



W. D. Gann (1878-1955)

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**MAY 2006**

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“Man’s seasonal trend changes just as the market and he has his good and bad cycles. By keeping a record of your own trades, you can determine when your trend is changing one way or the other. I have been able to make as many as 200 consecutive trades without a loss. When I started the campaign, I did not believe I could make 50 trades without a loss, but I did continue to make perfect trades and close every trade with a profit, until I had made 200 trades. This run of luck or up trend that I was in, had run for some time. If I had no way to forecast it, what sign should I watch to tell when the tide had turned against me and I should get out and wait? The first indication that something was wrong would be the first trade on which I made a loss. I remember that it was a small loss, around \$100. On the next trade I had a loss of over \$500. This showed that my trend was changing and turning against me, whether due to bad judgment, ill health, tired nerves, or other causes. If I had been wise, I would have quit and kept all of my profits. I made the third trade and as most traders do, went into the market on a larger scale. This trade soon showed a loss of \$5,000 and I did not take the loss quickly. The result was that I continued to make a series of losses until

the banks closed in November, 1907, and I could not get any more money out of the banks. I was forced to close out all my commitments with my brokers and take a big loss, because I was bucking my own trend. My period of good luck had run out, and I was trading in a period which should have been for rest, recreation and gaining knowledge instead of trying to make more money which I did not need. The banks were unable to pay currency for several months, and I could not get any money to speculate with. I put in my time studying and figuring on the market and found out what caused my mistake and the losses.”

–W. D. Gann

At first consideration, Gann's comments seem a little strange when he writes about the events of 1907. While his notion of personal cycles and trends is certainly a valid one, there were few years in the history of the markets that were more turbulent than 1907. So W. D Gann would have been fully justified if he had chosen to claim that his misfortunes in 1907 were entirely due to arbitrary external events rather than having anything to do with his own personal cycles of “luck and up trend.”

The fall of 1907 was certainly a tough time on Wall Street, and for the U.S. economy in general. The infamous Panic of 1907 began in October of that year when F. Augustus Heinze unsuccessfully tried to corner the copper market. On October 14, 1907, stock in the United States Copper Company was trading over \$62 a share. On October 16 it closed at \$15 and Heinze, the former owner of a Montana copper mine, was suddenly \$50 million poorer. The plunge also caused the suspension of Otto Heinze and Company, the Wall Street brokerage firm run by the brother of F. Augustus Heinze, and within 24 hours had shut down the Butte Savings Bank in Montana.

The next casualties of the panic were prominent bankers who had been Heinze business associates. C. W. Morse resigned in disgrace from the board of Mercantile National Bank because he had been involved in the attempted copper corner. Charles T. Barney, president of Knickerbocker Trust Company, stepped down from his post after a run on the bank by depositors.

At that time, there was no such thing as federal deposit insurance (it wasn't instituted until 1933), so if the word got

out that a bank might be in trouble, the only recourse the depositors had was to hurry to the bank and withdraw their money. On October 22, there was such a rush for withdrawals that Knickerbocker paid out more than \$8 million during its first three hours of business, then locked its doors at noon.

The panic spread, creating chaos throughout New York's financial institutions until J. P. Morgan stepped in to provide aid to some of the banks, and along the way enlisting additional support from John D. Rockefeller, who pledged to deposit \$10 million of his own money in New York banks, and from U. S. Secretary of the Treasury George Cotelyou, who announced that the federal government would provide \$25 million to help with the bail-out. Even so, the repercussions of the initial panic lasted well into November, with many depositors' cash tied up and with Charles Barney, the former president of Knickerbocker Trust, ending his life with a self-inflicted gunshot wound after J. P. Morgan refused to extend financial assistance to his ailing bank.

The Panic of 1907 was not the first panic to hit the banks and markets in the U.S., but it was one of the most significant because it paved the way for the inception of the Federal Reserve in 1913. After the dust had settled, the man who emerged in the public consciousness as the hero of the day was J. P. Morgan. The situation had created enough public consternation that there was a growing demand for banking regulation, and Senator Nelson Aldrich of Rhode Island, declaring that "Something has got to be done. We may not always have Pierpont Morgan with us to meet a banking crisis," began a push for a new central bank.

These events unfolded with transiting Neptune making a retrograde station on October 18 at 14° Cancer, conjunct the transiting True Lunar Node, activating the Solar Eclipse point of July 10, 1907, and conjoining the Ascendant of the 1792 inception horoscope of the New York Stock Exchange. It was a time filled with illusion, confusion, and outright deception. So Gann could certainly have been excused had he chosen to blame outside circumstances for his own misfortune.

But there were also some planetary configurations impacting W. D. Gann's personal horoscope at the time. Besides connecting ominously with the chart of the New York Stock Exchange, transiting Neptune also was forming a quincunx to the True Lunar Node in Gann's birth chart. This lingering influence suggested a potential for Gann to

disconnect from the realities of current market trends. In addition, transiting Saturn was semisquare his natal Jupiter, creating a strong need for him to be persistent, to be conservative in his choices and disciplined in his approach to market decisions.

A third factor impacting Gann's natal chart, and perhaps the most important one, was a square from transiting Jupiter to his natal Neptune. The aspect was exact in early October, 1907 (which was probably when Gann took his \$5,000 loss); it came into alignment again with Jupiter retrograde in late January, 1908, and then made its final direct contact in the Spring. This was certainly a time in which "rest, recreation and gaining knowledge" would have been appropriate, since the Jupiter/Neptune combination tends to amplify the speculative spirit, with traders throwing caution to the winds and getting "into the market on a larger scale."

Later in this passage on Wall Street Education from Gann's "Wall Street Stock Selector," he notes that he remained out of the markets until the Spring of 1908, when he launched successful trading campaigns in wheat and cotton. By that time he would have been ready to put the third Jupiter/Neptune square behind him. Even more significantly, however, Gann apparently stayed out of the market during his first Saturn return, which came in early April, 1908. This astrological event is typically accompanied by high levels of personal stress, a further confirmation of the need for "rest, recreation and gaining knowledge" instead of active trading.

The bottom line here is that Gann certainly knew his personal astrological cycles well, and acted accordingly. It's guidance we would all be wise to follow.

### May Insights

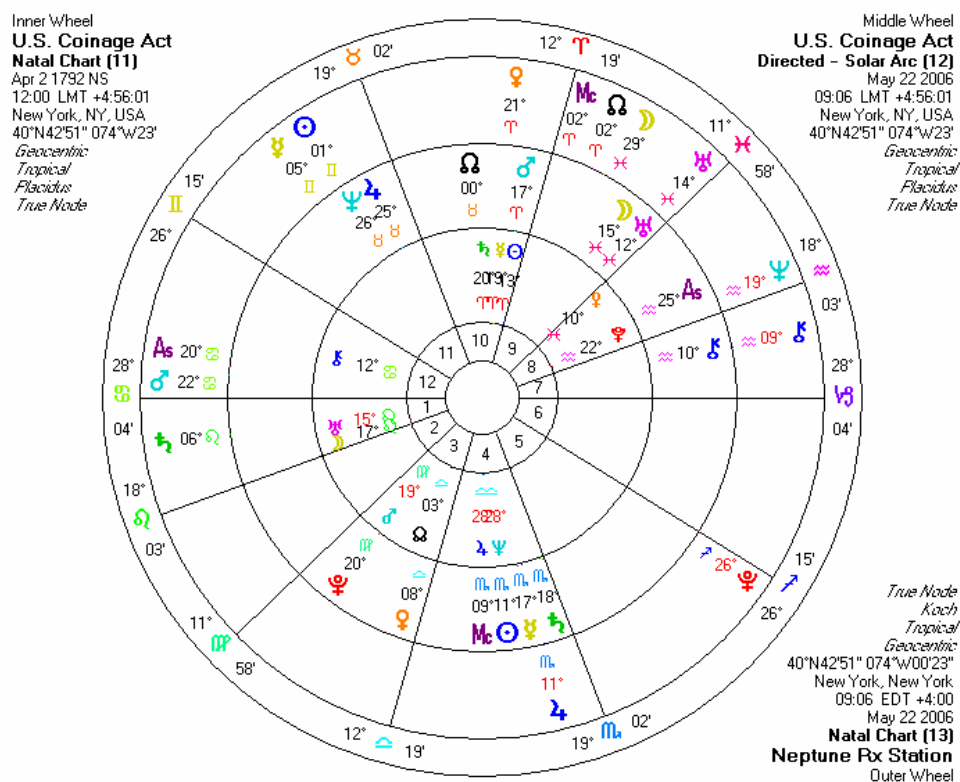
"The stock market averages and individual stocks follow a seasonal change in trend which varies in different years, but by knowing the important dates and watching them you will be able to determine a change in trend very quickly by applying all the other rules. The important dates are. . .

May 3 to 10, and 21 to 28. The changes this month are of as great importance as those that occur in January and February, and many major Tops and Bottoms have occurred around these dates in the past and a change in trend has taken place."

—W. D. Gann

## Astro-Events This Month

Jupiter is still in retrograde motion throughout this month—in fact it will stay that way until early July. This works to slow down expansionary energies and adds a little bit of moderation to the market action as a whole. Even so, May kicks off with a cluster of astrological energies to be reckoned with: a Jupiter/Uranus trine on May 4 is sandwiched between Venus entering Aries on May 3 and Mercury entering Taurus on May 5. This three-day period is particularly sensitive, and also highly likely to correspond with a short-term market top, which should be followed by declining prices at least until the May 13 Full Moon. The second important time frame to keep an eye on in May will be the days surrounding May 22, when Neptune makes its annual retrograde station. It comes hot on the heels of the Sun's ingress into Taurus and an occultation of Uranus by the Moon, so we wouldn't be surprised to see another significant shift of market trend at that time.



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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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