Trading System
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INTRODUCTION

Welcome and thank you for purchasing the Fibonacci Killer trading system. You have made a very wise decision to join a selected team of traders that are really making serious money in trading.

The Fibonacci Killer will show you exactly how we trade the FOREX markets day in and day out, and will reveal to you any aspect of our trades. Follow this system closely and make sure you experiment in a demo account before starting to trade on a real account.

Fibonacci Ratios are one of the most remarkable phenomenons of the nature. First we will explain how the Fibonacci numbers are created and then how they come to life in nature and trading.

The Fibonacci sequence is a sequence of numbers that fulfill a simple condition: each number is the sum of its two previous numbers:

1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233, 377, 610, …

Many processes in nature follow the pattern of Fibonacci numbers: from population of rabbits to the graphics on oysters, these numbers and the ratios between them. Those who are interested are welcome to read this thorough article about Fibonacci Numbers.

Unsurprisingly, these numbers turn out to be of prominent importance in trading as well.
THE IDEA OF RETRACEMENT

Before showing how to use Fibonacci in trading, we would like to present a very reliable trading principle which we will use in the Fibonacci Killer system: the retracement.

The retracement is a phenomenon that usually occurs after a strong trend. After a strong trend price tends to stop to 'regain its momentum', and enter a small range with low momentum. In this period price is usually non-trending or trending slowly in the opposite direction.

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The reason of this phenomenon lies in psychology: in order for a trend to continue a continuous stream of buyers or sellers are needed. After a mass of buyers or sellers join the trend there is a temporary halt in the trend. This stop allows more traders to inspect the trend and test its strength. After testing and confirming the trend strength more traders join and the trend continues.

This is why most retracements result in the continuation of the trend.
FIBONACCI RETRACEMENT

One famous method of analysis that involves Fibonacci is the Fibonacci Retracement. It is a trading strategy that uses periods of trend to find zones in which price is likely to retrace to.

For some reason, price tends to retrace to constant levels that can be calculated by the Fibonacci ratios: 0.236, 0.382, 0.5 and 0.618.

These ratios serve as a potential location for price to reverse on, and for us – a good place to signal trades.

To find these levels on the chart we need to follow these simple steps:

1. Find a Trend

   Find a period of strong trend.

   You should find a period in which price has moved a lot in a short period of time, preferably with strong momentum.

2. Find the lowest low and highest high

   Find the lowest low and highest high of the trend
And then use the Fibonacci Retracement tool to draw the levels on the chart:
And after you apply the Fibonacci Tool on the charts:
The Fibonacci retracement tool automatically draws the needed levels of the chart.

Price usually stops on these levels before continuing the trend, like in this example:
By joining the trend in these levels we are able to pin-point trading signals but ease, and generate good trading signals right before the trend continues, so they are very accurate and precise.
IDENTIFYING TRADING SIGNALS

The trading set-up we will trade involves price touching this Fibonacci level. We will trade only touches on the 38.2 level as it is one of the most powerful setups that generate the biggest profits.

After we have drawn the Fibonacci lines and know where the reversal levels are, it is time to signal the trade. Our primary trigger will occur when price touches the Fibonacci level of 38.2.

However, this criterion alone is not enough for signaling trade, we will require another confirmation – in the form of price-action. This will increase our hit rate and maximize our profitability.
To ensure that the trading signal is powerful enough and increase our win rate, we will require a confirmation from price-action and support and resistance. There are 2 kinds of confirmations we will use: support and resistance levels, and Moving Average confirmation.

A Support or Resistance confirmation means that we need to see that price has already stopped at this level in the past, so we know that this level has proof of strength and psychological importance.

If price has stopped at this level once it is far more likely that it will stop on it again, and do the retracement.
The 2\textsuperscript{nd} form of confirmation is moving average confirmation. It appears when price is also touching a sloped moving average at the Fibonacci level. We will use the 20-period Simple Moving Average in our examples. Example:
It is important that this moving average is sloped and not flat, as in this case the moving average is more likely to be a reversal zone for price:
EXACT ENTRY TIMING

The exact entry timing is calculated using Japanese candlesticks and is designed to add one final confirmation to the system.

After we have identified the entry and confirmed it using price-action, it is time to time our entry.

A first condition is that price touches or comes very close to the Fibonacci level:
After price has touched this level, we will wait for one candle in the opposite direction.

**For example:** for long trades we will wait for one trade to exceed the previous candle's high value. For short trades we will wait for one trade to exceed the previous candle's low value.
STOP LOSS

Stop Loss is calculated by price-action methods and depends on the volatility of the pair.

It is calculated by this method:

- **For Long Trades**, place stop loss 5 pips below the lowest low of last 4 bars.
- **For Short Trades**, place stop loss 5 pips above the highest high of last 4 bars.

This stop loss technique makes sure that our stop loss is set at a logical place: a support or resistance level, and that our risk is minimized and under control. I advise you to implement this principle in other trading systems as well: as it gives you a tight yet sufficient stop loss that maximizes your gain potential and minimizes your risk.

Do not deviate from this stop loss rule.

Examples for Stop Loss:
In the Fibonacci Killer trades do not have a profit target. Instead we analyze the market and look for exit signals.

Trade is closed when the trend is getting weaker. We can see that by the middle band getting flatter and less sloped. If the middle band is flat we will exit the trade.

If price crosses the moving average in the opposite direction we will also close the trade.
Money Management

"Successful traders have a larger edge and better money management than unsuccessful traders. Unlike popular belief however, this study shows that the smaller edge of successful traders is not the cause of their failure. Traders' failures can be explained almost exclusively by their poor money management practices."

"The Secrets of Successful Trading", Fernando Diaz

Money management is another part of the system that is here to protect your capital and reduce your drawdowns. We will now present you several money management rules you should employ. Do not deviate from these rules at any cost:

**Never risk more than 1-3% of your capital in any single trade** – Never risk more than this amount in any trade you enter. Risking more than 5-10% in any trade will lead you to great risk, and very few losing trades would kill your account, preventing you from trading and recovering from your losses.

**Never change your Stop Loss** – Never change your stop loss due to your capital and equity. We have presented you with solid stop loss rules you should use to calculate your stop loss point. This point has nothing to do with your capital and should not be affected by it. You should change the trade size (lots) to fit the amount you are willing to risk. For example: your stop loss is 10 pips and your equity is 10,000$. You wish to risk 2% of your equity in this trade, so you enter trade with 2 lots – so your risk is 200$, or 2%.

For traders interested in learning more about money management we recommend entering this great mini-site:

Mindset

This is the final concept we will explain before teaching you the trading setups. However, it is still important no matter how or what you trade. It also derives from the first conclusion regarding the hit rate: any trade sometimes has losing trades. No matter how good your trading system is, it may have losing trades. In any system or strategy, you may also face streaks of 4-5 losses in a row. This is the reality of trading and you have to face it.

However, professional traders know that these streaks have nothing with their trading proficiency or abilities. They are simply the result of temporary bad luck. What most novices do in such situations is starting to questions themselves: they think about changing their trading strategy, adding indicators or confirmations, or completely changing their system. They do not understand that their system is fine – and these losses are a part of trading reality. They alter their system after any loss, aiming to achieve 100% hit rate. 100% hit rate is not achievable, as in any time one bank can take a trade against you and drop the market 50 pips in a second. There is no way you can anticipate such moves, so please stop trying.

What you need to understand here is simply: always stick to the strategy. Do not change it no matter how much you lose. Don’t worry, if you trade this strategy, your winning will be 3, even 4 times the losses. Again, do not change the system. It has proven itself for a hundred years and will continue forever, so enjoy your knowledge and trade the system as mechanically as you can.

A good exercise you can do to increase your confidence in the strategy is to look for past set-ups and trades. Look for past trades in the currencies and timeframes you are comfortable with, and summarize the result. Calculate the profit the strategy made in the past, so you are 100% sure that it is consistently profitable and your fear is reduced.

For more information about trading mindset, we recommend the great book, Trading in the Zone by Mark Douglas.
Final Words

Dear Trader,

Thank you for reading the Fibonacci killer™ strategy. We hope you have learned new techniques that will power-up your trading performance and profits. We encourage you to trade on demo accounts before applying the Fibonacci killer™ system on real money.

If you have any questions or suggestions do not hesitate to contact our technical team at:

To your trading success,

Michael Lenee – Fibonacci Killer Team....