

Support and Resistance

The market's floors and ceilings

GUIDE 8

Support and resistance levels are among the most important concepts in technical analysis.

These areas represent levels where buying and selling forces have previously reached a temporary balance.

In simple terms, support acts like a floor and resistance acts like a ceiling.

1. Understanding support

Support occurs when a falling market stops declining and begins moving higher.

The level where buying interest re-emerges is known as support.

What support can indicate

Buyers are becoming active

Selling pressure may be weakening

A price recovery may be developing

2. Understanding resistance

Resistance occurs when a rising market loses momentum and begins moving lower.

The area where sellers repeatedly emerge is known as resistance.

What resistance can indicate

Selling pressure is increasing

Buying enthusiasm is slowing

The advance may pause or reverse

Resistance level marked above several highs.

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The MARC

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3. Why support and resistance matter

When a market repeatedly fails to break through the same level, many participants begin to focus on that area.

This can create a self-reinforcing cycle of buying and selling activity.

Important distinction

Support and resistance are usually zones rather than exact prices.

