

Fibonacci Retracement

HOW TO DRAW IT

- 1 Uptrend: click the swing low, drag to the swing high.
- 2 Downtrend: click the swing high, drag to the swing low.
- 3 Use obvious swings that other traders can see too.

Level = high - (high - low) x ratio

LEVEL	PRICE	WHERE THE RATIO COMES FROM
23.6%	0.6653	0.618 cubed
38.2%	0.6624	1 - 0.618
50%	0.6600	Convention, not a Fibonacci ratio
61.8%	0.6576	The golden ratio (1 / 1.618)
78.6%	0.6543	Square root of 0.618

Example: AUD/USD swing from 0.6500 up to 0.6700 (200 pips).



Golden zone: 38.2% to 61.8%, where most healthy trend pullbacks find support.

THREE SETUPS TO KNOW



Pullback to 61.8%

- 1 Price pulls back into the golden zone.
- 2 Bullish engulfing at 61.8%: buy above its high, stop below 78.6%.
- 3 Target the swing high, then 127.2%.



Confluence

- 1 Old resistance at 0.6600 caps price.
- 2 Price breaks it and runs to a new high.
- 3 The 50% level lands on the old level. Strongest spot.



Extensions for targets

- 1 Pullback holds the 61.8% level.
- 2 First target: 127.2% (0.6754).
- 3 Second target: 161.8% (0.6824).

SIGNALS

SIGNAL	WHAT IT MEANS	HOW TO ACT
Shallow pullback holds 23.6% to 38.2%	Very strong trend; buyers are impatient	Look for entries early; do not wait for 61.8%
Reversal candle at 50% to 61.8%	Normal pullback ending in the golden zone	Enter on confirmation, stop beyond 78.6%
Fib level lines up with old support or resistance	Confluence: two methods agree	Highest-quality zone on the chart
Close below 78.6%	The pullback is probably a reversal	Stand aside or exit; the setup has failed
Price reaches 127.2% or 161.8%	Common extension targets	Take partial or full profit

RULES OF THUMB

- Only draw Fibonacci in a clear trend with an obvious swing.
- Treat each level as a zone of a few pips, not a precise price.
- Wait for a reversal candle to close at the level.
- Put the stop beyond the next level, not on the level.
- Check risk-to-reward first. The swing high is target one.

THE 3 MOST COMMON MISTAKES

- ✗ Anchoring to tiny or cherry-picked swings. Vague anchors give meaningless levels.
- ✗ Buying the level blind. A level is where a pullback might end, not where it must.
- ✗ Redrawing the tool after the fact until a level "worked".