



0.786
0.618
0.500
0.382
0.236
0



Fibonacci Trading Master-Class

An Introduction

by
EmperorBTC



[T.me/EmperorbtcTA](https://t.me/EmperorbtcTA)



[@EmperorBTC](https://twitter.com/EmperorBTC)

Introduction

The aim of this tutorial is to simplify a scary-looking Indicator, the Fibonacci retracement.

This tutorial is aimed at anyone who is looking to integrate Fibonacci levels in their trading.

In Crypto, Fibs have proven to be very powerful in finding support/reversal levels.

Apart from the psychological reasons for working, the other reason they work is because it's easy for them to be programmed into an Algorithm and bots to run on them.

Fibonacci tools act as a strong confluence to an existing trading strategy and levels and can prove to be a solid confluence when used with other reasons to enter a trade.

Some people also term it as a 'leading indicator' which implies that it can be used to predict future levels at which price may react; however, there is very little value in arguing if an Indicator is leading or lagging.

I encourage you to go over the document and study the tool intently.

This tutorial contains everything you need to know to start with Fibonacci Retracement.

Your success and profitability depend on how much time and effort you put into practice and the more you trade, the better you will get.



Fibonacci Retracement

The most frequent daily application of Fibonacci numbers in your trading would be using the Fibonacci retracement tool to obtain certain levels of interest. The Fibonacci series is just a number sequence from zero, where the value of any number in the series is the sum of the previous two numbers, for example: 0, 1, 1(0+1), 2(1+1), 3(1+2), 5(2+3) and so on. The Fibonacci numbers can be used to identify retracement levels if there is an apparent uptrend or downtrend in price movement.

The Fibonacci retracement tool is based on the Fibonacci series which helps traders identify levels to enter new positions in the trend direction.

Overview:

- Fibonacci retracement levels are horizontal lines that indicate where support and resistance are likely to occur.
- Each level is associated with a percentage of how much of a prior move the price has retraced. The Fibonacci retracement levels are 23.6%, 38.2%, 61.8%, and 78.6%. Traders use additional fib levels 66%, 70.2%, etc. We will stick to conventional levels for the first part of this series.
- Using data from Fibonacci retracement, you can place an order and set price targets. It is not advisable to use fib levels for stops. Although helpful, you should not rely on Fibonacci alone in making a trade. Traders often use other indicators to assess trends and make better trading decisions accurately.

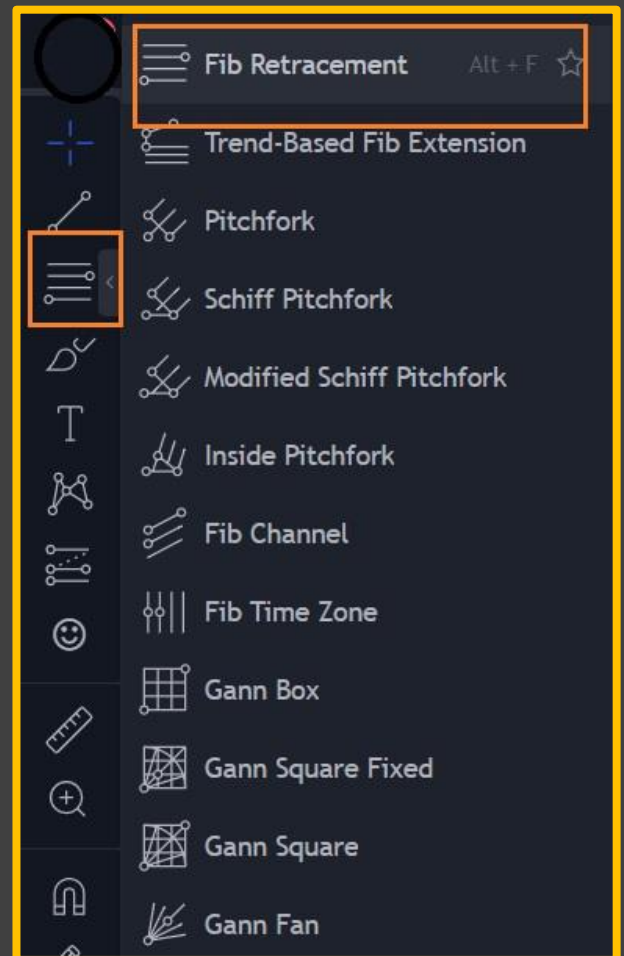


How To Draw Fibonacci Retracement Levels?

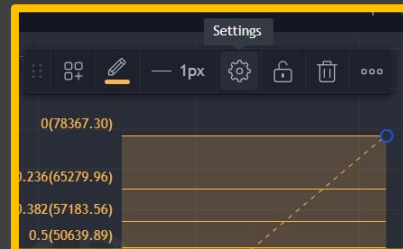
The **Fibonacci Retracement Tool** in Trading view comes with the basic package and does not require a paid subscription.

To access the tool, select the Fibonacci retracement tool located in the tools panel on the left of your tradingview window (refer to the image on the right).

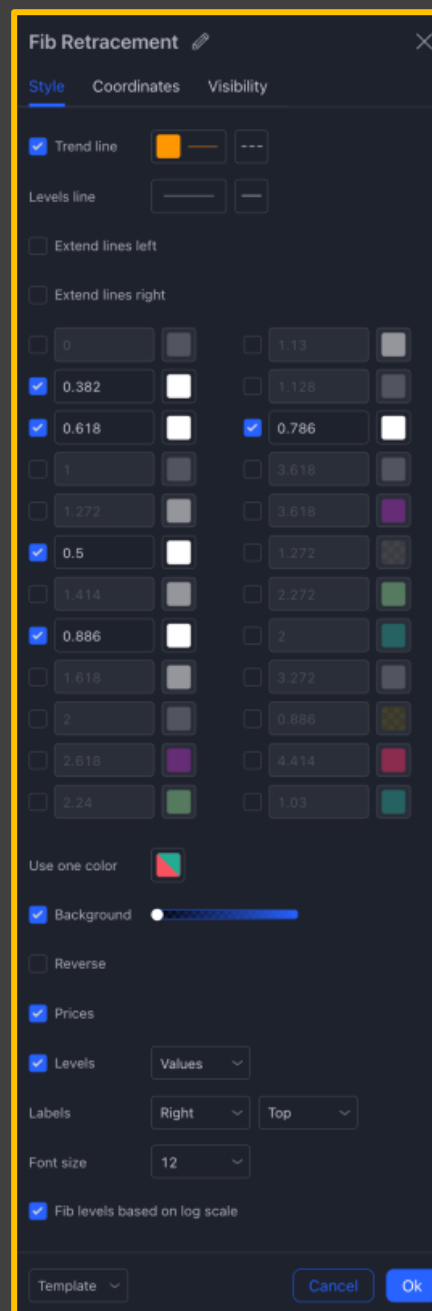
It is not included in your favourites by default, so you can add it by selecting the star next to the tool icon and name.



To change the appearance and level settings, click the Fibonacci retracement on the chart and then click on settings as shown alongside.



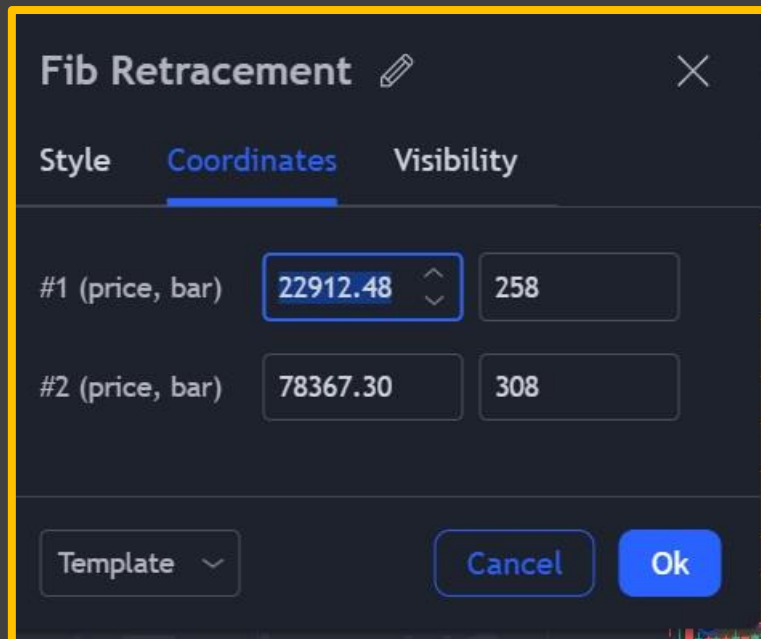
From the settings, you can change the colour of your horizontal lines and choose what levels you wish to appear in your Fib Retracement tool. You may extend the lines to the left or the right through the settings.



Should you wish to copy my settings, it is up to you. A trendline marker is essential for a beginner to know exactly where your point A and point B are located on the chart.

Background colours can be removed to have a better and clearer view of the candles. Prices indicate market prices on each level of the Fibonacci sequence. Levels can either be in values such as 0.382, 0.618, or 0.5 or percentages: as 38.2%, 61.8% and 50%, respectively.





In the Coordinates properties dialogue box, you can precisely set the position of the Fib Retracement by setting its trend line's position on the price scale (by setting the price) and the time scale (by setting the bar number)

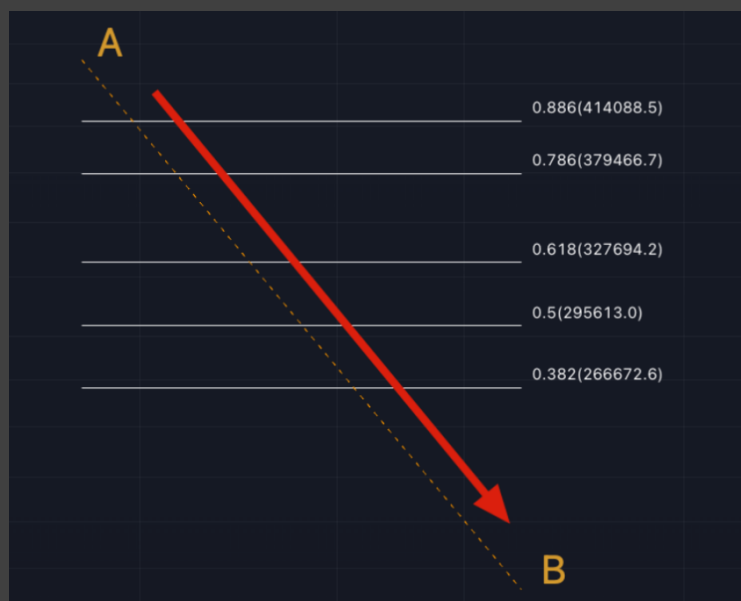
To familiarise yourself with Fibonacci Retracement Levels, pull up the tool on Tradingview, and create a point of interest based on your previous swing lows and highs. Plotting examples are provided below as reference.



In an uptrend, identify your previous LOW and previous HIGH (point A to point B). Use the retracement to identify possible SUPPORT levels on your candle stick chart.



In a downtrend, identify your previous HIGH and previous LOW (point A to point B). Identify potential RESISTANCE levels on your candle stick chart using the fib levels.



How Do You Apply Fibonacci Retracement Levels in a Chart?

Drawing Fibonacci retracement levels is a simple three-step process:

A. In an Uptrend (looking for future support):

Step 1 – Identify the direction of the market: uptrend

Step 2 – Attach the Fibonacci retracement tool on the bottom and drag it to the right, all the way to the top. (Always pull your retracement tool from left to right)

Step 3 – Monitor the three potential support levels: 0.236, 0.382 and 0.618

Figure 1: Applying Fib retracement on an uptrend



Figure 1 of ADA/USDT shows upside momentum, reaching a high of 2.470 \$ in May 2021 before a sharp retrace.





Let's forget the rules and observe for a second. Just by observation, it is clear that the 0.382 fib level is critical, which ADA tried to hold as support a couple of times while the 0.618 fib level held as support thrice, leading to massive bounces.

Monitoring the three potential support levels: 0.236, 0.382 and 0.618. In this case, 0.236 (1.918 \$), 0.382 (1.576 \$) supports didn't hold while 0.618 (1.024 \$) did.

RECAP

In a strong uptrend, the 0.382 Fibonacci level is generally held as support. If it is lost, expect a retracement to 0.618. The 0.618 is possibly the most crucial fib level to hold and in case it is lost on a candle closing basis, one can expect upward momentum to stall.



B. In a Downtrend (looking for future resistance):

Step 1 – Identify the direction of the market: downtrend

Step 2 – Attach the Fibonacci retracement tool on the top and drag it to the right, all the way to the bottom

Step 3 – Monitor the three potential resistance levels: 0.236, 0.382 and 0.618

Figure 2: Applying Fib Retracement in a downtrend



We monitor the three potential resistance levels: 0.236, 0.382 and 0.618.

The rejection takes place at the 0.382 level twice. There's also an initial rejection from the 0.618 level. One key thing to keep in mind is that once you get a rejection from one of the essential fibs (0.382 here) and that rejection proceeds all the way to your low, then it is best to sit out of a trade or wait for a new swing to draw a new fib retracement.



RECAP

- After a strong downtrend, you can only start to have confidence that there might be a strong rejection from the 0.382 or the 0.618 taken from the fib levels of the most recent swing.
- A potential local bottom is in once the 0.618 fib level has been claimed.

Fibonacci Confluence

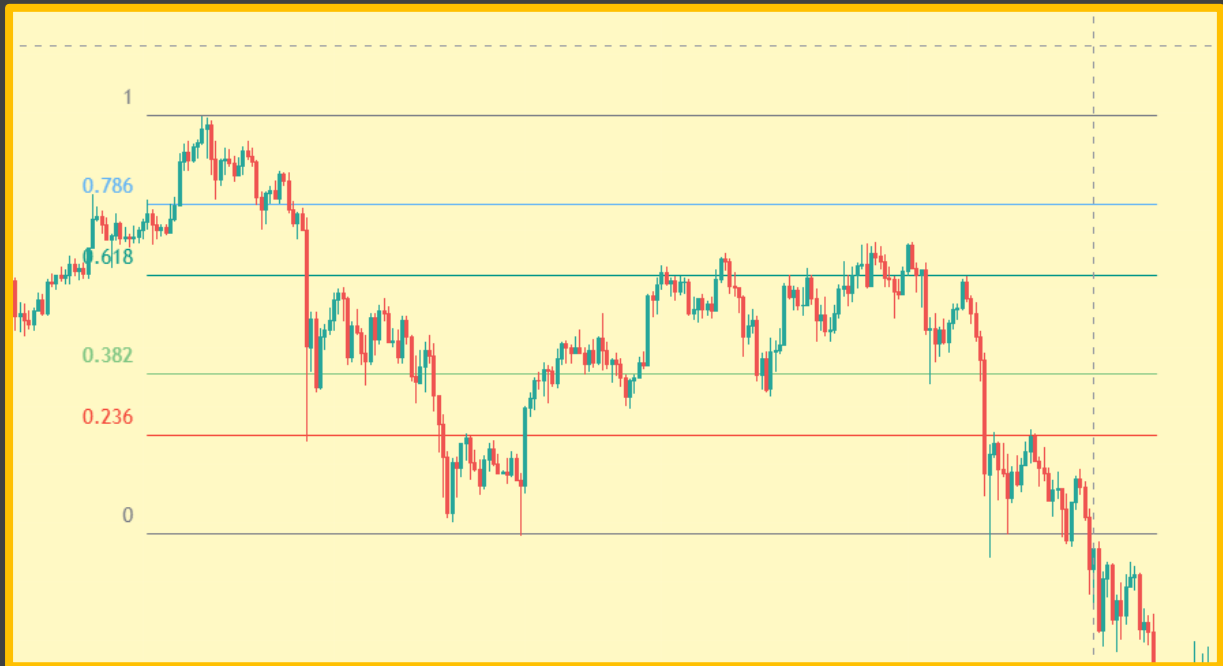
Fibonacci is primarily a tool used to add confluence to your trading. It is not advisable to use fib retracement on their own, but a top-down analysis using fibs for swings on each timeframe is an excellent way to do it regardless.

How to Make a High Probability Trade Using Fibonacci Tool?

One should not rely solely on Fibonacci retracement and extension levels in trading. Fibonacci tools can give the best results when combined with other technical tools, such as volume profile, market structure, trend lines, oscillators and other technical indicators.



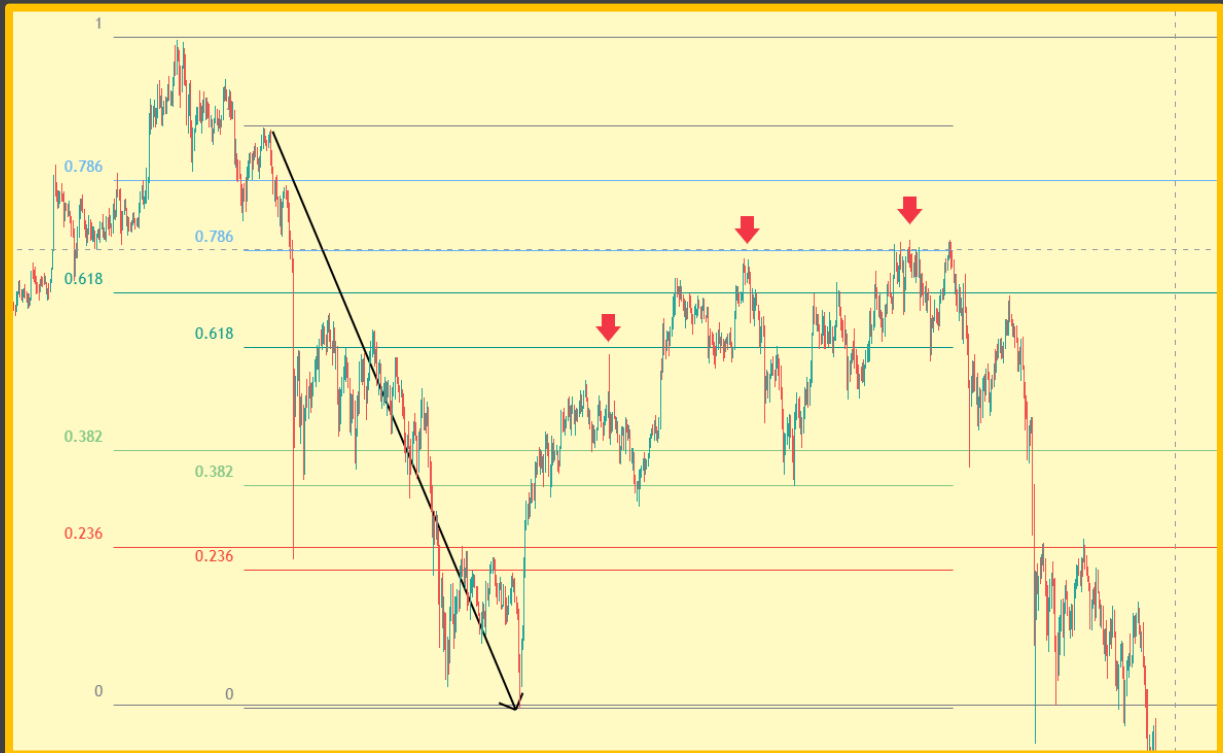
Figure 3: Example of top-down analysis using Fib Retracement for Swings on different time frames



Initial swing on the 4H time frame. We just take the most apparent high to low swing.



Figure 4: Zoomed-in version of Figure 3



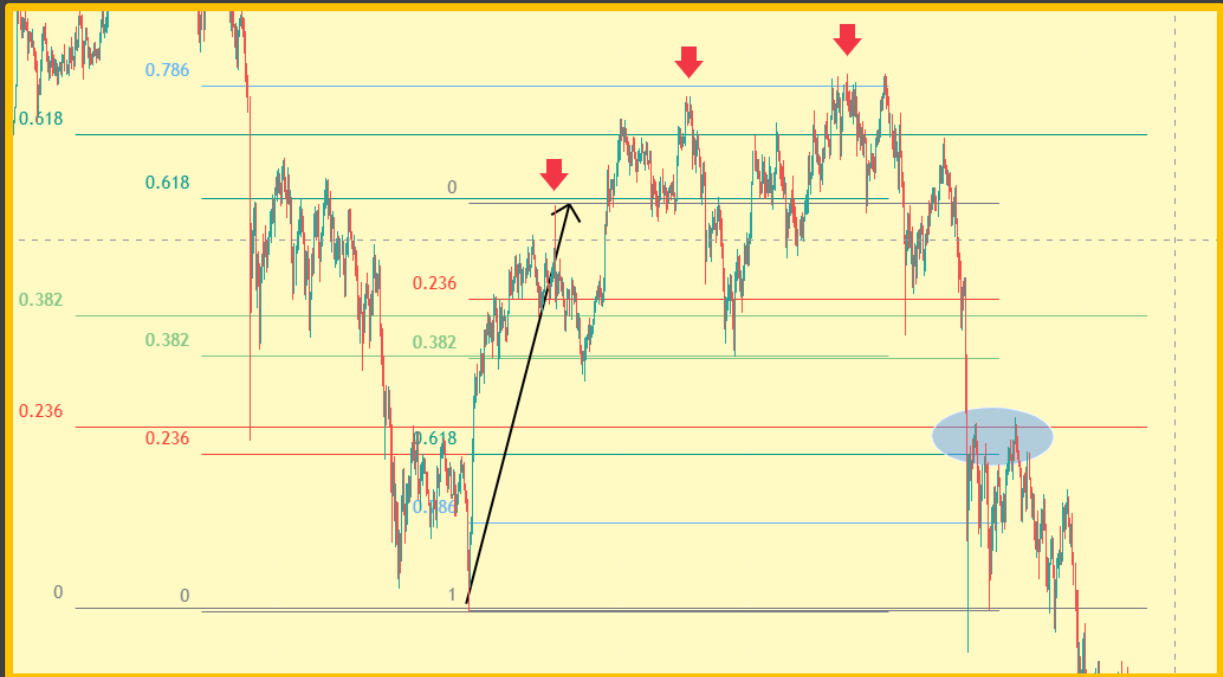
We take the most recent swing on the lower time frame (1H) and trace our levels. We notice a confluence with the 0.618 and the 0.786 levels. One could play the first red arrow or layer limit short orders from the old 0.618 level to the new 0.786 level.

To know how to layer orders or manage a trade dynamically, always practice risk management and keep in mind the evolving R concept by Dante. Read the risk and trade management tutorials to understand completely. (link: <https://t.me/EmperorbtcTA/536>)

Some more confluence can be added again by drawing the fib levels on the most recent upswing.



Figure 5: Short Entry for Figure 4

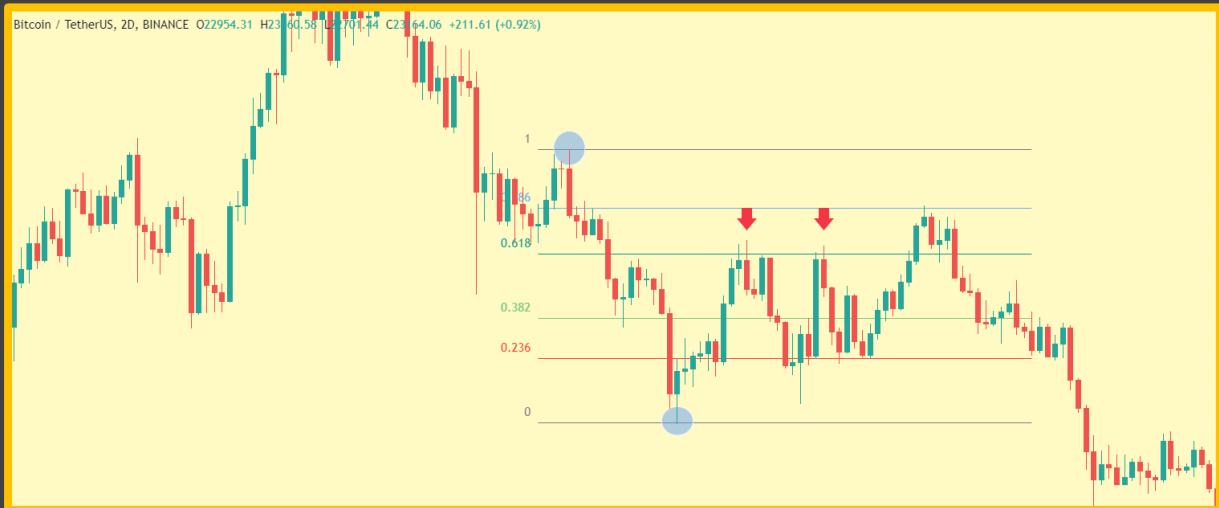


The 0.236 levels from the two previous fib pulls + the 0.618 fib level from the upswing being lost simultaneously provide a short trigger. As is evident from the chart, it would be a great short entry in hindsight.



Another way to use Fibonacci retracements as the confluence is with other tools we have covered so far.

Figure 6: Fibonacci Retracement as Confluence (Example 1)



The tool in itself seems fine but let's drop a few time frames and see how we could have sniped a better and risk-defined trade on this swing.

Figure 7: Zoomed-in version of Figure 6



If you do not know how I got that 4H level, it is suggested to read the levels tutorial first. ([link: https://t.me/EmperorbtcTA/527](https://t.me/EmperorbtcTA/527))

Nevertheless, it is a basic support-to-resistance flip play with a bearish divergence leading into the resistance which has the 0.618 fib level as confluence. We place our stop based on market structure and get more than 3 R:R on this trade.

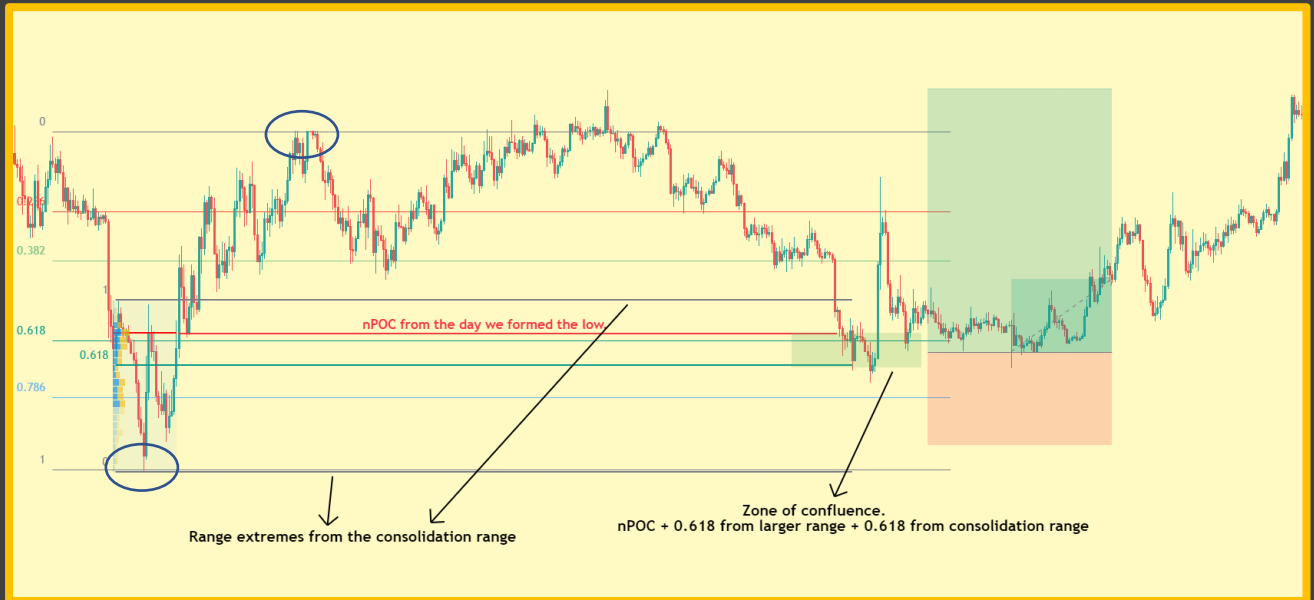
Figure 8: Fibonacci Retracement as Confluence (Example 2)



After a substantial down move and some sideways consolidation, we might look to see some relief in the market, even if it is just a relief rally to get rejected. Here, we see such a scenario. We draw our fibs on the last swing up and look for a bullish retest of the 0.618 fib.



Figure 9: Zoomed-in Version of Figure 8



This is a trade I took using the confluence factors as shown on the chart. Naked Point of Controls (nPOC) offer remarkable confluence in defining entry points in ranges and using fib levels from larger swings can help define a high confidence trade. Stops and Targets are based on the low and high at larger range extremes, it is advisable to rely on market structure for stops. You can use nPOCs as targets as well but never as stop losses.

(I have a volume profile series that covers ranges and volume profile in detail here: <https://t.me/EmperorbtcTA/538>)



Fibonacci Extensions

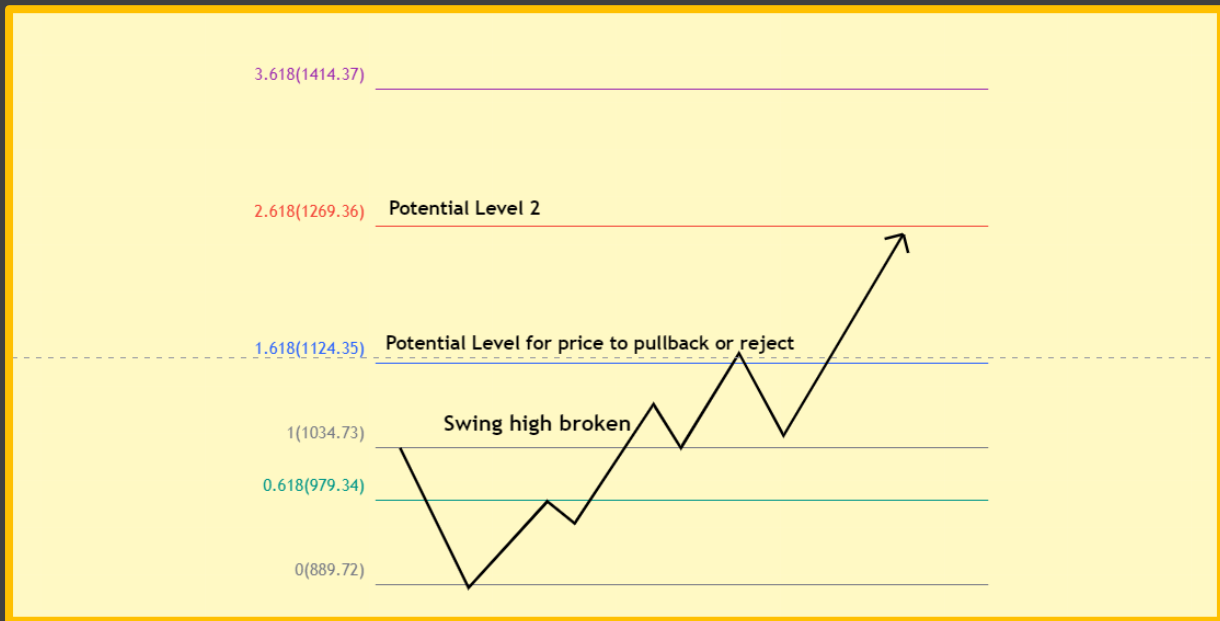
Fib extension is an old term used commonly in the equities market by more experienced traders. The modern term for it is simply the 1+ fibs, as in Fibonacci levels that are based on Fibonacci percentages greater than 100%.

- While Fibonacci retracement provides us with potential support and resistance levels for price to retrace into within the swing high and low we use to trace it, Fibonacci extensions measure a move to levels on possible areas where the price may reverse.
- These are extremely useful for future levels that the price has not reached yet. Example: All Time High (ATH) territory and a low that price has not broken in a long time, example: altcoins breaching 2017 or 2020 levels after a bull run during the current bear market.

For this section, we'll not show the conventional fib levels on the chart unless needed to reduce the noise on the chart and have clarity in explanations.



Figure 10: Fibonacci Extensions



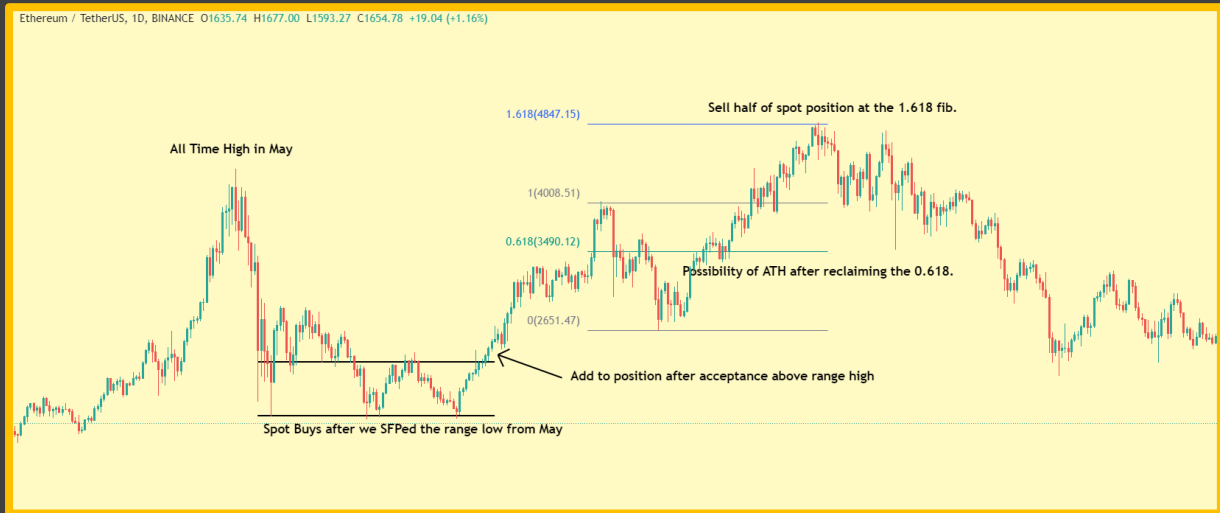
Once the swing high here is broken, our normal thesis to potentially short the 0.618 fib level with confluence or so is invalidated. Thus, we look to get in a long and after entry use the 1.618, 2.618 and so on for targets or take profit levels.

While I prefer to trade the range on the lower time frames, this tool comes in handy when coins breach ATHs.

This has helped me take profits on a lot of my altcoin positions in 2021. Thus I was in mostly cash after the November All Time Highs on most coins.



Figure 11: Fibonacci Extension – Example of Ethereum



The above is an exact illustration of how one could have nailed half of the bull market using simple ranges, levels and fib retracement and extension tools.



THANK YOU

I hope this tutorial has introduced the basics of Fibs.

This was an introduction to the topic along with some hands-on illustrations. In the next part we'll learn some advanced methods to find the range and explore new fib levels. I hope you utilise this to include Fibonacci levels in your trading and improve you skills as a trader.

Love,

EmperorBTC

