

Gann on Cycles:

"My calculations are based on the cycle theory and on mathematical sequences. History repeats itself. That is what I have always contended, -- that in order to know and predict the future of anything you only have to look up what has happened in the past and get a correct base or starting point. My authority for stating that the future is but a repetition of the past is found in the Bible.

"Read Eccl. 1:9:

""The thing that hath been, it is that which shall be; and that which is done, is that which shall be done: and there is no new thing under the sun.'

"Again

""That which has been is now and that which is to be hath already been.' [Eccl. 3:15]

"This makes it plain that everything works according to past cycles, and that history repeats itself in the lives of men, nations and the stock market.

"We are told that the great continent of Atlantis, for centuries submerged under the Atlantic Ocean, possessed a civilization greater than ours of today. The people of Atlantis had their telephones, wireless, radios and airplanes. There is considerable truth in that statement. According to mathematical sequence, the wonderful inventions that brought comfort and convenience to the Atlantians are due to appear again, and we are now only on the threshold of another great age.

"Remember, everything in this universe is elliptical or circular in motion; that applies both to the abstract and the concrete, the mental, physical and spiritual. Every thought you think makes a circle, and it comes back to you. It may take years but you will get the effects, good or evil, according as the thought was either good or evil. That is a truth we should learn, and the world will be the better for it.

"In making my calculations on the stock market, or any future event, I get the past history and find out what cycle we are in and then predict the curve for the future, which is a repetition of past market movements. The great law of vibration is based on like producing like.

Like causes produce like effects. Wireless telegraphy, the phonograph and the radio are based on this law. The limit of future predictions based on exact mathematical law is only restricted by lack of knowledge of correct data on past history to work from. It is just as easy to figure 100 years or 1000 years in the future as one or two years ahead, if you have the correct starting point and know the cycle which is going to be repeated.

"A few years ago even scientific men, not alone the public, would have laughed at such a thing and refused to believe it. But mathematical science, which is the only real science that the entire civilized world has agreed upon, furnishes unmistakable proof of history repeating itself and shows that the cycle theory, or harmonic analysis, is the only thing that we can rely upon to ascertain the future. ...

""How do I forecast future cycles?' you may ask. In order to forecast future cycles, the most important thing is to begin right, for if we have the right beginning, we will get the right ending. If we know the cause of the effect, then there can be no doubt about predicting the future event or effect.

"I have always looked for causes and when once I determine a cause I can always be sure of the effect or future event which I predict. IT IS NOT MY AIM TO EXPLAIN THE CAUSE OF CYCLES. The general public is not yet ready for it and probably would not understand or believe it if I explained it.

"In every law of nature there is a major and a minor; a positive, a negative, and a neutral. Therefore, in cycles

there must be a lesser, a greater and intermediate cycle, or cycles within cycles. Like Ezekiel says: 'Wheel within a wheel.'

"Time is the great factor that proves all things. The measurement of time first originated and is based on the earth's motion upon its axis. One of the smallest cycles, or time factors, which repeats regularly in things that are very active and have a high vibration, is the four-minute cycle. The reason for this is that the earth moves one degree every four minutes. The next cycle is 24 hours, the complete time required for the earth to make one revolution upon its axis. That is how man measured his cycle of a day. The next important cycle is one year, the time required for the earth to move around the sun. This brings about the four seasons of the year. These are the minor cycles.

"The major cycles run in 100 and 5000 years with variations based on minor cycles. In order to be sure of world events and important changes, it is necessary to go back at least 1000 years and prove up the cycles.

...

"If we go back 1000 years, we can find ample proof of how history has been repeating itself in the past few years. From about A.D. 916 to 923 Europe went thru about the same conditions that prevailed 1000 years later or around 1914 to 1920. During the first period referred to, Europe experienced wars, panics and crop failures. History shows that in 916 agriculture in the British Isles was at its lowest ebb and that there was great scarcity of wheat and corn. Very few people were engaged in tilling the soil on account of wars. The same conditions prevailed 1000 years later in 1916 and 1917, when this country [the United States] was called on to furnish food to starving Europe and send men and money to save their armies from defeat. ...

"What proof of the 100-year cycle do we get from 100 years ago of what has happened in the past few years? In the United States, between 1814 and 1822, we had crop failures, war and yellow fever, especially from 1819 to 1822. In 1821 Persia was visited with Asiatic cholera. In 1823 cholera broke out in several ports along the Mediterranean. During the same period, corresponding to 100 years ago, the United States had the terrible epidemic of influenza and in Europe, Russia was visited with famine, cholera and all kinds of diseases, killing millions."

W. D. Gann, "The Tunnel Thru the Air," Chapter 7 ("Future Cycles"), pp. 75-81

"Every movement in the market is the result of a natural law and of a Cause which exists long before the Effect takes place and can be determined years in advance. The future is but a repetition of the past, as the Bible plainly states: 'The thing that hath been, it is that which shall be; and that which is done is that which shall be done, and there is no new thing under the sun.' -Eccl. 1:9.

"Everything has a major and a minor, and in order to be accurate in forecasting the future, you must know the major cycle, as the most money is made when extreme fluctuations occur.

"The major cycle of stocks occurs every 49 to 50 years. A period of 'jubilee' years of extreme high or low prices, lasting from 5 to 7 years occur at the end of the 50-year cycle.

"'7' is a fatal number referred to many times in the Bible and it is ruled by the planet Saturn, which brings about contractions, depression, and panics. Seven times '7' equals 49, which is shown as the fatal evil year, causing extreme fluctuations.

"The most important Time cycle is the 20-year cycle, or 240 months and most stocks and averages work closer to this cycle than any other. Five years is one-quarter of twenty and ten years is one-half of twenty and very important because it is 120 months. Fifteen years is three-quarters of twenty years and important because it is 180 months, just the same as 7 1/2 years is 90 months, because 84 5/8 is 15/16 of 90.

"The next important major cycle is 30 years, which is caused by the planet Saturn. This planet makes one revolution around the sun every 30 years. Saturn rules the products of the earth and causes extreme high or low prices in products of the earth at the end of each 30-year cycle, and this makes Stocks high or low. The most important cycle of all is the 20-year cycle.

"The next important major cycle is the 10-year cycle, which produces fluctuations of the same nature and extreme high or low every 10 years. Stocks come out remarkably close on each even 10-year cycle. The minor cycles are 3 years and 6 years. The smallest cycle is 1 year, which will often show a change in the 10th or 11th month.

"In rapid markets a move will run 6 to 7 weeks and have some kind of a minor reversal in trend, but often markets will continue for several months, only reacting two weeks, then resting possibly two or three weeks and resuming the main trend. Often they move right on up or down in the third week. This same rule applies to daily movements. Fast markets will only move two days in the opposite direction to the main trend and on the third day they will resume their upward or downward course in harmony with the main trend....

"TIME RULES FOR FORECASTING STOCKS"

"The stock market moves in 10-year cycles, which is worked out in 5-year cycles -- a 5-year cycle up and a 5-year cycle down.

"Rule 1: Bull or bear campaigns do not run more than 3 to 3 1/2 years up or down without a move of 3 to 6 months or one year in the opposite direction. Many campaigns culminate in the 23rd month, not running out the full two years. Watch the weekly and monthly charts to determine whether the culmination will occur in the 23rd or 24th month of the move, or in the 34 to 35, 41 to 42, 49 to 60, 67 to 72, or 84 to 90th months.

"Rule 2: A Bull campaign runs five years; 2 years up, 1 year down, and 2 years up, completing a 5-year cycle. The end of a 5-year campaign comes in the 59th or 60th months. Always watch for the change in the 59th month.

"Rule 3: A Bear cycle runs five years down. First move 2 years down, then 1 year up and 2 years down - completing the 5-year down swing.

"Rule 4: Add ten years to any top and it will give you another top of a 10 year cycle with about the same average fluctuations.

"Rule 5: Add ten years to any bottom and it will give you the next bottom of the 10-year cycle and of the same kind of a year and about the same average fluctuations.

"Rule 6: Bear campaigns run out in 7-year cycles, or 3 years and 4 years from any complete bottom. From any complete bottom of a cycle first add 3 years to get the next bottom; then add 4 years to get bottom of 7-year cycle.

"Rule 7: From any complete top add three years to get the next top; then add three years to the first top, which will give the second top. Add four years to the second top to get the third and final top of a 10-year cycle.

"Rule 8: Add five years to any top, will give the next bottom of a five-year cycle with about the same average fluctuations. In order to get tops of a 5-year cycle, add five years to any bottom and it will give the next top with the same average fluctuations. 1917 bottoms of a big bear campaign - add five years gives 1922 top of a minor bull campaign. Why do I say 'Top of a Minor Bull Campaign'? 1919 was top - add five years to 1919, gives 1924 as bottom of a 5-year Bear cycle. Refer to Rule 2 and 3, which will tell you that a Bull or Bear campaign never runs more than two years in the same direction.

"The Bear campaign from 1919 was down two years - 1920 and 1921: therefore, we can only get a 1-year rally in 1922; then two years down - 1923 and 1924, which completes the 5-year Bear cycle. Now, look back to 1913 and 1914 and you will see that 1923 and 1924 must be Bear years to complete the 10-year cycle from the bottoms of 1913 and 1914. Then note 1917 bottom of a Bear year, add seven years and it gives 1924 also as bottom of a Bear cycle.

"Rule 9: How to make up Annual Forecasts for any year. Take ten years back and the future year will run very close to the last 10-year cycle. For instance - 1932 will run like 1902, 1912, and 1922.

"There is a major cycle of 30 years, which runs out three ten-year cycles. The 10-year cycle back from the present and the 20-year cycle have the most effect on the future. But in completing the 30-year cycle, it is best to have 30 years past records to check up to make up a future forecast. For instance: In order to make up my 1922 Forecast, I check 1892, 1902, and 1912, and watch for minor variations in monthly moves. But I know that 1922 will run closest to 1912. However, some stocks will run close to the fluctuations of 1892 and 1902. Remember each stock works from its own base or from its own tops and bottoms, and not always according to Average tops and bottoms [by 'Averages,' Gann means stock indices, such as the Dow or S&P500]. Therefore, judge each stock individually and keep up weekly and monthly charts on them.

"Rule 10: Extreme Great Cycles. There must always be a major and a minor, a lesser and a greater, a positive and a negative; that is why stocks have three important moves in a 10-year cycle, two tops three years apart and the next one four years. This works again the five years moves, 2 years up and 1 year down, then 2 years up - two major and one minor move. The smallest complete cycle or workout in a market is five years, and 10 is a complete cycle. Five times ten equals 50, which is the greatest cycle. At the end of a Great Cycle of 50 years, extreme high and low prices occur. Go [then?] over past records and you can verify this.

"The number '7' is the basis of time, and a panick occurs and depression in the stock market every seven years, which is extreme and greater than the three-year decline. Note 1907, 1917, etc. Seven times seven is fatal, which makes 49 years, and causes extreme fluctations in the 49th to 50th year. Remember that you must begin with bottoms or tops to figure all cycles, whether major or minor. Extreme fluctuations also occur at the end of a 30-year cycle as you can see by going back 30 to 50 years.

"Rule 11: Monthly moves can be determined by the same rule as yearly; i.e., add three months to a bottom, then add four, making seven, to get minor bottoms and reaction points. But remember in a Bull market a reaction may only last two or three weeks; then the advance is resumed. In this way, a market may continue up for twelve months without breaking a monthly bottom. In Big up swing a reaction will not last over two months, the third month being up, the same rule as in yearly cycle - two down and the third up. This same rule applies in Bear markets - rallies not lasting more than two months. Most moves run out in six to seven weeks. Seven days in a week, and seven times seven making 49 days, a fatal turning point. Always watch your annual trend and consider whether you are in a bear or Bull market. Many times when in a Bull year, with the monthly chart showing up, a stock will react two or three weeks, then rest three or four weeks, going into new territory and advancing six to seven weeks more. Always consider whether or not your big time limit has run out before judging a reverse move, and do not fail to consider your indications on time both from main tops and bottoms.

"Rule 12: Daily Charts: The daily swing runs on the same rules as yearly and monthly cycles, but of course it is only a minor part of them. Important daily changes occur every seven and ten days. During a month natural changes in trend occur around the 6th to 7th, 9th to 10th, 14th to 15th, 19th to 20th, 23rd to 24th, 29th to 31st. These minor moves occur in accordance with tops and bottoms of individual stocks. Watch for a change in Trend 30 days from last top or bottom. This is very important. Then watch for changes 60, 90, 120 days from tops or bottoms. 180 days, or six months, is very important and sometimes marks changes for greater moves. Also the 9th and 11th months from tops and bottoms should be watched for important minor and often major changes.

"A daily chart gives the first short change, which may run for seven to ten days, the Weekly the next important changes in trend, and the month the strongest. Remember weekly moves run three to seven weeks; monthly 2 to 3 months or more, according to the yearly cycle, before reversing.

"It is important to note whether a stock is making higher or lower bottoms each year. For instance, if a stock has made a higher bottom each year for five years, then makes a lower than previous year, it is a sign of a reversal and may mark a long down cycle. The same rule applies in stocks that are making lower tops for a number of years in a Bear market.

"Study all the instructions and rules I have given you. Read them over several times, as each time they will become clearer to you. Study the charts and work out the rules in actual practice, as well as on past performance. In this way you will make progress and will realize and appreciate the value of my method of forecasting.

"INSTRUCTIONS FOR FORECASTING THE STOCK MARKET"

"First, remember time is the most important of all factors and not until sufficient time has expired does any big move up or down start. The time factor will overbalance both space and volume. When time is up, space movement will start and big volume will begin either up or down. Time rules. Always consider your annual Forecast.

"Second, consider each individual stock and determine its trend from its position according to distance in time from bottom or top. Each stock works out its 5, 10, 20, 30, 50 and 60 year cycle from its own bottoms and tops, regardless of the movements of other stocks, even those in the same group.

"Third, monthly reversals or changes in trend often occur after two to three months. The change starts in the third month, according to the main time factor you are working in.

"Fourth, weekly time rules. A stock will run down two to three weeks and sometimes four, but as a rule a reversal or change will occur in the third week and will only run three weeks against the main trend. In a Bull market two weeks' decline, or possible three, and in the middle of the third week the trend will turn up and close higher at the end of the third week. In some cases the change in trend will not come until the fourth week. Then the reversal will come and it will close higher at the end of the fourth week. All of these rules are reversed in a bear market.

"Fifth, rapid advances or declines on big volume will run about seven weeks. These are culmination moves up or down. Watch for bottom or top around the 49th to 52nd day, although at times the bottom or top will come on the 42nd to 45th day and a change in trend will start.

"Remember that at the end of any big movement, either monthly, weekly, or daily move, sometime must be consumed for accumulation or distribution. So, you must allow for this. Watch your angles and time periods. After a market has declined seven weeks, it may have two or three short weeks on the side and then turn up, which agrees with the monthly rule for a change in the third month.

"In regard to daily time rules, the daily chart gives the first change but remember it may only run from seven to ten days, then follow the main trend. The weekly chart will give the next important change in trend but remember it may not run more than three to four weeks or in extreme cases not more than six to seven weeks, then reverse, and follow the main trend.

"The monthly chart may reverse and run down three to four months, then reverse and follow the main trend again, or run up three to four months in a bear market, then reverse and follow the main trend, although as a general rule, in a bear market stocks never rally more than two months. They start breaking in the third month and follow the main trend down.

"Never decide that the main trend has changes one way or the other without consulting your angles from top or bottom and without considering the position you are in in the cycle of each individual stock. When extreme advances or declines occur, the first time that the market reverses over one-fourth or one-half of the distance traveled, in the last section, you can consider that the trend has turned up or down at least for the present.

"It is important to watch space movements because when time is running out one way or the other, space movements will show a reversal by breaking back over 1/4, 1/3, or 1/2 of the distance of the last move, which indicates the main trend has changed."

W. D. Gann, "Method for Forecasting the Stock Market," pp. 1-7