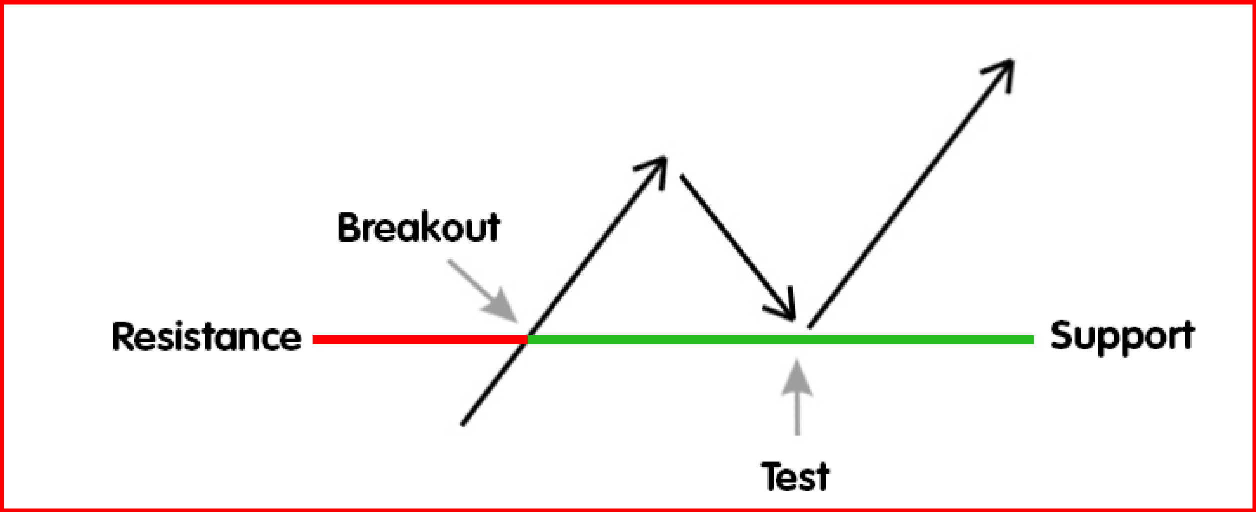


SUPPORT AND RESISTANCE
AND HOW TO FIND THEM

AND

TIMING IS EVERYTHING

ROGER D DOVRE™®

I have a sticky note on my computer which reminds me of the fact that “Timing is Everything.” Indeed, it is! Being at the right time and place can’t be stressed enough. And this is where finding accurate levels of support and resistance come into play.

The first rule-of-thumb is knowing where the market is relation to the 20 EMA and the 60 EMA (Exponential Moving Average). Additionally, knowing direction of these moving averages too.

The Volume Profile is a powerful tool and asset. It allows the trader to analyze where the levels of congestion (consolidation) occurred or are occurring. It also helps to inform a trader where the probability of support and resistance are likely occurring. It also gives you the area (percentage) where most of the trading occurred.

There are three (3) levels of importance to the Volume Profile. The Point-of-Control (POC). The Volume Area High. And the Volume Area Low. These should be one’s first levels to mark out. These levels aren’t stationary, and they move up or down as the market changes course during the trading hours. So, they give you the current level or most recent level or points of interest.

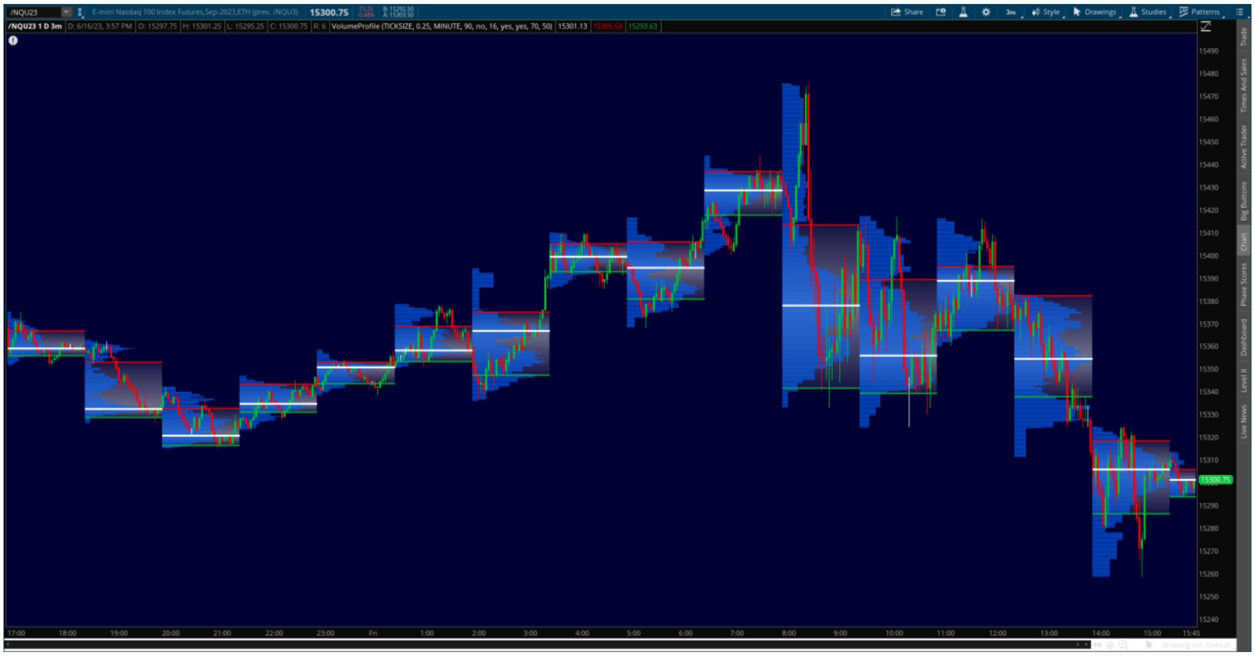
Here's a snapshot of the Dow Jones Micro futures chart:

The volume profile is on the right side of the chart. It’s a 20-day 4-hour chart.

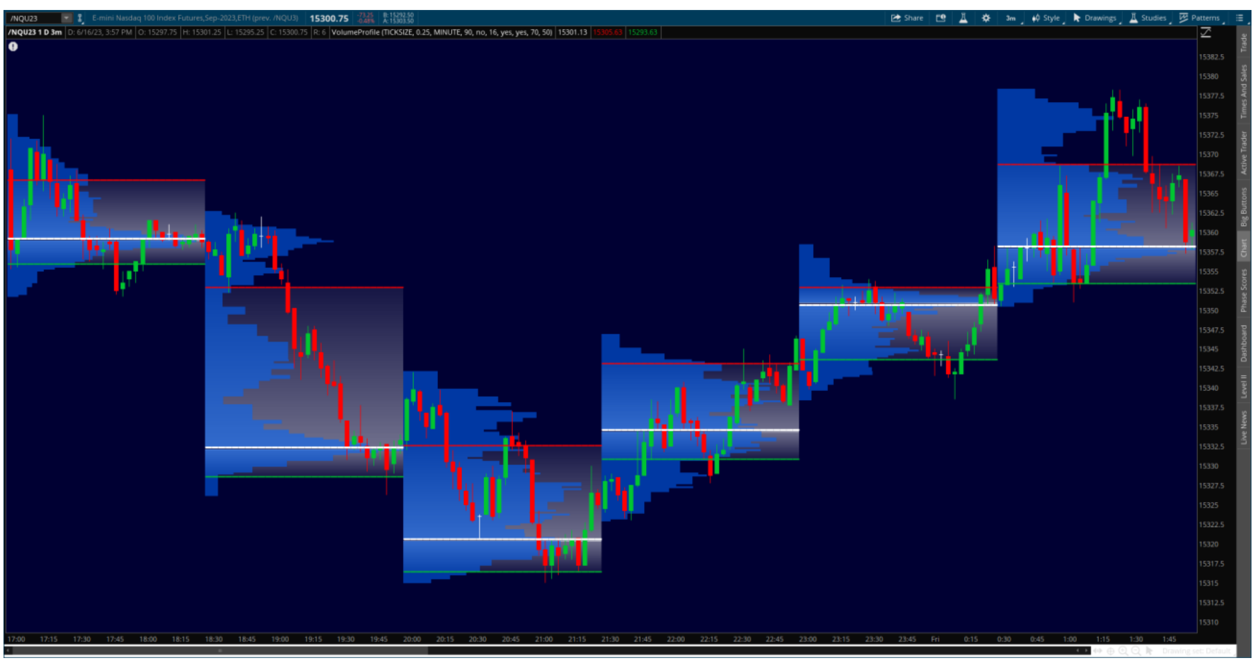
The orange line is the Point-of-Control where the highest volume occurred. The red and green lines mark the boundary where 70% of the volume occurred.

Below, and on the next page, is a one (1) day chart of the E-mini-Nasdaq futures market. It contains 16 (sixteen) 90-minute profiles for a 24-hour trading period.

The white line is the Point-of-Control where the most volume of trades occurred at. And the red and green lines mark the 70% trading range for that given 90-minute time zone.



Below is a blow-up (not a doll) of first six (6) profiles:

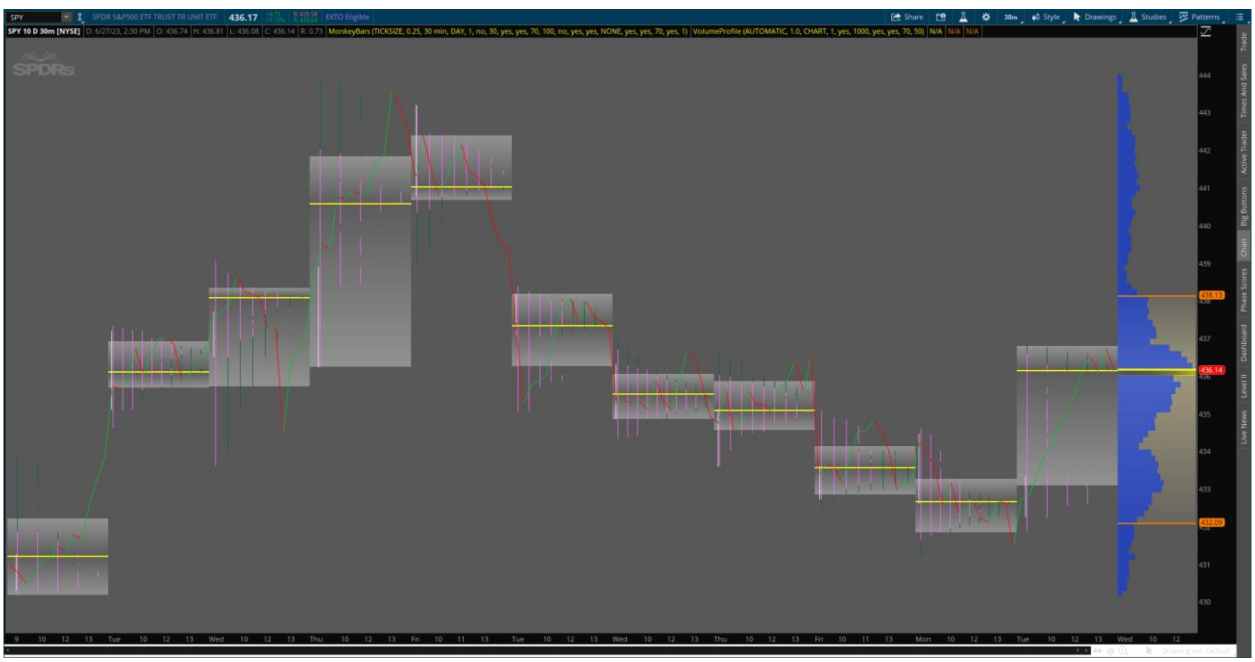


So, the theory is that a trader will sell at the top of the channel when the red upper line is breached. And buy when the bottom green line is hit or breached. **Of course, this is NOT trading advice: I take no responsibility either for the accuracy of this information or your losses in the market. Anyways, this is my disclaimer.** Generally, or for the most part, I avoid the area in between those boundary lines. And wait for a set-up where there is a breakout beyond them. Being a scalper just isn't my cup-of-tea.

The thing which you'll obviously will notice are the jagged blue graphs or sideways histograms in each of the profiles. These represent where the highest volumes and lowest volumes of trading occurred. And the white line represents the very highest peak (level) of activity (volume) at a given price range for that time period (profile). Hence, the white line represents where consolidation (congestion) occurred and is happening. What does this mean? (1) It seems to me that the scalpers are having one heck of a battle going on with each other! (2) Or buyers are selling to close out their positions, or sellers are buying to close out their positions. (3) Or traders are jockeying for a position when the market eventually breaks out. Either way you look at it, a lot of action is taking place. My rule-of-thumb is to stay absolutely away from heavy traffic and not become its roadkill. That's certainly going to happen in areas where there is a lot of consolidation, trading and congestion occurring.

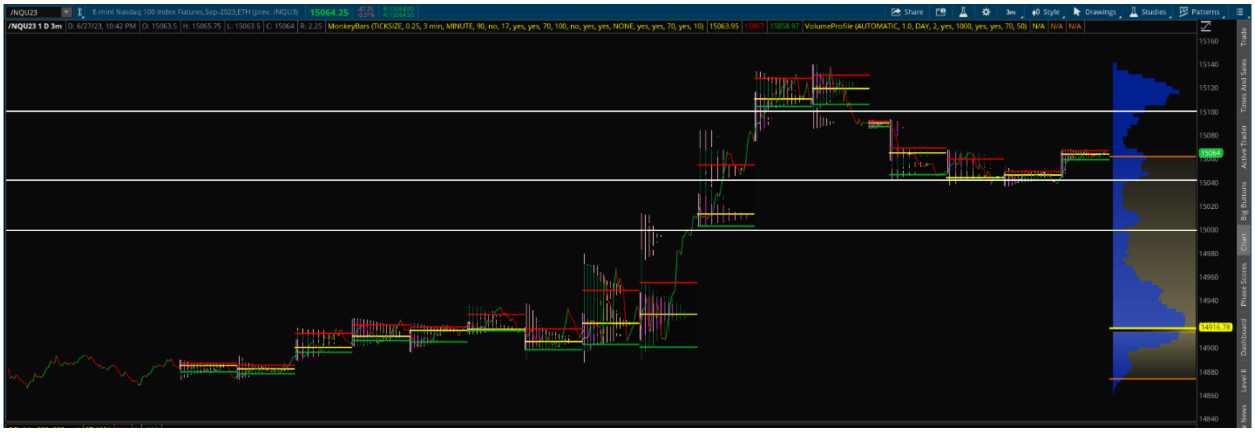
And what about the red line and the green line? I look at the upper red line as resistance and the bottom green line as support. The key thing to note is that a level of resistance becomes support (minor) when breached. And a level of support becomes resistance (minor) when breached. Each of these will follow through to consequent profiles or periods later on. BTW, It's all about reading the market properly. Follow the lines and see what you find out. As an example, look at the level of the green line in the 2nd profile. That's support and turns into resistance in the beginning of the 4th profile. And turns back to support about 40 minutes later. And look at this too. The red (resistance) line from profile 3 turns into support when crossed and back to resistance approximately 40 minutes later in the adjacent 4th profile. Neat, huh?

So, we just took a look at what a Volume Profile looks like on TD America's ThinkOrSwim trading platform. Now we'll take a look at **Monkey Bars**. Anyways, Monkey Bars fulfill the same purpose, generally speaking, as the Volume Profile. However, a Monkey Bar will show you the level where the most trades happened at. Just like the Volume Profile's Point-Of-Control (POC), the Monkey Bar will change levels as the market moves up or down. The Monkey Bar has two features to understand. 1) The Playground and 2) the Initial Balance. The Playground is the area where a certain amount of trades occurred. This is usually similar to the Volume Profile's 70%. This number isn't set in stone and can be increased or decreased per individual preferences. Preferences for the Initial Balance can be adjusted too. Usually these are set for 30 minutes. But traders can adjust to this too. 30 minutes seems to be the standard since a trader want to wait at least 30 minutes after the start of the market to see where it may be headed. The top and bottom of the Initial Balance can be used for resistance and support too.



These are the Monkey Bars. And on the far right and in blue, called the Expansion Area, is the Volume Profile. What's interesting to note is that when a Monkey Bar lines up with the Point-Of-Control, the market is said to be balanced. Being balanced is a good thing and ensures a better chance when entering a trade.

The above chart is a 10 Day / 30-minute chart of the S&P 500 SPY ETF. Now let's take a peek at a 1 Day / 3-minute chart of the E-mini-Nasdaq. Which shows the Monkey Bars with a Volume Profile on the right side of the chart.



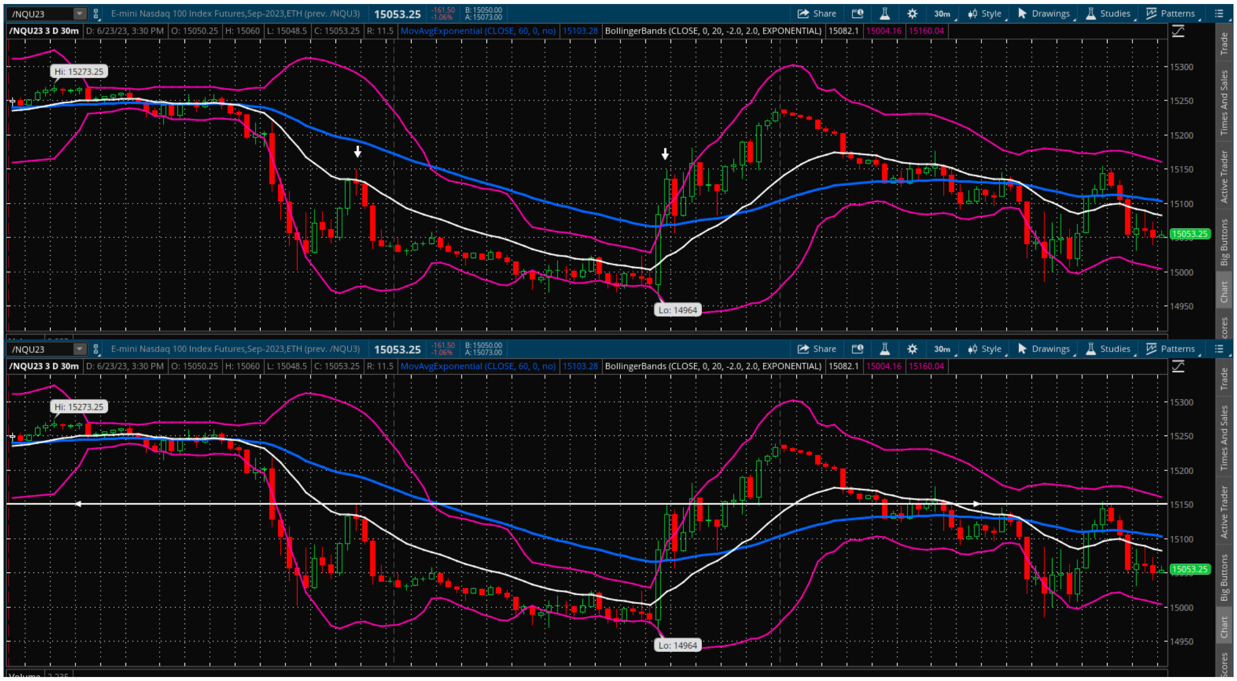
What's different about this chart is that the Monkey Bars are set for 90-minute time intervals. These are set up this way as a personal preference. If you have purchased the book "Tools and Tactics for the Master Trader," then you will understand the "why" behind 90 minutes.

The white lines are the areas I marked as support and resistance. The red and green lines mark the upper resistance and lower support levels. The Yellow lines are where consolidation (congestion) occurred. It's always better to wait for a breakout from the playground or when support or resistance get breached. The Initial Balance is that vertical white line at the start of the of each 90-minute frame.

What I learned from observation is that points or areas of low volume or activity are usually reliable levels of support and resistance. Mastering the skill of picking support and resistance will save you a lot of time, frustration, and money too.

So, let's look at one more chart to give you another tool on how to set up points to trade along support and resistance levels.

Remember: LET THE MARKET COME TO YOU!!



What you are looking at here are basically the same chart but with different cues in them. Sort of a doppelganger I might add. On the top one, you can see two white arrows marking peaks. On the bottom half (our better half) a white trend line was drawn across them. Look and take note how the market always came back to that level. Like a dog which always returns to its vomit. When things go well you'll see this kind of action. However, in a trending market, things are a lot different. When you develop this skill, a lot of pressure you've felt in the past over entering the market will dissipate. And your confidence and self-esteem will improve too.

Now, when you mark these areas where the market suddenly stopped and reversed, take the time to confirm them and see how they line up with the Volume Profile and/or Monkey Bars.

Don't rush into trades. Take the time to study the market. Get to know the software you are using. Learn to trust your technical indicators. And keep learning. This is the only occupation in the world where you literally have to teach yourself. Other occupations have everything organized for them via their algorithms and rules. And don't forget about YouTube. There are a lot of guys there which enjoy sharing their knowledge. **Practice, journalize and study….**