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TAG XVII • Las Vegas '95

Joe DiNapoli — Fibonacci Applications

Joe DiNapoli, an internationally recognized lecturer, widely acclaimed author and re-searcher, has over 25 years active trading experience. Joe's exhaustive investigations into **Displaced Moving Averages**, his creation of the **Proprietary Oscillator Predictor**, and in particular, his practical and unique method of applying **Fibonacci Ratios** to the price axis, makes him one of today's most respected experts in these areas.

As President of Coast Investment Software, Inc., located on Siesta Key in Sarasota, Florida, Joe continues to develop and deploy "high accuracy" trading methods, using a combination of leading and lagging indicators in unique and innovative ways.

A registered C.T.A., Joe has taught his techniques in the major financial capitals of Europe and Asia as well as in the United States. His articles have appeared in a wide variety of technical publications across the nation and around the world.

SuperTraders Almanac selected *High Performance Futures Trading; Power Lessons from the Masters*, to which Joe contributed, as 1990 Book of the Year. Joe has also authored the *Fibonacci Money Management and Trend Analysis in Home Trading* course, praised by professional and novice traders alike.

When Chuck LeBeau (*Technical Traders Bulletin*) asked his readers for names of successful traders they most wanted to see interviewed, Joe DiNapoli's name came up more often than any other.

- **Topic: Advanced Fibonacci Applications and the Price Axis in the Forex, Stock Index and Interest Rate Futures**

Joe's techniques result in significantly higher percentages of winning trades through more accurate stop placement, market entry and profit objective location. Joe's high accuracy trading approach depends on the proper mix of both leading (Fibonacci) and lagging indicators. In this seminar you will learn where and how to apply **Fibonacci Analysis**. This context determines the real bottom-line difference. Joe will devote a significant part of his lecture to trend analysis and directional techniques using unique variations of **Stochastics, MACD and Displaced Moving Averages**. Technical Analysis software packages can simulate all of these unique and specific variations through preprogrammed studies or by inserting the formulas Joe will provide for you.

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A complete catalogue of all TAG XVII tapes may be ordered from:

Telerate Seminars
701 Poydras, Suite 3900
New Orleans, LA 70139-3901
(800) 535-7990
(504) 592-4550
FAX (504) 592-4553

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Joe DiNapoli



JOE DINAPOLI
Coast Investment Software
6907 Midnight Pass
Siesta Key
Sarasota, FL 34242
Phone: 941-346-3801
FAX: 941-346-3901

THE DILEMMA:

You know the market is going up, you're sure of it, and you're long, but, ...you also know you must have a stop.

So, you place a stop and you get stopped out, just before the market goes exactly where you knew it was going all along.

Then, you get back in, at a new high, just in time for another pull back.

So, you turn off the screen and go for a drive...when you come back, you luck out and find the market seriously higher. You're in profit and want some protection.

So, you place a break even stop.

Then some news hits. The market breaks hard, gets your stop, and promptly closes at contract highs.

THE FRUSTRATION:

When you're right the market, you lose, break even, or take excessive risk.

When you're wrong the market you just lose.

THE ANSWER:

Understanding the proper use and context, in which to apply a high quality leading indicator. One that is designed to give you precise entry, stop, and targeted objective points, before the market ever gets there. If you turn out to be totally wrong in market direction, the same indicator controls your risk.

THE BOTTOM LINE:

Buy pre-calculated dips in an up-trend, sell pre-calculated rallies in a down-trend, place stops properly, and take precalculated profits.

That's what this workshop is all about!

THE THREE CATEGORIES OF A WINNING FUTURES TRADING STRATEGY

1. MANAGEMENT OF:

- yourself
 - know thyself (overtrading)
 - understand your reasons for trading
 - ...excitement or profit
 - find what's hidden by researching your own monthly statements
- your trading capital
 - 3 period rule

2. COMPETENT TREND AND DIRECTIONAL ANALYSIS

(lagging indicators)

* KNOW WHAT TIME FRAME YOU LIVE IN

- MOVING AVERAGES fair
- STOCHASTICS fair
- TREND LINES, TREND CHANNELS fair
- MACD & STOCHASTIC COMBINATION good
- DISPLACED MOVING AVERAGES good
- PATTERNS THAT WORK good
- * COMBINE ABOVE WITH PROVEN OSCILLATOR STUDY IN A HIGHER DEGREE TIME FRAME i.e., OSCILLATOR PREDICTOR (leading indicator). THIS FILTERS TRADING SIGNALS, AND PROVIDES LOGICAL PROFIT OBJECTIVES.

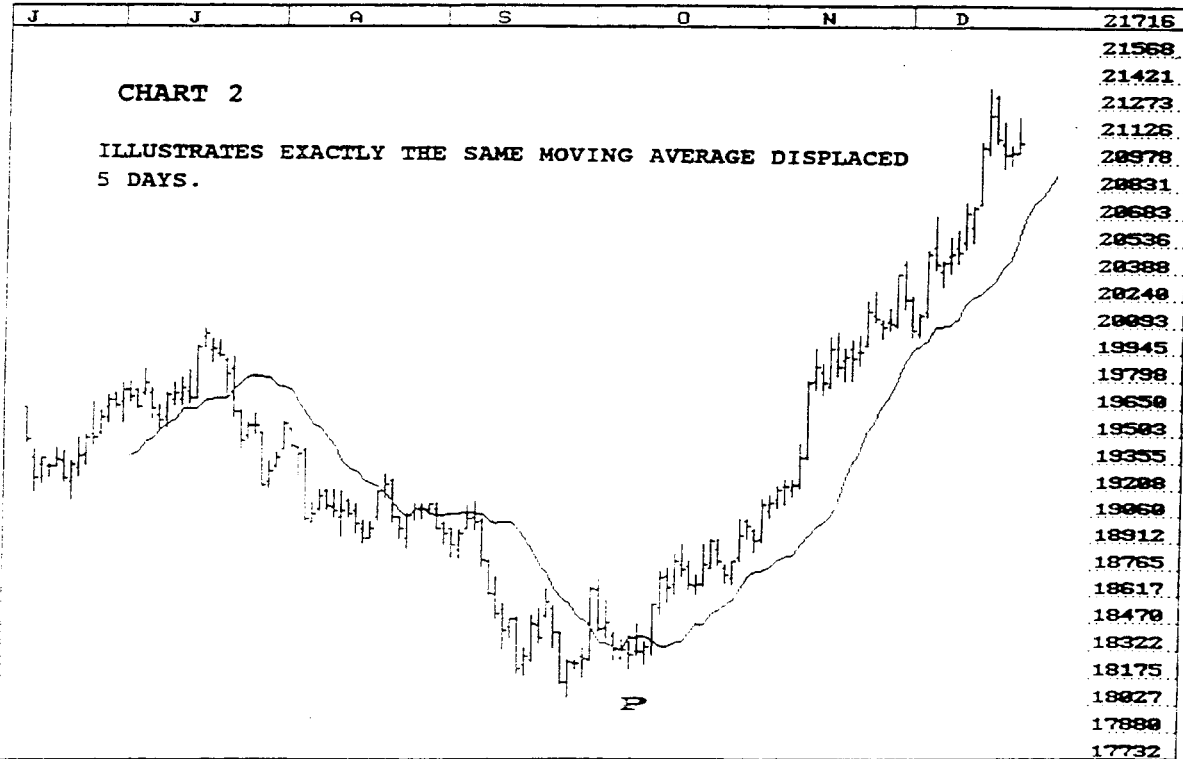
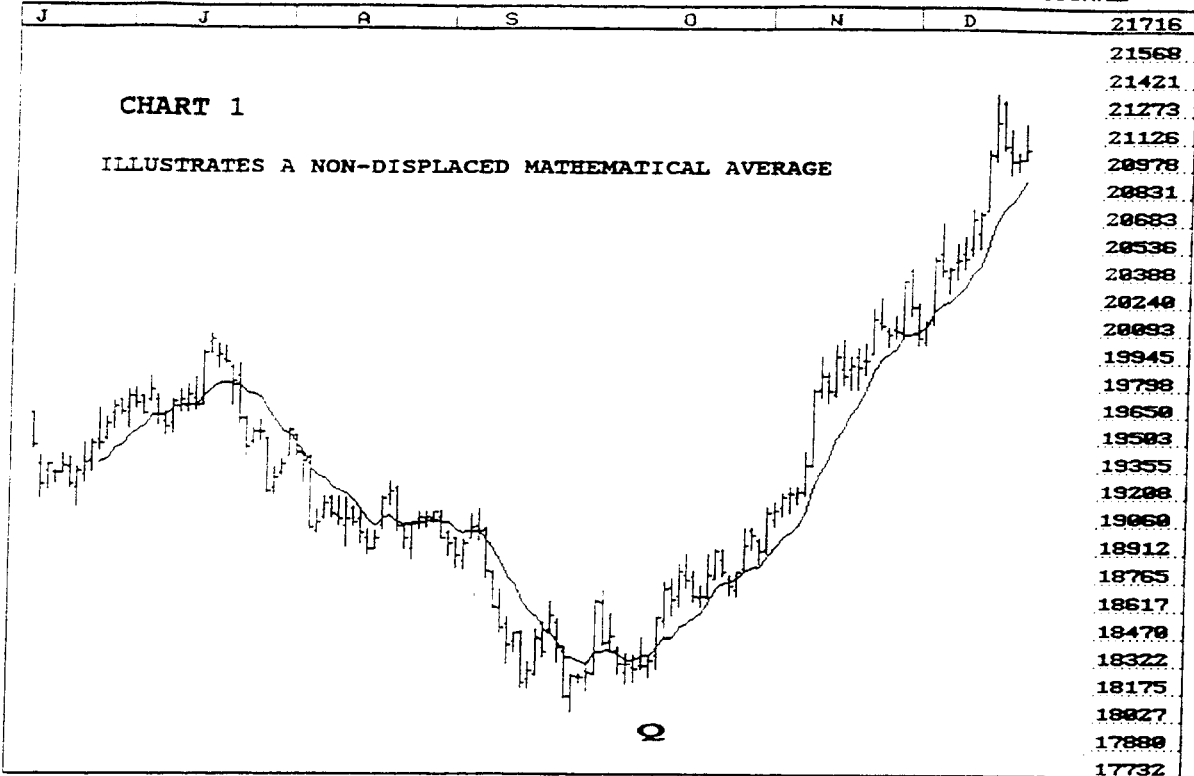
3. PROPER APPLICATION OF FIBONACCI RETRACEMENT & OBJECTIVE ANALYSIS (leading indicator)

- PINPOINT MARKET ENTRIES
- PINPOINT STOPS
- CALCULATE LOGICAL PROFIT OBJECTIVES

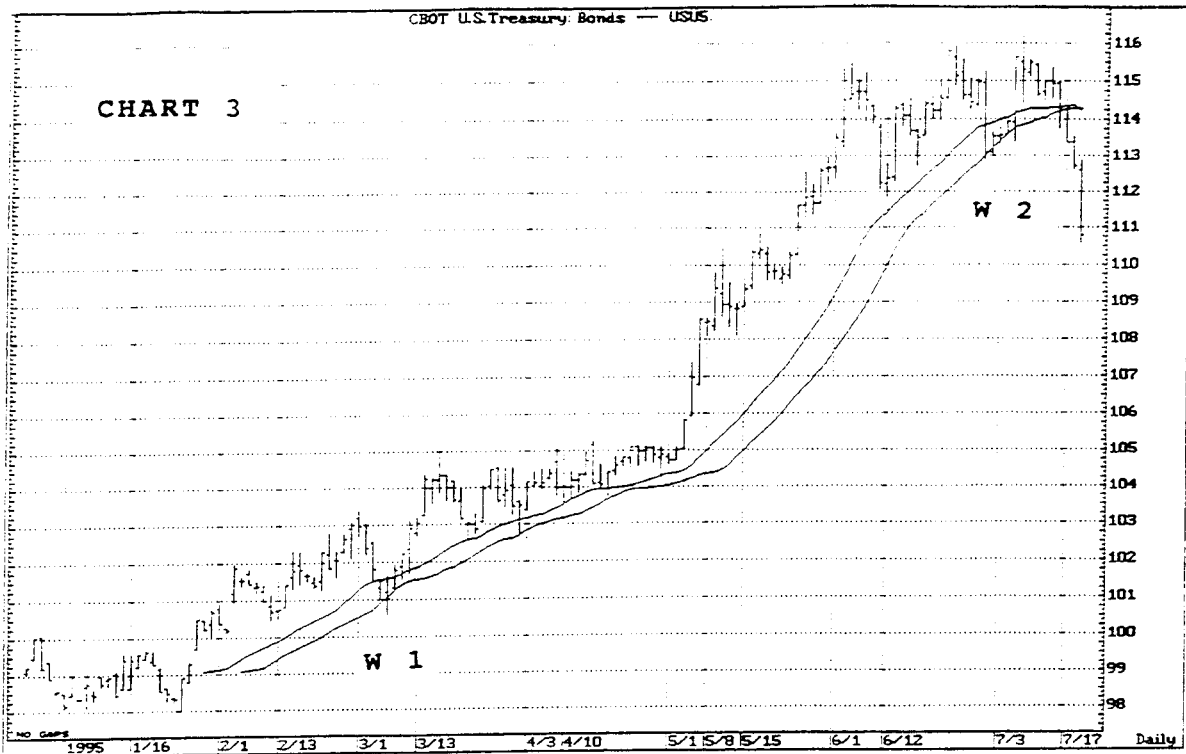
GOAL: * MINIMIZE RISK

* INSURE A 70-80% PROBABILITY OF GAIN

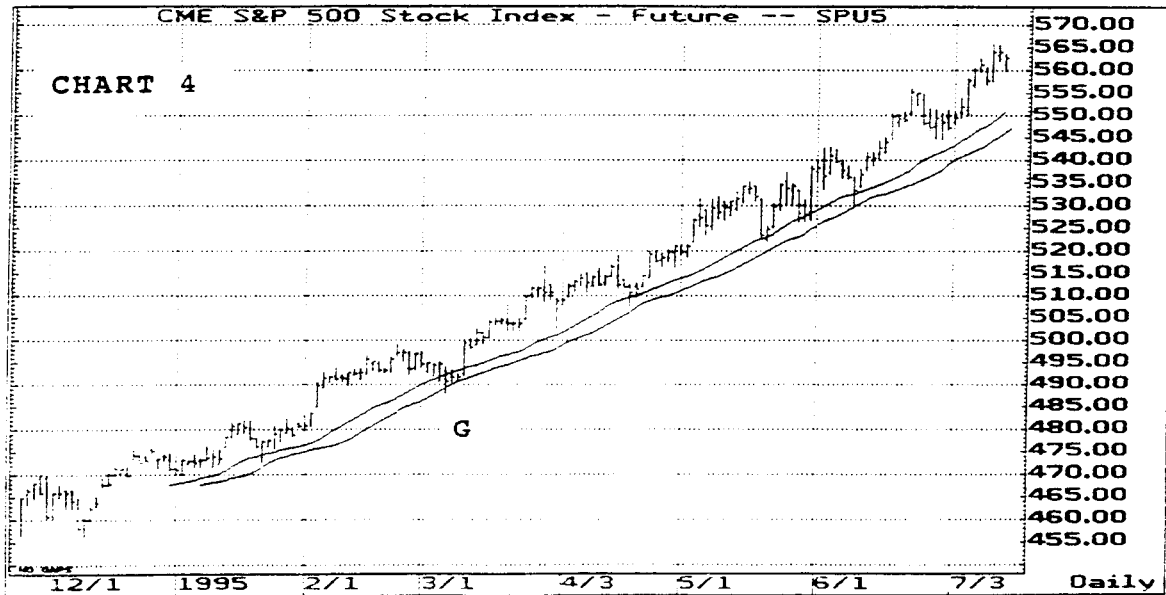
* INCREASE YOUR EQUITY

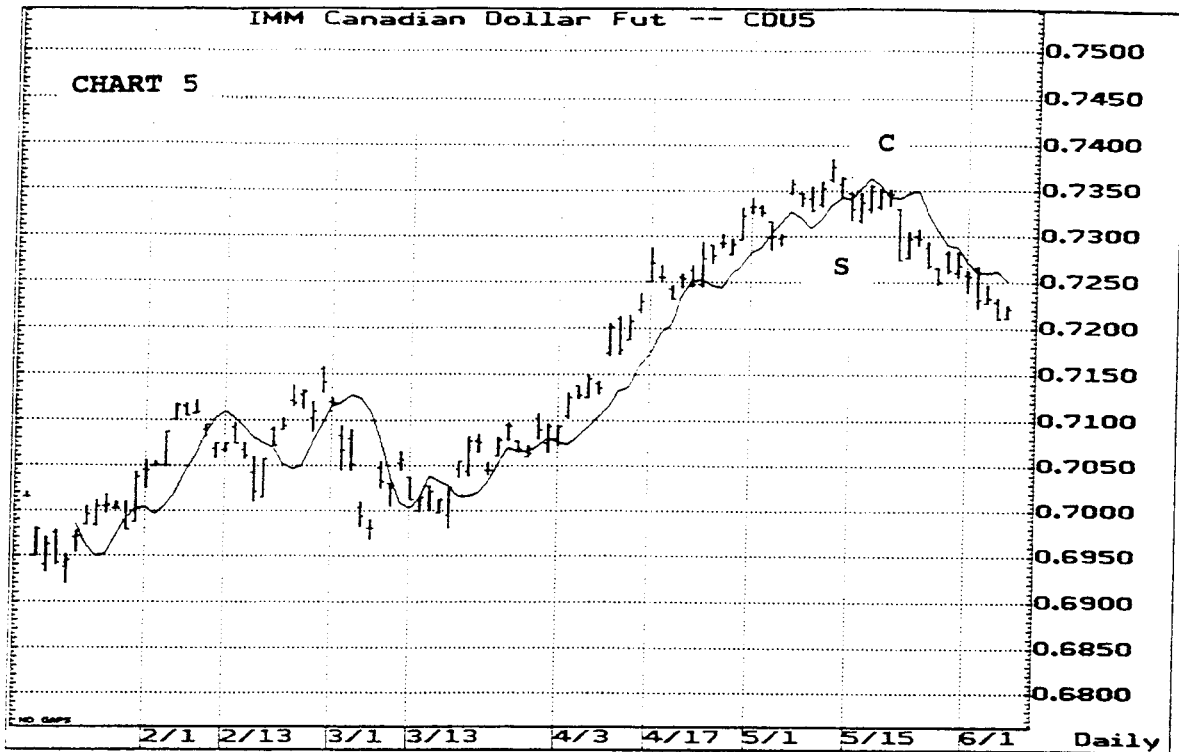


ONE ADVANTAGE OF USING TIME DISPLACED MOVING AVERAGES OVER STANDARD MOVING AVERAGES IS IN THEIR ABILITY TO DECREASE "WHIPSAW" SIGNALS.

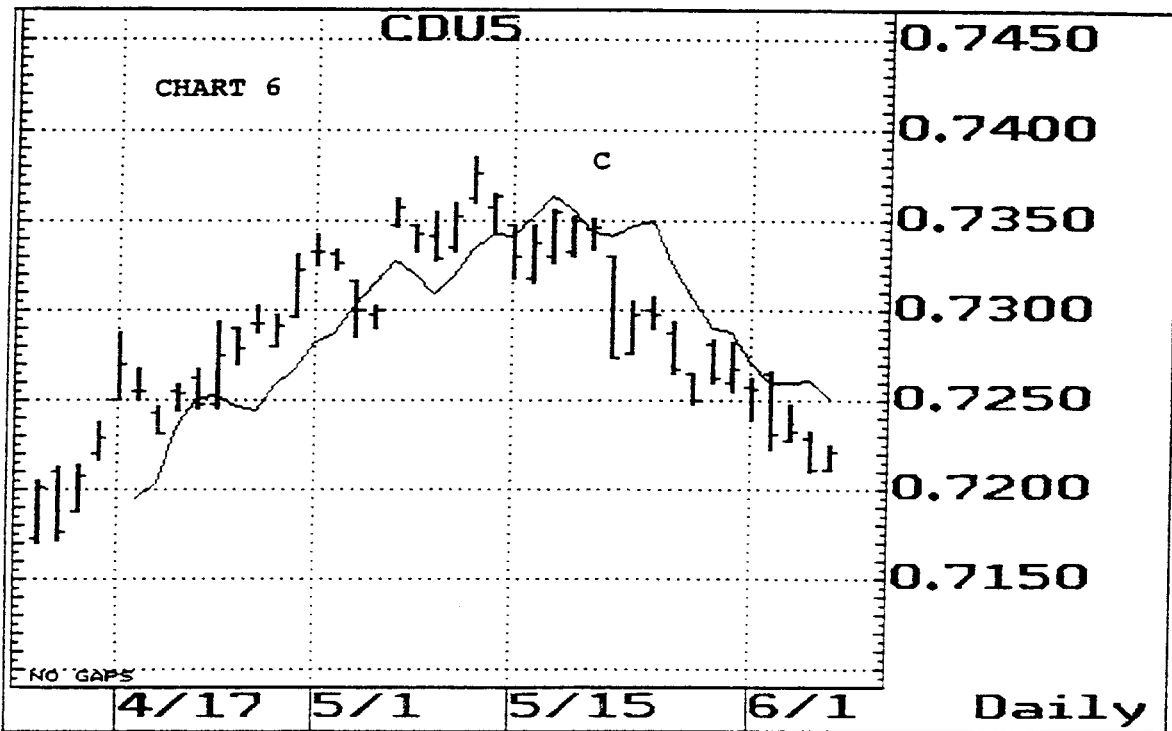


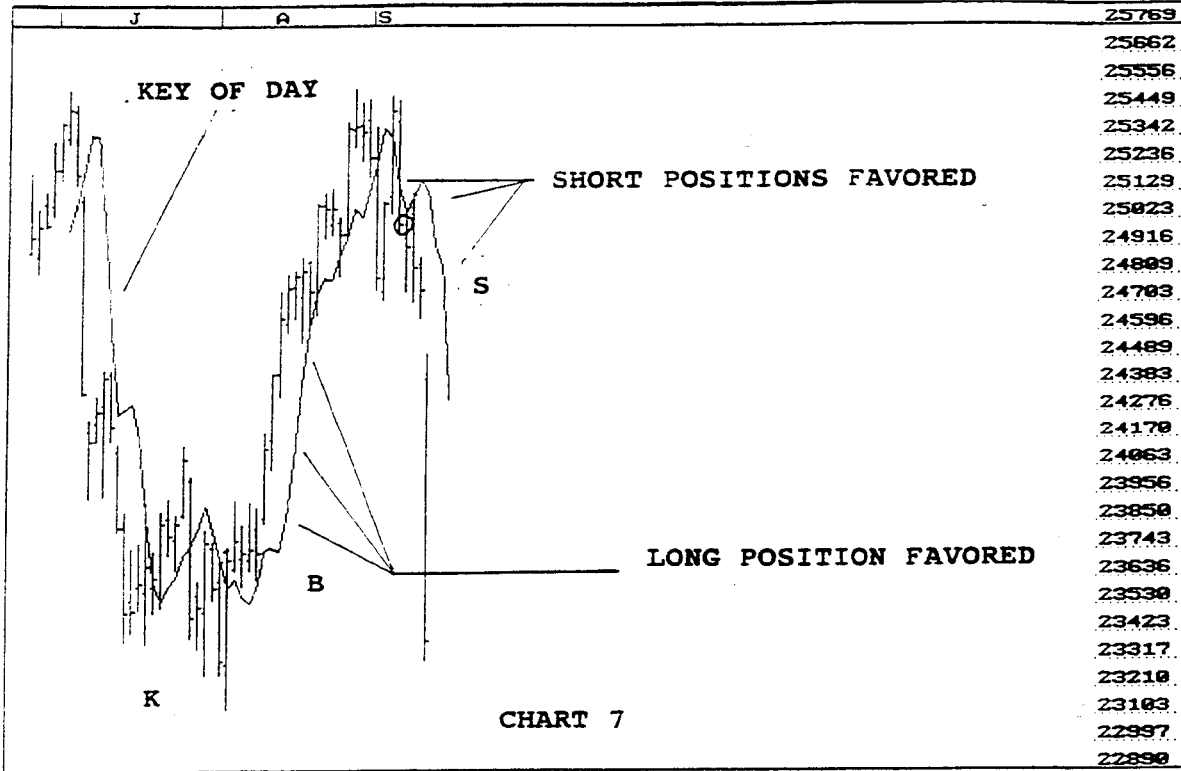
Charts 3 & 4 illustrate one advantage of using Displaced Moving Averages over a non-displaced MA of the same period, i.e. DMAs reduce "whipsaw" action.





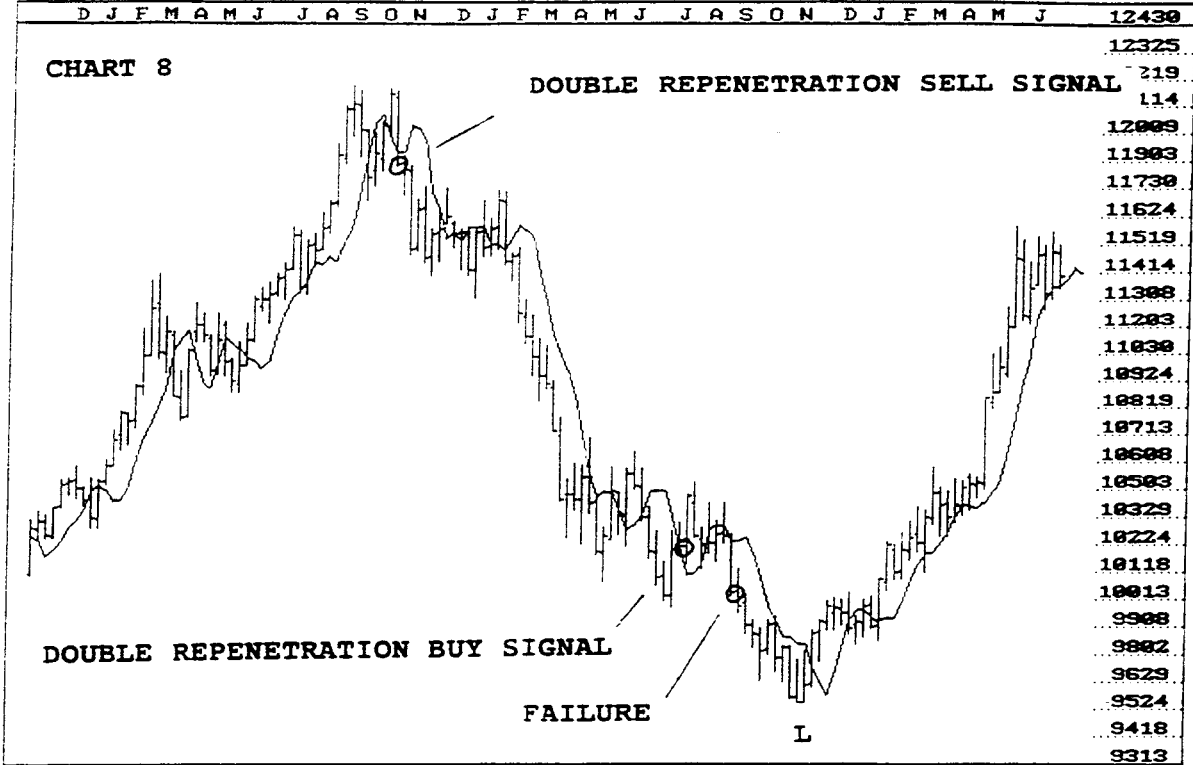
Charts 5 & 6 illustrate how the 3x3 DMA cups market action "C" after a confirmed sell "S"



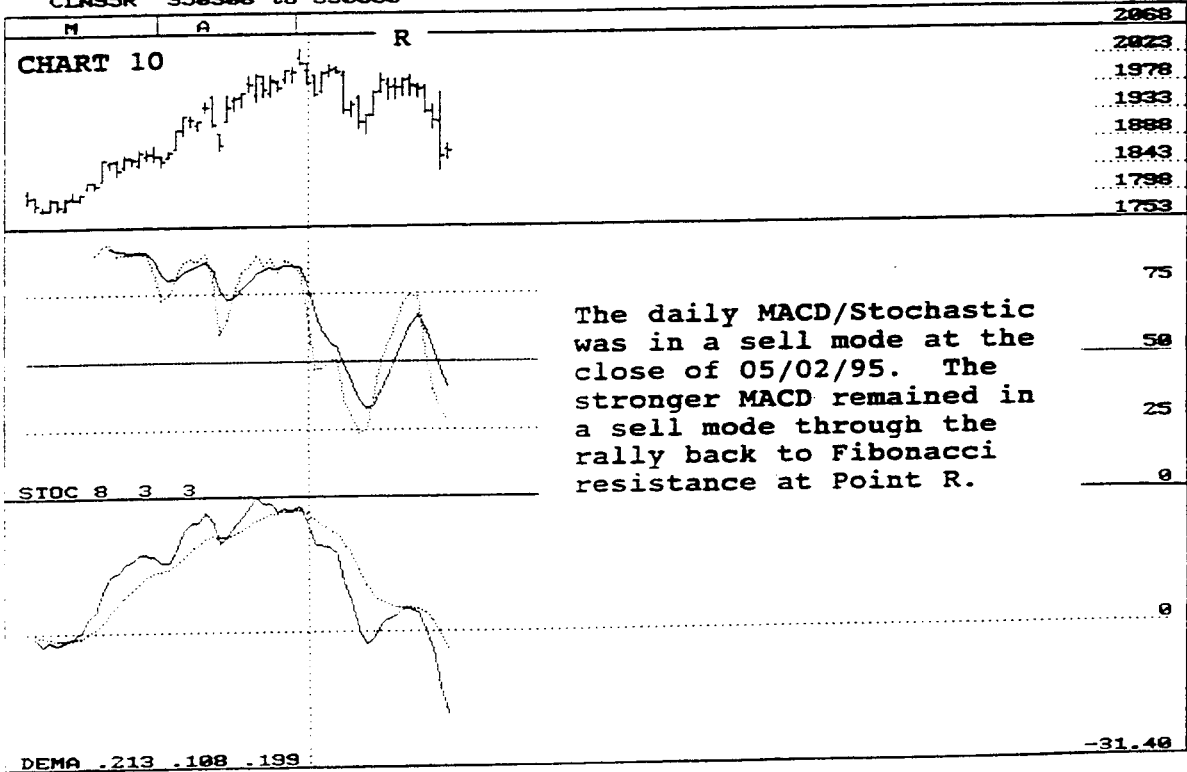
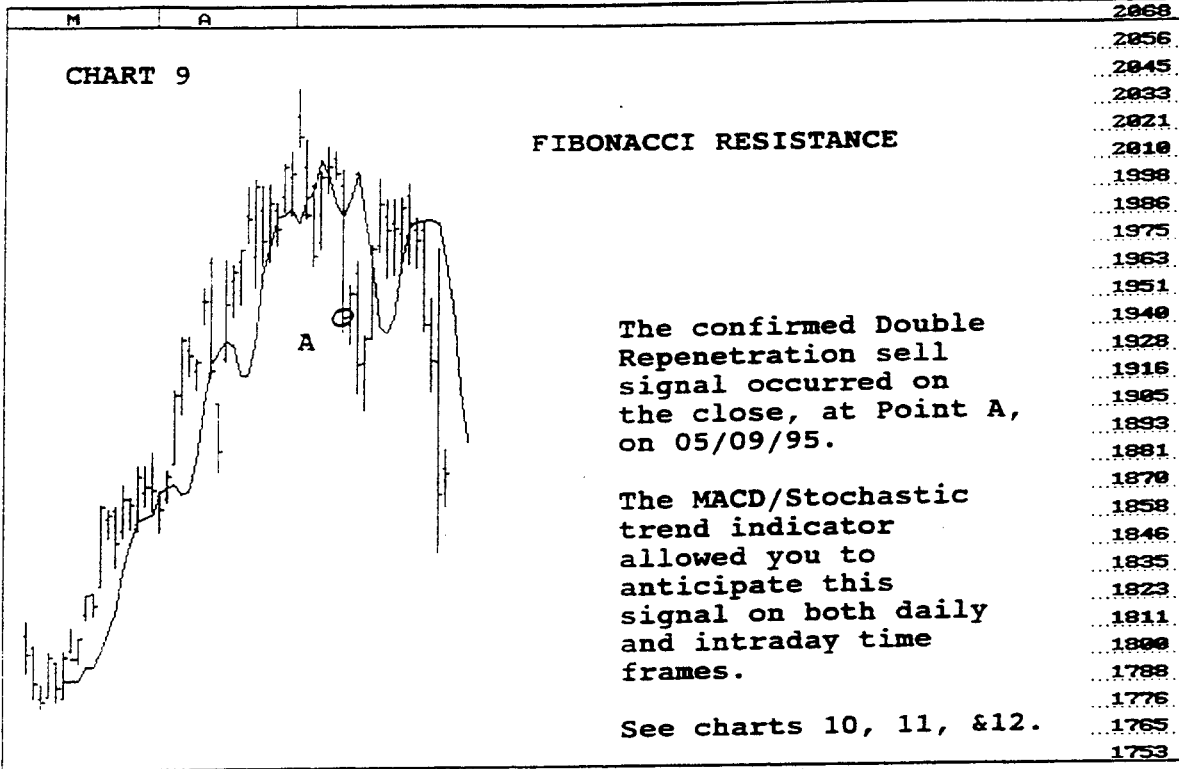


The Double Repenetration Signal came from a disastrous market experience but it has proved to be a huge winner over time.

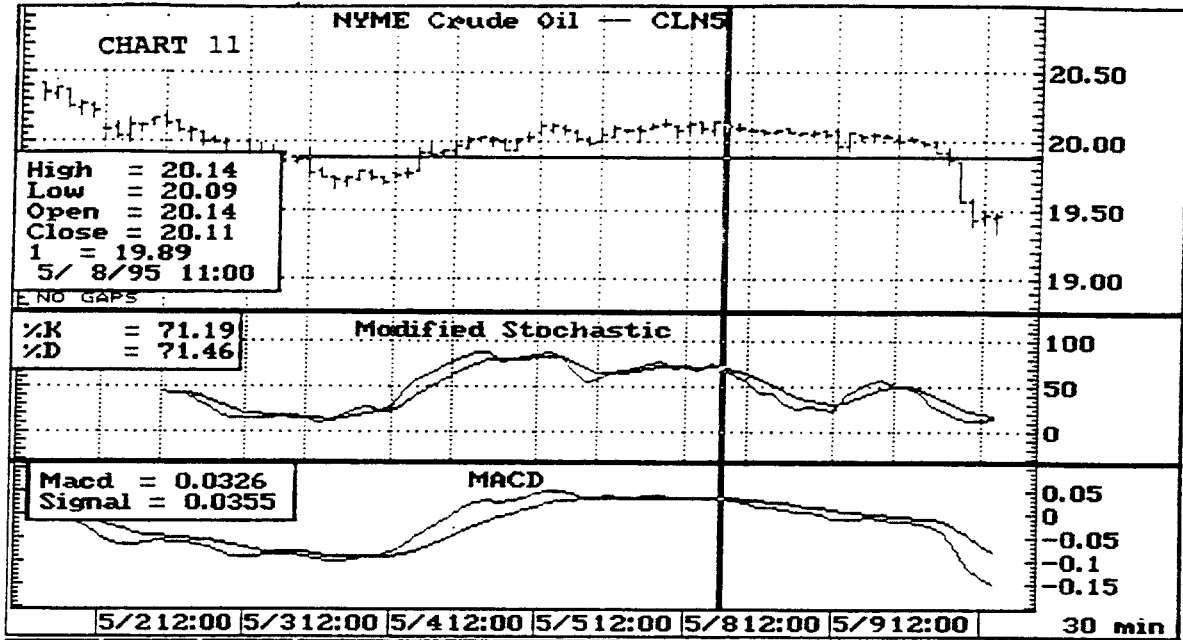
The Double Repenetration Signal, is a major directional change pattern, defined by the 3x3, on a daily, weekly, or monthly chart. It usually forecasts a significant and dramatic market move.



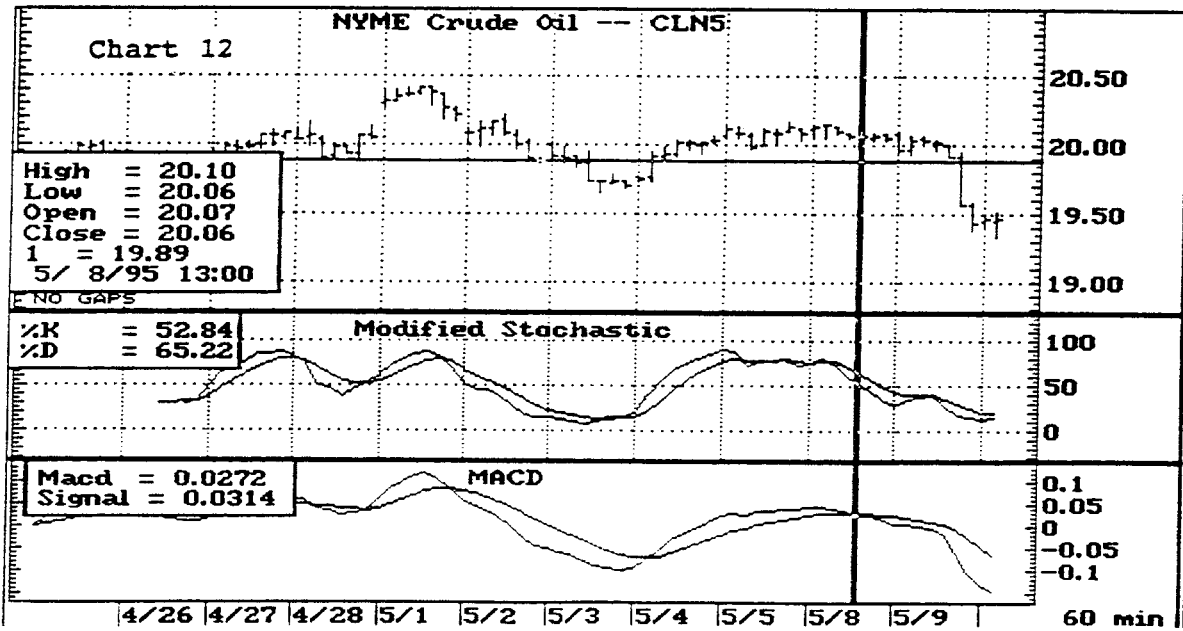
The Double Repenetration Signal in 1993, forecasted a huge break in Bonds. Later, at Fibonacci support there was another Double Repenetration which failed. A failure of a Double Repenetration Signal is in itself a signal and in this case, it correctly forecasted still lower prices.



D=950502 O=2008 H=2020 L=1986 C=1988
 OI/Time= 56227 V= 26590 %K= 67.35 %D= 78.98 DEMA= 25.40, 27.55



The 30 minute MACD/Stochastic went into a sell mode at 11:00 AM, on 05/08/95.



The 60 minute MACD/Stochastic went into a sell mode at 1:00 PM, on 05/08/95.

* PRIMARY RATIOS *

FIB. RETRACEMENT RATIOS

.382
.618

FIB EXPANSION RATIOS

.618
1.00
1.618

FIBNODE EQUATIONS

$$F3 = A - (A-B) .382$$

$$F5 = A - (A-B) .618$$

FIBNODES ARE NUMBERS GENERATED FROM THE APPLICATION OF THE ABOVE EQUATIONS. Two or more Fibnode pairs are created per market swings (wave). They will elicit support if they are approached from above or resistance if approached from below.

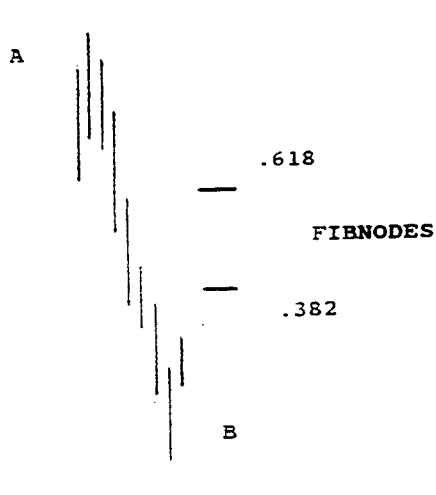


CHART 13

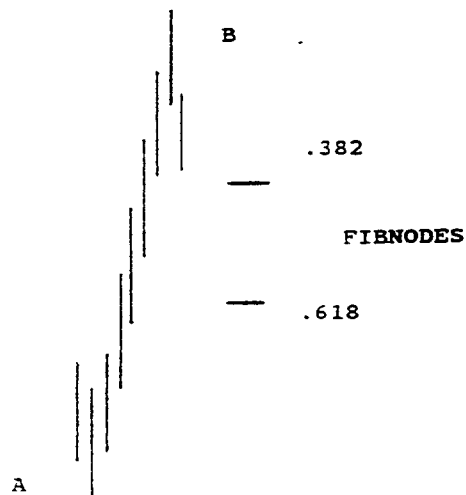


CHART 14

OBJECTIVE POINT EQUATIONS

$$OP = B - A + C$$

OBJECTIVE POINT

$$COP = .618 (B - A) + C$$

CONTRACTED OBJECTIVE POINT

$$XOP = 1.618 (B - A) + C$$

EXPANDED OBJECTIVE POINT

Objective Points provide you with 3 logical profit objectives for any ABC Market move. Which of the three objective targets are met depends on the strength of the market. Generally speaking, OP targets are met more often than COP targets. XOP targets are least frequently fulfilled. Wave D is shown reaching price objectives at different times for clarity only. This analysis says nothing about time.

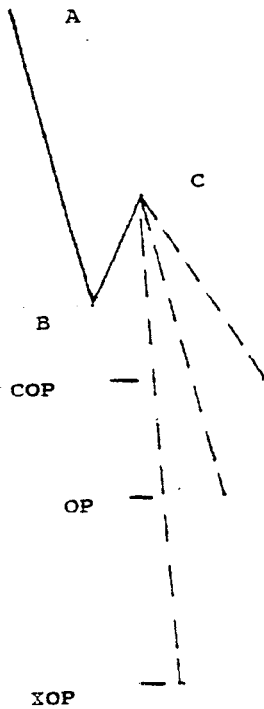


CHART 15

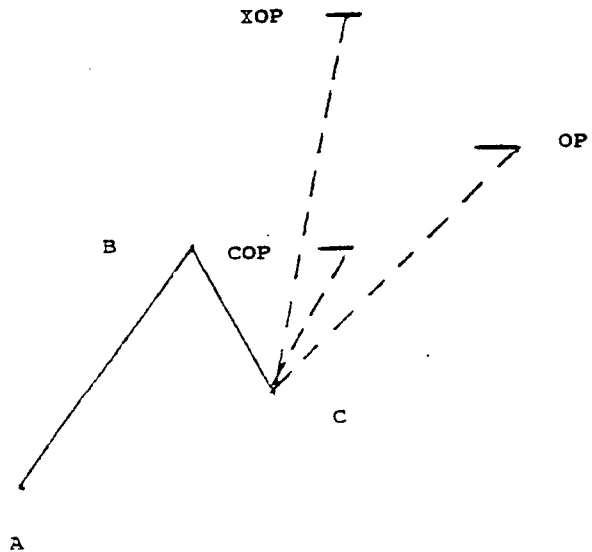
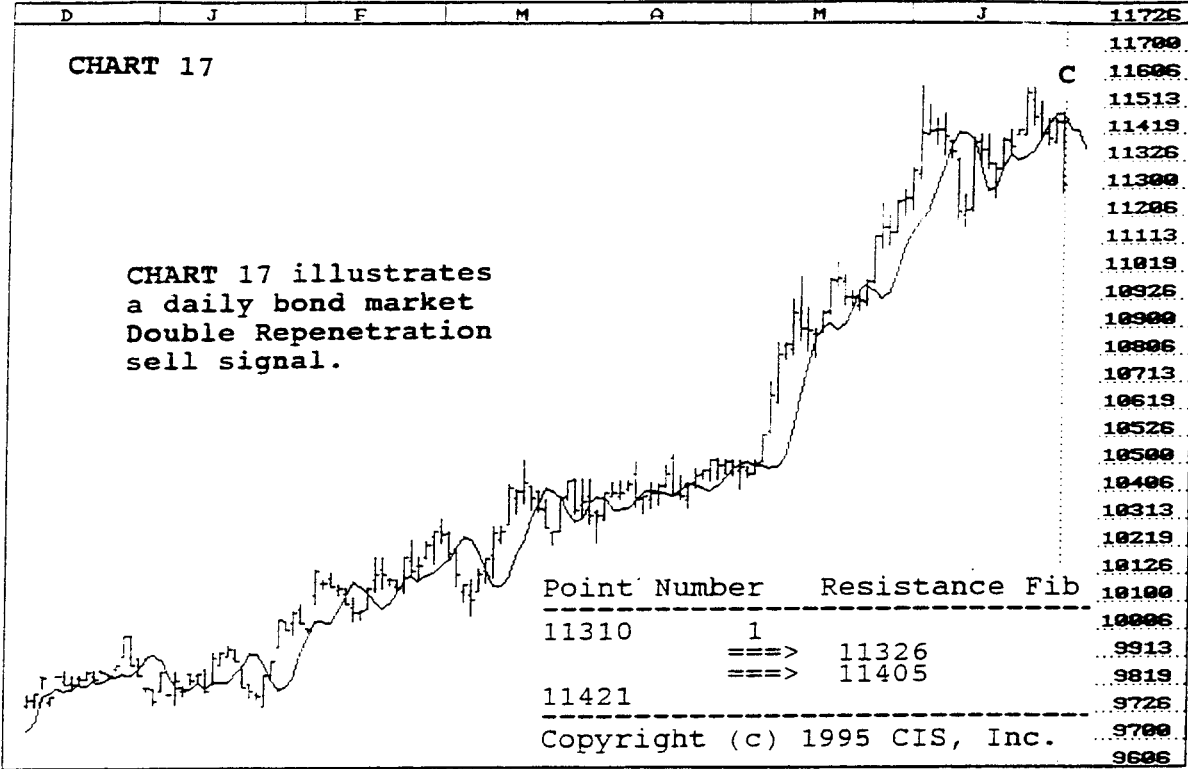


CHART 16



D=950629 O=11430 H=11508 L=11228 C=11300 CM1=11506
 OI/Time= 391794 V= 424566

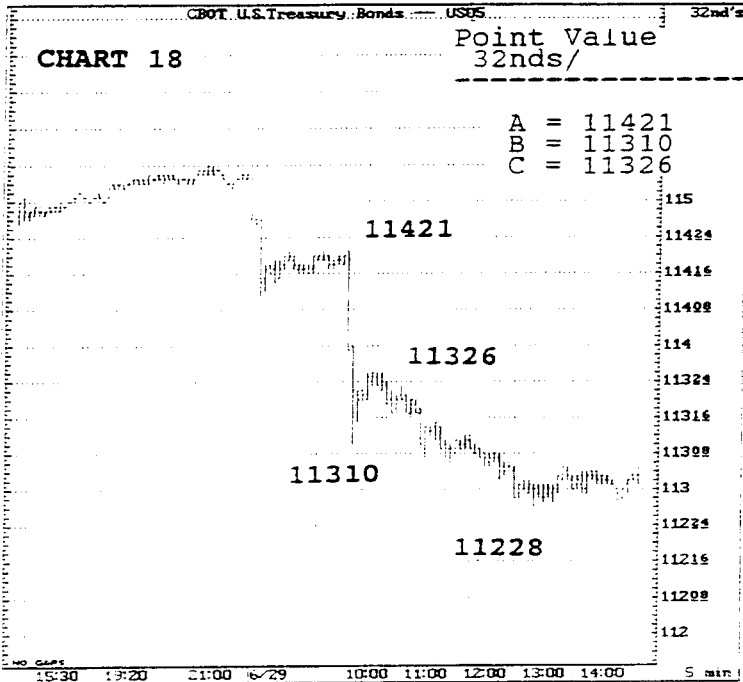
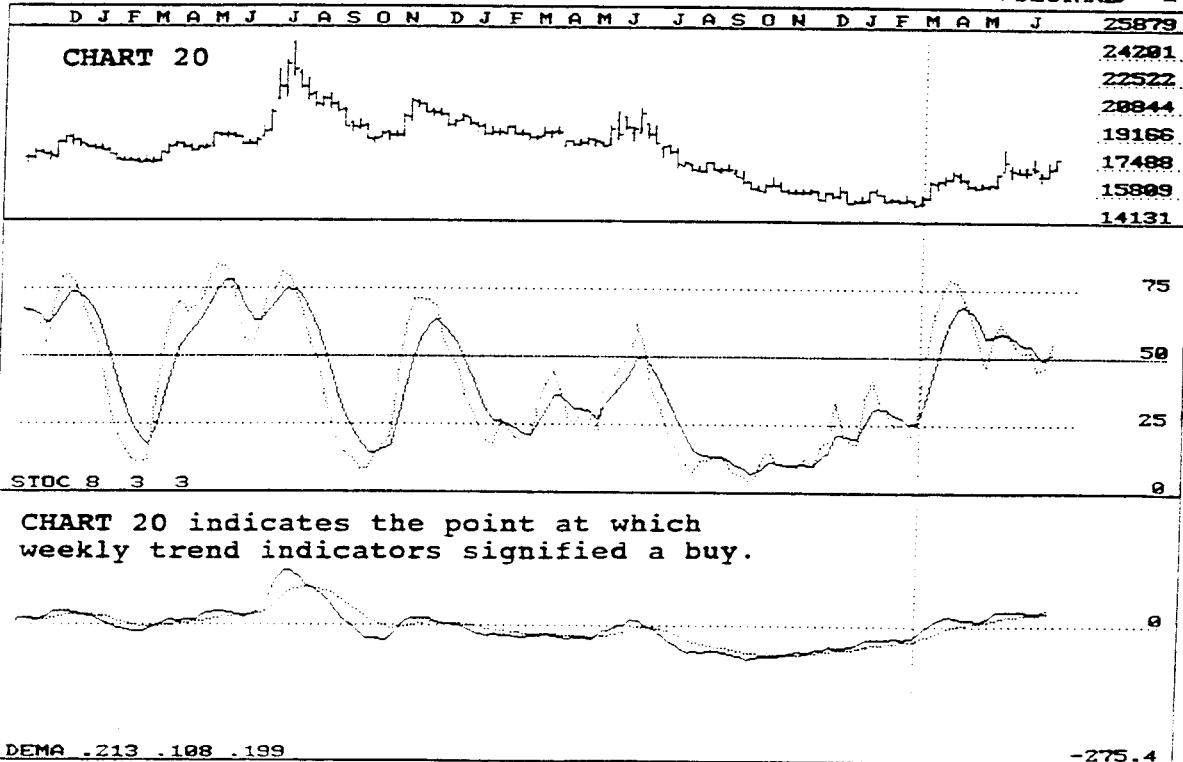
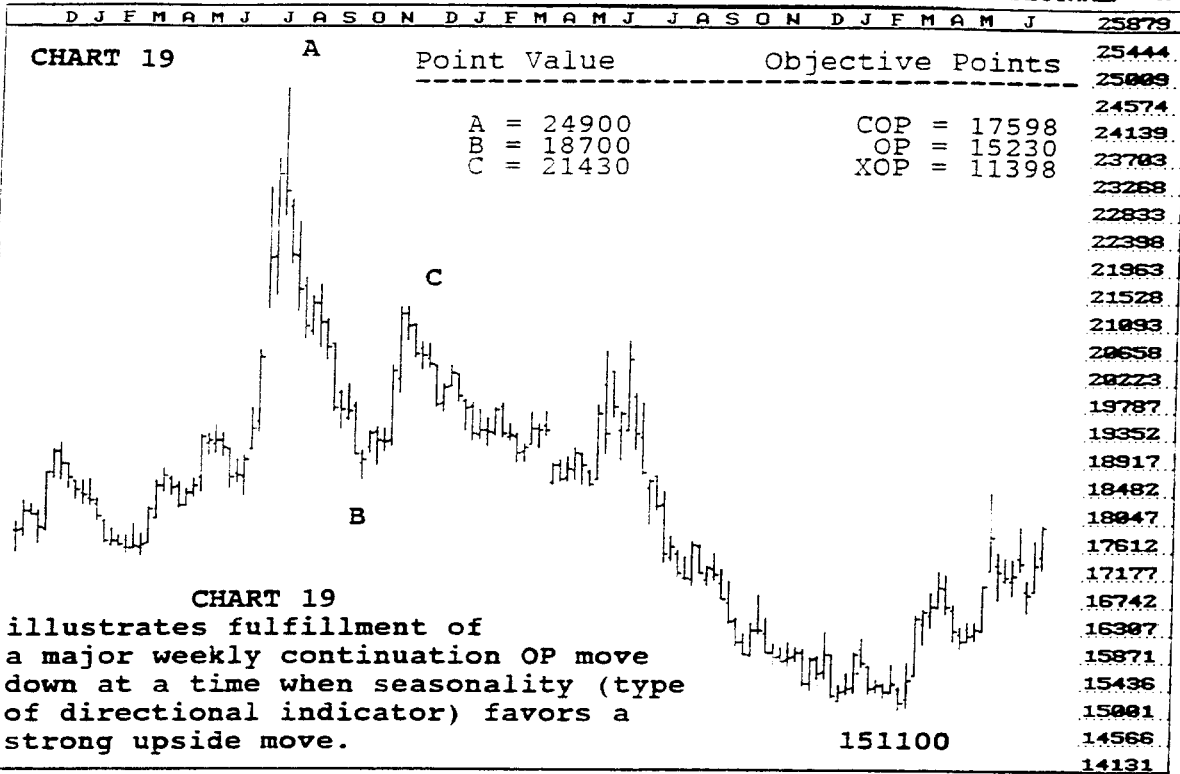


CHART 18 and the FIBNODE FILES illustrate how to position yourself in a highly volatile day with minimal risk and a defined profit.



D=950310 O=15270 H=15840 L=15150 C=15580
OI/Time= 0 U= 6647 %K= 27.43 %D= 25.75 DEMA=-22.53,-29.77

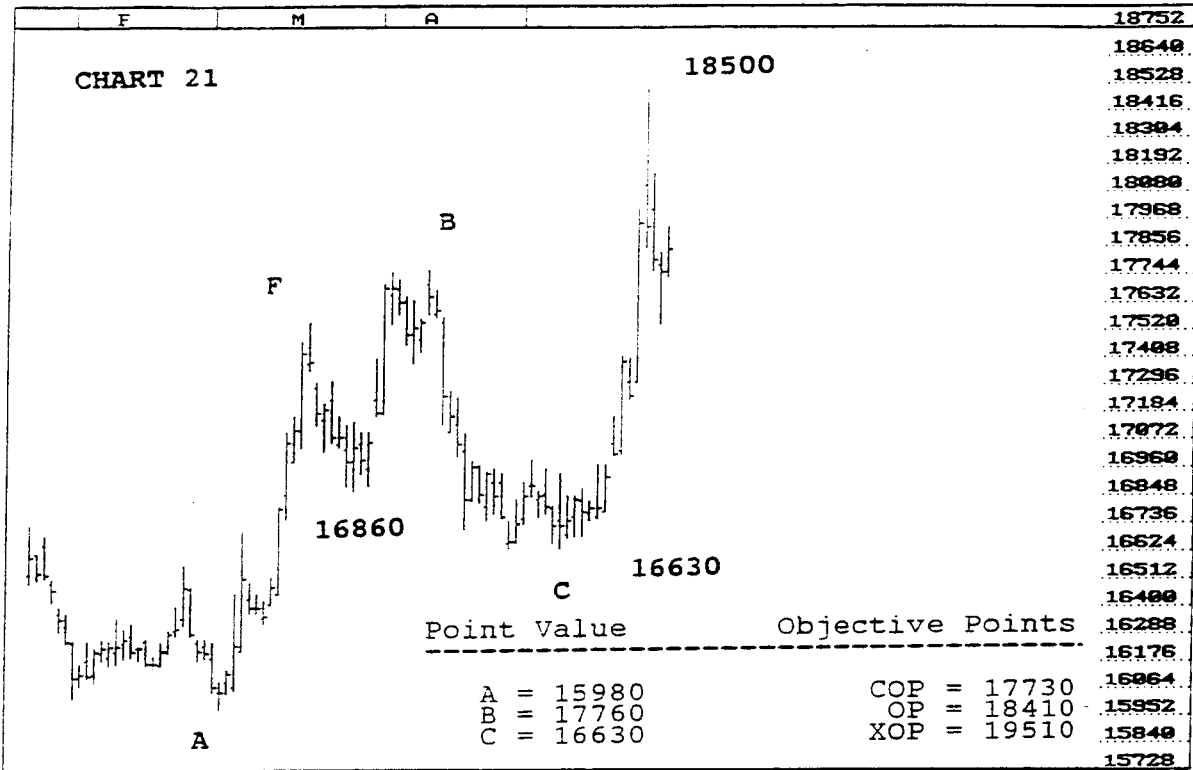
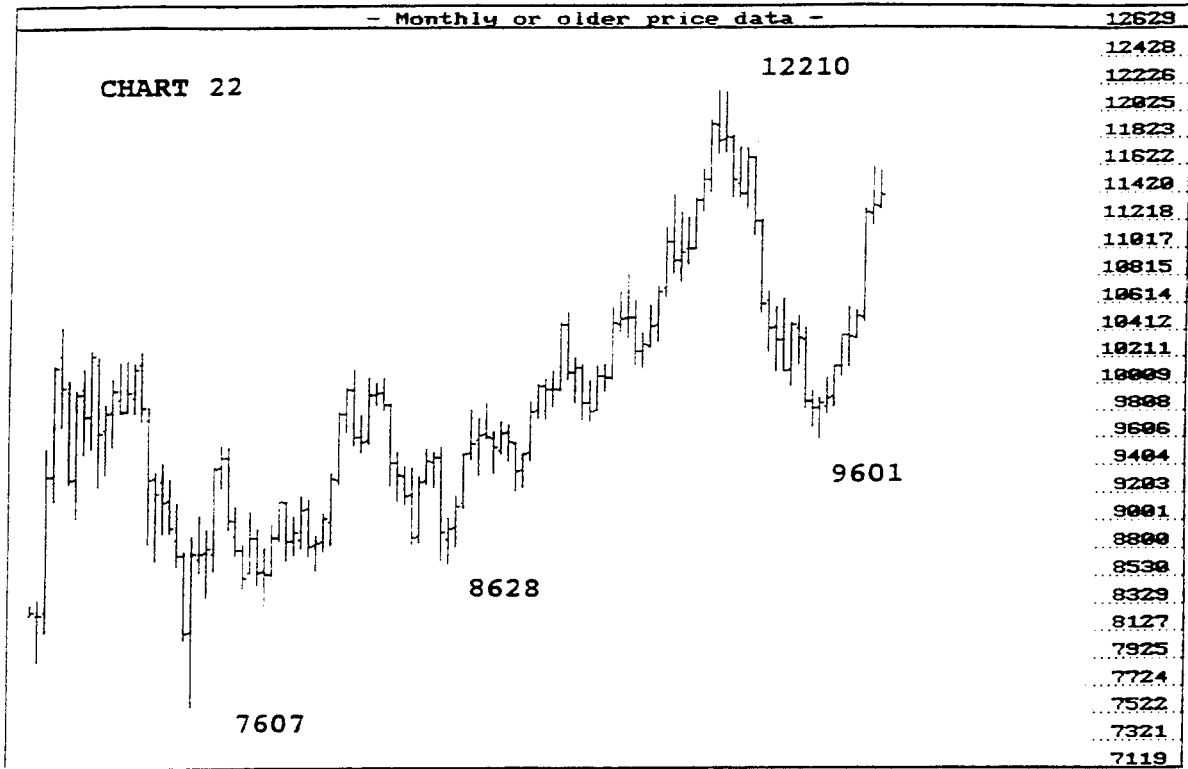


Chart 21 and the accompanying FIBNODE program printouts pinpoint entry and exit levels for the Meal up move.

Point Number	Support Fib Nodes	Point# (1)
17550	1 ===> 17084 ===> 16796	
16330		
17550	2 ===> 16950 * ===> 16580 *	
15980		

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Focus Number	File C:\FIBNOW\TAG95\SMNDA4.FIB
Point Number	Support Fib Nodes Point# (
17760	1 ===> 17416 ===> 17204
16860	
17760	2 ===> 17214 ===> 16876
16330	
17760	3 ===> 17080 * ===> 16660 *
15980	

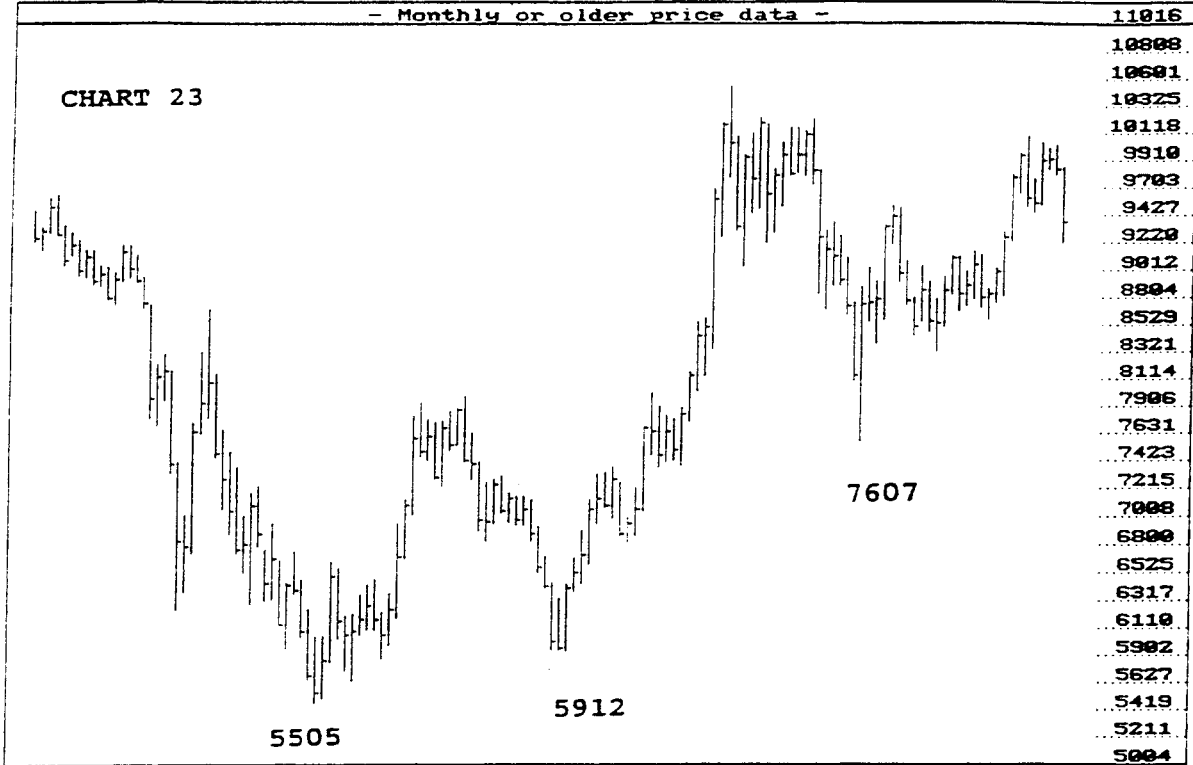


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18 Jul 95 06:33:36
 Focus Number File C:\FIBNOW\TAG95\BDMOPA2.FIB
 n 32nds/
 Point Number Support Fib Nodes

12210	1	====>	10825	
		====>	10013	
8628				
12210	2	====>	10718	
		====>	9815	
8323				
12210	3	====>	10423	M
		====>	9326	M
7607				

CHART 22 monthly Bonds illustrates an incomplete Fibonacci series. This is a typical mistake made by Fibonacci players, even if they understand the concept of multiple reaction highs and lows.

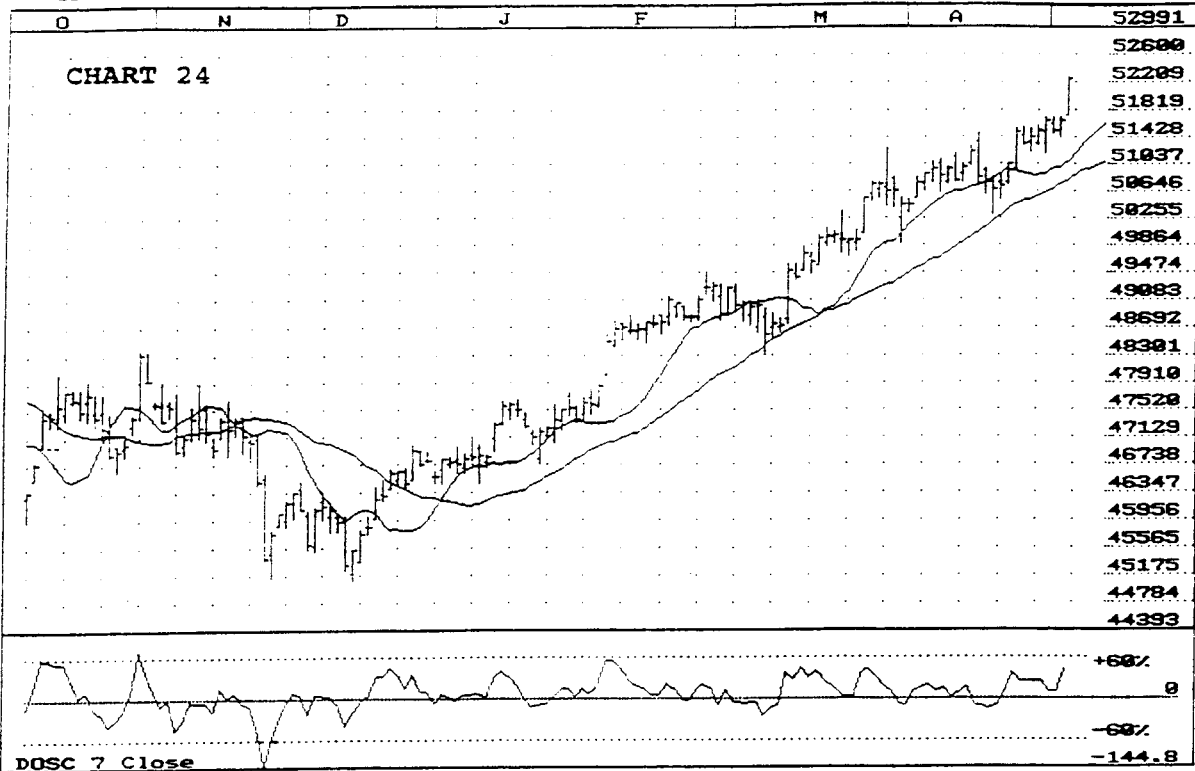


18 Jul 95 06:32:54
 Focus Number File C:\FIBNOW\TAG95\BDMO2.FIB
 32nds/
 Point Number Support Fib Nodes

12210	1	10825	
	====>	10013	
8628			
12210	2	10718	
	====>	9815	
8323			
12210	3	10423	M
	====>	9326	M
7607			
12210	4	9809	f
	====>	8313	f
5912			
12210	5	9621	*
	====>	8026	*
5505			

CHART 23 monthly Bonds illustrates the complete Fibonacci Retracement Series. This series shows the major 3/8ths retracement, which ultimately held the major drop in the US Bond market, as well as the confluence area.

Low Close 98-11
 Low 96-01



SPM95R === Prices in /DECIMAL/, Q values in /DECIMAL/ ===

- Today -

Open = 51750 High = 52275 Low = 51740

Close = 52260 , Change = +59500

Q (basis OSC= 7) = +62.85645

- Tomorrow -

7/5 MA = 51174, Q (basis OSC= 7) = -43.40851

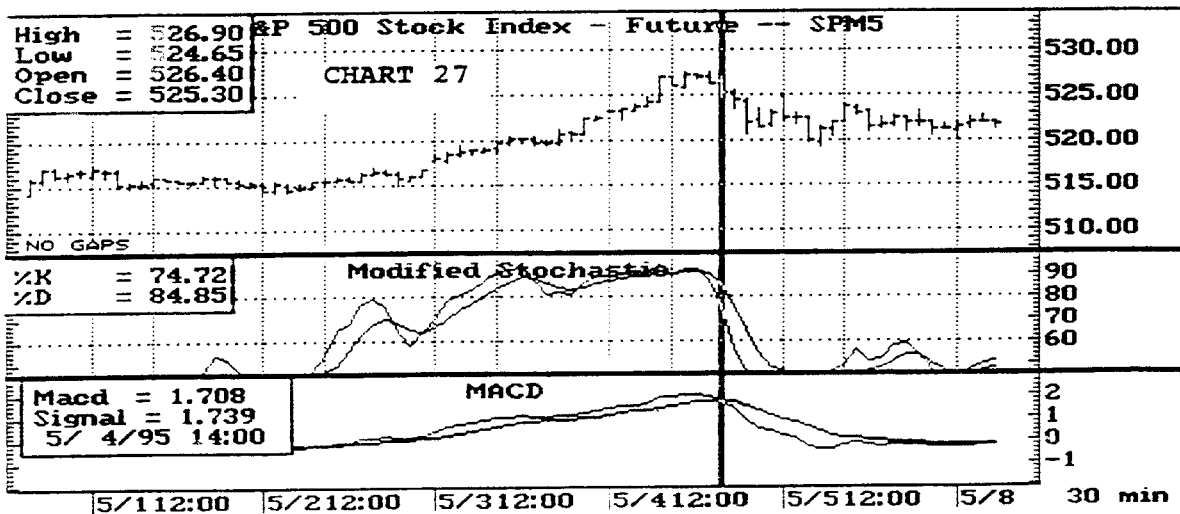
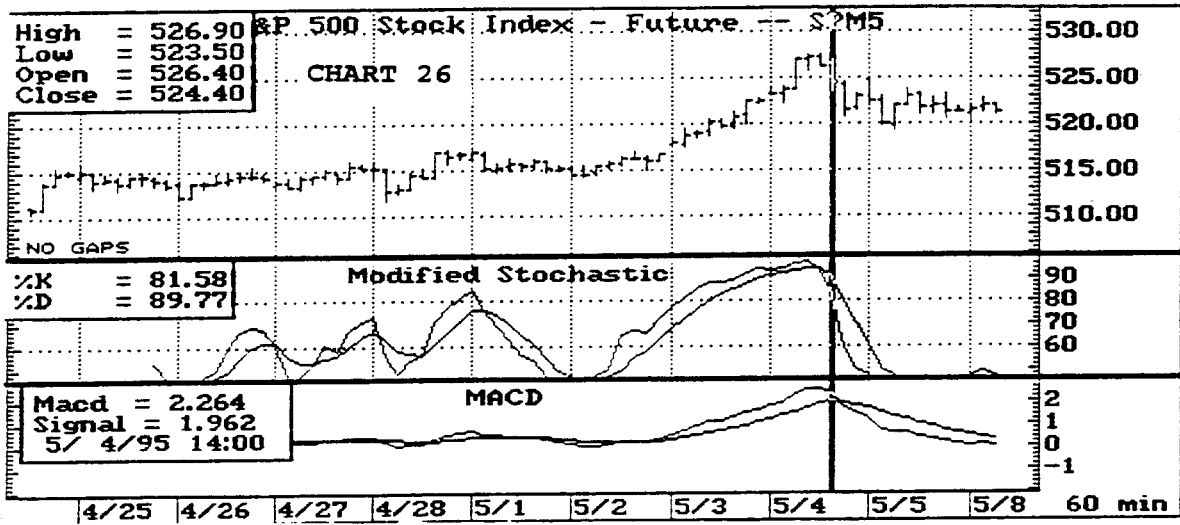
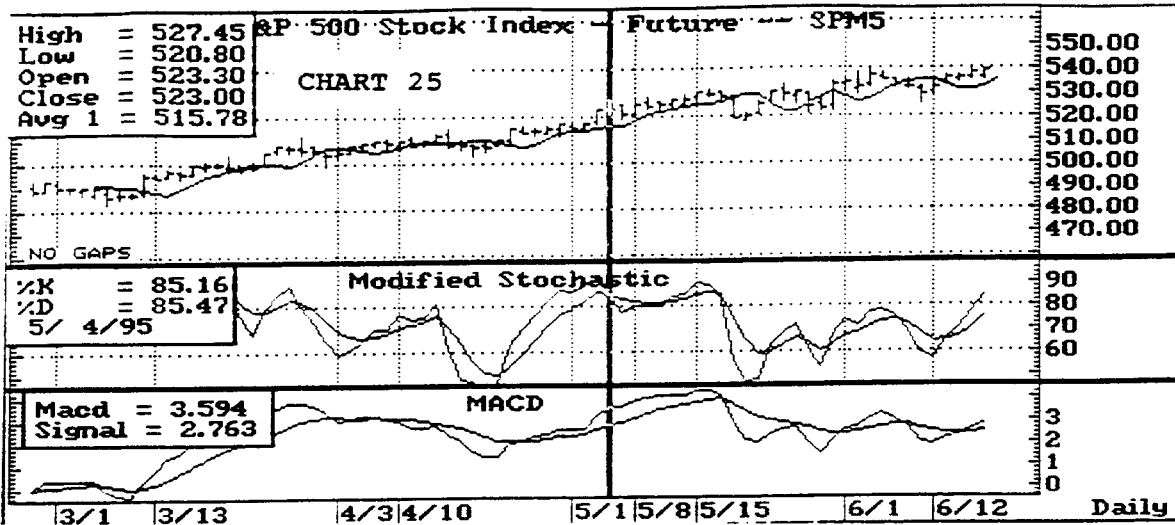
25/5 MA = 50858, Q (basis OSC= 7) = -70.42389

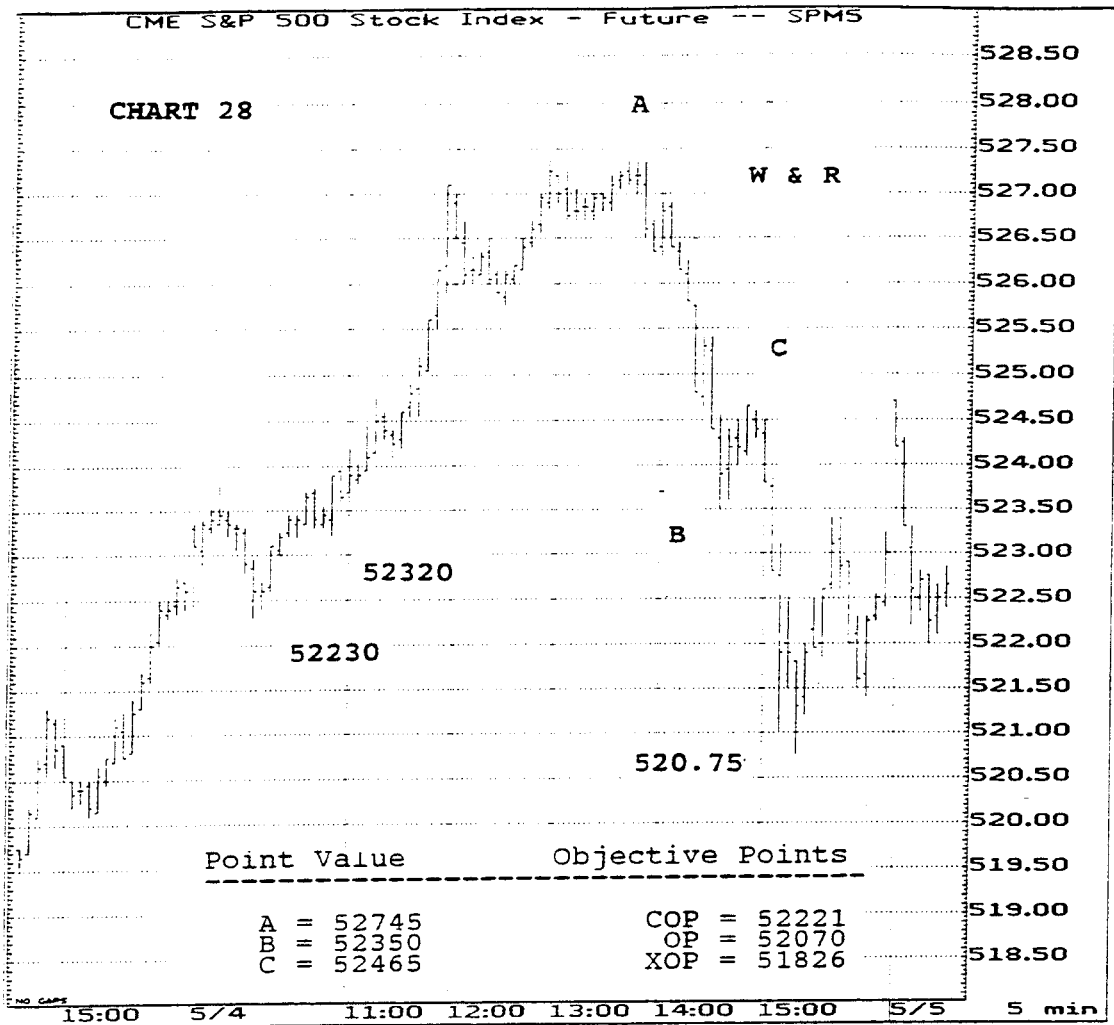
3/3 MA = 51578, Q (basis OSC= 7) = -8.71582

Price of 52849 would produce Q+MAX (OSC= 7) = +100.2139

Price of 49990 would produce Q-MAX (OSC= 7) = -144.8575

CHART 24 illustrates a daily based directional setup for an intra-day trade, using the Oscillator Predictor (Detrended Oscillator).





Focus Number	File C:\FIBNOW\TAG95\SPM051.FIB
Point Number	Resistance Fib Nodes Point#
52350	1
	====> 52423
	====> 52467
52540	
52350	2
	====> 52480 f
	====> 52560 ff
52690	
52350	3
	====> 52501 *
	====> 52594 *
52745	

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Accompanying FIBNODES program printouts pinpoint entry and exit levels to the tick on entry and within one tick on exit. It is critical to understand the issue of X'd trades. See STOCKS & COMMODITIES magazine, March issue 1995.

***** KEY OF THE DAY INDICATOR *****

The "KEY OF THE DAY" indicators is displayed on a variety of charts pictured in this instructional information.

DEFINITION:

The "KEY OF THE DAY" is a number which is derived by computing the 3 day simple moving average of the close and displacing it forward in time three days. A series of these numbers connected together form the proprietary trend indicator used by CIS for very short term futures or options trading.

METHOD OF CALCULATION:

A computer is NOT necessary, a calculator is NOT necessary. You may start with any day.

EXAMPLE: If we start with 95/06/12, we can calculate the "KEY OF THE DAY" for Sept S&P on 95/06/19.

<u>DATE -95</u>	<u>CLOSING PRICE</u>	<u>KEY OF THE DAY</u>
6 - 12	536.80	
6 - 13	540.80	
6 - 14	540.60	
6 - 15	542.80	
6 - 16	543.90	
6 - 19	549.65	539.40
6 - 20	549.30	541.40
6 - 21	548.95	542.43
6 - 22		545.45
6 - 23		547.62
6 - 26		549.30

We simply add the closing price on 6/12 to the closing price on 6/13. To that sum we add the closing price on 6/14. We divide that total by 3, to obtain the result. This is what is commonly known as the simple 3 day Moving Average of the close.

Conventional wisdom would place that number on the chart on 95/06/14. We "displace" it forward 3 days. Therefore the number calculated, represents the "KEY OF THE DAY" for 95/06/19.

HOW CAN THE KEY OF THE DAY BE USED?

The "KEY OF THE DAY" is a very effective TOOL for determining short term trend. It can be used in a variety of ways in actively traded futures or options markets. Space and time limitations prevent a more detailed discussion herein. For further information refer to **NOTES FROM A TRADER** and the **"FIBONACCI, MONEY MANAGEMENT AND TREND ANALYSIS IN HOME TRADING COURSE"**, both authored by Joe DiNapoli.

FORMULAS & STUDIES

NOTICE: The studies Joe DiNapoli uses in his trading and described in his 1995 TAG Workshop, have been thoroughly researched and applied to years of on line trading. Close approximations simply aren't good enough, and many of the software packages available today do not adequately create or accurately reproduce these studies.

TRADESTATION: The following formulas and user inputs are necessary to simulate the studies shown in Joe DiNapoli TAG XVII Workshop, using TRADESTATION software.

MACD (DEMA) Dual Exponential Moving Average
to simulate exponential inputs .213, .108, .199
Whole number inputs are required

FAST MA	8.3896713
SLOW MA	17.518518
MACD MA	9.050251

DISPLACED MOVING AVERAGES

3 PERIOD MA of close DISPLACED FORWARD 3 PERIODS
7 PERIOD MA of close DISPLACED FORWARD 5 PERIODS
25 PERIOD MA of close DISPLACED FORWARD 5 PERIODS

PERIOD = DAY, WEEK, or MONTH

DETRENDED OSCILLATOR

1 PERIOD MOVING AVERAGE of close (the close) minus N
PERIOD MOVING AVERAGE of close

PERIOD = DAY, WEEK, or MONTH
N = 7 OR 3

MODIFIED STOCHASTICS

Input 8,3,3

ModSlowK = ModSlowK{1}+((1/SlowKLen)*(FastK(FastKLen)
-ModSlowK{1}))

ModSlowD = ModSlowD{1}+((1/SlowDLen)*(ModSlowK
(SLOWKLEN,FASTKLEN)-ModSlowD{1}))

Plot Name	Formula
%K	IFF (CurrentBar>1,ModSlowK(SLOWKLEN, FASTKLEN),Average(FastK(FastKLen), SlowKLen))
%D	IFF(CurrentBar>1,ModSlowD(SLOWDLEN, SLOWKLEN,FASTKLEN),Average(Average(FastK (FastKLen),SlowKLen),SlowDLen))
Input Name	Default Value
FastKLen	8
SlowKLen	3
SlowDLen	3