

Support & Resistance

The Fundamentals of any Beginner Trading Strategy

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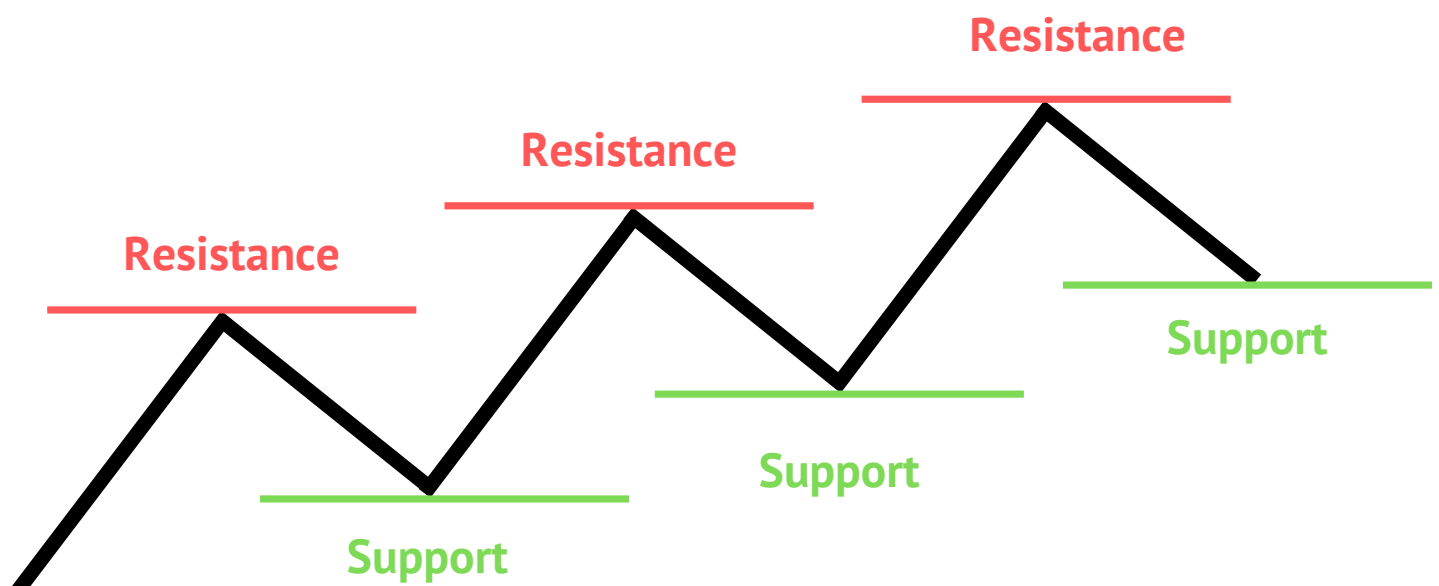
Support & Resistance

One of THE most widely used trading strategies in any market is surely support and resistance. From beginners to even the most advanced traders, support and resistance is a fundamental technique that 99% of traders implement when scanning the markets. Just because it seems simple, it doesn't mean that it's not effective, so don't overlook the basics

In the simplest sense, Support and Resistance is:

- When price tops out at a point where the price can no longer go upwards and it starts trending down and “pulls back” (**resistance**)
- Once the price starts trending down and before it starts trending back up again, it hits a point of where the price is held up from going any lower and “bounces” to push back again to continue the trend. (**support**)

Think of support and resistance like walls or barriers, that stop price going in a certain direction, and once these walls have been identified it provides traders with potential areas to exit the market (at resistance) or re-enter in the hopes that price will go higher (support)



Identifying Levels of Support

When searching for support, look to find it at the bottom of a downtrend once the bearish trend has come to a stop and buyers are looking to re-enter the market, hopefully pushing the price of your coin higher

Once price begins to get the attention of traders, increasing buying demand and volume causes the falling price to “bounce” and begin trending upwards. Creating a level of support

Once these levels of support have been identified, they provide us with valuable information on whether to jump on the bandwagon and ride the gains, or wait to see if the area of support and amount of buyers was significant enough to start pushing price higher.

Or, was it just a temporary, but failed attempt from the buyers to hold up price, before we continue going down to the next significant level of support?

This is why we wait for stronger confirmations of trend before buying into areas of support..

(More on that below)



Identifying Levels of Resistance

The opposite of support is of course... resistance. This occurs at the end of an uptrend where the the formally bullish trend was stopped at a point where it was unable to continue pushing higher.

You'll usually find in the past, that same level of resistance occurred, where price was previously stopped from going higher, which would have helped tell us that it was time to exit our positions, or be prepared to if price didn't continue upwards.

When resistance occurs, this tells us that the bulls have lost control and buying volume is drying up. If we fail to break through resistance and continue the upward trend, the sellers (bears) are in control of the market.



We can also see that support and resistance isn't just straight lines plotted on a chart.

Anywhere we have multiple touches on a trend line, indicates that is a level of support or resistance. The more touches, the stronger the trend.

Check below for bonus tips about numbers of touches and strengths of lines of S&R



It's Not Always Exact Though...

While support and resistance is an accurate way to predict where price may be held up or pushed down after looking at previous data... it is not always exact, but it is often close.

(Particularly in crypto on lower alt cap coins due to the liquidity aka, market cap)

Sometimes we will see previous support or resistance where a wick, or the candle body itself will appear to be moving across the line of resistance and we think things are heading upwards, before trending back down as resistance was too strong, or visa versa with support.



As our confidence and skills increase in trading, we will be able to use indicators and other trading techniques to help us identify whether these minor breaks through levels of support and resistance are confirmation that we are continuing the trend or not.

What are some of the indicators we can use to help us confirm this?

More to come on that in following guides...



Why it's Good to Wait for Confirmation..

To help you better understand support and resistance, think of them as **zones, or areas of interest, rather than definite levels where price MUST reverse.** Meaning that when price starts nearing a level of support or resistance, pay attention, but don't automatically assume it's time for a reversal.

Savvy traders will wait until 1-2 proceeding candles have closed above or below those areas to give confirmation that trend is continuing, or reversing.

As we can see below, there was strong bullish engulfing candle that broke above a previous level of resistance after that previous downtrend, but was quickly smacked down with a number of following bearish candles the price almost hit previous all time lows.



If we had of jumped on just because we saw that bullish engulfing candle break through previous resistance, it would have been a tough loss if you'd bought in and held thinking price was going to keep going up after **(as most beginner traders do)**

Don't be one of those traders...



Don't Forget About Volume

One thing we see a LOT is traders that forget to take buying/selling volume into consideration when looking to enter or exit a trade.

For example, if we see price heading towards a previous level of resistance, how can we tell there are enough buyers in the market to push price through resistance and continue the uptrend, if we don't pay attention to how many people are buying?

No volume = Very unlikely that we break resistance (in most cases)



You can find the volume indicator on your tradingview account by going to "indicators" at the top of your screen and typing in "Volume"

This will then show the bars of **buying (green)** and **selling (red)** volume you can see on the chart above.



Support and Resistance "Flip"

Just as a sounds, when a point that was previously resistance, becomes a level of support, a support/resistance flip has occurred, as per the image below.



Bonus Tips

- When the price passes through resistance, that resistance could potentially become support.
- The more often price tests a level of resistance or support without breaking it, the stronger the area of resistance or support is.
- When a support or resistance level breaks, the strength of the follow-through move depends on how strongly the broken support or resistance had been holding.

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