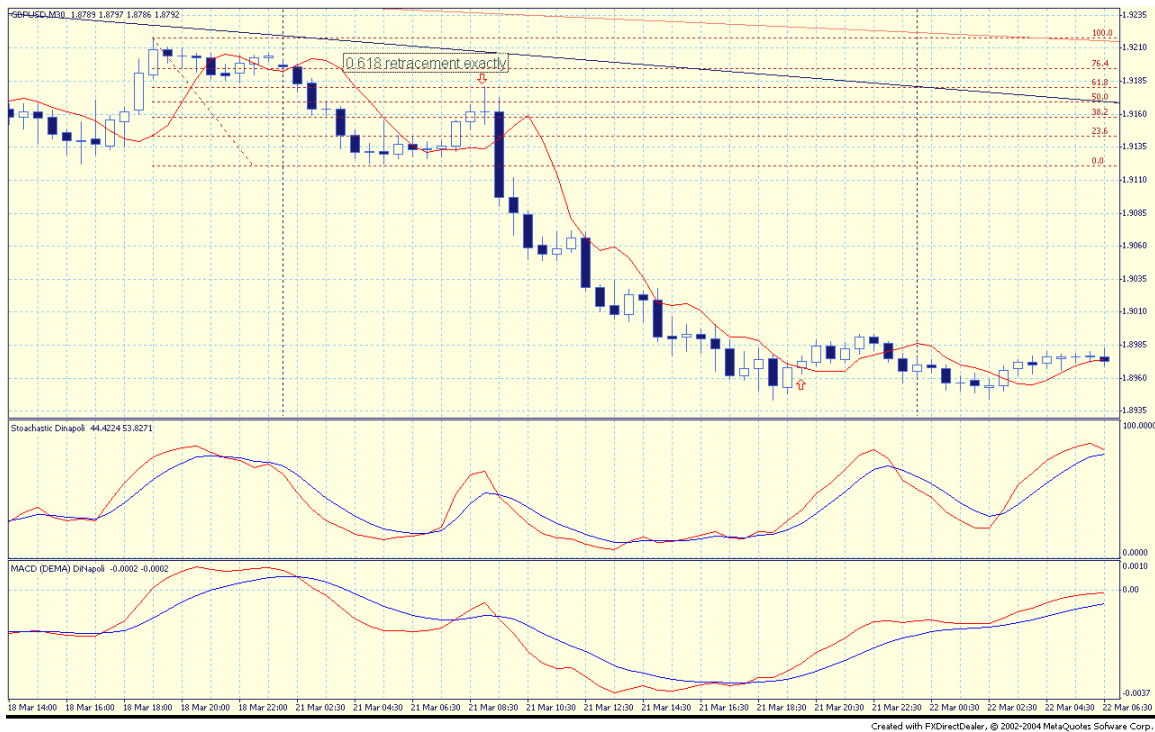


First, we have had such a great response to my video seminars that I thought you should see what other traders are saying..

*Hello Neal. Just wanted to say that I have learned much from your videos. Once I finished them I applied the knowledge and have already made my money back several times over. I trade the forex.
Eric*

*Neal,
After watching the ProfitPoint video 050320FOREX, I was convinced the EURUSD and GBPUSD would fall.
I was so convinced 0.618 would end the retracement on the GBPUSD , I sold it at 1.9157 after seeing a 30minute evening star . I exited on a close above the 3x3 line which coincided with a 2.168 expansion. The profit was 184 pips. It was exciting to watch the price drop so quickly from the 0.618 level. See chart attached.*

Ken



Lesson 1: Introduction

Thank you for requesting our free email lessons on Fibonacci trading, by Neal Hughes (FibMaster) at <http://www.fibmaster.com>. Neal is a professional trader with over 20 years of experience trading the markets. He has developed an entire trading methodology based on Fibonacci Analysis. In this series of free lessons, he highlights some of the techniques he has developed from his trading career.

Fibonacci is the basis of many trading methodologies, and many billions of dollars are traded every year based on Fibonacci techniques.

We're not going to bore you with the history of Leonardo Pisan, Fibonacci, but it is interesting. So, when you have the time, take a look at the following link for some biographical info.

<http://www-groups.dcs.st-and.ac.uk/~history/Mathematicians/Fibonacci.html>

We do have to cover some ground before we can get to the charts.

Fibonacci is best remembered for his Fibonacci sequence, which is the series of numbers where each number is the sum of the two preceding numbers. 1, 1, 2, 3, 5, 8, 13, 21, 34, 55...

What we are interested in is the ratio between these numbers: the Fibonacci ratios. By comparing the relationship between each number, and each alternate number, and even each number to the one four places to the right, we arrive at some fairly consistent ratios. The important ones are .236, .50, .382, .618, .764, 1.382, 1.618, 2.618, 4.236, and for good measure we include 1.00.... This can start to look complicated, but it really isn't.

It turns out that the ratios are mathematical principles prevalent in nature around us, and is also in man-made objects. There are many interesting, entertaining, and poetic observations about Fibonacci numbers and ratios in the universe. Fibonacci numbers and ratios appear in ancient buildings, in plants, planets, molecules, the dimensions of human bodies, and of course rabbit populations. (See the reference section on Neal's website <http://www.fibmarkets.com>).

But of what use is all that to the intrepid trader?

Traders usually study charts! Fibonacci ratios may be applied to the Price scale and also to the time scale of charts. Neal applies his Fibonacci analysis to the price scale, so his focus here will be on the price scale.

Remember, prices never move in a straight line. When you look at any chart you will easily see the ebb and flow of a stock as its' price advances and retraces. Stocks, Futures, Forex, Indices, all instruments which are liquid, will often retrace in Fibonacci proportions, and advance in Fibonacci proportions. Not always, and not precisely to the penny. But very often, and so close as to be truly amazing!

These Fibonacci price-points can be calculated **in advance**, giving us the opportunity to predict possible market turning points. When the price reaches these predicted areas, we can watch for a profitable trade if the market behaves as we expect it to.

There are many out there who seem determined to make Fibonacci as complex as possible, enveloping it mystery and secrecy, offering complex mathematical formulas, etc. Neal does just the opposite. He strips away all the hocus-pocus that surrounds Fibonacci analysis and shows you what is truly important.

Neal believes in keeping it simple, and has gone to great lengths to make Fibonacci trading easily understandable. His "Introduction to Fibonacci Trading" video seminar is easy to understand, and shows you how Fibonacci techniques are applied to actual charts. If you're interested in trading with Fibonacci, this video is the place to start. Download it to your computer today: [Click here to order the seminar.](#)

Neal Hughes uses Fibonacci ratios with a few simple indicators to help determine probable price turning points, optimum entry, exit and stop-loss levels. His complete techniques are available in on-line video seminars, in-person seminars. For more details, see the following web page: [Click for details](#)

OK, that's it for Neal's short introduction. Next time he will jump into some charts and show you just how amazing Fibonacci analysis is and how you, as a trader, can profit from it.

Please join our free members web pages to see our trades in action. Click here to sign up:

<http://www.fibmarkets.com/membersjoin.html>

Lesson 2: The .382 Fibonacci ratio.

This is the second of our free email lessons on Fibonacci trading, by Neal Hughes, (FibMaster), at <http://www.fibmaster.com>. Neal is a professional trader with over 20 years of experience trading the markets. He has developed an entire trading methodology based on Fibonacci Analysis. In this series of free lessons, he highlights some of the techniques he has developed from his successful trading career.

In the last lesson, Neal talked about the many Fibonacci ratios. In this lesson he will focus on the .382 ratio and what it means to you as a trader.

Let's look at Microsoft weekly chart. In this chart MSFT made a high of (approximately) \$59.97 in December of 1999. After that, it moved down to make a low of \$30.19 in May of 2000. The down move was \$29.78 (\$59.97-\$30.19), quite a substantial amount.



Most charting software packages include Fibonacci ratios, but you should know how to calculate them yourself.

Here's how you calculate the Fibonacci ratio. You multiply the down move of \$29.78 by the .382 Fibonacci ratio which equals \$11.37. So 38.2% of \$29.78 is \$11.37. Now add that \$11.37 to the current low of \$30.20 and you get \$41.57.

In other words, if MSFT were to rally 38.2% of the down-move it would reach \$41.57 (\$11.37+\$30.20). (We are using rounded numbers in these calculations). The chart above calculates it to be \$41.564. We don't need that degree of accuracy!

Move forward in time and see what happens. Several weeks later, MSFT rallied and resisted right at that .382 Fibonacci level !!

What does this mean to you, the trader? It means you will know **ahead of time** there will be probable resistance at that \$41.57 level.

To review, the steps involved are:

1) Calculate the total value of a significant price-move (high to low, or vice-

versa).

- 2) Calculate a Fibonacci retracement (in this case .382) of the prior move.
- 3) Look for price to confirm, by resisting (or support in an up-move) near that predicted retracement area.

There are many ways to trade this chart, and we will get to that in future lessons.

Neal believes in keeping it simple, and has gone to great lengths to make Fibonacci trading easily understandable. His "Introduction to Fibonacci Trading" video seminar is easy to understand, and shows you how Fibonacci techniques are applied to actual charts. If you're interested in trading with Fibonacci, this video is the place to start. Download it to your computer today: [Click to order seminar.](#)

Neal Hughes uses Fibonacci ratios with a few simple indicators to help determine probable price turning points, optimum entry, exit and stop-loss levels. His complete techniques are available in on-line video seminars, in-person seminars, and via his real-time on-line chat facility. For more details, see the following web page: [Click for details.](#)

Please join our free members web pages to see our trades in action. Click here to sign up:

<http://www.fibmarkets.com/membersjoin.html>

In the next lesson Neal will focus on another important Fibonacci retracement level, the .618.

Lesson 3: The .618 Fibonacci ratio

This is the third of our free email lessons on Fibonacci trading, by Neal Hughes, (FibMaster), at <http://www.fibmaster.com>. Neal is a professional trader with over 20 years of experience trading the markets. He has developed an entire trading methodology based on Fibonacci Analysis. In this series of free lessons, he highlights some of the techniques he has developed from his successful trading career.

In the last lesson Neal focused on the .382 Fibonacci ratio. In this lesson he will look at the .618 ratio. Let's look at Microsoft daily chart.



There was a high in July 2000 of \$41.44 and a subsequent low in October 2000 of \$24.22, a down move of \$17.22.

Here's the math: multiply the down move of \$17.22 by the Fibonacci ratio of .618 and you get \$10.64. Now add that \$10.64 to the low of \$24.22 and you get \$34.86. (Again, most charting packages do these calculations for you).

In November, Microsoft resisted right at that level !! Pretty amazing, eh?

So you now know two of the Fib levels Neal Hughes considers important: the .382 and the .618. But beware, you shouldn't blindly enter the market at these Fibonacci levels.

For example, look back on this chart and notice how the market behaved at the .382 level (30.80 area). Initially the market spiked through the .382 level, then fell back to it (late October). We cannot expect a chart to retrace at every Fib level, but we can expect some support/resistance as

buyers/sellers enter the market at these levels. Also, we can't always predict whether the market will actually turn at any particular level.

Fibonacci techniques are used to alert you to a possible trade, if that price level does cause support or resistance. These techniques are not used as a trigger for entry. Other indicators are used in conjunction with Fibonacci studies to provide higher-probability entries.

It is those higher-probability trades that Neal Hughes is interested in and will cover in his future lessons.

Important notes from this lesson:

- 1) There are several Fib levels.
- 2) It takes some skill to determine which Fib level is likely to cause the market to turn.
- 3) There are some techniques to help you determine where a market is more likely to turn.
- 4) Do not blindly anticipate a market turn at a Fib level.

There are many ways to trade this chart, and we will get to that in future lessons.

Neal believes in keeping it simple, and has gone to great lengths to make Fibonacci trading easily understandable. His "Introduction to Fibonacci Trading" video seminar is easy to understand, and shows you how Fibonacci techniques are applied to actual charts. If you're interested in trading with Fibonacci, this video is the place to start. Download it to your computer today: [Click to order seminar.](#)

Please join our free members web pages to see our trades in action. Click here to sign up:

<http://www.fibmarkets.com/membersjoin.html>

Click here for more articles by FibMaster:

<http://www.goforex.net/fibmaster-articles.htm>