

# **GANN'S LAW OF PRICE MOVEMENT APPLIED TO TODAY'S MARKET**

## **By Gregory L. Meadors (Part 1)**

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As a young stockbroker, W.D. Gann already suspected that there were unseen causes, operating behind the scenes that were responsible for price movements in stocks and commodities. He liked to think that these hidden causes were part of a natural law that was secretly at work in the markets. As he acquired more knowledge and developed his theories, Gann systematized his theory of price movement and called it the "Law of Vibration".

In the Ticker Magazine<sup>1</sup> interview Gann states, "In going over the history of markets and the great mass of related statistics, it soon becomes apparent that certain laws govern the changes and variations in the value of stocks, and there exists a periodic or cyclic law which is at the back of all these movements. I soon began to note the periodical reoccurrence of the rise and fall of stocks and commodities. This led me to conclude that natural law was the basis of market movements."

Gann believed that all successful men -- be they scientists, doctors, or businessmen, have devoted years to the study of their particular professions before attempting to practice them. Similarly, Gann spent many years in the pursuit of knowledge, leaving no stone unturned. Gann states, "After exhaustive research and investigations of the known sciences, I discovered that the "Law of Vibration" enabled me to accurately determine the exact points to which stocks or commodities should rise and fall within a given time. The working out of this law determines the cause and predicts the effect long before the Street is aware of either."

Gann concludes by stating, "If we wish to avert failure in speculations we must deal with causes. Everything in existence is based on exact proportion and perfect relationship. There is no chance in nature, because mathematical principles of the highest order lie at the foundations of all things."

What does Gann mean when he refers to the highest order, vibrations, and cycles?

Some are familiar with cycles research which attempts to understand price cycles in the markets, but many times this study is ineffective because all the supposed regular time cycles are in fact irregular, occurring at varying time intervals. Since "Time" is based upon the Earth's rotation and it's cycle around the Sun, all standard time cycles have an Earth/Sun planetary base.

However, by studying other planetary cycles, we readily observe both regular (heliocentric), and irregular (geocentric) cycles.

Of all the sources which Gann studied, perhaps the one who most influenced him was Pythagoras, who started a school of philosophy, and believed that an object could be understood by knowing its number vibration. Pythagoras is credited with the discovery

of the Diatonic Scale, in which numbers and ratios determine the whole science of music.

Having established music as a science, consisting of exact harmonic ratios, Pythagoras then proceeded to divide all Creation, according to the law of harmonic intervals, into proportionate planes and spheres, each of which was assigned a number, tone, harmonic interval, and color.

Gann's "Law of Vibration" incorporates Pythagoras' Law of Harmonic Intervals. It is obvious that Gann drew heavily from Pythagorean mathematics, when he developed the squaring of "Price and Time", and the ratios by which highs and lows could be divided. A lesser known part of the Pythagorean System includes numbers ruling planets, and the ratios of their orbits, which are in harmonic relationships to each other. This harmonic organization of the cosmos was called the "Music of the Spheres."

While it is well known that Gann's primary market timing tool was based upon cosmic correlations, what is not understood by most Gann adherents is that Gann's Astro work was based upon empirical research, irrespective of traditional astrological doctrines. Gann makes this clear when he states, "these vibratory forces can only be known by the movements they generate on the stocks and their values in the market".

In other words, to obtain a high degree of accuracy when applying natural cycles, one must learn through empirical research which cosmic cycles and events correlate historically with particular Stocks, Indexes, or Commodities. This can only be ascertained by doing *original* research to discover the historical correlations!

For example, the October 19, 1987 Crash low was perfectly timed by the 84 year Uranus Cycle. Uranus reached the exact same position in the Heavens where it was on November 9, 1903, the day of the 1903 Crash low.

The 1987 Crash was preceded by the August "Harmonic Convergence", a rare planetary alignment which was widely advertised in the mass media (see Newsweek, 8/17/87). Our March 1987 forecast for a major top to occur at the New Moon on August 24th and to be followed by a 3 month correction perfectly timed the 1987 Stock Market top within one day.

#### FOOTNOTES:

1) Richard Wykoff's interview of W.D. Gann, in Ticker Magazine, 1909.