

Support and Resistance

Written and presented by Clive Lambert MSTA MCSI, Director - FuturesTechs



Clive Lambert

- 28 years market experience including 10 years on LIFFE Floor
- Founding director of FuturesTechs
- Leading figure in UK Society of Technical Analysts
 - - Board Member from 2004 to 2011
 - - Regular speaker on yearly Diploma Courses
 - - Spoke at IFTA Conference on 2011
- Author of “Candlestick Charts”, published in 2009
- “Technical Analyst Awards” – Winner, Fixed Income, 2010. Finalist 2011, 2012, 2013 and 2014 (in four categories including Best Independent Research House).
- Appearances on CNBC, Reuters TV. Regularly quoted on DJ Newswires, Bloomberg and Reuters

Fundamental Analysis – deals with the 'WHY?'



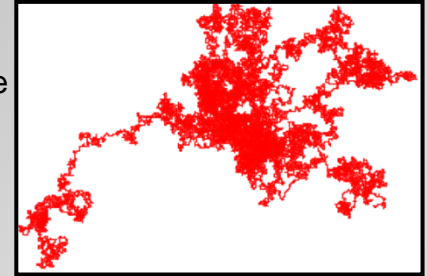
*'...nearly every sell side analyst reached the same conclusions about **Enron** in 2001, right up to the brink of its bankruptcy on Dec. 2. As of Oct. 18, all 15 analysts tracked by Thomson Financial/First Call rated Enron a 'buy'-12 of the 15 called it a 'strong buy.'*

Because it's cheap??!!!

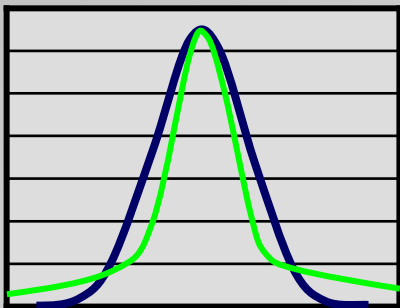
Efficient Market Hypothesis

'Random Walk Theory'

Academia's attempt to quantify market action, championed by Eugene Fama and Burton Makeil, and widely credited with the collapse of LTCM



Technical analysis – deals with the 'WHERE?'



The distribution of (Stock) Market data doesn't stick to a 'normal distribution', rather we find a 'Leptokurtic' distribution with 'Fat Tails'. In other words,

Markets aren't Random!



Behavioural Finance

Academia's latest attempt to make sense of the markets, a kind of 'EMH' that accepts that human decision making processes (like emotion!) can also have an effect on things (herd instinct, etc).



Agenda

- The life of a level
 - Definition of support and resistance
 - Different traders' interaction with a level
 - Including Algorithmic and Fundamental Traders
 - The markets' memory
 - Is TA self fulfilling?
- Levels for Longer Term trading
 - Trendlines
 - Chart patterns
 - Reversal
 - Continuation
 - Fibonacci Retracements
- Levels for Shorter term Trading
 - Gaps
 - Marabuzo lines
 - Yesterday's Intra-day charts
 - Different timeframe charts
- Bringing it all together
 - Volume (and volatility)
 - Trading around levels
 - Don't buy below resistance/sell above support
 - Factoring S & R into your Reward/Risk parameters/trade management
 - SkewBars - Using S&R to tell you whether you're bullish or bearish.
 - Summary

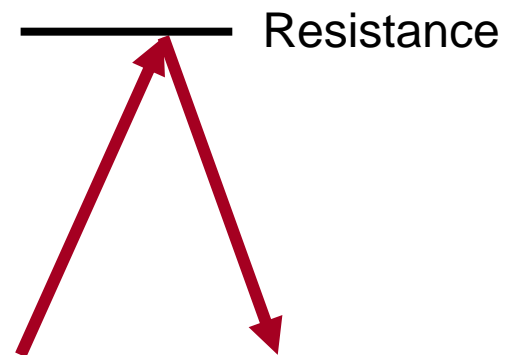
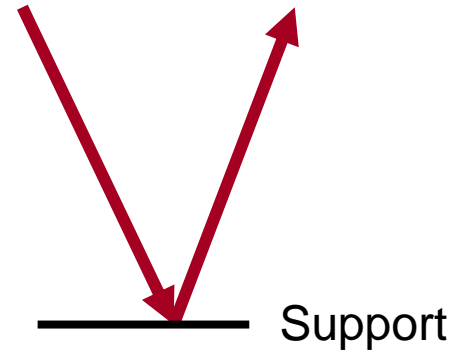
Support and Resistance

- Prices move up and down
 - Price moves up because there is more demand than supply – more buyers than sellers
 - Price moves down because there is more supply than demand – more sellers than buyers
 - Tops and bottoms are formed when the balance between supply and demand changes



Support and Resistance

- Support is the name given to a price at which a market bottoms out and the buyers start to outweigh the (previously dominant) sellers
- Resistance is the high, where the sellers turn things around and start to outweigh the (previously dominant) buyers



Support and Resistance

- To further expand on this we should think about two of the three basic tenets of Technical Analysis
- Everything is in the price
- Market action is repetitive
- Price move in trends, and trends persist

Support and Resistance

- Market action is repetitive
 - Old support and resistance levels are remembered, and referenced, and can often “repeat”
 - The markets have long memories, and these days we have lots of technology (we all have access to charting systems!) to jog any dimming memories
 - We shall go into further detail later as to why as we go along

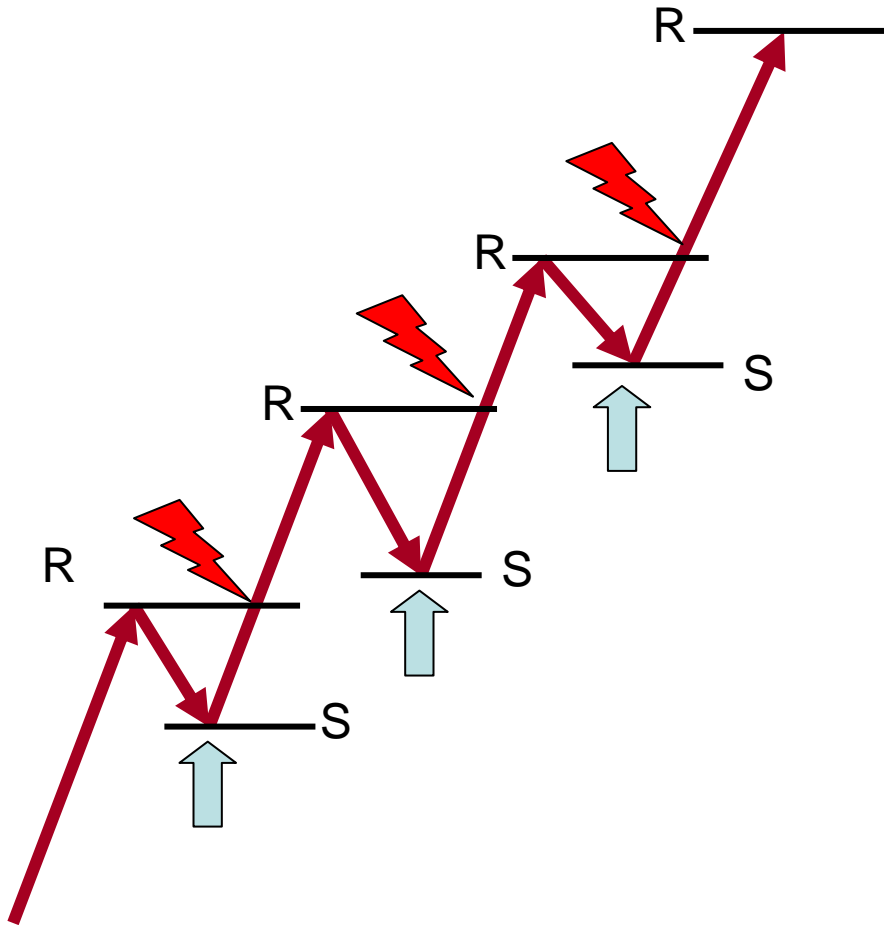


Support and Resistance

- Prices move in trends, and trends persist
 - Uptrend – Series of higher highs and higher lows
 - Downtrend – Series of lower highs and lower lows
- If you have old highs and lows defining the trend for you, then they become important reference points; important support and resistance levels!



Support and Resistance



Uptrend = Series of higher highs and higher lows.
Therefore resistance levels break ⚡, while support levels hold ↑

Trade uptrends by buying dips or buying breakouts