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Your guide to consistency in the industry of fake.

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 - 6

Liquidity Void

When we see a momentum driven one-sided move in the markets forming huge candles this is what we call “Liquidity Void”.

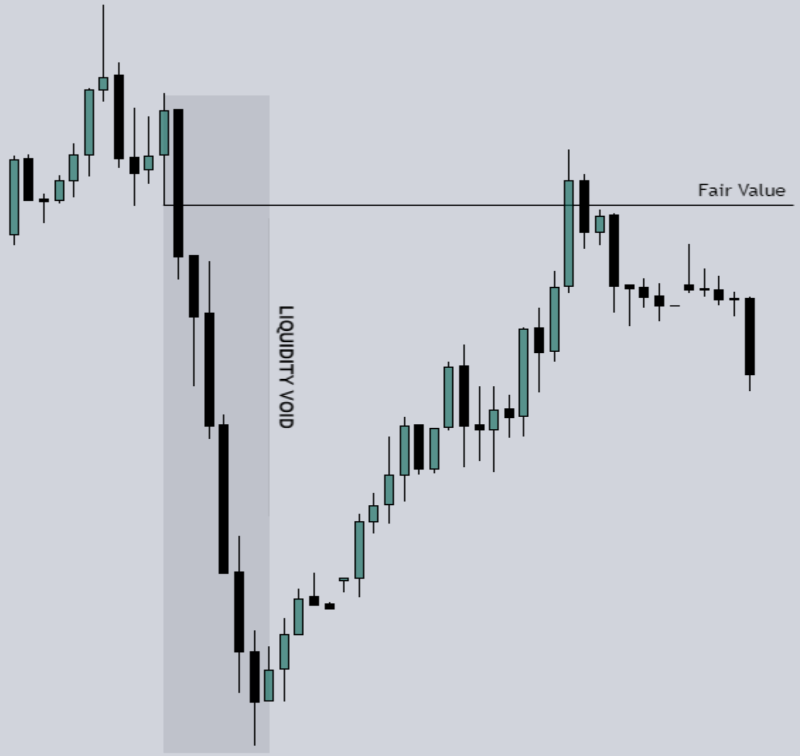
Sharp moves like that will act as a “magnet” and in most cases, will be filled in the future.

Once price starts trading inside the created range and completely fills the whole move – this is what we call “Fair Valuation”. Filling the Liquidity Void is a low resistance run until price passes the Equilibrium and enters opposing side of the dealing range, then price looks for areas to react from, in example: SIBI overlapping -breaker, or FVG & -Orderblock combination, etc.

Sharp move that leaves a Liquidity Void is considered Low Resistance. Also, it’s a good range to take profits once price gets passed the Equilibrium.

In the example on the right you can see how aggressively price pushes lower and leaves a lot of large bearish candles – that’s Liquidity Void. Then price starts pulling back inside this newly created range, and returns to Fair Value.

* To sum up, a Liquidity Void is a sharp, one-sided run in price.



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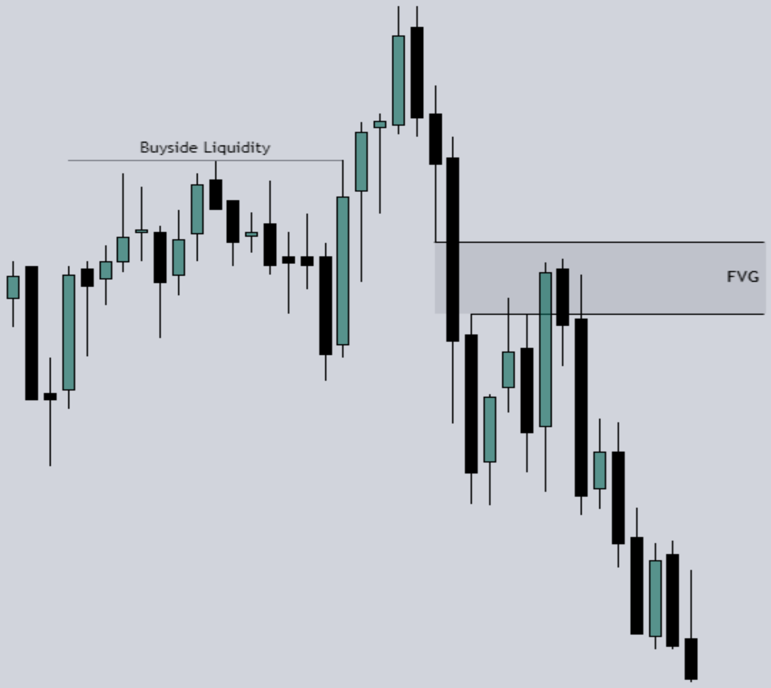
FVG – Fair Value Gap & BISI/SIBI

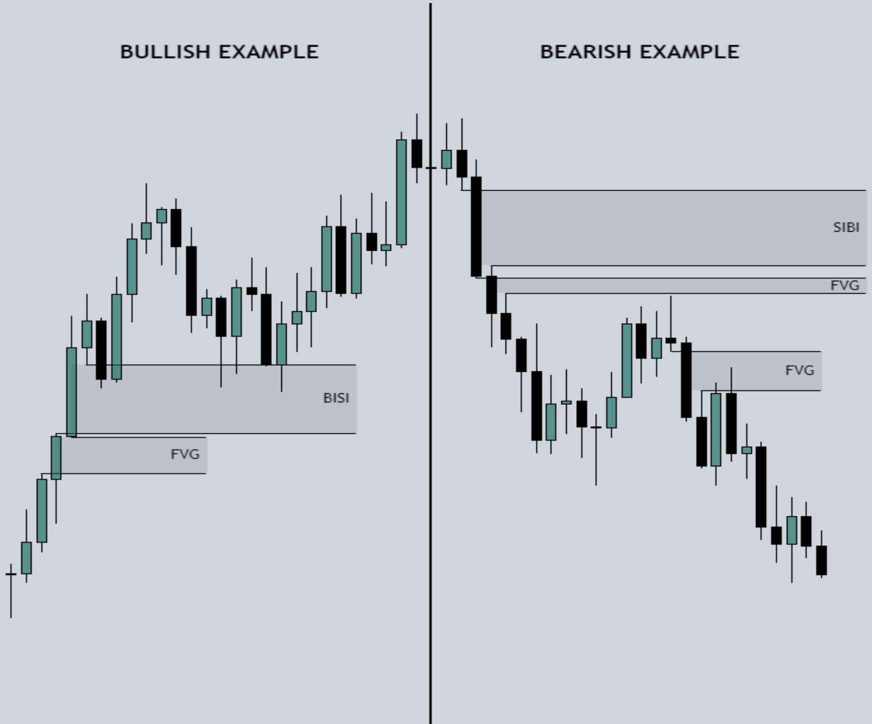
This is a small, specific range in price delivery where one-sided buying or selling happened. Fair Value Gap on a lower time-frames is typically a Liquidity Void.

Liquidity Void, FVG, BISI, SIBI it originates from price vacuum. In a bullish example a price vacuum is where there’s only buying and absence in the opportunity to sell short at a favourable price.

BISI – Buyside Imbalance Sellside Inefficiency
SIBI – Sellside Imbalance Buyside Inefficiency

BISI/SIBI is a larger version of a Fair Value Gap – for example, one huge bearish move, the largest gap will be SIBI, the smaller one will be FVG, and the whole move is what we call Liquidity Void. Example in the next slide.





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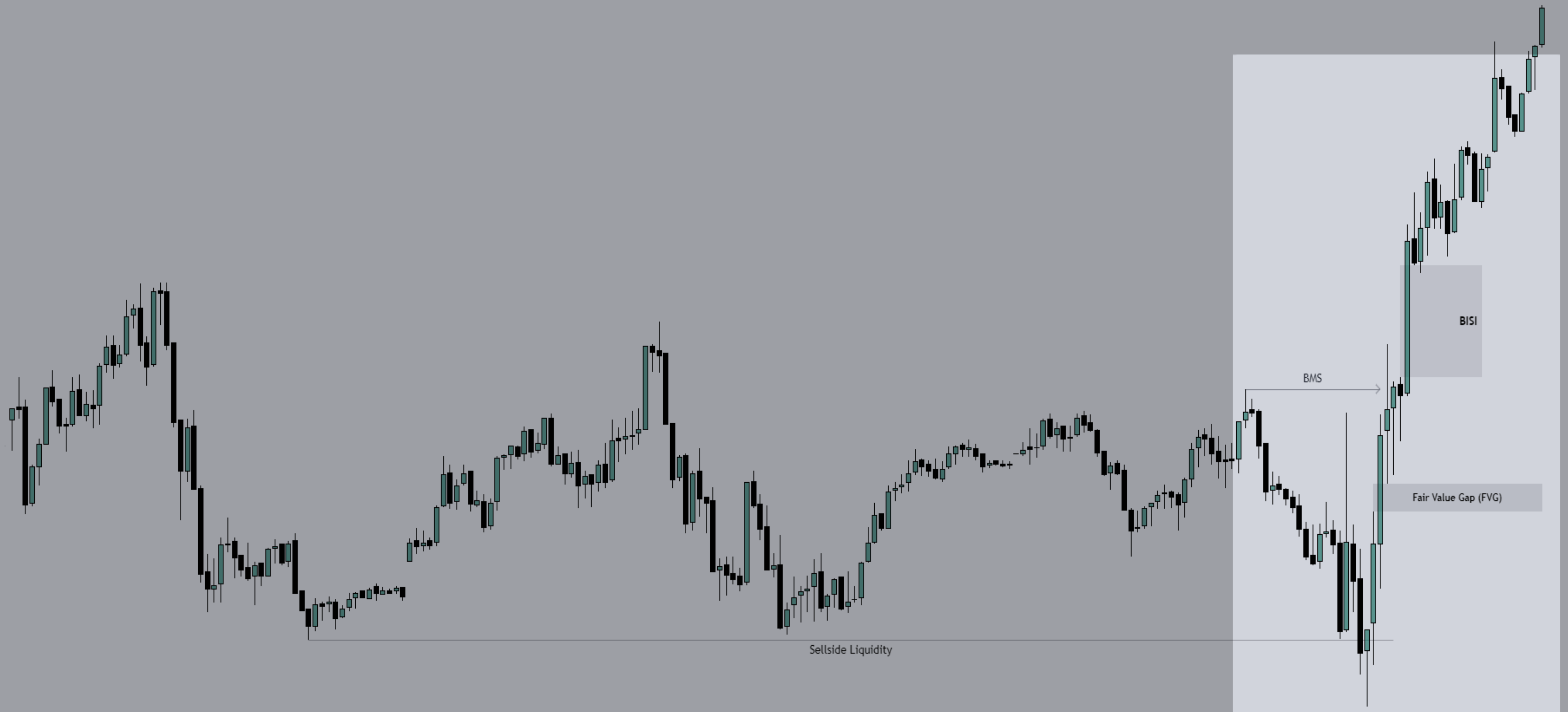
BISI
BMS
Fair Value Gap (FVG)
Sellside Liquidity

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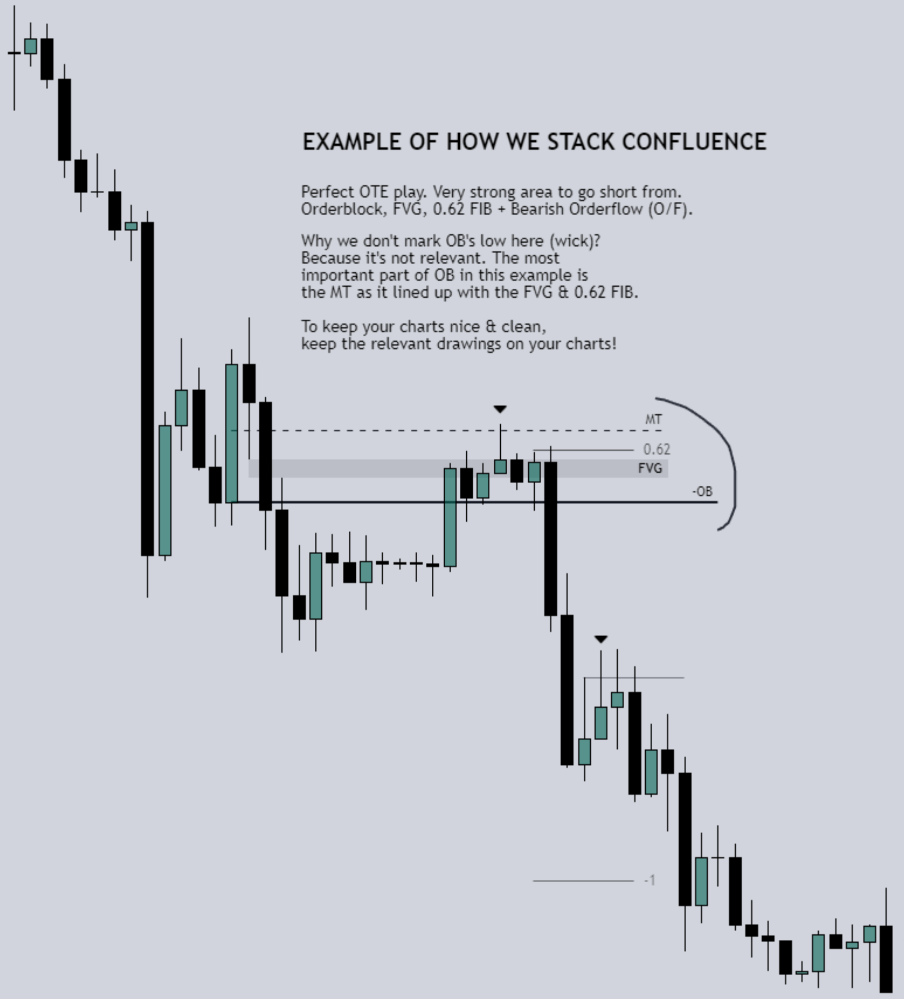
How we use FVG to stack confluence

Fair Value Gap is always one of the most important factors when we look for areas to go long/short from, also where we target or take partials at.

What it shows is - where Institutional Trading took place and IPDA pushed the price aggressively into one direction, those areas are where our focus goes.

Example on the right from the 3rd PDF lesson where we talked a bit about stacking confluence once price goes into the Premium of the dealing range.

One thing I want you to notice in this example on the right is how the FVG holds the bodies of the candles (where the bulk of volume is) wicks are broker based, and not something that way pay much attention to.



Fair Value Gap + Orderblock

I think you will remember this from the Orderblock lesson, this is another situation when FVG helps a TON.

When we have those clear Liquidity runs, that sharply reverse and expand into the opposite direction leaving a FVG or BISI the lowest "beefy" down close candle is our high probability orderblock (example on the right).

It's something that majority of SMC traders get wrong – they simply don't know which orderblock to focus on, from where the price will most likely react, and so on.

Understanding this will help you massively to see a clear difference between strong confluence areas and weak ones.

CE – Consequent Encroachment (midpoint of FVG, BISI or SIBI)

Consequent Encroachment of the FVG, BISI or SIBI is one of the most important areas to monitor.

It's not only a very sensitive area, it's also a good sign if the momentum and delivery in the markets is strong or it's slowing down.

How to know that? If in a bullish example price is strongly going higher, leaving FVG's, BISI, etc., if the there's still lots of bullish momentum left in that run IPDA won't send the price to close lower than the CE of the BISI or FVG, usually it will pretty quickly turn around once it reaches the high to CE area of the BISI or FVG, and gives another expansion from there.

However, if you see that price aggressively closes below the CE, then fully fills in the gap – it doesn't mean that the bullish order flow is completely over, however, you have to keep in mind that now there's bearish pressure kicking in as well and there's a good chance that soon we will see a raid on the Sellside Liquidity.

Fair Value Gaps retail break & retest logic

Fair Value Gaps has one power that 99% of traders don't know – it acts not only as a Premium or Discount PDA, when a Fair Value Gap is aggressively broken, as ICT says "sliced with momentum" it acts as a PDA to the opposite side.

So, what that means is simple – if the price is going lower towards the Discount Array's and we have a Fair Value Gap in the Discount side of the dealing range, if price aggressively breaks it and then starts retracing into it – don't be surprised to see the FVG act as a "resistance", short-term Premium level and send the price lower (vice versa in a bullish scenario).

Example in the next slide.

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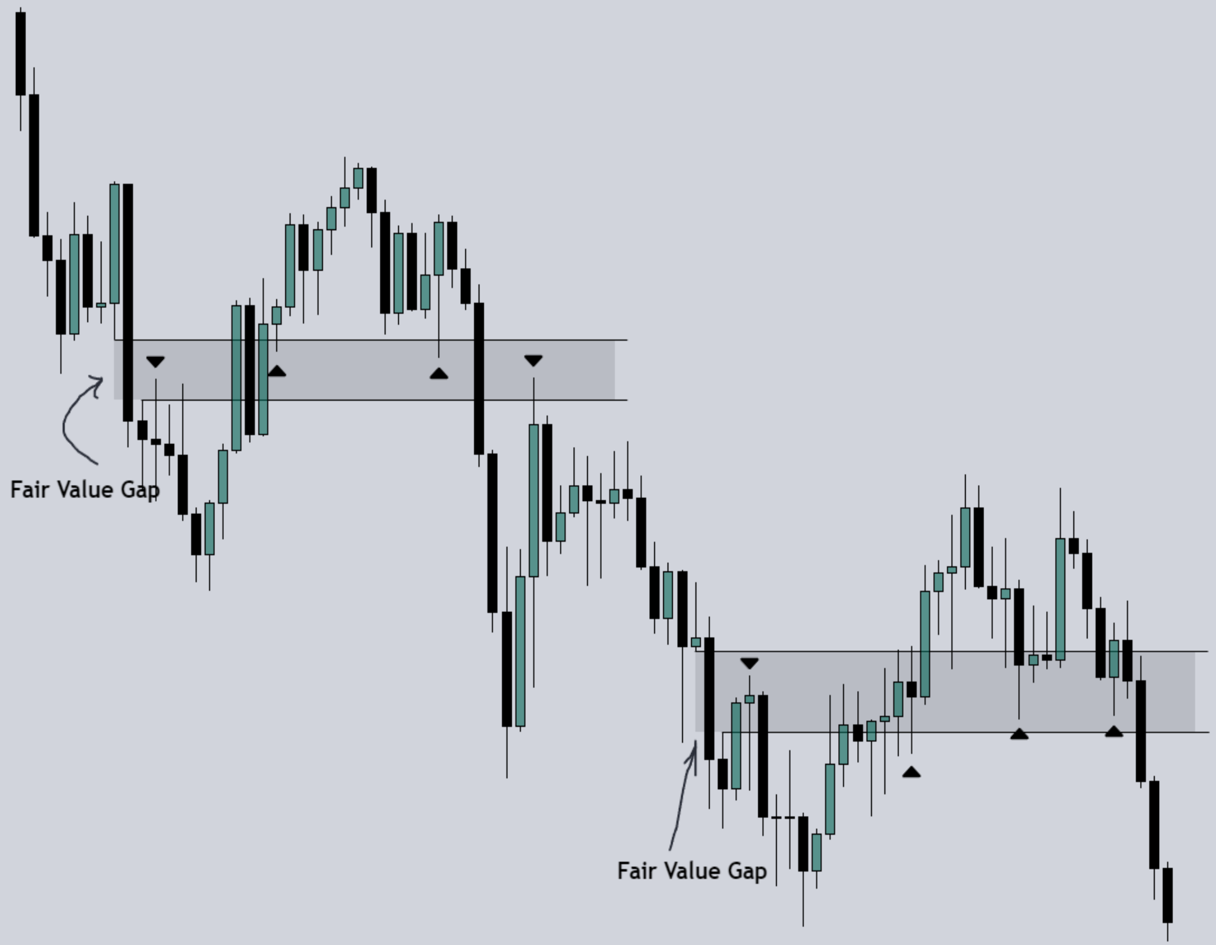
Fair Value Gap stays sensitive for almost 2 months

The interesting part about Fair Value Gaps (FVG's) is the fact that even when it's already filled, it stays a sensitive area for almost 60 days. However, I would suggest to not go over than 30-40 days, that's when the effect is strongest and acts as a strong confluence layer that's overlapping other currently present PDA's.

If you start marking all of the old FVG's your charts will look like a total mess, don't do that and focus on the key areas where you look for price to turn. You will be surprised how many times it lines up with an old Fair Value Gap.



In the next few slides you will see a variety of different examples

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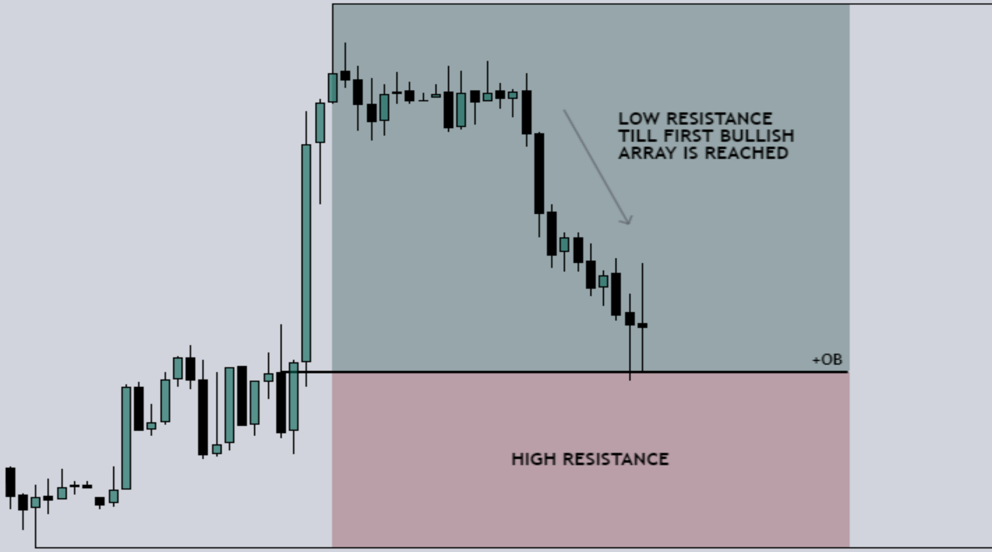
Low resistance till
price reaches first opposing
premium array,
in this case, it's this -breaker.




Fair Value Gap
DISCOUNT TARGET
Price left a FVG in this run, now this is our Discount target.
Fair Value Gap
THIS AREA ACTS AS A MAGNET
Remember that price moves to SWEEP or REBALANCE
BREAK & RETEST
What happens next? - price uses this FVG area as a short-term Premium level, to continue the bearish move.
Fair Value Gap


Buyside Liquidity
Fair Value Gap


Buyside Liquidity
Fair Value Gap
Sellside Liquidity

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STRONG ONE-SIDED MOMENTUM

When there's a strong draw on Liquidity (in this example there's this Sellside Liquidity Pool which is acting as a strong magnet) and when price is expanding with strong one-sided momentum, that' when usually price won't go deep into the FVG/SIBI

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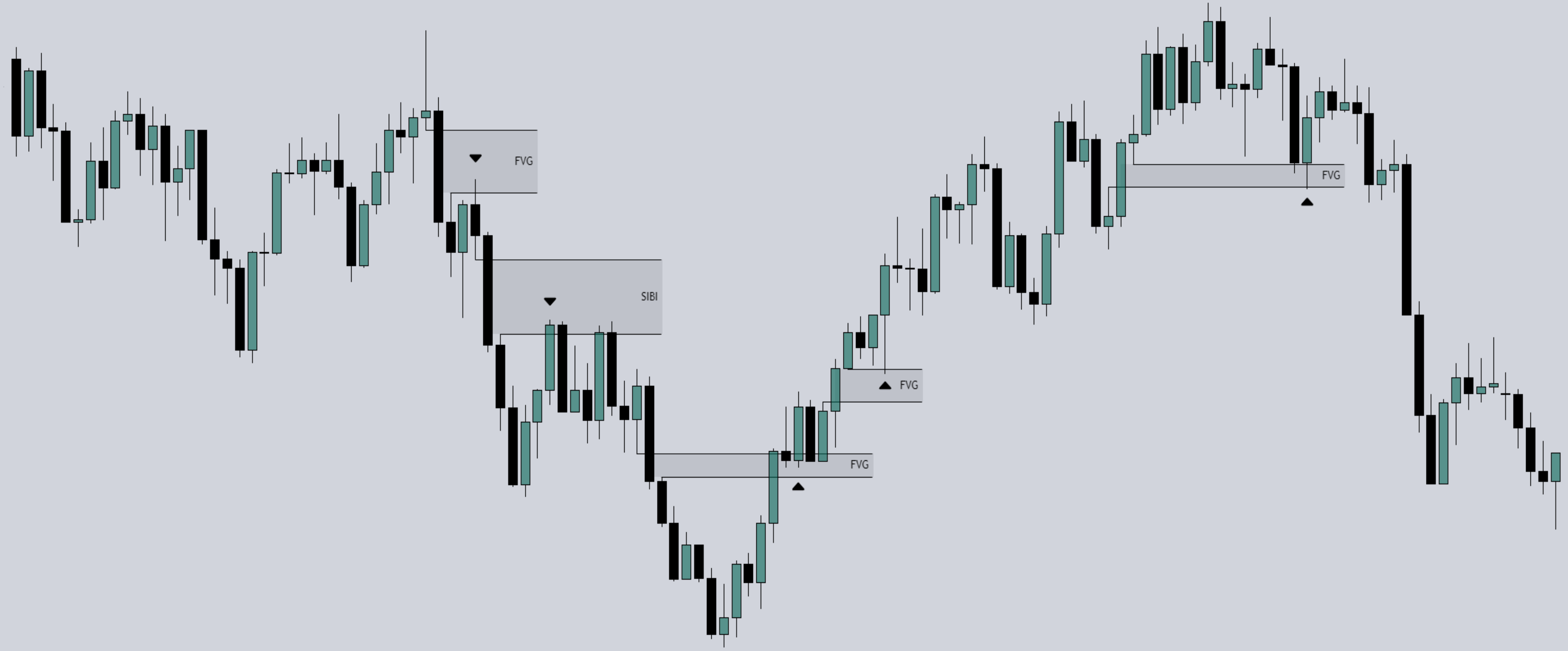
FVG
SIBI
FVG
FVG
FVG

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