The Search for the Danielcode

Towards the Holy Grail

Traders are continually in search of the holy grail of trading, that combination of time and price which marks market turns. WD Gann and others committed their working lives to the search and Gann thought he had found it with his veiled statement “When time and price are equal a change in trend will occur.” Modern trading theory has not been able to emulate Gann’s concept of the 4th degree where time and price would intersect, but the Danielcode now puts the grail within your grasp!

The greatest knowledge that traders seek is the points at which markets will turn and preferably the time of that turn. The Danielcode, a new and unique application of the numbers written by the Prophet Daniel in The Book will take you half way in your quest journey by revealing the price level at which markets turn, days and weeks in advance. I started my search for the Danielcode many years ago from a sense of deep frustration and disillusionment, despite having spent a not so small fortune on buying every trading book and attending almost every seminar on earth. The examples that amazed at the seminars did not seem repeatable, absent the guru. The one or two methodologies that I did find valid (and there were only one or two) were not compatible with my trading style.

By painstaking study of the squares and square roots of the historic Daniel numbers I gradually began to untangle the threads of the Danielcode and what I found was earth shattering.

A Traders Education-Gann, Gurus and Fibonacci

Many years ago a friend introduced me to a new futures trading program being marketed aggressively in Sydney and other parts of Australia by an individual who described himself as the leading Gann guru in the world. Knowing nothing about futures and having no idea what a Gann was I keenly went along to the free introductory seminar held at Sydney’s up market Sebel Town House Hotel where a large friendly man from the selling organisation gave a 3 hour seminar on the joys of markets, the particular virtues of futures contracts and the wonders of WD Gann. On this presentation it appeared that WD Gann (1878-1955) was the font of all knowledge on financial markets, had left a considerable fortune on his death, earned presumably through his trading exploits and authored a significant body of work including a number of market related books and a very strange novel called “Tunnel through the Air”. The Gann trading courses complete with strange swirling numbers and acres of charts had sold for $5000 in the early 1900s a quite phenomenal figure.

I was hooked on Gann and for the next few years I studied Gann assiduously with my Australian guru, paid $30,000 for his various courses and seminars and parted with a similar amount of money to a lovely lady at Lambert Gann publishing who had secured the publishing rights to much of Gann’s work. Eventually my search for Gann led me to London where Gann had spent some years in his younger days and where he came under the influence of his fellow Freemason and mentor Sepharial, the nom de plume of Dr Walter Gorn Old (1864-1929). An eminent English Theosophist, Sepharial was a well-known and respected astrologer in the late 19th and early 20th Centuries and wrote numerous books, some of which (particularly those on numerology) are still highly regarded today. He was editor of *"Old Moore's Almanac"*, which is still published in the 21st century. A lesser known side of Sepharial is that he was The Times racing tipster for years and used various astrological calculations to tip horses to his readers at which he was quite successful. Sepharial used numerology to play the Cuba lottery, then the biggest lottery in the world. and with Gann, is reputed to have won it no less than 5 times!

Much of the mystery in Gann's writings and interviews particularly his "Natural Law" and "Law of Vibrations" was in fact code for Sepharial's teachings on Astrology. There is no doubt that Sepharial had some stunning insights into markets and Gann rode on his coat tails.

About 14 years ago I paid a large amount of money to a gentleman who had actually worked for many years with Gann and who took over some of his work when Gann retired, in exchange for a one hour phone conference where he undertook to answer my questions and give me insights into Gann's work. To my amazement, his take on Gann was that he was a master marketer who flourished by his marketing and self promotion skills at a time when such behaviour was not the norm. He alleged that the masterful exhibitions of tape reading that were recorded by Gann were in fact achieved by much more dubious means. The most charitable thing I can say about the Australian Gann guru, whom I came to know quite well, is that he was a charming fellow as you would expect of a used car salesman, and like Gann too, a masterful marketer. As to the truth of his claims to trading prowess the laws of defamation forbid me from commenting.

Gann's work has gathered a huge body of teachers, book writers and purveyors of his memorabilia in one form or another. They all have two things in common. Each claims to have found Gann's "secret" and the prices are universally outrageous. The driver for this marketing industry is the large volume of Gann material available. It is a treasure trove for marketers of the arcane and the inane. Gann would have been proud that so many are following in his footsteps of alchemy, turning manure into gold! Incidentally if you have the chance to meet someone who has actually read "Tunnel through the Air" and professes to have enjoyed it, enroll them immediately in the nearest kindergarten. It is worthy of the intellect of a 4 year old.

Suffice to say that the study of Gann is a marvellous intellectual exercise but the hard facts of his contribution to useful market knowledge lie only in his discovery that markets (particularly equities and now equity indices) divide their ranges into eighths. Three eighths and five eighths are the most common extensions and retracements in markets, together of course with the ubiquitous four eighths or one half. Gann didn't disclose where this discovery was born but in later articles I will tell you.

Before we leave Mr Gann, give some thought to his rule of eighths. Three eighths is 37.5% and five eighths is 62.5%. Sound familiar? They should. They are very close to the widely known Fibonacci ratios of 38.2 and 61.8 which are used by so many traders and trading systems.

After my love affair with all things Gann ended I enriched any number of international gurus and program sellers ranging from the dreaded Elliott Wave analysts to endless variations of that theme supported by charting programs of varying sophistication and complexity. I even bought into the concept of artificial intelligence and purchased outrageously expensive programs based on the mantra that machines could learn. After 7 years I had acquired a world class library of trading books and charts and enough software to run the space shuttle. Strangely, for me at least, most of it worked just enough to keep you interested (and trading) but it didn't give me the certainty I craved. And so I continued my search for the one more thing!

Leonardo of Pisa (1170-1250), also known as Leonardo Fibonacci, or, most commonly, simply Fibonacci, was an Italian mathematician, considered by some "the most talented mathematician of the Middle Ages". Fibonacci's 1202 book *Liber Abaci* introduced his now famous sequence to Western European mathematics, although the sequence had been previously described in Indian mathematics. The most common of the Fibonacci ratios 61.8% has been hailed as the basis of structures in Art, Music, architecture and geometry and has been the source of many books and programs on trading.

Despair and Deliverance

There came a time when I was faced with the realisation that none of the tools I had collected and paid so dearly for were capable of doing the job. I realised that others may have more success with those same tools but they didn't work for me. I remember Larry Williams starting a seminar by saying that Doctors and Lawyers made the worst traders because they were trained in linear logic, that is the belief that, if you locate the same cause the effect will follow precedent. Indeed as a practicing Lawyer my brain worked precisely that way and that is truly the way of all things in nature.

So on that fateful day I packed away my library of trading books and programs and sat looking at a chart with a clean piece of paper realizing that I was going to have to figure this thing out on my own.. The thought was daunting. Most of the professed discoveries in trading have been variations of an established knowledge source. The last truly original work in markets was the development of the stochastic oscillator by George Lane in the 1950s and those who use it know well its limitations!

I sat and watched markets trade, day and night for years. My elbows became torn and lacerated from leaning on my desk. In due course I would actually grow bony spurs on my elbows from 100 hour weeks watching markets. My eyesight would fail and I developed severe arthritis all from those long years alone. Year after year this went on and the only truly unique thing I learned was that *at certain points markets turn*. This mysterious line on the charts where markets do turn seems to be known to the strong hands. A study of the market volume at these turns (and I parsed every piece of information that markets deliver) showed that when these secret points or price levels are reached, the market responds to them with gusto. I tested them and measured the ranges in every conceivable way. Gann's rule of eighths worked sometimes and approximately. Fibs worked sometimes and approximately. For the big boys trading these turns, there was nothing approximate or occasional about them. They attacked them with precision and certainty and a great deal of money.

I became obsessed with market turns. Here it seemed was the truth of trading markets. If I could answer the question "Where will this market turn", with a degree of precision, I would have knowledge of price and hence time, Gann's vaunted 4^{th} degree.

We leave our contemplation of Gann and Fibonacci here. They are essentially the same thing with differences of only 0.7% between their respective major ranges. Neither method is accurate enough for that variance to matter but Gann's observation in the 1930s predated Fibonacci popularity in trading by about 50 years so if you think you are trading Fibs, remember that Gann was there first.

The One More Thing

Having discarded Gann and Fibs from my bag of tools, I thought about and tested everything from tidal flows to lunar cycles to astrology. I commissioned surveyors to precisely locate the mapping coordinates of the world's leading bourses as I constructed programs to run "Air Tides" at each location. Everything I did was knowledge and therefore useful but it didn't explain market behaviour.

Eventually a study of the squares and square roots of historic numbers furnished the first piece of thread to unravel from the Gordian knot. Gradually it dawned on me that I wasn't seeing anything because the charts didn't have an axis or central point of reference. So I thought about the thing I knew; the Law. "Why" I asked "is the Law so certain. How is it we know what is legal and illegal?" The answer to that question is actually the answer to everything else.

Where do you suppose that our system of laws came from? What is it that defines actions as good or bad? If you said that our legal system was based on early Church teachings and those teachings came from the Bible, you are correct. Whether you think of yourself as religious or sectarian, if you live in a western democracy or enlightened society, you are living under a code of Biblical laws. "The Rule of Law" which controls every aspect of our governments, courts and businesses is in fact all based on Bible law and Biblical concepts of justice. So as people turn to the Law for guidance, this lawyer turned to the source of our laws, the Bible. And as promised, there it was!!

I was directed to the great prophetic writings of the Prophet Daniel in the Old Testament Bible.

What is it?

The Danielcode is an ancient and mystic sequence of numbers stretching from zero to infinity. It predates the Fibonacci sequence by 18 centuries. The Danielcode was originally written as a timing mechanism for the Jewish people. These are Daniel's words from the Bible:

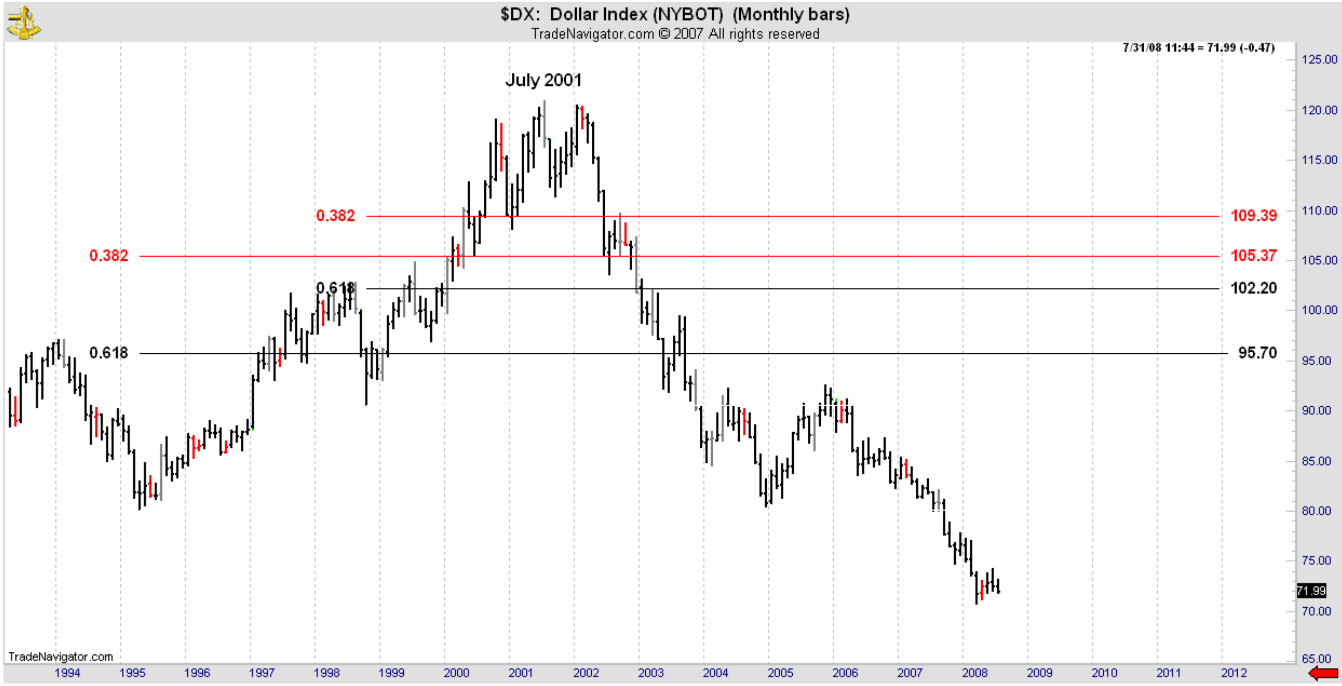
> *Dan 12:12 Blessed is he that waiteth, and cometh to the thousand three hundred and five and thirty days.*

In sacred geometry, numbers and sequences have multiple meanings. The number 7 can mean 7 days, weeks, years etc. It can also mean 70 or 700 so the decimal point can slide. The square root of 1335 is 36.537. If we slide the decimal point we get 365.37 which is an astonishingly accurate measurement of a calendar year.

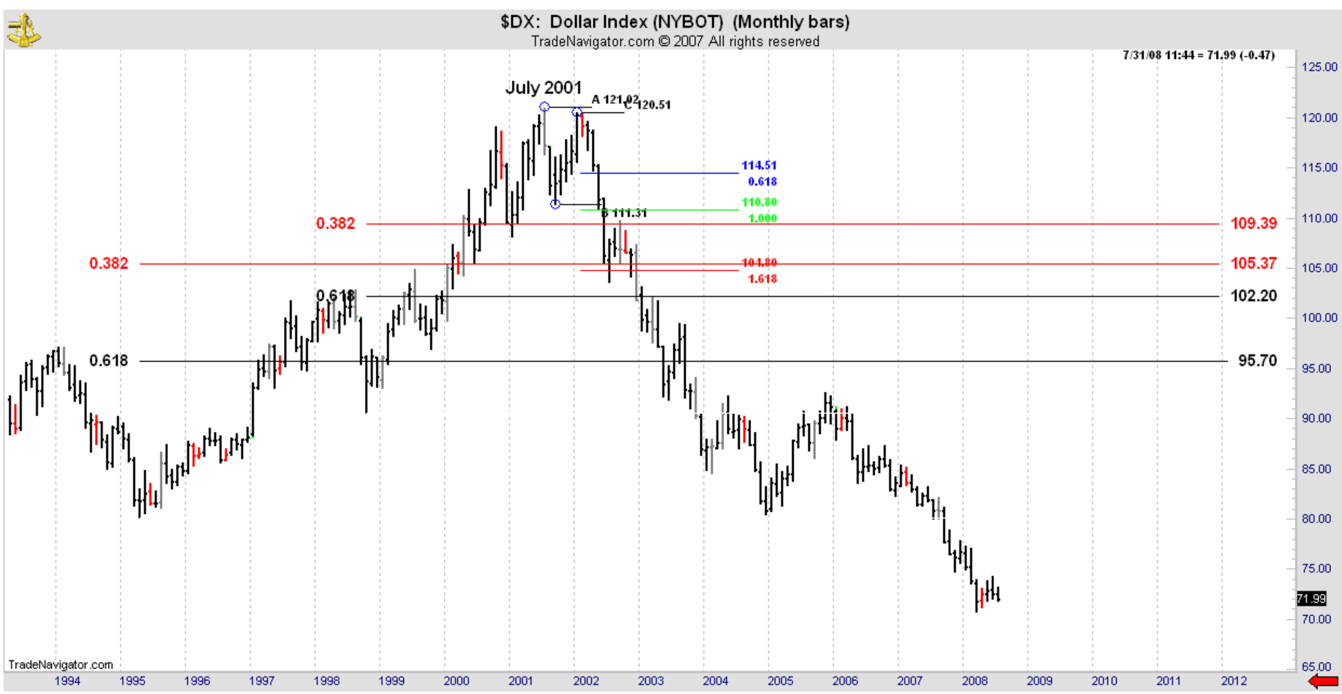
A calendar year is 365.25 days decreasing by 100 picoseconds a year over long periods. I will save you the math and tell you that the current variance from Daniel's number without adjusting for the change in the earth's rotational rate is less than 3 seconds per year!! To put this in perspective, a modern quartz watch warranty will say that it will keep time to +-15 seconds per month or an error of 180 seconds per year! As this gem was granted to us in about 620BC, a time when sundials were the most accurate measure of time, (and a modern sundial can vary as much as 16 minutes per hour from a truly accurate clock; the sun is not as accurate as you think), I was left with the questions "How can this be and does it have any application to modern markets?"

How does it work?

Inside the number 1335 there are 19 factors and ratios that comprise a matrix that when applied to significant market structures in the correct order, create the Daniel number sequence. Every market swing creates a new number sequence. The more important the market structure; the more important the sequence. From the Daniel number sequence I created a series of ratios by relating successive numbers in the sequence. The method of (but not the ratios of) measurement of retracements is standard in almost all analysis. The differences with the Danielcode is that in calculating extension targets, the prior extension in the same trend is neither measured or used. The chart below is the US Dollar Index, monthly chart. The high came in July 2001. To create the Gann/Fibonacci targets for the first down leg a technician would measure the retracements to one or more of the prior swings.

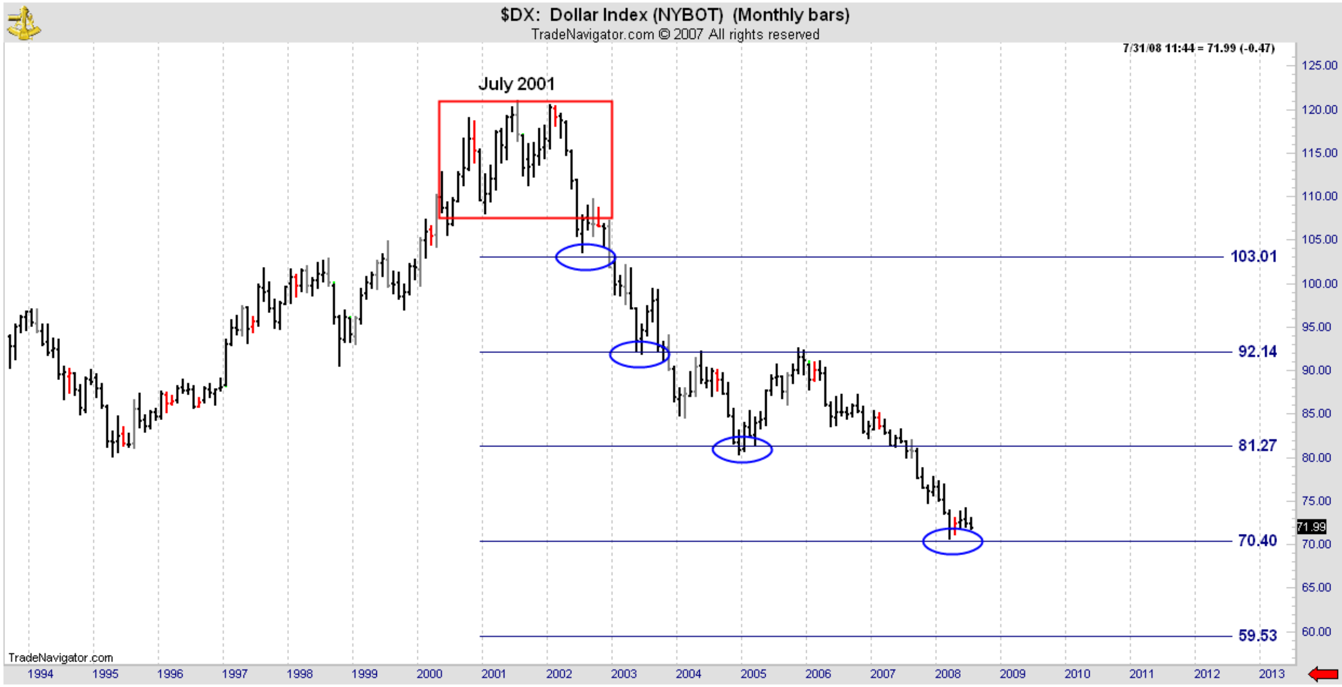


I have used the two obvious swing points here. There are more, but essentially that is all you have until the first down leg in September 2001 is concluded and you don't know that until that low is taken out in June 2002. Now with the first leg delineated you can add Gann/Fib extensions of that range. Let's do that now. You repeat the process with every established leg creating subsequent series of numbers as the chart progresses.



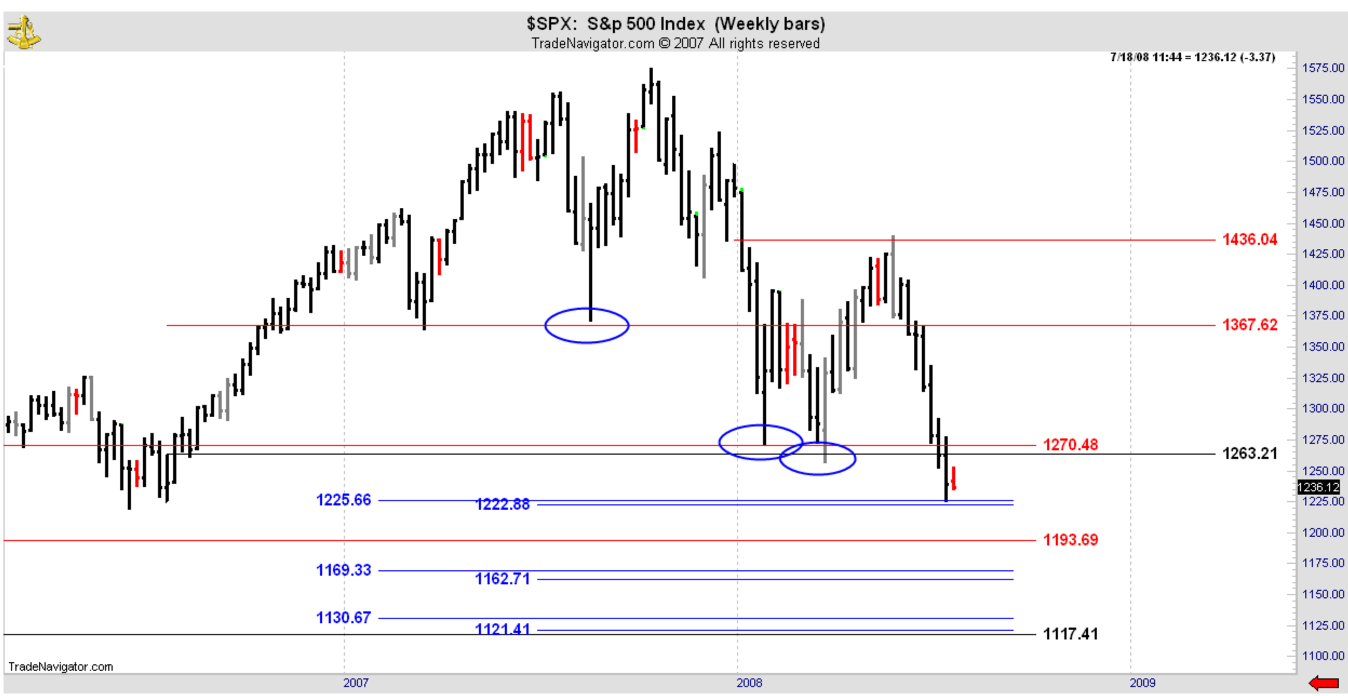
In complete contrast to that methodology the Danielcode sequence is created from the mathematical matrix surrounding the 2001 high. It is created as soon as we suspect a high might have been established and it creates all the values simultaneously and immediately. The same chart now bearing its Daniel number sequence is below. You should see that an infinite series of numbers is created contemporaneously with the high being in place. There are in theory an infinite number of Daniel number sequences but fortunately markets use just a few of them. The sequence below happens to be the dominant sequence but some of these sequences are followed for 10-15 years.

In case you think this Daniel chart looks a bit too convenient, I will tell you that it was published to a wide and critical public audience of readers in February, predicting the next low in DX at 70.40. The low came on 17th March at 70.70. The next number in this major monthly sequence is 59.53. From the weekly and daily charts we will get all the numbers in between.

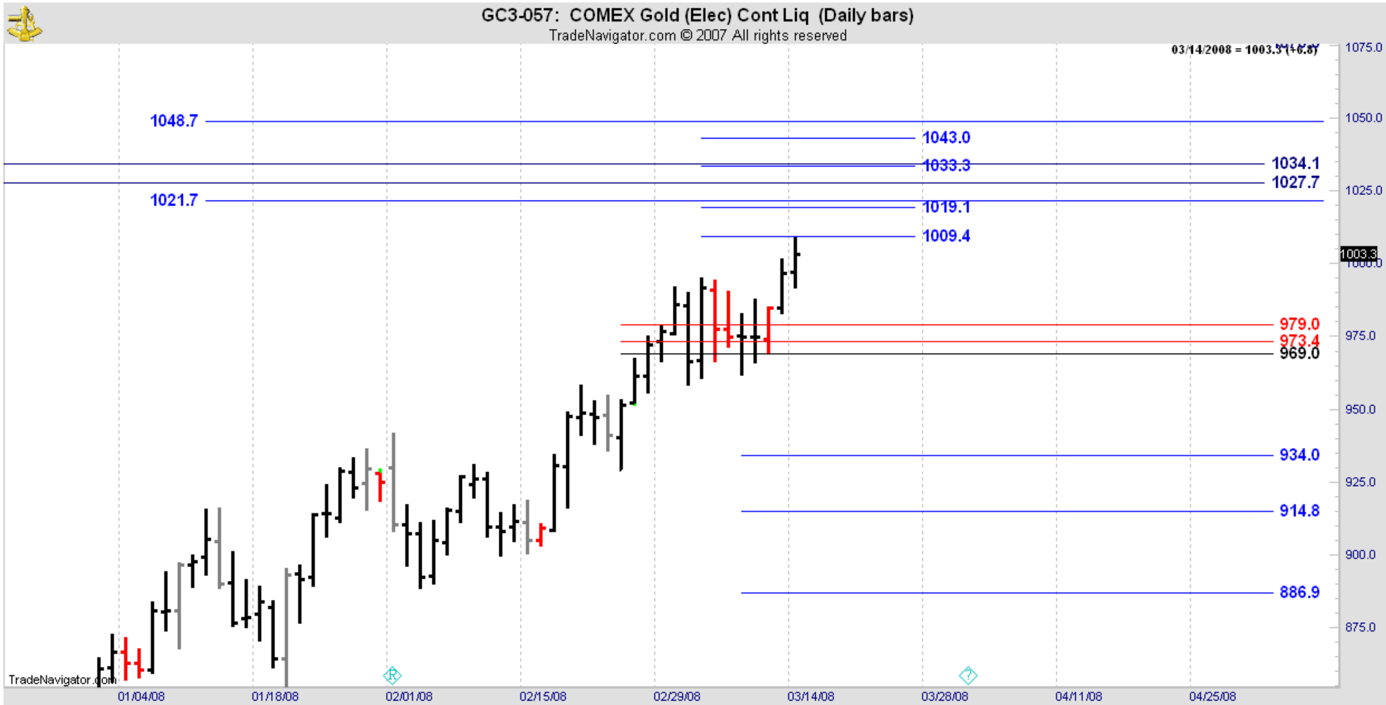


It follows that at crucial turns the Danielcode will create signals different from all other forms of analysis. The theme of this article is that the Daniel sequence creates significant numbers *that markets recognise but others do not see.*

The Danielcode as a universal time keeper has affinity with all financial markets. Those familiar with Gann's assertion of time equaling price and being interchangeable on the square will understand how a timing mechanism can be engineered to create price levels. Below we have the current Daniel number chart for the S&P. We have already identified the important turning points and the market is currently at an important chart position where there are two degrees of Daniel numbers from different price structures.



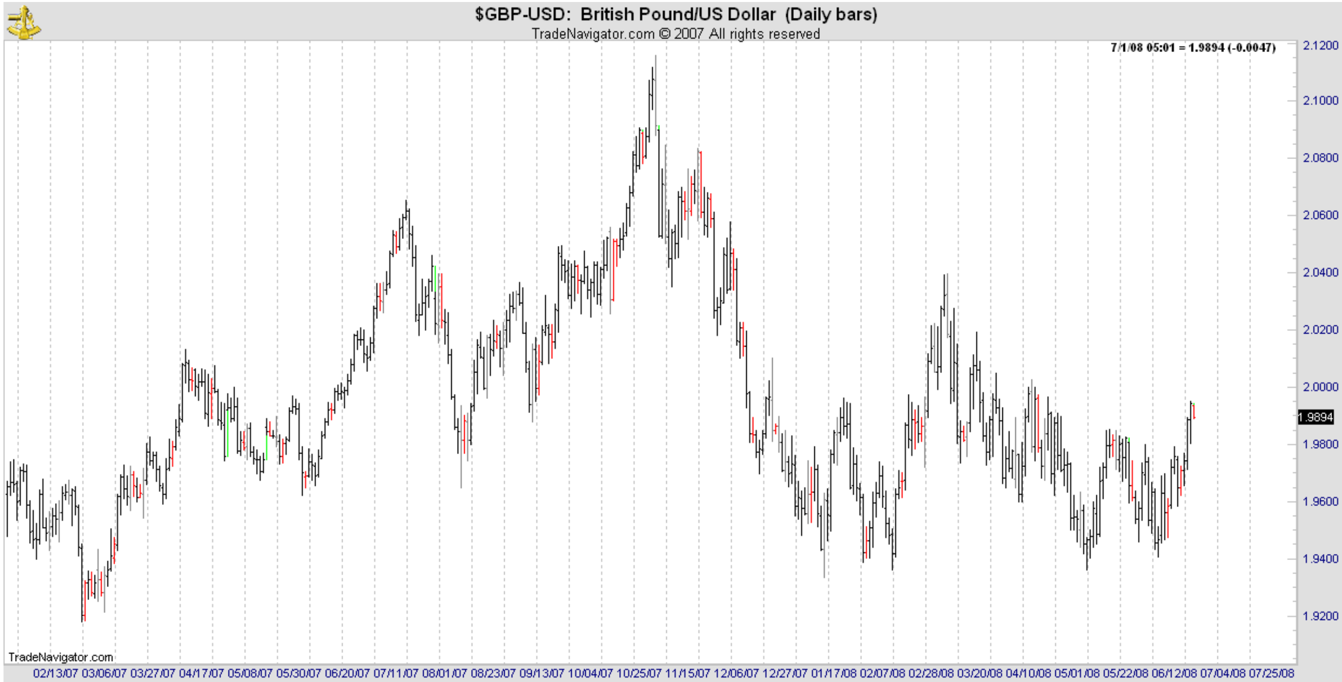
We apply the Daniel matrix to all time frames but undoubtedly the daily charts are of most use to the average trader. Here is how we picked and published the March high in Comex Gold to a few ticks. The March high was 1033.90.



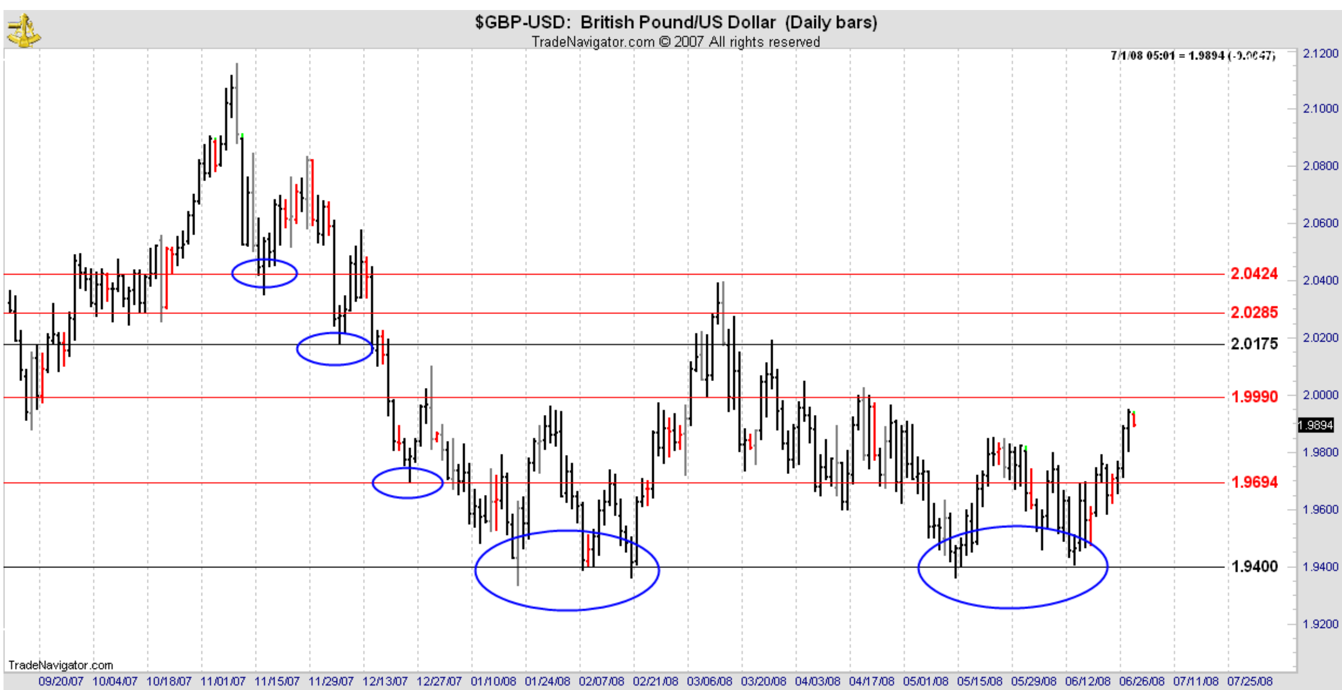
How you can use the Daniel Number Sequence

To be something more than an interesting hypothesis, the Danielcode must have real application for your trading. It's usefulness for traders comes from the fact that it creates precise support and resistance levels that markets recognise but which are unknown to others. Whenever you have access to market knowledge that others don't see you have an edge and this edge is very sharp indeed.

Let's construct a daily chart and see how you, the trader can increase your market knowledge and improve not only your trading but the mental state that accompanies it. We know that markets turn at the DC numbers better than 85% of the time and we know that the market recognition of the Daniel numbers takes a very precise form. The completed daily bar will have its high/low within 40 pips of the operative DC number. In practice the recognition is even closer than this. Let's construct a Daniel number chart, swing by swing to show you what this secret code will reveal. Here is a trader's favourite, GBP-USD around its March 2007 high. Let's assume that we are trading this market from somewhere near the 2007 high. In its present form there are no clues to future price action.

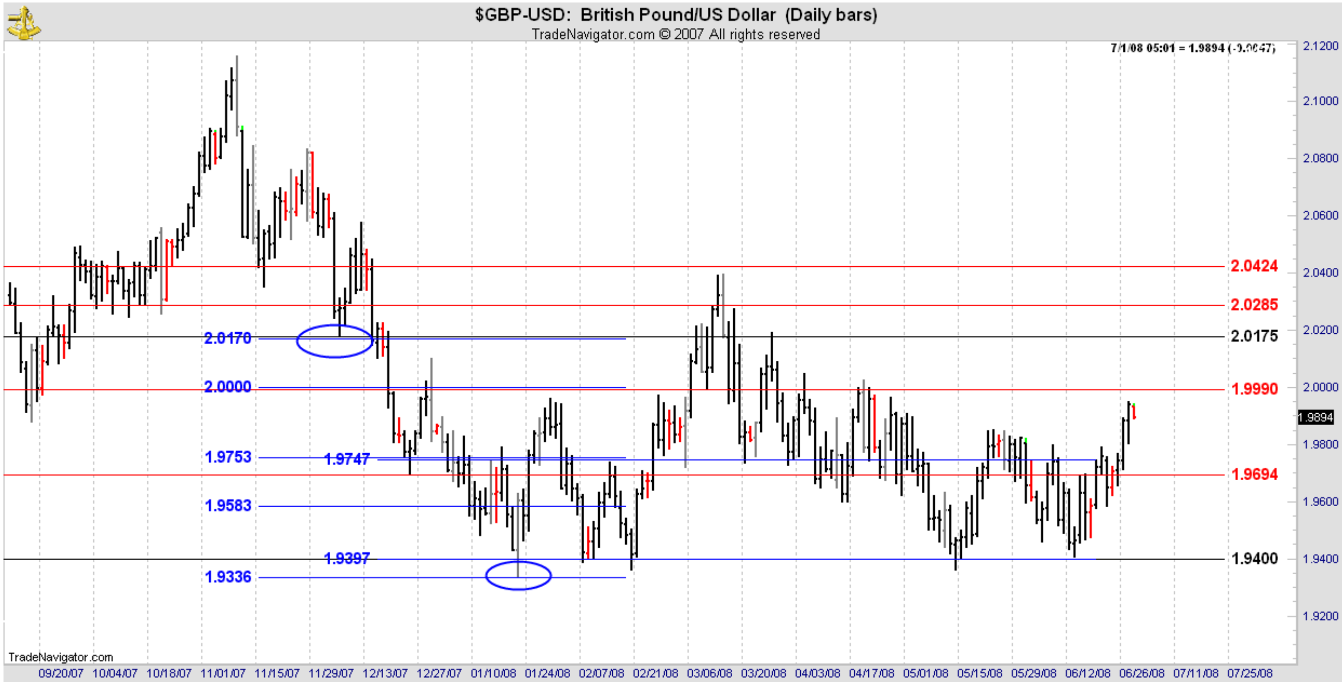


The first thing we do is place the proprietary Daniel sequence retracements on the chart. We get 6 DC price levels none of which will be familiar to you except the black number at 2.0175 which is the 50% retracement of the prior major swing. These DC price targets are created simultaneously from the mathematical matrix embedded in the market structure around the March high. As market action unfolds we see that the market reacts at 4 of the DC price levels and ignores 2. Because these price levels are within the old swing they are called retracement levels.

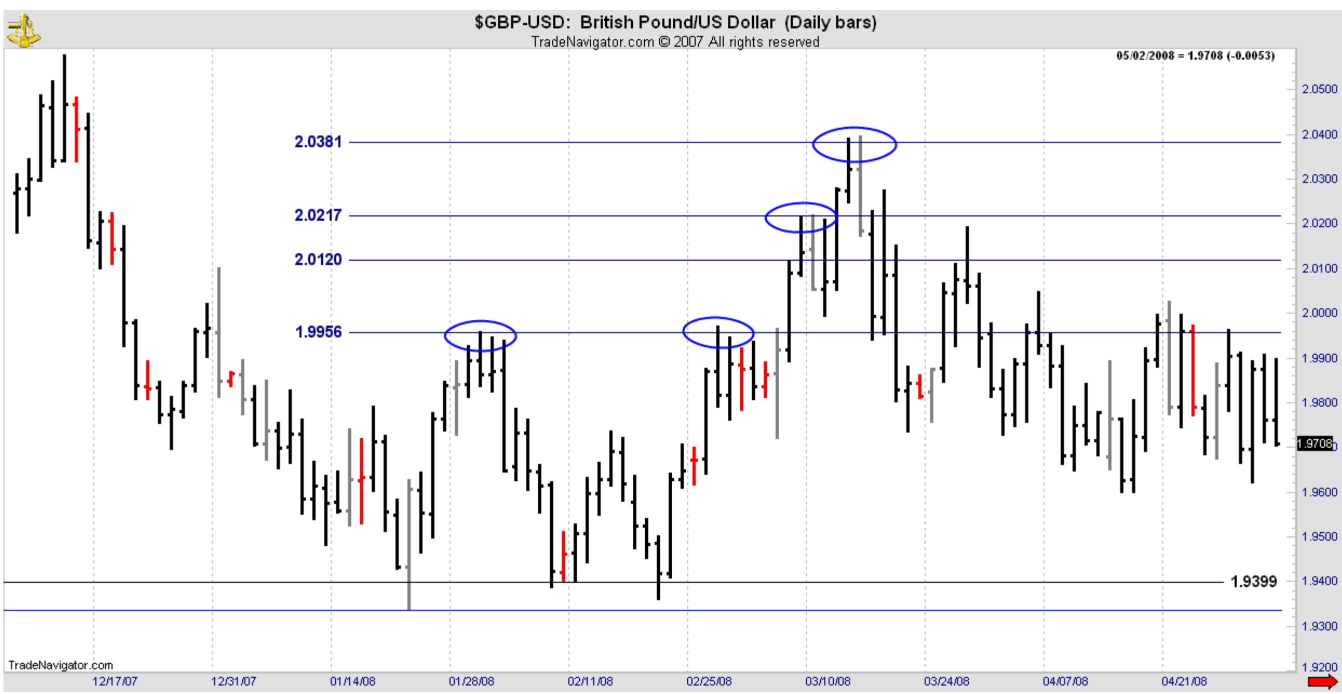


We can also create extension DC price levels from the same price structure. The extension levels are in blue to distinguish them from the retracement levels but they are all valid DC numbers where we expect price to react. Let's do that now. We get another 7 DC target price levels, 2 of which are essentially the same number so we have 6 price levels to focus on. The market recognises and reacts to 2 of these numbers including the final low that comes at 1.9336 on 01/22. The DC number was 1.9336 accurate to the tick!! Notice how the market went on recognising the 1.9400 number, the last level of DC support, in the old range on 5 separate occasions right up to June.

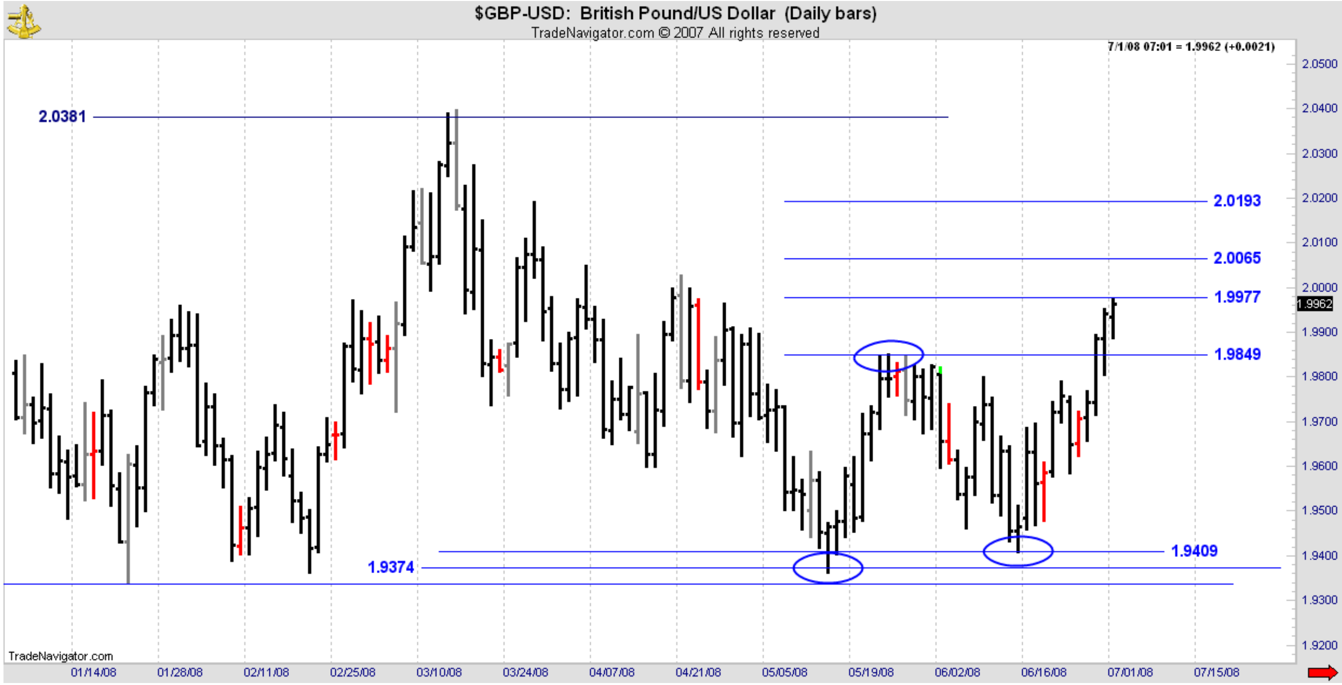
Thinkers will see this as proof of my statement that the Danielcode creates price levels that markets know but others do not see!



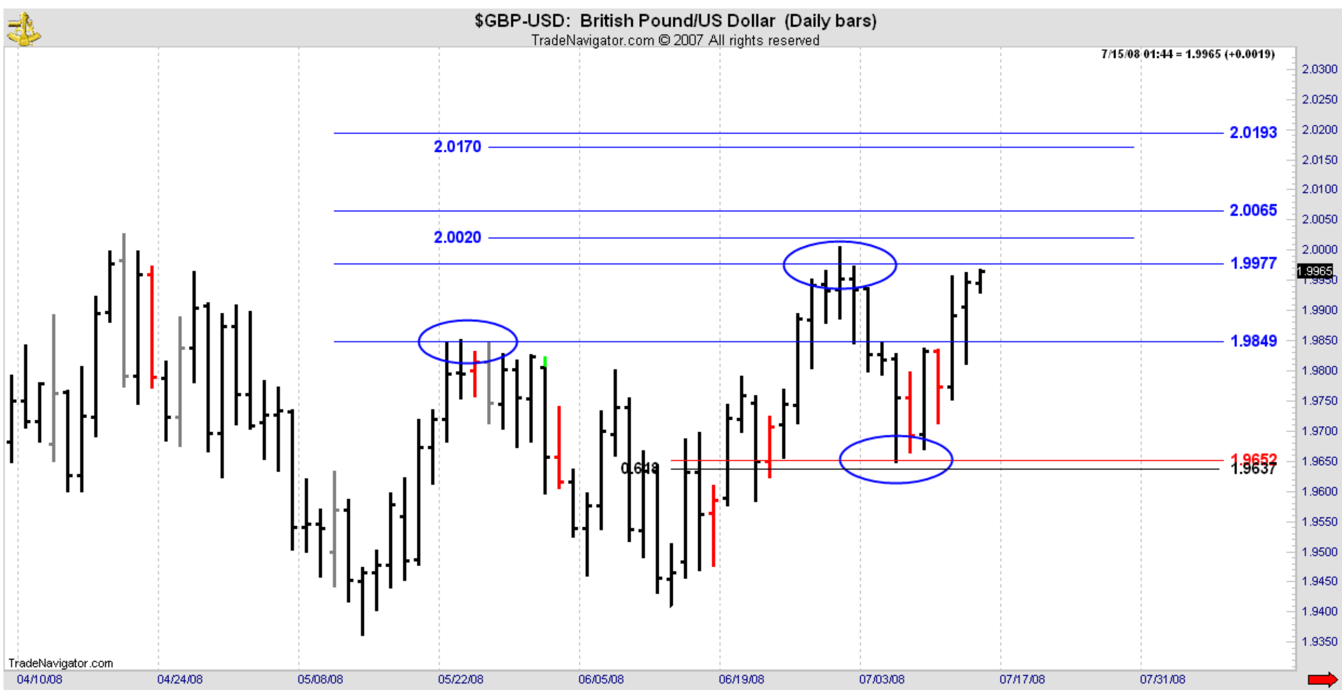
Having found our low in January, we can start to concern ourselves with the rest of the chart's price action. We create new DC price targets from the matrix around the March low and get 4 DC targets. These targets give us every swing high up to the final high as the market rallies to 2.0398 in March just 24 pips from the DC target then rolls over and goes back to test the old DC support.



From 39 daily bars between the January low and the March high we have identified every important swing with precision. In the same way the DC numbers find the 05/14 low accurate to 12 pips; the 05/23 minor high accurate to 4 pips and the 06/13 low accurate to 1 pip!



To update this chart we add the minor DC sequence from the June low and we get the July high to a variance of 12 pips. The DC retracements take care of the July low, accurate to 5 pips. I have put on the close by Fib to show you that Fibs are approximates and Daniel numbers precise



Now for the first time you can see where those amazing turns will be. For the first time the secret price levels that control all markets are revealed.

How often does this happen you ask? All the time, on all markets. I cover 16 forex pairs at the Danielcode Online and they all turn at their DC numbers. Always!

What Now?

The calculation and drawing of the Daniel number sequence in varying time frames gives us the high probability turning points in financial markets. However, nothing in the Daniel number sequence tells us which of those numbers will provide temporary support/resistance and which will be terminal. For that we have to leave the hallowed but comfortable ground of biblical truth and mathematical theory and turn to mere man made tools of stochastics, MACDs, binomials etc.

I don't pretend for a moment that the available tools are adequate but they are all we have. The challenge in trading the Daniel numbers is to find a methodology that discriminates between a vibration as the market "recognises" the DC number and a vibration that turns the market sufficient for a profitable trade to be realised. Solve that problem; match it with the Daniel numbers and you will be famous!

The Danielcode is not a trading system. Better traders get better results and those that work hardest learn most. I don't teach the creation of the Daniel numbers. The Danielcode has so far resisted all efforts to program it and instead is created in massive spread sheets with 203 columns of logic. The math is daunting. Maintaining the spread sheets for the large range of markets I cover requires significant resources far beyond the capacity of individual traders or even groups of traders. Instead I create the Daniel numbers for 16 forex pairs; Gold, Silver and HUI; Dow Jones, S&P, Russell, FTSE and DAX indices as well as the Australian SPI, a range of Commodities including Oil and Corn and that traders' favourite US T Bonds. We have monthly, weekly, daily and 4 hour charts. I provide the numbers; you do the trading.

The Daniel number sequence is not a magical black box. It is a genuine trading tool that I offer to traders in the hope that they will see the same enlightenment in these numbers that I have. Many have as my testimonials attest. There is no secrecy about the sequences. They are published for members before the US open on Mondays and Thursdays.

I invite you to visit the Danielcode Online to learn more about this mystical new number sequence and how it can bring precision and certainty to your trading. We have a detailed DC Trading Manual and FAQs at www.thedanielcode.com which will assist and you can see recent results in our publicly published trading reports.

The Danielcode is the first truly new trading and analytical tool in a generation and I want to share it with committed traders. If I can spare you the frustrations and anguish that I underwent in my struggle for enlightenment, the journey will have been worthwhile.

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"The fox knows many things, but the hedgehog knows one big thing. A Hedgehog Concept is not a goal, intention or strategy to be the best. It is an understanding of what you can be best at. The distinction is absolutely crucial".

Isaiah Berlin, The Hedgehog and the Fox