Understanding Liquidity

For Synthetic/Volatility Indices

Introduction to Liquidity

In the simplest way possible, Liquidity is a measure of the ease of ability to enter and exit a market at the desired price based on the number of buyers (bids) and sellers (asks/offers) in that market.

The primary objectives of the Market Maker in respect to liquidity is;

- To make a market in by buying and selling from their own inventory, when public orders to buy or sell the asset are absent.
- To keep the market book of orders, consisting of limited orders to buy and sell, as well as stop orders placed by the general market participants.

Generally, if you understand these two points, you will know how the MM make fake out and induce retail traders. Check the charts below.
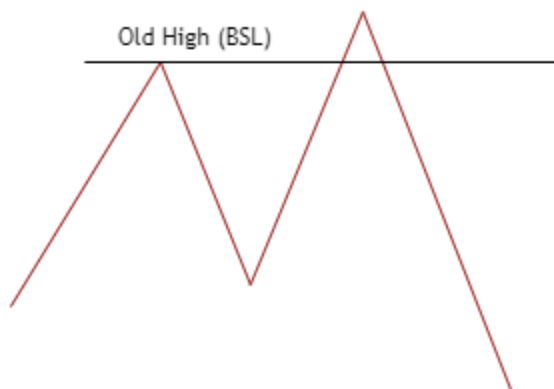
a) Buy Stops Liquidity [BSL]

The BSL is a pool of Buy Stop orders with their respective Stop Losses.

When BSL is taken out (Buy Stops activated), the market reverses to the downside (clearing the Stop Loss orders).

Where to spot BSL?

- Previous Month High [PMH]
- Previous Week High [PWH]
- Previous Day High [PDH]
- High of Day [HOD]
- Old High/Swing High
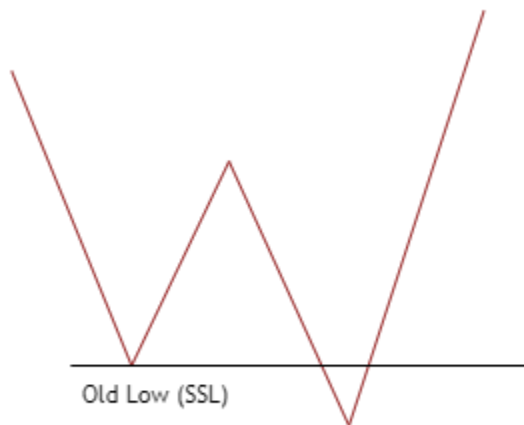- Equal Highs [EQH]/Resistance

b) Sell Stops Liquidity [SSL]

The SSL is a pool of Sell Stop orders with their respective Stop Losses.

When SSL is taken out (Sell Stops activated), the market reverses to the UPside (clearing the Stop Loss orders).

Where to spot SSL?

- Previous Month Low [PML]
- Previous Week Low [PWL]
- Previous Day Low [PDL]
- High of Day [HOD]
- Old Low/Swing Low
- Equal Low [EQL]/Support

Old Low (SSL)

Trading Liquidity (Sharp Entry Setup)

So, when do we trade Liquidity?

For a basic idea, Liquidity setup should include the following;

a) Stop Hunting [SH]

SH is simply a false breakout above/below the zone where Liquidity is residing.

b) Break-in Market Structure [BMS/BOS]

BMS is when market structure is broken (HH or LL for a continuous trend) or (HL or LH for direction change/ChoCh)

Factors to Consider when Trading Liquidity

a) **The Trend:** Trend is your friend, so always trade in line with HTF trend direction.
b) **Supply & Demand:** Consider market imbalance and accomplishment.
c) **Support & Resistance [EQL & EQH]:** Always wait for fake-out at the SnR zones.
d) **Compression:** This is the best way to know that price is doing retracement, otherwise you might enter when the market has changed its direction hence leading to losses.

Note: The idea discussed above can be used to trade any financial asset, including Synthetic/Volatility indices, Currencies, Metals and many more!

Introducing Smart Market Analysis & Entry Setups

FREE Mentorship & Weekly Market Outlook - Synthetic/Volatility indices

==Before we check Liquidity Setup examples, you can now get my free mentorship, weekly zoom calls and unlimited smart market entry set up.==

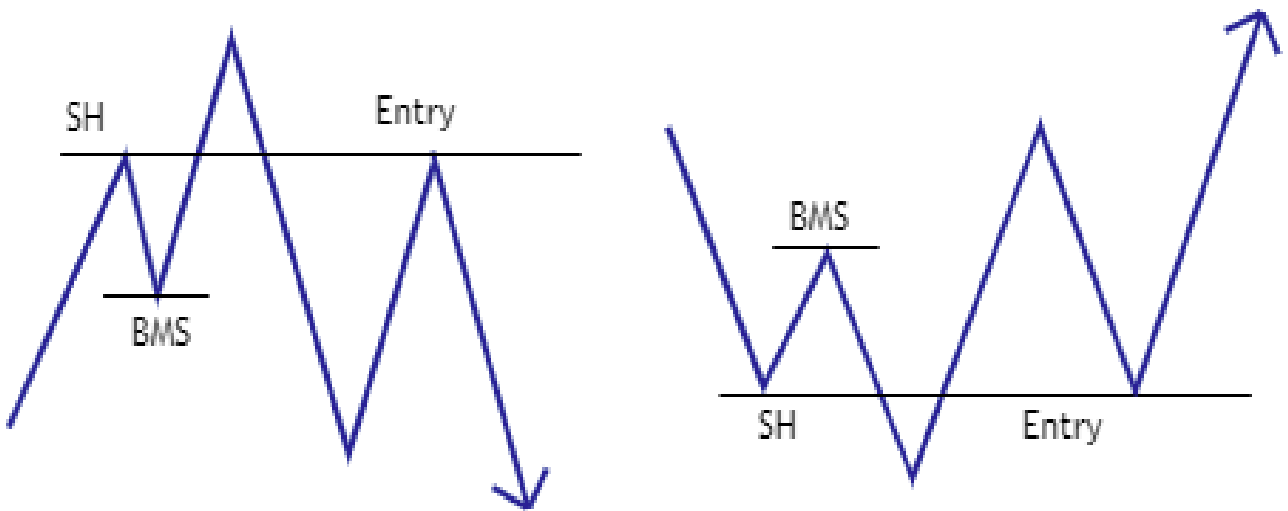You just need to follow the steps below;

- **Step 1:** Sign up for a DerivBinary.com account here
- **Step 2:** Deposit (Min = $10)
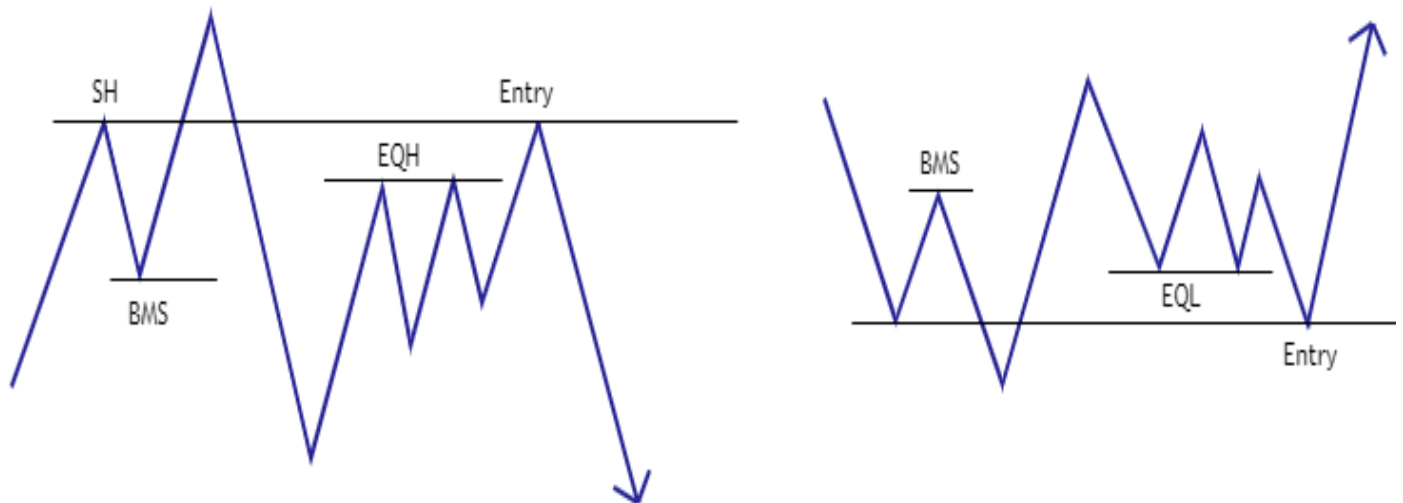- Step 3: DM so that I add you to my private group

Additional Benefits

- ✔ Trade on weekends and holidays (24/7)
- ✔ No news/fundamentals
- ✔ Trade from as little as $10 and grow it to whatever amount you want
- ✔ Weekly Market Outlook
- ✔ Smart Money Market Analysis
- ✔ Market Mark up with ENTRIES, SL & TP.
- ✔ FREE ZOOM CALLS on WEEKENDS.
- ✔ UNLIMITED ICT Ideas
- ✔ UNLIMITED Smart Money Concept
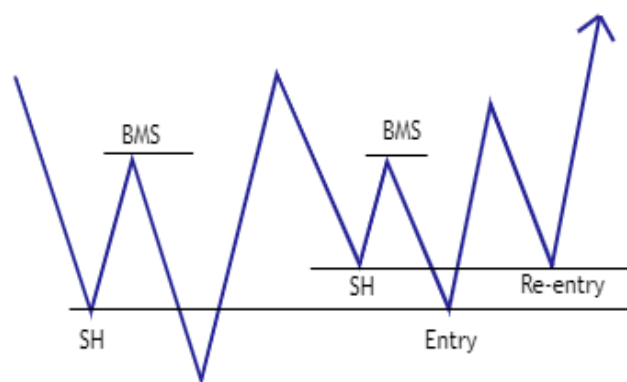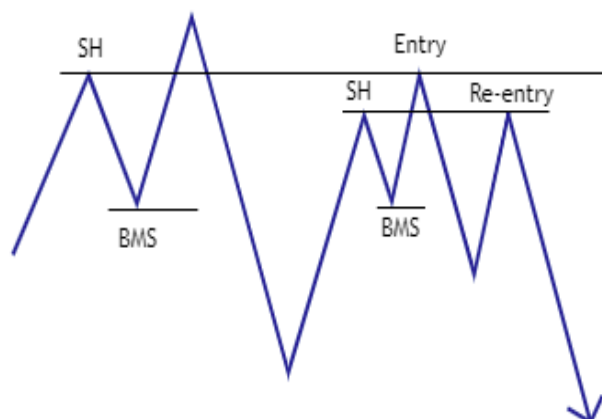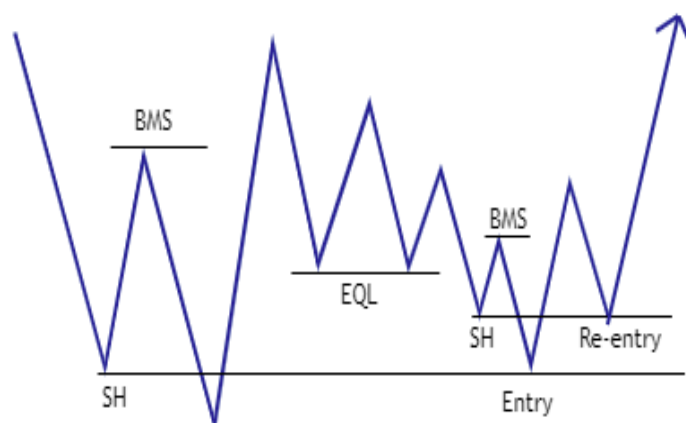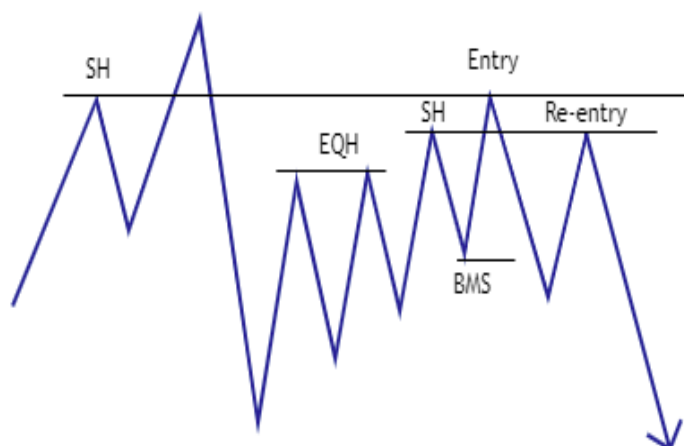- ✔ UNLIMITED Institutional ideas

Liquidity Setup Examples

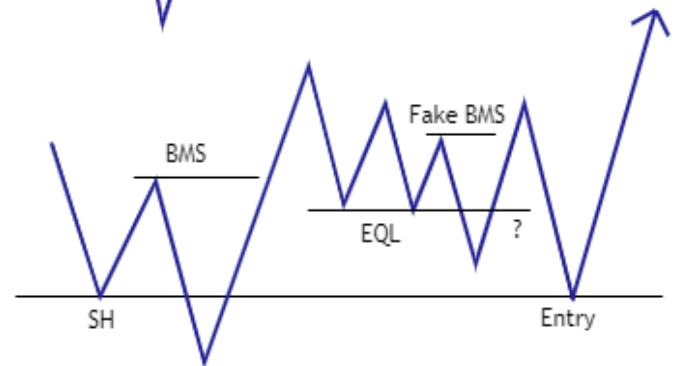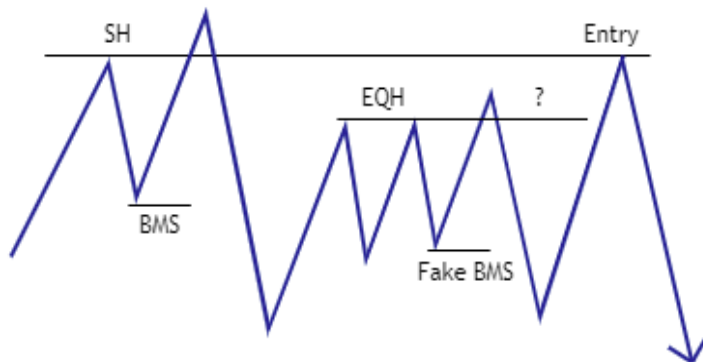1. SH - CHoCH with quick RTO (Risk Entry)
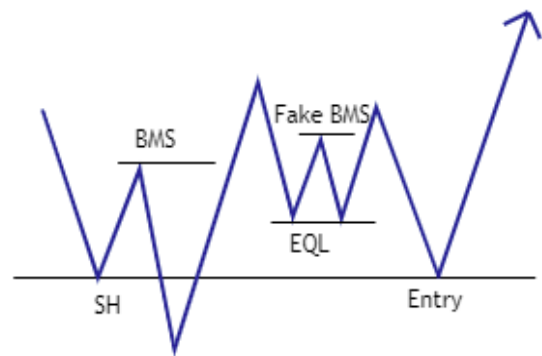

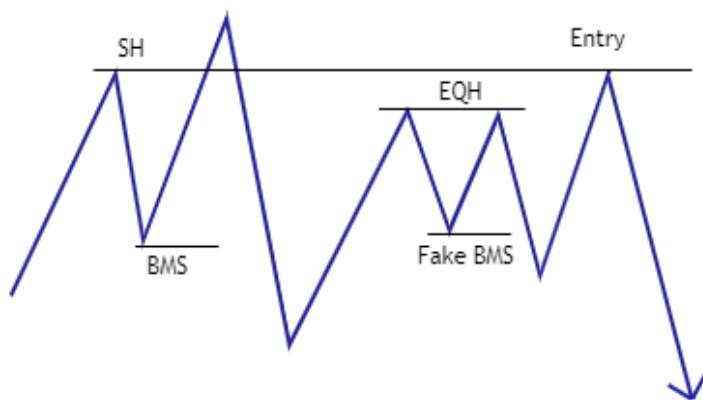2. SH - CHoCH with late RTO

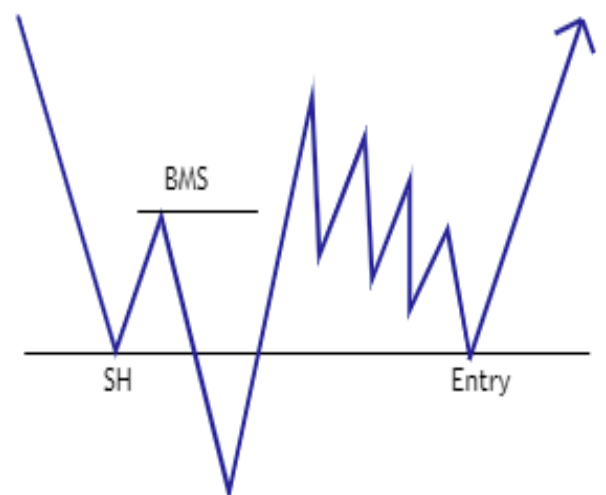## 3. SH + Confirmation Entry (Re-entry) with quick RTO
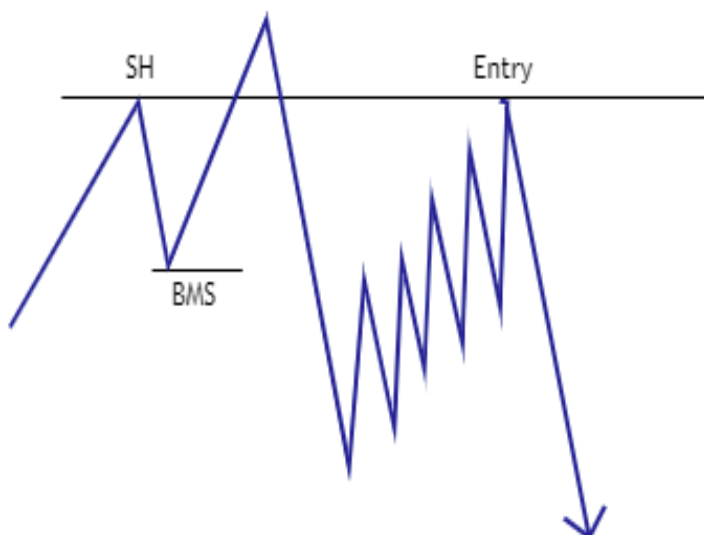

4. SH + Confirmation Entry (Re-entry) with late RTO

5. SH + Fake BMS

6. SH + Compression

There are lots of examples but I will share them in my private group.

Do you want to join my private group?

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