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Support/Resistance: 11 Methods Backtest Results

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VISUALSECTORS

Support & Resistance — but measured

Why the “best level” depends on the stock — and how to query it in seconds

WEBINAR | FOLLOW-UP (20 DAYS)

Two takeaways (the whole story)

01 **S/R levels perform differently for individual names**

02 **Measuring is how you get control over trading performance**

→ We'll show what the backtests say across 11 level methods.

→ Then we'll show how to access it via an LLM chat UI (decision-time queries).

KEY FACT

Retail investors are estimated to be ~30–37% of daily U.S. equity trading volume.

Source: MEMX

However, "more participation" doesn't make level decisions more consistent.

Recap: Define → Validate → Assess → Compare

Define
Price • zone • timeframe • confirmation

Validate
Controls against overfitting

Assess
Win rate • magnitude • risk

Compare
Pick per stock + horizon

KEY FACT

Odean's classic evidence shows many investors sell winners too early and hold losers too long (the "disposition effect").

Source: Odean (1998)

→ Today we go deeper on **"Compare"** — because winners differ by name.

But even with better discipline, the choice of S/R method still matters.

The problem isn't "levels"...

It's the lack of a measurement loop.

- → Most traders can draw S/R.
- → Fewer can define "worked" vs "didn't" consistently.
- → Without measurement, you can't compare methods or improve execution.
- → **So improvement becomes "opinion vs opinion" — not iteration.**

KEY FACT

In large brokerage data, higher turnover is associated with lower net returns for individual investors (trading costs matter).

Source: Barber & Odean (2000)

However, "measure it" only works if we define outcomes before looking.

Define outcomes (Bounce vs Break)

Same level, different "game". Label them separately.

Bounce-back trade

- Touch zone
- Level HOLDS
- Measure:
  win rate + bounce + MAE

Breakout trade

- Enter zone
- Level BREAKS
- Measure:
  break rate + follow-through

KEY FACT

Choosing "the best backtest" among many variations can be heavily overfit — selection bias grows with the search space.

Source: Bailey & López de Prado

But once outcomes are fixed,
we can compare methods fairly.

What we tested

11 methods × 8 holding periods × Support/Resistance × ~30 metrics

Methods tested:

- Pivot
- Round
- Volume Profile
- Fib
- Donchian
- DEX
- Gaps
- Keltner
- Swings
- Bollinger Bands
- Moving Averages

→ We track not just "win rate", but also bounce size, break size, and risk behavior.

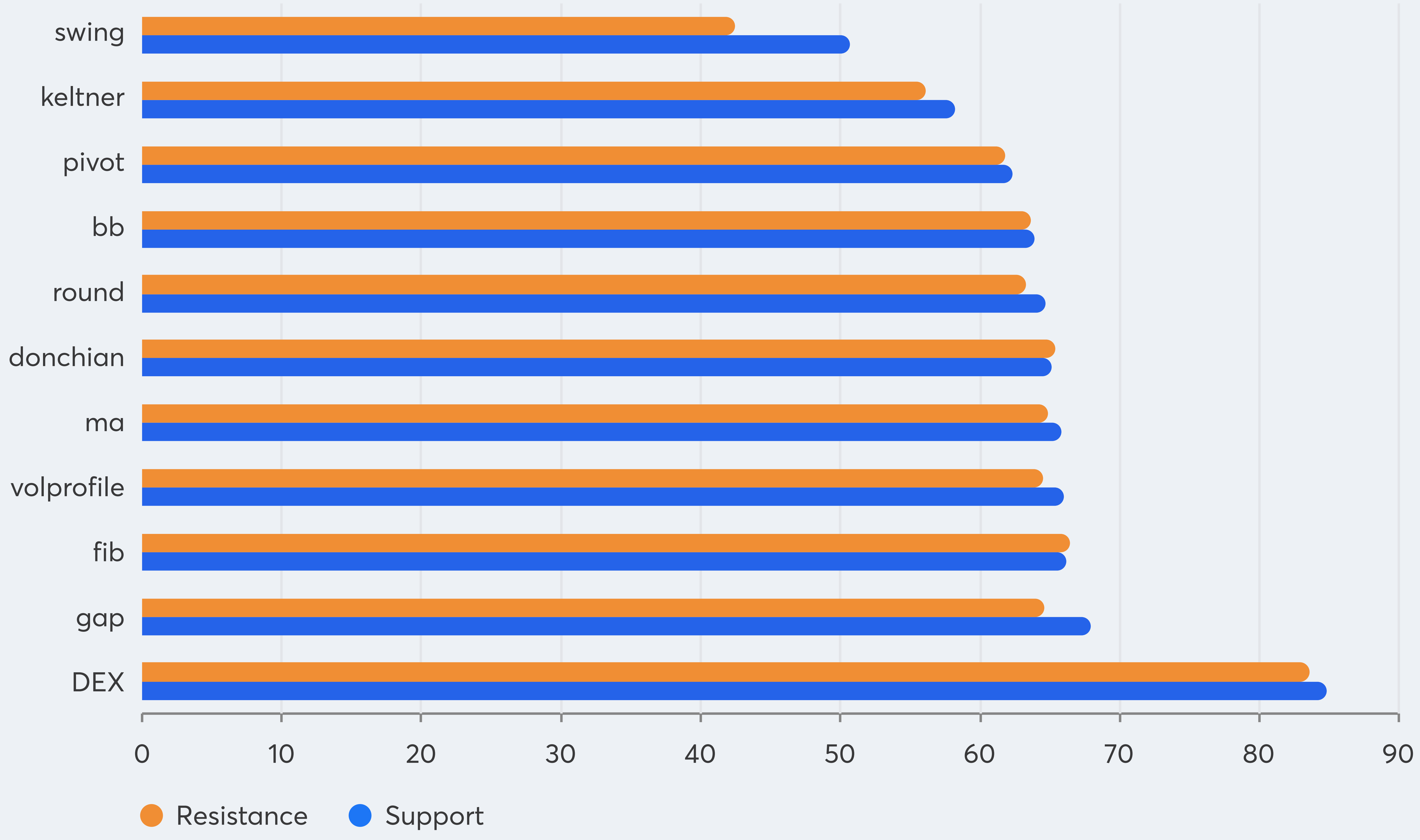
→ Results below use your backtest summary tables.

However, a leaderboard is only useful
if it separates win rate from magnitude.

Results: average win rate by method

Support vs Resistance (your backtest summary)

Average win rate (%, higher is better)



KEY FACT

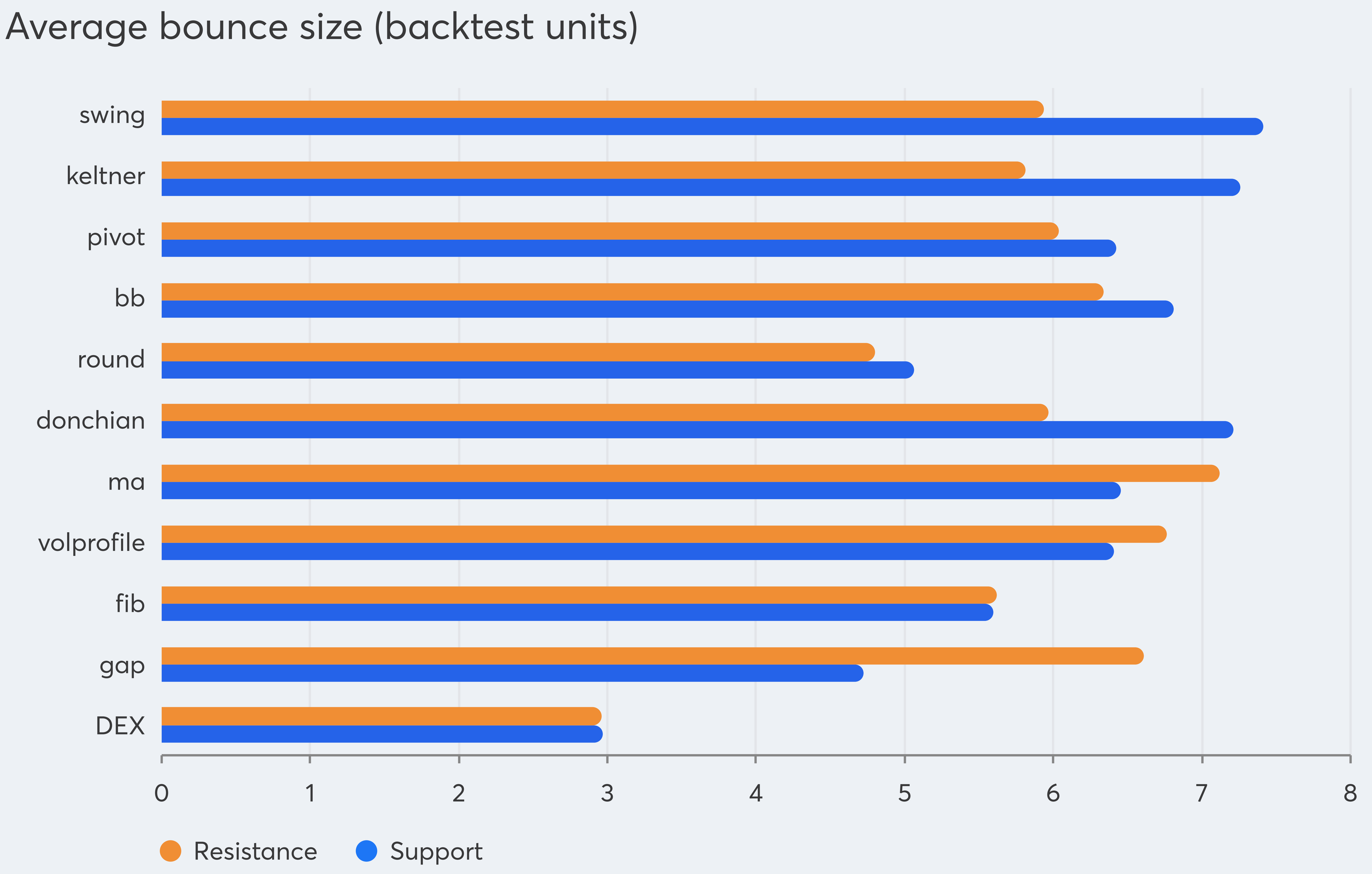
In a large day-trader dataset, fewer than 1% show persistent positive abnormal performance net of trading costs.

Source: Barber et al. (2014)

But high win rate can still be a bad trade if the move size is small.

Results: average bounce size by method

A win rate leaderboard is incomplete without magnitude.



KEY FACT

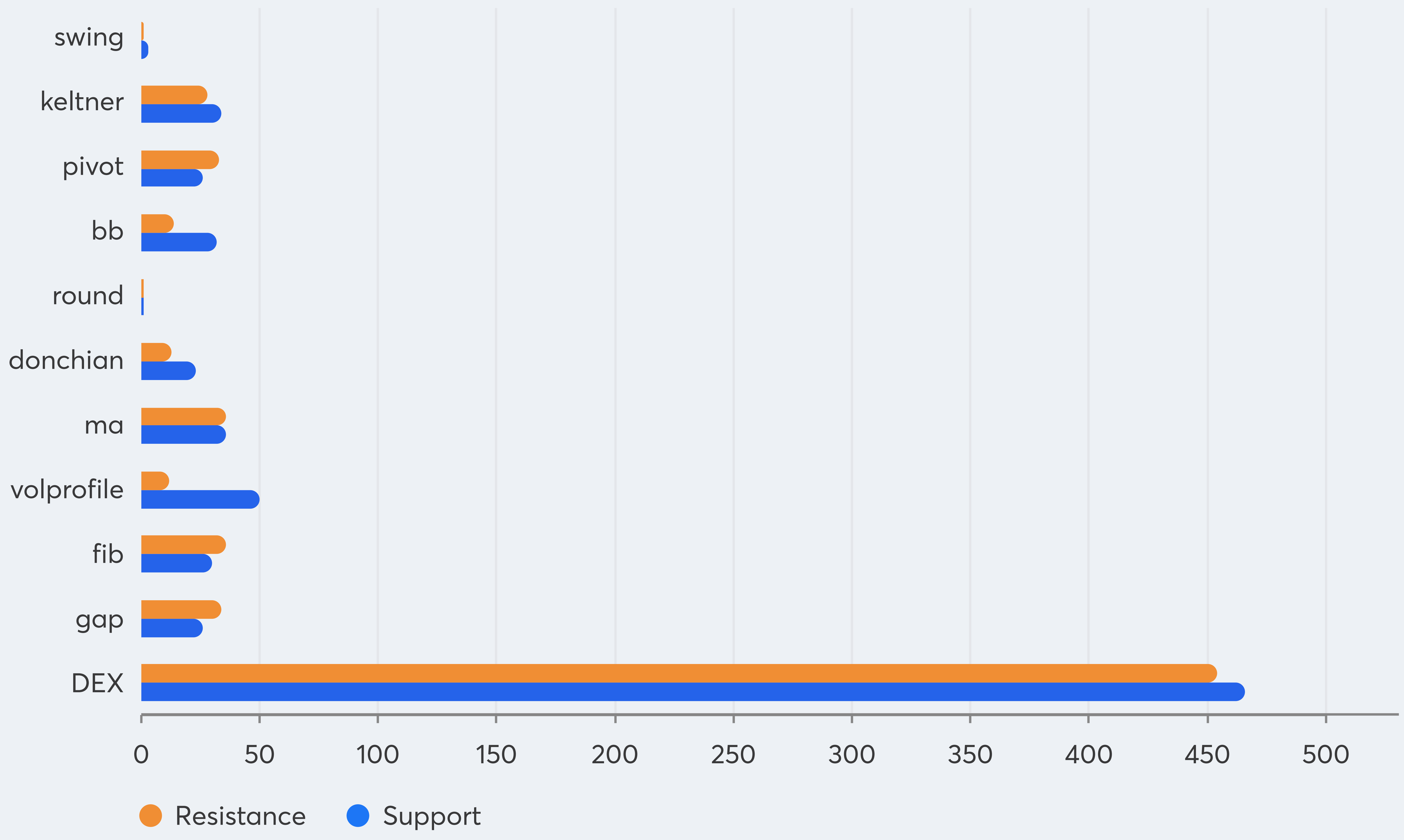
Round-number price trading is measurably common: integer-price trades can be >3× more likely than expected in account-level data.

Source: Bloomfield et al.

However, averages still hide the most important point: name-by-name variation.

How often does a method produce "strong" levels?

Count of stocks with win rate > 70% (by method, your backtest)



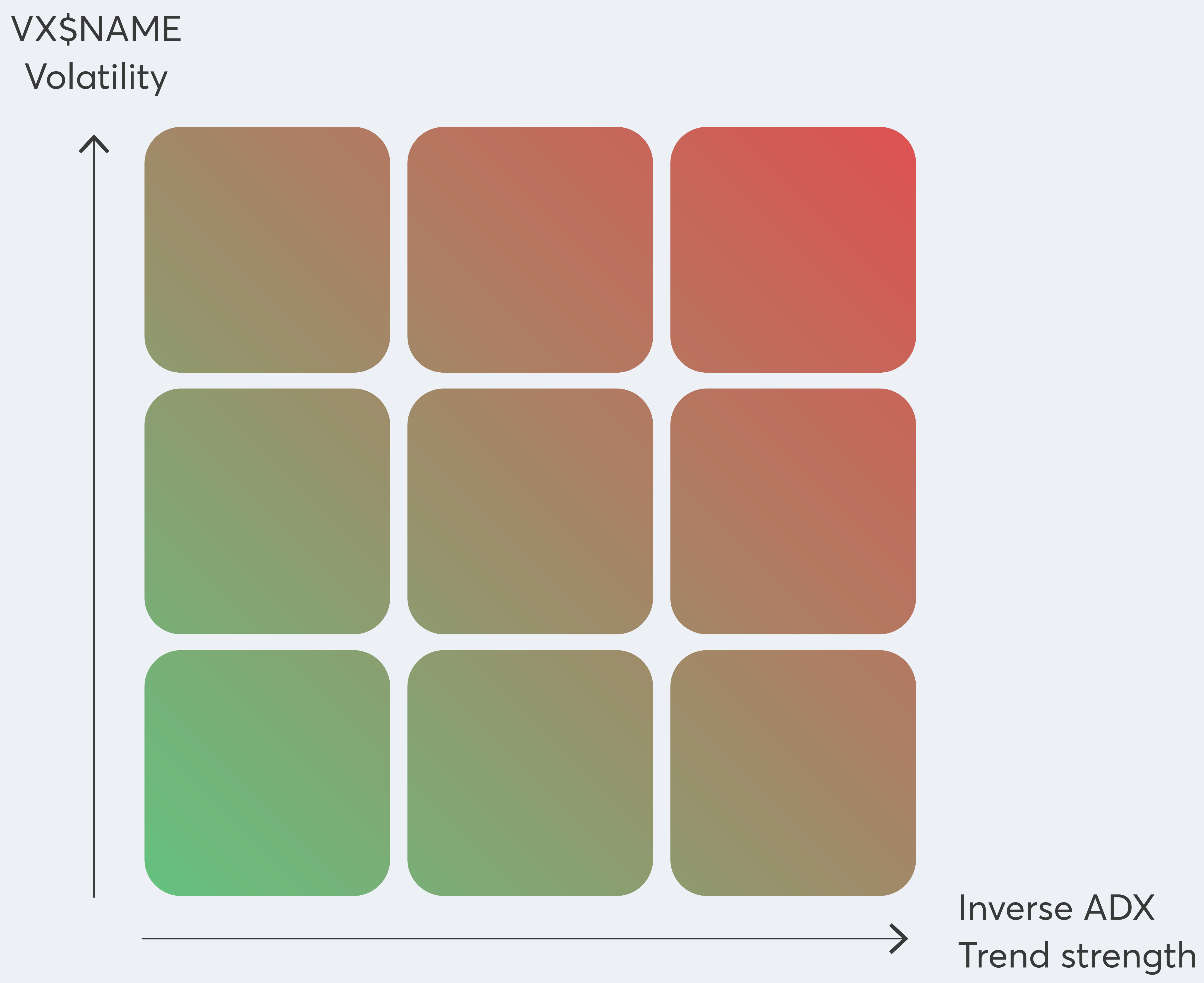
INTERPRETATION

Some methods have more "reliable" stocks — however that doesn't mean they are best for YOUR stock.

But the most actionable question is still: "what works for my ticker?"

Asset regimes

Trend and volatility



VX$NAME
We calculated VIX-like Volatility for each stock

ADX
We used Average Directional Index to define Trend strength

→ Level methods don't just differ from stock to stock.

→ 9 possible market regimes should be taken into account

However, knowing this is useless unless you can retrieve it at decision time.

Asset regimes

For one ticker, the data explodes:
11 methods × 8 holding periods × Support/Resistance × 9 metrics x 9 market regimes = 14,256 data points

→ Manually scanning this is slow — and it encourages cherry-picking.

→ What you want is a “query layer” that returns the best levels for your objective.

So the question becomes:

“How do I ask for the right level, right now?”

However, knowing this is useless unless you can retrieve it at decision time.

Use case #1: find entries & exits

Start with positioning: where is price relative to the nearest S/R?

01 **Context** — Nearest Support/Resistance + distance

02 **Intent** — Bounce-back or Breakout?

03 **Parameters** — Targets + invalidation from history

KEY FACT

A stop order (stop-loss) becomes a market order once the stop price is reached (execution can gap).

Source: Barber & Odean (2000)

However, entry timing only works if stops are placed with a consistent rule.

Use case #2: bounce-back trades

Fade the level — but only when history supports it.

What the UI should answer:

- Which support is most likely to HOLD for my holding period?
- What's the typical bounce size?
- What's the typical adverse move (for stop placement)?

What we return (example fields):

- Hold rate + confidence band
- Avg bounce magnitude
- MAE/MFE + "break" threshold
- Rank by objective (hold_rate, risk_reward, magnetic…)

Rule of thumb:
a "good bounce level" is not just high win rate — it also has acceptable adverse move (stop) and repeatability (tests).

But sometimes the correct trade is the opposite: trade the break, not the bounce.

Use case #3: breakout trades

Don't fade a level that historically breaks on this ticker.

We measure:

- Break rate (soft + hard)
- Avg break follow-through move
- False-break rate (break then revert)
- Time-to-break/number of tests before failure

→ **Breakout decision = probability of break × expected follow-through, minus the cost of being wrong (stop + slippage).**

KEY FACT

Options can influence spot: research finds stock prices cluster ("pin") around option strike prices on expiration dates due to hedging pressure.

Source: Ni, Pearson & Poteshman (2005)

However, none of this helps if the data isn't reachable in one question.

Solution: an LLM chat UI over backtested S/R

Ask in plain English → get ranked levels + the metrics behind the answer.

AI Assistant ?

Find entry/exit | Set stop loss | Screener

What do you want to do?

- "How strong is Support for a long trade entry?"
- What is the likely bounce size if I buy here?
- What is the breakout entry and exit price?
- I need to know probability of the Resistance level working in the next 5 days

What it gives you

- Ranked levels by objective
- Holding-period-aware stats
- Stops & targets grounded in history
- Exportable "report card" per level

KEY PROMISE

No "AI signals".
Just fast access to your measured edge.

But a tool is only as good as the questions it answers.

3 questions the UI should answer instantly

Each maps directly to a trading decision.

Entry / Exit

Q: "What are the closest levels with best expectancy for 3–5 days?"

A: Returns: ranked S/R, probability, typical move.

Bounce-back

Q: "If price tags support, how far does it usually bounce?"

A: Returns: bounce size, MAE, confidence.

Stop placement

Q: "Where should my stop go for a fade vs a breakout?"

A: Returns: invalidation thresholds + tail moves.

However, the real win is building a review loop: definitions → outcomes → adjustments.

CLOSING

Measure first. Then trade the right levels for the right stock.

01 S/R performance is name-specific — pick methods per stock and holding period.

02 Measurement gives control — definitions → backtest → review loop.

Want early access? We're onboarding pilot users for the chat UI.

Q&A → Drop a ticker + holding period in chat.