



W. D. Gann (1878-1955)

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Letter

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“Fear is one of the great causes of losses in Wall Street. In fact, fear is the cause of most all of our troubles and misfortunes in life. What causes fear? It is ignorance or lack of knowledge. The Bible says ‘Ye shall know the truth and the truth shall make you free.’ The truth is knowledge whether it is scientific or otherwise, and when a man has knowledge, he sees and knows and does not fear. With knowledge, he does not hope, because he knows what will happen, and does not hope or fear what will happen.

“Why does a man sell out stocks at the lowest point? It is because he fears they will go lower. If he knew that they were at the lowest point, he would have no fear, and instead of selling, he would buy. The same applies at the top. Why does a man buy at the highest point or cover shorts at the highest point? Because he has lost hope and fears they are going higher. If he had knowledge, he would have no fear and would use good judgment. To succeed, hope and fear must be eliminated, and the only way to eliminate these two impostors is to get as much knowledge as you can.”

–W. D. Gann

These paragraphs on “Fear vs. Knowledge” are from Gann’s *Wall Street Stock Selector*, first published in the spring of 1930. It’s a remarkable passage in many respects, but it’s particularly interesting because of the way in which W. D. Gann connects the emotions of fear and hope. In our common, day-to-day usage, these two concepts are often viewed as opposites, but in Gann’s understanding of the emotional dynamics of the markets fear and hope are correctly seen as two manifestations springing out of the same core source, or he put it, “two imposters” that can divert us from success in the markets.

Almost everyone who has actively traded stocks or futures has experienced fear in one way or another during the course of a trading day. It’s relatively easy for us to see fear as an enemy to our trading success. After all, fear charges our physiology with a powerful shot of adrenaline that certainly gets our attention, commanding us to act precipitously in a way that gets us out of trades too soon or that keeps us from pulling the trigger when we should in order to take profits or to make purchases at advantageous prices.

When that adrenaline rush sweeps over us, we are compelled by our emotional state to make a move in the markets, whether or not that move is really to our benefit. When we are physiologically in a fearful state, there’s a change in our respiration, in our heart rate, and in our galvanic skin response. We are anything but calm and rational, and are much more inclined to make serious mistakes in our trading. In W. D. Gann’s day that potential for error was sobering enough, but in today’s market environment, with our electronic trades placed instantaneously and often filled before we can draw a breath, the cost of allowing fear into our trading day can truly be devastating.

But what about hope? Isn’t it a good thing? After all, hope was one of the three cardinal virtues that St. Paul wrote to the Corinthians about, one of the “three that abideth,” along with faith and love. Yet Gann, with his encyclopedic knowledge of the Bible, lumps hope right alongside fear. He is emphatic that both “hope and fear must be eliminated” as imposters that interfere with trading success.

The key insight here, of course, is that hope is an imposter. We are ill advised to put our trust in hope, because it will deceive us. It ultimately doesn’t deliver the goods of real market results. When we start to hope that a trade will turn out

in our favor, we stop doing rational analysis. When hope takes over, we stop looking at the evidence, we lose our awareness of the cycles that move markets, and we become oblivious to the information the market is trying to give us. When we rely on hope, we have essentially positioned ourselves to become the victims of the market.

Fortunately, Gann is equally clear about the antidote for fear and hope. It's knowledge. In trading, as in so much else in life, there's simply no substitute for more learning, more study, and more real-world experience. As we gain more and more knowledge, we eventually reach the point where we realize that the learning process never ever ends. And in that realization lies the beginning of wisdom.

March Insights

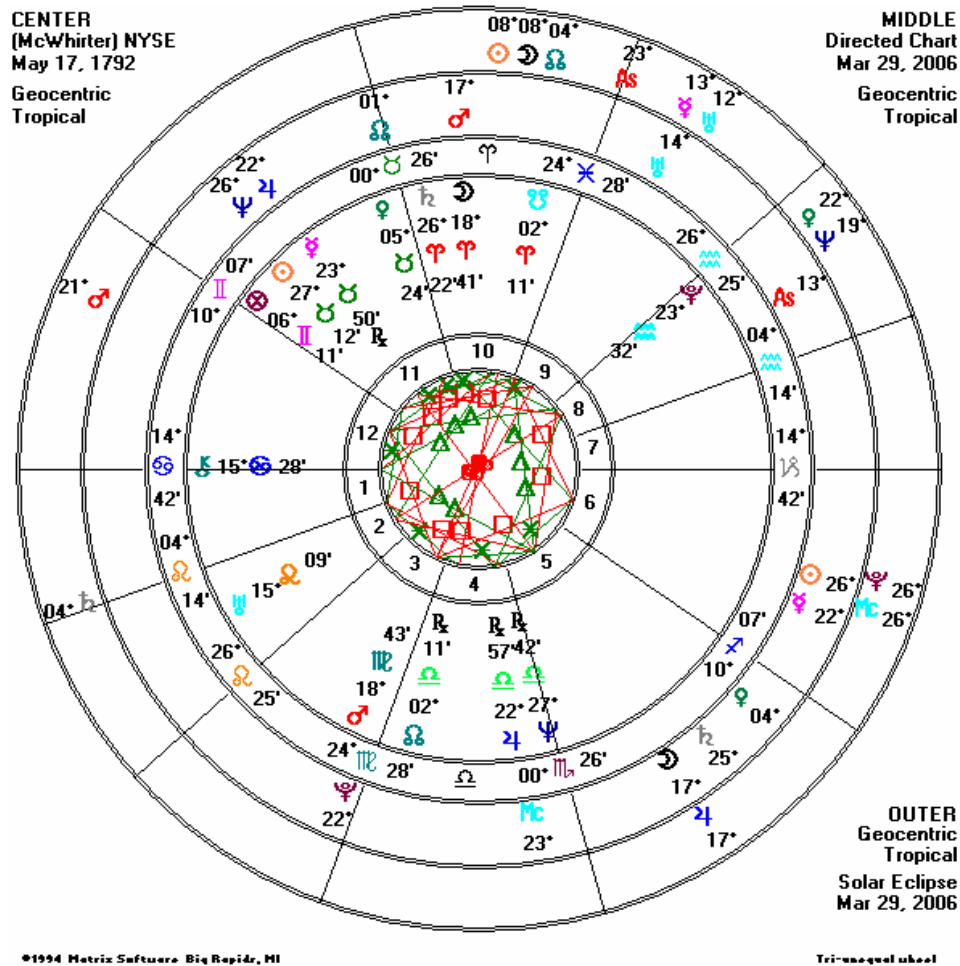
“The stock market averages and individual stocks follow a seasonal change in trend which varies in different years, but by knowing the important dates and watching them you will be able to determine a change in trend very quickly by applying all the other rules. The important dates are. . .

March 20 to 27. Minor changes occur around this date and sometimes major tops or bottoms occur.” –W. D. Gann

Astro-Events This Month

With Mercury in retrograde motion between March 2 and March 25, we can look for a short-term counter-trend in stock prices that roughly corresponds with that time frame. With a negative trend in place as February comes to a close, the March counter-trend will most likely be a rally, offering a brief opportunity for players on the long side to enhance profits. With Jupiter going retrograde on March 4, however, it will certainly be difficult to maintain a positive price trend for the long term. The other significant events in March are the eclipses—a Lunar Eclipse at the Full Moon on March 14 and a Solar Eclipse at the New Moon on March 29. It's the Solar Eclipse that deserves most of our attention, since it's just a couple of hours away from a Pluto retrograde station. Since it comes in the early morning hours prior to the opening bell in New York, we may see its impact on the markets as early

March 28. Regardless of when its full impact is felt, however, it's definitely a powerful phenomenon, so we're likely to see a clear trend reversal kicking in under its influence.



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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