

Indian Astrology

By Barry Rosen

If one stores up gold and silver when the Sun enters Simha (Leo) and sells them in the fifth month, he will get profit."-Brihat Samkita (Ancient Indian text). Futures trading and financial astrology are much older than one might imagine. Over 5000 years ago, ancient Indian texts explained in great detail how to forecast and make a profit on metals, sugar and grains. Some of these seemingly simple principles still have a profound degree of usefulness today and form the historical roots of Western financial astrology. A close examination of the Indian system of astrology reveals that it has predictive power above and beyond that of Western astrology. W.D. Gann obviously realized its value since he went to India and studied it.

In the November/December issue of the G&EW, Norman Winski pointed out that Gann collaborated with an astrologer between 1930 and 1940 and used astrology to forecast prices. In actuality, the famous Gann wheel was first used by tea merchants in seventeenth century India. My own research into Indian astrology and its application to the financial and commodity markets has allowed me to more easily understand and apply many of Gann's challenging concepts. More fundamentally, both Gann and the ancient astrological sages of India apparently discovered and made use of the same fundamental laws of nature governing the cosmos. In the paragraphs that follow, the fundamental differences between Indian astrology and Western astrology will be examined, and the usefulness of the Indian system for predicting the markets will be explained.

The Western Zodiac and the Indian Zodiac

The first major difference between the two systems lies in the calculation of the longitude of the planets. Ancient Indian astrologers observed that the equinoxes and solstices moved backward by one degree every 72 years, an astronomical phenomenon now known as precession. Over time this has resulted in a difference of slightly over 23 degrees between the tropical zodiac, used by Western astrologers, and the sidereal zodiac, used by Indian astrologers. In essence, the two Systems differ in their choice of a zero point for Aries -- the Western system uses the position of the spring equinox, while the Indian system uses a fixed star.

Thus when the sun is moving into Aries according to the Western system, it is still at seven degrees Pisces in the Indian system. Practitioners of both Indian and Western astrology recognize that each system- has its own validity, since both work. My personal preference for the value of the Indian system will become clearer below.

The Nakshatra Chart: Gaining a Microscopic Perspective

The Indian system subdivides each sign into nine sections of three degrees and 20 minutes; each of these subdivisions corresponds to a sign of the zodiac. For example, the first three degrees, 20' of Leo is the Aries subdivision, followed by the Taurus subdivision [1]. In watching daily market strengths for over 18 months, I have observed that on days when a planet enters certain critical subdivisions, it will exert more strength or weakness depending on the financial context.

So when Venus, the planet with the most impact on sugar and wheat prices, enters the

Taurus subdivision of a sign, one is more likely to see sharper rises in prices if the trend and context are ripe. And when Mercury, which influences U.S. stock shares is in the Virgo subdivision, then one will see stronger bullish moves in stock prices if the context is also strong. Thus the Indian system can fine tune calls by providing more detailed daily information on planetary strengths.

The Nakshatra System of Twenty-Seven Constellations

The original Indian astrological system uses 27 constellations or nakshatras in addition to the twelve signs. The Indian constellation Mrigashira, for example, in the sign of Gemini is actually the familiar constellation Orion. According to Indian astrology each of these constellations has its own unique characteristics, much like a sign of the zodiac. Knowledge of these nakshatras can yield unique information on planetary transits and strengths.

Using this system and the ancient texts, I predicted the 1988 summer drought in my April financial bulletin, due to the preponderance of critical planets in what are known as "waterless" nakshatras. Specifically, Saturn was in the constellation of Scorpii and Mars and the north node of the Moon were in the constellation of Beta Pegasi.

Planetary Periods: Beyond Transits and Progressions

According to Indian astrology, certain periods of time are governed by certain planets. These planetary periods, or mahadasas, occur in a specific sequence and last for a specific length of time. However, the starting point of the sequence is unique to the particular chart being analyzed, and depends on the nakshatra that the Moon occupies in the chart.

Based on the chart of the New York Stock Exchange (established in 1792), I determined that the stock market entered a sixteen year Jupiter period in August, 1982. This coincided with the start of the bull market. In general then, according to this system the market will continue to expand until 1998, since Jupiter is a "bullish" planet. Rises and falls within the current Jupiter mahadasa are explained by sub-periods, or antardasas. These sub-periods can either amplify or diminish the strength of the major period.

For those technicians interested in explaining alternative Elliott Wave counts, the Indian system of planetary cycles offers a means of gauging the quality of the waves, timing them, and understanding when a wave count is complete because a new cycle has started.

Indian dashas are a unique type of cycle that cannot be compared with Gann cycles. The concept of Indian time is that of a spiral, and sections within Indian cycles behave in a Fibonacci-like manner.

Indian Aspects: Angular Relationships Between Planets

Indian astrology, like Western astrology, includes aspects, the angular relationships between planets. The Indian and Western systems differ, however, since in Indian astrology each planet aspects other planets in a unique way. When Jupiter, for example, forms 120 or 240 degree aspects (trines) with another planet, the effect is strong, but if the aspect is 90 or 210 degree aspects, while trines involving Mars are relatively weak. Saturn's strongest aspects are 60 and 270 degrees. Conjunctions (0 degrees) and oppositions (180 degrees) are strong for all planets.

These concepts were illustrated on October 28, 1988 when Mars formed a 270 degree aspect to Saturn and Uranus. Many prognosticators expected a significant market effect due to the Western square, but the effect turned out to be negligible. Indian astrology explains this

non-event since squares involving Mars are only strong when they are counter-clockwise (a 90 degree aspect); clockwise squares involving Mars (a 270 degree aspect) are very weak. And the Saturn aspect was actually a 90 degree aspect rather than a 270 degree one, which again according to Indian astrology is considered weak. Upon discovering the ancient Indian text quoted at the beginning of this article, the expression, "there's nothing new under the sun" came to mind. I felt that the most fundamental laws of nature governing commodities are actually the same laws that govern both the movements of the solar system and the depths of human psychology.

Anyone attempting to uncover the mysterious laws of nature that underlie the commodity markets will be rewarded and intrigued by the depths of Indian astrology. The study of Indian astrology leads not only to knowledge of economic laws, but ultimately to knowledge of the self.

On a more practical level, while no astrological system should be used 100 percent to time market entries and exits, a combination of astrological and technical signals can certainly stack the odds in your favor. Those interested in learning more about Indian astrology can contact me at the below address for bibliographical information.

Barry Rosen has been studying Indian astrology for the past three years. He currently holds two masters degrees and is a Ph.D. candidate at Indiana University. Rosen is presently teaching a seminar on financial astrology and consulting. His newsletter, Investor's Fortucast, which focuses on stock and commodities, began in August 1987. He recently began a newsletter for the oil industry, the Petro Star. Sample copies are available upon request. Invertor's Fortucast, 501 West Jefferson, Fairfield, IA 52556, (515)472-6866.

An A.J. Frost Follow-up

By Jeff Walker

While Robert Prechter was grabbing headlines for "Dow 3686" and posing with miniskirted models in People Magazine three and-a-half months before the debacle of 1987, Jack Frost was quietly sitting on what may yet turn out to be one of the great forecasts in stock market history. On September 21, 1985, with early September". Frost was not rattled by the subsequent drop that corrected 60 percent of the third wave advance from 1984. After all, he had foreseen a 50 percent drop that would have taken the Dow down to within 62 points of the October 19 close.

After the crash he predicted that the next sell-off on the Dow would hold above that October close, which it did in early December, and that the Dow would yet record that when it came to calling the '80's bull market, the celebrated Robert Prechter was not playing in the same league as his senior co-author A.J. Frost, who wrote the first draft of the Elliott Wave Principle.

With an accuracy that is almost obscene, Frost also told the Canadian analysts back in September 1985 to expect a complete collapse in oil prices in 1986, to \$16 from almost double that figure. The average price in 1986 did turn out to be about \$16 and oil prices have oscillated around that number ever since. Why the collapse? Because, "Any extraordinary margin of profit is a golden bone that the ravenous dogs of competition will pounce on," not exactly your standard Elliott wave explanation. At the same meeting, by the way, Frost called for the Toronto Stock Exchange to surpass 4,000 in 1987. It hit 4,100 in 1987.

For those trying to make sense of the Dow 1090 to 2722 rise, A.J. Frost counts nine waves with peaks in July 1985, May 1986, April 1987, June 1987 and August 1987 - corresponding to waves one, three, five, seven and nine respectively. He views Dow 2704 (52 squared) as the "orthodox top", with the B-wave of an irregular correction providing the August 25 high. Frost is more interested in slopes than in waves, and he notes five distinct ever-more vertical slopes underlying the above impulse waves, all bounded by an exponential curve extending from the summer of 1984 low.

A possible Frostian wave count from the B wave peak of 2722 is a C-wave way out of proportion to the preceding A- wave, with its unusual internal fourth wave followed by a fifth wave downside failure. More precisely, wave C's wave one ends at Dow 2515; Wave two rebounds in irregular fashion to 2640 on then rise in the fifth wave of a still intact 1980's bull market to over 3,000.

This prospect appears a lot less farfetched now that the Dow and many other indexes have surpassed their .382, .5 and .618 crash-retracement levels, with some going beyond the 2/3 mark or even to new all-time highs. History may the Dow around the 1300 mark, Frost told a meeting of Canadian technical analysts that the Dow would double to 2600, crash to 1,800, and then double again to 3,600. Months before the melt down, he recast his Dow prediction in terms of time. He advised the same group to, "Step aside in late August or October 2; Nightmare wave three finally ends at 1747 December 4 (not penetrating the October 9 low of 1738, as a fifth wave downside failure within wave three); Wave four is an A,B,C with a diagonal triangle in the A wave position (a formation added to the 1985 edition of Frost & Prechter's Elliott Wave Principle on page 48) ending in April '88, and its C wave ending in July 1988. The fifth of this

C wave from Dow 2722 is a spectacular failure stopping 237 points short of the bottom of its third, which had also been a failure.

Frost's big fifth wave of the 1980's bull market began in late August 1988, a year after its third-wave peak. It then corrected severely into mid-November 1988, making a wave one and two internally. It took off again into February 1989 in a wave three, and pulled back into late March in a wave four (or was this was another one and two?). The recent wave up into the high 2300's can be interpreted in a number of ways. Frost expects the Dow to top out near 3250 (57 squared) by the spring of 1990.

Most of Frost's preconditions for a top were dealt with in the last issue of G&EW. An additional one concerns the Tokyo market. Frost believes the Nikkei Dow is in the middle of its bull market, not at the tail end. He doesn't see much danger of the U.S. Dow falling out of bed until it's pushed by panicked Japanese investors repatriating assets to cope with a collapsing Nikkei Dow.

In the gold department, Jack Frost's wave count leads to a forecast dramatically different from Robert Prechter's. Prechter regards the \$850+ top in early 1980 as the top in a five wave structure from the mid-sixties. This analysis makes it very difficult to label what has come after as a completed correction. So, Prechter goes with the highest probability scenario implied by his preferred wave count and that scenario is bearish. Frost; though, counts Prechter's B-wave in late 1980 as a fifth wave failure in a five-wave structure rising from 1970. This way, the corrective action between late 1980 and early 1985 could be counted as a completed A,B,C - and subsequent action could be abetted as waves one and two of a new five wave bull market, with wave two just completed. Frost would expect quite a strong move on the upside now, where as Prechter expects only bear market rallies along a slippery. slope to much lower gold prices.

Another contrast between Frost and Prechter is their degree of adherence to Elliott rules. Frost subscribes to Elliott only as a principle, not as a theory: If a market moves higher in five-wave patterns and lower in three-wave patterns, you know you're in a bull market. Switch 'higher' and 'lower' in the preceding sentence and you're in a bear market. Frost will allow exceptions to the rule that the third of five impulse waves cannot be the shortest and the rule that the waves one and four cannot overlap except in diagonal triangles. He doesn't have much use for Elliott's triangles, finding them overly handy in rationalizing erroneous wave counts. He doesn't even have a lot of use for dear old Mr. Fibonnaci. For Prechter's cycles and contrarian indicators he sees no use at all, except perhaps as filler for an otherwise brief newsletter. As for the Kondratieff wave, he would invoke it only as a minor prop for a forecast determined by more important factors. So far in the post-crash recovery we have seen the Dow industrials lagging behind a number of other indexes. According to A.J.Frost, the Dow will be outperforming the rest during the last stage of its fifth wave ascent. Current under performance simply means that we have a long ways to go on the upside.

On a personal note, Jack Frost is more impressed by the aging bull market than he is by the aging human body. Clearly fed up with the physical limitations imposed by octogenarian status, he advised me, "Jeff, don't ever live to be 81." May this period be only a correction in Jack Frost's life, and may it be followed by the same kind of 80's revival he correctly forecasted for the stock market.

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Gann's Annual Forecasts Part Three

By Chuck Carpino

Gann's general forecast in 1920 was for two bull and two bear campaigns. The first bull swing was to culminate around April 22-24 with the bearish reaction ending in mid-June. Another bull rally was to be born in this decline and the ensuing uptrend was to have lasted until August. Gann warned about the last four months of 1920 having serious declines, ending in a panic around December 20.

When I first looked at the year's actual prices and compared them to his forecast, I thought that Gann was wrong in his general trend prediction. At a superficial glance, it appears that 1920 was simply a bear year. To give me a better perspective, I drew in the swings he predicted on a monthly chart of the actual prices. (see figure 1) The forecast still didn't look all that great even with his swings drawn on the actual data. I had to look further into the predicted monthly trends to see what he saw. The two supposedly most bullish months of 1920 and the most critical to his forecast were April and August. Neither month met his bullish expectations. However, if you could visualize a much stronger April and August in figure 1, it becomes clearer how right he was in calling for two bull and two bear swings that year.

According to the Decennial cycle, years ending in zero have not been the kindest to bullish investors. In this example, the general weakness of the year has muted the rally effort of April and August. Let's analyze Gann's forecast further by comparing the transportation index of 1920 to his projected curve of the market. (see figure 2) As you can see, the railroads were much stronger than the Dow in 1920 and they followed Gann's prediction much more closely than the industrials. Gann's prediction was accurately fulfilled, we just had to delve deeper into it to see what he saw.

As in my previous articles, I'll review only the months where Gann gave a specific monthly trend with the dates for the important highs and lows. I think it is important for you to note that he did not offer a trend every month in his forecasts.

For February, he predicted quite a bearish period. The actual lows occurred on February 25. Thereafter, he said a bullish trend would last until April 22-24. Gann stated that there would be some sensational advances in April. In retrospect, the market topped between the eighth and the seventeenth and moved lower the balance of the month. Why? Gann said that occasionally interest rates or commodity prices would cause his stock curve to deviate from its intended path. This occurred in April of 1920. The worst bond price decline of the year took place in April as prices dropped from 77.32 to 73.75. Like then, as it is now, stocks can not sustain a full bullish advance when bonds are getting murdered.

The bond curve and actual bond prices will almost always duplicate the projected stock curve and the dates of highs and lows in bonds will mostly match those in stocks. In the forecast section of this article you will see how both bonds and stocks are due to bottom together at the end of May. In figure 3, I have overlayed bond prices with the Dow Jones

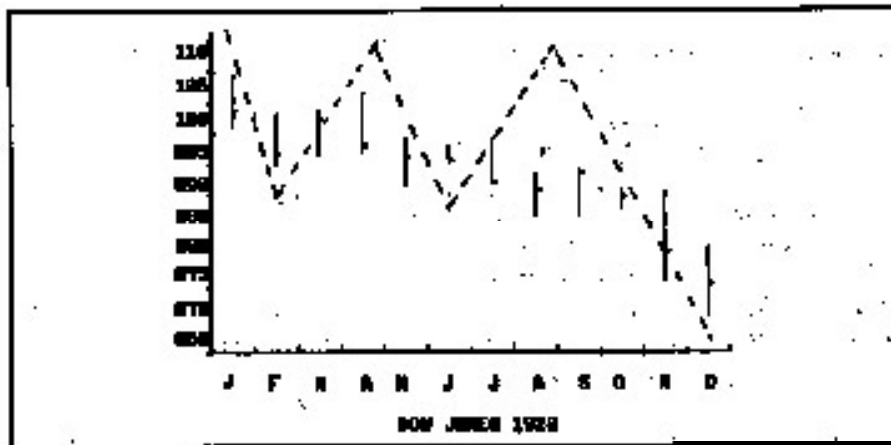


Figure 1

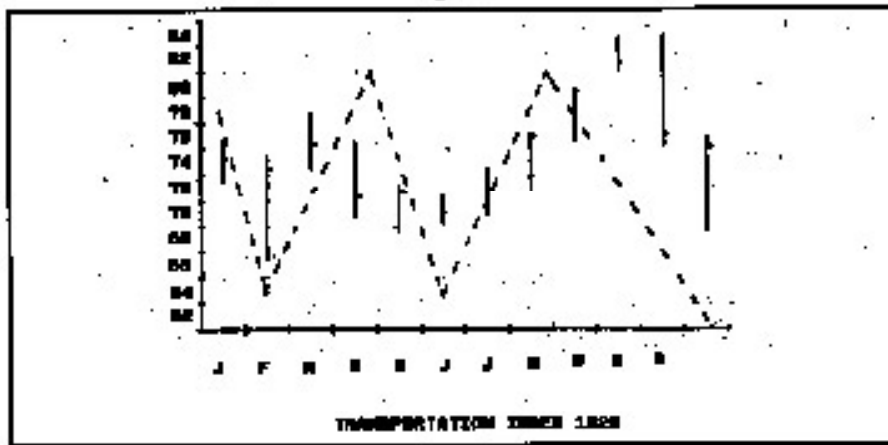


Figure 2

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prices on the same dates so that you can see the clear similarities. Other commodity prices will also change trend on the dates of changes in trend in the stock market. Compare charts of the Dow, cotton, grains, coffee and sugar to see if reversals in trend are occurring on the same dates in unrelated markets.

Gann thought that June would fall in a cycle of very depressing influences. He said a rapid decline should occur 7-16, where a bottom should be made. I assume that what he meant was a drop from the seventh to the sixteenth. My curve indicated a top 6-4 to 6-9 and a low to occur 6-16 to 6-23. The actual top was on 6-12 at 93.20 and the market dropped until 6-22 at the price of 90. 13.

You can see how closely this prediction worked out. I can't understand why Gann almost always used a bracket of dates when predicting a top or a bottom. My experience proves that there is an exact theoretical date within the bracket at which the top or low should occur. It might be off a day or so but certainly not a week. Sometimes these dates fall on a weekend so you have to watch Friday as well as Monday for the turn.

Another cause of a slight deviation is the release of an important government report which might cause the change in trend to occur a day early. An example of this was the PPI report issued before the market opened on March 17, 1989. The exact date for a predicted top was the eighteenth, a Saturday. The fact that the report would be critical to the market and that it would be released before the opening on the 17 meant that the top would occur on the 16, or a day early. Knowing that the curve was down until March 26 told me before the release of the

report that it would not be favorably received.

When a solid trend is indicated by the stock curve, it is possible to anticipate whether a government report will affect the market positively or negatively (depending on which direction the curve is going). This knowledge is of a great benefit because it allows the trader to hold a position which he normally might liquidate.

The reader might also be interested in knowing all discount and prime rate hikes occur on Time Factor cycle dates. My forecast in the last issue of this magazine gave February

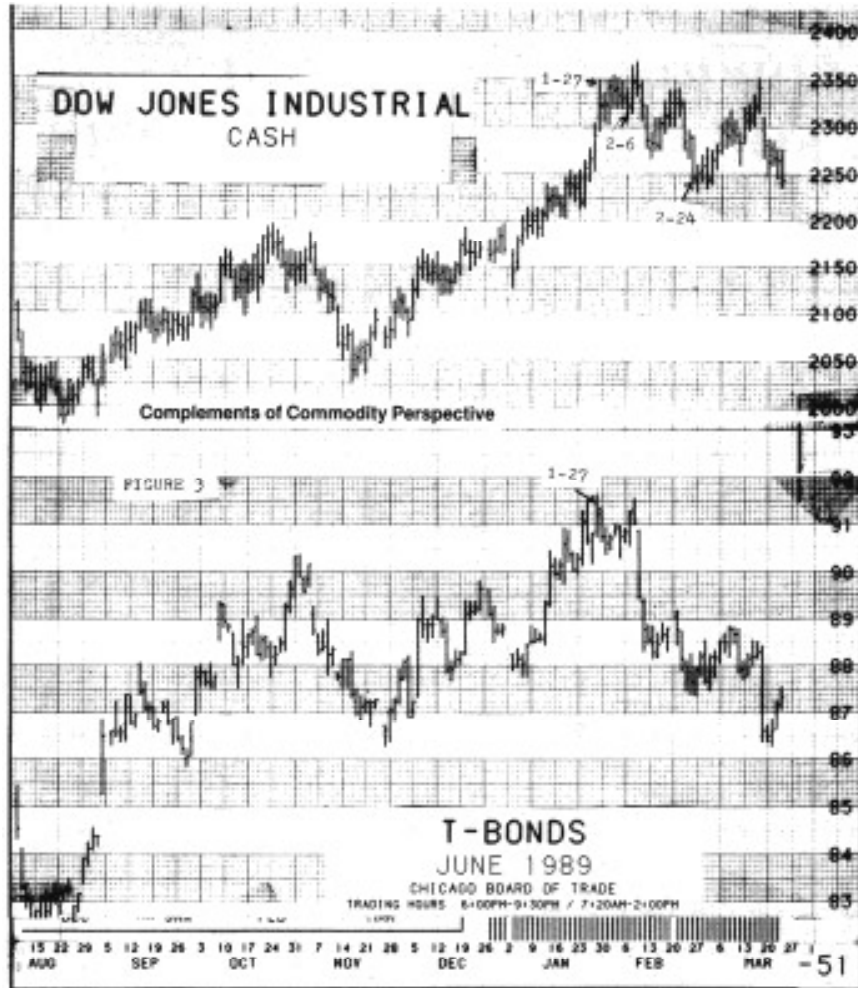


Figure 3



PROJECTED STOCK CURVE FOR MAY
PRELIMINARY CURVE FOR JUNE

23-24 as a Time Factor date. This was the date for a prime rate and discount rate hike. The market sold off sharply and made a low. Getting back to the PPI report for a moment, I would like to mention that based on my method I was able to predict that the top in mid-March probably would be a one day spike top and I told that to a few subscribers of this magazine who contacted me in early March.

After the August highs, Gann saw a definite down trend in the final months of the year. The sharp drop in September occurred but it wasn't until November and December that the panic really got underway. Gann saw the culmination of a very malefic bearish cycle on December 19-22. Prices dropped from 85.48 in November to 66.75 on December 21. That date marked the exact low just as he said it would a year in advance.

I could like to offer my opinion of what the market will do in May. This article is being mailed to the G&EW on April 26 for publication. I have enclosed a drawing this time so you can see clearly the projection for stock prices. (see figure 4) The indications are to expect a distribution top between April 25 and May 5. The second Time Factor top is always the safest to short. May 5 may be a double top or higher top that is not known, but I suspect it will be a higher top than April 25. The trend for May should be down, which will correct the recent three waves up since November.

Even without the curve, any trader would know what to expect after the third section up. The 19 should be a reversal date, although it is not shown if it will be a low or a high. My experience tells me to anticipate this to be a low followed by a rally that will fail and cause a final low to occur on May 31. I am ignoring holidays and weekends and will just give you the expected dates. Bonds should also make a bottom at the end of May with stocks.

The degree of the decline will tell us more about the trend in the summer. I expect at least a five percent decline in May. In a bearish year the decline would be much worse. I have not really studied the month of June very carefully, but it seems the trend will be up to at least the 22, and then it should taper off go sideways, possibly down. Any reactions in June prior to the 22 should be minor and should not disturb the three week uptrend. Remember, run your geometric angles up from the low at the end of May. First the 4 x 1, then the 2 x 1. This way, if there is a sudden unexpected trend reversal, the breaking of the angles will cause you to stop yourself out of the market and avoid a loss of your profits. I would also advise to keep up geometric angles on the NYFE and the S & P.

Sometimes you will have prices hitting an angle on one of these indexes that is not showing up on the Dow Jones. I use Don Vodopich's idea of the 45 degree angle being a 1 x 1, a 26 degree angle being a 1 x 2, etc. and using Commodity Perspective charts as he suggests in his book, Trading for Profit with Precision Timing. The proper way to use an angle on the Dow is to draw free hand points per calendar day from the theoretical highs or lows. Therefore, a 4 x 1 in twenty days moves up 80 points from the exact low.

In closing, I would like to offer some price resistance levels that I do not think the Dow can penetrate before it makes the expected decline in May.

Based on the above resistance levels and knowing that the time for the rally is due to end no later than 5-5, I would not expect the Dow to go beyond the 2458 level before a decline sets in.

FORECAST FOR JANUARY?

Below is a reprint of my forecast for January written and mailed to the G&EW magazine in late December 1988. I would expect some kind of reversal to occur either side of the weekend of January 14-15 January 26 the weekend of February 4-5 and February 23-24. My trend roadmap for these projected turns is provided by the stock curve application of the time factor. Its indications are to expect the 14-15 to be some type of relative low consolidation area from whatever tops are reached in early January. If the market moves up from this projected low I would expect the rise to be halted by the cycle date of the 26. The curve also indicates relative lows between February 5-9 which further supports the 26 as a possible relative top. The theoretical date for the February low is the fourth or fifth a weekend so I am expecting the low to occur early should the market make some sort of top on the 26. >

In figure 5, I have reproduced a copy of my original curve for January. There was supposed to be two upward moves in January separated by a small reaction in the middle of the month. Note my mentioning a time factor date to occur on either December 31 or January 3. You will note that there was a sharp reversal down on December 31 and then again on January 3. This reversal was setting up the next sharp upward move. Time factor dates almost always occur as -reversals of the existing trend. Therefore, I was anticipating some sort of low to appear before the market could move up. The low on January 3 held the geometric angle, the live angle and another extraordinary clue for a bottom was that the issues up to down that day were not indicative of a market that had been down 33 points.

There was no reaction into the 15 as I had predicted, and this was very bullish because after the 15 the curve was turning up again until the end of January. The peak volume day and high print of the move occurred on January 27, one day off my top. A base top then turned the market sideways until February 1. You should note that bonds topped on the 27 and moved lower into early February just like the stock curve projected (check out the big low in sugar at the end of a five wave decline on January 25 and the low in soybeans on the 26).

For the first time in over a month, stocks had a four day decline into Monday, February 6, where a low was made just as the projection had indicated. You could have bought here but you had to get out on the eighth when 2360 failed for the second time that day. Note the 1 x 1 geometric angle from December 20 high on the S & P futures as well as 1x2 from the October 24 high on the NYFE that halted the advance. This is why I mentioned earlier to keep up angles on three different indexes. There are certain cycles that occur at various day counts in conjunction with geometric angles that also provide reversal points. These cycles have to do with price and therefore are coincidental cycles, not predictive cycles.

By the middle of February after reviewing all the data, I figured that my date of the 24 would be a low and I got short. The trade was exited on February 24 at 3:30 p.m. after the market had been off some 33 points for a low to occur. If the market remains on its lows all day without dropping further, you should go ahead and get out. I did that even though I was aware that the 2 x 1 angle from January 3 and November 16 was a little bit lower at 2230 on the 24. The market did touch that angle first thing on the 27 before reversing upward. February 24 came in as a reversal date and a good spot to go long.

In summary, three of the four reversal dates came to pass that were predicted in December. Only the small reaction in mid-January in between the two upmoves did not come out. The small reaction from the late January highs occurred and can be more clearly seen on a bond chart.

Beyond Gann: Number Vibrations

By Gregory and Helen Meadors and Neal Chabot, Ph.D.

W. D. Gann made millions in the markets using techniques which have been called esoteric, which Webster defines as, "Understood by only a chosen few". Gann's cosmic perspective was that of the "perennial philosophy": the infinite order of things, expressed in the relationships of numbers (mathematics) and forms (geometry), is the pattern upon which the material world is structured. "As above, so below," expresses this eternal law.

The natural proportions of numbers are also reflected in the symmetry of the human body (fig. 1), which is neurologically structured like a receiving antenna for waves and vibrations of many kinds. In many ways still not understood, human beings receive and often react to stellar and cosmic influences. Just as we respond to the harmonies of music (sound vibration) and color (electromagnetic vibration), so we also respond (subconsciously) to electromagnetic vibrations of cosmic origin which affect the subtle nervous system. The "music of the spheres" may cause subconscious reactions which then appear outwardly as the phenomena of investor (mass) psychology, as measured by the Dow Jones averages.

In our recent articles on "Vibration Inversion Points" and "Biblical Cycles" we introduced you to the inter-relationships between planetary angles (harmonics), geometric forms and Biblical numbers. We discussed the hexagonal geometric formation known as the Seal of Solomon (Star of David) with its multiple 60 degree angles. We showed how Solomon Vibration Points (multiple planetary harmonic angles of 60 degrees) have exactly timed major turning points in the stockmarket and why this is often contrary to textbook astrological interpretations.

We have pointed out that geometric structures and planetary angles are really expressions of numbers, with each geometric form corresponding to a particular number or set of numbers. In our article, "Beyond Gann: Biblical Cycles" (November 1988 G&EW) we discussed the Biblical number "666" and how it corresponds to the name of "Solomon" as well as being the numerical vibration of the NYSE. This number is often thought to have negative connotations; however, readers should refer to 2 Chronicles 9:13 for a positive meaning.

In our previous article we also noted that during the widely advertised "Harmonic Convergence" of August 1987 (see Newsweek August 17, 1987), the high in the Dow was 66.6 times the Dow low of this century (July 8, 1932). Gann was known to use planetary cycles, numbers, and letters as forecasting tools. Using these and other proven analytical methods, we were able to forecast the August 1987 top and the October crash months in advance. Since then, we have obtained a 90 percent accuracy rate during 1988 (see trade confirmations in January 1989 G&EW).

THE NUMBER 13

It is obvious to any student of Gann (or anyone versed in the Pythagorean tradition) that the harmonics of numbers are extremely important for the price structure of any market. In our last article we asserted that during the August top and the October Stockmarket Crash of 1987, the

vibrational patterns which were active corresponded to the number 13.

In the ancient systems of divination, the number 13 stands for death and transformation, and perhaps this is why thirteen is sometimes said to be unlucky. As we shall see, 13 has had an explosive impact on the stockmarket, but it is only unlucky for those who remain ignorant of its cycles of action.

Thirteen is also a Fibonacci number however, and our research has uncovered the fact that the number 13 and the Fibonacci sequence of 5-8-13-21 both have a special significance to the United States and the U.S. Stockmarket. The remainder of this article will reveal some of our

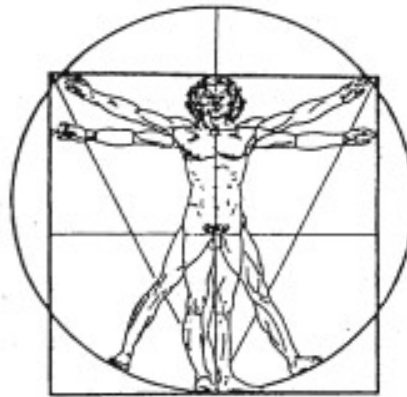


Figure 1



Figure 3

(fig 2). Observe that it contains three figures: a key, 13 stars in the shape of the Great Pyramid and the scales. Could the key to the U.S. financial markets be revealed in the mathematical, astronomical and even Biblical time-cycles contained within the structure of the Great Pyramid?

Perhaps the designers of the U.S. Treasury Seal had a mystical passion for the knowledge contained in the Great Pyramid, as well as the symbolism of the number 13. This would be no surprise, since most of the founding fathers were Free-Masons, as was Gann. Benjamin Franklin, one of the leaders of the Independence movement, was particularly learned in the esoteric sciences. He and Thomas Jefferson both practiced astrology, and this fact may explain the unique horoscope for the signing of the Declaration of Independence (Fig. 3).

This may also explain the occurrence of astrological symbolism in the Great Seal of the United States and the U.S. Treasury Seal. Above the pyramid on the U.S. Treasury Seal (in the heavens) are the scales, a symbol of justice and balance of opposing forces. The scales are the symbol for the constellation Libra, and Venus is said to be the "governing" planet of Libra. Besides its reputation as the planet of love and money, Venus is said to "govern" the horoscope of the New York Stock Exchange. Mars, the planetary opposite of Venus, "governs" war and destruction, and Mars is in its "detriment" when passing through the constellation Libra (Treasury Scales).

1927 by quoting the following passage from the Bible:

"And when I shall put thee out, I will cover the heaven, and make the stars thereof dark: I will cover the sun with a cloud, and the moon shall not give her light" (Ezekiel 32:7).

The last major bear market low in the Dow Averages occurred in August 1982 following a lunar eclipse in the 13th degree. Sixty-five full moons later ($5 \times 13 = 65$ = the number of wing feathers on the American Eagle of the Great Seal), the next 13th degree lunar eclipse arrived on October 6, 1987 (start of the 13-day Crash), thus completing a major eclipse (and market) cycle. This 13 degree eclipse was an exact "square" (a "stressful" 90 degree angle) to the U.S. birthchart sun position providing, in this case, a textbook astrological prediction of the negative conditions that followed in the U.S. Bond and Stock markets.

During the 13-day Crash, following the 13 degree eclipse, and about October 13, Mercury (trading) became stationary (stopped its movement in the heavens as viewed from earth) at the 13th degree in the constellation Scorpio (death and transformation, sometimes symbolized by the Eagle), an extremely rare occurrence at this sensitive degree! In addition to these "signs", Saturn ("Father Time") reached 17 degrees 22" Sagittarius on October 19, 1987, which was exactly the Biblical Solomon 60 degree harmonic angle from its position of 17 degrees 22" Libra (the bear market low of August 6th, 1982)! Saturn was also 17 degrees 22 minutes during the December 1974 Bear Market lows. If these "coincidences" weren't enough, Venus (U.S. Treasury Scales) conjoined Pluto (plutonium, destruction) on October 19th and the bomb was exploded generating the final 508 ($5 + 8 = 13$) one day drop!

This was 13 months from the September 1986 low, 13 years from the major lows of 1974, and exactly 58 ($5 + 8 = 13$) years from the October 1929 Crash!

With knowledge of number "vibrations", especially how critical the number 13 is for the United States, we were able to use this "unlucky" number, which brought "luck" to us and our subscribers after we sold short on the 13th degree lunar eclipse of October 6, 1987. Interestingly, this date also coincided with the "buy Rosh Hashona, sell Yom Kippur" holiday cycle, which also marked the beginning of the Biblical 40-year cycle of the state of Israel.

Bringing together these number correlations and natural laws, one can see how the 13-day Crash of October 1987 was foretold. The next time that the number 13 could have substantial impact on the stockmarket will be May 19, 1989. At this time Mars and Saturn will be in exact opposition (180 degrees) in the 13 degree. This is also a one and two-year anniversary date (solar return) from previous trend- change dates.

Investors and traders who are awake and aware will profit during this timeframe.

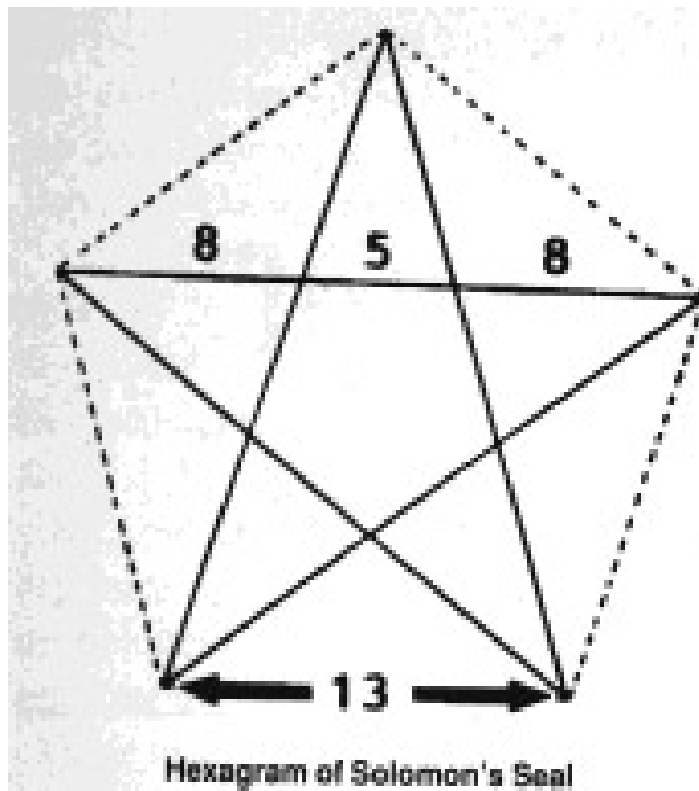
FOOTNOTES

- 1 The words, "United States of America" contain vowels having a numerical equivalent of 45, and consonants with a numerical equivalent of 39 (3×13). These two numbers can be further reduced to the Fibonacci number 21 ($9 + 12$), which is also the total number of letters in U.S.A.
- 2 "In that day shall there be an altar to the Lord in the midst of the land of Egypt and a monument at the border. And it shall be for a sign and for a witness unto the Lord of Hosts in the land of Egypt" (Isaiah 19:19-20).
- 3 The hexagram of Solomon's Seal (in the Great Seal) is composed of two equilateral triangles, and in each triangle are exactly ten stars. These form a figure known as the "tetraktys", on

which Pythagoras is said to have sworn his pupils to secrecy. The six-pointed star (Star of David) is well-known as the Seal of Solomon, the standard of Israel. In addition to the number 666, which we have covered in a previous article, the numerical value of SOLOMON contains both the number 13 and the well known Gann angle number of 45. The vowels (OOO) equal 6-6-6, and the consonants (SLMN) equal 1-3-4-5 = 13 & 45.

- 4 These principles are revealed in our comprehensive Genesis Market Timing Home-Study Course.
- 5 The article, "Gann and the Planets" (August G&EW) provides a detailed explanation of the "astrological" and planetary influences that occurred during the August "harmonic convergence" top and the October 1987 Crash. A reprint of this article is available for \$5 from Genesis Capital Management.

Gregory LeGrand Meadors is Director of Research at Genesis Capital Management. Dr. Neal Chabot is in charge of managed accounts and investor relations at Genesis Capital Management. Helen Meadors is the Executive Director Write or call: 2761 Mansfield Drive, Burbank Ca. 91504 (818)954-8595



Projecting the Precise Time of Important Tops and Bottoms

By Robert Miner

Time is the most important factor in forecasting market movements. The future is a repetition of the past and each market movement is working out TIME in relation to some previous Time Cycle. W.D. Gann. Time is: the most important dimension in market analysis, yet it is the most ignored factor. The best most traders and analysts can come up with in timing the market is to look for so called cycles of fixed length periodicity. This is a simplistic view of market movements that does not reflect market activity at all.

The key to market timing is found in the above statement by Gann, "Each market movement is working out TIME in relation (proportion) to some previous Time Cycle." Gann described three primary methods to determine time periods when change could be expected in market activity.

1. **TIME COUNTS.** Equal divisions or proportions such as eighths and thirds of a fixed period such as 360 or 144. The 360 represents the 360 degrees of a circle and 144 is 12 squared and a very important time and price number in the market. Time or price divisions of 144 are referred to as the Square of 144. The divisions of 360 are referred to as the Square of 90. These cycle lengths are called static symmetry. They are static because they are fixed and repetitious. They are important time divisions in any market but are secondary to the more important ratios of actual previous market activity.
2. **PRICE SQUARED IN TIME.** A proportion of the price range or the extreme high or low of a completed cycle will often indicate the subsequent time movement of market activity.
3. **TIME CYC LE RATIO.** A proportion of a previous time cycle will often indicate subsequent trend reversals.

These two time divisions are called dynamic symmetry. They are not of any fixed period. The length of these proportions will be different for every completed cycle as they are determined as a proportion of an actual cycle. These are the primary timing indicators as they represent and reflect an actual growing and evolving market.

If a trader calculates all the time counts, price square time and time cycle ratios for every major and minor cycle in a market, you will have so many time periods that the market will inevitably reverse at one of them. Your best signals come when there is a group or cluster of a number of time periods that come due within a narrow time zone of two or three days. When two or more time periods that are calculated by different methods coincide, there is a strong possibility for a change in trend to result.

I have developed several different forms that organize all the time data for any one market. I recently reviewed the time cycles and data from the December 14, 1987 top in gold to the present. Just for that 16 month period I have completed 44 pages and literally hundreds of time calculations on my timing forms. But that work resulted in accurately projecting all the important trend reversals in the market up to including the recent February 17 low. These trend reversals were projected weeks and months in advance. In fact, my previous article for G&EW magazine I projected the December top in gold within one trading day and the

exact week of the February low. Later in my newsletter, I made a narrower time period for the February low to February 15-17 at a price of \$381 - \$386 (April contract). The low came on February 17 at \$381.

These projections were in print literally weeks in advance. Let's take a look at some of the counts and ratios that resulted in price clusters that indicated a trend reversal was likely in these projected time periods.

CD = CALENDAR DAYS

TD = TRADING DAYS

12/6: $61.8\% \times 115 = 71$; $71\text{CD} + 9/26 = 12/6$

6/3H - 9/26L + 11 5CD $12/5: 33\% \times 210 = 70$; $70\text{CD} + 9/26 = 12/5$

2/29L - 9/26L = 21 OCD $12/7: 2 \times 94 = 188$; $188\text{CD} + 6/3 = 12/7$

2/29L - 6/3H = 94CD $12/7: 72\text{CD} (1/2 \text{ Square of } 144) + 9/26 = 12/7$ $12/2: 75\% \times 89.5 = 67$;

$67\text{CD} + 9/26 = 12/2$

$\$89.5 = \text{range of the } 6/3\text{H} - 9/26\text{L}$

In the issue of November 8 of my newsletter, I projected December 5-6 to be an important time period to be alert for change in market activity. Gold made an important top one trading day earlier on December 2, while platinum topped precisely on December 5.

2/17: $144\text{CD} + 9/26\text{L}$

$1.25 \times 115 = 144$

$115\text{CD} = 6/3\text{H} - 9/26\text{L}$ 2/18: $1.618 \times 89.5 = 145$; $145\text{CD} + 9/26\text{L}$ 2/16: $1.5 \times 172 = 258$; 258CD

+ $6/3 = 2/16$, $172\text{CD} = 12/14/87\text{h} - 6/3/88\text{H}$

2/15: $1.382 \times 37 = 51$; $51\text{TD} + 12/2\text{H} = 2/15$

$\$37 = \text{range of } 9/26\text{L} - 12/2\text{H}$

$2/14: 2 \times 37 + 74; 74\text{CD} + 12/2 = 2/14$

In December, I had projected that the intermediate term trend was likely to reverse the week beginning February 13 and that February 15-17 was likely to be the period for the change to occur. An important low was made on February 17.

Similar time clusters projected the February 29 low, the June 2 high and the September 29 low or every other major top and bottom since the December 1987 high.

Let's put this timing analysis to the test and once again prepare in advance for possible future market activity. The next time period to be particularly alert for change in the price activity falls in the time zone of May 5-8 (Friday and Monday).

5/8: $50\% \times 1022 = 511$; $51\text{ICD} + 12/14/87\text{H} = 5/8$

$1022\text{CD} = 2/25/85\text{L} - 12/14/87\text{H}$

5/8: $2.5 \times 89.5 + 224$; $224\text{CD} + 9/26 = 5/8$

$\$89.5 = \text{range } 6/3\text{H} - 9/26\text{L}$

5/6: $2/29\text{L} = 432\text{CD} (3 \times 144 = 432)$

5/5: $77\text{CD} = 2/17\text{L}$

$77\text{CD} = 12/2\text{H} - 2/17\text{L}$

5/5: $3.382 \times 89 = 301$; $301\text{CD} + 2/29/88\text{L} = 5/5$

$\$89 = 12/87\text{H} - 2/29/88\text{L}$; $89 = \text{Fibonacci } \#5/5: 48 \text{ weeks} + 6/3\text{H}; 48 = 1/3 \times 144$

Be alert for indications of trend change within one trading day of May 5 or 8. While time is the most important dimension in the business of speculation, we must be prepared for the price and pattern activity as well. There is very important price support at the \$374-\$378 price zone basis the June gold contract. Should price move into this price zone in the May 5-8 time period a very important longer term low and reversal is likely to unfold. This article is submitted the week of April 24. By the time you read this, we will see how helpful this timing projection would have been to someone prepared in advance for important minor and major time and price reversals.

It will be well worth your time and energy to calculate all the time counts, divisions and proportions for every cycle in every market that you are interested in trading, It is a great deal of work, but can result in a great deal of profit. I'm sure you will find the effort as profitable as I have.

Robert Miner is the publisher of The Precious Metals Timing Report. He teaches subscribers in each issue the time and price analysis methods of W.D. Gann and R.N. Elliott. a

Equivolume - A Different Diagnosis

By Richard W. Arms, Jr.

I recently spent a of long and tense hours at the hospital bedside of a close relative. I noticed that a nurse would appear in the room at regular intervals, chart in hand and instruments at the ready. Her primary duty was to measure and record the patient's vital signs. She would rapidly check to ascertain whether the patient was still living, and if so, how well. Having noted and recorded pulse, blood pressure, respiration and temperature, she would as quickly move on to see if the patient in the next room's signs remained vital.

In that I have yet to lose my interest in attractive nurses, and charts have long held a fascination for me, albeit my experience is more with stock charts than medical charts, I reflected upon this periodic hospital ritual. The nurse's job appeared to be primarily one of recording data for the doctors who would, I hoped, turn the information into both a diagnosis and a prognosis. Their ability to look at all of the available data, combined with their skill and experience over many years, were the key to the decisions they would be called upon to make.

The interpretation of Equivolume chart follows closely the methodology used in working with Bar charts, but gains effectiveness, in many cases, because of the inclusion of volume.

It would be absurd, in fact negligent, if a doctor were to entirely ignore a part of the carefully gathered information. Whereas the pulse tells him that the heart is rhythmically maintaining life at a certain pace, the blood pressure tells him how strongly the blood is being moved through the system, and the resistance it is encountering. Both are equally important measures of the present health and the anticipated future of the patient.

So it is with technical stock analysis. Huge resources of vital data are amassed and made available to the analyst. As with the doctor, the diagnosis of the current condition of the stock, combined with expertise and experience lead to a prognosis. The accuracy of that prognosis, and the profits or losses that inexorably follow, are a function of the skill of the diagnostician. To ignore a part of the data would be as foolish as would be a doctor who did not bother to check the patient's blood pressure.

There are two vital statistics to stock action: price and volume. One mesmerizes most analysts, while the other often goes unnoticed. This is natural, if not excusable, in that the first decides whether one makes or loses money, while the second merely indicates how many shares changed hands. This subordinate role which has been assigned to volume has meant that most charting methods relegate the statistic to an afterthought position along the bottom of a bar chart, and point-and-figure chartists entirely close their eyes to its existence.

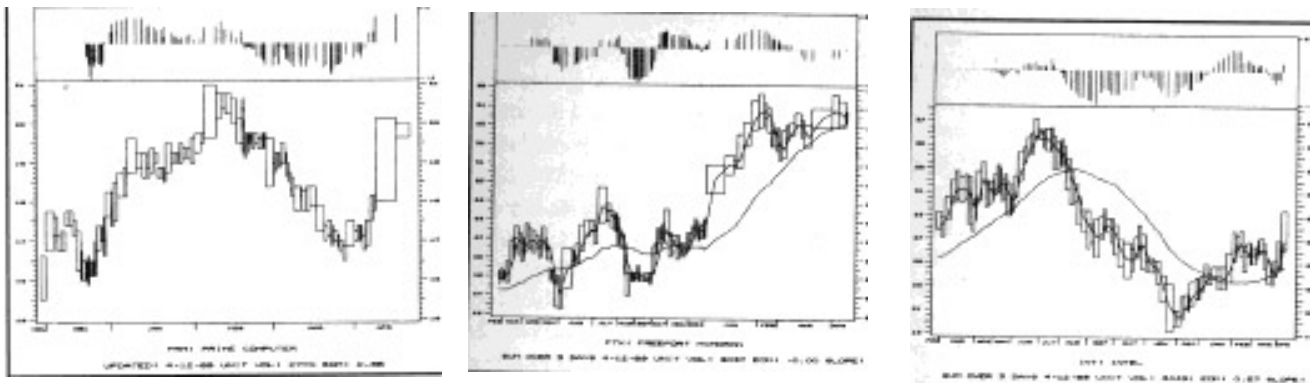
In studying a stock, the price tells us about its movement while volume indicates the quality of that movement. A price move gains or loses importance, depending upon the volume accompanying the move. There is certainly a great difference between a big jump on heavy volume and a similar move on light volume, yet this difference often goes unnoticed, not because the information is lacking but because it is not easily interpreted.

Equivolume charting, for the first time, makes volume an equal partner with price. This is accomplished by moving the volume off the lower margin and into the flow of information. Instead

of representing a day's activity with a line, the posting is expanded laterally to form a rectangle. The top of the rectangle is the high for the day, the bottom line is the low for the day and the width of the rectangle represents the volume for that day. In this way, each day is represented by a box which has a distinctive shape and size, and those two factors, shape and size, give an accurate picture of supply and demand for that stock during that trading day.

The accompanying illustrations show the result of this procedure. The first chart, of Prime Computer, is a daily based chart. That is, each box represents one day of trading. The computer which drew the chart had to calculate the average daily volume of the stock, and arrive at a volume increment such that about 100 days of trading would be depicted on the chart, with all boxes in proportion. This number, the unit volume, appears in the legend, and will, of course, be different for every stock.

The other two charts, Freeport McMoran and Intel, are three day charts rather than daily charts. Each box represents three days of trading, thereby compressing the information and allowing a longer time span to be depicted. In addition, the three day charts have a pair of



moving average lines overlying the boxes. These are not the usual moving averages, but are a function of volume rather than time. Using a complex computer calculation, the lines are drawn to represent the price over particular volume durations rather than time durations. Note the signals imparted when these two lines cross!

Across the top of each chart is another piece of information; an oscillator which we call Ease of Movement. Its calculation is complex, and is described in a my book *Volume Cycles In The Stock Market* however, its tendency to reach extremes at turning points in the price of the stock should be apparent. The numerical value of the last day on the chart is given in the legend, allowing comparisons between stocks.

The interpretation of Equivolume chart follows closely the methodology used in working with Bar charts, but gains effectiveness, in many cases, because of the inclusion of volume. Trend lines, channels, gaps, support and resistance levels and consolidation formations all are used in a similar manner. In addition, because of the non-time "X" axis, cyclicity takes on a new significance.

Technical analysts who are intent upon making a correct diagnosis of a stock's action, in order to reach a correct prognosis, might well take a look at Equivolume. Volume is, at last, made a full partner with price. And that partnership could lead to better market decisions!

Richard W. Arms Jr. is an author investor publisher and speaker. He is the Vice President and Technical Analyst at Eppler Guerin & Turner Inc.

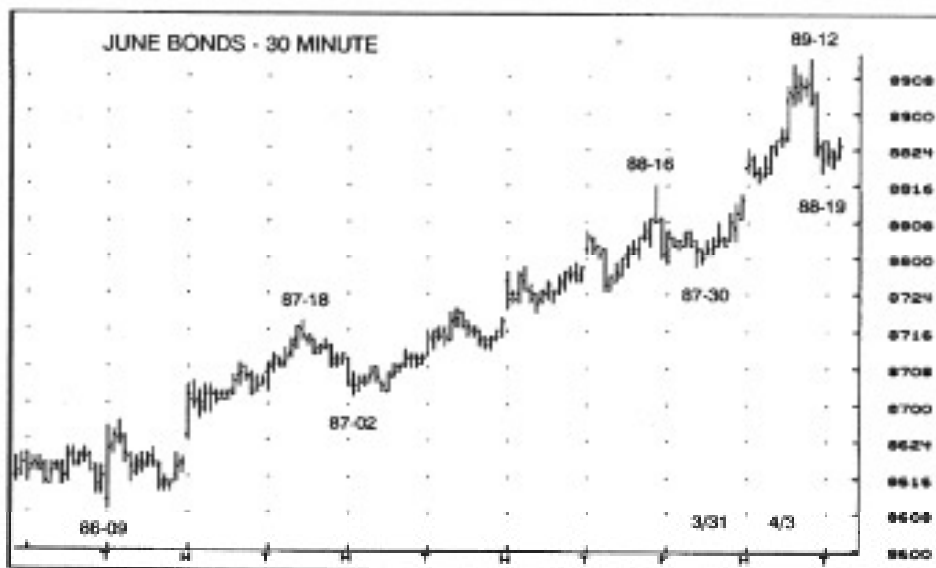
A Glimpse Into "Market Waves"

By Robert Saperstein and Thomas Gautschi

Complementary technical tools are an important adjunct to the primary Elliott Wave analysis that is used to generate trades. This was demonstrated in our previous article on Compuwave in the August/September 1988 G&EW, where standard computer generated technical studies are used to help confirm the current Elliott Wave count. Now with the development of the widely used Market Profile* analysis, new insights into analytical and trading techniques can be gained in conjunction with Elliott Wave analysis, to form the concept of "Market Waves". This article will illustrate one particular application as it was used in the generation of day trades in the Bond market.

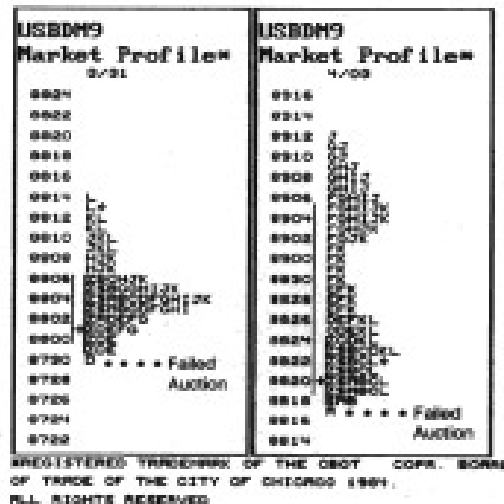
The accompanying 30 minute chart of June Bonds covers the rally from 86-09 to 89-12 in late March and early April, 1989. Notice that the chart contains only the action of the high volume daytime session. We feel this presents the cleanest patterns for wave analysis, and it is important for the detection of gapping action from day to day. Elliott Wave analysis is intended to gauge the market's patterns as the mass of market participants swing from psychological extremes of pessimism and optimism. Until the evening session achieves enough volume to adequately reflect such mass participation, it will be excluded from our wave analysis.

From a wave perspective, the initial rally from 86-09 to 87-18 had the outline of a 5-wave advance on the chart. The pullback to 87-02 was an exact 38 percent retracement before the rally continued to 88-16. The next pullback to 87-30 again retraced exactly 38 percent of the preceding rally from 87-02. So even with somewhat sloppy internal structures, the two perfect Fibonacci retracements implied with a good level of confidence that the market had created waves 1 through 4 of an impulsive move, and that a fifth wave rally to a new high would



follow. Off the fourth wave low of 87-30, two standard fifth wave targets could be generated. Wave-5 being equal to wave- 1 would project 8907, and wave-5 being 62 percent of waves 1 through 3 would project 89-10.

On the morning of Monday 4/3, the market gapped up at 88-20 in what appeared to be the middle of the fifth wave headed for its targets. With one of the standard Compuwave techniques being to buy overt gapping strength, this brought about the trade of buying the gap up, with a stop at 88-13, one tick below the previous day's high. The objective for patient traders would be a move to 89-06 to liquidate the trade in front of the first fifth wave target, to capture over a 1/2 point



gain. With the upper fifth wave target at 89-10, the trade could then be turned around to sell at 89-09 to catch an expected downside retracement. The opportunity to do this occurred within the last hour of the day, and confidence to do it was provided by the Market Profile.

For those new to Market Profile, the two additional charts are the profiles for 3/31 and 4/3. Each 30 minute time period is denoted by a letter, starting with Z,\$,A and going through L. The first two periods comprising the first hour of trading are known as the initial balance period, and it is shown by the solid line closest to the letters. The concept of a "failed auction" occurs when one of the periods extends the range of the initial balance period by one tick, and then the market reverses to take out the other end of the range by two ticks or more. This creates the failed auction at the initial, unsuccessful range extension. This implies that within one to five trading days, the market should return to the point of the failed auction. The charts show that we had two failed auctions in a row. The first one happened at 87-30 in the D-period on Friday 3/31, and the second one happened at 88-17 in the Aperiod on Monday 4/3.

Relating this to the concept of selling at 89-09 into the upper fifth wave projection, the trader knew that Monday's failed auction at 88-17 would beckon the market back to that level, not to mention the one at 87-30. The 4/3 failed auction was actually satisfied precisely at 88-17 four days later. Nevertheless, on that Monday after hitting 89-12, the final hour saw a selloff down to 88-19, providing plenty of room for a quick and profitable day trade on the short end also. This provides a graphic example of one of the many ways that the use of Market Waves analysis can add to an existing Elliott Wave arsenal of tools to increase trading confidence and effectiveness.

The Jupiter Effect on the Stock Market

By Bill Meridian

I began studying technical analysis in the mid-1960's, a time during which there was great excitement and interest in the stock market. In graduate school in the early 1970's, I read all of the quantitative studies done on price movements. What caused stock prices to move? Was it news, was it fundamental developments in the economy, was it political developments? All of these studies came up with the same result. That is, there was no statistically significant correlation between market price movements and any of the previously-mentioned items. In fact, one of the stronger correlations, although it was not even statistically significant, was the relationship between inflation-adjusted earnings and the S & P 500 (the highest correlation that was found was between stock averages and the Washington Senators baseball team batting average over three consecutive years, but we all know that this was simply a random occurrence).

During the soaring 1960's, I was always amused by the fact that a highflying stock called STP was a big favorite with the investors. To this day, I can find no proof that STP oil treatment does anything beneficial for the engine of an automobile, yet everyone on Wall Street loved the stock.

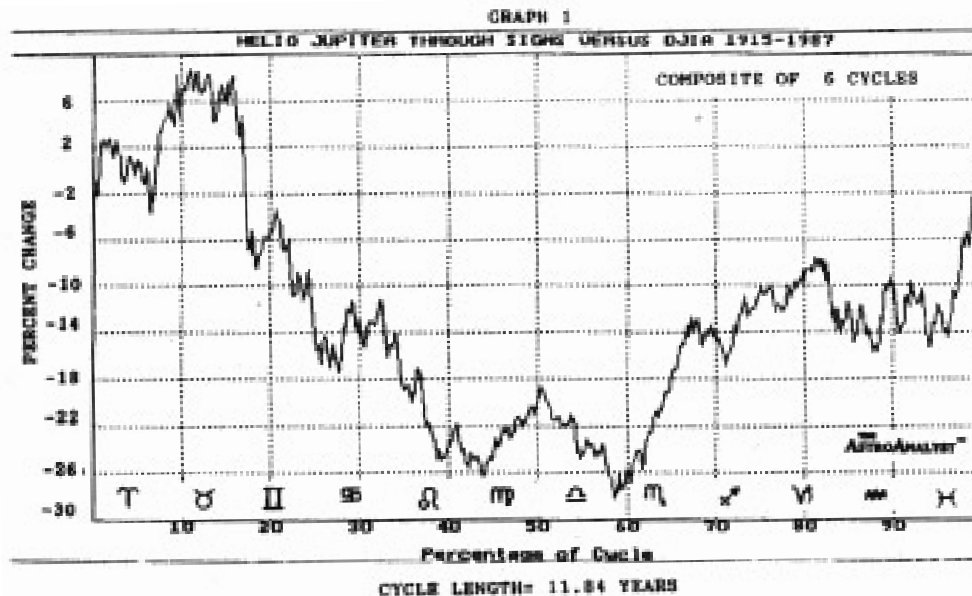
All of these experiences led me to one conclusion, that irrational, emotional waves rule what happens in our economy and our markets. Support for this view came from F.S.C. Northrup, one of Einstein's contemporaries. He criticized conventional economics because he noted that movements in the marketplace were dependent upon people's values. Because values are intangible and emotional, they constantly change, thus we need to know what people will value in the future in order to have a valid forecasting model.

The Doctor From India

After coming to my conclusion about a method that would measure these emotional waves, I began studying astrology not until 1974 that I felt I was on the right path. An acquaintance at a conference informed me that a Dr. Rao from India told her that gold prices tended to peak when geocentric Jupiter was 90 degrees from Neptune. That aspect was approaching. In fact, it occurred at the time that Americans were finally allowed to own gold again after many years on prohibition. The popular belief was that the yellow metal would soar to unbelievable heights when America's purchasing power entered the marketplace. Of course, the reverse happened; gold topped at approximately \$190 an ounce and tumbled more than 50 percent in the ensuing correction. I was subsequently to discover that gold also reacted to other aspects of Jupiter and Neptune, such as the 22 1/2 degree, 45 degree and 135 degree aspects as well as the 90.

This was an exciting development, but as some wise man said, "Invention is five percent inspiration and 95 percent perspiration." Anyone who has attempted this type of study knows

how much number-crunching is involved. The early pioneers, such as James Mars Langham, Lt. Cmdr. David Williams and L. Edward Johndro, could only explore limited areas due to the amount of work involved.

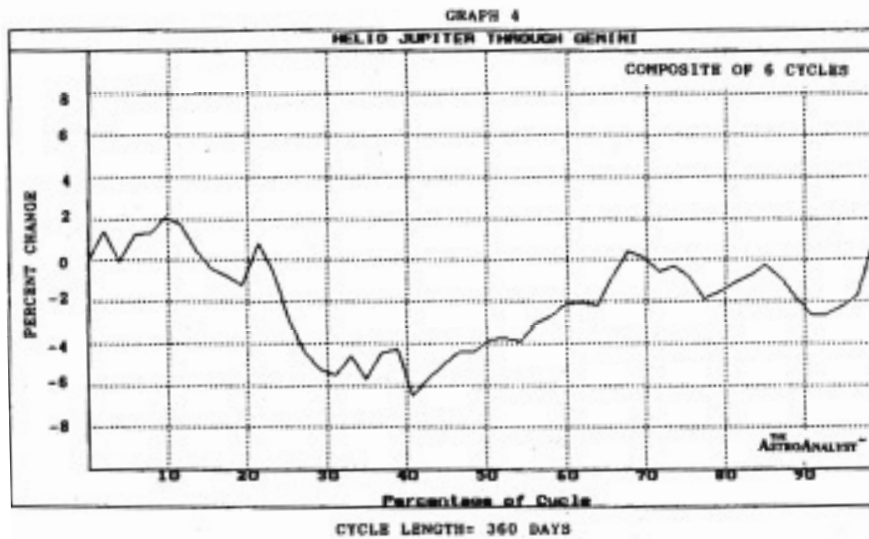
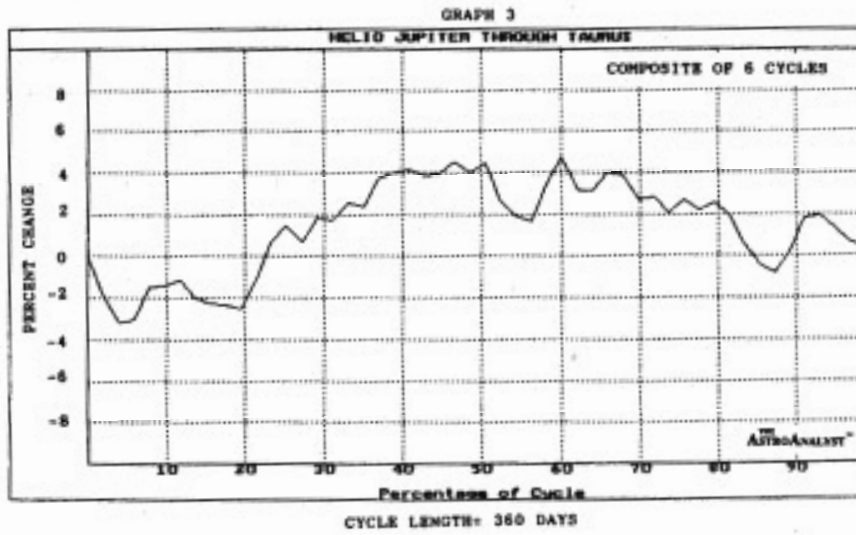
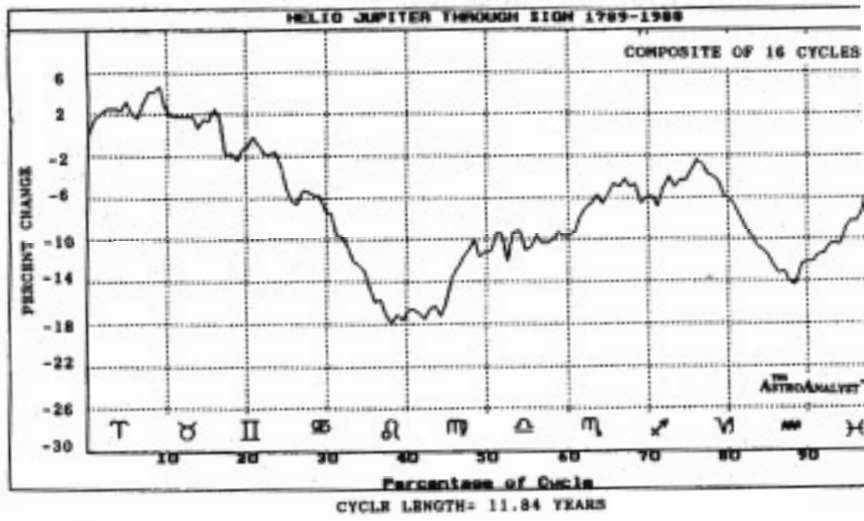


Development of the Astro Analyst

In 1976 I visualized a computer program which would do most of this work for us. I asked well-known astrologer Robert Hand, the president of Astrolabe Software in Orleans, MA to work on the program. We finally began to develop it in 1987.

Graph 1 is a product of this work. Reading the graph requires a little explanation. The horizontal axis represents any cycle that the user chooses. In this case you are looking at heliocentric Jupiter's passage through the zodiac. At the very bottom of the graph are numbers in increments of 10 indicating the percentage of the particular cycle that has transpired. In this case the cycle is 11.84 years long, so at the 50 mark, the planet is halfway through its 11.84 year cycle. Just above that, I have added in for those who are more comfortable with this symbolism. The vertical axis represents percentage change in the Dow Jones Industrial Average corresponding with Jupiter's movement through its 360 degree orbit around the sun. The graph represents the average of six cycles beginning in 1915 and ending in 1987. Examination of the graph reveals that the market rises approximately seven percent from its entrance into Aries to its high point in Taurus. It then declines sharply until it reaches the sign Virgo, rallying only to decline again into late Libra. It then makes a sustained rally through Scorpio and chops sideways until it gets to mid-Pices, at which point it rallies up into the sign Aries again. Remember that the graph you're looking at is an average, and indicates tendency of market behavior during the Jupiter transit.

The next question to be answered is how consistent is this cycle? Graph 2 is constructed in the same way, except that it shows Jupiter's passage around the sun from 1789 to 1988. It is a composite of sixteen cycles, using monthly stock averages from the Foundation for the Study of Cycles. Note that the graph tends to hold its shape, still topping in Taurus and declining afterward. There is some change in the Libra area, but other than that, the two graphs are approximately consistent. This was an exciting discovery. Robert Hand and I were pleased to learn that many of the astrological market indicators that had been developed were consistent, whether they had been looked at over 50 years, 100 years or 200 years. In addition, we have



found that there is little difference between the effect of heliocentric and geocentric sign changes on the DJIA when analyzing outer planets.

How valuable would these Jupiter cycles have been to the investor? Seen geocentrically, Jupiter transited into Taurus in September 1928 with the Dow at 220 and left the sign for Gemini in August of 1929 with the Dow at 345, thus giving the investor a 57 percent gain. Most of these profits were erased as Jupiter entered Gemini and the market tumbled. In similar fashion, the investor who sold stocks in January 1977 when the Dow was over 1000 and Jupiter entered Gemini, would have moved to 825 in the next year. I also note that helio Jupiter entered Gemini in November 1988, contributing to the market's tumble during that month.

Zeroing in on the Jupiter Effect

Let's utilize another one of the Astro Analyst's capabilities, and take a microscopic view of the Jupiter cycle. Graph 3 represents heliocentric Jupiter's passage through the sign Taurus only. In other words, the horizontal axis represents only the 30 degrees of space known as the sign Taurus. This passage takes 360 days, therefore the 50 mark on the horizontal axis represents half on this 360 day cycle. The market tends to rise until approximately 19 Taurus, and then decline.

Graph 4 represents heliocentric Jupiter's passage through the sign Gemini only. Note that the market tends to drop on average about six percent until Jupiter reaches approximately 13 Gemini.

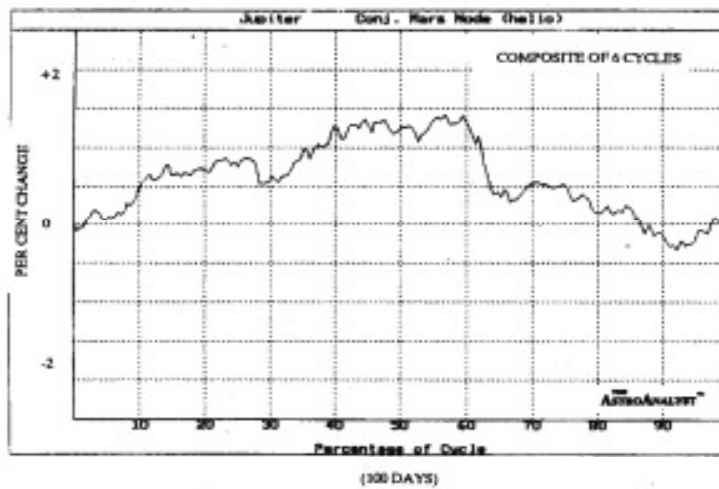
There is nothing special about these two particular degrees of the zodiac, however, from experience I realized that important planetary nodes lie at these degrees. Just as the moon has nodes, a well known concept in astrology, the planets have nodes as well. These points are created by the intersection of the planet's orbit with the orbit of the Earth. The north node of Mars lies at 19 Taurus. Thus, the passage of Jupiter over this node tends to create a high. The halt of the market's decline at 13 Gemini is no accident either. This degree contains the north node of Uranus.

Graph 5 utilizes the Astro Analyst in a new way. The vertical axis has- the same meaning, however the horizontal axis represents 100 days. The 50 mark on the horizontal axis represents Jupiter's transit over the node of Mars. In other words, the graph shows the average change in the market, the 50 days leading up to, and away from, the conjunction of Jupiter to the node of Mars. The user can analyze many planetary phenomena in the same way.

The Mars-Jupiter Cycle

Graph 6 demonstrates the average percentage change in the market as Mars and Jupiter move through 360 degrees of their 816-day synodic cycle. At zero on junct, or zero degrees apart. At 50 on the horizontal axis, half of the 816-day cycle has expired and the planets are 180 degrees apart, or opposite, and so on. Note the tendency of the DJIA to decline prior to the conjunction (zero) and at the opposition (50). In graph 7, we see the DJIA change 50 days prior to and after the Mars-Jupiter conjunction. Equipped with this knowledge, the trader could anticipate a short-term decline if technical oscillators are overbought. Of course, this one cycle is not the only one. The Astro Analyst enables the user to ferret out all these relationships.

Thus we have gone from looking at a long-range cycle that would be of interest of the long-term investor down to a closer view that would be of greater interest to the trader.



GRAPH 6

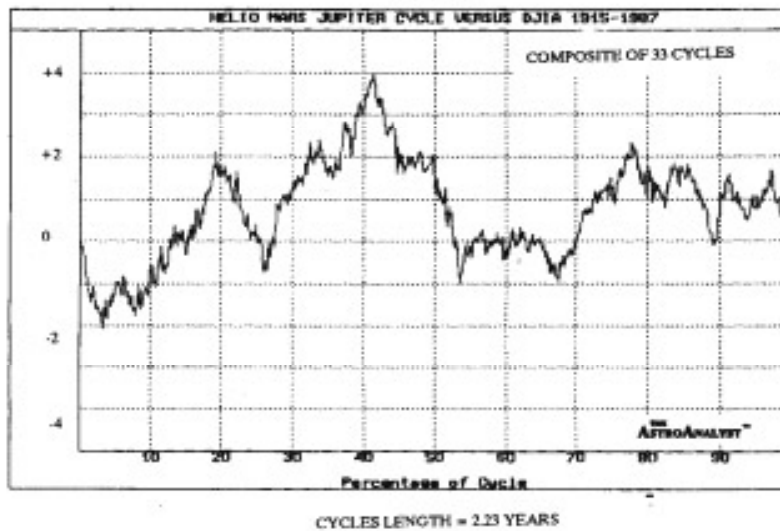
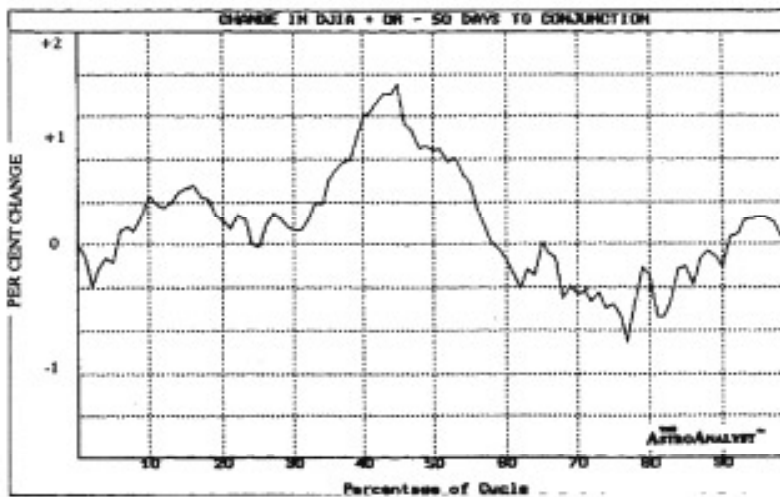


CHART 7



Silver Astrology and the Golden Mean Ratio

By James W. Brock

For the past twelve years I have been researching the correlation between the price of silver and the geometric relationships of the planets. My research has proven to me that at least 80 percent of the bull and bear markets can be predicted by astronomical patterns. One of the fascinating things I've discovered about the movement of the planets is their perfection to mathematical order. My type of astrological based market analysis is more complex than most astrology-based systems for I incorporate certain mathematical principles with planetary relationships, specifically the Golden Mean Ratio.

The Golden Mean Ratio or Phi (1.618 or .618) is a mathematical ratio found throughout nature, and is used by many market technicians in their predictions for future market behavior.

The constant 1.618 is one of the main tools of Elliott Wave analysis, and the Fibonacci series of numbers is constantly being used for market timing (the Fibonacci series is: 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233, 377, 610...). These numbers when divided into the preceding or following numbers of the sequence gives you a 1.618 or .618 relationship. For example, 89 divided by 55 equals 1.618, and 55 divided by 89 equals .618.

The .618 relationship can be found from the design of the Great Pyramid of Cheops to the Nautilus shell found in the depths of the ocean. The human body also has this numerical constant, for the distance across the out-stretched arms proportional to the height of the person comes to a .618 relationship. Therefore we must assume that this numerical relationship is a natural mathematical law of the universe and must not be ignored.

The most fascinating concept of researching astronomical phenomenon is that the planetary relationships vibrate to the constant 1.618 or a number relation within the Fibonacci series. As an example of this relationship I will take the sun's movement of 233 degrees within the zodiac (233 is a Fibonacci number).

While the sun makes this 233 degree movement, the moon has traversed the skies making approximately 8.5 lunar cycles. Breaking the complete moon cycle down to movements of 90 degrees (89 is a Fibonacci number), four 90 degree movements in one lunar cycle gives you 34; 34 times 90 equals 8.5 moon cycles (34 is a Fibonacci number). Therefore on the Fibonacci number scale you would say the sun and moon are a 233 minus 34 times 89, relationship.

Another example is the sun-Saturn quadrature relation, where every 377 days the sun and Saturn make the conjunction (377 is a Fibonacci number). Another beautiful illustration of Fibonacci harmony is the eclipse of the sun to a following eclipse of the sun. As an example: The sun's eclipse on May 30, 1984 and the following eclipse on November 22, 1984, the difference in time being 177 days, where 2 times 89 equals 178 (89 is a Fibonacci number). This gives you one of the two major concepts of my system of analysis, for the planetary bodies make

these Fibonacci numbered "sine-wave" relationships. The second phase or concept of the analysis is the actual sky concept occurring on the specific date of a high or low in the market. The combination or "synthesis" of these two phases of analysis make up the foundation of my system of binary facts of the sine-wave analysis is that it has predicted every major top in the silver market since the 1967 start of contemporary futures trading in this market within a three day projection of time!

The sine-wave structure is amazingly accurate, and as an example of several of the steps I take in my analysis, I will use the major top of January 21, 1980 in both silver and gold. You must remember that I'm observing astronomical happenings of the Fibonacci-based sine-waves which may have little meaning to the casual glance, but influence the future behavior of the markets. I ran a test of planetary angles and sign positions in the past and future to correlate an energy vortex or web of mathematical relationships. The relationships of past and future angle formations dictate the future behavior of the markets, not necessarily the past price action.

PHASE I - The Sine-Wave Analysis of January 21, 1980.

Actual aspects of the planets rounded to the nearest degree on January 21, 1980: sun 1 degree Aquarius, moon 20 degrees Pisces, Mercury 1 degree Aquarius, Venus 7 degrees Pisces, Mars 15 degrees Virgo, Jupiter 9 degrees of Virgo, Saturn 27 degrees Virgo, Uranus 25 degrees Scorpio, Neptune 22 degrees Sagittarius.

First Test: The sun 233 degrees back in time from the target date of January 21, 1980, is May 29, 1979. Aspects: sun 7.5 degrees Gemini square Saturn 7.5 degrees Virgo. Mercury conjunct sun square Saturn, Venus/Mars near conjunction. Back 8.5 moon cycles is June 3, 1979. Aspects: sun square moon's North node and sun square moon, Venus opposite Uranus.

Therefore, this first test sets up a Fibonacci numbered energy vortex of: sun, moon, Mercury, Venus, Saturn, Uranus and moon's node - a tremendous energy vibration which dictates that the future mathematical point in time of January 21, 1980, would be an important change for the market.

Second Test: The sun three years and three months back in time from the target date of January 21, 1980 is 10-20-2376 (13 x 90 degrees). Vibrational aspects working in this time frame: Mars opposite Uranus, Venus opposite Jupiter, eclipse of the sun and a sign cluster of planets in fixed signs: Venus, Mars, Jupiter, Saturn and Uranus. Also, this time frame was a low in the market before a sustained rally of five months began (21 weeks). Therefore, we have another Fibonacci numbered energy vortex, reinforcing the first test's energy points.

Third Test: The sun 4 times 377 days back from the target date of January 21, 1980 is December 10, 1975. Vibrational aspects working in this time frame: sun 135 degrees Saturn, Mercury opposite Mars, Venus opposite Uranus square Saturn, Jupiter stationary direct. Once again a tremendous energy vortex which adds to the foundation of energy points of tests one and two.

Special note: You might notice that the square aspect on May 29, 1979 between sun-Saturn at 7.5 degrees of mutable signs (Gemini-Virgo), was near the Venus-Jupiter opposition (Pisces Virgo) on January 21, 1980. This is a crossing point in Fibonacci-time of planetary bodies, which adds a further piece to our energy vortex puzzle.

There are many other tests I run, but this gives you a sample of the basic concept of the sine-wave theory of time based energy points. From the examples of my testing procedure you can readily see that these points of planetary energies set up a matrix of energy vibrations in time that influence market behavior. I usually correlate as many as 36 different types of these formations to build a foundation of energy points in time which have an affect on future market action. What is even more intriguing is doing a crossing mid-point of time with aspects in the

past and future to a specific point. As an example: The Mars-Saturn sine-wave harmonic worked beautifully for the major top of January 21, 1980. I went back in time 89 weeks (23 moon cycles) and forward in time 89 weeks from the target date of January 21, 1980 (89 is a Fibonacci number). This gives you the dates of: January 3, 1978, and October 10, 1981. On May 3, 1978, Saturn was at 23 degrees--43 minutes of Leo! 24 degrees of Leo is the 144 degree of the zodiac starting with 0 degree Aries as the "0" point (144 is a Fibonacci number). This gives you a perfect Fibonacci sine-wave of Mars-Saturn crossing in time with the exact midpoint being January 21, 1980. Just one more validation of the energy points mentioned in tests one, two and three.

Special note: Another good example of a double-cross in fibonacci based time is the major top in silver of May 21, 1968, and the major low of November 2, 1971. The distance between these two dates in time is 2 times 89 weeks. On May 21, 1968: aspects were Mars at 9 degrees Gemini and Jupiter at 28 degrees Leo. On November 2, 1971: Aspects were Mars at 28 degrees Aquarius and Jupiter at 9 degrees Sagittarius. A perfect crossing pattern of Mars opposite Jupiter, and Mars opposite Jupiter between the two dates.

Phase II - Sky Aspects: In my research I've noticed that Mars and Venus, taken by themselves are focal point planets for predicting many bull and bear markets in silver and gold. The angle relationship and sign position of Mars and Venus consistently correlate with trend changes. The aspects of Venus square or opposite Mars, by itself with no other planetary angle relationship, is one of the dominant movers for silver. As an example:

Top on January 21, 1980 - Venus 6 degrees to opposition to Mars.

Top on September 21, 1980 - Venus square Mars, exact.

Top on May 14, 1974 - Venus square Mars, exact.

Top on December 31, 1967 - Venus square Mars.

Top on March 5, 1984 - Venus Square Mars.

I always stress watching Venus and Mars angles and sign positions before making any decisions in trading the silver market because these angles are critical. It is also important to go to the next step in correlating the Venus-Mars dominance of market behavior by adding the elements of the slower moving outer planets. The angle and sign relationship of Venus-Uranus, Venus-Jupiter, Venus

Saturn, and Mars-Uranus, Mars-Jupiter, Mars-Saturn gives you a focal point of energy. These relationships are necessary to start the up and down market action.

Examples of these relationships are:

Top on January 21, 1980 - Venus 6 degrees in opposition to Mars, Venus opposite Jupiter, Mars 6 degrees break conjunction Jupiter (a triangulation aspect between Venus-Mars-Jupiter, and very powerful). Saturn in sign vibration to Venus-Mars-Jupiter. This is a mutable sign cluster moon-Venus opposite Mars-Jupiter-Saturn. Also note the energy of the big up move is dissipating because of energy loss due to retrogradation of the outer planets.

Top September 23, 1980 - Venus square Mars approaching square-conjunct to Uranus. Sun-Saturn conjunction, sun break conjunction to Jupiter, Jupiter approach conjunction to Saturn (note, Jupiter conjunction or opposition to Saturn or Uranus usually sets up a long term vibration for silver).

As you can see this top had the correlation of most of the planets making powerful angles to each other. Also the sun-Saturn conjunction was stressed by the semi-square to Mars, a triangulation effect with the sun weakened by sign position and Saturn strong by sign position.

Achieving the Ultimate High

By Eric S. Hadik

Since October 1987, numerous theories have been offered to explain the action of the stock market and subsequently predict its future course. Conflicting projections ranging from as low as 400 to as high as 6000+ Dow, serve to confuse the public and often alienate them from stock market investing. The resultant quandary can be alleviated by first categorizing and then validating each theory according to the rules on which it is based. Ironically, the rules claimed as the foundation for each are identical and are clearly presented in a single text, The Elliott Wave Principle.

Reinforcing these rules with the use of common sense, I intend to dispel the notion that the Elliott Wave theory is highly esoteric realm of technical analysis and to encourage even the most basic technician to explore its potential.

Common sense should be employed immediately upon viewing the stock market. The market has recently (1982-1987) experienced one of its most dynamic rallies culminating an even broader advance which lasted more than five decades. It now necessitates a period of consolidation, comparable to the two within this advance, before another substantial move in either direction can be sustained (markets tend to trend only 15-20 percent of the time).

The next step is to subject these hypotheses to the scrutiny of Elliott and assess whether or not they conform to his standards. The initial assumption is that the bull market peaked in 1987 and is in the early stages of a major bear market which should continue well into the twenty-first century.

According to this scenario, the market is now in the second wave of a new Super Cycle wave and it is necessary to determine where this wave is most likely to terminate and the ensuing wave three commence. Regarding two waves Elliott observed that, "Second waves often retrace so much of wave one that most of the profits gained up to that time are eroded away by the time it ends." Therefore, a test of the 1987 highs is very possible without eradicating the bear market scenario.

Taking this scenario one step further by looking one step behind, an interesting revelation occurs. The alleged fifth waves of Primary and Intermediate degree are each extended, a rather uncommon occurrence in fifth waves. According to The Elliott Wave Principle "Fifth wave extensions are retraced twice," and are "never the end of a movement." To clarify,



the authors observe, "...that when an extension occurs in the fifth up-wave, an irregular top will carry the market into new high ground, thereby extending the 'movement' beyond the orthodox top of the fifth wave." So a return to the highs becomes the most probable conclusion, bear market or not.

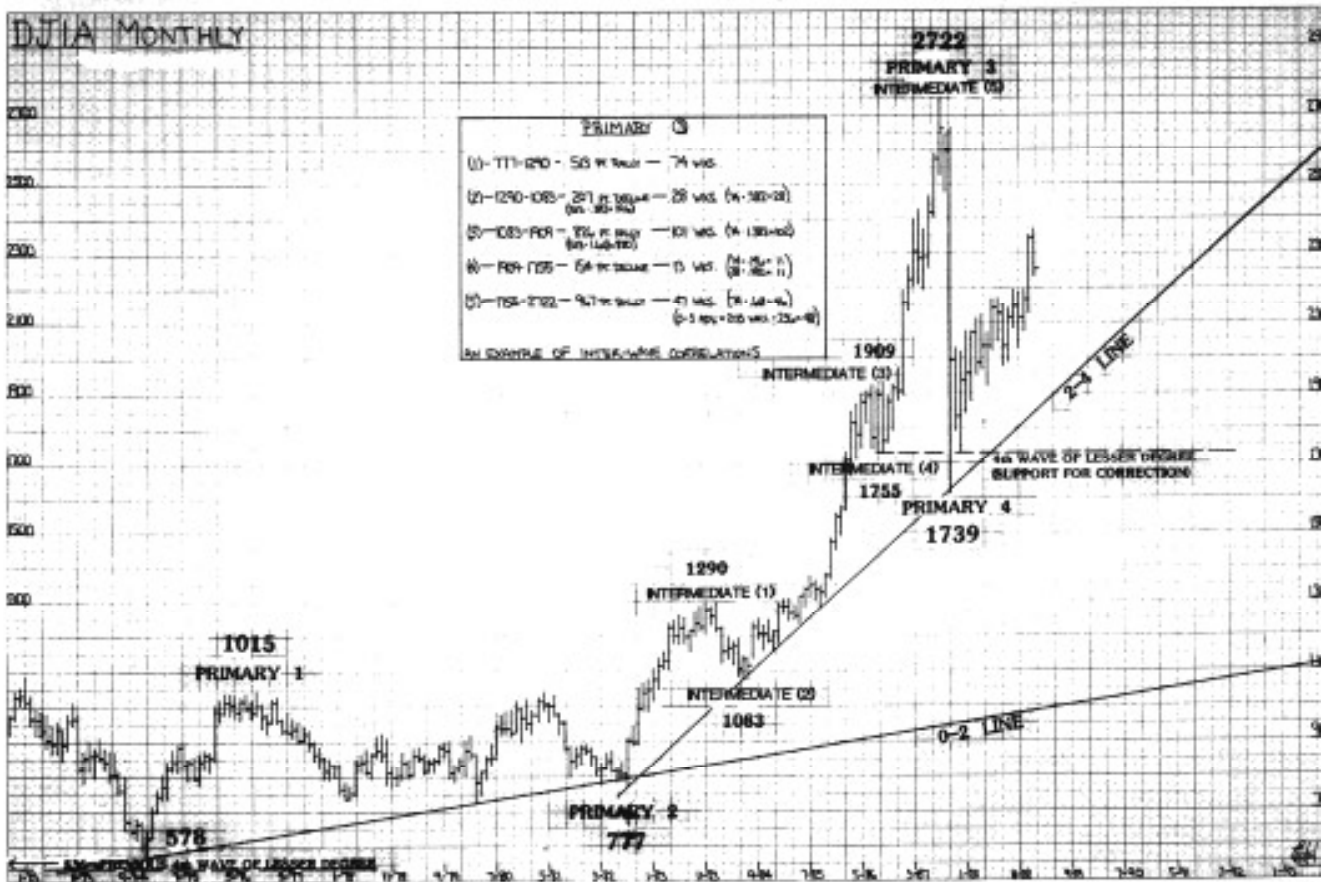
The second scenario contends that the up-trend remains intact and new highs, or extraordinary proportion, are yet to materialize. The underlying assumption is that the fifth wave will exceed the advance of the first wave (373 percent) and therefore, by the rule of wave equality, correspond to the advance of the extended third wave (970 percent).

The Elliott Wave Principle states that, "...the majority of waves contain extensions in one and only of their three impulse waves...(which) occur most often within third waves."5 Furthermore, "...fifth waves are usually less dynamic than popular conception holds."6 Consequently, it seems highly improbable that we will experience this euphoria in the market.

I would like to offer another alternative which has, until now, gone undetected. My inference, based on all available information, is that the market will rally into early September, 1989, and barely exceed the 1987 highs, fulfilling all necessary wave counts and terminating near 2750-2775 DJIA. Knowledge of the proceeding waves is necessary for ratio analysis and is provided in Figure 1.

Assuming that Cycle wave five is related to the proceeding impulse waves (five and 24 years) the most probable expectation is a 15 year rally (15 = 5 x 3, and 24 x .618). More precisely, an advance of 176 months is likely (285 months x .618 = 176) and would project a high in August 1989 (the anniversary of 1987 highs). This wave, if equal to wave one and related by .382 to wave three, would peak near 2735.

If Primary wave five were to correlate in like manner to Primary wave one, a high of 3060



would be expected. However, if wave five were related to wave three, by the most pertinent ratios, a high in September 1989 (60 months x .382 = 23 months), near the 2765 level (250% advance x .236 = 59 percent advance) is more likely.

Applying another of Elliott's rules, "Wave five is related by the Fibonacci ratio to the net advance from the beginning of wave one to the top of wave three," confirms this theory. The net advance of the first three waves is 371 percent and lasted 152 months. Multiplying each by .146(.6184), a fifth wave, advancing 54 percent and lasting 22 months, would peak near 2710 in August 1989.

There is also a very convincing argument from Gann, reinforcing this hypothesis, two areas of which I would like to mention. Gann placed much emphasis on the number nine and the use of anniversary dates, from year to year, in his analysis. Expanding the latter to decades and centuries, and combining with the former, reveals some interesting "coincidences."

- 1) Grand Super cycle wave five began 1789
- 2) Super Cycle wave three high 1929
- 3) Primary waves one and three highs 9/76, 8/87
- 4) Highs proceeding sharpest declines 9/29, 8/87

In addition, consider what might occur on the ninth day of the ninth month of the year nine in the ninth decade of 1900 (9/9/1989)! What might the 1990's hold? Judge for yourselves and see if you agree that any way you look at it, a high in September 1989 is a very real and startling possibility for the current Super Cycle wave structure.

Bibliography:

- 1 Elliott Wave Principle Prechter and Frost, New Classics Library
- 2 ibid page 66 5 ibid page 25 ibid page 30 ibid page 25
- 4 ibid page 30 7 ibid page 107

This article was submitted in February 1989 by Eric S. Hadik Box 750161 Houston Texas 770757

Cycles: Predicting Price & Time...

By Jeff Rickerson

In the never ending quest to predict the never ending quest to the futures markets (or the future for that matter) I have found that price/time series analysis; or the study of rhythmic behavior (both in nature and financial markets) is the key to unlimited profit potential in futures trading.

My interest in cycles was born out of my interest in commodity futures. Recurring cycles in commodities as well as in other areas have always fascinated me. I was curious as to why they recurred with such predictive regularity. It was my intense curiosity and interest in why things in nature (or for that matter, the entire universe) occur and recur in regular time intervals with such predictability.

Variable Time Cycle Projection Equation:

(1) $D \times .618 + (LD2 \text{ or } HD2) = FvTP$

(2) $D \times .618 \times 10\% = TW$

D = distance (trading days) between (HD1 & HD2) or (LD1 & LD2)

HD1, HD2 = High Point (day) #1, High Point (day) #2

HP1, HP2 = High Point (price) #1, High Point (price) #2

LD1, LD2 = Low Point (day) #1, Low Point (day) #2

LP1, LP2 = Low Point (price) #1, Low Point (price) #2

.618 = Fibonacci Factor

FvTP = Future variable Time Point

TW = Time Window

Variable Price Cycle Projection Equation:

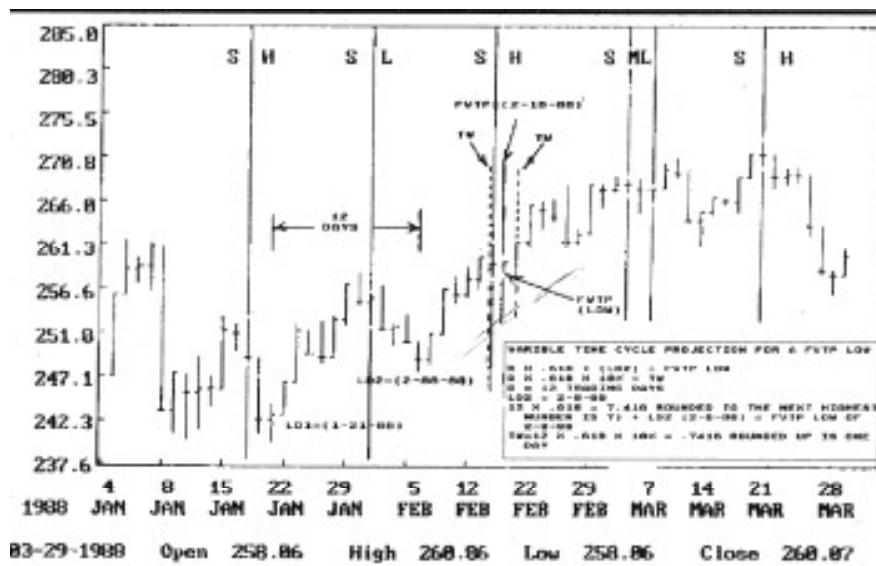
(1) $(LP1 - HP1) \times .618 + HP1 = 61.8\% \text{ retracement (buy) price}$

(2) $(LP1 - HP1) \times .50 + HP1 = 50\% \text{ retracement (buy) price}$

(1) $(HP1 - LP1) \times .618 + LP1 = 61.8\% \text{ retracement (sell) price}$

(2) $(HP1 - LP1) \times .50 + LP1 = 50\% \text{ retracement (sell) price}$

NOTE: In bull markets choose low points; in bear markets choose high points for your calculations for best results.



My research has isolated several major cycles which recur with startling precision. This precision, which can be precisely projected, increased my curiosity as to why this occurs; both in nature and financial markets.

The theory of cycle analysis is that certain events will occur within the cycle triggering prices (or other naturally occurring events) to change and move in the expected direction and duration of the cycle during a specific time interval. Before we begin discussing cycles we first must have an understanding of cycles. The word cycle comes from the Greek word circle. Simply stated, a cycle is the coming around to the point of beginning.

However, we want to be more specific in our measurement of recurring cycles in futures. We want to be precise as to when the cycle will begin and end. In cycles we are looking for rhythm. Rhythm is another Greek derivative which means "Measurable Time". A cycle with rhythm is one that comes around to the point of beginning at regular and measurable time intervals.

A rhythmic cycle has a tendency of being periodic, or one of periodicity. This is to say that the cycle repeats itself in a regular pattern of wavelengths at regular and precise time intervals. This is similar to the now famous Elliott Wave theories.

A wavelength is the length of a wave (high to high or low to low of a price wave or other wave, etc., that is being measured). An oscillation is a single wave in a series of waves. An oscillation is a fluctuation between a variable or fixed time intervals.

There is one last definition that is needed for your understanding of cycles. Frequency is the number of waves/oscillations in a specific time interval. This is important because there are several short term waves in one long term wave. This creates both short term and long term cycles.

Where does all the above fit into our analysis and trading the stock market or other commodity markets? Well, first of all many economists, market analysts, financial consultants and investors/traders believe that all markets follow the "random walk" theory. This is to say that all markets are random and follow no pattern at all; that the markets just exist and that price/time movement is created from randomness and that history does not repeat itself in predictable intervals.

If the random walk theory is true then why do markets seem to mysteriously and suddenly snap back (after having been distorted) into specific cycles of rhythmic patterns that can be precisely determined before they occur.

The specific cycles of periodicity I am referring to can be measured and have been proven. It is this fact that markets (or other naturally occurring phenomenon) do have a specific and regular degree of predictability that I believe discredits the random walk theory of the markets as a 100 percent reason for why the markets behave as they do. I believe that the random walk theory is only 10 percent of the equation and occurs during time periods of distortion caused by such events as positive/negative government reports, threats of war or natural disasters, etc. However, even these events can be accurately calculated using the same cycle analysis so the entire theory of random walk can easily be discredited.

In order to profit from cycle analysis in trading stock and commodity markets you must first isolate the minor and major cycles in those markets. You must then analyze those cycles for statistical significance on many years of historical data. Next those cycles must be able to be projected into the future and occur on or within a specific time period in order to be statistically significant -- that is not just by chance.

In my own cycle analysis I have used both fixed and variable calculations for projecting both price and time. A variable cycle projection is based on actual past high and low price/time points which change as new highs/lows occur. A fixed cycle projection is based upon a

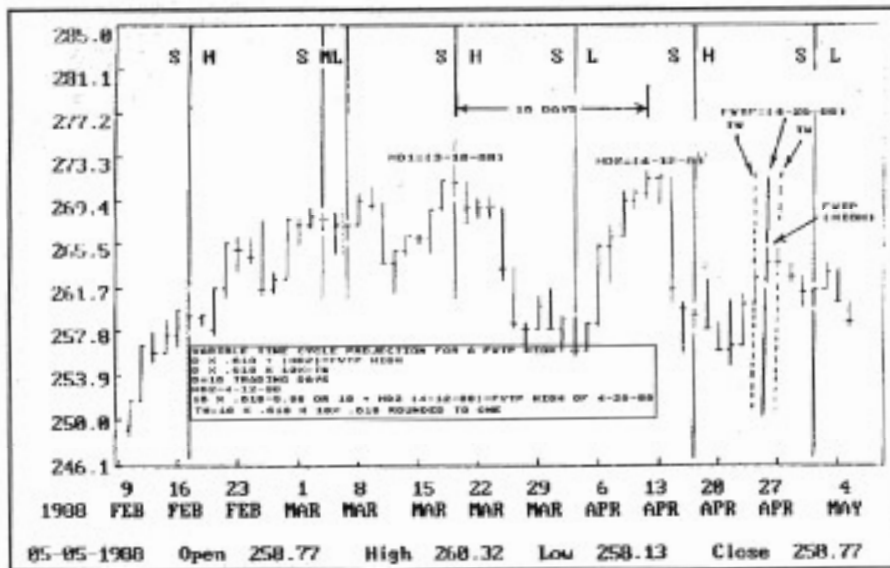


Figure 2

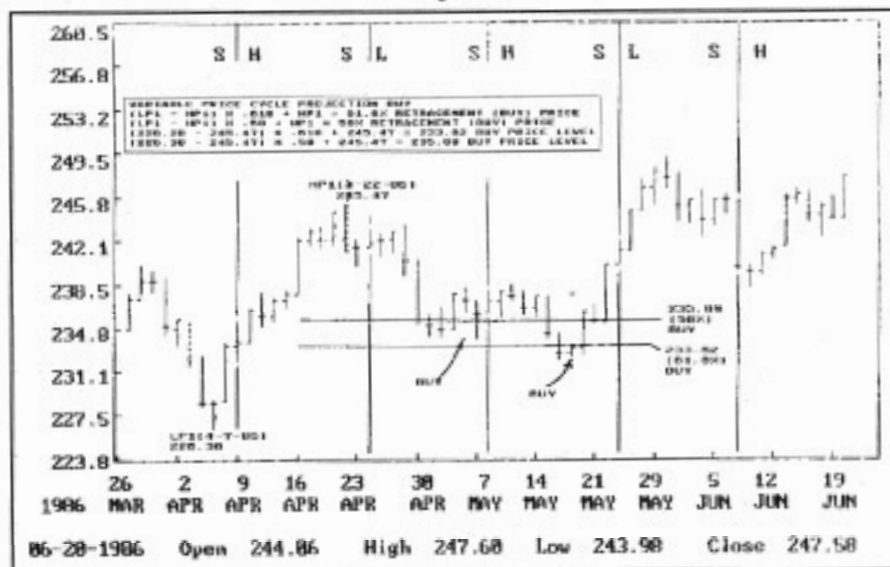


Figure 3

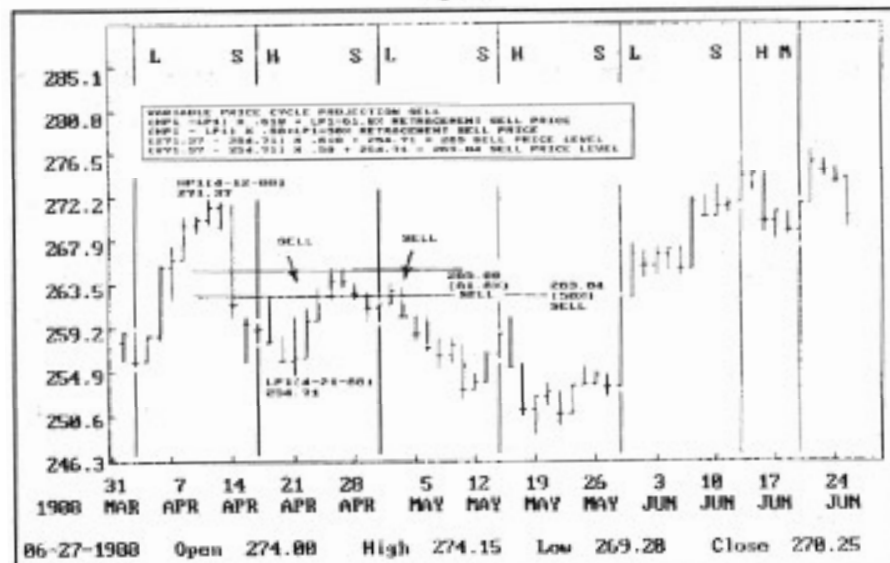


Figure 4

predetermined and set price/time equation that does not change regardless of past, present, or future price/time and continues into infinity.

In this article we will be concerned with only one variable calculation. I have chosen variable cycle projections for three reasons: (1) simplicity, (2) it works on all markets, (3) I am able to give a simple example that will be useful in current trading. Fixed price/time cycle projections involve my other proprietary knowledge that I have programed into a computer along with other variable cycle projections. Combining the two makes for a most profitable trading system.

In making a variable cycle calculation for price and time please refer to Figures 1-4. In reference to Figures 1-4 the following equations and abbreviations will be used.

First pick two low points (L1 & L2) [See Figure 1]. Count the distance (trading days) between the two low points. Multiply this distance by the Fibonacci number .618 (round up to the next highest number). This gives you the number of days that you add to the most recent low (L1) that has occurred which you chose. The resulting answer is the FvTP day which the next low will occur in the variable time sequence. Take the number of days which you added to low point number one (L1) and multiply that by 10 percent. This gives you a time window or the number of days on either side of the FvTP date that prices could also reverse. You would do the same for two high points (H1 & H2) [See Figure 2] in order to calculate the next FvTP high time point.

The above is one simple way to calculate a variable time cycle projection. In order to calculate a variable price cycle projection use the variable price cycle equation. From a major low or high point calculate a 61.8 percent and-a 50 percent price retracement. This will give you a price window that prices have a high probability of reversing. Refer to Figure 3 and Figure 4 and plug in the appropriate values in the equation.

My current research and newest discoveries has allowed me to expand the basic definition of cycles; why they occur, and why they occur when they do using both variable and fixed price/time equations. I do not have enough room in one article to reveal the sequence of events that lead up to my discovery or even to reveal the discovery. However, in this article I hope I have introduced you to an important aspect of cycle analysis.

In future articles I'll get more specific on predicting both price and time using cycle analysis.

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New Concepts In Multi-dimensional Trading Systems

By Marcus S. Robinson

Trading stocks and commodities has become a very exciting yet volatile business. Professional traders around the world have searched out a variety of trading systems in the hopes of gaining a decisive edge in their hard won trading abilities. Over the past few decades a number of systems have survived this inexhaustible search for the financial holy grail. Many professionals have found it necessary to combine two or more trading systems to compensate for the inherent weakness in a single system approach (and I count myself among them).

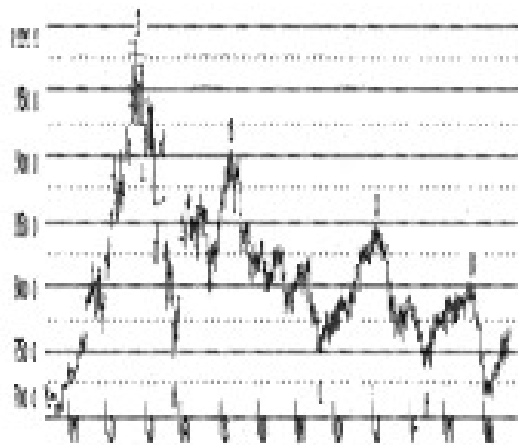
I have tried as many as 100 different approaches to analyzing the markets with varying degrees of success. During the past decade I've followed the best of the Elliott Wave and Fibonacci Ratio technicians, the most exotic Gann practitioners as well as some of the most advanced computerized analysis of price momentum and trade facilitation available to date. As if this wasn't enough, I've delved into the lesser known world of astro-economic psychology. After this odyssey into the world of real time market analysis, I've come to grips with two immutable laws of trading securities and commodities: 1) there is no such thing as a "sure thing" trading system, and 2) if you don't get hung up on trying to predict the future, there's a lot of money that can be made with existing trading technologies.

The purpose of this special report is to introduce interested parties to a hybrid trading system called Spectrum Analysisism. This system can best be described as a profile on the markets which interest you most. This "profile" consists of three predictive technologies which are used to determine the overall character of the market (Elliott Wave Theory), major external forces which may influence the market (cyclical and astro-psychology) and the natural underlying structures of support and resistance in the market. This last feature is accomplished by the skillful use of Fibonacci ratios and concise interpretations of a market's Gann Architecture. While the results of the battery of studies will provide the trader with great insight into the probable future price movement, it is insufficient in determining tactical trading strategies in the heat of the battle. This primary level of analysis will provide the trader with the big picture from which to create an overall trading strategy.

To develop the all-important tactical trading decisions, I use a battery of computerized trend following systems. Included in this level of the profile are some of the "tried and true" trading systems such as Stochastics, Relative Strength Index (RSI), Commodity Channel Index (CCI), Williams %R, Volume and Open Interest oscillators as well as Multiple Moving Averages. These systems were chosen specifically for their abilities to determine overbought/oversold conditions both within a trend and/or at trend reversals. The studies are done in real time and in multiple time series. In order to apply the information gained from Level I and Level II, I combine this information with concise interpretation of the CBOT's Volume Profile/LDB as well as the current volume and open interest statistics. I assert that armed with this kind of information (preferably automated),

traders can expect to see significant improvement in their trading results.

In the paragraphs to follow we will take a close look at the soybean markets and apply Spectrum Analysis to reveal the finer aspects of the profile and perhaps some mid-year profits.



Relevance III/The Preferred Wave Count

To begin this inquiry into the nearterm price direction in any market, it is useful to uncover one's psychological motivation for trading and the intended results of the process. In my case, I do this work for two reasons: 1) the personal satisfaction of sharing the information and 2) the tremendous profit potential of speculating in the markets. The intended outcome of this exercise is to produce a viable trading model which includes prices projections, Change In Trend (CIT) dates, a cyclical outlook and a general understanding of the overall structure of the market such that I can trade effectively.

THE WAVE COUNT

As previously stated, Elliott Wave theory allows for a concise interpretation of the overall character of a market. It answers questions like, "Is this the beginning of a move or rather a corrective phase?" or "Should I expect an explosive move or just a slow grind to the next price objective?" In order to get a handle on the answers to those questions, one would have to be familiar with the many rules which are associated with this complex system. Here are some of the basics.

This theory assumes that the price action of a market is an expression of the aggregate of human emotion and decisions which are made in the markets. As the theory goes, a bull market will consist of a five wave pattern (3 waves up punctuated by two corrective waves down). Conversely bear markets tend to decline in three waves (two down waves punctuated by one up wave). There are rules of alternation which basically means that any corrective move must alternate from a simple chart formation (ABC type corrections) to a more complex structure such as a triangle or flat correction.

Traders should keep in mind that under this market theory, there are numerous price patterns and wave degrees (size) which must be understood to apply the theory successfully. There are rules of equality which basically states that waves of similar degree must more or less equal previous waves of similar degree. Elliott Wave technicians often employ other technologies such as Fibonacci or Golden Section ratios to help determine the size or degree of a particular wave. Traders using this technology should emerge themselves in some of the well

known books on this subject to gain greater insight.

The most objective approach to this technology is to create two or three high probability scenarios based on the rules authored by R.N. Elliott himself. This would entail counting the wave of previous price action and extrapolating future price action based on the theory. I generally look for three scenarios or "wave counts" which give me an overall characterization of where the market has been and it will most likely go next according to the theory.

In the case of soybeans, the July contract has been in the throws of a major correction of the explosive rally in the grain market caused by the drought of 1988. Using sophisticated computer technology to enhance our wave counting efforts (Relevance III Software), we've labeled the 1988 advance in the beans as primary wave III of a major bull market. If this interpretation is correct, all of the price action off the June 1988 high can be correctly labeled primary wave IV in progress. In the chart above you can see that we have labeled this wave IV correction as a double zig-zag formation. This is our primary count. If the future price action validates this count, traders should expect to see a sharp advance unfold in the beans before long.

Our first alternate count is a variation on the same theme. It recognizes the June 1988 high as primary wave three and labels the correction of that move as an Elliott triple zig-zag in progress. If this interpretation is correct, then traders should expect to see and X wave rally (currently in progress) which will be followed by another ABC type decline into new lows for the move. While this count is short term bearish, it does imply the inevitability of a fifth wave rally of primary degree lying directly ahead.

Our second alternate count is extremely bearish suggesting sharply lower prices for the beans and the grain markets at large. This count labels the June 1988 as the completion of primary wave, signalling the end of the bullish move. This interpretation calls for an extended bear market to form. Based on this assumption we've labeled the July low as intermediate wave one of a larger five waves down pattern. We've labeled the September 1988 high as wave two for this move wave three is expected to have numerous complex subdivisions as current level, it now appears that we are in the initial stages of wave three of three. If this interpretation is correct, traders should see an unbelievable decline unfold in grain prices in the not too distant future. Later in this report we will explore some of the price and timing projection forecasts for each of these possible scenarios.

THE GANN ARCHITECTURE

As the name implies, these studies were inspired by the legendary Wall Street trader W.D. Gann. It goes without saying that W.D. Gann was one of the most influential traders of all time. He developed this intricate system of trading stocks and commodities using a unique combination of precise mathematical and geometric principles which he applied successfully to his trading. Mr. Gann would divide a market price range into eighths and thirds in order to estimate support and resistance during market advances and corrections.

Gann's geometric angles were drawn from prominent highs and lows at a specific degree of angulation which represented the relationship between time and price. He explored and mastered these techniques and many more, making himself a fortune in the process.

A close inspection of the Gann architecture would reveal stiff resistance offered by the 1 x 1 downtrend line off the June 1988. As you can see in the chart above, this line has contained all rally attempts thus far in the correction. If the market were to successfully penetrate resistance offered by this line, it would most likely signal the end of this major correction and thus validate our primary wave count. A failure to penetrate resistance here would signal a continuation of the decline in progress and thus validate our alternate wave counts. It is interesting to notice

how the rally attempt in March was aborted as prices approached the intersection of 2x1 uptrend line off the March 1988 low and the 1x1 downtrend line off the June high just at the precise time and price. Traders should take note of how these geometric angles actually represent the underlying price/time structure for the market. Mastery of this one technique could greatly enhance the potential earnings of any trader!

As mentioned earlier in this section of the report, one of Gann's most popular techniques was to divide range of a prominent high and low into eighths and thirds. We have experimented with this technique in numerous variations and find that divisions of 1/8 to be typically more useful to us. As you can see in the chart we've provided, these range divisions can be extremely useful in conjunction with the geometric angles. Notice how the intersection of the 1x1 downtrend line with the 1/2, 3/8 and 1/4 range divisions have offered stiff resistance for every rally attempt we've seen so far this year. Mastery of this one technique could substantially impact the profitability of even the most experienced trader. We've provided several study references for those of you who are so inclined.

PRICE PROJECTIONS

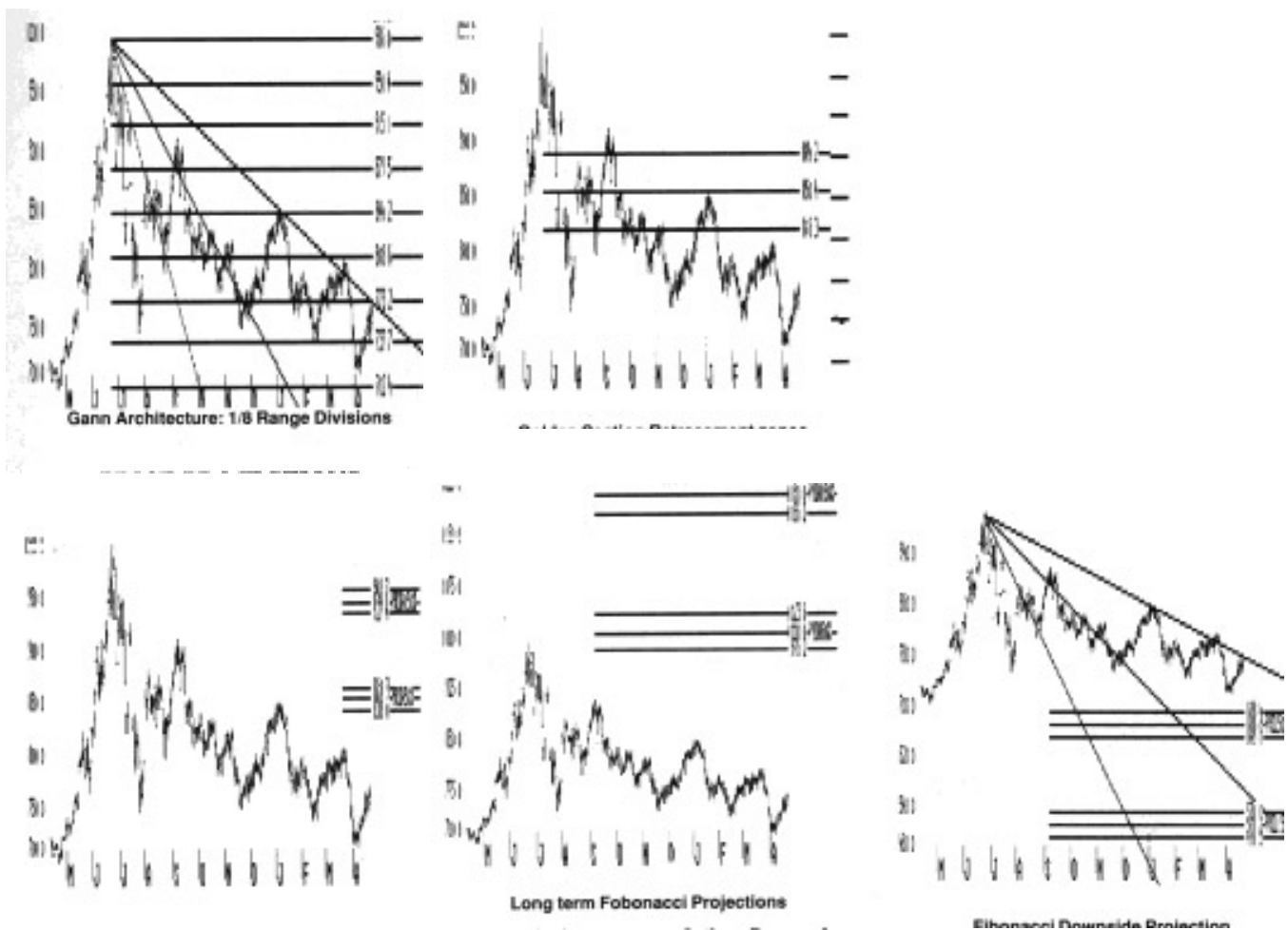
One of the unique characteristics of our trading model is that it produces exact price projections using a proprietary form of analysis which includes Golden Section Ratio (Fibonacci) analysis, Gann structural analysis as well as some of the more obscure Gann applications of Astral Psychology and planetary movements. In regard to the Fibonacci related Golden Section Ratios, the basic assumption in this numerical system is that everything is relative. Not only is it relative, our interpretation of his work asserts that relativity of price movement within a given market can be accurately expressed in terms of a ratio. We apply these ratios to the general price action of the market by multiplying them against the range of a previous rally or correction phase to project the future price objective for the succeeding price direction. The most common of the ratios we use to generate these price projections are; .382, .50, .55, .618 and .892 or their multiples (1.382, 1.50, etc.).

The first place to look is for a retracement of the prevailing trend to develop before any meaningful rally can unfold. The chart in this section of the report provides a graphic illustration of what a Golden Section retracement of the June 1988/April 1989 correction in a bull market.

As you can see, the market would have to rally as much as \$1.25 before you start getting excited about a test of the June high in the offing. Traders can use these projections as either potential exit points if you were long the market and/or as price target zones to sell into strength if the momentum indicators were registering overbought extremes. This approach would provide the trader with a practical guide to plan trading tactics in advance.

We then look for a confirmation of these retracement levels by overlaying another group of projections. To arrive at these numbers prevailing price trend (in this case we measure the range of the March selloff) and multiply them by several key Fibonacci ratios. As you can see, the overlap of the first group of projections in this study coincides with 50 percent and 62.8 percent retracement levels. We can now begin to refine our opinions about the market saying that if the market does rally above 8.00 (basis July), to expect a good deal of resistance at the 8.20/8.40 level. Again, the price zones can be used to exit long positions and/or entering a new short position.

Now that we've gotten a handle on the potential retracement levels within the framework of



the previous high for this contract, we can now turn our attention to the potentials of a breakout above the June 1988 high. To accomplish this, we measured the range of the September 1988 high and the April 1989 low and multiplied it by several Key Fibonacci ratios. This technique provided us with further insight into the probable price target zone of an extremely bullish move in the beans. While we cannot rule out further downside from current levels, to prepare ourselves to take advantage of any such move, should one develop.

Traders should keep in mind that any break below 7.15/7.02 basis July would invalidate all of this upside projections and signal a continuation of the prevailing downtrend. The point here is to determine the natural underlying support levels for the market. To accomplish this, we measure the range of the August low and the September high. This rally phase of the market can be correctly labeled Intermediate wave B of primary wave IV (an alternate count). Under this scenario, the ensuing decline can be labeled intermediate wave C of a large ABC type corection. What we're attempting to do here is find the most probable low for the move (if we have not seen it already). These downside projections can be used to exit a short position

Fibonacci Downside Projection and/or to initiate a new low position if the momentum studies signal an oversold extreme.

The Gann Wheel on May 1989 Coffee

By Jim Purucker and Pat Reda

Since the February/March 1989 issue of G&EW another natural vibrational time-trend change cause and effect timing point occurred the week beginning February 20, 1989. Specifically, a trade was presented from this natural timing point on the May 1989 coffee from the long side.

In chapter three of W.D. Gann's book, "How to Make Profits in Commodities," Gann states, "Time is the most important factor of all and not until sufficient time has expired does any big move start up or down. Time must be allowed for accumulation or distribution before the trend can change."

Once you are aware of when these natural timing points occur, the next step is to watch for the G-A-N-N2 Buy/Sell price pattern to form. This pattern allows plenty of time (3-4 weeks) to visually see accumulation or distribution to take place.

The May 1989 coffee trade starts from the zero degree natural cause and effect week of February 20, 1989, marked (G) on the chart. The high price of January 3, 1989, at 159.20 to the low price on February 21, 1989 at 122.90 was 3 squares of 90° on the Gann Wheel.

Next, follow Gann's rule #25, page 44 in "How to Make Profits in Commodities," "Don't guess when the market is at bottom. Let the market prove it is at bottom." From the low in May 1989 coffee at 122.90 a rally occurs into the week of March 13, 1989, making a high in price on March 17, 1989 at 135.24. This was one square of price 90 degrees from the 122.90 low and 180 degrees opposition from the 159.20 high of January 3, 1989 on the Gann Wheel, marked (A) on the chart. Three market days later, on March 22, 1989, as the accumulation pattern continues to build, the low or (N) marked on the chart, is put in place. The following day the (N2) of the price pattern is formed. From this point, more time is needed for the price to drop below the (N) low to trigger our actual buy recommendation on the P/R Futures Hotline broadcast, to buy one contract of May '89 Coffee @126.15 on 3-28-89. Initial protective stop 124.15. On the Sunday, April 2nd P/R Futures Hotline broadcast, the protective stop was raised to 125.45.

On the Tuesday, April 4th, P/R Futures Hotline broadcast, the protective stop was raised to our break-even entry point of 126.15. On the Thursday, April 6th P/R Futures Hotline broadcast, the stop remained at 126.15. On the Sunday, April 9th P/R Futures Hotline broadcast, the protective stop was raised to 128.15. On the Tuesday, April 11th P/R Futures Hotline broadcast, we recommended an additional long contract of May '89 Coffee @ 1st Order Vibrational Price Support of 131.95 M.IT. The protective stop was raised on the entire position to 130.15. On Wednesday, April 12th, we bought @ 131.95. On the Thursday, April 13th P/R Futures Hotline broadcast, we recommended to hold the 2 long May '89 Coffee contracts with a protective stop @ 130.15. On the Sunday, April 16th, P/R Futures Hotline broadcast we recommended to buy a third May '89 Coffee contract at 2nd Order Vibrational

Price Line Support @ 134.30. The protective stop was raised on the entire position to 131.15, which was just below the final Major 1st Order Vibrational Price Line Support of 132.85. This final Vibrational- Price Line Support @ 132.85 must hold in order to maintain the up trend in May '89 Coffee. A price breakdown below this level would reverse the psychology of the

Coffee market, thus turning the trend decisively lower below the 2nd Order Vibrational Price Line Support of 134.30. The last line of major support was 90° lower at the 1st Order Vibrational Price Line of 132.85, as mentioned previously. 132.85 was the opening price and the exact low of the day where we bought the third May '89 Coffee contract @ 132.85. Protective stop is 131.15 on the entire position. On Monday, April 17th, this final Major 1st Order Vibrational Price Line of 132.85 held and launched a major rally to close that day @138.85. Once again, the market has proven itself by picking up the energy for launch at the Major Vibrational Price Line Support on the Gann Wheel, confirming to all P/R Futures Hotline Subscribers, the major trend remained very bullish.

On the Tuesday, April 18th P/R Futures Hotline broadcast, we recommended to sell 2 contracts of May '89 Coffee @141.90 M.I.T., which was the Vibrational Price Line objective on the Gann Wheel, as well as a 50% retracement at the center of gravity from the contract high on 1-3-89 @ 159.20 and the 3-21-89 Low @ 122.90.

On Thursday, April 20th, we sold 2 contracts on May '89 Coffee @141.90. On the Thursday, April 20th P/R Futures Hotline broadcast we recommended selling the remaining contract on the open Friday, due to 1st notice day on the May '89 Coffee.

On Friday, April 21 st, we sold the remaining contract @ 139.10. The closed profit on the three long May'89 positions was \$11,981.25 in 19 market days.

Jim Purucker and Pat Reda produce the PIR Futures Hotline through Gann Wheel Global Advisors of Canada, Inc., P.O. Box 747, Mount Royal Postal Station, Montreal, Quebec, Canada H3P 3G4. Pat Reda is available at (514) 354-1935. Jim Purucker is available at (602) 820-7935.

