



ROBERT
KRAUSZ'S

FIBONACCI TRADER®

JOURNAL

VOLUME 2, ISSUE 1

HIGH PROBABILITY FIBONACCI ZONE ANALYSIS™

Dear Trader,

It has been quite a while since the last Fibonacci Trader Journal. I decided to write new FT Journals only when there is new developments that have exciting possibilities for traders.

The advent of the "High Probability Fibonacci Zone Analysis™" is certainly one of those occasions. We are fortunate that John Jackson has worked with us to make this new tool a reality. We are grateful that we have obtained exclusive world computerization rights from him.

Like all new tools, you must learn its strengths and weaknesses (sorry about that... even great tools are not perfect).

The Fibonacci Zone Analysis™ is actually dynamic statistical analysis. Given the fact that it is pure statistics, we now have a concept that we can dovetail it with our technical tools and indicators. In other words, the statistical value is given by the Close-Open relationship over, say, a 10-year period.

We are aware of this every morning

as the market opens. Once we have the statistical evidence that shows the Highest Percentage Support and Resistance Zone for the day, we can now combine it with our technical tools with more foreknowledge than before.

This is a first.

It is certain that you will find a way to use this tool with your own favorite indicators. I will show some interesting ideas of combining the HPFZ (High Probability Fibonacci Zones™) with our technical tools in this issue. But, nothing will beat your own investigation.

It has been known for years that the Opening price is of some importance, but combining it with the previous day's Close in a statistical manner is of some significance that we can use.

I wish you great trading.

Robert Krausz, MH. BCHE.

- THE BASICS -

How would you like the following 3 questions answered every morning on the "Open" ?

- 1) How often will a pre-defined Fibonacci Zone be reached?
- 2) How often will a High Percentage Support Zone be the Low Zone for the day? Exact Percentages.
- 3) How often will a predefined High Percentage Resistance Zone be the High Zone for the day? Exact Percentages.

Such a tool is the High Probability Fibonacci Zone Analysis™. Let's refer to it as HPFZ.

No, not the "Holy Grail", but when correctly combined with other technical indicators, it could become a real help in our decision making process.

But first, let's see how the Fibonacci Zones are constructed.

STEP 1 will be setting up the 6 Fibonacci Zones.

STEP 2 will be adding the Fibonacci Support & Resistance Bands 1 and 2.

The Fibonacci Zones™ are based on the High + Low + Close of TODAY (after the close) and then projecting the Zones for TOMORROW.

SEE CHART 1A

STEP 1 CREATING THE ZONES

1. Add today's $H + L + C \div 3 = \text{Balance Point (BP)} = \textcircled{C}$
2. Calculate 50% of today's range and add it to $\textcircled{C} = \textcircled{D}$
3. Calculate 50% of today's range and deduct it from $\textcircled{C} = \textcircled{B}$
4. Add the entire day's range to the BP $\textcircled{C} = \textcircled{E}$
5. Deduct the entire day's range from the BP $\textcircled{C} = \textcircled{A}$

We have created 5 price levels which give us 6 Zones. The Zones 2-3-4-5 have upper and lower boundaries. But, Zones 1 & 6 have not (more on this later).

Of course, the Fibonacci Trader™ program does plot this automatically.

IMPORTANT WHEN CREATING THE ZONES THE MIDDLE PERIOD MUST BE THE "DAILY".

HIGH PROBABILITY FIBONACCI ZONE ANALYSIS™

CHART 1A

STEP 1

PLOTTING
THE FIBONACCI
ZONES

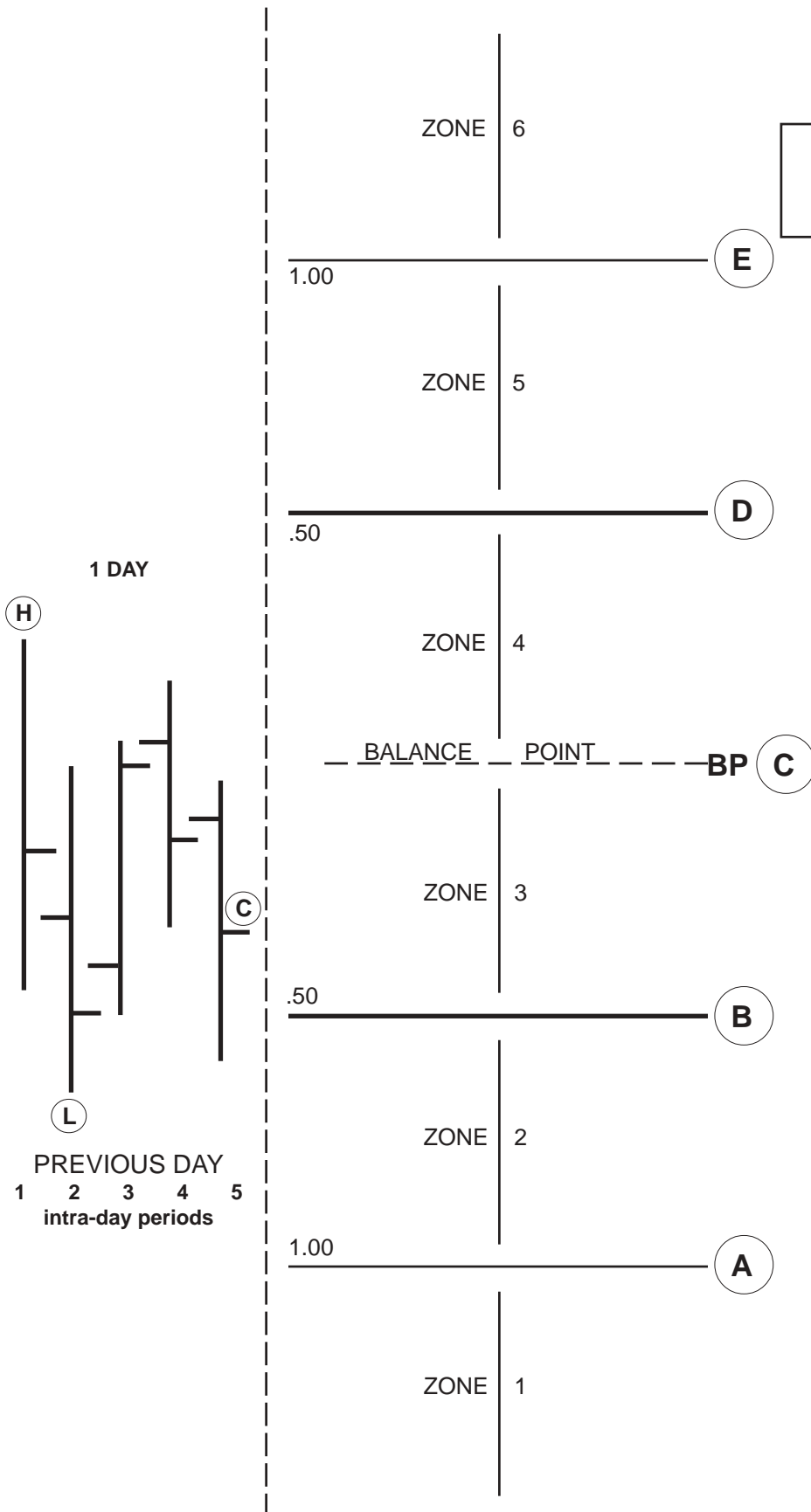


CHART 1B

STEP 2 ADDING FIBBO SUPPORT/RESISTANCE BANDS 1 & 2

We use the Fibonacci Ratio of .618 and 1.382 of the day's range to help increase the probability of the Fibonacci Zone Analysis™.

Support Band 1 : Calculate .618 of the day's range and subtract that from the BP = (B1) (Horizontal line). The shaded area between (B) and (B1) = FIBBO SUPPORT BAND 1.

Support Band 2 : Calculate 1.382 of the day's range and subtract that value from the BP = (A1) The shaded area between (A) and (A1) = FIBBO SUPPORT BAND 2

Resistance Band 1 : Calculate .618 of the day's range and ADD it to the BP = (D1) The shaded area between (D) and (D1) = FIBBO RESISTANCE BAND 1

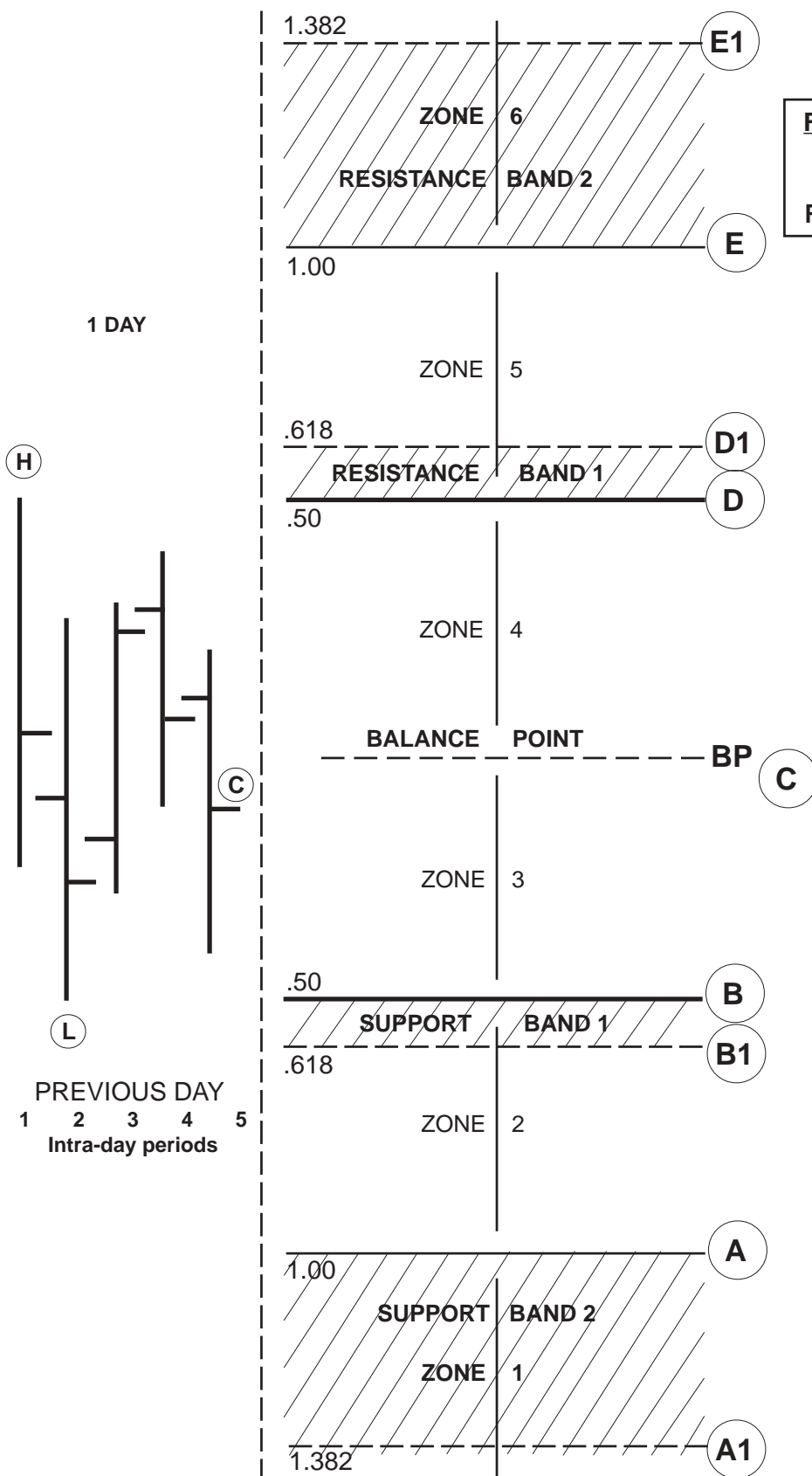
Resistance Band 2 : Calculate 1.382 of the day's range and ADD it to the BP = (D1) The shaded area between (D) and (D1) = FIBBO RESISTANCE BAND 2

INTRA-DAY TRADING **FIBONACCI ZONE ANALYSIS ©** **WITH DAILY ZONES**

CHART 1B

STEP 2

FIBONACCI ZONES™
WITH ADDED
SUPPORT &
RESISTANCE BANDS



S&P 500 INDEX

2

ZONE PATTERN FREQUENCY

(Sample Size = 4795)

| Zone Pattern | Occurrences | Percentage |
|-------------------------|-------------|------------|
| Zone1 Close, Zone1 Open | 3 | 0.1% |
| Zone1 Close, Zone2 Open | 56 | 1.2% |
| Zone1 Close, Zone3 Open | 348 | 7.3% |
| Zone1 Close, Zone4 Open | 80 | 1.7% |
| Zone1 Close, Zone5 Open | 12 | 0.3% |
| Zone1 Close, Zone6 Open | 3 | 0.1% |
| Zone2 Close, Zone1 Open | 12 | 0.3% |
| Zone2 Close, Zone2 Open | 55 | 1.1% |
| Zone2 Close, Zone3 Open | 330 | 6.9% |
| Zone2 Close, Zone4 Open | 146 | 3.0% |
| Zone2 Close, Zone5 Open | 13 | 0.3% |
| Zone2 Close, Zone6 Open | 3 | 0.1% |
| Zone3 Close, Zone1 Open | 28 | 0.6% |
| Zone3 Close, Zone2 Open | 84 | 1.8% |
| Zone3 Close, Zone3 Open | 423 | 8.8% |
| Zone3 Close, Zone4 Open | 471 | 9.8% |
| Zone3 Close, Zone5 Open | 83 | 1.7% |
| Zone3 Close, Zone6 Open | 10 | 0.2% |
| Zone4 Close, Zone1 Open | 28 | 0.6% |
| Zone4 Close, Zone2 Open | 86 | 1.8% |
| Zone4 Close, Zone3 Open | 412 | 8.6% |
| Zone4 Close, Zone4 Open | 671 | 14.0% |
| Zone4 Close, Zone5 Open | 133 | 2.8% |
| Zone4 Close, Zone6 Open | 30 | 0.6% |
| Zone5 Close, Zone1 Open | 3 | 0.1% |
| Zone5 Close, Zone2 Open | 15 | 0.3% |
| Zone5 Close, Zone3 Open | 155 | 3.2% |
| Zone5 Close, Zone4 Open | 406 | 8.5% |
| Zone5 Close, Zone5 Open | 77 | 1.6% |
| Zone5 Close, Zone6 Open | 16 | 0.3% |
| Zone6 Close, Zone1 Open | 1 | 0.0% |
| Zone6 Close, Zone2 Open | 2 | 0.0% |
| Zone6 Close, Zone3 Open | 52 | 1.1% |
| Zone6 Close, Zone4 Open | 478 | 10.0% |
| Zone6 Close, Zone5 Open | 64 | 1.3% |
| Zone6 Close, Zone6 Open | 6 | 0.1% |

THE CONCEPT

The basis of the approach is to compare yesterday's Close to today's Open. A lot of work has been done by other researchers to investigate this phenomenon. But, John Jackson's methods of Zone Analysis are unique.

He places yesterday's close in a specific Fibonacci Zone and compares that to which Fibonacci Zone the Open occurs in. This provides us with a "constant". Without this, analysis is impossible.

After many years of research and backtesting, he concluded that yesterday's Close and today's Open affected the prices in a significant manner.

By establishing a designation or pattern of these two factors, Fibonacci Zone Analysis™ opened a new avenue for statistical analysis of real time markets.

Question: How does a specific Open/Close designation produce and highlight significant probabilities? Let's take a combination of Zone 6 Close and Zone 4 Open of the S&P, CHART #3. 45 MINUTE BARS (45-D-W).

How do the 3 basic pieces of information affect our decision making process for this CL6-OP4 designation?

These are:

1. How often will a specific Fibonacci Zone™ be reached?
2. Which is the highest percentage Resistance Fibonacci Zone™ for today?
3. Which is the highest percentage Support Fibonacci Zone™ for today?

Before examining these points in detail, some background information is a must if you are to comprehend the usefulness of the concept.

As we have 6 Zones, the Open-Close patterns provide 36 possible combinations every trading day. The Fibonacci Trader program registers yesterday's Closing Zone and today's Opening Zone.

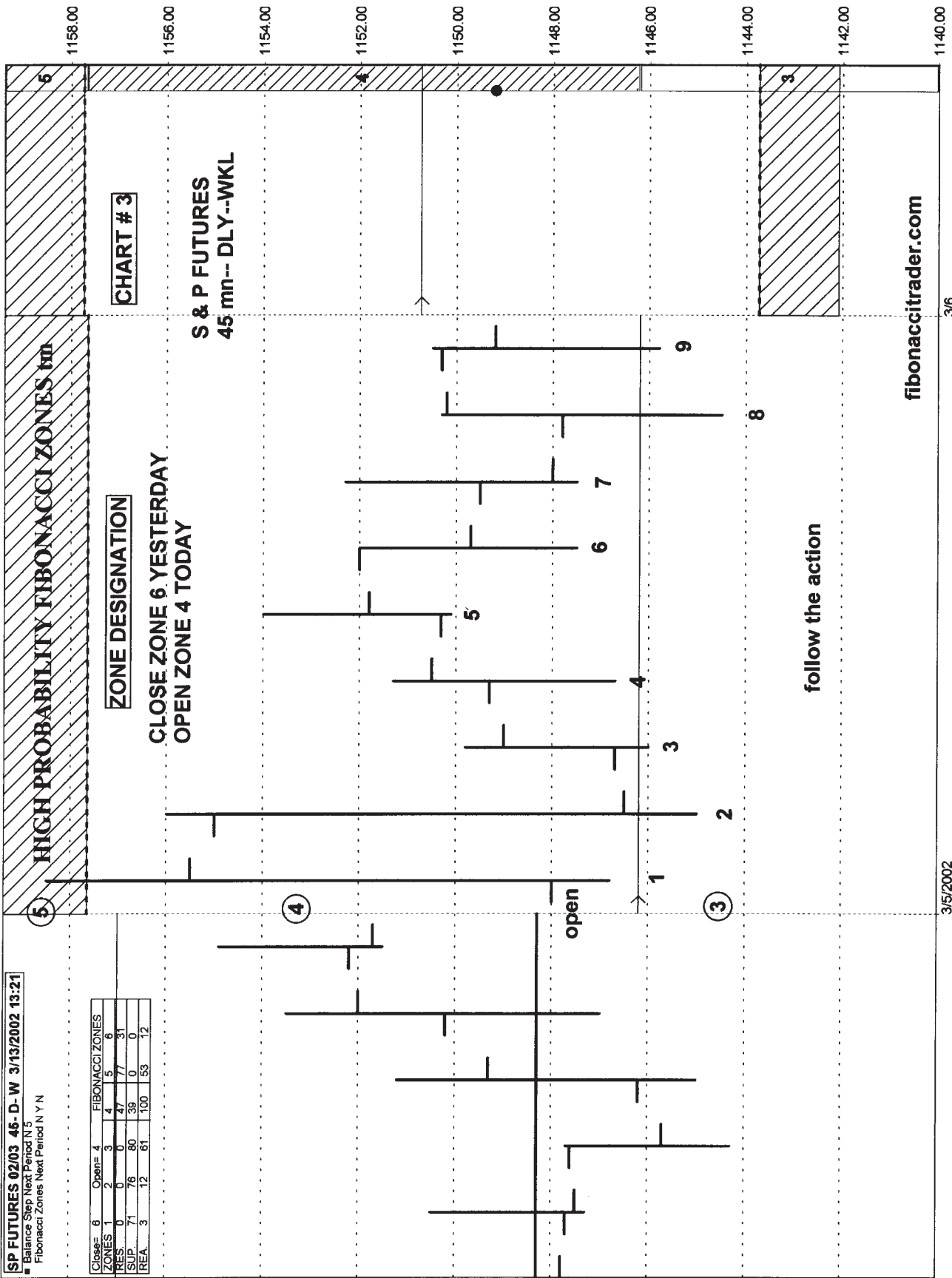
Based on the database (5-10 years daily) the program calculates the percentages that are shown in Fibonacci Zone Matrix™ (Probability Matrix). For this example the % shown are based on a CL6-OP4 designation. But, to give you an idea, please check CHART 2. That shows you the frequency of occurrence for all 36 combinations for the S&P, based on 4795 trading days.

Let us examine the 3 basic pieces of information that a CL6-OP4 pattern gives us for the S&P.

SP FUTURES 02/03 45-D-W 3/13/2002 13:21

Balance Step Next Period N 5
Fibonacci Zones Next Period N Y N

| Close= | 6 | Open= | 4 | FIBONACCI ZONES | | |
|--------|----|-------|----|-----------------|----|----|
| ZONES | 1 | 2 | 3 | 4 | 5 | 6 |
| RES. | 0 | 0 | 0 | 47 | 77 | 31 |
| SUP. | 71 | 76 | 80 | 39 | 0 | 0 |
| REA. | 3 | 12 | 61 | 100 | 53 | 12 |



ZONE REACHED PROBABILITY - CHART (A)

This is displayed on the bottom line of the Probability Matrix™ as: Reached. This informs you of the percentage probability of a specific Fibonacci Zone being reached, on that day.

Naturally, if prices opened in Zone 4, then given a 6-4 combination, prices will always reach Zone 4 (100%).

You can see that Zone 3 will be reached 61% of the time. That means that if you are looking to take action (buy or sell) in Zone 3, then you have a 61% probability to make that trade. But, if you want to trade in Zone 5, then you have a lower probability to make that trade, as the prices reach Zone 5 only 52% of the time.

But, if you want to, say, buy in Zone 1, you have a very small chance of getting that trade off, because prices reach there only 3% of the time. In other words, 97% of the time you will not be able to make that trade in Zone 1. One could define the probabilities for Zone reached. When prices enter into that Zone. In other words, the bar does not have to close in that zone or breach the opposite end of the zone, just enter it.

ZONE RESISTANCE PROBABILITY - CHART (B)

Shown in the top line of the Probability Matrix™. Here, the highest percentage Resistance occurs in Zone 5 = 78%. This means that if you are looking to sell in Zone 5, prices will not breach the opposite border of the Zone 78% of the time.

The definition is: Zone Resistance probabilities are established only when prices enter into the Zone and do not penetrate the opposite border of that zone.”

ZONE SUPPORT PROBABILITY - CHART (C)

Looking at a **CL6-OP4** designation, you can see that Zone 1, Zone 2 and Zone 3 all show a high percentage Support (over 60%). So, if your plan suggests a “buy” in that area, one should check not only the highest Support Zone probability percentages, but also check to see what are possibilities of getting that trade off.

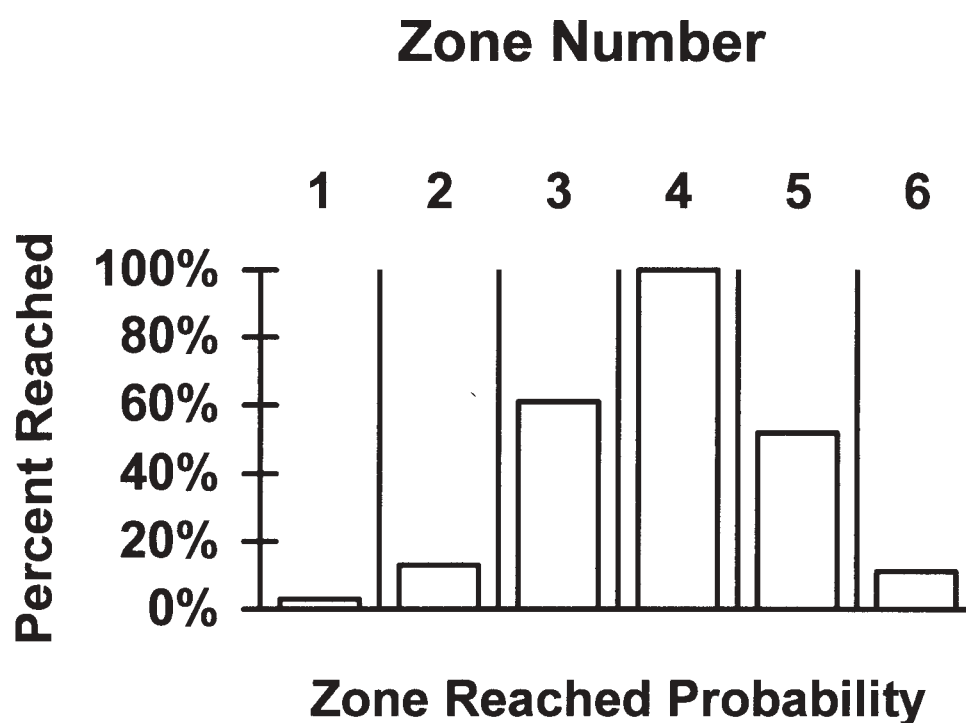
Zones 1 and 2 are seldom reached, but Zone 3 can be reached some 61% of the time with this specific Zone Designation. The definition is: Zone Support probabilities are in effect only when prices enter into the Zone and do not cross the opposite border of that Zone. (Zones 1 and 6 are exceptions, as they have no opposite border.)

FIBONACCI ZONE ANALYSIS ©

S&P 500 Index Futures

A

| | | |
|--------------|---------------|--------------|
| Designation: | Close = Zone6 | Open = Zone4 |
|--------------|---------------|--------------|



| | Zones | 1 | 2 | 3 | 4 | 5 | 6 |
|---|------------|-----|-----|-----|------|-----|-----|
| | Resistance | | | | 48% | 78% | 32% |
| | Support | 75% | 74% | 79% | 39% | | |
| ➡ | Reached | 3% | 13% | 61% | 100% | 52% | 11% |

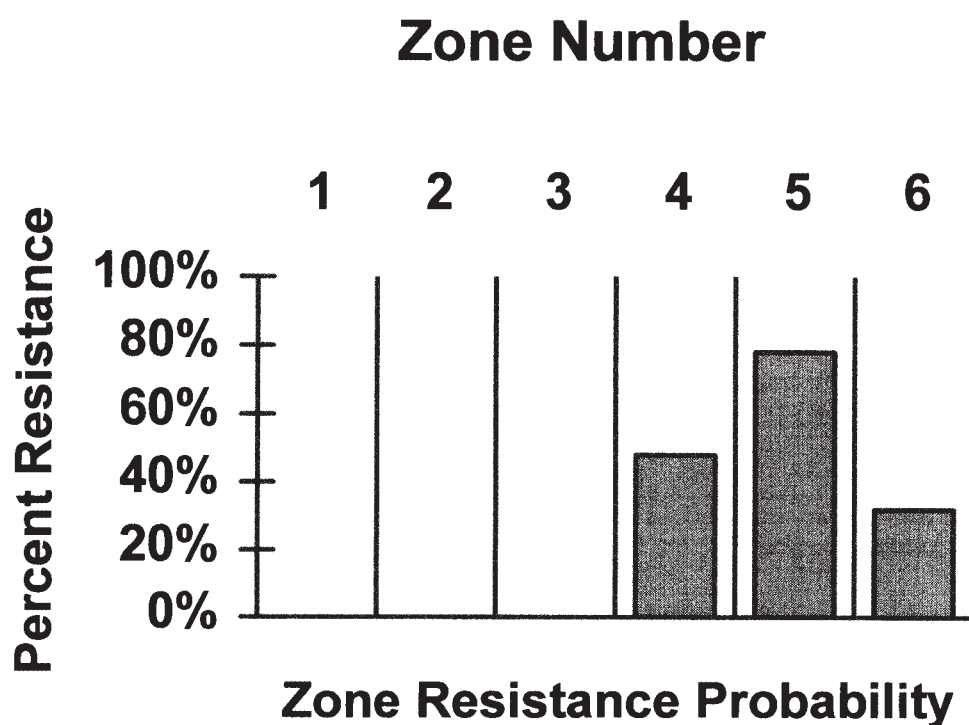
PROBABILITY MATRIX

FIBONACCI ZONE ANALYSIS ©

S&P 500 Index Futures

B

| | | |
|---------------------|----------------------|---------------------|
| Designation: | Close = Zone6 | Open = Zone4 |
|---------------------|----------------------|---------------------|



| | Zones | 1 | 2 | 3 | 4 | 5 | 6 |
|---|------------|-----|-----|-----|------|-----|-----|
| → | Resistance | | | | 48% | 78% | 32% |
| | Support | 75% | 74% | 79% | 39% | | |
| | Reached | 3% | 13% | 61% | 100% | 52% | 11% |

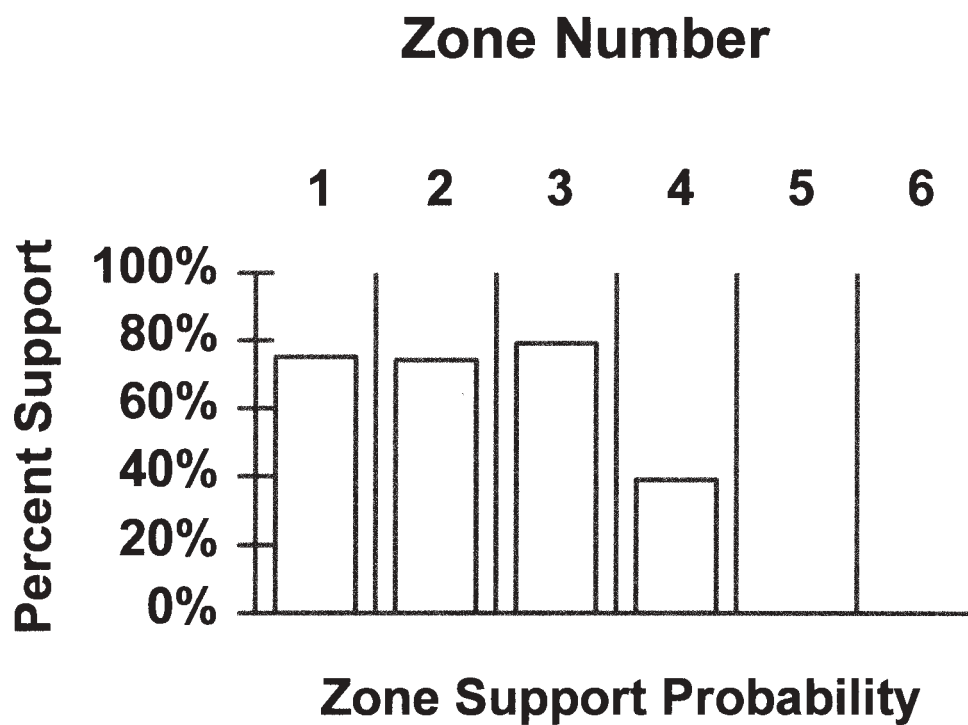
PROBABILITY MATRIX

FIBONACCI ZONE ANALYSIS ©

S&P 500 Index Futures

©

| | | |
|--------------|---------------|--------------|
| Designation: | Close = Zone6 | Open = Zone4 |
|--------------|---------------|--------------|



| | Zones | 1 | 2 | 3 | 4 | 5 | 6 |
|---|------------|-----|-----|-----|------|-----|-----|
| | Resistance | | | | 48% | 78% | 32% |
| ➡ | Support | 75% | 74% | 79% | 39% | | |
| | Reached | 3% | 13% | 61% | 100% | 52% | 11% |

PROBABILITY MATRIX

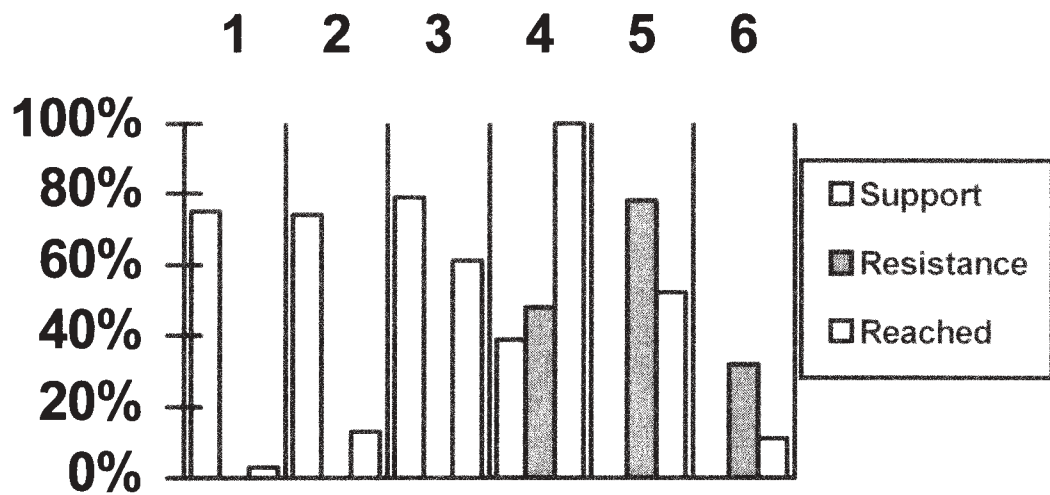
FIBONACCI ZONE ANALYSIS ©

S&P 500 Index Futures

D

| | | |
|--------------|---------------|--------------|
| Designation: | Close = Zone6 | Open = Zone4 |
|--------------|---------------|--------------|

Zone Number



Combined Zone Probability

| Zones | 1 | 2 | 3 | 4 | 5 | 6 |
|------------|-----|-----|-----|------|-----|-----|
| Resistance | | | | 48% | 78% | 32% |
| Support | 75% | 74% | 79% | 39% | | |
| Reached | 3% | 13% | 61% | 100% | 52% | 11% |

PROBABILITY MATRIX

COMBINED ZONE PROBABILITY - CHART (D)

One picture shows the balance between Reached, Support, Resistance, and Probabilities.

The “Probability Matrix™” will pop up on the screen right on the “Open”. As prices move from Zone to Zone, that specific Zone will be highlighted.

You will also see a “Zone Meter” on the right-hand side of the screen that will show as prices move from Zone to Zone during the day.

As you work and get familiar with the Fibonacci Zones, you will realize that a multitude of high and low probability zones appear in all markets.

To gain the maximum potential benefit from the Fibonacci Zones™, one should look for combinations that show the highest probability situation for that day. Then combine it with your trading plan. That’s why its called: “High Probability Fibonacci Zone Analysis™”.

Take a look at CHART (D)

If you are looking to buy and prices Reach Zone 3 (61% of the time), THEN 79% of the time Zone 3 finds support, ie: Zone 3 is defined as prices rallying to close in a higher Zone.

But, as you can see, that if prices Reach Zone 5 (52% of the time) then 78% of the time Zone 5 finds resistance, ie: prices will not cross into Zone 6. (So, if trading multiple contracts, perhaps it is time to lighten up.)

USING THE HPF ZONES™

Freedom to choose

If we take the attitude that the “Trend is our friend” then we have two options if we are looking to trade in the trend’s direction.

UPTREND

A) We can buy in a High % Support Zone.

B) We can buy in a Low % Resistance Zone.

In case “A” we may expect the High % Support Zone to hold in the Uptrend direction.

In case “B” we may expect the Low % Resistance Zone to fail, as the Trend carries on up.

IF TREND IS UP (A)

HPF ZONE 6

HPF ZONE 5

HPF ZONE 4



HPF ZONE 3

HPF ZONE 2 HIGH PERCENTAGE SUPPORT ZONE = LOOK TO BUY

HPF ZONE 1

IF TREND IS DOWN (C)

HPF ZONE 6

HPF ZONE 5 HIGH PERCENTAGE RESISTANCE ZONE = LOOK TO SELL

HPF ZONE 4



HPF ZONE 3

HPF ZONE 2

HPF ZONE 1

EXPECTING SUPPORT TO FAIL

IN A DOWNTREND (D)

HPF ZONE 6

HPF ZONE 5

HPF ZONE 4

HPF ZONE 3 LOOK TO SELL IN LOW PERCENTAGE SUPPORT ZONE

HPF ZONE 2

HPF ZONE 1

EXPECTING RESISTANCE TO FAIL

IN AN UPTREND (B)

HPF ZONE 6

HPF ZONE 5

HPF ZONE 4 LOOK TO BUY IN LOW PERCENTAGE RESISTANCE ZONE

HPF ZONE 3

HPF ZONE 2

HPF ZONE 1

DOWNTREND

C) We can sell in a High % Resistance Zone.

D) We can sell in a Low % Support Zone.

In case "C" we may expect the High % Resistance Zone to hold as prices proceed down in the Downtrend direction.

In case "D" we may expect the Low % Support Zone to fail, as prices proceed in the Downtrend direction.

Examples coming up...

POTENTIAL TRADE SELECTION

WHAT PROBABILITIES CAN BE CONSIDERED HIGH OR LOW

Each trader will define his own zone probability as to what is High definition, depending on one's risk preference and frequency of trading.

Conservative traders may prefer to wait for probabilities above 70% (or Below 30% if expecting the Zone to fail). Aggressive traders may look for trades with lower probabilities (Above 60% or Below 40%). Of course, additional technical tools should help the decision making process when a trend is confirmed.

Of course, the percentage reached must be considered. The probability of reaching the desired Zone should be 35% or higher, otherwise you may never get the trade off, no matter how good it looks.

The more frequently a Zone is reached, the better the chance for potential profit.

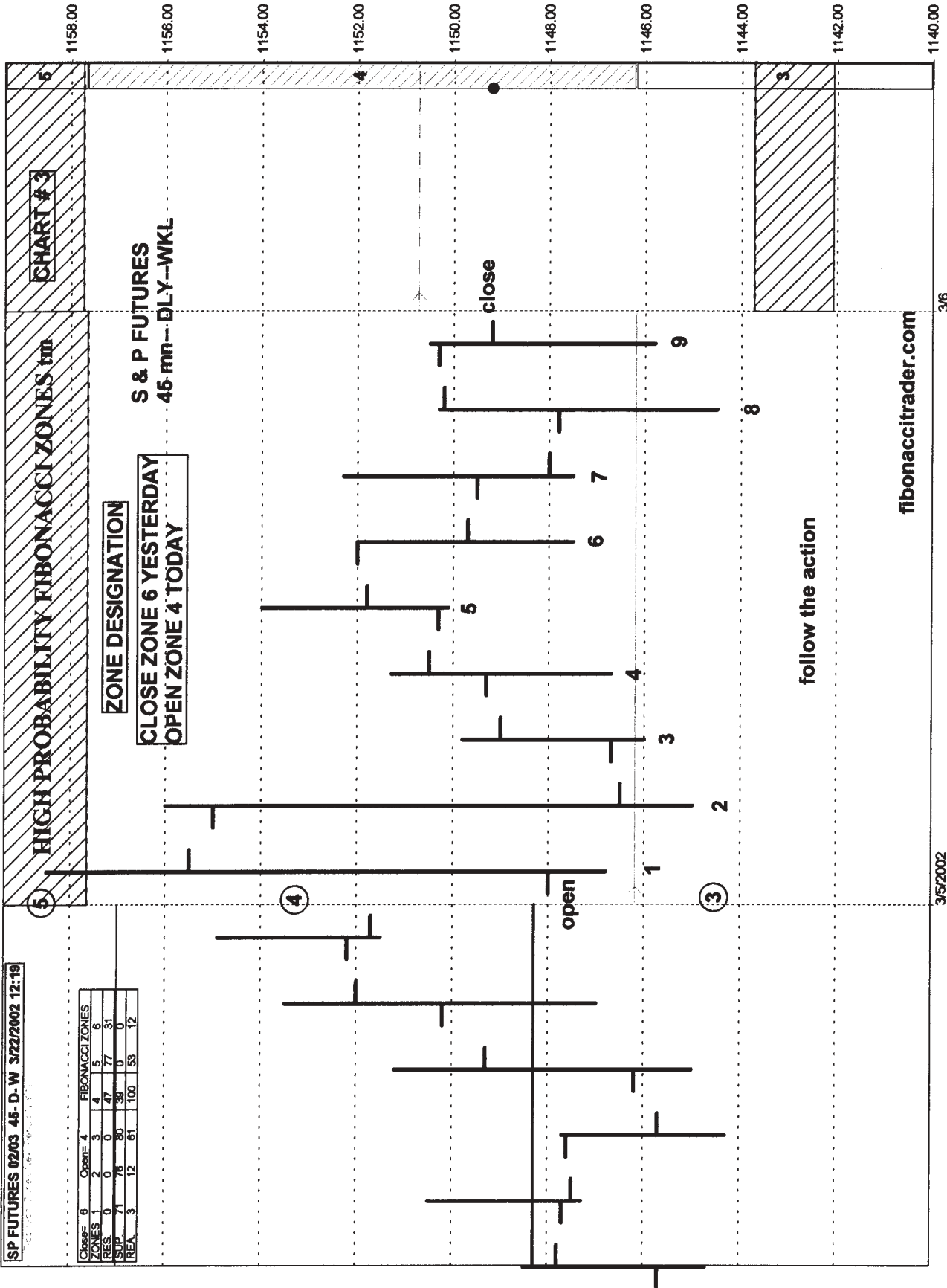
ENTERING TRADES IN HIGH % SUPPORT/RESISTANCE ZONES

In Fibonacci Zones™ of High Probability Support you are buying weakness in price. So, if the trend is up and prices drop into a High % Support Zone, you can look to buy.

In Fibonacci Zones™ of High Probability Resistance you are selling strength in price. So, if the trend is down and prices rise to a High % Resistance Zone, you can look to sell.

SP FUTURES 02/03 45-D-W 3/22/2002 12:19

| Close | 8 | Open | 4 | FIBONACCI ZONES |
|-------|----|------|----|-----------------|
| ZONES | 1 | 2 | 3 | 4 |
| RES | 0 | 0 | 0 | 47 |
| SUP | 71 | 78 | 80 | 39 |
| REA | 3 | 12 | 61 | 100 |
| | | | | 53 |
| | | | | 12 |



EXAMPLES

CHART 3 S&P = CL6-OP4 (45 MIN)

The prices on Bar 1 reach the Highest Probability Resistance Zone 5 for that day = 77%. That means that 77% of the time prices will not breach the opposite wall of Zone 5. (Also note the Fibonacci Resistance Band #1 backs up the Resistance of Zone 5... more on this later.)

Prices move on down, on Bar 2 they dip into Zone #3. This is a High % Support Zone. Check Chart (C) = 79% (this means that 79% of the time, prices will not breach the opposite end of Zone 3, ie: they will not enter Zone 2). Also note that you saw that prices could Reach that Zone 3, some 61% of the time. Prices that day did not go lower than Zone 3 and Closed in Zone 2.

CHART 3A 10-YEAR NOTES = CL1-OP3 (10 MIN)

HIGH PROBABILITY FIBONACCI ZONES™

| | CLOSE ZONE = (1) | | OPEN ZONE = (3) | | | |
|-------------------|-------------------------|-----------|------------------------|-----------|-----------|-----------|
| ZONES | 1 | 2 | 3 | 4 | 5 | 6 |
| RESISTANCE | 0 | 0 | 48 | 83 | 60 | 67 |
| SUPPORT | 47 | 71 | 38 | 0 | 0 | 0 |
| REACHED | 18 | 62 | 100 | 62 | 9 | 3 |

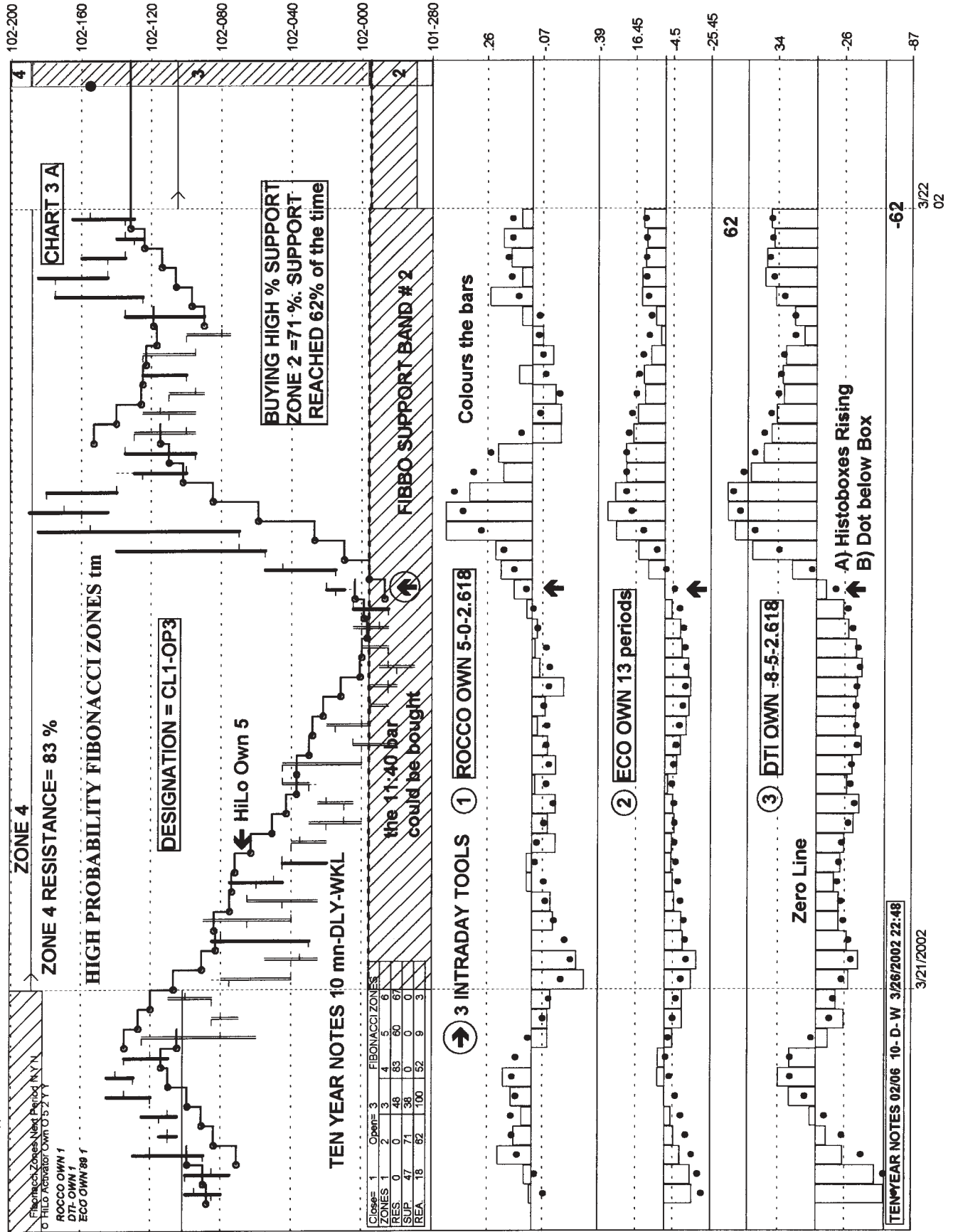
Probability Matrix™

Study this chart carefully. It shows clearly how entering trades in High Percentage Zones could improve the odds in our favor.

Also, one can see 4 support tools that may provide trade entry back up to a High % Support Zone (in this case).

As this is a 10-minute chart (10-Year Notes) the Next time period must be the Daily. So it is 10-MIN/DLY/WKLY. Remember the DAILY must always be the "Next" time frame.

Therefore, the combination of the Fibonacci Zone™ probabilities (which are statistical or quantitative by definition) with technical tools may provide a threefold weapon.



- 1) Day Trading or Scalping gets on a more sure footing, irrespective of what technical tools you are using.
- 2) It can provide a superior entry point if you are holding positions overnight.
- 3) Once in trade, if using multiple contracts, the potential High % Resistance Zone could provide areas to peel off a portion of the total position (if you are Long).

It goes without saying that patience is an important part of trading. Wait for the setup irrespective of what time frame you are trading. The statistical evidence of the Fibonacci Zones™ clearly point to this.

Like all new concepts, the HPFZ have to be tested backwards and forward in real time. You will find the percentages that are correct for your approach to the market, be it buying/selling strength or selling/buying weakness. Remember no tool is 100% perfect.

Let's look at some technical tools that may be combined with Fibonacci Zones of High Percentage Support in Chart 3A. Examine the chart in detail.

Please look at the Probability Matrix™. What can you see?

- A) The Highest Support Zone is Zone 2 = 71% (which means that 71% of the time this could be the Low Zone for the day).
- B) This Zone 2 is Reached 62% of the time (your chance of getting on board in Zone 2 can occur 62% of the time). These are reasonable odds.

What else can you see?

- C) Zone 4 can be reached 52% of the time AND prices will find resistance there 83% of the time (now that's a pretty solid number). What that says is that prices will go or Close higher than Zone 4 only 17% of the time. The odds for resistance there are excellent.

Check out point by point what happened:

- 1) All day until 11:40 the bar, prices were below HiLo Activator (Own) 5 periods.
- 2) ECO (Own) 13 periods was below the Zero Line until the 11:40 bar.
- 3) DTI (Own) 8-5-2.618 was below its Zero Line, but boxes started rising a couple of bars before 11:40 and the dots were below the histoboxes.

So, what occurred at the 11:40 bar's Close?

- A) The 10-min bars dipped into Zone 2 which was a High Probability Fibonacci Zone of Support = 71%. Also note that the Fibonacci Support Band (#2 was right there giving backup).

Check this out for yourself (this is how important the Fibonacci Support/Resistance Bands can be).

- B) As the 11:40 bar closed, the HiLo Activator flipped for the first time and the red HiLo Steps slipped below the price bars.
- C) The Rocco went above the Zero Line and the bars turned green.
- D) The ECO was bang on the Zero Line and the dots were below the rising histoboxes.
- E) The DTI had been below the Zero Line and was still below it, BUT the boxes were rising and so were the dots, which were below the boxes.

Now, that's what you can call "Confluence"!

BUT, LOOK WHAT HAPPENED.

The high 10-minute bar of the day touched Zone 4 (High Resistance = 83%). Prices retreated and closed in Zone 3. A pretty picture indeed. Take some off at Zone 4?

ENTERING TRADES IN LOW % SUPPORT/RESISTANCE ZONES

In Low% Fibonacci Zones, you may expect (only expect, not guarantee) these zones to fail. In other words, you are trading breakouts. For years traders have complained of false breakouts (price break out of a congestion and then reverse sharply, back into the congestion).

The HPFZ Analysis™ can help define the probability of a valid breakout in the form of Low Support and Low Resistance numbers.

CHART 4 S&P = CL3-OP3 (45 MIN)

Prices Open in Zone 3. Support here is only 33%. Potential failure of support in that Zone = 67%. That tells us that 67% of the time prices will go below Zone 3.

Let's check our technical tools.

- A) The HiLo Activator trend is above prices on the opening 45-minute bar #1.
- B) RSIZE OWN @ 14 periods is below the Zero Line (that's why the bars are red). Above Zero = Green - Below Zero = Red.
- C) DTI.DIF (a new tool) is below its Zero Line. The DTI Differential is set

SP FUTURES 02/06 45-D-W 3/27/2002 12:46

• Hilo Activator Next 0.52 Yr

- Fibonacci Zones Next Period N.Y.N.

DTI: 51F-1

REL STR IND. 2 -1

| FIBONACCI ZONES | |
|---------------------------------|---------|
| Close= 4 | Open= 2 |
| ZONES 1 - 2 - 3 - 4 - 5 - 6 - 7 | |
| PIES 0 34 40 39 | |
| SUR 54 36 0 0 | |
| REK 54 100 60 31 11 | |

for Own period @ 21-13-2.618. It is a measure of the difference between the DTI Histobox and the DTI.Dot. An interesting tool, check it out. Above the Zero Line we are in positive territory below it we are in a negative area.

On the chart, bar 2 closes below the Fibonacci Support Band 1. The bars stay Red and close in Zone 1. A reasonable short due to a Low % Support Zone failure.

CHART 5 S&P = CL4-OP2 (45 MIN)

Another potential “Short” in a Low % Support Zone. Price opens in Zone 2 and this designation forecasts support in Zone 2 to be only 36%. So, we may expect support of this Zone to fail 64% of the time.

What technical tools support a breakout to the downside?

- A) HiLo Activator (OWN 5 periods) is above price bars since previous day, pressure down.
- B) By using Relative Trend IndZ (RSIZE) of the Next time period (DLY) to define the trend. On the very first 45-minute bar the DLY RSIZE set @ 5 periods slipped below it's Zero Line, showing that the DLY Trend has turned Down.

So, if you sold the market, you would be acting in the same direction as the Next time frame's trend.

If you use the 45-minute bars to trade then one could use the Daily to define the trend. But, if you are trading the 15-minute or Lower, then the Daily Trend would be too far from a very low time frame to be of immediate use.

On the other hand, the 45, 50, 60, 78-minute, etc. time frames can utilize the Daily (next time frame) trend direction.

- C) DTI. DIF. - OWN @ 21-13-2.618

The DTI Differential is clearly below its Zero Line. And in fact, the last 2-45-minute histoboxes from the previous day was already below the Zero Line and the price bars were red.

If you plot the regular DTI (OWN) @ 21-13-2.618 for this chart, you can easily see that the DTI. DIF. is quick reference that mirrors the regular DTI's information in a simple way.

At the end of the day prices closed in Zone 1 and it was a clean shot down.

FDL 78-D-W 3/30/2002 11:46

Fibonacci Zones Next Period N.Y.N
O-Hilo Activator Own-D-5.50 V.Y.

RSIZE 13 OWN 1

| FIBONACCI ZONES | |
|-----------------|---------|
| Close= 6 | Open= 4 |
| ZONES 1 | 2 |
| RES 0 | 0 |
| SUP 100 | 83 |
| REA 1 | 8 |

HIGH PROBABILITY FIBONACCI ZONES tm

Protein Design Labs Inc

CHART 6

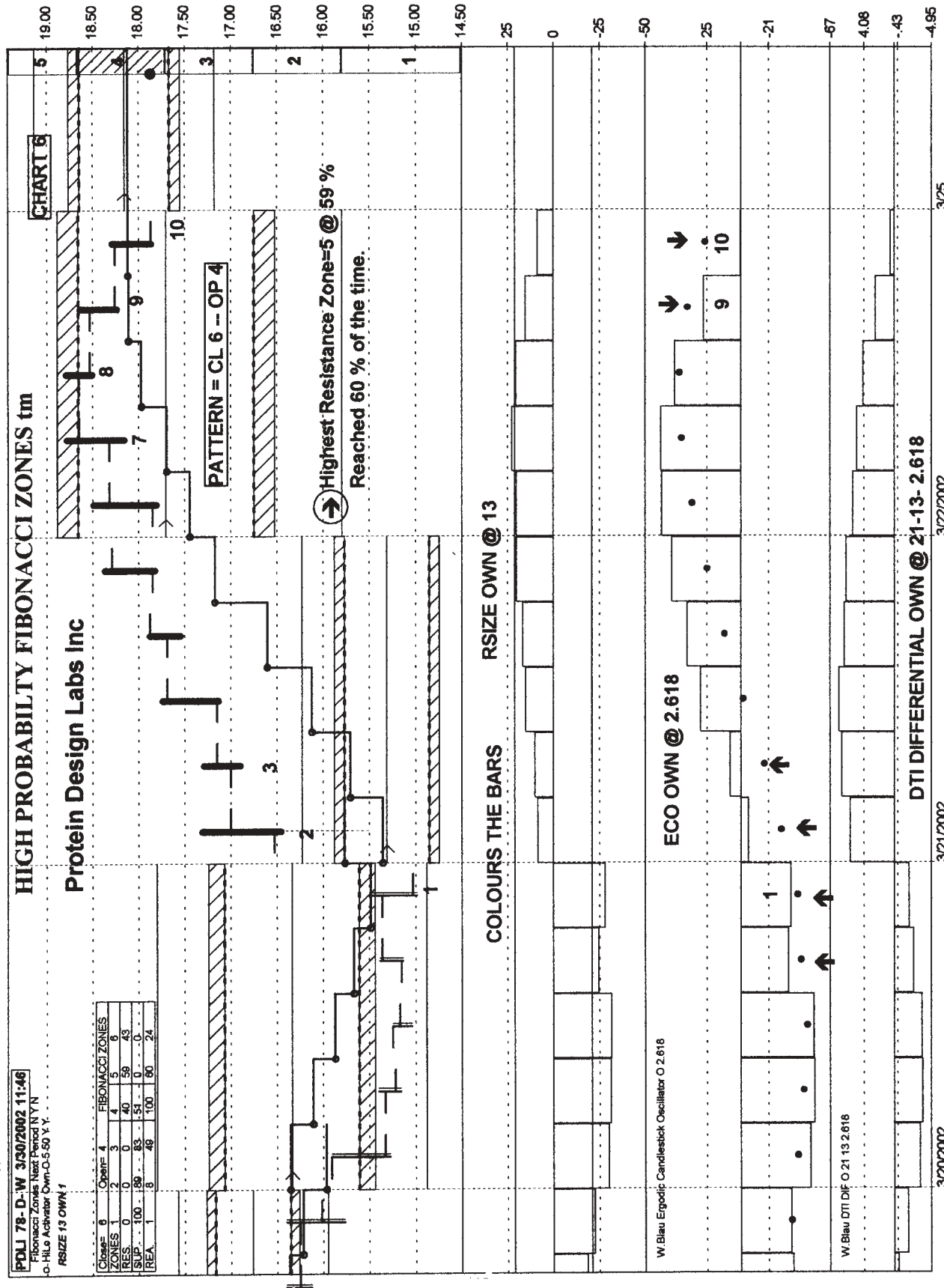


CHART 6 **PDLI (NASDAQ) 78-MIN/DLY/WKL (Protein Design Labs, Inc.)**

A bonus chart: **CL6-OP4** combination

Yes, we can now analyze Stocks for Fibonacci Zone probabilities. The implications are interesting. This is a first.

In this setup, the Highest % Resistance Zone was Zone 5 @ 59% that could be Reached 60% of the time. In spite of the 78-minute bars rising, Zone 5 stopped it and the Fibonacci Resistance band 1 held.

So, if you were Long from the previous day (3/21/2002) you may consider taking some off the table.

This stock fell from 84.50 to 12.75 and is currently at about 17.13. One could say the trend was down.

Let's check some of our technical tools:

- 1) HiLo Activator (OWN 5 period)
A flip occurred on Bar 2 and followed prices up until Bar 10 closed below the HiLo.
- 2) RSIZE OWN - 13 Periods (78-min)
This colors the bars. From Bar 2 this indicator was above the Zero Line and the bars were Green.
- 3) ECO - OWN - 2.618
Here is our old friend the ECO. If the stock you are tracking on a 78-minute basis is slower than this PDLI, then check it out at 5 or 8 or even 13 periods.
Note: even before the bars turned Green on the 21st, the last 2 bars of the previous day caused the dots to jump below the Histoboxes = Warning?
- 4) DTI Differential OWN: 21-13-2.618
Entire day of the 22nd and 23rd, the Histoboxes above it's Zero Line. But, note boxes sloping upward on the 20th and sloping down on the 22nd.

This extended Journal should give you a reasonable starting point to investigate the Fibonacci High Probability Zones™ and a few possible routes to incorporate these concepts into your own trading plan.

Check out the indicators and tools discussed. Fibonacci Trader Journal 2 will check further into these Fibonacci Zones. So will the book I am writing with John Jackson called "High Probability Fibonacci Zones™" due to be published in the autumn.

TECHNICAL INFORMATION

We have made access to the Daily data needed as simple as possible. The data is provided by Pinnacle Data Corporation for commodities. This comes with the program. This is reverse adjusted. For stocks you can download from TC2000 if you have it. This does not come with the program.

If you want to use other data vendor's data, it is pretty simple. Read the HELP file carefully. Be aware that the percentages shown in the Probability Matrix is based on Reverse Adjusted data from Pinnacle Data Corporation. As it looks at 2525 days and it updates once a month. The percentages referred to here can change slightly, but it will not affect the concept.

Also note that data from different data vendors are not identical. What is important is that you use daily data from one data vendor and stick with that one. That way you will get consistency. You may want to subscribe to daily updates, it is pretty inexpensive.

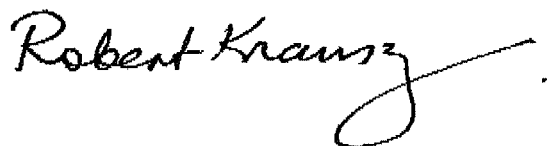
We make no commission from any data vendor we use or recommend. Note: over a 10-year period, the statistics stay pretty constant, so the above comment is just to let you know what can happen.

INFORMATION

We recommend minimum 5-10 years of Daily data for accurate statistical analysis that the Fibonacci Zones require.

Instruments that have been trading for a short time can give unreliable information.

I wish you great trading,

A handwritten signature in black ink that reads "Robert Krausz". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

Robert Krausz

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