



**SUPPORT AND RESISTANCE**

# WHAT IS SUPPORT?

- Support is the level where price finds it difficult to fall below until eventually it fails to do so and bounces back up.
- it's simply many traders making trading decisions at that level.



# WHAT IS RESISTANCE?

- **Resistance** is the level where price finds it hard to break through to rise above it until it fails to and is pushed back down.
- You should always suspect a reversal at Support and Resistance as there is a high probability that price action will reverse at those key levels.
- That's because it already did that before in the past and it will continue to do so in the future as traders will always take caution on these levels.



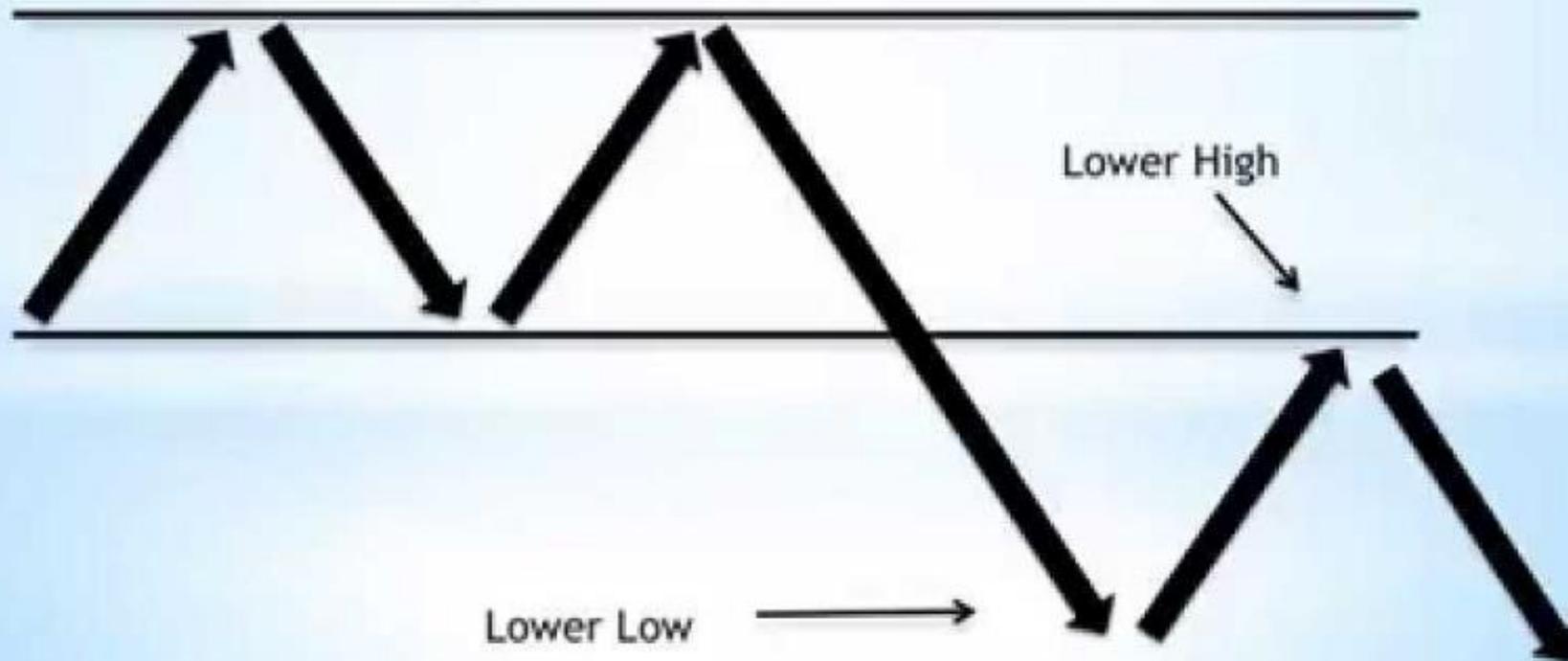
# THEORY OF SUPPORT AND RESISTANCE

- A Commodity is said to have taken Support at a price level when in a downward move, it stops and moves in the upward direction. Vice-versa a Commodity is said to have taken Resistance at a price level when in an upward move, it stops and moves in the downward direction.
- Ideally in an Uptrend one should buy or go long on every fall at a significant support level and in a Downtrend one should sell or go short on every rise at a significant resistance level.



- If the market continues to make lower lows and lower highs, it can be said to be in a **DOWN TREND**

### SUPPORT BECOMES RESISTANCE



# IMPORTANCE OF SUPPORT AND RESISTANCE

- Support and resistance levels are a critical part of trend analysis because it can be used to make specific trading decisions and identify when a trend is about to reverse.
- **For example**, a trader might identify an upcoming support level and decide to start buying the stock as it approaches knowing that it will likely rebound higher.
- These levels both test and confirm trends and should be closely monitored by anyone using technical analysis
- As long as the price remains between these two levels, the trend is likely to continue in the prevailing direction.



# TOOLS FOR SUPPORT AND RESISTANCE

- **Previous Significant Highs and Lows** – Significant highs and lows are those levels from where the markets have moved up or have fallen down sharply in the past. When the stock prices test these levels anytime in the future, they will act as strong support and resistance levels.
- **Round Numbers** - Round numbers tend to be important support and resistance levels due to their psychological importance. For instance, many investors watch the Dow Jones Industrial Average's 20,000 or other levels as key milestones. Traders watch round numbers like 10, 20, 35, 50, 100, and 1,000 since they often represent important turning points where traders will make buy or sell decisions.



- **Trend line** - A Trend line is another excellent tool which gives us important Support and Resistance levels. A Trend line is a line joining 2 or more significant highs or lows or 2 important prices, which gives important support and resistance levels
  - Trend lines are lines drawn by joining 2 significant points on the chart.
  - The angle of a good Trend line should be from 0 to 45 degrees.
  - Support is when a share price touches a Trend line and moves up.
  - Resistance is when a share price touches a Trend line and moves down.
  - One should Buy when the price takes support on the Trend line and moves up & Sell when the price meets with resistance at a Trend line and moves down.
  - Channel Lines are 2 parallel lines within which the price of a share moves in a sideways trend. They are very effective in a sideways market and also when the trend changes from sideways to either direction.



# SUPPORT AND RESISTANCE TREND LINE



# ENTRY EXIT CRITERIA

- Your entry should be slightly above or below the signal candle which is the strong candle.
- This way you are adding more confirmation to your trade to make sure that the price will move towards the direction you expected it to move to.
- Our stop loss should be placed on the other side of the zone and not too close to the level to give it some space. As we said, it is a Zone. Putting the Stop loss there makes sense because this the end of the trade. The price is unlikely will reverse after that point.



# ENTRY EXIT CRITERIA



**THANK YOU**

