

Support and Resistance:

The

Cornerstones
of Trading



Mastering Support and Resistance

Understanding support and resistance levels is fundamental to technical analysis. These levels act as price magnets, influencing market trends and providing potential trading opportunities.



What is Support?

Support is a price level where buying pressure tends to overcome selling pressure, preventing the price from declining further. When a price repeatedly bounces off a specific level, it forms a support level. Multiple touches strengthen the support level's significance.



What is Resistance?

Resistance is the opposite of support. It's a price level where selling pressure overpowers buying pressure, preventing the price from rising further. When a price repeatedly fails to break through a certain level, it forms a resistance level.



Support and Resistance Dynamics

In an uptrend, previous resistance levels often become new support levels once broken. Conversely, in a downtrend, previous support levels can transform into new resistance levels. Identifying these shifts is crucial for successful trading.



Breaking Out or Breaking Down

When a price decisively breaks through a strong support or resistance level, it often signals a significant trend reversal. However, false breakouts can occur, so traders should use additional indicators to confirm the breakout.



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