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Guide to Trading Fibonacci Retracements / Extensions

- Fibonacci Retracement Levels

- Fibonacci tool marks out key levels which price often retraces to after a move up or down.

- 0:

- 0.236: Ratio derived from the Fibonacci series

- 0.382: Ratio derived from the Fibonacci series

- 0.5: Not a Fibonacci level

- 0.618: Golden ratio. (apparently engrained into reality lol.)

- 0.786: Ratio derived from the Fibonacci series

- 1: Base

- Drawing Fibonacci Levels

- No right or wrong way to use or draw them but what does matter is consistency.

- If you use it one way during your analysis, you must use it that same way for the rest of your analysis.

- During a Trend

- Base: locate a candle body or wick where the trend began or at a lower low.

- Top: Use a candle body or wick at the higher high point.

- Before a Move Has Finished

- Base: locate a candle body or wick where the trend began, or at a lower low.

- Top: Trail until the move retraces ~~set~~ sufficiently

- Consistency above all

- During a Period of No Trend

- Base / Top: lowest significant support

- Top / Base: lowest sig. base.

- Consistency above all

- Using Fibonacci Levels

- Determining the Strength of a Trend

- The more a price retraces against the direction

- .236 = Extreme - .5 = Normal .786 Weak

.882 = High - .618 = Below avg

- As Support or Resistance

- Using these retracements we can find high probability areas for new support or resistance

- Strength of trend is often associated w/ where these levels will be found

- Only through testing can we get better ideas of the probability of each level holding.

- Using Fibonacci Extensions

- Provide consistent targets for your systems

- These are all the other levels not properly listed

- As support and resistance

- Using those extensions we can find high probability areas for new support/resistance

- The stronger the trend, the further you expect the price to extend.

- Only through testing can you get better ideas of the probability of each level holding