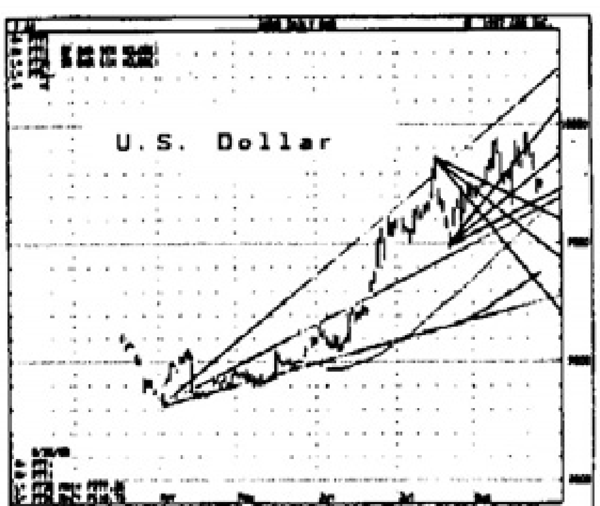
Figure 3, U.S. Dollar (Primary Count)

C-wave low as we have indicated in figure 2, our Elliott Wave model.

Our alternative wave count labels the recent peak in currency prices as primary wave three of a bull market advance. Under this scenario, the recent decline can be correctly counted as an A-B-C type fourth-wave correction of the recent advance. This count would be very bullish as it would assert that another impulse wave of minor degree (very powerful) lies directly ahead.

Figure 4, U.S. Dollar (Alternative Count)





Our road map scenario for the Dollar Index suggests that the low for primary wave C of the old bear market was put in last December, registering a low of 85.55 basis the cash contract. The recent rally that we've heard so much about is the emergence of a new bull market in the U.S. Dollar. Minor wave one put in a high of 92.50 last February resulting in a wave two pull back into May of this year. The recent upturn that we've seen in the market of late is intermediate wave three of primary wave one of the new bull market in the dollar. The wave three rally is currently in progress and should peak by no later than late October or early November. This should make for some pretty good political news given the presidential election this year. Once wave three is completed traders should see a sizeable decline in the value of the dollar as most major cycles turn down going into next year (see figure 4).

Our alternative scenario calls for an A-wave peak of A-B-C type counter trend rally to be put in here, then a brief pullback into late September (to form a B-wave low). Then traders should see a final thrust upward into late October/early November to put in the C wave high. Once this corrective trading cycle is complete, traders should see another sizeable decline in the Dollar emerge as we bring in the new year.

One of the unique characteristics of our trading model is that it produces exact price and time projections using a proprietary form of analysis which includes many of the price and time calculations of W.D. Gann and Leonardo Fibonacci de Pisa. Before we bombard you with a choice selection of the projections our system has generated, let us review some of the background information and formulas which were useful in developing our model.

The basic assumption of numerical systems based upon the work of Leonardo Fibonacci is that everything is relative. Not only is it relative, our interpretation of his work asserts that the relativity of price and time can be accurately expressed in terms of a ratio. The Fibonacci ratios we use most commonly are: .382, .50, .55, .618, and .892. We sometimes use the ratios of 1.382, 1.50, 1.55, 1.618, etc. for extended forecasts. A basic application of these ratios would be to multiply the measured range of a particular price advance to find its most probable retracement low or to determine the exact time periods for high probability turning points in the markets as well.

Before getting into the specific technologies we use in developing our profile, we would like to lay a little ground work to establish some basic mutual understanding. We acknowledge the existence of natural cycles which have certain affects on our planet, human thought, and emotion and thus affecting human behavior (the aggregate of which determines market dynamics). Probably a less intimidating approach to this subject is to rename it "cycle analysis" and right away there would be a body of cyclical data upon both, for our purposes they are equally which we could all agree. There are valid." The basic difference between several important cycles which we the two systems is that heliocentric could easily translate into a planetary movement is gauged by the orbit of the format and thus provide a very potent planets around the sun (a more scientific and unfortunately misunderstood tech- approach) and geocentric movement is technology. These cycles are: (1) The daily gauged by the rotation of the planets cycle seven days named after the seven around the Earth (a more esoteric no-medieval planets, (2) the monthly cycle). For our purposes we are inter-roughly calculated by the 28.5 day lunar cycle primarily with movement of the cycle (new moon to new moon), (3) the outer planets for the intermediate long quarterly cycles no one disputes; the term projections and for the shorter seasonal cycles of summer, fall, winter, termed projections we are mainly con-and spring. These cycles are closely related with the lunar cycle and it's connected to the heliocentric orbit of the vengeance with the heliocentric move-planet Mercury (87.97 days), and (4) the annual cycles the 365.2 days orbit of the Earth around the sun (heliocentric) or the esoteric notion of a 365 day orbit of the sun around the Earth (geocentric). We have only one comment regarding the use of heliocentric vs. geocentric astral-psychology and that is “use them both, for our purposes they are equally valid. The basic difference between the two systems is that heliocentric movement is gaged by the orbit of the planets around the sun (a more scientific approach) and geocentric movement is gaged by the rotation of the planets around the Earth (a more esoteric notion). For our purposes we are interested primarily with movement of the outer planets for the intermediate long term projections and for the shorter termed projections we are mainly concerned with the lunar cycle and it’s convergence with the heliocentric movement of the planet Mercury.

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THE PRICE AND TIME MODEL

THE SWISS FRANC
(nearest contract)

FIBONACCI PRICE PROJECTIONS

UPSIDE PRJECTIONS

Short Term:
64.47; 65.23; 66.43/66.87
Intermediate Term:
68.95/69.80; 73.18; 74.52
Long Term:
78.66/79.25; 81.23/82.16
85.55/86.90; 91.03/91.61
93.70/94.53

DOWNSIDE PROJECTIONS

Short Term:
63.63/63.50; 62.58; 62.18
61.31/60.05
Intermediate Term:
57.94/56.64
Long Term:
54.54/51.44; 46.68; 44.59
44.82/43.33; 38.99

PLANETARY PROJECTIONS

UPSIDE PROJECTIONS

64.40; 66.30/67.70; 69.20

DOWNSIDE PROJECTIONS

60.40; 58.70; 54.70

GANN PRICE / PROJECTIONS

UPSIDE PROJECTIONS

Short Term:
64.08; 66.02; 67.83
Intermediate Term:
70.64; 71.58; 73.45
75.33/76.27
Long Term:
83.08; 84.70/86.10

DOWNSIDE PROJECTIONS

Short Term:
63.55; 62.55/62.20
Intermediate Term:
61.55/60.55; 58.55
56.55; 53.76/52.83
Long Term:
50.95; 49.08; 45.33

TIMING MODEL

SEPTEMBER:
1/2, 9, 12/13, 21/22

OCTOBER:
3, 6/7, 13/14, and 25

NOVEMBER:
1/2, 8, 16/17, and
29

DECEMBER:
2, 8, 17, 28, and 31

THE U.S. DOLLAR INDEX
(nearest contract)

FIBONACCI PRICE PROJECTIONS

UPSIDE PROJECTIONS

Short Term:
98.50/98.80; 99.80; 102.17
Intermediate Term:
105; 109.47; 112.43
138.84; 152.98/155.93
Long Term:
124.35; 129.05; 134.05
138.84; 152.98/155.93

DOWNSIDE PROJECTIONS

Short Term:
97.75/97.58; 96.52; 94.98
Intermediate Term:
92.29; 90.96; 87.07
Long Term:
85.55; 83.92; 80.55
77.76/76.80

PLANETARY PROJECTIONS

UPSIDE PROJECTIONS

100.70/102.30,
105.5/108.7/115.1;
124.70; 134.30

DOWNSIDE PROJECTIONS

95.90; 93.00/91.70;
90.30
87.10; 83.90

GANN PRICE /PROJECTIONS

UPSIDE PROJECTIONS

Short Term:
98.55/99.61; 100.55; 102.43
Intermediate Term:
108.05; 113.67/115.55;
119.30
Long Term:
123.05/124.93;
136.18/138.10141.55;
147.42; 153.05

DOWNSIDE PROJECTIONS

Short Term:
96.55; 95.30; 91.55/89.67
Intermediate Term:
84.05; 83.10; 81.55; 78.43
Long Term:
76.55; 72.80; 69.05; 67.18

TIMING MODEL

SEPTEMBER
1/2, 9, 12/13, 21/22
OCTOBER
3, 6/7, 13/14, 25

NOVEMBER
1/2, 8, 16/17, 29
DECEMBER
2, 8, 17, 28, 31

Price Scales and the 45 Degree Angle

By Peter A. Pich

After several years of conversations on our customer support line, I have found some common misunderstandings that seem to be shared by a number of Gann students. One of them has to do with Gann's IXI, 2X1, 4X1 angles and their relationship with the 45 angle.

In Gann's lesson Geometric Angles he describes the 450 or IXI angle as follows: "The first and most important angle to draw is a 450 angle or a moving trend line that moves up one cent per week or I cent per month" Throughout his course material he uses the terms "45 degree line" and "IXI line" interchangeably.

In today's markets these terms are seldom the same. When Gann wrote his books and courses he traded the soybean market. His charts were scaled at one cent per price division so that a 1XI line and a 45 line were physically the same angle. In to days soybean market a chart would need to be scaled at four or eight cents per price division in order to make the chart a practical size to fit on your desk. The important term is not 450 line but rather a line that moves up a rate of one cent per day, week, or month. A more descriptive term would be "True 450 or a IXI angle that is adjusted for the scale of the chart. On a soybean chart with a scale of 4 cents per division the True 450 would have a physical angle as measured with a protractor, of 140. (Tangent of 1/4) The line would rise at a rate of one quarter price division per time division. Since the price division has a scale of four cents, the one cent per day requirement is satisfied.

When the PRICES WITH SQUARES module is used in the Ganntrader I software program the physical shape of the plotted square is automatically adjusted for the scale of the chart. For example, a Square of 144X144 on a chart with a four cent scale would be one fourth as tall as its length. The True 450 always runs from one corner of the square to the opposite corner. You can over-ride this feature by simply multiplying the price portion of the square by the scale of the chart. This will produce a physically square.

Another often asked question is what constitutes a one cent movement for markets and that aren't quoted in cents? The T-Bonds, currencies and S&P 500 are the three examples.

Using a full point in the bonds such as from 86-12 to 87-12 as the basis for the IXI angle is not very practical. A full point represents 32 X $31.50 or $1000 which is too large a number for an angle that is supposed to rise one point per day, week or month. I have found that treating the 1/32 ticks as the price portion of the IXI angles works well if the entire price is plotted in 1/32 ticks. The Ganntrader I program allows you to multiply the price by any number prior to plotting. Multiplying a bond Quote of 86-12 by 32 produces a tick number of 2764. (86 times 32 plus 12 = 2764) These numbers make a better fit with Gann's square of 90 and 144. Often you'll find the major highs and lows are multiples of 90 ticks apart.

Commodities, such as the currencies, that are quoted as fractions of a cent should have their decimal point shifted to the right prior to plotting. The program was designed for experimentation so it is a simple matter to try several decimal point shifts until the correct one is found. For example, Swiss Francs at $6500 should be changed to 65.00 or 6500.

You may also want to try to experimenting with using the minimum price fluctuation as the price value in the True 45 angle. The S&P 500 is quoted in five point increments. The True 450 angle might be one that rises at a rate of five points or 50 points per day, week or month.

Gann often charted Eggs using a scale of 13 points per price division. I don't know if this is related to the minimum price fluctuation of that market or if he had some other reason. The charts I've seen have 450 angles drawn on them. With a scale of 13 per division these angles rise at a rate of 13 points per day.

In his Cotton Course he describes the 450 or IXI angle as follows: "The first and always that most important angle to draw is a 450 angle or a moving average that moves up 10 points per day, 15 points per week or 20 points per month". This statement would seem to contradict this rule of I unit of price per time unit is a IXI angle. For the cotton market these numbers must have proven to be the correct point values to be the True 450 angle.

As a rule you will know when you have the True 450 angle when the prices in a normal Bull or Bear market follow it up and down. You should see occasional price moves above the 450 angle to the 2X1 and below it to the IX2. When you have found the True 450 angle for that particular market.

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Gann's Annual Forecasts

Part I

By Chuck Carpino

This article will review some of the predictions of W.D. Gann that were made in his Annual Forecasts. The Forecasts for 1919 to l922 can be found in his The Truth of the Tape. His 1929 Forecast is from the 1930 Wall Street Stock Selector. Gann's prediction method was unique because he attempted to provide his subscribers with specific trend forecasts, extreme high or low points, and bull or bear cycle swings. The fact that Gann did this for over four decades, could provide written testimonials, and audited brokerage statements of his profits is a tribute to his forecasting genius. As I review some of his forecasts, you should always keep in mind that they were prepared a year in advance.

In his Forecasts, Gann prepared a Stock Curve as well as a Railroad Curve when it was necessary. The Stock Curve was made up of 20 industrial stocks of his day and I suspect it deviated off its projected path more than the Railroad Curve. The reason is because there are so many industrial groups in the 20 stocks that news events of a major breakthrough in one or two industries would send those stocks up while the general trend should be falling, and it altered the curve. The same reasoning would apply as to why his grain and cotton forecasts seem much more accurate than his stock forecasts on a month to month basis. In making up his stock forecast, he considered his Curve for Interest Rates and the various commodities he tracked. This was probably to obtain some guide as to the inflationary pressures of his time. He then came up with an interpretation of their interaction, along with his numerous other methods, he built an annual forecast as to the general trend and strongest up or down months as he saw them.

Probably his most famous prediction was that of the 1929 bull market top which he accurately forecasted in late 1928. He correctly forecasted the bull move into the summer of 1929 and figured late March would mark the low in stocks. Actually, the base for the bull market stretched until May 27th before really commencing an upward move. However, March 26th was an important low just as he said it would be. You would have made money buying your stocks here. He correctly called for a distribution top during the summer months of July and August.

He said for September, One of the sharpest declines of the year is indicated. A Black Friday is forecasted and a panicky decline in stocks with only small rallies. Extreme high for the month around September 2nd to 3rd and a low around September 27th to 28th from which a fair sixed rally and a trading market running into the early part of November. After that, the big bear campaign will again get under way and stocks will continue to work lower, reaching extreme low for the year around Dec. 23rd to 24th.' Let's compare this prediction with the actual results. The exact date of the top in the industrials occurred on September 3rd at 386 and a vicious decline commenced. He did provide his clients with important advice - get out by late August. A nice entry point for shorts was also given as September 3rd. Unfortunately, if you has tried to short in early August, as he thought the highs would occur here, you would have suffered losses in the sharp August advance of 1929 (like August 1987). One of the most important aspects of his curve is that it will actually give you reversal dates as either a top or bottom. This is a big advantage over having a reversal date and waiting for prices to indicate the current trend before you can initiate a trade in the opposite direction. Most of the time the indicated highs or lows work out, but alas, no system is perfect and neither was Gann' s curve for the fall of 1929 correct on all points. A small bottom occurred on October 4th, not September 27th - 28th (this could be hazardous if prices are in a big decline, which they were) and mounted only a minor rally to October 11th before continuing their descent to 195 on Nov. 13, 1929. The final low was made here, not December 23rd. Take a closer look at what did occur on December 23rd. From a high point on December 23rd, making a higher low at a price level not to be seen again for another seven months. As you can see, his date for a low came in nicely, but it was a higher low. I have found it very difficult in prediction to determine if a second low is a final one, a double low, or a higher low. It seems you have to let prices dictate that to you.

Here's another one of his forecasts where he was very specific. In December 1920, he issued his 1921 Forecast in which he said, "The bull campaign top for the Spring culminates between April 28th to May 3rd. The month of May indicates serious declines." He had June as being dull and inactive. In actuality, the yearly top was at 80.03 on May 5th, with May 2nd - May 5th almost at the same price levels. By the end of May, prices had declined in a steady fashion to 73.44 and made a final low at 64.90 on June 20th. This was a Forecast which correctly got you out of your long and short positions at the right time for a long monthly decline.

What is most interesting about his work is that without price information, he was predicting the trend and identifying the dates of tops or lows, and doing it a year in advance. He wasn't always right, but when you look at his high accuracy ratio, you begin to understand what he meant by "Once you know the cause of market movements, you can predict the effect, long before Wall Street is aware of either."

Chuck Carpino, 406 Isolde, Houston, TX 77024

Short-Term Market Forecasting via Astrology

By Carol S. Mull

The market moves through periods of optimism, expansion, anxiety, depression, and panic, as dictated by the magnetic winds that govern the universe. These periods are known as economic cycles. Some economic cycles last for centuries, while others have a duration of only a few minutes, hours, or days. It is possible to obtain approximate market predictions via analyzing these sequences and projecting them forward, but more accurate predictions can be produced through astrology.

Astrology requires the exact computation of when and where the planetary bodies will reach exact aspects such as 900, 1 80~, I 200 from one another. Correlations have been found between planetary aspects and economics cycles. Today the theory that the magnetic forces generated by planetary aspects cause cycles is gaining acceptance by cyclic theorists and astrologers.

Like all astrological forecasting, financial astrology does not yield exact results, but its study can give indications that have a high degree of probability. The best results of all can be obtained when astrology is combined with the usual fundamental/technical methods.

Sun/Moon Aspects

The astrological aspects that are the easiest to learn and use are those between the sun and moon (these can be found in an almanac). Sun/moon aspects are so important to the market that you can be correct about 80 percent of the time if you use only this type of aspect.

The sun and moon are conjunct at the new moon, and unless overshadowed behavior aspects, the market can be expected to move upward at that time. The sun and moon are in square aspect (90 0) at the first quarter and last quarter, and a bear market is the normal result. The sun and moon are in opposition (1800) at the full moon, which usually brings a somewhat bullish market, but is not as positive as the new moon.

Sun/moon trines (1200) come halfway between the opposition and the first quarter or last quarter; they are indicators of bull markets.

Since aspects cast their influences before them, the expected effect will usually come the day before the aspect is exact. When it does reach exactness, it is all over.

Sunspots

Periods of solar prominence (sunspots) pour forth energy, causing all earthly activities to increase-including stock market trading. The usual result of this stimulus is a major market turning point, either up or down.

Increased sunspot activity occurs whenever the planets Mercury, Venus, Mars, and Jupiter are on the same side as the earth. The greatest influence of all this tidal-like force occurs when Jupiter and Venus are in a helio-centric line-up with the earth at 0~, 450, and 900, but lesser activity produces the well-known Dow cycles of 89 weeks, 124 weeks, and 208 weeks.

A very good illustration of this market indicator occurred last October 19 when the market dropped 505 points. Jupiter was exactly opposite the sun, increasing solar flares and market timing-thus forcing a turning point.

So, be aware that aspects to the sun mark major market turning points, both up and down. For exact timing, you will need to construct a helio-centric chart. Most computer programs have this option.

The Total Picture-Positive or Negative

Another valuable tool in short-term market forecasting is to tally all the aspects in the sky on a given day. This method was originated by David Williams, author of Financial Astrology, but I have altered his method somewhat. What I do is list the aspects that are within a degree of orb on a given day over New York City within market hours, plus the more important ones that fall after or before the market is open. I then assign a numerical value to each aspect: Conjunctions are ten, sextiles are three, trines ten, and oppositions six. In general, conjunctions, sextiles, and trines are positive, while squares and oppositions are negative, but this can be overridden by the nature of the planets involved. Saturn and Mars are always negative; Jupiter, Venus, and the sun are always positive.

When my list is complete I simply add my negative column, and then my positive column. If I have -84 and +15, I definitely expect a down-day at the market. Plus 64 and minus 16 would indicate a bull market.

This method of analysis works because it is an overall indication of how the majority of people will be feeling. If the populace is feeling depressed and fearful (Saturn/Neptune), they are apt to sell their stock.

Most Ephemeris's (catalog-type books listing all the planetary positions at Midnight by noon] at Greenwich, England on a daily basis) have an aspectarian section. Or computer programs are available. Or 'Dell Horoscope" magazine carries a aspectarian section in each issue.

This same method of tally aspects can be used on an hourly basis, or even fifteen minutes.

Another interesting experiment is to run charts for New York City for every half-hour for a given market day. Then, armed with your sixteen charts, sit back and watch the ticker tape. The sun, Mercury, and Venus will be in the mid-heaven around noon each day, which will produce a slight but noticeable rally. When Uranus is in the Midheaven, the market will be erratic; Saturn will bring a down-turn; Neptune will bring active trading in oils and drugs. Anyway, you will be able to observe the effects of different planets and aspects as they move across the midheaven on a minute-by minute basis.

Mars aspects

The planet Mars acts as a "trigger" for certain undesirable long term stock market movements, whenever this planet is square or opposes one of the outer planets. In fact, the stock market is 70 percent likely to develop a downward trend whenever Mars is in conjunction with one or more outer planets and simultaneously pattern is not alleviated by trines and sextiles. The orb for the square should be 50, but 80 can be allowed for the opposition. The following aspects are especially bad for the market: Mars conjunct Saturn, Mars square Neptune, Mars opposite Jupiter, Mars in opposition--regardless of the planet. All Martian retrograde stations should be regarded as critical to the market. In contrast, stock prices have consistently risen during the thirty days just before a conjunction of Mars with Jupiter or Mercury.

January and September Highs

The market is usually up January 9th through the 18th. This is because the sun reaches 23-25 Capricorn in mid-January, which produces a grand trifle with Mercury at 24 Tarus in the New York Stock Exchange chart, sun at 26 Taurus in the NYSE chart, seventh house cusp of NYSE chart, Neptune at 20 Virgo in the chart of the U.S.A., and Pluto at 24 Capricorn in the chart of the U.S.A. A similar effect happens each September when transit sun reaches 18-27 Virgo.

Retrograde Mercury

The planet Mercury rules trade and commerce as well as communication. Whenever it is in retrograde motion the market becomes sluggish, listless.

Eclipses

Eclipses bring an erratic, unpredictable market while they are overhead. Then, for about six months afterwards, that spot in the sky is sensitized. Whenever another planet, especially Mars, comes into aspect with that point, the market is likely to fall sharply.

Conclusion

I think of astrology as neither an art nor a science, but as a discipline. That is, it works in the same way that medicine, jurisprudence, and the ministry work. There is a body of principals and laws at the core of astrology, but these must be in the hands of a skilled and experienced astrologer who exercises capable judgement for good results. Like medicine, law, and theology, astrology may not always give quantifiable results--but it works, nonetheless.

If you wish to use it for market prediction, you should first learn the fundamentals. Since there are many charlatans around, I recommend that you contact the American Federation of Astrologers, Inc., P.O. Box 22040. Tempe, Arizona, 85282, phone (602)838-1751, and ask them for the name of a qualified teacher who lives near you. When you've mastered the basics, I have a mail order Course in Business and Investment Astrology.

My newsletter, "The Wall Street Astrologer," can be understood by both the trained astrologer and the non-astrologer. Send for a sample copy.

Using Holography to Trade the Markets

By Kevin K. LaRocca, CTA

Anyone who has studied the commodity market for a period of time has had an underlying sense of an order to the market, but they have fallen short because their approaches limited their scope of the full picture. Most of these approaches have exposed portions of this order, but have failed to reveal the complete picture.

In the past few years a new breakthrough in scientific technology has been developed, enabling us to accomplish such a feat. This major breakthrough is the science of holography.

The word ‘holography’ is derived from the words “holo” (complete) and “gram” (message). As the above words indicate, holograms capture, through a pictorial process, all the visual aspects of an object. In other words, it presents objects in a three-dimensional photographic format. A standard photograph, in comparison, merely collapses a three-dimensional object into a two-dimensional plane.

It is through the characteristics of this unique photographic process that we are able to expose the true order behind all market movement. In order to understand how holography is utilized to predict future turning points in the markets, we must first examine the characteristics of a hologram.

Holography is different than traditional methods of three-dimensional presentation because it utilizes laser technology. It is a simple process of photography recording the patterns formed by two interfering sets of light waves that are reflected off of an object. One of these must be a reference wave. It is this reference wave source that will finally be used to reconstruct for the viewer the originally recorded scene. These interfering sets of light waves are recorded on a special plate designed to capture and record the waves at the angles at which they are reflected. By simply shining the reference laser through the negative plate, the original wave patterns are reconstructed and the object is once again seen in its three-dimensional form. Without the proper light source, the negative plate appears as a meaningless pattern of swirls. Only with the

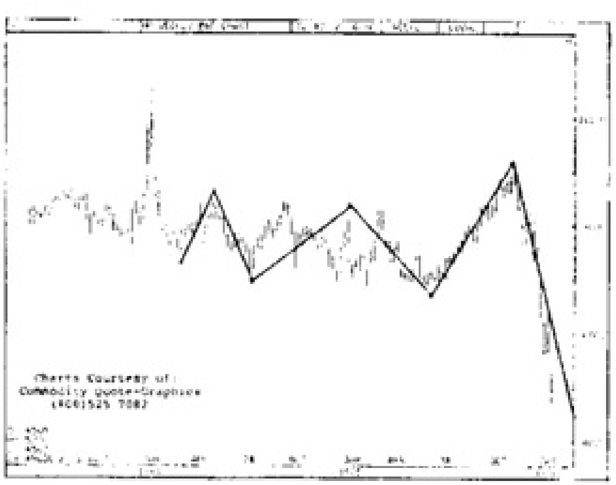

Figure 1

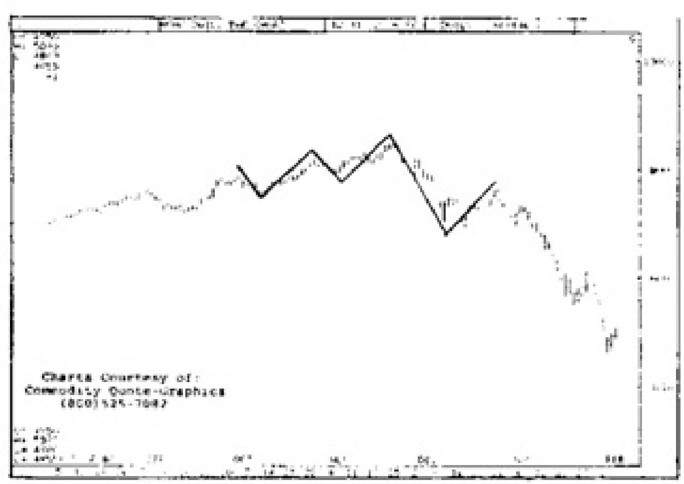

Figure 2

correct reference wave, can the disorder be brought into perfect order. Perhaps the most unique characteristic of a hologram is that the whole image can be seen through any of its individual parts. For instance, if one were to view a hologram of a horse, and were to cut one portion of the horse (ie, leg) and then enlarge that section to the original size, one would not see an enlarged leg, but instead, a picture of the whole horse. Like the negative plate of a hologram, the action of the commodity and stock markets seem to be a picture of intermingling wave patterns and, like holography, there are also two distinct light (wave) sources which govern their behavior. These two sources remain constant, and will never change, for without them, there would be no price fluctuations.

Once it becomes clear what these two light sources are, we then have the ingredients to reconstruct a hologram of the commodity and stock markets. Like the negative plate of a hologram, the true order of the markets can be brought into view only through the use of the proper reference wave. That is, order, from what appeared to be disorder. As a result of this methodology, we are now able to observe the markets in three-dimensional format which not only exposes their patterns, but also where all major and minor turning points will occur in the future. We also know whether it will be a top or a bottom. It is essentially a window into time.

Just like a hologram, we do not need the complete historical price action for a particular market, in order to find the pattern. Through a specialized process, I am able to take a small segment of the price action of a particular market and reconstruct the complete pattern. Once this pattern is found, it should remain constant, no matter how far into the future we go. Figure 1 is a weekly chart of heating oil prices from 1983 to January, 1986. The lines super-imposed on the chart represent my predicted turning points for this designated time period. As you can see, on this weekly chart, my predicted turning points occurred within a few weeks of the actual turning point. This shows the trend direction and the duration of the move. In order to narrow in on the actual day that a turning point will occur, I will apply the holographic process to a daily chart, as shown below in Figure 2.

On the weekly chart (Fig. 1), I predicted a top to occur on November 22, 1985. Knowing that I would be close to within a few weeks for that predicted point, I would look for a top during that time period on my daily chart (Fig. 2). This predicted point also occurred on November 22, 1985. The actual top in the heating oil occurred on November 23, 1985. By applying the holographic process, I was able to predict, within one trading day, when a major top in the heating oil would occur.

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