



equiti
plus

FOREX TRADING



SMART MONEY CONCEPT

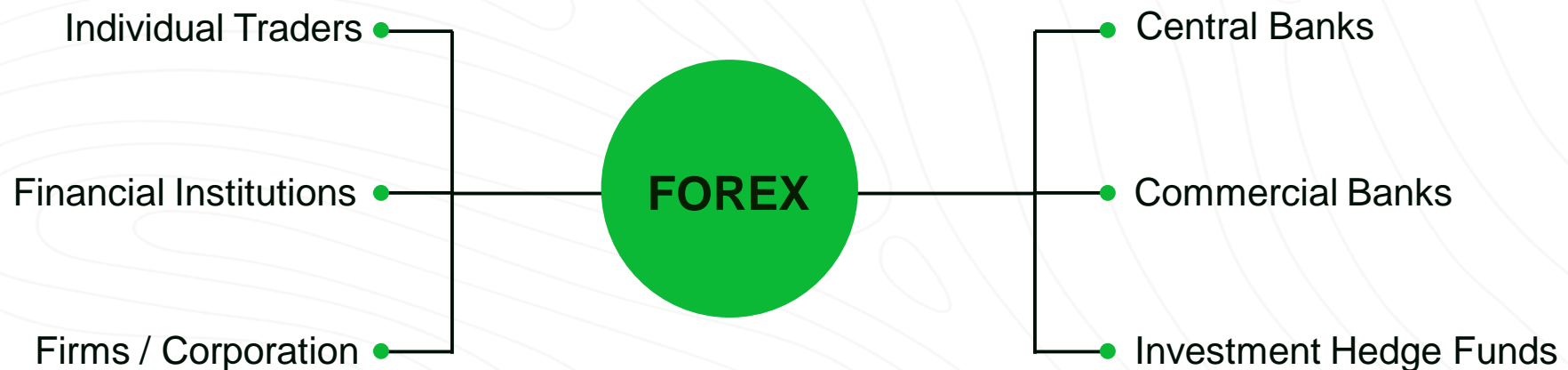


INSTITUTIONAL TRADER



WHAT IS SMART MONEY?

- ❖ **Smart Money** is the capital controlled and employed by Institutional investors/traders, these Institutional Investors or Traders can be also called as Market Makers/Smart Money/Big Players etc.
- ❖ **Institutional traders/investors** are Central banks of the Countries, Hedge Funds, Commercial Banks, Investment Companies, Multi National Companies etc.
- ❖ Smart money also refers to the force that influence the moves of market



WHAT ARE **SMART MONEY** CONCEPTS?

1. The method of indentifying the “footprints” of Institutional investors / Traders way of trading/investing in financial markets is called as Smart Money Concept (SMC) – Here we will be using advanced price action methods to identify the “Footprints” of Smart Money /Institutional traders.
2. The Foot prints of Market Maker / Smart Money can be identified by learning and applying the below Smart Money Concepts.

- ❖ Market Cycles & Structures
- ❖ Supply and Demand Zones
- ❖ Trading with Blocks / POI
- ❖ Understanding imbalance
- ❖ Understanding Liquidity Concepts
- ❖ Applying Advanced Price action methods



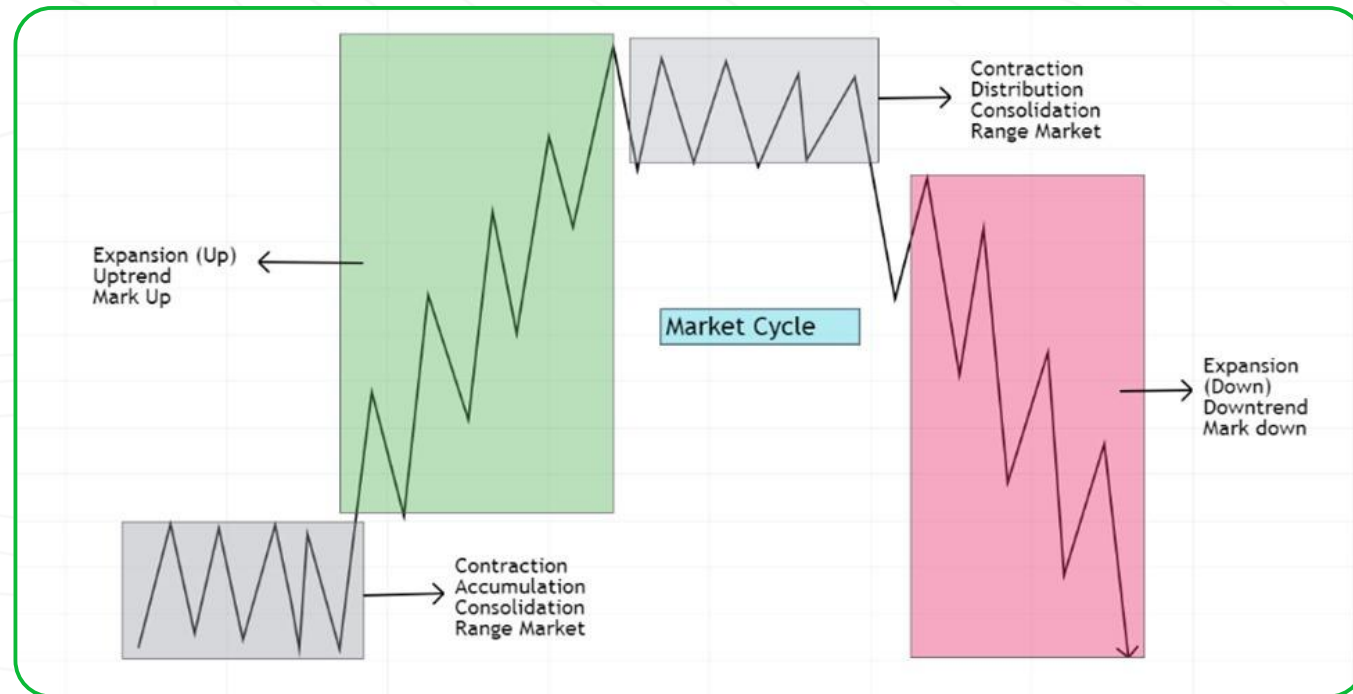
MARKET CYCLE & STRUCTURE



MARKET CYCLES

❖ Every Market has two Phases – Expansion Phase & Contraction Phase

❖ Expansion Phase or Trending Market can be Up Trend or Down Trend



MARKET CYCLES

❖ Every Market has two Phases – Expansion Phase & Contraction Phase

❖ Expansion Phase or Trending Market can be Up Trend or Down Trend



EXPANSION PHASE

Expansion phase has: Impulsive Moves, Retracement, Continuation of Trend and Reversal of Trend

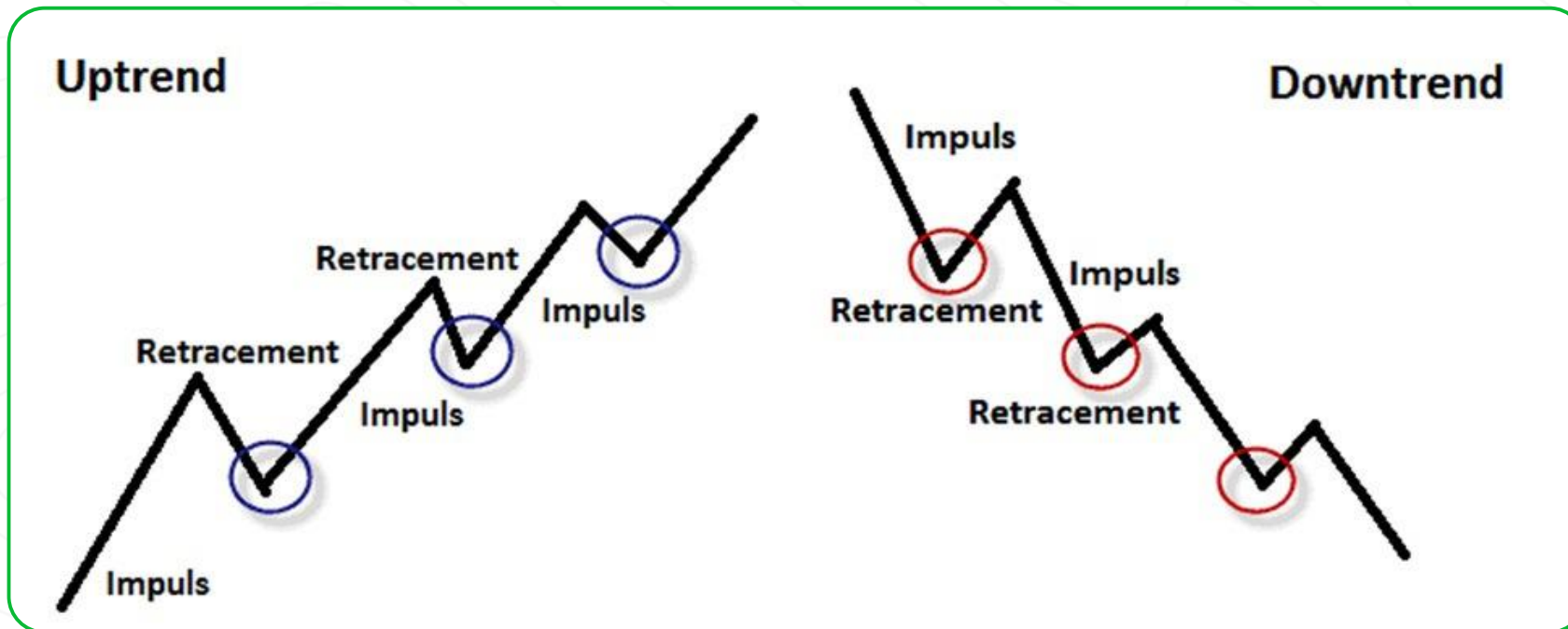
- ❖ **Impulsive Moves:** A violent Up or Down move, generally big fat candles are considered as impulsive moves, in general impulsive moves starts after Swing Points and complete before Swing Points .
- ❖ **Retracement:** Retracement or Pull back or Correction is the move which go against impulsive move at least to the 50% of impulsive move. Retracement occurs after every impulsive move got over; it is also understandable that retracement occurs when traders book their profits.

Retracement / Pullback can be Shallow Pullback or Deep Pullback



EXPANSION PHASE

Expansion phase has: Impulsive Moves, Retracement, Continuation of Trend and Reversal of Trend



EXPANSION PHASE

❖ Continuation of Trend:

When price gain momentum from retracement level and breaks the structural points / Swing Points and continues to go the original direction is called as Continuation of Trend

❖ Reversal of Trend:

As a name suggests, when price change its direction and go opposite direction it's called as Reversal of Trend, generally reversal of trends occurs at Swing Points



EXPANSION PHASE



CONTRACTION PHASE

- ❖ **Contraction:** Contraction / Range / Consolidation / Choppy / Sideways - is the market at which prices got held inside a Price range... contraction phases are generally a indecisive zones, buy or sell entries can be taken only if price breaks the range



CONTRACTION PHASE

- ❖ **Contraction:** Contraction is the phase bulk orders been staked by Big players of the market, once a Range is broken price tend to create Impulsive moves and followed by Retracement, Continuation and Range Market and finally Reversal of trend, this will repeat over and over again



MARKET STRUCTURES



MARKET STRUCTURE

- ❖ **Market Structures** - When price reacts at certain level or points that is called as Market Structures for example Swing Points, retracement levels, Range highs and lows and every candle's high and lows are called as Market Structures
- ❖ Trader can identify the market structure by indentifying the Highs and Lows of the Market
- ❖ Market either makes, Higher Highs and Higher Lows or Lower Lows and Lower Highs



MARKET STRUCTURE

- ❖ If Market is Bullish then it should make **Higher Highs and Higher Lows**



MARKET STRUCTURE



- ❖ If Market is Bearish then it should make **Lower High and Lower Lows**

MARKET STRUCTURE

- ❖ Break of Structures / Break of Market Structures (BOS / BMS) - When Price breaks Swing Points / any other structural points it's called a BOS/BMS.
- ❖ Every time price breaks the Swing Highs or Swing Lows it tends to continue its direction
- ❖ BOS helps to find the direction of the market
- ❖ BOS is considered only when body of the candle breaks the wick of the candle
- ❖ A Wick breaking the Wick of the candle is not a valid BOS



BREAK OF STRUCTURES





BREAK OF STRUCTURE – BULLISH

BREAK OF STRUCTURE – BEARISH



SHIFT IN MARKET STRUCTURES



SHIFT IN MARKET STRUCTURES



- ❖ Shift in Market Structures – SMS
- ❖ SMS occurs when price fails to break structures after successful retracement

ASSIGNMEN

- ❖ Take EURUSD Chart At M15 Time Frame And Mark Hh,hl, Lh,ll
- ❖ Take XAUUSD Chart At H4 Time Frame And Mark Expansion And Contraction Phases
- ❖ Takes GBPJPY Chart At H1 Time Frame And Mark Valid Break Of Structures



SUPPLY & DEMAND CONCEPTS



SUPPLY AND DEMAND **IN GENERAL**

❖ **Supply** is a fundamental economic concept that describes the total amount of a specific good or service that is available to consumers.

❖ **Demand** is an economic principle referring to a consumer's desire to purchase goods and services and willingness to pay a price for a specific good or service



LAW OF SUPPLY AND DEMAND

- ❖ In general, Price of the product influences the Supply and demand of the Product
- ❖ If the Prices are high then Demand for the product will be Low
- ❖ If the Prices are Low then Demand for the product will be High
- ❖ If the Prices are high then Supply of the product will be high
- ❖ If the Prices are Low then Supply of the product will be Low

Sometimes, Price and Demand of the product are directly related, means

If the Prices are high then Demand also will be high For example:
Price of Petrol, Diesel and Gold



EQUILIBRIUM PRICE



EQUILIBRIUM PRICE

- ❖ If Demand and Supply of the products are EQUAL i.e. **Demand=Supply** then Prices will be Equal or Equilibrium or Balanced.
- ❖ In real life scenario, some of the products like prices of Rice and Wheat, remains unchanged for years, this is because the Demand and Supply of the products neither high nor low, this creates Equilibrium Prices



SUPPLY & DEMAND **IN TRADING**



SUPPLY AND DEMAND IN TRADING

- ❖ Trading financial markets is all about Buying and Selling, a Trader can able to BUY only if other Trader willing to SELL, Similarly a Trader can able to SELL only if other Trader willing to BUY Willingness to buy at certain Prices is called as Demand Willingness to sell at certain Prices is called Supply
- ❖ Every time prices change its direction, the relationship between Supply and Demand changed.



**FINDING SUPPLY
& DEMAND ZONES
IN CHARTS**



FINDING **SUPPLY AND DEMAND** ZONES IN CHARTS

Supply and Demand Zones can be found in any charts by finding certain chart Patterns

DEMAND ZONES

Rally Base Rally – **RBR**

Drop Base Rally – **DBR**

SUPPLY ZONES

Drop Base Drop – **DBD**

Rally Base Drop – **RBD**



DEMAND ZONE:

RALLY BASE

RALLY – RBR

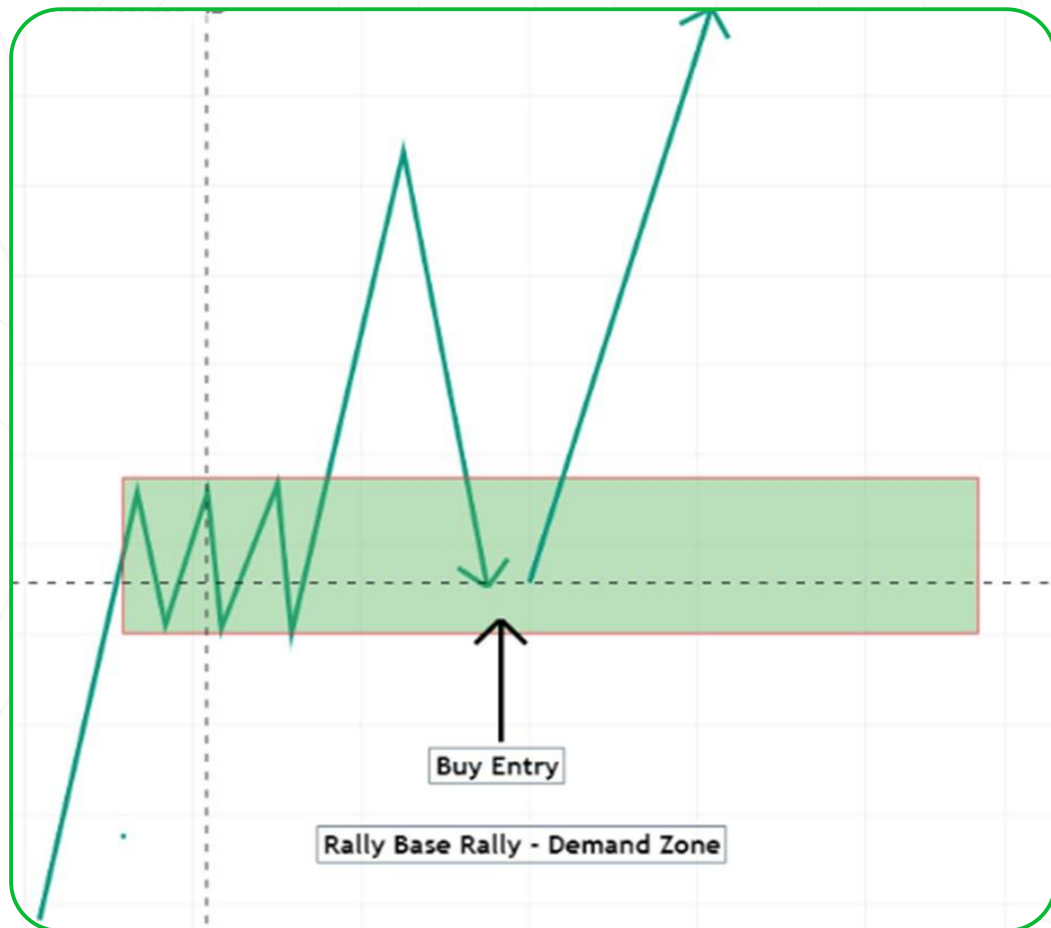


DEMAND ZONE: RALLY BASE

RALLY - RBR

- ❖ Rally Base Rally is a Demand Zone it's also called as **Continuation pattern**.
- ❖ Price will make Impulsive Up moves first then followed by Retracement or Contraction then move end up with another Impulsive Up move. Since price continues its original direction i.e. Bullish, it's called as **Continuation Pattern**.
- ❖ A Valid Rally Base Rally - Demand Zone should break the previous structural points.





DEMAND ZONE: RALLY BASE RALLY - RBR

DEMAND ZONE: RALLY BASE RALLY - RBR



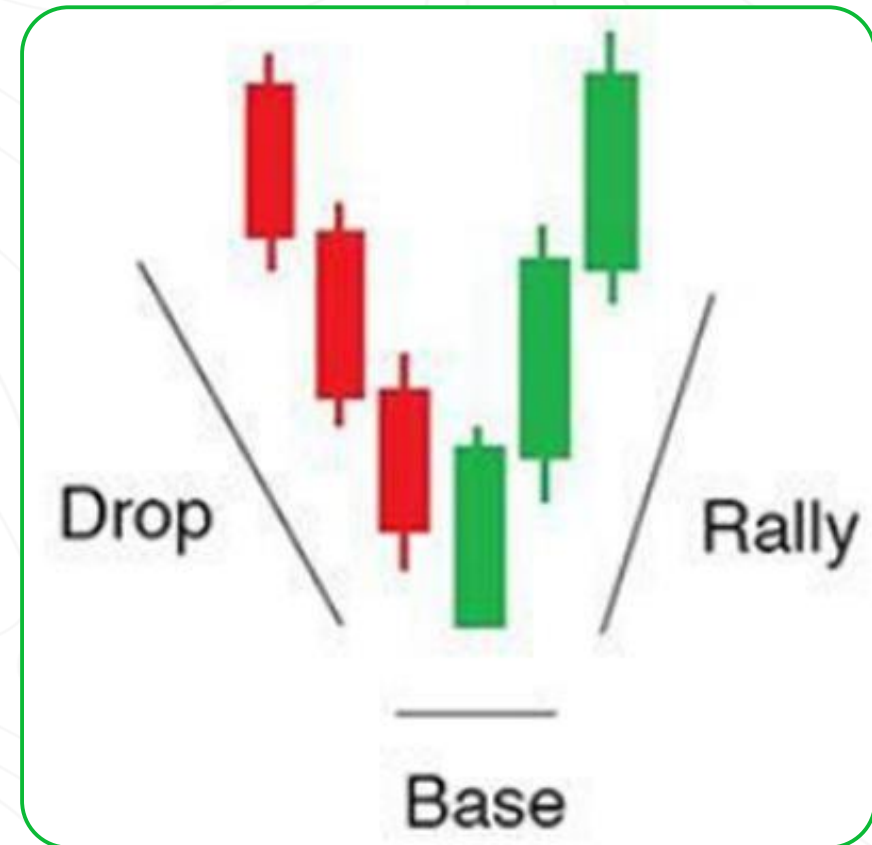
DEMAND ZONE:
DROP BASE
RALLY – DBR



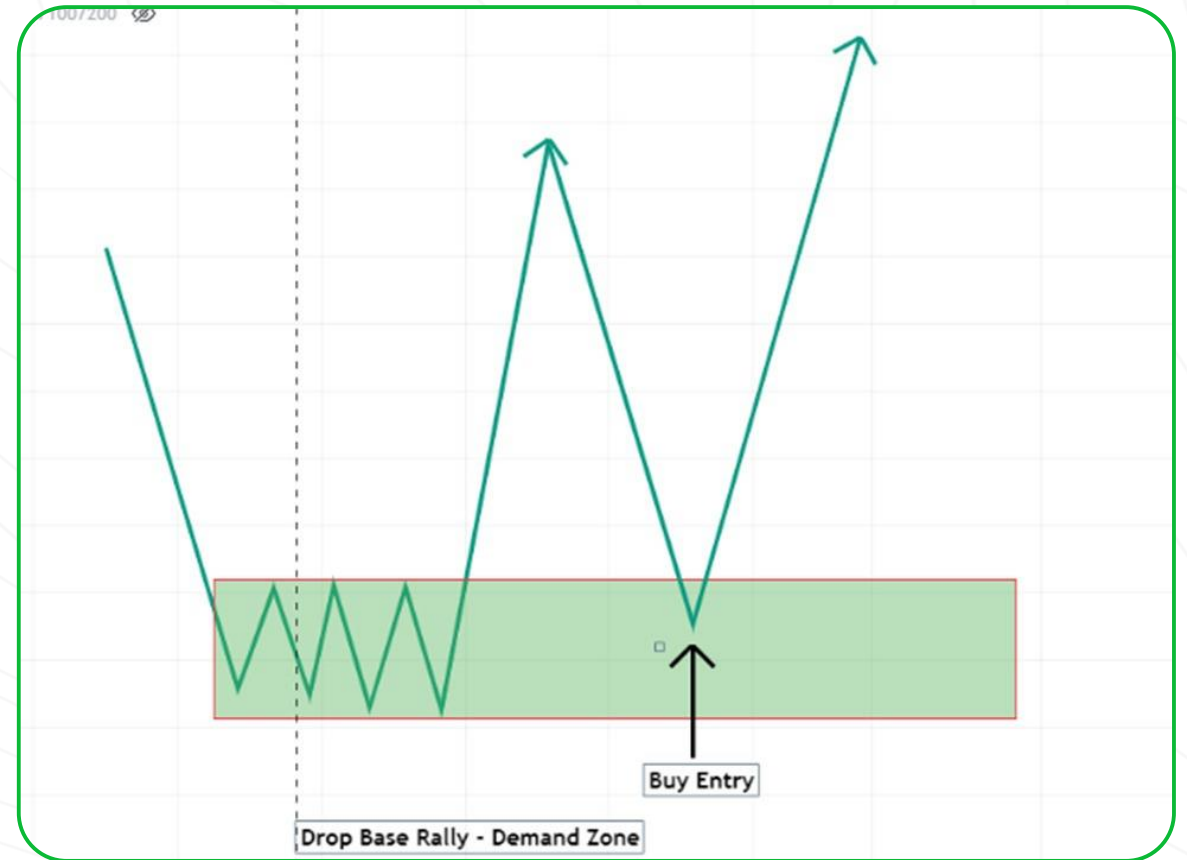
DEMAND ZONE: DROP BASE RALLY

RALLY - DBR

- ❖ Drop Base Rally is a Demand Zone it's also called as **Reversal Pattern**
- ❖ Price will make impulsive down move first then followed by Contraction or Range market and end up with impulsive move to Upside. Since price changed its direction from down move to up move i.e. Bullish, its called as **Reversal Pattern**
- ❖ A Valid Drop Base Rally - Demand Zone should break the previous structural points



DEMAND ZONE: DROP BASE RALLY - DBR



DEMAND ZONE: DROP BASE RALLY - DBR



SUPPLY ZONE:
DROP BASE
DROP – DBD



SUPPLY ZONE: DROP BASE

DROP - DBD



- ❖ Drop Base Drop is a Supply Zone it's also called as **Continuation pattern**.
- ❖ Price will make Impulsive down moves first then followed by Retracement or Contraction then move end up with another Impulsive down move. Since price continues its original direction i.e. Bearish, it's called as **Continuation Pattern**.
- ❖ A Valid Drop Base Drop - Supply Zone should break the previous structural points



SUPPLY ZONE: DROP BASE DROP - DBD

SUPPLY ZONE: DROP BASE DROP - DBD



SUPPLY ZONE:
RALLY BASE
DROP – RBD

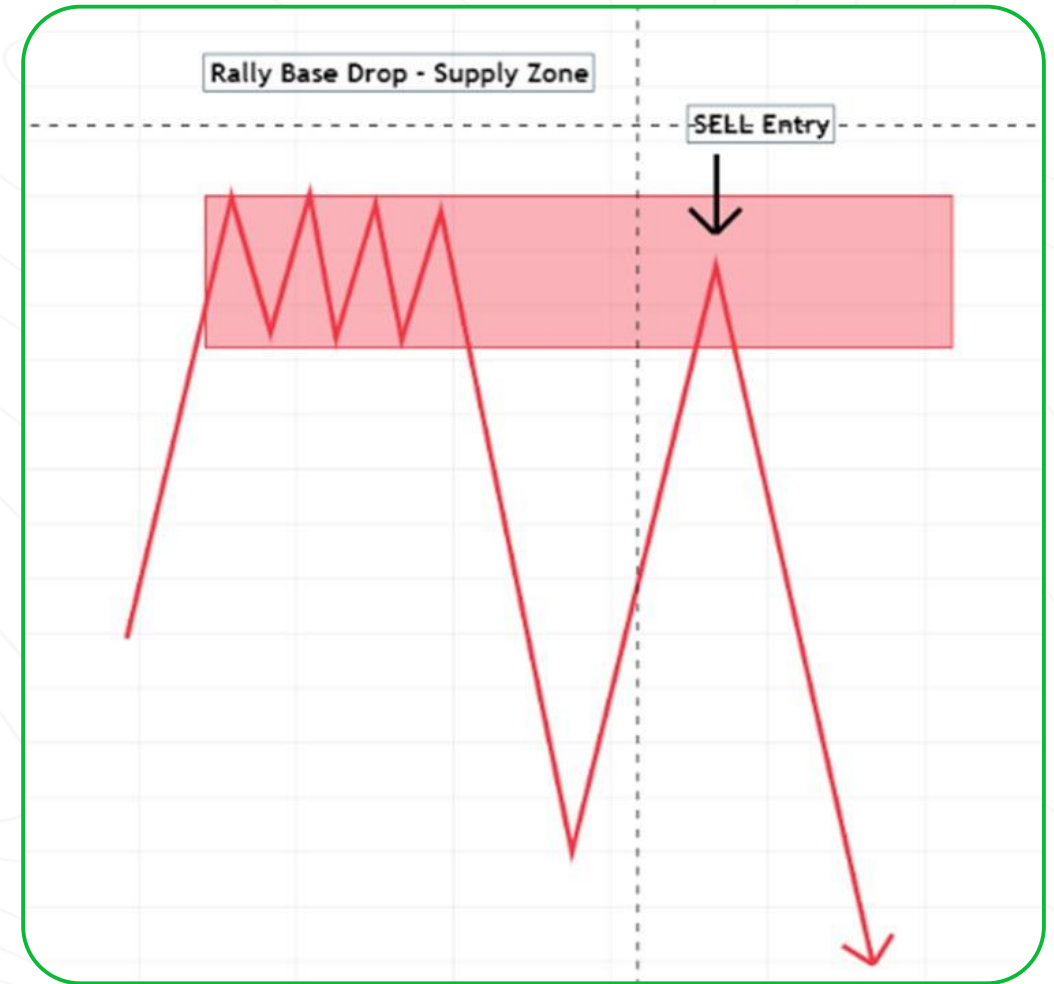


SUPPLY ZONE: RALLY BASE DROP - RBD

- ❖ Drop Base Drop is a Supply Zone it's also called as **Continuation pattern**.
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- ❖ A Valid Drop Base Drop - Supply Zone should break the previous structural points



SUPPLY ZONE: RALLY BASE DROP - RBD





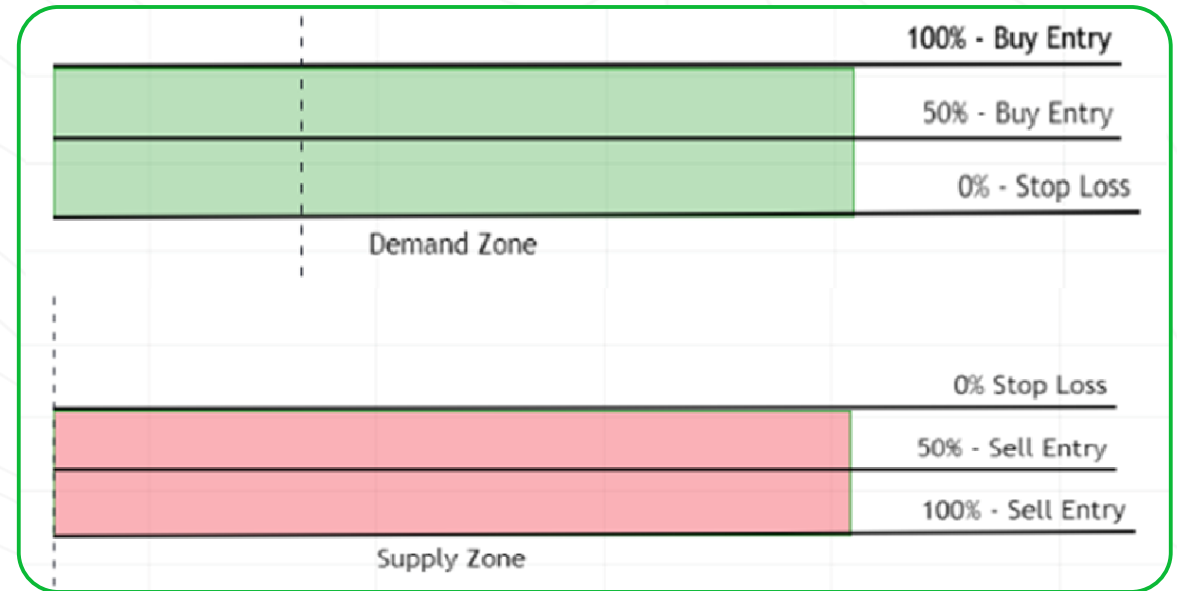
SUPPLY ZONE: RALLY BASE DROP - RBD

ENTRY
STOP LOSS
AND TARGET



SUPPLY ZONE: RALLY BASE DROP - RBD

- ❖ Both buy and Sell entries should be placed either 50% or 100% of Base / Zones
- ❖ Stop Loss should be placed at 0% of Base / Zones
- ❖ Always set target at nearest Swing Points

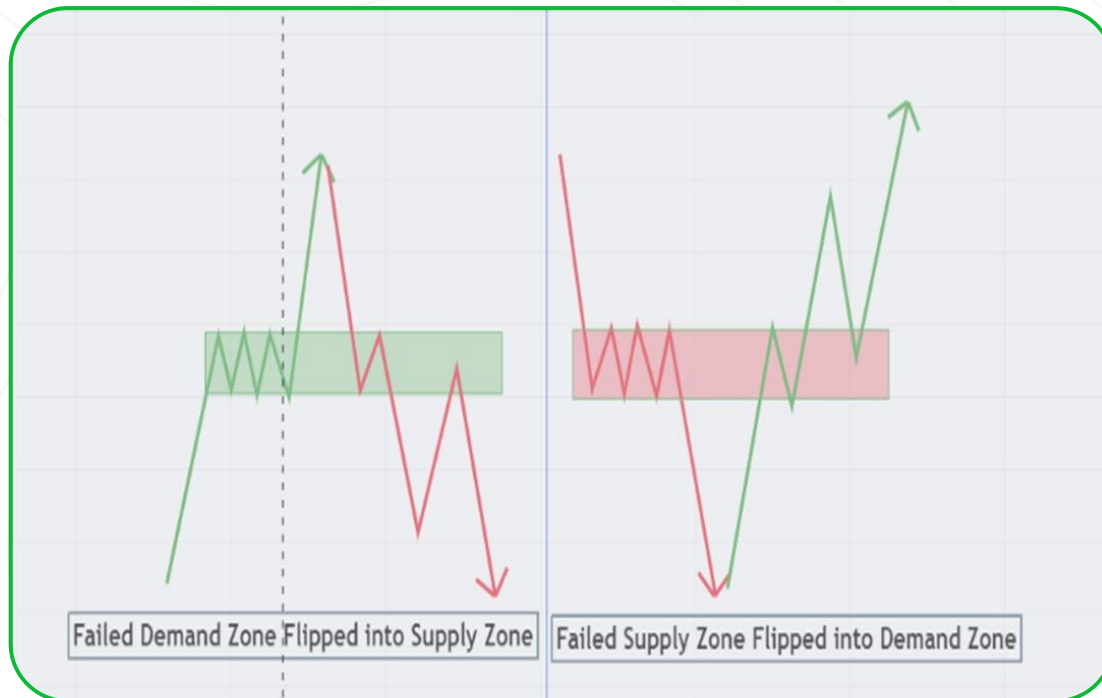


FLIP ZONES



FLIP ZONE

When a Demand or Supply Zone failed it becomes Flip Zone that means:



- ❖ If a Demand Zone failed it Flipped into Supply Zone
- ❖ If a Supply Zone failed it Flipped into Demand Zone

**FLIP ZONES:
SUPPLY TURNED
INTO DEMAND**



FLIP ZONE: SUPPLY TURNED INTO DEMAND



**FLIP ZONES:
DEMAND TURNED
INTO SUPPLY**





FLIP ZONE: DEMAND TURNED INTO SUPPLY

ASSIGNMENT

- ❖ Find Demand Zones In EURUSD M15 Chart
- ❖ Find Supply Zone In USDJPY M30 Chart
- ❖ Find Flip Zone In GBPJPY H1 Chart
- ❖ Find Dbd Zone In XAUUSD M5 Chart
- ❖ Find Rbd Zone In XAUUD H4 Chart



**TRADING WITH
INSTITUTIONAL ORDER
BLOCKS / POI**



ORDER BLOCKS

What is Order Blocks?

- ❖ Institutions trade using order blocks. The Order Block is a specific price range or candle where institutions will be buying or selling against the retail trend/dump money.
- ❖ Institutions leave order blocks for themselves to trade at a later stage. They will reverse the price to a previous order and then driving the price hard in the direction of the trend (The real institutional trend).
- ❖ These order blocks we can also call them specific levels of either going long or Short.



TYPES OF ORDER BLOCKS

❖ **Bullish Order Block**

❖ **Block Breaker Block**

❖ **Mitigation Block**

❖ **Bearish Order**

BULLISH ORDER BLOCKS



BULLISH ORDER BLOCKS

- ❖ Last bearish candle before impulsive Up move is called as Bullish Order Block
- ❖ The Impulsive moves should break the previous market structures



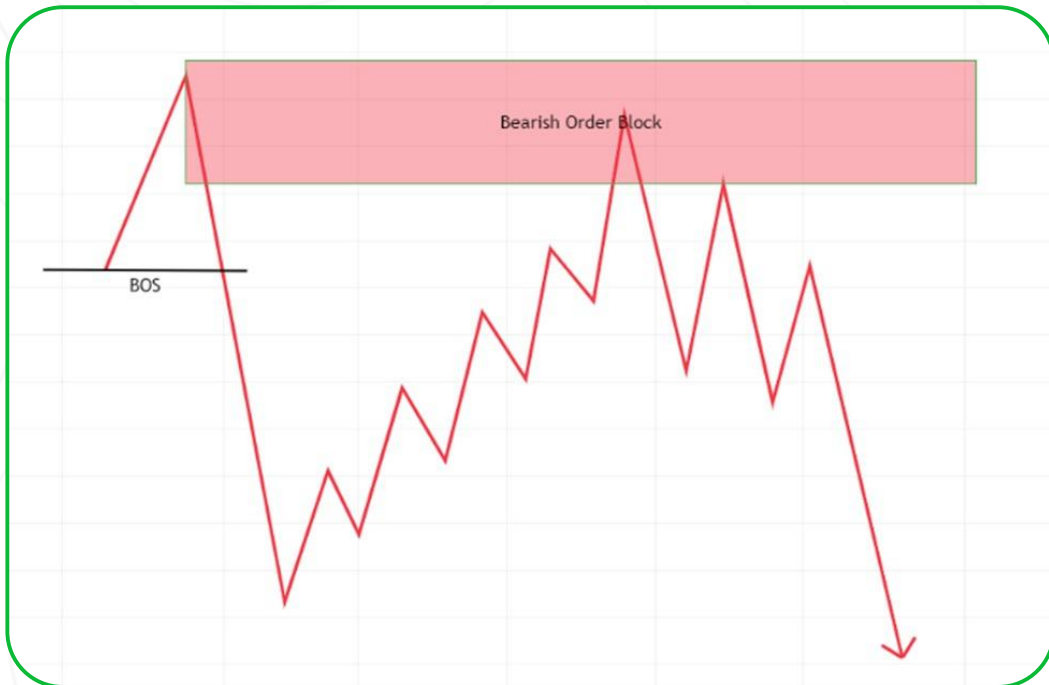
BULLISH ORDER BLOCKS



BEARISH ORDER BLOCKS



BEARISH ORDER BLOCKS



- ❖ Last Bullish candle before impulsive down move is called as Bearish Order Block
- ❖ The Impulsive moves should break the previous market structures

BEARISH ORDER BLOCKS



S&D ZONES
VS
ORDER BLOCKS



S&D ZONES VS ORDER BLOCKS

Visually both Supply and Demand Zones and Order blocks looks like same. However there are minor differences are there:

- ❖ Supply and Demand Zones are generally formed in a Ranging markets, the entire range considered as S&D Zones
- ❖ Order Blocks are refined from of S&D Zones in which we will be marketing only Candles
- ❖ In S&D Zones prices will be Equilibrium / ranged, which means prices will be reasonable for traders to Buy or Sell from the Zone
- ❖ In Order blocks, it is understandable that Smart Money is accumulating orders. Only Smart Money moving the market from OB



UNDERSTANDING ORDERS



UNDERSTANDING ORDERS

- ❖ **Buy Order:** If a trader expects price to go up, then Buy Order will be executed
- ❖ **Sell Order:** If a trader expects price to go down, then Sell Order will be executed
- ❖ **Target Order:** Target is the place at which both Buy and Sell order are closed.

1. When a Trader place Buy Order his/her Target Order is nothing but Sell Order
2. When a Trader place Sell Order his/her Target Order is nothing but Buy Order



STOP LOSS



WHAT IS STOP LOSS?

Stop loss is the risk taken by trader, in stop loss order traders risking certain amount, if price go against our desirable direction, stop loss order will be triggered. SL should be associated with every Buy and Sell order we take in markets.

- ❖ When a Trader place Buy Order his / her Stop Loss is nothing but Sell Order
- ❖ When a Trader place Sell Order his/her Stop Loss Order is nothing but Buy Order



PLACING ORDERS IN TERMINAL



PLACING ORDERS IN TERMINAL



- ❖ **Two Types of Orders:**
Market Order & Limit Orders
- ❖ **Market Order / Instant Execution** – Market order can be executed by pressing Buy or Sell button in terminal

PLACING ORDERS IN TERMINAL

- ❖ Limit Orders – Buy or Sell orders can be executed at specific price level

Order

Symbol: USDZAR, US Dollar vs Rand

Type: Pending Order

Type: Buy Limit

Volume: 0.10

Price: 0.00000

Stop Loss: 0.00000

Expiration: GTC

Stop Limit price: 0.00000

Take Profit: 0.00000

Expiration date: 05.04.22 14:06

Comment:

14.53985 / 14.54607

Place

MITIGATION OF ORDER BLOCKS

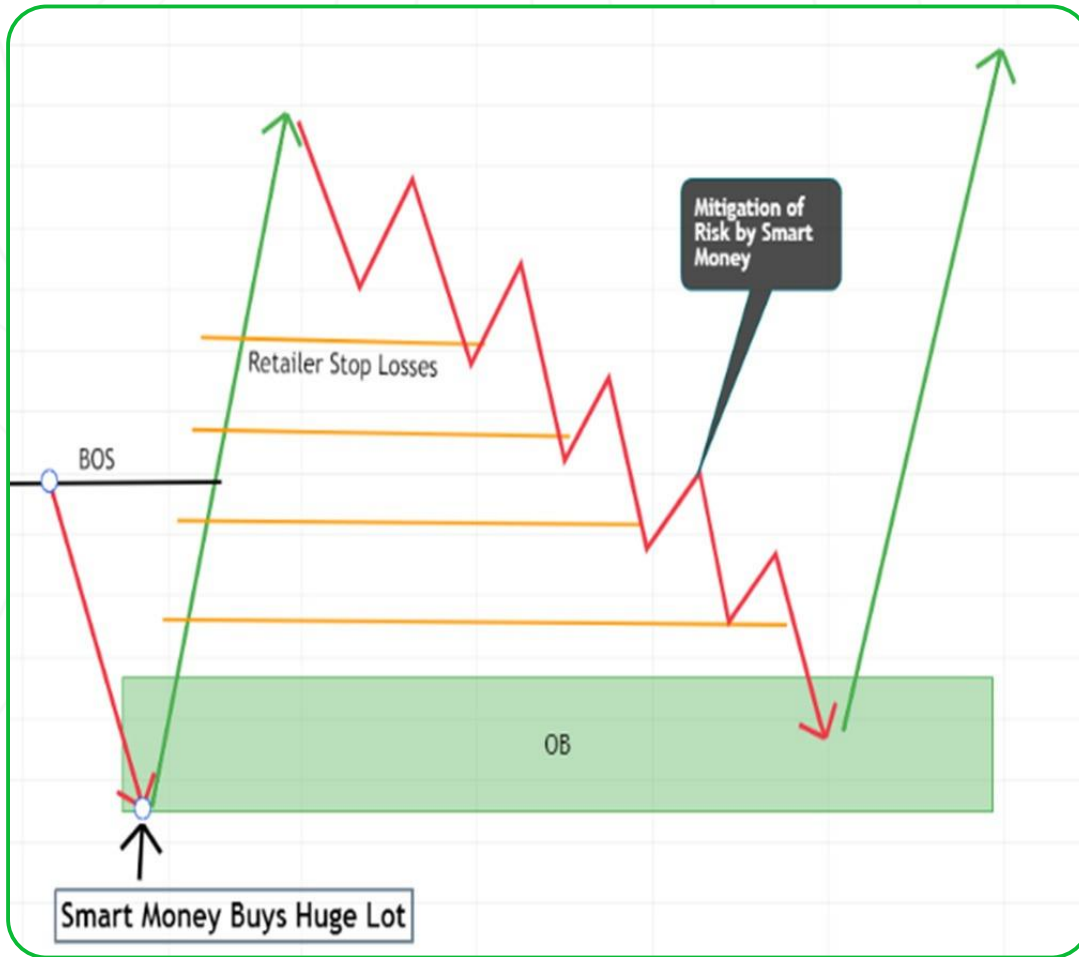


MITIGATION OF ORDER BLOCKS

- ❖ Mitigation is the Process of Reducing Risk, when price touch the Order block we call that as Mitigation
- ❖ It is understandable that Smart Money make their transactions near Order Block,
- ❖ **For Example:** Smart Money buys huge lots near OB, price will go up fastly, and during this impulsive up move price chasing retailers also enter into the markets with their stop loss
- ❖ You can able to Buy only when someone sells right? Similarly if you are selling someone has to buy right? Only then we can consider that Trade is completed
- ❖ When Smart Money Buys huge lots, then who will be selling to them? Simple we retailers... Smart Money brings back the prices to take Orders from Price chasing retailers and take the price to original direction



MITIGATION OF ORDER BLOCKS



BREAKER BLOCKS



BREAKER BLOCKS

- ❖ Order blocks tends to fail sometimes, when that happened, an Order Block becomes Breaker Block.



BREAKER BLOCKS – BULLISH TO BEARISH



BREAKER BLOCKS – BULLISH TO BEARISH

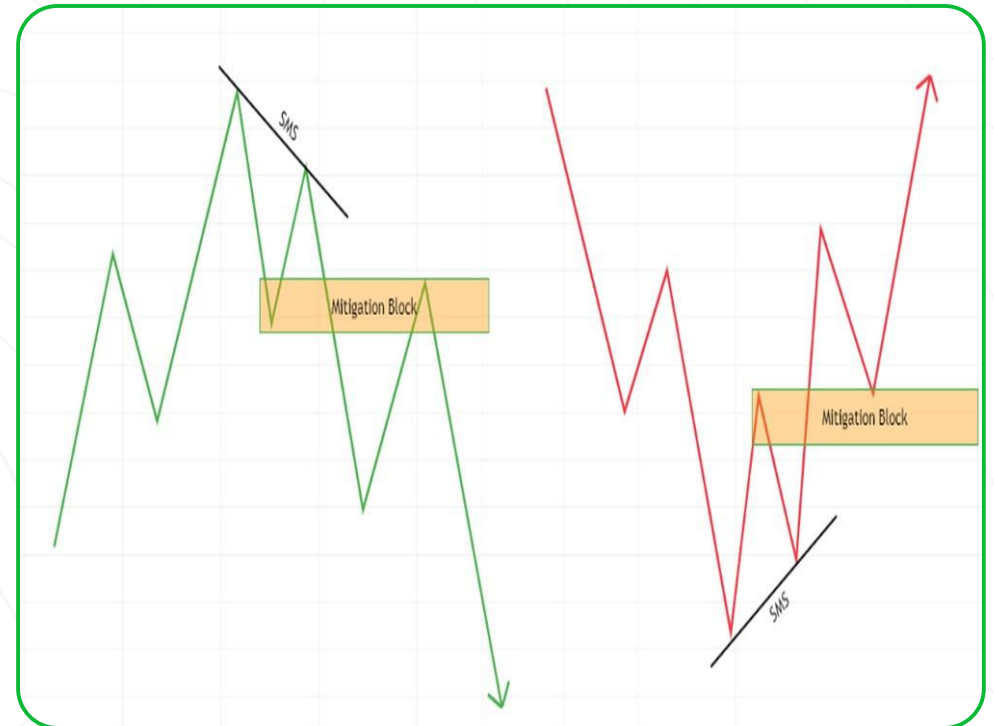


MITIGATION BLOCK



MITIGATION BLOCK

- ❖ Mitigation block is formed when market fail to make a higher high or Lower Low after successful retracement, mitigation blocks forms while trend changes happen in market



MITIGATION BLOCK



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ASSIGNMENT

- ❖ Identify Bullish Ob In EURUSD Chart At H1 Time Frame
- ❖ Identify Bearish Ob In GBPUSD Chart At H4 Time Frame
- ❖ Identify Breaker Block In AUDUSD Chart At M15 Time Frame
- ❖ Identify Mitigation Block In NZDJPY Chart At Any Time Frame



UNDERSTANDING IMBALANCES



BALANCED PRICE ACTION

What is Balanced?

- ❖ In Supply and Demand, every buyer need to have a Seller similarly every Seller need a buyer to complete the trader. This is applicable to any markets in the world.
- ❖ When every seller have buyer and every buyer have seller, we can assume that prices will be unchanged or within certain range.
- ❖ This unchanged price is sometimes called as **Balanced price** or **Equilibrium prices**.



BALANCED PRICE ACTION



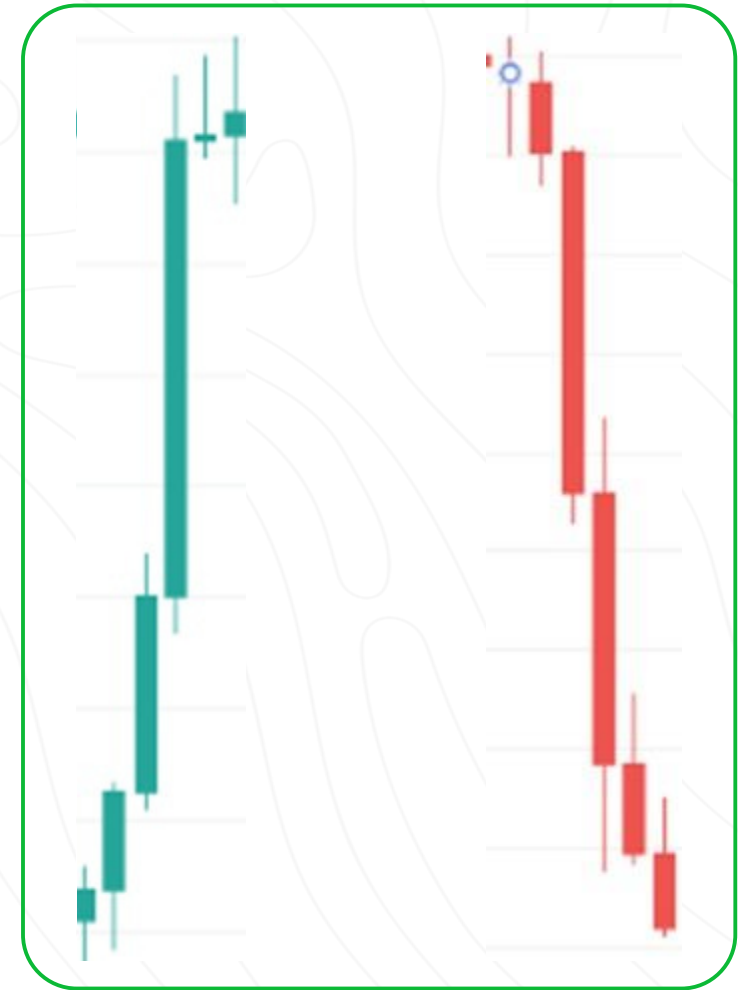
- ❖ In Contraction phase / range market, prices will be unchanged or within certain range.
- ❖ Both buyers and sellers have equal opportunity or equally presented in contraction phase, that's why prices are in a particular range.
- ❖ This range market is called a **Balanced / Balanced Price Action**

IMBALANCE PRICE ACTION (IPA)

- ❖ When Buyers didn't have Sellers or Sellers didn't have Buyers then we can call this market create Imbalance
- ❖ Generally imbalance are caused when Market Maker or Smart Money buys or sells their position in the market with huge orders leaving behind no supply or demands
- ❖ Impulsive moves should contains Imbalances, when you trade Order block or S&D zones, if imbalances there near OB's or S&D Zones, then the block considered as valid one



IMBALANCE PRICE ACTION (IPA)



HOW TO IDENTIFY THE IMBALANCE



IDENTIFYING THE IMBALANCE

- ❖ In an Uptrend, price makes impulsive moves, mostly buyers present in up move, we need to understand that the impulsive up move might also have some sellers
- ❖ Similarly, in a downtrend, price makes impulsive moves, mostly sellers present in down move, we need to understand that the impulsive down move might also have some buyers
- ❖ Every candle has both Buyers and Sellers, to find the Imbalance, a trader need to understand how candle moves and where the buyer and seller presented inside the candle

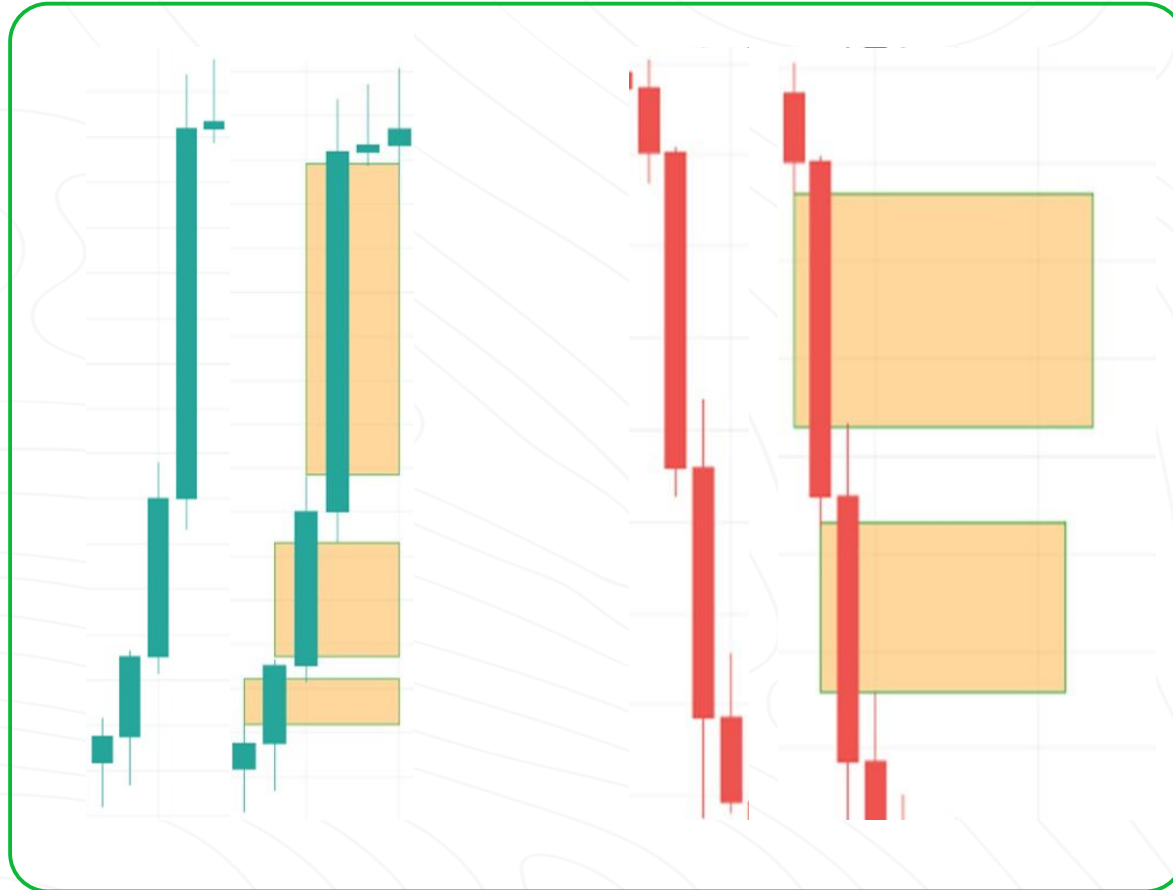


IDENTIFYING THE IMBALANCE



- ❖ In a **Bullish Candle**: Buyers presented inside the body of the candle, and sellers presented inside the wick of the candle
- ❖ In a **Bearish Candle**: Sellers presented inside the body of the candle, and buyers presented inside the wick of the candle

IDENTIFYING THE IMBALANCE



**WHY IMBALANCE
IS SIGNIFICANT IN
FOREX**



WHY IMBALANCE IS **SIGNIFICANT** **IN FOREX**

- ❖ Imbalanced price action is most significant not only in Forex but also in any market.
- ❖ Imbalances sometimes called as GAPS (Gap Up and Gap down), in markets price needs to fill the imbalance area, only then it can be considered as effective price action or Balanced Price Action.
- ❖ Say Market Maker place huge buy orders, they need people to sell their positions only then their Buy order will be completed, so it is understandable that price will eventually fill the imbalance from there it might get reacted.



WHY IMBALANCE IS SIGNIFICANT IN FOREX

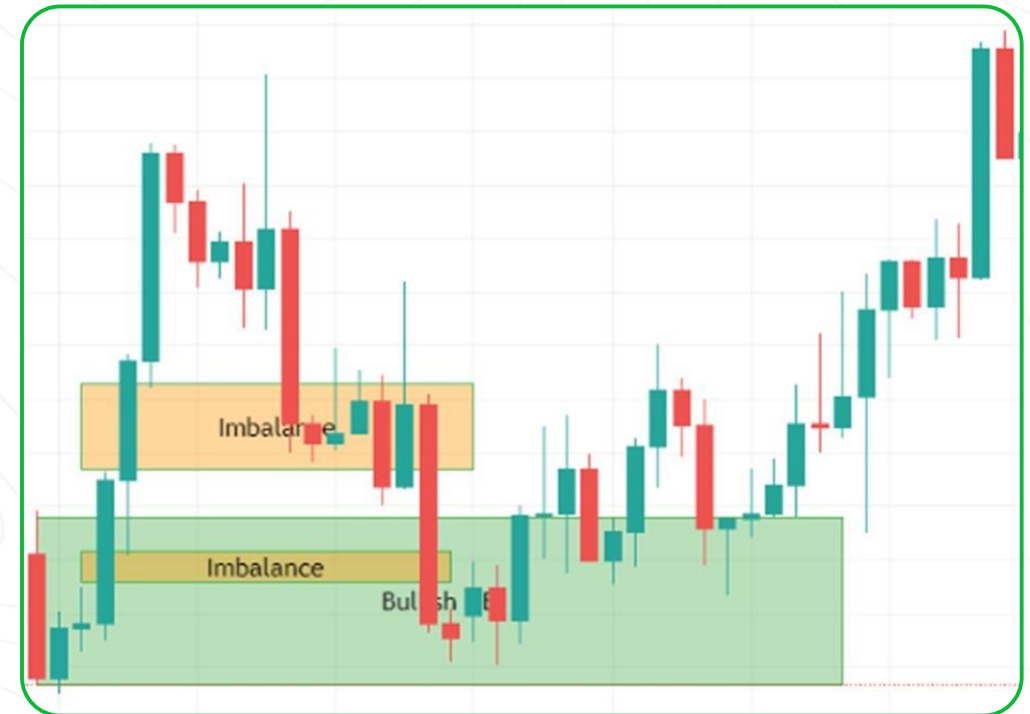


**HOW TO COMBINE
IMBALANCE WITH
S&D / OB**



HOW TO COMBINE **IMBALANCE** WITH **S&D / OB**

When you draw Point of Interest / S&D/OB in chart, you need to ensure the OB / SnD have imbalances inside your zone or near the zone. Price should have reasons to come down or come up, imbalance is the one of the reason.



LIQUIDITY CONCEPTS



WHAT IS LIQUIDITY?

- ❖ **Liquidity** simply means Money, in markets money presented in the form of Orders
- ❖ Every advance orders placed by retailers and other big players at particular price levels is called as Liquidity
- ❖ Forex Market algorithm is designed based on Liquidity seeking approach, price moves towards where ever the liquidity is presented
- ❖ Price will always seek for Liquidity this process of seeking liquidity is called as Stop Hunt, Retail Trap, Liquidity Sweep and Liquidity Grab



LIQUIDITY POOLS



LIQUIDITY POOLS

- ❖ **Liquidity Pools** are nothing but the places where liquidity is presented in market
- ❖ Two types of Liquidity presented in markets, i.e. Buy Stops Liquidity (BSL) and Sell Stops Liquidity (SSL)

1. When BSL is taken market reverse to downside/ bearish
2. When SSL is taken market reverse to upside/bullish

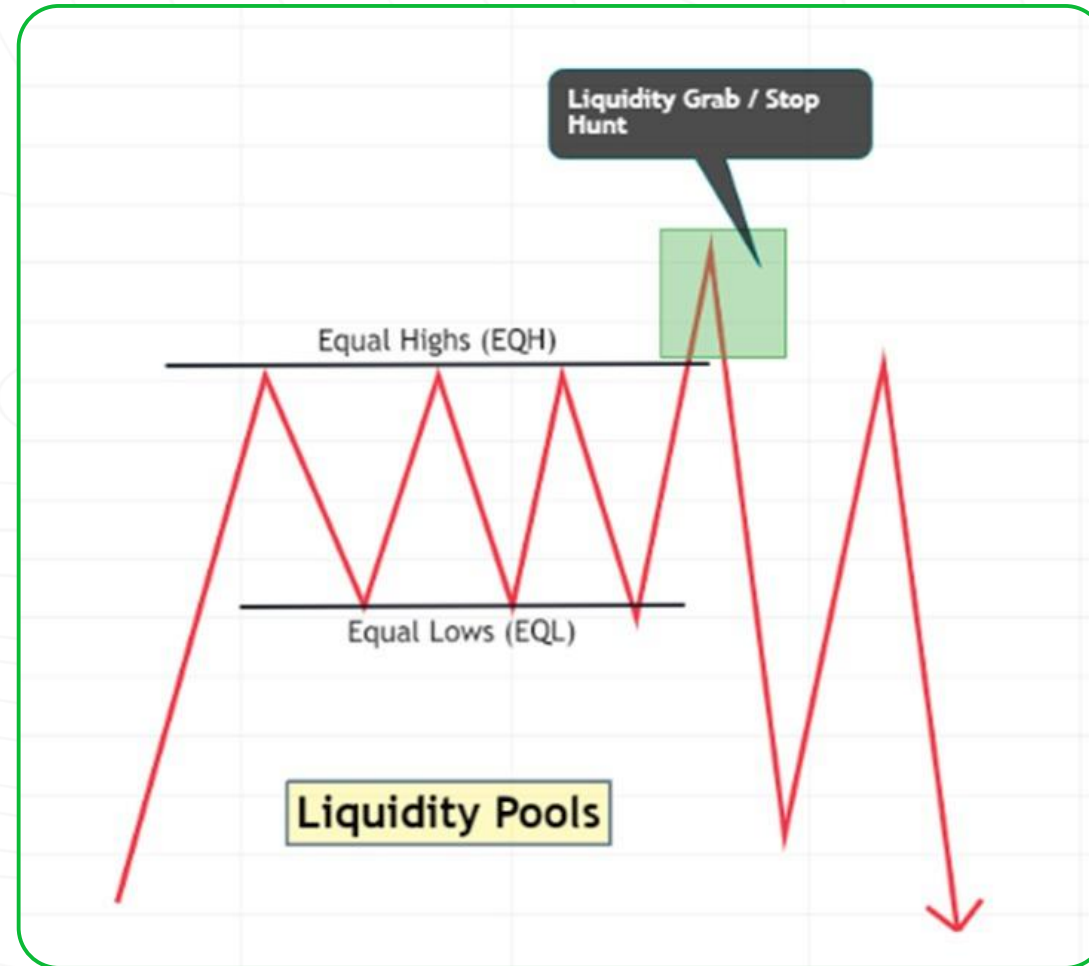


LIQUIDITY POOLS

❖ BSL & SSL can be

1. Every Candle Highs and Low
2. Every Swing Highs and Swing Lows
3. Double Tops / Bottoms
4. Equal Highs and Equal Lows (Range Market)
5. Session Highs and Session Lows
(Asian, London & New York)
6. Daily, Weekly, Monthly Highs and Lows

LIQUIDITY POOLS



LIQUIDITY POOLS



**HOW TO COMBINE
LIQUIDITY WITH OB'S /
S&D ZONES**



WHAT IS STOP LOSS?

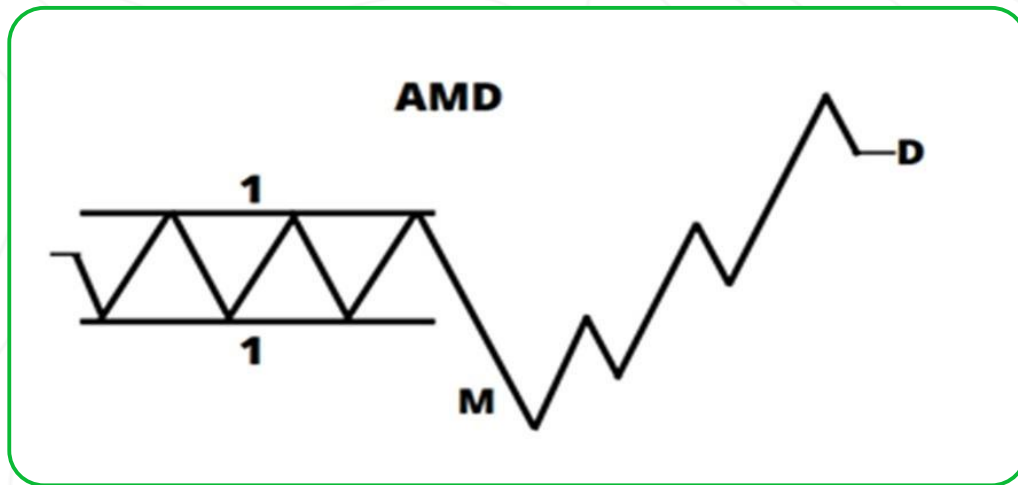
We use these 2 strategies to combine to trade OB & S&D Zones

- ❖ AMD (Accumulation, Manipulation and Distribution)
- ❖ SH+BOS+RTO

ACCUMULATION, MANIPULATION AND DISTRIBUTION



AMD – ACCUMULATION, MANIPULATION AND DISTRIBUTION



- ❖ **Accumulation:** it's a Ranging market which occurs in Down
- ❖ **Trend Manipulation:** it a process of taking Stops Orders or Stop
- ❖ **Hunt Distribution:** it's a Ranging market which occurs in Up trend

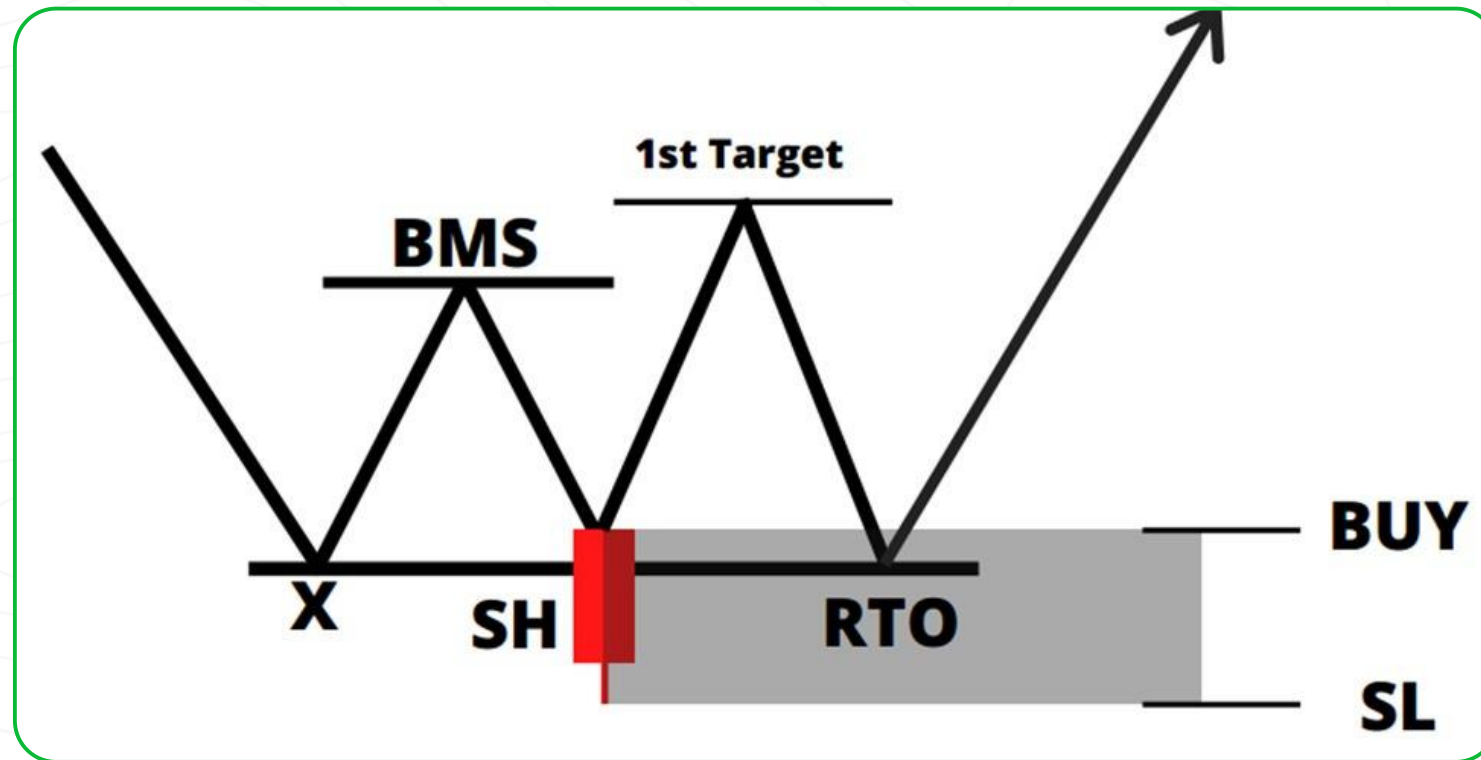
AMD – ACCUMULATION, MANIPULATION AND DISTRIBUTION



**STOP HUNT, BREAK OF
STRUCTURE AND
RETURNED TO ORDER
BLOCKS (SH+BOS+RTO)**



STOP HUNT, BREAK OF STRUCTURE AND RETURNED TO ORDER BLOCKS (SH+BOS+RTO)



STOP HUNT, BREAK OF STRUCTURE AND RETURNED TO ORDER BLOCKS (SH+BOS+RTO)



**COMBINE
INDICATORS &
TOOLS WITH SMC**



FIXED RANGE VOLUME PROFILE



ON BALANCE VOLUME WITH EMA



On Balance Volume is Volume based indicator we will be combining volume with price in the form of EMA to take buy or sell decision

RELATIVE VIGOR INDEX - RVI



RELATIVE VIGOR INDEX – RVI

RVI is crossover based indicator, you can taken entries and exit based on lines crossing over at your SnD or OB level



BASE LINE **INDICATORS**



BASE LINE INDICATORS

Base Line indicators are applied on Charts, we will be buying or selling if price is above or below Base lines

- ❖ Moving Averages – EMA or HMA
- ❖ Kijunsen Line
- ❖ SSL Channel indicator



KIJUN SEN



SSL CHANNEL INDICATOR



FIBONACCI RETRACEMENT TOOL

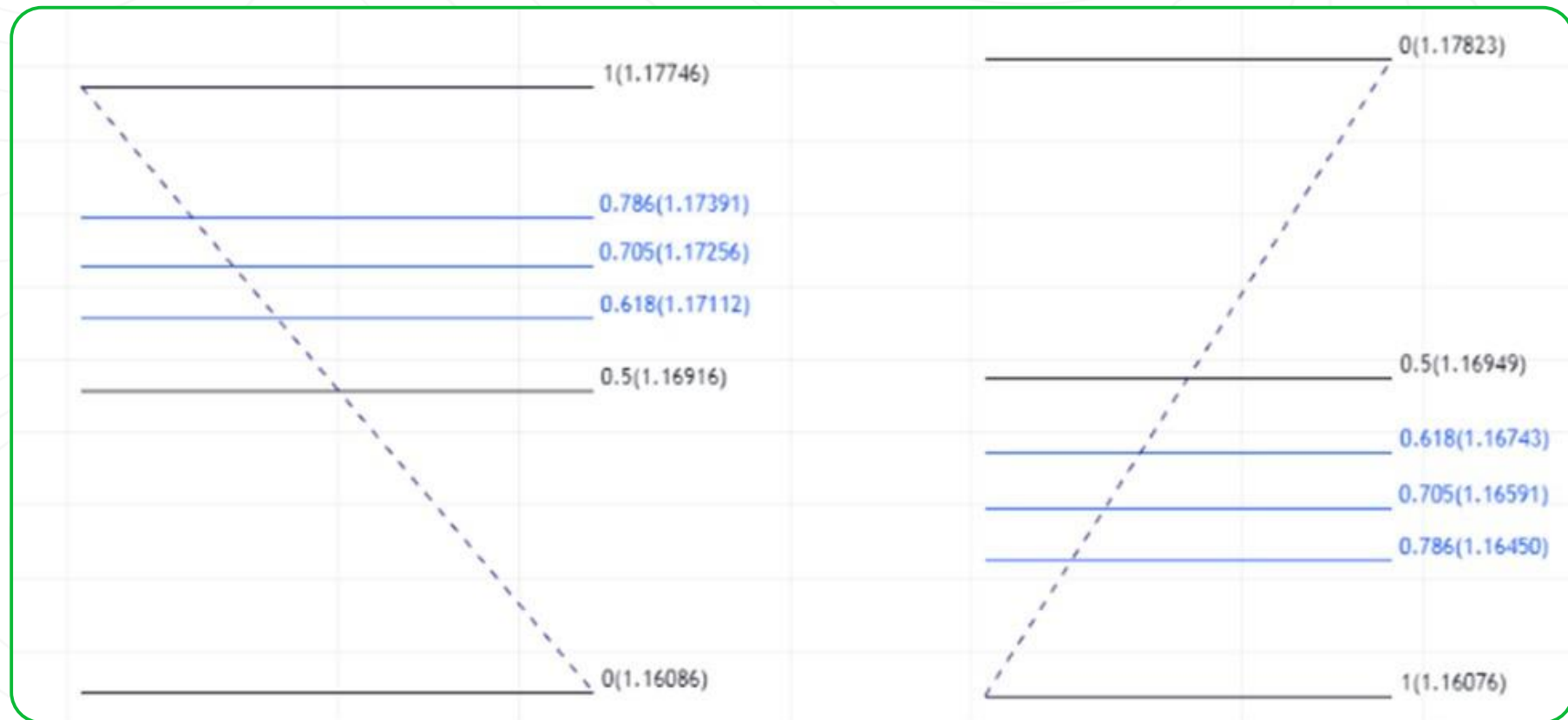


FIBONACCI RETRACEMENT TOOL

- ❖ Fibonacci Retracement is the basic tool to identify the retracement level from where buy or sell can be initiated.
- ❖ In Fibonacci we have Golden levels or ratios are there and it is understandable that at these level price get reacted
- ❖ Fibonacci levels will be drawn from Swing Low to Swing High for Buy and drawn from Swing High to Swing Lows for Sell
- ❖ Generally Fibonacci combined with 14EMA, 50EMA and 200 EMA and entries will be taken either 0.618 or 0.705 or 0.786, these three considered as Golden ratios
- ❖ We can take trade only in Trending Markets



FIBONACCI RETRACEMENT TOOL



ENTRIES, STOP LOSSES AND TARGET



ENTRIES, STOP LOSSES AND TARGET

- ❖ When we trade based on Indicators its is understandable that these indicators may fail due or gives you late signal to its Lagging nature that is the reason we are not trading indicators alone...
- ❖ If you are entering market based on indicator, then you should place your stop losses based on SMC (at 0% level of OB / S&D Zones)
- ❖ You can use the ATR indicator to understand the how much stoploss can be placed
- ❖ Target you should always aim for 100 to 200 points



ASSIGNMENT

- ❖ Mark Equal Highs And Lows At M15 Chart Of XAUUSD
- ❖ Mark Imbalance In Daily Chart Of EURUSD
- ❖ Mark Stop Hunt In GBPUSD M30
- ❖ Plot Obv And Correlate Entry With S&d Zone At H1 – AUDUSD
- ❖ Plot Rvi And Hma And Correlate With S&d Zone At H4 Of NZDUSD



THANK YOU