



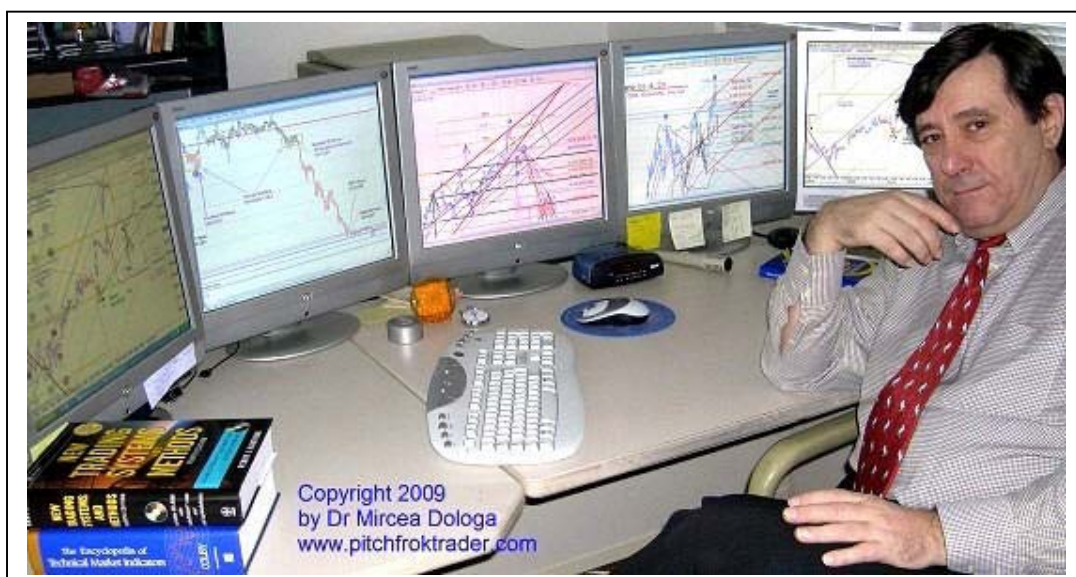
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Interview

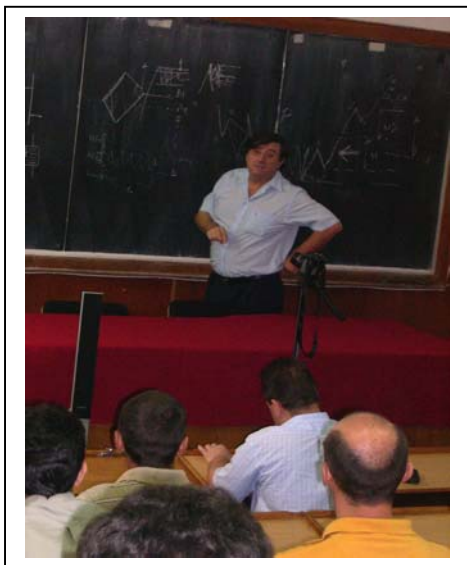
of

Dr Mircea Dologa

Paris – France



ICONOGRAPHY
*Mementos from the Life
of a Trader !*



Interview of Dr Mircea Dologa

Part 1 & 2

6 November 2009

TRADERS': Can you please tell us a little bit about your life?

As a young man, in high school I always wanted to be a physicist! I enjoyed very much the mathematics and physics, and I had dreams of Nobel Prize, when I'll grow up! Well, the life has decided the other way, even if I graduated from Cooper Union School of Engineering and Science in New York City with the Bachelor of Science in Theoretical Physics. I found out that working as an Engineer in a nuclear power plant, all my life, wouldn't have really suited my life plans – in spite of the good money! And as always happens, the hazard impersonated by a young girl – a medical student - did the rest. I decided to continue my student life, and become a physician. I have to confess here that my physics and mathematics background helped me greatly in the process of further studies. As a physician, I wrote many articles and several medical books, all of them having the same common point: the investigation of pathologies through the use of the decisional three – *the mighty flow chart* – and in this way we really facilitated the decision taking process and find out the best diagnosis and the most adapted treatment for that specific pathology.

After I obtained the Doctorate in Medicine from the School of Medicine in Paris, I worked as a physician for a couple of years and finally landed in pharmaceutical industry. I was glad to say *Good Bye*, to my 72 weekly hospital working hours and started an almost normal 35-hour week life. I did lesser medical calls, but I started to improve on the commercial, marketing and financial parts of this industry. Sponsored by my employer, I attended MBA courses in finance and business management at the University of South Carolina in Columbia and at the French School of Business and Finance (*HEC Paris France*). After holding the positions of Medical Director and later of General Manager, I finally decided in 1992, to focus exclusively on investments and trading and since then I remained devoted to financial markets. My Nobel Prize dreams disappeared but, in exchange, the virus of trading invaded me and my life took off, like a US Navy plane from the deck of an aircraft carrier, for a much more exciting and captivating everyday activity. Since then I work more or less, the same 72 weekly hours, but this time, I don't feel the fatigue, and in the evening when I go to bed, I can hardly fall asleep immediately. I keep thinking that in a few hours I'll wake up and start another wonderful day! There is just one problem... The time goes by so fast! It would be great to find a way to slow it down!

I would like to finish this question with a note to our readers... After you have accomplished all the dreamy plans that you have imposed on yourself, and the time has taken a substantial part of your life – *you will live less than you have already lived* – what other planned activity will continue to make you flourish? Well... I tell you what...! To help the young generation to push even further the limits of unknown – for instance, to reveal and develop the map of the organized chaos for the next generation, who is not yet born! Mr Robert R. Preacher – *our modern Elliott wave expert* - understood this; he started off from the chaos of the financial markets, tried to follow them up, by studying their chaotic behaviour with the Elliott wave system.

A few years ago, he started to push even further the limits of knowledge by applying an even more sophisticated approach to nowadays economy, and its allied partner, the socionomics!

TRADERS': How did you get in touch with the markets!

To be exact on September 4, 1987, in Paris, France... I remember exactly because I just got off from a 24-hours call, as a duty physician in the Emergency Department of Bichat Hospital in Paris, and I went to my bank, to draw some money for the incoming weekend. At that time, we weren't so used to credit cards! While being there, I said Hello, to my allocated bank officer – a nice and efficient young lady – who told me that she would like to have a word with me! She started enthusiastically to talk about the “*privatization*” of some French state-owned companies; they seem to be tremendously profitable financial operations, but they have just one impediment: they were limited to a restraint quantity per family. So I did my best to gather all the family members, including the grandfather and grandmother, and we finally got up to 7 persons. Useless to say that the operation was very profitable and I don't even mention that I did not need any capital, because the bank loaned the entire amount for the 72 hours period, the time to subscribe and quickly sell....

TRADERS': How long did it take you to become successful?

This “*privatization*” event, introduced me to the power of investing, and later on to real time trading! I did a quick thinking... If it was that easy, why shouldn't I try to learn it by myself, even if it will be the hard way... numerous daily hours (over 10 hours); week-ends occupied with the study of the inter-markets analysis; investing tens of thousands of my euro funds, in books, seminars in USA and video-cassettes – the CDs weren't available in those times.

The first net profitable results came after three years of hard labor, but it did come, and the outcome was worthwhile! It's very important to know that in order to get quicker results, is indispensable that the novice trader follows the following learning sequence of modules: basics of trading, trading strategies, money & risk management and psychology of trading. Once these studied, a second learning sequence must be accomplished; the trader should assiduously perform virtual trading, followed up by real time trading of small tick value markets, like the e-mini Dow. After getting profitable for a period of 15 days in a row, which might seem long for some novice traders – *careful, I am not saying 100% profitable intra-day trades* – then, the trader is ready for the “*Big Bang*” of his life – the real time trading of any financial instruments. This approach might seem somewhat exaggerated for some inexperienced traders, but our goal as educators, for more than 10 years, has thought us the value of psychology and money and risk management... Stay close by your pocket...! Without the capital, there is no trade, and without it, there is neither trading nor investing! The trader will become a cold duck!

I was lucky that the medical school studies in Paris and the theoretical physics in New York exposed me the science of *epistemology* – the method of learning by knowledge blocks. I applied this method continuously since then, and years later I transmitted it to my students.

TRADERS': Would you comment a little more about epistemology?

Epistemology has always the last word!

Discovered around 1856, the Webster's Collegiate Dictionary (2002) explains that it was initially: "*used for the study of nature and grounds of knowledge especially with reference to its limits and validity*".

Throughout the years, the epistemology became the science of learning, building the basement of assimilating knowledge, depicting its limits and its validity.

Even if you are a lucky fellow, and discovered by your own study or through mentorship, the most consistent and symbiotic trading technique, there remains the problem of assimilating and practicing it!

This method of building knowledge blocks, *sort of modules*, is used whenever a student practices any kind of studies, trying hard to assimilate them, in such a way that this process is performed rapidly and easily. Secondly, we will intricate this modules for an immediate memory retention and applicability.

The methodology used to explain the concepts is simplified in such a way, that the novice would understand it efficiently without prior knowledge.

We made full usage of it, throughout our entire life, including trading, teaching and academic work! I sincerely believe that this science of learning should be taught starting with high schools, and then at the university level.

TRADERS': Are there any specific stumbling blocks?

Well. Thanks for the question! You can't imagine how many of these blocks can occur! I will try to list here just a few of them!

First of all, some colleagues used to say that in order to know yourself, you must trade. Then, you'll be amazed to find out what kind of person is under your skin! Once that the right diagnosis is made, one should be on his/her way to adapt this personality to the various indispensable requirements of trading. It takes a lot of hard work to reach the professional level through the labyrinth of the learning curve!

Secondly, we should talk about the indispensable personality traits, that make an excellent trader: perseverance, patience, mastering of an eventual impulsive behavior, giving-up some of one's iron-like beliefs, train yourself to the *feel and practice* of routines and specific caring for details. As you can guess, the list can be very long! The trader who isn't capable of changing, creating or re-inventing these traits, will have a very difficult journey, in the process of the learning curve!

Thirdly, I should mention if the already acquired profession – *other than trader* – may or may not influence the learning curve and the practice of trading! Well... I don't know about other physicians, but my previous training helped me a lot. The medicine taught me how to deal with the huge volume of information, which must be sorted out when a diagnostic is made. We learnt to gather evidence for multiple diagnosis choices, and then progressively eliminate the less probable ones, until you are left alone, with a single one. When this step has been reached, we are at stake: if it's a vital diagnostic, then the physician must be sure that it's the right one... Otherwise, you will loose the patient! In trading, the diagnosis environment is replaced with the trading scene, and the list of diagnosis elements is replaced by the fundamental and technical elements, indispensable for the decision taking procedure!

In my opinion, the pianists make the best traders. Why? Well, it's simple, their sense of profound note analysis, fast reading ability of the musical notes, huge calligraphic sign memory, and the touch of symmetry!

TRADERS': Did you attend any training courses or did you have a mentor?

Yes... like most of the traders, I started-up by attending trading courses. I traveled a lot, and I made many friends, during this process. In London I learnt about Gann techniques – I remember it was very expensive because I paid £6000 for a three-day seminar; also in London I attended a several days seminar in trading technique, patronized by eSignal; in USA, I went to Mobile Alabama, to learn about Tom Busby's excellent techniques, very valid in those times; in Orange County, California, I acquired some excellent procedures of applying the *Futures* strategies; in New York City I got acquainted during a three days seminar with Mark Fisher, an expert in trading floor pivots and Fisher's trading pivot range; in Las Vegas I attended a week-long seminar about trading the NYSE stocks with Bright brothers. Don is an enchanting person, who really cares about his people. I would warmly recommend his teachings, especially when it comes to stock trading. Most of his trading journeys are terminated five minutes after the NYSE opening. The opening orders make this possible; he is an expert in this kind of trading!

As for the *mentor*, unfortunately I did not think, at the time that I need one because I considered myself a self-educated person... Well... after all these years, I realized I was wrong... I could have saved a lot of time, for the same money I invested in my non-mentorship education!

TRADERS': Could you go back, and tell us more about mentorship?

Thank you for your question! This topic goes even deeper that it might seem! It's directly related to the learning guidance. It reminds me of the question that I get from almost every student of our trading seminars. It goes like this: "*How to become a consistently profitable Trader?*"

In order to be successful in trading you need to perform one of the two things:

- *Either do the Learning Curve by yourself* - it takes a lot of time, money and very frequently, the trader won't be able to *grasp* alone, correctly & methodically, the principles of money management & psychological aspects of trading. They make together more than 90% of the trading act.
- *Or Either do this with the assistance of a mentor* - which takes far less time, but your money fee side, will be more visible because you'll have to spend it in a shorter period of time.

Most of the novices aren't even aware about how much fraud occurs in this learning business. The traders call it: *snake oil*. But there are many ways to efficiently avoid it. Mainly you should look for the credential records of these people.

If they are not registered with the National Futures Association (NFA) at <http://www.nfa.futures.org/>, controlled by the US Government, and have not the title of Commodity Trading Adviser (CTA), they can't advise legally anybody in *Futures trading*, without a great risk, which could go up to prison.

The mentor should be a successful trader not only an adviser and educator. He should also keep up to day, in new trading techniques, so he can improve even more his consistency. This is best done by publishing his research work in well known, very serious technical magazines, like *Traders'* magazine in Germany, TASC magazine (*Technical Analysis & Stocks & Commodities*) and *Futures* magazine in USA – to mention just a few of them.

He should preferably belong to Market Technicians Association (MTA) a professional organization, which maintains high standards of teaching the science of Technical Analysis.

TRADERS': Would you consider yourself more as a trader or more as a mentor/educator?

My student always say, that the excellent traders are poor educators, and that the excellent educators are poor or average traders! In order to know how good I am as a trader or as an educator, you'll have to ask my students!

As for the answer to your question, I never thought about it... One thing is sure... the trading pays better than educating other people!

TRADERS': Which weakness and strength do you have as a trader?

The weaknesses of a trader can bring him down, if he/she doesn't correct them, as soon as revealed. As for me, in the beginning, I used to go very fast over some topics, believing that there are not indispensable for the performance of the trade output. For instance, I used to believe that about the psychological aspects of trading. I thought that the medical school prepared me well enough in this field. But I was wrong... very wrong! I found out on my own risk that psychology of trading is a separated part of psychology, and that it must be seriously studied, in a detailed, well applied practical manner. In my opinion, which I suppose is similar to that of many colleague traders, the psychology aspect is the MOST important one, in the process of becoming a consistent profitable trader.

One of the strength I have, inherited – again, from the medical school period – is to plan and take care of details...! Take the entire picture into consideration, then break it down in parts – *again modules* – and only then take a harmonized decision... Like, *never trade short on the 60min chart, if your daily and weekly charts are up sloping!*

TRADERS': Please give us more of your harmonized decisions.

By harmonized decisions I mean, to check the global picture and the current matters, before you'll perform the action! As an example, one can consider the case of the multiple times frames. Don't ever take a trade on an operational time frame – let's say 15-min – before you'll detect the dominant trend – on the weekly and daily charts. This will remind you throughout the day, not to trade against the trend! Believe me, this harmonized attitude will not only save you a lot of money, but will substantially increase positively, your Profit & Loss Statement! Lee Iaccoca, the veteran chairman of Chrysler Corporation always preached “*Think global and act local!*”

TRADERS': Can you tell us more about the psychological component? Why is it so important?

The psychology is the continuous process of fuelling the decisional tree in trader's mind, which is indispensable for the performance of the trade outcome! One person – should I better say a *scientist of the mind* – had also illuminated my way of thinking... Dr Jonathan Baron, a 65 year old psychology professor at the University of Pennsylvania, <http://www.sas.upenn.edu/~baron/>, who dedicated many years of his life, to the study of judgment and decision-making, which he greatly described in his latest book named *Thinking and Deciding (2007)*. I warmly recommend the profound study of this book. Even if after the reading of this book, it is left in our minds only an embryo about the

omission phenomenon, mostly coupled with *inaction* and *decision-making processes*, even then, it will greatly enhance our trading performance.

The saying: “*Human nature tends to see what it expects to see...!*” reveals some of the teachings of Professor Baron. How can a trending trader, enter his trades earlier than the first third of the trend? He can’t... because he wasn’t trained to do so! Thus, he can’t expect it! In order to enter at the trend’s inception, during the first swing, the trader should get familiar with many other more sophisticated elements that do not belong to classic Technical Analysis but rather to its modern version; he should be aware of Gann stealthy levels, Gann main levels (*G1 through G4*), Jenkins True Trend Lines (JTTL), Elliott and Wolfe waves and so on! After being trained with all these elements, and after they become everyday routines, the intuition will knock at trader’s door, and the trader will be able to enter the trend in its first tenth, not in its first third...!

Speaking about the psychological aspects of trading, the “*trigger-shy*” syndrome is a classic example. It occurs when the trader tries to perform a trade; even if he/she has the willingness to enter, the power of executing the trade, isn’t there! The behaviour is somewhere between *mental inaction* close to paralysis and shyness! It seems that *something* is retaining him/her to do it! The willingness comes from the fact that consciously the trader *believes* that he/she is *ready* to trade and become quickly rich, but his sub-conscious doesn’t agree and blocks this enthusiasm. It’s seems that there is an internal conflict between the two “*I*”s or should I say “*I*” and “*Me*»... One is protecting the other... put it bluntly, it’s a sort of *psychological stop loss of the common sense*! In order to get rid of this syndrome, the trader must have a very strong personality, to first understand the cause and then, secondly to take up the right approach to get rid of it by himself/herself; otherwise he/she would have to get some exterior help! The aetiology of this syndrome is numerous: insufficient time spent to acquire knowledge, insufficient capital, probable psychological instability, fear of immediate danger, fear of loosing and getting wiped out, and many others!

TRADERS’: What kind of trader are you?

I consider myself a pure intra-day trader! I don’t like to sleep with the market... I found that long time ago! I even tried out staying in a position several days, but after a couple of weeks, doing some Profit/Loss statement statistics, I found out that I did not loose, nor make any money... So my enthusiasm vanished, for this kind of trading approach!!! Besides, the intra-day trading pays everyday... at the end of the day...!

TRADERS’: And which time frames do you use?

As an intra-day trader, I always use the 15-min, the 30-min or the 60-min time frames for the operational side. The higher time frames – *the weekly and daily* – are used just once a day, in pre-market, to feel the dominant trend, which will remind me throughout the day, not to trade against the trend! *Don’t buck the market, if you don’t want to become a cold duck!*

The lower time frames – *5-min or even 3-min* – are only used to pinpoint the entry and the exit, through the use of the volume – the fuelling of the market!

TRADERS’: How would you describe your trading approach?

My trading approach is mainly based, on a method that I have created more than 20 years ago: the *Integrated Pitchfork Analysis*. I discovered this technique, while I was

searching for a trading approach that will primarily work in the sideways markets but also will efficiently perform in the trending markets.

Since Babson and Dr Alan H. Andrews have created and developed the pitchfork analysis, this technique was naturally applied, with the same degree of efficiency for both these types of markets. Some established professionals consider it as “*the ultimate tool to identify the actual vibration of the market trends*”.

In order to facilitate the quest for the low-risk high-probability trades, I had to push even further the limits of this 20th century trading technique and develop the *Integrated Pitchfork Analysis* concept. The results are just amazing, up to the highest expectations. It gives the trader a *real-trading edge*: market direction, high probability of revealing the optimal targets, the stop losses and also the reversal levels.

If you feel like it, please check it out by reading some material & charts at my website: www.pitchforktrader.com.



Figure 1 – Integrated Pitchfork Analysis is a prominent vector of Modern Technical Analysis.

The above Dax Futures 15-min chart illustrates the decision taking process where both types of analysis were used:

- *The Classic TA contributes here with its filled down gap, swing trend lines and the double broadening formations (expanding triangles), at the terminal portion of the chart.*
- *The Modern TA, expressed by our Integrated Pitchfork Analysis, pushes even further the analysis limits, towards a higher probability of trading decisions:*
- *The Contextual Pitchfork of this trading scene was constructed from its pivotal anchor (P0), and the pivots P1 and P2. As we can observe, the median line drawn from the anchor through the midpoint of the P1-P2 swing, was tested several times. The current market stopped, right under the ML and closed below... Now the trader is ready for a reversal – a short trade here - at the termination of the sub-wave w5 of the wave W(5) of the terminal expanding triangle.*
- *The Elliott waves impulsive pattern – with its waves & sub-waves - informs us that the trend is in its last phase – wave W(5) – and is now prone for an imminent reversal,*

- *The Time meets Price Intersection, which expresses Gann's deepest thoughts that in those moments, the trend will reverse, most of the time. This is illustrated at the termination of Elliott wave W(2), and beginning of wave W(3), where the market flow made an abrupt reversal due to the strong confluence (5587 key level) formed by:*
 - *The 50% retracement of the wave W(2) over W(1), $W(2)=0.50*W(1)$,*
 - *The 61.8% retracement level of the down-gap,*
 - *The 38.2% time relation of $W(2)=0.382*W(1)$*

TRADERS': Which instruments do you trade?

The choice of trading instruments is our “*bread-and-butter*” issue! As I always tell our students: “*Any traded instruments has two Gods: the Liquidity and the Volatility*”. If you are not trained to reveal these two parameters for any kind of market, you can have the most performing approach and you still don't make any money... if you don't loose them!

When I decide to select a new trading market, I always start with the search for the Gauss bell of the moving average, on the volume of the 60-min chart. Most of the time, there are two of them: in the morning and in the after-noon. Other markets have more than two Gauss bells, like the Eur/Usd pair, due to the multiple trading sites, all over the world. The advantage of this approach gives us a jewel parameter: the *time-of-the-day*. It tells you; when the market has its greatest volume, day-after-day, if you religiously follow it. With this tip, trading is like a dainty for a child. Once knowing how to use it, I am certain it will become a daily routine! You will certainly find out more, when the market has the greatest liquidity, and of course will betray some of its behaviour traits, especially if you'll go lower on the analysed time frames. You will be surprised, that you can find out for instance, when the Dax Fund managers drink their morning coffee or go out to lunch!

My favourite trading instruments are mostly located on the Futures markets: Dax, S&P 500, Russell 2000, main currencies, especially the Eur/Usd pair, SPI 200 and others.

TRADERS': How many set-ups do you use?

I don't consider trading approach through the number of set-ups. Let me explain please! Every market has its own behaviour; every time period has also its own personality. Both of them don't remain constant through the week. Moreover, a Eur/Usd Monday morning trading period can be quite different from that of the Dax Futures. For instance Dax Futures has two probable high momentum periods – in the morning and after-noon, after 15:30hrs CET at the S&P 500 opening. In order to catch the most of it, the trader must adapt one of his numerous techniques to the idiosyncrasy, not only of the traded market but also of each *time-of-the-day* interval. All this is valid with two conditions: to use a common decisional tree and to have an exacerbated fluency of the optimal set-up to be instantly applied to a specific trading situation, whenever that occurred: opening, post opening or pre-close!

In order to give you a precise answer to your question, I can mention that I describe a few tens of set-ups along the 1224 pages of my books. If I want to be more exact, they all have in common the decisional tree and the evaluated momentum degree based on three principles: directional or non-directional approach, support or/and resistance approach and the volatility approach. For instance, the latter one uses dual Bollinger Bands technique, well described along several pages, on my latest book – please go to the book Excerpts on my website.

TRADERS': Please introduce the three principles of your set-ups more exactly. How do the directional or non-directional, support or/and resistance, and the volatility approach work?

The *directional trading approach* is closely related to the early detection of the trend. Like I already said, most of the traders are able to enter a trend, not earlier than its first third. As a trader using modern Technical Analysis – Elliott waves, Wolfe waves, integrated pitchforks, etc... the traders can enter the trade, much earlier, in trend's first tenth lapse of time!



Figure 2 – The Directional Trading Approach – a trend continuation trade

The above Dax Futures 240-min chart illustrates the decision taking process where both types of analysis techniques were used:

- The Classic TA contributes here with its 500-ema, ready to stop the market's fall. The Stochastics indicator signals the continuation of the down move, as long as its upward fluctuations don't exceed the 60% level; the fall is smooth, organized, well encapsulated by the Stochastics channeling!
- The Modern TA, expressed by our Integrated Pitchfork Analysis, pushes even further the analysis limits, towards a higher probability of trading decisions:
- The Local Pitchfork - describing the most current market flow - of this trading scene, was constructed from its pivotal anchor (P0), and the pivots P1 and P2. As we can observe, the median line drawn from the anchor through the midpoint of the P1-P2 swing, was tested several times. This is a warranty that the pitchfork was well drawn, and that it will optimally describe the down-sloping market flow. The current market stopped here, probably temporarily, at the confluence zone – around 5400 round number key level, formed by the 500-ema, lower warning line WL-2 and the first upper parallel to the trigger line of the pitchfork. We have here two scenarios: first – the most probable - the market will strongly break down the 5400-confluence zone, and second, the market flow will bounce on it. The former scenario is ideal for a **short trade** with a tight stop loss, just a few ticks above the WL-2. The latter up-sloping scenario,

should be also ready to be considered – just in case – being represented by a long trade, with an entry just above the last low – around 5455 – and a stop loss just below it!

The *non-directional trading approach* is related to trading sideways markets, which are much more frequent than trending markets. This is always impossible to be done with the classic Technical Analysis, but its modern version does it easily, using Wyckoff's analysis based on his three fundamental laws: the law of demand and supply, the law of cause and effect and the law of effort versus result. It all comes to a more profound analysis of rectangles, but not only their formation, and composition, but also their extensions – an ideal manner to find multiple trading targets!

The *support and resistance trading approach* is a classic method. In spite of this, the modern Technical Analysis can provide far more numerous and much more important key levels – resistances or support -, besides those signalled by the classic Technical Analysis. We'll mention just a few of them: hidden Gann levels, floor pivots, Gann levels issued out of Gann's square of nine and main levels (G1 to G4) and so on!

The *volatility trading approach* uses Average True Range (ATR) tool or dual Bollinger Bands technique, well described along several pages, on my latest book – please go to the book Excerpts on my website.

TRADERS': You told so much about your strategy. Do you show us your Integrated Pitchfork strategy in some concrete examples now?



Figure 3 – Classic & Modern Technical Analysis (TA) Synergy

The above Dow Jones Industrial Cash Index monthly chart illustrates the decision taking process where both types of analysis techniques were used:

- *The Classic TA contributes here with its seven exponential moving averages (100-, 133-, 150-, 162-, 180-, 200- and 300-ema) and the Regression Trend Channel having a Pearson coefficient of 0.94 (a 94% of the market flow is here encapsulated by the channel).*
 - *The Modern TA, expressed by our Integrated Pitchfork Analysis, pushes even further the analysis limits, towards a higher probability of trading decisions:*
 - *The Regional, also named the Intermediate Pitchfork of this trading scene was constructed from its pivotal anchor (P0) – the termination of Elliott wave W(5), and the pivots P1 and P2 of the opposite swing. As we can observe, the median line drawn from the anchor through the midpoint of the P1-P2 swing, was tested several times. The swing of the Elliott wave (A) reversed right on the lower median line of the pitchfork, on its way to perform the correction represented by the wave (B). The upper trigger line of the pitchfork, drawn from the pivotal anchor (P0) and the P2 pivot, created a confluence at 10300-10500 key level zone formed by: the trend lines of the Regression Trend Channel, the 50% Fibonacci wave (B) correction level, the 27.2 Fibonacci correction level of the entire pattern level and the 100-ema level. It is highly probable that if the market reached this zone, it will quickly reverse, thus giving the trader the opportunity to perform a very profitable **short trade**.*
- Tip:** *Think of the possibility that the market won't be able to reach this confluence zone; then be ready for an earlier reversal – called failure. In that case, the market drop will be very strong and the trader should trade consistent multiple contracts. The advantage is not only a good profit, but also a tiny bits stop loss. Its entire value won't exceed that of a normal trade; just be ready for a reversal pattern, as the market approaches the cluster zone!*
- *The Elliott waves impulsive pattern – with its waves & sub-waves - informs us that the trend is in its ABC corrective pattern, in the process of terminating wave (B) – and is prone for an approaching reversal – the earliest would be January 2010.*
 - *The main Gann levels – G1 to G4 - are well known to stumble... or more, the down wave (C).*

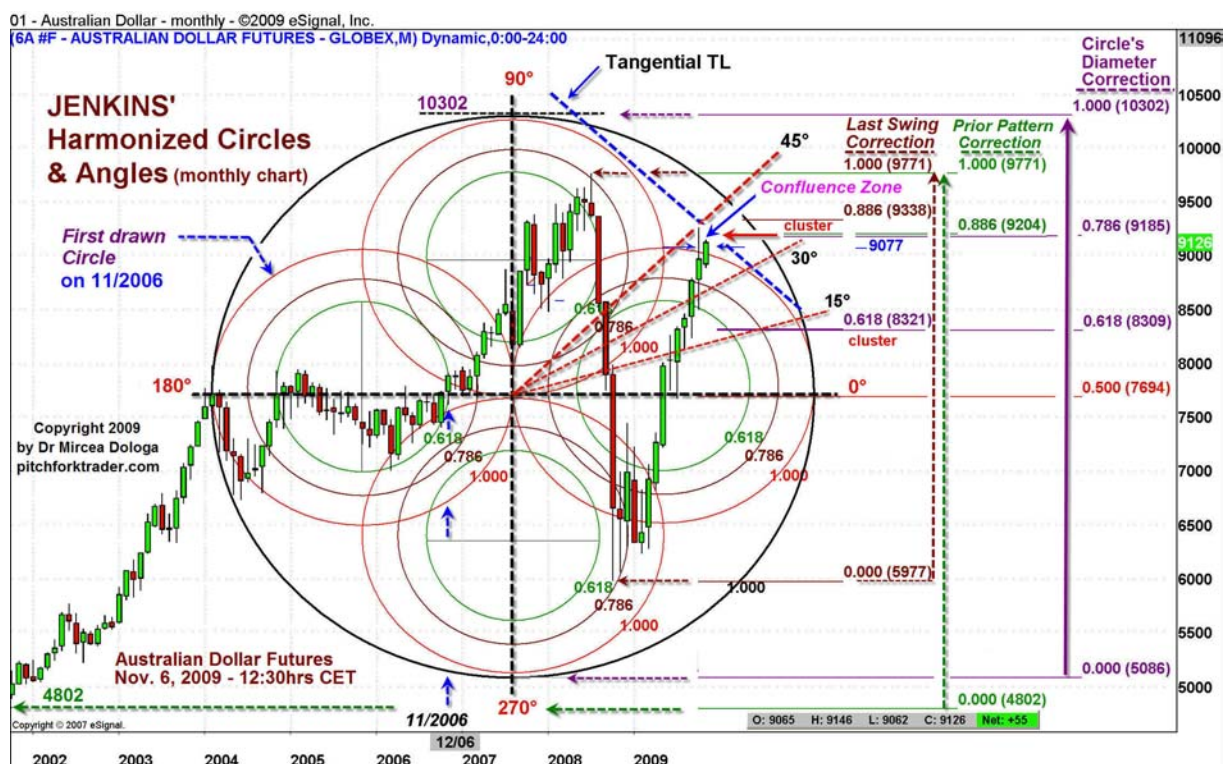


Figure 4 – Modern Technical Analysis – Jenkins' Harmonized Circles & Angles

The above Australia Dollar Futures monthly chart illustrates the decision taking process where both types of analysis techniques were used:

- *The Classic TA contributes here, just with the price Fibonacci ratio lines! They diligently show the 92-cluster zone!*
- *The Modern TA, expressed by Jenkins' harmonized circles & angles technique, pushes even further the analysis limits, towards a higher probability of trading decisions:*
 - *The construction of this circular and angular structure, started with the first circle on November 2006 and is based on the symmetry and on the harmonic vibration of the market flow. In spite of this apparent visual complexity, once that you'll get familiarized with the drawing principles, you'll see that it's not that complicated!*
 - We can easily see that the impact on the classic TA cluster zone - see above – has been greatly emphasized by the occurrence of a confluence formed by this cluster plus the 45° angle, the oblique tangential TL of the upper & right quadrant circles and the horizontal tangent at the 9077 key level of right quadrant circle!*
- *The revelation of this confluence, dramatically increased the probability of a **short trade** with a tight stop loss, just a few ticks above the zone, but only after the reversal pattern has occurred!*
- If the confluence zone – watch the volume – doesn't halt the current high-steamed momentum then we are inclined to perform a **long trade**, with an entry just above the zone and a stop loss below it!*

- **Tips:** for better understanding of the above chart (Figure n° 4):

- *The Prior Pattern starts on 4802 key level – not visible on the chart, but signaled on its left-lower corner. One can't see the last candle of this pattern.*
- *The Circle's Diameter's Correction is done by correcting the diameter's height (2 times the radius), from 5086 to 10302 key levels.*

This big circle circumscribes the four smaller diameter circles. Everything starts with the drawing of the first small circle drawn on November 2006 – indicated with the blue arrow on the left side of the chart. Then, we build the remaining three smaller circles, in such a way that all 4 diameters form a Cartesian coordinates system – simple called a big CROSS, formed by the 0° - 180° and 90° - 270° axes – drawn on the chart! The purpose of this geometrical pattern is to better describe and follow the market. You'll be amazed of its precision in the arduous task of taking a trading decision!



Figure 5 – Modern Technical Analysis – Jenkins True Trend Lines (JTTL)

The above Crude Oil Futures weekly chart illustrates the decision taking process where both types of analysis techniques were used:

- *The elements of the Classic TA aren't present here.*
- *The Modern TA, expressed by the Jenkins True Trend Lines (JTTL), pushes even further the analysis limits, towards a higher probability of trading decisions:*

The construction of the JTTLs is based on the symmetry and on the harmonic vibration of the market flow through the price and time cycles. In spite of this apparent visual complexity, once that you'll get familiarized with the drawing principles, you'll see that it's not so complicated! The lines are constructed by the use of the intersections of time and price cycle's multiples or sub-multiple trend lines, so affectionate by Gann. As calculating elements we employ the Gann's price Square of Nine – refer to my volume 3 book, for ample details. The revelation of these progressively drawn trend lines, dramatically increased the probability of a short trade, from JTTL-1 till JTTL-2, and long trades aftermath, up to the current JTTL-11.

*Currently, the market flow has reversed due to a time & also price cluster at the 82 key level. Much caution is required when taking an eventual **short trade**, at this level, because of the "end-run phenomenon": the vicinity of Gann's G1 main level at 74 level, which coincides with the last two highs – a very strong support to be breached !*

*On the other hand, the trespassing of the 83.5 key Gann level, with huge bars and increased volume, could bring the market flow up to 102.7 level - another strong Gann level - thus inciting the trader to perform a **long trade**, with an entry at 84.0 key level and the stop loss at 82.5 key level. The corresponding JTTL should be immediately drawn, when calculating the targets.*

TRADERS': It seems that you are an ardent adept of Mr Jenkins? Could you tell us a few words about him?

Michael S. Jenkins should be considered a titan of Modern Technical Analysis, who has greatly contributed – *and he still does nowadays* - to the development of the Modern Technical Analysis. Not only he enhanced the teachings of W. D. Gann, but he created new approaches for the everyday trading and investing.

If we want to summarize in a few words Michael S. Jenkins' work, in concordance with our area of predilection, we will list: angles, arcs, circles, Gann Boxes and Jenkins True Trend Lines (JTTLs).

If you have to remember just one thing of Mr. Jenkins' principles, will be the following:

"...trading is a game of strategy and just buying or selling everyday is only a 50/50 bet. If you wait for a time cycle or a "square out" then the odds can be 80% in your favor..."

Well... trying to coin a time cycle or a "square out" pattern – meaning drawing a square or squaring the time to get its corresponding price – is the job of the modern trader!

Most of Mr Jenkins trading tools are based on the "measured moves". They are oblique, horizontal or vertical segments, revealed from the occurrence of the swings. For circles, these segments will constitute their radius, which will turn-out circles that can be arranged to form a Cartesian system with two perpendicular axis (0° to 180° and 90° to 270°). The arrangement of 4 circles, right on these axes will be circumscribed by a bigger circle, which will optimally describe and closely follow the market – an ideal trading tool !

TRADERS': Are there any other living titans of Modern Technical Analysis that you use their teachings?

Oh... Yes! I should mention Mrs Dawn Bolton-Smith, one of the founders and life-members of ATAA – *Australian Technical Analysts Association*, in Sydney – who greatly

contributed to the development of Modern Technical Analysis, through her multiple trading concepts: harmonized triple moving averages giving the “*even stacking*” principle, Gann’s Square of Nine further development, the importance of the hourly and half-hour time frames in the process of intra-day trading, the role of the *Point & Figure* and line *hand-made* charts with Gann & Jenkins angles, and so on.



Mrs Dawn Bolton-Smith
and Dr Mircea Dologa
in Paris – May 2009

Not only these contributions made Mrs Dawn Bolton-Smith to be worshipped by her colleagues, but also the fact that she trained over three generations of traders on several continents... Her trading activity spanned over 45 years and she is a *living icon* of our *Hall-of-Fame*, doing even today the same work – *day-after-day* – like she used to do it since 1960s... Her nickname “*The Iron Dame*” is fully merited...! She has all my gratitude and admiration, because I am familiar not only with her profound work, but I was blessed to have her in our trading room in Paris, for two weeks ... God bless her !

TRADERS’: How does your stop strategy looks like?

We used to kid around with our students by saying, “*Don’t leave home without the stop loss!*”.

My students have finally understood that every trade must have its stop loss and its target(s). I managed to instill this into their mind through the use of *The Three Pawn Technique*, which is a “*to be or not to be*” trade situation or a “*to make or not*” entry decision.

This progressive order technique consists of three steps:

- *Step 1* - Find the most *optimal entry* of various mechanisms and place the *first order*,
- *Step 2* - Scrutinize for the best *stop loss* location – and then immediately enter a *stop order*, right after the *entry order* was executed. This will be the *second order*.
- *Step 3* - Find the most appropriate *logical profit objective* and then calculate the optimal *Reward/Risk ratio (R/R ratio)*. This will be the *third order*, right after the *stop loss order* is working on broker’s waiting list

Most of the time, these three progressive trading orders, labelled the *Three-Pawn Technique*, are *pre-arranged*, at the moment when the trade decision is made. It is vital

for the capital preservation's sake, that once they are established, they should *never* be changed. Due to the reliability and the automatism of this technique, we named it the *automatic trading mode*. It is, one of the best remedies for the "trigger-shy" trading syndrome.

If only two orders are pre-arranged, we are in a *semi-automatic mode*. If the three orders are not pre-arranged, we are simply in a *manual mode*.

As for the exact location of the *stop loss* we always locate it at the proximity of a technical level, and we fix the stop loss 2-4 ticks away! We never use percentages, like other folks do!

TRADERS': You mentioned that risk and money management played a big role for your trading. Why? And how do they look like in your trading?

Would you go to the supermarket without knowing exactly how much cash do you have in your pocket? Every supermarket buyer doesn't spend more than he/she has on him/her! What if you have a fixed monthly allowance for the food, and you go to the supermarket four times a month? You won't be surprised to find out that every person knows exactly the amount he/she will spend every week... Otherwise the money will run out, and the person will spend out the monthly amount, ahead of the month's end!

Well... the same thing happens with the well-trained trader! He opted for the Gann approach of the money and risk management:

- Divide the entire capital in 10 equal parts, to be used for ten opportunities,
- If less than 10, then divide the entire capital by their number,
- Don't take any trade by risking a \$1 for a \$1. Always enter the trade with a minimum risk of \$1 for a probable reward of at least \$2.5! We seldom accept to take 2 to 2.5 *R/R ratio* trades and only if they have a high probability. Do not forget that our main purpose is *capital preservation*. There is always another opportunity, but only if you are still in possession of your capital. Our purpose is not to make any *home runs*. We are only looking for low-risk high-probability trades.
- Don't forget that you are the Chief Executive Officer of your OWN economical entity – the investing or trading mechanism and the performance of your Capital, is ONLY on your shoulders. Follow the rules, if you don't want to become a cold duck... If you do, you are the only one to be blamed for!

TRADERS': What was your worst draw down?

Well... It did happened, many years ago. It was \$3 500 for a single day! Guess why? I did not follow the stop loss rule, being *flooded away* by the psychological impact of a huge selling climax! And another error was that I did have a stop loss, but it was manual, not carved in computer memory...!

TRADERS': And your biggest winner?

A couple of thousands of euros, when Angela Merkel was elected the first time, in 2005. Nobody expected that a woman from the East Germany could become a chancellor, even if she was a Doctor of Physics. And that market fell down, over the weekend more than 100% of the usual daily Average True Range. It took six days for the market to fill the entire 120 points down-gap, and I milked every day of the week!

TRADERS': How did the current financial crisis influence your own trading? Have you lost like many other traders or have you been lucky?

There is no such thing as luck, in trading, except sometimes the *beginner's luck*! Some of them make some money in the beginning before the catastrophe of their life occurs, when they find out that trading is a profession and that the market isn't a casino. You are either a real professional or a novice!

The crisis, like the flourishing times of happy days, does not influence a bit the intra-day *Futures* trading performance, because the intra-day swings are always there; we can trade either way: Short or Long!

Remember, what I said before? I never sleep with the markets! At the most, I exited my trades, a few minutes before the close!

TRADERS': You mentioned your website several times. What do you provide there?

We are specialized in training traders from novice to advanced levels (*especially bank traders of the Assets Management Division*), so that they become independent and are able to make a living by themselves! This is done through our private & group Seminars, our books and our articles. We also offer freely to our readers and students, 44 Excel files – worth more than \$2 500, indispensable for trading strategies based on modern Technical Analysis: Fibonacci, Gann, Jenkins, Elliott, Lucas, Mark Fisher or Wolfe based methodologies and also for Money & Risk Management strategies. Our free weekly *World Charting Report* prepared for professional people, illustrates the world markets, in more than 35 pages. There is applied a *top-down approach*! The several years Archives is a splendid learning tool!

We also freely initiate our students to the use of the professional software that we use for more than 18 years – the Advanced Get of www.esignal.com. It usually takes about 20 hours to be proficient!

TRADERS': You also published several books. What are they about and what can the reader learn from them?

The originality and the applying of *Integrated Pitchfork Analysis – in everyday trading* - is described in my three volume books (*over 1224 pages, 1560 charts and 44 Excel files*). The method is based on integrating the use of Dr Andrews' technique with the *state-of-the-art* trading tools: Chart patterns, Elliott waves principle, Gann methods, Jenkins circles, Wolfe waves, floor pivots and inter-market analysis.

Volume 1 is intended for traders ranging from basic to intermediate level. It focuses on developing a basic knowledge of the pitchfork's morphology (*study and description of a defined structure: definition, form, inflexion, derivation, and compounding*) and its dynamic principles.

If he/she wanted to have summarized the first part of this volume, the reader will quickly find out how to identify and use pivots that constitute the basis for median line of pitchforks and other trend lines. Afterwards, he/she will learn how to draw the different variations of pitchforks, and also how to use pitchforks. The integration of pitchfork with the Fibonacci ratios and thereafter clusters and confluences will assist the trader in making well judged trading decisions.

On the other hand *Volume 2* focuses on techniques for the advanced trader. The reader is introduced to variable pivots, pitchforks and different practical variations of the median lines, in the everyday trading practice. We also discuss rectangles and action/reaction lines in a very clear manner not found in many publications. The case

studies are done using meticulous details and the reader feels the practical approach of trading; he/she should better and clearly understand the market movements and how to interpret them.

The knowledge and understanding of Elliott wave takes here a very pragmatic way. There is a real practical value concerning the discussion of inter market analysis and the clear way in which the practical application of various indicators e.g. RSI, Stochastics and the 5, 35 Oscillator are done.

In *Volume 3*, the reader will discover the most recent acquisitions – *the-state-of-the-art* tools of the arsenal of the professional traders. Among other topics we mention: practical approach of Wyckoff methodology to sideways markets, timing of the markets reversals through the use of Fibonacci and Lucas time tools, the multiple time frames concepts with their practical trading approach, Wolfe waves – those unknown speculative tools that make a lot of trades profitable. The Jenkins and Gann chapters, emphasize these little known methodologies, used in intra-day real time, and reveal here how is possible to detect not only in a precise manner, but also months in advance, the location of the time & price intersections, thus profitably projecting the reversals. Useless to say that more than 50 pages are consecrated to real time examples, treated step-by-step, which will certainly enlighten the traders' curiosity and attention!

Like they say, “*a picture is worth a thousands words*”. If interested, click below for the three books Excerpts - more than 100 colored pages with charts, out of 1240:

http://www.pitchforktrader.com/vol1_excerpts.pdf

http://www.pitchforktrader.com/vol2_excerpts.pdf

http://www.pitchforktrader.com/vol3_excerpts.pdf

TRADERS': Are you a discretionary or a systematic trader?

Strictly discretionary... In order to give you a precise answer to your question, I can mention again that I described a few tens of set-ups along the 1224 pages of my books. If I want to be more exact, they all have in common the *decisional tree* and the *evaluated momentum degree* based on three principles: directional or non-directional approach, support or/and resistance approach and the volatility approach.

TRADERS': How do you handle emotions?

A professional trader has few emotions. Many readers may be surprise to hear this, but we will mention the word *confidence*... and they will understand it quickly Nothing can be done without it! No trader will use a trading strategy without having a full confidence in its efficiency. But there is hard work to acquire confidence! It takes many months, even years to get acquainted with the optimal tools that you have tested and re-tested and which are prone to give the best trading results! The confidence is a rare friend that once acquired, it will assist the trader day-after-day. Will you be surprised if I tell you that confidence is based on trials, routines and rituals? Of course, not! It's the only way to get experience and go to the next step in the learning curve process.

Whenever you have to take a hard decision, you will be serene because you knew the odds beforehand and because you've seen that before. And anyway... the loss was planned and you can't lose more than “tiny bits”! After a losing streak or, on the contrary, a huge profitable trade, one should have the same type of mood: serene, free of anguish and ready to start all over again.

Your attitude is based on the confidence you have on your store of experience. Keep in mind that slumps and joys are two indispensable feelings so frequent during the trading process. Being under pressure should never change this attitude. At the end, there will be always a new day, and the sun will rise again.... With one condition... if you preserved your trading capital because you have obeyed the rules concerning the “tiny bits” stop losses!

As you can see, the foundation of learning and trading consists of three parameters: the psychological aspect, the risk and money management and the trading strategy... in this precise order, with the first two representing the most of it!

TRADERS': Do you have a trading tip for our readers?

OK...! I'll give you a jewel! Don't tell anybody!

If you are a Dax 30 Futures trader, and you want to make a quick buck (*euros in this case*), to pay your rent, follow religiously the direction of Nikkei 225 market at close time! It closes at 8:00hrs CET, when the Dax Futures opens. Now, comes the tip! Whenever Nikkei 225 ends-up with more than 1.5% (*up or down*), then enter Dax Futures on the same direction, with a *tight stop loss*! Be aware of several genuine traps: *Dax opens in contrary direction* – a classic trap for the novices – in that case wait patiently, and perform a trade, as soon as the market reverses – remain faithful to the Nikkei day's direction; *evaluate the size of the gap* – in case of a big gap, it might already contain the impact of Nikkei 225 day's momentum - in that case be prepared for an imminent gap filling, in the contrary direction; *expect the vanishing effect* and perform a contrary trade, etc...

Let's try this, and let me know!

TRADERS': How do you assess the future development of the markets?

In spite of the medias' prognosis that the recession is over, I don't agree with it; it's rather a planned illusion for the public!

The modern Technical Analysis (*Elliott, Jenkins & Gann tools*) teaches us that we are still in an up-sloping correction [*wave (B)*] – *giving the illusion of early recovery* – which started in March 2009, approaching the 50% to 61.8% threshold key level. After its completion – the earliest in January 2010 – the market will fall, forming the down-sloping *wave (C)*, which will really hurt...! Our students know that *wave (C)* can be devastating (except for a *failure*) worse than a tsunami: huge down volume and market breath approaching the selling climax. The Fundamentals conditions might collapse and fear could reign supreme. *It's not an idyllic picture, but it might happen!*

It might go down not only to the last low (*666 for S&P 500*) but even farther!

As for the business cycle, we are still in a negative growth phase, in spite of the recent positive Gross Domestic Product (GDP). Just look at the parameters of the business cycle, which I *consider still in red* and judge for your self: *Unemployment rates rise, Bankruptcies increase, Profits decline, Individuals and Companies have far less to spend and there is a Lack of Prosperity, all around us.*

TRADERS': Which plans do you have for your future?

I am preparing a new website, which will enlarge our range of services! And I also work for translating our books in German, Romanian, Vietnamese and Chinese!

Dr Mircea Dologa, MD, CTA is a Commodity Trading Advisor, a Stock Investment Advisor and the founder of a new teaching concept, for newcomers and experienced traders at www.pitchforktrader.com, where he also publishes a free weekly *World Charting Report*. He is a long time member of several international technical analysis associations:

- *MTA – New York - USA - Market Technicians Association Affiliate (CMT Level 2 Certification)***
- *ATAA – Sydney – AUSTRALIA - Australian Technical Analysts Association Member***

He is an international contributor to trading magazines in the USA ('Technical Analysis of Stocks & Commodities', 'Futures'); the United Kingdom ('The Technical Analyst'); Germany ('Traders' – English- and German-language editions); Australia ('Your Trading Edge') and Asia ('The Trader's Journal'). He has written three books, over 1224 pages, 1560 charts and 44 Excel files, in his quest to efficiently teach the trading art from the beginner's level to the highest nowadays standards.

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