

**Title:**

Trading with Support and Resistance

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326

**Summary:**

Support and resistance has long been a staple in trading indicators. Support and resistance is a simple concept

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trading, stock market, forex

**Article Body:**

Support and resistance has long been a staple in trading indicators. Support and resistance is a simple concept that has its roots in the supply and demand theory. When looking at a chart you see price action that appears to be random but, by adding support and resistance theory to the equation you will see that the price movements are not always random. I first noticed this before I started trading. I used to watch the stock ticker on T.V. and over time I noticed that at certain price levels on the Dow Jones Industrial Average would seem to have difficulty breaking through some price levels. It was more obvious when the price tried to move through round numbers.

As prices go up there comes a point when the traders feel that the price is too high and the buyers will slow. This is called resistance. Generally, for a price area to be called resistance you will have to have 3 or more hits on or very near the same price. The same rules apply to support but, this term describes the failure of prices to continue going down. Once a price goes down to a point the price is viewed as being a good deal. Much the same way a store puts things on sale. When the sale price is in effect there are usually more buyers willing to purchase. The markets work the same way. The more hits on a price level the stronger that support or resistance is believed to be.

Many times there may be no good explanation for a support or resistance level other than people believe in it. Often this is enough to cause the market to stall or reverse direction. Perception is often the motivation behind the market's price movements. I have seen prices move drastically because of rumors. On the other hand I have seen very little movement in prices following what you would think to be an important announcement.