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# Combining Fibonacci and Candlestick – Best Candlestick Patterns for Fibonacci

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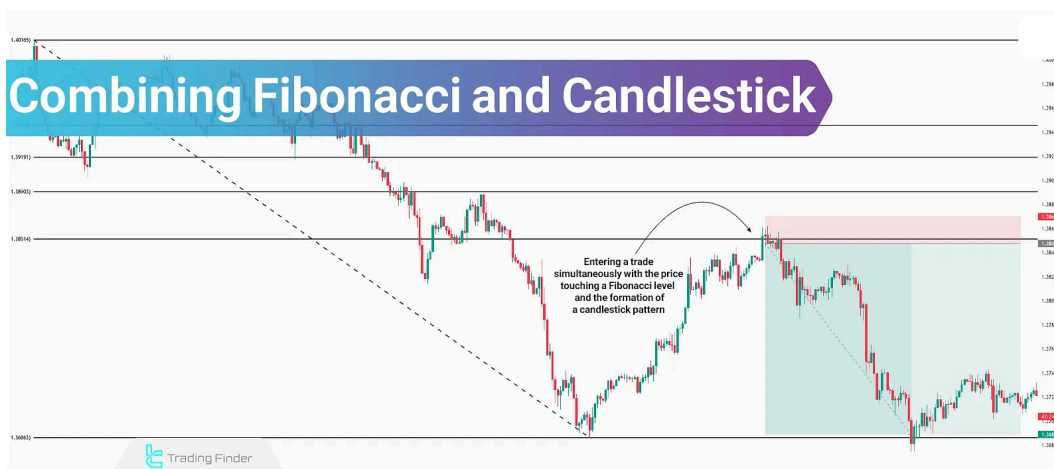
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The Fibonacci tool offers high compatibility with other **technical analysis** concepts such as support and resistance, **classic patterns**, trendlines, and more. Therefore, combining this tool with various elements like support and resistance or classic patterns creates different trading strategies.

Additionally, Candlestick patterns are suitable for identifying trade entry points and setting stop-loss orders. These patterns help in determining the exact entry point and configuring **stop-loss and take-profit orders** in areas defined by the Fibonacci tool.



Identifying trade entry points using Fibonacci and Candlestick simultaneously

## Why Should Fibonacci and Candlestick Patterns Be Combined?

Although Fibonacci levels identify potential zones of **support and resistance** and signal price reversal areas, they appear as zones on the chart and do not provide a precise entry point. Moreover, there's

always a chance that price may sweep liquidity behind Fibonacci zones.

By combining fibonacci retracement with **Candlestick**, the intended entry point is determined, and the appropriate zone for placing stop-loss orders can be identified.

## Which Candlestick Patterns Are Suitable for Combination with Fibonacci?

In the combination of Fibonacci and candlestick, reversal candlestick patterns are used. This combination is applicable for both trend-following and counter-trend trades.

Candlestick patterns suitable for combination with Fibonacci:

- ⚡ **Hammer Pattern:** This candlestick has a long lower shadow and a short body at the top (preferably one-third of the shadow's length), indicating the end of a downtrend and the beginning of an uptrend;
- ⚡ **Shooting Star Pattern:** The shooting star consists of a long upper shadow and a short body at the bottom (preferably one-third of the shadow's length), signaling the end of an uptrend and the beginning of a downtrend;
- ⚡ **Hanging Man Pattern:** This pattern has a short body at the top and a long lower shadow. Typically, the Hanging Man indicates the end of an uptrend and the beginning of a downtrend;
- ⚡ **Engulfing Pattern:** This pattern consists of two candlesticks. The first candle is formed in the current market direction, while the second candle fully engulfs the previous one and is formed in the opposite direction. This pattern helps identify trend reversals in both bullish and bearish markets.

## Trading Example of Combining Fibonacci and Candlestick Patterns

To trade using the combination of **Fibonacci** and candlestick patterns, there are three main steps:

1. Drawing the Fibonacci levels
2. Price reaching one of the significant Fibonacci levels
3. Formation of a candlestick pattern

### #1 Drawing Fibonacci

To draw Fibonacci retracement, a price trend must first be identified, and the swing high and swing low of that trend should be connected using the Fibonacci tool. By connecting these two points, Fibonacci levels appear on the chart.



Drawing Fibonacci retracement on the chart by connecting swing high and swing low

### #2 Price Reaching a Significant Fibonacci Level

In the next step, the price must reach one of the Fibonacci levels. Usually, a trend reversal is more likely to occur at the 0.5, 0.618, and 0.786 Fibonacci levels.

In this trading example, the price initiates its reversal after reaching the 0.5 Fibonacci level.



Price drawn toward Fibonacci levels and forming a retracement

### #3 Formation of Candlestick Pattern

In the third step, the Fibonacci and candlestick tools must be combined to identify a suitable entry point. Once the price reaches one of the Fibonacci levels, the trader must wait for the formation of one of the reversal candlestick patterns.

In the following example, after several indecisive candles at the 0.5 Fibonacci level, a Hammer forms, and the downward movement begins.



Identifying the ideal entry point by overlapping the 0.5 Fibonacci level with a candlestick pattern

## The Importance of Capital and Risk Management in the Fibonacci and Candlestick Strategy

Due to the presence of **multiple Fibonacci levels**, there is always the possibility that any of these levels may be broken, and the reversal movement may begin from the next level. Furthermore, the formation of candlestick patterns at Fibonacci levels does not guarantee a 100% price reversal, and the price trend may continue.

Therefore, implementing **risk management** and **capital management** is critically important in this strategy.

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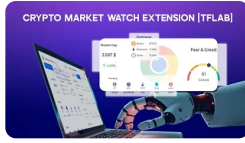
Thus, if proper capital management has been applied in previous trades, sufficient capital v available to enter a new position at the next level.

⋮ ⓘ

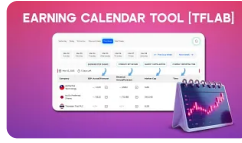
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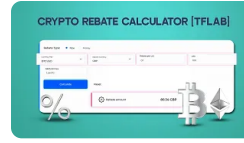
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## Conclusion

The Fibonacci tool only identifies probable zones for price trend reversals. Therefore, using it in trading requires combining it with tools that allow for analyzing price behavior upon reaching a Fibonacci zone.

Candlestick patterns are one of the simplest ways to analyze price action at key levels, including Fibonacci retracements. In this combination, reversal candlestick patterns are used, and their formation at Fibonacci levels generates trade entry signals.



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## FAQs

Why combine Fibonacci with candlestick patterns? ▼

Fibonacci levels highlight probable zones for price reversals. Therefore, to determine an accurate entry point, Fibonacci should be combined with tools like candlestick patterns.

Which candlestick patterns are suitable for combining with Fibonacci? ▼

Given that this strategy aims to profit from trend reversals, reversal candlestick patterns are applicable in this approach.

Are all Fibonacci levels equally important? ▼

No; typically, price reacts more significantly to the 0.5, 0.618, and 0.786 Fibonacci levels.

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Kar al seviyesi bir sonraki Fibonacci seviyesi olarak belirlenir. Eğer daha fazla kâr potansiyeli görülürse, bu seviye bir sonraki seviyeye taşınabilir.

Bu strateji için hangi zaman dilimleri uygundur? ▼

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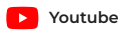
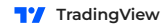


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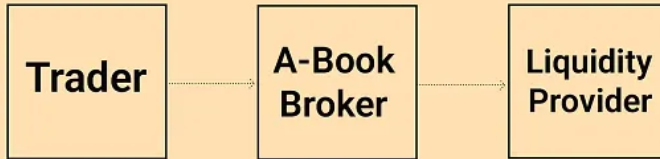


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