

Twitter Thread by Nikita Poojary



Nikita Poojary

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90 million active demat accounts in India.

Less than 1% understand Fibonacci retracement.

This mega thread will help you understand better—starting today:

Collaborated with @AdityaTodmal

1/What is Fibonnaci (Fibo) retracement?:

- Fibo retracement levels help us to identify potential reversal area or identifying potential entry point after a pullback.
- It represents various levels of significance within a swing high and low.

2/How to plot the Fibo?

- Spot the recent swing high & swing low (usually a peak & a low) on a chart.
- Plot the Fibo on these points.
- You'll get 5 key levels of support & resistance (S/R) in between the peak & low.
- Key Fibonacci ratios: 23.6%, 38.2%, 50%, 61.8%, & 100%.

3/ Importance of retracement levels:

- The retracement level forecast can determine the level at which retracement is likely to occur.
- These retracement levels offer traders a favourable entry to open new trades in the direction of the trend.

4/ When to apply Fibo:

- Fibonacci analysis can be applied when there is a noticeable up-move or down-move in prices.

- Applying it in range bound markets would turn out to be a futile exercise.

5/ Best TF to use for Fibo:

- Though it can be used on any time frame, for better results apply it on a higher TF, anything beyond 30mins.

- Higher the TF you choose, higher would be the holding period for the trade.

- Best TF to choose: Know your type & trading style.

6/How I use Fibo Retracements?:

- I look at larger TF's only for positional trading/ investing.

- While choosing a stock to get an entry, then I will focus only on strong fundamental companies.

- Can be used to make investment decisions in sectoral MFs or Index BeES.

7/ Examples for buying: Stock

- Lets say, you always wanted to purchase few qty of #DMART, but were unable to do so due to a rapid run-up in the stock.

- So wait for the stock to retrace for a favourable entry.

- P.S.: Like any indicator, use this as a confirmation tool.

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AVENUE SUPERMARTS, 1W, NSE O4237.40 H4387.00 L4219.85 C4336.70 +104.45 (+2.47%)
Vol (20) 1.133M 2.163M



8/ Examples for buying: Index

- First use the Fibo tool and plot it on the swing low and pull it up till the swing high, thereafter the FIBO ratios will get plotted automatically.



9/ Example to find resistance/ enter fresh sell trades in Index:

- Use the Fibo tool and plot it on the swing high and pull it up till the swing low, thereafter the FIBO ratios will get plotted automatically.



10/ Relevance of the key ratios:

- 23.6% retracement is rather shallow & is appropriate for flag breakouts or brief pullbacks.
- 61.8% retracement level, aka the golden ratio is relatively deeper, but crucial.
- Retracements between 38.2% to 50%, is regarded as moderate.

11/How pro traders use Fibo to initiate investing:

- Few months ago, one of the super trader [@bhatiamanu](#) Sir, had tweeted that he would look to start investing near 13k levels on Nifty.
- This number was arrived from Fibo retracement (refer chart 2)



Manu Bhatia @bhatiamanu · Mar 8

...

50% Retracement of the 2020-2021 Upmove comes out to Approx 13k on NIFTY

This is the point from where I would look to gradually start investing for LT

If the Markets turn before touching 13k, So be it 🙏🙏

💬 34

↺ 19

❤️ 473



12/ How to identify weak sectors?

- Unlike Nifty, which didn't even retrace by 38.2%, there are sectors which have retraced > 38.2%
- In other words the correction was relatively deeper than Nifty.
- Those sectors are essentially underperformers:
 - i) NIFTYIT
 - ii) NIFTYPHARMA



13/Conclusion:

- A trader can consider taking entry basis Fibonacci retracement only when other conditions are also fulfilled:
 - i) Formation of a reversal pattern
 - ii) The pattern formation & the retracement level should form near the long term S/R.
 - iii) Always have a Stop loss.

14/Few key points to remember:

- This is just the tip of the iceberg when it comes to Fibo retracement.
- I encourage you to do some back testing of your own on different TF's and check the results before taking entries.

- Also remember nothing works in isolation.

If you enjoyed this thread, here's another one which might be helpful:

<https://t.co/81q0VY7PF6>

99% of the newbie traders fail terribly in stock market.

Over the last 310 days I explored how one can systematically work on becoming a successful trader.

Here are the 10 proven ways that will make make you profitable in your trading journey\U0001f9f5:

— Nikita Poojary (@niki_poojary) June 4, 2022

Hope you discovered something new (because that's the point!)

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&

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