



## W. D. Gann

W.D. Gann was a student and teacher of geometry first and trading second. What we study with Gann is his symmetrical study of the concepts of geometry and the patterns that show within the stock market.

Part of the Gann angle work is using different angles of trend lines to help ascertain the strengths and weaknesses in the market.

Gann required that equal time and price intervals always be used to chart so that a rise of 1x1 would always equal a 45 degree angle. Gann's methodology was finding the entire balance between time and price around the time axis. Geometrists call this a 1x1 angle where prices rise on prices for each time unit.

“Gann angles are drawn between a significant bottom or top at various angles. The 1x1 trend lines signifies a bull market if prices are above the trend line, or a bear market if below.”<sup>1</sup>

Gann felt that at 1x1 trend line provided major support during an uptrend, and when the trend line is broken, that a major reversal to the trend was being established.

1x8	-	82.5 degrees
1x4	-	75 degrees
1x3	-	71.25 degrees
1x2	-	63.75 degrees
1x1	-	45 degrees
2x1	-	26.25 degrees
3x1	-	18.75 degrees
4x1	-	15 degrees
8x1	-	7.5 degrees

<sup>1</sup> Technical Analysis from A to Z, by Steven Achelis

Gann observed that each of the angles could provide support and resistance depending upon the trend. For example, during an uptrend the 1x1 angle tends to provide major support. A major reversal is signified when prices fall below the 1x1 angled trend line. According to Gann, prices should then be expected to fall to the next trend line (i.e., 2 x1 angle). In other words, as one angle is penetrated, expect prices to move and consolidate at the next angle.

Chartists draw Gann angles by first finding a significant support or resistance line that is acting as a clear bottom or top and using this as the reference point for drawing the angle line. The horizontal line is drawn outward, and to the various angles, noting the significance of the 45 degree angle.

The smaller the degree of the trend line, the less significant it is. The angles between 35 and 45 degrees are key to either direction and show where the move will have the most jeopardy of being reversed.

**“Follow the tape and the charts for they point to the correct course of prices according to the natural law of supply or demand.” -W.D. Gann**

Gann was not a proponent of point and figure or “space” charts because of his serious analysis of time. Gann did not use a daily chart, calling it “ripples in the ocean caused by a pebble.” His methodology developed the study of longer term charts because they better showed “time.”

“The more time period used in a chart, the more important it is for determining a change in trend. By a quarterly chart we see the seasons of the year, and they can show when a change in trend occurs.”

Gann believed that if a stock showed an advance, and then moved laterally, and climbed again beyond first resistance levels, the careful trader would be watching just how the stock advanced the second, third and fourth time the stock began moving up. Conversely, Gann believed a stock (or market) would potentially have up to 4 stages to a downward move. It’s watching the third and fourth stages, as the support or resistance lines are clearly in struggle, that are key.