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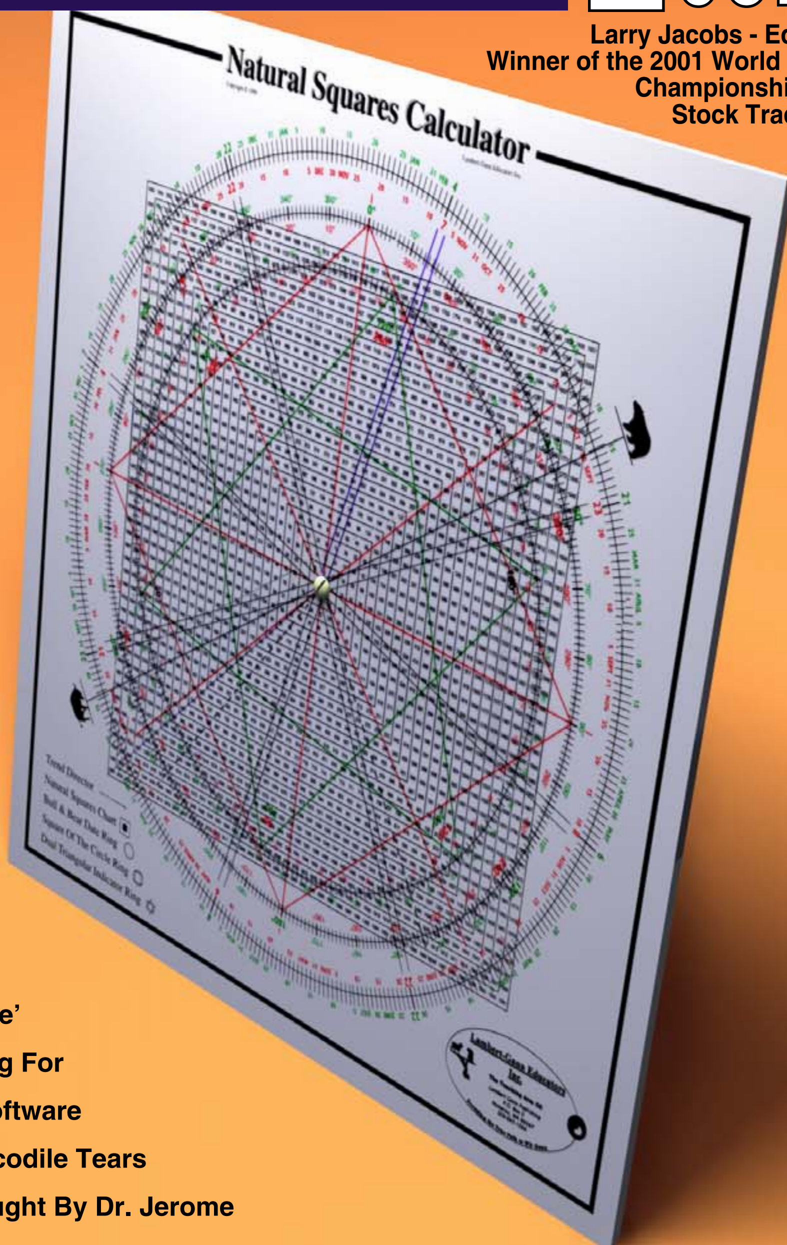
SUMMER 2002 ISSUE #33

Larry Jacobs - Editor
Winner of the 2001 World Cup Championship of Stock Trading

Authentic Square of Nine



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Geometric Progression

Paying the Price for Success

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Looking Back at the Past Thru the Square of Nine

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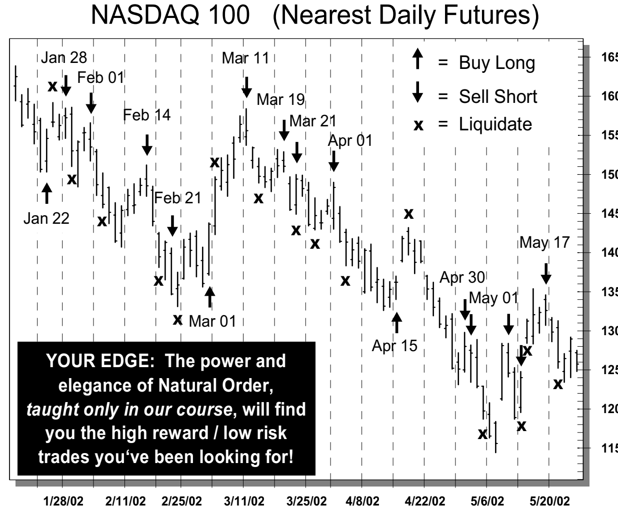

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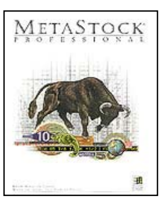

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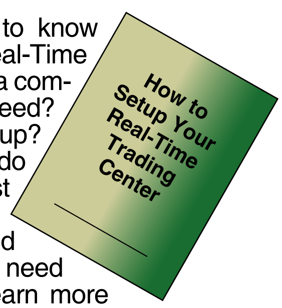

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Dynamic Trader V4 Takes A Quantum Leap

By Larry Jacobs

Robert Miner has released his version 4 of his Dynamic Trader software. The entire package includes Dynamic Trader V.4 software, DT Trading Course, subscription to Dynamic Trader Stock or Futures Report and access to DT Owners Web Site. The price of the package is $1900 for End-of-Day and $400 annually for Real-time.

Robert Miner has written articles for Traders World since the first issue. His special contribution has always been practical trading strategies with unique time, price and pattern analysis. His Dynamic Trader program was first released in 1997 and included the most comprehensive time and price analysis modules of any software of its time. Now, with the release of Version 4 of Dynamic Trader, practical time, price and pattern technical analysis and trading strategies takes a quantum leap forward with new and upgraded routines in this completely new version.

There are five major areas Dynamic Trader has upgraded: time and price modules, real-time data and real-time alerts and trading education.

Beyond Fibonacci Time and Price Trading Strategies

If there is an ultimate program for time and price analysis and projections, Dynamic Trader is it. Prior versions of Dynamic Trader have included Miner's unique End-of-Wave time and price projections. These routines have been upgraded in version 4 plus End-of-Wave scan and Wave Band projection features have been added.

The End-of-Wave Scan routine will scan a portfolio of stocks or futures for up to four levels or degrees of change for the high-probability time and price position of each market in the portfolio. We liked how all you have to do is click on the name of a data file in the scan results and DT opens the data file for further analysis.

The new Wave Band feature projects the minimum, typical and maximum time and price target zones for any trend or counter trend and places a projected time/price box on the chart for each target zone. The user can make that zone an alert. The user will be signaled if a market reaches the target zone whether the chart is open or not.

Most programs include simple Fib price retracements, sometimes clearly labeled and sometimes not. Dynamic Trader has always set the standard for Fib time and price chart analysis with clearly labeled retracements and projections. Both the Fib-Time and Fib-Price charting projections have been upgraded in version 4 to the point where the user only has to make a single click to place all the relevant projections on the chart at one time.

Practical Indicator Trading Strategies

Version 4 now includes a wide array of indicator and price alerts for intraday or daily data. While most trading software tries to be all things to all users by including the entire universe of indicators, DT4 only includes those indicator set-ups that Miner has found to be consistently reliable for all markets and all time frames. The alerts were easy to choose and set-up. The user can choose a pop-up or sound alert or both.

While Miner has always been very open about all of the routines and projection methods included in Dynamic Trader, for the first time he has included a proprietary indicator - the DTOSC. We found it to be one of the best "overbought – oversold" indicators we have seen. Better yet, Miner provides a complete trading tutorial how to use the oscillator for entry and stop signals.

DT Daily Trade Scanner

Stock traders have thousands of stocks to choose from and many ways to narrow down the potential trade list. DT4 offers one way by scanning a portfolio of stocks or futures for the high probability short-term trend reversal and trend continuation trade set-ups. Users have a choice of over 20 specific set-up conditions that may be included in the search.

Trading Education Is The Key To Success

Dynamic Trader is not just an entirely unique trading software, it is a complete package that includes a comprehensive trading course. If you want to learn all there is to know about Fibonacci time and price trading strategies, this is the most complete source. In fact, the Dynamic Trader Trading Course is the most complete trading course we are familiar with. Plus, you get a choice of a subscription to one of the Dynamic Trader market reports with the package including the Dynamic Trader Stock, Futures or Mutual Funds reports. Each report includes analysis and trade recommendations plus educational tutorials. Between the DT Trading Course and the subscription to the DT report, users quickly learn the practical application of Dynamic Trading. Dynamic Trader is more than a trading software, but a complete educational package.

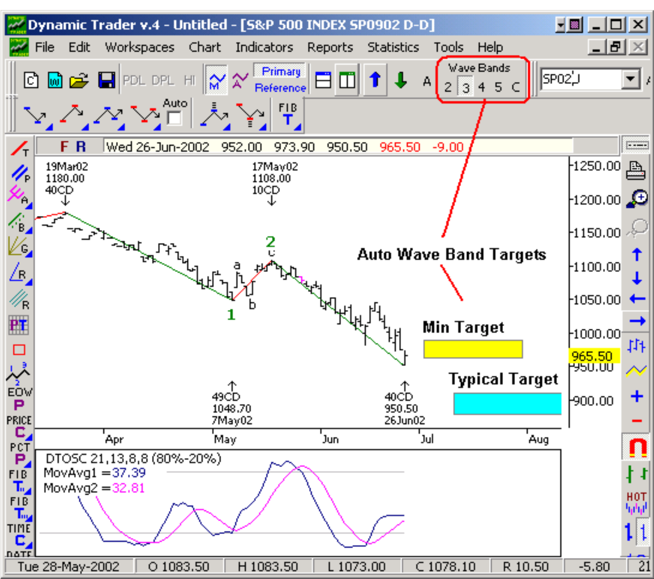

Figure 1 - The Wave Band feature projects the minimum, probable and maximum time and price zones for any trend or counter-trend.

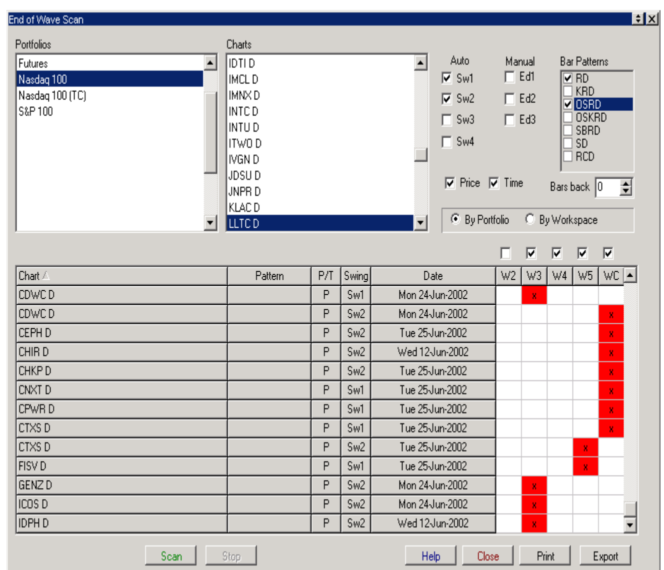

Figure 2 - The End-of-Wave Scan routine will scan an entire portfolio for those markets that have reached time/price target zones and are ripe for a reversal.

Real-Time Price and Time Alerts

The user may set up any number of alerts, either indicator set-ups or time and price projection targets. A chart does not have to be showing for the alert to be active. Alert management is easy with DT4. An alert page which shows all active alerts is included with each workspace. The user has the choice to save a triggered alert for review later.

DT4 includes some unique alert set-ups. One is the ability to mark off any time and price zone and make it an alert zone. For instance, DT may project the minimum time and price target zone for the End-of-Wave-5. That zone may be made an alert. As soon as the market trades into the zone, the alert is given.

DT4 is now real-time with Qcharts data stream. E-signal real-time is on the way. A utility is provided for anyone using Trade Station that converts the data stream from Trade Station to a real-time file DT4 can accept.

The Bottom Line

Dynamic Trader has always been a unique and exciting program. Version 4 is a big leap forward in form and function. DT does not try to be all things to all people. It just tries to do what it uniquely does to perfection. If you are a system trader, this is not the program for you. But, if you want to learn how to be a systematic and consistent trader, then look no further. You will master time and price analysis with DT and learn practical trading strategies that are not taught in any other trading course.

The programming with Dynamic Trader is elegant with one of the best, if not the best, charting interfaces of any trading software. All of the information is clearly displayed on the screen.

We wholeheartedly recommend the new Dynamic Trader Version 4. There is much more available with the program than we have described her.

Miner has such confidence you will find DT useful that an unconditional 100% money back guarantee is offered. There is a wealth of information about the DT Software and Trading Course package on the DT web site. We suggest you check it out. Plus, you will find a big archive of DT Trading Tutorials available free to all.

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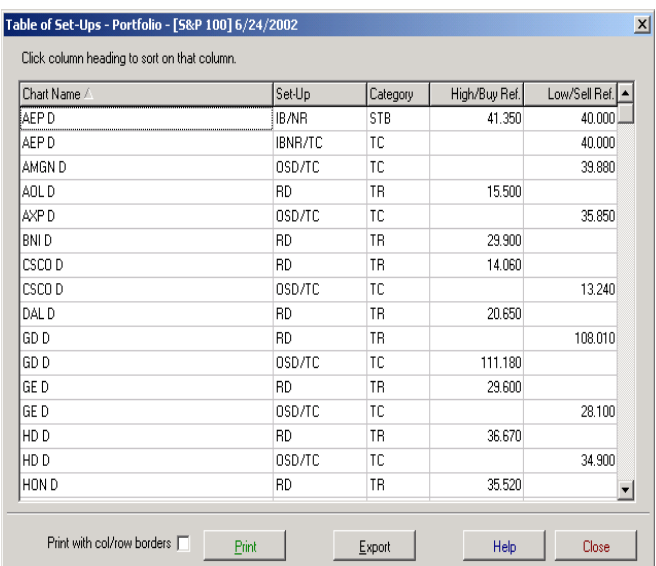

Chart Name	Set-Up	Category	High/Buy Ref.	Low/Sell Ref.
AEP D	IB/NR	STB	41.350	40.000
AEP D	IBNR/TC	TC		40.000
AMGN D	OSD/TC	TC		39.880
AOL D	RD	TR	15.500	
AXP D	OSD/TC	TC		35.850
BNI D	RD	TR	29.900	
CSCO D	RD	TR	14.060	
CSCO D	OSD/TC	TC		13.240
DAL D	RD	TR	20.650	
GD D	RD	TR		108.010
GD D	OSD/TC	TC	111.180	
GE D	RD	TR	29.600	
GE D	OSD/TC	TC		28.100
HD D	RD	TR	36.670	
HD D	OSD/TC	TC		34.900
HON D	RD	TR	35.520	

Figure 3 - The DT Daily Trade Scanner will scan any portfolio of stocks or futures and identify just those markets that meet the trade set-up conditions.

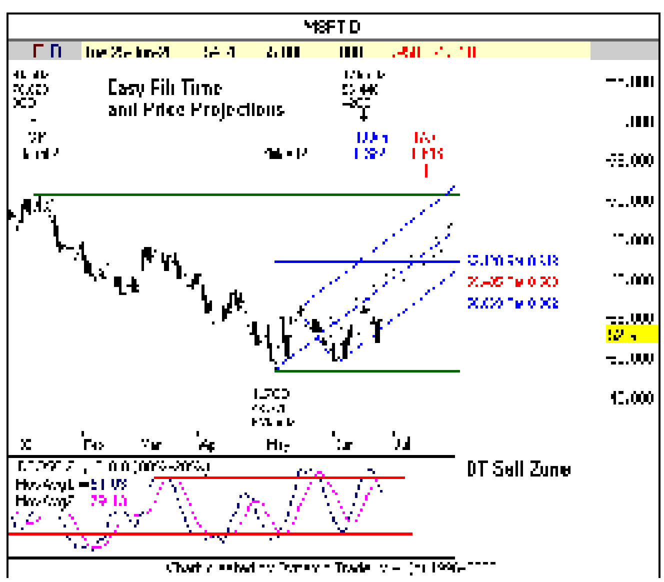

Figure 4 - Fib price and time targets are easy to make. Any target may be made an alert.

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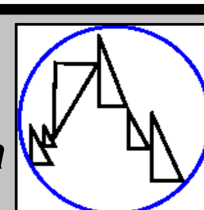

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The Three-line Break chart (TLB) part I

By John Craciun

In use for the past 130 years in Japan, this chart style has a chance of becoming more and more common throughout the world lately because of the borderless Internet.

The TLB charts display little of the congestion areas, no gaps (*see footnote!) and no volume of shares traded. They depict the direction of the market, they are trend followers and, because all the well-known rules of support/resistance, trend-lines, time frames, double or triple tops/bottoms, ascending/descending triangles, retracements, etc. apply, their message can easily be grasped.

<u>Chart construction</u>

The TLB charts are made according to specific principles.

• With no mark on the chart, having to start somewhere (Fig. 1), if the Close today is higher than the yesterday's High, a new block (called a "line") is drawn in white to the right (Fig. 2). If the Close today is lower than the yesterday's Low, a new line is drawn in black to the right (Fig. 3). If the Close today is within the yesterday's range, no line is drawn (Fig. 1). The yesterday's High or Low must be exceeded, *not just touched*, for a new line to be drawn.

• Next, with one line on the chart (Fig. 4), if today's Close is higher than that one line, a new white line is drawn to the right (Fig. 5); conversely, if the today's Close is lower than that one line, a new black line is drawn to the right (Fig. 6). Be aware that many days can pass until the Close today is higher than the High or lower than the Low of that one line!

Again, if the Close today stays within the range of that one line, no new line is being drawn (Fig. 4). Many days can pass with all of their Closes within the range of that one line!

A) With two <u>white</u> lines now on the chart (Fig. 7), if the today's Close is higher than the High of the last line, a new white line is drawn to the right (Fig. 8). Many days can pass before the Close today rises above the last line.

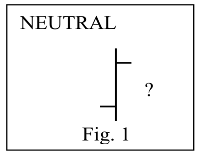

Fig. 1

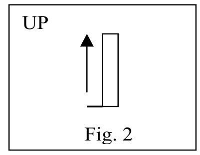

Fig. 2

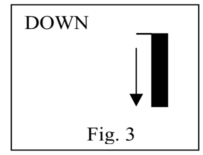

Fig. 3

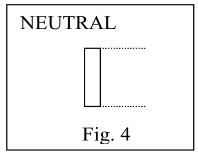

Fig. 4

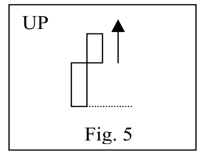

Fig. 5

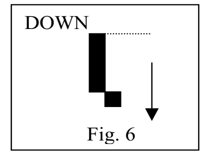

Fig. 6

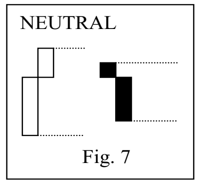

Fig. 7

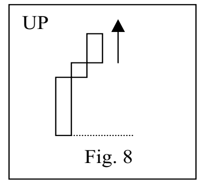

Fig. 8

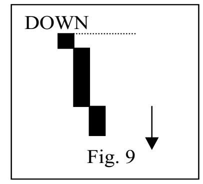

Fig. 9

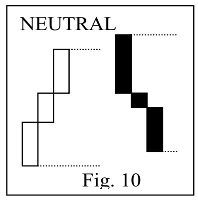

Fig. 10

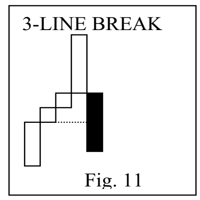

Fig. 11

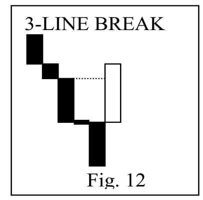

Fig. 12

The price would have to go lower than the Low of the one before the last white line for a black line to be drawn (Fig. 5, dashed line).

B) With two <u>black</u> lines now on the chart, (Fig. 7), if the Close today is lower than the Low of the last line, a new black line is being drawn to the right (Fig. 9). It could take many days until this happens!

The price would have to go higher than the High of the one before the last black line for a white line to be drawn (Fig. 6, dashed line).

Obviously, if the Close today is within the range of the last two lines, either white or black, no new line is being drawn (Fig. 7). Many days will pass with all of their Closes staying within the range of the last two lines!

• With three lines of the same color in a row on the chart now (Fig. 8, 9 and 10), a trend is underway. From now on,

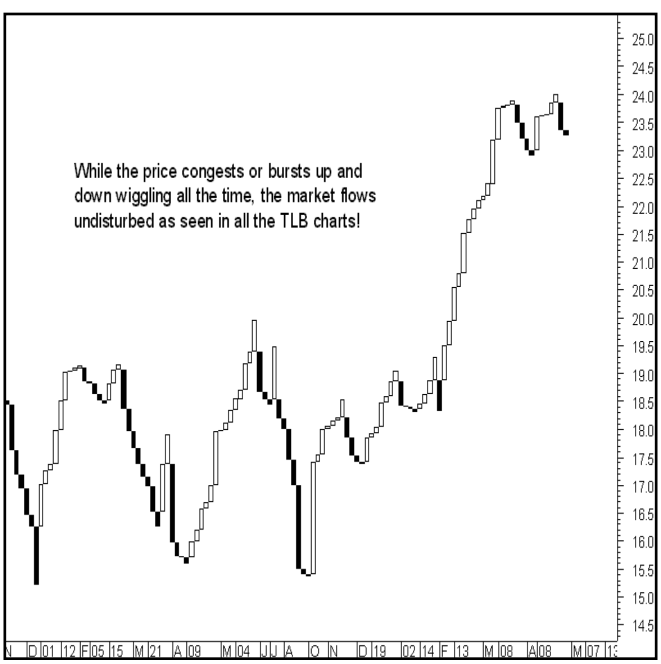

Fig. 13 The TLB is about smooth market flow!

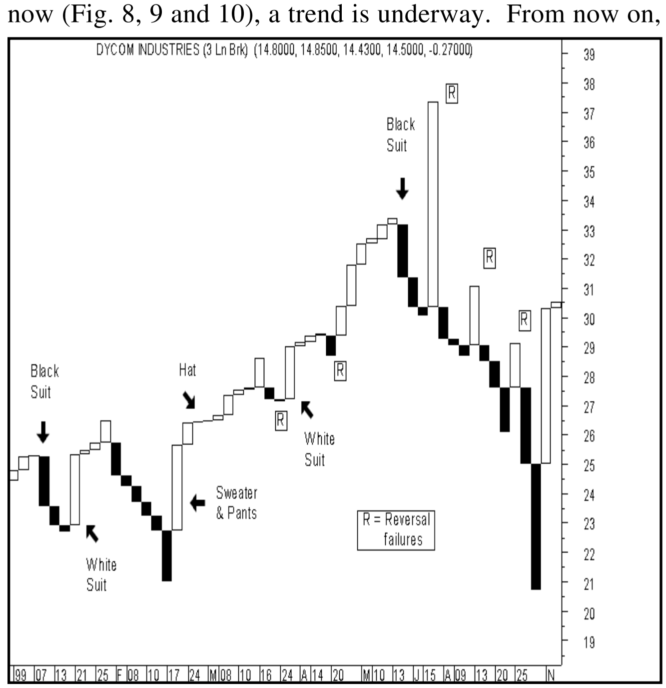

Fig. 14 - Typical TLB chart formations

new lines are drawn according to the rules at A. and B. above.

A reversal down is drawn only when the Close today is lower than the lowest Low of the last three white lines (Fig. 11, dashed line).

A reversal up is shown only when the Close today is higher than the highest High of the last three black lines (Fig. 12, dashed line).

This is why the method is called the "Three-line Break".

A line reversing the trend is called a white or black *turning line*.

*Something to remember when system-testing the TLB technique!

It takes many days or many weeks for the price to exceed the previous three same color lines for a turning line to be drawn on the chart. During that period, the price may advance, decline and congest several times before exceeding the length of the prior three same color lines.

One distinct advantage of the TLB charts is that there is no pre-set reversal amount (like in the Point & Figure ones). The market's action is the one that gives the extent of a reversal.

To sum up, while a *new line* is penciled in only if the Close today exceeds the last line, either up or down, a *turning line* is drawn only when the Close today moves under or above the last three same color lines. This implies that the price has to move in the opposite direction of the last line for a reversal to show up on the chart. This is what makes the TLB method a trend follower and absolutely not a top or bottom detector. The anguish found at the market tops and bottoms is unknown to the TLB investor.

TLB patterns

The Japanese had a way of giving names to the chart formations.

For instance, a downtrend-reversing pattern consisting of a short black line, followed by a longer white line and ending with a new short white line is being called "the Black Shoe, White Suit and a Neck" because it looks like somebody dressed in white wearing black shoes! An up-trend-reversing pattern is called "the Neck, Black Suit and Black Shoe" (the Neck is a short white line, the Black Suit is a black relatively long line and the Black Shoe is a short black line).

A "Sweater and Pants" occurs when the turning line breaks above or below the previous four lines or when a series of large range lines show up in a trend. The message is that, although the new trend might continue, the continuation will be in small increments and that what was important, has already been consumed!

"Hats" occur at market tops when the lines are very short; they uncover the Bulls' inability of sending the prices higher.

A string of eight lines or more of the same color is considered an overbought or oversold situation, as the case may be. There are securities that display mostly the 8-line phenomenon repeatedly within a particular time span, and there are others that display multiple trends made out of only small number lines. (Perhaps the speculators trading them are generally the same ones during that time period). Knowing this helps with knowing what to expect!

<u>How to trade TLB</u>?

Books upon books on this subject have been written in Japan. Here are some ideas:

1. The basic concept is to buy on the completion of a white line and to sell on the completion of a black one. Buying or selling well after the market turned is the preferred choice of those speculators who give up the uncertainty of picking the market tops and bottoms for the safety of taking action somewhere along the trend.

The TLB charts reveal very few whipsaws in a year. When a speculator is being caught in one, the right approach is to place a Stop-and-Reverse order.

One clue is to look for the security that just exited a whipsaw. Chances are another one will not happen right away!

2. One way of buying or shorting *sooner* is to enter the market during an intra-day reversal signal, with a small order. When the turning line confirms the reversal (by exceeding the preceding three same-color lines), a new order for more units can be placed. If the reversal takes "too long" to unfold or fails to occur altogether, the initial small order is quickly liquidated (hopefully before the breakeven point is reached).

3. A variation to the approach above (2.) is to place a Buy Stop order at the level where the highest of last three black lines is and exit when the price turns down close to the bottom of the last white line. For shorting, a Sell Stop order is placed at the level where the lowest Low of the last three white lines is and covering when the price turns up close to the High of the last black line.

4. Conservative speculators can enter the market at the second line, either white or black, and will exit when a trailing stop is hit.

5. Action in the market is to be taken when the entry signals are being triggered but the exits are to be considered:

- when a profit target is being arrived at or,
- on a trend-line violation, making it unnecessary to wait for a real exit signal to be flagged or,
- when the market fails to move according to expectations.

The TLB method can be compared to trading longer-term moving averages but without their whipsaws drama! …

It pays to keep an eye on Bullish advances on the Close-only chart (not yet shown on the TLB chart!) while the market is in a downtrend on the TLB chart and conversely, for Bearish declines on the Close-only chart – also before they appear on the TLB chart – when the market is trending up on the TLB chart!

The height of the lines can and do give clues about the market strength and dynamism: is it a short time/short line, a short time/long line, a long time/short line or a long time/long line that the price is passing through?

Has the last line entered or left a support zone? Is the resistance nearby or far away?

Has the last line moved within a trading range? Is the trading range narrow or wide?

Is the last line that touched the former support a long or a short one? Did it take a day or two for the last line to form or did it take several days?

How about the former resistance, is it materializing? Is there an intersection between the shorter time frame and the larger one taking place right now?

Is the turning line far exceeding the previous three same color lines or is it barely making it through?

Questions like these are what the TLB charts bring about.

Noteworthy is the fact that, one or two lines - *when found alone* – more often than not, point to additional price movement in the direction prior to their occurrence. It is the classical follow-through failure that confirms the continuation of the trend: the interruptions occur when both market entries and position liquidations are light, in insufficient quantity to reverse the market direction.

Modified TLB charts

The Japanese experimented with the number of lines required for a reversal to occur. On changing the line break from the standard of three down to two or one, more minute market movements are recorded but more probabilities for the speculator to get whipsawed are created.

On the other hand, changing the line break from the standard of three up to four lines or more, fewer reversals will show up and more time span will be on display.

All the principles and patterns operating in the typical three-line break chart will work well with the smaller or larger number of lines employed but at different risk/reward ratios.

Every tradable financial instrument, including mutual funds and bond yields that use only the Close (no High and no Low values) can be charted and traded using the TLB methodology.

The TLB is both a charting style and a trading system in itself. It withstood the test of time and it embodied the thinking found in the modern-days trend following systems.

Indicators (moving averages, RSI, ADX, ROC, Stochastic, etc.) can be plotted easily in MetaStock and other technical analysis software programs but why bother?

The TLB occasionally requires the trader to think uncommonly: enter the market where turning points rather than a trend continuation take shape, watch it go in the opposite direction of what has been anticipated and hold positions) through an adverse - sometimes lengthy – move until the price reaches and surpasses the entry value!

All this for a remote (few) dollars gain!

A comparison between the TLB and the bar charts will reveal this phenomenon, a profitable one however! It is in situations like these that the short-term focus on price dissipates into a longer-term expectation on what the markets have to offer!

Summary

While the Japanese Candlestick charts have been fully integrated into the Western financial speculations of the last decade, the TLB hasn't. A possible cause for this is the fact that the candlesticks can be utilized on any trading time frame, from the shortest one to the longest, whereas the TLB seems to be more useful to the intermediate-term and long-term investor.

Another possible cause is the fact that the TLB incorporates elements of contrarian thinking, something that makes it somewhat harder to grasp *and execute* than the more popular straightforward approaches available in this day and age.

The TLB's purpose now is to remind us that if we are to be successful in the markets, training ourselves to trade for the fast results of the short term can be done without ignoring the long-term potential! …

P.S. The latest good news is that eSignal – the major international data provider – has included the TLB option in their latest charting software!

How about day trading on signals from a 5-minute or 10-minute TLB chart? 4-minute or 13-minute TLB chart anyone?

Bibliography: "Beyond candlesticks" by Steve Nison. Charts courtesy of MetaStock, www.equis.com

John Craciun owns & operates www.MarketTide.com a web site for individual traders.

Trading Psychology the Trader's Mindset

By Bennett A. McDowell

Developing "The Trader's Mindset" is a must for trading success and this can take some time. This is not an area where you can take a short cut or learn a formula. You usually develop it by actually trading and the experiences you gain from trading.

You can see how powerful psychology in trading is, if you show the same successful trading approach to one hundred different traders. No two of them will trade it exactly the same way. Why? Because each trader has a unique belief system and their beliefs will determine their trading style. That is why even with a profitable and proven trading approach, many traders will fail. They do not have the proper belief system to enable them to trade well. In other words, they lack "The Trader's Mindset."

When you encounter psychological issues it is best to recognize the issue, just be aware of it, don't deny it. In order to "fix" psychological issues we as human beings must first become aware of the problem and issues causing the problem in order to heal and "fix" the problem. This is much of what psycho analysis is all about. The psychologist or psycho therapist tries to let the patient first see the problem and then the patient must believe that these issues are causing the problem in order for the patient to heal. The reason this process can take so long, perhaps even years is because the patient needs to not only recognize their problems, but must accept that there truly is a problem. They must take responsibility for their problems to heal.

Success in trading is a direct result of a sound trading system, sound money management, proper capitalization, and sound psychology. All of these must be in sync to be successful in your trading.

Psychology is the one area where you may need additional help and it can take up to a year or so for you to resolve personal issues while working towards attaining trading success. You owe it to yourself to get some support.

Here is a list of common psychological trading issues and their causes:

1. The usual reason for this is that the trader fears failure and feels like he or she cannot take another loss. The trader's ego is at stake.

2. Getting Out Of Trades Too Early: Relieving anxiety by closing a position. Fear that the position will reverse and the trader will feel let down. The Need for instant gratification.

3. Adding On To A Losing Position (Doubling Down): Not wanting to admit your trade is wrong. Hoping it will come back. Not trading the realities of the market place. Again, ego is at stake.

4. Wishing And Hoping Your Trade Will Be Profitable: Not wanting to take control or take responsibility for the trade. Inability to accept the present reality of the market place.

5. Compulsive Trading Or Over-Trading: Drawn to the excitement of the markets. Addiction and Gambling issues. Needing to feel you are in the game.

6. Anger After A Losing Trade: The feeling of being a victim of the markets. Unrealistic expectations. Caring too much about a specific trade. Tying your self worth to your success in the markets. Needing approval from the markets. Sometimes losing can re-enforce a negative belief you have about yourself which intensifies your emotion of anger.

7. Excessive Joy After A Winning Trade: Tying your self worth to the markets. Feeling unrealistically "in control" of the markets.

8. Stagnant Or Poor Trading Account Profits: You don't deserve to be successful. You don't deserve money or profits. Usually psychological issues such as poor self esteem.

9. Not Following Your Proven Trading System: You don't believe it really works. You did not test it well. It does not match your personality. You want more excitement in your trading. You don't trust your own ability to choose a successful system. You lack discipline.

10. Over Thinking The Trade, Second Guessing Your Trading Signals: Fear of loss or being wrong. Wanting a sure thing where sure things don't exist. Not understanding that loss is a part of trading and the outcome of each trade is unknown. Not accepting there is risk in trading. Not accepting the unknown.

11. Not Trading The Correct Position Size: Dreaming the trade will be only profitable. Not fully recognizing the risk and not understanding the importance of money management. Refusing to take responsibility for managing your risk.

12. Trading Too Much: Need to conquer the market. Greed. Trying to get even with the market from a previous loss. The excitement of trading (similar to Compulsive Trading).

13. Afraid To Trade: No trading system in place. Not comfortable with risk and the unknown. Fear of total loss. Fear of ridicule. Need for control. Fear-based trading.

14. Irritable after the Trading Day: Emotional roller coaster due to anger, fear, and greed. Putting too much attention on trading results and not enough on the process and learning the skill of trading. Focusing on the money too much. Unrealistic trading expectations.

15. Trading With Money You Cannot Afford To Lose Or Trading With Borrowed Money: Last hope at success. Trying to be successful at something. Fear of losing your chance at opportunity. No discipline. Greed. Desperation.

These are by no means all the psychological issues that exist, but these are the most common. They usually center on that fact for one reason or another, the trader is not following their chosen trading approach or system. And instead prefers to wing it or trade their emotions which in trading will always get you in trouble. So, I think you can see how psychology is all important in trading.

Our goal as traders with regards to psychology is to maintain an even keel so to speak when trading. Our winning trades and losing trades should not affect us. Obviously we are trading better when we are winning, but emotionally we should strive to maintain an even balance emotionally with regard to our wins and our losses.

It will happen when you are ready. It will come after working long and hard on your psychology, but most likely it will come without you knowing it. It usually happens when you least expect it to.

Below is a list of what one feels after acquiring "The Trader's Mindset":

1. Sense of calmness

2. Ability to focus on the present reality

3. Not caring which way the market breaks or moves

4. Always aligning trades in the direction of the market, flowing with the market

5. Not caring about the money

6. Constantly looking to improve your skills

7. Profits now accumulating and flowing in as your skills improve

8. Keeping an open mind, keeping opinions to a minimum

9. Accepting and understanding risk in trading

10. No Anger

11. Learning from every trade

12. Winning and losing trades accepted equally from an emotional standpoint

13. Enjoying the process

14. Trading your chosen approach or system and not being influenced by the market or others

15. Not feeling a need to conquer or control the "market"

16. Feeling confident and feeling in control of "yourself"

17. A sense of not forcing the markets or yourself

18. Trading with money you can afford to risk

19. No feeling of ever being victimized by the markets

20. Taking full responsibility for your trading

When you can read the list above and genuinely say that's me, you have arrived!

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A Solar Eclipse and a Fast Break in a Stock

By Myles Wilson Walker

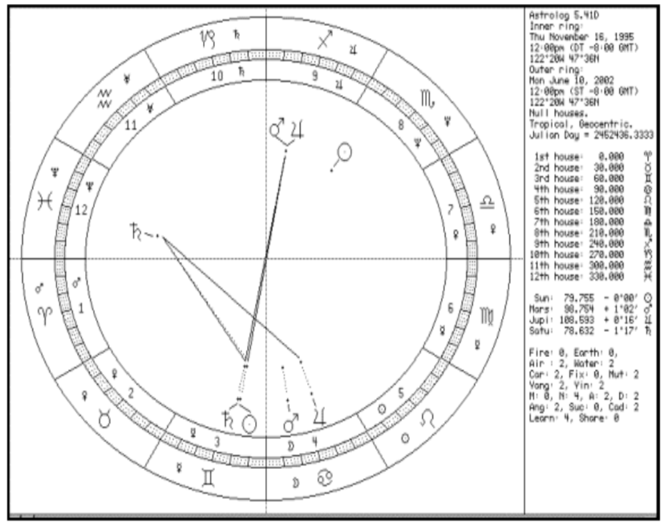
Take a look at this stock, ADVS Advent Software The stock collapsed more than 30% in one day although one analyst was expecting it to go up 2 days earlier based on a bullish Gartley formation which I consider to a very interesting formation. However, the stock has violated this which means other indicators should have been consulted. Could it be astrology?

1st trade day is: Nov 16, 1995 according to yahoo service. collapse day: Jun 11, 2002 (signed Jmmport)

Yes the answer is astrology. It is a textbook example in this case.

The Stocks first trade date had a powerful Mars conjunct Jupiter (strength) square Saturn (ultimate restrictions)

Saturn moved around to oppose the Natal Mars Jupiter conjunction and the energy was released June 10th by the solar eclipse. Below is a composite chart for the birth plus eclipse.



Price Targets

A reader recently paid me a great compliment by saying that Super Timing was the only book about financial astrology that did not demand that the reader was intuitive. Instead all the cycles are mapped out in a logical manner, this is why I am able to forecast years ahead the cycles for the markets accurately.

One thing that I should stress is that Super Timing is not just about astrological cycles and how they time the markets, it is also about price targets. A lot of price targets.

Price without regard to time also makes for profitable trading this is why Gann could do 286 trades in 25 days.

In fact I show how one of W.D.. Ganns calculators gives every price target that he mentions in all the examples from his very last promotional booklet published in 1954 and called "Why Money is Lost on Commodities and Stocks and How to Make Profits"

If you would like to see a copy it is on my web site http://homepages.ihug.co.nz/~ellsann

I've been taking the price work done in Super Timing and turned it into what I call "Automatic price targets' as a day trading method on the e-mini S+P.

I call these price targets "Value Points"

After calculating the (automatic price target) Value Point the simplest entry method is to place a buy order a few ticks above the next support price with a stop loss a few ticks on the other side.

As soon as possible move the stop to break even and place a profit stop below the next resistance point.

Remember that support becomes resistance and resistance once broken, becomes support.

A Trading Strategy

This is not designed as the perfect system but as an easy to implement and profitable one. In the real world of trading these are the possible outcomes when looking at initiating a trade at a Value Point.

Getting in

1) price hits then exact target and reverses

2) price goes through the target by a small/acceptable amount based on research for that market and then reverses

3) Price goes through the target and Value Point fails

4) Price does not quite hit the Value Point and then reverses

Getting out

This assumes that you have entered the market reversal i.e. bought the bounce or sold the rally.

1) Price hit the next Value Point and you exit with a profit
2) Price goes through the Value Point without stopping but you have taken your profit
3) Price does not quite get to your profit take and comes back to stop you out

Worst outcomes are

1. Your stop is hit
2. You don't get filled on a winning trade because the market didn't quite reach the Value Point

The solution may be to trade 2 contracts. Assume that in this case you are a buyer put your order at 2 points above the Value Point. i.e. 1050 is your Value Point, put your buy order in at 1052 for one contract and an order to buy another contract at 1050.

The exit contract can be done by taking a fixed profit take on one such as whenever one of your contracts is 10 points in profit and the second when it's 2 points from the next Value Point.

The aggressive trader can stop and reverse if their stop loss is hit. When using this approach you will need to monitor the current market volatility to assess if the fixed target you are using is too big or too small.

The following three charts show three and a half days of price action on the S+P. They are marked with the Value Points and the two-point early entry- exit line. One contract is entered here with the profit take fixed at 10 points. The other enters at the Value Point and then exits at the early exit line.

In my next article I will show you how this basic method can be improved to give superior performance in trending markets.

Mr. Walker is the author of the books, SuperTiming and Intro to Astro Tech available from Traders World magazine.

Paying the Price for Success

By Adrienne Laris Toghraie, MNLP, MCH

Every individual comes into life with a set of resources that add to or detract from his energy and ability to live a successful life. As a person develops into adulthood, he can either add to or delete from his personal collection of resources.

Ed was born with exceptional aptitude, creative skills, and good health. Adding to his natural resources, he was raised in a loving, supportive family that inspired him to do whatever he wanted to do and to become the best person he could be. When Ed decided to become a trader, it came easily to him. It appeared that the price he had to pay for his success was small because the deck was stacked in his favor, and he worked to keep it that way. Life required very little sacrifice from Ed and the challenges that he had were enjoyable parts of his journey.

Ed is the rare exception. Most traders have a substantial price to pay for their success in trading. The price exacted is largely determined by the type of trader someone wants to be and the kind of returns they expect to have. For instance, if a trader wants to trade mutual funds part-time on a long-term basis, he will need a much different set of resources than a full-time futures trader who trades 5-minute charts on-line.

Are You Willing to Pay the Price to be a Professional Trader?

What is the price? The cost of successful trading can be calculated by adding up the costs in terms of:

1. Physical Health To be an effective trader over the long haul requires "a high frequency of energy" that is supported by good physical health. If you are not physically healthy, you will not have the emotional and mental strength necessary to make quick and effective choices. Operating from a low frequency of energy, a trader will succumb to fear and insecurities. A habitual pattern of negative thinking will lead to negative behaviors that become familiar to your neurological system and, therefore, more deeply imbedded in it. Think of yourself as an athlete in training who needs to maintain a healthy diet, and an adequate amount of exercise and relaxation. When your trading results are not reflecting what your system is capable of giving you, improve your health and you will more than likely improve your trading results.

2. Mental Health The same significance should be placed on mental health as physical limitations. As a person lives his life, he accumulates negative issues that were not resolved at the time they were experienced. As an adult, the tendency is to brush away these issues by recognizing them and understanding that they once existed. Understanding the problem will not heal or resolve the issue. These issues will show up as sabotaged performance in trading. This is especially true when you are operating at a "low frequency of energy." You will have to handle emotional issues with a professional if you want to get the most out of your ability as a trader. Those who choose to handle psychological issues sooner rather than later end up ahead of the game.

3. Environmental Support When a trader does not feel that he was supported in the things he wanted to do as a child, it usually translates to internal conflict as an adult. A part of him will support his trading activities because that is what he wants to do, but his parents' voices, which are also a part of him, will usually win the conflict. He will find it difficult to enter a trade. As an adult, if a trader's family is not supportive, he will feel guilty when he does not make money and resentment when he does or he will feel ambivalent towards his family. None of these feelings is conducive to a good trading state of mind. If you believe that you will succeed and have made good choices in becoming a trader, you will be more likely to get the support of significant people around you. The confidence you exude will make them feel more confident in you. Of course, nothing builds confidence like evidence of success. The problem usually starts, however, while you are on your way to building that evidence. It is important to make sure that you educate the people in your life to realize that trading is a viable way to earn a living. Show them your business plan and discuss the reasons that you believe you can make a success in this business by modeling those who are successful.

4. Trained in Technical and Creative Skills To be a well-rounded trader, the left technical side of the brain and the right creative side of the brain need to be stimulated. Technical studies such as math and science develop a trader's understanding for the logical part of trading. Studies such as music, art, and drama develop the creative part of a trader's understanding. The balance between the logical and creative sides of the

brain develops intuition, which is the seed of artistry and mastery in a trader.
One of the ways to develop the logical side of the brain is to play games requiring math skills. The creative side of the brain can be exercised by creating stories in your mind and on paper, in sensorial detail.

5. Education in the Markets Trading is like any other profession it must be studied. Would a doctor or lawyer read one book and consider himself trained? The more understanding a trader has about all aspects of the market, the more he will know how to prepare for contingencies. If he plans for contingencies, he will not have as many lessons as most traders who fail their way to becoming a trader.

Start reading books on the markets in general. Then, read books that are specific to the area of interest you have in trading. Keep building your library with books, tapes, courses, and conferences.

6. Self Discipline All endeavors requiring sacrifice, time commitment, and following rules, are training for the discipline necessary to become a trader. If a trader cannot follow his system or methodology, it is either because he does not believe in his system, he has never exercised discipline and does not know how, or there is some psychological block.

A simple way to develop discipline is to make a weekly, then daily plan. Follow the plan while adding more detail to the plan each week.

7. Passion – Motivation – Commitment
A trader needs motivation and commitment to persist in overcoming the challenges to becoming a successful trader over the long haul. This commitment and motivation is stimulated by passion.

Think in detail about something that you want to accomplish and see a positive end result. Notice how passion builds when you become emotionally charged. Passionate living is developed from passionate dreaming. Taking the extra steps to make an event or an experience more enriching creates the passion needed to motivate you to the top of any profession.

8. Trading Capital The fact is that you cannot be a trader if you do not have enough money with which to trade. If you trade with too little money, you will most likely lose it all. Few traders have the psychology necessary to trade part-time with a small bankroll, slowly building it until they can trade full time.

Develop a financial report of resources that you have and compare it to resources that you will need to become a trader. Consider your living and business expenses in addition to the risk capital for trading. Then, make a financial goal outlining when you will be able to start trading. In the meantime, develop your trading plan and keep studying the markets, so that when the money is there to begin, you will have the skills necessary for successful trading.

9. Time Too many traders attempt two professions at one time, which creates a great deal of stress. Ideally, a trader should develop and begin to trade a system in a stress-free state of mind. If a trader constantly puts himself under time pressure, he will most likely develop negative issues such as failed relationships and failed health, which will lead to the inability to follow trading rules.
Plan your time to include a balanced life. Get the cooperation from the significant people in your life supporting your plan for trading and allowing the time necessary to develop yourself as a trader.
If Ed had made the lifestyle choices of drinking alcohol excessively and taking drugs while living in a polluted environment, he would have given away his health resource. Giving up health could have led to the loss of other positive resources that he had for being a balanced trader. If, on the other hand, Ed had made healthy choices, went on to get a Masters' Degree in Finance, learned to play jazz saxophone, and created his own supportive family as an adult, he would have added to the resources that he was given as a child. His positive choices would have made his path to becoming a trader more easy to follow.

Another Way of Looking at It
Let's say that in your particular life situation, you need 100 points of energy to maintain the balance necessary for a positive attitude and good choices in life. If your energy drops below 100 points, you fall into a pit of negativity and sabotage. This can occur from anything that rattles you such as bad news or even as a result of your low energy portion of the day. To keep from falling into the pit, it would be necessary for you to maintain an average of 120 points of energy, giving you a range of fluctuation in the positive zone. If you add position trading to your mix of activities, it would be necessary for you to maintain 150 points of energy because the swings of emotional volatility will probably be greater. To be an electronic day-trader working one-minute charts, you might have to maintain an energy level of 200 points to keep from going into the pit.

Observe what it takes for you to maintain focus and stability to know if you are making enough positive choices to keep yourself out of the pit. Maybe you need to add another hour of sleep or a protein bar as a snack in the afternoon. It is important to note that it becomes harder to pull yourself out of the pit after several times because the reserve to draw on becomes depleted.

The Monkey Wrench
The combination of resources that Joe had as a floor trader made him a great deal of money. Yet, his lifestyle choices were certainly not the model for a long-term, successful trading career. He lived on junk food, drank heavily, and was a party animal almost every night. Despite his lifestyle choices, he maintained a five hundred thousand-dollar per year income for seven years.
Joe's best friend died in a plane crash, which put him into a deep state of depression. Far down in the pit, Joe had no reserves to get out because he had been drawing heavily on his personal energy account for so long. When Joe got back into trading, he lost his rhythm and his confidence. His bad habits intensified as he went deeper and deeper into the pit with no rescue line that could reach far enough to save him.

Conclusion
Each trader has a price to pay for success. Some pay the price over the course of their lives, while others have to make a consolidated payment over a very brief period of time. In either case, the more resources a trader has at his disposal, the less likely it is that he will sabotage his trading career. By maintaining good choices, it is less likely that a trader will fall into a pit of sabotage, and if he does, he will have the resources that provide the ability to bounce back out.

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Practical Application of an Authentic 'Square of Nine' Part Two

By Ken Gerber

When the Lambert-Gann Educators research team found a 'Square of Nine' in the Lambert-Gann Publishing Co archives with a revolving date ring and movable Cardinal and Ordinal crosses, we knew that a major key to the use of Mr. Gann's 'Square of Nine' had been discovered.

In 'Practical Application of an Authentic Square of Nine' Part One, I showed how to set up the 'Natural Squares Calculator™' to be in harmony with the price of a market top or bottom. To do this I simply shift or rotate the Cardinal and Ordinal Crosses so that the Cardinal Cross angle from the center is aligned over the price of the high or low.

In this article I will show how to use the movable date ring on the 'Natural Squares Calculator' to shift time also so that it is in harmony with the date of a market high or low.

The chart included with this article is of continuous December Corn. According to Mr. Gann's teachings, we should link together all of the December Corn contracts forming one continuous file that gives us data back into the 1800's.

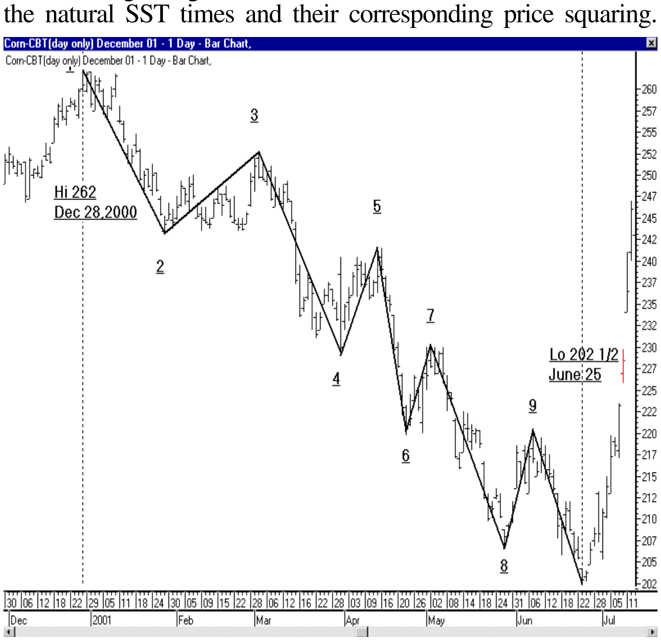
This particular section of the chart begins with the major high of 262 on December 28, 2000. Since the high occurred after the expiration of the December, 2000 contract, this section of the chart will cover data from the December, 2001 contract.

The 'Natural Squares Calculator' has separate rings which allows for moving the Cardinal and Ordinal Crosses (the degree ring which shows where the Crosses form) separately from the date ring.

To align the 'Natural Squares Calculator', we rotate the counterclockwise date ring so that the red bear market date of December 28th (date of the 262 high) is on the same angle from the center as the zero degree angle. Correctly done, the zero degree angle or the right side of the Cardinal Cross should be over the price of 262 and extend to the red date of December 28 (see picture below).

We have now set up the Calculator in both price and time harmony (see picture) with this high and should expect both trend and countertrend movements to vibrate with this alignment if we have used the correct high or low as a starting point.

With the date of December 28th set over the high price of 262, we can now introduce the concept of Synchronized Solar Time™ (hereafter called SST). In this example, Mr. Gann's natural time divisions of the calendar year have been reset from equinox and solstice times to natural SST divisions with the beginning on December 28th. The table below shows the natural SST times and their corresponding price squaring.



One eighth SST	February 10th	252 ½
One-quarter SST	March 27th	246
Three-eighths SST	May 13th	236
One-half	June 29th	230
Five-eighths	August 14th	221
Three-quarters	September 29th	215
Seven-eighths	November 13th	207
Full cycle	December 28th	2011/2

In addition to the natural SST divisions, each day after December 28th squares with the price that is on the same angle from the center as that date. In other words, each day forward from Dec 28th on the red bear market date ring creates a current SST angle squaring with a slightly different price. For example, January 20th would square in the upper right hand corner with the price of 257.

The first rally high marked No 3 on the chart peaked at 252 ¾. This rally is exactly one-half way back from the low at 243 to the high of 262 and up against the shifted ordinal cross. In addition, the rally top occurred on March 2nd, which squares with the price of 249 ½. The market rally carries 3 ¼ cents over, then immediately reverses and goes back below the current SST.

The market makes low No 4 at 229 on the 180-degree angle from 262. In addition, that low is on the date of March 30th, which is within 3 days of being on the 90-degree angle from December 28th. This is a common occurrence and shows how a natural SST is a great place to watch for price reversals.

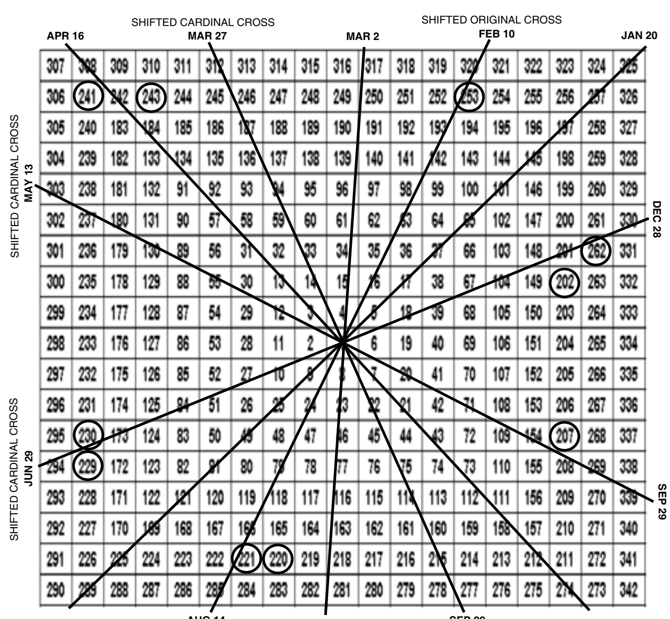
The next rally high at No 5 occurs on April 16th. This is the first time since the March 2nd that price has been able to get back up toward current SST. The high of 241 ½ occurs on April 16th exactly on the current SST angle (see picture).

From this high the market accelerates the decline and never is able to get back to current SST. This in itself is a great clue about the weakness of this market. Part One explained the continuing vibration of price on the shifted Cardinal and Ordinal Crosses for the rest of the decline.

The final low of 202 ½ marked No 10 occurs within one cent of the 360-degree angle in price. In addition, the low occurred on June 25th, which is within 4 days of the 180-degree angle from December 28th. Again we have an example of a major change in trend occurring on a natural SST and a Cardinal cross price.

The combination of natural and current 'Synchronized Solar Time™ (SST) and shifted Cardinal and Ordinal price divisions are extremely important in understanding market vibrations. This December corn example proves that by using the correct high or low in a market, we can harmonize the 'Natural Squares Calculator' to identify the vibration currently active in the market.

Ken Gerber of Lambert-Gann Educators, Inc. Contacted him at info @lambertganneducators.com (www.lambertganneducators.com).



Murrey Converts Gann to Murrey Math Real-Time Software

By T.H. Murrey

W.D. Gann asked you to follow his simple trading rules and remember old highs and old lows and fix your extremes so that they reflected the price attitude over Time.

W.D. Gann said to see Price and Time.

W.D. Gann wanted you to be able to "see" the relationship between Price movement inside "waves" of three dimensions: 1) Long Term: 100 years, 2) last high or low extreme, 3) or the past day or two days or four days.

Now, you decide which is a better viewpoint to predict the speed of any market. It must be your choice, or does it?

It has always been left up to you to decide what is a high and where is the Time Reversal. Are you tired of guessing?

Sorry, but you aren't supposed to be able to set these parameters yourself. Can you?

1.5625 million students of Gann, and now, T. Henning Murrey, are still wasting precious trading "time" trying to learn how to set the trading frame: 1) correct 1/8ths in Price, and 2) correct $1/8^{th}$ in Time.

There are 112.5 other software programs out there setting reverses to random reverses.

Why do we say this?

Simple: they don't work 37.5% of the time, unless they are set to our Murrey Math Trading Lines.

Please look at chart C.

The Murrey Math Real Time Software Program preset the MM Harmonic Trading Frame to: 1,000 – $0/8^{th}$ to 1,062.50 – $8/8^{th}$.

This automatically set the – $1/8^{th}$ and – $2/8^{th}$ MM Lines to: 992.19 and 964.37. These numbers are the preset expression of what W.D. Gann said falling markets would do (in a panic sell off): 1) to would fall – $1/8^{th}$ below the $0/8^{th}$ line, or 2) it would fall – $2/8^{th}$ below the line and return back into the $8/8^{th}$ trading range. He called this the Final Exhaustion Sell Off. See Chart D.

Did your software tell you to go long down at 984.37? Were you confident it would hold? Did you imagine it to go lower and stayed out of the trade? We knew it days in advance: 16 days exactly.

Result of trusting Murrey Math Real-Time Software Program:

1) Nasdaq Futures Contract held the lows established by T. Henning Murrey's software, and reversed up exactly + $5/8^{th}$ for 39.06 profit.

2) Please observe 4 perfect reverses inside our simple trading frame.

If you start with the wrong assumptions, you will end up with a wrong conclusion.

Time always has a definite start and end.

Price as an exact "internal" $8/8^{th}$ must be set to specific Price of each $1/8^{th}$.

The Murrey Math Trading Lines are becoming the "talk" and standard for all of the traders who want to make profits off simple rules that don't change with the newest "guru's" theory about the next moving average.

There are web sites and chat rooms filled with discussions about Murrey Math Lines.

Please look at charts: A), B), C), and D).

These charts are constructed automatically by simply clicking on the name of the market, which in this case is NQ2U: Nasdaq E Mini Futures Contract: September 2002.

You do nothing except evaluate the waves.

You can't do anything: the software won't let you add any corn ball theories.

Now, you are at the crux of your trading dilemma: do you want to learn to trade or do you want to waste years trying to "discover" a more complicated way to do the same thing, which is simply to win and lose less?

Most rookie traders are lured into the "trading world" by old, tired "indicator followers" who enjoy talking above the heads of "new" traders, so they appear to be smarter and wiser. We don't know why they do it, since they don't get better trading.

Folks, the goal of our conversation is to reduce trading to its simplest rules that are constant and repetitive for any market and remembered in a fast market. Did you?

If you have 10 small piles of profits you double your money. So why do traders want to make too much too fast?

Most traders "choke" or don't pull the trigger when the markets get to extremes.

How many traders went long June 27?

Please see Chart C.

This market gapped open down hard and fast simply because a penny stock WCOM had cheated by 3.6 Billion Dollars what it said it had on the books. Who cares?

Please see Chart C.

This market reversed on Perfect Harmony:

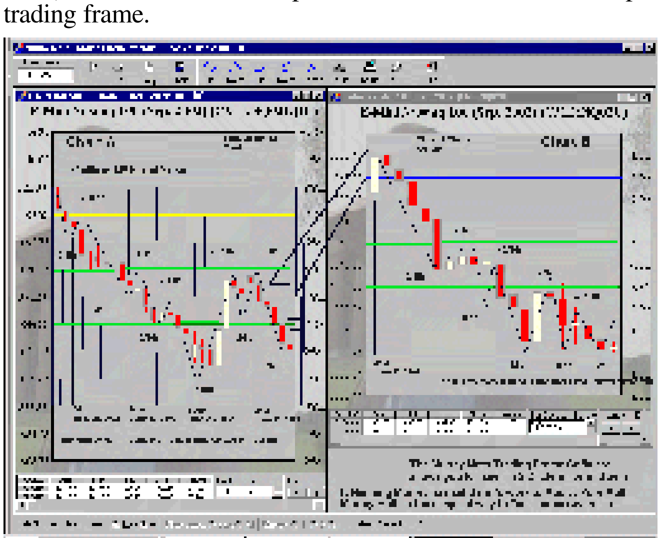
- $2/8^{th}$ up and + $2/8^{th}$ down (so far today).

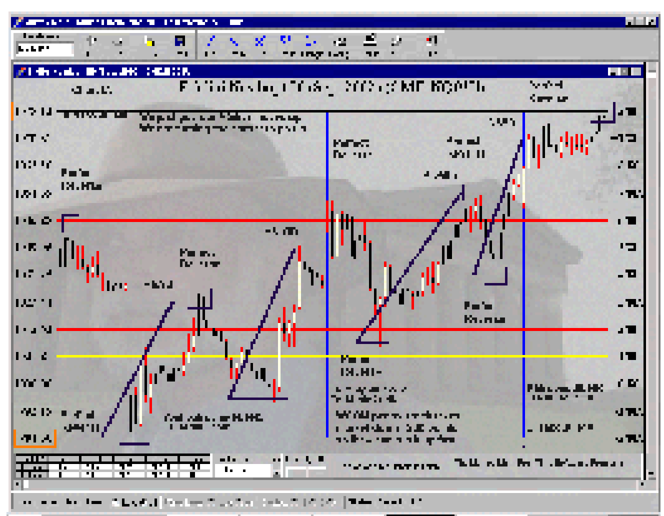
Please ask your chat room "buddies" if they go long on extreme lows, or go short on extreme highs? Most can't do it.

They won't fax you their tickets because they don't trade when they should.

Please call any large brokerage house and ask them how long it takes traders to wait before entering when the markets are gapping up or down fast? You would be shocked to see that most traders step aside on big moves up or down. They don't trust their own trading system. Why?

The same thing happened nine trading days prior and no one remembers it reversed exactly off a MM Trading Line:





1,062.50, then it reversed up exactly + 5/8th and stopped, again, on a MM Trading Line: 1,218.75 and reversed lower: Chart D: Reversal M.

T. Henning Murrey has been preaching the same rules as Gann since 1993.

Finally, thousands are behind us, and hopefully, making profits off simple rules.

There are four ways to learn to trade:

1) Read books and go to seminars, or join chat rooms,

2) Read about balance sheets and fundamentals,

3) Look at spread sheets full of numbers, or,

4) Look at a chart.

Gann and T. Henning Murrey asked you to look at a chart and memorize formations.

You must be able to see the chart from three perspectives:

1) Long term,

2) Intermediate term,

3) Short term.

Now, whose theory of these three approaches are you going to adopt?

After you do it, do you really feel you have made the better choice?

Gann asked you to pick your own random lows or highs and set your square in time inside whatever you choose.

How good have you been at choosing the correct speed of any market? How good is your software?

Answer: How many times does your market reverse correctly off your 1/8th lines inside your own frame, after the 1st time? Ours do.

Robert Minor, did a study years ago that evaluated reversals out into the future as a response of .382% and .618%, which are the random Fibonacci Ratio numbers everyone uses today.

Robert Minor found that responses lost their validity after the 2nd wave in Time to the right. What did you experience?

T. Henning Murrey has constructed a real-time piece of software that provides you with the simplest trading rules and the easiest way to set your trading frame.

Please look at Charts A and B.

You are looking at a ten - minute time frame with less data displayed on the right hand side. The Chart A, covers four trading days and price extremes from 1,000 to 1,125. The frame on the right has ten - minute candles displayed but it is traveling between 1,031.25 and 1,062.50.

T. Henning Murrey has tried to teach this simple concept to thousands of students the past nine years and only one person sees and understands: Kristof Werling from Germany. He got it.

In order to trade intraday, you must be able to see today against yesterday, then back four days, then etc. We keep it simple.

Most expert traders don't want simple trading strategies, if they must live with the results. Did their system win or lose?

Every trader, who reads about Gann, should get his famous book on commodities, published in 1942, and read the 1st 68 pages.

Few students are capable of reading the entire book. It's too confusing.

You have two choices when you attack trading:

1) Join the random camp and never memorize any 1/8th lines,

2) Join the Murrey Math Learning Center and memorize the 64 numbers.

Traders who join the simple group choose to trade off 64 specific numbers.

Price and Time are the balance of space and volume to trading over a given period of time. We know better how to set them.

Please look at Charts: A, B, C, and D.

The software did all the mental guessing for you. Your job is to trade not write software.

The proof of any software program's validity is whether or not it will predict market reversals of 2/8th, 3/8th, 4/8th, or 5/8th, or 6/8th, or 8/8th. Ours knows in advance.

We already know the Price reversal lines.

Please find Chart C.

This chart shows the Nasdaq E Mini Futures gapping down on the open and reversing exactly off our MM Breakout – 2/8th, then it went up and reversed again, three days later on MM Breakout + 2/8th up at 1,078.125. Our real time software knew four + 5/8th runs as they began. We had ten perfect reverses off our preset lines.

This market went up + 93.75 points after the bad news came out on WCOM.

If this market holds support down at 1,031.25, we should see several months of up surges in this market. Unless more corrupt C.E.O.'s open their hope chests to the public. Why should they? Would you?

Price is set to the Base Ten, which will be inside one of twelve different Internal Octaves, and Time shall be set to the Harmonic Stanza of four, or 16 frames.

No one has ever been able to figure them out and when they shift, so we did it for you and inserted our 8th grade Logic into real time.

We would invite you to draw the 12 different Internal Octaves inside Chart A.

You must tell us the exact price where the frame will shift and over what period of time. It is a great mental game.

Please E Mail it to us, or send it to Larry Jacobs at Trader's World Magazine.

Murrey was lecturing in front of 112.5 software experts two years ago in Raleigh, North Carolina, and there were book writers and speakers, who couldn't figure it out.

One writer said he had studied Fibonacci's writings in London. I told him I knew it without reading it. Murrey read one book.

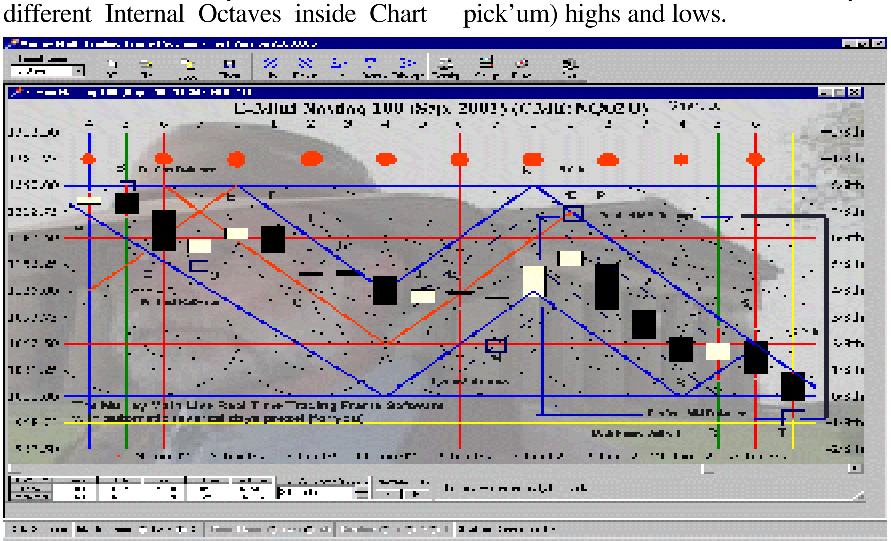
The Price shifts (12) from one set of 8/8ths to the next is impossible for you to learn.

Time is easy to learn.

Gann set the Harmonic Octave in Time to 52 weeks.

T. Henning Murrey sets the 52 weeks to four stanzas of 13 weeks each.

Gann set Price to random (you pick'um) highs and lows.



T. Henning Murrey provides the Price Octave for you automatically.

Gann wrote volumes on how to react to each market condition.

T. Henning Murrey read Gann's book 50 times in 13 weeks and recorded exactly what Gann said, then, provided you with a chart, so you could remember what your read by seeing a picture.

There are two parts to trading:

1) Knowing how to set Price and Time,

2) Knowing what Gann said to look for with a reversal inside the high or low extremes to set.

If you set Price and Time off random parameters, the rules for trading reversals will be inaccurate.

There are no random 1/8th lines and there are no random Time lines. You may choose to trade them, but they are low profit-reward.

Last week my daughter, finally, came to me and said, "dad, I'm ready to start trading Murrey Math."

She will be a great trader.

She wants to trade simple rules off only 64 numbers inside only one of twelve Internal Octaves. She can learn them fast.

She needs to know only ten rules and let the Murrey Math Real Time Software set her Time and Price Trading Frame automatically (for her).

Why would she want to read more than her father's book, which covers Gann in the 1st chapter?

Gann's children didn't trade. Why?

He refused to tell them the simple truth: trading is set to simple rules off exact numbers and exact time intervals.

T. Henning Murrey discovered exactly what Gann had said about the "Natural Numbers" that he addressed (briefly) on page 68.

Please look at chart A., and see where you may have this market trading inside one of twelve different Internal Octaves inside this current major 1/8th inside the Cube: 1,000.

Chart B displays the current afternoon session of this same market trading between (only) 2/8th inside the total 8/8th over Time.

Now, you observe this chart for hours, then you E Mail me where the frame shifts for each move inside this Harmonic Octave.

Why would you want to waste your "trading time" trying to guess that you got correct?

Why not simply turn on The Murrey Math Real – Time Trading Frame Program and let it set it for you? You do the trading.

T. Henning Murrey learned how to "see" this Fractal Binary Code in 1993. It will take weeks or months or years, to finally, figure out to set the Murrey Math Trading Frame.

Trader's World Magazine has been publishing the writings of T. Henning

Murrey for years. I've told you each time.

Please get their C.D. and read past articles.

We can't cover every bit of knowledge in every article.

Please look at chart B: June 25, 2002: afternoon session. It is still reversing to 3/8th and 5/8th (just on a smaller scale).

This is a close up chart of the Nasdaq NQ2U Futures set to a real-time ten - minute candle.

The Murrey Math Trading Frame Real Time Software Program knows how to set the most tradable last highs and lows, so you don't have to figure it out on your on. This trading frame reversed exactly ten times off preset Murrey Math Lines set inside a larger Time and Price frame: Chart C.

Please look at chart C.

This is a real – time chart from this morning, June 26th over to Friday June 28, 2002.

Did you notice that this market reversed on Perfect Balance Murrey Math?

Bottom: - 2/8th – 984.375.

Top: + 2/8th- 1,078.125.

This market reversed intraday twice off our MM 7/8th trading line, which is our best place to go short inside the trading frame.

This market reversed back down to our 4/8th MM Trading Line and reversed up to 8/8th.

Please look at Chart D.

Murrey Math Trading Line: 7/8th 1,218.75:

Day (O), high reversal exactly here, Murrey Math Trading Line: - 1/8th 968.75: low reversal exactly here: Day (T).

This is exactly – 8/8th fall set off June 18th highs. It is not luck when you use MM.

Would you imagine a software program that will predict exactly any 8/8th low, much less, the reversal without using any moving averages or even asking the last highs or last lows?

Please look at the even Time MM Lines along the top.

How many times did this market reverse automatically without any information?

Please look at the Murrey Math Parallel Momentum Lines that are automatically set inside our Murrey Math Harmonic Trading Frame. Please count how many times it reversed off them.

Please look at:
1) A: MM Momentum Line,
2) B: MM Price Line: 8/8th,
3) C: MM Momentum Line and 7/8th,
4) D: MM Price Line: 5/8th,
5) E: MM Time Line: 0/8th,
6) F: MM Price Line: 5/8th,
7) G: MM Price Line: 4/8th,
8) I: MM Price Line: 5/8th,
9) J: MM Time Line: 4/8th,
10) K: MM Price Line: 4/8th,
11) L: MM Price Line: 4/8th,
12) M: MM Price Line: 2/8th,
13) O: MM Price Line: 7/8th,
14) P: MM Price Line: 5/8th,
15) PQ: MM Price line: 2/8th,
16) Q: MM Price Line: 1/8th,
17) R: MM Momentum Line,
18) S: MM Momentum Line,
19) T: MM Price Line.

Please look and find T and O.

You will find that this market reversed exactly off yellow lines: 7/8th and – 1/8th.

This is a fall of exactly – 8/8th on the bad news from WCOM: Worldcomm.

Can you imagine a stock trading less than one dollar could make the S&P 500 Cash Index lose 25 Billion dollars in one minute?

Folks, this is a joke. Did you fall for it?

Today, this market reversed (up) 100% after logical thinking prevailed.

Do you believe the t.v., or, do you watch Murrey Math charts intraday?

If you think markets are random you will not see the 19 reversals off a preset frame: Chart D over 20 trading days: from June 26, 2002.

Please take these charts and blow them up so large you have to see the truth.

There are three truths and one is what you see happening in front of you.

Are you ready to sea the simple truth or are you still searching for the next moving average?

How is it possible for The Murrey Math Trading Frame Real Time Software to know in advance where markets will reverse 19 times off Price, Time, or Momentum?

You are invited to ask us how it works.

You are invited to figure it out as your brain is willing to accept Logic and Common Sense.

We hope you want to learn to trade off preset rules and numbers inside a simple cube.

Why complicate your trading strategy with too many extraneous rules?

We hope you opt for simple.

Simple rules produce small profits.

Small profits produce larger account balances over time.

Thanks for listening and learning a more about Murrey Math: Gann defined and refined.

The Murrey Math Learning Center provides, a book, end of day software, real time software, basic classes, real time intraday classes, and weekly predictions on: stocks, bonds, currencies, commodities and indexes.

T. H. Murrey can be reached at www.murreymathtrading.com

Soybeans Are In a Two Season Bull Market

By Ernie P. Quigley
June 5, 2002

For several years I made strong statements that 2001 would see a MAJOR turning point in soybean prices. The cycle associated with this statement is an 84-Year Cycle. Divisions of this cycle marked the spike high of February 1918, the all time low of December 1932, the spike high of 1948, the major low of October 1960, the spike high of June 1973 and the major low of October 1986. This cycle aligned with the low of October 2001, which is exactly 1 complete 84-Year Cycle from the spike high of February 1918. October 2001 was a MAJOR turning point.

A belief I have is that cycles and geometry form a unified discipline. This means that at a MAJOR low such as October 2001 an analyst will find the completion of significant cycles and MAJOR geometric structures.

The geometry that I find most helpful in market analysis is the ancient geometry of the Pythagorean Theorem ($a^2 + b^2 = c^2$); where a = time, b = price, and c = Price-Time Vector (PTV).[1]

Chart 1 shows weekly data of cash soybeans at central Illinois from January 1986 through May 24, 2002. From the cycle low of February 27, 1987 at $4.63 ½ cash beans rallied $5.40 to $10.04 on June 24, 1988. The Price-Time-Vector for this rally is found by using the Pythagorean Theorem. The PTV is 544.88. Notice that because the rally took place in such a short time the price change and the PTV are both quite close to 540.

From the spike high of June 1988 to the low of October 1992 cash soybeans declined $4.92 ½ in 223 weeks. The PTV of this decline is 540.63. The next PTV is from the October 1992 low to the MAJOR high of May 9, 1997. During this time interval cash soybeans rallied $3.71 in 240 weeks for a PTV of 441.86. This PTV of 441.86 is not the same as the PTV of 540 but it is intimately related to 540, as 440 is the geometric mean between 360 and 540.

The next move is the decline from May 1997 to October 2001. During this time cash soybeans declined $4.84 in 233 weeks for a PTV of 537.16.

Observe that each MAJOR turning point for soybeans is associated with a PTV of approximately 540, or a PTV that is geometrically related to 540. In the current case October 2001 was a MAJOR low! This is how the Pythagorean Theorem can be used to uncover the geometry of markets.

Now that we know that October 2001 was a MAJOR low and completed a PTV of approximately 540, let's take a look at the last time a similar PTV completed, which was in October 1992.

Chart 2 shows weekly data of cash soybeans at central Illinois from the low of October 1992 through the MAJOR high of May 1997. From the cycle low of October 2, 1992 at $5.11 ½ soybeans rallied $2.08 in 42 weeks to the week of July 23, 1993 for a PTV of 212.20. This PTV does not relate to other data so the assumption is that a significant high was not completed at that time. The PTV at the January 14, 1994 high was 206.66 and did not relate to other data either. From the October 1992 low cash soybeans rallied $2.12 in 86 weeks to a high on May 27, 1994 for a PTV of 228.78. This PTV of 228.78 becomes interesting.

Look at the time factors on Chart 1. The decline from June 1988 to October 1992 took 223 weeks. The bull market from October 1992 to May 1997 took 240 weeks and the decline from May 1997 to October 2001 took 233 weeks. These time intervals average 232 weeks. A PTV of 228.78 is similar to the average of these time intervals and suggests that this high could be important.

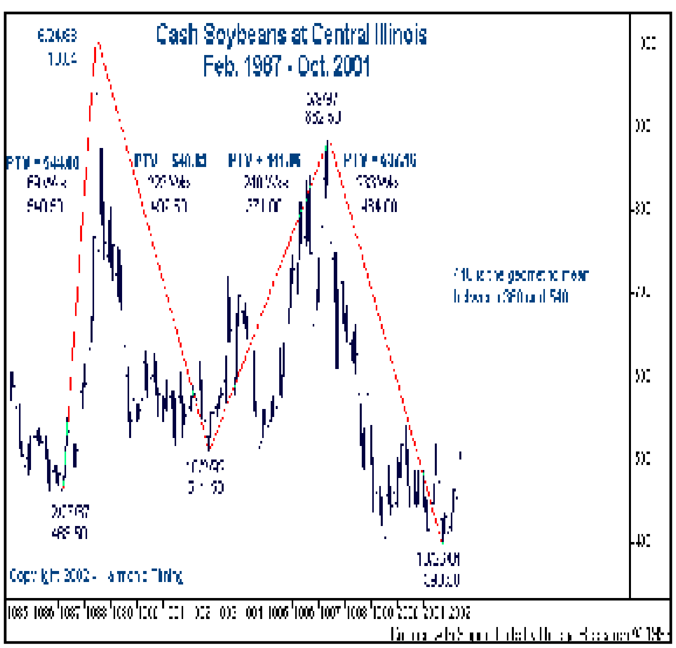
The next observation is the PTV from May 27, 1994 to October 7, 1994 is 224.31 and the PTV from May 27, 1994 to May 9, 1997 is 221.35. It appears there is a PTV of approximately 225 to 230 rotating around the high of May 27, 1994.

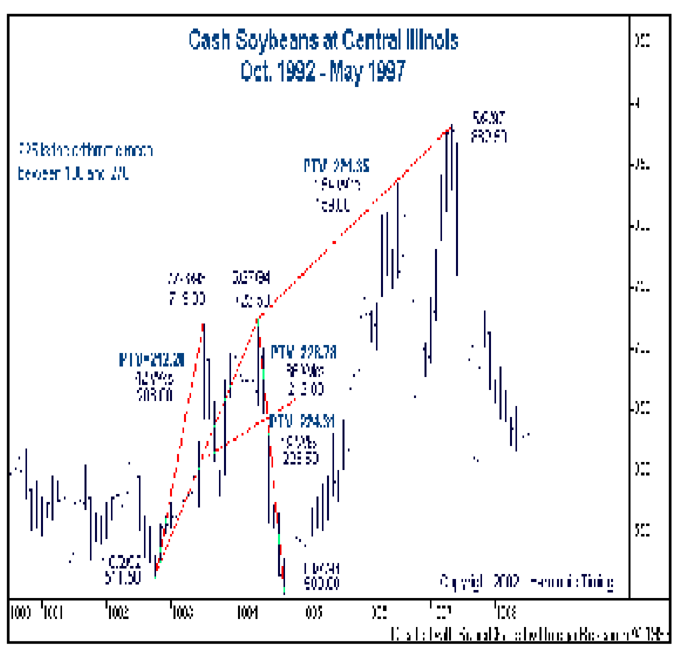
In the first instance the value of approximately 230 shows as an average time interval and in the second instance the value shows as a Price-Time Vector.

In summary, given this analysis, we can be confident that soybeans made a MAJOR low during October 2001, which should be a bottom for several years. Additionally, during the fourteen years since the low of February 1987 there are three numerical values that stand out on a weekly chart; 540, 440 and 230. These numerical values can be used to project price targets for the next bull market high. That discussion will be the subject of a future article.

[1] Price-Time Vector and PTV are trademarks of Bradley F. Cowan.

Ernie Quigley publishes a Soybean newsletter and can be reached at cycles@earthlink.net





Applications of Theoretical Wave Mechanics As Taught By Dr. Jerome

A Brief Outline of Theoretical Wave Mechanics Correlated to Financial Market Price Charts

By Brad Stewart

One of the most fundamental and important exercises for any market technician is the study of theoretical wave mechanics. More than almost any subject, this study will help an analyst to understand and recognize the nature of market action and pattern formation. This was the first practical exercise Dr. Baumring assigned to all his students, both private and in the seminars. Since it is such an essential study, we thought that a brief outline of the subject with some of the useful applications and implications Baumring pointed out would be found of interest.

First, let's briefly review the key points of theoretical wave mechanics. A composite or summational wave is the summation of several individual or component sinusoidal waves. The pattern of the composite wave is the result of the summation and changes of the various underlying waves. Anytime one of the underlying component waves turns there is change in velocity in the composite wave except when two component waves simultaneously turn in opposite directions creating an equilibrating effect. If you change the relationships of the lengths of the underlying waves, the summational pattern will likewise change its structure. If you change the phasing of any of the component waves, you change the pattern of the composite wave.

Wavelength or lambda refers to the length of a particular underlying component wave. Wavelengths are usually referred to by their 1/4 cycle lengths, the amount of time/distance from the 0 line to the maximum or minimum energy extreme. If a sinusoidal wave is seen as a circle cut in half with the bottom half slid forward the length of the diameter, one can then see the relationship between the circle and the wavelength or cycle. A 1/4 cycle can be seen to be also a 1/4 circle, a 1/2 cycle 1/2 of a circle, 3/4 cycle 3/4 of a circle, and a full cycle a full circle. This explains why we use degrees when referring to cycles with a 1/4 cycle being equal to 90 degrees, a 1/2 to 180 degrees and a full cycle equal to 360 degrees. Generally, these lengths are related to each other through musical harmonics, expressing musical ratios such as the third, fifth, etc.

The phasing of the waves describes the relationships of the different component waves to each other. If all component waves began at the same time, and at 0 degrees, they would all begin by moving up, or phased up, according to our explanation above. If they all began moving downwards, they would all have begun at 180 degrees. At any point along the summational wave, you can look at the component waves and determine their phasing to each other which will be most easily expressed by whether the waves are moving up or down. If two or more waves are moving up or down simultaneously, they cause what is called either positive or negative interference, meaning that the combined sum of the energies of these two or more waves creates a greater positive or negative amplitude summational wave. If you have one wave moving up and one wave moving down, you get destructive interference, meaning that there is an equilibration of energies causing a sideways movement on the chart.

It is the interaction of these component waves that forms the patterns of the summational wave on the theoretical charts. When you have a particular pattern of the summational wave on a chart, if you simply change one wave, whether large or small, it changes the form of the summational pattern. The differences in the composite patterns depend upon which and how many of the component waves change. If you flip all of the component waves in the opposite direction, you get the same pattern but up-side-down, an inverse pattern.

Market Applications:

The useful aspect of wave mechanics is that it serves as an excellent foundation for integrating many concepts and ideas of market structure and motion. It serves as a sort of foundational schemata upon which one can build a good model of market behavior in simplified form. Following are some of the analytical applications Dr. Baumring elaborated from the theoretical study.

<u>Counting Cycles:</u> One of the first things one learns from studying theoreticals wave mechanics is to see all changes in market activity as changes in the underlying energy vectors, or component waves. This is the first step to learning where to count from in order to determine the wavelengths, or lambda of the underlying vector components. We see that a bottoming or topping complex is always made from a number of energy vectors changing simultaneously (within the range of the top or bottom). Since we know that a directional movement is caused by combination of several component waves, we would not expect the count only from extreme top to extreme bottom to be the sole determinant of that move. Rather we would count from all of the primary vector change points at the top to all of the primary vector change points at the following bottom. For instance, if there is a head and shoulders top, there would be three primary vector change points to count from, same with a triple bottom. This gives us a larger number of vector counts, some of which will be the wavelengths of some of the underlying components (or multiples thereof). If one were then to also measure the different impulses and reactions in this way, one would find the same numbers recurring, and in that way determine some of the underlying component wavelengths.

<u>Reactions and Congestion:</u> In the same way, a good place to discover smaller component lengths is within reactions against the trend. Generally, the longer components will be determining the larger trend, while the minor components either strengthen that trend or cause reactions against it. Measuring these reactions is a good way to uncover these smaller components. Also when you have a long congestion phase in which some of the longer components

are equilibrated, you can often see the smaller cycles turning up and down within the range of the trend, so this is also a good place to discover them.

Pattern Recognition: One of the most useful elements of the theoreticals is in the study of pattern recognition. The theoreticals teach us to see the cause and process of permutation or morphology of the form or pattern. We can learn to extrapolate this insight into an analysis of market patterns. Two patterns which might not have seemed similar now can be seen to be almost the same with one or two components flipped. This develops a sense of the underlying causal structure of formations and patterns. For instance a broadening top formation or bed of accumulation at a bottom can be seen to be cases where you have a number of turning waves spread out over a longer period with many of them equilibrating until the last one or two turn down or up respectively, causing the ensuing reversal in trend. With a spike top or bottom, you see that you have the underlying components changing almost simultaneously causing the rapid reversal in trend.

Likewise, every pattern, whether top, bottom, directional trend, or congestion has an underlying combination of component waves which will create that particular formation. Understanding the cause and effect of these is what Gann calls "Form Reading." The slight irregularities one regularly finds in these patterns is clearly seen as caused by changes in the underlying component relationships. These changes will also give an indication as to what to expect in terms of ensuing permutations. Say you have an occurrence of a bottom which makes a clean downward half-circle, then you later see a bottom of the same time length but with a sideways S pattern rather than the full downward arc. You would recognize that you have a wave out of phase and that you should not expect the same breakout from the bottom as previously, but, rather that you will see a different angle of attack and different culmination to the upward trend due to this differently phased cycle. The trick is to be able to quantify all of this so as to make it useful.

Angle of Attack: The angle of attack is the slope at which the market moves at any time. Baumring said that the slope of a vector is related to its vibratory rate, what Gann called the "pitch or trend of the market." It can easily be seen that the slope of the market is caused by the relative constructive or destructive interference of the underlying waves. A steep slope or angle of attack has a number of underlying components moving together in the same direction. A flat slope or congestion area only exists when you have an equilibration of underlying waves.

Cycles vs. Periodicity: The distinction between cycles and periodicity is an important concept rarely discussed outside the Baumring circle. Cycles are equivalent to what we look at as component waves on the theoreticals, energy vectors, or directional force fields, moving from a positive to a negative extreme at a regular time interval. A periodicity, on the other hand, Baumring defined as "a sequence of events recurring at a particular interval." This periodic pattern is made of a sequence of component cycle relationships, which return to a similar juxtaposition at a particular period of time. It is in the understanding of this principle, the cause of recurring patterns, not just turning points, but sequences of structure, that makes Form Reading valuable, for the structure of a pattern foretells the nature of the pattern to follow.

Fundamental Building Blocks & DNA Code: Baumring called these recurring patterns the "building blocks" of the market, and sometimes said there were 13 fundamental building blocks comprising all market activity. He compared this phenomenon to a DNA strand which is likewise comprised of amino acid building blocks, the changing sequences and combinations of which are enough to generate the entire spectrum of organic life. As an analysis of the DNA code unveils the sequences which produce varying life forms, so an analysis of the building blocks of the market unveils the sequences which produce the variations in market structure.

Further Considerations: In theory, many of these ideas seem clear and logical but when it comes to applying them to the markets, the task is considerably more complex. The theoreticals are a simplification of the real market, and the simple analyses which can be done on the theoreticals become baffling when tried on a financial chart. However, it is possible to break down and reconstruct these cycles into an accurate map of market activity. There are a number of excellent studies on cycle analysis which Baumring recommended, and Dan Ferrera recently developed a barometer which breaks down 16 component cycles in the Dow, which over a 90 year period produces a startlingly accurate map of the market, with, of course, projections into the future. We hope to soon make this barometer available as excellent presentation of the subject. Also for the creation and study of theoretical wave mechanics charts, there is an excellent program developed by Ken Turkin, called Cyclekt which produces summational wave forms from varied component waves which can be altered to produce any imaginable pattern (contact us for further info).

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Looking Back at the Past Thru the Square of Nine

By Daniel Ferrera

Gann students are all very familiar with the Square of Nine. Traders World Magazine has had numerous articles written in past issues about this very unique calculator. Past articles have primarily focused on the Chart's unique number arrangement, which aligns the natural squares of whole numbers in a diagonal line. The squares of even numbers being opposite or 180-deg to the squares of odd numbers on the chart. The reason for constructing a chart like this is based upon the hypothesis that each positive whole number, i.e. the regular counting numbers1, 2, 3, 4, 5, etc. all correspond to some specific degree or angle of a circle between 0° and 360°. Pythagoras, one of history's greatest mathematicians and philosophers said " Units in a circle or in a square are related to each other in terms of Space & Time at specific points." Gann's Square of Nine is unique in that it achieves the ancient practice of squaring the circle and as a result is often called "The Pythagorean Cube". Past articles have always focused on using the Square of Nine to calculate possible future support and resistance price levels based on previous highs and lows applying a modified version of the Pythagorean logic, which now reads as "Units in a circle or in a square are related to each other in terms of Price & Time at specific points". This article will be much different! In my book The Gann Pyramid, I discuss several techniques, which apply to the trading markets, but in this article, I want to show another application of the Square. Gann has always said that the "future is a repetition of the past". This statement is a basic fundamental belief to individuals who subscribe to the cyclic theory of the markets and history. Gann believed that every top and every bottom in the markets had their mathematical counterpart in both price and time. He quoted Faraday saying "there is no chance in nature, because mathematical principles of the highest order lie at the foundation of all things. There is nothing in the Universe but mathematical points of force". If we apply this same logic to history using the Square of Nine, we get some very interesting mathematical relationships!

We are all very familiar with the horrible tragedy of September 11th. We are also aware that the World Trade Center was attacked previously by the same sick terrorist when it was bombed on February 26, 1993. Do these two events have any mathematical relationship that would connect them together from a cyclic theory point of view?

If we take the signing of the Declaration of Independence on July 4th, 1776 as our country's official beginning, we can measure time cycles on the Square of Nine from this point of origin. From July 4th, 1776 to February 26th, 1993 geocentric Uranus moved 941-deg 51' 57" or 941.8658 as a decimal. The square root of 941.8658 = 30.68983.

From July 4th, 1776 to September 11th, 2001 geocentric Uranus moved 972-deg 54' 42" or 972.9116 as a decimal. The square root of 972.9116 = 31.19153.

The difference between these two square roots is 0.5017. Multiply this by 180 to convert it to degrees on the Square of Nine Chart = 90.3 or 90-deg 18'.

This means that the two events are square to each other. Uranus was in a retrograde station when it hit this degree point on 9/11/01. It should also be noted that Uranus hit this point in direct motion on 2/26/2001, which was the exact 8-year anniversary of the 1st attack. Nothing significant happened on this date that we currently know about, but maybe it has some other significance as far as planning the attack on America was concerned? Ironically, Uranus represents "Sudden and Unexpected Change" and also rules airplanes in astrology.

Many astrologers are very familiar with the conjunction of Jupiter and Saturn and United States Presidents. Historically, every US President elected into office during a conjunction of Jupiter & Saturn in an earth sign (Taurus, Virgo, and Capricorn) has died in office. This can happen during any term of their presidency in the event they are re-elected. Ronald Regan was elected during a Jupiter/Saturn conjunction that did not take place in an earth sign, but still faced an assassination attempt by John Hinckley on March 30th, 1981. George W. Bush was elected president in the year 2000, which had a conjunction of Jupiter & Saturn in the earth sign of Taurus. In a previous article, I mentioned Gann's Master Time Cycle of 60-years. In the article, I mentioned that 60 years prior to September 11, 2001, suicide pilots attacked America and that the Pentagon had it's ground breaking ceremony. Subtracting another 60 years, we find that the Republican President, James Garfield was killed by assassin Charles J. Guiteau a mentally disturbed individual who believed that he was doing God's work. Looking at the Square of Nine for potential "danger periods", we find that Heliocentric Uranus traveled a total of 456.13° from July 4th, 1776 to July 2nd, 1881 when Garfield was shot. The number 456.13 is on the angle of 16.9° of cycle #11 on the Square of Nine Chart. Heliocentric Uranus will hit this 16.9° angle again (cycle #16) after it has traveled 983° from July 4th, 1776, which comes out to be June 23rd, 2003 as one potential "danger period" for either our President or our Country. Given the current religious theme of the terrorist's actions along with the strong 60-year coincidences and the fact the Republican President, James Garfield was killed by a "religious fanatic" this seems like a very interesting cyclic relationship. My book discusses some other potential relationships if you are interested in this type of work. The purpose of this article was to expose you to some other possible uses of Gann's Square of Nine besides trading applications. I hope that I have been successful in this regard.

For those interested, I've written two Excel worksheets that will calculate numbers and aspects for the Square of Nine and Hexagon Charts. The worksheets will allow you to input a number or price and will calculate the exact angle and ring that the input number is on along with the significant geometric relationships or aspects to the input number. The worksheets are $50 each and can be ordered from either Traders World Magazine 800-288-4266, www.tradersworld.com or The Sacred Science Institute.

W.D. Gann Unveiled

By D. K. Burton

W.D. Gann spent all his life studying cycles and numbers. Gann was a financial astrologer, a Freemason and studied the bible to decipher cycles. Gann made large amounts of money trading, horse racing and playing the Cuban lottery.

Gann was a Shriner which is a name applied to the "Ancient Arabic Order Nobles of the Mystic Shrine" He also was a member of the "Order of the Magi" in Chicago. As well as being a member of the "Mark Twain Society" (the pen name of "Samuel Langbourne Clemens") who also was a Freemason.

Gann said to "Buenos Aires Herald" (21/3/1935) that he has records of grain dating back 1000 years and cotton records nearly 400 years. The former, he was able to gather the most accurate information from old British records whilst in his search for cotton cycles he visited Egypt and India.

His third wife died around 1996. Gann died in 1955. She was 35 and Gann was around 65 when they were married. A close friend of mine visited her and she stated "one day Gann went to the races and she received a phone call late one night saying could you come and pick up your husband as we fear for his life, he has made so much money it is bursting out of his pockets".

Some people say he died broke. I don't believe this to be true, as taxes were well over 80% in the 40's and 50's and he most likely left his money in Cuba. You can't have an office on Wall Street for 40 years employing 9 staff, own two planes and be earning no money.

Anyone who is a Freemason understands that it is a secret society and knowledge is passed on through rituals and symbolism. It is only the initiated few of the highest order that would understand anything of ancient geometry and astronomy, being two of the several liberal arts. The seven liberal arts stand for each of the seven ancient planets being Saturn, Jupiter, Mars, Venus, Sun, Mercury and Moon.

Saturn is the master of the lodge and the other planets are allocated to the other positions in the lodge. You cannot have a lodge meeting unless you have a least seven people attending. Lodge meetings in the past were conducted on every new moon, although today it is not practical, therefore they are run on a nominated day of the week once a month.

The USA independence was set up astrologically by 57 men, 56 of whom were Freemasons and it was set up on the 4th July 1776 for a specific reason. 56 is also twice 28 which is mentioned in the following pages. A large number of the US Presidents have been Freemasons.

The 4th of July is 120 degrees from the 4th March and the 4th of November. In the past the President was elected on the 4th of November but never took office until the 4th of March making up the triangle. If you have studied history you would also know that the Federal Government never became effective until the 4th March 1789 exactly 13 years after American Independence was declared.

The US 1 dollar bill is also coded i.e., there is an eagle holding 13 arrows in 1 claw and there is a branch of 13 leaves in the other claw. There are 13 stars above the eagles head and 13 stripes on the eagle's breast totalling 52, which represents the weeks in a year. There was originally 13 States of America. The eagle is represented by the astrological sign of Scorpio.

Gann never got on with his son and his son didn't believe in astrology. His son used to sit in Gann's office making paper planes and tossing them out the window. Therefore, Gann didn't believe his son warranted receiving the knowledge he had gained over 50 years of researching, therefore all the knowledge went to his grave except for the small amount he passed on through coded works. .

A lot of Gann's astrology was coded or masked by the use of numbers and this is evident in the cycles in the commodity and stock courses as well as the two books titled ***"The Tunnel Thru The Air"*** and the ***"Magic Word".***

How Gann coded astrological cycles with numbers:

90 year cycle = 3 Saturn Cycles of 29.56 years, which equal 88.68 years 2 synodic cycles of Saturn/Uranus which are 45.36 years. This equals 90.72 years.

The 82 to 84 year cycle is the Uranus cycle of 84.02 years.

The 60 years cycle is 2 Saturn cycles or 3 Jupiter/Saturn synodic cycles. The 58.92 years and 59.58 years respectively.

49 to 50 year cycle is Uranus changing 7 zodiac signs of 7 years each.

45 year cycle is the Saturn/Uranus cycle of 45.36 years.

30 year cycle is the Saturn cycle of 29.56 years.

20 year cycle is the Jupiter/Saturn synodic cycle of 19.86 years

15 year cycle is half the Saturn cycle.

10 year cycle is half the Jupiter/Saturn synodic cycle.

9 year cycle is half the node cycle of 18.6 years.

7 year cycle is Uranus changing one sign of the zodiac or a movement of 30 degrees.

5 year cycle is 1/6 of the 30 year cycle or 1/4 of the 20 year cycle.

The 1 year cycle is the movement of the earth around the sun.

If you are looking for large cycles to coincide with major lows or highs exactly 60 or 90 years ago, then you are deluding yourself. The key is to know when the smaller cycles are lining up with the larger cycles. The larger cycles create the condition and the smaller cycles like Mars create the trigger. The large cycles can force the smaller cycles to *"flip flop"* or reverse. This is why you might see the smaller cycle go low, low, high or high, high, low etc.

When you have data of less than 30 years you then need to know which charts to draw and from where to run the geometric angles. Data of less than 30 years means you need to look at economic and weather conditions to give you an overall trend for the future.

Usually in a recession, depression or boom most commodities top or bottom within two years of each other. Most commodities go back more than 30 years and the major stocks also go back over 200 years. These types of markets, with the longer term data are the ones to forecast and trade, i.e. wheat, corn and coffee.

The geometric angles are a moving average of price and time and therefore, are much more useful than any other indicators utilized in today's modern trading. The reason being that geometric angles can be projected into the future whereas all other systems are lagging indicators and are based on price only. The geometric angle works best on weekly and monthly charts as they keep you with the trend when drawn correctly.

On daily chart the geometric angles are crossed frequently and therefore changes in the trend often occur. They are useful only as entry into the market when trading with the main trend.

Gann was born in the very strong bible belt of Texas. This is the reason he coded astrology with numbers, because the bible is coded astrologically and conforms with numerical principles.

The *"The Tunnel Thru The Air"* or

looking back from 1940 is completely coded in numbers and astrology. Some examples of astrology in *"The Tunnel Thru The Air"* are:

On page 50 Ezekiel 1: 4-16: "As for the likeness of their faces, they four had the face of a man, and the face of a lion on the right side; and they four had the face of an ox on the left side; they four also had the face of an eagle."

This is represented in the Bible by the 12 tribes of 144,000 men to each tribe:

Judah	Leo	Sun =	Lion
Reuben	Virgo	Mercury	
Gad	Libra	Venus	
Asher	Scorpio	Mars =	Eagle
Naphtal	Sagittarius	Jupiter	
Manasseh	Capricorn	Saturn	
Simeon	Aquarius	Saturn =	Man
Levi	Pisces	Jupiter	
Issachar Aries		Mars	
Zebulum	Taurus	Venus =	Ox
Joseph	Gemini	Mercury	
Benjamin	Cancer	Moon	

The lion, eagle, man and the ox are the fixed cross of the zodiac or represent the 45, 135, 225 and 315 degrees of a circle.

On page 66 Robert Gordon states:
"I believe in the stars, I believe in astrology and I have figured out my destiny."

On page 77 Robert Gordon states:
" It is just as easy to figure out 100 years or 1000 years into the future as one or two years ahead, if you have the correct starting point and know the cycle which is going to be repeated."

On page 78 Robert Gordon states:
"It is not my aim to explain the causes of cycles. The general public is not yet ready for it and probably would not understand it or believe it if I explained it."

"In every law of nature there is a major and a minor; a positive, a negative, and a neutral. Therefore, in cycles there must be a lesser, a greater and intermediate cycle, or cycles within cycles. Like Ezekiel says: "Wheel within a wheel."

There are numerous biblical quotes in *"The Tunnel Thru The Air"* , anyone who has studied the bible knows that this book is also a mask for astrology. For example page 69 in
"The Tunnel Thru the Air" *"For as Jonas was three days and three nights in the whales' belly; so shall the Son (Sun) of man be three days and three nights in the heart of the earth."*

The three days and three nights represents for the apparent standing still of the Sun as viewed from the Earth which occurs between the 22nd and 25th of December each year. Jesus was not born on the 25th of December, this is the first day that the Sun's apparent moves north in the northern hemisphere (middle of winter). There is a symbolic ritual in Freemasonry when a Mason is raised to the 3rd degree where symbolically you are lifted from the body of the earth in darkness. The 3 degrees represents the 3 days when the sun stands still.

"No sign shall be given, but the sign of the prophet Jonas."

"I believe there is a secret meaning in what he said; the son (sun) of man be three days and three nights in the heart of the earth.

Jesus died on the cross, the cross representing the four main cardinal points of the zodiac, Aries, Cancer, Libra and Capricorn or the four seasons of the year. Aries being the start of the spring season in the northern hemisphere is the commencement of growth and this begins on the 21st of March each year. At the death of every cycle a new one commences and this is what is represented by Jesus dying on the cross.

Seven is a number used throughout "*The Tunnel Thru The Air"*.

WD Gann was born on the 6th June 1878 and Robert Gordon was born on the 9th June 1906. This is 28 years apart or 4 x 7 years. The time between 1878 and the year he published the book in 1927, is 49 years, 7 x 7 years. The difference between 1906 and 1927 is 21 years, 3 x 7 years. The book title has 36 letters leaving out 1940. If you convert 1940 to letters you have 49 letters, again 7 x 7.

There are 36 chapters as well. The original dust cover has 16 planes, not scales, hourglass and compass etc. This is a cover Billy Jones created. The square, circle and triangle is not a Gann emblem, but is a Masonic symbol. You need also to study the original dust cover.

Without decoding the whole book, Chapter 7 is called "future cycles" and it starts on page 75. There are 418 pages to the book. 418 minus 75 equals 343, 7 x 7 x 7. Anyone who knows astrology knows that 343 is half a Mars cycle.

There are a lot of clues that Gann used astrology, but I will reveal the two charts in one, Gann's birth date (6/6/1878) and two, the date that *The Tunnel Thru The Air*" was written (9/5/1927). Two of the major planets Jupiter and Uranus on the 9th May 1927 conjunct (zero degrees) Gann's Saturn. Also Saturn trines Gann's Saturn (120 degrees). Neptune conjuncts Gann's Uranus and Moon conjuncts Gann's Moon.

"*The Tunnel Thru The Air"* is a love story for the masses however, but Neptune being the planet of illusion and conjuncting Gann's Uranus reveals that there is more to this book than being a novel.

"The Magic Word" Jehovah is Hebrew and is a great and sacred name. It is written JHVH. The correct pronunciation is JOD-HAV-VAU-HAV and has a numeric value of 10-6-5-6 or 1656. 1656 is the total number of years of the patriarchs. The Hebrews used gematria for the conversion of letters to numbers.

Age of Adam at the birth of Seth			130	years
"	Seth "	" Enos	105	years
"	Enos	" Cainan	90	years
"	Cainan	" Mahalaleel	70	years
"	Mahalaleel	" Jared	65	years
"	Jared	" Enoch	162	years
"	Enoch	" Methuselah	65	years
"	Methuselah	" Lamech	187	years
"	Lamech	" Noah	182	years
"	Noah at the time of Flood,		600	years
Total of years from Epoch			**1656**	years
Beginning of the record, B.C.			4004	years
Date of the Flood, B.C.			2348	years

Without going into further detail, to obtain a full and comprehensive understanding of the mysteries of WD Gann's work requires a lifetime commitment to study and research. If you are not studying astrology when studying the Gann method, then you are only completing part of the research. Modern astrology doesn't work, you will need to study ancient astrology.

It is not my aim to disclose twenty four years of research, but to give you an introduction to the authentic methods of WD Gann.

The methods I utilize are more for position trading rather than day trading which allows for further research and study on WD Gann's methods.

The wise man rules his star's and the fool obeys them!

I use the Janus astrology program for research work. You can locate this program at the web sitewww.astrologyware.com

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Systems Trading Might be the Edge You are Looking For

By Thomas Salk

I'm your "typical" former scientist and researcher turned broker and trader by profession. As a broker and trader, one of the biggest problems I deal with is that everybody wants to make a million dollars and do it fast. Its not surprising, given that there are always stories in the news about people who have managed to become wealthy quickly and easily. In this era of information overload; TV, investing publications, and yes the "up to the minute" Internet has a way of making it all seem so appealing.

Unfortunately, despite a lucky few, the reality is less glamorous. The reality is that most people who try to make themselves rich quick lose a lot of money, and their stories rarely appear on TV or elsewhere in the media. Becoming wealthy is a process that requires a sensible investment strategy, as well as confidence, consistency, and discipline. A sensible investment strategy is one that will be profitable over the long run. Confidence allows you to play that strategy. Consistency ensures that you will be there during those times that your strategy is most profitable, and discipline will prevent you from straying into more speculative and unreliable strategies.

Albert Einstein once said, "Things should be made as simple as possible, but not any simpler." On the one hand the game of trading is not quite as simple as people want to believe it is. On the other hand, many try to over-complicate things by factoring in too much into the equation. With trading as in life, you must keep things "as simple as possible" and overcome these simple truths:

The most common mistakes I've noticed in traders are:

1. No real strategy or game plan (lacking confidence, consistency, and discipline).
2. Tendency to let emotion and bias become a factor in trading decisions.
3. Use of too much, too little, or simply wrong information.
4. Allowing losing trades to persist and/or taking profits too early. At my firm, we have found that the traders who are most successful at avoiding these mistakes are the ones using trading systems. Most such systems are trend-based (many of which have been developed by scientists and mathematicians).

The reason system trading help traders prevent mistakes are:

1. Good systems are based on a well-defined strategy that has been rigorously tested against actual market conditions.
2. Good trading systems identify buy/sell opportunities in the same consistent way time after time, and make decisions based purely on mathematical probabilities (according to price action), rather than emotion or bias.
3. Good trading system focus on the market or security price, in which all known information has been internalized (i.e., new information about a security or market creates movements in prices, which in turn are analyzed by the system and used to develop strategy).
4. Good trading systems promote smaller sized losses and bigger sized gains (winning rate is not important and is purely a function of market conditions which are beyond our control).
5. Trend systems are designed to follow "natural course" or "flow of the market", taking into account the market's emotions without allowing the user's own emotions to interfere.

Think of a trading system as your advisor. One that does not act on emotion or let the opinions of so-called "experts" and "analysts" sway its decision-making processes. In science, conclusions are made based on factual data. I believe that the only known truth and pure fact is a stock or market's price. Trading systems are designed to make quick, yet objective decisions based solely on price action and direction.

Good trend systems do not rely on a high winning rate to find profitability. Winning rate is a function of market conditions. During a recent flight to Chicago, while I was thinking about this article, the pilot came on the speaker and said, "We are expecting some periods of turbulence, in between mostly smooth air". It struck me at the time that flying is a lot like trading. Although one would like the ride to be smooth the whole time, ultimately one has no control over the conditions in the marketplace. Ultimately, one must have complete security with the fact that losing is a part of the trading game. Remember, your edge in system trading comes from consistency, patience, and discipline.

Trading is not like professional sports where the outcome of your season is determined by how many games you've won vs. lost. Take for example, the following actual day trading record I've illustrated below (period of March 1st 2002 to May 31st, 2002).

Total Wins: 22
Total Losses: 49
Winning Rate: 31%

At first glance, this looks like a pretty sorry trading record. In fact, if I owned a professional basketball team that won only 31% of its games I would probably be looking for new management. All things considered (market conditions had been very choppy during this period), I am very pleased with the system's performance, particularly since the average winning trade was 3.5 times the size of the average losing trade; thus still resulting in overall profitability. When market conditions become more favorable, improving the winning rate, great profitability can be achieved. Consistency, patience, and discipline…

As a broker and trader, I have often been asked how I choose or define a good trading system. The process of filtering through and finding the right one for you can be a task in and of itself. When choosing a system be sure to do plenty of research while noting the following important details:

1. Beware of "optimized" or "curve-fitted" data. If a system boasts an unusually high return in a short period of time, it is likely the result of using the benefit of hindsight (back-tested price data) to produce the best return possible. A system that is too specifically tailored to the past is unlikely to be flexible enough to perform well in the future.

2. Forward-test or paper trade any system before you trade it with real money. It is always great to find an actual track record of performance if available.

3. Understand the weaknesses of the system you are following. No system is impervious to losing or periods of draw down. Under what kind of price action does draw down occur for the system you are following? Always be respectful of risk first. Proper understanding of this fact will provide you with a realistic assessment of the amount of startup capital necessary to handle the losing periods. It will also give you a realistic idea of the kind of returns to expect over time. Good systems will have manageable drawdowns. Remember, winning rate isn't necessarily the most important factor if you are utilizing a trend system.

4. Understand the strengths of the system you are following. Under what condition does the system you follow find profitability? Follow the price action on a chart (short-, intermediate-, and/or long-term intervals) to gain a qualitative perspective of where the buy/sell signals are occurring with the system followed.

5. A deep understanding of both the weaknesses and strengths of a system will ultimately give you the confidence necessary to maintain patience and discipline to follow in exact accordance to it's guidelines, which becomes crucial in successfully trading any system.

System trading is not right for everyone. The lucky few can make a lot of money quickly without a system. And many traders are simply too impatient and undisciplined to stick with a system's strict trading regimen. But as a broker, I teach my clients the benefits to using a good trading system, because while I make money on commissions that happen no matter how my clients make their trading decisions, my business is most consistently successful when my clients are consistently successful.

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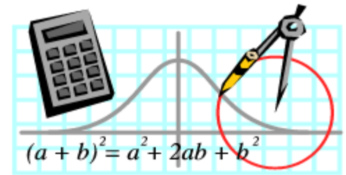
Geometric Progression



By Larry Jacobs

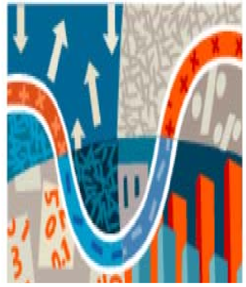
TCI, founded by Tim Cho has developed a new computerized trading platform, which uses Geometric Progression to predict the direction of the market. The software program is so complex that it uses over 1 million lines of code. It uses price action algorithms to identify and measure the directional acceleration of the market. It's based on new concepts and not the traditional tools such as moving averages, MACD, stochastics, Bollinger Bands, Fibonacci, Elliott Wave and other methods. The algorithms it uses are designed to identify the reversal points of market tops and bottoms in a defined time frame. The program actually takes price action data, as it is generated, and puts it into a formulated order to be analyzed and calculated by mathematical factors. From this, the program generates its projected directional entry and exit points, the acceleration of the directional pressure and the projected reversal time and price points. The accuracy and consistency of these trading results can be back-tested using a feature of the software before trading. You can see the results of a parameter before you start trading. The software can be used for both intraday trading as well as overnight swing trading and long term investing.

The software was developed as a result of the limitations and deficiencies of standard software. The indicators developed are leading indicators, which can effectively be used for trading. Unfortunately most technical analysis tools today use lagging indicators, which are almost useless. These indicators are designed to help the trader predict the movement of the market ahead of the crowd with a disciplined approach instead of using emotional gut decisions. To beat the crowd the trader must get in first and out first. Fundamentals analysis using earnings and PE ratios are important, but these indicators don't tell you when to buy or sell. To be successful at trading you must know when to buy and sell. By the time fundamental indicators tell you when to buy and sell it's usually too late. You can actually be the worst stock picker, but if you know when to buy and when to sell, its still possible to make a profit. If you are a good stock picker, but you don't know when to buy or sell, you can still be a loser in the market.

Tim Cho believes that you must have the right investment education to build confidence and to be a successful trader or investor. Confidence can be defined as previous successes, real or imagined, manifested in thought or behavior. When things don't go right, confidence is manifested by your persistent, positive attitude and the inner drive to not give up until you make the wrong things right. That's when confidence starts to stay with you. Self-confidence is what separates winners from losers. If you think you are beaten, you are. If you like to win but think that you can't, it's almost a cinch you won't. Life's trophies don't always go to the stronger or faster man. Sooner or later, the man who wins, is the man who thinks he can. Therefore, you must have the right mind set to be successful in this industry. Goal setting is another major component to become successful. You need to have clearly defined goals. Results come only from taking action. You also must be able to visualize with clear, detailed mental pictures of your goals having been achieved. To be the best it's not enough to want or to dream to be the best. You must have the commitment, the burning desire and the discipline to become an achiever. High achievers must be willing to go the extra mile, do the things most people are unwilling to do, and be willing to make sacrifices for success.

An detailed review of the TCI trading software can be found at www.tradersworld.com. Trading results of the software can be found at www.armadatrade.com For additional information please go to: www.TCICORP.NET

Price Synchronicity



By Carolyn Boroden

Most technical traders have heard about using Fibonacci ratios to define potential price support and resistance. Many traders however, are not as familiar with the concept of using a "clustering" of Fibonacci price relationships to define low risk high probability trade entries.

Why base a trade on a single Fibonacci ratio, when you can back it up with a coincidence or "Synchronicity" of six key price relationships? I'm not saying that you can't make money trading against single price relationships, but I will say that a confluence of relationships will typically point out a more solid trading opportunity.

Let's take a look at this "phenomena" on a 60-minute chart in Nasdaq futures. Note that on April 1, the NDM2 futures contract rallied sharply into the close. This market was actually slamming into a healthy coincidence of six Fibonacci price relationships projected from the prior key highs and lows visible on the chart below. The price cluster came in between 1483-1495. Not only did this zone include Fibonacci price Retracements which most traders are familiar with, but it also included Fibonacci price Extensions and also Projections of prior swings in the same direction. Bottom line, projecting all possible Fibonacci price relationships, suggested that the 1483-95 zone in this contract was a rather important price resistance decision.

The Nasdaq futures ended up making a high in this case at 1490 which was directly within this price cluster zone. With the gap down opening that followed on April 2nd, you had to think that the rally on April Fools day was a JOKE! As of the writing of this article, the Nasdaq futures have already declined to 1415 from 1490 or the dollar value of $1500.00 per contract based on 75 points on an e-mini contract. See Chart 1.

The beauty of this methodology, is the fact that it can be applied to all time frames. The lower the time frame that you use to set up your Fibonacci clusters, the tighter the risk can be on your trades. Let's take a look at a five-minute chart below in Nasdaq futures again. Since the overall market was in a very obvious downtrend, our focus during this session was to set up the sell side of the market rather than attempting to "swim upstream". A healthy price cluster developed at the 1432-38 area for a possible sale. Note that the "projections" of the prior corrective rallies since the 1490 high were included in this cluster of price relationships. In this case the actual high was made at 1436. Let's say you chose to elect sales on a failure to clear this key resistance zone, your initial risk on the trade could be defined as just a few ticks above the extreme level of the cluster (above 1438 in this case). See Chart 2.

Ok, so you're not a "micro-trader", what can Fibonacci do for you??? The last chart I would like you to take a peek at is of the Weekly S&P Cash Index (SPX). If you were trading Spyder, or S&P futures, the Fibonacci price cluster between the 1172.60-1179.40 area would have been helpful information. This zone repelled this market three times so far!! The first time, we saw a decline to the 1114 handle. The second time we saw a decline to 1074! Now on this most recent test of this WEEKLY cluster zone, we have seen a decline to 1131 just a bit more than 40 full S&P points. Would this information be helpful in your trading?? I think so!! Also note the "symmetry" or similarity in price with the prior corrective rallies on this chart. One rally into the March 2000 high lasted 227 points. The rally into the May 2001 high lasted 234 points. Then the last rally from the September 2001 low lasted 232 points. This "symmetry" played an important role in the strength of this key price resistance zone. See Chart 3.

No matter what your trading time frame is, Fibonacci price clusters can really help you fine tune your entries. If this methodology is used in the direction of the main trend you are trading, your odds for success increase greatly! These same Fibonacci ratios can also be used on the "time axis" of the market, but that's another article.

Ms. Boroden is a contributing trader to www.tradingmarkets.com

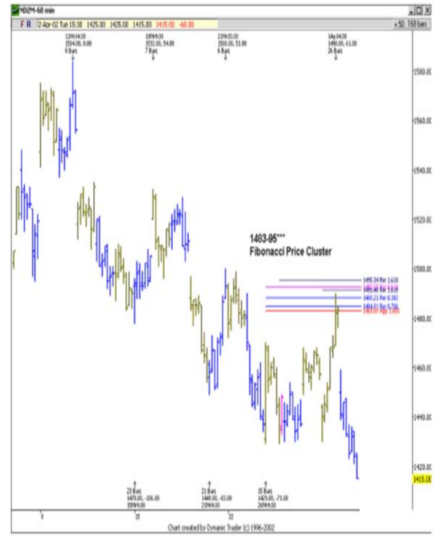


Chart 1

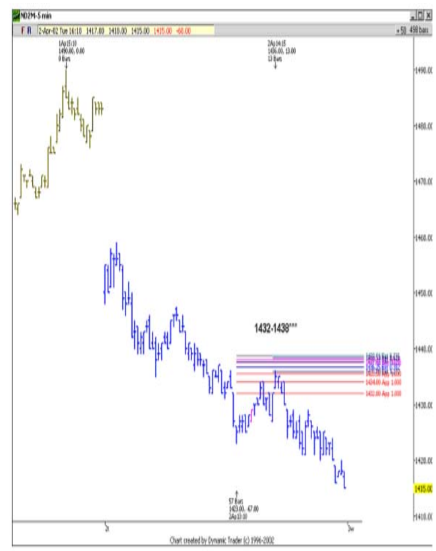
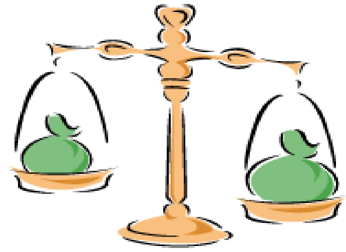


Chart 2

Chart 3

Managing Your Short Option's Position



By Alan Parry

In the last edition of Traders World I described a spreadsheet called OptionsChoice that could help you select the best trading opportunities for selling commodity options. I would now like to show you how to manage the short trade to completion so that you don't loose your shirt!

The Excel spreadsheet, PositionGraph, was developed not only to manage short options positions, but also to manage any trade in commodity options or futures or a combination of both. The layout of PositionGraph is typical of what you will find in expensive commercial options software, but I've added a few of my own "nice to have" features. It displays a graph of the profit and loss (P/L) plotted against the movement in the futures price at any time from inception until the trade is completed.

First, lets consider what happens if we sell an option. When we sell an option, and the option does not expire "In The Money", we get to keep the entire premium. However, there is always the danger that during the trade the futures price could go through the strike price, and the option may even expire "In The Money" and we could be exposed to "unlimited loss" if we are assigned an exercise. To take the risk out of this "unlimited loss" we need to manage the trade if things go wrong.

To show you how PositionGraph helps us to manage the trade, lets use an example; refer to Fig 1.

You sell a 27.5 strike Crude Oil Call option with 45 days to expiry. You enter the trade on 3 May when the futures price in the July contract is at 26.3 and implied volatility is 41%. You enter these values into the spreadsheet and see that you will get a premium of about $1000. The curved line represents the P/L of the day on which you enter the trade (Day 0), and the line above it is the P/L on expiry (Day 45). (Various colors for the different days are used). As can be seen from the graph, provided the futures price ends below 27.5 on day 45 you get to keep the entire premium of $1000.

However, in the real world prices are never static, and 8 days into the trade the futures price moves beyond the strike price, and you decide to go long futures at 28 to protect against a possible exercise. You enter this information into the futures area of the spreadsheet, and, as you can see from the graph of day 8 (Fig 2.), the P/L looks very different for the combined short option and long futures position. (For the sake of clarity day 0 is not displayed). As luck would have it the futures drops on day 9 to below 28, and you exit the futures trade at 27.95, for a loss of $100. If the futures price drops further to below the strike price and stays there until the option expires (upper line in Fig 2), you make a profit of $900. ($1000 premium - $100 futures loss).

If, however, the futures had continued to climb from day 8, you would keep the long futures position and eventually would be assigned an exercise. The upper line in Fig 2 then shows that you would only have made $500. Note that the futures can go through the roof, the "unlimited loss" scenario, but you wont loose your shirt; as a matter of fact you will make about $500!

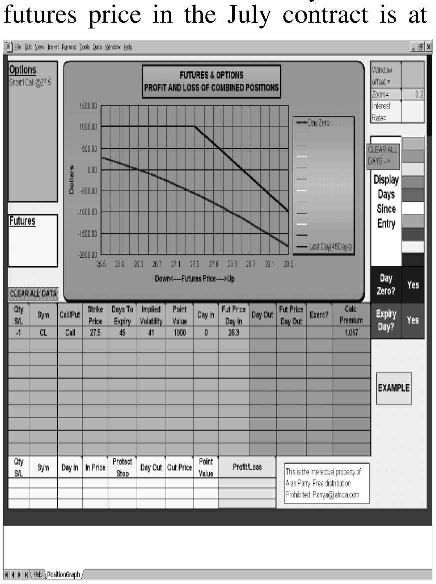


Figure 1

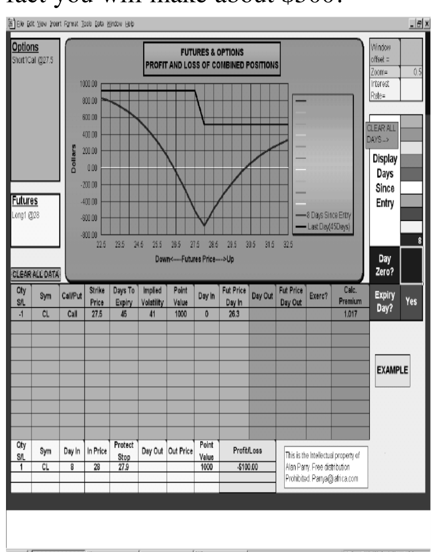


Figure 2

The spreadsheet will allow you to enter 10 options positions (I've never used more than 4), and 3 futures positions. On the left are two windows that display the current options and futures positions that are being viewed on the graph. On the right one can enter any number of days since entry and display the P/L for that day in various colors.

What makes the spreadsheet so valuable is that before you place an order you can test various options and futures positions and look at P/L on any day. Lets say you're Long a Put and long a Call at the same strike price; what does the P/L look like? How does this P/L change if you alter volatility for the Put on day 10, or short some further away Calls on day 15 to collect some premium? Virtually any "what if" scenario can be displayed, and you will be surprised at the interesting trades that I have discovered. There are also graphing examples of the recognized options strategies such as Straddles, Strangles, Condors etc.

Like any system, the value of this graphing software is only appreciated once you start to use it. It can save you lots of time and make your futures and options trades more profitable by allowing you to quickly look at various choices that you can apply to any trade.

Alan Parry, Ross Trading S.A., www.rosstrading.co.za

Option Spreads: The Rosetta Stone that Sheds Crocodile Tears

By Greg Donio

Comedian Bill Dana doing the character Jose Jimenez said he used to own a ranch. It was called the Circle V Bar 20 Double Diamond Rocking Chair Half-Moon Tumbleweed Ranch. It was a big spread but it did not have many cattle because "not many survived the branding."

I used to laugh at the vision of cowhands destroying steer after steer after steer without realizing this was not smart. Then I learned about the many thousands of bank accounts destroyed by the huge hot irons of the Pork—Belly Futures Ranch and the June Expiration Options Ranch, to name a couple.

John Rothschild wrote that between 80 and 90 percent of all futures traders lose all their money. Other publishing's pinpoint the 90. A2so, various published sources say that over 90 percent of all out-of-the-money options expire worthless.

Am I a voice of doom? Not really, just a jung1e planter who knows snakes bite, who stays alive and in profits. Never out of my sight are the graves of others who tried to carve a fortune from the speculative jungle; the crocodile skin profiteers and the sell—fake-deeds-to-cannibals profiteers. I pocket an uncut diamond and avoid the quicksand. Widows weep for those who step carelessly.

During the Atlantic City casino stock boom of the late 19-70s, I took hefty profits in Resorts International and Caesar's World common shares, also Bally call options. The head of the Philadelphia office of the discount brokerage chain remarked to me, everybody would like to do what you just did, but if everybody could, a loaf of bread would cost a thousand

He was mixing college economics with investment reality. Why does the government not make everybody a millionaire simply by printing vast amounts of paper currency? Because the more dollars there are in circulation, the less each dollar is worth, so that hot dogs with sauerkraut would cost several hundred dollars each. "This is the operator. Please deposit two thousand dollars for three minutes."

Same result if making a large fortune quickly were as easy as is thought by those who read the back pages of the supermarket tabloids. Make $100,000 in Four Weeks" Or as easy as expected by the amateur optioneer who anticipates multiplying his cash repeatedly in time for the lawn party. If it were such a snap, the highways would be jammed bumper-to—bumper with chauffeured limousines.

In his 1923 book The Truth of the Stock Tape, W.D. Gann wrote, "People expect more profits in speculation than in any other business. A man who would be satisfied~ with a return of 25 percent per year in a business is not satisfied if he doubles his capital every month in Wall Street. Many people are satisfied with four percent in a savings bank, but when they come to Wall Street and put up $1,000 they expect to make $ 1,000 in two or three weeks. They are the people who buy on a 10-point margin and. always lose."

He was writing of the time when you could buy $10,000 in stock for $ 1,000 in cash and a $9,000 margin loan or broker's loan. A 10-percent rise in the shares doubled your money but a 10-percent drop drained every penny. Today the margin limit for stocks is 50 percent but "the people who buy on a 10-point margin and always lose" remain active in commodity futures. Options, whether on stocks or bonds or future. or currencies, provide another on-the-edge game.

Now as then, "people expect more profits in speculation than in any other business." After scoring with Atlantic City casino shares and options, I did heavy reading on investments and speculations at the Mercantile Library on Chestnut Street in Philadelphia. A book on futures trading contained a core statement, "A mild increase in the price of the underlying commodity multiplies your investment."

Someone with a ballpoint had done some crossing out and writing in so that the statement read, "A mild, decrease in the price of the underlying commodity wipes out your investment." One can imagine the financial agony that moved that writing hand. I read books on stock options because of a happy surprise with Bally casino call options. I had bought the calls, fully expecting to exercise them and buy the underlying shares if those shares rose. Bally stock rose 40 percent but the options for which I had paid $ 2,000 climbed to $ 5,000-more than double.

To hell with exercising! I simply phoned the broker and re-sold the calls at a profit. I had purchased the options simply as a side door to additional casino stocks. By an oh-so-sweet accident I discovered that options had a life of their own, and. a vivacious life at that. Like futures, they could surpass the "underlying" by a golden mile percentage-wise.

Resorts International, Bally and. other boardwalk roulettes subsequently plunged but by then I had pulled out and invested most of the profits in bank shares. I had anticipated that after the ribbon-cutting near the slots, the party would not last. Alas, alas, I used part of the profits attempting to repeat the option success with puts and calls on stocks of other categories. There I was sprayed with gunfire from one of the "sad 90s"-the fact that over 90 percent of all out-of-the-money options expire worthless because most shares do not move so spectacularly.

Thus did. I learn of the giant branding iron at Rancho Optionero that turns dollars into cinders. The stock, options and. futures markets are, among other things, firing squads that say to many traders, "We must take you out and shoot you so there wont be too many millionaires. So a Virginia ham won't cost five grand. We are sorry and, must shed crocodile tears."

Also at the Mercantile Library I found a book one Option Spreads. I am sorry not to remember the author or exact title but it was the jungle diamond snatched from amid venomous vipers. The question is asked on many a barstool: "Who gets all that money that's lost in the markets?" A more specialized question: who received. the cash, paid for all those put & call options that expire worthless on the third Friday of every month?

Much of it goes to stockholders who

sell covered calls on shares they own. A fair amount goes to sellers of naked puts & calls. A part goes to "spread." strategists, the merchant caravan to which I belong. The latter are probably the least numerous among the three categories of traders. Yet that strategy earns high marks for both requiring a relatively small investment and (trumpet fanfare) reducing the risk.

Let us say that you buy 1,000 shares of an optionable stock. Each 100 shares you own gives you the right to sell one "covered call' option, so with 1,000 shares you may sell 10. On April 22 2002, for example, Dell Computer trades for 27 a share. You may buy 1,000 shares for $ 27,000 cash or $ 13,500 at 50 percent margin. Let us say $15,000 for a bit of protection against margin calls. (Specifying a company name is not a recommendation.)

With options, one point means $100 or $1,000 if you are selling 10. The option columns for April 22 say that Dell calls with an expiration date of May and a strike-price' of 30 trade for .2 or two—tenths of a point with a volume of 1,369 options sold. The .2 means you can sell one "covered call" for 20 or 10 for $200. The 30 strike-price means whoever buys one options has the right to buy 100 shares of Dell common stock at 30 dollars a share before the expiration date-the third Friday of May.

Since Dell stock currently sells for 27, the May 30 calls are said to be "out of the money" but trade for cash because the shares may climb above that strike-price before expiration. The option columns in the same newspapers (The Wall Street Journal. numerous dailies) say that June 30 (expiration month and strikeprice) Dell calls sell for .55 ($55 for one or $550 for 10 with a volume of 296. August 30s weigh in at 1.15 ($115 or $1,150) volume 366.

The November 30s at 2.15 translate $215 or $ 2,150, volume 13. January (2003) 30s at 2.6 are $260 or $2,600 and volume 25. If you paid $15,000 to buy Dell shares on margin, selling Junes for $550 with a two-month commitment or Augusts for $1,150 with a four-month commitment each annualizes to better then a 20 percent return Selling the seven-month-ahead. Novembers for $2,150 annualizes to just under 30 percent and nine-month-ahead January ($2,600) about 55 percent. If the stock rises to above 30, the options will be exercised and you must sell at 30 for about a 10 percent gain on the shares-another plus when handling out-of-the-money calls.

If the stock stays below 30, the options expire worthless and you may sell more carrying a later expiration date, and if those expire worthless, still more. If the stock declines in price, the sale of covered calls provides varying degrees of cushioning. For example, the sale of November for over $2,000 offsets over a $2,000 loss in the shares. However, stock investors who sell 'covered calls" or calls cover by shares they own are perennially warned: NEVER buy a stock for option—selling purposes unless you would also buy it for its own sake.

The Reason: If the shares in a particular company are not a good investment in and of themselves, the nosedive will hurt far worse than any option offset can heal. Such fundamental and technical factors carry significance for the spread strategist as well as the stock investor. The numbers in the preceding paragraphs are option spreader's figures as well as shareholder's ones. Same data, different viewing angle.

The Key Fact: Owning options with expiration dates far in time gives the trader the right to create and sell options dated nearer in time. Possessing stocks, bonds or money does not allow you to print more stocks, bonds or money, but with puts and calls the rules change delightfully. Let us say you buy the 10 Dell call options with a January 2003 expiration date and a strike-price of 50, and you pay the already-mentioned price of $ 2,600. That gives you the right to sell 10 nearer-in-time June 30s for $550 and, after they expire, 10 July 30s. Hell July's do not exist yet but will, starting late May. After the July's expire, golden etceteras shine August through December.

If the spread strategist wants a bigger moneybag now, he can buy Januarys for $2,600 and instantly sell Augusts for $1,150. Also, he need not wait until expiration on the third Friday of August to mine another vein. He can buy back and close out the August at a reduced price after time-decay has eroded their value, such as in June or July, then sell a later expirer. Selling options that expire worthless and selling then buying back at a reduced price are both "shorting for gain" variations.

Although spreading is not risk free, you may have noticed how numerical proportions change vastly to favor the spread strategist. $1,150 from the sale of Augusts is a far bigger return on an investment of $2,600 (purchasing the Januarys) than on an investment of 5 15,000 (Dell shares on margin) or $ 27,000 (stock bought for cash). Also, even though options have a risk factor (expiration) that shares do not have, far less cash is risked. Host importantly, when things do not happen as planned, when a stock descends instead of ascending or the reverse, the aforementioned cushioning or offsetting grows astonishingly.

This is a summary of a larger article at www.tradersworld.com. Greg Donio writings can be purchased from Oldcastle Laboratory, Box 508, New York, NY 10276-0508.

The Secrets of the Square and Circle

By Eli Weiss

I used the compass on chart paper for years to develop a very effective trading method using Gann's method of squaring time and price. The trading method I developed is actually based on using both the square and the circle. It allows me to estimate the measure the move in a series of circles and squares and project future turning points. I successfully used this method for a long time on chart paper. When I went to convert this to a computer chart, I found to my amazement that no commercial charting program actually squared the chart properly. I also found that programs could not draw the squares or circles properly.

This forced me to hire a programmer to build me a program that would work on a computer which could square the chart, measure the move in a series of circles and squares and use circles and squares to project future turning points.

With this software I was able to develop an exact entry point method that gives me both the TIME and the PRICE that the trend will change. To better explain how this works let's look at some charts.

The first chart is a stock symbol named RUBS on a daily chart. The chart on the right is QCharts and the chart on the left is from my software.

As you can see, the stock changed direction as soon as it hit the corner of our pattern WHEN TIME AND PRICE came together. This point was predetermined.

A major requirement of using this technique, or any geometry, is the proper understanding of how to square the chart. I use a few scale factors. One of the big questions in determining your scale factor is the rate of change of the stock or commodity. I have found that every group and sector has a different rate and every stock in the sector has its own scale factor. Stocks within a sector tend to have similar scale factors to others in the same group, but each stock is an individual.

After you have found the rate at which the stock is reacting to – not only in price but also in time – then you can square your chart. I personally have found 5 different ways to square the market. It does not mean one is wrong and the other is correct, but different stocks and commodities have different squarings. I use what I found works for me.

I have to stress the idea here that in order to be able to execute, the trader has to do the work and see the same pattern working again and again to gain confidence in what he is doing. You have to understand that the stock or commodity will not come to the same place on the pattern every time. Sometimes you will see one way to square the market that will give you time, and another that will give you price.

It is different not only from stock to stock but also from time to time. The idea that the market comes to the corner so to speak is true, but if you look and check more you will see that turns happen when it comes to a point where time and price meet each other. It changes every time but there is order in the changing.

Before doing any kind of similar analysis, you have to make sure that the chart you use is square. Then whatever you do with trend lines will suddenly look different.

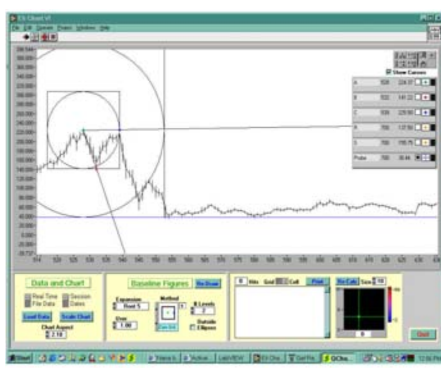
The next chart symbol is EMLX on a daily chart from January 2000 to November 2000.

Again we have the same type of stock. Compare the squared chart on the left with the auto-scaled one on the right from QCharts. My chart on the left looks totally different. The relationship between time and price takes on a whole new meaning.

Once you've scaled your chart, you must sit down and wait for the market to come to you. When it comes to the corner of the geometry wait for some confirmation of a turn or just pull the trigger and take the trade with a close stop. The risk is small because we know where the market must turn.

The last chart is symbol DRQ from January 2001. What is shown here is the analysis change as a result of the scale. The market didn't turn in the corner as before as the scaling is different. It could be that the stock behaves differently as it is in a different sector. You need to square again to get the time and if the time and price come together then the signal is valid. But you've got to do your homework and find consistent behavior and learn how the stocks you want to trade act before you risk anything.

Mr. Weiss has written a complete book entitled Secrets of the Square and the Circle available from Traders World. It's also listed in the catalog section of this magazine. The price of the book is $150.00 plus $4.95 S&H. If you have any questions please contact the author by email at weiss_eli@yahoo.com



The Simple ABC Correction

By Steve Griffith

I have been involved in the speculative markets for over 15 years, and one thing I have learnt, particularly in these days of ever more complicated and sophisticated analysis techniques, is that the sometimes the simple approach to analysis is all that is needed to be able to uncover some great trade opportunities. And one of the simplest trade set-ups that I use is the simple ABC correction.

Although this is not a new pattern, I believe that it's profit potential has been largely overlooked recently, mainly due to its simplicity, so today I would like to show you that though this pattern, you can uncover some great trade opportunities very quickly and easily.

First I would like to explain what I mean by a simple ABC correction. A simple, ABC correction is a 3 swing correction against the main trend, where the 3rd swing exceeds the price extreme of the first swing. Please see the chart 1 below:

The chart 1 shows how the Euro against the Dollar was in a strong impulsive rally. This was followed by a simple 3 swing correction, where the 3rd swing exceeded the low (in this case) of the first corrective swing. This is a simple ABC correction against the main up trend.

Why is the identification of the simple ABC correction so important? Well, once the simple ABC correction is complete, the main trend normally resumes. If we look at the current example a few days later, we can see how, once the simple ABC correction (as identified in the chart above) was complete, the Euro resumed the main trend to new highs. Please see chart 2 .

As such, the end of the simple ABC correction represents a great place to look to enter the market to take advantage as the main trend resumes.

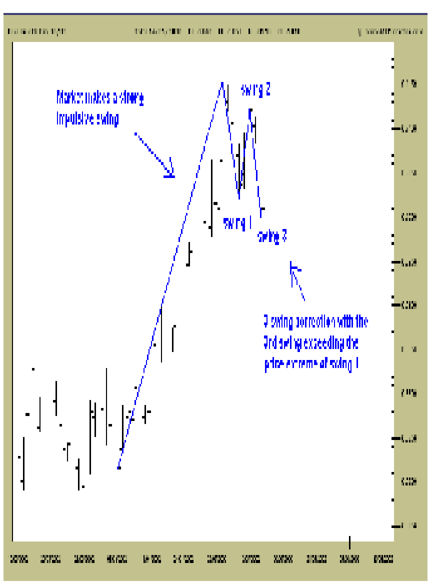
However, the main difficulty in the past has been identifying where the simple ABC correction was most likely to end. This is resolved by looking at the price relationships of the individual swings within the simple ABC correction itself. The most common relationship is where the Wave C (3rd swing) is equal in price to the Wave A (1st swing). Armed with this simple piece of knowledge we can now anticipate where the most likely price area where the Wave C, and as such the entire ABC correction is most likely to end. I call this the typical Wave C WPT (Wave Price Target). Please see chart 3 .

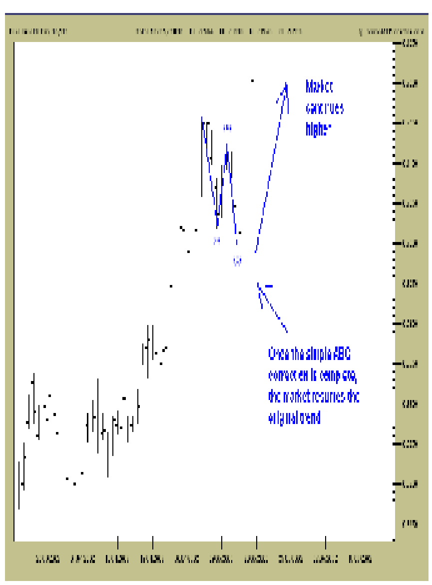
The chart above shows how this simple ABC correction ended right in the typical Wave C WPT support area. Knowing where the most likely support area where the entire ABC correction is most likely to end allows us to enter a trade with a very small risk that allows us to be in a very good position to take advantage as the main trend resumes.

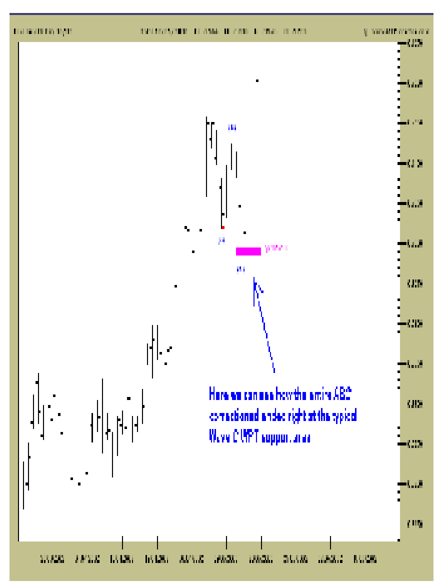
We can also look at price relationships of both the Wave C and the Wave B to obtain narrow price clusters where the Wave C is anticipated to end, however, the most important relationship for projecting the end of the Wave C is related to just the Wave A swing. As such, the price cluster that contains the Wave C = Wave A swing in price is the most important.

In my next article I will go onto show how the location of the simple ABC correction is important, and how this can be used to identify the very start of a strong impulsive swing. In Elliott waves terms this means identifying the very start of a Wave 3 type swing, which can be one of the most profitable trades in a complete 5 wave sequence.

Steve Griffiths is the developer of the MT Predictor software program and can be reached at www.MTPredictor.com







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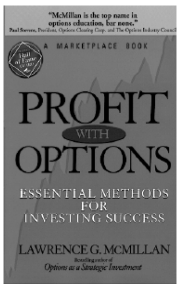

Finally - the book option traders and McMillan fans have been waiting for. Hands-on manual takes readers on a complete “course” through the options process. The unique ‘work book’ format allows you to learn, test, and fine tune your option trading skills - as you go - before facing real-world trading situations, where time and money are something you cannot afford to lose. Each chapter can stand on its own, but taken together they form a well-rounded options trading program. With end-of-chapter quizzes, even veteran traders can refine their skills to enhance their trading performance - and their trading profits.

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Steve Woods
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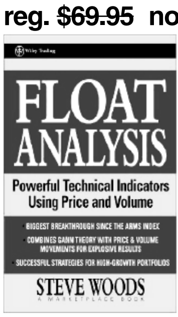

Introducing a powerful new tool that will revolutionize the way you trade: The Woods Cumulative Volume Float Indicator. Incorporating Gann Analysis – and picking up where “the Arms Index” left off, Woods combines price and volume charts with the knowledge of available shares in the market – or float – to create a strongly predictive indicator that can target winning stocks with incredible accuracy.

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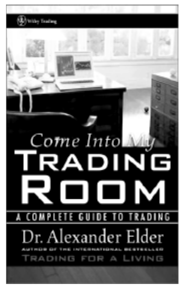

lead to huge profits. Come into his trading room, look over his shoulder – and start trading for increased profits.

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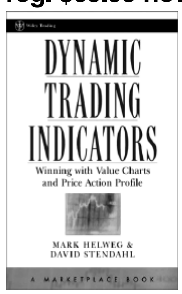

Get a thorough overview of 2 innovative market analysis tools Value Charts and Price Action Profile and discover how to use these them to trade all markets with confidence, and develop systems and trading programs that implement them. Not all charting techniques are created equal. Understand 2 of the most revolutionary trading indicators currently available - and unlock the door to unlimited profits.

Trading Classic Chart Patterns
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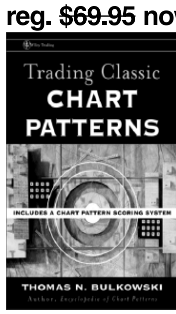

Here’s a groundbreaking primer on how to trade the most popular & powerful stock patterns. Find techniques for the seasoned trader as well as the less experienced. This comprehensive guide includes easy-to-use performance tables supported by statistical research. By using a simple scoring system, you’ll learn how to predict the performance of a chart pattern almost by looking at it.

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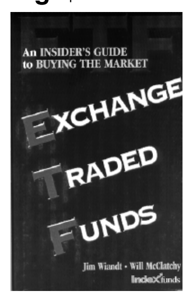

Exchange traded funds allow investors to get the benefits of individual stocks at the lower costs associated with mutual funds and they’re hotter than ever. Now, 2 top specialist in ETF’s walk you through this exciting new investment product and show how to get started trading them – today!

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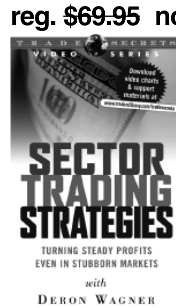

Some sectors are outperforming the market, while others are lagging. Now, you can profit from this disparity using Deron Wagner’s powerful sector trading strategy. This triple-play approach works in all investment climates - and allows you to produce steady - sizeable - returns in high-flying or more subdued markets. Don’t make another market move without using Wagner’s on-target approach.

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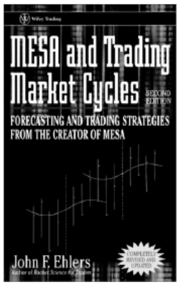

Market Cycles one of the few measurable market parameters – come and go, but when measured with a fast-reacting application like MESA, previously unforeseen trading opportunities suddenly become apparent. Now, dramatically improve the accuracy of cycle analysis by confirming signals with oscillators and momentum signals. This completely updated resource contains new chapters, a new indicator that makes MESA an even more powerful tool - and new inner workings and hidden mechanisms of this amazing strategy. Whether you're trading stocks, options, or futures markets– Combining Mesa cycles, and technical analysis can boost the probability and profitably of every trade you make.

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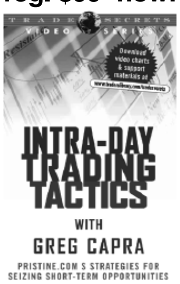

Successful Intra-day trading is a fine art and Capra's a master of the game. Now, he shares his personal secrets for prospering in this high-intensity arena. Displaying confidence, discipline and patience the 3 traits of winning traders he demonstrates how to pool an array of indicators to create a profitable trading protocol that can be used again and again. Capra's key points include 3 fundamental forms of intra-day trading. Can YOU do it? The psychological demands of intra-day trading Trading for wealth, trading for incomewhen to do which, and much more.

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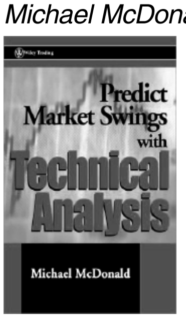

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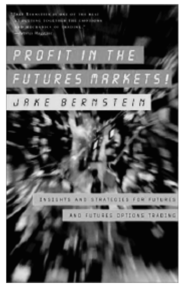

Futures trading, for many years the domain of professional fund managers and harried, hand-waving pit traders, was long considered either too risky or too sophisticated for the average investor. However, due to current technology that capitalizes on formerly inaccessible data and research, this vast trading arena holds great promise for those who seek to leverage small investments into substantial gains.

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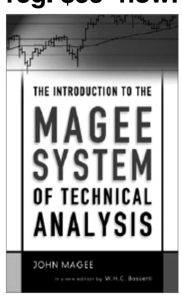

Following the roller-coaster ride of the day-trading boom, independent investors and finance professionals alike are seeking a thorough grounding in the fundamentals of technical stock analysis. This book will help you make better market moves.

Options on Futures: New Trading Strategies
John Summa & Jonathon Lubow
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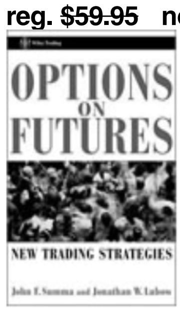

Go beyond the basics of stock options - and transition into the lucrative world of commodity options and options on other futures markets. This how-to guide, written by founder John Summa and Jonathon Lubow of Trader's Edge (OptionsNerd.com) gives a complete background on options and futures, characteristics of each, common strategies - plus the authors' favorite strategies in action under favorable & unfavorable market conditions.

Targeting Profitable Entry & Exit Points with Alan Farley
Alan Farley 90 Minute Video
Item# B742x-12289
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In this information packed 90 minute video, learn what tools "Master Swing Trader" Alan Farley uses to enter and exit trades and how he maximizes his profits this way. You will be on track to master the skills necessary to know when to get in, when to get out and when to stand aside.

Swing Trading with Oliver Velez
Oliver Velez 90 min video
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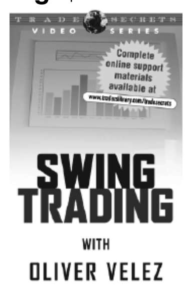

Finally - a video workshop on swing trading! Comes with online manual - featuring everything you need to master Swing Trading and take it to new levels of success. See why one trader says he "Bought the tape ... made $700 on a short sale right off the bat using the technique. Seriously...a quality video."

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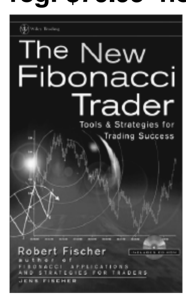

Spot key turning points, analyze market cycles, and make disciplined trading possible with this groundbreaking new book. Includes Cdrom software to help identify hot trading opportunities.

Breaking the Black Box book/cdrom set
Martin Pring
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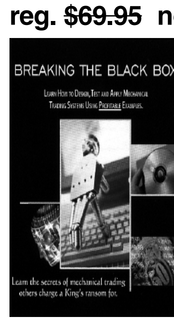

Listen, watch, read and learn how to design, test and implement your own mechanical trading systems. This must-have guide takes you systematically through the process of designing, testing and applying systems in the market place, along with tools for risk management, leverage, timing and more. This book with cdrom tutorial to reinforce concepts is one of the best, most thorough products on the market for mastering the art of developing a winning trading system.

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James Cramer
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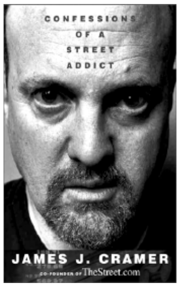

TheStreet.com's colorful James Cramer is a successful hedge fund manager, popular market commentator, savvy analyst and founder of the still-hot TheStreet.com site. Now, Cramer gives a candid, no-holds-barred look at Wall St. Exposing how the "game" is played, who breaks the rules, who gets hurt, and how to stay alive – he reveals lessons learned (many the hard way) from his many years on "the street." Characteristically outspoken, outrageous, and frank about everyone, himself included – this is an insightful, anticipated, "high-octane" book.

Beyond Technical Analysis: How to Develop and Implement a Winning Trading System 2nd ed
Tushar Chande
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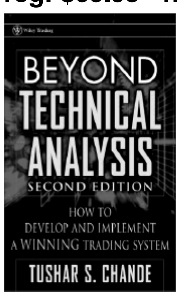

In trading, a winning system is everything. And, while some traders start with a "canned" trading system – the best choice is one developed, implemented and tested to suit your own requirements. Respected analyst Tushar Chande provides a stimulating mix of cutting-edge techniques, timeless principles, and practical guidelines the result in developing and implementing your own trading system. Bridge the gap between analysis and execution – go 'beyond – and get your winning system in place today, with this updated new edition.

New Trader's Tax Solution: Money Saving Strategies for the Serious Investor
Ted Tesser
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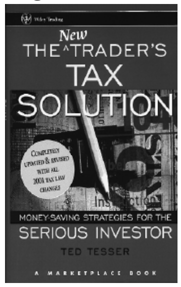

New tax laws require new strategies to make sure you keep every penny of your trading profits – in YOUR bank account, and not Uncle Sam's! Renowned author and tax expert Ted Tesser arms you with powerful strategies to slash your tax liability and prepare you once tax preparation time rolls around. Covers brand new business planning issues, tax-saving strategies, and details what is deductible and what documentation is required. Individual case studies, real-world examples, and model tax returns provide the answers traders need. Plus, solid advice on handling an audit and reveals what is likely to trigger one. Don't trade one more day without this important guide at your side.

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Clif Droke
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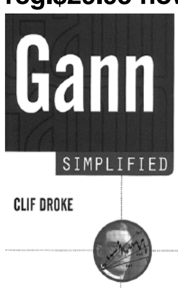

Gann's groundbreaking theories remain enormously applicable today, but few books explain his concepts in simple, easy to implement language. This hands-on manual helps new and experienced traders alike discover how to apply his winning concepts to their own investing success.
You'll find The basic foundations of Gann theory The type of chart Gann felt was the most important – and why Gann's special swing charting approach Gann's 24 Never Failing Trading Rules
How he explains support and resistance
Plus so much more, when you put the "simplified" teachings of this renowned guru to work for you.

Bollinger on Bollinger Bands
John Bollinger
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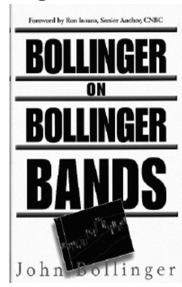

Experienced traders have long used Bollinger Bands to accurately predict price action. Now for the first time ever learn to use and apply this extraordinary technique directly from the man who created it. Explained in clear, step-by-step terms and filled with charts and visual aides, discover how to compare price and indicator action and make sound, sensible and profitable trading decisions. "Essential reading for all serious traders, regardless of market condition."

Candlesticks Explained book/cd set
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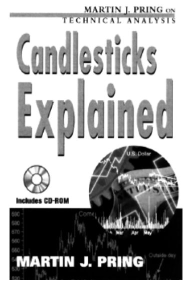

Candlesticks are increasingly important in today's shorter-term trading climate. As opposed to Western bar charts, Candlesticks use 2-dimensional charts that reveal open-to-close trading ranges, plus upper and lower stems to mark each day's high and low price. Now, here's an A-to-Z guide to the basic principles of Japanese candlesticks from one of the world's top technicians. Cdrom disk included – This book/disk set is one of the best tools you'll find to mastering the mystery of Candlesticks.

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Michael Parness
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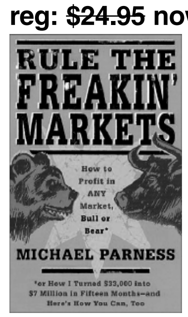

In Rule the Freakin' Markets, Michael Parness uses visual aids combined with practice exercises to show online traders and investors how to practice responsible trading techniques that maximize reward and limit risk. With its lively tone and refreshing approach to trading and investing, Rule the Freakin' Markets is an essential guide for online traders and investors alike.

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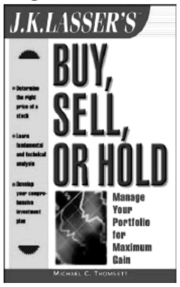

Get honest, down-to-earth advice on how to cope with excessive information, and how to find good, basic facts that will improve your ability to determine when to buy, hold or sell – and improve your portfolio management skills. Filled with sound methods and proven techniques, this accessible book provides you with the knowledge needed to study stocks and decide whether you should buy, sell, or hold.

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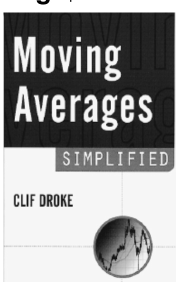

Learn to trade with single or double moving averages. Discover how to use moving averages to identify price cycles and support & resistance levels. Benefit from this step-by-step guide that takes you through every aspect of moving averages – easily – for powerful results.

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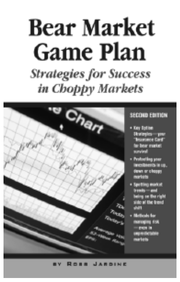

Gover the "Bear Market Blues" as this powerful bear market "Game Plan" shows you how to prosper even in the most turbulent markets. You'll find key strategies that are ideal for brutal, bear market conditions plus Precise methods for spotting trend shifts.Ways to protect your investments during up, down, or choppy markets. Now, more than ever, you need Jardine's step-by-step "Game Plan" to survive today's trading climate. Learn which strategies to use, and when to implement them for consistently superior results - and you'll beat the bear, and ride the bull to even greater profits.

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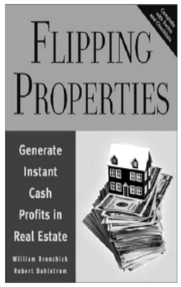

Real estate has made more millionaires than any other financial vehicle and real estate's remained strong even in downturns. Now, find, buy and "flip" – or rapidly resell – bargain properties for profit. Lear to do it even without a big cash outlay or a real estate license!

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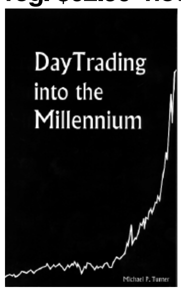

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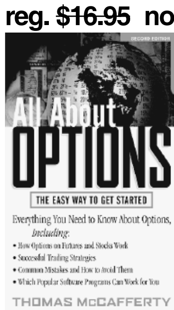

The A-Z guide for trading options that keeps on selling. Concise yet thorough, it's priced right for every trading budget. Don't be without it.

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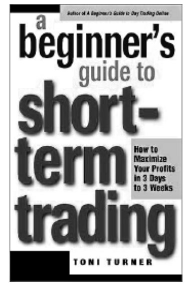

Toni Turner does it again! This best selling author and trading coach delivers another strategy-packed guide for short-term trading. Ideal for anyone new to the game - and those looking for ways to boost their short-term trading profits. It's compact, to-the-point and filled with need-to-know facts. Destined to be another #1 bestseller, see why pros are saying "With today's current market, you don't want to miss this book!"

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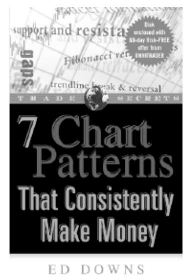

Discover 7 chart patterns that are key predictors of direction in any market. Plus, simple, surefire steps for determining market direction, recognizing winning chart patterns, mastering money management, setting profit targets, stop/loss levels and risk/reward ratios for every trade.

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Quality Improvement in Trading

By Dr. Al Larson

Nothing in the world can take the place of persistence. Talent will not; nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination are omnipotent.

--- Calvin Coolidge

There are many parts to trading success, but the most important is persistence. Failing at trading is easy. Estimates are that up to 90 percent of people who try trading have failed within a year. This is in spite of readily available data, modern technical analysis, and superb computing power in the hands of average traders.

So what are the keys? Certainly, understanding markets is one of them. In my own case, I have spent over 30 years studying WHY prices move WHEN they do and WHERE they might turn. I have published many of my findings on my website at http://moneytide.com, and I offer courses for traders. These courses provide an edge to serious traders.

That knowledge is not enough. After learning all one can about markets, one has to develop a trading approach, a set of trading rules, and work to apply them consistently. For many years, I have done that on my Tomorrow's Market email hotline. Basically, each day I have looked at my S&P MoonTide forecasts, selected a promising forecast move, and specified a singe mechanical trade. Over time, this 1ADay approach has produced a nice, rising equity curve. It was a good approach, and I and clients have been pleased.

Then late last year, I began to think about how I might make that curve better. Many years ago, while at Bell Laboratories, I learned a process called Process Quality Management, or PQM. This is a formal methodology for improving any process, such as a manufacturing process. Trading is such a process. It manufactures profits.

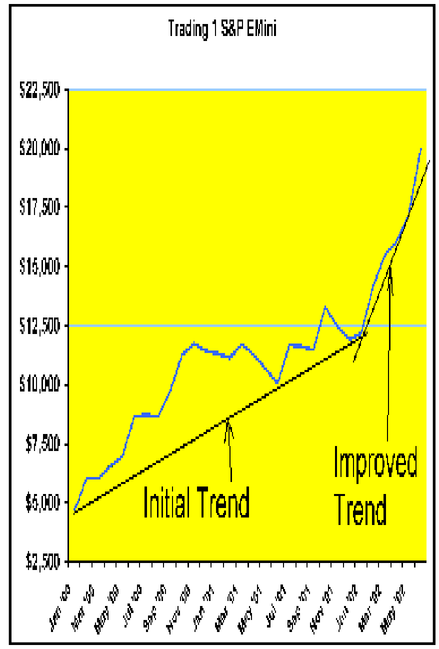
One of the first steps in PQM, is to study your existing process. I did that. I studied many months of past forecasts and trades. When I did that, I discovered two things. First, the MoonTide forecasts did a good job of forecasting the moves during the trading day, but not the detail. Where I had assumed that a forecast turn was exact, I found it might be off 20 or more minutes. I also found that many of the trades could have claimed more money. The basic trading technique was, at a given time, trail in an entry stop, then when elected, trail out an exit stop. Normally, a 3 point stop was used. So a 6 point move was required for a break even trade.

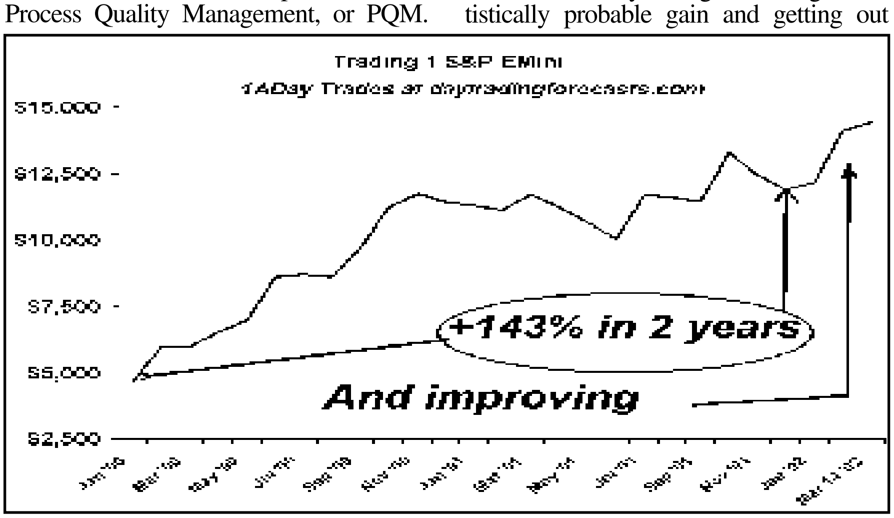
The next step in PQM is to invent some process changes. The first one I worked on was the timing problem. For two months, I used my Fractal of Pi pattern to study each day's market moves. What I found was that if I used two particular moving averages, they gave me a signal near the forecast MoonTide turn. But the signal was shifted in time, adjusting for the nature of the MoonTide forecasts.

A key step in PQM is to change only one thing in a process at a time. So I just began specifying the mechanical rules to use the averages as the time to trail in an entry stop. That improved the timing.

Next I attacked the profit per trade problem. From my Fractal of Pi study, I had found that there were usually two good 9 to 12 point moves each day.

If I focused on finding these, I could assume an entry 3 or 4 points into the move, and cash in on a gain of 5 or 6 points. At first, I was afraid that this would not "let the profits run." Indeed, it does not. When I looked at the data, I found that this folklore rule did not work well in S&P daytrading. Claiming a statistically probable gain and getting out looked better on paper. So that became part of the process.





The last step in PQM is to monitor the new process over time. One wants to be sure that any improvement is really due to the changes made, and not due to market conditions or other factors. This is the hardest part of PQM, because we tend to focus on the latest change in the data, and not on the long term trend. So it takes time and patience to see if your efforts will pay off. In the case of my 1ADay trades, I knew it would take several months to be sure my changes were really improvement. The chart above shows the result.

This chart is for starting an account with $5000 in January of 2000, and trading one EMini contract each day, according to the 1ADay trade. The data points are monthly equity position. So a down segment in the chart is a losing month, and a up segment is a winning month.

The initial trend shows the performance before the PMQ exercise. While the trend was solidly up, there were many months with modest losses. These never exceed two months in a row, but were still bothersome. They were the motivation for the whole PQM effort.

The new process was fully in place in February, 2002. The improve trend has held for 5 months running. So at this point it looks like the process changes are a success. As in all such PQM activities, that has to go with the caveat. "so far."

PQM is a tool that can be used to improve any process. It is a particularly good tool for traders to use to beat those 90 per cent failure odds. Hopefully, this example will motivate you to try it.

Dr. Al Larson is a private trader, a CTA, and a RIA. He has two websites, at http://moneytide.com and http://daytradingforecasts.com. He can be reached at allarson@moneytide.com

The FX Market Past & Present

By Mark Hollenstein

Over the past 30 years, the foreign exchange market has emerged from a virtual standing start to become the worlds largest financial market. Despite the rocketing development of the international FX market, it has taken the public a surprisingly long time to take notice of the profitable opportunities in the "new" market leader, which was previously dwarfed by the bond and stock markets of the 70's and 80's. During the early days the FX market was the playground of the banks, with turnover and profits rising hand in hand. Not surprisingly, the participation of private investors and hedgers was rare, as the general depreciation of the U.S. Dollar mainly against the DM, the CHF and the JPY during the 80's and early 90's favoured the U.S. investors choosing to ignore the currency question in their international portfolios. However, more recent events such as the Sterling's exit from the ERM in 1992, have significantly raised the profile of foreign exchange risk in the corporate treasuries. Nowadays, corporate FX hedging and currency management, as well as speculative FX trading are activities which no international company or private investor can afford to overlook.

Today, the FX market is the largest and most efficient financial market worldwide, with a daily turnover in excess of 1.5 trillion US Dollars. In comparison to the commodity or stock exchanges, the international foreign exchange market is not a formally organized exchange. Participants such as central banks, commercial and investment banks, brokers, individuals, pension funds and companies of all kind, form an informal network of trading relationships. Of all these participants, it certainly is the major banks who play a key role, as they provide the liquidity and the pricing which is required to keep the market alive. Electronic trading has taken over virtually the whole FX market, and nowadays, deals are mainly done through electronic systems developed by companies such as Reuters or EBS.

Over the last 5 years, the electronic development has led to a revolution in the FX market, as many FX brokers and banks are now offering so called online FX trading facilities. These allow the traders to deal directly via the Internet at conditions and price spreads previously reserved to the interbank market. This has resulted in a new participation of tens of thousands of daytraders and investors worldwide who are attracted by the enormous profit potential the FX market has to offer. Today's FX market offers great opportunities for those who are willing to treat currencies as not simply an area of risk management and reduction, but one way of increasing returns.

How does it work and what are the benefits of the FX market

For daytraders and private investors, access to the FX market could not be easier. These days, all it takes is the opening of a foreign exchange account with your broker or bank. Most traders choose to fund their account to a certain percentage only, allowing them to trade with leverage, increasing the potential profits but also the risk involved. The trader can then directly access a "interbank" type market via his broker and buy and sell currencies via the internet based trading platform in realtime as he pleases. These trading platforms are provided to the account holder free of charge by the broker and are so sophisticated that a trader can print out an account summary, check his margin balance and open orders by a push of a button. FX trading is basically commission free and no deposit or account opening fees are usually charged, which makes the FX market very attractive in terms of entry costs. Furthermore, in contrast to the equity markets with their fixed trading times, the FX market is open 24 hours a day from Monday to Friday, resulting in a large acceptance of the FX market by the global daytrading community.

Traders can realize huge profit potential by buying or selling a specific currency against the U.S. Dollar or other major currencies. The most often traded currencies, the major currencies, are those of countries with stable governments and respected central banks that target low inflation. It is not surprising that 85 % of all global FX turnover includes the 6 main currencies being the Euro, Swiss Franc, Yen, British Pound, Canadian and Australian Dollar.

Traders can profit from the FX market whether a currency is rising or falling, by buying or selling a currency against another currency. It is therefore crucial to understand the correlation between the currencies of each quoted currency pairs, as for instance the EURO/USD rate may sink because of a weak base currency EURO or a strong counter currency USD pushing down against the EURO. Taking a long position is one in which a trader buys a base currency at one price and aims to sell it later at a higher price and vice versa for a base currency short position.

Some traders choose to apply simple trading strategies, whilst others choose to hedge their positions with options and other derivatives. Whilst in some cases the more complex trading approach might alter the profitability or the risk/reward ratio in a positive way, it does not necessarily have to be so, and for anyone but professional traders it can be difficult to fully understand and monitor the risks involved in the sometimes complex derivative instruments and strategies.

What trading approach to choose and how to be profitable

The bad news first: A large percentage of the new daytraders are loosing money in the FX market; their accounts being wiped out days or weeks after installation. This is due to the fact that for every winning player in the FX market there is a losing player also. Experience and discipline determines how successful a trader will be.

The most common mistake seen is traders applying too much leverage. An account funded by USD 2'000 only and a trading amount of USD 100'000, meaning 50 x leverage, runs a high risk of receiving the first margin call after the first couple of trades as the highly geared trading might result in exorbitant losses which are in relation to the initial investment of USD 2'000. It is crucial that the trader chooses the amount of leverage wisely, so that he is still in the game should he experience a few bad months.

It is crucial to understand that the FX market trades very differently to the equity markets, where a "natural" appreciation of the underlying asset is to be expected over the years. This process does not exist in the FX market, therefore the market trades more volatile, with performance swings to the top as well as to the downside being more likely.

This leads us to the second most common mistake: Traders who have an undisciplined approach, make decisions based on their gut feeling and have the tendency to think they can outsmart the market based on a better information flow than all other traders, are bound to experience losses. It is crucial to keep in mind that the FX market is the largest and most liquid and efficient financial market worldwide. Chances are, by the time individual traders hear, see or think something, the market will already have discounted this into the current market rate.

The good news however is that by following a disciplined trading approach, anyone can be highly successful in this potentially very rewarding market.

Over the last 10 years, there have been endless debates going on amongst analysts, traders and fund managers about which trading approach is supposedly the most successful. Whilst the market defines the two main ways of analyzing market data as technical versus fundamental, it is crucial to understand that the type of trading approach is at least as crucial. These are systematic trading, where trades are strictly rule based, versus discretionary trading, where the trading process is judgmental.

After testing and trading different forecasting models and approaches for more than 10 years, we have come to understand that the human mind, driven by fear and greed, is the single worst enemy to successful FX trading. Besides using a range of high tech computer models and forecasting strategies, we concluded years ago, that the elimination of any human participation on the decision making process for the deal entry and exit signal was crucial. Whilst we of course take great pride in having designed our forecasting models, we let our systems produce the trading signals.

Coming from a strict trend following background, we have enjoyed outstanding results from our models throughout the 90's which had always been able to pick up trends at an early stage and take advantage of them by holding on to the good deals, and closing out bad deals immediately. However, during the last 2 - 3 years, most trend following systems have become problematic as the market does not offer such clear trending markets anymore and have converted to what traders call slow and choppy, range markets. Whilst most technical analysts still use traditional technical tools and instruments, many of them have been struggling lately as the final trade signal still has to be made for instance by the analyst counting the Elliot Wave patterns. Our main task to reduce the discretionary component completely, which we consider would ultimately lead to a more consistent, successful trading approach in modern markets, was achieved by developing a 100 % systematic trading approach called M.I.T.S (Mathematical Intra-day Trading System). This system combines a series of mathematical formulas and probability patterns in order to arrive at the daily trading signals. This system has now been in use for 9 months and provides the basis for our daily reports, which we pass on to subscribers of K.B. Advisory Ltd. Most traders using our forecasts have seen an increase in their trading performance, which has been made possible by decades of combined FX trading and analysis skills, and our fully systematical trading approach which has the potential to do well in changing market conditions.

Mark Hollenstein can be reached at www.kb-advisory.co.nz

Chance Favors the Prepared Mind

By Larry Pesavento

Benjamin Franklin's definition of luck in his autobiography is one of my all time favorite quotes! "Luck is where preparation meets opportunity." Speculative endeavors such as trading appear to have an aspect of luck. Nothing could be further from the truth! Trading is a business of money management and probability theory. The element of chance exists in everything. However, the proper use of risk management reduces the chance to manageable levels. No one knows what is going to happen next in anything. This is especially true in trading because all traders are watching prices move. Some live and die with each up tick and down tick.

"Be prepared" is the motto of the Boy Scouts of America. It might be wise for traders to assume the same motto. Thomas Edison stated "preparation was the mother of invention." Preparation in trading should relate to the unknown factors and how we are going to react to them. Unknown factors can be the greatest single source of misery in trading. Trading a stock assumes the trader has an expectation of what the stock is going to do (either up or down). Failure of the stock to do the expected, because of unknown factors, reverses the positive expectation and turns it into a failed expectation. Preparation for all possible scenarios will take the trader's emotions out of the equation. Don't let the expectation of a winning trade ruin your next trading opportunity. Shake the loss off and prepare for the next potentially winning trade.

The frustration of trading is never more vivid than when our expectations are not met. Despite hours of thoughtful analysis, the market will blatantly decree that we are wrong. What a stinging slap in the face! Markets are seldom wrong. Men are frequently wrong. The faster we recognize the error of our analysis, the faster we can move on to the next trade. Markets are like river rapids and we choose when to enter the river of speculation. Your life vest is your money management system, which includes your ability to effectively use protective stops.

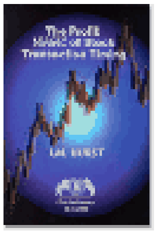
When we force our expectations on the markets behavior, we open the door for potential disappointment of seeing these expectations being destroyed. In fact, there is a very strong case for completely reversing our positions when the market dramatically does the opposite of our expectations. Perhaps this is the most difficult thing to do in all of trading – reverse your original position.

The sum total of all participants in the market is far greater than any one opinion (or position) in the market. It only takes a small event to change the market's opinion but it may take a devastating loss the change a trader's opinion. Quoting the legendary Paul Tudor Jones, "lose your opinion, instead of your money." You must have chips (working capital) to stay in the game so don't let a faulty opinion on market direction take you out of the game. Markets always go where they are destined to go! The cure for high prices is high prices – they reduce demand. The cure for low prices is low prices – they increase demand.

Larry Pesavento can be reached at The Trading Tutor, larry@tradingtutor.com

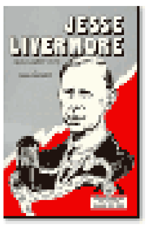
SPECIAL TRADING BOOKS

The Profit Magic of Stock Transaction Timing
by J.M. Hurst



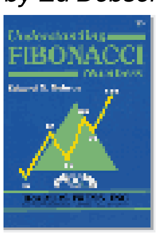
Big money in the stock market comes from compounding profits on short term trades, but until now, no tool of investing has achieved the timing accuracy necessary to do it. This book reports on a price-forecasting technique the author has refined over the course of 20,000 hours of computer research. ~~$25.00~~ Now $20.00

Jesse Livermore: Speculator King
by Paul Sarnoff



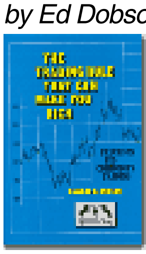
Jesse Livermore, though he died over forty years ago, is still known today as one of the most colorful, flamboyant, and respected market speculators of all time. Known by epithets such as Boy Plunder, the Great Bear, and the Cotton King, Livermore both made, and subsequently lost, four multi-million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

Understanding Fibonacci
by Ed Dobson.



This primer booklet on Fibonacci numbers is intended to: Give the reader an initial acquaintance with the concepts of the Fibonacci number sequence,applying the concepts to trading stocks and commodities. $5.00

The Trading Rule That Can Make You Rich
by Ed Dobson



Discusses a simple but effective method for timing market entry, based on a technique used by the legendary W.D. Gann, who said of this method, You can make a fortune by following this one rule alone! Incorporates a technical trading rule which utilizes a consistently repetitive pattern of market behavior. Applies to all markets and all time periods, whether short term (intraday), immediate, or long term. Many traders have written or called us months after reading this book and told us it has been the single most useful book they have ever read on futures trading. (67 pgs) ~~$29.95~~ $22.95

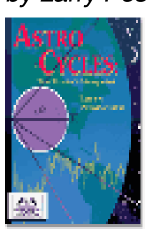
Wall Street Ventures & Adventures
by Richard D. Wyckoff

The author is best known as the founder and publisher of the Magazine of Wall Street. It covers his fascinating career as self-made stock market operator from 1888 to 1928. Many of the market operators of the day, such as Livermore and Keene, were personally known to Wyckoff and in their work he recalls their views and methods of trading. This is a must-have book for the student of market lore. 313 pgs. This major Wall Street classic was first published in 1930. ~~$19.95~~ $17.95

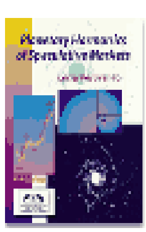
The Taylor Trading Technique
by Douglas G. Taylor

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~~

AstroCycles: TradersViewpoint
by Larry Pesavento



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



Planetary Harmonics
by Larry Pesavento.

Provides phenomenal trend change dates and Applies George Bayer's Secrets of Forecasting Prices to financial markets, Proves the validity of planetary harmonics, Illustrates hidden Fibonacci ratios. 202 pgs. ~~$49.00~~ $44.10

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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

Geometry of the Markets
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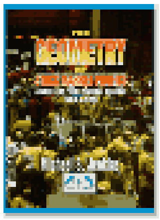
The Opening Price Principal
by Larry Pesavento

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

Chart Reading for Professional Traders

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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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

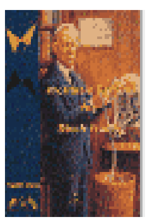
Stock Patterns for Day Trading

by Barry Rudd

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



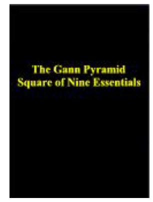
Over the past 20 years the use and misuse of the Fibonacci Summation series has proliferated to the point that commentators on the nation's TV business channels are now resident experts. I lay no claim to being an expert. I have, however, studied the subject of Fibonacci numbers extensively, especially 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

Channels and Cycles

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

The Gann Pyramid: Square of Nine Essentials *by Daniel T. Ferrera*



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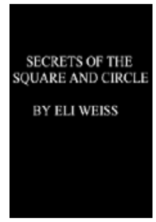

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Gann and the Fifth Dimension

By Granville Cooley

Somewhere in the older Gann course Gann mentions a fifth dimension. It is tough to try to imagine a fourth dimension, let alone a fifth one. But let's see if we find any clues at all.

Several years ago I read a book about the fourth dimension in which the writer had some drawings to illustrate what a fourth dimension might look like.

One of the things he mention was the diagonal in the fourth dimension. His measure of this diagonal was "two." (Two units, two inches, two miles, etc.) That set me to thinking about diagonals.

Let's look at the diagonal in the "second" dimension. The second dimension is like a flat wall with height and width or like a square drawn on a sheet of paper.

So let's simply draw a square on a sheet of paper and let's call each side one unit. That could be one inch, one yard, one mile, etc. But it is still just one unit. But for simplicity sake we will just call it an inch.

Now we are going to find the diagonal or as some would say we are going to find the hypotenuse of a right triangle.

You might have seen those Pythagoras drawings showing how you square each side, add the squares and then take the square root to get the diagonal. Usually the drawings are shown with the sides being 3 and 4. Then the 3 and 4 are squared getting 9 and 16. Then they are added to get 25 and the square root of 25 is taken to get 5.

The sides of 3 and 4 are used for simplicity sake so that the diagonal comes our to a whole number.

Going back our second dimension figure we know from the above that we would square each side.

Since our square is 1 inch on each side we would say:

1x1=1

1x1=1

And by the rules of geometry for finding the hypotenuse or diagonal we add the square of each side so we have:

1+1=2

Also by the rules we would take the square root of 2 to find our diagonal or hypotenuse. We don't have to know what the square root of 2 is. We will simply say that the diagonal is the square root of two in the second dimension.

Now, let's look at the third dimension. We live in a three dimensional world where we have height, width and depth.

Let's demonstrate with a cube, a 1x1x1. Let's say we are living inside of a cube and want to find the diagonal. Imagine yourself in your living room and let's say all the walls, the ceiling and the floor are the same height, width and depth. And we will call those measurements "one." Here again it can be one foot, one yard, one mile, etc. It is simply one unit.

Now let's label your walls north, east, south and west. What we want to find is the length of a line going from where the north wall meets the west wall at the ceiling to the point where the east wall meets the south wall at the floor. That's the diagonal of the cube we are trying to find. Check that out with your eye.

Look down at the floor. Imagine a line going from where the north wall meets the west wall at the floor over to where the east wall meets the south wall at the floor. That would be the diagonal of a square. And we know that the diagonal of a square that is 1 by 1 is the square root of 2.

Now look where the north wall meets the west wall and run your eye from the ceiling to the floor. You know that line measures "one" as all of four walls, your floor and your ceiling measure "one" unit.

So we now have two legs of a triangle. One of those legs crosses the floor from northwest to southeast and measures the square root of two. The other leg runs down the corner where the north and west wall meet and it measures "one."

So in order to find the other part of the triangle, the hypotenuse or the diagonal of the cube all we have to do is square those two legs, add them and take the square root.

So we square the square root of two. The square root of two times the square root of two equals 2. Now we square 1 and get 1x1=1. Then we add 2+1=3 and the diagonal is the square root of 3.

I mentioned above that the person who wrote the book about the fourth dimension said that the diagonal of that dimension was "two."

And we know that the square root of four is two. The writer never said, but from everything we have seen above, the diagonal of any dimension must be the square root of the dimension:

The diagonal of the "second" dimension is the square root of "2."

The diagonal of the "third" dimension is the square root of "3."

The diagonal of the "fourth" dimension is the square root of "4."

So if the diagonal is the square root of the dimension then the diagonal of the "fifth" dimension must be the square root of "5."

Does that ring any bells? It should if you have studied the golden mean, the Fibonacci series, etc.

You might recall that in drawings of the golden mean you start with a 2x2 square. Then a line is drawn down to the half square with left side being 2 and the bottom side being 1. And the diagonal is the square root of 5. Some people draw arcs to show the Fibonacci relationship.

I find it easier to simply add the diagonal (the square root of 5) which is 2.236 to the bottom leg (which is 1) and get 3.236. When you divide that by the other side, which is 2, you get 1.618.

Some writers have said they thought Gann used the golden mean but didn't know how he used it.

Maybe this is what he was pointing to when he talked about the fifth dimension.

Just one thing in passing. I understand someone wrote a book in the 1800's about "flatlanders," people who lived in the first dimension like dots living on a line since there was no up and no down.

I wondered what the diagonal in the first dimension would be. Then it came to me. If the diagonal in the first dimension is the square root of one then the diagonal and the line are one and the same.

Granville Cooley is author of The Patterns of Gann, which is available through Traders World. www.tradersworld.com

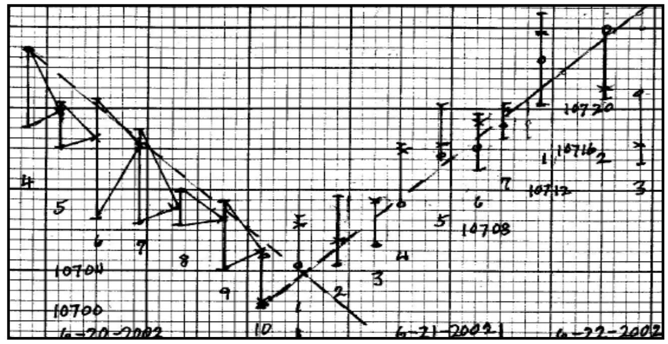
Charting of Prices with System and Order

By Joe Rondinone

First I want to tell you a true story, a try story to give you a bit of background: About 230BC a fellow by the name of Pythagoras laid out a musical scale. This was the only one of his many accomplishments. He put 7 notes to the scale, but there are 12 half notes in all, because between some notes there are half notes. Then there are beats to music, there are whole notes that get 4 beats, and half notes that get 2 beats and there are also quarter notes that get one beat each, etc. Each note is identified by it's construction, a whole note is a circle as (0), a half note is the same (0) but has a stem added to it as (0), and the quarter note is the same (0) with a stem and it filled in. Now being a musician in my early days and teaching for 30 years, I came to realize that everything has value and system and order prevails. Think what a symphony orchestra would sound like with a 100 or so musicians playing music without time values, note values and each playing as loud as possible. Where is the system and order?

If you chart all prices of different values (amplitude, up and down price moves) on a chart, evenly spaced, the squaring of that price is impossible. The law of Symmetrics is that different price vales must have related values in time, called space to be squared. How is this accomplished? W.D. Gann talked about squaring price with time, always.

If different notes get different values in music, let us try doing the note process with price posting, giving each price movement relative space value. Example, if you have a 10-cent move in beans, let us give it 2 ½ spaces on the chart. Then if you have a 20-cent move the next day, you should be giving this a 5 space width posting. So why are we posting all prices equally on the chart? You will find that static charting (equally spaced posting of prices) is great for record keeping. Forget it, it does not square price and if you draw a trend line on these unequal values it amounts to simply musicians' turmoil.



See the hand drawn chart on September TNotes. It contains moves from June 20/2002 into June 21 and partly into the 22nd. This is a current chart. It is drawn on 40-minute intervals of time. To draw these moves you will need 8x8 chart paper. You will also need 40-minute price quotes. Prices are posted with the opening, high, low and close. There is a Symmetric's principal that uses the close to predict the size of the next block size. So having the close is a must.

On the chart each 1/8th space is one point. Starting at 107.25 ½ level on the #4 bar, prices stay below the true trend line. You will notice all the 40-minute prices are drawn in triangles. Primus is a triangle trading strategy. (This is a newly developed program). On day 6/22 the #1 bar is completely above the true trend line. Cover shorts here and reverse to the long side. The rule to buy and sell is "The whole triangle must be above or below the true trend line to reverse". Trading is a process of rules and principals. There are 8 principals in the Primus Strategy. If you think picking 6 numbers from the lottery is tough try finding 8 principles that gel to make a trading program. Always use stops below and above questionable periods.

Joe Rondinone can be reached at symmetrics@directvinternet.com Phone 256-464-0833.

Trading Solutions

Combining traditional technical analysis with artificial intelligence technology

By Larry Jacobs

TradingSolutions is a software program, which boasts the latest in technology for technical analysis. It combines traditional technical analysis with artificial intelligence technologies. What this means is the program has the capability of learning and applying technical analysis patterns to charts for buy and sell signals. The program actually replaces your eyes. It does the work for you so you don't have to pour over hundreds of charts looking for patterns. The program even has the ability to learn patterns from past historical data.

Have you ever heard of neural networks? This is what Trading Solutions uses to do its calculations to predict future prices and trading strategies. The program identifies patterns in the relationships between data and information to determine buy and sell signals. The program also uses genetic algorithms to fine-tune itself to best fit your trading style. The program has an advantage over your eyes. It can actually identify more complete patterns than you can.

Trading Solutions analyzes the past and then generates an optimal signal, which highlights the most profitable trades in the history of the stock. This can be used to develop a network model, which can be used directly in your portfolio for trading recommendations. The program has an incredible 250 built-in functions and technical indicators at its disposal to create rule-based trading systems and perform chart analysis. It also has an option to allow you to create your own functions and systems using a point-and-click formula editor.

Once you have created one or more trading signals, you can see how they performed... This shows you exactly how a neural network or rule-based system would have performed if it were actually traded with a stock. This tool also allows you to specify the amount of money or shares you typically like to trade. You can also experiment with techniques such as short trading, stops and limits.

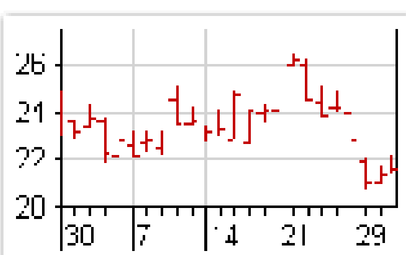
The program also features a portfolio-based interface, which allows you to instantly access your stock data by right-clicking a stock and selecting an action to perform. This view also allows you to group your stocks into meaningful groups and perform operations on the entire group at one time.

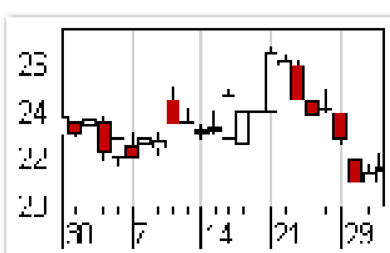
The program also allows you to view your data using standard high/low/open/close charts, Japanese Candlesticks or other types of charts. You can even view the data with customized spreadsheets.

To help you get started the company also has a FREE TradingSolutions Solution Service for its customers. The service provides daily trading signals and commentary imported directly into your portfolio. This allows you to learn by example.

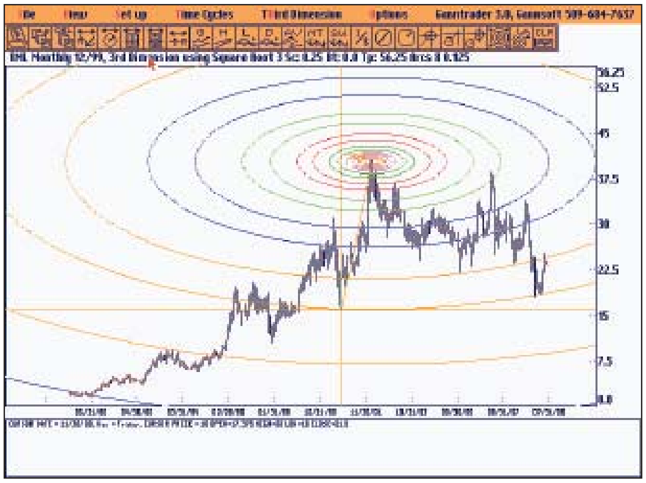
As you become more experienced with the program you can write your own custom formulas plus you can fine-tune the neural parameters, such as the number of hidden units, memory depth and learning rates. When you become an advanced user you can build your own neural network topologies using the program's neural network building environment. If you are interested in Trading Solutions you can download a free evaluation version, which includes all of the functionality of the full version for 60 days. It also includes animated demonstrations that introduce the features and concepts of the program. You also get a step-by-step tutorial. Also included is the TradingSolutions Solution Service.

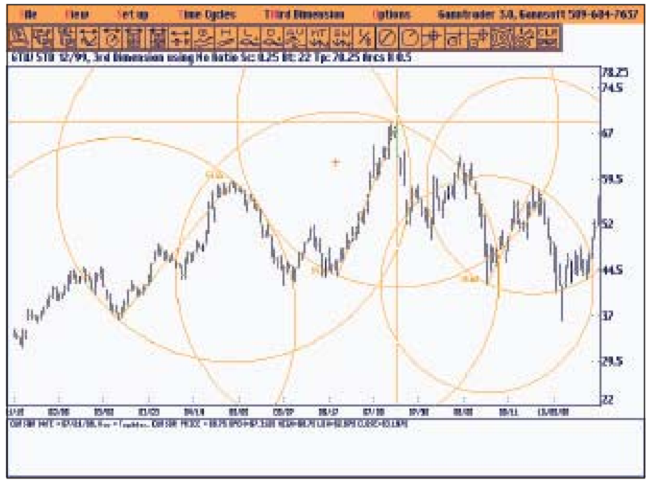
A more extensive review of Trading Solutions can be found at www.tradersworld.com For more information please go to: www.tradingsolutons.com



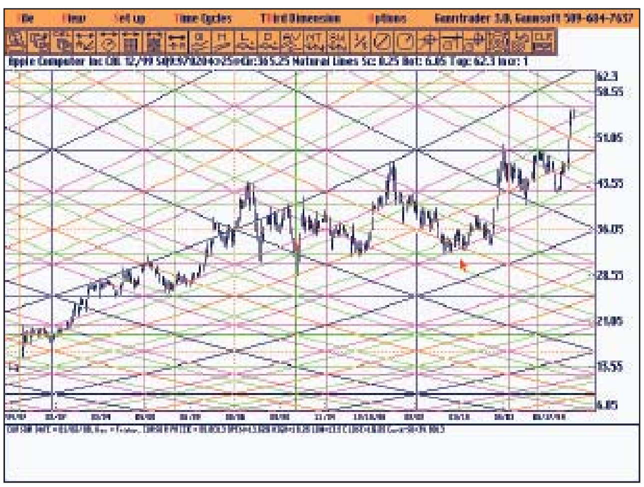


Ganntrader 3 Now Shipping!

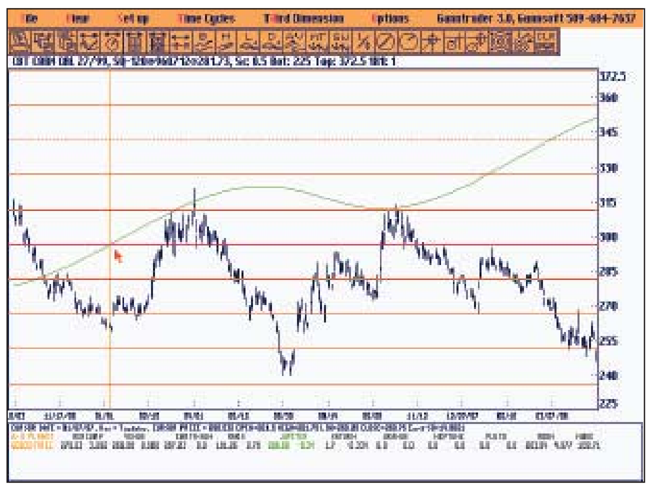




New Arcs and Circles feature maintains proper settings regardless of chart scale or price bar spacing. Display non-linear expansions of original arcs using √2, √3, √5, √6, √7, Odd & Even Squares, Musical Scale, Fibonacci, π, Expanding Roots, Squared Circles or user defined values.

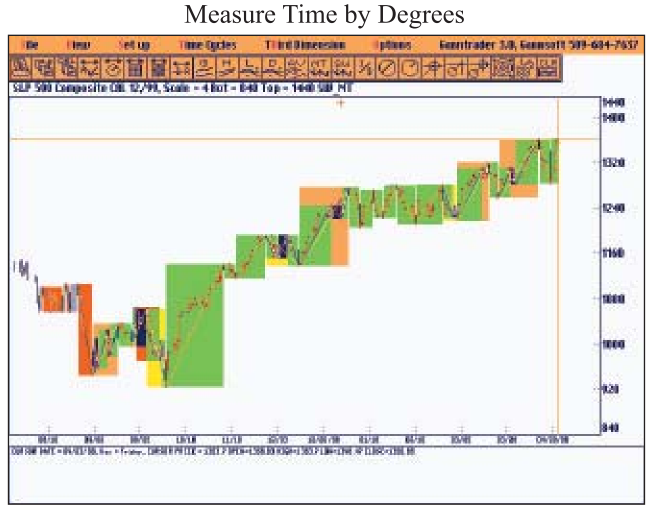


New improved Square of 9 feature with Circle Trendlines applied.



Measure Time by Degrees

Gann Swing Charts with Shading feature



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Computer For Trading

Every trader should have the best trading computer that he can afford. This article will update you on the latest developments in this area. First lets look at the trading monitor. We are now only recommending digital flat panel monitors for the trader. The reason being that they are easier on the eyes and emit virtually no harmful radiation. Also they are light and take ¼ of the power of a regular CRT. We recently tested a black pair of the new 18-inch L685 monitors from EIZO. They can accept either digital or analog outputs from a computer. They have a tight dot pitch of .281 and a contrast ratio of 400:1. The screens were bright, sharp and clear. These were the best 18-inch monitors we have tested so far. They also have a narrow bezel of just .70-inches. This allows you to place these monitors closely together. These monitors can pivot, so you have a choice of either landscape or portrait mode. It makes a difference when you are watching four of these monitors together at once to have narrow bezels. The controls on the monitors were in front and easy to control. There is an additional option of a speaker that can be attached to the bottom of the monitors. To see the complete review of this monitor please go to our site.

The next important piece of trading hardware in your computer is the multiple port video card. We tested the 32MB DDR Matrox 550DVI dual port card from Matrox. It is a small form factor card with either digital or analog output. It offers true multi-display technology. It was easy to install and gave us 1280 x 1024 resolution on our two EIZO monitors. The images on the screen output by the card were sharp and clear. A complete review is also available on our site.

We also tested the new 64MB Nvidia Quadro4 NVS 400 four-port card. This card was specifically designed for traders. The card supports four digital or analog monitors. The card has the latest technology of dual 350MHz RAMDAC chips delivering crystal-clear images. Installation was very easy and the multi-monitor software worked flawlessly. This card allows you to add additional graphic cards for up to 9 monitors using Windows 2000 or XP. For the full review please go to our site.

The next important piece of hardware the trader needs is the computer. Traders World has designed a computer specifically for the trader in cooperation with a major computer manufacturer. We researched the best possible components that we felt should be in this computer for the trader. This company builds them for our clients and supplies the necessary 800 toll-free technical support and on-site service.

What's in this computer that makes it so special for the trader? First of all it contains a whisper quiet 365Watt power supply. It's thermostatically controlled so as to keep the fan at the lowest speed possible during operation. We have also installed a fluid hard disk drive, which is the quietest drive in the world. The extra fans on the case and CPU are also quiet. The motherboard used is the new Intel 845e with support for the new 533 front side bus and USB 2.0. We use the latest 2.26 and 2.53 GHz 512 cache 533 Intel CPU processors. Extra backup options are available such as raid hard disk drives, and dual Ethernet ports. We use the latest multiple port graphic cards. It uses the latest wireless keyboard and optical mouse from Logitech. The system is available in either black or beige. For more information on this system please go to: *www.tradersworld.com*

ELWAVE with Scanning

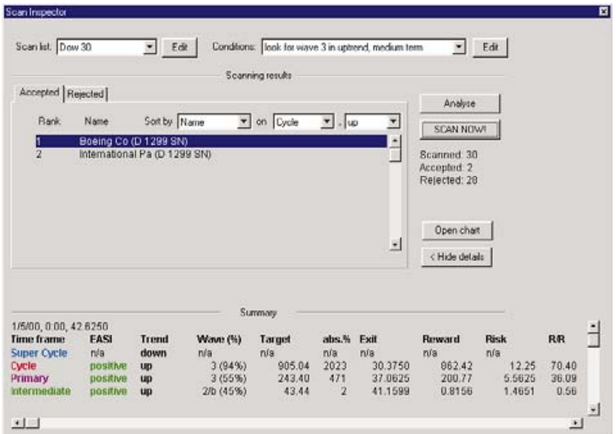
Combining the power of Elliott Wave Analysis with scanning possibilities never seen before

Now Seamless Real Time Support For RealTick Data

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 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.



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

Incredible ease of use

Operation of the Scanning module could not be more simple:

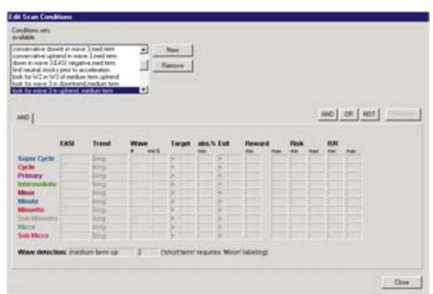
1) Select the list of stocks you would like to explore
2) Select the conditions, for example "*look for wave 3 in uptrend*" as shown in the screen shot of the *Scan Inspector*
3) Press the *SCAN NOW!* Button
4) Make your pick from the accepted stocks

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

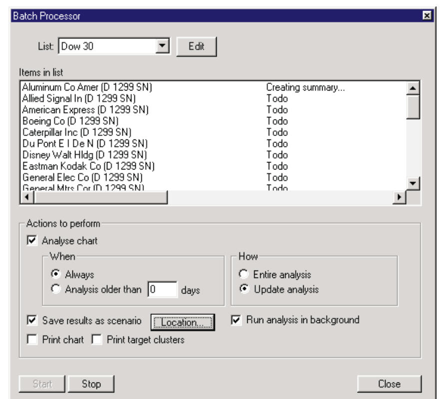
Batch processor

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 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.



Our new Batch Processor makes analyzing mulitple stocks a breeze

Want to know more?

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

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