

Guidelines for making money using Fibonacciqueen's video updates: Trade Setups based on Fibonacci Time and Price Analysis

As far as the **price analysis** that I run every day in the markets, there are three different types of Fibonacci price relationships I use in my analysis. They are price retracements, extensions and projections. First I run **price retracements** of prior swings for possible support or resistance using the ratios of 0.382, 0.50, 0.618, and 0.786. I will also run **price extensions** of prior high to low or low to high swings using the ratios of 1.272 and 1.618 for possible support or resistance. The third type of price relationship I look at is what I call a price projection which is calculated using three points on a chart. This is where I am actually comparing swings in the same direction. For projections I would measure a prior low to high swing and project from another low, or measure a high to low swing and project from another high. For the price projections I mostly use 100% and sometimes 1.618. (Many technical analysis packages actually call the tool using three points an extension tool rather than a projection tool. Bottom line it does not matter what you call it, but that you use the tool will allow you to choose three points to calculate this third type of price relationship.)

By running all possible price relationships on any particular chart, I work to identify one of the three trade setups that I look for every day. They are Fibonacci price clusters, Symmetry setups and two-step pattern setups. The first two are more common than the third.

Fibonacci Price Cluster: The coincidence of at least three Fibonacci price relationships that come together within a relatively tight range. These clusters identify a key support or resistance decision.

Symmetry setup: The definition of symmetry is similarity or equality of swings in the same direction. We find symmetry setups by running a 100% price projection or "measured move" of a prior swing and then projecting the results from a new high or low (depending on what direction you are coming from) The only symmetry setup I like to focus on is when swings are similar or equal within the context of the trend. For example, if we are in a clear uptrend, I will measure the prior corrective declines within an uptrend and project 100% of those from any new high to help you enter the market in the direction of the trend. A single symmetry projected IS considered a setup, though other price relationships may overlap these projections which only strengthens the setup.

Two step pattern setup: A two step pattern setup is also a Fibonacci price cluster as it will include the coincidence of at least three Fibonacci price relationships, but it will be within the context of a zig-zag pattern. For more information of this trade setup, please refer to the members webinar on this subject. I have also written a full chapter in my book on this pattern. (Fibonacci Trading – How to master the time and price advantage) McGraw Hill

The formula for success using Fibonacci Price Analysis is:

Trade Setup + Trigger = Trade entry

A trade entry is followed up with Trade Management, which includes defining your initial stop placement and deciding how you will trail a stop along with defining exit targets.

Trade Setup - Trigger = NO TRADE

**TRADE SETUPS are identified every day on the end of day
VIDEO UPDATES*****

When one of these key price setup levels or zones are tested and it holds, the next step is to look for a TRIGGER entry. **A trigger is essentially a confirmation of a reversal against the trade**

zone. This tells you that it is worth placing a bet against it. When this occurs, we enter a trade and define our maximum risk on a buy cluster just below the low end or it OR below the low made prior to the reversal trigger. For a sell cluster the maximum risk is just beyond the high end of the resistance cluster or above the high made after the sale is triggered. ***We use triggers because they will filter out many of the price cluster zones that are not likely to hold. Keep in mind that many of these zones are violated every day. When one is tested and holds however, the rewards can be significant.***

TRIGGERS:

Day trade triggers: If you are a day trader, I would suggest using anywhere from a 2 – 5 minute chart or even a tick chart for trades that you only plan on being involved in during the trading day. Some common tick charts are 89, 144 and 233 tick.

Swing trade triggers: If you are looking at the slightly bigger picture in the market and plan on keeping a position overnight, I suggest using at 15 - 60 minute chart to trigger an entry against any daily chart trade setup.

A simple trigger that I like to use is taking out a prior swing high for a buy trigger, or taking out a prior swing low for a sell trigger. Sometimes this simple trigger by itself will end up being a great entry, however with experience I have found that it is wise to use at least one other technical filter along with this simple pattern shift.

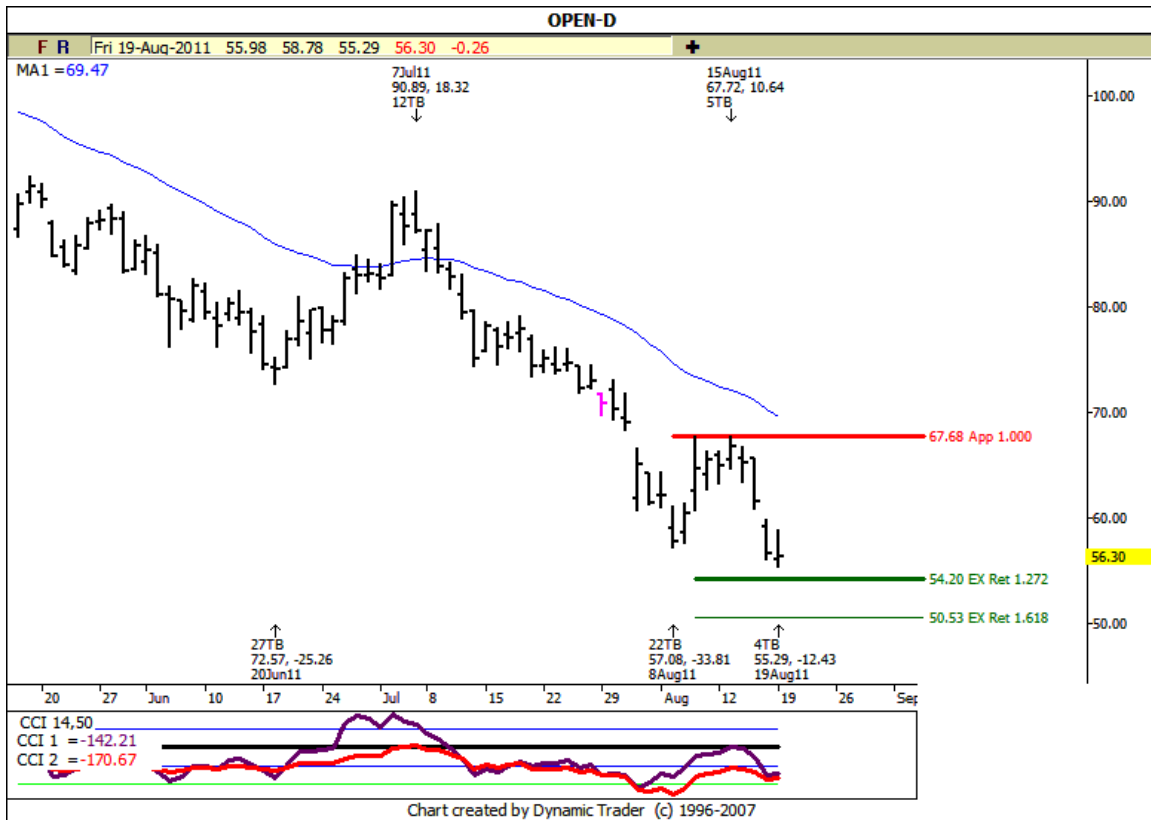
I am currently using a moving average crossover as a filter for taking an entry using a swing high or low violation. I also like to look at some sort of momentum indicator. At a minimum however, look for the moving average crossover ALONG with the violation of a prior swing high or low before considering a market entry.

The moving averages I am using are the 8, 21 and 34 EMA's. When the 8 bar moving average crosses both the 21 and 34, then the conditions are ripe for a reversal. If you do NOT see this confirmation along with the swing trigger then stand aside. Another confirmation would come with using the 14 and 50 bar CCI readings. For a buy I want to see them BOTH above the zero line, for a sale I want to see them BOTH below the zero line.

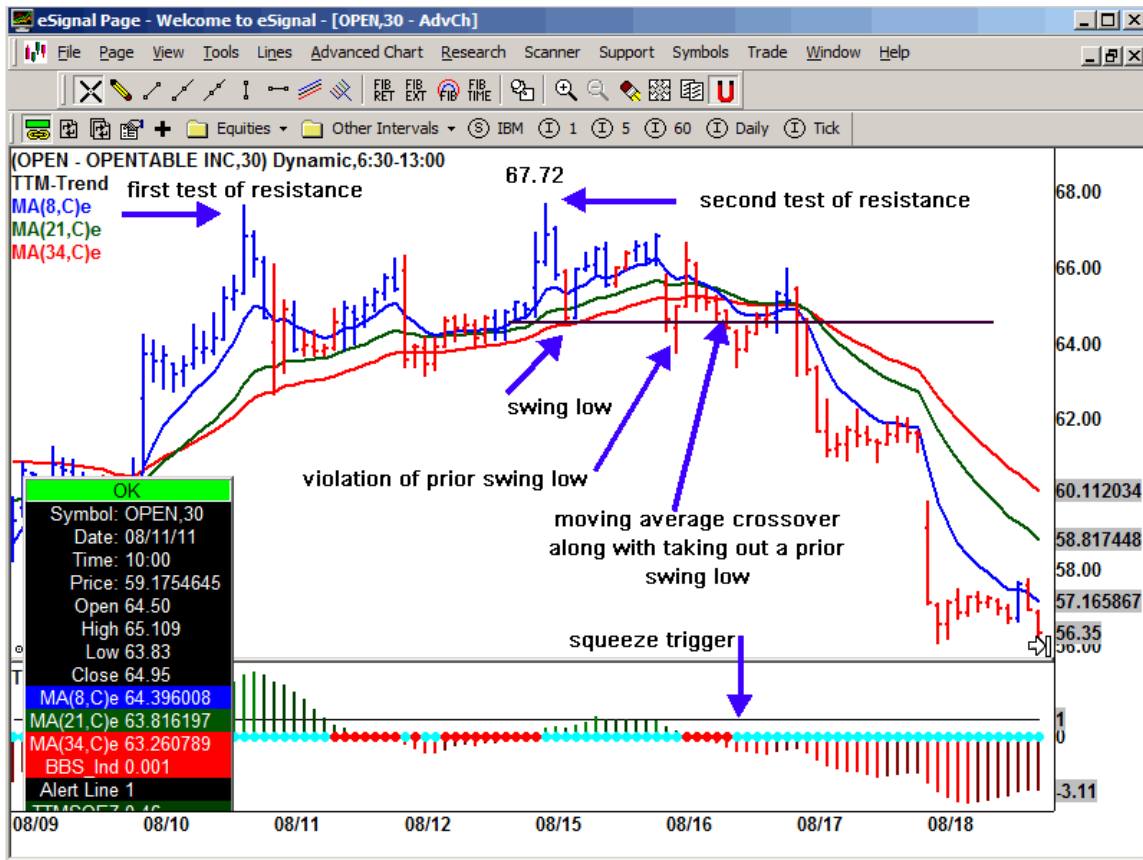
Another momentum indicator I look at is the histogram of the TTM squeeze indicator. For a buy I want to see it above the zero line. For a sale I want to see it below the zero line. Another confirming indicator I like to use are the TTM trend bars, which are essentially Heiken-Ashi bars. For a buy I want the TTM bars to turn blue to confirm a buy. For a sale I want the TTM trend bars to turn red for a sale. The following examples will show you what I look for, before I enter an options strategy which is currently the vehicle of my choice.

Now let's go through some Trade and Trigger examples so you will know what to look for when we are testing a setup zone that is in the end of day video.

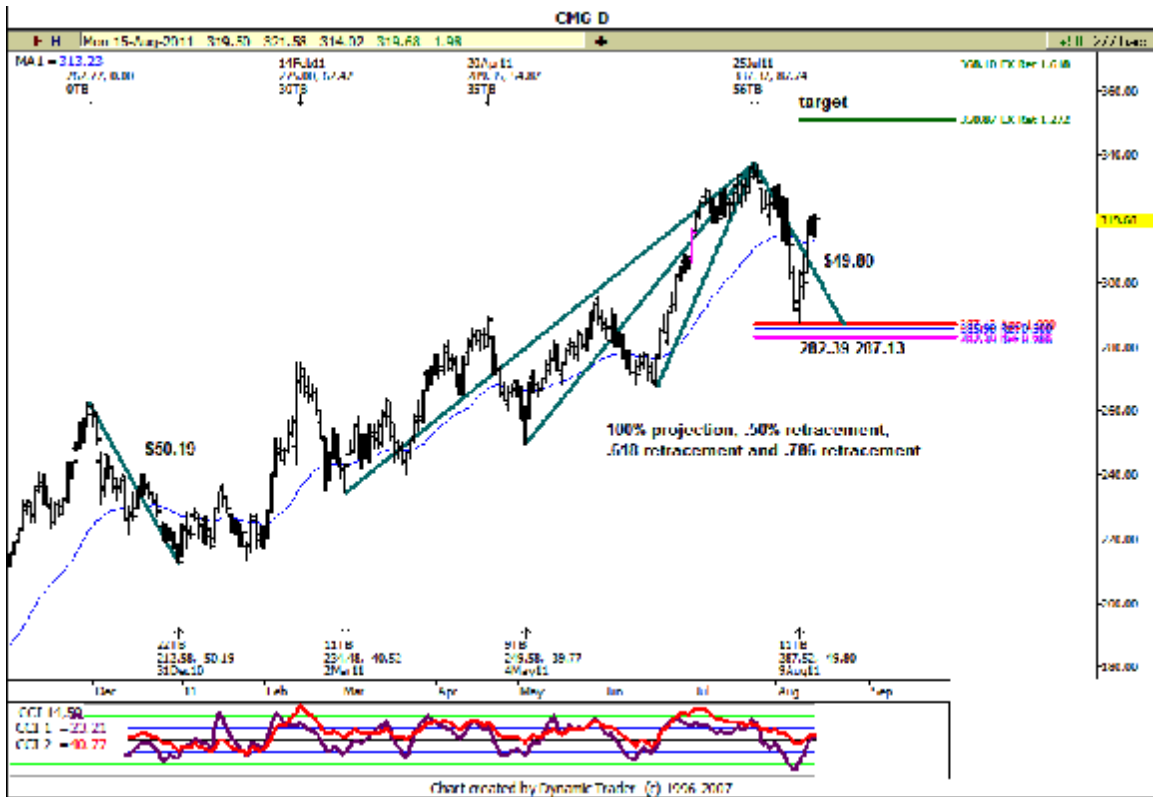
SETUP: Open symmetry sell setup Daily price resistance at **67.68** The zone essentially held with the high being made at 67.72, so I looked at a 30-minute chart for a trigger to enter a bearish options strategy.



On the 30-minute trigger chart below, you can see two-tests of the daily resistance in OPEN. The first test, we did see a prior swing low violated, though we did NOT see a confirmation of this signal with a moving average crossover. On the second test of this daily resistance, we made a slightly new high at 67.72. This was only a few ticks beyond the resistance decision. After this test we saw a prior swing low taken out but this was also followed by the moving average crossover. Once these 2 parameters were in agreement, OPEN triggered a short and we saw just over a \$12.00 decline.



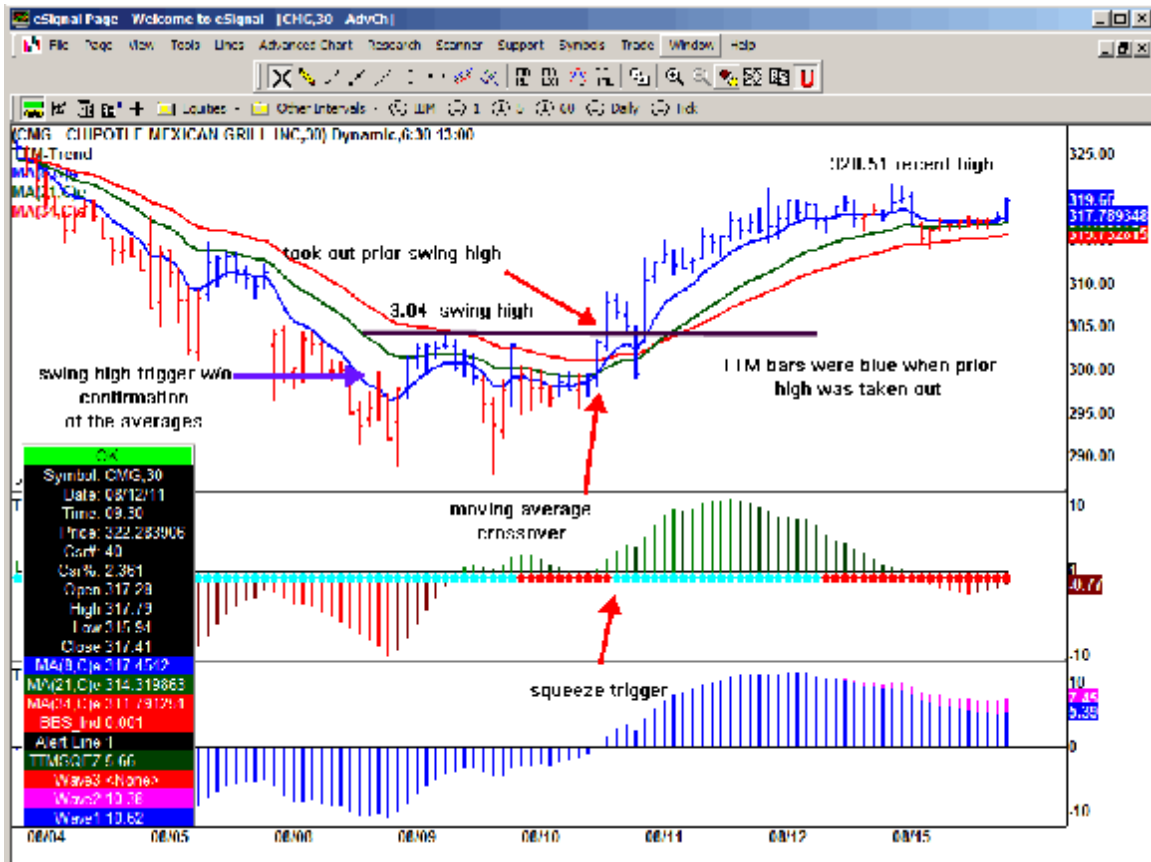
CMG setup: Key daily price support came with a cluster at the 282.39-287.13 area. The top end of the zone held so I went down to a 30-minute chart to look for a trigger to initiate a bullish options strategy. It was not a PERFECT hit of support, but it was close enough to look for an entry trigger. I was looking at a 320-330 call spread.



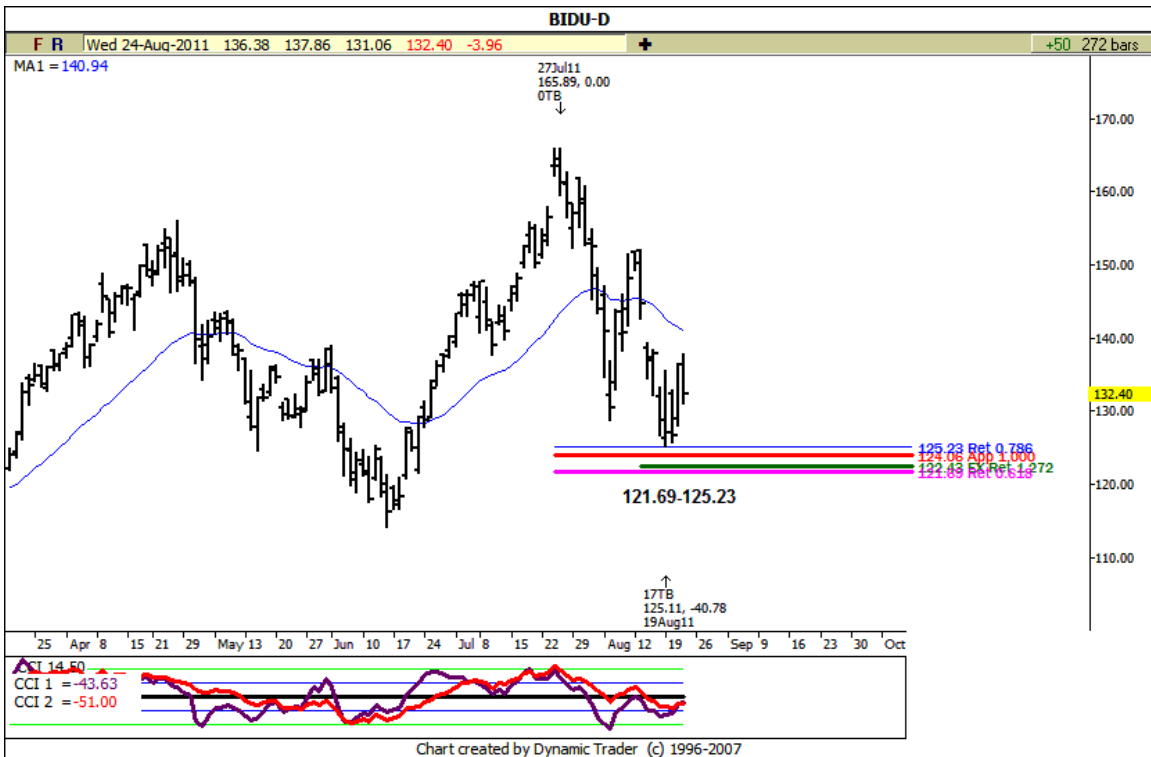
The buy trigger in CMG on the 30-minute was seen when the \$3.04 swing high was taken out. The 8 bar moving average had already crossed the 21 and 34 by this time. This was the trigger to enter the bullish options strategy. The initial stop would have been placed below the 287.52 swing low. If you wanted to give it more room you could have placed it below the low end of the price cluster zone.

Notice on the left side of this chart I also indicated a swing high trigger that could have been used as an entry trigger. This trigger was NOT accompanied by a moving average crossover and it ended up failing. We made a slight new low after this initial shift in pattern.

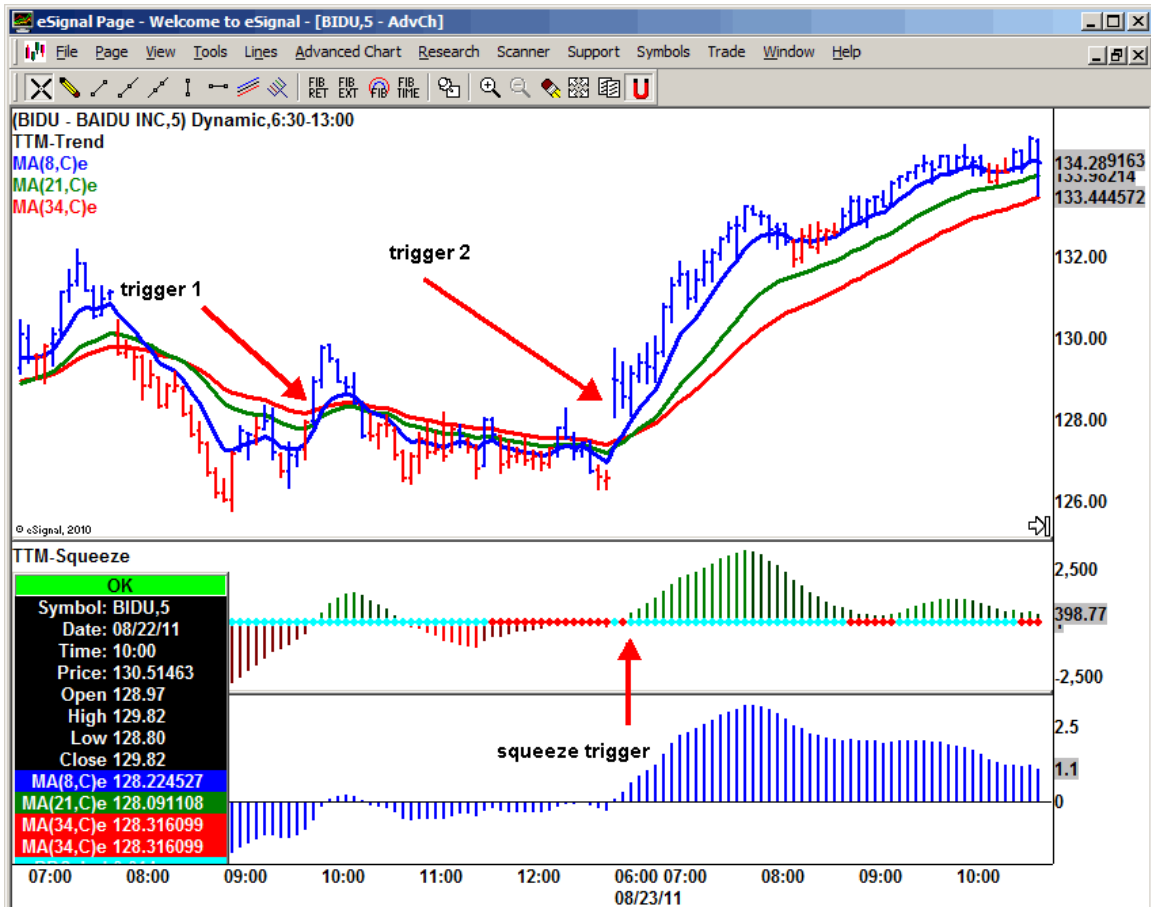
Further confirmation that this \$3.04 swing high trigger was that the TTM bars had turned blue AND the squeeze histogram crossed ABOVE the zero line. There was ALSO a TTM squeeze trigger entry.



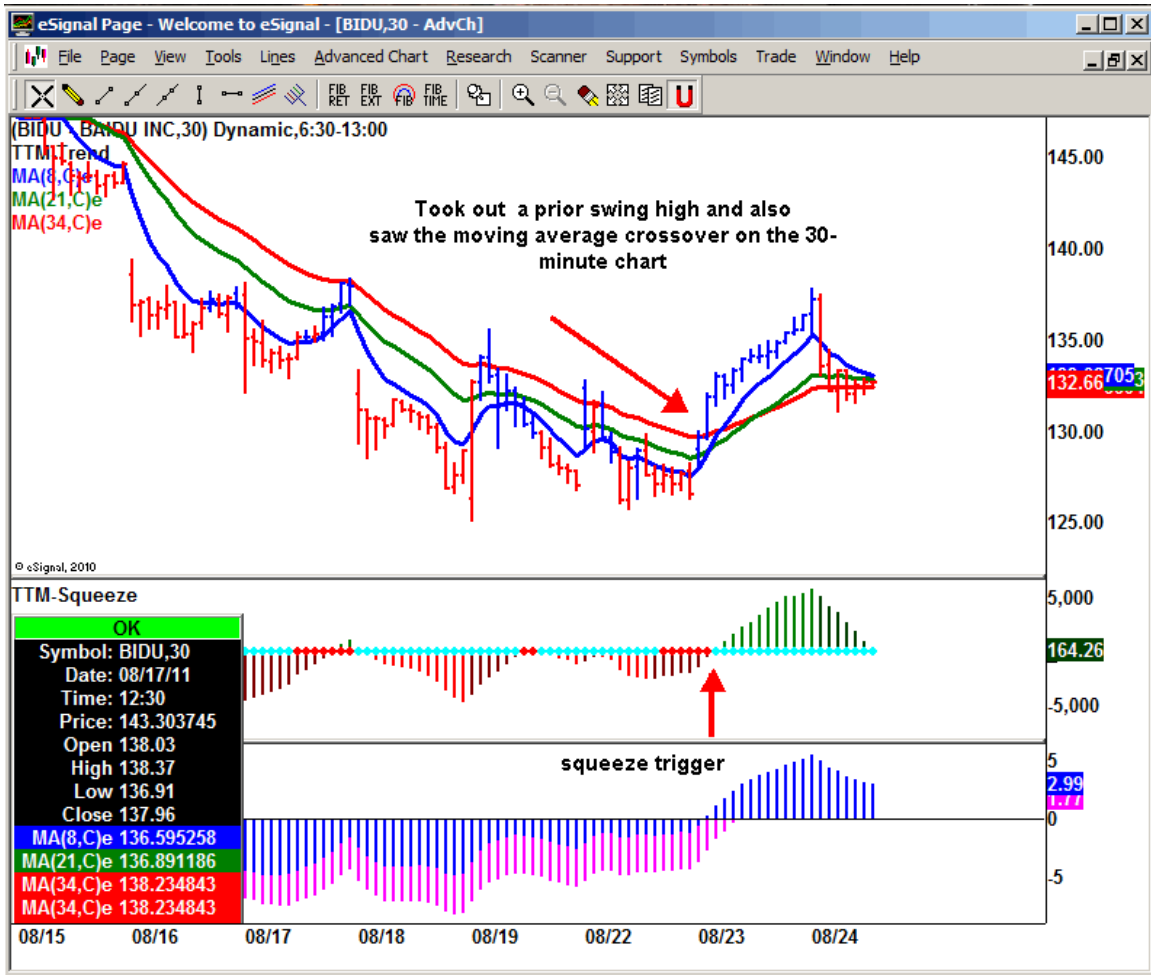
BIDU setup: We had a price cluster zone in BIDU between the 121.69-125.23 area. The low was made at 125.11 on 8/19/2011.



I see two triggers on this 5-minute (day trading trigger chart) in BIDU against the daily zone. The first one didn't take the stock anywhere, though price remained above the recent low it was triggered against. The second trigger would have gotten you in around the 129.50 area, was followed by a rally to 137.86.



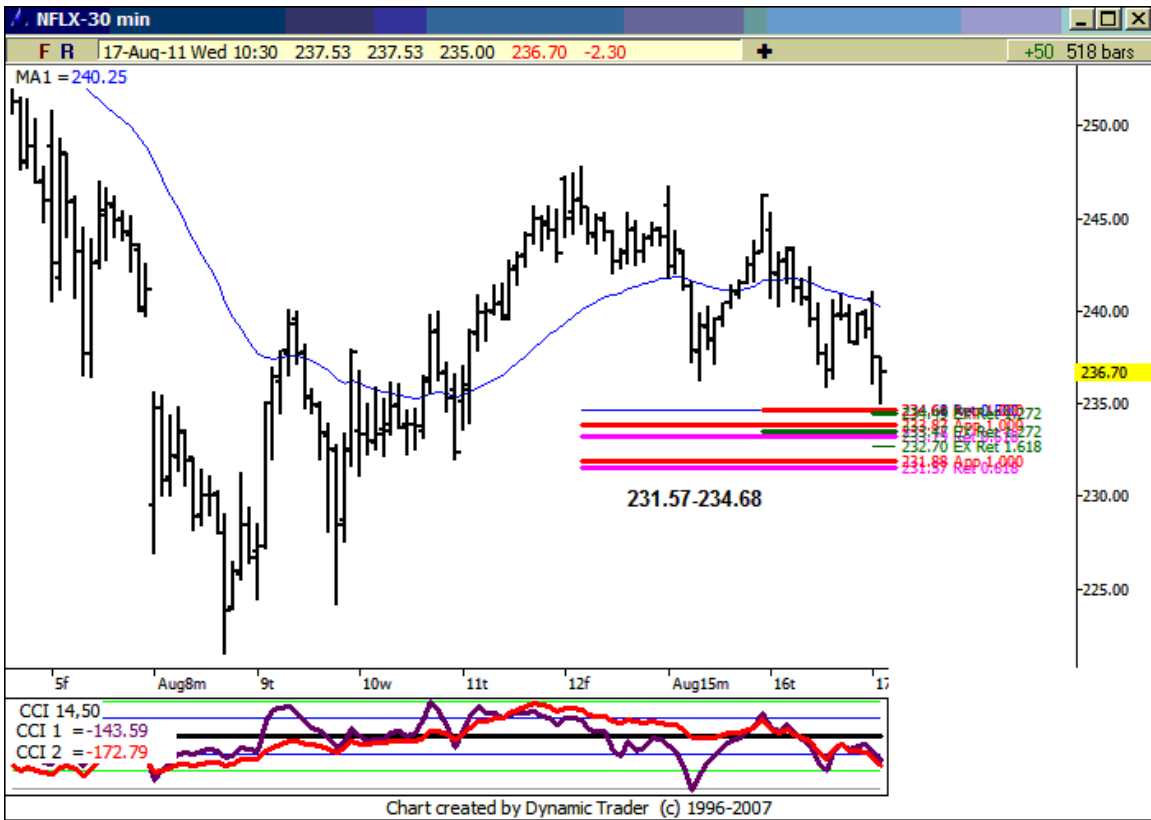
On the 30-minute chart of BIDU we also triggered an entry on the buy side. You could either buy it when it triggered, OR buy the next pullback. This is when I would look at a bullish options strategy to keep overnight, as long as the daily low at 125.11 was not violated. Violating that low would tell me to exit the strategy. Note there was also a squeeze buy trigger.



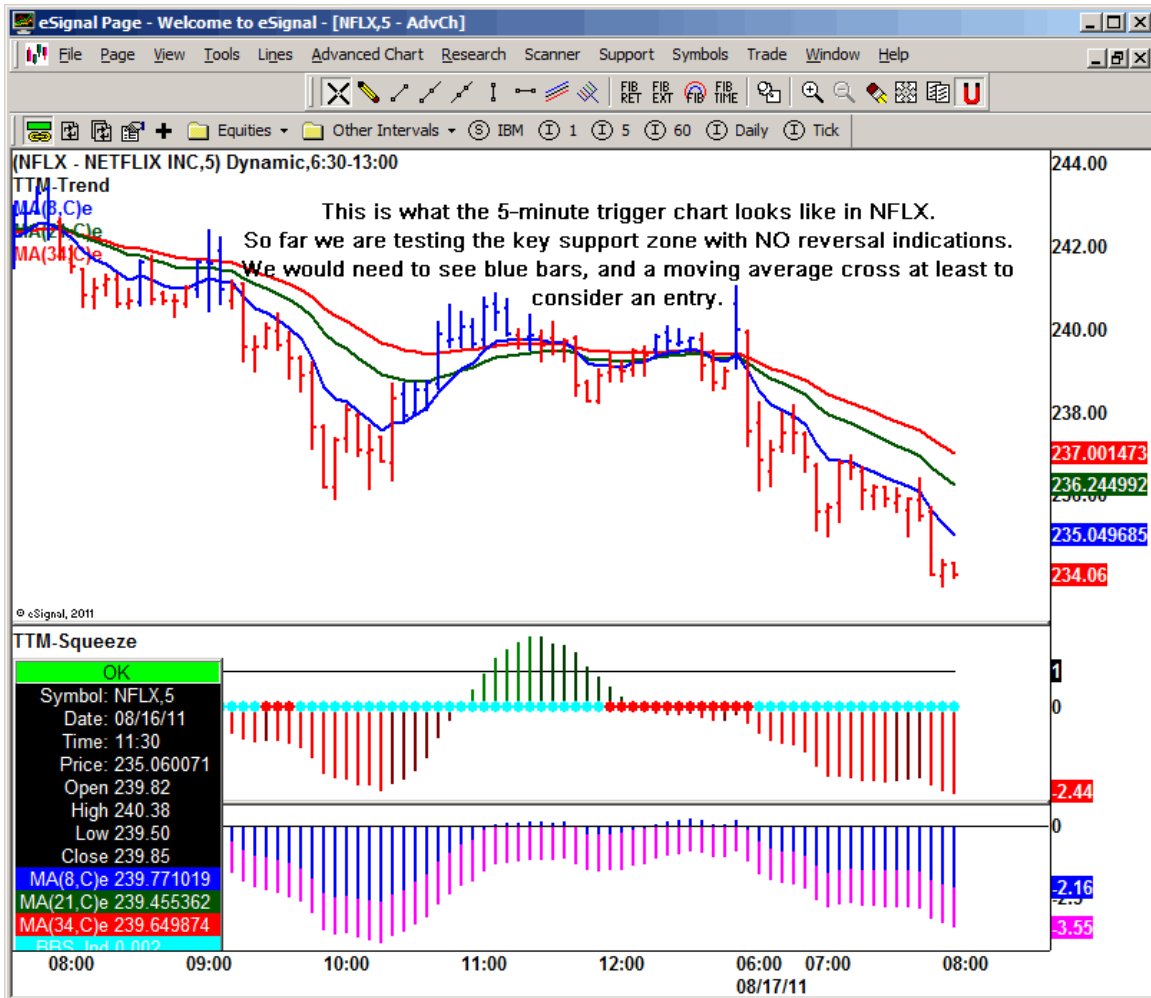
If you don't have the squeeze indicator, here is another trigger chart you can look at. Instead of the histogram on the squeeze indicator, you can use the 14 and 50 bar CCI readings to confirm an entry. Both of the CCI readings moved above the zero line when we saw the prior swing high taken out.



I was looking at an intraday buy setup in NFLX mid August. This is an example that NEVER triggered an entry.



This was a 5-minute chart that I was looking at for a possible entry, yet there were NO indications of a reversal, the cluster was eventually violated. No harm, no foul.



Fibonacci Timing: The same ratios that I use to analyze the price axis of the market can also be used on the time axis of the market to give you a “heads up” for possible market reversals. Here I measure the time between prior swing highs to low and project forward in time using these ratios. When we see a clustering of timing parameters, we want to watch for a possible reversal of whatever trend you are looking at as you move INTO the time cluster. Please refer to the members webinar on Fibonacci timing for more information.

To truly understand this methodology, you should read my book *Fibonacci Trading*. You can also attend a working webinar when you can analyze the current markets along with me. See the www.Fibonacciqueen.com website for details of any upcoming webinars.

