

The Support/Resistance Overlap Strategy.

As traders, our job is NOT to predict the future, but to spot low-risk opportunities (particularly at visual inflection points) and manage open positions in real-time as new information appears each day on the price chart. A common low-risk trading strategy is taking advantage of resistance level breakouts. When prices break above an established resistance level, this level usually becomes new support on a pullback. Buying on this new support level provides a low-risk entry with a stop-loss just below the support area in case support fails and prices break down. We illustrate an example of this overlap strategy below.

THE SUPPORT/RESISTANCE OVERLAP STRATEGY: SOYBEAN: ZS X6 JUNE 27TH



ADAPTED OPTION STRATEGY: BULL CALL SPREAD

As the upside potential is limited by the 1176 target resistance level, a bull call spread allows you to lower the cost of the strategy (in comparison to a straight long call) by selling a call out of the money. As a result, the strategy consists of the simultaneous purchase of a call with a strike at 1120 and selling a call with a strike at 1180 (slightly above the target resistance level). Although the reward is limited, so is the downside risk.

BULL CALL SPREAD: Leg 1

Trading Symbol	ZS X6
Option Type	CALL
Option Strategy	BUY
Strike	1120
Expiration	Nov 2016

BULL CALL SPREAD: Leg 2

Trading Symbol	ZS X6
Option Type	CALL
Option Strategy	SELL
Strike	1180
Expiration	Nov 2016

ADAPTIVE FUTURES STRATEGY

Trading Symbol	ZS X6
Strategy	Long
Entry Point	1115.75
Target	1176
Stop Loss	1097
Contract Expiry	Nov 2016

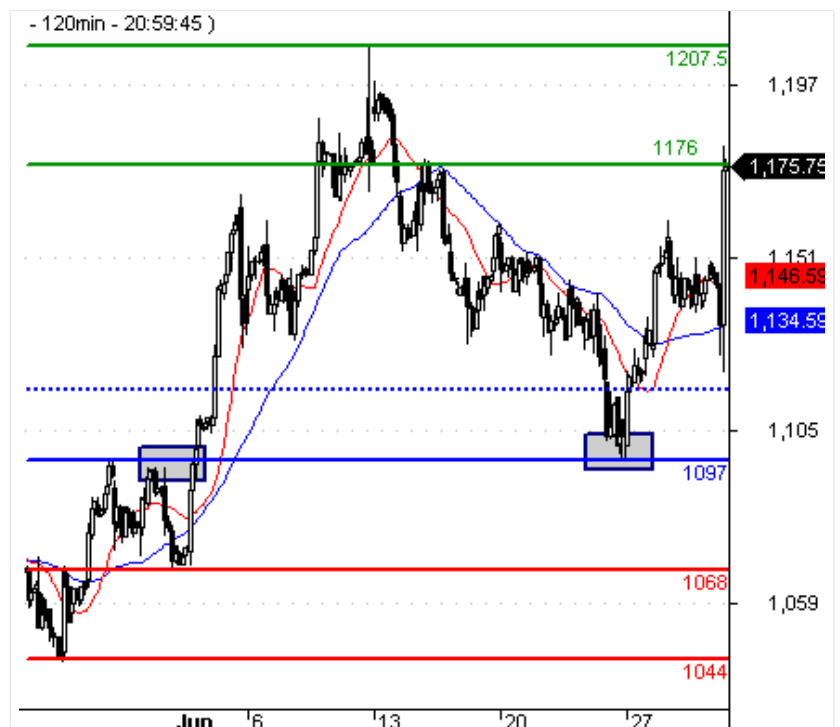
POTENTIAL GAIN PER CONTRACT

The target of this overlap strategy is the next significant resistance level set at 1176 (June 15 high). Profit should be taken at or near this level as prices may reverse down sharply as short sellers may take advantage of this key resistance level.

POTENTIAL DOWNSIDE PER CONTRACT

If prices close below the support level at 1097 positions should be closed with a limited loss. The next support level rests at 1068 (June 1st low) indicated on the chart.

ACTUAL OUTCOME



Support/Resistance Overlaps Happening Now

Lean Hog Futures:



10Yr Note Futures: ZN



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