

Support and Resistance Forex Monthly Strategy

www.fxpipsgainer.com

This strategy is quite simple and based only on solid technical trading principles that the big institutions and interbank Forex traders also trade on. The classic indicators and patterns on the monthly timeframe work very well because so many people are trading by them and there is no single player that can control the market to that degree to cause fake-outs on the monthly chart. In contrast, all lower timeframes can be affected and are often manipulated in this way.

On the chart lower, we can see such trade examples on the monthly chart.



Horizontal lines indicate support and resistance levels, the significant 1.40 level is also shown on the chart. Green (up) and red (down) arrows indicate the long and short opportunities that existed - EURUSD Monthly chart

We can see several things on this monthly chart. The 1.40 level has been important for EURUSD on several occasions throughout the years. The pair topped and bottomed around this level multiple times as shown on the chart. Further, we can see that support and resistance hold up very well and when confirmed by indicators and patterns provided a number of good trading opportunities.

Trading techniques and indicators for the strategy :

The main idea with this strategy is to have an indicator that shows the trend and overbought/oversold levels and use that together with the key support/resistance zones. Overbought/oversold indicators also can show important areas where a consolidation or a reversal will start even without a support or resistance zone.

Big financial institutions and banks are trading based on these levels and indicators so high probability trades are generated. That's why it's important for any Forex trader to watch them and take note of any signals or patterns.

We are going to use the default MT4 Stochastic and the [SSG Fbar indicators](#) on the chart examples.

Feel free to experiment with other indicators also. Only keep in mind to use a combination of a trend-showing indicator ([SSG FBar indicator here](#)) and an overbought/oversold momentum indicator.

Regarding [support and resistance](#), horizontal as well as trendline support/resistance zones are important. Also, turncoat support/resistance very often is a point of reversals and should also be watching and implemented in the strategy.

Trading conditions:

Long trade entry:

- Identify where support zones exist on the monthly chart. That includes both horizontal support due to past lows/highs but also support due to falling or rising trendlines that connect several past lows or highs.
- Look for a bullish signal to occur at the support zone. Either a bullish chart pattern or a bullish signal from the indicators.

Long trade stop loss:

- Place stop below the low of the bullish pattern

Long trade exit and targets:

- Place target at the next resistance higher
- Or exit when overbought levels are reached on the indicators.

Here's an example of a long trade taken on the monthly chart:



The green up arrow indicates the long entry and the green down arrow indicates the exit. As can be seen on the chart, the exit was a resistance area and the Stochastic was in the overbought zone. The 100.00 level is also shown and how it was significant for USDJPY on multiple occasions over the years - USDJPY Monthly Chart

Short trade entry:

- Determine the most important resistance zones on the monthly chart
- Look for convergence of bearish signals at resistance
- Enter once the above conditions are satisfied

Short trade stop loss:

- Stop behind the top of the bearish pattern

Short trade exit and targets:

- Target the next support down
- An oversold signal on momentum indicators can also be a reason for an earlier exit

An example of a short trade is shown on the chart below.



Green down arrow indicates short entry and green up arrow indicates the exit. The Stochastic and the Master MACD also confirm the trend change as can be seen on the chart - NZDUSD Monthly Chart

Keep in mind:

- Trades can last for a very long time since this is a strategy that is traded on the monthly chart. Thus it should be treated as such and the trader should be prepared and equipped both with capital and patience for trading the monthly chart.
- A bigger deposit compared to trading the short-term charts will certainly be needed as stops will regularly be with a size of several hundred pips. The appropriate deposit can be calculated based on the maximum stop loss size and the position size (lots) intended to be traded.
- Following the macro fundamentals and the main drivers behind large trends in the Fx market will also be helpful when trading large timeframes such as the monthly. There are plenty of resources and articles on the Fx Trading Revolution website that can help traders to understand and trade the fundamentals.

www.fxpipegainer.com