



W. D. Gann (1878-1955)

**GANN
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*Trading
Letter*

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DECEMBER 2005

“After you make a trade, if the stock closes showing you a loss the first day, you are apt to be wrong and trading against the trend. If it closes against you the third successive day, you are wrong nine times out of ten and should get out of the trade immediately.

“When you buy or sell and the trade immediately moves in your favor and closes with a profit the first day, you are right and with the trend. At the end of three days if it still shows you a profit, it is almost a sure sign that you are right and with the main trend.

“Therefore, get out at once when you see that you are wrong and hold when you see that you are right.”

–W. D. Gann

Gann’s comments on trading with the trend seem self-evident. “The trend is your friend” is one of the most respected adages of stock market wisdom; it’s a maxim adhered to by the vast majority of successful traders, with the winning trend-followers far outnumbering the winning contrarians.

Even so, Gann's words are worth careful attention, simply because he is describing the flip side of one of the most common mistakes that traders make—holding on to losing trades in spite of the evidence the market may be presenting to the contrary.

Why is this the case? After all, doesn't it make more sense to walk away from trades that have gone bad? Isn't it better money management to take a small loss instead of letting it get bigger and bigger as you watch your net account value slowly bleed to death? Shouldn't that be obvious?

Perhaps so, but the sad truth is that for most of us who get into the game of trading, it's extremely difficult to learn to take losses. We choose to lose more money rather than less, even while we are telling ourselves that we should know better!

The easiest way to lose more money, of course, is to avoid using stop-loss orders. When we put a stop in place, we have decided beforehand how much we are willing to lose, so we can limit our losses. But using stops obliges us to admit that we might in fact actually lose, and given our human nature, that's not always an easy thing to acknowledge.

When we're trading without stops, we can amplify our losses even more by deciding not to look at our trades once we have put them on. "If I close my eyes and pretend that the losses aren't there," we tell ourselves, "then maybe the losses will just go away. Maybe they'll even magically convert themselves into gains!"

Whether we are letting our losses ride, failing to use stops, or simply hiding from the realities of our portfolios, the root cause is the same: ego. When our egos are in charge, we have an overwhelming need to be right. Ironically, our egos usually enforce this need by working overtime in their efforts to convince that we are really always wrong, that we are incompetent, and that we don't deserve success. And since we are always guilty of being wrong, our egos tell us, we must try to conceal that fact at all costs. That means we must avoid taking small losses, pretending instead that we have a deeper understanding or a bigger plan that will somehow turn these small failures into gigantic successes.

Oddly enough, as astro-traders, we can sometimes be even more vulnerable to this kind of ego-manipulation. The

astrological advantage can work wonders in bringing greater certainty to our trading. We can identify profitable opportunities more quickly, and we can time our market moves more precisely. But this kind of power in our trading toolbox can make it even easier for us to give in to ego demands, and to be led astray by ego-driven delusions.

So W. D. Gann's comments are well worth paying attention to, especially his three-day recommendation. Three trading days certainly gives us ample time to evaluate the progress of a trade, and three calendar days = 72 hours ($2^3 \times 3^3$). But whether we respond to adverse market action immediately or whether we wait three days for confirmation, we will always get better results in our trading if we let the markets tell us what to do, rather than the other way around.

December Insights

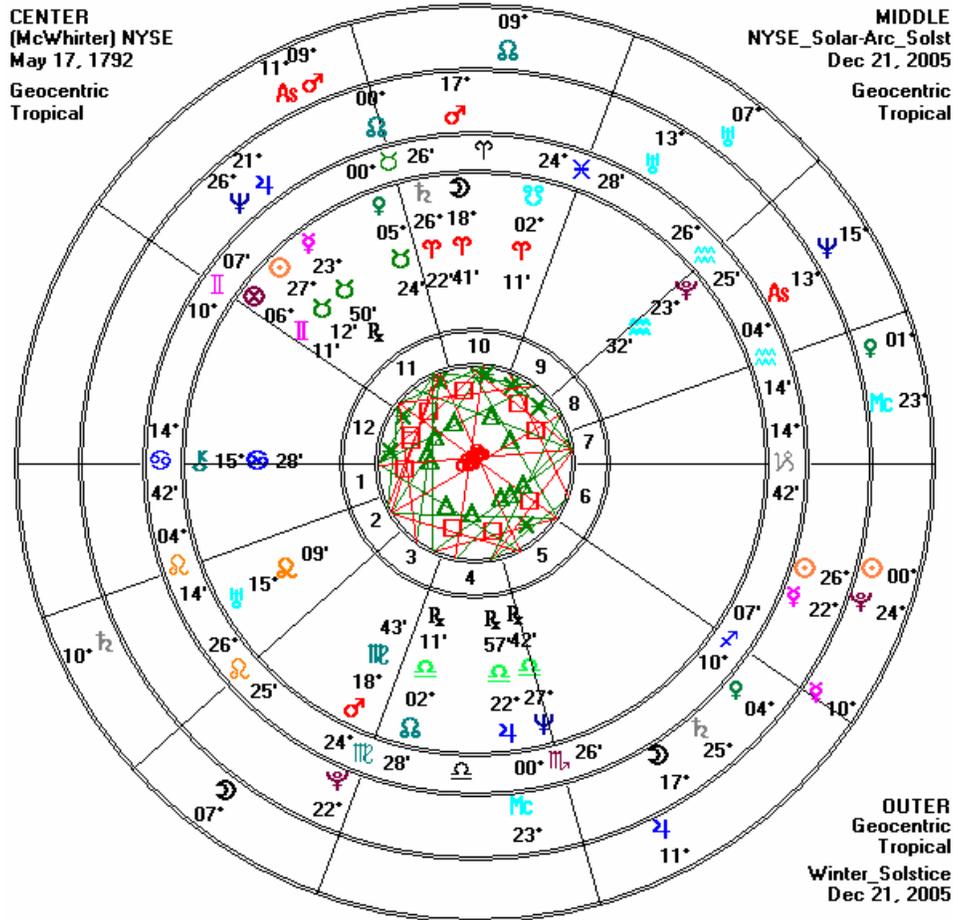
“The stock market averages and individual stocks follow a seasonal change in trend which varies in different years, but by knowing the important dates and watching them you will be able to determine a change in trend very quickly by applying all the other rules. The important dates are. . .

December 3 to 10, and 15 to 24. The latter period and running into the January period for a change in trend has shown a high percentage of changes over a period of years.” –W. D. Gann

Astro-Events This Month

December starts with both Mercury and Mars returning to direct motion, along with Chiron moving into Aquarius and forming a square to the Midheaven of the 1792 inception chart for the New York Stock Exchange. As a whole, however, the month is dominated by Mars in opposition to Jupiter, with Saturn square both of the two planets to complete a stressful t-square configuration. This pattern lines up in three of the money houses in the inception horoscope for the New York Stock Exchange, and by the December 21 Winter Solstice, Saturn will also be activating the NYSE Sun/Jupiter midpoint, the NYSE Mercury/Neptune midpoint, the NYSE Solar-Arc Neptune/Midheaven midpoint, and the NYSE Solar-Arc Moon/Node midpoint. All these alignments suggest a tapering

off of speculative energies in the stock market, with lower prices likely by the end of the month. The traditional Santa Claus Rally may also be in jeopardy this year as well, with a cash-slowing December 24 Venus retrograde station and a stress-provoking December 27 Mars/Saturn square coming right before the December 30 New Moon.



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Tri-unequal wheel

For a detailed day-by-day Gann Plan calendar that can fine-tune your trading, be sure to subscribe to Tim Bost's FinancialCyclesWeekly newsletter. This astro-trading market letter has frequently been cited in Barron's, Bridge News, and other top financial publications. Each weekly email issue includes insightful market comments, news of global equities trading, U.S. equity trends, the strongest and weakest market sectors, a spiritual focus for the week, an update on the astrologically-based Financial Cycles Model Portfolio, and specific ideas for profitable stock trading in the week ahead. To get complete subscription details and other information about this widely-acclaimed newsletter, go to www.FinancialCyclesWeekly.com.

The GANN PLAN TRADING LETTER is edited by Tim Bost and published each month as a free service to traders who want to explore and apply the market methods of W. D. Gann and who wish to bring more emotional balance, esoteric knowledge, and spiritual balance into their trading.

The Gann Plan focuses on Geometry, Astrology, Nature, and Numbers to foster improved Psychology, Learning, Affluence and Nurturing. It understands that successful traders need health, patience, spirituality, knowledge, capital, and money management.

While this letter is inspired by W. D. Gann's approach to trading, the Gann Plan is not an attempt to duplicate the exact trading techniques that Mr. Gann used. Instead it strives to integrate modern tools and contemporary hypotheses with the knowledge and wisdom that W. D. Gann shared.

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