

Price Action Imbalance

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Price imbalance is a very important concept to understand as it can be incredibly powerful. So imbalances occur when either buyers or sellers take control over a particular piece of price action. Where essentially it leaves gaps in market.

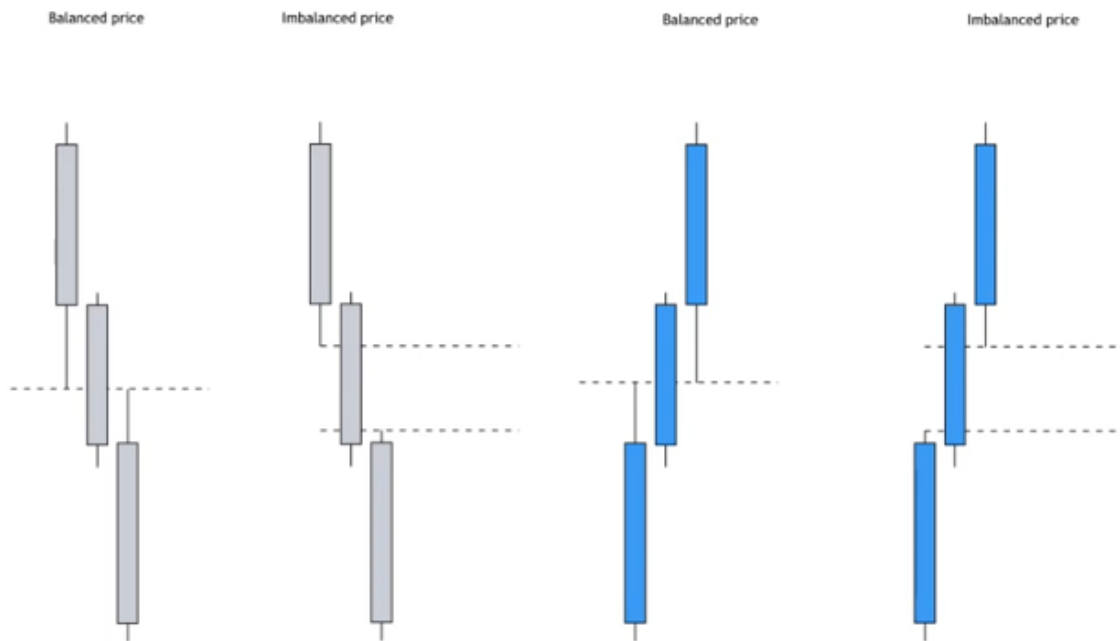
That price will eventually come back to in the future, so we can rebalance price before either continuing or continuing in that direction.

- So when we look at bearish imbalance, it means sellers have been mostly dominant in moving price down, and the buyers haven't had a chance to get involved.
- So the same is true for when we see a bullish imbalance, buyers take control and the sellers don't get involved in the majority of that move.

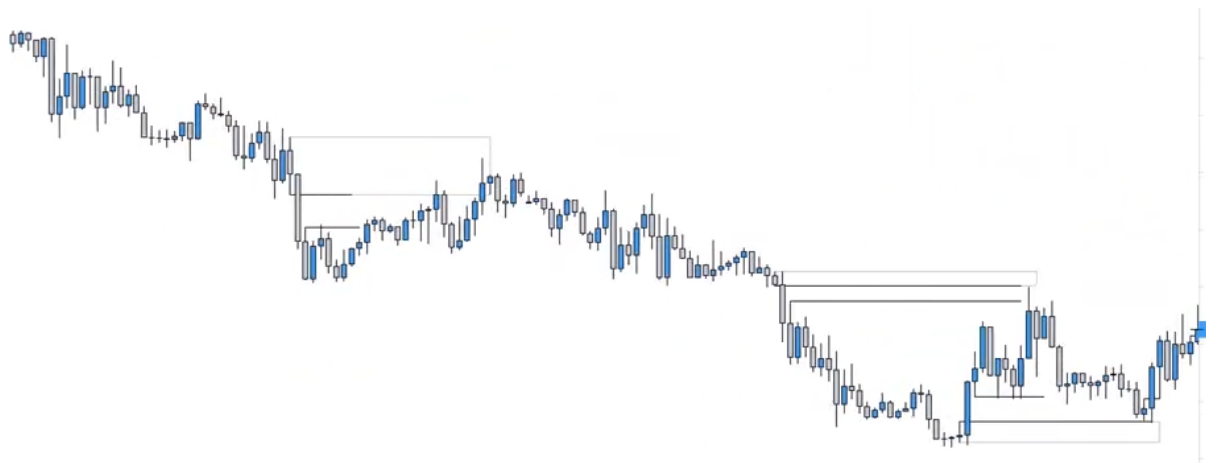
So imbalances occur on every single timeframe. So from the monthly all the way down to even a seconds timeframes, we will see it happen on every timeframe.

And once we go through the chart just to see how this works, we will start to view the markets differently and realise how price refills these imbalances sometimes perfectly before continuing in the other direction.

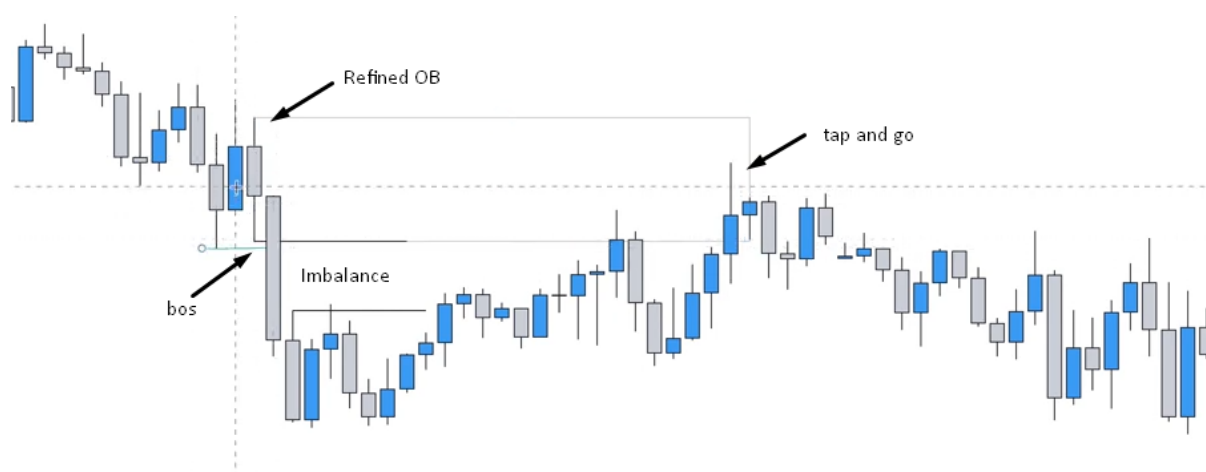
Price imbalance is when we either get a large momentous candle or where wicks are not meeting. So the easiest way for me to show this is with the example below where we are gonna look at 3 bullish or bearish candles in a row.



1. So if we look at this example here, we have 3 bearish candles in row, so its all selling pressure. Now this would be classified as a balanced bit of price action, because if we look at the wicks, we can see they are meeting. So what does that mean? Well if we look at the low of the first candle wick, we can see it was down here, we then had price come up and we had this candle coming down, and then the top of the third candle is meeting with the bottom of the first candle. So we can see there is no imbalance that has been left. So price has come down, pulled back a little bit, come down again and then its pulled back to rebalance and meet the bottom of this wick here, with the top of the 3rd wick.
2. Now an imbalance would be here, so we have the exact same thing with 3 candles, but we can see how the bottom of the first wick here is not meeting with the top of the 3rd wick, so this whole move from this wick to this wick, this bit of trading in here, this selling pressure is called and imbalance. So we can see where the wicks are not meeting. So thats basically what an imbalance is. This is inefficient.
3. Now we have the bullish example here, so we have 3 bullish candles in a row. This is a balanced bit of price action, because the top of the first wick is meeting with the bottom of the 3rd wick, so its balanced and another word for it is efficient. So its efficient price action.
4. Now and the imbalance, we can see same thing, we have a gap from the top of the first wick to the bottom of the 3rd wick. So this is the imbalance in here.



Now what I'm gonna do is go through EU. So I have drawn out some imbalances and some OBs.



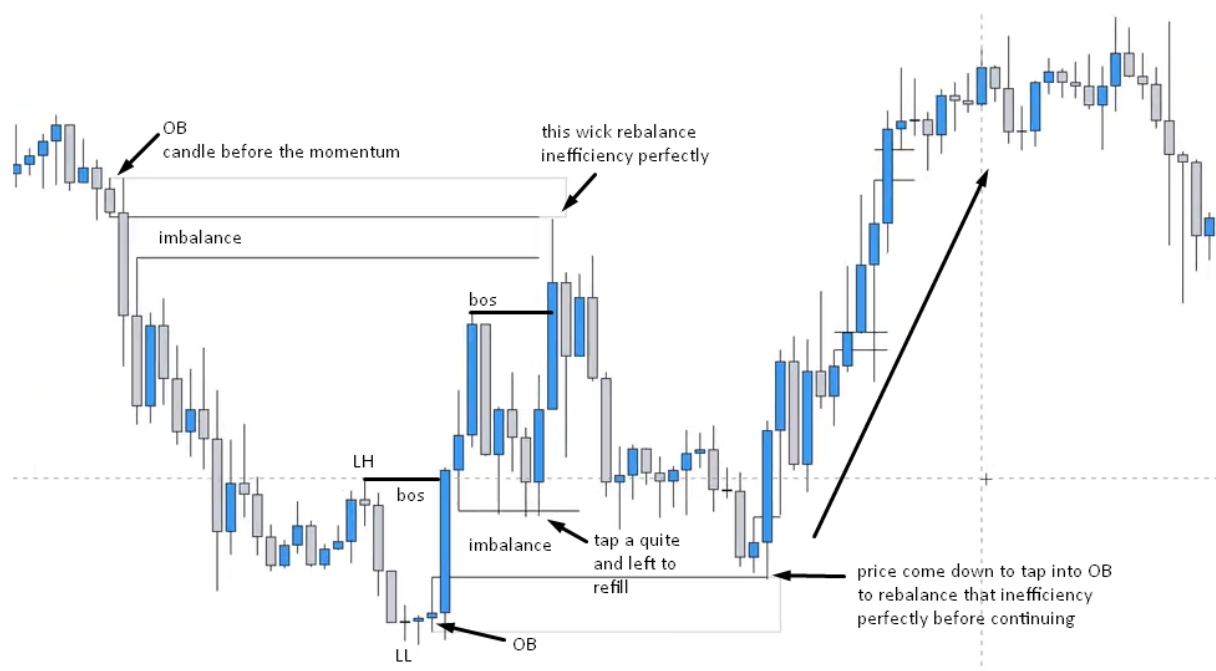
So zoom in right into this bit of price action, we can see we have the 3 candles coming down, bearish push, and if we take the low from the first candle which is here, and the high, we can see this is an imbalance, and I have put it on, so the line here from this wick to this wick, we can see so from here to here, this is an imbalance, so price is likely to refill that before continuing, but if we also see this push down bos and we have an OB, which will be the last up move refined down to this candle, price tapped in, before then we are continuing.

We can see we tapped in, we rebalance that bit of inefficiency, and then we continue after tapping into the OB.



So this bit of price action here we can see we have low, high, low, high. We are sort of pulling back each time we are making lows. So we can classify this as efficient price action, because all the wicks are sort of meeting with this pushes down, which would be more seen on a LTF.

This efficient price action sort of moves.



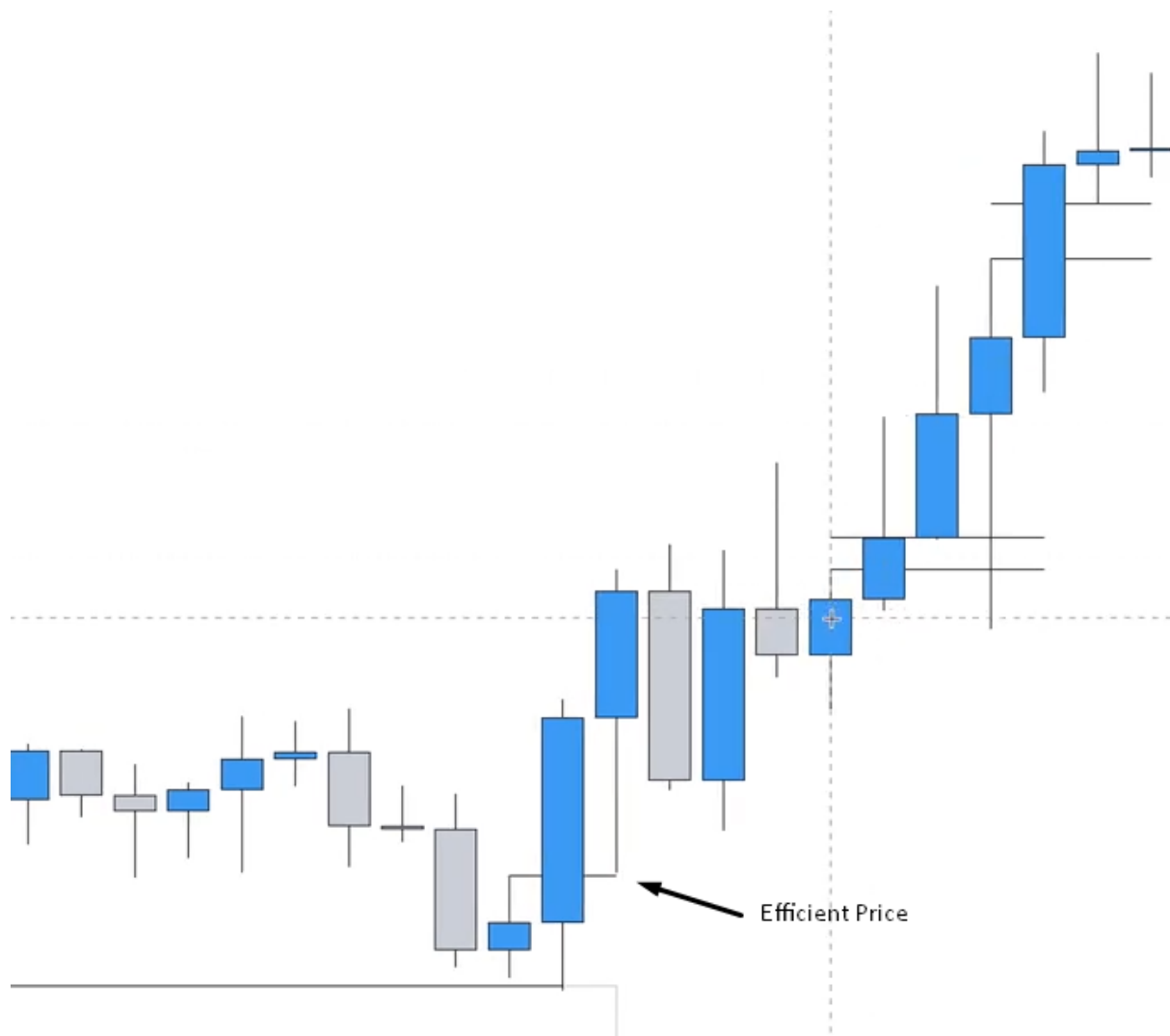
So next we have a bos, we have 3 bearish candles, so if we look at the low of this candle then the higher of the third, this would be the imbalance.

So we can see we also have an OB which will be here, because the momentum came in here. So price comes all the way down here, and then we eventually come back up, pullback, come up again, and we rebalance.

So we can see this wick here, rebalances that inefficiency perfectly. Now we do fall just short of the OB, but we could refine it down on a 15m and get involved in that trade.

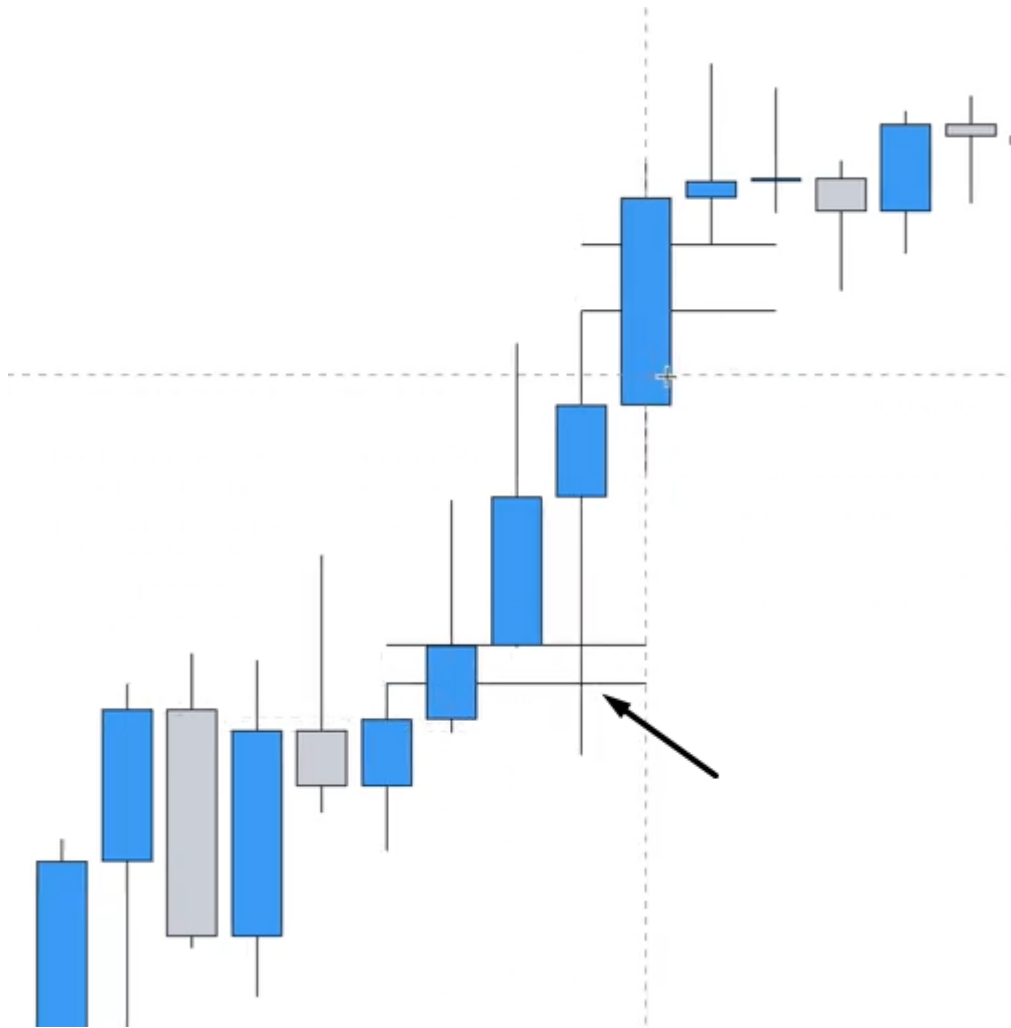
So if we look here, we have a low, LH, the price then impulsively bos and we get 3 bullish candles in a row, but if we look this candle, so 3 candles, we take the high of this candle and the low, we can see we have imbalance, price then pushes up, pullback it just taps into that imbalance, but it leaves quite a lot left to refill.

We then bos, we tap into this imbalance, before rejecting, we form some liquidity around this area, but then we do eventually tap into it, and we can see the bottom of the imbalance is here, we have an OB, the price come down to tap into OB to rebalance that inefficiency perfectly, before continuing.



After that we tapping in, we bos and we can see from here so we have 3 candles again, the high and the low we can see we are meeting so this is what we call efficient price action. So as prices come down, now this wick on a LTF it will obviously be bearish candles, we can classify this as efficient, so price can come up from here.

We can move up to new highs as we did.



The next bit is here, the higher this candle to the low, only a little bit of imbalance, but we can see price wicked down before continuing to the upside.



Next bit is here, so the high and the low, this would be the imbalance price, comes down with this wick, but then ultimately we continue up before pushing down.

Now with imbalances it won't always refill price completely to like 100%, what I have seen from my testing is if we get an imbalance, and it comes down to refill it by at least 50% then that can be enough for price to then continue in that direction that we are looking at.

So it won't always refill price all the way.

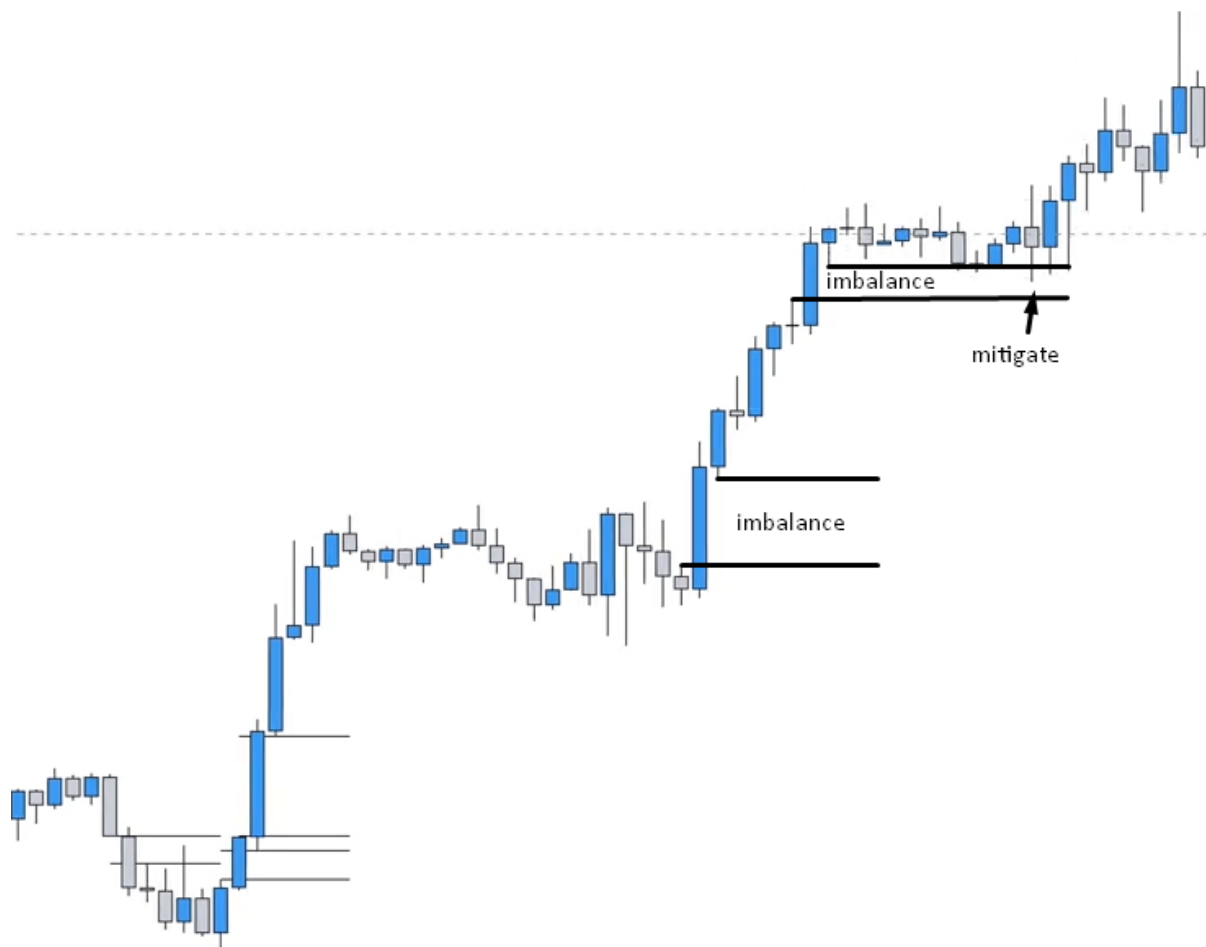


Now another thing is, it won't always if we get a certain impulsive move up like this, so this is a good example. So we have this impulsive move up, but we can see price never come back down to rebalance it.

Now this just means that it can be used for a later date, they won't always all straight away. So that's just something to keep in mind.



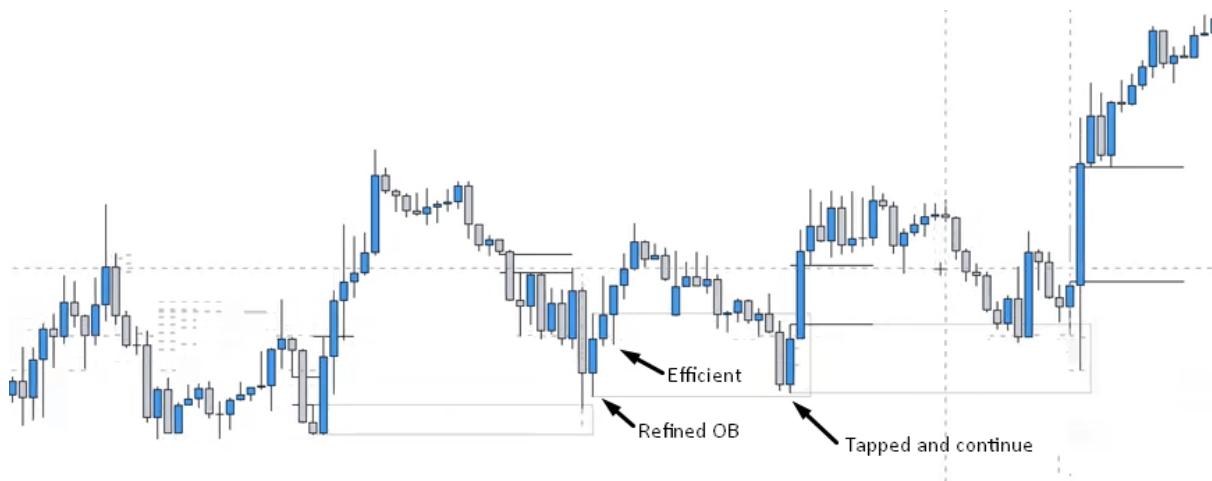
But if we just continue, we can see we push down, we have 3 candles here, low momentum candle, but we do have an imbalance. Price comes up to mitigate, as I was saying to at least 50% then continued, but then we do see some bullish pressure bos, and this is the imbalance that I was talking about, we have a lot of buying pressure here, price never comes back down to test it, we just continue up.



But if we continue we can see, we push up, we have 1 candle here which would be a bit of imbalance on a LTF, but then this sort of move up, we have imbalance, price comes down to mitigate most of it, but ultimately most of this move is efficient.



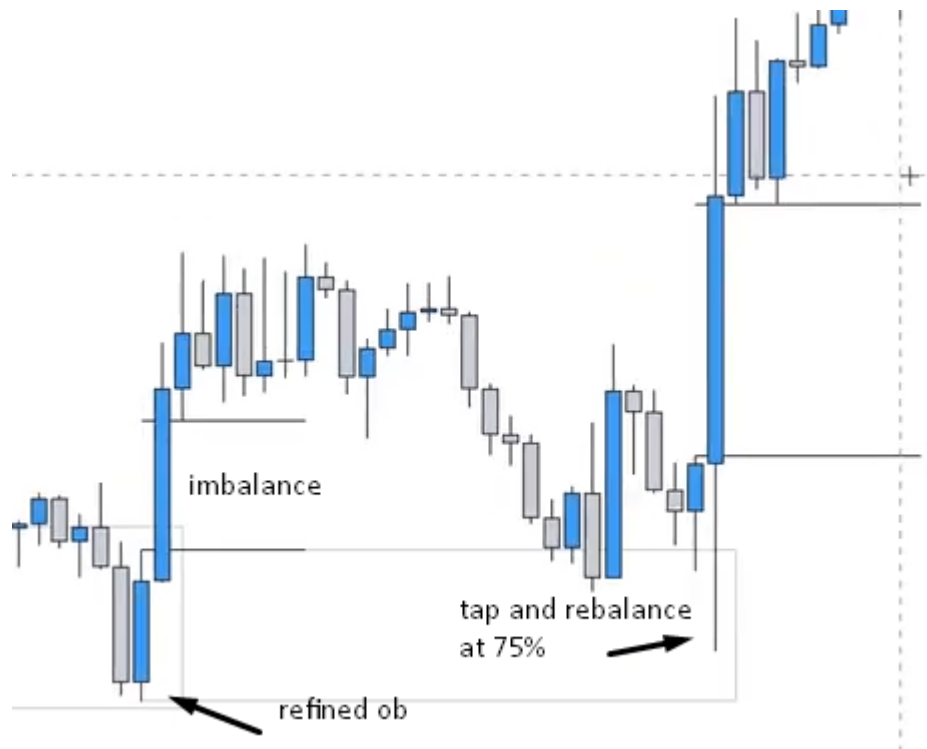
We then impulse outbreaking structure and we also have this little bit of imbalance that price fills here, we have efficient price action with this wicks, but we do have an OB. So price come down eventually tapping into that OB, so the last down counter which is here, we tap in before continuing.



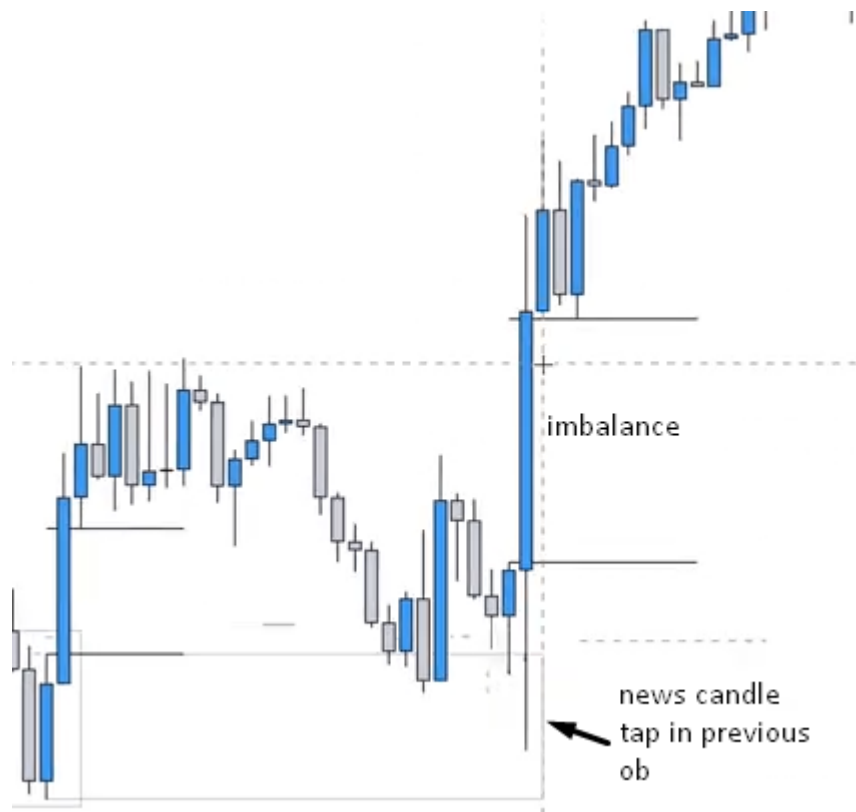
And we have the exact same thing with price here. So we bos, last down candle refined to this candle here, and then we tapped in, respect the OB, and bos.

Now this move is efficient and have low momentum, but still OB, and we ca see we are on this pair, we are clearly bullish, so we are not coming below the HLs, and we

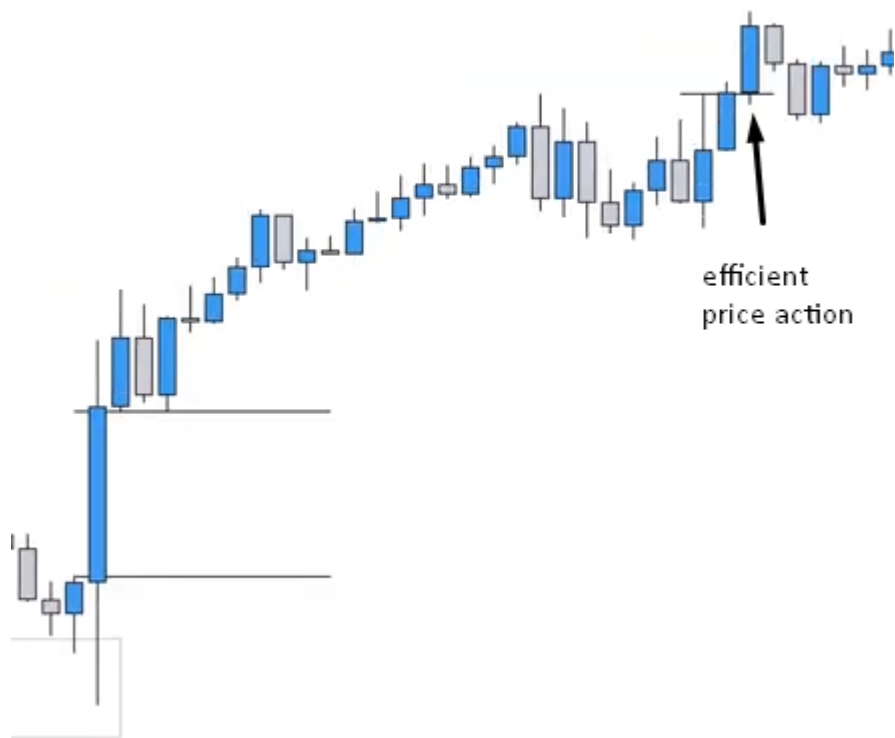
are respecting this OBs that are forming.



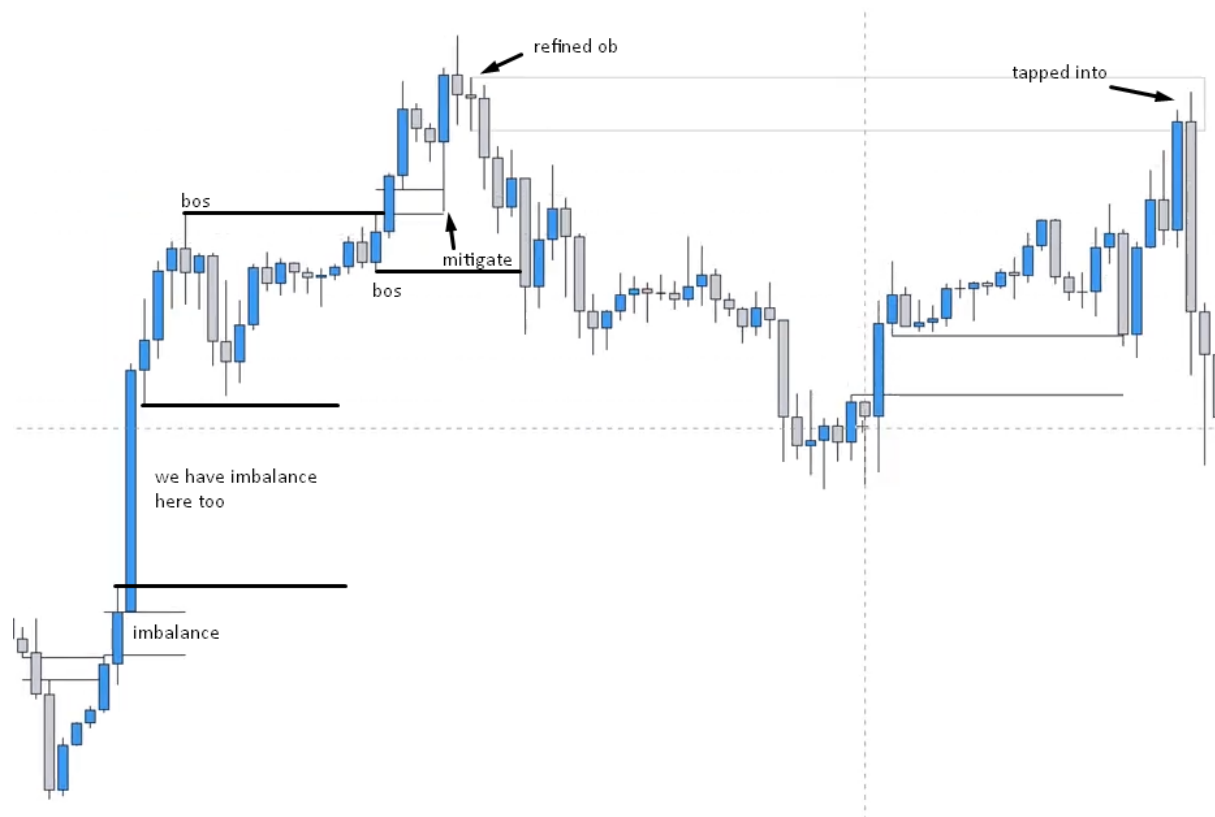
So again we move to the upside, we have the high of this candle to the low, which is an imbalance. Price comes back down to rebalance, we tap into the OB and we can see we tap in 3 or 4 times, we push off and then we come back down to mitigate to the 50% or just around 75% of the OB, before continuing.



The next imbalance would be from this wick to this wick, so this whole move is just nothing but buying, which we had this push down which was mitigating this move, so this was just probably a news candle.

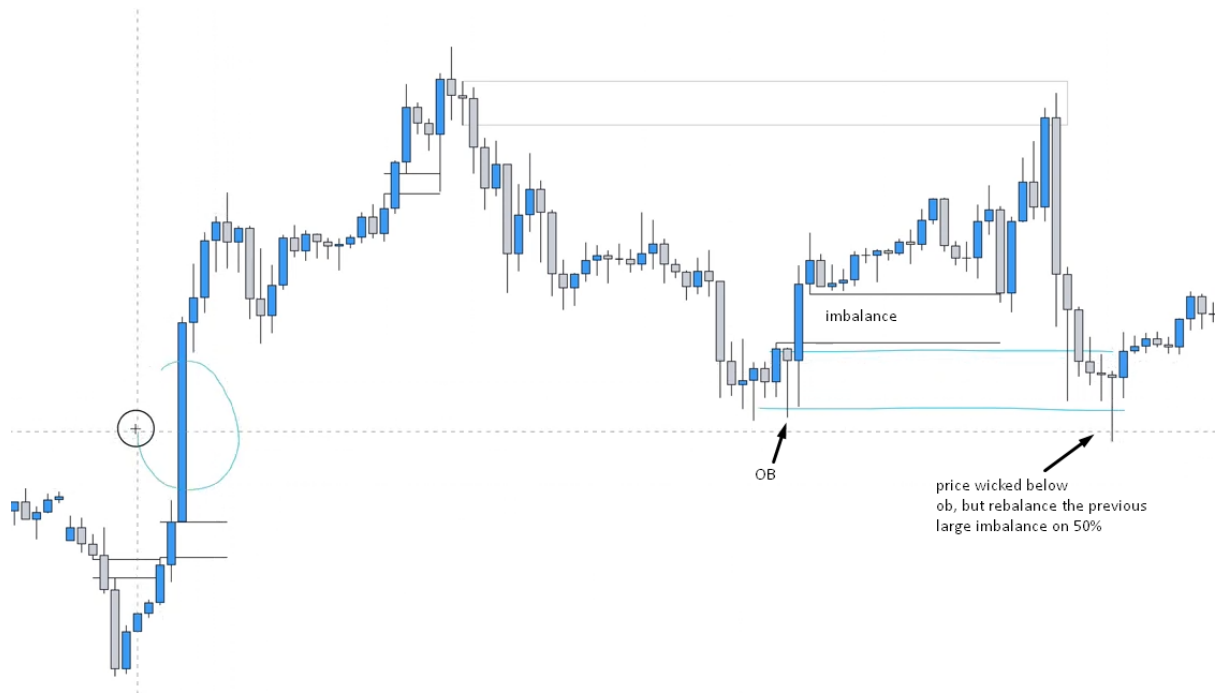


This is all efficient, we can see how the wicks are matching, they are meeting with each sort of move, and 3 candles here, wick to wick, its efficient price action.

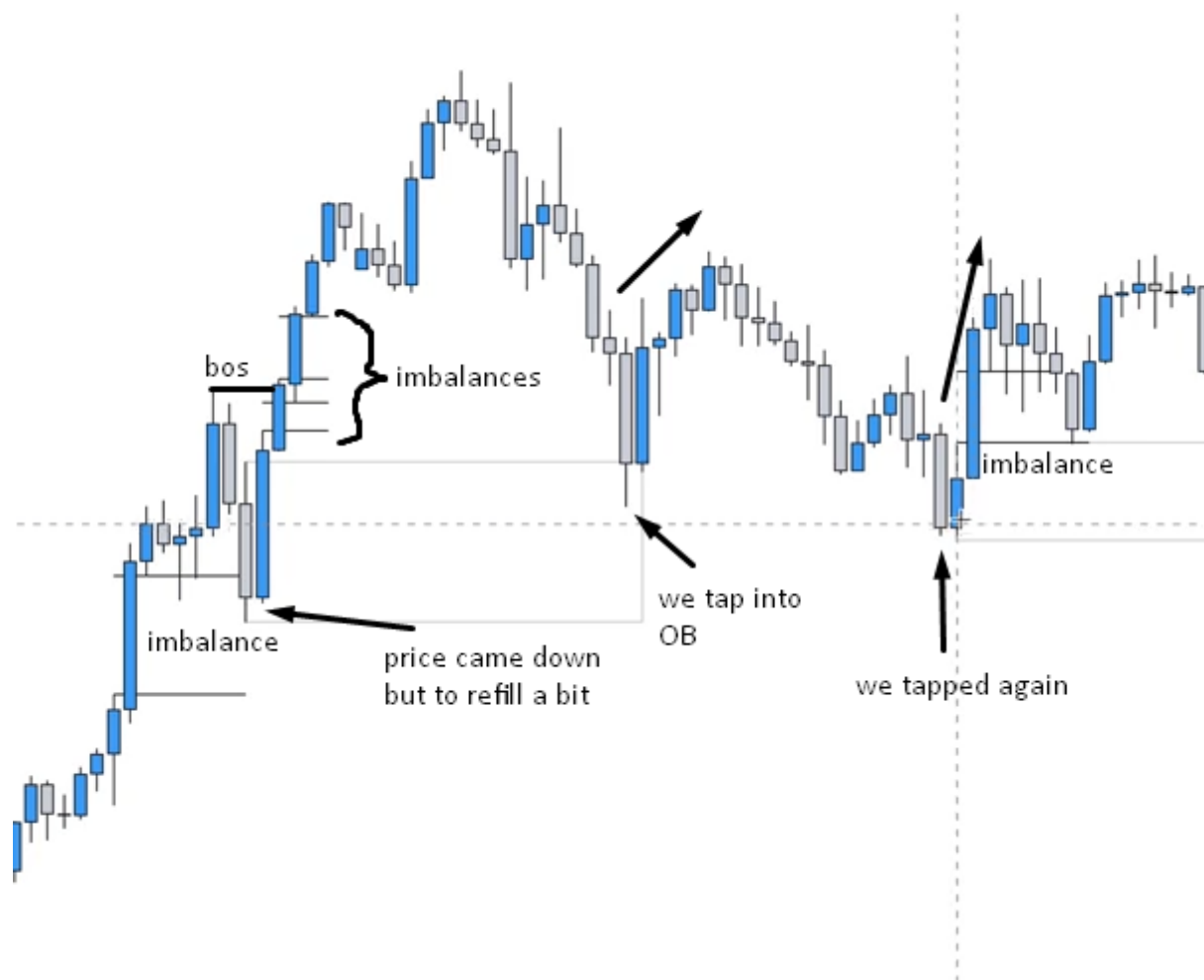


So next we have an imbalance, and we have a clear imbalance here as well, which we can see price comes down.

So moving on we bos, the high and low price comes down to mitigate, pushes back up and then we do see price move to the downside, but as we bos to downside, we could take the last up move, refine it down to this candle, price tapped into an OB, and is we wanna say we had an imbalance, we could argue from this low to this high, a little imbalance, only little but we still come up to refill that.

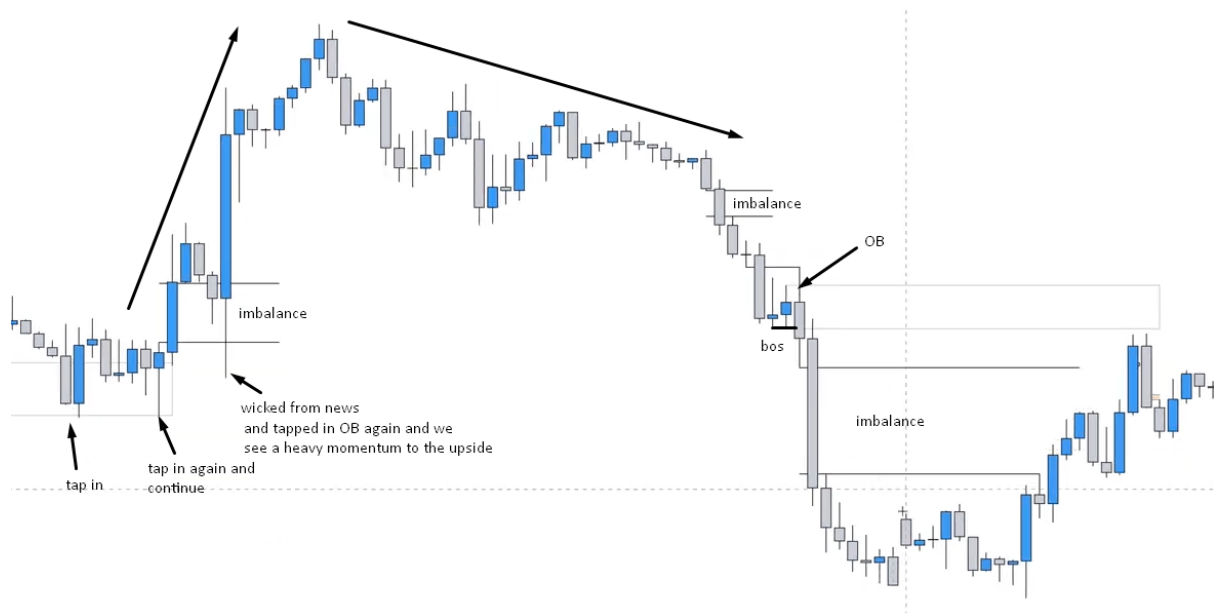


Now we have an imbalance here, so a lot of buying pressure here comes down, pushes off and then we fill it all here, and we do reject off of this OB, we wick below, and this wick was ultimately just trying its best to refill this large move here, and as we can see we do fill around 50% of it, as I was saying 50% is a good sort of level where it likes to rebalance before continuing.



But if we continue we can see the next imbalance would be here from this low to this high, price doesn't quite come down to refill it all, we do bos, we have this little imbalances here, we tap into the OB, we reject it, we tap in again, reject it and then imbalance here.

Im sure we can get the concept of how powerful this is.



Now imbalance is here, we come down and OB is formed. We respect it, we tap in, we break off, tap in again, we leave this imbalance from this high to this low, price comes down and again probably due to some news. Wick below the imbalance tapping into an OB and then we see some heavy momentum to the upside, and price comes back down, we have a bit of imbalance that was left with this 3 candles.

We have a bit of imbalance here, price wicked it, and we had an OB that was formed, because we bos, more seen on a LTF, and then we have a lot of sellers coming into the market. So the lowest of the candle to the high, its all imbalance.

Price comes back up, we fall just short of the OB, but again we can refine down on a 15m where we can get involved in this trade.

Now with imbalances what we can do is just use them as extra confluence when looking at a trade, I never recommend trade solely off imbalances, because its simply not enough to have as a compliments to trade in.



So on 1h if we are looking at this as a push down, a pullback and a new low. So this would be our LH, where we can look to get short from. Now what we can do is use the imbalance from here to here as just more of a confluence.

So if we was to push down come back up and rebalance this move, but failed short of this OB, as we can see we did before we put in a new low, then we can still enter on our LTF bos, because price is now efficient even though we just failed short of the OB, price is efficient as we have rebalanced this move, so we can still take advantage of this trade.



this is the clearest piece of pricing that created the imbalance. this is why price gravitated back to this area (where the price imbalance started) to fill that inefficiency, and then continue.