

DRAWING OF THE SMALL SUPPORT/RESISTANCE LINES

2ND EDITION – OCTOBER 2007

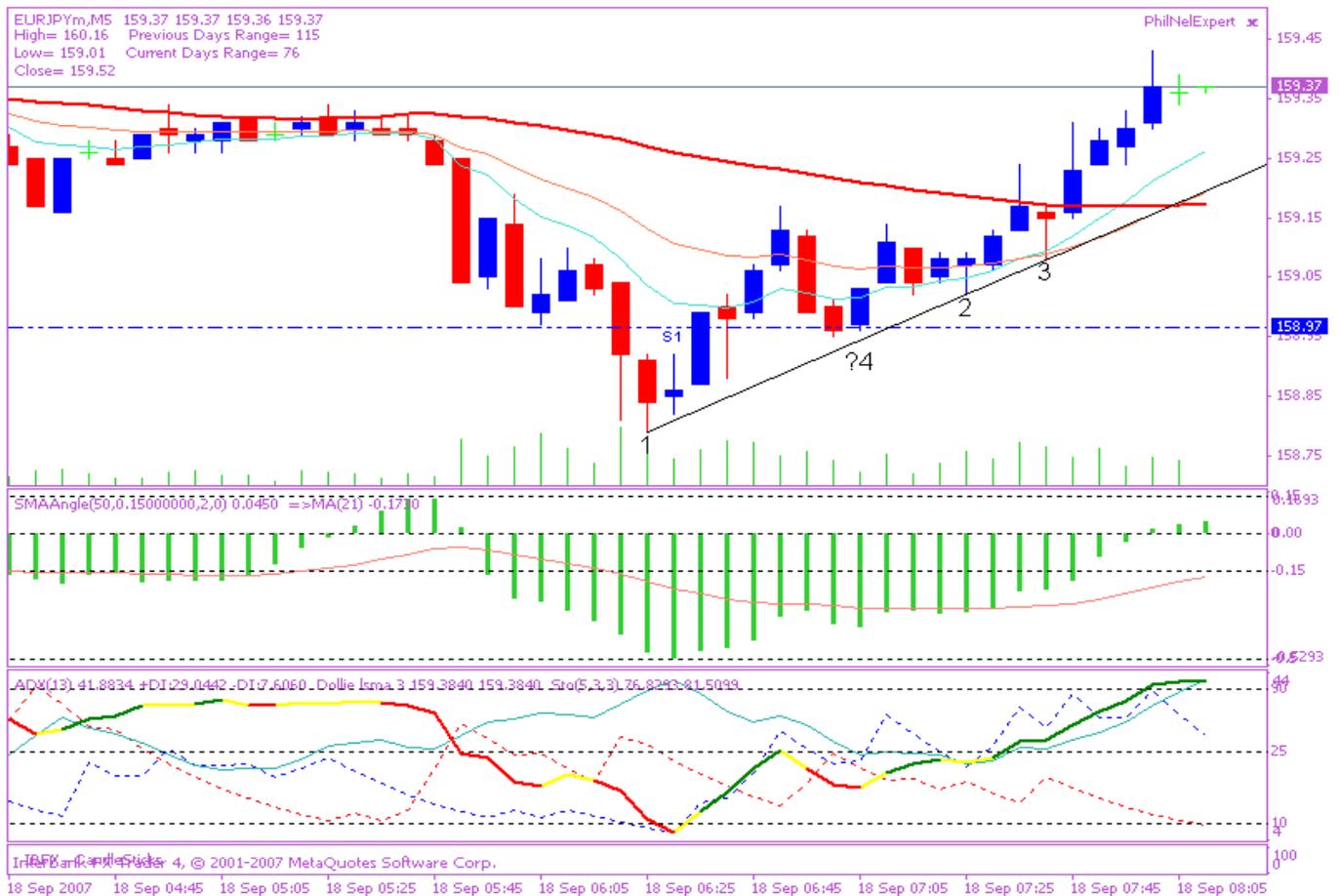
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This is how I draw My Small resistance/support lines using a 5min chart:

1. I need a minimum of two points to draw the line. The more points you can find within the line, the more value it adds to the trade.
2. Once it looks like a possible intra-day trend is beginning (price crosses the 50MA) I start looking for the last high or low candle (**candle #1**) before the price has crossed the 50MA. That is my first point. On this chart you can use the last few candles before the 50MA cross making it more reliable.
3. Next I look for the first candle to pullback into the zone or close to the 10MA (**candle #2**). That is my second point. I don't like to trade the first pullback into to zone but take note that this first pullback could be a profitable trade. I do prefer the second pullback.
4. If there a more points in line with the two mentioned points, I'll use them as well.
 - 4.1 If there are any points between candle 1 and 2 which are in line this would strengthen the Small resistance/support line.
5. Now I draw a line between the two or more points and extend it.
6. Look at **candle #3** - the resistance line was broken and then I do take it that all future trades are cancelled.
7. You can draw a second resistance/support line (not done on example chart). You can use candle #3 (or next candles) as your second point again. And then draw a second support/resistance line but be careful with trades using the second line.
7. Look at the **candles below #4** - nice and flat. Good sign for a great set-up being developed and it the second set-up in this run. Now wait for the candles to pull into the zone (**#5**) towards the 21MA. Trade is still on because the price/candles are still above the small support line.
8. Now use the:
 - 2 candle rule or
 - Smooth round bottom/top as specify in my rules previously posted on this thread as well as Phillip's method

Attached the image that was used as the original example (explained). After this example I've attached a few more examples.







Sometimes it is difficult to get a line across the 50MA like this example:

