

Issam Algo

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FIBONACCI TRADING

Retracements and Extensions

A Practical Illustrated Guide

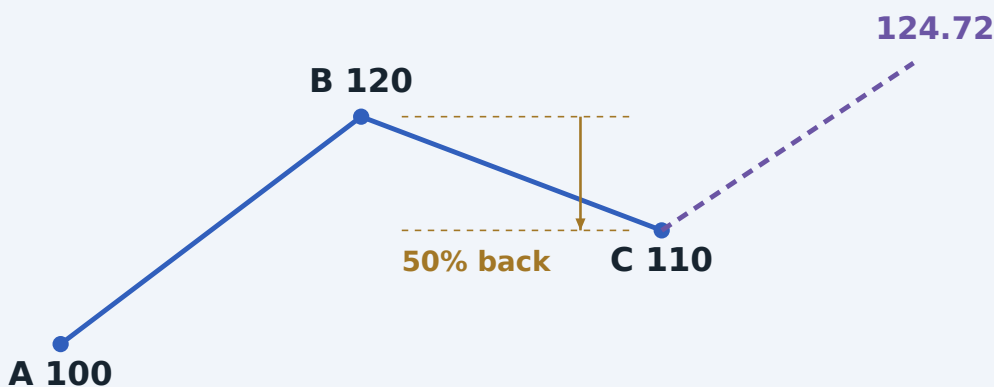


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Two jobs for one measuring tool

A retracement measures how much of a move has been given back. An extension marks a reference beyond that move. Neither tells you what price must do next.



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A rises from 100 to B at 120. A pullback to 110 gives back 10 of the 20 points: 50%. The dashed path is hypothetical.

Imagine walking 20 steps forward, then 10 back. You have retraced half the distance. Price measurement works the same way, using prices instead of steps.

In this book, A is the start of the selected move and B is its end. A later pullback point is C. The letters describe locations, not a forecast.

Read the legend: solid blue is a known schematic path; dashed purple is a possible later path. Teal filled candles close above their open; coral hollow candles close below it.

COMMON MISTAKE

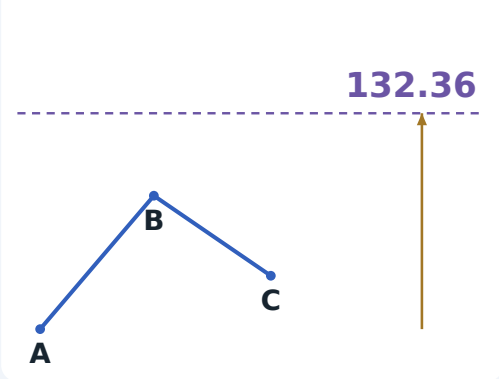
Treating a measured level as an automatic buy, sell or guaranteed destination.

Extensions: check where measurement starts

Two tools may both say 161.8% while pointing to different prices. We distinguish a two-anchor extension from a three-anchor projection; other educators and platforms may use different names.

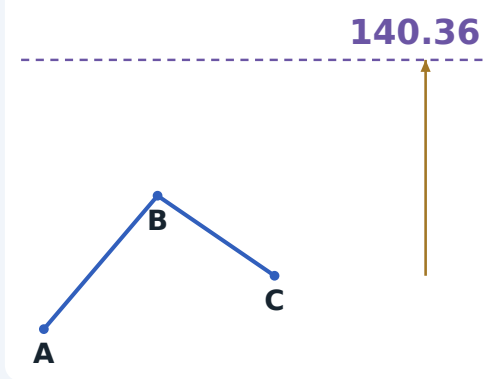
SAME RATIO / DIFFERENT ORIGIN

FROM A



$$A + 1.618D$$

FROM C



$$C + 1.618D$$

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Same $A = 100$ and $B = 120$, with $C = 108$. Two-anchor 161.8% = 132.36; three-anchor 161.8% = 140.36.

Two-anchor extension, upward: $A + k \times (B - A)$. At $k = 1.236$, the price is 124.72. At $k = 1.618$, it is 132.36. Values above 1 extend beyond B.

Three-anchor projection, upward: $C + k \times (B - A)$. At $k = 1$, the price is 128; at 1.618, it is 140.36. MT5 calls its three-point tool Fibonacci Expansion. [3]

For a decline, subtract k times the positive move size from A (two anchors) or C (three anchors). State the anchors and formula whenever sharing a target.

COMMON MISTAKE

Using $B + 1.618 \times D$ while labelling it our two-anchor 161.8% extension. That measures a different distance.