

FibZone Pivots

John T. Jackson described a concept called "Zone Probability Pattern Analysis," in his book

Detecting High Profit Day Traders in the Futures Markets. In his book, he describes the dynamic statistical analysis of "Fibonacci Zones" using Open, High and Close to find high percentage support and resistance zones for the entire trading day.

Robert Krausz has completed extensive analysis on "High Probability of the Fibonacci Zones"

(HPFZ) concept by using "Probability Matrix." Krausz used various close and open combinations as price moves from zone to zone to achieve the highest probable Open to Low combination for the day.

I present how I use Fibonacci Zone Pivots for my trading. I use HPFZ zone concept as boundaries for trading key support and resistance areas. For additional analysis, please read J.T. Jackson's book on Zone Pattern Probability Analysis (See References) Computing FibZone pivot starts with calculating the pivot $(\text{High} + \text{Low} + \text{Close})/3$ for the current day and then projecting the "zone pivots" for next day. Adding daily range and its multiples to this pivot point gives various potential resistance and support levels. The boundaries of these resistance/support levels are marked as FibZones. An extensive study has been done on the relationship between yesterday's close and today's open within these zones to find a potential daily "close" for the current day. I use FibZones in my personal trading and have found them to be valid and useful. My usage of HPFZ is limited to finding intra day resistance and support areas and not for the zone analysis.

FibZone Pivots

Pivot Point (PP) = $(H + L + C)/3$

Daily Range (DR) = $(H - L)$

First Resistance (R1) = $PP + 0.5 * DR$

Second Resistance (R2) = $PP + DR$

First Support (S1) = $PP - 0.5 * DR$

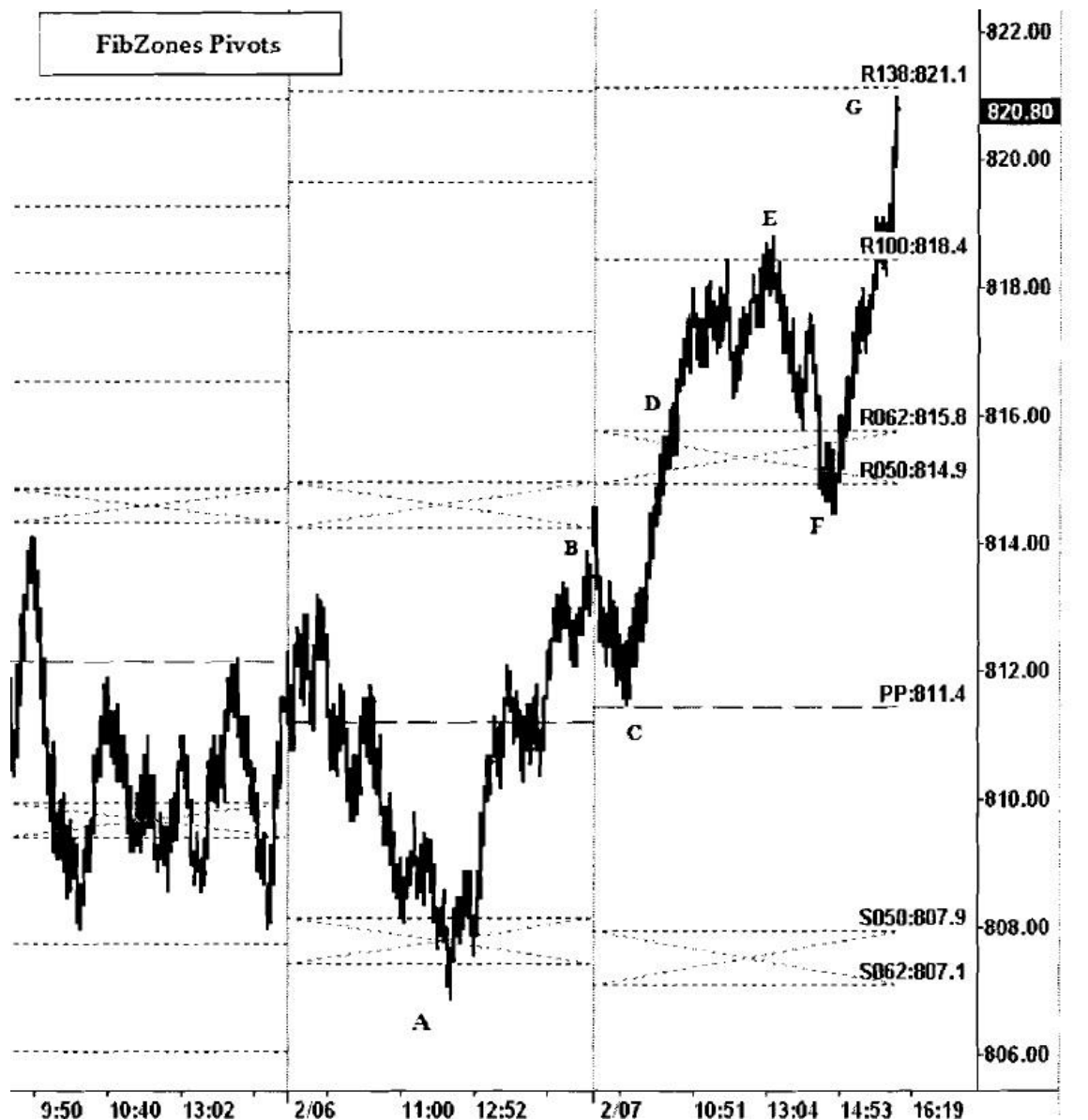
Second Resistance (S2) = $PP - DR$

Resistance Band (RB 1) = $PP + 0.618 * DR$

Support Band (SB 1) = $PP - 0.618 * DR$

Resistance Band (RB2) = $PP + 1.382 * DR$

Support Band (SB2) = $PP - 1.382 * DR$



Trading FibZone Pivots

A

Source TradeStzim

The example above shows FibZone pivots plotted from the Russell Emini futures (ER2) 610 chart. Fibzones are plotted at the end of the day for the next trading day. On February 6th, ER2 sold-off and found support near the "support" band between the S50 to S62 range. In the afternoon, ER2 rallied back from "support band" (A) and closed in the "resistance band" (B). The following day, ER2 had a brief sell-off to the pivot point (C) and rallied to the "resistance" band (D). The first test of resistance to the rally came in the afternoon at 100% of range test E. A pullback to the "resistance" band-R50 to R62 is expected after the morning rally to (F). Another continuation of the rally, sent prices to 138% of previous day range above pivot level (G).