

do you trade With Support Or Resistance?

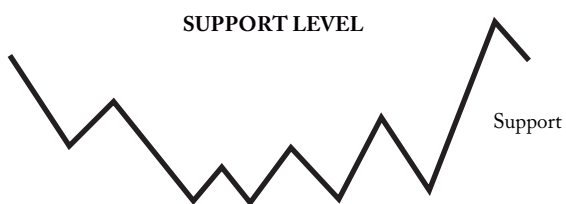
KNOWING WHAT MOTIVATES YOU AS A TRADER CAN HELP IMPROVE YOUR CHANCES AT FOREX SUCCESS.

TEXT MARIO SINGH

Support and resistance are by far the most important day-trading technical analysis elements used by most traders. They are like two peas in a pod. The understanding of both support and resistance are crucial to every trader's arsenal of tools.

To re-cap, "support" can be thought of as a floor for the price. This is an area where the buying pressure exceeds the selling pressure and pushes prices upwards (See Figure 1)

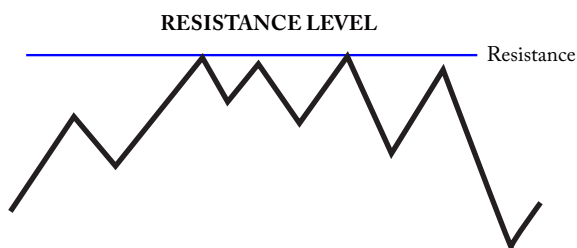
FIGURE 1



The support level is stronger everytime that price respects the support line and/or if high volumes are traded at the support level.

"Resistance" can be thought of as the ceiling for the price. This is an area where the selling pressure exceeds the buying pressure and pushes prices downwards. (See Figure 2)

FIGURE 2



The resistance level is stronger every time that price respects the resistance line and/or if high volumes are traded at that level.

The topic of support and resistance discussed here is with a twist. It is in reference to a trader's lifestyle – are you trading with support or resistance?

I have been trading the forex market for a couple of years now, and I realised that one thing above all else, that is able to help a trader increase his success dramatically is having a solid system of support.

Support here is defined in several ways:

- 1) A community of like-minded traders
- 2) A structured system of teaching new traders
- 3) An existing system of coaching intermediate/mature traders

With proper support, a new trader can immediately pick up the right learning techniques from the start and save precious time in the learning process.

An intermediate trader is also able to correct himself when bad habits start to creep into his trading lifestyle by benchmarking his progress against other successful traders.

A mature trader can utilise the support system to back-test his trades and offer his experience to new traders.

BUILDING A SUPPORT SYSTEM

There are three points to remember in getting trading support: M for mentor, A for attitude and P for platform.

Mentor

Does the support system provide you with a mentor? A mentor or a coach is basically someone to help you get to where you want to go. Preferably, someone who has considerably more experience than you. A good way to gauge whether one is a good mentor or not is by reviewing his personal results over a period of time.

Attitude

This one comes from you. However polished or robust the trading support system is, you need a great attitude to get the most out of it. Remember that "Your attitude determines your altitude." When you carry a great attitude to learning and growing, you are not far away from achieving tangible results from your trading.

Platform

What platform does the trading support provide? Are new traders able to attend regular classes? Is there online support? With the explosion of the Internet, some of the best support systems are fully integrated online, where traders are able to access a wealth of information by the snap of their fingers. These support systems also provide a one-stop solution to resolving trading enquiries and a framework of archived

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trades where traders can check and correct themselves.

ON TRADING RESISTANCE

Many traders are immediately resistant to one or a few of the following points when they they embark on this enthralling forex journey:

1. Achieving consistency and discipline;
2. Following a structured trading plan;
3. Trading with proper risk management;
4. And understanding that “the best strategy” is NOT

the key to success - money management and trading psychology is.

Do a quick-check on the following to ascertain if you “trading with resistance”: L for losses, I for inconsistency and E for ego.

Losses

Are you experiencing a string of losses? If you are, it might be a time to sit down and review your trading plan. Are you sticking to it? Did you follow the rules? Did you allow your emotions to get the better of you? A string of losses is enough to demoralise any trader. However, this is probably the time for you to review if you have been sticking to your original rules.

Inconsistency

Inconsistency is the bane of most traders. Nothing kills your account more than inconsistent trading. Are you “throwing caution to the wind” and taking trades at your whims and fancies? Are you playing with 10 lots because “you feel like it?” When you trade with an inconsistent pattern, not only will you be counting on luck, the forex market will also make you pay for it if you do.

Ego

You know what needs to be done to improve. But somehow, you don’t do it and try to “prove yourself otherwise” instead. More often than not, your ego is the one big obstacle which prevents you from achieving consistent profits in the forex market. You feel the rush when you actually go against rules – and win the trade.

In forex, you can “trade correctly and lose” and “trade wrongly and win.” Don’t be disillusioned by the latter. A word of advice: Do not pit your ego against a market that trades US\$3 trillion in a single day. It will make you pay heavily for it.

Are you trading with support or resistance? Do an analysis today and you will be surprised at what you might discover about yourself. **SI**



Mario Singh is the co-founder and CEO of FX1 Academy, a pioneer in retail forex education.

THE FOREX TRADER’S PSYCHOLOGY

It all starts in the mind. How an investor wins in the arena of trading currency relies a lot on having the right mental state. At the recent forex convention headlined by book author and renowned professional trader and manager Ed Ponsi, the importance of having the right trading mindset was further highlighted.

In town last month for the two-day “Ed Ponsi Live in Asia” event held November 17 to 18 at the Furama City Centre, Mr Ponsi concluded with the same equation that event organiser by fx1 Academy has been espousing for successful forex trading: 55 per cent state of mind, 30 per cent money management and 15 per cent strategy.

Established in 2006, fx1 Academy is among the pioneers in forex education in Singapore and Asia. Its founders saw the opportunity for traders to tap into the region’s growing market for forex trading and decided to create awareness about this vast potential through education. fx1 Academy offers training courses on forex trading that cater to new and experienced traders.

As part of its aim to nurture successful traders, the education firm brought Mr Ponsi to Singapore to lecture on trading strategies using Fibonacci and other strategies and provide tips on how to trade like professional hedge fund managers. The seminar was highly attended by students of fx1 Academy and the public.

CONCEPTS TO LIVE BY

Warm and engaging, Mr Ponsi charmed his audience with wit and wisdom. He emphasized the point that a successful forex trader never starts without a plan. Just as a traveler needs a road map, it would be best for the forex trader to decide on his course, he said.

Mr Ponsi also advised seminar participants to clearly define their purpose, their starts and stops before entering a trade. This way, they can practice discipline and minimise losses. “If you already know that you will go out when you get to a certain point, you won’t be too stressed,” he said.

No one likes to lose. But sometime pride gets in the way and traders find it difficult to admit when they are making a wrong trade. “Lose small in order to win big. Don’t let the situation run away from you,” Mr Ponsi underlined. While holding on to a bad trade only increases the possibility of losing more, being quick to take gains also lessens the chances of winning more. Unlike investors who can afford to be bullish, traders should be more decisive and adaptable to whatever the situation calls for.

“Traders who do not take responsibility for their actions will never succeed,” said Mr Ponsi. Real traders are analytical and quantitative. They are also consistent and they set achievable goals. They are not driven to trade with their emotion and are not over-confident.

To know more about Mr Ed Ponsi’s upcoming seminar in March 2010, visit www.fx1academy.com. **SI**