

THE NEW GANN SWING CHARTIST

Some ten years ago, I put out the word that I was interested in purchasing original W.D. Gann material, especially his courses. All trails led to nowhere until last year when the universe rewarded my persistence right on my doorstep.

Some of you may know that Joe Rondinone was the last trader taught by Gann. You can imagine my astonishment when Rondinone asked me if I was interested in some original Gann courses that he bought from Gann back in 1955. Rondinone explained that the courses were typed on W.D. Gann's letterhead, not in the usual printed format. Also, they were signed and dated by Gann in his purple ink.

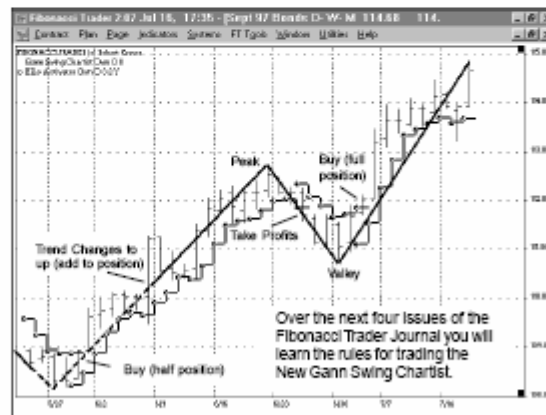
I worked my way through the well-worn pages, making notes as I went along. One method though, caught my eye. It was the "Mechanical Method and

Trend Indicator for Trading Grains". Given my personal approach to trading, this method was given priority. Can you imagine my surprise when I came to pages 11 and 12 and saw that Gann had altered some of his original calculations and signed these alterations in his usual purple ink? And what did Gann write? Very simply: "Use 2 day charts and rules better than 3 day. Signed W. D. Gann.

Charting by hand, I performed a back test of the T-Bond futures markets and proved to me that W. D. Gann's new Two Day Swing Concept provided two pieces of vital information: First, the trend direction and second, the



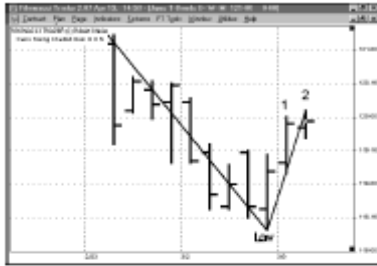
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Fibonacci Trader plots the key indicators automatically.

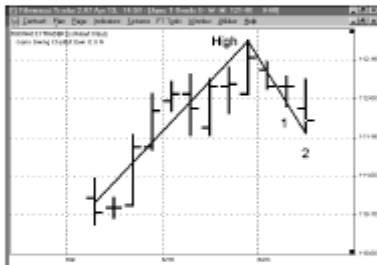
points of support and resistance. The manner was simple, yet brilliant, and is the basis for what follows in the next four issues of the FTJ. So let's establish the basic definitions for the New Gann Swing Chartist.

DEFINITIONS



The upswing begins after the second consecutive higher high.

Upswing: From Down to Up. The first definition is the upswing. The swing direction can only change to up if the market makes two consecutive highs. Looking at the figure to the left, you can see that bar number 1's high is the first consecutive high, and the bar number 2 is the second consecutive high. The placement of the lows is not considered. Fibonacci trader will automatically plot a line indicating an upswing. Whenever there is not a consecutive high the Fibonacci Trader will plot a white line. Outside days and subtle points will be covered in Issue II.



The down swing begins after the second consecutive lower low.

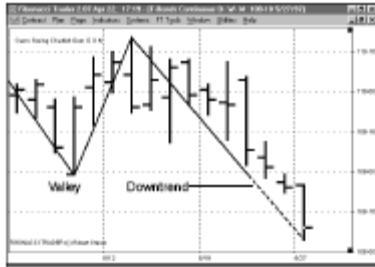
Downswing: From Up to Down. The downswing direction can change to down only if the market makes two consecutive lower lows. Looking at the figure to the left, you can see that bar number 1's low is the first consecutive low, and the bar number 2 is the second consecutive low. The placement of the highs is not considered. Fibonacci Trader will automatically plot a line if there is a consecutive lower low. Whenever there is not a consecutive low the Fibonacci Trader will plot a white line. Outside days and subtle points will be covered in Issue II.



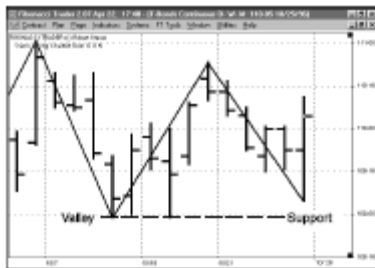
The trend changes to up after a peak is passed.

UPTREND: Trend Change from Down to Up. First, a dashed line indicates a downtrend. A solid line indicates an uptrend. To change from a downtrend to an uptrend, the trend must have been down, as indicated by the dashed line. A peak is formed by an upswing followed by a down swing. If this peak is passed on the upside, the trend changes from down to up. The Fibonacci Trader will automatically change the Gann Swing Line to a solid green color when the peak is passed. The market does not have to close above the peak to change the trend to up.

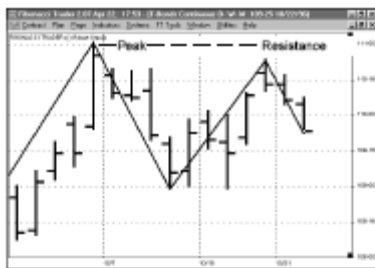
DEFINITIONS



The trend changes to down when the previous valley is taken out, and the trend was up.



A clearly defined valley will act as support. As long as the market does not fall below the valley, support is holding.



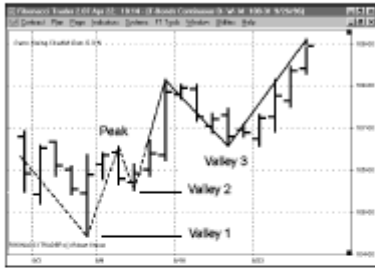
The previous peak will be resistance.

DOWNTREND: Trend Change from Up to Down. The solid line denotes an uptrend. A dashed line indicates a downtrend. To change from an uptrend to a downtrend, the trend must have been up, as indicated by the solid line. A valley is formed by a downswing followed by an upswing. If this valley is passed on the downside the trend changes from up to down. The Fibonacci Trader will automatically change the Gann Swing Line to a dashed red line when the valley is passed. The market does not have to close below the valley to change the trend to down.

SUPPORT: Support is the Valley of the Previous Clearly defined Swing. As long as prices do not penetrate below the valley point, support is considered to be holding. This valley point is actually the low of the previous completed downswing, and followed by an upswing. If prices penetrate below the valley, then support may be failing. The support or valley level can occur whether the market is in an uptrend or a downtrend.

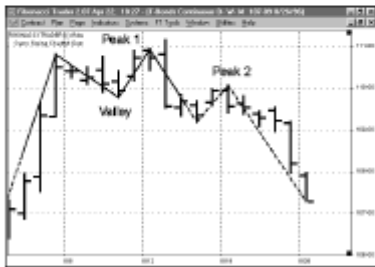
RESISTANCE: Resistance is the Peak of the Previous clearly defined Swing. As long as prices do not penetrate above the peak point, resistance is considered to be holding. This peak point is the high of the previous completed upswing, and followed by a downswing. If prices penetrate breakout above the peak, then resistance may be failing. The resistance or peak level can occur whether the market is in an uptrend or a downtrend.

DEFINITIONS



Rising valleys can indicate the beginnings of an uptrend.

Rising Valleys: An uptrend is a series of rising valleys. Notice in the chart to the left that the first valley concluded the low downswing. Next the market rallied and formed a peak. Then valley 2 formed, which is higher than valley 1. Finally, the market moved above the peak, signaling a change from the downtrend to the uptrend. Interestingly, valley 3 was a retest of the last peak (resistance). This is classic technical analysis in action.



Declining peaks can indicate a top.

Dropping Peak: A downtrend will begin after the formation of the highest peak, and will be a series of dropping peaks. Looking at the chart to the left you can see that the market formed a peak, while in an uptrend, and then fell below the previous valley. Dropping below the previous valley changed the trend from up to down. After breaking below the valley, peak number 2 formed, which was lower than peak 1. This series of dropping peaks was more evidence of a downtrend in force.