Trading the Stock Market Indexes

By Scott D.Wolfe, C.T.A.

Trading in the stock market in success in the stock market indexes is an exciting daily challenge. As a C.T.A. (Commodity Trading Advisor) who specializes in trading the New York Composite Index, I have learned some very interesting things about the stock market which I hope may be beneficial to you in your trading.

Because of the paradoxical nature of the market and its uncanny ability to fool continuously the majority of its participants (including even profession traders) it is definitely a sporting arena not for the inexperienced or the faint of heart. Indeed, one of the key elements to successful investing or trading is the ability to do the opposite of what "seems" like "is supposed to" or "should" happen and the ability to quickly admit mistakes about being on the wrong side of the market, in order to get out rapidly and cut losses. If a person can develop these disciplinary qualities after first learning rudimentary working knowledge of the market, they should be on the steady road to success. If you add to that the opposite function, which is the psychological strength to hold on to trades on the correct side of the market that are making profits, you have the basic overall success formula in a nutshell. The difficult part of all this is that there is no definite or exact process to be followed in order to develop these skills other than by patience, trial, and error.

Practically speaking, direct participation in the market with proper guidance from someone experienced in these matters, is the only way to really develop the necessary knowledge and skills. However, in this article I will attempt to give you, the reader, some important strategies used by professional floor traders, exchange members, and specialists who generally are the correct minority in the stock market.

In trading, as I mentioned earlier, I prefer to use the New York Composite Index, which is the stock market index contract traded out of the New York exchange. The NYFE (pronounced "knife"), as it is affectionately know by its traders, can cut you a big piece of the stock market pie if you know how to trade it, or it can slice your ... well, let's just say it can be very volatile. The NYFE index is comprised of about 1700-plus stocks traded on the New York Stock Exchange condensed into one index price. This index moves at about half the speed of the well-known S&P 500 Index traded out of Chicago and therefore at about half the dollar value.

First of all, in order to understand the general, overall tendency of the stock market, picture a rubber band held and stretched to one extreme until the tension is at its limit, brought back to the center, stretched in the opposite direction to its limits, and then again brought back to center. This is similar to how the stock market functions about 70% of the time, stretching from overbought to oversold and from oversold to overbought. The other 30% of the time the market will break out of its established range and move to new highs or lows and there again trade from the overbought/oversold extremes in that new range.

Our market studies show this occurring on a continuous basis both in daily, weekly, monthly, and yearly time frames. Obviously, the key would be to understand the how, where, and most importantly the who of this ongoing process and movement between overbought and oversold.

I propose that one of the most crucial and key elements to following and trading this pattern is understanding what I call "everyone" or what is more commonly known as consensus opinion. Although there are several excellent publications and services that track consensus opinion, I have found that one of the easiest ways to figure out what "everyone" wants to do is written in the market movements themselves. You merely have to learn how to go opposite the consensus of "everyone." Here are several ideas that you may find helpful in trading the stock market indexes. You should observe the ideas in real time for a few months and notice the different variations before attempting to try to trade with them. Also as you probably already realize and as a C.T.A., I am required by regulation to tell you, there are no assurances that any of these methods will always work or be valid strategies under all market circumstances. Futures trading is risky and you should only use risk capital.

-1- If you see all the business news on television, radio, and/or popular print media being overzealous in negative or positive reporting, you need to generally look towards taking the opposite side of that consensus when it gets to extremes. How to figure out extremes? Watch for a fast, hard move in the direction of the news on the Indexes and then an almost as quick recovery to the price it ran from. On the NYFE index this is usually a move of 1 1/2 points or more. For example, say that "everyone" is totally negative on the stock market and on a given day the Dow is down 40 points by noon. After a hard, fast down move on the NYFE with almost immediate buying that not only closes the Index above or near where it ran lower from, but the Dow recovering to closing, say down only 12 points or so, this is often a very powerful short term buy signal. If you are very astute at trading the NYFE you can be prepared for this an catch even the hard, fast dip to reverse into and get long. This is normally a very high-confidence trade that can make excellent profits on a day trade or short-term trade basis. The fast price recovery is the key and the market is loudly telling you the direction that I favors.

•2- Another high-confidence trade although somewhat more tricky is as follows: If the Dow Jones Industrial Average is up or down 20 points or more on any given day's close and the next day opens and runs in the opposite direction to the point where the Dow is up or down 15 points or so in the opposite direction of the previous day's session close, enter a trade on the Indexes from the direction of the previous day's close. For example: On a given day the Dow is up 26 points and the next day it opens lower and is down 15-20 points mid-morning. You would look to buy the stock market Indexes at that level when the Down is down, and hold for a rally. The Dow should recover to at least break-even within the first hour or so after you enter the trade. This is a regular signal used by many experienced traders and works about 75% of the time. Just be sure to put a stop below your entry point or so to limit your losses. Remember also that if your stops are too tight (within 5 ticks of the high or low of the day) a favorite practice of the floor traders is to go on a "search and destroy mission" to hit those stops and earn quick profits by taking you out of your position.

-3- Another excellent signal, which requires more experience than that of the previous two, is to watch for the first market run direction right after the open, usually within the first 20 minutes. A run of about 10-15 ticks on the NYFE index is often, but not always, a signal that the market is giving as to which way it wants to go. The key is that the move is very quick and spunky which a slight pullback of about half the run. If you are good at this and very agile, you can jump aboard on the quick pullback in the direction of the run for a usually very good day trade at least through the morning session or first few hours. This is a very high-confidence trade when it sets up properly.

As far as psychology goes, there are many important things to know. Ironically, however, the first and most important thing to learn is simply that you have to be extremely honest with yourself and really, really know how to trade. All the psychology instruction in the world will not help you if you do not know what you are doing.

Why is it that people will quickly admit that they know very little about, say, mechanics or medical procedures, or electronics, but when it comes to money, investing, or trading, their egos wants to pretend that they know what they are doing? You can't learn to become a top pro football player by practicing in the park on weekends, or a skilled heart surgeon after a few years in medical school. Trading is a learned, exact science, art, and sport that is usually better left to the professionals until you really know what you are doing.

A large part of this business is losing trades and unless you are psychologically equipped and prepared you could have a very expensive experience instead of making nice profits. However, if you really decide you want to learn to trade, remember this key psychological understanding: you will give yourself as much money out of the markets and trading in direct proportion to your acquired trading skills, self-valuation, and self-worth. If you have any guilt feelings about past financial rnistakes or even stresses related to job, family, or other relationships, the stock market or for that matter any financial market is a tough place to try to resolve these conflicts and may compound the problem. But if you have a good, calculating mind, some extra risk capital, and a total, undying enthusiasm to win and beat the market, trading the stock Indexes can be a very rewarding and satisfying business.

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Don't Give Your Trading ProfFIts Away To The IRS This Year!

By Ted Tesser, C.P.A.

As a Certified Public Accountant who is also a trader, I am con stantly thinking in terms of saving my clients money. Traders, in particular, need to hold on to every dollar they can, so as tax time approaches, it is wise to investigate any potential tax saving opportunities that exist.

First of all, traders should try to convert ordinary income to long term capital gain. Under the 1993 Tax Act, one of the few perks left for taxpayers was that long term capital gains (held for a year or more) are taxed at a maximum of 28% rate as opposed to the ordinary tax rate (as high as 39.6%). Commodity traders have another perk, in that all xcommodities are treated as 60% long term and 40% short term, regardless of how long they are held. This is also true for many types of options.

If you hold mutual funds, selling the fund the day before a dividend is declared and buying it back the day after may save you taxes. This way, you will avoid having a dividend paid to your account and taxed at a higher rate then the long term captial gain would be. Also, if you invest in stocks, consider growth stocks as opposed to stocks that pay current dividends. They will provide you with a tax advantage by payuing you income taxed at a lower rate (as long term capital gains).

Also, review all your hodings at year end to try to maximize your tax position. You may have unrealized losses that you want to sell that can offset gains you may have taken throughout the year. You can look for investments that have gone bad and write them off without any proof that the company has actually gone bankrupt yet. As long as the investment is deemed worth- less (and this is somewhat subjective) you can write it off. Also, nonbusiness bad debts (bad personal loans) can be taken as short term losses and written off against your capital gains.

One technique that is real handy is called shorting against the box. If you own an investment that you are holding at a gain and you want to sell it, you may not have to pay tax on the gain. You could short the exact same investment in another account and not offset the two positions. The IRS hasruled that you can hold this position of being long ans short in stock and osme types of options forever. You cannot do this, however, in commodities, because commodities are marked to market on a daily basis.

Another thing you may want to think about at year end, is setting up a retirement plan that may lower your taxes. It is now possible to trade almost any vehicle in a retirement plan, especially if you have your own business. I have customized plans so that my clients can trade anything from options to futures. For those of you who do not qualify for deductible retirement plans, annuities also are a great way to defer tax savings.

Some other strategies that should be considered before year end are making gift transfers to other family members. By "gifting" investments to other family members you can reduce current taxes as well as estate taxes.

Finally, one of the best techniques for saving money is to set up a trading business. If you qualify as a trader, someone who trades his own account on an active and short term basis, you can take advantage of many favorable provisions in the tax law not available to investors. I have written several articles in prior Traders World issues on exactly how to do this, and over the past 25 years there have been many court cases that have supported the trader status.

If you qualify for this preferred tax status, one thing you can do is to hire different people in your family to work for you and pay them salaries from your business. By doing this, you could hire your son or daughter ot help out in the business, and thereby make his or her allowance tax deductible. By hiring your spouse, you could set up another tax deductible retirement plan that would not have otherwise been available.

There are many other strategies that can be integrated into the trader business. Please contact my office if you wish more information on this tax strategy.

Ted Tesser is a Certified Public Accountant in New York City, and an active Futures Trader. He is author of "The Serious Ivestor's Tax Survival Guide' and currently has produced a video entitled "Zero TaxesforTraders". It is available for $49.95, and he is offering our subscribers a $10 discount, with a full money back guarantee. Look for the coupon in this issue to order, or call (212) 532-7620.

A New Era

By Patrick Mikula

Traders attempting to learn the Exposi attempting to learn trading methods of William Gann often study material written by other traders. These students generally run into two problems. The first problem is that much of what is written is just a rehashing of the same material. We all know how this works. A book promises Gann's secret trading methods then explains the 50% rule. The second problem is a lack of proof. Hoping to learn Gann's secrets, a trader buys a book only to read the author's opinion intermixed with Gann lingo, but little or no proof that Gann actually used the trading method described. Information about Gann methods is rewritten, repromoted and resold resulting in an endless cycle of frustration for Gann traders.

I am Patrick Mikula, a private futures trader. I know more about W. D. Gann's astrological trading methods than any living person. That is a big statement, but it is true. My new book, "Gann's Scientific Methods Unveiled" is the single largest book of Gann's astrological trading methods ever published. My book is devoted entirely to exposing the hidden astrological trading methods in W. D. Gann's "How To Make Profits Trading In Commodities," which will be referred to as "Profits".

Since W. D. Gann wrote "Profits" in 1941, it has become one of the best known books on commodity trading. Yet no one before now discovered the trading methods Gann actually concealed in his book.

To explain what is hidden in "Profits", a little background is required. The book, "Profits" was not written by W. D. Gann alone. It specifically states in the 1941 edition that the book was written "BY W. D. GANN and JOHN L. GANN." John L. Gann was W. D. Gann's son. W. D. Gann was just like you and I; he had hopes, dreams and a vision of how his life might unfold. One of his dreams was that his son would become a better economic forecaster and trader than he was. This dream started to materialize when W. D. Gann went into business with his son some time around 1939 under the name "W, D. GANN & SON, INC.." . "Profits" was the first large book offered to the general public by this father and son team. The dedication from the 1941 edition of "Profits" reads, "Dedicated To My Son, John L. Gann and Clarence Kirven who have encouraged and inspired me to give my best efforts to writing this book. W. D. Gann". I believe that W. D. Gann wanted "Profits" to bring John Gann his own recognition and respect within the industry. So W. D. Gann did in fact give his "best efforts" to writing "Profits". This is the key to understanding why "Profits" is so different than the other books written by W. D. Gann.

Although we know that W. D. Gann and John Gann wrote "Profits" together it has been unclear which part was written by William and which part was written by John. I believe the answer to this can be found on page 312A in the back of the 1941 edition. This page is not included in the 1951 secondeditionwhichiscurrently available. In the second paragraph under the heading "Credit To Faithful Workers" W. D. Gann writes "To my son, JOHN L. GANN, I owe a debt of gratitude. He has been a hard, faithful, conscientious worker. He has cooperated in the production of this book. Much of the work on percentages are his discoveries. He is well qualified for the work and I hope some day he will be able to write a better book than

I have been able to write".

The third and fourth sentences from the quotation above give us two important facts. First John Gann worked on the production of the original 1941 edition of "Profits" and second, most of the techniques dealing with percentages were John Gann's discoveries.

Now what exactly do you think John Gann's contribution to the book was? I have studied the writings of W. D. Gann from a literary point of view and I am convinced that W. D. Gann wrote "Profits" in its entirety. It is my opinion that John Gann's contribution was to take all the historical data and apply the techniques which he discovered and calculate the percentages which are throughout "Profits". For most Gann traders, the techniques dealing with percentages are often a main part of their trading plan. It is my opinion that W. D. Gann did NOT use the majority of these techniques dealing with percentages.

If you remove the "work on percentages" in "Profits", you are left with the secrets W. D. Gann concealed in his book. W. D. Gann took the same historical price data that his son was working with and applied his scientific astrological methods and made an astrological framework of dates. W. D. Gann hid this framework by surrounding it with all of the "work on percentages" prepared specifically for the book by his son. Each date in the framework is like a piece to a puzzle. The complete puzzle makes up the framework which reveals W. D. Gann's scientific astrological methods. This framework of dates is the key to understanding and proving W. D. Gann's astrological methods. In my new book Gann's Scientific Methods Unveiled I will show you the exact location within "Profits" of the dates in this framework.

Gann's Scientific Methods Unveiled, does not fall victim to either of the problems I sited in the first paragraph. The astrological analysis of Gann's "Profits" is based on my personal knowledge and has produced a wealth of material never before published. Secondly, my book uses Gann's own writing to prove that he used the astrological methods presented. This is truly the beginning of a new era for Gann traders.

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The Gann Spiral

By Petter Amundsen

In my last article (issue #17) I con nected the Gann resistance levels with natural musical harmonics. I concluded with a statement that there are no Fibonacci ratios in music. I was referring the popular .618/.382 that we all know too we In this article I will try to prove that these ratios are not really Fibonacci ratios and that Mr. Gann used Fibonacci ratios quite openly in his books and courses in a better way than they are used today by the advocates of the Golden Section. Some experts are claiming that Mr. Gann kept these ratios away from his readers because they would make trading too easy and would ruin the marketplace! I claim that he used them an taught them.

The Golden Section

The Golden Section, or PHI, is the correct name for the .618/1.618 ratio. It is so called dynamic ratio, connected with growth, and is found throughout the universe. It is closely connected with the number 5, since the square root of five, minus one, divided by two is 0.618. Number five, and the pentagon, are intimately connected with the animal kingdom, just as the hexagon is found in the mineral kingdom (crystals, snowflakes.) So far the theory of .618 controlling the animated markets holds. The problems arise when dynamic growth enters the scene. S0ren Kierkegaard taught that "in life only sudden decisions, leaps, or jerks can lead to progress." These shocks lead to growth by oscillation.

The Fibonacci Sequence

This sequence was first introduced by Leonard da Pisa, alias Fibonacci, in the book Liber Abaci, published in 1202. It goes like this: 1 1 2 3 5 8 13 2134 55 144 233 377 610.... Mark that it commences with a pair of number ones. The philosophy in this is it is representing growth and creation must start with something. Nothing begets nothing. I have seen these numbers defined as an additive sequence where the ratio between successive numbers is PHI. This is almost correct when you are above 89, but, as is shown in "Elliott Wave Principle" by Frost and Prechter, every additive sequence where the sum of two successive numbers gives the next one will reach this ratio (page 109.) Thus this is not a sole property of the Fibonaccis. In fact, the Lucas numbers (1 3 4 7 11 18 29...) are closer to this definition, as 2.618=3, 4.236=4, 6.85=7, 11 etc. What I find is important here is that PHI is really never reached. The sequenced numbers are oscillating closer and closer to this "ratio of least resistance." Therefore, PHI and Fibonacci ratios are not the same thing even if the attraction between them is strong.

True Fibonacci Ratios

We have all seen the Golden Section logarithmic spiral matching the Nautilus shell, the dying leaf and the pine cone. These epitomes of dynamic essence don't strike me as being particularly frisky, are they? The Ram's horn is not genuinely volatile in its structure! In fact, the concept of the Golden Section spiral in nature isn't questioned enough by the public to disclose its intimate link with Mr. Gann's methods. We have for instance been taught that Man's height

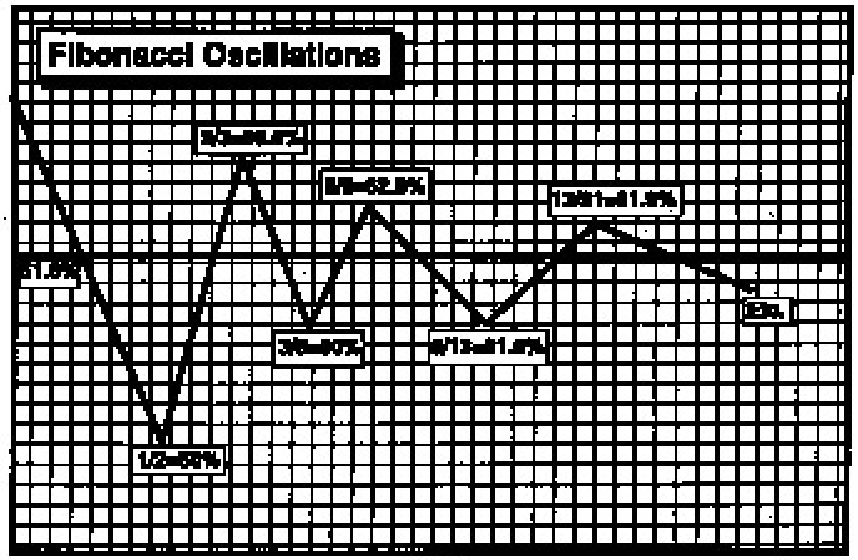

Figure 1

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Have you ever questioned the 50% retracement being placed between the 38.2% and the 61.8% using your favorite software? What has the 1/2 ratio got to do with PHI and PHI squared? Logically, absolutely nothing! If you must use only three levels, they should rather be 37.5%, 50% and 62.5%. These are linked together by the Fibonacci sequence, being growth by oscillation. When the oscillation reaches PHI it is dead. Life will then coagulate into a Golden Section spiral, and dynamics is long gone!

Shocks

Oscillation starts with a sudden impact. For the creation of our universe it could have been The Big Bang, for T-Bonds it may be a surprising report. It could also be extraterrestial influence like planetary positions, sunspots, etc. The shocks hit the markets constantly, and then they fluctuate. Tony Plummer describes these shocks in his extraordinary book "Psychology of Technical Analysis." He also expands on Systems Theory and Limit Cycles. This book is a must read! The only problem I see is that he expects an even, Golden Section spiral to materialize after a shock, not taking the intra-spiral oscillations into account. I believe they make the market behave the way Mr. Gann showed us they do.

Conclusion

This is merely an appetizer for the student of market oscillations. I also felt someone should comment on the myth of "Mr. Gann's deep Fibonnaci secret." He told us all we need to know about ratios. I agree he didn't exactly open the vault of "the great overview" for me on this matter, but the more I studied the more I saw the beauty in his methods. Long Live W. da Fibonacci! O

Petter Amundsen lives in Oslo, Norway. He is a church organist and a trader. He has just launched The $mall Trader's Gannfax™ and can be reached by fax at 011 (for US callers) 47 22 14 15 96.

Synchronicity in Market Timing

By Carolyn Boroden

The definition of "synch nicity" is meaning ful coincidence. In the realm of Fibonacci time and price analysis, when we see a meaningful coincidence of time and price cycles in a particular market, there is a high probability of a change in trend in that market. This creates a low risk, high probability trading opportunity.

The first step in Fibonacci time and price work is the identification of the prior important swing highs and lows in a market. The second is the projection of both time and price from these highs and lows, using the ratios derived from the Fibonacci number series. The ratios derived from this series that are most often found at trend reversals are .382, 50, .618, .786, 1.00, 1.272, 1.618, 2.618 and so on. The third step is waiting for a daily reversal signal to pull the trade trigger.

The following example in the Swiss Franc market will help to illustrate these concepts.

As I was setting up my timing work for the Swiss Franc for the month of April this past year, I noticed a strong coincidence of timing cycles occurring between 4/14/94 - 4/18/94. This alerted me to fine tune my price analysis as we approached this important time zone and to look for a trading opportunity in the Swiss Franc.

The cycles due at this time included (see Figure 1):

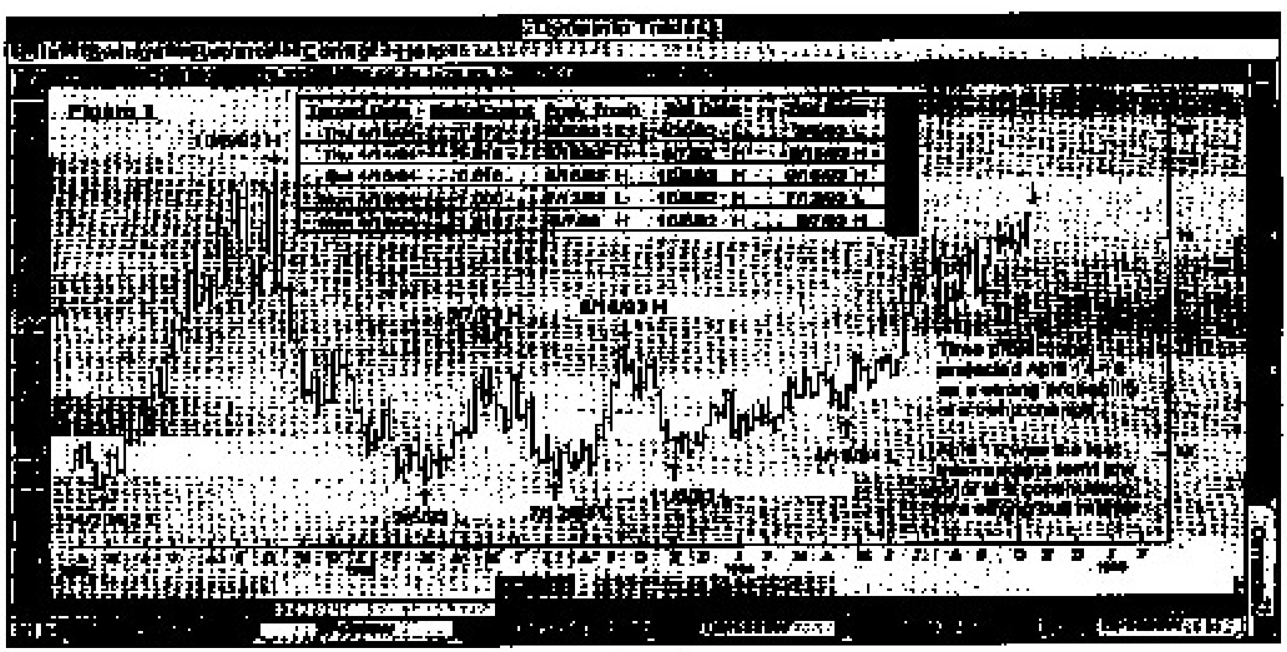
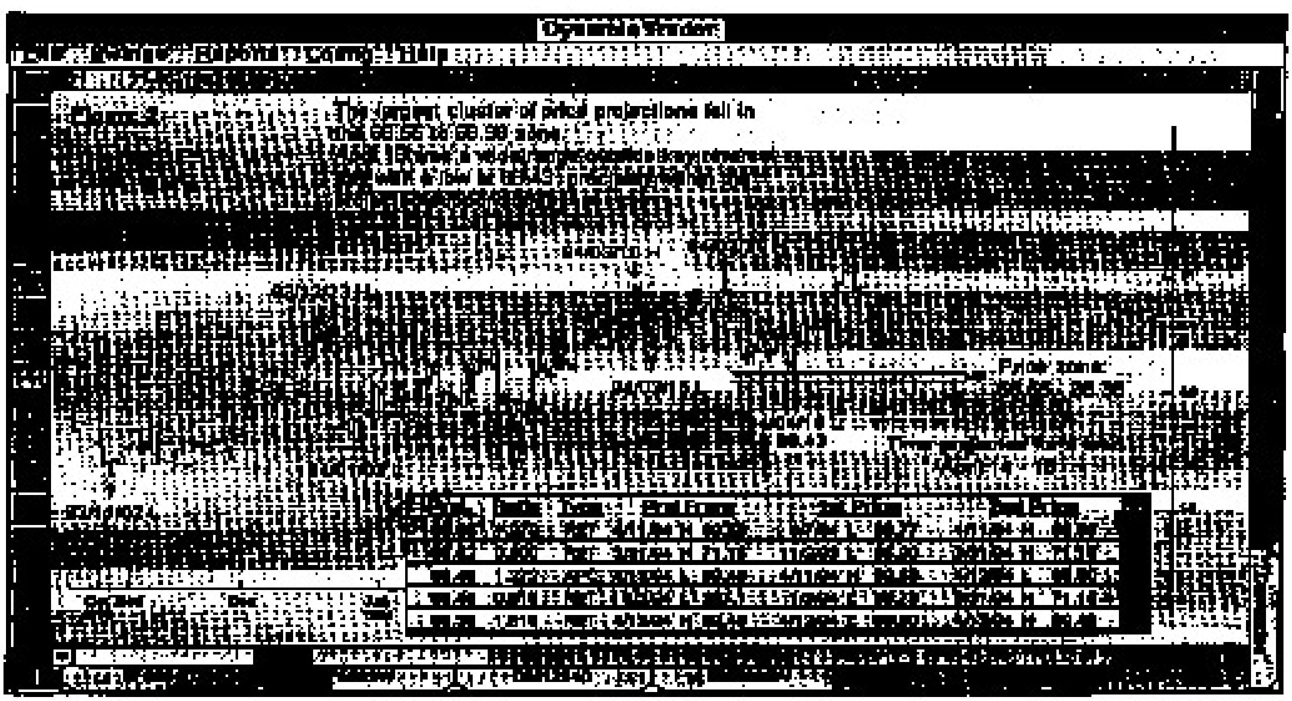


Figure 1

The Swiss Franc market was essentially trading down into this time period. If a change in trend was to occur, the market was setting up for a potentially important low into this time period. Price wise, there were three support zones I had calculated from prior swings that included a large coincidence of price projections. The first zone came in at 68.55-.38 with five projections. The next potential support zone was just below at 68.27-.22 with three price projections followed by 67.91-.70, also with three price projections. The 68.55-.38 price appeared to be the most important as it had the largest cluster of price projections.

On Friday, April 1 th, the first price support zone was reached. However, there was no daily reversal signal April 15 h. On Monday, April 18th, Friday's low

4/14	1.272	4/20/92	low	-	5/5/93	low
[illegible]	[illegible]	[illegible]	High	[illegible]	[illegible]	[illegible]
4/15	[illegible]	[illegible]	High	-	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4/15	1.618	10/8/92	High	-	6/7/93	high



Michael S. Jenkins on Trading

In a recent interview with Michael S. Jenkins, we asked what makes him one of the best traders today. He gave us his background on how he got started trading, his philosophy on trading, how he goes about a trade and more.

Background

I have a lways been interested in the stock market beginning as early as 9 years of age. I started investigating stocks, saving money and trading. Graduated from college in 1971 with degrees in Economics and business. I then went on to get a Masters in Business and become a Certificated Public Account. After that, I started off working in a bank trust department as a portfolio manager investing for widows and orphans with typical prudent man investing fundamentals. After a number of years in a very large bank trust department, I had fairly good success and was hired by a major mutual fund complex. I ran that complex for about 10 years period running three different funds. My claim to fame was that on a number of funds I was up 50-55 percent per year for a number of years. That placed me in the top ten of all mutual fund managers in the country.

Current Occupation

After 8-10 years with that mutual fund complex, I then became a private trader in New York city to privately trade my own money and to work for some specialists firms. I trade the specialist's firms capital on a proprietary basis. I have been doing that for about 12 years and about 11 years ago I started the Stock Cycle Forecast newsletter and hot wire service. since I do professionally trade cycles in my work and I have all this work done, I incorporate it in a newsletter for the general public. I also recently published two books that I have written on the stock market. One is called the "Geometry of Stock Market Profits A Guide to Professional Trading for a Living." This is about my proprietary techniques, primarily how I view the Gann methods, where they come from, and the geometry of time and price. A book I recently published is called "Chart Reading for Professional Traders." It is about chart reading, and what you can learn from looking at charts. The interesting thing I do that is a little bit different than most technicians is that I do a great deal of work with circular arcs, using arcs, circles and parabolics, to describe the emotions of the market, to forecast the market. Many people use trend lines, oscillators and cycles, but only the Circular Arc Techniques can specifically define an area as being a high, or a low. As you know, many cycles techniques, people can predict a turning point but they don't know if it is a high or a low. Whereas if we have a we can measure that. What I do with the Gann techniques is I plot out cycles from these major highs and lows, and when we get these cyclical turns I am looking to see if we have had an emotional exhaustion of a move that has gone in a normal expected maximum duration. Let's say in the past year it has always been a pretty good trade that once the S&P futures go 1200 to 1400 basis in a straight line there has always been a significant correction over several days of a 400 to 500 basis counter move. So if we had a big runaway move in the market and suddenly the S&P is up 1200 to 1400 basis, under normal circumstances we would be looking for a change in direction based on the measured move principle. However, we would also tie in that change in direction with a cycle time period that was coming out and also perhaps numbers, trend lines, and angles. That's basically the philosophy behind it. There is a lot more details where these numbers come from and whether we are taking them from a Gann octagon chart or using the roots of numbers for previous highs and lows. But basically the concept is that there is a cyclical time period that goes in a measured move direction and once it reaches that normal measured move ,as exemplified in the past several days or weeks of average trading, we want to be prepared to fade the trend and look for a different direction.

General Stock Market

This same type of an analysis also works well in the general stock market. A lot of people are looking for an end to the current bull market and I am one of those people. We can apply the same type of analysis to the long term periods in history. As you know W.D. Gann popularized the decennial pattern (the 10 year cycle of looking back 10 years ago, 20 years ago, 30 years ago, 40 years ago, etc.) and finding what those particular years did and what quarter of the calendar the highs and low fell in. So if you observed 10 different observations of each 10 year period and you found that 8 or 9 out of 10 had a high in the first quarter, we would then make an estimate that this would probably happen this year and within that 10 year cycle the dominate cycles would be 10 years, 20 years, 60 years. Note that a 10 year cycle can be considered a "measured" vector distance of calendar time. In addition to the 10 year cycle there are two of the master cycles not publicized that I find very useful. The 100 year cycle and one cycle that the Hindus practiced using astrological techniques for several thousand years and based all their cycles and numbers on 120 years. So, if we look back say 100 years ago we are talking about a market this coming year in 1995 that will look like 1895. If we go back 120 years we are going to find a market that is going to look like 1875. A1though there was a rally during the year in both years, they basically lead to bear markets the following two years. This is basically where I am coming to that with the end of the current rally we will start a bear market and it will probably last 2 years or so as we last saw in 1973-1974. One other interesting thing I might note this year in particular is the interesting influence of cycles that Gann used that weren't publicized very much. Gann was well known to use the number 7 and it was a biblical thing, since there were 7 days in a week and the number 7 comes out in a lot of the Gann material, but in 1994 we are seeing harmonics of 7 years that are very similar to the stock market going all the way back 100 years or more. For instance 7 years ago was 1987, 7 years before that 1980, 7 years before that was 1973, and 7 years before that was 1966, and 7 years before that was 1959. You take these all the way back into 1840 and you will find an interesting thing in that almost every single case the top was made basically this year and the following year was pretty hard down, certainly the first half of the following year was a very significant correction. So that type of cycle research based on the 7 year harmonics shows that after this top in the next month or so we should have a very major correction in the first part of 1995 and similar to 1980 which was 14 years ago there is a very similar pattern to what we have seen in the stock market this year. 1980 had a top at the end of January, early February like we had in 1994. There was a major breakdown with the Hunt brother's financial panic which ended on the last day of March, which is what we have this year. A major rally started from the end of April that was basically led by inflation themes, metals, mining, coppers and oil stocks. The market rallied up into the Fall of 1980 with the Ronald Regan election and right around election day there was a big election celebration rally and that was the high. The oil stocks posted their lifetime highs for several years at that point. So far this year the various groups that we see rotating around are following that theme almost perfectly and many of the short term cycles I follow are indicting some type of major top probably in the middle of November this year. I am using a date of around the 10th of November and if that turns out to be the high we might have a little plunge and then another attempt to rally back in the first week in December. I think after that we are looking at 3 to 6 months of very hard down and then we will get a significant bounce after that.

Historical Data Sources

There are several books published by Dow Jones Irwin. This book publisher produced a handbook on the Dow Jones Averages from 1895 that gives you the daily high, low and close. I also have some rare charts that I have accumulated in the past 20 to 30 years, such as the old Axe Houghton Industrial Stock Average. I have a chart of it that goes back to the 1850s. I also have some rare charts from Securities Research Corporation in Boston that puts out a 20 year chart each year. I was fortunate that when I started out in the early 70's I called up a number of these publishers. They were throwing out all of their old past charts that went back 40 or 50 years. I asked them and they just gave them to me. It is hard finding good legitimate data that's clean that goes back past the 1920's and the early turn of the century. If you can find some, it is very valuable specially on 120 year cycles, 180 year cycles. The data from the early 1800s is very similar to what we are dealing with now, the 180 years in particular, 1820 ish era.

Daily Data

It is not absolutely necessary to use daily data because when you are doing longer term projections cycles expand and contract so there is no such thing as a 10 year cycle that's exactly 10 years. In the natural world cycles can be 9 1/2 years, to 10 1/2 years and be termed a 10 year cycle. What's important in looking at the data is the wave or the shape. There is actually a form, shape and pattern to it. We call this pattern recognition. Like Elliott Wave's where you are counting waves. For example if you can count five waves to a movement, then the movement is complete. So in actually doing a broad stroke interpretation, you don't have to have real detailed data. You can use monthly, quarterly data or even a chart of yearly highs and lows can be helpful. I do have daily data in my long term files so I can do percentages. When you get down to detail work, I rely on hourly charts. Once I have made a determination that say a 10 year or a 100 year cycle is the operative cycle and I am looking for some kind of major high or low coming up at that point I throw away the big scheme. I might point out and it is very important, that most people who get caught up in cycle forecasting don't realize that using cycles and forecasting has nothing at all to do with trading. When we are trading, we are making money, we are trying to make a living off of capital gains. What the cycle and the forecast is used for is that it sets up our strategy. If we are looking for a top in the market we build a scenario of probabilities and we say we look for this approximate date with approximate time because we think there is a cycle coming due and with that as a back drop we set up our of fading the market, maybe of getting out of our longs, or maybe getting a little defensive but not just blindly shorting the market or buying lots of puts saying the market is going to crash here. So we develop a working scenario of what we think the cycle is going to do and then when we actually pull the trigger and make the trade, this is based on solid technical analysis, especially with an hourly chart. Here we want to use simple technical tools like looking for a signal reversal bar. For instance on a bar chart if you are in an up trend and each bar has a higher high and a lower low at the final high bar the bar after that will have a lower top and when it breaks the low of the high bar you get a technical sell signal. At least at that point you have objective evidence that a sell signal has been generated and if you have a cycle that has also come out and is calling for a top, it is legitimate at that time to put on a short using the high of that move as your stop out point. So to really define these cycles we look for the footprints of the energies that are manifested in the market. I use an hourly chart on the Dow Jones, the OEX and S&P to do that.

Forecasting

My primary forecasting tool is the Dow Jones. I use it because it is widely disseminated around the world where people watch it every day and it has great emotional impact with the masses as a whole and so it is very good for forecasting. When I get a major sell signal on the Dow I then go to the other tools I'm going to use to exploit it, whether it is the OEX, S&P or just stocks in general and then fine tune those charts. I use an hourly chart and I also start the count with very detailed Fibonacci numbers. Many traders don't realize most movements in the market run anywhere from 10 to 13 hours most of the time occasionally long moves will run 21 hours or 34 hours in one direction. Once you get a turn on a hourly chart, and it is a valid reversal, it is good for 2,3, or 4 days at a time. But once you break a 3 day trend you might go three weeks at time. Once you get a signal reversal on an hourly chart, it is the first sign that you could be going for 3 or 6 weeks or even 3 months in a primary direction. One of the key fundamental truths that I have used all my life in trading and this is a direct quote from W.D. Gann too (and a lot of people don't pick up on it) is that the primary cycle in the market, and in stocks in particular, is based on the year having 52 weeks. You can divide the 52 weeks of the year into eights and sixteenths so: 52 divided by 8 is basically 6 1/2 weeks and 52 weeks divided by 16 is 3 1/4 weeks. You can take any stock chart, and 90% of the time if you find the high or the low, you can count over 3 1/4 weeks and you will find the next high or low. It works like clockwork. Once we get a buy or a sell signal in stocks and we are going long or short the particular issue the fundamental unit will be 3 1/4 weeks. If it is still going in the same direction after 3 1/4 weeks, it will go 6 1/2 weeks. These bigger term movements are basically the 3 1/4 and 6 1/2 week cycles all chained together. Those are fundamental units that are greatly over looked with people that are trading stocks. There is no such things, in my opinion, as a 4 week cycle, or a 5 week cycle, or a 10 week cycle. The 10 week cycle is basically the 3 1/4 week and the 6 1/2, it is really 9 3/4. In the stock market as a whole most of the big movements will run 6 1/2 weeks (45 days), or what Gann called 7 times 7 or 49 days. You often will have a panicky breakdown that will go 7 weeks maybe 9 weeks. However, most of the big moves that we have seen in the last 30 years especially big breaks in the market once there is enough momentum on the tape to declare a breakdown has occurred, usually go 6 1/2 to 7 weeks.

Computer Trading

My office has about six different computers that I use doing various scan routines. We use, Metastock, DollarLink, Data Broadcasting, etc. At one time or another, I have tried them all. I must say one thing about the use of computers in trading, it is a great tool and it can really help you out but I find that a lot of traders get lazy and rely too much on the computer's screens and the chart approximations. It is very easy to draw a 15 minute chart or an hourly chart of some S&Ps or a daily chart on some stocks with the computer and every other day when you redraw the chart the computer changes the scale, changes the trend line and your arcs. It is very difficult for a human being to keep track of what he is looking at using a computer. So I insist in my work when I am doing my forecasts is to maintain a hand drawn hourly chart. The hourly chart I draw on the Dow Jones I have on one continuous long piece of paper that I have done for 10 to 15 years now. This way your time and price axis is always the same. If you have a big move in the markets maybe your chart will have to glue 3 or 4 pieces of paper up the side of a wall or something, but at least there is a continuity there which helps you have trend lines going back a long way. One of the reasons that I do that and most people don't even remotely realize how powerful these long term cycles are is that hourly counts going back into the thousands of hours are very accurate. For instance in the stock market everybody knows the Fibonacci number series 3, 5, 8, 13, 21, 34 etc. and often people will use an hourly chart and will count their 21 or 34 hours and some will count out to 89 hours or even 144 hours. I rely on the long term counts, for instance the number 1.618 Fibonacci ratio. I will move the decimal point and use 1618 hours or 1382 hours. Now these go out even a full year or more and when they come out they are always good for a movement of over 100 points in the Dow Jones Industrials Average and they are almost always accurate within 2 or 3 hours of the turning point after a whole year or more. It would interest people to know in August of 1982 at the bear market low when the Dow Jones closed at 770 up to the August of 1987 top it was almost exactly 7700 trading hours. That's more than just a coincidence. You would not even know that unless you keep detailed hourly counts. I do that on my computer studies and hourly charts that I keep by hand. I always maintain hourly charts of 3000 hours from a top of 3000 or 4000 hours or 5000 hours. These are valuable and unless you have some backup charts that you are maintaining by hand it is very hard to keep track of it on the computer. I do use the computer to sort through a database of 3000 stocks to get some ideas of rotation or what groups are going in and out of favor. I do use standard indicators like Bollinger Bands, Stochastics, Oscillators, Moving Averages even though I think that they are worthless for trading purposes, because they miss the point. They are an approximation only. Where as if you do a detailed cyclical approach that I use you can get very precise. But never the less these are good filters to at least start an analysis of some data. Breaking through the Bollinger Bands which are basically standard deviations above the moving average, at least when you start breaking through those standard deviations you know there's something going on there other than just random chance and that there is a good indication of cyclic activity at work. We should focus our attention on those groups of stocks that are breaking out or breaking down and then work on more detailed circular arcs, measured move theory and cycles.

Systematic Approach

This is a systematic approach to trading the markets and when really applied the way that Gann did it, believing that time and price are the same thing, it can yield unbelievable results. In the recent book that I wrote; "Chart Reading for Professional Traders." I give kind of a guide to S&P trading for a living. You take an S&P chart, or bonds, corn, or wheat, or any other commodity. On a tick by tick chart throughout the day you put these little circular arcs on them. What I mean by a curricular arc is, let's say when you have the opening bulge where in the first 20 or 30 minutes of trading the S&P goes down and then they suddenly zoom up a 100 basis and that whole movement is done in 1/2 hour or so. Once we have that measured, move from the low to the high we can draw a little circle around it putting the center of the circle on the low and drawing an arc up to the high and swinging that arc down. Where that arc goes maximum down will define for us early in the day an exact turning point sometime in the afternoon. Frequently it will come out around 2:00 or 2:30 where the turn is. It will usually be accurate within 2-3 minutes and it will be a major move of 100 basis or more for the S&P trader. So having knowledge of circular arcs and these minute measured moves which can be drawn on the charts to see it is to believe it. They are there and they work all the time. These circular arcs work because time and price are the same thing when measured in "vector distances." All points on an arc are the same time and price vector. Breaking away from an arc signifies a change and we trade that change.

Cycles and Astrology

When I left the fundamental world of the bank trust departments being a CPA and doing fundamental research, I found out that I really wasn't making money doing that. I became a CPA solely to be able to read the annual reports and decipher them even down to the footnotes. I thought that was the road to riches. I was sadly disappointed. Then I got into technical analysis and cycles in particular. In the process of studying cycles I basically "reinvented the wheel." I studied everything there was. I took a look at astrology and I was introduced to the W.D. Gann course. I found out that Gann lived and breathed numerology and astrology and he thought that they were two separate things and that energies that ruled the emotions of the people were emanating from the planets. This was astrology in practice. As the planets moved they did create emotions on this earth, but he also felt numerology was something separate and apart from the astrological cycles and that there were also set number cycles where every 49 days, 50 days, or 100 days or 1000 days you would have very precise cycles that had nothing to do with real world astrological formations. There were two different worlds looking at charting and forecasting and often the number one question I'm asked is should I keep my charts on a trading day basis or a commodity he was currently looking at and once he equated that number to the planet in the sky it was a simple process for him to look in an ephemeris which shows you were the planets are located every year and forecast out the next 6 - 9 months out into the future. He could then plot the longitudes to the planet, convert them to the numbers and say this is where the particular stock is going to go to. If you take that approach you will get some very good broad based projections. They are not very detailed and there is a lot of slippage along the way. There are some difficulties in defining exactly what planet may be doing it. Gann often used a combination of 4 or 5 different planets and averaged them together. It is a fact that if you look at the final highs and final lows of the stock market's history if you find the numbers that they gravitate to on those final highs and lows can easily be converted into a number where there is a well know planetary occurrence going on, like a solar eclipse where two big planets are making a conjunction or a position and the degree of longitude where they are positioned in the sky can easily be converted into the price levels that they hit on that day. That is, in essence, what is behind the whole W.D. Gann method. This is how W.D. Gann did most of his yearly forecasts. In his yearly forecasts he would often use the heliocentric pattern, the Sun centered where planets only go around the Sun on direction all the time, and so a planet like Saturn is bullish or bearish depending on what section of the Zodiac that it is in. That would be a bull move and then it would change to another sign that would be a bear move so he would draw a stick figure on his charts like a little teepee where it would go straight up, the planet would change signs and then it would go straight down. Now superimposed on that system he would use the Earth centered system. Now viewing the planted from the earth we have this apparent retrograde motion where the planets go both backwards and forwards so then there are almost always three different positions where the planet will be at the same point. Let's say there is a conjunction between Jupiter and Saturn. The planets will be coming around and conjunct at one point and then they will pass each other, but one of the plan ets might go retrograde, then it will go backwards again and catch up with the other planets and conjunct it a the second time and pass it and then when it stops going retrograde and goes forward again it will reverse and go back and go through it a third time. Ninety percent of the time it only does it three times. Gann found this to be the cause of triple tops, triple bottoms and head and shoulder patterns where the planet would make a conjunction on say the left shoulder of the pattern, go back through it where the head of the pattern was and then the right shoulder would be the third conjunction. On the Heliocentric sun centered when you would just have the straight up pattern to the top and the straight down. But the left and right shoulders on the head and shoulder pattern would be these retrograde movements that would go back and forth. In the Gann course, his basic rule is you can buy at double or triple bottoms but on the fourth time it almost always goes through. This rule was based on the principle that these conjunctions and oppositions where the planets came backwards and forwards would only occur three times during a retrograde motion and then they would be gone and you would not see them again.

Master Time Factor

I have some opinions about what Gann's master time factor is that I don't won't to express in public. Their have been some books and course around that some people said the master time factor was basically a 60 year cycle, which is worth noting in that for 3000 years from 2000 BC on, astrologers have always known the seven primary planets that are visible with the naked eye in the ancient world and the seven planets that the days of the week are named after. That all seven of these return approximately to the same position in the sky every sixty years. So if you are doing astrological forecasting this would give rise to a master cycle of about sixty years. So a lot of people put great store in forecasting a primary harmonic to the 60 year pattern. Unfortunately as with any astrological type forecast, even though they may return 60 years you can get opposite results at 60 year intervals. For instance 60 years ago a lot of people are bullish for this next year because it was 1934 and you still had a big upsurge in 1935, 1936 and 1937, before you had the big top. That still shows an ongoing bull market. But if you go back another 60 years from that and 120 years then we are back into 1874 and 1875 and instead of 2 more years up, you have 2 1/2 years straight down. The same 60 year harmonic but exactly backwards. It is kind of like the Elliott Wave principle where cycles often alternate. One is in one direction and the other is in the opposite direction. Now I would be more inclined to believe that instead of watching 1935, 1936 and 1937 being straight up the next several years were going to have the alternation of that or a cycle inversion here in the next month and instead of being a major low as it was in 1934 it turns out to be a high and the next 2 1/2 years are down as 1875, 1876 and 1877 was.

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New Cycles Software

By Larry Jacobs

W.D. Gann and R.N. Elliott were two of the finesl market traders of all time. They both felt that understanding and using market time cycles was the most important factor for successful trading. R.N. Elliott said that "Man is subject to rhythmical procedure; calculations have to do with his activities and can project far into the future with a justification and certainty heretofore unattainable." Up to now, calculating time cycles was a very difficult job. Many times too difficult and perhaps time consuming for the average trader. Now, four new computer software programs for use with the IBM personal computer may change that. These program are designed for forecasting time cycles in the financial markets.

Why should you consider using the new programs for forecasting time cycles? The reason is that it will help you to get in and out faster than you would with most of the trend following software available on the market today. Most of the existing trend following software use various oscillator tools such as relative strength and stochastics or it uses some form of moving averages. These tools usually get you in and out of the markets too late giving small profits on your trades or even worse, they give you small losses. Cycle timing software allows you to anticipate tops and bottoms and therefore getting you in sooner and out faster of the trades. That helps to eliminate the slippage of oscillator and moving average trading systems. You can therefore trade from more of the spread between highs and lows.

There are two kinds of cycles used to forecast in the market, static and dynamic. Static cycles have a fixed time between intervals. W.D. Gann used the static cycles of the circle such as 45, 60, 90, 180 and 360. Market tops and bottoms would occur on a regular interval of one or a combination of these static cycles of the circle. Dynamic cycles, on the other hand, do not have a fixed time between intervals. They seem to occur at irregular intervals based on some proportion of time such as the

Fibonacci number series. The number series is 1,1,2,3,5,8, 13,21,34,55 and so on. The distance between these numbers is based on the proportion of 1.618. Each number is 1.618 times the previous number. It is believed that every top and bottom in the market is related to each other by some Fibonacci ratio. Many traders actually use a combination of both static and dynamic cycles.

Many of these new software programs help you to both understand and forecast both static and dynamic time cycles in the market. In this software review we will give you an idea of what these programs can do to improve your timing in the markets.

Nature's Pulse

This software program contains ten market forecasting technical tools as well as thirteen useful charting features and reads end-of-the-day data formats. The following is an explanation of the forecasting tools contained in the program and how they work:

A-Cycle is a simple but effective time study that lets you analyze static cycles within a market. You can select up to 100 dates and then project a single fixed cycle from those selected dates. You may be looking for a single time count and may only want to see one cycle at a time, or you may choose to have the cycle repeat.

B-Cycle allows you to have the program select up to 100 pivot points for calculating future points for static cycles. This study is ideal for Gann students, because it can project a series of static cycles (e.g. 30, 45, 60, 72...) from each pivot point. It can just as easily project the Fibonacci number sequence (1, 1, 2, 3, 5, 8, 13, 21...) for followers of the Elliott Wave Theory. The B-Cycle builds upon the

A-Cycle concept by allowing the user to run different fixed cycles, rather than just one fixed cycle using several different starting dates.

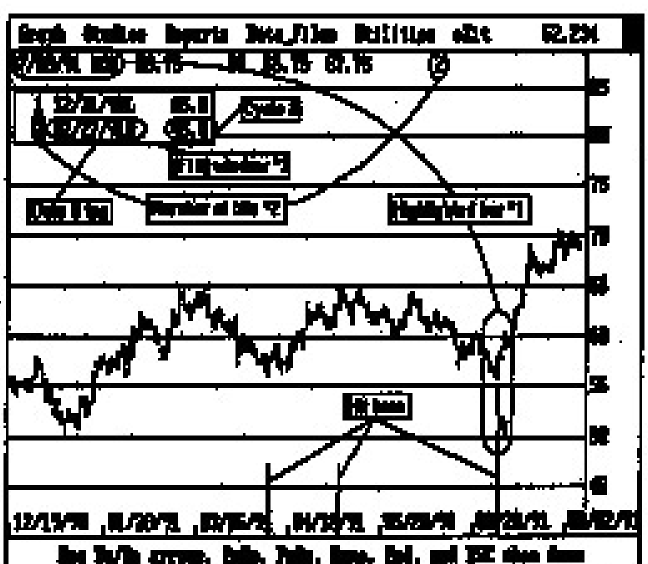
C-Cycle, which is perfect for the analysis of the "Golden Section Ratio," lets you choose up to 50 price swings and then multiplies the time difference between the beginning and end of each swing by a set of multipliers of your choice. The C-Cycle is designed to take the distance between pairs of pivot points that you select (known as swings) and then multiply those swings by a multiplier file of your choosing. The resulting products are then added to the earliest of the pair of pivot points. The C-Cycle is especially useful for dynamic analysis.

D-Cycle can be used for both static and dynamic cycle time analysis. The D-Cycle is considered to be one of the most powerful and popular tools contained in Nature's Pulse. This is because the D-Cycle takes all possible combinations of the time differences between pivot points, then multiplies these combinations by the multiplier file of your choice, and finally adds the resulting products to the first data of each combination found.

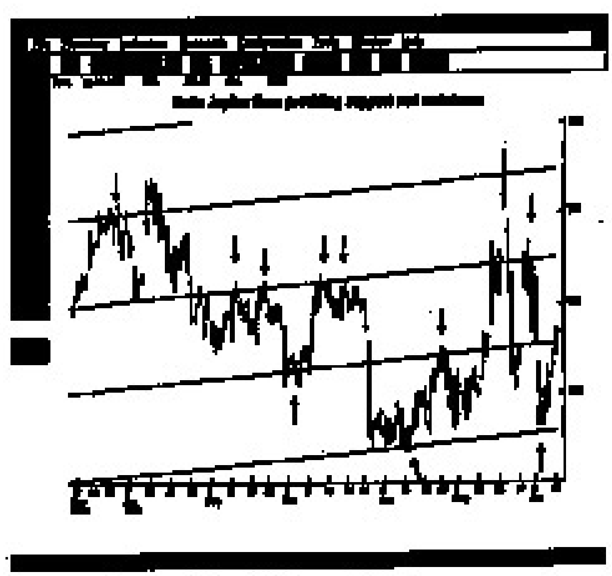
E-Cycle uses the technique developed by Larry Williams to project a turning point in the price trend of a market. The E-cycle requires finding a price pattern in the shape of a "W". The distance between the two lows in multiplied by the square root of pi. Then, that product is added to the center high. The result is a future point in time indicating a likely spot for a change in trend. The same can be done for a mirror image of the same type of price pattern in the shape of an "M."

Time and Price Accordion is a computerized proportional divider allowing you to analyze the relationship of static and dynamic cycles within a market as well as the support and resistance levels. You can use any proportions you wish. It's an easy tool to use and saves time.

Power Count. Many times a high or a low become a reflection or zero point over a period of time. As you count to the left from this point, the time to turning points is repeated as you count to the right of the reflection point. Power Count makes it easy to count the number of bars from highs to lows, highs to highs or lows to lows. Power Count displays the time from one point to another in trading days, calendar days, weeks, months and years.



Nature's Pulse



The Universal Clock

AutoMode allows you to forecast a change in trend for a particular issue without any input in a matter of seconds. Automode will look back 150 bars from the selected date and tries to find significant pivot points. If five good dates are not found it will go back even firther to find five reasonably spaced pivots. Then these cycles are calculated using the D-Cycle with multipliers of 2,3,4, 1.618,2.618 and 4.236. Finally the software automatically determines if there are any clusters and if so, the first cluster is identified as the next change in trend forecasts.

AutoScan is the most powerful forecasting tool of Nature's Pulse. It is designed to quickly look through a portfolio of stocks, futures, indices and mutual funds, alerting the user to only those issues which are forecasted to have a change of trend within the last few or next few days, which is called a forecast viewing window. A proprietary method is used to forecast these turning points.

This program has many other excellent features such as a user friendly mouse driven charting package. It has a popular feature called TeleZoom which lets you switch from one time frame to another with ease and speed. The program let's you view your chart in either trading days or calendar days with volume bars. The charts can be automatically scaled. Theprogram features regular bar charts, close-only or colorstick charts, which used the same principle of candlestick charts but allow the price patterns to stand out and be recognized. Nature's Pulse also gives you an option of displaying an issue in either a standard-price scaled chart or a logarithmically-price scaled chart.

Nature's Pulse is priced at $1595 and is available from Kasanjian Research, P.O. Box 4608, BlueJay, CA 92317, (909) 337-0816.

The Universal Clock This easy-to-use Microsoft Windows based software program is based on the popular book The "Universal Clock" written by Jeanne Long. The program is designed for traders who are not necessarily involved in planetary cycle information. It will allow you to use this planetary data without knowing anything about planetary cycles other than what shows up on the screen. After they read the manual, they can thumb through each commodity or stock they want to look at and then just in a matter of minutes they can determine what planetary signals work on that particular stock or commodity. The book demonstrates price repetition patterns for several commodities including Beans, Wheat, the Dow, S&P, Yen, Deutche Mark, Swiss Franc, Silver, Crude and Sugar. The software includes all of the Planetary studies needed to test these patterns and project future prices from this book. This program gives quick and easy access to W. D. Gann's market reversal dates and astronomical aspects related to prices of all commodities and stocks. The program gives Price Repetition Dates where prices often come back to a previous prince range under certain planetary relationships. It can look at planetary dates or configurations or aspects and look at the price on that date to tell when tat same price configuration occurs again. If it tends to repeat the price, which often happens, then it will show you when the next one is going to occur out in the future so that you will know what price it will be at that particular time. It has the ability to predict where price is going to be. That prediction is not 100% accurate because the market moves up and down, but it will give you about a 70% accurate prediction of price. So when you look at all the other aspects of it then you can get a good idea where price is going to be at that particular point.

It also gives planetary channel lines which give support and resistance lines on all commodities and stocks. The planetary channel line function of the program translates the planets position into a price based on the 360 degree circle. It then converts from the 360 degree circle to W.D. Gann's wheel of 24 into price. The program then helps you to know how price functions at these particular points. The program also give sensitive dates where on dates of crossing certain markets tend to reverse. The program also includes a Universal Clock Wheel. One click on the price table will give color coded arcs at low to high of price as planets translate to price. If a planet is also crossing a sensitive point, a price reversal may be imminent. The software provides over 60 different planetary studies as well as technical analysis tools including moving averages, MACD, Bollinger Bands, Relative Strength, True Strength and a trend line drawing tool. The program reads end-of-day data format only.

To effectively use the program the trader can look at the planetary lines, for example, which gives support or resistance to price. So let's say price is heading in an upward direction and it comes to a planetary line and say their technical signal gives them a sell then it would be a very good sell because planetary resistance has stopped price and reversed it. Another confirmation that price has reversed at that particular point would be that if you have certain planetary patterns or aspects that cause reversals. For example in the planetary studies section of the manual there is a whole grouping of planetary aspects that an individual could put on screen and they could see how price reverses at these particular points with regularity. So if you have that sort of thing occurring at planetary lines, you would have a technical signal and two planetary signals to sell. You would combine it in that particular way to insure that you would have a good reason to take a trade. Price tends to bounce between the planetary lines. It bounces from one to the other. When it touches the low one it bounces up to the high one and then it goes back down to the low one.

This program is for traders not astrologers. It's for people who know nothing about astrology. People can within a short period of time learn how to use this program and visually see on the screen what is working and what is not and therefore use it in the future. The program is also a research tool. Once the trader is familiar using it then they can research whatever data they have in the computer. If they have 20 years of data on Soybeans, for example, then they could run a whole research project on it.

The Universal Clock software is availa e from P. S. Inc., 757 S.E. 17th St., #272, FT. Lagderdale, FL 33316.

Time Dynamism

This is another Microsoft Windows based program. It is designed provide points of change in trend and acceleration in trend in the markets. The program is primarily for futures markets but it will work with the stock market also. The program consists of sophisticated time, price retracement and expansion spreadsheets. In the time part of the program the ratios and integers have been reduced to about 30 that are considered the most important. This software is designed to be used with 3 or 4 degrees of movement - super/major, major, intermediate and minor. That means you can make 3 or 4 time files for each entity - stock, commodity or bond. The largest degree, super/major should be from a monthly chart that should go back at least thirty years. The next lower degree, major, should be from a weekly chart going back on a weekly chart of at least 10 years. The next lower degree, intermediate, should be from a daily chart going back 2-3 years. Once these time files are set up they are easy to keep up, every week or couple of weeks. Some super/major files don't have to be updated for months. After these times files are updated the trader goes to the frequency report section which can create a histogram or a spreadsheet type report. This can be a summary, detailed or a slim report. These reports give groupings of hits that are based on a minimum score required to display that can be put in by the trader. In the frequency report the highest number of hits determines the importance of the time cycle. The trader can run a printout for each degree of movement and then match up the times that have heavy clusters of numbers of hits or ratios for a particular day or couple of days.

With the larger degree of movement the program can check for active pivot pairs which one can look back in a file pivot pair results. You can check for any pivot pair result for that file and look to the ratio and see where that has projected in the past for many years. The trader can then look on a chart to see if they hit or happen at a particular time that there was a high or a low. This can be helpful to know when to project highs or lows in the market.

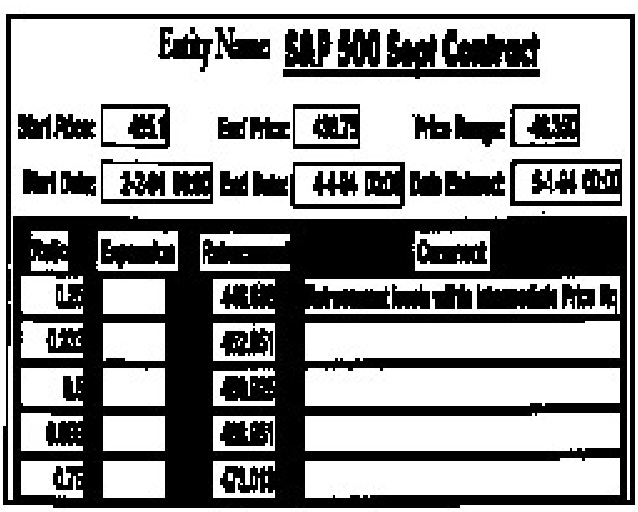
This spreadsheet program can also determine price expansions and retracements based on ratios that are input into the program. They can be set up for each degree of movement.

The recommended method of using this program is to run all time projections for each degree of movement. Then one should be run the price projections and retracements on each degree of movement. All these reports can be printed out and scanned for matching clusters of dates and price projections. If a particular date has a high number of hits it should be a reliable turning point. This is a powerful program which should not be underestimated. It should be used with any quality techical analysis program.

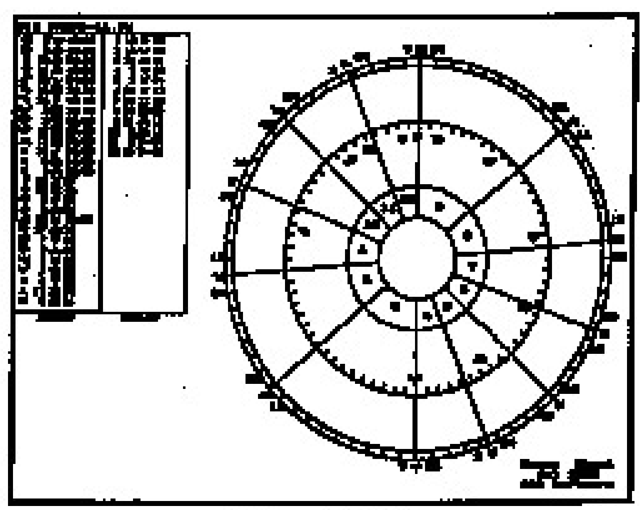
The Time Dynamism software is Microsoft Windows based program and is priced at $595. It is available from The Investment-Trader, 439-A Country Club Rd. Rockford, TN 37853, (615)982-7189.

The Financial Trader

This program is based on astronomical cycles and does just about every astronomical cycle there is. The program is very tool oriented. Most astrology programs are not very tool oriented and there is no varying any type of data. This program does a fantastic job with the Bradley indicators. Bradley was a person that wrote a famous market forecasting book back in the 1920s about how certain planetary functions in the sky affect markets. He had a formula that he went through to weigh every aspect in the sky. After that he would draw a forecasting graph and say, for example, this is how the market should go in 1994. This program has that formula in it. The Bradley formula has been revised quite a bit, because they found that it didn't follow the market that well. So the programmers went back and used all the aspects, the angle differences between



Time Dynamism



The Financial Trader

the planets that Bradley used. They went back on data into the 1800s to see if the aspects were bearish or bullish and corrected the formula to make it extremely accurate.

There is another famous forecaster, George Bayer, who did a lot of work on grains. He did a lot of work with planetary study with speeds of planets, aspects between planets, etc. that certain things happen in the market. They took all of his rules used in his books and they made models for them, so you can take it an drop it over any type of history and find out what it does. They also did a super search, which means you can find any type of cycles in the sky. You can do up to 21 different types of criteria. So you could say when two planets are at this degree, in this sign, or in that sign, hitting this planet or that planet what the market should do. This creates models that can be dropped over the market with lines to see how it affects the markets or you can send it through efficiency testing which the program has. You could say here is my model which I think moves wheat or any type of market and then send it though an efficiency test to show what it does 10 days before the exact aspect, the exact day of the aspect, and the 10 days after the aspect. It will go through all the history. The program will do three different kinds of averages movable averages, mean averages and standard deviation averages. The program will draw a curve to see on the day of the aspect what the market did. For example, if you have a model that moves gold, in 2 seconds you can go to your computer create the model, send it through the efficiency test to see if it moves gold or not. It saves a lot of time.

Another powerful thing the program does is full astrological research. Everything that was ever written about astrology. How you would use that for instance, if you want to work with the S&P, you would take the history of the S&P, you could mark it anyway you want for example through the Elliott Wave, Fibonacci, new highs, etc. You can then mark these points with a click of your mouse. Every time you click you mouse, it marks the day of the file, then it will go on an calculate for every day that you mark. It will calculate all the planetary positions for that day. It will then create a file where you may have a hundred different days and then you can send it through this research package and tell what these days have in common. It may, for example that every day you marked 14 degrees Scorpio was hut so many times, Venus and water sign was hit so many times. Full moons, new moon and all the midpoints and the harmonics and everything that's going on. This gives you a full program when you use astrology.

The program has one of the largest data bases for first trade charts. It contains when a company made its first trade - the time and the day which is very important in astrology. The program has over 2000 of them.

The program also has a black box where you can create different weights for an astrological phenomena. This technique was created around Lt. Col. David Williams theory. With the black box you can then send results to a bunch of charts or the time in the sky from now to the end of the century. If you put the moment you were born and the day of your birthday in the program it can tell which of the 2000 companies in the database that you you are compatible with if you trade with these companies. Another very good part of the program is the Time Tunnel. You can use various techniques to see when certain planets are in stress and are not in stress in the sky to predict the stock market.

The Financial Trader software is available from A.I.R. Software, 115 Caya Ave. w f Hartford, CT 06110, (203) 232-6521

Robert Miner's new Dynamic Trader software was not ready so we could get it in this review. We understand that this Microsoft Windows based program will have excellent time projection techniques incorported in it. It will be available in January of 1995 from Gann/Elliott Educators, Inc, 6336 N. Oracle, Suite 326-346, Tucson, AZ. 85704, (602)797-3668.

Popular Trading Prices for Wheat

By Jim Watkins

Systems and techniques to fore cast events have been used for thousands of years. Highly accurate predictions of celestial events were made long before the birth of Christopher Columbus. For those interested in calculation of time, eclipses and some theories on

Stonehenge, read "How the Shaman Stole the Moon" by Dr. William Calvin, an amusing and informative book.

Today, thanks to Gann, we can forecast the wheat market using some of his favorite price multiples. One-62 cents, also have of 62 cents (31)-

can be of assistance. For the L)ecember 1994 wheat low of $3.09, the calculation is 62 times 5 which equals 310 cents. Experimenting with coarse and fine price levels, multiply 62 times 7, and a price of $4.34 is forecast as a possible high. This forecast of $4.34 has not been struck as of October 13, 1994. Use all multiples of 31 and 62 whenever you are

Swing Trade

December Wheat 1994 Contract High 418 3/4 - Low 309

Stress Points Eights (1/8) | Chart Points | Twelfts (1/12)

	Low	High	Diff.	N.R.P.	G.R.		Diff.	Diff.	Cycle Squares
[illegible]	309	418 3/4	109 3/4	[illegible]			[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	282 3/4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	1/8	313 1/2			316	1/12	308 1/4		
				[illegible]	[illegible]	2/12	318 1/2	[illegible]	[illegible]
	2/8	328 3/4			334	3/12	328 3/4		
						[illegible]	[illegible]		
	3/8	344 1/4		349		5/12	349 1/4		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
	5/8	374 3/4			371	7/12	369 3/4		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]		
	6/8	390 1/4			391	9/12	390 1/4		
[illegible]	[illegible]	[illegible]	[illegible]	401	[illegible]	10/12	400 1/2	[illegible]	[illegible]
	7/8	405 1/2				11/12	410 3/4		
[illegible]	[illegible]	[illegible]		421	[illegible]	12/12	421	[illegible]	
	8/8	436 1/2				13/12	431 1/4		441 (21)
	[illegible]			[illegible]		[illegible]	[illegible]		

N.R.P = Natural Resistance Point G.R.= Golden Ration, Golden Cross, Fixed Cross, 45 º line

Table 1

forecasting wheat targets.

Next, referring to the low price of wheat in the year 1852 at 28 1/2 cents, with this multiple of a histsrical low price of 28 1/2 cents times 23, we get $6.55 1/2. The actual alltime high for wheat on the Chicago Board of Trade was $6.45. So this first calculation of $6.55 1/2 missed the actual high by 10 1/2 cents. Combining multiples of 28 1/2, 31, and 62 cents, we find 31 times 21 equals 6.51, and this misses the high of $6.45 by 6 cents. I will repeat, theses calculations missed by 10 1/2 cents and 6 cents. Additionally, use 7 cents and all multiples, and find that 7 times 92 is 644 and 7 times 44 is 308. The calculations using 7 cent multiples missed the December 1994 low by one cent and the all-time high by one cent. Not an insignificant occurrence in my mind. Notice how we narrowed our accuracy down to smaller and smaller misses of the actual low and high prices.

Now to highs and lows on the chart included. Key prices of 316, 334, 352, 371, 391 and 411 were struck. These numbers are on the chart as Golden Ratios and are located at zero, 90, 180, 270, and 360 degree price lines. Forty-five degree line numbers-- 307, 325, 343, 361, 381 and 401, all have been touched (note contract low $3.09, high $4.18 3/4.) The next higher forty-five de gree line number of 421 has not been touted as of this writing.

Note: All Natural Resistance Points (N.R.P.) are 22 1/2 degrees apart. All Golden Ratio (G.R.) numbers are on zero, 90, 180, 270 and 360 degree lines. Several other key numbers are found on the 45 degree lines. These are the northeast, northwest, southeast, and southwest degree lines. Also the southwest 45 degree line numbers are odd square root numbers 9, 25, 49, 81, 121 etc....

Even-numbered squares are located one number off the northeast line, i.e. N.E. line number 401--one unit less equals 400, and that is 20 squared. Each of these numbers is important when measuring the strength and/or weakness of a market. Wheat is our illustration here, but all markets can be evaluated in a similar manner.

Jim Watkins is an active trader in stock, option, bond, and futures markets. Since 1988, he has drawn on his over 27 years of experience to provide daily market predictions to private and corporate investors. Jim can be reached at ECM Research at (901) 767-0355

Percentage Change Price Projections

By Robert Miner

The following article is condensed from the "Percentage Change Price Projections" section of the Dynarnic Training by Robert Miner. If a trader wishes to understand the mathematical relationships at major trend changes, the trader must take an additional perspective of price analysis than simply projecting Fibonacci price retracement levels. The knowledgeable trader will make larger degree price projections by percentage change and rate of change as well as the familiar price range retracements and projections. This article will describe percentage change price projections, and how they are used in conjunction with range price retracements and projections to alert the trader well in advance to major price support and resistance targets. A future article will describe rate of change price projections.

Most traders are familiar with calculating price retracements of prior swings as potential support or resistance price levels. The most familiar retracement levels are associated with what are called the Fibonacci ratios of 38%, 50% and 62%. Markets frequently make at least minor highs and lows at these retracement levels. This is particularly true of minor and intermediate term market swings up to approximately 90 days in length.

Markets tend to make highs and lows at Fibonacci retracements less often at the primary degree trend changes. We will consider primary degree trend changes those market cycles which last anywhere from several months to several years. They are the trend changes that would be the obvious highs and lows on a monthly chart. Priy degree trend changes are important for traders to identify, as the most profitable trades are those taken in the direction of the main trend.

Price range retracements and projections are made by measuring the price range of a prior swing for retracement or projection. This is the type of price projection analysis most traders use on a regular basis. The same methodology that we use for price range projections is used for percentage change price projections. Rather than use the price range of each prior swing to measure retracements and projections, we use the percentage change of that swing.

Percentage change of price is a better comparison between price swings than comparisons of the price range of swings. A IOtorallyfromapriceof IOOis IOpoints while a 10% Ially from a price of 200 is 20 points. While the second rally was twice the price range as the first, each new swing made the same change relative to the beginning point for each movement Each swing changed by 10%. The table below shows the 50% retracement projection of a swing by both range and percentage change. The swing advanced from 300 points to 400 points for a range of 100 points. The pPrcentage change of the swing was 33% which is the IOOpointrangedividedby 300. From the low of 300, the swing advanced 33%. A 50% retracement of the swing's range falls at 350 which is 50 points (100 x 50is) subtracted from the 400 points high.

We calculate the 50% percentage change retracement in the same way but use the percentage retracement instead of the range. The 50% percentage change retracement of the 300 point to 400 point swing is calculated by multiplying the percentage change of 33% times 50% (16.5%) decrease from the 400 point level. (400 x 16.5% = 66: 400 - 66 = 334).

50% Range Retracement
Compared with 50% Percentage Change Retracement

As you can see, a percentage change retracement or projection will always provide a different target than a range retracement or projection.

Currencies are known for fast, volatile and persistent trend swings - the type of profit making trends that traders want to identify at the trend reversal pivots, not weeksaftertheyhavebegun. In Feb. 1991, the mark began a severe decline. Temporary support was found at the 50% and 62% range retracement levels. Most establish ment traders believe the 62% retracement level is the last stand of support for counter trend, and, when it was exceeded they became very bearish, expecting a continuation of the bear market and new lows in the mark

Dynamic Traders knew there was a very important support level just below the 62% range retracement projection. That support level was the 50% percentage change retracement target which fell at 54.78.

See Figures 1-3 and their comments before continuing.

Let's look at the current position of the } as of the first week in Oct. 1994. On July 12, the mark made a spike high at 65.95 which has not been exceeded as of the first week in Oct., three months later. While the July high was made near the 61.8 % range retracement thelow we have

in the past how often that retracement level is exceeded. What other price projections

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

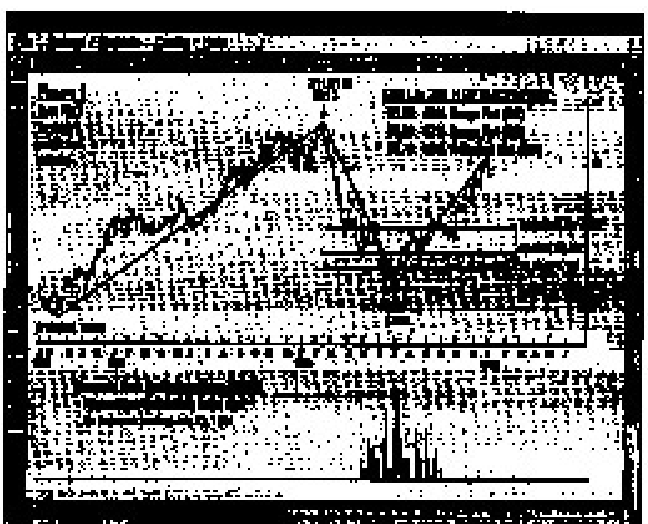


Figure 1

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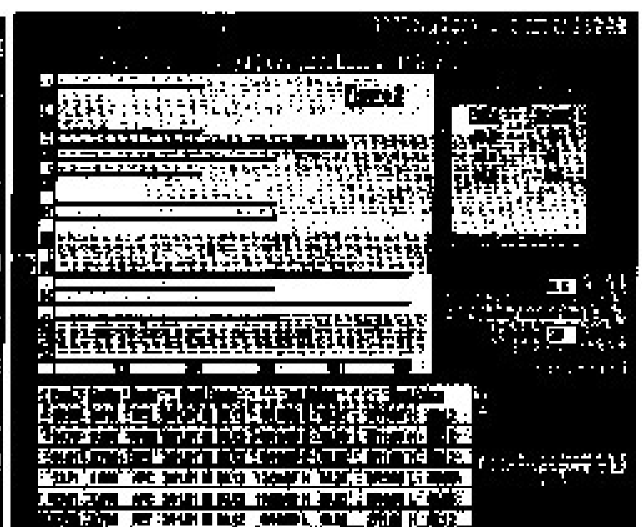

Figure 2

[illegible]

fell near the 61.8% range retracement that would have alerted us in advance that the mark was at a very important resistance level?

Figure 4 is a weekly chart of the mark fromtheSept.1992highthroughthepresent time (first week of Oct). We can see that the 65.78-66.10 price zone was a very important cluster of dynamic price projections that included four percentage change projections including the 78.6% percentage change retracement .786 is the square root of .618 and is acritical numberforbothrange and percentage change retracements. The 78.6% percentage change retracement coincided within nine ticks of the 61.8% range retracement!

Refer to Figures four and five before continuing.

In July 1994, the mark traded into an incredible wall of projected time and price resistance, each of which was projected well in advance. The mark has not been able to exceed the July high in three months. The projected price and time zones, when properly understood and incorporated into a complete trading plan, are invaluable tools for the trader who understands dynamic ratio price and time projections.

The recent three month trading range in the mark may be a consolidation period prior to a continued bull market or the July 12 high may be a major counter trend top prior to a continued bearmarket. Otherfactors of pattern and trend position reveal that part of the story. However,traderswereprepared from both a price and time projection perspective that the first half of July and the 65.78-66.10 price zone when: important targets for trend change. Once the mark breaks out of the prolonged trading range, new price and time projections will provide traders with the price and time of the next trend change.

Traders who do not incorporate price percentagechangep,njections intheiranalysis plans are putting themselves at a disadvantage. Traders who do incorporate price percentage change along with their price range projections will not only find the explanation for prior major highs and lows in every market, but wiS be prepared for the future trend change projections that range retracement traders will miss.

Robert Miner is the author of the forthcoming Dynamic Trader, a comprehensive package

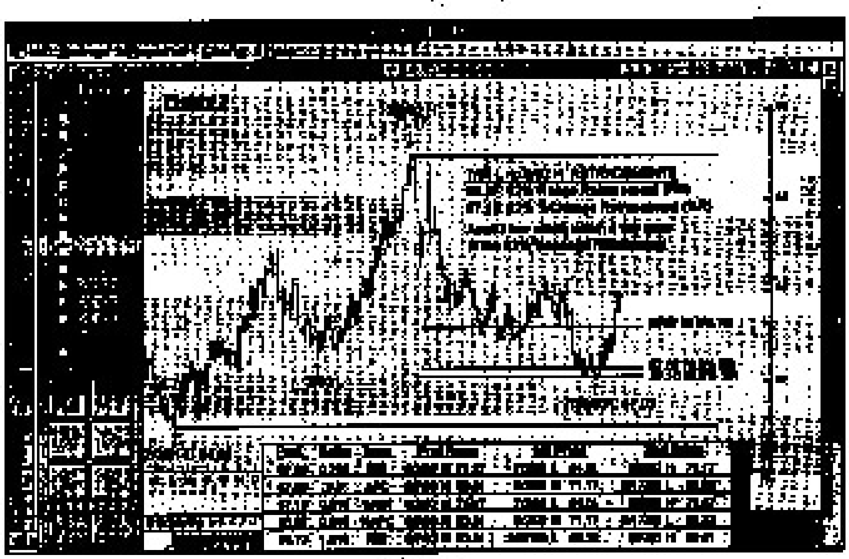

Figure 3

From the Sept. 1992 high, the mark crashed through the 62% range retracement level and the prior major swing low from March 1992. Most traders would be very bearish expecting no more retracement support. In July 1993, the mark made a low at the 62% percentage change retracement target and reversed for the greatest rally in time and price since the Sept. 1992 high. This level coincided with the 78.6% range retracement.

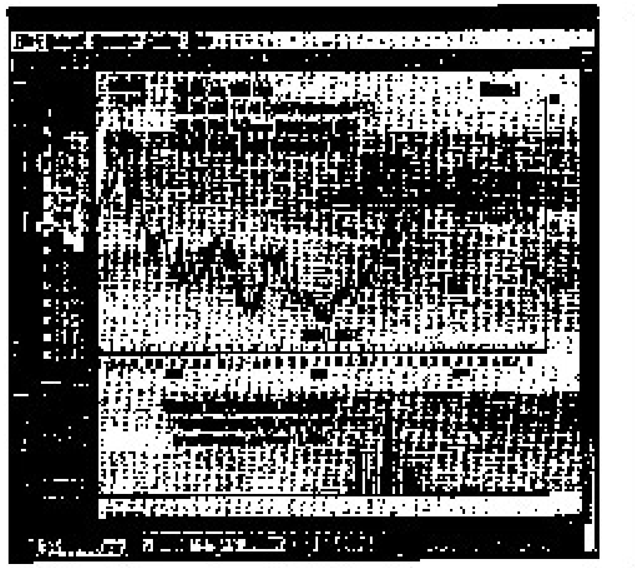

Figure 4

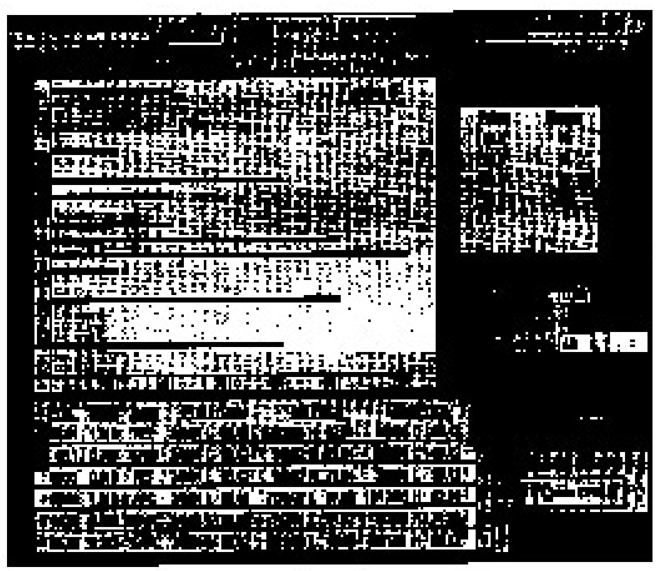

Figure 5

of training and softwarefortraders which wiLt be released Jan. 2, 1995. Miner also publishes the monthly educational and analysis newsletter, the Major Market Analysis Report and weeklyfax reportfor traders. Evrfurther inforn1btion contact: GannS Ellioa Educators Inc. • 6336 N. Oracle @ Suite 326-346 Tucson, Az 85704. Voice (602) 797-3668, Fax (602) 797-2045.