

TA 101 - Part 7 [ChartSchool]

 stockcharts.com/school/doku.php

TA 101 - Part 7

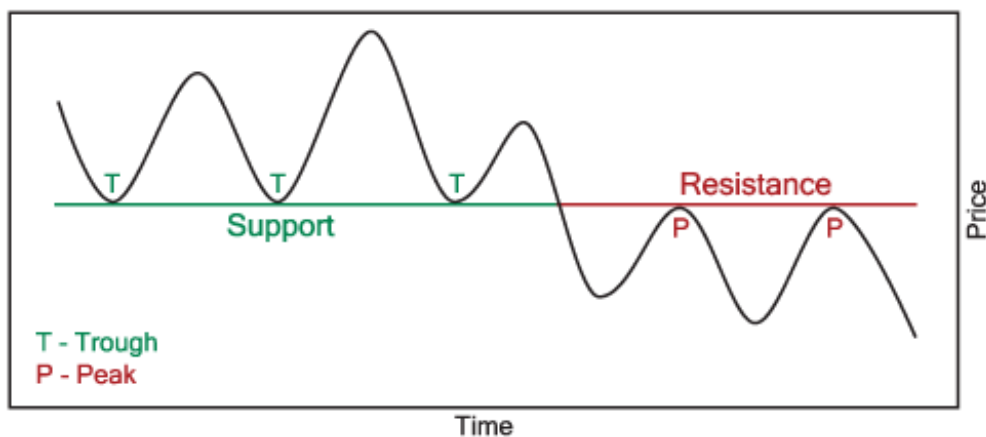
This is the seventh part of a series of articles about technical analysis from a new course we're developing. If you are new to charting, these articles will give you the "big picture" behind the charts on our site. If you are an "old hand", these articles will help ensure you haven't "strayed too far" from the basics. Enjoy!

([Click here](#) to see the entire series.)

Chart Analysis - Support and Resistance

Prices are driven by two of humanity's strongest emotions: Fear and Greed. When more investors are fearful that a stock will fall, it does! It will continue to decline until the balance between Fear and Greed is re-established. The same is true for greed and rising prices. This phenomenon is referred to as *Market Psychology*.

Support is the price level where "greedy" buyers enter the market to prevent prices from declining further. Support can develop at a specific price or more commonly in a price zone. Areas of support can exist for many months at a time.



The diagram above illustrates how market psychology causes the previous area of price support to turn into resistance. After breaking support, traders who bought in the zone of support are now holding losses and want to sell as soon as prices approach their original purchase prices in order to break even.

The **Volume by Price** overlay (volume traded in incremental price ranges) in the following SharpChart of Dover Corp. illustrates how strong support at 46 later became significant resistance as greed turned into fear.

