MARKET FLOW

The first & foremost part of technical trading surrounds all aspects of 'market flow'. These include everything discussed so far in the course: ***market structure, supply & demand, key levels, imbalances, accumulation & distribution.*** This guide puts each of these aspects in visual form for you to refer to when learning & mastering market flow.

MARKET STRUCTURE

The first and most important aspect of the market flow half of technical trading is identifying **market structure.** This is the act of identifying the trending direction of a market so that we can trade in line with it. To identify market structure we focus on the high & low points in a market & how price is now reacting to these previous highs & lows.

The chart above presents a market structure switch from a downtrend to an uptrend, where price exits a phase of lower highs & lower lows **(LH/LL)** and enters into an upward motion of higher highs & higher lows **(HH/HL)**. *Identifying which way the market is moving like this is the first step in successfully trading with the trend.*

KEY LEVELS // SUPPORT & RESISTANCE

Key levels are used to identify areas of reversal or continuation for trade entries & targets. As we have spoken about we will not be using biased support & resistance wherever we see fit - instead we will take an unbiased approach to plotting these levels by using specific preset rounded off key levels, the numbers ending with: **000/250/500/750/000.**

These preplanned key levels often form accurate reactions for reversal or continuation of market trends, and stop us getting biased with our support/resistance plotting. We will use these key levels to identify entry & exit areas for our trades. **The chart below shows the key levels in action & the reactions they produce in a trending market:**

You can see how each key level provides support or resistance to price in line with the overall trend, forming accurate areas of reversal or continuation to take trades from. Using key levels in line with market structure gives us the overall trend direction along with potential entry & exit points for our trades.

SUPPLY & DEMAND

Supply & demand essentially acts as an improved/refined view of support & resistance and helps us to identify major reversal points in trending and ranging markets. Supply & demand zones are areas where large institutional buy or sell orders are accumulated and then distributed into the market, providing clues as to areas of interest for bank traders & large-volume institutions.

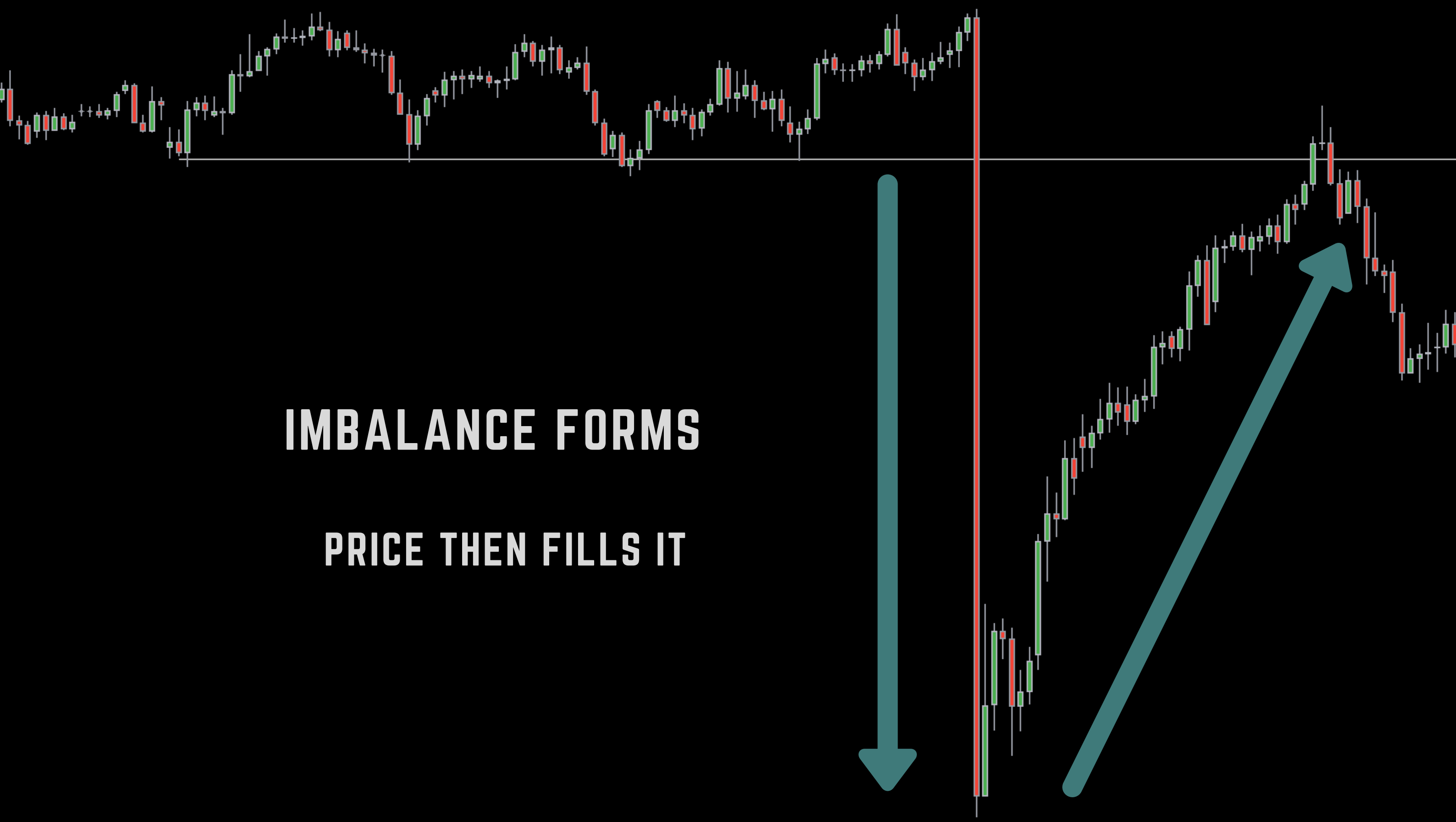
When we know how to identify these areas we can use them as powerful buy or sell points in line with market structure & key levels.To identify supply & demand zones we are looking for areas of consolidation before sharp upside or downside moves. (which indicate the execution of institutional orders. When price trades back into that range we have our buy/sell zone ready to go. Here's an example of some zones:

We will use supply & demand zones as high probability reversal areas for our trades, in line with the overall market structure & key levels for the best results.

PRICE IMBALANCES

Price imbalances form when price makes a sharp move one way or the other. The open space then forms a price imbalance that is more often than not filled by a future price movement. We use price imbalances to identify targets for our trades & to filter entries.

The example below shows a large downside move forming a price imbalance, and then slower upside movement trading back into the previous area filling the imbalance before more downside.



In this instance we could have used this imbalance as either a buy trade target or as a filter not to sell the market until the imbalance was filled.

Imbalances are best used to identify potential areas of interest for targets & entries and should always be used alongside other market flow aspects. Best used in conjunction with key levels & supply/demand zones.

ACCUMULATION & DISTRIBUTION

Accumulation & distribution schematics are price formations that indicate a build up in buying or selling pressure. These schematics come before a phase of upside or downside movement known as 'markup' or 'markdown' and form because of institutional market participants accumulating buy or sell orders at a specific price point.

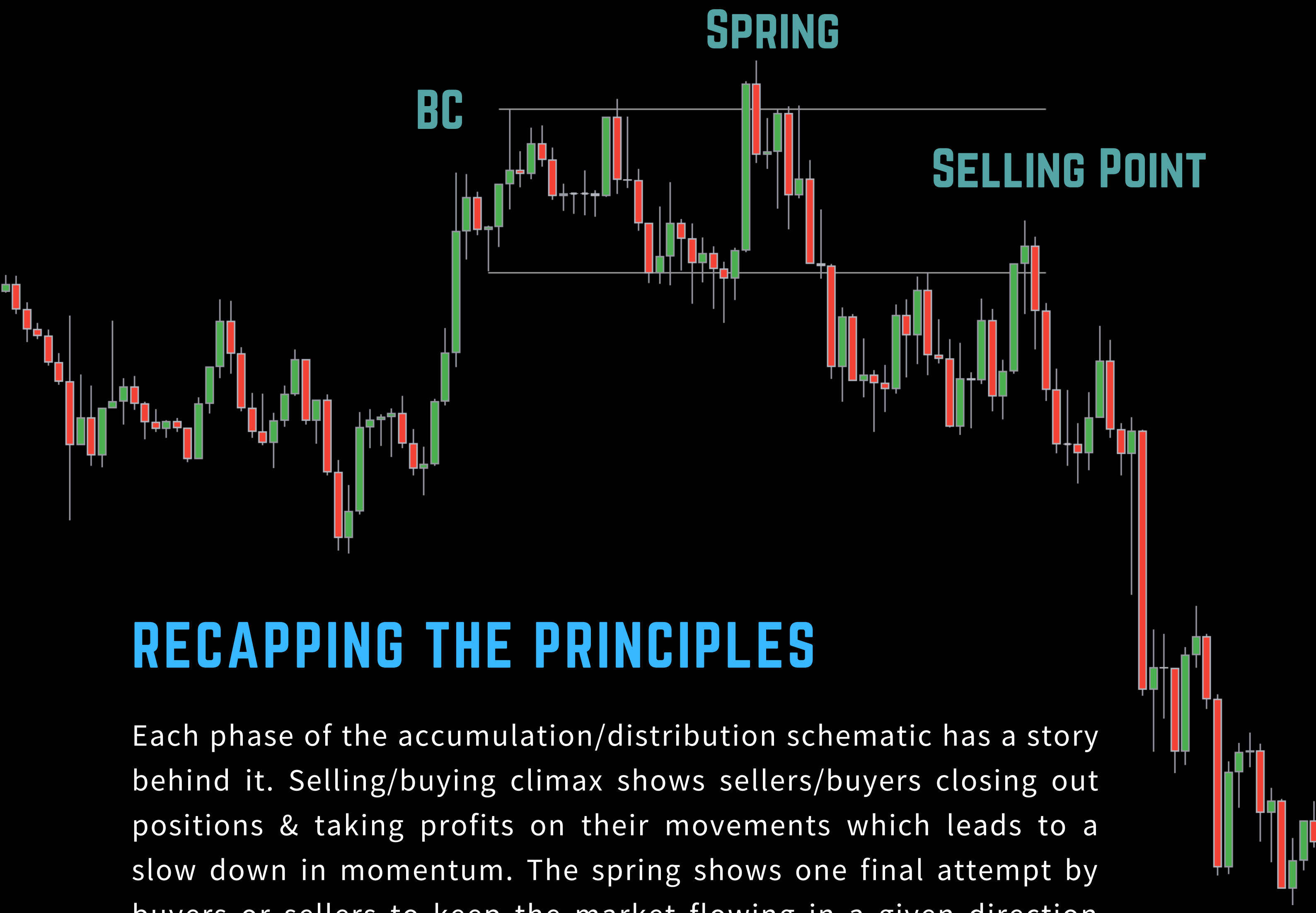
We look to trade the accumulation/distribution schematics in line with institutional participants as best we can in order to follow the flow of money through the market in the right direction. Accumulation & distribution schematics can be difficult to identify initially but provide excellent signal of reversal in a market. Here's a look at each of the schematics:

ACCUMULATION

An accumulation schematic is made up of a selling climax (SC) where sellers close positions & buyers begin adding orders, the market then consolidates and forms a 'spring' where the low of the range is briefly taken out, then a 'sign of strength' (SoS) kicks in taking out the high of the range before entering a phase of **markup.**

DISTRIBUTION

A distribution schematic is made up of a buying climax (BC) where buyers close positions & sellers begin adding orders, the market then consolidates and forms a 'spring' where the high of the range is briefly taken out, then a 'sign of weakness' (SoW) kicks in taking out the low of the range before entering a phase of **markdown.**



RECAPPING THE PRINCIPLES

Each phase of the accumulation/distribution schematic has a story behind it. Selling/buying climax shows sellers/buyers closing out positions & taking profits on their movements which leads to a slow down in momentum. The spring shows one final attempt by buyers or sellers to keep the market flowing in a given direction before the other party takes control, and then the sign of strength/weakness forms the take off of the accumulation/distribution schematic into a phase of markup/markdown, showing buyers or sellers gaining absolute strength against the other party.

MARKET FLOW RECAP

All the market flow aspects that we've covered here form the backbone of our technical trading strategy. It's important to take the time to master each of the methods that we've spoken about and learn to use them in conjunction with one another in order to trade successfully.

Give yourself time to backtest each of these methods using past price data & train your eyes & mind to identify market structure, key levels, imbalances, supply & demand zones, accumulation & distribution.

THANK YOU