A. Gann’s 28 Trading Rules

This is the original list from the book *How to Make Profits Trading in Commodities* with slight edits to account for additional wording used in the *45 Years on Wall Street* book.

#1. Amount of capital to use: Divide your capital into ten equal parts, and never risk more than one-tenth of your capital on any one trade.

#2. Use stop loss orders. Always protect a trade when you make it with a stop loss order 1 to 3 cents, never more than 5 cents away. Cotton 20 to 40, never more than 60 points away; 3 to 5 points away for stocks.

#3. Never overtrade. This would be violating your capital rules.

#4. Never let a profit run into a loss. After you once have a profit of 3 cents or more, raise your stop loss order so that you will have no loss of capital. For cotton, when the profits are 60 points or more, place a stop where there will be no loss.

#5. Do not buck the trend. Never buy or sell if you are not sure of the trend according to your charts and rules.

#6. When in doubt, get out, and don’t get in when in doubt.

#7. Trade only in active markets. Keep out of slow, dead ones.

#8. Equal distribution of risk. Trade in two or three different commodities, if possible. (Trade in four or five stocks, if possible.) Avoid tying up all your capital in any one commodity.

#9. Never limit your orders or fix a buying or selling price. Trade at the market.

#10. Don’t close your trades without a good reason. Follow up with a stop loss order to protect your profits.

#11. Accumulate a surplus. After you have made a series of successful trades, put some money into a surplus account to be used only in emergency or in times of panic.

#12. Never buy or sell just to get a scalping profit.

#13. Never average a loss. This is one of the worst mistakes a trader can make.

#14. Never get out of the market just because you have lost patience or get into the market because you are anxious from waiting.

#15. Avoid taking small profits and big losses.

#16. Never cancel a stop loss order after you have placed it at the time you make a trade.

#17. Avoid getting in and out of the market too often.

#18. Be just as willing to sell short as you are to buy. Let your object be to keep with the trend and make money.

#19. Never buy just because the price of a commodity is low or sell short just because the price is high.

#20. Be careful about pyramiding at the wrong time. Wait until the commodity is very active and has crossed Resistance Levels before buying more and until it has broken out of the zone of distribution before selling more.

#21. Select the commodities that show strong uptrend to pyramid on the buying side and the ones that show definite downtrend to sell short.

#22. Never hedge. If you are long of one commodity and it starts to go down, do not sell another commodity short to hedge it. Get out at the market; take your loss and wait for another opportunity.

#23. Never change your position in the market without good reason. When you make a trade, let it be for some good reason or according to some definite rule; then do not get out without a definite indication of a change in trend.

#24. Avoid increasing your trading after a long period of success or a period of profitable trades.

#25. Don’t guess when the market is top. Let the market prove it is top. Don’t guess when the market is bottom. Let the market prove it is bottom. By following definite rules, you can do this.

#26. Do not follow another man’s advice unless you know that he knows more than you do.

#27. Reduce trading after the first loss; never increase.

#28. Avoid getting in wrong and out wrong, getting in right and out wrong; this is making double mistakes.

B. Affirmative Versions of Gann's 28 Rules

Gann Rule (Affirmative) #1: Divide your capital into ten equal parts and always risk less than one-tenth of your capital on any one trade.

Gann Rule (Affirmative) #2: Use stop loss orders. Always protect a trade when you make it (on commodities) with a stop loss order 1 to 3 cents (up to 5 cents) away—for cotton, 20 to 40 points (up to 60 points) away; for stocks, 3 to 5 points away.

Gann Rule (Affirmative) #3: Always trade lot sizes and amounts of risk that fit within the limits of your capital.

Gann Rule (Affirmative) #4: Always protect your accumulated profit. On a long position, raise your stop loss order once your profit equals your initial risk. On a short position, lower your stop loss order once your profit equals your initial risk.

Gann Rule (Affirmative) #5: Trade with the trend. Buy or sell only if you are sure of the trend, according to your chart and rules.

Gann Rule (Affirmative) #6: Enter the market and stay in a trade only as long as you are sure of the market indications according to your rules.

Gann Rule (Affirmative) #7: Trade only in active markets.

Gann Rule (Affirmative) #8: Distribute risk equally among traded markets. Risk only up to 10% of your capital in any one market.

Gann Rule (Affirmative) #9: Let the market show you at what price to enter a buy or a sell.

Gann Rule (Affirmative) #10: Close your trade only with a good reason. Follow up with a stop loss order to protect your profits.

Gann Rule (Affirmative) #11: Accumulate a surplus. After you have made a series of successful trades, put some money into a surplus account as an emergency fund.

Gann Rule (Affirmative) #12: Trade the swings in accordance with the existing trend. This is where you can make the most profit for the fewest trades.

Gann Rule (Affirmative) #13: Pyramid only on trades that are showing profit. This is how you can make the most profits on sustained moves.

Gann Rule (Affirmative) #14: Enter and exit the market only on definite signals, with emotions in check.

Gann Rule (Affirmative) #15: Take large profits and small losses.

Gann Rule (Affirmative) #16: After you’ve placed a stop loss order, always keep it, and move it only in the direction that minimizes risk/protects profits.

Gann Rule (Affirmative) #17: Trade only when you have definite signals.

Gann Rule (Affirmative) #18: Be just as willing to sell short as you are to buy. Let your object be to keep with the trend and make money.

Gann Rule (Affirmative) #19: Buy only when you have definite indication of a rising market. Sell only when you have definite indication of a falling market.

Gann Rule (Affirmative) #20: Pyramid at the right time. On a long position, wait until the security is very active and has crossed Resistance Levels before buying more. On a short position, wait until the security has broken out of the zone of distribution before selling more.

Gann Rule (Affirmative) #21: Select the commodities that show strong uptrend to pyramid on the buying side and the ones that show definite downtrend to sell short.

Gann Rule (Affirmative) #22: If you have a position on and the market starts to move against it, get out at the market, take your loss, and wait for another opportunity. Or rely on your stop order to minimize your losses.

Gann Rule (Affirmative) #23: Change your position in the market only with a good reason. When you make a trade, let it be for some good reason or according to some definite rule; then stay in the trade until you have a definite indication of a change in trend.

Gann Rule (Affirmative) #24: Maintain your lot size and maximum risk amount after a long period of success or a period of profitable trades. (Increase your lot size and maximum risk amount only after you have doubled your capital and added back half to your initial account size, increasing your total tradable capital amount.)

Gann Rule (Affirmative) #25: Let the market prove it is making a top. Let the market prove it is making a bottom. By following definite rules, you can do this.

Gann Rule (Affirmative) #26: Only follow another man's advice if you know that he knows more than you do.

Gann Rule (Affirmative) #27: If your lot size contains multiple contracts, reduce the number of contracts traded after the first loss.

Gann Rule (Affirmative) #28: Focus on getting in the market according to your rules and out of the market according to your rules.

C. Gann's Buying and Selling Points

Gann Buying Point #1: BUY at OLD BOTTOMS or OLD TOPS. When a commodity declines to an OLD BOTTOM or to an OLD TOP, it is always a buying point with a STOP LOSS ORDER. In fact, you should never buy unless you can figure where to place a STOP LOSS ORDER 1 cent to 3 cents away and when commodities are selling at high prices, never more than 5 cents away ....

Gann Buying Point #2: SAFER BUYING POINT. Buy when wheat, cotton, or any commodity crosses a series of tops of previous weeks, showing that the minor or the main trend has turned up as indicated by the charts on individual commodities.

Gann Buying Point #3: SAFEST BUYING POINT. Buy on a secondary reaction after wheat, cotton, or any commodity has crossed previous weekly tops and the advance exceeds the greatest rally on the way down from the top.

Gann Buying Point #4: BUY when the first rally from the extreme bottom exceeds in time the greatest rally in the preceding Bear Campaign.

Gann Buying Point #5: BUY when the period of time exceeds the last rally before extreme lows were reached. If the last rally was 3 or 4 weeks, when the advance from the bottom is more than 3 or 4 weeks, consider the trend has turned up and commodities are a safer buy on a secondary reaction.

Gann Buying Point #6: BUY AFTER BREAKAWAY POINTS ARE CROSSED ON INDIVIDUAL COMMODITIES. The market will then be in the runaway move where you can make large profits in a short period of time.

Gann Buying Point #7: BUY when wheat, corn, cotton, or any commodity declines to 50% of highest selling prices, or to 1/2 or 50% range between extreme high or extreme low prices. This is one of the safe buying points, as we will prove later by examples of past market movements. When there is a 50% reaction of the last move up, it becomes a buying point so long as the main trend is up ....

Gann Buying Point #8: BUY against double or triple bottoms, or buy on first, second, or third higher bottom and buy a second lot after wheat, soybeans, or cotton makes second or third higher bottom, then crosses previous top.

Gann Buying Point #9: BUYING RULES FOR RAPID ADVANCES AT HIGH LEVELS. In the last stages of a Bull Market in a commodity, reactions are small. Buy on 2-day reactions and follow up with STOP LOSS ORDER 1 cent to 2 cents under each day's low level. Then when the low of a previous day is broken, you will be out. Markets sometimes run 10 to 30 days without breaking low of previous day.

Gann Selling Point #1: SELL at OLD TOPS or OLD BOTTOMS. An important point to sell out longs and sell short is at OLD TOPS or when wheat or commodities rally to OLD BOTTOMS the first, second, or third time...

Gann Selling Point #2: SAFER SELLING POINT. Sell when wheat, soybeans, cotton, or any commodity breaks the low of a previous week or a series of bottoms of previous weeks as indicated by the trend and rules.

Gann Selling Point #3: SAFEST SELLING POINT. Sell on a *secondary rally* after wheat, soybeans, cotton, or any commodity has broken the previous bottoms of several weeks or has broken the bottom of the last reaction, turning trend down. This *secondary rally* nearly always comes after the first sharp decline in the first section of Bear Campaign.

Gann Selling Point #4: SELL after the first decline exceeds the greatest reaction in the preceding Bull Campaign or the last reaction before final top.

Gann Selling Point #5: Sell after BREAKAWAY POINT is crossed.

Gann Selling Point #6: Sell when the period of time of the first decline exceeds the last reaction before final top of the Bull Campaign. Example: If wheat or any commodity has advanced for several months of for one year of more, and the greatest reaction has been 4 weeks, which is an average reaction in a Bull Market, then after top is reached and the first decline runs more than 4 weeks, it is an indication of a change in the minor trend or the main trend. The commodity will be a safer short sale on any rally because you will be trading with the trend after it has been definitely defined.

Gann Selling Point #7: SELL at 50% or 1/2 point of last high to low of sharp decline or sell at 50% of highest selling point or 50% of greatest range. Sell when wheat, soybeans, cotton, or any commodity rallies 50% of a previous move down ....

Gann Selling Point #8: SELL against Double Tops or Triple Tops, or SELL when the market makes lower tops or lower bottoms. It is safe to sell when wheat, soybeans, or cotton makes a second, third, or fourth lower top; also safe to sell after *double* and *triple bottoms* are broken.

Gann Selling Point #9: SELL in the last stages of Bear Market or when there is rapid decline and only 2 days' rallies, and follow down with stop loss order 1 cent above the high of the previous day. When wheat or any commodity rallies 1 cent or more above the high of the previous day, you will be out on *stop*. Fast-declining markets will often run 10 to 30 days without crossing the high of the previous day.