

## **6 MARKET CYCLE**

The market moves in four phases; Accumulation phase, Mark-Up phase, Distribution Phase, and Mark-down Phase. Every market goes through the phases of this cycle. Rise, peaking high, dipping, and bottoming of the price are some of the common cycles the market goes through. Smart money buys in the accumulation phase of the market as price as the market has fallen a lot and the price is stable while the sentiment of the market is still bearish. They sell in the distribution and the last stage of the mark-up phase of the market as the overall sentiment is mostly bullish, meaning the market is about to reverse the cycle and the price. (Mary Hal, 2021).

### **6.1 Accumulation Phase**

Accumulation is the first phase in the market cycle where the price is at the bottom level. It is the phase where bigger operators or smart money absorb the orders and position in the market. Smart money starts to buy as the market has bottomed in the accumulation phase. The sentiment of the market in this phase is bearish, where retail trades start to sell while smart money begins to buy. (Phillip Konchar, 2020).

### **6.2 Mark-up Phase**

The Mark-up phase usually occurs after the accumulation phase. It occurs after the smart money has accumulated enough orders available in the market. During this stage, the market begins to consolidate, and price begins to move rapidly higher. The market structure is mostly higher high and higher lows in this phase. The market sentiment in this phase turns to euphoric from the bullish sentiment. (Phillip Konchar, 2020).

### **6.3 Distribution Phase**

This phase usually occurs after the mark-up phase, where the price gets ranged or stable for a certain time and the seller starts to dominate the market. After the end of this phase, the market changes its

trend. Smart money starts to sell their orders in the market during this phase. Price remains stable and the bullish sentiment of the market becomes mixed sentiment. (Phillip Konchar, 2020).

#### **6.4 Mark-down Phase**

In this phase of the market cycle, the market is fully controlled by bears. This is the last phase that occurs after distribution with the huge fall of the price. The smart money takes profit of their position and sells heavily making the price fall drastically. The market structure is lower high and lower low in this phase. Most of the dumb money tries to sell in this early phase of the market, while smart money looks to buy at the bottom price. This phase signals the beginning of the new accumulation phase. (Phillip Konchar, 2020)