



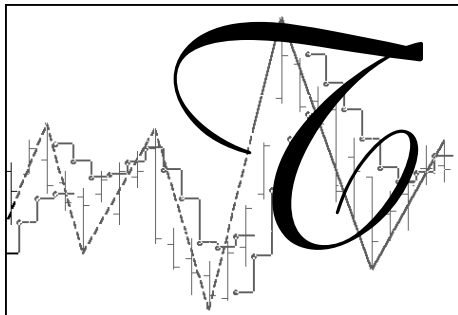
ROBERT
KRAUSZ'S

FIBONACCI TRADER®

JOURNAL

Volume 1, Issue 4

THE BASIC GANN SWING PLAN™ FOR STOCKS



This issue of the Fibonacci Trader Journal will focus on trading stocks. Some traders,

those who focus on just stocks, have felt somewhat neglected by our previous issues dealing with just futures. With this issue I will correct this.

To start, the Basic Plan for Gann Swing trading stocks, which was explained in my book, *A Gann Treasure Discovered*, is alive and well. The same rules explained in the Fibonacci Trader Journal issue 2 for trading T-bonds can be used for trading stocks. In my book, I included a set of tables and charts showing a five year period (1991-96) for five stocks. Those particular years, which were the current period at the time were, in fact, up years for the market as a whole. I decided to take a look at a five stock portfolio during this years market stumble and current rise. These re-

sults are from January 2, 1998 up to the end of October, shown in tables further on in this issue. The results speak for themselves. This simple plan out traded most of Wall Street. I will report again the results for the close of 12/31.

QUESTIONS

During this year I have had some interesting questions. I have provided some illustrations to answer a few. The illustration on the next page shows how the swing direction can change. Examples 1 and 2 were covered and used in the book. Recently, I've been asked about the Fast Track choice on some indicators. Your program now has a new Fast Track facility as shown in illustration #3. Seldom happens, but it does happen.

Also, please remember that the Basic Plan acts on the close, so if you have the End-of-Day version of the Fibonacci Trader program then you

must have the HiLo Activator showing 1 day forward, as per page 25 in the Gann book.

One particular reader had a problem understanding the concept that a valid close below or above the HiLo Activator must be accompanied by a flip, i.e. the opposite HiLo Activator must come up. This also applies to the profit protection rule 1.

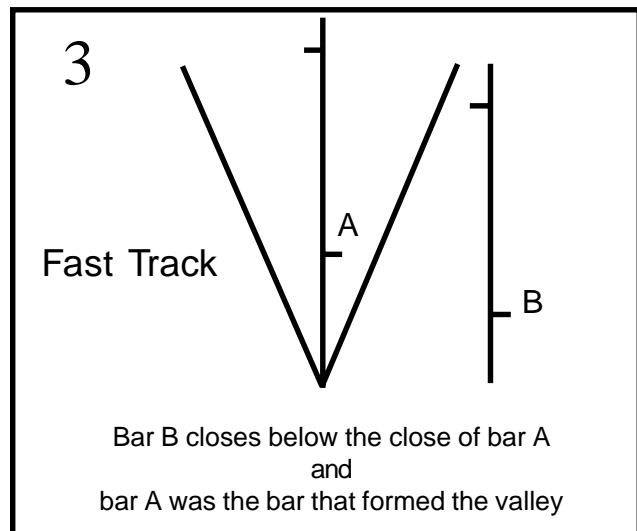
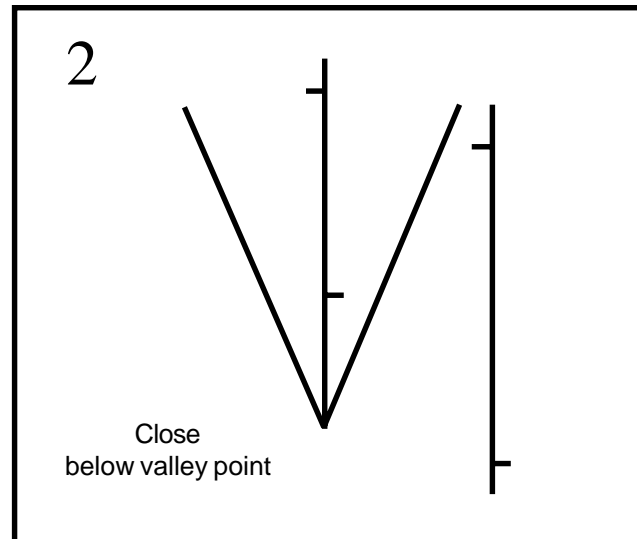
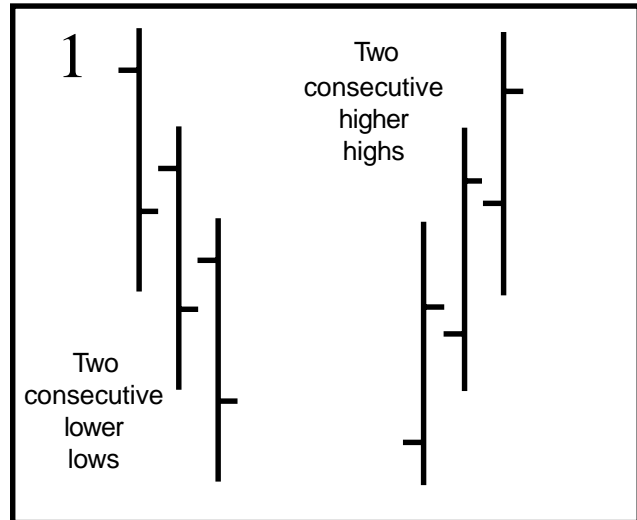
Lastly, I have an important point for stock traders. Please reset the HiLo Activator to 4 ticks as the stocks now trade in 1/16 (when I wrote the book stocks traded in 1/8). This only applies to stocks, for T-bonds use 2 ticks, as before.

BASIC PLAN RESULTS

The following tables shows the results of trading five different stocks for 1998. Does this Basic Plan work with any stock? Of course not, especially in that this plan only trades with the trend. Obviously, it survives volatile times, like the current situation. Please keep in mind that this plan should be considered for very liquid stocks that have reasonably swings. Stay away from dead markets. W. D. Gann warned us many years ago.

While we do not need months of trend runs we do want to see good volume and momentum. I suggest that you stay away from very cheap stocks with low volume. And yes, by all means check out NASDAQ stocks, especially the Technology Sector. Take a good look at stocks such as American Online, Intel, Microsoft, and even the amazing Amazon is worth looking at.

Please check carefully, do not just dive in. A serious review will pay good dividends.



CLOSING NOTES

The 32-bit version of the Fibonacci Trader is now ready, so check out the Web site if you have not ordered the upgrade yet. In the very near future the Fibonacci Trader Web site will be available in an Italian version due to our Italian distributors good work. More details on this in a later issue.

And speaking of international friends, I would

like to welcome our Dutch readers who own the Fibonacci Trader program. We now have users in virtually every country in Europe.

This issue will look at some intraday techniques using Intel, and our next issue will look at some interesting ideas for intraday plans, particularly the T-bonds.

I wish you excellent trading,

Robert Krausz, MH, BCHE

The five tables shown on the next two pages are each based on an initial start of capital using 50% margin and trading 1,000 shares. Therefore, the initial account size is equal to what it would cost to trade 1,000 shares at that time. A commission equal to 12 cents per share round turn is included. The plan handles less or more shares but the percentages stay the same. No dividends or interest is included.

NEW GANN SWING CHARTIST™ BASIC SWING PLAN 1998 IBM			
Beginning Equity	\$52,593.75	Ending Equity	\$117,350.00
Total Net Profit	\$14,562.50	Gross Loss	(\$27,125.00)
Gross Profit	\$41,687.50	Total Commissions	\$2,400.00
Total No. Trades	20	Percentage Profitable	40%
No. Winning Trades	8	No. Losing Trades	12
Largest Winning Trade	\$17,875.00	Largest Losing Trade	(\$4,187.50)
Average Winning Trade	\$5,210.94	Average Losing Trade	(\$2,260.42)
Ratio Average Win/Loss	1.92	Average Trade	\$728.13
Max. Consecutive Winners	3	Max. Consecutive Losses	4
Largest Consecutive Drawdown (%)	12.82%	Largest Consecutive Drawdown	(\$7,687.50)
Return on account	27%	Profit/Drawdown ratio	1.89

NEW GANN SWING CHARTIST™ BASIC SWING PLAN 1998 American Freight			
Beginning Equity	\$4,750.00	Ending Equity	\$6,487.50
Total Net Profit	\$2,937.50	Gross Loss	(\$1,250.00)
Gross Profit	\$4,187.50	Total Commissions	\$1,200.00
Total No. Trades	10	Percentage Profitable	70%
No. Winning Trades	7	No. Losing Trades	3
Largest Winning Trade	\$1,500.00	Largest Losing Trade	(\$687.50)
Average Winning Trade	\$598.21	Average Losing Trade	(\$416.67)
Ratio Average Win/Loss	1.44	Average Trade	\$293.75
Max. Consecutive Winners	3	Max. Consecutive Losses	1
Largest Consecutive Drawdown (%)	11.57%	Largest Consecutive Drawdown	(\$807.50)
Return on account	37%	Profit/Drawdown ratio	3.64

NEW GANN SWING CHARTIST™ BASIC SWING PLAN 1998 Coca Cola Co.

Beginning Equity	\$32,968.75	Ending Equity	\$64,043.75
Total Net Profit	\$32,875.50	Gross Loss	(\$8,687.50)
Gross Profit	\$41,562.50	Total Commissions	\$1,800.00
Total No. Trades	15	Percentage Profitable	60%
No. Winning Trades	9	No. Losing Trades	6
Largest Winning Trade	\$23,187.50	Largest Losing Trade	(\$2,687.50)
Average Winning Trade	\$4,618.06	Average Losing Trade	(\$1,447.92)
Ratio Average Win/Loss	3.19	Average Trade	\$2,191.67
Max. Consecutive Winners	3	Max. Consecutive Losses	1
Largest Consecutive Drawdown (%)	4.20%	Largest Consecutive Drawdown	(\$2,807.50)
Return on account	94%	Profit/Drawdown ratio	11.71

NEW GANN SWING CHARTIST™ BASIC SWING PLAN 1998 MICROSOFT

Beginning Equity	\$31,750.00	Ending Equity	\$75,892.50
Total Net Profit	\$46,062.50	Gross Loss	(\$12,812.50)
Gross Profit	\$58,875.00	Total Commissions	\$1,920.00
Total No. Trades	16	Percentage Profitable	63%
No. Winning Trades	10	No. Losing Trades	6
Largest Winning Trade	\$25,625.00	Largest Losing Trade	(\$6,062.50)
Average Winning Trade	\$5,887.50	Average Losing Trade	(\$2,135.42)
Ratio Average Win/Loss	2.76	Average Trade	\$2,878.91
Max. Consecutive Winners	4	Max. Consecutive Losses	1
Largest Consecutive Drawdown (%)	7.53%	Largest Consecutive Drawdown	(\$6,182.50)
Return on account	139%	Profit/Drawdown ratio	7.45

NEW GANN SWING CHARTIST™ BASIC SWING PLAN 1998 America Online

Beginning Equity	\$21,593.75	Ending Equity	\$83,948.75
Total Net Profit	\$64,875.50	Gross Loss	(\$18,500.00)
Gross Profit	\$83,375.00	Total Commissions	\$2,520.00
Total No. Trades	21	Percentage Profitable	62%
No. Winning Trades	13	No. Losing Trades	8
Largest Winning Trade	\$21,750.00	Largest Losing Trade	(\$4,937.50)
Average Winning Trade	\$6,413.46	Average Losing Trade	(\$2,312.50)
Ratio Average Win/Loss	2.77	Average Trade	\$3,089.29
Max. Consecutive Winners	5	Max. Consecutive Losses	3
Largest Consecutive Drawdown (%)	23.82%	Largest Consecutive Drawdown	(\$6,297.50)
Return on account	289%	Profit/Drawdown ratio	10.30



his month the focus is using the Gann Basic Plan for trading stocks with an eye to applying Multiple Time Frame techniques to intraday trading. Take a look at Chart 1, a daily chart of Intel. This first example shows the classic setups for a trade from the Basic Plan. We are using techniques that have been discussed in our previous issues.

To begin, the market forms two rising valleys, 1 and 2, an early sign of a bottom in the market. Next the daily HiLo Activator flips to the long side on 10/9. This action occurs between the first valley and the peak. Notice that as the second valley forms, the HiLo Activator acted as support. This is a very positive sign. Next, on 10/21, as the peak is sur-

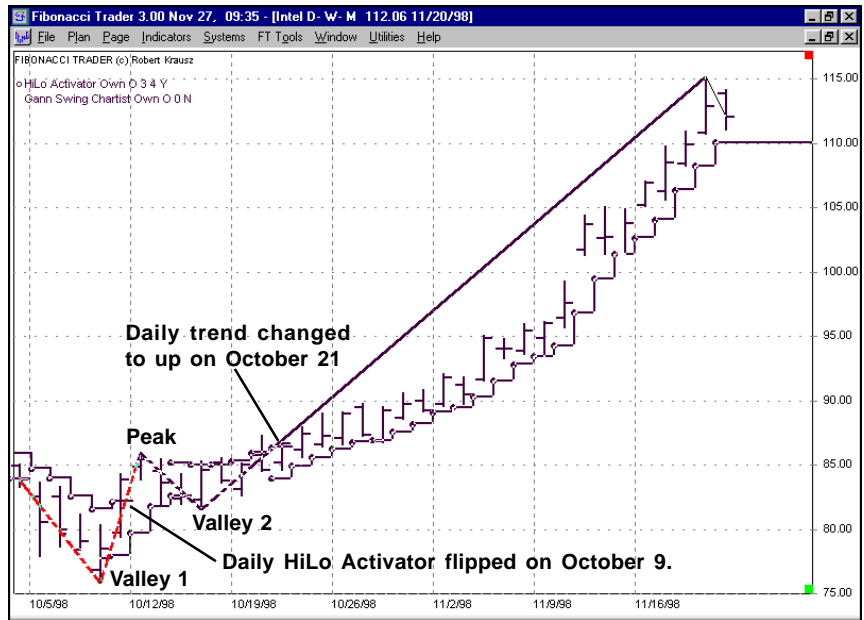


Chart 1: Daily Bars Intel. Some key events occurred prior to a strong trend run. Rising Valley's 1 and 2 formed, with the daily HiLo Activator flipping prior to the peak. Surpassing the peak turned the trend to up, and for 21 days the trend continued higher, supported by the HiLo Activator.

passed, the trend turns to up according to the rules from the Basic Plan.

At this point, the daily trend is up, and what a trend it is! In fact, the trend continues higher for 21 days with clear support from the HiLo Activator. So let's now take up trading the intraday time period, knowing that the daily

trend is up, and that the slope is up, as well as there is support from the daily HiLo Activator.

Chart 2 is a 13 minute/78 minute/Daily plan. We'll still be using our standard format in that the dashed Gann Swing line is a down trend, and the solid Gann Swing line is an up trend. On Chart 2, the *High* time frame,(the

Daily) HiLo Activator is plotted. Looking at Chart 2, we can see that on 10/9, early in the day, the 13 minute Gann Swing Chart went long, and by the close the daily HiLo Activator flipped to an uptrend.

At this point looking to buy is the more conservative approach, as you are trading with the support of the daily HiLo Activator. Why? Because knowing support levels for intraday trading is our advantage, and we look to the HiLo Activator for this. Notice how on 10/15 the market edges down to and touches the daily HiLo Activator, and then rebounds nicely. Next, take a look at Chart 3, and see the same thing. On 10/19 the market trades down to support basis the daily HiLo Activator, then rebounds. Again, on 10/28 the market trades down to

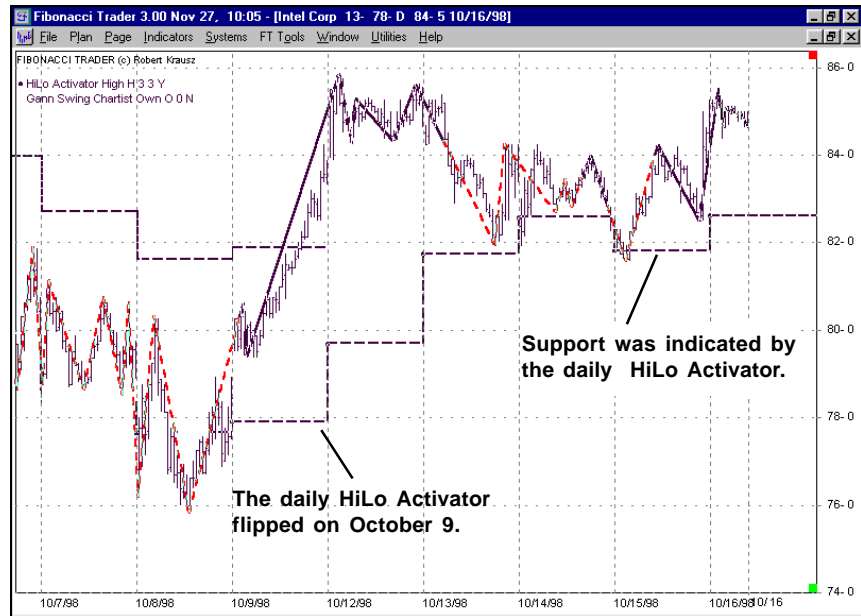


Chart 2: 13 Minute Bars Intel. Here's an intraday look at the activity in Intel as the bottom was forming. This view is a 13 minute/78 minute/Daily plan. The daily HiLo Activator flipped on October 9. During the pull back the price action was supported by the HiLo Activator.

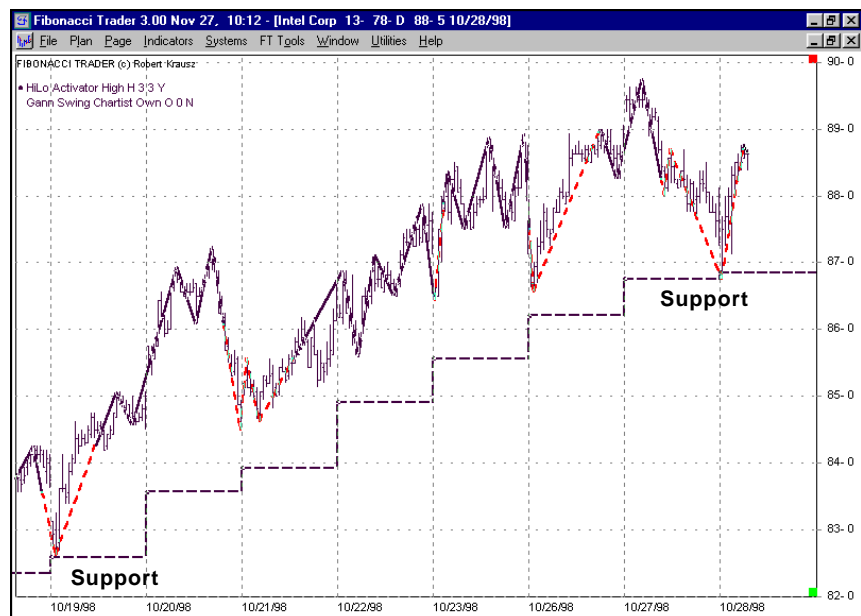


Chart 3: 13 Minute Bars Intel. On October 19 the market trades down to support and then rallies. Again, on October 28 the market tests support and rallies.

the daily HiLo activator and rallies. Even on Chart 4, the market moves into a fairly volatile \$3 trading range on 11/12. Then on 11/13 the market touches the daily HiLo activator during the first 13 minute bar. This turned out to be the low before the next trend run began, as shown on Chart 5.

Let's add the HiLo Activator from the *Next* time (Chart 6, next page), which is the 78 minute bars. Looking closely at the end of trading for 11/9 you can see that the 78 minute HiLo Activator flips to the long side on the close (point XX), which is \$96. The 78 minute HiLo Activator stays long until the closing bar on 11/12 at just under \$103 (point YY).

Carrying over to Chart 7, point A, is the next flip to the long side



Chart 4: 13 Minute Bars Intel. The market trends nicely and then enters into a trading range, once again touching support basis the daily HiLo Activator.



Chart 5: 13 Minute Bars Intel. recall that the dashed Gann Swing Line is a down trend and the solid line is an up trend. Notice how often the 13 minute Gann Swing Lines went long during the up trend.

for the 78 minute HiLo Activator with the price somewhat over \$106. Next, the market enters into a tight trading range with the Gann Swing line signaling a short term downtrend, then flipping back to long, and meanwhile the 78 minute HiLo Activator was solid support the entire time. Then on 11/17 the market breaks out of the two day trading range and rallies over \$9 before the 78 minute HiLo Activator exits near \$113, at point B.

This set of examples displays the opportunities available using the multiple time frame techniques that are the foundation of the Fibonacci Trader program. Combining this approach with the unique indicators available can be the basis for your own trading plans. Take time to study the Gann Swing Chart Basic Plan and develop your own plan for intraday trading stocks. More strategies for this will be coming in future issues.

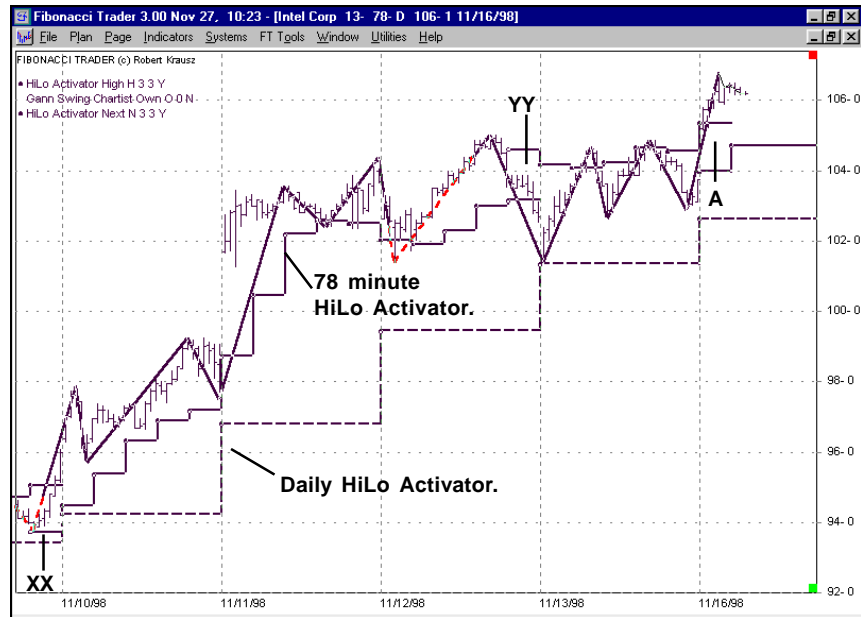


Chart 6: 13 Minute Bars Intel. Let's add the 78 minute HiLo Activator.



Chart 7: 13 Minute Bars Intel. Look at how well the 78 minute HiLo Activator stayed with the intraday trend.



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