

Summary Cheat Sheet: Applying Gann Techniques to Forecast Currency Price Movements

What is the Gann Theory?

- The Gann theory is based on the work of W.D Gann who was a financial trader that lived from 1878-1955.
- Gann relied on geometrical approaches to track price moves in the financial markets.
- Gann analysts believe that price moves occur in predictable geometric cycles. And the resulting angles created thru this price action act as support or resistance on the price chart.

The Importance of 45% Trends

- W.D. Gann suggested that a trend which has a 45 degrees' inclination, is sustainable and will last longer.
- In this manner, the default Gann trading application suggests that 45 degrees' trend lines is the most important reference point from which other Gann trading tools should be analyzed.

Gann Fan

- The most popular Gann indicator is the Gann Fan. This drawing tool is based on a series of diagonal lines, which are inclined or declined at different angles
- The Gann Fan tool consists of 9 diagonal lines - a middle line and 4 lines on each side of the middle line.



If the Gann Fan is applied on a 45 degree trend, the default parameters of the indicator are going to be as follows:

8x1 = 7.1 degrees 4x1 = 15 degrees 3x1 = 18.75 degrees

2x1 = 26.25 degrees 1x1 = 45 degrees 1x2 = 65.75 degrees

1x3 = 71.25 degrees 1x4 = 75 degrees 1x8 = 82.5 degrees

Gann Grid

- This indicator illustrates a sort of “net” effect on the chart and the levels in the grid can have support/resistance functions.



Gann Fan / Gann Grid Trading Strategy

- *Line Breakouts* - If you spot a breakout through one of the lines, then you should open a trade in the direction of the breakout. However, don't hop into a trade with the first candle which closes beyond a Gann line. In this manner, it is better to wait for a candle to close beyond a Gann line and then to wait for a second confirmation candle which breaks beyond the initial breakout candle.
- *Line Bounces* – Whenever the price bounces from a Gann line, you can use this opportunity to open a trade. The same as with the Gann Line Breakouts, after you spot a bounce you should confirm it with an additional candle.
- Your stops should be located above/beyond the previous top/bottom on the chart.
- You should stay in your trade until the price reaches the next Gann S/R line.