



## A Guide to Joe DiNapoli's D-Levels™ Studies Using GFT's DealBook FX® 2

**Based on the book: Trading with DiNapoli Levels**  
**The Practical Application of Fibonacci Analysis to Investment Markets**

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## Introduction:

For many years your ability to get the full suite of DiNapoli Indicators has been very limited, but now GFT offers you all of the DiNapoli indicators in the DealBook® FX 2 trading platform. The DiNapoli group of studies is a mix of leading and lagging indicators designed to produce high accuracy entry, exit, and stop-placement price points. Due to the derivation of these points, many are not commonly known or used by traders. We are pleased to offer these to you through DealBook® FX 2 within a simple, automated presentation of DiNapoli's studies in a user-friendly interface.

Leading indicators show a trader where support and resistance is likely to manifest before the market gets there. The trader, using these studies, will typically buy dips in an advancing market or sell rallies in a declining market. The DiNapoli trading technique also employs pre-calculated profit objectives and stop-placement points. While these levels are all generated from the studies, the developer recommends that they be used in an appropriate manner and in conjunction with the appropriate context of the markets.

DiNapoli also highly recommends that you should not attempt to use these indicators without knowledge. These tools are an extension to the book "Trading with DiNapoli Levels" by Joe DiNapoli, which shows you how effective the indicators can be for trading. The complete use and implementation of these studies can be found in a book entitled *Trading with DiNapoli Levels: The Practical Application of Fibonacci Ratios to Investment Markets* available through Coast Investment Software, Inc. (<http://www.fibtrader.com>, 941-346-3801).

GFT provides you with all the necessary studies in its proprietary trading software, DealBook® FX 2. In addition to the more than 70 indicators provided within DealBook® FX 2, these studies may help you properly employ the recommended context without the necessity of creating additional complicated formulas. Technical indicators, such as the DiNapoli group of studies, can also be used to sharpen entry and exit points by the experienced trader who is comfortable with his own directional trading techniques.

**Note:** *Joe DiNapoli has allowed for the inputs and parameters of all DiNapoli studies to be changed. We strongly recommend this only be done after serious consideration, since all studies have been thoroughly researched and parameters arrived at after significant experimentation (see subsequent notes for each indicator).*

## Chart Templates:

DealBook® FX 2 has been shipped with a variety of chart templates to make your implementation of these studies easier. To access these chart templates, you will need to load them into DealBook® FX 2. You can load a template by clicking on the 'chart templates' button on the horizontal toolbar to open the *Chart Templates* window. Select a template from the list and click the *Load* button.

You can also save your preferred chart settings as a new template. You can then load this new template when creating a new chart. You can create a new chart template (of an existing chart) by clicking on the chart templates button located on the top horizontal toolbar. This will open the *Chart Templates* window. Click the *Save* button to create a new chart template. Enter the new template name into the *Input template name* window and click the *OK* button.

## DiNapoli Retracement™

DiNapoli Retracement™ and Expansion studies are derived from an advanced and independently developed form of Fibonacci analysis. To create a DiNapoli retracement series, the user selects a Focus Number and a group of Reaction Numbers from a bar or candlestick chart.

Retracement levels (FibNodes™) along with Lineage (semicircular) markings are shown and automatically updated as the market moves forward in real-time. Lineage Markings are particularly important to the trader as they aid in identifying areas of support and resistance that are particularly strong. They can also be used to identify areas of potential support and resistance that most speculators are unaware of utilizing standard Fibonacci techniques (properly assessing combinations of Expansion and Retracement levels further enhance the accuracy of this approach).

To place a DiNapoli Retracement™ Study on a chart:

1. Select DiNapoli Retracement tool from the Chart Tools menu on the left-side of the chart.



Chart 1.

2. Select an initial point on a chart, the Focus Number, and left click. Then, point the mouse to the next appropriate point on the chart, reaction 1, and Left click

Continue moving the mouse to earlier Reaction Points that you as a trader (with knowledge of DiNapoli techniques) feel are appropriate. . Select these points by left-clicking on each one. Click twice on the same Reaction Point to place the last reaction in the Retracement Series. If you would like to remove or insert a different reaction point, with the retracement tool selected, right-click the mouse in the vicinity of the existing reactions. This allows reactivation of the series for changes. It is recommended however, that you delete the entire series and start over, unless you are very familiar with this tool (see Chart 2).

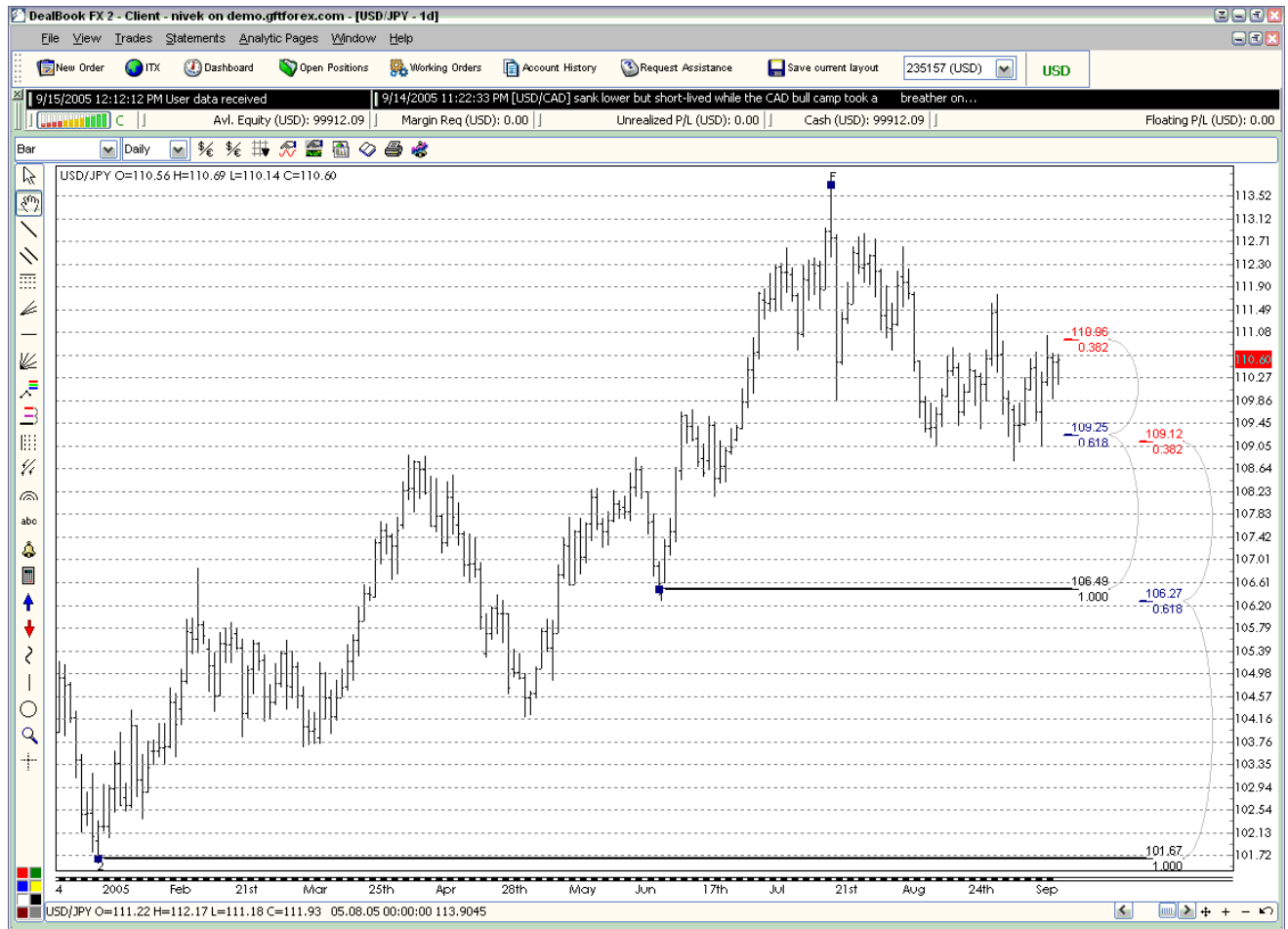


Chart 2.

3. To configure, (adjust the default settings) or move the reaction points, select mouse pointer tool on the Chart Tools menu on the left side of the chart. Select a point to configure and right click. Points can be moved by dragging and dropping them on selected chart prices.

- If you wish to add a word or arrow to a Lineage designation, place the mouse pointer on left side of the chart and choose the appropriate button. For example, left-click on the “abc” button on the left side of the chart, then place the box next to desired point on the chart. Once the label properties box pops up, simply type in the word(s) and click “ok.” (see Chart 3)



Chart 3.

- To delete the expansion study you have several choices: either select the expansion tool icon and simply right click or with the mouse pointer tool selected, click over any part of the study, obtain the hand tool and press the delete key.

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## DiNapoli Expansion

1. To place a DiNapoli Expansion Study on a chart, select DiNapoli Expansion tool from the Chart Tools menu, then select an appropriate A-B-C price swing by left-clicking at three price levels on the chart. (see Chart 4.)

DealBook® FX 2 calculates and displays on the chart three Expansions or Profit Objectives. The three Expansion levels are referred to by the following abbreviations:

COP	Contracted Objective Point
OP	Objective Point
XOP	Expanded Objective Point

2. If you wish to add a word or arrow to a price level, place the mouse pointer on left side of the chart and choose the appropriate button. For example, left-click on the “abc” button on the left side of the chart, then place the box next to desired point on the chart. Once the label properties box pops up, simply type in the word(s) and click “ok.”
3. To configure (adjust the defaults or change the colors of the levels) or move point C , select mouse pointer tool on the Chart Tools menu on the left side of the chart. Select either the COP, OP, or XOP, (the pointer tool will change to a hand), then right click and select Configure to change defaults. The C point can be moved without right clicking, by dragging and dropping on selected chart prices. Points A and B cannot be moved. If you wish to change the location of points A and B you must delete and start a new expansion series.
4. To delete the expansion study you have several choices: either select the expansion tool icon and simply right click or with the mouse pointer tool selected, click over any part of the study, obtain the hand tool and press the delete key.

**Note:** Properly assessing combinations of the Expansion and Retracement levels may further enhance the accuracy of this approach.

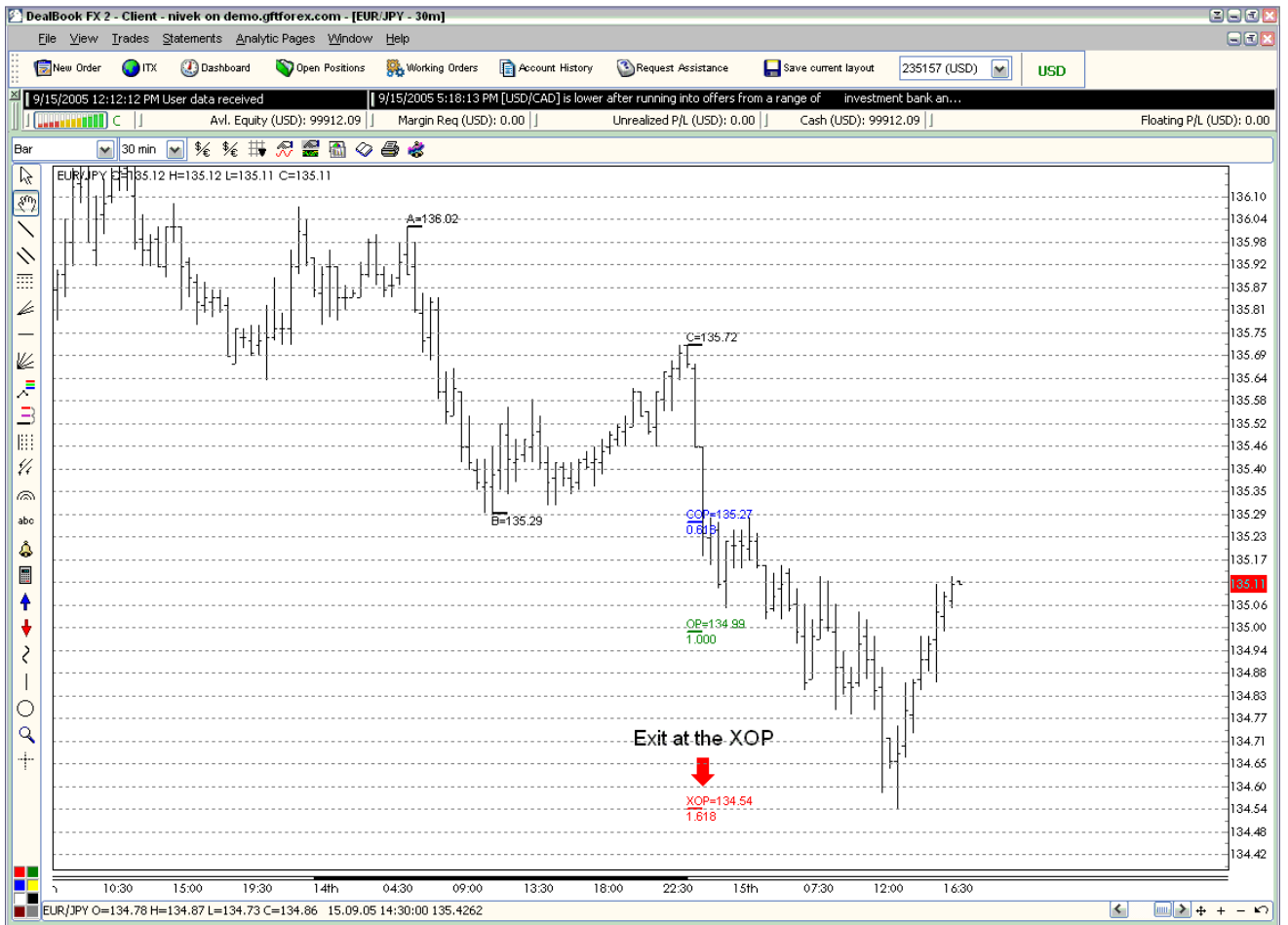


Chart 4.

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## DiNapoli Oscillator Predictor™

The DiNapoli Oscillator Predictor™ is a derivative of a Detrended Oscillator. Through a set of parametric equations, a predicting oscillator is created that forecasts, one period ahead of time, overbought and oversold conditions. The resulting predictor values are expressed as bands on the bar chart, both above and below the market. It differs from commonly available bands in many ways, one of which is that it leads the price by one period, hence a leading indicator.

If desired, the detrended oscillator from which the bands are derived may be shown below the chart by selecting the DiNapoli Detrended Oscillator study from the Add Studies menu (by right-clicking on the chart). The Predictor bands may be used in a variety of ways to aid in entering and exiting the market. The resulting levels can be particularly useful for intraday trading.

1. To add the DiNapoli Oscillator Predictor™ Study within DealBook® FX 2, right click on the chart and select Add Studies. (This feature is also used for adding other DiNapoli studies within DealBook® FX 2, such DiNapoli Detrend, DiNapoli DMA 25x5, DiNapoli DMA 3x3, DiNapoli DMA 7x5, The DiNapoli MACD Predictor™, DiNapoli MACD, and DiNapoli Preferred Stochastics). (see Chart 5)
2. Once the study is plotted on the chart, you can change the parameters (defaults) for the DiNapoli Oscillator Predictor™ Study. You can access this by either double-clicking on the indicator or by placing the mouse pointer on any portion of the study, until a hand displays, then right click and select Configure. While Joe DiNapoli does not recommend that this be done, the software makes it possible for you to do so.
3. If you choose to change parameters for this study, the following inputs are adjustable:

### **Inputs:**

**Source:** Selects the source of Moving Averages from which the Detrended Oscillator is created.

**Oscillator Period:** Selects the value of the Moving Averages from which the Detrended Oscillator is created.

**Peaks:** Selects the number of peaks the study evaluates for overbought/oversold analysis

**Peak size:** The number of values on either side of a high (low) that must be lower (higher) in order for the high (low) to qualify as a peak (trough).

**Lookback:** Selects the total number of bars the study evaluates for peak selection

*\* **Note:** Joe DiNapoli has allowed for the inputs and parameters of all DiNapoli studies to be changed. We strongly recommend this only be done after serious consideration, since all studies have been thoroughly researched and parameters arrived at after significant experimentation.*

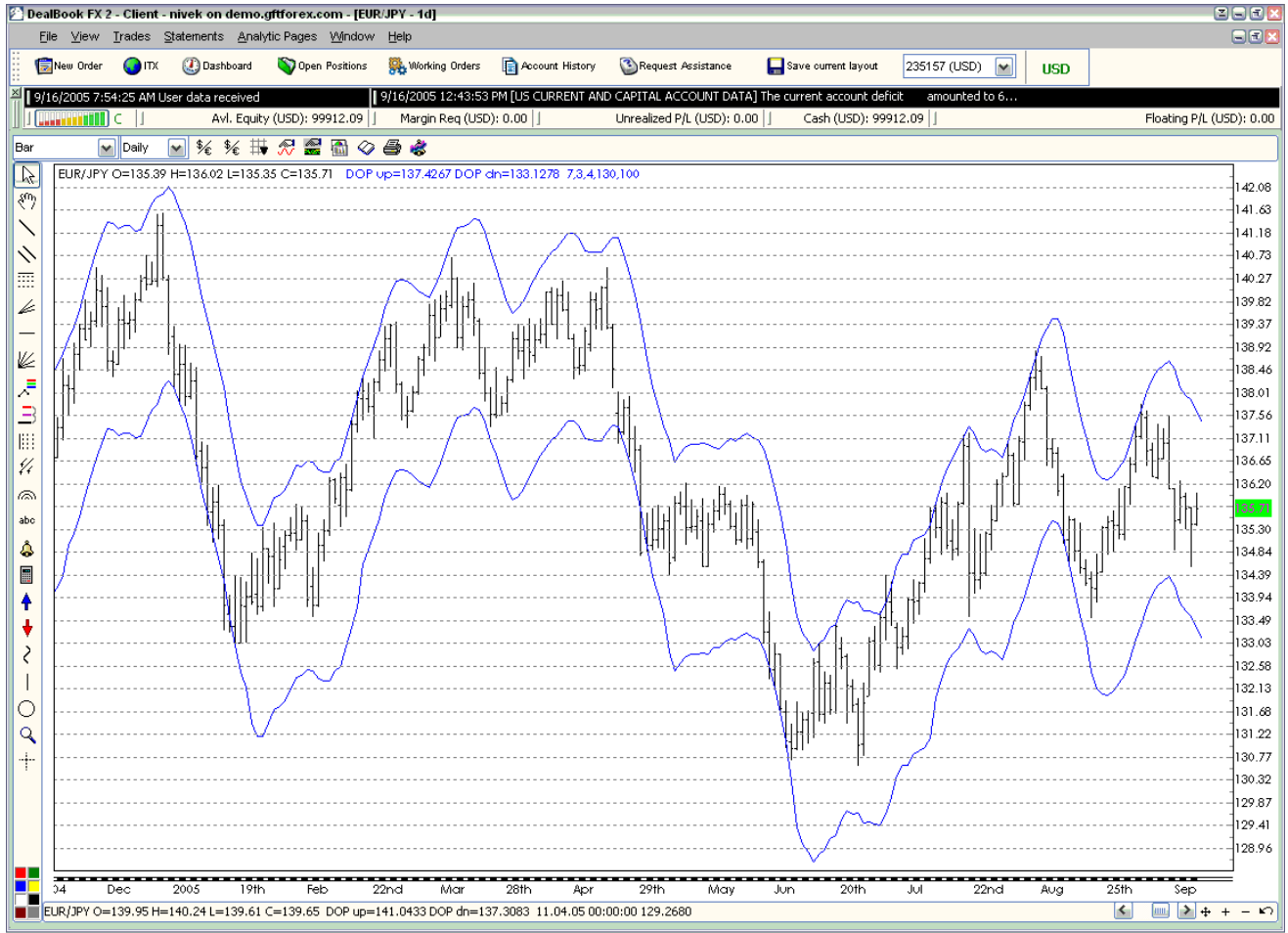


Chart 5.

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## DiNapoli MACD Predictor™

The whole idea behind a practical trading plan is to keep it as simple as possible. The DiNapoli MACD Predictor™ is a way of looking at the DiNapoli MACD (moving average convergence/divergence) in an entirely new setting. There are two main advantages to its use:

1. You are able to know, one period ahead of time, the exact price the market would need to penetrate to change the trend from bullish to bearish or vice versa.
2. You are able to gain real estate on the chart by the elimination of the MACD study from the chart workspace.

The first advantage listed above offers significant advantages to DiNapoli traders that are beyond the scope of this manual. However the following considerations should help you get a truly good idea of its power. The DiNapoli MACD Predictor™ could be considered a cousin to the DiNapoli Oscillator Predictor™. If you take a position you know right then and there, the exact price, the current and next (future) bar will need to achieve, for the MACD to cross. You can also literally see the distance the market has to go, before your current position is either helped or hindered by the force of the next MACD cross. You can do this in all time frames, as the DiNapoli MACD Predictor™ updates in real time

You are able to determine the "Dynamic Pressure" on the market by clearly observing price action with the DiNapoli MACD Predictor™ history, superimposed directly on the bar chart. Dynamic pressure refers to how the market reacts to buy and sell signals. If you get a 30-minute sell on the MACD and the market goes flat for example, you know right then and there that the next buy signal is apt to be a good trade.

(More information on this study can be gained at the following links: <http://www.fibtrader.com/proprietary.html> <http://www.fibtrader.com/ctp5/macdp.html>)

To add the DiNapoli MACD Predictor™ within DealBook® FX 2;

1. Right click on the chart and select Add Studies. (see Chart 6)
2. Once the study is plotted on the chart you can change the parameters (defaults) DiNapoli MACD Predictor™. You can access this by either double-clicking on the indicator or by placing the mouse pointer on any portion of the study, until a hand displays, then right click and select Configure. Place the mouse pointer on any portion of the study, until a hand displays, then right click and select Configure.
3. If you choose to change parameters for this study, both the inputs and style may be adjusted.

*\* **Note:** Joe DiNapoli has allowed for the inputs and parameters of all DiNapoli studies to be changed. We strongly recommend this only be done after serious consideration, since all studies have been thoroughly researched and parameters arrived at after significant experimentation.*



Chart 6.

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## DiNapoli Displaced Moving Averages

Displacing a moving average forward in time offers several significant advantages to the trader. It lets you know what the trend delineation point or price will be “N” number of periods ahead of time. Knowing where this point is, ahead of time, helps you to plan your market strategy.

By using the “proper” number of periods for a calculation of the moving average and the “proper” displacement amount, DMAs tend to reduce whipsaws and “cup”, or contain market action in ways that are helpful for traders. Also, certain DMAs are extremely useful in defining patterns.

After many years of research spent selecting the proper length and displacement amount, DiNapoli has developed three types DMAs:

- The three–period simple moving average of the close, displaced forward three periods
- The seven–period simple moving average of the close, displaced forward five periods
- The twenty five–period simple moving average of the close, displaced forward five periods

These are displayed in DealBook® FX 2 as DiNapoli 3X3, DiNapoli 7X5 and DiNapoli 25X5. The indicators are developed with the intent of using daily, weekly or monthly timeframes, but quarterly and yearly work equally well. Many traders also use these DiNapoli Moving Averages on intraday charts.

4. To add the DiNapoli displaced moving average study within DealBook® FX 2, right click on the chart and select Add Studies.
5. Once the study is plotted on the chart, you can change the parameters (default settings) for the DiNapoli DMAs. You can access this by either double-clicking on the indicator or by placing the mouse pointer on any portion of the study, until a hand displays, then right click and select Configure. (see Chart 7)
6. You can configure inputs and customize the style parameters of studies:

### Inputs:

**Price:** Selects the price source of displaced moving average from which the indicator is created (the default is the close price).

**Period:** Selects the “N” number of periods the simple moving average displays.

**Shift:** Selects the number of periods forward in time the simple moving average is displaced.

*\* **Note:** Joe DiNapoli has allowed for the inputs and parameters of all DiNapoli studies to be changed. We strongly recommend this only be done after serious consideration, since all studies have been thoroughly researched and parameters arrived at after significant experimentation.*



Chart 7.

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## DiNapoli Detrended Oscillator

The Detrend is an indicator that's been around a long time and helps you better view overbought and oversold market conditions. It measures variations of price about a zero line that represents the trend, hence detrended. The trend is defined as a given moving average, and then mathematically computed to make that average a constant, or a zero line.

The DiNapoli Detrended Oscillator, formula is derived from the close (today), minus the seven-day simple moving average of the close. The result is an indicator that's powerful and versatile, and it can be applied in a variety of easy-to-use strategies.

1. To add the DiNapoli Detrend study within DealBook® FX 2, right click on the chart and select Add Studies. (see Chart 8)
2. Once the study is plotted on the chart, you can also change the parameters\* (default setting) for the DiNapoli Detrend study. You can access this by either double-clicking on the indicator or by placing the mouse pointer on any portion of the study, until a hand displays, then right click and select Configure.
3. You can configure inputs and customize the style parameters of studies:

**Inputs:**

**Price:** Selects the price source of the detrend oscillator from which the indicator is created (the default is the close price).

**Period:** Selects the "N" number of periods the detrend oscillator displays.

*\* **Note:** Joe DiNapoli has allowed for the inputs and parameters of all DiNapoli studies to be changed. We strongly recommend this only be done after serious consideration, since all studies have been thoroughly researched and parameters arrived at after significant experimentation.*

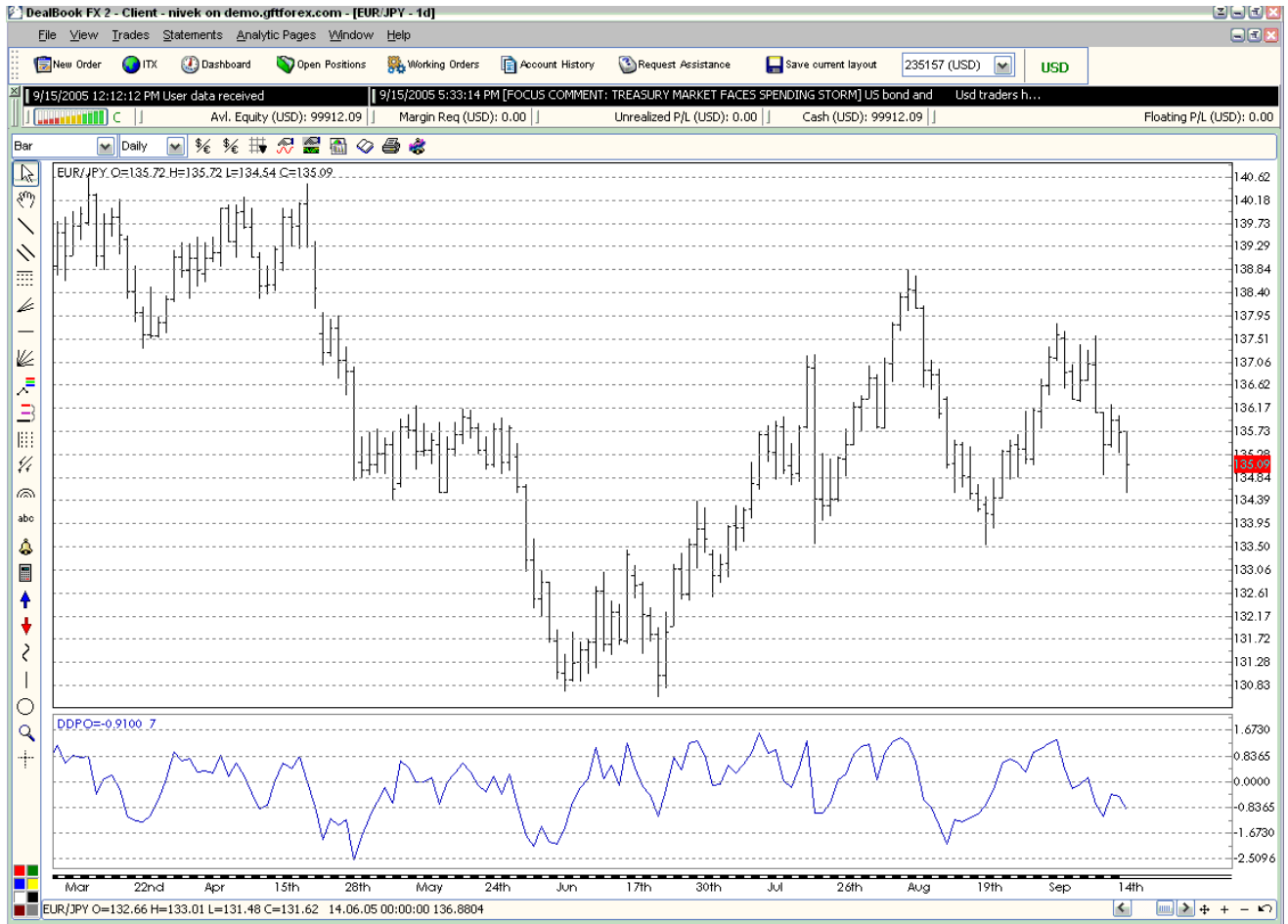


Chart 8.

## DiNapoli Preferred Stochastics™

The DiNapoli Preferred Stochastics™ is to be used in conjunction with the DiNapoli MACD or the MACD Predictor™. It has been deliberately configured to indicate the hand of the weak players and is designed to be “faded”. As with all DiNapoli Indicators you should understand their use prior to implementation. Any attempt to utilize these powerful tools without knowledge will otherwise likely result in significant monetary loss.

1. To add the DiNapoli Preferred Stochastics™ within DealBook® FX 2, right click on the chart and select Add Studies.
2. Once the study is plotted on the chart you can change the parameters (defaults) for the DiNapoli Preferred Stochastics™ study. You can access this by either double-clicking on the indicator or by placing the mouse pointer on any portion of the study, until a hand displays, then right click and select Configure.(see Chart 9)

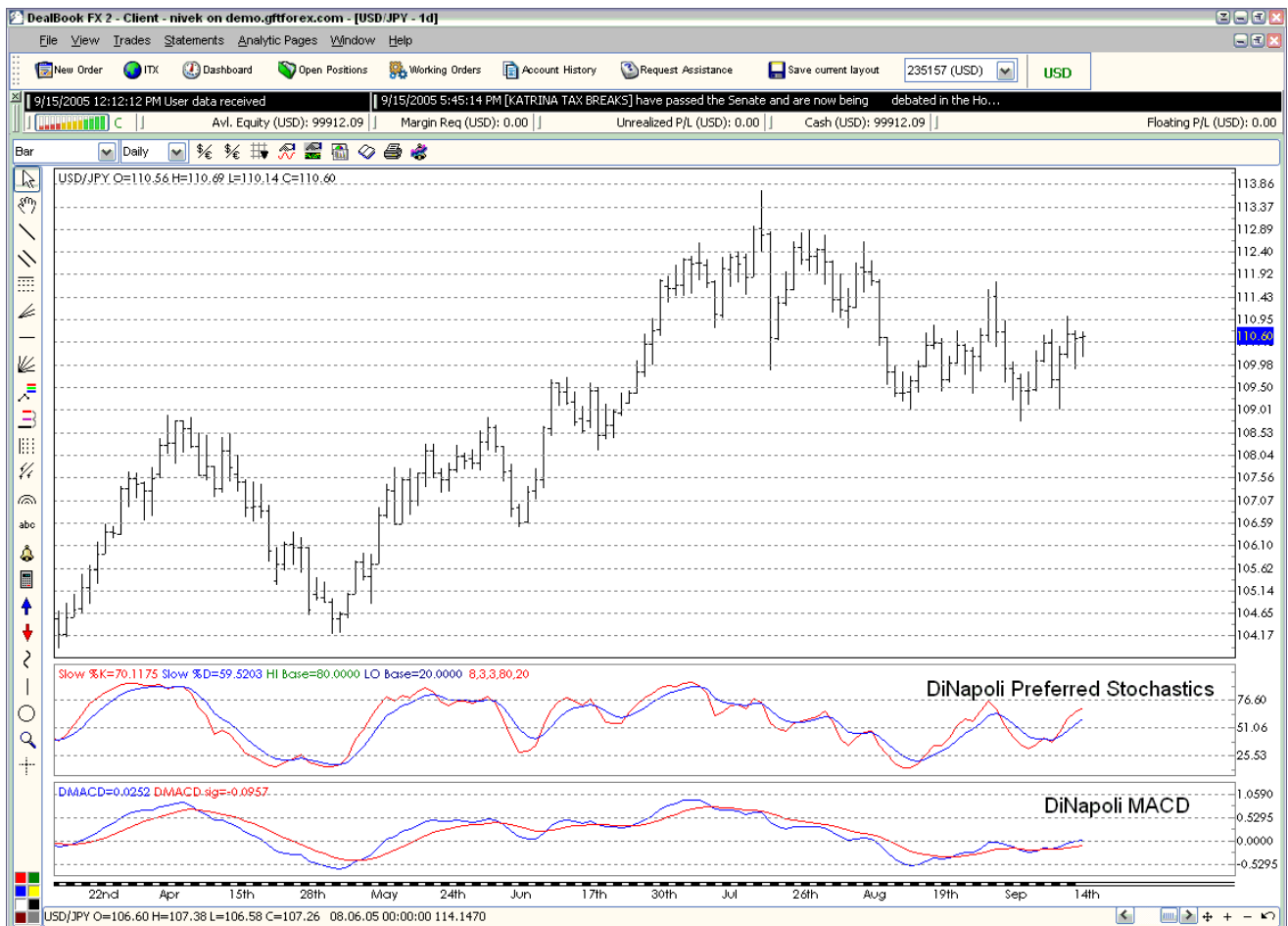


Chart 9

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## Practical Considerations Regarding the Use of D-Levels™ Retracement and Expansion Studies

The biggest technical challenges in applying D-levels analysis to market trading situations have been two fold:

**First:** Staying organized and keeping up with current market action.

**Second:** A clear and useful presentation of the pertinent data as market action unfolds.

On time frame charts above 30 minutes these issues are not as challenging as they are on charts below 30 minutes. In an effort to help you to achieve the maximum benefit from these studies, hints are suggested below. These hints are in no way designed to teach you how to apply these studies to market action, rather to help you make the most of the DealBook® FX 2 software as it is designed at this writing, pertaining to D-levels studies.

### Hints:

- For clarity, I suggest as a minimum a 17-inch monitor, flat screen with a dot pitch of .26 or less.
- Strong, clear, colors have been chosen as defaults for the FibNodes, again for clarity. I use red for the .382 Node and purple for the .618 Node.
- Another benefit follows, namely: different colored Nodes in close proximity easily identify Confluence.
- Very important: Use different windows (charts) for different time frames so you can keep organized. At any given time I am likely to have several charts of D-Levels studies for each instrument I follow. Another import reason to use different charts for different timeframes is due to a limitation that is sometimes apparent when changing a chart with existing D- Levels to a different time- frame. This is a programming matter that we will attempt to upgrade in subsequent releases. If, for example, a D-level is drawn on a 5-minute timeframe, and you then switch to another (i.e. Daily), you may see a message that states:

“These D-Levels cannot be correctly displayed for the new timeframe. Press ‘yes’ to change timeframe anyway. Press ‘no’ to keep the same timeframe. We suggest you create a new chart for the new time and create new D-Levels. .

You simply need to open a new chart and draw new D-Levels for that timeframe. See below for a method to easily copy the same chart for the display of different timeframes.

- Joe DiNapoli recommends using daily and weekly Charts for long term trading. But for intra-day trading the EUR/USD for example, the power and utility of DealBook® FX 2 allows you to have 60-minute Nodes (FibNodes) on one chart, 30-minute Nodes on another chart, as well as five-minute Nodes on another chart. It all depends on the timeframe **you** choose to trade.
- If Nodes become cluttered, use the horizontal stretch button to open things up, so you can keep the picture clear.
- Charts can be copied and pasted by right-clicking on the chart and selecting Copy Chart from the menu. Then, right-click on the blue background of the software and select Paste Chart. This will create a duplicate of the chart originally copied. If you have created a duplicate chart for the purpose of creating D-Levels on a different timeframe, delete the D-Levels from the new chart, adjust the time frame, and create new D-Levels.

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## Glossary of Terms

### **Market Swing:**

A Market Swing is a *trader-defined* market move, lasting minutes or years, taken from a "significant" market low or high, which occurred sometime in the past, to the most recent high or low. A Market Swing can be referred to as a wave.

### **Reaction Number or Point:**

A Reaction Number usually is a low or high point within a given Market Swing. I have avoided using the terms "swing high" or "low," in the definition of Reaction Numbers for two reasons. First, some of you will attach certain inapplicable qualifiers to this term. Second, we will have Reaction Numbers in areas that "swing highs" and "lows" cannot possibly be found.

There can be multiple Reaction Numbers within a Market Swing. What determines whether Reaction Numbers are lows or highs is the Movement of the Market Swing.

### **Focus Number:**

The Focus Number is the extreme of the Market Swing. It is the location on a chart, from which *all* retracement values (FibNodes) for a given Market Swing are calculated. If the Focus Number changes, *all* FibNodes for a given Market Swing will change as well.

### **FibNode or Node:**

A FibNode or Node is a number based upon Fibonacci retracement ratios, which will elicit support as the market approaches it from above or resistance as the market approaches it from below. Two FibNodes, or Nodes, are calculated, one at a .382 retracement, and the other at a .618 retracement between the Focus Number and a Reaction Number.

FibNodes™ is also the name of a software program used to calculate and present Fibonacci retracements and objectives.

### **Objective Point:**

An Objective Point is a number based upon Fibonacci expansion ratios, which marks a targeted Profit Objective for an advancing or declining wave.

### **Confluence:**

Confluence ('K') is a price point or area that occurs when two FibNodes from *different* Reaction Numbers have the same, or almost the same numerical value. The Confluence must occur only between .382 and .618 FibNodes. An *area* of Confluence would include the FibNodes that create the Confluence, as well as the range of price between them.

Confluence presents significantly stronger support or resistance than a single FibNode. Confluence (closeness) is dependent on the volatility and Time Frame of a Market Swing. FibNode Confluence can therefore be widely disparate from one chart to the next. For example, the extremes of the price range of a one-minute or a monthly chart are incredibly different. Likewise the price range in a given Time Frame may vary widely. We might have a range of price in one day of 250 points, and 1250 points in another day. Confluence is subjective. It keeps the programmers and non-judgmental traders confused, and that's healthy for the longevity and usefulness of this approach.

**Lineage Markings:**

Lineage Markings<sup>1</sup> are semi-circular arcs used to visually identify which Reaction Numbers create a given FibNode.

**Logical Profit Objective:**

A Logical Profit Objective is a predetermined price point where orders will be placed in the opposite direction from that which you are trading. If you're long, this will manifest as resistance. If you are short, this will manifest as support. Two Logical Profit Objective location techniques are Oscillator Predictor Points, and Fibonacci-derived points. Fibonacci-derived points can be those that come from Fibonacci expansion analysis, or, as you will see, levels created from certain FibNodes singularly, or at Confluence levels.

Since trading is simply a game of percentages, it should follow that accurate (Logical) Profit Objective Points would significantly increase your ability to evaluate your percentage, your chance of continued profit!

**Agreement:**

Agreement is an area of price that occurs when the proximity of a FibNode and an Objective point (COP, OP, or XOP) is "acceptably close."

**Fib Series:**

A Fib Series is the combined set of FibNodes, created from the proper application of DiNapoli Levels to the price axis. It is not the Fibonacci Summation Series discussed under Basic Fibonacci Analysis in Chapter 8 of the book.

**DiNapoli Levels™ or D-Levels™:**

DiNapoli Levels are support and resistance levels created from a specific set of rules, governing the advanced applications of Fibonacci analysis to the price axis. DiNapoli Levels include FibNodes, Objective Points, Confluence, and Agreement price areas.

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<sup>1</sup> In some workshops and in the Joe DiNapoli's trading course, these markings have sometimes been referred to as cross-hatch markings.