

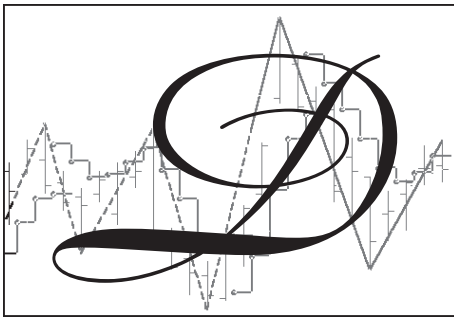


ROBERT  
KRAUSZ'S

# JOURNAL

Volume 2, Issue 2

## INTRODUCING THE HPO™



ear Trader,  
First, I would like to introduce myself. My name is Thom Hartle ([www.thomhartle.com](http://www.thomhartle.com)) and I have put together this latest

issue of the FT Journal. This issue of the Fibonacci Trader Journal introduces a new add-on available for the Fibonacci Trader as well as presents one of my favorite setups for trading.

There are a number of techniques used by traders to determine when to take a position in the markets. Many traders use a combination of indicators, price patterns and Fibonacci levels. Over time, a trader might say "I've seen this particular setup before" and then test for just how many times did a particular setup occur, and what was the outcome. Once a trader goes through this process, they will discover that they can build a collection of setups to watch for.

This is an effective way to approach trading. I consider this to be a process where you are building procedures to follow. Some like to call it "using a

system" or "a mechanical approach". Call it what you like, but most other endeavors in today's world are built around tested procedures.

Consider this situation: When the fire department arrives at the scene of a car accident, many factors vary, but overall, they will follow a set of procedures to insure that the most seriously injured are cared for first, that the safety of the public is protected, and the scene is cleaned up so normalcy is returned. The personal have been trained to follow procedures that have been borne out of experience.

Your approach to trading should be the same way. Have a set of procedures to follow so that you can capitalize on the market situation as it is unfolding. Some people point to the fact that no two tops or bottoms or trends are alike. How can a mechanical system continuously work if that is the case? First, if a trader is using their judgement and making money that I say "if it is not broken, then don't fix it." On the other hand, if a trader finds that they are missing good trades, seem to be only catching trades that are losers, then moving to the sidelines only to watch another profitable opportunity pass by, they need a sound set of procedures to follow. Their "judgement" is

# BUY LOW SELL HIGH

hurting their ability to effectively trade. Having said all of this, I will now move onto describing one of my favorite approaches to the markets and introduce to you the Hartle Prospect Oscillator.

**T**he popular trader's adage "the trend is your friend" is a very important concept to embrace. But first, how do we determine the trend, and once we have a way to say the trend is up, down or sideways, what do we do with it?

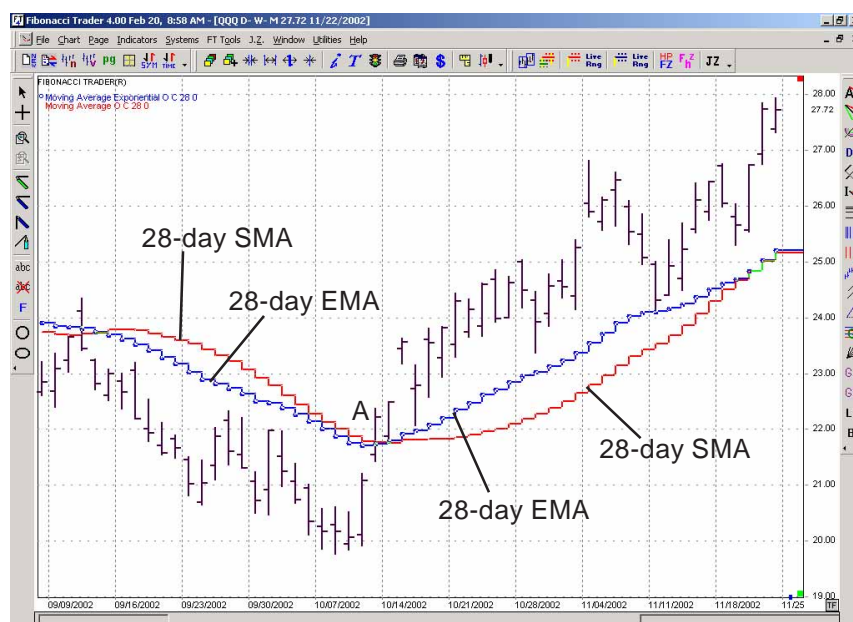
In the Fibonacci Trader program there are a number of techniques for determining the trend. First we can use a multiple time frame approach and if we are trading daily bars, look to the weekly bars for the trend. We can use the Trend Finder, the Balance Step, the Gann Swing Chartist just to name a few. The key is to use a consistent method to say that the trend is up or down, and if possible sideways.

Determining the trend does not need to be a complicated process. But what is important is researching by reviewing numerous examples so that you have a very solid understanding of the ways your tools react to changes in the market. For example, in Figure 1, the QQQs we see a 28-day exponential moving average (EMA) and a 28-day simple moving average (SMA), both plotted as a step formation. Check out bar A. At

that point, the market closed above both moving averages. Notice that the EMA immediately starts to rise while the SMA continues sideways and then rises, lagging the turn in the market. Then the EMA closely tracks the new rising price trend while the SMA is slowly catching up.

Looking to the left of bar A we see again how the EMA quickly follows the price trend down, actually starting above the SMA, then crossing below the SMA as the market trended down into the month of October. Early on, the SMA was moving sideways as the EMA was closely tracking the downtrend. The point is, any tool that you use, you should have a clear understanding of the way it responds to changes in the market.

At this point let's say that if the 28-day EMA is rising, the trend is up, and if the 28-day EMA is falling, the trend is down.



**Figure 1: QQQ.** We compare two moving averages, one is the 28-day EMA, and the other is a 28-day SMA. The exponential moving average started rising as soon as the market close above it at point A. The 28-day SMA lagged the turn.

**F**igure 2 is the QQQs, again with the 28-day EMA, our trend indicator, and the SMA is now using a 10-day lookback period. But instead of thinking of the 10-day SMA as a sign of the direction of the trend, let's just use it as a way to determine where the price is relative to the direction of the trend.

A 10-day moving average is a plot representing the average price for the last ten days. If the current price is below the 10-day moving average then the current price is lower than the average price for the last ten days.

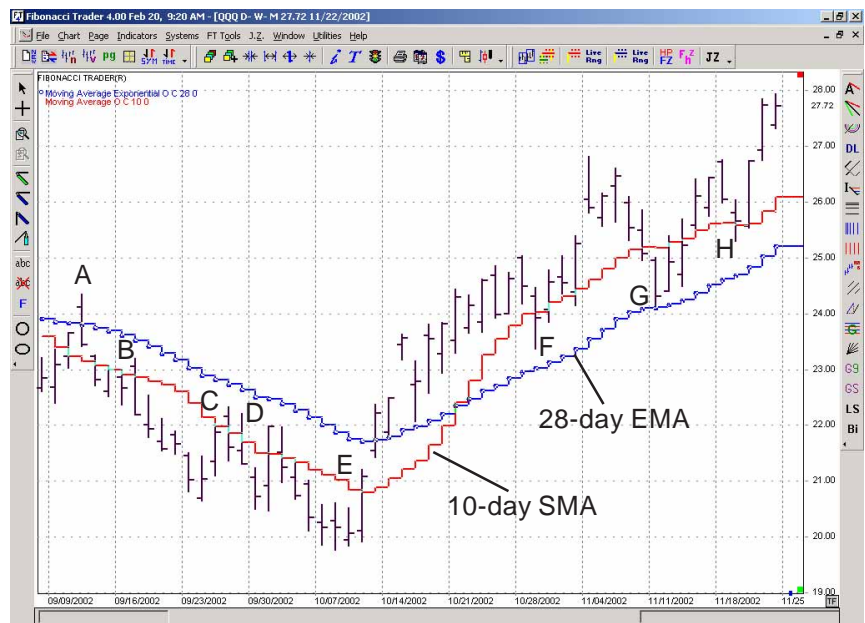
The comments above are a key component to my approach. If the trend is up, that is a rising 28-day EMA, and the current price is below the average price for the last 10 days, then this is a point where there is opportunity. Likewise, if the trend is down, and the price rises above the 10-day moving average, then again, there is an opportunity.

For example, in Figure 2, points A through E are points the market traded above the 10-day SMA while the 28-day EMA was down. Points F through H are points where the market traded below the 10-day moving average while the 28-day EMA was rising.

Point E is an example where the trend was reversing, and therefore the rise above the 10-day moving average was a false signal. Still, at this point we can see the genesis for an approach based on the concept of buy low and sell high or sell high and buy

low. Each rise above the 10-day moving average while the trend was down was followed by new lows for the trend, except point E. Each drop below the 10-day moving average while the trend was up was followed by new highs. Of course, the situation at point E will always happen when the trend changes direction, as well as a tight trading range. And, markets can also enter into such strong trends up or weak trends down that there never is a retracement back across a 10-day moving average.

More to the point, is the concept of buying low and selling high and vice versa. This is what good traders know how to do. Good traders do not chase markets, they wait for the opportunities to come to them. However, we should not just buy if the trend is up and the price drops below the 10-day moving average. We need a price pattern to identify when a swing move has ended.



**Figure 2: QQQs.** Points A through E are places where the price traded above the 10-day SMA, and F through H are points below the 10-day SMA.

**P**rice patterns are the stock and trade for traders. Traders use various price patterns to identify price levels where they should enter into the market, exit losers and take profits. Price patterns range from complex multi-bar patterns down to simple 2 and 3 bar patterns. One popular pattern is the pivot low and pivot high.

Pivot lows and pivot highs, also called isolated highs and lows as well as maximum vibration points (MVP), are simply a three-bar pattern with bar 2 exceeding the lows of bars' 1 and 3 for a pivot low or the highs of bars' 1 and 3 for a pivot high. Another way to look at them is to consider them to be a three bar head & shoulders top or bottom.

These price patterns represent three tries by the market to move in a particular direction, and then the swing reversed. There's nothing to say that the market cannot form another pivot and change directions again, but, a review of the charts will show that the swing or short term trends reverse and display the pivot low or pivot high as the pattern.

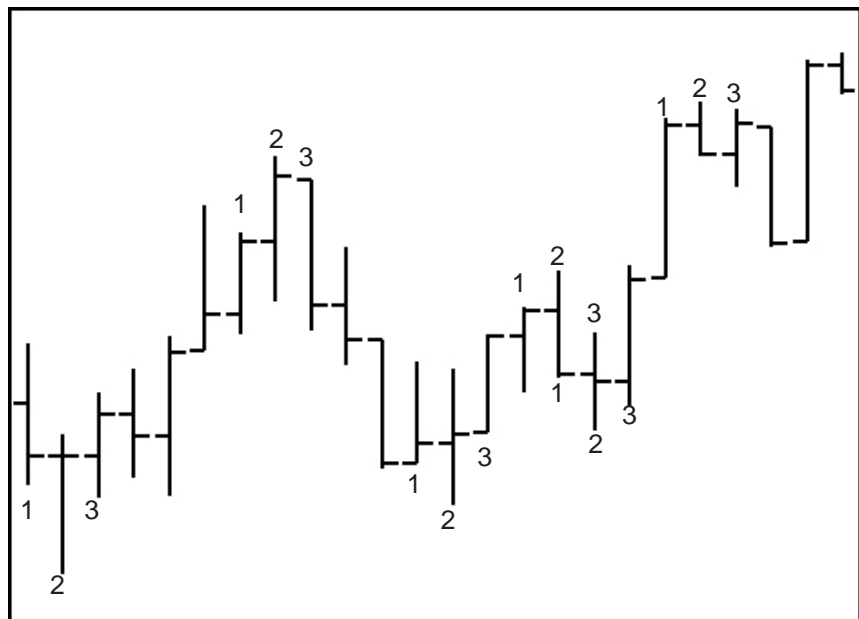
Figure 3 shows a series of swings in an uptrend with each of the pivot lows and pivot highs marked by the labels 1, 2 and 3. We can see that each swing ends with a pivot low or pivot high.

There are two ways to use the pivot low or pivot high for entry signals. The technique is borrowed from the classic use of the head and shoulders pattern, and that is the break of the

neckline drawn along the bottom or top of the two shoulders. With the pivot low, if bar 3 passes the high of bar 2, an entry signal is flashed. For the pivot high, if the market drops below the low of bar 2, a sell signal occurs. The other method is to enter on the close of bar 3.

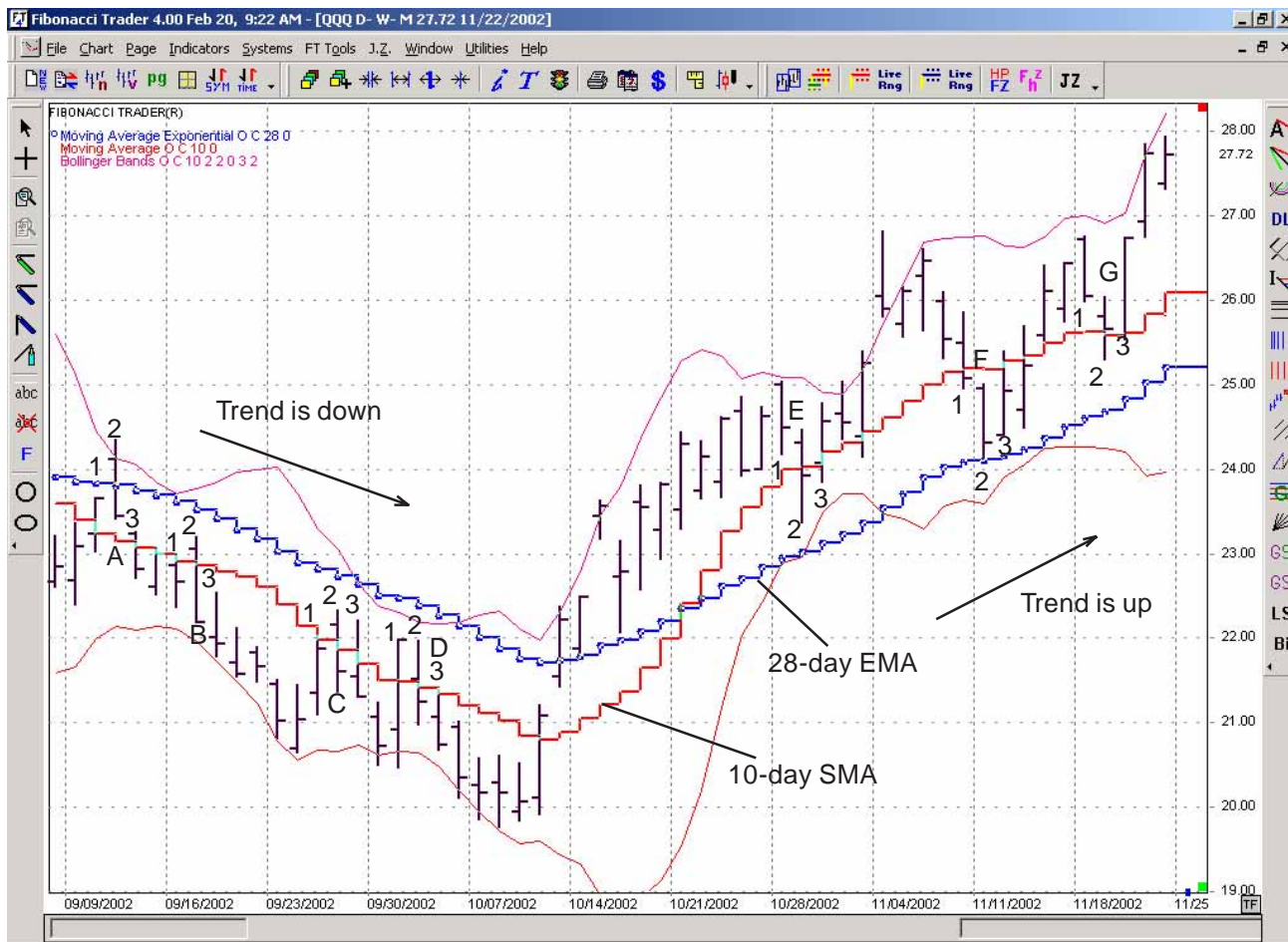
Figure 4 is Figure 2, but we have added Bollinger Bands. I picked a 10-day Bollinger Band setup with the bands plotted two standard deviations about the 10-day simple moving average. I chose this because there are more tags of the Bollinger Bands using a ten day lookback than the 20-day lookback. I only use the tag of a band as a place to take profits. When the market is trending up, it will rarely touch the lower band, and if it is trend down, the market will seldom touch the upper Bollinger Band. However, it does often trade past the 10-day SMA during corrections.

Let's put this together. First, the trend is simply the direction of the 28-day EMA. *It is not the*



**Figure 3: Pivot Highs and Pivot Lows.** A three-bar formation, they mark the end of swings both up and down.





**Figure 4: QQQs.** If the trend is down, look for a pivot high to form with the high of bar 2 above the 10-day moving average. If the trend is up, look for a pivot low to form with the low of bar 2 below the 10-day moving average.

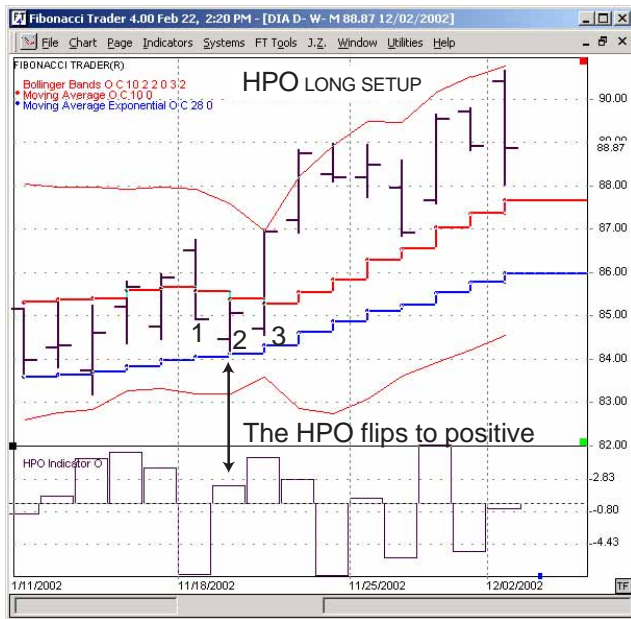
*crossover of the 10-day SMA and the 28-day EMA.* If the 28-day EMA is rising, then we look for a pivot low to form. The low of bar 2 of the pivot low has to penetrate the 10-day moving average. If that is the case, you enter if the high of bar 2 is surpassed or on the close of bar 3. Place your stop below the low of the entry bar and exit if the market tags the upper Bollinger Band.

If the 28-day EMA is falling, then we look for a pivot high to form. The high of bar 2 of the pivot high has to penetrate the 10-day moving average. If that is the case, you enter if the low of bar 2 is

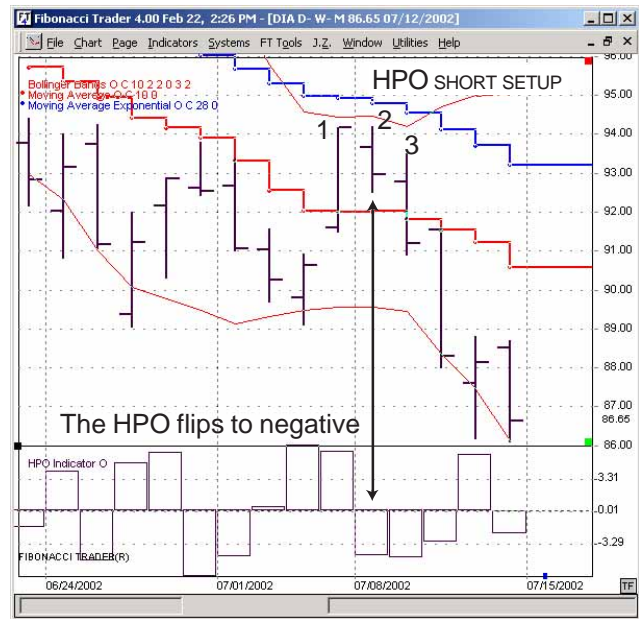
surpassed or on the close of bar 3. Place your stop above the high of the entry bar and exit if the market tags the lower Bollinger Band.

We see short sale trades in Figure 4 for the QQQs at points A, B, C and D, and long trades at points E, F and G.

*Now, when the market is trending, this setup puts you on board after a pullback in an uptrend, and if the market is in a downtrend, the opportunity occurs after a counter-trend rally. If the pullback or rally is actually a new trend emerging, this setup will fail.*



**Figure 5A: Uptrend.** When the trend is up, look for the low of bar 2 to trade below the 10-day SMA, and go long on the close if the HPO flips to positive.



**Figure 5B: Downtrend.** When the trend is down, look for the high of bar 2 to trade above the 10-day SMA, and go short on the close if the HPO flips to negative.

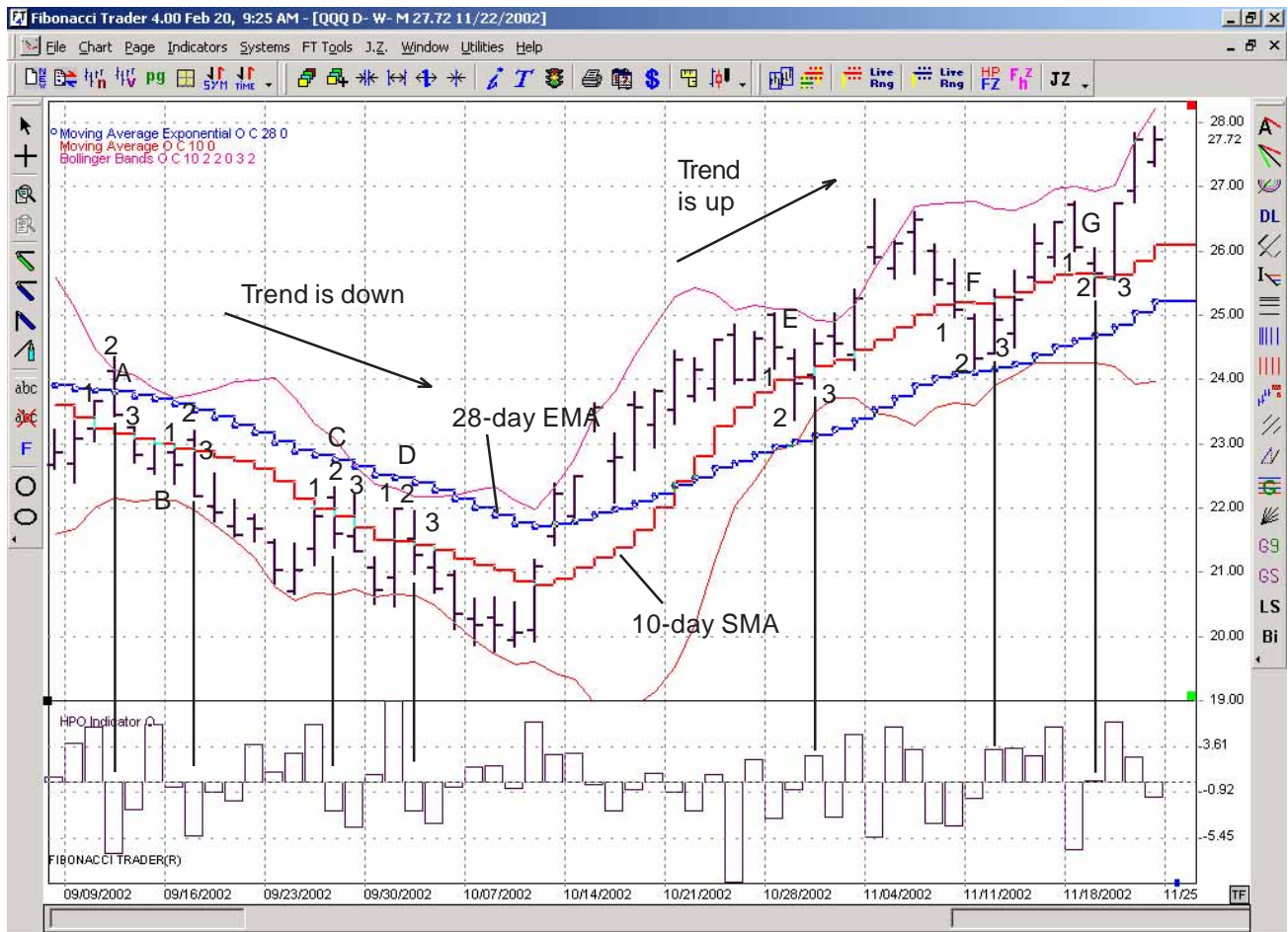
**H**aving worked with pivot lows and highs as part of a trading approach for many years, I wanted to find an indicator that would identify bar 2 as the entry bar, and not wait for bar 3 to pass bar 2 or the close of bar 3. To that end, I developed the Hartle Prospect Oscillator (HPO). The formula is proprietary, and available as an add-on for Fibonacci Trader.

First, the philosophy behind the HPO. During counter-trend movements, especially if there were three or more days down, I noticed that the final bar tended to not close near the extreme price of the bar. In other words, a pullback in an uptrend, the close of the low bar would close somewhere higher than the low. Sometimes, even at the high of that day. However, many times it would be below the

midpoint of the day. I set out to create an indicator that would track how the close was in relationship to the range for that day, as well as the close to range relationships of the previous days. The goal was an oscillator that would flip direction near the end of each swing move. If that was the case, then a trader could take a position on close of bar 2 of the pivot pattern, and not have to wait for bar 3.

Figures 5A and 5B show the ideal entry setups using the exact same rules as previously discussed, except we take a position on the close of bar 2 if the HPO confirms the trade by flipping to positive for a long signal, or flipping to negative for a short signal.

It will not always be the case that the HPO will confirm on bar 2. Many times, it will confirm on bar 3. But that's okay. Figure 6 is Figure 4 displayed



**Figure 6: QQQs.** The same setups shown in Figure 4 are repeated, but the HPO is included. The bars where the HPO crossed from positive to negative or negative to positive are connected to the pivots.

with the HPO and a vertical line is plotted each time a setup occurred for a long or short signal, and the bar the HPO flipped to confirm the entry point.

We can see that setup's A, B, C, D and G were confirmed on bar 2 by the HPO flipping direction, while setups E and F were not confirmed by the HPO until Bar 3.

We can also see that the first change in direction by the market often creates the most extreme reading by the HPO, and then each bar that follows will create less extreme readings unless the market closes near the high or low for the day. However, the HPO is a very sensitive oscillator, and the best use is when

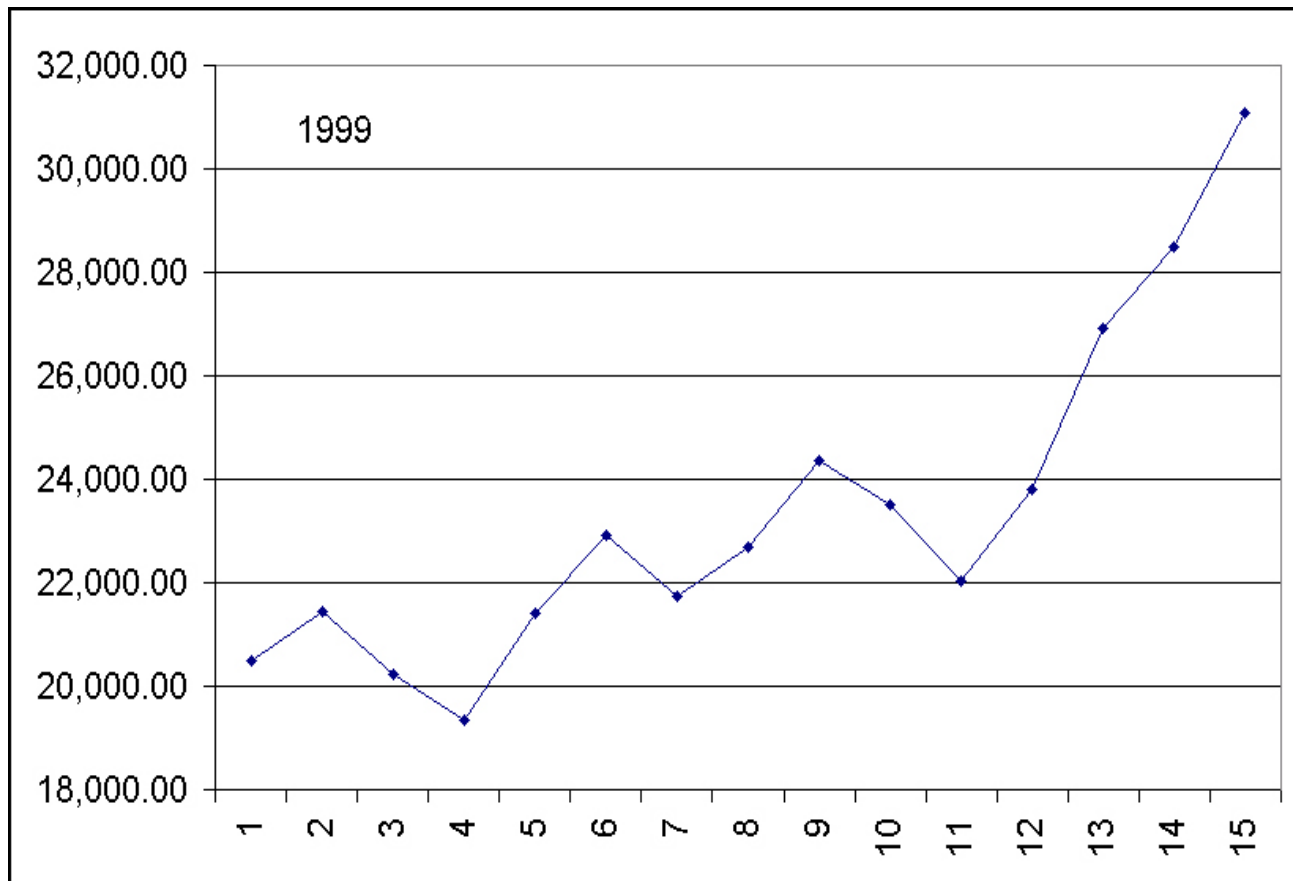
it actually changes from positive to negative for sell signals or negative to positive for buy signals.

**A**ny time a trader can work with a setup that is quantifiable, such as what is described here, a backtest can be performed to determine if the procedures are effective. I do all of my backtesting by hand, reviewing the charts and logging the information in Excel for further analysis. The following pages show the results of my rules on the e-mini Nasdaq 100 futures contract from August 1999 to December 2002. My rules include specific entry, *(Continued on page 14)*

## 1999 E-MINI NASDAQ 100 FUTURES, CONTINUOUS CONTRACT

Date	#	L/S	Signal	Entry	MAE	Exit(pts)	Profit/Loss	20,000.00	Notes
8/2/99	1	S	SZ	2658.00	-28.50	25.00	500.00	20,500.00	Target hit
8/6/99	2	S	SZ	2606.00	-22.00	46.50	930.00	21,430.00	Target hit
8/12/99	3	S	SZ	2607.00	-59.50	-59.50	-1,190.00	21,430.00	Stopped out by high of entry bar
8/19/99	4	S	SZ	2673.00	-45.00	-45.00	-900.00	19,340.00	Stopped out by high of entry bar
8/31/99	5	L	BZ	2777.00	-31.00	103.00	2,060.00	21,400.00	Target hit
9/16/99	6	L	BZ	2841.50	4.00	76.50	1,530.00	22,930.00	Target hit
9/22/99	7	L	BZ	2891.00	-60.00	-60.00	-1,200.00	21,730.00	Stopped out by low of entry bar
10/4/99	8	L	FTBZ	2849.00	-38.00	48.00	960.00	22,690.00	Target hit (profit rule)
10/13/99	9	S	FTSZ	2827.00	-34.00	83.50	1,670.00	24,360.00	Target hit
10/21/99	10	L	FTBZ	2866.00	-43.00	-42.00	-840.00	23,520.00	Reversed on next signal
10/26/99	11	S	FTSZ	2829.00	-74.00	-74.00	-1,480.00	22,040.00	Stopped out by high of entry bar
10/28/99	12	L	FTBZ	2913.50	-9.50	88.50	1,770.00	23,810.00	Target hit
12/1/99	13	L	BZ	3367.00	-3.50	155.50	3,110.00	26,920.00	3rd HPO positive in a row
12/9/99	14	L	BZ	3520.00	-38.50	79.00	1,580.00	28,500.00	3rd HPO positive in a row
12/15/99	15	L	BZ	3589.00	-4.50	128.50	2,570.00	31,070.00	Target hit

Beginning Equity: \$20,000	Ending Equity: \$31,070.00	Total Net Profit: \$11,070.00
Total Trades: 15	# of Winning Trades: 10	# of Losing Trades: 5
Largest Winning Trade: \$3,110.00	Largest Losing Trade: (\$1,480.00)	
Average Winning Trade: \$1,642.00	Average Losing Trade: (\$646.00)	
Maximum Consecutive Winners: 4	Maximum Consecutive Losers: 2	
Maximum Consecutive Drawdown (%): -10.7%	Maximum Consecutive Drawdown (\$): (\$2,320.00)	
Maximum Drawdown from peak (%): -10.7%	Maximum Drawdown from peak (\$): (\$2,320.00)	



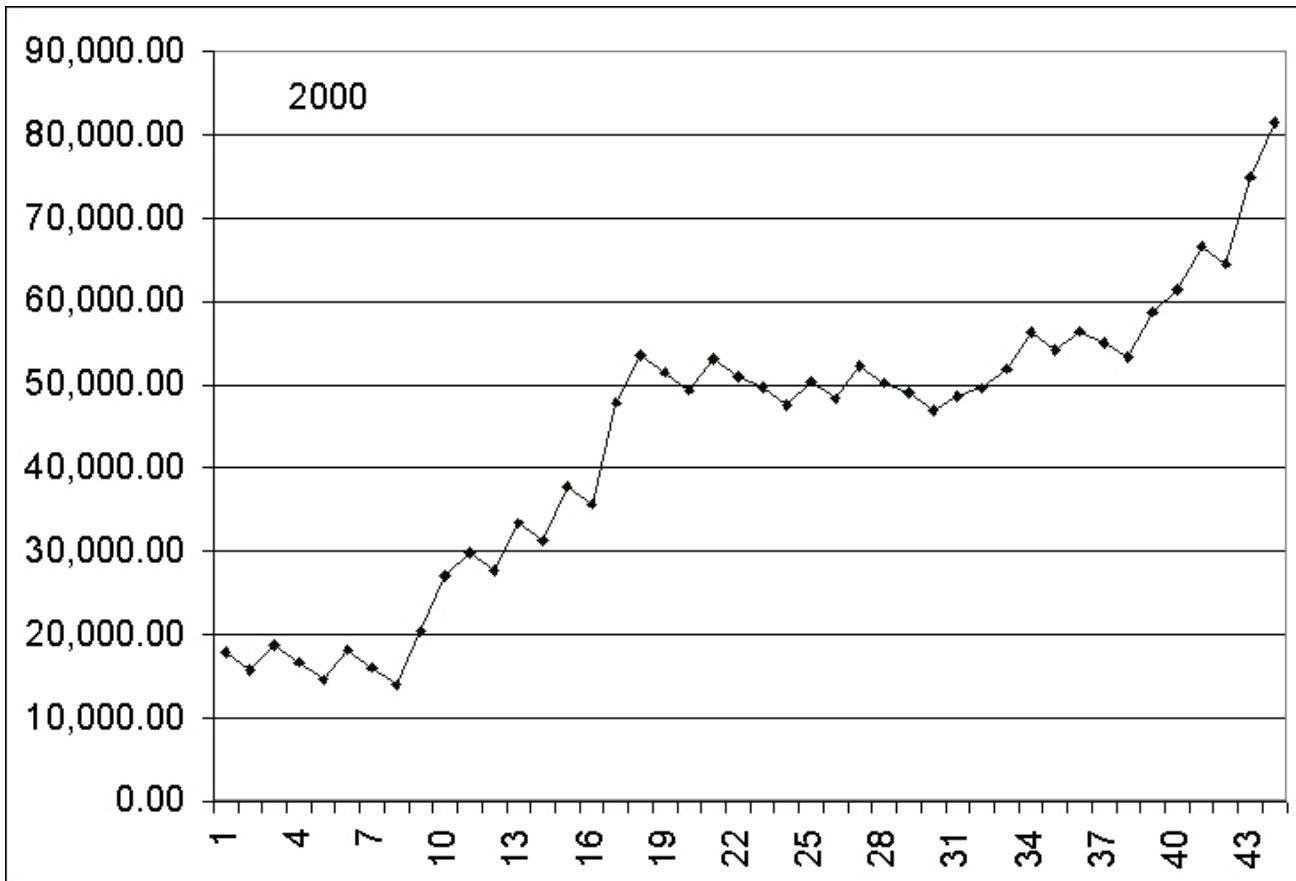


## 2000 E-MINI NASDAQ 100 FUTURES, CONTINUOUS CONTRACT

Date	#	L/S	Signal	Entry	MAE	Exit	Profit/Loss	20,000.00	Notes
1/5/00	1	L	BZ	3816.50	-105.00	-105.00	-2,100.00	17,900.00	100 risk point hit
1/10/00	2	L	FTBZ	4078.50	-105.00	-105.00	-2,100.00	15,800.00	100 risk point hit
1/13/00	3	L	BZ	3961.00	-7.50	149.50	2,990.00	18,790.00	3rd HPO positive in a row
1/25/00	4	L	BZ	4097.00	-105.00	-105.00	-2,100.00	16,690.00	100 risk point hit
1/27/00	5	L	BZ	3944.50	-105.00	-105.00	-2,100.00	14,590.00	100 risk point hit
2/1/00	6	L	FTBZ	4032.00	-31.50	178.00	3,560.00	18,150.00	Target hit
2/14/00	7	L	BZ	4312.00	-105.00	-105.00	-2,100.00	16,050.00	100 risk point hit
2/15/00	8	L	BZ	4345.00	-105.00	-105.00	-2,100.00	13,950.00	100 risk point hit
2/22/00	9	L	BZ	4276.00	-5.50	320.00	6,400.00	20,350.00	3rd HPO positive in a row
2/28/00	10	L	BZ	4466.50	0.50	334.50	6,690.00	27,040.00	Target hit
3/8/00	11	L	BZ	4766.00	-82.00	140.50	2,810.00	29,850.00	Target hit
3/17/00	12	L	FTBZ	4761.00	-105.00	-105.00	-2,100.00	27,750.00	100 risk point hit
3/21/00	13	L	BZ	4762.50	-26.00	281.00	5,620.00	33,370.00	Target hit
3/31/00	14	L	FTBZ	4702.00	-105.00	-105.00	-2,100.00	31,270.00	100 risk point hit
4/10/00	15	S	SZ	4270.00	-75.00	325.50	6,510.00	37,780.00	3rd HPO negative in a row
4/26/00	16	S	SZ	3772.00	-105.00	-105.00	-2,100.00	35,680.00	100 risk point hit
5/1/00	17	S	SZ	4111.50	-20.00	609.50	12,190.00	47,870.00	Target hit (3rd HPO down)
5/17/00	18	S	SZ	3832.00	-17.50	285.00	5,700.00	53,570.00	Target hit (Previous bar, 3rd HPO down but new sell signal)
5/31/00	19	S	SZ	3569.50	-105.00	-105.00	-2,100.00	51,470.00	100 risk point hit
6/13/00	20	L	BZ	4018.00	-105.00	-105.00	-2,100.00	49,370.00	100 risk point hit
6/15/00	21	L	BZ	4003.00	-32.50	185.00	3,700.00	53,070.00	Target hit (profit rule 1)
6/23/00	22	S	FTSZ	3913.50	-105.00	-105.00	-2,100.00	50,970.00	100 risk point hit
6/28/00	23	L	BZ	4001.00	-64.50	-64.50	-1,290.00	49,680.00	Stopped out by at low
6/30/00	24	L	FTBZ	4002.50	-105.00	-105.00	-2,100.00	47,580.00	100 risk point hit
7/12/00	25	L	BZ	4116.00	-11.50	142.50	2,850.00	50,430.00	3rd HPO positive in a row
7/20/00	26	L	BZ	4237.50	-105.00	-105.00	-2,100.00	48,330.00	100 risk point hit
7/24/00	27	S	FTSZ	4005.00	-92.00	197.50	3,950.00	52,280.00	Target hit
8/4/00	28	S	SZ	3817.50	-105.00	-105.00	-2,100.00	50,180.00	100 risk point hit
8/8/00	29	S	SZ	3903.00	-57.00	-57.00	-1,140.00	49,040.00	Stopped out by high of entry bar
8/9/00	30	S	SZ	3879.00	-105.00	-105.00	-2,100.00	46,940.00	100 risk point hit
8/14/00	31	L	BZ	3933.50	-39.00	82.50	1,650.00	48,590.00	Target hit (profit rule)
8/23/00	32	L	BZ	4087.50	-6.00	52.00	1,040.00	49,630.00	Target hit
9/21/00	33	S	SZ	3887.50	-65.00	115.00	2,300.00	51,930.00	Target hit
9/29/00	34	S	SZ	3743.50	-74.50	219.00	4,380.00	56,310.00	3rd HPO negative in a row
10/17/00	35	S	SZ	3292.50	-105.00	-105.00	-2,100.00	54,210.00	100 risk point hit
10/24/00	36	S	FTSZ	3465.00	-19.50	110.00	2,200.00	56,410.00	OK to Short (overlap rule), then Target Hit
10/27/00	37	S	SZ	3345.00	-69.00	-69.00	-1,380.00	55,030.00	Stopped out by SMA
11/1/00	38	S	SZ	3390.00	-86.50	-86.50	-1,730.00	53,300.00	Stopped out by high of entry bar
11/6/00	39	S	SZ	3453.50	-44.50	273.00	5,460.00	58,760.00	Target hit
11/16/00	40	S	SZ	3061.50	-90.50	131.50	2,630.00	61,390.00	Target hit
11/27/00	41	S	SZ	2919.00	-33.00	261.50	5,230.00	66,620.00	3rd HPO negative in a row
12/6/00	42	S	SZ	2847.50	-105.00	-105.00	-2,100.00	64,520.00	100 risk point hit
12/13/00	43	S	FTSZ	2874.50	-42.00	522.00	10,440.00	74,960.00	Target hit (new sell signal following entry signal)
12/28/00	44	S	SZ	2579.00	-28.00	329.00	6,580.00	81,540.00	3rd HPO positive in a row

## 2000 E-MINI NASDAQ 100 FUTURES, CONTINUOUS CONTRACT

Beginning Equity: \$20,000	Ending Equity: \$81,540.00	Total Net Profit: \$61,540.00
Total Trades: 44	# of Winning Trades: 22	# of Losing Trades: 22
Largest Winning Trade: \$12,190.00	Largest Losing Trade: (\$2,100.00)	
Average Winning Trade: \$4,767.27.00	Average Losing Trade: (\$1970.00)	
Maximum Consecutive Winners: 4	Maximum Consecutive Losers: 3	
Maximum Consecutive Drawdown (%): -21.0%	Maximum Consecutive Drawdown (\$): (\$5,490.00)	
Maximum Drawdown from peak (%): -30.3%	Maximum Drawdown from peak (\$): (\$6,130.00)	

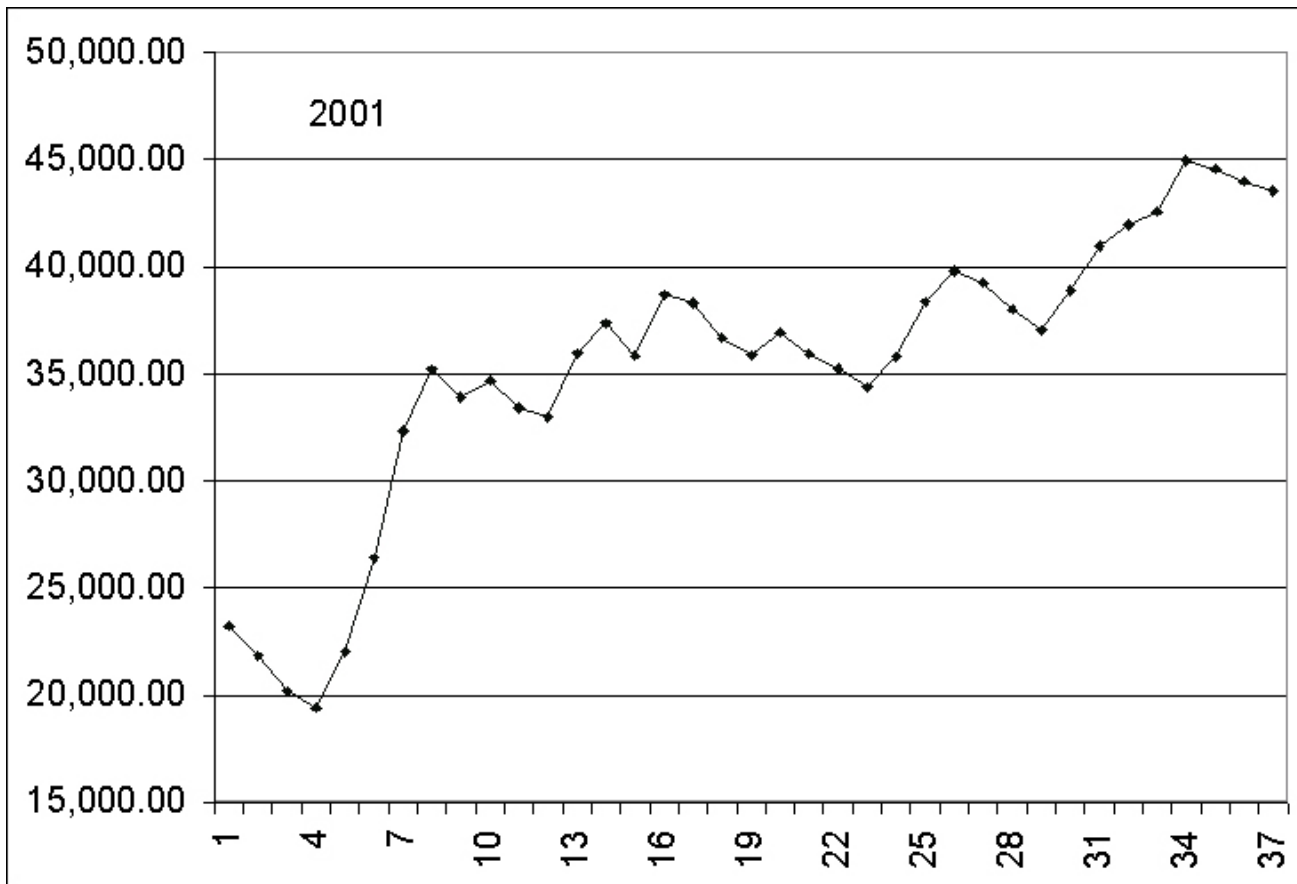


## 2001 E-MINI NASDAQ 100 FUTURES, CONTINUOUS CONTRACT

Date	#	L/S	Signal	Entry	MAE	Exit	Profit/Loss	20,000.00	Notes
1/4/01	1	S	SZ	2563.50	-65.00	161.00	3,220.00	23,220.00	Target hit
1/11/01	2	S	SZ	2590.00	-69.50	-69.50	-1,390.00	21,830.00	Stopped out by high of entry bar
1/12/01	3	S	SZ	2617.50	-82.00	-82.00	-1,640.00	20,190.00	Stopped out by high of entry bar
1/26/01	4	L	BZ	2723.00	-52.50	-39.50	-790.00	19,400.00	Reversal signal on close
1/31/01	5	S	FTSZ	2688.50	-36.50	130.00	2,600.00	22,000.00	Target hit
2/15/01	6	S	SZ	2433.50	-16.50	221.00	4,420.00	26,420.00	3rd HPO negative in a row
3/7/01	7	S	SZ	2066.00	-34.00	295.50	5,910.00	32,330.00	3rd HPO negative in a row (previous bar was a sell signal)
3/23/01	8	S	SZ	1786.00	-43.00	144.00	2,880.00	35,210.00	Target hit
4/11/01	9	S	SZ	1710.00	-64.00	-64.00	-1,280.00	33,930.00	Stopped out by high of entry bar
4/25/01	10	L	BZ	1876.00	-53.50	37.45	749.00	34,679.00	Stopped out by SMA
5/4/01	11	L	BZ	1992.50	-53.15	-63.15	-1,263.00	33,416.00	Stopped out by SMA
5/11/01	12	L	BZ	1886.50	-23.00	-23.00	-460.00	32,956.00	Stopped out by low of entry bar
5/16/01	13	L	FTBZ	1949.00	0.00	149.50	2,990.00	35,946.00	Target hit
5/29/01	14	S	FTSZ	1908.50	-6.50	71.00	1,420.00	37,366.00	3rd HPO negative in a row
6/7/01	15	L	BZ	2009.50	-75.50	-75.50	-1,510.00	35,856.00	Stopped out by low of entry bar
6/11/01	16	S	FTSZ	1902.50	-26.00	142.50	2,850.00	38,706.00	Target hit
6/27/01	17	S	SZ	1803.50	-20.00	-20.00	-400.00	38,306.00	Stopped out by high of entry bar
6/28/01	18	S	SZ	1830.50	-84.50	-81.00	-1,620.00	36,686.00	Reversal Signal
7/3/01	19	L	BZ	1879.50	-40.50	-40.50	-810.00	35,876.00	Stopped out by low of entry bar
7/13/01	20	S	SZ	1797.00	-8.00	53.05	1,061.00	36,937.00	Stopped out by SMA
7/23/01	21	S	SZ	1674.00	-50.35	-50.35	-1,007.00	35,930.00	Stopped out by SMA
7/30/01	22	S	SZ	1713.50	-35.00	-35.00	-700.00	35,230.00	Stopped out by high of entry bar
7/31/01	23	S	SZ	1724.50	-32.05	-42.05	-840.91	34,389.09	Stopped out by high of entry bar
8/6/01	24	S	FTSZ	1746.00	-12.50	70.00	1,400.00	35,789.09	Target hit (new sell signal previous target bar)
8/27/01	25	S	SZ	1615.50	-3.00	128.50	2,570.00	38,359.09	3rd HPO negative in a row (previous bar , new sell signal)
9/4/01	26	S	SZ	1458.00	-17.50	73.00	1,460.00	39,819.09	Target hit
10/2/01	27	S	SZ	1187.00	-28.50	-28.50	-570.00	39,249.09	Stopped out by high of entry bar
10/4/01	28	S	SZ	1288.00	-61.50	-61.50	-1,230.00	38,019.09	Stopped out by high of entry bar
10/17/01	29	S	FTSZ	1332.00	-51.50	-50.00	-1,000.00	37,019.09	Reversal Signal
10/19/01	30	L	FTBZ	1377.00	-15.00	93.00	1,860.00	38,879.09	Target hit (previous bar was new buy signal)
10/31/01	31	L	BZ	1392.50	-8.50	105.00	2,100.00	40,979.09	3rd HPO positive in a row (previous bar, new buy signal)
11/12/01	32	L	BZ	1553.00	-4.00	48.50	970.00	41,949.09	3rd HPO positive in a row
11/23/01	33	L	BZ	1603.00	-24.00	31.50	630.00	42,579.09	Target hit
11/29/01	34	L	BZ	1628.50	-42.50	119.00	2,380.00	44,959.09	Target hit
12/12/01	35	L	BZ	1691.50	-19.50	-19.50	-390.00	44,569.09	Stopped out by low of entry bar
12/14/01	36	L	BZ	1635.50	-29.00	-29.00	-580.00	43,989.09	Stopped out by low of entry bar
12/27/01	37	L	FTBZ	1630.00	-21.50	-21.50	-430.00	43,559.09	Stopped out by low of entry bar

## 2001 E-MINI NASDAQ 100 FUTURES, CONTINUOUS CONTRACT

Beginning Equity: \$20,000	Ending Equity: \$43,559.09	Total Net Profit: \$10,810.00
Total Trades: 37	# of Winning Trades: 18	# of Losing Trades: 19
Largest Winning Trade: \$5,910.00	Largest Losing Trade: (\$1,640.00)	
Average Winning Trade: \$2,303.89	Average Losing Trade: (\$942.68)	
Maximum Consecutive Winners: 5	Maximum Consecutive Losers: 3	
Maximum Consecutive Drawdown (%): -16.5%	Maximum Consecutive Drawdown (\$): (\$3,820.00)	
Maximum Drawdown from peak (%): -16.5%	Maximum Drawdown from peak (\$): (\$4,316.91)	



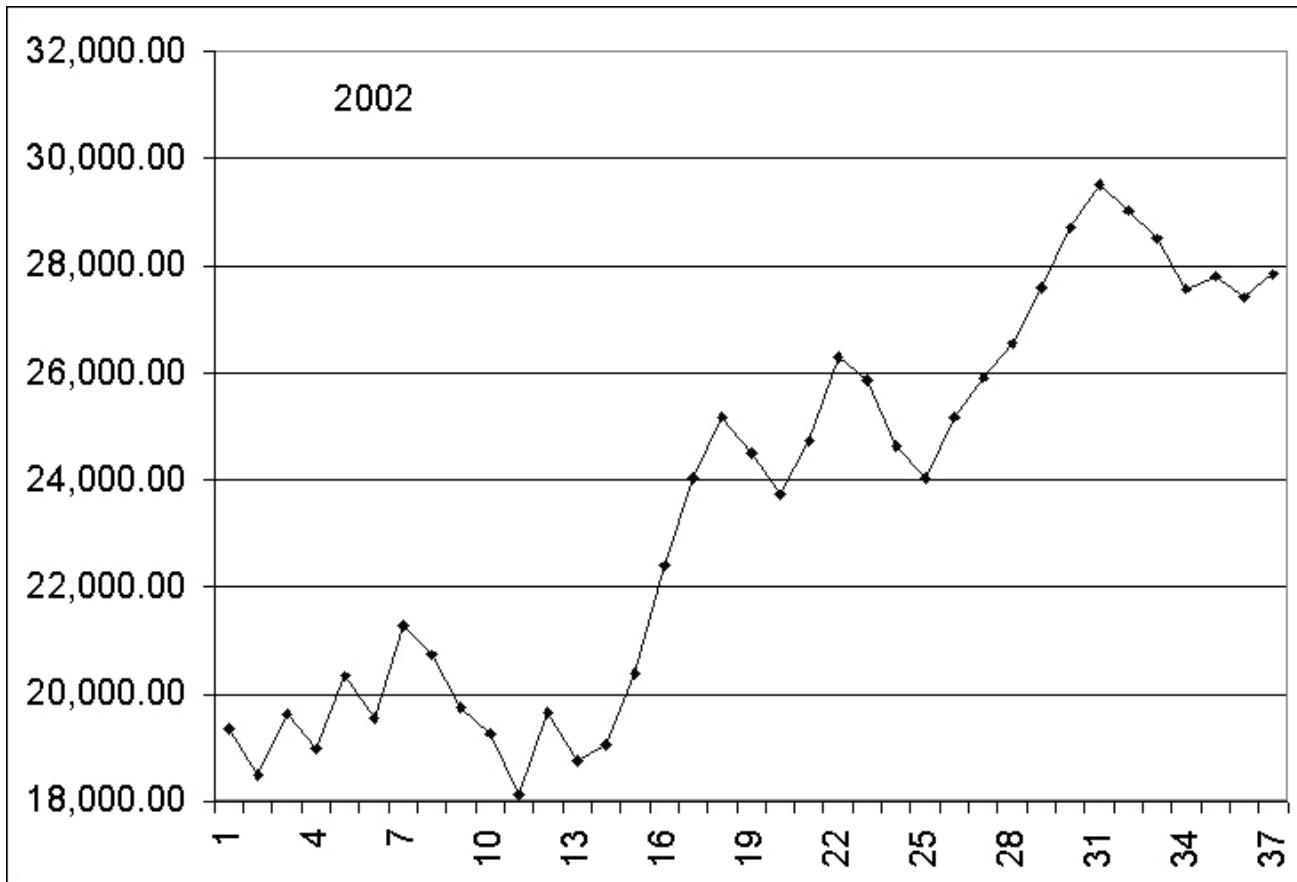


## 2002 E-MINI NASDAQ 100 FUTURES, CONTINUOUS CONTRACT

Date	#	L/S	Signal	Entry	MAE	Exit	Profit/Loss	20,000.00	Notes
1/10/02	1	L	BZ	1682.50	-32.00	-32.00	-640.00	19,360.00	Stopped out by low of entry bar
1/14/02	2	S	FTSZ	1626.50	-43.50	-43.50	-870.00	18,490.00	Stopped out by high of entry bar
1/15/02	3	S	SZ	1641.50	0.00	57.00	1,140.00	19,630.00	3rd HPO negative in a row
1/29/02	4	S	SZ	1546.50	-32.70	-32.70	-654.00	18,976.00	Stopped out by SMA
2/1/02	5	S	SZ	1551.50	-0.50	68.00	1,360.00	20,336.00	3rd HPO negative in a row
2/12/02	6	S	SZ	1477.50	-39.00	-39.00	-780.00	19,556.00	Stopped out by high of entry bar
2/14/02	7	S	SZ	1502.00	0.00	86.00	1,720.00	21,276.00	3rd HPO negative in a row
2/26/02	8	S	SZ	1419.50	-27.00	-27.00	-540.00	20,736.00	Stopped out by high of entry bar
2/27/02	9	S	SZ	1400.00	-49.50	-49.50	-990.00	19,746.00	Stopped out by high of entry bar
3/20/02	10	S	FTSZ	1464.00	-44.50	-23.75	-475.00	19,271.00	Stopped out by SMA
4/1/02	11	L	FTBZ	1492.50	-58.00	-58.00	-1,160.00	18,111.00	Stopped out by low of entry bar
4/17/02	12	S	SZ	1421.00	-12.00	77.00	1,540.00	19,651.00	3rd HPO negative in a row
5/9/02	13	S	SZ	1255.00	-45.00	-45.00	-900.00	18,751.00	Stopped out by high of entry bar
5/20/02	14	S	FTBZ	1307.50	-14.00	15.40	308.00	19,059.00	Stopped out by SMA
5/24/02	15	S	SZ	1266.50	-12.50	66.50	1,330.00	20,389.00	Target Hit (Profit Rule 1)
6/18/02	16	S	SZ	1179.00	0.00	100.50	2,010.00	22,399.00	Stopped out by SMA
6/28/02	17	S	SZ	1058.00	-10.50	82.00	1,640.00	24,039.00	3rd HPO negative in a row
7/8/02	18	S	SZ	1029.00	-7.00	57.00	1,140.00	25,179.00	3rd HPO negative in a row
7/12/02	19	S	SZ	1005.00	-34.00	-34.00	-680.00	24,499.00	Stopped out by high of entry bar
7/16/02	20	S	SZ	1020.00	-38.50	-38.50	-770.00	23,729.00	Stopped out by high of entry bar
7/18/02	21	S	SZ	1002.00	0.00	49.50	990.00	24,719.00	Stopped out by SMA
7/30/02	22	S	SZ	984.50	-8.00	78.50	1,570.00	26,289.00	3rd HPO negative in a row
8/9/02	23	S	SZ	943.00	-21.50	-21.50	-430.00	25,859.00	Stopped out by high of entry bar
8/13/02	24	S	SZ	915.00	-61.00	-61.00	-1,220.00	24,639.00	Stopped out by high of entry bar
8/26/02	25	L	BZ	1020.50	-30.00	-30.00	-600.00	24,039.00	Stopped out by low of entry bar
9/11/02	26	S	SZ	947.00	-3.50	57.00	1,140.00	25,179.00	Stopped out by SMA
9/26/02	27	S	SZ	872.00	-24.00	36.50	730.00	25,909.00	Target Hit
10/2/02	28	S	SZ	858.00	-5.50	32.00	640.00	26,549.00	Stopped out by SMA
10/30/02	29	L	BZ	991.00	-17.50	52.00	1,040.00	27,589.00	Target Hit
11/12/02	30	L	BZ	1004.50	-18.00	56.00	1,120.00	28,709.00	Stopped out by SMA
11/20/02	31	L	BZ	1076.00	0.00	40.50	810.00	29,519.00	Stopped out by SMA
11/29/02	32	L	BZ	1117.00	-24.45	-24.45	-489.00	29,030.00	Stopped out by SMA
12/4/02	33	L	BZ	1071.00	-26.00	-26.00	-520.00	28,510.00	Stopped out by low of entry bar
12/6/02	34	L	BZ	1070.00	-47.00	-47.00	-940.00	27,570.00	Stopped out by low of entry bar
12/17/02	35	S	SZ	1046.00	-1.50	11.45	229.00	27,799.00	Stopped out by SMA
12/24/02	36	S	SZ	1024.00	-19.50	-19.50	-390.00	27,409.00	Stopped out by high of entry bar
12/26/02	37	S	SZ	1020.00	-5.00	22.00	440.00	27,849.00	Target Hit

## 2002 E-MINI NASDAQ 100 FUTURES, CONTINUOUS CONTRACT

Beginning Equity: \$20,000	Ending Equity: \$27,849.00	Total Net Profit: \$7,849.00
Total Trades: 37	# of Winning Trades: 19	# of Losing Trades: 18
Largest Winning Trade: \$2,010.00	Largest Losing Trade: (\$1,220.00)	
Average Winning Trade: \$1,099.82	Average Losing Trade: (\$724.89)	
Maximum Consecutive Winners: 6	Maximum Consecutive Losers: 4	
Maximum Consecutive Drawdown (%): -15%	Maximum Consecutive Drawdown (\$): (\$3,165.00)	
Maximum Drawdown from peak (%): -15%	Maximum Drawdown from peak (\$): (\$3,165.00)	



risk management and profit taking techniques. I chose the e-mini Nasdaq 100 contract because of the leverage and the ability to manage the trade over a 24 hour period. Still, the QQQs should be close to the same signals. The setups presented can be used with other situations.

The HPO is available as a trial version at the FT home Web site ([www.fibonaccitrader.com](http://www.fibonaccitrader.com)) with the last three bars disabled. You can download it for free and work with it on your own setups in your favorite markets. If you decide you want the

pass code to enable the HPO, the cost is \$299.00. Included with the passcode are two manuals, one detailing all of the exact rules and the 3+ year back test showing all signals and trades. The trades are only made on the close, unless the stoploss point is hit.



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