

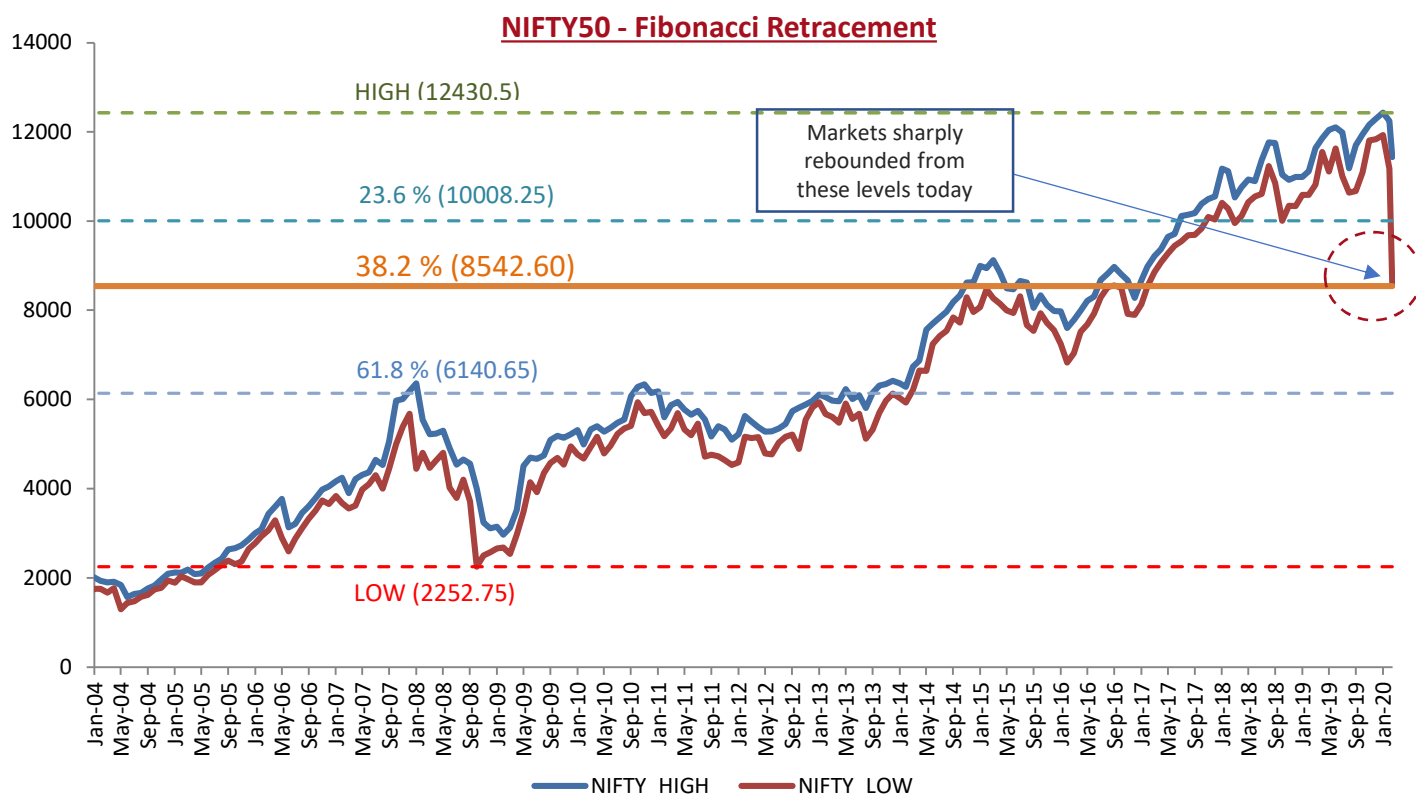
EVIDENCE OF FIBONACCI RETRACEMENTS IN EQUITY MARKETS

What is the Fibonacci sequence ?

In mathematics, the Fibonacci numbers form a sequence called the Fibonacci sequence, such that each number is the sum of the two preceding ones, starting from 0 and 1. The beginning of the sequence is thus 0, 1, 1, 2, 3, 5, 8, 13, 21 ...

What is Fibonacci retracement ?

A Fibonacci retracement is a term used in technical analysis that refers to areas of support or resistance. Fibonacci retracement levels use horizontal lines to indicate where possible support and resistance levels are. Each level is associated with a percentage. The percentage is how much of a prior move the price has retraced. The Fibonacci retracement levels are 23.6%, 38.2%, 61.8% and 78.6%. These percentages are derived from the Fibonacci sequence. For example, The 38.2% ratio is found by dividing one number in the series by the number that is found two places to the right. The indicator helps in identifying major halts or probable bounce back levels after a decline or advance as the case may be. It highlights levels which help us identify potential reversal area thus identifying potential entry point after a pullback.



- The above chart looks at the NIFTY50 monthly high and lows.
- Consider the time period from Oct 2008 low to the current high in Mar 2020.
- Today, NIFTY50 honored the crucial retracement level of 38.2% and has sharply rebounded.
- Hence Fibonacci sequences, observed widely in natural phenomena are also clearly visible in stock market movements.

You can read more about Fibonacci series here - https://en.wikipedia.org/wiki/Fibonacci_number
 Fibonacci in Nature - <https://science.howstuffworks.com/math-concepts/fibonacci-nature.htm>