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Subtle, but Important Types of Support and Resistance

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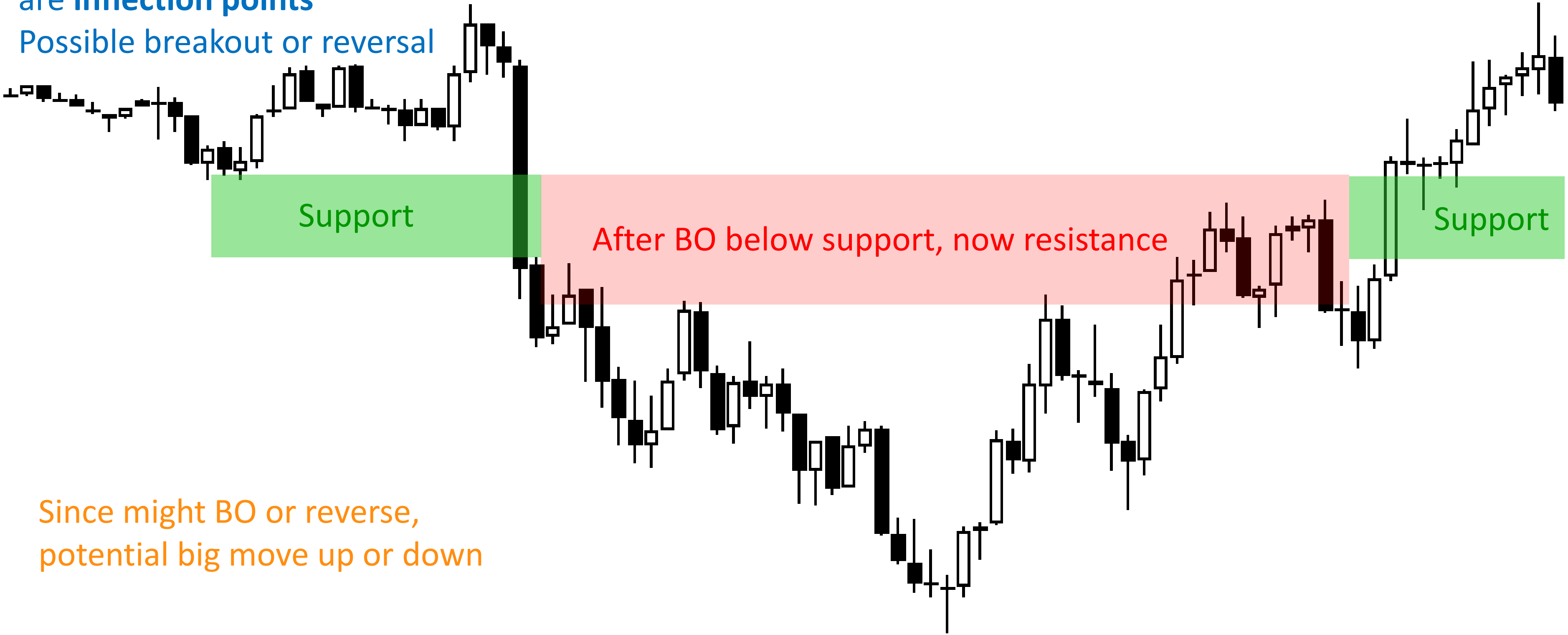
Main Points

Support: Below Current Price

Resistance: Above Current Price

Support and Resistance (S/R): Inflection Points

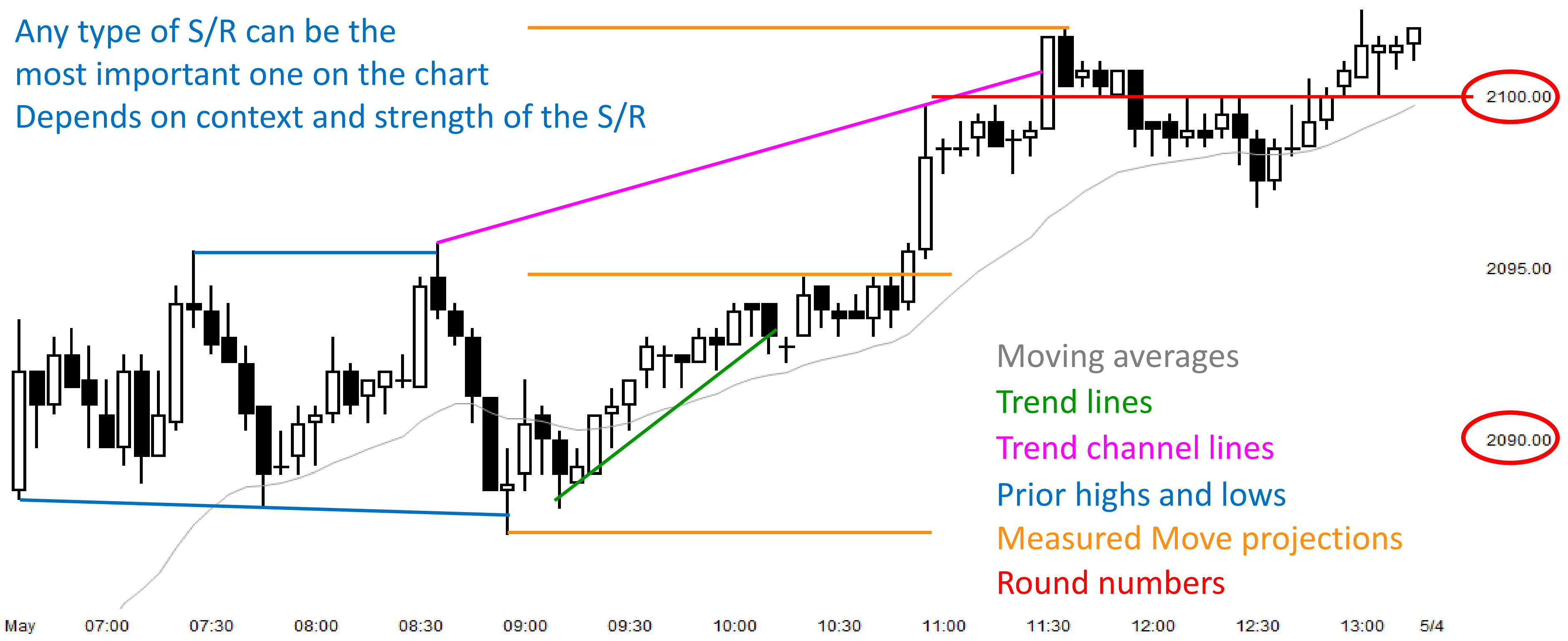
Support and resistance
are **inflection points**
Possible breakout or reversal



Since might BO or reverse,
potential big move up or down

Trend Discovers When Far Enough: By Going Too Far

S/R: Which Is Most Helpful?

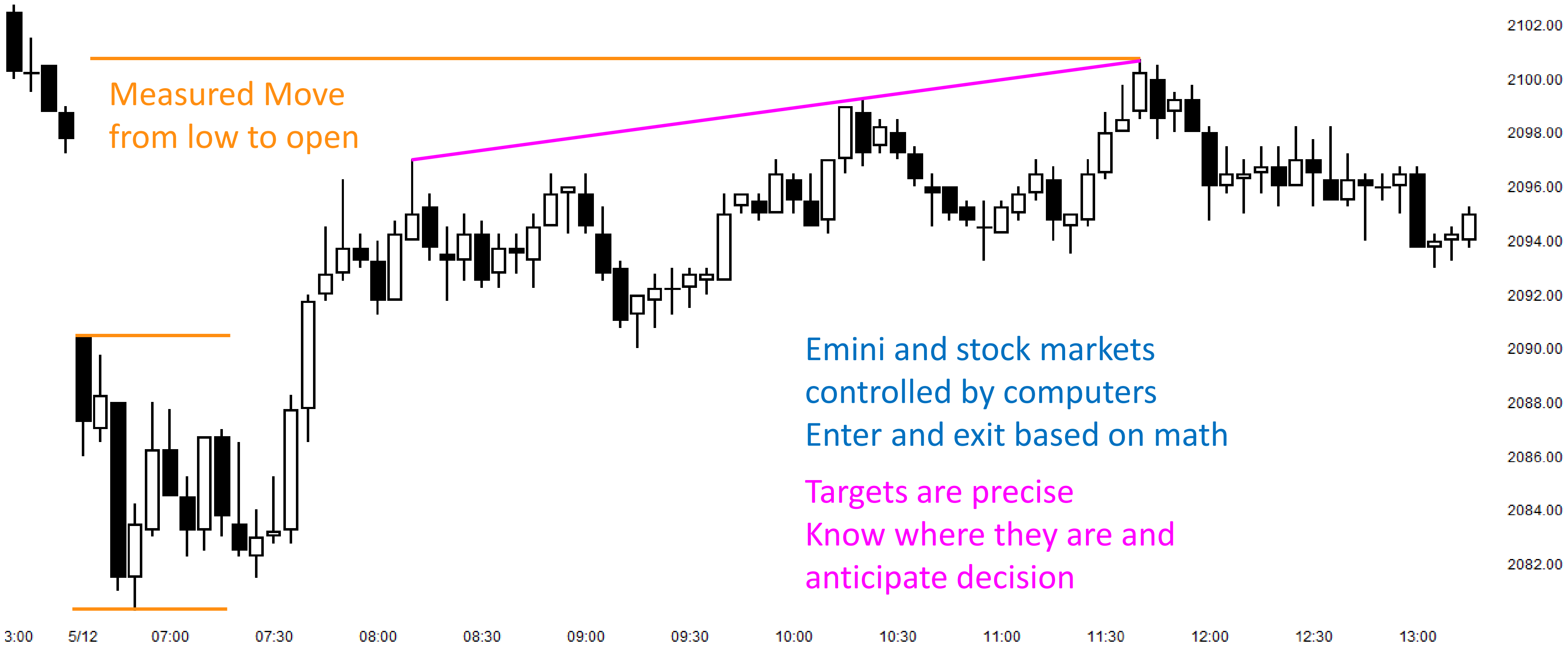


S/R: More Complete List

- Trend lines
- Prior highs and lows
- Measured move projections
- Moving averages on any time frame
- Bull entry bar lows and bear entry bar highs
- Bull signal bar highs and bear signal bar lows
- Entry prices (scale in traders exit there)
- Highest and lowest close of swings
- Scalper profit targets
- High, low, open, and closes from today, yesterday, and on daily, weekly, and monthly charts
- Daily pivots
- Round numbers
- Fibonacci retracement levels and projections, especially 50% PB and 100% MM
- Any type of band

S/R: Very Precise for Emini

Emini 5 min



Emini and stock markets controlled by computers

Enter and exit based on math

Targets are precise

Know where they are and anticipate decision

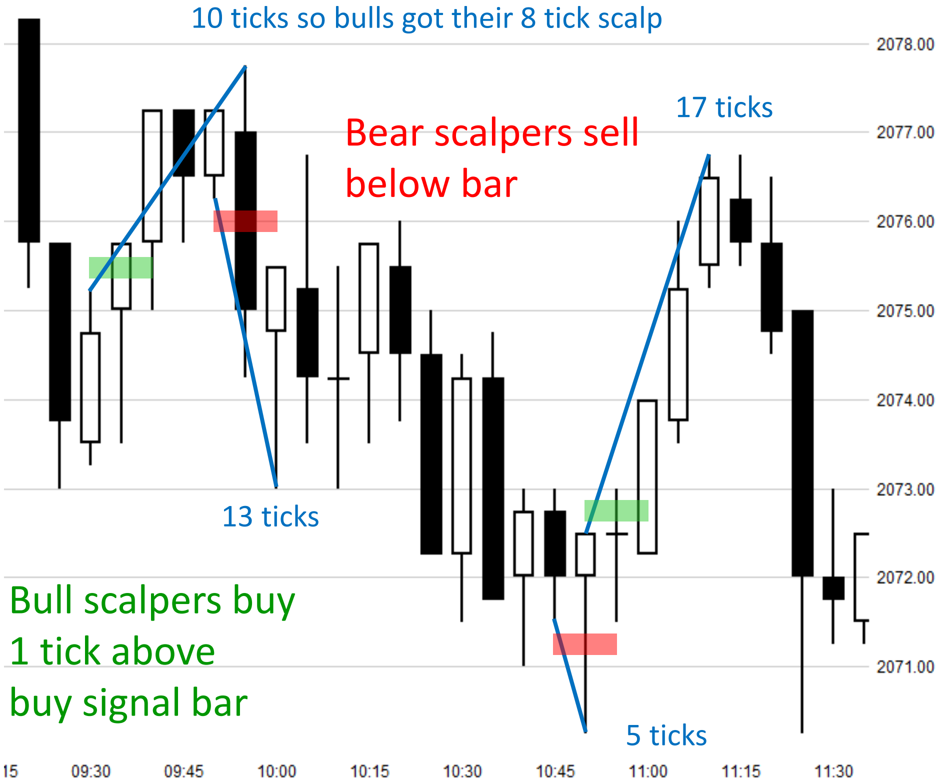
Trapped Emini Scalpers: 5 Tick Traps (and 9, 13, and 17 Tick)

- Emini scalpers often take 1, 2, 3, or 4 points profits (4, 8, 12, or 16 ticks)

- Creates S/R

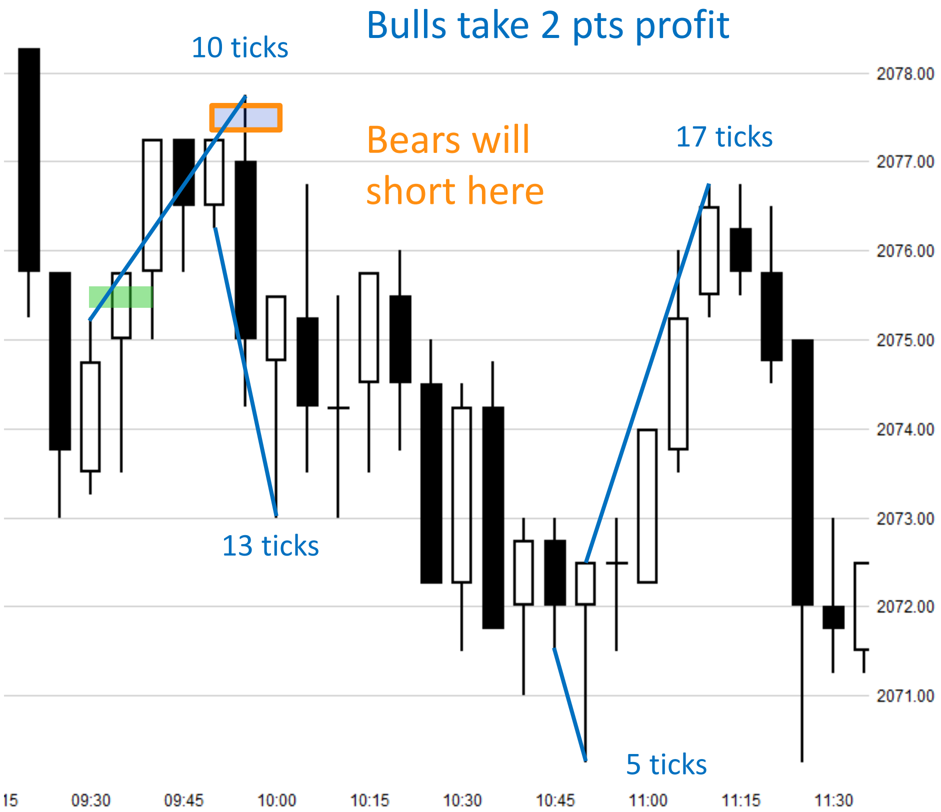
- If enter on stop, need 6, 10, 14, or 18 tick move

- If moves 1 tick less, traps traders



Scalpers Not Confident: Exit Early

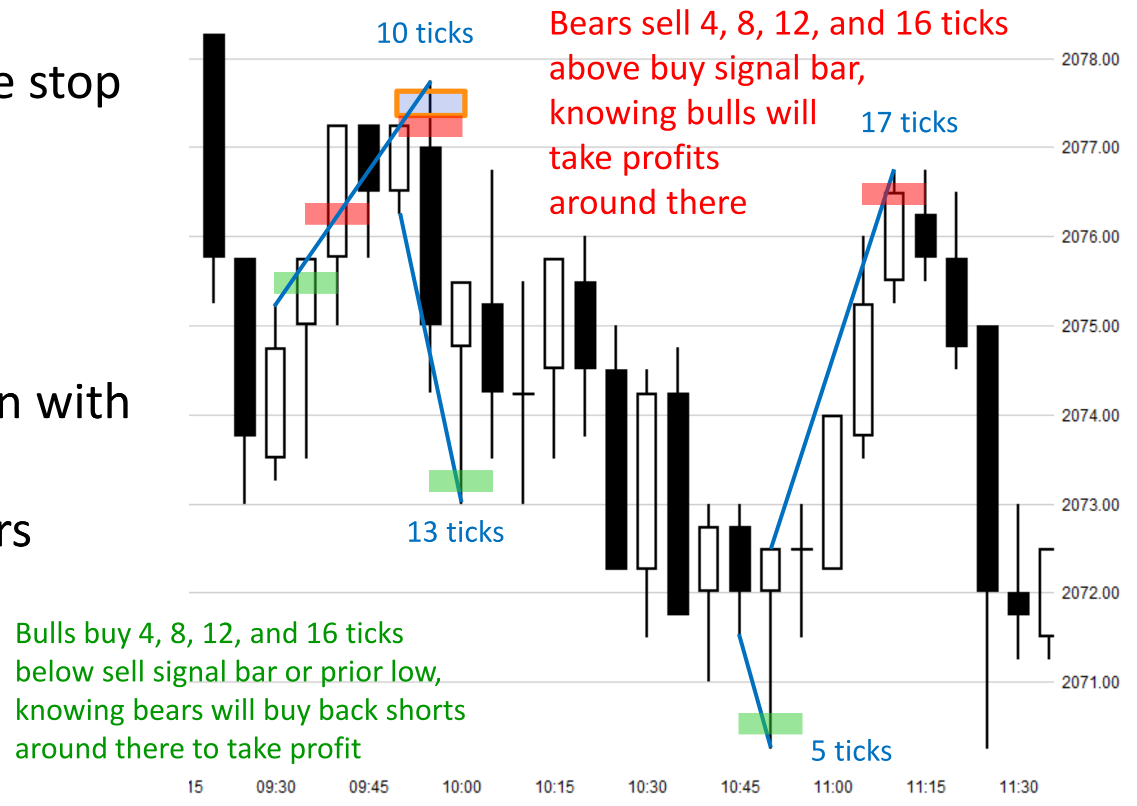
- When traders not confident, often go for 1 tick less profit
- If opposite traders think only scalp, they will fade with limit orders and scale in for opposite scalp



Trapped Scalpers: Other Scalpers do Opposite

- Opposite Emini scalpers bet the stop entry traders will not make 1, 2, 3, or 4 points profits (4, 8, 12, or 16 ticks)

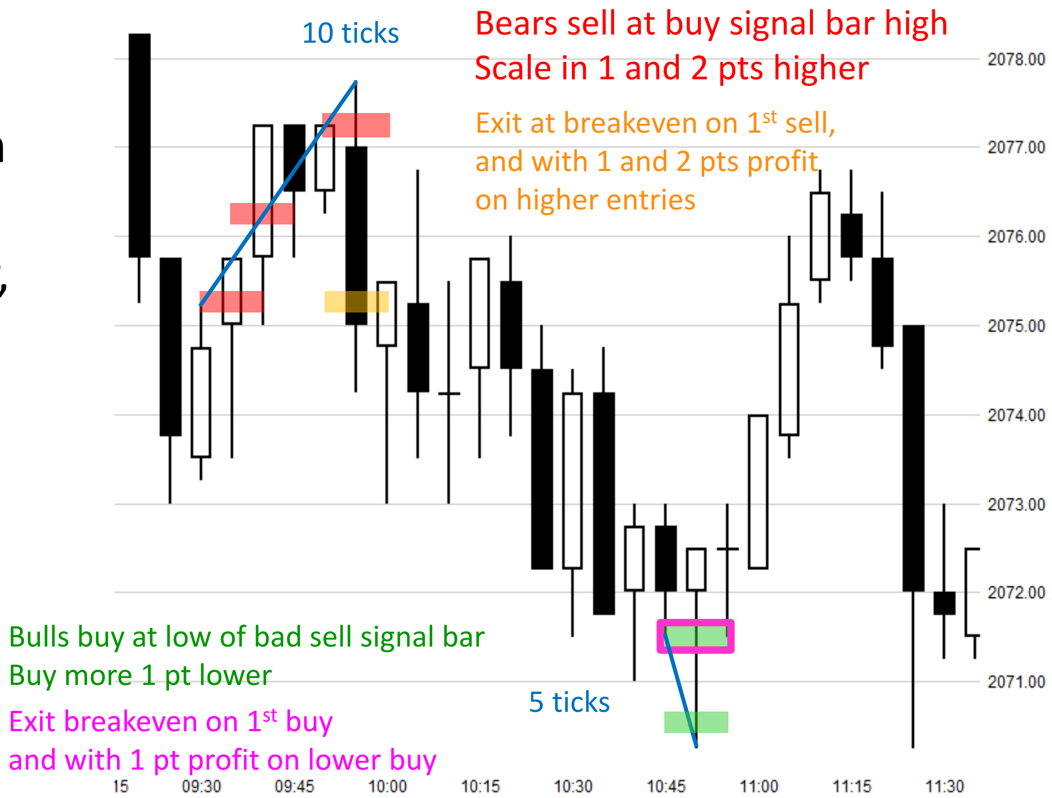
- They enter in opposite direction with limit orders 1 – 2 ticks from target of stop entry traders



Limit Order Scalpers: Bet Stop Order Traders will Lose

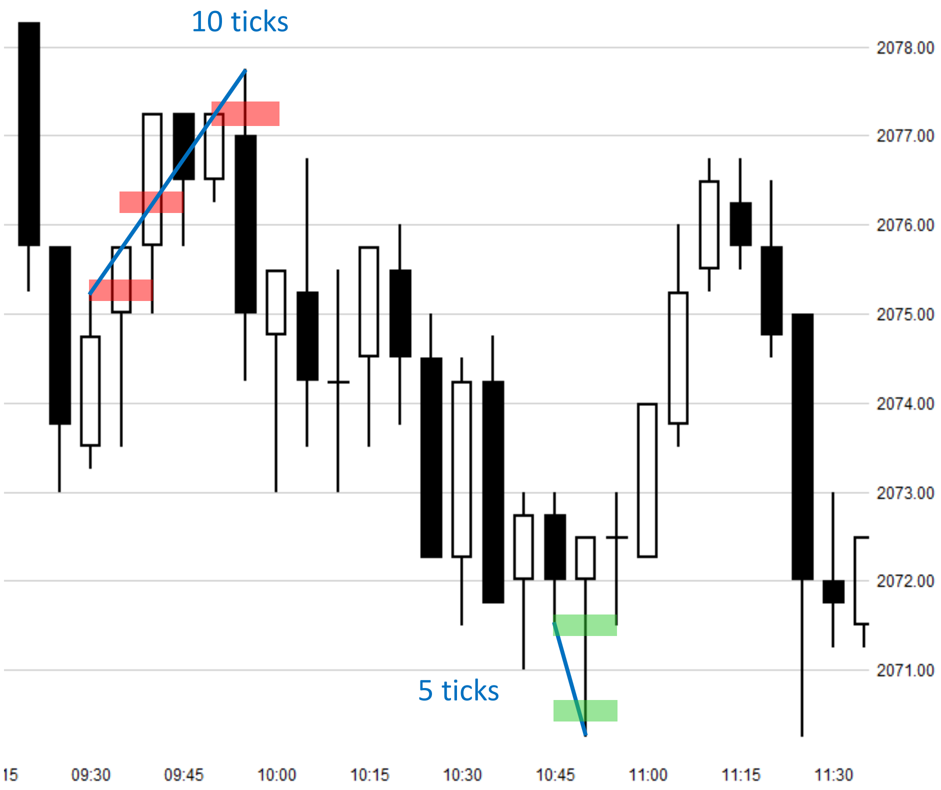
- When weak buy setup,
  bear scalpers sell at signal bar high

- They scale in 1 and 2 points higher,
  just below profit targets for
  stop order bulls



Trapped Scalpers: Other Scalpers do Opposite

- Bulls and bears buying at same time
- Bulls and bears selling at same time
- Creates S/R



Strong Bull Trends: "Buy The Close"

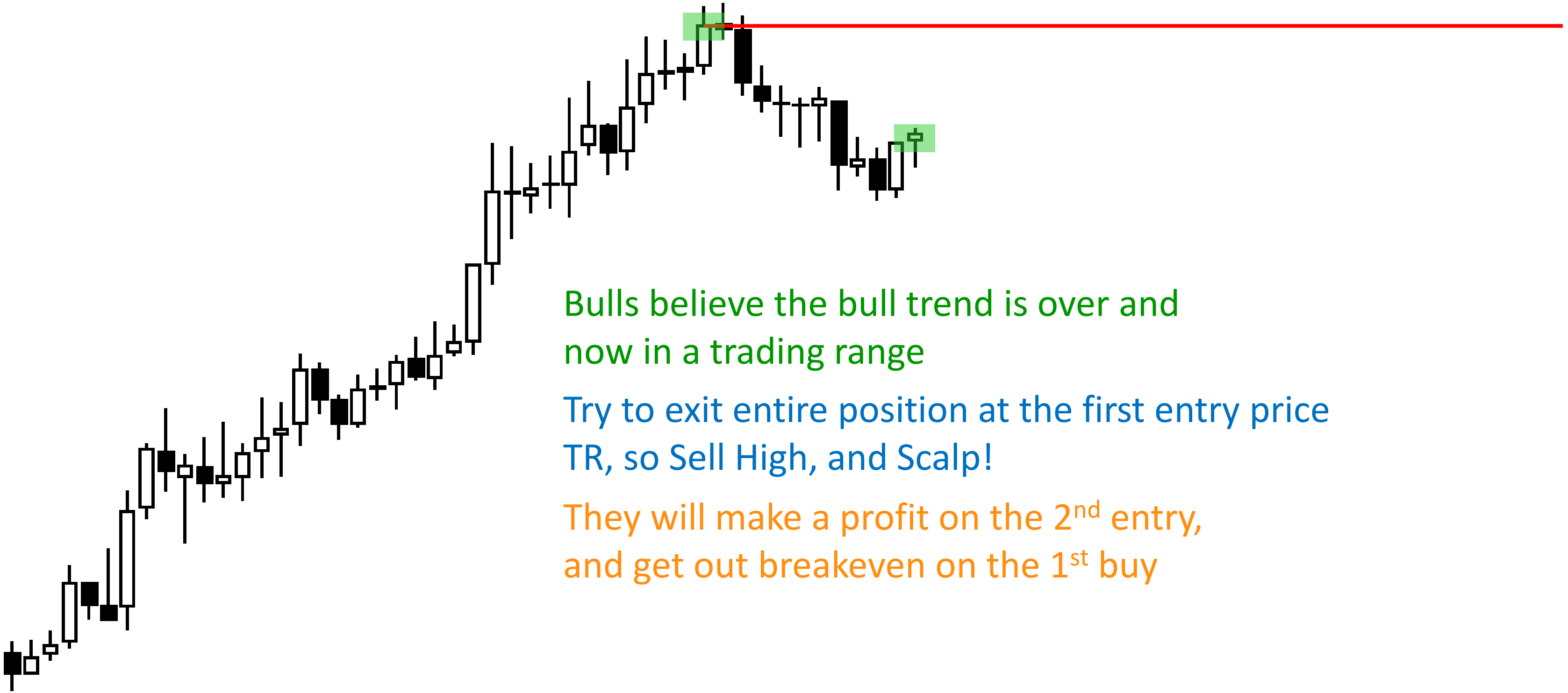
In strong bull trends,
"Buy The Close Bulls" buy strong bull closes, betting that they are a sign of higher prices, even if there is a pullback first

Bulls: Add to Position During Pullbacks

If a pullback is disappointing
(if the selling pressure is too strong),
bulls assume the trend is converting into a trading range

They add to their position as the bull resumes
Scale into their long position
Now TR, so Buy Low!

Disappointed Bulls: Now Trade like Trading Range



Bulls believe the bull trend is over and now in a trading range

Try to exit entire position at the first entry price

TR, so Sell High, and Scalp!

They will make a profit on the 2nd entry, and get out breakeven on the 1st buy

Bulls Sell at Highest Close: So It Is Now Resistance

Bulls have limit orders to sell at highest close

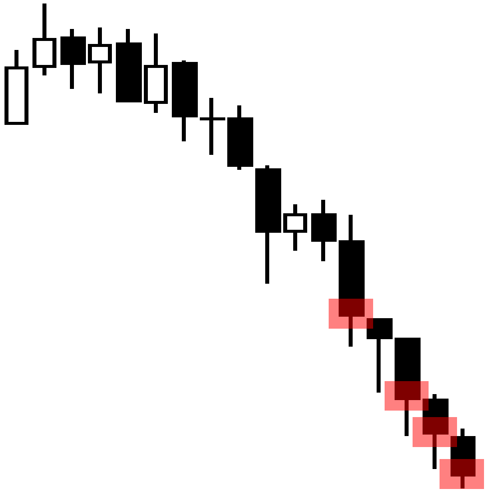
Whenever bulls sell, create resistance
Bears will short

Bulls place a limit order to sell both at the original entry
This means that bulls are selling the next rally

Their limit orders to sell at the close of the 1st entry bar
creates resistance at that level
Often leads to a leg down

Highest close of a bull trend then becomes resistance
Often leads to a leg down in the new TR,
or Major Trend Reversal

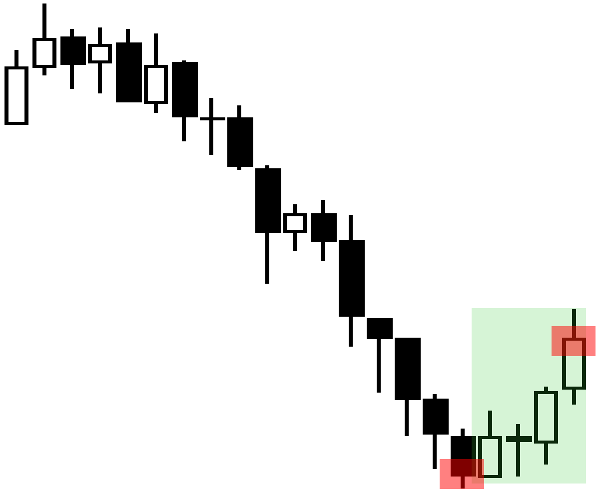
Strong Bear Trends: "Sell The Close"



In strong bear trends,
"Sell The Close Bears" sell strong bear closes

Bet that they are a sign of lower prices,
even if there is a pullback first

Bears: Add to Position During Pullbacks



They add to their position as the bear resumes

They scale into their short position

TR, so Sell High!

Here, maybe on strong bull close or
1 – 2x size of scalp

If a pullback is disappointing
(if the buying pressure is too strong),
bears assume the trend is converting into a trading range

Disappointed Bears: Now Trade like Trading Range

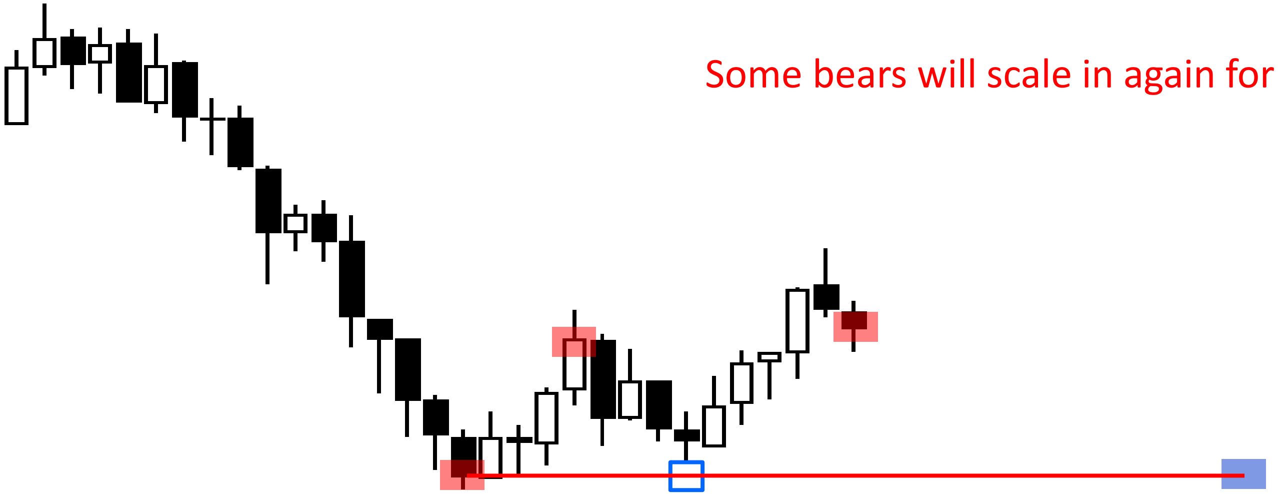
Bears now believe the bear trend is over and the market is now in a trading range

Try to exit entire position at the first entry price
TR, so Buy Low, and Scalp to cover!

They will try to make a profit on the 2nd entry, and get out breakeven on the first

Bear Trend: Bears Scale in (Add to Position)

Some bears will scale in again for a 3rd entry



Bears took profits

So many bears wanted to cover (buy) that the dip could not reach the lowest close

Eager bulls and bears bought, so 2nd leg up likely

They will make a profit on the 2nd entry, and get out breakeven on the 1st sell

Bears Buy at Lowest Close: So It Is Now Support

Bears have limit orders to buy at lowest close

They place a limit order to buy back entire position at the original entry

This means that bears are buying the next selloff

Whenever bears want to buy, create support

Bulls also buy

Their limit orders to buy at the close of the 1st sell entry bar creates support at that level

The lowest close of a bear trend then becomes support

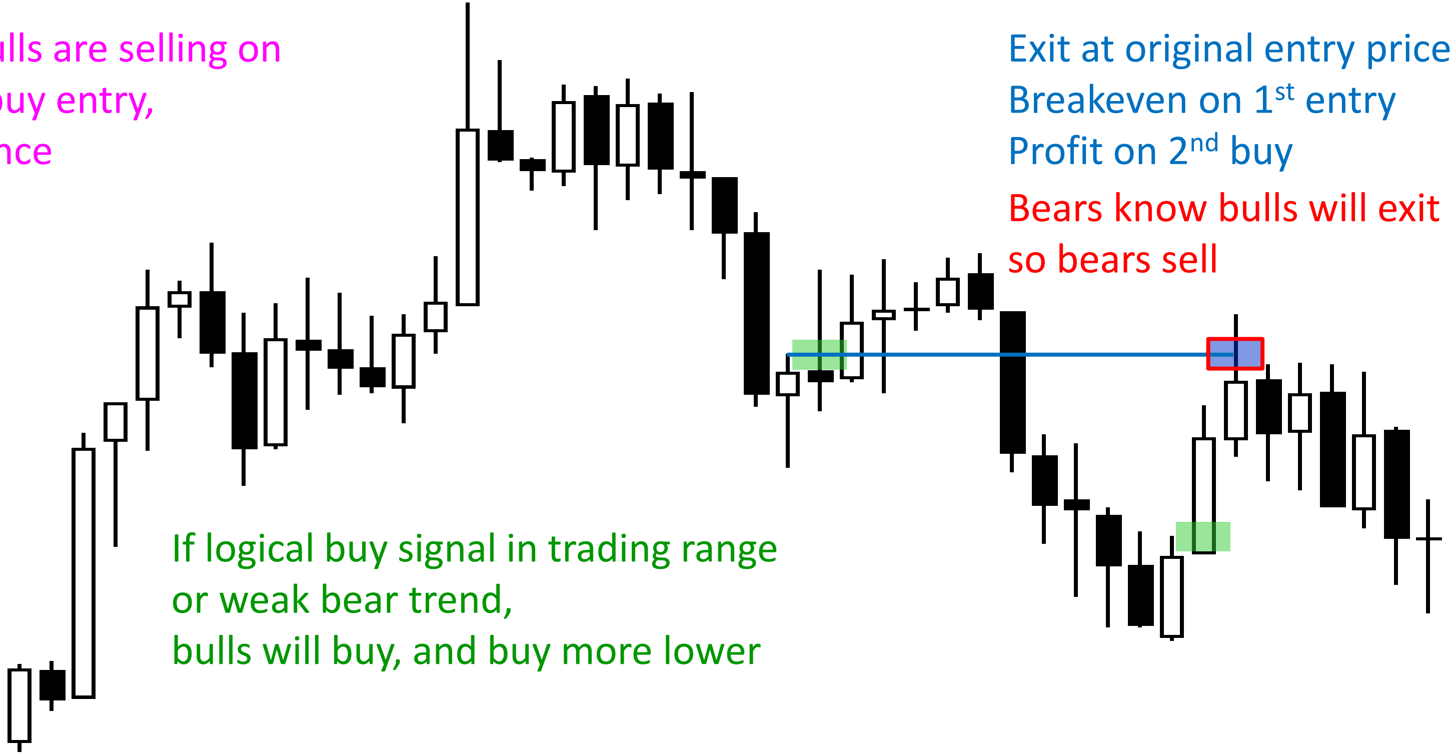
Often leads to a leg up in the new TR

Reversal: Buy Entry Price Is Resistance

Because bulls are selling on
test of 1st buy entry,
it is resistance

Exit at original entry price
Breakeven on 1st entry
Profit on 2nd buy

Bears know bulls will exit
so bears sell

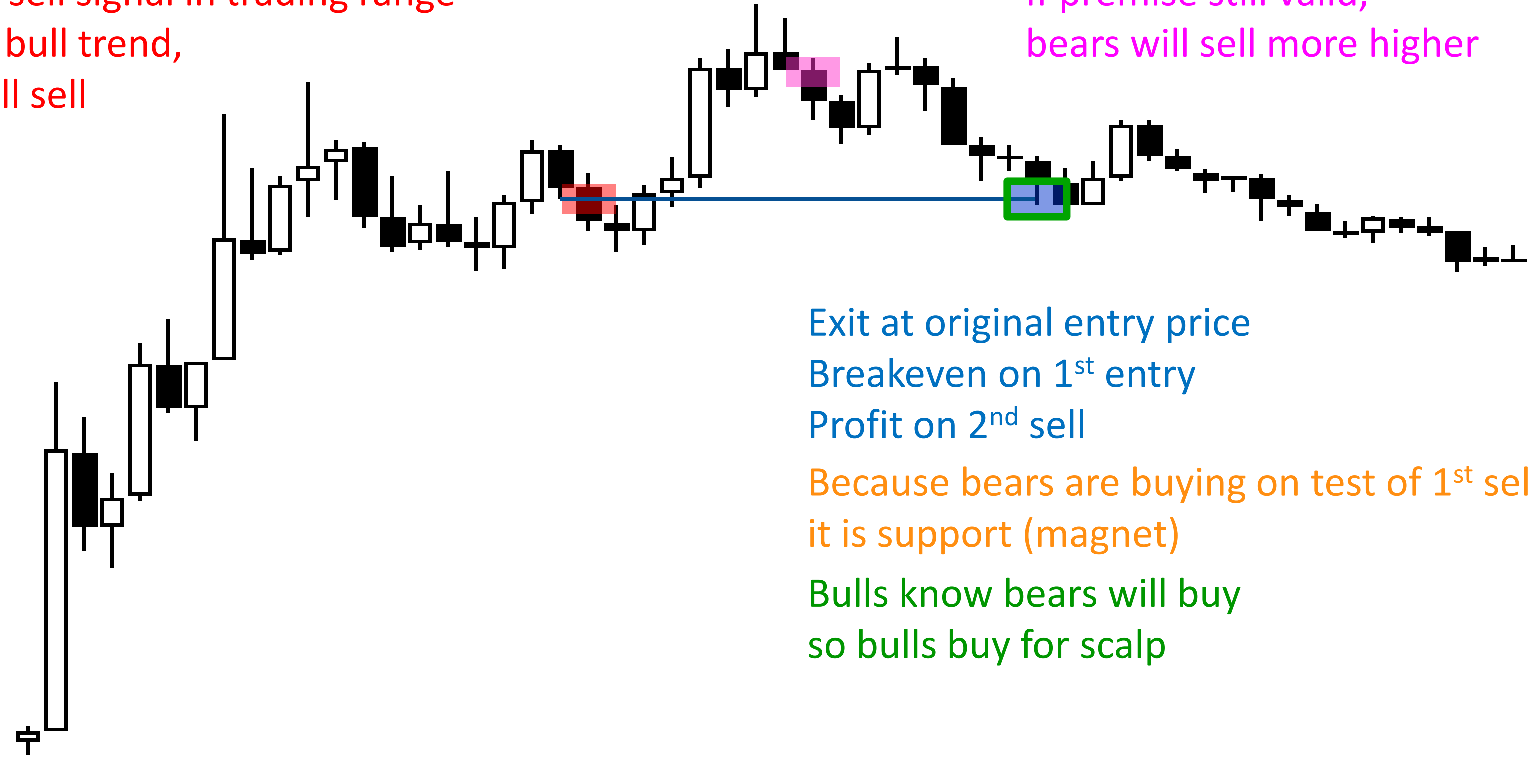


If logical buy signal in trading range
or weak bear trend,
bulls will buy, and buy more lower

Reversal: Sell Entry Price Is Support

If logical sell signal in trading range
or weak bull trend,
bears will sell

If premise still valid,
bears will sell more higher



Exit at original entry price
Breakeven on 1^{st} entry
Profit on 2^{nd} sell

Because bears are buying on test of 1^{st} sell entry,
it is support (magnet)

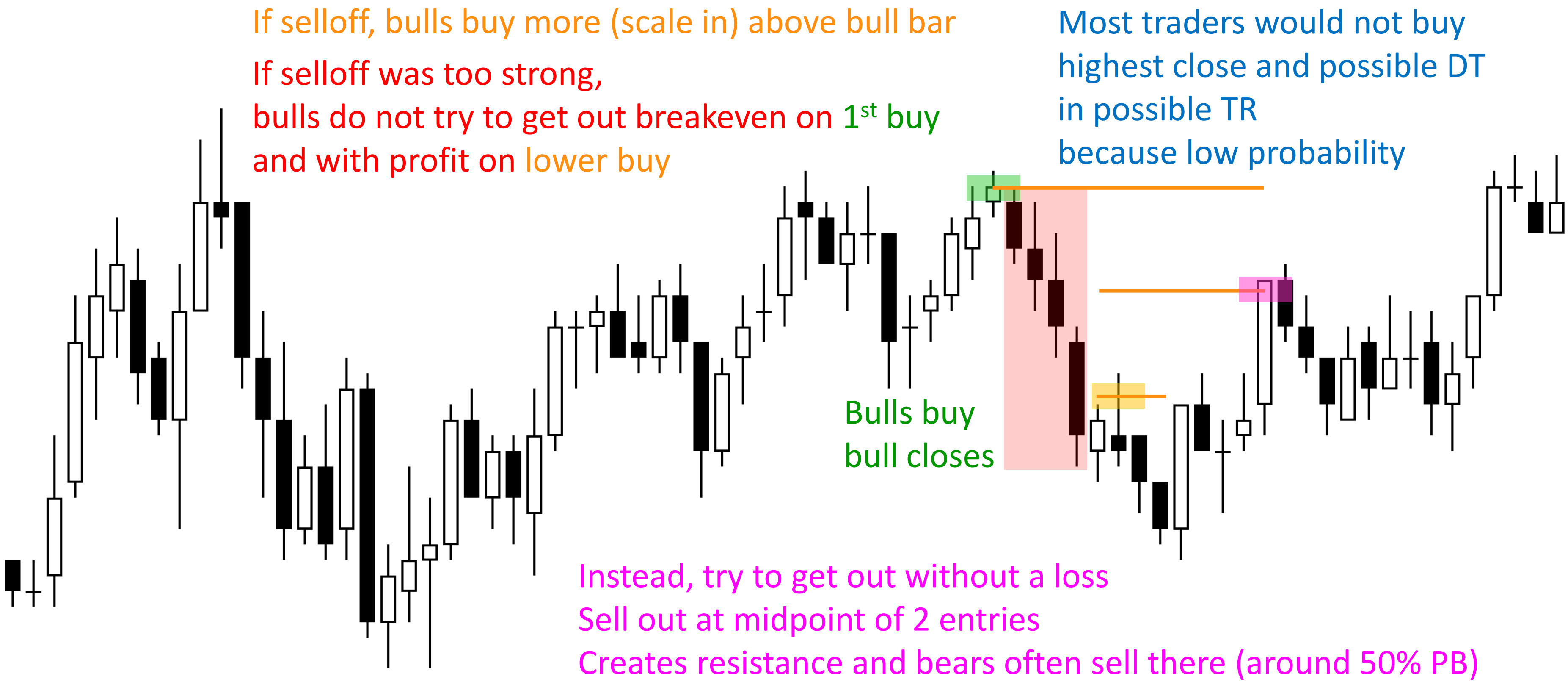
Bulls know bears will buy
so bulls buy for scalp

Highest Close of Bull Trend: Resistance

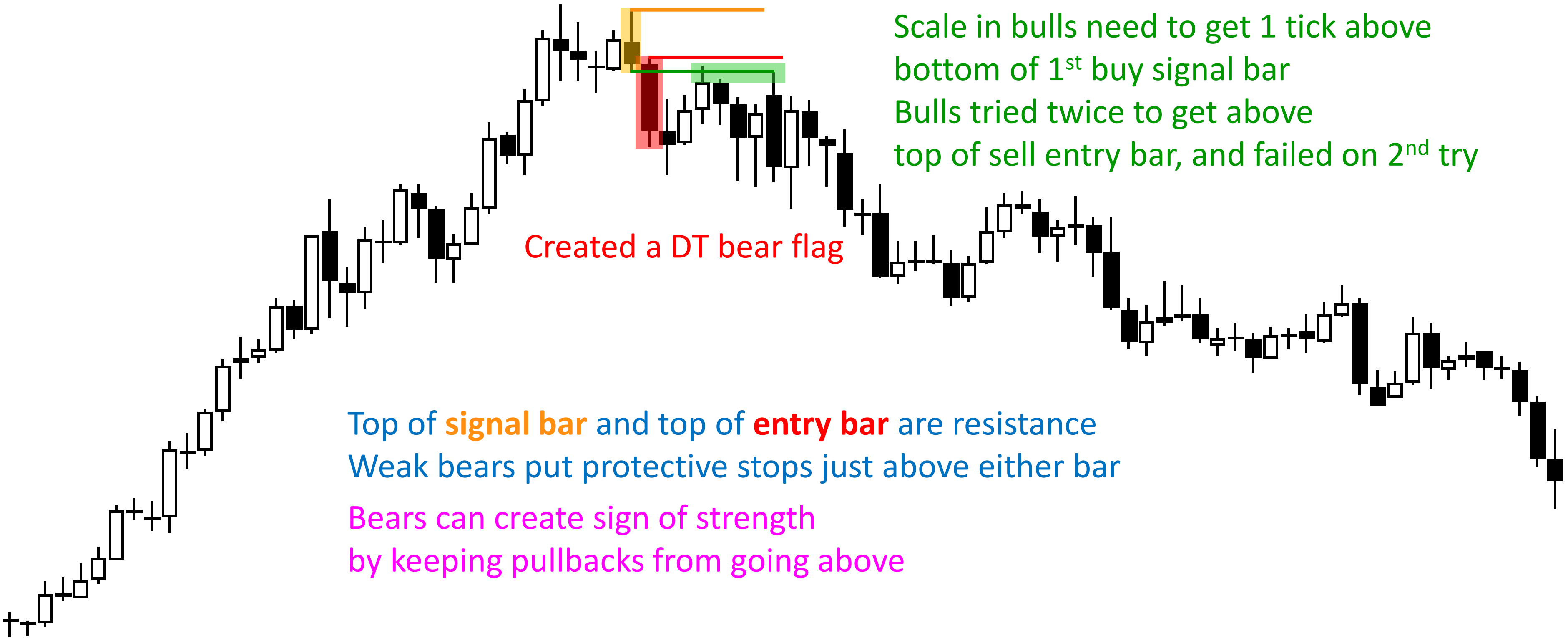
Lowest Close of Bear Trend: Support

Lowest Close: Scale In Traders Scalping or Avoiding Loss

Highest Close: Scale In Traders Scalping or Avoiding Loss



Top of Sell Entry Bar: Resistance so Possible DT



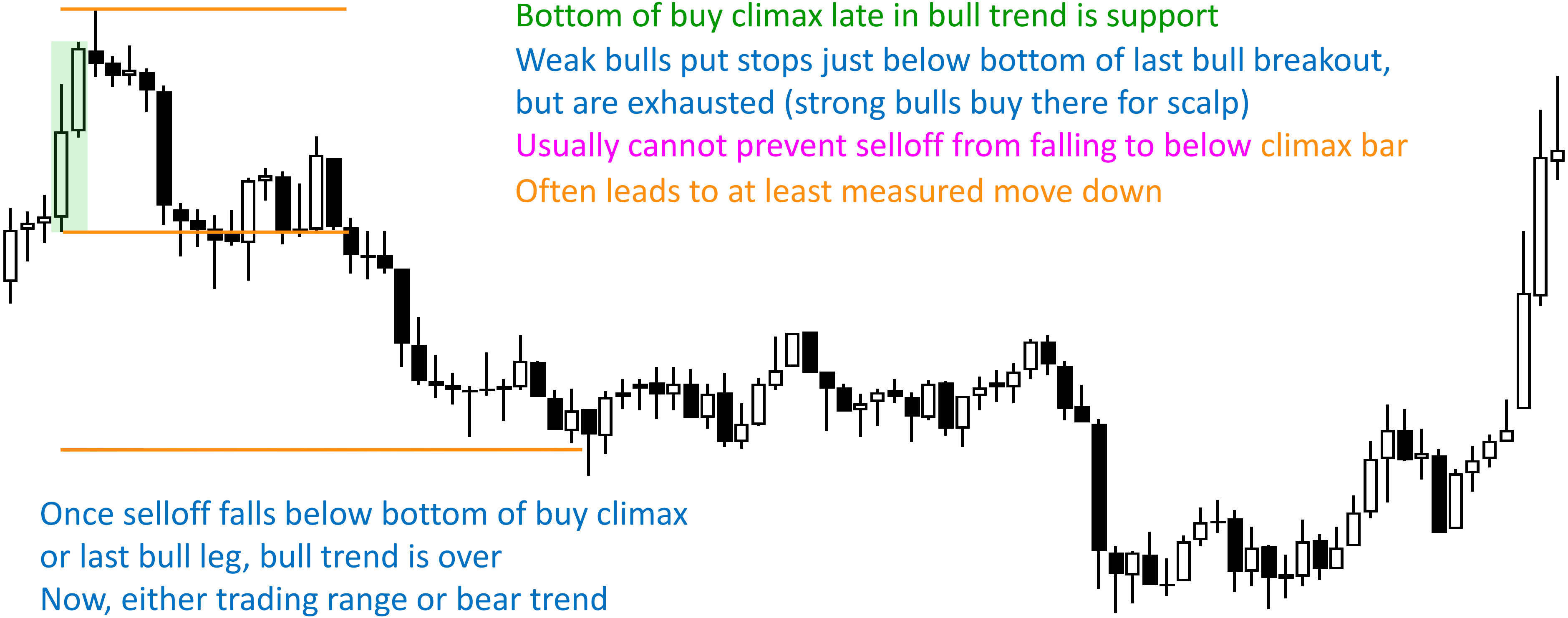
Top of Sell Climax: Resistance, So Magnet

Top of sell climax late in bear trend is resistance (magnet)

Top of last lower high, late in bear trend, is resistance

Reversal Above LH in Bear Trend: Bear has Ended

Reversal Below HL in Bull Trend: Bull has Ended



Bottom of buy climax late in bull trend is support

Weak bulls put stops just below bottom of last bull breakout, but are exhausted (strong bulls buy there for scalp)

Usually cannot prevent selloff from falling to below climax bar

Often leads to at least measured move down

Once selloff falls below bottom of buy climax or last bull leg, bull trend is over

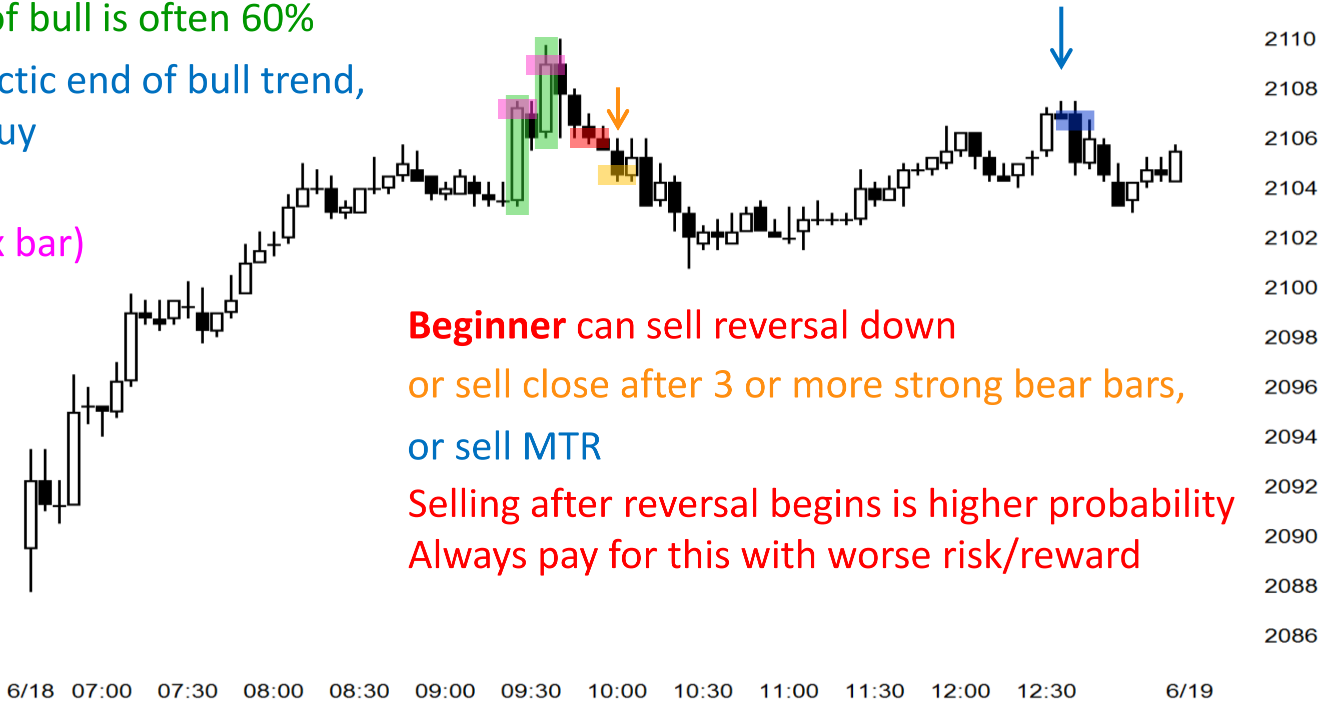
Now, either trading range or bear trend

Exhaustive Buy Climax: Expect it to Become Resistance

Whenever there is a big bull BO,
especially after a trend lasts 20 or more bars,
probability of reversal or end of bull is often 60%

If beginner sees possible climactic end of bull trend,
exit longs and do not look to buy

Experts will also sell closes
of strong bull trend bar (climax bar)
Climax often has
2nd climax before reversing



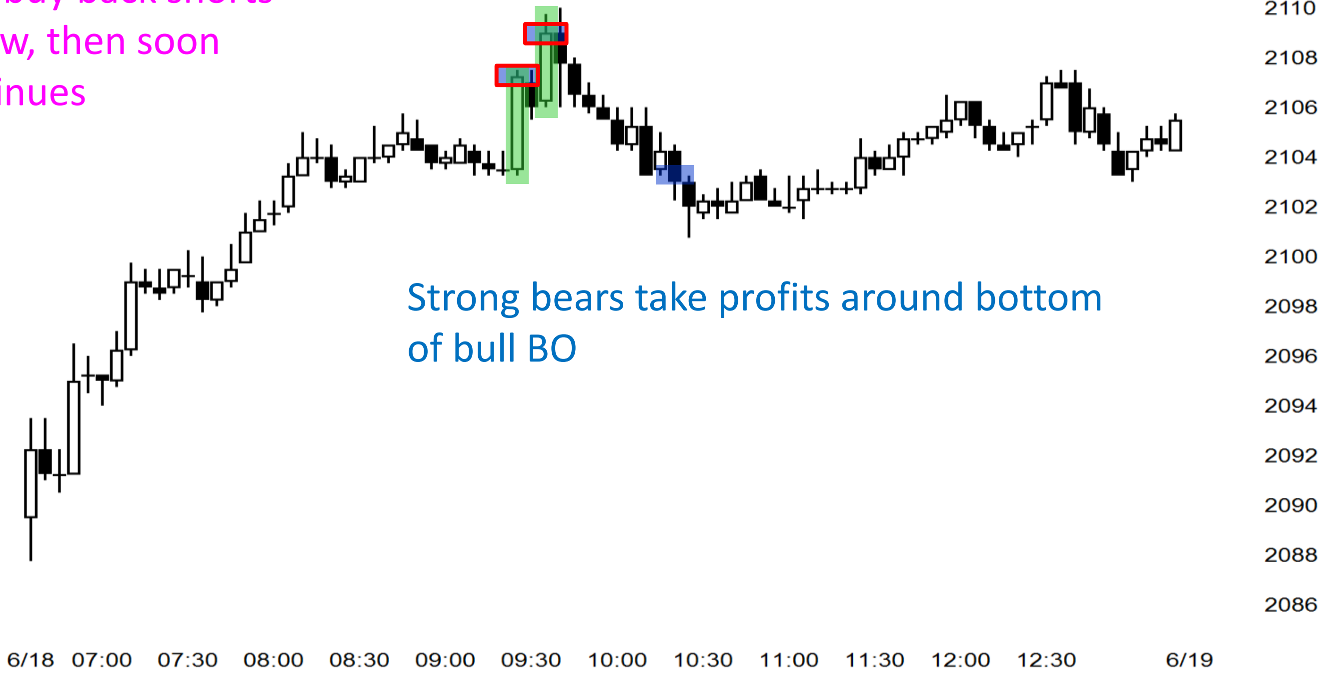
Beginner can sell reversal down
or sell close after 3 or more strong bear bars,
or sell MTR
Selling after reversal begins is higher probability
Always pay for this with worse risk/reward

Strong Bears: Sell Big Bull BO

Strong bears know strong bulls will take profits and will wait to buy for 5 – 10 bars

Strong bears will almost never buy back shorts
Confident of reversal, if not now, then soon
They will sell more if rally continues

Strong bears sell strong bull close at same time strong bulls are selling to take profits



Strong bears take profits around bottom of bull BO

Exhaustive Sell Climax: Expect it to Become Support

Beginner can buy reversal up

or buy close after 3 or more strong bull bars

(not here), or MTR

Whenever there is a big bear BO,

especially after a bear trend lasting 20 or more bars,

probability of reversal or end of bear is often 60%

If beginner sees possible climactic end of bear,

exit shorts and do not look to sell

Experts will also buy close

of strong bear trend bar (climax bar)

Review

End of TradersEXPO Video

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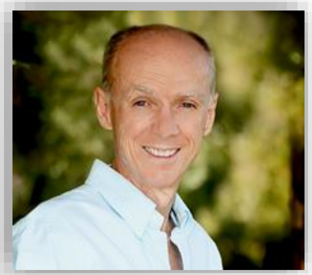

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