

Support and resistance - Exit point.

Practically, whatever your trading strategy is, market rarely goes exactly as planned. And exit point should be known to the trader, before they do enter the market. Later, as market makes some movements, especially if those movements do not match your plans, possible to exit early than your exit point is, but one thing must remain unmovable: do not exit on emotions. If you see, that market goes completely opposite as you have planned, to hold on to your positions or exit early is a good thing. But if just scared, and market is in the period of complete confusion, your fears will take over and you certainly will make a mistake. So, fear and greediness most likely will show up on the moment of exit. Just discipline and calmness can help at this point. If you do not know what exactly are you going to do right now, best thing to do would be: go away from the market at least for 5 min., forget the market and calm all your worries, plus take a look at your plan again. Make a decision on your plan and according to the situation in the market.

Well, easy to say, but it is much harder to do. I know. But every trader, if they want to become great or very successful one, must work on emotions. There is no way, that anyone will make money on the market, but could not control emotions. And exit point is the point, where emotions actually acting as a wild horses. Keep them in tact and you will never ever have the problems. So little about psychological side of the exit point. But question is how to choose exit point? Here are some points what I am looking for:

1. Exit should be bigger at least 1.5-2 times, than possible loss.
2. Exit point is previous resistance or support.
3. Exit on the market if market changes its direction or position you have, can not bring a positive results.

Let's take a look at some charts, to clarify those three points.



First of all buying inside the box between resistance 83.56 and support line 82.44 is a good trading strategy with the expectation to sell around 85.00 area with the stop loss below support line. So buying around 83.00 level we can expect ~ 200 pips with the possible to loose ~70 pips. Profit level exceeds loss level nearly three times. But buying 83.70 (stop loss should remain the same) trader can expect to get 130 pips profit with the possible loss of 130 pips as well. Well, this trade is not really worth the effort. If trader expects price to move above to the area of long term resistance line at 85.85, buying around 83.50 is somehow justified, because in that case profit level will be 230 pips against ~100 pips loss.

Exit is most likely should be done on the previous resistance or support line. In such cases you have an idea, how much market can go and what your chances are. Third my exit strategy would be very strange. While market did not change the direction keep the existing positions even you are in the loss. Why? First of all it is hard to tell when and where market is going to turn around or continue it's current direction. What line will be broken, what not no one knows. We all can just to presume, but tell 100 % just some extraordinary people maybe can, but I certainly do not able to do that. Market is unpredictable and just working together with some rules is possible to achieve something. This kind of third exit strategy is possible just for few people with the huge accounts and I would not recommend to anyone to do an experiment. Why I wrote about it? Basically to say, that market is completely unknown to us and even with the worst trade it is possible to make

money. If you have discipline. This this strange exit strategy I would like to bring attention to one thing one more time: write your own trading rules, stick to them and be calm, without any emotions. Otherwise if market will not finish you, you will destroy yourself with worries. Relaxation and clear mind is the road to success. All the complications and tension by trying to guess what is going to happen next is just waist of valuable time. For now I have finished some points of my trading strategy by using support and resistance lines.

All those articles have been more technical descriptions and next series I will start write about trading itself together with the real time trades. Till the next time. I wish you all success and prosperity.