Support and Resistance Analysis

Homework 2 of Web application S20

Jin Xu

ECE, School of Graduate Studies

Rutgers University

Definition

Generally speaking, support and resistance lines identify price levels where the price historically reverse.

Support is a price level where a can be expected to pause due to a concentration of demand. As the price of assets or securities drops, demand for the shares increases, thus forming the support line.

On a chart, the support line can be used to indicate the floor preventing the price from pushing downward.

Similarly, resistance reacts as the ceiling because the price levels prevent the market from moving upward. It reveals that the trend is weakening and the shares decreases.

Fig 1 shows the one year stock trend of NVDA . In this example, the yellow lines indicate the resistances and the red lines indicate the supports.

Fig. 1. Strock trend of NVDA from Sept. 2017 to Aug. 2018