

How to use Fibonacci Expansions as Targets

Fibonacci Expansions are price levels created by tracking a price's primary move and its retracement. The resulting price levels are then drawn on the chart in an area that would normally be difficult to gauge support and resistance using ordinary charting tools. This makes Fibonacci Expansion especially useful for picking profit targets when trading trends.

When faced with an upward trending currency pair, there are going to be times when price temporarily moves counter to the trend. We call these moves pullbacks or retracements. Once this counter move is exhausted, price resumes back in the direction of the primary trend and often times will break to new highs. It is at that moment, that Fibonacci can be used to identify targets.

While the familiar Fibonacci Retracements are used to determine how far the price might originally retrace, Fibonacci Expansions can help us determine where price might head after the retracement is exhausted.

On the AUDUSD 5 pip Renko chart below, the manually drawn Fibonacci Expansion shows the A/B primary move whilst the following B/C retracement line is auto placed by the indicator on MT4.

The first **white** line is the first target (61.8), above that is the 100% target and finally (off screen) there is a further 161.8% target.

Fibonacci Expansion also compliments the Fibonacci Retracement tool as Fibonacci Retracement is traditionally used to get good entries on pullbacks from an existing trend.

