

NEXGEN
SOFTWARE SERVICES

TOMORROW'S TRADING TECHNOLOGY

100% automated Fibonacci support and resistance levels that you can count on every single trading day in an instant.

T-3 Fibs
ProTrader

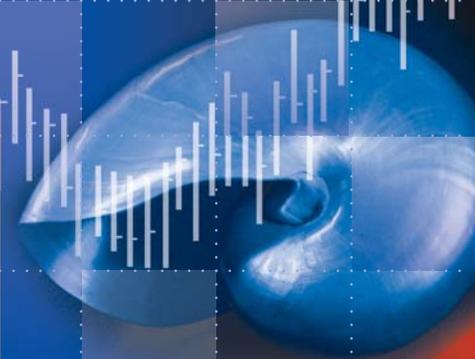
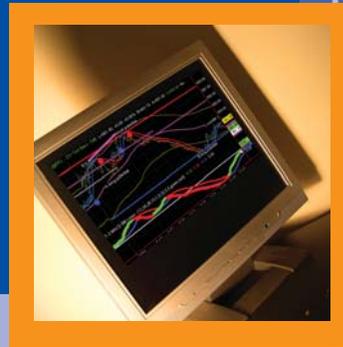


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Nexgen Software Services T-3 Fibs ProTrader User Guide

1) Areas

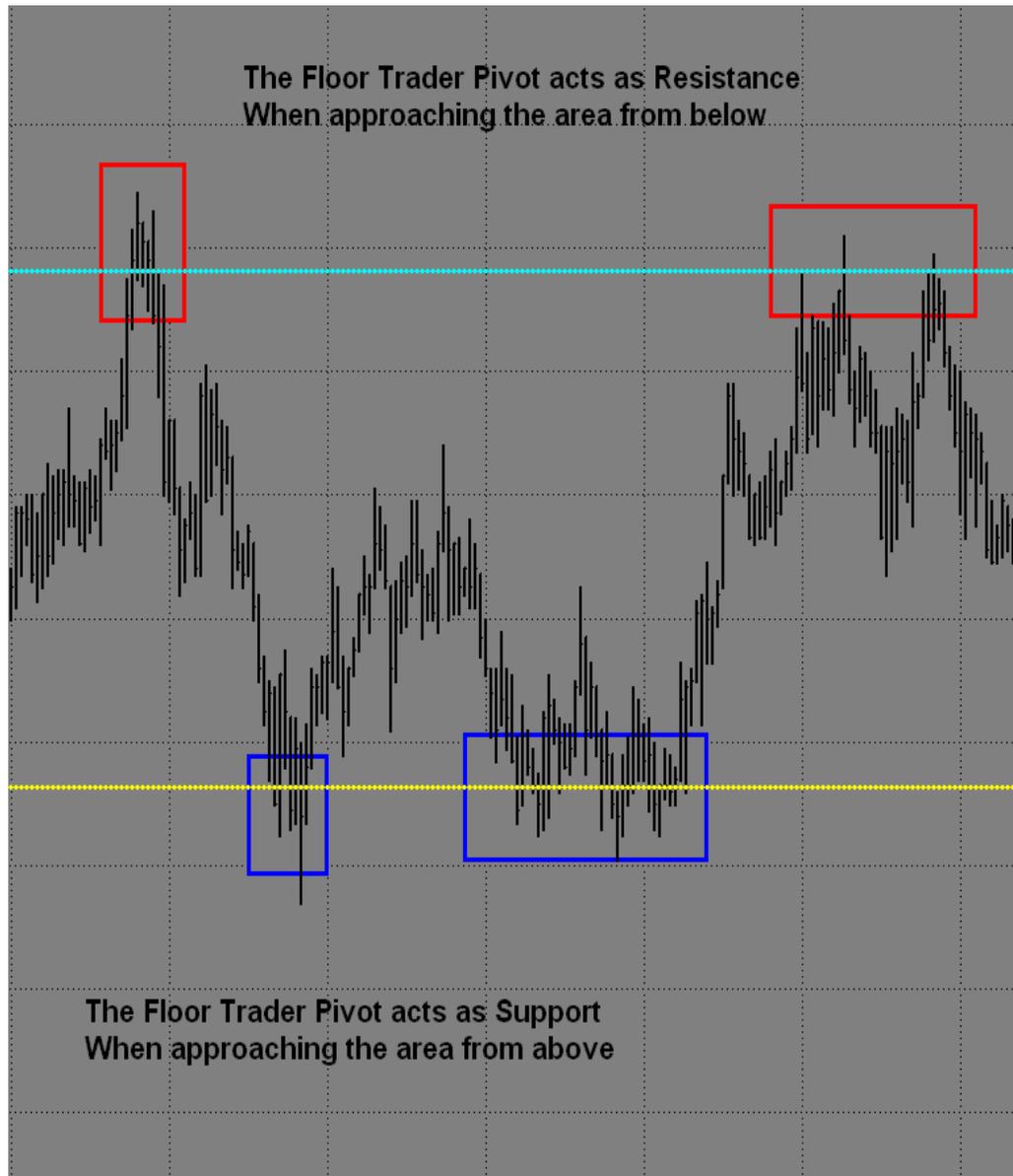
The T-3 Fibs ProTrader is one of the only indicators that you will need, and it will help you determine at what levels the market may turn.

Levels generated by the T-3 Fibs ProTrader are as follows:

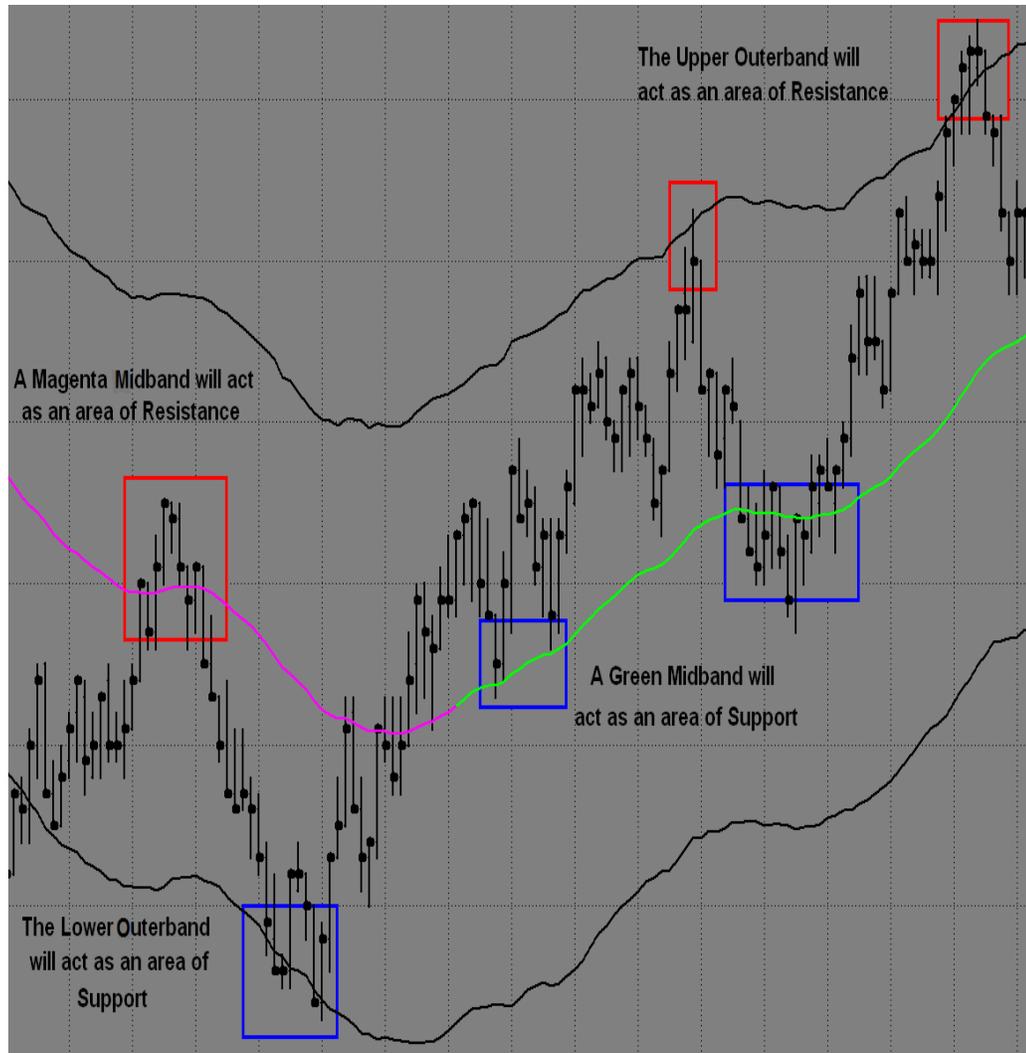
- A. **Fibonacci Confluence Areas** - These areas are very powerful clusters of Fibonacci ratios that fall into a tight range. They are used as the road map for our trading. These key areas will be extremely reliable for determining potential Reversal points in the market. Our Fibonacci confluence areas are generated by 10 “synthetically built” higher time frames. This gives us a complete, and accurate Fibonacci analysis, which are represented by red and blue lines. The solid red lines are Resistance and the solid blue lines are Support.



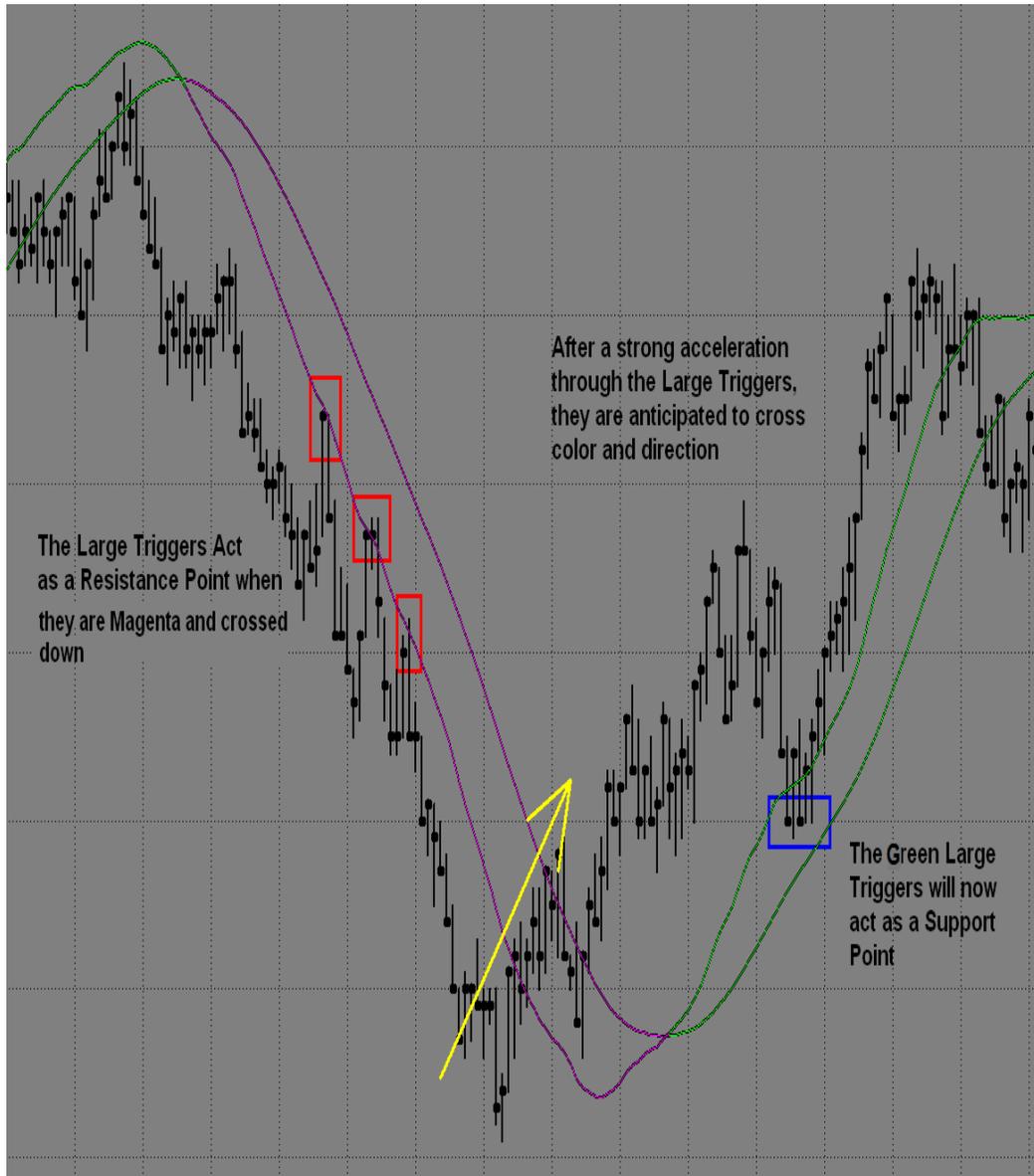
B. **Floor Trader Pivots (FTP)** - This is a well-known method used by floor traders and market makers in the trading pits. This system has been around for decades, and is still in use today. Floor Trader Pivots are used to calculate intraday Support and Resistance levels. The areas are calculated from the previous day's high, low, and close. This indicator is automated through TradeStation. They are the dotted lines on the minute charts.



- C. **Outer Bands and Midband (Trend Bands)** - These areas may act as Support or Resistance for entries, as well as areas for exits. The Midband and the Fibs will change colors automatically, but only after the confirmation of the breakout.

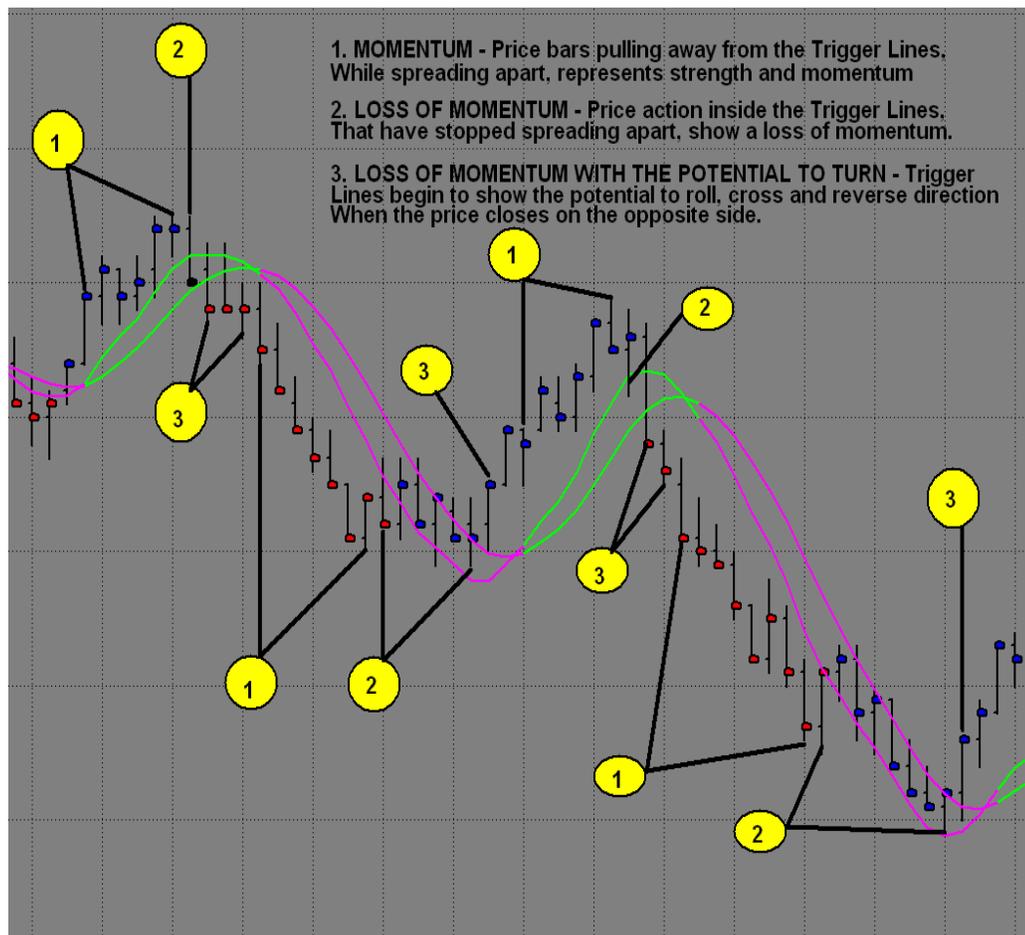


D. **Trigger Lines** – There are two sets of Trigger Lines, large and small. The Large Trigger Lines will represent the overall trend of the market. They provide information about the strength of the trend. They will also provide Support and Resistance areas that you will be able to use. All charts, from lowest to highest, are multiples of four. The Large Triggers, on a given time frame, will become the Small Triggers on the next higher time frame.

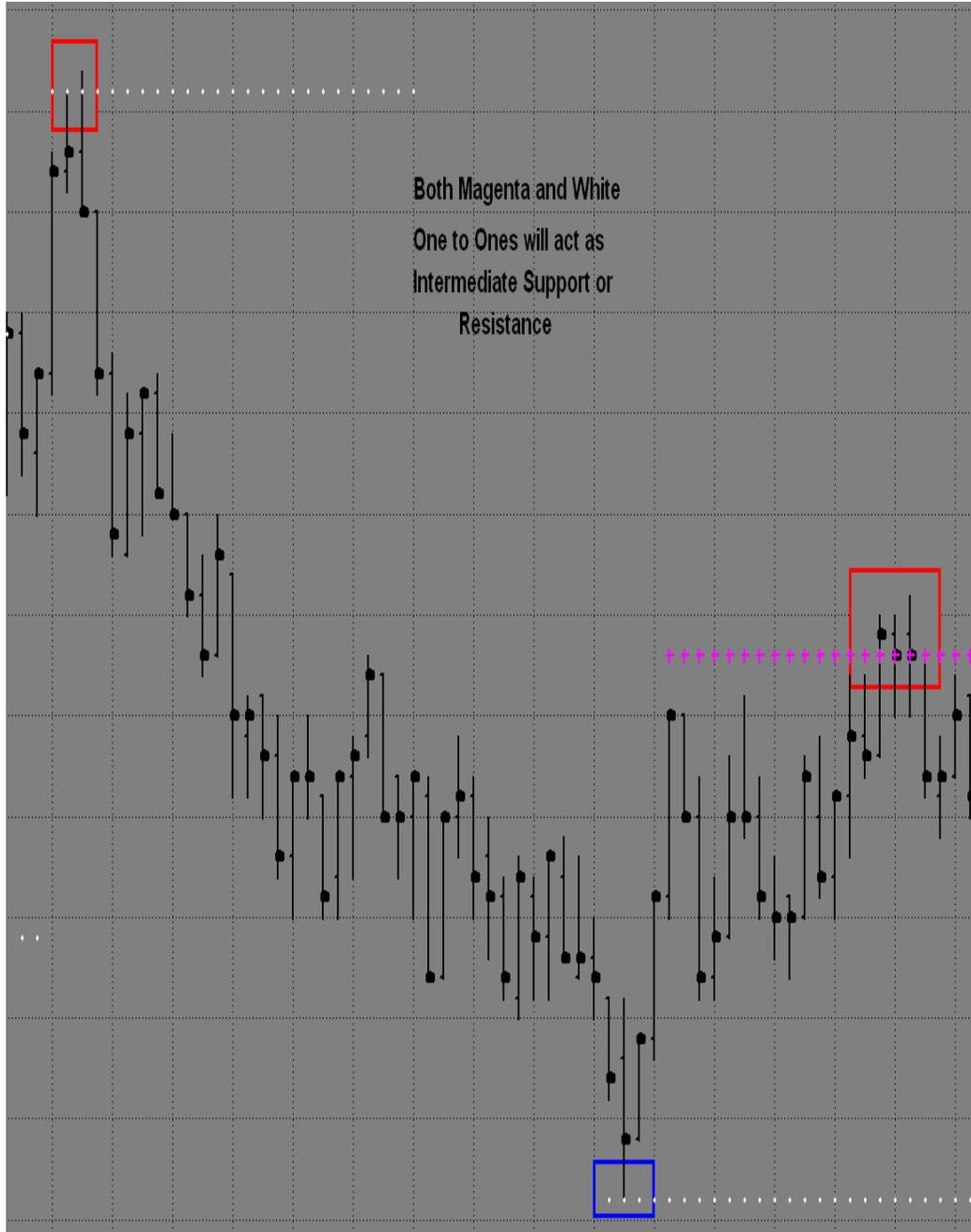


The Small Trigger Lines represent the quick expected outcome of the market and will be used as one of our momentum indicators. Notice the chart will coordinate with the numbered descriptions below.

1. **MOMENTUM** - Price bars pulling away from the Trigger Lines, while spreading apart, represents strength and momentum.
2. **LOSS OF MOMENTUM** - Price action inside the Trigger Lines, which have stopped spreading apart, show a loss of momentum. This is the first sign that momentum is weakening.
3. **LOSS OF MOMENTUM WITH THE POTENTIAL TO TURN** - Trigger Lines begin to show the potential to roll, cross and reverse direction when the price closes on the opposite side.



E. **One to Ones (1:1)** - These areas are useful as intermediate Support or Resistance. They may be stronger on higher time frames. The white 1:1s are 100% alternates projected from the previous swing. Magenta 1:1s project a new swing when the trend changes.

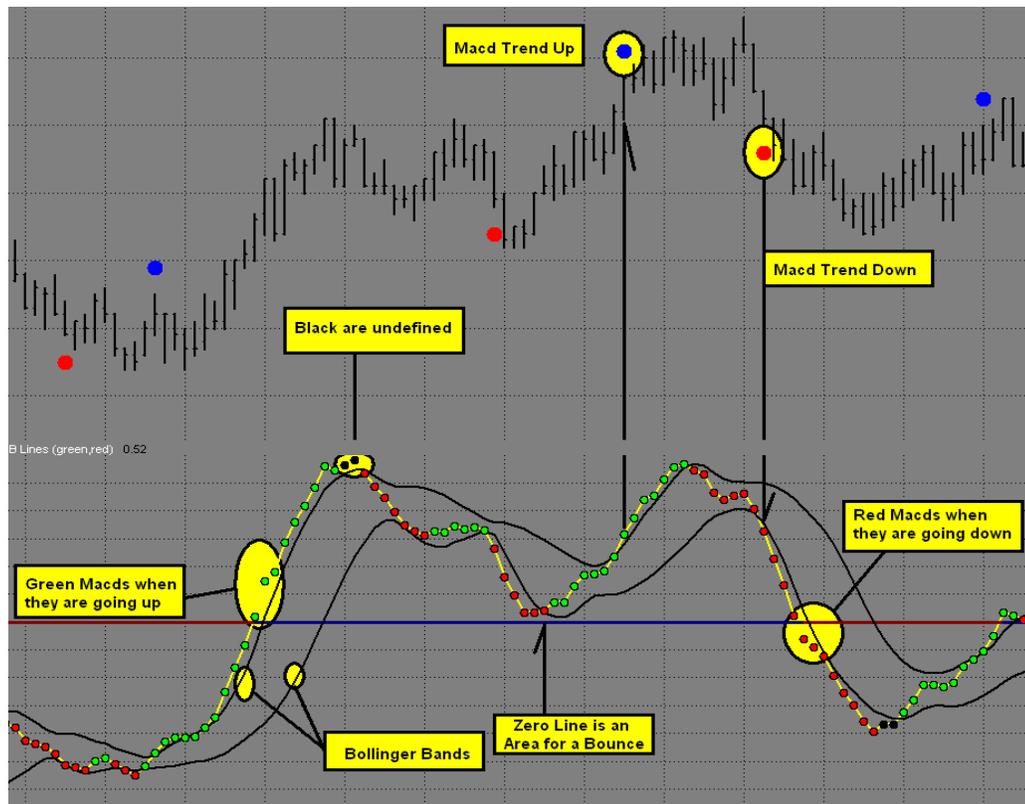


2) Macd BB Lines

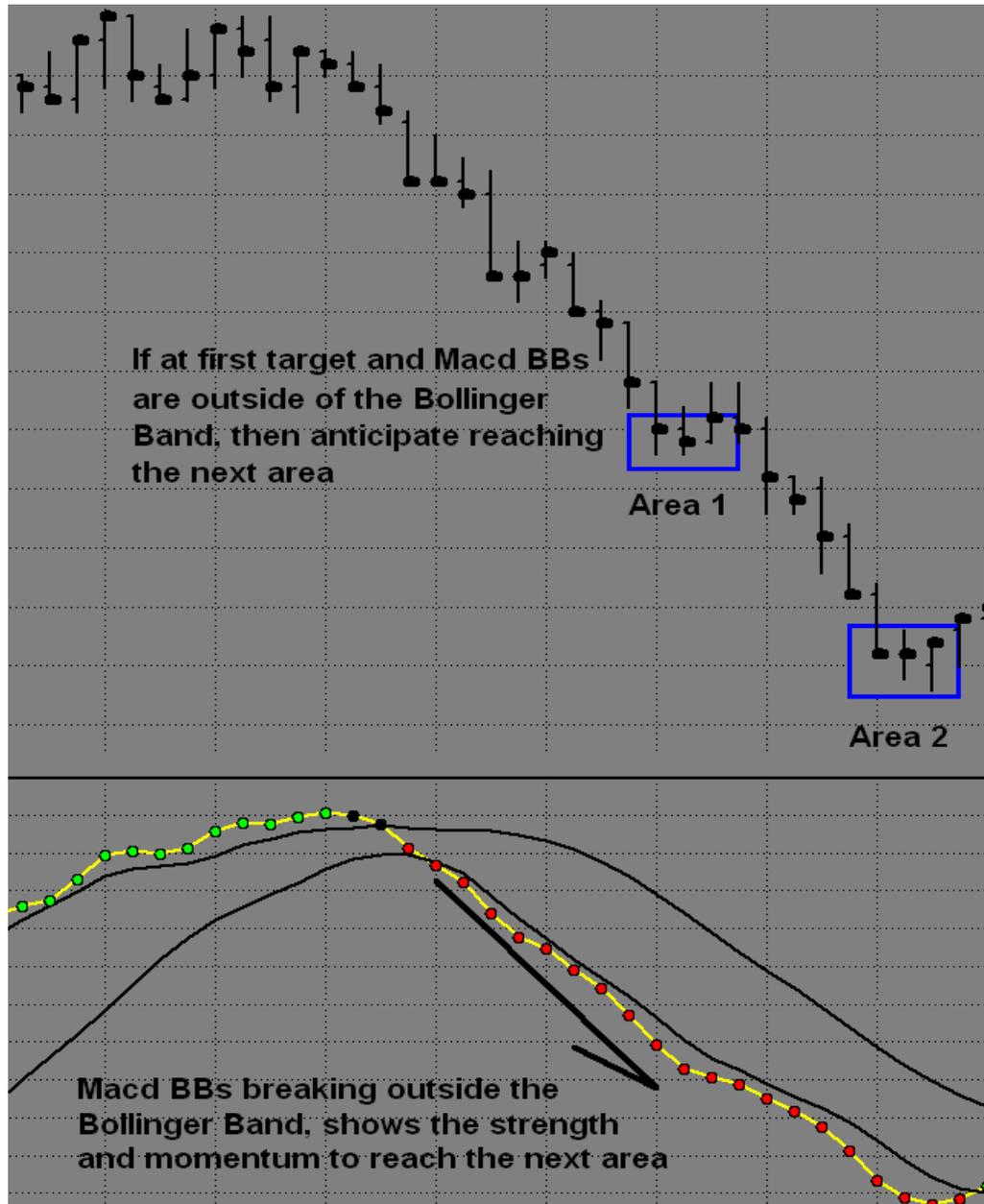
The Macd BB Lines is an indicator that will offer “insight” into the market’s strength or weakness. When at key areas, the Macd BB Lines will provide information about the current market, and its expected outcome for the near future. This indicator may require the most practice to become proficient, but once mastered it will be an invaluable tool.

A. Basics of the Macd BB Lines

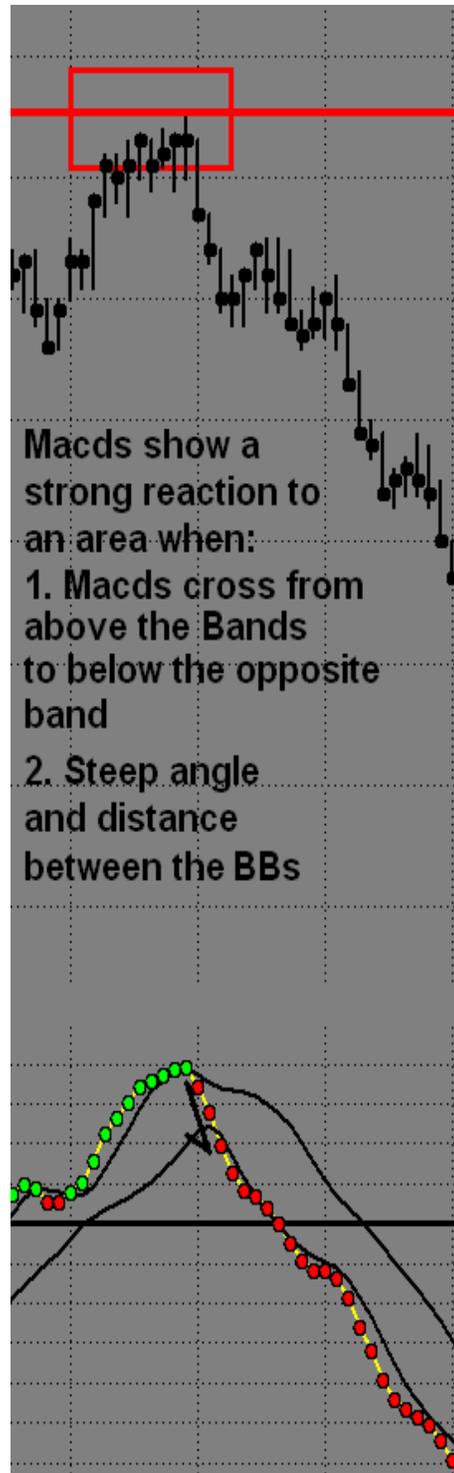
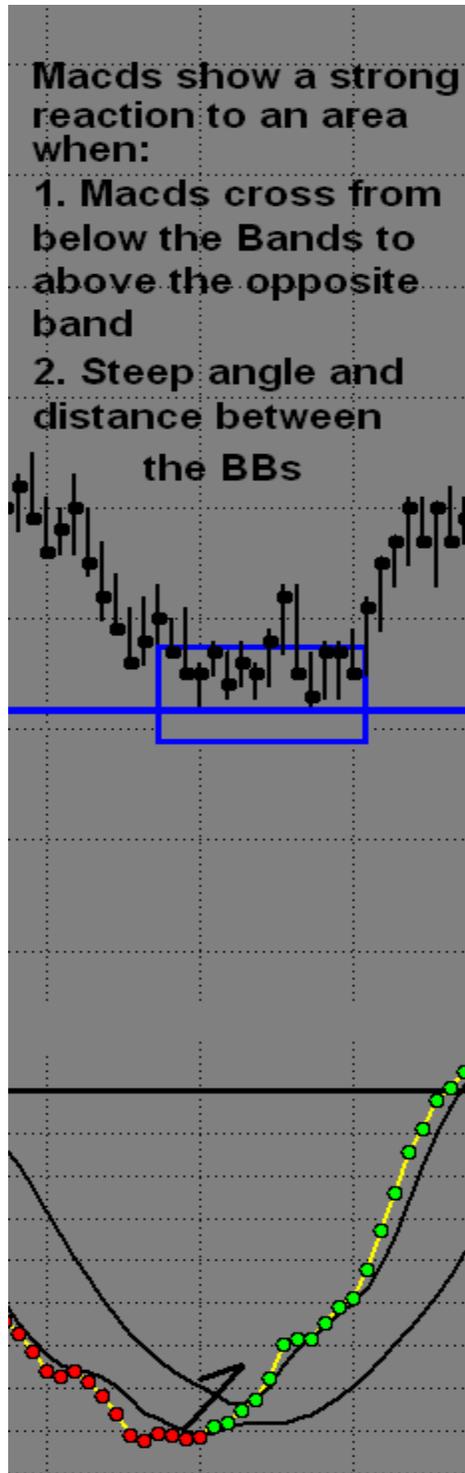
1. If the Macd BB Lines are slowing and the bands are coming together, it is indicative of weakening in the current trend and some consolidation or Reversal may take place. The swing distance on the Macd Bollinger Bands typically indicates the trend and the momentum.
2. If the Macd BBs are moving rapidly in one direction, with very little to no pullback, it is a strong move. This will typically happen after a period of consolidation on the charts.
3. The distance between the Macd BBs themselves is also a signal that will help you to determine the strength of the move. The larger the spacing between the Macd BBs, the more momentum there will be behind the move.



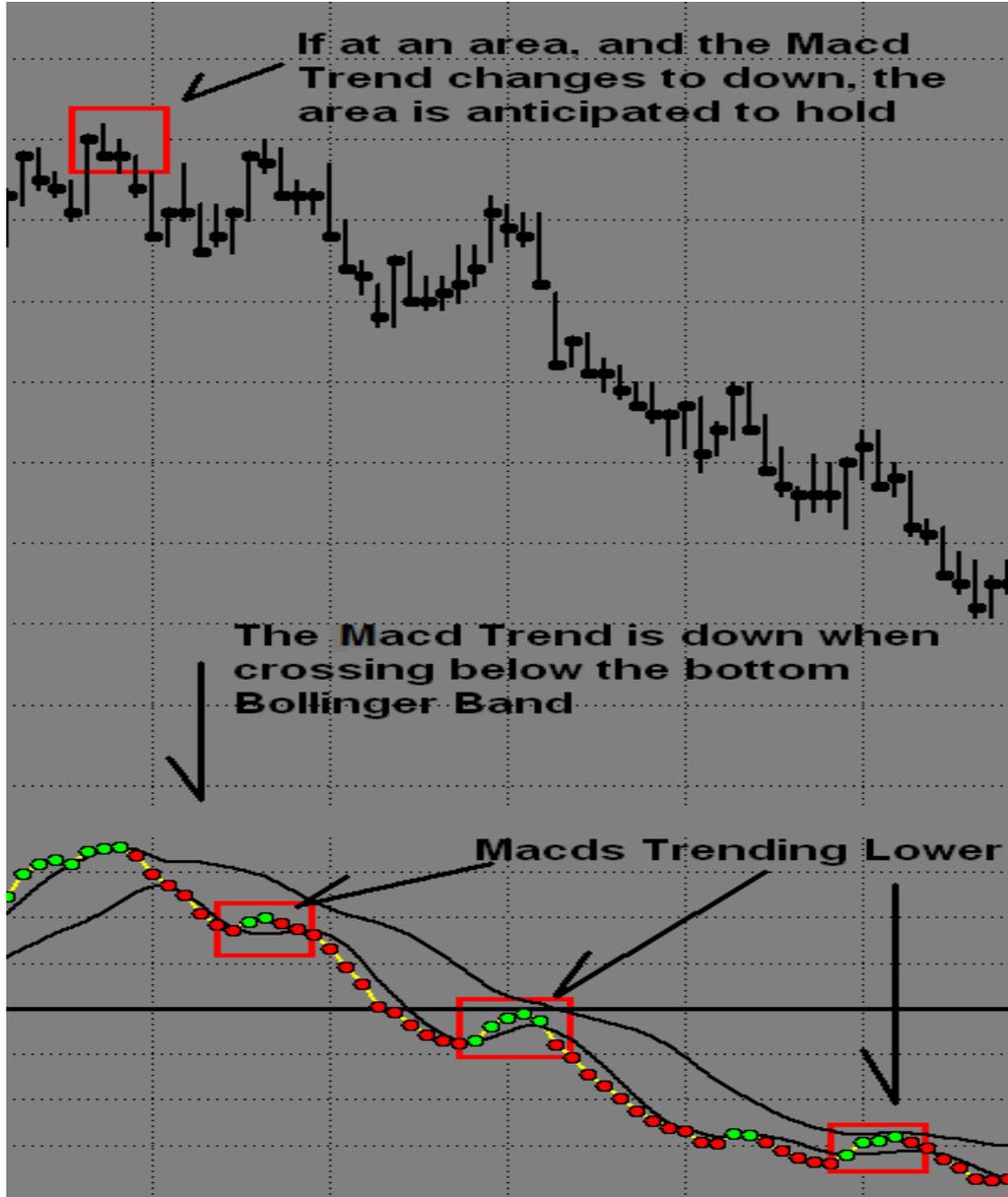
- B. **Macd BB Strength** - When Macd BB dots move outside of the Bollinger Band Lines, it will indicate that the market has a lot of momentum. Generally, it will continue in the current direction. If in a position, this will help you to remain patient to maximize your profits. If waiting to enter a new position, this will keep you from getting in too early.



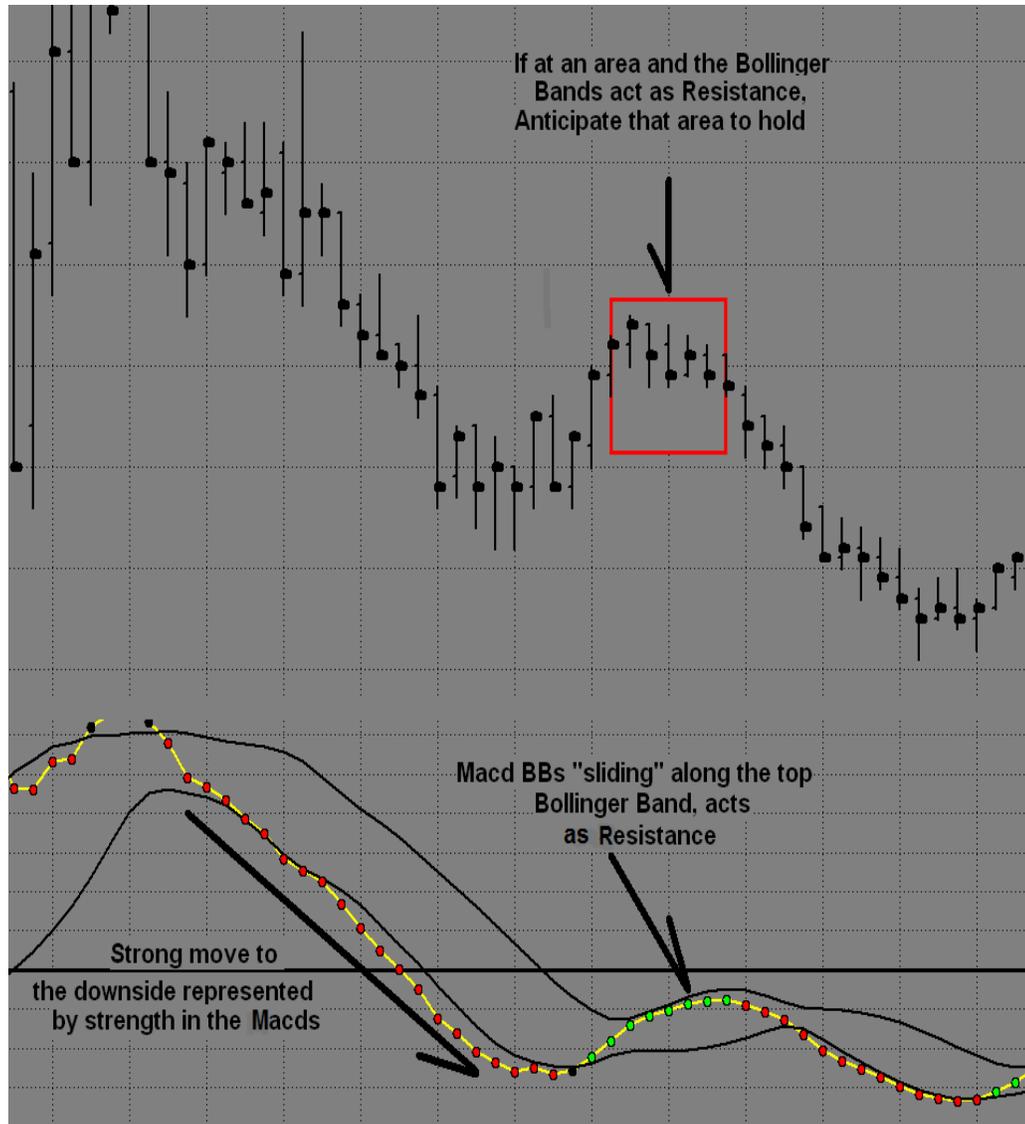
- C. **Recognizing a Strong Macd Reaction to a Key Area** - This will often validate that the direction has changed. Now look to trade in the new direction.



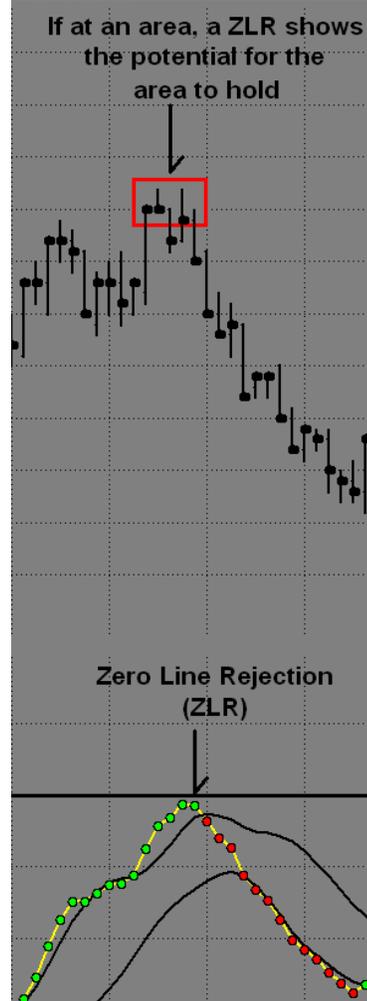
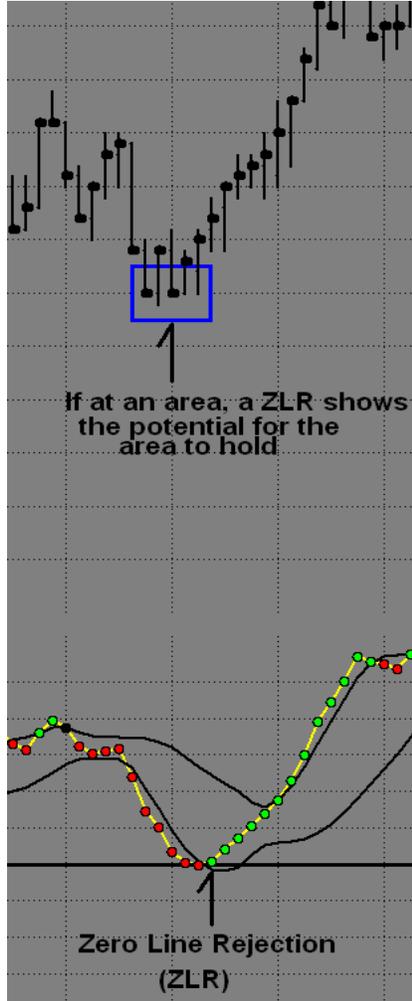
D. **Macd BB Trend** - When the Macd BBs cross the upper Bollinger Band, the Macd Trend is up. When the Macd BBs cross the lower Bollinger Band, the Macd Trend is down.



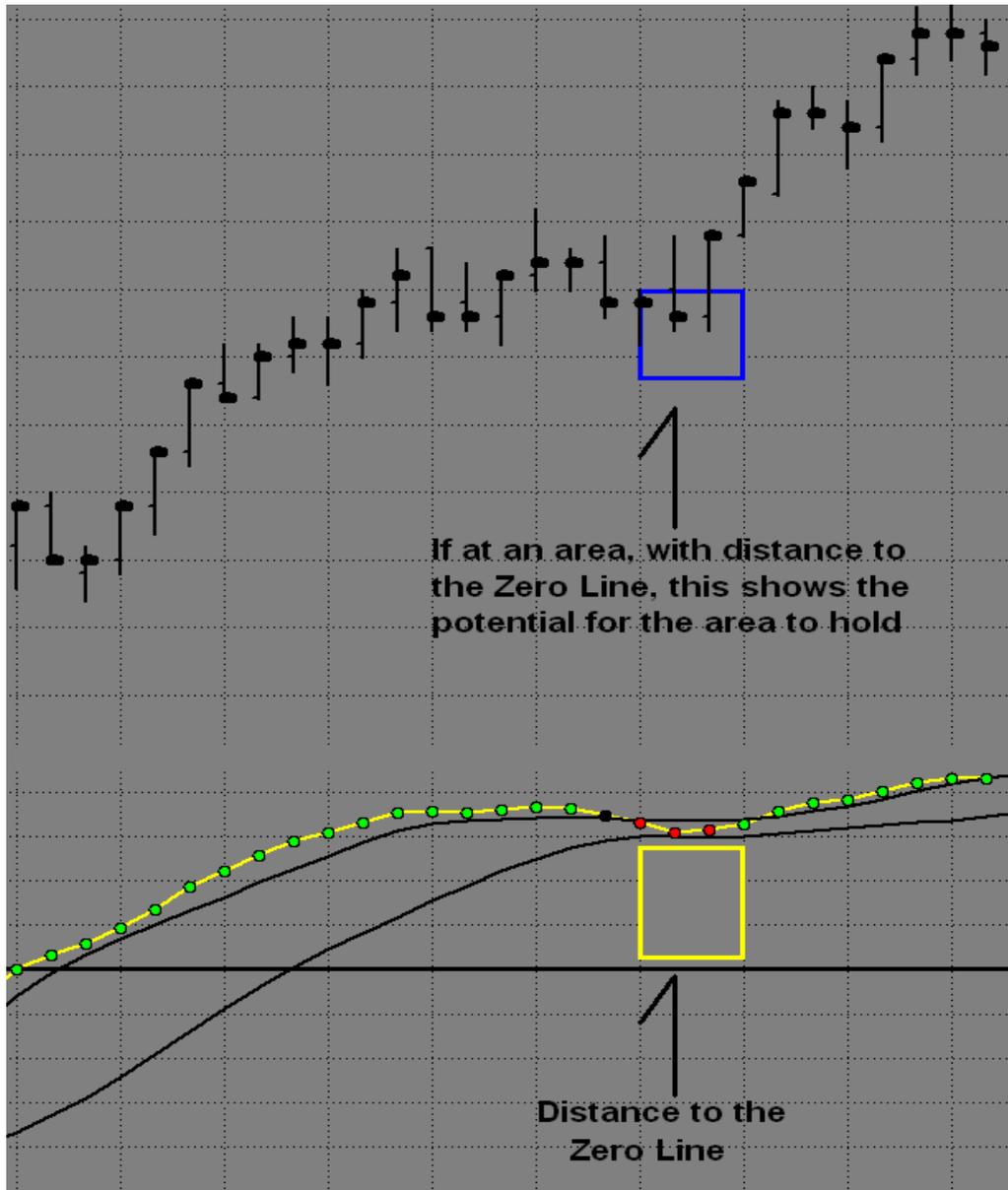
- E. **Bollinger Bands Acting as Support and Resistance** - This is expected after a strong move in the Macd BB Lines, and it is followed by a Retracement to the opposite Bollinger Band. It will seem as though the BBs are sliding along the Bollinger Bands and will generally be at key areas.



F. **Zero Line Rejection (ZLR)** - A Zero Line Rejection occurs when the Macd BB Lines reach the Zero Line and begin to turn. At this point, anticipate the trend to continue. If the Macd BB Lines move through the Zero Line, then anticipate that the trend has changed.



G. **Distance From the Zero Line** - Macd distance above or below the Zero Line helps to anticipate if the Midband, or other areas, should hold or break. If the Macd BB Lines are well ABOVE the Zero Line, it shows that the green Midband is anticipated to hold. If the Macd BB Lines are well BELOW the zero, this shows the potential for the magenta Midband to hold.



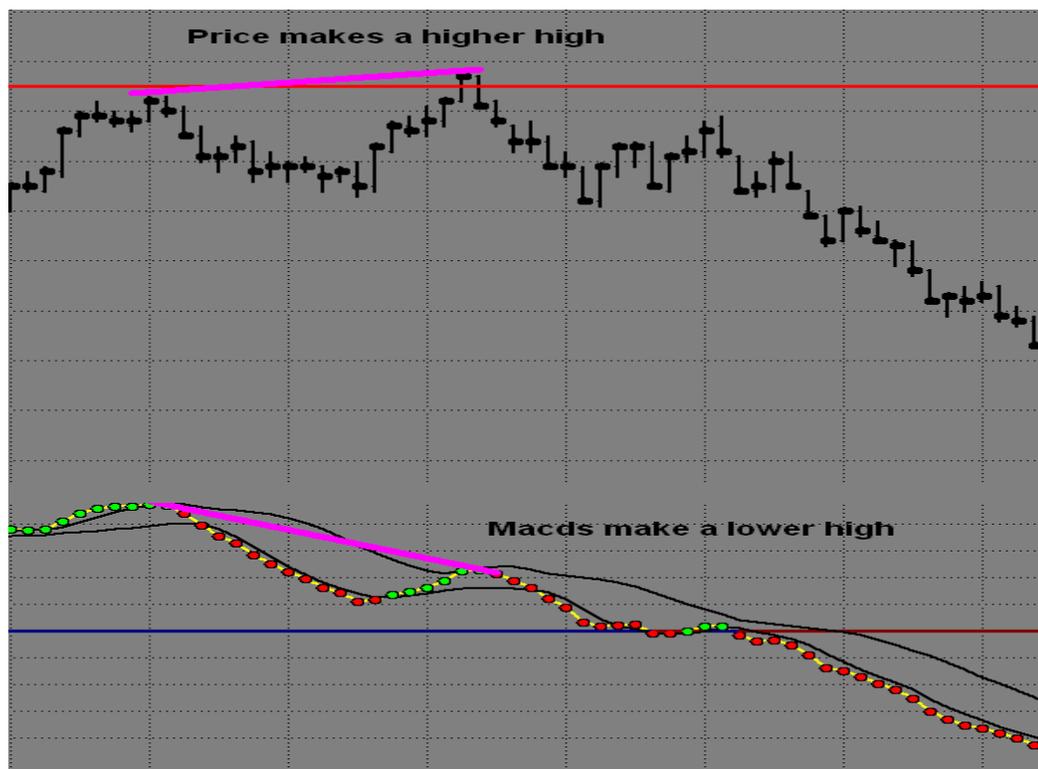
H. Divergences Between Highs and Lows

Divergence shows the potential that the trend of the market may change. A simple way to recognize this is when the Midband changes colors.

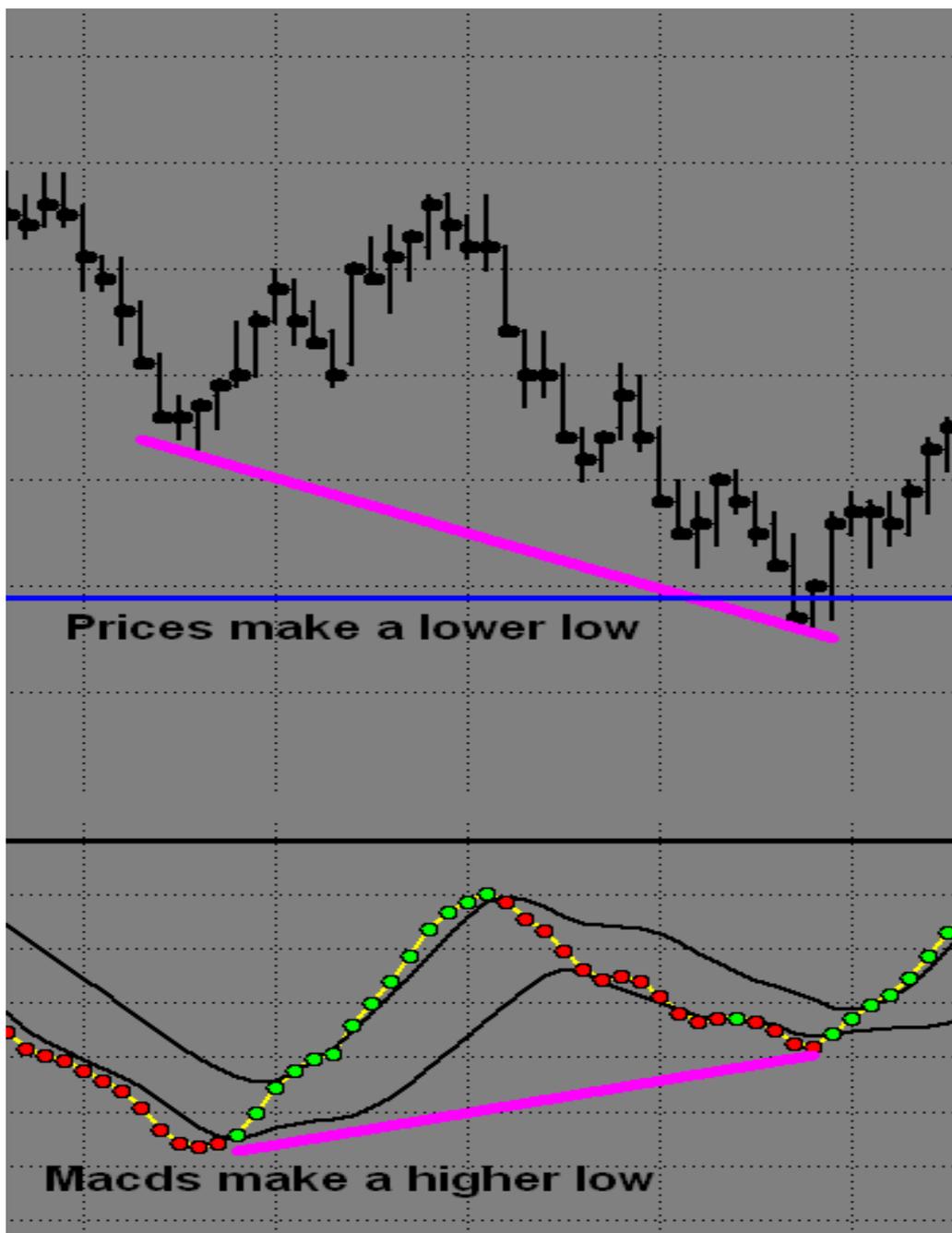
5 basics of Divergence and the expected outcome for the Fib Areas

1. **Bearish Divergence** occurs when there are higher prices and lower Macds. **REVERSAL EXPECTED - RESISTANCE MAY HOLD**
2. The market is **TRENDING UP** when there are higher prices and higher Macds. **NO REVERSAL EXPECTED - RESISTANCE MAY BREAK**
3. **Bullish Divergence** occurs when there are lower prices and higher Macds. **REVERSAL EXPECTED - SUPPORT MAY HOLD**
4. The market is **TRENDING DOWN** when there are lower prices and lower Macds. **NO REVERSAL EXPECTED - SUPPORT MAY BREAK**
5. When closing past a Divergence high or low, it shows the trend may continue.

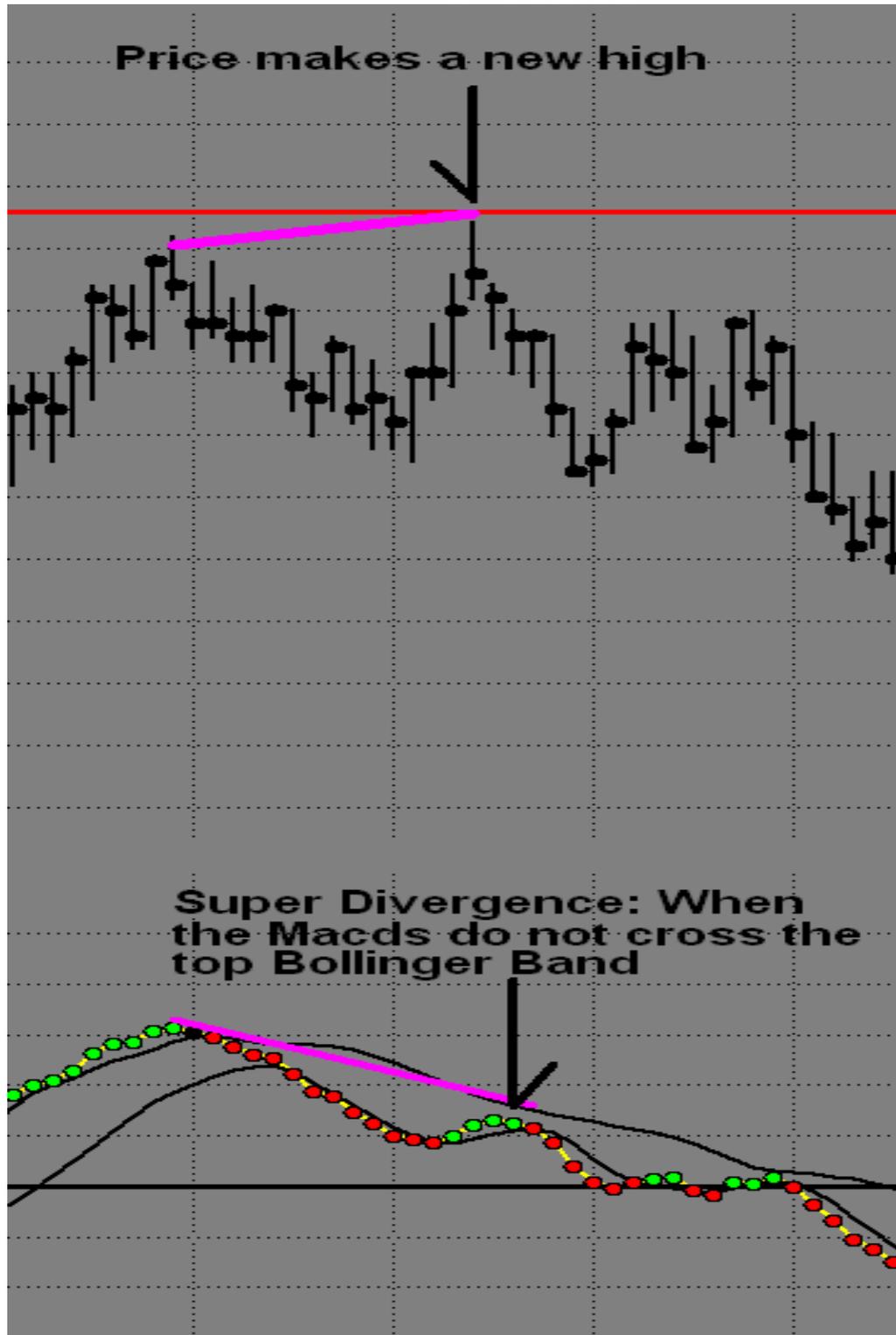
When the **MACDS** and **PRICE** pivot differently, they create a **DIVERGENCE** between the two. Meaning, when the **PRICE** makes two higher pivots, but the **MACDS** second pivot is lower than it's first, this is **Bearish Divergence**. Also, when the **PRICE** makes two lower pivots, but the **MACDS** second pivot is higher than it's first, this is **Bullish Divergence**. If at an area, expect it may hold. Below are two examples of these divergences.



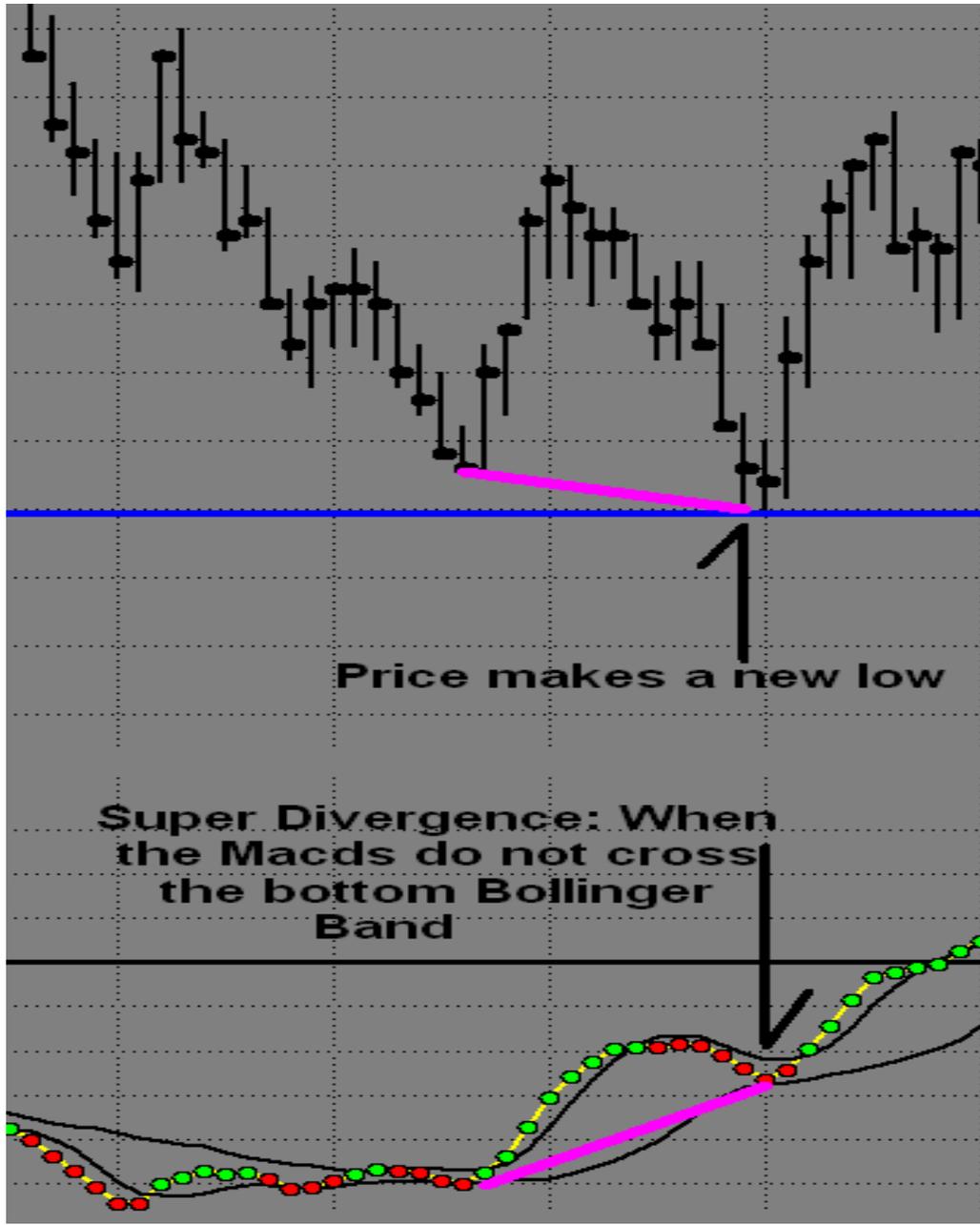
With Bullish Divergence at an area of Support, the area has the potential to hold.



- I. **Super Divergence** - This occurs when there is a normal Divergence, but at the same time the Macd BBs **DO NOT** violate the opposite Bollinger Band. Super Divergence may only be considered at key areas. The higher the time frame, the larger the Reversal.



There is Divergence at Support, but at the same time the Macd BBs **DO NOT** violate the opposite Bollinger Band. Super Divergence may only be considered at key areas.



- J. **Retracement Divergence** - At key areas, compare the swings between the price and the Macds. Retracement Divergence is defined as, less than a 38% retracement in the Macds, and at least 50% retracement in price. This Divergence is showing that the area is anticipated to hold. Below is an example of Bearish Retracement Divergence.



3) ABC Progression

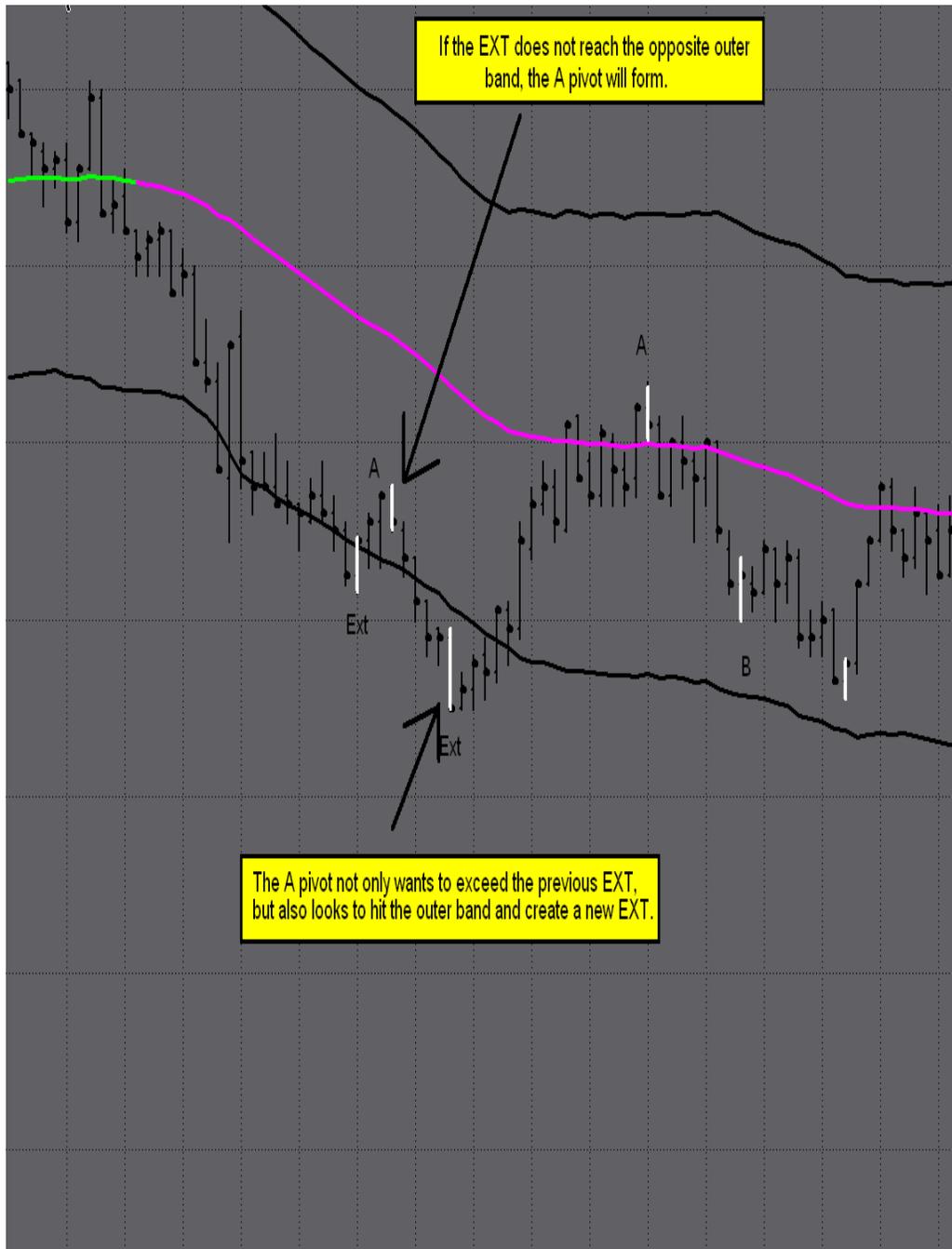
The ABCs are an invaluable tool that helps to understand development of a new trend, or simply a trend continuation. The ABC indicator helps one determine the market has made new highs/lows, or has failed to make new highs/lows. To see what makes each pivot plot, we will need to understand that the purpose of each letter is to exceed the previous letter, except for the C...it only needs to equal the B pivot.

* However, the A and C have the exception that if they do exceed the previous pivot, the progression will be complete, until the next Outer Band is reached.

- A. **Expected Outcome of the EXT Pivot-** The ABC progression begins with a pivot at or beyond the Outer Band, resulting in an extreme pivot that the software labels EXT. Once the EXT is plotted, its purpose is to drive the market to the opposite Outer Band. Once the market arrives at the opposite Outer Band and creates a new pivot, another EXT will plot, signaling the beginning of a new ABC progression. If a pivot occurs prior to reaching the opposite Outer Band, the A Pivot will plot.



B. Expected Outcome of the A Pivot -The A Pivot is expected to take the price back to the Outer Band in order to exceed the previous EXT pivot. Completion of the task would exceed the EXT, resulting in a new EXT at the Outer Band. If the A pivot falls short of the Outer Band, and doesn't exceed the price of the EXT, the B pivot will plot.



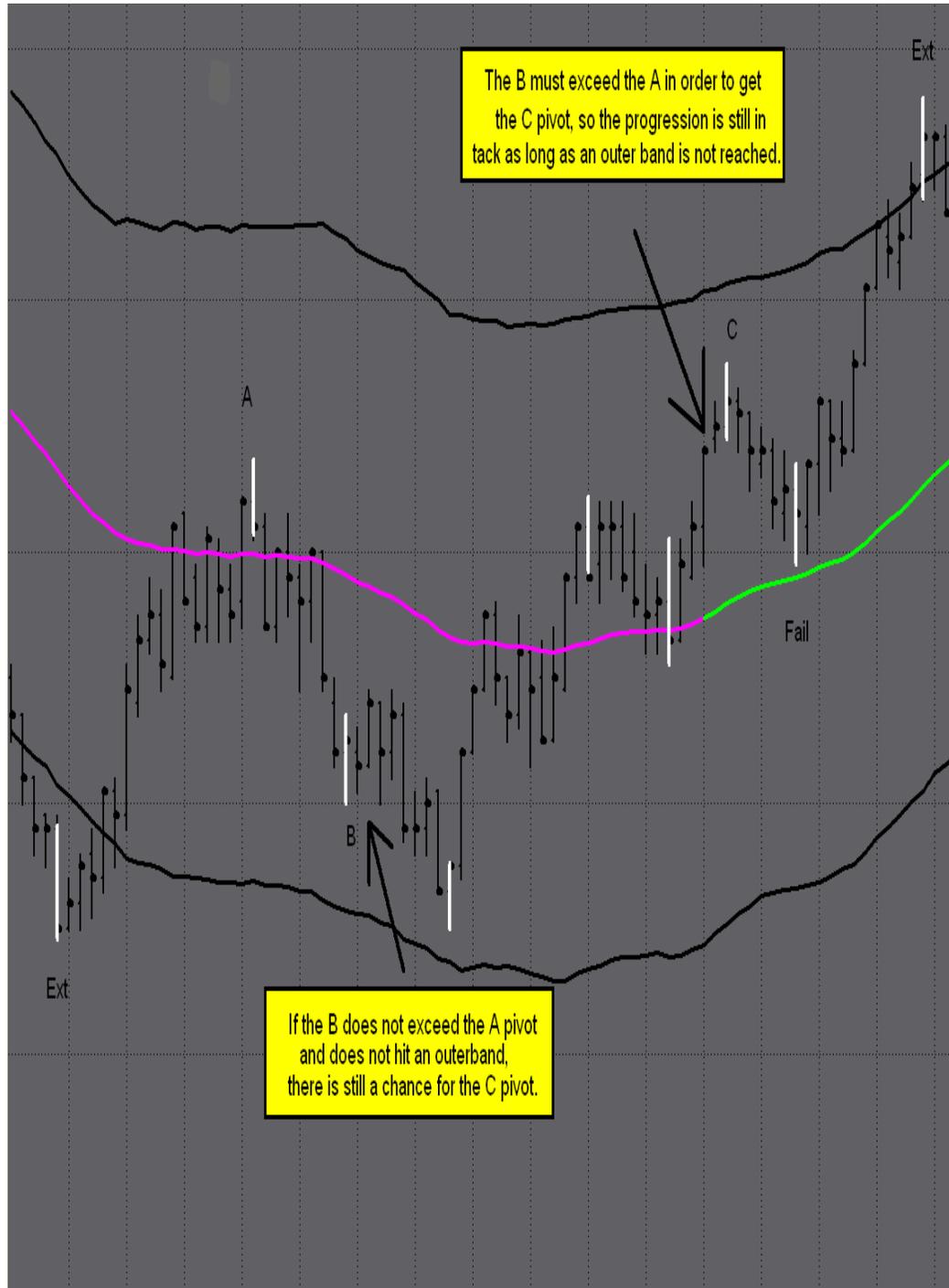
- C. **Starting the ABC progression over** - Once the A exceeds the EXT, the progression is over, and a new progression will begin as a new EXT forms at the Outer Band.



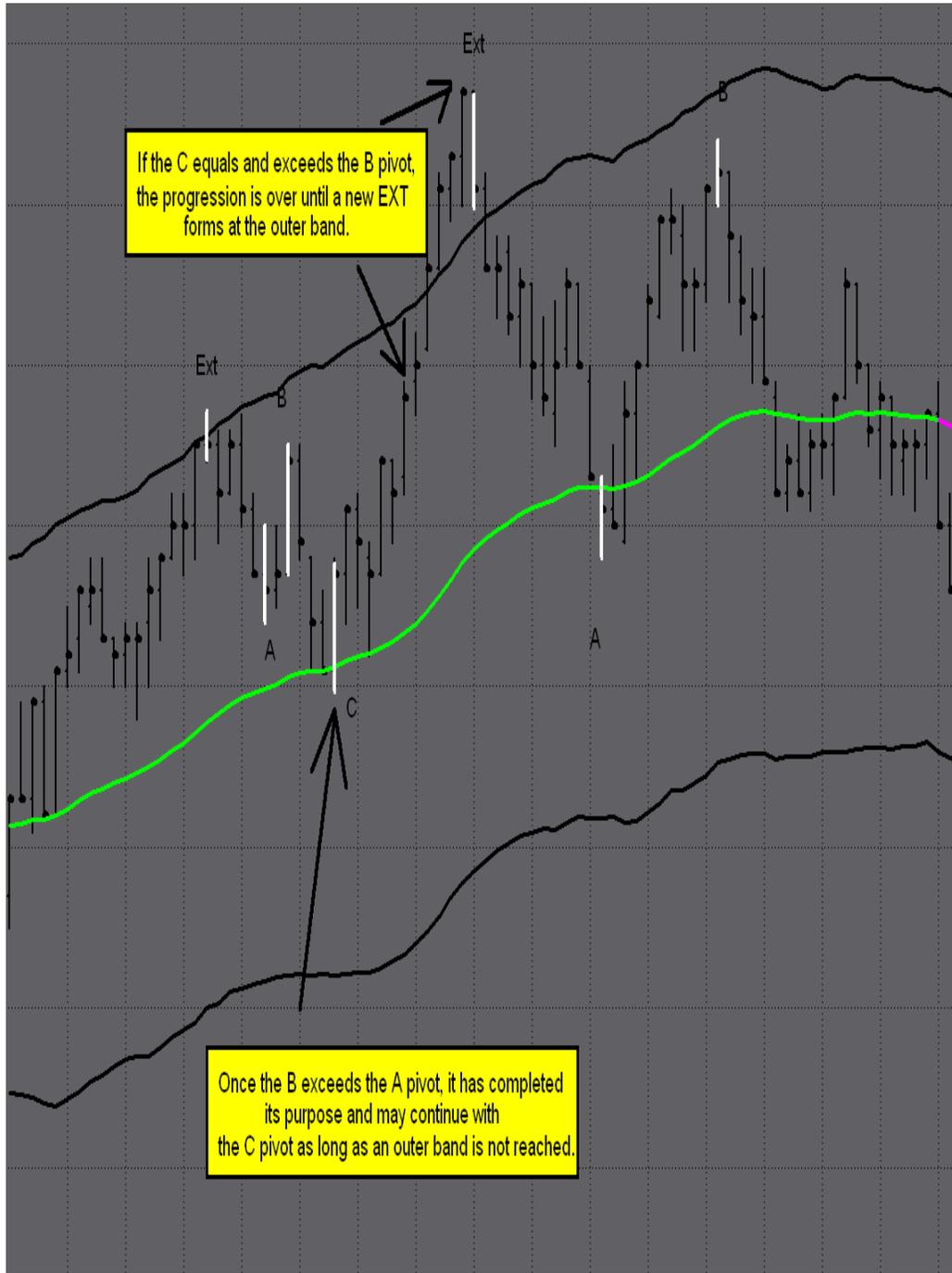
D. Expected Outcome of the B Pivot - The B pivot is expected to exceed the A pivot, possibly resulting in a new EXT at the other Outer Band. The B pivot completes its first function as soon as it exceeds the A. If the B does not reach the Outer Band, the progression is expected to continue with a C pivot. The B pivot is the only letter that has more than one chance. If it does not exceed the A pivot, and does not hit an Outer Band, then there is still a chance for the C. However, the B pivot **MUST** exceed the A to get the C pivot. As long as the B does not reach the Outer Band, then progression is still intact.



- E. **Additional information for the B Pivot** -The B has more than one chance to complete its task. As long as the Outer Band or the prior **EXT** is not reached, the B can still provide a C, once the A has been exceeded.



- F. **Expected Outcome of the C Pivot** -The C has to EQUAL THE B, possibly even exceed it, to complete the progression. If the C reaches the Outer Band, a new EXT will plot, beginning the progression again. If the C does not equal the B pivot, then it will plot a Failure. This may happen just one tick away from the B pivot.

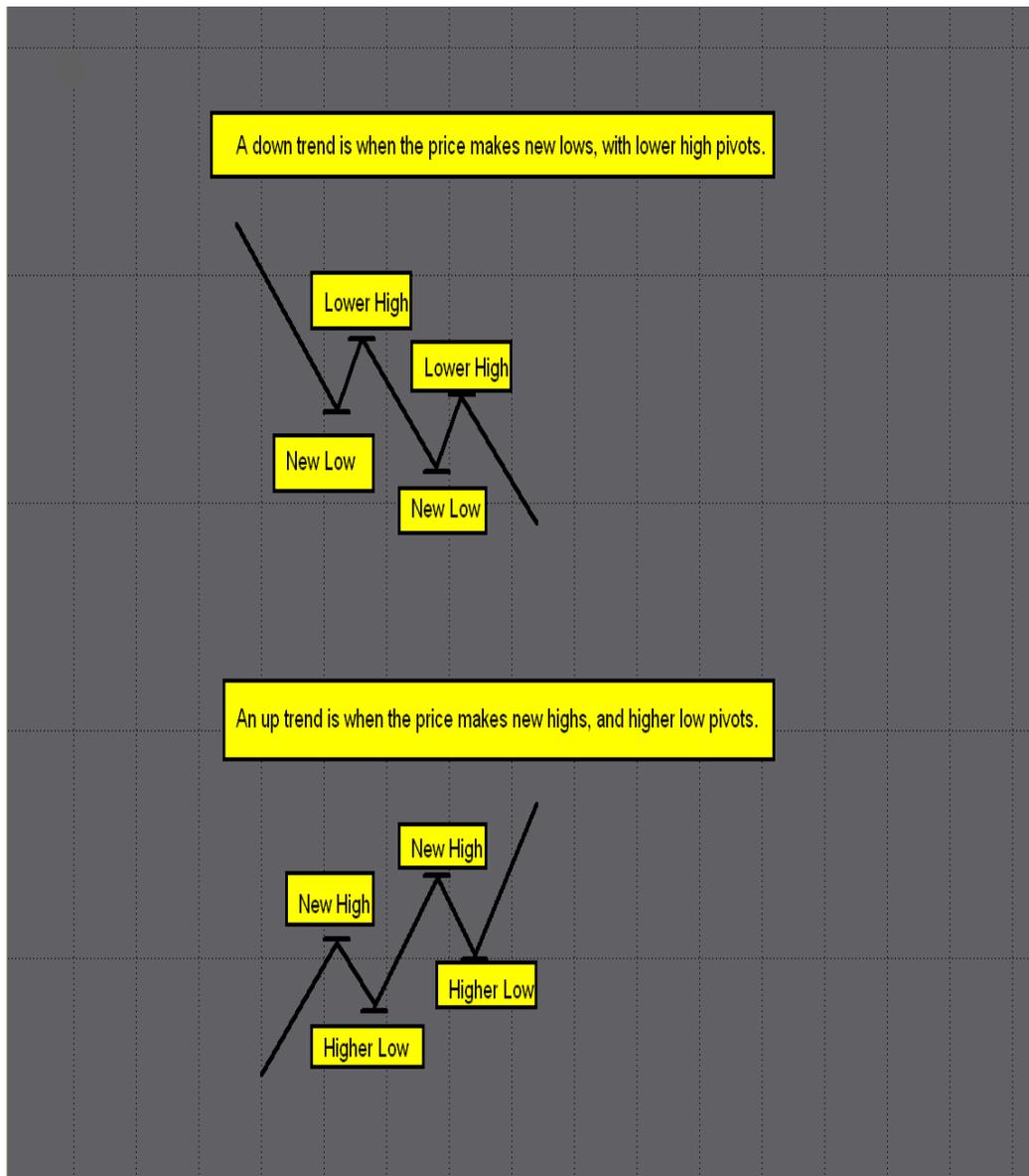


G. **When the C Pivot Fails** -The failure simply completes the progression by running back to the opposite Outer Band, exceeding the C pivot. From the opposite Outer Band a new progression will begin. These are the fundamentals of what makes the pivot points plot in the progression.



H. **Trend Descriptions** -When looking at how the ABC's help in our trading, we need to recognize that the A and C pivots will tend to continue the trend of the market, while the B and the Failure will tend to change the trend of the market. When reading the T3 software, it will show the potential for the trend to change, or to continue. It is this analysis that will help to determine if the A and C are expected for trend continuation, or the B and Fail for a trend change.

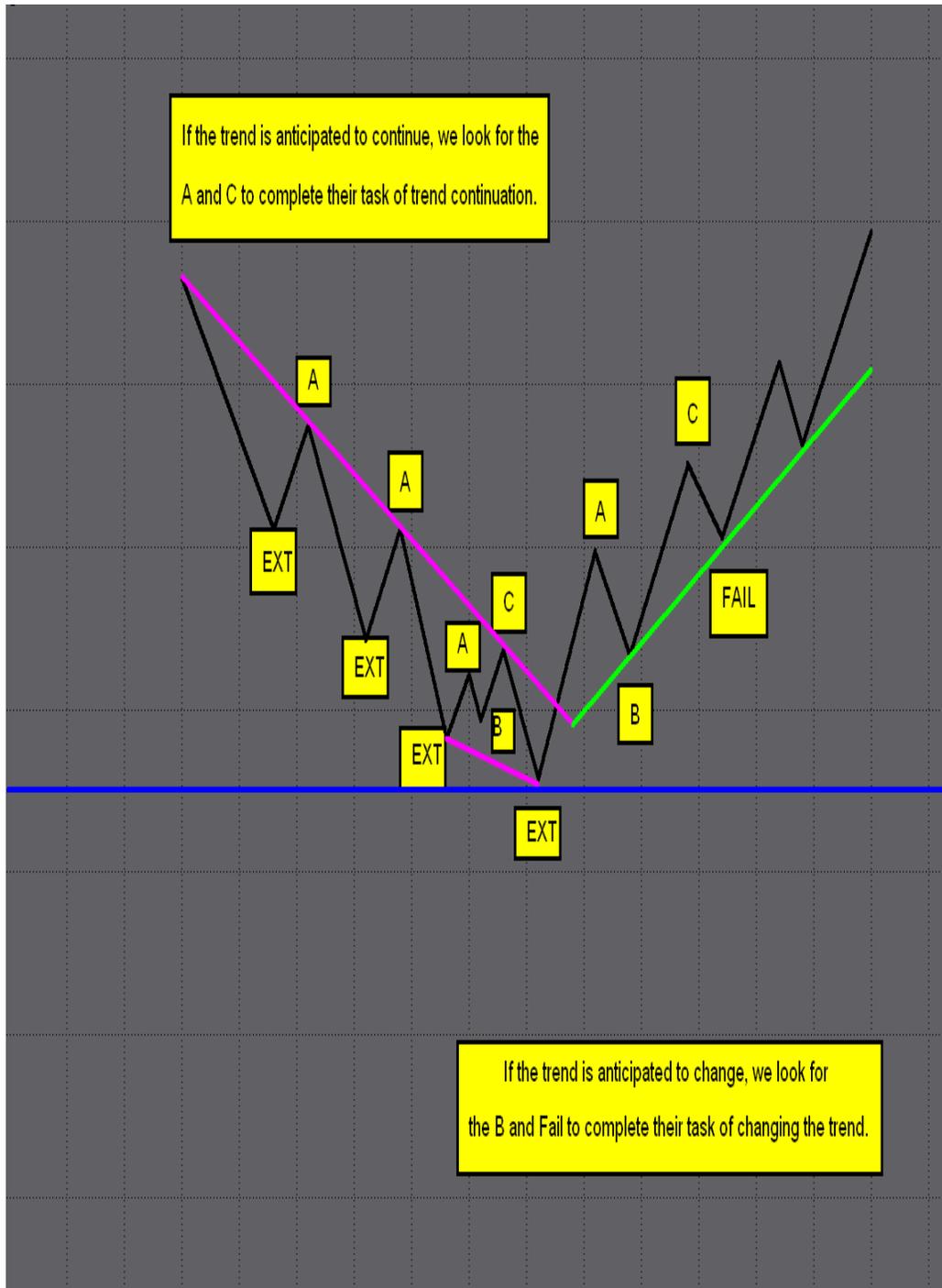
Here is an example of a down trend, as well as an up trend.



- I. **A and C Trend Continuation** -If the T3 Software is showing the potential for the trend to continue; the A or C is anticipated to complete the task. This happens when a new high or low is reached, exceeding the EXT, continuing the trend of the market.



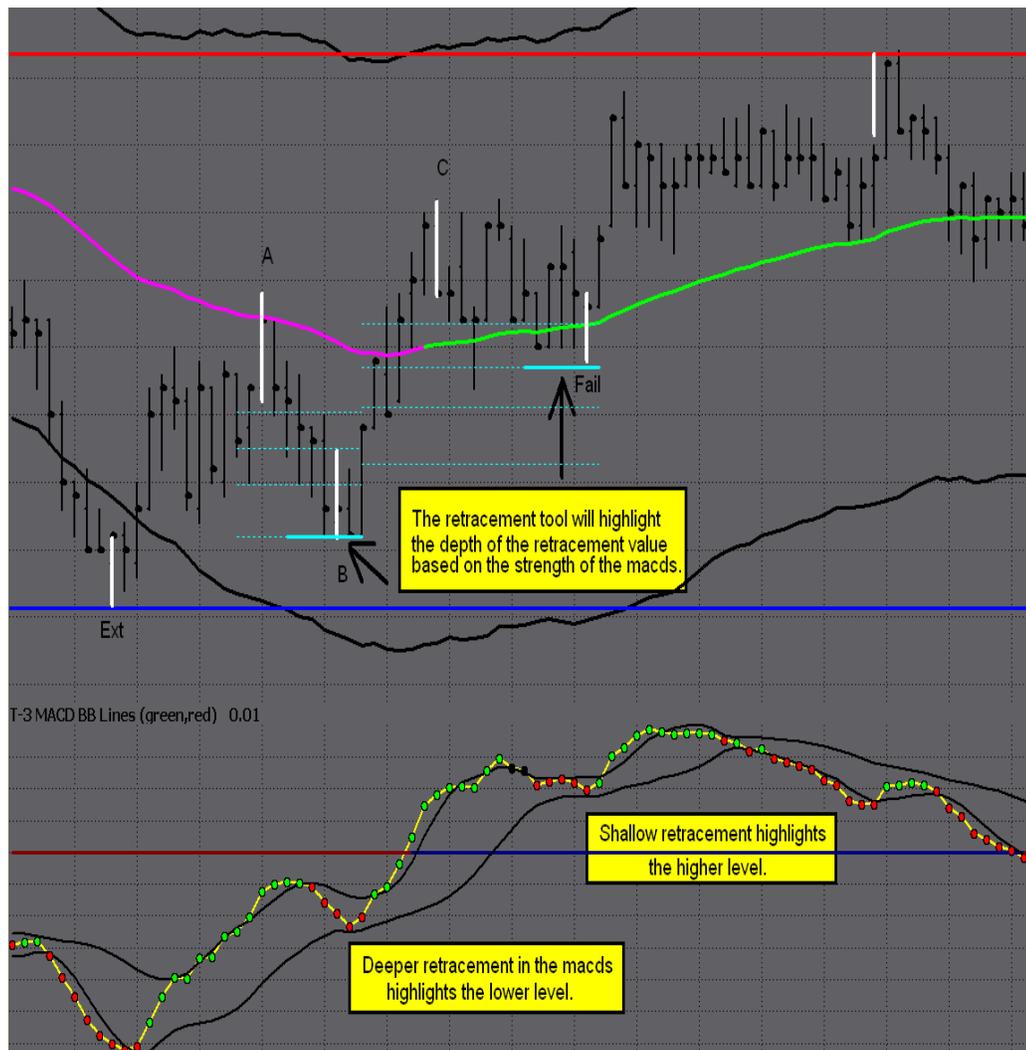
J. **B and Fail New Trend Development** - If the T3 Software is showing the potential for the trend to change, the B and Fail have the greatest potential to complete their task. The B is the first push in the new direction, while the Fail establishes the new trend.



K. **B and Fail Retracement Calculator** - Another feature of the software is an automated ABC Retracement Calculator. When the PLOT ABC RTR input is set to true, this indicator will plot.

Once a Fib Area has been hit, and an A pivot print, the Retracement Lines will automatically appear. This tool pinpoints the area where the B or Fail should develop. It will take into account the 38%, 50%, 61.8%, and the 78.6%. The software will read the strength of the Macd BB Lines, and it will HIGHLIGHT the depth of the Retracement value, for the B or Failure.

Again, this will only print when a Fib Area has been hit, and an ABC progression is in play. This indicator will not plot with just an ABC progression. This is a powerful feature when used on higher time frames to show key Retracement values in addition to smaller time frame entry timing.

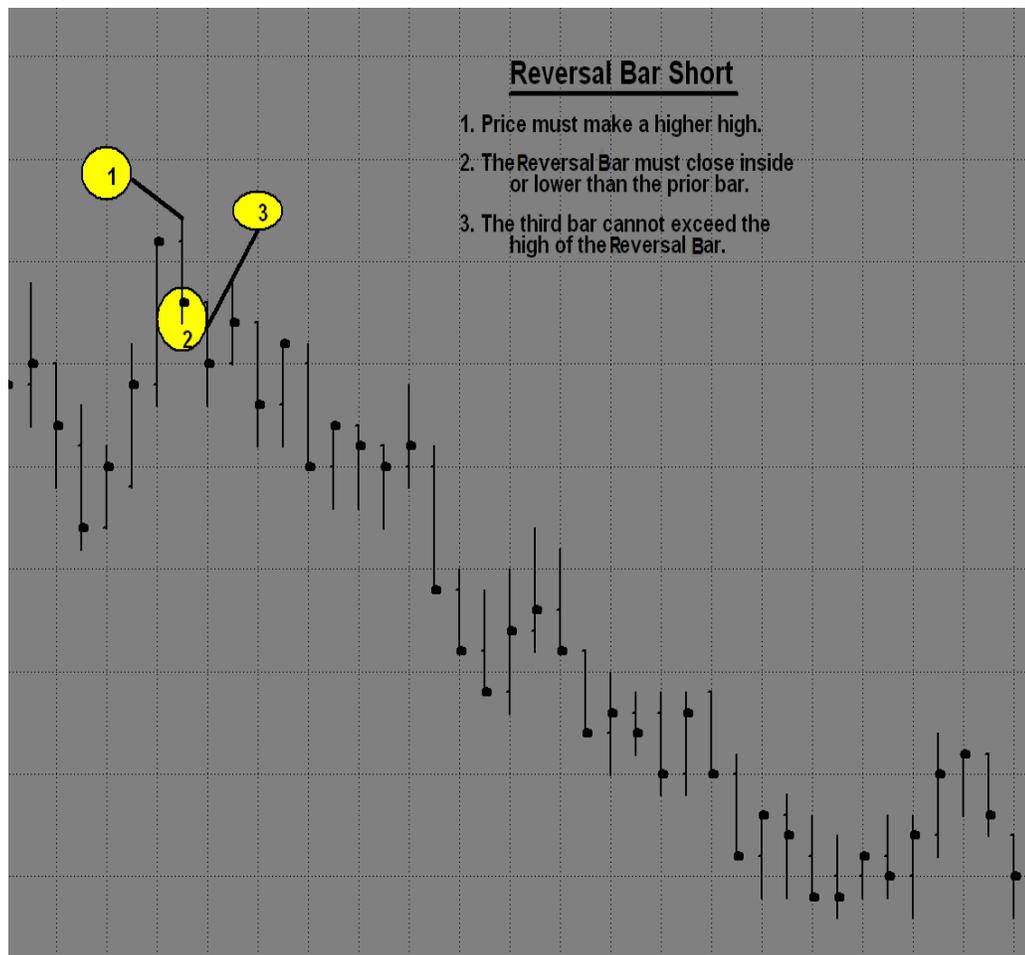


4) Bar Patterns

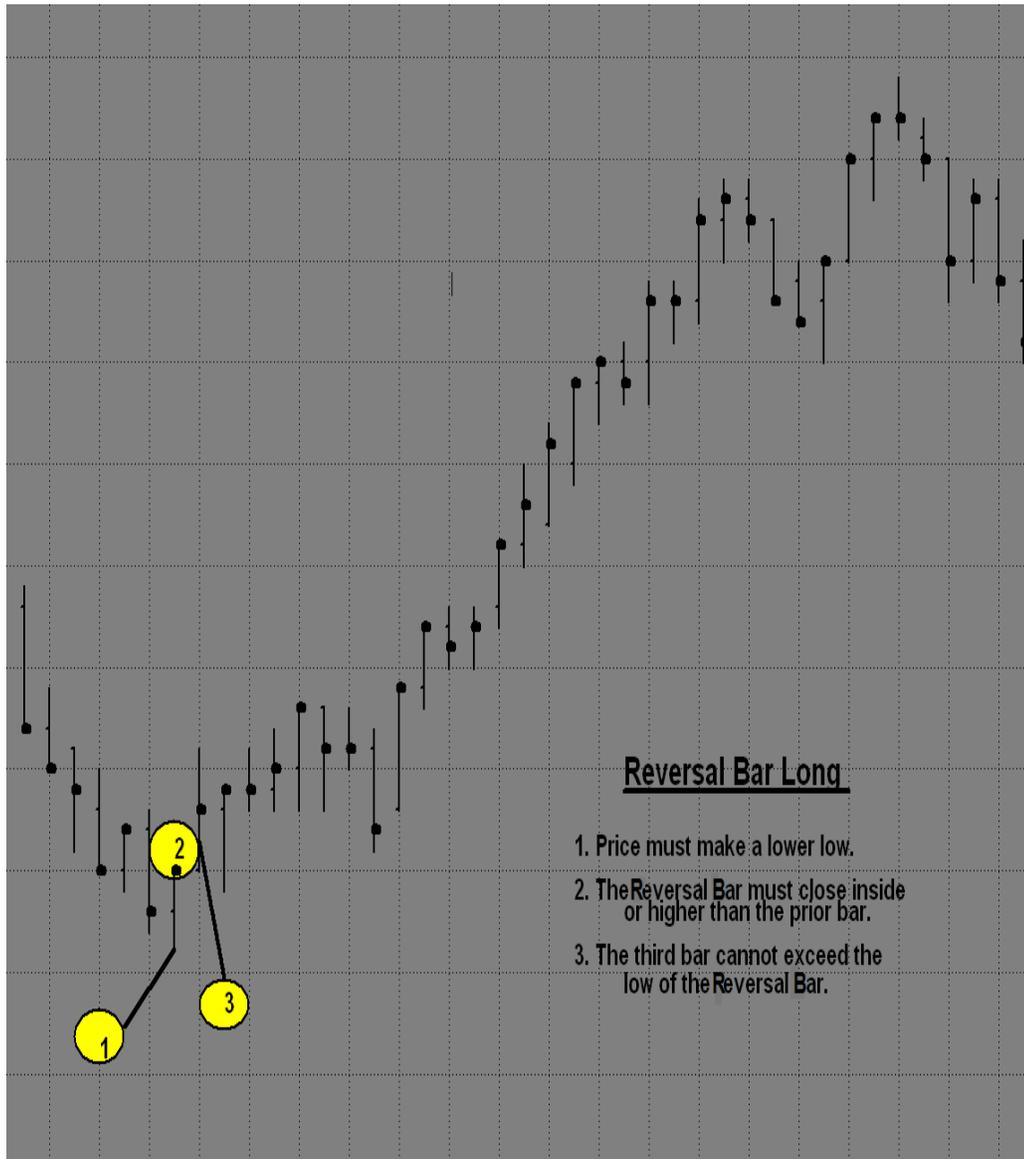
A. Reversal Bar Pattern

These are the simple rules to recognize a Reversal Bar Pattern.

1. When looking for a Reversal Bar, price must make a higher high or lower low than the previous bar.
 - a. Higher high for a short pattern
 - b. Lower low for a long pattern
2. The Reversal Bar must close inside or better than the prior bar.
 - a. Inside or lower for a short pattern
 - b. Inside or higher for a long pattern
3. The third bar cannot exceed the Reversal Bar.



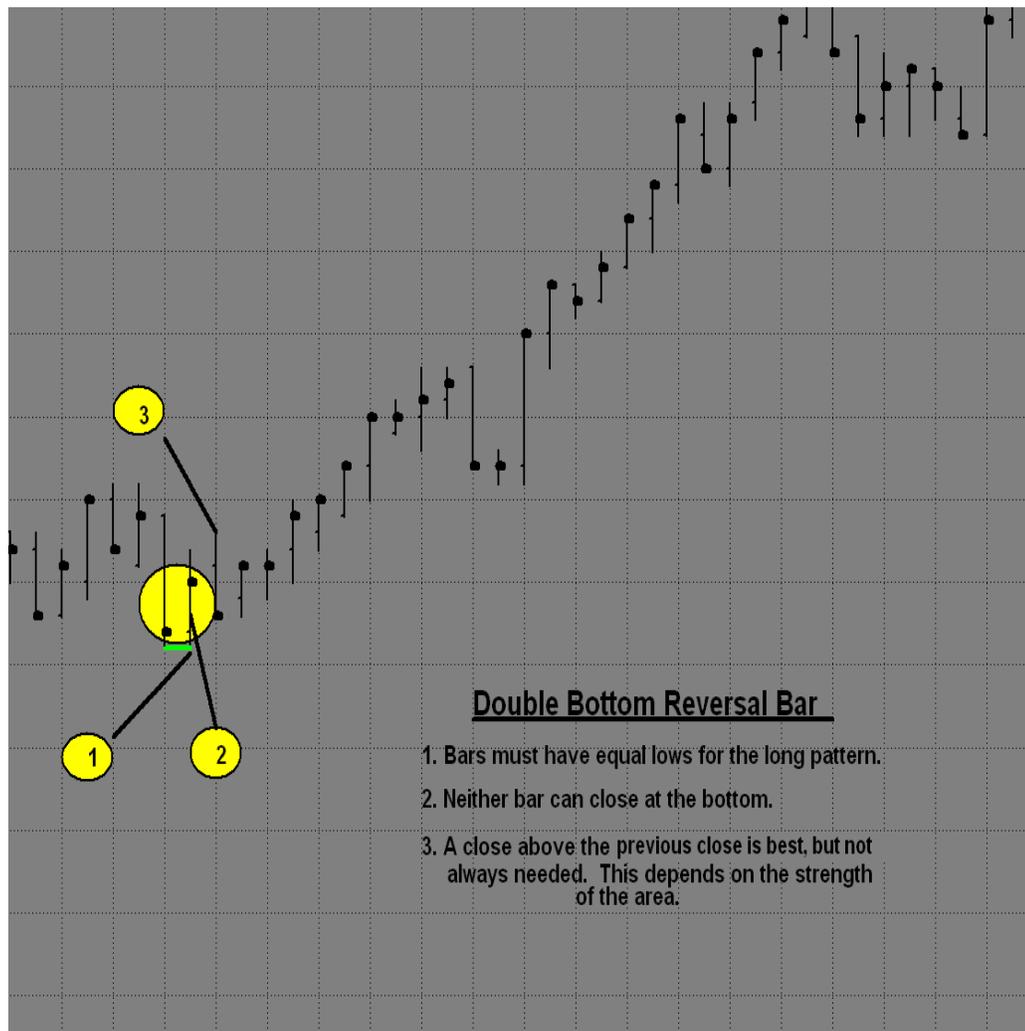
The Reversal Bar must close inside or better than the prior bar (inside or higher for a long pattern) and the third bar cannot exceed the Reversal Bar.



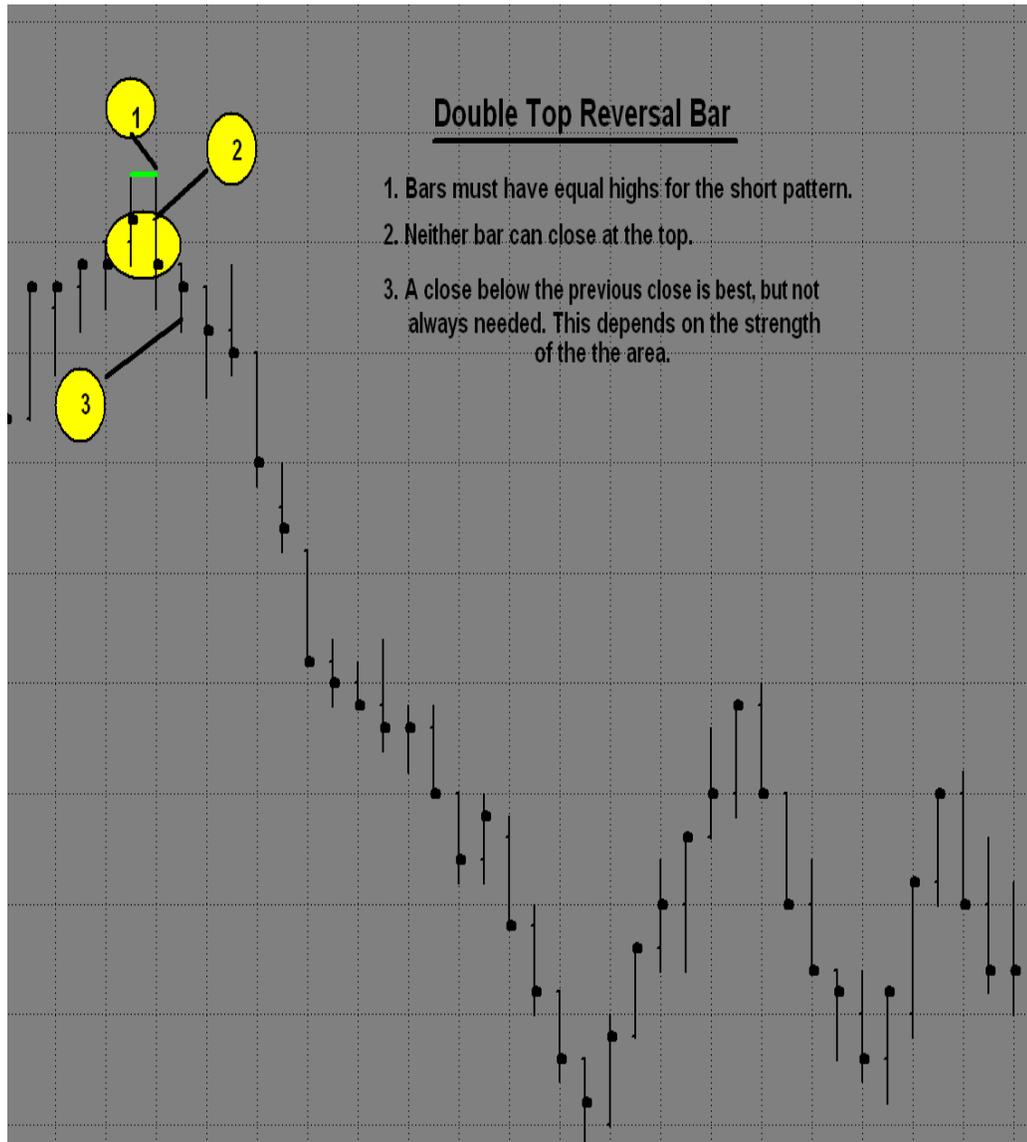
B. Double Bar Reversal Pattern

These are the rules for a Double Top or a Double Bottom Bar Pattern.

1. Bars must have equal highs or equal lows to start this pattern.
 - a. Equal highs for a short pattern
 - b. Equal lows for a long pattern
2. Neither bar can close at the top, or the bottom of the bar.
 - a. Top of bar for short pattern
 - b. Bottom of the bar for long pattern
3. A close that exceeds the prior close is best, but not always needed. It depends on how powerful the area is that you are trading.



Bars must have equal highs to start this Double Top Pattern. Neither bar can close at the top, or the bottom of the bar. A close that exceeds the prior close is best, but not always needed. It depends on how powerful the area is that you are trading.



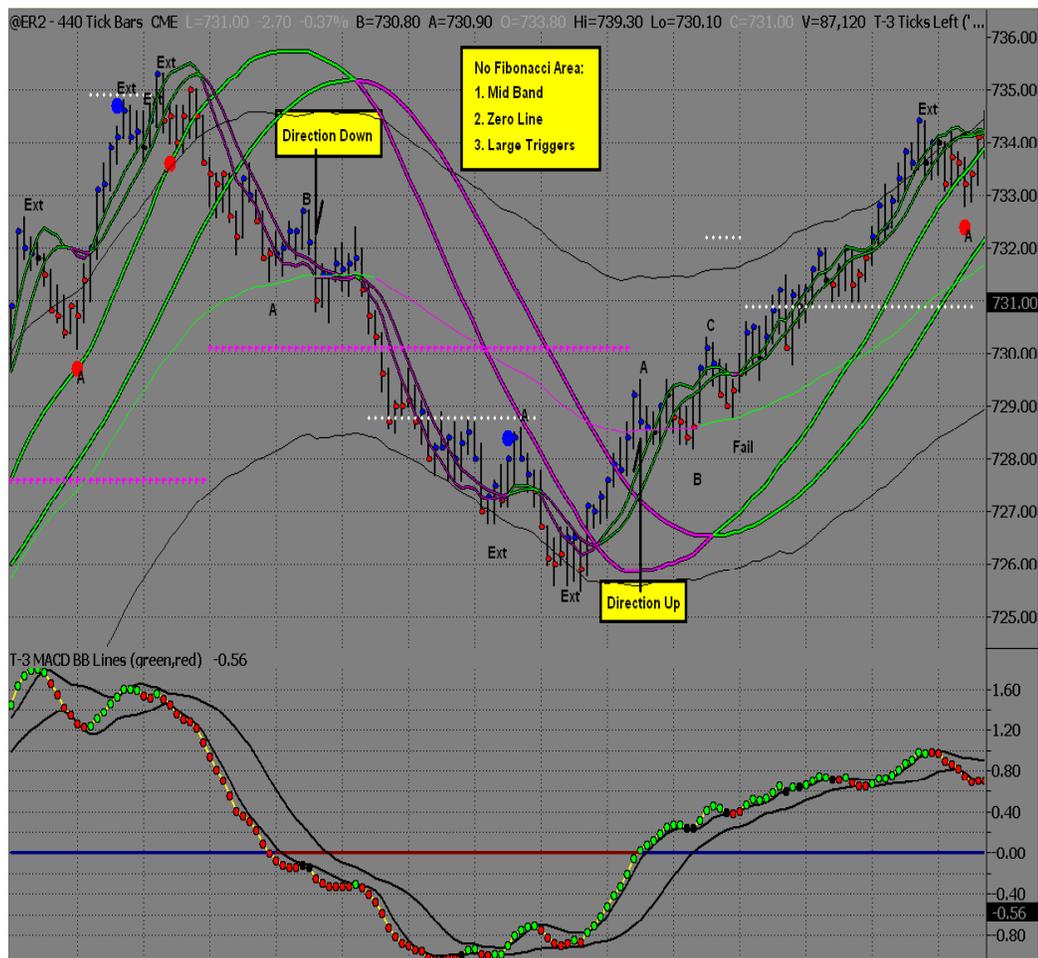
5) Area and Direction

In this section, we will discuss how to define the area and the direction on your charts. The first thing to discuss is the direction. When referring to direction, look to the 440-tick chart, or the higher timeframe. If there is a difference between the higher and lower time frame's direction, look to go with the higher time frame.

A. Direction Without a Fibonacci Area

If there are no Fib Areas, the Midband, Zero Line, and Large Triggers will provide the direction. If price action is closing above all three, the direction is up. In order for the direction to change to the downside, all three indicators must change, not just one or two of them. For example, if the direction is up, and Macd BBs begin to dip below the Zero Line and price action is closing below the Large Triggers BUT, price has not closed below the Midband, the direction will remain to the upside until closing below the Midband.

Example of Direction Without a Fibonacci Area



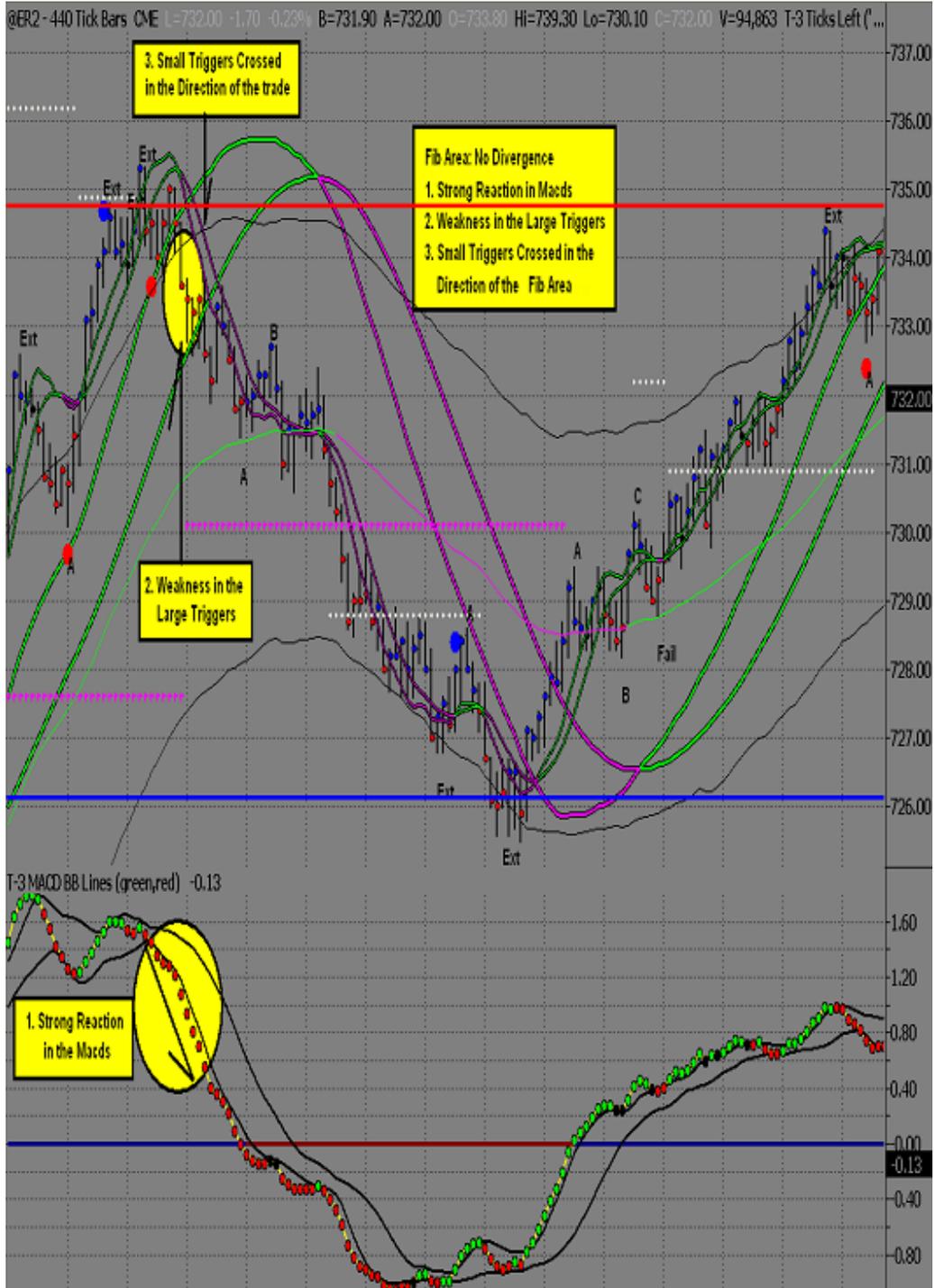
B. Direction With a Fibonacci Area Hit

A Fib Area is an area for a potential Reversal. When reaching an area of red Resistance, the market may reverse to the downside, and if at an area of blue Support, the market may reverse to the upside. When a Fib Area has been reached, use the other T3 indicators to anticipate if the Fib Area should hold for a Reversal, or if it should break through it for continuation of the current trend.

To anticipate if a Fib Area should hold or break, the first indicator to look to will be the Macds. Begin looking for a strong Macd reaction. It has to be a strong enough reaction to change the Macd Trend. Once a Fib Area is reached, and a strong Macd reaction occurs, evaluate the Large Triggers. The Large Triggers represent the overall trend of the market. To anticipate a Fib Area, and a Macd Trend change at that area to hold and Reverse the market, there must also be weakness in the Large Triggers. If the Large Triggers are strong in the direction of the current trend, it says the trend may continue, and that a Macd Trend change at a Fib may not reverse the entire trend of the market. Do not look to fight, or counter the strength and momentum of the market. It indicates there is a strong trend and there is the strength to break through the area and continue on. Now, if the Large Triggers are weak, it is an indicator that is in favor of the strong Macd reaction and the Fib Area holding to Reverse the market and change the trend.

When it comes to the Small Triggers, at this point, they actually need to be crossed in the direction of the trade. Just being on the correct side of them is not enough, there actually needs to be a turn in the Triggers. So, if looking for a Support area to hold, there needs to be, weakened Large Triggers, a strong Macd reaction to the upside, and Small Triggers crossed to the upside. And if looking for Resistance to hold, there needs to be weakened Large Triggers, a strong Macd reaction to the downside, and Small Triggers crossed in the direction of the trade.

Example of Direction With a Fibonacci Area Reached



C. Direction With a Fibonacci Area Hit and Divergence

The next way to anticipate if the Fib Area should hold or break, will be with Divergence. If the market pulls back to “Retest” the area, this is where the Macds will be evaluated. Divergence is a difference between the price action, and the Macds. One will be going up, while the other will be going down. The job of Divergence is to change the entire trend of the market. So, not only having a Fib Area to anticipate a Reversal, now there is another indicator to back this up. Divergence at a Fib Area, with weakened Large Triggers indicates the potential for a reversal.

There is one last key ingredient if expecting the Fib Area to hold when at a Fib Area, with Divergence and weakened Large Triggers, this is price action on the correct side of the Small Triggers. If expecting Resistance to hold, price action would need to be below the Small Triggers to anticipate down. If expecting Support to hold, price action would need to be above the Small Triggers to anticipate up.

Example of Direction with a Fibonacci Area Hit and Divergence



6) **Trade Setups**

This information will cover how to take advantage of the full potential of the T3 Fibonacci Areas, when to trade a Fib Area, and how to anticipate a Reversal in the market. This will help T3 Traders to achieve two simple things that are needed for success. Number one, trade on the correct side of the market, and number two, trade the proper areas, which are the areas anticipated to hold. The Fib Momentum Trade, the Trend Trade, and the Reversal Trade will be the three setups covered.

A. Fib Momentum Trade (FMT)

The large chart will provide the Area for the entries and the direction for trades. The Areas and Macds will be indicative of the direction and entry points. There are five rules that will be used as guidelines when looking for the Reversal.

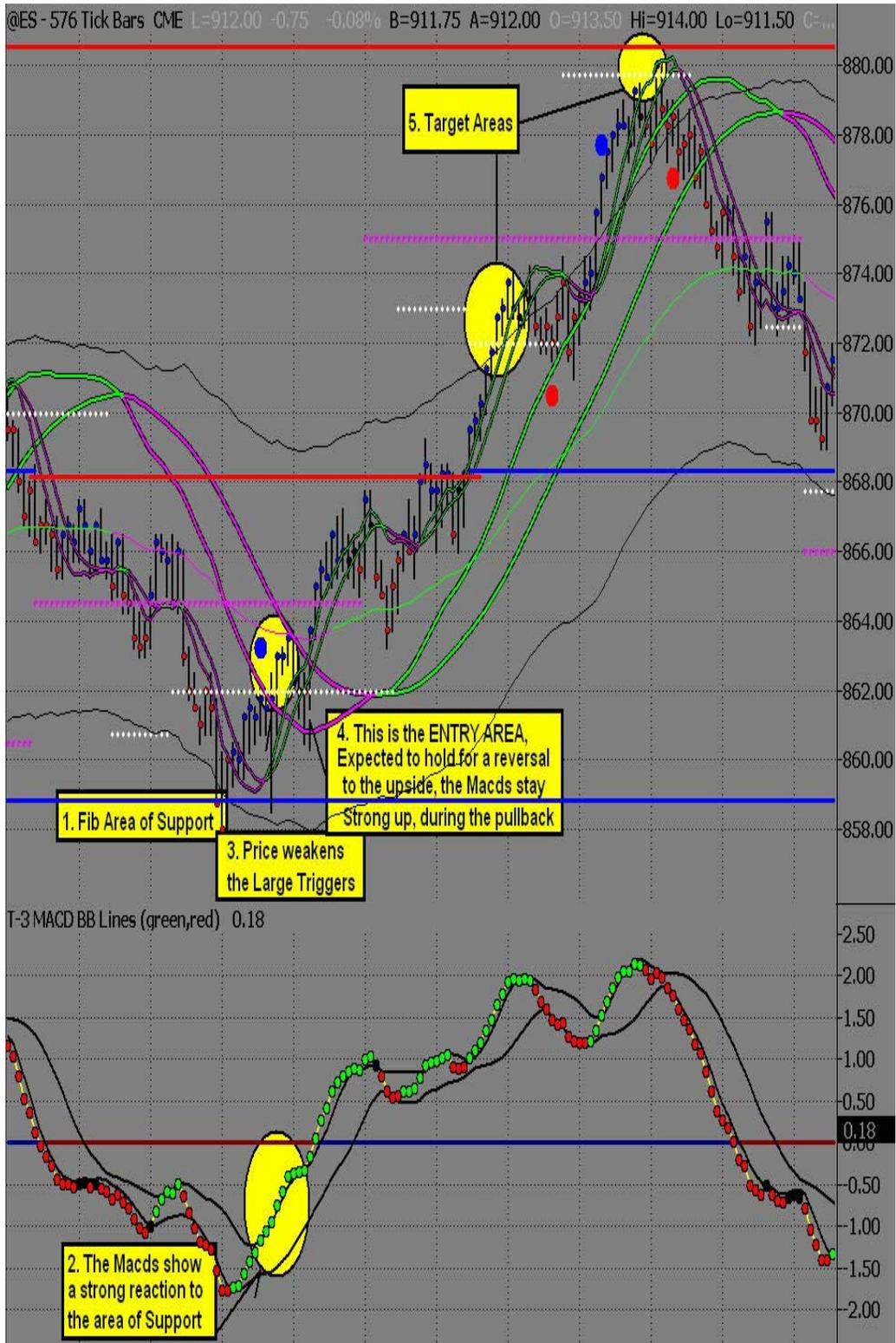
Rules for the Fib Momentum Trade are as follows:

1. The market **MUST** reach an area of “Blue” Support, or “Red” Resistance. To help identify the strongest areas, it is best that the area is on more than one time frame, but not always necessary.
2. The Macds on the larger chart **MUST** show a “Strong” reaction off of the area, or areas.
3. The Small Triggers **MUST** be crossed in the trade direction. It is best, if the Small Triggers are wide and spread apart. This is another sign of a “Strong” reaction off the area.
4. It is also necessary to see a “Weak” condition in the Large Triggers on the larger chart. Closing inside, or on the trade side of the Large Triggers will show the weakness in the overall trend.
5. Upon pulling back to the area(s) anticipated to hold, the Macds **MUST** show a weak Retracement, also known as Retracement Divergence. This indicates the area has an even greater potential to hold. Think Big move off the Fib Area, a small Retracement in the Macds, while pulling back to the entry area, and then another big move in the new direction. At this point, look for the entry pattern on the smaller chart, for low risk, while looking to maximize profits, by holding for the next key area on the larger chart. Stops are placed behind the last pivot.

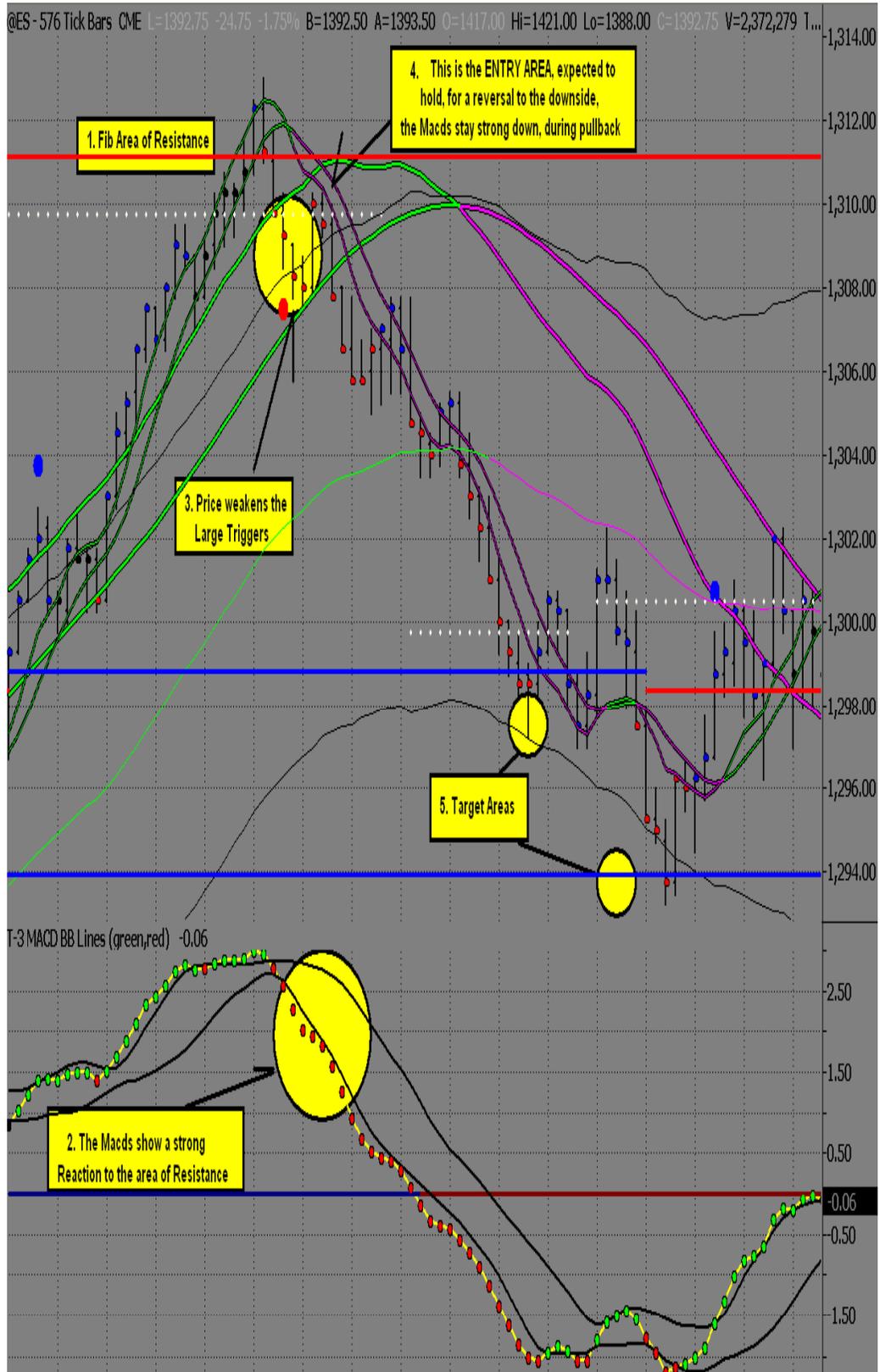
Things that may be considered:

1. Entry pattern should be inside or on trade side of Small Triggers. (Smaller chart)
 - a. Don't fight Small Triggers that are strong against the entry point.
 - b. Better if the Small Triggers are strong in the direction of the trade
 - c. Do not enter long, if the Macds are outside of the lower Bollinger Band, nor short, if outside of the upper Bollinger Band.

Example of the ES Fib Momentum Trade Long



Example of Fib Momentum Trade ES Short



B. Trend Trade (TT)

The trend trade is simply a trade that is with the direction of the larger chart. The best area for this trade is at the Midband. If the Large Triggers and the Zero Line are also near this area, there are more reasons for a bounce. At this time, the trade may be “Viewed” as more conservative. The Trend Trade typically follows a Reversal Trade, when the large chart indicates that the direction may continue.

Rules for the Trend Trade are as follows:

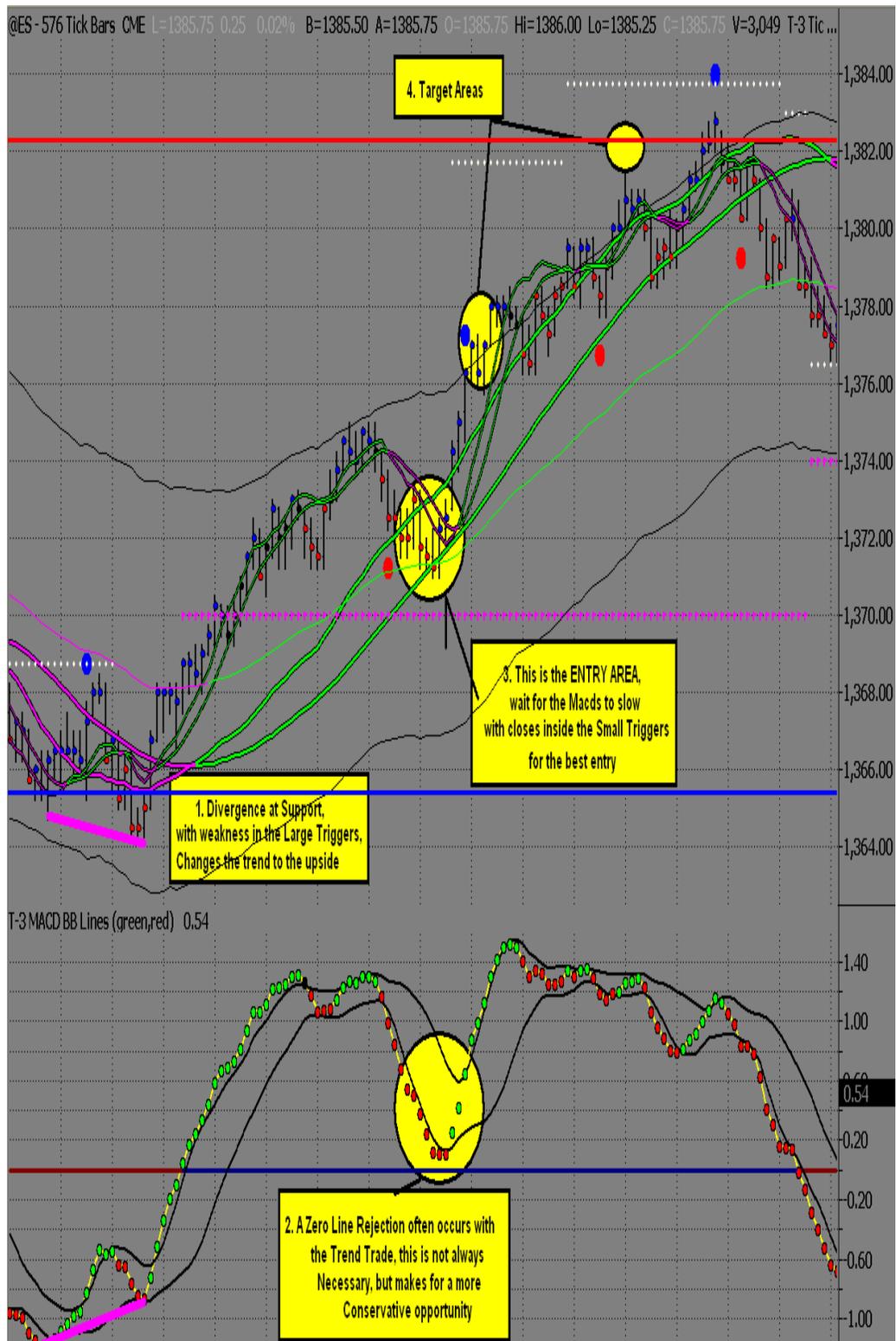
1. Identify the direction on the large chart
2. The Macds should show the potential for the entry area to hold on Large chart
 - a. Potential Zero Line Rejection
 - b. Testing the Bollinger Bands as Support/Resistance
 - c. Macds begin to roll, while on the correct side, and away from ZL
3. Look for the short term direction to begin rolling on the smaller chart, at the entry area
 - a. Closing inside or on trade side of Small Triggers
 - b. Macds rolling in the trade direction
4. Stops are placed behind the pivot at the entry area, otherwise behind the Reversal Bar, if the small triggers are strong at the entry point.
 - a. Below the low of the Pivot or Reversal Bar for long
 - b. Above the high of the Pivot or Reversal Bar for a short
5. Have plenty of room to the target area on the large chart

Once the price has reached the next key area, reevaluate the conditions on the large chart. If it is showing the potential for the area to hold, with weakness in the trend, a Reversal may be expected. This means continuation of the trend is now limited, and a trend Reversal may occur. Otherwise, if the area on the large chart is anticipated to break, another Trend Trade may take place.

Example of ER2 Trend Trade Short



Example of ES Trend Trade Long



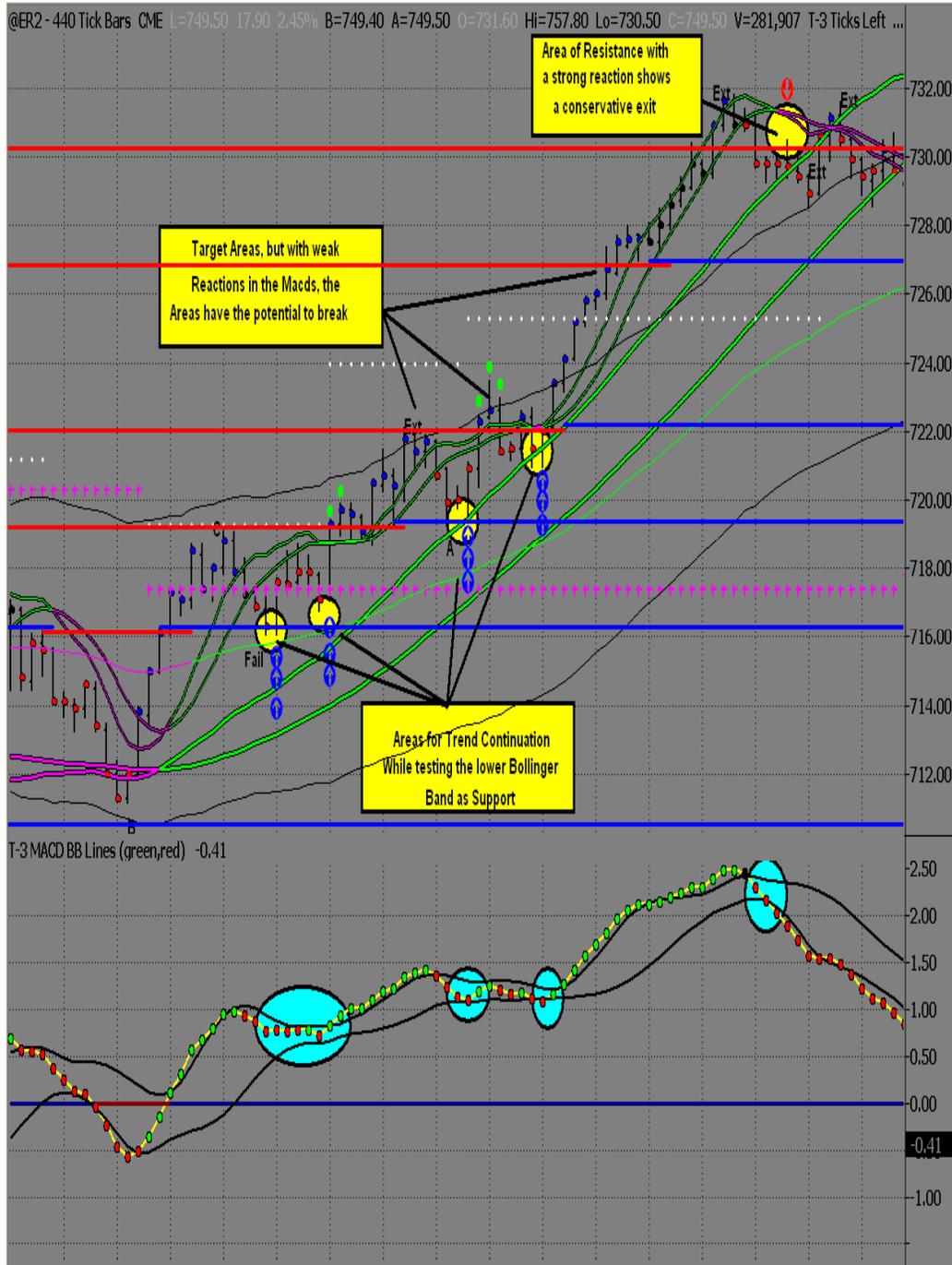
C. Bollinger Band Trend Trade (BBTT)

The Trend Trade is a trade from the Midband, with the direction of the Higher Time Frame (HTF). When approaching areas for continuation of the trend, the Macds help to determine the best area for continuation. When the Macds show the potential for a ZLR, the Midband is typically the best area for Trend Trades. If the Macds are in a weak state during the retracement, while rolling back to a Bollinger Band acting as support or resistance, it is showing reason for continuation of the current trend. If not at the Midband at this time, but at Large Triggers and/or a Fibonacci area, the Macds show the potential to continue the trend from this area. The Lower Time Frame (LTF) will help to minimize the risk for entry. The following rules help to determine when this action may occur:

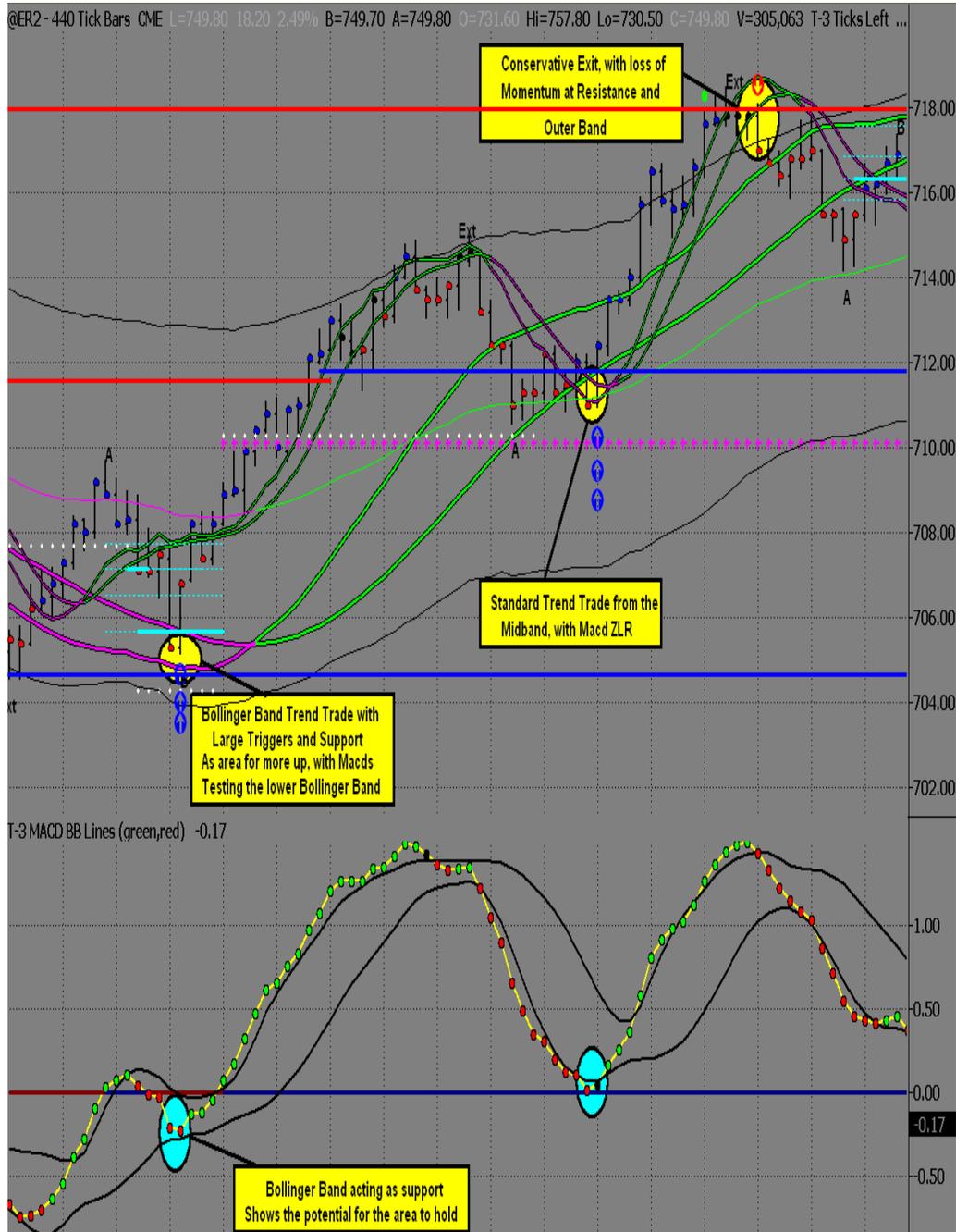
Rules for Bollinger Band Trend Trade are as follows:

1. Reach an area on the HTF, to bounce from (Midband, Large Trigger, or Fib Area); this needs to be with the HTF's direction.
2. The Macd BB Dots must be weak on the pullback to the area, and the closer to the opposite Bollinger Band the better (the best is no sharp angle and/or steep spacing). This is when the Macd Bollinger Band is used as support for a long, or resistance for a short.
3. The HTF's Small Triggers must NOT be strong against the trade's direction (I.E. if going long, small triggers must not be crossed or strong down). It is preferred that the small triggers stay crossed in the direction of the trade. Closing on the trade side of the small triggers of the LTF will initiate the trade.
4. The area to potential reduce risk (where the trade may not continue through) is a retest of the HTF's small triggers.
5. Primary target on this trade is the next area of fib support / resistance on the HTF. (Think about Risk Vs. Reward, also a loss of momentum at these areas may provide a conservative exit)

Bollinger Band Trend Trade 1



Bollinger Band Trend Trade & Standard Trend Trade 2



D. Divergence Reversal Trade

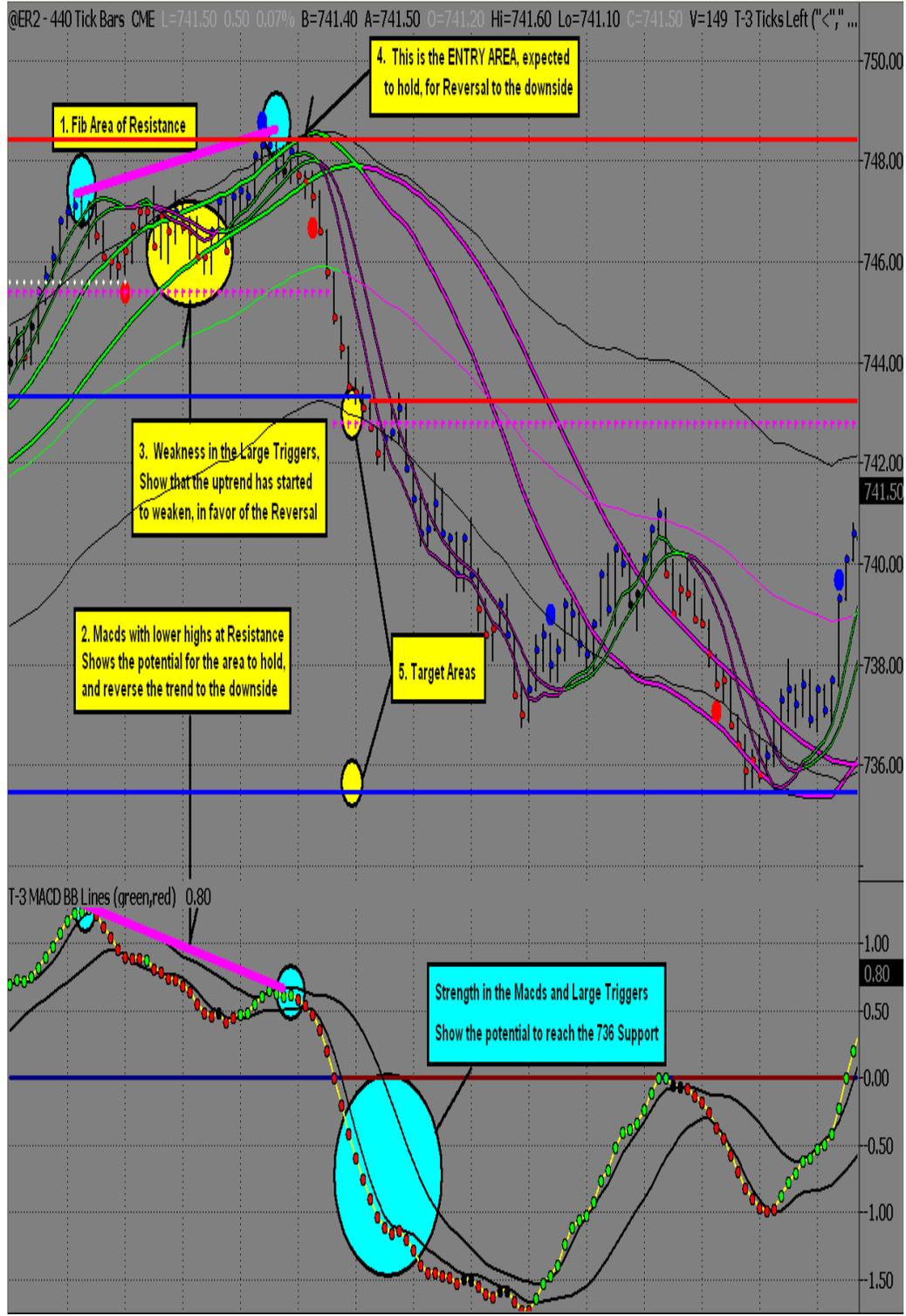
Another type of Reversal Trade is the Divergence Counter Trend Trade. This trade setup occurs at a key Fibonacci area. The Divergence is simply when the price and the Macds disagree. The job of this Divergence is to change the trend of the market. When looking for a Reversal in the market, the best spot is at the Fibonacci area. While having Divergence at a Fib Area, there are two indicators showing the potential for a change in the trend. This trade may only be taken, when there is a weakening in the Large Triggers. The Large Triggers represent the overall trend in the market. When all three of these indicators agree, the conservative outlook is for a Reversal in the market. After these conditions are met and the market pulls back to the Midband, the Midband may break, and trend continuation is not expected at this area.

Rules for the Reversal Trade with Divergence are as follows:

1. A Fibonacci area **MUST** be reached
2. Upon retesting the area, Divergence in the Macds is necessary on the large chart, Super Divergence is best
3. When Divergence occurs, weakness in the Large Triggers needs to be present on the large timeframe chart.
4. If using a small chart for entry, the Macd Trend **MUST** be in the trade's direction, before the entry may be taken. Generally this will look like a Fib Momentum Trade or a Trend Trade on the small chart
5. The Entry is taken once a reversal bar appears with stops placed on other side of entry pattern, if the small triggers are weak, stops may be more conservative behind the pivot that created the entry pattern.
6. The large chart will define target areas. An exit may be taken once this area has the potential to hold.

If the Divergence high or low does not hold, this is indicative of a strong trend. A reversal of the trend will not be expected, until the Midband on the large chart changes colors. The further the Midband is exceeded, when changing the color, the better.

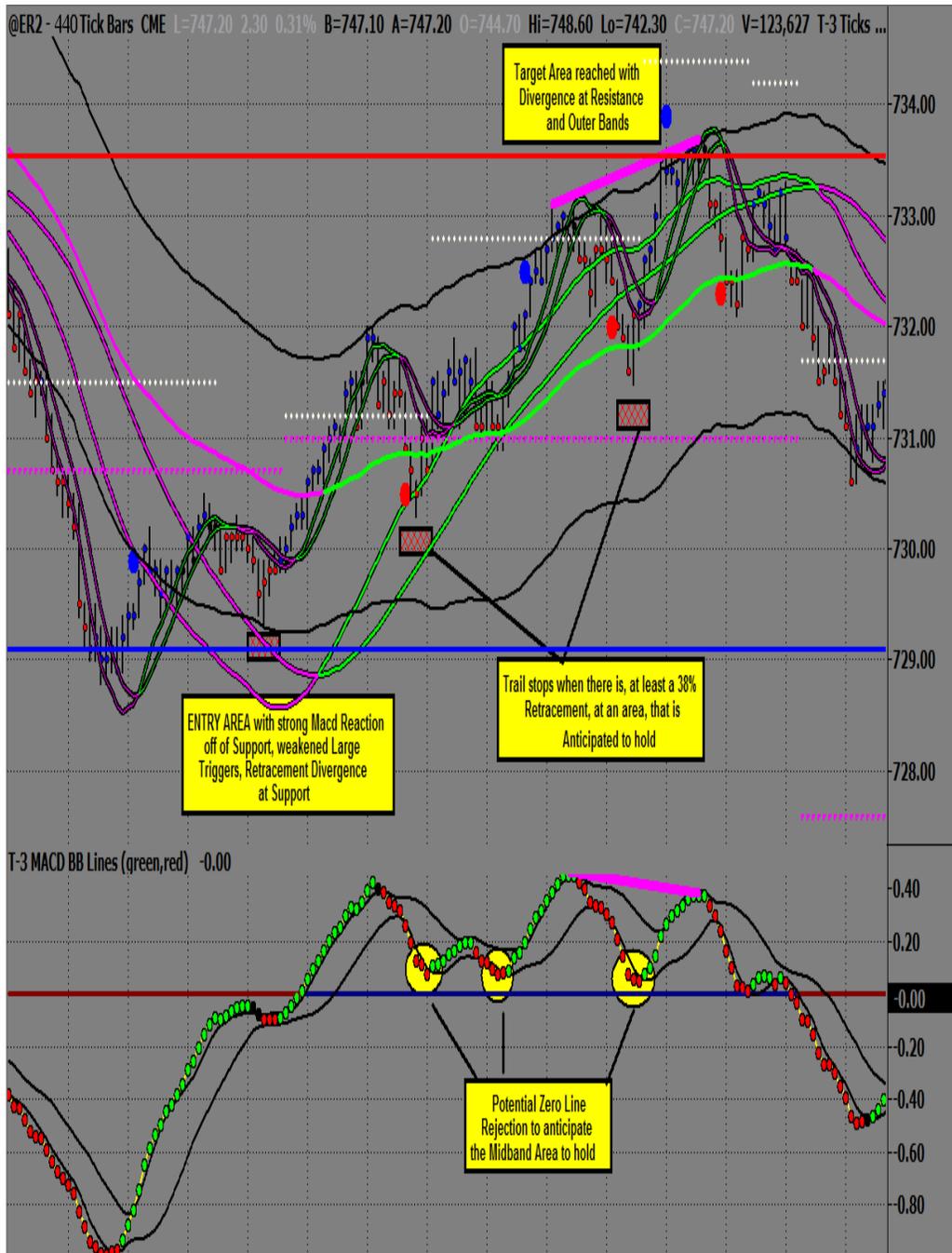
Example of ER2 Divergence Reversal Short



7) Targets and Stops

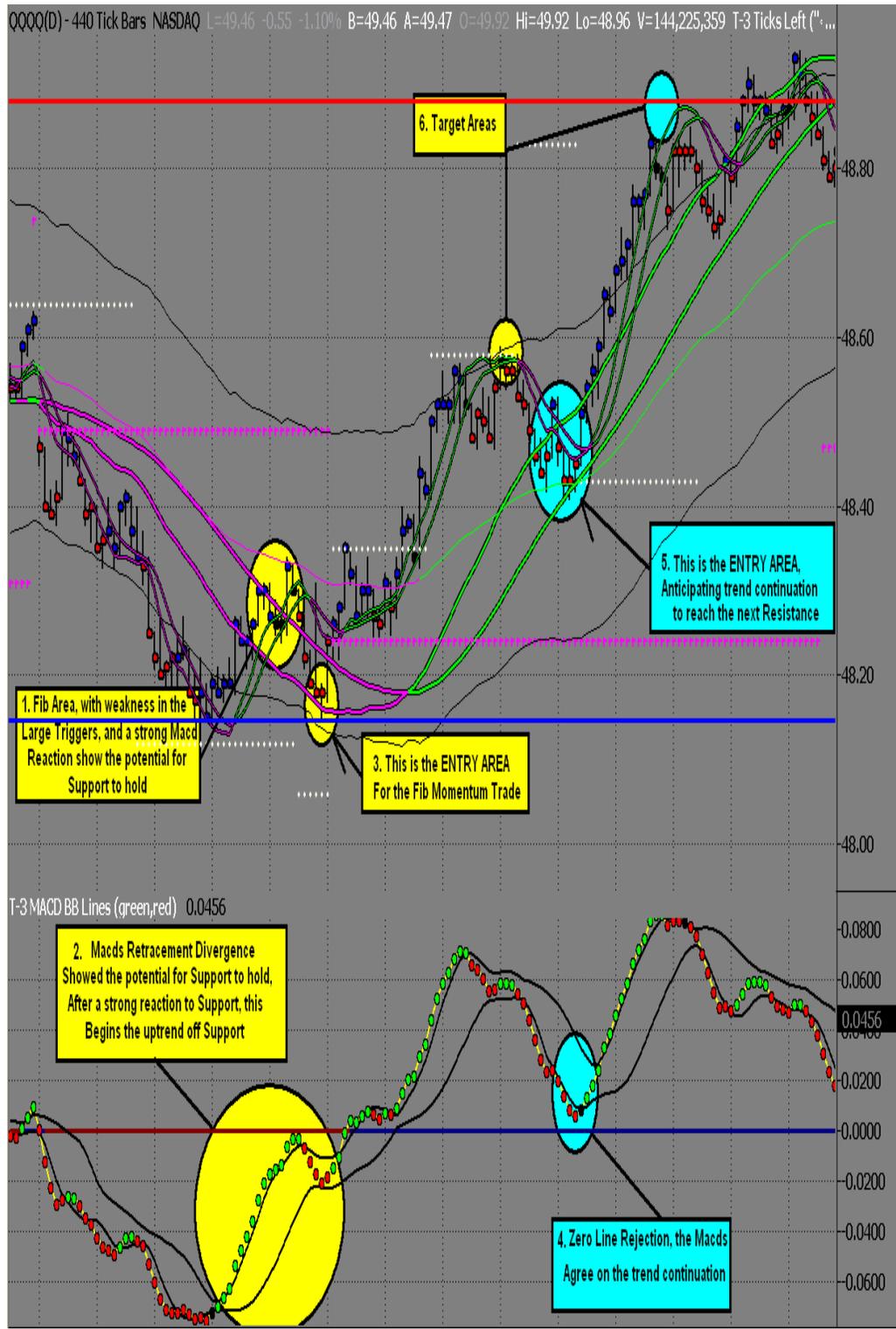
- A. **Target Areas**- Targets are established by the higher timeframes,
- B. Think Fib to Fib as your target. Also called confluence to confluence.
- C. **Trailing Stops**- Stops are to be trailed behind each new buy or sell signal, after at least a 38% Retracement in the price.

Example on trailing stops

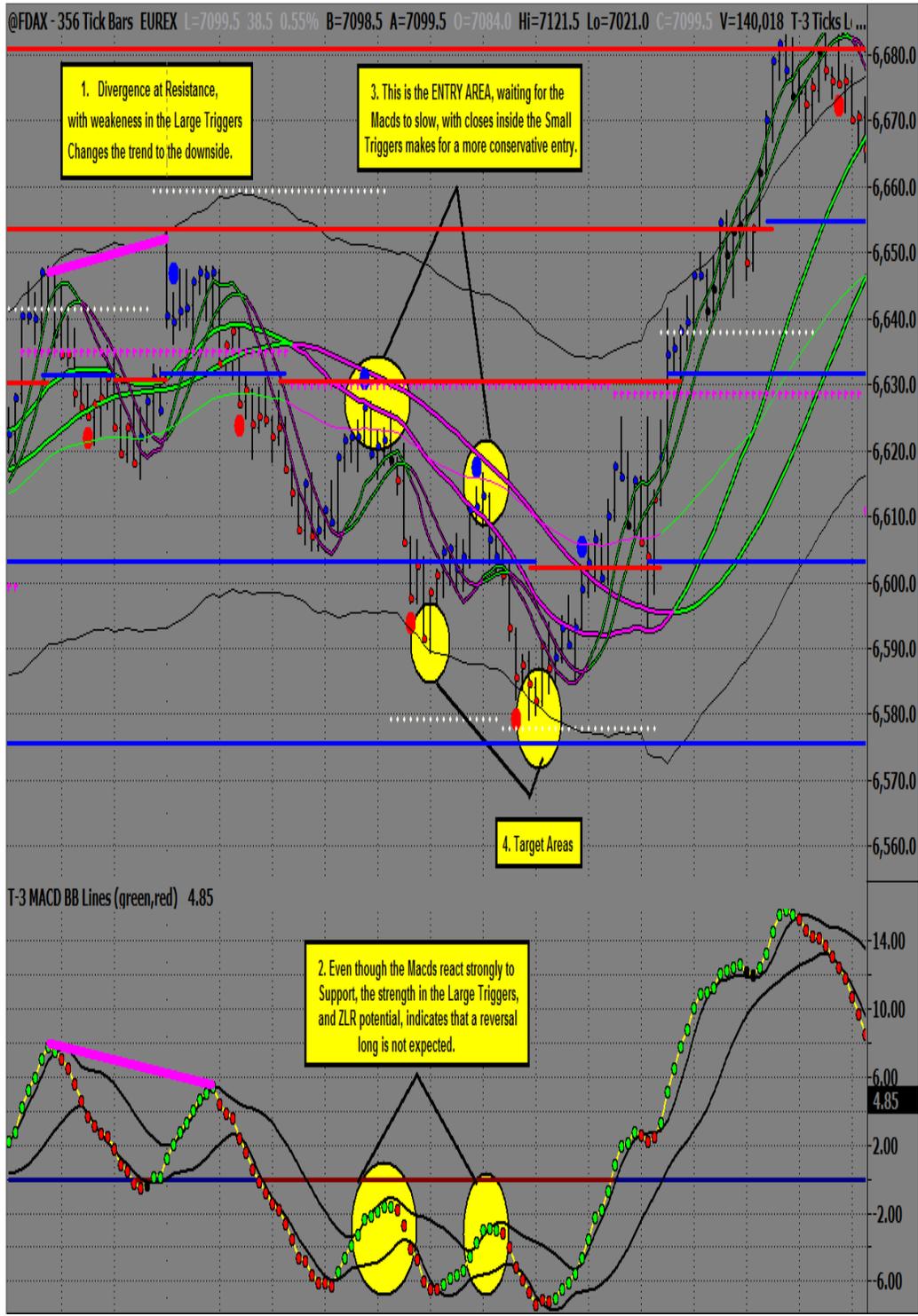


8) Additional Trade Setup Examples

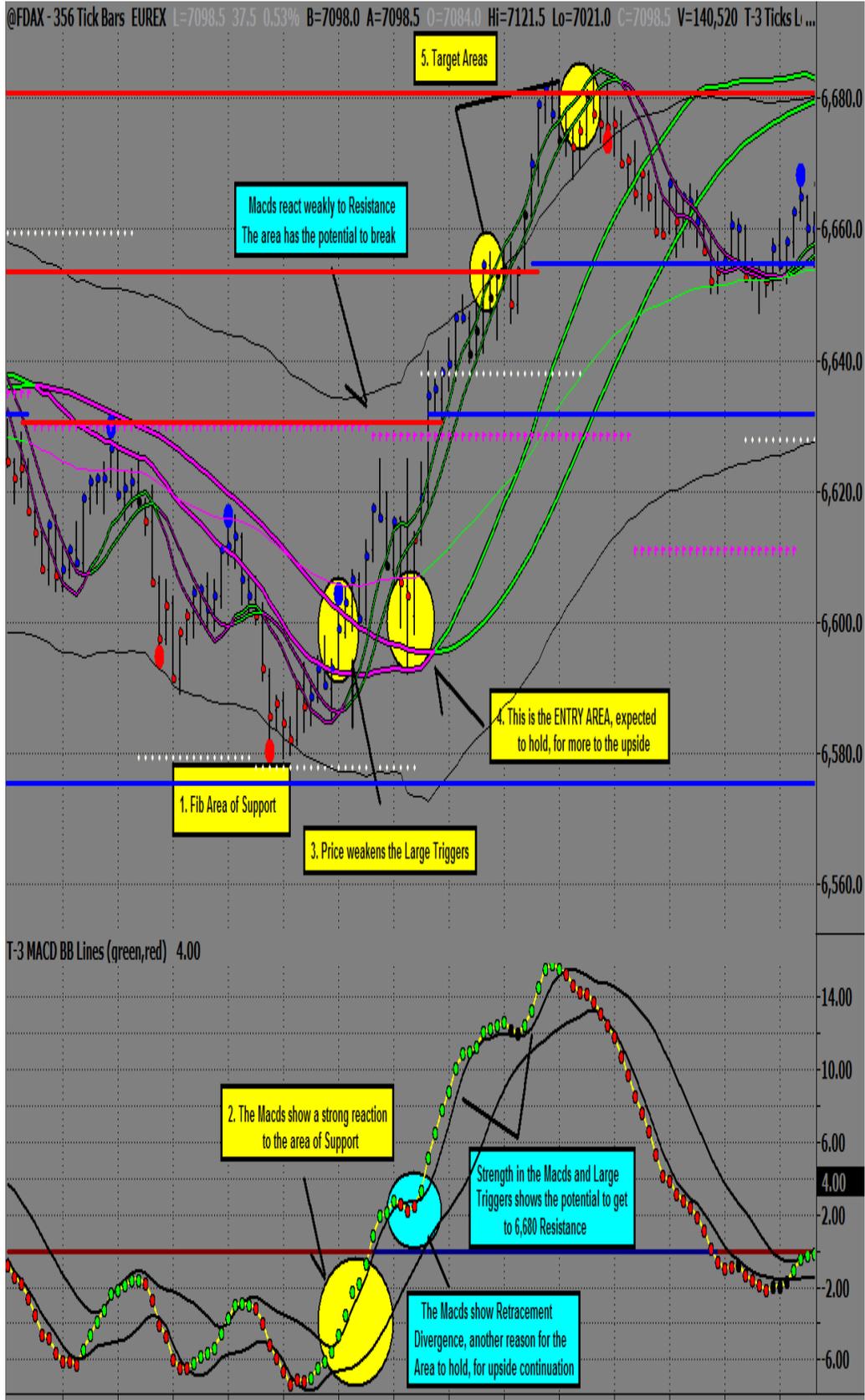
Example of QQQQ Reversal with a Trend Trade



Example of FDAX Reversal with Trend Trade



Example of FDAX Fibonacci Momentum Trade



9) **Position Trading**

The T-3 Fibs ProTrader software with fully automated levels of Support and Resistance offers Position Traders an excellent tool to identify entries and exits. The same trade setups used to day trade various markets can be utilized to Position Trade based on larger charts, usually a daily chart. For traders who do not want to day trade or simply do not have the time, this can be a great way to invest.

The following three examples will show what to look for using daily charts and the ProTrader software on several different markets but keep in mind the concepts apply to any market. The three examples will be:

1. A Reversal off Fibonacci Resistance without Divergence.
2. A Reversal off Fibonacci Resistance with Divergence.
3. A Trend Trade short from the Midband.

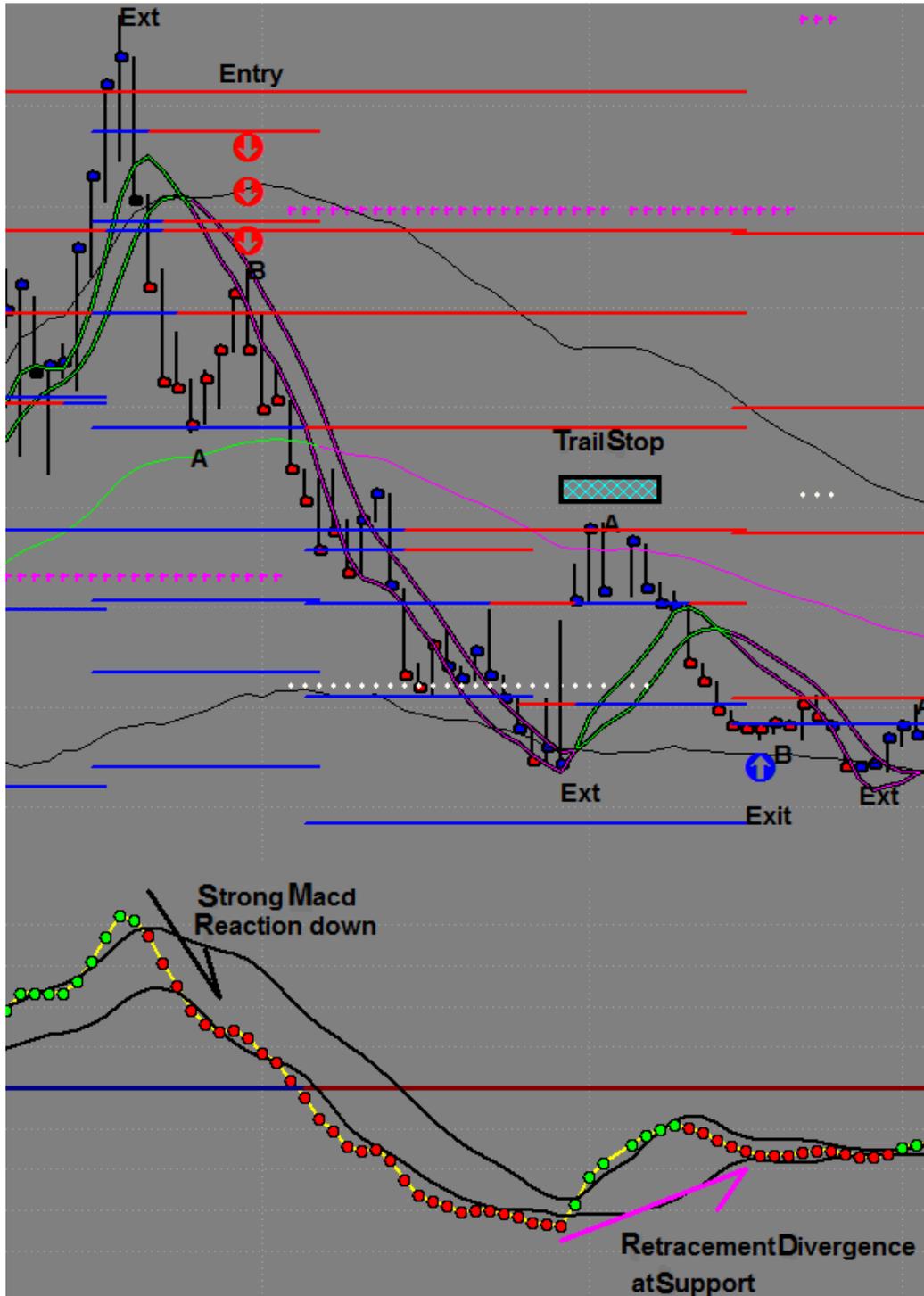
A. Corn Reversal Trade Without Divergence

Prior to the trade, the market is trending strongly to the upside. Looking for a Reversal off Fibonacci Resistance, we need a strong Macd reaction down to initiate a short trade. The strong Macd reaction, characterized by spacing between the Macds and a sharp, downward angle, will show the high probability for a Reversal off of daily Resistance.

You will notice that a strong Macd reaction occurs from daily Resistance with the market moving below the Small Triggers causing them to roll down. At this point, look for three things; a pull back to the Small Triggers, very little or no Retracement of the Macds, and a Reversal Bar Pattern. It is important to recognize the lack of Retracement in the Macds because this is Retracement Divergence, showing the Small Triggers are anticipated to hold for the entry into a short position. When these conditions are met, place the trade with a stop above the high of the Reversal Bar.

Once in the trade, the Macds and Fibonacci Support will decide our target/exit. We will remain in a short position until reaching an area of Fibonacci Support, anticipated to hold. Notice that the market moves through three levels of Support during the move down. Until the Macds react to an area of Support, there is no reason to exit the trade. The Macds are strong down and off the bottom Bollinger Band, showing strength to the downside. The Macds do not show weakness until reaching the bottom Outer Band and Support. At this point the Macd Trend changes up showing potential for Support to hold. As the market pulls back towards the low and Support, the Macds are leading higher showing Retracement Divergence and exit conditions are present.

1. A reversal off Fibonacci Resistance without Divergence.

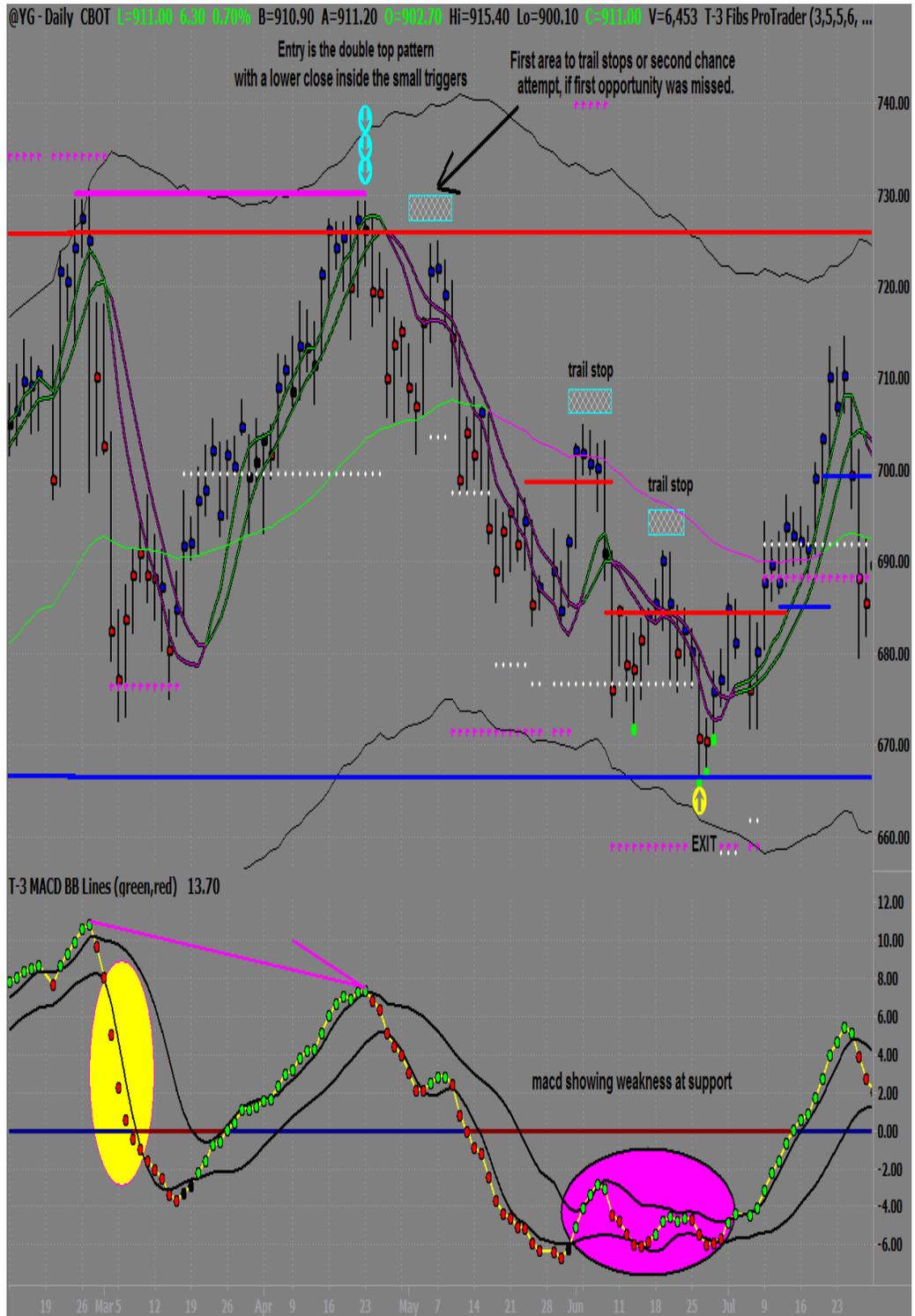


B. Gold Reversal Trade With Divergence

The Reversal Trade using Divergence is a method allowing the trader to get an entry close to the high or low and maximize profit potential. This trade setup begins in late February with a strong Macd reaction to Fibonacci Resistance. Over the next two months, the price of Gold pushes down and then Retraces back to the highs in late April. As the price of Gold equals the previous highs, the Macds are leading lower at Resistance, showing Divergence. Divergence at Resistance shows the potential for the Resistance to hold and the setup for a short trade is almost complete. The last piece of the puzzle will be a Reversal Bar Pattern for entry. Notice the Dual Bar at the highs with a close inside the Small Triggers for entry. The stop will be placed above the high of the Dual Bar.

Once in the trade, think Fib to Fib as your target. Along the way, it is important to trail the stop to lock in profit. In order to trail the stop, the market must make at least a 38.2% Retracement and put in a new sell signal (Reversal Bar Pattern), allowing the trader to trail the stop three times (see chart) on the way to the eventual target of Support at the 668 level. The exit is warranted at this level as Support is reached and the Macds have lost strength to the downside.

2. A reversal off Fibonacci Resistance with Divergence.



C. British Pound Trend Trade Short

The Trend Trade allows the trader to look for continuation from the Midband of an existing trend. In this example, shorting the British Pound Futures is the correct trade because the trend is down (notice the lower highs and lower lows) from Fibonacci Resistance at the 2.1100 level. This level of Resistance starts the setup for the trade although the Trend Trade occurs a month later. The strong Macd reaction down off Resistance shows potential for a reversal, which eventually pushes the market through the Midband and Zero Line.

Once these conditions are in place, look for a Retracement to the Midband area and a Reversal Bar. The Macds are well below the Zero Line showing strong potential for the Midband to hold and give continuation down. Also notice the complete lack of Macd reaction to the 2.0370 level of Support, which gives the trader the ability to anticipate further downward movement. This concept holds true as the trade progresses through the 2.0000 Support level and the 1.9700 Support level. When the Macds do not react to a level of Support, do not anticipate the Support to hold.

It is important to trail the stop to lock in profit. When looking to trail the stop, the market must make at least a 38.2% retracement and put in a new sell signal (Reversal Bar Pattern), allowing the trader to trail the stop three times on the way to the exit. Exit conditions are present when the Macd Trend changes and potential for Divergence is present at the bottom Outer Band.

10) Trade Setup Checklist

Have you reached a Fibonacci area on the large chart?

Is that area on the large chart anticipated to hold by what the Macd BB lines react to the area?
(Divergence or Strong Macd BB reaction).

Are the large triggers weakening or not?

Is there an area on the smaller chart for entry?

11) GLOSSARY

AREA = Lines on the chart that can create a bounce.

BAR PATTERNS = Helps to pinpoint entries and exits.

BEARISH DIVERGENCE = Equal to higher price pivots, and lower Macd Pivots, and runs at the top of the price.

BOB = Break out Bar, or the first full bar not touching the area on the opposite side of the area.

BOLLINGER BANDS = Standard deviation of a Macd.

BULLISH DIVERGENCE = Equal to lower price pivots, and higher Macd Pivots, and runs at the bottom of the price.

COB = Confirmation of a Breakout, or the first close completely beyond the high/low of the BOB.

DIVERGENCE = A difference or a disagreement between prices and Macds. The job of Divergence is to change the entire trend of the market.

DIVERGENCE REVERSAL TRADE = A trade taken when the market is expected to reverse while Divergence is present.

EXT = An “extreme” pivot that happens at or beyond the Outer Bands.

FIBONACCI = Areas of Support and Resistance where a bounce and potential Reversal can be anticipated.

FIBONACCI AREA/MIDBAND BREAKING = When there is a BOB/COB of the area, and that area changes colors.

FIB MOMENTUM TRADE = A trade taken when the market is expected to reverse with Retracement Divergence present.

FTP = Floor Trader Pivot, shown as the dotted lines on the minute charts.

KEY AREA = An area for a bounce.

LARGE TRIGGERS = Represent the overall trend of the market.

LONG = Taking a trade in anticipation of the market going up.

MACD BB LINES = Green, red, and white dots are the Macd calculations.

MACD BB SLIDE = A sliding along the Bollinger Band will assist in judging the continuation of the current trend.

MACD BB TREND = When the Macd BBs cross the upper Bollinger Band, the Macd Trend is up. When the Macd BBs cross the lower Bollinger Band, the Macd Trend is down.

MACDS = Stands for moving average, convergence, Divergence.

ONE TO ONES = Useful as intermediate Support or Resistance.

RETRACEMENT DIVERGENCE = At key areas when there is less than a 38% Retracement in the Macds and at least a 50% Retracement in the price.

SHORT = Taking a trade in anticipation of the market going down.

SMALL TRIGGERS = Represent the short-term expected outcome of the market.

STOPS = Protection if the market goes against a trade.

SUPER DIVERGENCE = A regular Divergence where the Macds never violate the opposite Bollinger Band.

TARGETS = Area for potential positive exit.

TREND BANDS = A channel for the market, also known as the Keltner Channel.

TREND TRADES = A trade taken when the trend is expected to continue.

ZERO LINE = The straight line that runs horizontally through the Macd BBs and Bollinger Bands with a value of 0.00.

ZLR = Zero Line Rejection, or a bounce off of the Zero Line.



T-3 Fibs

ProTrader

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