

Trade Forex with Support and Resistance Strategies

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Preface from Best Metatrader Broker:

Dear Trader,

One of the greatest advantages to being in the Forex business is that we constantly speak with and monitor thousands of Forex traders. In order to provide you with the best resource section possible we decided to contact some of our top traders to bring their most effective strategies to you.

We expected that many traders would be using extremely complicated systems, algorithms and indicators. We also were nervous because we thought that traders would be unlikely to share information about their trading strategies.

Some traders did, in fact, prefer to keep their strategies private and we respect their privacy. However many traders were eager to provide us with great tips and even details about their trading strategies.

One of the reasons that they were so eager to share information is that their strategies were actually fairly straight forward. Although most strategies had a unique twist, hardly any custom indicators or complicated algorithms were used. What stood out among these traders is very diligent risk management, very selective trading, and very careful planning.

Although these strategies are simple, in our opinion it will take a lot of discipline and hard work to follow them. This is due to the fact that they guide you to use proper risk management and to be very selective in the trades you place and when you trade. The strategies also require a lot of preparation and planning. Therefore discipline is essential to success. And we all know that it is not easy to stay disciplined.

This course will outline two foundation strategies. These strategies do not generate trading signals often, however when properly set up they can provide you with excellent trade opportunities.

Please keep in mind that in order to achieve the most success from this course you need to have a basic knowledge of placing trades, the Forex market, and basic chart analysis. If you need to get acquainted with the basics of Forex trading you will greatly benefit from our complimentary Forex tutorial section on our website.

Of course, as you know these strategies are for educational purposes only, so please keep in mind that Forex trading can be very risky with any strategy. Basically don't risk money that you cannot afford to lose.

We hope this course helps and I hope that you find our other products useful.

To your trading success,

Best Metatrader Broker

About the Course Developer

Walter Peters is a professional Forex trader with more than eight years of trading experience. With a doctorate in psychology, Walter is keenly interested in trading psychology and in helping other traders overcome the psychological barriers to trading success. Walter specializes in risk management and simple yet effective Forex trading strategies. Walter is currently the money manager of a private Forex fund.

Course Introduction

This course is intended to show how simple concepts of support and resistance can potentially generate successful trades. You probably already know about support and resistance as it is a fairly common idea in Forex trading. In this course you will gain a unique insight into how to use support and resistance in a creative way to potentially improve your trading. Along with these several basic concepts and theories, you will also be introduced to some of our proprietary trading strategies.

If Forex trading is new to you, you can use the Best Metatrader Broker free Forex education section to get up to speed. This section contains a plethora of great free information that would most likely cost a lot of money from many other sources.

To learn how to use the Metatrader trading platform, you can view our comprehensive Metatrader Platform Tutorial.

In order to gain the greatest benefit from this course please read the material very carefully and practice the analysis on Forex charts. Although this course is technical in nature many traders believe a combination of technical and fundamental analysis is necessary in Forex trading.

There are some common themes throughout this course that are very important to pay attention to. First, this course is just a guideline. The methods outlined here can be effective but the idea is to pay attention to the overall theme of support and resistance in conjunction with a confirming catalyst. You can build on the foundation by applying other technical or fundamental principles. In addition there are two crucial aspects of the course that you need to pay attention to. First, be very selective of the trades you take and make sure that the trade set up is perfect relative to your rules. Secondly, use proper risk management. Make sure that your trade is small enough to make another trade in case you are wrong. The bottom line is, if you want to be successful do not gamble. Keep in mind that trading Forex involves a high degree of risk. You should never trade more money than you are willing to lose.

We also suggest that you practice these strategies on a demo account before risking your money.

Support and Resistance Theory

This section seeks to teach you the concept of support and resistance, as well as the reasoning behind its effectiveness. Increasing your knowledge and understanding of support and resistance is a vital element. The better you understand the concepts and theories, the more effective you will be in applying the concepts taught in this course to your actual trading.

You will also be presented with various triggers that when combined with support and resistance knowledge can generate outstanding trade setups.

The majority of Forex traders have heard about support and resistance, and many of these traders use support and resistance in their trading. However, very few understand the true potential that support and resistance presents in the Forex market.

Using the concepts taught in this course, you will be able to create trade setups that have great potential and will be able to help you identify where and when you should enter and exit your trades.

However, to do this you must first become proficient at identifying support and resistance levels.

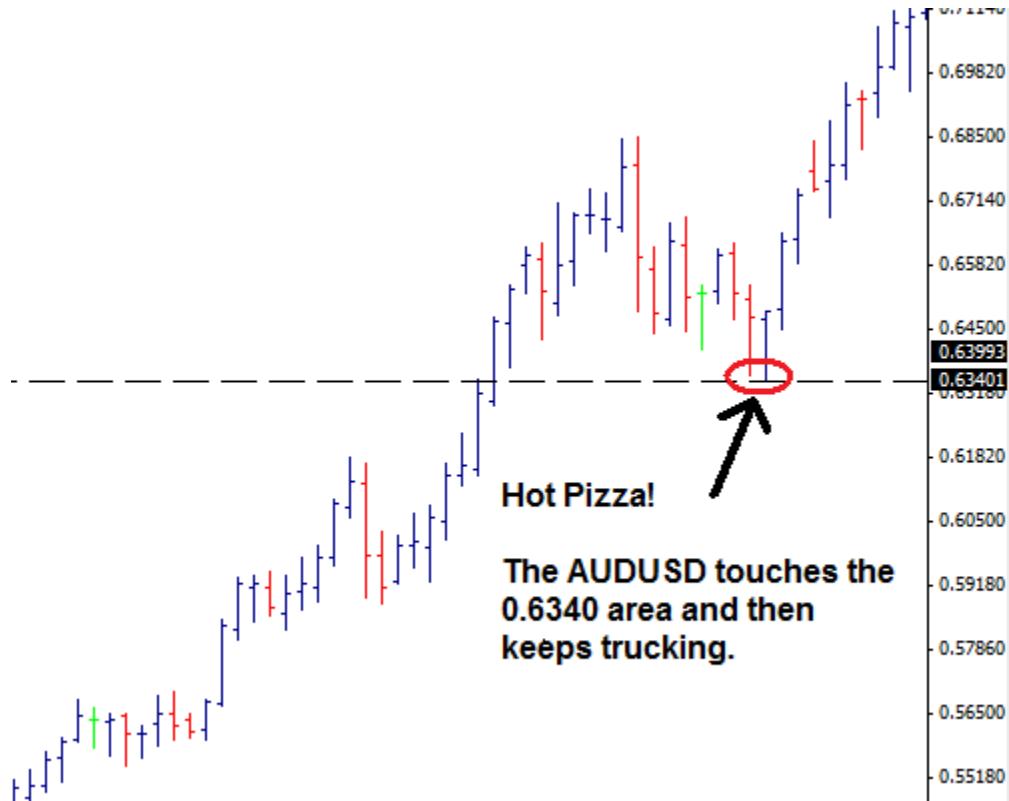
The Pizza Incident



To remind yourself of how support and resistance works, think of a freshly baked pizza.

Have you ever tried to pull a pizza out of the oven only to encounter the pain of a hot pan? Your first reaction may be to pull your hand away from the pan and it will take you a while before you attempt to pull the pizza out again. When you attempt to do so again, you will most likely proceed with more caution than before, and will likely test to see if the pan is still too hot.

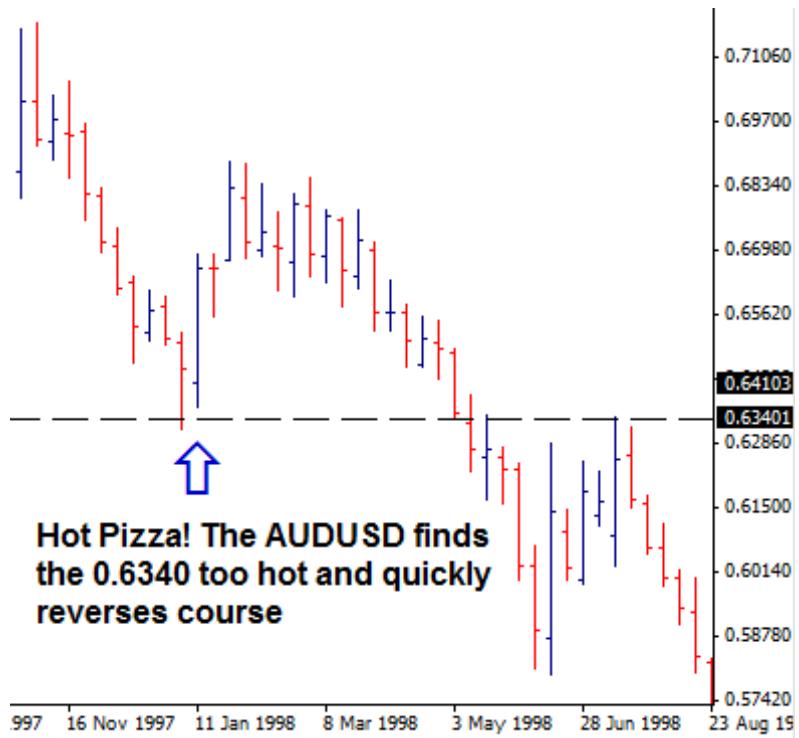
Similar to the pizza example, prices in the Forex market react to “hot” zones. Take the example of the AUD/USD. In August of 2003 the pair approached the .6340 price area only to find that it was too hot to handle:



Disclaimer: Past performance is not indicative of future results

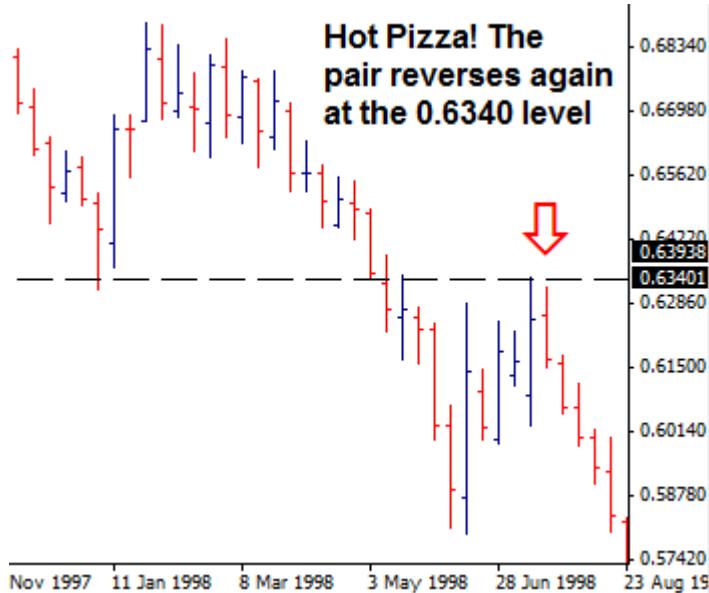
Continuing with the pizza metaphor, the pair approached what it thought was a ready pizza, only to burn itself on the hot pan (in this case the .6340 price level). The difference in this case however, is instead of eventually coming back to the .6340 level, the pair decided it was too hot to handle and continued to move away.

Often when a currency pair reaches a level of strong psychological or technical importance, it often pauses to test which direction it should move in. Often times major trends will end when they meet resistance from areas of importance. Above is an example where the AUD/USD broke its downward trend and reversed direction, creating a new upward trend.



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The unique aspect of resistance zones is that once they are broken they can often act as a new support level of the price. The same is true for support zones as they often become resistance once broken. This is why you see here, the zones are referred to as both support and resistance. The AUD/USD demonstrates a perfect example. It breaks the .6340, a proven support level, only to find resistance when trying to break back above it.

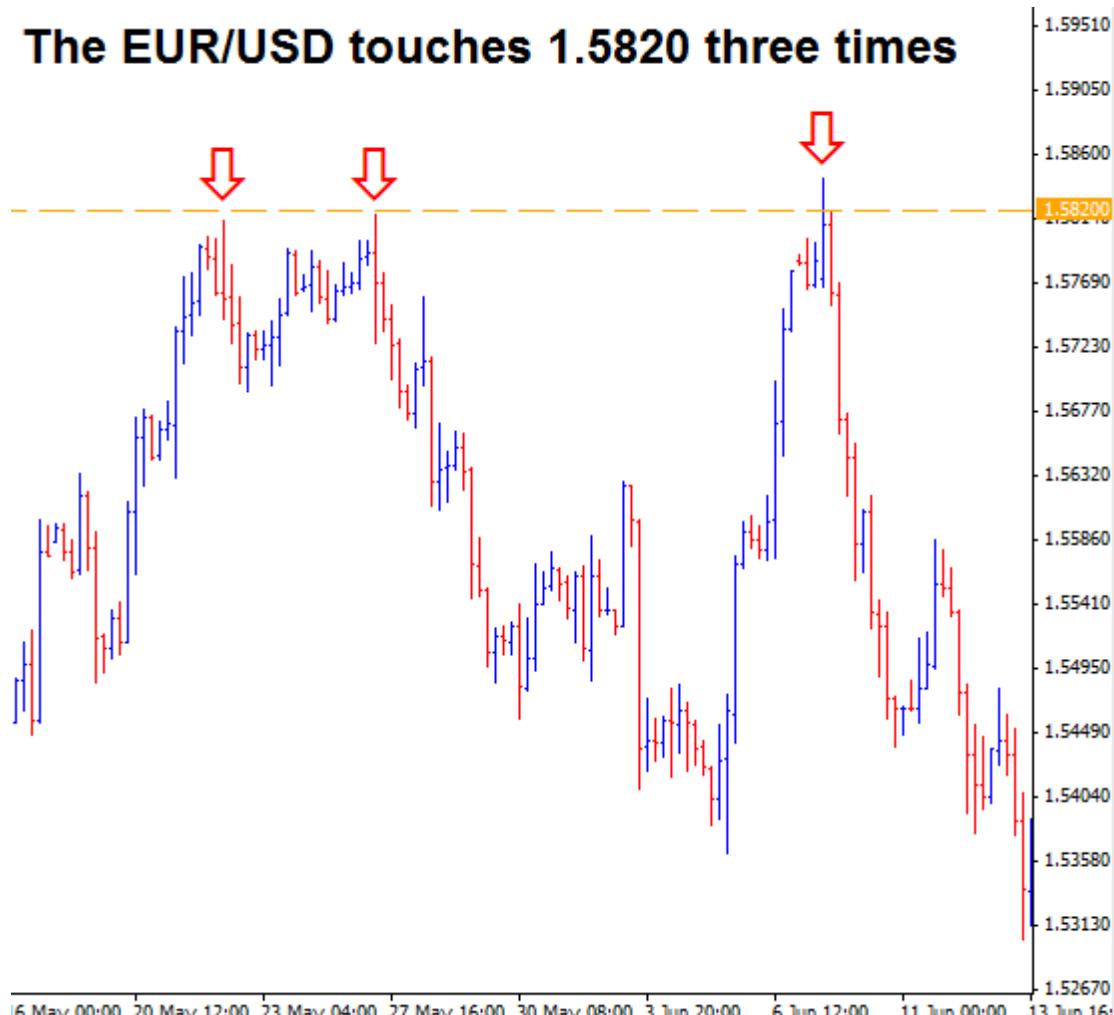


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The Depth and Breadth of Support and Resistance

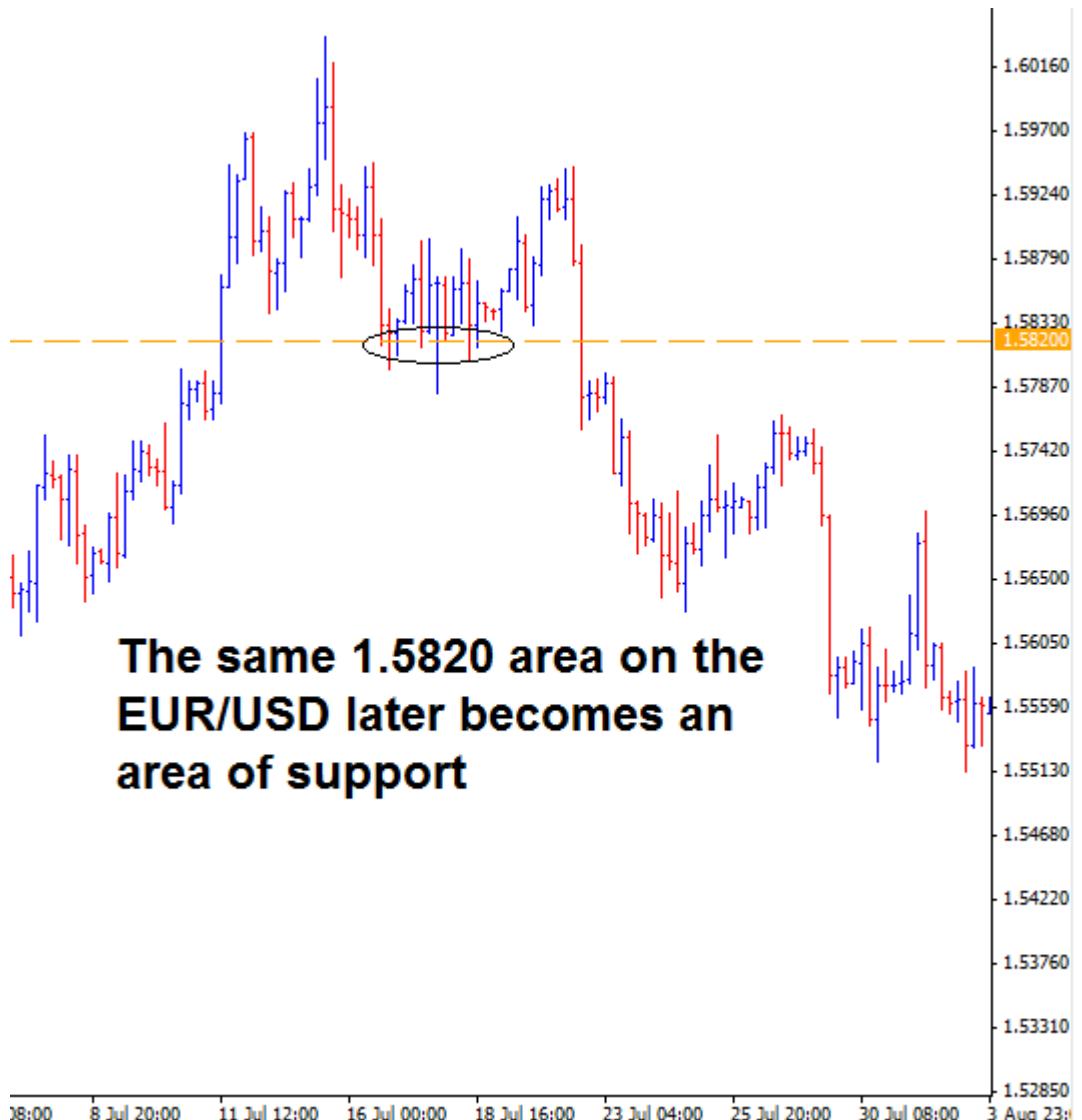
Support and resistance zones are visible in many different markets and time frames, and do not just relate to one particular chart or pair. Below is an example of the EUR/USD on a 4 hour chart:

The EUR/USD touches 1.5820 three times



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The 1.5820 zone is a clear area of resistance for the pair. You can mark three specific times that the pair attempted to break through this level only to fail. Since this is such a strong resistance line, you can also expect it to provide strong support if the pair eventually breaks through. Below you can see this is the case as the pair finds support from the level that was previously a resistance area.



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Another important idea about support and resistance zones is that they create imprints, or memories, on currency pairs. A strong support and resistance line is something that will stay with a pair for a long time and chances are the next time the pair approaches it, whether it be in a week or a year, the pair will pause before deciding which way to move.