Support and Resistance Zone Strategy

Uncover how to spot support and resistance zones and trade them consistently.

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This Support and Resistance Zones Strategy will enable you to take trades exactly at the area price will reverse.

I am going to guide you every step of the way with this simple to learn and easy to understand the trading strategy that we have developed so you can identify these sweet spots where marvelous price action happens so keep reading and you won’t regret it.

In this Support and Resistance Zones strategy we will be able to identify entry points for you to trade to be successful.

In the beginning to have to know your tools and what they do:

**Indicators Used in the Support and Resistance Zone Strategy**

Our indicators for this strategy will be price action and its relationship to Support and Resistance. So what exactly are these key areas? Before we explain the strategy we are going to define support and resistance.

**What is Support?**

Support is the level where price finds it difficult to fall below until eventually it fails to do so and bounces back up.

**What is Resistance?**

Resistance is the level where price finds it hard to break through to rise above it until it fails to and is pushed back down.

You should always suspect a reversal at Support and Resistance as there is a high probability that price action will reverse at those key levels and that's because it already did that before in the past and it will continue to do so in the future as traders will always take caution on these levels so some who had open trades will exit at those levels and others will initiate new trades at these levels and that’s why it is crucial to learn to draw these Zones.

**Steps for trading Support and Resistance Zones Strategy**
Now that we know the role of S&R Lines: which from now on we will call **Zones**, That’s because support and resistance are not a given line if so it would super easy for traders to know.

They are more like zones that can be breached and pushed into and then it may pull the price action back out of it or maybe price action will succeed in breaking it for good so Zones and far better term to describe it.

**Our main purpose in this Trading Strategy** is to identify those Zones and use them for our favor and make great trade entries and exit points.

**The First step of the Support and Resistance Zones Trading strategy:**

The first step of this strategy is drawing those Zones on our charts so that we can easily spot where the price would probably reverse.

Drawing Zones on the chart is better done on a higher time frame from that we normally trade so that we can the main reversal levels and the more critical points on the chart as a higher time frame shows us the bigger picture.

We begin by drawing horizontal lines on recent Peaks and Bottoms like you see below in our chart example:
A line with multiple touches is far better off as it is clear that it stood against the price and passed the test for many times and it will continue to do so. **WHY?**

Because History always repeats itself and this continues to happen time and time again on every chart that you will ever look at.

**Note** Make sure to leave spaces between zones as drawing many lines will confuse you and worsen your trading decision.

When you take a look back after drawing Zones will find that those lines withheld the price for numerous times before and will continue to do that for numerous times more.

The second step to identifying support and resistance Zones:

The second step is waiting for the price action to touch the Zone so what you can do is set your charts on 2 to 4 currencies and wait for your chance as it may take some time for the price to reach to designated Zones, the reason we say 2 to 4 currencies is because this is a good number of pairs to be looking at and will not overwhelm you mainly so you have a good judge on your trade opportunity.
Basically, the higher time frame takes less time and attention than the smaller time frame; alternatively, the smaller time frame has more signals as the zones may get hit more frequently so you have to be more focused if you’re trading small time frames.

In this chart we see the price action approaching support and actually almost touched the support so we wait to see the form and shape of the next candle.

If the price reverses that will be good as it is what we are expecting but need a strong reversal candle though to assure that price will reverse and that it will not collapse back again.

On the other hand, if it breaks that level it may be real breaking or a fake breaking so we also should see a strong piercing candle that effortlessly break that level to assure it will continue on the same way.

The third step to analyzing Support and Resistance Zones:

The Third step of this trading strategy is to wait for the candle which hits the zone to close as this will be probably the signal candle we are waiting so look at that candle. Is it a bullish or bearish candle, is it strong or weak, big or small, does it have long wicks or small wicks or no wicks at all, when you can identify the kind of candle then you will be able to decide whether to sell short or buy long.

Knowing the type of candle is crucial to identify whether the entry is valid or not.
In the chart example above we see how Support rejected the price and pushed back up and we see the candle that formed afterward to signal the end of the down movement and the beginning of an upward movement.

So how did we know it is strong, what its secret?

Before we go any further, here are some important factors in determining a strong candle because spotting that specific candle on zones makes the difference between winning trades and losing trades.

**The Qualities of a strong candle are:**

- Long body
- Formed after the previous touched the level but could not break it.
- Entirely taken the two previous candles.
This example shows us how a strong candle should look like as we see how the strong candle over power the one before.

Here, you can see that those weak candles were not able to breach the Resistance line and had long wicks and could not break that level so we wait to see what will happen with the next candle will the price action break that level or will the resistance win and the price reverses.
On the first case (the candle on the left that we marked for you): clearly, the price fell on the next candle which made it a valid reversal.

While in the second case (the candle on the right that we marked): we had a very small candle which did not mean anything except that the resistance stalled the price for a while.

The Fourth step to this support and resistance strategy after you analyze your Zones:

The fourth step is to identify where you will enter the trade. Here are the entry criteria.
Entry Criteria:

Your entry should be slightly above or below the signal candle which is the strong candle, this way you are adding more confirmation to your trade to make sure that the price will move towards the direction you expected it to move to.

Stop Loss:

Our stop loss should be placed on the other side of the zone and not too close to the level to give it some space as we said it is a Zone, Putting the Stop loss there because this the end of the trade as the price is unlikely will reverse after that point.

Conclusion:

Now we have learned from this Support and Resistance strategy how to draw Zones and how to trade them successfully and how to determine the direction that the price will probably move to, so we could have a better edge on our trading.

Here is another example of this trading strategy in action:
Please be sure to check out or blog: http://www.tradingstrategyguides.com/blog/ for other great trading strategies for you to learn.

We also have developed indicators that come from our most popular trading strategies. You can Learn more about there by visiting: https://info.tradingstrategyguides.com/pricing-page

Have a great day!

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