In the previous lesson, you've discovered the truth about Support and Resistance.

Now, you'll learn how to tell when Support and Resistance will break so you don't get caught on the wrong side of the move.

Resistance tends to break in an uptrend

Here's a fact:

For an uptrend to continue, it has to consistently break new highs. Thus, shorting at resistance is a low probability trade.

Support tends to break in a downtrend

Likewise:

For a downtrend to continue, it has to consistently break new lows. Thus, going long at support isn't a good idea.

Support and Resistance tend to break when there's buildup

Consider this:

Support is an area with potential buying pressure. So, the price should move up quickly, right?

Now… what if price didn't move up and instead, consolidates at Support?

What does it mean?

A sign of weakness as the bulls couldn't push the price higher.

Perhaps there's no buying pressure or, there's a strong selling pressure.

Either way, it doesn't look good for the bulls and Support is likely to break.

An example:

Buildup at Support before breakdown

And the opposite for Resistance:

Buildup at Resistance before breakout

Clean VS Chop move and why it matters

One of the biggest secret to trading Support and Resistance is watching how the price approaches a level.

Often, newbie traders would wait for a Pinbar or Engulfing pattern at Support or Resistance areas. If it forms, they'll enter the trade.

But a seasoned trader knows not all trading setups are equal — and he watches how the price approaches a level before deciding whether he'll take the trade or not.

Let me explain…

There are generally 2 types of price action that occurs when the price approaches a level…

- A chop move

- A clean move

Here's what I mean…

A chop move

You're probably wondering:

"What's a chop move?"

A chop move usually has a lack of momentum coming into a level.

For example:

A chop move into Support has a series of lower highs coming into it (descending triangle).

This is a sign of strength by the sellers as they are selling at lower prices — and the price is likely to break down.

On the other hand…

A chop move into Resistance has a series of higher lows coming into it (ascending triangle).

This is a sign of strength by the buyers as they are buying at higher prices — and the price is likely to break out.

Moving on…

A clean move

A clean move is the opposite of a chop move. It has strong momentum coming into a level.

For example:

A clean move into Support can be seen by strong bearish candles approaching it.

The candles are relatively large and most traders would think Support will break. But more often than not, the market tends to reverse to the upside.

Why does it happen?

Because traders who are short will take profit at Support and buyers will get long at Support — and this creates an imbalance of buying pressure.

Also, new selling pressure is likely to lurk at swing highs or Resistance areas.

Thus, you can expect a swift reversal back towards these levels.

A clean move into Resistance can be seen by strong bullish candles approaching it.

The candles are relatively large and most traders would think Resistance will break.

But more often than not, the market tends to reverse to the downside.

A clean move into Resistance

Why does it happen?

Because traders who are long will take profit at Resistance and sellers will get long at Resistance — and this creates an imbalance of selling pressure.

Also, new buying pressure is likely to lurk at swing lows or Support areas.

Thus, you can expect a swift reversal back towards these levels.

Now that you've understood the difference between a chop and clean move, how do you profit from this knowledge?

Simple.

If you want to trade breakouts, then you'll want to see a chop move coming into a level.

If you want to trade reversals, then you'll want to see a clean move coming into a level.

And I'll discuss in more details later.

Summary

- Support tends to break in a downtrend

- Resistance tends to break in an uptrend

- Support and Resistance tend to break when there's buildup

- A clean move into SR tends to reverse and a chop move into SR tends to break