Fibonacci extensions

Purpose: To set price targets & support/resistance levels. While Fib retracements measure where price might **retrace** to, extensions project where price might **extend** to.

Fib extension levels expressed as ratios:

- **1.0 ← Important** (typical C wave extension)
- 1.272
- **1.618 ← Important (strongest magnet)**
- 2.0
- **2.618 ← Important**
- 3.618
- 4.236
- 4.618

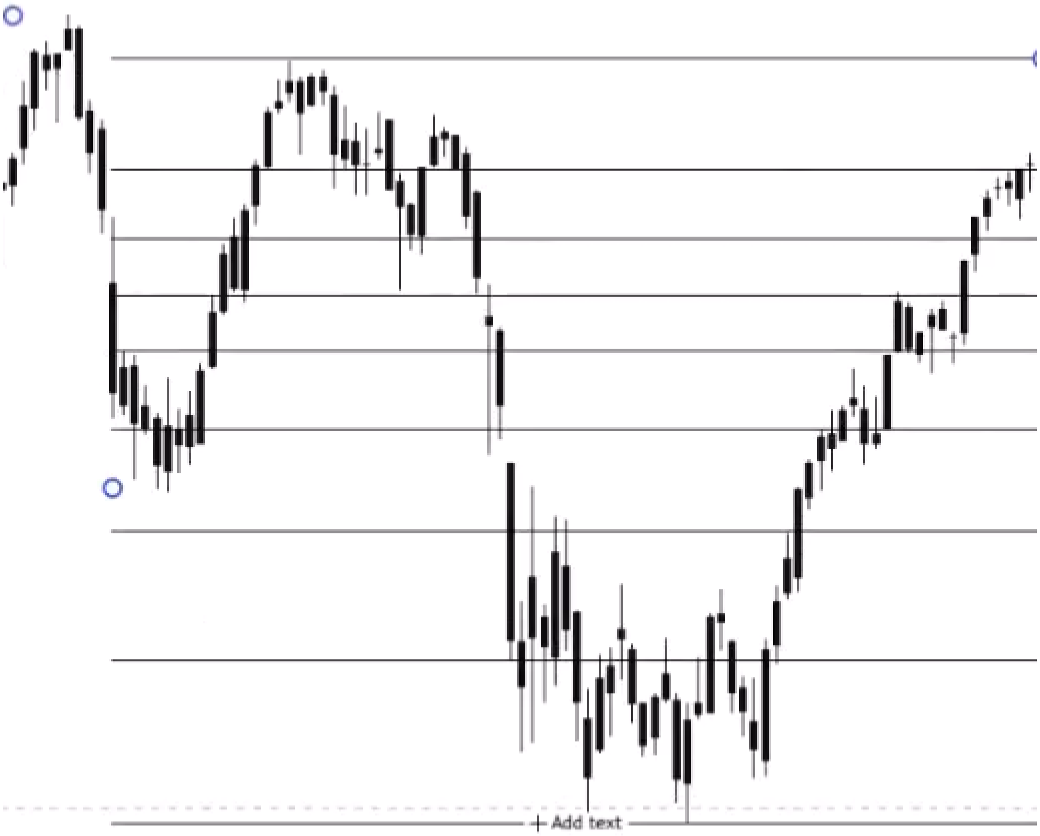
Just because price hits an extension level doesn't mean you automatically sell, but it can be a stronger sell signal if you see weakness approaching or hitting the zone.

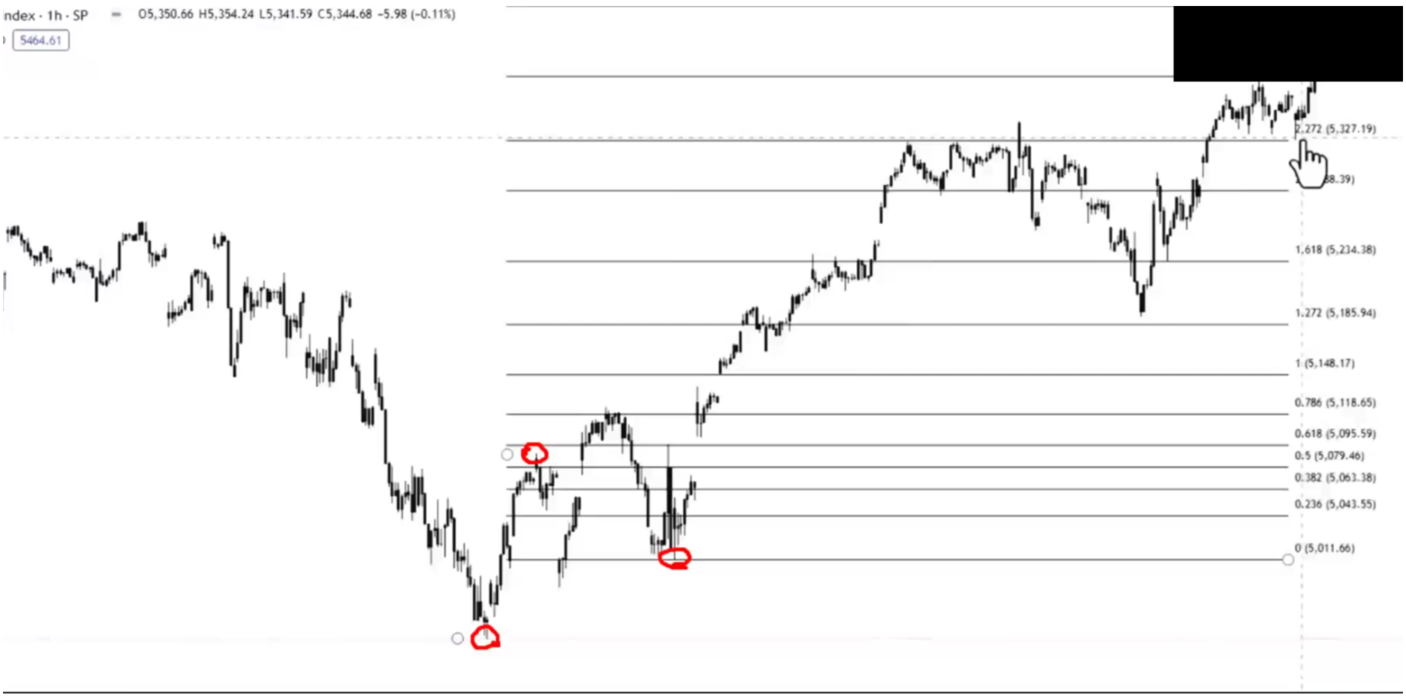
If it's a weak move (corrective wave), the C wave usually only hits 1.0 or 1.618. In a parabolic trend, switching to log scale is highly recommended.

How to Draw Extensions

Three clicks: Swing low → swing high → next swing low (for projecting upside). You're selecting from the start to the end of the correction — not just swing high to low to high.


Click 1
Click 3
Click 2
0 (4.52)
0.236 (5.96)
0.382 (6.85)
0.5 (7.57)
0.618 (8.29)
0.786 (9.31)
1 (10.61)
1.272 (12.27)
1.618 (14.37)





How Markets Move — Retracements + Extensions

Together

The full cycle of using Fibonacci in a trending market:

Wave 1 (Accumulation breakout): First push up. Once it finalises, expect a deep retracement — typically down to the 618 or even 786 zone. Why deep? Nobody knows it's wave 1 yet — sentiment is still bearish, they think it's just a continuation of the downtrend.

Wave 2 (Deep zag): Comes down to the 618 zone. Once it bounces and takes out the wave 1 high, you can draw your **trend-based Fib extension** (bottom → top → pullback low) to project the next target. The **1.618 is the most common target** for the next leg.

Wave 3 (Public participation): Extends up to the 1.618 target zone. Then you get another retracement — but this time it's typically shallower (382 or Fib 500) because the trend is now established and stronger. If wave 2 was deep, wave 4 is usually shallow (and vice versa).

Wave 4 (Shallow zag): Comes down to the 382 zone. Once it bounces and takes out the wave 3 high, draw another extension to project wave 5's target.

Wave 5 (Excess): Extends to the target, then you get the big correction of the whole move.

The Critical "Past the Zag Zone" Signal

If price comes down to the zag zone (382-618) and bounces = healthy, all good. But if it then rolls over, changes market structure, and breaks through the resistance-turned-support:

1. You're NOT just retracing the last move — you're retracing ALL of it
2. Get out the Fib retracement from the ENTIRE move (bottom of wave 1 to top of wave 5)
3. Look for support in the 382-618 of the whole move
4. Once buyers step in there + change of market structure + break back above the decline = re-entry

"The minute we go past the zag zone and resistance didn't become support, I know I'm not just retracing from here — I'm retracing all of it."

The Repeating Process

1. **Retracement** to find buy zones (where will the zag end?)
2. **Extension** to find targets (where will the next zig reach?)
3. Check Fib strength (236 = very strong, 382 = strong, 500 = normal, 618 = weak)

4. Repeat at each new zig-zag
5. When the zag goes too deep (past the zag zone) → switch to retracing the whole move instead of just the last leg

70-80% of the time, buyers step in at the zag zone. The probabilities are in your favour. When they don't, the probabilities shift — and that's when you don't want to be trading it. Always trade probabilities — stack the chips, become the casino.

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