Lesson 7: Market Structure #1

Now that we have a grasp on what individual pieces of market structure look like, lets use these newly acquired tools to create our narratives for price. We want to build a story of what price is telling us and where it wants to go. The WHOLE point of this is to simplify our trading process so that it becomes a repeatable, mechanical system.

WHY? If our goal it to use the market to make money, we need to do it in a state of mind where trading is EASY. If we are desperate to make money from the market, WE WILL FORCE **ideas and narratives** into our trading system AND FAIL. WHY? We begin to remove the easy, mechanical components of our system, and replace then with our own needs. Things come easily to us when they are easy.

So lets begin to make them easy.

Some New Terms

Long-term swing high/low

Intermediate swing high/low

Short-term swing high/low

Volume Imbalance

Buyside Imbalance Sellside inefficiency (BISI)

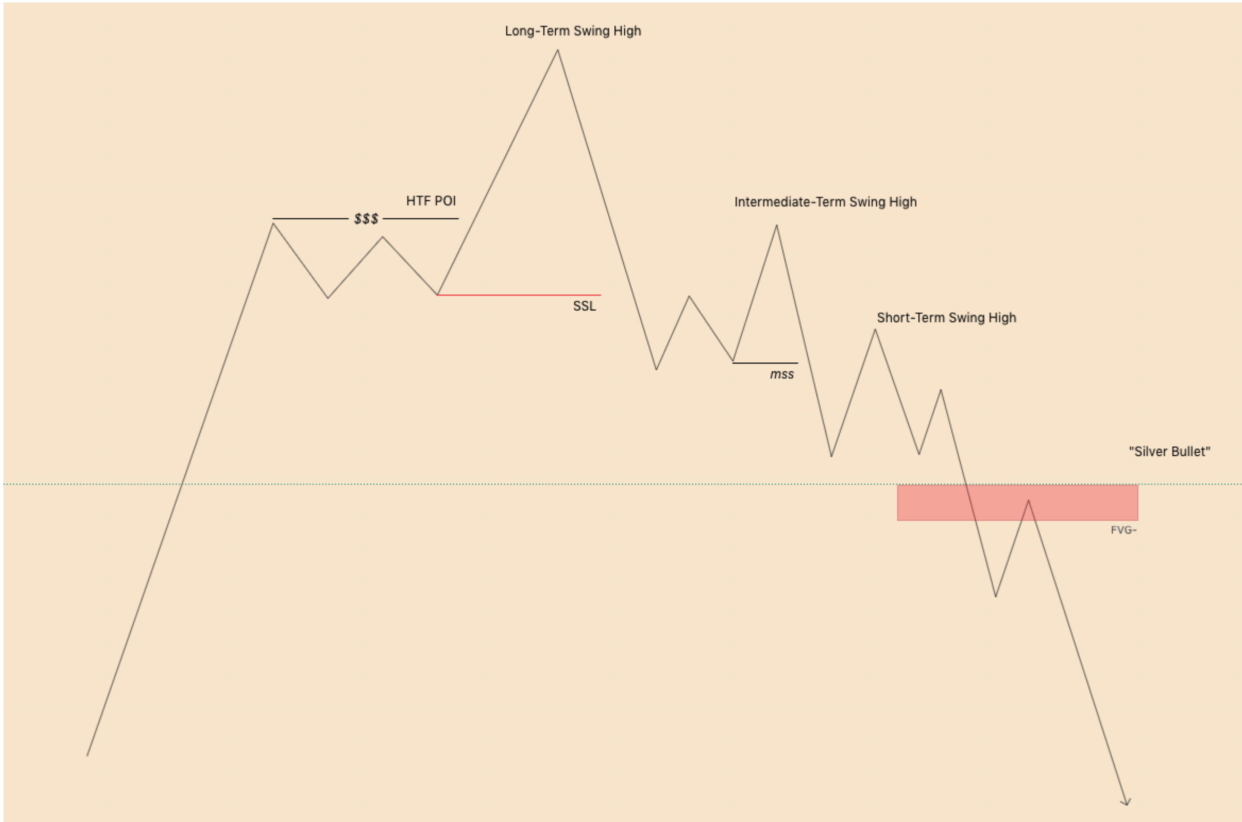
Sellside Imbalance Buyside Inefficiency (SIBI)

These are all another way to view what we have already learned from the previous lessons. They specifically force your eyes to look for liquidity, and how price will arrive there. Again, TIME and PRICE are both fractal, so all concepts work across all time frames and prices.

The Different Types of Swing Points

Swing Highs

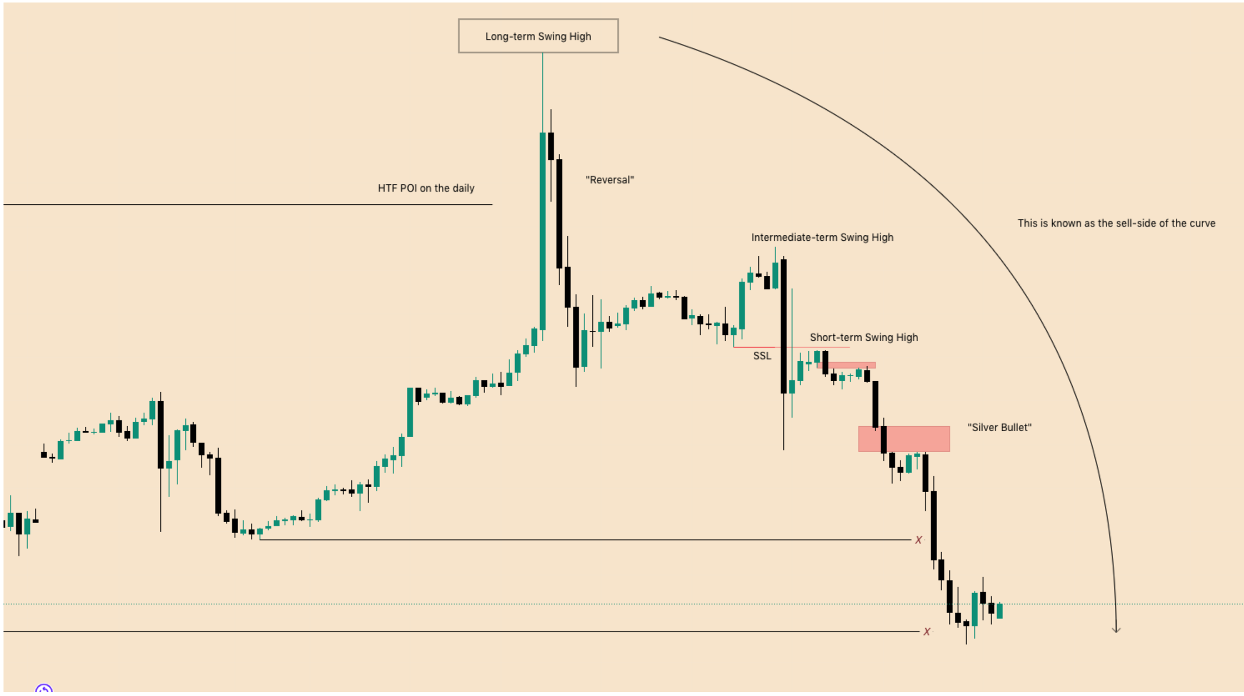
General Template for our Swing High's Pattern (it can vary):



<u>Long-Term Swing High (LTSH)</u>

These will be your 'protected' points, they shouldn't be broken going forward (as long as mmxm supports the reasoning).

→ You will be looking for a failure to displace up clue on higher time frames (hint: taking liquidity and then reversing back into the range!)

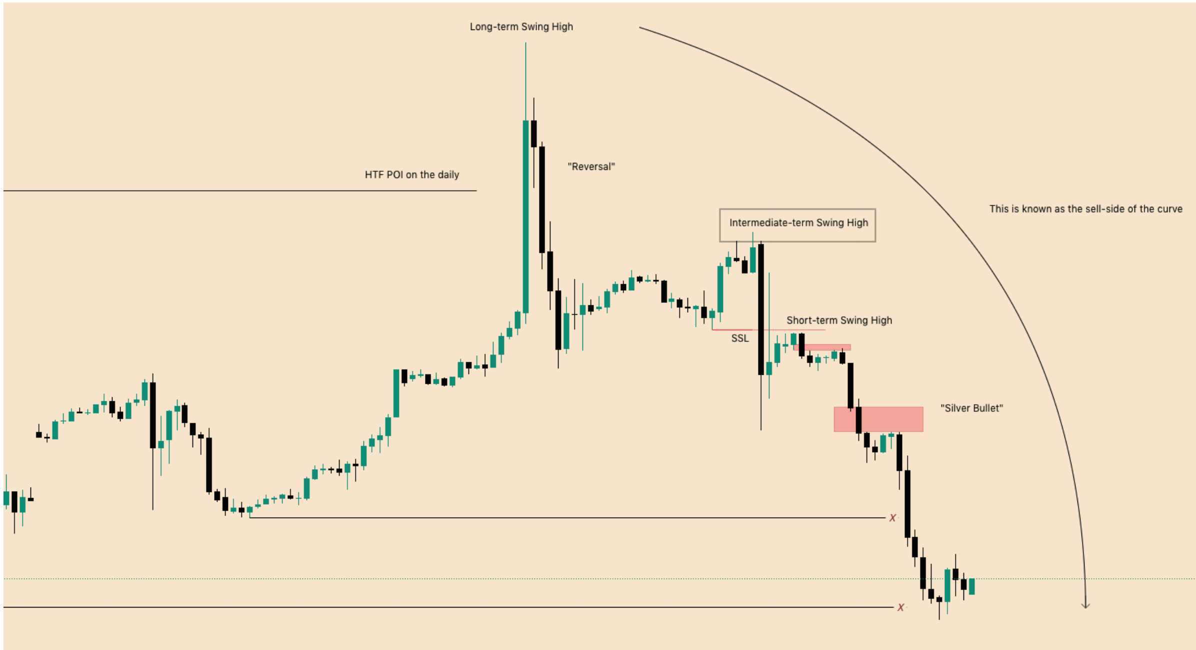


Intermediate-Term Swing High (ITSH)

These will be your points that will setup a possible earlier entry to get in with the trend.

→ This is where price will test the long-term swing high/low price and provide an entry to capture the trend.

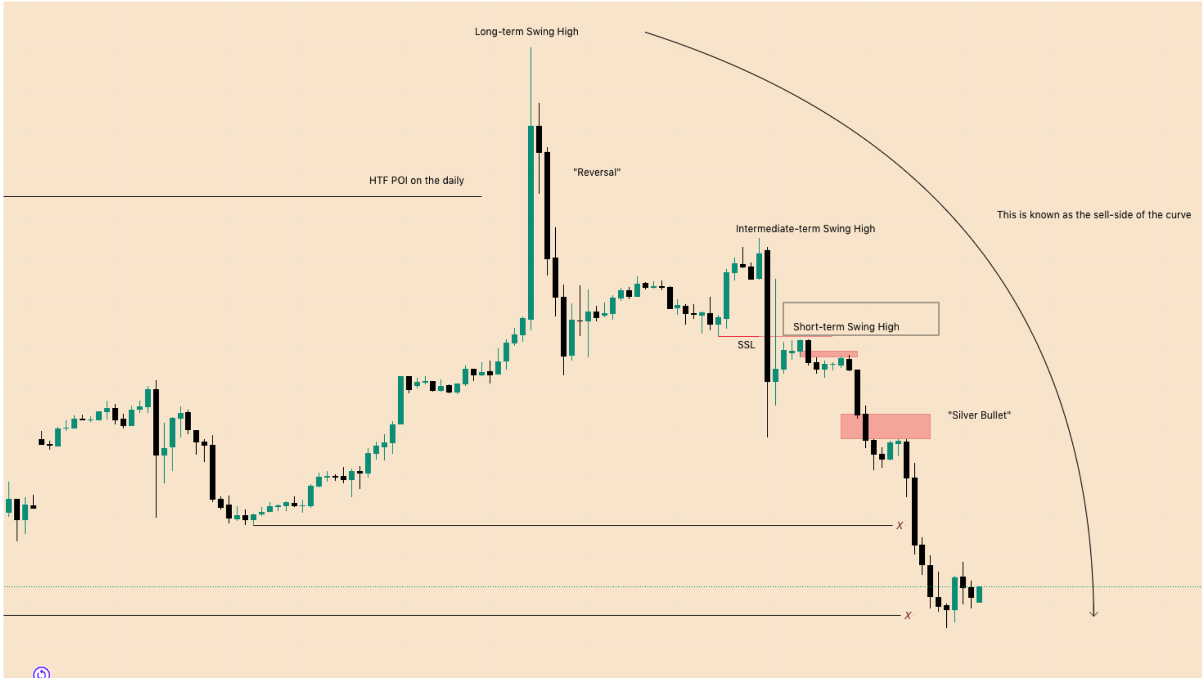
→ Could be a point where smart money may induce buyers or sellers (run the stop losses of internal liquidity but only to continue the new trend).



<u>Short-Term Swing High (STSH)</u>

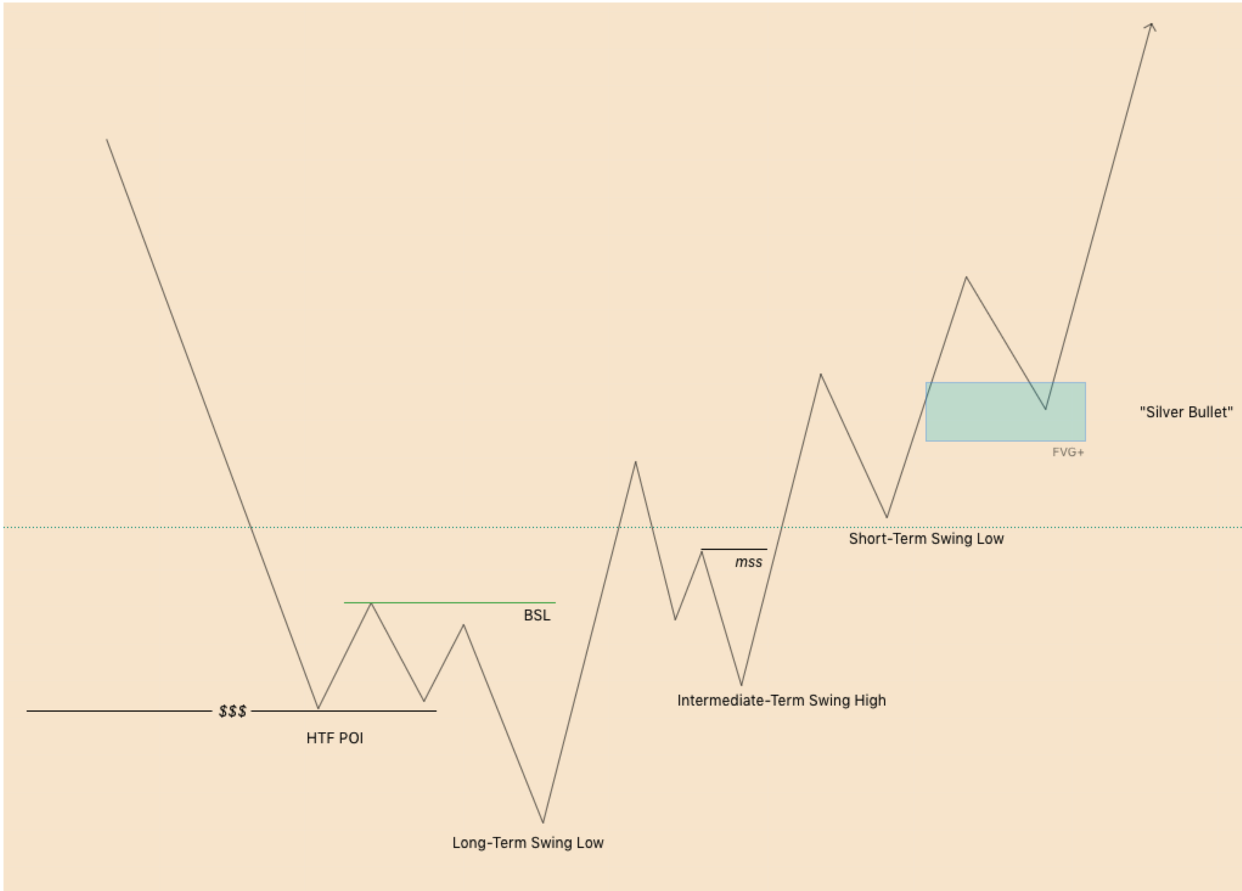
These are your points where price reaches into a premium to continue the trend back down.

→ This is where the speed of the directional move occurs quickly, some people like to call this the “silver bullet” setup of the move.



Swing Lows

General Template for our Swing High's Pattern (it can vary):



Long-Term Swing Lows (LTSL)

These will be your 'protected' points, they shouldn't be broken going forward (as long as mmxm supports the reasoning).

→ You will be looking for a failure to displace down clue on higher time frames! (hint: taking liquidity and then reversing back into the range!)

<u>Intermediate-Term Swing Low (ITSL)</u>

These will be your points that will setup a possible earlier entry to get in with the trend.

→ This is where price will test the long-term swing low price and provide an entry to capture the trend.

→ Could be a point where smart money may induce buyers or sellers (run the stop losses of internal liquidity but only to continue the new trend).

Short-Term Swing Low (STSL)

These are your points where price reaches into a discount to continue the trend back up.

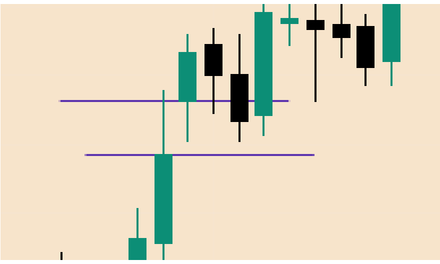
→ This is where the speed of the directional move occurs quickly, some people like to call this the “silver bullet” setup of the move.

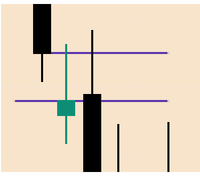
And this is what the buy-side of the curve looks like:

→ Repricing from sell-side liquidity to buy-side liquidity!

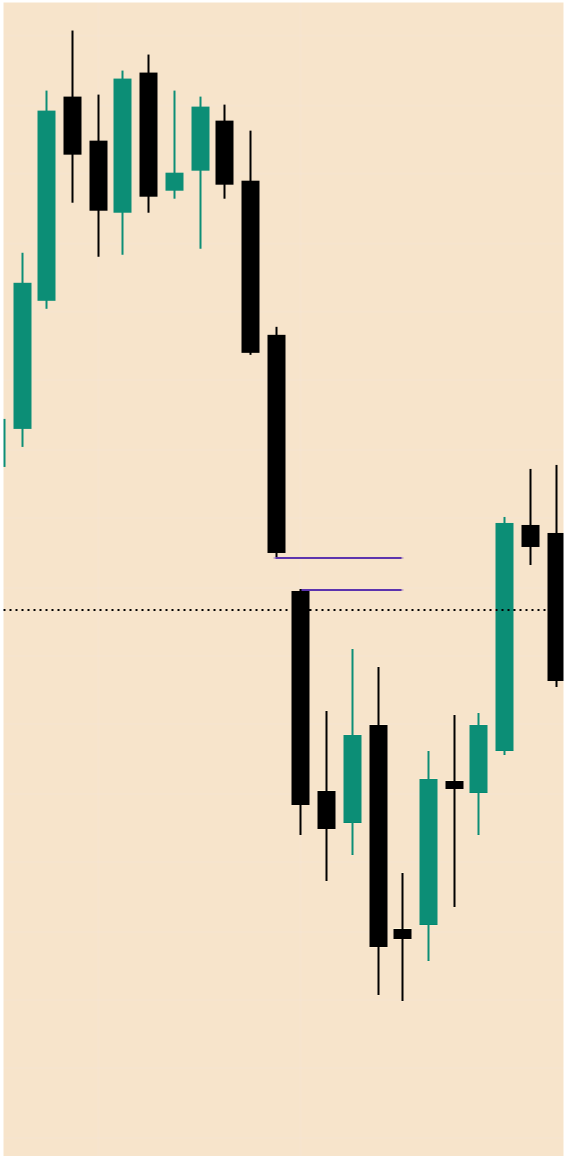
The Different Types of Imbalances

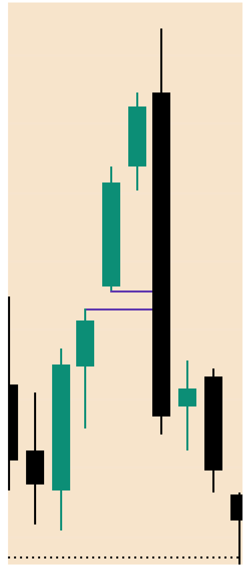
A **volume imbalance** is when 2 candles form a gap where the wicks overlap each other. Here are some examples of this occurring in both directions (using the daily chart).





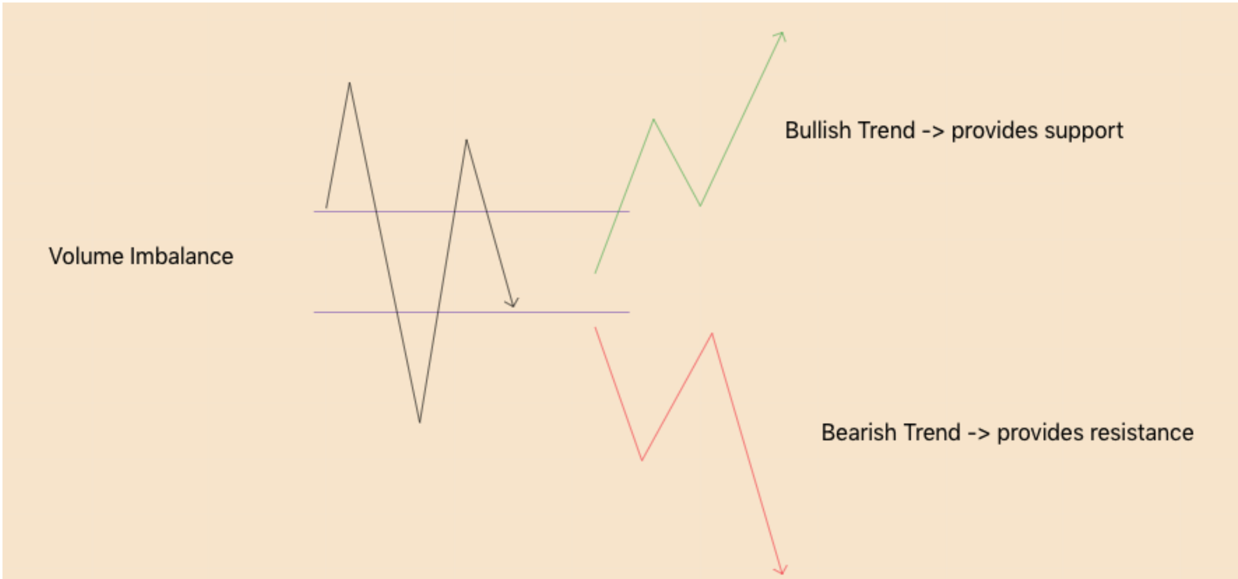
A **volume void** is the same thing as the above, EXCEPT there is no overlap of the wicks. It is a true void where no transactions have occurred. Here are some examples of this occurring in both directions (using the daily chart).





Both of these are points of interest for price to trade into or through them. They begin to form a true level of ‘support’ or ‘resistance’ once price has traded through these imbalances in both directions. Heres what that looks like.

Volume Imbalance



→ Here are three examples (labelled as 1, 2 and 3) of volume imbalances that occur roughly around the same price range across the chart. For all three of them, price trades through them in both directions across the chart.

1) Develops on a down trend. When price trades back into it (and slightly above), price has a hard time moving away from this area (temporarily acts as support) . Eventually, price displaces back down to continue the years downtrend.

2) Develops on the rally up. Immediately acts as support to push price higher before an eventual decline back down. Afterwards, this area along with volume imbalance 1 begin to provide resistance across the chart.

3) Develops on the move back down. Price manages to trade back above it for a brief time before displacing back down with energy and a large magnitude. All 3 volume imbalances are now acting as areas of resistance across the chart.

Quite recently, price has made it all the way back up to the first volume imbalanced labelled on the chart. As you can see, price has made a huge rejection again from this area after taking out buy-side liquidity. Price is now below all three volume imbalance ranges again. This is suggesting that price is more likely to seek sell-side liquidity below if price cannot get above these ranges aggressively and quickly.

Buyside Imbalance Sellside Inefficiency (BISI)

When price moves in the UP direction without providing or attempting to take sellside liquidity (giant trend days - usually coupled to some sort of news/event like CPI or FOMC).

In this example, price is now making its way back down towards the original move to rebalance the BISI (after spending more than a month hovering over it).

Sellside Imbalance Buyside Inefficiency (SIBI)

When price moves in the DOWN direction without providing or attempting to take buyside liquidity (giant trend days - usually coupled to some sort of news).

A very strong directional move without any attempt at a pullback. Price eventually filled this SIBI out taking over a month to do it.

Summary

We can now start to combine our market structure of candles (imbalances, FVG's, OB's, etc) with the structure of how price is shaping up on the chart (LTSH, ITSH, STSH, etc). This will allows us to better understand the trend, where price points will be 'protected', and where setups will occur on higher time frames.