THE TIME FACTOR

THE BEST OF THE TRADING TECHNIQUES
BY W.D. GANN - EXPLAINED, SIMPLY.

BY FRANK BARILLARO

FOR MILLIE AND MATTEO

You are my two greatest achievements.

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PREFACE

In volume one of this course, I shared with you why I believe it is possible to do what many will tell you is impossible. To do this, you will need to first understand the Time Factor.

The Time Factor is a phenomenon which exists in all financial markets. Once understood, it is a powerful tool that can allow you to calculate predictable and repeating market cycles so that you can better time your investment decisions.

I am not only convinced that a Master Time Factor exists in all financial markets, I am certain that it is present because I have seen it. I have also been able to predict it occurring time and time again.

Understanding how the Time Factor works has allowed me to calculate and share with colleagues, in writing, future dates that have accurately forecast major market turning points to the exact day, years in advance. In volume two of this course, I will explain how you too can calculate these predictable market cycles and give your trading and investment decisions an unparalleled edge.

I discovered the Time Factor after years of studying the markets, and in particular, the works of William Delbert Gann. W.D. Gann is reputed to have taken over $50 million from the stock markets during his career in the first half of the 20th century – that is worth over a quarter of a billion dollars in today's money. During one month of trading alone in October 1909, in the presence of a finance journalist he made 286 trades with an astonishing profit ratio of over 92%. It resulted in a return of over 1000% of his original capital.

Gann developed the theory that there is a discernible relationship in all financial markets between price and time. He believed that the geometric representation of price through time revealed important cyclical patterns in markets that had predictive values. Many have explained in different variations the premise for why Gann's theories work. The most simple that has resonated with me however, is that as human nature will never change history is destined to repeat.

As markets are essentially made up of human sentiment and emotion, future generations are destined to repeat the behaviour (or cycles) of previous generations. This causes all financial markets to work in cycles which will repeat over and over. By looking at a historical chart of market action, one should then be able to identify the past cycles which have occurred and which will inevitably repeat in the future.

What I am about to share with you is a series of easy to follow lessons and illustrations that will teach you how to identify major bull and bear market cycles, years before they happen. You will be shown how to identify the long term trends, and more importantly, how to stay invested with them.

Every significant turning point in financial markets over the course of history can be traced back to the Time Factor. And the techniques which you are about to learn in this course have proven the test of time. They worked over one hundred years ago and I am confident they will continue working for the next one hundred years.

By the end of the course you will have learnt the geometric Time Factor that is present in all financial markets – and you too will be able to achieve what others will tell you is the impossible.

Before you begin, please read this really important stuff first...

Thank-you and congratulations for purchasing Volume Two of trading with the Time Factor. As I mentioned in volume one, I have absolutely no doubt that this trading course will change the way you look at financial markets.

Thank-you also for continuing on this journey with me. If you feel that Volume One has opened up your understanding of the financial markets in a way you did not think was possible, then Volume Two is going to absolutely blow your mind. Once you have finished this section of the course, I can assure you that you will never look at the financial markets in the same way again. You are about to learn the techniques that can allow you to identify the exact date of major market tops and bottoms – years in advance.

This will completely change the way you look at your investment analysis.

Imagine knowing when the stock market or the price of gold is going to make its next major bottom. What could that do for your investment portfolio? If you think it is impossible, then I encourage you to keep reading. You will soon change your mind.

Before we begin, there are some important housekeeping matters which we need to cover off first. There is some fine print below that you should take the time to read and understand before you proceed. But just in case your time is short, let me summarise the key points for you below.

This course is not personal advice

I am not a licensed financial adviser, nor do I know your individual circumstances. If you are looking for personal advice, please consult someone who is appropriately licensed to do so.

This course is not general advice

This course is about educational material on how to analyse the markets only. It aims to teach you how to make your own investment decisions. That's right, so that you can make your own decisions. This course teaches you the theory on how to fish. Unfortunately, I cannot catch the fish for you. But I can at least show you where to look. Trust me, by the end of it I am sure you will be able to do it.

The contents of this course are confidential

Please respect that I have spent hours upon hours in researching, drafting, writing and publishing this trading course. Not to mention the thousands of dollars spent. If you spent countless hours researching what the winning lotto numbers for next week's jackpot were going to be and you told me, how would you feel if I shared those with the rest of the world on the internet?

Now I'm not saying that reading this course is going to be like winning the lotto, but I hope you take my point. After all, if you are reading this, you have signed a confidentiality agreement with me anyway. You wouldn't go against your word now, would you?

Accuracy of contents:

The contents in this course have been prepared in good faith and may be based on information obtained from sources believed to reliable but no independent verification has been made, nor is its accuracy or completeness guaranteed. Each of the charts contained in this book have been hand designed by the brilliant graphic design work of my good friend Joe Caminiti. Whilst we have attempted to re-create every line, angle, axis and label as accurately as possible we are only human and humans can make mistakes.

These however should not detract from the message we are sharing with you. To the extent permitted by law, ThirtyTen Investments Pty Ltd does not give any warranty of reliability, accuracy or completeness of the information contained in this document and does not accept any responsibility in any way (including negligence) for errors in, or omissions from, the information in this document. The author or ThirtyTen Investments Pty Ltd is under no obligation to update or correct the information in this course.

One view isn't necessarily the right view:

If there are any views or opinions expressed in this course, these may be the views of the author or other parties. Whilst everyone is entitled to a view or an opinion, it doesn't necessarily mean those views or opinions are right...
Just ask my wife.

Future Returns:

This is not a course telling you to implement a particular investment strategy or to invest into a particular market. That is a decision for you to make. Please bear that in mind when you are investing. The value of any investment and the income derived from it can go down as well as up. Never invest more than you can afford to lose and keep in mind the ultimate risk is that you can lose whatever you've invested. Please seek independent financial advice regarding your particular situation. Investments in foreign companies or foreign markets involve risk and may not be suitable for all investors. Specifically, changes in the rates of exchange between currencies may cause a divergence between your nominal gain and your currency-converted gain, making it possible to lose money once your total return is adjusted for currency.

So now that is out of the way, let's begin…

SECTION FOUR

"TIME is the most important factor of all. Not until time is up does any big move up or down start."

– W.D. Gann

Chapter 7 of his Master Stock Market Course

How to forecast future market tops and bottoms using the Time Factor

Many traders and investors will probably know the feeling of what it is like to sell out of a stock too soon or buying into it too late. It can certainly be a frustrating experience selling a stock and seeing it continue to rise another fifteen or twenty percent.

This section of the book is all about demonstrating to you the geometric relationship that exists between past movements of price and how these can be used to forecast future movements of price.

Once you have mastered the ability to identify how past movements in price affect future movements, you will then be able to translate these into calculating future price support and resistance levels on any market – not only can this be useful in forecasting future tops and bottoms, more importantly, it will significantly improve your entry and exit points into your chosen stock or commodity.

Chapter Nine - Repeating time

In the preceding chapters, we learnt how previous price movements in financial markets can allow you to project future movements in price. We walked through some examples where earlier ranges in price were repeated in exact proportion to future movements in price.

One of the astonishing discoveries that Gann made was that time movements in markets will regularly repeat. This was fundamental to Gann's ability to predict the future dates of market tops and bottoms.

In order to calculate a time cycle, we simply determine the number of hours, days, weeks or months which have elapsed between any two reference points. Ultimately, this gives us four sequences with which we can calculate a time frame:

1. Low and a High
2. High and a Low
3. Low and a Low
4. High and a High

Every market will move to repeating time frames, whether they are major (weekly or monthly) or minor (hourly or daily) time periods.

Minor time frames

In the chapter earlier, we demonstrated how the S&P500 market made minor movements in price of 108 points that coincided with a major movement of 807 points to help produce a significant change in trend. These same patterns will occur with respect to minor time counts that will often culminate with a major time frame coming to an end.

In my view, a minor time frame is one which consists of a move that is less than a full calendar year (or 365 days) in duration. As a general rule, I look for minor time frames to produce minor turning points in the market. These often represent good buying or selling opportunities within the long term trend.

Always look for repeating time frames within a market. The greater the time frame, the more important it is for a significant change in trend.

I will never rely solely on a minor time frame to make a forecast about the start or end of a major bull or bear market campaign. I do however, like to see minor time frames culminating at or near a major time frame. This is generally a good sign that the major time frame will produce a meaningful change in trend.

How minor time frames repeat – S&P500 (Oct 2011 to 2013)

In demonstrating how this type of market symmetry works in the current markets, the following chart is a daily calendar chart of the S&P500 index using the very recent price action off the October 2011 low to the end of June 2013.

You will notice I have highlighted five sections of the market. The first section represents a time count from top to bottom in a period of 32 calendar days. This was repeated again almost exactly in the fifth shaded section, where the market again moved from a top to a bottom, this time in 33 calendar days. The third box I have highlighted shows a significant market move from top to bottom, in 63 calendar days. The box immediately following it highlights that the move down from the next significant top to bottom was also an exact 63 calendar days.

In between this action in the second shaded section, I have highlighted a move from a bottom to a top which occurred in a period of 126 days. Hopefully, the relevance of this time frame has stood out to you. The time period of 126 days is exactly twice that of the 63 day period – the first 63 day run down therefore represented exactly a 50% retracement in time. Incidentally, 50% of 63 days give us 31.5 days, which is almost exactly in geometric proportion to the 32 and 33 day time counts that were also working at that time in the market.

Once you have seen a time frame complete, it is therefore very important to not only watch for a repeat in that time period into the future, but a 50% retracement in time immediately following that move.

33 DAYS

63 DAYS

126 DAYS

63 DAYS

32 DAYS

131pts ↓

264pts ↑   131pts ↓

264 x 50% = 132pts

repeating ranges of price

127pts ↓

OCT 2011 LOW

Jun-11   Sep-11   Dec-11   Mar-12   Jun-12   Sep-12   Dec-12   Mar-13   Jun-13
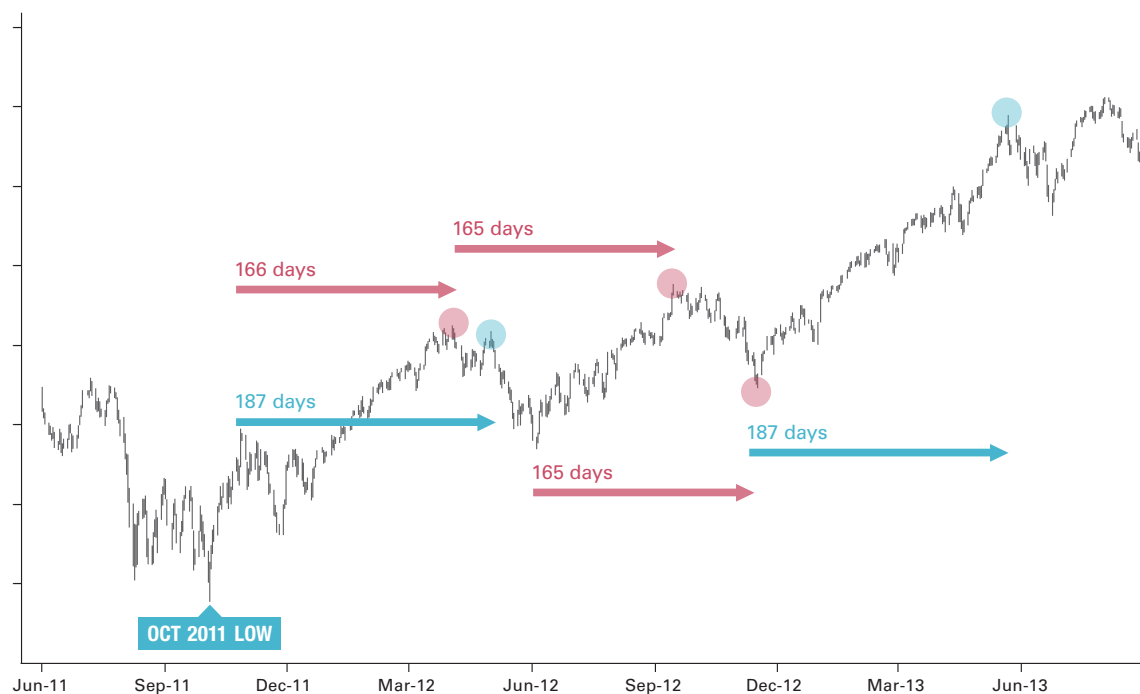
S&P 500 Daily Chart

Illustration 9.01

The next chart I wish to show you follows the same period of time used in our previous example, but instead of measuring our time frames from a bottom to the next immediate top, or a top to the next immediate bottom, we are measuring time frames within a series of minor turning points in the market.

I have again highlighted five sections to show the variations in the time count. The first two time frames highlight that the market made significant turning points following a 165 day count and a 187 day count. I used the 28 October 2011 high as our starting date, which was a significant high that immediately followed the major October 2011 bottom. Once we have seen a time count appear at the start of a cycle, the rule is to look from them to reoccur throughout the remainder of the cycle in the market.

Important note:

As you can see, the market made a further two time counts of 165 days, and a major time movement from low to top of 187 days.

S&P 500 Daily Chart – Repeating Time

Illustration 9.02