Support and Resistance

What is support?

Support is a place where the selling and the trend of the stock might get halt and reverse in the opposite direction from where they come .

Support is a place where buyers are more interested than sellers.

Functions of support.

Reversal Point: As purchasing pressure builds, support levels frequently indicate when a decline may pause or reverse.
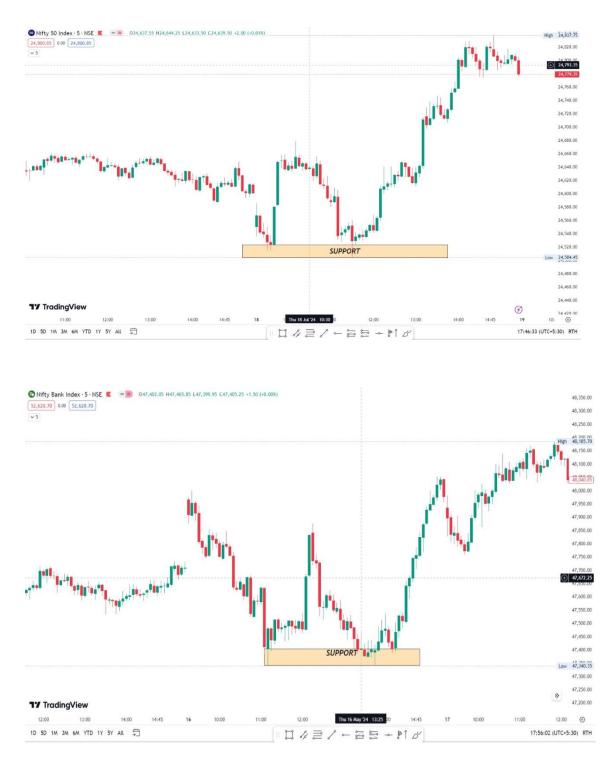
Demand Zone: These levels indicate locations where there is thought to be sufficient demand for the stocks to, at least momentarily, stop a fall.

Technical Analysis: Chart patterns (such as double bottoms or trendlines), moving averages, and volume analysis are some examples of techniques used in technical analysis to determine support levels.

Psychological Significance: Sometimes, support levels coincide with round numbers or significant historical price points, adding to their psychological importance.

Let's understand some Example of support.

Support levels are a tool used by traders and investors to decide whether to buy or sell Stocks. While some traders may tighten their stop-loss orders to guard against additional downside risk, others may purchase when a price approaches a known support level in anticipation of a bounce or reversal. When a price breaks support level, it could be a sign of waning demand and could trigger more price drops as sellers gain the upper hand.

What is Resistance?

Resistance is a place where seller are more then the buyer and there are high probability that the price might get reversed from that zone.

Resistance is a place where sellers are more than the buyer.

Functions of Resistance.

Reversal Point: As selling pressure builds, resistance levels frequently indicate locations where an uptrend may stall or reverse.

Supply Zone: These levels show locations where it is thought that there is a sufficient supply of the Stocks to, at least momentarily, halt an advance.

Technical Analysis: Chart patterns (such as double tops or trendlines), moving averages, and volume analysis are some examples of techniques used in technical analysis to identify resistance levels.

Psychological Significance: Similar to support levels, resistance levels can also coincide with round numbers or significant historical price points, adding to their psychological importance.

Let's understand some Example of support.

Traders and investors use resistance levels to make decisions about buying or selling Stocks. When a price approaches a known resistance level, some traders may sell anticipating a reversal or pullback, while others may take profits or avoid initiating new long positions. If a resistance level is breached (i.e., the price rises above it), it may indicate strengthening demand and potentially lead to further price increases as buyers gain control.

Summary

In conclusion, support levels indicate floors where purchasing interest may stop the price from falling further, while resistance levels reflect walls that the price of an Stocks may find difficult to overcome as a result of selling pressure. Both ideas are essential to trading techniques and technical analysis.

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