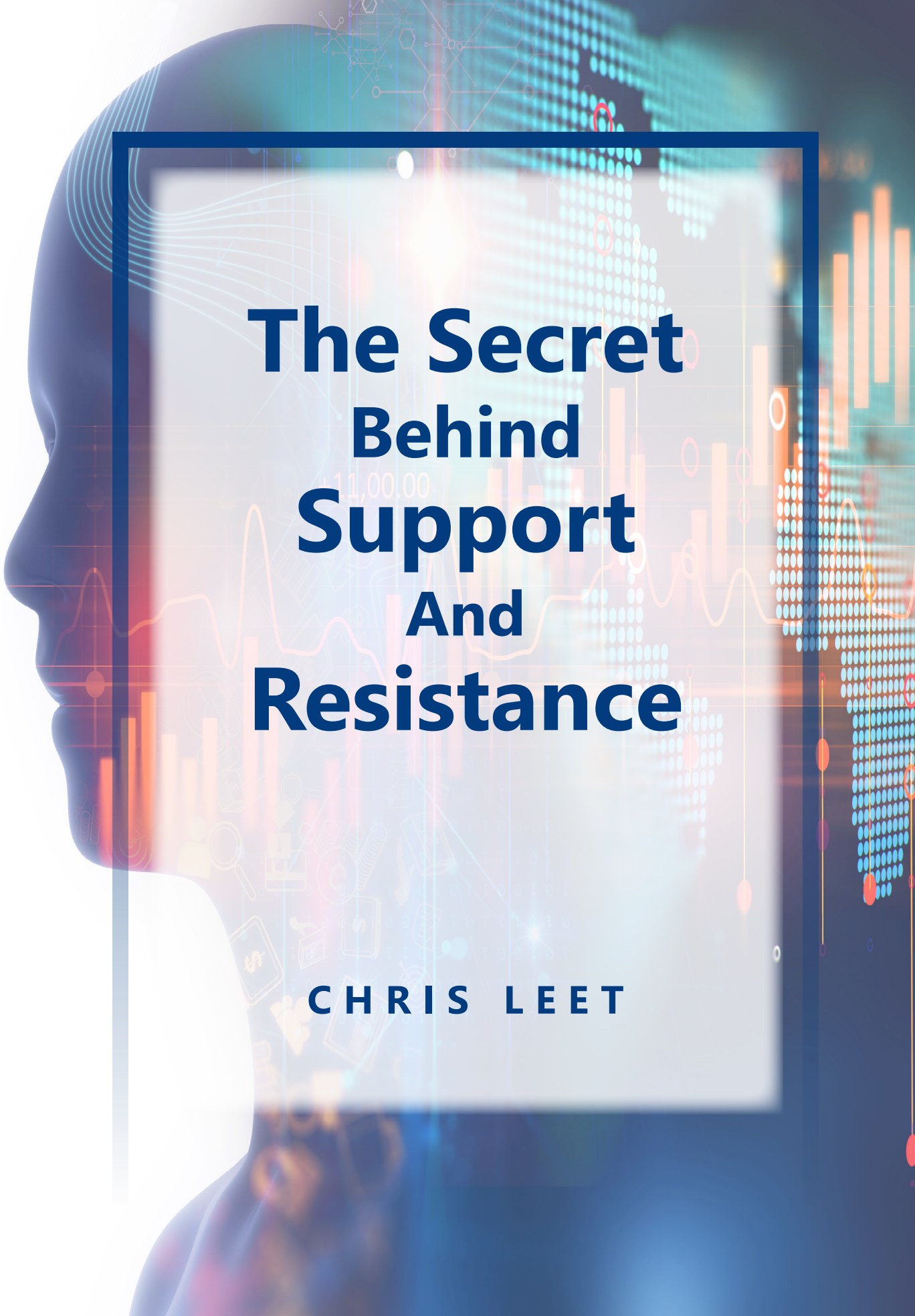




The Secret Behind Support And Resistance

CHRIS LEET

CONTENTS

ABOUT THE AUTHOR	3
SUPPORT AND RESISTNACE	5
HOW TO FIND SUPPORT AND RESISTANCE.....	16
HOW TO DRAW SUPPORT AND RESISTANCE.....	27
TIPS WHEN TRADING SUPPORT AND RESISTANCE	42
TRENDLINES AS SUPPORT AND RESISTANCE	46
HOW TO DRAW TREND LINES	48
TYPES OF TREND LINES.....	50
TREND LINE TRADING STRATEGIES.....	56
THE TREND LINE BREAKOUT STRATEGY	60
MOVING AVERAGES AS DYNAMIC SUPPORT AND RESISTNACE	66
MY TRADING TIPS FOR YOU	71

Disclaimer

This book is meant to be informational and shouldn't be used as trading or investing advice.

All readers should gather information from multiple sources to create their personalized investment strategies and trading systems.

The authors and publishers make no guarantees related to the claims contained herein.

Always seek the advice of a competent licensed professional before implementing any plan or system that involves your money.

Please invest and trade responsibly.

ABOUT THE AUTHOR

My name is Chris Leet.

It all started years ago when I first started out as a trader.

I was excited about the opportunity to get going.

The opportunity to start raking in some serious profits.

But the little I was able to learn didn't produce the results I wanted.

I got my finger burnt multiple times.

In the end, I came to two conclusions: the available information on trading is either outdated or is simply garbage.

After years of hard work, I cracked the proverbial code and was able to start turning consistent profits from trading.

Along the way, I created my first resource which I named the "Candlestick Trading Bible" and over a thousand traders have till date benefited immensely from it.

I get emails every day from students thanking me for how the information in that guide has been helpful.

And so I am inspired to further share my knowledge.

I created courses such as Supply And Demand trading Method and Bank breakout traps method to help traders learn how banks and financial institutions trade the market.

THE MISSION:

My goal is simple...

To help over 1 million traders all over the world become super profitable.

To do that I am sharing lot through my blog:

www.protradingschool.com

I'm also sharing my knowledge with thousands of traders through my social media accounts:

- ~ [My Instagram 1](#)
- ~ [My Instagram 2](#)
- ~ [My Telegram channel](#)
- ~ [My YouTube Channel](#)
- ~ [My Facebook Page](#)

I'am sharing Things like:

- ~ What works and what doesn't work and show the mistakes traders do so you can avoid them.
- ~ Best price action trading strategies that work in current markets
- ~ How to use indicators the right way in combination with price action.
- ~ How to build the right mindset and how to deal with psychological struggles such as fear, anxiety, greed....

If at any point while going through this e-book you have any questions, please don't hesitate to contact me.

You can best reach me on my social media accounts that I mentioned above.

SUPPORT AND RESISTANCE

Support and resistance are areas where price has reacted to in the past and can potentially react to again in the future.

We draw in support and resistance levels because once the price gets back to this level, there are possible trade opportunities that arise, and you want to have these levels drawn in already as a reminder to look.

There are specific criteria we look for to identify support and resistance levels:

1-We look for the extreme swing high and swing lows, I mean the highest or the lowest points that price has reached in recent time.

Let me give you an example:



As you can see on this chart, we look left, and we notice Price came down, hit, and reversed, and this was the lowest point that price got to in recent time, making this a level of a support price came up, hit and reversed, and this was the highest point the price got to, making it an extreme swing high.

Look at what happened next:



As you can see, once the price retraced back to retest the support level, it was rejected, and the market went up again.

So by looking at extreme swing highs and swing lows, we can identify potential support and resistance and where the market is likely to reverse.

But this is not quite enough to make a trading decision because we always need to wait for a confirmation price action pattern.

We will talk about this later.

Right now, I want you to focus only on how to identify support and resistance.

The second criterion that we can take into consideration when trying to identify support and resistance is what we call (multiple rejections).

Look at the Example below:



As you can see in the illustration above, the market was rejected the first time, the second, and the third time, which makes it a good support level.

Why multiple rejections are important:

Multiple rejections show that price reacted to this level more than once, meaning that traders took action at this same level during different points in time.

Look at another example below:



Look at this chart example.

As you can see, the price came up to hit this area on five different occasions, and each time it got here, it reversed, giving us six rejections and a level of resistance.

So, a point from which the market was rejected a couple of times is considered as a support or resistance level.

Once the market approaches this level, we can think of taking action because most traders are thinking the same way.

Don't bother yourself trying to trade support and resistance for the moment. Just focus on the criteria that we consider to identify a level.

In future lessons, we will see how to combine support and resistance with other technical analyses to make our trading decisions.

THE SECRET BEHIND SUPPORT AND RESISTANCE

Look at the next criterion we look for:

The level should be obvious, which means that you don't need to make efforts and ask a lot of questions whether these levels are support and resistance or not.

Because real support and resistance levels are obvious and significant on your charts.

Look at the following chart below:



As you can see, this resistance level is very obvious and significant.

Price came up, hit, and reversed, giving us a clear level of resistance, and again, it is very obvious, and you spot it right away.

Look at what happens next once the market approaches the level again:



As you can see on the same illustration above, once the price retests the resistance level again, it was rejected because it was an obvious level, and most traders watched it.

Let me give you another example below:



As you can see on the chart above, the market came down, hit, and reversed, giving us a significant and obvious support level. Look at what happened next:



As it is shown in the illustration above, the market reacted strongly to the obvious support level.

Once prices hit the level again, it was clearly rejected.

Look at the resistance level above.

As we said previously, the extreme swings high or the highest point is considered as a resistance level.

Look at what happened when the price approached that level.

It was also rejected.

Right now, we are trying to pick up only high probability support and resistance levels.

As we said, we pay more attention to the highest or lowest points in the market or a point in the market that was rejected a couple of times, or an obvious level as the one discussed above.

No matter how powerful or obvious the level is, it does not mean that this level will work, because once price approaches this level, we can wait for three scenarios:

A rejection of this level

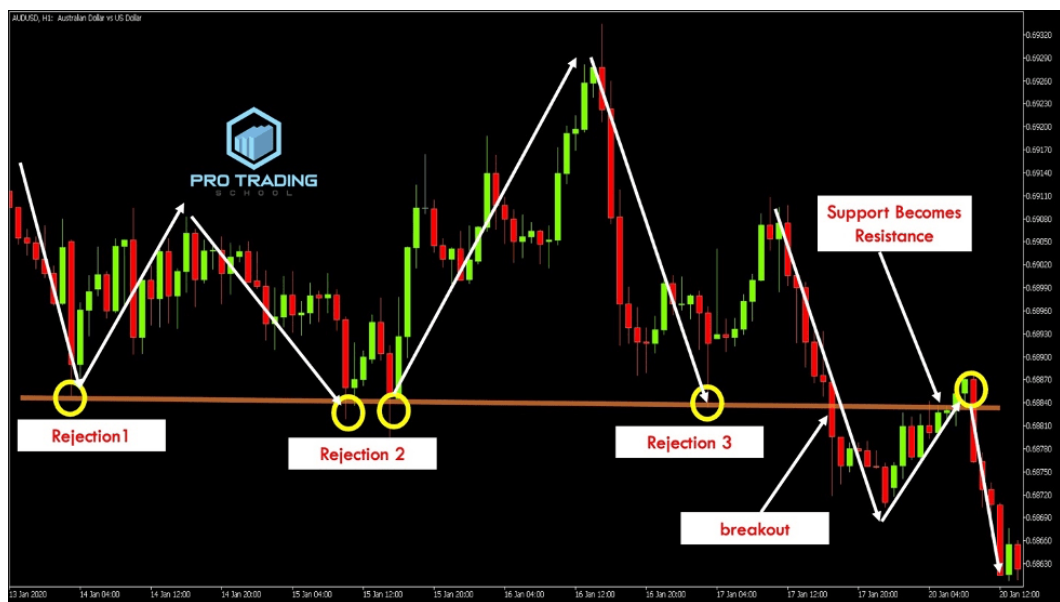
- ~ A breakout of this level
- ~ A false breakout of this level
- ~ A false breakout of this level

I will teach you what you should do in every situation in future lessons, but right now, I want you to forget about everything and focus only on how to spot support and resistance based on the criteria discussed above.

Criterion number five:

- ~ The level has acted as both support and resistance.

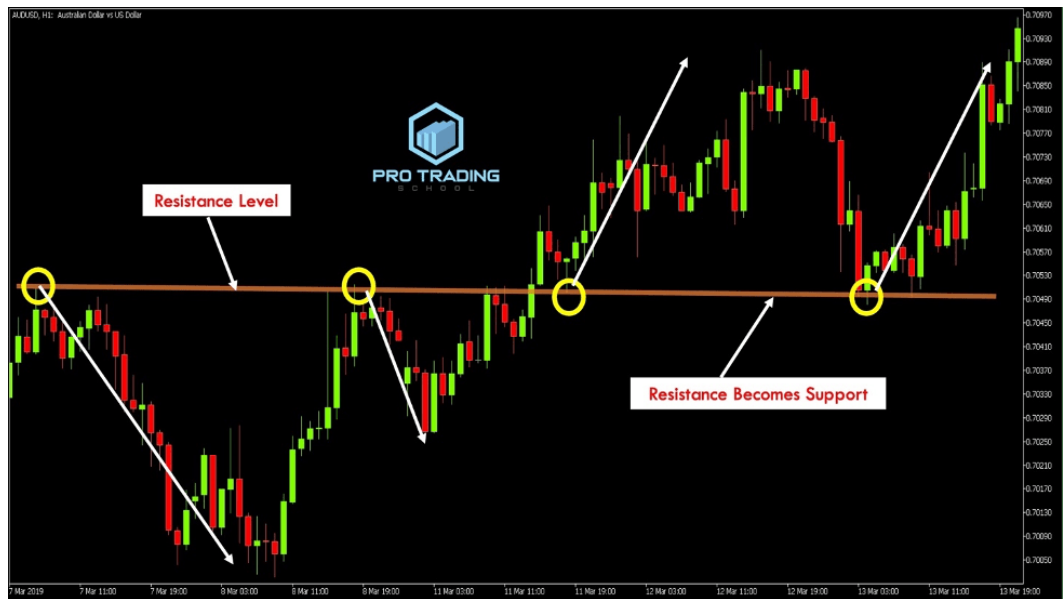
Look at the example below:



As you can see, every time the price got this level of support, it reversed.

Before finally, it broke through and came back up to support turned resistance and it hit and reversed again, showing that this level acted as both support and resistance.

Look at another example below:



As you can see on the chart above, the market was rejected twice, forming a resistance level that turned support after the breakout.

The last criterion:

Recently respected or recently created, meaning there was a reaction to the level in a recent time period.

Look at the example below:



As you can see on the chart above, there are three recent rejections of this area of support which means that this level is recently created and respected.

So it is still valid.

You don't need all the criteria I listed to make a level of support or resistance.

You need only one criterion to qualify the level, but the more criteria you can find, the better.

HOW TO FIND SUPPORT AND RESISTANCE: PRACTICAL LESSON

Now let me give you some examples to help you understand how to find support and resistance using the criteria we listed in the previous lesson.

As a reminder, you don't need all the criteria we listed to make a level of support or resistance.

But the more criteria that the level has, the better the level.

Now, let me give you an example:



This is the AUD USD H1 chart.

As you can see, we spot this level at the very top where price came up, hit, and reversed from.

So we draw in a level of resistance.

So what criteria does this level have that we previously listed that makes it a good level?

Let's break it down:

- ~ This level is the extreme swing high, meaning it is the highest point price has reached in recent time.
- ~ The level is obvious; it jumps right out at you, and you should have spotted it within seconds.
- ~ The move away was significant because, as you can see, the price reversed significantly after it got here.

What are the other levels that we can spot on this chart? Look at below the other level that we found



As you can see on the same chart, we spotted another level of support, this level fulfills the following criteria:

- ~ The level is the extreme swing low, meaning it is the lowest point price has reached in recent time.
- ~ The level is obvious because it jumps right out at you
- ~ The move is significant because the price was rejected strongly once the price approached the level.
- ~ The price was rejected twice from this level which means that traders reacted to this level because it is considered as a valid support level.

We can notice that there are other levels, but they are considered minor levels because they don't hold any criteria that show that the level is valid.

Let me show you the minor levels we found on the same chart below:



THE SECRET BEHIND SUPPORT AND RESISTANCE

As you can see on the same chart (AUD USD H1 chart), we spotted some minor levels that have no influence on the market, they are not obvious, or significant and they don't cause big moves in the market, so they are called minor levels.

These levels should be ignored because if you draw in support and resistance levels using these minor levels, you will get confused, and you will not be able to see clearly what happens on your chart.

We have another obvious level that we did not mention on the chart. Can you see it? Let me show it to you below:



As you can see on the same illustration above, we spotted another level at the middle of the chart.

This level is valid because it fulfills the following criteria:

- ~ The level is obvious and significant because the market was rejected strongly once prices approached it.
- ~ The level has acted as both support and resistance.

Remember that you don't need to find all criteria to consider a level of support and resistance.

Only one criterion is quite enough.

Valid support and resistance levels are obvious.

You will not need hours to decide whether it is a level or not.

If you find yourself fighting to make a decision, just ignore it because valid levels are very obvious.

Let me give you another example below:



As you can see on the AUD USD H1 chart above, we can spot the first level, which is a support level because of the following reasons:

- ~ The level is the extreme swing low, meaning; it is the lowest point price has reached in recent time.
- ~ The level is obvious and significant because the market was rejected strongly once prices approached it.

THE SECRET BEHIND SUPPORT AND RESISTANCE

- ~ The price was rejected twice from this level which means that traders reacted to this level because it is considered as a valid support level.
- ~ The level was recently created and respected

If you look at above, you will see a clear resistance level that turned support. Let me show it to you below:



As you can see on the chart above, we can easily spot another support level. Let me explain to you why:

- ~ The level is fairly obvious, and the move away is significant
- ~ The level has acted as both resistance and support

These criteria are quite enough to qualify this level as a valid support level that becomes resistant after the breakout.

Let me now show you another level on the same chart below:



As you can see on the chart above, we spotted two additional resistance levels. The first resistance level was considered valid because it was rejected twice, which means that traders reacted to this level and considered it an important point.

The second level was considered valid because it was the extreme swing high which is the highest point the price has reached in recent time.

- ~ The level was obvious, and the move away from it was significant
- ~ The level was rejected twice and was recently respected, which indicates that the level is taken seriously by most traders.

I think that you have now an idea on how to identify support and resistance on your chart, but let me give you another example below:



This is the EUR USD Daily chart.

As you can see by looking at this chart, we can easily identify the resistance level above.

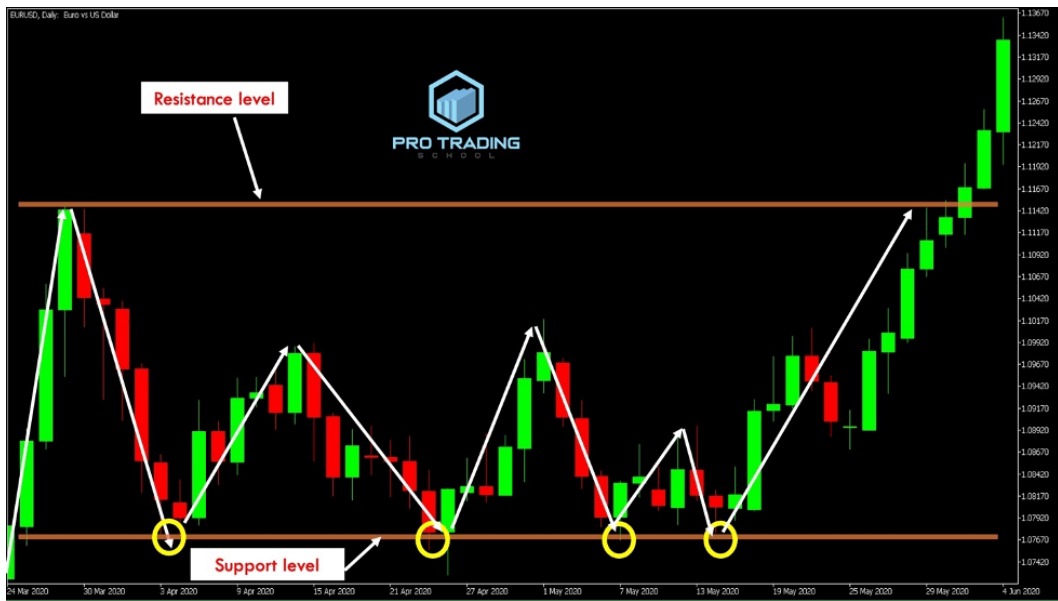
This level is considered valid because it fulfills the following criteria:

- ~ It is the extreme swing high, meaning the highest point price has reached in recent time
- ~ The level is obvious, which means that we don't struggle to decide whether it is a level of resistance or not.
- ~ The move away from the level is significant

These criteria allow us to identify this resistance level easily.

Let's see what the other levels that we can spot are.

See the same chart below:



Look at the chart above.

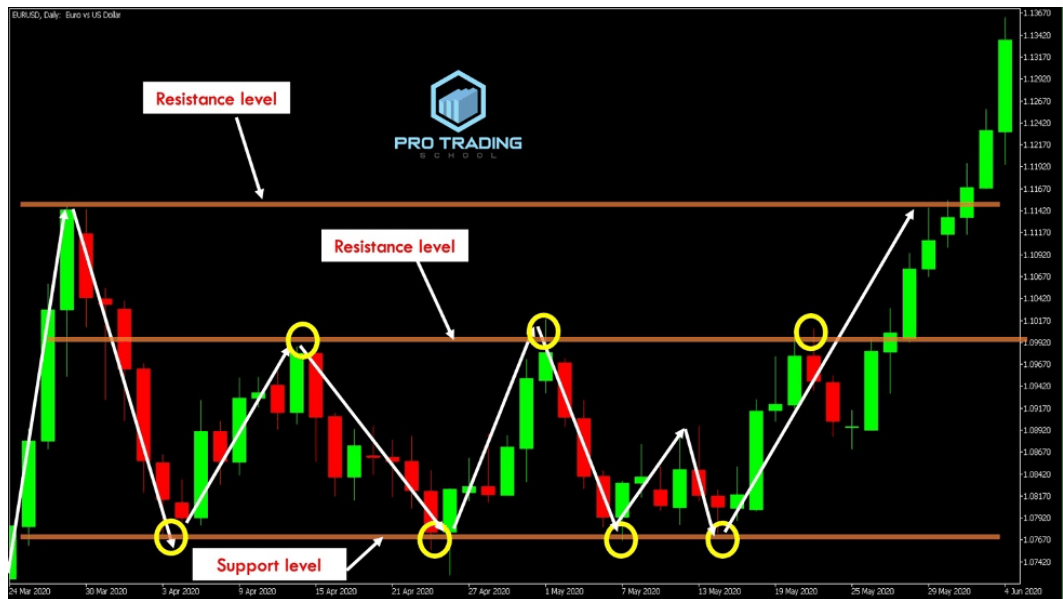
As you can see, we spotted a valid support level based on the following criteria:

- ~ The level is obvious, which means that we can spot it easily without efforts
- ~ The move away from the area of support is significant
- ~ The level was rejected three times which means that traders reacted to this level a couple of times.

These criteria convince us that the level is valid, and it should be taken into consideration.

Let me now ask you something? Do you still see other levels that we can identify on this chart?

Look at the chart below to get the answer:



As you can see on the same EUR USD Daily chart, we can spot another level of resistance because it is obvious and significant.

The market was rejected twice from this level which shows that traders reacted to the level and considered it as an important point in the market.

So, as you can see, by following the criteria that we discussed previously, we can finally identify important support and resistance levels that we can use to determine high probability points in the market.

But finding support and resistance is not quite enough to make your trading decision.

Meaning you don't enter trades blindly at support and resistance levels.

You always need to wait for specific price action patterns at support and resistance levels before considering a trade.

HOW TO DRAW SUPPORT AND RESISTANCE

In the previous lesson, you learned how to identify support and resistance. As I mentioned previously, there are a lot of criteria that you can take into consideration to identify a support or resistance.

Let me remind you of some criteria that we look for to pick up a good support or resistance:

- ~ We look for the extreme swing highs and swing lows.
I mean the highest or the lowest points that price has reached in recent time.
- ~ We can take into consideration a level that was rejected a couple of times because multiple rejections mean that prices reacted a couple of times to this level which makes it important
- ~ We look for obvious levels.
I mean that we shouldn't make efforts to decide whether the level is a support or a resistance.
- ~ We look for a level that acted as support and resistance
- ~ We look for a level that was recently respected or recently created

One criterion is quite enough for a level to be considered as a support or resistance.

Now, let's suppose that we identify a level, so how to draw in support and resistance?

Before I share with you how to draw support and resistance, I first want to show you how not to draw support and resistance; this is a perfect example of how not to do it.

Look at the chart below:



Because that's just way too many levels on your chart.

When you have too many levels on your chart, how do you know which levels you want to trade?

This way in drawing in support and resistance is very confusing because you just put in too many levels, and there is no room or space for your trade to move because you just put in too many levels.

It is very confusing because you don't know which level to focus on.

So this is how you should not draw support and resistance.

So the question now is, how do you draw support and resistance?

Once you identify a level of support or resistance, you draw in one single line that covers the most amount of touches and points.

Let me give you an example below:



As you can see on the EUR AUD daily, we spotted a nice resistance level. To draw in this level, we tried to cover both points. This level was broken strongly, which means that the market will keep going up.

Look at the second level we spotted below:



As you can see, we spotted another resistance level, and we tried to cover all touches and points.

This level was broken strongly, which indicates that buyers are willing to push the market upwards.

Look at the other level that we found below:



As you can see on the same chart, we spotted another resistance that becomes support after the breakout.

We tried to cover approximately the most touches and points to get this nice level.

Don't draw in missives lines; draw in one single line that covers the most amount of touches and points.

Look at the last levels we found on the same chart below:



As you can see, we have found two levels of support, the first one covers three touches and the second one was the lowest point in the market.

Now let me show how clear is the chart when we apply the rule of one solid line that covers the most amount of touches.

Look at the chart below:



If you look at the chart above, you will see that it is clear and not confusing. You can easily see your levels and plan your trades based on your strategy. We will talk about how to trade support and resistance in later lessons. Now I want to focus only on drawing in these levels the right way.

Let me give you another level below:



This is the EUR NZD H1 chart above; as you can see, we have a clear resistance level because of the following reasons:

- ~ - It is the highest swing high which is the highest point in the market
- ~ - It is an obvious level, and the move is very significant
- ~ - The level is rejected twice, which indicates that traders reacted to this level a couple of times.

Now, we have a level that covers two touches, so we should draw in this level in a way that accommodates both touches.

That's what we did, and we had a clear resistance level.

Look at the second level below:



This is another level of resistance that becomes support and turned resistance again.

As you can see, we could draw in one solid line that covers five touches.

Look at the next level below:



The level spotted above covers six touches.

I think that drawing in a level of support and resistance is not an exact science because you will find debates on which points to cover, the one here or the other one there.

The most important is to draw in a solid line that covers the most amount of points, like the one drawn above.

Look at the next level below:



The level drawn above covers four important points, it was a resistance that was broken and turned support and then turned resistance.

Look at the last level below:



As you can see on the same EUR NZD H1 chart above, the level of support is drawn easily because it covers three obvious touches.

Let me now show how clear the chart is when we apply the rule of drawing one solid line.

Look at the illustration below:



The chart above is clear and not confusing because you have a clean chart with your key levels, not a hundred lines.

Let's jump to one more example below:



Above is the EUR NZD H1 chart.

As you can see, we spotted a clear resistance level, which is the extreme swing high.

Look at the next level below:



The level spotted above covers four touches which, always try to adjust your drawing so the line can cover the most amount of touches.

Look at the next level below:



By following the rule of drawing one solid line that covers multiple touches and points, we can see a clear level that holds four touches.

Look at the next level below:



On the same chart above, we found two levels, the first one covers four touches, and the last one is the extreme swing low.

Let me now show you how clear the chart is when we focus only on the most important levels.

Look at the illustration below:



The chart now is clear.

You can obviously see the most key levels and how the market reacts to them.

By following the rule of drawing a solid line that covers multiple touches, you get the most important skill a trader must learn to do.

This skill will help you trade without confusion and focus only on the most lucrative moves in the market.

PRO TIPS WHEN TRADING SUPPORT AND RESISTANCE

Tip 1:

Pay attention to how price moved through your level.

This is something that not many traders know but you don't always need a reaction away from a support and resistance level to validate it.

Look at the chart below:



Here we have a level on our chart if price approaches it and in order to break through the level it requires a large amount of momentum in the form of wide range candles and that probably means our level was significant.

Whereas if price approaches our level and it's able to break through on a number of smaller candles without requiring any momentum as you can see in the chart below:



Then that probably means our level was not significant so make sure to pay attention to how price moves through the level of support or resistance to help determine how strong the level is.

Tip 2:

Remind yourself that support and resistance levels are not actually a level but more of a zone it's very rare that price will come to a level and reverse the second it touches it.

Quite often price will stop short of a level and then reverse without actually touching it.

Other times price will move through the level by a small amount before reversing.

If you find it easier then draw a rectangle around your levels to remind yourself that price will quite often stop short of a level or move slightly through a level, we draw support and resistance as lines on our chart to keep things simple and to keep the charts looking clean but we must keep in mind that these lines are zones when trading.

Look at the chart example below:



Tip 3:

To clean up the levels you already have on your chart by picking only the highest quality ones this will ensure you don't get distracted by low quality trade opportunities and will allow you to focus on only the highest probability levels.

Tip 4:

For drawing support and resistance is to use a time frame that makes sense for your style of trading.

If your favorite way of trading is scalping on the one or five minute charts then it doesn't make sense to use a monthly level of support or resistance for your trades since these levels can often be hundreds of pips wide.

Similarly if you're trading on the daily or weekly charts then using a level you took from a one minute chart will be insignificant when looked at from these higher time frames so when choosing which time frame to draw your key levels on make sure it suits your overall trading.

TRENDLINES AS SUPPORT AND RESISTANCE

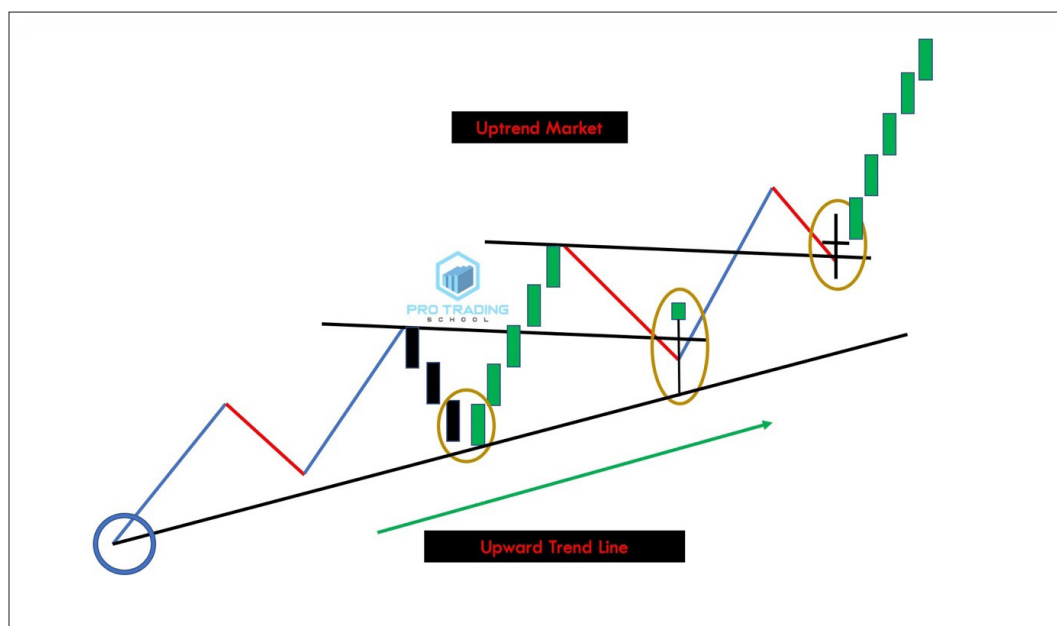
Trend Line is one of the most versatile tools in trading.
You can use it in day trading, swing trading or even position trading.

What is a trend line?

A trend line is a line that connects consecutive higher lows in an uptrend and lower highs in a downtrend.

There are two types of trendlines, the upward (or uptrend) trendline and downward (downtrend) trendline.

Let me give you an example:





HOW TO DRAW TREND LINES

To draw a trend line you have to follow tow easy steps:

STEP#1: Identify **obvious** peaks and troughs.

STEP#2(A): Connect a minimum of 2 peaks (or highs) with a line from left to right and you have a downward trendline.

STEP#2(B) Connect a minimum of 2 troughs (or lows) with a line and you have an upward trendline.

Let me give you an example:





Now, for most beginners, the confusion begins when they look at a chart and see too many lows and highs and they just cannot figure out which two they are going to use to draw a trendline.

TYPES OF TREND LINES

When drawing trend lines, we can find two types:

Outer trendlines are the usually the main trendlines drawn from much significant peaks or troughs and they are quite obvious on your chart.

Let me give you an example.



~ Inner trendlines are trendlines drawn within or inside the outer trendlines.
Let me give you an example.



To avoid confusion when drawing trend lines

The two lows or highs where the trendline is drawn from must be obvious and easy to identify.

You have to focus only on the most significant lows and highs, don't bother yourself with insignificant levels.

Now let me give you a practical example:

Look at this chart below and think of how many significant lows you can find?



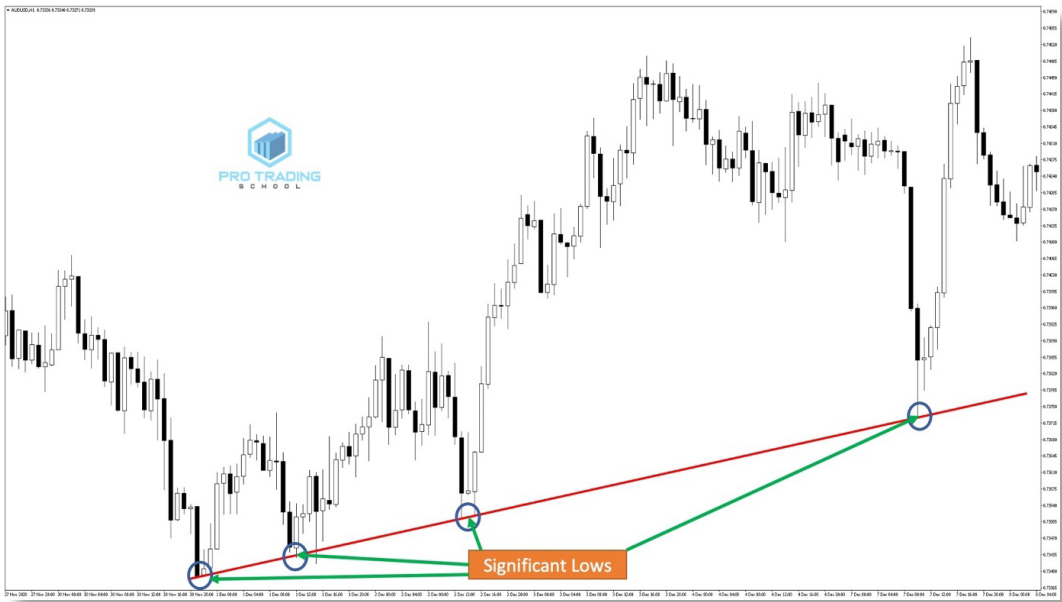
I can see 3, can you?

Look at the first low, the second ... And this is what you get.

You draw an upward trendline connecting the first two lows...and on the 3rd low when price reach the trendline you could have entered long with very LOW risk and made good amount of profit in each trade.

Here is another one...

Notice on the chart below, the Lows are obvious and therefore easy to spot (significant) and the result is you get a nice upward bounce when price came down tested the trendline that was drawn.



- ~ A downward trendline is trendline drawn when you connect a minimum of 2 peaks or highs as shown below.
Notice that the peaks or highs are obvious and are easily spotted by everyone.



VALID AND INVALID TRENDLINES

- ~ A trendline is valid as long as it is not intersected significantly and price continues to obey it.
- ~ A trendline becomes invalid when it is intersected significantly and this could mean that the trend has now probably changed.

How can you tell if a trendline is “intersected significantly” which could mean a trendline breakout or not?

There is no exact formula to determine that, but here is one thing that I look for:

#1: The candlestick that intersected the trendline, has it CLOSED above or below it?

If a candlestick closes above a downward trendline by a significant distance then that may be a signal that the downward trendline is now violated.

Look at the chart below:



As you can see the trend line was valid but once prices broke out of the trend it was no more valid and it should be ignored.

The opposite is also true for an upward trendline: if the candlestick closes below it significantly, that may be a signal that the upward trendline is now violated and the price would now be heading downward.



TREND LINE TRADING STRATEGIES

The first strategy is a trend following strategy this means that we will try to catch up moves in an uptrend and catch down moves in a downtrend in other words we will try to enter the trend on the pullbacks.

In order to achieve this we will use the trend lines in conjunction with support and resistance levels let us look at an example to understand this strategy.



As you can see in the USD CHF Daily chart.

We can see that the price is making higher highs and higher lows hence this is an uptrend this means that we will only look at buying opportunities.

The first step is to plot the trend line, we will do so by connecting the major swing points to create the trend line.

As you can see by connecting two lows, we can have a clear and valid upward trend line.

Now as the price moves on, we see that we can see that the price is at a level which has acted as a resistance before.

This also signals that the price could reverse after touching this area, this means that in this area there is a high confluence between the trend line and the support level, hence we should buy the pair at this level.

Now to enter the trade we will wait for any type of candlestick formation to trigger our entry.

In this example, our entry trigger is a bullish engulfing pattern, so we can buy at the close of this candle, we will keep our stop loss below the trend line and we can keep our target at two as to one risk to rewards ratio.

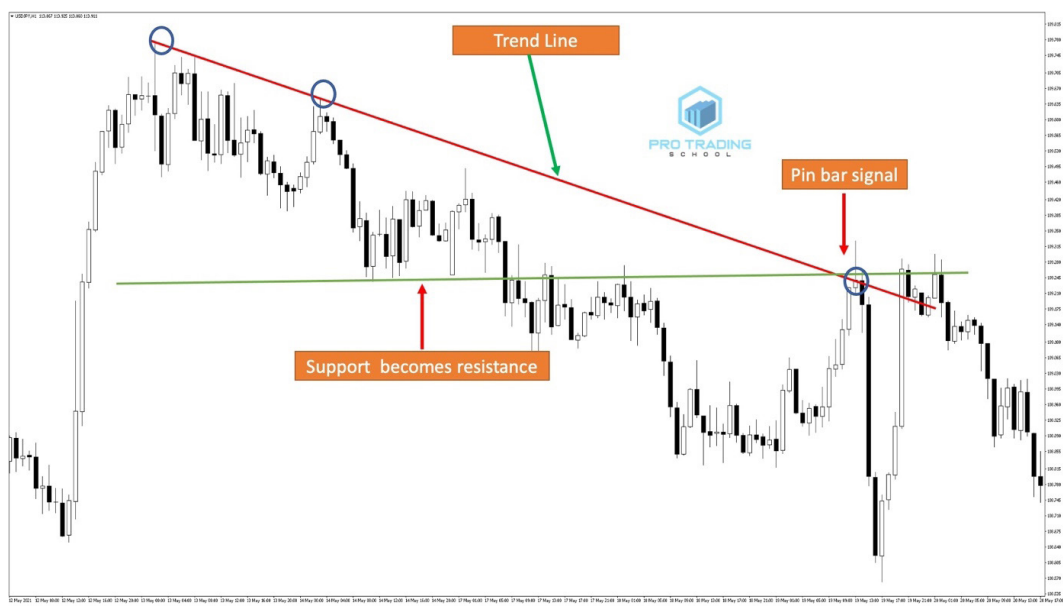
Look at the chart below:



As you can see the market hits the profit target because we took a high probability trade based on three important elements:

- ~ The Trend: an uptrend
- ~ the level: trend line + support that becomes resistance which is a confluent factor
- ~ The signal: An engulfing bar

Let me give you another example below:



In the chart above, we can see that the market is in a downtrend as it is making lower highs and lower lows, so we identify the swing points on the chart and mark the trend line.

As you can see the pullback to the trend lines indicated a probability that the price might reverse after hitting the trend line, at the same time we can see that the area coincides with a major level of resistance that acted as a support before, this also signifies a strong point of resistance.

Therefore, we can say that this area has a confluence of the trend line as well as the resistance level.

So, we expect the price to resume the downtrend after hitting this level, but we should wait for a bearish candlestick pattern to appear.

As you can see, a nice pin bar pattern appears to provide us with a perfect opportunity to short the market.

To enter this trade, we simply place an entry at the close of the pin bar, a stop loss above the upper shadow and the profit target is the next major support level.

THE TREND LINE BREAKOUT STRATEGY

Now moving on to the second trend line strategy which is called the trend line breakout strategy.

This pattern forms when price broke out of a trendline causing the trend to switch directions.

Let me give you an example below:



As you can see the market was trending up, by connection the major swing lows we can get an obvious trend line.

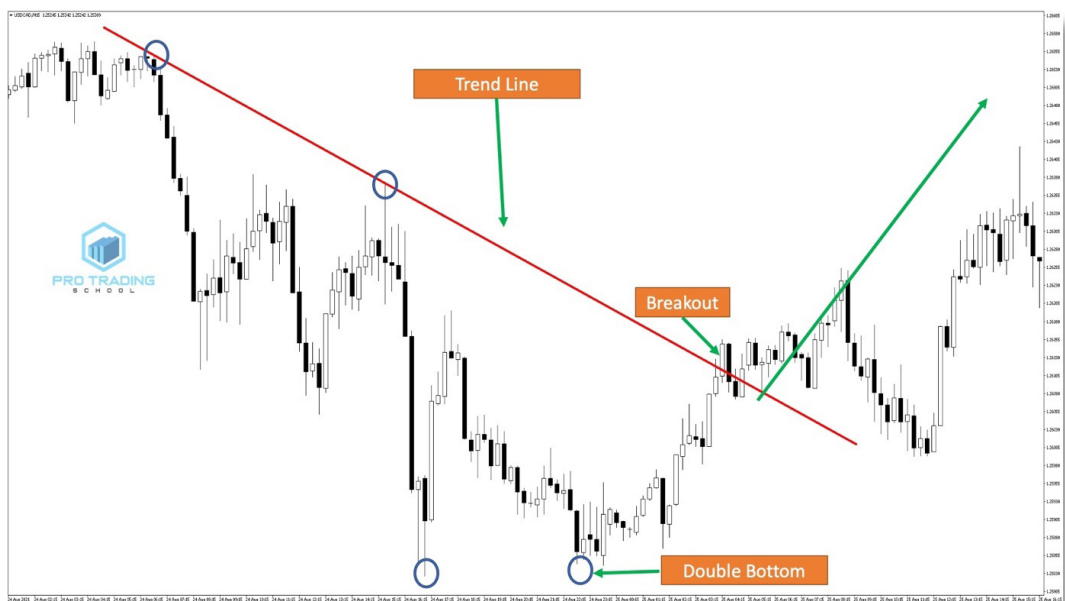
The market was respecting the trend line but after the breakout, the market reversed.

It seems to be an easy strategy, but you should be careful because you cannot take a position just because the price broke out of a trendline.

This simple breakout doesn't guarantee that a trend change will occur.

you still need additional confirmation to avoid false breakouts and one of the ways you can do this is by looking for signs of momentum loss before the breakout.

Let me give you an example:



In above chart we can see that the price is on a downtrend and so we draw our trend line.

Now you can see that the price were making lower highs however when we looked at the latest price action the price suddenly made a a double bottom which is considered as a reversal pattern.

What this means is that sellers failed to push the price lower which is a sign of momentum loss then we saw that the price broke out of the trend line which

further confirms the trend change, so this is a good opportunity to take a buy position.

Let's look at another example below:



As you can see, we spotted an uptrend and so we place a trend line above it as prices were making lower lows then, we also noticed the same double rejection pattern at the top indicating that there's a strong resistance zone within this area, next we saw the price broke out of the trend line which again confirms the trend change to the downside and so this is a good opportunity to take a sell position.

You can also use indicators such the RSI to confirm the trend line breakout. But first we need to make a couple of adjustments to the indicator to fit our strategy.

You can go to the indicator settings and add the 50 value so you'll have a single line in the middle that represents it and the way we implement the RSI to our strategy is by only taking buy positions if the RSI is above the 50 line and only taking sell positions if the RSI is below the 50 line.

Let me give an example below:



In this chart above, we spotted a downtrend and so we want to draw our trend line.

As you can see the price broke above the trend line signaling a possible trend change however you can see that the RSI is still below the 50 line, so in this case, you should not take a buy position because the trend line breakout is not confirmed by the RSI indicator.

let me give you another example below:



As you can see in the chart above, the market was respecting the downward trend line.

The breakout of the trend line is a good signal to sell the market.

This breakout happens above the 50 RSI indicator which is a confirmation to take this trading opportunity.

Look at another example below:



As you can see in the above chart, the market was trending up, the breakout of the trend line indicates a trend reversal.

This breakout happened below the 50 RSI indicator which is a clear confirmation to take a sell entry.

MOVING AVERAGES AS A DYNAMIC SUPPORT AND RESISTANCE LEVELS

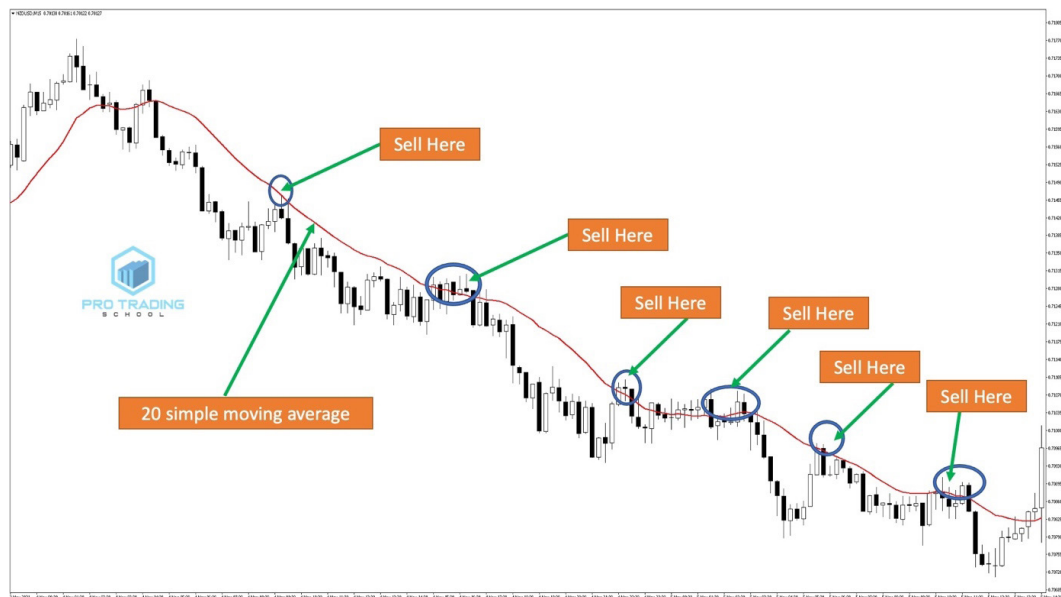
Moving averages can also be used to create dynamic support and resistance levels.

Because it's not like standard horizontal support and resistance lines, we call it dynamic.

They are continually shifting in response to recent price movements.

As a trader you can look at these moving averages as key support or resistance. You will buy when the price dips and tests the moving average or sell if the price rises and touches the moving average.

Let me give you an example below:



THE SECRET BEHIND SUPPORT AND RESISTANCE

As you can see in the NZD USD 15 minutes chart, the 21 moving average acts as a dynamic resistance level.

Every time price approached 21 simple moving average and tested it, it acted as resistance and the price bounced back down.

One thing you should keep in mind is that these are just like your normal support and resistance lines.

Look at another example below:



As you can see once prices approach the 21 moving average it bounces because it is acting as a dynamic support level.

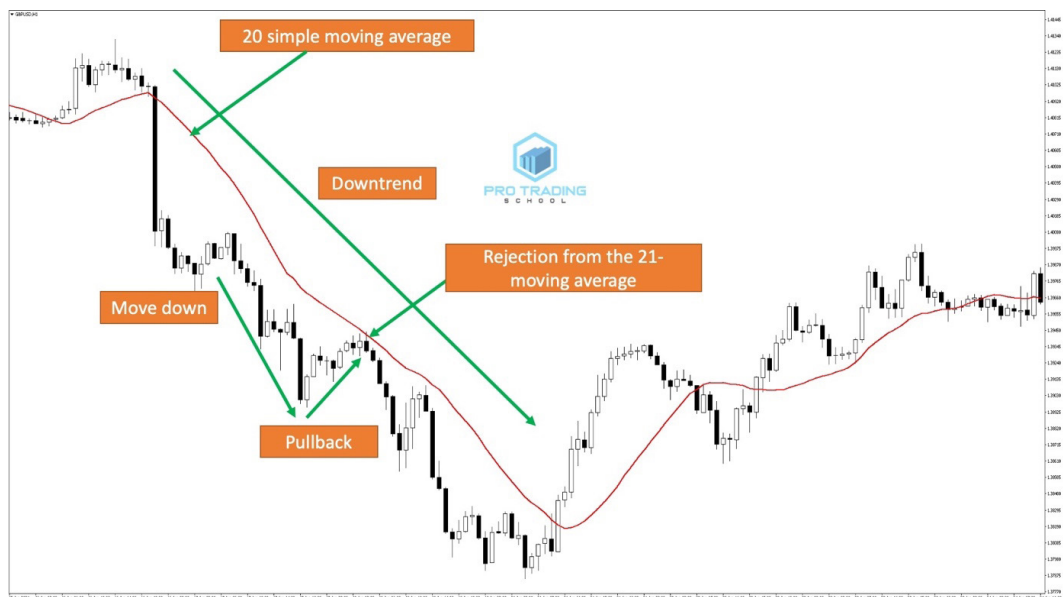
As a price action trader, you should know that you can't use the moving average alone to take your trading positions.

You should combine different factors of confluence to find high probability trading setups.

As I always say, focus on three important elements:

- ~ The trend: make sure the market is uptrend or downtrend
- ~ The level: Plot your 21,50 simple moving average and wait for price to pull back into it.
- ~ Wait for a clear price action signal to take your trading position.

Let me give you an example below:



As you can see in the chart above, the market is trending down, so we know that sellers are in control of the market and the best trading decision is to short the market.

The 21 moving average is acting as a resistance level, once price approaches this dynamic resistance level, the market was rejected giving us a signal to take a sell trading position.

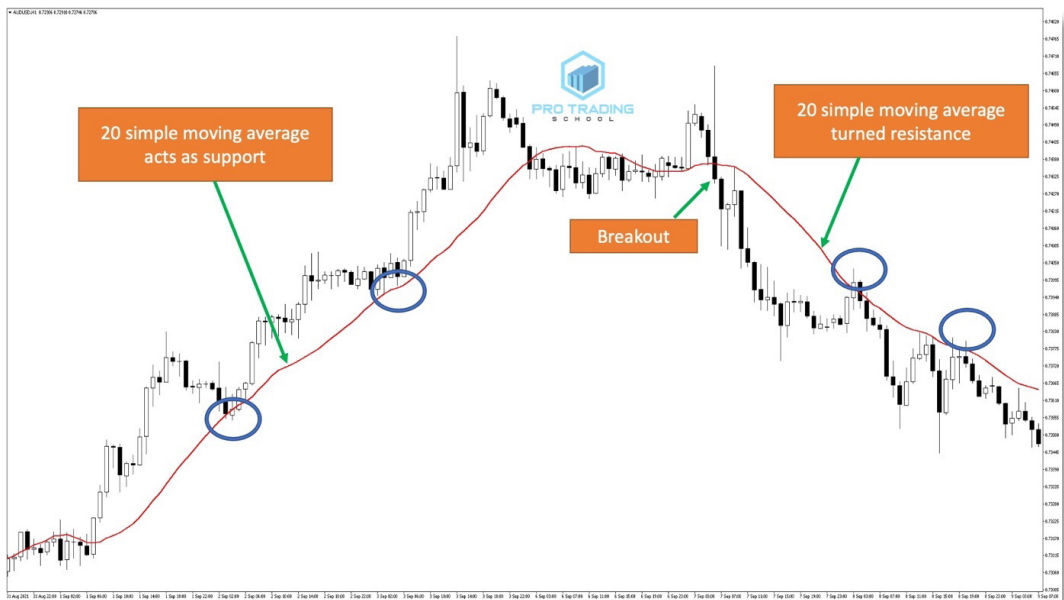
So, as you can see, we did not take this trading opportunity because there is a moving average.

We take it because we have the three important elements:

- ~ The Trend: it is a downtrend which means that sellers are in control, and we have to look for selling opportunities and ignore the buying ones.
- ~ The level: A 21 moving average that acts as a dynamic resistance level
- ~ The Signal: we have a clear rejection from the 21-moving average; this rejection is significant because it happened after a pullback to the dynamic resistance level.

We can apply the same strategy when it comes to uptrend markets.

Now you know that moving averages can potentially act as support and resistance. But you should also know that they can break, just like any support and resistance level! Let me give you an example below:



As you can see in the chart above, the 21 moving average was acting as a support level, and after the breakout it turned resistance.

When the moving average is acting as a support level, you know that you have to take only buy positions when prices are rejected from the moving average.

When the moving average is acting as a resistance level, you know that you have to take only sell trading positions when prices approach the moving average.

MY TRADING TIPS FOR YOU

Congratulations! If you have made it to this point, you definitely want to learn how to trade in the market the right way.

I know i provided you with a lot to think about in this guide, but you have the knowledge to take the information and apply it into your trading.

Here are some tips I'd like to share with you before I finish up.

1. Know your strategy and goals

Never jump straight into trading without a plan.

Moving forward with a clear strategy in place is one of the best ways to trade Forex profitably.

Chalk out a plan of action and ask yourself:

what do you want to achieve from trading, and what is your ultimate goal? Have a clear idea about your risk appetite, profit goals, and trading style.

2. Learn more about the markets

When you are inexperienced, the world of trading can be extremely risky.

Starting a trade without sufficient knowledge is a surefire way to lose your hard-earned money.

Start reading blogs, newspapers, and books to educate yourself about trading and familiarize yourself with the technical terms.

Speak to a professional trader to understand the risks associated with Forex trading. Follow the patterns of the Forex market to know more about the market conditions.

Understanding the various complexities of the market helps you avoid silly mistakes during the trade.

Always remember that investing time to learn about something new gradually can save you from losing significant money.

3. *Be aware of your limits*

If you are wondering **how to be a successful trader**, know that investing more than you can afford is not a smart move.

Have a clear idea about how much you can risk losing in the trade.

It will also help you to adjust the leverage ratio accordingly and safeguard you against huge losses.

4. *Don't get too emotional*

Successful traders do not allow emotions to guide their decision-making process.

It is imperative to keep your stress levels under check when you are trading.

Even if you are suffering consecutive losses, it is advisable to stick to the plan instead of going all in.

Try to keep a clear head and use various risk management strategies to spot the risks and eliminate them.

5. *Stay consistent*

Once you have a trading plan in place, don't change the course of your trade abruptly.

While sticking to the plan requires discipline and patience, the pay-off makes it worth the effort.

Going in slow and steady can differentiate you from those traders who lose a chunk of their money as soon as they begin trading.

6. *Keep practicing*

Testing your trading plan helps you understand if you will make profits under actual market conditions.

Various trading platforms allow you to open a trial account for a demo trade.

You can think of it as taking the car for a test drive without committing any money to purchase it.

7. *Make analyzing a habit*

Trading involves a lot of data.

But these are not merely statistics.

The data can help shape your risk profile, assumptions, and trading style.

It is a good practice to keep a record of all the information you come across, including the trades you are doing.

Keep reviewing your past trades and analyze why you chose to move ahead with a particular currency pair.

This will ensure that you don't repeat the same mistakes.

8. *Be realistic with your expectations*

Forex trading is like any other investment: there is no silver bullet for instant success.

Keep your profit goals realistic, and don't get lured in by anyone who promises astronomical profits.

Thank you so much

I appreciate you for taking time out of your day or evening to read this, I hope you have enjoyed it as much as i loved writing it for you.

Please if you have questions feel free to contact me via my social media accounts that mentioned in the first pages of this e-book.

See you soon

Dynamic support and Resistance

- ~ **Moving average**
- ~ **Fibonacci levels**