PD Arrays

What are PD arrays?

PD arrays are the “zones” or areas from which we can expect price to react from. This does not include old highs and old lows. This includes fair value gaps, inversion fair value gaps, order blocks and breaker blocks. They are all just other forms and areas of liquidity.

Why are PD arrays important?

They are important because we can form our trading models around one or all of them and use them as further confluences in our trading. It helps us by filtering our trades when combined with your daily bias.

Let's look at them one at a time..;

Fair Value Gaps (FVG);

Fair value gaps are simply put zones that are present on all time frames and are formed every day. They are formed when price has moved too fast and, in this process, leaving a so-called “imbalance”. An FVG is a 3-candle formation, with the middle candle acting as the imbalance, so we mark it from the top or bottom wick of the 1st candle to the top or bottom wick of the 3rd candle.

The way the algorithm works, it ensures price reaches for one of two things; old highs and old lows OR imbalances in order to balance them.

How do I spot an FVG?

Here are the templates for the FVGs;

Bullish template ;

Bearish template ;

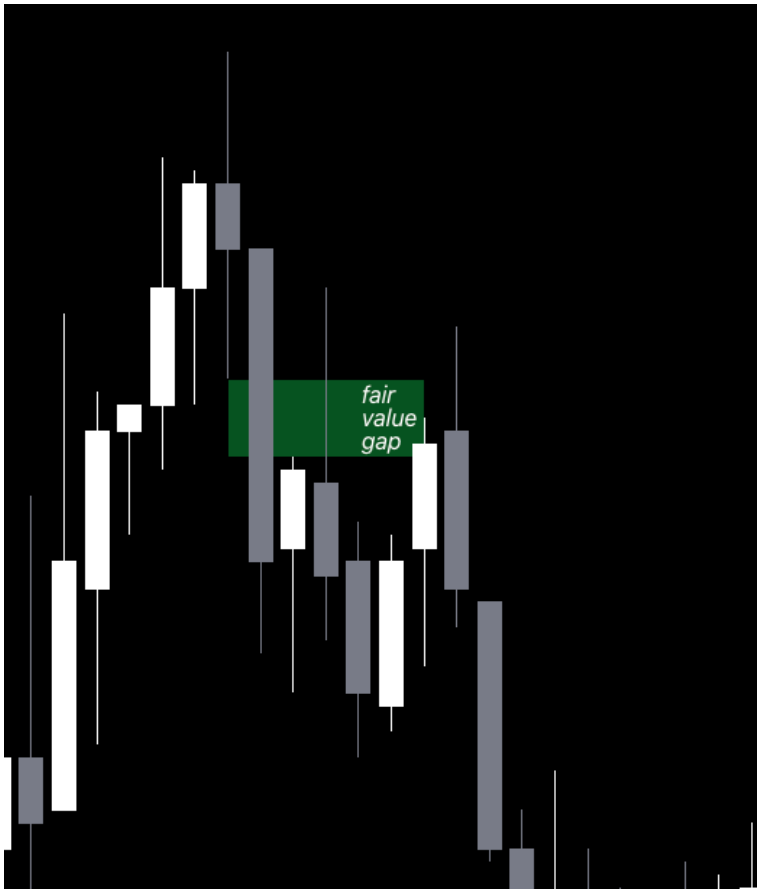
As simple as that.

Let's look at some chart examples;

We have a bullish example above, lines up with the template right?

We mark it from the top wick of the previous candle to the bottom wick of the next candle.

Another bullish example.



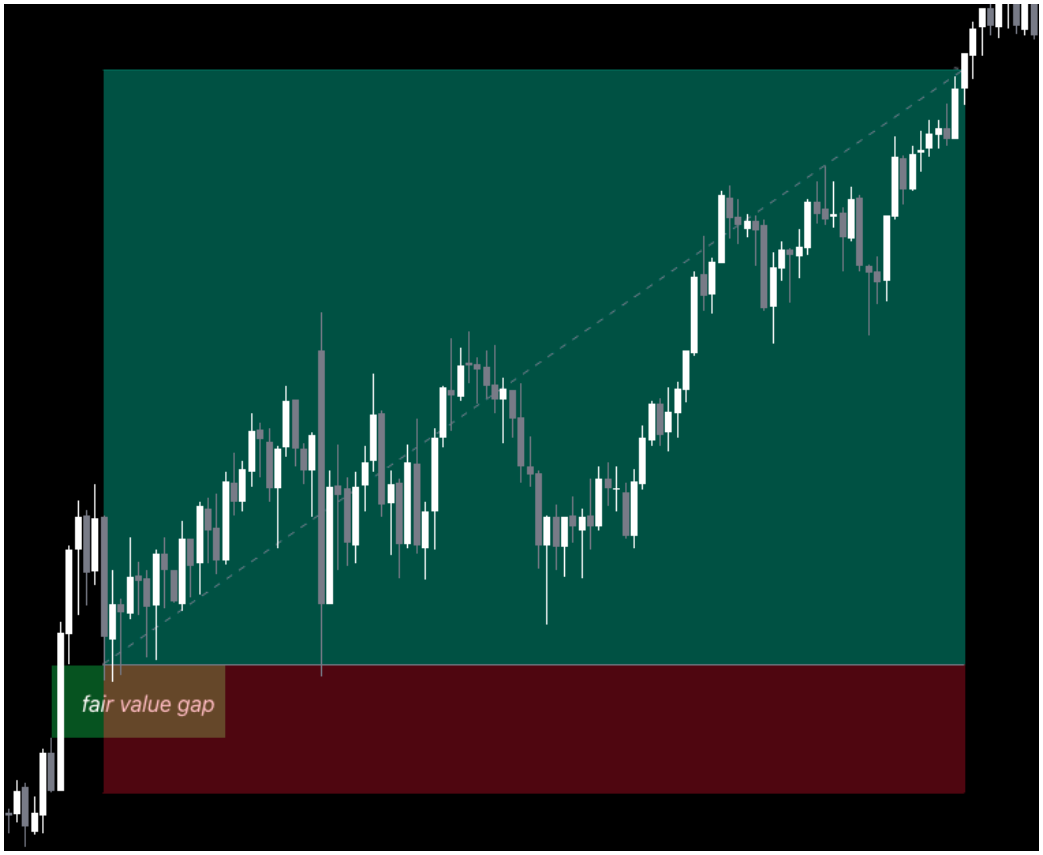
Bearish example above.

So where and how do we use these fair value gaps?

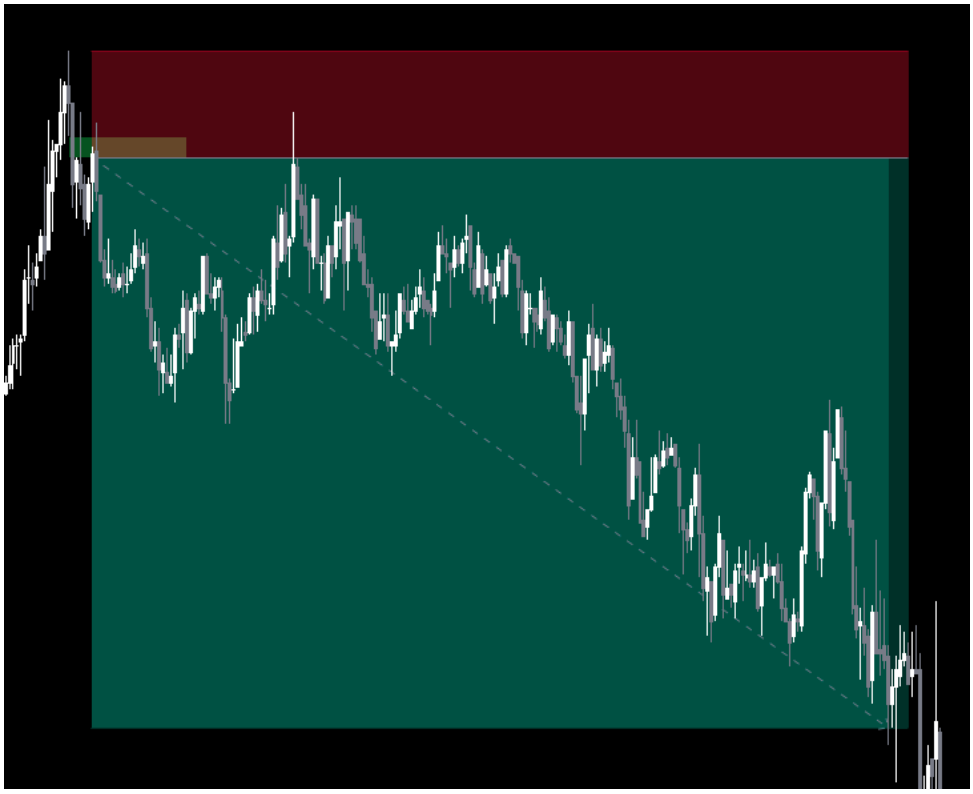
We use fair value gaps to enter trades as an entry area or we can use it by marking it in a higher time frame and using it to enter trades on a lower time frame.

We want to enter the trade right at the bottom or top of the fvg.

Let's look at some examples;



See how we enter the trade right at the FVG and it gives us a reaction to the upside. Perfect!



Bearish example of entering a trade with a fvg.

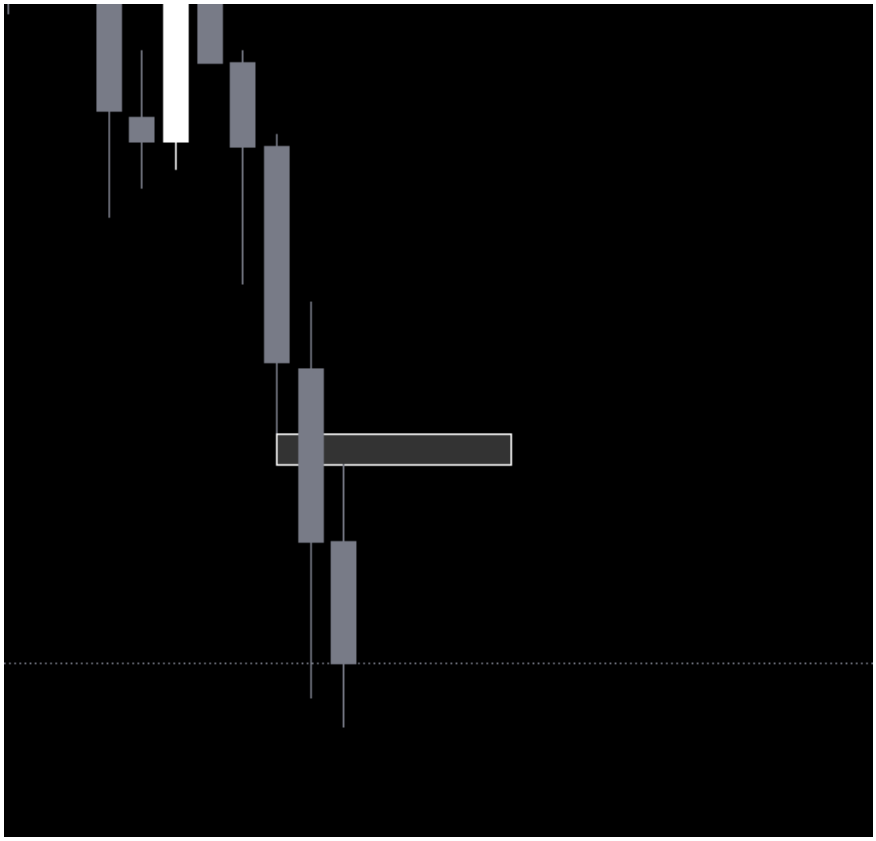
Areas of an fvg with specific importance; the start, the end (at which point it gets filled), and the exact middle of the fvg (0.5 or equilibrium).

You can also mark fvgs in the higher time frame and try trading the reaction from it on the lower time frame.

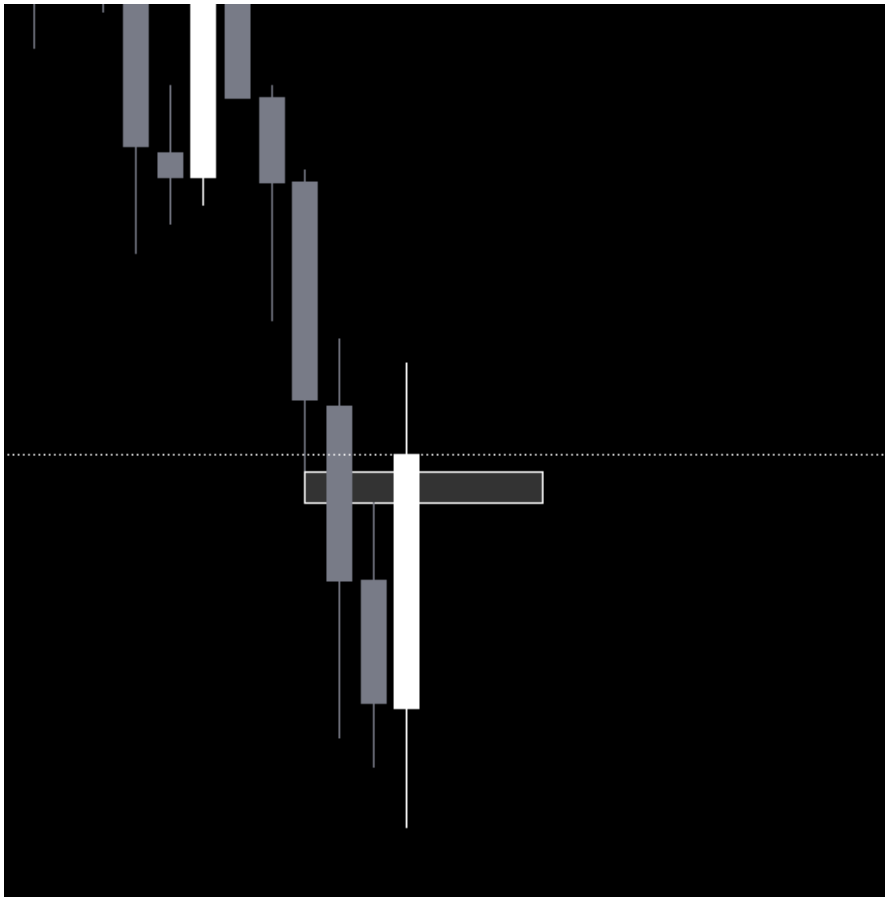
Inversion fair value gaps (iFVG);

An iFVG is literally just an FVG that has been disrespected, which means we can have a candle body close past it. Note that the candle close should be on the same time frame the fvg has been drawn in. For example it is a 15m fvg, we want a 15m candle close past it. An inversion fair value gap works in the same way as a regular FVG, just in the opposite side. This means we will eventually have a retest of that iFVG and hopefully go in our direction.

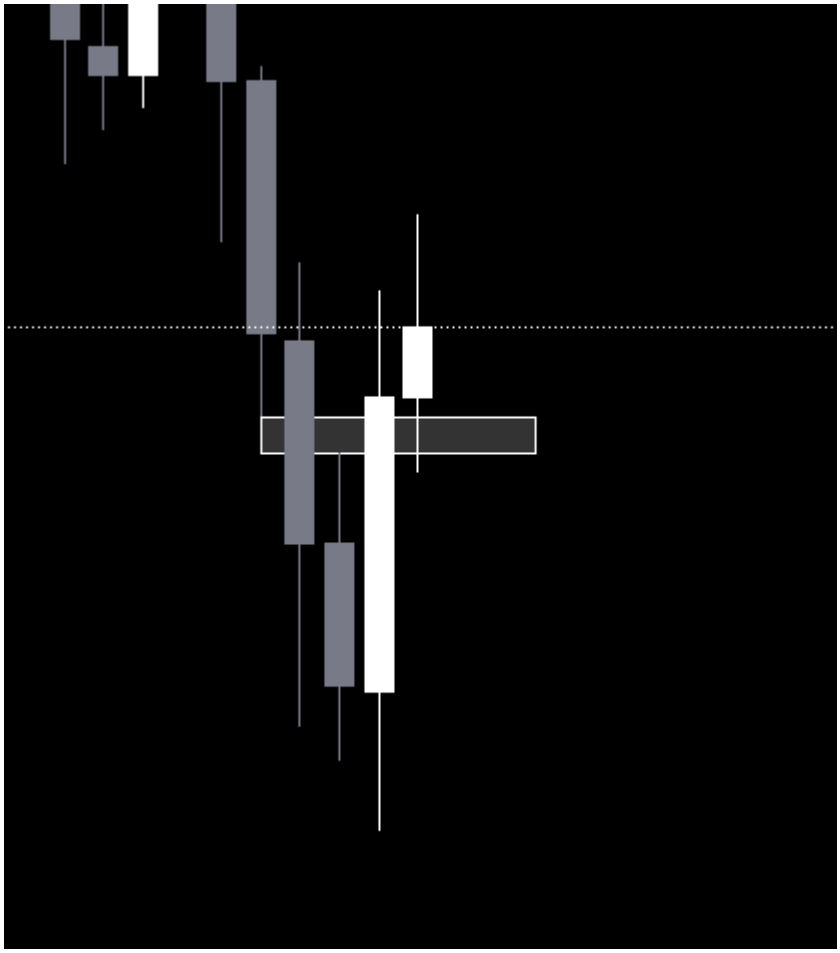
Let's look at an example;



Here we have a regular fvg.



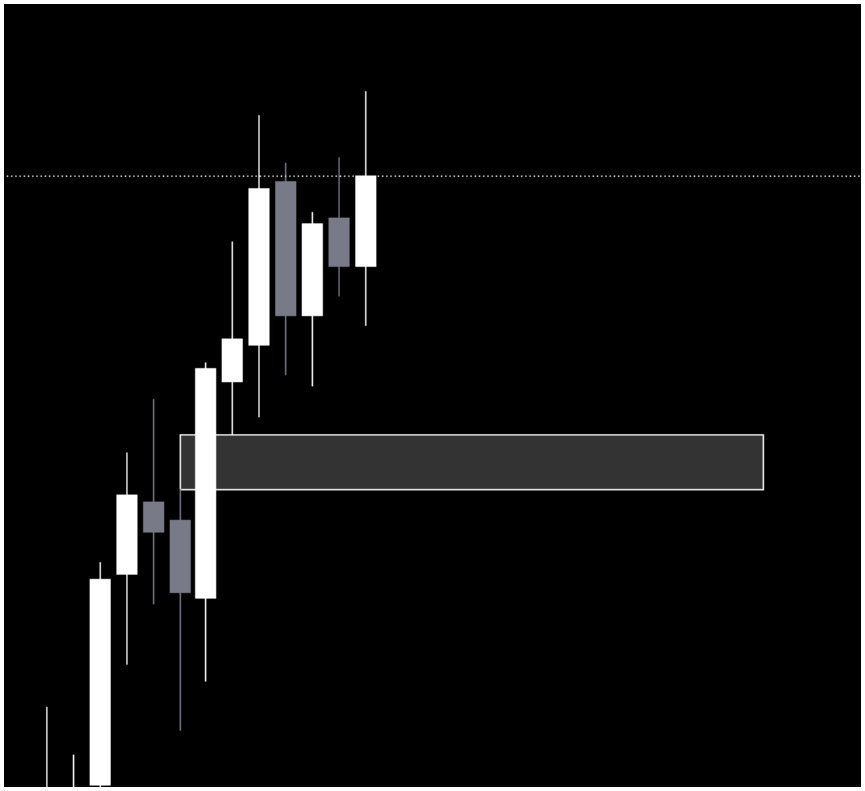
We have a candle close PAST that fvg in the SAME time frame as the fvg. What does that mean? It is now an iFVG or an inversion fair value gap.



What happens in the exact next candle, price retests the iFVG giving us an entry.

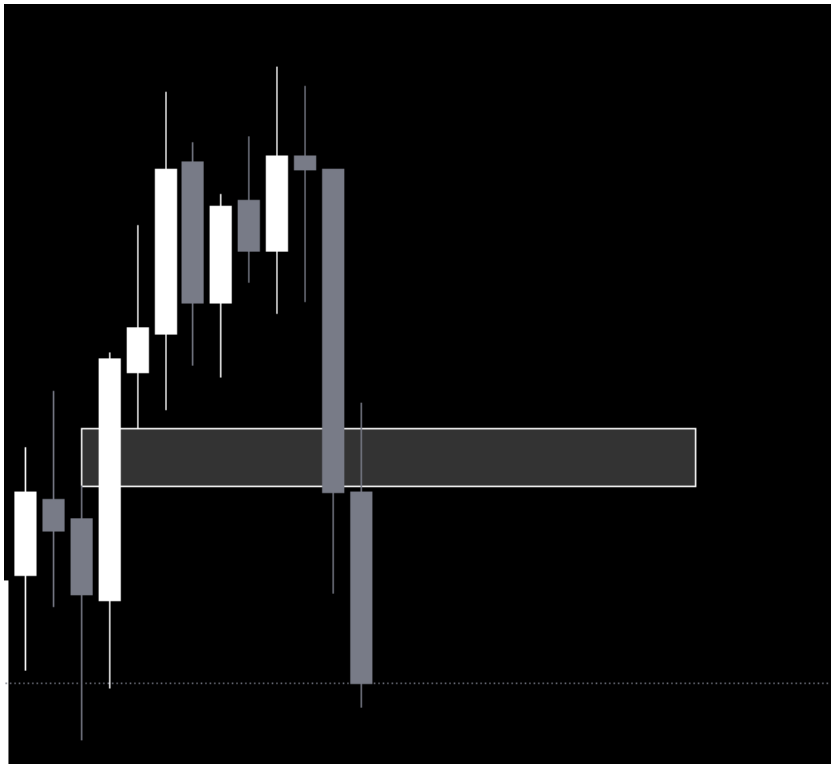
If we enter the trade at the iFVG and target opposing liquidity, it plays out perfectly!

Example of a bearish iFVG;

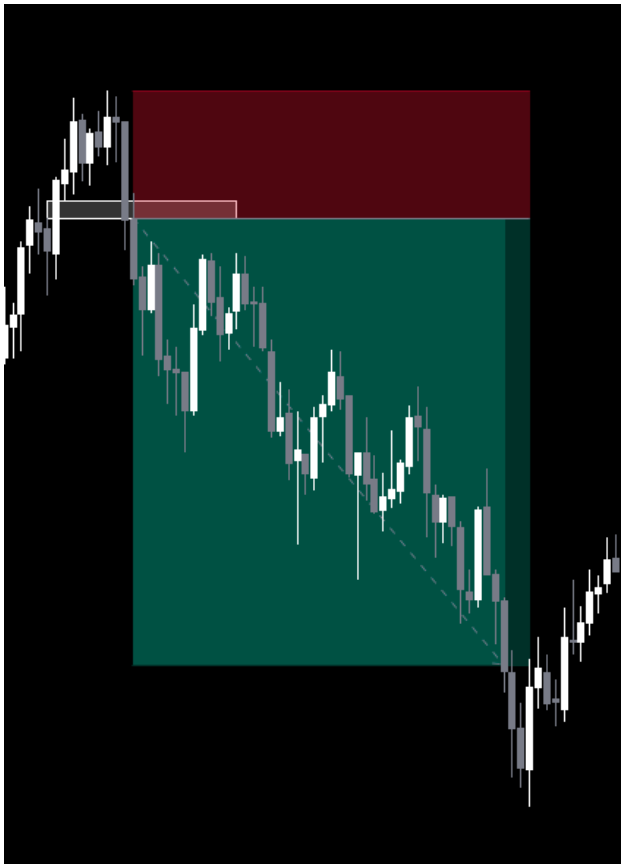


We have a regular FVG.

Close past the FVG...so it's now an iFVG.



Retest giving an entry...



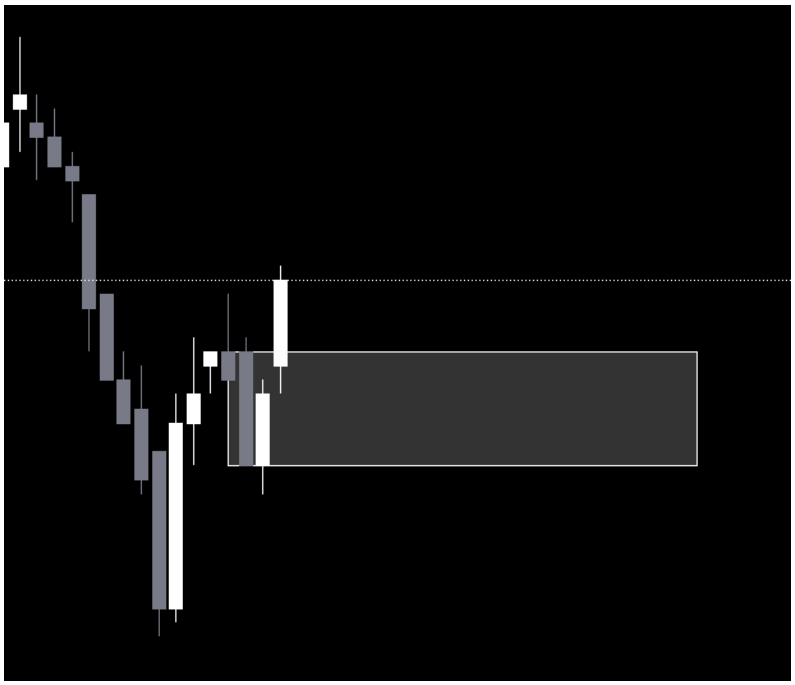
Entry from the retest and target opposing liquidity.

Order Block (OB);

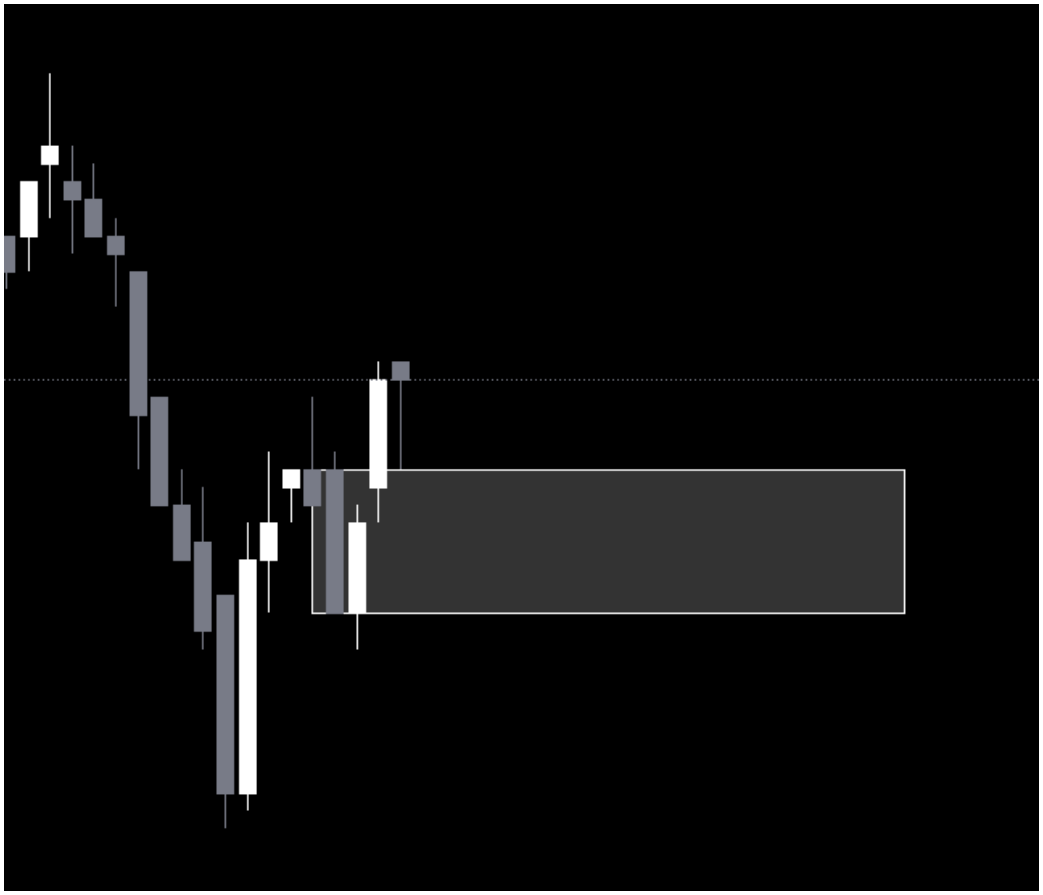
An order block is the last up closed candle before a market structure shift or change in state of delivery to the downside or the last down closed candle before a market structure shift or change in state of delivery to the up side.

Let's look at some examples;

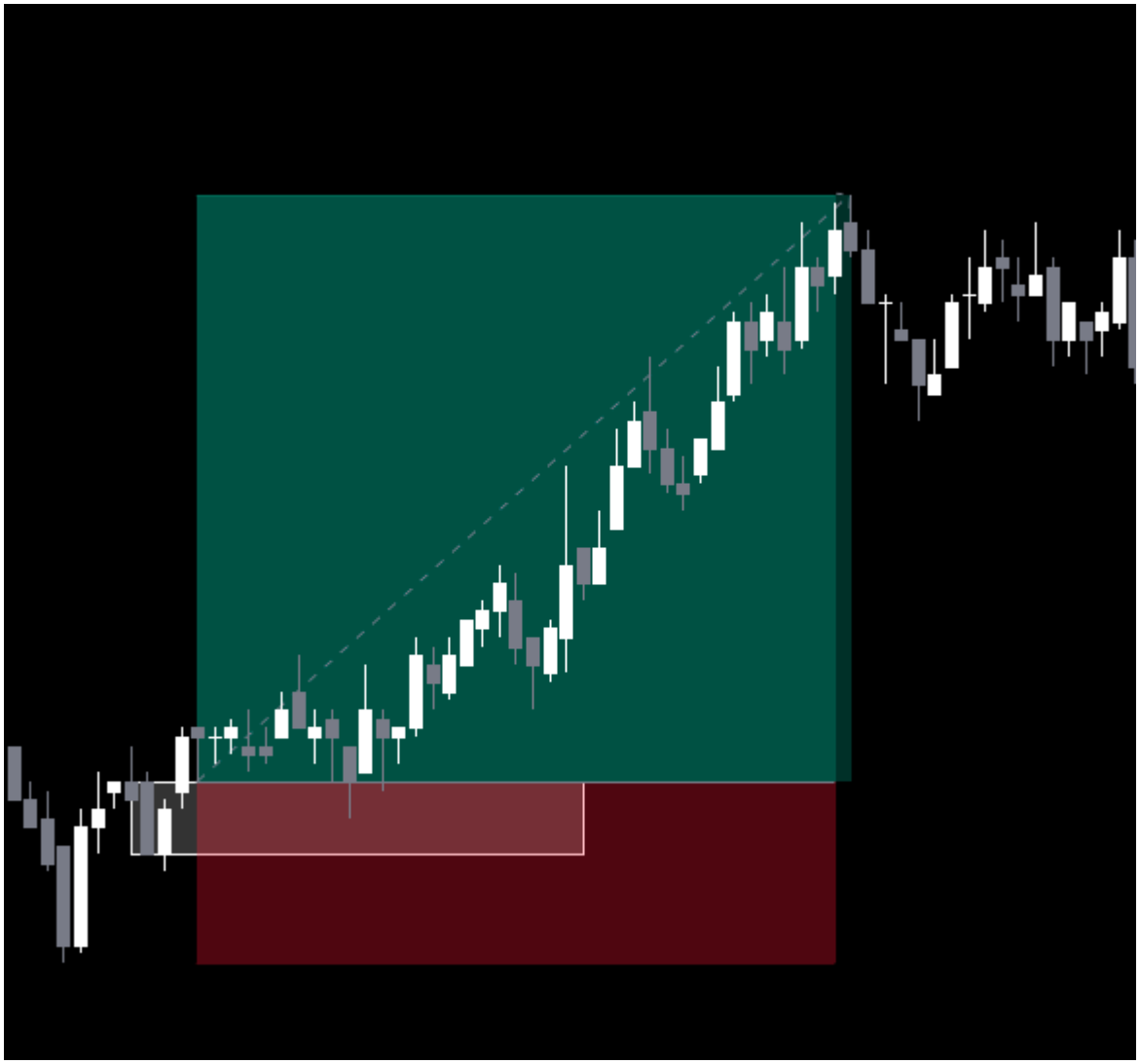
We have a CISD (change in state of delivery), marked at the area where we have a candle close past the most recent down closed candle price leg.



Which means this will be our order block.



What does price do? Retest it for us to take our entry.



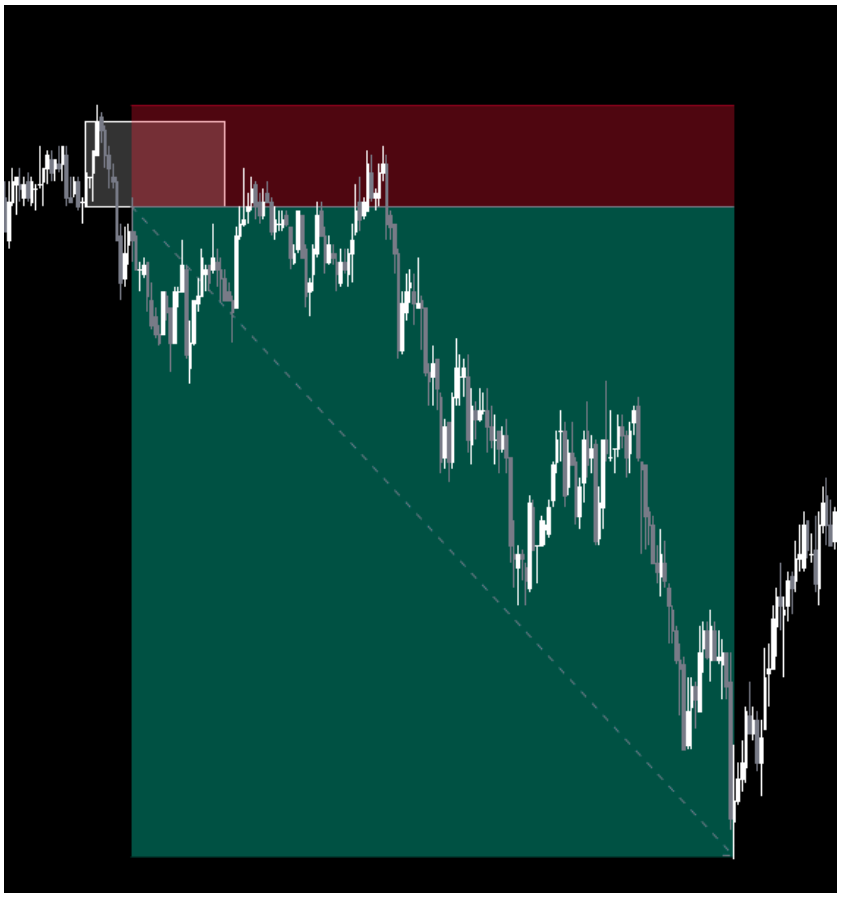
Entry at the OB and target opposing liquidity. Simple!

Bearish example;

CISD to the down side...

Making this price leg our order block.

Price retests it and gives us our entry...



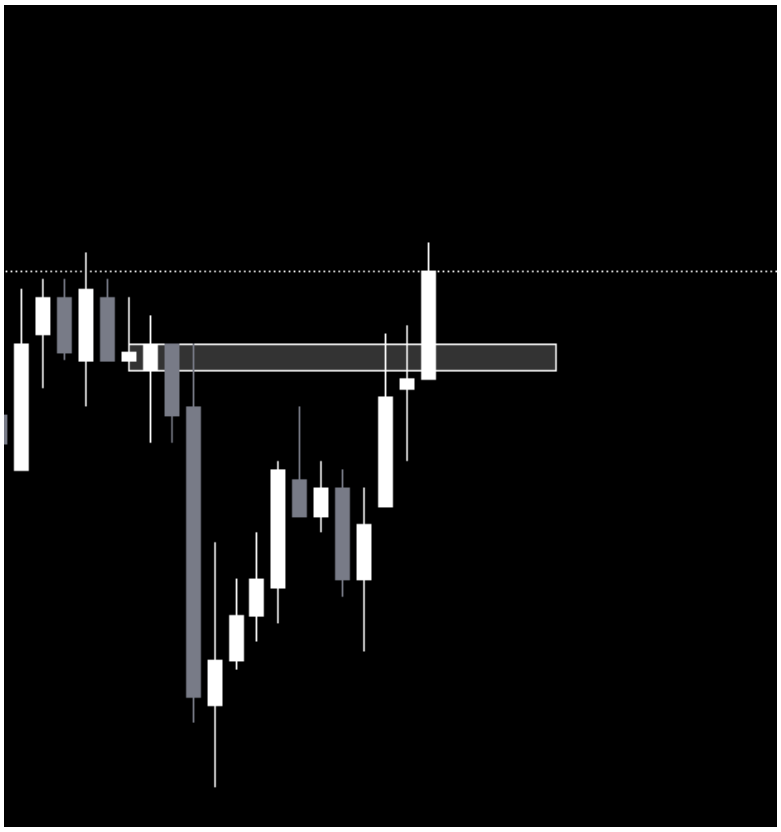
Perfect!

Breaker Block (BB);

A breaker block is literally an order block that has been disrespected. Which means we have a candle close from the same time frame past that order block. (similar concept of an FVG becoming an iFVG but for order blocks).

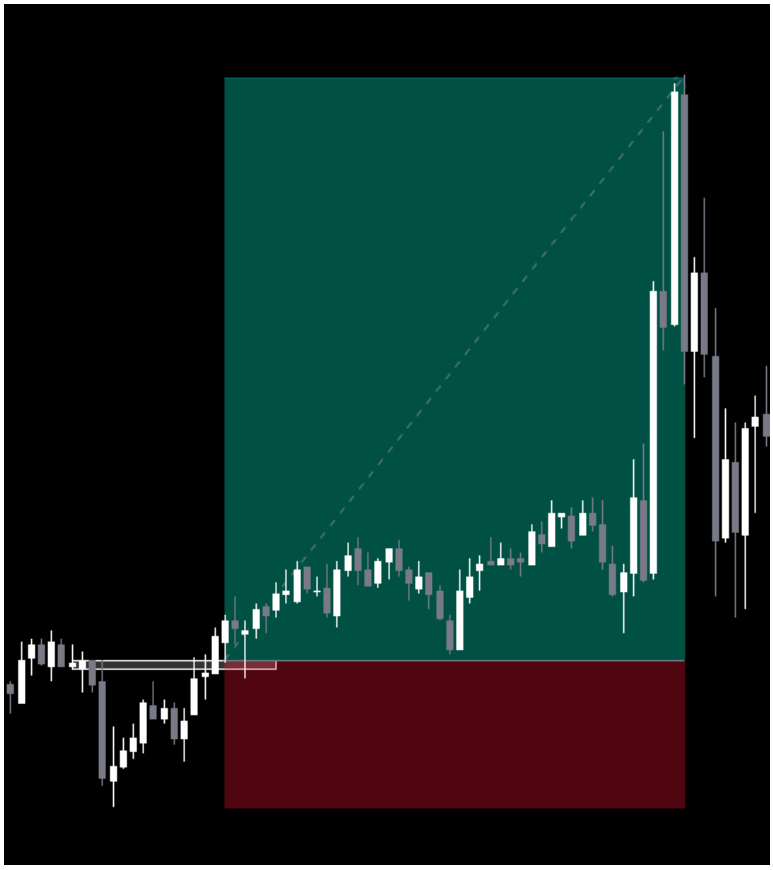
Bullish example;

We have an order block, that we are anticipating for it to be converted to a breaker block.



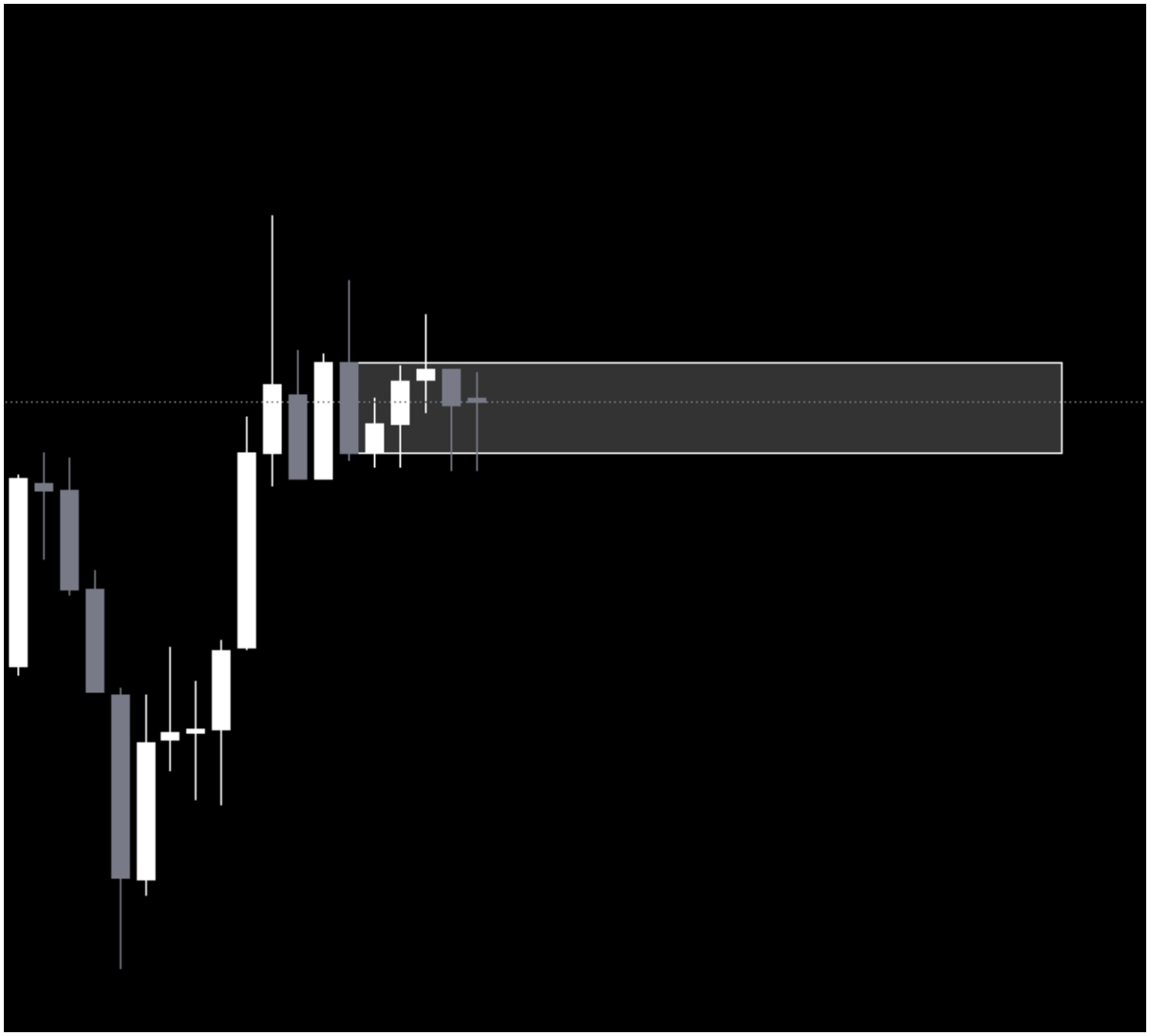
Order block has been disrespected, and it's now a breaker block.

The retest for the entry...

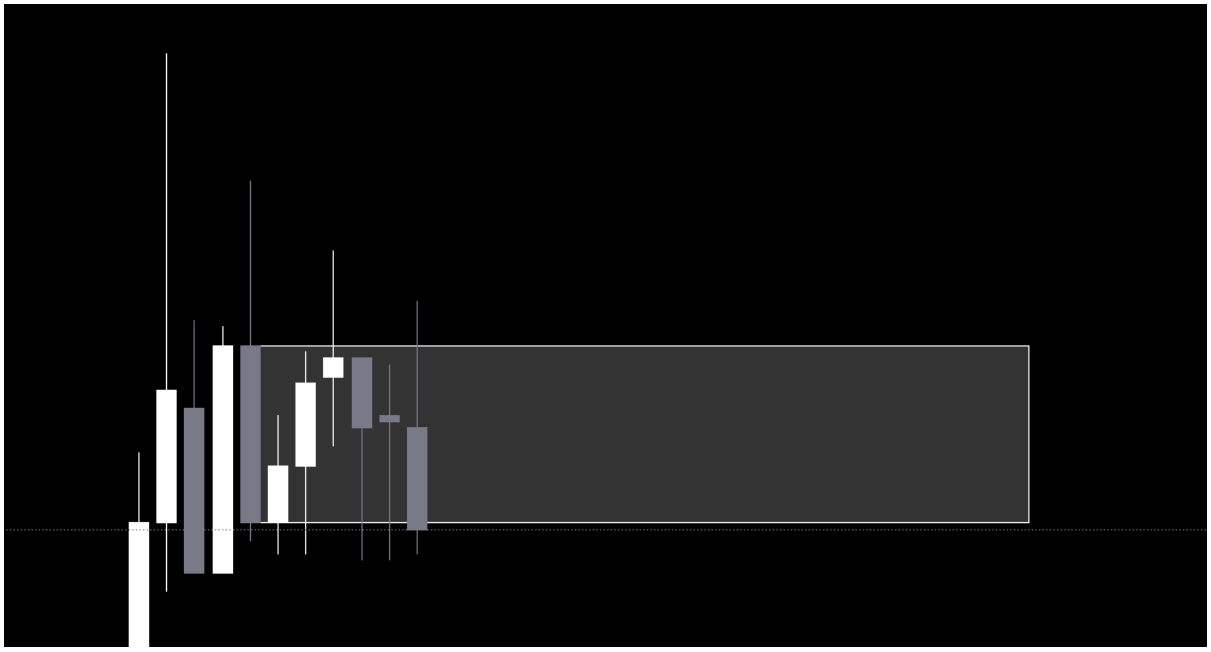


Let the trade play out.

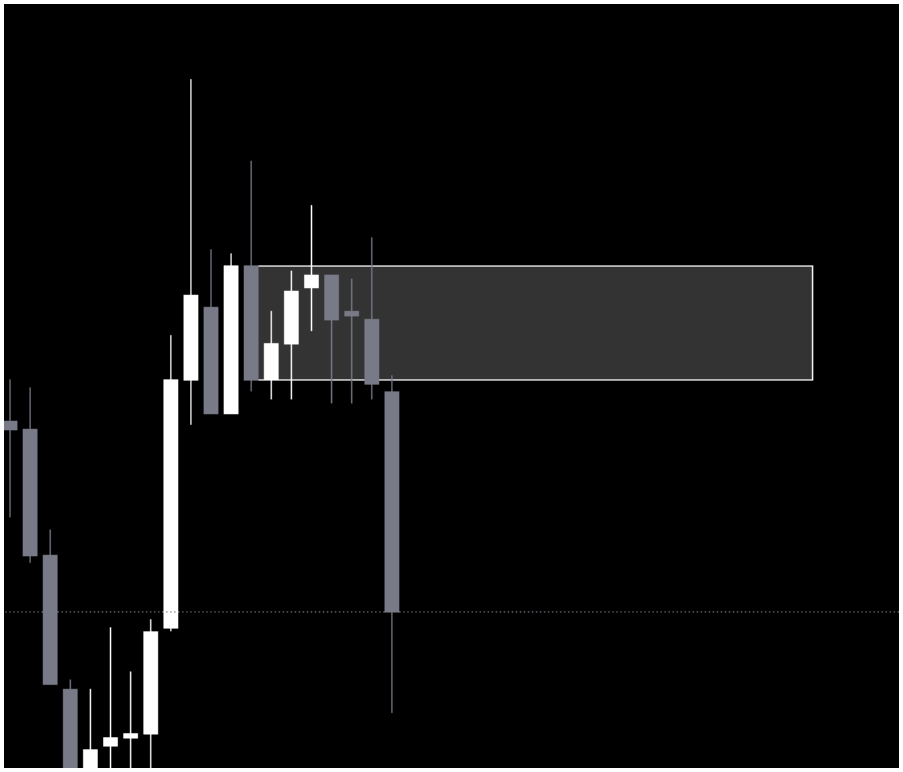
Bearish example;



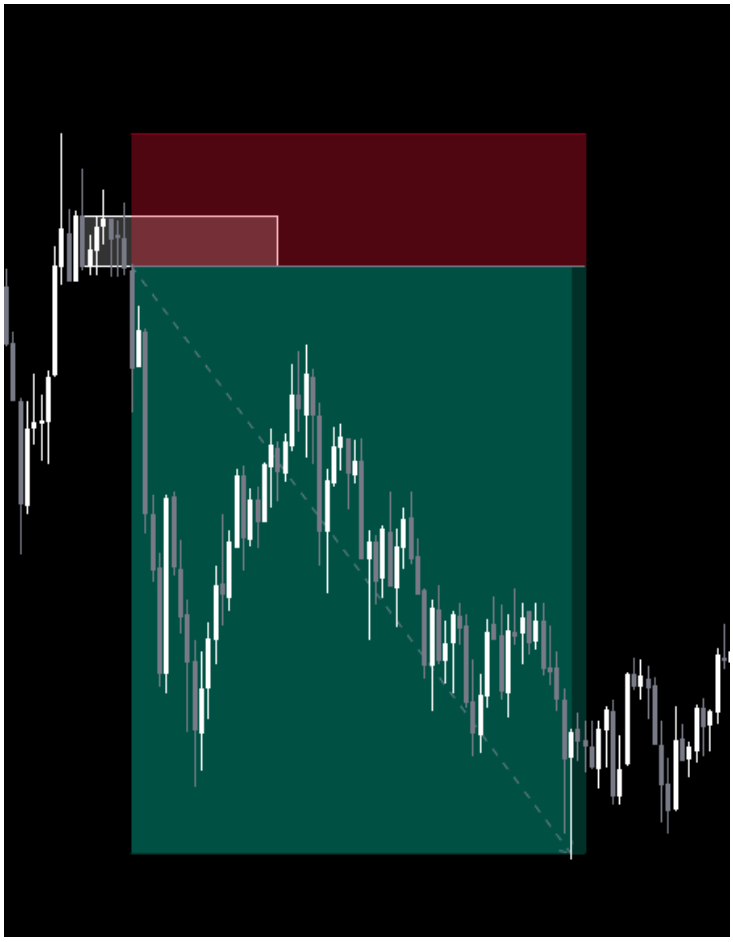
We have an order block trying to hold us up.



A close past the OB, meaning its now a breaker block.



The retest...



Enter on that retest and let the trade play out.

Side note: these so called PD arrays are not only used to get entries, we can also mark them on a higher time frame and try to trade the reactions from them on the lower time frame.

These PD arrays don't always do what they are supposed to do, that's why it's important to pair them with other confluences such as liquidity sweeps, smt, daily bias, draw on liquidity, premium and discount etc..