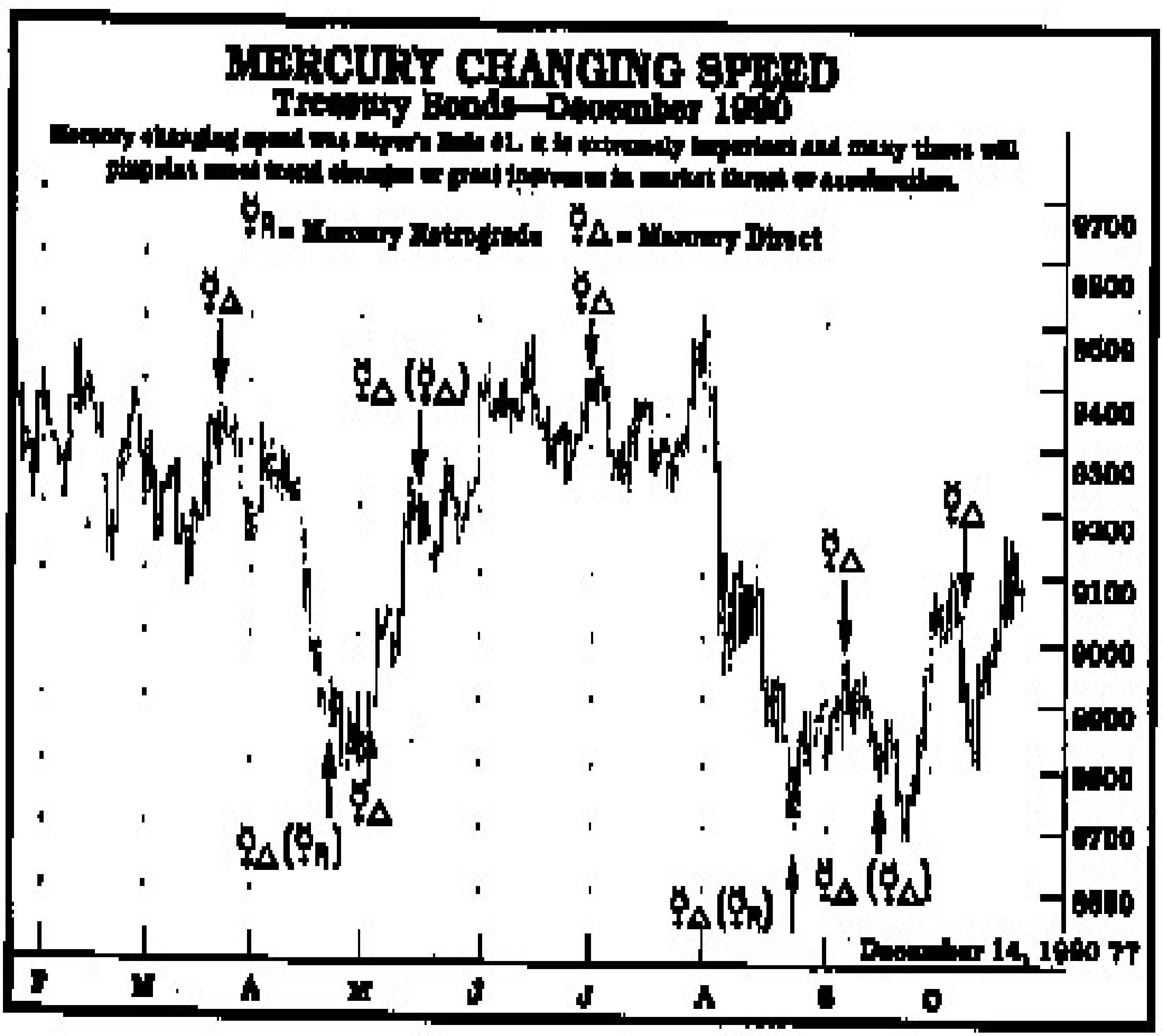
Rule # I in Treasury Bonds

By Larry Pesavento

During the course of the last several years many articles have appeared in Trader's World that cover the mysterious topic of "astrology." Those interested in the subject matter quickly find out that astrology is really nothing more than the "ancient study of cycles." The lunar cycle of new moon to full moon is a 28 day cycle. Mars changing signs is a 45 day astroharmonic cycle. The 41 month stock cycle is the Jupiter-Uranus cycle.

A financial astrologer is, in fact, an historian of cyclical behavior. It amazes me that so few "true" students of the market have picked up on this approach to market behavior. I quit trying to



find out the reasons “why” these astroharmonic cycles cause abrupt changes in market trends. I am too pragmatic and prefer to profit from the events, rather than know the actual reasons why. My guess is that it probably has something to do with the electro-magnetic vibrations of the gravitational forces of the planets as they pass through their orbits.

The planet Mercury is the fastest moving planet in our solar system and the ancient Babylonians (around 6000 B.C.) associated the planet with speed and communication. George Bayer, a prominent financial astrologer and speculator in the late 1930-1940’s, wrote several books on Mercury's influence on the Wheat and other markets. My second book, Planetary Harmonics in Speculative Markets, reported on some of Bayer’s theories and how they worked, not only in wheat but in financial markets such as the foreign currencies, Treasury Bonds, Standard and Poors index and gold.

I have always believed that the only two things that move the markets are the emotions of Fear and Greed. Could it be that because our bodies are approximately 80% water that we are act to the gravitational pull of the planets, much like the moon affects the tides?

George Bayer’s book, Secret to Forecasting Prices on the Stock and Commodity Traders Handbook of Trend Determinants was my starting point. My good friend Neil Michelson at Astro Computing Services in San Diego offered his enormous data base and computer facilities to test some of Bayer’s ideas on the financial instruments introduced in the ’70s. My theory was that if it worked in the ’30s and ’40s it should work all the time.

George Bayer’s Rule #I was based on the speed of the planet Mercury (the fastest planet in our solar system). As Mercury passes through its elliptical orbit around the sun it changes speed at various times. It also experiences “retrograde motion” when observing this phenomenon using acentric (earthcentered) astrology.

This astroharmonic event has two applications for the astute trader. First, it will usually cause a quick change in trend, or second, it will cause a rapid acceleration in prices (thrust). Being cognizant of these important times gives the speculator a decided edge to expect the “unexpected.” In Planetary Harmonics of Speculative Markets the exact times of these dates when Mercury changes speed are given to the year 1996. December 1990 Treasury Bonds is a representative example of the effect of Mercury changing speeds. However, one should take into account other of Bayer’s astroharmonic events, especially if they occur at the same time Mercury changes speed.

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Simple Rules for Finding Support and Resistance on the Dow

By Chris Kakasuleff

As I have mentioned in prior articles I have mentioned in articles, using midpoints from highs and lows on the Dow, are very useful in helping to determine support and resistance in price. By combining this idea of midpoints with other time proven predictive tools, your ability to predict the future course of the Dow Averages will improve quite dramatically.

I've received much correspondence from Gann enthusiasts asking questions about how price can be determined in advance. In this article, we will address valuable components to this issue. Although Gann time wheels must never be ignored in determining price levels and support and resistance points, in this article we're going to apply some rules to the aspect of looking at peaks and valleys of the Dow Averages, and use the price levels of the Dow alone to predict how high or low it may extend.

As our model we'll use the high and low of 1990 on the Dow Jones Industrial Average. First, let's determine the all important midpoints.

To determine midpoints on the Dow, you simply combine different highs and lows depending on the time frame you're interested in. If you're interested in a long term perspective, you take the current all time high on the Dow and subtract the base market low from this high.

You then divide the difference by 2 and add back the low. This number gives you the midpoint support if the market is falling from a high; at the midpoint resistance if the market is climbing from a low. This 50% retracement simple equation has a long historical record of reliability for determining tops and bottoms on the Dow and also individual stocks.

Let's work this equation using the 1990 high on the Dow at 3000 and the Black Monday low at 1738. The midpoint of these two factors gives us a number of 2369. In other words, a 50% loss on the Dow from 3000 using the price low of 1738 set on the Dow on Black Monday, October 19, 1987, as our intermediate term time factor shows strong support on the Dow in the 2360 area. This 50% retracement equals out to about a 630 point loss on the Dow.

Now let's move on to the second part of our formula for finding levels of price support on the Dow.

I have discussed, after many years of study, that price levels on the Dow move in increments of predictable percentages and numbers.

This means that the Dow will gain or lose a certain percentage of it's current value and then change direction. Then, it will lose a certain percentage and alter it's course again. This same rule holds true with specific numbers of points.

The percentage of gains or losses to watch from specific highs and lows on the Dow are 10-11%, 15%, 20-22%, 3033%, 40-44%, and 50-55%.

Using Dow numbers that have proven to be reliable over a historical period of time are gains or losses of 100 to 110 points, 200 to 220, 300 to 330 points, 400 to 440, 500 to 550 points, 600 to 660 points, etc..

When percentages of gains or losses match levels of gains or losses in Dow points, this serves as a very significant point to watch for a change of trend on the Dow.

This is the exact kind of market action on the Dow that proved to be the low for 1990.

In the February, 1990 issue of this magazine, I predicted a high in the 2900 to 3050 level on the Dow and strong support in the 2300 area using these very methods.

On October 11, 1990, the Dow closed at 2365.

Using our above formula, of finding levels on the Dow that synchronized both in percentages and number of point lost, was not very difficult.

Taking the percentage loss of 2022%, from 3000 on the Dow, gives us a price loss range of 600 to 660 points. This matches perfectly with our price level loss of 600 to 660 points.

This valuable market tool indicates that the Dow could fall to as low as the 2340 area, of which it did, intra day on October 11th.

By combining this information with our midpoint rules, creates a powerful combination for determining strong support on the Dow.

Our midpoint indicated strong support at 2369 on the Dow. This indicates a loss of 631 points from the 3000 point high on the Dow.

Our percentage rule indicated that a 20-22% loss would also find us in this same area of 2360 plus. A 21% loss brings us the closest to our midpoint level of 2369. This 21% loss also equals 2369 on the Dow using exact closing prices of the actual highs and lows in October, 1987 and on July 17, 1990 .

Now to confirm and rectify this price level on the Dow as strong support, we must turn our attention to the cycle of 360 points and harmonics of this level. Using guidelines of gains and losses of harmonics, of 360 points, is our icing on the cake. This number of 360 is on of W. D. Gann's master numbers. To find harmonics of this number, you can divide it by 2, 3, 4, 6, 8, 16, etc.. I have explained the usefulness of this formula in other articles. Our goal here is to find harmonics of .360 that will match our numbers above in the 2360 area of the Dow. numbers above in the 2360 area of the Dow.

The number 630 instantly stands out as a harmonic of 360 and virtually matches our above numbers exactly. By adding the numbers of 360 plus 270, we arrive at the number 630.

The number 270 is three quarters of the number 360, therefore, a major harmonic. Adding these two numbers together and combining the results with our numbers above gives us conclusive evidence that very strong support should develop on the Dow Jones Industrial Average at the 2360 to 2370 level from the high at 2999 on the Dow on July 17, 1990 . On October 11, 1990, the Dow closed at 2365 and has remained the low as I write this article three months later in January, 1991.

These simple rules prove that it doesn't take a rocket scientist to predict the future course of the Dow. Just a few basic laws of the Universe will do just fine.

Chris Kakasuleff is completing a stock market course and can be reached for information at 1-317-872-7174 or 8277 Harcourt Rd. Apt. 141A Indianapolis, IN 46268.

W. D. Gann's Master Time Factor Revealed

By James Flanagan

Time has done a great deal in adding to the legend of W.D. Gann and the trading methods that made him an alleged $50 million in profits during his career. Yet, despite his four published books and the stock and commodity courses he updated over the years, a great deal of mystery has been attached to his methods of trading. It is often asserted that Gann either did not reveal the most important of his secrets, or obscured them in his courses with very little explanation.

For vendors of trading systems and approaches, this has been used very effectively as a marketing tool in selling the "secrets" to W.D. Gann's success. After all, the search for the "holy grail" plays on all of our emotions, and our as sense of greed.

While we also have profited from the name of Gann, we believe Gann did reveal his most valuable forecasting technique, and spelled it out in clear language. Its value can only be appreciated by those willing to prove its effectiveness by looking back over hundreds of years of data in each market.

When Gann said, "I have more income than I can spend for my needs, therefore, my only object in writing this book is to give others the most valuable gift possible - KNOWLEDGE", we believe he was sincere. Our research to date, suggests that Gann's greatest gift was his discovery of what he referred to the Master Time Factor. In his various course he refers to the Master Time Factor alternately as Time Cycles, Major Cycles, Master Time Periods, Extreme Great Cycles and Law of Vibration. It is important that we provide a compelling argument from Gann's own published works, of why we believe that this was his most valuable contribution.

First off, it stands to reason that he would charge the highest price for his most valuable instruction. In the 1930's, he offered a series of three courses which he made available at $500, $1000 and $3000. Needless to say, a cost of $3000 in 1930 dollars was a very steep $20,000 in today's dollars. The third course differed from his other courses in one major respect, it included his "secret discovery of the Master Time Factor". This he stated clearly in the sales brochure he provided for those requesting information about his courses.

In this course, he lists the twelve things to look up before you make a trade. Heading the list at #l is, "Annual Forecast determines year of Time Cycles, whether bull or bear year and main trend of the general market up or down." This was the Master Time Factor. It is listed as #l because it is of primary importance. It is what makes many of his other rules understandable.

Reviewing some of his claims: "The law of vibration enabled me to accurately determine the exact points to which stocks and commodities should rise and fall." " By studying time cycles, you will learn why tops and bottoms are formed at certain times." "In order to be accurate we must know the major cycles." "Always consider the annual forecast and whether the big time limit has run out before judging a reverse move."

This chastening by Gann to his students, is backed up by some of the most spectacular forecasts of highs and lows in history during Gann's 50-year trading career. His prediction of the top for stocks in 1929 within three days, followed by a panic, is a matter of record. He accomplished this by using the Master Time FactoL

In his December 4, 1946 section under time cycles I quote, “Time is the most important factor in determining market movements because the future is a repetition of the past and each market movement is working out Time in relation to some previous Time Cycles. A study of the various Time Periods and Cycles will convince you how the grain market repeats the same price levels under the same Time Periods of some previous cycle.” In the various courses Gann published between 1923 and 1954, he applies the Master Time Factor to wheat, cotton, eggs, the stock averages and U.S. Steel.

Simply stated, Gann discovered that market action repeats based on specific time cycles. The major cycles (not in the order of important) are 150, 120, 100, 90 82-84, 60, 50, 40, 30, 20,15 and 10 years. The lesser cycles are 14,13, 9, 7, 5, 3, 2, and 1 year. I quote from Gann’s $3000 course, “By studying the yearly high and low chart and going back over a long period of time, you will see the years in which bull markets culminate and the years in which bear markets begin and end. Each decade or 10-year cycle, which is 1/10 of 100 years, marks an important campaign. The digits from 1 to 9 are important. All you have to learn is to count the digits on your fingers in order to ascertain what kind of a year the market is in.”

Following these instructions, when constructing a forecast in the stock market in 1991, we look back at the years 1841, 1871, 1891, 1901, 19071909, 1931, 1941, 1951, 1961, 1971, 1971, and 1981, to establish what the overall trend was during these market cycles, and on what dates specific highs and lows were made. If there is a consensus of cycles suggesting a major topping year, and in the current market, prices are moving up into these important topping dates, we look for a top and a change in trend down.

Typically, the yearly time cycles will have turning points on very similar dates. Once we know whether we are due for a bull or bear year, we determine which cycle we are following most closely and treat this as the dominant cycle. In the case of the stock market, the June 5,1990 high in stocks, one day off the 100-year anniversary highs on June 4,1890 (along with 1929 the most important bull market top in history) suggests that this is the dominant cycle for us to watch (Figure 1-2). Multiple confirmation to this high was given by the major highs in September 1869, on September 5,1899, November 19,1909, November 3,1919, September 3,1929, September 13,1939 and November 28, 1980. Taken together, they added up to the major distribution top from October 10,1989 to June 5,1990.

Note that based on this 100-year stock market cycle, the major contraction did not occur until February 1893. This time window starting in January 1993 is of particular importance because it is confirmed by major tops and extreme liquidation in 1873*, 1883, 1903~, 1913, 1923, 1953 and 1973* (*emphasis added). This may set up as the greatest shorting opportunity since the 7th year panic or “death zone” as Gann called it in the years 1837,1857, 1877,1907,1937 and 1987.

We believe Gann used the Master Time Factor as the most important component in determining major turning points in all the futures markets he followed. The ability to do this with a high degree of accuracy, is what made Gann a millionaire, and allowed him to make a world record more than once.

Based on Gann’s Master Time Factor, we should not be mystified by the deflation that has gripped our markets. The overall price deflation, as reflected by the CRB Index since the November 1980 all-time highs, has its sister markets in the decades of the 1870s, 1890s, 1920s and 1930s markets.

The silver has been a market classic in the context of this deflation. The highs in 1980 marked the 90-year and 60-year anniversaries of the 1890 and 1920 market tops. Based on Gann’s yearly time cycles, 1992 will mark the 90-year, 60-year and IO-year anniversaries of the 1902,1932, and 1982 lows (Figures 3-4). This is an important year to watch for final lows.

During the bear markets in the years 1890,1900,1910,1930,1970 and 1980 only brief short covering rallies occurred. In each year, these rallies were completed between August and September, and were followed by the resumption of the bear moves. Using these cycles as proxies for what to expect in our current market, the August 1990 rally highs in silver offered an ideal opportunity to enter short positions. As Gann would say, you do not have to guess what the market will do, you know.

Other market classics this year have been the zero year major lows in T-Bills prices (1920,1960,1970 and 1980), the zero year bull market blow-off and final top in cotton (1880, 189(), 1900, 1920, and 1980) and the zero year blow-off in crude oil (1890, 1920 and 1980). Soybeans have been the only market with mixed signals, and this probably explains the trading range we have experienced since 1989.

Of particular interest to us over the next four years, is the potential for higher prices in gold. This is the one commodity that provides us with a decidedly bullish argument based on the yearly time cycles. By observing Homestake Mining (a gold stock) as a surrogate for gold when the price of the physical metal was fixed until 1971, we have constructed a very bullish long term argument for gold. Major lows in Homestake were made in 1890, 1909, }1920,1929,1950 and 1960 (Figures 56). Add to this the abandonment of the Gold Standard in 1861 and 1971, and the likelihood exists for final bear market lows being in place. Based on these cycles, 1993 and 1994 should exhibit significant strength.

As an active researcher for twelve years in the techniques of W.D. Gann, it astounds me how few of his disciples utilize the Master Time Factor. The biggest hurdle is acquiring the historic price data necessary to make the forecasts. As Gann stated, “If I have the data, I can use algebra and geometry and tell exactly by the theory of cycles when a certain thing is going to occur again.” Once you have the data, making up a forecast is as simple as counting from one to ten. Nothing could be simpler, or more valuable.

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Heavenly Influences and the 1990 Stockmarket Top

By Gregory and Helen Meadors

The July 16, 1990, closing Dow Jones high at 2999.75 was similar to the widely advertised August 1987 "Harmonic Convergence" top (see article in Newsweek magazine, 8/17/87). They both had unique cosmic indicators which provided astro-economic analysts the information to forecast both tops, months in advance. To obtain a high degree of precision accuracy forecasting Stockmarket movements, one must master Gann's natural law discoveries, including the spiritual aspect behind his elusive Law of Vibration method.

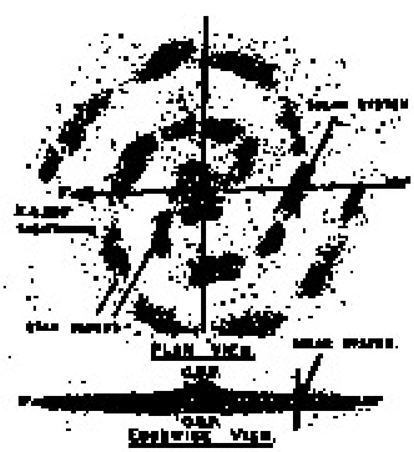
THE GALACTIC CENTER

For example, Edward R. Dewey, with the Foundation For the Study of Cycles published an article in the October 1969 issue of Cycles magazine entitled, "Stock Prices and Space."

The study covered the Dow Jones Industrial Averages from 1897-1961. The report showed a significant correspondence between monthly price changes and the geocentric conjunctions (0 degrees) and oppositions (180 degrees) of certain planets when they are located in different segments of the heavens. Stock prices usually moved up when the planets were located near the Galactic Center. Mr. Dewey noted that 270 to 300 degrees of the Celestial Sphere is the area where the Celestial Equator intersects the Galactic Equator. He stated that these statistical correlations were profound and that there must be some kinds of extra forces in the solar-system having an effect on Stockmarket prices.

According to Van Nostrand Scientific Encyclopedia the Galactic Center is located at R.A. 266 degrees or 26 degrees Sagittarius prior to entering the constellation of Capricorn. It is located in the area referred to as the Milky Way.

The Galactic Center consists of a disc shaped collection of billions of stars, gas and dust, in which our own solar system is located (Figure 1). This area of the heavens emits powerful X-rays and Infrared Rays, and when our solar system is aligned correctly within the Galactic Center, stock prices rise.



When you look at the heavens on a clear night you will see a luminous white band stretching across the heavens. This is known as the Milky Way which is our galaxy. It consists of a disc shaped collection of billions of stars.

"For he gave me sound knowledge of existing things, that I might know the organization of the universe and the force of its elements, the beginning and the end and the midpoint of times, the changes in the sun's course and the variations of the season, cycles of years, positions of stars . . . Such things as are hidden I learned and such as are plain; for Wisdom, the artificer of all, taught me" (Wisdom 7:17-22 N.A.B.) Illustration from Astronomy, Maps and Weather, by C.O. Wylie.

During the last two years, Saturn, Uranus, and Neptune have been transiting the constellations of Sagittarius and Capricorn, forming several conjunctions with each other. Also the faster moving planets have been forming conjunctions and oppositions (aspects) to these slower outer planets as they have transited (moved) through the constellations.

Traditional astrological lore considers Capricorn (said to be governed by Saturn) to be a restrictive or depressive influence. But, while some astrologers, Elliott-wavers, and other market analysts were forecasting doom and gloom during these years, those who read the book, Financial Astrology by LCdr. David Williams, or the original Cycles article were aware that for the Stock market, these planetary aspects have historically had a bullish effect on mass investor psychology.

The Cycles article revealed that planetary conjunctions and/or oppositions would have a different effect on stock prices, depending upon where they were located in the heavens. The graph (Figure 2) shows the percentage that stock prices advance or decline, from 30 days prior to the day of the geocentric conjunctions and oppositions between certain planets. The broken lines on each chart represent chance expectations. Mr. Dewey stated, “The consistency with which stock prices tend to advance during the 30 days prior to conjunctions or oppositions of Mars, and Jupiter, and the superior and inferior conjunctions of Mercury, when in the same

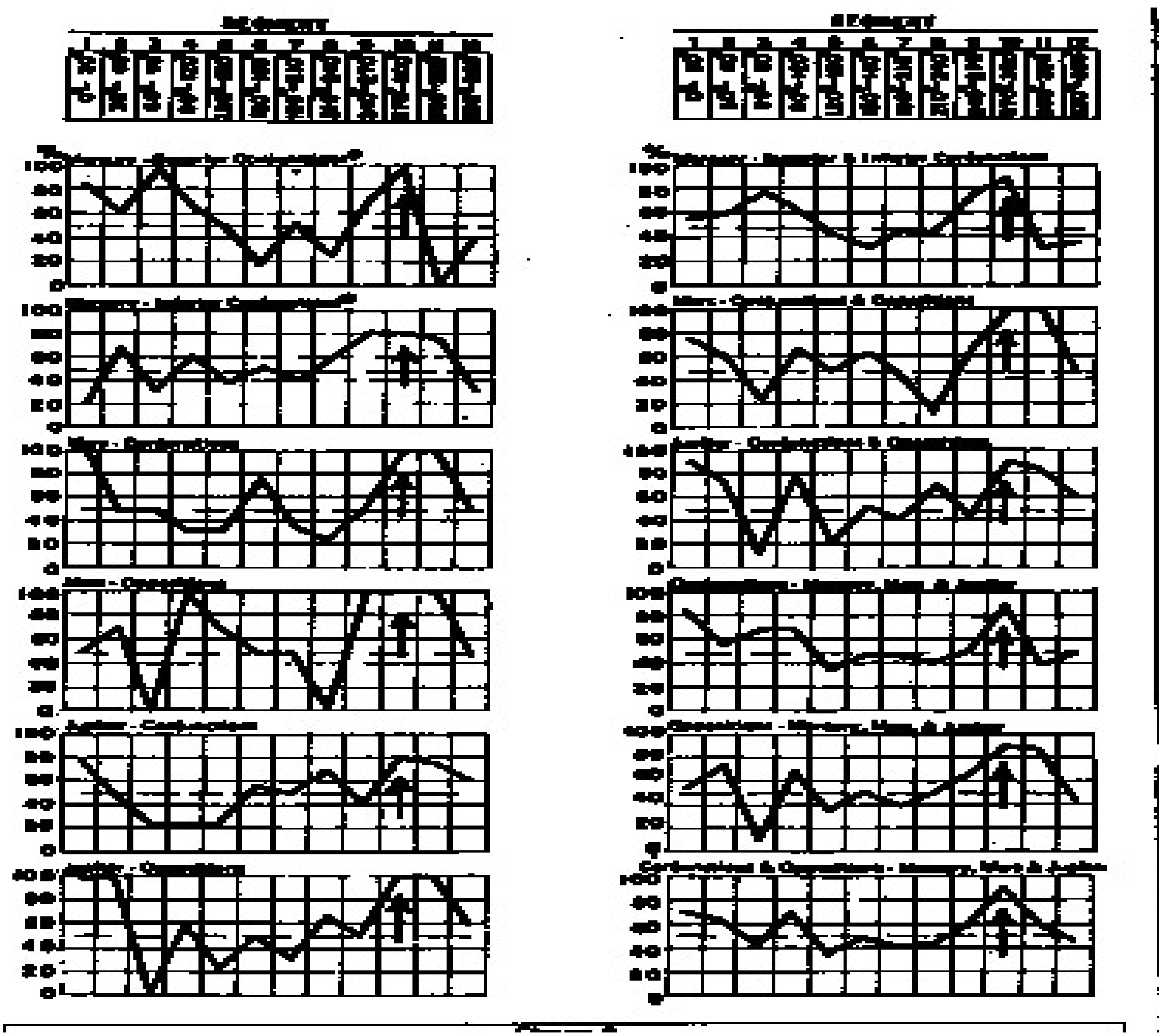


Figure 2

segment of space, is truly remarkable, and is surely not chance." On July 13, 1990, Jupiter and Saturn formed an exact opposition, which timed the Stockmarket 3000 top. The conjunctions and oppositions between these two planets occur about every 9 years. Heliocentrically (viewed from the sun), these aspects only occur once during their cycle; however, when viewed from earth (geocentric), the visual phenomena called retrograde, and the direct motion of the planets provide several dates when these planets form the same apparent angular relationship. (Figure 3).

The Stockmarket did rise going into most of these dates; however the November 13th date was generally flat following the October 13, 1989, 200 point drop. Why was the rise going into July, (Friday) the 13th, more significant, timing the exact high within I day on the Dow and S&P 500? To answer this question one but have knowledge of the natural laws and heavenly influences.

FORECASTS VALIDATES GANN'S LAW OF VIBRATION

In our May issue of the Market Systems Newsletter I stated, "On July 13th there is a major planetary pattern which could be a major top, or trend change date. Since it occurs near the Galactic Center, it portends higher prices going into this time-frame. Therefore, long term traders should look to be buying the dips into this time-frame." In the June issue we stated, "We do expect the July 12th/13th time-frame to be a significant turning point date, and possibly an intermediate top. We would like to see the market "squeeze" the shorts and rally into July 13th. If the technicals confirm and/or if we reach the 3000 level, we would like to short a spike top." (Fig. 4)

Perhaps, this was just a lucky forecast, however, for those who are skeptical regarding the "Heavenly VVsdom", consider the following televised forecasts: On June 20th, Financial News Network broadcast our Ira Epstein Show interview, with our forecast, "The Dow will go to 3000 by July 16th". During a 30 minute interview with Jeff Bower (Guru Review Show; FNN) on July 25th, I was asked how my methods differed from other market-timers. I stated that I used (amongst my own methods) some of the methods of the legendary forecaster W. D. Gann, including his Law of vibration which measures the influence of natural law on mass investor psychology. When asked to give a forecast for the following month, I referred

DATE	P1	ASP	P2
SEP 10, 1989	♃	☍	♄
NOV 14, 1989	♃	☍	♄
JUL 13, 1990	♃	☍	♄
MAR 15, 1991	♃	☍	♄
MAY 16, 1991	♃	☍	♄

Figure 3

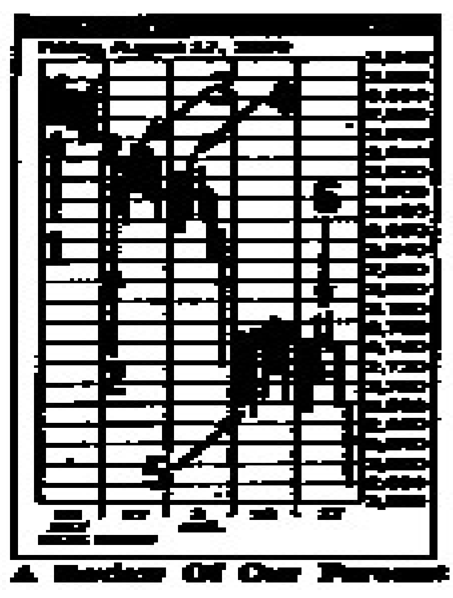


Figure 4

to our July newsletter (prepared prior to Iraq's invasion of Kuwait) which stated, "The Dow should decline into August 3rd, rally into August 14th, or 15th for topping action, decline into August 23rd, and then start a rally phase going into September 11th. (This forecast was 100% accurate and is available on VHS).

The July newsletter was more specific stating: "Ideally, August 3rd, or (the lunar eclipse on) the 6th (10:20 EDT), will generate a sharp counter-trend move going into the 14th. Look to position your trade on the close of August 3rd, or during the first hour of trading (on August 6th) going into the Lunar Eclipse." The market did decline into August 6th, with the exact low tick occurring Monday morning, at the exact time of the lunar eclipse! On August 14th, Mr. Bower broadcast my short term update on FNN, "Greg Meadors says this is a "sucker" rally that should be shorted. He would use 342 basis the S&P cash for a stop loss." The market rallied to 341.92, on the 15th (our turning point date), and then declined dramatically going into our next major turning point dates of August 23rd and 24th (followed by a rally into September 1 st).

VENUS TRINE URANUS CYCLE

Subscribers to Trader's World magazine were provided with the September 11th date in our previous article entitled, Gann's Law of Vibration Decoded (June 1990, Trader's World). In this, and previous articles we revealed the particulars of this two planet cycle. In the August newsletter we stated, "We expect a rally phase from August 23rd to September 11th. (Figure 6) This period roughly coincides with the Venus Trine Uranus Cycle, a planetary configuration with an extremely high bullish track record. This biannual cycle has been 80% accurate during the last 100 years, and 100% accurate during the previous 10 occurrences (5 years). The last occurrence was on June 6, 1990. This time, however, a worsening situation in the Persian Gulf could create a negative bias in mass investor psychology, making a sustained rally phase difficult. If the technicals and price action confirm, we could see a counter-trend move starting on September 11th, or 12th.... Often, a short term drop occurs following thedate at which Venus is exactly "trine" Uranus (September llth)."The market did have difficulty maintaining a continuos rally, however the market was up over 150 points from the August 23rd low with a higher close on September 12th. This was followed by a counter-trend move to the downside, as forecast.

Segment	Degrees	Advances	Declines	Total Percentages	Advances Are of Total
1	0–30	17	7	24	71
2	30–60	15	8	23	65
3	60–90	9	12	21	43
4	90–120	15	6	25	69
5	120–150	9	16	24	38
6	150–180	14	17	21	43
7	180–210	13	17	20	43
8	210–240	13	16	20	46
9	240–270	13	9	22	59
10	270–300	22	9	24	92
11	300–330	11	7	18	61
12	330–360	13	11	25	46
	Totals	166	139	300	

Figure 5

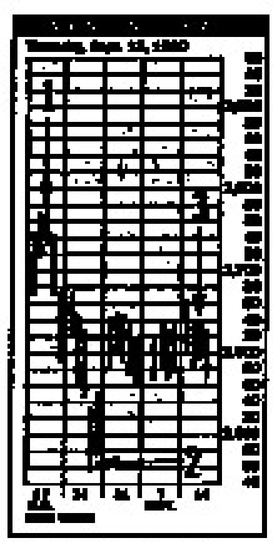


Figure 6

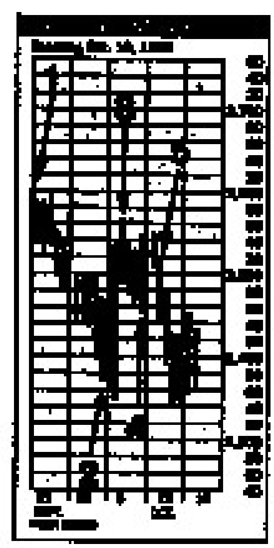


Figure 7

THE DOW 3000 TOP

The Dow Jones Averages reached 3000 intraday on July 13th, during a unique heavenly event. The planets Jupiter and Saturn were in exact opposition, however, the Sun was also configured in the planetary pattern, being exactly conjunct Jupiter and in opposition to Saturn. Based upon the Cycles article, an up move was expected going into the July 13th oppositions. However, to be able to forecast the intensity of the decline that followed, one needed knowledge of “Heavenly Wisdom, or else, to be connected with those who had advance knowledge of the Kuwait invasion.

There were both astronomical, and numerical events that were occurring at the Dow 3000 top. The numerical degree of the Sun/Jupiter/Saturn conjunction/opposition pattern was 22 degrees in the constellations of Cancer and Capricorn. The number 22 is one of three “master” numbers (11, 22, 33), which is appropriate for a major Stockmarket top. Most important, however, was the 22nd degree alignment in Cancer, which is the location of the fixed star POLLUX, one of the few in number of the #1 magnitude stars.

According to astrological lore (from the book, Fixed Stars and Constellation in Astrology, by Robson), this star is associated with craftiness, fighting, poisons, and crimes of public officials. Following this unique cosmic event, on a weekend, a Solar Eclipse also occurred while in Cancer (liquids), on July 22nd, which had the same effect on the Stockmarket as the March 29, 1987, weekend, Solar Eclipse. Both eclipses generated sharp declines on both Friday, and the following Monday. Also, the following lunar eclipses exactly timed the short-term market lows of April 14, 1987, and August 6, 1990.

As the Stockmarket continued to decline, Saddam Russian's plans for Kuwait were brought to light, as Mars (war) completed its opposition to Pluto (plutonium) on August 4th, and the light of the eclipsed full moon shone brightly on August 6th. Since the Kuwait invasion, the heavenly portents regarding oil, fighting, poisons, and the crimes of a public official, were brought to light finally, in the media. We have pointed out in previous articles that astrological lore should not be solely relied upon for Stockmarket timing, but it is interesting to note these correlations with the international events in the Middle East, and the conscious reactions of investors. When combined with the subconscious effects of the heavenly influences, the market declines were intensified. However, our forecast for the major reversal on August 23rd/24th, was based upon Gann’s Law of Vibration, and my harmonic analysis, not astrological lore. Our July newsletter stated, “August 23rd/24th has a high probability for a major reversal. Although there are not any significant planetary “aspects” in the heavens, our harmonic analysis technique indicates that this will be a major high energy point in time, with a high probability of a trend change. A major reversal did occur follow a spike closing low on August 23rd.

W.D. Gann used natural laws, and incorporated numerics, geometry, Pythagorean harmonics, astro-cycles, and the Law of Vibration to forecast the markets. Regarding natural laws, and scientific laws (related to market timing), he stated that they could be found in the Bible. Considering the recent heavenly, and earthly events, the following scriptures are appropriate, “Behold the day of the Lord comes! Fierce, with wrath and raging anger, to make the land (Babylon/Iraq), and the whole earth a desolation, and to destroy out of it its sinners. For the stars of heaven and the constellations thereof shall not give their light; the sun will be darkened at its rising, and the moon will not shed its light (Isaiah 13:9-10).

Hopefully, the light will be seen before the next Solar Eclipse which occurs on January 15, 1991. Interestingly, there are also several celestial harmoluc indicators which occur the day before, and the day after this eclipse. This portends a major change in mass (investor) psychology.

The Golden Cycle

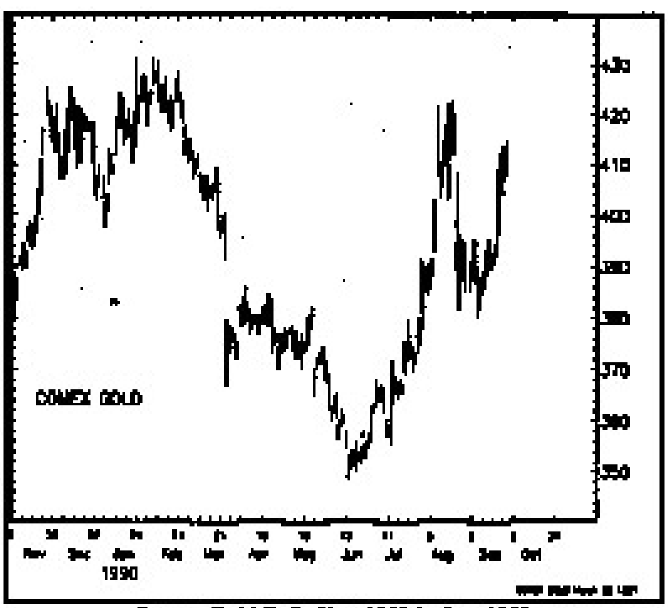
By Eric S. Hadik

The stock market is fast Th stock market is approaching one of the two most critical time frames of the year. In the next four weeks a major (one which will hold for at least two to three months) low is likely to develop, completing the fist wave down. In two weeks the first of a sequence of cyclic convergences appears on October 11-12, 1990. This two-day time frame occurs 81 days from the solar eclipse of July 22 and 80 days from the initial breakdown which portended this entire decline- July 23 (see the"Lost Cycle article in last month's issue for further explanation on the significance of this cycle).

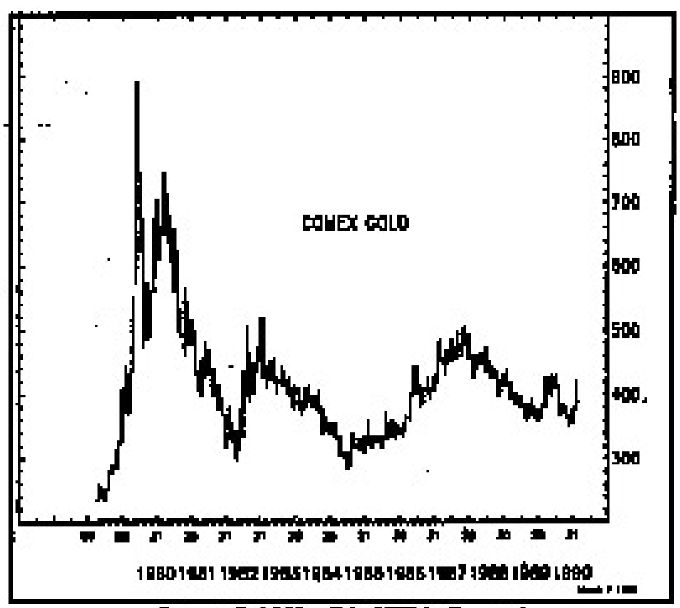
It is not, however, until October 22 and October 29-31, 1990, that the most important alignment of cycles occurs potentially ushering in a dramatic reversal or at least an extended period of consolidation. The basis for this expectation is derived from a comprehensive combination of markets, political and planetary projections, Elliott Waves, Gann angles and Fibonacci ratios combining with daily, weekly, monthly and yearly cycles to produce a greater synergy on this day than on any other in 1990. (It is interesting to note that October 22 precedes the dramatic tidal gravitational peak on December 2-3 by 40-41 days. This subsequent time frame also possesses a great deal of significance and synergistic power, cyclically as well as geographically.)

In the article, "The Lost Cycle", in this issue of TW several reasons were stated for closely monitoring the October 22, 1990, convergence. These reasons were:

1—80-81 days from the invasion of Kuwait by Saddam's forces
2—121 days since the summer solstice, and more importantly, 60-61 days prior to the winter solstice—more on this to follow
3—Three year anniversary of the October 1987 lows
4—Critical cyclic coincidence in the Dow Jones Industrial Average



Comex Gold Daily Nov 1989 to Sep 1990



Comex Gold Monthly 1979 to Present

After closer examination of the longer term cycles in the Dow and S&P 500, it was apparent that this date, particularly the month of October, is actually more likely to produce the lows for the year rather than the August 21-24 time frame mentioned in last months article which has already proved itself as a significant reversal date.)

October 22 occurs 60 days from the August 23 low and the inclusive week of October 22-26 occurs 60 weeks from the September 1, 1989 Orthodox (Ultimate) High. (Anyone following my Elliott Wave analysis realizes that I believe September 1, 1989 provided the Ultimate High in the stock market, recently reaffirmed by an interesting phone call and observation. The Dow Jones Transportation Average, the leader of stock market action from 1987-1990, registered its high exactly on September 1, 1989 coinciding with the peak in the Dow Jones 65 Composite—the combination of the Transportations, Utilities and Industrials.)

The following week arrives 61 weeks from the Orthodox High and more importantly, 61 yeas from the infamous October 29, 1929. If there is a major reversal forthcoming, it is likely to develop in this two week period. Keep in mind, however, that this will only terminate the first wave down.

It is this cycle which deserves a closer look and which I most often refer to as The Golden Cycle. Anyone familiar with the Golden Ratio recognizes .618 as the ratio which, among other things, is the foundation of the Elliott Wave Theory. Its application serves to identify future price and/or time levels where, or when, a culmination of the current wave, cycle or reaction is likely.

It is unique, when viewed in this context, that the most consistent and predictable cycle in the Comex Gold market is a 60-62 calendar day cycle. (60-62 calendar days usually encompasses 4041 trading days so it is also consistent with the "Lost Cycle")

The 60-62 day cycle is not unusual since it is widely followed by Gann analysts because of its geometric application (60). But nowhere is it more prevalent (coincidence?) than in the gold market. It is evident on the daily, weekly and monthly charts and a few of the more recent examples are listed below as well as on the accompanying charts.

1989 High (November 24)—1990 High (January 24) == 61 calendar days
January 24, 1990 high—March 26, 1990 Low === 61 calendar days
(This wave culminated with a 28 Dollar drop on March 26)
February 5, 1990 High (Double Top)April 5, 1990 High == 60 calendar days
June 14, 1990 Low—August 14, 1990 High == 61 calendar days
July 12, 1990 Low—September 10, 1990 Low == 60 calendar days
October 15-16, 1990 == 61-62 calendar days from the August 14, 1990 Highs and should provide the next major low

December 14/17, 1990 will provide the most crucial revesal period in the Gold market this year as it comprises the convergence of the fist second and potentially third multiple (If October 1516 produces a low) of the 60-62 day cycle as well as the three year anniversary of the December 14, 1987, Highs at 507.4.

Throughout the decline of 1990 the 40-41 day cycle was evident, mostly on the lows at the same time the 60-62 day cycle was governing the highs and declines. The coincidence of these two cycles often provides the most potent reversal periods, particularly when it appeas 120-123 days from a previous major high or low, rather than 40 and 60 days from independent extremes. The 60-62 month period is also uncanny in its predictive potential as it should be since it represents the 5 year annivesary of highs and lows or in other words—half of a decade of market action. A couple examples, and projections, follow:

January 1980 (Lifetime High)-February 1985 (Major Low) == 61 months
January 1983 High- December 1987 High == 59 months (1 month error)
February 1985 Low— June 1990 Low == 64 months (2 month error)
(December 1987 High June 1990 Low == 30 months or 1/2 cycle)

January/February 1992 should mark the next major high The combination of daily, weekly and monthly cycles anticipate two other notable highs. The first occurs on November 21, 1990 and the second squares with price on February 18-22, 1991 at 438-440.

Other than noting its remarkable consistency in the Comex Gold market, there is not a great deal to add to what W.D. Gann has already observed regarding the unique properties of this cycle sequence (60, 120, 180...). Suffice it to say that the proof is in the application of them, particularly in the gold market, within the structure of a well-disciplined trading strategy. The final contribution to this cycle trilogy will focus on a very unique derivative of the Fibonacci Summation Series which governs the U.S. Treasury Bond futures market.

September 28, 1990 Eric S. Hadik 1755 Trinity #45 Walnut Creek CA 94596 (415)-939-I 751

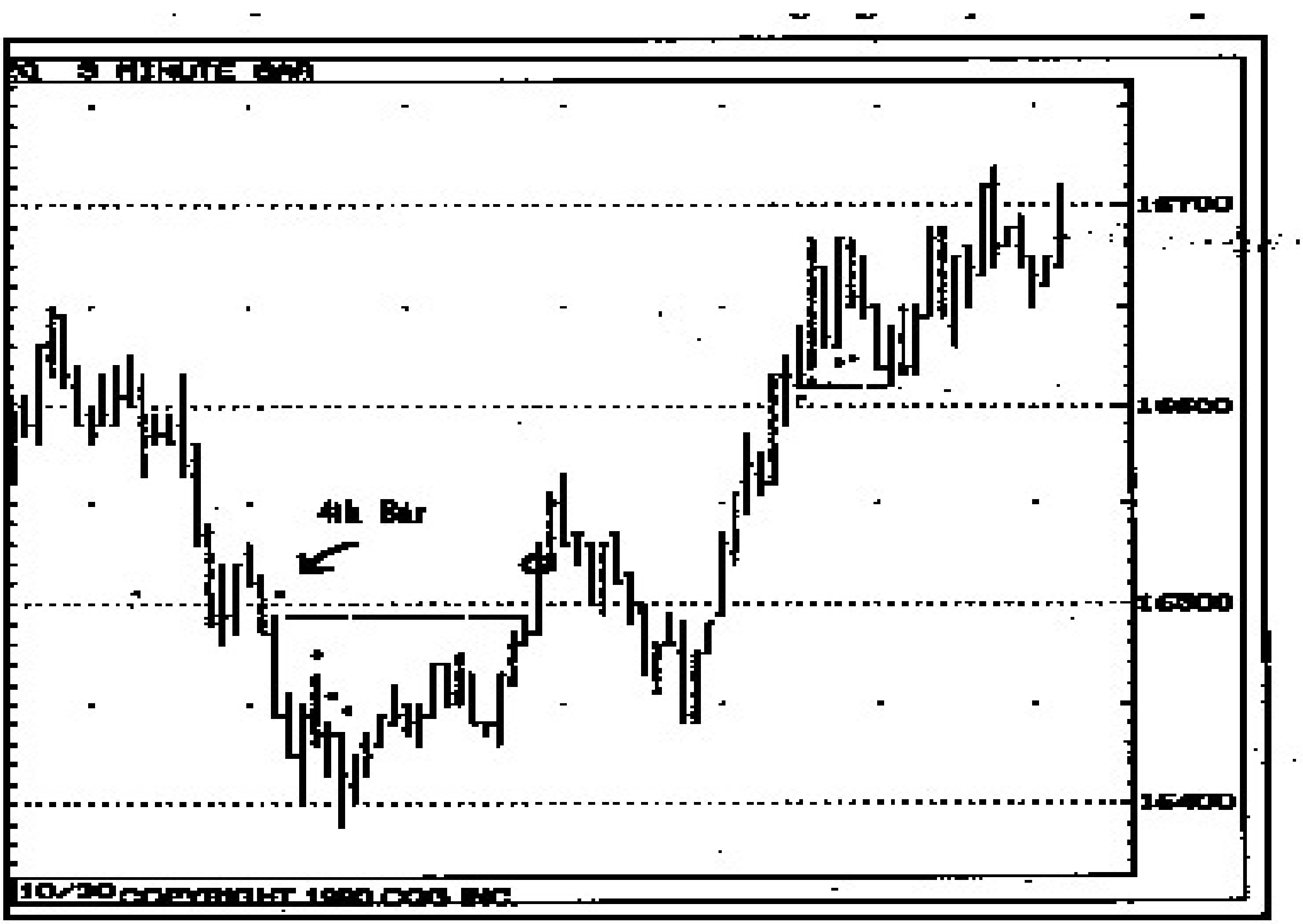
How Day Traders Can Enhance Their Profit Potential

By Jack Weiss

Getting In the market is easy; HowDay In the market is getting out is hard. Making money in the market is even harder, especially for day trades. The majority of futures trades use some type of technical or mechanical trading system. For the day trader it is a must. This article does not purport to tell trader how to get into a trade; only how to best come out of one. Day trading systems always stress entry points. After all, getting in the market right accounts for more than fifty percent of a trader's chance to make money. As real estate people say: location is everything. And so it is with commodity trading. Long or short, entry is all.

Trading system then emphasize the proper stop out points. This is essential for it defines risk, the only thing a trader can actually control. No disciplined day trader wants to be exposed to the vagaries of the market beyond prudent money management levels.

Left for last is the exiting of the trade. This is because no system can tell if there will be a profit or how much it will be. Systems use one of two ways to cash in a winning trade: either a



predetermined exit price or a market-onclose order (MOC).

Both methods have serious flaws. If a trader is going for a predetermined priceobjective, he either gets it or he doesn't. If he gets it he will be happy, but only for a few minutes as they may go farther than expected and profits are lost. On the other hand, if the objective price isn't reached, a nice winning trade may actually turn into just a minor gain or a stopout loss.

No trader can afford to have a winning trade turn into a loser. Besides being psychologically damaging, the trader must overcome the loss with even greater profits on subsequent trades just to get even.

The market-on-close order leaves everything to the commodity futures trading gods. And every trader knows how fickle they can be. Many a handsome profit can go down the drain in a matter of minutes using MOC orders. But trading systems use this type of order because computes cannot judge intraday activity. The only kind of day an MOC order is effective on is a so called Trend Day, when the market opens on one end of that day's activity and closes on the other. And that only happens about fifteen percent of each trading month. The rest of the time the trader is at the market's mercy. And that is not a happy prospect.

This article is directed to day trades. Especially day trades who have realtime five minute bar charts on their computes. By definition, a day trader needs an active, wide daily spread market in order to have a chance at profits. Only a mere handful of commodities qualify; ie, the stock index futures (S&P, NYFE), TBonds, Soybeans (in season) and crude oil (recently in vogue.)

The essence of this trading methodology is ~to alert the trader to within the daily activity of a given futures contract. In other words: spotting reversals!

Five minute bar charts are perfect for this purpose. Anything longer, say fifteen minute or hour charts can be an eternity in fast-paced markets. Charts of less than five minutes are too close to the action and trades have a tendency to overreact to price chances.

After several yeas of personal observation, the writer came to the conclusion that whenever the price of a futures contract had closed more than three lower low bars back from any intraday high, it was usually time to go to cash. Conversely, if a trader were short and the market retraced back up and closed above three distinctively higher highs from an intraday low, then it was prudent to cover shorts.

Because of volatility, four bars are used in the count for stock index futures. Counting the bars, however, is the tricky part. Say a trader has a profitable short position in the NYFE, for example, and is watching for a possible reversal. Beginning with the lowest priced bar in the session, the trader counts backward for four higher highs. (See NYFE (NCZ) chart). As seen, an intermediate low was made early in the day at the 164.70 level and a ten minute rally ensued only to fall to 164.00 where another feeble rally attempt failed. The low for the day at 163.90 finally caught; and note that the market struggles for just over one hour (stopping at the high of the fourth bar back) before signaling a reversal.

It is not uncommon for the contract to come back and test the lows as occurred in this instance. An aggressive trader, therefore, suspecting that the low for the day is probably in for that particular session, could take a long position in the 164.50 area for a chance at new highs at the end of the trading day. Once new highs for the day are being made, the trader must be on guard for another four bar reversal from that high. The market did trade back exactly four bars, never lower, and closed near the highs of the day. (Dots denote the higher/lower bars which are valid.)

There can be any number of bars which will not figure in the count. Bars that are equal to adjacent bars are ignored and not counted. Multiple five minute bars with a common high price but unequal lows are counted thus: each lower low bar back is valid. Bars with equal highs and lows are all counted as one bar. (Again, refer to the chart at the 166.85 level.)

Only the most current high bar starts the count. In other words, fresh information takes precedence. Every new five minute higher high has the potential to be the top for that session, so the trader must continually evaluate and count back from the high the appropriate number of bars for the market he is day trading.

A trader must not make the mistake of just counting four previous bars as signaling a reversal. because the usual pattern of a market is to have unequal five minute trading lengths. It is important to only count those bars which have lower lows (or highs, if short).

Another caution: It is permissible for the market price to retrace lower than three low bars back and still retain bullish day characteristics, provided it does not close below the third bar back.

Needless to say, there are many scenarios that will challenge the trader in making an accurate count. The nuances of this methodology require a certain expertise, but are achievable with practice. The main point is that trades are given an early warning signal that a market has run its course and is ready to reverse. All the market is really saying is: the high or low for that session is most likely in should now be expected.

There can be several reversals during any particular trading session. Excessive choppy trading will keep any day trader on his toes. Yet an alert trader can quickly identify a reversal and either get flat the market or switch trading sides. Intermediate day highs or lows can be counted but are not as reliable as fresh highs or fresh lows intraday. A day trader, by choice, must be on guard to count five minute trading bars in much profit as he can. The only trader who could do better would be one who could successfully sell the highs and buy the bottoms.

Every trader armed with the knowledge of knowing when a market is ready to reverse directions knows immediately what to do, take the money and run. Or change positions and try for profits in the opposite direction. Not many traders are nimble enough to make two successful, but opposite, trades in one market in one trading session. Using this reversal method will allow a day trader to capture more overall trading profits, once he becomes adept handling the bar count. (In other words, what to count and what to ignore.)

Knowing, as someone once said, reduces stress on both the trader and his pocketbook.

Jack Weiss, First Texas Futures, Inc., 2974 LIRJ Freeway, Suite 425, Dallas, TX 75234

The Lost Cycle

By Eric S. Hadik

And the rain was upon the earth forty days and forty nights...and the flood was forty days upon the earth. (Genesis 7:12, 17a) And Moses was in the mount forty days and forty nights. (Exodus 24: 18b) And he was there with the Lord forty days and forty nights. (Exodus 34:28a) And forty days were fulfilled for him; for so are fulfilled the days of those who are embalmed. (Genesis 50:3a) And they returned from searching of the land after forty days. (Numbers 13:25) And the Philistine (Goliath) drew near morning and evening, and presented himself forty days. (I Samuel 17:16) And when He (JESUS) had fasted forty days and forty nights, he was afterward hungry. (Matthew 4:2) And He was there in the wilderness forty days tested by Satan. (Mark 1:1 3a)

One of the most prominent and significant time frames throughout the Bible is the cycle of forty days, or more often than not forty days and forty nights. The preceding verses are but a few of the numerous passages, within the Bible, which emphasize the importance of this unique period of time. It's appearance spans all of written history, not just that of the Word, from the embalming practices of the ancient Egyptians and Israelites to the life of Jesus and on through to the modern day observation of Lent, the forty day period from Ash Wednesday to Easter Sunday observed by Catholics worldwide. It is also recorded that Jesus remained on Earth for forty days after His resurrection before ascending into Heaven.

The significance of this, from a trader's perspective, is realized when this cycle is applied to market action and used in tandem with other cycle and wave analysis for increased accuracy in trading.

It is very surprising that most Gann students choose to ignore this cycle, proven time and again throughout history, and instead elect to adhere to a forty-five day cycle which so often falls short of their expectations with no apparent explanation. The reason should now be obvious—it is due to the presence of the six-thousand year old, forty day cycle overriding the more popular (though often less effective) forty-five day cycle. So many followers of W.D. Gann also elect to ignore his exhortation to study the Bible, reading it three times before proceeding, instead diving immediately into angles, squares and cycles without the necessary foundation being laid fist. They are neglecting the structure that must fist be developed for a successful trading discipline.

The Bible possesses a vast wealth of knowledge and information and Gann's advice should be heeded by any student willing to devote the necessary time and effort to become an informed and enlightened trader. Trading should not be a one or two year whim but rather a lifelong endeavor. It is not just the Biblical implications, however, which emphasize the significance of this time frame, but also the numeric and chronological characteristics. A forty, or forty and one-half, day cycle is unique when considered in the following light:

1) 365 days divided by 9 = 40.55 (Why don't more Gann enthusiasts follow this?)
2) 2 times 40.55 = 81 (9 squared) 3 times 40.55 = 121/122 (11 squared, onethird of a year and only one degree from a very interesting angle)
3) 1932 low in the DJIA = 40.56
4) A six week cycle (the most prevelant in stock index action) measured from the commencing

Monday through the culminating Friday encompasses 40 days.

As mentioned in #2, the second and third multiple of this cycle are equally as important when seeking major reversal points in any market. It would be easy to selectively pick supporting charts and include them with this article to reinforce my point but that has never been my approach. I would prefer to outline the forthcoming dates when this cycle is strongest, and therefore most likely to produce dramatic revesals in the indexes. There are currently six time frames apparent which should be viewed for highs and lows.

The low cycles align on:

l-August 21-24, 1990
2-September20-21, 1990
3-October 19/22, 1990

The high cycles align on:

I-October 3/6, 1990
2-November 16, 1990
3- January 2, 1991

(Yesterday's invasion of Kuwait by Iraqi forces confirms the decline which is inevitable into the three year anniversary of the infamous Harmonic Convergence and a plethora of other cycles, including the forty day.) The initial low cycle is likely to produce the lows for the year, much like it produced the highs, on the same date, three yeas ago. This cycle should be utilized like any other, considering it not only from market highs and lows, but also from prominent planetary and seasonal dates. (It is interesting to note that yesterday's invasion came on the forty-fist day since the summer solstice and I will be closely monitoring the events in the Middle East on three subsequent dates-September 11+12 and most accurately on October 22 and December 1-2. The October date should be dramatic since it aligns with the three year anniversary of the crash, a cycle low in the Dow and eighty-fist day since the invasion, which is also the 121st day since the solstice.) These cycles, as well as the Elliott Wave and much of Gann analyses possess a certain level of subjectivity and I continually stress the placement of proper emphasis on any subjective analysis within a structured, disciplined trading approach. Cycles, and the Elliott Wave, are not panaceas but can play an important part and fill a perpetual void in many trading strategies. Entering the markets should be just like entering a business not just a lot of theory, but rather a structured, disciplined and prearranged strategy to participate in and capitalize from their existence. Recognize the strengths and weaknesses of these tools and utilize them accordingly.

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How to Use Volume to Determine Trend

James H. Burnett

How many times has the market made what you thought was a change in trend (i.e., bull to bear). You took a short position then found the market turned and went up substantially. By the time you or your stops caught the bad position, you probably lost.

For those of you who are Elliott wave counters (figure 1), the market you were in finished up a bull wave 5; you thought it was forming waves 1, 2 and the starting of wave 3 of a bear cycle you went short. Instead, you found it was a corrective A-B-C pattern then waves 1 and 2 of a new bull cycle where you should have gone long. This can also occur in a bear trend, fooling you into thinking it has shifted into a bull cycle as well.

A similar unfortunate mistake can happen when the market is shifting from a bull to a bear trend (or vise versa), and you think it is an A-B-C correction. In fact, it is waves 1,2 and the start of wave 3 of a new trend cycle. By the time you figure this out, it's too late to take a long position; it would be too risky by now.

I keep referring to the market. One of Charles Dow's basic tenets was to always buy with the trend of the market, i.e., don't buy a commodity/stock that is in a trend against or opposite the rest of the market.

Some of the traditional methods of determining the market's trend is to use head and shoulders, slow moving averages (SMA), breaking trend lines, oscillators and watching for gaps, etc.. These help to confirm ones thoughts. Even if you use envelopes, filters or more than one SMA at a time, they can still whipsaw. Usually, at best, they will give the confirmation quite late.

Let's face facts here. Knowing which trend you are in and which Elliott wave count you are on (as soon as possible) is the name of the game. Other indicators such as RSI, Lane's Stockastics, William's %R, Gann fixed angle lines Fibonacci fan and arc lines, etc used in combination are fantastic at telling you when to expect the exact day of a short term turnaround. These commonly used indicators are also found in the program I have written entitled "END OF THE RAINBOW." If ind that knowing when to expect these short term turnarounds help you determine the beginning and end of each Elliott wave - thus you know when to buy and sell provided you are in the correct trend . END OF THE RAINBOW also has a cycle finder and price target lines predicting the minimum and maximum of wave 3 and 5. These indicators, in themselves, can not tell you for sure which trend you are in while at the beginning of a trend cycle. This is when you will want to start your position.

How can one know which trend the market is in early in the game? Charles H. Dow gave us a few hints. One of his famous basic tenets was to assume the market is still in the existing trend until proven otherwise (this is helpful provided the market has not shifted trends). In my opinion, the most important basic tenet Dow gave us is 'the volumes must confirm the trend.

This right and left translation notes the time position of each wave's peak in relation to the adjacent troughs. (Notice I said peaks and troughs). In a bear cycle, the end of impulse waves forms the troughs and the corrective waves produce the peaks. If the commodity/stock is in a bull cycle, the peak is supposed to be to the right of center. In a bear cycle, however, it leans to the left. The screen output, (as shown in figures 3 and 5), is a horizontal neutral line with vertical-bars—(blue) above or below the neutral line and a slow moving average of the bar graph (light blue). When the bar graph and SMA are above the neutral line, it is bullish. On the other hand, when the bar graph and its SMA are below the neutral line, it is considered bearish. At the bottom of the graph is another bar graph (magenta) and its SMA (pink) indicating each days volume. This slow moving average can be removed, if desired, to view the bars more clearly. Figures 2 and 4 are the price lines of that stock. Finally, below the graph the screen prints the average volume during the entire time of the file and it prints that day's volume (each divided by 100) .

Note that in example A, (figures 2 and 3), the stock (Digital Equipment) did indeed go into a change of trend from a bull to a bear cycle. If you felt that wave 1 was a bullish A-B-C and wave 2 and the start of wave 3 was a wave 1 and 2 of a bull cycle - you would have been rudely awakened. With VOLUTREND you would not have taken a long position as the indicator went bearish in time to warn you to go short. Note example B in figures 4 and 5, (Apple Computer). This stock did form a complex corrective A-B-C pattern - then wave 1 and 2 of a new bull cycle.

You could have successfully taken a long position at the start of wave 3.

It is always wise to wait to take a position until the start of wave 3 rather than the start of wave 1. Wave 2 will many time completely retrace wave 1. By that time you will feel more confident about the trend in which you are actually involved. Getting out of the position at the end of wave 3 or 5 is a matter of opinion and how strongly you entire market is acting.

Reference: Technical Analysis Of The Futures Markets: A Comprehensive Guide to Trading Methods and Applications. John J. Murphy (1986), New York Institute of Finance NewYork, N.Y. 10270

James H. Burnett has been writing technical analysis graphic programs for over 3 years and instructs a class entitled "Stock Market Mechanics" at his local community college. James is also the president of the investment club, NNIC.

He can be reached for more information concerning "END OF THE RAINBOW". "END OF THE RAINBOW" also has an automatic file downloader. It loads your data files daily from your T.V. cable, even while you're on vacation. entitled "A8TRO-TECH 8IGNALS"

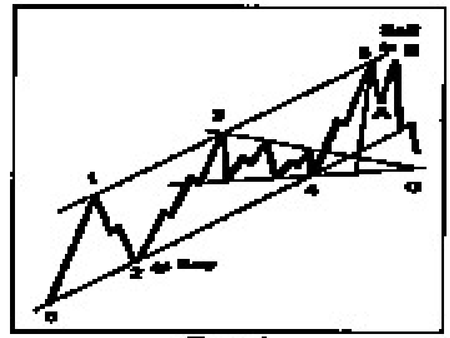


Figure 1

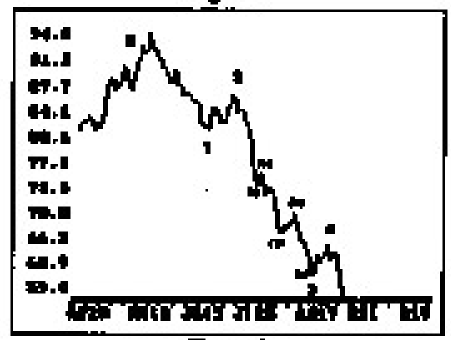


Figure 2

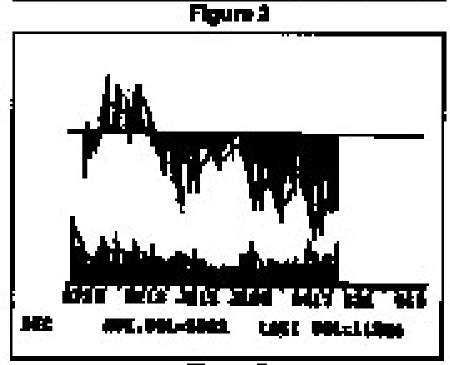


Figure 3

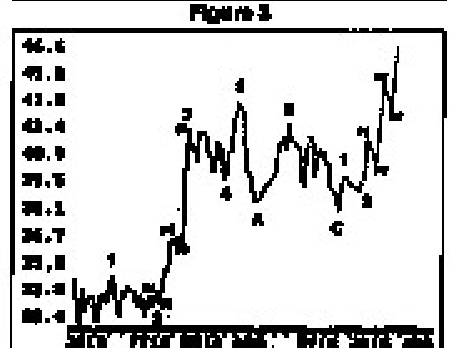


Figure 4

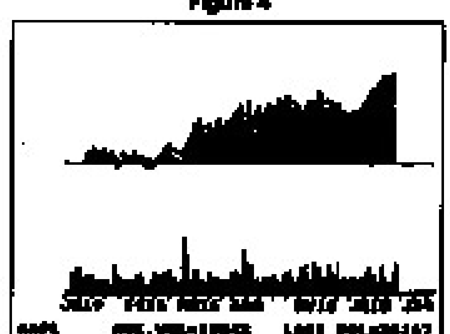


Figure 5

The Master Pattern: The Concept of Living Geometry and the Stock Market

By Robert J. Flower

The famous futurist and inventor,R. Buckminster Fuller, held that the universe was an ordered mechanism which lived: that is it has intelligence and all the other human qualities known to man. This also describes the basic character of Nature. This leads us to the monad, the basic irreducible form of the universe. It is the force which permeates everything and which everything mirrors. It evidences itself throughout Nature.

For years I have conducted exhaustive research into this study. It eventually led to the stock market. By attempting to explain nature and the monad through stock market dynamics, certain facts have come to light. The resulting information has led to an insight of the monad as a master pattern the umderlying, innate process, the living geometry of all processes and structures.

More recently, a contemporary of Fuller, Dr. Derald Langham, has developed a model from which the Master Pattern was gleaned, called Genesa. It was derived from years of constant experimentation with the geometry of genetics - the formation of cells and related natural systems. The process of this concept is identified in three parts: the pulse, the wave and the spiral. The pulse is geometrically described as the X,Y,Z Cartesian coordinates, while the wave is a combination of organizational factors which manifest eventually in a hexagonal form. The spiral is reflected in vertexes which relate to Phi and Euler’s Number. See Figure 1.

Let s view this scenario by virtue of the ancient Mesopotamian chart known to W.D. Gann followers as the square of 9. See Figure 2.

Figure 1

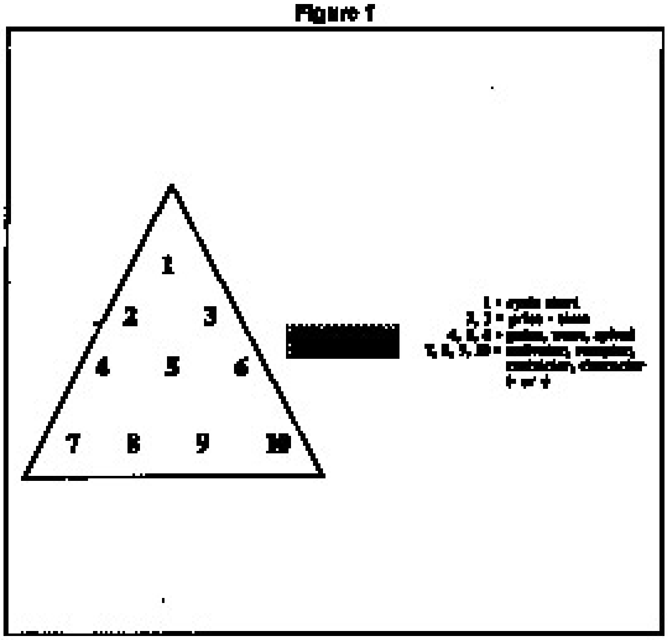
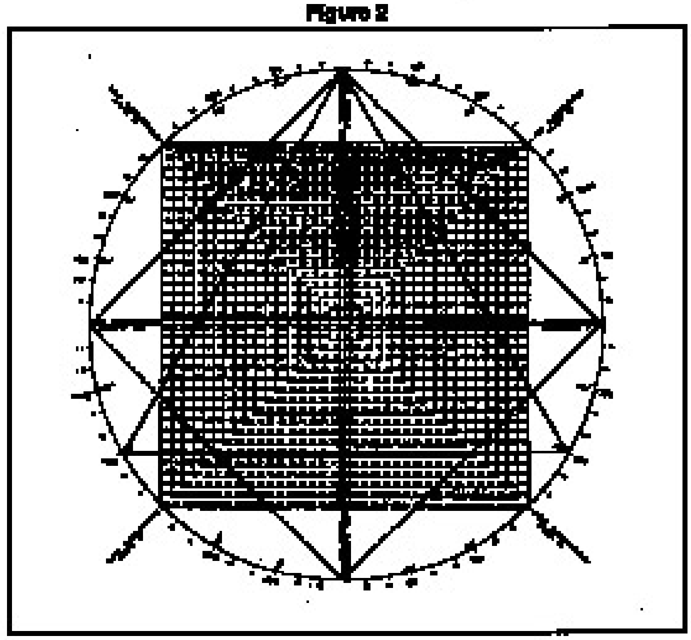


Figure 2



The Pulse

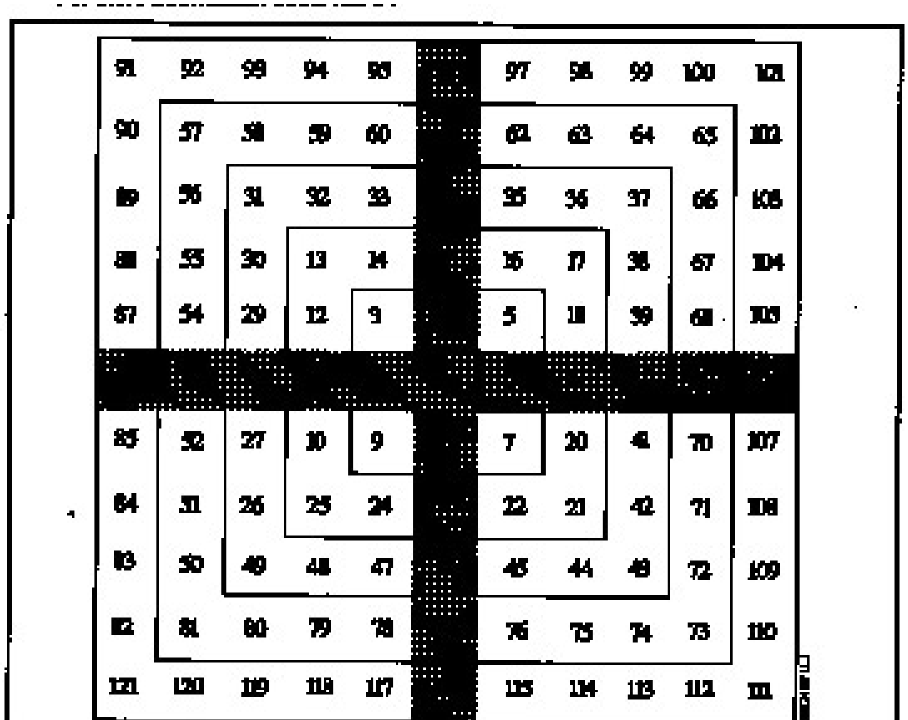
The pulse has several important aspects to it. In the first place, as we stated earlier, the pu]se is identified by virtue of the X and Y coordinates. The Z coordinate is identified as the 360 circle which encompasses the X & Y coordinates. Additionally, the pulse is identified in the square of 9 by the center of the square, the number 1. It is also recognized as the circle encompassing the square. This can be labelled with the central 1 as the microcosm and the outer circle as the macrocosm encompassing the square. This outer circle can also be interpreted as the pulse. It can be labelled as the central 1, as the microcosm, with another outer circle as the macrocosm. Actually, any number within the numerical field of the Gann Square of 9 can be utilized as the center. On a chart, the pulse is identified as the beginning of a move. It is the causal factor.

The Wave

The wave is simply identified as each completed square within the square of 9. Each individual square is a distinct segment of a wave, while any number of squares would comprise a wave series. One might say that each square represents a single (price molecule) in an entire chain or series of (molecular) price systems. If each of the squares starting from 9 were to light up in consecutive fashion, a very definite wave format is envisioned. On a chart, the wave is identified as the up or down movement following the pulse. It is also recognized as the format by which the causal factor (pulse) develops.

The Spiral

The spiral is actually a function of the ending of the individual squares, that is, the place where the square "leaps to the next level or square." this spiralling or escalating effect continues out to the next 360° degree circle. See Figure 3. At that point in time, another square



Each Square represents a pulse in itself. However, they also represent waves in a collective fashion.

Figure 3

manifests with the outermost portion completely enveloping the 360° circle (see chart) and so on. This then creates minor and major spirals. On a chart, the spiral manifests as the “spike” move. It is a mathematical function of Phi. Also, it is the effect factor of the causal and wave format aspects — the expression.

In psychological terms, the pulse, wave and spiral can be identified as cause, process and effect. Further, the pulse is semi-flexible and can be initiated at any point within the square, while the wave is fixed and very much set in its structure once it has been set in motion, the spiral is the action aspect of the three. The 3 are inter-connected in that from varying perspectives one can interpreted as another. For instance, a spiral may be a pulse point for a new move.

Understanding the Master Pattern

The key to comprehending stock market movement by virtue of the Master Pattern lies in the mathematical construction of the monad, its resulting geometry and a relativity factor. For instance, the Master Pattern for Gann’s Square of 9 is one. Why? Because the pattern starts with the #1, ends with a perfect square (of 35 or 1235) and takes into account the concept of a square and a triangle in total symmetry.

The Living Geometry of the Square of 35;

I have often wondered why Gann used the square of 35 as the basis of the square of 9. Recently it became dramatically clear. This was purely a scientific (mathematical and geometric) decision and had nothing at all to do with the prices of the commodities nor anything of a similar nature. The reasoning is that 352 halipens to be one of the few numbers (6 being one of the others) which enable one to equally employ a system of geometric squares and triangles within their analysis. By this I mean that if one were the numbers 1 through 1235 in the form of a triangle or a square, all other things being equal, that is, the size of the numbers, the spacing in between, the end result would be the same number, namely 1,235. This enables one to geometrically arrange a universe for perfect coordination of key geometric alignments (power and energy lines). These power and energy lines are known in astrology as squares and trines. The mathematics of other geometric forms such as the pentagon and octagon, etc. are equally fascinating. But that is another writing.

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A Lunar Chaos Theory

By Dr. Hans Hannula, PhD, RSA, CTA

The author has been on the trail of the physical causes of cycles in stocks and commodities [5][6]. This research has lead to many interesting discoveries, but none more interesting or potentially more profitable than a new theory of chaotic behavior in the moon's orbit. Before proceeding with the discussion of this discovery, a word about my methodology is in order.

In my work, which I call Market AstroPhysics, I follow a scientific approach with these steps:

1. Develop a physical theory for a particular cause and effect phenomenon
2. Develop a mathematical model to describe the phenomenon
3. Compute the time series for the model 4. Statistically correlate the time series with market action
5. If the statistics indicate a correlation that is far better than chance, test the relationship in real time to see if the predicted market action occurs
6. If realtime and statistical tests justify it, use the predictions as an aid in trading the markets

This approach has enabled me to sort out many new things about cycles and how they operate. Now let us proceed to look at one such phenomenon.

Basic Physical Mechanisms

Development of a physical theory of cycles begins with an examination of how the solar system is constructed. It is composed of ten very important chucks of rock orbiting about a ball of burning gas, our sun. The nine planets and our moon are the big rocks. For eons, these rocks have proceeded relentlessly on their courses, carefully balancing the forces they exert on each other and on the sun, and visa versa. To date, there have been two mechanisms proposed

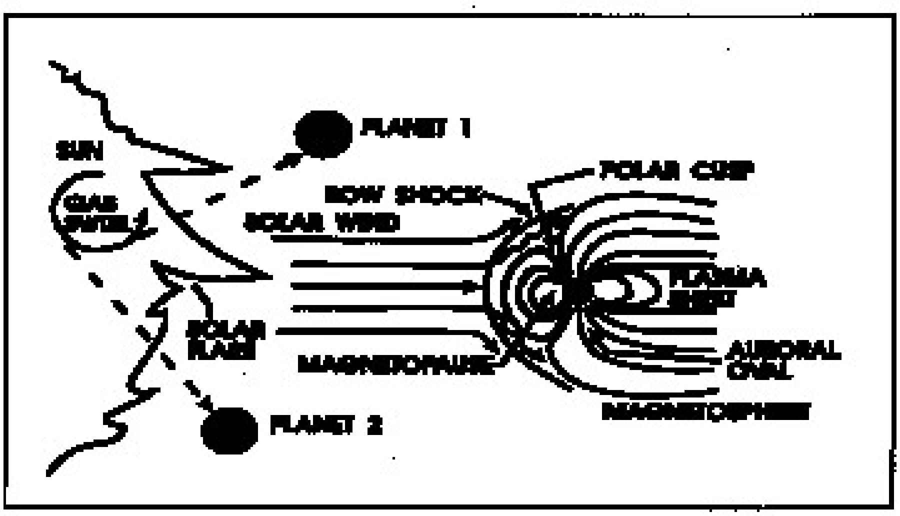

Figure 1. Solar Stirring Force

that could explain the effects of this system on earthly events Dr. Theodore Landscheidt [9][10][11] has presented many correlations between the center of mass of the solar system and the outburst of solar flares. His theory is that as the planets rotate, they shift the center of mass of the combined planet/sun system around. At times this center of mass actually moves outside of the surface of the sun. As it passes the sun's surface, a chaotic boundary condition exists, resulting in outbursts of large solar flares. This phenomenon is described by the equation in Figure A.

This equation computes the point at which the mass of the planets and sun is effectively concentrated. The outer planets, because of their large distances from the sun, dominate these equations.

Jupiter, because of its enormous size, is very influential.

The author has described another mechanism[5] Initially proposed by climate researchers in the early 1900's [2][12]. This mechanism is shown in Figure 1. As the planets orbit the sun, they exert tidal forces upon the gases of the sun, much as the moon raises tides on the earth. These forces are described by the equation in Figure B. Numerical solution of this equation reveals that Jupiter, Mercury, Venus, Earth, Mars, and Saturn are the most influential, in that order.

In Figure 1, this tidal effect is shown by planets 1 and 2 rotating a gaseous portion of the sun's surface. These gas swirls cause a number of solar effects, including sun spots, coronal holes, and solar flares. All of these effects combine to vary the amount of radiation that leaves the sun.

This solar radiation is carried toward the earth in two ways, as direct radiation, such as sunshine and radio waves, and as particles, carried by what is called the solar wind. This flow of charged particles forms a torrent of energy which blast spaceship earth, creating a bow wave and a wake just as a boat going upstream would do. This bow shock wave forms a magneto pause between the earth and the sun, and interacts with the earth's magnetic field, both shaping it and adding energy to it. At the north and south poles, the charged particles follow the magnetic lines of force, and enter our atmosphere in what is called a Polar Cap Absorbtion Event [8]. This leads to the auroral oval, producing our Northern and Southern Lights.

The bow wave also creates an envelope about the earth, called the magnetosphere. As the solar wind flows past the earth, the magnetosphere forms a teardrop shaped envelope of trapped particles, ending in what is called the magnetotail. It is inside this envelope that the moon orbits.

Figure A

$$\sum_i m_i r_i = 0$$

where

m = mass of the planets or sun
r = distance to the center of mass
i = index running from 1 to 10 for 9 planets plus the sun

Figure B

$$f = k \sum_i \frac{m_i}{r_i^3}$$

where

k = a constant to make gas swirl mass = 1
m = mass of the planet
r = distance from sun to planet
i = index from 1 to 9 for all planets

As the solar radiation varies, so does the earth's magnetic field, atmospheric ionization, and temperature. Scientists have tracked down a host of relationships between these events and a variety of earthly phenomena such as climate, weather, crime rates, plant growth rates, frequency of thunderstorms, blood PH levels, physciatric emergencies, etc.

My own work has related these events to market action as well. I believe there is also a third mechanism at work, one involving the moon. Let me explain.

A Theory of Lunar Chaos

The moon's orbit is the most complex of all the ten bodies under consideration[3]. While a planet's position may be accurately computed from an equation containing about nine or so terms, computing the moon's location to the same accuracy requires over 100 terms. Some of these terms are directly traceable to the pull of various planets and the sun on the moon. For example, there is a term related to Venus, our closest planetary neighbor. All these terms still do not describe a stable orbit, but one that rotates slowly in space, coming back to the same orientation in about 18.6 years. This is called the moon's nodal cycle. Most people are familiar with the moon's full moon, new moon, or synodic cycle of 29.531 days[19]. Many have tried to correlate it with market movements [16][13][18].

The moon has many other cycles. It moves closer to and further from the earth, in what is called the moon's anomolistic cycle, which is 27.554 days long. As the moon passes through the ecliptic plane (the plane of the earth's orbit) it crosses at it's node, to form what is called the moon's draconic cycle of 27.212 days (so named by the ancient Chinese, who viewed this cycle as having the power of a dragon). Further, as the moon passes the earth's equator, it forms what is called the lunar tropical cycle of 27.321 days. There is also the motion from star to star, which is called the sidereal cycle, of 27.322 days. Additionally, since the moon's orbit is tipped approximately 5 degrees, the observer on earth sees the moon "ride high" or "ride low" as it revolves in its orbit. The venerable Farmer's Almanac [20] points out the affect of this on tides, weather, and earthquakes.

I have, I believe, discovered another lunar cycle which I call the lunar chaos cycle. This cycle is shown pictorally in Figure 2.

My theory is that as the moon rides high and low, and moves closer and further from the earth, that the moon crosses the boundary between the ionized particles trapped in the moon's wake and the fast flowing solar wind. Figure 2 shows this possibly happening at two full moon positions (1 and 2) and two new moon positions (3 and 4). Such boundary crossings would lead to sharp disturbances in the earth's magnetic field, affecting those of us who live within it.

A further perturbation can be theorized as well. This is the perturbation of the nearby planets Mercury and Venus. If either of these interior planets should line up with the sun, earth, and moon just when the moon was high/low and full/new, their perturbations on the moon's orbit would also be maximized.

To test this theory, I created a simple mathematical model. This model computes the degree of exact alignment of a planet (either Mercury or Venus) with the Earth and moon, and when the moon is above or below 3 degrees inclination. This yields a lunar chaos function for each planet. The equations are given in Figure C.

These equations give a maximum value when the planet and moon directly line up and the moon is at maximum height above or below the ecliptic. They have zero values inside the theorized envelope boundaries, giving us non-linear equations. It is well known that nonlinear equations can lead to systems that exhibit chaotic behavior [4] [7] .

Statistical Testing

In testing any such theory, it is standard research practice to compare the observed correlations with what one would expect to see if the correlations were purely random. The probability of the correlation occurring by chance is computed from the formula in Figure D [17].

The first step in verifying the hypothesis of the lunar chaos theory is to examine the relationship with the earth's magnetic field. Figure 3 shows one year of a ten year study correlating the two lunar chaos functions with Kp Sum, which is the daily sum of the Kp planetary geomagnetic field measurements. The Mercury chaos function correlates 30 times better than chance and the Venus function correlates 62 times better than chance. Fully 92 percent of the Venus events mark sharp highs or lows in the electromagnetic field, while 83 per cent of the Mercury events do so.

The second step in testing the theory is to examine the relationship to human psychology. This is more difficult to do because of the absence of readily available data on psychological moods. However, I was able to obtain one data set that measures the number of psychological crises at a crises center over a two year period. The correlation of the chaos functions with this data is shown in Figure 4.

The Venus lunar chaos function correlated 36 times better than chance, while the Mercury function was 131 times better than chance. Fully 76 per cent of the Venus events coincided with highs and lows in the crises data, while 84 percent of the Mercury events did so.

Another step in the testing is to examine the relationship to market movements, which are commonly believed to be caused by the changing psychology of buyers and sellers.

One market which seems to validate this theory is gold. Shown in Figure 5 is one year of the ten year correlation study done between the lunar chaos functions and the price of gold. As you will note, the chaos functions tend to mark highs, lows, and volatile moves in gold. Particularly dramatic are those periods when both Mercury and Venus tug the moon as it passes into the solar wind.

Figure D

For A possibly causual events, correlating with B possible resulting events, with K of the B events falling within window W about each A event, over time interval T, the probability of chance occurrence is:

$$P_{TOTAL} = \frac{B!\ P^{K}\ (1-P)^{(B-K)}}{K!\ (B-K)!}$$

where

P is the probability of one event falling into time window W and equals AW/T

and n! means (n)(n-1)(n-2)...(2)(1)

Figure C

a(t) = 10 for |i| > 5 degrees

a(t) = 10 |i| for |i| > 3 and <5 degress

b(t) = 10 ((30 - |a|)/30) for |a| < 30

b(t) = 0 for |a| > 30 degrees

f(t) = a(t) b(t)

where

a(t) is a lunar inclination function

b(t) is a planetary alignment function

f(t) is a lunar chaos function

|i| is the absolute value of moon's inclination, i

|a| is the absolute value of the planet to moon geocentric angle

To test the possible randomness of this correlation, I performed a 10 year statistical study. I counted the number of lunar chaos events that coincided with mechanically selected highs and lows in gold. The mechanical selection process used was to take a 5 day moving average of gold near contract closes, and then to require at least a three percent countertrend move to indicate a significant high or low. This process yielded 85 significant highs and lows in the 3652 days of the test. A window of 10 days was used, since the average width of the chaos function "pulse" is about 6 days, and 2 days either side of this seemed a reasonable window. Table 1 gives the statistics of the study.

Table 1

	NUMBER OF CHAOS EVENTS	NUMBER TURNS HITTING WINDOWS	PROBABILITY OF BEING RANDOM	ODDS AGAINST BEING RANDOM
VENUS	121	41	.00138	724:1
MERCURY	121	40	.00254	393:1
BOTH	88	31	.00350	285:1

NOTE: NUMBER OF TURNS IN GOLD = 85

WINDOW = 10 DAYS, INTERVAL = 3652 DAYS

This study indicates correlations for the Venus Chaos Function that is 724 times better than chance, for the Mercury Chaos Function 393 times better than chance, and for both simultaneously, 285 times better than chance. While this is not positive proof of the theory, these values are certainly statistically significant.

A Real Time Test

On October 1, 1990, gold gapped and closed lower. A few days later a correction had formed, and the question was, " When will the down trend end? ". Examination of the lunar chaos functions indicated a possible bottom in the period between October 15th and 21st, with the 17th as the most likely date. Further, gold could be expected to be volatile into this bottom. Figure 6 shows what actually happened. Gold bottomed on the 16th, after a plunge of over $60. The following rally recovered over 30 points.

Other Correlations

One can also expect such a powerful phenomena to be found in other markets. Figure 7 shows the S&P 500 index with the lunar chaos functions. Note how the functions again mark highs and lows. The probability of these correlations being random is less than one chance in 297. Figure 8 shows the effect of this phenomenon on IBM stock. IBM was rallying steadily following the dramatic summer 1990 Iraq panic. Suddenly,

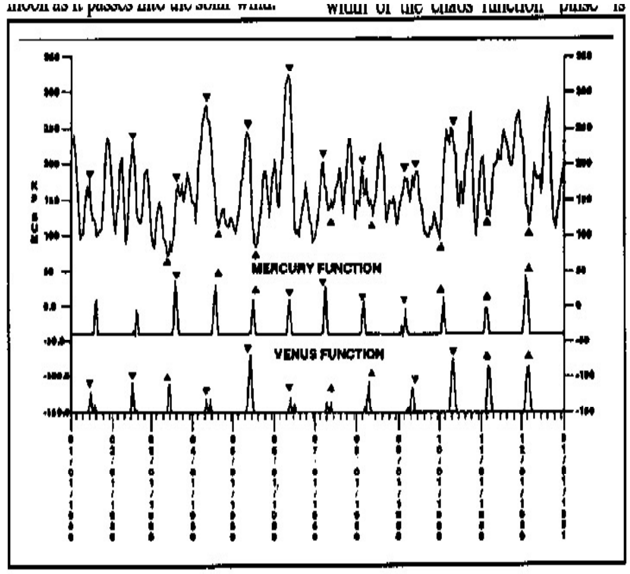

Figure 3. Kp Sum Magnetic Index and the Lunar Chaos Function

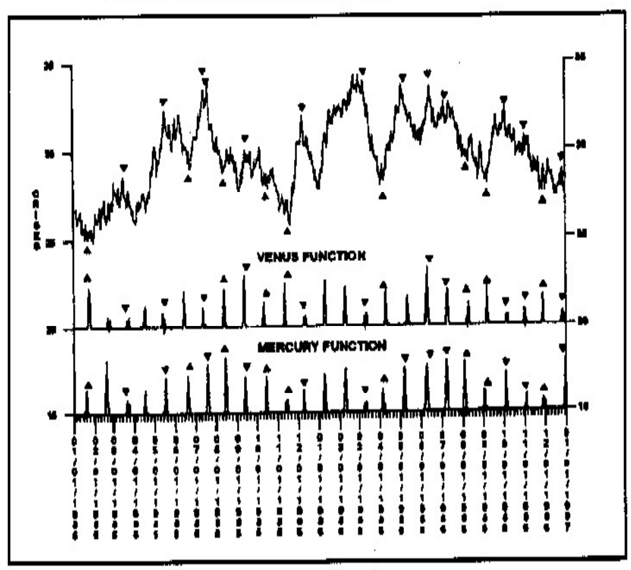

Figure 4. Psychological Crises and Lunar Chaos Functions

IBM plunged nearly 13 points, and just as suddenly rebounded sharply. This was a new moon phenomenon, with the moon riding low, and Mercury and Venus both in line with the sun, moon, and Earth. I call this very noticeable “signature” a Lunar Chaos Notch.

Conclusions

While at first it may be hard for the average buyer or seller of stocks and commodities to accept that his fortunes are controlled by a burning ball of gas and ten pieces of revolving rock, this study presents scientific evidence that this indeed may be true. The theory of lunar chaos does provide a rational explanation of possible cause and effect. The statistics of correlation, while they do not “prove” the theory correct, are sufficiently strong to permit one to claim that this theory is possible.

Of course, as with any new theory, much needs to be done to improve it. Work is currently underway to procure the NASA lunar seismographic and accelerometer data for further verification of the timing of lunar chaos and related geomagnetic disturbances. How ever, even in its current form, this theory and the two chaos functions can provide traders with a valuable timing tool.

Dr. Hans Hannula is a trader, engineer, and programmer with over 20 years experience. He publishes the Market AstroPhysics newsletter, (303) 452-5566.