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A Fibonacci Trading System

Use This System And The Concepts Presented At Your Own Risk

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Fibonacci Break-out Trading System

Disclaimer: You can lose all or some of your money trading. If you lose money its your fault! Trading is very risky and you should only trade with money you can afford to lose.

This is not a recommendation to buy or sell any stock. This material is for educational purposes only. Please do not construe this material as advice of any type.

What do the arrangement of the planets in our solar system, the way seeds are arranged on a sun-flower, and the dimensions of rectangle all have in common?

The GOLDEN RATIO 1.618

Leonardo Pisano was a 13th century mathematician and is famous for a sequence of numbers, Fibonacci numbers. Fibonacci numbers are 0,1,1,2,3,5,8,13,21,34... The next number in the sequence is 55. The sum of the two prior numbers makes the next number. After 55 would come 89.

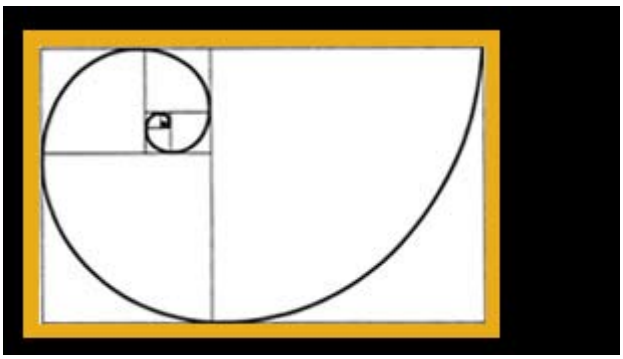
As you go farther to the right in the Fibonacci sequence, the relationship of a Fibonacci number to the preceding Fibonacci number approaches the Golden Ratio, a ratio of approximately 1:1.618

The relationship between the numbers is .618, or 1.618.

It is not really the numbers that are of importance in trading the financial markets, but the relationship between the numbers.

It seems that when it comes to stunning beauty or randomness this number is an integral part of it.

The Fibonacci Spiral is inherent in the Fibonacci numbers and the Golden Ratio. It has been cited as a generative form in nature, describing the patterns and growth sequences of natural objects ranging from the shell of the nautilus on a micro-level, to galaxies on a macro-level.



For trading, the Fibonacci sequence of numbers is a tool of precision for the trader that understands how to properly apply the techniques.

This book is not intended to provide you with much in the way of "proof" about how incredible Fibonacci tools can be used successfully. If you doubt the validity of Fibonacci sequence as it relates to the financial markets do some research on google or yahoo and you will find ample material on the subject.

Once you have concluded that "yes" this is for me then come back to this book and we can start immediately.

I'm not one to fill up a book with junk making it difficult for the skimmer to recognize the gold that lies within the pages. You will find that everything I write is to the point and without fluff.

As you will find, I'm not trying to impress my editor or publisher as I 'am both.

Lets get started.

Fibonacci Reversal Break-out System

This system has some relatively straight forward rules to follow. I will apply this system to a 10 min. chart and show you the buy and sell signals and triggers.

If you would like to apply the set-up to a different time frame feel free to do so. A glance at the past and a study of a reasonable time frame will tell you immediately how well the system will perform in that time frame.

All that is required for the system to perform well is good volume and liquidity. I tend to lean toward emini's or the QQQQ, SPY, XLE, XLF and OEX to name a few. These are highly liquid huge volume etf's / funds. The more volume the more reliable technical patterns we can expect.

You will love this system because it provides plenty of trades and its very simple to follow.

Rules

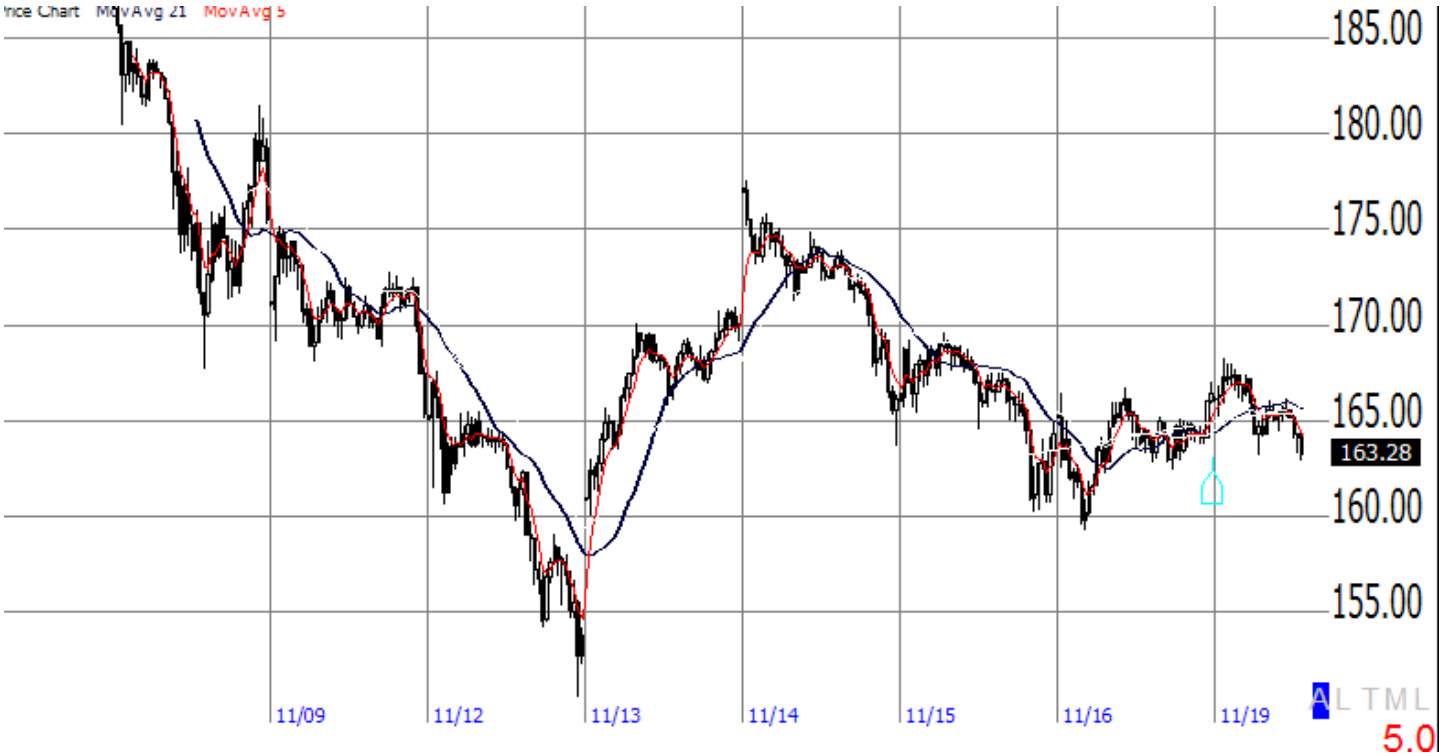
- 10 min. chart
- Break-out entry
- Fibs. extension exit

1.) On a 10 min. chart we look for any break-out in either direction. For a sideways trending stock we will look for a breakout in either direction. For a falling stock we will look for a breakout to the upside, and for a rising stock we will look for a breakout to the downside.

2.) For a falling stock we will use resistance lines / lines drawn on the highs.

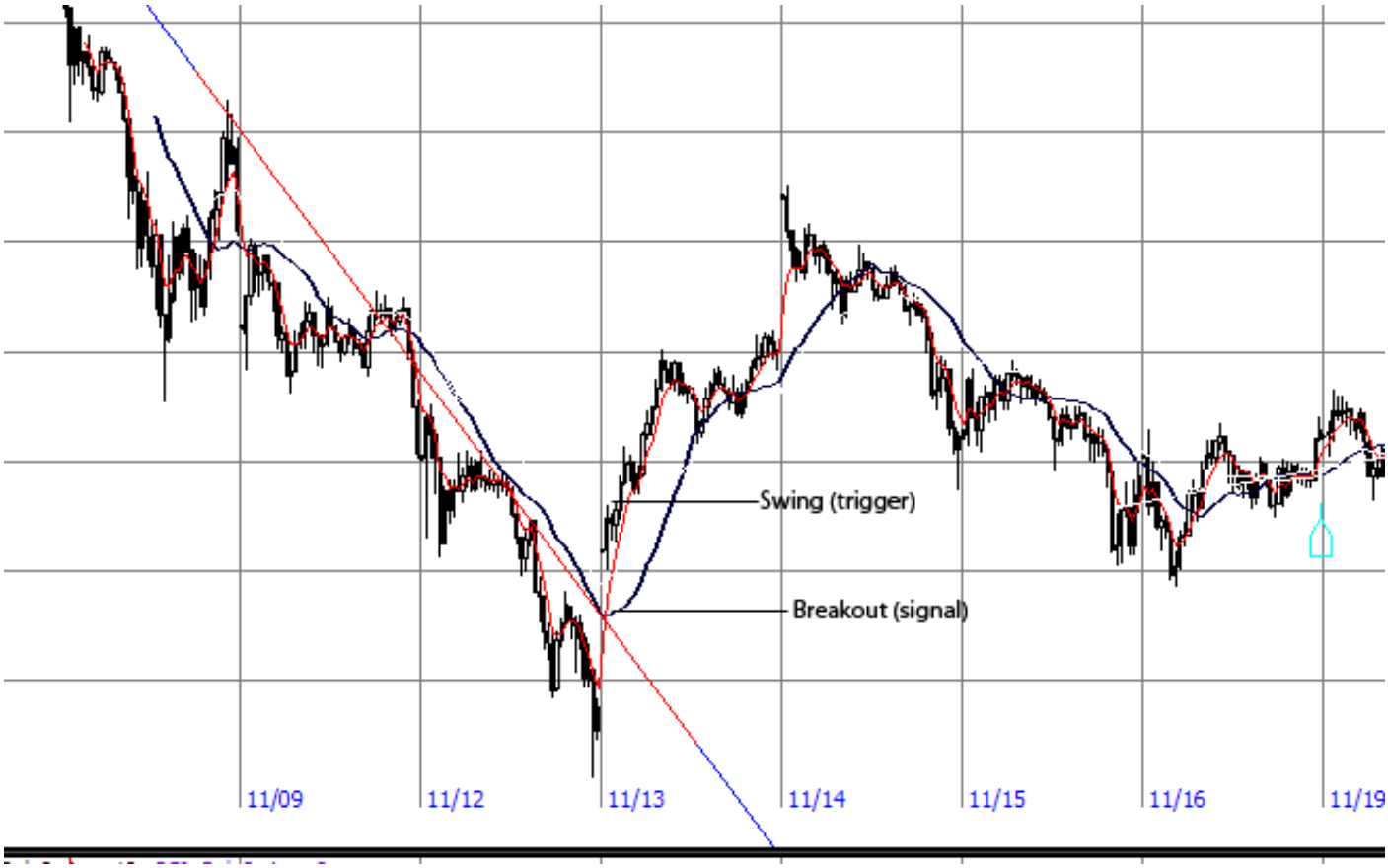
3.) For a falling we will look to support and draw lines on the lows.

4.) On the 10 min chart we would look for our patterns to be over at least a 2 day period.



Heres a recent shot of the last several days of AAPL. Lets begin here and identify our signals triggers and exits.

In total notice we are looking at about 5 days.

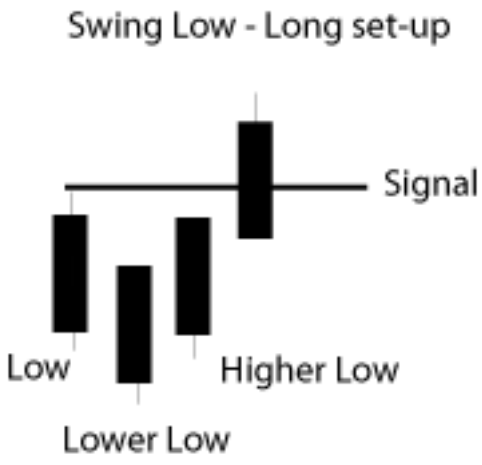


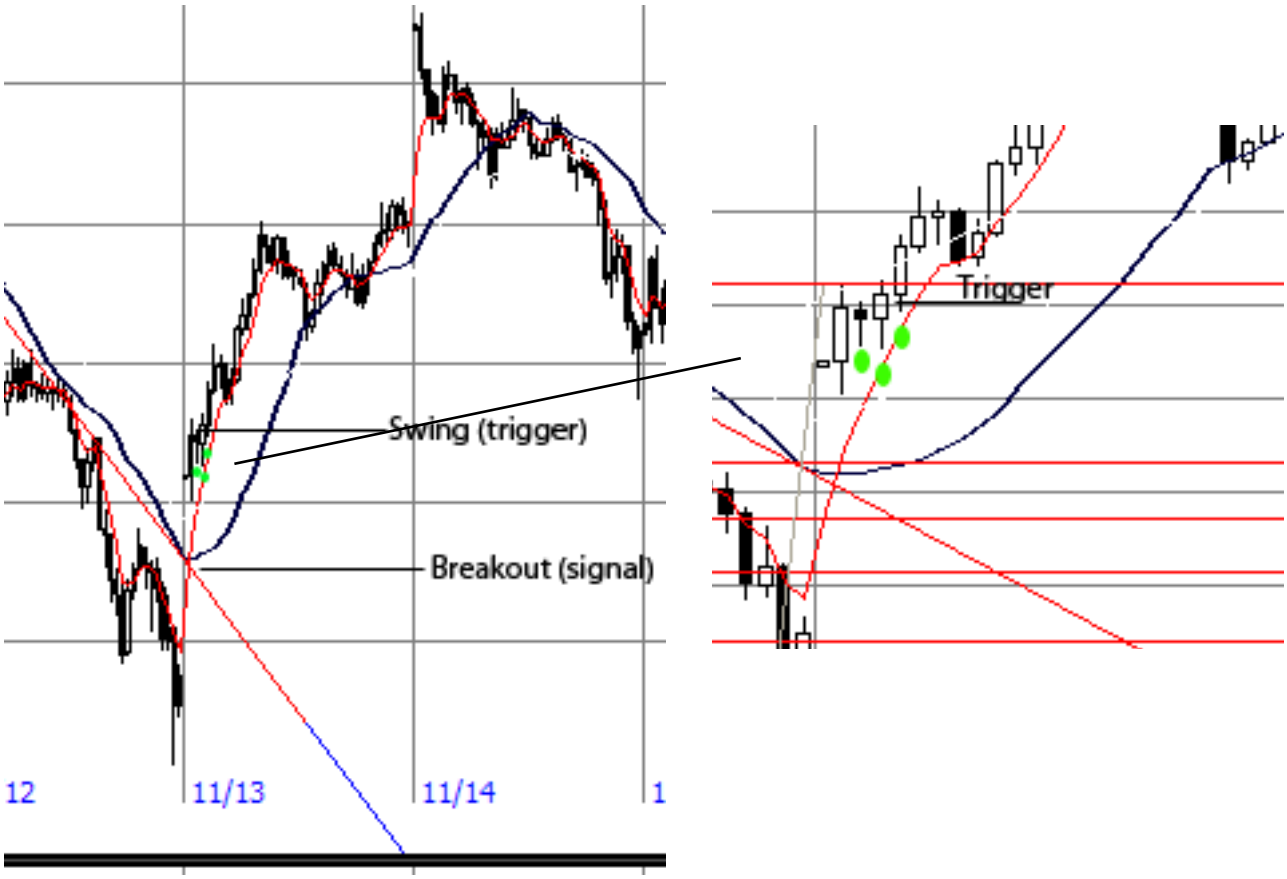
The first thing to do is identify the tops. I prefer to use the tops where you get the most contact on the resistance line. Others use the highest highs. Experiment with what works best for you. I also give more weight to the most recent highs as you can see.

No matter how you choose to draw your highs your looking for a breakout from those highs. This is our signal. The swing low following the signal is our trigger for entry.

A swing low is - A low, A lower low and A Higher Low. Like this:

This is a perfect swing low. Most of them won't look exactly like this but the rules can still be found. It's very simple. A low, a lower low, and a higher low.





The signal is the break-out. The trigger is the first successful swing low when price exceeds the high of the first candlestick in the swing low pattern.

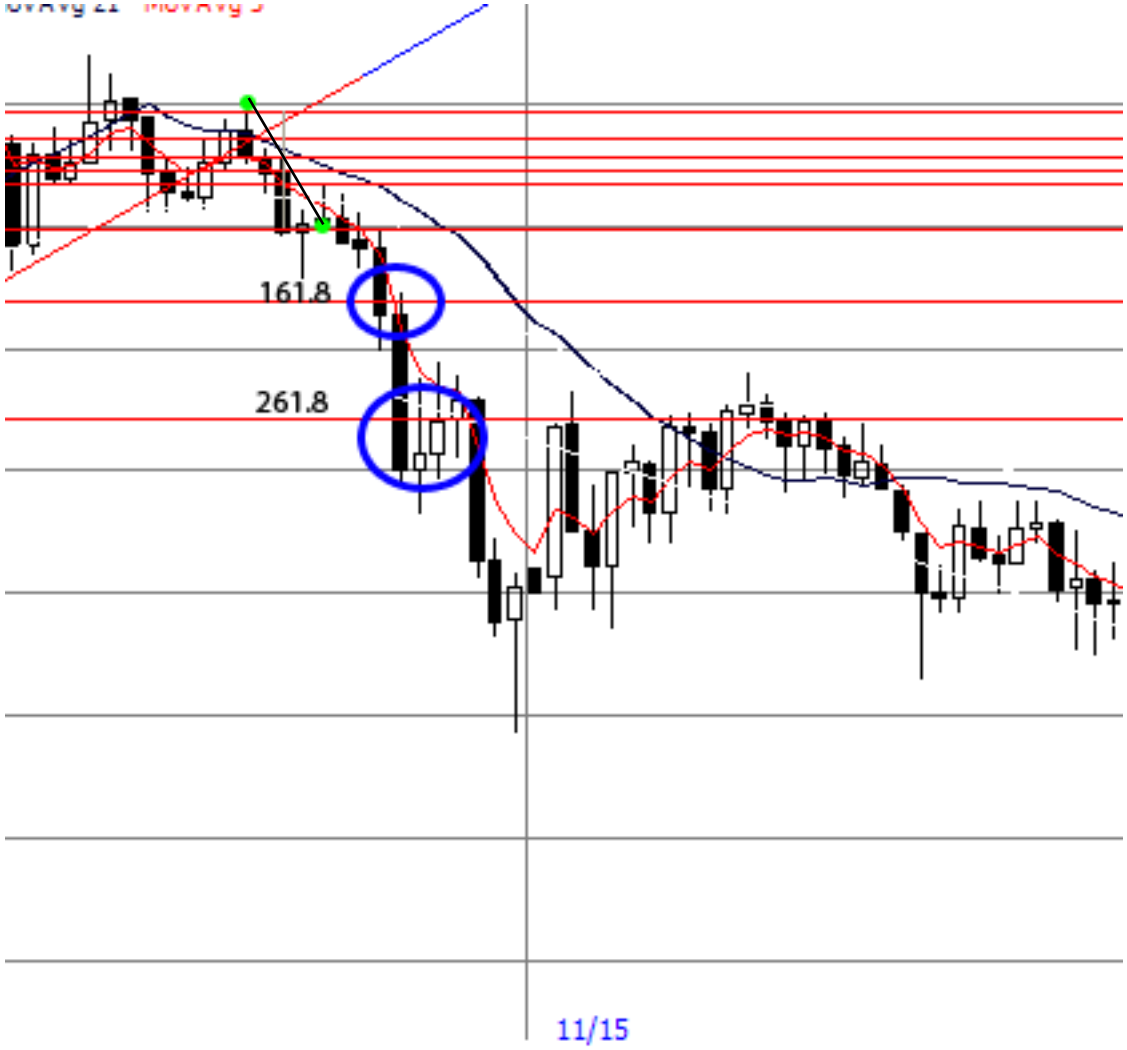
Use your 1.618 extension as an exit range. In this case it's text book perfect. We use last swing low before the break-out and the high of the first candlestick in the trigger swing low.

Look at how perfect we determined our exit.

Its the exact opposite for short positions.

Here's the next trade same chart. We have price now up trending, we were in about half of this move. As indicated here price breaks thru support initiating our signal.

Now we look for our swing high trigger for entry.



So we start at the low of the middle candlestick in the trigger pattern. We drag the Fibonacci tool to the high of the swing high before the break-out to lay out or Fibonacci extensions.

This places the important Fibs extensions, the 161.8 and the 261.8. Notice how price blew thru 161.8. This gives us a hint to wait until we reach the 261.8 fibs extension.

We wait for the 261.8 and it blows thru again. At this point we exit as soon as the candlestick closes beyond the 261.8.

Make this system your own by adding an indicator rule. Here's one I use that works very well.

I sometime use a 31 day moving average and will only enter a trade if the trigger swing occurs on the side of the moving average in the direction of the trade.

On some stocks I have used a combination of two moving averages with the system

Experiment with indicators and moving averages.

You have the makings of a fine system here if you play with it. I have made over $100,000.00 with the main components of this system.

You will be able to do the same if you just put some time into it.

Sincerely,

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