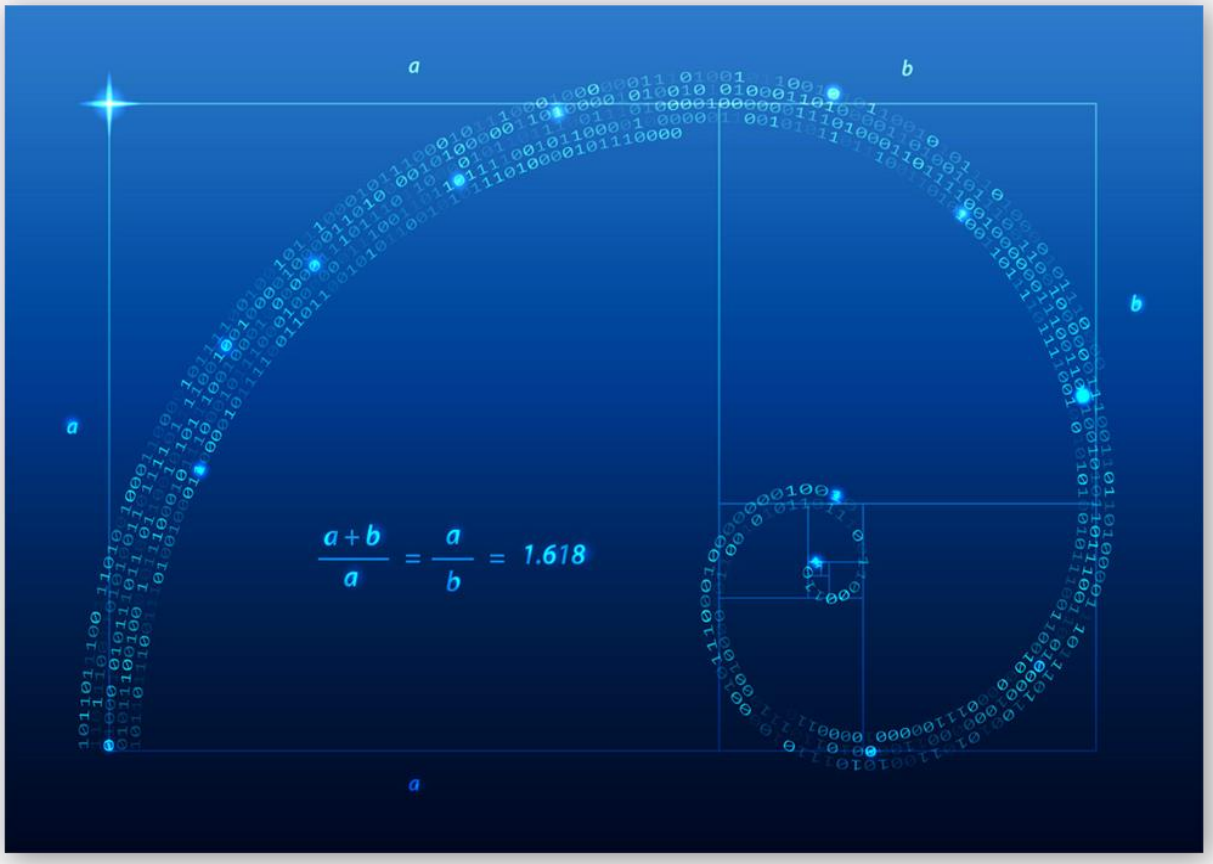
FIBONACCI
TRADING INSTITUTE

HOW FIBONACCI CAN IMPROVE YOUR ACCURACY AND PROFITABILITY IN DAY AND POSITION TRADING



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An Introduction

Trading within the financial markets can be undertaken in many different ways and today's trader has a whole host of different tools at their disposal. One of the more popular techniques that traders use is Fibonacci Retracements and Extensions.

Fibonacci is the only Natural Predictive Mathematical Sequence (it does not require any math skills) that is used to analyse market structure and accurately identify key market areas of support and resistance. Knowing where key Fibonacci levels are will identify the best area for trade entry and show with high accuracy profit targets on any instrument and any platform.

Fibonacci Strategies can be applied to Futures, Forex, Stocks, ETF's and essentially every liquid market instrument. They can also be traded on any timeframe, which makes them available to all types of traders. Whether you are a scalper, swing trader or position trader, Fibonacci Studies will be applicable and effective.

Fibonacci techniques are powerful and whilst not a standalone trading system in their own right, they can be a very effective component of a trading strategy. Fibonacci Strategies must be traded with a strict set of rules. This E-Book will explain how Fibonacci can be used in trading any markets on any time frame with a Fibonacci Retracement Tool.

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1.0 - A Brief History Of Fibonacci

Fibonacci numbers were derived from an Italian mathematician Leonardo Pisano and documented initially in the 13th Century. Pisano was considered by some as the most talented Western mathematician of the Middle Ages and made many of the original contributions within complex calculations.

It was whilst journeying with his father that Pisano began to develop his mathematical skills and solve problems relating to merchant trade and price calculations. He started to observe that certain ratios of a number series can describe the natural proportions of the Universe including price data.

With this in mind Pisano devised a series of numbers that were derived by starting at 0 and 1 and then adding the two previous numbers to create the next number in the series. This series reaches all the way out to infinity and the start of the sequence looks like the following:

0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233, 377, 610, 987 ……. and so on to infinity.

The 'Golden Ratio' is a term that is associated with Fibonacci and the ratio is determined by a special relationship found within the number series. After the commencement of the first few numbers there is found to be a ratio multiplier of 1.618 between each number for example:

55 x (1.618) = 89, 89 x (1.618) = 144, 144 x (1.618) = 233 and so on.

Further work has been done on the Fibonacci ratios to provide yet another sequence which is used in today's Fibonacci Analysis. Without going too deep into the square roots, reciprocals or other mathematical formulas of these numbers the list of values which are in use are:

PRICE RETRACEMENT RATIOS	PRICE EXTENSION RATIOS
0.236, 0.382, 0.500, 0.618, 0.764	0, 0.382, 0.618, 1.000, 1.382, 1.618

To further understand what is meant by Price Retracement and Price Extension Ratios, some practical examples are provided in the following section.

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2.0 - Fibonacci vs Technical Indicators

2.1 – Fibonacci

Fibonacci is a powerful tool for determining price corrections and key levels of support and resistance. Based upon mathematical concepts of the Fibonacci Sequence, Fibonacci can determine the extent of price movements and corrections within the markets. Fibonacci is naturally predictive and the only tool, which can identify price levels far in advance of current prices. The accuracy of Fibonacci lends itself to finding key entries of support and resistance within the markets thus facilitating trade entry and profit target prices.

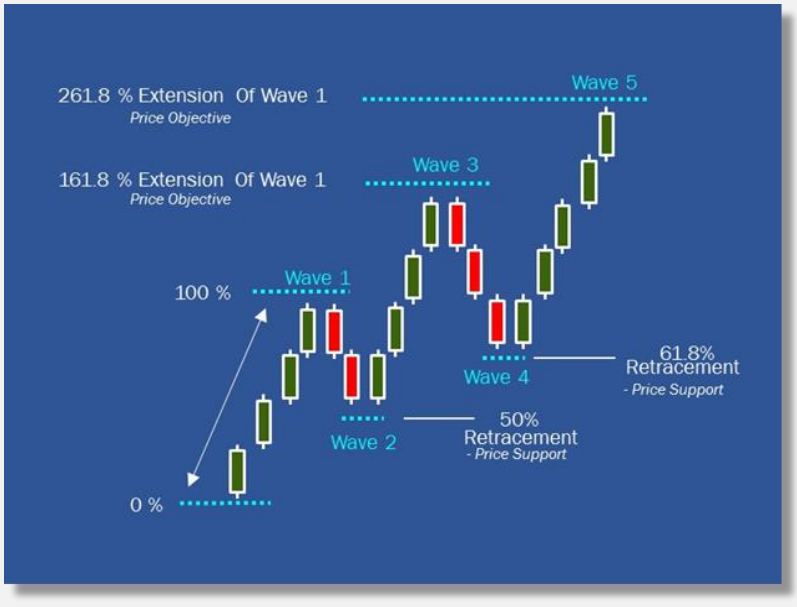
Technical Indicators do come with limitations in that they are often expensive, work only on certain platforms and lag behind the markets. Fibonacci Tools on the other hand are common to the vast majority of trading platforms, work on any instrument, any timeframe and are predictive in nature.

It is worth noting however, that Fibonacci Tools do not provide a trading strategy in their own right. The levels of support and resistance must be traded in conjunction with a strict set of rules for a complete trading strategy. The markets will eventually break support and resistance and it is essential that price action at the Fibonacci levels will support any decision to enter or exit the market.

In the diagram on the right, price has risen in an uptrend respecting the Fibonacci Extension levels predicted from the price structure of Wave 1.

Price has also respected the Fibonacci Retracement levels as the market corrected itself and retraced the length of prior swings by 50% and 61.8% respectively.

The predictive nature of Fibonacci lends itself to identifying key turning points within the markets with a high degree of accuracy.



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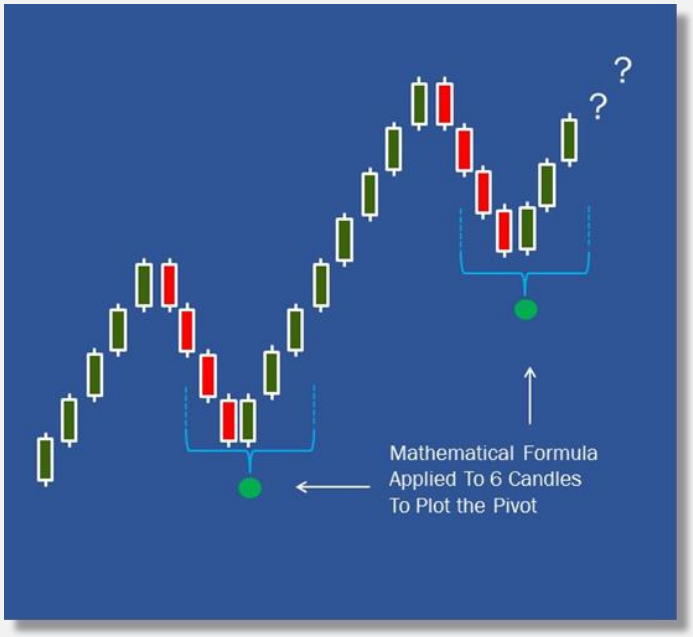
2.2 - Technical Indicators

Many traders who utilize technical analysis rely heavily on trading indicators to help them make trading decisions. The internet is awash with many types of indicators that are designed to help a trader enter or exit the markets based on some form of visual interpretation. Whether it be relative strength, momentum oscillators, fractals or any other type of indicator they all have their own inherent problems.

Generally speaking, many technical indicators look at how the market behaved and apply a mathematical formula to a number of prior periods to plot some form of visual representation that assists a trader in making a decision.

The diagram on the right is plotting simple market pivot points. The mathematical formula requires 6 candles before it can plot the green pivot point and this is after the market has already moved away from the pivot.



2.3 - Characteristics of Fibonacci & Indicators

FIBONACCI	INDICATORS
• Naturally Predictive	• Delayed
• Mathematical Sequence	• Artificial
• Can be used on:	• Can only be used on:
• Any Platform	• Specific Platforms
• Any Instrument	• Specific Timeframes
• Any Timeframe	• Cost can be Considerable

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3.0 - Fibonacci Price Retracement Ratios

Fibonacci Price Retracement ratios when applied to a chart are used to determine where support and resistance areas may be found in relation to a prior price swing.

The Fibonacci price retracements are placed from the high of a price swing to the low of the swing and will plot a series of price levels which may act as potential support on any pullback from the swing high price.

The table on the right shows the most common Fibonacci Price Retracement ratios used in today's Fibonacci Studies.

Price Retracement Ratios
100% - Prior Swing
0.764 - Retracement Level
0.618 - Retracement Level
0.50 - Retracement Level
0.38 - Retracement Level
0.236 - Retracement Level
0% - Prior Swing

3.1 Fibonacci Price Retracement Example in a Rising Market

The chart on the right of the Dow Jones Futures Index shows an example of how Fibonacci Price Retracements are plotted on a rising market.

Price had been steadily declining on the chart until it made a swing low bottom at 19750 (LOW). From there, price climbed in an uptrend creating a swing high at 19827 (HIGH).

Once the swing high completed the Fibonacci Price Tool was applied by clicking on the HIGH price and then the LOW price to create the Fibonacci Price Retracement levels. As you can see in this example, price retraced to the 50% Fibonacci level of the prior swing before rising again to retest the highs.

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3.2 Fibonacci Retracement Example in a Bearish Market

The chart on the right of the Dow Jones Futures Index shows an example of how Fibonacci Price Retracements are plotted on a falling market.

Price had been steadily rising on the chart until it made a swing high top at 19994 (HIGH). From there price fell in a downtrend creating a swing low at 19800 (LOW).

Once the swing low completed the Fibonacci Price Tool was applied by clicking on the LOW price and then the HIGH price to create the Fibonacci Price Retracement levels.

As you can see in this example, price retraced to the 50% Fibonacci level of the prior swing before falling again and eventually finding support and resistance between the 23.6% and 38.2% retracement levels.

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4.0 - Fibonacci Price Extension Ratios

Fibonacci Price Extensions are similar in nature to that of Fibonacci Price Retracements in that they are plotted from a prior swing low to a prior swing high (or vice-versa). Fibonacci extensions do however, extend beyond the prior swing data points to project levels of support and resistance outside of the prior swing. The benefit of this provides potential market entry points from support and resistance as well as market exit points on current positions.

The table on the right shows the most common Fibonacci Price Extension ratios used in today's Fibonacci Studies.

Price Extension Ratios
423.6 - Extension Level
261.8 - Extension Level
161.8 - Extension Level
127.2 - Extension Level
100% - Price Swing
0% - Price Swing

4.1 Fibonacci Price Extension in a Rising Market

The chart on the right of the Dow Jones Futures Index shows an example of how Fibonacci Price Extensions are plotted on a rising market.

Price had declined creating a swing low pivot at 19692 (LOW). The market then rose creating a swing high pivot at 19730 (HIGH). Fibonacci Extensions were then plotted from the swing high to swing low data points creating Fibonacci price projections above the current market.

Price eventually rose swiftly where it stalled at the 161.8% extension line, broke through it and then retested that same level before finally moving up to the 261.8% extension where it reversed. The Fibonacci Price Extension levels were plotted well in

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advance of the price rise and could be used for Trend Continuation Entries, Counter Trend Entries or places for taking profit.

4.2 Fibonacci Price Extension Example in a Falling Market

The chart on the right of the Dow Jones Futures Index shows an example of how Fibonacci Price Extensions are plotted on a falling market.

Price had risen creating a swing high pivot at 19842 (HIGH). The market then declined creating a swing low pivot at 19808 (LOW). Fibonacci Extensions were then plotted from the swing low to swing high data points creating Fibonacci price projections below the current market.

Price eventually fell where it stalled at the 161.8% extension line, broke through it and then retested that same level a number of times before finally moving down to the 261.8% extension where it found support. The reaction from the 261.8% level was temporary as price declined further to break the level, retest it yet again, before finally falling all the way down to the 423.6% level where it found support. The support was sufficient to raise the price back to the 261.8% level.

The Fibonacci Price Extension levels were plotted well in advance of the price decline and could be used for Trend Continuation Entries, Counter Trend Entries or places for taking profit.

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5.0 - Fibonacci Trading Institute

5.1 Fibonacci Trading Institute (FTI) Proprietary Fibonacci Levels

At Fibonacci Trading Institute the power of Fibonacci has been harnessed and its core concepts utilized to derive proprietary levels. The accuracy has enabled FTI to develop strategies around these key levels and identify trading opportunities with the knowledge of where price is in relation to support or resistance. These levels are also essential for determining highly accurate profit targets.

These proprietary Fibonacci levels are identified far in advance of price ever reaching an area and allow FTI to identify not just target, but also trend inception and trend reversal areas.

The FTI method is then applied to these core areas with well-defined entries, stop placements and price targets. The method can be applied to any instrument and any timeframe whether you are a scalper, day trader, position trader or investor the FTI method is applicable to all types of trader.

Short-term charts, from 1 minute to hourly identify price targets minutes or hours before the targets are reached. Identical strategies are used on long-terms charts for positon trading, option trading and investment decisions. Charts, such as daily, weekly and monthly identify key targets days, weeks and months in advance.

On the following pages you can see a number of examples from short term day trading charts to long term charts where targets were identified in advance with the same accuracy. This can also be witnessed daily in live markets in our Fibonacci Day Trading room and videos can be found on our YouTube Channel.

Here is an example of how Fibonacci can be used in Position or Options Trading on the S&P E-Mini:

Below is a long-term, weekly institutional chart of the S&P E-mini Futures with the FTI proprietary Fibonacci levels applied. Each of these levels had been identified months in advance of price ever reaching the areas. This is an example of how Fibonacci can be used in position or Options Trading. Fibonacci is the only natural predictive tool in the market. On this weekly chart the Decision Point 1 is the key Fibonacci Target, identified months in advance. Again, the very same strategy is used in day trading where targets are identified minutes and hours in advance.

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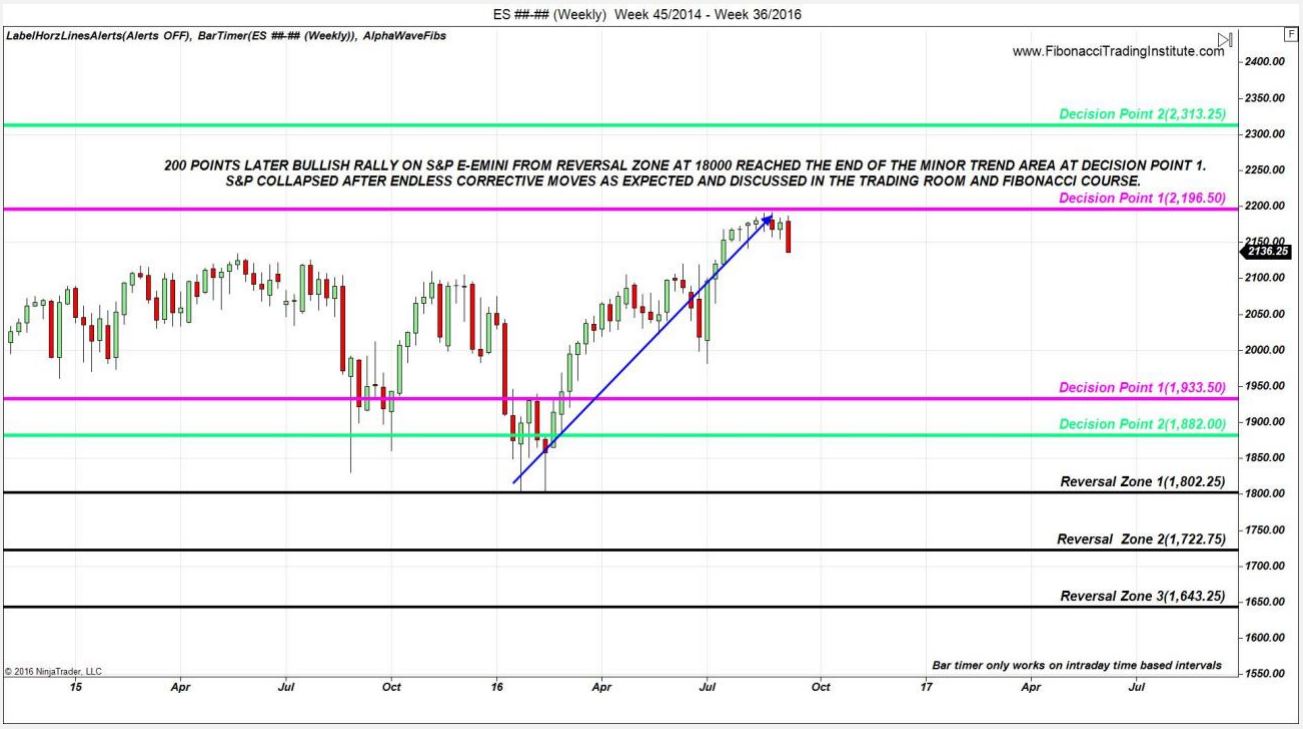
The second image shows the importance of respecting this level as this is the key Fibonacci Target in the counter trend move where Minor Trend Decision Point 1 is a Key Target:



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In this third image the Bullish Rally continues when the Bullish Trend breaks through Decision Point 1 after six months of resistance and reaches the Reversal Zone identified years in advance:

Fibonacci Trading Institute utilizes the same Fibonacci Strategies and the same Proprietary Fibonacci Tool on the S&P 500 Futures in the day trading room to demonstrate the power and accuracy of Fibonacci in live markets. It is understood that every trader is unique in their own trading style, their tolerance to risk and their preferred trading markets. Therefore, the portability of the FTI Fibonacci method is easily transported to other markets and other timeframes.

Below are multiple examples of how Fibonacci Retracement Strategies and the FTI Fibonacci Tool can be used on various markets and various time frames from tick, minute charts on Futures to long term positions on Apple, Gold, Oil, EURUSD.

You can also view many different examples on our Youtube Channel in live markets on various instruments.

Below is an example of a 1500 tick day trading chart on the S&P E-mini Futures (the most popular day trading instrument in the US), where price is struggling to break through Key Fibonacci Resistance at Decision Point 1. This is the key target in a counter trend move as this is the end of the Minor Trend:

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The S&P continues to the next Fibonacci Target as the Trend becomes Major at Decision Point 2 which had been identified minutes in advance. This is typical in day trading and is a key target where price reverses:

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Here is an example of Key Fibonacci Resistance on EURUSD which is also a key target on the hourly day trading chart:

Shown below is Key Fibonacci Support at Decision Point 1 where EURUSD staged the Bullish Rally on the Long Term Monthly chart and was identified years in advance:

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EURUSD staged a Bullish Rally from Fibonacci Support, from the above chart at 1.05 and reaches Reversal Zone at 1.24 on the Weekly chart, which is an important addition to Day Trading Positions:

AAPL seen below, is respecting Fibonacci Resistance in the very same way as EURUSD on the Hourly and Monthly charts despite excellent earnings news:

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AAPL collapses to Fibonacci Support Decision Point 1 prior to its earnings announcement:

AAPL stages the Bullish Rally from Fibonacci Support:

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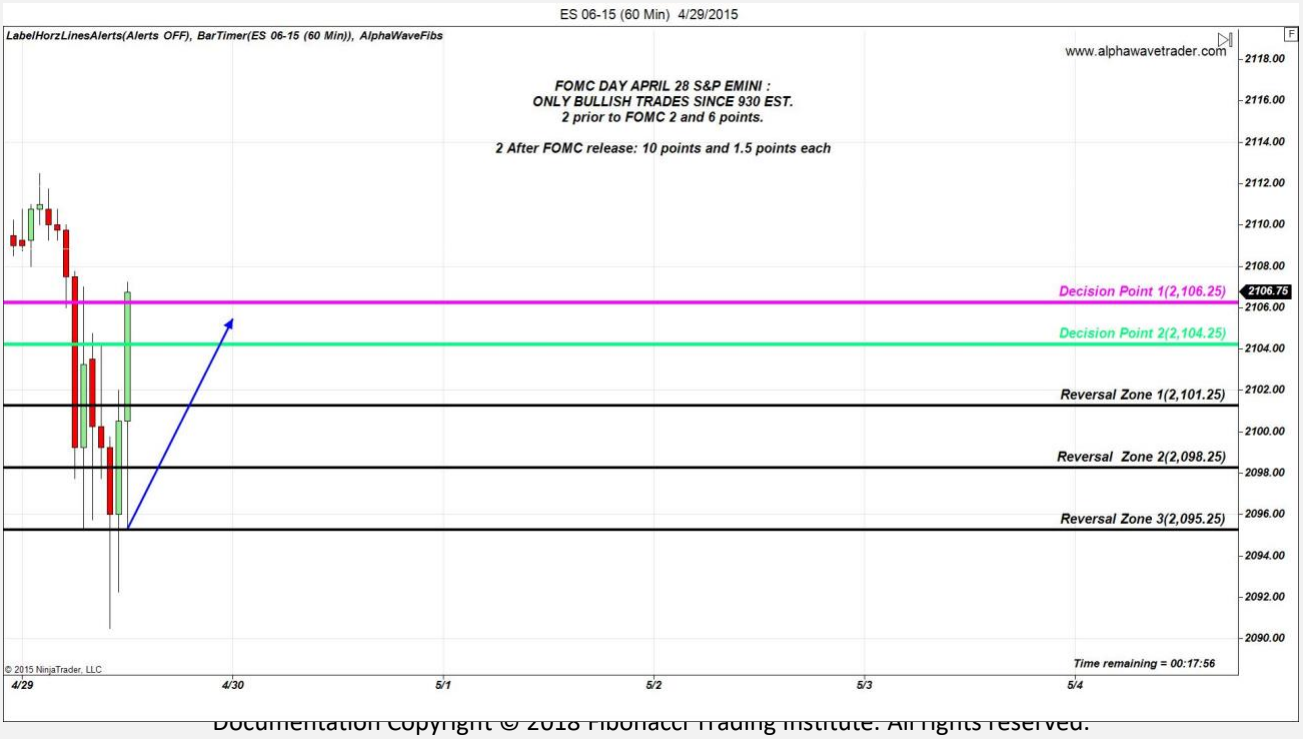
AAPL finally breaks through the end of the Minor Trend at Decision Point 1, which becomes a major trend with the subsequent Fibonacci Target:

Here is example of an S&P E-Mini Day Trading Chart, where the Bullish Rally started from the Fibonacci Reversal Zone. This chart can be used on any time frame from 1 min, tick and range charts to hourly:



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This is an example of how a Fibonacci Reversal Zone overrides bullish news on Oil. This chart is used for day trading entries. Oil news events are always covered in the Trading Room on Wednesdays.

Here is an identical example showing the Fibonacci Reversal Zone on the S&P 1 min. chart, where the Reversal Zone is the key target and where the trade ends and the market reverses completely:

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Gold collapses from the Fibonacci Reversal Zone on the weekly chart, a long-term investment chart. The exact same Strategy and Fibonacci Method which is applied to any market and any time frame as demonstrated previously on the S&P E-mini 1 min. and Oil hourly charts:

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5.2 Fibonacci Trading Institute Proprietary Method

The naturally predictive capabilities of Fibonacci within the markets is extremely important as it is one of the few techniques that can identify profit targets, pivots and where reversal areas exist within a market's price action and at what precise future price point. The FTI Fibonacci method uses Pure Price Action for market entry and Fibonacci for exit. This is the key that the method holds from a beginner trader right through to a hedge fund trader.

The repetitive patterns of price and the determination of their "key reversal" points leaves no room for trader discrimination. The method is not software based and uses no indicators and as such can be traded on any platform with basic charting facilities. The Fibonacci Trading Institute method offers:

- Unparalleled Accuracy
- Proprietary Techniques
- Technical Excellence
- Measurable Success

5.3 Contact Fibonacci Trading Institute

For More Information:

- Listen to what FTI graduates have to say about the course: Click Here
- Learn more about the Fibonacci Method: Click Here
- Join the Fibonacci Mastery Course: Click Here
- View Latest Trades from the E-Mini S&P Futures Trading Room: Click Here
- View the Webinar about the Fibonacci Method: Click Here
- Subscribe to the S&P E-mini Trading Room: Click Here

If you would like to see the accuracy of Fibonacci and the FTI Method in action, then please get in touch and be welcomed as a guest in the trading room.

Please Contact: Email: Info@FibInstitute.com
Phone: (925) 257-4298
Web: www.FibonacciTradingInstitute.com

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