

Fib level Signals

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A major Dow theory rule is that retracements should be limited to 2/3 of the previous swing. If the 2/3 level is breached, the trend has probably changed direction.

This could be applied to each Swing, Intraday, H4, Daily and Weekly. Each failure/hold sets up and confirms the next swing

SOME OBSERVATIONS on FIB LEVELS in TRENDS:

This is not just looking at Fibs as Buy/Sell levels altho in many cases they are and will be. This is looking at the signal generated by the price action AT the level.

Best applied to disciplined pairs such as EURUSD, AUDUSD and EURGBP and the Yen Pairs EURJPY and USDJPY. Cable to a certain degree but it's a bit of a sloppy runt.

(The description below assumes an initial downtrend so in this case Fib is pulled from Last Swing High to Low)

1. **38.2%** A **bounce** off the 38.2 of a swing often leads to trend flow continuation until a Swing low for a Swing Retracement is in place. A **close thru** or **second approach** to a 38.2 from a **Higher Low** implies a retracement with a Hi probability of reaching the 61.8%RET (See Momma Trade Setup for Intraday power moves)
2. **61.8%** This is the **Major Swing/trend** level.
 - A **hold** at and **below** 61.8 implies the Downtrend is intact, and if the move from a reaction here approaches the low it should make a new low. Failure to do so would suggest a deeper correction.
 - A **puncture** or **h4 close** above the level suggests that it could fail on a retest
 - A **DAILY close** above the level is a trend breaker and the next move targets 76.4% and probably the high
3. **76.4%** This is a **BULLISH BUT CORRECTIVE** Level
Why is it corrective? Because having confirmed that the trend has broken, a pullback from this level allows for a retest of the broken 38.2RET of the last downswing. Divide 76.4 / 2 and this is a confluence 50% fib of the UPSWING, a bullish level for continuation of the next swing up. A safe level for a possible ABC correction.

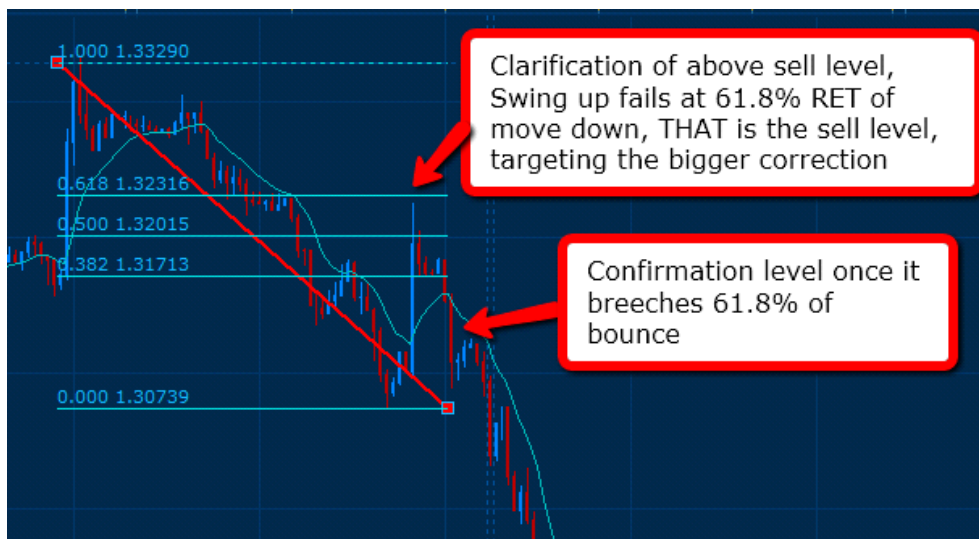
Further notes:

- Priority Level signals are HTF so Weekly/Daily then H4/H1
- However by applying the logic first to last H1/4 Trend Swing Hi to Current low we can establish whether a current move is still in a valid trend or in a correction and then whether the Trend has failed and in a further correction or change of trend
- A Swing Low is often reached once it has fractals on or close to each of the major Fib levels of that Swing.



EXAMPLES of Intraday Swing trades using Fib signals:





APPLY this to Current Price Levels on EURUSD
H1/4 Swing



Daily Swing

