THE OFFICIAL MAGAZINE OF TECHNICAL ANALYSIS

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FALL 2001 ISSUE #31 .com

# 2001: A CYCLE ODYSSEY

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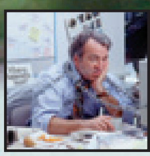

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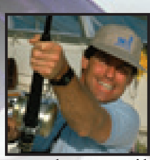

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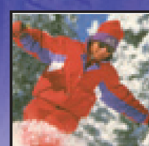

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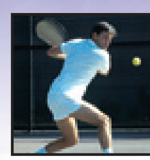

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CSI AD

# Decimalization's Impact On Trader's Strategies and Styles

**By Jim Herbold**

The NYSE's and NASDAQ's relatively smooth transition from fractions to decimal pricing during the first two quarters of 2001 generated mixed opinions among market makers, day traders and long-term investors. Trading in penny increments, rather than a 1/16ths or in1/8ths, has both positively and negatively affected the majority of trader's strategies and trading styles. In addition, there have been mixed effects on the associated risks, size and amount of trade orders, scope of potential returns, and the ability to accurately gauge market sentiment and movement.

Decimalization's impact on the NYSE and NASDAQ markets and the individuals and institutions that trade on them can best be described by the following nine points:

**Narrowing price spreads:** the difference between the quoted bid and ask prices have dramatically decreased due to the use of pennies instead of fractions, reducing the profit potential for traders. A sample fraction spread might have been $49 7/8 - $50 1/4 (37.50 cents), as opposed to a sample spread of $50.01 - $50.04 (3 cents).

**Smaller size of trades:** the average trade size has decreased as groups of shares are spread over a greater number of possible price points. For instance, 5,000 shares of a stock could have been bought or sold in one transaction at either $20 1/16 or $20 1/8, but now the same 5,000 shares are spread over six or seven different price increments and might have to be bought or sold in smaller groups at $20.01, $20.02 and so on to $20.07, depending on the bid/ask prices.

**Increased amount of trades:** the finer pricing grid and smaller spreads make it harder to execute large orders, so more trades need to be transacted in order to fill larger buy and sell orders. For example, in order to capture 7,500 shares of a stock, a trader may now have to make five trades of 500 shares for $49.99, five trades of 500 shares for $50.00 and five trades of 500 shares for $50.01, as opposed to buying 7,500 shares for $50 a share in one trade.

**Longer time to fill orders:** in such a time sensitive industry, decimal pricing increases the time it takes to fill a buy or sell order, due to the smaller groups of available or displayed shares that can be purchased at one particular price and in one transaction. This can result in lost opportunities if the market swings one way or the other in a relatively quick period of time.

**Less trading inside the spread:** smaller spreads and trade sizes have led to a reduction in trader activity inside the spread and an increase outside of it. On a regular basis, there will not be enough inside liquidity, so, depending on the size of the market, a trader who wants to purchase a large amount of shares will pay 5 or 6 cents above the spread to complete the transaction quickly. This could be due to a trader's desire to capitalize on an anticipated market movement.

**Decreased scalping opportunities:** the switch to decimalization has curtailed a tactic commonly used by day traders and active investors. With penny increments and reduced price movements, it is much harder to make a quick profit from stock price swings in one direction. Scalping is not very profitable for a penny or two per share. As a result, many traders have significantly reduced their scalping strategies and are utilizing alternative trading strategies, such as sector or momentum trading.

**Increased shorting opportunities:** although the practice of short selling is largely driven by market conditions, decimalization allows day traders and active investors, among others, to more easily short stocks. Prior to decimal pricing, a trader on the NASDAQ could not purchase a declining stock until there was an upward tick in the bidding price or at least an increase of a 1/16th. Today, NASDAQ traders can short stocks on offering the stock a penny over the current bid. NYSE traders, however, have to wait until shares of a stock have been bought on an upward tick before placing their own bid. Decimalization has made it is easier for traders to get close to or in at the bid price and also get out of a stock more quickly.

**Specialist exploitation:** many market professionals claim that NYSE specialists regularly exploit decimalization by stepping in ahead of trader's or big institutional orders by bettering their bid or offer by a single penny. Traders place an order with a specialist to buy at specific prices, but if the specialist wants to buy the same stock, they can take advantage of their position and up the bid by only a penny, effectively taking over the inside. This practice was not so prevalent before decimal pricing, where the specialist would have to increase the bid by a 1/16th or an 1/8th, increasing their potential downside and risk.

**Less visible depth:** decimal pricing has led to a sharp increase in the amount of information on a trader's screen, with far more smaller levels in between bid and ask prices. As a result, the use of a ticker has become increasingly difficult and traders have a more arduous task of accurately assessing the depth of the market. With the deluge of information passing by traders at a frenetic pace and the sight of multiple price jumps and dips by penny increments, it is much harder for a trader to spot an investment opportunity.

The most immediate impact of decimal pricing on trader's strategies and styles is the tightening spreads, smaller trade size, less visible depth, and the greater difficulty in reading possible market sentiment and movement. To combat these changes and most trader's information overload, several leading direct-access providers are developing aggregation tools to help traders quickly aggregate the data and receive meaningful information in return, e.g., adding up multiple prices and sizes and identifying the overall price needed to purchase a specific number of stocks.

*Jim Herbold is Chief Information Officer at ProTrader Securities, one of the largest direct access brokerage firms in the U.S.*

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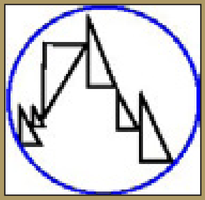

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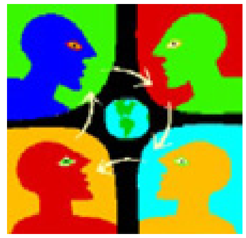
# The Combined Views of the Masters



*The possible key to high probability trading...*

**By Robert Giordano**

Back in the early 90's when I first started studying the various trading systems and techniques of the legendary forecasting masters, W. D. Gann, George Bayer and R. N. Elliott, I found their work interesting. But the fact that they used Astrology as their primary forecasting tool did not sit well with me at first. In fact, at that time Astrology, to me, was nothing more than superstition and mumbo-jumbo rather then an actual science. And if Astrology was the key to the markets, then why weren't all financial astrologers rich?

The fact still remains that even though these men may have been misunderstood, they were still famous in their own right and gave accurate and "documented" forecasts months, if not years, in advance.

How?

Being born on September 4, 1968 under the sign of Virgo, my curiosity and desire to analyze were strong enough to push me through the hundreds, if not thousands, of hours of painstaking trial and error studies on their market forecasting systems with some very interesting results.

What I began to realize is that they each describe, in their own way, a relationship with price and time through a mathematical process of cycles. That their representation of Astrology was more of a system of natural speeds and steps that the planets follow in a cyclical order, both individually and combined. A type of natural progression and harmony.

I also began to see that their views of the markets were the same as the philosophers of old where everything in nature, on our planet and throughout the universe, worked off of natural points of force (i.e. golden spirals, Fibonacci relationships, natural progressions and proportions, etc.). Each one felt that if they could find the proper combination of mathematical points a specific market holds to, they could make superior trading decisions.

There are many professional traders today who use small pieces of the master time and price puzzle with some good and some not so good results, but few use them all. By going over the various trading systems and keeping what worked or had the highest percentage of accuracy and eliminating the rest, I found approximately 15-16 different single systems that literally prove themselves up.

What we get when these various systems are combined together are clusters of both price and time hits around specific dates in the future, thus increasing the odds for success.

A very important point I would like to make at this time is that no one tool should be used alone but must be combined with the others in order to get the best results. As no one tool works all of the time, they all work some of the time. This is, in my opinion, the key to unlock the door to high probability trading.

Even though these systems are powerful and give superior results, by no means are they perfect. In fact, I would say about 30 - 35 percent of the time they are going to be wrong. No matter how hard we study or how many hits there are around a specific target date, you are still going to be wrong about 3-4 times out of 10. With this in mind this system, as well as any others, must be combined with proper money management skills, stop loss orders and hedging techniques in order to stay alive. Even the legendary masters, like Mr. Gann, agree stop loss orders are a must!

In my upcoming book, "*Forty-Five Years and Beyond, The Nature of Numbers and the Numbers of Nature*", each chapter is devoted to one specific technique with a brief description of the idea along with the proper recommended reading list for further study. The goal of this book will not be to take anything away from the already published works on the W. D. Gann, George Bayer and R. N. Elliott systems, but rather the intention will be to add to the knowledge through my own research and experience. By no means do I claim to have the last word on the old masters works, but I do feel that the books and courses I have chosen show the best and most comprehensible explanations I could find at this time. The book will include my own research findings and specific trading combinations which, I feel, are unique.

One example of the high probability methods in my upcoming book is the "24 Hour Cycle". This method is based on the time it takes the Earth to make one complete revolution on it's axis (360 degrees). The formula is as follows:

Take a specific high or low price and multiply this price by itself. Then divide this answer by 60 (minutes). This will show you the number of minutes/hours to the squared price. You then divide this answer by 24 (hours). This will give you the number of calendar days to the squared price. In most instances a trend change occurs with a plus or minus one time period (one hour, one day, etc.).

This formula was taken directly from one of Mr. Gann's courses. Mr. Gann stated:

"The number 144 is the master cycle because 144 times 144 equals 20,736 cells. This number divided by 365 days (1 year cycle) equals 56.81 years (two Saturn cycles)".

Mr. Gann also says: "Take the high, multiply it by itself, and divide by 24 to find a probable accumulation or distribution period".

By experimenting with these two formulas, taking the highs and lows, multiplying them by themselves, then dividing by the specific time period, I have come up with the following results:

**IBM Example 1:** January 20th, 2000 - High at 124.75 X 124.75 equals 15562.5, divide by 60 equals 259.37 hours, divide by 24 gives 10 days 19 hours or 10 - 11 days. January 20th plus 10-11 days shows January 31st/February 1st. (February 1st major low).

**IBM Example 2:** February 1st, 2000. Low of 109.125 X 109.125 equals 11,908.2, divide by 60 equals 198.47 hours, divide by 24 equals 8 days, 6.7 hours or 8 - 9 days. February 1st plus 8-9 days gives February 9th-10th (February 9th Major High).

**Example 3:** March 2nd, 2000. Low of 99.5 X 99.5 equals 9,900, divide by 60 equals 165 hours, divide by 24 equals 7-8 days from March 2nd or March 9th-10th (March 10th Minor Top).

**Example 4:** March 6th, 2000. Top at 111 X 111 equals 12321, divide by 60 equals 205.35, divide by 24 equals 8-9 days. This period, when added to March 6th gives March 14th-15th (March 14th Minor Low).

**Example 5:** March 27th, 2000. Major High at 128.25 X 128.25 equals 16,448, divide by 60 equals 274.1 hours, divide by 24 equals 10-11 days. March 27th plus 10-11 days equals April 6th-7th (April 6th Major High, also a double top formation).

**Example 6:** April 4th, 2000. Low (bottom before double Top) at 115 X 115 equals 13,225, divide by 60 equals 220.4 hours, divide by 24 equals 9-10 days. April 4th plus 9-10 days equals April 13th-14th (April 14th Minor Swing Low).

**Example 7:** On March 22nd, 2001 we had a Bottom at 87.65 X 87.65 equals 7,682, divide by 60 equals 128 hours, divide by 24 equals 5-6 days. 5-6 days plus March 22nd equals March 27th-28th (March 27th was a High before a 10 day Reversal).

As you can see this simple calculation gives potentially powerful results.

Another of Mr. Gann's tools I use with good results is his NYSE permanent chart. This chart is a 20 times 20 number square that runs up each column 20 spaces and over 20 spaces, ending at the number 400 (20 X 20 spaces). Mr. Gann does give basic instructions on how to apply this unique forecasting tool but is very vague.

By going over several articles by various authors and applying some of my own research ideas, I've come up with this: Most people, including myself, believe the 20 cycle to be the Jupiter, Saturn conjunction cycle which takes place in both heliocentric and geocentric longitudes approximately every 20 years. Gann also gives a list of years that he says starts a new cycle and each one had this specific configuration in it.

According to this idea, we now see that Gann is using this number square specifically to see the market reaction to this one individual cycle, as we shall see.

(Please note: The NYSE Permanent Chart is included with the Gann Stock Trading Course).

When starting the NYSE chart in 1792, the year 1793 falls on the number 1. As we move up year by year we see various 45 degree angles crossing in time. These angles, according to Gann, will be resistance or support years depending on what part of the cycle you were in.

If you circled all the years of the Jupiter/Saturn conjunctions on the 20 times 20 chart you will see a potential pattern emerge. Starting with the 1861 conjunction in the sign of Virgo and following this method we get a major market crash in 1869, or the 8th year of the 20 year cycle, which is on a 45 degree angle on the chart. The 1901 conjunction in the sign of Capricorn formed a major top in 1907, also on a 45 degree angle and equaled the 6th year of the 20 year cycle.

Reusing the 1901 conjunction in 1919, we had another major reversal on a 45 degree angle in the 18th year of the cycle. The 1921 conjunction fell once more in the sign of Virgo with the 1929 market crash again in the eighth year of the 20 year cycle on a 45 degree angle (it was also the 3rd Jupiter/Saturn conjunction or the 60 year cycle).

The next date we will look at is the 1980-81 conjunctions in Libra. This year will be 80 years from the 1901 conjunction or four 20 year cycles. 1987 had a major high similar to the one in 1907 in the 6th year on a 45 degree angle. So as we can see there is definitely a price/time relationship going on here.

Another way to use the 20 times 20 chart as Mr. Gann says is to look at the 60, 40, 30, 20, 15, 14, 10, 7, 5 and 1 year cycles to see if one or more may be repeating. It works like this: We know we had a Jupiter/Saturn conjunction in 2000 in the sign of Taurus similar to the one we had in 1940/41. Now, let's say we want to forecast the NYSE for the year 2002. In this year there is a 45 degree angle crossing with another in 2003. Going back 60 years we get 1942;

**60 Yr., 1942:** In 1941 we started a major advance from a bottom

**40 Yr., 1962:** Another low and an advance started

**30 Yr., 1972:** January 1973 was a major top with 1974 being a major low

**20 Yr., 1982:** Also a bottom where an advance started

**15 Yr., 1987:** Was a major top year

**14 Yr., 1988:** October 1987 we had a major low

**10 Yr., 1992:** A minor yearly low where a continuation advance started

**7 Yr., 1995:** The latter part of 1994 we had a minor low where a major upswing started

**5 Yr., 1997:** Another minor yearly low with the continuation rally

**1 Yr., 2001:** So far from 1999 to the present we have been in a major distribution range with no visible direction.

When putting all these years together along with 45 degree angle crossings in 2002 and 2003 we may have a possible forecast that runs like this:

A major top in the NYSE in 2002 with a major bottom on the 45 degree angle in 2003 (these years were also obtained by Daniel Ferrera using other methods).

Another reason for this specific forecast is when using the NASDAQ birth chart of February 8th, 1971 and using the 20 X 20 chart we get 1972 being on the number 1 on a 45 degree angle. 1972 was a major top with a major bottom on the number 3 or the center number of the first 5 year cycle. 1976, 1977 also fell on a 45 degree angle and in December 1976 we had a major low and 1977 was a final low before a major run up. 1981, 1982 also fell on a 45 degree angle. 1986 was a top and 1987 was another top and a major bottom formed and an advance followed.

The next 45 degree angle crossed in 1991. In October of 1990 a major run up started. 1993 and 1995 were also on a 45 degree angle. In December of 1993 a minor top formed and in January of 1995 a minor bottom again where a major advance started. In 1998 we had a minor top and bottom where a major advance started which lasted until the next 45 degree angle in 2000 (last major top).

The next 45 degree angle will be hit in 2003 for a possible low point. So, as we can see we have both the NASDAQ and the NYSE hitting 45 degree angles in 2003.

We can see from the previous examples that it is extremely important when using the 20 X 20 chart to have the proper first trade date of the stock, commodity or index you are following for without it you will not know what year of the 20 year cycle you are in.

PS: I also believe that all major conjunctions can be used as potential timing devices I.E. Jupiter/Neptune, Saturn/Neptune, Saturn/Uranus, Jupiter/Uranus. Mr. Gann does say that the Jupiter/Saturn, or the 20 year cycle, works the best for stocks and commodities.

In closing I would like to give several perfect examples of high probability dates or cluster points. I had recently received an e-mail from Daniel T. Ferrera about a potential turning date he had found using several of his own unique Gann methods combined with some specific astro-data.

The dates are July 12, 13th 2001. When we look at these dates in an Ephemeris we see the Moon is at 0 degrees north declination, both Mercury and Jupiter are changing signs, also conjuncting each other on the June 21st total eclipse at 0 degrees Cancer (a cardinal point). This astro-data, combined with his square of 9 work, are both pointing to this period as being of major importance for both the NASDAQ and the NYSE. Good work Daniel!

By using the other various forecasting methods in my upcoming book, we will also see some interesting results on these dates as well. By taking the April 4th, 2001 NASDAQ low (the NASDAQ's several year low) at 1619, converting it into degrees we get 180 (179) degrees (1619 minus 1440 or 4 X 360 degree circle). If you also take the June 21 total eclipse at 0 degrees Cancer, converting it to degrees of the circle we get 90 degrees. You can now see that the total eclipse is directly affecting the NASDAQ at the low of 1619 by squaring it.

One point I have found when dealing with eclipses is the eclipse degree becomes a stationary hot spot or energy point and gets triggered whenever an individual planet transits over this location (especially Mars). This system is extremely powerful for forecasting mundane events. I also feel this is probably the way W. D. Gann used them in his forecasting methods.

When using what George Bayer called his "five fold horoscope" on these dates we see several hits as well. The NASDAQ's progressed Moon is at 7 degrees 12 minutes Virgo, hitting it's mundane mirror Sun on a 300 degree aspect and also making a 255 degree angle to it's mundane Jupiter (George Bayer believed all 15 degree aspects were important).

Since we are on the subject of critical cluster dates, I have come up with July 18th-20th, 2001 as being potentially important. On these dates we have the Moon at 23 degrees north declination (maximum north) while passing the eclipse longitude at 0 degrees Cancer and conjuncting the Sun (new Moon). Mars is stationing direct, helio Mercury is changing signs, NASDAQ's natal solar arc Mars is conjuncting it's natal Sun/Jupiter, Sun/Neptune midpoints.

On July 5th, 2001 we have another solar eclipse (lunar) at 13 degrees 34 minutes Capricorn. On the 19th of July we have heliocentric Mars crossing this degree. Combine all this with the fact that if you look at all the major tops and bottoms over the past year or so on the NASDAQ you will find the heliocentric transit to transit planetary combinations of Mercury/Venus, Mercury/Jupiter, or Mercury/Pluto in most instances.

In the case of IBM it usually has a heliocentric combination of Earth/Uranus, Venus/Uranus around most of it's trend changes. On the 18th - 20th of July, we have both combinations present, Venus/Uranus, Mercury/Jupiter and Mercury/Pluto. Not to mention the fact that July 17th, 2001 is the one year anniversary date of the 2nd major top in the NASDAQ before the double top formed on September 1st, 2000. the exact Sun degree will be reached closer to the 18th of July this year. With so many hits occurring around these dates, the results should be interesting.

This article was written in June 2001. Since then many of the forecasted dates given in this article have since passed. You should use these dates and how they were arrived at for study purposes. Some future dates to look at using the same forecasting techniques are October 22nd - 26th, December 5th - 8th of 2001 and December 25th - January 2nd of 2002.

*Robert Giordano is a private trader and can be reached by e-mail at: pvtpoint@aol.com*

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# 100% Alternate Time and Price Targets

By Robert Miner, Dynamic Traders Group, Inc.

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The 100% Alternate Time and Price Projections are typically the *minimum* targets for any trend or counter-trend. If we have a reliable way of projecting a minimum target, we know which side of the market to trade until either the market reaches the minimum target or the trend is voided.

**How To Calculate the 100% Alternate Time and Price Projections**

It is quick and easy to make these calculations. Measure the time and price ranges of a swing and project 100% of the time and price ranges for the next swing in the same direction.

**Figure one** is the 15-minute data of the Nasdaq 100 Sept. contract from the Aug. 27 high through the end of the day on Aug. 29. The 100% Alternate Time and Price Projections are made by measuring the time and price range of Wave-A and projecting 100% of those ranges from the Wave-B high. Both the targets are circled on the chart. The decline continued from the Wave-B high to reach both targets on Aug. 29.

Does this mean the decline is over and we should go long? Not necessarily. The 100% Alternate Time and Price Projections should be considered the *minimum* targets, not necessarily the end of the trend. If we have a reliable method to project the minimum trend or counter-trend targets we know which side of the market to trade and when to adjust the trailing protective stops.

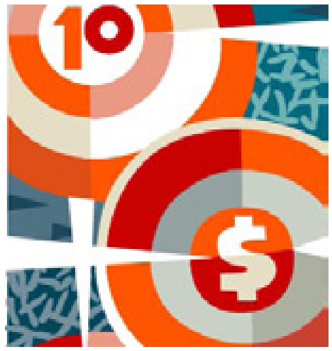


**Figure two** is daily data for Oct. gold through Aug. 28, the date this article is prepared. The Aug. 28 low appears to have completed an ABC correction right at the 100% Alternate Price Projection where Wave-C equals 100% of the price range of Wave-A.

If Aug. 28 is the low and gold begins to advance, the *minimum* targets for the next swing up are the 100% Alternate Time and Price Projections at 287.5 and Sept. 18. These are not necessarily the targets to complete trend, but the initial targets where we would look to take profits on a part of the long position.

**Figure three** is a chart of the daily data for Oct. crude oil. If Aug. 20 is a corrective low as shown on the chart and crude takes out the Aug. 7 high, the *minimum* time and price targets for the advance are Sept. 7 and 28.44.

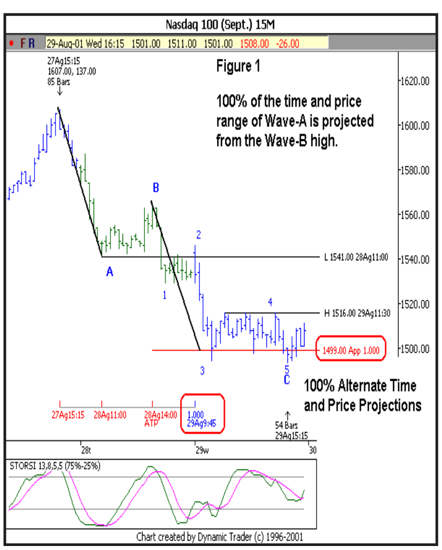
Does every market reach the 100% Alternate Time and Price Projections? Of course not. But, they are the most frequent targets reached and are a basis for many Dynamic Trading strategies which project minimum and maximum time and price targets for trends and counter-trends.

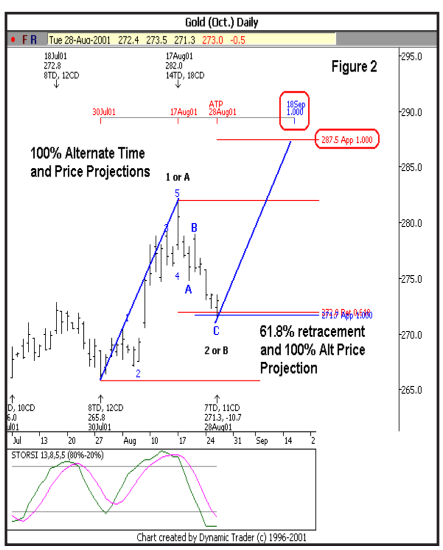
**Lessons Learned**

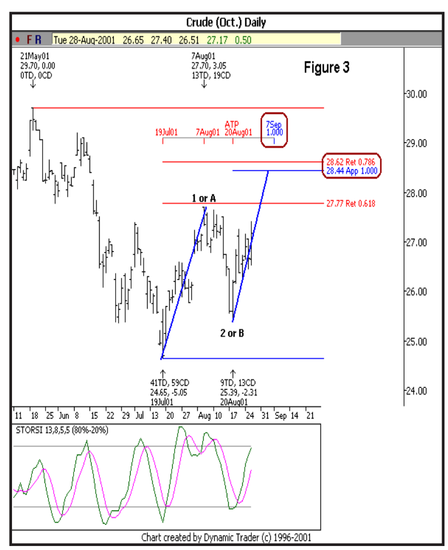
Every trader should be aware of the 100% Alternate Time and Price Targets for each market and every time frame as the most probable minimum objective for a trend or counter-trend.

If you would like to learn more about time and price targets for all market conditions, study the *Dynamic Trading* book which was named the 1999 *Trading Book of the Year* and visit www.DynamicTraders.com for weekly Traders Education tutorials by Robert Miner.

*Robert Miner is the author of Dynamic Trading, a comprehensive step-by-step guide to practical Fibonacci time and price trading strategies. He developed the Dynamic Trader software and trading course for futures, stock and mutual fund traders. For more information and free weekly traders education tutorials, go to www.DynamicTraders.com.*



## Rectifying

# George Bayer

**By Daniel Ferrera**

On page 119 of Turning Four Hundred Years of Astrology to practical Use and Other Matters by George Bayer, he states that the "Market Light" went out for three months from July 31st to December 12th of the year 1914. This was the year that the stock markets closed because of World War I. George Bayer claimed that the cause of this Lights Out phenomenon was due to the "Eclipse of the Sun" that took place on September 15th of 1792 the same year that the New York Stock Exchange came into existence. Basically, George Bayer was trying to show the reader that the market closing event in 1914 was 122 years from 1792 and that the eclipse of the sun took place 122 days from the birth date of the New York Stock Exchange. The Bible says to use a day for a year. This means that each 360° revolution of the Earth on its axis is to be used as one year for the progression of a horoscope. Now this is where the rectification comes in and may be the reason George Bayer described this event. If you look at his natal horoscope for the NYSE, you find that he has different beginning times for each of the planets and he spends the next few pages explaining his reasons for having it this way. I am not going to deal with all the planets because this is only intended to be a short article on what I think Mr. Bayer wanted the reader to figure out on his own. In his horoscope, he has the Sun at 26°30' on 5/16/1792 at 2:19 PM. He has the moon at 20°40' on 5/17/1792 at 11:59 AM.

Now if you do the work and the progressions of the Sun and moon you will find that his horoscope is off. The eclipse of the Sun he is referring to was exact on September 16th, 1792 at 4:13 AM at the degree of 24°08'. If you calculate the Speed of the Sun and moon for the one-day period from September 15th to September 16, 1792, you find that the Sun moved 58' 39" and the moon moved 12°40". Divide both by 365 (days in a year) and you find that the progressed Sun moves at the rate of 9.536 seconds of arc per day and the progressed moon moves 1.974 minutes of arc per day. If you use the natal positions of the Sun & moon that Bayer gives, you will find that the progressed moon would have hit the eclipse on December of 1913 and the progressed Sun would have hit it in December of 1914. This does not match with what he is saying! He said that the "Market Lights" went out on July 31st, 1914 because of the eclipse. If this statement is true, then the Horoscope must be rectified. If you do the work, you should 1st come up with a natal date of May 16th, 1792 at 11:27 PM. This single time works much better for both the progressed sun and moon. For example, the Sun's position on September 15th, 1792 at 11:27 PM is 23°56'20" it will hit the exact eclipse location in 11'40" (11 minutes 40 seconds) converting the whole number to seconds of arc, we get 666.66 seconds. Now we just divide this by the speed of the progressed Sun, which is 9.536 seconds per day. This gives 69.91 or 70 days. Now just add 70 days to 5/16/1792 (rectified birth) and you get July 25th, for the year 1914.The year 1914 came from taking the difference in days between September 15th, 1792 and May 16th, 1792, which is 122 days. 122 days added as years to 1792 gives the year 1914.

The moon's position on September 15th, 1792 at 11:27 PM is 21°36'35", which is 2°31'25" from the exact eclipse longitude. If you convert this all to minutes you get 120.5235 minutes. Now divide this by the speed of the progressed moon, which is 1.974 minutes per day and you get 61 days, which would be July 17th, 1914. The actual event took place on July 31st, 1914 so this means that the moon progression missed by 14 days and the Sun progression missed by 6 days. If you multiply the 14 days by the moon's progressed rate of 1.9744 minutes/day, you get 27.6419 minutes of arc or if you prefer 27'38". Doing the same procedure for the Sun, we get 6 x 9.536 seconds/day = 57.216 seconds of arc or simply 57". Both these calculations need to be subtracted from their respective longitudes on 9/15/1792 at 11:27 PM to determine the correct birth moment.

Subtracting 27'38" from the moon's position of 21°36'35" gives 21°08'57". This would have occurred at 10:35 PM on September 15th, 1792. This means that the rectified birth of the NYSE must be Wednesday, May 16th, 1792 at 10:35 PM. There are important secrets to be learned here. One lesson is that aspects that have occurred after the birth of the native have their effects take place in proportion to a day for a year.

If the eclipse made the lights go out, what made them come back on?

According to a computer program, the eclipse started at 6:10 and ended at 12:08 this would be 5hrs 58m. Converting to decimals is 5.96, which equals181days if each hour of eclipse duration is equal to one month. If you add this to July 31st, you would expect the "Market Lights" to be out until January 28th. The computer program shows the central time for the eclipse as starting at 7:14 and ending at 11:04. This gives 3hr50m or 3.833 or 117 days. If you add this to July 31st, you get November 25th. If you take the average of these two times (5.96 + 3.833)/2 = 4.8965 or 149 days = December 27th. The "Market Lights" were out for 4 months 10 days or simply 134 days. Bayer says the Market Lights were out for 3 months. The November projection makes the most sense in this regard. If you divide the 3hr50m by the progressed rate of the moon (1.974min/day) you also get 116.5 days or November 25th. If you divide the 5hr58m by the progressed rate of the moon (1.974min/day) you get 181 again. This is a nice confirmation from the standpoint that it now seems to mathematically make sense to add the duration of the eclipse as months since the progressed moon speed yields the same general result. 134 days divided by the progressed moon yields eclipse duration of 4.408 or 4hr24min. The actual speed of the real moon (not progressed) was about 31'40" of arc per 60-seconds of clock time on September 16th 1792. If the eclipse is exact at 24°08', then after 4hr24min, the moon would be 2°19'34" further or 26°27'34". This location is 120° or trine to the Natal Sun if you use the above-rectified date of 5/16/1792 10:35 PM. This symbolically makes logical sense. So it looks like the lights went out when the progressed moon hit the eclipse and they came back on when the progressed moon was trine to the natal sun. You might find it interesting to note that there was a lunar eclipse on September 30th, 1792, which is 137 days from May 16th, 1792. If you add 137 days as years, you get 1929 and we all know what happened to the stock market in that year. This article was just for fun. I hope that you enjoy it because it's probably my last.

*Mr. Farrera is author of Gann's Pyramid: Square of Nine Essentials - $395.00 and Studies in Astrological Bible Intrepretation - $55.55. Both availalbe from Traders World. 1-800-288-4266 www.tradersworld.com*

# Recruiting Yourself into Trading

By Adrienne Laris Toghraie, MNLP, MCH

The Devil Made Me Do It Recently, I was sent an e-mail about a woman who was in the Human Resources field. As the story went, the woman in the story had died and was negotiating her final destination with Saint Peter at the Pearly Gates. Saint Peter said, "Normally, we are clear on relocation, but in your case, we are going to give you an opportunity to choose. You will have the experience of both worlds so you can make your decision."

Her first stop was a day in Hell where she found herself enjoying a country club setting with friends and relatives who were having a "super fun time." Next, she spent a day in Heaven where she lived in peace and serenity while floating on a cloud. Afterwards, she said to Saint Peter, "I never thought I would be saying this, but Hell is more my style." With that decision, she was promptly escorted down to Hell where she was met by the Devil who awaited her with the satisfied grin of a winner. Looking beyond him, she saw a bleak, dismal place with nothing but suffering. Alarmed, she cried, "What's happening? I was here yesterday and this was a living paradise!" The Devil responded, "Yesterday, you were being recruited. Today, you get to experience the real thing."

## Facing the Real World of Trading

Most people who enter the trading profession are recruited. They are seduced by a dream that they create in their own minds. However, that dream will not be the reality for them once they make the decision to commit. While trading is a profession that satisfies the dreams of many people, it is a living hell for those who are unprepared to do the things that are necessary to become a successful trader. The unprepared recruits who suddenly face a different reality than their dreams must adjust quickly or go under just as quickly.

The dream for most budding traders includes:

- The freedom to run their own business
- The independence to be on his or her personal schedule
- The full accountability for success or failure
- The opportunity to make an incredible income
- The challenge of a profession that is always changing

Let's take a look at the dream versus the reality:

**1. The freedom to run my own business**

It is a fact that running your own business as a professional trader involves a great deal of personal and professional freedom. The dream of having this freedom is a powerful motivator for traders. Many of the people who come into trading have had the experience of working in a highly structured and controlled organizational environment. These individuals have chaffed under the watchful eyes of people who are less talented and more committed to their own personal agendas for advancement and power than the welfare of their employees or their employers. They have watched the clock as it ticks off the minutes of their lives under someone else's control and they have fantasized about the time when they would answer to no one but themselves.

Most freedom dreamers have not acquired the actual experience of running their own business. As the old saying goes, "With Freedom comes Responsibility." With the ultimate freedom of running your own business comes the ultimate responsibility of keeping it afloat. Many people are not prepared for the level of responsibility that comes with the business of trading. The first time these traders experience a major drawdown, they are confronted with some very frightening possibilities:

- They could suddenly be out of business
- They may not have enough capital left to pay their immediate bills
- They do not have a paycheck coming in next week to cover the shortfall

Unless a trader was raised in a home where one or both parents were entrepreneurs, he will be unprepared for the realities inherent in running a trading business. The traders that I have worked with who were raised by entrepreneurs have been steeped in the risks and rewards of running their own business. They are not seduced by glowing visions of personal freedom because they understand that the freedom comes at a cost. They do not panic when business suddenly falls off because they knew it would happen sometime. Markets work not just in the charts and exchanges that are highly visible, they also operate at the dining room table where the traders live. Understanding this fact has prepared these traders for the inevitable ups and downs of their business.

A trader named Adam was raised in a family where his father was an entrepreneur. From the time that he was in middle school, Adam was forming his own small businesses. In fact, he discovered very early that when he attempted to work in someone else's organization, he became discontented and unable to follow the prescribed organizational model or he was soon running the show. At one point, he formed a trading partnership but soon discovered that he was doing all the work, assuming all the risk, and getting very little for it. Eventually, he formed his own trading business and has watched his business grow rapidly. Adam has experienced periods of loss where he has worried about his economic future, but he has the lifelong experience of being an entrepreneur to realize that certain months are slow ones. He knows that markets eventually turn around and that he can create a win situation for himself once more. As a result of this entrepreneurial history, Adam is well suited to the "dream" of being a trader.

**2. The independence to be on my personal schedule**

The dream of being a trader comes with the anticipation of being able to set your own work schedule. Time independence means that you no longer have to be on a train at 6:35 a.m. or at your desk by 8:30 a.m. You can take a five-week vacation with your family to Europe if you want. And, you can set limits on the time that you spend on your work, meaning that you can work four hours per day or fifteen hours per day if you choose to. You own your time and that is a tremendously liberating and seductive recruiting tool for the profession of trading.

If this vision is the dream, what is the reality? It is true that you are on no one else's schedule. But, if you know very much about running a business, you know that you had better have a schedule if you are going to survive, much less succeed. Yes, it will be your schedule, but it will probably not be the one that you had in mind when you signed on. Instead of having to start work at 8:30 a.m., you might not start until 9:00 a.m., but your schedule might require that you work until 8:00 p.m. each day.

Full-time professional traders make a time commitment in the beginning stages of their trading career that is as great as any beginning professional. This commitment includes the time required to read hundreds of books and articles about trading, to attend seminars and trade shows, to work on your psychology, to develop and back-test a trading system and to paper trade. Much of this activity is done merely in the preparation to trade, which means that you are not even in business for a long period of time, perhaps even years. Once a trader is actually in business (i.e. is finally trading his system), he is definitely on the clock. If he trades longer-term positions, he may not want to take vacations and his spouse may be begging for a long weekend away rather than enjoying the five week vacation in Europe. That dispels the idea of the free time in the dream.

**3. Full accountability for success or failure**

For the individual who wants to have full credit for his own successes and failures, trading is definitely going to fulfill the recruiting promises. The problem is that most non-entrepreneurial traders have never experienced the failure part of the reality in their dreams much less in their previous reality. A serious loss in the market can send a veteran trader into a tailspin. It can do much worse to a neophyte trader. If he wants to take full responsibility for that major loss, he may not be prepared for the self-doubt, fear, and guilt that can come cascading down on him as a result.

The reality is that few new traders are prepared for major success or major failure unless they have done a great deal of work on their psychology. It also helps to be an individual with one of those rare dispositions that takes everything in stride or to have an entrepreneurial background.

Brad came from a highly privileged background where everything came easily to him. As a result, Brad was lulled into the self-delusion that his successes were the result of his superior intelligence and character. He was happy to take full credit for them, however modestly he posed for his rewards. Since he had never failed at anything, he believed that hypothetical failures would be small, painless, and self-directed instructions to improvement in his techniques. Was he ever in for a shock? Trading was such a painful experience for him that he lasted about three months before he rediscovered an old passion and followed it.

**4. The opportunity to make an incredible income**

The field of professional trading has a goodly number of rags to riches stories, enough, in fact, to provide endless copy for the devil himself. If you go to your local bookstore, you can pull numerous books from the shelves that are written by or about self-proclaimed wizards. When asked why he robbed banks, a notorious gangster once replied, "That's where the money is!" Since there is easily as much money in the markets, it follows that someone will be making it. So, "Why not you?" is how the recruiting poster lures new traders into the game.

The reality is that it takes a tremendous commitment to be an average good trader who makes a living at trading. The incredible incomes go to that handful of traders who have taken the extraordinary steps to reach mastery or who were positioned for great success through a combination of great luck and the mental stability that is perfectly suited to trading.

It is more likely that a trader who has not made a great commitment to learning the business and/or who is not blessed with an entrepreneurial history will struggle to make a living at trading rather than reap windfall profits each year.

**5. The challenge of a profession that is always changing**

No doubt about it, trading is always changing. That may look like a benefit on the way in, but it is often the undoing of a trader who is on the way out. Just when you thought that all of your research and paper trading has perfected your approach, you discover that things are about to change. That is what happened to Ross. He had a system that made a small fortune for him in the booming markets of the past. As the economy slowed, suddenly Ross discovered that he could no longer make money with his system. His situation is not as dire as the

floor traders who have worked in the pits for years making tremendous incomes. As exchanges are converting to electronic trading formats, open outcry markets are coming under increasing attack. It is one thing to have to change your system, but it is entirely another thing to have to change your entire way of trading.

To be resilient enough to weather continual change is a gift. Nevertheless, even the most gifted can need a break from change or wear out due to an excess of change.

**Conclusion**

If you recruited yourself into trading by subscribing to the beliefs outlined in this article, you may have already begun to see how you have been duped. The army recruiter in the movie, "Private Benjamin," showed the naive young widow, Goldie Hawn, pictures of condominiums at an oceanfront resort. "This is the New Army," he told her ingenuously. Like Private Benjamin, you may have seen the top one-half of one percent of the trading world and extrapolated it into the "new world of trading." The real world of trading is as demanding and unforgiving as it ever was. To be successful over time, you still have to put in long hours on a rigorous schedule, you still have the opportunity to fail completely and be totally responsible for losing everything while trying to dodge the changes that come like a tsunami. There is no dream – only the reality that commitment, hard work, flexibility, and self-discipline will eventually allow you to make a decent living in trading.

**Review and Interview**

For a complete review on Ms. Toghraie's new book "*The Winning Edge 3 Traders & Investors Coaching to Excellence"* and an interview with her by Larry Jacobs, please go to: www.tradersworld.com/winningedge

# The Mysterious Origins of the W. D. Gann's Square Of Nine

**By W. Bradstreet Stewart**

The Square of Nine is undoubtedly the most mysterious and popular of W. D. Gann's financial market calculators. There is something about this strange number wheel which intrigues all who see it, whether they be market enthusiasts or school children. There have probably been more courses written about the Square of Nine than any other of Gann's trading tools, yet there has been very little actually said.

One wonders what it is about this spiral number chart that so peaks everyone's interest. Is it simply the promise of great fortune for decoding the secret calculator of a legendary market master? Or is there something more subtle, something mysterious, ancient, and unknown that resonates deeper in the being of those intrigued by this chart? Upon exploration, we are pleasantly surprised to find that the Square of Nine is something that extends far beyond being simply an interesting trading tool of a legendary forecaster. In fact the Square of Nine has a history which extends into the far reaches of antiquity, deep into its ancient mysteries and sacred sciences.

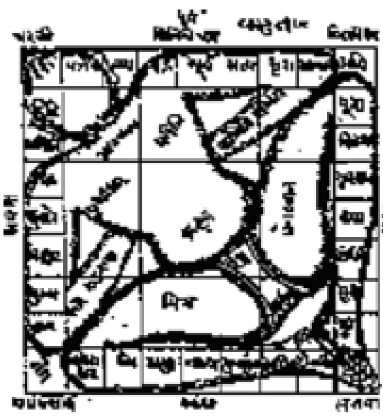


Figure 1. Parmasayika Grid

It is said that Gann discovered the Square of Nine in India, a story that has not been verified, but would not be surprising since the Square of Nine may be found all over India. In Hindu temples throughout the land, there are small 5 x 5 squares (the inner square of the Square of 9) next to the doorways, with the squares serving as small containers filled with the earth and various botanical and natural elements of the region, while the temples themselves are designed according to exactly the same pattern.

This leads us to an ancient Vedic diagram called the Parmasayika Grid (Figure 1) which divides the Hindu Pantheon according to the measures of the "Purusha" (unmanifest creative potential) of the primal cosmic man, the "Anthropocosmos". In this diagram a lotus grows out of the naval of the cosmic man, at the exact center of the grid. This lotus is "Brahma" the universal vital principle, extending itself out through the lotus blossom into the multi-dimensional grid of the manifesting universe. Since vegetable growth, along with all life, extends itself in spiral motion, it would circumambulate the grid from center ring to outer, just as price and time do on Gann's calculators. As the lotus grows, it progresses from the greater deities at the center to the lesser deities at the outer edge, the deities representing in the sacred tradition, universal laws and principles by which all that is born and exists in manifest space-time is governed. See Figure 1.

This universal vital principle, "Brahma", which comes forth from the center as the lotus flower extending itself into 3 dimensional space-time, is pure consciousness projecting itself into form according to mathematical relationships and harmonies. This projection can take on individual and physical form like a tree or a person, or it can be a group form like a business, a school or even an essentially non-physical thought form like a financial market. That group form is composed of all of the thought, work, energy and activity of any kind that is connected with that particular pattern of form. Hence, soybeans and charts of soybean behavior are graphical representation of the conglomerate of thought energy about soybeans, expressed as price behavior and driven by buying and selling, or hope and fear as Gann put it, craving and aversion in the Buddha's terms. Financial markets then, are barometers of mass human consciousness, and soybean charts are maps of the motion or activity of human soybean consciousness as it progresses through time.

Changes in a particular form or entity occur as a result of the sum of the effects of all energies internal and external as they relate to or influence that form. In seeking to forecast the financial markets, one must develop some understanding of the forces that effect the form and how they operate, so that one can anticipate changes through knowing their causes. Various techniques of market analysis represent certain perspectives of perception of these influences and the reactions to them of a particular thought pattern, like soybeans. Thus, price charts of the financial markets are representations of universal forces as expressed through the medium of human consciousness concentrated in a particular pattern. This is what is meant by the universal vital principle, "Brahma," which extends itself through every human, plant, animal, insect, planet, and cell, throughout everything in the cosmos, for it is the principle of action in the Now, the Verb which is the Function, which determines the nature of these particular patterns of Form existent in the manifest universe.

In The Hindu Temple, Stella Kramrisch presents the ground plan for Hindu temples since ancient Vedic times, called the Vastupurusamandala (Figure 2), again our Square of 9, defining it as, "the place for the meeting and marriage of heaven and earth, where the whole world is present in terms of measure, and is accessible to man…" She explains that its essential form is a square which, "can be converted into a triangle, a hexagon, octagon and circle of equal area and retain its symbolism…" Sounds strikingly similar to Gann's Coffee Rio, Hexagon, and 360 Degree Charts. She further explains that, "the Vastu of 64 squares is meant for the construction of shrines and for worship by Brahmanas, and the Vastu of 81 squares is for the construction of other buildings and for worship on behalf of kings." Here with the 8 x 8 square, we discover Gann's Square of 4, the inner square of the Square of 8, as the alternative to the Square of 9, perhaps giving us an explanation for Gann's use of 8 x 8 grid paper for his charts. Kramrisch continues, "the square of the Vastupurusamandala is divided into small squares and in diagonals…their points of intersection are the vital parts and tender spots (marma) of the site…these must not be hurt or interfered with…", Gann's familiar crosses forming

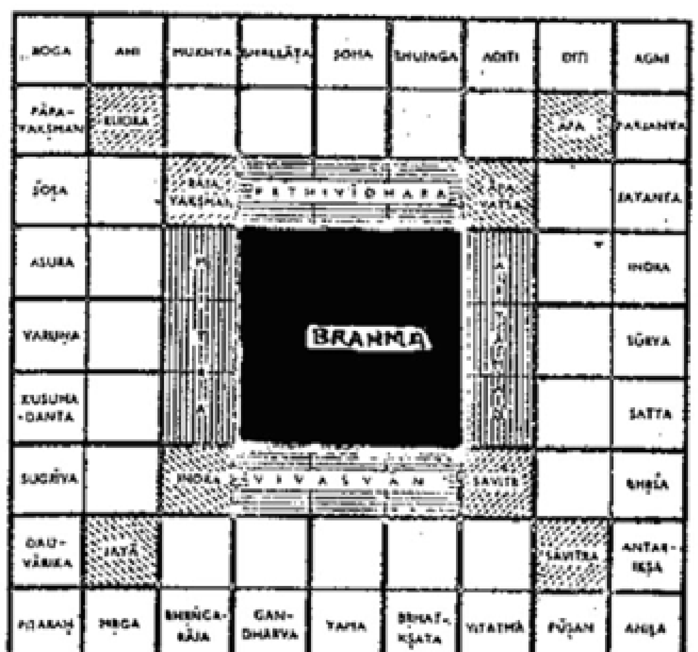



Figure 2 Vastupurusamandala

the "hot spots" on the Square of 9. See Figure 2.

However, we may still wonder what exactly these sensitive "marma" points are measuring; how is this "marriage of heaven and earth" quantified? An ancient Hindu architectural text dedicates its wisdom, "for the pleasure of the astronomers and astrologers, as it has been transmitted from Brahma to our days through an unbroken series of sages. Building is begun under favorable stars. They are consulted when the ground is taken possession of and when the rite of depositing the Germ of the temple is performed. The regents of the planets and the stars have their allocation in the diagram of the temple and their images are carved on its walls. By them are regulated the measurement of the whole building and its parts; the life of the donor, and the age of the temple too. The temple is built in the likeness of the universe and is its reduced image."

Growth within the builder's grid ensues from a specific point of birth, and exactly at the point when the seed is germinated and growth initiated, the planets and stars are carved into their positions on the walls of the grid. On the walls of Gann's grid we find the 360° circle of the zodiac, marking the motions of the planets and stars, and the birth point is likewise an essential key for Gann, for it is the beginning point of the number count in the square, and essential for casting a proper natal chart. The Square of 9 is an instrument which calculates the mathematical measure of the growth of a form from a germination point, and correlates the motion or growth of that form with the astronomical and astrological influences governing it, allowing the analyst to read the stages of and influences upon the development of the Stupa, lotus, form or market.

Daniel Ferrera in his new course, The Gann Pyramid: Square of Nine Essentials, beautifully describes the various functions of the Square of 9 as a mathematical and astronomical calculator. He also points out that the Square of 9 is not to be perceived in only its two-dimensional perspective, but as a pyramid, spiraling from the center around and down to the outer ring at the base of the pyramid. This ties in nicely with our understanding of natural growth and its relationship to the extension of Brahma through the lotus, temple or market. Manifest form projects itself into the three dimensions of space and time in the form of a three-dimensional conic, not a two-dimensional spiral. Therefore we should perceive the growth of our form taking on extension in the Z-plane forming a vortex, whirlpool, or conic spiral as it rotates through the mathematical grid of planetary and stellar influences.

India is not the only ancient civilization to have possessed this subtle wisdom. Again, in Ancient Egypt we find the same design built into the ground plan of the Great Pyramid, probably the oldest surviving structure on Earth, dated by recent research to perhaps earlier than 10,000 B.C.E., and theorized by some to be the last remnant of the legendary Atlantis. Schwaller de Lubicz, one of the greatest thinkers of the 20th century, Pythagorean, alchemist, and egyptologist demonstrates in his monumental work, The Temple of Man, that the Square of Eight & Nine form the backbone of the Egyptian canevas about which he says, "The mentality of the Ancients is geometric (Functional), and, in Egypt, it always refuses the scholarly form that substitutes the mental concept for the graphic means…[this] allows us to place canon, architecture, and calculation on a sort of "backdrop" that we call the canevas, the grid pattern of squares used by the Bauhutte [mason's guild] of the temple builders." Of the importance of the Square of 8 and 9 grid relationship, Schwaller says, "These two lengths, 8 and 9, are related to musical harmony and are the very heart of the 'hieratical pavement.' This is the tone in music and also the ratio between the diameter of a disk and the side of a square of the same surface area. The sum of 8 and 9 is 17, the famous number of Jabir [the famous Arabic alchemist of the 8th century C.E.]. It is associated with 28 and is the key number for the "balance" (mizan, measure of balance)." Not surprisingly, this same "hieratical pavement" also forms the basis of the labyrinth floor designs of the Gothic cathedrals of Chartres and Reims.

Schwaller shows how this canevas is integrated into all Egyptian art & architecture, most particularly the Temple of Luxor, a second millennium B.C.E. temple built by Amenhotep III, father of the enigmatic heretic Akhnaten, to whom the Rosicrucian Order traces the origin of their secret society. Schwaller considers the Luxor Temple one of the structures in Egypt, calling it the "Temple of Man" because it contains within its architectural symbolism a model of cosmic man, Purusha, or Anthropocosmos, and his relation to the universe, exactly as we have seen in India. This is the model of "divine correspondences" as expressed in esoteric tradition by the Hermetic axiom, "As Above, So Below.

Is it surprising, then, that a diagram of such importance to the ancients is to be found applicable to the modern financial markets? Obviously the ancients chose this design as the basis for their most holy and magnificent achievements for an important purpose. We see in both the Egyptian and Vedic traditions that the Square of Nine has, since the beginning of time, been used as a measure of the relationship between man and cosmos. Perhaps by understanding the role it played in ancient times we may derive some insight into how we may apply it to the manifest realities of our time. It is this value which makes the Square of Nine so intriguing to all who see it. There is something to it which transcends the conscious mind and reaches far back to a subconscious racial memory, finding something mysterious which draws one's attention to this strange mathematical calculator.

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# Moving Averages for Day-Trading

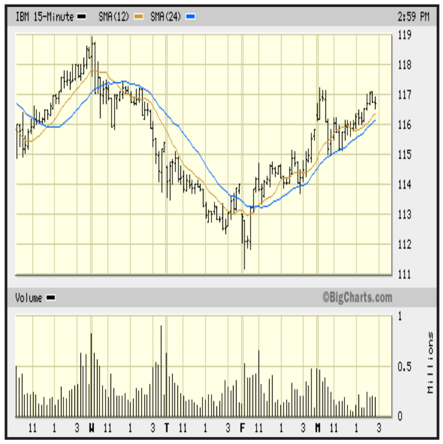
By Clif Droke

In recent years traders have become more aware of the tremendous profit opportunities that moving averages can provide. Moving averages to suit many different trading purposes can be quickly constructed with today's sophisticated charting software, and many charts with moving averages are available free on the Internet. The opportunities for making money by using a moving average trading system are seemingly limitless…for the trader who knows how to use them properly. To that end, I recently wrote a book entitled Moving Averages Simplified (Marketplace Books) which explains everything a trader needs to know to enhance his trading system by using moving averages.

Most traders are aware of moving averages but many do not fully comprehend the function they serve. Moving averages are a filtered expression of the time cycles that govern price fluctuations across all actively traded stocks and commodities. When a trader finds the proper timeframe to use for the stock or commodity he is trading, his winning trades are guaranteed to increase (assuming he "pulls the trigger" and executes the trade when the moving average tells him to). The emphasis should be on finding the proper moving average timeframe for what you are trading.

As we mentioned above, moving averages are essentially expressions of the dominant cycles which govern price movements. Cycles are the dominant controlling factor in any market and are basically measures of the ultimate controlling factor of day-to-day human existence: time. The best expression of time can be found in the clock on the wall, which has a circular face (thereby emphasizing its cyclical significance, since the word "cycle" means "circle") and is composed of twelve units, or hours, which require two complete revolutions in order to form a day. Each hour is composed of 60 minutes, which can be further segmented into two 30-minute intervals.

Cycle theorists often discuss the concept of the cycle in cryptic terms far above the comprehension of most people. But all it really boils down to is the realization that a cycle is a repetition in time, and the best expression of this is found in the clock. While a complete discussion of time cycles (a.k.a., market cycles) is beyond the scope of this article, suffice it to say that the complete cyclical time series, or cycle scale, for all actively traded stocks and commodities, and across all timeframes is as follows: 2, 4, 6, 8, 10, 12, 20, 24, 30, 40, 60, and 120. Note how each of these numbers fits perfectly within the dominant timeframes that compose the clock. Of these numbers, 2 and 4 are the least important (serving mainly as multipliers for the other numbers) and 10, 20, 30 and 60 are the most important (for trading purposes). It is the interaction between the 12- and 24-period cycles that is most important for trading purposes, including on the day-trading level.




Stock traders who wish to apply moving averages for day-to-day trading should experiment with MA timeframes such as 30-minute, 60-minute, and 120-minute time intervals. Some of my readers have been quite successful in taking the principles they have learned in Moving Averages Simplified and applying it to extremely short-term charts. For example, on reader wrote to inform me of his success using a triple-crossover series of moving averages composed of the 6-minute, 12-minute and 20-minute moving averages. This is a slightly more sophisticated series of moving averages than I would advise, however, as I prefer to stick to a simple double-crossover MA series (the fewer the variables the more likely you will find success). Remember, it is the interaction between the numbers 12 and 20 which prove most significant, so I recommend using the 12-minute and 24-minute moving averages and watching the interaction between the two to generate trading signals.

For example, note the chart example provided here of IBM. This 5 chart shows IBM's price changes at 15-minute intervals across five days. We have chosen to use a 12-minute simple moving average (SMA) and a 24-minute SMA to generate our trading signals. Using this system, a trader over the past few days could have profited by following the short-term trends as highlighted by the moving average signals. In this case, the trader would have bought on Tuesday at $116 when the shorter 12-minute SMA crossed above the 24-minute SMA, and would have sold or sold short when the 24-SMA crossed below the 12-SMA at just over $117 on Wednesday around noon. The next buy signal didn't come until Friday near the $113 level at around 11a.m. By Monday his trading profit had grown nearly $4/share and he would have still been long as the moving average crossover system had not yet generated a sell signal. This method works especially well in stocks that are very actively traded, like IBM.

Another important consideration for undertaking this trading method is that both moving averages in the double-crossover series should be rising when a buy crossover signal is given, and should be falling when the sell crossover signal is given. This provides confirmation that the momentum and the time cycle has shifted in the stock you are trading and that it is reasonably safe to execute a trade in the direction provided by the moving averages. Also, since each stock or commodity has its own peculiar cyclical "rhythm" you may have to experiment by either loosening or tightening the moving average timeframes of the series you decide to use. For example, in the stock of General Motors (GM) I find that a 12-minute and 20-minute moving average series works best, whereas for IBM the 12-minute and 24-minute MA series works best. Use your own judgment after you have carefully experimented.

In conclusion, trading systems that incorporate moving averages afford today's trader with magnificent profit potential while at the same time greatly decreasing the risk of loss and increasing the probability for success. Use them only after carefully experimenting and finding the moving averages that best suits the timeframe and asset you are trading.

*Clif Droke is the the author of Moving Averages Simplified. He has written numerous other books on technical market trading, including Technical Analysis Simplified, Elliott Wave Simplified, Gann Simplified, all available from www.invest-store.com/tradersworld. Telephone 800-727-2855 ext. B684. Subscribe to Traders World on page 4.*

# *Simple* Super Timing

By Myles Wilson Walker

Super Timing W. D. Gann's Astrological Method was first published in January 1999 since then the book has been constantly evolving as a result of feedback from readers. People have contacted me asking various questions and I have added the answers to later editions so that readers could benefit.

The result of all this was that by the end of 2000 Super Timing had become a book plus a CD which also included an annual forecast.

.Super Timing is now a book plus an email update service at no extra cost. The cycles are in small time windows so that you can enter the trades with minimal margin and draw downs. It is also ideal for the option trader or the person who wants to trade the markets but can't watch them all day.

To me this was the beauty of W. D. Gann's work, it allows you to find low risk trades with high profit potential.

The email service alerts you to special situations not covered in the books forecast. Some of the cycles I have discovered since the publication of my Annual forecast for 2001 which is included in Super Timing. These cycles are included in my updates so that you get the benefit of them also. The markets that are forecast are S+P, NASDAQ, Dow, Australian Share Price Index (SPI) U. S. Bonds, Swiss Franc, Euro, British Pound, Soybeans, Corn, Wheat and Gold.

There are many different methods of finding market cycles such as Fibonacci time counts, Gann counts clusters on the Square of 9, reflection points, squares from the highs and lows etc. What every market turn has in common is the astrological component.

Without it there is no worthy price movement. This is what W. D. Gann called "natural law" and I Quote from his 1927 book The Tunnel thru the air.

"The astrologer made a calculation from Roberts date of Birth. (and said) While this is a very peculiar case, the events were not accidents at all but the results of Natural Law the great trouble was the day she disappeared, Mercury your ruling planet, applied to an evil aspect of Uranus..."and another quote "I believe in the stars, I believe in astrology and I have figured out my destiny. The Bible makes it plain that the stars do rule."

Now with the emphasis on keeping it simple here are the only dates I had in my forecast for U. S. Bonds in 2001 for the months January through July 2001. These were calculated in October of 2000.

| Dates in the Forecast/ | The Actual Dates |
|---|---|
| Jan 5 | Jan 4 - high |
| Jun 4 | May 30 - low |
| July 5 | July 5 - low |

I have marked these dates on the Weekly Bond chart. As you can see they are extremely accurate and when you consider the fact that there have been around 126 trading days in that period to single out 4 hits like this is really amazing.

Don't forget this is done without any input from any other technical trading system just pure Gann planets. See Figure 1.

The "timing" part of Super Timing is comprised of three elements.

1. The raw Super Timing dates. These are not tied to a specific market.

2. Repeating patterns where the Super Timing dates is linked to individual markets.

3. Fixed cycles that are relevant to each market. These cycles are mechanical and give each market the personality that we can see. i.e. Soybeans trade differently to the Dow.

In the email I am reproducing here I am demonstrating the use of repeating aspects building a pattern that is relevant


Figure 1

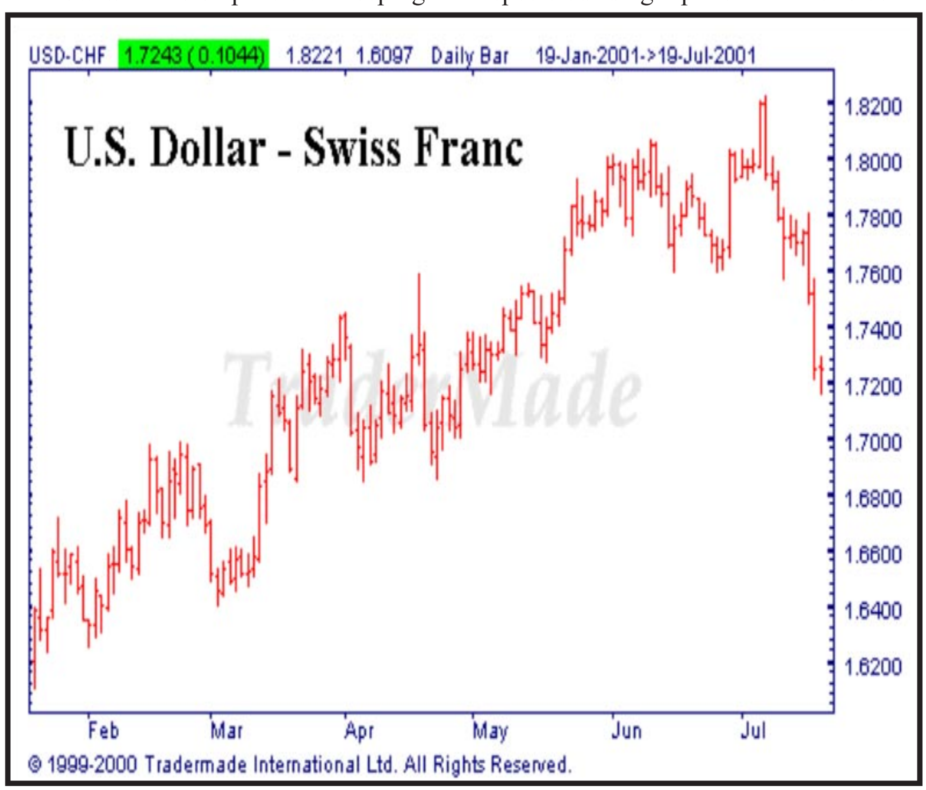



Figure 2

only to the U.S. Dollar against the Swiss Franc and the Euro Currency. This is the benefit of using the email service as well as just the forecast.

Saturday July 7th 2001 (The high on the chart is Friday July 8th)

**Dollar Top**

Based on the cycles that I follow The U.S. against the Swiss Franc and Euro may have topped on Friday. The ideal date would be July 12th but we are close enough time wise so the price action will always be the ultimate decider.

Its too complex to put in such a short post but a few of the relationships that I am looking at is Saturn was conjunct Neptune at the Dollar high on June 16 1989, at the October 8th low 1998 was Saturn square Neptune now they are trine. There is also a history of Mars Pluto aspects plus the all time Dollar high had a relationship of Mars Saturn and Neptune, this would be hard for the untrained eye to see I think but this relationship also exists at the present time.

Lastly the lunar eclipse on Thursday was in the same position as the moon when the Plaza accord was announced in 1985 to devalue the Dollar so we have an eclipse on the natal moon of a very important Dollar related event. See Figure 2.

That email alert was in time to position trades for sizable gain with very little risk.

Everything in this article is based on real events in real time. This is the edge that a trader needs in today's highly competitive markets. Some times a forecast looks to be on track and then another cycle comes into play as in the above example and in these cases it is good to be alerted early.

*If you have previously purchased Super Timing and would like to be emailed market alerts please contact me ellsann@ihug.co.nz*

# Geocosmic Correlations

## *To 4% Trading Cycles Within 4 Trading Days*

**By Raymond A. Merriman**

The following information comes from one of the studies reported in a new book, "*The Ultimate Book on Stock Market Timng Volume 3: Geocosmic Correlations to Trading Cycles"* by Raymond A. Merriman. A little background may be necessary in order to understand this material. In the book, the author reviewed the last 20-30 instances of all major aspects between the Sun, Venus, Mars, Jupiter, Saturn, Uranus, Neptune, and Pluto. These instances covered a span of 20-50 years in most cases. The major aspects (between any two planets) studied were spatial relationships of 0, 90, 120, 180, 240, and 270 degrees, known respectively as the conjunction, waxing square, waxing trine, opposition, waning square, and waning trine. These are considered the "major aspects" in the study of astrology. The times of retrograde and direct motion of each planet was also included in this study.

The idea behind these studies was to determine which planets - in which aspects - had the highest correlation to price reversals nearby? If there was a high correlation between any planetary signature and a market reversal, then that signature could be a useful market timing tool. It would help in identifying small time bands in which U.S. stock indices would have a high probability of reversing. This market timing indicator, then, could be of great value to a short-term trader of these indices.

There are many types of position traders based upon the amount of time one prefers to stay in a trade. A longer-term trader, for instance, may prefer to trade according to the time frame of primary cycles, those 13-21 week periodicities between troughs in price which define this cycle. That is, s/he prefers to enter from the long side as close to a primary cycle trough as possible, and remain long until the crest of that primary cycle unfolds. This same trader may prefer to then sell short only at the time of the primary cycle crest (as close as possible), and remain short until the primary cycle trough appears to form. Ideally, this position trader remains with a trade about 3-13 weeks at a time. That is, in bull markets, this trader will look to remain *long* 8-13 weeks (or even more), and then *short* 3-5 weeks (sometimes even as little as 2 weeks). In bear markets, this trader looks to remain long only 3-5 weeks (sometimes as few as 2 weeks), and short 8-13 weeks (and sometimes more). That is how long it takes a primary swing to move from a primary cycle trough to crest, and back again, as demonstrated in Volume 1 of this *Stock Market Timing* series. In reality, of course, that trader may actually have to make several probes during the time band for a primary cycle until s/he is certain that the cycle has indeed culminated and the reversal is indeed underway from trough to crest, and vice-versa.

Other traders may prefer a much shorter-term strategy than that of the longer-term position traders just described. Many short-term traders, for instance, are comfortable holding a position for only 1 day to 3 weeks, and no more. That is the more normal time band of a 2-4 week trading cycle, also described in Volume 1. That is, every 2-4 weeks, a trading cycle tends to unfold, as measured from trough to trough, regardless of which market one is studying. And within the 2-4 week cycle, its crest will occur. Therefore, the short-term trader, who is using the trading cycle to enter and exit the market, may buy the trading cycle trough, but would exit and even reverse to the short side in just 1 day to 3 weeks.

Previously in this book, studies were conducted that might be of great value for this shorter-term trader. Every geocosmic signature was analyzed for possible cycle reversals of at least 4% that started within 4 trading days of the signature date. These cycles could be long-term cycles, primary, half-primary, major, or trading cycles. It didn't matter. All that was required is that their trough or crest occurred within 4 trading days or less of the signature date. The idea was that if certain geocosmic signatures could be isolated that had a high frequency of occurrence with a sharp price swing this close to its signature date, it would be a very useful market timing tool. But what would constitute a *high frequency of occurrence*? If we used the 70% correlation standard, we find 41 signatures that met this criteria. That means that each of these 41 signatures had a 70% or greater historical frequency to a 4% or greater trading cycle (or greater) unfolding within 4 trading days of its occurrence. In other words, a 4% or greater move ended, and a new one began, from an isolated high or low that formed within 4 trading days. In my opinion, every one of these signatures merits attention

**Geocosmic Signatures with at least a 75% Correlation**
**To >4% Trading Cycles within 4 Trading Days**

| | | | | | |
|---|---|---|---|---|---|
| 1. | Jupiter 270º Pluto | 90% | 13. | Sun 180º Neptune | 78% |
| 2. | Sun 90º Uranus | 86% | 13. | Sun 270º Neptune | 78% |
| 3. | Sun 0º Uranus | 83% | 13. | Venus 120º Mars | 78% |
| 3. | Venus Retrograde | 83% | 13. | Venus 270º Neptune | 78% |
| 5. | Jupiter 180º Uranus | 82% | 13. | Jupiter 120º Saturn | 78% |
| 6. | Venus 90º Pluto | 80% | 18. | Neptune Direct | 77% |
| 6. | Jupiter 90º Saturn | 80% | 19. | Sun 0º Saturn | 76% |
| 8. | Sun 0º Jupiter | 79% | 19. | Venus 0º Uranus | 76% |
| 8. | Sun 90º Jupiter | 79% | 21. | Jupiter 90º Neptune | 75% |
| 8. | Sun 120º Jupiter | 79% | 22. | Mars 120º Jupiter | 75% |
| 8. | Sun 0º Neptune | 79% | 22. | Jupiter 0º Saturn | 75% |
| 8. | Venus 270º Uranus | 79% | 22. | Venus 120º Uranus | 75% |

**Table: First planet listed is the faster moving body. The second planet listed is the slower moving body. The number in between these two planets represents the degrees of separation between the faster moving planet and slower moving one. The % which follows represents the frequency of occurrence, historically, between this aspect and its correlation to a 4% or greater reversal that ended and started within 4 trading days of this signature.**

Table 1

as a possible short-term market-timing indicator.

However, our goal in this section of the book is to highlight only the "top 20% or less" of geocosmic signatures that correlate to each of the cycles analyzed. Our goal is thus to create lists that contain no more than the top 30 signatures for each category. In this case, if we reduce our list to include only those with a 75% or greater historical frequency to 4% or greater price swings within 4 trading days, we isolate 24 signatures, or the top 16.9% of our entire field. These are shown in the table enclosed.

As one might expect, the longer-term planetary pair cycles were not as frequent in terms of the "top performers" in this study of very short-term market reversals. Whereas in the correlation to long-term and primary cycles these Geocosmic Signatures with at least a 75% Correlation To >4% Trading Cycles within 4 Trading Days longer-term planetary cycles were very evident, we find only 7 such cases out the top 24 in this short-term study. This supports the premise that shorter-term planetary cycles will correlate more with shorter-term market cycles. (See Table 1)

An analysis of the planets involved in these short-term price reversals reveals the Sun and Jupiter to be the most frequent. Each was present 9 times in a major aspect in these top 24 signatures. Next was Venus, which was present in 7 cases, followed by Uranus and Neptune, which were present in 6 cases each. Mars, Saturn, and Pluto were involved in only 2 to 4 of these top 24 correlations. That is interesting, because in the study of astrology the Sun, Venus, and Jupiter are considered the "benefics," while Mars, Saturn, and Pluto are considered the "malefics." It seems the benefics involved in major aspects have a considerably higher correspondence to sharp price swings in U.S. stock indices than the malefics. In fact, there were no cases of Mars, Saturn, and Pluto in aspect to one another in this top 24 list of signatures corresponding to 4% or greater treading cycles within 4 trading days of a signature date.

This observation leads us into the next area of analysis. Do aspects between Mars-Saturn and Mars-Pluto, and even Saturn-Pluto, have a significantly lower historical rate of frequency to trading cycles nearby to their date of occurrence, than aspects between other planetary combinations? If we look closely at other studies in this book, we will see that is probably true in the case of

Mars-Pluto aspects. There were no major aspects between these two planets in which 4% or greater reversal occurred within 4 trading days at least 70% of the times studied. In fact, only 3 major aspects produced a correlation in excess of 50% (conjunction, waxing trine, and waning square). However, the same was not true with Mars-Saturn aspects. Here, every major aspect had at least a 60% correlation to 4% or greater price swings within 4 trading days. This is quite consistent, and should be noted by traders. That is, any major aspect between Mars and Saturn has at least a 60% probability of coinciding with a 4% reversal in stock prices within 4 trading days of its occurrence.

Are there other planetary pair cycles that can make the same claim? Yes. Again, as indicated in the appendices of this book, both the Sun-Neptune and Mars-Jupiter signatures had at least a 60% correlation at every major aspect level. The Sun-Neptune correspondence ranged from 65-79%. The Mars-Jupiter correspondence ranged from 60-75% for each major aspect. Each of these signatures, along with Mars-Saturn, thus require the trader's attention during times (within 4 trading days) they occur.

There are other planetary pair combinations that should warrant the trader's attention as a result of their correlation to 4% or greater trading cycle reversals within 4 trading days. All Sun-Uranus aspects had a 59-86% correlation to these short-term reversals. In fact, all the hard aspects between Sun-Uranus (conjunction, squares, and opposition) had a 70-86% correspondence, which is quite remarkable. If only hard aspects were allowed, this combination would have been the most consistent of all planetary pair cycles in timing 4% or greater reversals within 4 trading days of occurrence.

The Sun-Jupiter aspects were also noteworthy for two reasons. First, all major aspects had a 50% or greater correlation in this study. But only the waning square had a 50% frequency rate. The other 5 major aspects were between 63-79%, with the conjunction, waxing square and waxing trine each showing a 79% correspondence. Venus-Neptune signatures were also consistent in their correspondence. Each aspect showed a 58-78% frequency rate. Other signatures which demonstrated a 50% or greater correlation at each of the major aspect levels included: Sun-Saturn (50-76%, but if the opposition was omitted, then the frequency rate of other aspects ranged from 62-76%), Venus-Pluto (52-80%), Venus-Uranus (50-79%, with 4 aspects ranging from 71-76%), Venus-Saturn (57-62%), Mars-Uranus (50-71%, but if the only hard aspects were considered, then 59-71%). Even though it is a long-term planetary pair cycle, short-term trading reversals were frequent under all but the opposition aspect between Saturn- Uranus. That is, all aspects except the opposition had a 60% or greater correspondence to 4% or greater trading cycles within 4 trading days of occurrence.

The retrograde and direct dates of almost all planets exhibited a 50% or greater frequency rate to these same 4% or greater trading cycles within 4 trading days. Only Pluto direct failed to reach the 50+% correspondence level (its correlation was 48%). Of all these, however, *the stations of Venus and Neptune stand out the most.* Venus stationary retrograde and direct periods had an 83% and 77% correlation respectively, while Neptune stationary retrograde and direct periods had a correlation of 73% and 77% respectively. Also noteworthy were Mercury and Saturn retrograde stationary periods, which each had a 70% correspondence to short-term reversals.

In conclusion, one should be aware of the following factors regarding trading cycles in the U.S. stock market within 4 trading days of particular geocosmic correlations:

1. Venus and Neptune retrograde and direct dates have one of the highest correspondences to short-term cycle reversals of all geocosmic signatures.

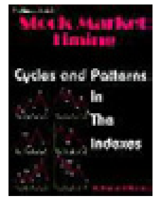
2. Major aspects between Sun and Neptune have the greatest correspondence to short-term reversals of all planetary pair combinations at each of the major aspect levels.

3. Major aspects between Mars-Jupiter show perhaps the second greatest correlation to short-term reversals of all planetary pair combinations at each of the major aspect levels.

4. Major aspects between Sun-Uranus show perhaps the third greatest correlation to short-term reversals of all planetary pair combinations at each of the major aspect levels.

5. Other planetary pair combinations which show a very high correlation to short-term reversals at either all or most of their major aspect formations include: Sun-Jupiter, Sun-Saturn, Venus-Saturn, Venus-Uranus, Venus-Neptune, Venus-Pluto, Mars-Saturn, and Mars-Uranus.

Traders are advised to be prepared for sudden and sharp reversals to unfold within 4 trading days when any one of these signatures unfold. These reversals will generally involve price movements of at least 4% from an isolated low or high that forms in this time band. The analysis of daily and intraday technical studies (such as RSI and stochastics) will help the trader more easily identify when those isolated high or lows have culminated, as discussed later in this book.




Post-article note: *The Ultimate Book on Stock Market Timing, Volume 3: Geocosmic Correlations to Trading Cycles*, has been just released. This book is approximately 448 pages. It contains a wealth of studies done on all the major planetary aspects and their correlation to various trading cycles in the Dow Jones Industrial Averages and S&P futures. These studies involve analysis of market cycles, basis daily charts, going back to as far as 1928 in the case of the DJIA, and 1982 in the case of S&P futures. It lists what happened at each geocosmic signature date (from a market cycles' perspective, which is explained), when those signatures will occur again in the next 10 years, and a summary of what one might expect when this signature is present again. It also organizes the data in such a way that the reader can easily see which signatures are most important for timing long-term, intermediate-term, and short-term stock market cycles. It's available from www.invest-store.com/tradersworld or call 1-800-288.4266. Price $150.00 plus S/H.

*Raymond Merriman can also be reached through mmacycles@msn.com, or at 248-626-3034, or by fax at 248-626-5674.*
*Subscribe to Traders World on page 4.*

# Murrey Math Sets S&P 500 Cash Market to MM Time and MM Price: 71 Winners in 12 Months in two MM Frames

**By T.H. Murrey**

Seventy-Five year old trading strategy “rediscovered” (by T. Henning, Murrey, from Henning, Tennessee, USA). The Nashville Tennessean Sunday Newspaper records: Aug 12, 2001, says one of 50 things to do in Tennessee, “go to Henning, Tennessee, and visit the home of Alex Hailey. Who wrote the book Roots.” Have you been there yet? Please go.

The past 256 trading days the S&P 500 Cash Index reversed 71 times: on either:

1) MM Time (day) reversal: 27 times,
2) MM Price (exact): 32 times,
3) MM “minor 50%” reversal: 12 times.

Please look at charts # 1 and # 2 and see it happened.

Will you deny it? Is it too simple to comprehend?

**T. Henning Murrey** has found a simple way to trade that requires you to “look and see” reverses off preset lines.

All traded markets are divisible by (8) inside an Octave of Music (you aren’t required to know what I mean). 50% of all Nashville songwriters can’t read music (either), but they can hear a great song. Everything that has matter is putting off a sound, which can be recorded inside an Octave. Please go to V.U. and ask any Physics Professor who has ears (to listen).

**T. Henning Murrey** presents you with (8) numbers to expect the S&P 500 Cash Index to reverse off (with a tolerance of 1.90 points) on either side of:
1) 0/8th – 1,250
2) 1/8th – 1,281.375
3) 2/8th – 1,312.50
4) 3/8th – 1,343.50
5) 4/8th – 1,375
6) 5/8th – 1,406.375
7) 6/8th – 1,437.50
8) 7/8th – 1,468.875
9) 8/8th – 1,500
10) + 1/8th – 1,531.375
11) – 1/8th – 1,218.875

These numbers were in force from August 23, 2000, till Feb.02, 2001. Almost (6) months you had nothing to think about except to reverse your mutual fund every time the S&P 500 reversed after a run up or down of 2/8th.

Feb. 02, 2001 through this past week the S&P 500 Cash Index has reversed off (with a tolerance of 1.90 points) on either side of:
1) 0/8th – 1,125
2) 1/8th – 1,156.375
3) 2/8th – 1,187.50
4) 3/8th – 1,218.875
5) 4/8th – 1,250
6) 5/8th – 1,218.375
7) 6/8th – 1,312.50
8) 7/8th – 1,343.875
9) 8/8th – 1,375
10) + 1/8th – 1,406.25
11) - 1/8th – 1,093.875

Would you have abandoned you’re “Buy and Hold” trading mentality, if you had known me, one year ago? No.

87.5% of traders, who look at this Universal Truth, are required to say they think it was luck, or they say that 1.90 points tolerance is too much of a loss to win 45 points on the S&P’s. <u>Excuses are easier to make than profits off “seeing.”</u>

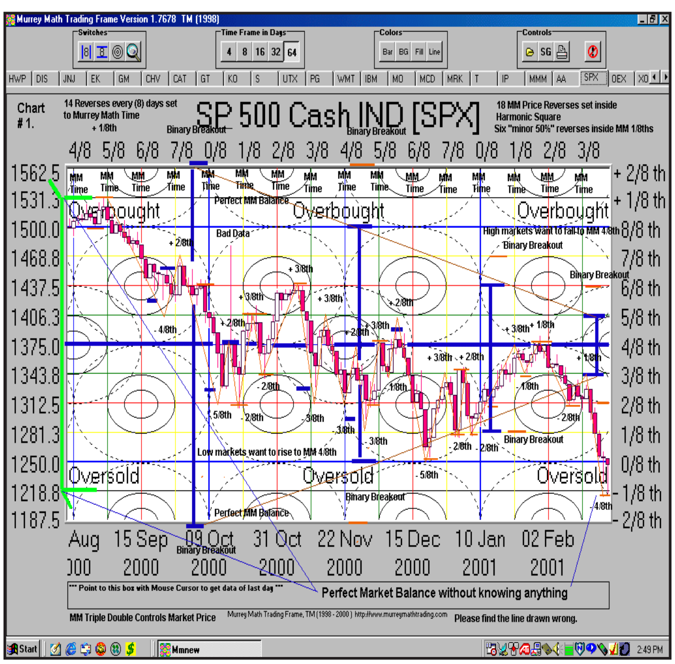


Chart #1

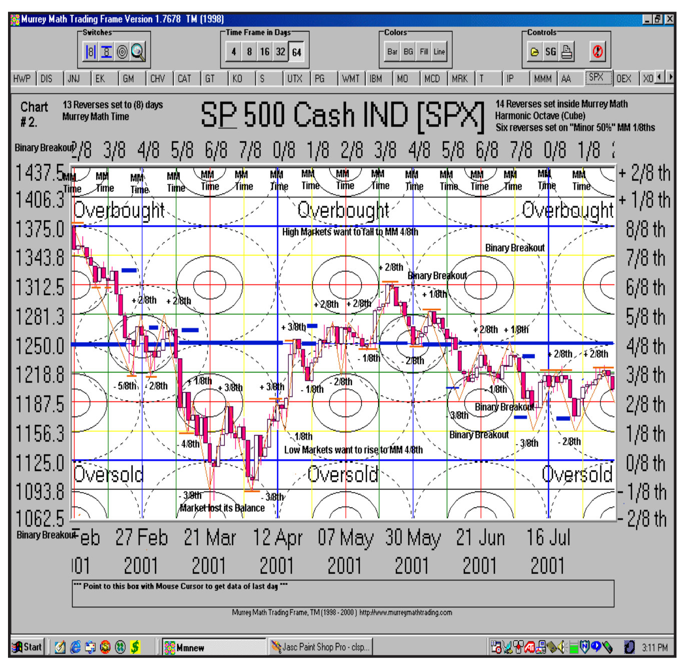


Chart #2

Each 1/8th = 15.625 points on the S&P's is equal to 312.50 points move on the Dow 30 Stocks Index. Can you say yeah?

Please look at the length of the MM runs the past 12 months:
1) 1/8th – 13
2) 2/8th – 21
3) 3/8th – 17
4) 4/8th – 3
5) 5/8th – 3

Why trade long term when the longest run was only 15 trading days the past twelve months. Who pushes Buy and Hold?

How do you profit from the knowledge we have in front of us?

Easy. We trade a Dreyfus class "B" S&P 500 Mutual Fund.

You could have traded a Nasdaq Index Mutual Fund and profited by 100% the past year simply making a decision any afternoon (just before the closing bell). We have many students who simply trade their mutual fund each day.

How did T. Henning Murrey's software predict (correct) last week? Aug. 20, 2001? Harmonic Logic set to music:

T. Henning Murrey sets the (one week) world record:
1) Predicted low support and high for S&P 500 Futures,
2) Predicted low support for S&P 100 Cash Index.
3) Predicted low support for Nasdaq E Minie Futures.
4) Predicted exact low and high for Dow 30 Futures.
5) Predicted the low reversal in the US Dollar.
6) Predicted the high stall for the Euro Dollar.
7) Predicted the exact high stall for the US 30 Bonds.
8) Predicted the exact low reversal for BTK Index.
9) Predicted support reverse for Dow Utilities.
10) Dow Transports reversed off exact MMT Lines
11) Predicted low reversal for S&P 500 Cash index.
12) Predicted the low reversal for NDX Nasdaq Index.
13) Predicted exact low reversal for QQQ Nasdaq Index.
14) Predicted the low in Nasdaq Composite Index.

No "guru" in the past 100 years has hit the exact reversal for these markets using nothing but "sight" of the past (64) days trades simply looking at the closing price on Friday.

Proof: These predictions were sent out to Murrey's Weekly Private Predictions Group, which is comprised of hundreds of subscription based Murrey Math "students" willing to convert from "random walk" to Pure Math Logic based reverses.

Can you say 25, 50, 75, 100% profit per year? How much do you want to make per year (trading five minutes just before the closing bell)? It takes only five minutes per day to profit.

M. B. A. graduates are required to dismiss this as luck.

How can one man know the exact price the S&P 500 Cash Index will reverse on (give or take 1.90 points) one year in advance? Astrology? Your wife knows your sign. Do you?

Why would you pay $62,500 per year to find out (that where markets will reverse is already known) one year in advance (price it will reverse)? No graduate student would want to endure all the "terse aphorisms" and ring binder filled lexicons of jargon about the "K" Factor just to find that all markets are mechanical and not fundamental. It's not fair (to their teachers and the last generation) to have not heard of Gann or Murrey.

When genius presents complicated math, normal students are in awe. When complicated math is presented simple, smart students can't believe it (to be true or accurate). Who wins?

**W. D. Gann** "discovered" the Harmonic Math Rhythm of all markets after talking with **P. D. Ouspensky,** from Russia, who came to New York (1919-1921) to speak about Harmonic Balance of everything in the Universe (set inside the Cube). He said it on page 136 in his book In Search of the Miraculous.

1920, **W.D. Gann** "discovered" the pure math rhythm of all markets. He wrote a book giving the six clues.

1995, **T. Henning Murrey** "rediscovered" what Gann hinted at in his book. Murrey rediscovered the six clues.

75 years went by before the truth has come out (or back). Why was it lost? Why, now, are students, (of trading) wanting to convert to a pure math trading strategy? What's our choice?

The world is ready to know the truth about how easy trading is (to make profits). Trading may be a failure for you, if you use your present way of thinking and reacting to reversals.

How have you done the past twenty-four months? Profitable?

We use logic to convert "habit" to an estimated "odds" for least failure. Small failures preserve capital (to invest again).

How hard is this logic to "see?"

You need no college degree to learn to trade off Pure Math.

Any V.U. freshman may learn my trading system in one hour. Every V.U. graduate will take months to learn. Why?

It takes five months to convert to religion, or trading stocks, based on faith in math. What is your conversion curve?

Learning "terms" does not make you a better trader.

Every "educated" trader knows lots of trading terms to make others intimidated. Ask them how much they made (profits) last week. Ask them how good their system is (now) today?

**T. Henning Murrey** provides you with the exact (8) numbers to expect (for any market) to reverse on any particular day.

Why waste your time trying to fine tune random thinking?

T.Henning Murrey, Nashville, Tennessee, saw the answer back in 1993. He never studied the markets.

T.Henning Murrey wrote his book on how to trade in 1994 and 1995. He talked with only one man (Maynard Holt).

T.Henning Murrey has been teaching The Murrey Math Trading System for 3.12 years and has taught thousands to trade off a simple 8th grade math frame. Are you ready?

**T. Henning Murrey** (along with genius **Kristof Werling,** Germany) wrote the software to support his trading mentality.

Murrey translated the algorithms of a Fractal inside a Cube set to the Base Ten to exact Fibonacci Ratios set to the scale of Music. You don't have to know this. It's displayed for you.

The software takes only 6.25 minutes to learn to "see" what to trade. If it takes you more than 6.25 minutes to learn to earn you have your eyes closed. The more experience you have trading (in the past) the more fun it is to change from a "random" trading strategy to a pure math trading system.

Are you one who refuses to accept that all markets are not random? You must accept this fact or you can't move forward toward higher profits (quicker). Don't you want things simple?

What do you really care if markets are set to Pure Math (as long as you are making profitable trades)? Don't you really want to know where to buy or sell? Or take a small loss?

Why do traders want to know when a market will reverse (big), then never trade? Who wants to know when the end is?

Contrary rule to rookie trader mentality:
1) Markets are high, so they are going higher, so they stay long,
2) Markets are low, so they are going lower, so they miss the reversal.

"Greed" on highs and "fear" on lows prevents most traders from pulling the profit "action-trigger." Personality is our problem. You are where you because of your thoughts (not your ability to think with Logic). How many great ideas (of yours) are patented (by someone else)?

There are four basic personalities and none are suited to trading (for profits). We are our best enemy (to simple trading rules and execution). Pure math changes our perspective.

You must convert your personality from "what you know" or "feel" to what you "see." Most rookie traders are "midnight money makers."

"Midnight money makers" are traders who look at charts after the markets close and decide what they would have done (if they hadn't been too busy).

87.5% of all great athletes will tell you they "choke" under pressure. But, they keep competing at what they know best: participation over time. Traders keep trading after the last loss.

87.5% of all "rookie traders" blame their "choking" on the software or the "guru." They quit and refuse to reenter soon.

Then they quit trading for months. Then they start back trading off the same bad set of trading rules. If you win a trade off a bad strategy, you will lose in the future off the same bad rule and you won't know the difference (why).

How do we retrain our mindset to eliminate our personality and our "choking?" We shall be able to convert to a simpler way for successful trades (if we use Logic).

Your Logic is set to emotions (right or wrong): your habit.

My Logic is set to math: Murrey Math (from 3,125 b. c. China). Logic is universal to all cultures (with stability).

Murrey Math Sets Trading Frame to Pure Logic: Cube: Base Ten. Base Ten Cube Logic allows you to memorize where your market will reverse (in the future).

The Chinese learned to trade inside a cube set to the Base Ten in 3,125 b. c. (you don't need to know it to trade for a profit).

If you know too much information, you will confuse it with knowledge. Too much information creates misguided Chaos.

There is a good Chaos.

Good Chaos is Perpetual Chaos.

This trading system is a Pure Random Binary Math Fractal of Perpetual Motion. You don't have to understand (it) to trade.

An Englishman, **John Searl** brought forward the Law of The Squares. He copied it from China 3,125 b. .c. He copied **Lu Chu's** Magic Square: (9). We use Square 16.

The Square of (9) is too simple to mention (here). You know it from Logic School. Socrates called it Four Square.

Everyone intelligent copies someone smarter (from the past).

The most logical Chaos is set inside the Square of Sixteen.

Note: TIAGA group in Santa Fe, New Mexico is working on Logic set to Square of (17), which will outmode any hard drive made today. They are geniuses from all over the world taking thought to the Square of 17 (153) fish caught and fed.

Do you want to set your mind to Perpetual Chaos?

It is simple. Just follow these rules: (17 x 2) = 34.

1) Draw a square with (16) blocks,
2) Place a dot in the center of each block,
3) Starting on row one: top left to right: 15, 4, 5, 10,
4) Starting on row two: left to right: 6, 9, 16, 3,
5) Starting on row three: left to right: 12, 7, 2, 13,
6) Starting on the bottom row: 1, 14, 11, 8,
7) Now, start with # 1, connect the dots: 1 through 16,
8) Finish by connecting # 1 and # 16,
9) Find as many combinations (of four) to add to (34).

Did you find (25) different sets of four (34) groups?

Query: did you think you placed these numbers in a random pattern? Did you care? What did you learn?

Answer: Chaos looks random.

Assign the letter (a) to # 1, (b) to # 2, (c) to # 3, (a) to # 4, etc.

Query: what did you see when you changed the numbers to a, b, and c?

Assign the number (1) to (1), (2) to (2), (3) to (3), and number (4) to (1).

Query: add up each row (now) and see how many sets of

1) (7) Do you get?
2) (10) Do you get?
3) (4) Do you get?

What did you learn from looking at (16) random numbers inside a square? Did your I.Q. go up? Ours did. Yours will.

Please find the# 15.

Please find the adjacent numbers to equal (15):

1) 6 + 9,
2) 1 + 14,
3) 5 + 10,
4) 2 + 13.

All the other adjacent sets add up to:

1) 21
2) 19
3) 15,
4) 13.

Two kinds of Chaos: Pure Math Logic and "Random Thinking:"

1) Pure Math Logic dictates that you set Chaos to a "perpetual" cycle.
2) "Random Thinking:" set your own rules as you "see" them as being true (if you win a trade).

Every human brain is set to Logic until your parents teach you or you go to school. Which direction did you learn to read?

You show me one school that teaches you Pure Chaos Logic and I will show you genius humans who trade off Pure Math Logic set inside a Cube.

The Murrey Math Learning Academy teaches 8th grade Logic.

Any 8th grader can learn to earn profits off 8th grade math.

Most adults want trading to be sacred and occult.

Folks, trading is simple if you don't trade everyday.

Are you good at balancing your checkbook? Are you afraid to look? Do you count cards when you play blackjack? Are you too busy to learn? Do you always lose when you go gambling? Do you leave slower than arrive?

Do you accept large losses (on trades) and brag about it years later? Do you trade off "tips" and "insider information?" Do you want large profits or small trades (that are winners)?

Have you ever taken classes and been instructed how to get out with a small loss? Do you know the five things that can happen on the entry of your position? Do you know how to recover from a losing position? We teach these ways.

What is your mental acceptance personality to want to enter a trade? Do you want to know "everything" about something before you accept it? Do you simply want to make money off Logic and Common Sense? We just want to lose less.

Is your desire to get smart (at trading) so you can become a "guru" and find the next secret indicator that will make you famous? Or do you want to just make money trading?

The more you know about trading the less profitable you will become. The more information you digest, the less times you can pull the trigger to profits. The more "students" you talk to the more confused you become. Stay away from new students.

The Murrey Math Learning Center, Brentwood, Tennessee, produces Master Level Traders, who are allowed to teach only two other "rookies." Three students are a crowded room.

Students want to come to Nashville and trade for three months, so they can learn to "adjust" to interday reverses.

Is your Logic based on?
1) What your parents and grandparents passed down to you?
2) What you hear on T.V.?
3) What politicians and the schools teach you?

Before you can accept any Logic, you must be as Logical as me (and my mind). You can be trained to change.

How can you accept my thinking if you don't think as I (do)?

If I studied Logic for 25 years, would you think me to be qualified to instruct you?

There are two schools of trading:
1) Buy and Pray for profits, which doesn't always work,
2) Technical Trading Strategies set to past performance (highs and lows).

Do you believe markets are random in reversals in Price and Time? Do you believe markets can be "force reversed" daily?

106 software programs ask you to set the markets to random highs and lows. Why? This is 100% wrong thinking.

Two men know all markets to be set to exact numbers already known in advance of any trading to new highs or lows.

You ever heard of **W. D. Gann?** Every serious trader has.

1927 he (Gann) decided he would write a book and tell the world the markets would crash in the fall of 1929. He also reported that the markets would reverse off their lows July 4th, 1932. He was correct on both predictions. No one believed him. No successful trader ever heard of him (today).

How did he do it? Who cares?

No one believed him, and those who heard him laughed at him (as being a fool). **W. D. Gann** holds the world record for wins in 25 trading days: 264 - 288. He already had all the numbers (of any reversal) memorized before the trading day.

Does Murrey predict the future?

December 15th, 2000, **T. Henning Murrey** predicted the markets would go down and test their October 1998 lows. No one listened. Murrey told 1,000 students by E Mail.

Feb. 01, 2001, T. Henning Murrey told the world Mercury (the planet) was rolling over, so the markets should go down. No one listened. Murrey told 1,000 students by E Mail.

Murrey Math Master Level Trader, **John Brawick,** from New Orleans, La, who has attended three Murrey Math Learning Academy classes, informed **Murrey** of the rolling over of Mercury on Feb. 01, 2000. This was the start of a massive sell off. The Dow fell – 1,250 points. No one listened. Why?

John Brawick, was a stockbroker for eight years, and he has studied the affects of the planets for ten years and he has incorporated Murrey Math Trading Lines (for two years) and he has "fine-tuned" his profit percentages per trade.

**J. P. Morgan** said, "If you want to become really rich, you must ask a qualified astrologer what they say the planets are doing." **J. P. Morgan** made millions the 2nd week of the Crash of '29 shorting stocks. Your friends never heard of this concept. It has been around since Noah's Ark.

The day after the Crash of '29, the President invited five men to the White House to invest in the stock market to hold it up.

They did. The stock market went up the next five days and anyone could have gotten out with only a 3.12% loss off the highs. Did anyone exit? No, the markets are going higher.

No. The "greed" and "Buy and Prey" strategy could not let them exit. The stock market fell – 83% from 1929 to 1932.

It took from 1929 till 1952 to get even: Buy and Pray works (long term). Will the 300 stocks over 200 last years ever go back up to 100? Only 50% will ever go back up 50%. Sorry.

Every generation creates its own class of "rookie traders" who will lose the same way the last class of "losers" were educated to trade off the wrong set of rules: random guess trading.

Do you really want to profit off trading rules, or do you want to learn, so you can teach your friends how smart you are at predicting market reversals?

Why not simply accept a simple trading system set to Time and Price that are exact? Anyone can learn three rules.

How would you come to find an exact Time (for markets to reverse)? What are your choices?

**J. P. Morgan** asked us to ask the astrologers.

**W. D. Gann** employed two astrologers to predict Time Reversals for him.

**Angeline Adams,** in 1929, made $ 100,000 per year predicting market reverses. She predicted the exact day of the Crash of '29. Everyone laughed at her that day.

Time is preset to the **Harvest Moon.**

This upsets 87.5% of all random traders.

Please accept these dates from last October 9th, 2000, and brought forward to the present:

1) Aug. 23rd,
2) Sept. 15,
3) Oct. 9th,
4) Oct. 31st,
5) Nov. 22nd,
6) Dec. 15th,
7) Jan. 10th,
8) Feb. 02nd,
9) Feb.27th,
10) Mar. 21st,
11) Apr. 12th,
12) May 07th,
13) May 30th,
14) June 21st,
15) July 16th,
16) Do you want to know the next reversal date?

If you know two things you may make one choice. If you know four things you are confused and will make more wrong choices (about entry and exit of positions).

Knowing Price levels to reverse up (to enter your mutual fund) and reversals on highs (to exit your mutual fund) will produce more profits per year than staying invested 100% of the Time.

What are your greed (need) goals?

Do you want to make 100% of every move (every time)?

Would you rather get 2/3 of any move and wait to buy later?

Do you know that the markets run up 70% of the Time?

Do you know that markets fall four times faster than they rise?

Did you know that Einstein said, "small profits add up faster than trying to measure the big bang?"

After you trust Price Reversals, you must Trust Time Reversals. Time is a game set to an end (yearly).

Time is easy to construct and trade reversals (off)!

**Gann** made up his famous extreme Time reversals off highs and lows. Why? He was tired of explaining to rookie traders how to decide on Astrology (date) reversals. Does this concept make you afraid? Please see how many times it worked. He traded off reversals off the Harvest Moon (also).

How would you decide on Price as being exact?

Ask **T. Henning Murrey** who found out what Gann was really doing? (in 1927).

Story: **Gann's** broker stole his money from his account, so he went to the "big five" on Wall Street and told them about the upcoming Crash of '29.

They backed him if he would keep quiet (about the Crash).

They wanted out first. The President called the "big five" in and asked them to prop up the market. They did for seven days. Then they went short and made millions per day on the way back down toward lower lows. Do you short markets like the big boys? Does your broker or financial planner have "stock insurance" available against a sudden drop in the markets?

**Gann** is the best of the worst "gurus" in the world of trading.

Fibonacci Retracements are used to predict market reverses.

Indicators (40 popular) are used as lagging reversal predictors.

**Murrey Math** knows "nothing" and knows everything (before it happens). Murrey figured out how Gann could predict the future: MM Triple Double Progression: MM Triple one-half Regression. He can't teach you this (now).

The trading world is not ready for exact truth (except to me).

Gann gave six clues in his book. You will see them if I point them out (to you). Gann waited till 1942 to publish his rules to trading. Murrey was born in 1942. Gann was "paid off" to keep his "real trading rules" a secret. Wouldn't you?

**Murrey** will tell you (if you pay him). Free advice given by friends: follow them and you will be confused more.

Gann used Logic set to the Cube: China 3,125 b. c.

The Cube is set to the Pyramid at Gaza.

Gann went to Egypt and studied the Pyramid.

Gann went to London and read Fibonacci's (plagiarized) notes from the Pyramid.

The Pyramid is set to:
1) The Square Root of 2,
2) The Square Root of 3,
3) The Square Root of 5.

Please go out and dig up any tree. You will see the Square Root of 2,3,5. Please go to the Parthenon in Centennial Park. See Phi.

Look at any 12 or 13- year - old girl and you will see: square root of 2,3,5. Pythagoras said this in 552 b. c.

**Brad Cowan,** from California, has been teaching the Square Root of: 2,3,5 for twenty years. How many can trade it and win (as he does)?

Who really wants to understand it: any Square Root: 2, 3, or 5? Are there really any good math people who are great traders? Would you rather simply have all this math (stuff) hidden inside the software, so all you have to do it look at a simple picture (that already did all the math for you)?

Everyone wants to understand everything and know nothing.

Have you ever heard of (spacecraft) John Searl? Everyone laughed at him. Have you ever heard of (over unity) Tom Bearden? Everyone laughed at him. They are smarter than Einstein. Please go look them up on the Internet. See?

Please look at chart # 1 and # 2 of the S&P 500 Cash Index covering the past 12 months of daily trades.

There were 71 reverses the past 192 trading days and Murrey Math called them and his software never uses any math (highs or lows like Gann said) or Time Reversals (off high or lows as Gann said). It simply draws (8) lines.

Every Murrey Math student (with our software) has the same (8) lines also. There is no guessing when thousands "see" the same thing. You will too soon (will know them).

If you really knew what the markets were going to do, would you keep it a secret? You would (if you are greedy). What is your personality to share knowledge?

**Murrey** wants to tell (only) the Logical Traders (only).

Most people think **Murrey** is a lunatic for being correct trading off Logic set to Laws of Physics (Music Scale) are how the markets are moving (to the right in Time).

There is a Binary Law of Physics that governs what price every stock will move ("breakout") higher or lower short term, intermediate term, or long term. The "baby 2/8th."

We don't have space to enumerate the principles in this article, but they are displayed on one of the charts.

A (5) five-cent (or 19 or 39 cent) move in the wrong direction will force a stock higher or lower. Gann said 5 - cent reversals on his Wheat chart from 1861 (in his book).

We have marked the three "breakout" price points for the S&P 500 Cash market. Please look at chart #1.

When you are presented with Logic you refuse to acknowledge its truths. Random truths make more sense.

The world is flat and the Sun circles the Earth. How say you?

87.5% of all traders, who look at these two charts, will refuse to accept that it happened. They will try and say it is too simple. They will try and fine-tune it, so it won't work in the future. Most traders complicate to protect against knowing.

**T. Henning Murrey** "discovered" Gann's secret after he read his book 50 times. What T.V. movie did you watch twice?

T.V. blasts out the same theories they did in 1929: "Buy and Prey." T. V. doesn't want you to be negative toward trades.

Mutual Funds, brokers, financial planners, will want to "assassinate" Murrey for telling you the truth. Their theory of not knowing market reverses is violated: now they must trade.

It is too late: Murrey Math has taught thousands what his numbers are. Web pages cover Murrey's mentality and successful predictions. Yahoo brings up 250 references to Murrey Math. One man even stole Murrey's name so he could be **Murrey** on the Internet. Articles have been written mentioning Murrey has discovered what Gann did.

**Murrey** can take a stock with no history and set it to its proper numbers. No other software program can do it without history.

Kraft (KFT) came out recently, and one minute after it started trading, it was reversing off Murrey Math Trading Lines. How can this be (true)? Every market already knows its MM reversal lines. KFT was set to 31.25 MMT Line.

87.5% of all S&P 500 Cash Market reverses the past (12) months reversed off preset MM Time or MM Price. What is hard about reacting to what you already know?

Could you enjoy trading off 16 numbers known (6) months in advance? Are you learning to earn or learn (more info)?

The S&P 500 Cash Index has been trading inside either: a) 1,250 and 1,500, or b) 1,125 or 1,375. Each MM 1/8th is 31.25.

Please see Chart # 1 and Chart # 2.

Is this too complicated to comprehend?

The market already knows its Balance Price Point.

Proof: The Murrey Math Cube set the MM 4/8th at 1,375 in August 2000. Please see Chart # 1.

Result: the market went above and below its 0/8th and its 8/8th by the exact same amount (31.25). How could **Murrey** have set this up without any old lows or highs? Please see Chart # 1 and 1,531 and 1,218. Is this luck or a Balance of Nature?

Please look at (A) and (B) and see a perfect reversal off 1,375.

Do you call a Perfect Fractal Reversal set off Logic a random guess chance of perfection occurring once in a million? How does the market already know how to balance its ups and downs?

**T. Henning Murrey** has developed the only Pure Predictor of Logic for markets:
1) Bonds,
2) Stocks,
3) Currencies,
4) Indexes,
5) Commodities.

We have space (today) to present the S&P 500 Cash index.

We have documented and posted on my web board every prediction for these markets for the past six months. We don't hide under the bed when we are wrong. We publish it (for the world to accept a small loss and reverse positions (fast).

What if you really don't care to learn to trade off Logic?

Answer: we provide the numbers for you through our Weekly Private Predictions Group. We tell you where to "buy" and sell and protect against a losing reversal.

What if you want to learn to earn on your on? We have classes that instruct you in how to change your personality to trading.

Are you a day trader, position trader, or long term investor?

Are you a rookie or are you about ready to give up and quit trading? Do you make over $ 100,000 per year and you want to fine-tune your trading strategy? Are you tired of listening to the "gurus" telling you its random (and losing consistently)?

Do you want interday online instruction on futures contracts?

**T. Henning Murrey** will convert an "ordinary trader" into a student of profits, if they give up their personality and conform to Logic and reduce their "greed."

Too many new students (to trading) are enticed by the thrill of competition and opportunity to profit off fast moves, then are left helpless and a "loser" when their trade goes against them, especially when they are out "playing" when they should be in front of the screen reversing with the markets fast action.

How long have you been changing from one "guru" to the next, trying to find a simpler way to trade? How profitable are you the past two years? How much help do you need?

Every market is trading to present lines (already known).

Simply ask what the current price is and then you can decide what (8) you need. We have traded inside only four Cubes so far in this trading world. The four Cubes (Squares) are: 100, 1,000, 10,000, and 100,000. Gann and I found them.

There it is for you. You tell me what (more) you need.

These are The Murrey Math Pure Logic Natural Numbers.

All you have to do is find the internal Octave numbers inside each cube.

Does it take a Harvard degree to figure this out?

Do you want to learn to trade off simple, profitable rules, or do you want to improve on what the Chinese found out with their Magic Squares 3,125 b. c.?

Please tell the trading world successful trading is based on three simple rules.

1) How much of a loss are you happy giving away?
2) How greedy are you?
3) How far does a market have to run in its reversal before you enter?

We are able to set the upside of any market to the Murrey Math Triple Double. Murrey Math copyrighted. *

Please go back to Murrey's last article in **Traders World Magazine** where he called the highs in the Nasdaq off their October 1998 lows with the MM Triple Double. *

Are your goals small profits and small losses?

Are you really too busy to learn to say "get me out with a small loss?" Do you let the "experts" direct your retirement future? Are you too busy to decide five minutes each day?

If Buy and Hold works, why isn't it working the past two years? If the longest up move the past nine months was only 15 trading days, why would you keep holding on to a falling market? Buy and Hold works only on the way up.

There is a simpler way to trade: make trades and accept small winners or losers each week. And keep trading.

$1,500 per week made 350 times piles up to riches.

Are you looking for the next stock to go from 20 to 200?

Or would you rather trade 200 times any stock that goes from 20 to 22? Why try for the homerun? Which feels better, getting a single, or striking out trying to hit a homerun?

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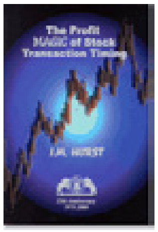


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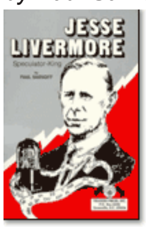


Jesse Livermore, though he died over forty years ago, is still known today as one of the most colorful, flamboyant, and respected market speculators of all time. Known by epithets such as Boy Plunder, the Great Bear, and the Cotton King, Livermore both made, and subsequently lost, four multi-million dollar fortunes during his career as a speculator, which spanned three decades. ~~25.00~~ Now $17.05

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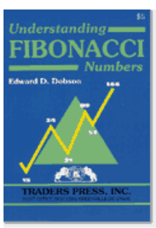


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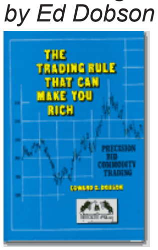


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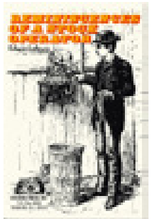


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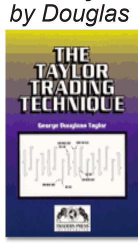


For those interested in day trading and short-term swing trading in futures, this classic 1950 work is an indispensable reference. The 3-Day Method (a.k.a. The Book Method) described herein, maintains that markets move in a three-day cycle that can be tracked by measuring rallies and declines. Linda Bradford Raschke highly recommends this book and the principles it teaches. (128 pgs) $24.95

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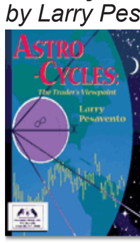


Pesavento begins at the very beginning of this book by teaching the basics of astrology. He includes the basic definitions and explanations fo the planetary movements. Included in the topics covered are explanations of the Zodiac and its relationship to the signs and houses, eclipses, equinoxes and solstices as well as Lunar phenomena.(190 pgs) $40.00

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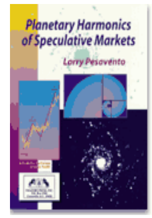


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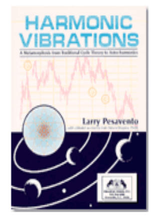


In this book, Pesvanto deals with planetary aspects and their relationship to day-trading. He takes you to the floor of the Chicago Mercantile Exchange with wave trading techniques such as a geometric trading plan based on George Bayer's secret message, Combust (one of the most important astro-harmonic cycles in soybeans) and the Rosh Hashanah Cycle. 176 pgs. ~~$49.00~~ $44.10

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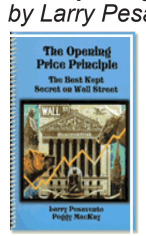
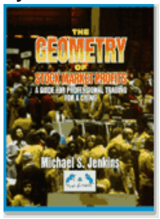



There is an amazingly reliable relationship between the opening price and the high/low range for the entire day. This relationship is generally known only to seasoned veterans. This new book from 2 traders with over 50 years combined experience reveals this consistent pattern, illustrates it with many tabular and charted examples, and tells you how to trade profitably using it. If you are a short term trader in EITHER stocks or futures, the knowledge you will gain from this book will give you a tremendous advantage every day for the rest of your trading life. ~~$29.95~~ $23.70

### Complete Stock Market Trading and Forecasting Course
*by Michael Jenkins*


In this course Jenkins teaches you to trade the markets using the time and price principals of Gann.. He also reveals his secret trading techniques which he only has revealed to some of his close friends.(284 pgs) $529.00

### The Geometry of Stock Market Profits
*by Michael Jenkins*




This book is about Jenkins' proprietary techniques, with major emphasis on cycle analysis, how he views and uses the methods of W. D. Gann, and the geometry of time and price. Among the many topics you will learn: *Which angles are important & how to draw them correctly, *How professional traders think and the types of strategies they use day to day, *How to place stops correctly, *How to construct and use Gann Squares for analysis and forecasting of individual stocks and commodities, *How long the basic trend can be expected to last, *When and where to buy and sell, *How to utilize Gann angles and Methods that predict exact turning points with high probability, *The numerological interrelationships of price and time forecasting, *Ten trading tips to make you rich. This book is a trading classic and you will treasure the contribution it will make to your trading proficiency and profits. ~~$50.00~~ $45.00

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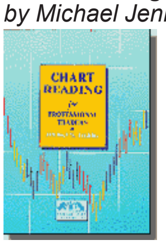
*by Michael Jenkins*




This book is a complete, comprehensive study on reading charts, forecasting the market, time cycles, and trading strategies. Explains reversal of trends, when to expect them, and how to know the trend has change. Shows you how to forecast with great reliability how long the new trend will last and its price target. As does Geometry of Markets, this book discusses in-depth the Gann techniques of time and price. Progresses to the very advanced concepts of day trading off of circular arc segments and calculating final high and low price targets. Each principle is demonstrated with numerous chart illustrations and real world applications. The information found in this book is unique with many of the techniques discovered personally by Mr. Jenkins and found nowhere else! ~~$75.00~~ $67.50

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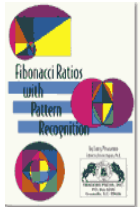
### Fiboancci Trading with Pattern Recognition
*by Larry Pesavento*




Quoted from Robert Miner's Dynamic Trader Analysis Report, Pesavento has been trading for 30 years. Today, he is primarily a day trader. His new book is well focused and organized. The bulk of the book describes a limited number of high probability patterns which coincide with clusters of Fib price projections that provide the short-term trader with high probability and low capital exposure trade set-ups. These trade set-ups are equally valuable for intermediate term traders as well. The short-term set-ups can also be used to enter for an intermediate term position. ~~$49.00~~ $43.95

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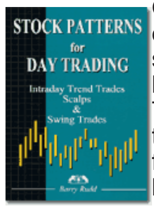
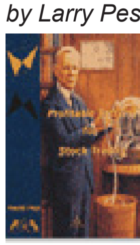



Quoted from Robert Miner's Dynamic Trader Analysis Report, Pesavento has been trading for 30 years. Today, he is primarily a day trader. His new book is well focused and organized. The bulk of the book describes a limited number of high probability patterns which coincide with clusters of Fib price projections that provide the short-term trader with high probability and low capital exposure trade set-ups. These trade set-ups are equally valuable for intermediate term traders as well. The short-term set-ups can also be used to enter for an intermediate term position. ~~$95.00~~ $65.95

### Profitable Patterns for Stock Trading
*by Larry Pesavento*



Over the past 20 years the use and misuse of the Fibonacci Summation series has proliferated to the point that commentators on the nation's TV business channels are now resident experts. I lay no claim to being an expert. I have, however, studied the subject of Fibonacci numbers extensively, especially how it relates to trading. I have always taken the pragmatic position that if I could not use what I was studying to help in trading, then I was not interested in pursuing it any further. If this material can stimulate your interest in the subject, then introducing you to the subject will have been worthwhile ~~$49.00~~ $43.95

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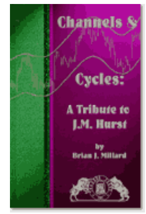
*by Brian Millard*




For many years I have heard how valuable the work of J.M. Hurst has proven to those interested in the use of cycles in the pursuit of market profits. It is with great pride that we present the work of Brian Millard, Channels and Cycles, which clarifies the original work of Hurst as well as updating it and bringing it forward to the present time. $49.00 ~~$40.50~~

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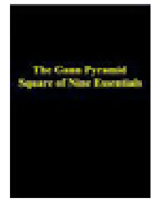


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# Interview with Slutsky

By Larry Jacobs

**Question:** What is your position with Alaron?

I am the Senior VP of Business Development, which covers all trade shows, conferences, vendors and new strategic alliances. I am also the Director of the newly formed Alaron Trading Academy.

**Question:** You have written two books. What are their titles and can you give us a brief overview?

The first book I wrote was titled “Masters of the Futures,” published by McGraw-Hill in December of 1999. That book was written in “interview” style. I asked most of the top Chairmen and Presidents of exchanges and clearing firms worldwide for their views on Open Outcry vs. Electronic Trading. That book did extremely well, and it is now published in Chinese and Korean. Recently, some of those top officials have moved on, so it might be time to revisit that subject.

The second book was titled, “The Complete Guide To Electronic Futures Trading,” also published by McGraw-Hill in 2000. That book was a lot of fun to write. Darrell Jobman and I collaborated on it. We decided to make it a reference guide for traders to trade electronically. We both learned a lot; however, the process was of particular benefit to me, because I had worked as a floor broker for 23 years, and had no electronic trading expertise. Open Outcry was my life.

My third book, which I’m working on right now, is tentatively titled, “Tools to Trade: Surviving the Turbulent Times With a Smile.” That book will focus on the psychology of trading, and will also provide the proper tools to trade.

**Question:** Most traders have lost money this year, due to the volatility of the market. Have we seen the worst of it yet? What words of wisdom can you give them?

Looking into my crystal ball, it seems a little too early for me to start predicting a bottom to the market. I still feel there is room for more downside, but I do believe the worst is behind us. I believe that traders should change their outlook on the market. Today’s traders are far more educated; they understand that they must be patient, well capitalized, and disciplined. In my opinion, trading is 80% mental; the other 20% is financial and methodology. Continue to look at the big picture and stick to your game plan. Instead of looking for that “homerun” each time you trade, hit singles. They all add up at the end of the day. I tell people to stick to the markets they know best, and to pick their entry/exit points wisely. I always recommend using “stops” to protect market positions. Risk management is very important, as is education.

**Question:** You mentioned education. I know it’s important, but can you recommend a good education site for the average trader?

In my opinion, now is the most important time for education. I just came back from the Online Trading Expo in Anaheim, California and I spoke with many attendees about that same question. Is there a good education site for traders of all kinds to visit and learn from the top teachers? The answer is yes, there are many good education sites, such as Robert Deel’s Trading School, Pristine.com, and Market Wize, but the one that sticks out the most in my opinion, and I may be slightly biased, is the Alaron Trading Academy. It’s clean and easy to navigate through. It offers John Murphy, John Bollinger, Chris Manning, Larry Pesavento, Price Headley, Larry McMillan, and numerous others. This site has everything from books, tapes, and online courses to trading rules, quizzes and an outstanding mentoring program for all kinds of traders. What I like the most is how each teacher is listed with a bio, products and services, and where in the country he/she will be speaking next. (Alarontradingacademy.com). It is a must for all traders.

**Question:** Scott, we have all heard a lot about Single Stock Futures. What is a Single Stock Futures contract and why have investors not been allowed to trade them in the past?

A Single Stock futures contract is, as the name implies, a futures contract on a Single Stock. This will allow traders to establish a position in the underlying stock without actually owning it, or having to open an account with a securities broker. Therefore, participants in the Single Stock Futures market are not actually shareholders and not entitled to receive dividends or take part in shareholder meetings.

Investors have not been able to trade Single Stock Futures contracts in the United States in the past because of the Shad-Johnson Accord that was enacted in 1982. In December of 2000, however, Congress passed the Commodity Futures Modernization Act (CFMA). It is anticipated that sometime in late February 2002, such trading may become available to all investors.

Scott Slutsky is a member of the Chicago Mercantile Exchange where he filled institutional and retail orders in the CME’s various currency pits for 23 years. Mr. Slutsky is a former member of the CME’s Board of Directors. When he was elected to that position in 1989 he became one of the youngest members of the CME to serve in that capacity. He is an active speaker at conferences and seminars, where his mock trading programs have captivated audiences for years.

*Mr. Slutsky is an accomplished author who has written two successful books published by McGraw-Hill, Masters of the Futures (see page 44 in this magazine) and The Complete Guide To Electronic Futures Trading. He is currently writing his third book titled: Tools To Trade: Surviving the Turbulent Times With a Smile. His books are available from: www.invest-store.com/tradersworld. Phone 800-272-2855 ext. B684. He can also be reached by email: sslutsky@alaron.com * There is risk of loss in trading futures*

*Subscribe to Traders World on page 4.*

# 1x1 Automated Gann Angle

By Howard Arrington

Every so often some trader engages in a discussion with me regarding the virtues of plotting 45 degree angles on their chart. Invariably their infatuation with this idea is based on a shallow understanding of what a 45 degree line really means, or is supposed to indicate. Their introduction to 45 degree lines is usually from reading something about the works of W. D. Gann and how he plotted 45 degree angles on his charts.

Plotting a line on a computer generated chart physically at a 45 degree angle is worthless. The truth of this statement can be illustrated by comparing these two charts. See Figure 1 and 2.

The line is plotted at a downward 45 degree angle in both charts, but as can be seen, the line passes through the chart bars in different places. The line which looks very useful as an indicator of a trend in the left-hand chart suddenly looks useless in the right-hand chart. So what happened? The vertical spacing of the chart scale changed!

Computer generated charts typically use a scale range that covers the highest high and the lowest low of the data set that is being plotted. This scale is mapped to the physical size of the chart window, which might be a couple inches like the examples, or it might be the full size of your monitor display. Not only can the scale range be dynamic, but the bar spacing is also dynamic. The following example uses the same range as the 1st chart, but with a narrower spacing between the bars. The position of the 45 degree line appears quite different now.

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Computer generated charts typically use a scale range that covers the highest high and the lowest low of the data set that is being plotted. This scale is mapped to the physical size of the chart window, which might be a couple inches like the examples, or it might be the full size of your monitor display. Not only can the scale range be dynamic, but the bar spacing is also dynamic. The following example uses the same range as the 1st chart, but with a narrower spacing between the bars. The position of the 45 degree line appears quite different now. See Figure 3.

Since 45 degree lines are so arbitrary in their relationship to the bars, what then was W. D. Gann doing in plotting 45 degree angles on his charts? Gann referred to the 45 degree angles as 1x1 lines (one by one lines). The line was being plotted on his charts with a mathematical slope of one unit of price per one unit of time. Gann would manually construct his charts using graph paper with a square grid. The vertical price grid would be labeled with a price interval such as 2 cents. Thus, the price unit is the grid interval of 2 cents. The bars would be plotted on the horizontal grid, such as a daily bar on every grid interval. Thus, the time unit would be one day.

A graph constructed in this manner would give Gann's 1x1 line the following slope definition: 2 cents per day. A line with this slope could be easily drawn using a 45 degree triangle because of the way the graph paper was laid out. So, a 45 degree line and a 1x1 line with a slope of 2 cents per day would be one and the same thing only when a specific graph paper grid was used.

Computer generated charts with their dynamic scale ranges and dynamic bar spacing must draw 1x1 lines according to a slope definition. The plotted 1x1 line may or may not (usually not) be at a 45 degree angle. When you see a reference to a 45 degree angle, always observe the price grid interval, and the time interval so you know the 1x1 definition for the slope. The slope will be one unit of price for one unit of time. Once the slope is known, the same line can be drawn on a computer generated chart.

In Ensign Windows, the slope of a trend line is shown as one of the parameters for the line. If you want a line to be drawn with a specific slope, you can edit the slope parameter. The slope of the line in the following chart is -250 points per bar. The line will plot in the same position through the bars regardless of changes in the scale range or bar spacing. As changes are made to the chart grid, the angle the line is plotted at will change. The line's slope will remain constant and its relationship to the bars will remain constant. See Figures 4 and 5.

For years, I thought finding a useful slope for the 1x1 Gann line was what Gann analysts meant by the phrase 'squaring time and price.' However, my new understanding is that it is a literal relationship that can be expressed mathematically as:

Price = Time squared or $P = t ^ 2$

For additional information and treatment of this mathematical relationship, please read my 'Time and Price' article in the Spring 2001 issue of the Trader's World magazine. This relationship gives us the needed mathematics for automatically calculating the slope for the 1x1 Gann angle.

To calculate the slope of the 1x1 line, two prices are needed, and a time interval. The first price P1 will be the price on the chart where the 1x1 line (or Gann Fan) is anchored. Usually this is the


Figure 1


Figure 2

Figure 3

top or bottom price of a significant trend. The time interval is calculated from P1 by normalizing P1 to fall in the range of 100 to 999. If P1 is below 100, multiply it by 10 as many times as needed until it is in the range of 100 to 999. If P1 is at or above 1000, repeatedly divide it by 10 until it is in the range of 100 to 999. Then the time interval t is found by taking the square root of P1.

Gann's Square of Nine is used to determine the 2nd price P2. P2 is related to P1 by some degree of rotation around the Square of Nine. The commonly used degrees of rotation are 360, 180, 90, and 45 degrees. P2 can be calculated using this formula:

P2 = (t + degrees of rotation /180) ^ 2

Remember, the time interval t was determined by taking the square root of the normalized price P1. Example: If the trend top or bottom price is $144.00, then the time interval is 12 bars. To find the price that is 180 degrees around the Square of Nine, P2 would be ( 12 + 180/180 ) ^ 2, which equals 13 squared or $169.00.

The slope of the 1x1 line is calculated using this formula:

slope = (P2 - P1) / t

Continuing the example, slope = ($169.00 - $144.00) / 12 bars, which equals $2.08 per bar. If the 1x1 line determined in this manner is too steep to be useful on the chart, then it is appropriate to use a smaller degree of rotation around the Square of Nine, such as 90, 45, 22.5, or 11.25 degrees, etc. If the 1x1 line is too flat to be useful on the chart, then it is appropriate to use a higher degree of rotation such as 360 or 720 degrees.

This technology is built into the Gann Fan tool in Ensign Windows. The Gann Fan is placed on the chart by selecting the point for the vertex. The 1x1 line can be located manually by selecting a 2nd point, or let Ensign Windows determine the 1x1 slope automatically using the mathematics developed in this article. The following charts show the Gann Fan with the slope of the 1x1 line determined automatically from the P1 anchor price at the fan's vertex. See Figures 6, 7 and 8.

*Mr. Arrington is president of Ensign Software. He designed Ensign for Windows which is real-time trading software which works with eSignal, and DTN. www.ensignsoftware.com*

Figure 4

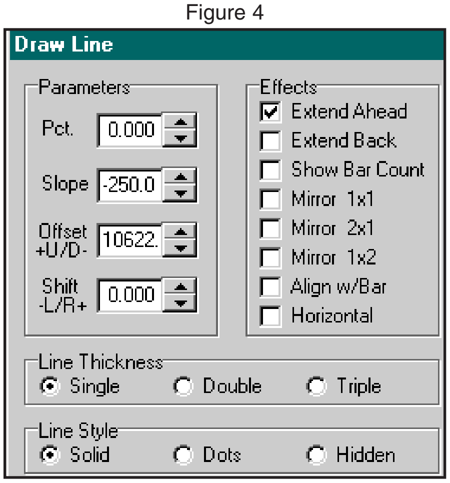


Figure 5


Figure 6

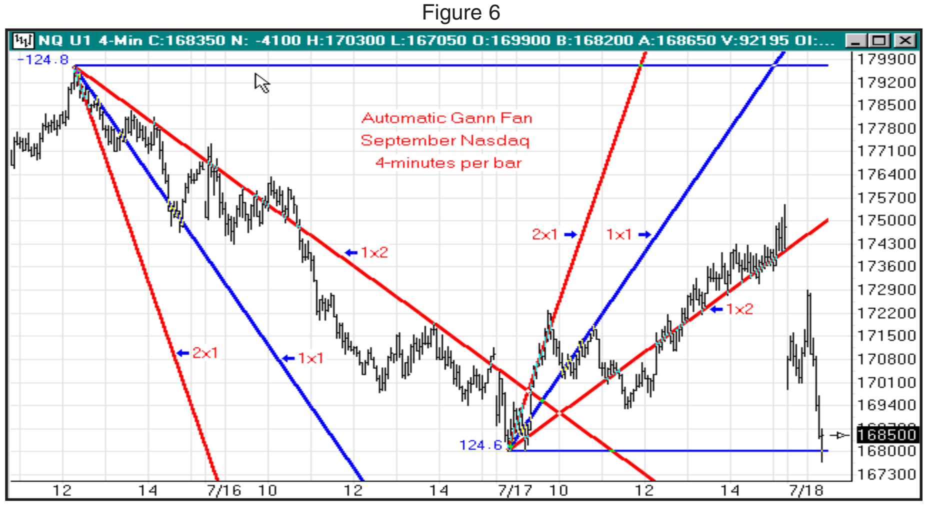


Figure 7

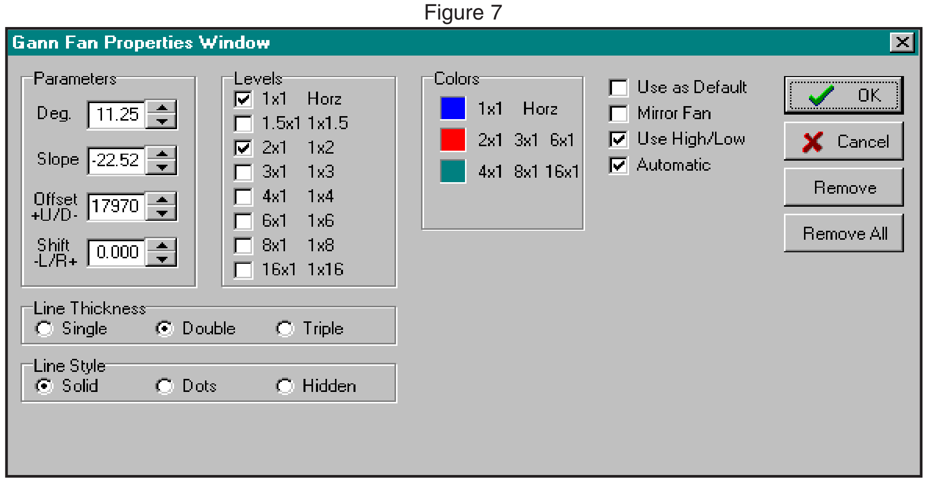


Figure 8

# The Right Stuff

### *What is it and why do you need it to be a profitable trader?*

**By Bennett A. McDowell**

"The secret to my success was that somehow I always managed to live to fly another day." Chuck Yeager, first pilot to break the sound barrier

Most everyone agrees that Chuck Yeager has "The Right Stuff". Just read the book by Tom Wolfe, entitled "The Right Stuff", and you'll enjoy the entire story from start to finish. It begins by telling how Yeager courageously broke the sound barrier in 1947 and then goes on to explain how the NASA program sent Neil Armstrong and Buzz Aldrin into outer space to become the first men to set foot on the moon in 1969.

There's something to be learned from the great pilots of all time since flying is really no different than trading. It's risky, exciting and offers a feeling of freedom. You as a trader are very much like the pilot of a fighter jet going into combat. You are competing with the best of the best and for every winner there is a loser. The goal of course is to become the winner more often than the loser. Statistically, you will need to be in the top 10% of all traders just to go home at night and break even. To actually make a profit, chances are you are in the top 5% of all traders. Pretty tough odds, wouldn't you say?

Those odds are quite similar to the career navy pilots who faced a 23% likelihood of dying in an accident in the 1960's. Grim statistics to be sure. Why then do pilots and traders choose to face such devastating odds? Most probably because they have a passion to excel in an arena that most would never even dare to enter. The challenge of it all is exhilarating!

So here we are traders in the most competitive and cutthroat environment known to man and woman. How does one survive and eventually achieve consistent profitability?

Quite frankly, survival is the key. Better that you focus on survival than on "…getting rich quick…". Don't be enticed by the many authors and trading software sales people out there who say "…my system will earn you thousands of dollars quick and easy…". The "fast cash" concept is an illusion and a gimmick to lure in masses of naïve would be traders. The reality is that trading is a profession like any other and requires skill, experience and know-how. These ingredients are developed with time and dedication and there is no "quick and easy" answer.

To survive can be defined as to "…live to fly another day…" as Yeager would say. The goal for traders is to come back to trade day after day and strive for a skill level that ensures consistent profitability. You want to stay in the game long enough to learn the necessary survival skills as opposed to wiping out your capital before you reach that goal. If you keep your goals relatively modest and realistic every step of the way you have a better chance of becoming consistently profitable.

That doesn't mean you won't be "…pushing the envelope…" and stretching your ability to the max and going for the Gold. It means that your ultimate goal is to live to trade another day and not "…screw the pooch…" as the early test pilots in Yeager's day used to call crashing and burning. It's a little more realistic and modest than the "Get Rich Quick" approach.

Just try to preserve your trading capital, don't get greedy and always have respect for the power of the market regardless of how financially successful you have been in the past. That's how to survive and to profit and that's what the game is all about, plain and simple.

So what is "The Right Stuff"? General Chuck Yeager gives his definition in his autobiography entitled "Yeager".

He says, "Ever since Tom Wolfe's book was published, the question I'm asked most often and which always annoys me is whether I think I've got 'the right stuff.' I know that golden trout have the right stuff, and I've seen a few gals here and there that I'd bet had it in spades, but those words seem meaningless when used to describe a pilot's attributes. The question annoys me because it implies that a guy who has 'the right stuff' was born that way. I was born with unusually good eyes and coordination. I was mechanically oriented, understood machines easily. My nature was to stay cool in tight spots. Is that 'the right stuff'? All I know is I worked my tail off to learn how to fly, and worked hard at it all the way. And in the end, the one big reason why I was better than average as a pilot was because I flew more than anybody else. If there is such a thing as 'the right stuff' in piloting, then it is experience."

There it is!! "The Right Stuff" is "experience" in the words of the great Yeager. And it is this very ingredient that will save your life, and your capital, time and time again. Which is precisely why you need "The Right Stuff" in trading the markets.

You will need to acquire experience to become profitable and stay profitable. You will need to maintain and sharpen your skills even after you've entered that coveted top 5% of all traders! This means having the courage and persistence to enter the markets and actively trade on a regular basis, even when you encounter losing streaks and equity draw-downs. It is this experience in the market that will ultimately enable you to overcome your trading obstacles or "demons" and feel the satisfaction of having accomplished something that so few have.

On gaining this essential experience, let me offer a few words of caution. If you do happen to encounter one of those dreaded losing streaks be sure to reduce your position size to reduce your over all risk. Remember that the ultimate goal is to survive the market and to preserve capital using discipline and sound money management. All the while gaining experience and "The Right Stuff". Any losses you incur can only be regarded as tuition in the "Great University of Trading" known as the "Market".

The challenge is to strike a balance between the cost of your "tuition" with the amount of experience you receive. Only you will know what your risk and loss tolerance is. (As a general rule risk no more than 2% of your trading capital an any single trade.) It is important to be honest with yourself regarding your true tolerance and it is essential that you are always trading with money you can afford to lose. This will help you to soften the fear and greed emotions and focus on the education and experience aspect instead.

Ultimately, you should be having fun while you're trading. If you are not, then you aren't doing it right! Maybe it means you're working with the "Wrong Stuff". If that's the case try to get back on track and go back to your own trading basics. Again, reduce your position size, get some support from a trading "buddy" or "coach" and hang in there if trading is something you feel is your true calling in life.

You know yourself better than anyone else and the only way to become the "best of the best" is to do something you love to do and to stick with it. Maybe passion is the secret ingredient in the whole picture. Only if you have a deep desire to succeed can you endure emotionally draining stop-outs and losing streaks. Remember that the only real failure is to give up. The dollar amount of any loss is just a number and it is not an indication of failure. It is part of the learning process. You will find that sometimes the greatest trading lessons will come from losing trades that helped you to understand your personal trading in a new way.

Be sure you have this desire for trading if you truly want to succeed. Ask yourself, "Is this the one thing I'd rather be doing than anything else in the world?" If the answer is yes, then you are in the right business. If the answer is no then get out quick and find something else!

In Yeager's words, "For the best pilots, flying is an obsession, the one thing in life they must do continually. The best pilots fly more than the others; that's why they're the best. Experience is everything. The eagerness to learn how and why every piece of equipment works is everything."

Bottom line is if you're missing true passion or obsession for trading then acquiring "The Right Stuff" will be all the more difficult. And when the competition is this intense there's no room for "weekend traders" just as there's no room for "weekend pilots". The competition will eat you alive if you're not constantly honing your skills and developing your experience. Having shared these few words of caution, may I say that trading is for me the greatest profession in the world! If you enjoy it then follow your heart and good luck to you in your pursuit of "The Right Stuff"!


*Bennett McDowell is President of TradersCoach.com and can be reached at www.traderscoach.com or via their e_mail address traderscoach.com. His book "The Survival Guide For Traders" can be purchased through the website or by calling 1 (858) 695-0592.*


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**By Larry Jacobs**

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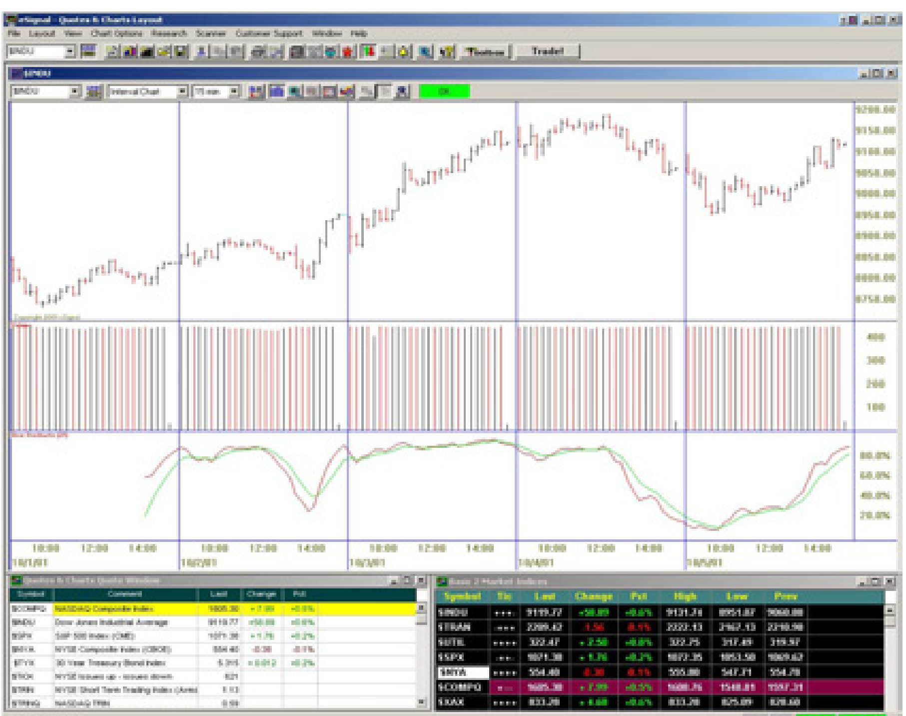

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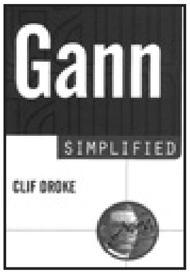


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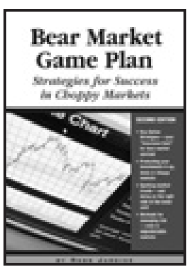


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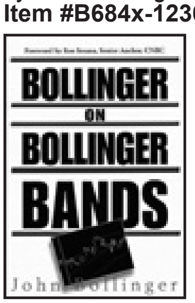


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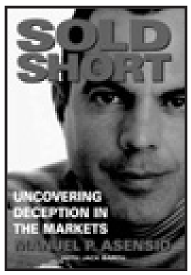


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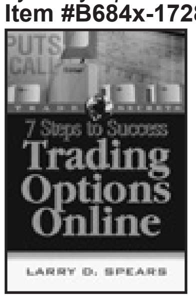


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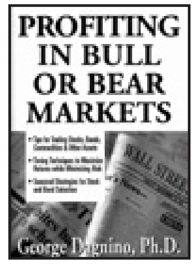


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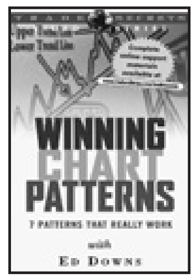


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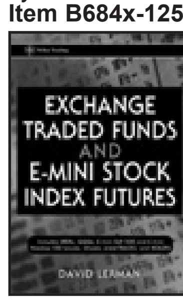


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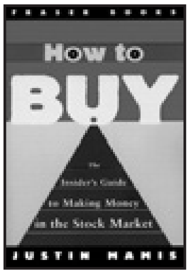


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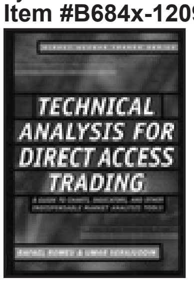


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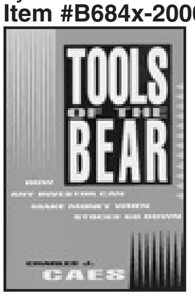


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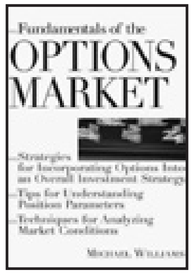


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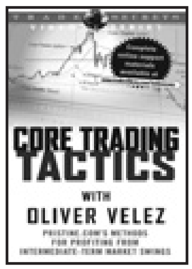


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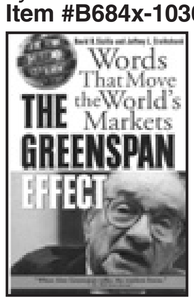


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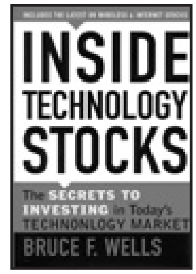


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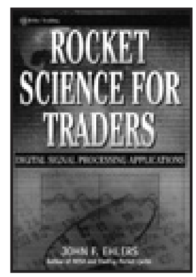


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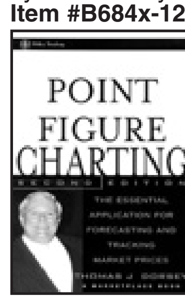


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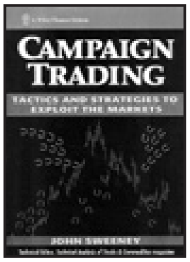


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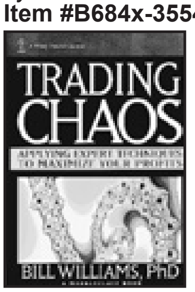


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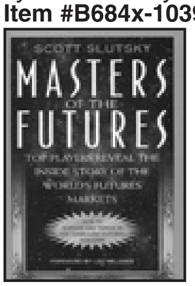


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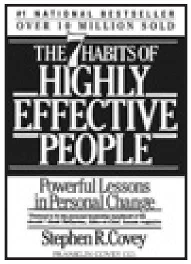


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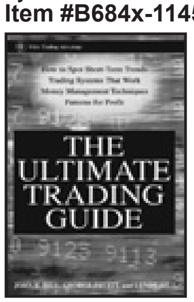


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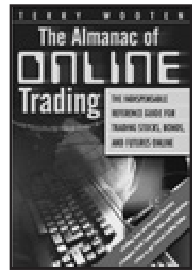


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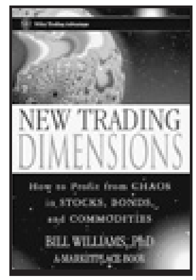


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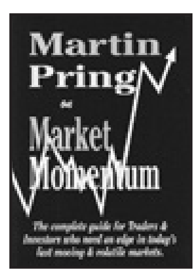


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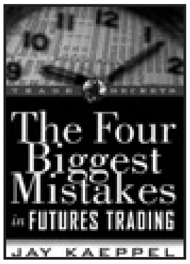


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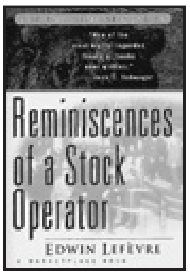


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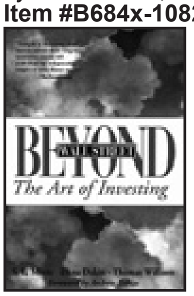


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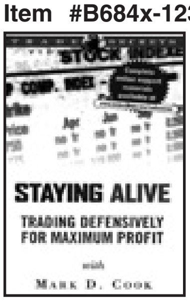


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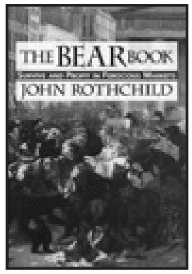


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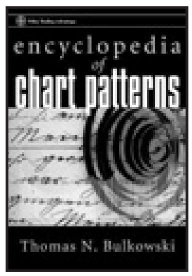


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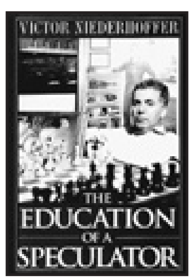


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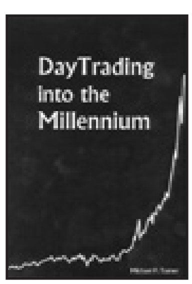


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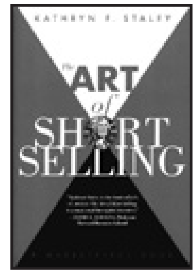


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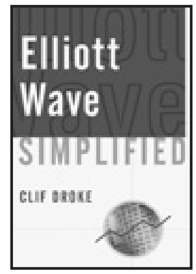


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# 2001: A Cycle Odyssey

By Eric S. Hadik

The events of September 11th, 2001 have reinforced ongoing cycle analysis AND the potential for significant events to occur March 11-22nd, 2002.

When contacted in July to write an article for *Trader's World*, I began work on a piece entitled: *Back From The Future*. It described how future cycles lend a hand in forecasting intervening (future) cycles. When synergy of cycles appears at a future point in time, intervening turning points usually reinforce it.

So, if powerful cycles converge 8 months in the future (as they did in July), intervening dates 3 & 6 months (90 & 180 degrees) prior are monitored for landmark events. If key markets turn and corresponding events occur during these intervening cycles, it reinforces what has already been deduced about the ultimate cycle.

Such was the case leading into September 11th… and will be the case between December 7-22nd.

I was asked to place that article aside and to explain the reasons I have - for the past two years - focused on late-2001 as being a very dangerous time when war cycles converge. Since it is asking a lot for a reader to believe this now, the best way to explain this thinking is to review previously published comments that pointed to the time frame beginning after September 7th as being 'very dangerous'.

Although I am sensitive to the risk of creating the appearance of a glorified infomercial, I can think of no better way to #1 - walk a reader through this thought process ***as it evolved***, #2 - maintain credibility by demonstrating how this was repeatedly observed before the fact and #3 - provide each user with some practical & applicable means of measuring cycles and their impact. In that light, I hope you will forgive the amount of previously published material. It is the only way I could combine all three of these objectives without severely diluting or diminishing any one of the three.

The bigger picture involves a focus on an Israel/Jewish/Middle East cycle that begins in late-2001 and extends into 2008. In order to understand this and to understand why September 2001 was expected to usher in this period be aware the Jewish Year 5761 began on 9/30/00 and ends on 9/17/01. This will be explained in a minute.

The focus on 2001 coincides with earth cycles that have previously been discussed in our publications and in articles published in *Trader's World*. Times of earth instability often coincide with emotional instability and the outbreak of war(s). 2001 - 2008 was and still is expected to see the same. This time frame represents geometric/Gann-related cycles from several past periods of increased earthquake/volcanic activity, dating back hundreds of years.

The focus on 2001 also stems from a war cycle - involving Israel, the Middle East, US, Russia & Europe that I have described for several years. Though discussed since 1995, the intensity of focus accelerated in mid-June 1999, when so much attention was diverted to Y2K. This is a 28-year cycle connecting events in 1917 (Bolshevik Revolution... at the same time Jerusalem was freed after 400 years of occupation), 1945 (end of WWII, which led to establishment of Israeli homeland) and 1973 (Yom-Kippur War).

The next occurrence - and the completion of an 84-year cycle (7 x 12, representing 'completion x completion') - is in 2001. The events cited in this sequence took place in August - December, accounting for one of the many reasons I am focused on August - December 2001. (This is also a reason why the period of September 2001--September 2002 has equal importance - with regard to this particular war cycle - since the liberation of Jerusalem in 1917 and the attacks of 1973 both occurred after the Jewish New Year.) Among the related events are:

October 2001 = 84 year anniversary of the 'bloody revolution' in Russia. August 2001 = 56 years from Nagasaki/Hiroshima, end of WWII. October 2001 = 28 years from Yom Kippur War. December 8-11 2001 = 84 year anniversary of liberation of Jerusalem. December 7, 2001 = 60 year anniversary of Pearl Harbor."

The following excerpt explains what was expected to begin in late 2001 as a result of this unique war cycle:

*"28 years later is 2001…It could be similar to the period between 1967--1973 and would culminate (in 2007) exactly 40 years of testing after Israel first repelled the attacks from Egypt, Syria & Jordan in 1967…If this is the case, the final 6 years (approximately 1/7th) of this 40-year cycle could culminate in similar fashion to how the first 6 years (1967--1973) began."* [©ITTC - July 1999 ***Cycle of Time VII***]

The focus on 2001 corresponds with an 11+-year sunspot cycle that pinpointed Middle East wars in 1945, 1956, 1967, 1979, 1990 & converges in 2001. There still are many other cycles that corroborate this analysis and reinforce the conclusion that late-2001 would usher in a very dangerous short-term time frame (August - October), a very dangerous intermediate time frame (late-2001 into 2003), and a very dangerous longer-term period (2001--2008). Consider the following analysis from nearly a year ago:

*"**5761 - A New Cycle Begins**: …Much has been made and discussed of the approximately 11-year sunspot cycle. **I like this cycle since it fits with a key longer-term Cycle of Time cycle of 133 months (which equals 11 years and 1 month and also equals 7 x 19 months). It has pinpointed many critical wars in the recent history of the Middle East and their impact on America** (resulting in Arab oil embargoes or at least higher oil prices and the like).*

*Beginning in 1945, it recurred in 1956 (second Arab/Israeli war), 1967 (6-day war with Egypt and Arabs), 1978/1979 (ascension of Saddam Hussein and Iranian hostage crisis), 1990 (Iraq invasion of Kuwait) and is back to haunt us from now **until late-2001**. Sunspots may have already peaked, but I am referring specifically to this 133-month cycle that has been so prevalent... and is likely to repeat in the coming year.* [© ITTC - November 2000 ***INSIIDE Track***]

**133 months (7 x 19) from Iraq's August 1990 invasion of Kuwait is September 2001!** The sunspot cycle actually extends into 2002, which ties in with the overall 133-month cycle. 133 months from the alleged 'end' of the Gulf War is May 2002, so this entire period is an 'anniversary'.

For those unfamiliar with the *Cycle of Time*, this is the subject of articles written in the early 1990's and elaborated since. The crux of these articles is that the number 19 - the compilation of two Biblical numbers representing completion: 7 & 12 - is one of the most significant numbers in our world. These three numbers are also part of a unique summation series and are related to each other (rounded off) by the Golden Ratio.

Interestingly, there could also be labeled a 12-year (.618 x 19 and Gann's square of 144 months) cycle between the Middle East events just cited. 1967, 1979 & 1991 represent the peak of hostilities. 2003 is the next date in this sequence and coincides with when many inflationary cycles - projected to bottom this year - initially culminate. So, the period of late-2001 into mid-2003 is a larger cycle with similar ramifications.

The bottom line is SYNERGY. To quote Solomon: *"Two are better than one, because they have a good return* *for their work…Though one may be overpowered, two can defend themselves. A cord of three strands is not easily broken."* (Ecclesiastes 4:9 & 12) Each of these cycles meant much less when viewed independently. However, when taken together, their combined energy & influence made extreme events almost inevitable. This remains the case through the end of 2001.

This conclusion coincided with a discussion of why the Jewish Year of 5761 (from September 2000--September 2001) would begin a new 360-year cycle (5760 ÷ 16 = 360) and usher in the time when the seeds for a Middle East war would be sown. Most readers should be aware of Gann's emphasis on geometric cycles (90, 180, 270 & 360 degree movements being the primary divisions of time) so this cycle should come as no surprise. This discussion is too lengthy to include in this article but it focuses on an ongoing 360-year cycle (and its 180-year midpoints) that has involved Israel and the Middle East since 521 B.C…. and even before.

This remarkable cycle includes events that pre-date 521 BC like the time of Abraham's birth (from whom both Jews & Arabs descend), the Exodus from Egypt (origin of Passover) & the rule of one of Israel's most powerful kings: Omri (360 years prior to 521 B.C.). It then proceeds to encompass the recapture of Jerusalem by the Macabees (origin of Hannakuh), the beginning of the Crusades against Muslims & Jews, the ending of the Crusades & the expulsion of Jews from England.

This ongoing 360-year cycle culminated in the Jewish Year 5760 (ending on 9/30/00) and was projected to usher in a dramatic ***period of transition***. It completed 7 revolutions (a number of 'completion') of 360 years since the prophecies in the book of Daniel when 7 revolutions of time were cited for some future period dealing with Israel.

In many cases, the most notable or salient events do NOT appear on exact anniversaries (as Gann described) but occur during the early stages IMMEDIATELY FOLLOWING these crucial anniversaries. This is why September 2001 has been expected to be more significant than September 2000.

This is another lesson that should be applied to trading. A perfect (long-term) example involves the 360-year period between the ***end*** of the notorious Tulip Bulb Mania (1634--1637) and the ***beginning*** of the recent US Tech stock mania (1997--2000). The 360-year anniversary of the ***end*** of the Tulip Bulb fiasco marked the ***beginning*** of the US Tech Bubble. The *end* of one cycle often corresponds to the *beginning* of another.

There is another correlation to these Jewish/Middle East cycles. It is why an October 1998 report described the anniversary of the rebuilding of the 2nd temple as being the time when the seeds would likely be laid for the rebuilding of the third temple. The second temple was begun in 521/520 BC and was completed in 516 BC. A precise 2520 years later (7 x 360) begins in 2001 and extends into 2005 AD. This was/is expected to be a time of great tension in the Middle East. It was confirmed on the 45th day before the September 11th attacks…

For those that missed this **VERY SIGNIFICANT** event, on July 29, 2001 - also known as Tisha B'Av (the 'time between the troubles' - a date commemorating the destruction of both temples in Jerusalem), the Temple Mount Faithful were allowed to place the symbolic cornerstone of the third temple at the Mugrabi Gate to the Temple Mount. This was projected to 'spur fierce rhetoric and heightened reactions' (see 7/30/01 *INSIIDE Track*). 40 days ('testing') later, we entered what was termed a 'very dangerous period', beginning days before the events of September 11th.

EXACTLY 2520 years (7 x 360) after the command to rebuild the second temple, the cornerstone for the third temple was laid! This may seem like an insignificant event to Westerners but make no mistake it is immensely significant in the Middle East. It may have only been a symbolic move by a 'fringe' group, but every major event is preceded by subtle ones. [Note: This does NOT imply that this event caused or incited the attacks on America. Consistent with how I view all cycle analysis, it merely TIMED & REINFORCED this period of increasing danger.] This might seem like a 'religious' topic to be discussed elsewhere. In case you have not noticed, everything done in the Middle East - and most of the wars that have occurred there throughout history - are in the name of 'religion'.

My conclusion has been - and continues to be - that the first 7--12 years of this new 360-year cycle will be momentous! We have barely completed the first of these. Getting back to the years leading up to now, 1998 & 1999 gave several clues that reinforced the focus on late-2001. To repeat from the August 1999 *INSIIDE Track*:

*"This latest pronouncement…sets the stage for dramatic developments**…a Middle East war seems likely in 2001**."* [© ITTC - August 1999 ***INSIIDE Track***]

At the same time as this late-1999 analysis was being conveyed, anxiety over Y2K (remember that??) was building and we reiterated our long-standing position:

*"All my long-term cycles still point to the year 2001 as being more significant than 2000…events in 2000 **could pale by comparison to what will occur in 2001**."* [© ITTC - November 1999 ***INSIIDE Track***]

This discussion was continued in the ensuing months and further elaboration came in the following March 29, 2000 quotes and incorporated stock market analysis that was expected to portend trouble:

*"**The ensuing year of 5761 begins a new chapter in Middle East history**, coinciding with unique earthquake/volcano cycles I have discussed for several years…2001 also completes the 28- and 84-year cycles that have impacted Israel…**There is also an intriguing religious(Christian & Jewish) cycle reaching fruition in September 2001** that I will discuss separately.*

***2001 is 60 years from the last giant surprise to hit America's shores in Dec. 1941**. 60 years is recognized by cyclists - including W.D. Gann - as a crucial 'Grand Cycle'. **Could another surprise occur in 2001**?*

*Long-term cycle students are probably familiar with the 510-year civilization cycle…could we see a 510-year move from the founding of the 'New World' in 1492 to the founding of the '**New World Order' in 2002 (immediately following cycles in 2001**)? …I believe a 513-year cycle is a more accurate long-term cycle - due to its relation to the number 19 - so **maybe this event will wait until 2005**.*

…As for the stock market, there is a sequence of 19's that is a harbinger of transition. The weeks of January 3rd to March 3rd were exactly 19 weeks from the prior correction and were forecast to usher in a new correction. What did the market do? It mirrored this decline, exactly 19 weeks later.

*1982 was recognized as the final low of the old bear market. It occurred 9 1/2 years from the 1973 high (1/2 of a 19-year cycle). **2001 is 19 years from this last major low and is destined to provide a major turning point…will it peak in mid-2000 and then correct (for 19 months??) into 2001**.*

*The first warning shot has been fired across the bow of the US economy and bull market. This does not mean they will immediately go sour. **It does, however, reveal a weak point that will be attacked at a more vulnerable and opportune time. 2001 is the year to watch, but 2000 should have some dynamic moves - in both directions - as the first stages of a major transition take place**."* [© ITTC - April 2000 ***INSIIDE Track***]

The stock markets topped in January & March 2000… discounting events in the future as they always do. Is it just coincidence that a *'Cycle of Time'* 19 months later (discussed *before* the fact) projected August - October 2001 as being very significant and a potential bottom? Is this 17-month old analysis still pertinent? You decide.

September 2001 was expected to complete the initial transition period (war, Middle East & financial cycles) and to *usher in* a new way in which America, the Middle East and the world operates. However, just as a completed **minor** cycle succumbs to the influence of an ongoing **intermediate** cycle - and a completed ***intermediate*** cycle succumbs to the influence of an ongoing ***major*** cycle - the completion of this transition period gives way to the middle stages of a larger transition period that was expected to begin in May 1998 and extend into at least 2005 and most likely into 2008.

In other words, this is not a one-event or a one-cycle focus. The focus on these cycles continued in late-June 2000:

***While all looks calm on the Middle Eastern Front, many signs point to a brewing storm that is likely to supersede anything seen in the last decade or two****...The stock market is likely to play into the overall expectations for troubles to begin accelerating after Middle East cycles reach fruition.* [© ITTC - July 2000 *INSIIDE Track*]

Another long-term cycle involves solar-retrograde. This phenomenon is another example of an approximate 180/360-year cycle, reinforcing Gann's observations that time is geometric (*cycles are circles*):

"***5761 - Culmination of Earthquake Cycles***

…Long-term readers might recall the discussion on the 180-year cycle of major earth events that has been ushered in by solar retrograde… The impact of this astronomical event has historically lasted for several decades to follow…The first occurrence in the 1630's coincided with some major earthquakes and a climatic event known as the 'Little Ice Age', which lasted for decades after this event. The second occurrence in the 1810's led to major earthquakes (New Madrid Fault in the mid-US experienced dozens of major quakes with two of them exceeding 8.0 on the Richter scale) and some major volcanoes.

The most notable volcano took place in Indonesia and caused the ensuing 'year without a summer' in which most of Europe and the US experienced freezing temperatures EVERY month of that year (1817).

*This event took place 186 years after the first solar retrograde. Another 186 years from 1816 is 2002. 2002 is 12 years (celestial 'completion') since the third occurrence of solar retrograde began in April 1990. This immediately led to Mt. Pinatubo erupting in the Philippines and Mt. Unzen erupting in Japan (June 1990). Pinatubo remains one of the most powerful eruptions of the 1900's…****other major/ long-term cycles predict some earth shaking events in 2001-2002****"* [© ITTC - August 2000 **INSIIDE Track**]

If this focus on 2002 as being the convergence of certain solar-retrograde-related cycles - and consequently the time for other earth disturbances - is accurate, it is reasonable to expect war cycles will coincide/precede this. (The last appearance of solar retrograde coincided with the rise and fall of Napoleon and is credited for one of his critical battles… due to the untimely freezing of the Thames River.)

Mass psychology, which is what technical analysis attempts to measure, often presages geophysical disruption (as recent events in Seattle & Italy attest). The financial markets and/or political ambitions of the least-grounded nations often give the first clues.

When viewing cycles, market action is the ultimate filter and often the best precursor. If a significant event is about to occur, market action will usually foreshadow it. In late-1999 I described the *'Decade Bubble Effect'* that portended a major DJIA high in January 2000. This cycle - in which the preferred investment of a particular decade peaks within a few months, sometimes weeks, of the end of the decade (Gold in 1980, Japanese stocks in 1989, etc.) - was expected to impact stocks and to a greater degree Tech Stocks - the engine of the mania from 1997--2000.

This cycle was reinforced by a smaller 7-year stock market cycle described in this 9/28/00 excerpt:

*"****5761 - A New Cycle Begins****…As of September 30, 2000, a new 360-year cycle begins…****this time it is poised to be more dramatic than ever****…****A 19-year Cycle of Time cycle in the stock market matures in 2001*** *(1982 was the last occurrence). A recurring* ***7-year cycle in the stock market will also take hold in 2001*** *(dating back to 1959 & 1966 and consistently identifying critical tops and/or bottoms during EVERY occurrence since).*

*…2001 is the latest occurrence of an ongoing* ***Cycle of Time*** *19-year cycle (from the 1982 low) in the stock market. Normal cycle theory would tell you it will be a low and we should see a sharp correction between now and sometime next year. That low should/would then hold for many years.*

…A more consistent, ongoing 7-year cycle concludes the same thing. This cycle dates back to 1966 (and 1959, when an intermediate high occurred and held for almost two years). In 1966, the DJIA saw both a high (that held for 7 years) and a low (that held for 3 1/2 years). 7 years later - in 1973 - the DJIA created a high that subsequently held for 10 years. 7 years later - in 1980 - the DJIA set a 5+ year low that was retested 2 years later but never violated. In 1987 - 7 years after this important low - the DJIA again created both a high (that held for 2 years) and a low that has held ever since. 7 years later - in 1994 - the market traded sideways for almost the entire year until the November 'Republican Revolution' sparked a new surge that has continued ever since.

*2001 is the next occurrence of this very consistent 7-year cycle."* [© ITTC - October 2000 ***INSIIDE Track***]

Reinforcing the topic of stock market action acting as a filter and/or an omen of things to come, this 11/30/00 quote deserves special attention:

*"Weekly trends remain down confirming that cycles point lower into January and* ***potentially into September 2001****…the stock market best reflects the uncertainty and the expectations of the political climate…****Stock Indices could decline into September 2001 if the October 18th lows are taken out*** *in the coming months. This is due to several distinct combinations of cycles and would represent* ***an even closer parallel to 1973--1974 when the market lost almost 50% in just under 2 years****.*

The Nasdaq 100 has already bested (or should I say 'worsted') its '73-'74 decline so there is already one parallel to that infamous period.

*…Another parallel to the 1973 - '74 period is Presidential uncertainty…A third parallel to the 1973-'74 period is the Middle East. In 1973, Israel was attacked on Yom Kippur and the Russian-backed Arab alliance set an oil embargo against the US for our support of Israel…Suffice it to say* ***there are some eerie parallels to 1973 - '74****...* ***and the stock market is reflecting this anxiety while also discounting more trouble on the horizon****."* [© ITTC - December 2000 ***INSIIDE Track***]

The stock market, however, is not the only one to signal impending danger. Gold & Silver are often equally accurate harbingers of increased global risk. Gold bottomed 19 years (*Cycle of Time*) from its major peak and is forecast to begin a second surge in late 2001 and continue into 2003. Silver was expected to drop to 413.5/SI before beginning a multi-year bull market. The following July 30, 2001 analysis provides the details of why this major bottom was imminent. It is another perfect example of the geometric nature of time (Silver bottomed on August 10, 2001 while Gold gave a secondary low on July 30, 2001):

"Throughout this year, I have described why Gold & Silver should bottom this year and then see a strong surge in the end of 2001 and the beginning of 2002…In the last 100 years, Silver set 10 important (what would be termed 'major') lows. 4 of these lows (40%) occurred in the '01' year of the respective decade. Another 3 of these lows (30%) occurred in the '02' year of the respective decade. In other words, 70% of the major lows in Silver of the last century occurred in the '01' or '02' year of the decade (1902, 1921, 1932, 1941, 1971, 1982, & 1991).

2001 - 2002 fits within this ongoing sequence. 2001 is also both 30 & 60 Gann/geometric years from the 1941 & 1971 lows. It is a Cycle of Time 19 years from the 1982 low.

Another important, longer-term cycle is now reaching fruition in Silver. Between the aforementioned major low of February 1991 (350/SI) and the ensuing top of February 1998, Silver rallied for 363 weeks... just 3 weeks more than a perfect 360-degree advance. On July 16-20th, Silver had declined for exactly 180 weeks from its February 1998 peak.

The two ensuing weeks, July 23 - 27th and July 30 - August 3rd, represent an exact 50% retracement in time (181--182 wks). On a monthly basis, the month of August represents a 50% retracement in time from the 7-year/84 month rally between Feb. '91 - Feb. '98. The 3.5 year/42-month drop from the February 1998 peak represents some well-documented (as well as Biblical) cycles of significance.

So, between late-July & early-August, 2001, Silver will have entered the 540th week from its Feb. 1991 low and the 180th week from its Feb. 1998 peak. Silver also just completed the 90th week from its September 1999 secondary ('B' wave) peak, 135 weeks (3 x 45) from its December 1998 'A' wave low and is at 210 weeks from its July 1997 low.

So, there are strong decennial ('01 or '02 year of each decade), yearly (30/60/19/7/3.5-years), monthly (84 & 42 months) & weekly arguments for Silver bottoming in late-July or early-August. It is also interesting that the month of August is the perfect contrast (180 degrees on a calendar from the Feb. 1998 peak & Feb. 1991 low) for a low. Since this also coincides perfectly with analysis for a sharp Dollar decline - as well as with analysis for a 2-year bull market in Soybeans - the time is ripe for a sharp surge in Silver.

*Silver is still within striking distance of its major downside objective (411 - 415.0/SI), and the <u>HLS</u> of the current week coincides at 411.5/SIU."* [© ITTC - August 2001 ***<u>INSIIDE Track</u>***]

Even short-term cycles, indicators and patterns identified this period as critical, culminating with this 9/08/01 *Weekly Re-Lay* quote:

*"The Dollar pattern is an eerie parallel to the intra-year action of the DJIA in 1987…these similarities should be monitored **<u>as we enter a historically dangerous time of year</u>**. With Gold & Silver signaling they could see a big surge in the 4th quarter, it would not be surprising to see a Dollar breakdown be the trigger."*

There are still more cycles that point to this time frame - beginning in August/September 2001 - as being noteworthy. However, time & space preclude their inclusion in this article. The events of September 11th are a parallel to October 1987 when Iranians attacked a US flagged tanker and the US responded by shelling Iranian oil platforms. Those events split the 28-year cycle into two periods of 14-year cycles that coincided with the stock market 7-year cycles. The events of October 1987 ushered in a 4-year period of stock market uncertainty that culminated with the Persian Gulf War in 1990/1991.

Will the events of September (-December??) 2001 usher in a similar, but perhaps more dramatic period of uncertainty? And culminate with a larger-scale conflict? Most markets are saying 'Yes'… but there is a lot to transpire between now and then… and a great deal of opportunity setting up in the interim.

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# Hedging *Investment Portfolios*
## Using E-mini Stock Index Futures

**By David Lerman**

Over the last 19 years, the U.S stock market has enjoyed one of the greatest run-ups in history. As measured by the benchmark S&P 500 Index, the annualized compounded return on the market was around 15%. Investors small and large have become more market literate as the number of mutual funds exceeds 9,000 and the number of 401(k) accounts in the U.S. exceeds 41 million. In fact, for many, the 401(k) account represents one of their largest assets, if not the largest. Trillions of dollars also reside in taxable mutual funds and with private money managers.

But as we all know—especially during the last 12-18 months—stock values don't only move upward. Stocks slid nearly 20% in just a few months in 1998's third quarter, causing jitters among investors in the U.S. markets. In addition, investors experienced declines during the 2000 calendar year as the S&P 500 showed double digit loss and the Nasdaq-100 was also down substantially. 8 months into 2001 the market continues its downward trend from last year as the major averages continue to show losses. Many wonder how bad it could get and if there is a way to protect their portfolios from significant losses.

In fact, there are ways to protect a portfolio of stocks using a variety of futures strategies. This section will focus on one in particular—using stock index futures to hedge equity portfolios. We will also illustrate how investors can use stock index futures to gain market exposure—the so-called "anticipatory hedge." Before we outline the strategies, there are a few items to consider:

- Size of portfolio
- Construction of portfolio
- Correlation of the portfolio to CME's stock index futures
- Tax considerations

### Size of Portfolio

CME's flagship S&P 500 contract had a notional value (or contract size) of around $335,000 as of January 2001. The E-mini S&P 500, which trades very closely to its larger brother, has a value about one-fifth the size, or $67,000. Hence investors with IRAs/401(k) accounts or portfolios less than $67,000 in size would not be able to use these products effectively. For example, an investor has $25,000 in an index fund that replicates the S&P 500 composite. If the investor wanted to hedge using the CME's mini S&P 500, he would be hedging a $25,000 portfolio with an instrument with a value of $67,000 —he would be "overhedged" by $42,500 (you could say his hedge would be out of balance).

### Construction of the Portfolio

To benefit from using the various CME stock index products, the investor's portfolio must have a significant component of U.S. equities. Many investors, especially more conservative investors, have sizeable stakes in bonds, money market funds, convertible securities, and so on. CME stock index futures are not designed to hedge fixed income instruments, but to hedge equity portfolios that correlate highly with a particular index such as the S&P 500, S&P MidCap 400, Nasdaq100® and the Russell 2000®.

### Correlation of Equity Portfolios to CME Stock Index Products

Assume that you have a large enough portfolio and that it is composed mainly of U.S equities. The next thing would be to determine how closely the portfolio tracks the underlying indices on which CME stock index futures are based. For example, the S&P 500 comprises mostly larger capitalization stocks such as General Electric, Cisco, Microsoft and Exxon (and 496 other issues). If you owned shares in an S&P 500 index fund or even a fund/portfolio that had a lot of large capitalization stocks, the correlation of the fund should be high and the S&P 500 or mini S&P 500 futures contract might be a good vehicle to hedge against a declining market. On the other hand, if your portfolio were to include smaller capitalization stocks or even mid-size stocks, the correlation of these stocks to the S&P 500 would be lower and a futures contract based on the S&P 500 may not be suitable for your hedging purposes. A more appro-

## Using E-mini Stock Index Futures To Hedge Portfolios

| Investor/Fund Invested | Amount 3/24/00 | Price 5/24/00 | Price Return | Percent Squared | R- Comments |
|---|---|---|---|---|---|
| Vanguard 500<br>Could use futures | $400,000 | 140.74 | 127.54 | -9.38 | 100 |
| Janus Fund<br>Tracking error, not great fit | $110,000 | 50.34 | 40.65 | -19.25 | 72 |
| T Rowe Price Blue Chip<br>Inadequate investment size | $52,000 | 39.75 | 35.56 | -10.54 | 95 |
| Mutual Qualified Fund<br>Low correlation to futures | $900,000 | 17.14 | 17.64 | 2.90 | 67 |
| S&P 500 Cash | n/a | 1527.46 | 1399.05 | -8.41 | n/a |
| June S&P 500 Futures | n/a | 1555.40 | 1401.70 | -9.88 | n/a |

On 3/24/01, S&P 500 futures continued trading until 3:15. On this day futures ran up considerably after the cash markets were closed. Their "fair value" was approximately 1545.00. At this level, the % decline from 3/24 to 5/24 would have more closely matched the priate hedge might be constructed using Russell 2000 futures or S&P MidCap 400 futures. Of course, you would first have to determine how well your portfolio tracks these indices.

**Tax Considerations**

The taxation of futures is different from other investments and depends on the status and strategy of the taxpayer. Is the taxpayer a trader? Investor? Dealer? Hedger? Any gains or losses arising from these transactions usually are subject to both the mark-to-market and the 60/40 rule at the end of the tax year. Generally this type of transaction is reported on the appropriate IRS form (Form 6781—Gains/Losses from Section 1256 Contracts and Straddles) and transferred to your Schedule D filing. You should consult your tax advisor to determine which rules apply to you. While tax treatment of an overall hedging strategy may be complicated, the protection that can be offered by such a strategy merits consideration.

**Protecting Your Portfolio**

Figure 1 displays several mutual funds along with investment returns and other information during a period in 2000, a year of generally declining stock prices. Why did I pick these funds? When the market heads south, certain mutual fund investors that have a modicum of knowledge of hedging begin to call CME. During a couple of nasty weeks in the market, I received numerous inquires about hedging mutual fund holdings and other portfolios using the E-minis. Some of the funds listed were, in fact, held by these callers. Instead of identifying them by name (and I don't always get their name), I use the fund holdings they were interested in hedging as the identifier. These calls were received over a two-month time frame, an intriguing coincidence. But when the market breaks, fear sets in and some investors worry that the extraordinary gains they have earned over the last several years will evaporate in a bear market. While I have no idea if these investors ever acted after these conversations took place, I will briefly recount some of the discussions. See Figure 1

Along with fund name and amount invested, we have price data for an eight-week period, including the percent decline. We have also included the performance of the underlying cash indexes and their corresponding futures contracts since those would be the instruments used to hedge the funds. The table also includes some data on R-squared values. R-squared ranges from 0 to 100 and reflects the percentage of a fund's movements that are explained by movements in its benchmark index. (Caution: R-squared is not a predictor of relative performance or profitability.) An R-squared of 100 means that all movements of a fund are completely explained by movements in the index. Thus, index funds that invest only in S&P 500 stocks will have an R-squared very close to 100 since they invest in the index itself. A low R-squared means that very few of the fund's movements are explained by movements in its benchmark index. Put another way, funds with lower R-squared values move to the beat of a different drummer and will not mimic the moves of the S&P as well over the long run. In very general terms, high R-squared values mean a portfolio has a good correlation with its benchmark--S&P 500.

The first investor had a $400,000 balance in the Vanguard 500 Index fund. I told him he had an adequate balance and that his correlation to the S&P 500 is perfect. It should be as the fund perfectly replicates the index. That fund was down about 9.4%. The S&P 500 futures (and the mini S&P 500) were down about 9.88%. Basically the fund was a very good candidate for hedging—if he chose to do so. He had a large enough portfolio and a good correlation with the futures—so it would have been a good hedge. It doesn't get any more simple.

The second investor had $110,000 in the Janus Fund. The amount invested was not adequate for the regular S&P 500 futures but could be hedged using two mini S&P futures. However, two minis would have a value of $140,000. He would be hedging a $110,000 investment with a "$140,000 insurance policy"—he would be overhedged. Not a bad thing in a bear market but a bit risky should stocks move upward. I also conveyed that the fund was a bit concentrated and had a large tilt toward technology. This explains why it declined twice as much as the index. Hence, if this investor hedged using the E-mini S&P 500 he would have made some profits on the hedge, but not enough to cover the severe decline the portfolio experienced. In summary, I had to confess that the tracking error and concentrated nature of the portfolio could be a problem.

The next caller had $52,000 in the T-Rowe Price Blue Chip fund. Again, this fund correlated well with the overall market, had a high R-squared. S&P futures would have been useful as a hedge in this case too. But, unfortunately, this investor had too small a portfolio. Even one mini S&P 500 contract is too large for the amount of assets to be hedged. The person then asked if these new "Spider stocks" might be useful. I smiled and replied yes and sent her to the AMEX (trying to be a good samaritan!).

The last caller had almost a million dollars in the Mutual Qualified fund. Since I had some of my own money in this fund I knew it well. Although the investor did have a large enough asset base, there were some items that made this fund a less attractive candidate for hedging with S&P futures. The Mutual Qualified fund is loaded with stocks that many other fund managers would never touch. Michael Price, who ran it for most of its operating history (before he sold his fund company to Franklin Templeton), had an interesting collection of investments. The portfolio had a huge value tilt, including many bankruptcy candidates, companies reorganizing out of bankruptcy, junk debt and a whole collection of investments that much of the Street avoided. Too bad for them, as this and other Mutual Series portfolios had amassed a superb track record (except for during the dot com mania, where many value investors were left in the dust by technology.) Indeed, as 2000 unfolded and much of the technology space become toxic waste, Mutual Qualified did what it usually does in adverse markets—it went up. If this investor had hedged, he would have made money on the hedge as the market slid and would have profited on the investment being hedged since the fund was up 2.9% during this time frame. It is nearly impossible to profit on both sides of a hedge! All things considered, the low correlation means that S&P 500 futures would not provide a good reliable hedge in this case. (Note: During the 73-74 bear market, when the S&P was down nearly 50%, Price's flagship fund, now run by the great team he left behind, was down less than 2%--an amazing but little known accomplishment in the investing world.) To reiterate, the investor must closely consider the size of the portfolio to be hedged, the construction and the correlation to the futures contract. If an investor had investments primarily in small cap issues, then the Russell 2000 futures might be more appropriate than the S&P 500 in this case.

We will now provide details on how such hedges might be constructed. Remember, hedging is insuring against an adverse price move. An adverse price move to a fund holder is a down market. Thus hedges of this sort are also called short hedges, since the investor would have to sell short a futures contract to protect against an adverse price move. If the market did slide, the profits on the short hedge would hopefully offset the losses on the portfolio of stocks.

### Strategy I: Hedging a portfolio with stock index futures—The Short Hedge

Suppose you own a mutual fund or portfolio of stocks that is highly correlated with the S&P 500 composite index (R-squared = 98). The current value of the portfolio is $140,000.

Time frame: Early November

Outlook: Short term bearish...looking for a decline of at least 10%-15%.

Strategy: Sell 2 E-mini S&P 500 futures contracts to hedge portfolio.*

Current S&P 500 index (cash): 1,400.00 pts.

Current E-mini S&P 500 futures (Dec futures): 1,415.00 pts.**

* Each E-mini S&P futures is worth $70,750 (1415 x $50 per pt. = $70,750); thus, two contracts would be required to hedge a $140,000 portfolio. See chapter 9 for contract specifications.

** Futures contracts usually trade at a premium to the cash index due to cost-of-carry factors. As expiration of the futures contract nears, this premium will converge toward zero.

**Outcome:**

Four weeks later the S&P 500 declines 15% to 1190.00.

Investor's portfolio declines 15.5%.

December future declines 15.5% to 1195.00.

**Profit/Loss picture:**

Value of portfolio early Nov:
$140,000

Value of portfolio early Dec:
$118,300

Profit/Loss on portfolio
– $21,700

Value of E-mini S&P 500 early Nov:
$70,750 (1415 x 50= $70,750)

Value of E-mini S&P 500 early Dec:
$59,750 (1195 x 50 = $59,750)

Gain on short hedge
+ $11,000

x 2 ($140K portfolio required two futures)
+ $22,000

**Hedged Portfolio:**

Loss on portfolio
– $21,700

Gain from futures hedge
+ $22,000

Overall profit/loss
+ $ 300

**Unhedge Portfolio**:

Loss on portfolio
– $21,700

Gain from futures hedge
n/a

Overall profit/loss
– $21,700

In this hypothetical example, the hedge using E-mini stock index futures fully protected the portfolio against a decline. The decline in your portfolio was offset by gains in the two E-mini S&P futures contracts. You preserved the value of your portfolio despite a significant decline in the market of 15%! On the other hand, if the market had advanced, the portfolio's gains would have been offset by losses on the two E-mini S&P 500 futures contracts. If this were to occur the investor would have had to consider removing his hedge by buying back the short futures contracts so he/she could participate in any further upside action.

### Strategy 2: Using E-mini Nasdaq-100 futures to gain market exposure: The Long Hedge

You are expecting a large cash infusion due to the sale of a business. Since you believe that technology stocks are at attractive levels, the cash proceeds (about $100,000) will be invested primarily in high-tech stocks at close of deal in four to five months.

**Problem:** You are very bullish near-term, especially on technology stocks. You lack sufficient cash to construct portfolio immediately.

**Strategy:** Execute Long Hedge by buying 3 E-mini Nasdaq 100 futures contracts (3 contracts are worth approximately $100,000 in August of 2001).

**Advantages:**

- Easy to execute
- Less costly and more efficient than buying a basket of stocks
- Initial cash outlay or performance bond would be much less than $100,000 (in fact it would be less than 17% of that amount—about $5,240 per contract x 3 or $15,720)

If the market rose before you received the $100,000 in proceeds, the futures would also tend to rise, allowing you to participate in the advance. Four to five months later, you could purchase the stocks. The higher price that you would pay would be offset by the profits in the futures contracts. If the prices of stocks (and therefore the Nasdaq-100) declined, your futures contracts would lose money. However, the cost to purchase your portfolio would also be reduced. This "anticipatory long hedge," as it is sometimes called, allows you to enter the market immediately at a fraction of the cost.

Over the last 15 years, CME's stock index futures product line has seen tremendous growth. Much of the success in these products is because of their advantages to large institutions such as banks, pension funds and mutual funds. Used properly, these products provide superb risk management and trading opportunities. Their usefulness, however, is not limited to billion-dollar institutions. Suitable individual investors with adequate risk capital and the appropriate type of portfolios can successfully employ these vehicles too.

# Manic in the Markets

By Dr. Al Larson

In 1999, the world was abuzz about the Y2K bug that was going to destroy the world economy as it crashed milllions of computers.

Like most Doomsday propecies, this one was a dud. But there WAS something big going on at the turn of the Millenia-a stock market mania.

This mania was like past manias-a madness of crowds. I saw it very clearly in my advising business. Everyone was an expert. All one had to do to get rich was to buy any DotCom stock. Young men in their twenties were suddenly rich, at least on paper, as the stock in their profitless company soared to hundreds of dollars a share. Suddenly, the old way of making money had been replaced by The New Economy.

One CEO boldly claimed that "profits are irrelavent." Millions of Americans who had never owned a stock, like my high school classmate who spent 40 years building a trucking business, put their life's savings into the market  Only to see the buble burst.

This burst was predictable-and was predicted by the author. This was not that hard, given the proper tools and approach.

The first step, as always, is to study the history of markets. It was a great help to me to have recognized and forecast the top in the Japanese market in 1989. That prediction started when I was having breakfast at a hotel in Colorado Srings, Colorado one Sunday morning. I overheard an Academy classmate at the next table tell his friend how easy it was to get rich in the Japanese stock market. It was "like shooting fish in a barrel." Having read about manias, I recognized this immedately as a mania. This professional soldier knew nothing about running a business in Japan, yet was risking all his savings in that faraway market. So the first clue to a mania is to watch the people around you. When they are doing silly things and saying silly things, don't follow them. Look for the top.

In 1999, despite the Y2K problems, the market continued to soar. Once the imagined danger passed, stocks continued to rally and roar. So it was clear that the top was coming, but when?

I did a little research, and found the PHYSICAL source of the energy fueling the enormous bull market. On my website I published a page titled "Death Line 2000."

It said: *Rather than guess, one can use Market AstroPhysics to study the cause of a move, with the hope that such study will tell you when the move will end.*

*W. D. Gann sometimes spoke of a "death line" - a support line, that when broken, indicated the move was over. I have seen one example of a Gann chart showing such a move. That one was based on the Moon's Node.*

*The chart below shows my own "death line" for this bull market. See Figure 1.*

*The death line is the red line at A. It is an electric field flux line based on the motion of Jupiter. Jupiter is the Bull planet.*

*The bull market began when Jupiter passed Pluto, shown at B. The lines C, D, E, and F are Pluto electric field flux lines. Notice that they form "quantum levels" just as the Moon lines do on the intraday charts.*

*The market has made a "Band Gap Energy Jump" from the lower quantum level (B,C) to the upper level (E.F).  Just like in the many intraday examples, the move slows once the new quantum level is reached. You can see how the line E has been slowing the move.*

*That does not mean the move is yet over. But the death line is VERY VULNERABLE. Key times are at G, and H, where it passes the Pluto flux lines.*

*So watch the Death Line 2000. If it is broken, SELL, SELL, SELL.*

*You will have a physical reason for doing so!*

I even owned a few stocks. But when the deathline was broken during the day on October 6th, I sold them all-in 90 seconds, thanks to online trading.

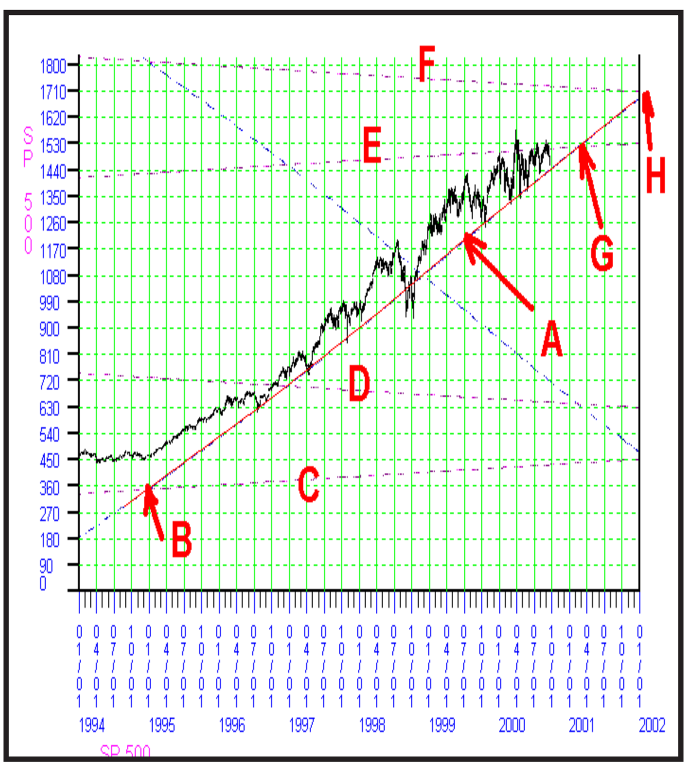


Figure 1

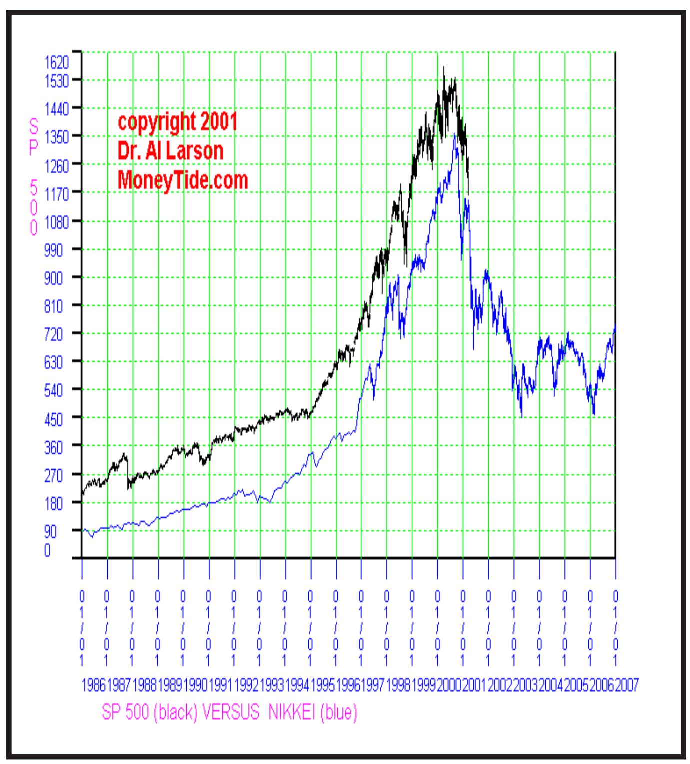


Figure 2


Figure 3

So my Market AstroPhysics served me well. Then I looked ahead, this time by overlaying the historical pattern of the Japanese market with that of the US market. In March of 2000, the pattern looked like this. See Figure 2.

This chart shows two Mania Markets, the US stock market peaking in 2000, and the Japanese stock market peaking in late 1989. Both of these were fueled by a "Get Rich Quick" Mania. These are exactly similar to past manias, like the Tulip Mania, the South Sea Bubble, and the Crusades.

In August, 2001, we added this update. See Figure 3.

This chart shows the pressure the US stock market is currently under. It is following the general form of the decline in the Japanese market, but has not declined as much recently. Instead, it has paused and is now testing the 1170 level, which is close to a normal Fibonacci .382 retracement.

But Mania Markets ARE NOT NORMAL. The Japanese market retraced more than .618 of it's final rally. I suspect the US market will as well.

The support at 1170 is line A. Line B is the down resistance line. Interestingly, it is going down 33 per cent faster that the bull market went up. That is normal. Fear outruns greed.

These two lines are pinching the market into a narrow trading range.

One of the lines WILL BE BROKEN. If it is the 1170, then a sharp drop is probable, as prices drop to catch up to the Nikkei curve.

A price of 1080 or 990 is probable.

As this article is being written, 1080 has been hit, and 990 is probable, and even 840. Suddenly, with the terrorist attack on the World Trade Center, and the Pentagon, the world is no longer bubbly and euphoric.

The backside of a mania market is ugly. Just ask the Japanese.

But it is possible to recognise them and trade them, if one learns about them and aquires the right knowledge and tools.

*Dr. Al Larson has also published under the pen name Hans Hannula. He teaches courses on Market Astrophysics and Market Chaos, and does two daily hotlines. For more information, visit his website at www.moneytide.com.*

eSignal Ad

Relieve your

# Trading Stress

By Larry Jacobs

It's very important that you get some sort of exercise to relieve your trading stress. There are many different ways to get exercise. Walking is one of the best choices to relieve stress. W.D. Gann, one of the most famous traders of all time, walked every evening for an hour or more when he was on Wall Street. He felt that it was necessary to his success. Walking outside year round is not always practical due to inclement weather. Probably the best way to get your walking exercise is to go out and buy a treadmill and use it on a regular basis. You should walk or run on it 3 to 4 times a week for at least 30 minutes each time. You'll find that it will relieve your stress, improve your circulation and alertness. You'll also loose weight and inches around your waist. It's very important that you be committed to exercising on this treadmill. You need to do this the rest of your life.


Buy a treadmill that is quiet, has good cushioning and that will last a long time. I went out and shopped for a treadmill at many of the local businesses in our city. I found many treadmills at the local discount stores. These treadmills were priced around $600 to $1,500. They were cheaply made, noisy and I found out they break down constantly. The treadmills I found at the local exercise stores were on the other hand, high quality national brands and were very expensive. A good treadmill at one of these places can run as much as $4,000 to $10,000! I also checked on the Internet and found the same national brands on an Internet site selling them at about 40-45% below what some of the local exercise stores were selling them at! They also show a side by side comparison and rating chart of the various brands to help you in your selection. Their name is Advanced Fitness. Joe Alter, is the president of the company and has been selling treadmills for the last 17 years. They also now make several models of their own, called Smooth Treadmills, which have received high praise from top fitness reviewers. What Advanced Fitness has done is taken the best features out of the national brands and put them into their Smooth brand to give you an extremely competitive machine. On a price comparison basis none of the national brands could compete with the Smooth treadmill.

I ordered the 9.2 HRC treadmill with the 20-inch belt. The 20-inch is more desirable over the 18-inch belts if you plan to run on it someday. It had a list price of $2,500 and compares to national brands of $4,500. It also has a 10-year motor warranty which is above most everything else on the market. I found it to be quiet with excellent cushioning. They even have an extra thick aeropedic belt if you want more cushioning.

The HRC stands for Heart Rate Control. That means that I strap a belt around my chest which remotely sends a signal to the console. I can see my heart rate monitored continuously on the console. The treadmill will raise or lower its elevation to automatically keep my heart rate at its preset level.

I have used the treadmill now for the past three months. I set it to run for 30 minutes at my preset heart rate zone to get my body into it's maximum aerobic condition. I do this three times a week. I have lost twenty pound of weight, feel better and I am more alert analyzing and trading the market than ever before.

Photo not actual size
Enlarged to show detail

The Smooth 9.2HRC Treadmill comes highly recommended and is a good investment which should give you dividends of health in the future. For more information go to: www.1800treadmill.com/ptr_tradersworld.php zap ad

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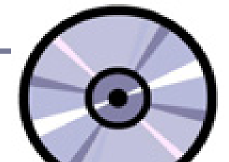

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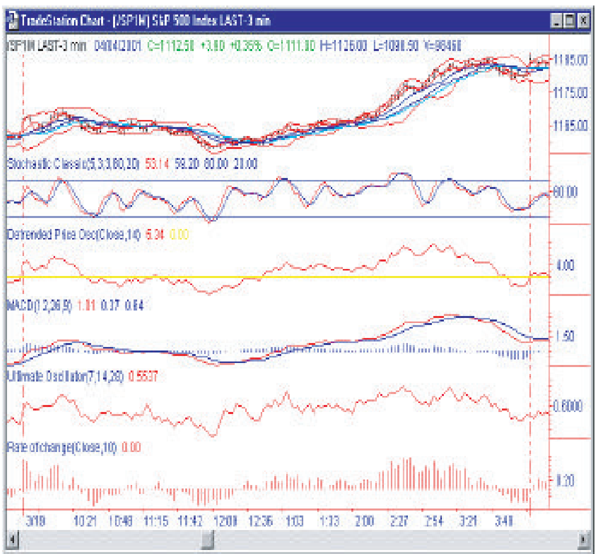
Secrets of Floor Traders

# *Do you want to trade like a Pro?*

## *Then you need to know a few <u>secrets</u>….*

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## Secret #1

**The Pros <u>are not</u> concerned about ROC signaling a buy while Stochastics suggests a sell. They're also not worried about short term Momentum moving higher while the market touches the low end of the Bands while MACD looks like a sell.**

## Secret #2

**The Pro's <u>know</u> where key resistance and support is <u>before</u> the market opens each day.**

**They also know what to do when these levels are touched.**

| | |
|---|---|
| Secret #3 | **When to buy or sell the open and when to stand aside** |
| Secret #4 | **Know exactly when a market is trending** |
| Secret #5 | **Know exactly when a trend is ending** |
| Secret #6 | **Know how to protect every trade** |

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# Trading Tools

## *What equipment do you need to trade better?*

Many people day-trade sitting in front of a computer hours and hours a day. The trader's chair is a very important piece of equipment and needs to be selected with care.

Most traders just go out to the their local discount store and buy the $99.00 secretary special. Others buy an executive plush chair at an office supply store. They think that the more they pay for the chair, the more comfortable it will be. The fact is that both of these chairs are at the extremes and neither are what a day-trader needs.

I have studied the motions of the average day-trader. He leans forward to answer a phone or study a chart or use the mouse. He leans back to chat or sits up at the keyboard to type. He swivels around to look-up a research book. The trader needs a chair, which automatically adjust to his movements and gives him constant back support.

Hector Serber, President of the American Ergonomics Corporation dedicated the past 15 years of his life developing seating products. He has been awarded numerous US and foreign patents for his work, and has been cited in such publications as the New York Times, Fortune and Business Week. His research led to the discoveries, which he has incorporated in a new office task chair called the SwingSeatTM. This chair seems to have all the right features for the day-trader. It adjusts in height, depth and angle of seat and back. Once the trader adjusts the chair to fit his body, its "smart motion" is automatic. It supports him dynamically as he moves through the many-seated tasks that he does each day.

The chair's movement is effortless. The secret is the SwingSeat's suspension system that adjusts from the trader's center of gravity. It's always balanced, the seat and back magically follows the trader. The chair's "smart motion" provides just the right amount of support and movement, whether the trader weighs 100 pounds or 250 pounds. I have never seen any other office chair that can support the trader's many postures so easily.

The Samsung 170T monitor is one of the finest trading monitors we have ever tested. The monitor is fancy. It's charcoal and silver case looks great. It's a 17-inch LCD that can use both a digital and analog input from your computer. It can take a maximum resolution of 1280 x 1024. The dot pitch is .26mm. With a digital card the image was the finest we have ever seen on a computer screen. The picture was bright, sharp with no ghosting. The colors were excellent. Charts displayed were perfect. The monitor is Vesa Arms compatible. This means you can mount them on movable arms allowing you to have 4 or even 6 monitors on a standard desk.

Having the right trading computer is extremely important to a trader. We have found that the Pentium IV computers by Premio to be outstanding. We have Premio make computers specifically for our subscriber traders. These computers are outfitted with liquid quiet hard disk drives and quiet Enermax power supplies. Most traders are now opting for the Pentium IV computers. Technical support is important. Premio has a 3 year onsite option which is excellent. This means that if something goes wrong and Premio can't figure out the problem by phone, they will send out a technician usually the next day to repair the computer. These computers are available with many options. Almost all traders order a multiple port video card. The Appian Graphics card with 4 ports is excellent. It can output to either a digital or standard analog monitor. One or more of these cards can be combined in a computer giving a trader up to sixteen potential monitors.

Appian graphic cards contain 2 chips on them the size of Pentium III chips. These chips produce a lot of heat. The Pentium IV processor chip has something called thermal throttling. This means that it will shut down 50% of its power if the chips temperature reaches 160 degrees. A liquid cooler is now available for the Premio computer as an option. It's used to keep the excessive heat of the computer under the thermal throttling temperature. It also helps to prevent computer lockups due to excessive heat.

Laptops are now beginning to replace desktop computers. The technology has come a long way. If you are planning to use a laptop for trading, you'll find the screen is one of the most important features. A 15-inch screen is the preferred size for a trader. The laptop should also output to a larger monitor so you could have at least dual monitors. The screens comes in various resolutions some supporting up to 1200 x 1600 resolution. The 15-inch screen normally comes in XGA resolution, but can be upgraded to SXGA or even the latest UXGA. This has to do with screen density of dots. The more dots, the higher quality the picture. Currently only a few manufactures are offering the UXGA. Laptops are now available through Traders World.

*For more information about these trading tools go to: www.tradersworld.com or call 800-288-4266.*

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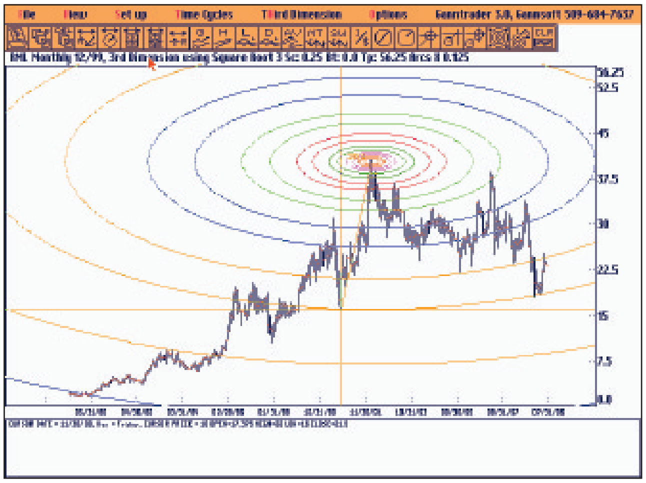
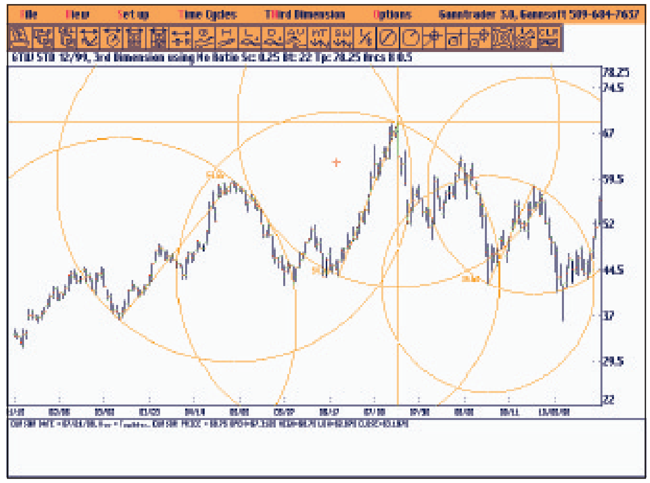
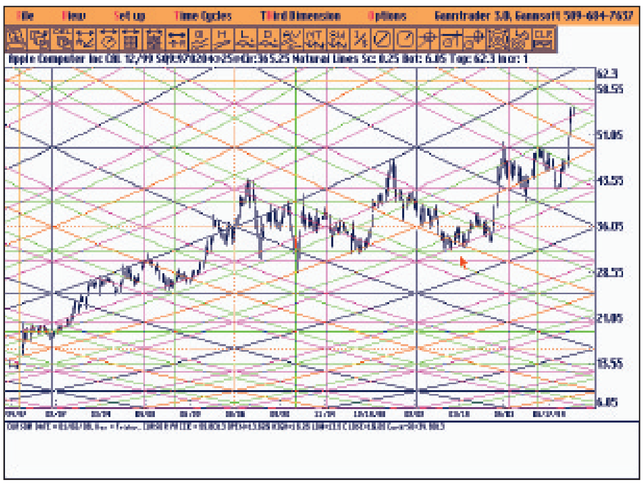




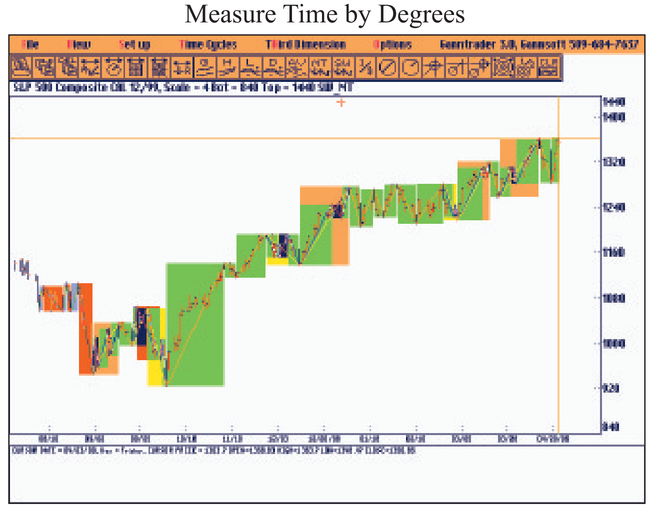
New Arcs and Circles feature maintains proper settings regardless of chart scale or price bar spacing. Display non-linear expansions of original arcs using √2, √3, √5, √6, √7, Odd & Even Squares, Musical Scale, Fibonacci, π, Expanding Roots, Squared Circles or user defined values.



New improved Square of 9 feature with Circle Trendlines applied.

Measure Time by Degrees

Gann Swing Charts with Shading feature



Mirror image foldbacks following Michael Jenkins' methods are now supported.

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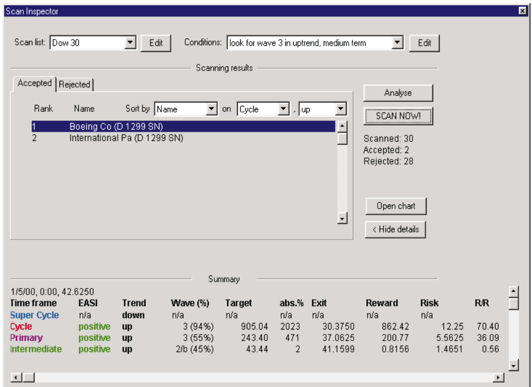
# *ELWAVE* with Scanning

Combining the power of Elliott Wave Analysis with scanning possibilities never seen before

## Elliott Wave Scanning

Did you ever dream of automatically scanning for stocks that are ready to explode or are about to crash? Then you have found what you are looking for! Prognosis, well known for its Elliott Wave Software *ELWAVE*, now brings you the power of Elliott Wave Analysis combined with scanning




***The easy to use* Scan Inspector *provides you with all the information you need in a single window***

capabilities that are without equal. This exciting new software can search for specific Elliott Wave setups. For example, searching for stocks with a positive outlook only or a so called "*wave 3 in wave 3*" in an up trend, is now easily accomplished using *ELWAVE*s unique and powerful scanning features.

With this awesome power at your fingertips you will find those stocks that are expected to show the longest future price moves as well as the strongest acceleration. That is exactly what the Scanning module will do, automatically! It will find your opportunities and save precious time.

## Incredible ease of use

Operation of the Scanning module could not be more simple:

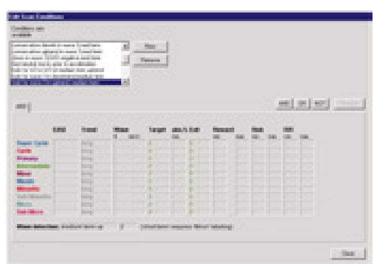
1) Select the list of stocks you would like to explore
2) Select the conditions, for example "*look for wave 3 in uptrend*" as shown in the screen shot of the *Scan Inspector*
3) Press the *SCAN NOW!* Button
4) Make your pick from the accepted stocks

*It really is that easy!*

## No expert knowledge required!

Should you be familiar with Elliott Wave, or know what a "*wave 3 in wave 3*" is? *The answer is a clear "NO"*. We have already predefined the most interesting Elliott Wave setups to look for, all of which are included with this Scanning module. Just select the conditions you would like to use, press the *SCAN NOW!* button and watch the results. Click on a stock to instantly view details in the *Summary Inspector* that will clearly show trends and all other information you may need.

Of course, if you would like to define your own search conditions, you can freely do so. Scanning results can be sorted according to your preference. This applies to accepted stocks as well as rejected ones.



***Create your own trading system by defining a customized set of scanning criteria***

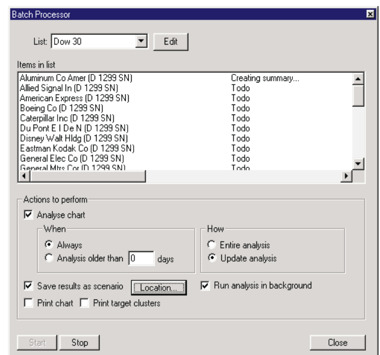
## Batch processor

The scanning module includes a completely redesigned, very user friendly batch processor. Define a list of stocks and press the *START* button.

## Scanning Professional

Do you wish to enhance the already impressive possibilities of the Scanning Standard Edition even more?

Then your next step is the *Scanning Professional* module. It increases the power by adding more complex AND-OR-NOT conditions as well as the ability to search for wave




***Our new Batch Processor makes analyzing mulitple stocks a breeze***

combinations on multiple time frames you can define yourself in detail. In addition it enables scanning on intra day data, making this a must-have for the serious day trader.

## Want to know more?

For more information and the latest on *ELWAVE*, please visit our web site:

**WWW.ELWAVE.COM**

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