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Fibonacci

Fibonacci

- Fibonacci ratios will be used a lot in our trading
- Fibonacci arise from the following number series: 0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144...
- **Fibonacci Retracement Levels**
0, 0.236, 0.382, 0.500, 0.618, 0.764, 1
- **Fibonacci Extension Levels**
0, 0.382, 0.618, 1.000, 1.382, 1.618

Fibonacci Retracement Levels

0, 0.236, 0.382, 0.500, 0.618, 0.764, 1

- : 0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144...
- The key Fibonacci ratio of 61.8% - also referred to as "the golden ratio" or "**the golden mean**" - is found by dividing one number in the series by the number that follows it.
 - For example: $8/13 = 0.6153$, and $55/89 = 0.6179$.
- The 38.2% ratio is found by dividing one number in the series by the number that is found two places to the right.
 - For example: $55/144 = 0.3819$.
- The 23.6% ratio is found by dividing one number in the series by the number that is three places to the right.
 - For example: $8/34 = 0.2352$.

- Fibonacci level calculate the different between the high and low
- Then divided the zone according to the Fibonacci ratio
- 0, 0.236, 0.382, 0.500, 0.618, 0.764, 1

Why are we using Fibonacci?

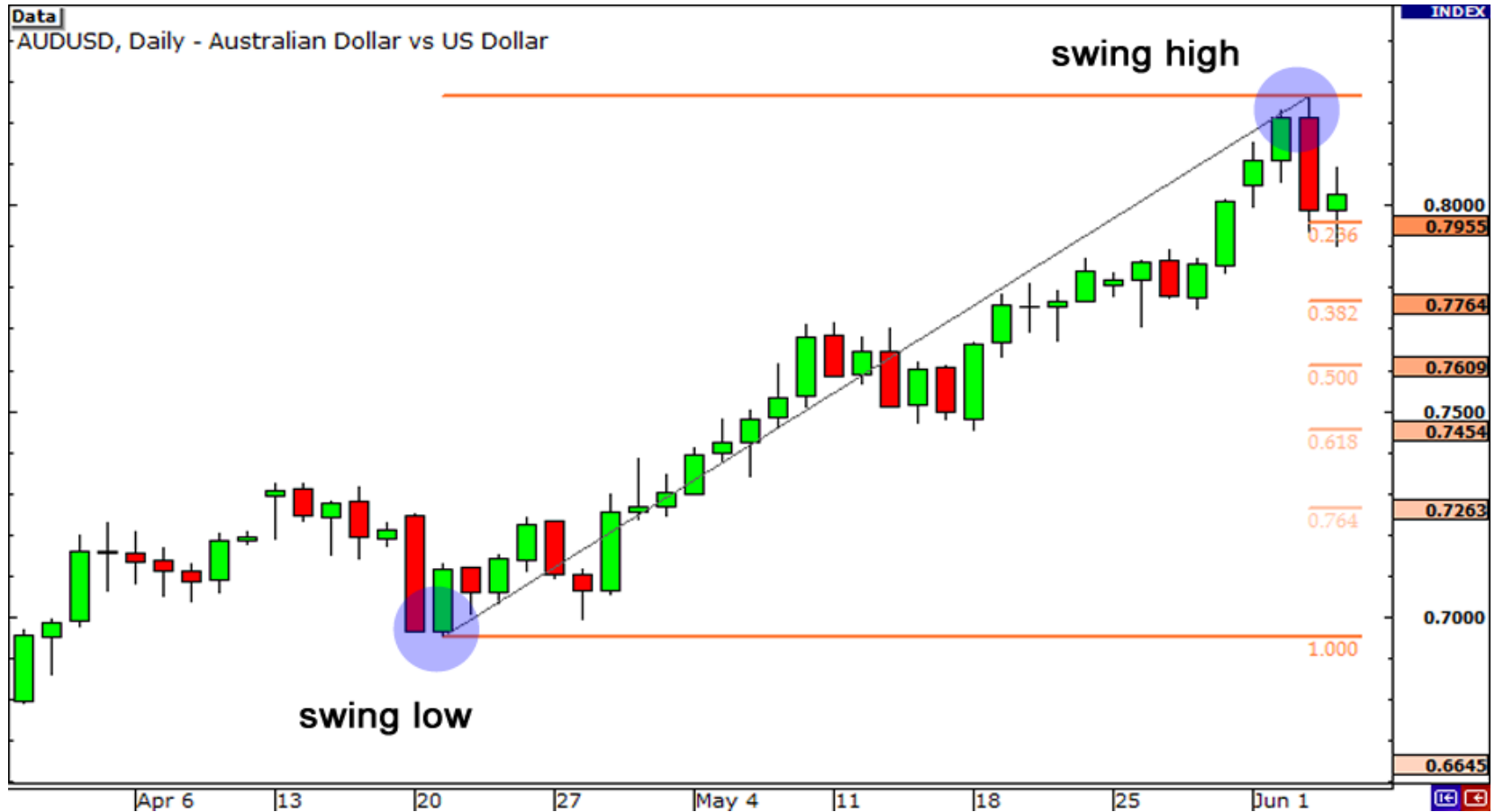
- Fibonacci can be treated as the golden line, everyone in the world are looking at this level
- Fibonacci will tell you the comfortable profit zone
- It is a signal for you to enter trade

- Traders use the Fibonacci retracement levels as potential **support and resistance areas**
- So many traders watch these same levels and place buy and sell orders on them to enter trades or place stops, the support and resistance levels tend to become a self-fulfilling prophecy

Fibonacci Retracement Levels

- To find the retracement levels, you have to find the recent significant Swing Highs and Swings Lows.
- For downtrend, **click on the Swing High and drag the cursor to the most recent Swing Low.**
- For uptrend, **click on the Swing Low and drag the cursor to the most recent Swing High.**

Uptrend



0

23.6

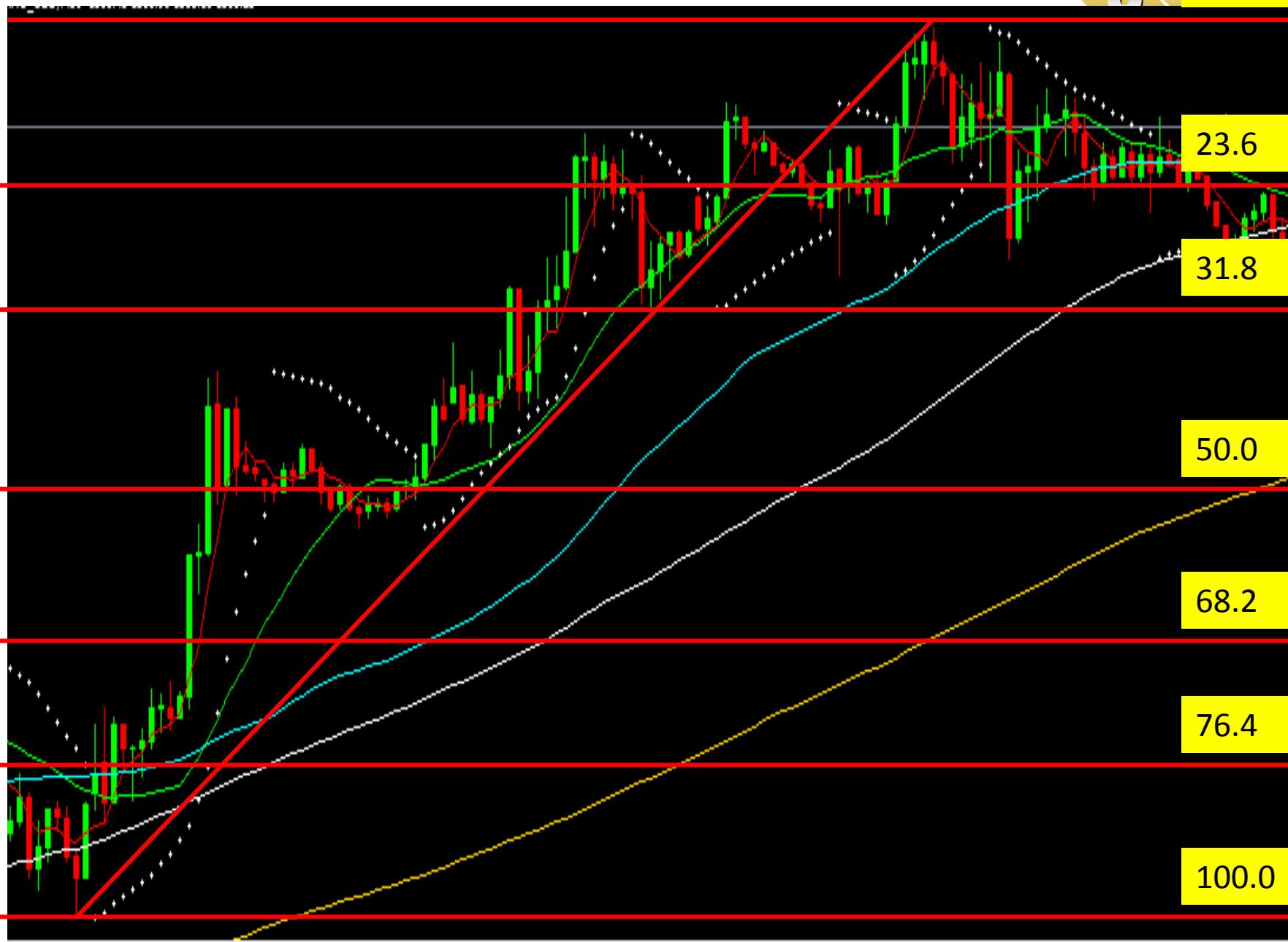
31.8

50.0

68.2

76.4

100.0



Downtrend



100.0

76.4

61.8

50.0

38.2

23.6

0.0



What Does *Fibonacci Extensions* Mean?

- Levels used in Fibonacci retracement to forecast areas of support or resistance.
- Extensions consist of all levels drawn beyond the standard 100% level and are used by many traders to determine areas where they will wish to take profits.
- The most popular extension levels are 161.8%, 261.8% and 423.6%.



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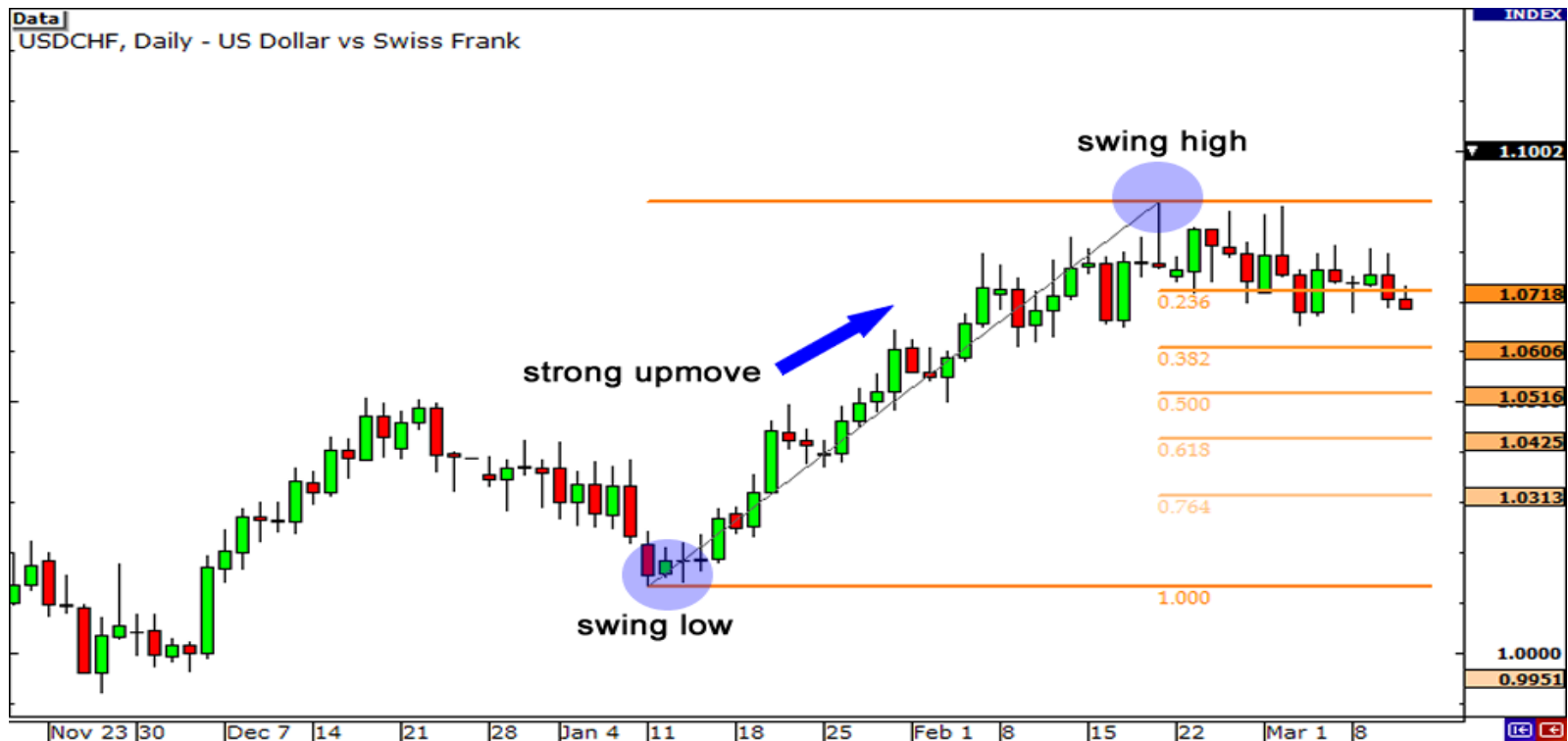


Combining Fibs with Support and Resistance



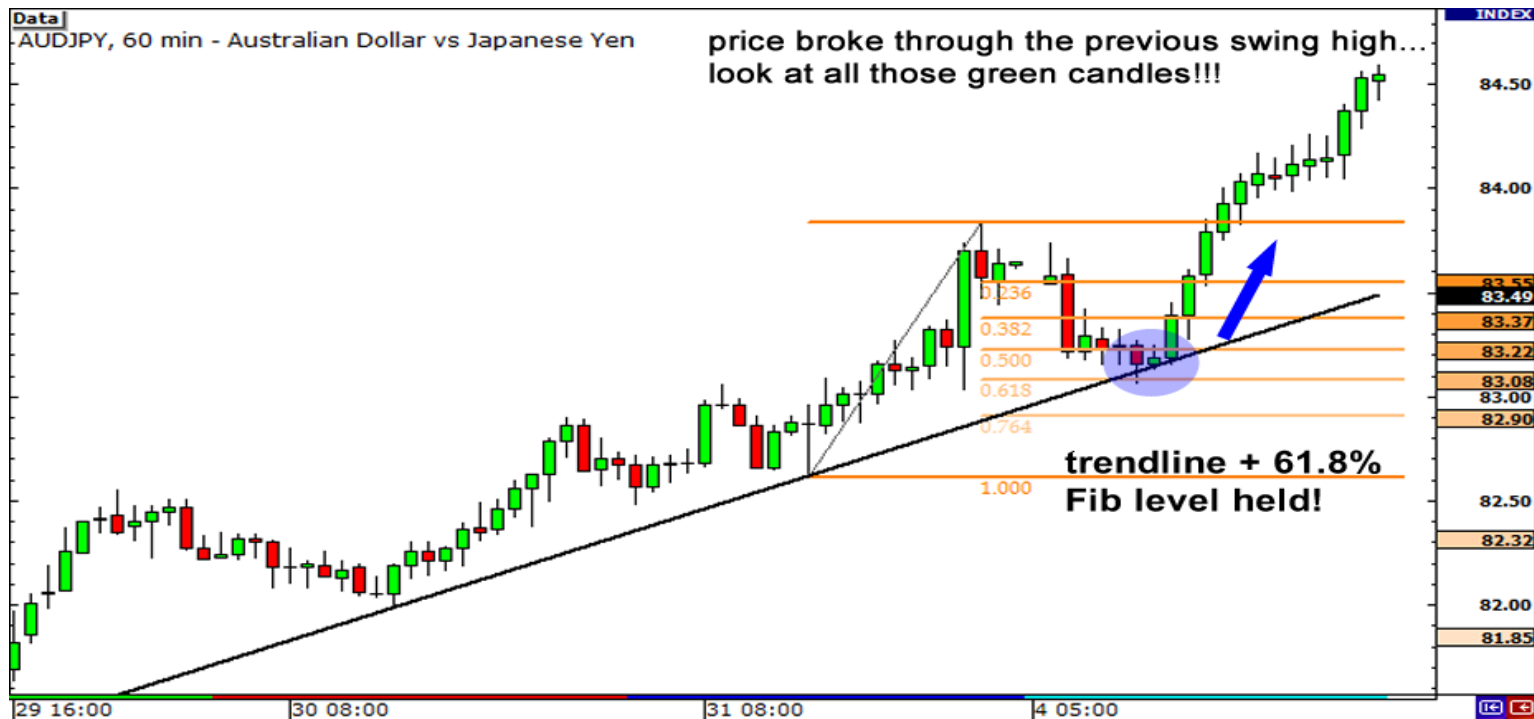
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- The best ways to use the Fibonacci tool is to spot potential **support and resistance** levels and see if they line up with Fibonacci retracement levels.



Combining Fibs with Trend Lines

- Another good tool to combine with the Fibonacci tool is **trend line analysis**.



Combining Fibs with Candlesticks

- We can also combine Fibs with candlesticks pattern
- In combining the Fibonacci tool with candlestick patterns, we are actually looking for exhaustive candlesticks

