5 SMART MONEY

Smart money is the money invested by central banks, big banks, institutions, market experts, hedge funds, investment management firms, and other professionals. Smart money is the word derived from gambling terms, where it is often referred to as the money profited by gamblers with a good record of success. It was often referred to gamblers who used to have an in-depth idea and insider information of the game. (Caroline Banton, 2020).

The concept is similar in the investing world. The smart money in forex is often referred to as the capital invested with deep knowledge of the market, which the retail traders cannot approach. Thus, it is considered to have a lot more chance of success than the technical analysis of retail traders (Caroline Banton, 2020).

Smart money refers to the smartest players with a huge force of money who can cause an impact in the market and move the price. They are also described as market makers. These smart money traders have enough volumes and money, to cause a change in the live market. Central Banks, Hedge Funds, big Interbank; Bank of America, Barclays, Goldman Sachs, HSBC, Citigroup, UBS, major insurance, and global companies are some of the examples behind smart money. They have enormous influence and are always powerful in the financial market. (Forexlens, 2020).

Banks are the smart money traders with the highest volume. The volumes banks invest in the forex market usually make up more than 60% of the total volume of the market. They have in-depth information, knowledge, and a professional team that helps them persistently profit from their trades. Smart money has a huge amount of capital to trade with. Because of their large orders, their actions cannot be unseen. (Stacey Burke, 2018).

Banks and institutions are the top players of the forex market. The volume of currency banks and institutions trade forex is much higher in contrast to the retail traders. They are the players who are consistently correct about the market. (Fxssi, 2021). Their huge amount of volume can force the change of direction in the market. Smart money is entirely different from retail traders. Where retail traders trade breakouts and breakdowns and follow the trend, smart money sells at the top and buys at the bottom. Smart money trading means trading along with the institutional strategies, which are lined up with the aspects of smart money. This method of trading is more powerful than the use of any technical analysis which is used by retail traders. (Forexlens, 2020).

Retail traders cannot move the market as smart money controls more than 60% of the total volume of the market. (Stacey Burke). Trading with smart money takes a lot of practice and time. Smart money trading is very confidential, and they are one of the most hidden strategies in the currency world. Bigger institutions and banks never reveal their strategy. (Forexlens, 2020). Smart money trading in an institutional way is mainly focused on market structure and supply and demand concepts. Therefore, it is very important to have deep knowledge about the concepts of market structures and supply and demand trading and the order flow analysis the bank trades with.