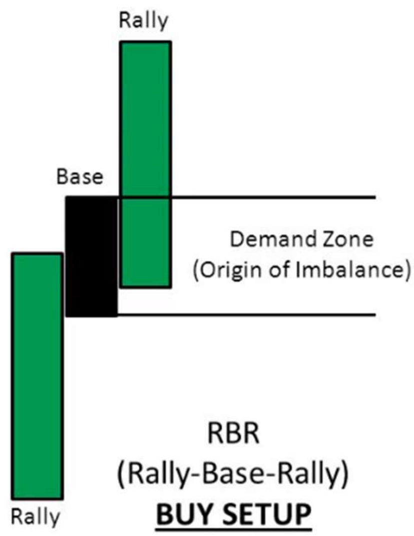
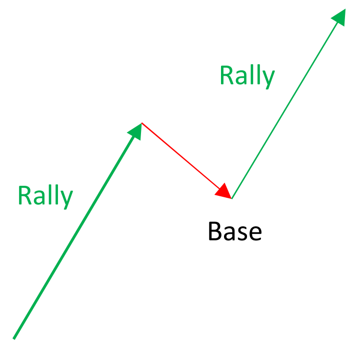
<u>Supply and Demand Theory</u>

1. Supply = Sellers = Resistance
2. Demand = Buyers = Support

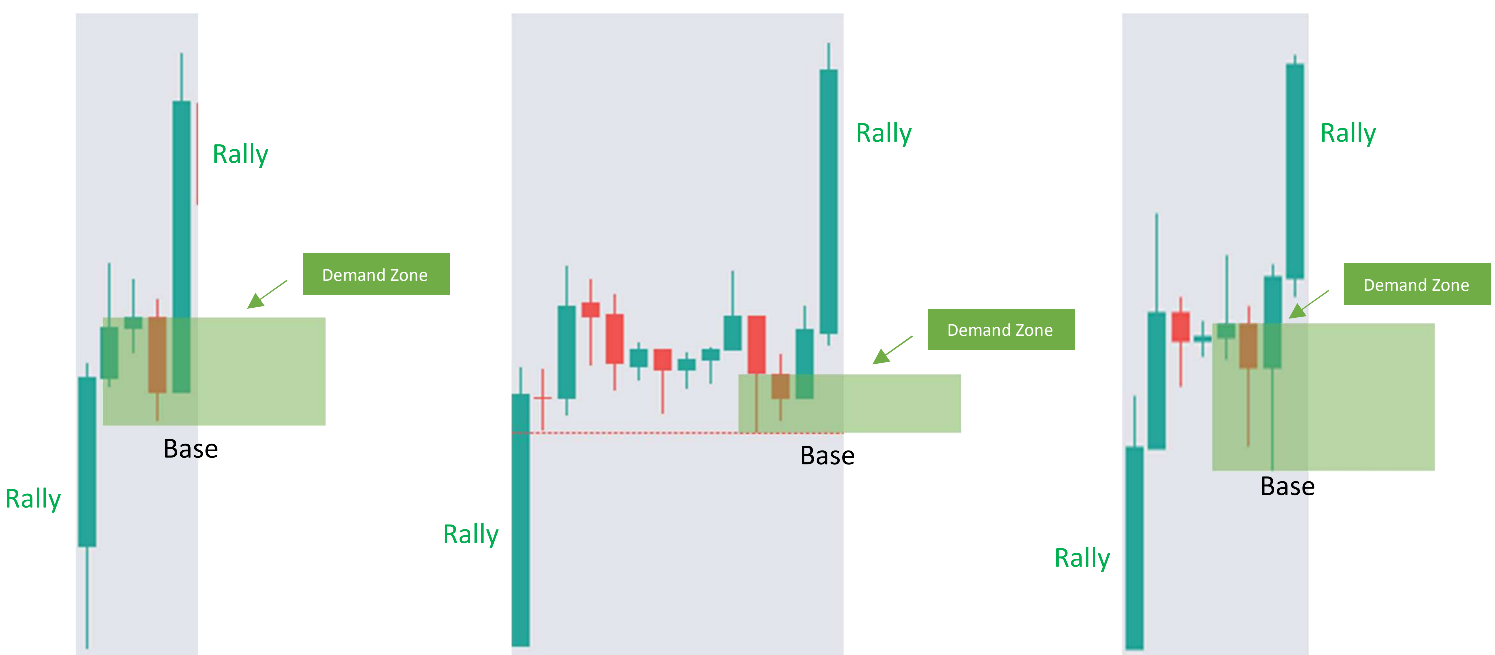
<u>*There are four types of zones which can be classified into two, continuation and reversal.*</u>

1. **Continuation**
   a. Rally – Base – Rally (R-B-R) (DEMAND)





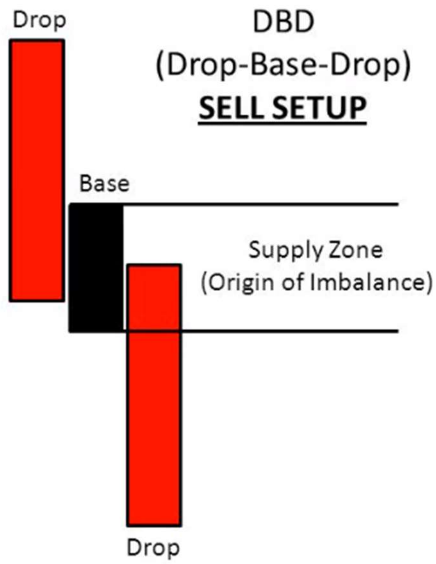
Examples for R-B-R

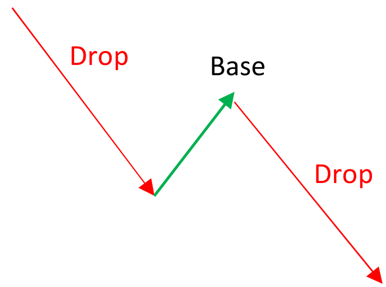


Notes:

I. Take the body of last bear candle and the lowest point (wick) to mark demand zone
II. Rally after the base MUST create a higher high (HH) for it to classify as a R-B-R
III. These zones are not the strongest and do not take position unless have strong confirmation
IV. Zones created by R-B-R can be used to add to existing position

b. Drop – Base – Rally (D-B-D) (SUPPLY)





Examples for D-B-D

Notes:

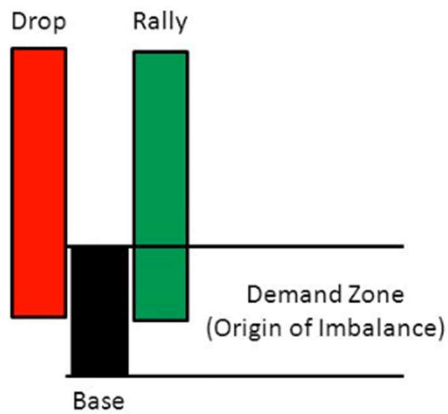
I. Take the body of last bull candle and the highest point (wick) to mark supply zone
II. Drop after base MUST create a lower low (LL) for it to classify as D-B-D
III. These zones are not the strongest and do not take position unless have strong confirmation
IV. Zones created by D-B-R can be used to add to existing position

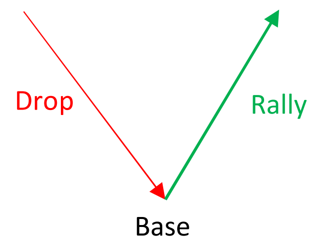
2. **Reversal**

a. Drop – Base – Rally (D-B-R) (DEMAND)

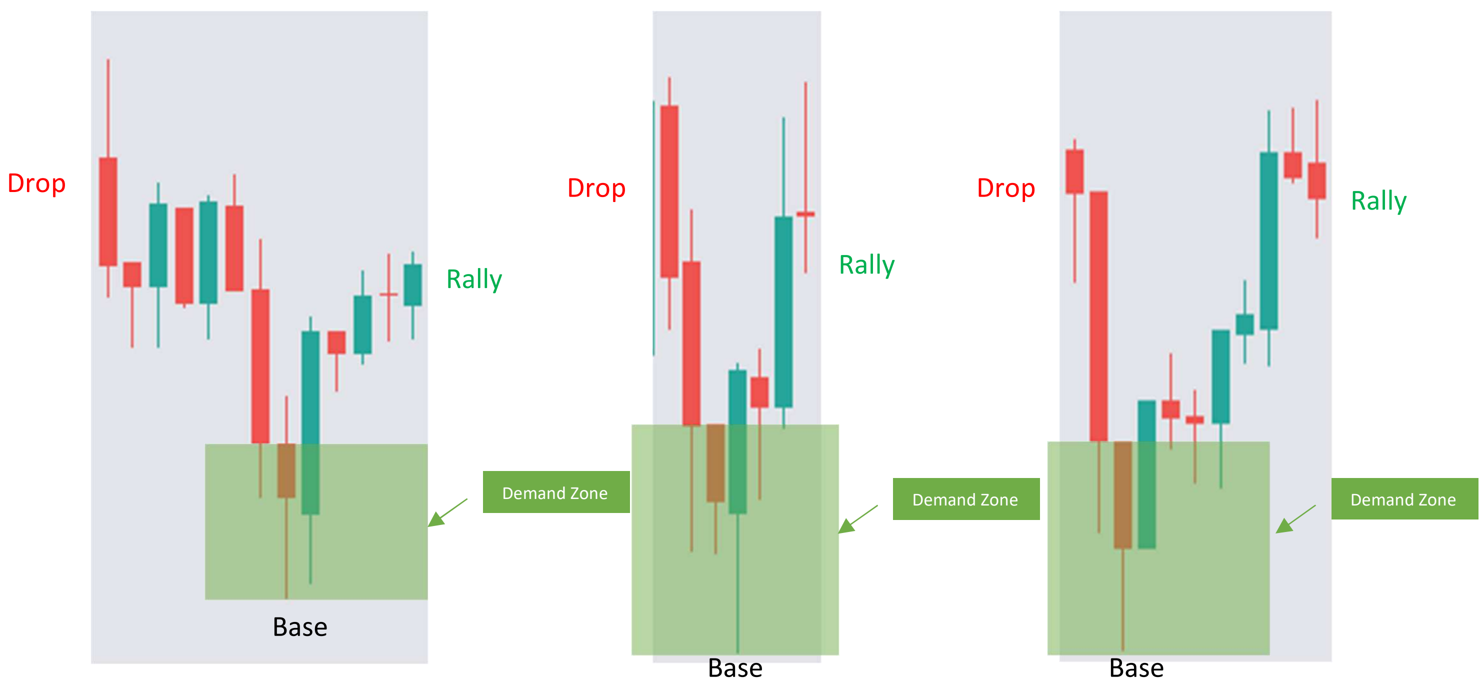
DBR (Drop-Base-Rally)

BUY SETUP





Examples for D-B-R

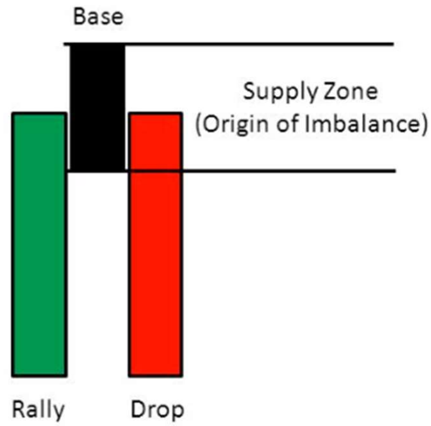


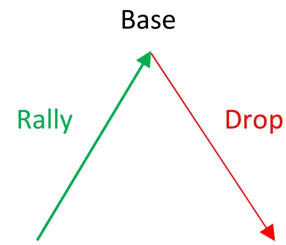
Notes:

I. Take the last bear candle and the lowest point (wick) to mark demand zone

II. These zones are usually stronger than R-B-R

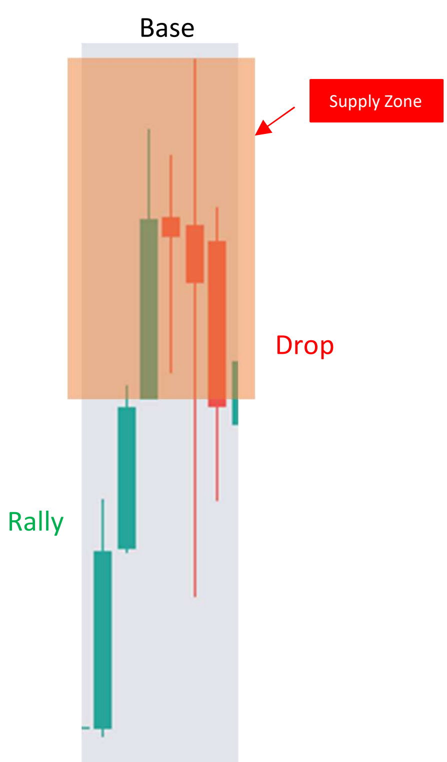
b. Rally – Base – Drop (R-B-D) (SUPPLY)

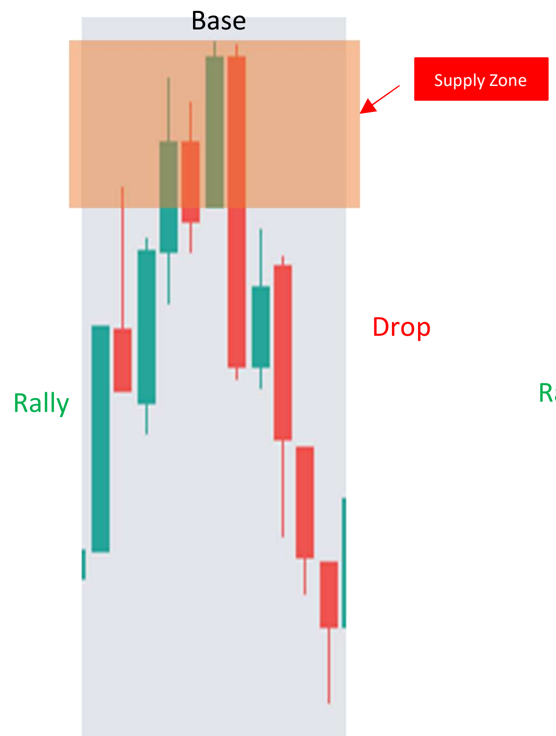


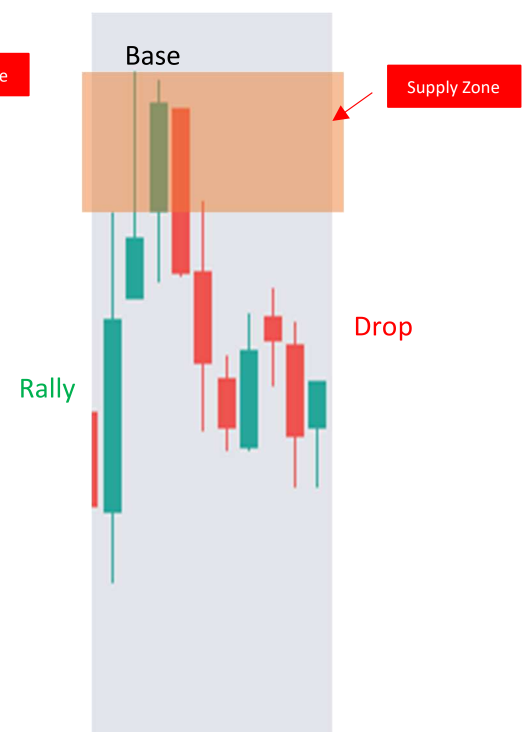


RBD (Rally-Base-Drop)
<u>**SELL SETUP**</u>

Examples for R-B-D







Notes:

I. Take the last bull candle and the highest point (wick) to mark supply zone
II. These zones are usually stronger than D-B-D

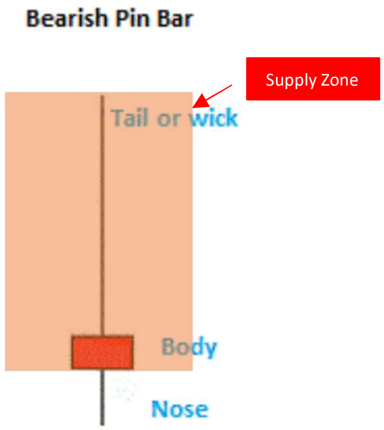
Demand Zones	**Supply Zones**
If price goes through a Demand zone, that zone is INVALID or can be classified as an EVENT	If price goes through a Supply zone, that zone is INVALID or can be classified as an EVENT
Bullish Engulfing candle represents a STRONG Demand zone	Bearish Engulfing candle represents a STRONG Supply zone
When price manages to break through a Supply zone, the base of that rally which is marked as demand zone can be considered STRONG	When price manages to break through a Demand zone, the base of that rally which is marked as Supply zone can be considered STRONG
Body of the last bear candle and lowest wick (regardless if wick is of bullish or bearish candle)	Body of the last bull candle and highest wick (regardless if wick is of bullish or bearish candle)
Even if HH candle closes below last candle of 1^{st} rally, it is considered valid	Even if LL candle closes above last candle of 1^{st} rally, it is considered valid
Hidden Demand is when on higher time frame (HTF), there is a Rally and a Base in 1 candle which has a large wick down, the wick can be marked as a Demand zone	Hidden Supply is when on higher time frame (HTF), there is a Drop and a Base in 1 candle which has a large wick up, the wick can be marked as a Supply zone
Demand zones created by reversals are considered stronger than zones created by continuation	Supply zones created by reversals are considered stronger than zones created by continuation

Identifying Supply and Demand Zones by Pin Bar Candles

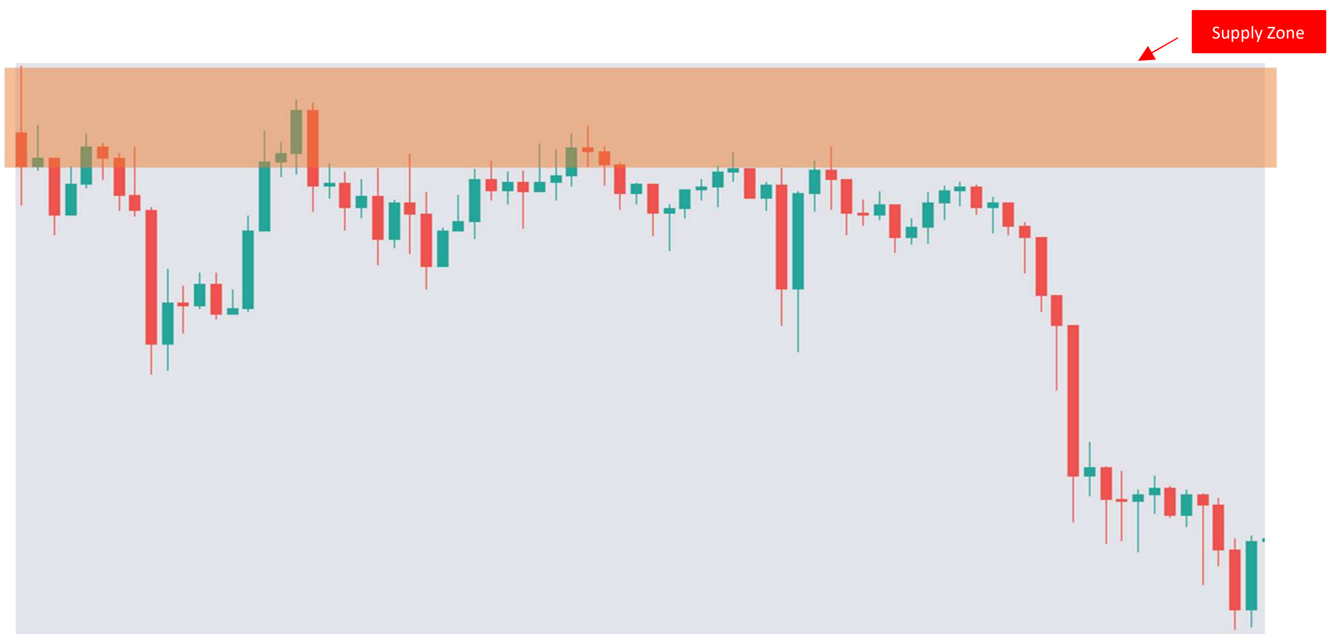
1. Bullish Pin Bar Candle

Example for Bullish Pin Bar demand zone

2. Bearish Pin Bar Candle



__Example for Bearish Pin Bar supply zone__



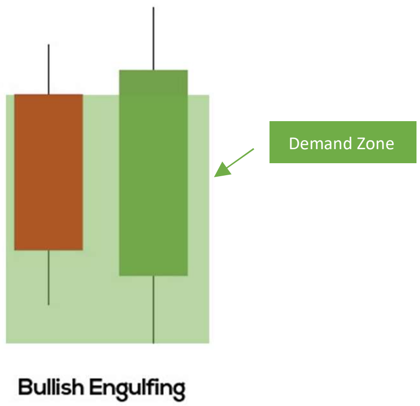
__Notes:__

1. Always look for confluence when using Pin Bar strategy. It does not always work
2. USUALLY, the price enters back at 50% retracement of pin bar candle
3. When the candle has a bigger tail or wick, it could represent a stronger zone

Identifying Supply and Demand Zones by Engulfing structures

1. Bullish Engulfing structure

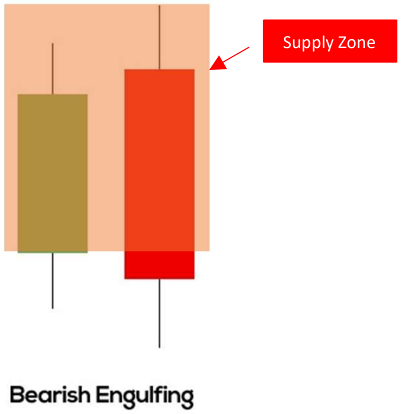
When candle forms bullish engulfing structure, the last bear candle to the bottom wick can be classified as a strong DEMAND zone



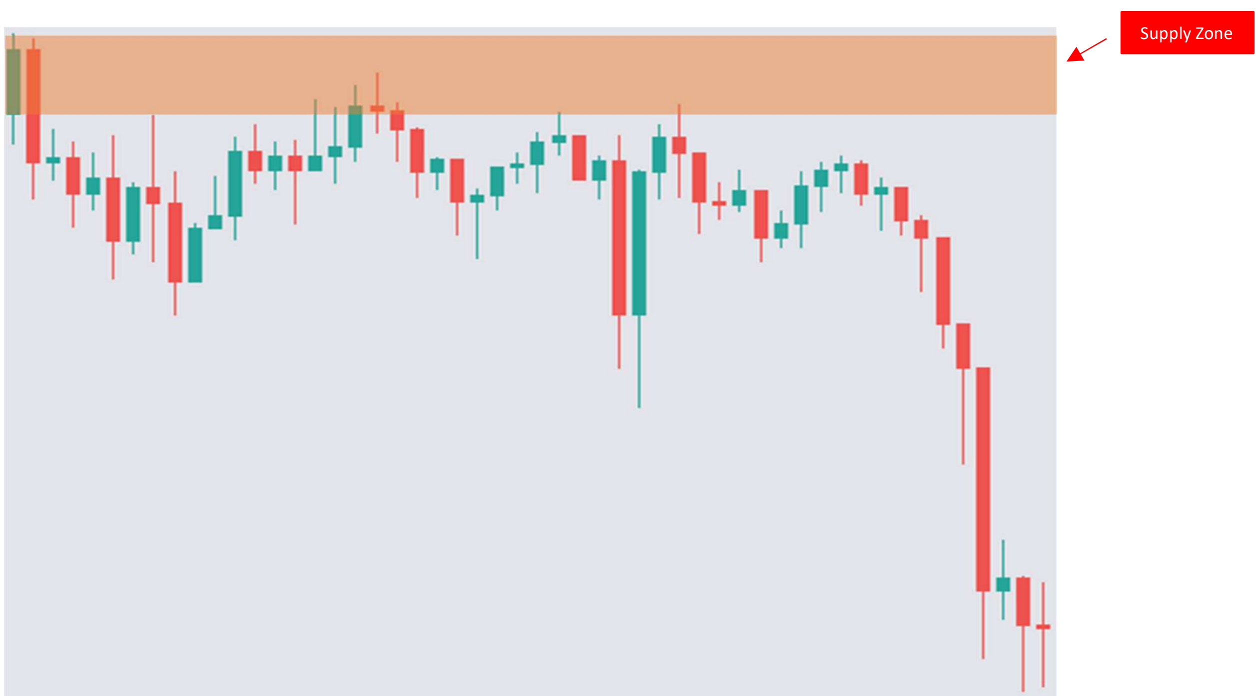
Example for Bullish Engulfing structure

2. **Bearish Engulfing structure**

When candle forms bearish engulfing structure, the last bull candle to the top wick can be classified as a strong SUPPLY zone



Example for Bearish Engulfing structure



Notes:

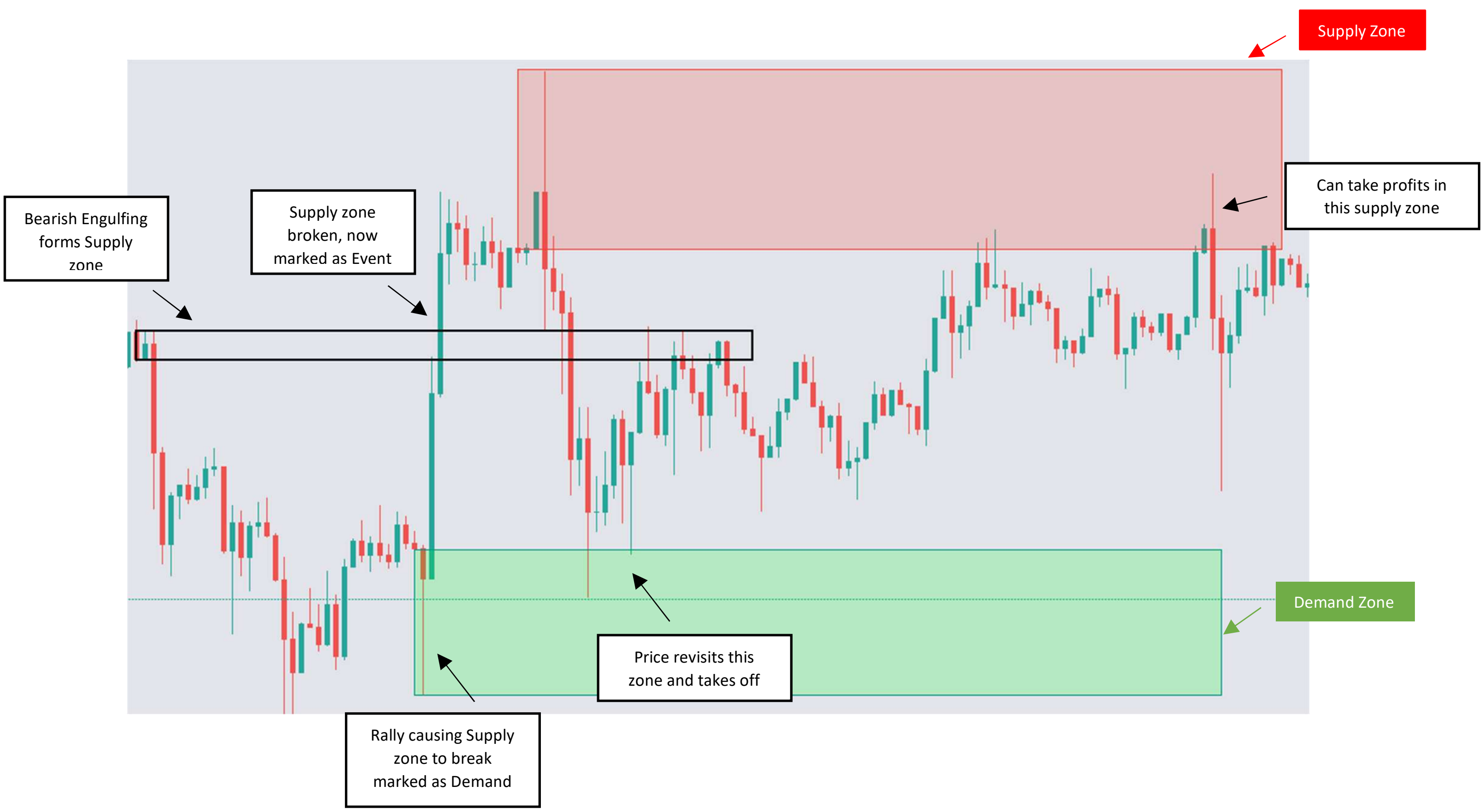
1. If Engulfing structures develop a zone, tight stops can be placed since they represent strong supply/demand zones
2. When a supply/demand zone which is developed by engulfing structures is broken, that zone can now be marked as an EVENT
3. When an engulfing structure causes a big rally or drop, the zone it has created can be considered strong

The Chain Strategy

Steps on how to trade with the Chain strategy

1. Look for engulfing structures and mark the supply/demand zone created by it
2. When the supply/demand zone caused by engulfing structures is broken, mark is as an EVENT
3. Look for what has caused the supply/demand zone to break
4. Mark that as a supply/demand zone
5. Enter trade in direction that the zone was broken in step 2
6. Stops at the birth of the move
7. Take profit on zones that were created

Examples of the Chain Strategy



Risk Management

- Never enter a trade without a Stop loss, plan a trade and trade the plan
- Using proper risk management is key to being successful in trading
- There is a simple formula for Risk:Reward (R:R)

  Risk * Assets / Risk % Target * Leverage = Position Size

  i. Risk 1% of your portfolio and
  ii. have $10,000 in your assets and
  iii. the R:R tool shows your risk as 0.5
  iv. 10x Leverage

  1 * 10,000 / 0.5 * 10 = $2,500

  Based on the above, you can enter the trade with a position size of **$2,500**