

TECHNICAL ANALYSIS FOR EVERYONE

A COURSE DESIGNED JUST FOR YOU WHO WANT TO BECOME A TRADER!

LESSON 4

**The main graphic configurations:
supports, resistances and pullbacks**





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PROGRAM

10 LESSONS

1. Basics and Origins of Technical Analysis: The DOW Theory
2. Charts and prices: the main ways to visualize price developments
3. Defining a trend and trending: how to spot and follow them profitably
4. **The main chart configurations: supports, resistances and pullbacks**
5. Figures of reversal or continuation of a trend: we learn to recognize and exploit them
6. Volumes and moving averages: strengths and weaknesses
7. The main indicators and oscillators: how to choose the most useful and suitable for each market condition
8. Charts and time: the right time frame for our operational analysis
9. Intermarket analysis: we learn to define the dominant drivers and trends in the market
10. Leverage, money and risk management: how to control and monitor the sustainability of your investments



Lesson 4

**The main graphic configurations:
supports, resistances and pullbacks**



Let's take a look at some basic steps...

The Fundamental Concepts of the Trend

From the fundamental principle of Dow's theory, «prices move according to a trend»

It is the job of the technical analyst to spot these trends and follow them.

The market trend is the direction of the subsequent highs/lows.



The Fundamental Concepts of the Trend

The trend has three directions:

bullish, if the series of highs/lows is increasing;

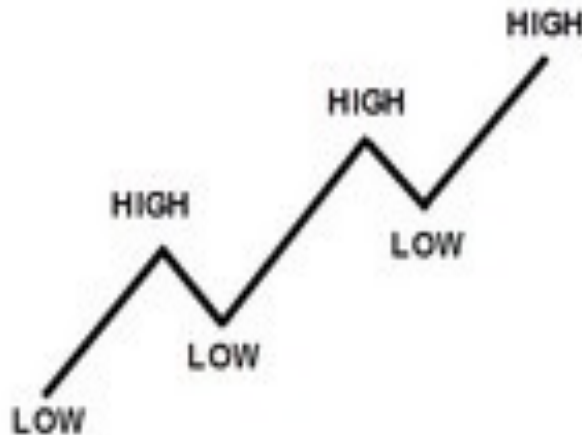


Figura 1: trend rialzista



The Fundamental Concepts of the Trend

- bearish, if the streak is descending

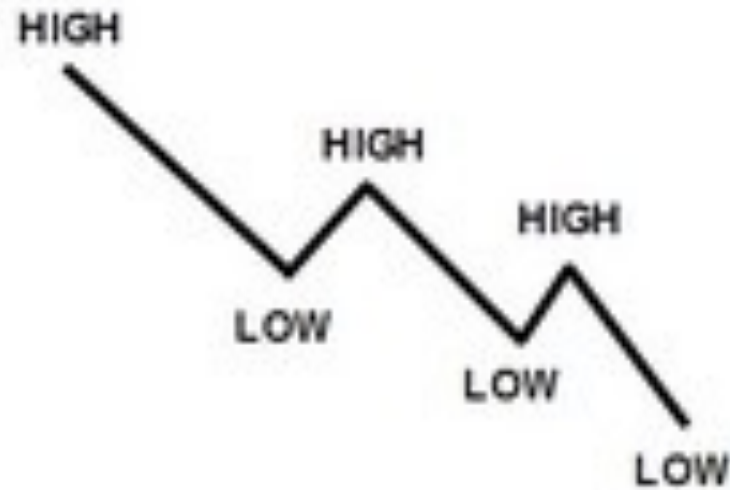


Figura 2: trend ribassista



The Fundamental Concepts of the Trend

- side, if the series is horizontal.

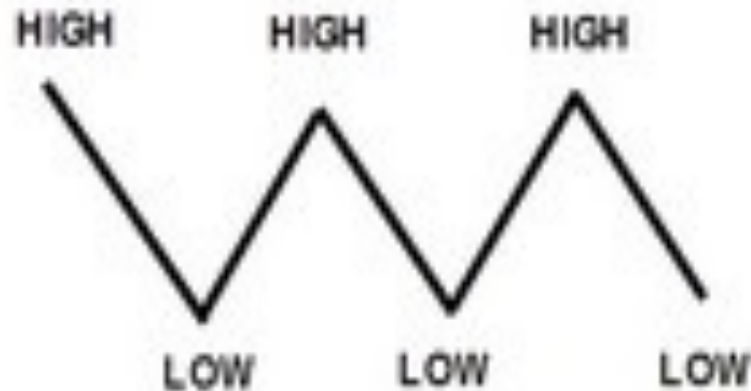


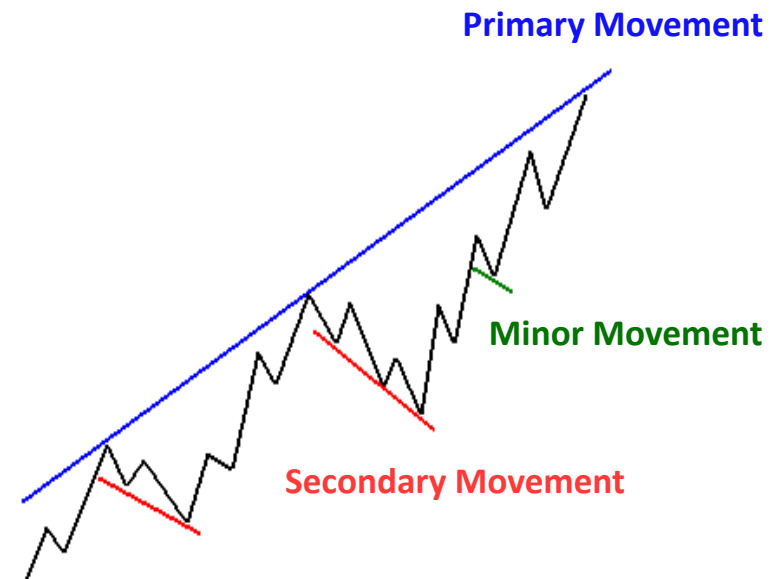
Figure 31 trend lateral



The Fundamental Concepts of the Trend

The trend has three classifications:

- primary;
- secondary (intermediate);
- minor (short-lived).





The Fundamental Concepts of the Trend

Each trend is part of the next trend and includes smaller trends.

In an upward secondary trend, minor trends (short-term corrections) are used to enter a position consistent with the dominant trend.



The Fundamental Concepts of the Trend

If in an uptrend the correction reaches the previous low, it could be the beginning of a sideways trend.

If in an uptrend the previous low is breached, it will be a trend reversal from bullish to bearish.



The Fundamental Concepts of the Trend

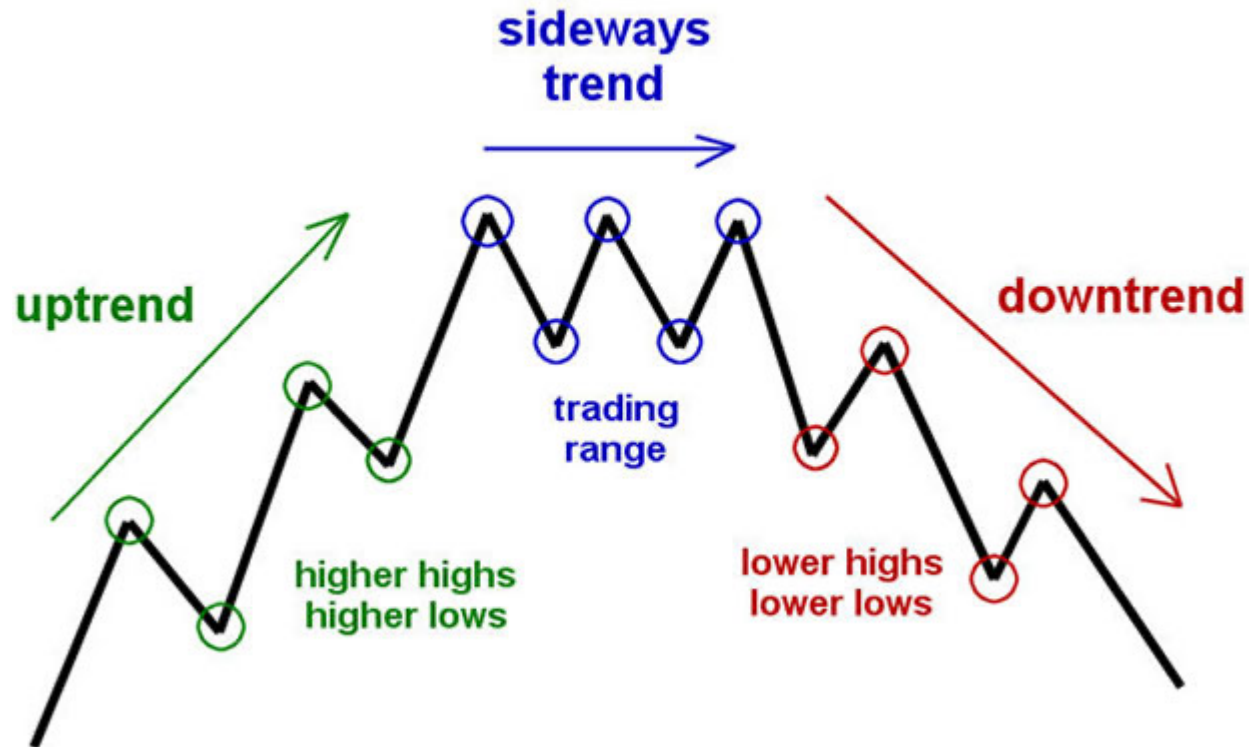
Based on its strength, the trend is defined

- linear (prices grow uniformly over time);
- exponential (prices rise violently, typical of the terminal phases of movements).

Not all movements are created equal; generally, downtrends are faster than uptrends.



Types of Trends

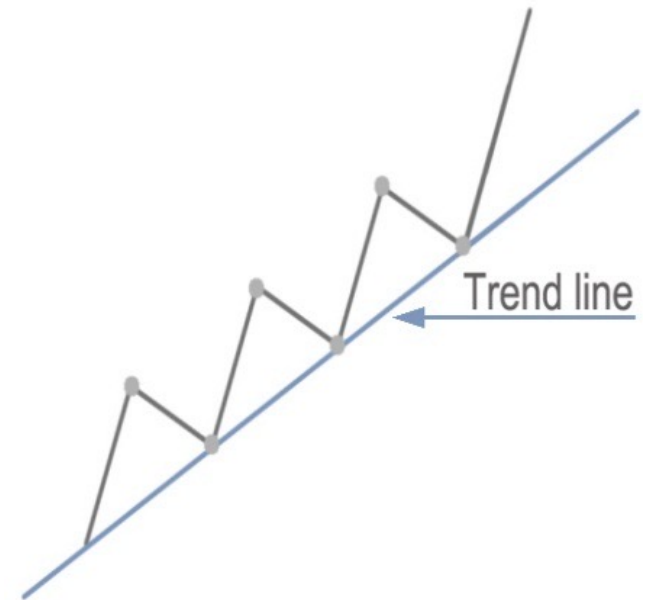




The Trendlines

Trendlines are dynamic (oblique) support/resistance lines.

To draw a trendline, two points are needed (minimum in an uptrend, maximum in a downtrend), a third to confirm its validity.





The Trendlines

After locating the third point, it will be possible to trade when prices reach the trendline.

As with static layers:

- when a resistance trendline is breached, it becomes a support trendline, and vice versa;
- The more a trendline is touched without being breached, the more important it is.



The Trendlines

Normally, a trendline is plotted on the highs/lows of the candlestick and not on the opening/closing prices.

A trendline that is too "flat" highlights a vulnerable trend that is difficult to sustain over time.

Similarly, a trendline that is too "steep" highlights a trend that is difficult to sustain over time, as prices are moving too quickly.



The Trendlines

A trendline plotted on a weekly chart is more important than a trendline plotted on a daily chart, but less important than a trendline plotted on a monthly chart.

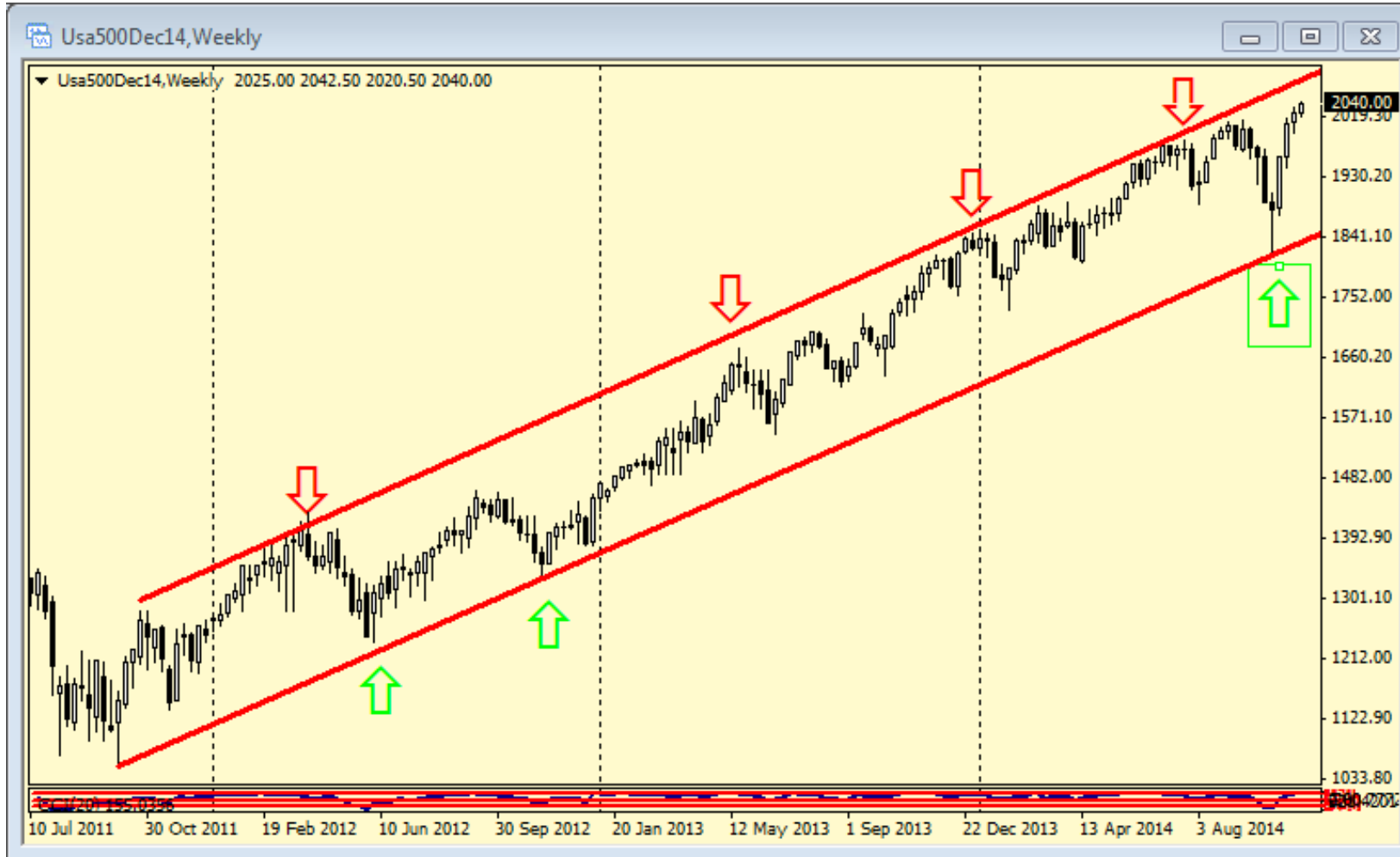
A trendline obtained by joining two lows that follow each other a few days apart has reduced reliability compared to a trendline obtained by joining peaks that occur at a considerable distance of time.

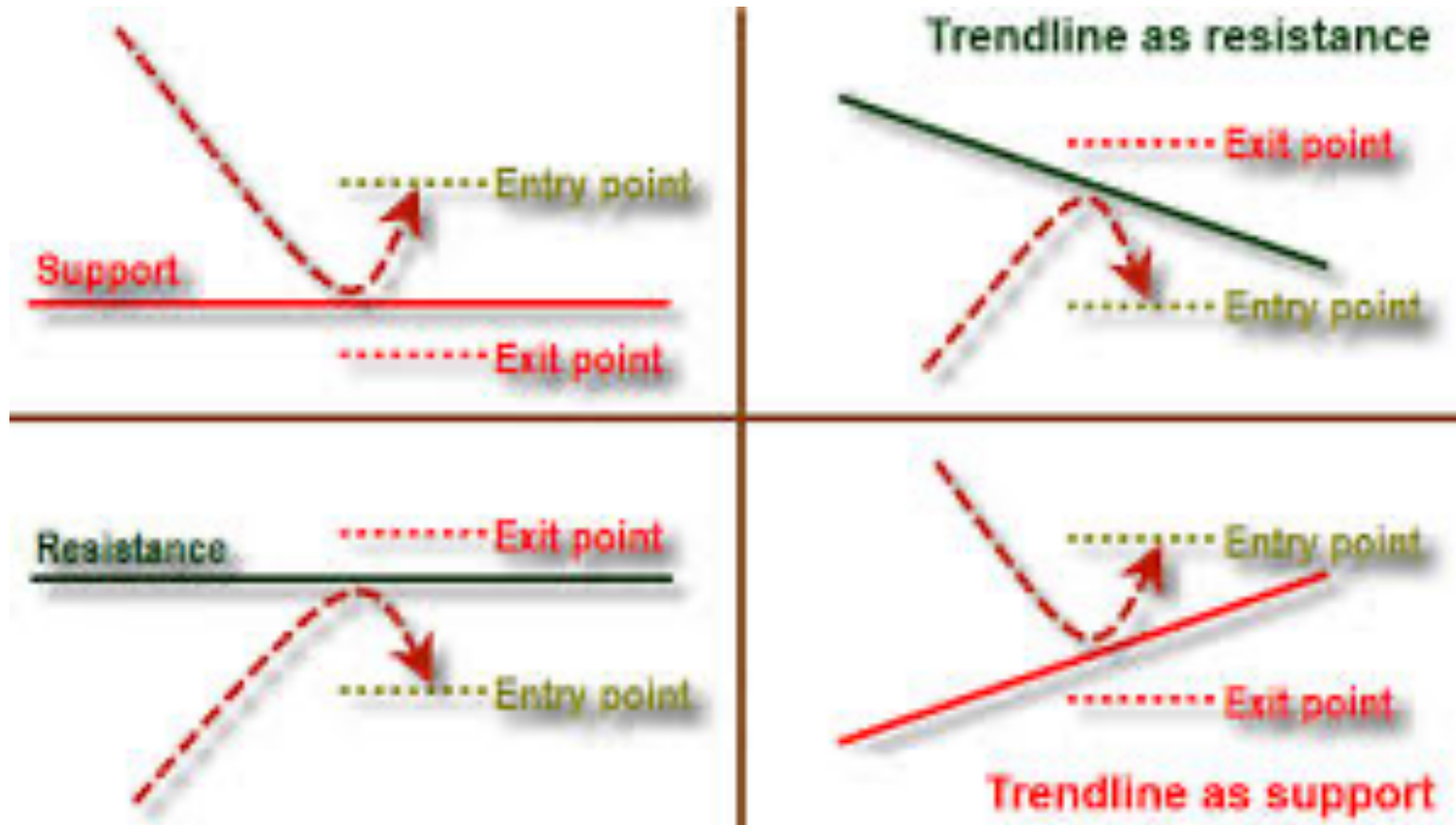


The Trend
Is Your Friend





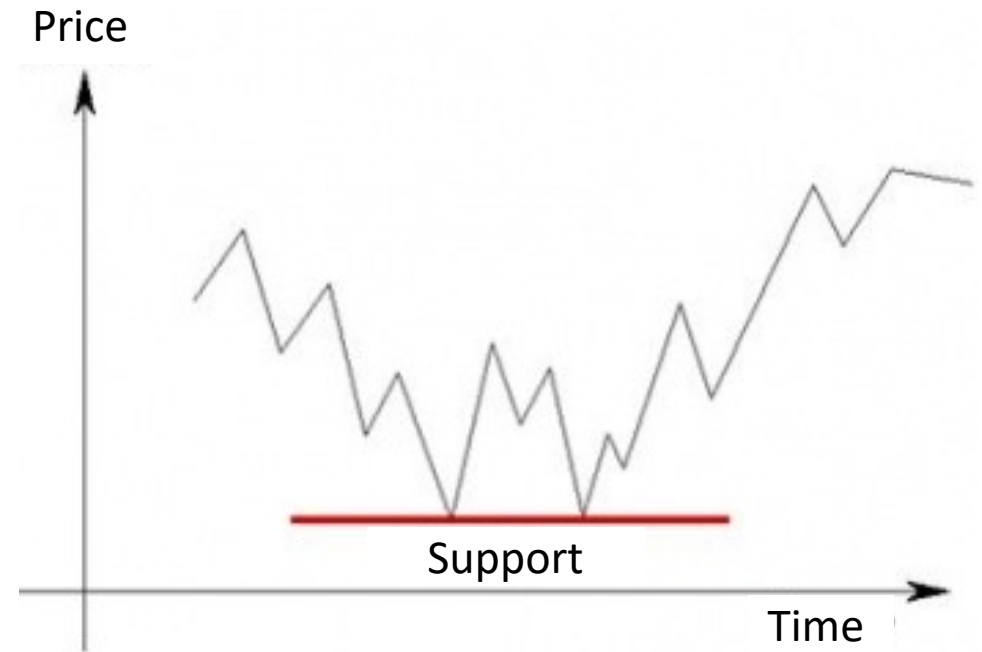






Supports and Resistances

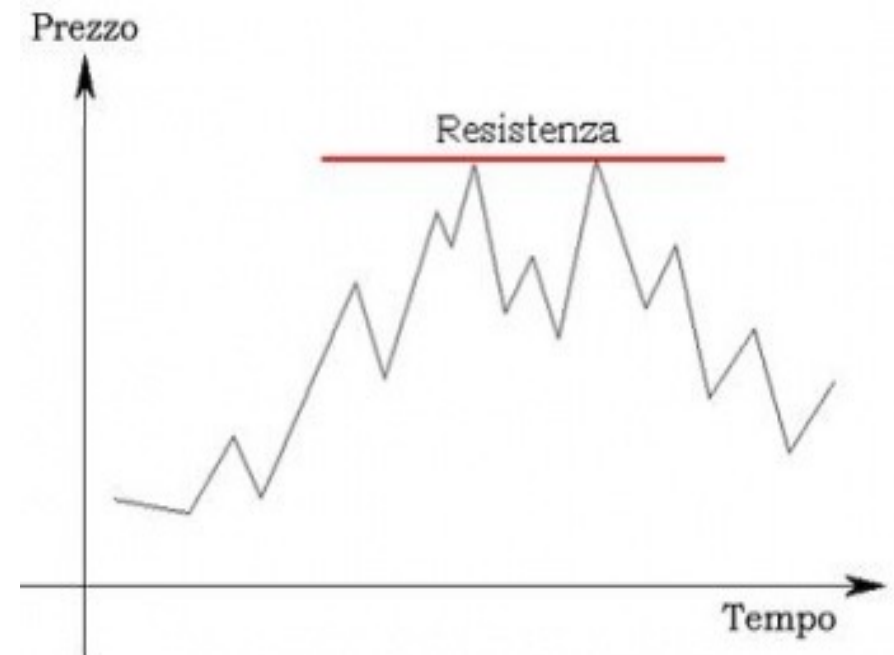
Support is the price level at which there is a concentration of demand that prevents prices from falling for a significant period of time.





Supports and Resistances

Resistance is the price level at which there is an increase in sales volumes sufficient to counter buying volumes, so as to prevent prices from rising for a certain period of time.





Supports and Resistances

Support/resistance lines can be drawn either horizontally or obliquely.

SUPPORT



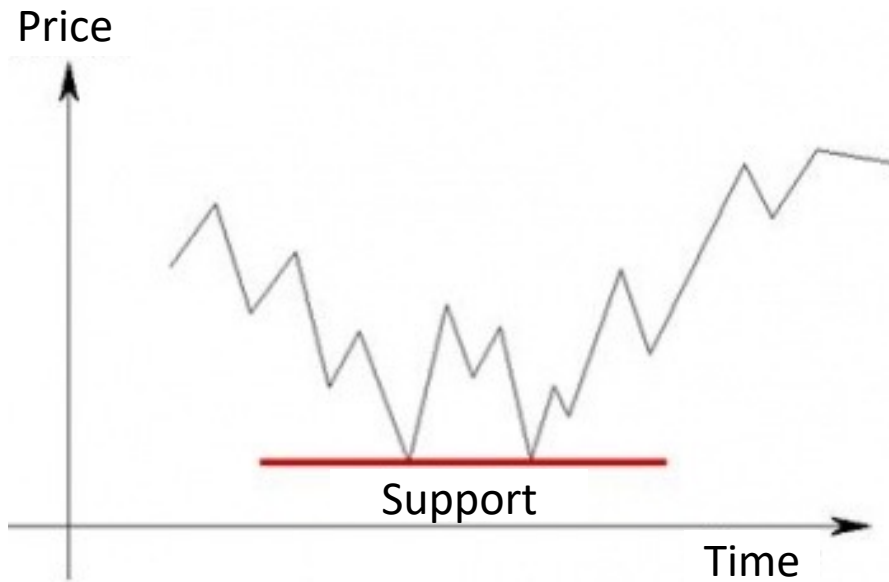
RESISTANCE



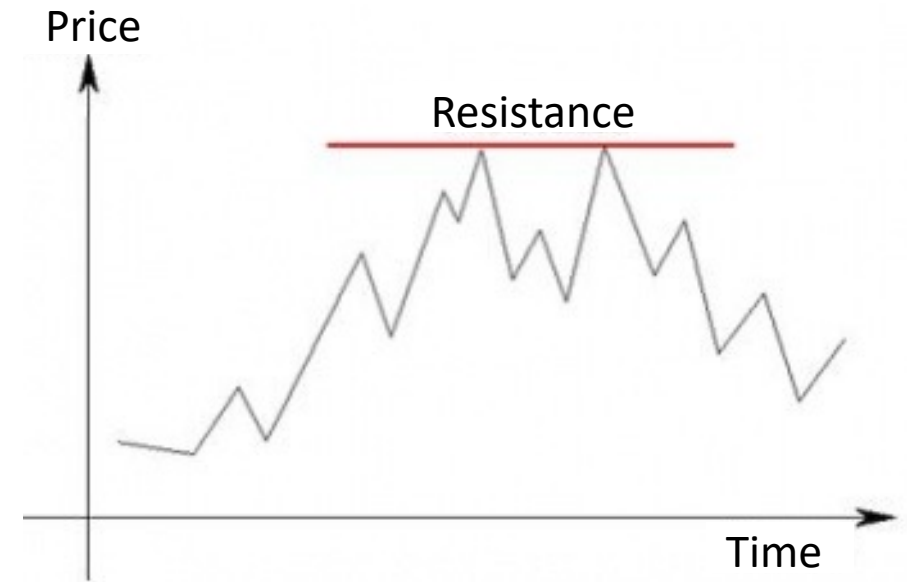


Supports and Resistances

Horizontal support/resistance lines are called static.



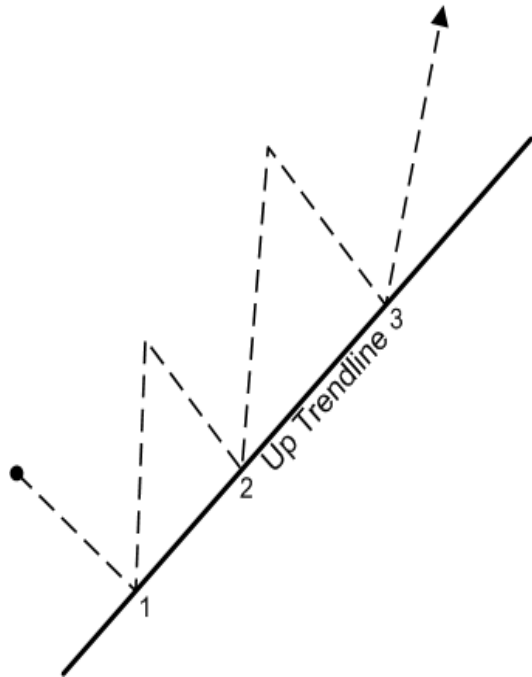
Support/Resistance
"STATIC"



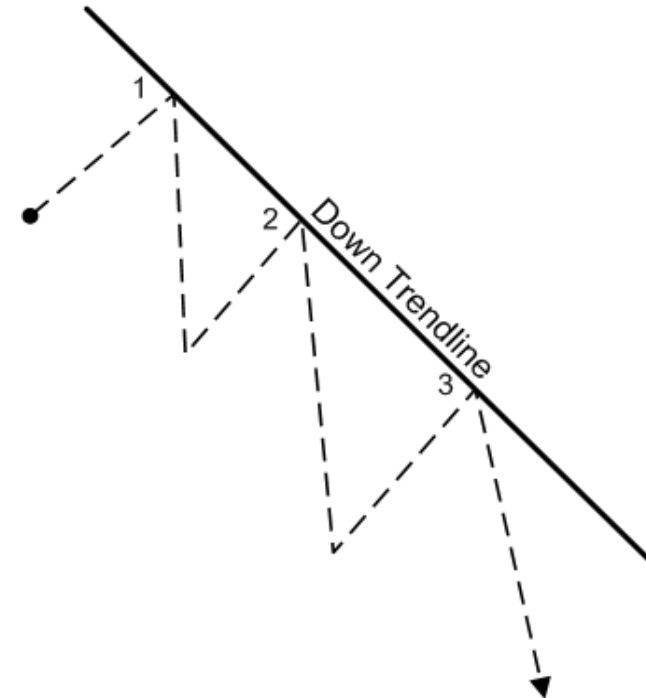


Supports and Resistances

Slanted support/resistance lines (trendlines) are called dynamic.



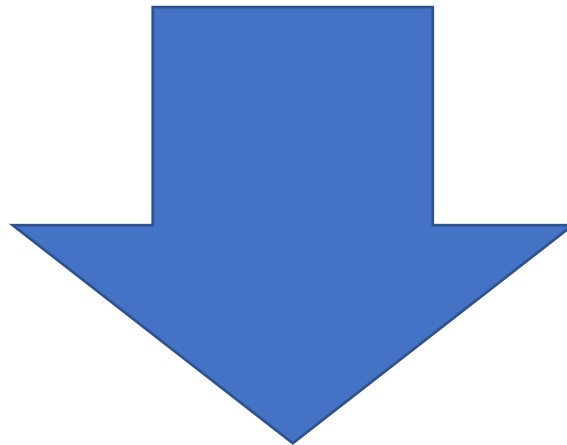
Support/Resistance
"DYNAMIC"





SUPPORTS & RESISTANCE

Let's move on to the "practice"...
Let's look for them together on the market!!





SUPPORTS & RESISTANCE





SUPPORTI & RESISTANCE





SUPPORTS & RESISTANCE





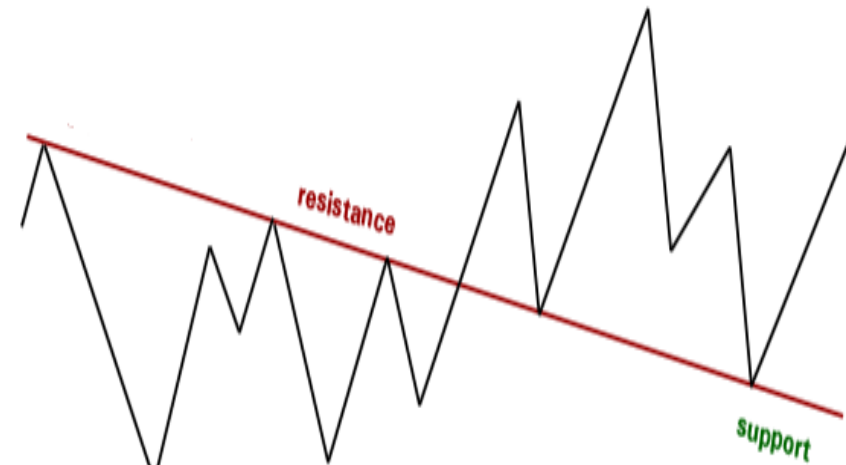
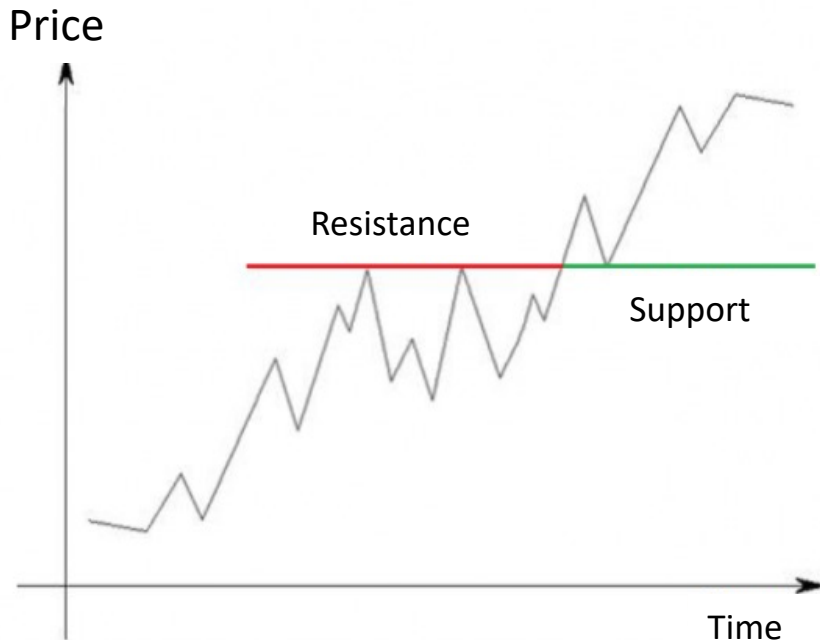
SUPPORTS & RESISTANCE





Supports and Resistances

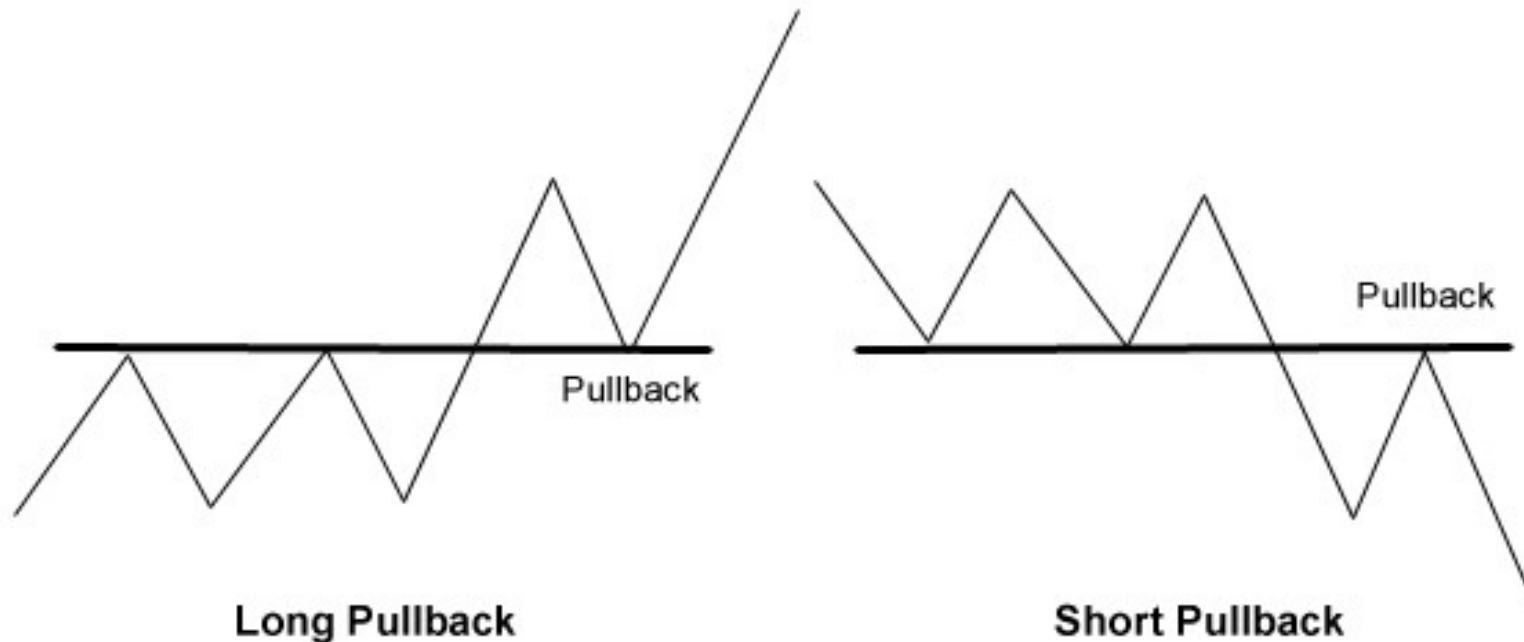
When a resistance is breached, it becomes a support level;
When a support is broken, it becomes a resistance.





Supports and Resistances

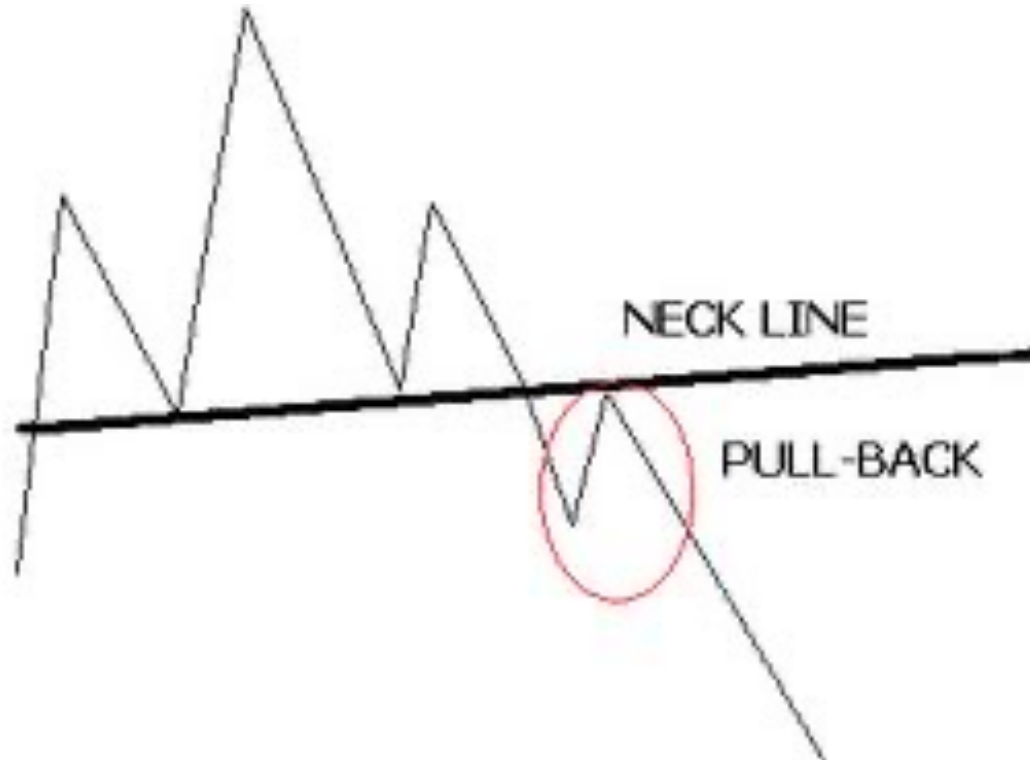
Pullback concept: "temporary" return to a support or resistance level after it has been pierced.





Supports and Resistances

Bearish pullback





Supports and Resistances

Bearish Pullback after static support breach





Supports and Resistances

Bearish Pullback after dynamic support breach





Supports and Resistances

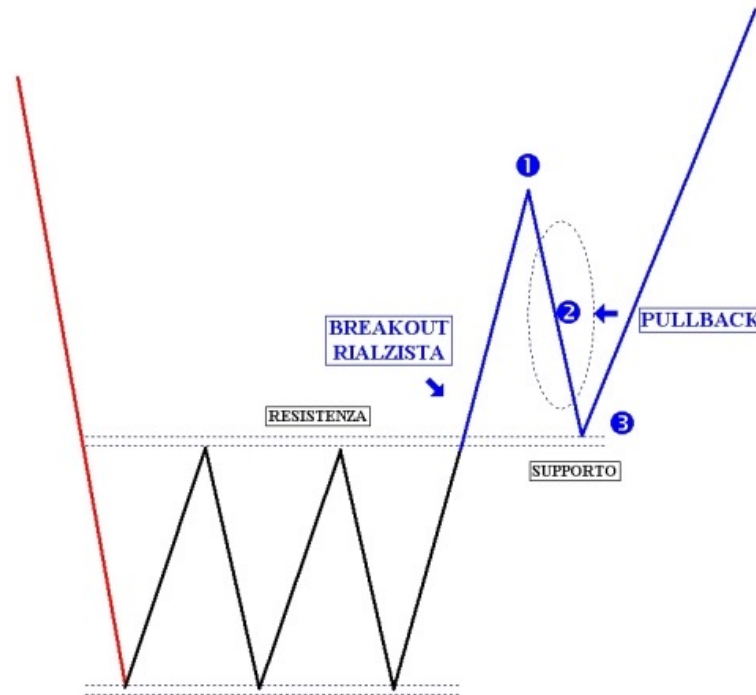
Bearish Pullback after dynamic support breach





Supports and Resistances

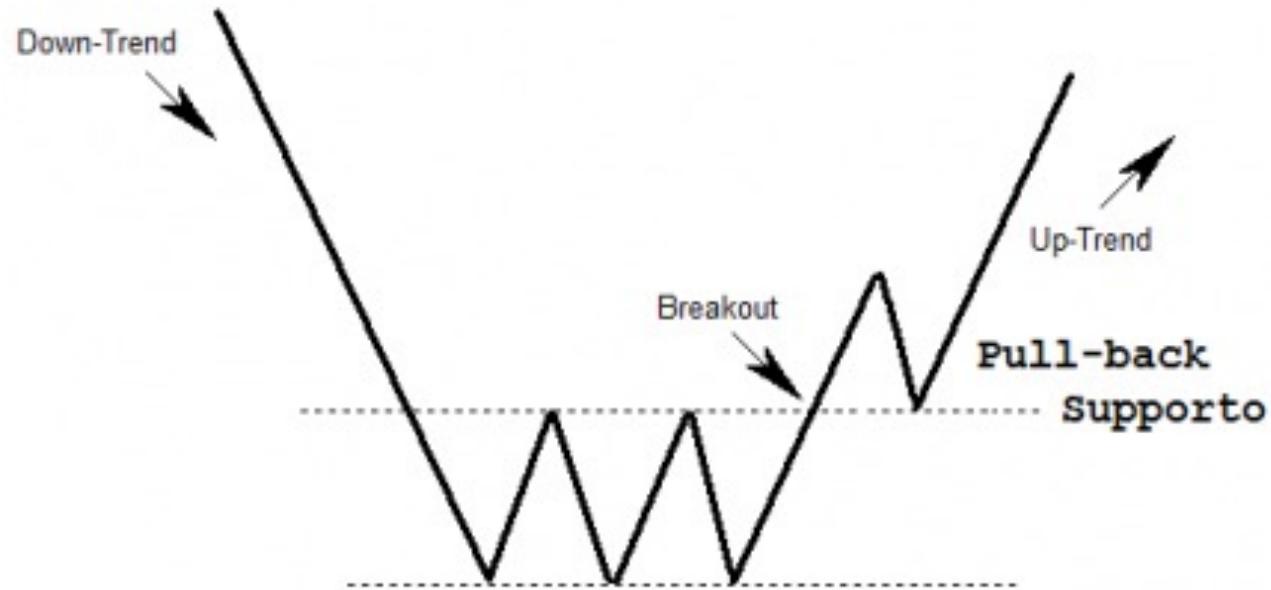
Bullish pullback





Supports and Resistances

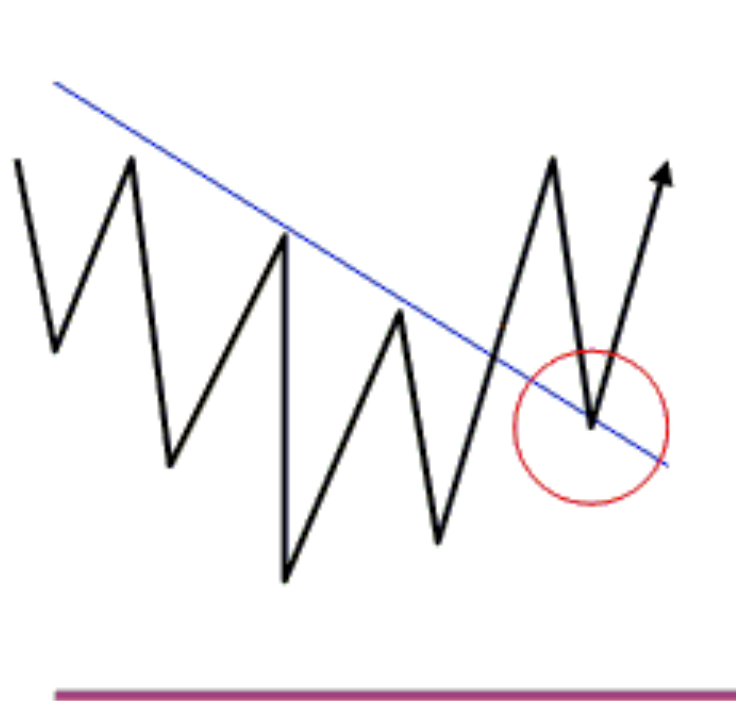
Bullish pullback after breach of static resistance





Supports and Resistances

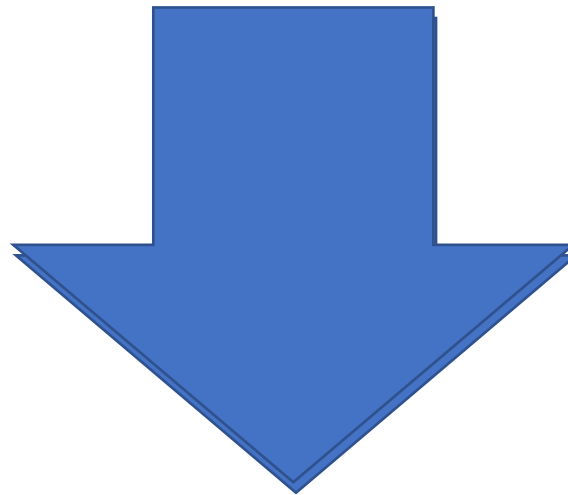
Bullish pullback after breach of dynamic resistance





BULLISH & BEARISH PULLBACKS

Let's move on to the "practice"...
Let's look for them together on the market!!





BULLISH & BEARISH PULLBACKS



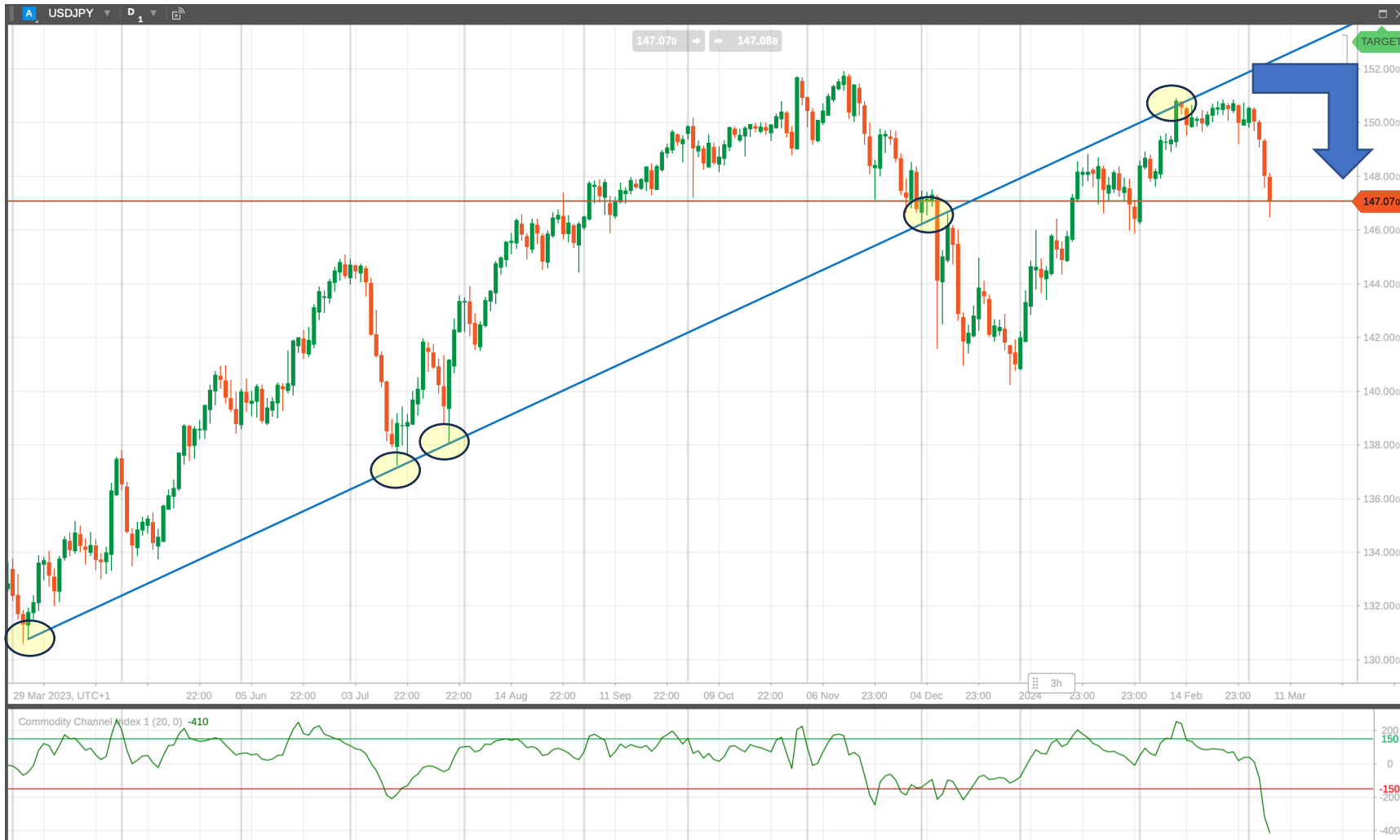


BULLISH & BEARISH PULLBACKS





BULLISH & BEARISH PULLBACKS





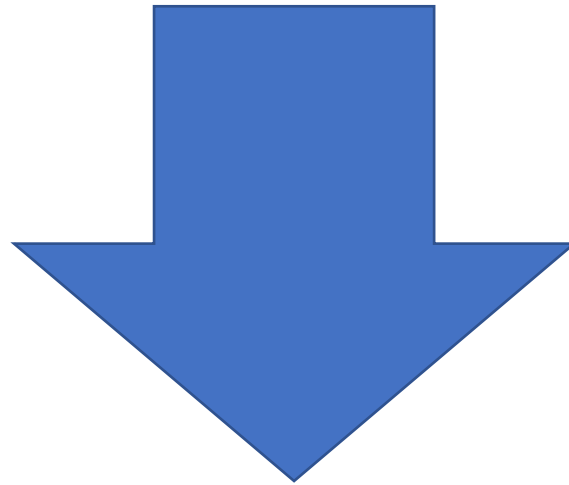
BULLISH & BEARISH PULLBACKS





SUPPORTS & RESISTANCES

CONCLUSIONS...





Supports and Resistances

The longer the time that prices move around support/resistance levels, the greater the value of these levels compared to those formed in a shorter time frame.



Supports and Resistances

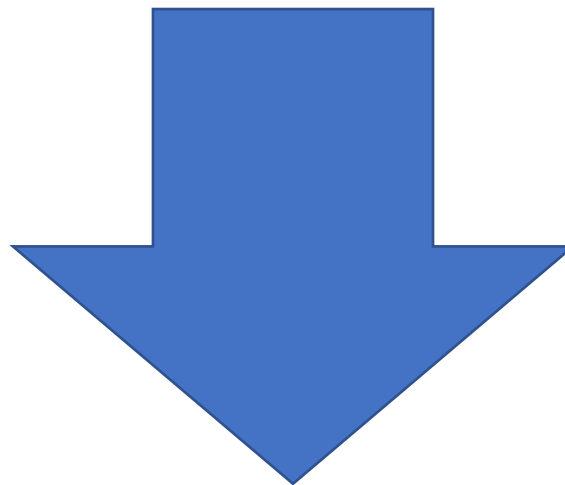
A newer support/resistance level is more important than a level further back in time.



Supports and Resistances

Round numbers act as psychological levels of support/resistance.

So what...





Supports and Resistances

It is not convenient to place orders in correspondence with round numbers: if you want to take a long position, it is better to place the order just above a round number; If you want to take a short position, it is best to place the order just below a round number.

- **StopLoss** on **long** positions, they should be placed under a round number.
- **StopLoss** on **short** positions, they should be placed above a round number.