

## **Support and resistance - Entry point.**

In the previous article I wrote about stop loss before I have told anything about the entry point. From one side it looks completely illogical to do such thing, but I am not seeking a logic, I am trying to explain my trading method and in this explanatory order there is better chance for reader to get an idea about my trading.

My trading method is based on support and resistance lines and those lines itself is not just selling or buying points. Those lines I use as analysis for the current situation in the market and my decision to buy or sell based on the whole picture, not on the one line itself. Entering points are placed on the basis of my analysis. There is no signals, no technical indicators, no any magic. Simply there is just my decision to get into the market or not. I know, it looks quite strange and in this article you will see why is that.

First of all, as usual there is some psychological aspects for entering the market. Again, if you have fear or just very primitive desire to get rich over the night, without even considering to educate yourselves about the trading, to create trading strategy, what matches your personality, emotions will take over and over some period of time you are going to give up trading. There will enormous amount of every kind of emotion and at the end your strength, your ability to think clear will disappear.

If you have fear to enter the market (usually it happens after the loss) my advice would be: do not enter the market, until you have eliminated, or at least significantly reduced fear levels. Basically, all remains the same – any negativeness inside you, and you already have a chance to loose your money. First of all, before you enter the market, inside of you should not be any emotions. Too much happiness – emotions as well. Be calm when you trade. Emotions are necessary for people in the entertainment industry, but dangerous for the trader.

Now I am going to describe how I am entering the market. Let's get back to the beginning. First my step, before I am even considering to buy or to sell any of the financial instruments, I draw support and resistance lines. And I am doing this not just because I have nothing else to do, but to establish the conditions of the market. Is market flat? Trending up or down? Support and resistance lines help me to establish current market conditions. This one tool which I use to trade. There is no other. How do I establish conditions of the market by using just support and resistance lines, you can read in my previous articles. After I know if the market is flat or trending, I decide to take some actions according to the market conditions. If market is trending up, I am looking for place to buy, if down – place to sell. As for the flat market, there is the chance trade longs and shorts, but I am not very keen to trade in the flat market, even there is a lot of opportunities to make money. Maybe it

just me, because technically there is nothing wrong to trade such market.

Decision what action you are going to take – is crucial. Not the place where you have entered the market. Of course, better price always helps, but if you are on the wrong side of the market, even very good price won't help you. So, before you do any actions, decide for yourselves: are you going to support bulls or bears? And after you took that decision do not change your mind, unless conditions of the market has changed. Stick with your decision.

After I have decided what actions I am going to take, I look for the place where my stop loss should be. Next, I must calculate risk reward ratio and my ratio is 1:2, in other words I am seeking at least twice bigger profit than possible loss. And if current price won't match that ratio, I will not enter the market. I will wait for the better price and if, (after I can get better price), market conditions are the same, certainly I will enter the market. To clarify this, let's see some examples. First example is USDCHF flat market:



On the 9<sup>th</sup> of January we see very strong and positive 4 hours candle, but since when market froze inside the box between two lines – 1.1249 and 1.1123. All this time was an opportunity to buy around 1.1100 and sell around 1.1220. Personally, I would suggest to play on the bulls side. Reason is – market was positive, before became a neutral and is there better chance for market to continue previous trend. So, let's say I established flat market conditions on the 14<sup>th</sup> of January, and support line at 1.1123, with the resistance line at the 1.1249, my actions would be to buy around 1.1130- 60 and to sell around 1.1200-20, with the stop loss around 1.1100. But if I take my ratio, I should buy 1.1130 at least and sell 1.1220 at least. Since 14<sup>th</sup> of January there was two such possibilities. Market has not changed it's conditions and there is possible third possibility.

Next example shows trending market.



From 5<sup>th</sup> of January till 12<sup>th</sup> of January market was flat and on the 12<sup>th</sup> of January price moved above the resistance line 1.2041, telling me about positive trend. Positive trend has been completely established on the 14<sup>th</sup> of January and my decision was to go long around previous resistance line 1.2041. At least to get price 1.2100. Why is that. Because, my stop loss had to be around 1.1750, with the take profit line around 1.3000 ( risk:reward - ~350p. Against 900p.), but as you see, I could not get that price and market left me. Do I get upset? No. There will be more possibilities such as this. Plus I was satisfied, that another analyse of the market was correct. (by the way, this trading plan was given in the real time on my website [www.forex-trends.com](http://www.forex-trends.com))

Hopefully, those to examples will clear my words about entering the market. Basic points to remember:

1. Draw the support and resistance lines.
2. Find current conditions of the market and take a decision what actions are you going to take.
3. Find possible stop loss.
4. Calculate risk:reward ratio
5. Enter the market at the desirable price

What is basically all. By following this order I have achieved some results. Of course, time by time there are some losses, but in the long term it works. If anyone will try to trade following my articles, soon he or she will understand – this approach to the market will require calmness and patience. There is no Holy Grain in the market and I do not consider my trading method is something better than other methods. Unique, strange – yes, better – certainly no. This method gave me freedom to have a possibility to know myself, to see

what do I really want from my life. And now, I certainly can tell one thing – there is more in life than trading. Trading for me became a fun, not hard work. I understood one thing: to achieve something in the life, requires not luck, but personal growth, requires to develop positive inner you, requires huge amount of effort. Result? I even could not dream about that satisfaction, what I have received, by sharing my trading method with others. Yes, financial profit is pleasing, but now I know: there is more...

For now that is it. Till the next article, about levels of profit or if I put it simply, where to exit the market.

I wish you success and prosperity.

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