 07-12-2004

Hi folks,

Let's clarify the terminology of "Natural Squares", as used by REAL Gann traders, as opposed the tripe, that some Gann vendors have been presenting to us .....

..... first, an example of a natural square of whole numbers may be 3969 = 63 x 63, which is the level the Aussie XJO backed down from, on Monday ... 06 December 2004.

Now, in Gann's day he subdivided the range between the whole numbers into eighths, as it presented an easy way to relate to the price, with regard to the mathematics of calculating square roots.

Markets at that time were also traded in fractions, which were multiples of 64ths, including eighths.

With the advent of computers, it is now easier to divide the range between the whole numbers, into decimal format or tenths.

It matters not, the principle of natural squares remains constant and here's a current example:

..... on the daily SnP500 chart below, we can see that
the lowest CLOSE in August 04, was as follows:

Date: 08/12/2004 O=1075.80 H=1075.80 L=1062.80 C=1063.25

... and the low on that day was just a 4 ticks off the natural square of 32.6 x 32.6 = 1062.76 ..... but, the market was not satisfied, as next day it did not start to recover, until it had transited 1062.76 ... TWICE in that day, which was also the low in that major swing.

Date: 08/13/2004 O=1063.25 H=1067.60 L=1060.70 C=1064.80

SnP500 ... natural squares for 2004 on daily chart, below .....
-


12/07/2004 C=1177.05 -13.20 O=1190.25 H=1192.20 L=1177.05
1200.00
1190.00
1180.00
1170.00
1160.00
1150.00
1140.00
1130.00
1120.00
1110.00
1100.00
1090.00
1080.00
1070.00
Aug
Sep
Oct
Nov
Created with SuperCharts by Omega Research © 1997

To keep this brief, we move up to the next significant high, on the equinox 21 September 2004:

Date:09/21/2004 O=1122.20 H=1131.55 L=1122.20 C=1129.30

..... and what can we see, on this important date?

Close that day was the highest, since the August low, at
32.6 squared and it finished just a few ticks above
33.6 x 33.6 = 1128.96 or exactly ONE WHOLE SQUARE,
from the August low, at 32.6 squared.

We will not bore you with every rally and pullback since then, but we should point out, that the 25 October 04 low came in, fractionally above 33 squared.

Now, let's move on to the recent most recent high, on 03 December 2004 ..... and surprise, surprise, the market finished off its highs that day .....

Date:12/03/2004 O=1190.35 H=1197.45 L=1187.70 C=1191.15

..... just as it reached 34.6 squared or 1197.16, TWO WHOLE SQUARES, up from the August lows.

So looking forward, where can we expect support in SnP500... ???

Using natural squares alone, we would expect an ambush, just above 34 squared, at about 1156, similar to the October 2004 low at 33 squared ..... to narrow this down a bit further, read on .....

..... by using another simple astrotool, we have already identified a pivot level, at 1180 (see previous post) ... so from 1180 to the 1197.45 high, there's a range of 17.45 ... so, if we accept that 1180 is a real pivot level, we may expect some support at about 1180-17.45 = 1162.55

That now gives us a zone of 1156-1162.55, using TWO DIFFERENT Gann tools .....

Of course, we can refine this even further, if we use proper astroanalysis of the TIME axis on the chart, in the way Gann intended it to be used ..... :)

Hope this helps some.

happy trading all

yogi

http://easy-trading-tools.00cd.com

:)