

# MDZ Price Action Indicator

Chapter 05 – Fibonacci Retracement

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# Introduction



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# Introduction

- Fibonacci retracement is a term used in **technical analysis** that refers to areas of **support** or **resistance**
- These areas have several lines made up of **Fibonacci ratio** such as 23.6%, 38.2%, 50%, 61.8%, 78.6% and 100%
- The lines indicate support or resistance before the trend continues its original direction

# Function

# Function of Fibonacci

- To identify retracement level (this chapter)
- To identify Take Profit level
- To identify End of Trend level

# Disadvantages



# Disadvantages

- Can't be used properly during sideways market
  - At this time, it acts as support and resistance only

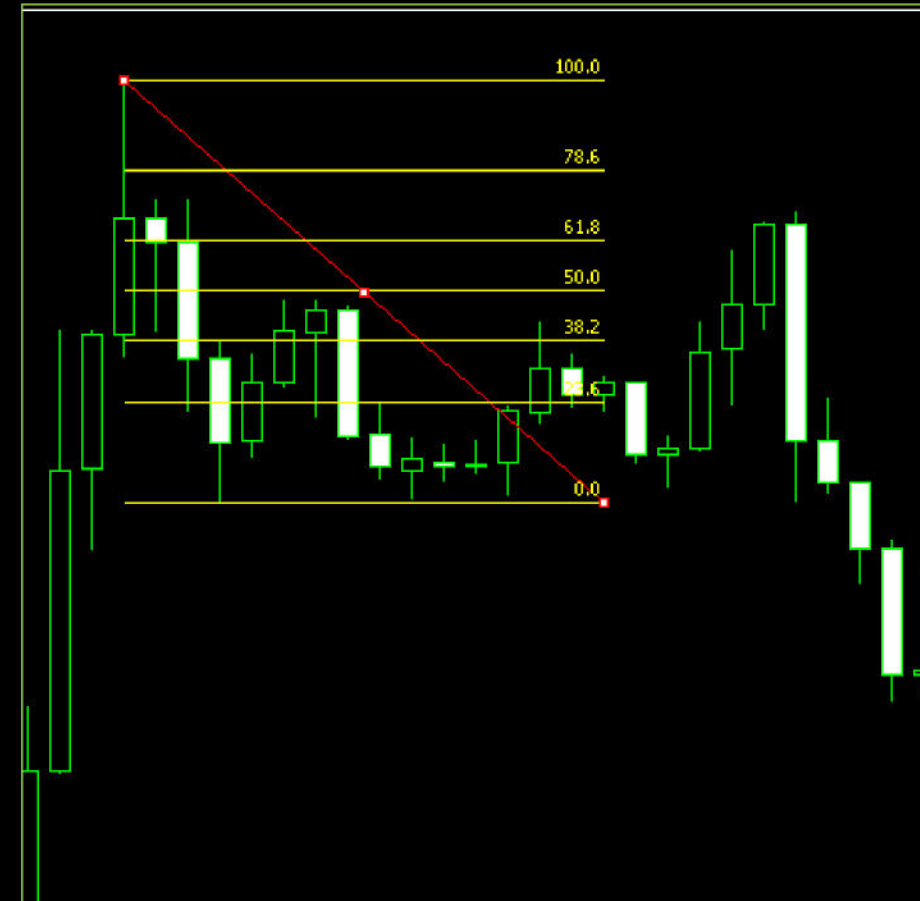
# Drawing Fibonacci

# Sell at Retracement Level

- Find recent high and low
- Click at Fibonacci Retracement button
- Start drawing from high to low



- The result should be like this

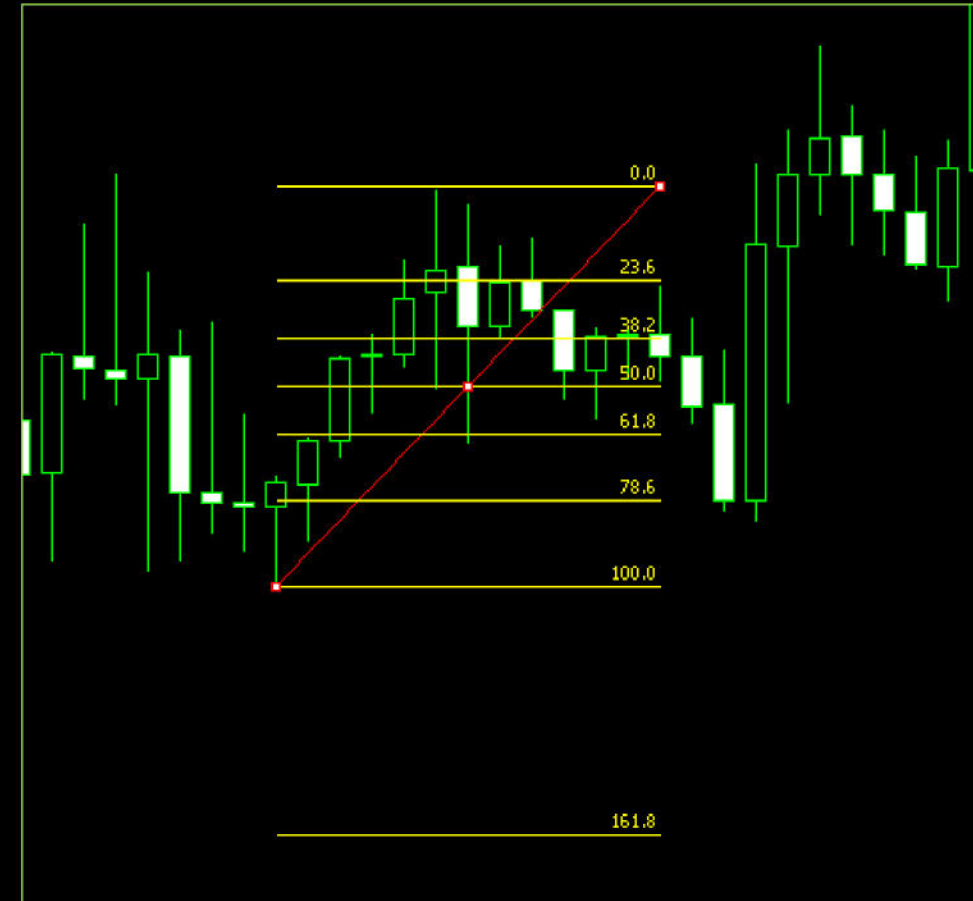


# Buy at Retracement Level

- Find recent low and high
- Click at Fibonacci Retracement button
- Start drawing from low to high



- The result should be like this



# Tips

# Tips

- You can make **limit orders** at the retracement levels
- Levels **78.6%** and **61.8%** are highly recommended levels to place the limit orders
- The commodity pairs (USD/CAD, AUD/USD, NZD/USD), Pound, Gold, Oil love to react at **50%** level
- You can set your **Take Profit** at **0% retracement / Range / Key Level**
- Your **Stop Loss** should be at **100% + extra few pips**



# Tips

- The presence of reversal candlestick can increase the strength of support and resistance of the retracement level
- The retracement levels become **stronger** with the presence of **other support** and **resistance** such as **Key Level** and **High Low**

# Tips

- When price become sideways between 0% and 38.2%, the price has tendency to go beyond 0% level
- Usually, when 4 to 6 candles (H1) are staying around 0-38.2% levels, the price are likely to move outside of 0% level
- You can place stop order at 0% level. As always, please check what kind of support and resistance are plotted there

# Tips

- Weekly Fibonacci retracement is commonly used on Wednesday and Thursday
- Price should reach 61w or 78w on the suggested day
- If the price reach 61w or 78w on Monday or Tuesday, extra precaution must be taken. The weekly strategy might fail on Wednesday and Thursday
- The price might continue beyond 78w if this happen



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