Support & Resistance

Where Price Tends to Turn — Lesson Explainer

The Concept

Support is a price level where buying interest has been strong enough in the past to stop a decline — price approaches it, buyers step in, and it bounces. **Resistance** is the mirror image: a price level where selling interest has been strong enough to cap a rally.

These levels come from **price memory** — a level where a stock has previously reversed sticks in traders' minds, so more orders tend to cluster there next time. Round numbers and prior swing highs/lows are the most common sources.

The most useful idea here is **role reversal**: once resistance is decisively broken, it very often flips and becomes new support — and once support breaks, it often becomes resistance. The market's memory of “we turned around here before” just switches sides.

Real Example: The S&P 500's Old ATH Becomes New Support

Date	Close	vs. $4,796.56	Reading
Jan 3, 2022	$4,796.56	The level itself	Prior all-time high
Dec 28, 2023	$4,783.35	-$13.21	Resistance holds
Jan 18, 2024	$4,780.94	-$15.62	Resistance holds again
Jan 19, 2024	$4,839.81	+$43.25	Breakout above resistance
Jan 31, 2024	$4,845.65	+$49.09	Holds as new support
Feb 14, 2024	$5,000.62	+$204.06	Rally continues, level still holds

Twice in December 2023 and January 2024, the S&P 500 approached its old Jan 2022 all-time high of $4,796.56 and was turned back just under it. On Jan 19, 2024 it finally closed decisively above that level — and from that point on, it never closed back below $4,796.56 again through mid-February. The old ceiling had become the new floor.

5 Things to Know

1. These are zones, not exact prices.

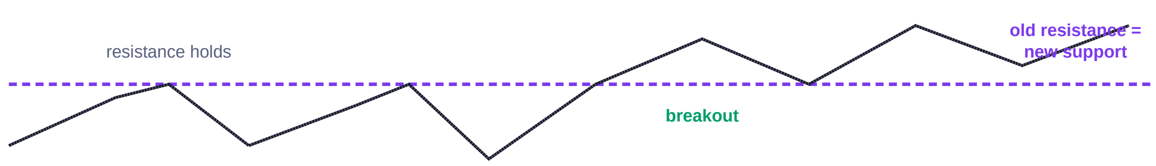
2. The more times a level has been tested, the more significant it's considered.

3. Role reversal is the single most useful pattern to recognize.

4. Round numbers act as informal support/resistance.

5. A level can fail — treat every test as a probability, not a certainty.

How It Looks on a Chart



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Support & Resistance

Quiz — Answer the questions, then check the key on the next page

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1. What is a support level?

A. A price ceiling where selling pressure has capped rallies before
B. The average price over a moving-average period
C. A price floor where buying interest has stopped declines before
D. The day's opening price

2. What is “role reversal” in support and resistance?

A. When a stock switches from one index to another
B. When trading volume and price move in opposite directions
C. When a candlestick changes from bullish to bearish
D. When a broken resistance level becomes new support (or a broken support level becomes new resistance)

3. The S&P 500 was rejected just under $4,796.56 on Dec 28, 2023 and Jan 18, 2024, then closed at $4,839.81 on Jan 19, 2024 and never closed below $4,796.56 again through mid-February. What does this describe?

A. The level failed completely and was never relevant again
B. A resistance breakout, after which the old resistance held as new support
C. A sideways range with no breakout at all
D. A single candlestick pattern

4. Why is a level tested and held 5 times considered more significant than one tested only once?

A. More market participants have “remembered” and reacted to that level, reinforcing it
B. It has no extra significance — every test is identical
C. Five tests always means the level will fail on the sixth
D. It means the company changed its stock ticker

5. Why should you be cautious about treating a support or resistance level as a guarantee?

A. Support and resistance levels are purely random and mean nothing
B. Levels only apply to cryptocurrencies, not stocks
C. Levels reflect how price behaved before, not a rule it must follow next time — they do fail
D. Once a level is tested once, it can never be tested again

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Answer Key

1. What is a support level?

Correct answer: C. A price floor where buying interest has stopped declines before

Support is a price level where demand has historically been strong enough to halt a decline and bounce price back up.

2. What is “role reversal” in support and resistance?

Correct answer: D. When a broken resistance level becomes new support (or a broken support level becomes new resistance)

Once a level is decisively broken, the market's memory of it doesn't vanish — it just switches sides, which is why old resistance so often becomes new support.

3. The S&P 500 was rejected just under $4,796.56 on Dec 28, 2023 and Jan 18, 2024, then closed at $4,839.81 on Jan 19, 2024 and never closed below $4,796.56 again through mid-February. What does this describe?

Correct answer: B. A resistance breakout, after which the old resistance held as new support

Two rejections just under the level, then a decisive close above it that held on every later close, is a textbook resistance-breaks-then-becomes-support example.

4. Why is a level tested and held 5 times considered more significant than one tested only once?

Correct answer: A. More market participants have “remembered” and reacted to that level, reinforcing it

Each successful test adds to the level's “reputation” among traders and algorithms alike, which tends to reinforce it further — though it's never a guarantee.

5. Why should you be cautious about treating a support or resistance level as a guarantee?

Correct answer: C. Levels reflect how price behaved before, not a rule it must follow next time — they do fail

Support and resistance describe historical price memory, not a law of physics — treat every level as a probability worth weighing alongside trend and volume, not a certainty.