

SUPPORT AND RESISTANCE TRADING STRATEGY THE ADVANCED GUIDE



TradingwithRayner

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ABOUT THE AUTHOR



Hi, my name is Rayner Teo.

I'm not a multi-millionaire trader, I don't drive fancy cars, and I don't live in a penthouse.

But I am an independent trader, an ex-prop trader, and the founder of [TradingwithRayner](#).

I specialize in studying great research (from people much more qualified than me) and applying it to the real-world of trading to find out what works and what doesn't.

And finally, share them with traders like you so you can become a consistently profitable trader.

Cheers,

Rayner Teo

INTRODUCTION

The more times Support is tested, the stronger it becomes.

Support and Resistance are lines on your chart.

You should place your stop loss at Support and Resistance.

If you follow the “theories” above, it would cost you money in the long run. Because these are the biggest lies about *Support and Resistance trading strategy*.

And it's not your fault because these are stuff that's being taught in trading books and courses.

But don't worry.

After reading this trading guide, you'll never make these mistakes again.

Specifically, here's what you'll learn:

- [The 5 things about Support and Resistance \(losing traders are not aware of\)](#)
- [How to find favorable risk to reward trades](#)
- [How to tell when Support or Resistance will break, so you don't enter trades at the wrong time](#)
- [A Support and Resistance trading strategy — that lets you profit from losing traders](#)

Are you ready?

Then let's get started.

TRUTH #1: THE MORE TIMES SUPPORT OR RESISTANCE (SR) IS TESTED, THE WEAKER IT BECOMES

First, let's define Support and Resistance:

Support – Area on your chart with potential buying pressure

Resistance – Area on your chart with potential selling pressure

An example:



Now:

You've probably read trading books that say... the more times Support or Resistance is tested, the stronger it becomes.

But the truth is...

The more times Support or Resistance is tested, the weaker it becomes.

Here's why...

The market reverses at Support because there is buying pressure to push the price higher. The buying pressure could be from Institutions, banks, or smart money that trades in large orders.

Imagine this:

If the market keeps re-testing Support, these orders will eventually be filled. And when all the orders are filled, who's left to buy?

Here's what I mean...



Pro Tip:

Higher lows into Resistance usually result in a breakout (ascending triangle).
Lower highs into Support usually results in a breakdown (descending triangle).

Let's move on...

TRUTH #2: SUPPORT AND RESISTANCE ARE AREAS ON YOUR CHART (AND NOT LINES)

This is a mistake I'm guilty of. Treating Support and Resistance (SR) as lines on my chart.

Why?

Because you'll face these two problems:

- Price “undershoot” and you miss the trade
- Price “overshoot” and you assume SR is broken

Let me explain...

PRICE “UNDERSHOOT” AND YOU MISSED THE TRADE

This occurs when the market comes close to your SR line, but not close enough.

Then, it reverses back into the opposite direction. And you miss the trade because you were waiting for the market to test your exact SR level.

An example:



PRICE “OVERSHOOT” AND YOU ASSUME SR IS BROKEN

This happens when the market breaks your SR level and you assume it's broken.

Thus, you trade the breakout... but only to realize it's a false breakout.



So, how do you solve these two problems?

Simple.

Treat Support and Resistance as areas on your chart, not lines.

WHY SR ARE AREAS ON YOUR CHART

Because of these two group of traders...

1. Traders with the fear of missing out (FOMO)
2. Traders who want to get the best possible price (Cheapo)

Let me explain:

Traders with the fear of missing out would enter their trades the moment price comes close to Support.

And if there's enough buying pressure, the market would reverse at that location.

On the other hand, there are traders who want to get the best possible price, so they place orders at the low of Support. And if enough traders do it, the market will reverse near the lows of Support.

But here's the thing:

You've no idea which group of traders will be in control. Whether it's FOMO or Cheapo traders.

Thus, Support and Resistance are areas on your chart, not lines.

Make sense?

TRUTH #3: SUPPORT AND RESISTANCE CAN BE DYNAMIC

What you've learned earlier is horizontal SR (where the areas are fixed).

But it can also change over time, otherwise known as, Dynamic Support and Resistance.

Now:

There are two ways to identify Dynamic SR.

You can use:

1. Moving average
2. Trendline

Let me explain...

HOW TO USE THE MOVING AVERAGE TO IDENTIFY DYNAMIC SR

I use the 20 & 50 MA to identify my Dynamic SR.

Here's an example:



However, it's not the only way. You can use 100 or 200 MA, and it works fine.

Ultimately, you must find something that suits you (and not blindly follow another trader).

TRENDLINE

These are diagonal lines on your chart to identify dynamic SR.

Here's what I mean:



Pro Tip:

Treat Support and Resistance as areas on your chart (and not lines). This applies to both horizontal and dynamic SR.

TRUTH #4: SUPPORT AND RESISTANCE ARE THE WORST PLACES TO PUT YOUR STOP LOSS

I need not be an Einstein to guess where you'll put your stops.

Below Support and above Resistance, right?

An example:



And why is this worst place to put your stops?

It gets hunted.



So... how do you avoid it?

Well, you can't avoid it entirely.

But here are two things you can do...

- Set your stop loss a distance from SR
- Wait for the candle to close beyond SR

Let me explain...

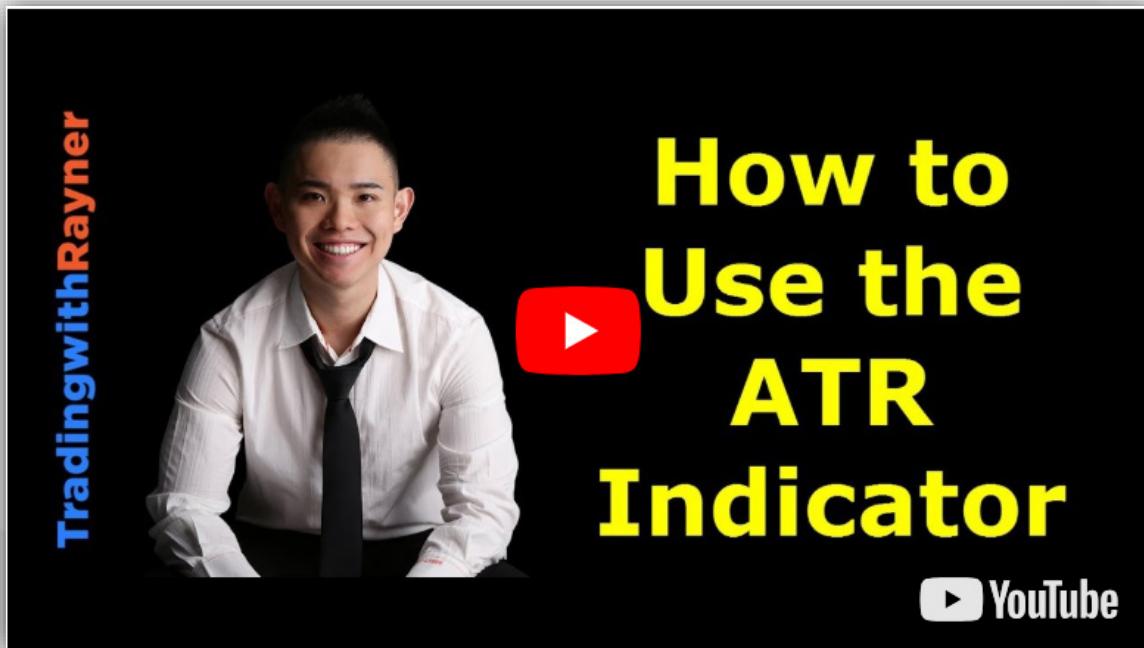
SET YOUR STOP LOSS A DISTANCE FROM SR

You can do this by using the Average True Range (ATR) indicator.

Here's how to do it in:

1. Identify the low of Support
2. Find the ATR value
3. Take the low of support minus the ATR value

If you want to learn more, go watch this training video below:



WAIT FOR CANDLE TO CLOSE BEYOND SR

Here's how it works...

You only exit your trade if price closes below the low of support or the high of the resistance.

Here's what I mean:



And here's something interesting... do you know the "real move" usually occurs after traders get stopped out of their trades?

And you can take advantage of this scenario by using a trading strategy I'll share with you later.

But first...

TRUTH #5: TRADING AT SUPPORT OR RESISTANCE GIVES YOU FAVORABLE RISK TO REWARD

Big mistake traders make is this:

Entering trades when the price is far away from SR. This requires a large stop loss and offers you a poor risk to reward.

An example:



But if you let price come to you, then you'll have a tighter stop loss. And this improves your risk to reward.

Here's what I mean:



Remember...

Patience pays in trading. Stop chasing the markets and let price come to you.

Pro Tip:

Mark out your SR areas in advance. Then look for trading opportunities when the price has come to your levels. If the price is elsewhere, stay out.

Now...

If you want to learn more, go watch this training video below:



HOW TO TELL WHEN SUPPORT OR RESISTANCE WILL BREAK — SO YOU DON'T GET “TRAPPED”

The takeaway is this:

- Support tends to break in a downtrend
- Resistance tends to break in an uptrend
- Support and Resistance tend to break when there's buildup

Here's why...

RESISTANCE TENDS TO BREAK IN AN UPTREND

Here's a fact:

For an uptrend to continue, it has to consistently break new highs. Thus, shorting at resistance is a low probability trade.

Instead, going long at Support is a better trade.

SUPPORT TENDS TO BREAK IN A DOWNTREND

Likewise:

For a downtrend to continue, it has to consistently break new lows. Thus, going long at support isn't a good idea.

But, going short at Resistance is a great idea.

Next...

SUPPORT AND RESISTANCE TEND TO BREAK WHEN THERE'S BUILDUP

Consider this:

Support is an area with potential buying pressure. So, the price should move up quickly, right?

Now... what if price didn't move up and instead, consolidates at Support?

What does it mean?

A sign of weakness as the bulls couldn't push the price higher.

Perhaps there's no buying pressure or, there's strong selling pressure. Either way, it doesn't look good for the bulls and Support is likely to break.

An example:



And the opposite for Resistance:



If you want to learn more, go watch this training video below:



Let's move on...

A SUPPORT AND RESISTANCE TRADING STRATEGY THAT LETS YOU PROFIT FROM LOSING TRADERS

Here's a fact:

Support and Resistance attracts a lot of attention from traders. There will be some looking to trade the reversal, and others looking to trade the breakout.

Since trading is a zero-sum game... for reversal traders to profit — breakout traders must lose. And for breakout traders to profit —reversal traders must lose.

Do you understand?

Good.

Now... let's learn a Support and Resistance trading strategy to profit from breakout traders.

Here's what you need to do:

1. Mark your areas of Support & Resistance (SR)
2. Wait for a directional move into SR
3. Wait for price rejection at SR
4. Enter on the next candle with stop loss beyond the swing high/low
5. Take profits at the swing high/low

Here's what I mean...

1. Mark your areas of Support & Resistance



2. Wait for a directional move into SR



3. Wait for price rejection at SR



4. Enter on the next candle with stop loss beyond the swing high/low



5. Take profits at the swing high/low



Support and Resistance trading strategy examples:





Now:

You must understand this trading strategy isn't the "holy grail". There are times you'll lose to breakout traders — and at times, breakout traders will lose to you.

The only way you will survive in the long run is proper risk management. Thus, I suggest risking not more than 1% of your account on each trade.

CONCLUSION

This is what you've learned today:

- The more times Support and Resistance is tested, the weaker it becomes
- Support and Resistance are areas on your chart (and not lines)
- Support and Resistance can be identified using moving average
- Don't place your stop loss just below Support or above Resistance
- Trading at Support and Resistance gives you favorable risk to reward
- A Support and Resistance trading strategy

DO YOU WANT MORE STUFF LIKE THIS?

Then check out my website, TradingwithRayner because you'll learn new trading strategies and techniques to level up your trading.

There's no hype or fluff but only the good stuff.

Here's the link: www.tradingwithrayner.com