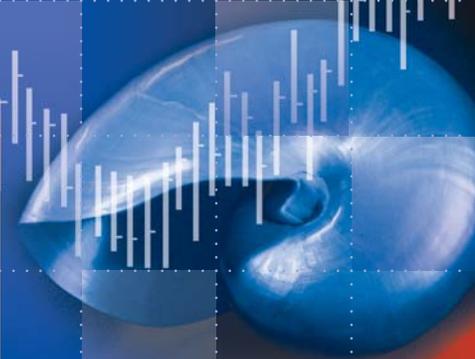
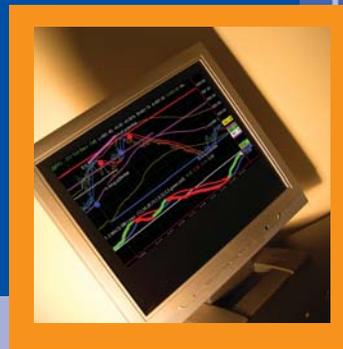


**NEXGEN**  
SOFTWARE SERVICES

# 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*









## **Predicting key turning points in advance by using Fibonacci**

By John Novak –developer T-3 Fibs ProTrader

### Why determining potential turning points in advance is important for every trader

A trader needs to know where the potential turning points are going to be in the market in order to have the foresight to make the proper trading decisions that will yield the highest possible returns for the least amount of risk. Fibonacci not unlike Elliot Wave analysis is a set of simple rules that provide traders the ability to predict the potential of a move prior to the move happening by analyzing swings or waves in the market. Elliot wave formations can change as the market progresses while Fibonacci ratios derived from swings that have already happened will never change. Our experience tells us that 100% objective Fibonacci price projections and retracement methodologies will give you the most consistent way to determine in advance where the market will have the highest potential to turn when done correctly.

### Common Fibonacci Ratios and Their Qualities

Many traders today use Fibonacci in their trading. Most of the time this will consist of retracement levels from major swing and more advanced traders will use extensions of past swings into the future. Some common Fibonacci ratios that traders will use are 38.2%, 50%, 61.8%, 100%, 138.2%, 161.8%, 200% and 261.8%. Fibonacci ratios will have a more “exhaustive” quality the larger they get. For example, a 78.6% retracement will have more chance of stopping a move than a 38.2% retracement will. This is true for extensions as well; a 261.8% extension will have more chance of stopping a market than a 138.2% extension.

In addition to the higher exhaustive quality of the higher Fibonacci ratios, in most cases the higher the timeframe the Fibonacci ratio was generated from the greater the chance it will have an influence on the market. Knowing this information you are able to give more credence to higher Fibonacci ratios and from ratios from higher timeframes when doing manual analysis.

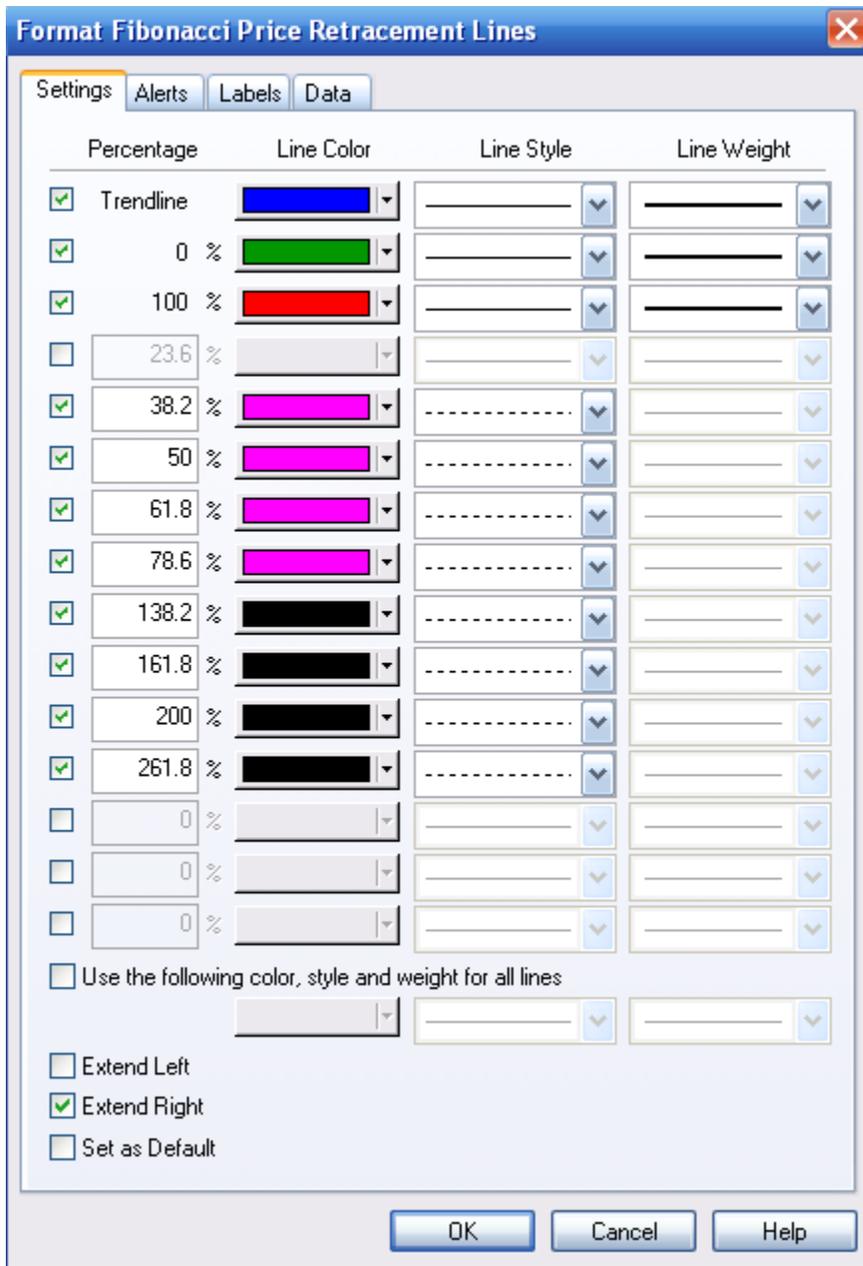
This take an even more powerful turn when you are able to find and apply Fibonacci ratios from multiple timeframes and multiple swings that land into a relatively small zone on your charts. The amount of work necessary to do a complete analysis of every possible Fibonacci line from every swing on every timeframe makes it nearly impossible for anyone to achieve consistent results. Those who have learned how to master this art and who are only able to use the “right” ratios from the “right” swings are able to consistently able to call tops and bottoms using Fibonacci.

The T-3 Fibs ProTrader has mastered this art, and allows the trader to focus less on analysis and more on what is important, assessing reward versus risk and making the trade. Let's first take a look at the types of Fibonacci projections that the T-3 Fibs ProTrader will use in it's analysis.

## How to Set up the Fibonacci Tool

How to do this manually in Tradestation or any other platform your using such as MultiCharts you will need to select the tool from the drawing menu.

Then you must format your Fibonacci tool in your platform to have the ratios that you wish to use in your analysis of the market. Below you will see a typical setup using the most common ratios. You may change colors and lines to your personal preferences.

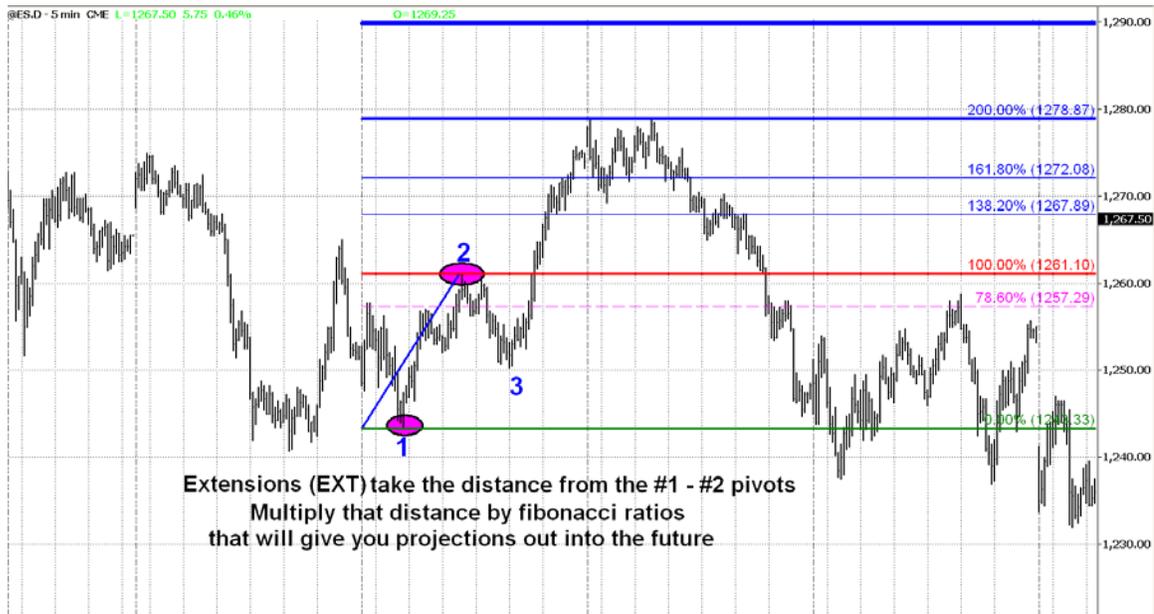


The Fibonacci tool is then applied to the charts by dragging and dropping the tool from your starting and ending pivots that you wish to analyze.

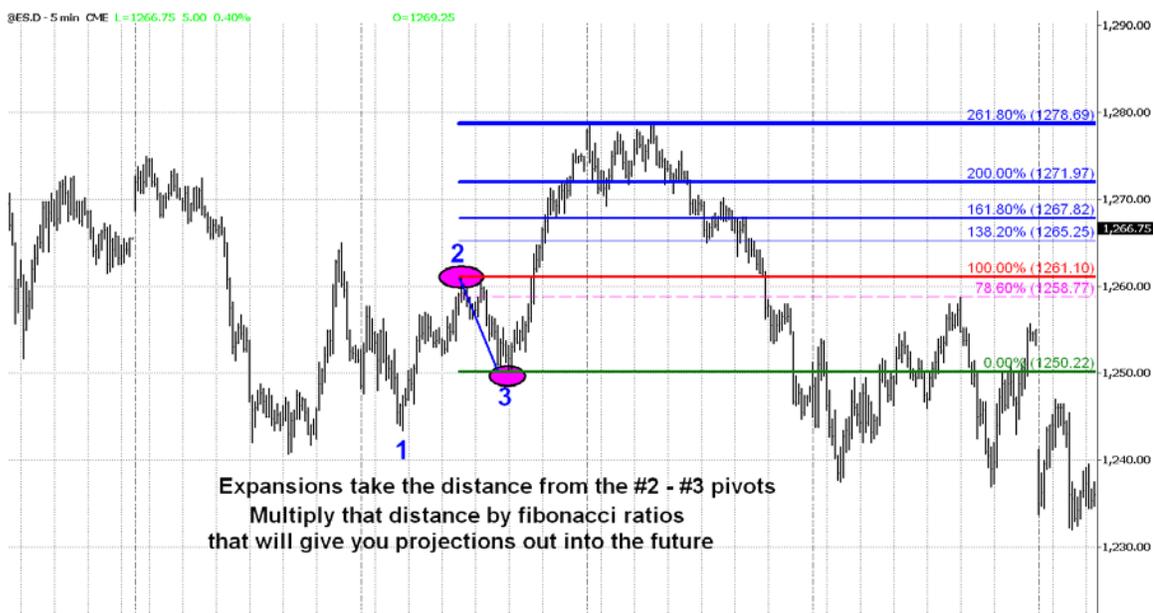
## Fibonacci Projections and Retracements Defined

There are 4 main Fibonacci projections that we use in our software:

1. **Extensions**- take the range from pivot #1 to pivot #2 multiply that distance by a Fibonacci number, add the two numbers together and it will give projections into the future where a possible turning point could be.



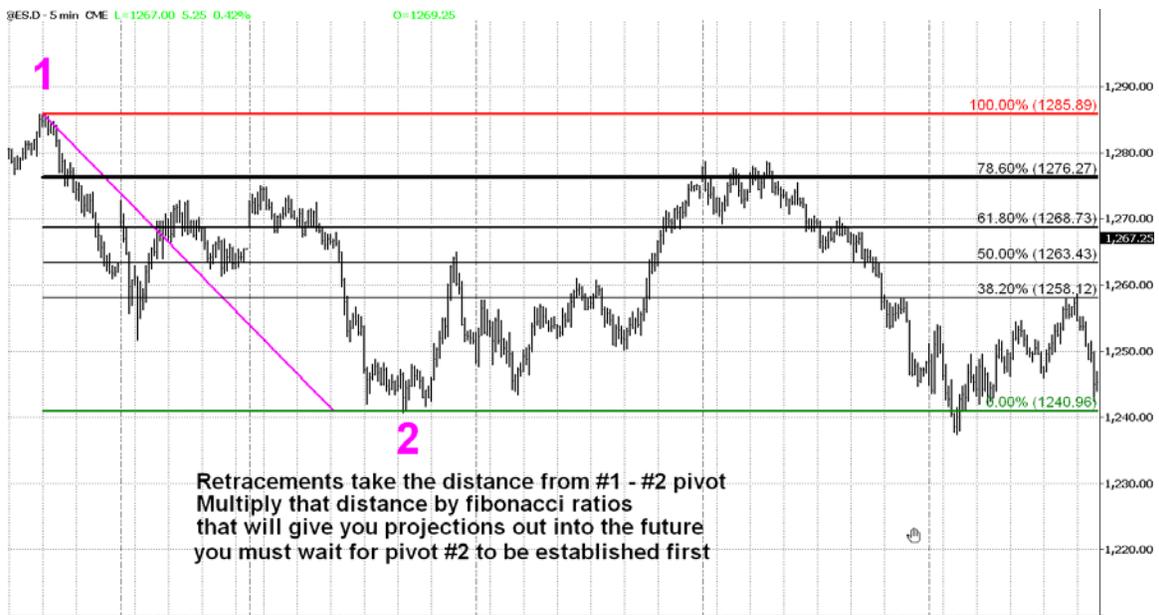
2. **Expansions**- take the range from pivot #2 to pivot #3 multiply that distance by a Fibonacci number, add the two numbers together and it will give projections into the future where a possible turning point could be.



- Alternates**- take the range from pivot #1 to pivot #2 multiply that distance by a Fibonacci number, add that to Pivot #3 and it will give projections into the future where a possible turning point could be.



- Retracements**- take the distance from a #1 pivot to the #2 pivot and take a portion of that range that is commonly less than 100%. The most common ratios are 38.2%, 50%, 61.8% and 78.6%. This is usually more beneficial from higher timeframes when determining reversal areas.



Now we are going to use this setup to define a multiple timeframe key Fibonacci confluence area that we can make trading decisions based on our knowledge.

If you look at the following chart of the S&P 500 minis the overall trend is down.



Once we make a bottom and the short-term trend turns back to up by making higher lows we want to know where this pullback may stop and where we can resume the longer-term downtrend again.

This is a blowup of the chart above... as you can see we have labeled some of the swings for you as 1-2-3. Once we have put in the GREEN #3 pivot we have short-term trend up and we are working to anticipate where the trend will end. Once we have the smaller swings of the BLUE 1-2-3 we now have enough information to start our Fibonacci analysis.



## Manually Calculating Fibonacci Confluences Step by Step

The first step will be to go back to where the last major swing down has started and calculate our retracement levels.

As you can see in the following chart with the MAGENTA 1-2-3 we are calculating the Retracements from the #1 to the #2 pivots.



Now we are going to use the GREEN 1-2-3 pivots and do our Extensions, Expansions and Alternates.

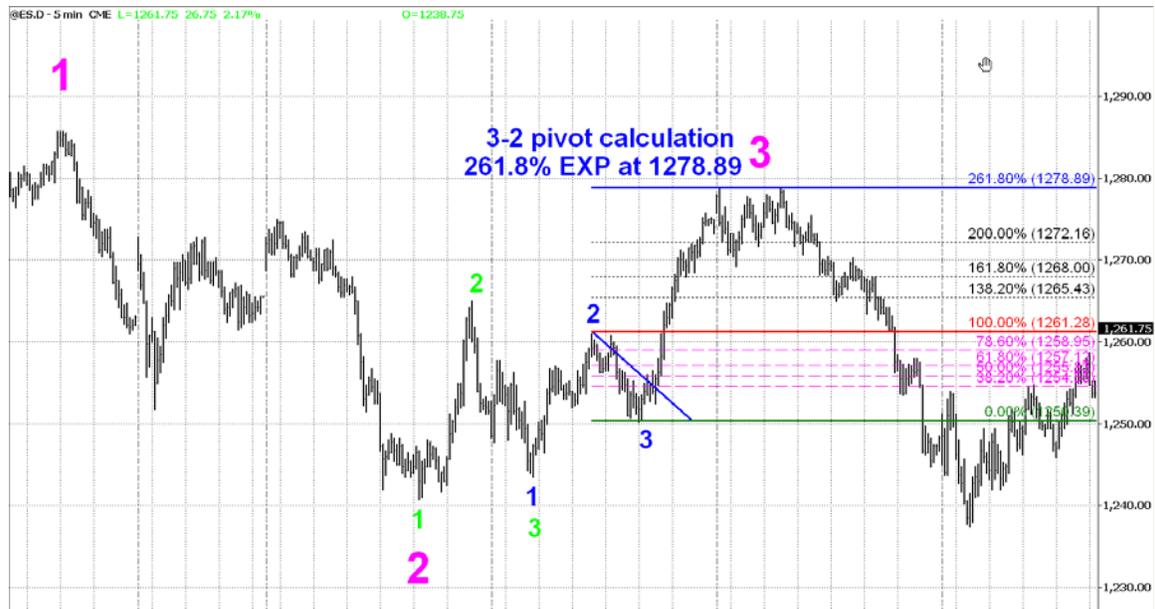




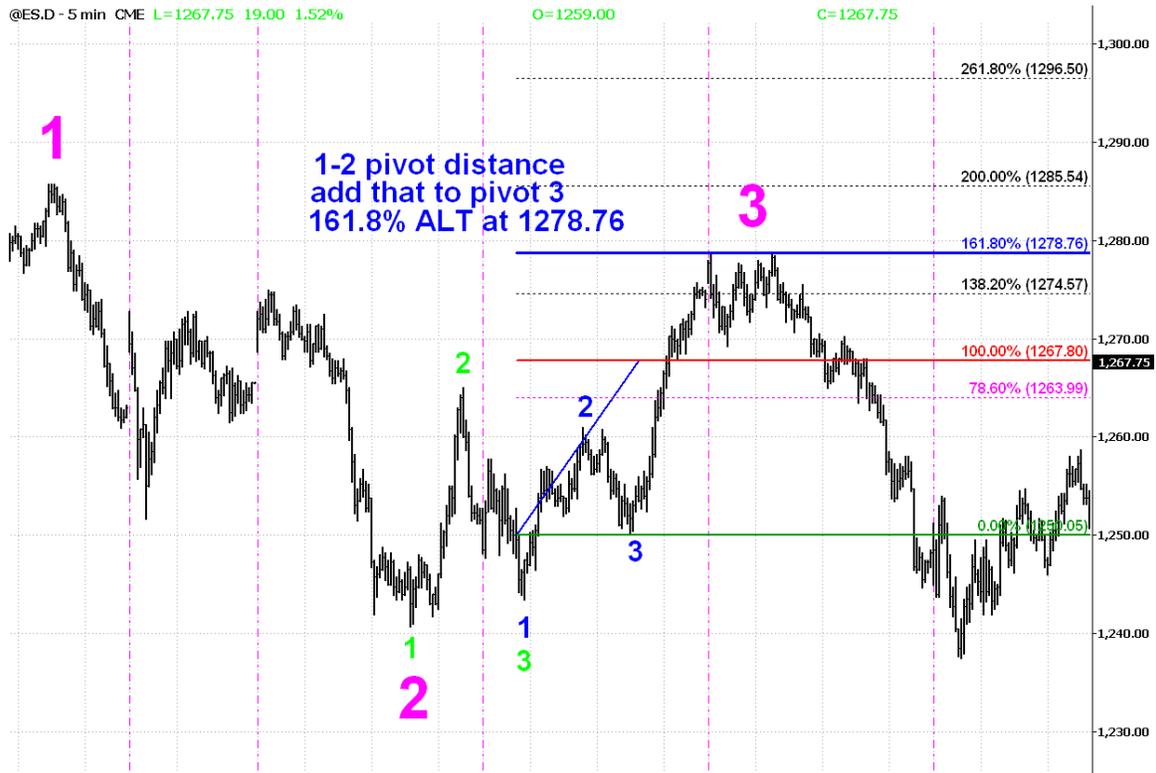
Once we have completed our analysis on the GREEN 1-2-3 we will start our work and repeat this process on the BLUE 1-2-3. First we will start with Extensions from the 1-2 pivots.



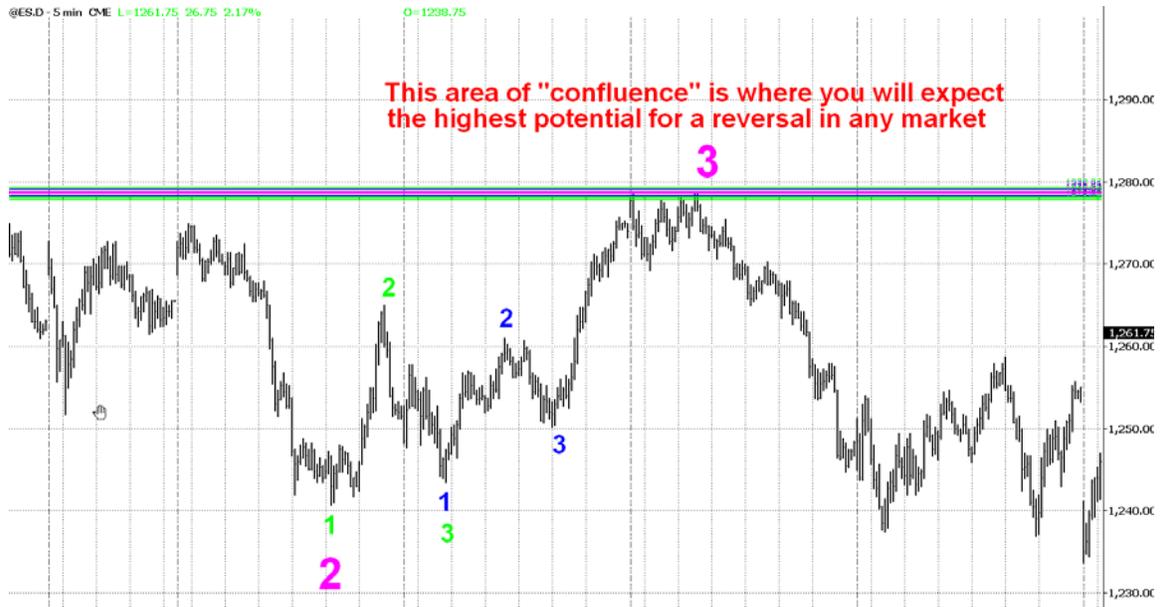
Once we have our extensions we will do our Expansions from the 2-3 pivots.



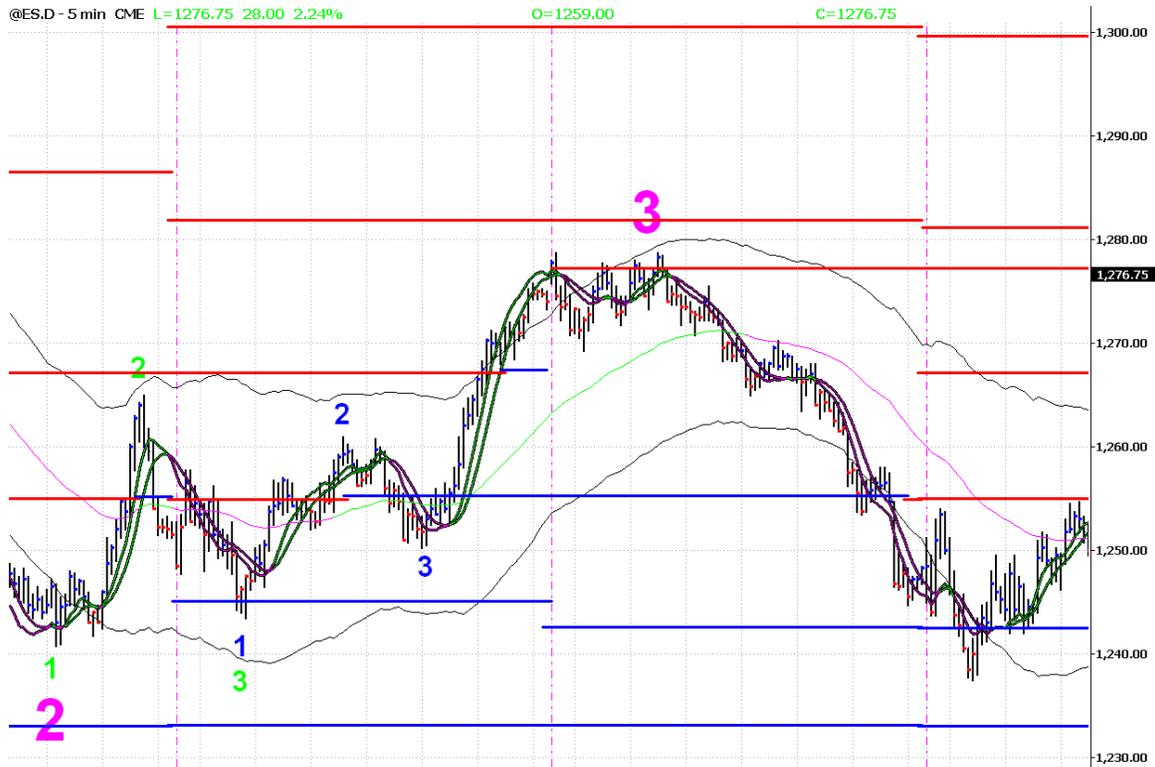
Then we will take the distance from 1-2 pivots and do our Alternates.



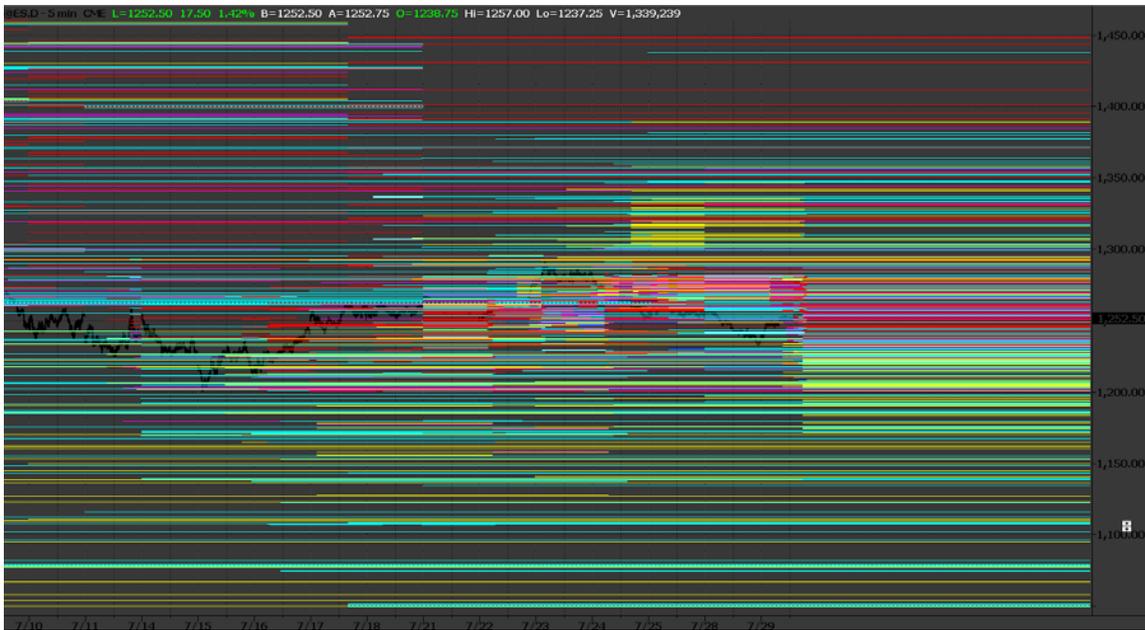
What we will end up with is a tight range where many different Fibonacci ratios from several different sets of 1-2-3 fall together. This is what we call a Fibonacci confluence. This is where we will look for the overall longer-term trend to continue.



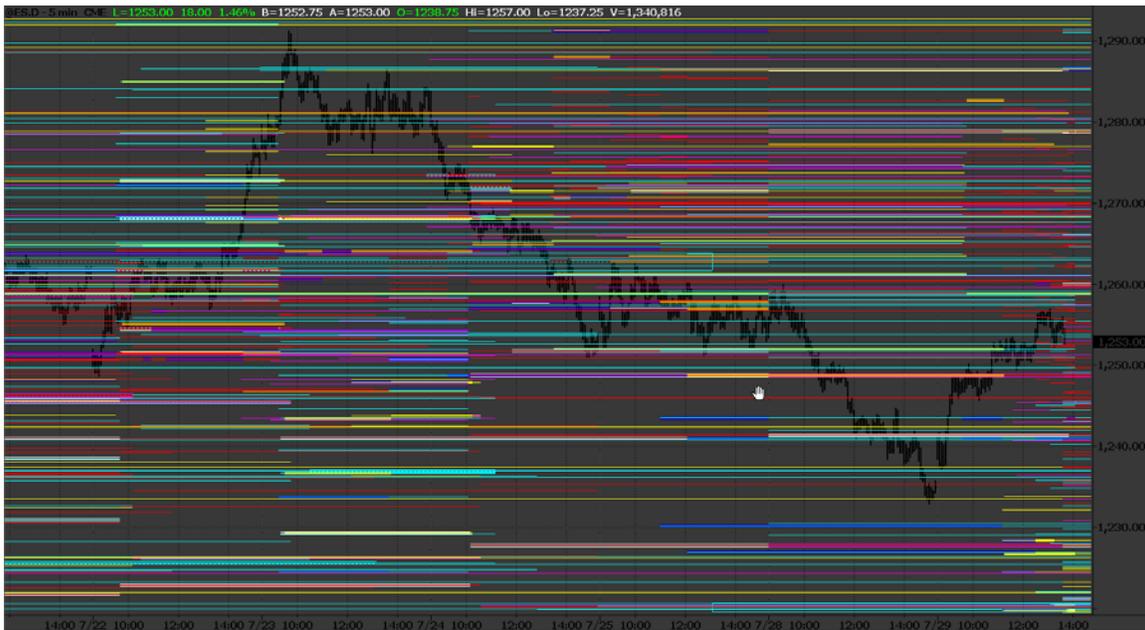
Now that we know where are key areas are let's take our first look at the T-3 Fibs ProTrader and how the software will automatically call key areas of Fibonacci support and resistance.



What makes the T-3 Fibs ProTrader so special? The answer is summed up in 3 words, power, accuracy and consistency. The software will do EVERY possible 1-2-3 swing from well over 150 days worth of data or more, then it will “synthetically” build 9 higher timeframes and do every possible 1-2-3 from those “higher” timeframes and generate every possible Fibonacci line for you automatically. The snapshot below will show you the “raw” number of Fibonacci lines that the software is generating on a single chart. The background color has been changed so you can see each of the lines a bit clearer.



Let's take a slightly closer look at those lines. As you can see ...there is a Fibonacci line on just about every tick in the market.



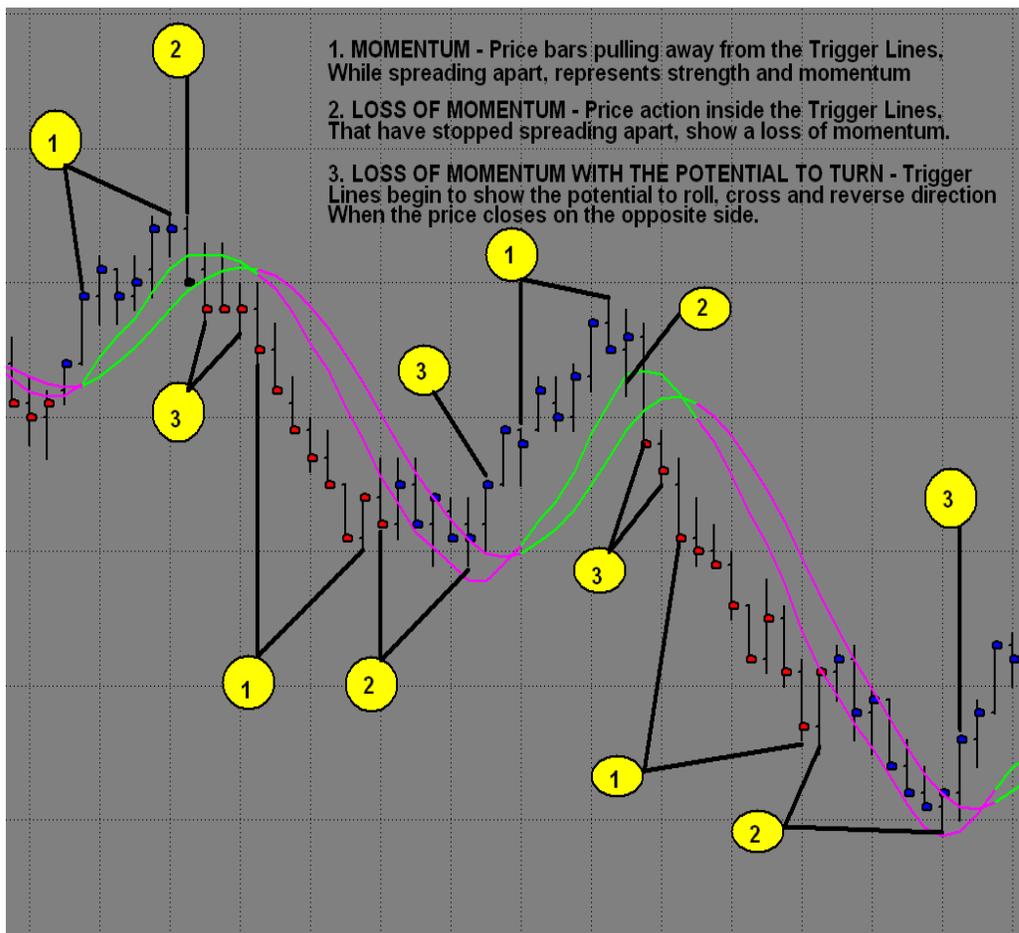
The power of the T-3 Fibs ProTrader is that it is able to take all of the raw Fibonacci lines, rank them according to strength, and strength dictated by timeframe, then filter out the noise and leave you with a clear picture of where the market has the most powerful combination of Fibonacci confluences. Not only will the software give you the areas at which to get in, the key Fibonacci areas will also help you to dictate how much potential there is on any given trade prior to entry.

The T-3 Fibs ProTrader will also give you a level of consistency in your Fibonacci analysis that is almost impossible to duplicate by hand. Most importantly it will allow you to focus on being a trader and not an analyst.

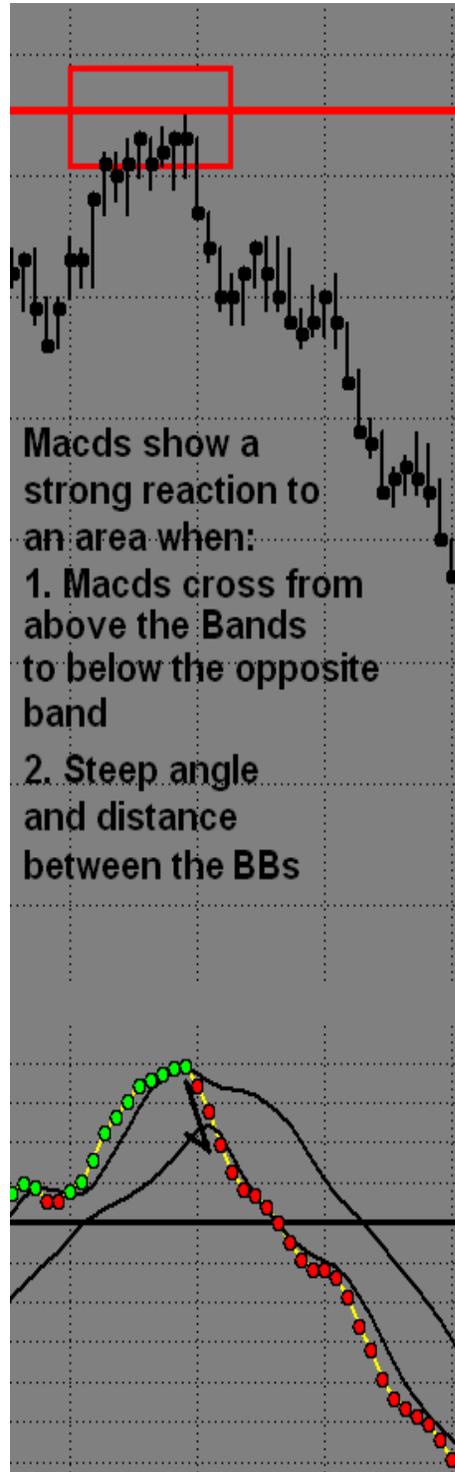
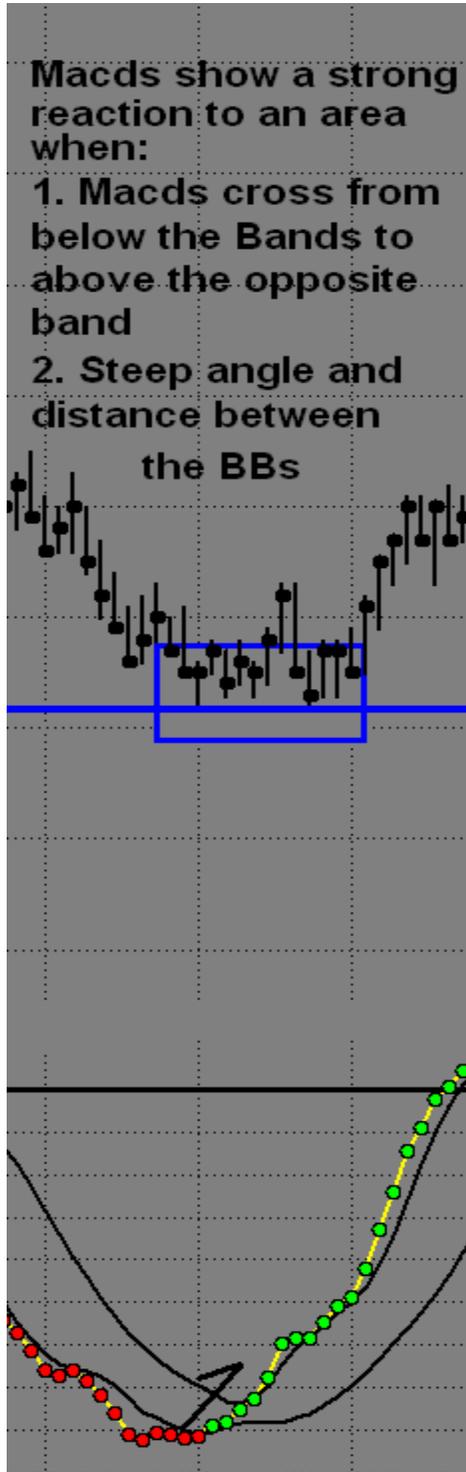
Now that you know Fibonacci and how the confluences are generated, how can we use them to make money on a consistent basis? There are two indicators that we will use in addition to our key Fibonacci areas to assist us in entry timing, the T-3 Macd BB lines and the T-3 Trigger lines.

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.



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



We have established two very simple trades that can be learned in days and when traded correctly can be used on any market, any timeframe with a high winning percentage and a high reward to risk ratio.

**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.**

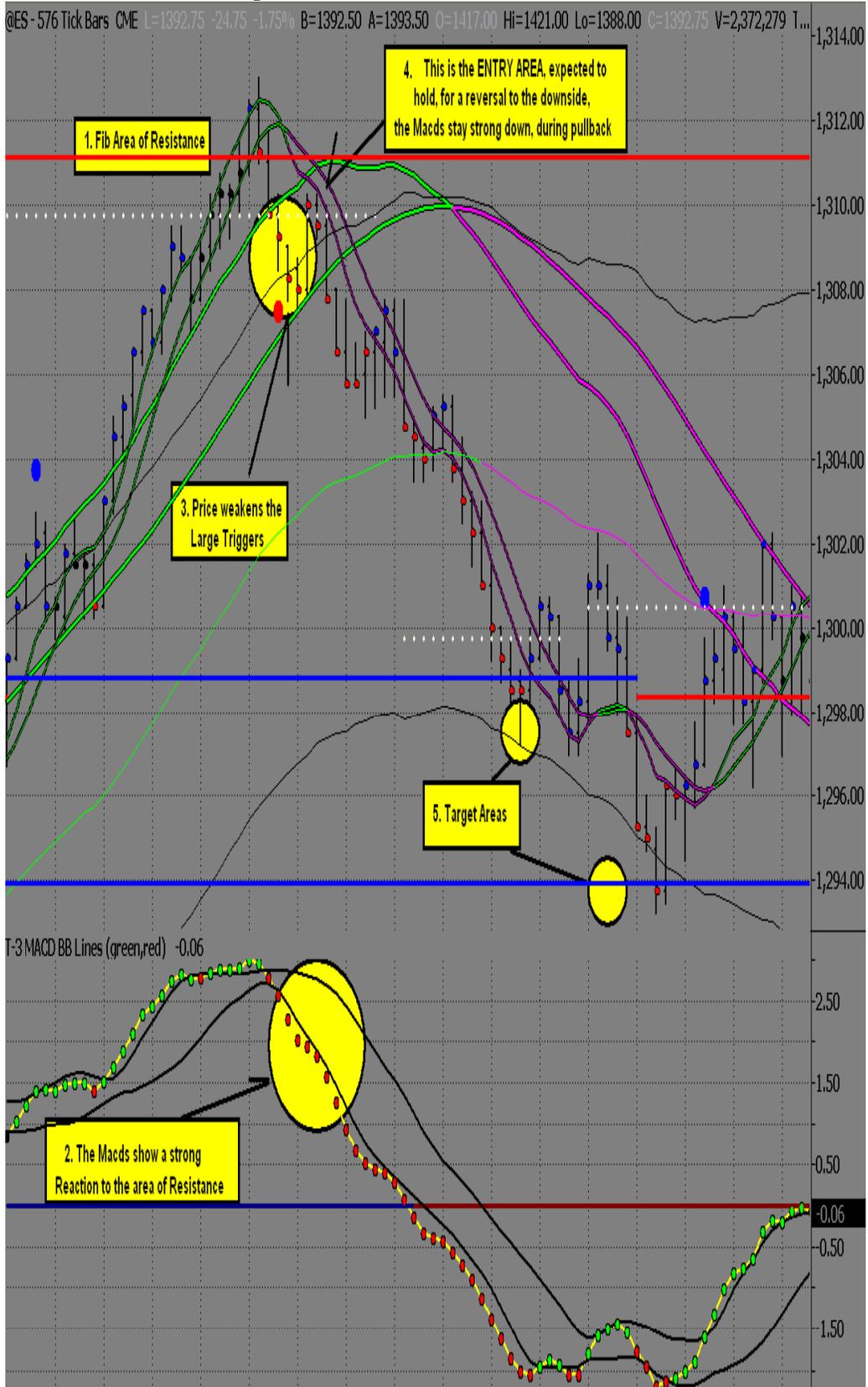
## **Fib Momentum Trade (FMT)**

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 Reversal Bar.

### Example of Fib Momentum Trade ES Short



## **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:**

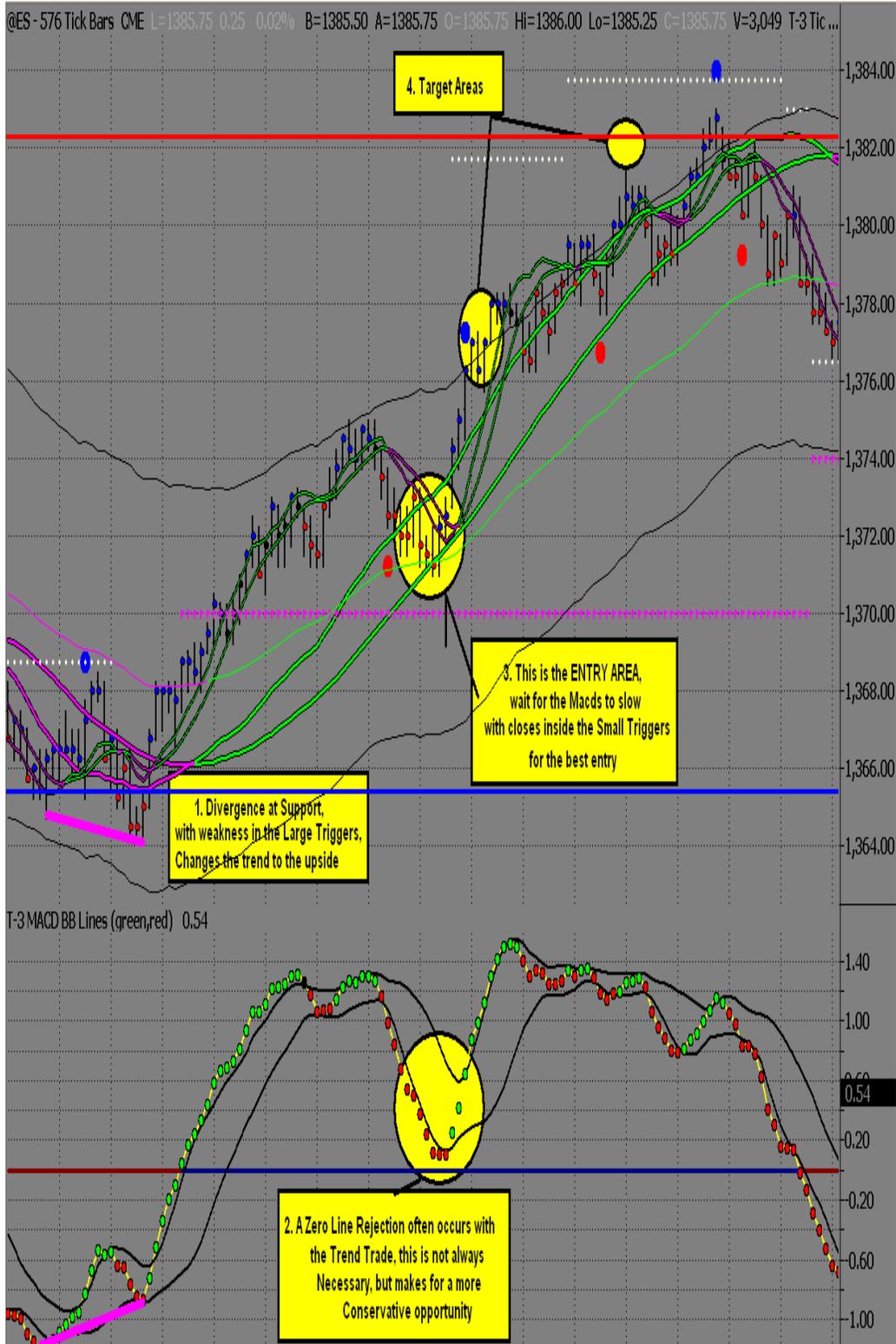
1. Identify the direction on the large chart
2. The Macds should show the potential for the entry area to hold on Large chart
  - a. Potential Zero Line Rejection
  - b. Testing the Bollinger Bands as Support/Resistance
  - c. Macds begin to roll, while on the correct side, and away from ZL
3. Look for 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 reversal pattern at the entry area
  - a. Below the low of the Reversal Bar for long
  - b. Above the high of the 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



# Trading

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We have structured our education into 3 levels that, over the course of 5 days in order to maximize your learning experience and minimize the time it takes to make you a profitable trader. Your sales person will help you along this educational path. Just ask for any assistance you need in accessing the rooms.

## NEXGEN Chat Room

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**NEXGEN 101** - an AM session in Hotcomm (in the relay1:nexgen101) educational room run by our staff that will walk you through the basics of our indicators and teach you how to interpret the expected outcomes for each of them. This is the basics or beginners class.

**NEXGEN 202** - a PM session (in the relay1:nexgen101) educational room run (by our staff that will apply the basics of our indicators that you have learned into trade setups you can use to trade your market. There is also walk through of the morning's trade action as well as prior day's action.

**NEXGEN Pros** - a live educational chat room (in the relay1:nexgenpros) that is 100% interactive so that you may practice and learn the trade setups taught in 202 in a "LIVE" market environment with live feedback from our educators. This is where you will fine tune your education with immediate feedback to ensure you have the highest level of education.

**Schedule for training- all times central standard time US -- Chicago time**

### NEXGEN PROS ROOM

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**Start** 8:00 am CST

**End** 3:15 pm CST

**Daily recap** 3:15pm

[Join room by clicking here](#)

### NEXGEN 101 & 202

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**101 start** 8:30 AM CST- Monday- Friday

*11:00- 12:00 lunch*

**202 start** 12:30- 3PM CST- Monday- Friday

[Join room by clicking here](#)

## DAILY WORK

## VIDEOS AND LINKS

Educational work and videos

(videos updated Feb. 2008)

1. [Flash and Software Requirements for Using Interactive Videos](#)
2. [Hotcomm Basics - how to join the online rooms](#)
3. [How to mark up your charts](#)
4. [T-3 Fibs ProTrader areas - New Interactive training video](#)
5. [Nexgen Macd BB Lines - New Interactive training video](#)
6. [Entry Bar Patterns](#)
7. [Trade Setups for T-3 traders - New Interactive training video](#)
8. [Targets and Stops - New interactive training video](#)
9. [Determining Direction at Key Areas](#)
10. [Trade Setup Nuances - New interactive training video](#)
11. [T-3 ABC's DEFINED](#)
12. [T-3 "Live" Trigger Lines](#)
13. [T-3 Fibs Accumulator](#)
14. [T-3 Fibs ProTrader how to format inputs on the T3](#)
15. [Tradestation Matrix basics](#)
16. [Tradestation Workspace basics](#)
17. [Ninja Trader order entry basics](#)
18. [Daily Recap Example - July 8th 2008 by Jeremy](#)
19. [Daily Recap Example - July 9th 2008 by Jeremy](#)
20. [Daily Recap Example - July 10th 2008 by Jeremy](#)
21. [Daily Recap Example- July 15th 2008 by Jeremy](#)
22. [Daily Recap Example-July 17th 2008 by Lindsay](#)

In Summation:

- Fibonacci gives us a powerful edge over the market
- Multiple timeframe Fibonacci increases that edge
- T-3 Fibs ProTrader automates this process with a simple to use software program.
- Nexgen Software Services has set up step-by-step educational tools to ensure that every trader receives as much attention as needed to perfect the use of the software.
- Live market data is used during the learning process to give traders live feedback in hotcomm chat rooms as they are learning.
- Nexgen Software Services offers daily recaps, private tutoring, and small group seminars for those looking to fine tune their education in the shortest amount of time possible.

**Thank you for your time and interest in our software and education!**

John Novak

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# T-3 Fibs

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