Chapter 2

Study and Be Prepared

Many times the reading of a book has made the fortune of a man and has changed his way in life.

If when you are trading, you find yourself feeling inadequate and unable to face making decisions with enthusiasm and confidence, then this course is for you. Are you finding yourself making trades that lose money. You can change and force yourself to become more confident and successful in trading and awaken a new trader within you with Gann Masters. It doesn't matter who you are or what type of person you are, you can find self-confidence in trading.
If you look around at your friends and business associates that you know trade or invest in the markets, you will find that very few of these people are successful in the markets. Most of them lack the confidence and conviction in trading. The majority have surrendered to losses. Statistics say that 90% of people lose in the commodity markets. People blame their brokers, floor traders, outside circumstances or other conditions for their failure to trade profitably. Eventually, most people think that their trading is so much controlled by outside events that they give up trying to improve their results and eventually quit.

W.D. Gann, the greatest trader of all time wrote, Speculation or investment is the best business in the world if you make a business of it. But in order to make a success of it you must study and be prepared and not guess, follow inside information, or depend on hope or fear. If you do, you will fail. Your success depends on knowing the right kind of rules and following them. He said that lawyers, doctors, engineers and professional men who make a success spend anywhere from two to five years time studying and preparing to practice their profession before making any money. Yet

people enter into speculation in Wall Street without any preparation. They have made no study of it at all. They try to deal in something they know nothing about. Is it any wonder then that they lose? Speculators and investors who simply guess, follow tips, rumors, newspaper talk and so called Inside information have no chance of ever making a success. Unless they follow some well-defined plan based on science and supply and demand, they are sure to lose. Gann Masters is in a unique position to give you the rules of successful Gann trading. The years of study and experience by the writers of this course will give you the necessary rules and instructions that will lead to your success in the markets. You must be willing to study and learn the chapters in this course. It will take you long hours of study and practice, but you cannot get something for nothing. It will cost you time and money, but it will be worth it in the end.

You must change your inner aspect of what kind of a trader you are. You must believe that you are different from most all other traders and that you are going to be as successful as W.D. Gann was in the markets. You are not what other people think you are, but what you think you are.

Don't concentrate on your limitations or your failures of past trading. You have been conditioned since you started trading by people with false ideas and values. This has limited your full potential. You have the power to change your trading. You must realize your worth as a strong person and a very successful trader.

We can't change the trading of everyone, but we can help you to change your own trading. You as an individual trader must take it on yourself to improve your trading. This course will give you all the information you need to do this. There is a lot of information contained in this course. One sentence or statement may contain the necessary missing link in your trading. That link may be what makes you a successful trader. You must study every part of this course and not ignore anything. The time has come for you to stop your bad habits of trading and start putting in the time and money to become a very successful Gann trader.

It has been determined that it takes approximately three weeks to learn a new idea. It will take you that long to fully understand what is in a chapter. don't misunderstand me, you may understand what was written, but it will take three weeks of review before it is imbedded into your mind and it is a habit. Put all things aside while you are

studying a chapter. The hours you spend will be a small investment compared to the return that you will receive.

To get the best results from these chapters, read the entire chapter through once. Then return to the chapters that will help you understand the current one. If necessary reread the current chapter to pick up anything you missed. Emerson once said: Many times the reading of a book has made the fortune of a man and has changed his way in life. To use books rightly is to go to them for help; to appeal to them when our knowledge and power fail; to be led by them into wider sight and clear conception of our own. Now, if you are ready, let's begin.

You must now assume that the truths you now hold to be true may in fact be false and those truths may hold you back from your full potential as a successful Gann trader. don't believe that you can become a very successful trader just with will power alone. Negative ideas in your imagination can defeat you. No matter how hard you try, it will be of no use.

You must open your mind freely to all new ideas and forget all false truths you believe to be true. There is no limit to what you can do if you use your full imagination to work to becoming a successful trader. Once you believe that you are a trader as good or better than W. D. Gann, then you will act as though it were true. You have been unknowingly limiting your full potential through your Mistaken certainties in your mind. If you can eliminate these Mistaken certainties, your potential for successful trading will go well beyond anything you know.

You must now awake to the truth and limitations that you have imposed on yourself. You must now assume that many truths you now hold are in fact false and that these truths are keeping you back from fully using your potential. You are primarily a product of what you have been taught up to now. If you want to change and become a successful trader, you must learn to understand everything that is taught to you and not believe it to be true, until you have proved it to yourself. You will be given many Gann trading techniques, but do not accept them as truth, until you have proved them out to yourself. You must be self-reliant. This will be a deterrent to the idea that other traders are smarter, wiser or more intelligent than you are. And, so, you look to them for support for trading ideas that may be unprofitable. It is impossible to become a very successful trader if you are thinking other traders are smarter than you are.

When you become self-reliant you also will have the courage to listen to your inner feeling for hints or signs that you are on the right track. You will be taking a cue from the successful trader you are, not listening to someone outside of your inner thoughts. When you learn to follow the signs correctly and your inner prompting for hints on how to trade a particular situation, you will be a successful trader. Dependency on the ideas of another trader is slavery by your own consent. it's very degrading for you to be dependent on the trading ideas of another person. One sure sign of dependency is that you will look up to the other trader as superior.

Advice from others in the trading arena is everywhere. Most of it is free and not worth anything. You can have at any one time a dozen unpaid advisors who want to give you their opinion. Most of these advisors are, in fact, not qualified to give advice, but merely have the title that shows that they must know what they are talking about. Most of these advisors can't trade their own accounts successfully, so how can they advise you to trade successfully. Overcoming your dependency on other traders is difficult to do. You have been trained since childhood to depend on other people. It did play an important role in your growing up and education, but it was never meant to take over your individual identity or thinking.

Remember this important saying, No one can ever let you down if you haven't been leaning on them. No one can make you lose money in the markets, if you are not dependent on them for your trading ideas. Once you have developed your self-reliance, you do not have to procrastinate or evade making a decision to make a trade, because you will be confident to meet the situation with total self-assurance.

You must accept yourself as a successful and intelligent trader. You can never be better than your own self-acceptance as a successful trader. Almost all of your problems in making trades are directly a result of how you feel about yourself as a successful trader. You can never be a better trader than how good of one you feel you are. You must have positive self-esteem about your own trading talents and abilities.

Many traders seem to have a high self-esteem about their own trading talents and abilities on the surface. However, underneath, they are victims of their own low self-esteem. This low self-esteem gets worse the longer they trade, until they go broke or completely

give up. If you hope to be a successful trader, you must develop a high self-esteem of your own trading abilities.

You must love studying and applying the techniques of Gann to the markets. Learn to love studying and applying the trading techniques to the markets. There is not one successful Gann trader who does not fully love what he is doing. You will have to spend many hours studying, learning and researching mathematical trading techniques, but it will be enjoyable and financially rewarding. How much you love what you're doing, whether it be your current job or studying the techniques of W. D. Gann, will determine how successful you are.

Everything you need for successful trading lies within you. Your mind is your most usable asset to succeed in learning and trading the techniques of W.D. Gann. If you knew the powers in your mind, it would stagger your imagination. You must make full use of this very powerful resource to succeed in trading. You need to go way beyond what you think your mind can do. don't let it be limited by what you think it can do. donut look elsewhere for help, because you have in your mind all the great power to understand and fully use Gann techniques to trade and succeed with.

Successful trading requires that you devote yourself to fulfilling specific financial goal. If you do not fully commit yourself to this goal, you will be like a ship without a chart to follow and will eventually end up shipwrecked on a lost shore. Studies have shown that individuals that have a definite plan are more likely to succeed and be happy in life. At this time in beginning your studies of Gann, you need to make a plan that will use all your talents and abilities. You must take the time right now to figure out how much you want to study and what you want to do with this knowledge of trading, otherwise, you will end up like a shipwrecked captain.

If you are to achieve your maximum potential as a trader you must give yourself a physical and mental rest and relaxation period with inner communication through meditation. The meditation will establish a contact with the inner source of power within you. It will cleanse your mind and open it up to be receptive to the techniques of Gann. When you have trouble understanding a part of Gann, it will guide you back to the right path again and help you to achieve your full potential. It will also help you feel totally a peace with yourself.

Eliminate fear of failing. Fear has been around in trading the markets since they began. It has been the major cause of all market crashes.

Fear is your enemy and a destructive emotion which will destroy your self-confidence in trading. If you are afraid, it is impossible to become very successful at trading. To remove any fear in yourself, you must have a positive mental attitude about yourself. Use the power within you to gain success at trading the markets and eliminate fear. Live a day at a time. Make positive statements to yourself continually during the day to help your mental attitude. You must study the markets and know and understand them fully. You must prove all rules and techniques you have in your tool box. When you see the rules and techniques work over and over again, your confidence will overtake the fear you once had in trading the markets. As you cultivate a positive mental attitude about trading with the techniques of W.D. Gann, a new successful you will occur to trade the markets. You will be a trader with power and direction. Once you have fully committed yourself, you will never be the same again.

GANN MASTER
CHARTS
UNVEILED

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New Page 1

Chapter 4

The Right Kind of Charts

To start trading according to the rules of W.D. Gann you must have the right kind of charts.

It's very important to have the right kind of charts to follow stocks or commodities. The major problem with most traders is they don't have the right kind of charts to study the market correctly. If you talk to a carpenter or a surgeon or any professional person, they will tell you the importance of having the necessary tools to get the job done right. Can you imagine a surgeon operating on a patient with a dull scalpel or a carpenter using a dull saw? We'll that's precisely what a trader is doing when he trades with many of today's chart programs and services. Traders risk thousands of dollars trading with ineffective tools. If you are going to build a house, it is very important to build it on a strong foundation. To start trading according to the rules of W. D. Gann you must have the right foundation, and that's a proper and correct chart.

Gann used long 36 inch wide heavy weight K&E pure cotton chart paper to plot his chart data on. The grid lines were orange. The roll was 50 yards long. It cost Gann about $10 a roll in his time. He had a staff of secretaries updating these charts on a daily basis. The secretaries were in the outer office and he was in the inner office. He would quietly research and trade with the trends of the markets using these charts in a closed private office. The only time anyone was let in his private office was to bring his lunch in a noon.

We used to sell the same K&E 36 inch x 50 yard chart paper in the early 90s. Initially the cost of each roll was around $38 per roll. Within 8 years the cost had risen to $150 a roll. K&E was then bought out by another company and the chart paper was completely

dropped.

We also used to sell the charts with data plotted on them. We would use another type of K&E paper for this. It came in onion-skin thickness. By using this chart paper, we could plot data on the charts with rapidograph pens and take them to a local blue printer and they would run off hundreds of copies of these charts. We would sell them for $3.50 each and many clients would buy 10 - 20 charts. They were updated through Thursday and sent out on Friday. When our clients received them, they only had to update a couple of days to bring the charts up to date. These charts came in monthly, weekly and daily charts. Clients could get the long-term, intermediate-term and short-term perspective of the markets.

The advantage of these charts was that you could spread the charts out in front of you and see the whole picture. The monthly charts went back 10 - 15 years, the weekly charts went back 5 years and the daily went back 2 - 3 years. Another advantage of these charts is that you could construct plastic overlays and lay the left top or bottom corner of the overlay on an important high and you could calculate the probably direction of the market. You could also move the overlay to best fit. That means when a trend starts it continues in time and sometimes there is a shift in time. It might be 1 - 2 days. To correct for this you merely move the overlay to fit the trend of the current market.

Many traders also believed that updating these charts by hand gave them a better feel of the market. Most traders would update the daily charts everyday and the weekly and monthly charts would be updated at the end of every week. Until you have done this, you won't know what I mean. It does give you a better feel of the market. Ask any trader that used to update his charts by hand and they will tell you what I mean.

Later we created a program called Max:Chart that would use data on disk to print large format charts. It would print two 15 inch strips which we would then tape together in to a chart approximately the size Gann used. A standard 15 inch Epson printer could be used. We would then send these charts out to clients instead of the large blue print type charts. They could be sent out on demand as they could be printed within a short period of time. The Max:Chart program was also available for purchase. We sold hundreds of them. When Microsoft shifted to Windows 95 the chart program would no

longer work with the new operating system, so we dropped the program.

Today there are many types of chart programs you can purchase. TradeStation, SuperCharts, MetaStock are the leaders in the professional chart arena. You have probably heard of them. They also feature the ability to scroll back to see more data on the screen. The programs only allow you to place various types of trendlines the charts. No Gann Squares can be plotted. Many of the charts in the Gann Course you have are done with TradeStation. Some of these programs also allow you to have both end-of-day or intra-day charts. Intra-day charts allow you to fine-tune your entry down to the very minute, if you want to. TradeStation costs around $2000 - $4000 and MetaStock is $399, MetaStock Pro is $1,495.

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Chapter 5

Know the Trend

Trend is the most important thing you can know about the market.

The most important thing you can know about the market is its trend.
The market can do three things:
1. Go up
2. Go down
3. Consolidate sideways

Types of Trends
The market can have these three types of trends:
1. Short term
2. Intermediate term
3. Long term

Entry Technique
Gann's entry technique for trading is as follows:

To Buy
If the long term trend (monthly charts) is up, wait for the intermediate term trend (weekly charts) to break up out of a long running consolidation and then buy after the first short term (daily charts) drop turns up.

To Sell
If the long term trend (monthly charts) of the market is down, wait for the intermediate term trend (weekly charts) of the market to break down out of a long running consolidation and then sell after the first short term (daily charts) rally turns down.

Low Volatility Entry

In a situation like this you can put on your position with low volatility and close stops without too much risk. In this technique you are using Gann's rule of buying based upon the market making new highs on the monthly and weekly charts, but using the daily short term reactions to enter your positions. You'll never make consistent money in commodities unless you have the psychology to buy high and sell low. Don't be afraid do this because this technique produces some of the biggest profits from trends in the markets.

Market in Strongest Position
The market is in the strongest direction when all three types of trends are in one direction as indicated:

1. Long term up

2. Immediate term up

3. Short term up with this technique, you will have all three trends in the same direction.

4. What Charts to Use

To figure out the trend of the market, you should use:

1. Daily charts to tell short term

2. Weekly charts to tell intermediate term

3. Monthly and yearly charts to tell long term

Market Activity
The market will typically have low activity at the bottom and abnormally high activity at the top. Watch the average daily, weekly or monthly range to indicate if you're near a top or bottom.

Time Factor
The time factor is very important for showing a change in trend. When the trend of a market makes a change, the number of days of a reaction will increase over the last reaction. This is probably one of the first indications of a change of trend in a market. You need to keep an eye on the number of days reaction in both calendar and market trading days.

Calendar Days
To count calendar days, you count all trading days plus weekends and

holidays. It's very simple. It is much easier to use the Excel spread sheet for calendar time counts. This will be explained in a later chapter.

Trading Days

To count trading days you must follow two very important rules: 1. Don't count inside days. Those are days in which the current trading day's high and low are inside the previous day's high and low. 2. If a market rallies stops and backs up over 50% of it's move, you start your count over. 3. To be a valid swing, the market must make a 2 day swing. That means that the market must have 2 days of consecutive newer highs or lows. 4. You must figure out the minimum amount of a move to count for a swing. In the case of TBonds, I determined the minimum was 1 full point. 5. The market will usually have approximately the same number of swings in its thrusts and reactions. There will be more on this in a later chapter. The market swings should be labelled for easy identification. In all uptrends mark all swing points. Mark all downswing points. There will be more in a later chapter concerning these swing numbers. It's best to buy or sell on number 3 tops and bottoms.

The Importance of the Time Factor

The time counts of a market are very important. They tell you when a market is turning. Sometimes the turn is hard to detect. This is one way to determine a change in trend. There are other methods that you must use with this method to be more accurate. You will learn those later in other chapters.

Time Sheets

To know the accurate time count on a market is necessary. You should keep a written record on the market. This can be used on daily, weekly and monthly charts. This time sheet also has the ability to tract points move.

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Chapter 6

Mathematics

Mathematics is the basis of all forecasting in the markets.

Using mathematics is an absolute necessity to trade the stock or commodity markets successfully. The traders who master the art of trading the markets with mathematics will be successful. Those who don't will fail. It's as simple as that. Traders who rely on tips and rumors will eventually lose. By taking this course you show the desire to succeed by going beyond what the normal trader will do. You are showing your desire to study, understand and apply mathematics to the market. It will take a lot of study for you to succeed, but you are on the right course. Those traders who think they can use computer trading programs alone with simple oscillators will fail. Many of these traders spend hundreds of hours of their valuable study time trying to make some definite pattern or way to use oscillators. They won't be able to do it. You need mathematics to succeed in the markets.

It looks so easy to trade with oscillators when you look back on past charts. You just sell when the stochastics is at the top and buy when it's on the bottom. It works some of the time, but sometimes it sets you up for a blood bath. For example, sometimes when the stochastics gets to the top, in an apparent sell mode, the market will take off and explode, leaving you with big losses if you shorted the market. The same thing happens when the stochastics gets to the bottom. If you buy when the stochastics is at the bottom, sometimes the market will fall out of bed giving you huge losses. Traders who follow only oscillators don't know when the market is approaching major or minor geometric angles or timing cycles. They have no idea of where the market might be heading. They will short the market when the stochastics oscillator is at the top and not know that the market is resting on a major geometric angle or time cycle. The

market will then explode giving them huge loses. Check around with traders that use oscillators. You will find that they generally loose money in the markets. The only traders who consistently make money in the markets are traders who use mathematical methods of trading. These are based on the true mathematics behind the market caused by the vibration of numbers. Prior highs and lows and their interactive harmony waves and geometric angles are the real cause behind market movements.

Oscillators can be used to successfully trade with, but only if they are used with other time and price trading techniques to support them. In this course we go over how displaced moving averages, stochastics and MACD can be used to trade the market mathematically. It is the only Gann way to use oscillators.

It's a puzzle why most traders don't use mathematics to buy and sell stocks and commodities and to forecast trends in the markets. It's very easy after you learn the mathematical trading techniques and it's 100% more reliable than using other techniques. It's also much more consistent. Mathematics is something that you can depend on. In this course, after you learn the principles of trading market mathematics you will never want to hear tips or rumors again. You will find that if someone offers their view of the market to you, you'll want to shut them out and not let them influence you. After you know the rules of mathematics behind the market you will find your sixth sense develops and many of the techniques you learned in this course will start relating to each other. Your mind will have a unique sense of where the market is headed.

In using mathematics for trading the markets, it is important to know that the market can go only two directions. It can go up or down or it can just move sideways. Prices can increase or decrease or just stay the same. They can do nothing else. We will use mathematics to figure out if the markets will go up or down. There are various methods to use to determine this. They involve the use of mathematical trend analysis and timing techniques developed by W. D. Gann.

The Cube
There are three measurements in a cube: length, width and height. We can use these measurements to figure out market movement. The market can be clocked in time in two different ways. One way is using trading days and the other is using calendar days. Many

traders will use both as a check on each other. For example, a market might make a bottom and advance 90 market days to the next major top. That move would be 126 calendar days if you added the weekends. Most of the time the calendar day count will coincide with the market day count. The two together, will usually give you a time window. This window will contain 2 - 3 days where the market will top or bottom. In this example there are 90 trading days. Divide 90 trading days by 5 days to the week. You get 18 weeks. Weeks have two weekend days, so multiply 18 times 2 to get 36 weekend days. Add these 36 weekend days to 90 and you get 126 calendar days, which is very close to the 120 circle number. The ratio of trading days to calendar days is 1.4 which is close to the Gann Square of 144 or 10 times 1.44 is 144 a very important number.

Time measurements can be based on several techniques. One technique is using natural fixed numbers. These are the numbers that can be divided into the circle of 360 degrees. These are: 9, 18, 27, 36, 45, 72, 90, 120, 180, 270 and 360. Markets fall or rise by these exact numbers. The other technique is using variable numbers based on market highs, lows and ranges. If the market makes a high at 540 and a low of 410 the difference is 130. The markets often retrace one half of this or rise for 65 days.

The vertical or height movement of the market is price. Price calculations can use the same techniques as time measurements such as natural fixed numbers or variable numbers. For example, if the market makes a bottom at 90 it can rise 90 days and 90 points and square at that point and turn down.

A combination of height, width and length of a cube is volume of a cube. A market has to move up and down a certain number of vibrations to fill the volume of a cube before the market will change directions. Count the swings of a bull market and it should equal the swings of a prior bull market. See Exhibit 6.2. in the course book. A bear market also should have the same number of swings as prior bear markets and they should be in proportion to prior bear markets and bull markets. A simple example is the Elliott wave counts of the market. Wave one is a count of 1, wave two down is 2, wave three up is 3, wave four down is 4, and wave five up is 5. Inside of these waves are smaller waves and the total wave count of one bull market should equal some prior bull market of the same commodity or stock.

A cube also has six sides. This means that the market will repeat

itself every 6 intervals. That means you should check back every 6 days, 6 months, 6 years, or (6 X 10) 60 years and the market will repeat itself. Be careful as the market has inversions in those repeat time cycles. That means for example 6 months ago if the market made a low, today it might invert and make a high instead. You should be watching for price patterns so you don't get caught in an inversion.

In geometry there are 3 basic shapes: the square, the circle, and the triangle. See Exhibit 6.4 in the course manual. The square, of course, represents time and price. The horizontal is time and the vertical is price. From the square we determine everything, both timing and price projection. If we put the 360 degree circle inside of the square and the three sided triangle inside the circle and the square this will give us the means to determine time and price points for forecasting the markets. As you remember, the fixed time points are from the circle of 360 degrees. The triangle helps us divide the circle into the three points of 120 degrees. The 120 degree points are some of the most important points of the circle. The Gann wheel or the Square of 9 is constructed from the square, the circle and the triangle.

We can use three different basic angles to determine time and price within the markets: the vertical, the horizontal and the diagonal line. The vertical is price, the horizontal is time and the diagonal is a combination of the two which is change of time and price. The horizontal and vertical lines divide the circle into the important 90 degree points. The triangle can then be used to divide the 90 degree points into 45 degree points. From these three geometric shapes, we get all the calculations in mathematics for time and price projections in the markets. In combination with the angles, we can use the squares of both odd and even numbers to get the cause behind the market movements. These numbers are actually part of the square when they are laid out according the Gann Square of 9.

Constructing Charts Properly
For geometric angles to work properly on charts, it is necessary for the charts to be constructed properly. You'll find the rules in this chapter of the Gann Master's Course. If the charts are not constructed properly, then one small error can throw off your measurement and give you a loss in the markets. A very small error at the beginning can lead to a huge loss later on. Study this chapter in the course book so you know these rules.

Geometric Angles

Geometric angles accurately measure time and price movements. There are 360 degrees in a circle and certain numbers in the circle are very important. In this course, you will learn which numbers are important. These numbers will indicate to you when important tops and bottoms are being formed. They will also indicate important support and resistance levels in regard to both time and price. You must study and practice with these numbers once you learn them to determine their importance.

Geometric angles are used to measure time and price movements because they are much easier than using addition, subtraction, multiplication or division in the markets, provided you use correct rules for drawing the angles correctly. Angles can correct mistakes in mathematics. For example, if you count across the bottom of your chart 90 squares across and 90 squares up and draw a 45 degree angle down from the left high point, the angle should intercept the 0 line at exactly 90 squares to the right. Thus angles, if drawn properly, will help you to correct mistakes in mathematics on your charts. Angles, will help you to know the position the market is in all the time. If you figure the market using mathematics such as addition, subtraction, multiplication or division and write these calculations down on paper, you will misplace and lose these calculations much of the time. Having the angles drawn on your chart allows you always to know the position the market is in all the time and you will always know when the market changes trend.

Geometric angles accurately measure and divide time and price into proportionate parts. If a stock or commodity makes a low on a certain price for example 34, it has three dimensions of time and price. It can move sideways for 34 time units, it can move up for 34 price units, and it can move diagonally 34 time and price points from which it began. Accurate measurements can be taken from previous highs, lows, and the ranges in between. There is always proportion between previous highs, lows, and swings of the market.

90 Square Chart

The 90 square pattern chart is very important to use in trend analysis. See Exhibit 3.3 in the course. This chapter tells you the secrets of constructing this square on plastic. Study it carefully. It means a lot!

The 90 degree square also helps you to understand the principles of Gann's mathematics. First you divide the number by the odd or even numbers such as 4 or 3. Divide the sides of the square first by 4 and then by 3 giving you 1/4, 1/2, 3/4, 4/4, 1/3, 2/3, 3/3. Then if necessary divide the sides even further by going one step further such as 1/8, 1/4, 3/8, 1/2, 5/8, 3/4, 7/8, 8/8, 1/6, 1/3, 2/3, 5/6, 6/6. What you are doing is multiplying the 4 and the 3 by 2 to get the next divisions of 8 and 6. To go even further you multiply by 2 again to get 18 and 12. Keep going out further to find the more precision numbers.

Also in course manual all the angles are explained and what they mean. Study them carefully.

When to Draw Daily Angles
When do you draw the angles on the chart? You draw them only after the market has been in a downtrend for at least 3 days and then the market has a three day rally making higher tops and bottoms. The first angle you draw is the 1 x 1. You next draw the 2 x 1 and then the 4 x 1. If the market stays above the 4 x 1, it will accelerate. If the market breaks the 1 x 1 then you should be begin using the bear angles below the 1 x 1.

Also study in the course manual for this chapter when to draw weekly and monthly angles, and when to draw bull and bear angles.

Practice with all of these geometric angles over and over again. Knowing how to put these angles on your charts will tell you the position of the market at all times.

You will also learn how to draw the important fixed number lines and top and bottom of range lines. All of these are very important.

Did you know that geometric angles will hold only when the 5th, 3rd or C wave of a market is complete. If the wave pattern is not complete, then the angle will eventually break. This is why so many people lose money trading the Gann angles. They do not know what they are doing. If the market is falling and it lands on the 1 x 1 angle and it is only in its 3rd wave down of a 5th wave move, it may bounce off the 1 x 1, but on the next down it will penetrate the angle and go to the next angle until the market completes the fifth wave down. When the market does complete the 5th wave, then and only then can you look for the nearest Gann angle for support. This is one of Gann's secrets, which he failed to reveal in his courses. You must know not only the Gann angles, but also know where in the wave

pattern you are. This tells you the direction of the market. The Gann methods only tell time and price support points.

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Chapter 7

Elliott Wave Theory

Elliott waves should be a necessary part of your overall trading method. The Elliott Wave Theory uses a very complicated set of rules that are subject to change anytime. You will find that very few Elliott wave traders can ever agree on what wave pattern they are in, until it's all over. Two Elliott wave technicians can look at a chart and both of them can see two different patterns. This is perhaps why Gann did not get into the complex reading of waves. He did, however, understand simple waves and how to read and use them with his time and price points. This chapter explains a practical way to use the Elliott Wave Theory in conjunction with other Gann time and price points. About 50% of the Elliott Wave techniques are simple and clear and the other 50% are complex, too difficult and subject to differing interpretation among Elliott wave technicians. For the Gann trader, the best approach is to use the 50% that are simple and clear. Elliott waves should be a necessary part of your overall trading method. Gann time and price points tell you where the market has been and were it is going. The Elliott Wave Theory tells you where you are on the road map. It can be used very nicely in conjunction with the other Gann time and price points. The Elliott Wave Theory used alone, will get traders into big trouble as they are constantly relabeling waves to fit the pattern that they currently see. The Elliott wave approach we recommend will work most of the time in conjunction with other Gann rules and help to put the whole puzzle together as to where you are in the overall trading structure of the market.

Using Gann Ratios
There are actually two types of ratios that can be used with the waves. They can be Fibonacci or Gann ratios. You should check the market you are trading in to determine which of the two types of ratios the market is best working with. The following is a listing of the differences in the ratios. Gann ratios are determined by basically dividing full numbers into

halves and thirds as far down as you need to. Here are the ratios used:
Divide the number by 2 or 4 or 8 or 16 and divide by 3 or 6 or 12. By
doing this we get the following as compared to the Fibonacci ratios used
by most Elliott wave traders:

Basic Ratio Differences
Gann .25 - .33 - .50 - .66 - .75 - 1.00 - 1.25 - 1.33 etc.
Fibonacci .382 - .618 - 1.00 - 1.382 - 1.50 - 1.618 etc.

As you can see the Gann ratios are very similar to the Fibonacci ratios
used
by Elliott wave traders.

Two Basic Waves
Elliott waves can be classified into two basic parts (See Exhibit 7.1 in
chapter 7).
1) The impulse pattern that is in the main direction of the market that
ends at a Gann time and price level
2) The corrective pattern that the market will retrace to some important
Gann time and price point.

The Impulse Pattern
Impulse patterns consist of usually five waves in the main direction of the
market. That main direction of the market can be either up or down.

1) The first wave of an impulse move is usually not very strong as
traders are unsure of where they are in the market.

2) After the first wave runs up to the top of wave 1, it will pull back
usually very quickly and violently and test the bottom and hold without
making a new low. This is wave 2. Traders are still bearish and are short
and thinking the market is still going lower. Some may even add to their
shorts. Most short traders will now have their stops above wave 1.

3)The beginning rally of wave 3 is usually very slow and will finally make
it up to the top of wave 1. Traders are still bearish and many have added
to their short positions. There are a large amount of stops above wave 1.
The rally of wave 3 continues and pushes above wave 1 where there are
a tremendous number of stops. When these stops are hit the market
explodes and many times gaps up because of order imbalances. The
gaps are a main indication that you are in wave 3. The volume increases
and many other traders get on the bandwagon and start to buy. Traders
that were long at the bottom start to add to positions. Traders that were
short that got stopped out decide that market is also going higher and
they take long positions. At this time, the majority of traders are now long

and the market is in a main trend up. Wave 3 is always longer than at least one of the waves 1 or 2 and it can never be the shortest wave of the three.

4) Finally the buying of wave 3 starts to subside and profit taking starts to come in. Traders who were long at the bottom decide to take profits, or they might put in close stops to protect their profits. This causes a general orderly pull back which is wave 4. Notice the differences between the wave 2 pull back and wave 4 pull back. Wave 2 was fast and violent and wave 4 was orderly. Gann knew what wave the market was in, because of the wave's characteristics. Most traders are still bullish in wave 4 and many take this opportunity to add to their positions and many that missed the entire move, decide to enter the market in wave 4. Wave 4 should never come down under the peak of wave 1 in cash markets, but it can come down 10 - 20% under wave 1 in futures markets, because of carrying and storage charges.5) The market now starts up in its wave 5. It does not have the power that wave 3 had because of the stop buying and new initial longs being taken. When the market hits the top of wave 3, it usually goes through, but not with a lot of enthusiasm. The rally is very lackluster. The prices make a new high and that is the top of wave 5 and the market tops out.

Correction Patterns
Correction patterns usually consist of three waves. They come in two different categories: the simple correction and the complex correction. If wave 2 is a simple correction then expect wave 4 to be a complex correction. If wave 4 is a simple correction then expect wave 2 to be a complex correction.

The Simple Correction
The simple correction that which has only one pattern which is the zigzag correction. This is an a, b, c correction. Wave b will correct ½ - ¾ of wave a. If it exceeds that correction then it is not a simple correction, but a complex correction. Wave a will always have a 5 wave pattern in the direction of the correction. Wave c will go below wave a. Wave c will be equal to wave a or 1.5 to 2.5 times of wave a. The way to know if you are in a zigzag correction is to determine if wave a has a five wave pattern.

The Complex Correction
The complex pattern consists of three different patterns:

a) The flat correction where each wave is equal in length

b) The irregular correction where wave b makes new high then drops to the beginning of wave a or below it. Wave b equals 1.125 - 1.25 of wave a. Wave c equals 1.5 - 2.5 of wave a.

c) The triangle is where there are 5 subwaves of a, b, c, d, and e in the correction. Triangles are usually associated with wave

4. When the market breaks out of the triangle, it usually does it with a big thrust in the same direction as wave three.
Using Wave Measurements is complete explained in the course manual. Please go over it carefully.
Angle Projection is also extremely important. It is also completely explained in the course manual. Please study it carefully.

Using Extreme Highs and Lows
It is important that you use the extreme highs and lows in calculating all moves. Do not use closes as many Elliott wave technicians do. Gann always used the exact extreme high or low to calculate the correct move.

ELLIOTT Wave Example - Dec 91 Corn (See Chapter 7 in the manual)
Examine this chart in carefully. Many of Gann's techniques are explained in the manual.

Chapter 6 answers

1) We can use three different basic angles to determine time and price within the markets: the vertical, the horizontal and the diagonal line.

2) In using mathematics for trading the markets, it is important to know that the market can go only two directions. It can go up or down or it can just move sideways.

3) One technique is using natural fixed numbers. These are the numbers that can be divided into the circle of 360 degrees. These are: 9, 18, 27, 36, 45, 72, 90, 120, 180, 270 and 360.

4) We can use three different basic angles to determine time and price within the markets: the vertical, the horizontal and the diagonal line.

5) The Gann wheel or the Square of 9 is constructed from the square, the circle and the triangle.

6) Did you know that geometric angles will hold only when the 5th, 3rd or C wave of a market is complete.

7) Geometric angles are used to measure time and price movements.

8) The market can be clocked in time in two different ways. One way is using trading days and the other is using calendar days.

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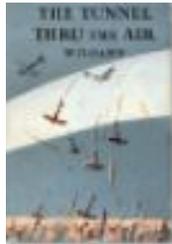
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Chapter 8

The Time Factor

Gann said that time is the most important factor.

The most important factor in determining market movements is time. Time tells the trader when the market stops its trend and goes the other direction. If you know the time changes in the markets, your chances of success will be increased many times.

All time is determined from the circle of 360 degrees:

Divide the circle by 4 parts and you get:

360

270

180

90

You can break these numbers down even further:

45

22.5

11.25

Divide the circle by 3 parts and you get:

360

240

120

You can break these numbers down even further:

60

30

15

7

3.5

3 Times the odd and even numbers and doubling them is very important. Take 3 x 3 (the odd low number) and double them to get the following important numbers:

9

18

36

72

144

288

Take 3 x 4 (the even low number) and double them to get the following important numbers:

12

24

48

96

192

The number 9 is very important as it is the number that ends your count before you start over, see the following:

1 2 3 4 5 6 7 8 9

add 1 to get the next set

10 11 12 13 14 15 16 17 18 19

The number 7 is also very important. Many counts start over after the number 7. Also the following multiples of the number 7 are important:

7

14

21

28

35

42

49 very important

From your Gann Master's Course book you need to study:

When minor time trend changes occur.

When intermediate time trend changes occur.

When long term time trend changes occur.

Built up forces.

Harmonics and monthly moves.

Prices move faster the higher they go and changes in trend.

Lost motion when the market is in the strongest and weakest position.

Divisions of three, five and seven.

Overbalancing of time and space movements and the square of space and time and its duration.

The December corn example viewing the cycles and the time changes.

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Chapter 9

Support & Resistance

Markets move between support and resistance.

In trading the markets, it is very important to know the important force of both support and resistance. Every top or bottom in the market has some relation to some prior top or bottom and it is mathematically based on that prior top or bottom. By using trend lines and time cycles with support and resistance levels, you can do much better in trading and know where to put your stop loss orders.

Range
Take the high price and the low price and divide it by odd and even or 3 or 4. If you want to go down another degree divide it by 6 or 8 or even 12 or 16 levels. When the market approaches these levels of support or resistance and is starting to show a possible change of trend, it is a place to either buy or sell. The halfway points are always the most important. The market will many times hold at these levels for 3, 5 or 7 days, 3, 5 or 7 weeks or 3, 5 or 7 months and give you a chance to buy or sell it. It depends on if the trend is minor, intermediate or major.

Read this chapter very carefully to learn how the market tops or bottoms. Look carefully at Exhibit 9.1 and 9.2. Learn also what happens when a market reaches the highest price ever. Learn what happens when a market reaches the lowest price ever.

If that market ever breaks into all time lows it usually is a good idea to short the market and go with the weak trend. The market is in its weakest position when it is making new lows. Everyone that is long the market has a loss and is anxious to get rid of their position when ever the market rallies. Many times the market does not rally when it makes new lows, it just goes lower. Many longs panic and get out of the market and the prices

even go lower.

Read this chapter very carefully to see what happens when the market penetrates and resistance level. Also read and understand the importance of studying past action of support and resistance level to determine what it will go in the future and the importance of all time highs and lows.

Opens/Closes
Opens and closes are important to determine support and resistance levels. In strong bull markets there are never more than 2 days, weeks, months prices closing lower than the open. The market comes back to close higher than the open and continues its trend. In bear markets there will never be more than 2 days, weeks, months prices closing higher than the open. The market will usually close lower than the open to continue its trend. Watch the opens and closes especially near important support and resistance areas.

Learn in this chapter how January 3, 5, 7 can affect the direction of the market the rest of the year. Also study in this chapter about the years of extreme highs or lows and its importance.

Long Sideways Movements
Watch these time periods carefully. The market is usually just marking time while it squares out some prior top or bottom. When the market breaks out of this range, it usually is a major change of trend.

Study the Dec Corn (example) Support and Resistance Levels
In Exhibit 9.3. It explains a lot of Gann's timing.

All Time High
In all markets you should find the all time high and divide it either by odd 3 or even 2 or 4 to get important support and resistance areas.

All Time Low
You should also multiply the all time low by either odd 3 or even 2 or 4 to get important support and resistance areas.

Angles
Support and resistance lines and halfway points can often be used to draw Gann angles. If you have an important high or low you can put your Square of 90 overlay on a high or low and move it up or down to the various support and resistance line. You will be surprised how the Gann angle lines then hit. See the 45 degree angle that was drawn on March 28. When it broke, the market took a large drop into July.

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Chapter 10

Time and Price Overlays

"Gann's most important discovery"

In his last years, W. D. Gann said that one of his most important discoveries was the time and price overlay. By using it you could save enormous time in doing your calculations for determining the trend of the market. This chapter explores this most important tool.

When W.D. Gann discovered the important tool of the time and price overlay, we did not have computers. All charts were done by hand. It was very difficult to make a nice long term chart that you could effectively use overlays on. Today we have programs such as GannTrader and Chart Quick. Both of these programs produce excellent precision paper charts which can be used nicely with overlays.

By studying and learning how to apply time and price overlays to the various markets one can forecast market price and time swings long into the future. It is necessary to obtain long term historical market data such as in the form of Gann style charts which would include the open, high, low and close of the market. This should be on a daily, weekly, monthly and yearly basis. This information can be obtained from commodity year books, or any of the many historical data services. It is important that the data be linked together correctly. The most effective format of data is the Gann style which links data together from year to year. This means that December 1992 corn would be linked to December 1993 corn

and December 1994 corn would be linked to the December 1993 corn on a continuous basis. Nearby continuities charts link the nearest futures contracts together. This provides a chart similar to the cash markets, but is not as effective in using the overlays. The cash markets and stocks are do not need any linking method. They both work very nicely with overlays.

Types of Overlays

There are two kinds of time and price overlays one can construct to indicate resistance points in the markets. They are the permanent and the variable type. They can be used separately or together to indicate time and price resistance points. These overlays help one understand why markets move the way they do. The time and price resistance points formed from these overlays are permanent and do not change. You will learn through trial and error which permanent overlays should be applied to which stock or commodity.

The Vibration Number

Every stock or commodity has its own vibration number and that is what usually sets the square it works in. Learn how to find the vibration number in this chapter.

Also see this chapter for the highs and lows of commodities from the Chicago Board of Trader.

Natural Resistance Levels

Permanent time and price overlays are based on divisions of the circle. They can be applied to the measurement of both time and price. See in your printed course a list of the resistance levels based on the circle.

Overlays can be created based on the above numbers. Some traders have the entire set of overlays made up. They overlay each one on top of prices to find the one that best fits. Some times more than one overlay works. So it maybe necessary to use 2 - 3 overlays to guide you to the price trend.

This chapter also lists in the printed version the most popular overlays which are based on the above circle numbers. Study these carefully and make them up with clear plastic material and permanent market pens for plastic.

The basic square is drawn by dividing a square from all corners and sides into equal divisions. The corners are divided by odd number angles 3, 5, 7, 9 etc. This is because time is based on odd numbers The sides are divided by even numbers of 2, 4, 8, 16, 32, 64 etc. This chapter explains these squares completely. Study it carefully.

Permanent Time and Price Overlays
Most permanent time and price overlays are based upon the numbers 1 to 9, but more specifically on the number 9 which is the number that represents the end of the number series upon which all numbers are based upon.

Variable Time and Price Overlays
Variable time and price overlays are developed around major tops and bottoms for a particular commodity or stock. Variable time and price overlays can be used together with permanent time and price overlays for time and price resistance levels and movement for a particular commodity or stock. You should study these overlays carefully and learn how the resistance and support point act on them at different levels. They are explained in the printed version of this chapter.

Also study in this chapter how to setup Variable Low and High Squares as well as Range Squares.

Also learn how to combining squares for resistance points and learn about odd and even squares and halfway points.

Chart Scales
To make plastic transparency overlays use Exhibit 10.2 illustrated in this chapter. The pattern is in the scale of 12 x 12 to the inch and was created by the Quick Chart software program. If you use different grid paper or a chart service using another scale, you will have to modify them to adjust for the change of scale. Always try to use graph papers with square grid and avoid rectangular grid. It is advisable to use either Quick Chart or GannTrader to produce the charts for overlays because they save a lot of time and they are more accurate.

You will find it necessary to obtain construction materials to create the various overlays you will require. These can usually

be obtained at a local art or business supplies store.

The Importance of Charts
It is important again to stress that the bar charts you set up must be done according to time and price guidelines.

Important Future Months
The important future months should be watched for key signals. A good set of charts should include the key months of future contracts of the year in commodity future contracts. For example, in most commodities the 12th and 6th positions of the cycle of the year are important. These are December and June. The next important commodities are the 3rd and 9th positions which are March and October.

Scale
The scale is very important. The correct scale on a chart can be determined by how the overlays fit it. The 1 x 1 angle should usually hit the 50% reaction exactly.

Time Increments
The time increments are important. When trading correctly, you should have daily, weekly, monthly and yearly charts. If possible the chart should go back to the beginning of the contract. If that is not possible then you should at least have the all time high or low on the chart. Weekly charts are the most useful for long range trading.

Time and Price Labels
The calendar should be correctly labeled at the bottom of the chart indicating year, month and day. The price should be correctly labeled on the side with price divisions related to circle numbers if possible. Price divisions are the heavy horizontal guide lines on a chart.

Update Space
It is very important to have the necessary update space on your chart so you can do long range forecasting. On a daily chart the update space should go out 1 year. On the weekly chart the update space should go out for 2 years and on a monthly chart the update space should go out for 5 - 10 years.

Time Frames
Man has learned to measure time with calendar periods. The

larger the calendar period, the more important it is. Different time periods should be used to get the trend of the market. You should always know what direction each of the time periods is in. It will make you a much more effective trader. Watch closely for a change of trend in each time frame and trade accordingly. In order of importance the following are calendar periods most used:

Learn which are the important time frames in this chapter.

How to Use the Plastic Square Overlays in this chapter. Study this carefully.

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Chapter 11

Table Charts

The Secret Behind Price Moves

Part 1 of Lesson 11

This chapter covers the important Master Table Charts. We will cover the 2nd part of this chapter next week. You were sent a disk in your course that contains most of Gann's Master Charts in electronic format. You need the program Microsoft Excel to effectively use this disk. This Excel template will save you hours and hours of time. Gann had to construct these charts by hand. With this disk installed in your computer you have them available in your computer and you can pull them up with just a touch of a button.

These table charts will help you to predict time and price chart movements. Interpretation of the charts is extremely important. This takes much skill and experience. The most effective way for you to learn how these table charts work is to use them and develop expertise in using them. It takes time and hard work, but you will eventually get a feel of how they work with the markets.

What is a table chart? It is a basically a mathematical sequence of numbers presented in various forms of design to aid the technician in forecasting both time and price movements in stock and futures markets.

In this part of the lesson, I will explain fixed table charts that are based on natural numbers. Those are the numbers that divide the circle. These table charts give you natural support and resistance points. Every stock or future has its own number that it works in.   I have found that it sometimes works in more that one number at a time. This is because there are many markets that have more than one cycle affecting them.

The natural squares are the square of 3, 4, 6, 9, 12, 19, 20, 24, 27, 36, 52 and 90. These squares are on your Excel template that came with the course.

I am now going to illustrate how the squares work. I have a chart of July 99 Soybeans. I have placed the chart below. Double click the chart to enlarge it. I have written the price of every high and low on the swings of the market. See the blue numbers.
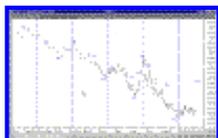
July 99 Soybeans

Now I am going to show you the Table Chart of 27. See below.

Table Chart of 27

I have placed a yellow square over every high and low number that the chart made. Notice that they are all at the top, bottom or middle of the chart. This illustrates that July 99 Soybeans is working the in square of 27 according to price.

Now let's look at July Soybeans again. This time I am going to show you the days between highs and lows.

July 99 Soybeans

Notice the number I have placed between the highs an lows. See how these numbers lines up with the following table chart of 6. By using this you can get an idea of approximately where the time of a move would stop.

Table Chart of 6

In the W.D. Gann Commodity course, he illustrated the NEW York Stock Exchange Permanent Chart pictured below. He used it to find the swings in this index. It was merely the chart of 20.

NYSE Chart

The chart still works in today's New York Stock Exchange Market.

Send and questions about this chapter to: Chapter11@tradersworld.com

Part 2 of Lesson 11

The Square of 19 Chart
Exhibit 11.5 in the printed course, shows the square of 19 chart which is a very important table which is 19 up and 19 over. This square is often called the square of the circle because it proves the circle. The square of 19 x 19 ends at 361 which is just one over the 360 degrees in the circle. This illustration shows that when we reach the number 181 we are crossing the center and on the other side of the 360 degree circle. It is important to know that many price movements end with the square of 19.

The Square of 20 Chart
In Exhibit 11.6 in the printed course shows the number 20 which represents the number of trading days in the normal month, and the 18th division of the circle is quite important for measuring both time and price. This is the chart Gann used for the New York Stock Exchange. He called it his NYSE Permanent Chart.

The Square of 27 Chart
Exhibit 11.8 in the printed course shows the square of 27 chart 27 up and 27 over which ends at 729 is close to 720 or 2 times the circle. Dividing each quarterly square then gives 15.19 years and the halfway point is 7.59 years close to the 7 1/2 year cycle.

The Square of 36 Chart
In exhibit 11.11in the printed course, shows the square of 36 chart 36 up and 36 over which ends at 1296 is important for measuring all time and price movements and resistance points.

The Square of 52 Chart
The square of 52 chart which is 52 up and 52 across is a very important square representing the 52 weeks in a year.

The Square of 90 Chart
The square of 90 chart which is 90 up and 90 across which ends at 8100 is an important square. The number 90 is one quarter of the circle and adds up to the important number 9.

Variable Low Squares
Squares can be worked up for specific stocks and commodities based on their contract low. For example on December 28, 1932 March wheat had a low at 43 cents per bushel. The square or balancing of the price is 43 days, 43 weeks, 43 months. (See Exhibit 11.10 in the printed course)

Setting up Contract high Squares
Besides using lows to set up squares one can also use contract highs. Use the all time high of a particular contract for its balancing square.

Setting Up Contract Range Squares
Besides using contract highs and lows, contract ranges can also be used to set up balancing squares. March Wheat had an all time high of 6.45 and an all time low of .43. The difference between the two is 6.02. Therefore a balancing square of .70 (5.59 / 8 = .6988) per bushel can be set up to indicate resistance points.

Combining Squares for Resistance Points
It is important to combine the natural squares, especially the square of 9 and 12 with the contract high, low and range squares

to indicate time and price resistance points for each stock or commodity.

Low/ High Number Squares /Natural Time Squares

It is possible to use contract low prices to determine intra cycle resistance points within a time period. For example March Wheat had a low on December 28, 1932 at 43 cents per bushel. A square of 12 with an intra cycle of 43 can be set up to determine the monthly future cycle points. See this section in the printed course for details.

Tritable Charts

The triangle table charts illustrated in this chapter were put in Gann's course, but were not explained. We have programmed the Excel spread sheet template to do these charts also.

Natural Time Square Intervals and Intra Cycles

Intra cycle contract high and low points can be set up within all natural time squares. Squares can be set up on the smallest interval 1/4 hourly points up to larger intervals of monthly points.

Natural Resistance Levels

Natural resistance levels are based upon natural law and can be applied to the measurement of both time and price. Set up based on the Base Numbers and Divisions of the Circles listed in the printed chapter.

The Vibration Number

Every stock or commodity will have its own vibration number that it trades by. It will trade within the square of that number. The number is based on one of several factors. See the explanation of this in the printed chapter and See Exhibit 11.14 in the printed course.

Numbers Given to Dates of the Periods of the Year

Stocks or commodities that started trading the following dates of the month are ruled by the numbers indicated. They generally will be strongest during their dates or the periods of the year indicated.

Numbers given to Days of the Week

The following are vibration numbers given to the days of the week. Stocks or commodities will be strongest on the day that vibrates their number.

Day Number
Sunday 1, 4
Monday 2, 7
Tuesday 9
Wednesday 5
Thursday 3
Friday 6
Saturday 8

See the example in the printed version of the course on the way to tell whether a day will be favorable or unfavorable for a stock or commodity. It should be of great value to anyone who uses it.

Table charts are important for understanding the basis for all movement in the stock and commodity markets. Most of the

theories learned in this chapter can be transferred to the study of bar charts. Study and apply the principles of this chapter to trading and you will be rewarded.

What our hottest Gann Materials we have right now?

Murrey Math Trading by T. H. Murrey $78.00

Pyrapoint Trading Course by Don Hall 179.95

Ensign/Pyrapoint CD $150.00

Super Timing $250.00

Gann Master Charts Unveiled $49.95

You can find them at:
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Now is the time to get all the back issue of Traders World Magazine with dozens of articles about W.D. Gann for only $49.95. Go to: http://tradersworld.com/cgi-bin/miva?Merchant/merchant.mv
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If you have questions about this chapter email us at: chapter11@tradersworld.com

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Chapter 12

Time and Price charts

The markets vibrate around these charts.

This chapter goes into the explanation and use of Gann's master time and price charts. Perhaps the most interesting of these charts are the odd and even square charts. The odd chart is commonly known as the square of 9 and the even chart is known as the square of 4. The square of 9 has the number 1 at the center and spirals clockwise around the square. The even chart has four numbers in the center 1, 2, 3, and 4. It spirals counter clockwise around the square. Each of the chart's parameter is divided into dates and degrees of the year that go counter clockwise. Each circle of the square of nine ends with an number that squares out (9, 25, 49, 81, 121, 169, 225, 289 etc.). Each circle of the square of 4 ends with an even number that squares out (4, 16, 36, 64, 100, 144, 176, 256 etc.).

Which of the two charts to use depends on the total days in the contract from beginning to end. You must look up to see when the first day of trade was and look up the last day of trade. If there is an even number of days in the contract use the square of 4. If there are an odd number of days in the contract use the square of 9.

						31	32	33	34	35	36	37
24	23	22	21	20	19	30	13	14	15	16	17	38
25	11	8	7	6	18	29	12	3	4	5	18	39
26	10	2	1	5	17	28	11	2	1	6	19	40
27	11	3	4	16	36	27	10	9	8	7	20	41
28	12	13	14	15	35	26	25	24	23	22	21	42
29	30	31	32	33	34	49	48	47	46	45	44	43

The beginning of the Sq of Four   This is the beginning of the Sq of Nine

The Sq of Four is called the even chart and the Sq of Nine is called the odd chart.

There are many different ways to use these charts. One useful way is to set the beginning day of trade at 1 in the center of the square. As the contract trades

out in time, you can see resistance at the completion of each circle in the square. You can often tell which chart (odd or even) a commodity is following by where it ends in time. Use calendar days for this timing. The Excel template available to you has the ability to be configured into either entirely dates, numbers or a combination of both. That means you can set the center to the beginning data and price of the contract and easily see all of the resistance dates and prices all the way out. The center can also be set to a major low or high date of price to see all of the resistance dates and prices.

By the way the Gann Master Excel template has all of the electronic Gann Master Charts on it in electronic form. This means that you can change the center number and have all the numbers change in the entire chart. The following is available on this Gann Master Excel template:

Fibonacci Projector
Time and Price Projector
Square of Nine
Square of Four
Circle of 12
Circle of 18
Circle of 48
Triangle 1
Triangle 2
Octagon
Hexagon
NYSE Permanent Chart
Table of 3
Table of 6
Table of 9
Table of 12
Table of 19
Table of 24
Table of 27
Table of 36
Table of 52
Table of 90

These are in tab form, which means you just click the tab at the bottom of the Excel page to pull up the Gann Master chart.

See below:

\ PROJ / TIME&PRICE / SQ9 / SQ4 / CIR18 / CIR48 / CIR12 / TRI-1 / TRI-2 / OCT / HEX / NYSE PERM \

The following is the Square of Nine taken out to 441.

381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401
380	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	402
379	306	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	326	403
378	305	240	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	258	327	404
377	304	239	182	133	134	135	136	137	138	139	140	141	142	143	144	145	198	259	328	405
376	303	238	181	132	91	92	93	94	95	96	97	98	99	100	101	146	199	260	329	406
375	302	237	180	131	90	57	58	59	60	61	62	63	64	65	102	147	200	261	330	407
374	301	236	179	130	89	56	31	32	33	34	35	36	37	66	103	148	201	262	331	408
373	300	235	178	129	88	55	30	13	14	15	16	17	38	67	104	149	202	263	332	409
372	299	234	177	128	87	54	29	12	3	4	5	18	39	68	105	150	203	264	333	410
371	298	233	176	127	86	53	28	11	2	1	6	19	40	69	106	151	204	265	334	411
370	297	232	175	126	85	52	27	10	9	8	7	20	41	70	107	152	205	266	335	412
369	296	231	174	125	84	51	26	25	24	23	22	21	42	71	108	153	206	267	336	413
368	295	230	173	124	83	50	49	48	47	46	45	44	43	72	109	154	207	268	337	414
367	294	229	172	123	82	81	80	79	78	77	76	75	74	73	110	155	208	269	338	415
366	293	228	171	122	121	120	119	118	117	116	115	114	113	112	111	156	209	270	339	416
365	292	227	170	169	168	167	166	165	164	163	162	161	160	159	158	157	210	271	340	417
364	291	226	225	224	223	222	221	220	219	218	217	216	215	214	213	212	211	272	341	418
363	290	289	288	287	286	285	284	283	282	281	280	279	278	277	276	275	274	273	342	419
362	361	360	359	358	357	356	355	354	353	352	351	350	349	348	347	346	345	344	343	420
441	440	439	438	437	436	435	434	433	432	431	430	429	428	427	426	425	424	423	422	421

If you change the center of the chart for example on this Square of Nine chart to a top or bottom of a move, then you will get an indication of all the projected tops and bottoms in the market based on the fixed and the cardinal square positions on the Square of Nine.

Now I am going to use a chart of Soybeans to explain how to use this chart.

I will first change the center of the Square of Nine to 993 which was the low on the Soybean chart.

1175	1176	1177	1178	1179	1180	1181	1182	1183	1184	1185	1186	1187	1188	1189	1250	1319	1396
1174	1125	1126	1127	1128	1129	1130	1131	1132	1133	1134	1135	1136	1137	1190	1251	1320	1397
1173	1124	1083	1084	1085	1086	1087	1088	1089	1090	1091	1092	1093	1138	1191	1252	1321	1398
1172	1123	1082	1049	1050	1051	1052	1053	1054	1055	1056	1057	1094	1139	1192	1253	1322	1399
1171	1122	1081	1048	1023	1024	1025	1026	1027	1028	1029	1058	1095	1140	1193	1254	1323	1400
1170	1121	1080	1047	1022	1005	1006	1007	1008	1009	1030	1059	1096	1141	1194	1255	1324	1401
1169	1120	1079	1046	1021	1004	995	996	997	1010	1031	1060	1097	1142	1195	1256	1325	1402
1168	1119	1078	1045	1020	1003	994	993	998	1011	1032	1061	1098	1143	1196	1257	1326	1403
1167	1118	1077	1044	1019	1002	1001	1000	999	1012	1033	1062	1099	1144	1197	1258	1327	1404

You will now see that the horizontal and diagonal lines on the Square of Nine which I have drawn from the center of 993, give you resistance and support for the market.

When the market gets through a resistance point, then it becomes a support point. As Gann mentioned, previous tops become support. It works the same way on the Square of Nine. Previous resistance points become support points.

Using excel, you can also change this chart into a time chart and make the bottom the date of the low and you will then see resistance and support on the way up in the form of dates.

There is so much in this chapter and it is very important. You must learn how to use the Square of Nine and Square of Four and when to use them. You also must learn how to use all the other Gann Master charts. You do this by checking historical data.

This chapter (the printed course) explains how to use the Square of Nine, the Circle of 18, the Circle of 24, the Circle of 24, the Circle of 24, the Hexagon Charts. Study them carefully.

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Chapter 13

Forecasting Time

"Time is the most important factor" This is what the master trader Gann said.

One trader once told me that you can not trade a market unless you know
where it is going. W. D. Gann was able to forecast time cycles with amazing accuracy. This chapter tells you how he did most of it. W. D. Gann believed that the future is but a repetition of the past. There are no new things under the sun. By studying the past one can forecast future cycles of the market.

The following are the master cycles of the market. Study them carefully, they are the secret to all markets. The printed course explains these cycles in detail. Study them carefully.

The 120 Year Major Cycle
The 100 Year Major Cycle
The 90 Year Major Cycle
The 80 Year Cycle
The 60 Year Master Cycle
The 49 - 50 Year Cycle
The 40 Year Cycle
The 30 Year Cycle
The 20 Year Cycle
The 15 year Cycle
The 10 Year Cycle
The 8 Year Cycle
The 7 Year Cycle
The 5 Year Cycle
The 2 /12 - 3 1/2 Year Cycle

HARMONICS OF THESE CYCLES

All of these cycles have harmonic years. To fully understand how to get the harmonic cycles you must study the printed version of this course. The harmonic cycles allow you to know where the big cycles are occurring.

The 1 Year and Under Cycle

The cycles under one year are all based on the circle. The cycles inside of the year are the 45, 90, 120, 135, 144, 216, 240, 244, and 270. Study them in the course. The important cycles are explained.

How to Use the Cycles

The most important thing you can do is to watch how the cycles are working. Compare the current cycles with those of the past. Go back to each of the cycle years and compare them to the current ones.

Using Daily Charts for forecasting

Daily price movements give the first change of trend in the markets.

SHIFTS IN CYCLES

There are sometimes shifts in the major cycles several days from anniversary high or low days. This is caused by progression of time.

Beginnings of time periods (changing of trends)
Watch the first and third week of the beginnings of these important times of the year.
See the list in the printed course for other important times.

Yearly - Watch the first and third week of January
Semi-Annual - Watch the first and third week of July
Quarterly - Watch the first and third of week of April and October.

You should also divide the year into divisions and watch the first 5 days of each division for a change of trend.

Comparisons of Years Ending with Same Digit

Go back over the years and overlay all years that end in the same digit.

Reoccurring Cycles

The market normally makes the same amount of moves from it's peaks and troughs.

Ratios

It is also a good idea to use ratios between the following:

Fibonacci ratios work very nicely. These are the ratios that we have

programmed into the Excel spreadsheet that you got with the printed course. See Exhibit 13.4. in the course. This is a picture of the Excel spread sheet module for wave forecasting based on those ratios. By inputting three dates in this spread sheet you can get the top to top or bottom to bottom time calculations. By inputting 2 dates in the spreadsheet you can get bottom to top and top to bottom calculations of timing points. See exhibit 13.4 and 13.5. in the course book.

.382
.500
.618
1.00
1.382
1.500
1.618
2.000
2.382
2.500
2.618

WAVE STRUCTURE
To be able to understand major cycles of the market, it is necessary to use wave structure of the market. Exhibit 13.1 in the course book is the basic Elliott wave pattern which must be understood to do proper cycle analysis.

TIMING BASED ON RATIOS OF WAVE STRUCTURE
Future timing points are based on ratios of prior tops and bottoms in the market. The Excel spread sheet is set up to calculate many of these ratios which will save you a lot of time. These ratios of course will be based on calendar days, not on market days. You will find that you might get away with just using the Excel spread sheet for these calculations because we have found that in many cases they both come up with close to the same dates. Study the various time ratios calculations with the examples in the course book.

USING MINOR TO MAJOR CYCLES
All of these calculations are based on the minor degree of daily chart data. These will give you only minor calculations of important pivot points.

SAME WAVE PATTERN
The program will calculate future timing points based on Fibonacci ratios from these tops and bottom.

PROGRAMMED RATIOS

From the number of days between the 1st, 2nd and 3rd or the 2nd and 3rd, the time sheet calculates ratios forward from the 3rd date. The ratios programmed in are as follows: See Exhibit 13.4 in the course book.

1) .382
2) .500
3) .618
4) 1.00
5) 1.318
6) 1.500
7) 1.618
8) 2.000
9) 2.382
10) 2.50

NUMBER OF DAYS
The Fibonacci ratios have the difference in days beside the date, so you can determine if the number of days is significant.

INTRADAY TIMING POINTS
The time sheet can also be adjusted to project intraday timing points down to the very minute.

USING CIRCLE NUMBERS FROM BEGINNING NUMBERS
The important circle number can also be used to forecast from important tops and bottoms.

HARMONICS OF BEGINNING NUMBERS
The harmonics of the beginning number can be used to forecast. See the course book.
square of 9 and 4 for time projection
We have also programmed into the Excel template the square of 9 and the square of 4 charts. These charts are an electronic marvel! They are 10 times better than any other Gann wheel, because you can change the center number to a beginning number or date for time and price projection. For time that number should be set a beginning date of a contract or of a minor, intermediate or major bottom. See Exhibit 13.6 in the course book.

USING THE CENTER WITH BEGINNING NUMBERS
The square of 4 should be used with a contact with an even number of days and the square of 9 should be used with a contract with an odd number of days. Experiment of with both squares to see which one is hitting the numbers better. For time set the center number to the beginning date of the contract. You will find resistance to advance at the

end of each circle and at the Cardinal and Fixed Cross points.

[SuperTiming](#)

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Chapter 14
Forecasting Price

To be successful in trading you must know where price is going.

Price forecasting is one of the most difficult Gann techniques. In this chapter we will go into the techniques that are available. Many of the techniques are different, but in the end they come out to the same price projection.

Table Charts
One of the easiest ways of forecasting price is to the table chart. We have all the basic number formats programmed into the Excel template. In the Gann Masters printed course. These table charts work with the internal time structure of the market. See Exhibits 11.1, 11.2, 11.3, 11.4, 11.5, 11.6, 11.7, 11.8, 11.9, 11.10 and 11.11 (in the printed Gann Master's Course).

Besides changing the number 1 position of the table chart to a bottom of a contract it can be left at 1. The resulting top, bottom and midpoints of the table chart are natural resistance points. For example using the table chart of 20 which is Gann's NYSE Permanent Table Chart (in the printed Gann Master's Course) every 20 points up is a natural resistance and support point of price. This is the number vibration the NYSE moves in.

Circle Charts
The circle charts programmed into the Excel template have an amazing ability to forecast price. They work in the same way the square table charts do, except that instead of price going up and down, price spirals around a circle. See Exhibits 12.3, 12.4 and 12.5. (in the printed Gann Maser's course).

Hexagon Chart
The hexagon spiral is based on the same principals of the square of nine. The charts start with the number 1 at the center and spirals around. See Exhibit 12.6. (in the printed Gann Maser's course).

Octagon Chart
The Octagon spiral is also based on the same principal of the square of nine. The chart starts with the number 1 at the center and spirals around the higher numbers. The chart has 8 points extending outward instead of the 6 points of the hexagon chart.

TriTable 1 & 2 Charts
The tritable charts 1 and 2 are another form of table chart which can be used to forecast price resistance and support levels. The tritable 1 chart has the number 1 at the bottom - this is the odd chart. The triable chart 2 has the numbers 1 and 2 at the bottom this is the even chart. (See Exhibits 12.12 and 12.13. in the printed Gann Master's Course).

Square of 9
The square of nine has become a very popular chart. It can be used in many different ways to forecast price. See Exhibit 12.1 in the printed Gann Maser's Course).

Beginning Price or Contract Low
The first way this chart can be used is the set the center number 1 at either the beginning price of the contract or a the contact low.

Natural Numbers
The second way to use this chart is to leave the center number as 1 and use the numbers at the end of each circle as natural resistance numbers.

Gann Wheel
The third way to use this chart is to use the 360 degrees and dates around the outside and a plastic overlay (see Exhibit 12.8 in the printed Gann Masters Course) divided into the angles of 90, 120, 144, 180, 214, 240 and 270 degrees.

If rallies stop exactly on 90 degree lines and go back down, the main trend is down. If declines stop exactly on 90 degree lines and go back up the main trend is up.

If you keep the 0 point of the overlay on March 21 and look at the prices the angles of the plastic overlay hit, you will find that sometimes the dates on the outside of the wheel hits the same price that an angle is on at the same time. This is called time aspecting price. This is natural time and price resistance. You always check this particular use of the wheel, as it happens too many times to be coincidence. These are very strong points of support and resistance.

Square of 4
The square of 4 can be used exactly as the square of 9. In all aspects it is identical except that it is an even square instead of an odd square. I

Multiple Price Projections
While the square of 9 and 4 are excellent for giving resistance at the ends of natural circles which represent squares of the center, it is difficult to use these square with very many past lows and highs. One disadvantage also of the square of 9 and 4 is that they are designed for expanding waves and not for contracting waves. Contracting waves are when prices are coming down. Both the square of 9 and 4 are like a shell starting small at the center and getting bigger as prices get higher. To overcome these problems a sheet was designed to give multiple price projections and to allow for both expanding and contracting waves. This sheet also allows for Fibonacci price projections with counts of actual days. This is one of the most valuable sheets in the Excel template. Here is how the sheet works.

It allows for three prices to be placed in the spreadsheet on each row: 1st price, 2nd price and 3rd price. There are 8 rows down so it gives you a potential of 24 points to use for forecasting forward. It is very easy to add rows to this spreadsheet using the copy and paste routine, so you could actually add as many points as you wished. In each of these slots, you place past highs and lows of historical data. We have found it an excellent tool to place all the highs and lows of Elliott wave in this spreadsheet. Try to keep the same degree. For example make up one 8 row for the major degree which is a monthly chart going back 15-30 years. Make up another 8 rows for the intermediate degree which is weekly chart going back for 5 - 10 years. Then you should make up another 8 rows for the minor degree which is a daily chart going back 3 - 5 years. In this module also allows for variable lengths in projections. We have it programmed for the wheel numbers of 45, 90, 120, 144, 180, 216, 240 and 270. These can be changed to other counts. Excel will only do daily price projections, so for weekly and monthly, you will have to change these settings to multiples of the daily counts. For weekly projections you might put in much larger counts for example put in the following 45 x 5 = 225 days, 90 x 5 = 450 days, 120 x 5 = 600 and so on. For monthly counts you would put in 45 x 30 = 1350 days, 90 x 30 = 1800 days, 120 x 30 = 3600 days and so

on.

The counts forward give you important probably future cycle points. The bigger the degree, the more important the cycle is. The biggest advantage of this module is that you can match up several futures dates that are within 3 days of each other. The more match ups you get the more important the cycle is. When you get a major, intermediate and a minor degree to match up to the exact date, you have a very important cycle.

This module can also be used to forecast forward price and time of a bottom or top. You set the 1st price to a major bottom, for example 225 in March 95 Corn. Now set the module to forecast forward the following: 225 hours, 225 days, 225 weeks, 225 months. Therefore you would set it to the following days: 225/24 = 9.375, 225 x 1 = 225, 225 x 5 = 1125, 225 x 30 = 6750 days. When the points in time are reached check the price and if it is a multiple, harmonic or Fibonacci ratio of the bottom price, then it is a significant point. If the difference from that price and the bottom is a Gann circle number, then it is significant.

FIBONACCI PRICE FORECASTING

This module also has an important function of forecasting Fibonacci price points. This is how it works. If you want to forecast out the Fibonacci ratio in price of an A, B, C wave you would put in A as the 1st price, B as the 2nd price and C as the 3rd price. From the 3rd price the module will forecast forward a predetermine ratio of the C and (B - A). The Fibonacci ratios are .382, .500. .618, 1.000, 1.382, 1.5000, 1.618, 2.000, 2.382, 2.50 and 2.618. The module will also give you the difference in price between (B - A) and C. If it is a perfect circle number for example 45, 90. 120, 144 etc., then it price has more validity. If you make the 1st price equal to the 2nd price then you would be getting ratios between only the 2nd and 3rd prices. You would also be getting the difference in price between them. The more cluster of prices that match up in the 3 price projections the more it is a confirmation of an important future pivot point. These Fibonacci ratio numbers are variable, so you can change them to specialized numbers. (See Exhibit 14.1 and 14.2 in the printed Gann Masters Course).

PATTERN

One of the secrets of price forecasting is pattern formation. Knowing where you are in the pattern formation. The secret is that virtually all markets continually form the same price patterns If you know where you are in this pattern formation then you know everything you need to know to make big money in the markets. (See Exhibit 14.6 in the printed Gann Masters Course).

The square of 9 and 4 chart can also help you get an idea of the end of every wave. (See Exhibit 12.1 and 12.2 in the printed Gann Masters Course)

ABC Fibonacci Price Projecting

If you want to know how strong the market is and where a wave is going and where to take profits use the ABC ratio method. We have set up such a module in the Excel spread sheet for this purpose. (See Exhibit 14.3 in the printed Gann Master Course)

PROJECTING FROM SEVERAL SINGLE POINTS

One of the best methods of forecasting is to forecast time from a set of single points such as highs and lows. The Excel spread sheet can be used for this also. See Exhibit 14.5. TIMING FROM DOUBLE OR TRIPLE POINTS in the printed Gann Masters Course).

USING THE MASTER OVERLAYS

The master overlays should be used to forecast price based on market days. You should create the following overlays on clear plastic in the scale of your charts. 45, 52, 72, 90,

120, 144, 216, 240, 270, and 360. They should be used in two different ways. One is to place them on highs and low. This is using it the variable way. From every top or bottom the market will move 45, 52, 72, 90, 120, 144, 216, 240, 270 and 360 points.

The squares can also be used the fixed way in that on every major bottom you could place the square at 0 point and project upward for price projections.

The market will usually work in one of the natural squares of 45, 52, 90, 120, 144, 216, 240, 270 and 360. You must experiment to see which square it is working it.

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Chapter 15

EXCEL SPREAD SHEET

A necessity for time and price analysis

The Excel Spreadsheet is an excellent piece of software, necessary for the forecasting of both time and price using Gann analysis. This chapter explains how to use the program and the template that we have included in this course. Exhibit 15.1 is the picture of the Excel spread sheet that you get on your screen.

INSTALLING THE PROGRAM
It is necessary that you have at least a 486 IBM compatible computer with at least 4 MB of RAM and at least a 200 MB hard disk drive to use this program. You also need Microsoft Windows 3.0 or higher. It is suggested that the video card you use should be accelerated for windows programs with a resolution of at least 1024 x 768. It is also suggested that you use a 17" - 21" flat screen computer monitor with horizontal and vertical controls.

To install the program just insert the number 1 program disk into your disk drive. From the windows run menu access drive a and run setup. Follow the instructions and it will lead you through the setup of 5 installation disks.

When installation is complete you are now ready to install the Gann template into the program. Insert the Gann template disk in drive a. Pull up the Excel file menu. On it you will see 1 A:\GANN.XLS. Click this with the mouse and it will load the template into the Excel spreadsheet. Exhibit 15.1 will appear on your screen.

The Excel spread sheet is multi-tasking capable. That means you can run your windows chart program such as SuperCharts, TradeStation, or MetaStock or any other program and the Excel spread sheet at the same time. To switch between the two programs you just press CTRL and ESC at the same time. This takes you to a task list. From this you will see Excel and SuperCharts or any other program.. You can switch between the programs with the click of the mouse. This allows you to use both programs at the same time which is desirable for Multi-tasking runs quicker if you have at least 64 MB of RAM in your computer.

The spread sheet is graphically intensive. That is what makes it such a nice program for Gann time and price analysis. At the bottom of the screen, you can see OCT, HEX, NYSE PERM, TBL3, TBL 6, TBL 9, TBL12, TBL19, TBL20, TBL24, TBL27. These are the sheets that are programmed into the template. You can scroll back and forth as there are even more sheets programmed than you can't see. In addition to those in view, there are the TBL36, TBL 52, TBL 43,

TBL 67, TBL 90, PRICE PROJ, TIME PROJ, OVERLAYS, SQ9, SQ4, FIB PROJ, CIR18, CIR24, CIR12, TRI-1 AND TRI-2 charts. You can instantly bring up any of the charts with a click of the mouse.

Table chart base cell number 1
All of the table charts have a base of 1 which can be changed to any number. All other cells in the spread sheet have a formula in their squares which changes automatically when you change the number 1 cell. The number 1 cell can be changed to the contract beginning price or a low contact price. All the other cells then increase by a factor of 1.

PROJECTION CHARTS WHITE SQUARES
The three projection charts which includes the PRICE PROJ, TIME PROJ AND FIB PROJ have programmed cells which should not be disturbed. The colored cells are programmed and the white cells are the only ones you can input numbers into.

Below is a copy of the Circle of 18 on the Excel Template.

```
                                              ##
                          ##              183                      ##
                      ##      190         153              188   ##
                  ##      191    154      117          152  187  ##
              ##      192    155    118    81       116  151  186  221
          ##      193    156   119   82    45    80  115  150  185  ##
      231    194    157   120   83   46    9  44  79  114  149  184  219
  ##    195    158   121   84   47  10   8  43  78  113  148  183  218
##    196   159   122   85   48  11       7  42  77  112  147  182  217
  197   160   123   86   49  12          6  41  76  111  146  181
    161   124   87   50   13             5  40  75  110  145
      125   88   51   14                4  39  74  109
        89   52   15                     3  38  73
          53   16                      2  37
            17                        1
## 198 162 126 90 54 18             36  72 108 144 180 216 ##
              19                      35
            55   20                    34  71
          91   56   21               33  70  107
        127   92   57   22          32  69  106  143
      163   128   93   58   23      31  68  105  142  179
    199   164   129   94   59   24   30  67  104  141  178  215
  ##    ##    165   130   95   60   25   29  66  103  140  177  214  251
    ##    201   166   131   96   61   26   28  65  102  139  176  213  ##
      ##    ##    167   132   97   62   27   64  101  138  175  212  ##
        ##    ##    168   133   98   63      100  137  174  211  ##
          ##    ##    169   134   99       136  173  210  ##
            ##    ##    170   135        172  ##  ##
              241   ##    171          ##  ##
                ##                    ##
                                    ##
CIRCLE OF 18
```

Study this chapter very carefully in your course book. If you have any questions

just e-mail us at gannmasters@tradersworld.com

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2508 W. Grayrock St.
Springfield, MO 65810
publisher@tradersworld.com
417-882-9697
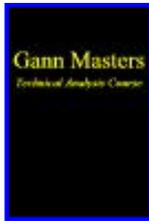
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Chapter 16

% swing charts

Swings charts tell you the direction of the market.

One of Gann's favorite tools was his swing charts. The rules for trading his
swing charts are very simple. You can use swing charts to give you the trend of the market in the different degrees such as daily, weekly and monthly.

Gann's trend line indicator was a 1 day swing chart. In a rising market he keep moving his trend line up until the low of the prior day was broken. When that point was broken, he moved his trend line down until the high of the prior day was broken. The principal of his 3 day swing chart is the same. Keep moving the trend line up on a rising market until the low of the last 3 days is broken. When that low is broken move the trend line down until the high of the last three days is broken.

Gann used the 3 day swing chart to tell the main trend of the market and the 1 day swing chart for the short term. The two can be combined to make a good trading system, in that when the 3 day swing chart goes long use the 1 day swing chart to enter the market.

Swing charts can also be based on price instead of time. When the low of the prior day is broken by say 2 cents in corn the trend line turns down. The trend line stays down until the market reverses up over the prior days high by 2 cents.

To increase the effectiveness of swing charts you can also use both time and price in the formula.

Swing charts are effective for seeing a change of price trend both on the short term and the main trend.

Swing charts should be watched very carefully with the concept of overbalancing prior time and price points.

Time and price swing charts have many problems. They often give bad signals to the trader. Using past historical data our research has found that using price correction is not as effective as time calculation. Time, as Gann said is the most important factor.

Percentage retracements of the last swing has proven to be more effective than price retracements.

Another way to check the market's strength is to do a check of the markets price and time swings in the direction of the main trend of the market.

To check the strength of the market's strength, you can also figure the market's percentage swing of the last two moves.

Many times when a swing chart is broken, it also gives another indication of a change of trend, such as a reversal day. This was one of Gann's favorite signals. There are three basic reversal days: A gap up and reverse day, a hook reversal and a key reversal.

So you can monitor both retracements and advances for their swing properties we have programmed a spread sheet module for this purpose. (See Exhibit 16.1 in the printed GannMasters Course.

With this spread sheet template you can put in the high and low of swings as the market is moving up.

When the market advances to a new high, the spread sheet will calculate the points move and the percentage of the move. This gives you an indication of the strength of the market. From this you can tell the strength of the market. This tells you that momentum is increasing or declining.

A swing chart can be set up based on the information coming from our spread sheet module. For example, if the price breaks under the prior 3 day low by 2 cents, if the market exceeds a 3 day reaction, if the market reacts more than 20% of the last move up, then start moving the trend line down.

This spread sheet can also be used effectively to spot when there is an overbalance of time, price and percent. When all three confirm an overbalance of time, price and percentage there is a major change of direction.

CHAPTER 17

Gaps

Gaps help to tell the future of market activity.

Gaps are the result of activity which causes prices to jump beyond the past days activity (the high or low of the last day) leaving an open gap. The open gap is usually caused by big buy or sell orders that result from a prior days government report on the market. It could also be caused by other factors such as overnight news from the overseas markets, weather reports and so on. Gaps were one of Gann's most important tools for reading the market.

Most gaps are ordinary in that they have no particular significance. They usually occur in the regular trading range of the market and are usually closed within a brief period of time.

Breakaway gaps are the gaps that breakout from a sideways trading range. These gaps are never filled and usually result in a fast move in the main trend of the market.

Measuring gaps usually occur in an accelerated trend of the market. The market is usually moving up or down with high volume. When these gaps occur, the market is very powerful and reactions against the main trend are almost nil. These gaps often occur in the fast third or fifth waves of the market. They many times become support or resistance areas. Most of the time these gaps can measure where the market is going. They are usually midway gaps. See Exhibit 17.1 in the printed course.

Exhaustion gaps usually occur in the last stage of a fast moving market.

Gaps are important to the experienced trader who can match them to the pattern of the market.

As you can see gaps can be very revealing as to where the market is

going.

Chapter 18

Tops and Bottoms

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Tops and bottoms of the market can be defined.

One of Gann's most important rules was to sell double and triple tops with a stop above the market and buy double bottoms and triple tops with a stop below the market.

The bigger the amount of time involved in the double or triple top, the more important the resultant move will be.

In our research we have found that double and triple bottoms are more common than double or triple tops.

With a double or triple bottom, rising bottoms are stronger than just flat bottoms. With rising bottoms, the market is showing that there is not enough weakness for the second or third bottom to get down to the bottom. Therefore the market is much stronger.

Buying the breakouts of a double or triple tops or selling breakdowns of double and triple bottoms is usually a very safe play as you are going with the direction and momentum of the market.

There is a method that works very well with Gann double and triple tops and bottoms. The method uses a displaced moving average. This method actually defines a double or triple top or bottom. In Exhibit 18.1 (in the course book)we show an example of December Cotton using a very tight 2 day moving average, the solid line, displaced to the right 2 days. The closing price line is dotted. In Exhibit 18.2 (in the course book) there is a blowup of the top of the market. It shows that the market made three tops at 1, 3, 5. Each time before it made the tops it had closed under the displaced moving average. Finally at point 6 the market closed under the low at 2. This broke the market down. This chart produced incredible profit in a very short period of time.

It's necessary to do back testing of prior tops and bottoms of the same commodity or stock to get the best working combination of moving average and displacement unit. What works in the past with a market, will usually work with a present market.

When the market makes a fourth attempt that results in a failure it will usually result to a fast move the other direction. Watch the fourth attempt closely.

Know where you are in the pattern of the market.

If a breakout occurs from a double or triple bottom, it is important that any reactions must not be over three weeks.

If the market makes three tops and then breaks down and then makes a fourth and fifth attempt which are lower lows, then the market is very weak and should break sharply.

This displaced moving average method of defining double and triple tops and bottoms gets you in the market safer than if you took your trade at the exact double or triple tops or bottoms.

Chapter 19

Volume & Open Interest

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Volume and open interest is what drives the market.

Gann felt that volume and open interest was very important to indicate market direction. This chapter will explain how to use these tools for indications of direction of trend.

Volume is what drives the market. This indicates if there is increasing demand for the supply in the market.

Volume is the number of contracts that traded during the day.

If volume does not increase or decrease then speculators feel the market will remain steady. Volume usually remains steady in consolidation areas, usually at low price levels.

If price moves out of a consolidation area with increased volume, then there is a good chance that the price move will be the beginning of a good move.

If prices start to fall out of a consolidation area with increase volume it is significant.

If when price falls the volume starts to fall, then the market may be ready for a turn back up.

If the volume increases when price falls back to a base, it means that traders are buying it as they think it is a bargain. If volume increase when prices run up to a resistance area, it means traders are unloading it thinking price is too high.

Volume also increases when the market runs into stops. The floor traders often times run the market into these areas when they can. If

the market has run up into stops and does not continue, then these is a good chance prices will fall back as it just got the weak shorts who had to put in close stops.

For a big trend to continue, the volume must continue to rise. Watch the volume closely as it will give you the clue to the market direction. Without increasing volume, prices will not continue to increase.

After a long advance in prices many times the volume increases dramatically because small speculators are jumping into the market near the top thinking that prices will continue up forever.

After a long decline in the market many times volume will dramatically increase because the public who have been long the market and loosing lots of money are finally giving up and throwing in the towel.

When prices break out of a consolidation area and make their first advance and then decline, if the volume runs up and then declines it is bullish.

When prices break down out of a consolidation area and makes their first decline and then makes the first correction back up,if it decline is on heavy volume and the retracement back up is on declining volume then this is a good indication for a good move down.

Open interest is when there is a new buyer of a contract and a new seller.

When prices increase with rising volume and open interest increases this is a further indication that the market will rise. Having all three rise is very bullish.

If prices are rising, with rising volume and decreasing open interest, then it is a good indication that there is short covering in the market.

If prices are stable and open interest is rising there is a good indication that positions are being accumulated.

If prices are stable and open interest is stable, there is no indication of any change of trend. Look for the market to break out of a consolidation range with rising open interest and volume to change this stable condition of the market.

If prices are stable and open interest is falling then there is a good

indication that the market is loosing interest and the public is going elsewhere.

Chapter 20
Gann Channels

Did you know that Gann, probably the greatest trader of all time used geometric angles on important tops and bottoms to indicate the true trend of the market. The angles were then paralleled to make the important Gann channels.

What were the angles he used to do this?

The were the 1x8, 1x4, 1x3, 1x2, 3x4, 2/3, 1x1, 4x3, 3x2, 2x1, 3x1, 4x1 and 8x1.

Also please note that a 45 degree angle is different than a 1x1 angle. See the next issue of Traders World coming in 4 weeks from now. There is a complete article about this.

In Exhibit 20.1 and 20.2 in the printed Gann Master Course you can see how these angles are used. These angles actually determine all important tops and bottoms. These angles do another thing. They divide time and price into proportionate parts.

How far should you draw a Gann angle. The distance should be based on where the angle is drawn from. For example, at a bottom of 72, the market will move up 72 hours, days, weeks or months. Look carefully at these angles. They tell you the trend of the market.

The angles should be drawn off of the 0 point - 1 square up at a time. This allows you to accurately square time and price on the chart.

You can use a fast MACD and a slow stochastic on your charts to determine where to buy the bottom against these angles and

parallels. In most cases the MACD will get above the center point, putting the market in a strong position and the stochastic will drop down to the 20% line and give a double bottom with divergence.

Chapter 21

Types of Orders

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The method of entering of the market can affect your profits.

You need to have a consistent plan for entering and exiting the market. There are different types of orders for entering the market. The orders you place will be designed for two purposes. One to enter into a new position and to exit or stop out of your current position with a stop loss. The following are the types of orders you can use:

Market Order
When you use this type of order, you want the floor broker to fill your order immediately without any delay in time. I

OR BETTER ORDERS
With this type of order, you want the floor broker to fill you at the price you put on the order or even better than you put.

MARKET- IF -TOUCHED ORDERS
A market-if-touched sell order is placed below the indicated price on the order. If and when prices go up and hit that price, it is filled at the market.

MARKET-ON-CLOSE
This type of order is used if you want out at the market in the last closing minutes of the day. Your order becomes a market order and fills at any price at the close of the day.

ONE-CANCELS-THE-OTHER
With this type of order you can put an order in at a certain price and another order in a price. If one of the orders is filled the other order is cancelled.

STOPS
Gann constantly said, always put a protective stop loss in the market as

the market could turn against you anytime. Forecasting the market is all probabilities and therefore you need protection, just in case the market doesn't cooperate with you. This protection is necessary to preserve your capital. Gann felt that the stop should be placed as soon as your entered your buy order.

Time Stops
Many traders use a time stop. The exchanges won't accept them, but they can save a lot of money. With this type of stop, if the market does not give you a profit within a certain time period, for example 3 days, you simply exit the position.