

Simple and Consistent Fib Method

The information below is from the initial posts of the following thread started by Simoneg

<http://www.forexfactory.com/showthread.php?t=222988>

Hi All,

I would like to share my trading method with you all. It is very simple, consistent and profitable. I trade on a 15M chart and monitor trends on H1, H4 and Daily. Constructive feedback ONLY!

I use fibonacci and give credit to one aspect of this method to [Bobokus](#).

Please see attachment for details of the method. [Attachment can be found in first post of thread]

1.

I like to begin my trading day at 3:00am EST and find setups 20 to 30 minutes after that, closer to when the 4am candle is preparing to close.

2.

I use three sets of Fibs:

Fib A - For targets of the last swing

Fib B - For entries

Fib C - For identifying major Resistance/Support on the last major move. Usually when this move is completed the market will return to test these levels.

3.

Fibbing is always done from high to low.

4.

Using Fib A - Find the high and low of the day, created between 12am and the current time. The 134 & 155% levels show interim bull targets and the -34 & -55% show interim bear targets.

Using Fib B - If the market was trending up and created a SELL candle pattern, fib from this new high to the last low. If the market was trending downwards and created a BUY candle pattern, fib from the last high to this low. Here you are looking for breaches of the 50% fib level. A close above or below this level creates support or resistance for the trend to continue.

Using Fib C - This is a Fib of the high and low of the last major move to identify targeted areas of support and resistance (50%, 19.1%, 80.9%)

Charts will follow...

Fib A – Red Fib

The chart below shows interim target fib (Fib A) drawn on January 28th's high and low of the day as at 3:15am EST. Interim Bull Targets are shown at 1.6310 and 1.6333 and Bear Targets at 1.6134 and 1.6111.

100% - High of the Day

0% - Low of the Day



Fib B – Green Fib

This Fib confirms entry and the trend. We fib the high to the last low, which in this case happens to be the low of the day, and wait for a candle close below the 50% level. Once there is a CANDLE CLOSE below this level, a resistance level will be created here. Wait for a retrace to this level and enter on the retrace, placing stop above the 61.8 or 80.9 and target the -34% level then -55% *first*.

FIB A - Red Fib

FIB B - Green Fib



Fib C – Blue Fib

By fibbing the High to Low of the entire up move we find the Zones to watch for possible reversal before our targets are met. These are the 50%, 38.2 but most importantly the 19.1% and 0% levels.



Multiple entries

Because each low on the way up has created levels of support and vice versa, then on the way back down these will become levels of resistance. The objective is to find the next BREACH level and add to your position on the retrace. In the following example, there was a nice climb up with multiple lows, hence multiple entries on reversal. So we fib from the high to the last low for the first 50% breach, once we have entered. We adjust the fib to the previous low and repeat the rules for entry. (I have redrawn the FIB B for clarity) – Note this chart is for Feb 3 which is a different day to the previous charts)



Major Breach and Major Resistance

Whenever two lows are too far apart or a low is the low the entire Up move (reverse for BUY trades), you will have an aggressive retrace once the 50% level is breached, meaning there is a candle close below to create resistance at the 50% level. I have drawn a horizontal line at the 50% level of the entire swing in the example below:



Adjusting Targets

Once your target level is hit, adjust the low to the price at which the target was achieved and new low created (reverse for BUY trades). This will allow you to identify the new targets. Fib A should be constantly adjusted for new targets until a reversal takes place.



Your stops should be placed as follows:

SHORT TRADES

1st Entry - Above the 80.9% or 61.8%

2nd Entry - Above first entry price or above the previous fib level

Other Entries - Above the previous entry or the previous fib level

LONG TRADES

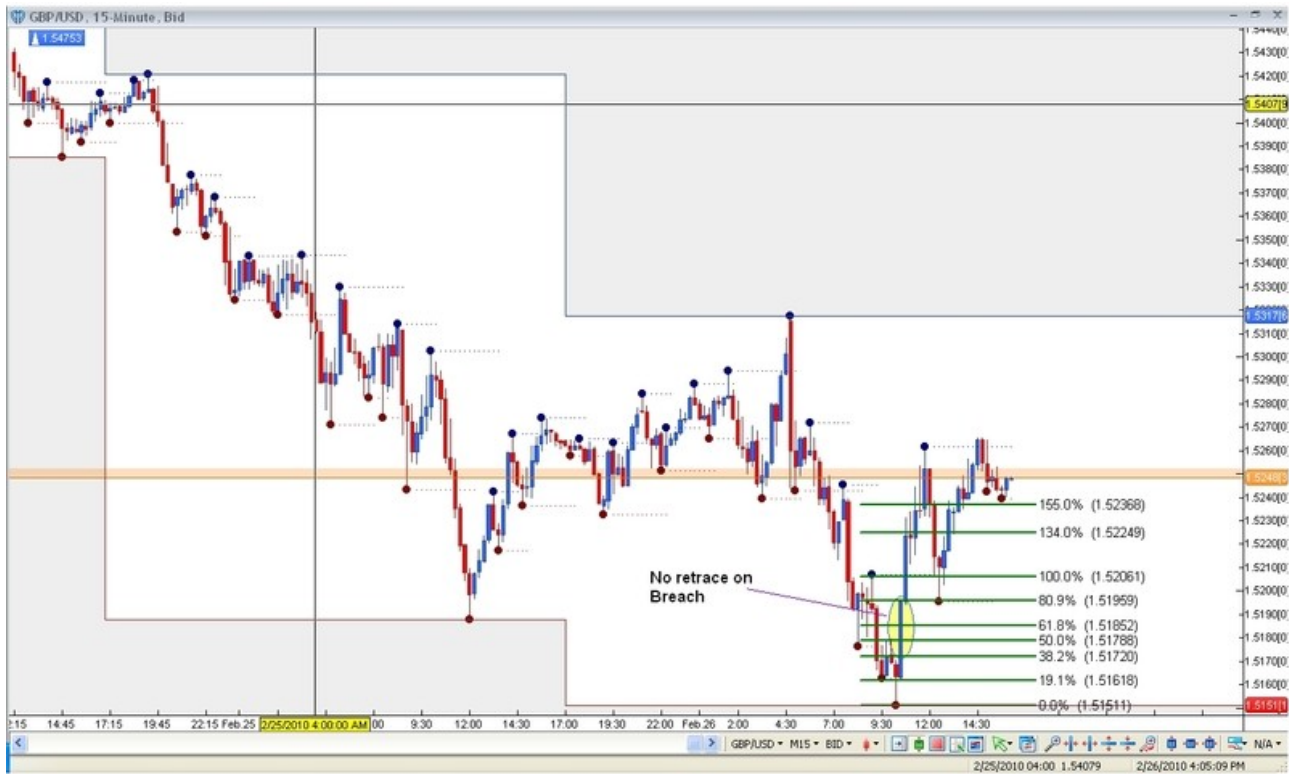
1st Entry - Below the 19.1% or 38.2%

2nd Entry - Above first entry price or above the previous fib level

Other Entries - Above the previous entry or the previous fib level

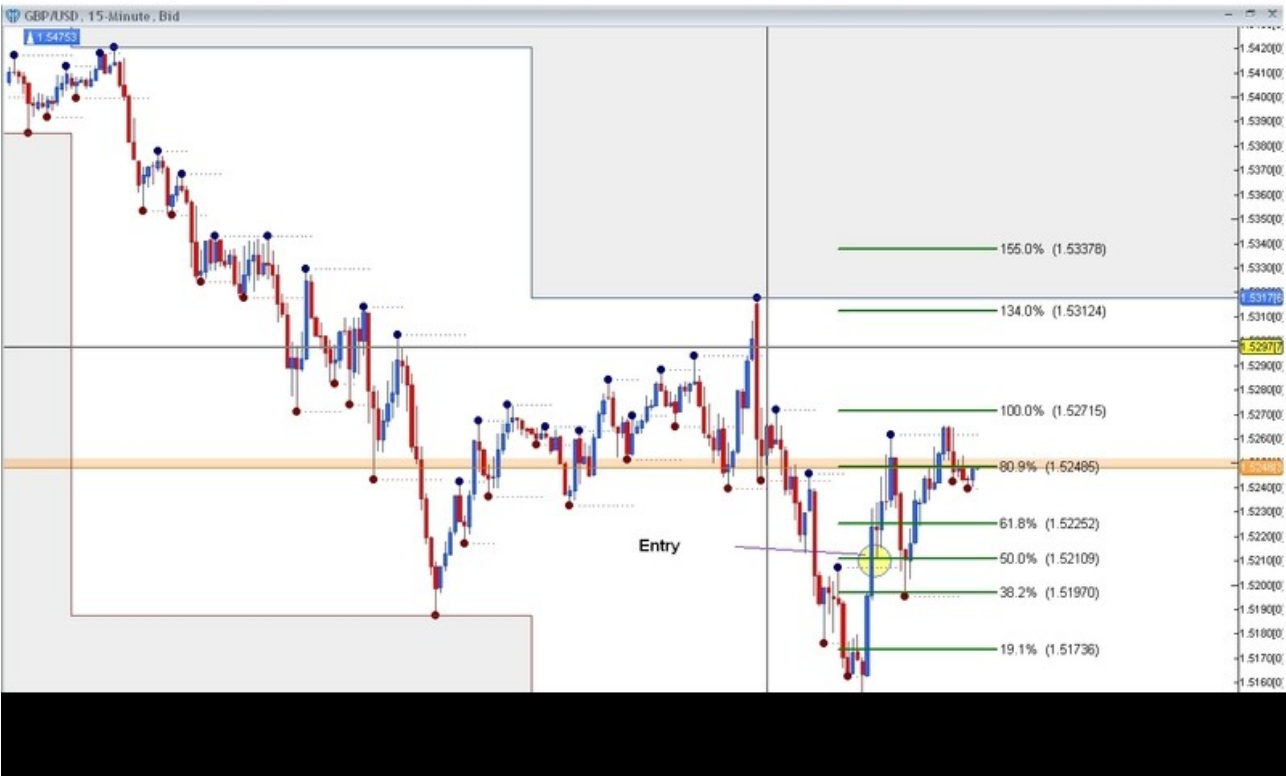
No trade on first breach

Sometimes there will be a solid break above the 50% with no immediate retrace. Do not force an Entry. Adjust FIB B to the next level and wait for a Breach and retrace there. See how Friday's Trade setup below:



Entry at 3rd high

Entry at 3rd high - after adjusting fib to that high.



Step By Step Example

Step 1

On Friday, February 26th 2010 at 3:15am EST, we observe a high and low of the day fib from the high to the low to view possible BULL and BEAR targets. This will be Fib A.

Circles show high and low.



Step 2

We Fib the last high to the low created at 3:15am. This will be Fib B (Green Fib) to identify any 50% breach.

Circles highlight the last high and last low.



Step 3

We identify a breach of the 50% level at 3:45am EST. So we await a retrace to the 50% for entry. Entry given on the 4:00am EST candle, with BULL targets at 1.5311 and 1.5322.



Step 4

Since we are buying, we fib the last major drop to identify possible areas of resistance on the way to our target. This will be Fib C (Blue fib).

We see resistance at the 50% of the major swing at 1.5302, which is close to our bull targets, so we watch carefully for exit here, and possible reversal of our position.



Step 5

Bull Target #1 is hit and the market goes 5 pips to Bull Target #2 before massive reversal. You will see from here that we can apply the same principles to the enter the sell setup that follows.



Important Note about Fib A

Whenever there is a trend reversal after a target is achieved on Fib A, adjust the high of Fib A to the new high of the day or the Low of Fib A to the new low of the day.
The targets on the opposite end will be your first stop (90+% of the time).
See chart below for the reverse trade from the previous example.

