

In these next few examples here im going to try and show you the importance of the 38.2,50 and 61.8 fib levels especially from the longer term type fibs.Im going to do this from the 1 hour timeframe...same as I trade from. But the fibs we are using will represent where they would be in place from the daily chart.I know you hear alot about how the 38.2,the 50 and 61.8 fib are the most important and when we are done here I think you will see why.A majority of the trade decisions are made at these points and the reason you dont even see me using fibs like the 23.6 and the 76.4 they are just simply not traded off of, they do show good support and resistance points but I dont see any decisions being made from them.Alot of folks talk about fibs and price reaching this fib level and blah blah blah. But no one is showing you whats going on here at these levels and it is one of the most important keys to understanding fibs and trading with them.This is the reason I re-labeled my fib levels and I feel this will help make it clear why.There is no need to try and figure out do I pull the fibs from the top or the bottom they are exactly the same in either direction. Knowing this we can re-label the 38.2 to Short fib, the 50 to the Pivot fib and the 61.8 to the Long fib.Now you always pull from high to low and no need to figure out the way to place them.If price is above the Long fib the market is long...If price is below the Short fib the market is short.If price is in between its decision time, and the 50 fib (Pivot fib) is the balance point between Long and Short. In the beginning I should have shown this first but not realising most traders seeing this are new to fibs and here I am showing some off the wall, unorthodox and unconventional way to trade fibs. I can fix it though. We are gonna use 3 fibs to accomplish this:

#### Up Move Fib, Down Move Fib and a Retracement Fib

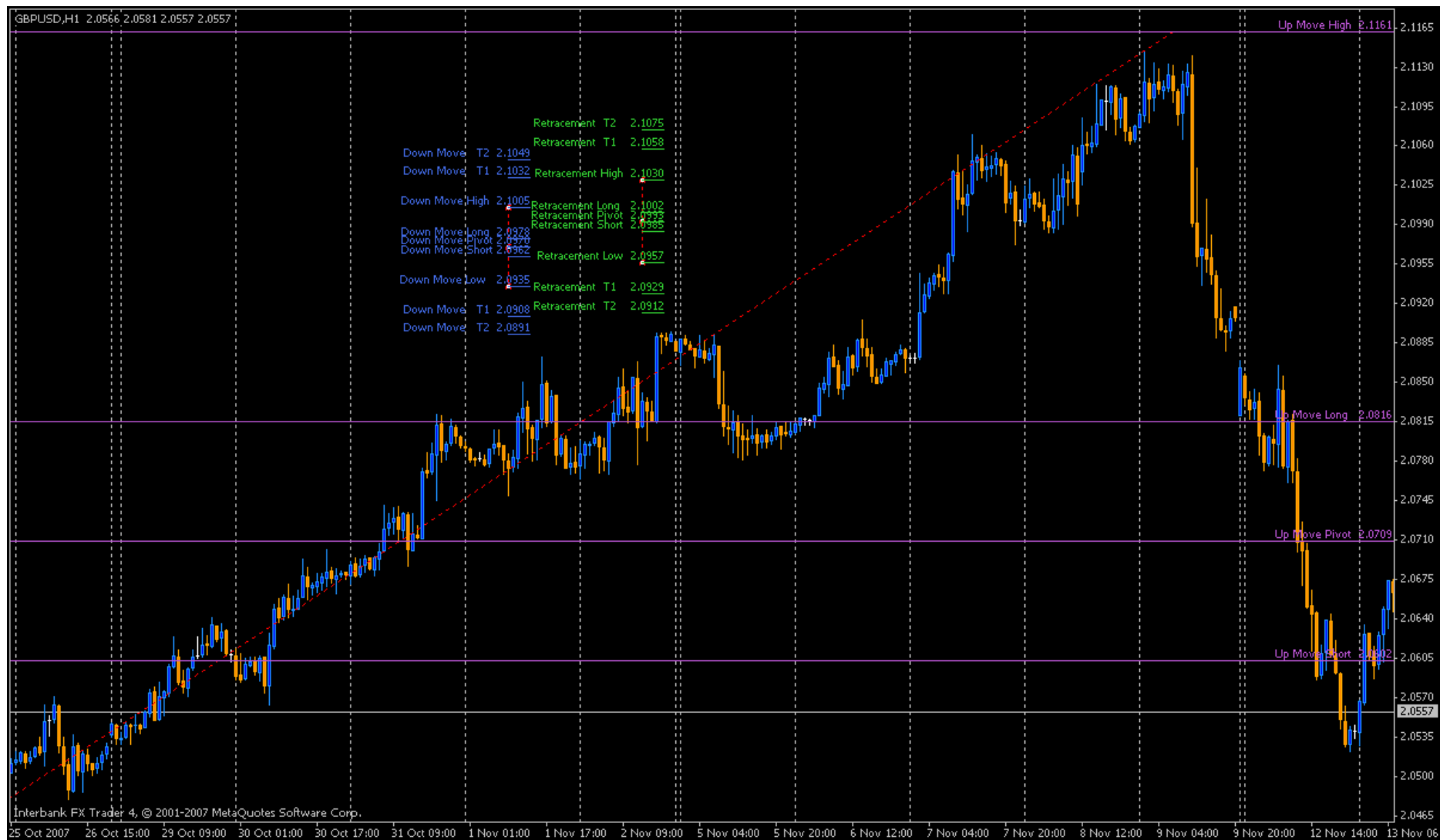
Provided is a template with these fibs on the chart already so you wont have to try and recreate them like in these examples you can place them on your own platform and do the exercise yourself and follow along. Fibonacci really is a very simple way of trading, once you get the basics it becomes very clear.

This will also show the importance of the longer term fibs verses the Intraday and the Swing fibs, its my fault for showing them first since I thought most people here on the forum did have at least some experience with Fibonacci but I have found out otherwise. The Intraday and Swing fibs do work but they are a smaller reflection of what I am going to present here.The Intraday and Swing fibs work in exactly the same manner as the longer term fibs do just on a smaller scale.Trading this smaller scale is fine and can be very profitable, but I think something is missing in what Im getting back as feedback and the posts everyone is making.Too much emphasis on the Swing fib which is nothing more than a confirmation of direction type fib with weak levels.Yes they will show support and can be traded from but it should be looked upon more as scalping than trading.

To me Trading Intraday and Swings during a single day are scalping on the 1 hour timeframe and I do it every trading day. I just want everyone to be able to see the bigger picture and it will help when using the Intraday and Swing fibs. Ok now to the exercise:

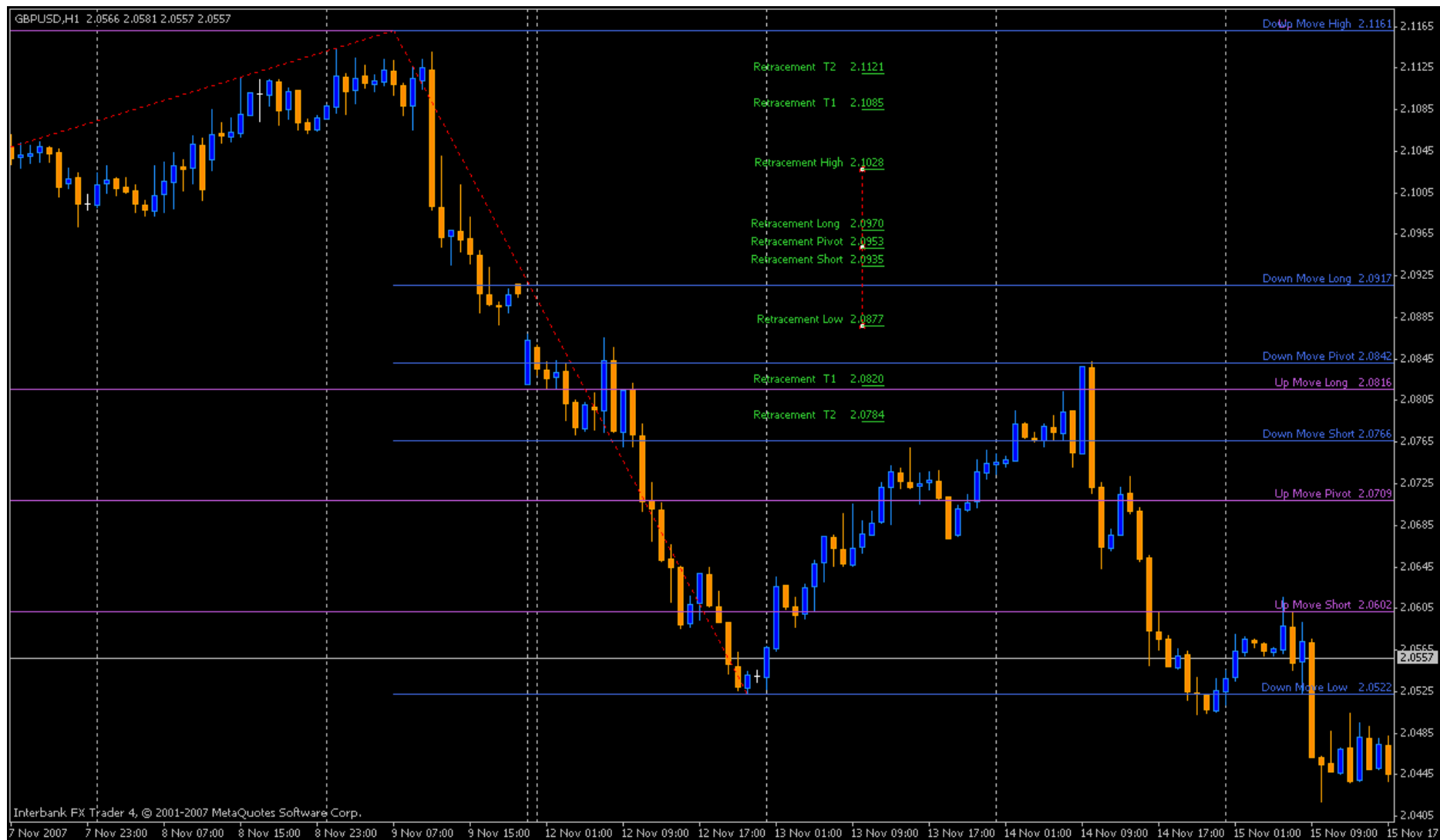
Believe it or not but since the low back on Oct22 the market has been reacting to fibs beautifully, almost picture perfect. I know the other fib traders out there have seen the same thing I have and should have made some windfall profits here over the past month and a half. Im gonna show you haw the market reacted to fib levels since that low of Oct22. The template here is set to this point in time so you can do this exercise in your own time.

We are going to start with the big move up from Oct22 2.0257 to the High it makes of 2.1161 on Nov9. This is where we place the Up Move fib since it was an Up move...makes sense right ? After this high is made a reversal starts that ends up being a correction. At first it would have been traded as a retracement but it turns into a clear break down or short. I say this because the fib levels of the Up Move fib are blown through by price and the Short fib is penetrated. Also a Daily candle opens below the Short fib of the Up Move set on Nov13. When I refer to the (fib levels of a fib) I am referring to the Short, Pivot and Long fib levels of that fib.



Normally we will place the Retracement fib here but since this turned into a full blown break down we will place the Down Move fib on the correction and now wait for the retracement. If you look you will see a picture perfect retracement after the Correction down, this is where we place our Retracement Fib. What we want to know is where is price gonna go now that a correction was made and now a retracement. This is where the Retracement Fib come into play...it works exactly the same as the Swing fib we've been using trading Intraday. But first let's think about what just happened here, this correction move could be a downtrend now and it makes sense because price could not penetrate past the Pivot Fib of the Down Move Fib ...and as a general rule when this happens the market will continue in the original direction which was down, If you missed the entry short when the correction occurred this is your opportunity to get in the market short now and be in the right direction with the market. Now if it does go down from here where is it going to go ?





Now place our Retracement Fib on the retracement to the Down Move Fibs Pivot. We now use the Retracement fib for our Projection into the future of where price is headed. Once price tests the level of our Retracement Fib we see it could not be maintained up and it fails and goes short and just like with our Intraday and Swing Fib we are gonna target the T1 level of the Retracement.....Look and see.

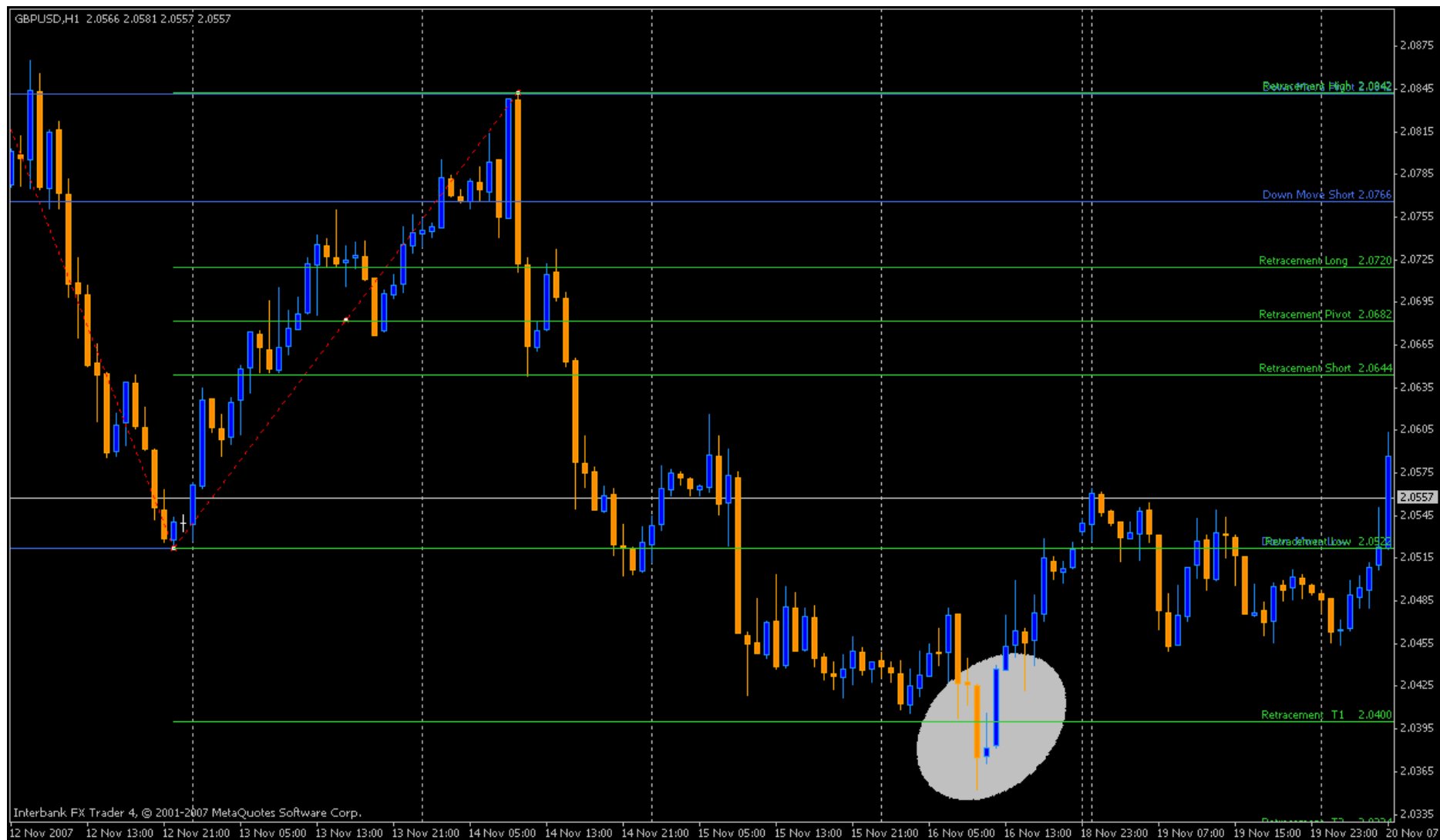
Once we have the target reached we want to pull our Down Move Fib now down to the new low, this will bring the levels of the Down Move Fib up with the price and it will provide another point of resistance to trade from.

Now that a new low is established we place our retracement on the move that occurs right after the new low...the retracement. We repeat the process and monitor price as it tests the fib levels of the Retracement Fib because we are going to use it for our price projection into the future to see where price is headed....Look and see !

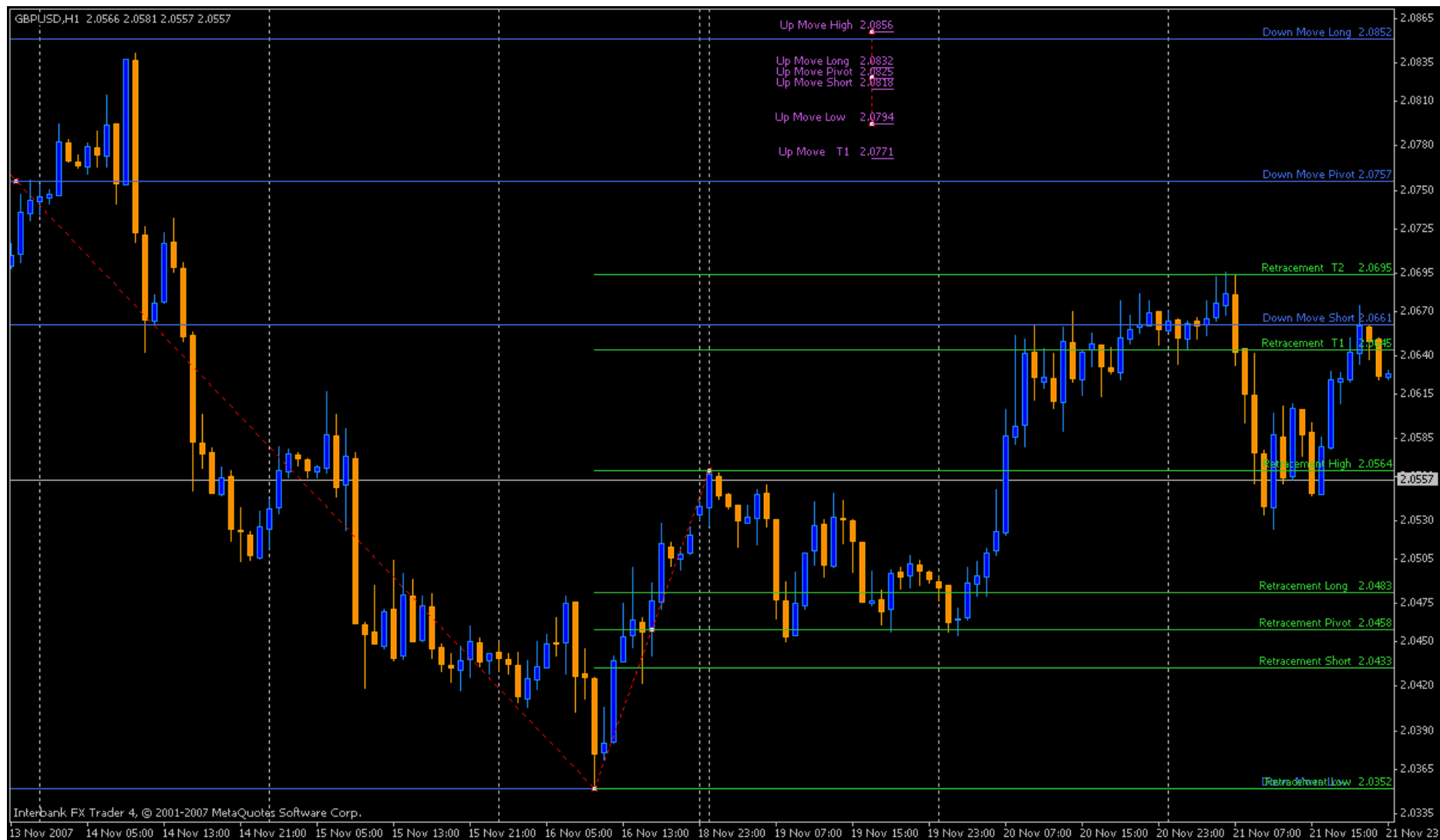
this time its different the fib levels from the Retracement fib are holding price and the market reverses...and goes to ????, yep you guessed it correctly T1 of the Retracement fib.

This tells us the market is reversing now and we need to start pulling our Up Move Fib along now to measure the move up and give us support to trade off of.

We want to leave our Down move Fib where it is since its levels have yet to be broken though. If you look price originally stalls as it reaches the Short fib of the Down Move Fib but it eventually gives way and T1/T2 of the Retracement Fib is reached.



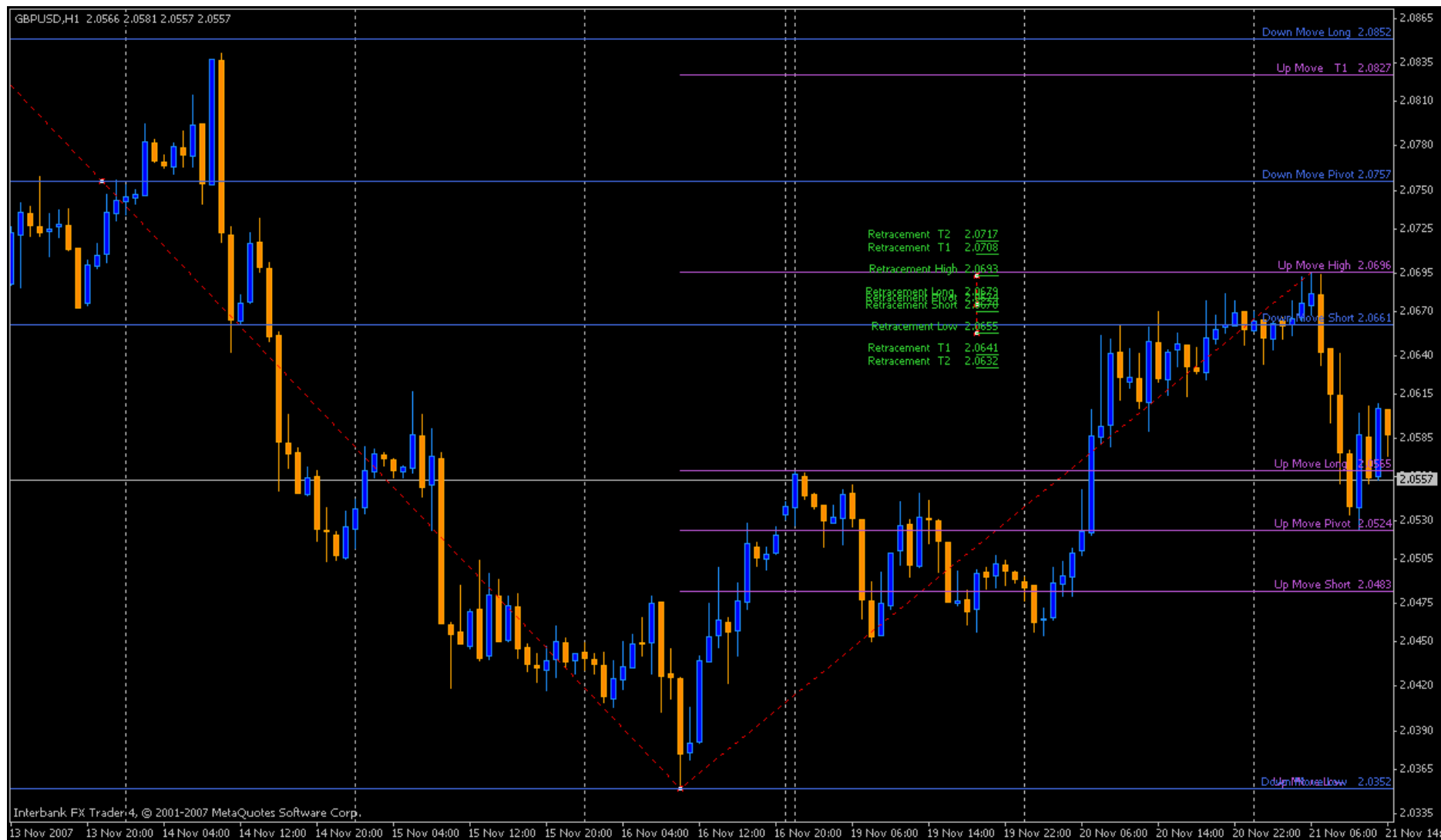


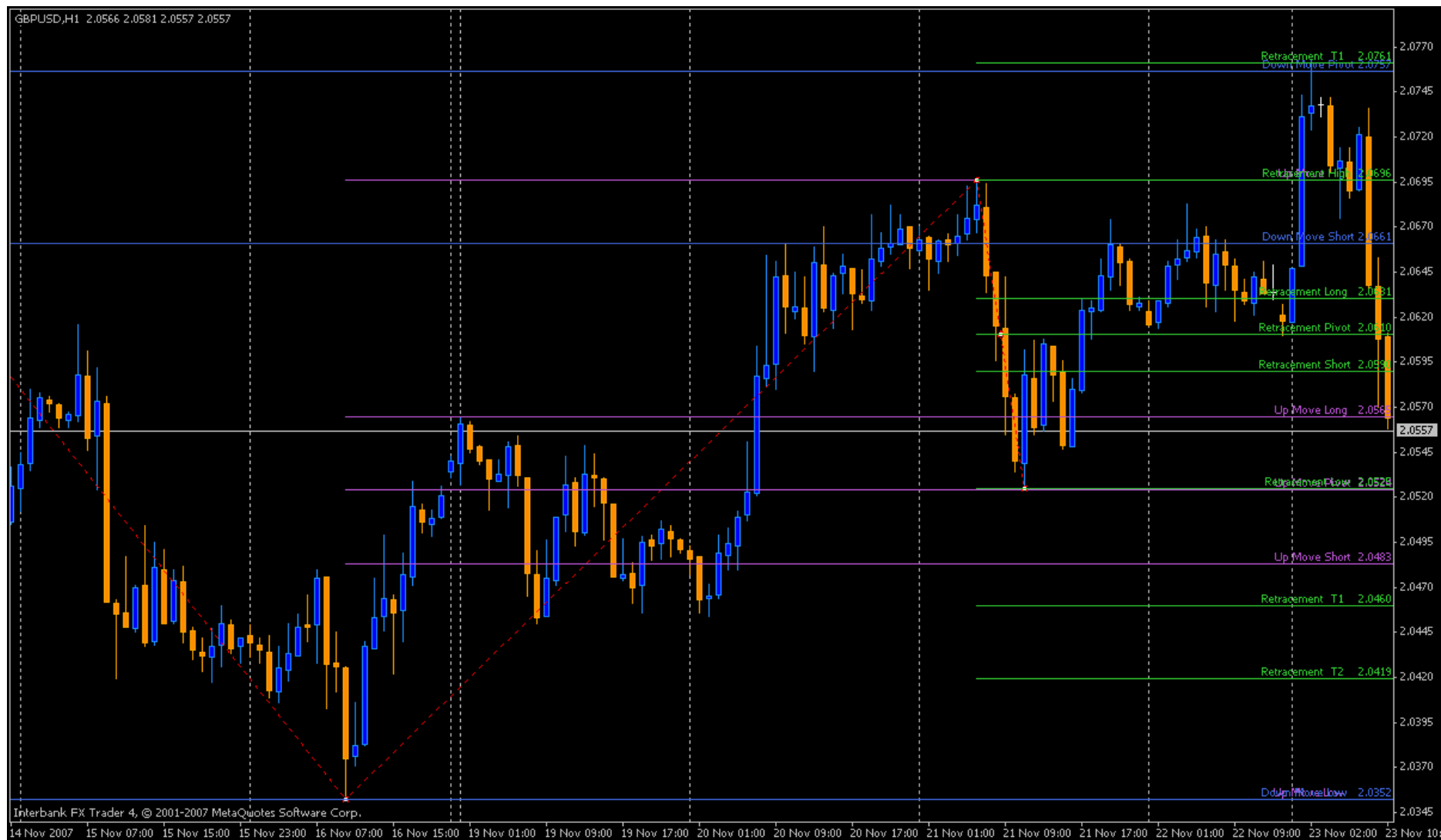


We place our Up Move Fib now and as we get a retracement we see it goes to the Pivot of the UP Move Fib and bounces meaning the up move will most likely continue. And we get another point to enter Long.

We repeat the process again and place the Retracement fib on this retracement to get our price projection into the future and we will target T1 of the Retracement Fib.

If you look closely you will see why its a good idea to exit the market on T1 of the Retracement fib...the Down Move Pivot fib is in the same place....too much strength there ....get out here is what that says and get ready for another possible retracement point from here. What we do now is we want to pull our Support levels up. Pull the Up Move Fib to this new high so we can see where this retracement may go. We want to see the reaction to the Up Move fib levels now. And we can remove the Retracement fib now as well.





Now once this retracement happens we see it passes through our bounce point (The Up Move Pivot Fib) and almost tests the Up Moves Short Fib. Here you would still want to buy at the Up Move Pivot fib and if the Short fib is tested and holds, Me I would buy another position long but close both on a break of the Up Move Short fib.

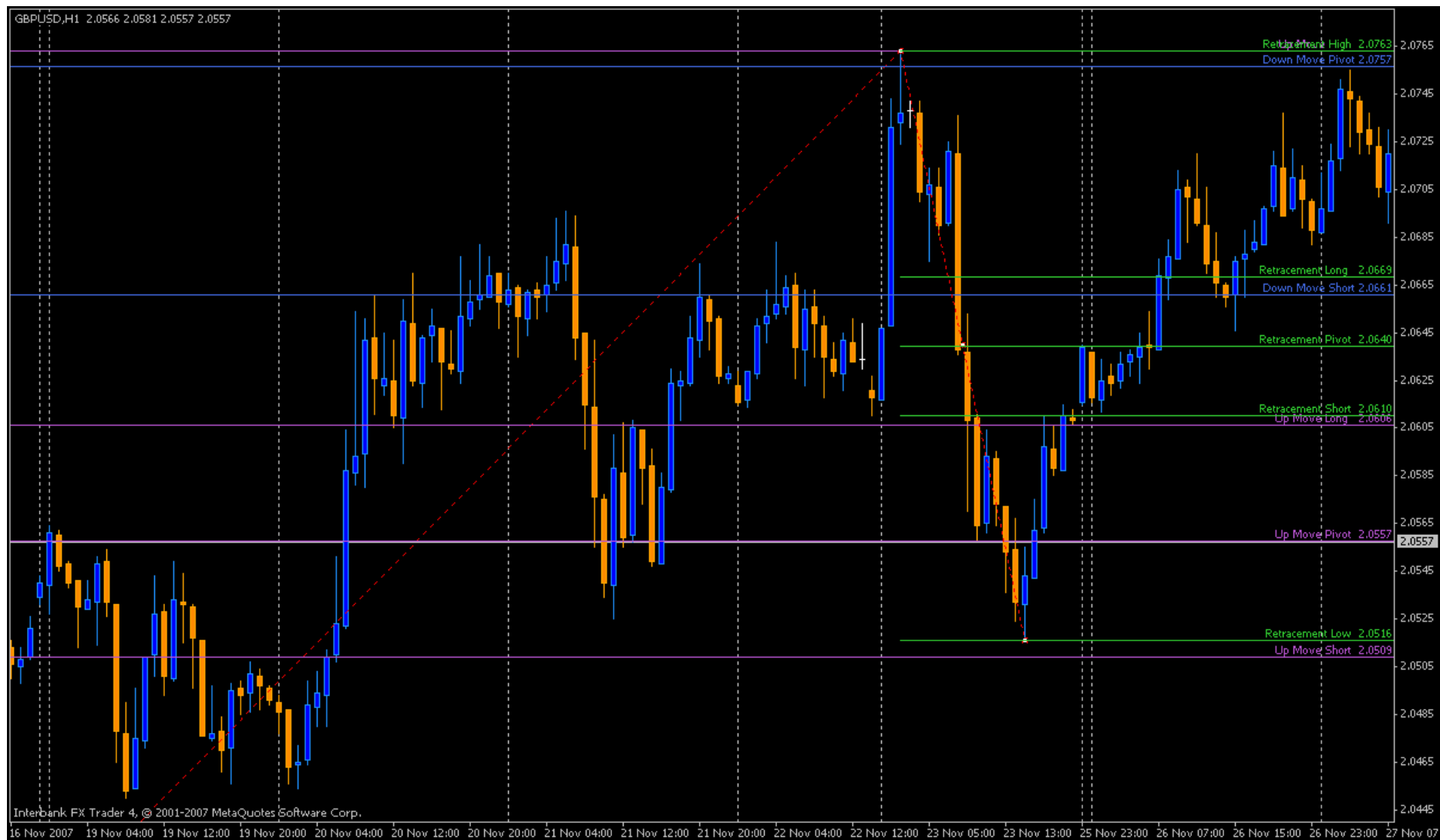
Using the Retracement fib as a Swing fib you'll see the low was the T2 of the Swing off the move before it went short.this isnt on the chart examples , but place yours on there and see if you can find it.T2 of the Retracement should be 2.0515. A break farther than that would have been your clue to exit your Long positions.

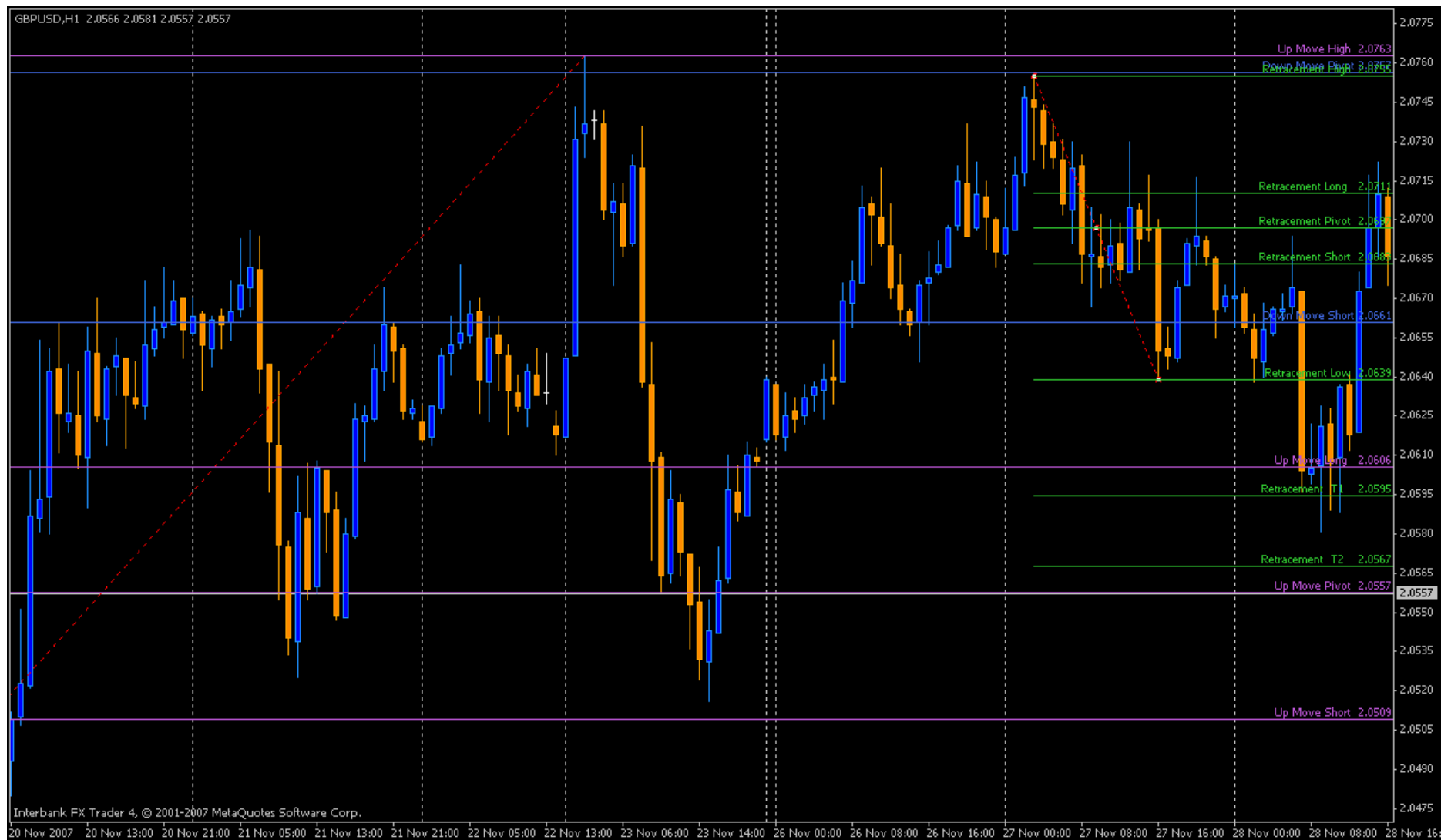
What happens at this point is the market tries to go back long, it makes it through the Retracement Fib levels but look at what happens when it encounters the Down Move Fib Pivot level...another rejection and a Double Top has formed which is a signal of a possible reversal in market direction. But we know how to follow it to see if it is going to reverse here and if the market is going back short.

What we have is the market stuck or bouncing between the Up Move and the Down Move Pivot Levels.

Now how do we cope with this, you already have the answer....We use the Retracement Fib just like we do the Swing Fib and pull it to each high and low that is made, what we find is once we get to the Down Move Fib Pivot level as a high for the Retracement Fib and a low 4 candles back we see that price finally breaks the Short fib level of the Retracement fib and goes short...temporarily.

You will want to leave the High of the Retracement fib on this high and pull the low from here as new lows are made...you are looking for the point at which price can rally through its levels.Until then it is continuing down, It eventually makes it to the Up Moves Long Fib and slightly penetrates it.But it holds. Another thing to note is at the point the Up Moves Fib Long Fib is penetrated where did price end the day ?...above it, remember these fibs represent the daily chart and from a daily view this is just a penetration not a break!. But im getting ahead of myself that chart is in the next post.



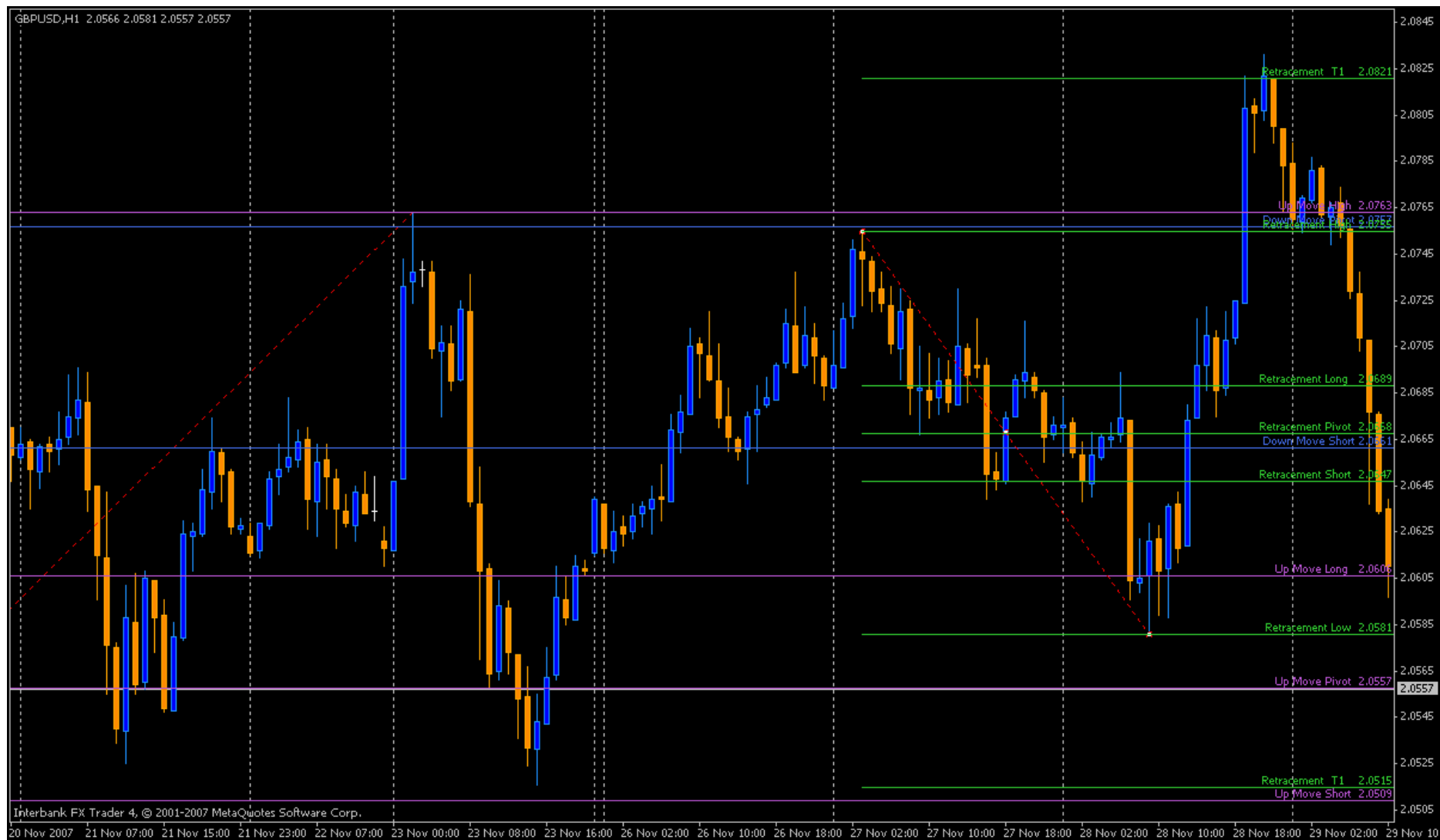


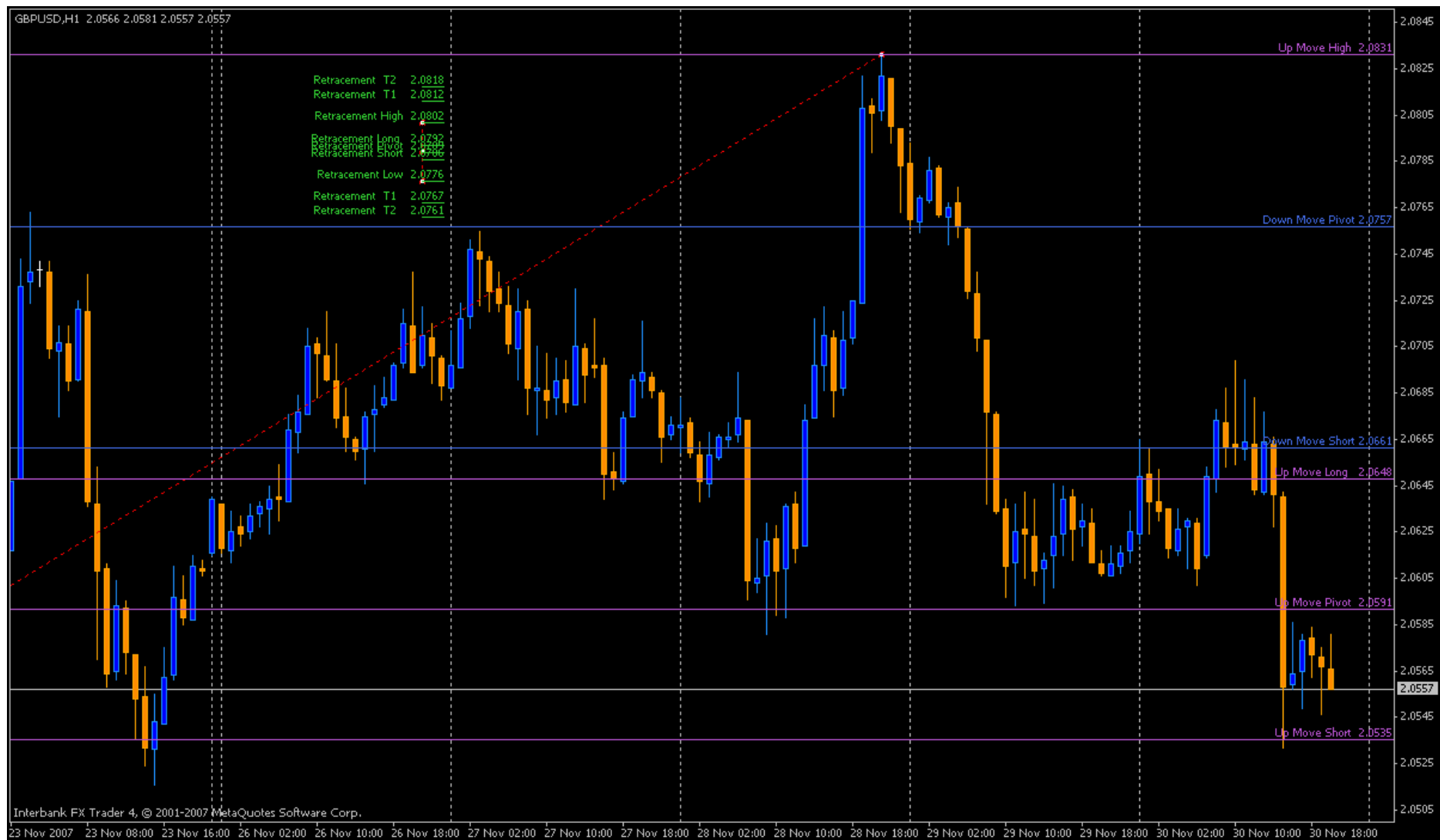
Now Once we find a low and a bounce off the Up Move Long fib, we can once again use the Retracement Fib to project into the future and see where price is headed....T1 of the Retracement Fib. We see that once T1 of the Retracement Fib is reached the market begins to retracce again and its high was well off from reaching the Down Move Long Fib and actually comes back to the Down Move Pivot, but we have established a new High and we want to pull our Up Move fib up and raise our Support lines.Removing the Retracement Fib since it isnt needed just yet and it has served it purpose.

We will put it on the next retracement.

Now today we've had another big retracement very close to being another correction isn't it ....all that's in its way now is the Up Move Fib Short fib level, which it has tested once already.







Which brings us up to the current position in time ....ready for the Open on Sunday.

Looking at this last chart you can see where we are now, the Retracement Fib shows that price failed to continue up and has made its way down almost to T1 today...all that's needed now is the break of the Up Move Fibs Short Fib level, and we should see the market go to the Retracement Fibs T1.

A bounce here and just move the Retracement fib to match the markets move and you'll be in tune with Cable!



It was the bounce we got when the Up Move held at its Short fib level, pulling the Retracement fib now like we would with our Swing fib and it pulls the resistance points down to where price is stalling...the pivot of the Retracement from the Up Move. Now its decision time again, will they break this level and continue up or will it fail here and retest the Pivot fib from the Up Move? Tonight will tell the tale.

