



# Advanced Fibonacci Concepts

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## Introduction

This tutorial is a second edition in the Fibonacci series. It is directed at anyone who is looking to integrate Fibonacci tools into their trading. Fibonacci tools act as a confluence to an existing trading strategy and I do not recommend trading based on it alone.

The most important benefit is that it is a 'leading indicator' which implies that it can be used to predict future levels at which price may react. In this tutorial, we explore more fib tools and understand how to utilise multiple tools in confluence.

I encourage you to go over the document and study the tool intently. This tutorial contains everything you need to know about advanced Fibonacci tools. However, no tutorial or mentor can transform you into a profitable trader. Your success and profitability depend on how much time and effort you put into practice.



## Advanced Fib Concepts

For the second part of the Fibonacci series, we will be covering some more important trading concepts based on Fibonacci. In the previous tutorial, we covered how to utilise fibs for entries and partial exits; now, we'll discuss the all-important golden pocket, some custom fib levels that the top traders use and much more.

### The Golden Pocket

The **golden pocket** is the area where certain fib levels lie. Traders consider it as the numerical values/percentages that price usually respects as an area of support or resistance.

In trading cryptocurrency, the golden pocket considered by most traders is the **61.8%** or **0.618** level. In some cases, traders also use **0.66/66%** or **0.65/65%** on the Fibonacci retracement tool. Feel free to identify which, in your opinion, works out for you after further backtesting.

My personal preference for the golden pocket is the region between the **0.618** and the **0.66**. I believe the best way to trade when placing limits is laddering. So when we use the golden pocket for entries, it is advisable to ladder orders in this region. However, even if the entry is taken by laddering orders, we will have a fixed stop loss for the entire position.



## Setting up the Golden Pocket on TradingView

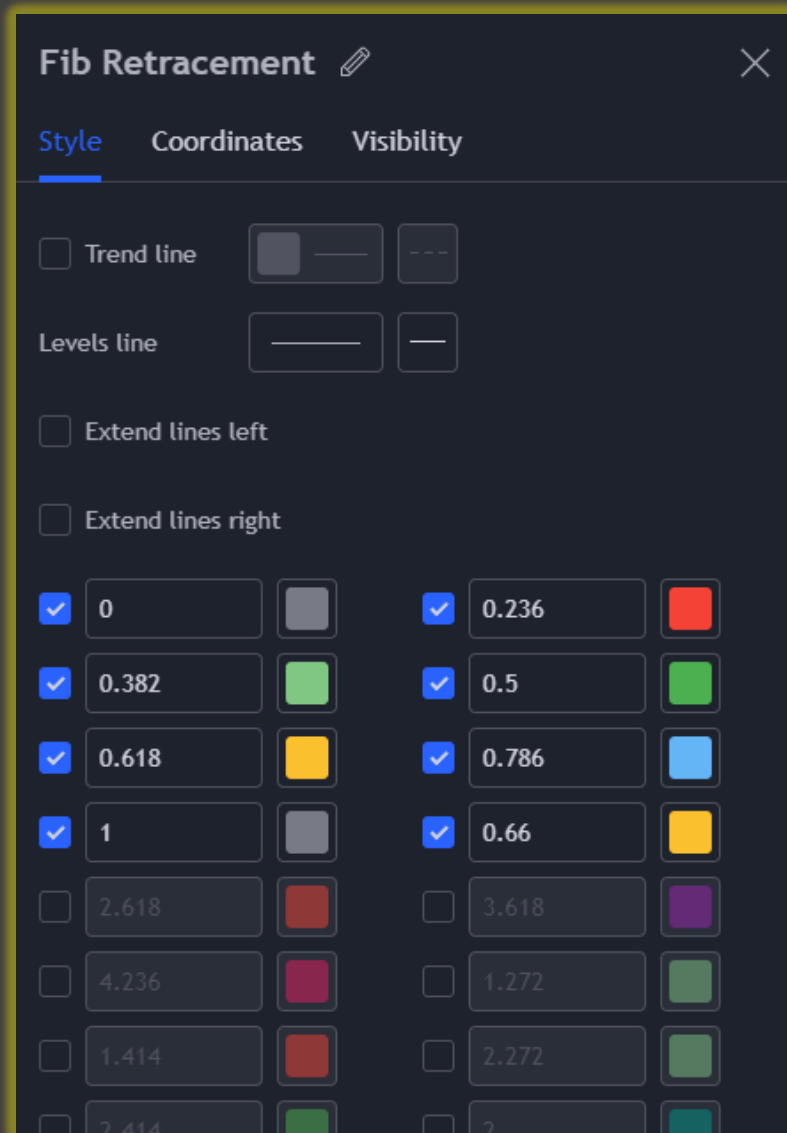


Figure 1. Fib retracement setup

We're not using the 1+ or some other fibs for this section just to keep the charts as clean as possible.



## Execution:

There is no need for elaborate discussion regarding the golden pocket. When trading on the Higher Time-Frames (HTF), it is vital that we consider only the **deep swings** and then consider laddering orders inside **the golden pocket** region if we have confluence for that zone.

### Example 1:

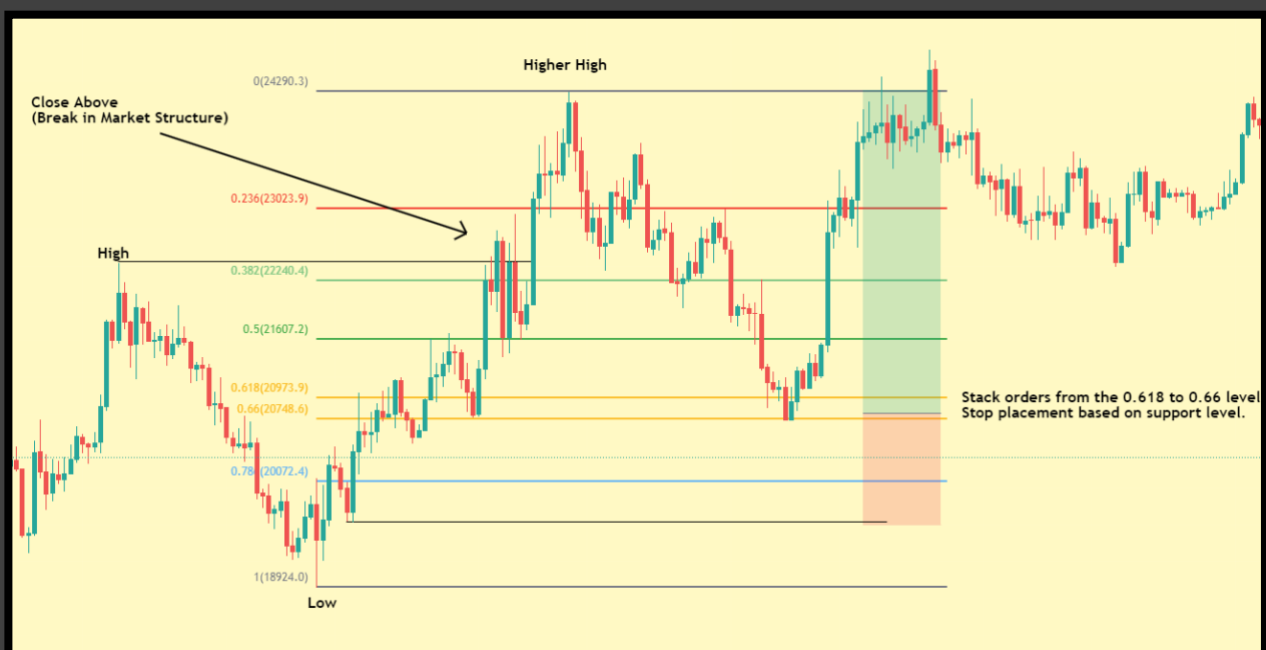


Figure 2. Laddering orders inside the golden pocket

When laddering bids while using **the golden pocket**, it is essential to pick **“deep” swings** to draw your fib retracement on.

What do I mean by **deep swings**? The most apparent swing high and low for that particular timeframe or even a higher timeframe (never a lower one).





Figure 3. Valid deep swing

In figure 3 we see an example of what is a valid or invalid “deep” swing. Fibs and **golden pocket** entries are a potent tool, but it is critical to use the right swings to anchor your fibs on.

### Example 2:

Sometimes, the price action can be choppy, and sudden movements might hamper your read on the market. It is challenging to get the best swings in such situations.



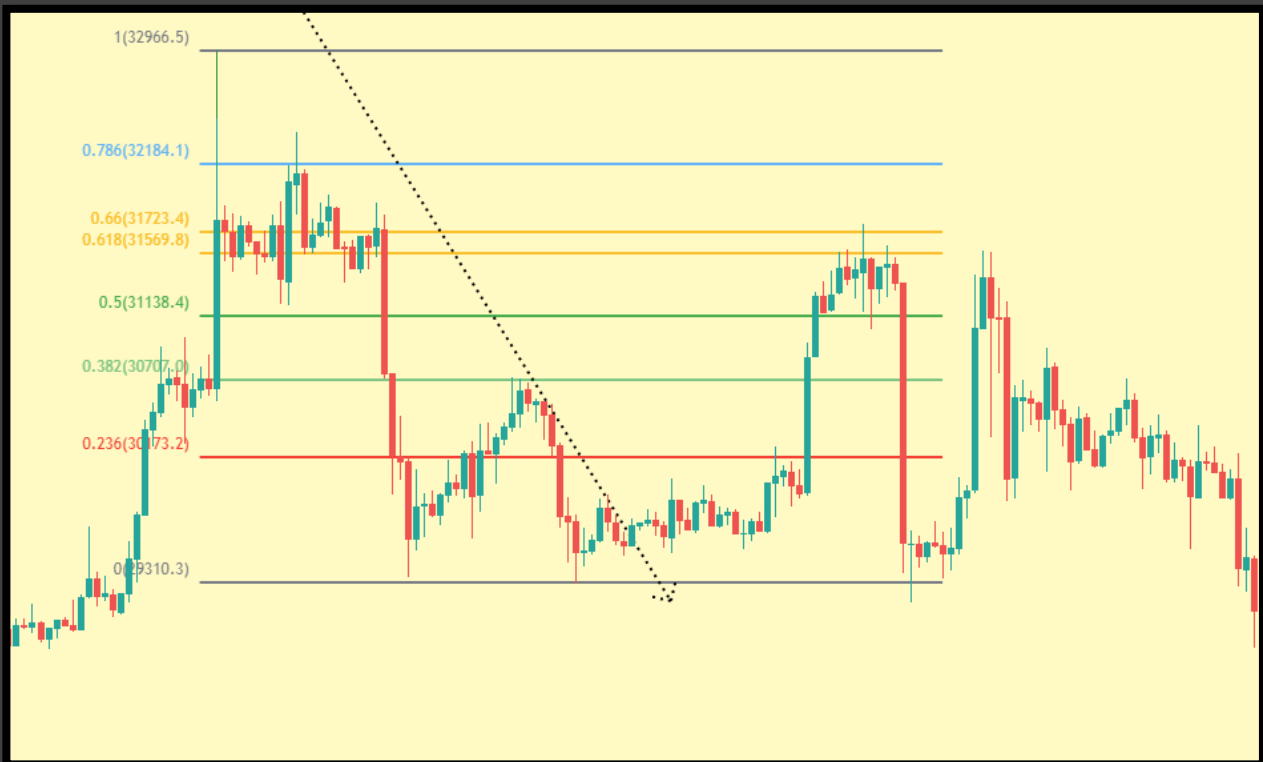


Figure 4. Bitcoin 6H Chart

Since it is hard to identify a clear swing high and low, we pick the best one available on a higher TF. In these cases, it is best to zoom in and look for high confluence entries inside **the golden pocket** region.

In figure 5 below (30m TF), it is apparent how volume profile levels alongside the higher time frame **golden pocket** level can provide a good entry; you can define risk by placing a stop loss above the previous range high.



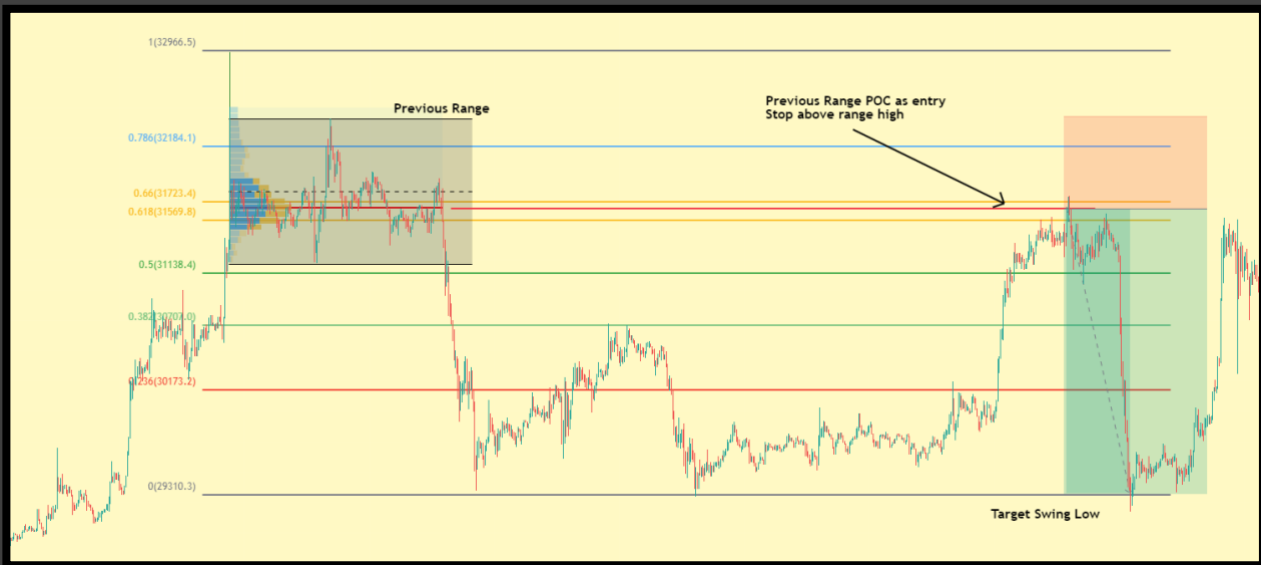


Figure 5. BTC 30min chart

## Additional Fib Levels: Range trading using the 70.2% level

Many traders experiment with different percentage levels on their fib retracement tool to try and find the most optimal level (for entry or laddering) for their particular strategy. **MindsetBTC** is an excellent range trader who utilises the **0.702** fib level; let's see how to use it in practice.





Figure 6. ADA/USDT 15min range

While trading a range, first identify the range high and the range low. Figure 6 is an example of an ADA/USDT chart on the 15 min time frame trading in a range after an extreme swing down. My bias due to order flow and BTC was in a relief bounce.



Figure 7. Range trading using the 70.2% level



Upon tracing our Fibonacci levels, we can identify support levels at **0.702** and **0.786**, which can serve as our buying opportunity. When we are looking to trade short-term ranges in the other direction (do not do this as a beginner, the reason for my long bias was explained earlier), we can expect retraces that are deeper than **the golden pocket** region. However, if we wait for the **0.786** level to provide a reaction, we might get front run or lack conviction in longing there.

For the above example (figure7), it is best to ladder orders from the **0.618** to the **0.702** or **0.786** fib level. I usually don't place stop losses based on fib levels, but if the **0.702** level offers no reaction (not the case here), it is best to get an early exit on the trade.





Figure 8. Range trading example2

Figure 8 is another example of trading short-term ranges using the **0.702** level. After identifying our support levels (we use these as targets), we can anchor our Fibonacci retracement along the range high and low to locate our resistance levels. The support levels identified can help as targets. This can be done repeatedly so long as the market does not break the current higher time frame structure while in range.



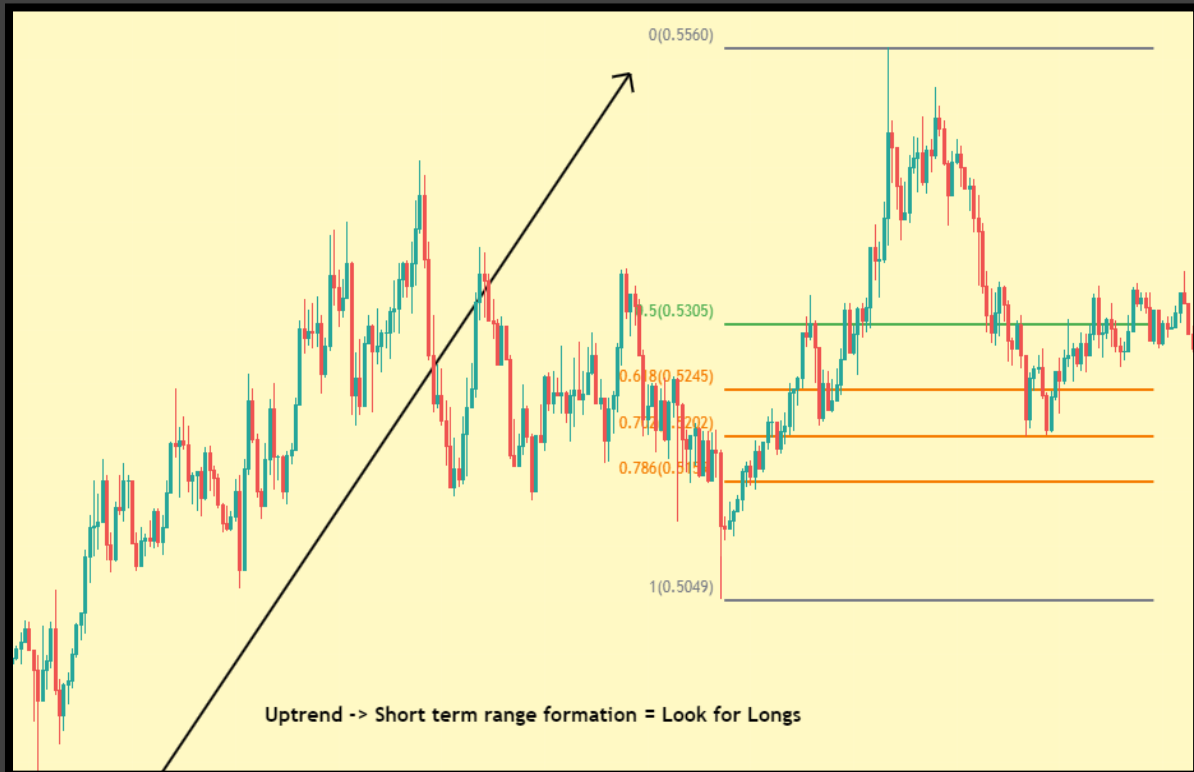


Figure 9. Range trading after an uptrend

In this next example (figure9), we notice that the price is starting to range after an uptrend. We draw the fibs starting from the last swing low to the last swing high in the current range, and we wait for opportunities to go long. We stack up orders on the **70.2%** level.



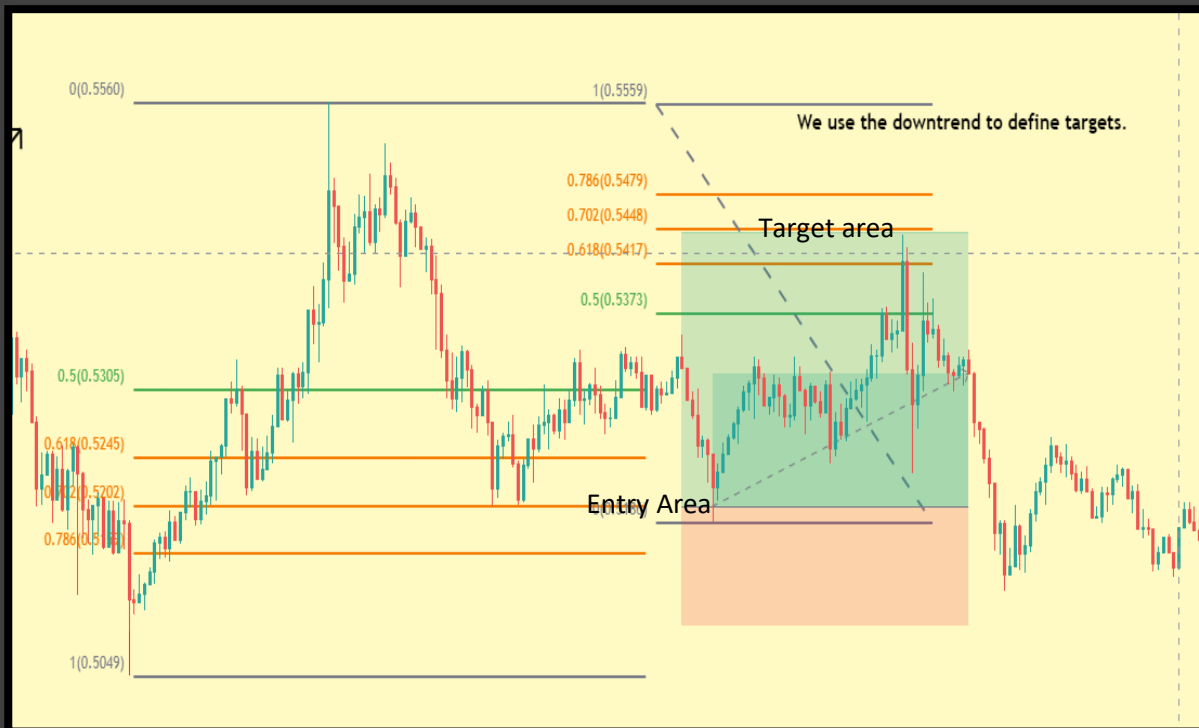


Figure 10. target identification using the fib

Following with the same example as in figure 9; in figure 10 we illustrate how to utilize the fibs from the opposite direction in order to have an early exit target. We book our entry from the **0.618** to **0.702** or **0.786** fib level, then by using the fib again but in the opposite direction this time, we define our target area, which is going to be from **0.618** to **0.702** or **0.786** fib level.

While using the fib in the opposite direction make sure to pick the area of entry as the swing low this time.

This kind of range trading is beneficial when you use other forms of confluence and get out of your position by having multiple targets. I like to call this fib-to-fib range play.



## Negative Fibonacci

Negative Fibonacci levels can be one of the additional tools while utilising Fibonacci retracements. It can be used to add additional confluence for entries and target or take-profit (TP) levels.

When price action moves beyond your Fibonacci range (0% - 100%), we can then consider targets using our negative Fibonacci values to anticipate where price will find support or resistance. This tool can be used independently, but additional confluence must always be considered before placing a trade. This must be followed for all Fibonacci strategies.

### Setting up Negative Fibonacci

Exactly like how we added the **0.66** or **0.702** fib levels, we can enter our fibonacci Retracement setting and add additional values. Colour code the numbers to avoid confusion in your levels. I like to create different templates for when I use different strategies based on fibonacci. You can do this via the button on the bottom left corner of the image alongside.



Additional values to be added are:

-1% or -1

-23.6% or -0.236

-61.8% or -0.618

-161.8% or -1.618

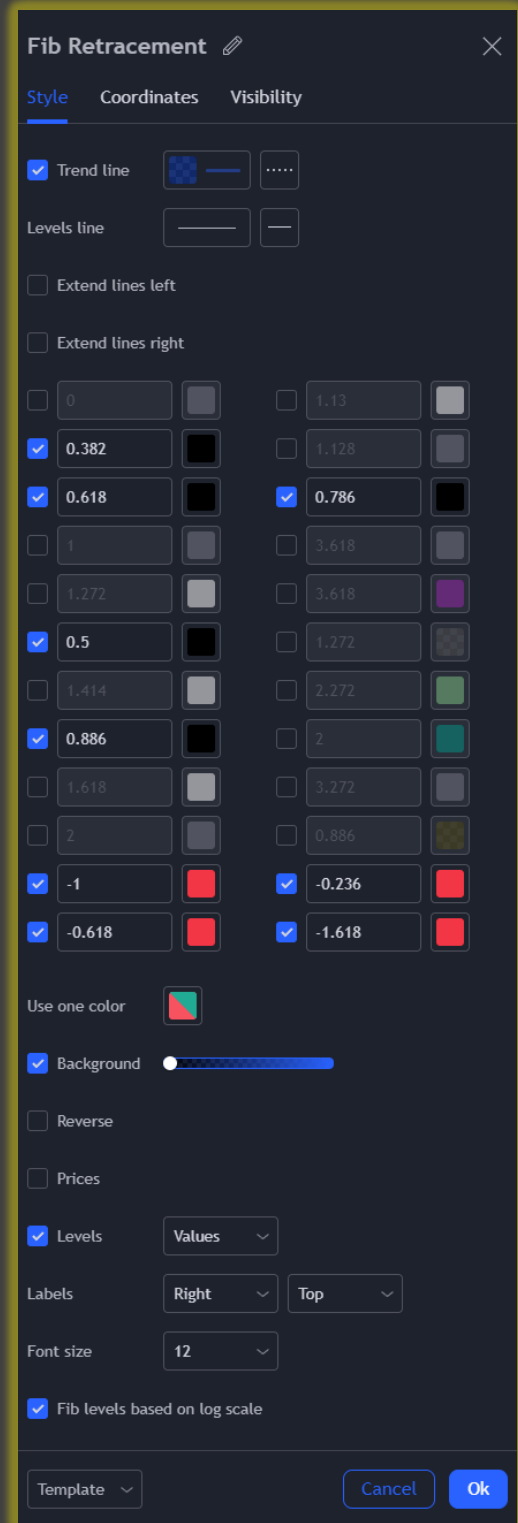


Figure 11. Negative Fib setup



## Example: Bearish Scenario



Figure 12 BTC Chart on 5min time frame

This is a BTC chart on the 5min timeframe: As seen in this image, we can clearly identify that the market is in a downtrend. On the lower TF, such trends contain deep swings with a short-term range where you can short the retracement as we have seen. However, if you just target the range low, you are missing out on the prospective R you could have obtained from this trade.





It is advisable to target range or **swing low** in this example as **TP1** and have further levels to close the trade like **-0.618** as **TP2** and **-1** as **TP3**. In practice, using negative fib levels always implies reacting to the price. If we were to see the price find support after breaching **-0.618**, we would move our stop loss to entry or lower. We could also close the trade completely if the price seemed to form a new range or showed signs of retracing.

Further confluence to hold beyond the range low occurred as price action had a break of structure at the 0% level and then retested it before continuation down. This implied that the market could potentially move down further. Our take profit levels can be identified using our negative Fibonacci levels of **-23.6%**, **-61.8%** and **-1%**, respectively.

## Example: Bullish Scenario



Figure 13. ETH 1H chart



Another scenario is the example in figure 13; After an upswing, price action goes through a short period of retracement just shy of the 0.618 fib level. We can instead wait for price action to move for additional confirmation as seen in this chart.

We have set our buy limit order at **0.618** fib. As price finds support there, we get more confirmation when it subsequently tests and holds the **0.5** and **0.382** levels. These are our opportunities to compound on the trade if we have more confluence.

Once price action moves beyond our fibonacci anchor range (or the highest point), we can then identify our targets based on the negative Fibonacci values. It is recommended that we separate take profits into certain levels. In most cases, **-0.236** and **-0.618** should be prime targets or TP levels. It is important to ladder entries and exits when taking trades based on fib levels especially if there are no additional elements to add confluence.



## Trend-Based Fibonacci Extension

In Fibonacci Extension, contrary to Fibonacci Retracement, there are 3 anchor points instead of 2. The fibonacci extension levels are used to identify accurate take-profit levels. They can also prove helpful in predicting future support and resistance levels based off of the current swing high and low.

We covered regular fib extensions or the 1+ fibs in the last tutorial. This is separate from that. However, both serve the same purpose of identifying future take-profit levels. This is the less frequently used and, to some extent, less important fib tool.

### Setting Up Trend-Based Fibonacci

On TradingView, the icon for trend-based fib extensions can be found on the column left-hand-side. Illustration in the attached image.

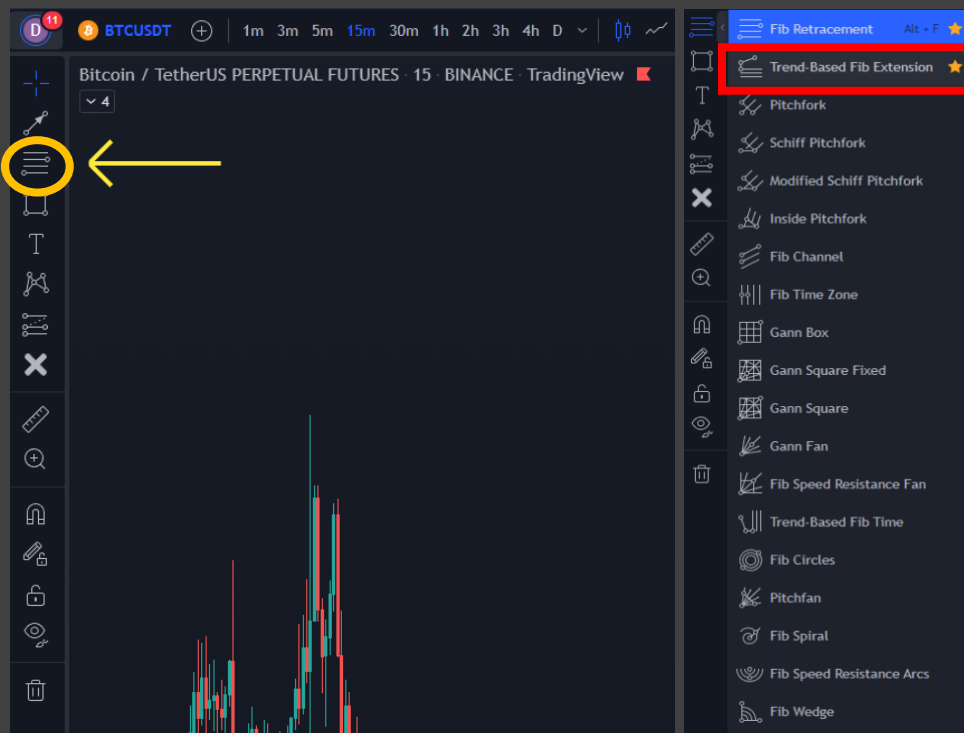


Figure 14. Fib extension tool



Suppose you wish to do so. You can click the hollow star beside the icon so that it can be easily accessible through your shortcuts.

## Setting Up Your Fibonacci Extension

Double-click on the Fibonacci Extension you have plotted in your chart and navigate to the settings.

For the trendline setting, you can have it checked to serve as your guide as a beginner when plotting your extensions in the graph.

Secondly, you may wish to copy the percentages in the image as it is what I use.

Thirdly, you could optionally check the “Prices” check box so that accurate take-profit levels can be seen as you plot your points in the graph.

“Levels” allows you to choose decimal or percentage values.

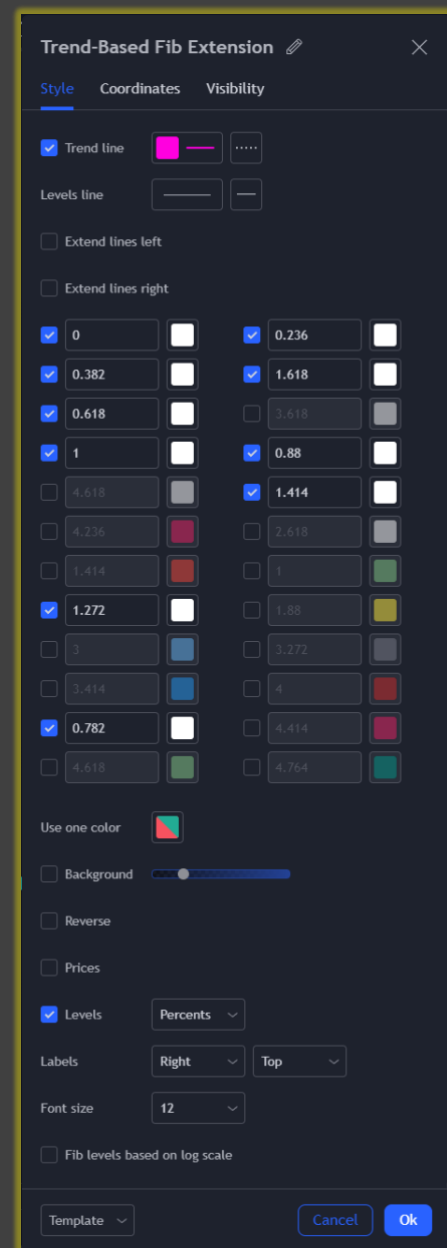


Figure 15. Fib extension setup



## Example 1

Illustrated below is a simple drawing of how fibonacci extensions are primarily used in a bullish scenario.

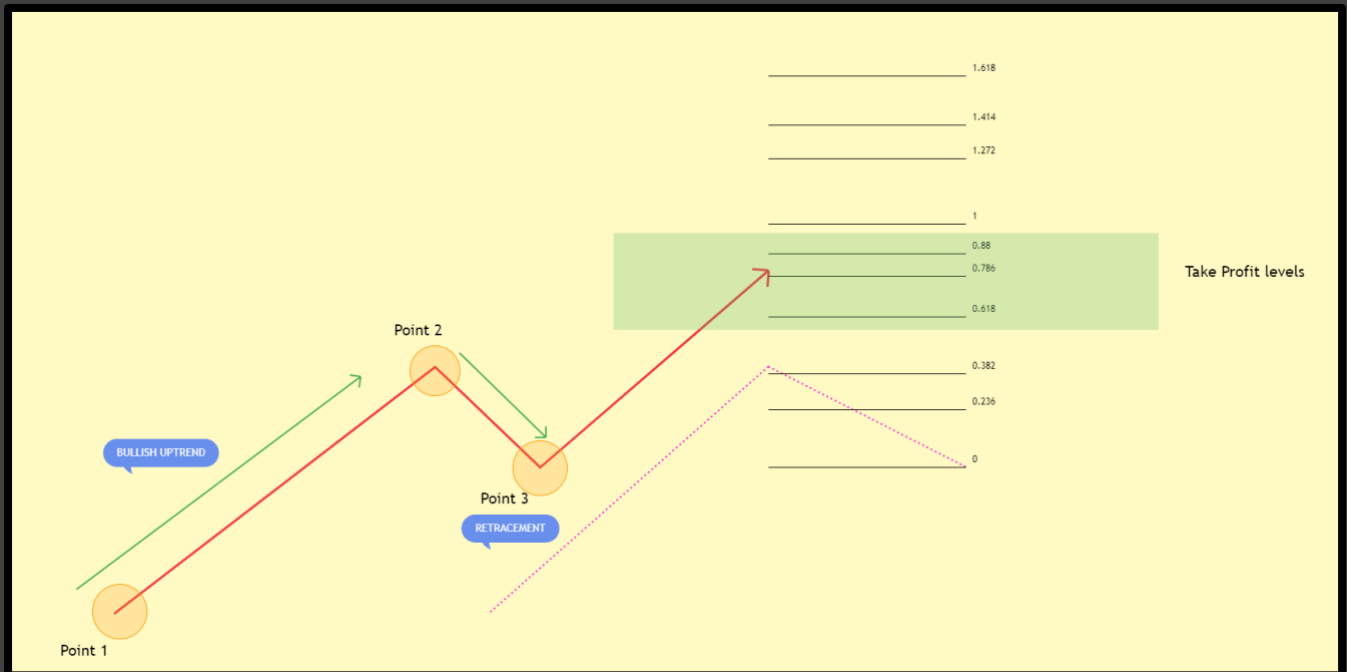


Figure 16. Fib extension drawing

A retracement point is identified in an uptrend, which becomes our third anchor point. Our anchor plot points are as shown.

**Point 1 (The lowest point)** – this is where we will initially set the 1<sup>st</sup> point based on the current swing low. In this case, it is a bullish price action.

**Point 2 (The swing high / highest point)** – Identifying the resistance from where the retracement occurred. In this case, this will be your recent swing high.

**Point 3 (The support)** – Identify support levels where the price reacted after the initial retrace. This could even be the golden pocket or 0.618 fib level while using the usual fib retracement. Hence, this will be an



area where you might have considered buying opportunities or simply, the place where price found support.

With this tool, where we entered is not our concern, just identifying potential targets. This is again particularly useful during bull runs when we want to identify a target after a coin has breached All Time Highs (ATH) for spot positions.

## Example 2

Another example to understand the tool.

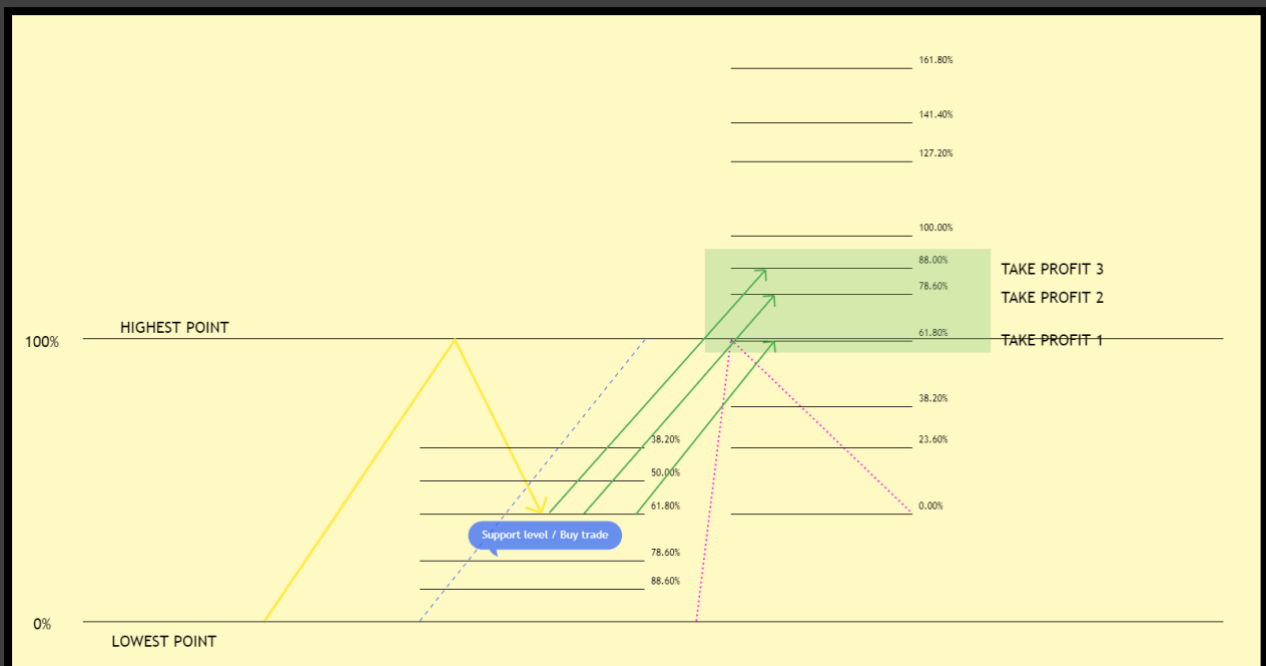


Figure 17. Fib retracement and fib extension combined

As seen in the image above, the previous lowest point at 0% and the previous highest point at 100%. A Fibonacci retracement is then plotted to help us identify our possible support levels. In this case, price movement retraced down to the **61.8%** level and held it as support. This was a prospective buying opportunity.



Once our support level has been located, we can plot out our 3 points of the Fibonacci Extension since we have already seen our **1: previous lowest point**, **2: retracement /resistance**, and **3: Support level**.

Considering that every asset has its own behaviour, I suggest doing some backtesting in accordance with different time frames to get optimal results.

## Actual Application: Bullish Scenario



Figure 18. BTC 4H chart

In figure 18, we can clearly see a bullish uptrend followed by a short period of retracement. Horizontal lines on the chart help to clearly identify the previous low and the previous high for the most recent swing.



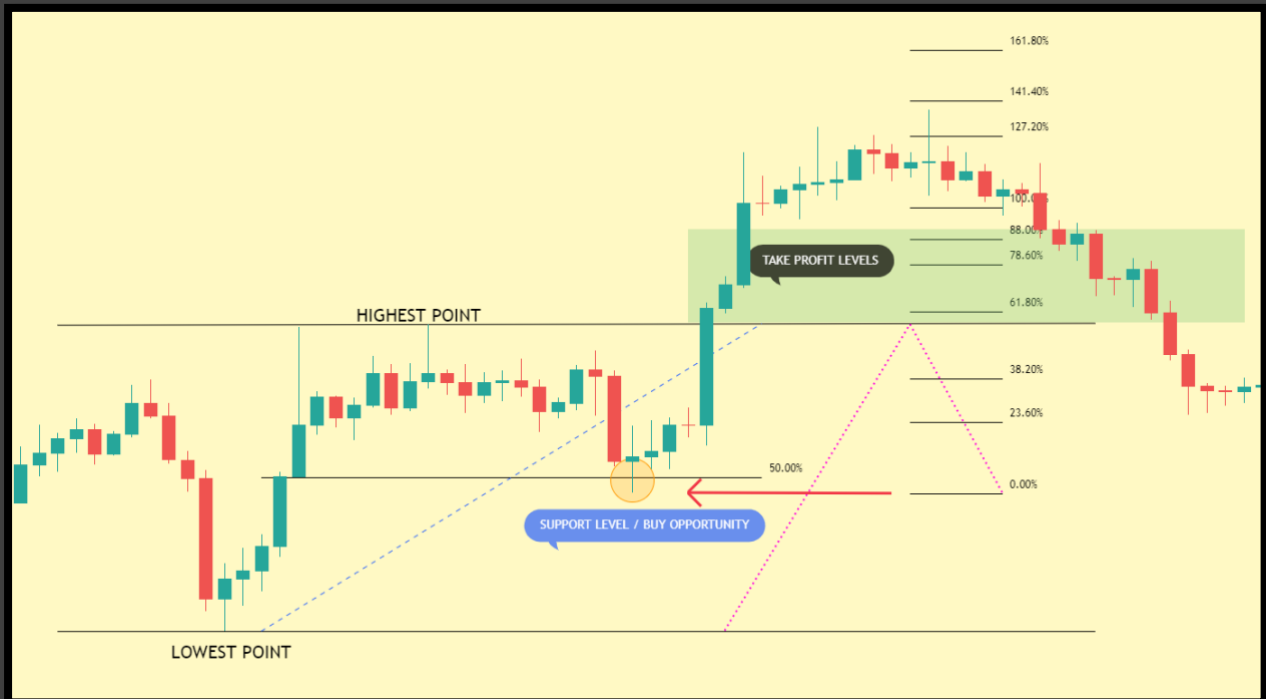


Figure 19. BTC 4H chart with Fib extensions

After entering a long position on the retrace (remember that we are only exploring targets right now), we plot our Fibonacci Extension to accurately predict our take-profit levels.

Going back to what we have learned, we will plot our Point 1 at the swing low / lowest point, followed by our point 2 which is the swing high / highest point and finally ending at point 3 which is our support level at 50%. Again, we must plot on a wick-to-wick basis to measure our levels accurately.

We have our take profit levels at the 61.8%, 78.6% and 88% respectively. In some cases, the market will tend to overextend further than our TP levels, but regardless we should practice proper risk management and exit at the predetermined levels.





## Actual Application: Bearish Scenario



Figure 20. BNB 15min chart

In figure 20, we can identify that the current trend hit resistance and is retracing. For every big move, there should always be a short period of retracement before creating the actual trend confirmation. In this image, we can see the highest point (swing high) where price rejects before forming a base and retracing a little.





Figure 21. BNB 15min chart retracement

By practising what we have learned so far, we utilise our fibonacci retracement for a short entry and some other confluence factors.



Figure 22. BNB 15min chart extensions



After plotting out the initial fibonacci retracement and identifying our short entry, we will then plot out the 3 points of our Fibonacci Extension, as shown in the image above.

Our take profit levels can then be set using the fib levels as mentioned above.

## Conclusion

I hope this tutorial has helped you understand the Fibonacci tools on a more advanced level, as well as helped encouraging you to use multiple tools in confluence.

Remember, the more you use a tool, the better you get at it.

I recommend you check each and every example illustrated above at least twice for a better understanding, and in case of a confusion or the smallest question in mind; please do not forget that I am here for you.

Thank you for your time and attention

Love,

EmperorBTC

