



Brainy's Articles on BullCharts

Fibonacci tools

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Introduction

This Article in Brainy's series on BullCharts, BC-07-120, "Fibonacci tools", explains the Fibonacci tools that are available in BullCharts, and some of the options that accompany them.

For background information about Fibonacci himself and the Fibonacci number sequence, refer to the technical analysis Article TA-7200, "Fibonacci".

Fibonacci number sequence

Note the Fibonacci number sequence and the key Golden Ratio values that are useful include the following values:

- The Fibonacci number sequence: 0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, ...
- The Golden Ratio = 1.618 or 0.618
- Key ratios and percentages: 0.618 = 61.8%, and 38.2%, 23.6%.
- Other key ratios (as extensions) = 161.8%, 261.8%, 423.6%

Simple example

As an initial simple example, the price chart in Figure 1 shows a monthly chart of NAB bank with the price sitting (circled) for 4 months above support at the 61.8% retracement level during the period from May to August 2010. A detailed elaboration of this example is provided in the Article TA-7200, "Fibonacci".

Remember that the Fibonacci tools like the retracement tool shown here is dropped onto two key points on the price chart — a significant low and a significant high. Once the tool is on the chart, if it is "selected", then two small squares appear on the chart (as shown in this figure). They are "handles" which can be grabbed with the mouse cursor and dragged around the chart.

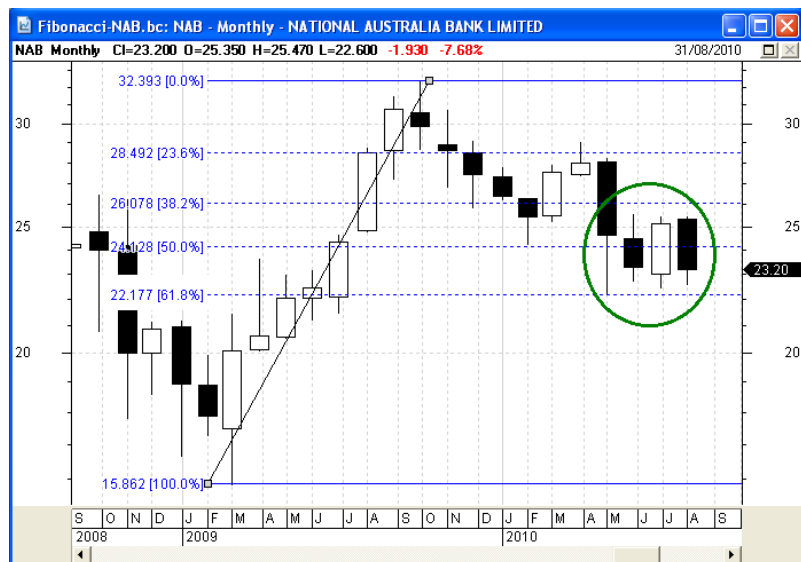


Figure 1: Fibonacci retracement example - NAB (monthly).

Fibonacci tools in BullCharts

The screen shot in Figure 2 at right shows the Fibonacci tools that are available on the Line Studies toolbar in BullCharts (this toolbar will look a little different if it is placed vertically and docked against the side of the BullCharts window which is the default layout). The Fibonacci Retracement tool on the toolbar is the one that is demonstrated in Figure 1 above. A discussion of some of these tools, and key options, follows.

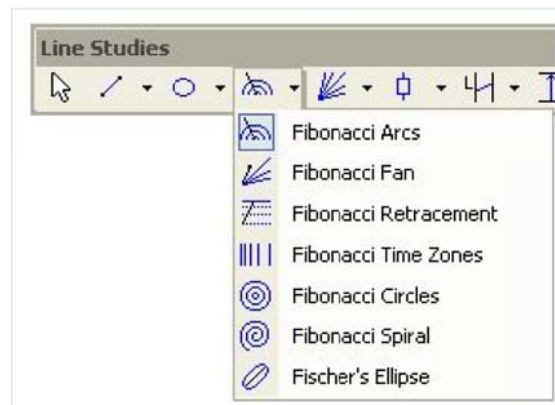


Figure 2: The BullCharts Line Studies toolbar showing the Fibonacci Tools.

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