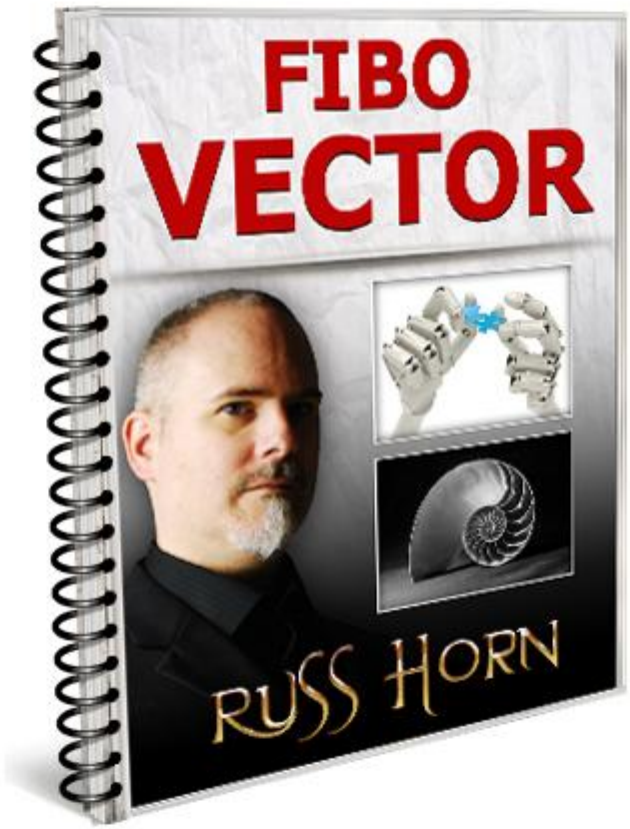

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Fibo Vector

Table Of Contents

I. Introduction

What goes into your mind when you think about Fibonacci?

You may think it's complicated and new traders would probably stop reading here. But that is not the case for me.

I see a powerful support and resistance tool, and I like it so much that I have devised a system to trade with it. This system is not at all complicated to learn and trade... even if it uses Fibonacci. That's because it already takes away the guess work of having to decide which points to start drawing the Fibonacci retracements, and it also helps you find trading signals.

I will show you how this is done in the following pages of this report. Let me just say that I'm staying true to my belief in simple applications to make trading Forex profitable.

In this system, we only use 2 kinds of indicators. The first one helps confirm the direction we are entering the market, and the second helps us identify the strong areas of support and resistance, where we can start looking to enter the market.

In my vast trading experience, I have tested so many indicators, techniques and trading systems. I've seen a ton of them, and although not all are worth the time I have spent, I was able to pick up a few little gems along the way. And the Fibo Vector takes advantage of one of them.

Fibonacci is a powerful tool, and that's why many advanced traders use it. Now, don't think that just because advanced traders use it, new traders can't. The principles behind the Fibonacci can be complicated for many new traders, but this system will make it very easy for you, all you need is the Fibo Vector and some Moving Averages.

The Fibo Vector is an indicator that applies the daily (or weekly) Fibonacci retracements on your charts. This step alone cuts down the most of the guess work that many traders have to go through when trading with Fibonacci systems.

The Fibo Vector also helps identify areas where price will possibly reverse. That is also of great help!

I want you to make money trading. I want you to be successful doing it. This is why I am willing to give away such a simple but powerful trading system. So try it out, test the system and apply what you learn in your daily trading.

Best of luck!

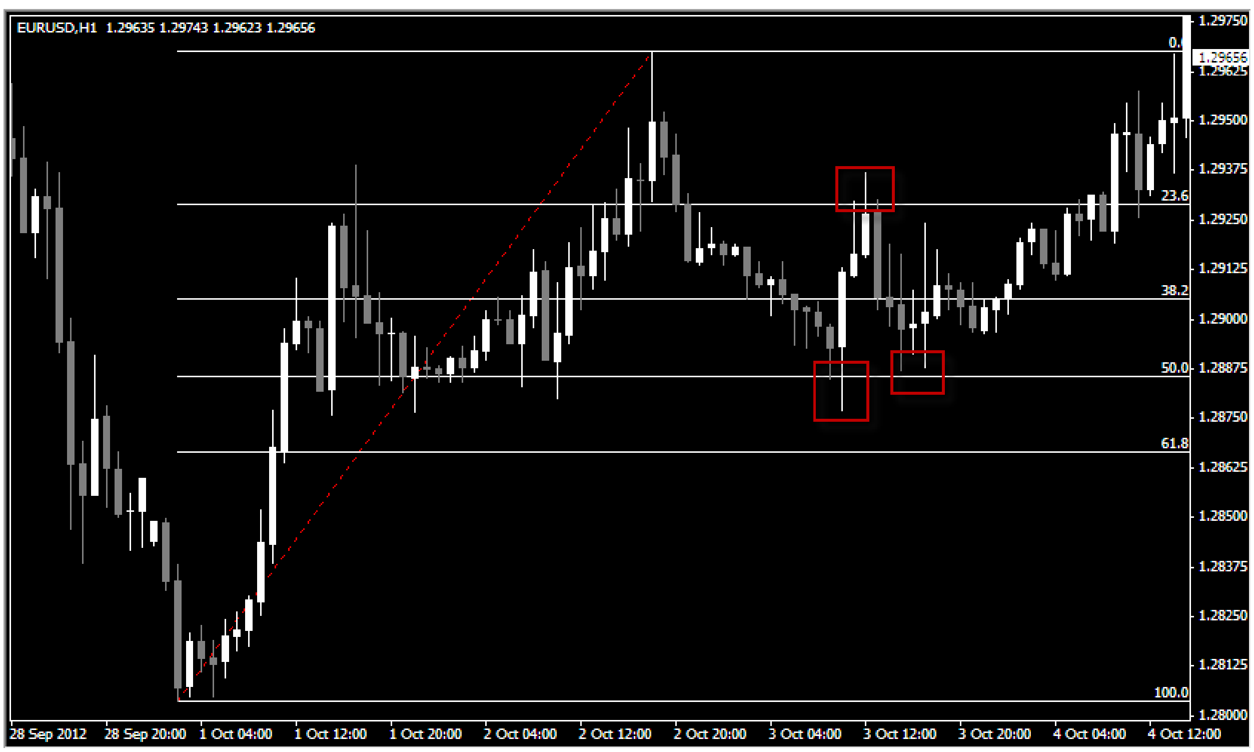
What is Fibonacci?

The Fibonacci numbers are actually taken from the name of its discoverer, Leonardo Fibonacci of Pisa. Fibonacci numbers are basically a series of numbers starting with 1 and 1 (or 0 and 1), and the following numbers are the sum of the previous two numbers.

Fibonacci numbers: 0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144 and on to infinity. These numbers are the basis for Fibonacci ratios, which describe the mathematical relationship of Fibonacci numbers.

Fibonacci ratios: 0%, 23.6%, 38.2%, 50%, 61.8%, 76.4% and 100%. Fibonacci ratios are the levels of retracements found in the Fibonacci retracement tool. Fibonacci retracements provide a powerful means of identifying levels of support and resistance. These levels are areas wherein price has difficulty exceeding that it normally bounces of along those points and reverse.

Here’s an example of a Fibonacci retracement applied from the lowest point to the highest point on the EURUSD 1 hour chart.



Did you notice how price bounced back and forth when it reaches the levels 23.6% and 50%? This is exactly what we are looking for, and this is the main reason traders use this tool.

But there are some challenges:

- Figuring out how to apply the Fibonacci retracements.
- Identifying which points to draw the retracements, and how far back in time to look.
- Having to reapply or adjust the retracements each time a new high or a new low is formed.
- You are unsure of your trades because sthere is a high degree of discretion from the beginning when you apply the retracements on your charts.

All that I have listed above can be very discouraging for many traders. But with the Fibo Vector, these issues are addressed.

- You have an automatic installer that puts the indicator into your platform, so all you have to do to apply it on your chart is just to drag and drop it.
- Once you apply the indicator on your chart, it will automatically apply the Fibonacci retracements based on the daily high and low.
- It automatically adjusts the retracements once a new high or a new low is formed.
- You are now more confident in your trades because you know your retracements are applied properly.

Without getting into the ins and outs of Forex, I am going to assume that at this point, you know what you need to know about trading to apply this system. The Fibo Vector comes with an automatic installer that installs all the files you need, the indicator and template, into the MetaTrader4 platform.

You can find the MetaTrader4 for free almost everywhere. If you want a copy of these amazing free charts, you can do so by visiting this website:

http://www.metatrader4.com

Click the orange “Free download” button and go from there.

II. Indicators

As I have previously mentioned, we will use 2 kinds of indicators, the Exponential Moving Averages and the Fibo Vector.

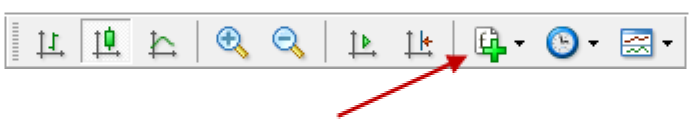
34 Exponential Moving Average – applied to the close (dark orange)
55 Exponential Moving Average – applied to the close (red)
89 Exponential Moving Average – applied to the close (purple)
144 Exponential Moving Average – applied to the close (blue)
Fibo Vector (yellow and lime green)

A. Exponential Moving Averages

The Fibo Vector uses 4 different periods of the Exponential Moving Average (EMA).

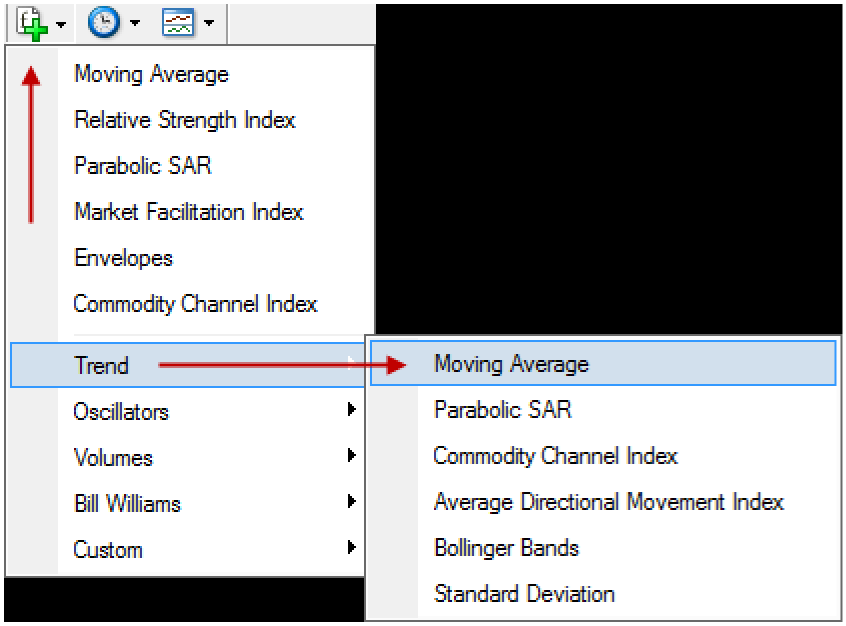
1. 34 EMA of the Close

First, we add the 34 EMA of the close. You will find Moving Averages in your indicators files by clicking on the Indicators button in the toolbar,



Next, place your mouse over “Trend” and then click “Moving Average” from the new popup menu.

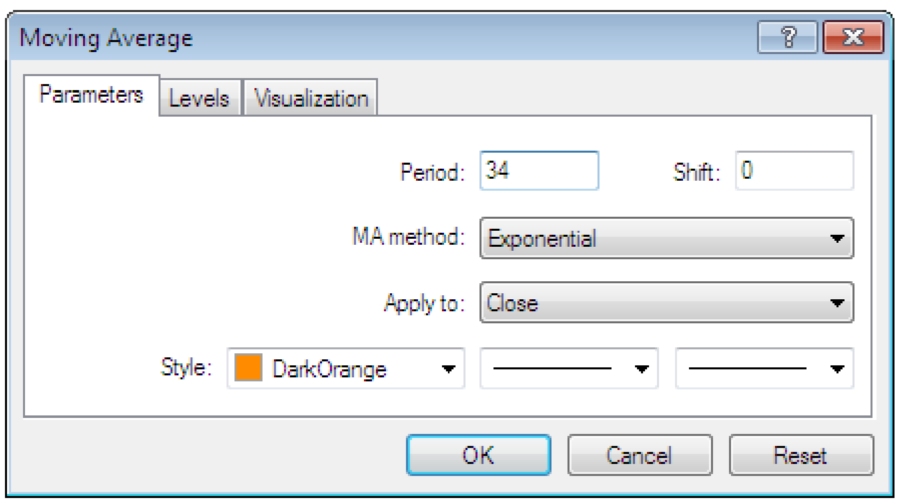
In my example below, the Moving average selection is at the top because I have recently used it, this might not be the case for you.



When you select the Moving Average indicator, the Moving Average properties box will pop up. Firstly, make sure the Parameters tab is chosen and then you need to fill it out so it looks like the one below. Once you have the fields properly filled out, click "OK".

Of course, you can make the colour and the line thickness anything you like, but the values should be the same:

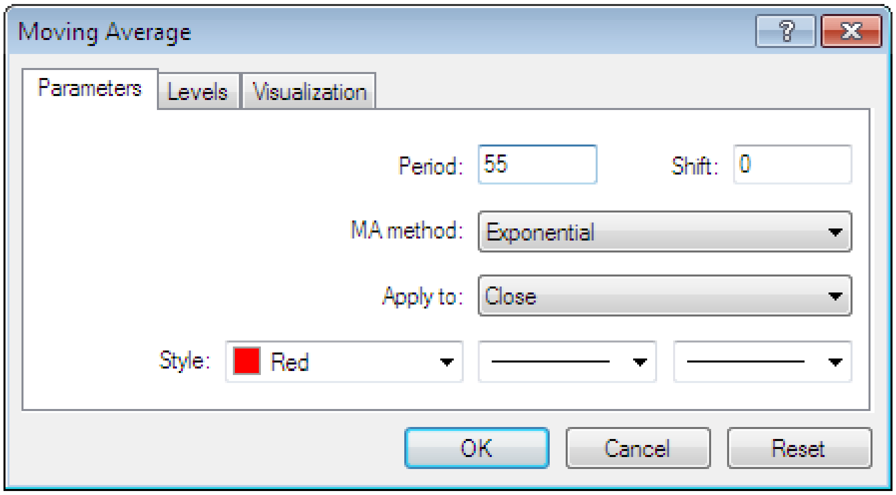
Period: 34
Shift: 0
MA method:
Exponential
Apply to: Close
Style: DarkOrange



2. 55 EMA of the Close

Following the same steps as above, we apply a new moving average but this time, when the properties box pops up, we set the Period to 55. I also make this EMA a different colour. Once you have the field properly filled out, click OK.

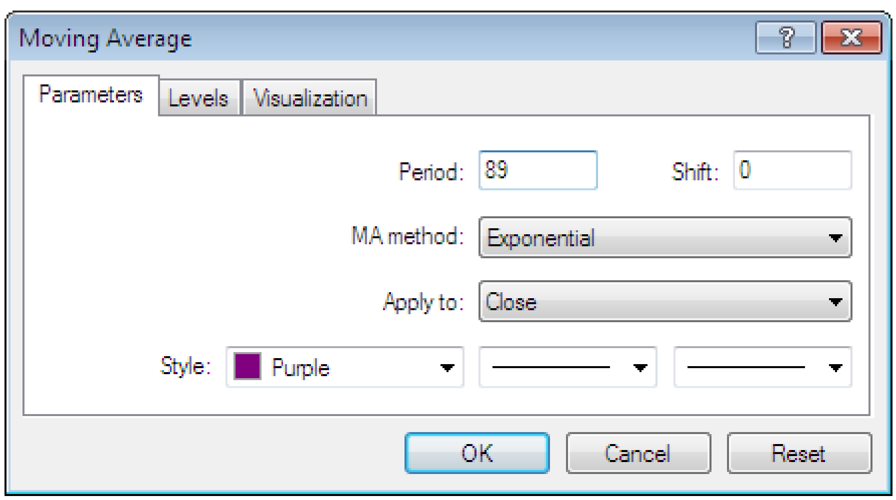
Period: 55
Shift: 0
MA method:
Exponential
Apply to: Close
Style: Red



3. 89 EMA of the Close

In the same manner, we apply the 89 EMA. Make sure the parameters match the settings below:

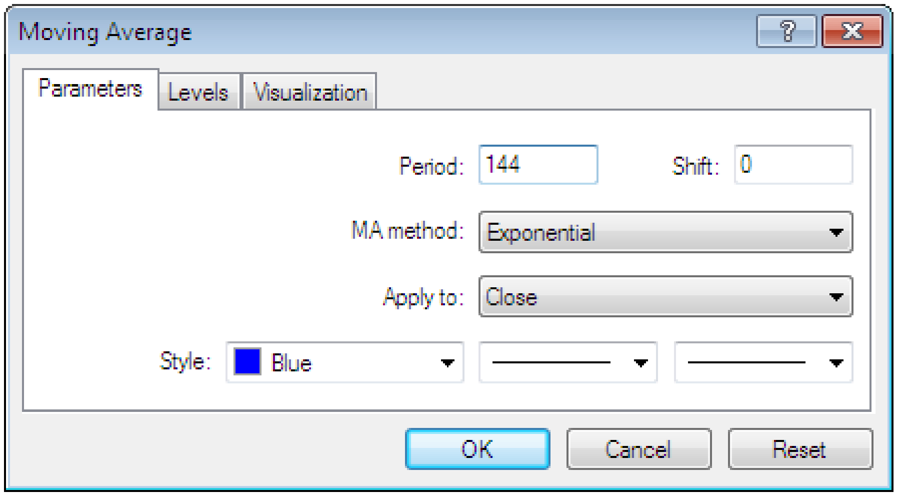
Period: 89
Shift: 0
MA method:
Exponential
Apply to: Close
Style: Purple



4. 144 EMA of the Close

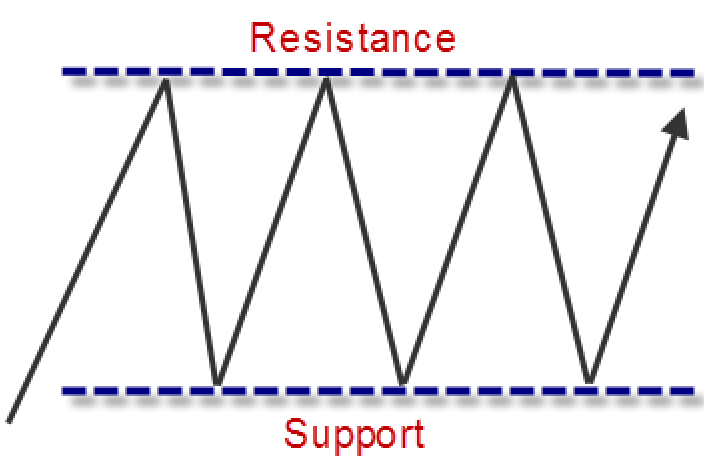
Now, we apply the last EMA which is the 144 EMA. Make sure the parameters match the settings below:

Period: 144
Shift: 0
MA method: Exponential
Apply to: Close
Style: Blue

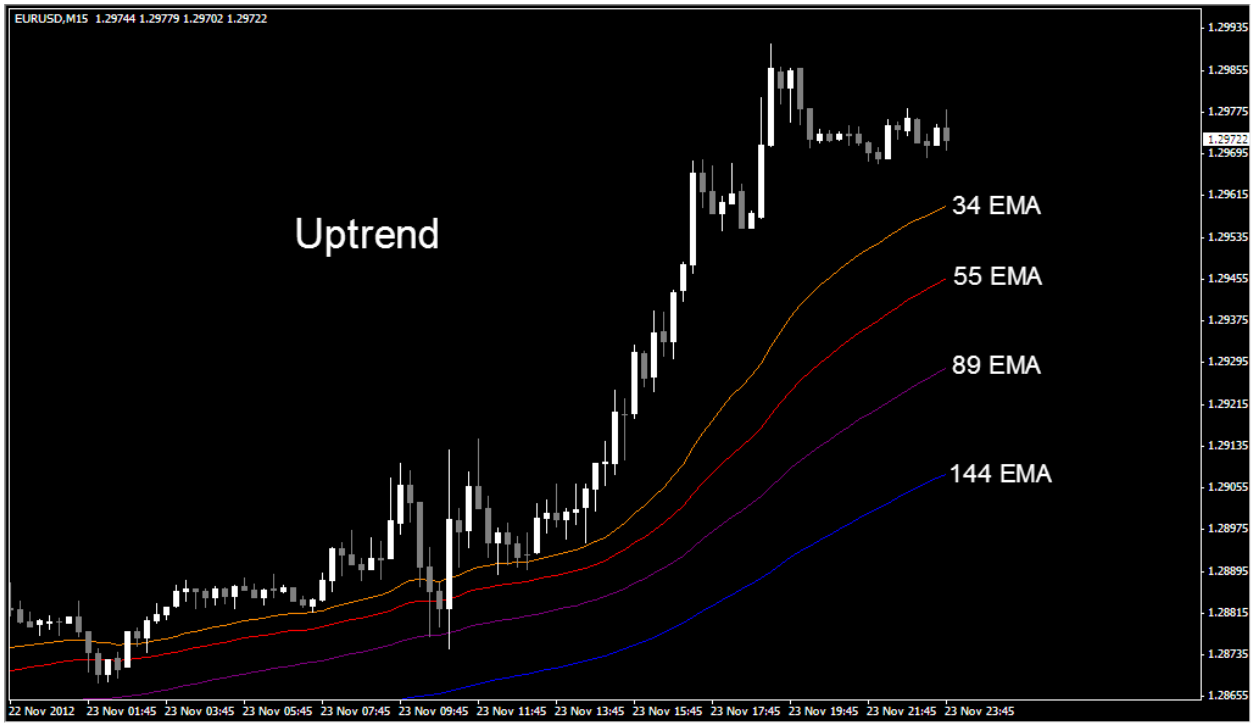


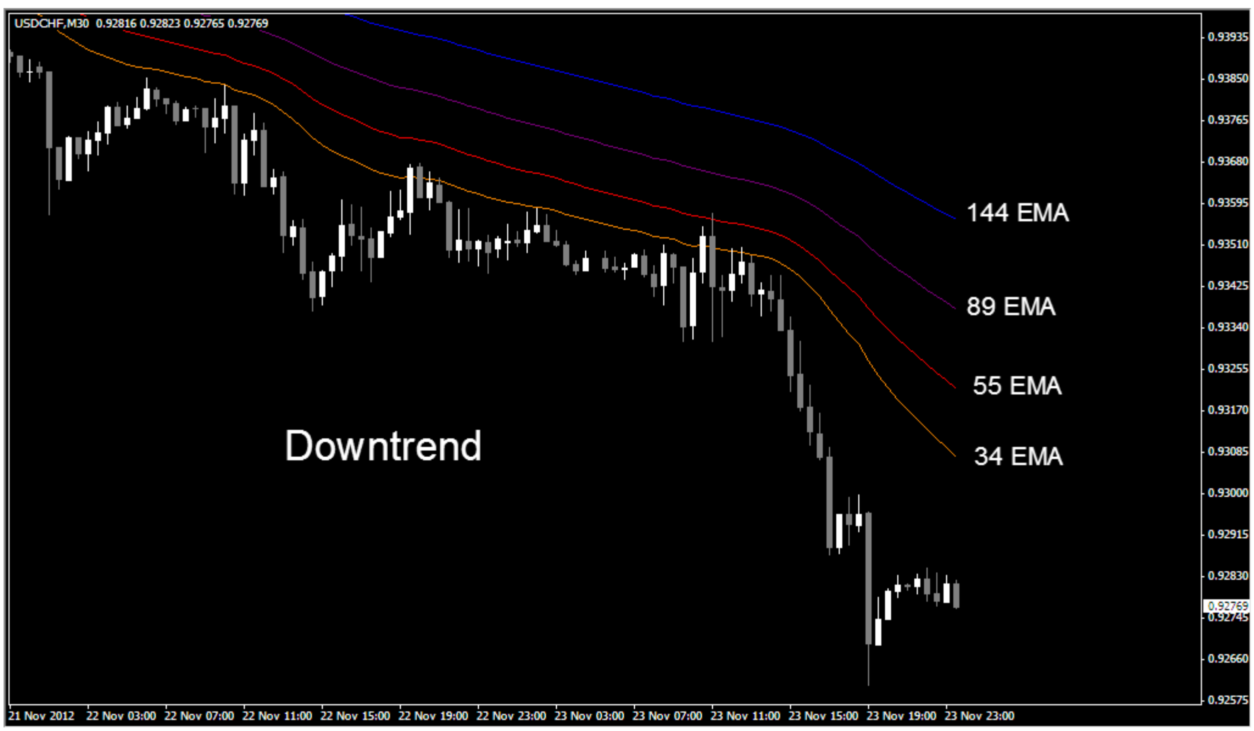
These EMAs serve to identify dynamic support and resistance areas, which are areas that limit the price and keep it from moving any lower (support) or any higher (resistance).

As the price moves in a trend direction, it tends to pull back before moving back in the direction of the trend. In this pull-back scenario, when price reaches a support or resistance level, it tends to bounce off and return to the right direction of the trend. But if price exceeds a support or resistance level, it tends to continue in that direction.



Another purpose of the EMAs is to identify the trend direction. If they appear in a sequence with the lowest period at the top and the highest period at the bottom, then we are in an uptrend. But if they appear starting with the highest period at the top going down, then we have a downtrend.

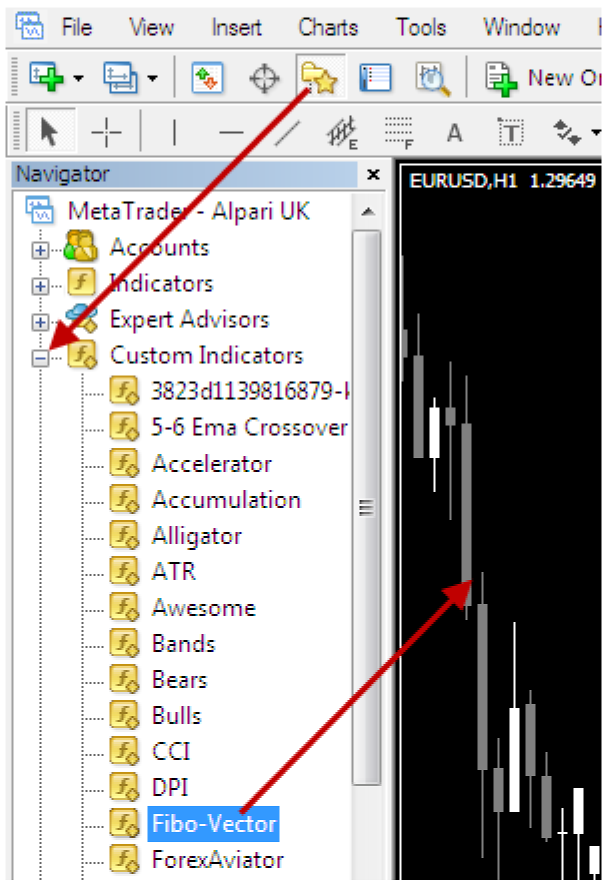




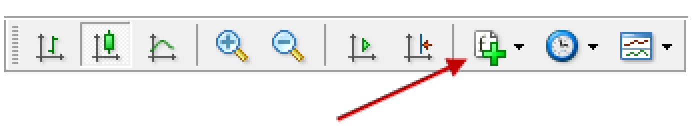
B. Fibo Vector Indicator

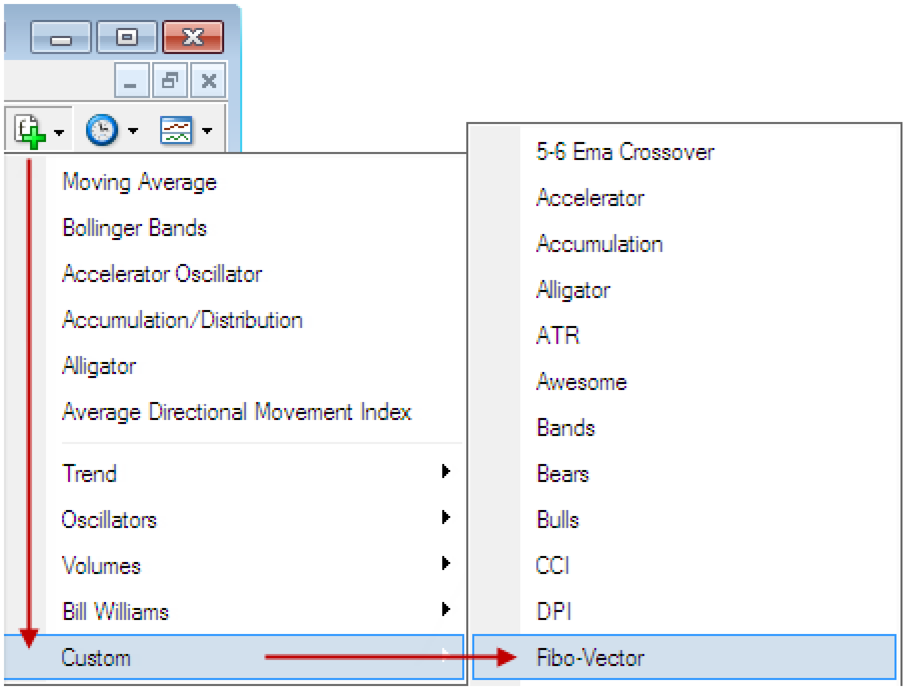
In order to have adequate data when using the Fibo Vector, use the daily Fibo Vector when trading with short timeframes like the 15 minute, 5 minute and 1 minute charts. If you want to trade the 30 minute and 1 hour timeframes, you can use the weekly Fibo Vector. This can be set in the "Inputs" which I will show in a little bit.

First, let's apply the Fibo Vector. Simply open your Navigator window, open the "Custom Indicators" list, then drag and drop the "Fibo-Vector" onto your chart.



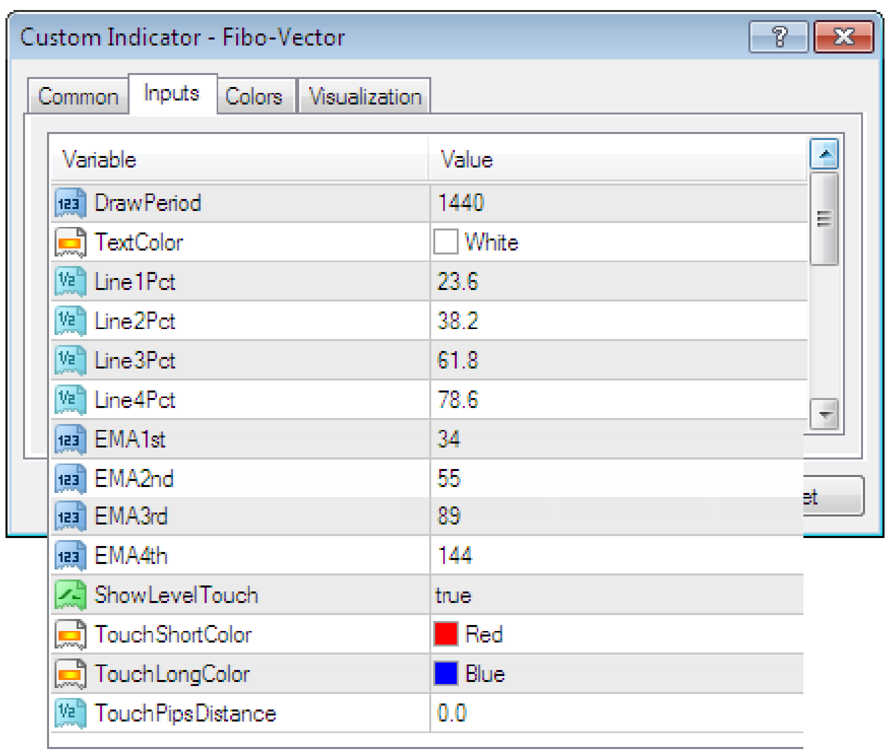
Another way to apply it is to click the indicators button in the toolbar, then place your mouse over Custom and then click Fibo-Vector.



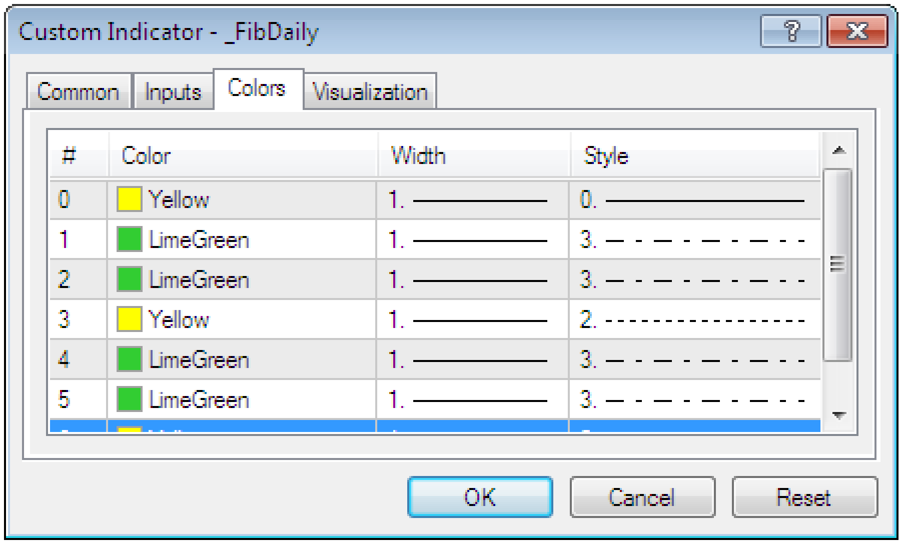


When you select the Fibo-Vector indicator, the properties box will pop up. Use the default settings, but if you're not sure, you can match it with the settings below.

DrawPeriod: 1440 (Daily Fibo) or 10080 (Weekly Fibo)
TextColor: White
Line1Pct: 23.6
Line2Pct: 38.2
Line3Pct: 61.8
Line4Pct: 76.4
EMA1st: 34
EMA2nd: 55
EMA3rd: 89
EMA4th: 144
ShowLevelTouch: true
TouchShortColor: Red
TouchLongColor: Blue
TouchPipsDistance: 0.0



Under the “Colors” tab, you should see the following:

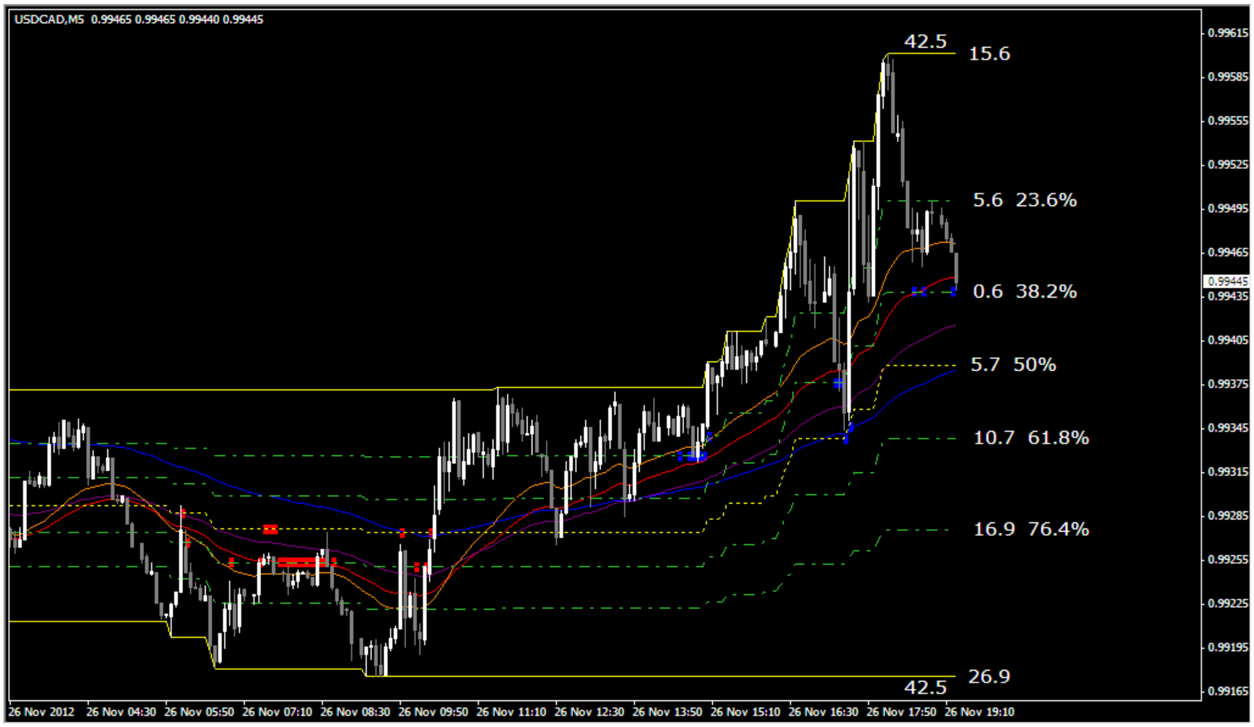


Of course, you can change the colours according to your liking. Once all these are set, click OK.

We will use the Fibo Vector indicator for automatically drawing the Fibonacci retracements on our charts based on the highs and lows of the past 1440 minutes (default), which is equivalent to 1 day. This is great for the 15 minute timeframe or lower. If we want to trade on the 30 minute or on the 1 hour timeframe, we need to change the DrawPeriod to 10080 so that it will draw the Fibonacci retracements based on one week.

Fibonacci retracements are very useful in identifying support and resistance. The Fibo Vector is a very powerful tool in identifying these levels on a daily or weekly basis. When price pulls back to one of the levels, it tends to bounce back into the original direction. We will take advantage and enter the market once price has bounced off one the Fibonacci retracements if we have a confirmation of other indicators.

As usual, I am using a chart similar to the Rapid Results Method basic chart (black chart with white bull candles and grey bear candles). With all the indicators added, your chart will look something like this:



This system may have a number of lines, but as you can see, they are quite organized. You will notice the red and blue areas on the chart. Those indicate the areas where the Fibonacci retracement is close to the price and one of the moving averages. When price touches an area with a red highlight and a bearish candle to closes, then you have a possible move to the downside.

In contrast, when price touches an area with blue highlight and a bullish candle closes, there is a big possibility that price will continue going up.

In the next section, you will see how easy it is to trade this system.

III. Rules

A. ENTRY Rules

1. Buy Trade

1. The moving averages must be in an uptrend sequence. The 34 EMA is at the top, then the 55 EMA under it, then the 89 EMA and the 144 EMA at the bottom.
2. Wait for a confluence of one of the EMAs and a Fibonacci level. This means that they are touching or very close together, and indicated by blue boxes along the Fibonacci retracement.
3. Wait for the price to come down (retrace) to the level of confluence.
4. Wait for a bullish candle to close.

When all the elements fall together, we are good to enter the market in a buy trade.

2. Sell Trade

1. The moving averages must be in a down trend sequence. The 144 EMA is at the top, then the 89 EMA under it, then the 55 EMA and the 34 EMA at the bottom.
2. Wait for a confluence of one of the EMAs and a Fibonacci level. This means that they are touching or very close together.
3. Wait for the price to move up (retrace) to the level of confluence.
4. Wait for a bearish candle to close.

Take a look at the USDCAD 1 minute chart below:

When all the elements fall together, we are good to enter the market in a sell trade.

B. STOP LOSS Rules

1. Buy Trade

As we enter a buy trade, set the Stop Loss a few pips below the last swing low. (The term “a few pips” will range from timeframe to timeframe.)

Here’s an example on the EURUSD 15 minute chart:

2. Sell Trade

As we enter a sell trade, set the Stop Loss above the last swing high. (The term “a few pips” will range from timeframe to timeframe.)

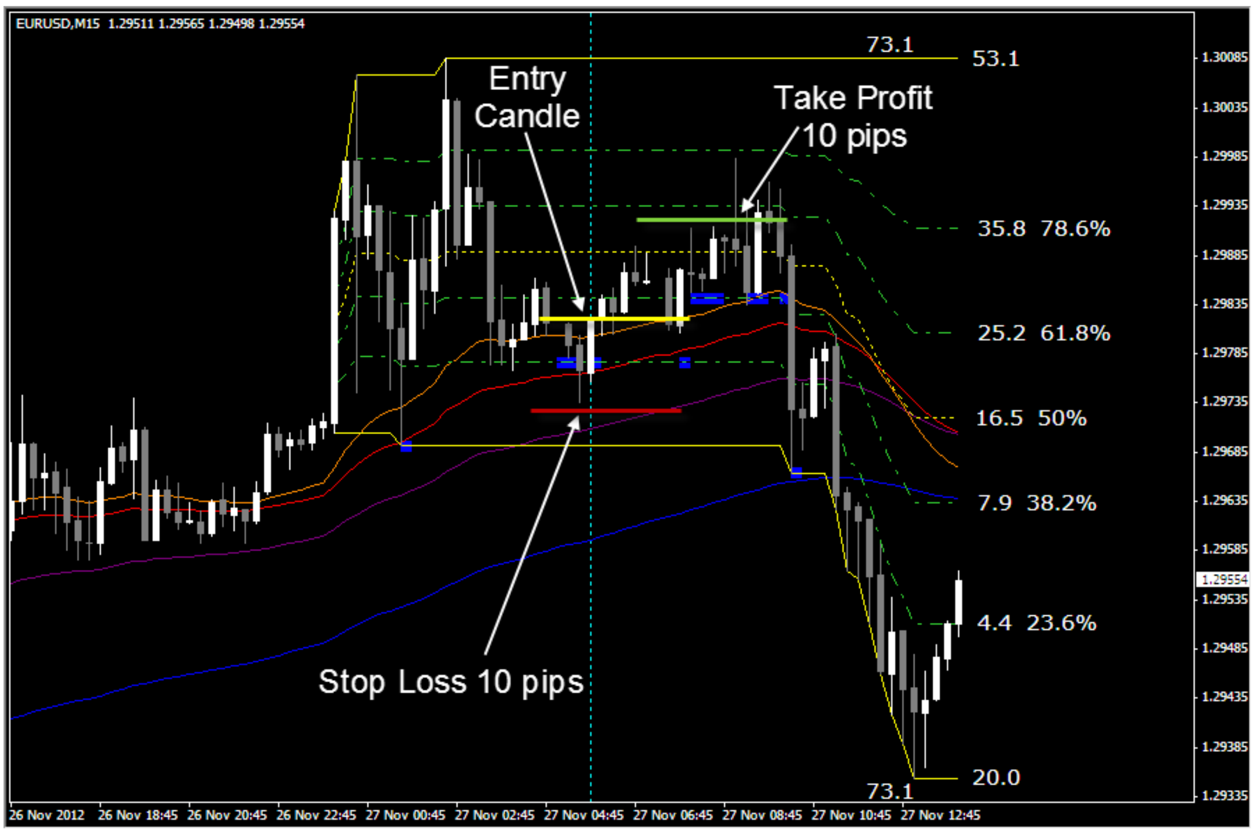
On the 5 minute chart below, the stop loss is set a couple of pips above the previous swing high.

C. TAKE PROFIT Rules

1. Buy Trade

For our take profit, we will still apply my general rule of thumb, which is 1 to 1 risk to reward ratio. With this, you have a higher win rate and fewer losing trades. This is a conservative way of placing the take profit level.

For example, if your stop loss is 10 pips below the entry, your take profit will be 10 pips above the entry. Take a look at our EURUSD 15 minute trade below:



2. Sell Trade

For sell trades, we will still apply the 1 to 1 risk reward ratio. If we want to increase the take profit to a 2 to 1 ratio, then we'll again apply additional means of reducing the risk as the trade progresses.

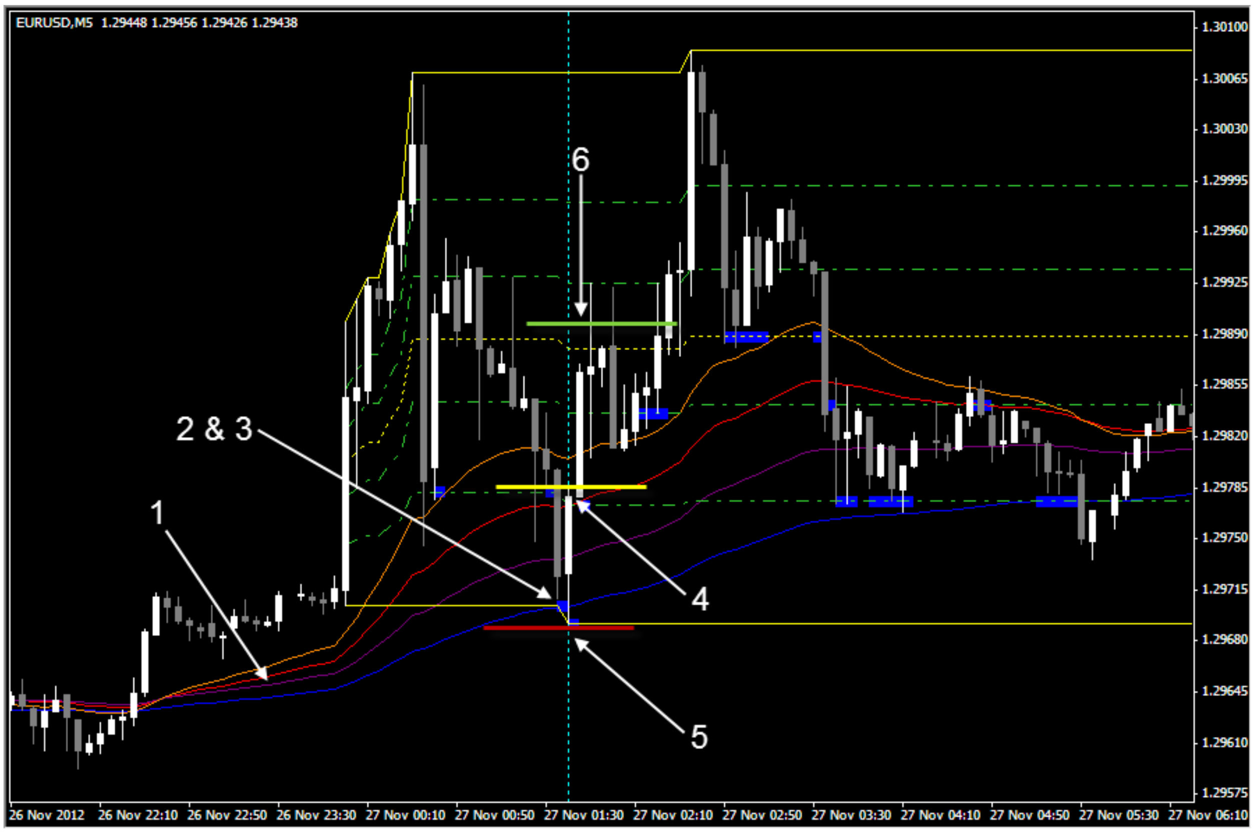
In the USDCAD 1 minute chart below, the stop loss is 4 pips above the entry, so the take profit is also 4 pips below the entry.

For a 2 to 1 ratio, the take profit will be 8 pips below the entry instead. And as we wait for price to hit the take profit, we reduce the risk by moving your stop loss to break even once we reach half of the desired profit, which in this case is 4 pips.

IV. Trade Examples

A. Complete Buy Trade

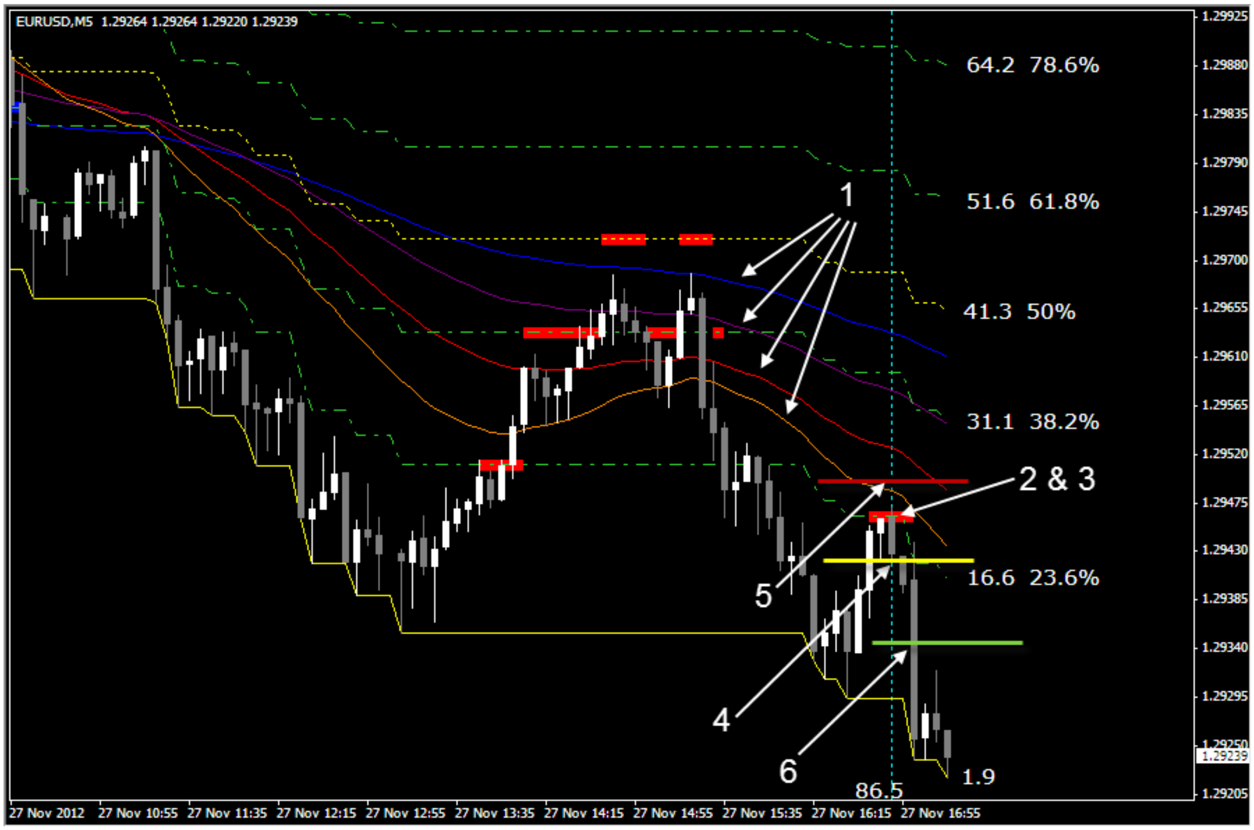
Here's an example on the EURUSD 5 minute chart:



1. The moving averages are in an uptrend sequence. From the top, we have the 34 EMA, followed by the 55 EMA, the 89 EMA and the 144 EMA at the bottom.
2. There is a confluence of the 144 EMA and the 100% level.
3. Price retraced to the level of confluence. The 100% Fibonacci level, 144 EMA and price were meeting together.
4. A bullish candle closed, so buy trade is opened.
5. Set the stop loss a few pips under the recent swing low, and that is 10 pips in this trade.
6. Using the 1 to 1 risk to reward ratio, set the take profit will be 10 pips. It is possible to set a 20 pip take profit, which is double the stop loss amount, but we need to move the stop loss to break even as soon as we reach 10 pips in profit.

B. Complete Sell Trade

Here's an example on the EURUSD 5 minute chart:



1. The moving averages are in a down trend sequence. The 144 EMA is at the top, then the 89 EMA under it, then the 55 EMA and the 34 EMA at the bottom.
2. The 34 EMA and 23.6% Fibonacci level are in confluence, indicated by the red box.
3. The price to retraced to the level of confluence.
4. A bearish candle closed, so a sell trade was opened.
5. The stop loss is set a few pips above the swing high.
6. Using the 1 to 1 risk to reward ratio, the take profit will be 7 pips, but a take profit of 14 pips is also acceptable as long as we move the stop loss to break even as soon as we reach 7 pips in profit.

IX. Conclusion

I am giving this system at no cost to you because I just want you to succeed.

I have done very well as a Forex trader and as an educator. This trading system is free because it's one way that I can help my fellow traders achieve the heights I have been able to reach.

I sincerely hope that you will treat this system as a trading system that can help you get to your dreams and accomplish your goals as a trader.

This system is one of my own, it's been around for a while and it's been used by some of the best traders I know. It works, simple as that!

Please enjoy this system and let it help you achieve your goals!

Thank you very much for your time and your consideration. Best of luck to you in your trading and in your life as a whole!

Russ Horn
www.RapidResultsMethod.com

NOTES