Liquidity Sweeps Recognition Guide

Identifying & Trading Institutional Liquidity Grabs

Introduction

A liquidity sweep occurs when price briefly breaks a key level to trigger stops, then immediately reverses. Understanding sweeps is essential for: - Avoiding being the liquidity (getting stopped out) - Trading the reversal after the sweep - Recognizing institutional activity

Part 1: What Is a Liquidity Sweep?

Definition

A liquidity sweep is a rapid price move through a key level that: 1. Triggers stop orders (creating liquidity) 2. Allows larger orders to fill 3. Reverses quickly afterward
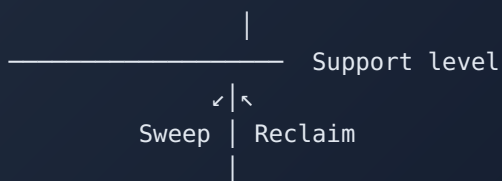
Why Sweeps Happen

Large players need liquidity to fill orders: - They can't market buy 1M shares without moving price - Stop orders = Free liquidity when triggered - Trigger stops → Absorb that order flow → Reverse

Sweep vs. Breakout

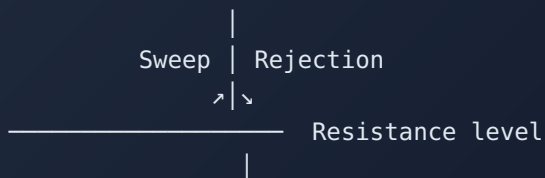| CHARACTERISTIC	SWEEP	REAL BREAKOUT
Speed through level	Very fast	Gradual or sustained
Time beyond level	1-3 candles	Multiple candles close beyond
Volume	Spike then reversal	Sustained in break direction
Follow-through	None—immediate reversal	Continuation moves
Closes	Back inside level quickly	Beyond level repeatedly

Part 2: Types of Liquidity Sweeps

Type 1: Support Sweep (Bullish)

```
             |
 ─────────────────────        Support level
          ↙|↖
     Sweep | Reclaim
          |
```

What happens: 1. Price breaks below support 2. Stops trigger (selling cascade) 3. Someone absorbs all sells 4. Price reverses back above
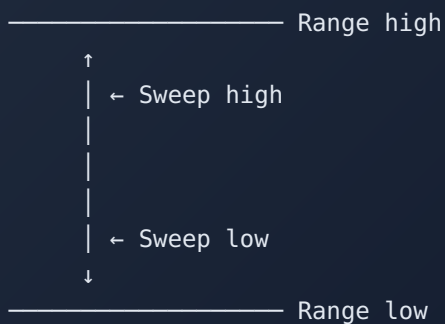
Trade: Long after reclaim

Type 2: Resistance Sweep (Bearish)

```
                |
       Sweep | Rejection
          ↗|↘
——————————————————— Resistance level
             |
```

What happens: 1. Price breaks above resistance 2. Stops trigger (buying cascade) 3. Someone sells into all buys 4. Price reverses back below

Trade: Short after rejection

Type 3: Range Sweep

```
—————————————————— Range high
    ↑
    | ← Sweep high
    |
    |
    |
    | ← Sweep low
    ↓
—————————————————— Range low
```
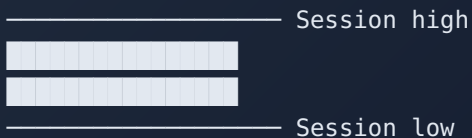
What happens: - Price sweeps one or both sides of a range - Traps traders on both sides - Real move follows

Trade: After second sweep or clear direction

Type 4: Session Sweep

```
Previous Session:
        ─────────────────── Session high
        ░░░░░░░░░░░░░░░░
        ░░░░░░░░░░░░░░░░
        ─────────────────── Session low

Current Session:
    Sweep of prior session H/L → Reversal
```

Common patterns: - London sweeps Asian high/low - NY sweeps London high/low - Morning sweeps overnight high/low

Type 5: Equal Highs/Lows Sweep

```
    Equal highs (liquidity magnet)
    ──────┬─────┬─────┬──────
          │     │     │
          │     │     │

    Price sweeps all three equal highs at once
```

Why it matters: - Equal highs/lows = obvious stop placement - Multiple touches = more stops clustered - High-probability sweep target

Part 3: Identifying Sweep Locations

High-Probability Sweep Zones

LOCATION	LIQUIDITY REASON
Swing lows	"Stop below the low"
Swing highs	"Stop above the high"
Range boundaries	Range traders' stops
Previous day H/L	Intraday traders' stops
Previous week H/L	Swing traders' stops
Round numbers	Psychological stops
Moving averages	MA-based stops
Trendline touches	Trend traders' stops

Liquidity Visibility Score

Rate each level 0-10:

FACTOR	POINTS
Multiple touches	+2
Visible on higher TF	+2
Round number	+1
Confluence with MA	+1
Confluence with Fib	+1
Many traders discuss level	+1
Part of popular pattern	+2

Score 7+: High-probability sweep target

Part 4: Real-Time Sweep Recognition

Speed Indicators

Fast sweep (likely reversal): - 1-2 bar spike through level - Long wick / short body - Immediate reversal bar follows

Slow break (possible real): - Multiple bars probing level - Full bodies closing beyond - No immediate reversal

Candle Patterns at Sweeps

Bullish sweep patterns: - Hammer at sweep low - Bullish engulfing after sweep - Pin bar with wick below level

Bearish sweep patterns: - Shooting star at sweep high - Bearish engulfing after sweep - Pin bar with wick above level

Volume Signature

Sweep volume pattern:

```
Bar 1: Normal volume, approaches level
Bar 2: HIGH volume, sweeps through (stops triggered)
Bar 3: HIGH volume, reverses (absorption)
Bar 4: Normal volume, continues reversal direction
```

Part 5: Trading Sweep Setups

Setup 1: Wait for Reclaim

Process: 1. Identify key support/resistance 2. Wait for price to break through (sweep) 3. Wait for candle to close back on original side 4. Enter on close of reclaim candle 5. Stop beyond sweep extreme

Entry example:

```
Support at $100
Sweep low: $98.50
Reclaim candle closes: $100.20

Entry: $100.20
Stop: $98.00 (below sweep)
Target: $103.50 (2:1)
```

Pros: Higher probability **Cons:** Worse entry price, may miss fast reversals

Setup 2: Anticipation Entry

Process: 1. Identify high-probability sweep zone 2. Place limit order at/near sweep zone 3. Stop just beyond expected sweep depth 4. Target 2-3R

Entry example:

```
Support at $100
Expected sweep zone: $98-99
Limit buy: $98.50
Stop: $97.50
Target: $101.50 (3:1)
```

Pros: Best entry price **Cons:** May not fill, sweep may go deeper

Setup 3: Aggressive Reversal Entry

Process: 1. Watch sweep happen in real-time 2. Enter on first sign of reversal (before bar closes) 3. Very tight stop 4. Quick scale out

Pros: Catch exact turning point **Cons:** Higher false signal rate

Part 6: Janus Atlas Integration

How Janus Atlas Marks Sweeps

Janus Atlas automatically detects: - **Liquidity pools** — Where sweeps are likely - **Sweep signals** — When price breaks a pool - **Reclaim signals** — When price recovers

Using Janus Atlas for Sweeps

Identification: 1. Enable Janus Atlas on chart 2. Note liquidity pool zones (colored areas) 3. Wait for sweep signal (icon/label)

Confirmation: 1. Janus marks the sweep 2. Wait for reclaim signal 3. Enter with confidence

Stop placement: 1. Place stop beyond Janus-marked sweep extreme 2. This is the maximum expected sweep depth

Part 7: Sweep Failure Recognition

When Sweeps Fail

Not every break-and-reverse is a tradeable sweep.

Real break signs: - Multiple candles closing beyond level - Volume sustains in break direction - No absorption visible - Higher TF structure supports break

Failed Sweep Filters

RED FLAG	WHAT IT MEANS
No immediate reversal	May be real break
Reversal volume low	Weak absorption
Higher TF trend against you	Fighting the current
Three+ candles beyond level	Acceptance, not sweep

Part 8: Multi-Timeframe Sweeps

Timeframe Hierarchy

Higher TF sweeps > Lower TF sweeps

YOUR TF	HTF CONTEXT TO CHECK
5m	1H, 4H
15m	4H, Daily
1H	Daily, Weekly
4H	Weekly, Monthly

Confluence Approach

Best trades: - HTF level being swept on your TF - Example: Daily support swept on 1H chart

Avoid: - LTF sweep against HTF trend - Example: 5m support sweep when Daily is breaking down

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Part 9: Session-Based Sweeps

London Open Sweeps

Common pattern: - Asian session forms a range - London sweeps Asian high OR low - Reversal sets up trend for the day

How to trade: 1. Mark Asian high/low 2. Watch for sweep at London open (02:00-04:00 EST) 3. Enter on reclaim 4. Target opposite end of Asian range, then extend

New York Open Sweeps

Common pattern: - London forms a range - NY sweeps London high OR low - Reversal or continuation sets up

How to trade: 1. Mark London high/low 2. Watch for sweep at NY open (08:00-10:00 EST) 3. Enter on reclaim 4. Target previous London extreme

Sunday Open Sweeps

Common pattern: - Weekend gap creates liquidity target - Sunday/Monday sweep of Friday levels - Week direction often set after sweep

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Part 10: Sweep Checklist

Before the Sweep

- [ ] Key level identified (high visibility)
- [ ] Liquidity likely clustered there

- [ ] Higher TF supports trade direction
- [ ] Volume/delta normal (not already breaking)

During the Sweep

- [ ] Fast move through level (not gradual)
- [ ] Volume spikes (stops triggering)
- [ ] Immediate reversal signs
- [ ] Candle pattern forming (hammer, engulfing, etc.)

After the Sweep

- [ ] Reclaim candle closes inside level
- [ ] Volume on reversal (absorption visible)
- [ ] Janus Atlas confirms (if using)
- [ ] Entry placed, stop beyond sweep extreme

Part 11: Risk Management for Sweeps

Stop Placement

Rule: Stop beyond the sweep extreme + buffer

```
Sweep low: $98.50
Buffer: $0.50
Stop: $98.00
```

Position Sizing

Wide stops require smaller size:

```
If normal stop = $1, use 100 shares
If sweep stop = $2.50, use 40 shares
Same dollar risk, different share count
```

Partial Exits

Scale out strategy: 1. Take 50% at 1R 2. Move stop to breakeven 3. Take 25% at 2R 4. Let 25% run to structure target

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Part 12: Asset-Specific Considerations

Crypto

- Deeper sweeps (high volatility)
- 24/7 = Sweeps anytime
- Sunday sweeps common
- Use wider stops

Stocks

- Session-based sweeps (open, close)
- Pre/after-market sweeps
- News catalyst sweeps
- Use standard stops

Forex

- Session sweeps (London, NY)
- Asian range sweeps
- Sunday gap sweeps
- Round number sweeps prominent

Futures

- Session sweeps
- Pre-market sweeps
- Overnight sweeps

- CME globex hours important

Part 13: Summary

Core Principles

1. **Sweeps are institutional activity** — Not random noise

2. **Obvious levels get swept** — High visibility = target

3. **Speed indicates intent** — Fast break, fast reversal

4. **Trade the reclaim** — Not the breakout

5. **Volume tells the story** — Spike then absorption

6. **Wide stops survive** — Beyond the sweep zone

The Sweep Trader's Mindset

```
"That wasn't random. That was a liquidity grab."

"I don't trade breakouts. I trade the reclaim after the fake breakout."

"My stop is beyond where they'll sweep. I'm not the liquidity."
```

Sweep Recognition Summary

```
1. IDENTIFY: Key level with clustered stops
2. WAIT: For price to sweep through
3. CONFIRM: Immediate reversal + volume
4. ENTER: On reclaim candle close
5. STOP: Beyond sweep extreme
6. TARGET: 2R minimum or structure level
```

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