

HIMA REDDY

THE TRADING METHODOLOGIES OF W.D. GANN



A GUIDE TO BUILDING YOUR
TECHNICAL ANALYSIS TOOLBOX

The Trading
Methodologies
of W.D. Gann

This page intentionally left blank

The Trading Methodologies of W.D. Gann

A Guide to Building Your
Technical Analysis Toolbox

Hima Reddy

FT Press Vice President, Publisher: Tim Moore
Associate Publisher and Director of Marketing: Amy Neidlinger
Executive Editor: Jim Boyd
Editorial Assistant: Pamela Boland
Operations Specialist: Jodi Kemper
Marketing Manager: Megan Graue
Cover Designer: Alan Clements
Managing Editor: Kristy Hart
Senior Project Editor: Lori Lyons
Copy Editor: Krista Hansing Editorial Services
Proofreader: Kathy Ruiz
Indexer: Larry Sweazy
Compositor: Nonie Ratcliff
Manufacturing Buyer: Dan Uhrig

© 2013 by Hima Reddy
Pearson Education, Inc.
Publishing as FT Press
Upper Saddle River, New Jersey 07458

This book is sold with the understanding that neither the author nor the publisher is engaged in rendering legal, accounting, or other professional services or advice by publishing this book. Each individual situation is unique. Thus, if legal or financial advice or other expert assistance is required in a specific situation, the services of a competent professional should be sought to ensure that the situation has been evaluated carefully and appropriately. The author and the publisher disclaim any liability, loss, or risk resulting directly or indirectly, from the use or application of any of the contents of this book.

FT Press offers excellent discounts on this book when ordered in quantity for bulk purchases or special sales. For more information, please contact U.S. Corporate and Government Sales, 1-800-382-3419, corpsales@pearsontechgroup.com. For sales outside the U.S., please contact International Sales at international@pearsoned.com.

Company and product names mentioned herein are the trademarks or registered trademarks of their respective owners.

Charts created using TradeStation. ©TradeStation Technologies, Inc. 2001-2012. All rights reserved. No investment or trading advice, recommendation, or opinion is being given or intended.

All rights reserved. No part of this book may be reproduced, in any form or by any means, without permission in writing from the publisher.

Printed in the United States of America

First Printing September 2012

ISBN-10: 0-13-273438-9

ISBN-13: 978-0-13-273438-7

Pearson Education LTD.

Pearson Education Australia PTY, Limited.

Pearson Education Singapore, Pte. Ltd.

Pearson Education Asia, Ltd.

Pearson Education Canada, Ltd.

Pearson Educación de México, S.A. de C.V.

Pearson Education—Japan

Pearson Education Malaysia, Pte. Ltd.

Library of Congress Cataloging-in-Publication Data

Reddy, Hima, 1979-

The trading methodologies of W.D. Gann : a guide to building your technical analysis toolbox /

Hima

Reddy.

p. cm.

ISBN 978-0-13-273438-7 (hbk. : alk. paper)

1. Technical analysis (Investment analysis) 2. Speculation. 3. Gann, William D., b. 1878. I. Title.

HG4529.R43 2013

332.63'2042--dc23

2012028203

*For my father,
Pandu R. Tadoori*

This page intentionally left blank

Contents at a Glance

| | | |
|------------|---|------|
| | Foreword. | xv |
| | Preface. | xvii |
| Chapter 1 | The Work of W.D. Gann | 1 |
| Chapter 2 | Elements of the Market | 9 |
| Chapter 3 | Interpreting the Market | 27 |
| Chapter 4 | Trading the Market. | 39 |
| Chapter 5 | Application of Gann's Principles | 85 |
| Chapter 6 | Trade and Capital Management | 119 |
| Chapter 7 | Bringing It All Together. | 139 |
| Chapter 8 | Beyond Trading Basics. | 155 |
| Appendix A | Gann's 28 Trading Rules | 173 |
| Appendix B | Affirmative Versions of Gann's 28 Rules. | 177 |
| Appendix C | Gann's Buying and Selling Points | 181 |
| Appendix D | Gann's Soybean Chart | 185 |
| Appendix E | Google, Inc. (GOOG) Highs and Lows by Calendar Month | 187 |
| | Index | 189 |

This page intentionally left blank

Contents

| | | |
|-----------|---|-----------|
| | Foreword. | xv |
| | Preface. | xvii |
| Chapter 1 | The Work of W.D. Gann | 1 |
| | Market Predictions. | 1 |
| | Publications | 3 |
| | Focus of This Book | 5 |
| | Trading Rules. | 6 |
| Chapter 2 | Elements of the Market | 9 |
| | Basic Market Movement | 9 |
| | Price Is King. | 10 |
| | Patterns Repeat | 11 |
| | The Construct of Time | 20 |
| Chapter 3 | Interpreting the Market | 27 |
| | Gann's View of Price Movement. | 27 |
| | Projections Based on Existing Price Movement. | 32 |
| Chapter 4 | Trading the Market. | 39 |
| | Exceeding Moves in Time. | 41 |
| | Triple Bottoms/Tops | 49 |
| | Double Bottoms/Tops | 57 |
| | Exceeding Moves in Price. | 63 |
| | Buy Old Tops/Sell Old Bottoms | 69 |
| | Rapid Moves. | 74 |
| | Trading Ranges | 80 |
| Chapter 5 | Application of Gann's Principles | 85 |
| | Gann's Favorite Numbers | 85 |
| | Gann's Principles Applied Outside of Price | 95 |
| | The Importance of the Closing Price | 108 |

| | | |
|-------------------|--|------------|
| Chapter 6 | Trade and Capital Management | 119 |
| | Risk Assessment | 120 |
| | Placement of Orders | 123 |
| | Trade Initiation | 126 |
| | Management of Trade | 127 |
| | Trade Exit. | 135 |
| | Review | 136 |
| Chapter 7 | Bringing It All Together. | 139 |
| | Exploring Gann's Examples. | 139 |
| | Rigid Rules, Flexible Observation. | 150 |
| Chapter 8 | Beyond Trading Basics. | 155 |
| | Looking to the Left of the Chart. | 155 |
| | Recommended Reading | 160 |
| | Obtaining Charts | 161 |
| | Gann's Writing Style and References | 162 |
| | A Study "Partner"—an Invaluable Tool | 167 |
| | The End...of the Beginning. | 170 |
| Appendix A | Gann's 28 Trading Rules | 173 |
| Appendix B | Affirmative Versions of Gann's 28 Rules. | 177 |
| Appendix C | Gann's Buying and Selling Points | 181 |
| Appendix D | Gann's Soybean Chart | 185 |
| Appendix E | Google, Inc. (GOOG) Highs and Lows by Calendar Month. | 187 |
| | Index | 189 |

Acknowledgments

Clare White—You introduced me to the opportunity to write this book. I am so thankful for your continued confidence in my skills and knowledge and your thoughtful advice through the changing phases of my career. You are a mentor in the truest sense.

Ken Gerber—You shared your extensive Gann expertise, which added immeasurably to the quality of this book. I greatly appreciate the time and effort you took to answer my questions, critique my ideas, and make suggestions that only a remarkable teacher could.

Nikki Jones—You so graciously wrote the foreword for this book and allowed access to your company's vast Gann resources for my research. I am so grateful for the words of support and encouragement that you provided along the way and for the connection that we have maintained since our first Gann seminar together.

Marnie Owen—You provided impressively detailed and thoughtful reviews of my book material as it developed from a rough draft to a complete manuscript. I am extremely thankful for you in my life, as a dear friend and as a knowledgeable colleague with whom I can share my fascination with technical analysis and the markets.

Jim Boyd—As my publisher, you took a chance on me. I am so grateful for all the guidance and insight you provided through the writing and production processes.

Kristy Hart, Lori Lyons, Krista Hansing, and the rest of the Pearson production team—You transformed my book from a manuscript draft to a press-ready work! Thank you for your helpful suggestions and painstaking efforts, which improved the layout of the book while maintaining its context and intent.

All of my extended family, friends, and colleagues—You express enthusiasm in my work and exude a perpetual interest in reading what I create, whether it's been a blog post, or this book! I am very thankful for you, and I am inspired by each and every one of you.

Mom, Dad, Rekha, Swathi, and Abhi—Your patience, love, and support are invaluable. Thank you for motivating me to try and be the best at what I do. It makes me want to be a better daughter and sister as well.

Srinu—You ground me when my head gets into the clouds, but know when to let me fly free. I am so grateful for your encouragement and support in all of my endeavors. Beginning work on this book in 2011 was the second best thing I did that year. The first was marrying you.

About the Author

Hima Reddy, CMT, was first introduced to technical analysis, and to the works of W.D. Gann, during her high school years by her father, who has had a passion for trading and the markets since the early 1980s. However, it wasn't until after she completed an undergraduate Finance degree at Indiana University's Kelley School of Business, and returned to her home state of New York in 2001, that she immersed herself in the markets. She simultaneously volunteered as a sponsorship coordinator for several Market Technicians Association conferences, traded equity and commodity futures under the tutelage and guidance of her father, and completed the Chartered Market Technician certification. In 2006, she joined Informa Global Markets, an independent financial research firm providing live, 24-hour market analysis. As Senior Technical Analyst, she was responsible for producing timely and accurate short-term technical analysis and trading strategies for fixed income and FX markets. With analysis ranging through multiple timeframes, her team also prepared written updates covering longer-term trends. Hima's "guru" has always been Gann—the first market analysis book she ever studied in-depth was *How to Make Profits in Commodities*—and to this day that is her go-to guide to the markets. Since 2011 she has returned to trading independently and continues to write about the financial markets. Her primary methods of technical analysis include pattern recognition and time duration relationships within markets based on Gann's methodology, momentum assessment through the use of the Relative Strength Index (RSI), Fibonacci relationships, and moving average systems including the use of channels for trade management. Hima now resides with her husband in Baltimore, Maryland.

This page intentionally left blank

Foreword

Over the years, many questions have been asked about W.D. Gann and his trading system. Does it work? How much time do I have to spend before I trade? Can I make money? Where do I begin? I believe the best question of all is, “Which one of Gann’s books can I read that will teach me how to trade?” The answer is, *they all will*. However, never has a more worthy book exploring Gann’s been written for beginners or intermediate traders as this one.

To be a successful trader, you need to know the rules that have stood the test of time, a bit about the man who created them, and about the author who wrote this book.

Hima Reddy has provided us with the “missing link” to W.D. Gann’s trading methods. In this book, she has laid out the basic plans step by step, along with examples, which can be easily followed by anyone with an interest in learning the potential profit areas in trading.

Reddy is an extremely talented and determined person. She is well-qualified, with several years working as a professional in the financial world. I first met her at the W.D. Gann Experience Trading Seminar in 2003. I could see that she possessed the knowledge and determination it takes to be a successful market trader.

In the trading world, it seems as if everyone has heard of W.D. Gann, one of the most successful traders and market forecasters of all time. For more than 50 years, the accuracy of his forecasts and his trading successes stunned the commodities and securities world. He became one of the mystic traders of his time, which earned him the title “Guru of Wall Street.” A prolific chartist, analyst, and writer, Gann recorded his methods and systems of trading in books and

courses that are today among the most well-known and sought-after books on market trading.

The Trading Methodologies of W.D. Gann: A Guide to Building Your Technical Analysis Tool Box is a solid, beginning stepping stone you can count on. This book will open your mind to new ideas that can be extremely valuable to you financially.

Reddy has openly shared her goals and the path you must take to achieve yours. She is more than willing to share with those who are receptive.

Her answers are always words of encouragement: “Keep going.”

Nikki Jones

Lambert-Gann Publishing Company

Preface

“Life affords no greater pleasure than that of helping others who are trying to help themselves.”

—W. D. Gann¹

When I was 16 years old, I was doing chemistry homework one night and stopped in my father’s office to get some assistance with my assignment. I saw my father studying a graph of some sort displayed on his computer screen. I asked him what he was looking at, and he said it was a chart plotting the changes in a stock price; he was using the chart to help him trade the stock. When I asked how he was doing that, he explained that he was using the mathematical relationships present in the stock’s price history to help him determine whether the price of the stock would likely go up or down so that he could buy or sell shares of the stock accordingly.

I was intrigued. (I’ve always been a “math geek,” so that wasn’t surprising.) I told my father that I wanted to know more about this type of financial analysis. I asked him about the possibilities of learning more about it in college, and he told me that the subject was not very popular and that I likely would not come across it while at school. However, he did offer to help me learn about trading through books and by following his stock charts. Over the next few months, he gave me his old edition (printed in 1976) of Gann’s *How to Make Profits Trading in Commodities*. He told me to read that book over and over and glean Gann’s methods from it. Seventeen years later, he gives me

¹ W. D. Gann, *How to Make Profits Trading in Commodities* (Pomeroy, WA: Lambert-Gann, 2009), Foreword.

the same advice—keep studying the works of Gann’s great mind and incorporate what I learn into my own trading plan.

Back when I was in high school and college, as a young person with no experience with the markets, I had to teach myself the methods presented in Gann’s works. I did this by synthesizing the concepts into smaller pieces that I could grasp. With knowledge gained through these smaller tenets, I annotated countless charts both on my computer and by hand. I then synthesized into my own trading plan the buy and sell signals and trade management concepts that I understood and witnessed, and I continued to collect examples of charts that illustrated the relating theories. I even began to create market newsletters for myself, focusing on one security at a time and looking at its key price points. This was all to help me better understand Gann’s main points and methods so that I could profitably apply them to my trading.

I eventually obtained my Chartered Market Technician (CMT) designation, administered by the Market Technicians Association (www.mta.org). I then worked as a professional technical analyst for several years. However, what I learned from Gann’s teachings has remained my prime trading guide.

The chapters ahead contain my humble attempt to present my self-taught interpretation of some of Gann’s major works. His writings are among the most esoterically written trading and investing materials out there. However, over the course of my study, I have been able to make them my own. Hopefully, the research I’ve done into Gann’s trading methodology will enable you to grasp the concepts quickly and incorporate them immediately into your own investing/trading.

Anyone who has looked at Gann’s works sees that he used many chart examples to illustrate his trading rules and philosophies. I do the same, and I expand the realm to include securities that many of us observe regularly. I apply the trading rules and ideas to modern charts. You’ll likely see that, among the charts I use, many of them

are drawn from market observations made *after* I began conducting research for this book (December 2010).

I hope you, the reader, find that this helps you improve your own trading toolkit. My goal is not to make you a Gann expert through this book alone: I believe that trading education is an ongoing process and can't come from any one person or resource. I do, however, hope that I am speaking to the part of you that is akin to the 16-year-old I once was—eager to venture into a deeper study of Gann's materials for the most complete approach to this master's investing methodologies.

This page intentionally left blank

1

The Work of W.D. Gann

Market Predictions

As an author, I want to give you a reason to read this book that goes beyond my assurances that the material is useful. So I want to begin by referring you to some of Gann's greatest market predictions and how he profited from those moves. Throughout Gann's works, he advised his students to use all their trading and forecasting tools all the time to discover the forces at work in any given market. Therefore, sharing his forecasting/trading successes should give you confidence that the information ahead in this book will help improve your own investing methods.

One of the most concise and publicly accessible records of Gann's market predictions is an article written by Richard D. Wyckoff in December 1909, titled "William D. Gann: An Operator Whose Science and Ability Place Him in the Front Rank—His Remarkable Predictions and Trading Record." The article was published in Volume 5 (Number 2) of the *Ticker and Investment Digest*, a very influential stock market publication at the time.

The first part of the article directly explores Gann's general methods of market analysis. Later in the article, Wyckoff shares the findings of William E. Gilley, who was brought in to validate the success (or failure) of Gann's methods. Gilley was an Inspector of Imports in New York with 25 years of experience with the markets. During the

time that Gilley observed Gann, he watched Gann make 286 trades. Of those, 264 were winning trades, for a success rate of 92 percent!¹

Above all, Gilley documented a series of predictions that Gann made during October 1909. Some of Gann's more remarkable predictions are as follows:

Union Pacific (stock)

“In 1908 when Union Pacific was 168 1/8, he told me that it would not touch 169 before it had a good break. We sold it short all the way down to 152 3/8, covering on the weak spots and putting it out again on the rallies, securing a 23 points profit out of an eighteen-point move.”

United States Steel (stock)

“He came to me when United States Steel was selling around 50 and said ‘This Steel will run up from 58 but it will not sell at 59. From there it should break 16 3/4 points.’ We sold it short around 58 3/8 with a stop at 59. The highest it went was 58 3/4. From there it declined to 41 1/4 – 17 1/2 points.”

Wheat (commodity futures)

“At another time wheat was selling at about 89¢. He predicted that the May option would sell at \$1.35. We bought it and made large profits on the way up. It actually touched \$1.35 1/2.”

Wheat

“One of the most astonishing calculations made by Mr. Gann was during last summer (1909) when he predicted that September wheat would sell at \$1.20. This meant that it must touch that figure before the end of the month of September. At twelve o'clock, Chicago time, on September 30th (the last day) the option was selling below \$1.08, and it looked as

¹ *The Natural Squares Calculator* course workbook (Pomeroy, WA: Lambert-Gann, 2002), 10–12.

though his prediction would not be fulfilled. Mr. Gann said ‘If it does not touch \$1.20 by the close of the market it will prove that there is something wrong with my whole method of calculation. I do not care what price it is now, it must go there.’ It is common history that September wheat surprised the whole country by selling at \$1.20 and no higher in the very last hour of the trading, closing at that figure.”

United States Steel

“In our presence Mr. Gann sold Steel common short at 94 7/8, saying that it would not go to 95. It did not.

On a drive which occurred during the week ending October 29th, Mr. Gann bought Steel common at 86 1/4, saying that it would not go to 86. The lowest it sold was 86 1/8.”

I hope that Gilley’s observations presented within the context of Wyckoff’s article have brought your attention to what Gann was able to accomplish investing in the markets. Gann dedicated his life’s work to understanding the markets and the principles that govern them, and it is no small feat to have such insight. This is why what Gann had to share through his books and courses is of such great value. The lessons taught in those pages are among the tools he used to master the market as he did.

Publications

W.D. Gann wrote several books. Of these, five open with a portrait of Gann. Every time I see one of those portraits, I feel that his expression conveys the following—“Trading is serious business. Get ready to work hard and come out a more successful trader on the other side.” To impart his trading wisdom, Gann published the following titles:

- *Truth of the Stock Tape* (1923)
- *Tunnel Thru the Air* (1927)
- *Wall Street Stock Selector* (1930)
- *New Stock Trend Detector* (1936)
- *How to Make Profits Trading in Puts and Calls* (1937)
- *Face Facts America* (1940)
- *How to Make Profits Trading in Commodities* (1941)
- *45 Years in Wall Street* (1949)
- *Magic Word* (1950)

He also put together market courses. Both his Stock Market Course and his greater Master Commodity Course were ready for purchase by 1950—the Stock Course for \$2,500, and the Commodity course for \$5,000. According to the U.S. Inflation Calculator (www.usinflationcalculator.com), in today's dollars, those values equate to more than \$23,800 and \$47,700, respectively!

All these books and courses are available for purchase through the Lambert-Gann Publishing Company (www.wdgann.com). Generally, experts recommend studying Gann's works in the order in which he wrote them. All his books present trading tools and ideas that can be directly applied to the markets. However, I focus primarily on *How to Make Profits Trading in Commodities* because it is the book my father first handed me when introducing me to Gann's works. I asked my father why he chose this particular book, and he said he had come to learn that it clearly delineated rules pertaining to a few important topics. The first was on protecting a position in the market by using stop orders. The second category was "buying points," the terminology Gann used to describe signals to buy into the market, or go long. The third category was "selling points," describing how to sell into the market, or go short. My father said the *Commodities* book not only explored these key topics, but also presented many examples to reinforce the stated rules, making it easier to directly apply the concepts to any market.

In *How to Make Profits Trading in Commodities*, the following always jumped out to me in the Foreword, written by Gann himself: “I do not believe in gambling or reckless speculation, but am firmly convinced, after years of experience, that if traders will follow rules and trade on definite indications, that speculation can be made a profitable profession.” Right there we have the keys—follow the rules and trade on definite indications. But what comprises that? The chapters ahead explore those rules and tenets.

Gann also wrote, “Trading in commodities is not a gambling business, as some people think, but a practical, safe business when conducted on business principles.” You may be wondering, just what are Gann’s “business principles”? You will discover these in the pages ahead.

Focus of This Book

From all the original materials studied by many Gann experts, Gann’s work can fall into one of two categories. The first is trading methodologies. How did Gann actually trade the market? He developed a system of rules that he applied in a consistent and disciplined manner. *That* is information that I explore in this book so that you can directly apply it to your charts.

The second category of Gann’s work is forecasting methodologies. Gann employed a multitude of forecasting methods, such as measuring angles on his handwritten charts and using natural squares. These were among the prime tools he used to make predictions about future market action. Forecasting tools cover *when* to invest. But trading methodologies cover *how* to invest, returning to the title of this book.

The chapters ahead contain many of Gann’s trading principles and methods, interpreted through both diagrams I’ve created and chart examples. Toward the end of the book, I show you how Gann combined these tools, and I guide you in learning more directly from

his written works. I believe that the greatest value in what I've provided lies in the individual examples. They all apply directly to any market you choose to trade, and I encourage you to follow along with the details of each example as it is presented.

Trading Rules

Some of the other books that analyze Gann's works, and many of the websites and blogs that touch upon the subject, explore an important list of trading rules that Gann wrote back in 1949. *45 Years on Wall Street* lists 24 "never-failing" trading rules based upon Gann's personal experience (see p. 16 and 17 there). However, eight years earlier, Gann had published a list of 28 "valuable" rules in *How to Make Profits Trading in Commodities* (see p. 43 there). From the list of 28 rules to the list of 24 rules, Gann altered only a few rules, due to the focus of the subject matter (stocks versus commodities).

Appendix A of this book contains Gann's original 28 rules, incorporating the stock-related edits. As you can see, many of Gann's rules use negative words, such as *never* and *don't*, to get his points across. The last of the 28 rules even states, "Avoid getting in wrong and out wrong; getting in right and out wrong; this is making double mistakes." This rule really resonated with me when I first read it. It made me realize that if I could break down the elements of my thoughts and actions (essentially, these rules), I would be more likely to do the one thing Gann wanted his students to do but that he didn't say outright: Get in (the market) right, and get out right.

To focus on correct action, I decided to go through Gann's rules and rephrase any that were written with negative language. Why? Because I believe that telling students what they *should* or *can* do is a more effective teaching method than telling them what they *shouldn't* or *can't* do.

Therefore, Appendix B includes a second list of Gann's rules, but in their "affirmative" form. I refer to the "affirmative" rules throughout this book where applicable.

To begin...

Gann Rule (Affirmative) #26: Only follow another man's advice if you know that he knows more than you do.

I'm sharing this rule first to encourage you to explore the rest of this book proactively. I have come to see how Gann's trading methodologies work time and time again, but don't take my word for it. Examine the examples and even observe your own markets of interest to see the knowledge at work.

This page intentionally left blank

Index

NUMBERS

- 100% retracements, 86
- 1940-1941 soybean trades,
140-150
- 45 Years in Wall Street*, 4, 165
- 50% retracements, 86

A

accounts

- stop loss orders, 124
- trading, 121. *See also* trading

accumulation, 79-81

actions

- bars, 108
- cycles, 88
- prices, 12, 109. *See also* prices
 - time constructs*, 22
 - triple bottoms*, 51
 - volatility*, 114
 - weekly*, 63
- radius of, 29
- trading, 78

advances, 9

advice, 7

- money-management, 121

affirmative rules, 40. *See*

also rules

- Gann Rule (Affirmative) #1,
120, 177

Gann Rule (Affirmative) #2,
123, 177

Gann Rule (Affirmative) #3,
121, 177

Gann Rule (Affirmative) #4,
128, 177

Gann Rule (Affirmative) #5,
40, 177

Gann Rule (Affirmative) #6,
127, 177

Gann Rule (Affirmative) #7,
40, 177

Gann Rule (Affirmative) #8,
122, 177

Gann Rule (Affirmative) #9,
126, 177

Gann Rule (Affirmative) #10,
135, 178

Gann Rule (Affirmative) #11,
121, 178

Gann Rule (Affirmative) #12,
41, 178

Gann Rule (Affirmative) #13,
127, 178

Gann Rule (Affirmative) #14,
123, 178

Gann Rule (Affirmative) #15,
137, 178

Gann Rule (Affirmative) #16,
123, 178

Gann Rule (Affirmative) #17, 41, 178
 Gann Rule (Affirmative) #18, 41, 178
 Gann Rule (Affirmative) #19, 41, 178
 Gann Rule (Affirmative) #20, 127, 178
 Gann Rule (Affirmative) #21, 127, 178
 Gann Rule (Affirmative) #22, 136, 179
 Gann Rule (Affirmative) #23, 127, 179
 Gann Rule (Affirmative) #24, 137, 179
 Gann Rule (Affirmative) #25, 49, 179
 Gann Rule (Affirmative) #26, 179
 Gann Rule (Affirmative) #27, 137, 179
 Gann Rule (Affirmative) #28, 135, 179

agreements, 114. *See also* closing prices

Alcatel Lucent, 88, 92

American Mobil, 57

analysis
 markets, 2, 12
 oscillators, 104-108
 patterns, 13-20
 principles outside of price, 95-108
 time, 87
 trendlines, 95-103
 triple bottoms/tops, 49

applications
 Gann's principles. *See* principles (Gann's)
 TradeStation, 11

applying Gann's principles, 85
 favorite numbers, 85-92
 importance of closing prices, 108-117
 outside of price, 95-108

articles, 1

assessment
 risk, 120-122
 stop loss orders, 124
 trends, 39

AUDUSD (Australian dollar/U.S. dollar), 36

B

Bank of America, 108

bars
 actions, OHLC (open high low close), 108
 plotting, 11
 prices, 90
 stop loss orders, 131
 two-bar rules, 130

basic movement of markets, 9-11

bear markets, 9, 39. *See also* markets
 duration, 42
 prices, exceeding moves in, 63
 rapid moves, 76

Bible quotes, 163

books. *See* publications

bottoms
 double, 57-62
 sell old, 69-74
 triple, 49-54

boundaries, consolidation, 83

breakevens, managing, 128

breakouts, 81, 83

bull markets, 9, 39. *See also*
markets

corrections, 48

Gann selling point #6, 48

buying, 12, 40

buy old tops/sell old bottoms,
69-74

points, 79, 181-183

exiting, 136

Gann Rule #1, 69, 156, 181

Gann Rule #2, 181

Gann Rule #3, 63, 181

Gann Rule #4, 41, 42, 181

Gann Rule #5, 44, 104, 181

Gann Rule #6, 182

Gann Rule #7, 182

Gann Rule #8, 49, 57,
124, 182

Gann Rule #9, 74, 182

C

calculations

strengths, 33

time, 87

calculators, inflation, 4

capital, managing, 119

placement of orders, 123-126

reviewing, 136-138

risk assessment, 120-122

trade initiations, 126

ceilings

prices, 31

removing, 79

center axis, 100

charts

Alcatel Lucent, 88, 92

Clearwire Corporation, 72

Corn futures, 90

Corning, 150

Elements of the Market, 44

E-mini S&P 500 futures, 97

examples, 168

formatting, 162

Gap, Inc., 70

Gold Cash Index, 114

Google, 97, 100, 156-160

Juniper Networks, 65

Micron Technology, 54

NZDUSD, 14

obtaining, 161-162

OHLC (open high low close),
111, 156

Pfizer, Inc., 88

Pitney Bowes, 105

plotting, 162

price exercise, 27

security, 11

soybean futures, 76, 130

stocks, 28

sugar futures, 104

tools, 97

trade examples (1940-1941
soybean futures), 140-150

trading, 155-160

trendlines, 95-103

Cisco Systems, 49

clear trends, 33. *See also* trends

Clearwire Corporation, 72

closing prices, importance of,
108-117

clusters, retracements, 86

colors, charts, 162

commodities

comparisons to gambling, 5

futures (wheat), 2

Commodity course, 4

confirmation of trendlines, 100

consolidation

50% retracement levels, 88

boundaries, 83

movements, 82

zones, 100

constructs, time, 20-26

corn futures, 90

Corning, 150

corrections

downtrends, 81

duration, 48

reactions, 74

size of, 44

time, 42

courses, 4

cycles, 155-156

market actions, 88

D

declines, 9

Cisco Systems, 49

corrections, 44. *See also*

corrections

fast-declining markets, 76

directional movement, 95. *See*

also trendlines

discounts, prices, 12

distribution, 81

diversification, 122

double bottoms/tops, 57-62

down trendlines, 96

downtrends, 33, 74, 79. *See also*

trends

duration, 41. *See also* time

bear markets, 42

corrections, 48

triple bottoms, 51-53

E

eighths retracement levels, 30,

33, 90-92

100%, 86

50%, 86

importance of closing prices, 117

elements of markets, 9

basic movement of, 9-11

prices, 11-12

repeating patterns, 12-20

time, 20-26

Elements of the Market chart, 44

emergency funds, 121

E-mini S&P 500 futures, 97, 125

entry into markets, 79

oscillators, 104

equality, 29

erratic price movements, 12

examples, 139, 167

charts, 168

exceeding moves

in price, 63-68

in time, 41

exercises, stock charts, 28

existing price movements,

projections based on, 32-38

exiting from markets, 79, 135-136

oscillators, 104

signals, understanding, 111

F

Face Facts America, 4

failures, testing, 111

fast-declining markets, 76

favorite numbers, applying

Gann's principles, 85-92

fear, 53

fluctuation of price, 27-31

following advice, 7

forecasting, 1, 5, 155. *See also*

predictions

formatting

charts, 162

OHLC (open high low

close), 162

four-section bear markets, 10

four-section bull markets, 10
futures

- commodities (wheat), 2
- corn, 90
- E-mini S&P 500, 97, 125
- soybeans, 130, 185
 - 1940-1941 trades*
(*examples*), 140-150
 - charts*, 76
- sugar, 104

G

gambling, comparisons to, 5
Gann, W.D., 1-5
Gap, Inc., 70
Gilley, William E., 1-4
Gold Cash Index, 114
Google, 42, 187-188

- charts, 97, 100, 156-160

 greed, 53
guidelines. *See also* managing

- account management, 121
- capital-management, 125

H

high prices. *See also* prices;
ranges

- 100% retracements, 86
- 50% retracements, 86-93
- charts, 111
- managing, 129

 Honeywell International, 63
horizontal lines, 30
How to Make Profits Trading in
Commodities, xvii, 4, 6, 40
How to Make Profits Trading in
Puts and Calls, 4
human element, 141

I

importance of closing prices,
108-117
indexes

- Gold Cash Index, 114
- RSI (Relative Strength Index),
104, 105
- S&P 500 Cash Index, 46

 indicators, oscillators, 104-108
inflation calculators, 4
initiation of trades, 126
interpreting markets, 27

- projections based on existing
price movements, 32-38
- view of price movement, 27-31

 intraday levels, 22

J

Jones, Nikki, xv-xvi
Juniper Networks, 65

L

Lambert-Gann Publishing
Company, 4, 160
levels

- eighths retracement, 30, 33, 86,
90-92
- intraday, 22
- triple tops, 54

 limitations of trendlines, 97
lines

- horizontal, 30
- segments, 29

 locations, significant, 28
long positions, 79

- stop loss orders, 124

 losses. *See also* stop loss orders

- minimizing, 111, 137
- risk assessment, 121

low prices. *See also* prices; ranges

- 100% retracements, 86
- 50% retracements, 86-93
- charts, 111
- managing, 129

M

Magic Word, 4

managing

- breakevens, 128
- capital, 119
- trading, 79, 119, 127-135
 - exiting*, 135-136
 - placement of orders*, 123-126
 - reviewing*, 136-138
 - risk assessment*, 120-122
 - trade initiations*, 126

markets

- actions, cycles, 88
- analysis, 2, 12
- bear. *See* bear markets
- bull. *See* bull markets
- elements of, 9
 - basic movement of*, 9-11
 - prices*, 11-12
 - repeating patterns*, 12-20
 - time*, 20-26
- exiting from, 135-136
- importance of closing prices, 117
- interpreting, 27
 - projections based on existing price movements*, 32-38
 - view of price movement*, 27-31
- predictions, 1-3
- retracements
 - 100%, 86
 - 50%, 86-93

trading, 39

- buy old tops/sell old bottoms*, 69-74
- double bottoms/tops*, 57-62
- exceeding moves in price*, 63-68
- exceeding moves in time*, 41
- ranges*, 79-83
- rapid moves*, 74-80
- triple bottoms/tops*, 49-54

mathematics, 163

maximizing profits, 111

measurements

- 50% retracements, 90
- prices, 11, 21
- retracements, 38
- time, 87. *See also* time vibrations, 156

mentorships, 167-170

methodologies, 5, 40

Micron Technology

- double bottoms/tops, 61
- triple bottoms/tops, 54

midpoints, 29

minimizing losses, 111, 137

movement

- oscillators, 104
- prices, 13, 27-31
- trendlines, 95-103

movements

- consolidation, 82
- of markets, 9-11
- prices, projections based on existing, 32-38
- sideways price, 79

Murphy, John J., 95

N

National Squares Calculator
course workbook, 2
 never-failing trading rules, 6. *See also* rules
 news stories, effects on prices, 12
New Stock Trend Detector, 4
 numbers, Gann's favorite, 85-92

O

obtaining charts, 161-162
 OHLC (open high low close), 11, 108, 156, 162
 charts, 111
 orders, placement of, 123-126
 oscillators, 104-108

P

parameters of rules, 150-152
 patterns
 double bottoms/tops, 57-62
 oscillators, 104
 repeating, 12-20
 triple bottoms/tops, 49-54
 percentages, 30
 of capital to risk, 120
 levels, 30
 Pfizer, Inc., 88
 Pitney Bowes, 42, 106
 pivots, prices, 106, 108
 placement of orders, 123-126
 retracements, 129
 plotting
 charts, 162
 price bars, 11
 stocks, 161

points

buying, 181-183. *See also* buying points
 pressure, 90
 selling, 181-183. *See also* selling points
 positions, long, 79
 predictions, markets, 1-3
 pressure points, 90
 prices, 11-12
 actions, 109
triple bottoms, 51
volatility, 114
weekly, 63
 bars, 11, 90
 ceilings, 31
 closing, importance of, 108-117
 discounts, 12
 exceeding moves in, 63-68
 measurements, 11, 21
 movement, 13
past, studying, 155
projections based on existing, 32-38
view if, 27-31
 oscillators, 104-108
 pivots, 106, 108
 principles outside of, 95-108
 sideways price movements, 79
 targets, 33
 principles (Gann's), 85
 favorite numbers, 85-92
 importance of closing prices, 108-117
 outside of price, 95-108
profits, 137
 maximizing, 111
 risk assessment, 121
 stop loss orders, 135
 trends, 40

projections, based on existing
price movements, 32-38
publications, 3-5
45 Years in Wall Street, 4, 165
Face Facts America, 4
*How to Make Profits Trading in
Commodities*, 4
*How to Make Profits Trading in
Puts and Calls*, 4
Magic Word, 4
*National Squares Calculator
course workbook*, 2
New Stock Trend Detector, 4
Ticker and Investment Digest, 1
Truth of the Stock Tape, 4, 163
Tunnel Thru the Air, 4
Wall Street Stock Selector, 4

R

radius of action, 29
rallies, 31
old bottoms, 72
oscillators, 105
S&P 500 Cash Index, 46
time, 41
trendlines, 100
random consolidation, 82
ranges
100% retracements, 86
50% retracements, 86-93
prices, 63. *See also* prices
trading, 79-83
rapid moves, 74-80
reactions, rapid moves, 74
reading
charts, 155-160
recommended, 160-161
rebounds, triple tops, 54
recommended reading, 160-161
references, 162-167
relationships, 13
Relative Strength Index. *See* RSI
repeating patterns, 12-20
resistance, 31, 38, 108
retracements. *See also* eighths
retracement levels
100%, 86
50%, 86-93
breakevens, managing, 128
eighths levels, 86, 90-92
importance of closing prices, 117
measurements, 38
projection, 33
reversals, 50% retracement
levels, 92
reviewing trade management,
136-138
rigid rules, 150-152
risk assessment, 120-122
RSI (Relative Strength Index),
104, 105
rules
exiting, 136
Gann Rule (Affirmative) #1,
120, 177
Gann Rule (Affirmative) #2,
123, 177
Gann Rule (Affirmative) #3,
121, 177
Gann Rule (Affirmative) #4,
128, 177
Gann Rule (Affirmative) #5,
40, 177
Gann Rule (Affirmative) #6,
127, 177
Gann Rule (Affirmative) #7,
40, 177
Gann Rule (Affirmative) #8,
122, 177
Gann Rule (Affirmative) #9,
126, 177

Gann Rule (Affirmative) #10, 135, 178
 Gann Rule (Affirmative) #11, 121, 178
 Gann Rule (Affirmative) #12, 41, 178
 Gann Rule (Affirmative) #13, 127, 178
 Gann Rule (Affirmative) #14, 123, 178
 Gann Rule (Affirmative) #15, 137, 178
 Gann Rule (Affirmative) #16, 123, 178
 Gann Rule (Affirmative) #17, 41, 178
 Gann Rule (Affirmative) #18, 41, 178
 Gann Rule (Affirmative) #19, 41, 178
 Gann Rule (Affirmative) #20, 127, 178
 Gann Rule (Affirmative) #21, 127, 178
 Gann Rule (Affirmative) #22, 136, 179
 Gann Rule (Affirmative) #23, 127, 179
 Gann Rule (Affirmative) #24, 137, 179
 Gann Rule (Affirmative) #25, 49, 179
 Gann Rule (Affirmative) #26, 7, 179
 Gann Rule (Affirmative) #27, 137
 Gann Rule (Affirmative) #28, 135, 179
 Gann trading rule #1, 173
 Gann trading rule #2, 173
 Gann trading rule #3, 173

Gann trading rule #4, 173
 Gann trading rule #5, 173
 Gann trading rule #6, 173
 Gann trading rule #7, 173
 Gann trading rule #8, 173
 Gann trading rule #9, 173
 Gann trading rule #10, 174
 Gann trading rule #11, 174
 Gann trading rule #12, 174
 Gann trading rule #13, 174
 Gann trading rule #14, 174
 Gann trading rule #15, 174
 Gann trading rule #16, 174
 Gann trading rule #17, 174
 Gann trading rule #18, 174
 Gann trading rule #19, 174
 Gann trading rule #20, 174
 Gann trading rule #21, 174
 Gann trading rule #22, 174
 Gann trading rule #23, 175
 Gann trading rule #24, 175
 Gann trading rule #25, 175
 Gann trading rule #26, 175
 Gann trading rule #27, 175
 Gann trading rule #28, 175
 parameters of, 150-152
 price action, 22
 stop loss orders, 131
 trading, 6-7
 two-bar, 130
 runaway moves, 129-135

S

savings funds, 121
 scatter charts, 149. *See also* charts
 securities, types of, 161
 security charts, 11, 161
 segments, lines, 29
 self-study, 168

selling, 12, 40

- buy old tops/sell old bottoms, 69-74

- points, 79, 181-183

- exiting*, 136

- Gann Rule #1*, 70, 72, 156, 182

- Gann Rule #2*, 182

- Gann Rule #3*, 65-66, 105, 182

- Gann Rule #4*, 42, 183

- Gann Rule #5*, 183

- Gann Rule #6*, 48, 183

- Gann Rule #7*, 183

- Gann Rule #8*, 53, 61, 183

- Gann Rule #9*, 76, 78, 183

sessions, trading, 114. *See also*

trading

short-term trade opportunities, 83

- boundaries, 83

- oscillators, 104

- retracements, 128

sideways price movements, 79

signals, placement of orders, 123

significant locations, 28

software, TradeStation, 11

soybean futures, 130, 185

- 1940-1941 trades

- examples*, 140-143

- re-creation of*, 144-150

- charts, 76, 148-149

S&P 500 Cash Index, 46

Stock Market Course, 4

stocks

- charts, 28

- plotting, 161

- Union Pacific, 2

- United States Steel, 2

stop loss orders, 123, 128. *See also*

orders

- placement of, 123

- two-bar rules, 131

strengths, calculating, 33

styles, writing, 162-167

Sugar futures, 104

support, 31, 38, 108

T

T (time), 41. *See also* time

target prices, 33

Technical Analysis of the Financial Markets, 95

testing

- failures, 111

- validity of trendlines, 95

three-section bear markets, 9

three-section bull markets, 10

tick, 125

Ticker and Investment Digest, 1

time, 20-26

- 50% retracements, 87

- calculations, 87

- double bottoms/tops, 57

- exceeding moves in, 41

tools, forecasting, 5. *See also*

forecasting

tops

- buy old, 69-74

- double, 57-62

- triple, 49-54

tracking relationships, 26

TradeStation, 11

trading, 155

- charts, 155-160

- examples (1940-1941 soybean trades), 140-150

managing, 79, 119, 127-135
exiting, 135-136
placement of orders, 123-126
reviewing, 136-138
risk assessment, 120-122
trade initiations, 126

markets, 39
analysis, 12
buy old tops/sell old bottoms, 69-74
double bottoms/tops, 57-62
exceeding moves in price, 63-68
exceeding moves in time, 41
ranges, 80-83
rapid moves, 74-80
retracements, 86-93
studying past, 155
triple bottoms/tops, 49-54

methodologies, 5
 phases, 39, 119
 rules, 6-7

trailing stops, 135. *See also* stop loss orders

Transocean, Ltd., 51

trendlines, 95-103

trends, 9
 assessment, 39
 eighths retracement levels, 31
 profits, 40
 risk assessment, 122

triple bottoms/tops, 49-54

Truth of the Stock Tape, 4, 163

Tunnel Thru the Air, 4

two-bar rules, 130
 stop loss orders, 131

two-bar windows, 111

types
 of securities, 161
 of sideways price movements, 79
 of trendlines, 96

U

Union Pacific stock, 2

United States Steel stock, 2

up trendlines, 95-96

uptrends, 33, 80, 114. *See also* trends

V

validity of trendlines, testing, 95

values, Gold Chart Index, 114

vibration, 156

view of price movement, 27-31

volatility, 114

W

Wall Street Stock Selector, 4

weekly price actions, 63

wheat, commodity futures, 2

Williams %R, 106-108

windows, two-bar, 111

writing styles, 162-167

Wyckoff, Richard D., 1

X

x-axis, 87

Y

y-axis, 87

Z

zone consolidation, 100