

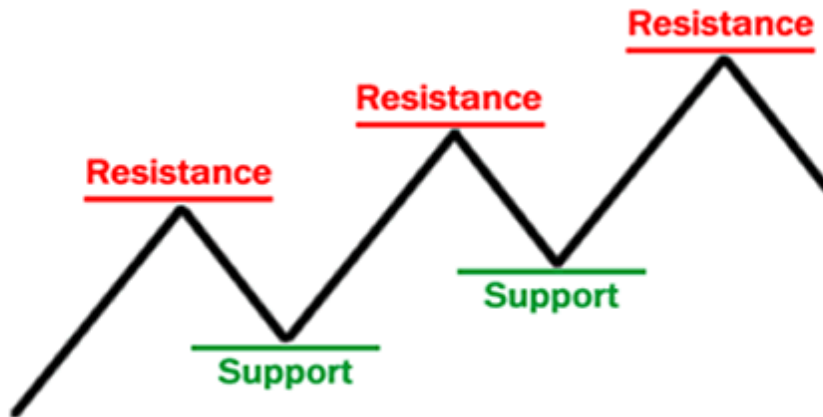
Support and Resistance

Support and Resistance

- Support and resistance represent key junctures where the forces of supply and demand meet
- In the financial markets, prices are driven by excessive **supply (down)** and **demand (up)**
- **Supply** is synonymous with **bearish, bears and selling**
- **Demand** is synonymous with **bullish, bulls and buying**

Support and Resistance

- Support and resistance is one of the most widely used concepts in trading.



Support and resistance

- **Support and Resistance** are like a **floor and ceiling** while the price is located between them.
- The main objective is to **help us knowing price trends, chart patterns and determining whether the trend is likely to continue or reverse.**
- Support and Resistance exist because traders have memories. They tend to repeat actions took place in the past.



- **Resistance** is a price level where seller's action is strong enough to interfere or reverse an uptrend. (Sellers overcome buyers)
- Resistance can be drawn by a horizontal (or near horizontal) line connecting a few price tops.
- Resistance also helps traders to decide when to sell.



- **Support** is a price level where buyer's action is strong enough to interfere or reverse a downtrend. (Buyers overcome sellers)
- Support can be drawn by a horizontal (or near horizontal) line connecting a few price bottoms.
- Support also helps traders to decide when to buy.

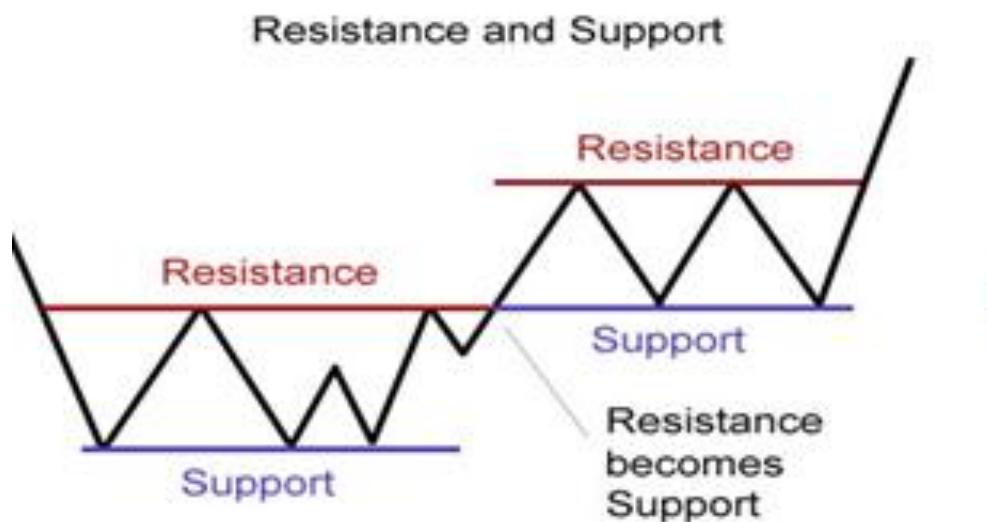


How to draw???

- Its better to **draw support and resistance lines by drawing horizontal lines through lower and upper edges of congestion areas** rather than extreme points



- When the **price passes through resistance**, that resistance could potentially become _____
- The more often price tests a level of resistance or support without breaking it, the stronger the area of resistance or support is.





Resistance line





Trend Lines

- To draw trend lines properly, all you have to do is locate two major tops or bottoms and connect them.



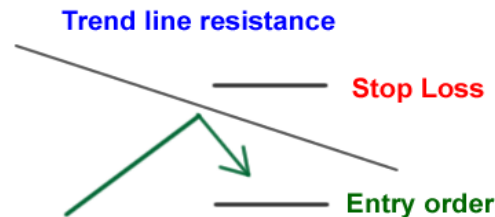
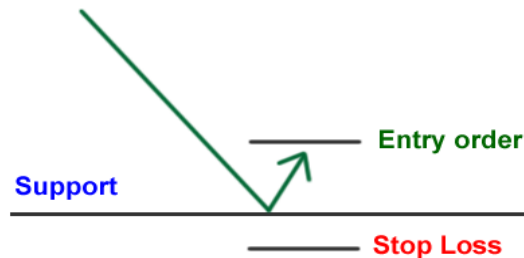
Channels

- If we take the trend line theory one step further and draw a parallel line at the same angle of the uptrend or downtrend
- We will have created a channel



The Bounce

- One method of trading support and resistance levels is right after the bounce.



The Break

- There are two ways to play breaks: the aggressive way or the conservative way.
 - **The Aggressive Way**
 - **The Conservative Way**

