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Your guide to consistency in the industry of fake.

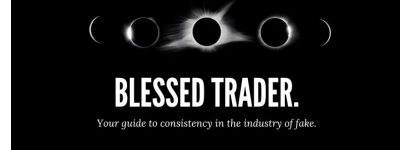


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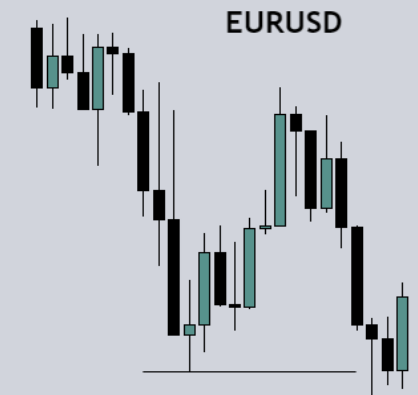
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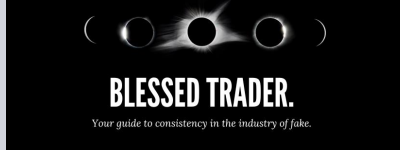
DISCLAIMER

Everything here are my notes from my trading blog. I am not a financial advisor. This is not financial advice. The content is provided for informational purposes only. To make the best decision that meets your needs please do your own research. All investments carry some form of risk. Nothing is guaranteed. Please do not invest money you can not afford to lose.



LESSON - 8

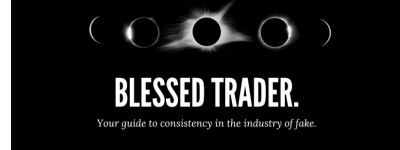




SMT DIVERGENCE

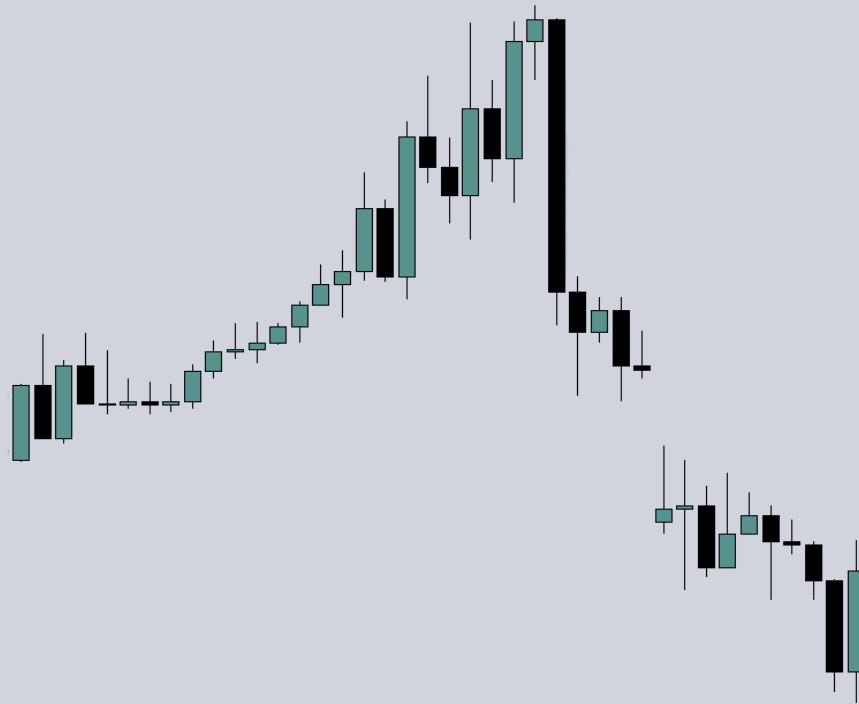
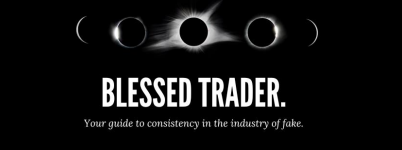
DXY formed a Higher High, so EURUSD is expected to form a Lower Low, however, price fails to do that and instead forms a Higher Low – that's SMT Divergence (crack in correlation) inside a Higher TF POI. That means that we can expect a reversal to happen from here, DXY ran the short-term high - BSLQ, EURUSD reached a Higher TF Discount area and formed SMT Div.



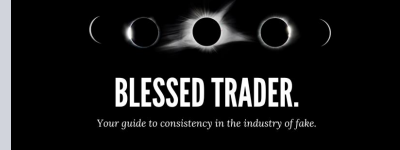


Top Down Example

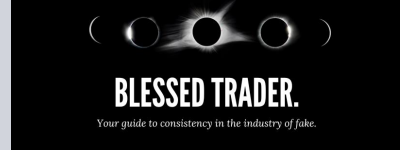
EURUSD 60min TF



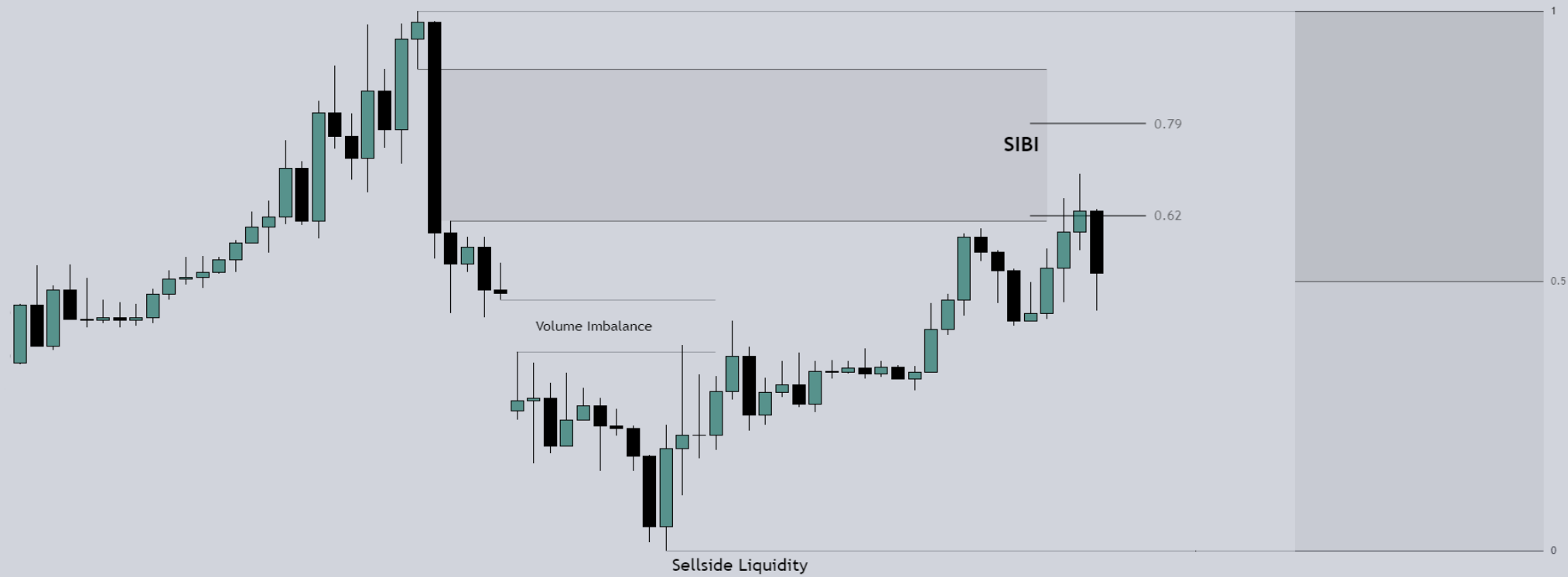
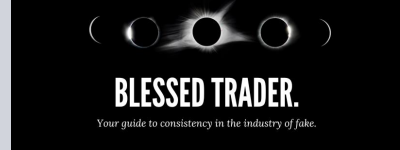
EURUSD 60min TF

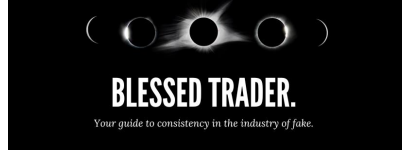


EURUSD 60min TF



EURUSD 60min TF





Price reaches 60min Premium PDA, once that happens we look at the 15min TF & compare it with DXY 15min TF to see if there's crack in correlation – SMT Divergence



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SMT DIVERGENCE

So, when we drop to the 15min TF on DXY & EURUSD, what we have here is a clear crack in correlation – EURUSD formed a higher high when DXY failed to form a lower low and instead printed a higher low.

That's exactly what we want to see when price reaches the main POI like EURUSD did in the previous slide. 15min TF SMT Divergence gives confirmation that price is about to reverse.



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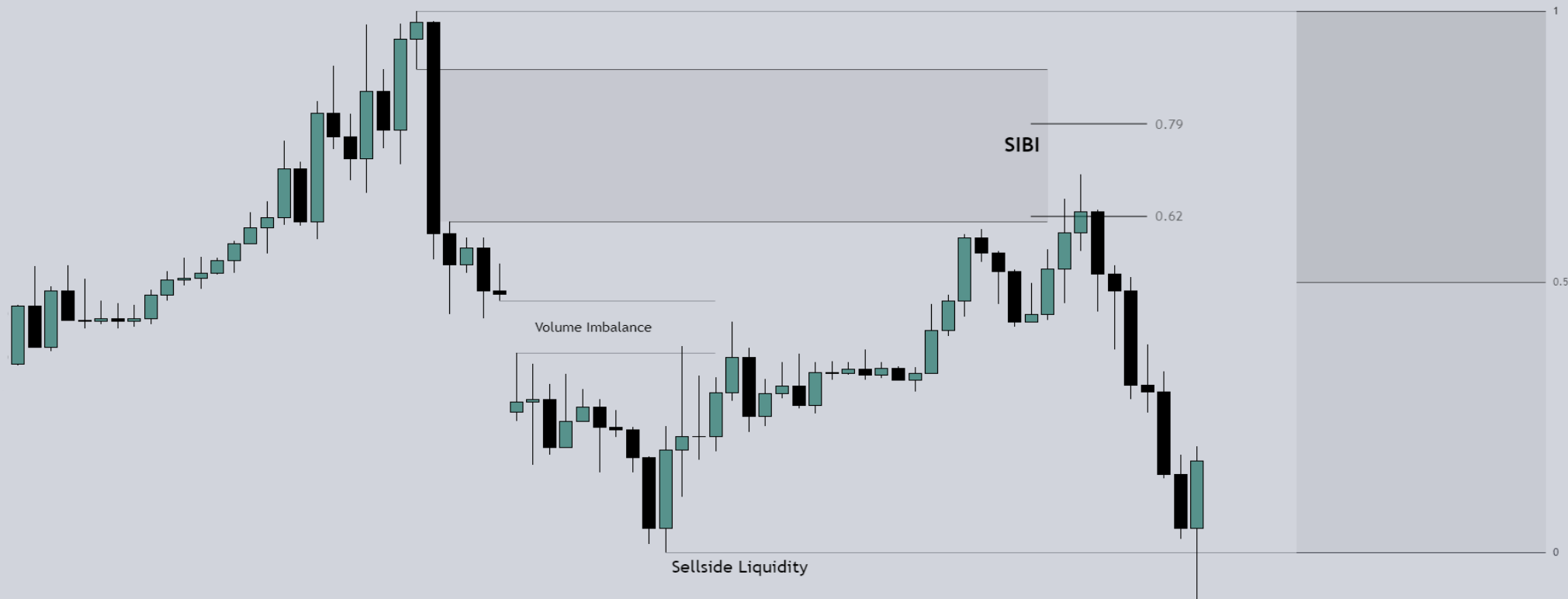
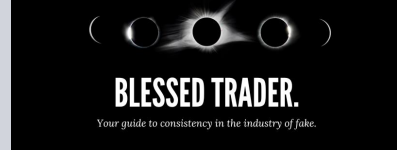
A trick that will help you a lot!

What we did here on the EURUSD chart – we inverted it by pressing “Option + I” (Mac), “Alt + I” (PC).

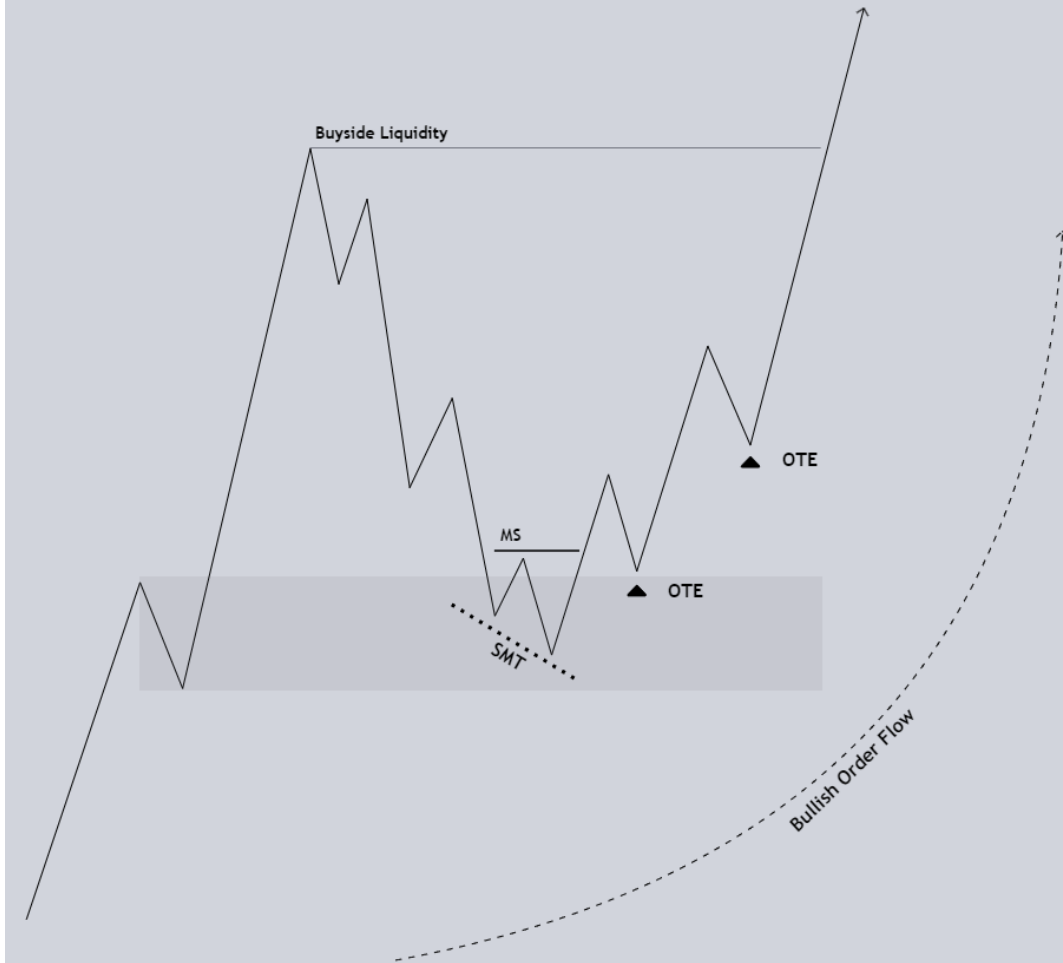
This simple trick makes things much easier to spot if price is symmetrical or not. In this case, you can clearly see that when the inverted EURUSD chart formed a lower low, DXY failed to follow and instead formed a higher low.

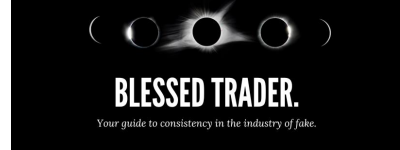


EURUSD 60min TF



After looking for 15min TF SMT Divergence which acts as our confirmation once price goes into the POI. From there we go back to the 60min TF and look for potential short opportunities targeting the sell side liquidity.

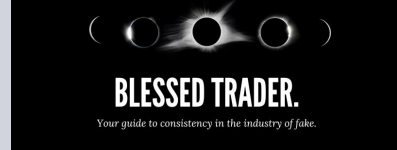




Another way to identify SMT Divergence

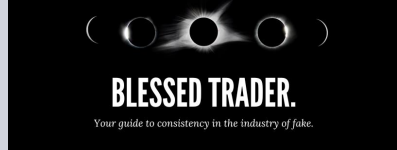


1. Go to your EURUSD 5/15min TF
2. Press this “+” icon on the top left called “Compare or Add Symbol”



Find U.S. DOLLAR CURRENCY INDEX –
“DXY” AND ADD IT TO YOUR CHART

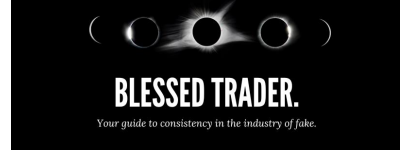




This is how we spot SMT Divergence by using the “Comparison” function.

EURUSD formed a higher high, so in symmetrical market conditions DXY should form a lower low, however, price fails to do that and forms a higher low. That’s a crack in correlation, and price after forming Divergence turns around and expands to the opposite direction.





One more example of why you must be nimble with your analysis and always ready to adapt to the situation



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DXY 15min TF

Sellside Liquidity

After a sharp expansion lower price on DXY runs SSLQ, EURUSD gives a sharp expansion higher and runs BSLQ.

Buyside Liquidity

EURUSD 15min TF

109.0801



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Then we see a market shift higher on DXY and we naturally think that it's a new potential dealing range and we will most likely look for potential DXY longs (EURUSD shorts) targeting all the internal liquidity and imbalance.





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However, if you look more closely, what do we have here? – SMT Divergence.

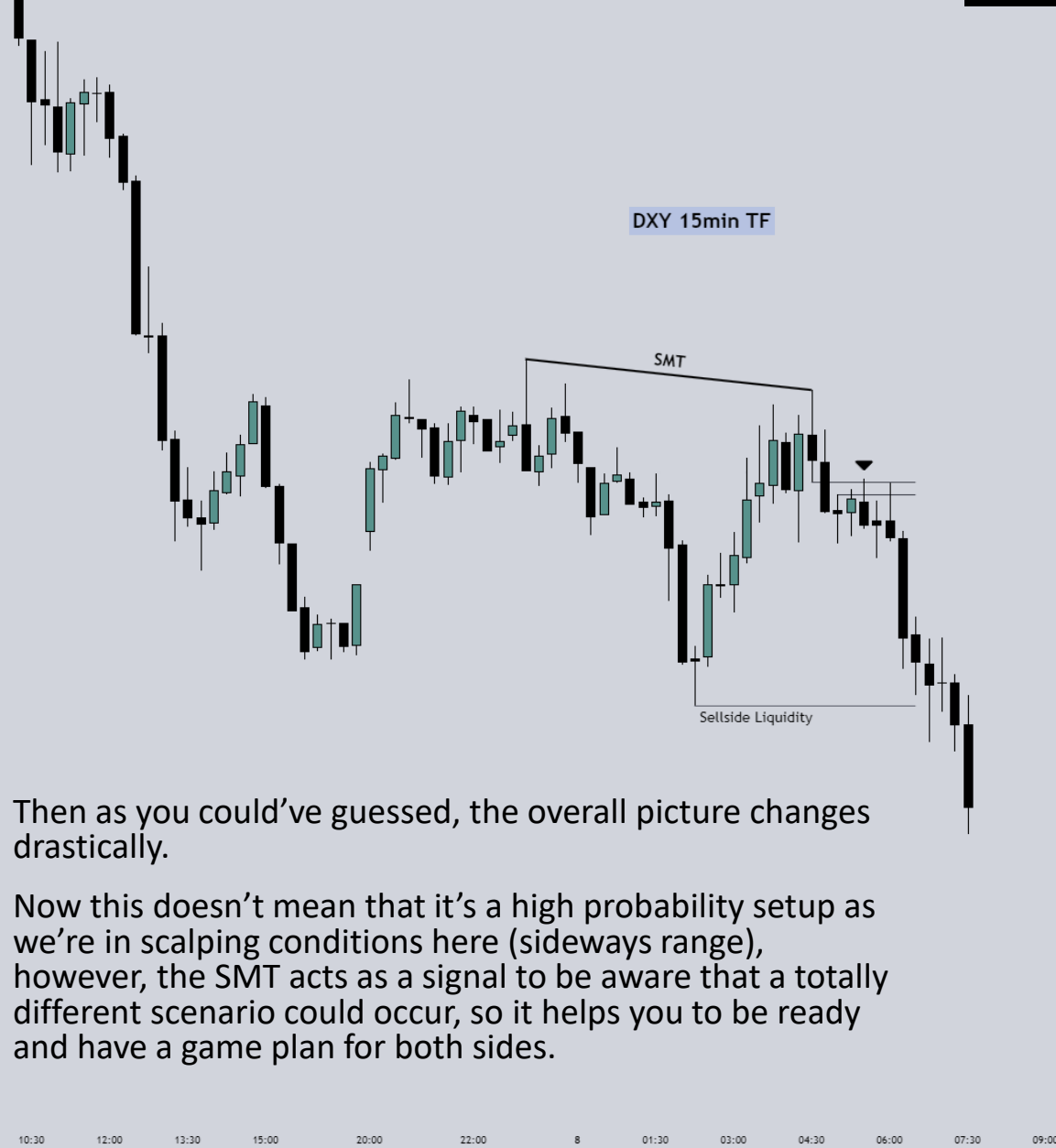
When EURUSD ran the SSLQ and formed a lower low, DXY failed to run the BSLQ and instead of forming a higher high, formed a lower high.





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Then as you could've guessed, the overall picture changes drastically.

Now this doesn't mean that it's a high probability setup as we're in scalping conditions here (sideways range), however, the SMT acts as a signal to be aware that a totally different scenario could occur, so it helps you to be ready and have a game plan for both sides.





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