

PRECISION
M A R K E T S

The Trading Bible

Supply/Demand & Liquidity Concepts

Introduction To The Forex Market

Before beginning your trading journey within the forex market there are some basic things you need to understand about it. The currencies market has over **6 Trillion** dollars a day go through it. As a human you will have many emotional issues to deal with. The majority of the market is controlled by computer algorithms, with zero emotion.

You are up against the best and brightest in the world. The market is rigged against you and designed to make you lose. **It is a 0 sum game**. If you win, you pay the broker who pays the bank. If you lose, you pay the broker who pays the bank (who also profited off your loss). However **with a proper trade plan** and proper execution **there is a way of being profitable** within the market. This PDF is was created to help you find your edge in the market.

This PDF is divided into several sections to help you piece together a plan that can create a winning edge: **Market basics, Market Structure, Pricing(Premium vs Discount), Supply/Demand selection, Targeted/Protected highs and lows, Liquidity & Inducement, Execution, Management.**

This strategy is strictly price action based and no indicators will be used aside from inside bar.

Lets Begin!

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Market Basics

News:

At the start of your trading day **you must check for high impact news**(red).

I recommend using one of the following sites:

This is the one I use:

<https://www.forexfactory.com/>

This one is also works, comes down to personal preference:

<https://www.myfxbook.com/forex-economic-calendar>

I do not recommend trading news. Its high risk and **protecting capital** is our number one goal. If you are in a position before hand you need to have risk off (partials taken or SL at breakeven). I will go over how to do this properly in the **Management** section.

Broker Selection:

With the Smart Money Concepts strategy we use tight stop losses, so a broker with the tightest spreads is recommended. I recommend doing some research and finding the best broker for your country. I use Fusion Markets, low spreads(**.02 EU**), cheap commissions (**\$2.25/lot**)

LINK:

<https://fusionmarkets.com/en?>

[cxd=41974_1632440&cxdHub=FUSION_MARKETS_X](https://fusionmarkets.com/en?cxd=41974_1632440&cxdHub=FUSION_MARKETS_X)



Market Basics

I recommend getting a paid version of **Tradingview** so you can have some options. I use the premium version so that I have the option to use the seconds timeframe to execute if I chose. But even the lowest paid version should be fine to start with. **We use forex.com charts only.**

I only recommend trading **one pair** to start with. As **BFI**(Bank Financial Institutions) **traders** we look for very intricate details that require a lot of focus. One pair will do you just fine starting out. Once your profitable with one you can then move to two pairs if you chose, but that's all I would recommend trading at once.

Any of the **USD majors** are great, although the easiest pair with the best spreads to trade is **EURUSD**. Due to its tight spreads and high volume **EU** respects our trading system the best which you will give you the confidence you need, especially if you are a beginner just starting out.

As traders we need to **rewire our brains** with **successful habits** and replace the bad habits. **Psychology and Mindset** will have a huge impact on your trading. **The discipline practices taught in this PDF must be followed.** I can show you the way but you have to practice what I teach over and over till you have **reprogrammed your brain.**



Understanding Pips and Spread

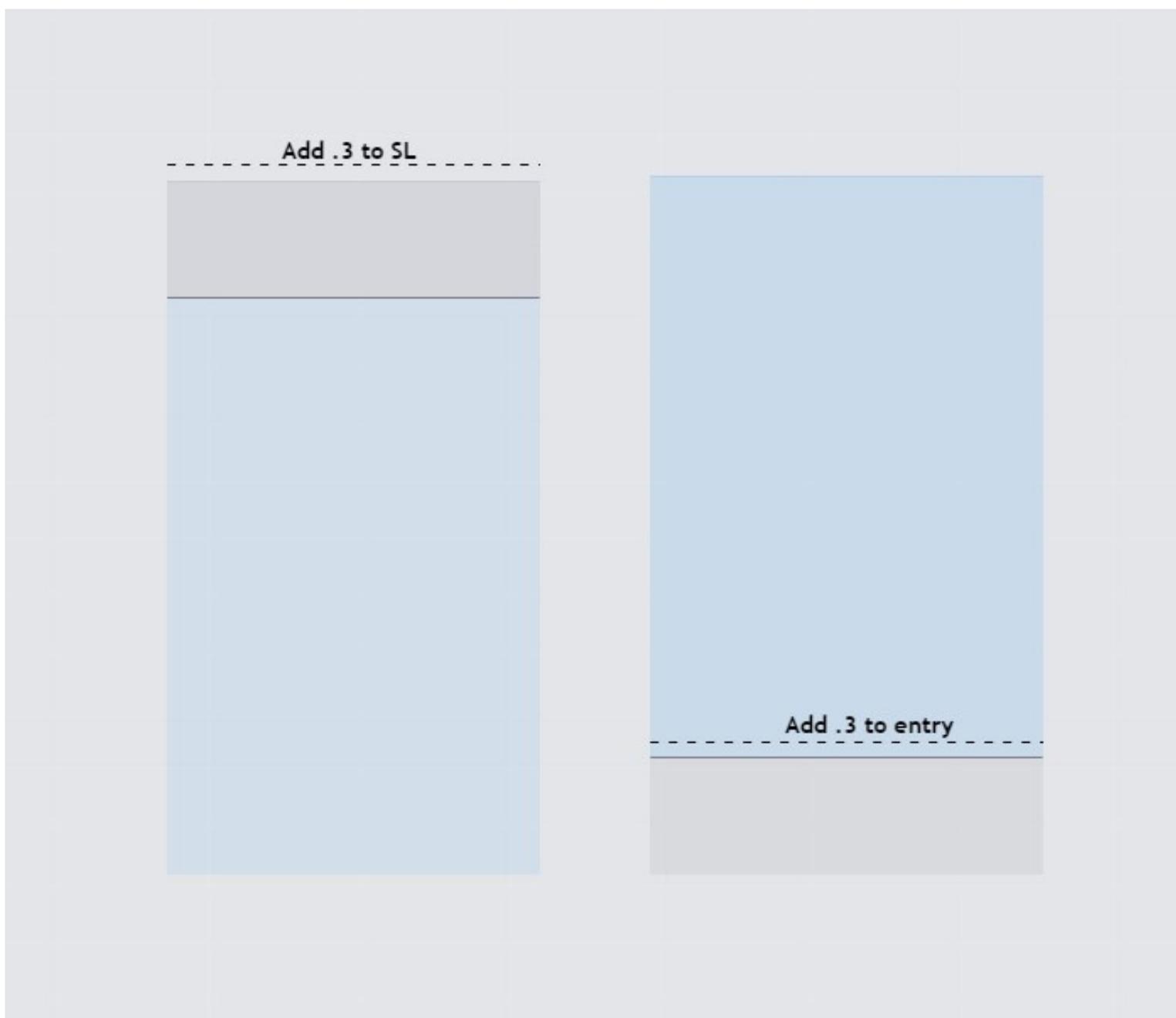
EUR/USD **1.17185** **1.17195**

The 4th decimal point determines our pip value. The current spread is 1 pip

EUR/USD **1.17192** **1.17195**

The current spread in this example is .3 of a pip

When entering a trade you must account for spread. Add the spread difference to your SL for sells and add the spread to your buy by front running the order just slightly to ensure you get tagged.



Best Times To Trade

We have **2x** 3 hour windows per day where volume is at its peak and volatility is high. These are the times we want to be trading as this adds to our edge and is also part of our **S.O.P. (Standard Operating Procedure)**

First off before anything, understand that **London moves the markets**. We run our charts on **London time (UTC + 1)**. It doesn't matter where in the world you are located, as a **BFI trader** you operate on London time. It is the financial hub of the world. **It is the only Timezone you will use.**

London Kill Zone (LKZ)

The London Kill Zone starts at Frankfurt open which is **7:00 AM (UTC +1)** and goes to **10 AM**

New York Killzone (NKZ)

The New York Killzone starts at **13:00 (UTC +1)** and goes to **16:00**

Yes there can be many trades outside these trading hours, but these hours are your highest probability of success. Give yourself the chance to succeed. **This is one of the most important parts of our S.O.P.**

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Investing Basics

The idea of investing is to buy cheap (**discount**) and sell high (**premium**). If we take a short then the idea is to acquire positions when they are highly priced (**premium**) and dump the positions while we are in the cheap price range (**discount**).

This is where **Supply/Demand** comes in. **Supply** zones are areas we want to sell off, as we have an over supply of a currency at that time. **Demand** zones are zones we want to buy off of. The currency is in demand meaning, we have a shortage.

The easiest way to think of the concept is think of the housing market, if the market is low on inventory because no one is selling then the prices of houses go up due to low inventory. Now on the flip side of things if way too many people are selling their houses at once then the market is flooded with more inventory then there is buyers so the house prices all go down. *The currency market is no different.*

Part of our edge is to be buying/selling in the right areas. **Premium vs Discount** pricing will get us higher probability setups, paired with proper analysis we can ensure we are not overpaying for positions. We will discuss this in further detail when we get to our **Pricing** portion of the PDF.



Market Structure

BULLISH ORDERFLOW (UP TREND)

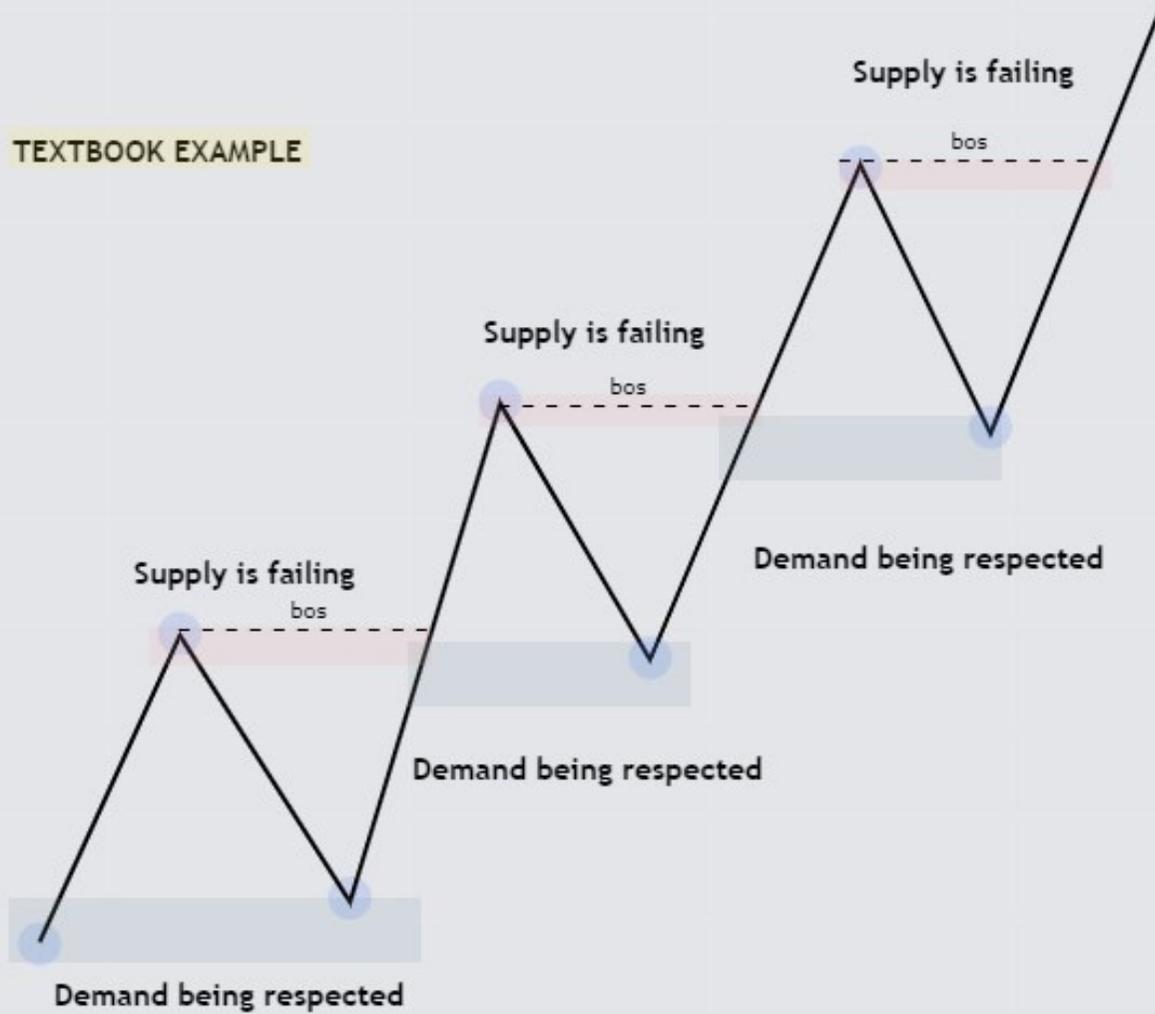
BOS : Break Of Structure

● Structure points (swing highs/lows)

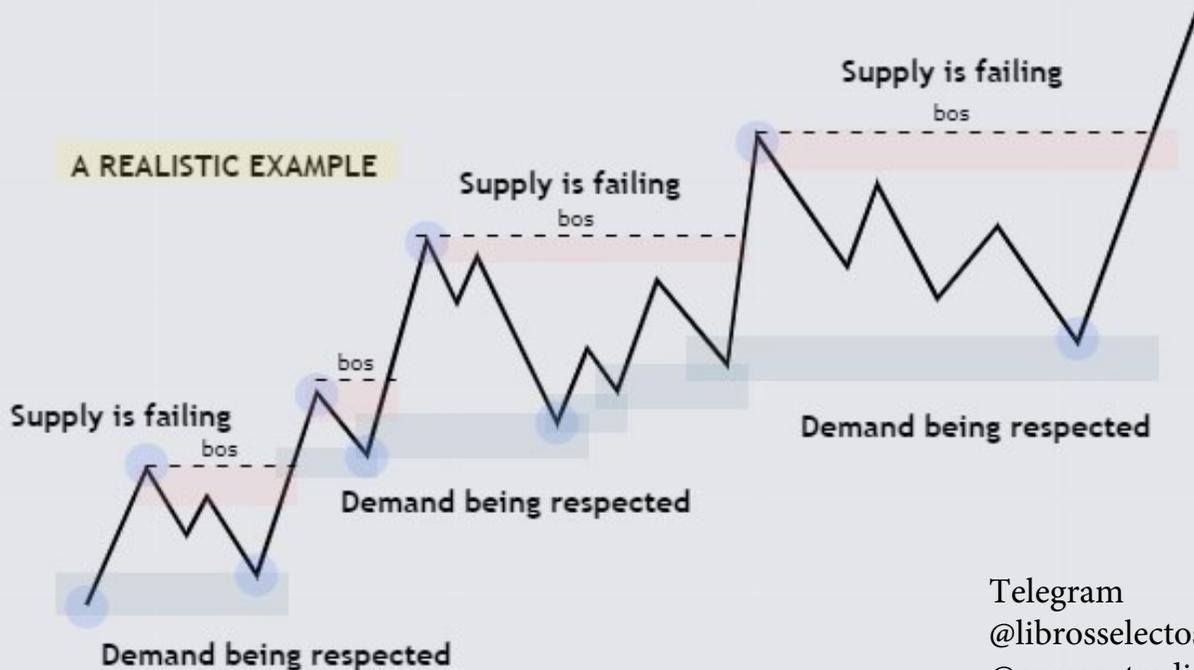
Supply

Demand

TEXTBOOK EXAMPLE



A REALISTIC EXAMPLE



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Market Structure

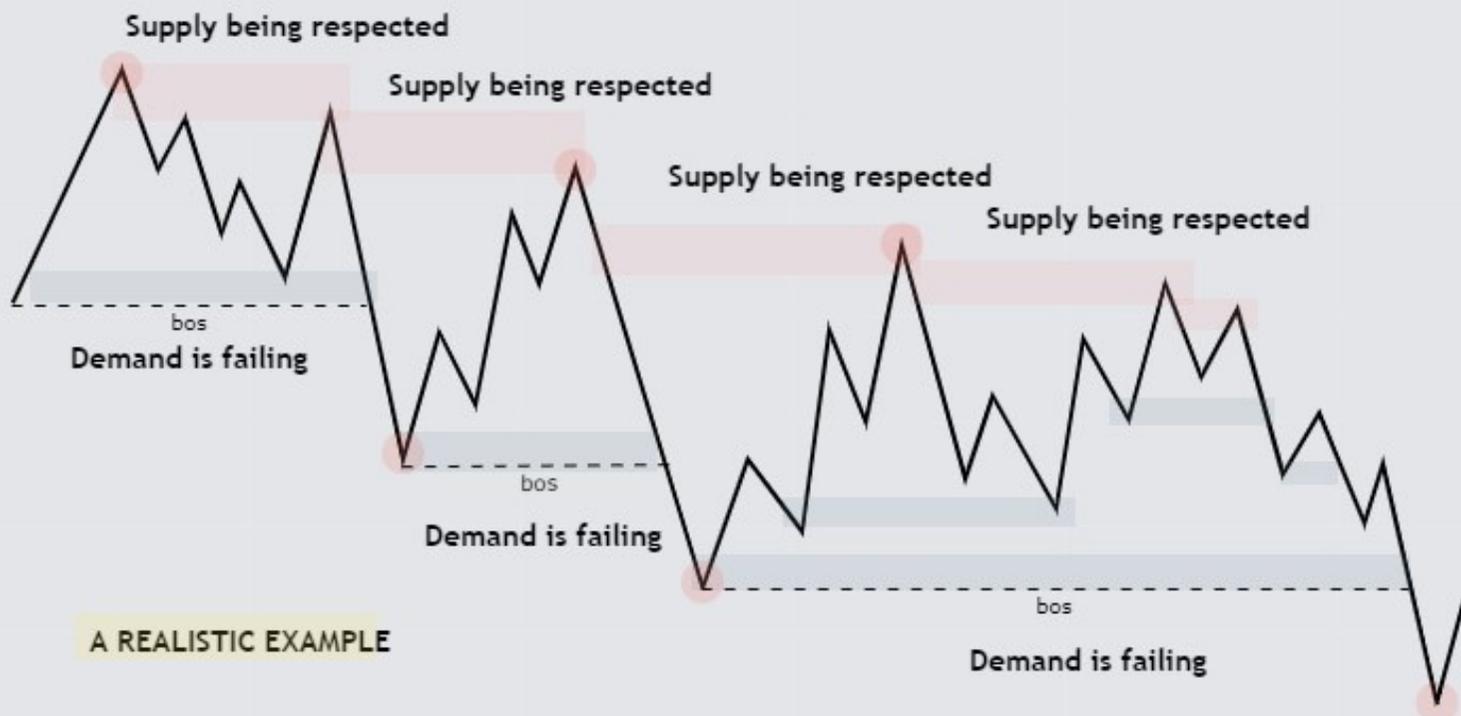
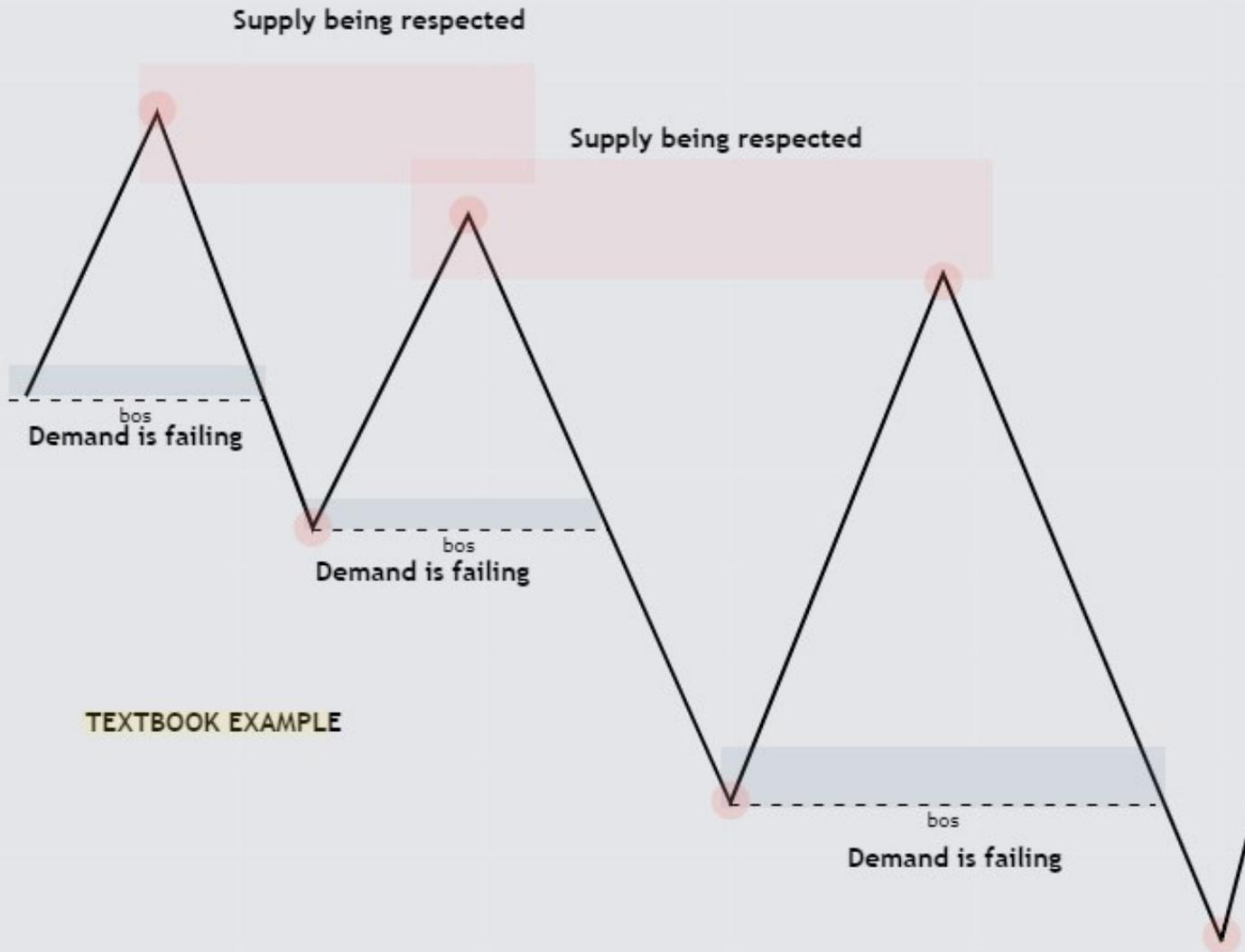
BEARISH ORDERFLOW (DOWN TREND)

BOS : Break Of Structure

● Structure points (swing highs/lows)

Supply

Demand



Market Structure

4H (Macro) Time Frame

● BULLISH ORDERFLOW (UP TREND)

● BEARISH ORDERFLOW (DOWN TREND)



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Market Structure

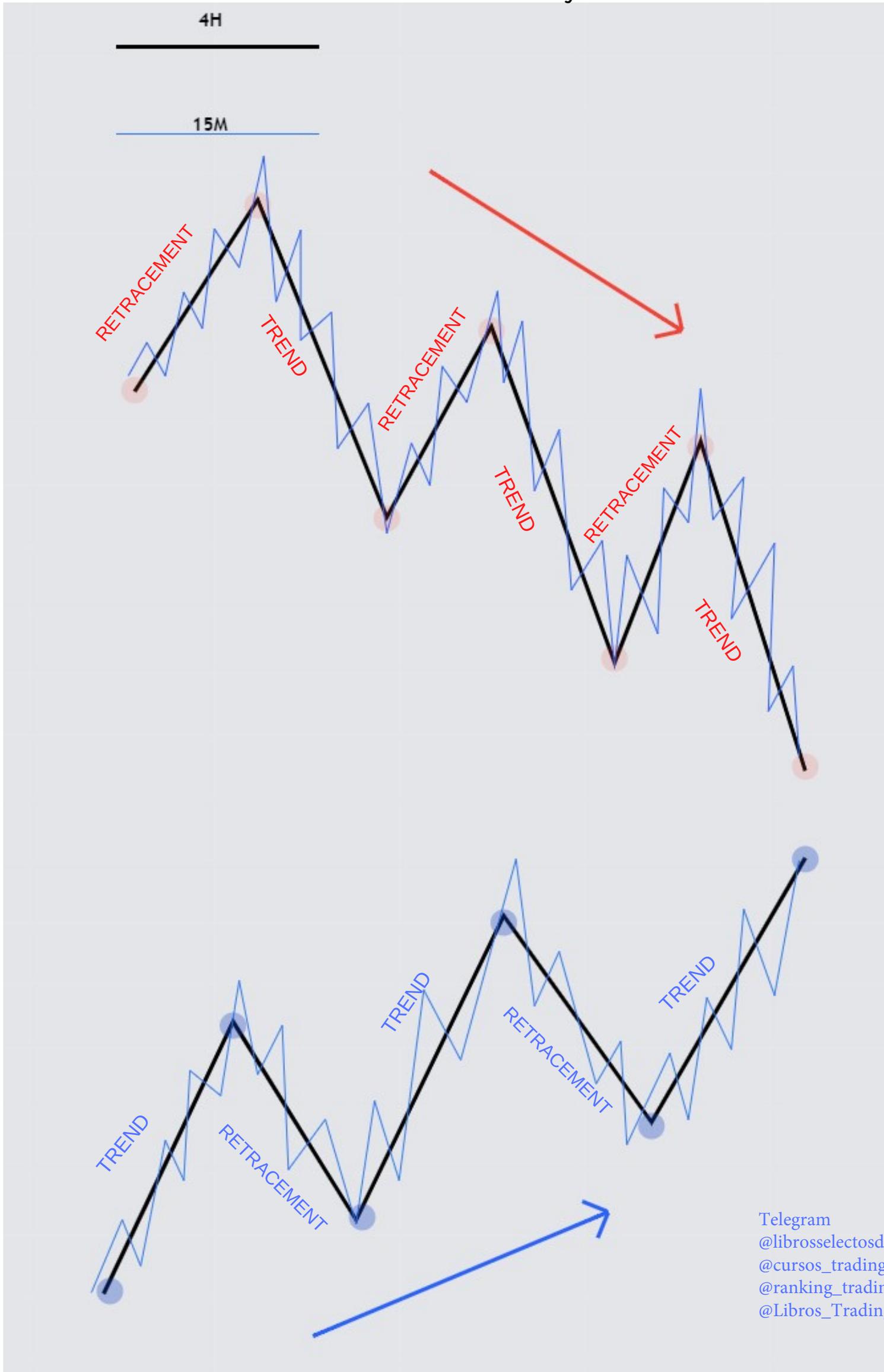
Structure breaks are only confirmed by candle body not wicks. Wicks are only considered structure breaks on the 1M or seconds. If you pay close attention in the below example when we are bearish the highest point before the **BOS** and lowest point is pulled. When we are bullish the lowest point before the **BOS** and highest point is pulled. Any other wicks or sort structure in between those two points would be classified as **substructure(sometimes called internal structure)**.

For a trend to be **confirmed** 2 highs or 2 lows must be created. The first break of structure makes us **unconfirmed** and both buys and sells are still on the table. Once a trend is confirmed **Expectational Orderflow** is followed till trend ends. (we'll touch more on this)



Market Structure

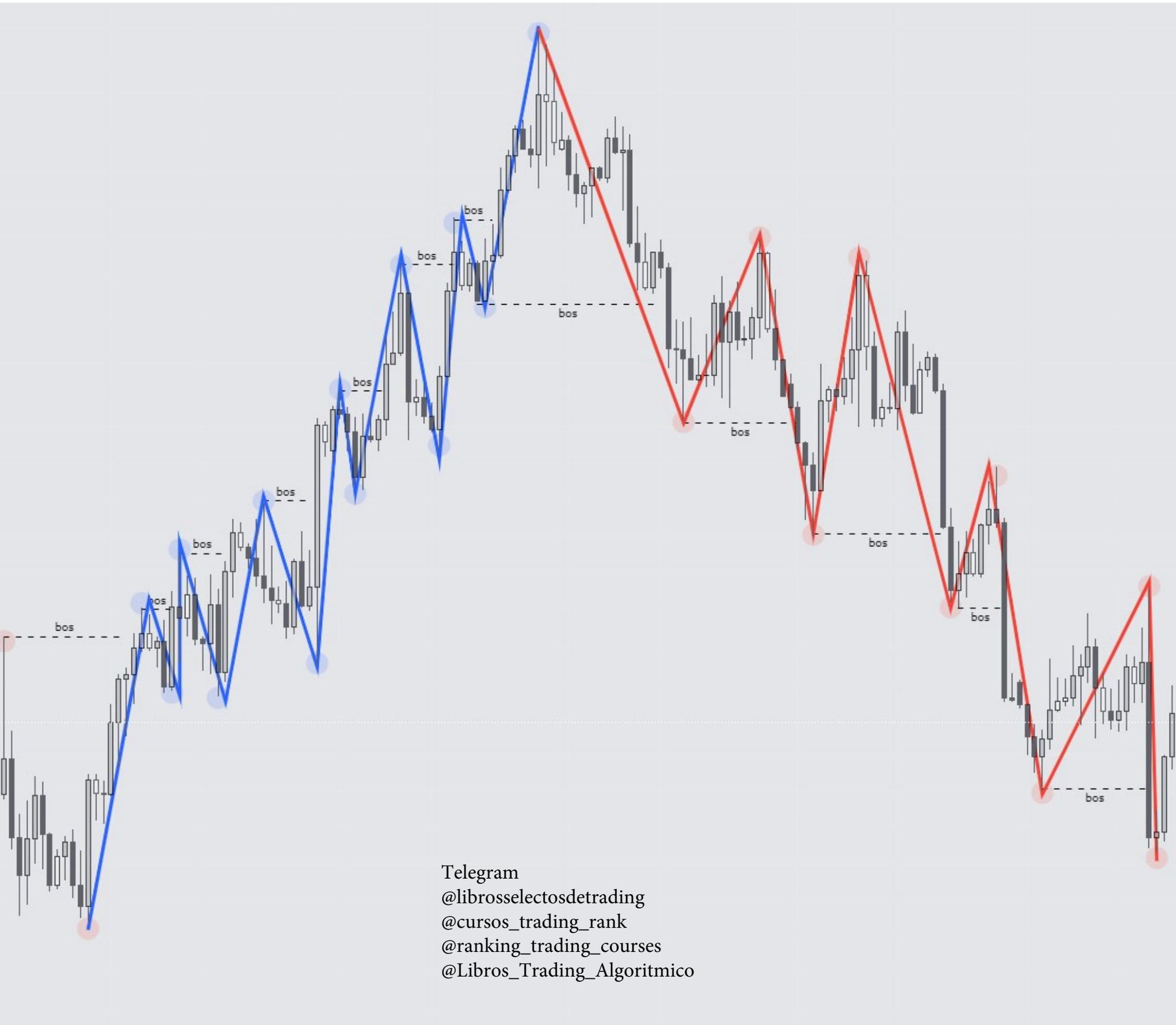
Multi timeframe analysis



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Market Structure

4H (Macro Time Frame)



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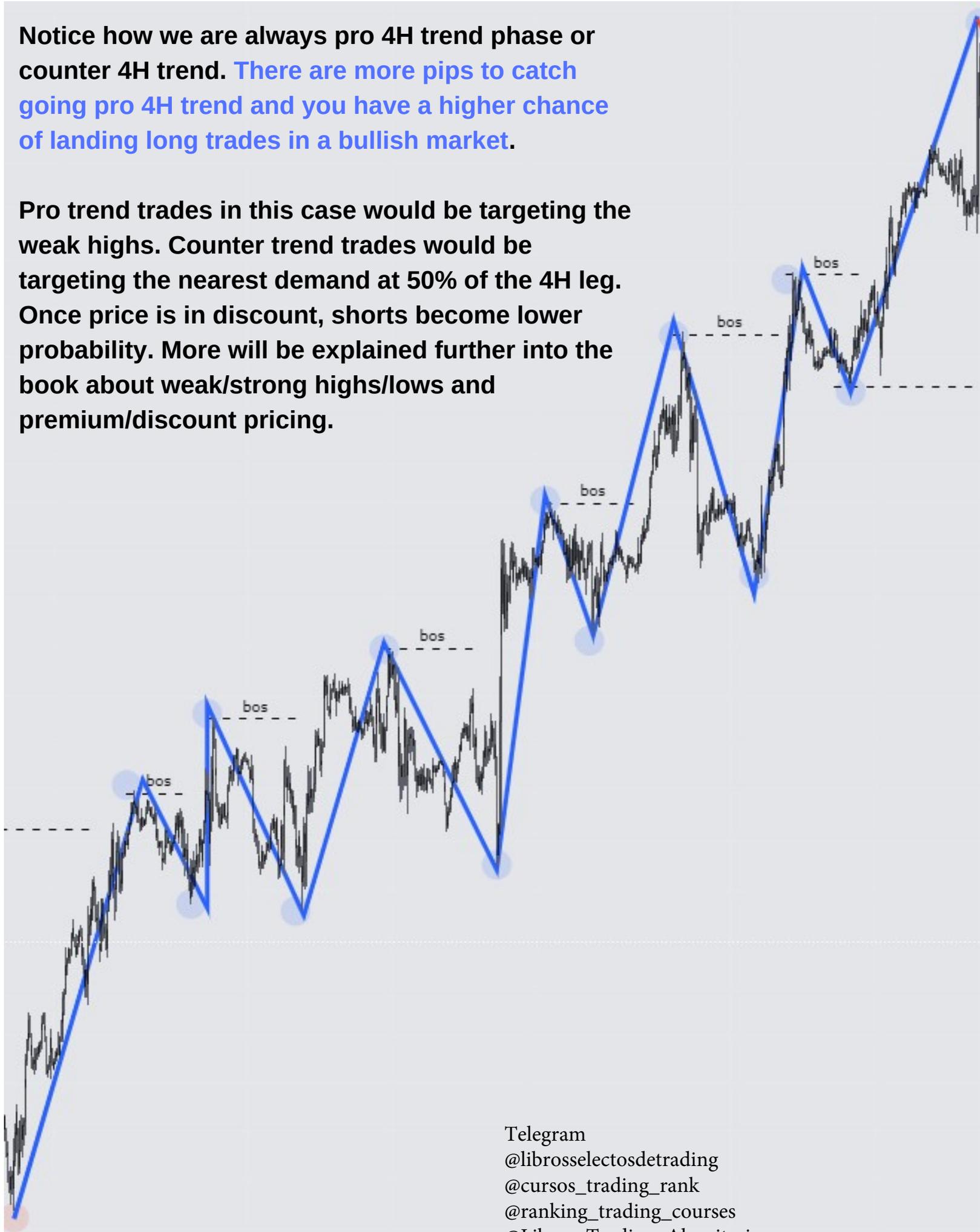
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Market Structure

15M (Micro Timeframe)

Notice how we are always pro 4H trend phase or counter 4H trend. **There are more pips to catch going pro 4H trend and you have a higher chance of landing long trades in a bullish market.**

Pro trend trades in this case would be targeting the weak highs. Counter trend trades would be targeting the nearest demand at 50% of the 4H leg. Once price is in discount, shorts become lower probability. More will be explained further into the book about weak/strong highs/lows and premium/discount pricing.



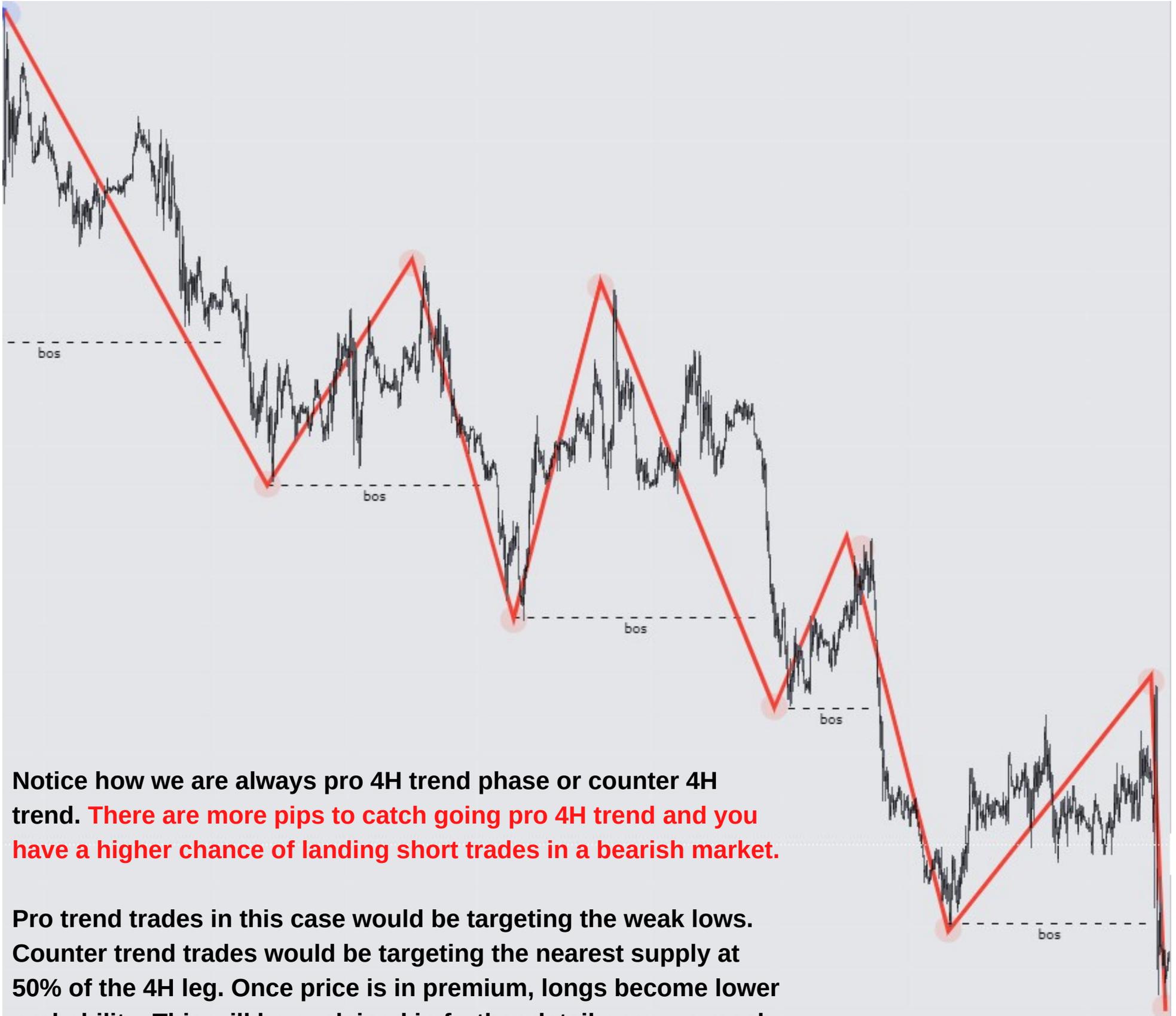
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Market Structure

15M (Micro Timeframe)



Notice how we are always pro 4H trend phase or counter 4H trend. **There are more pips to catch going pro 4H trend and you have a higher chance of landing short trades in a bearish market.**

Pro trend trades in this case would be targeting the weak lows. Counter trend trades would be targeting the nearest supply at 50% of the 4H leg. Once price is in premium, longs become lower probability. This will be explained in further detail once we reach the section about weak/strong highs/lows and premium/discount pricing.

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Understanding Timeframes + Pairing Them Together (Macro/Micro)

To give ourselves a chance to succeed in the markets we must use every edge at our disposal. One way to get an edge is the selection of timeframes and pairing them properly. As **BFI** (Bank/Financial Institution) we must have rules we follow. Our analysis will be done on the **Daily/4H/15M**. **4H is our Macro analysis. 15M is our Micro analysis.**

The majority of our directional bias and intraday trading ideas will come from the **4H/15M** time frame. **Daily** is used to see where the current pricing on the 4H (**Premium vs Discount**) is and when the current 4H trend is likely to end. The majority of times we can find our **Micro POI's on 15M**, however **15M** structure can be loosely used meaning that **10M-30M** will be cycled through if no clean POI is found on **15M**.

To be a truly successful trader you need to start creating habits. One of these habits is only using 2 timeframes for analysis. You must rewire your brain and create an **S.O.P. (Standard Operating Procedure)**. The military doesn't just go to war; they have an SOP and a plan. I'm here to give you the tools you need to have both, but you must be disciplined and stick to the plan. You will see me touch on SOP's as we go through this book.

Macro(4H)

Micro(15M)



Execution Timeframe

The Execution timeframe taught will be the 1M. This time will not be used for anything other than execution. Our directional bias will come from the **Macro/Micro** analysis. You will be taught all pieces of the puzzle and how to put it together. The **SOP must be followed**. You will be taught a couple ways to execute, but as **BFI traders we do not deviate from the plan**. If our specific setups don't happen we don't enter. Simple as that. **Plan your trade. Trade your plan**. Even failing will be planned and mitigated through management. **DO NOT SIT ON THE 1M CHART THE WHOLE TIME.**

Micro TF

Execution TF



Although its very hard to see in the above photos, the following trade is a 36.8RR trade, targeting the weak 4H lows from the extreme Supply in Premium pricing. This is just an example of what this system can do. Both intraday and swing trading styles can be done with this trading style.



Expectational Orderflow

Expectational Orderflow teaches us that a confirmed trend shall continue until it doesn't. Meaning, in bullish trend we continue buying until the buys don't work. In a bearish trend we continue selling until the sells no longer work. **Market structure is valid until it is broken by CANDLE BODY CLOSE**, in which case you would have a trend change and a new unconfirmed trend begins. Once the trend begins and is confirmed (2 highs or 2 lows are created) we use expectational orderflow and keep trading in that trend direction.

4H and 15M works the exact same as Daily and 4H together. Daily orderflow trumps 4H orderflow and takes precedence. 4H orderflow trumps 15M orderflow and takes precedence.

The majority of our analysis is done on 4H and 15M, Daily is mainly used to see how well priced our 4H position is (Premium VS Discount).

In our next section we're going to explain Premium vs Discount pricing to ensure we are paying the proper price for our order. Pricing will also let us know how probable a setup is to play out from a certain **POI (point of interest)**. We want to ensure we are not buying too high in the leg or selling too low in the leg as the probability of that trade panning out gets much slimmer. Although expectational orderflow teaches us to follow trend till it doesn't work, we have higher probability setups and lower probability setups.

Market Structure is valid until it is broken.



Pricing

Premium Vs Discount



The above example is a **Premium Vs Discount** pricing model. We want to sell from the premium and buy from the discount. **This is a simple fib tool with the 0%, 50%, 100% setting.** This simple tool will help us insure we get the best deals on our investment

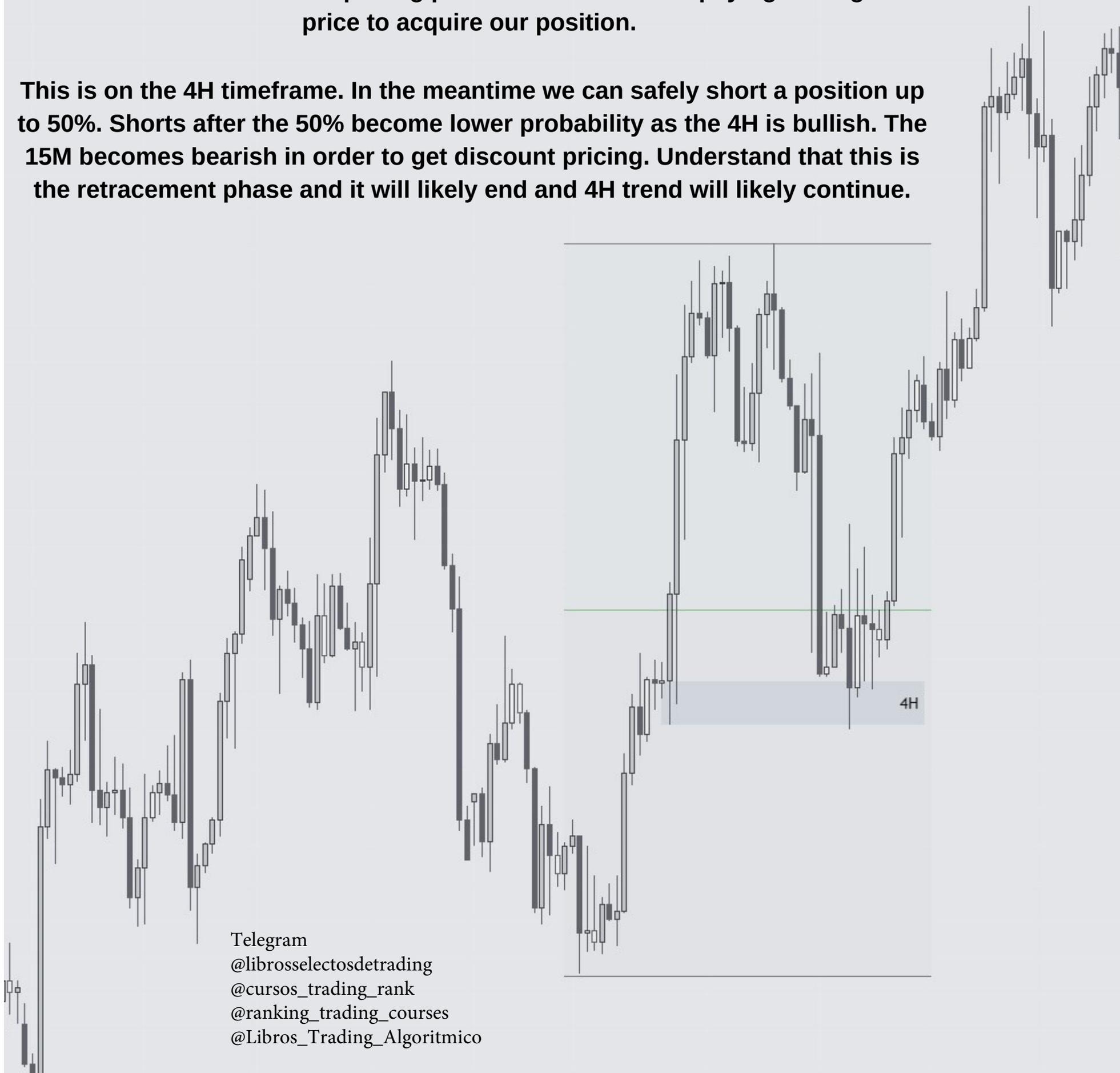


Pricing

Premium Vs Discount

In a bullish trend the fib is pulled from the start of the impulse to the end of the impulse. The impulse must break structure and confirm trend continuation. We then want to wait for discount pricing (the lower 50%) before we buy again to make sure we have the best pricing possible and we're not paying too high of a price to acquire our position.

This is on the 4H timeframe. In the meantime we can safely short a position up to 50%. Shorts after the 50% become lower probability as the 4H is bullish. The 15M becomes bearish in order to get discount pricing. Understand that this is the retracement phase and it will likely end and 4H trend will likely continue.



Add a little bit of body text



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Pricing

Premium Vs Discount



This is the same chart from up above but in a 15M time frame. We can safely short this into the 50% zone (most times). With a 1M execution this trade ends up being a 34.5 RR. We will learn more about this in the entries/execution portion of the booklet. Once Price taps into **discount** we can begin looking for the market to long again so we observe for clues of the market wanting to do that. In this example price didn't retrace very deep, other times the retracement may be much more extreme and come much deeper.

As **BFI traders** we have certain rules that give us higher probability setups, if we adhere to these rules **we can be profitable**. These are the **S.O.P.'s** designed to give you an edge. As you get more advanced you will learn when its appropriate to bend these rules and trade with higher risk exposure. That skill only comes from time in the market. **We will not chase the market. We will let the market come to us and develop that discipline. Even if it means not executing a trade that day.**



Pricing

Premium Vs Discount



In a bearish trend we pull the fib from the start of the impulse to the end. Structure must be broken. We will not look for another sell till price returns to the **premium pricing**. In the meantime we can look for a buy into the premium zone.



Pricing

Premium Vs Discount

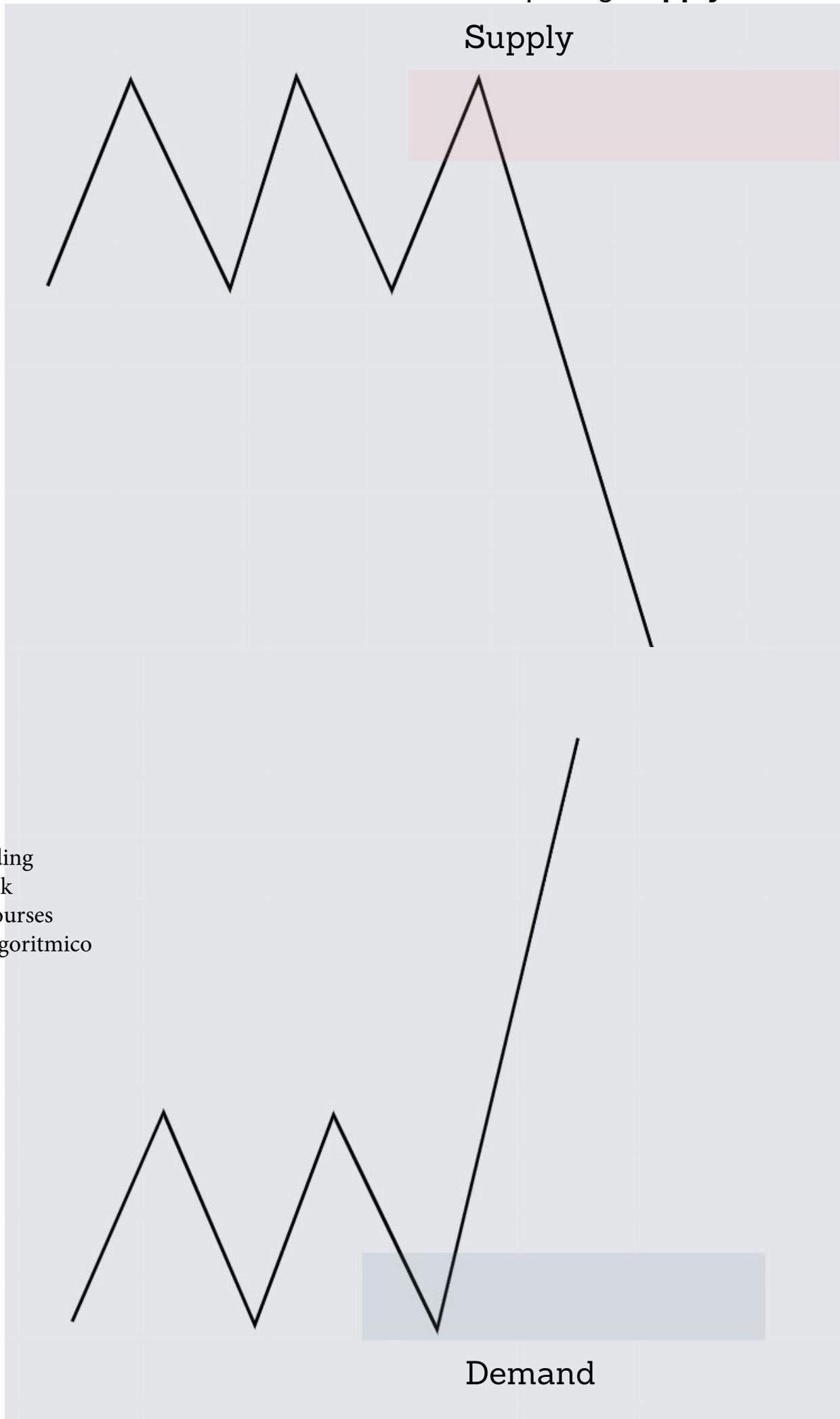


Although this buy is a little more advanced (from the only unmitigated demand) it is still valid to take up to the 50% zone minimum. The sell in this case comes from the extreme. This is proper trading with proper pricing. We will develop proper rules for execution. Only then do we actually execute. In the next part of this PDF we will talk about **POI** selection. How do we pick the best **Supply/Demand** zones? And how does **Premium vs Discount** tie into it all?

POI Selection

Picking Supply/Demand Zones

The best **POI's** create new structure, and have resting inducement in tact. We will talk more about inducement in next section. For now lets focus on pulling **Supply/Demand** zones.



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POI Selection

Picking Supply/Demand Zones



Demand is pulled from the top of the body of the last down candle to the bottom wick before the momentum candle to the upside. **Supply** is pulled from the last up candle before the momentum candle down, we pull from the top of the wick to the bottom of the body. **Supply and Demand may also be called an orderblock.** It just means that's the **BFI's** getting involved in the market. **We want to ride their wave and enter on the mitigation.** This happens on every timeframe.

Mitigation will be discussed in the next section. If you are ever unsure what candle to pull as it can be confusing in some ranges, **it is always the candle before momentum.** The above method is a basic orderblock method, there are many refinements of supplies & demands and you will learn them better with time in the market. They come in ranges, pivots and wicks, but one thing must happen for it to be considered an orderblock, **they have to have momentum, and the best orderblocks create new structure.**



POI Selection

Picking Supply/Demand Zones



These are all examples of what supply/demand zones could look like. If the supply/demand wick is larger than the body I'll pull just the wick. However if you're unsure just use the above method.



Whether its a range or pivot or wick it really makes no difference, its the candle before momentum!



Zone Creation

BFI Order Stacking

BFI's take such large orders that they cannot process orders that large without disturbing the market. Each currency pair comes with a certain **ADR (average daily range)**. **BFI's** must respect the **ADR**, so over the course of the month the pair will average out to a certain number of pips per day. **EURUSD** is roughly 68 pips per day average, **GBPUSD** is roughly 120 pips a day average. Over the course of the month the daily ranges must average out close to these numbers. **BFI's will work within these guidelines**. If a **BFI** simply put in an order for 100000 lots (random number chosen for example) of **EURUSD** the market would shoot up like crazy (providing that the orders actually got filled). There would also have to be 100000 lots of the opposite order being transacted. Meaning that if a **BFI** wants to buy 100000 lots of EURUSD, some one has to sell them 100000 lots. Usually the market will not be able to fill these large orders as there's not enough **liquidity** available.

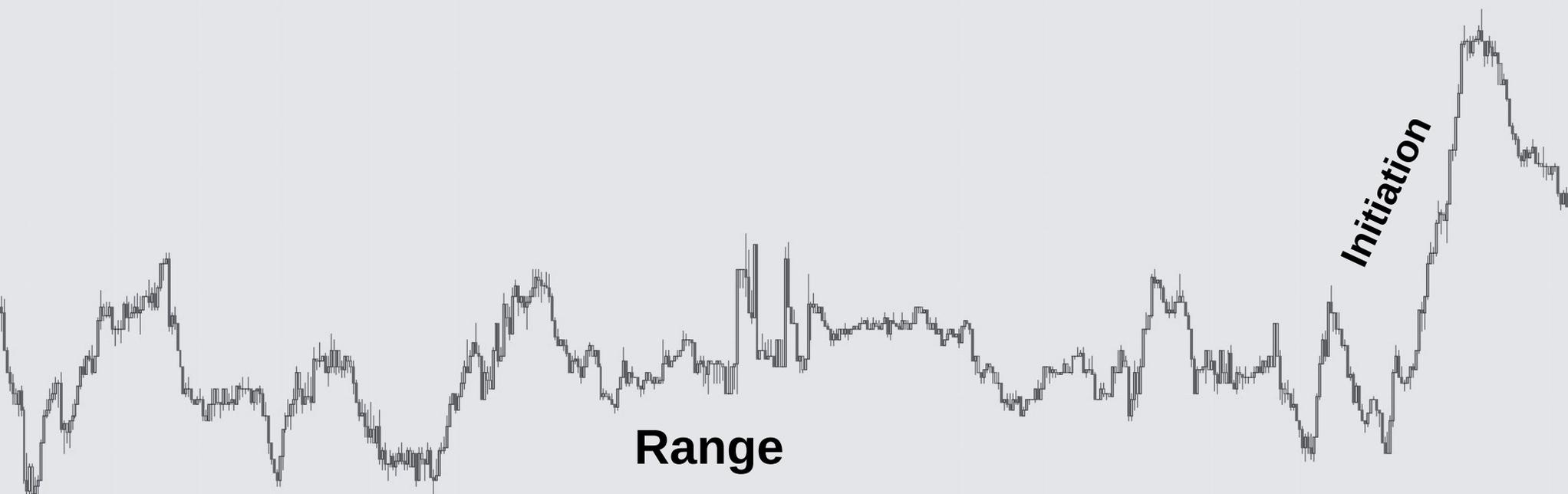
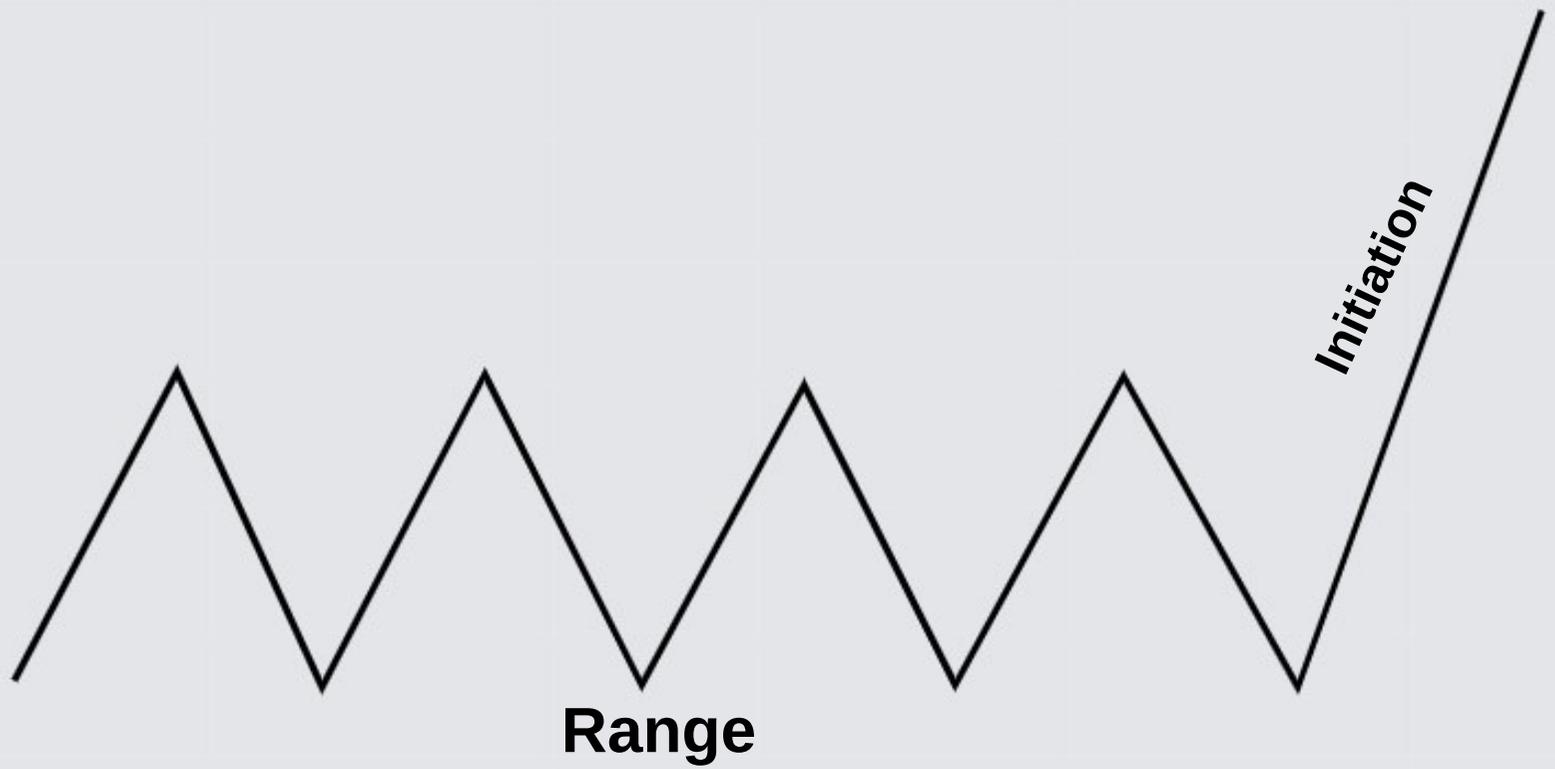
So what do they do and how do they get the liquidity?

They generate their own liquidity. They will take both buy orders and sell orders at the same time and park the market in a range until they accumulate a large enough of a position size. Once a desired order size is achieved they will leave the range by initiating price out a range. They will then return to the range and start dumping the opposite side orders to get out of drawdown. For example they took both buys and sells and initiated a buy program they will be in profit on their buy positions as they leave the range; however, they'll be at a loss on all the sell positions, so they will slowly return to the range and **mitigate** out of their sell positions. They'll get rid of some at a loss, some at breakeven and some in a small profit and then the real move begins.



Zone Creation

BFI Order Stacking



Mitigation

Range, Initiation, Mitigation, Continuation



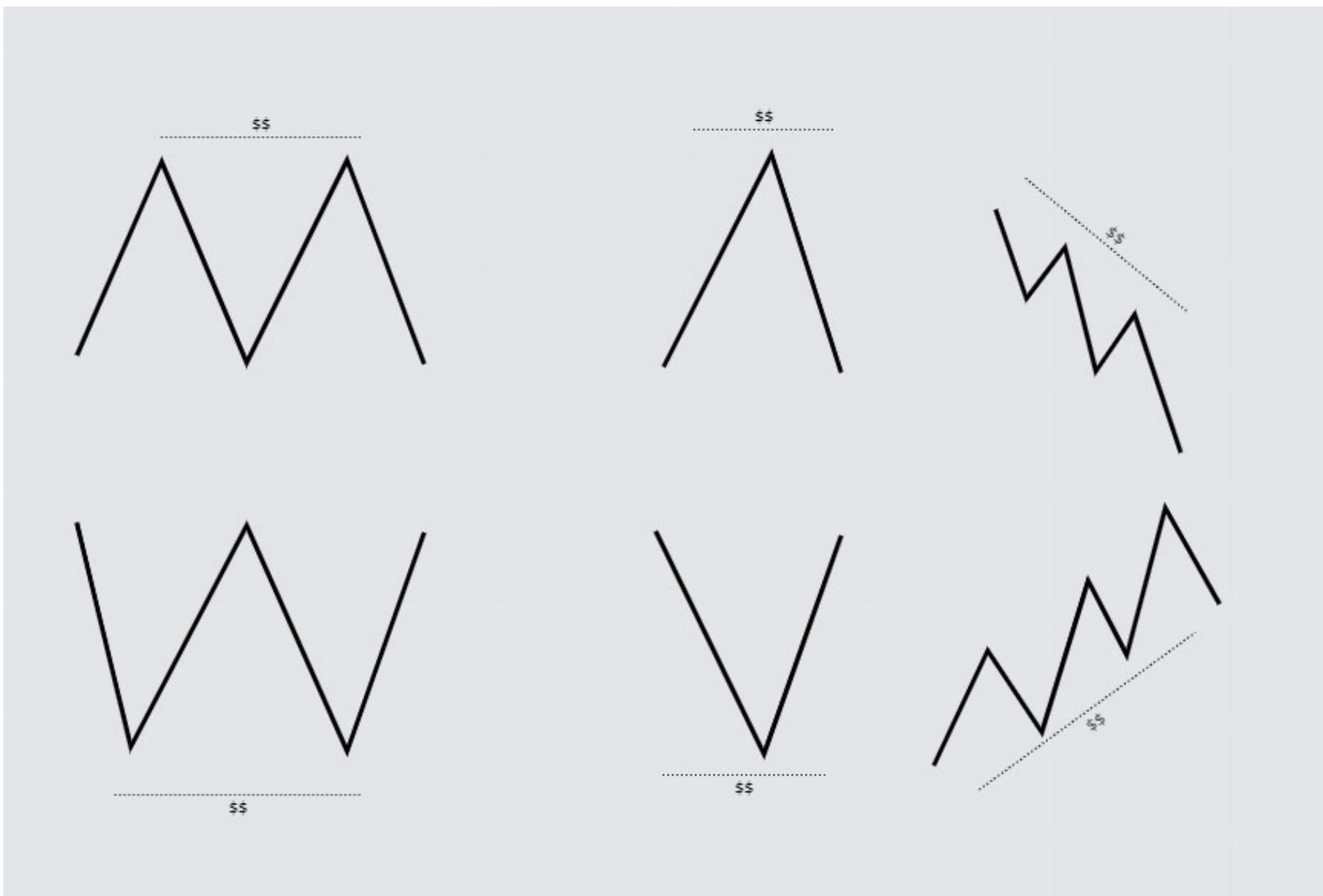
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Liquidity and Inducement

Liquidity



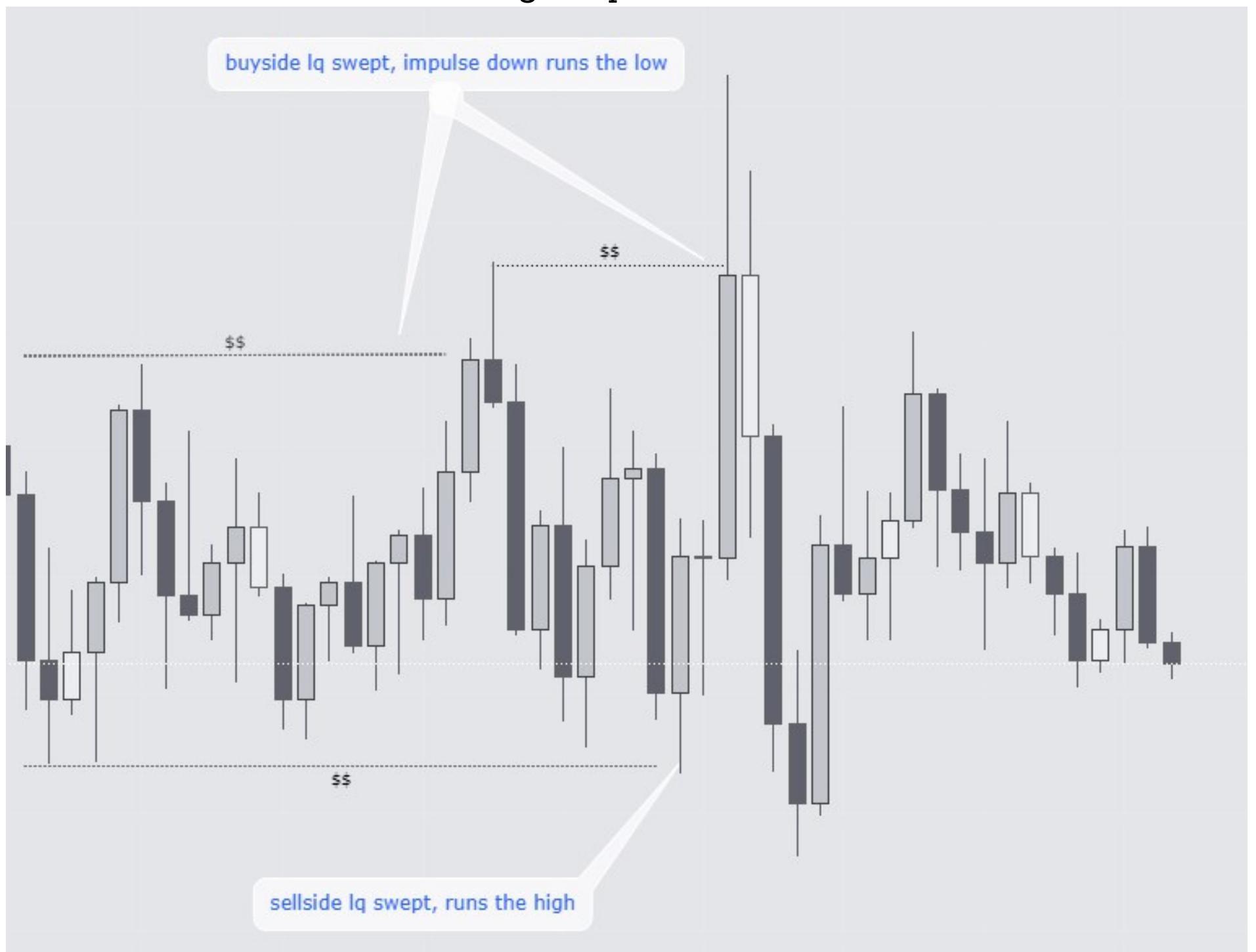
Liquidity is everywhere in the market. **The market requires liquidity to move.** It is considered the gas needed in your car to get from point a to point b. There are resting orders and stop losses at all the points I have marked on the chart. The market's algorithms are programmed to come get them, we just don't know when.

So yes, liquidity is very good to be aware of, especially when it has been swept. Usually once it is swept and an impulse the opposite direction happens it can be a great confluence to form a trade idea there, providing it is with trend and supported by other confluences.



Liquidity and Inducement

Range expansion



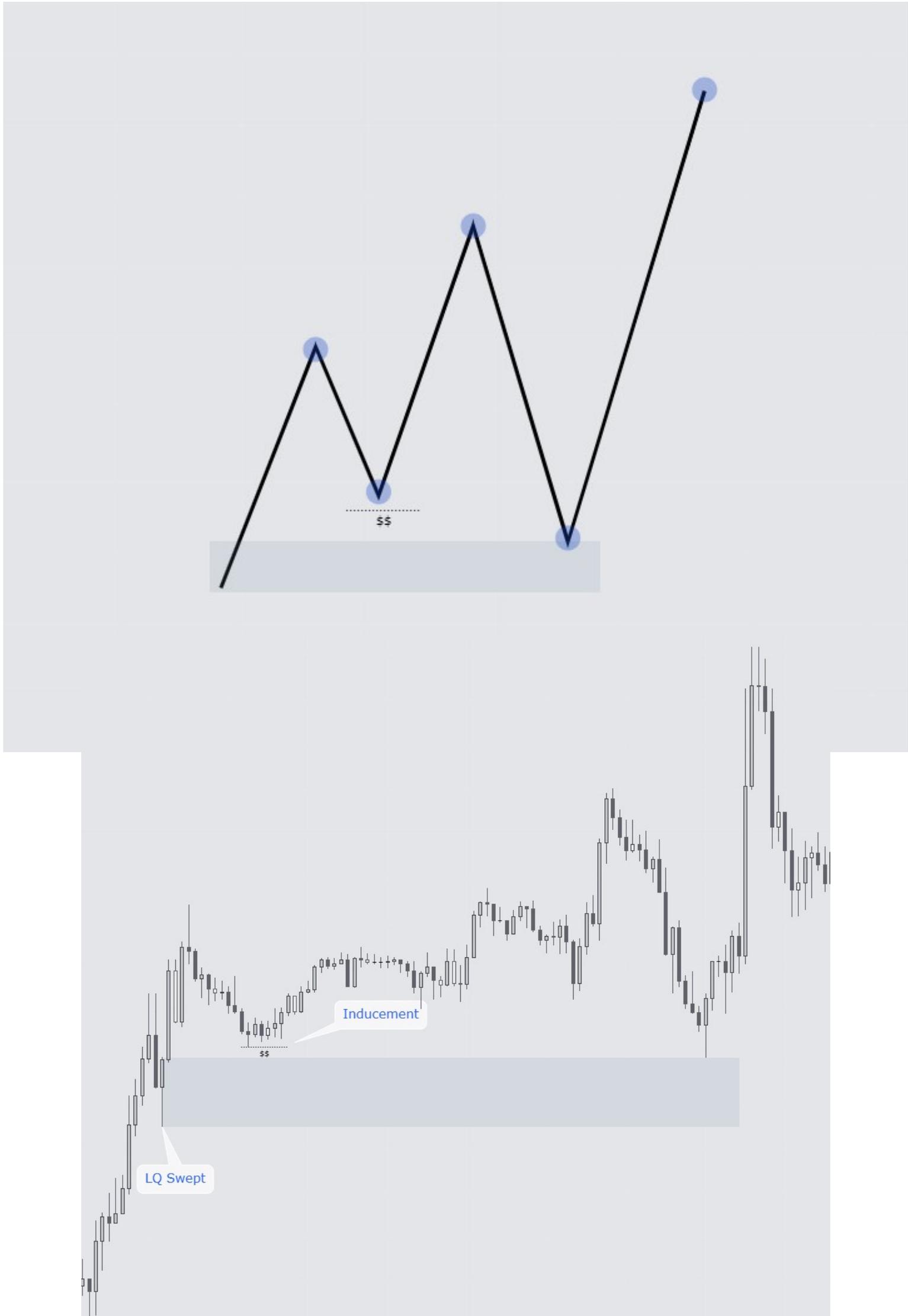
This same scenario will play out over and over again. A range is created. Buyside and sell side liquidity will be wiped 2-4 times before the real move that is intended happens. Program this into your head as this can be a great confluence to add to your trading plan. For example, if LQ is swept before an impulse that is a stronger orderblock then one that didn't sweep liquidity.

As **BFI** traders we must look at these finer details. That's great if it left the range, how did price leave the range? Was LQ swept? Were equal highs or lows created? Was the candle engulfed when momentum has kicked in? What was the initial reaction like? Was it aggressive? Was it not aggressive? We will talk more about reactions in this PDF. These are the details you will pay attention to. That's why I recommend every one trades 1 or 2 pairs max! LQ can be a great thing to target when looking for a place to pay ourselves!



Inducement

The liquidity dropped before an orderblock



Inducement Theory

Theory is if a supply/demand left and dropped inducement as it made a new high/low **that supply/demand should make a better POI** than one that doesn't have inducement. If the inducement is in tact still then that POI has a higher chance of holding. If the inducement is swept and a new high or low was created without touching our POI the next time we come to that POI the chance of it holding is much lower as the inducement is no longer in tact. The fuel has been used to make the move. Look for inducement when selecting POI's.

A very aggressive impulse with no inducement what so ever has a lower probability of holding. With this theory in mind we can assume that if price comes to the original POI it will likely be run.

No inducement is dropped. POI gets run



Protected vs Targeted Highs/Lows

(Also referred to as strong/weak highs & lows)

The lows and highs have a job to do. A low's job is to run a high. A high's job is to run a low. If a low puts in a new high it is considered a **strong(protected)** low. If a high puts in a new low it is considered **strong(protected)** high. Taking the exact same theory now lets say we're consistently making new highs and suddenly we fail to put in a new high what happens to the low?? Its considered a failed reaction and now that low becomes **weak(targeted)**.

On the flipside of things if we're consistently putting in a new lows and we fail to put in a new low that high becomes **weak(targeted)** and will likely be run. Paired together with other confluences taught earlier in the PDF we can have a better idea of where to take profits and what POI's should hold and which ones shouldn't.



Protected vs Targeted Highs/Lows

(Also referred to as strong/weak highs & lows)

We take orders off the strong points and take profits at the weak points. A low must be broken with a candle body close on HTF. On 1M or below we consider wicks as breaks. On 15M or above we want to see bodies as only wicks are usually just a sweep of liquidity.

In the example below we wick below the demand but fail to break it. That high now becomes weak and gets run. Keep in mind we are following orderflow in a bullish trend here. **This theory applies to every time frame. Use it to build a HTF narrative.**



Flip Zones and Change of Character

S2D and D2S Flips

D2S Flip, demand was in control, supply took control



S2D Flip, supply lost control, demand took control

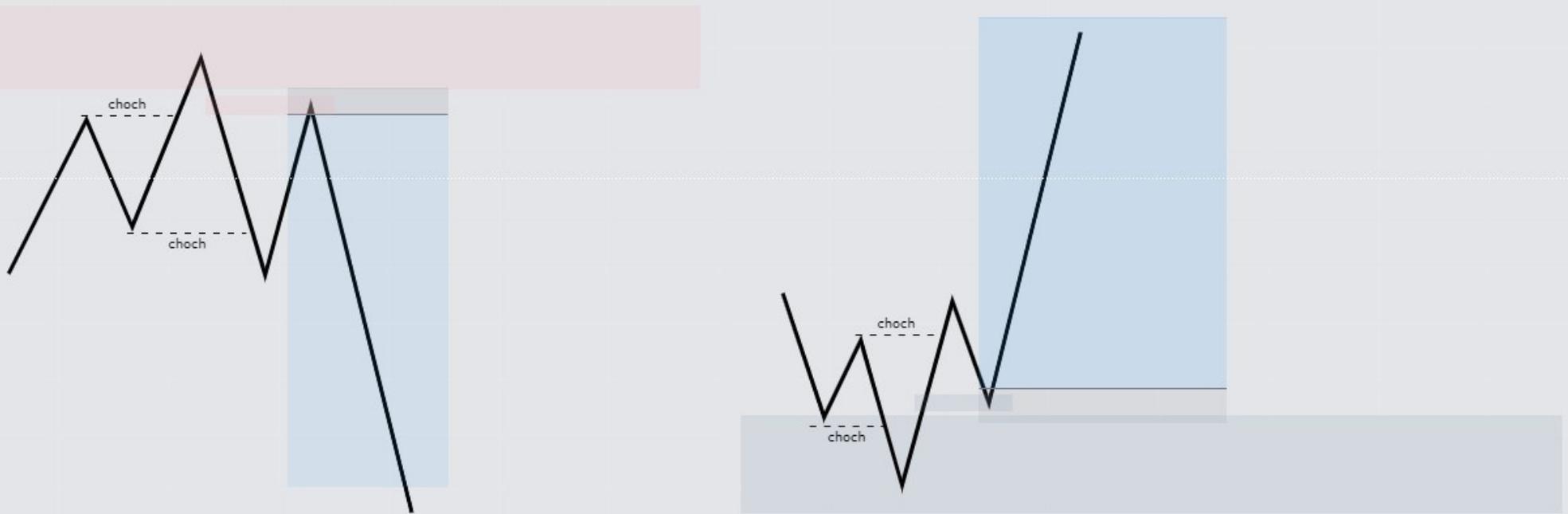


A flip zone essentially is just an area where buyers took control from sellers or vice versa. By itself this method is not enough to jump into a trade. If its just a flip then we want to use it pro trend. **If we want to go counter trend a choch is needed(change of character) paired with an HTF POI.**

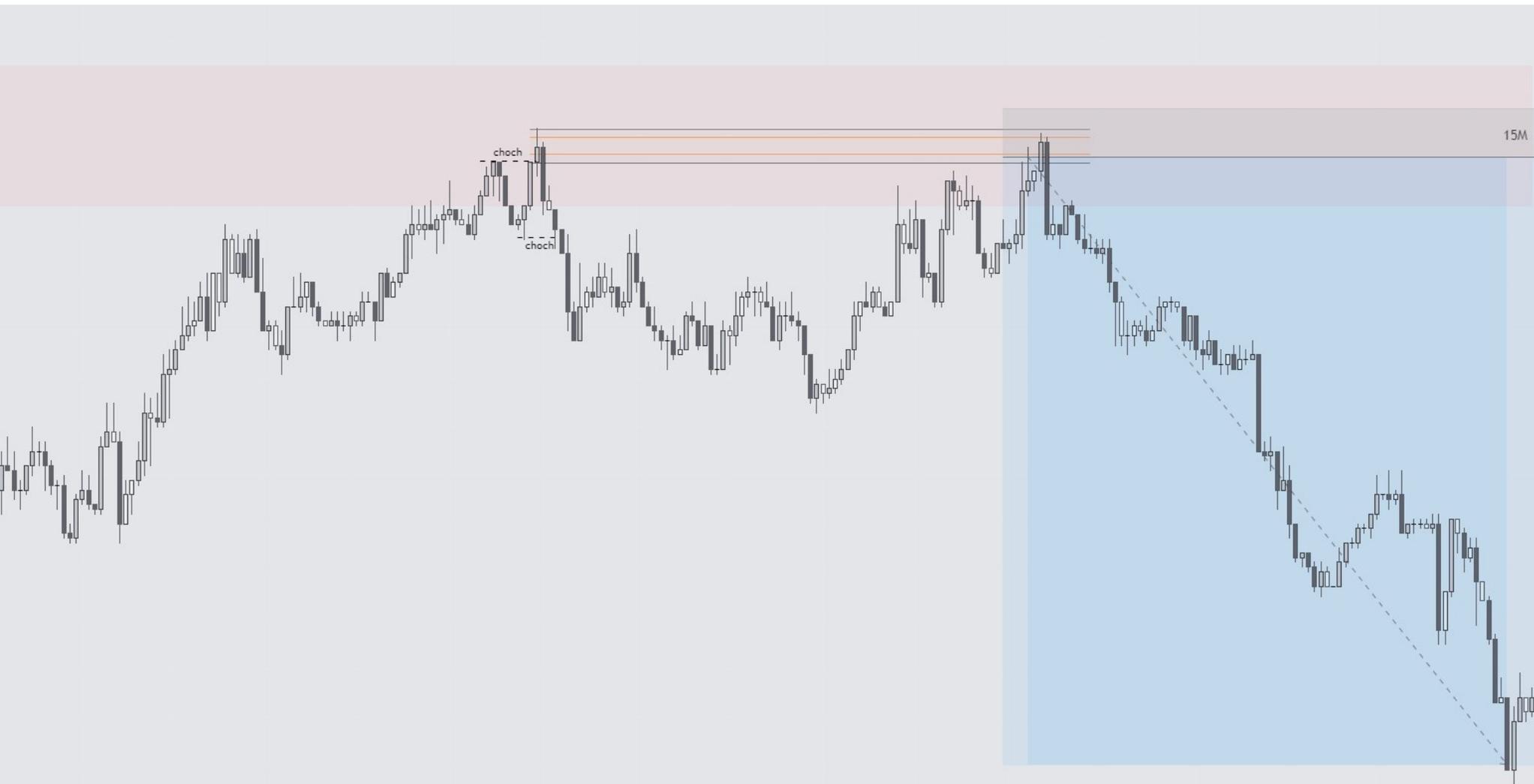


Flip Zones and Change of Character

CHoCH - possible trend change



The above example is a change of character(CHoCH). The main difference between a choch and flip is a flip can happen on a continuation model. A flip does not sweep lq and can be used after it left a POI in a continuation. A choch sweeps liquidity, and goes the opposite direction, always paired with a HTF POI (15M and up)



Trade Management



I use 2 different methods of management. On **EURUSD** if the stop loss is smaller than 2.5 pips then I'll sell off 20% of my position size at 4R to cover risk and leave my stops open (for example my stop loss is 1.5 pips at 6 pips in profit I'll sell off 20% of my position size, if I'm holding 10 lots of **EURUSD** at 4 R I'll close 2 lots and leave 8 running) . If the stop loss is bigger than 2.5 pips then I'll break even(move stop loss to entry) soon as the first 1m supply or demand is broken.

#1 rule of trading is to protect our capital. Whichever way you choose to manage just make sure risk is taken off the table as soon as possible.

Continuations work more a lot more often then reversals. The trend is your friend till it ends.



Putting It All Together



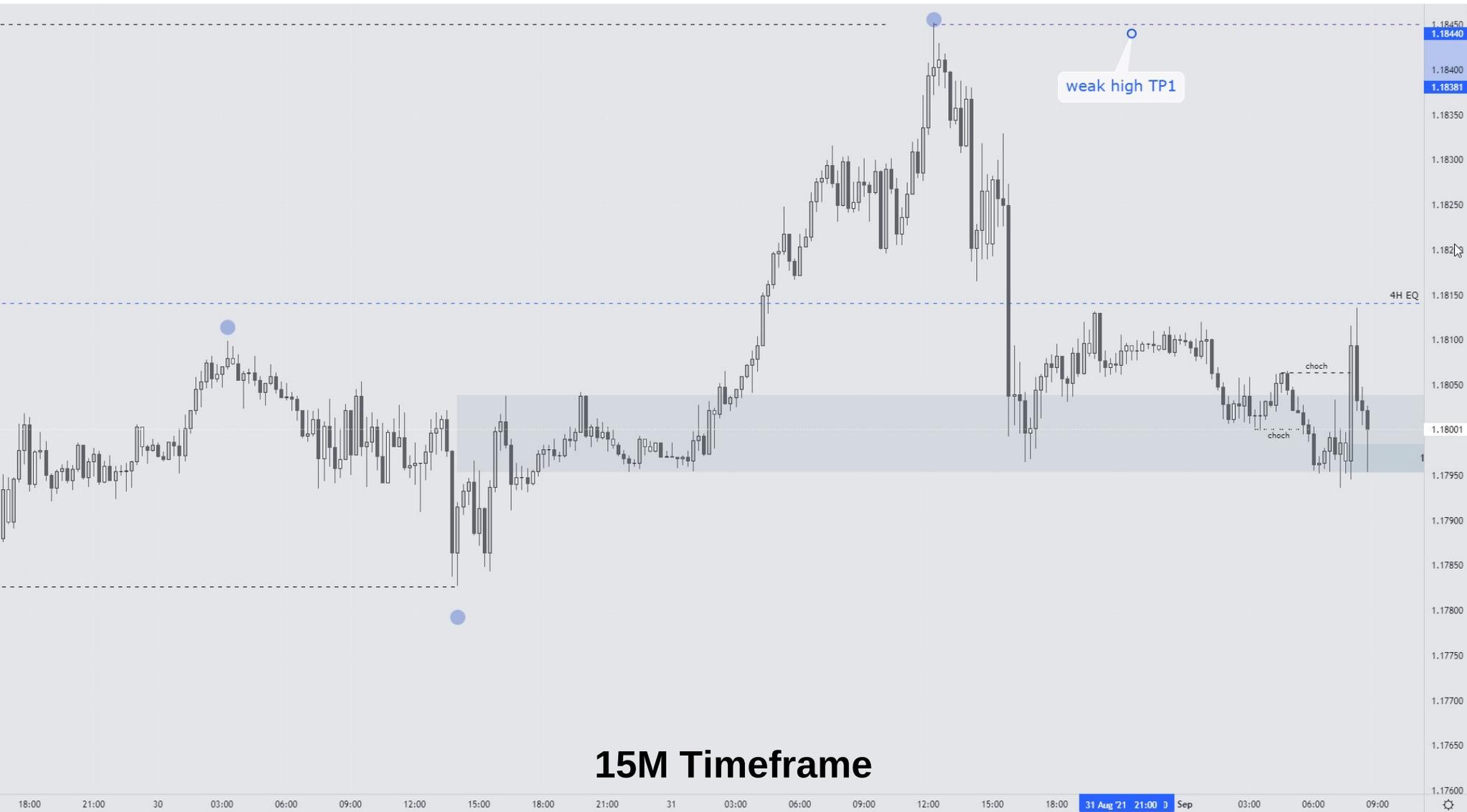
4H Bullish Trend In Discount

The execution time is hard to see here, but it is **8:45 am London time**, within our **London Killzone** time where volume is at its highest. **Both 4H and 15M legs are in discount. We're getting a great deal on our purchase.** As investors we want a great deal so we acquire the position in discount and sell it in premium for a profit.

The 15M completes a choch when it tapped into the 4H demand. We then pull the 15M demand that caused the 15M choch to complete, wait for a 1M choch and flip, and then execute our trade. **The weak 15M high would be our target.** We are buying pro 4H trend in discount and **following expectational orderflow. Continuations work alot more often then reversals. This is a 38RR Planned Trade.**



Putting It All Together

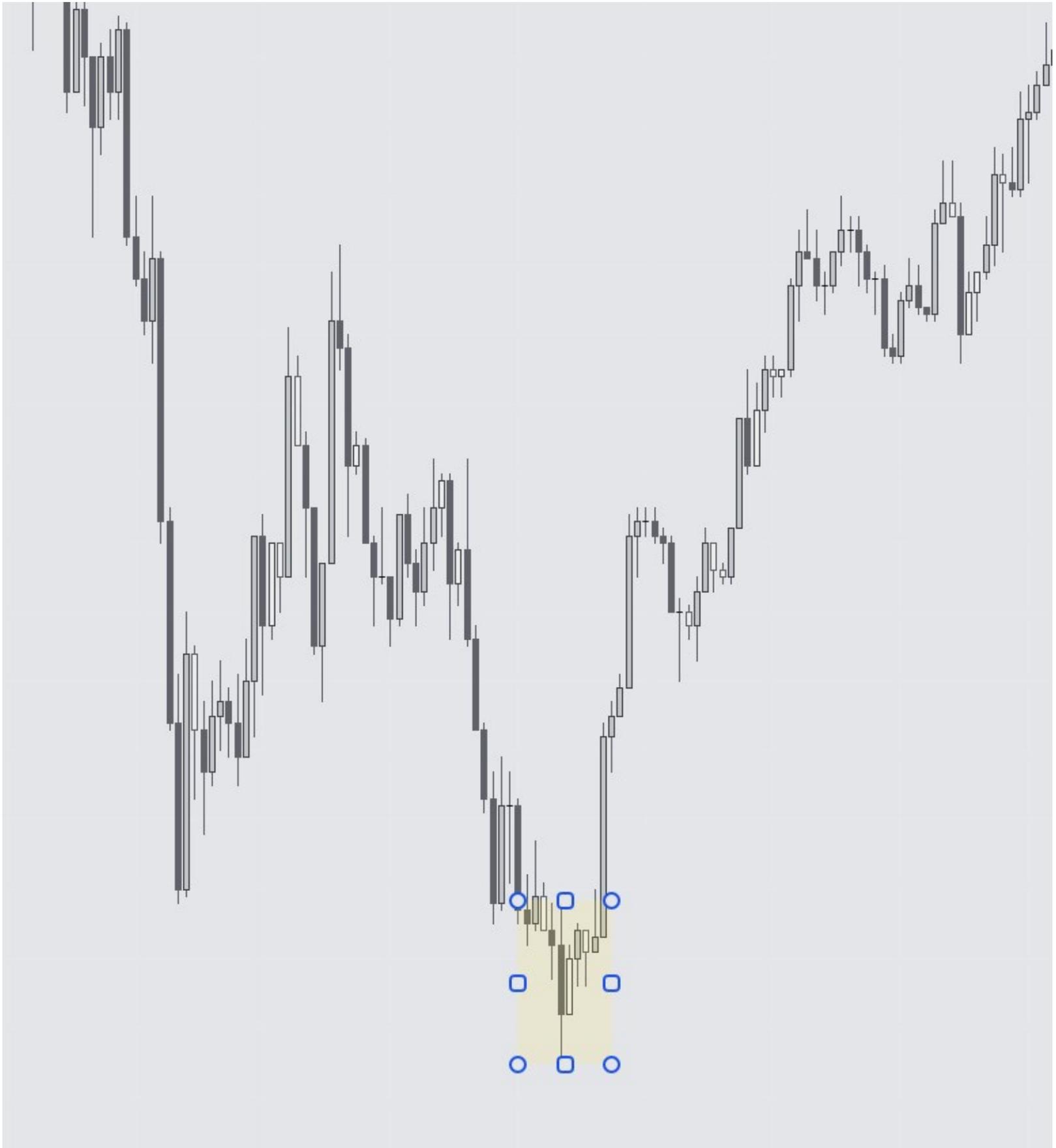


Putting It All Together



The plan was followed, the trade was executed pro higher time frame trend. This trade hit take profit by New York Killzone. It doesn't matter which killzone you entered on, the narrative remains the same, put the idea together and make a plan of how you're going to execute. You can partial out once or twice if you need to. If you're looking to get paid sooner and have smaller trades then target smaller timeframe weak highs/lows.

Reaction points



Notice how aggressive the reaction point was. Seeing a V shaped recovery can be the first sign of a reversal. Spot these early as they tap into a POI. Notice the multiple failed reactions on the next page, these can be a sign that supply is holding, confirmed by demands breaking, you even get a choch and flip. Execute and follow trend. Reaction points get way more advanced than this, for the sake of not confusing people I'll leave it here with the basics!



Reaction points



Checklist

Daily:

Structure

Premium/Discount

Daily isn't needed for intraday trading, we check this just to see where the 4H trend is on it (Pro Daily or Counter Daily)

4H:

Structure

Premium/Discount

POI's (best ones made new structure)

15M

Structure

Premium/Discount

Swing Points

Unmitigated areas

POI's (best ones made new structure and have inducement in tact)

Inducement

Liquidity

CHOCH

STRUCTURE IS KING

AND IS VALID UNTIL IT'S BROKEN WITH CANDLE BODY

CLOSE



Closing Comments

Kobe Bryant used to get up at 3AM to shoot hoops. Not because he enjoyed doing it, because he knew that's what greatness took. The only way we improve at anything is by practicing it. Take all this knowledge and put it to the test. Backtest it over and over. Even when you are winning, backtest it over and over. Eventually things will start improving because you've programmed your brain what to look for in a live market scenario. I recommend backtesting on Tradingview and Soft4x. Both have their advantages and disadvantages. Do both if you can.

The trend is your friend. Follow it.

This has been done by many others. It can be done by you, it just requires discipline and the desire to want to be above average. It won't be easy, but it will be worth it. Find the greatness within yourself!

Take care!
- Rob

Inside my Instagram there are links for FREE YouTube content, FREE Telegram and Discord. Get involved in all of these to get a better understanding of Supply/Demand Trading. I share charts and breakdown a wide variety of trades in videos.

