

Gann on Tops and Bottoms

[The following are excerpts from Gann commodity courses. Apart from Gann's normally cryptic style, they are rendered the more cryptic by my having pulled them out of the context of the courses in question.

There are, nonetheless, several useful indications in the material.

[With this post, I wish to remember my chat friend and Gann analyst -- known in Yahoo! chat as blither_blather -- who perished in New York City in the terrorist attack of Sept. 11, 2001. Although we only chatted with each other a few times, his loss as much as anything has inspired me to want to understand Gann's work. I am grateful for this opportunity to rededicate myself to that goal in his memory.]

NINE MATHEMATICAL POINTS FOR PRICE CULMINATIONS

1. Resistance levels made by market fluctuations.
 2. Natural resistance levels in the squares and 360 degree circle.
 3. Geometrical angles.
 4. Time cycles and time periods.
 5. Squaring out price with time from tops and bottoms.
 6. Odd and even squares and the half way points between both odd and even squares.
 7. Weekly high and low charts, angles that form on it.
 8. Monthly high and low charts, angles that form from tops and bottoms.
 9. Natural time cycles based on the 360 degree master chart.
- Of the above the most important is the geometrical angle, because they measure time with price and show when the market is overbalanced on the up or down side. ...

MEASURING TIME

[Romeman note: It may facilitate understanding of Gann's meaning to know that a zodiac is a circle; that the zodiacal circle consists of 360°; that a square position on the zodiac occurs 90° away from another position; that a trine position on the zodiac occurs 120° away from another position; and that semi-octiles occur at 22.5°, semi-squares occur at 45°, and sextiles occur at 60° intervals.]

Man first learned to record and measure time by the use of the sun dial, and by dividing the day into 24 hours of 15 degrees in longitude. The reflection of the geometrical angle on the sun dial indicated the time of day. Since all time is measured by the sun, we must use the 360 degree circle to measure time periods for the market, but remember you must always begin to count time in days, weeks and months from the extreme high and extreme low levels, and not from exact seasonal or calendar time periods.

45 days is 1/8 of a year, 90 is 1/4 of a calendar year, or a square, 112 1/2 days is 90 plus 22 1/2, 120 is 1/3 of a circle and a triangle. 135 is 90 plus 45. 150 is 90 plus 60. 157 1/2 is 135 plus 22 1/2, 165 is 120 plus 45. 180 is 1/2 of a circle, or opposite to 0 the starting point. Very important for change in trend. 202 1/2 is 180 plus 22 1/2, 225, a 45 degree angle is 180 plus 45. 240, a triangle, is 2 times 120. 247 1/2 is 225 plus 22 1/2. 270 is 3/4 of a circle and 3 squares of 90. 292 1/2 is 270 plus 22 1/2. 315 is 270 plus 45. 337 1/2 is 315 plus 22 1/2, and 360 degrees is the complete circle. You measure weekly and monthly time periods in the same way as you do the days and watch all of these important time angles for changes in trend.

You can make up a square of 52 for time and price. If you want to use eggs at 10 points per day, the top of the first line would be 520 price, the second 1040, the third 1560, and the top of the 10th line would be 5200, the top of the 11th line would be 5720.

Because 1 year, or 365 1/4 days, represents one round trip or cycle in which the sun covers 360 degrees, makes it very important to watch for changes in trend at the end of each 12 months period from any important top and bottom.

The year must be divided by 8, which gives 6 1/2 weeks, 13 weeks, 18 1/2 weeks, 26 weeks, 32 1/2 weeks, 39 weeks, 45 1/2 weeks and 52 weeks. Divide the year by 3 gives 17 weeks and 35 weeks.

[Above from W. D. Gann's Master Egg course]

WHAT YOU NEED TO LEARN
TO BE SURE OF TOPS AND BOTTOMS

1. RESISTANCE LEVELS and PRICE BUYING POINTS from all the major tops and bottoms and minor tops and bottoms as well. Never overlook the last move up from the minor low and the last move down from the minor top.
2. MINOR TREND INDICATOR on DAILY CHART should be kept up.
3. MAIN TREND INDICATOR.
4. BREAKAWAY POINT.
5. HIGHER BOTTOMS and LOWER TOPS. Also 1st, 2nd and 3rd higher bottoms, and 1st, 2nd and 3rd lower tops.
6. SECTIONS OF MOVE in TIME from MAIN TOP or BOTTOM.
7. SIGNAL DAY AT TOP OR BOTTOM on DAILY CHART, ALSO SIGNAL WEEK.
8. SINGLE, DOUBLE, TRIPLE TOPS or BOTTOMS.
9. RULES for ACTIVE MARKET.
10. NATURAL RESISTANCE LEVELS and TIME PERIODS from Master 360 Degree Circle.
11. FAST MARKETS and WIDE FLUCTUATIONS at the end of Bull or Bear Campaigns. Study these culminations in the past, then you will know what to do in the future.
12. GEOMETRICAL ANGLES -- These are the most important of all rules for determining both PRICE and TIME culminations. ALL TIME PERIODS from major tops and bottoms and ALL ANGLES from major and minor tops and bottoms, as well as ANGLES from ZERO at tops and bottoms must be kept up on your chart in order to be accurate.
13. First, change in the minor trend on the Daily Chart.
Second, important change in the minor trend on the Weekly Chart -- More important than the Daily.
Third, change in trend on the Monthly is still of greater importance.
Fourth, change on the Quarterly Chart is a greater change in main trend.
Fifth, change in trend on the Yearly Chart is still a greater change in main trend.
SQUARING TIME with PRICE on major and minor movements. Learn to use squares of all numbers both for Time Periods, Resistance Levels and Prices.
Example: The square of 2 is 4
" " " 3 is 9
" " " 4 is 16
" " " 5 is 25
" " " 6 is 36
" " " 7 is 49
" " " 8 is 64
" " " 9 is 81

SEASONAL TREND -- Always consider whether the trend is running with the seasonal trend or opposite; then follow markets until change in trend is shown by Daily or other charts.

Last but not least of all: NEVER GUESS or TRADE ON HOPE OR FEAR. When in doubt, gt out. When you do not know the trend, stay out! Buy with a reason and sell on a rule or for a good reason. Learn to watch and wait. Take care of your health. Obedience to all these rules will bring success.

[Signed] W. D. Gann

February 50, 1950

[From Cotton Forecasting course, last two pages]