Fibonacci Projection Levels in Technical Analysis: Target Determination

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Fibonacci Projection in **technical analysis** is a tool used to calculate **price targets** in the direction of a trend. By **selecting threepoints** on a chart (A-B-C), levels are computed where the price is likely to react.

These levels are based on ratios such as **1.27, 1.618, and 2.618** and are commonly used to set targets **after corrective moves**. The accuracy of this tool depends on correctly identifying the points and understanding the **structure** of **pricemovement**.

Trend continuation in Fibonacci Projection

What Is Fibonacci Projection?

Fibonacci Projection is used to forecast price targets along the **continuation** of a trend.

Unlike Fibonacci Retracement, which focuses on reversal zones during corrections, this tool **identifies levels** that the price may reach as the trend continues.

How to Draw Fibonacci Projection?

How to activate and use the Fibonacci Projection:

1. Go to the left toolbar in TradingView;
2. Click the icon for Fibonacci tools (third option from the top);

How to apply Fibonacci Projection in the TradingView platform

1. From the dropdown list, select **"Trend-Based Fib Extension"**;
2. Click to mark the start of the trend (point A);
3. Click again to mark the end of the trend (point B);
4. Finally, click the retracement point (point C) to complete the projection.

Drawing Fibonacci Projection Using Three Points:

- **Point A**: Start of the main move (trend origin)
- **Point B**: End of the main move (top or bottom of wave 1)
- **Point C**: End of the correction (start of the next wave)

After selecting these three points, the **tool measures** the A to B distance and projects it from point C, creating various price targets based on **Fibonacci ratios** such as **1.00, 1.27, 1.618, 2.618**, and more.

Drawing the three points (A, B, and C) for Fibonacci Projection in technical analysis

Difference from Other Fibonacci Tools

Unlike retracement and expansion tools, Fibonacci Projection uses three points and is employed for **projecting price** targets along a trend. Different types of Fibonacci tools and their distinction from Fibonacci Projection include:

- **Fibonacci Retracement**: Requires only **two points** and is used to identify the end of a correction, whereas **Fibonacci Projection** uses three points and is used for target setting;
- **Fibonacci Expansion**: **Similar to projection**, it uses a different wave logic to extend prices and is **less common** in public platforms.

Using Fibonacci Projection in Three Steps

To use the **Fibonacci Projection**, the analyst needs three points from price movement. **After marking** these points, the tool displays levels that serve as price targets during **trend continuation**. **Steps for using Fibonacci Projection in trading**:

#1 Select the Points

Fibonacci Projection requires three points:

- **Start of the move**
- **End of the move**
- **End of the next correction**

These typically form a **wave**, a **correction**, and the **beginningof** a **newwave**.

#2 Draw the Tool

Select the **"Trend-Based Fib Extension"** tool on the charting platform. The analyst marks the three points in order to plot the relevant levels.

#3 Interpret the Levels

Levels **1.00, 1.27, 1.618, and 2.618** are among the most common targets. Price may react to these zones during continuation moves; The credibility of these levels increases when combined with other tools.

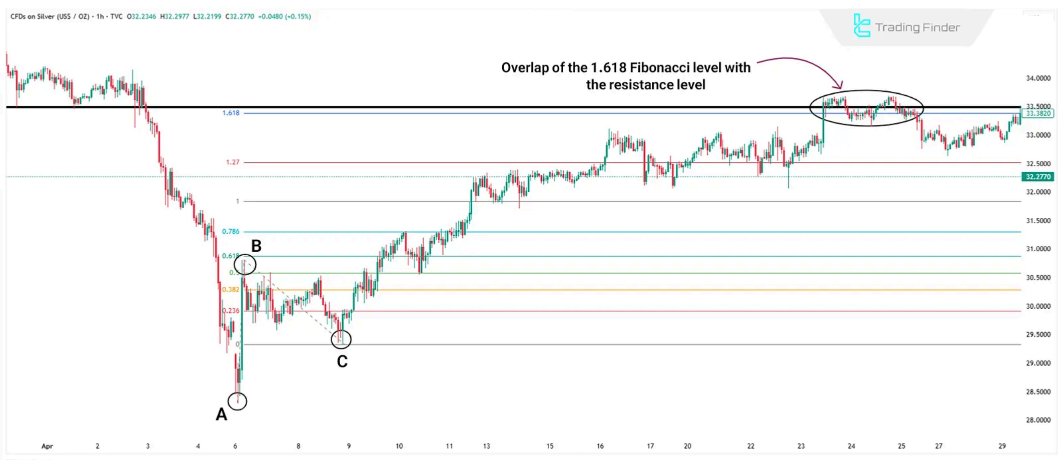
How to use Fibonacci Projection in technical analysis

Combining Fibonacci Projection with Complementary Tools

Fibonacci Projection can independently identify **target levels**, but for **enhanced analytical** accuracy, it must be combined with other tools. Key complementary tools include:

Support and Resistance

If a Fibonacci Projection level overlaps with a key **support or resistance** zone, the likelihood of the price reacting at that point increases.

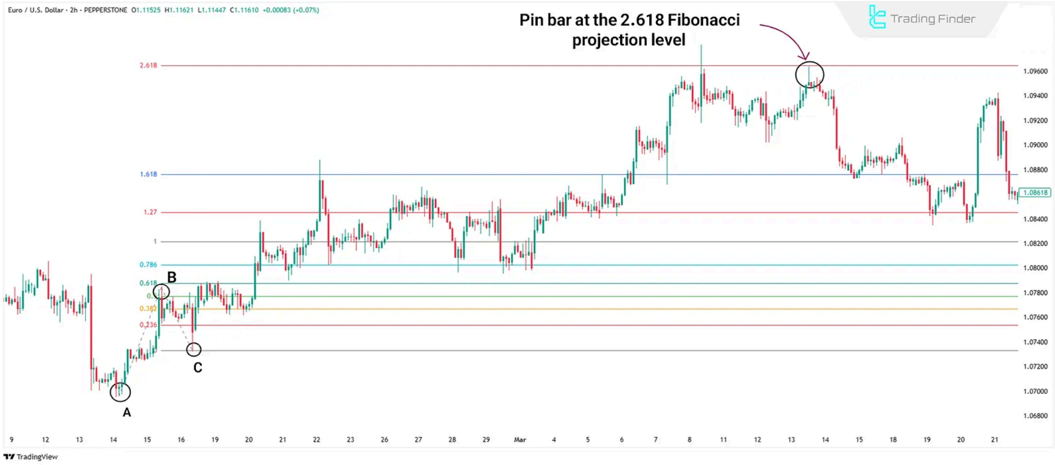


Overlap of support/resistance with key Fibonacci Projection levels in technical analysis

Candlestick Patterns

When patterns such as **pin bars, engulfing patterns, or dojis** appear near projection levels, those levels gain added significance.

This combination is particularly useful for deciding on **exits** or **potentialreversals**.



Validating key Fibonacci Projection levels using candlestick patterns

Indicator Divergence

Price divergence in **RSI** or **MACD** around levels like **1.27, 1.618, or 2.618** can signal trend weakness and possible correction or reversal.

Divergence formation near Fibonacci Projection levels in technical analysis

Combination with Fibonacci Retracement

When projection and retracement levels overlap, they form a **PRZ (Potential Reversal Zone)**—among the best areas to consider entry or exit from trades.

Identifying entry and exit points via Fibonacci Retracement and Projection in technical analysis

Common Mistakes in Using Fibonacci Projection

Using the Fibonacci Projection requires precision in point selection and an understanding of **market structure**. Both beginners and experienced traders may fall into traps that reduce the reliability of their **analysis**. Key mistakes include:

Incorrect Selection of Points A-B-C

Since Fibonacci Projection relies on **three main points**, any error—such as selecting an incomplete correction instead of a valid one at point C—renders the levels **unreliable**.

Ignoring Confirmations

Relying solely on **projection levels** without confirmation from candles, volume, or divergences can lead to false signals.

Overdependence on the Tool

Solely relying on the **Fibonacci Projection** without understanding overall **market trends**, **wave structure**, or **price behavior** results in weak analysis. This tool is only one part of a decision-making system.

Using It in Unfit Market Conditions

In sideways or **trendless markets**, the Fibonacci Projection is mostly ineffective. It's designed for clear trends with identifiable corrections.

Overdrawing on Every Move

Some traders apply the Fibonacci Projection on every minor wave, cluttering their analysis with irrelevant levels. The tool must be used with wave logic and filtering.

Conclusion

Projection levels act as **majorsupport** or **resistance** on **highertimeframes** (e.g., daily); if confirmed by a pattern or candle on lower timeframes, they generate stronger signals.

Also, combining projection with Retracement may form overlapping zones called **PRZ (Potential Reversal Zones)**. These areas, especially near **1.27** and **1.618**, are crucial for trade exits or trend reversals.

FAQs

What type of market or trend is the Fibonacci Projection best suited for?

It is best suited for trending markets with identifiable corrections. In sideways markets, the tool's accuracy declines.

What is the main difference between Fibonacci Projection and Fibonacci Retracement?

Projection uses three points (A) to forecast price continuation targets, while Retracement uses two points to identify pullback levels.

What are the key Fibonacci Projection ratios?

The most common ratios are **1.27, 1.618, 2.00**, and **2.618**. Among them, **1.27** and **1.618** are the most frequently used.

How can Fibonacci Projection levels be used as targets?

Based on trend structure and price confirmations, a level that price approaches can serve as a realistic target—especially if accompanied by resistance or divergence.

Can Fibonacci Retracement and Projection be used together?

Yes, combining both tools' forms **PRZ zones**, which are highly significant for reversals or move completions.

What is the most common mistake when using Fibonacci Projection?

Incorrect selection of point **C**, or using it in non-trending markets, are among the most frequent mistakes.

Can the Fibonacci Projection be used in all timeframes?

Yes; however, levels are more powerful on higher timeframes (like daily or weekly), making them better suited for mid-term analysis.

When is a Fibonacci Projection level more reliable?

When it overlaps with major support/resistance, candlestick patterns, or indicator divergence.

Should the Fibonacci Projection be drawn on every wave?

No; excessive use without analytical logic creates clutter. Only apply it to clear waves and valid corrections.

Can the Fibonacci Projection be used for setting Stop Loss?

Not directly, but by analyzing the wave structure and last correction, logical stop-loss zones can be placed near point **C** or below structural breaks.

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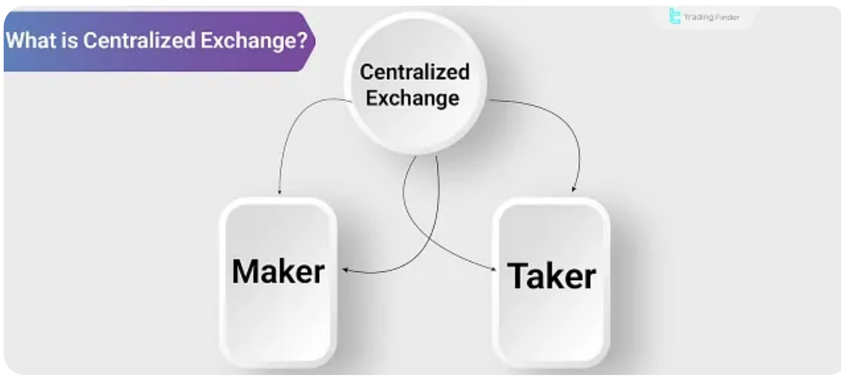

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