Funded Trading Plus

PropIQ
Prop Trading Insights

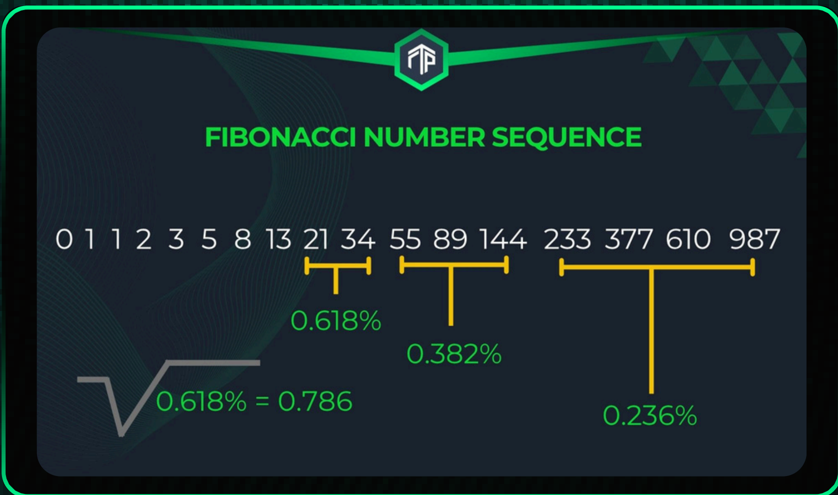
FIBONACCI RETRACEMENT STRATEGY

A practical strategy guide for traders using simulated prop trading programs.

1. CONTEXT

Fibonacci technical analysis is one of the most widely used tools in trading today. Having stood the test of time, it has been trusted by traders for decades across all markets and timeframes.

This method is based on a simple numerical sequence, where each number is the sum of the two preceding it. The relationships between these numbers form the foundation of Fibonacci levels, key zones traders use to identify potential entry points, exit targets, and areas of market reaction.

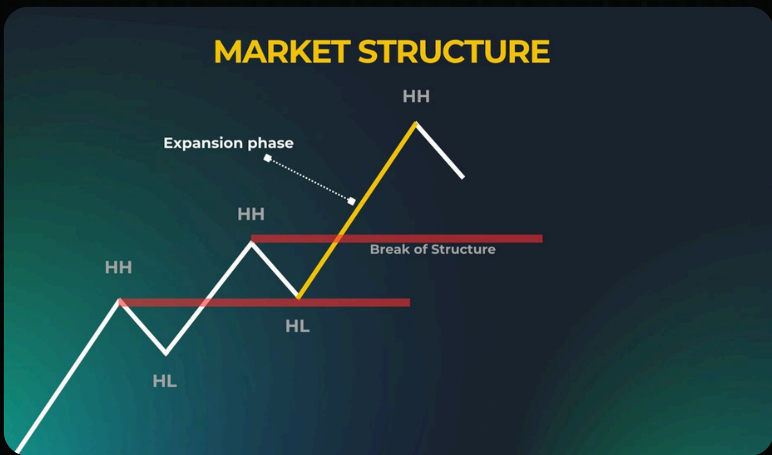


THE STRATEGY

- Identify a strong trending market using a higher time frame. I recommend the H4 chart with two Exponential Moving Averages, for example the 20 EMA and the 50 EMA.
- In an uptrend, the 20 EMA should be above the 50 EMA, clearly separating and pointing upward. This indicates strong bullish momentum.
- In a downtrend, the 20 EMA should be below the 50 EMA, separating and pointing downward. This shows strong bearish momentum.

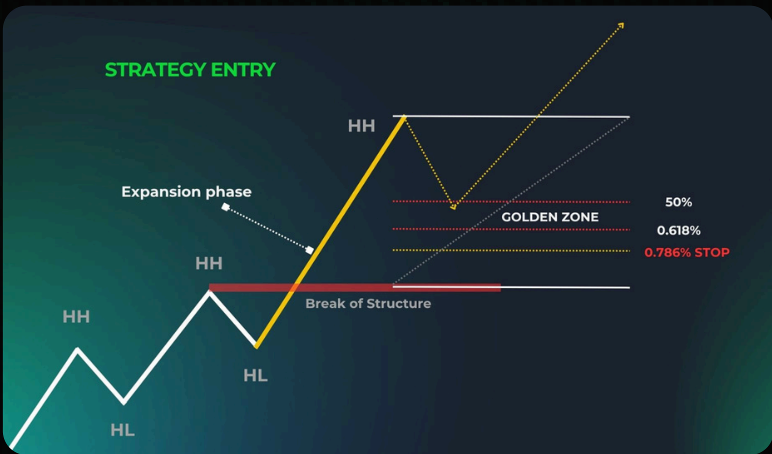
- Once the trend is established, move down to a lower time frame such as the 1 hour, 15 minute, or 5 minute chart.
- Plot the market structure using price swings. For an uptrend, look for higher highs and higher lows. For a downtrend, look for lower highs and lower lows. Identify a the break of structure before the latest expansion phase.

EXPANSION


MARKET STRUCTURE
HH
Expansion phase
HH
Break of Structure
HH
HL
HL

- Load on the Fibonacci retracement tool selecting 0.786%, 0.618% 0.5% .

- Draw the Fibonacci tool from the point where the break of structure (BOS) occurs on the most recent expansion phase. In an uptrend, measure from the BOS to the new high. In a downtrend, measure from the BOS to the new low.



TRADE ENTRY AND RISK (EXAMPLE BUY TRADE)

Enter a buy trade when price pulls back into the golden zone. Use price action confluence to confirm the setup, such as bullish engulfing candles, bullish pin bars or a break of a minor structure.

Place the stop loss just below the 0.786 retracement level. Adjust the position size so that the trade risks only a predetermined percentage of the account balance.

The first profit target can be set at the previous high that preceded the pullback, aiming for a risk to reward ratio between 1.5 to 1 and 2.5 to 1. The reverse applies to sell trades in a down trend.

ALTERNATIVE PROFIT TARGETS FOR SCALING OUT

Alternative take profit levels can be placed using Fibonacci extensions. The 0.618 extension or the 1.0 extension can be used as additional profit targets to scale out of the trade and improve the overall risk to reward profile.

BASIC GUIDELINES FOR TRADING ON FTP+ SIMULATED CHALLENGES AND SIMULATED LIVE ACCOUNTS

Daily drawdown limits

Be mindful of the daily drawdown rules. For example,4 losing trades at 1% risk per trade would breach a 4% daily drawdown limit. Consider reducing the risk per trade to avoid violating account rules.

Maximum daily loss per asset class

Many challenges have a maximum loss limit of 2%t per asset per day. Adjust your position size and reduce risk per asset to ensure you remain within these limits.

Market correlation

Many assets are correlated, either positively, where they move in the same direction, or negatively, where they move in opposite directions. When following trends, several correlated assets may be in the same market phase. If the trend reverses, multiple trades could lose at once. Be cautious of daily and overall drawdown exposure when trading correlated assets.

News Events

Major news announcements can often lead to erratic and volatile market movements. Always be aware of upcoming economic releases or events that could impact the assets you are trading.

IMPORTANT NOTICE

DISCLAIMER

All information contained in this document is provided for educational purposes only.

The examples, charts, and strategies shown are based on simulated trading environments and do not involve real or regulated financial markets. Funded Trading Plus (FT+) programs operate entirely with virtual funds in a simulated environment. Any performance, results, or payouts mentioned are derived from simulated profits in line with program terms and conditions.

Nothing in this guide should be taken as financial advice or an invitation to trade real money. Trading and investing in financial markets carry significant risk, and you should always seek independent financial advice before making real trading decisions.

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