Twitter Thread by The Chartians



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■FIBONACCI retracement and GOLDEN RATIO - PART 2

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We have described how interesting Fibonacci numbers and ratios are and how it's been formed in PART 1 of this series. In PART 2, Lets see how we take trade based on fibo.

■How to draw Fibonacci levels?
Drawing Fibonacci retracemnts are fairly simple. The main point we look into is, If the direction of retracment is up or down side.
■ If the trend is up, choose lower point and a higher point. Connect lower point with higher point using Fibo tool.

■ If the trend is down, choose higher point and a lower point. Connect higher point with lower point using Fibo retracement tool.

■How to choose lower and higher points to connect?
■Take lower point as point from where the trend has started, which means one should not take points where consolidation was going on.

■Similarly, for higher point, choose the point from where the retracement of trend has started.
The choice of points is debatable. There is no fixed method. But above mentioned technique works and has a fair probability of success.

■Which fibo ratio has a higher probability of success?
■0.618
■0.5
In an up trending stock, If stock starts consolidating and reversing from 0.618 of retracement, we term it as bullish sign and trend is going to be continued towards new high.

If the stock is hovering between 0.618 and 0.5, it can also be termed as bullish sign, but we can wait for small dip towards 0.618 levels and enter OR we can enter in parts of quantity. We always have to keep some buffer point below 0.618 as

STOP LOSS

■Once you find out such stock and enter, ride the trend towards new highs. All other ratios can be ignored or can be monitored to see if the stock is taking resistance at those levels.

■If you find any swing supports/resistance at 0.5,0.618 levels, its an added advantage to the conviction and pick can do wonders and give higher probability of winning
■Time frame can be daily and weekly charts

■Here is one example where we have taken the trade and rid the trend.

■We have several techniques to take a trade in the technical world. But practice one or two methods repeatedly and master it. Don't be a victim of analysis paralysis by applying every method.

■One ongoing stock based on fibo is below. Lets see how it performs in coming days..

■The method is not foolproof. But has higher chances of winning. After all, market is supreme.

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