

"How Would W. D. Gann See the Stock Market in 2001?"

[Neil A Costa](#)

William Delbert Gann was reputed to have made US\$50 million from trading the stock and commodities markets. We will never know how accurate this figure is, however it is clear that he made a considerable amount of money.

Gann's awesome forecasting ability is beyond question. His annual forecasts sold for large sums of money due to their uncanny accuracy. He was able to make such accurate forecasts after discovering his Master Time Factor in 1908.

Soon after discovering this market timing tool, he traded two trading accounts. The first he opened with \$300, and he made \$25,000 in a period of three months. The second account started with \$130 and he made \$12,000 in the same 30 days.

Richard Wyckoff, the well-known editor of the *Ticker and Investment Digest* and one of the most respected writers on the stock market of all time, wrote an article on Gann's discoveries and his exceptional trading ability. The article was titled 'William D. Gann. An Operator Whose Science and Ability Place Him in the Front Rank. His Remarkable Predictions and Trading Record'.

In order to verify Gann's trading record, an independent observer monitored Gann's trading during October:

During the month of October, 1909, in twenty-five market days, Mr. Gann made, in the presence of our representative, two hundred and eighty-six transactions in various stocks, on both the long and the short side of the market. Two hundred and sixty-four of these transactions resulted in profits; twenty-two in losses.

The capital with which he operated was doubled ten times, so that at the end of the month he had one thousand per cent. on his original margin.

... We have seen him give in one day sixteen successive orders in the same stock, eight of which turned out to be at either the top or the bottom eighth of that particular swing. The above we can positively verify.

Such performances as these, coupled with the foregoing, are probably unparalleled in the history of the Street.

Gann acknowledged having made half a million dollars from his trading over the previous few years.

(*Ticker and Investment Digest*, Volume 5, Number 2, December, 1909, page 54.)

The representative of *Ticker and Investment Digest* was able to verify Gann's success as a trader. "I once saw him take \$130, and in less that one month run it up to over \$12,000. He can compound money faster than any man I ever met."

(*Ticker and Investment Digest*, Volume 5, Number 2, December, 1909, page 54.)

The publication of the *Ticker and Investment Digest* article made W.D. Gann famous. Subsequently, the *New York Herald*, the *New York Sun*, the *New York Evening Telegram*, the *New York Morning Telegraph* and other newspapers and journals throughout the world commented on his accurate stock and commodity forecasts.

Gann published his Annual Stock Forecast in December of each year. In his own words:

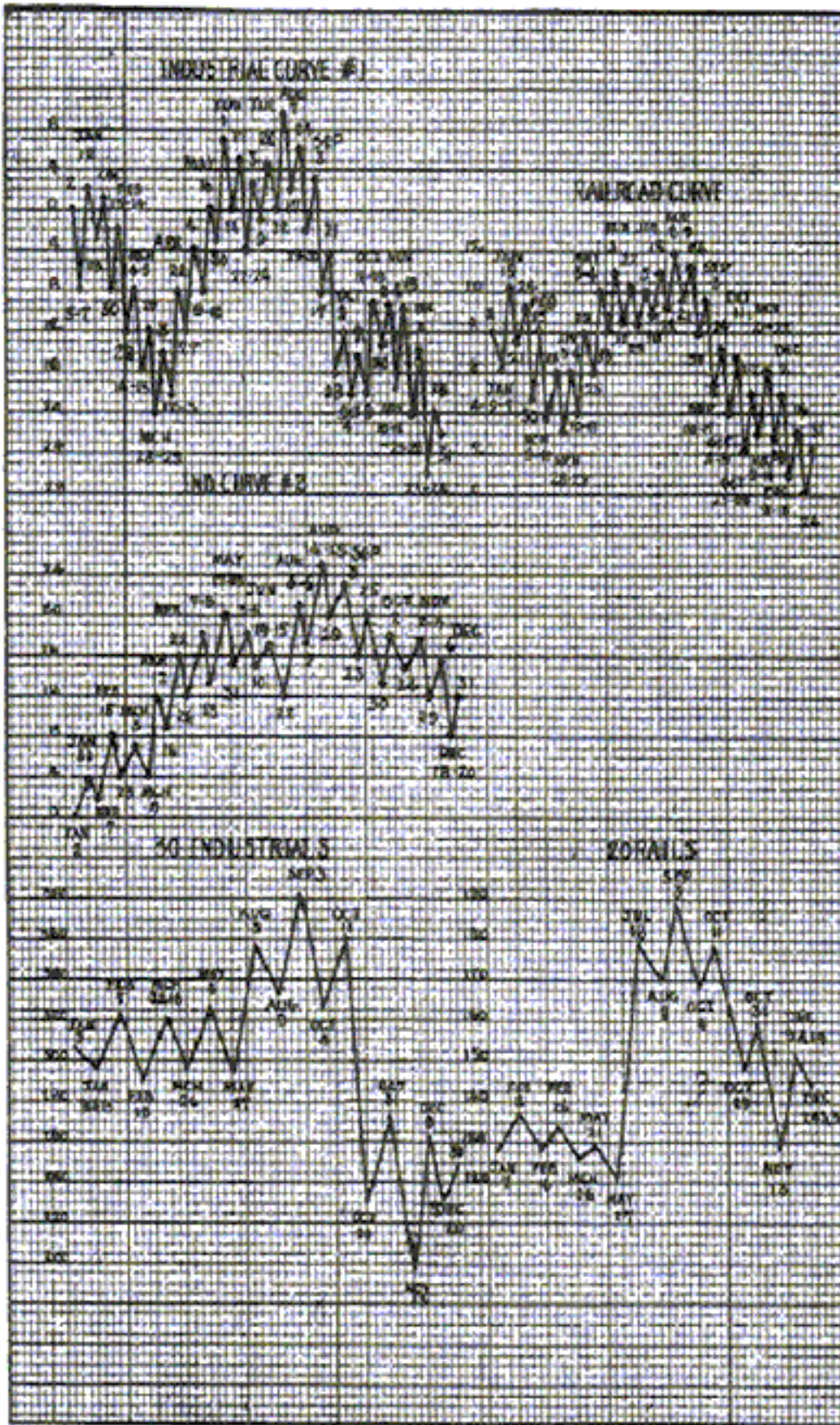
This forecast gives the trend of stocks for the following year; gives dates each month when high and low prices will be made; tells when extreme highs or lows of the year can be expected; and also informs whether stocks are in a Bull or Bear cycle. This forecast is based on a "time" factor which I have discovered. I have been able to forecast every major campaign for the last twenty years. Copies of Forecasts of recent years mailed free.

(Gann, W.D., *Wall Street Stock Selector*, Lambert-Gann Publishing Co. Inc., P.O. Box 0, Pomeroy, WA, U.S.A., 1930, Appendix page 46. Reprinted with the kind permission of Nikki Jones, owner of Lambert-Gann Publishing Co., Inc.)

The price of Gann's Annual Stock Forecast was \$100.00 in 1930 - this was a large sum of money 70 years ago.

Late in Gann's life he taught selected students his forecasting methods. In 1954, at the age of 76, Gann's *Great Master Course* sold for US\$5,000 - the price of an average house at that time. I believe that this course, and the letters he sent to his clients in the early 1950s, explained how he compiled his forecasts. Copies of many of these letters were discovered soon after the death of Gann's former partner, Ed. Lambert, two years ago.

Gann's most famous forecast, the forecast for 1929, warned that the Dow Jones Industrial Average (See '30 Industrials' below) would peak on September 3, 1929 and subsequently crash. History confirms that Gann predicted the exact end of the 1920's stock market boom. This was an extremely important top, as the market declined more than 90 percent until its low in 1932.



(Gann, W.D., *Wall Street Stock Selector*, Lambert-Gann Publishing Co. Inc., P.O. Box 0, Pomeroy, WA, U.S.A., 1930, Appendix page 12. Reprinted with kind permission of Nikki Jones, owner of Lambert-Gann Publishing

Co., Inc.)

Gann's published forecasts in the period 1919 to 1926 were 85 to 90 percent accurate in picking intermediate and major market tops and bottoms. They are published in his courses.

How Did Gann Forecast?

Gann's forecasts were conducted using a range of techniques. He analysed major cycles, including natural cycles, looking for history to repeat. He also used forecasting tools he developed such as squaring time and price, or tools he modified, such as solar degrees and the square of nine.

The Stock Market in 2001

I first started presenting my analysis of the major cycles Gann followed in 1995 to a conference of the Australian Technical Analysts' Association (ATAA). That was an easy year to forecast, as all of the major cycles I analyzed suggested that the year would be a Bull year. In fact, Gann had called the fifth year of the decade his 'Year of Ascension'.

I presented a similar analysis when I addressed ATAA meetings and during seminars in every subsequent year. In each case this technique successfully forecast the direction of the Dow (and the Australian market) for that year, and any likely sudden moves, such as the falls in October 1997, 1999 and April 2000.

The Year 2001 is a difficult year to call without seeing how it starts to unfold. Previous major cycles pertinent to this year were as follows:

CYCLE DIRECTION COMMENTS

100-year	Down	Peak in June.
90-year	Flat	Peak mid-May to late July.
80-year	Up	Peaks May, December. Lows June, August.
70-year	Down	Peak late February.
60-year	Down	Rallies July to September.
50-year	Up	Strong up move late June to mid September.
40-year	Up	Up January to early September, then flat.
30-year	Up	Up Jan. to Apr. then down. Rally Aug./Sept., low Nov.
20-year	Down	Held up until end of June. Down to late Sept. then flat.
10-year	Up	Up Jan. to early March then flat. Rally in December.

As can be seen from the above, five cycles were up, four were down, and one was flat. This is not very definitive.

There are a number of bullish and bearish factors to note:

Bullish:

- The U.S. Federal Reserve has cut interest rates twice, with a third cut likely. There is an old market axiom which says "Don't fight the Fed". A low interest rate environment is generally bullish for the stock market.
- The market is presently rallying after an initial dip. This could, of course, be a bear market rally.

Bearish:

- The Price / Earnings ratios of many U.S. stocks are at historically high levels.
- There is speculation in the United States and Australia of a recession.
- Major world markets finished the year lower last year. These include:
 - Dow (United States) - down 6%.
 - Nikkei (Japan) - down 27%.
 - FTSE (UK) - down 10%.
 - DAX (Germany) - down 7%.
 - Hang Seng (Hong Kong) - down 11%.

The declines were much greater for markets such as Taiwan.

Australia, on the other hand, finished the year up just two points. The Year 2000 was the fifth consecutive year in which the market finished higher.

Dawn Bolton-Smith, an analyst and trader respected throughout the world, said at an ATAA meeting in Brisbane in February 2001, "it is a year to be cautious"! I couldn't agree more.

The key is to watch the market closely, and to see how closely it parallels one of the above cycles. The rally that is occurring at the time of writing (February 5, 2001) is consistent with many of the cycles listed above, and thus does not give us much lead as to what is likely to happen for the rest of the year.

Around the end of March 2001, the pattern for the year may be clear. The Year 2000 paralleled the 40-year cycle closely. Such a road map can be very helpful information for the experienced trader and/or investor.

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