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## Liquidity – All You Need To Know

Liquidity in the market has been interpreted wrongly and explained way too complicated by many so called SMC traders in the trading industry. The goal of this PDF is to explain what liquidity means and its applicability.

For the sake of this PDF, I will be discussing about the term called “draw/grab on liquidity.”

## What is Liquidity & How to Spot it?

Different traders interpret liquidity in different ways. Traders see liquidity on a price chart as equal highs & lows, double tops % bottoms, trend lines, consolidating prices. These are all nice approach to identify liquidity on a price chart.

But some of these approaches are confusing and way too complicated to spot on a price chart. Personally, I have been able to make spot out liquidity into its simplest form by using swing highs and low.

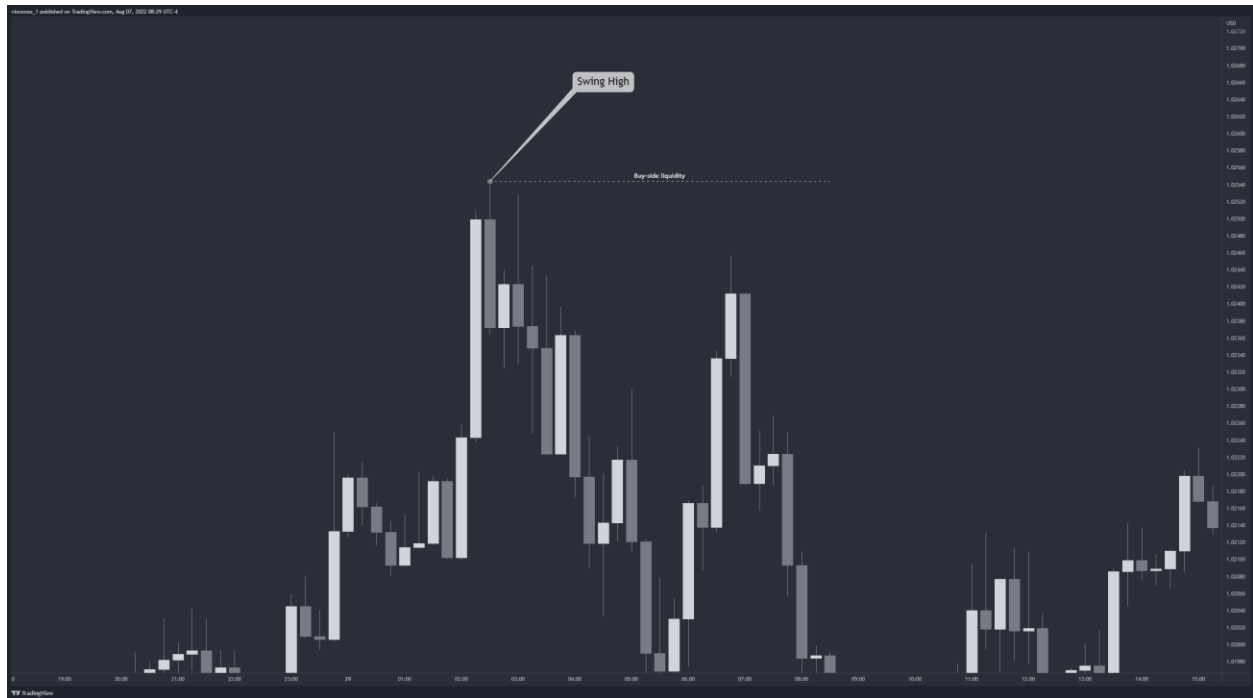
Swing highs and lows is the most common pattern that can be found in a price chart. They appear on every time frame and they are not too complicated to spot out.

### ❖ Relating Swing High to Liquidity

In the market place, we have buy-side liquidity (BSL) resting above a swing which means that whenever we spot, we should be aware that buy-side liquidity (BSL) is resting above high.

### Chart Examples:





#### ❖ Relating Swing Low to Liquidity

In the market place, we have sell-side liquidity (SSL) resting below a swing low. This simply implies that whenever we see/spot a swing low on a price chart, we should be aware that sell-side liquidity (SSL) rest below the swing low.

#### Chart Examples:





## How to Apply Liquidity to Market Phase (Structure)?

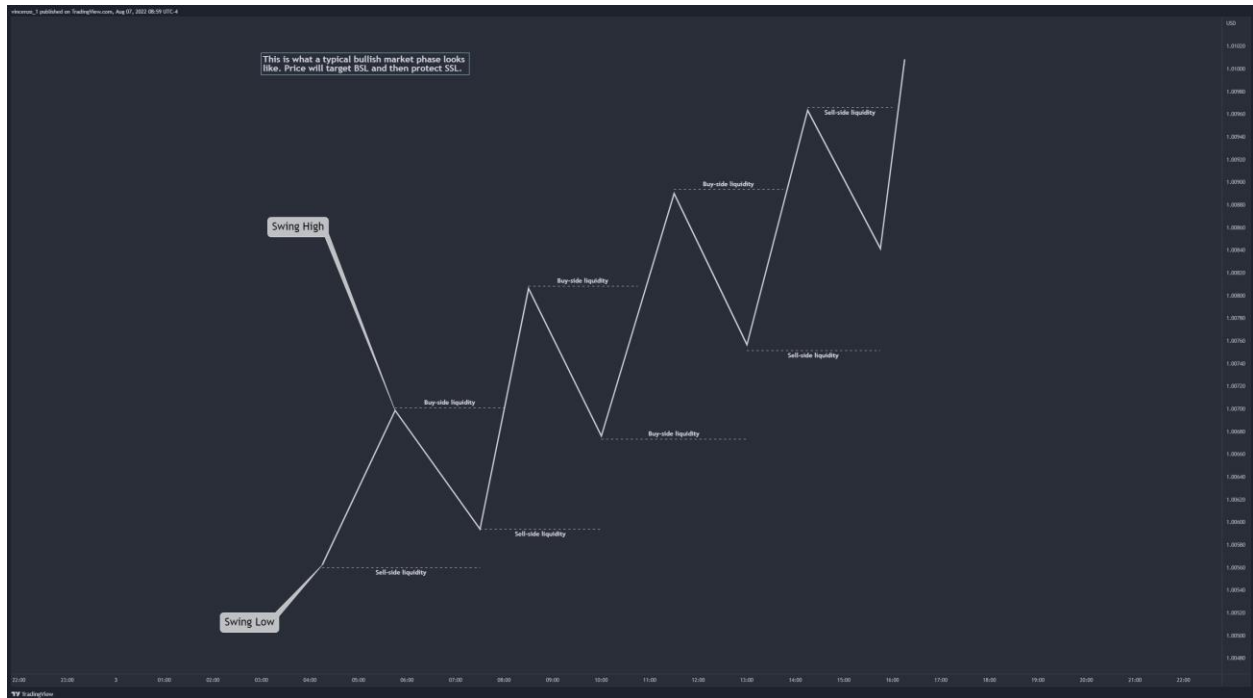
There are two (2) major types of market phase (structure), and they are bullish (buy-side) & bearish (sell-side) market phase (structure).

In this section, I will explain to you on how to apply liquidity to a market phase.

### ❖ Bullish Market Phase

In a bullish market phase, the swing highs (buy-side liquidity) are targeted, while swing lows (sell-side liquidity) are protected. In other words, in a bullish market phase price will always gravitate/draw/grab towards swings highs (buy-side liquidity).

## Sketch Example:



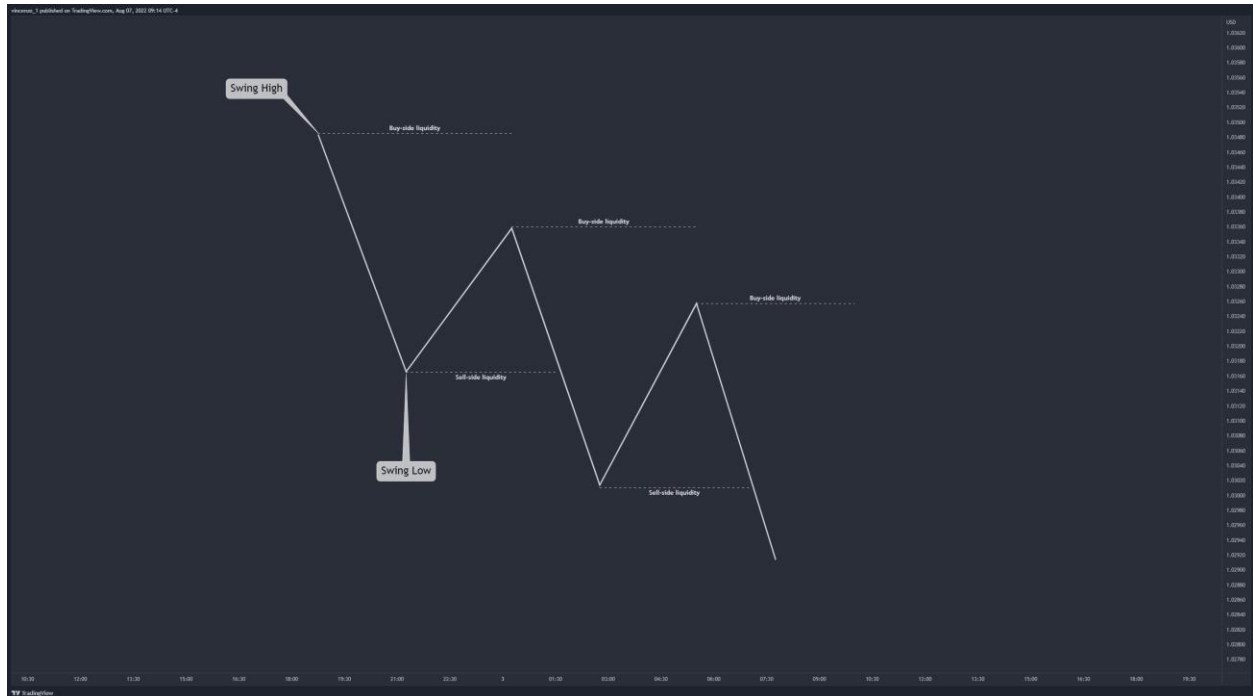
## Chart Example:



### ❖ Bearish Market Phase

In a bearish market phase, the swing lows (sell-side liquidity) are targeted, while swing highs (buy-side liquidity) are protected. In other words, in a bearish market phase price will always gravitate/draw/grab towards swings lows (sell-side liquidity).

#### Sketch Example:



#### Chart Example:



## Conclusion

The market is way too complex in its movement and it will do you no good as a trader to start complicating concepts.

In this PDF, I believe that I have been able to simplify liquidity in its simplest form.

Liquidity helps to identify like able point or area where price will be drawn towards to moving forward. You simply can't look at liquidity as the main concepts when it comes to reading these markets.

It is very important to first identify what phase the current market is at, before you move forward to spot out the next draw on liquidity.

Each concept has its uniqueness and usefulness and knowing how to combine concepts together like a piece of art, makes trading unique and self-sufficient.

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