

Trader Education Tutorial

By Stephen Griffiths, Dynamic Traders Group

Gann Pullback Trend Continuation Trade Entry Strategy

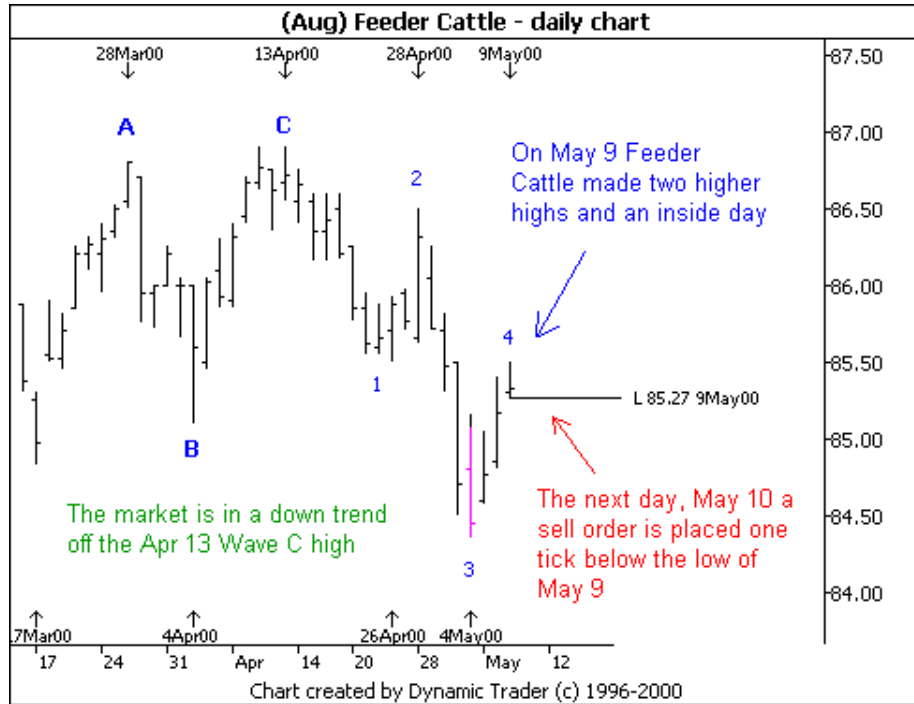
Trend-continuation trades are designed to enter a trade in the direction of a new trend once that trend is already established with an acceptable initial capital exposure. This week I would like to cover another trend-continuation trade entry technique – the Gann Pullback.

The Gann Pullback trade is based on W.D. Gann's observation that minor corrections in an established trend usually only last three days or so. Hence the Gann Pullback trade is designed to enter a trade on the completion of a minor correction against the main trend.

Gann Pull Back Entry rules (for a sell set-up – reverse for a buy)

1. Only look to enter a trade in the direction of the main trend. With the Dynamic Trading approach to technical analysis, we define the main trend according to the time and price position with respect to the pattern. Other mechanical trend identifiers may be used such as the Dynamic Trend Filter in the Dynamic Trader software.
2. For a sell set-up, the three most recent days must each have higher highs or any combination of two higher highs and an inside day.
3. For a sell set-up, the entry is on a break of the prior days low, **once** the above criteria has been met.
4. If the market makes a new high, adjust the entry to one tick below the prior days low.
5. If filled, place the initial protective buy-stop one tick above the prior day's high or the high of the day of entry, whichever is higher.
6. Exit the position on close of the entry day if the close is above the current days open and the prior days close. A failure to immediately follow through by the end of the day is considered negative.

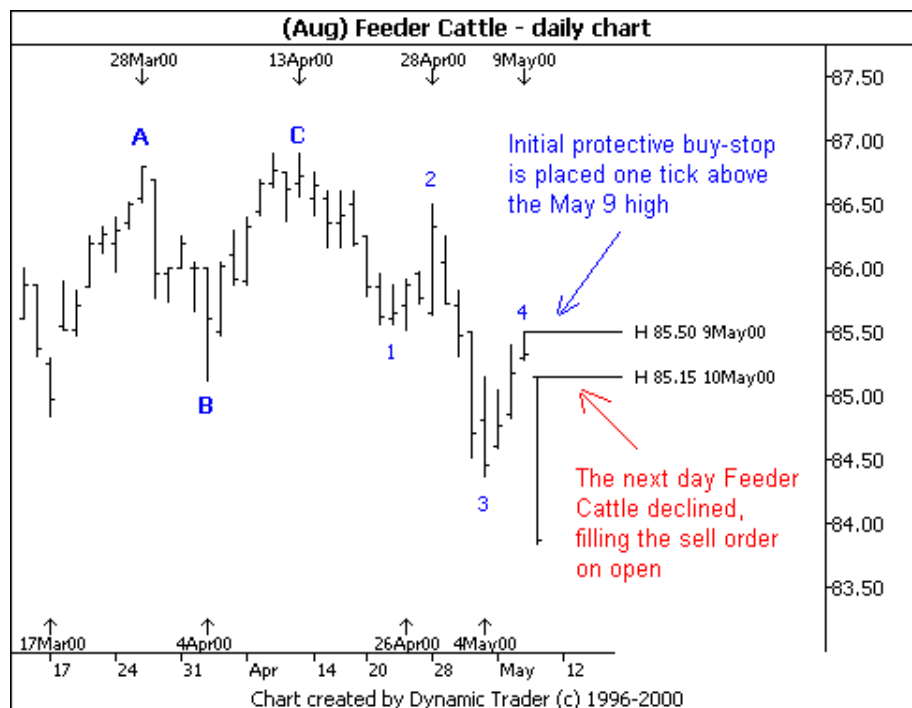
The (Aug) Feeder Cattle chart below shows the conditions for a Gann Pullback were complete May 9, the last bar on the chart.



In this example, on May 9 the market was in an established down trend off the Wave C Apr 13 high. The minor rally from May 4 to May 9 consisted of 2 higher highs and an inside day, thus meeting the initial conditions for a Gann Pullback. Therefore on May 10, we can place an order to sell one tick below the prior day's low of May 8 at 82.75

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The next day Feeder cattle gapped down filling this trade on the open of May 10. Once filled, we place the initial protective buy-stop one tick above the high of the day of entry or one tick above the prior day's high, whichever is higher. In this example it was one tick above the high of May 8 of 85.50



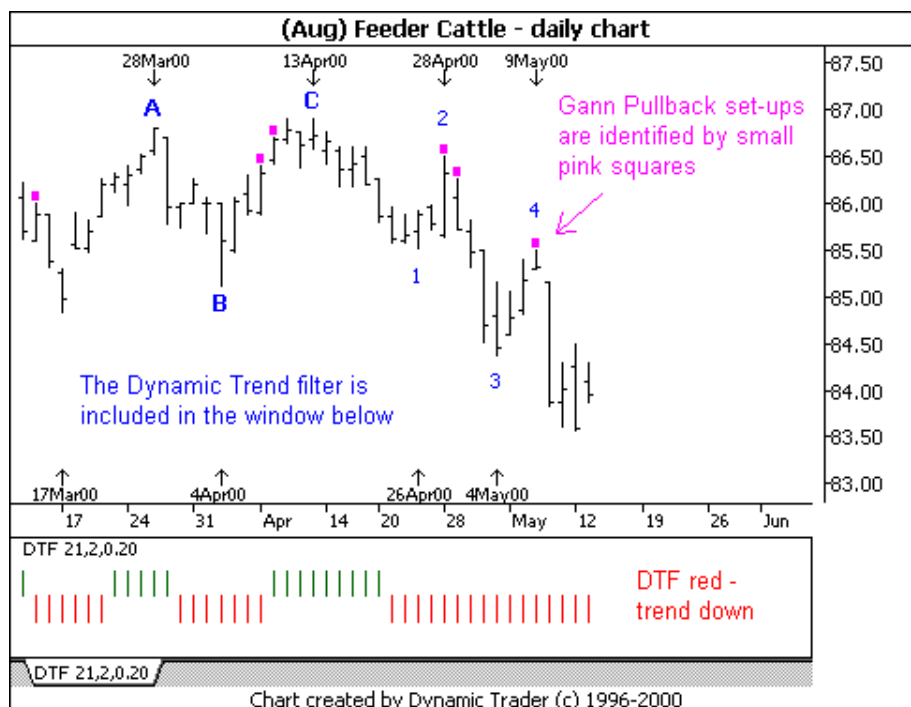
Lesson Learned

A Gann Pullback is one of the *trend-continuation* entry strategies that can be used to enter a trade with an acceptable initial capital exposure, once a new trend is already underway. The entry price and initial capital exposure are completely objective. Once you have an opinion of the direction of the trend, the Gann Pullback trade-entry strategy is completely objective.

Dynamic Trader identifies Gann Pullback Set-ups

The Dynamic Trader software includes several routines that help the trader identify Gann Pullback days very quickly and easily. The DT Trading Course that is included with the software program teaches in more detail the use of the Gann Pullback set-up.

Dynamic Trader's study scan will identify any Gann Pullback set-up on an individual chart.



All the Gann Pullback set-ups are marked by small pink squares above the Gann Pullback bar so the user can easily identify them. The Gann Pullback study scan also makes use of the Dynamic Trend Filter, one of the unique trend Indicators found in the Dynamic Trader software program. Gann Pullbacks are only noted if they are made in the direction of the Dynamic Trend Filter. On May 9, the Dynamic Trend Filter was red, indicating the trend was down. Only sell set-ups should be considered.

DT daily trade scanner

Gann Pullback trade set-ups are also identified with *Dynamic Trader's Daily Trade Scanner*. The *DT Daily Trade Scanner* allows the trader to scan an entire portfolio for any of nineteen different set-ups which will quickly alert the trader to a short list of the markets that have met the

conditions of the set-ups. A Gann Pullback is one of the trade set-ups that can be included in the scan results.

No.	Chart Name ▲	Study	Close	Change	High/Buy Ref.	Low/Sell Ref.
2	CBT CORN C 0700 D	GP	238'6	-2'2	240'2	
7	COFFEE KC0700 D	GP	100.45	0.30		99.40
6	COTTON #2 CT0700 D	GP	59.66	1.20		58.65
8	DJIA INDEX (C DJ0600 D	GP	10583	-57		10545
9	FEEDER CATTLE FC0800 D	GP	85.32	0.15		85.27
5	MINI S&P 500 ES0600 D	GP	1419.75	-10.25		1409.50
1	S&P 500 INDEX SF0600 D	GP	1419.80	-10.20		1409.30
10	SOYBEAN MEAL SM0700 D	GP	181.4	-1.4	183.2	
4	SOYBEANS S 0700 D	GP	556'0	-3'0	558'6	
3	SWISS FRANC SF0600 D	GP	0.5848	0.0034		0.5810
11	US DOLLAR IND DX0600 D	GP	110.64	-0.68	111.45	

Feeder Cattle was one of the Gann Pullback set-ups identified on May 9

The screen shot above of the *DT Daily Trade Scan* shows the results for a scan looking for any Gann Pullback set-ups on May 9 for all markets in a portfolio. Feeder Cattle made a Gann Pullback on May 9 and is one of the markets highlighted by the scan. This is one of the many unique features and routines found in the Dynamic Trader software program which allows traders to concentrate their time on analyzing the markets rather than searching through endless charts.

Dynamic Trader Software Includes A Comprehensive Trading Course

The Dynamic Trader package includes a comprehensive trading course plus a subscription to the Dynamic Trader Report. It is the most complete and unique technical analysis software and trading course available to the public.