

# **THE BASIS OF MY FORECASTING METHOD**

**By**

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**Volume 1**

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### THE BASIS OF MY FORECASTING METHOD ::: ::::: :: :: ::::::::::::::: :::::

Mathematics is the only exact science. All power under heaven and on earth is given unto the man who masters the simple science of mathematics. Emerson said: "God does indeed geometrize." Another wise man said: "There is nothing in the universe but mathematical points." Pythagoras, one of the greatest mathematicians that ever lived, after experimenting with numbers and finding the proofs of all natural laws, said: "Before God was numbers." He believed that the vibration of numbers created God and the Deity. It has been said, "Figures don't lie." Men have been convinced that numbers tell the truth and that all problems can be solved by them. The chemist, engineer, astronomer would be lost without the science of mathematics.

It is so simple and easy to solve problems and get correct answers and results with figures that it seems strange so few people rely on them to forecast the future of business, stocks and commodity markets. The basic principles are easy to learn and understand. No matter whether you use geometry, trigonometry, or calculus, you use the simple rules of arithmetic. You do only two things: You increase or decrease.

There are two kinds of numbers, odd and even. We add numbers together, which is increasing. We multiply, which is a shorter way to increase. We subtract, which decreases, and we divide, which also decreases. With the use of higher mathematics, we find a quicker and easier way to divide, subtract, add and multiply, yet very simple when you understand it.

Everything in nature is male and female, white and black, harmony or inharmony, right and left. The market moves only two ways, up and down. There are three dimensions which we know how to prove--width, length and height. We use three figures in geometry--the circle, the square, and the triangle. We get the square and triangle points of a circle to determine points of time, price and space resistance. We use the circle of 360 degrees to measure Time and Price.

There are three kinds of angles--the vertical, the horizontal, and the diagonal, which we use for measuring time and price movements. We use the square of odd and even numbers to get not only the proof of market movements, but the cause.

### HOW TO MAKE CHARTS

Charts and records of past market movements. The future is but a repetition of the past. There is nothing new. As the Bible says--"The thing that hath been, it is that which shall be." History repeats and with charts and rules we determine when and how it is going to repeat. Therefore, the first and most important point to learn is how to make charts correctly because if you make an error in the chart, you will make an error in applying the rules to your trading.

YEARLY CHART: You should keep a yearly high and low chart, that is, recording the extreme low and the extreme high price made during the calendar year on one line. The spacing for the price can be used one point to each 1/8 inch or two points or more, according to the activity and range of the stock.

MONTHLY CHART: You must always keep up a monthly high and low chart, which is the most important chart of all in determining the main trend. This chart records the extreme high and extreme low price for the calendar month on one line, and each space or 1/8 inch on the cross-section chart paper should represent one point or \$1 per share.

WEEKLY CHART: The next and one of the very important charts to keep is a weekly high and low chart. Where stocks are selling below 50, it usually pays to make this chart up using each 1/8 inch to represent one-half point, or two spaces to represent one full point, or four points for each one-inch space. When stocks become very active, especially when they are selling above \$100 per share, then you can make up the weekly chart using each space or 1/8 inch on the chart paper to represent one point or \$1 per share.

SEMI-WEEKLY OR 3-DAY CHART: The next chart of importance to the Weekly Chart is a 3-day chart, that is, taking the extreme high and extreme low price made from the opening of the market on Monday morning until the close on Wednesday night, closing the chart on Wednesday night- then from the opening on Thursday to the close on Saturday, taking the extreme high and low and closing the chart on Saturday. This gives you a time period showing one-half of the week. This chart is very important as will be explained later on in the instructions. The spacing for this chart can be the same as for the weekly high and low chart.

WEEKLY MOVING-AVERAGE OR MEAN POINT: To get a Weekly Moving-Average, we take the extreme high for the week and divide by 2, getting the half-way or mean point for the week. This can be recorded on the weekly high and low chart or on a separate chart, recording the Weekly Moving-Average with a dot and using one line on the chart for each week. Importance of this Weekly Mean Point will be explained later.

DAILY CHART: When you are trading in a stock that is active, you should always keep up a daily high and low chart, but for study purposes it is enough to keep up the Weekly and Monthly Charts, which give you the main trend. The Daily Chart shows the minor trend and shows a change in trend much oftener than any of the other charts, but the indication does not last as long or run so far. This chart should be kept up the same as the others, except when stocks are selling below 50 or when they are in an inactive trading range- then the spacing should be 1/2-point to each 1/8-inch on the chart paper, allowing two spaces to represent one full point or \$1 per share. When stocks are active and advancing very fast, making a wide range each day, then you can make the Daily Chart the same as the Weekly or Monthly, that is, using one point for each 1/8-inch on the chart paper. This spacing cuts the chart down and keeps it in a range where it is easy to see and read when fluctuations are wide.

No spaces are skipped on the Daily Chart for holidays or Sundays, therefore the time period is for actual market days and not calendar days. However, you should carry the calendar days along at least every two weeks, as later, under rules for Time Periods for change in trend, you will find that it is necessary to check up and know when the stock is 30, 60, 80, 120, 135, etc. days from a top



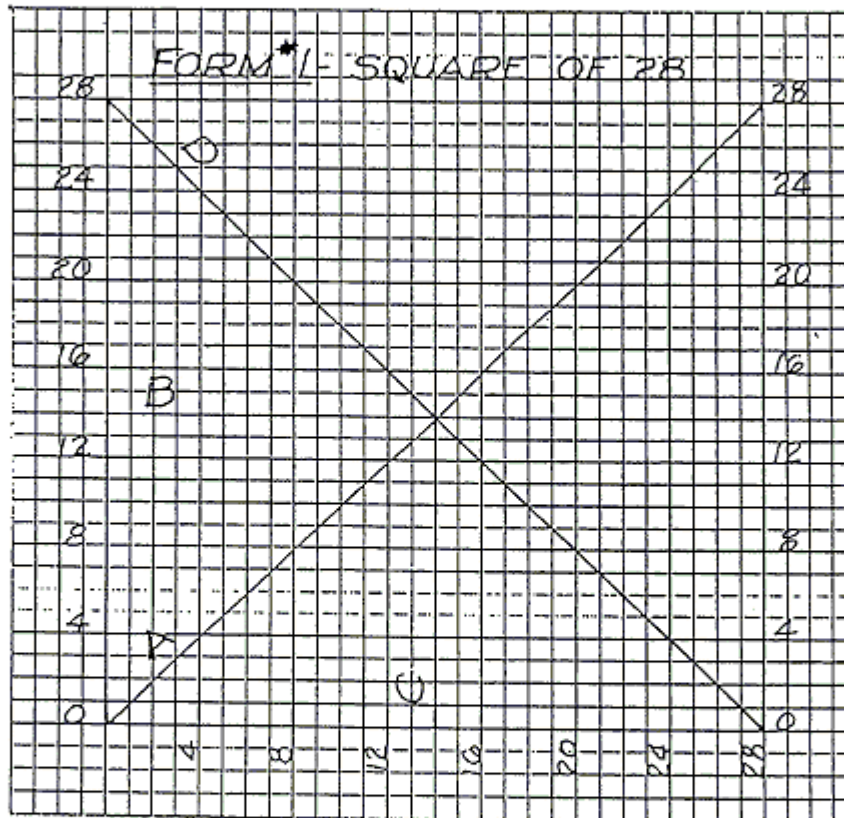


and at another 5 points per week, while the time period is a regular unit. Therefore geometrical angles, which are really moving-averages, move up or down at an uniform rate from any bottom or top on a daily, weekly or monthly chart.

HOW TO DRAW GEOMETRICAL ANGLES

There are three important points that we can prove with mathematics or geometry: the Circle, the Square, and the Triangle. After I have made the Square I can draw a Circle in it using the same diameter, and thereby produce the Triangle, the Square and the Circle.

The Angles or moving-trend-line averages measure and divide Time and Price into proportionate parts. Refer to Form "1", where I have drawn the square of 28. You will note that this is 28 high and 28 wide- in other words, 28 up and 28 across. It is the same as a square room which has a bottom or floor, a top or ceiling, and side walls. Everything has width, length, and height.



To get the strongest and most important points in this Square, I divide it into two equal parts by drawing a horizontal and a vertical line. Note angle marked "A" which divides each of the smaller squares into two equal parts and runs from "0" to "28" diagonally. This is a diagonal line moving on a 45° angle and divides the large Square into two equal parts. Then note angle "B" at "14" running horizontally across. This divides the Square into two equal parts. Note angle "C", which is a vertical line, running up from "14", which is one-half of "28". This crosses at the center or half-way point at 14, where the other angles cross, dividing the Square into two equal parts. Then note angle "D", which forms another 45° angle moving from the N. W. corner to the S. E. corner, crossing "14" at the exact half-way point. You see by this that if we draw the first line thru the center of the square, we divide it into two equal parts- then when



we draw lines from the other directions, we divide it into four equal parts—then by drawing the two lines from each corner, we divide the square into 8 equal parts and produce 8 triangles.

As you look at this Square, it should be easy for you to tell with your eye where the strongest support point is or resistance point is. It is at the center where all the angles cross. Four angles cross at this point, so naturally this would be a stronger support point than a place where only one angle crosses. I could divide each one of these smaller squares into four or eight equal parts by drawing angles in the same way. Later, when I give you the rules and examples, I will explain how to square the Range of a stock, that is, the difference between the extreme low and the extreme high prices, or the difference between any low point and any high point, and also how to square the bottom price. For example: If the top of a stock is 28, this Square of 28 x 28 would represent squaring the Price by Time, because if we have 28 points up in Price, and we move over 28 spaces in Time, we square the Price with Time. Therefore, when the stock has moved over 28 days, 28 weeks, or 28 months, it will be squaring its price range of 28.

#### PATTERN CHART FOR GEOMETRICAL ANGLES

The Square of 90, or the Pattern Chart, shows all the measured angles that are important to use in determining the position of a stock. These angles are as follows:  $3\frac{1}{2}$ ,  $7\frac{1}{2}$ , 15,  $18\frac{1}{2}$ ,  $26\frac{1}{2}$ , 30,  $33\frac{1}{2}$ ,  $37\frac{1}{2}$ , 45,  $52\frac{1}{2}$ ,  $56\frac{1}{2}$ , 60,  $63\frac{1}{2}$ ,  $71\frac{1}{2}$ , 75,  $82\frac{1}{2}$ ,  $86\frac{1}{2}$ , and 90 degrees.

It is not necessary to measure these angles with a protractor. All you have to do to get the angles correct is to count the spaces on the chart paper, using 8 x 8 to the inch, and draw the lines or angles accordingly.

On the square of 90, which you will receive with these instructions, note how equal angles drawn from the top and from the bottom prove themselves by the point at which they cross. For example:

The angle of 8 x 1 drawn from "0" and the angle of 8 x 1 drawn from "90" down both cross at 45,  $5\frac{5}{8}$  points over from "0" counting to the right. Then, the angle of 4 x 1 from "0" and the angle of 4 x 1 down from "90", you will notice, cross at  $11\frac{1}{2}$  on 45, equidistant from the other angle and twice the measure. The reason why these angles prove this way is because the  $45^\circ$  angle or 45 points or degrees from "0" to 45 is one-half of 90. Therefore, parallel angles beginning at "0" going up and at 90 coming down, must cross on a  $45^\circ$  angle or at the gravity center.

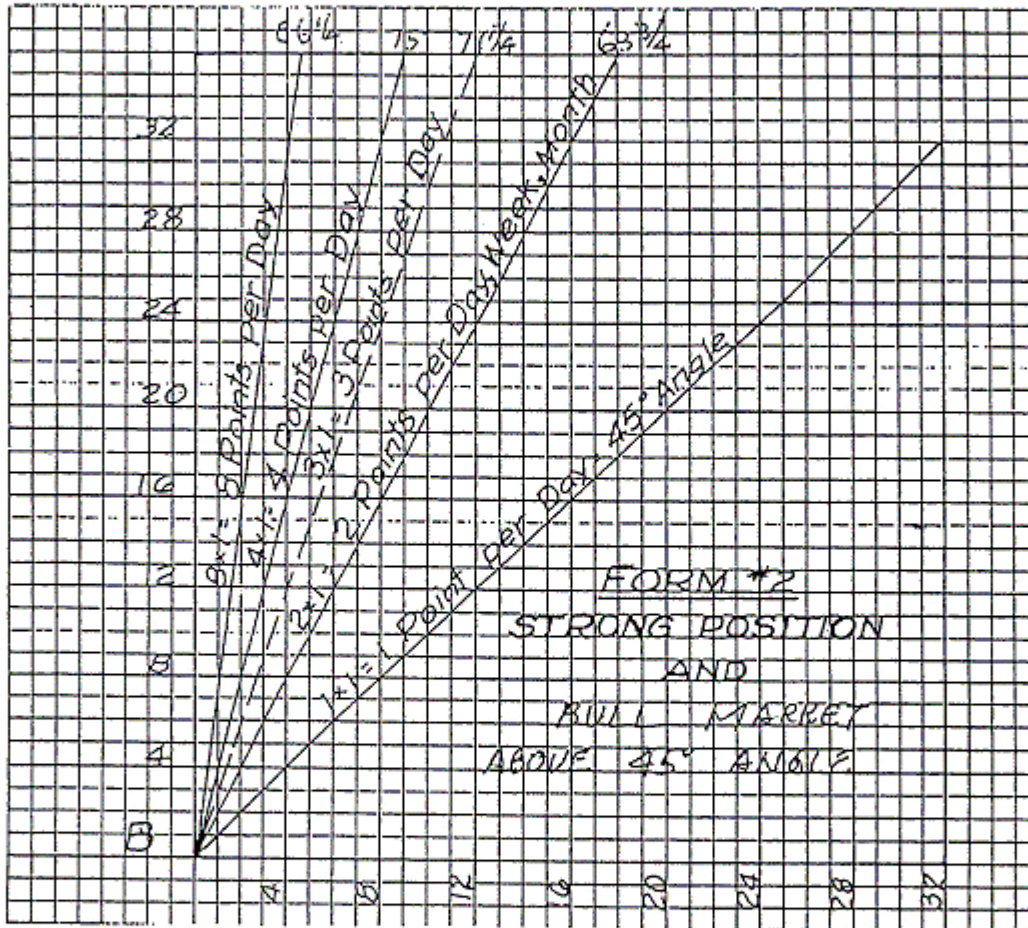
#### HOW TO DRAW ANGLES FROM A LOW POINT RECORDED BY A STOCK

An example marked "Form 2" shows you the most important angles to use when a stock is working higher and advancing. (See page 6)

FIRST IMPORTANT GEOMETRICAL ANGLE:      The first and always most important angle to draw is a 45-degree angle or a moving-average  
45° or 1 x 1      that moves up one point per day, one point per week or one point per month. This is a  $45^\circ$  angle because it divides the Space and Time Periods into two equal parts. As long as the market or a stock stays above the  $45^\circ$  angle, it is in a strong position and indicates higher prices. You can buy every time a stock rests on the  $45^\circ$  angle with a stop loss order one, two or three points under the  $45^\circ$  angle, but remember the rule— never use a stop

loss order more than 3 points away. Unless stocks are near the low levels or just starting in a bull market or selling at very low prices, I always use a stop loss order one point under the  $45^\circ$  angle. If this angle is broken by one point, you will usually find that the trend has changed at least temporarily and the stock will go lower.

An easy way to calculate accurately how to put on this  $45^\circ$  angle is: For example: If the time is 28 days, 28 weeks, or 28 months from the point where the stock was bottom, then the angle of  $45^\circ$  must be 28 points up from the bottom and would cross at 28. This is one of the easiest angles to put on and one of the simplest to learn. You can beat the market by trading against the  $45^\circ$  angle alone if you stick to the rule-- wait to buy a stock on the  $45^\circ$  angle or wait to sell it against the  $45^\circ$  angle.



NEXT IMPORTANT ANGLE is the angle of  $2 \times 1$ , or the moving-average which moves up at the rate of 2 points per day, week or month. It divides the space between the  $45^\circ$ -degree angle and the vertical angle into two equal parts and measures  $63\frac{30}{4}^\circ$ . That is why it is the next strongest and most important angle. As long as a stock holds above this angle, it is in a stronger position than when it is resting on a  $45^\circ$  angle because it is a more acute angle. When a stock breaks under this angle of  $2 \times 1$ , or two points for each time period, then it indicates that it will go lower and reach the  $45^\circ$  angle. Remember the rule of all angles: No matter what angle the stock breaks under, it indicates a decline to the next angle below it.



THIRD IMPORTANT ANGLE, which is still stronger as long as a stock holds above it, is the angle which moves up 4 points per day, week, or month. This angle is  $4 \times 1$ , or 4 points of Space equal one period of Time. It measures  $75^\circ$  and divides the space between the angle of  $2 \times 1$  and the  $90^\circ$  angle into two equal parts. Any stock that continues to advance 4 points per day, 4 points per week, or 4 points per month, and remains above this angle is in a very strong position as long as it stays above it, but when it breaks under, it indicates the next angle or next support point according to the position of the stock on Time.

FOURTH IMPORTANT ANGLE is the angle of  $8 \times 1$  or the one that moves up 8 points per day, week or month. This angle measures  $82\frac{1}{2}^\circ$ . As long as a stock can hold above this angle on daily, weekly or monthly chart, it is in the strongest possible position, but when it reverses trend and declines below this angle, then it indicates a decline to the next angle.

NEXT ANGLE: It is possible to use an angle of  $16 \times 1$ , or 16 points of Price to one period of Time, which measures  $86\frac{1}{4}^\circ$ , but this angle is only used in fast, advancing markets, like 1929, when stocks are moving up or down 16 points or more per week or per month. There are very few stocks that will move up 16 points per day, week or month, and very seldom.

You will note that with these four important angles we show the strong or bullish side of the market. All the time by dividing the Space with angles we are getting the half-way point or the gravity center of Time and Price.

3 x 1 ANGLE: Note the angle drawn in Green, marked "3x 1", which moves up at the rate of 3 points per day, week or month, measuring  $71\frac{1}{4}^\circ$ . This angle is important at times after markets have had a prolonged advance and are a long distance up from the bottom. It is an important angle to use on Monthly and Weekly charts.

These are all the angles you need as long as a stock continues to advance and work up and stays above the angle of  $45^\circ$  or the moving-average of one point per day, week or month.

While there are 360 degrees in a circle and angles can form at any of these degrees, all of the important angles form between "0" and "90" because 90 is straight up and down and the most acute angle on which a stock can rise. For example: The  $45^\circ$  angle divides the space from "0" to "90" in half. The angle of  $135^\circ$  is simply another angle of  $45^\circ$  because it is one-half of the next quadrant between 90 and 180. 225 and 315 in a circle are also  $45^\circ$  angles. Therefore all of the angles valuable in determining the trend of a stock are found between "0" and "90" degrees. When we divide  $90^\circ$  by 8 we get the most important angles to use— then divide it by 3 we get 30 and  $60^\circ$  angles, which are important to use for Time and Resistance Points.

#### WHAT KIND OF BOTTOMS TO DRAW ANGLES OR MOVING-AVERAGE LINES FROM

DAILY CHART: If a stock has been declining for some time— then starts to rally (by rallying from a bottom it must make higher bottoms every day and higher tops)— then after a 3-day rally on the daily high and low chart, you can put on the  $45^\circ$  angle and the angle of  $2 \times 1$  from the bottom or low point. As a rule, it will only be necessary to put on these two angles at first. If this





will receive support and rally. Sometimes it will rest on it for a long period of time, holding on this angle and making higher bottoms. But when this angle of 2 x 1, or moving-average of one-half point per day, week or month is broken, then you must draw the next angle of 4 x 1.

NEXT IMPORTANT ANGLE:  $\frac{4 \times 1}{4 \times 1}$  The next important angle on the bear side of the Square, which moves up at the rate of 1/4-point per day, is the angle of 4 x 1, measuring 15°. It will be the next strong support angle which the stock should get support on and rally from.

NEXT ANGLE 8 x 1: Then after the 4 x 1 angle is broken, the next important angle that you will put on your chart is the angle of 8 x 1, which moves at the rate of 1/8-point per day, week or month and measures 7½°. This is often a very strong support angle. After a stock has had a big decline, it will often rest on this angle several times or may make final bottom and start up from this angle, crossing other angles and getting back into a strong position again. Therefore this angle is important to use on a monthly or weekly chart after a prolonged decline.

ANGLE 16 x 1: This angle can be used on a monthly chart after a long period of time has elapsed from an important bottom. It moves at the rate of 1/16 point per month and measures 3¾°.

ANGLE OF 3 x 1: This angle, drawn in red ink, is a very important angle, measuring 18¾°. I strongly advise using it at all times and keeping it up on monthly charts from any important bottom. It can also be used to advantage at times on weekly charts, but is seldom of much value on a daily chart. It moves at the rate of one-third point per day, week, or month. By drawing this on the monthly chart for a long period of years, you will soon be convinced of its value and also by testing it on a weekly chart, will find it valuable.

This completes all of the angles that you will need to use from any bottom at any time.

#### HOW TO DRAW ANGLES FROM TOPS ON DAILY, WEEKLY OR MONTHLY CHARTS

POSITION UNDER 45° ANGLE DRAWN FROM TOP: After a stock has made top and declined for a reasonable length of time, say, three days, three weeks or three months, breaking previous bottoms, then you start to draw angles down from the top. Note example marked "Form #4", which is the pattern for drawing angles from the top under the 45° angle. (see page 10)

45° ANGLE FROM TOP: The first angle you draw is the angle of 45° or a moving-average which indicates a decline of one point per day, week or month. As long as the stock is below this angle, it is in the weakest position and in a bear market.

OTHER ANGLES: In many cases a stock will start declining an average of 8 points per day, week or month, or 4 points per day, week or month, or 2 points per day, week or month, therefore you should put on all of these angles from the top, which move down faster than the angle of 45°.

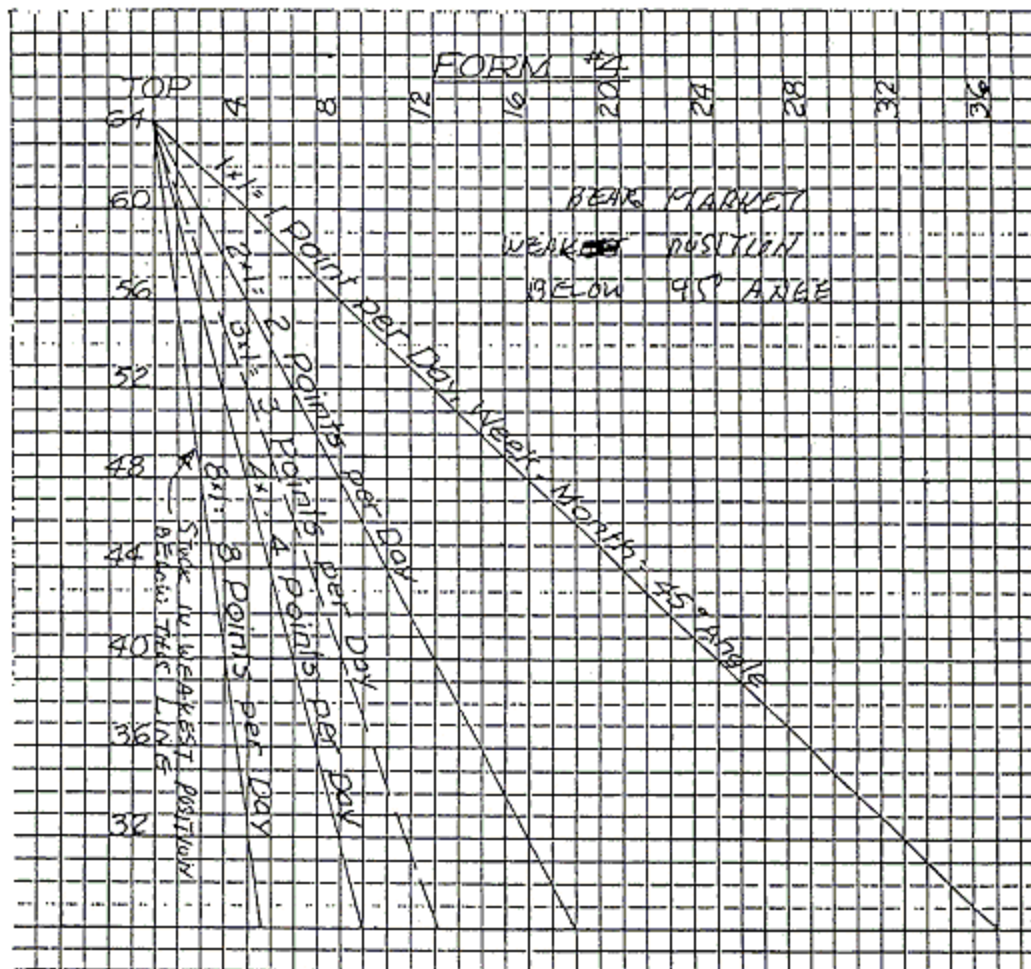
WEAKEST POSITION: The stock is in the weakest possible position when it declines and keeps under the angle of 8 x 1. It is in the next weak-



est position when it is dropping down at the rate of 4 points per day, week or month, or under the angle of 4 x 1. It is in its next weakest position when it is dropping down under the angle of 2 x 1.

**STRONGEST POSITION:** The stock is in a stronger position and indicates a better rally when it crosses the angle of 2 x 1, but this depends on how far it is down from the top and how far the angles are apart, as will be explained later under the rules.

**CHANGING TREND:** As long as a stock is declining one point per day, week or month, or falling below or under the 45° angle, it is still in a bear market and in a very weak position. When a stock rallies and crosses the angle of 45° after a prolonged decline, then you are ready to put on the angles on the other side of the 45° angle, which shows that the stock is in a stronger position in a bear market and may be getting ready to change into a bull market.



POSITION ABOVE 45° ANGLE DRAWN FROM TOP

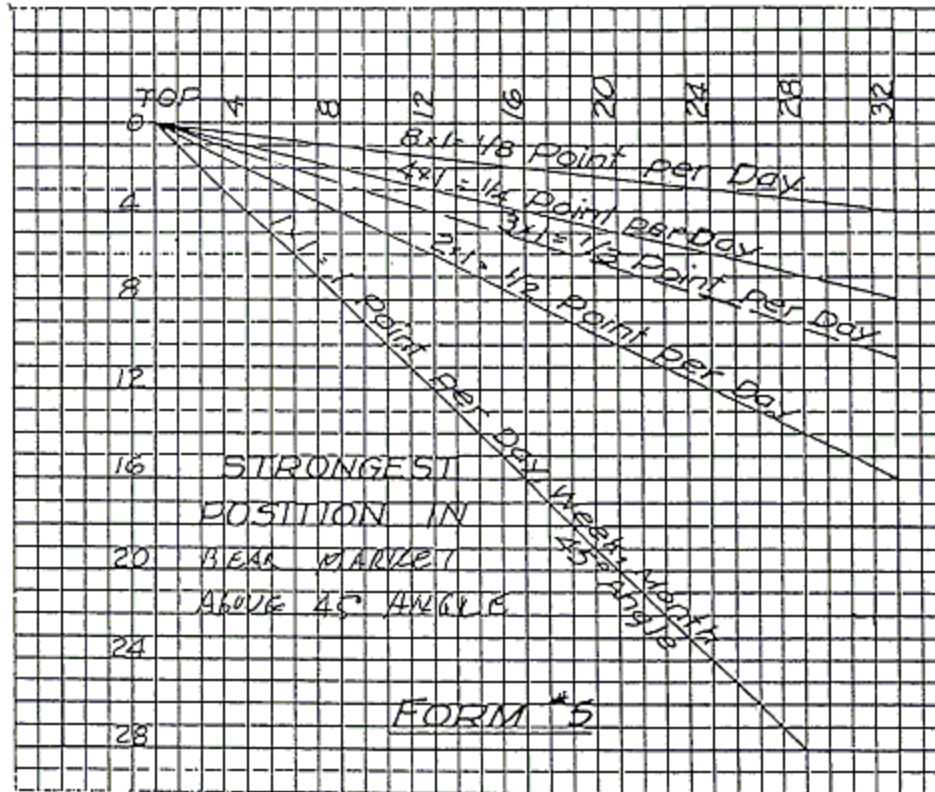
Refer to Form #5, which is the pattern for drawing angles above the 45° angle from the top. (See page 11)

**2 x 1 ANGLE FROM TOP:** The first angle or moving-average you draw after the 45° angle from the top is crossed and after the stock indi-

states that it has made a temporary bottom is the angle of 2 x 1, moving over 2 points and down one point, or 1/2-point per unit of Time. This is moving down at the rate of 1/2-point per month, week or day.

4 x 1 ANGLE: The next is the angle of 4 x 1 which moves down at the rate of 1/4-point per day, week or month.

8 x 1 ANGLE: The next angle is the angle of 8 x 1, which moves down at the rate of one point every 8 days, 8 weeks or 8 months, or 1/8-point per time period.



STRONG POSITION: After the stock has crossed the angle of 45° and rallied up to the angle of 2 x 1, it will meet selling and react to some angle coming up from the bottom of the last move, but it is in a stronger position when it holds above this angle of 2 x 1 and is in the next strongest position when it crosses the angle of 4 x 1. Crossing the angle of 8 x 1, which is of least importance, it indicates that it is in a very strong position again from the top. You must always consider a movement coming up from bottom and its position on angles from the bottom to determine its strength. It is important to consider the number of points it has moved up from the bottom and how many points it is down from the top.

3 x 1 ANGLE: The angle of 3 x 1 drawn in red on Form #5 moves down at the rate of one point every three days, three weeks or three months, or one-third point per day; week or month. This angle is important to use after prolonged declines.

This completes the forms of all the angles that you will need to use at any time from tops or bottoms. Practice putting these angles on tops and bottoms until you thoroughly understand how to do them and know that you are getting them