Understanding Support & Resistance Trading (Beginner-Friendly Guide)

Support and Resistance (S&R) is one of the most powerful trading strategies. It helps traders find the best entry and exit points by identifying price levels where the market tends to reverse.

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1. What Are Support & Resistance?

☐ Support Level (BUY Zone)

- A price level where the market **stops falling** and **bounces back up**.
- It acts as a **floor**, preventing the price from going lower.
- Traders **BUY near support** because the price is expected to rise.

☐ Example:

- If **AUD/USD falls to 0.62777** (support) and starts moving up, this is a good place to BUY.

☐ Resistance Level (SELL Zone)

- A price level where the market **stops rising** and **moves down**.
- It acts as a **ceiling**, preventing the price from going higher.
- Traders **SELL near resistance** because the price is expected to drop.

☐ Example:

- If **AUD/USD rises to 0.63310** (resistance) and starts dropping, this is a good place to SELL.

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2. How to Identify Support & Resistance?

Use these methods to find S&R levels:

☐ **Past Price Action:** Look for price levels where the market reversed multiple times.
☐ **Round Numbers:** Levels like 1.1000, 1.2000, 0.6300 often act as S&R.
☐ **Moving Averages (MA 50 & 200):** Sometimes act as dynamic S&R.
☐ **Trendlines:** Draw diagonal lines connecting highs/lows.
☐ **Candlestick Patterns:** Look for reversal patterns (e.g., Hammer at Support, Shooting Star at Resistance).

Tip: The more times a price level is tested, the stronger it becomes.

3. How to Trade Using Support & Resistance?

□ BUY Setup (Near Support)

□ Price falls to a support level and **fails to break below**.
□ Look for **bullish candlestick patterns** (Hammer, Bullish Engulfing).
□ **Enter a BUY trade** when price starts bouncing up.
□ **Stop-Loss (SL):** A few pips below support.
□ **Take-Profit (TP):** Near the next resistance level.

□ Example:

- AUD/USD drops to **0.62777 (Support)** and forms a **Hammer candle**.
- Enter **BUY** at **0.62800**, SL at **0.62650**, TP at **0.63300** (Resistance).

SELL Setup (Near Resistance)

□ Price rises to a resistance level and **fails to break above**.
□ Look for **bearish candlestick patterns** (Shooting Star, Bearish Engulfing).
□ **Enter a SELL trade** when price starts moving down.
□ **Stop-Loss (SL):** A few pips above resistance.
□ **Take-Profit (TP):** Near the next support level.

□ Example:

- AUD/USD rises to **0.63310 (Resistance)** and forms a **Shooting Star candle**.
- Enter **SELL** at **0.63280**, SL at **0.63400**, TP at **0.62800** (Support).

4. Example Chart of Support & Resistance Trading

□ Buy Example:

- □ **Support at 1.1000**, price bounces up → Buy near 1.1005.
- □ **Stop-Loss:** Below 1.0980.
- □ **Take-Profit:** Near next resistance (1.1050).

□ Sell Example:

- □ **Resistance at 1.2000**, price drops → Sell near 1.1995.

- ☐ **Stop-Loss:** Above 1.2020.
- ☐ **Take-Profit:** Near next support (1.1950).

☐ Next Steps for You:

☐ Open **IC Markets MT4** and mark **Support & Resistance levels** on your chart.
☐ Practice **BUY near Support** & **SELL near Resistance** on a **Demo account**.