ZM CAPITALS ACADEMY

Where trading is made simple

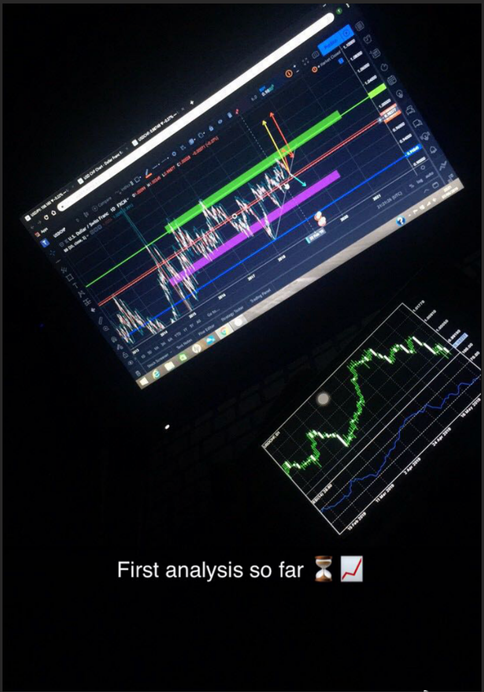
CONTEXT

INTRODUCTION

I felt it would be a good idea to start this book with a short introduction and a story about my journey into the financial markets.

My real name is Zain Mokhles. I've been trading for just over three years and i'm currently 18 years old as I write this book. I come from a small family with two older brothers, a loving Iraqi mother, and a wonderful Syrian father. But, in any case, let's speak about how and when I initially got into trading.

I first discovered financial markets when I was 15 years old. I had no idea what it was at the time, but an old friend of mine used to tell me about it in my math lessons all the time. The more he spoke about it, day by day, I began to grasp the gist of what it all was. So I asked him if he could walk me through the basics and get me started, and he agreed. Later that night, we joined a conference call and began our first lesson... For a brief moment, I thought he was speaking another language; I've never been so perplexed in my entire life haha, but I guess that was all of us when we came across trading. Days after days of late-night phone calls, I finally got around to learning how to analyse a few instruments.



As you can see, there's a lot going on here... My charts looked like rainbows, there were indicators all over the place, lines all over the place, everything was a mess if you ask me. But one thing I can say is that I have never felt so cool haha , so I uploaded it on social media and instantly started claiming to be a trader, which, looking back on it now, I was a complete embarrassment LOL.

After a few months of digging deep and learning a few things, I decided to put some money together and start trading live... and so i deposited my first £100 bare in mind that when I was 15, I didn't have a steady income, so this £100 felt like a million to me.

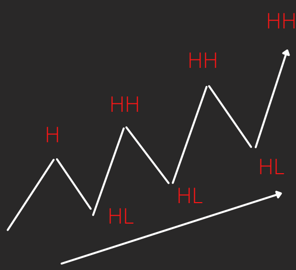
And, believe it or not, that account did not last more than 24 hours... I remember I missed a day of school because I was so sick from witnessing what I had just done... lol

LESSON 1 - MARKET STRUCTURE

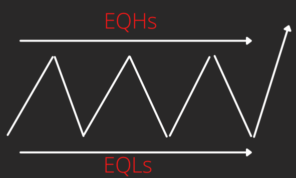
Okay, now it's time for me to stop boring you guys with my life and get down to business. I'll be breaking down every concept I use to properly trade supply and demand in this book, attempting to make it as simple and detailed as possible.

In this first lesson I will be going through what I think is the most importing concept to grasp and that is market structure .
Structure is perhaps the most important aspect in trading and analysing the charts by having a good understanding of market structure that alone could elevate your trading beyond belief so in this lesson I'll be going over the different types of market trends and structural breaks .

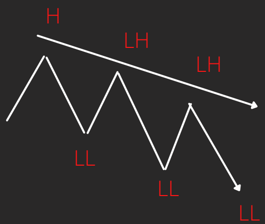
there are 3 basic movements that the market trends in Uptrend , downtrend , and a ranging market and each one is compromised of 4 swing points , Higher High (HH) ,Higher Low (HL) , Lower High (LH) and Lower Low (LL)



Here is an example of an uptrend
An uptrends is when price is printing a series of Higher Highs and Higher Lows



Here is an example of a ranging market
A ranging market is when price is moving with no direction and just consolidating between levels of support and resistance
printing Equal Highs and Equal Lows

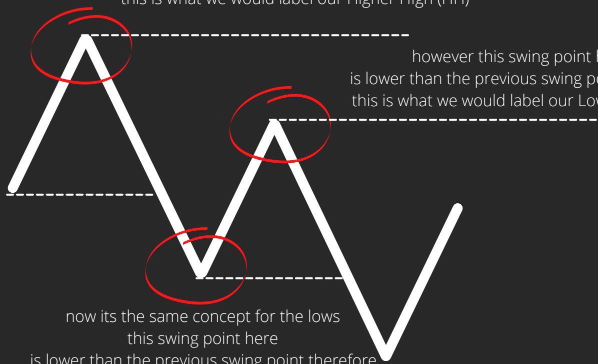


Here is an example of a downtrend
A downtrend is when price is printing a series of Lower Highs and Lower Lows

if you arent familiar with how to identify your swing points here's a brief example

as you can see the swing point here
is the highest point of this downtrend
this is what we would label our Higher HIgh (HH)

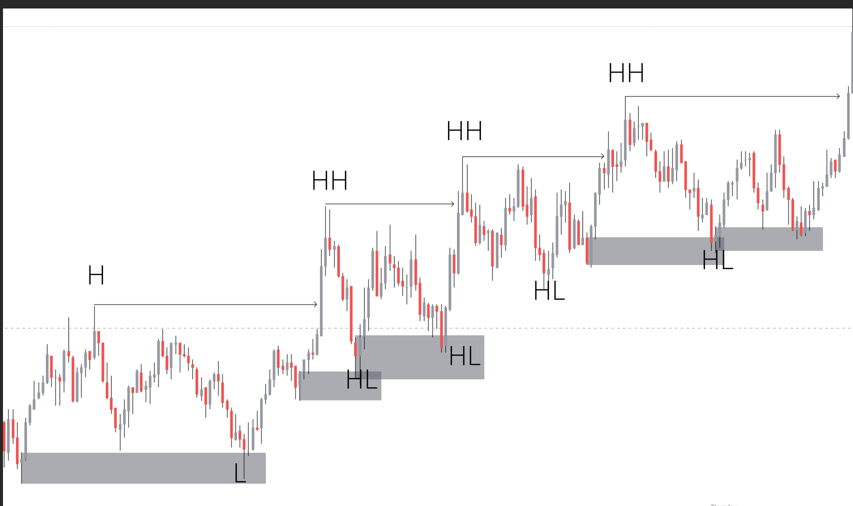
however this swing point here
is lower than the previous swing point therefore
this is what we would label our Lower HIgh (LH)



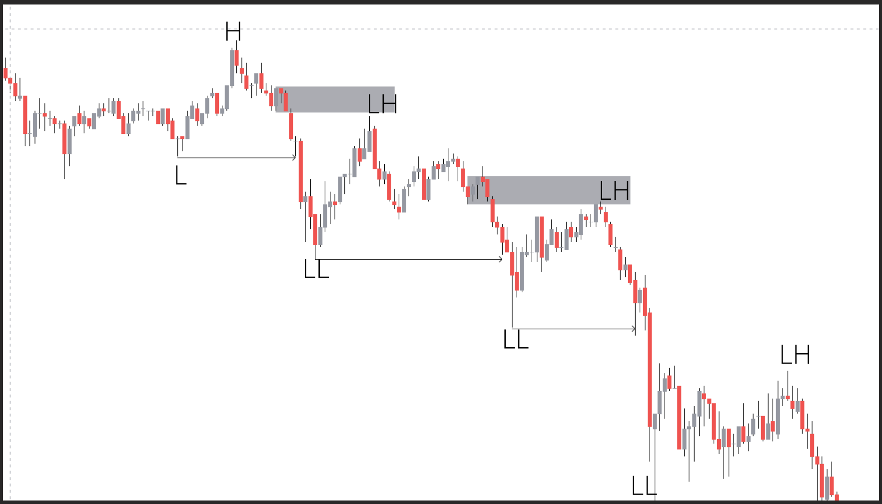
now its the same concept for the lows
this swing point here
is lower than the previous swing point therefore
this is what we would label our Lower Low (LL)

now let me stop with the drawings and show you guys an example on the charts.

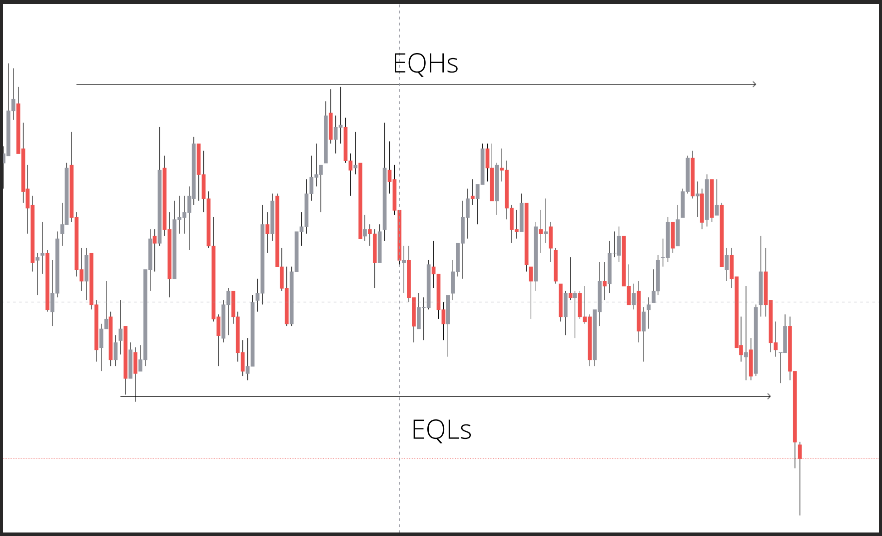
UPTREND :



DOWNTREND :



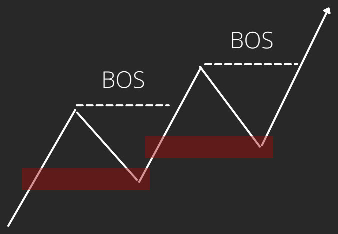
RANGING :



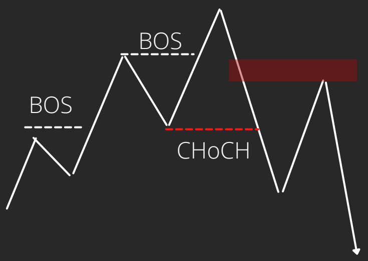
BREAK OF STRUCTURE

I hope the understanding of the 3 basic market movements was pretty straight forward there isnt much to it to be honest as long is you can identify your swing points your good to go . Now that was just one half of understanding structure I am going to teach you guys how to identify :
Breaks of structure , its importance and how identifying these breaks of structure is necessary to be able to find trading opportunities because by understanding the principles of the market movements you can accurately determine where the buyers and sellers are gaining strength or weakness

So there are 2 types of breaks you must differentiate between a continuation break and a reversal break which is what we call our Change of Character (CHoCH)



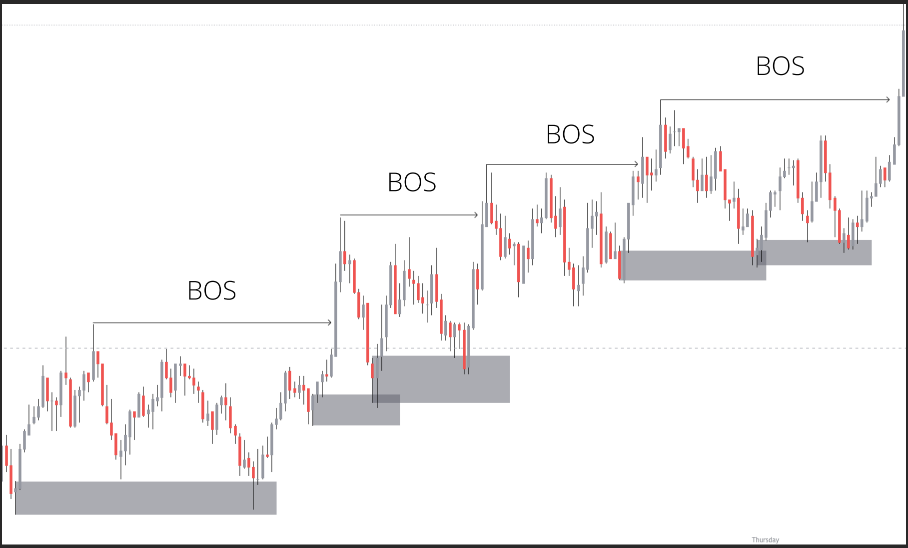
In this example here we can see that there's series of HHs and HLs being printed this tells us we are in an uptrend
now if you pay attention every time a high is broken price prints a HH then pulls back printing a HL then continues the break the high so we label each time it breaks these points as BOS this is to tell us that price is still continuing its move up and buyers are still in power



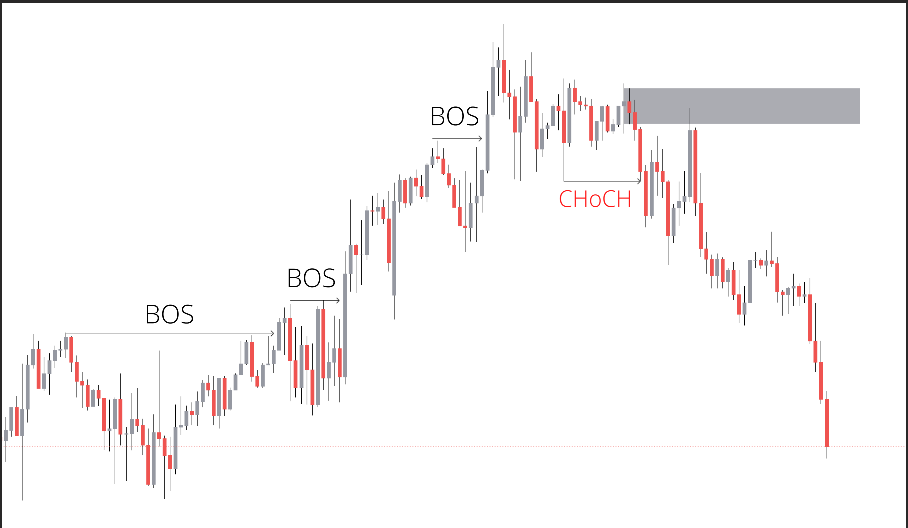
Now whats the difference with this example here ?
As you can see price was in an uptrend , then the low failed to hold and price then printed a LL thats our first sign that sellers are coming into power when price broke through the last low thats an indication that there can be a shift in the trend so you identify that break as a CHoCH . Once u have anticipated the CHoCH and price printed a LL you can expect price to pull back and now form a LH to and then sell off forming an even LL

now let me show you guys these two examples on the charts .

CONTINUATION :



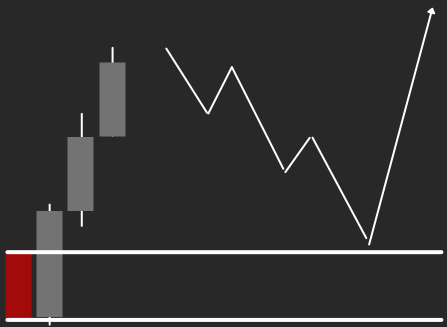
CHANGE OF CHARACTER :



LESSON 2 - ORDERBLOCK

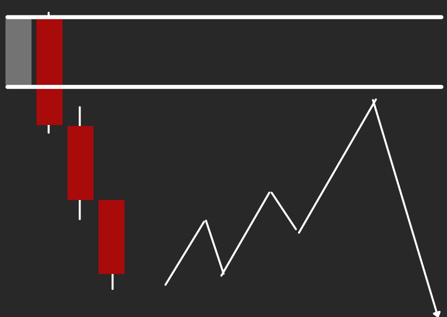
Now we'll look at one of the important concepts we utilize to find our precise entry points: order blocks.

So, what exactly is an order block? An orderblock is a visible spot on the chart where a large order is being placed on the market. You'll notice the order being placed, followed by a quick move from that region, leaving behind imbalances and a structures would be broken
The candle before that impulsive move is what we call an "order block," but I want you to remember that order blocks are essentially areas of supply and demand in the markets, and we'll go over that later in the book.



Bullish Orderblock (Demand)

Looking at this textbook example, we can see that the red block was the last bearish candle before the impulsive move, the candle would normally consist mostly body with very minimal wicks, This is what we call our bullish order block. To mark out our OB we draw a zone from the top of the candle to the bottom, but you may also include the wicks.



Bearish Orderblock (Supply)

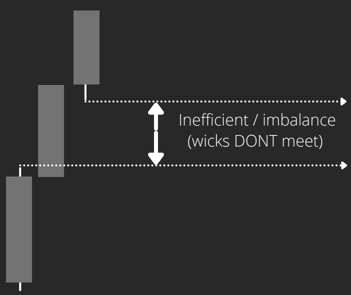
Looking at this textbook example, we can see that the grey block was the last Bullish candle before the impulsive move, the candle would normally consist mostly body with very minimal wicks, This is what we call our Bearish order block. To mark out our OB we draw a zone from the top of the candle to the bottom, but you may also include the wicks.

Bearish Orderblock (Supply)

Bullish Orderblock (Demand)

LESSON 3 - MARKET INEFFICIENCY / IMBALANCE

Now we'll go on to the next topic, which is market inefficiencies.
To avoid any misunderstandings, before I explain what it is, I'd want to highlight the many terminologies that you could be familiar with: Fair value gaps (FVG)
Fair value gaps (FVG) and Imbalances . All of these terms refer to the same idea, although traders use different words to describe it. To put it simply, market inefficiency occurs when the wicks are separated by a distance or a gap and they don't meet . An efficient market, on the other hand, is one in which the wicks do not have a gap between them and actually meet. I understand that this may throw you off the boat a little , but don't worry, I'll show you some textbook and chart examples so you can see what I'm talking about.



if you take a look at the this example here , notice how there is a gap between the wicks on the 1st candle and the 3rd , the wicks dont meet , therefore this is identified as an imbalance or inefficient price action

on the other hand , in this example here notice how there isn't a gap between the wicks on the 1st candle and the 3rd , the wicks meet , therefore this is identified as efficient price action

But what does it mean to have efficient and inefficient price action, and why is it so necessary to distinguish between the two?
Now, efficiency/inefficiency tells us a few things. When there is inefficiency in a price range, it means that the move was caused by large orders pumped in at that point. For example, if the price impulsed to the upside and left behind imbalance, it means that a lot of buyers have come into power, causing inefficiency, and vice versa.

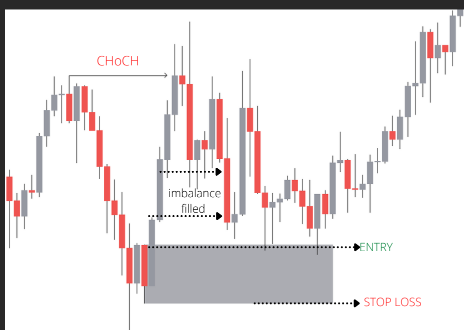
We now know that the wicks will meet in an efficient scenario. But what does this tell us? It shows us that price is giving both buyers and sellers a fair shot at accessing liquidity, so when the wicks meet in a bullish example, it provides buyers access to get in and profit on the move up.
So, when an inefficient scenario occurs, we can now expect price to eventually pull back to fill in the gap it created, giving us a fair opportunity to liquidate the market.

So, if we find a region of imbalance, we can expect price to pullback to that point to fill in the gap it had left behind, giving us an opportunity to enter a trade to continue the move in the direction it was intended to head towards .

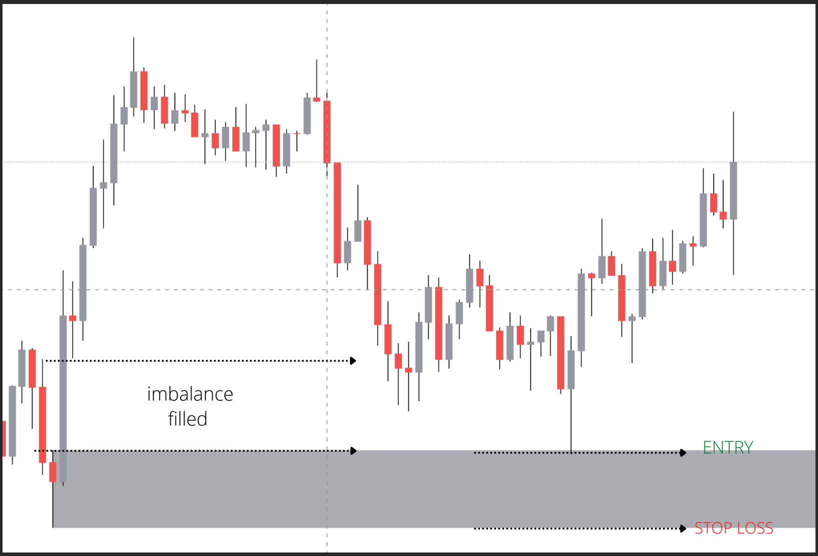
BUT bare in mind that this does not always mean every single imbalance you find gets filled . Anyways lets take a look at the chart .

so lets take a look here ,
1. price was in a downtrend and then it broke above the previous high creating a higher high .
2. this tells us that there is a Change in trend so we label the break as a CHoCH
3. as price impulsed up and broke through the high we can see that it created imbalaces in the range .

so what can we expect price to do now ?
Pull back to fill in the imbalance or continue ?
Lets see what happens next .



And as you can see price has pulled back after taking out the high and has now filled the imbalaces it had created therefore providing buyers a fair opportunity to get in and capitalise on the move more examples before moving on



LESSON 4 - LIQUIDITY

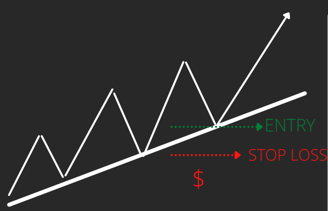
And up next we have liquidity . what is liquidity ? and how do we identify them ?

In simple definition liquidity is just an area where there is stop losses and pending orders essentially we are all liquidity in the markets , however that does not mean every single order must be targeted and taken out by the market movers as some areas are simply not liquidated enough for it to be worth the grab for the institutions .

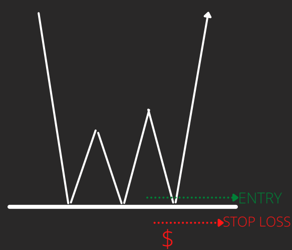
popular areas where retail trader tend to set their stops and pending orders are at levels of :
support / resistance
double tops / double bottoms
trendlines

therefore these popular areas where retail traders tend to execute their trades will have a lot of stop losses making it a nice level of liquidity for market movers to target .

This is a double top , retail traders would identify a high and enter a sell if price tests that high again and they set there stops a few pips above



This is a bullish trend line , retail traders would identify a channel/trend that price continues to retest and would execute a buy position if price tests the trendline again , setting there stops a few pips below

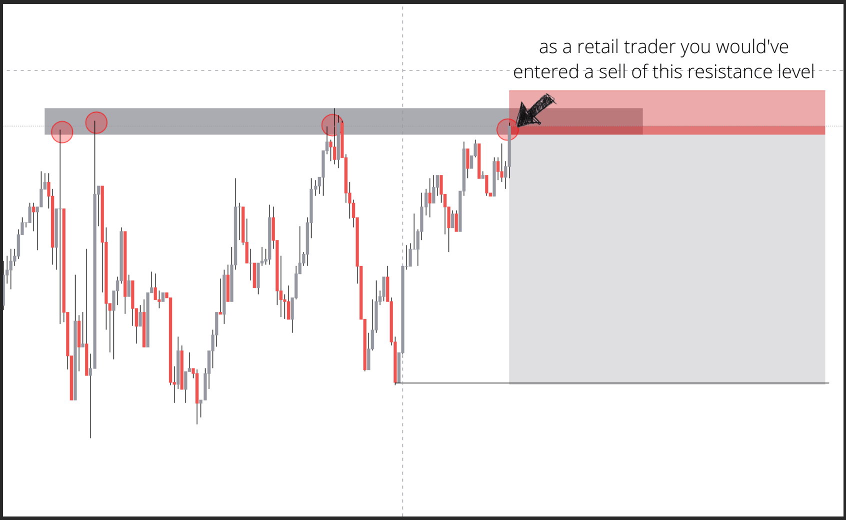


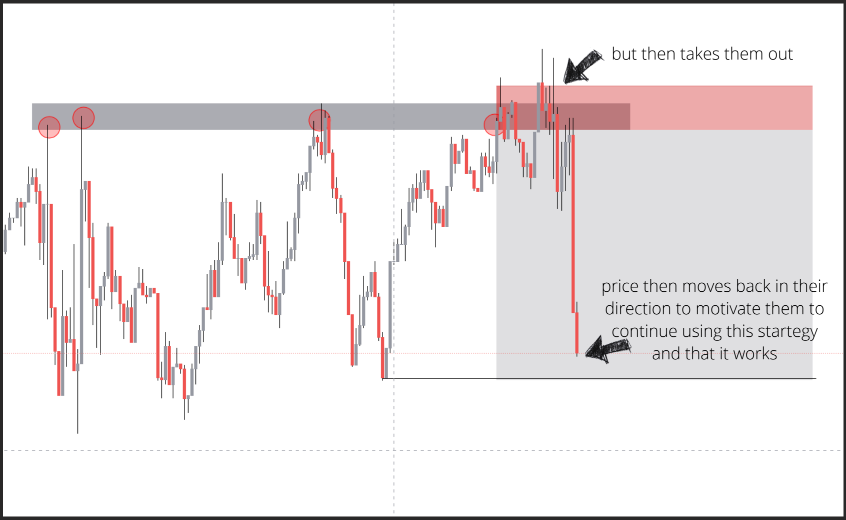
This is a support level , retail traders would identify a level that price tests multiple times and would execute a buy position if price tests that area again and they set there stops a few pipsbrlow that level lets see some examples on the chart

trend line liquidity :

double bottom liquidity:

Resistance liquidity:





LESSON 5 - INTRODUCTION TO SUPPLY & DEMAND

So, what is the difference between supply and demand?
When it comes to defining a term, I try to keep it simple:
supply = sell
demand = buy .
While this isn't the textbook definition, it gives you a good sense of what they are.
An area with increased supply is an area with increased selling pressure. An area with increased demand, on the other hand, refers to an area with increased buying pressure.
Why are Supply and Demand Zones Created?

Supply and demand zones are defined when an imbalance in the buyers and sellers occurs.
Thinking of supply as a commodity product is a simple way to picture this. Let's use apples as an example. We can also think of demand as a group of people who go shopping.

Assume that this was an excellent year for apple growers. They've produced a large number of apples. Shoppers, on the other hand, will be willing to buy just enough. This indicates that there is a greater supply of apples than there is a demand for them. Farmers would have to encourage purchasers to buy more if they wanted to sell out of their stock. The simplest way to do this is to lower the price of apples. Now that the apples are on sale, buyers will consider buying more since they can afford it. The price will keep dropping until all of the apples have been sold. That would be the equilibrium point, or the point at which there are enough buyers to meet the market's supply of apples.

Farmers clean their inventory as the apple season draws to a close, and a lower supply of apple is now available on the market. apple demand has reverted to normal levels, with the same amount of shoppers buying them as before. Because there are fewer apples to sell, the price will increase. It will rise to the point where any buyer wanting to pay a greater price will be able to purchase an apple. That level is the equilibrium level in these market conditions.

The price of that commodity will remain within a restricted range as long as there is enough commodity to whet the appetites of buyers. When one side's volume surpasses the other's — for example, if there are more offers than buyers — an imbalance occurs, causing prices to fluctuate until the two sides are in balance again. On the price charts, this imbalance can be seen as a large shift away from the current price level.

In the financial markets, the asset is the product and the rate value is the demand. If the price is cheap, it means there is more supply than there are willing buyers. If the product is getting expensive, that means there is more demand (buyers) for less supply.

By understanding the supply and demand concept, it will be very simple to spot SD zones on charts. Although this would be a hindsight observation, it will give us a good hint of where to look for our trades in the future.

It is critical to recognise that the supply and demand forex trading is based on analysing and finding these zones in the past then these zones will help us predict how the price will behave in the future.

Why should we expect a price change? Let's return to the topic of apples and shoppers. For example, suppose you could buy one apple for $1. We only have five apples to sell, but buyers are requesting ten apples. As a result, five apples were sold for $1 each, and no buyers were located for the remaining five orders. Keep these five unfulfilled orders in mind for later.
Obviously, the price would rise to $1.50 per apple in order to attract additional growers and increase supply. Later, when supply outnumbers the buyer's willingness to pay for the pricey apples , the price lowers back to $1. Now the five orders that were unfulfilled at $1 per apple they are still assumed to be there waiting. Their request will be now be filled immediately, as they are first in line for apples at the rate of $1.

Something similar happens in the Forex market. When the price changes, we can assume a high likelihood of unfilled orders. These orders are waiting and they will be the first to be executed once the price returns for the first time to the demand level of $1.

Now lets get into the more technical side . How would an area of supply and demand look like on the chart ?

Before I go any further, I'd like to emphasize that supply and demand are divided into two categories. They are divided into two categories based on whether they form as a result of a reversal or a continuation.

lets talk about 3 key words that you must familiarize yourselves with before getting into it:

Rally - Buyers exceed sellers

Base - Sellers and buyers are equally to eachother

Drop - Sellers exceed buyers

so lets begin , these are the following types :

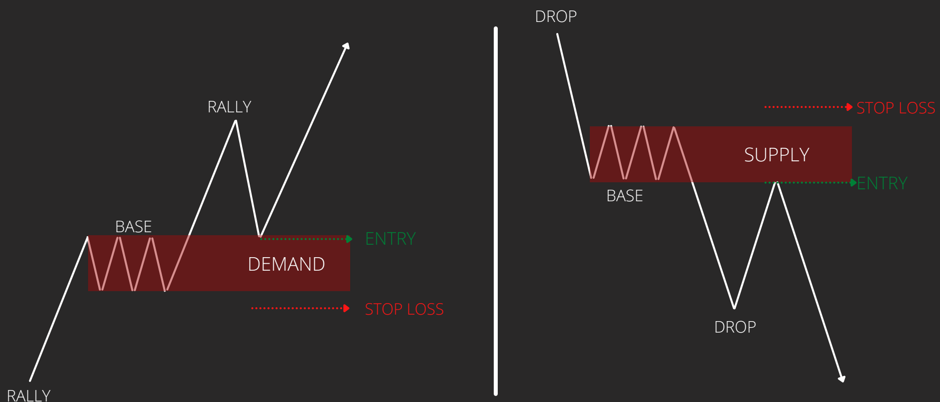
a continuation zone - a continuation zone is formed when there is a rally then a base then another rally (RBR) and in a bearish example a drop then a base then another drop (DBD) .

Then we have a reversal zone - it is formed when there is a rally then a base then an impulsive drop (RBD) and in a bullish example we have a drop then a base then an impulsive rally (DBR) .

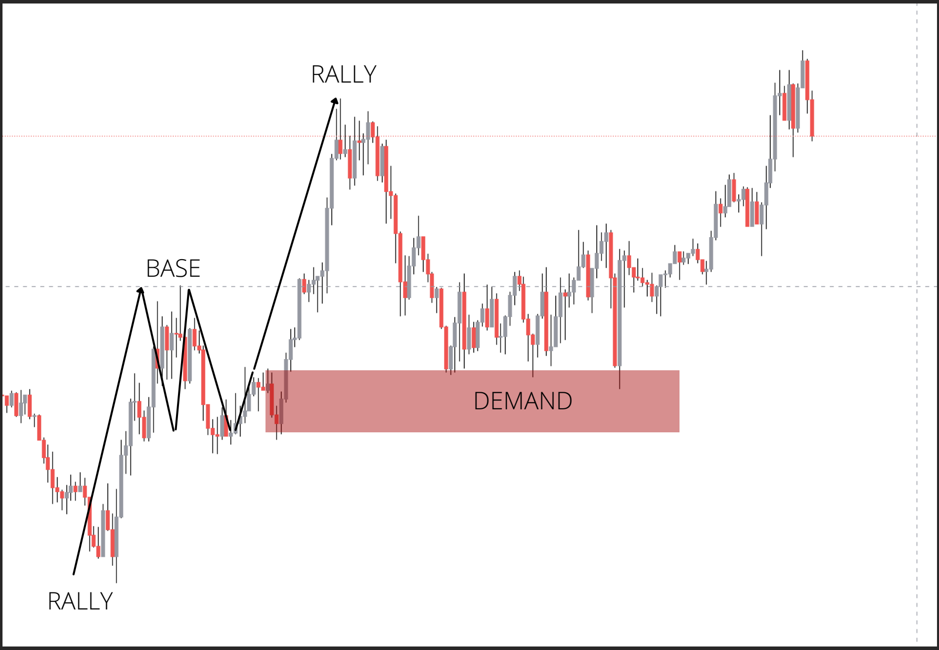
Don't worry if you're still confused; we'll go through some textbook and chart examples.

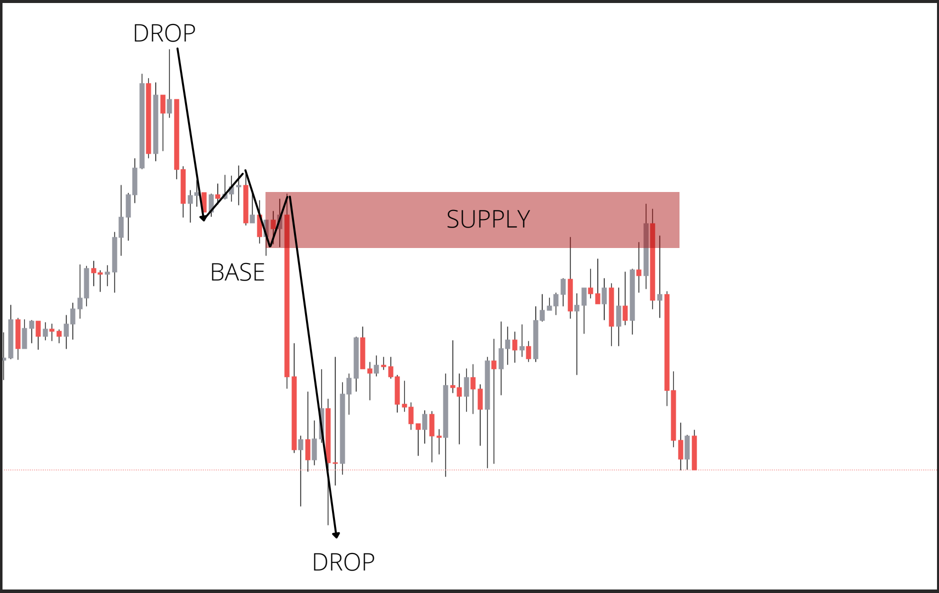
<u>Continuation Zone</u>

These type of zones form, when price moves in one direction , con solidtaes and then continues moving in that same direction .



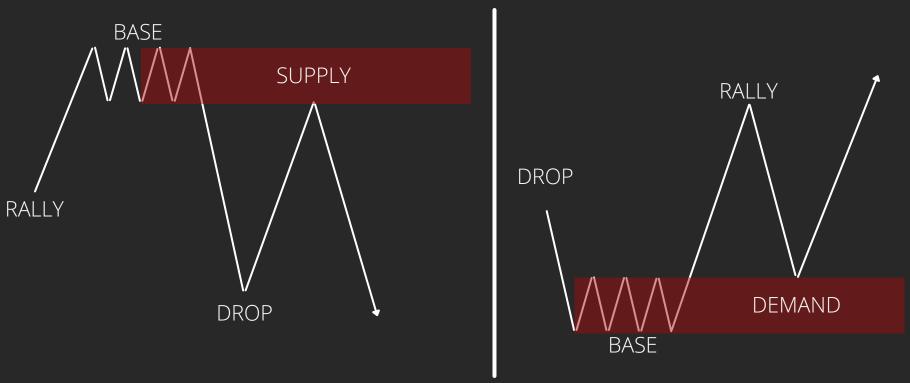
lets see some examples on the chart



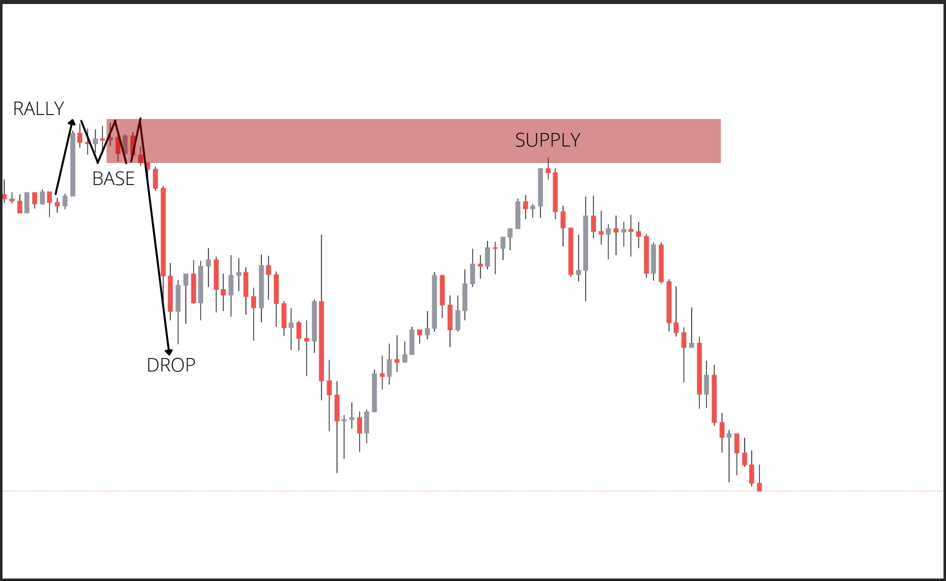


Reversal Zone

Reversal zones is the same concept as tradingorderblocks . it is formed when price reverses direction and sets of a new swing .



lets see an example on the chart



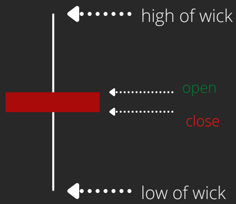
What do I draw my zone off ? Do I mark out the entire base ?

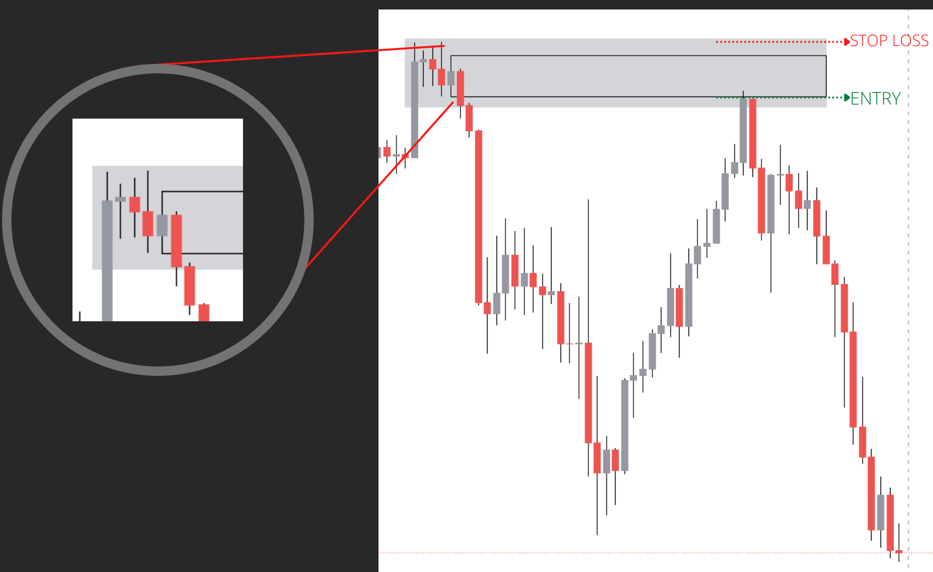
Now that you've identified your base, you might wonder what exactly we're looking for and if we're supposed to mark out the entire base. The answer is no.

I frequently draw my zones using an indecision candle as a reference point.

An indecision candle is one in which both buyers and sellers have equal power, resulting in a candle with a small body and mostly wicks. The body of the candle will normally close in the middle.

it looks something like this





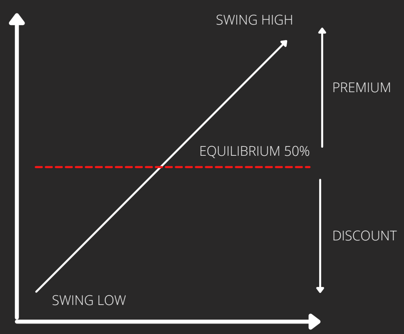
LESSON 6- CORRECTLY LOCATING YOUR ZONES

If I identify multiple zones zones which one do I choose ?

This is a very popular question supply and demand traders have and hopefully I will be a able to break it down for you guys as much as I can . but to understand which zone to select first you must learn what equilibrium , discount & premium prcing is ?

Equilibrium is the midpoint of a price range or you can say the midpoint of a swing . it is the level at which an asset is neither expensiv or cheap . Therefore when price is a level of equilibrium it wouldnt be of interest to execute an order of this level .

When executing we want to be buying in at a cheaper rate which is below the equilibrium this is what we would call our discount pricing , and we would want to be selling at a more expensive area which is above the equilibrium that area is what we would call premium pricing .

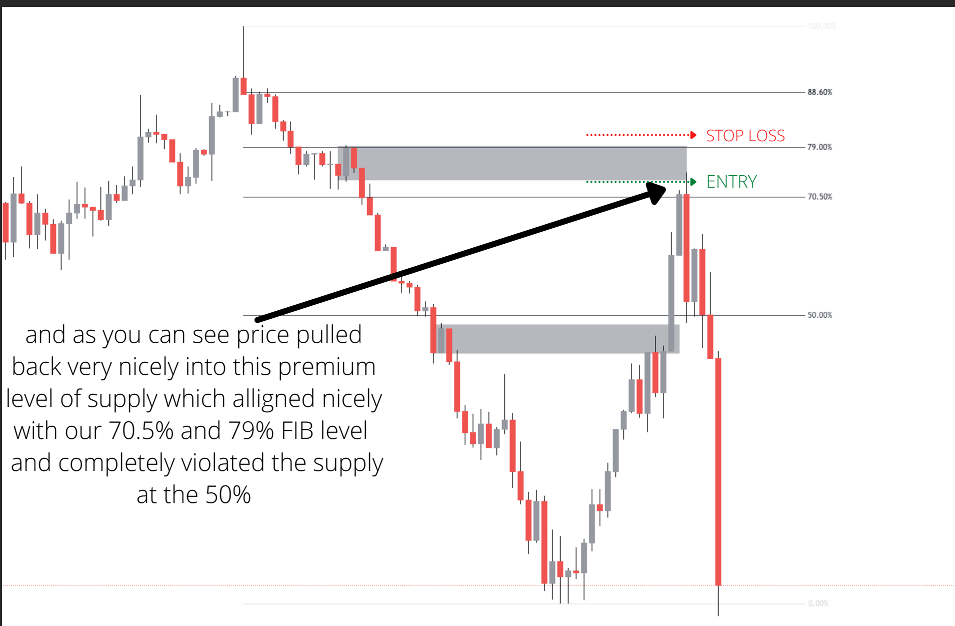


These levels can easily be identified using our fibonacci tool .The levels we are interested in are 70.5% and 79% .To identify your discounted areas when looking for long opportunities you must plot your fib tool from the swing low to the swing high
and for your premium areas you must plot it from the swing high to the swing low .

Now with the knowledge have just shared with you guys ... Which demand zone would you look to take an entry off ?

The zone that aligns with the 50% or 70.5%

as you can see the one at the 50% did not hold , price pulled back into a deeper level which was the 70.5% discounted level , then rallied nicely from that level of demand



and as you can see price pulled back very nicely into this premium level of supply which alligned nicely with our 70.5% and 79% FIB level and completely violated the supply at the 50%

LESSON 7 - THE PRICE CYCLE

This is the final piece of the puzzle that will bring this course to a close.

Starting with consolidation, the price cycle progresses to expansion, retracement, and then the reversal.

Consolidation

Reversal　　　　Expansion

Retracement

Why is this cycle so important, you might wonder? This cycle is usually how the markets deliver price; you'll discover that after every range (consolidation), there's a break (expansion), then a pullback (retracement), then a reversal that continues in the direction in which it had broken out.

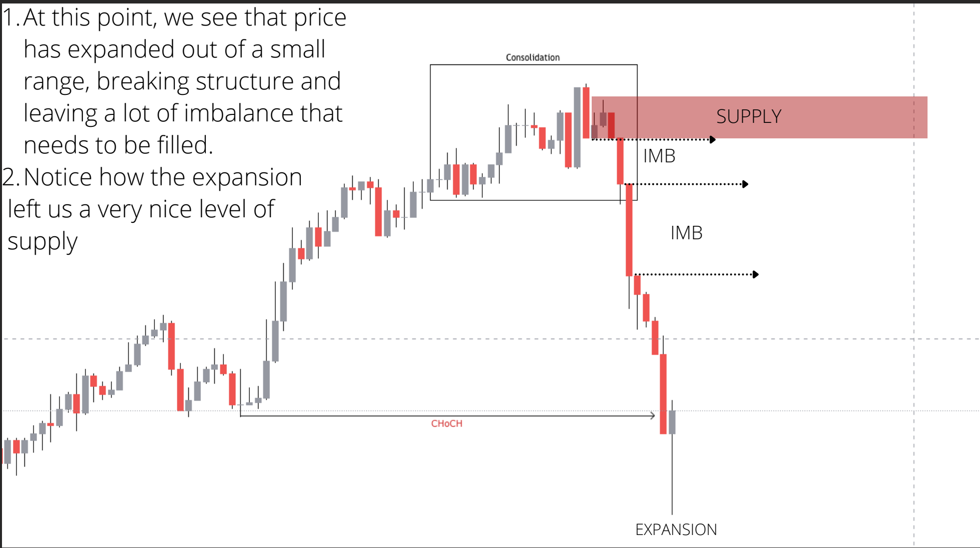
However, you must understand that each of the phases occurs and serves a reason, and I advise you to write them down.

Expansion = Orderblock / Zone
What I mean is that following every expansion, there is nearly always an unmitigated orderblock or zone.

Retracement = Imbalance/inefficiency
After making an impulsive move outside of a consolidation area, the range that the expansion formed usually leaves some imbalances that need to be filled, so price retraces after the expansion to fill in any inefficiencies before continuing in its direction.

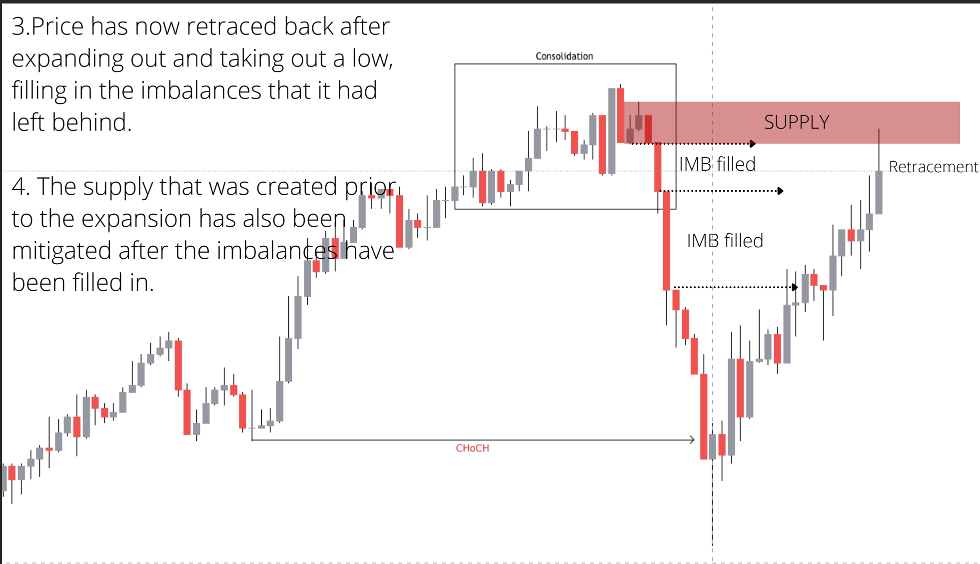
Reversal = Seeks to grab liquidity
The reversal's goal would then be to continue in the direction in which price was headed while also looking for regions of liquidity.

1. At this point, we see that price has expanded out of a small range, breaking structure and leaving a lot of imbalance that needs to be filled.
2. Notice how the expansion left us a very nice level of supply



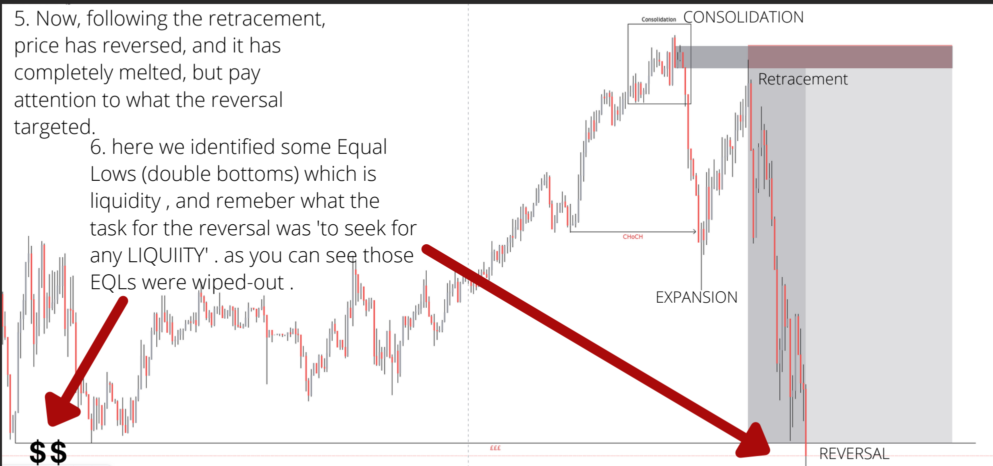
3. Price has now retraced back after expanding out and taking out a low, filling in the imbalances that it had left behind.

4. The supply that was created prior to the expansion has also been mitigated after the imbalances have been filled in.



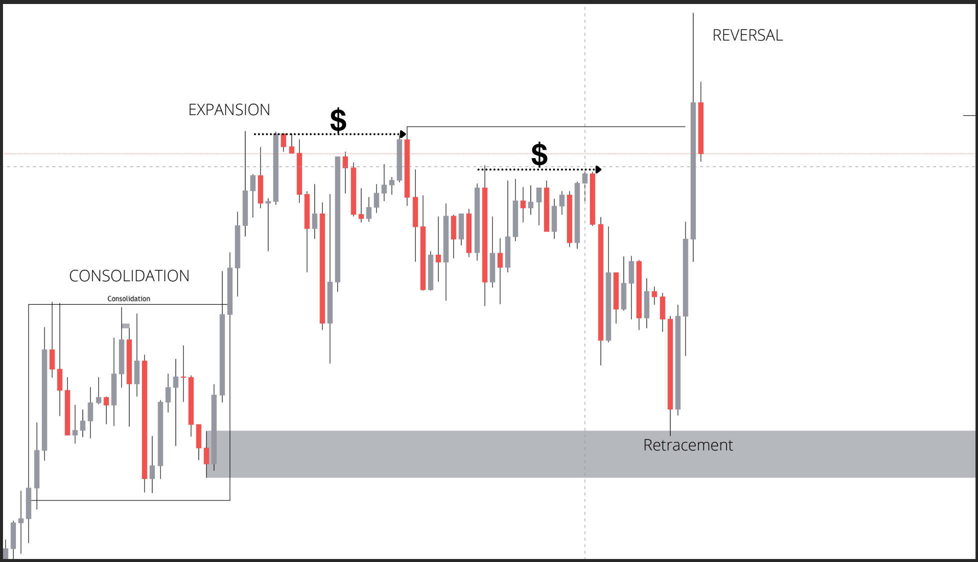
5. Now, following the retracement, price has reversed, and it has completely melted, but pay attention to what the reversal targeted.

6. here we identified some Equal Lows (double bottoms) which is liquidity , and remeber what the task for the reversal was 'to seek for any LIQUIITY' . as you can see those EQLs were wiped-out .



More examples:


CONSOLIDATION
Retracement
EXPANSION
REVERSAL


REVERSAL
EXPANSION
$
$
CONSOLIDATION
Consolidation
Retracement

LESSON 8 - PSYCHOLOGY

I've been a trader long enough to understand how most individuals think when they're trading the market. Because most people have similar thought patterns and emotions when trading the markets, we may learn a lot from the contrasts between how unsuccessful traders think and how winning traders think.

I'd be lying if I said that success in the Forex markets is solely dependent on the system or strategy you use; it is, in fact, mostly dependent on your mindset and how you approach and respond to the markets. Most Forex websites aiming to sell you an indicator or a robot-based trading system, on the other hand, will not tell you this.because they want you to believe that by purchasing their trading product, you can make money in the markets. I prefer to tell people the truth, and the truth is that while having an effective and simple trading technique is important, it is only one piece of the puzzle. The greater piece of the pie is properly controlling your trades and emotions; if you don't manage these two things, you will never make money in the markets in the long run.

GREED - When it comes to trading the markets, there's an old saying that goes something like this: "Bulls make money, bears make money, and pigs get slaughtered.
" It basically indicates that if you are a greedy "pig" in the financial markets, you will almost certainly lose money.Traders are greedy if they do not accept profits because they believe a trade will continue to go in their favour indefinitely. Another thing greedy traders do is add to a position merely because the market has moved in their favour; nevertheless, you can add to your trades for reasonable price action-based reasons.

However, doing so simply because the market has shifted somewhat in your favour is frequently an act of greed. Obviously, putting too much money into a trade from the start is also greedy. The message here is that you must be wary of greed, as it may easily sneak up on you and wipe out your trading account.

FEAR - Traders who are new to trading and have not yet mastered an effective trading method such as price action trading get frightened of entering the market (in which case they should not be trading real money yet anyways). Fear can also occur in a trader following a string of losing trades or a loss that exceeds their emotional tolerance.
To overcome your fear of the market, you must first ensure that you are never risking more money on a trade than you are completely comfortable losing. There is nothing to be afraid of if you are completely fine with losing the amount of money at stake. A trader's fear can be a very restricting emotion because it might force them to miss out on fantastic trading opportunities.

REVENGE - When traders lose a trade that they were "confident" would work out, they feel compelled to seek "revenge" on the market. The important thing to remember is that there is no such thing as a “sure thing” in trading. Also, if you risked too much money on a trade and you lose it, there's a strong chance you'll try to make up for it by jumping back into the market, which almost always leads to another loss (and sometimes an even larger one) because you're trading emotionally again.

Developing and maintaining an efficient Trader mindset is the consequence of executing a lot of things well, and it usually requires a conscious effort on the part of the trader. It's not difficult to attain, but if you want to create a successful trading attitude, you must first accept certain trading fundamentals and then trade the market with these facts in mind...

1. You need to know what your trading strategy is and you need to master it

2. You need to always manage your risk properly - You open the door for emotional trading to take hold of your mind if you don't control your risk on every single trade, and I can assure you that once you start down the slippery slope of emotional Forex trading, it CAN be very difficult to stop, or even recognise that you're trading emotionally in the first place. By just risking an amount of money per trade that you are completely comfortable losing, you may almost avoid the danger of becoming an overly emotional trader.

3. You must not over-trade - The majority of traders engage in far too much trades. You must know with 100 percent certainty what your trading edge is, and then trade ONLY when it is present. When you start trading just because you "feel like it" or "kind of" see your trading edge, you're on a roller coaster of emotional trading that's difficult to get out of. If you don't start overtrading... you won't become an emotional Trader.