

# Liquidity and Manipulation

🕒 Created	@July 17, 2021 1:46 AM
🏷️ Tags	

The markets need to generate liquidity in order to move, so if liquidity isn't already there, it will be created. So when new traders come in to forex and learn about it for the first time, what they usually do is gonna be retail based trading.

So support and resistance, chart patterns which are extremely popular in the industry, and things of that nature.

So what some brokers do is they offer free education for their clients once we start trading. Now this education will usually be retail methods support and resistance.

## | So why is this?

Well its simple, they want to generate liquidity into the markets, because the majority of traders are trading this way. So these retail methods are not unknown to large banks, and people with large interests. Of course they are not all this information is out there for free, for anyone to go and we know search up.

So if all this information is available for free don't think its wise to assume that these people with huge amounts of money, they are going to use it against the majority of retail traders in order to manipulate the markets.

So when we dig deep into chart patterns like the double top, double bottom or bull flag, bear flag, which we know retail traders absolutely love this patterns.

We need to understand they are all manipulated and they only they do work but only when we really know what we are doing, and how we can trade around the manipulation, because there is a few people who talk about math psychology and as long as we know whats going on and the math psychology behind this patterns, we can still trade them definitely.

So what trade is a tool is to sell at double tops, or buy at double bottoms.

## If we know this and large banks know this, what does that really mean?

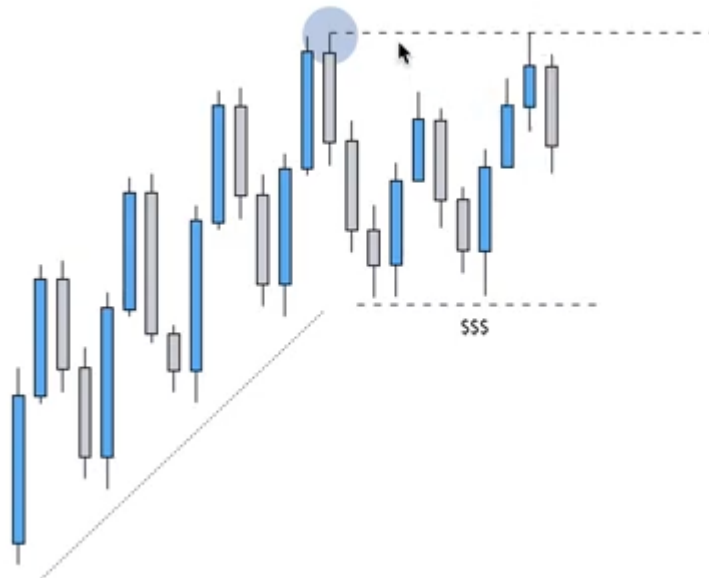
Well it means that there is a lot of liquidity above or below these areas. So there is a lot of liquidity above we know a double top or triple top, quadruple, whatever. And there is liquidity below double bottoms.

So that is why we know double tops as EQHs and double bottoms as EQLs. We expect price to be manipulated at and around these areas.

All we need to do is go back and look at the data, because it's all there. So once we see large moves up, sell size liquidity will usually need to be swept or generated beforehand. That allows that move to actually we know impulsively move.

It basically fueled the move.

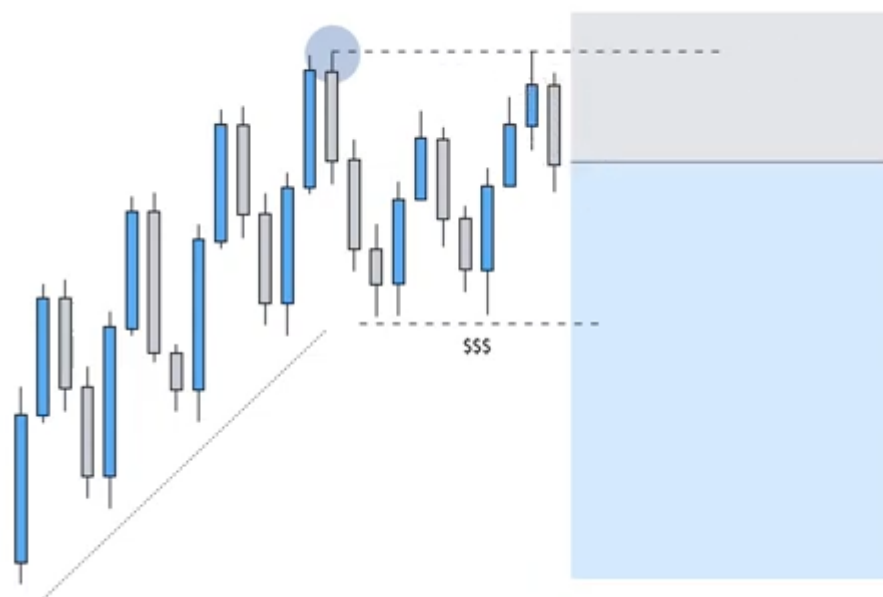
The same goes for when we have large down moves by side liquidity will usually need to be swept or taken out prior.



So now we have gone through that, what we want to go through is this little pattern, and what we can see from this pattern is price was pushing up, which looks like an ascending channel, price then we had this high, we pushed

down, pulled back, pushed down, showing a little bit of a slow down in this uptrend, and then price pushed down to this low.

So essentially we have a double bottom here, and price then pushes up to this high, which is a double top.



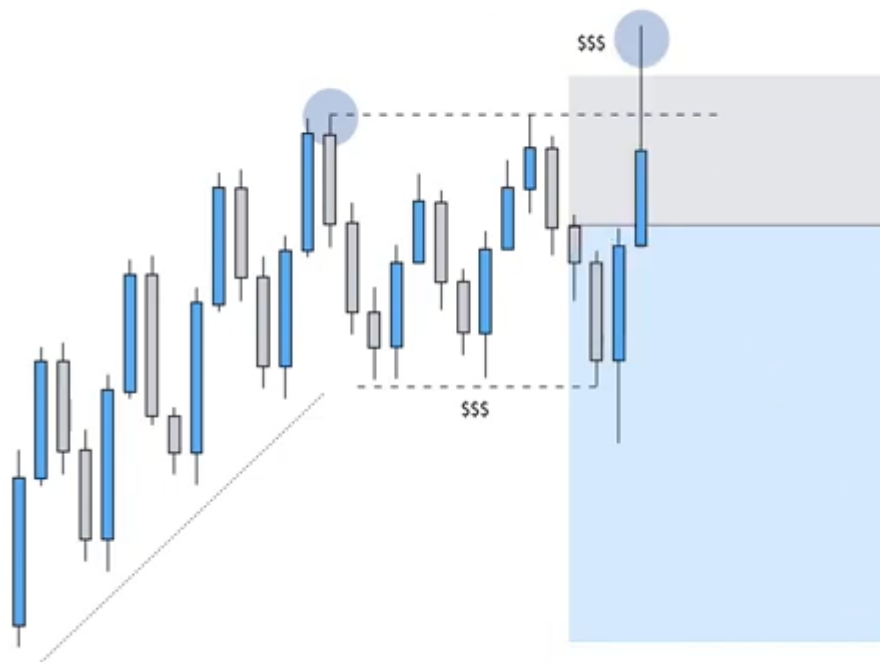
Now a lot of people will be looking for sells from here, so if we know that. So once we have a nice rejection from this double top and nice retrace, this looks good for the majority of people, because price come up but we failed to break above this DT or as we know a EQH.

We have got a nice retrace candle, which again retail love retrace candle, because its showing potential move to the downside, and rejection from an area.

So now that we have got a rejection from this DT, people are looking to sell this, and when people are looking to sell at DT, where are their stop losses going? Well they are going above the DT. But clearly they have going above the DT.

Retail always put stops above DT or below DB, and then expect to move down. So that is exactly why there is liquidity this areas. So that basically means that a lot of stop losses are at this areas.

Now we can't just be 100% positive that there is stop losses here, because we don't know, we just assuming but the data is there for anyone to go and see how this works on the charts day in day out.

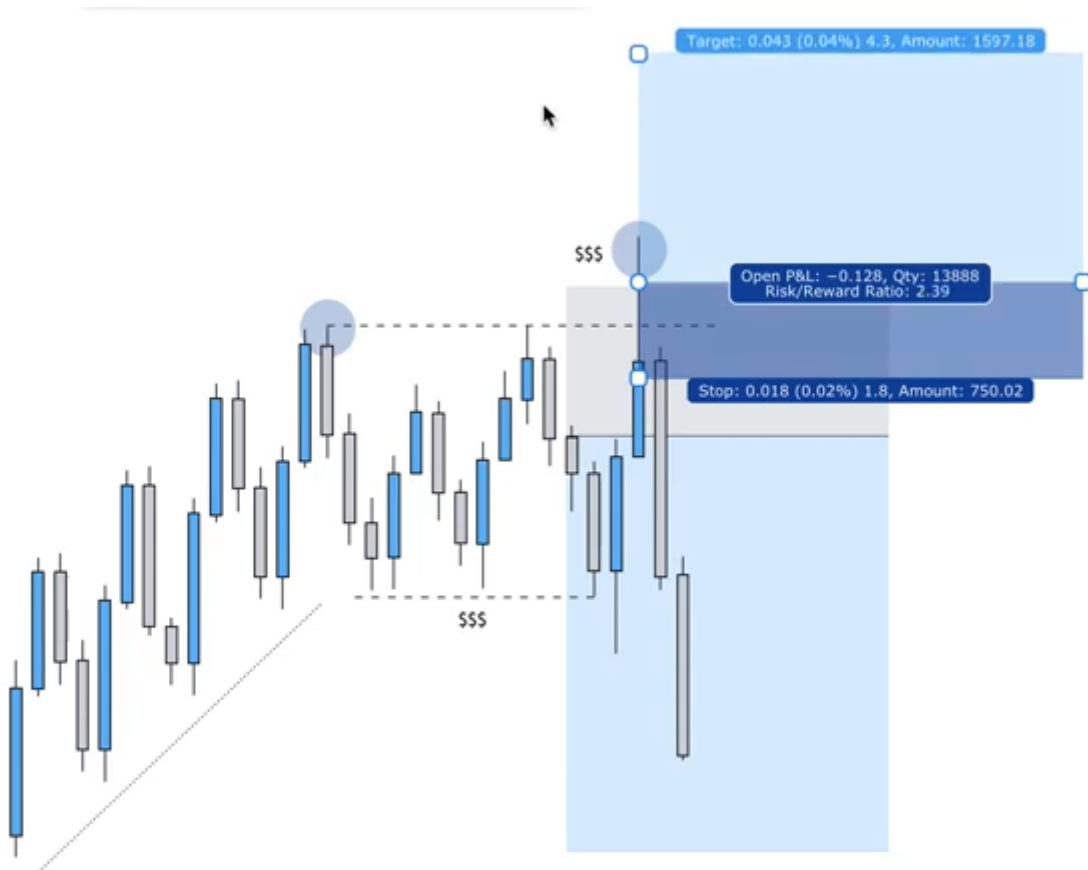


So once we get this, we know we are looking to enter now, and what we usually see is price push down a little bit.

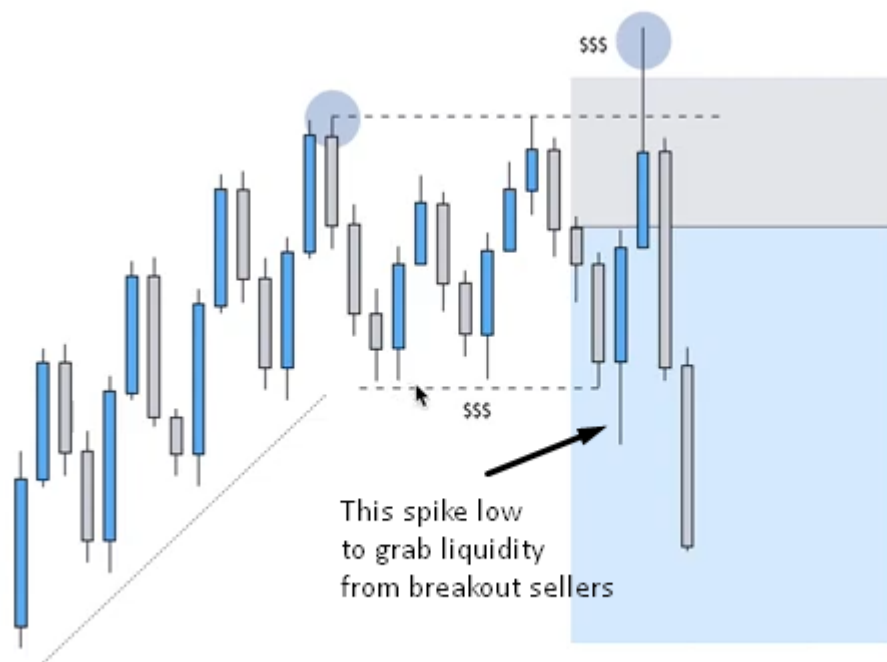
So we have this EQH and also got EQL. So we have got liquidity below here as well, so what's likely to be going on here? Well we are likely to come back up.

Now from people who are in the sells, we know if they are well risk managed then they may have moved to BE but it's unlikely. This is what's gonna happen. More times than not, be gonna come up, seek all of this liquidity, which basically is just taking money from all of the people in the sells, which helps to fuel any potential moves that are gonna happen in the future.

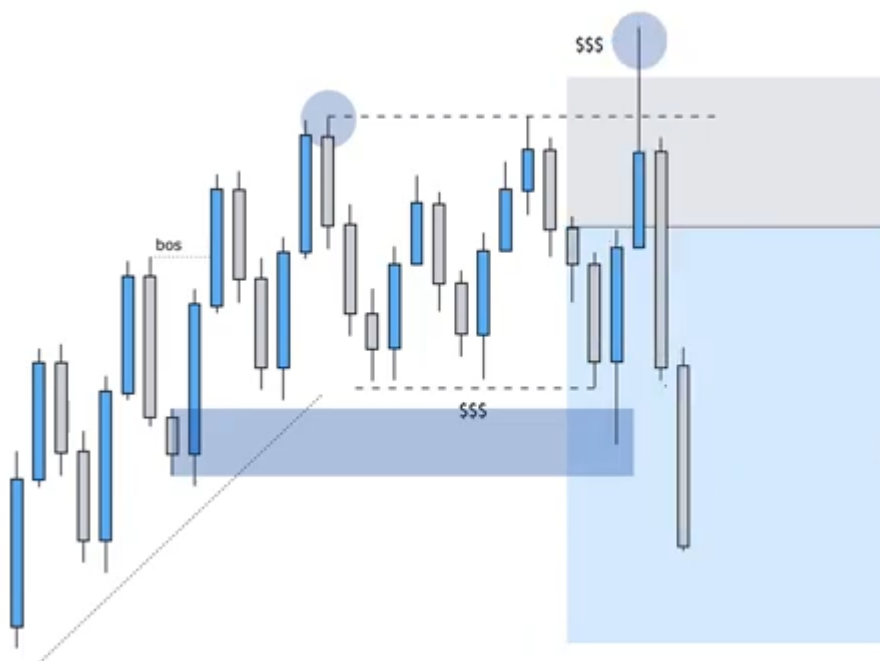
Which likely still gonna come down, but now that we have taken liquidity from this wick, we have a reason for price to potentially come down.



Now what we also have with this breakout traders, who look to set an entry, they look to set and entry on the breakout of a potential area. So we are essentially grabbing sell side liquidity as well and buy side liquidity.



Now we will see this a lot, see how we got some really huge momentum after that liquidity grab, this is not uncommon, and if we also see what happened before price came up to take liquidity, we also have this EHL here and we can see this spike low, so essentially we actually took liquidity from the sell side, for anyone looking for sell on breakout in this double bottom here.

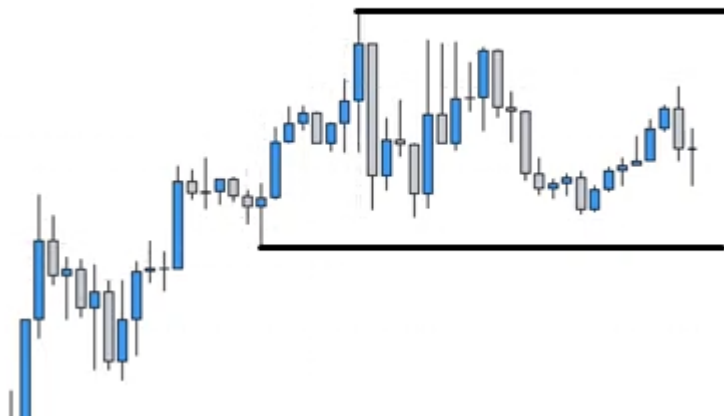


But if we also look left what we can see is what we will usually see on the charts, is price breaking below a DB or EQL which is tapping into an OB which is seen on when we look left with price section.

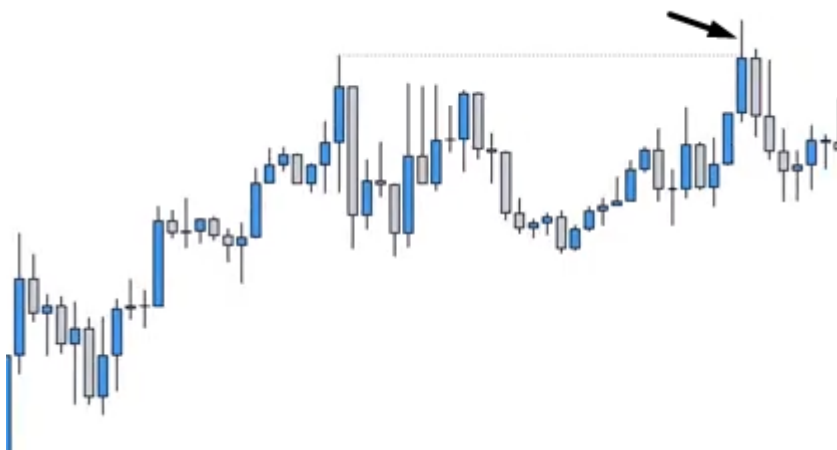
We can see we made BOS above this high, last down candle, price wicked in, grab liquidity, mitigated, pushed up, grab liquidity, and then we have a reason for price to move to the downside, as we can see.



So what I wanna do now is go EU and show exactly this thing, manipulation. So we are on 1h, and if we look at current price, we can see we are clearly bullish, and price is trading above this lows and make HHs.

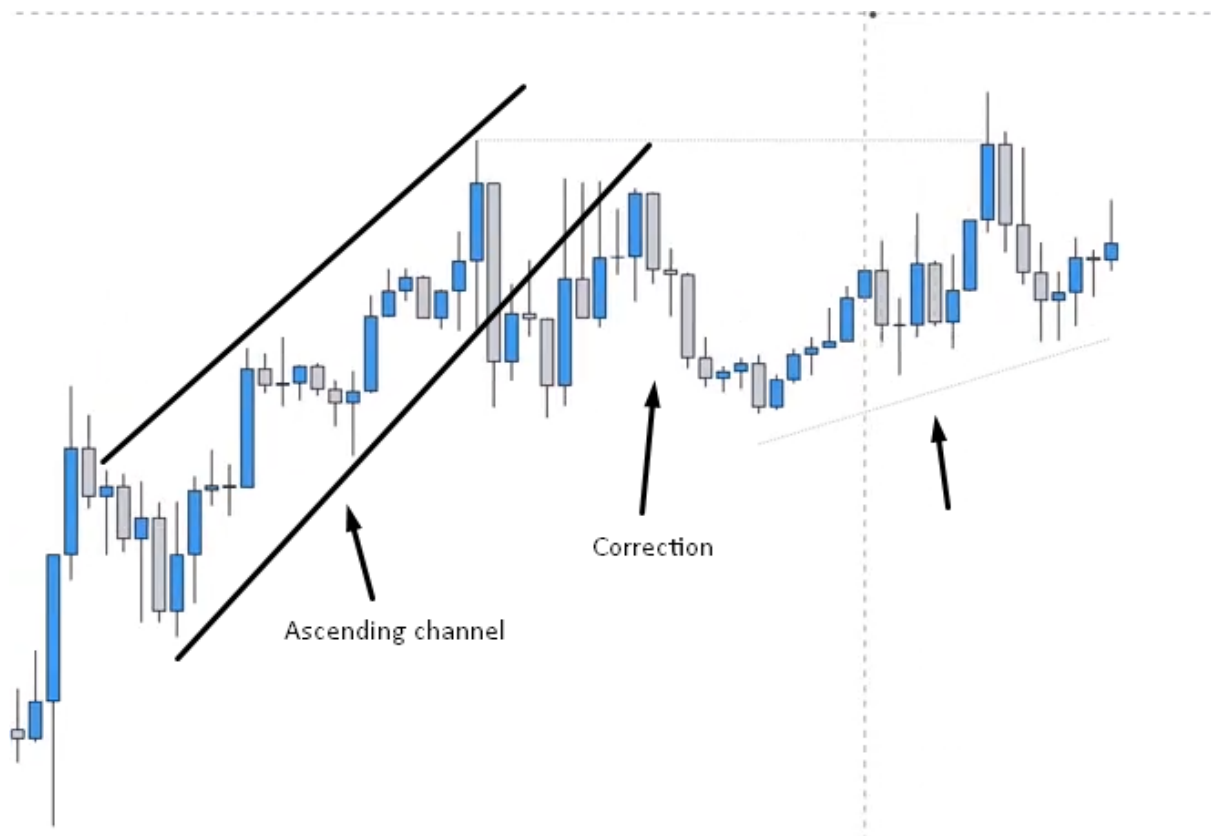


So we have a high, now we can already see price starting to slow down, we are ranging, we are staying within this high, and this most recent HL, but we are clearly building liquidity, before the markets get manipulated.



So we have this high here, price come above it, but closed below, we have wicked it. So we have a retrace candle priced in pushes down.



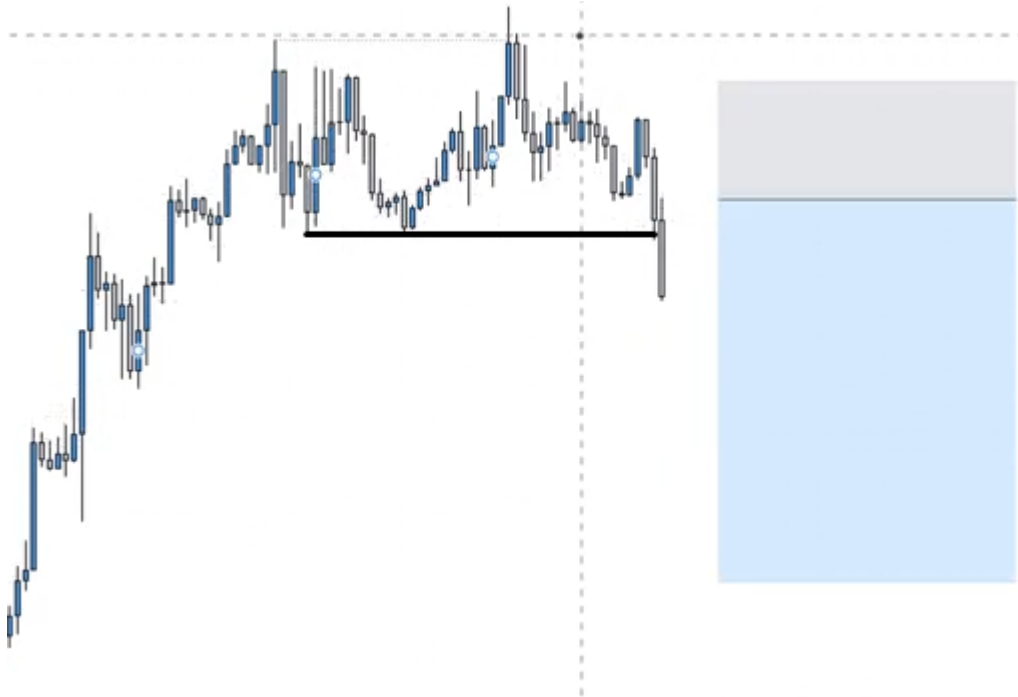


This is clearly ascending channel, we have this correction, we also have this high price pushes down, a nice ascending corrective move back up to that DT.



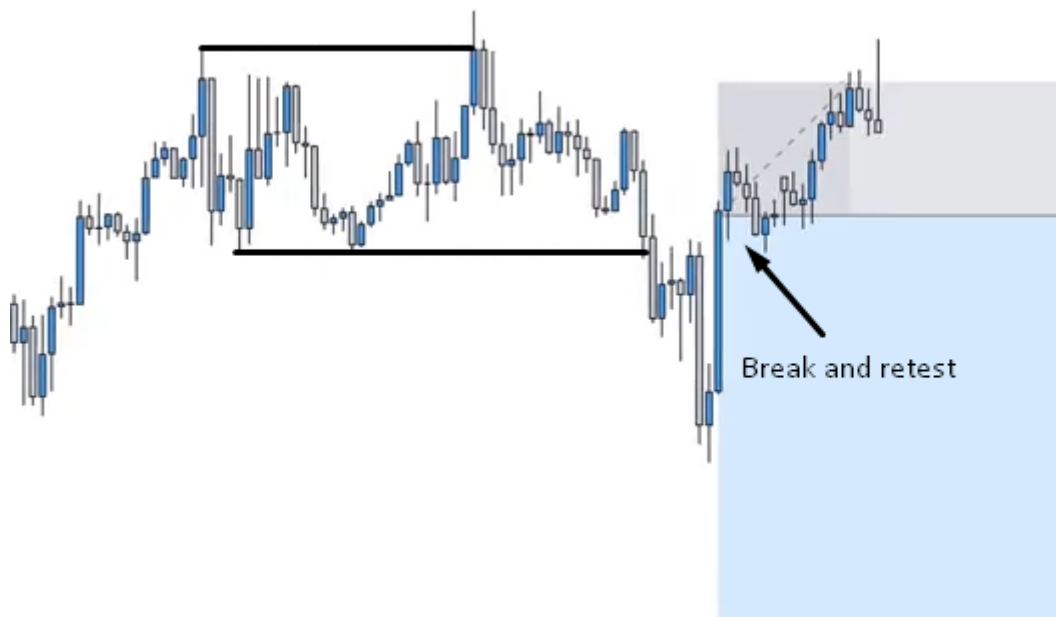
Now we see a nice impulse down, and we see head and shoulders pattern here, this would be the head, left shoulder and the right shoulder, and this is

the neckline, we have broken it, so traders will be looking for a break and retest.

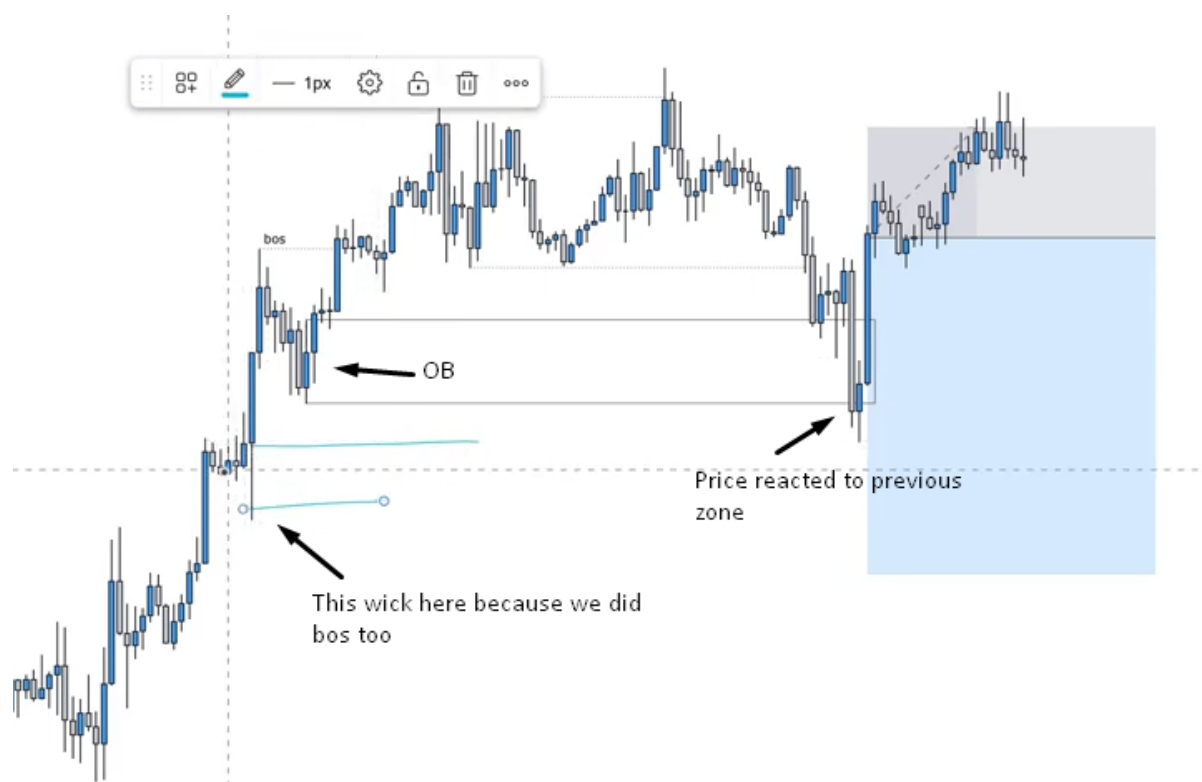


So if we just mark that on we have had a break of this trendline, a nice impulsive break, and I'm gonna mark on this as the clear break. So where would entries be? We have had an impulsive move, maybe at this low here was enter.

Now this is clearly impulse down, head and shoulders, so people will look for short from here.



So price pushes down, we push back up, so we had a break and a retest, stop loss can be 20 pips, above that high, and we push down but then we get taken out.

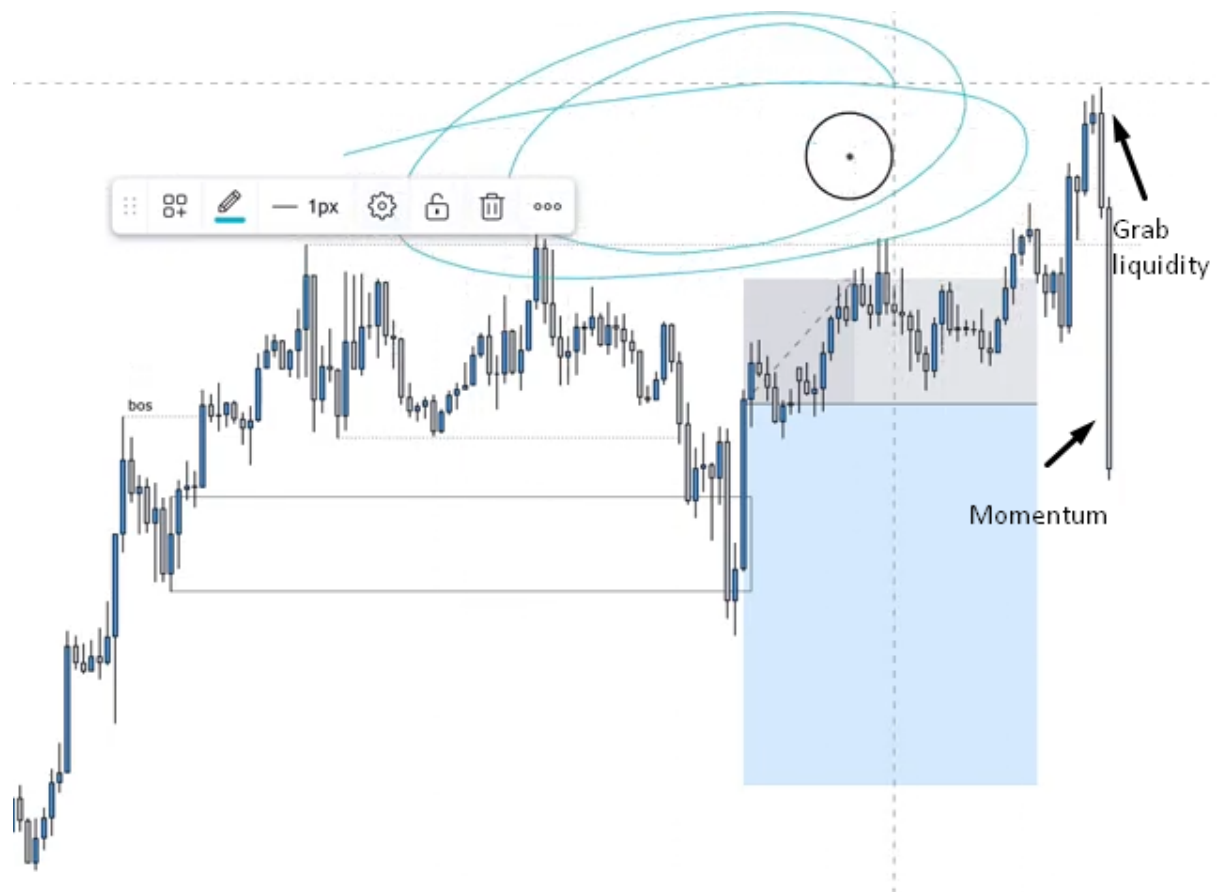


So this was a fake out, so as we just looked on the diagram, if we look left, we can see we BOS, which as we know leaves behind an OB, which granted we did wick below, but it was likely tapping into, maybe this wick, because we did BOS here as well, last down candle.

So we would be noticing this down if we was looking to trade this.



Now we just gonna move this line along, because this would be an area of resistance, we also had some support, that we could say from here, we broke it, maybe its turned resistance, and this is the sort of idea what people are trading.



Now price is tapping on resistance, and are people selling here, a lot. So we are gonna come up and we are gonna take that liquidity from this highs. Grab that money from stop losses and now price have reason to potentially move down, and what do we know look? Look at that momentum.

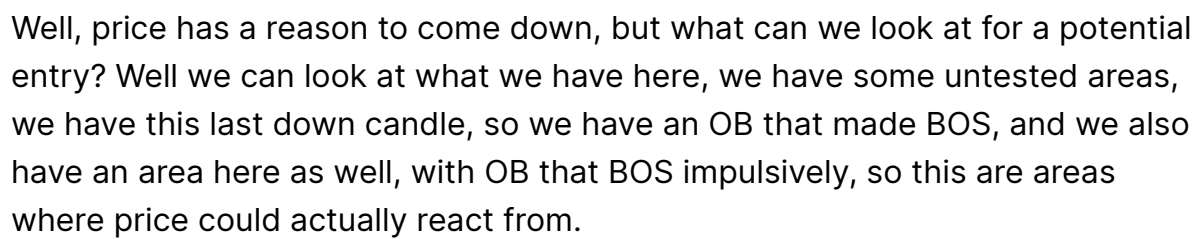
The reason that we can see momentum like this is because we have fuel, after grabbing all this liquidity from this area here.

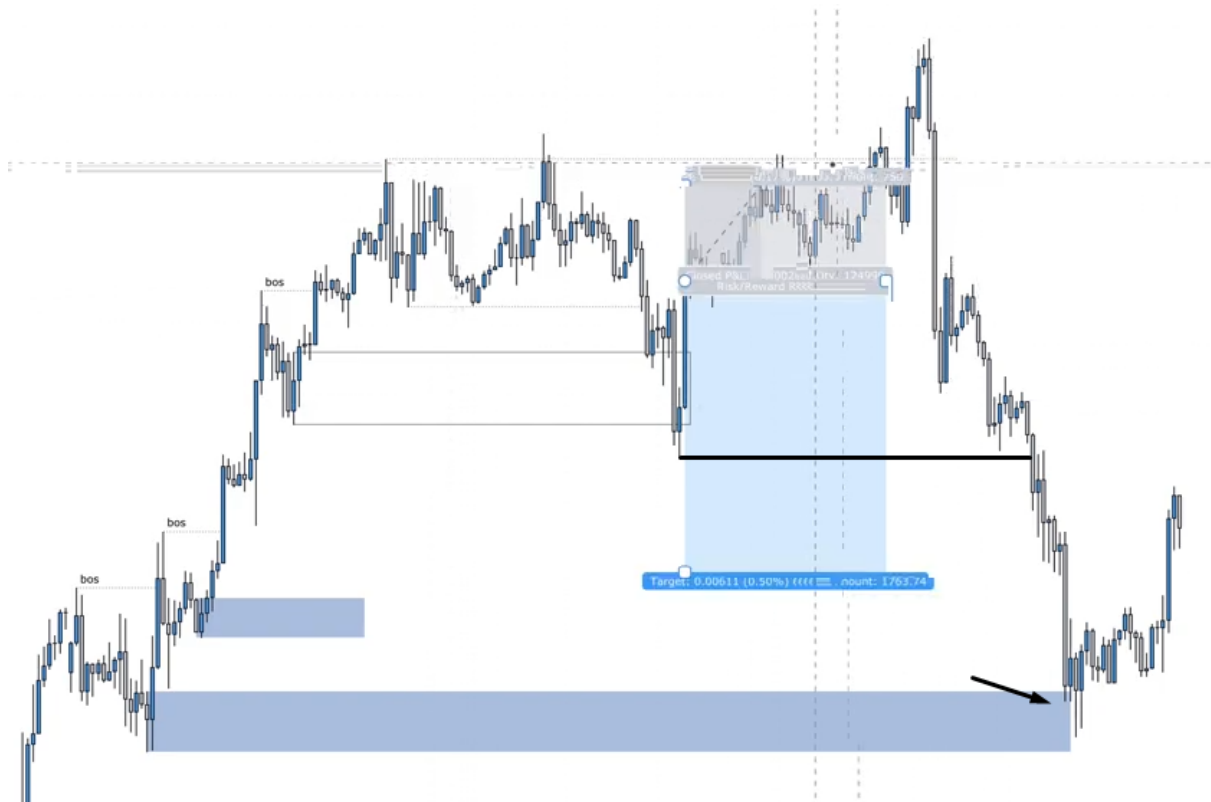


Now at this area look how price broke, we broke here but we pulled back in, people also selling here, we have breakout traders looking to go long, stop loss back inside, and they get into profit and it flips on them.

So we are taking liquidity from both sides, buy and sell sides.

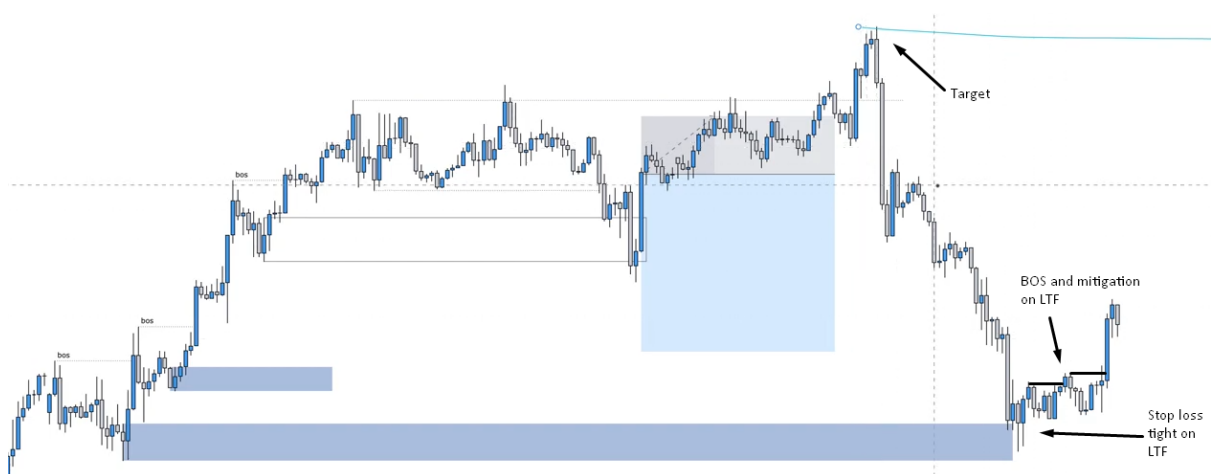
**So whats likely to happen now?**





So now we can see the momentum, we have a bit of correction here, but we can see the overall momentum and its all down to the fact that we had this liquidity sweep from here, which can feel the move down, breaking this lows here and essentially tapping into an actual area where large institutions are looking to get involved.

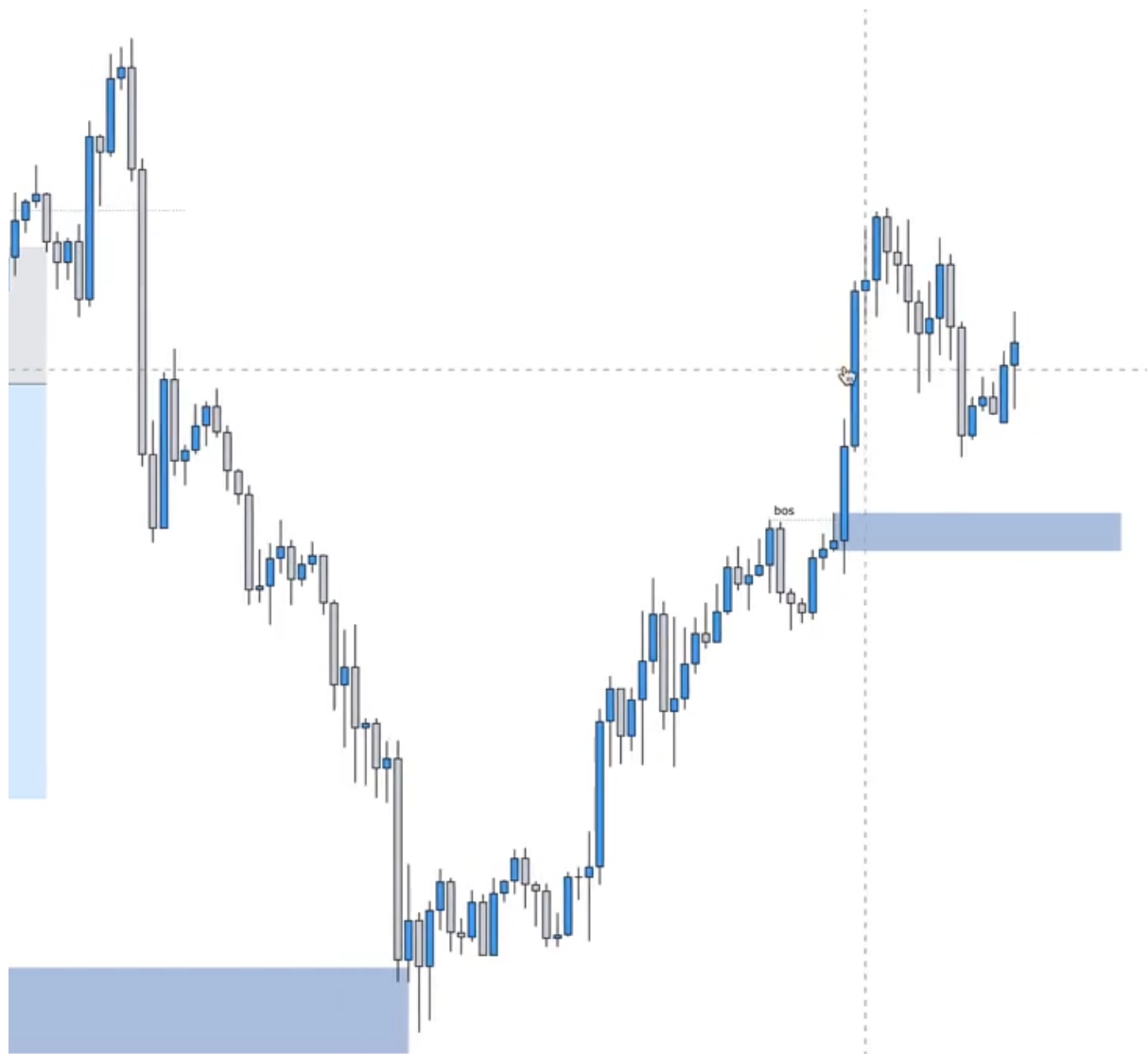
So we come in, and we can see how price has reacted, so this are areas where SMC traders are looking at to get involved in the trade.





Now on this OB here, we can see price tapped in, mitigated, and now this little BOS are just mitigations on a LTF, so we will see this as BOS, mitigation, BOS, mitigation, which we know we can get involved in this trades from down here on a LTF, with stop losses really tight, with the expectation of essentially targeting back up here, because there is no reason why a price won't come up here. We are still bullish, even though we have momentum here, but it's about looking at why momentum was caused, and what price has come into.

Now we granted we could potentially take some sells in here down to this areas definitely, but the point is, price has now taken liquidity, tapped into a high level of interest, so there is no reason why we can't be targeting up here, and we will see the momentum that kicks in now, because price has a reason to actually move.

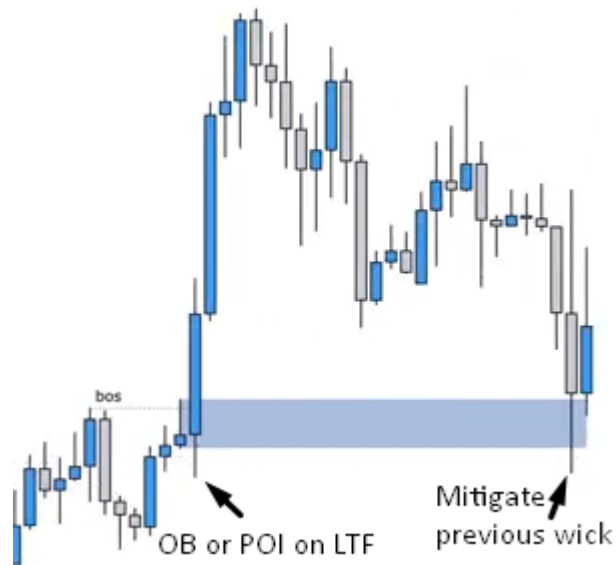


Now price continue up and we have a bit correction, but then we see some heavy momentum, and if we just take this bit of price section, what we can see is this is momentum, as we can see, which BOS, so we can note that is broken that structure there.

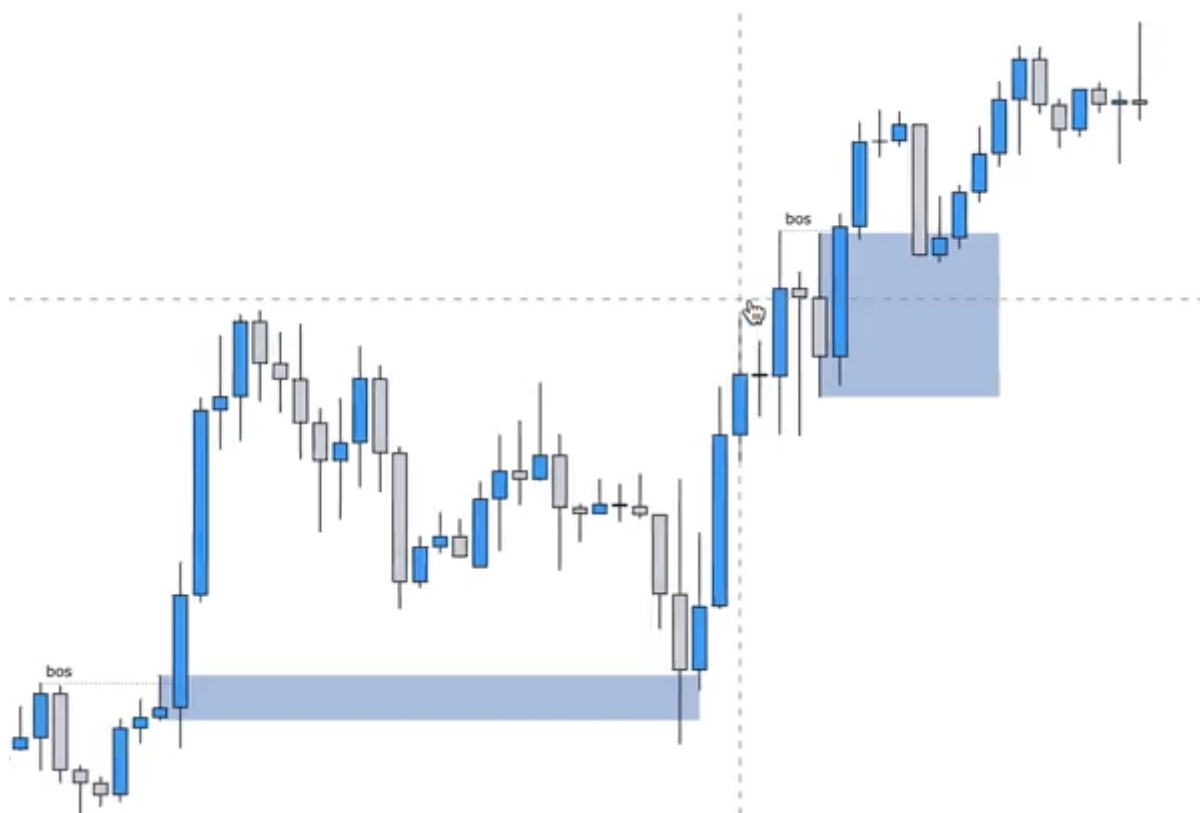
And then leaves behind the last down candle but then we can take the candle before the momentum which is here. So we can look to get long from here.



Now we expect price to come back down to fill the imbalance, mitigate this move and then continue.



So price come down, and do a wick below. So we do have this wick before, so this is just a LTF OB or POI that we can look at, so thats what price was doing, mitigating that wick.



And price continues up like we expected, and make a momentum, because price has a reason to move. And now we also BOS again to the upside, we had this last down candle which granted is very large, but we can refine in a LTF. Price respected it and then pushed up. But this is basically this is how we need to be viewing the market as well.