

Support and Resistance

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Support and Resistance

3/9/09

<http://www.forexfactory.com/showpost.php?p=2591167&postcount=204> (includes charts)

Anyone that knows me knows that I am a rebel, non-conformist and a non conventionalist (among many other derogatory words the trouble and strife calls me).

That being the case, I will probably stir up a can of worms, open pandora's box (anyone seen inside pandora's box?) etc., by saying:

I am only interested in the CLOSE of a candle. I do not care where it started, where it's been, how far it's gone or why it went there, only where it ended up.

I do not use highs and lows for any of my analysis – not even for trend lines.

Feel free to disagree with me – I don't care! If you saw my charts you would see that prices stop on, or very near, my support and resistance lines as if they had run into The Great Wall of China. That is why I don't care if the rest of the trading world disagrees with me.

My method for determining support and resistance also takes the time element out of the equation. This means that I can accurately predict the price, at some point in time, within a small percent, at which buyers will buy and sellers will sell.

For those getting ready to ask which indicator do I use to do this, it is the one between my ears.

For those who think I am full of the proverbial horse manure, and again, I don't care if you do, let me show you an example using USDJPY.

If my light had gone in 1995, I would have known that the price of 94.21 would act as support and resistance in October 2008 through February 2009.

See attached Weekly and Daily charts.

I have not shown how I identified 94.21 but all will be revealed in good time. Suffice it to say, everything you need is staring at you on that Weekly chart.

3/10/09

<http://www.forexfactory.com/showpost.php?p=2591719&postcount=214>

Watch as price bounces off and around these lines.

3/14/09

<http://www.forexfactory.com/showpost.php?p=2603149&postcount=398>

I know no-one will believe this but one of the reasons for my not posting many charts or when I do, I do it without S&R lines, is that people will think I have a crystal ball or insider information as price almost always reacts to them.

There is absolutely no magic to it if you understand price action at support and resistance. There is a caveat though and that is, you have to find the CORRECT or ACTIVE S&R lines. I once saw a chart with so many so called S&R lines on it that price was bound to hit one of them eventually and how the guy could trade it, I had no idea.

There IS a right way and a wrong way to identify S&R which will all be revealed but until now, learn the PPZ from J16 – but don't learn it too well because we will do it another way – just learn the concept of what price does at S&R.

3/18/09

<http://www.forexfactory.com/showpost.php?p=2610808&postcount=617> (a test?)

3/18/09

<http://www.forexfactory.com/showpost.php?p=2610920&postcount=621> (another test?)

3/18/09

<http://www.forexfactory.com/showpost.php?p=2614015&postcount=702>

If you are following the way I do it, I don't use zones. I use specific price levels – sure there may be and are several levels around the same price but they mean more to me than a zone.

Have another go with your Weekly S&R but try to identify the swings and, when you have identified a line, scroll back to see how many times price reacted to it. If there are very few reactions to it, then it is a low incidence line and may never come into a play again until Big Ears is King. then you know what to do with it – right?

Don't worry about going back – this is all part of the learning curve for which there is no substitute.

3/25/09

<http://www.forexfactory.com/showpost.php?p=2629273&postcount=1230>

"Do not put your S & R lines in **BOLD**"

By doing this, we are tricking our mind and subconscious that these are the **BOUNDARIES** of price action. These are NOT boundaries, only levels where we EXPECT price to do something.

Remember the movie "A Beautiful Mind" – that was a TRUE story. The mind is more powerful than we know in the way it directs our daily and routine life, WITHOUT THINKING.

We have trained it through our formative years and educated it in our later years to serve us for the rest of our lives. You may not realise it, but all we are doing on here is re-training our mind and brain on forex so that we can put it on auto pilot when we are trading. Don't believe me? Ask Baba G – he is fully trained and on auto pilot.

So, do not put any roadblocks on your charts or in your thinking because you are defeating the whole object and purpose of what we are doing.
Never under- estimate the power of the mind and subconscious

3/31/09

<http://www.forexfactory.com/showpost.php?p=2642902&postcount=1479>

Excerpts from stuff:

SUPPORT:

Support is, simply put, a price at which point traders expect to see buying. Support can be a level that we have seen previous buying activity at (perhaps the price bounced off of it last month).

The most common place for support level is an obvious spot where traders have seen a major reversal in the past.

RESISTANCE

As you might guess, resistance is the exact same as support except it is an area where we have seen traders selling the pair in the past.

First is always to identify the direction in which the pair is trending.

4/22/09

<http://www.forexfactory.com/showpost.php?p=2685706&postcount=2220>

I will preface this by stating that there is NO CORRECT way to draw TLs and the way I draw them supports **MY** analysis and **MY** methods and that is all that matters to me.

If you don't like the way I draw my TLs, no problem, but don't anyone waste their time trying to tell me how **THEY** think it should be done.

Most of my analysis is based on the **CLOSE** of bars or closing prices in general. Most of the time I disregard the tails and wicks on candles as being either over shoots by brokers or stop runs by MMs or both. Obviously, there is an amount of buyer/seller input in there but very small when compared to the body of the bar.

I use my TLs to identify **SWING SUPPORT** and **SWING RESISTANCE** in addition to using them to gauge **MOMENTUM** plus other stuff too advanced for this thread.

So, on your USDCAD Daily chart, if you want to follow my methods, you were correct to start that down TL at the close of the bar on March 9, I think it is. This identifies the level at which the buyers were prepared to go, *for that particular swing*.

We then need to identify the next level the buyers kindly identified for us (or sellers, using their

open), which is either the close of the Shooting Star on your chart or the open of the following bar.

Project this down and where the buyers close on the next swing, gives you an indication of their strength, whether they are gaining strength or losing strength.

That is enough to be going on with for now.

4/24/09

<http://www.forexfactory.com/showpost.php?p=2693769&postcount=2370>

TLs

CHFJPY:

Two TLs are shown here.

The lower TL was drawn from the open in Jan providing significant support to the open in Feb providing significant support and projected forward – this has not come into play **yet watch this space!**

The upper TL was drawn from the same significant open in Feb to the second significant open in mid Feb (third circle) and projected forward. Nothing happened until mid April where the TL provides confluence with the support line giving us a pretty good base from which to sneak 150 pips

AUDJPY:

Only one TL is shown here but it could be two but since they are so close together, I have gone with the one from the most recent data.

My first TL was drawn from the first arrow to the second arrow. It was then adjusted to being drawn from the first arrow to the third arrow because it was using more recent data and the support with the 20 meant it was more significant than the second arrow. This was then projected forward.

Nothing happened and it just sat there until March 30. Look at that hammer on March 30 what does it tell you happened? If you have been following this thread, you should have a pretty good idea by now.

Price found support on March 29 at the 150 and near major support. The brokers, MMs and big boys knew prices were going higher so what did they do? Yes, Dr. Joe, they cleared everyone out so that they would have a clean sheet.

They drove prices down through two areas of major support, through psycho 67.00, through psycho 66.00 and then, where did they stop and turn around? Not only on our TL drawn from Feb through March but 2 pips through psycho 65.00. Whores, rich whores Dr. Joe called them! So, our TL at 65.00 was huge confluence and a BIG GREEN light to go long.

Then on April 20, 21, and 22 prices tested the TL again AT resistance turned support – more confluence. So, another opportunity to grab a few pips. Today, price yet

again, tested that strong area of support

So, TLs drawn correctly are very valuable –learn how to use them and practice, practice on thousands of charts.

<http://www.forexfactory.com/attachment.php?attachmentid=237994&d=1240596336> (charts)

06/02/09

<http://www.forexfactory.com/showpost.php?p=2773026&postcount=3535>

Just to add a little more to Blackeagle's excellent posts on S&R.

You have to decide what type of trader you are or want to become.

Do you want to trade from support to the next resistance picking off a lower amount of pips but with lower risk and with a higher \$/pip value? This is what Jim of J16 does and many others who are basically "scalping" on the Worker time frame.

When you can do this consistently it is very rewarding especially when you ramp up the \$/pips. Trading for 50 pips at \$100/pip is a nice business.

If this is your style, then you need more S&R lines to show you where the nearest "problem area" will be.

If you want to be a swing trader and trade the swings, then you need less S&R lines which you can either use from Worker swings or Boss swings. This is not as simple as it sounds because price doesn't always follow past swings and starts putting in new swings at other areas of S&R.

If you want to be a trend trader and try to ride the trend from top to bottom, which is many, many steps further on The Path than where you are now, this will require even less S&R lines as you will use major trend swings from the Boss and Big Boss.

So, in addition to understanding S&R, you also have to know your "style" of trading and how you use them.

For example, when I do an "ATM" trade, I always add ALL the S&R lines from the Worker. I put these on my chart in a "feint" colour so that I really have to look at the screen to see them. Then, I look at the Worker swings and where these coincide with a "feint" line, I darken the line to make it stand out.

When I am in "trend" mode, I ignore most of the Worker "noise" and only add Worker swings, again in a "feint" colour. Then I add Boss S&R in a slightly darker colour and, again, as Blackeagle pointed out, where the Boss and Worker S&R coincide, I darken the line again. Then I add Big Boss S&R again in a different "feint" colour and, again, where these coincide with any other line, I darken them again.

We all have different ways of showing S&R on our charts and it just comes down to

personal preference. However, in addition to understanding S&R, you must know your trading style and how to use them.

Hope this helps rather than confuses!

08/20/09

<http://www.forexfactory.com/showpost.php?p=2973075&postcount=4694>

<http://www.forexfactory.com/showpost.php?p=2973152&postcount=4695>

<http://www.forexfactory.com/showpost.php?p=2973160&postcount=4696>

check thread for more examples