THE MARKET MAKER'S MATRIX Vol.1

By Evan Christopher

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INTRODUCTION

If you're reading this book, I'm assuming your little trendlines, retail patterns, support and resistance strategies aren't fucking cutting it. You're probably wondering if anyone in the trading world actually makes money, or if it's a straight up scam. You're probably at your wits end, losing almost every trade. Doesn't matter which direction you choose, long or short, all you see is fucking RED! Trust me, I know the feeling, I've been there. From slamming my head against my desk, day in and day out. Thinking "am I just a straight up dumbshit. What am I missing here!? Why is everyone else making money?"

After spending 14 hours per day for two yrs studying everything I could get my hands on. Wyckoff, Smart money concepts, elliot waves, classic retail concepts, moving average crossovers, supply and demand. That's not even a tenth of it. You name it, I've studied it and never saw success. Imagine putting your hard earned money, your life savings, countless hours, your sweat blood and tears to not have seen one cent of profit. Sure there's the occasional win that keeps you trading, but that's not what you got into the trading game for. You came here for consistent profits. You came here to knock it out of the ballpark and change your fucking life.

This book was designed to give you all the reasons why you clearly suck at trading, and how to not suck so much at it. I'm going to be your coach. I'm going to be extremely tough and harsh. Trading isn't for the weak minded. After all, this is a psychological battle with yourself, not the market makers. Thats why it doesn't fucking matter which strategies you choose.

I would say strategy is 20% of the game, psychology is the other 80%. I know you, I've been you. You're trigger happy. Entering trades early because you have some sort of internal dialogue preaching FOMO. Oh? Not your issue, then maybe you've experienced too much pain, and now are too chicken shit to take your shot. Either way, this book was built to fix your internal dialogue first, and give you the reasons why you've been manipulated in the markets.

We're going to cover countless examples of typical retail patterns, and how they "the market makers" seduce you (not sexually) to hit that buy or sell button. We're going to flip your entire world upside down with these concepts. You're going to see the matrix for what it really is. Forget about 1:1 returns. We're going to dive in deep and show you how 1:100+ returns are possible. I’ll illustrate clear examples so you can go to battle with the proper weapons at your disposal. Ready to take the red pill and see what’s behind closed doors? Then turn the page.

Chapter 1

FOLLOW THE FUCKING RULES

Ever have that situation where you immediately enter a trade and it goes completely the opposite direction almost instantly? Or how about where it starts going in your favor then quickly reverses? Well, I know I have, more times than not. There's a specific reason as to why this is constantly happening to you. You are entering a trade on a crowded level. What does this mean? That means you’re not the only one positioning yourself at this particular price level. It’s not some sort of magic that you saw a level of support or resistance that millions of other traders didn’t see as well. You have to understand that us as retail traders are the liquidity.

Let me define “us” as retail traders. Retail includes, Large hedge funds, smaller banks, and the typical “at home from my laptop” trader like you and I. Now who is the smart money? Big Banks, and Big Institutions. Big banks are the central banks, they decide where price is going. Now when I say “Market Makers” I want you to understand that in this day in age, it is heavily algorithmically driven. The algo’s are the new Market Makers. This means they have to follow a set of rules, which is to our benefit.

Now this book is heavily centered around the forex markets. I’m mainly a forex trader, but I do trade stocks and options as well. Stocks and options are mainly controlled by supply and demand. Forex, based on my research, isn't. Price is predetermined. Now that may be a tough pill to swallow, but I can show you several examples of price reacting and trading “to the pip” at certain levels.

The lies you’ve been told have been created by the mega banks, and market makers. Market makers can create whatever pattern or trend line they want to. They can hold a stock or currency in consolidations, they can move prices and snatch up your stop loss. The goal is to identify when a huge price movement is occurring to participate and anticipate the likely movement. There will be times where the banks aren’t involved, and there will be times when they are clearly involved. From this point on, when I say “they” that means smart money.

Another lie you’ve been fed is these traders on instagram or youtube. The lie isn’t about how much they make, it’s more so on how easy they make it seem. When you see a trader posting a

$100k month or more, you have to understand that it takes time to get to that level. If you are just beginning your journey, or you've been trading for a while with no consistency, then the first step is to get consistent. Means every day you trade (if your aim is day trading) is to end the week green. I don't care if it's $1. End the week green, learn how to be green. Then move up, try to aim for $5 at the end of the week.

When your account size is large enough to take on more riskier setups, that have lavish returns, then and only then are you allowed to take on more risk. We need to build your account up. Now, if you are extremely new, I highly suggest starting with a demo account, or possibly fund an account with money you really don't care to lose, and trade a .01 lot size for 6 months. Once we get enough data we can adjust our risk factors, and modify our take profits for consistency. Trading is a game of psychology, and risk management.

You have to understand that every single trade you take has a plan. So essentially there are two plans. First, you need to identify your setup. There are various setups that I will draw out for you in this book. Pick one you're comfortable with and stick with it for 6 months. DO NOT deviate from this trading plan. Trading is a game of probabilities. Let me say that again TRADING IS A GAME OF PROBABILITIES. This means something is more likely to happen over another. So if you deviate from a specific trading plan, you are increasing the variables set, and adding a new element which can have detrimental effects to your trades.

Your trading should be systematic, with very little subjectiveness to it. For example, if you are a support and resistance trader then subjectiveness could be support zones. Some people would say

3 taps at a certain price level is support, some could say 5 taps is support. That is subjective trading. That is not how we trade. We can actually use these ideologies against the retail trader, to better get inside the minds of the market makers.

Now that we understand that we need a trading plan, and must abide by it as if it was the law. If you break the law, you will be in a great deal of pain. Next, you need a trade plan for the trade itself. This means for every trade you are taking you need to know your risk, you need to understand where you will take profits, and you need to know how to manage the trade all together. I will go over examples of a trade plan in subsequent chapters.

Again, don't feed into this "get rich scheme." Trading isn't a get rich scheme, and you CAN NOT compare yourself to others' success. Stay in your lane, focus on your trades, and only your trades. When someone has a $200k account, they can take on a lot more risk. They can aim for the fences, and have a $20k trade from $1k risk. If they risk 1% of their account, they have 200 chances before blowing their entire account. They have 20 chances before breaking even. So consider these factors, and try to end the week green until your account can handle risk.

Have you ever seen the movie SAW? It's a horrific movie if you haven't. But, there is a certain lesson to be learned from watching it. The movie is about a serial killer, who wants to help people break free from themselves. He sets up traps where he tortures his victims, but allows them a chance to escape as long as they follow the "rules." Now typically the character is so caught up in emotions, and trauma that they can't see past the basic rules he set forth for them to escape.

Now, this is obviously an extreme comparison, but there was one scene in that movie where a father was trying to save his son. His flaw was patience. The serial killer had told him, if he was just patient, he would undoubtedly see his son again. Engorged with anger, and hostility (for obvious reasons) it clouded his thinking. The serial killer had his son on a pre recorded video, while the father was watching. The serial killer would utter the same thing over and over again. "Follow my rules and you will see him." The father just couldn't understand this, and ended up murdering the serial killer. Once this happened, the father also was killed by a trap the serial killer left behind in case he was murdered by the father.

The scene ends with the son appearing from a box that was triggered to unlock at a certain time. So literally, if he was just patient enough, he would have found his son in the same room he was standing in.

When I saw this, I had a stroke of genius hit me. Trading isn't just strategy, although a strategy can give you a slight advantage to the markets, it's not what trading is. Trading is about how well you can follow directions. Studying a sound strategy gives you the directions and rules to follow, but it's how disciplined you are to follow them. So follow your fucking rules!

Chapter 2

RISK MANAGEMENT IS EVERYTHING

This is a cliche I’m sure you’ve heard. “Risk management is everything.” But I haven’t seen too many people really dive into this subject. This is actually one of the strongest statements when it comes to trading. This game isn’t about how much money you make, it’s about how much money you keep. Let that sink in for a bit. We as traders naturally think about swimming in a pool of money, and how much MORE we can make. That's the excitement that drew you here in the first place I’m sure.

The truth is, the guys that actually make money in this game assess risk constantly. The question you should be asking yourself isn’t “how much money can I make off this trade.” Instead it should be “How risky is this trade setup?” My goal is to get you to see the market “ass-backwards” meaning, the opposing side of what everyone else is doing. I believe Mark Twain said it best, “Whenever you find yourself on the side of the majority, it is time to pause and reflect.” Important questions you should be asking yourself are “Where can I go in the market where I have the least amount of risk”, “Where is this trade invalid?”, “How much am I willing to risk to find out if this trade is worth my investment.” These among other questions are going to be something YOU MUST ask yourself constantly. Now, everyone has a different level of risk appetite. A great rule of thumb is to only risk what you are comfortable losing. Industry standard is 1% to 1.5% of your overall account balance. So if you have a $5000 account, then risking $50 per trade is probably a great start. But, if you want to increase your risk per trade to 2-3% and can handle blowing a $5k account, then that is entirely up to you. A tool I highly recommend using is found on https://www.myfxbook.com/en/forex-calculators/position-size this allows you to calculate risk seamlessly, and understand how big of a lot size you should be using. Now we all want to make the big bucks, and have huge winning trades, but we must be logical. There will be times you will collect a small win, a decent win, and a life changing win. The life changing wins aren't going to happen every day. Not only do you have to assess your risk, you must assess your take profit levels. Where is the market most likely to gravitate to before pulling back.

Using average cost discounting we know buying dips in prices over a long period of time is more profitable than buying a constant rallying market. Obviously because we are getting a discount on price, now let's take that a step further. Average cost discounting principles for the average investor means buying the market on the dips while keeping existing positions. Where we flip that is knowing when to sell our positions, and buy them back cheaper on those declines. Understanding this will help you grow your account to unbelievable measures.

Now you know how to properly look at risk, we must now go over trade management. Just cause you entered a trade doesn't mean you're free and clear to kick back, take the edge off with a beer, and binge watch your favorite netflix series. Although there's ways to make this completely stress free and give you the freedom you came here for in the first place, we still have to be mindful of the positions we entered. In a blink of an eye a trade can go against you, and if you aren't setting up alerts to either your email, or text messages, you're being a dumbass. The market is changing every single second, down the microseconds. If a position we entered starts going into profit, we should know the "new" levels where it can invalidate the trade, and move our stop loss accordingly. Don't worry this will all be covered in subsequent chapters.

Just remember that it's ALWAYS better to end up break even, than to lose a trade. It doesn't fucking matter if price comes down to take your stop, and fly in your desired direction. That happens, and you need to understand that it was never part of your trading plan in the first place. It wasn't YOUR trade. Let it go, there will be other trades I promise you.

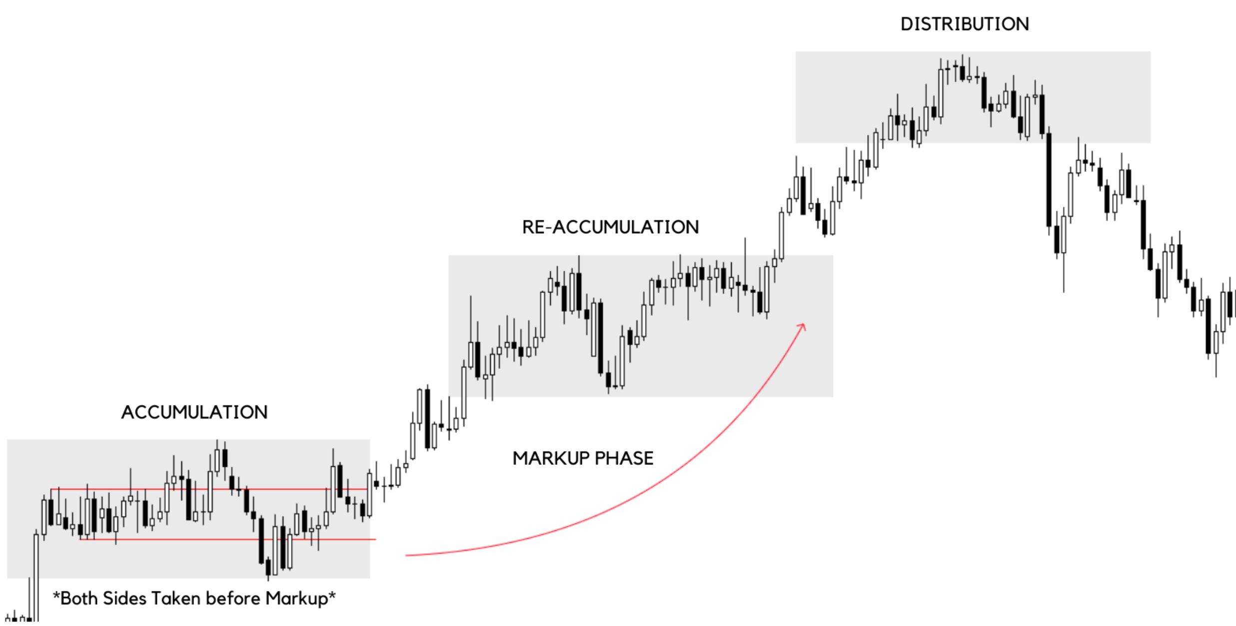
There is no right or wrong in trading. A bad trade can turn good, a good trade can turn bad. You can have everything on your side and the market will do what it wants to do, that's completely out of your control. The only thing in your control is risk! You are legitimately paying to find out if that trade is going to be in your favor. You DON'T know what will happen next. You have your trade plan, your set up, and your probabilities based on data you've collected to make a highly educated guess of what is likely to happen. Again anything can happen, and you must learn to be comfortable with this if you want to succeed as a trader.

Chapter 3

UNDERSTANDING THE MARKET MAKER'S LANGUAGE

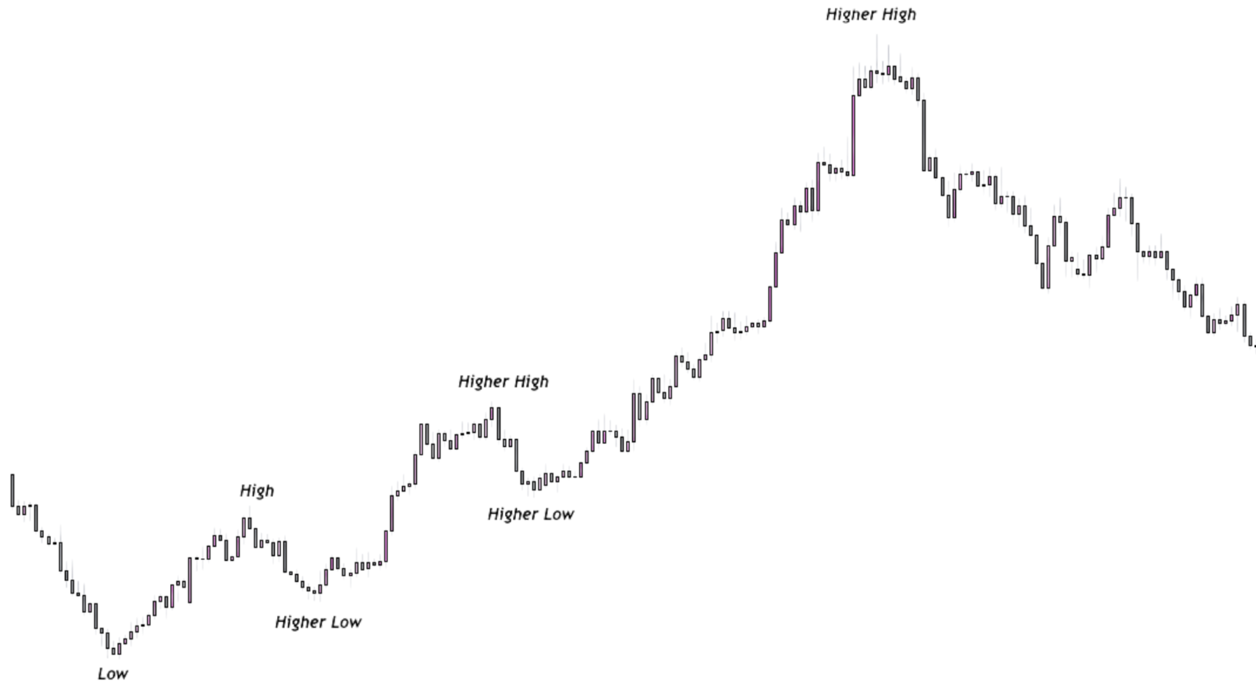
Just because there are no words to read, or voice to hear, doesn't mean that the charts aren't displaying a set of characters, or characteristics that can be read just like a book. Having the ability to interpret what the price action on a chart is going to allow you to see a story line being built. You'll be able to see exactly where They are entering the markets, where they are hedging positions, and when they plan to exit. Keep in mind mega banks typically don't play on the lower time frame charts. They're more likely to play on monthly and weekly levels, and execute on the daily chart. So on the lower time frames we are essentially competing with other retail traders. We don't have the ability, even as a collective, to move prices even a pip.

Everything we trade should be lined up in the direction of smart money. Price is fractal, meaning it's a part of a larger higher time frame move. Smart money is in the business of profit, understanding that they are only going to accumulate a position at a discount, and typically during a period of consolidation will help you identify where they are planning to do business. They will test the market in the consolidation on each side of the range, wipe everyone out, and then move prices higher during the "mark up" phase. **See figure 1.1**



This is a typical template they use to accumulate a position, reaccumulate, mark up prices to ultimately distribute the longs to willing buyers at a higher price. This is your typical "Buy Low, Sell High" model. If we look at this in its essence, it's an auction involving wholesalers. Let's say we have people who accumulate products at a low price. They test the market by setting higher or lower prices to see if anyone bites. Once they know there will be buyers at higher prices, they can raise the cost of the product they own, until they run out of inventory. Now, if they are running low on product, how can they continue to make more money? Let's say they can see huge demand for more products at the current retail prices. The obvious solution would be to reaccumulate or buy more products back to sell at even higher prices. The retail who bought the products aren’t in the know, begin believing that they paid way too much for the products, and want to sell it back. The wholesalers can manipulate the price, and trick the retail consumer by lowering the cost of the product. This begins a panic sell. While the wholesalers know there are people willing to buy at higher prices, the less informed don’t. The wholesalers end up buying back the products at a discount, and rally prices higher once again. But let’s not get too complicated right now. We need to cover the basics of this language which all starts with the structure.

If you can read market structure you can get a great sense of where the market is likely headed in the future. We always want to use higher time frame structure in confluence with our lower time frames. Simply put, structure is the natural ebb and flow of the market. Higher highs, and higher lows. I’m sure this might be basic knowledge to you, but we must go over the basics to solidify the correct way to look at this. Take a look at the bullish structure below **see figure 1.2**



There is bullish structure i.e. Higher Highs and Higher Lows, and there is bearish structure i.e. Lower highs and lower lows. It’s best to trade when a market is in a trending environment and capitalizing on the continuations of these movements. Now when should our spider senses tingle? When structure starts to shift. It’s when our low that created the new high gets broken.

See figure 1.3

Even if the new higher low created a lower high, that doesn't mean there is a structural shift yet if that low wasn't taken. It has to break the nearest low that formed a new high. **See figure 1.4**

So this is the basics of structure. Looking at a chart now, you should be able to correctly identify the trending environment. We always want to start on the highest time frames first. What is the overall picture? Are we making new highs or new lows? If we are making new highs, are the lows staying intact and being respected? If smart money wants to protect their positions, they will not allow the markets to go past certain levels. Why would they? Then they'd be at a net loss. We can easily identify these levels of structure to see what levels they may be protecting. For example, if they accumulated a position at a low, and moved price past a previous major high (higher time frame swing high) then they are more likely to keep the low where they accumulated their position intact.

Now when we move from higher time frames to lower time frames, it's important to note that we don't want to be constantly focused on any time frames lower than H4. Anytime time frames lower than H4 are typically going to be used as our entry time frames. We must be cautious, and strike on the appropriate time frames. When we have a break of structure, 100% of the time we are going to have 1 of 2 things happen, we are going to get some form of a retracement, or we are going to leave behind a point of interest. We'll go over points of interest in another chapter.

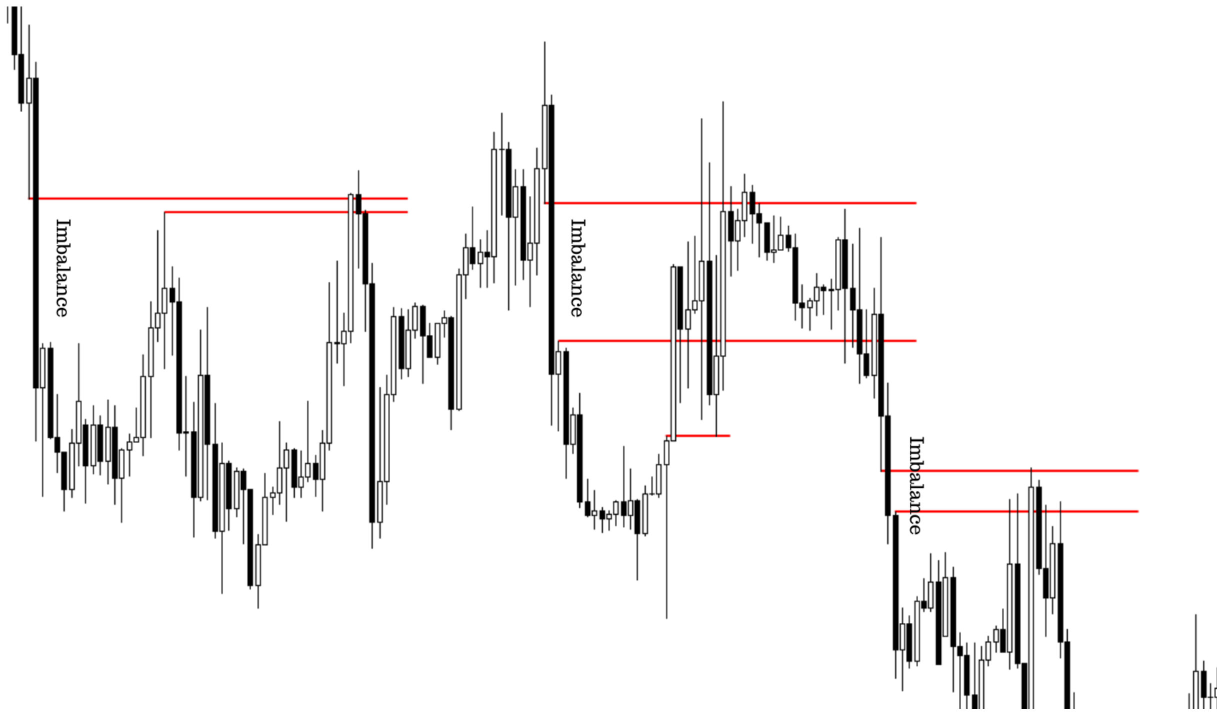
So if we see our weekly structure breaking a new high, but our daily looks bearish, price is still over all bullish until a weekly higher low that formed a higher high is broken through. With that being said, we can look to take daily structure lower until certain levels based on weekly structure. Now let's stretch your mind a bit further here into the matrix. If the weekly structure is Bullish, and daily structure is bearish, but H4 is Bullish what is happening here? Well wouldn't that just mean that daily is breaking some form of a higher low, and that H4 is just retracing back into it? Remember I said 1 of 2 things will happen. You will either get a retracement or a POI (point of interest) left behind to signal a potential entry in the more probable direction of the current market conditions. This can be replicated on even lower time frames. If H4 is Bullish by M30 Is bearish that just means H4 is now breaking some form of structure and pulling back, and so on and so forth. Mastering this will give you superpowers which will give you great understanding of the direction and time frames where you want to enter the market.

Now, you have to give yourself a few months to really understand this concept of multiple time frame analysis. It's not easy by any means. You are literally learning a new language, and you will have to develop the skills necessary to read these markets. It's very easy to get lost in the sauce, but by the end of this book you'll have a clear picture on how these markets operate.

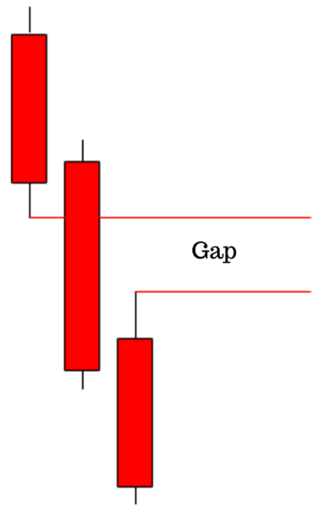
Continuing with structure, we sometimes as traders need to have common sense, and use our intuition on certain ideas. If an overall trend is bullish and you see a higher low being broken through doesn't always mean that price is going to magically fall apart, that's not how the smart money operates. There is momentum we have to consider. When the momentum is on one side of the market, we should be trading in this direction. It's not until there are signs of weakening, and certain patterns playing about that we'll get a reversal. They will slowly distribute through consolidations and slowly build, or distribute a position. We can consolidate then decline suddenly, but you're typically not going to see a market instantly drop on a dime, and if it does happen, it's quite rare. What we are looking for is clues, and to position ourselves with the least amount of risk. The idea isn't to take every single trade just because a break of structure happened, or we traded back into a POI.

We as professionals need to constantly assess the situation. Ask yourself "With the current trend, have we made it to a point where it would make sense for price to start shifting in the opposite direction" or to simplify this question, we can ask "Does this trade make sense?"

Apart from structure, there are skips in price are basically where price never delivered one side of the market evenly. We can call these imbalances. Imbalances are periods when the market was balanced, in some sort of consolidation, then aggressively moved in one direction. This is characterized by high volume, large spread candlestick, and has broken significant structure. When we get these imbalances, the market's algorithm will try to offer the other side of the market. So if we have a massive buy imbalance, the algo's basically repriced to go higher and never offer the sell side of the market to participate causing a gap or imbalance. We can expect the market to come back down and fill these inefficiencies. **See figure 1.5**

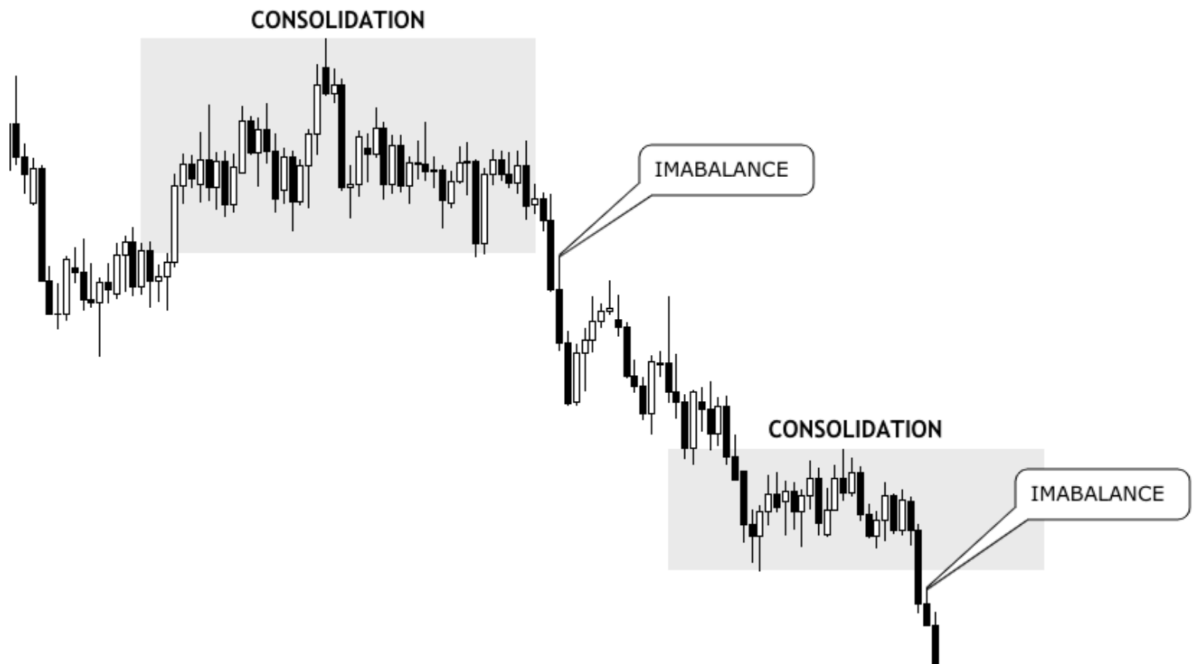


Here you can see how the wicks on each side of the middle candle do not touch. The wicks show that either buys or sells were offered at this specific time. When they don't touch, that's an imbalance left behind and should be an area that captures your attention for the market to potentially trade back to and fill. **See figure 1.6**



HOMEWORK: Go into your favorite charting platform. Pull up any forex pair you love trading. Look for an area of consolidation, and look for price action leaving the consolidation aggressively. Once you identify this, look and observe how the market tends to retrace back into these levels and fill those imbalances.

Now these concepts aren't going to make you a profitable trader. These are simply the building blocks to the language of the markets. We use these in conjunction with other concepts and ideas. For now, you should know how to identify a trend, understand structure and what is typically going to happen next based on the higher time frames. You should also understand consolidations and imbalances to see where smart money is accumulating and wanting to take price. **See figure 1.7**



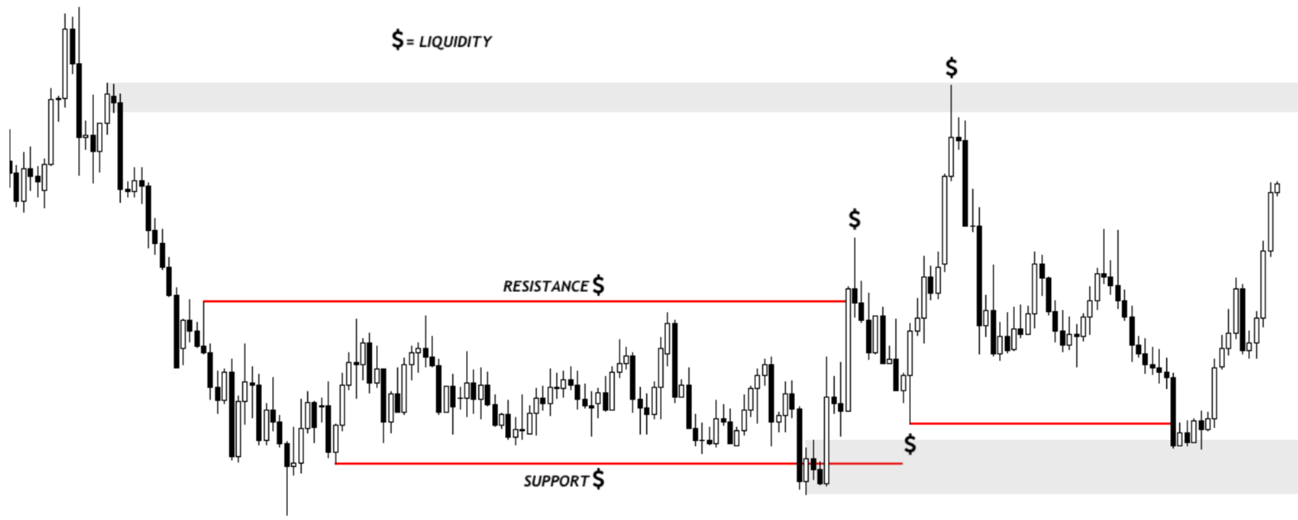
When we introduce the idea of liquidity, and how they like to fuck retail out of there money based on these patterns, a lot of this will start making a great deal of cents. See what I did there?

Chapter 4

YOUR STOP LOSS IS MY ENTRY

Damn straight! See, retail buys at support or sells into resistance. Not me, not my students, not smart money. A great rule of thumb is to buy UNDER support, or sell ABOVE resistance. Smart money will take your stop loss, meaning you as a trader have to sell your position at a discount or buy back your shorts at a higher price. For example,We are in a bullish trend. Price comes back down to support and you want to buy into it. Smart money can easily run your stop loss (that's most likely below support), grab your position at a discount while triggering sell stop orders. These sell stops get fucked because the market is now moving against them. They Sell your position to willing buyers that use buy stop orders (breakout traders). Run the market back down to trigger the break out trader's stop losses (reaccumulating a position at a discount once again), inducing traders who are selling the resistance, and move price back up wiping everyone out of the market. That's a tongue twister, but try to visualize what I just said. Now, you can understand why trading is extremely difficult. Everyone gets fucked! Didn’t matter which position you took.

So how can we trade with them, looking at what I said above, what was the highest probability of not getting stopped out? If you answer to take longs below support, you’re correct! Realizing that they are in the business of taking your money is essential to your success. All smart money is doing is trying to pair their longs with shorts, and their shorts with longs. They need someone to take the position off of their hands. Now, that's just one example of how they can screw you out of a position. Try to understand where you are likely to place your stop loss, and either buy below it, or sell above it. Take a look at the example below clearly illustrating this. **See figure 1.8**



These are clear examples of how the markets can manipulate you into thinking about entering the market. This my friend is called inducement. We'll talk about this later. When trading smart money concepts, it's always best to wait for a stop hunt to take place, and structure to break. We want to get in on retracements. But we'll go over this in the strategies section.

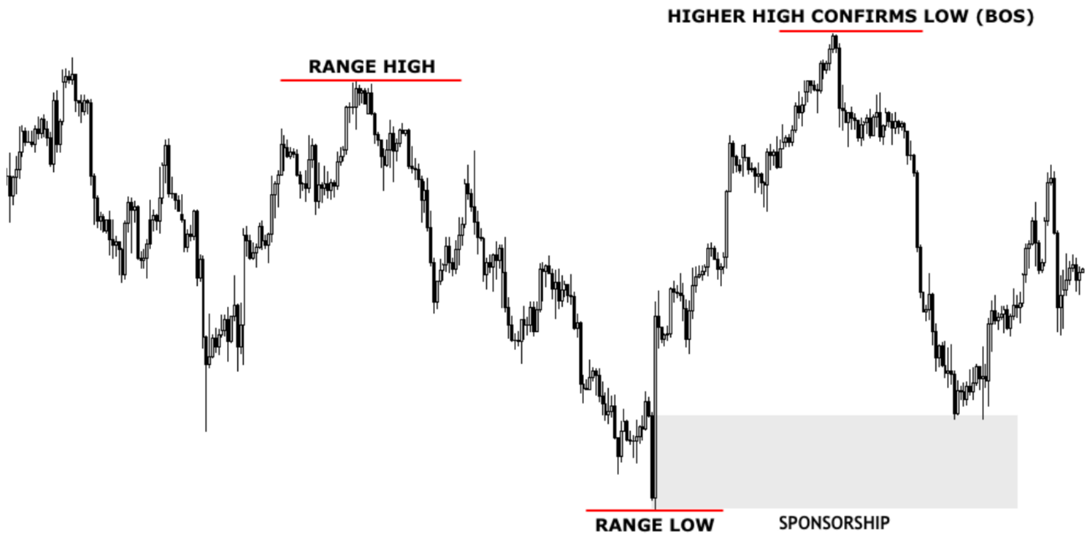
Chapter 5

SPONSORSHIP: HOW TO IDENTIFY WHEN BIG MONEY IS INVOLVED

Simply put, a sponsored move is a move that has a big player backing it. We use these as our real support and resistance levels. When we can correctly identify where the smart money is placing their order, we want to also be participating in this move. Identifying this will be your biggest challenge, depending on your level of patience.

Big money isn't going to let prices cross back below their final entry point. Smart money is accumulating while prices are falling, they are essentially "building" a net long position. We can spot this through a trading range. When a market is in a range or consolidation, it is likely smart money is accumulating. So from now on, think of consolidations as accumulation. There will be the top of the range, and bottom of the range as displayed in **figure 1.9**

If we are bullish, and price is in a consolidation or “reaccumulation” phase we can accurately say “price is still bullish, I should be looking to go long at the bottom of the range.” Now, you’re probably thinking, “ Well how do we know what the bottom of the range is, can't the price just go lower?” Absolutely prices can go lower. That is why when price leaves the range and breaks a level of structure aka major swing point. That break of structure had to originate from somewhere. So what was the highest high or lowest low, before that structural break? That is where your sponsorship is coming from, The last buy to sell or the last sell to buy candles. **See figure 2.0**



Now it's pretty obvious if the price was at an extreme low before breaking the structure in the opposite direction, that this would be a protected level. Your stop loss should be a few ticks below or above this level.

Pretty neat right? Now you're not just randomly placing your stop loss below or above an illogical and subjective support or resistance level. Not only are we placing our stops at a logical level, we are also considering the fact that if this level invalidates, I was wrong about the trade...Fair enough. Moving along, we also want to be entering near or around this area when price retraces. This will be by far the most difficult part of your trading because there could be no retracement back to this level for quite some time. Price doesn't even have to trade back to it EVER. But, the great news is there will be another setup the next hour, the next day, the next week, the next month, and the next year! Ideally the low that causes the break of significant structure will be our entry point only when price trades back to it. Why? Because price has moved so quickly, that there are still pending buy/sell limit orders to be filled. So when price gets back to these levels, they can cause major sensitivity from the orders left behind. **See figure 2.1**

Now that's not the only reason price moves. Just because a level has a pending order doesn't mean it's still going to have a big reaction. We also need to consider something called mitigation. Which brings us to our next chapter.

Chapter 6

SEDUCING AND MANIPULATING YOU LIKE A TOXIC RELATIONSHIP

Even in the markets you have to tame your relationships, and just like choosing the correct partner, you have to choose the correct trades. What the markets tend to do is manipulate you into taking a position that looks appealing based on retail logic. It’s your job to remain strong, and not let the emotions run you. Trade YOUR set up only. So let’s dive a lot deeper into avoiding that toxic trade.

Price will typically come to a point of support or resistance. You may think this is the top, and that's what They want you to believe. This is called inducement. When you see an obvious level of resistance, such as double tops or triple tops, this is a clear sign that the likelihood of this price level to be swept and traded over is a very high probability. Now, prices can always continue higher. But, depending on the Higher time frame structure (HTF), it can just sweep the tops and aggressively move back down. This would let you know that highs have been manipulated to run stops above resistance. “But wait! There’s More!” I’m quoting Billy Mays here. Remember in order for this high that has swept liquidity to be validated it needs to cause a break in structure to the downside. So what’s actually going on here? What’s the “why” Behind all of this? So when banks want to manipulate these highs or lows, (but in our example we’re using the highs) and they want lower prices, what they will do is induce people to continue buying the breakout, and for shorts to close their positions by tagging their stops. This costs money, and since it costs money, they need to mitigate this loss. What does that mean? It means they use funds to manipulate prices above those highs, when their intentions are too short. So to cover the longs they used to push prices higher above resistance, they tend to bring price back up to the last buy to sell candles (sponsorship candle) to essentially “break-even” on that position. Prices then tend to continue in their desired direction after they clear their books. So simply put, inducement is the act of smart money getting you to enter a trade, and manipulation is the act of smart money manipulating prices to take you out of the market. Now when prices reach back into that last Buy to sell candle, that is called mitigation. So what we typically will see is a very simple formula. Prices will accumulate, they will manipulate everyone out of the market, break some sort of significant structure, and come back to mitigate to even out the books. This last part is where smart money traders decide to enter the market based on some entry techniques.

See fig 2.2 for a clear example of everything mentioned above.

So when you feel like shorting into resistance or buying into support, be aware that that previous high is likely to be a manipulated level. Don't fall for it as sexy as it can be.

I understand that everything can be a bit confusing and a lot to take in. Please re-read any and all chapters again. This book isn't going to take eternity to finish, but it can take some time to master these concepts. If it was easy, everyone would be filthy rich.

Chapter 7

PREMIUM & DISCOUNT

Now this isn’t a new concept, but it is a very important one. You always want to identify your range in price. When I speak on range it can mean two things. The previous swing high to the previous swing low can create a trading range, or simply a consolidation area’s high and low. When we think about premium and discount, it’s always the lowest risk to enter a position at the edges of the range high or low. Also entering a position above or below the range is ideal depending on liquidity. That means, if you take your current high and low, and draw a line right through the middle as **seen in figure 2.3**

So now what we've done is created a rule. "I'm only buying below this line and I'm only selling above this line." Remember at the same time, we're always keeping in the back of our mind what the overall direction of price is in, for that particular time frame, up to certain levels. This should always be in your awareness. Being a professional trader, you're going to have to develop the skill set to be aware of multiple aspects of the chart. Don't worry it gets easier over time.

Premium and discount can be used on any range, and on any anytime frame if you are aware of the other times frames. So the better you get at trading, the easier it is for you to dive deeper into the time frames to reduce your stop losses next to nothing. For now, stick to the higher time frames until you can handle the others.

Chapter 8

STRUCTURE CODES

Identifying structural significance is fairly easy to do. I’m going to show you an easy formula for Identifying structural points based on supply and demand trading. Based on SND, we can use what they call a RALLY, BASE, and DROP. A RALLY is considered two or more bullish candles. A BASE is considered a single candle either bullish or bearish, and a DROP is considered a two or more bearish candles. Even with this formula, you must still use your trader’s intuition to identify obvious swing points. Let’s say we have a bullish trend, we see higher highs and higher lows being formed. Now just because you see two up candles immediately followed by two down candles, that doesn’t necessarily mean it’s a swing point. Use your intuition to identify the major swing points, where it looks clear and obvious.

When it comes to structure we want to trade pairs that are forming obvious structures. You can trade rangy markets, but why put yourself in a complicated position? Simplify your trading, and trade what's obvious. If nothing is obvious, then move on to the next pair, or wait for another day.

Going back to the RBD (rally, base, drop) there are different forms of this. We have the following;

RBD

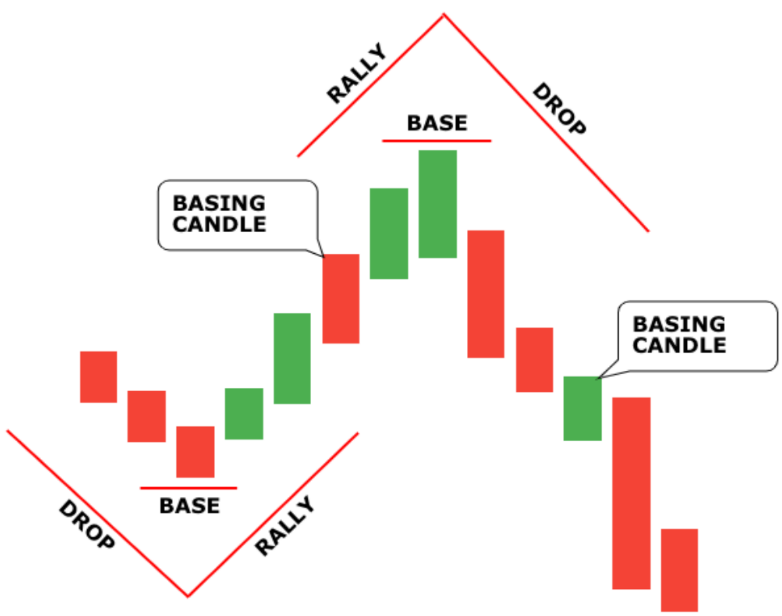
DBR

DBD

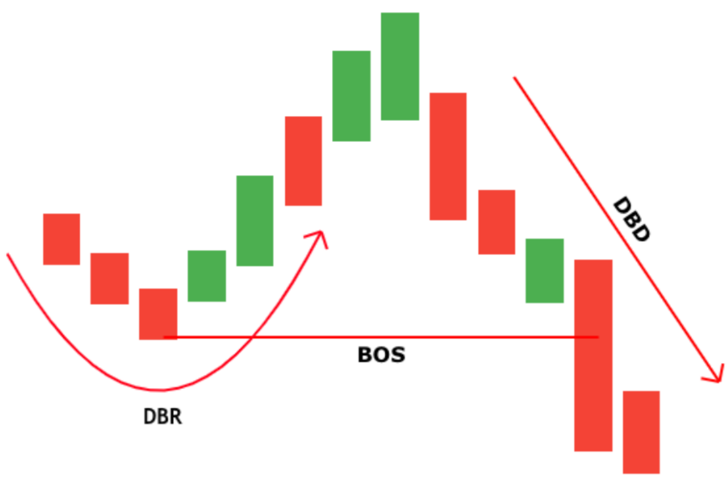
RBR

Our BASE is the swing point, or just a singular candle and continuation of either a rally or drop.

See fig 2.4



So if we want to identify broken structures, you need to understand our initial formulas. In a bullish trend, we see higher highs and higher lows, when the higher low that formed the higher high is broken through by a bearish candle, we understand that as a BOS (break of structure). This would also be classified as a DBR, Followed by a RBD, and finally a DBD. The DBR consumed and broke the DBR. **See fig 2.5**

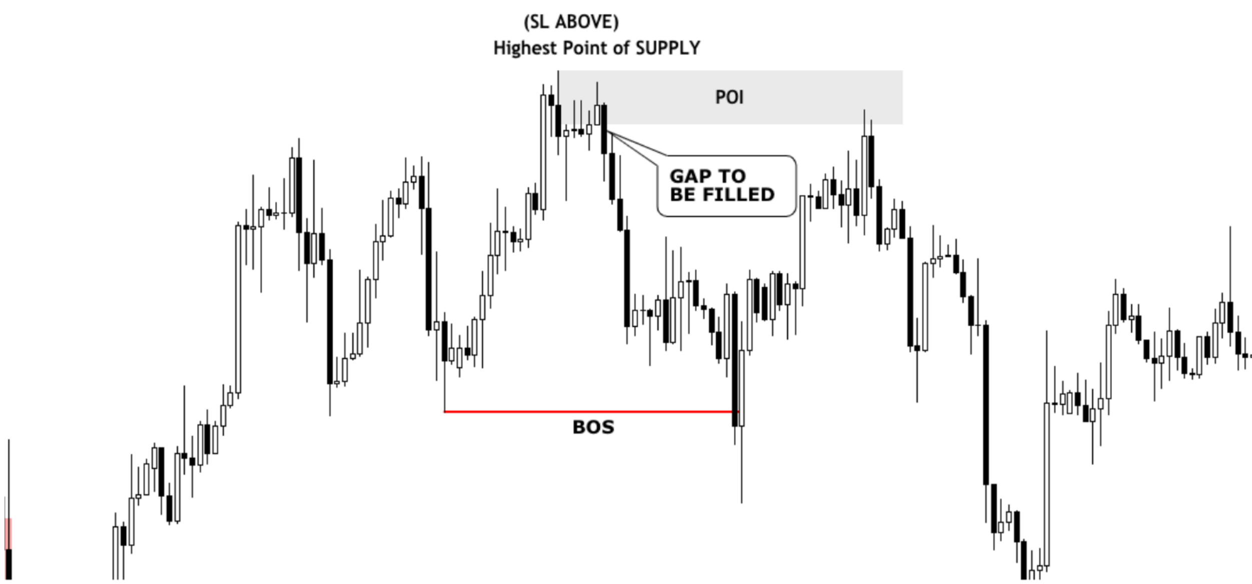


The idea behind giving you a formula for structure will help you identify structural points when they are not so obvious. Again, we only want to be trading with obvious structure, but there will be times when a great trade set up is apparent, but in a different time frame it may not be. When this happens we can use our SND RBD codes.

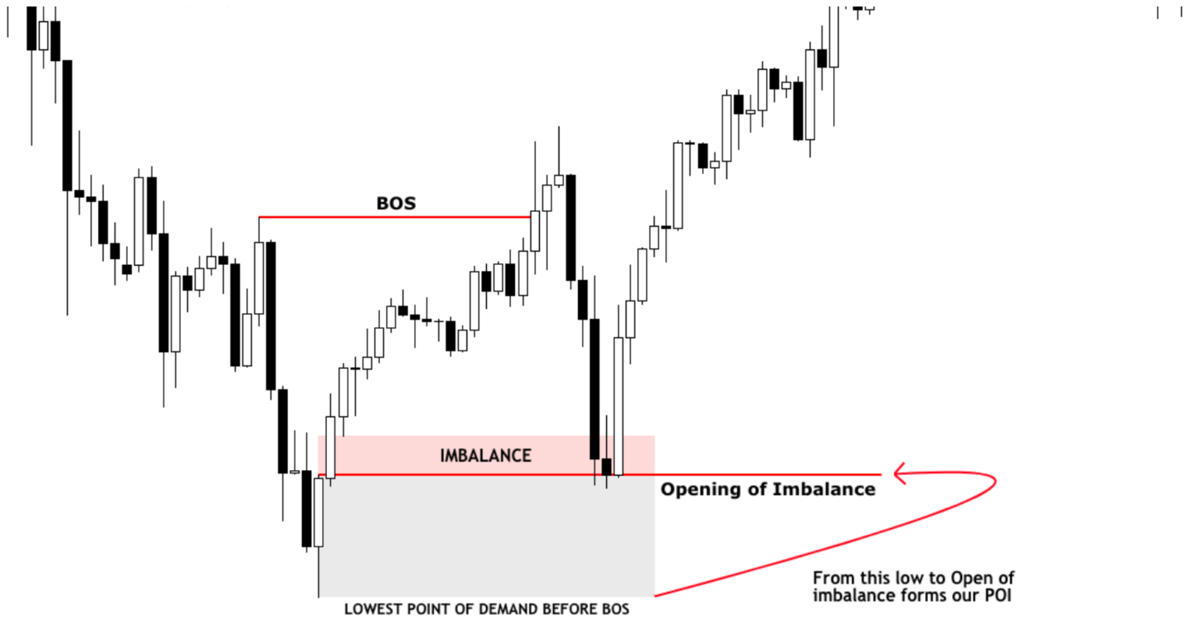
Chapter 9

POINTS OF INTEREST

These are going to be a term that you'll hear thrown around a lot in the smart money world, but what the hell are they? AOIs (area of interest) or POIs (point of interest) are simply areas we are watching, and points where we are deciding to get in on the action. But first, we need to understand how these are created. POI's are AREAS where price is most likely to trade back to. We like to watch these areas, kind of cast a wide net where we'd like to see a certain thing happen. We can easily reduce these POI's to cleaner levels such as supply and demand blocks. Now, I use that term very loosely. The engulfing patterns have many names nowadays. The idea is to wait for price to reach our HTF POI, and wait for a LTF POI to form in our desired direction. How do they form? By now you should know this, but I'll explain it again. A POI is formed after a structural point has been broken by the body of a candle, not the wick. **See fig 2.6**



Everytime we break structure we're going to leave behind some form of a POI. Now, referring back to our structure codes, a Base or a Basing candle can both be considered a POI, if they caused a BOS. The POI is typically going to be marked as your lowest point of demand before a BOS, or your highest point of Supply before a BOS. We want to see an imbalance created from these points. Once we see an imbalance has been created, we can mark our POI's from the furthest points of SND (supply and demand) to the opening of our imbalance price action. **See fig 2.7**



There are many ways to draw out a POI. Some people use the last Sell to buy candle, some use imbalances, so use only the body of the last candle before a BOS. It really doesn't matter what you use. You just have to be consistent with what you are using as your POI's, and wait for reactions in this area. Remember, we're using LTF confirmations in certain areas. So if price action is bullish on our HTF, let's say the "daily", and we see a level of "demand" we can now mark that as our POI. We then can refine this level on lower time frames such as our H4. Now, when price gets to our H4 POI, and we see some sort of reaction, what we'll do is observe this action on an even lower time frame such as H1. All at the same time knowing what the HTF is doing. The Daily is bullish, but H4 is bearish? Huh, interesting, did daily just break some sort of significant structure? Looks like it did, so is this H4 simply retracing? Retracing into what? Possibly to our POI on the H4? Oh wow, price came into our POI and had a reaction. Let's drop down to H1 and observe the price here. Looks like H1 is starting to turn bullish, how do I enter this? Well, we wait for an H1 “break of structure (BOS)” and wait for M30 to turn bearish and retrace into an H1 POI. Why H1 POI? Because everytime we break structure what do we leave behind? Ding Ding Ding, A POI! Now that we know what’s going down on the HTF to the LTF we can better assess the situation. Daily Is Bullish, H4 is Bearish as a result of a pull back, but H1 Is Bullish, and M30 is Bearish. We know that H4 created an POI that had caused the daily structure to break. If we understand why H4 is behaving the way it is, we can safely assume that H1 is bullish as a result of this area. Now that H1 has turned bullish confirming our suspicions, we’d like to see an H1 high break above an H4 Lower High, meaning H1 is causing H4 to reverse into the desired trend. Now, M30 comes in as a retracement of H1 BREAKING STRUCTURE. So we know now, WHY M30 is behaving the way it is. At this point we are now in alignment with HTF structure. Daily Bullish, H4 Bullish, H1 Bullish, and M30 bearish as a result of an H1 break of structure above an H4 structural point. We can now take the retracement into the origin of the move of H1 on M30 and align ourselves with the best possible outcome.

“Okay, this is too fucking confusing!” RELAX, This will all click. Like I said it’s a language, you have to understand the time frames and give yourself time to learn it, it’s not going to happen in a day or even a week. Give it a few months at least. The reason this is written out, is I want you to see this visually in your mind. This will help you think about the charts, and their language differently.

Chapter 10

NOT SO COMPLEX PULLBACKS

This will be a relatively extremely short chapter. Why? Because this is too easy to understand, I could teach a parrot to regurgitate it. A complex pull back is something I LOVE to see in the charts. Let's say we are in a bearish market, and we see a huge move with volume to the down side. Price then finds a floor, and starts to push back up. As a professional trader you should be aware of the "characteristics" of price moving back up. Ask yourself these questions; "is it struggling to move back up?", "Is it moving back up but not really forming obvious higher highs and high lows", "is there anything above that is left unmitigated that it's reaching for to fuel a further decline?" "is there a clear trend line forming that we know retail is placing their stops under?", "does price action look squished together, and in a very tight range moving upwards?"

When you see this, it’s a high probability that the price is going to move down and wipe that swing low. **See fig 2.8**

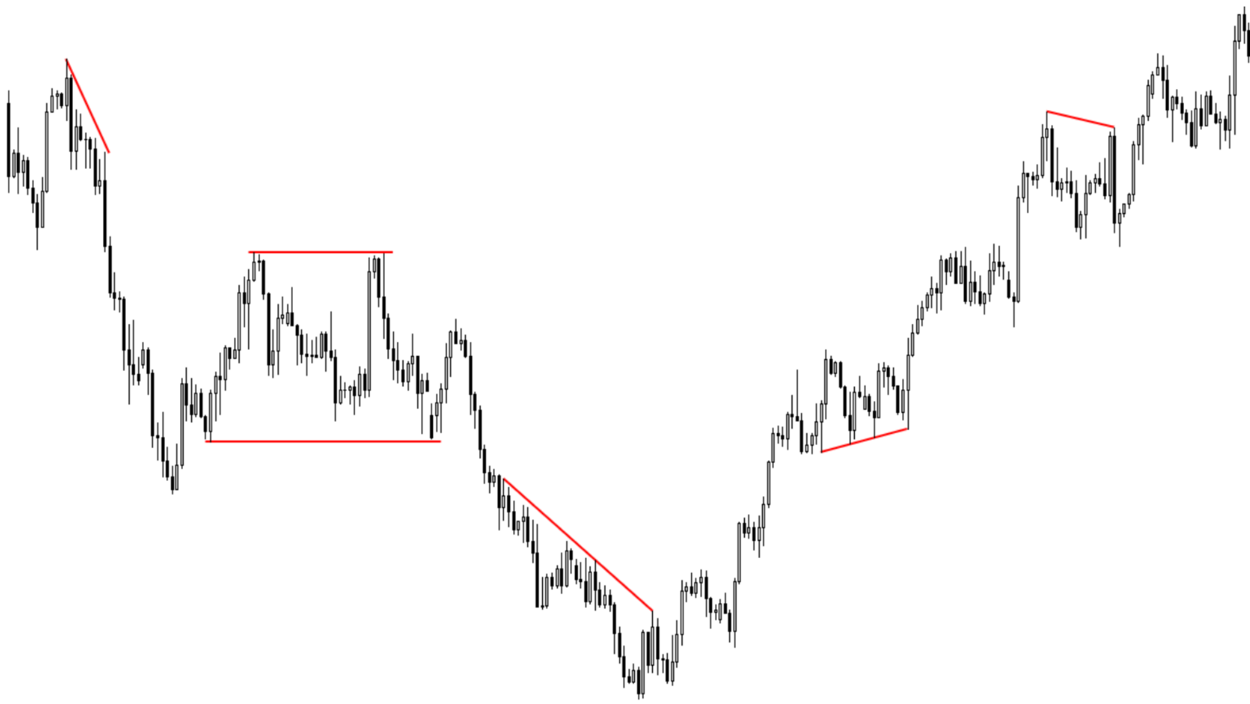
The ideal time to enter this trade is when we reach a clear level of supply, and watch on a LTF to see how it reacts. If we start seeing rejection in this HTF supply area, we can then pay attention to LTF structure, and mitigation levels.

Chapter 11

LIQUIDITY MADE EASY

Liquidity is a concept that may sound complicated but it's fairly easy to understand. Liquidity acts as a magnet for price. Price is always searching for liquidity. Meaning a place to do business, and either collect, or distribute positions. Think of the market as a train. It makes stops to pick up and off-load passengers at certain areas. As professional traders, we should always be aware of liquidity points, and pools.

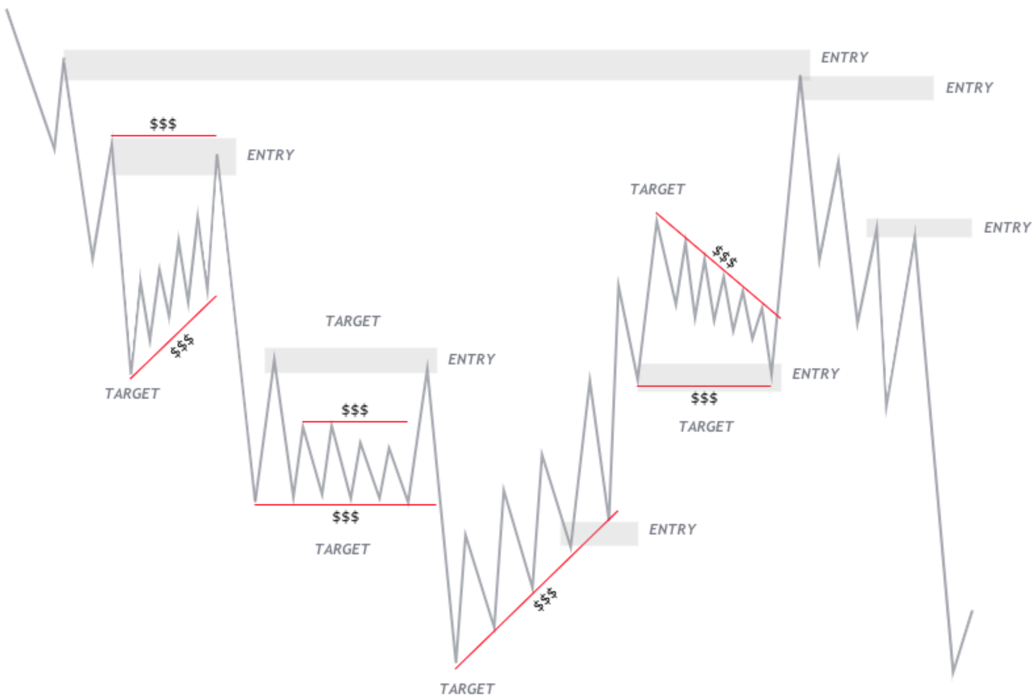
So where does liquidity form? We can look at old highs and previous lows as liquidity points. We can look at equal highs and equal lows as liquidity pools. There's also trend line liquidity, pattern liquidity, as well as support and resistance liquidity. Liquidity is simply pending orders above or below these points. You need to "think" just like in chess, where the liquidity is. **See fig 2.9**



Like I said in a previous chapter, the market is in the business of profits. They run the market higher or lower until they can liquidate their positions. Liquidity can also mean volume. Let's refer back to our train example. Trains usually have a main station at the epicenter of a busy city. Why? Because that's where the largest volume of the passengers are coming from. We'll use the main station as our metaphor for a liquidity pool. Since the station is now empty, the train won't be back for a while when new passengers who want to board the train are ready. Now, the train may make some pit stops, to offload or onload new passengers. So yes there will be some delays, but ultimately we know our next stop, another main station. This is somewhat how the market works, the only difference really is new stations are being built constantly. It is our jobs as professional traders, to understand where the MAJOR areas are. That is the skill we're trying to cultivate. I love using metaphors because, instead of looking at a chart with candles moving up or down, you now can look at the chart as a story, that's painting pictures, and plot lines to give you an idea of how the ending will be.

I want you to start thinking about the charts, not just seeing. First, we gotta look at the trend. Where is the price, where was the price, and where is the price going next? Price is either bullish, bearish, or ranging. There's only 3 options. When we ask ourselves "where is the price?" There should be only 3 answers; premium, discount, or at the mean. When we ask ourselves "where was the price?" We can look for its origin, which major swing point caused price to be at its current level. And finally, when we ask ourselves "where is the price going?" There's only a few options; major liquidity zone, or a supply and demand area.

Liquidity is constantly created. So when we look at liquidity, we can also look at it as reasons for markets to go higher or lower. Say we have a down trend, with an obvious trendline. We can look at this as a reason for prices to actually head higher in the near future even though price is heading lower. So price likes to create liquidity, move through that liquidity, and create more liquidity. Below is an example from my course, of how liquidity is created and moved through.
See fig 3.0



When we can start simplifying our trading this way, and break down into chunks. It's easier to be aware of multiple confluences at the same time, because we are eliminating variables.

Chapter 12

MY PERSONAL TRADE PLAN

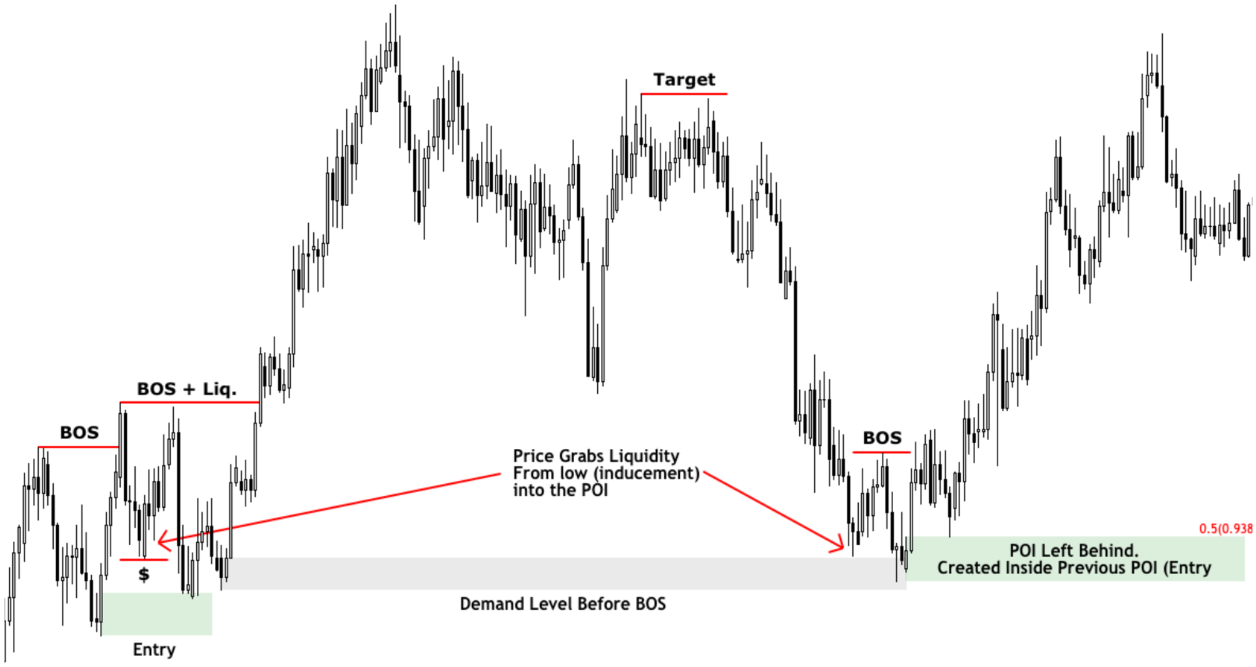
Here's my personal trading plan I use to navigate the market maker's matrix. This plan was made as a checklist. You MUST follow it perfectly. Everything must line up for you to take a trade. This is where your discipline will be tested. You have to learn to control that urge. Trade the plan, and only the plan. Everything I show in this trading plan has been tested thoroughly. Remember, markets are forever changing every second. What worked this week may not work next week, but may resume working again the week after. That's why you cannot deviate from your trading plan. As I said in a previous chapter, trading isn't always about your strategy, it is based on how well you can follow your rules. You can only modify your trading plan, as you gather more statistical edges. You should gather data for a minimum of 3 months, with an average of 150 trades through that period to have a decent sample.

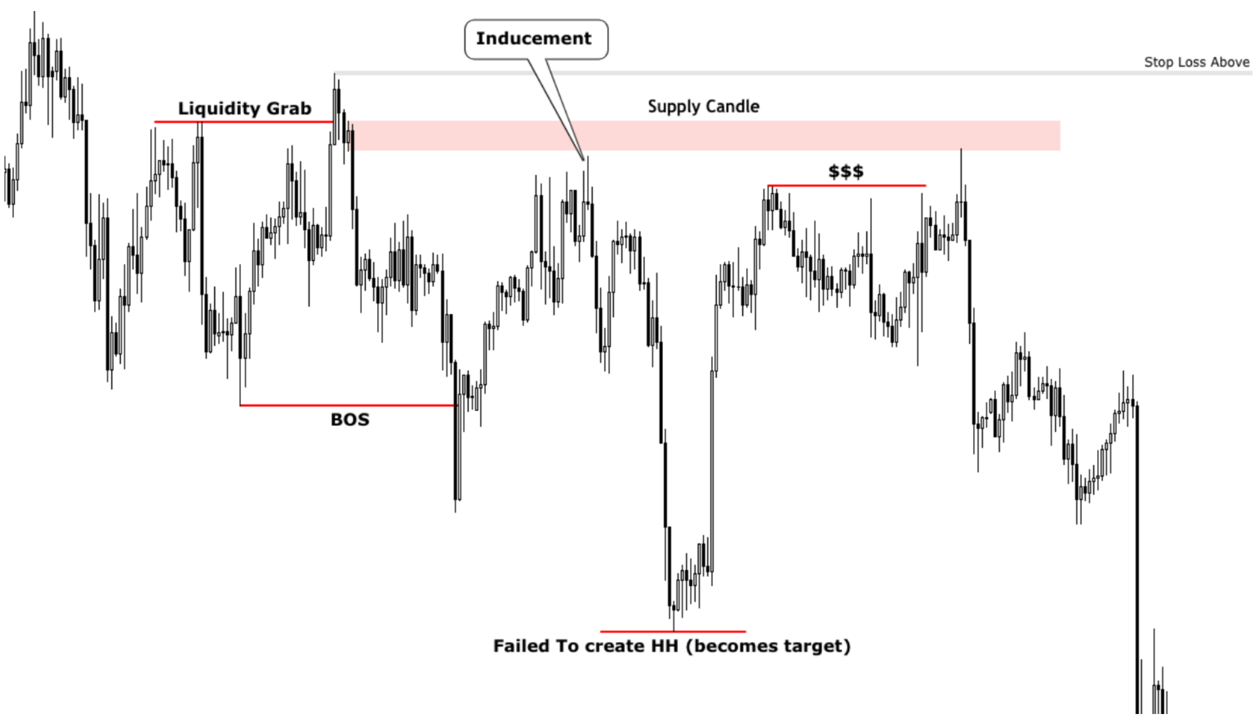
Hot Tip: you can download my free trading journal template here
https://t.me/blackrabbittrader/1470

Because of seasonal tendencies, most trading plans take years to develop. That's why most trading plans will have ups and downs. One week you may have an 80% win rate, another week it may drop to 45%. That's why it's important to track the average length of a move with your current setup in order to find an average reward multiple for taking profits.

Now there are five confluences that go into my trading plan as far as what I'm looking for in a set up.

1. Supply or demand zone that grabs liquidity into another SND zone
    1.1. Remember we're trying to identify the lowest low or highest high in a range before the market takes off in the opposite direction.
    1.2. That liquidity grab should also mitigate into another SND zone
    1.3. We must look at the HTF and see the current direction of the market. Are we bullish, bearish, or ranging? **See fig. 3.1 & 3.2**





2. Break of structure in the direction of the HTF trend.

    2.1. We need to see that the demand or supply zone that grabbed liquidity also causes a break of structure in the desired direction.

2.2. At this point we've only identified a "potential" area we're interested in, once price returns to the POI that was left behind after the structural point was broken.

3. Complex pull back or retracement to the origin of the move

   3.1. I want to see prices moving lethargically back to our POI, showing that the market really doesn't want to head in the opposite direction.

   3.2. If I see a trendline forming, then there's a high probability price will wipe this trendline out in the direction of the higher time frame. **See fig 3.3**

4. Is within a premium or discount within it's range.

   4.1. As discussed in a prior chapter, we always want to be selling in premium markets, and buying in discount markets. If price makes it to the mean, and into a supply or demand area, we can look to take a trade in the directions of the HTF, otherwise stay out of the market.

5. POI resides below a liquidity point or pool.
    5.1. I want to see that the POI I'm interested in is located under or over equal highs/lows, trendlines, or previous highs/lows.

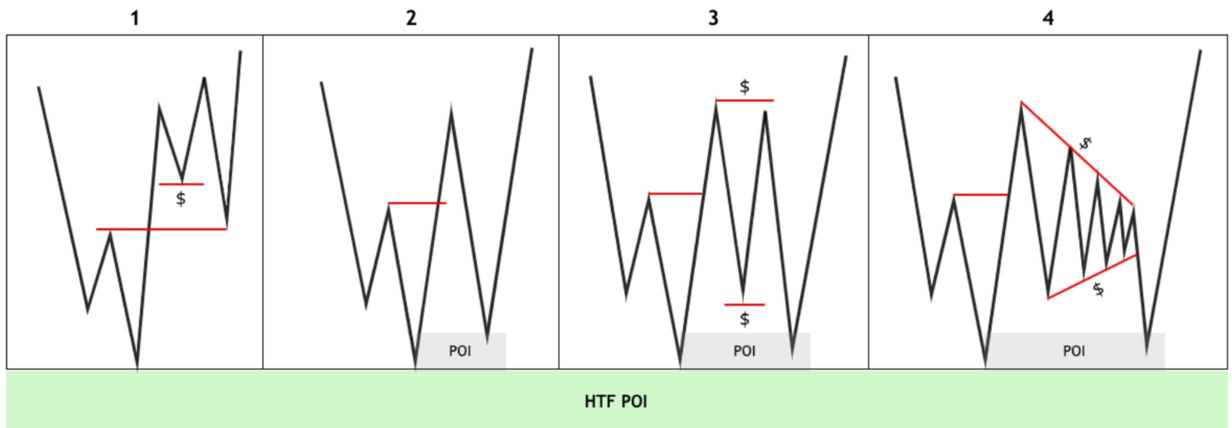
This is how I scout for potential plays. This doesn't not mean I'm taking a trade! The keyword here is "potential." We also have to be cautious of what the lower time frame is doing in conjunction with the higher time frame. Many times price can just melt right through your POI. We must wait for confirmation, which brings us to our next chapter.

Chapter 13

CONFIRMATION

We never want to take a trade without confirmation. We need to confirm the move first. Now, this can be confirmed on any time frame, obviously the lower the time frame the smaller SL (stop loss) you're going to have, but the more trades you're going to miss. If you want to achieve triple digit risk to reward, you're going to have to understand your highest time frames, to your lowest time frames without making a single error. You also want to play the most extreme levels in price. What I mean by "extremes" means the lowest or highest point of supply and demand on the smallest time frames. If we take the trading plan above, and refine that down to an M1 chart, you'll see the same characteristics playing about. You're still going to look for the exact same set up, just on a lower time frame. We can confirm our trades using this simple pattern on a lower time frame. I don't recommend going past a 5 min time frame, due to the nature of price, and how you can get lost in the sauce on anything lower. I rarely go past an M15 chart. I rather not miss the trade, than trying to get triple digit R:R's. Most traders don't even have the psychology strong enough to hold that trade til it's end. Now there are times where I can achieve triple digit R:R, but that's a very rare occasion, and will typically come from a weekly or monthly level. These types of moves take time. Rather than waiting days or weeks for prices to reach these levels, I can take intraday swings for healthy RR. Personally, I'm comfortable with anything between 5-10R. That's where I live, and I'm stress free.

Below is a chart with several entry techniques to confirm your trades. Now it's ranking from highest probability setup, to lowest. All are valid, but each has a different characteristic. Your job is to stick to one, it doesn't even have to be these setups below. The setups below are used in a bullish scenario, but can be inverted for bearish ones. Let's go over it by observing **fig 3.4**



Type 1 is a simple break and retest. Understand that this is the lowest probability setup, but is the easiest to identify. Here we are inducing a low right before hitting the POI, and breaking the structure. Price retraces and gives a false retest which becomes liquidity. Now, your SL will have to go below the swing low. Your entry will most likely be on some form of a basing candle right before the break.

Type 2 is characterized by the classic SH+BOS+RTO model. This is a great entry technique depending on circumstances. You don't want to be using this pattern for entries when we've had a massive decline with large momentum into a HTF POI. Like I said before, price isn't just going to stop on a dime. So you are more likely to get stopped out as the SH will get SH'd. But, this setup has indeed been shown to work, and produce substantial gains. Similar to TYPE 1, it most likely will get you stopped out. That's not a bad thing, remember consistency with a pattern is what matters. I typically use this pattern on HTFs to identify a setup.

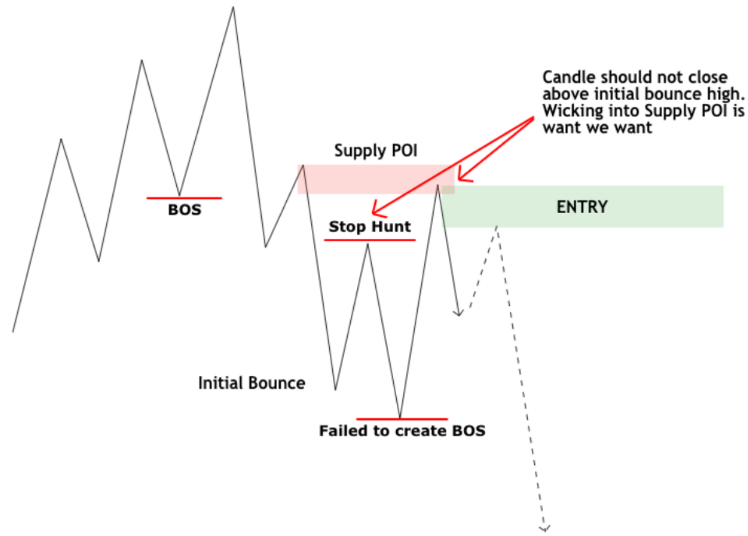
Type 3 is a higher probability setup due to the fact that we induce liquidity before reaching our LTF POI. This inducement will likely fuel a further rally higher. Again, none of these setups are bullet proof, price can easily take you out of the market. When that swing low that is used for inducement fails to create a higher high, that new low high or equal highs now create a cause for prices to move higher. Now, you may miss more trades than usual because this won't always happen.

Type 4 similar to type 3 has more cause for higher and lower prices. We have a valid reason for price to tap our POI, and a valid reason for price to climb higher. We have cause on both sides. Now this is the rarest of the four setups, but has a high probability of working in our favor.

Chapter 14

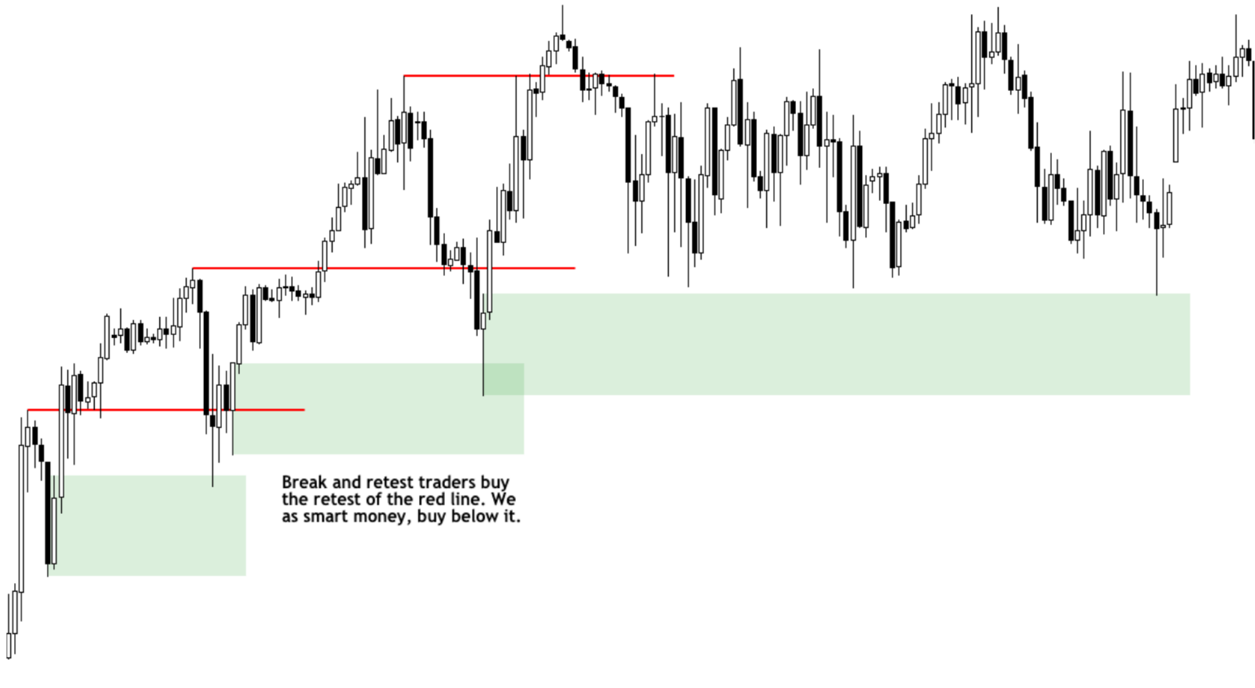
USING THE MATRIX

Realize that in a massive decline, price is most likely going to bounce at some point, and on a massive rally price is most likely going to pull back. These are areas where we can easily take a trade. I call it the initial bounce, or the initial pull back. Why does this work? This works because price is clearly showing intent to move in a certain direction. It is more likely to continue in this direction, and not abruptly reverse on a dime. Typically price will bounce 3-5 times before changing trend direction, or continuing it’s same direction. If we use a bearish trend for example, and we see price bouncing, the initial bounce is typically going to be the largest bounce, that forms a swing low, which other traders are now looking to buy at as support when price returns. Think of it as basketball. We drop the ball from the ceiling and it's going to bounce, resume, bounce, resume, over and over again until it finds itself just rolling. Now we can wait for price to bounce into a previous area of supply, then observe this area on a lower time frame. What we want to see is a nice rejection over some inducement, basically a stop hunt. Once that high causes a LTF BOS, we can get in this trade on the mitigation of that area. **See fig 3.3**



Another strategy I use to operate in the matrix, is waiting for price to induce a short term high (if we are looking to short) into an unmitigated supply area that caused the initial BOS. I can simply place a limit order above this high.

You've probably heard of the good ol' break and retest strategy. Although this is infact a sound strategy, if used with proper risk management, not deviating from this plan, there's a better way to play this. Break and retest, if you don't already know, is simply (in a bullish trend) a break above resistance, and pull back to the new found resistance turned support, and further rally. **See fig 3.4**



What can we point out that's fairly obvious here? THINK! Think about where everyone is getting in the market. Obviously the new found support or "retest" area. So based on this we know stop losses are below. If I see an unmitigated level of demand, that's where I'll be buying. Now, price may even induce you further by giving you a short term rally at this new found support. So we can actually wait for a lower high to form, then a wipe of the stops, into our demand zone, while taking profits above the new short term high. You may be thinking "But wouldn't that be a shift in structure?" Well that's why we need to find the higher low that causes the new higher high, and use that as our invalidation point, or stop loss level. Remember that the new short term lower high that was formed isn't validated unless we break a previous higher low. **See fig 3.5**

Trading is similar to chess, in that it is a thinking game. We must maneuver and always be 3 steps ahead. This is called developing your anticipatory skills. You'll get to the point where trades become obvious, almost like having the ability to see into the future. Now, to get here takes time, patience, and pain.

Chapter 15

Losing Trades Is Amazing!

You heard that correctly. You have to LOVE losing trades! Why? Because that means you are that much closer to your winning trade, that will cover all your losses and bring you that sweet succulent profit. Also, you get to learn from your mistakes.

I know you, I know you like being above the process, you aren't taking your trades seriously and literally journaling your shit. You think it's not a significant aspect to trading. You think it's pointless, or you're just outright lazy as fuck. Let me tell you, the top traders in the world fucking journal! Journaling your trades gives you the ability to learn what is working for you.

Journal everything from the pair, the expected R:R, the reasonings you got in the trade, the set up, take snapshots of the chart before entering, and after. You get to relive the trade, and our thought processes to see where you need to improve. For example, I could take a losing trade and write something such as “Okay I’m kinda unsure about this trade, I entered a bit too early based on a SH+BOS+RTO setup, although it’s going in my direction, I have a feeling it’s going to tag my stop loss because there was an unmitigated price level below” Now let’s say price does tag you out, you can now follow up in your journal and write something like “Okay price did in fact wick me out, should have known to be more patient, and only play from the extreme, seems every time price comes to the extreme. Will make a conscious effort on the next trade.” Can you see how powerful journaling is?

Now, I want to go over a mindset you need to have when it comes to taking losses. DO NOT TAKE THIS LIGHTLY. When traders say losses are normal, it’s true. Losses are normal. You need to achieve a state of mind that accepts losses, but you also need to understand risk to reward. Professional traders understand this concept entirely. It’s not a gimmick, it’s a mindset. R:R is a mindset! You have to realize you will never know exactly what will happen next, no one knows. I know a trader who has a 18% win rate, but when you see his account balance, you’d shit yourself. I'm talking about a high 7-fig account. You are always trying to chase money, but instead you need to chase your discipline. He does not give two fucks about win rate. However he does give a damn about following his strategy. He understands it, and does not deviate from it. He understands there will be a ton of “small” losses, and that it’s just a normal day. He realizes that his win is right around the corner, and will produce profits so profound that any losses he has taken are so miniscule, that it doesn’t even put a scratch on his account. Cultivate this mindset, understand it's a probability game, and the probability is only valid by how well you follow your rules. I really hope that I engrained how important this is.

CONCLUSION

This concludes volume one. In volume two, I go more in depth on price action, volume metrics, and order flow. This book was built for a “re-visit” to the basics of smart money concepts, and should be re-read several times. The concepts at some point become almost second nature. It has been my sole obsession learning the in and outs of the markets. You can spend every waking hour studying charts, for years to come, and still not understand the markets entirely. It doesn’t matter how smart you are. A complete moron who can click a mouse button can make a fortune. It all comes down to how well you manage your capital, and your emotions. I can show you a dozen strategies, but it will always be up to your discipline. Trading can be freedom, or a self created jail. There’s more to life than charts. Don’t let life pass you by.

GlOSSARY

BOS - Break of Structure

SND - Supply & Demand

SR - Support & Resistance

SH - Stop Hunt

SL - Stop Loss

RBD - Rally Base Drop

DBR - Drop Base Rally

RBR - Rally Base Rally

DBD - Drop Base Drop

RR - Risk To Reward

POI - Point Of Interest

AOI - Area Of Interest

HTF - Higher Time Frame

LTF - Lower Time Frame

For more information, resources, and product updates you can visit the links below

Website: http://www.Smartmoneyops.com

Telegram: https://t.me/blackrabbittrader

Instagram: https://instagram.com/blackrabbitfx

Youtube: https://www.youtube.com/c/BlackRabbitTrader