

Fibonacci Notes

The number sequence. Simply add the two previous numbers to get the next number in the sequence. 0,1,1,2,3,5,8,13,21,34,55,89.....

Phi - Golden ratio 1.618 Very prevalent in nature, art, and architecture.



There are two market environments:

- **Impulses**

- Impulses are the sharp, fast moving, cover more distance, movements in the same direction as the trend
- We want to trade these for bigger profits
- Impulses usually have larger candles
- Usually have one color dominating

- **Corrections**

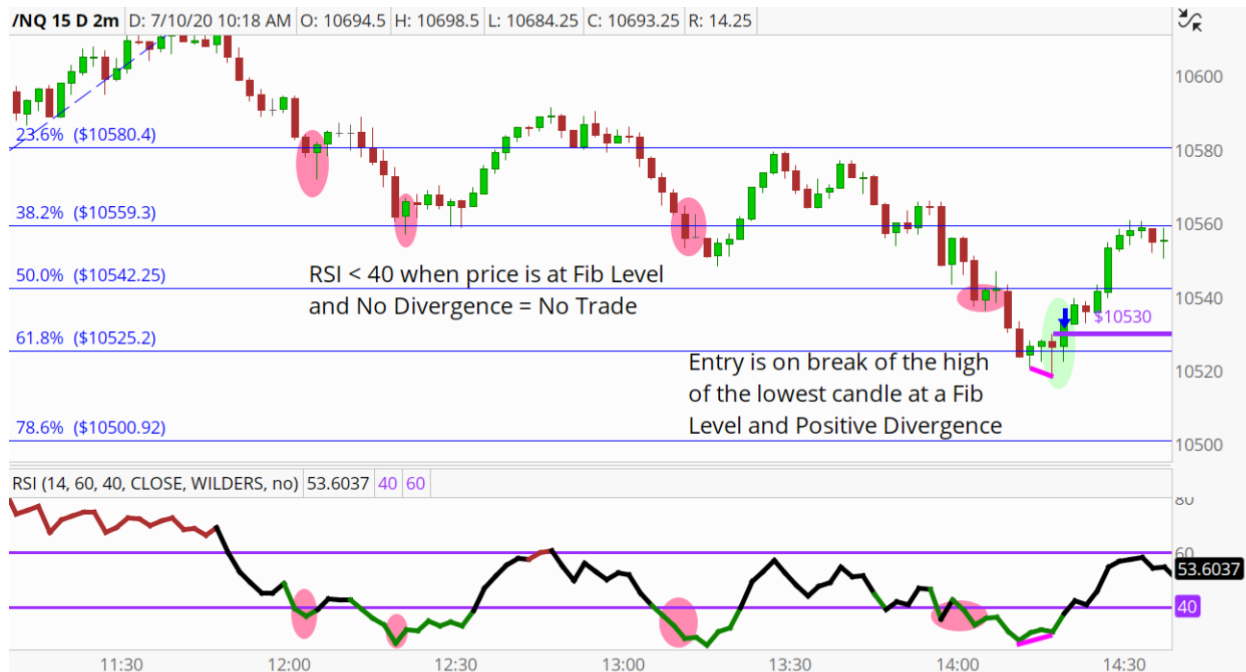
- Corrections are slower moving, take more time, do not cover as much distance as impulses.
- Movements against the larger trend
- Corrections offer you the opportunity to enter into the next impulse
- Corrections usually have smaller candles
- Usually have mixed color candles

Two main Fibonacci Tools:

Retracements:

1. Used to identify the end points of corrections
2. This would signal your entry into the next impulse
3. If you have multiple zones, the overlapping of retracements and zones is an odds enhancer as to which zone is most likely to work
4. Application:
 - a. Common use is to start the retracement from the beginning of the impulse to the end of the impulse, (including wicks for the high and low).
 - b. Alternative and more accurate measurement results from starting the retracement at the open of the candle that began the impulse.
 - c. Applied to the *Trend Timeframe* to measure the corrections
 - d. Zones on the Zone Time Frame are confirmed or stronger when they line up with Fib Retracements from the Trend Time Frame
 - e. Entering a trade at a Fib level
 - i. Make sure you have confirmation from a zone, or divergence on RSI
 - ii. Stop Loss is placed at the next Fib Level





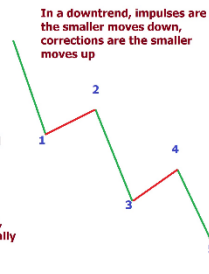
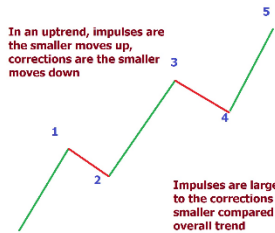
Extensions (Projections)

Help to project where the next impulse will stall

Targets for your trade

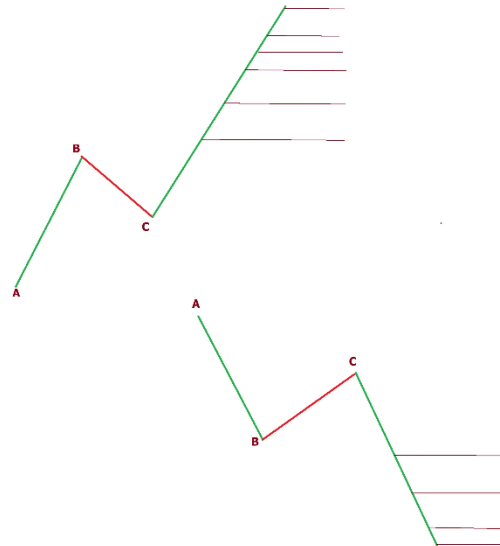
Application:

1. Applied to the trend timeframe
2. Confirm with correlation to Zone Time Frame Zones
3. Can also be applied to Zone Time Frame to see stalling points but not corrections
4. Need three points to use
 - a. Start of last impulse
 - b. End of last impulse
 - c. Correction point

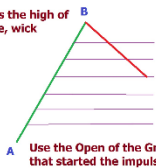


Impulses are larger compared to the corrections but are smaller compared to the overall trend
 Impulses are usually "taller," (cover more price movement), while the Corrections are usually "wider," (cover more time).

On Fib Extensions, use highs and lows for the study, wick included.
 $(A - B) \times \text{Fib Ratio} = X$
 $C + X$ for Uptrends
 $C - X$ for Downtrends
 Common Ratios: 61.8%, 100%, 113%, 127.2%, 138.2%, 161.8%, 261.8%, 361.8%, 423.6%



End point is the high of the impulse, wick included



Use the Open of the Green candle that started the impulse
 Use the Open of the Red Candle that started the impulse

Fib Retracements
 $(A - B) \times \text{Fib ratio} = X$
 $B - X = \text{Fib level (Uptrend)}$
 $B + X = \text{Fib Level (Downtrend)}$

Common Fib Ratios
 23.6% 61.8%
 38.2% 76.4% / 78.6%
 50% 88.6%

End point is the low of the impulse, wick included