

Plotting Forex Support and Resistance: A Comprehensive Guide for Discovering Key Trading Levels

Support and resistance are two of the most important concepts in technical analysis, and they can be used to identify potential trading opportunities in any market, including forex. Support is a price level at which a currency pair has difficulty falling below, while resistance is a price level at which a currency pair has difficulty rising above.

When a currency pair reaches a support or resistance level, it will often bounce off of that level and reverse direction. This is because there are usually a large number of traders who are willing to buy at support levels and sell at resistance levels.

By plotting support and resistance levels on a chart, you can identify potential trading opportunities. You can buy when a currency pair reaches a support level and sell when it reaches a resistance level.



Plotting Forex Support and Resistance by Marcia McCormack

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There are a number of different ways to plot support and resistance levels, but the most common method is to use horizontal lines. To plot a horizontal support level, simply draw a line at the lowest price that a currency pair has traded at in a given period of time. To plot a horizontal resistance level, simply draw a line at the highest price that a currency pair has traded at in a given period of time.

Once you have plotted a few support and resistance levels, you can start to look for trading opportunities. When a currency pair reaches a support level, it will often bounce off of that level and reverse direction. This is a good time to buy. When a currency pair reaches a resistance level, it will often bounce off of that level and reverse direction. This is a good time to sell.

There are a number of different types of support and resistance levels, including:

- **Horizontal support and resistance levels:** These are the most common type of support and resistance levels. They are simply horizontal lines that are drawn at the lowest and highest prices that a currency pair has traded at in a given period of time.
- **Trendline support and resistance levels:** These are support and resistance levels that are drawn along a trendline. A trendline is a line that connects two or more swing highs or swing lows.
- **Fibonacci support and resistance levels:** These are support and resistance levels that are based on the Fibonacci sequence. The Fibonacci sequence is a series of numbers in which each number is the sum of the two previous numbers.

- **Pivot point support and resistance levels:** These are support and resistance levels that are based on the pivot point calculation. The pivot point calculation is a method of identifying potential trading levels based on the previous day's trading range.

Support and resistance levels can be used in a number of different ways in trading. Here are a few examples:

- **Trading breakouts:** When a currency pair breaks out above a resistance level, it is a sign that the bulls are in control and that the currency pair is likely to continue to rise. This is a good time to buy.
- **Trading pullbacks:** When a currency pair pulls back to a support level, it is a sign that the bears are in control and that the currency pair is likely to continue to fall. This is a good time to sell.
- **Trading ranges:** When a currency pair is trading in a range between a support level and a resistance level, it is said to be in a trading range. This is a good time to trade sideways or to scalp.

Support and resistance levels are an important part of technical analysis, and they can be used to identify potential trading opportunities in any market, including forex. By plotting support and resistance levels on a chart, you can increase your chances of success in trading.



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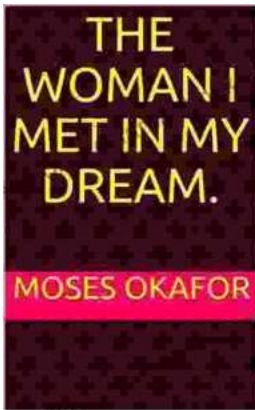
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