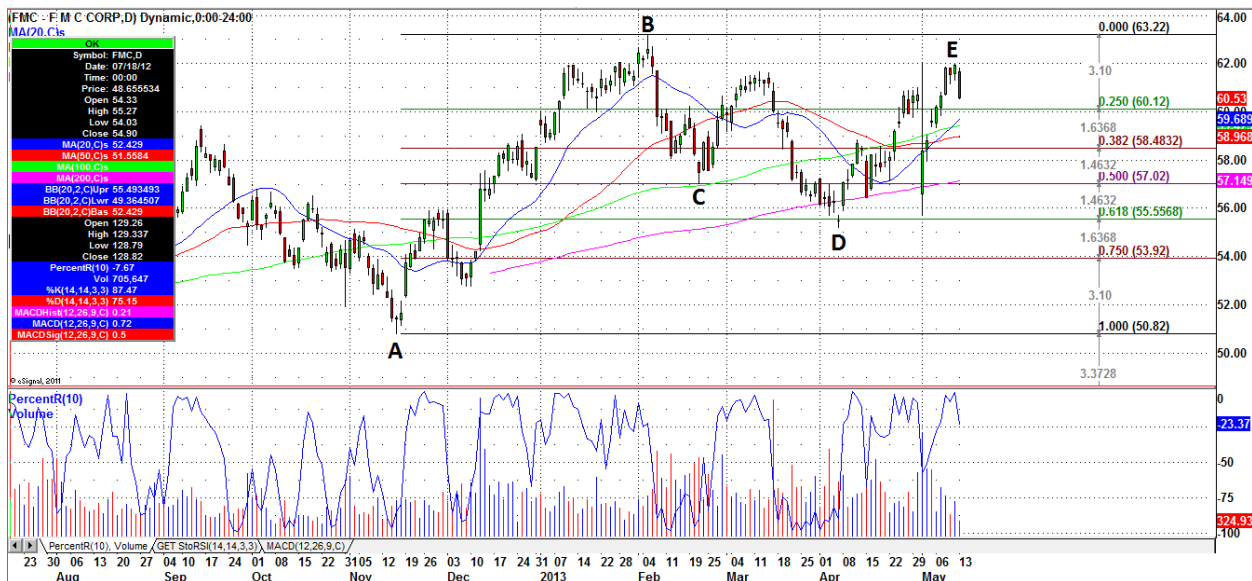




## Chart Lesson

### Fib Retrace & Resistance

May 2013



Recognizing support and resistance levels is the most fundamental skill an investor should have that implements technical analysis in their investment process. The markets as a whole, as well as individual stocks, move in waves and patterns. Fibonacci retracement levels are derived from patterns that repeat themselves constantly in nature and thus also play out in the stock market. In addition, when stocks return to previous breakdown levels there will be much resistance because buyers at previous highs are getting out as they are now even.

The chart above is of FMC Corp. (FMC), an agriculture name. This is a daily chart the goes back to August of 2012. The stock bottomed with the overall market back in November (A) and topped in early February (B). It soon sold off hard into the .500 Fib retrace level (C) and found some short term support. The lines were drawn with a tool

built into the charting software, but you can use [freestockcharts.com](http://freestockcharts.com) to do the same thing.

The stock soon found resistance where the price broke down in early February. It proceeded to selloff into the .618 (D) which is always the most important and strongest support or resistance level. The stock is now selling off again (E) as it gets back to that breakdown level from early February again.

When you can identify where a stock will likely stall out or get a bid, you will begin to have better entry and exit points for the stocks you trade.