



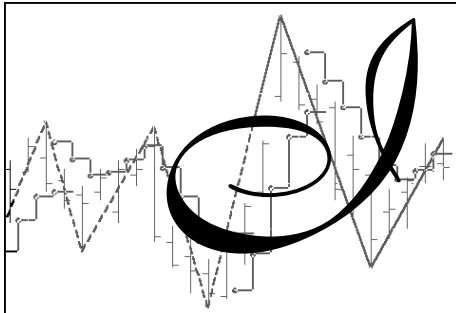
ROBERT
KRAUSZ'S

FIBONACCI TRADER®

JOURNAL

Volume 1, Issue 3

THE PROFESSIONAL GANN SWING PLAN™



In our last issue I mentioned that a man with a red flag was waving a warning concerning the stock market. Well, he certainly waved it with gusto. Be prepared for more of the same.

These are volatile times and this is when we technicians get paid for our homework and attention to details. And speaking of details, many of you spotted the typos on page 5 of the last issue. The titles of Charts 1 and 2 should have read daily S&P 500, not 9 minute bars. Be that as it may, the techniques discussed were effective. Check out the FT Web site and you will see a nice trade in the S&P, intraday, using the Dynamic Fibonacci Channels, etc.

Two more housekeeping thoughts: We have received some suggestions and one change we have made is to include both the page and issue number at the foot of each page. Finally, the 32 bit Fibonacci Trader program is almost ready. We are waiting for

the new manual, a key part to the upgrade. The actual release date and details will be posted at our Web site, and we will also notify you by snail-mail.

In our premier issue I said that now and then I would bring to your attention a valuable service or product I have found could aid you. Mark Douglas' new book *Trading in the Zone* falls into that category. I have read it, and I can only say one thing: Buy it! His approach to the mental game of trading is the real thing. As I stated in my interview in *New Market Wizards*, trading is 75% mental. And *Trading in the Zone* is better than Douglas' first book, *The Disciplined Trader*. Read it, practice it. The book is not cheap at \$150.00, but it is worth every penny. PAS, Inc. has it in stock. Call 512 443-5751.

Now onto the topic of this issue. As you can see by the title, this issue focuses on the Professional Swing Plan for trading T-bond futures. The rules originally appeared in my book *A W. D. Gann Treasure Discovered*. Those of

you who bought the book do not need to be concerned. As a reader of the FT Journal you will be privy to nuances and ideas that were not discussed in the book, plus we are showing the current performance for this year.

Why focus on this plan in particular? Because the plan up to date has been rather robust with no losing year during the 8 and 1/2 year back test. The

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Can you adopt the best features of this plan for trading your favorite market?

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plan has held up well in this year's volatile markets. Look the table below, as well as on page 8. I have included tables showing the up-to-date performance, as well as the last two months trades on a chart with the rules for the trades. Of course, I cannot guarantee that the plan will continue to perform at the same rate in the future.

This plan is not complicated, considering that we are using real-time data. The results are reasonable

because it contains the important elements for a mechanical trading plan:

- A) Fixed Rules
- B) Multiple year back test
- C) Dynamic in nature
- D) Money management
- E) Clear definitions of trend and change in trend
- F) Clear definitions of support and resistance
- G) Entry and exit points
- H) Profit protection rules and targets

This approach has been why this plan has achieved over an 80% return on capital with a 7% maximum drawdown on a \$30,000 account for this year (January 1 to October 7) before commissions. You may deduct what you like for commissions.

Why T-bonds? This is a very liquid contract, and no matter how many FT users trade, it is very unlikely to upset the rhythm of this plan.

Can you adopt the best features of this plan for trading your favorite market or your style of trading? I think that you know the answer. However, you must check it out very carefully. Defy human nature, do the

Continued on page 8

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1998 NEW GANN SWING CHARTIST™ PROFESSIONAL SWING PLAN DAILY T-BONDS			
Beginning Equity	\$30,000.00	Ending Equity	\$56,437.50
Total Net Profit	\$26,437.50	Gross Loss	(\$10,781.25)
Gross Profit	\$37,218.75	Percentage Profitable	63%
Total No. Trades	30	No. Losing Trades	11
No. Winning Trades	19	Largest. Losing trades	(\$2,343.75)
Largest Winning Trade	\$8,656.25	Average Losing trade	(\$980.11)
Average Winning Trade	\$1,958.88	Average Trade	\$881.25
Ratio Average Win/Loss	2.00	Max. Consecutive Losses	3
Max. Consecutive Drawdown (%)	6.89%	Largest Consecutive Drawdown	(\$2,343.75)
<p style="margin: 0;"><u>Notes:</u> 1) Initial A/C Size = \$30,000 2) Pyramids only 1/3 of original position 3) commissions not included</p>			
Return on account	88%		
Profit/Drawdown ratio	11.28		

THE PROFESSIONAL GANN SWING PLAN (REAL TIME) FOR T-BOND FUTURES

The Professional Plan is very different compared to the Basic Plan. With the Professional plan the emphasis is on trading in harmony with the daily rhythm of the markets. A market can be compared to a river, and trading is all about following the direction and speed of the river. The markets, like the river, will always take the course of the least resistance. The goal of the plan is to do the same. Commissions are inexpensive compared to the losses that mount up from being on the wrong side of the market.

This plan requires discipline. Accurate and consistent execution calls for vigilance and full focus. You must not marry your positions; change direction if the market demands it. That is why this is called the professional plan. Here is a list of the major differences from the Basic Plan:

- 1) This plan trades both with the trend and against the trend.
- 2) Profit Protection rules are used so hard-earned profits are not given back to easily.
- 3) We take profits at what I call Target Points on part of our total position. Each new trade is 3 contracts. Note: These target points are market denominated and not some arbitrary money amount dreamed up by me or you.
- 4) You can pyramid (add) to your position under specific conditions.
- 5) Re-entering the market if you exited (via the rules) too early is an integral part of the plan.
- 6) The HiLo Activator of the Weekly bars plotted onto the Daily bars becomes a functional rule for this plan. This introduces you to the concept

of Multiple Time Frames and how useful they can be for mechanical trading plans.

DAILY CHECKLIST

A daily check list is a valuable tool for managing your trading during market hours. You should develop your own. Study the rules and review the trades before you develop your daily checklist. Yes, it is work but the time spent mastering the plan will lead to greater confidence and designing your own checklist will make trading a more natural process because you will be following your own work.

Before you design your checklist review the trades in the back track. This will help you to handle the pressure of trading, when things are going against you. You will know that if you had four or five consecutive losses, the plan still went on to recoup and you survived. When it occurs in real trading (as surely it will) you will not be shocked.

Second, and this is more important of the two; through the process of repetition the subconscious will slowly start accepting the validity of the plan. By hand, perform a multi-year back track, applying the rules on a bar by bar basis. Now you will know the plan inside out, and you will know the level of adversity that is simply a part of the ups and downs of trading.

So what should be on the checklist? What rules seem the most important to you? That is the key. Go through the rules and place them in your own order. This will enable you to personalize the plan. The next set of pages are the rules for the Professional Gann Swing Plan.

THE PROFESSIONAL PLAN RULES (FOR T-BONDS)

10/20 MINUTE RULES

Wait each morning until the first 10 minute bar is complete, and then use a stop 2 ticks above or below for the signal. If there is an economic report of any kind than wait for the first 20 minute bar to complete, and use a 2 tick penetration before taking action.

TREND TRADING

Qualifier To Buy

1. Gann Swing Chart should show a solid (green) line.

Entry Rule (to Buy)

1. Go long on close above HiLo Activator by two ticks for the T-bonds.
2. Go long if prices surpass the previous peak.

Qualifier to Sell.

1. Gann Swing Chart should show a dashed (red) line.

Entry Rule (to Sell)

1. Go short on the close below HiLo Activator by two ticks for the T-bonds.
2. Go short if prices drop below the previous valley.

CONTRA TREND TRADING

Qualifiers To Buy

1. Gann Swing Chart should be a Dashed line.
2. Close above the HiLo Activator.

Entry Rule (to Buy)

1. Go long when prices pass the high of the bar that closed above the HiLo Activator. (This does not have to be the next day's bar.)

Qualifiers To Sell

1. Gann Swing Chart should be a solid line.
2. Close below the HiLo Activator.

Entry Rule (to Sell)

1. Go short when prices pass the low of the bar that closed below the HiLo Activator. (This does not have to be the next day's bar.)

SPECIAL ENTRY RULE

(Long or short)

Qualifier To Buy

The daily bar closes 3 ticks below the Next HiLo Activator.

Entry Rule (to Buy)

Go long on the next bar that reverses by a 3 tick penetration back above the Next HiLo Activator (the Weekly). Do not wait for the market to close.

Qualifier to Sell.

The daily bar closes 3 ticks above the Next HiLo Activator.

Entry Rule (to Sell)

Go short on the 3 tick penetration back below the Next HiLo Activator. Do not wait for the close.

Note: The Next (Weekly) HiLo Activator is plotted in Line Formation (step formation is not needed.)

SPECIAL STOP & REVERSE RULE

1. If long, stop & reverse 2 ticks past nearest valley, unless normal entry rule is hit 1.
2. If short, stop & reverse 2 ticks past nearest peak unless normal entry rule is hit 1.

RE-ENTRY RULE

If a Profit Protection point is hit (See Profit Protection Rule) but there is no reversal signal, then re-enter the market intraday when 1) the most recent isolated high or low is passed by 2 ticks, or 2) the most recent previous peak or valley is passed by 2 ticks, or 3) the high or low of the bar that broke the HiLo Activator is passed by 2 ticks.

Waiting for a close past a previous peak or valley is optional; the trading plan results are based on not waiting for the close.

TARGETS

(Use whichever is hit first)

1. Take profits on 1/3 of your positions on the close of the first bar that causes the slope of the swing to change. This rule applies even if the trade is a loss. Keep taking profits on each signal (This is optional, I only use this rule once).
2. Take profits on 1/3 of your contracts if price hits Next periods HiLo Activator (the weekly). Use either Rule 1 or 2.

PYRAMID RULES

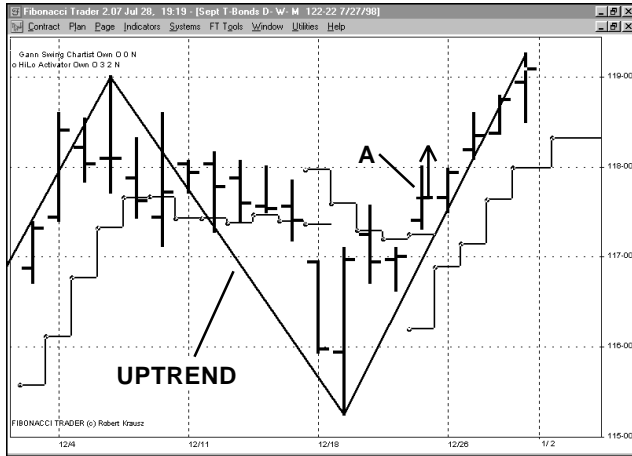
1. Pyramid (add) 1/3 of your original position at a Trend change point (ie: If long and the Swing Chart changes to a Solid Line).
2. Pyramid (add) 1/3 of your original position when a previous peak or valley is taken out intraday.

PROFIT PROTECTION RULES

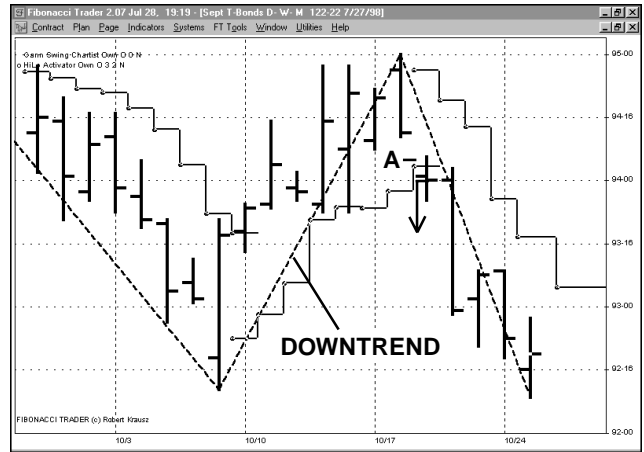
(use whichever is hit first)

1. Any 38.2% retracement of the previous swing.
2. Any 2 tick penetration of the Daily HiLo Activator.

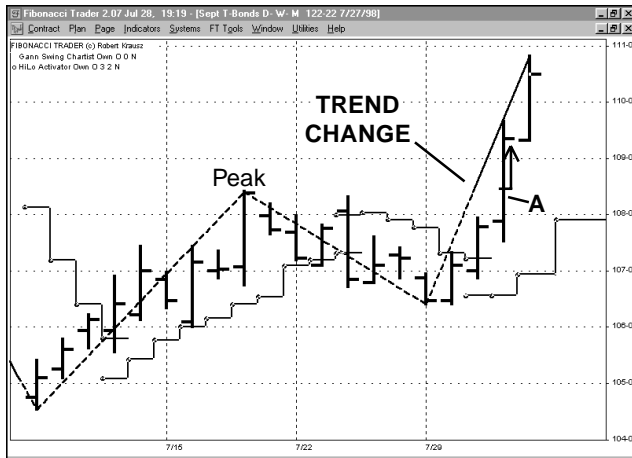
ENTRY RULES



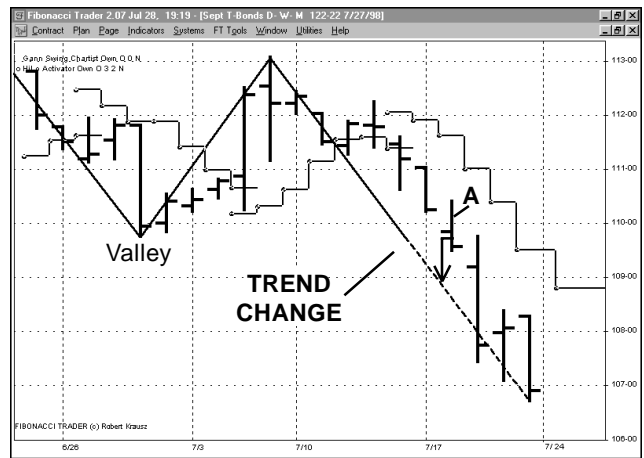
Buy Rule #1: Buy on Bar A providing the Gann Swing Chartist shows an uptrend (solid line). The buy signal occurs on Bar A when prices close above the HiLo Activator.



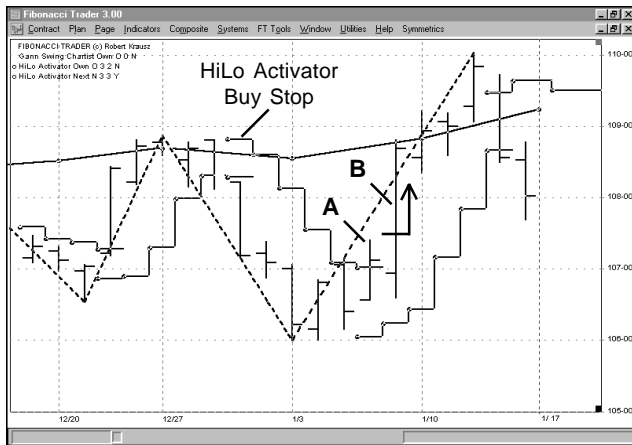
Sell Rule #1: Sell on Bar A providing the Gann Swing Chartist shows a downtrend (dashed line). The sell signal occurs on Bar A when prices close below the HiLo Activator.



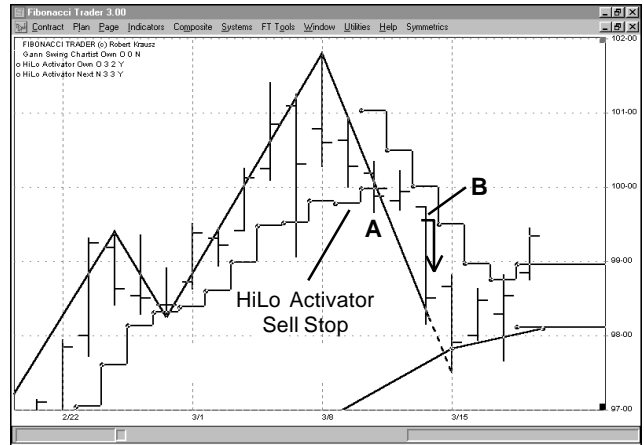
Buy Rule #2: Buy on Bar A when prices surpass the previous peak providing the HiLo Activator is below the bars. The Fibonacci Trader program changes from a dashed line to a solid line as the trend changes from down to up.



Sell Rule #2: Sell on Bar A when prices drop below the previous valley providing the HiLo Activator is below the bars. The Fibonacci Trader program changes from a solid line to a dashed line as the trend changes from down to up.



Contra Trend Trading (Buy): The Gann Swing line is dashed. You can buy when prices rise two ticks above the high of the bar that closes above the HiLo Activator Line. Action is taken intraday. The buy signal occurs on Bar B. You can enter after bar B as long as the high of bar A is taken out.

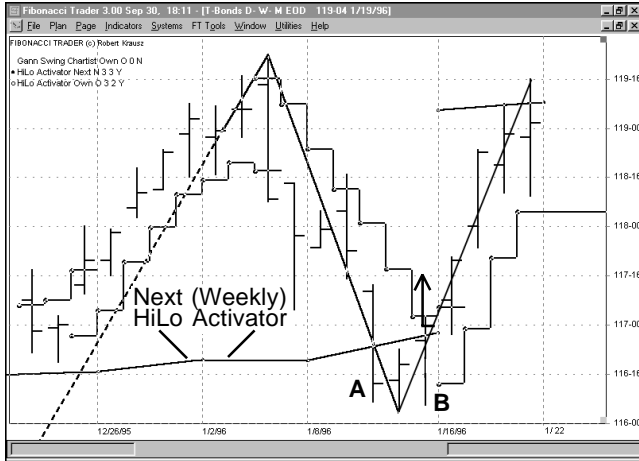


Contra Trend Trading (Sell): The Gann Swing line is Solid. You can buy when prices falls two ticks below the low of the bar that closes below the HiLo Activator Line. Action is taken intraday. The sell signal occurs on Bar B. You can enter after after bar B as long as the low of bar A is taken out.

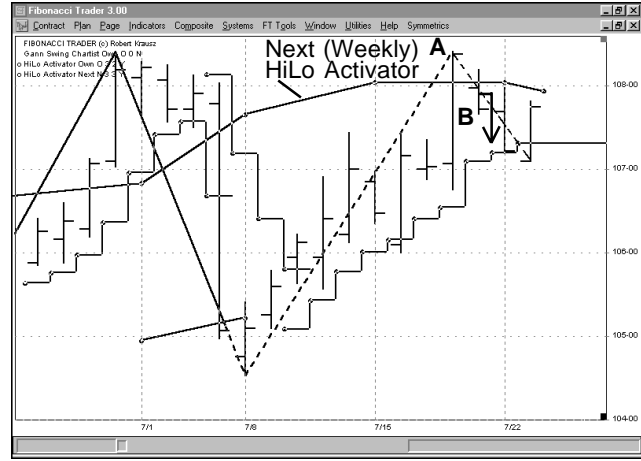
SPECIAL ENTRY RULES

This set of rules introduces incorporating the Next time periods HiLo Activator into our trading plan. As our plan is a Daily/Weekly/Monthly plan, the Next time periods uses weekly bars for calculations. Therefore, the weekly highs and lows are the basis for the

Next HiLo Activator. When setting up the indicator go to Draw Type and select Line. We do not use the Step formation for the Next, as we do for the Own HiLo Activator. Here the Weekly HiLo Activator is used as a support or resistance level for the trading rules.



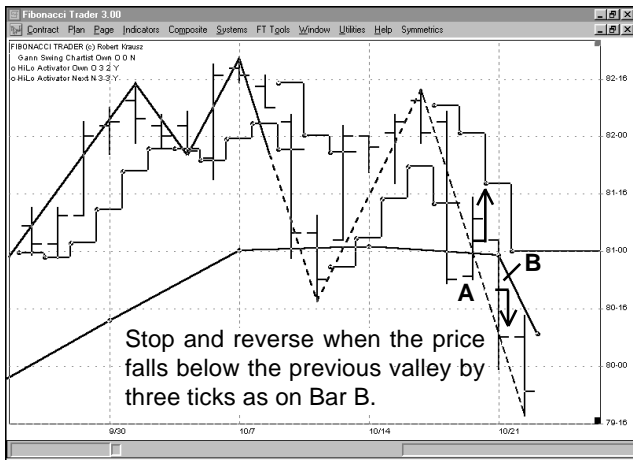
Special Entry Rule (Buy): Bar A trades below the weekly HiLo Activator and closes below it by three ticks. Bar B trades back above the HiLo Activator. A long position is assumed if the price trades 3 ticks above the weekly HiLo Activator.



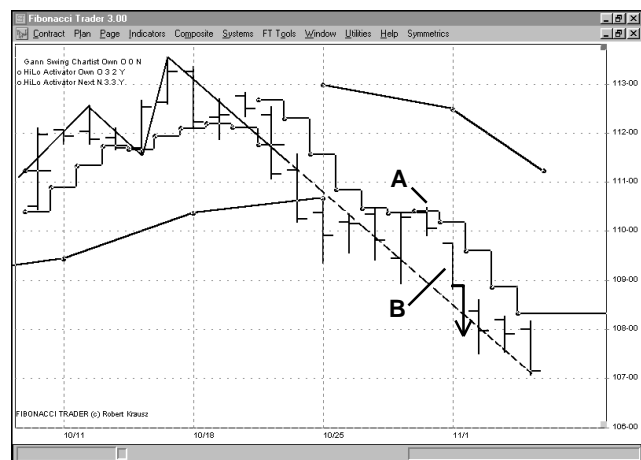
Special Entry Rule (Sell): Bar A trades above the weekly HiLo Activator and closes above it by three ticks. Bar B trades back below the HiLo Activator. A short position is placed if the price trades 3 ticks below the weekly HiLo Activator.



RE-ENTRY RULES

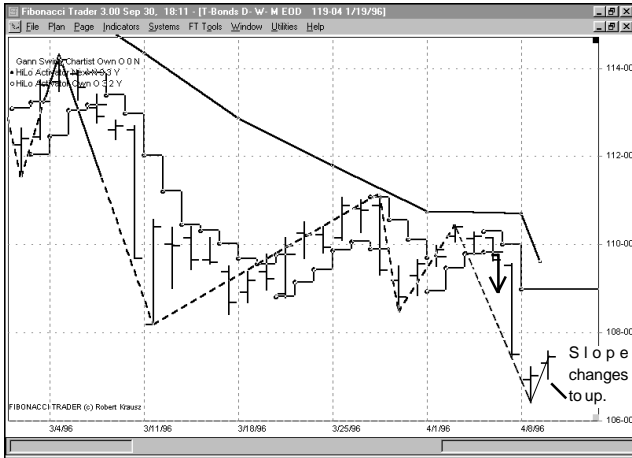


Stop & Reverse for the Special Entry Rule (Buy): Bar A trades back above the weekly HiLo Activator by three ticks indicating a long position. Bar B trades back the nearest valley, resuming the down trend.

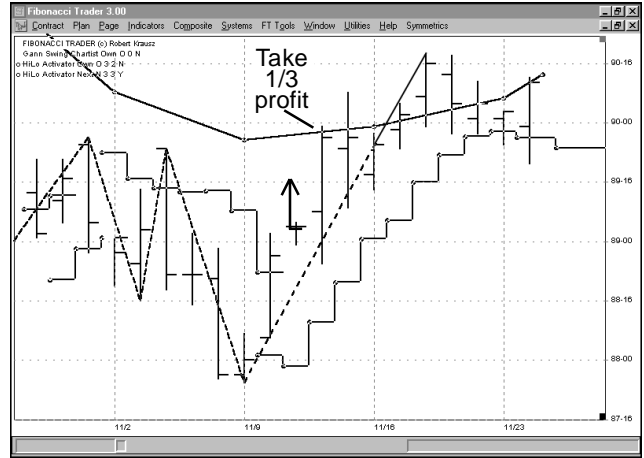


Re-entry Rule With The Trend. The trend is down. If prices penetrate the HiLo Activator Buy Stop by two ticks then Profit Protection Rule #2 stops you out. Re-enter on Bar B when the previous valley is taken out by two ticks.

TARGETS

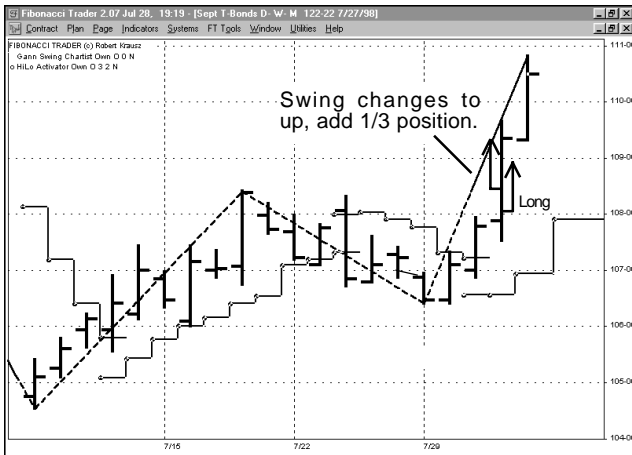


Target Rule #1: The Target is a change in slope (not a change in the swing). Take 1/3 profits.

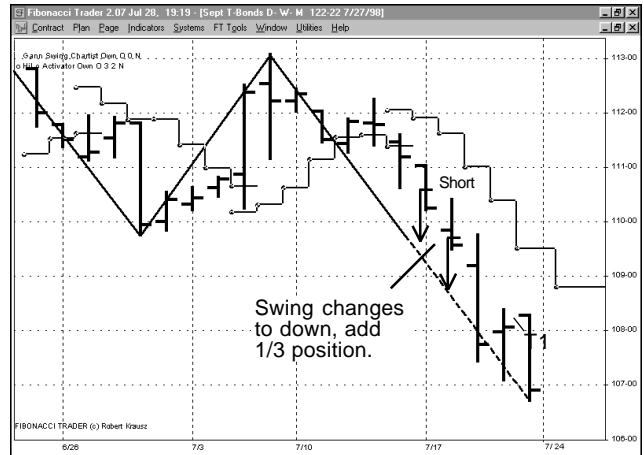


Target Rule #2: Target is the Next Time Periods HiLo Activator. Take 1/3 profits. Use Rule 1 or 2 (optional) each time one is hit.

PYRAMID RULES

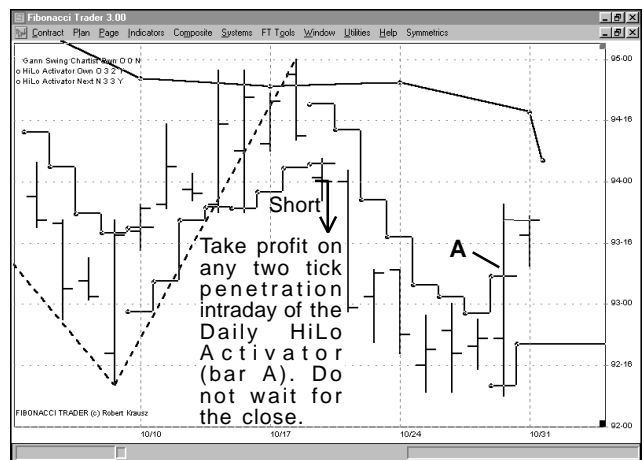
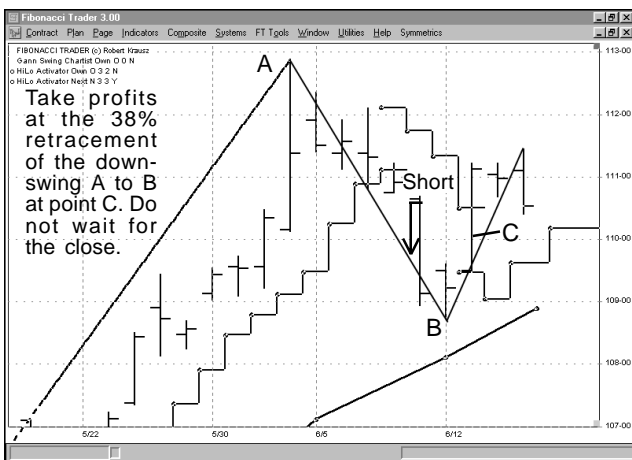


Pyramid Point, After Long Entry: If the plan is already long you can add 1/3 when the trend changes to up (Solid Line).



Pyramid Point, After Short Entry: If the plan is already short you can add 1/3 when the trend changes to up (Dashed Line).

PROFIT PROTECTION RULES



Trade #	Date	L/S	Price	CTR.	Rule #	Profit (Loss)	Accum.	Monthly Profit(Loss)	AC Equity
26	8/4/98	L	123-14	3	Trend 2				
27	8/5/98	S	123-12	6	Special Rule	(6)	840		\$56,250.00
T	8/6/98	L	123-27	1	T1	(15)	825		\$55,781.25
28	8/10/98	S	123-30	5	Special Rule SAR	(36)	789		\$54,656.25
PP	8/12/98	S	123-24	3	PP2	(18)	771		\$54,093.75
29	8/20/98	L	124-16	3	Trend 1				
T	8/24/98	S	125-02	1	T1	18	789		\$54,656.25
PP	9/14/98	S	127-31	2	PP2	186	975	129	\$60,468.75
30	9/30/98	L	130-11	3	Re-entry #1				
T	10/6/98	S	134-04	1	T1	121	1096		\$64,250.00
PP	10/7/98	S	132-25	2	PP2	156	1252	277	\$69,125.00

work yourself.

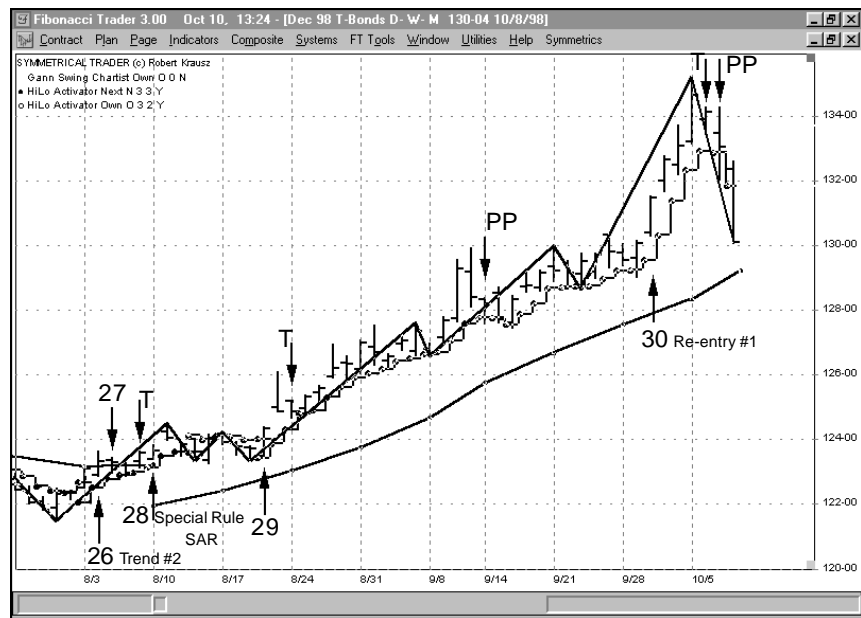
Two important points must be noted:

- 1) Pay close attention to the 10/20 minute rule.
- 2) The HiLo Activator direction change can only be considered if the opposing side (color) has popped up on the monitor, ie., the indicator has flipped.

There are five pages presenting the rules with examples for you to study, as well as some key points on the page 3. If any of the rules are not clear then please write me. Don't overlook designing a Daily Checklist. That is a very helpful tool for trading effectively.

Some subtle points will be discussed in the next issue of the FT Journal, but everything you need is here. Next month we will discuss Multiple Time Frame Swing Trading

I wish you excellent trading,
Robert Krausz, MH, BCHE



The table lists recent trades and rules. These same signals are also shown on the chart. The plan uses a \$30,000 beginning equity and a 3 contract initial position for each trade. Slippage and commissions are not included.



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