SMART MONEY CONCEPT

BIBLE

FALCON COURSE

SMC bible content

Why this book ?

My goal with this book is to allow traders to have only one book containing detailed information for smart money concept strategy. The chapters are created in order to enlighten the importance of mixing all together.

I will share all my experience with the smart money concept. I've been SMC trader for over 2 years now. This strategy changed my life and change the life of thousands and thousands of people years after years. You could be the next one!

Take your time with this book, test all the concept one by one and backtest every chapter before moving to the next one. If you have any question about a chapter, you can contact me on telegram and get my personal support.

For a 20 euros supplement, you will get a lifetime access to the telegram channel where I share my backtesting videos with my students.

Chapter 1: SMART MONEY CONCEPT

This term refers to the institutional investors, central banks, financial professionals, the force that influences and moves the market. ‹ *Smart money* › was originally a gambling term that referred to the wagers made by gamblers with a track record of success.

A lot of mentors love to say that smart money strategies follow what the banks are doing. Personally, I use to say that this is a common strategy, it follows the price action. The story telling built around that seems totally legit but as I don't have a 100% proof, I prefer to use the original version of the definition; Smart money allows me to have a track record with success and that is for me the only thing I care.

The price action, especially smart money concepts, was clearly what I needed to take my trading to another level. If you feel that your stop loss is "chased" with your strategy, smart money could be the explanation.

Smart money contains multiple concept that need to be implemented little by little. The mix of all the concepts will allow the nice risk to reward trade.

One thing you need to clarify in your head is that the strategy and psychology are two different things. In fact, the latter will remain the biggest part of your trading journey.

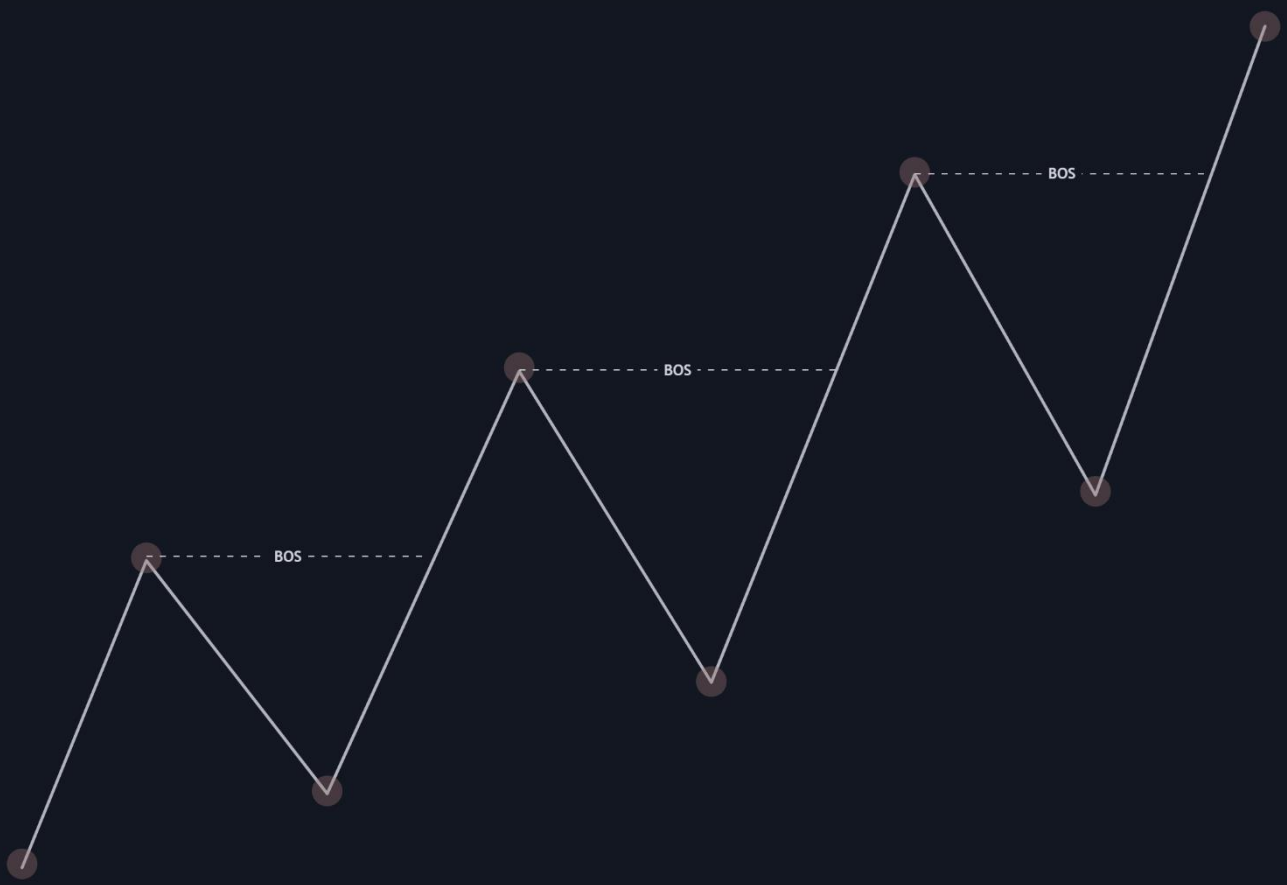
Chapter 2: MARKET STRUCTURE

Firstly, we need to understand that there are different kinds of structure: The swing structure and the internal structure. Some examples will be the best to illustrate my words.

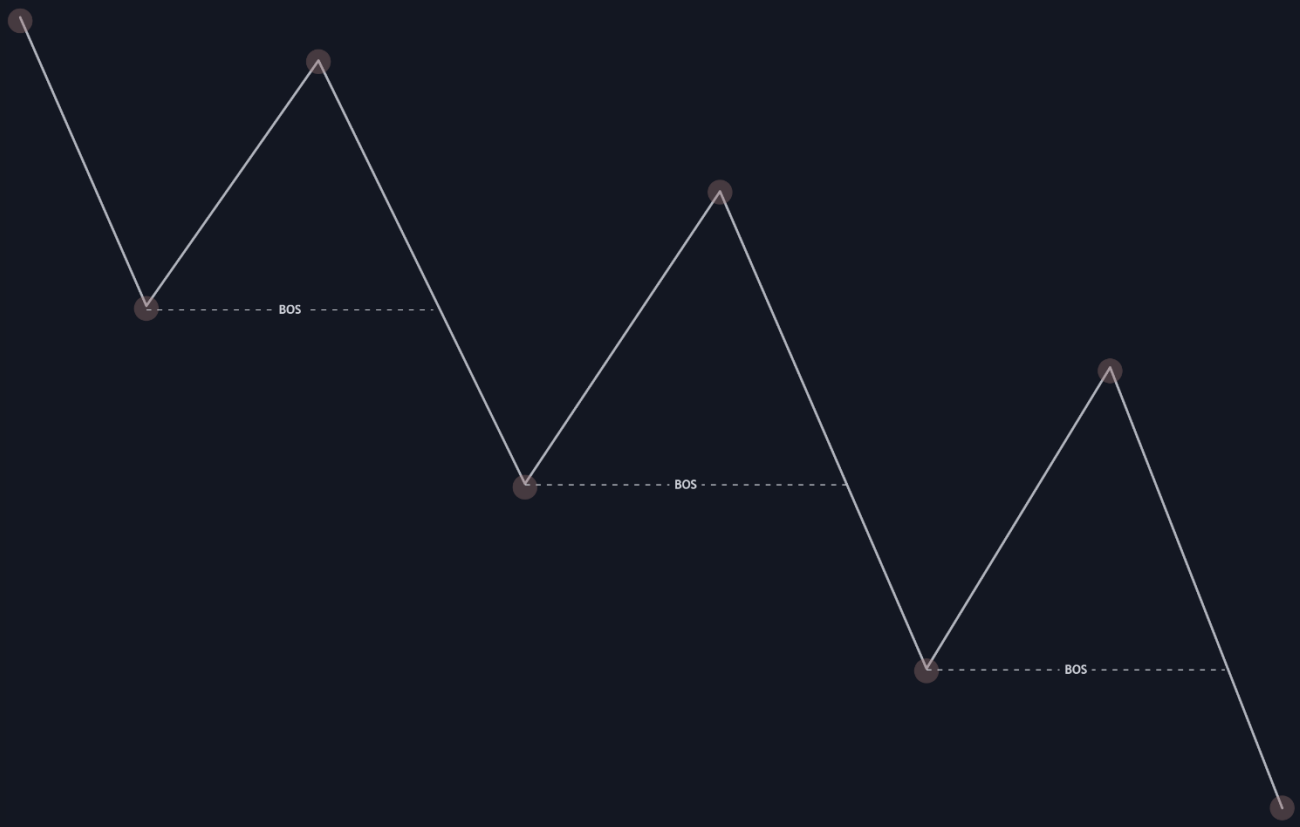
THE SWING STRUCTURE:

The swing structure is the large range, where is contained the price. Once this range is broken, it's called a Break Of Structure (BOS). After the BOS, price will build up, at a certain level, price will start slowing down and going back in the legs he just created. At some point price will react and create a new BOS, in order to continue its trend.

This is the example of a BULLISH structure:



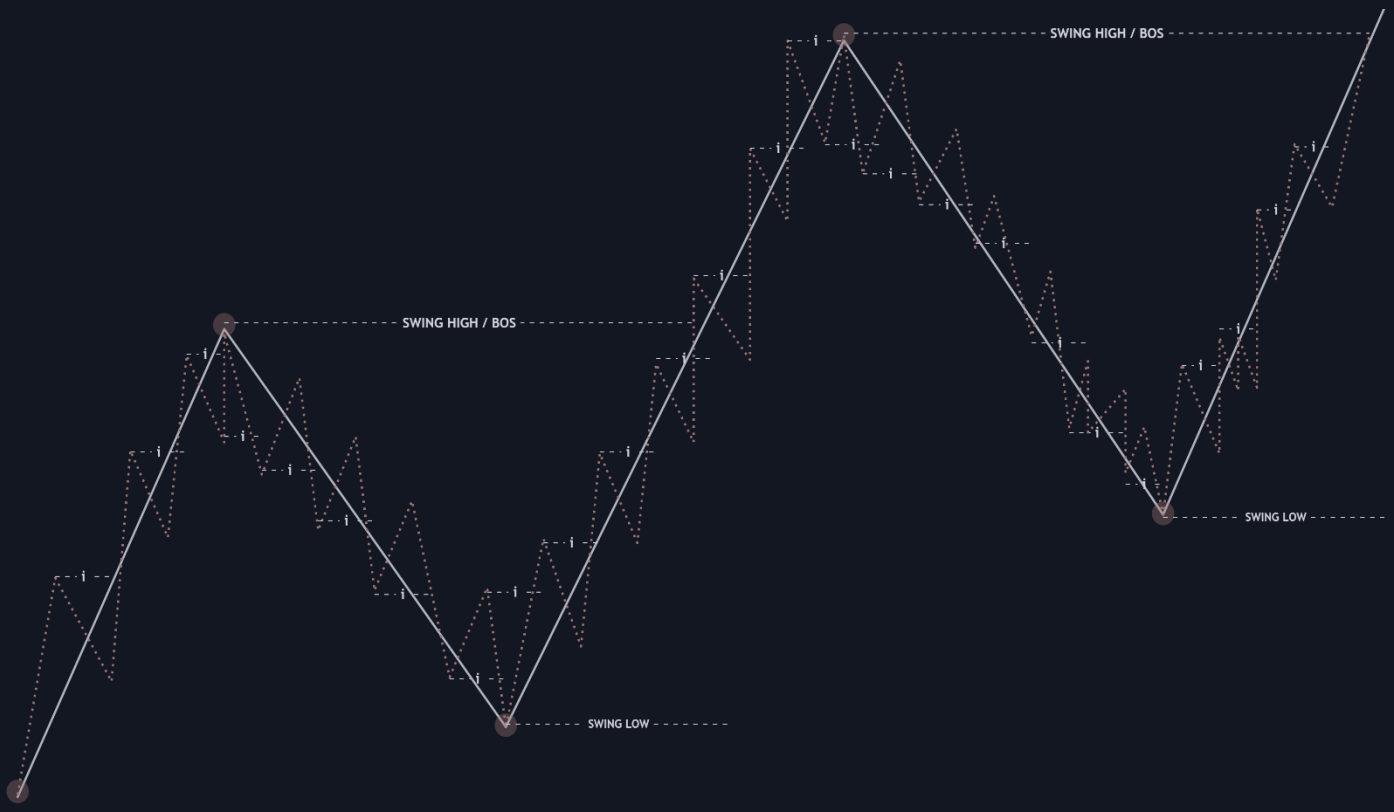
This is the example of a BEARISH structure:



THE INTERNAL STRUCTURE:

Let's be serious 2 minutes, this kind of structures are only a schematic way to see it. On a real market, price will create a lot of internal structures in the swing structure. This is where most of people get lost. As there are some many highs and lows, they don't know which one to choose. Let's clarify all of this by introducing to you the internal structure!

Example on the next page ➔



As you can see, the internal structure is marked with a RED line. This shows that there are a lot of highs and lows before the swing shows up. Let's say for example that our swing structure here in WHITE is the H4 timeframe.

Chart example(H4):

THE FRACTALITY OF THE MARKET:

Definition of fractals: ‹a complicated pattern in mathematics built from simple repeated shapes that are reduced in size every time they are repeated›.[1]
Examples are everywhere in the forest. Trees are natural fractals, patterns that repeat smaller and smaller copies of themselves to create the biodiversity of a forest.

Now we can apply that to the market. Let's see an H4 and a M15 time frame

H4 timeframe chart:

On this timeframe (H4) we clearly see that price is in bullish trend making higher highs and higher lows. Between those HH and HL there is a lot of internal structure. We can see it in h4 but let's zoom in M15 to understand the FRACTALITY.

[1] https://dictionary.cambridge.org/dictionary/english/fractal

M15 Chart :

On the M15 chart we can clearly see that the internal structure in H4 is more visible. Also, we can elaborate that the H4 internal structure can be the M15 swing structure. This help a lot to understand how we can follow the market even if we have multiple timeframe to use. A lot of people misunderstand the structure because of not knowing the fractality. This is an important concept in order to understand well the structure.

Let’s take a deeper look in the bearish h4 internal structure in the M15 timeframe :

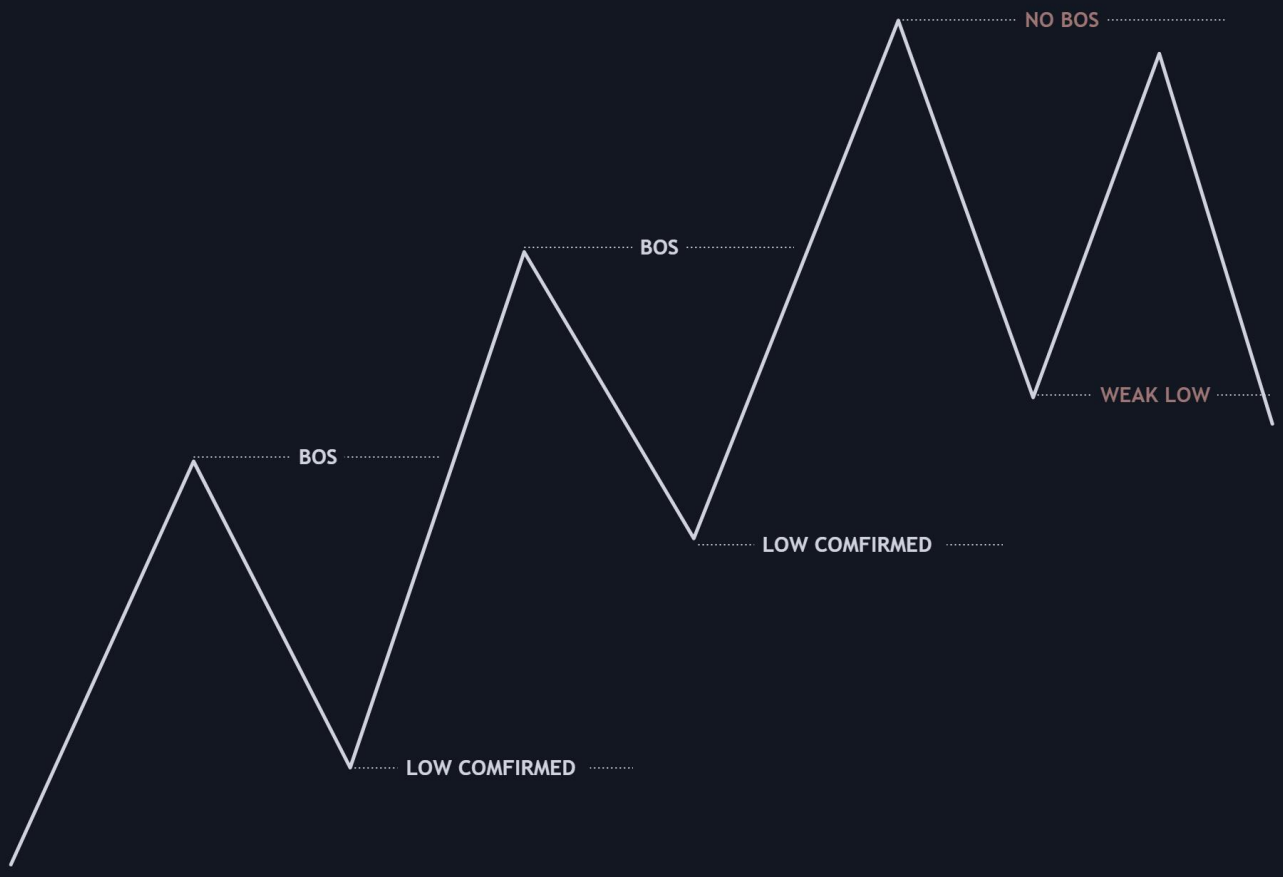
As we can see the M15 timeframe went from bullish to bearish and the market follows its bearish m15 trend until it creates the H4 next swing low. In the next chapters you will be able to see where a low (or a high depending the structure) can be created.

Now we go through the Bullish, bearish trend, the fractality of the market. We will see now how we can identify a change in the market structure for the purpose of seeing the switch and be able of taking part of it.

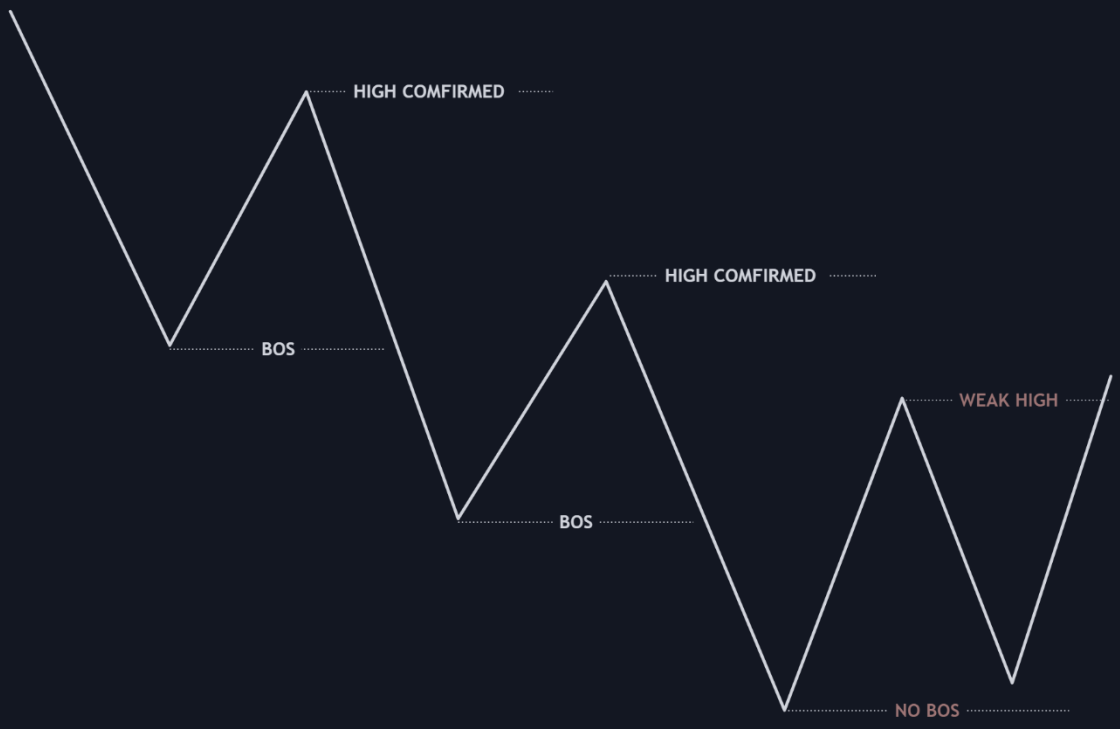
THE CHANGE OF TREND:

First of all, there are rules to respect with the structure. On a bullish market price makes higher highs (HH) and higher lows (HL). For a low to be confirmed, it needs to break a HH, otherwise the low will become weak.

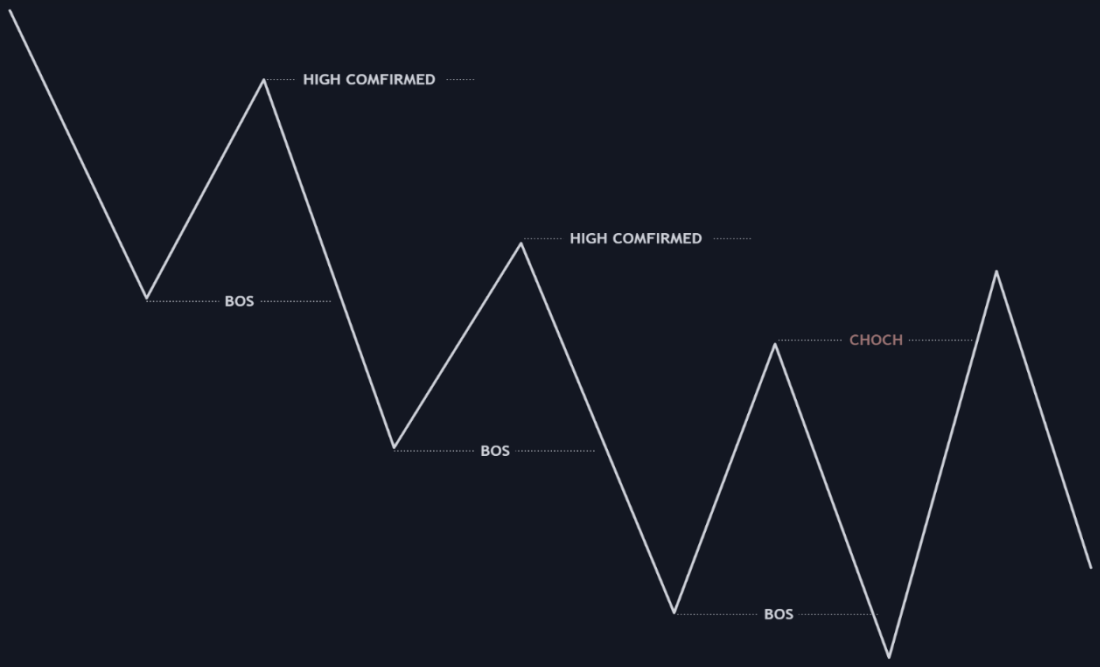
Example:



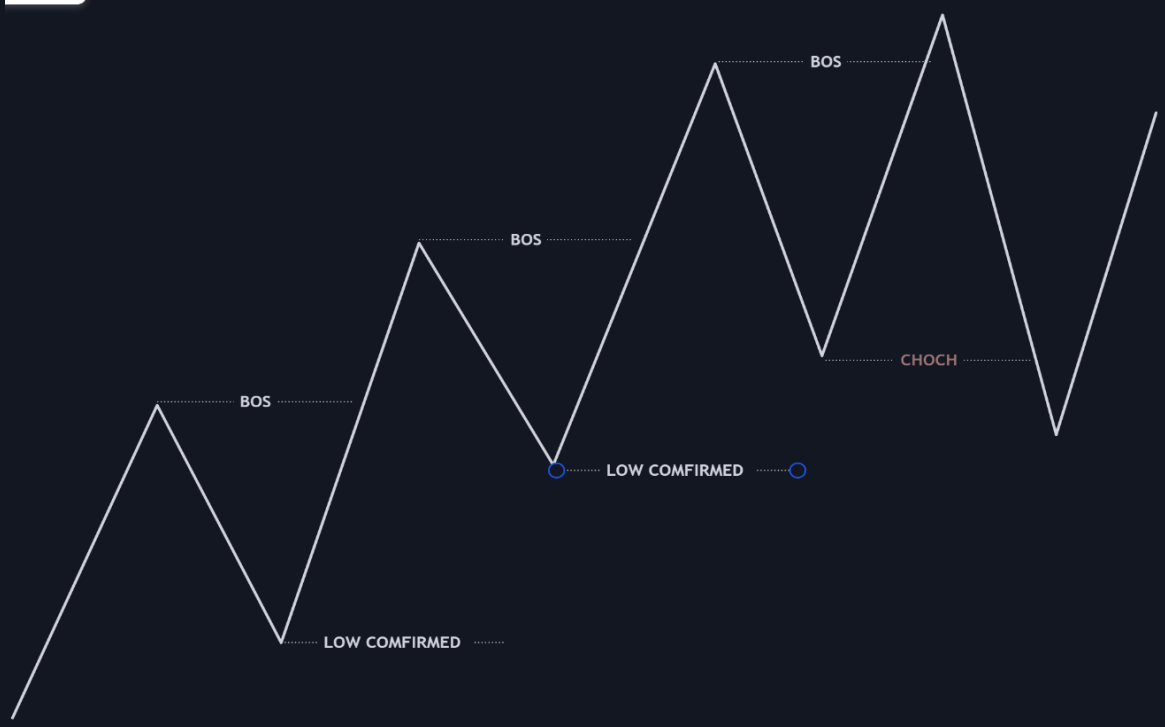
Vice versa in a BEARISH market. Price builds lower low (LL) and lower highs (LH). For a high to be confirmed, it needs to break a LL, otherwise the high will become weak.



The CHOCH. The choch is the first break in the counter trend of a market. In a bullish market the Choch will be the first low that will be broken and vice versa in a bearish market.



Bearish example:

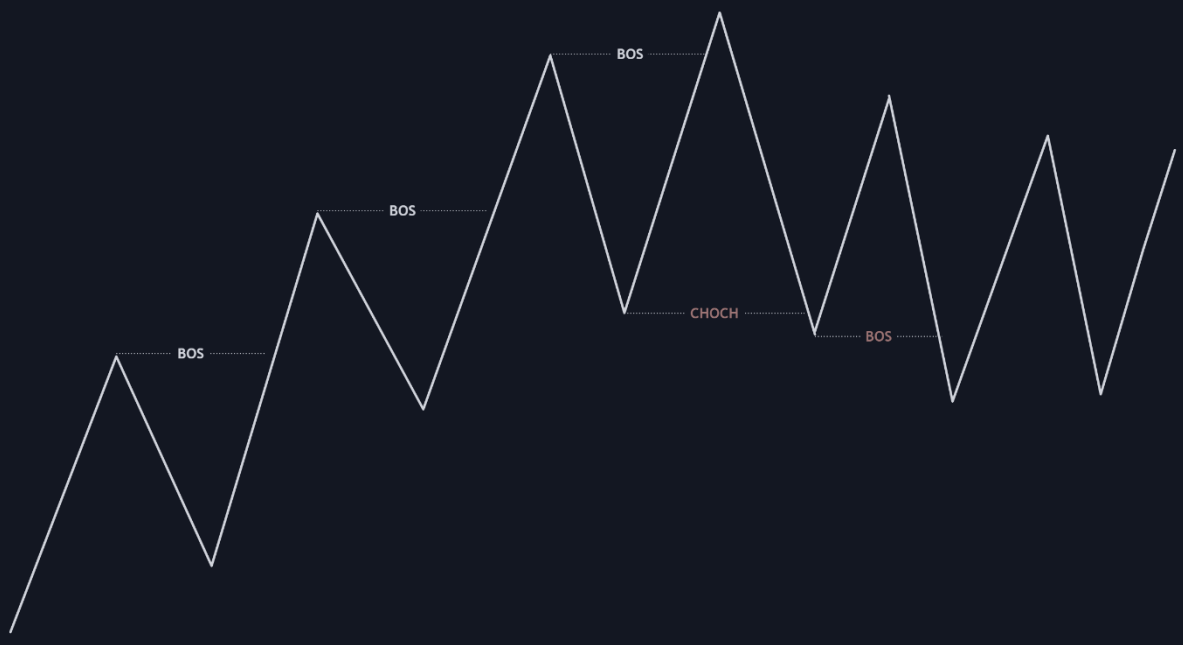


The change of character doesn't confirm that the trend has changed totally. This is only the first sign and big players as bank and financial institution (BFI) can use it to trap people. It has to be operated at the right place and we will see later in this book how to use it at its best.

Now we will see how a trend totally changes, I have a particular view of the structure that allows me to follow the right price and don't get in traps.
As I said earlier the CHOCH doesn't confirm the total change in market structure; in fact, to assume it, price needs to break a second structure on THE LEFT.

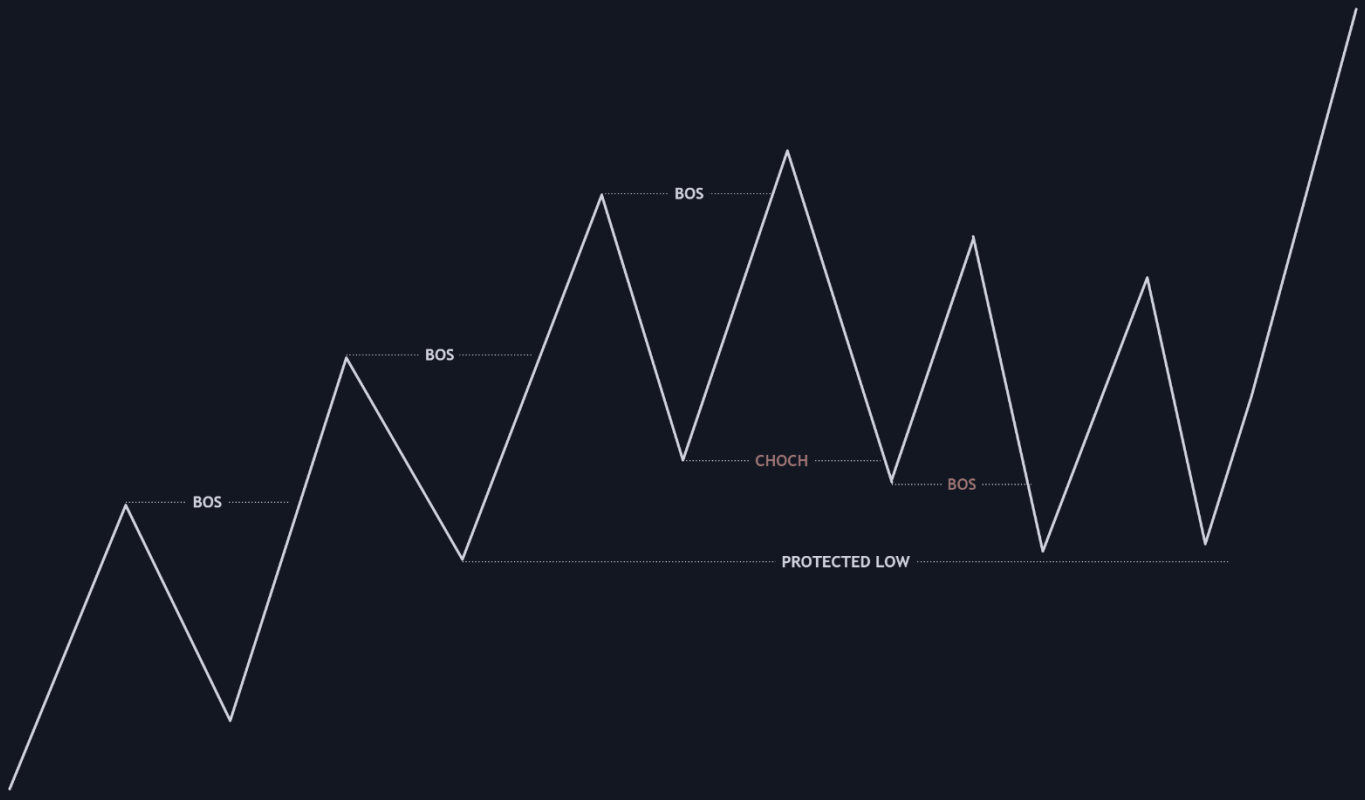
Chart example:

Once we got the second structure broken on the left, we can assume that the structure has changed completely. There is a common error with structures I see every day. This error is to count the choch and immediately after to employ the actual price to assume that we change in structure.



What is wrong with that?

In fact, if we follow the structure rules, the low on the left is still protected. Price could use the internal structure to induce people make the wrong move and create order at the same time. Instead of going down, price will mostly do this:

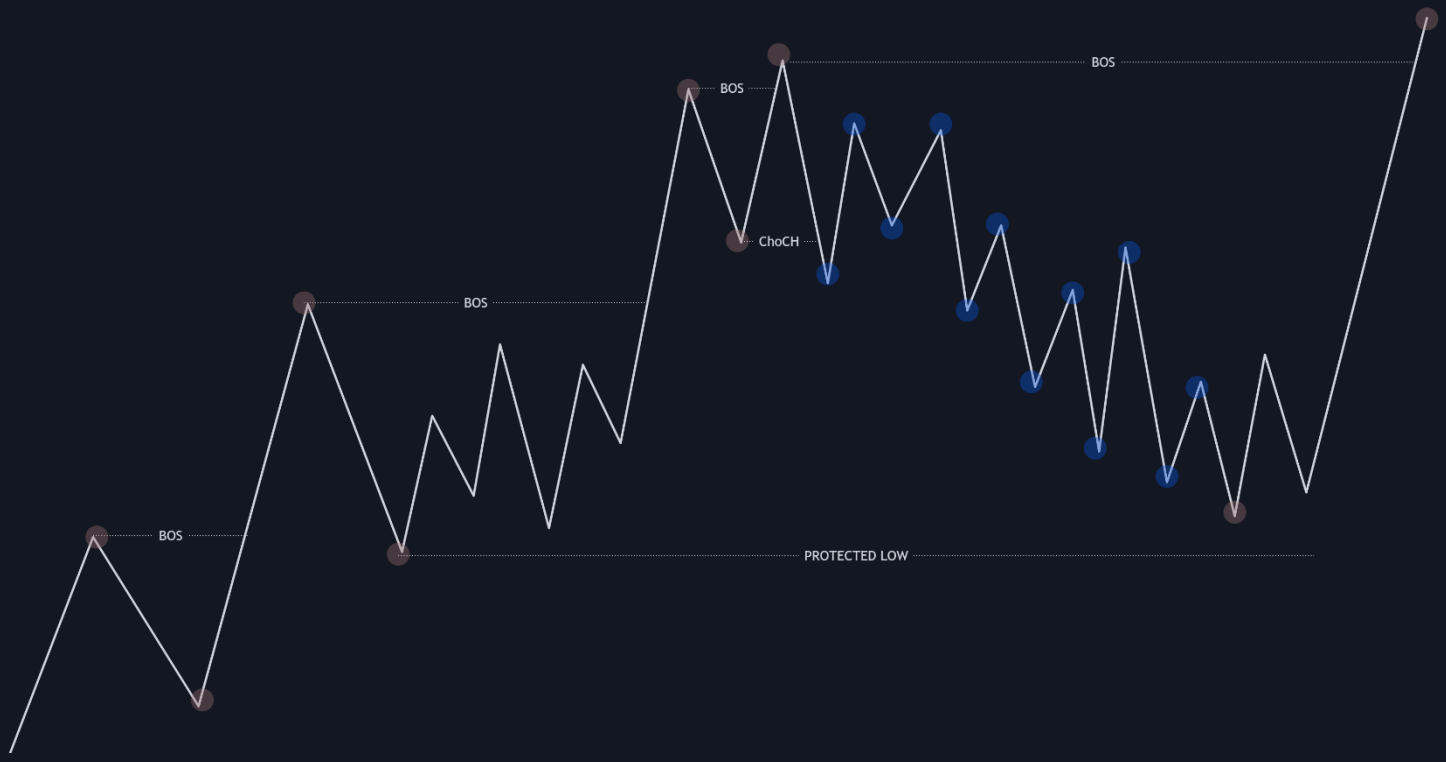


As you can see a lot of sellers would be trapped and would get out of the market as soon as the price reacts from its protected low. This allows a strong move with a lot of momentum.

This will introduce the complex pullback, which is a form of pullback that takes a lot of time to follow the structure. It creates confusion in the trader's brain during his analysis. It's important to see it and to be able to use it as well without being lost.

THE COMPLEX PULLBACK:

Schematic:



The RED DOTS are for the swing structure. As we can see, the swing structure takes time to be created.
The BLUE DOTS are for the complex pullback. As illustrated, price creates plenty of internal structures to run to its protected low and as said earlier this can create a lot of confusion if you don't understand it well. You need to strictly apply the structure rules!

Chart Example :

Basically, here on the chart example we can see that the price is bullish. At a certain point market lost its power and needed a bigger pullback to be able to continue the structure. We can see that price takes enough time to come back to its last protected low and after reaching the low, price suddenly moves faster than when it was in a pullback. That shows the sellers get trapped and the bullish trend that continues.

Chapter 3: LIQUIDITY

What is the liquidity?

Liquidity refers to how easily an asset can be bought or sold. The liquidity is everywhere on the market and it fuels the price to move up or down. Without it the market can't move. Just like with a car, if it doesn't have fuel or electricity, you will not be able to use it.

How can we spot the liquidity?

The liquidity is simply the totality of the orders that we have on the market. This could be TP, SL, Limit orders, stop order. This generates a lot of big moves, because most of the time price takes the liquidity and then goes straight to the other way, this is what people call trap. We have common models to be able to spot the liquidity on the market.

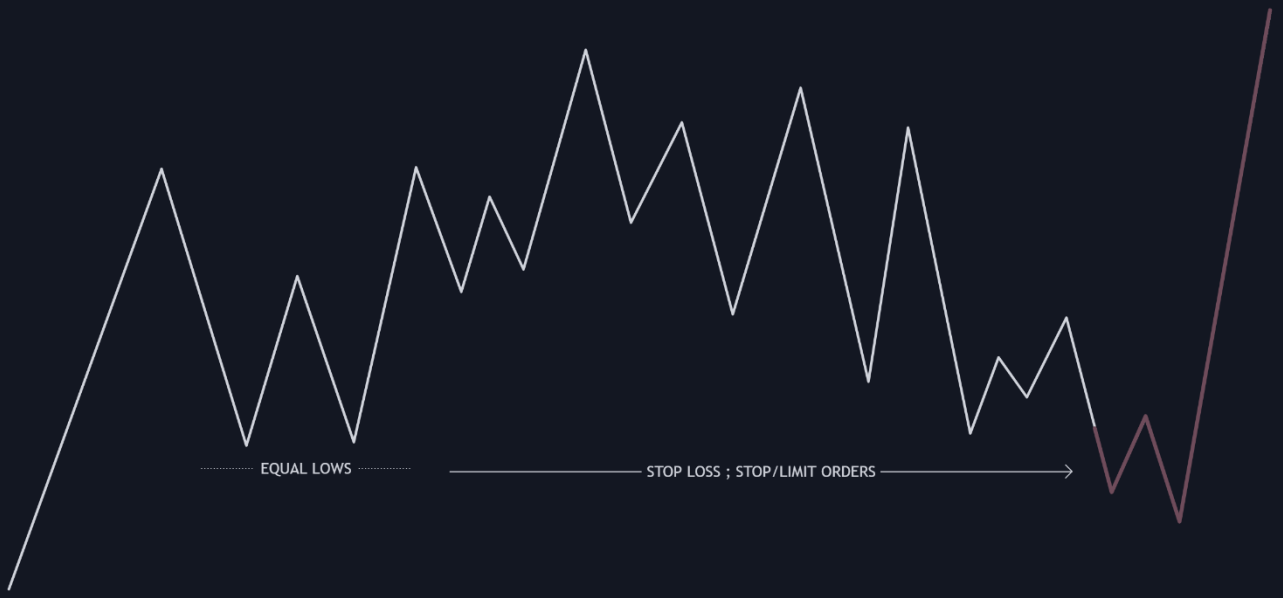
LIQUIDITY COMMON MODELS:

As said earlier, the price will use the liquidity to make the opposite move. In fact, if you are bearish, price creates Equal highs. Above those equals there are sellers stop loss, breakout traders stop orders, limit orders on the pullback. This creates a larger number of buy orders, and those will allow the big players to sell the market with a big amount of money, trapping, in this way, the majority of the traders. Even the ones that are following the trend can be "swept" before price drops.

EQUAL HIGHS (EQH) MODEL:

Price can move a lot before it swept the liquidity. It's not something that happens in a minute, it takes time. All the structure building after the EQH will also be used as liquidity.

EQUAL LOWS (EQL) MODEL:

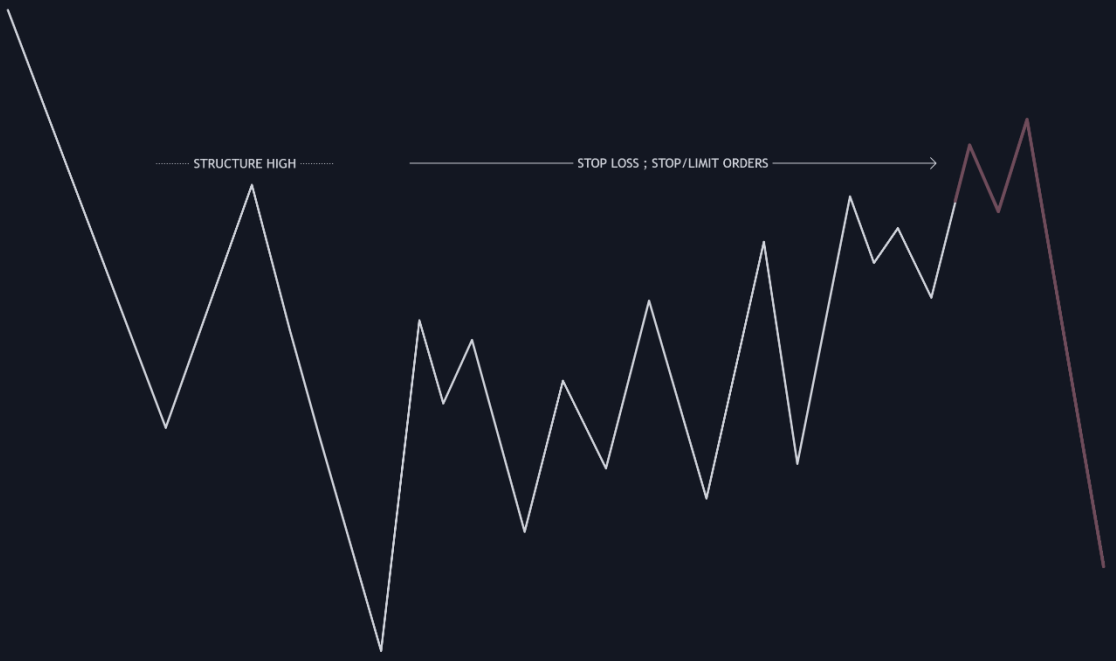


EQUAL HIGHS (EQH) CHART:

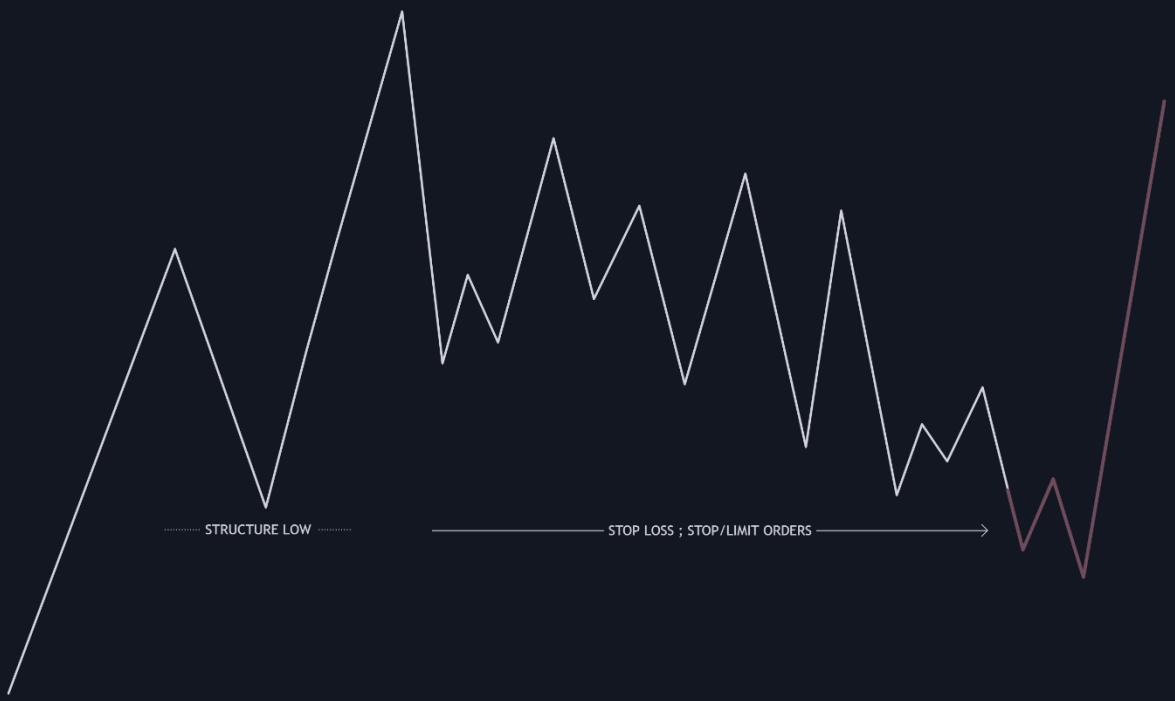
EQUAL LOWS (EQL) CHART:

STRUCTURE HIGH (SH) MODEL:

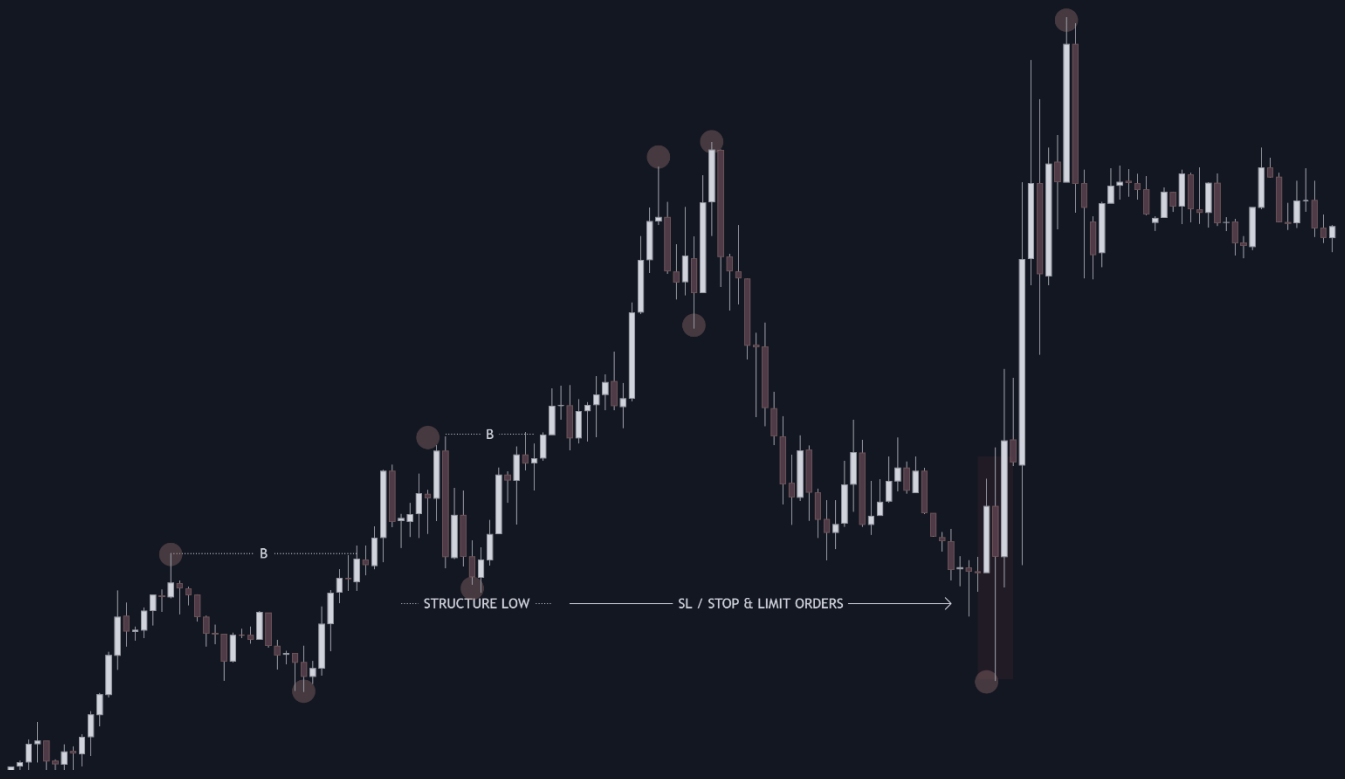
The structure models are very powerful because it mislead a lot of people in term of switching the structure.



STRUCTURE LOW (SLW) MODEL:



STRUCTURE LOW (SLW) CHART:

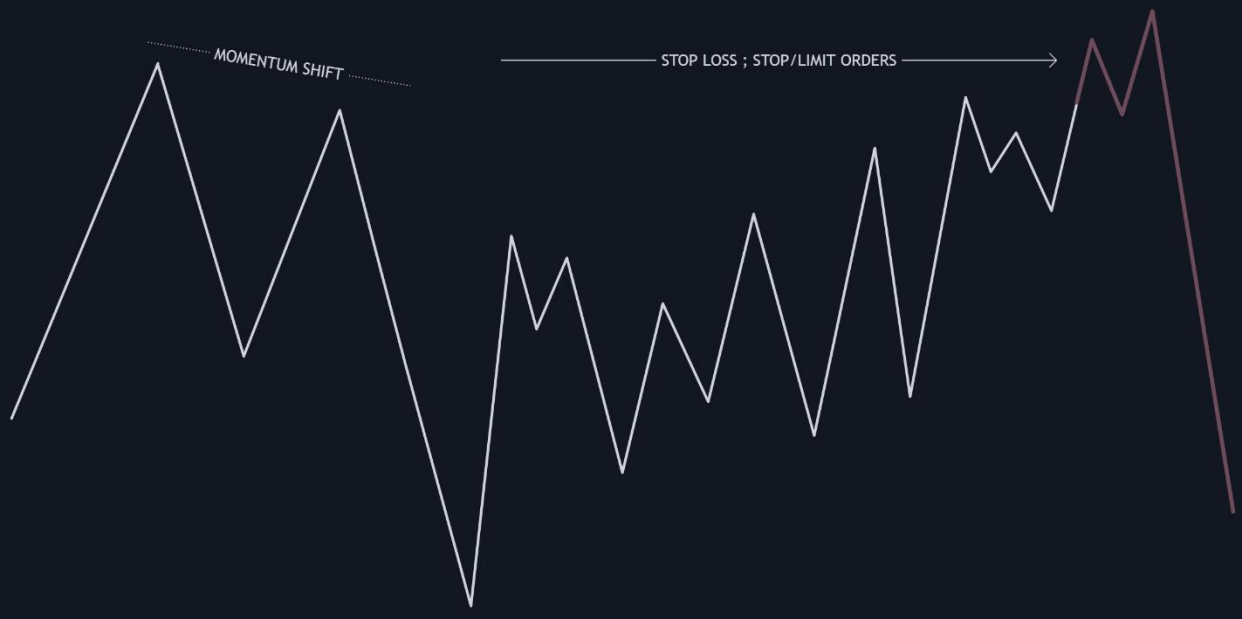


STRUCTURE HIGH (SH) CHART:

MOMENTUM SHIFT (MS) BEARISH MODEL:

The momentum shift is basically the same as the equals, but here the highs or lows are not equals.
In a bearish trend, the second low of the momentum shift should be higher than the first one and vice versa on the bullish market

MOMENTUM SHIFT (MS) BULLISH MODEL

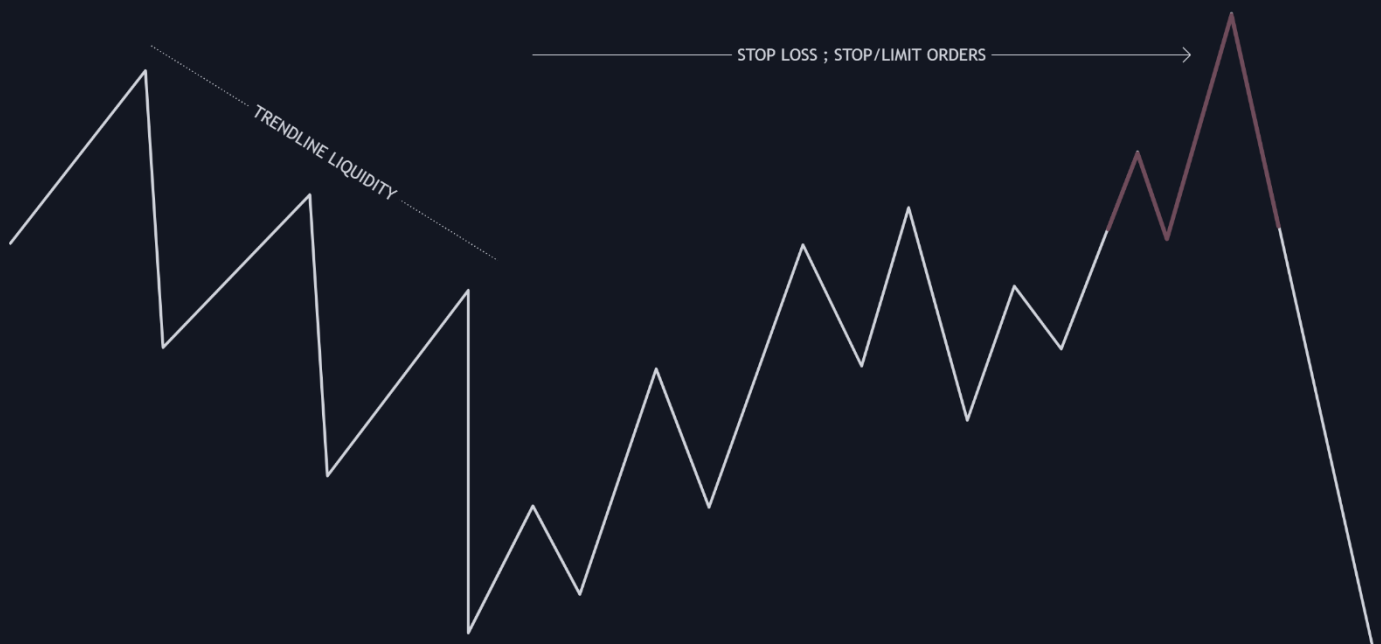


MOMENTUM SHIFT (MS) BEARISH CHART:

MOMENTUM SHIFT (MS) BULLISH CHART

TRENDLINE LIQUIDITY BEARISH MODEL:

Above each high or below each low of a trendline there is a lot of liquidity that price can use to run the structure after sweeping the liquidity.



TRENDLINE LIQUIDITY BULLISH MODEL:

TRENDLINE LIQUIDITY BEARISH CHART:

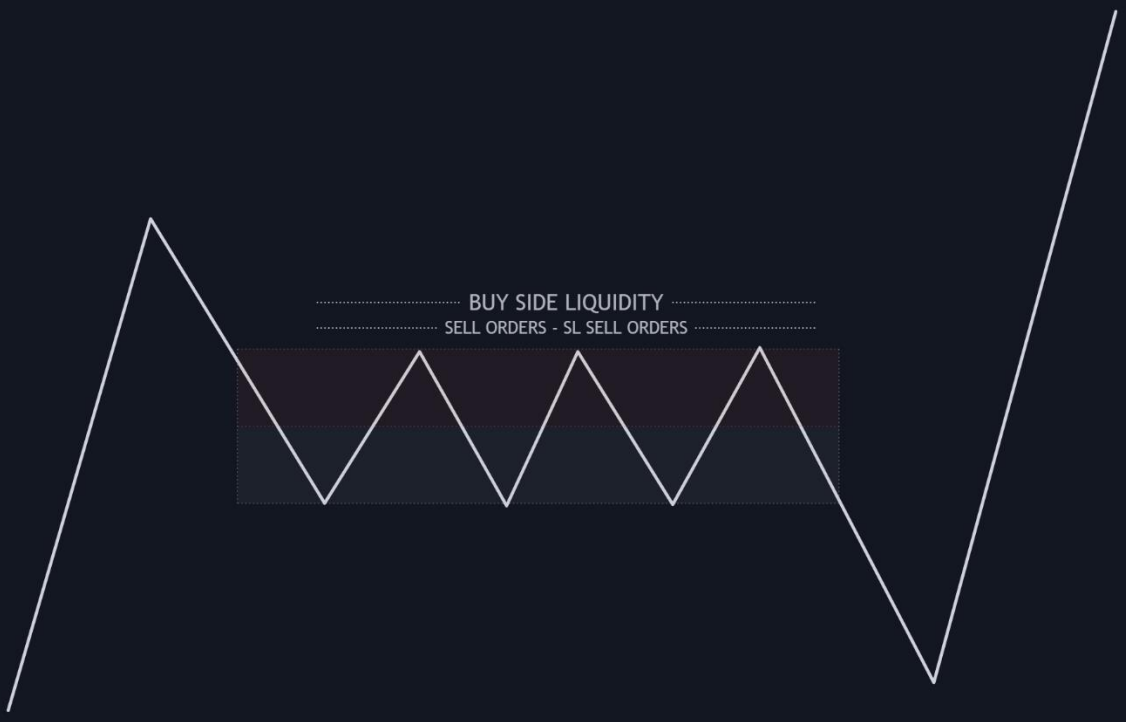
TRENDLINE LIQUIDITY BULLISH CHART:

LIQUIDITY TYPES:

It's important to distinguish the liquidity in 2 types. In fact, the liquidity itself refers to the global liquidity of the market. The difference resides between the BUY SIDE liquidity and the SELL SIDE liquidity.

BUY SIDE LIQUIDITY (BSL):

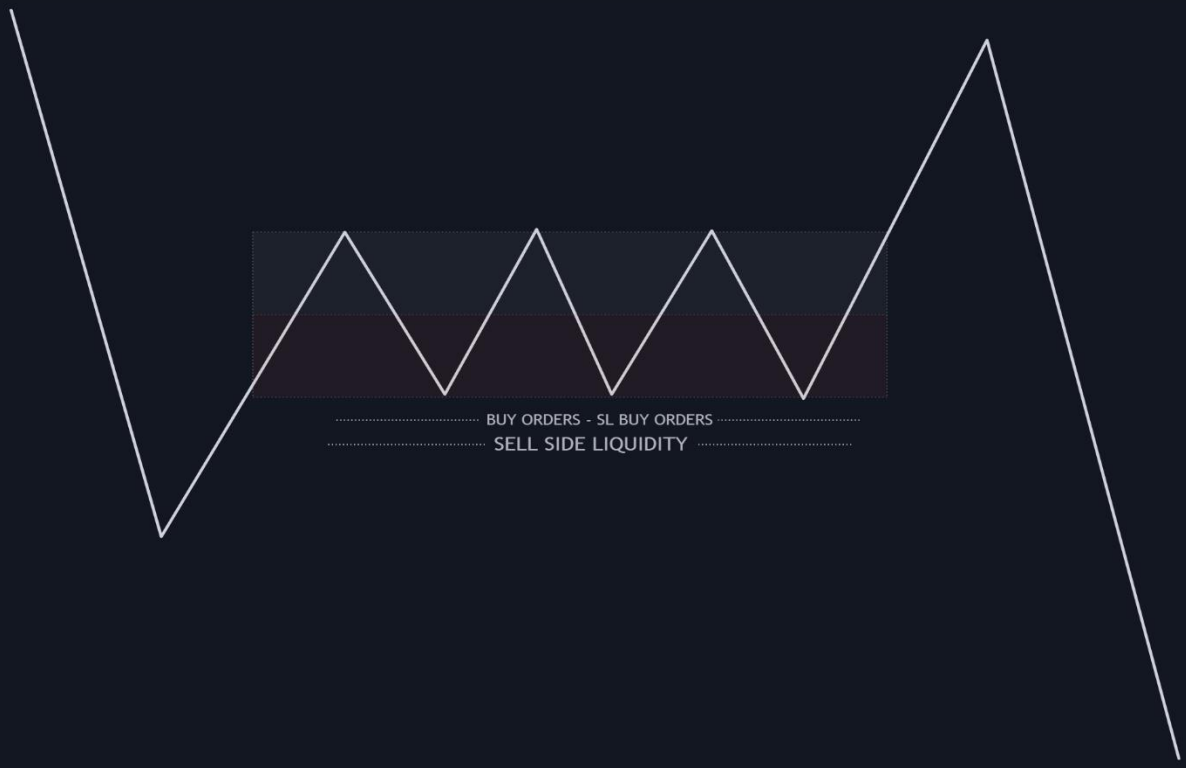
The buy side liquidity is basically all the liquidity that will be used by the buyers. It's created in major by sell orders but that can also be buy orders as seller stop loss.



As we can see when we are on a bullish market, price will likely use the buy side liquidity to allow the next bullish move. In fact, to have a big bullish move, the price need sell orders to generate more liquidity. Also, the buy orders of the SL will generate more buy orders and that's why when a breakout happens on the market, the price gives an impulsion (big or not depending on what the price has to do next).

SELL SIDE LIQUIDITY (SSL):

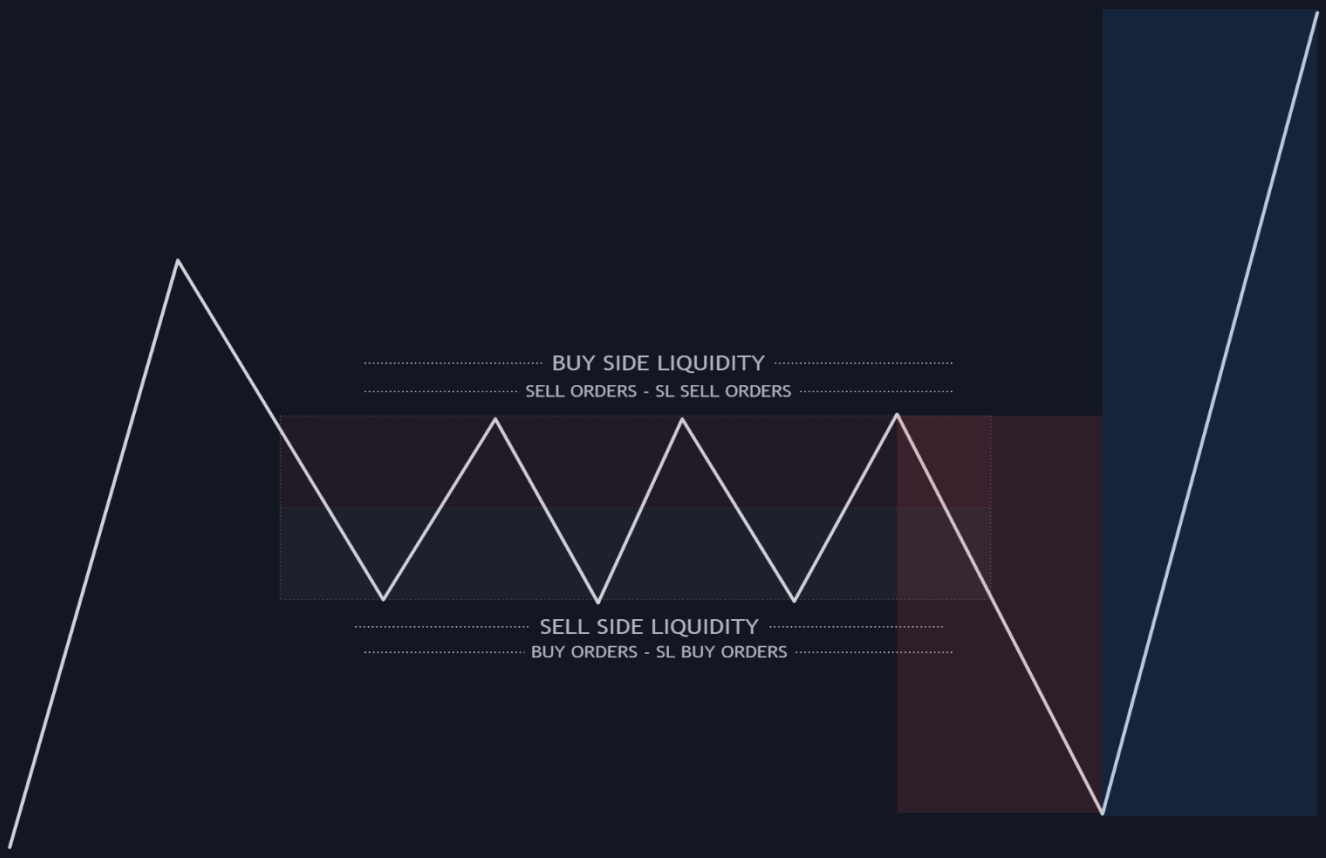
The sell side liquidity is basically all the liquidity that will be used by the sellers. It's created in major by buy orders but that can also be sell orders as buyer stop loss.



As we can see when we are on a bearish market, price will likely use the sell side liquidity to allow the next bearish move. In fact, to have a big bearish move, the price needs buy orders to generate more liquidity. Also, the sell orders of the SL will generate more buy orders and that's why when a breakout happens on the market, the price gives an impulsion (big or not depending on what the price has to do next).

Let's see now how can we implement both buy side and sell side liquidity in a bullish and a bearish market.

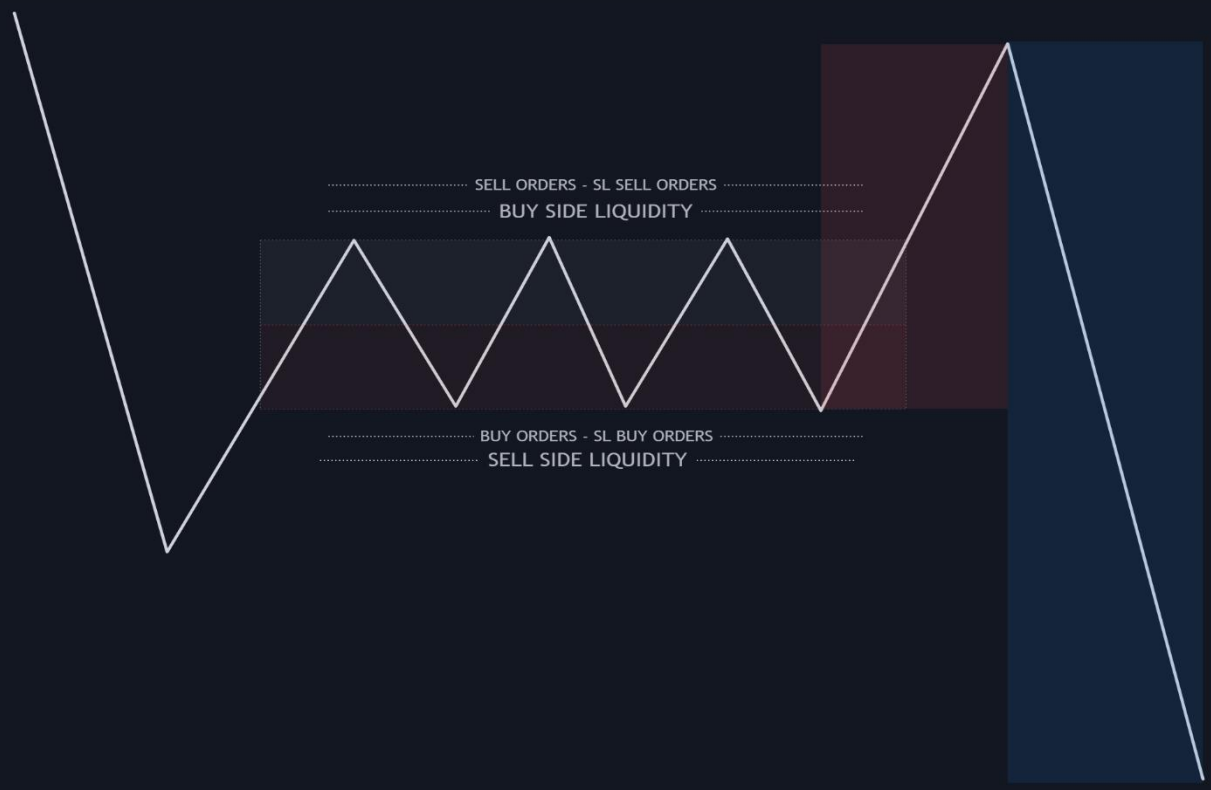
UNDERSTANDING LIQUIDITY (BULLISH):



On a bullish market, we understand now how the BSL can be helpful in our trade. But what about the SSL then? The SSL in a bullish market will be useful to trap people and induce them to make the wrong move. In fact, once the SSL is broken, it induces breakout traders and it creates also supply zone for SMC trader and If you don't spot the structure and liquidity in the right way, you could become the liquidity of someone who follows well the market.

To summarize all we said for now with the bullish market: In a bullish market the SSL will be employed to trap and to induce people towards the wrong move. The BSL will be used by the price to generate a big move.

UNDERSTANDING LIQUIDITY (BEARISH):

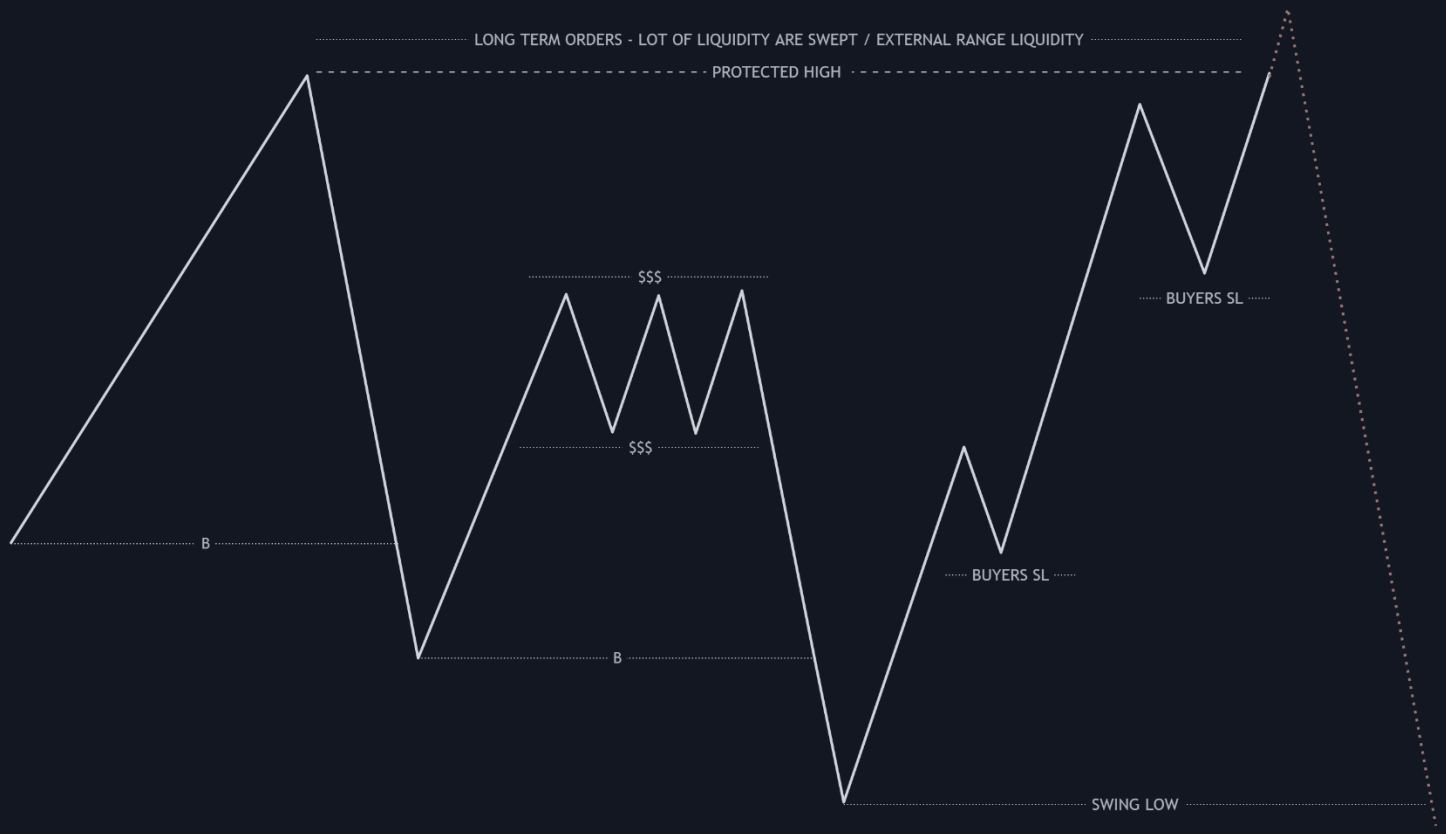


On a bearish market, we understand now how the SSL can be helpful in our trade. But what about the BSL then? The BSL in a bearish market will be useful to trap people and to induce them towards the wrong move. In fact, once the BSL is broken, it induces breakout traders and it creates also a demand zone for SMC trader and If you don't spot the structure and liquidity well, you could become the liquidity of someone who follows well the market.

The liquidity is a very important concept, more and more on the market it induces a lot of people to make the wrong move and you must be very carefully to several traps.

EXTERNAL RANGE LIQUIDITY:

As we know with the structure, on a bearish market the high is protected and vice versa for a bullish market. We can understand that there are a lot of orders above or below those protected structures.



As we can see, once price swept the external range liquidity (ERL) a lot of liquidity is swept, a lot of people are induced to make the change of structure and during the bullish leg that was created to come back to the protected high, price creates even more liquidity with all the buyers stop losses. We will see on the next page a bullish example on the real market directly!

EXTERNAL RANGE LIQUIDITY CHART:

As we can see on this chart, price was in a bullish trend making higher highs and higher lows. At some point, price starts to lose its power and starts to pullback, it breaks the first structural level and makes a change of character. In the pullback leg, we can see a lot of momentum, that also induces even more people to create sell orders when price will pullback.

After the choch, price swept the protected low, which is the ERL, and directly reacted from that giving a very nice bullish leg that takes out every seller.

The basic liquidity that you got on your chart in the range you are trading, can be called INTERNAL RANGE LIQUIDITY (IRL).

Liquidity model, BSL/SSL, ERL/IRL: but why does price need to sweep liquidity? There is more than 1 reason:

- to induce people to make the wrong move;
- to take out people, that can be the cause of the IMBALANCE.

THE IMBALANCE:

When price moves suddenly it leaves big candles, between those big candles we have big gaps. Those gaps are orders: basically liquidity. Price just can't move in one side by leaving a lot of imbalances. As you know when you set an order, a sell for example, you need a buyer in return, if the price always moves in a bearish trend, no one will buy it and no seller will make money. Understanding that, we can see a market with a lot of imbalance as inefficient and a market without imbalance as efficient. On an inefficient market, price will need to rebalance itself to become efficient.

Price will not necessarily come back on the imbalance as fast as the graphic above: sometimes it takes 2 minutes and sometimes it takes days. It also depends on the time frame you are trading

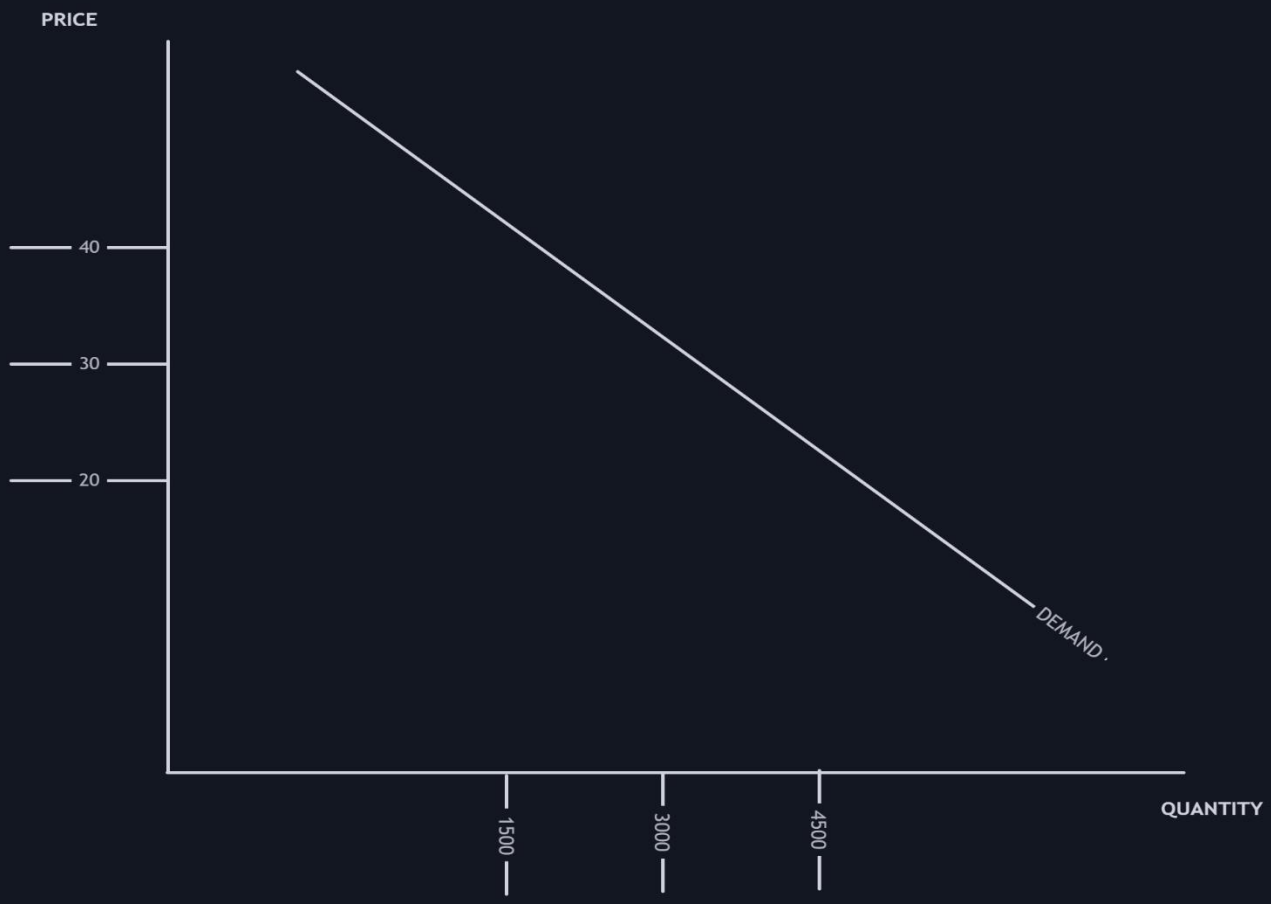
Chapter 4: SUPPLY & DEMAND

What is the ‹Supply and demand (SnD)›?

From an economic side, this is the relationship between the quantity of a commodity, that producers wish to sell at various prices, and the quantity that consumers wish to buy. It is the main model of price determination used in economic theory

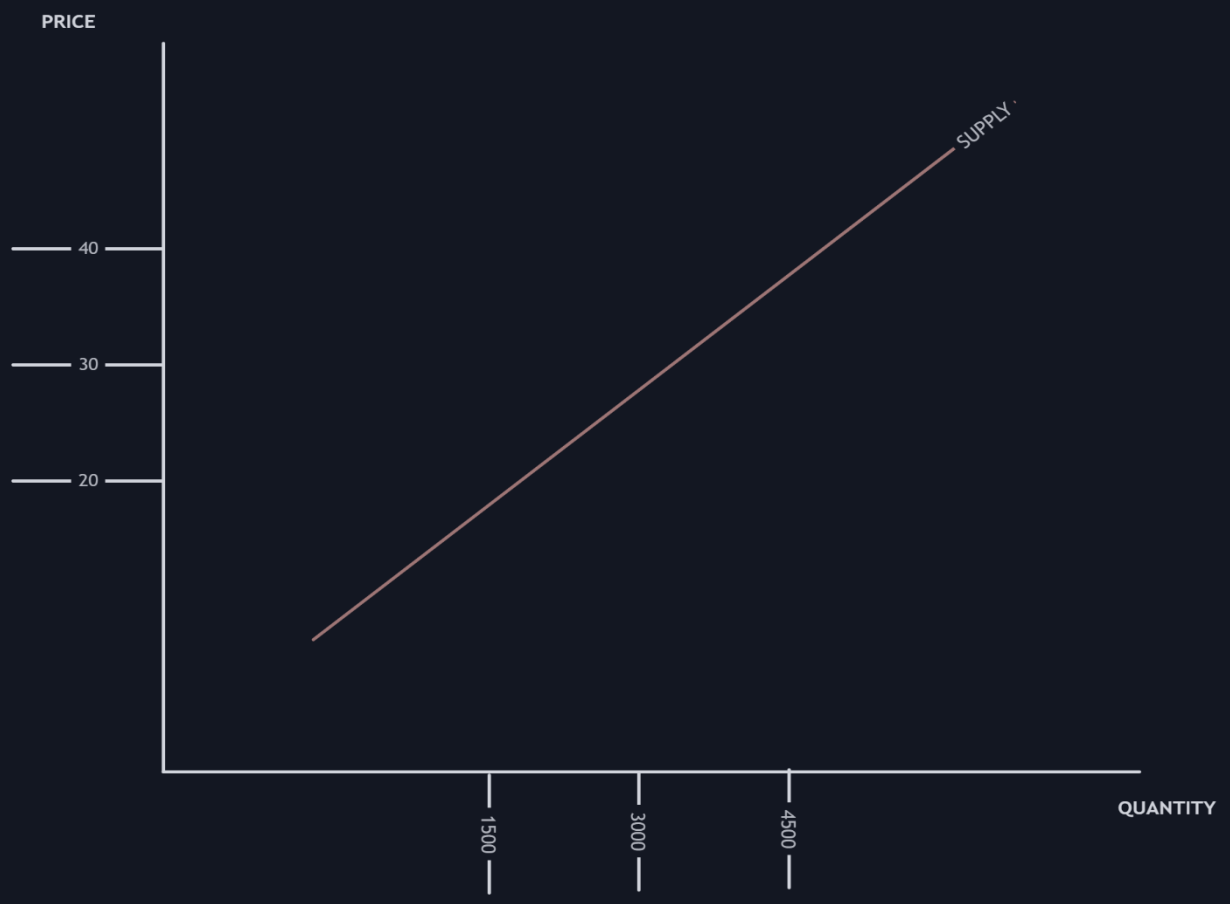
Explanation of the schematic step by step.

Demand curve:



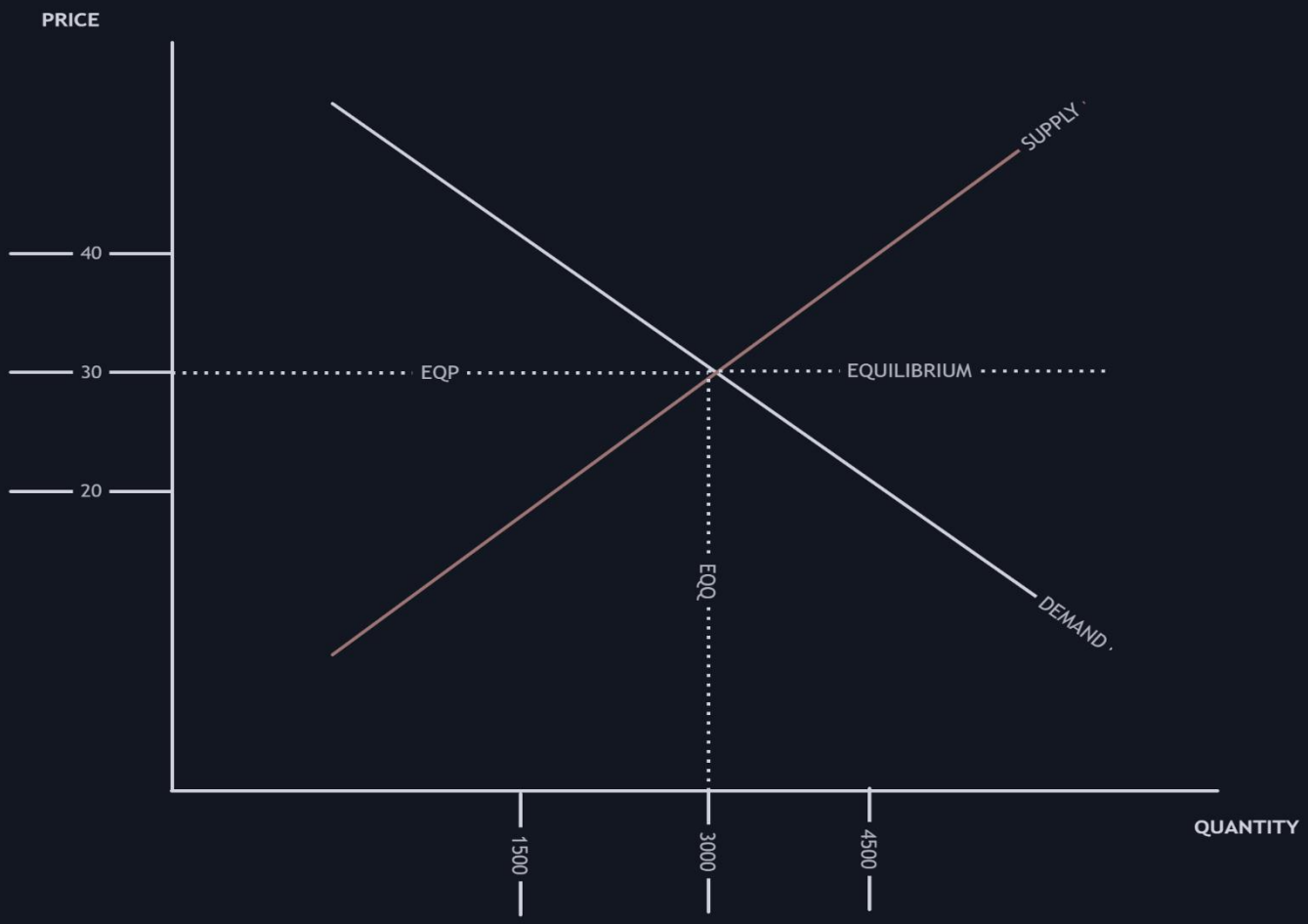
As we can see here, we have a chart which represents the quantity versus the price. We will start by analyzing the demand curve. This one is decreasing, that means that when the price is high, my demand will be low. And if the price is low, then the demand will be high. Everyone wants to buy when it's cheap and no one wants to when it's expensive.

Supply curve:



The supply curve is increasing, that means that for a low price the supply will be low and when the price increases, the supply will increase with it. It can be explained by the enterprises, they want to make profit and when the price increases, they are ready to offer more and more.

Supply and Demand curve:



The crossing between supply and demand will offer to the enterprises the Equilibrium price and the equilibrium quantity. This is the most profitable way for the enterprises to not lose money as much as possible. They sell the best quantity at the best price.

It's important to understand the economic side between supply and demand before trading it. Understand what you do is the best way to do it well.

Trading perspective:

The demand (buyers) curve shows that for a high price the quantity will be low. On trading we can apply that to the bullish trend. When the price has made a big move to the upside and starts to pullback, that's because the price increases and the demand decreases at the same time. Price will need to rebalance the price to increase the demand.

The supply (sellers) curve shows that for a high price, the quantity will be high. We can apply that to a bearish trend, when the price is high, the supply is high and the sellers take advantage, at a certain level the price is too low and the supply decreases with it. Price will need to rebalance the price to increase the supply.

The Supply & Demand zone:

SnD zones are simple big boxes where a lot of orders are sitting. Generally, the zones are placed near the protected structure.

We need to understand how is moving the price. As we know it uses the liquidity to fuel the movement. With the SND concept we can go deeper in the understanding of the price. In fact, price is moving from supply to demand to rebalance the price!

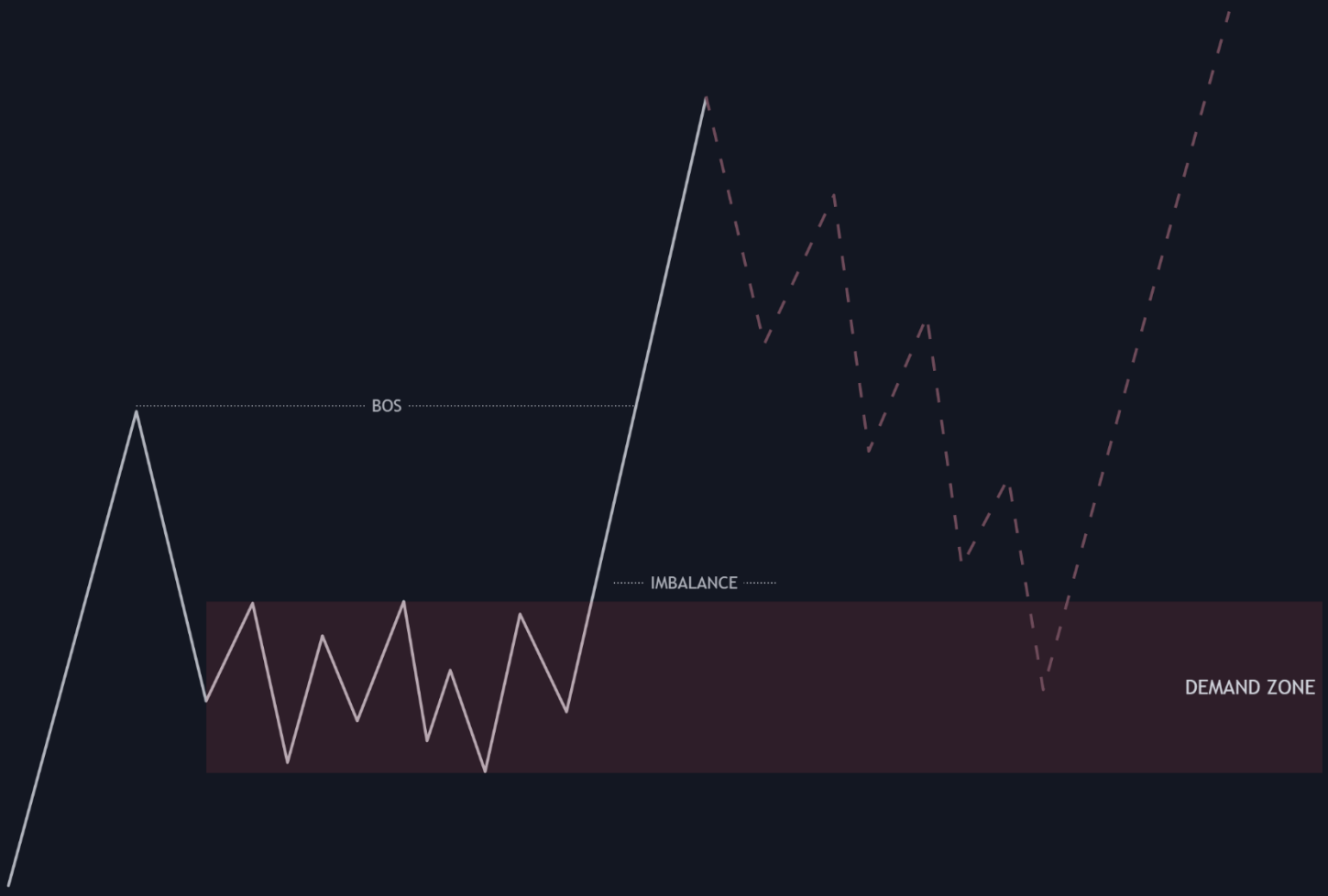
In a bullish market we will look for demand zone to see where price could bump. The demand zone will generally be just before the protected low. As we are bullish, we want to buy (DEMAND) at the lowest price possible to make the best outcome.

In a bearish market we will look for supply zone to see where price could bump. The supply zone will generally be just before the protected high. As we are bullish, we want to sell (SUPPLY) at the highest price possible to make the best outcome.

How to spot SND?

The supply and demand zone can be spot on the market by a big move with a lot of momentum that breaks the market structure. The zone is generally accumulation before the bump, in those accumulation there are a lot of liquidity generated and once price comes back, it uses this liquidity pool to create a move with a lot of momentum!

Demand zone:



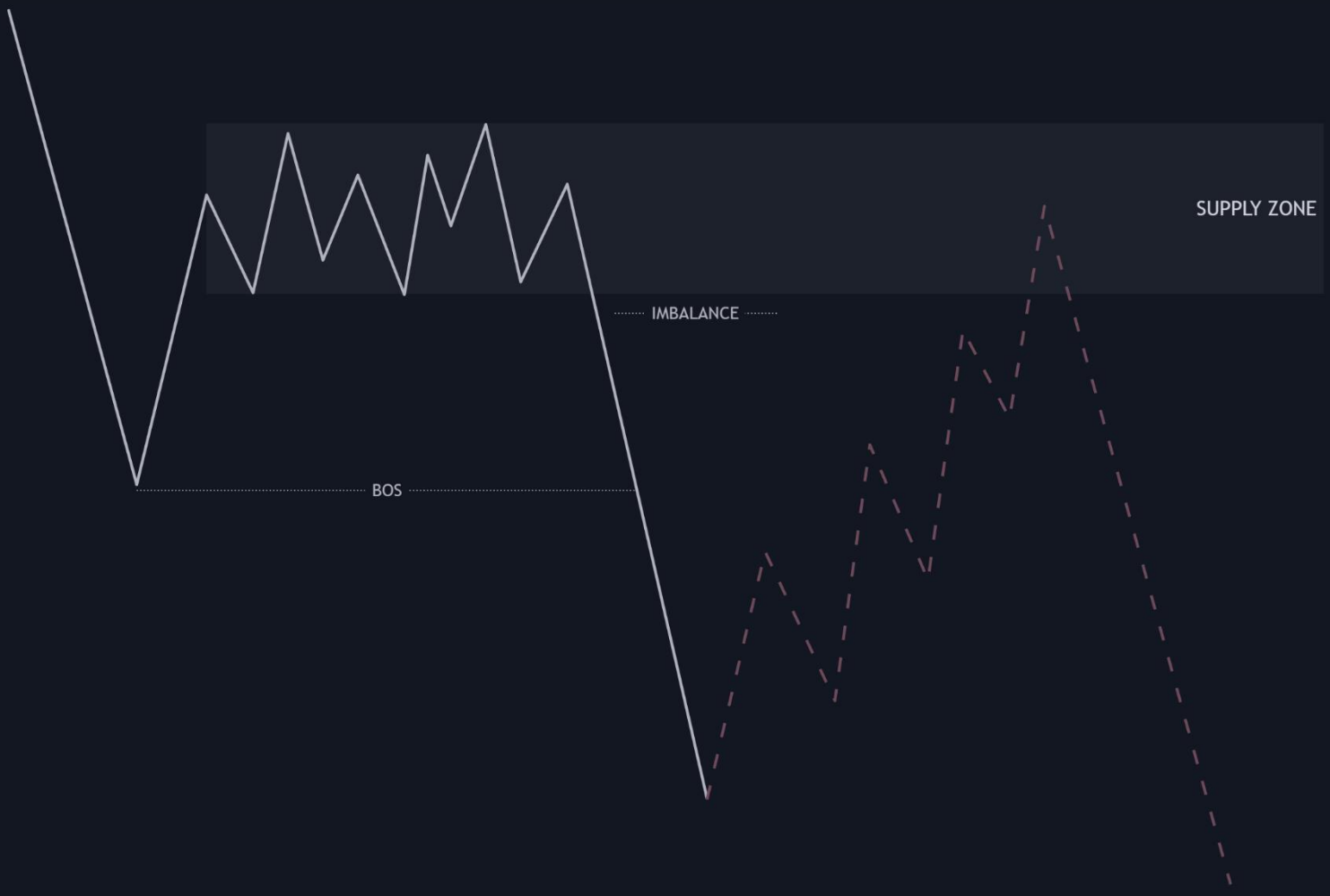
As we said earlier, in a bullish market we will look for demand zone to see where price could bump. The demand zone will generally be just before the protected low. This is the place where we sweep the most of the SELL SIDE LIQUDITY and where we fill the most IMBALANCE.

Chart example:

As we can see here on the chart price doesn't come back to the protected low. We could have a zone there too but price reacts to the one above.

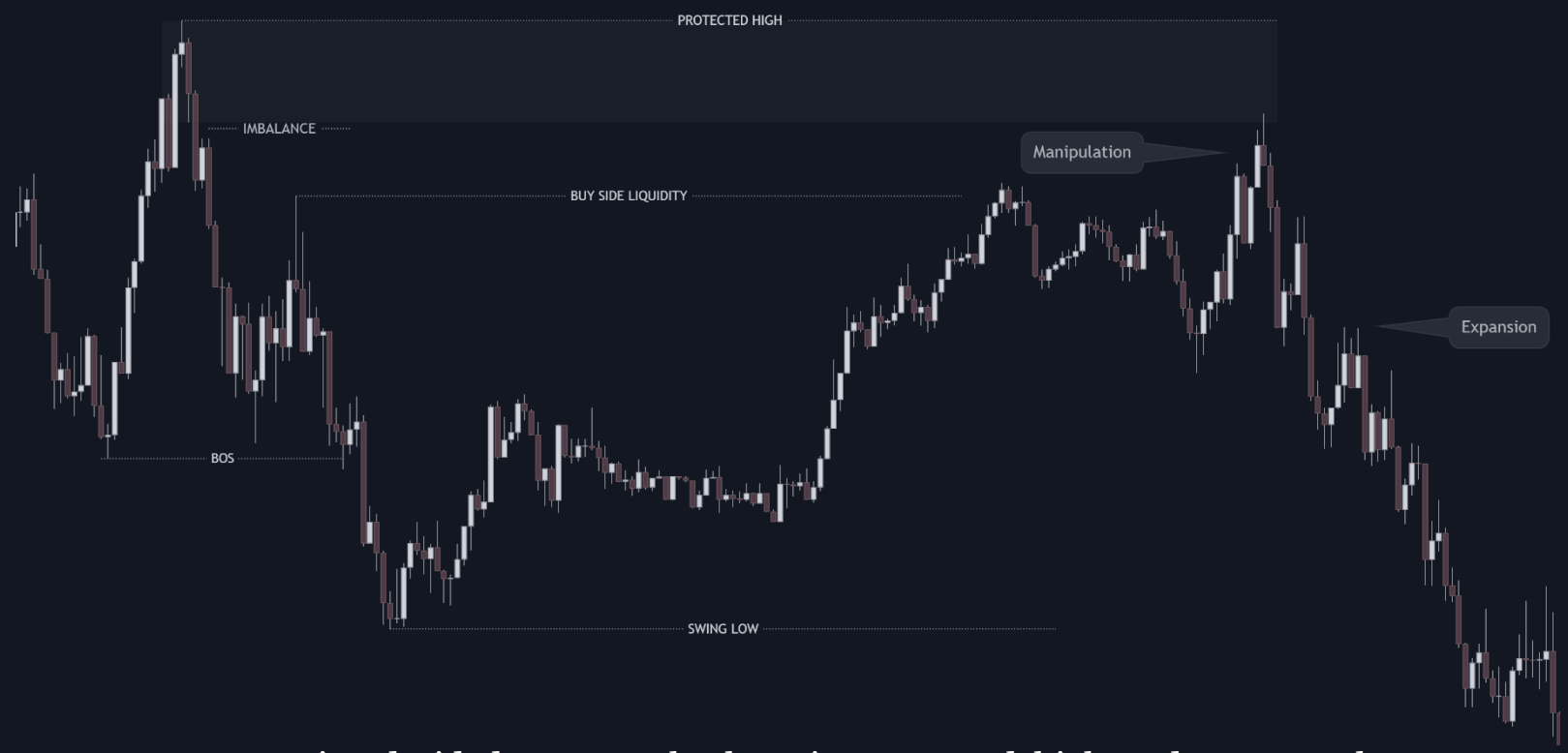
Zone Selection: I personally follow 4 rules for my zones.
1st rule: Break market structure.
2nd rule: Momentum in the BOS.
3rd rule: Liquidity
4th rule: Imbalance

Supply zone:



As we said earlier, in a bearish market we will look for supply zone to see where price could bump. The supply zone will generally be just before the protected high. This is the place where we sweep the most of the SELL SIDE LIQUDITY and where we fill the most IMBALANCE.

Chart example:



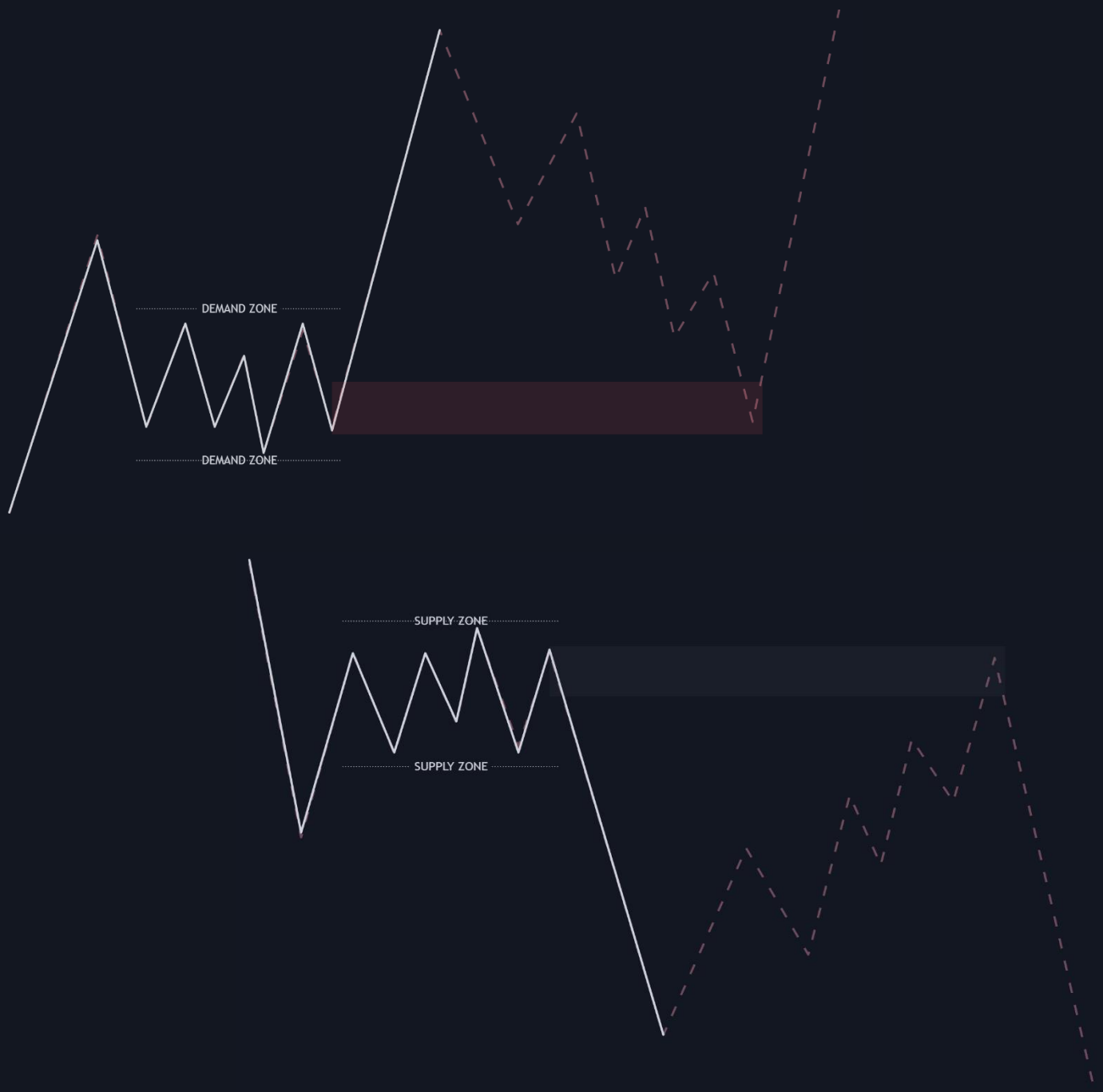
Here price decided to come back to its protected high and react to the higher zone. The zone was the only very visible here on the chart.

What is the Orderblock?

It's good to know about SND, but this can be refined and this is where the OB (Oredrblock) will be introduced! The orderblocks are simply the most refined places of a supply or a demand. As we know, SND are big liquidity pools where a lot of orders are sited. We are able to refine the SND to the last candle before the bump or the drop of the price.

The orderblocks allow to fill more imbalance and to increase your risk reward at the same time. One thing you need to understand is that sometimes price reacts directly to a SND instead of the OB and you cannot predict it unfortunately. What you need to do is to test what is the best for you.

Orderblock example:



Orderblock can also be named POI (Point of interest) AOI (Area of interest), at the end that are just some fancy terms to say the same thing. On social medias, many mentors use different names and you can be lost.

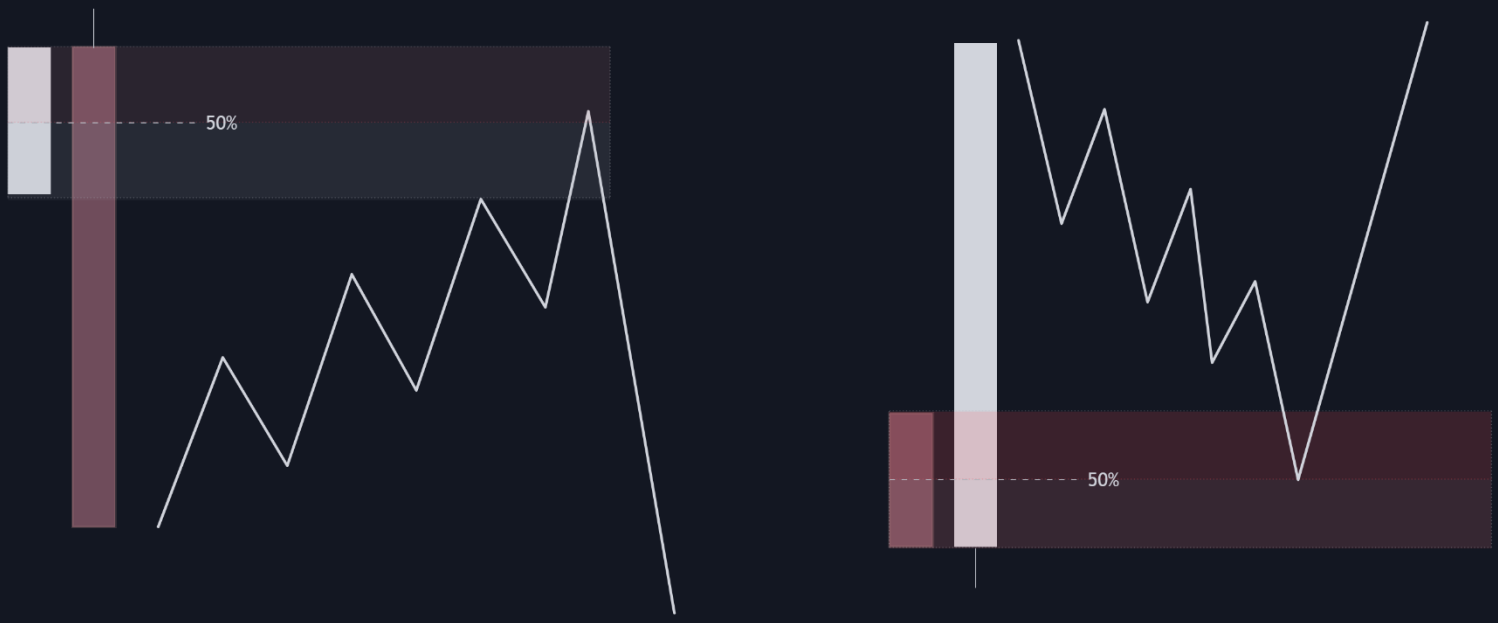
Chart example:

The orderblock has several advantages:
- You can refine your entry and increase your R:R
- You are not the liquidity
- You fill maximum IMBALANCE
- You sweep all the liquidity
- It creates big moves

We have different kind of OB that can be seen on the market:

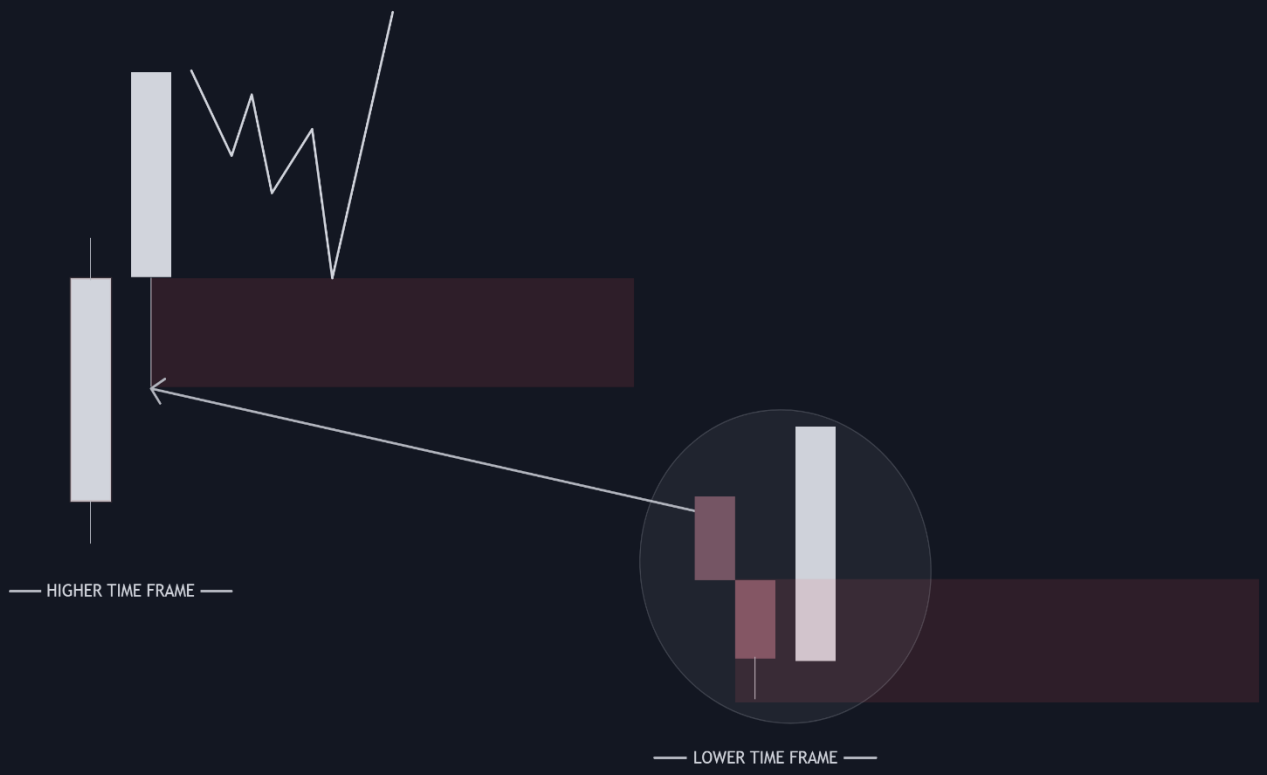
- The complete candle
- The sell to buy and the buy to sell
- The others candle
- The sweep and shift
- Extreme and Decisional

The complete candle:



When the OB is a candle, price will generally retrace to the 50% of the candle. In fact, in this complete candle, we have enough imbalance. This can be visible on a lower time frame. Most of the time price will need to fill this imbalance.

The Sell to buy (S2B) candle:



On the sell to buy candle we can see a big wick to the downside. This wick can be used as an OB. Why? If we go in a lower time frame, this wick will be a structure that can be used to spot a nice orderblock and as we know to find an orderblock the first rule must be to have a break in the market structure.

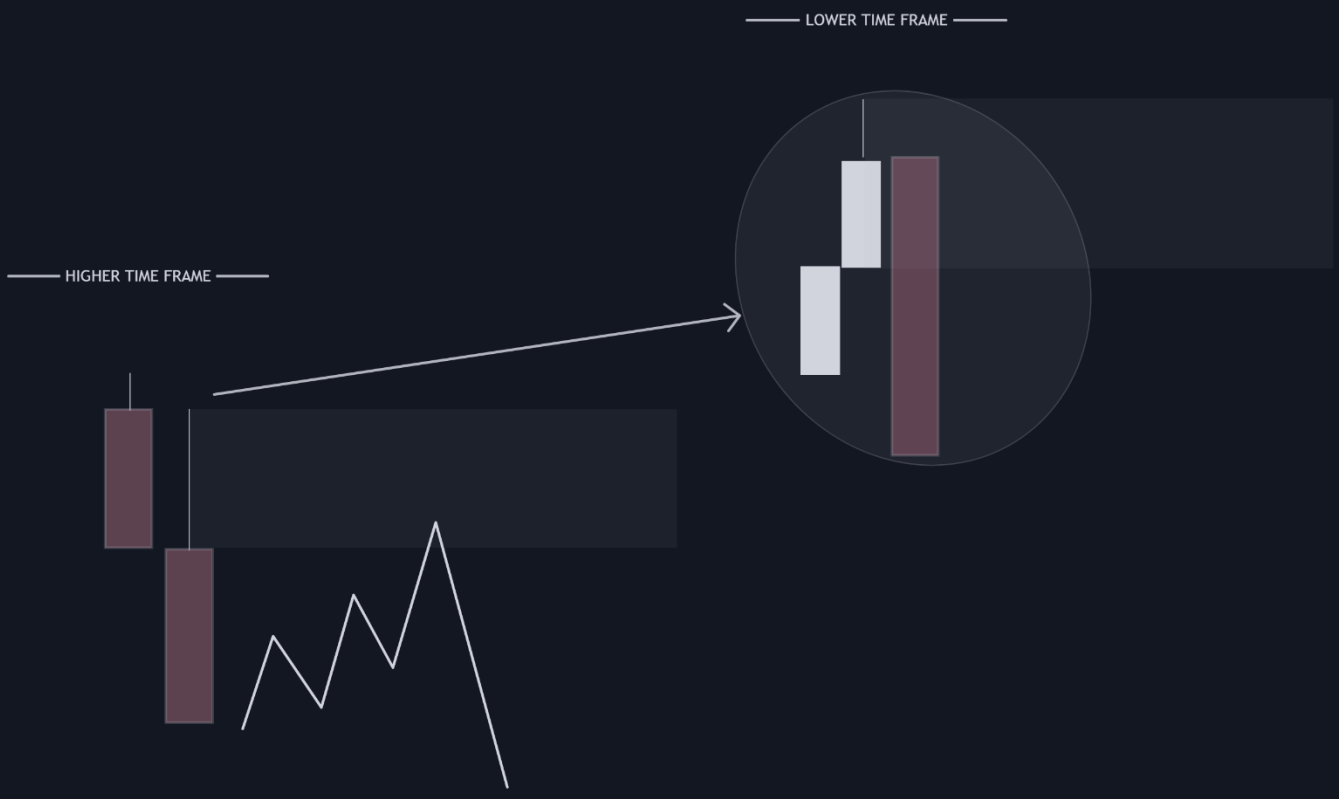
Generally, on the higher time frame (HTF) price will create a wick and will come back fast on the POI. On the LTF we will see a structure that has been broken

The Sell to buy (S2B) candle on a chart (HTF) :

The Sell to buy (S2B) candle on a chart (LTF) :

On the lower timeframe we can see that the price creates a structure and makes a break of structure with momentum that can be used for an OB.

The buy to sell (B2S) candle:



On the buy to sell candle we can see a big wick to the upside. This wick can be used as an OB. Why? If we go in a lower time frame, this wick will be a structure that can be used to spot a nice orderblock and as we know to find an orderblock the first rule must be to have a break in the market structure.

Generally, on the higher time frame (HTF) price will create a wick and will come back fast on the POI. On the LTF we will see a structure that has been broken

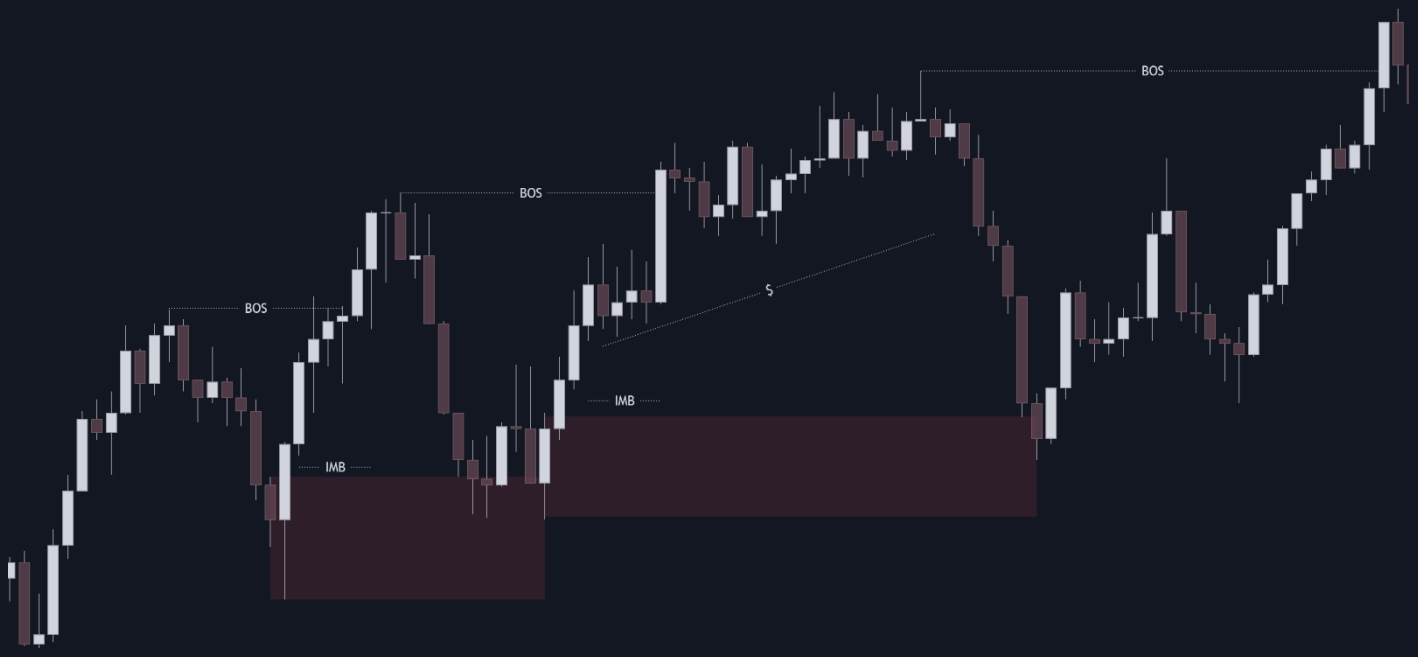
The buy to sell (B2S) candle on a chart (HTF):

The buy to sell (B2S) candle on a chart (LTF):

The others candle:

Those are simply all the others we can see on the market as doji, hammer, etc. To have this orderblock we still need to follow the rules seen before.

Few charts example:

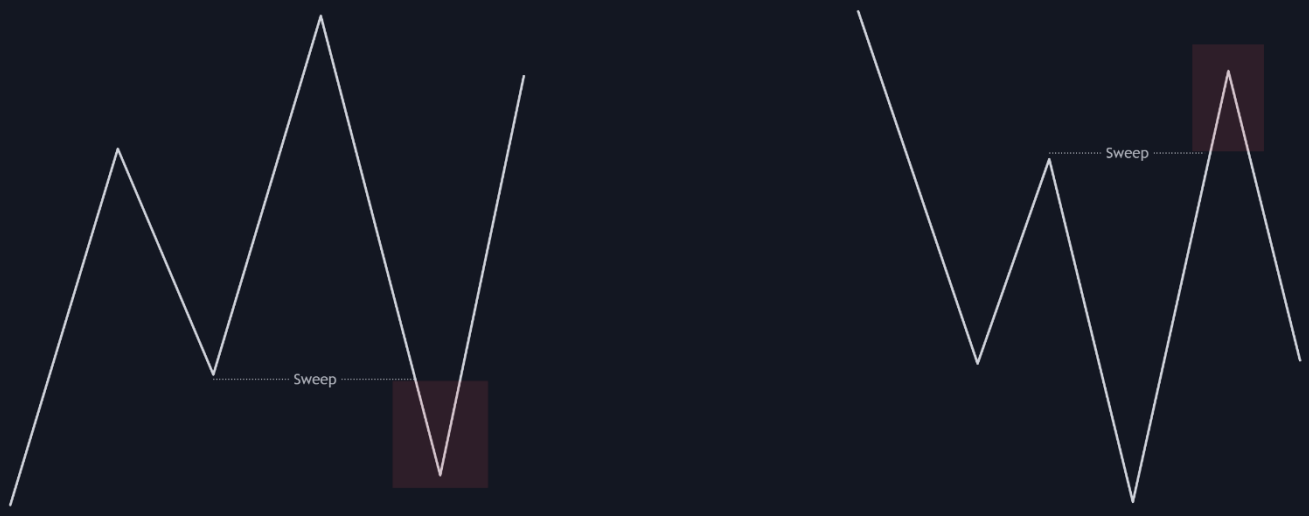


The Sweep & shift:

I taught you different kinds of OB: the sweep and shift will work either on a complete zone as SND and also the OB. The “sweep and shift” consists to see a sweep of liquidity and then a break in the market structure.

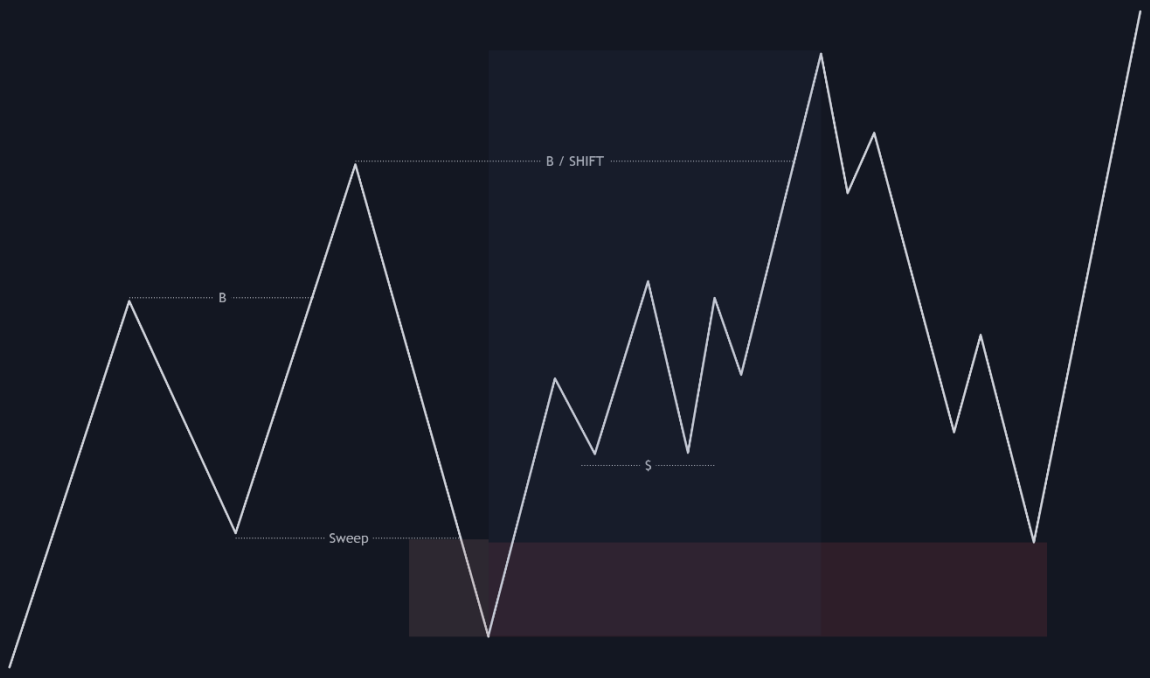
Before the model, we need to clearly understand what’s a sweep of liquidity. A sweep of liquidity is simply a grab below a low or a high, depending the structure. This induces people to make the wrong move and generates liquidity.

Basic sweep example:

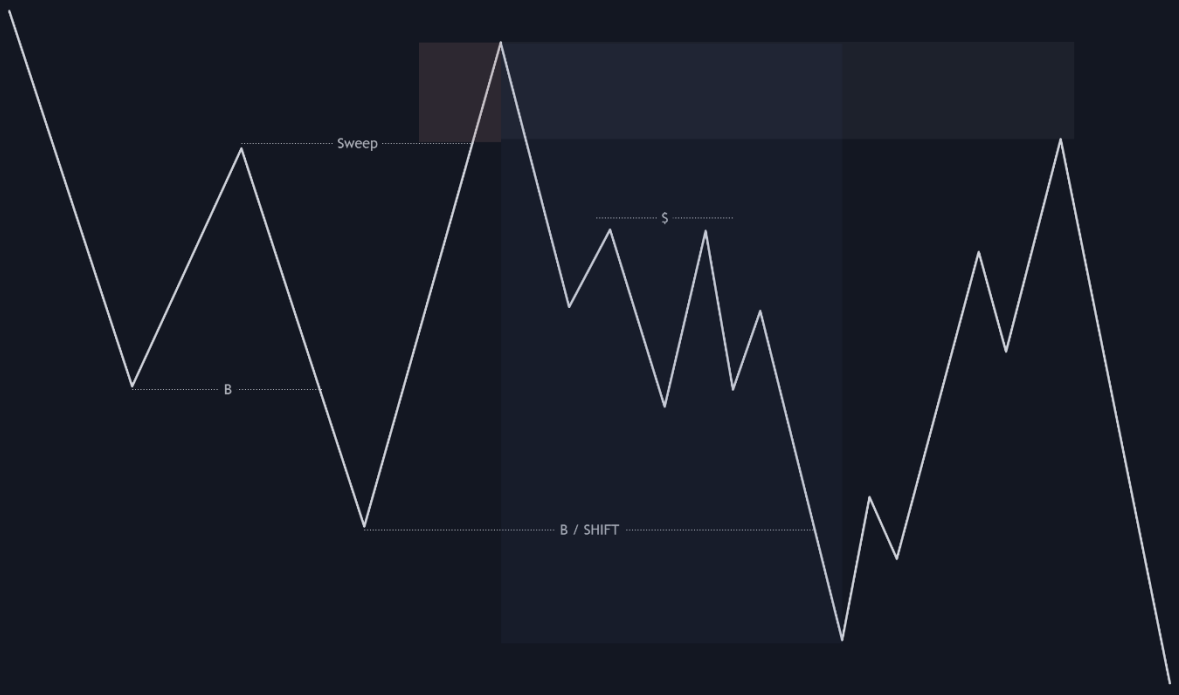


As we can see on a bullish market on the left, we sweep the protected low, this sweep induces sellers to sell and will also create a zone to trade for smc traders and to sell the market. Vice versa on a bearish market, price sweeps the protected high and it induces buyers to enter on the market.

The Sweep & shift example:



After the sweep we want to see the price break the structure. This will create a very powerful zone and if we add the previous rules we saw earlier, we can increase more and more our probabilities.



The Sweep & shift chart example:

On the following example we get a big sweep of liquidity that is very visible. You can also see more difficult sweeps like the example below:

Zone selection add (1):

We had previous rules for the zone selection. With the sweep of liquidity, we can add a new rule to our zone selection

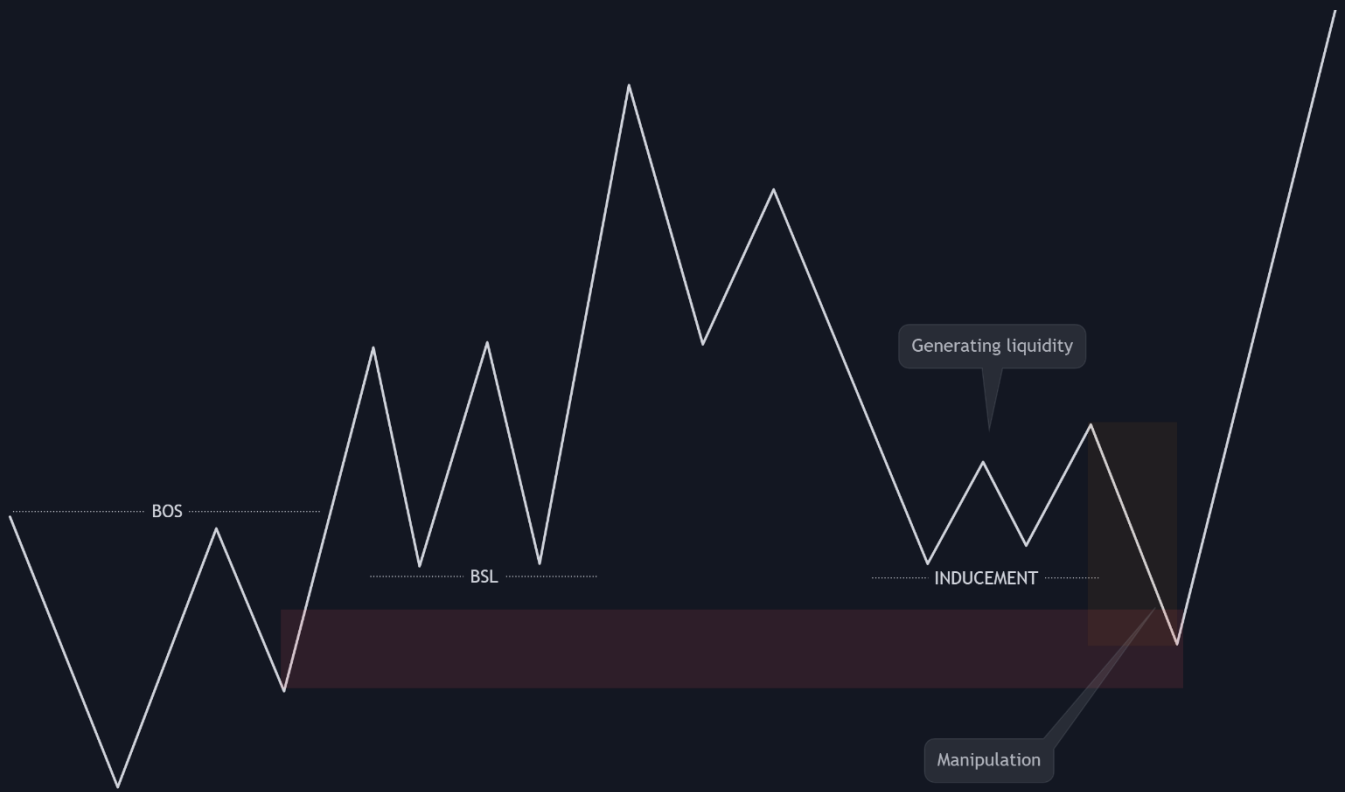
1st rule: Break market structure.
2nd rule: Momentum in the BOS.
3rd rule: Liquidity
4th rule: Imbalance
5th rule: Sweep of liquidity

We will add another rule before showing the rules following their strengths. Let's now introduce the inducement

What is the INDUCEMENT?

Basically, inducement will be liquidity. Many mentors use the same term for inducement and liquidity. Inducement is more likely the liquidity that happens before a zone, this is where people will get induced and create more liquidity for the zone.

As we can see in the retracement phase, price comes back to the BUY SIDE LIQUIDITY. They are possible zone to spot, with bos, momentum and other rules, but it's better to keep the one with the best liquidity possible. As we can see, price reacts to the liquidity and generates more liquidity before hitting the orberblock



Zone selection add (2):

We had previous rules for the zone selection. With the inducement we can add a new rule to our zone selection

1st rule: Break market structure (xxx)
2nd rule: Momentum in the BOS (xxx)
3rd rule: Liquidity (xxx)
4th rule: Imbalance (xx)
5th rule: Sweep of liquidity (xx)
6th rule: Inducement (x)

(* power of the rule from x to xxx).

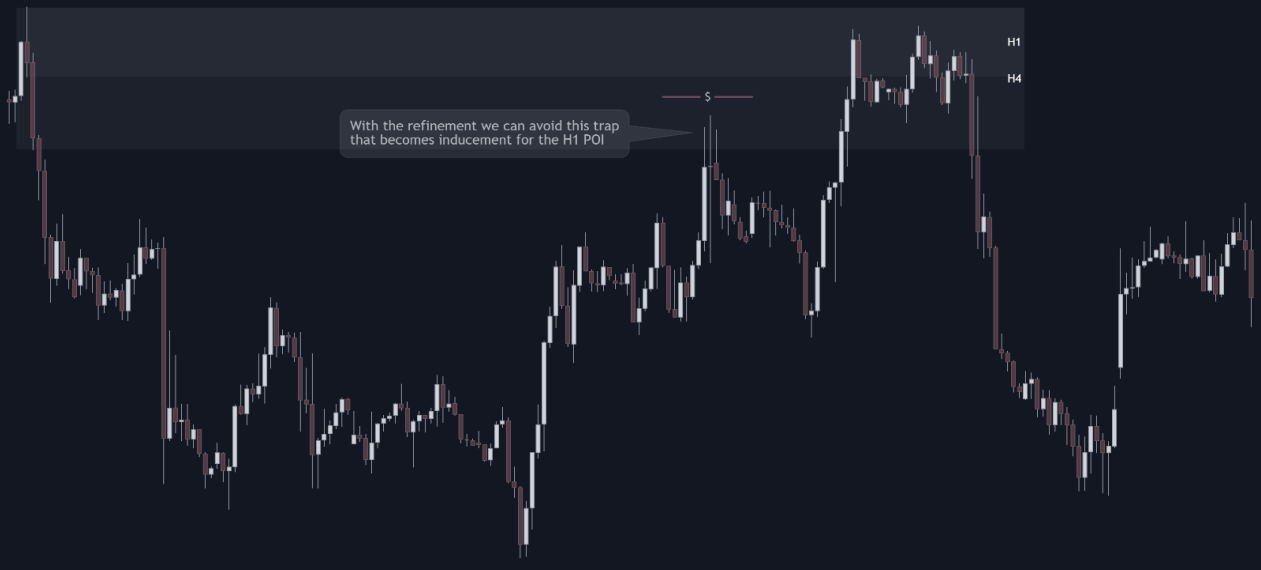
Refinement:

The refinement of a POI is looking for a lower time frame POI in higher timeframe one.

That helps to find where is the imbalance in the HTF POI.

H4 time frame:

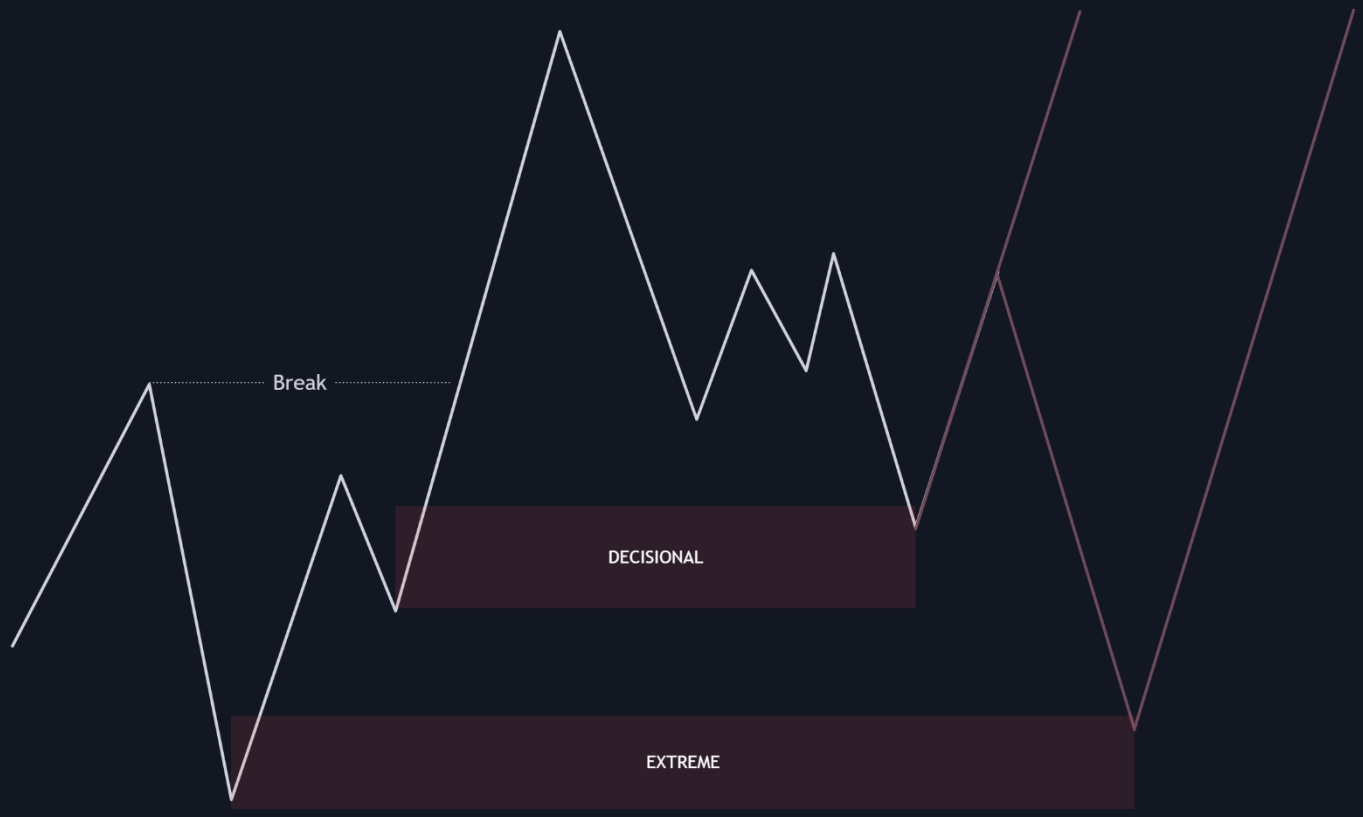
H1 time frame:



The Extreme and Decisional:

The extreme consists in the zone that is just near the protected structure. The decisional will be the zone that was created for the choch or the bos.

The Extreme and Decisional example:



I personally use the rules of zone selection to see which one I will take. It will change also depending the instrument you are trading.

INDUCEMENT (IDM) chart example:

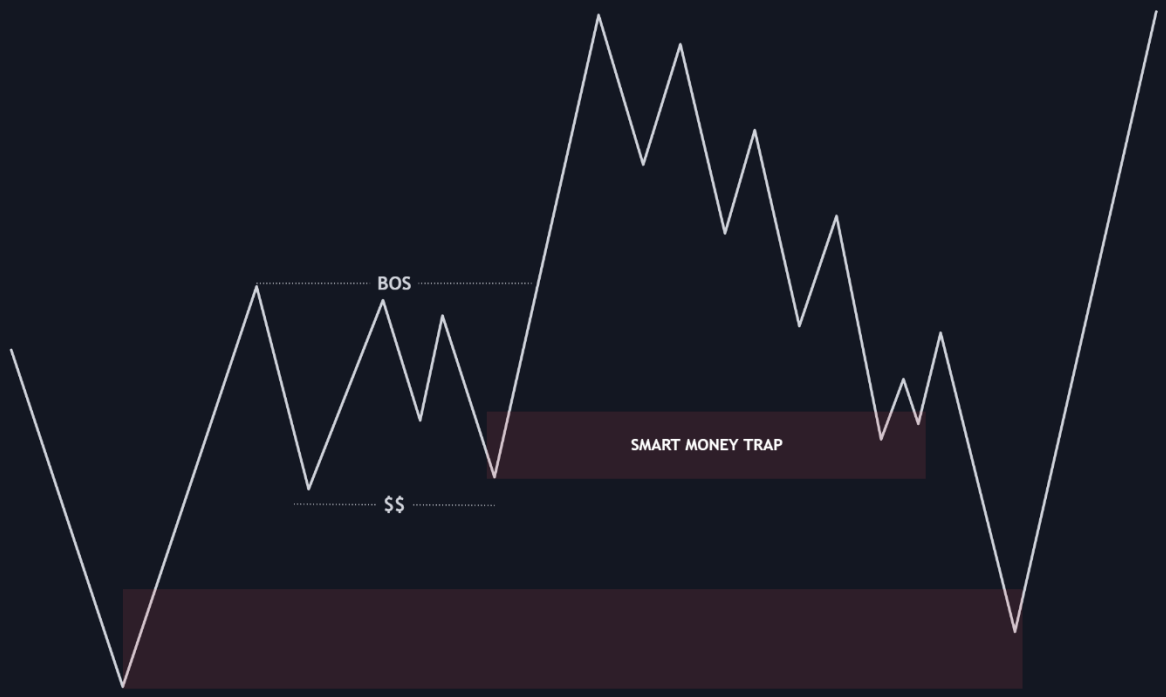
The inducement is important to know, if you're waiting for an entry on your zone and price react just before it, it can induce you in bad decisions as Fear of missing opportunity and to get an early entry. Spot your zone and wait for it no matter what happens.

The Smart money trap:

Spot zones are important, being able to spot the trap could help in the filtration of your zone. The smart money trap is basically liquidity before a POI but as it is a valid zone, many smart money traders get trapped in those.

As we can see the smart money trap (SMT) is mostly the place where inducement is created before a zone. It's possible that price reacts from a SMT and decides to follow it but we prefer to follow a strict plan that gives us the best possible probabilities in order to get the best edge and to maintain it.

The Smart money trap bullish example:

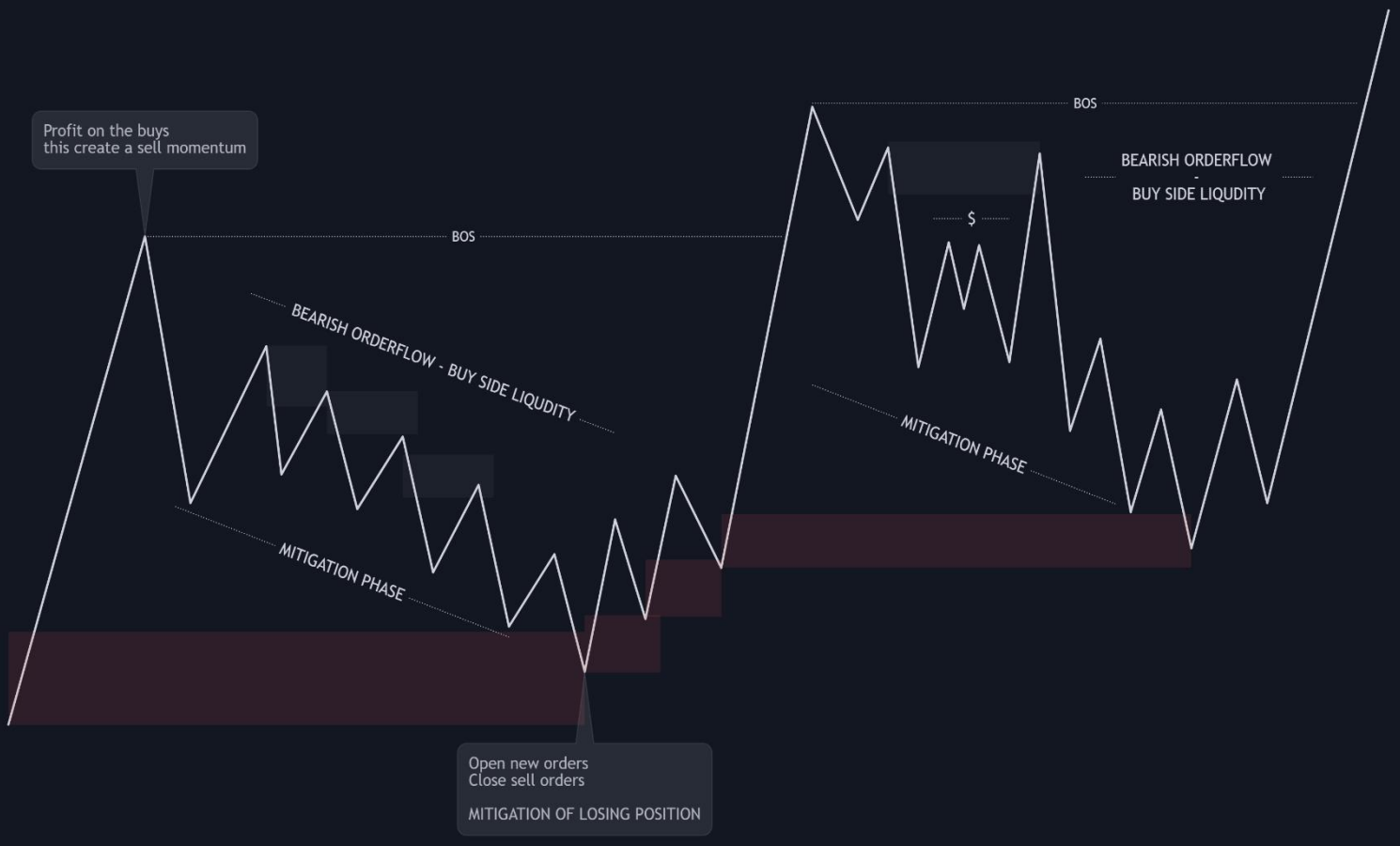


The Smart money trap chart example:

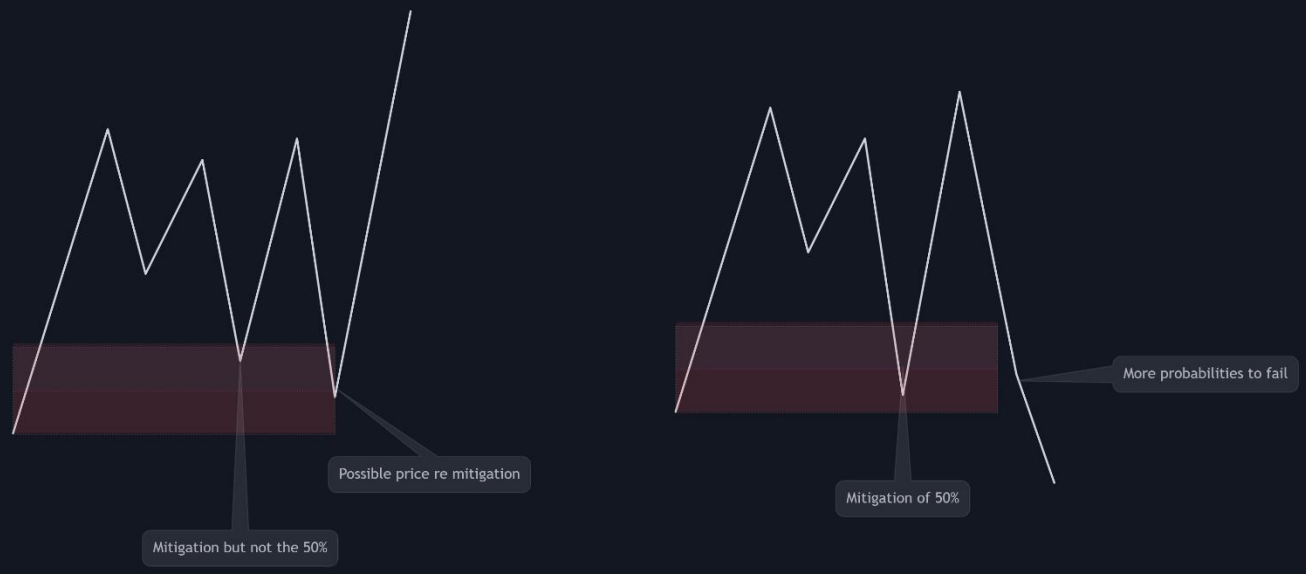
Chapter 5: MITIGATION PROCESS

Market moves by up and down in a certain direction, why price needs to make those retracements? To facilitate their own liquidity bank and financial institution will take both buys and sells positions. In a bullish market, more buys will be taken and vice versa in a bearish trend.

Let's say we are bullish. Banks will create a point of interest (OB) by taking both positions, then we have a bullish momentum created by big buys. At a certain level for many reasons bank will start to take profit on their buys, those buys TP will become sell positions that will induce a big push. The push will stop at the point of interest (OB), created by the bank earlier. In this zone, banks will close their losing positions at BE or with a small loss and will take even more buys positions.



Simply, the process of mitigation shows how bank tend to generate their own liquidity. Once an OB is mitigated, it loses power. As price has already triggered a part of the orders, there is less probabilities to get a decent position from that one. Personally, I use the 50% of the zone to see from where it could fail.

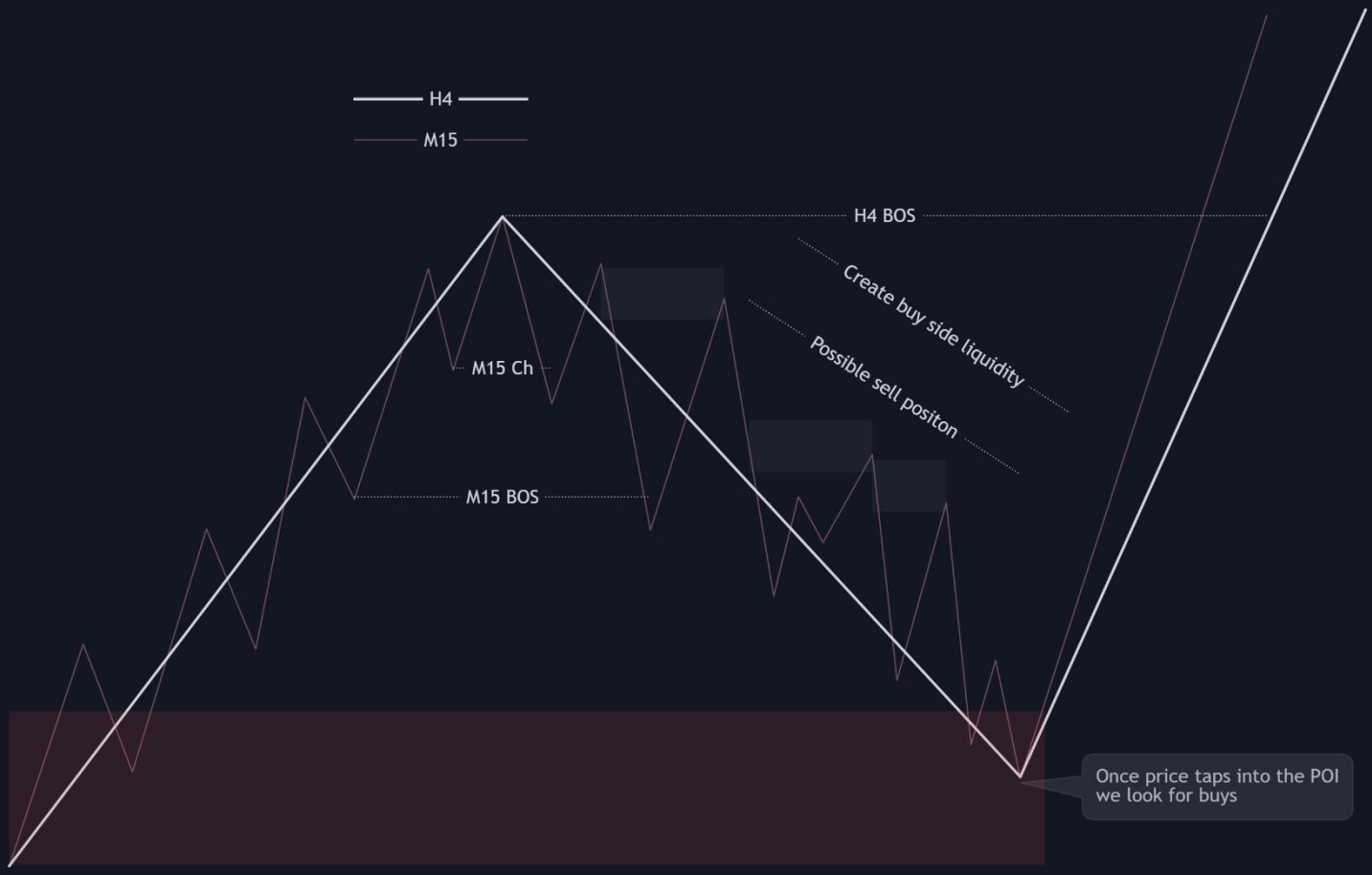


As we can see price will likely fail when price reaches its 50% or more.

The Mitigation process chart example:

The mitigation process is visible on each timeframe as we know that markets are fractals. But be aware that a higher time frame mitigation will be more important than a lower time frame one.

Let’s say we are bullish, when price will make its H4 mitigation, the m15 will fail at the break of structure. Once the M15 will switch to bearish, we will be able to follow the mitigation process in a bearish way until the H4 demand.



On the bullish leg, we can also follow M15 with buys positions. Once the M15 choch, we start to have probabilities of going down, but sometimes price can make a choch to grab liquidity in order to continue its bullish move. Once we break the structure, the mitigation process is applicable on the m15 bearish leg until the H4 demand.

Chapter 6: Pricing model

On the SnD chapter (pg 32-35), we saw the model of supply and demand. The pricing model will likely use this on the market depending the trend. In fact, on the pricing model, we have the premium, the equilibrium and the discount zone.

The PREMIUM zone:

That's the most expensive place in a leg of the market. In a bearish market this shows that the price is too expensive for people. This is why this zone is called premium, because as the price is expensive, and we are bearish we know that price could likely go down

The EQUILIBRIUM:

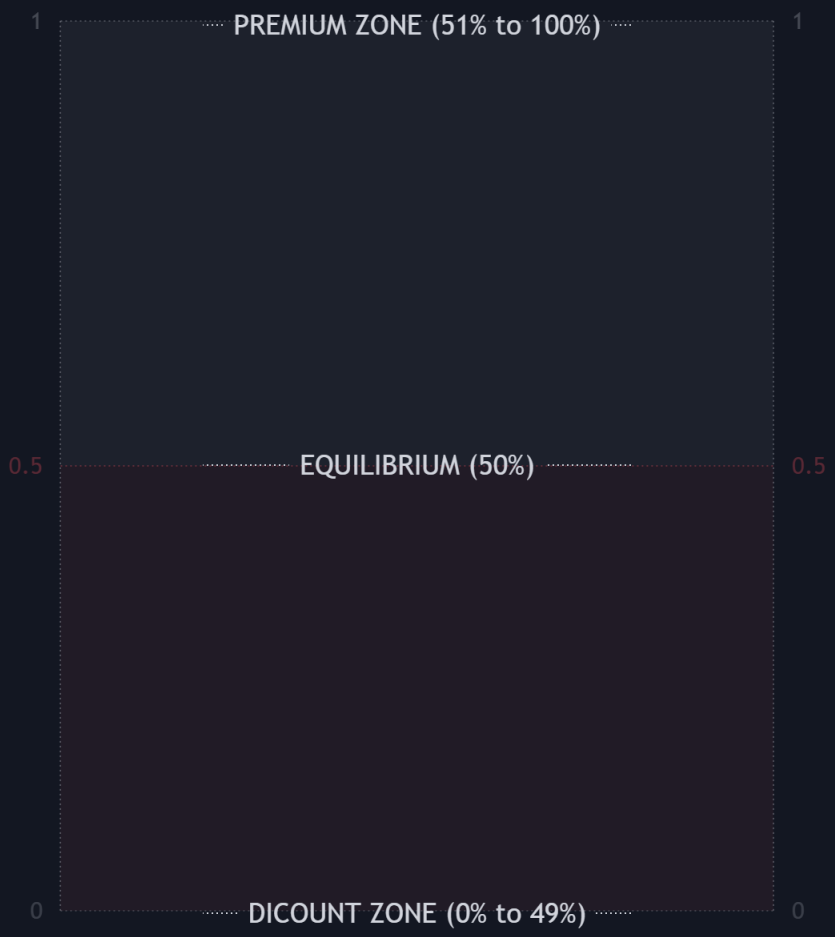
This is the 50% of the leg. In this area the price is at an equilibrium. This equilibrium could be used to continue the trend or price can use it as liquidity.

The DISCOUNT zone:

This is the cheapest place in a leg of the market. In a bullish market, we look for buy in this zone. In a bullish market this shows that the price is very cheap. This is why this zone is called Discount, because as the price is low, and we are bullish we know that price could likely go up and we could enter with a nice price.

The model on tradingview can be used with the Fibonacci tool or the Gann box by only taking the 0% - 50% - 100%.

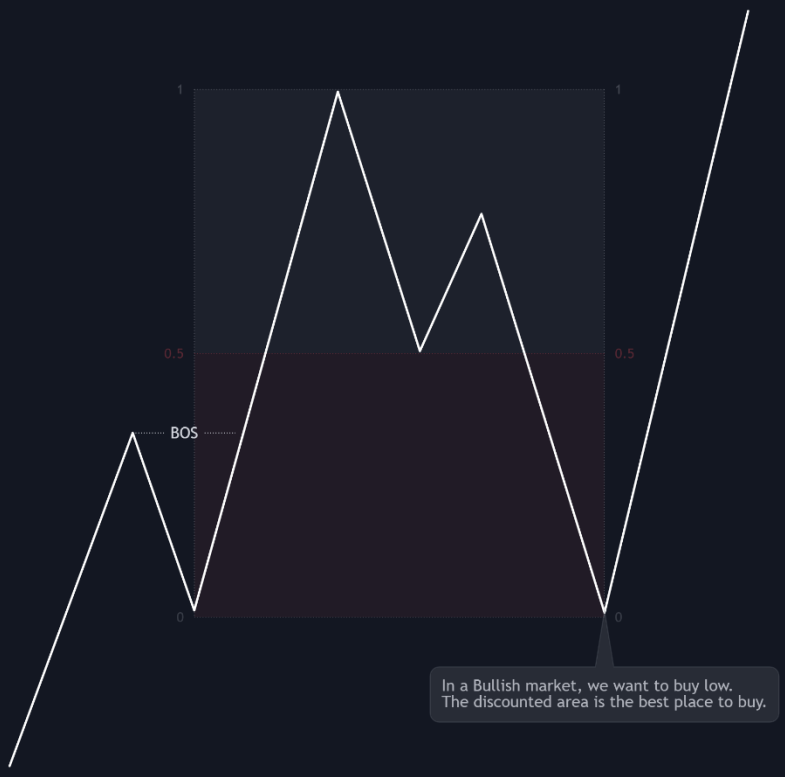
The Pricing model:



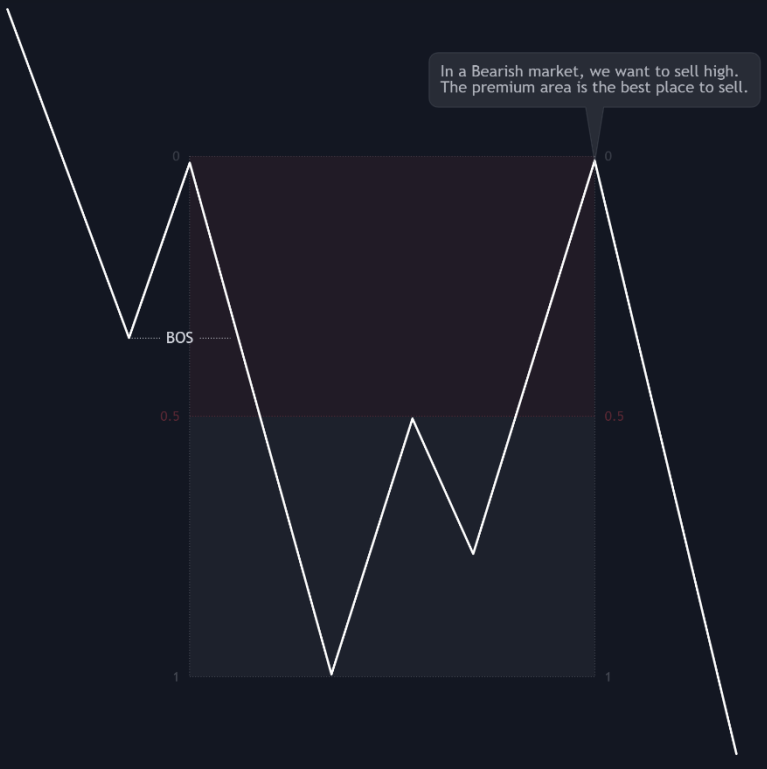
As we saw earlier, we have 3 zone. Here above I present to you the model that you can create on your trading view as a model of pricing.

I advise you to look at this model on the higher time frame and not on the time frame of your entries. It's really important to know where you are in the leg of the structure to not get too fast on a trade and to become the liquidity.

The Pricing model (bullish):



The Pricing model (bearish):



The Pricing model chart example:

This is very helpful to guide you into your trend and see where you are.

The timeframe where I use the pricing is H4 or daily to see where are the swings. I can also utilize M15 to check my intraday trend when it's needed.

Chapter 7: Enter on the market

To enter on the market, we need to follow strict rules. There are common entry models that we'll be able to use on the market. The entries are taken on the 1-minute timeframe but you can also look for 2 or 3 minutes if the price action is not easy to read.

The ChoCH entry:

The Choch entry must be taken on a HTF POI. I likely use M15 POI and M1 ChoCH entry.

The ChoCH entry bearish model:

The ChoCH entry bullish model:

The

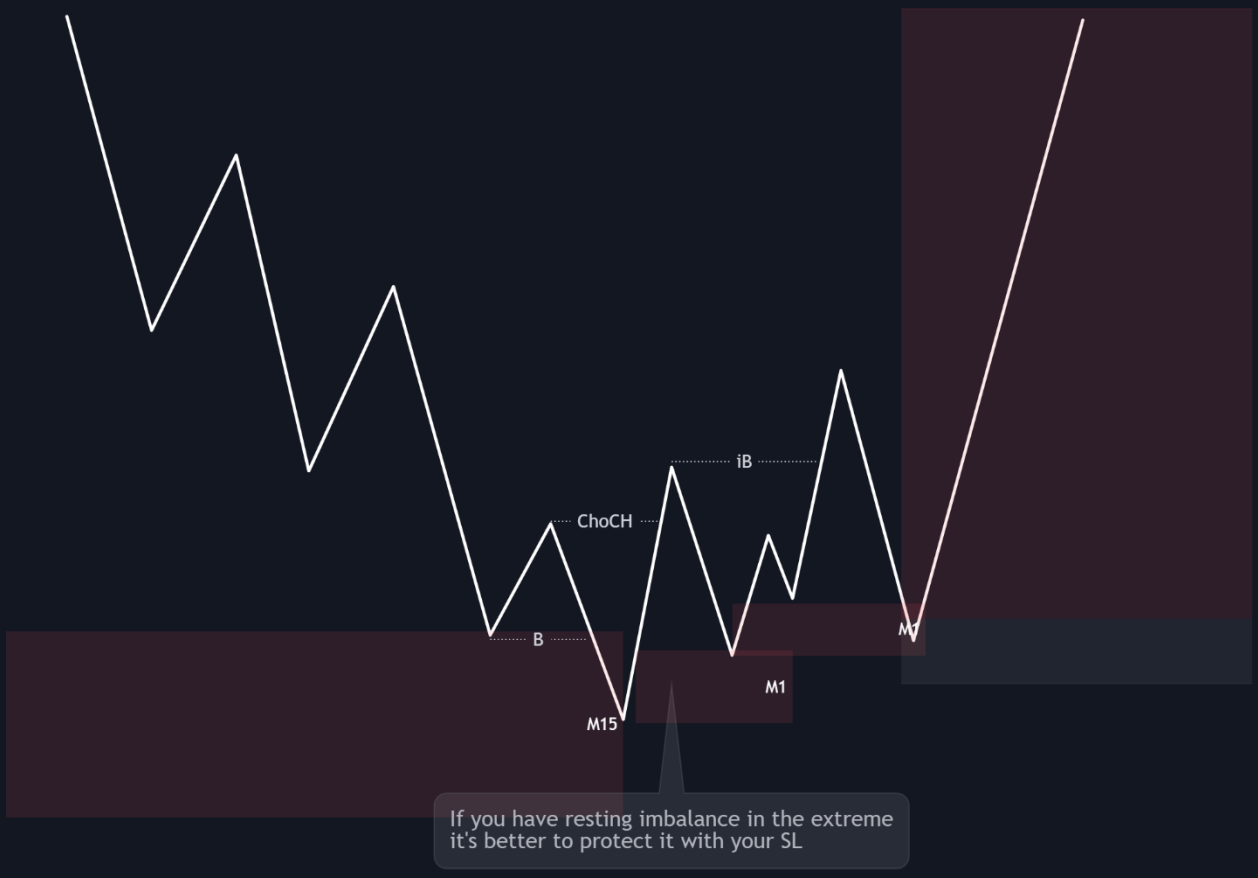
ChoCH entry chart model:

For the sweep before the ChoCH only a wick is acceptable but to break the ChoCh we need a candle close in order to follow it.

The C-I entry:

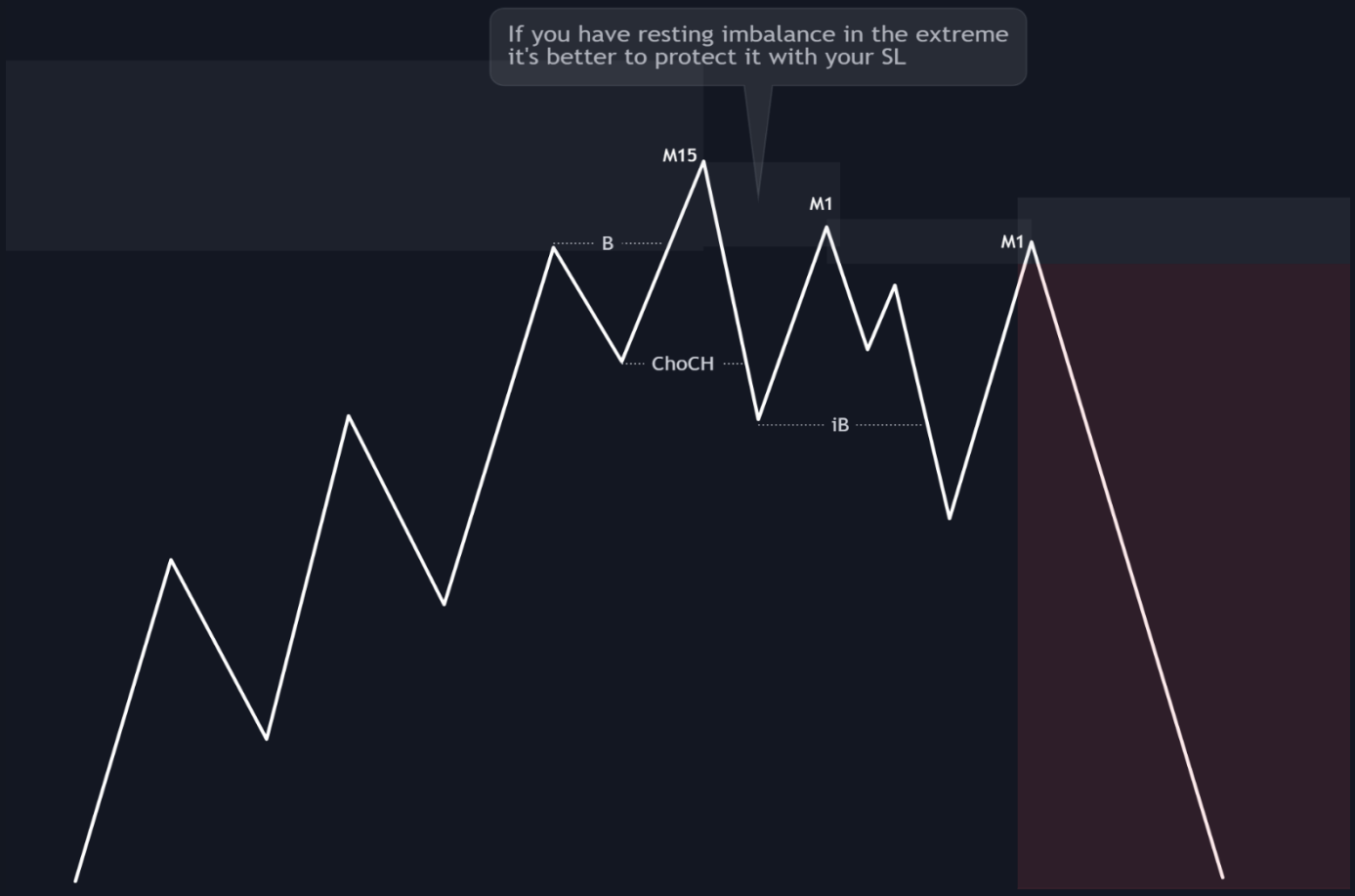
The C-I model consists to wait for a choch and then an internal bos to have more probabilities for the price to go down.

The C-I entry bullish model:



This increases a lot your probabilities to win a trade. I use it most with the GOLD.

The C-I entry bearish model:

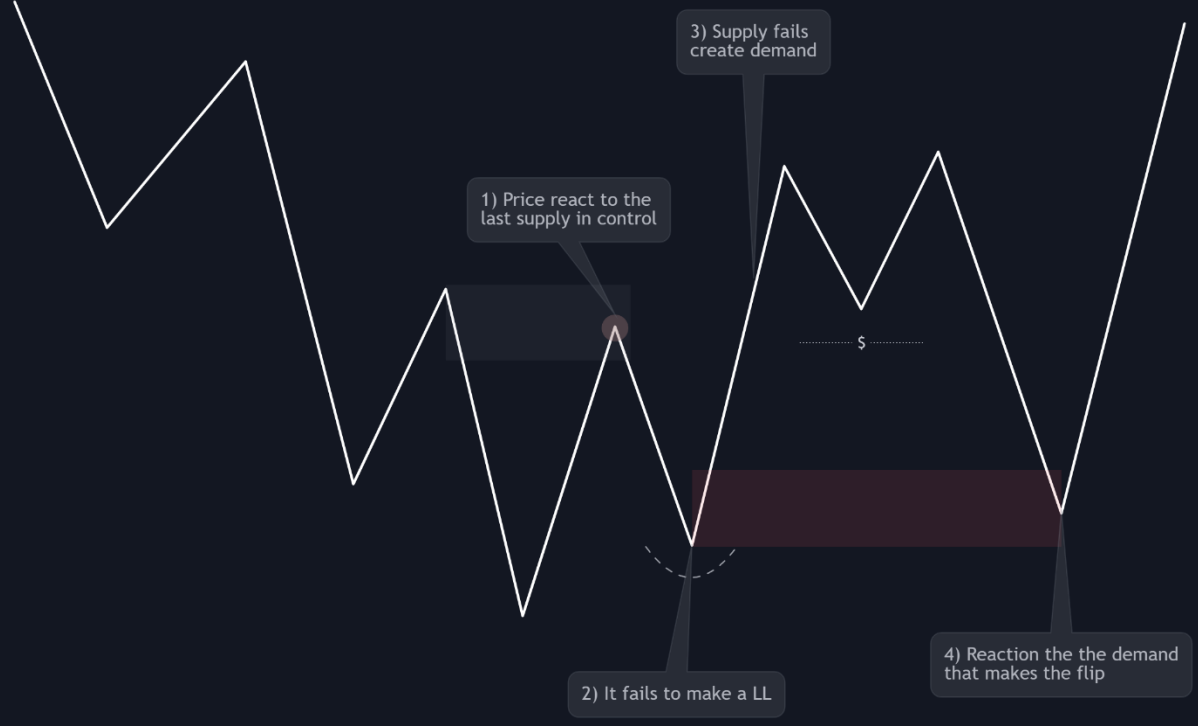


The C-I entry chart model:

The Flip entry:

The flip entry shows a fail from a supply or a demand to follow the market. In a bearish market, the supplies are in control of the market and vice versa, in a bullish market, the demands are in control. When a supply fails to follow the structure, it will flip and create a demand. The demand will take control of the market.

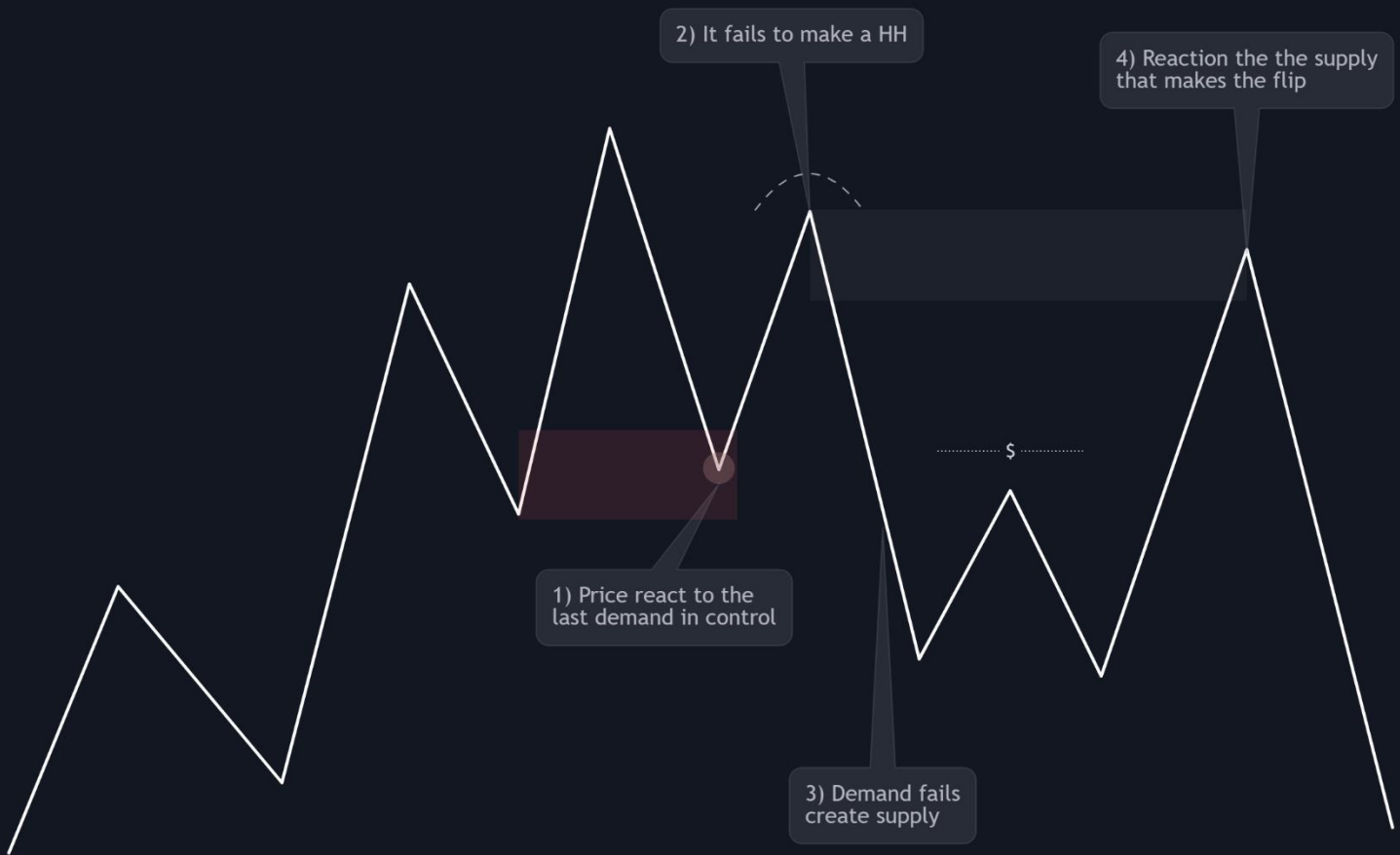
The Flip entry bullish model:



We can identify a flip in 4 steps:

1) Price reacts to the last supply in control. (Price must react to the supply to affirm it is one and not a just a fake level)
2) After the reaction price fails to create a new Lower Low.
3) Supply fails and creates a demand.
4) Price reacts to the demand created by the flip

The Flip entry bearish model:



The flip has different model, I use 3 in total. One of them if price doesn't create any liquidty, then I will use extreme POI. One, when price creates liquidity and then we select the zone that makes the flip. And the last one is when price reacts to the last zone in control it creates a choch before break the zone.

The Flip entry model (No liquidity):

With this model as we don't have liquidity, we use the flip as liquidity for the extreme.

The Flip entry model (Liquidity):

The Flip entry model (Cflip):

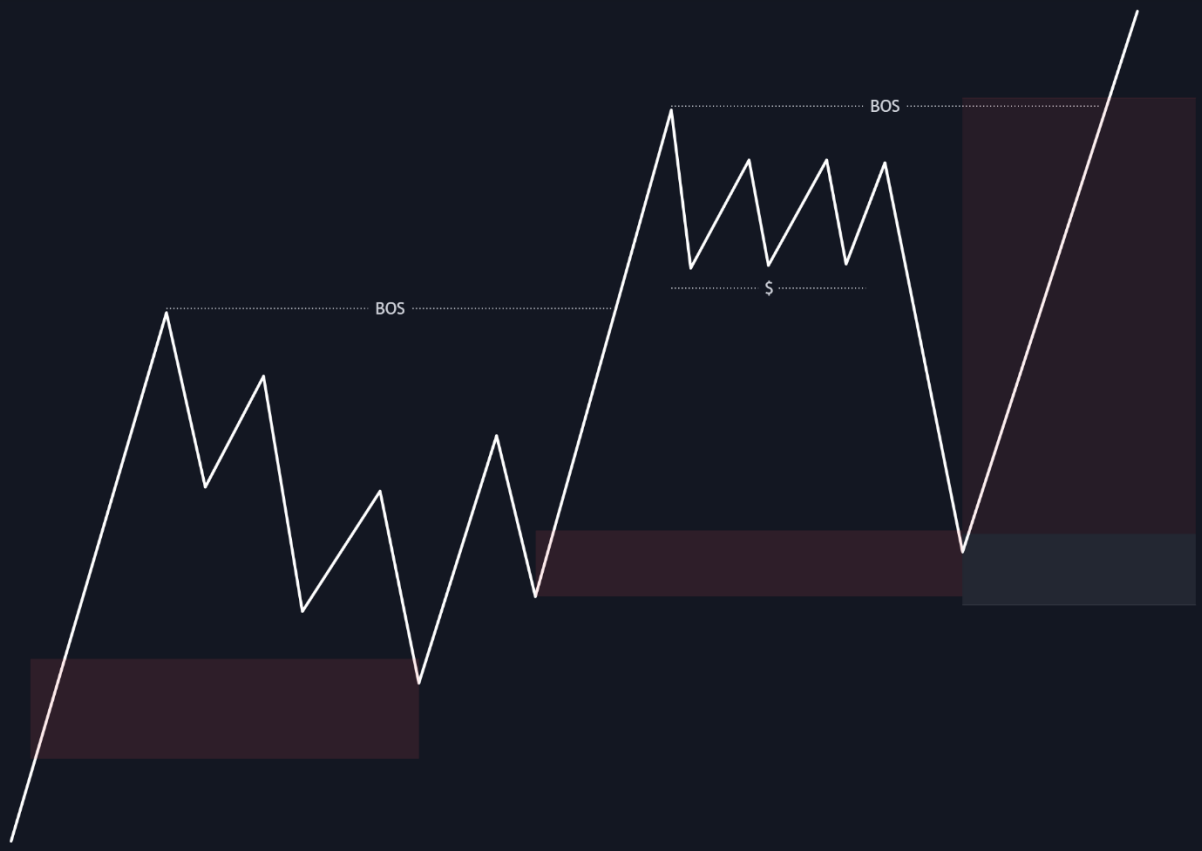
On this model we can see a model of choch on the last zone in control and this could be used as a sweep and shift.

Flip chart example?

Those models are commonly used after the mitigation of a HTF POI or when we sweep a big liquidity as External range liquidity.

The following one will be when we are already trending, as a continuation trade. You can take them to stack or because you were not there when the market shows your entry criteria.

The continuation trade model:



Make sure to always follow the rules of the zone selection to chose the best POI. The continuation trade for me needs Bos, momentum and liquidity that's the most important rule.

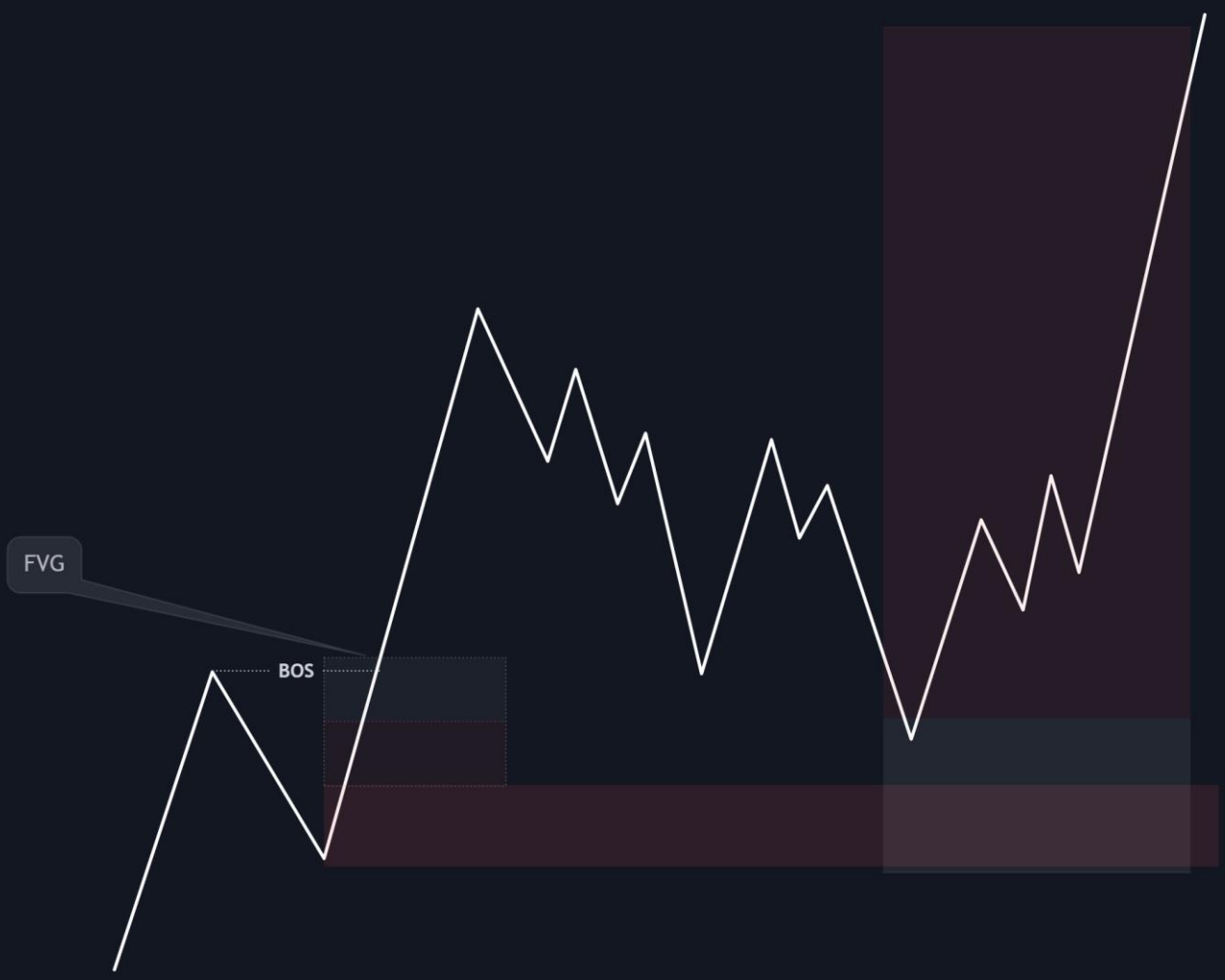
The continuation trade chart model:

The FVG entry:

FVG means Fair Value Gap that's another name for the imbalance. The FVG is used when we have a big candle after our POI and in this big candle, we will take the 50% of the imbalance and take our entry at this area.

Why doing this? When we have a big amount of imbalance, price will not necessarily need to tap in your POI to follow its move. Taking care of that, the 50% works very well for the reaction of the price.

The FVG entry model:



As we can see this entry decreases a lot the risk reward. It's all on you if you want to use it or not. For what concern my experience, I use it when I can get a minimum of 4RR. It's better to know this entry in case the price doesn't react to your zone and you are asking yourself why it happens. To implement this entry could be very great when you are in PROTREND and can have a big take profit.

(PROTREND means you are following your trend)

The FVG entry model:

As we can see to take the FVG we will use the same tool as the pricing model. We will drag it from our big candle after the POI until the first wick that pullback the market. The 50% will be used for the entry and the SL will be below or above the initial POI you placed.

Chapter 8: Trade management

We went through all the concepts, now we will go through the trade management. This chapter will explain the different time frame used and also the overall management of your trade as TP, SL BE, etc.

The Time Frame used:

Daily: Once a week to check the overall bias of the market. Mark the extreme zones, Pricing
Example:

On the example above, price is bullish and as we can see market reacted from its protected low and its demand. This demand creates a big move to the upside that broke internal structure. Price comes back to its extreme zone.

H4: Every day to check the bias of the market, liquidity, pricing, POIs
Example:

In the example here, it makes a choch and comes back into its daily and its h4 POI. As we remember, daily is bullish and as price comes back into an extreme demand with liquidity we can expect a big push to the upside. We need to wait for the M15.

M15: M15 is used for the intraday pricing. Intraday means that this is the price action we will follow day by day with our higher time frame bias. This time frame can be used alone when H4 is in a range or doesn't show something clear. On the M15 we look for the structure, the liquidity, the POIs.

On the M15 here, price makes a ChoCH and a BOS and we can see a visible liquidity. We have a lot of imbalances to fill and price swept all the liquidity very fast.

M1: Entry time frame ONLY!
Example:

On the M1 it was possible to use the C-I model as we can see the price follows it very strictly.

This was just a little explanation of the timeframe. A complete chapter "Daily process" is at the end of this book and explains in details how to take a trade from A to Z.

NB: When market is not clear in those time frames, do not hesitate to change it a little, for example you can go on h3 r h2 if the h4 doesn't show good POIs.

The Trade management:

Totally besides the strategy, what all the profitable traders have in common is that they manage their trade properly following their plans. The trade management will firstly consist in having a nice stop loss at a precise level that cancels the setup. Secondly, A precise take profit and also precise partials profits if you decide to use them. Finally, a break-even level that indicate to you that you can set your SL on the entry point to not be able to lose money anymore.

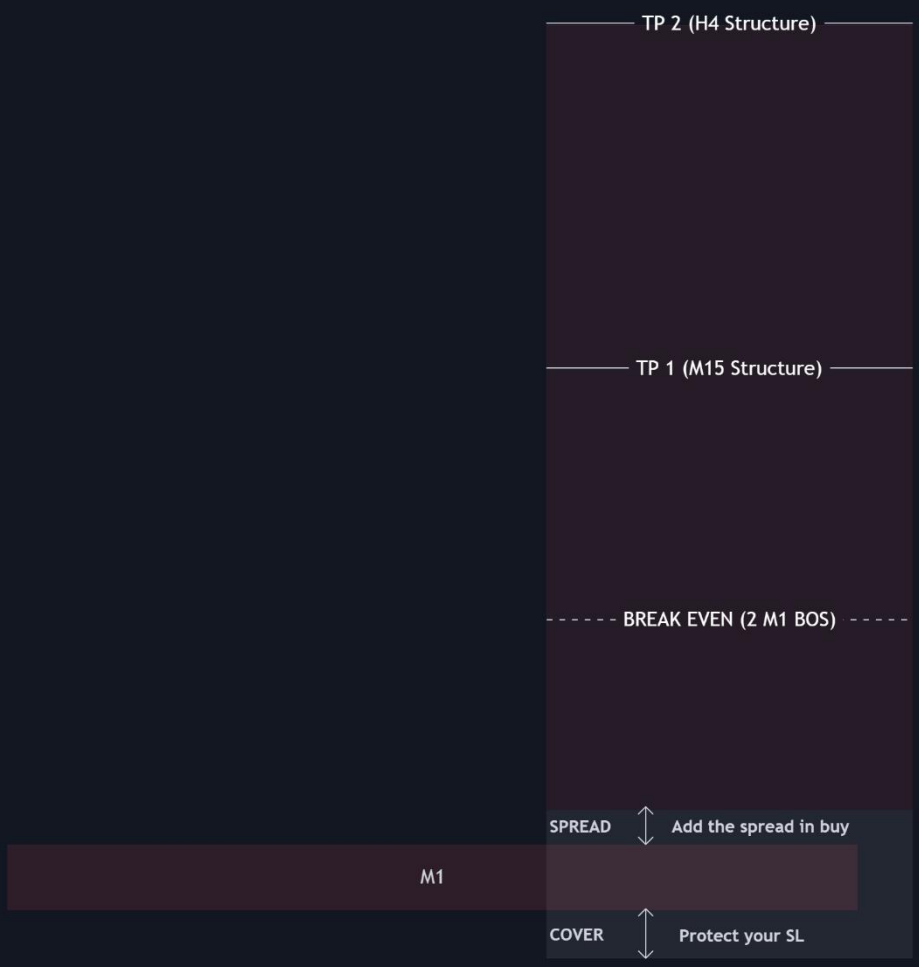
With my plan, the trade management will change if we are in pro trend or in counter trend. It's important to take care of the spread. In the long term this can affect the capital.

When you sell the market, price triggers your entry point at the real price of the market, but your stop loss will be hit at the spread level. If you have 0.5 pips of spread it's important to add them to your stop loss to not get out at an equal level or a little grab of liquidity.

When you buy the market, price will trigger your entry point at the spread level, that means that you need to add the spread to your entry price. Otherwise, price can touch your zone but not trigger you because of the spread. I think some schematics will be helpful to better understand that.

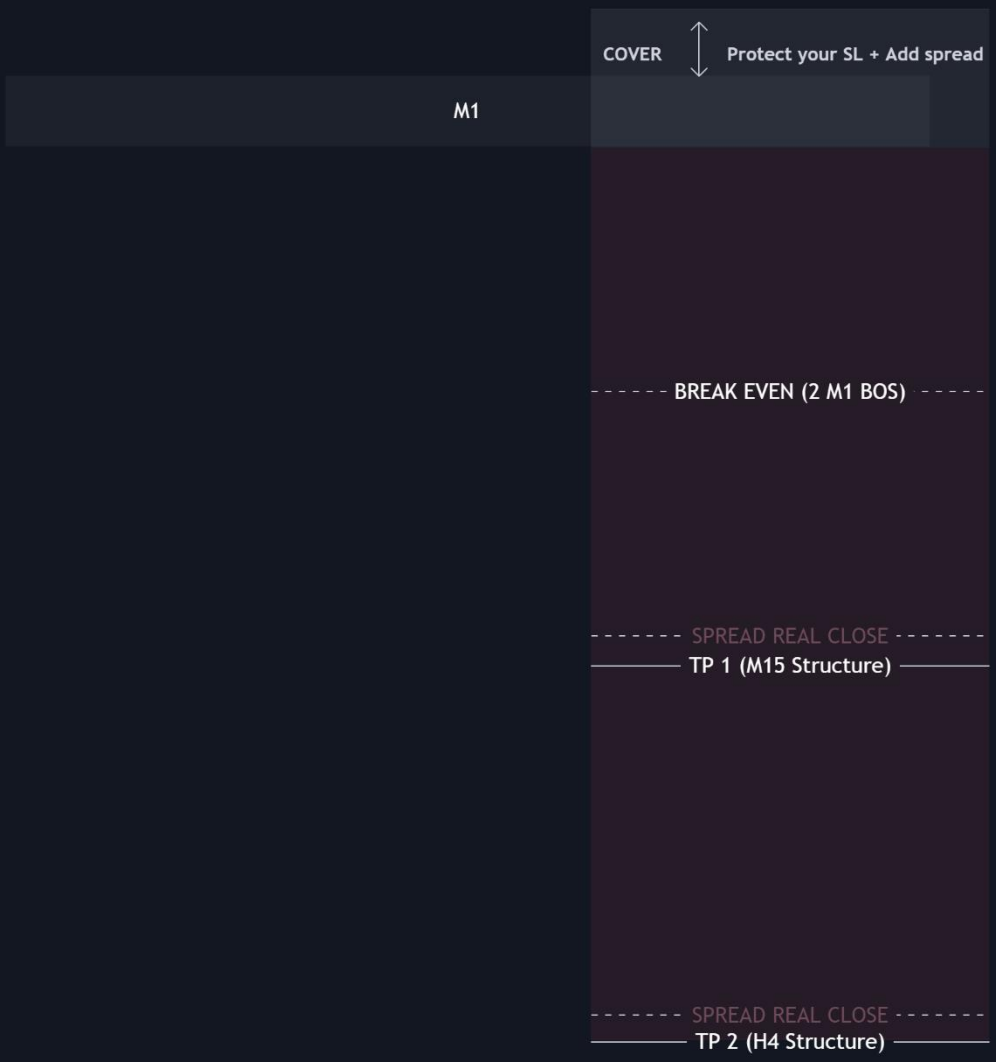
The PRO TREND management:

Bullish:



The break-even will be set after 2 M1 BOS. The first TP or the total TP depending on your will be the M15 structure (As we are in pro trend this level should fails). The second TP is the H4 structure (it's needed to have both h4 and m15 in the same trend to reach this level).

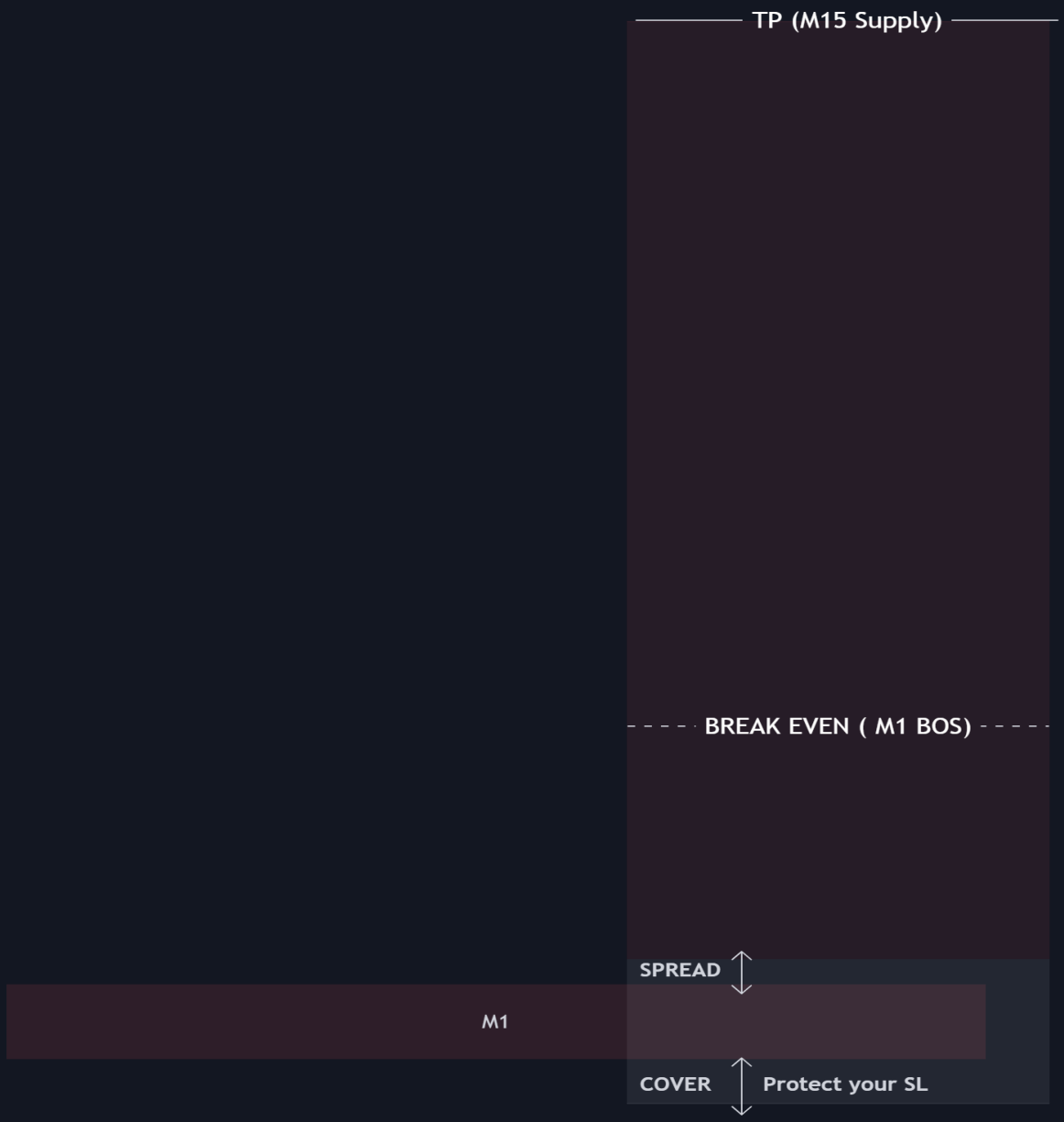
Bearish:



On the sell one we don’t have to take care of the spread for the entry point. But as your stop loss will be triggered at the spread level it’s important to add it to your initial cover. The break-even level will stay the same, and for your partials you also need to take care that when price will hit your take profit, the profit will be taken at the spread price

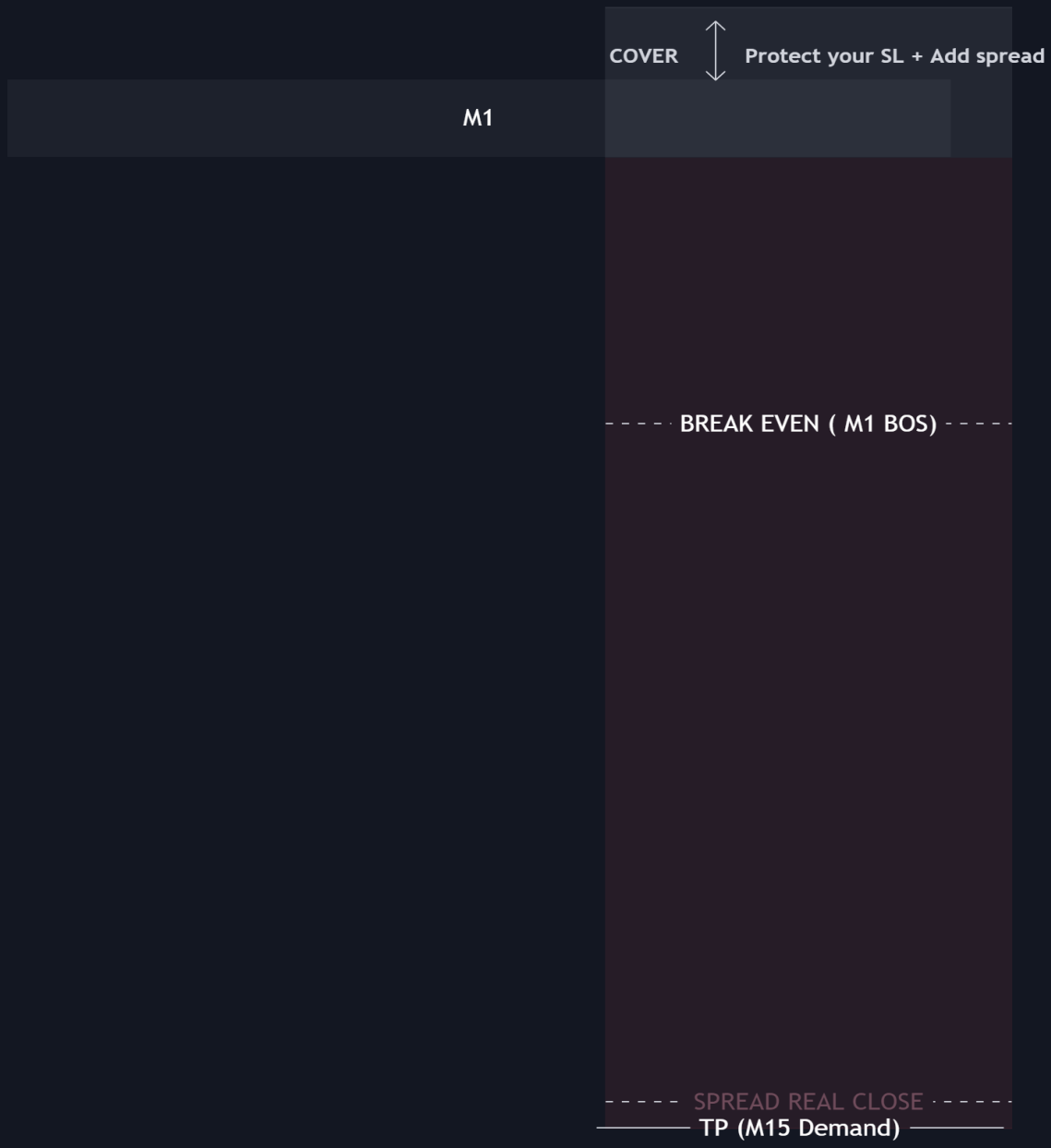
The COUNTER TREND management:

Bullish:



The break-even will be set after a M1 BOS. The TP will be on the next M15 supply as it is where price is supposed to react, before dropping to the downside. If your BIG timeframes are showing to you that you can have a TP on a H4 supply then take a partial at the M15 supply and look for another one at the H4 supply

Bearish:



If your BIG timeframes are showing to you that you can have a TP on a H4 demand then take a partial at the M15 demand and look for another one at the H4 demand.

Chapter 9: Daily process

Firstly, to find your own daily process you should understand that everyone is different. Some people will be able to look at the chart for 5 hours without getting tired and some get tired after 2 hours. As a trader it's really important to know yourself in order to not make any overtrading. Overtrading can induce to a lot of bad decisions and a lot of wasting of money.

The sessions are also really important. The best liquidity is during London and New York on major instrument. The Asian pairs will have a lot of liquidity during the Asian session. Following what you have to do in the day, you have to pick up one or two sessions that you will be able to trade with 100% focus. That doesn't mean looking at the chart for the 5 hours, but being in the zone with you and your trading.

The daily process will start by checking the different news that we've got for today. I also advice to pick some article about the pairs you are trading to know more about the fundamentals of these.

If you are on the Monday, you can start by the daily time frame to check the structure and the extreme POIs. You can also take a look at the liquidity if it's needed.

The Daily time frame:

On the daily time frame, price is bearish. Price makes a bullish choch and comes back to its extreme supply in the premium zone. We already have a sweep of liquidity in the supply (Price reacted one time and then fails).

From the daily time frame, I expect a bearish move. To enter in this bearish move, we'll have to wait the delivery of the POI. The delivery will simply be a choch or break of structure in a lower time frame that indicates to us the probability of the price to goes down.

The H4 time frame:

On the H4 time frame price is bullish. We can see that the sweep in the daily is a BOS on the h4 time frame. Here, price looks to lose bullish power on the H4. As we know price is moving from supply to demand to rebalance the price. Here, we can see that above the decisional demand we have resting imbalance, that can be used to rebalance the price if it wants to go up.

Knowing that, we could follow our daily time frame and look for sell opportunity even if we are not in pro trend on the H4.

The M15 time frame:

On the M15 time frame, price is bullish and it makes a bearish ChoCh. On the bullish leg we have almost no imbalance, except for the one before the H4 demand. Knowing that, we know that price could likely join the H4 demand before potentially a move to the upside.

As we can see after the Choch, price reacts as well at the supply that was created by the ChoCH. After, we have an internal BOS and a lot of building of liquidity before the extreme supply. This extreme supply will be the place to look for an entry. The first TP will be at the weak low or the M15 demand and the 2nd Tp will be the H4 demand. As the big picture is bearish and we are in an extreme supply of a protected low, we could expect a nice bearish move.

The M1 time frame:

On the M1 time frame, Simple Choch with big momentum. Supply at the buy to sell wick. The break-even will be the m1 BOS.

The Result of the trade:

As we can see price gives a very nice bearish move. Without the high time frame picture, it is very difficult to know that.

Always keep in mind that the big picture will have more influences than the lower picture.

Total trade: 1:22RR. With the partials, it depends on how many % you are taking per TP. I personally take between 30% to 40%

NB: When price is efficient on the left side, it will be run fast.

Chapter 10: Money management

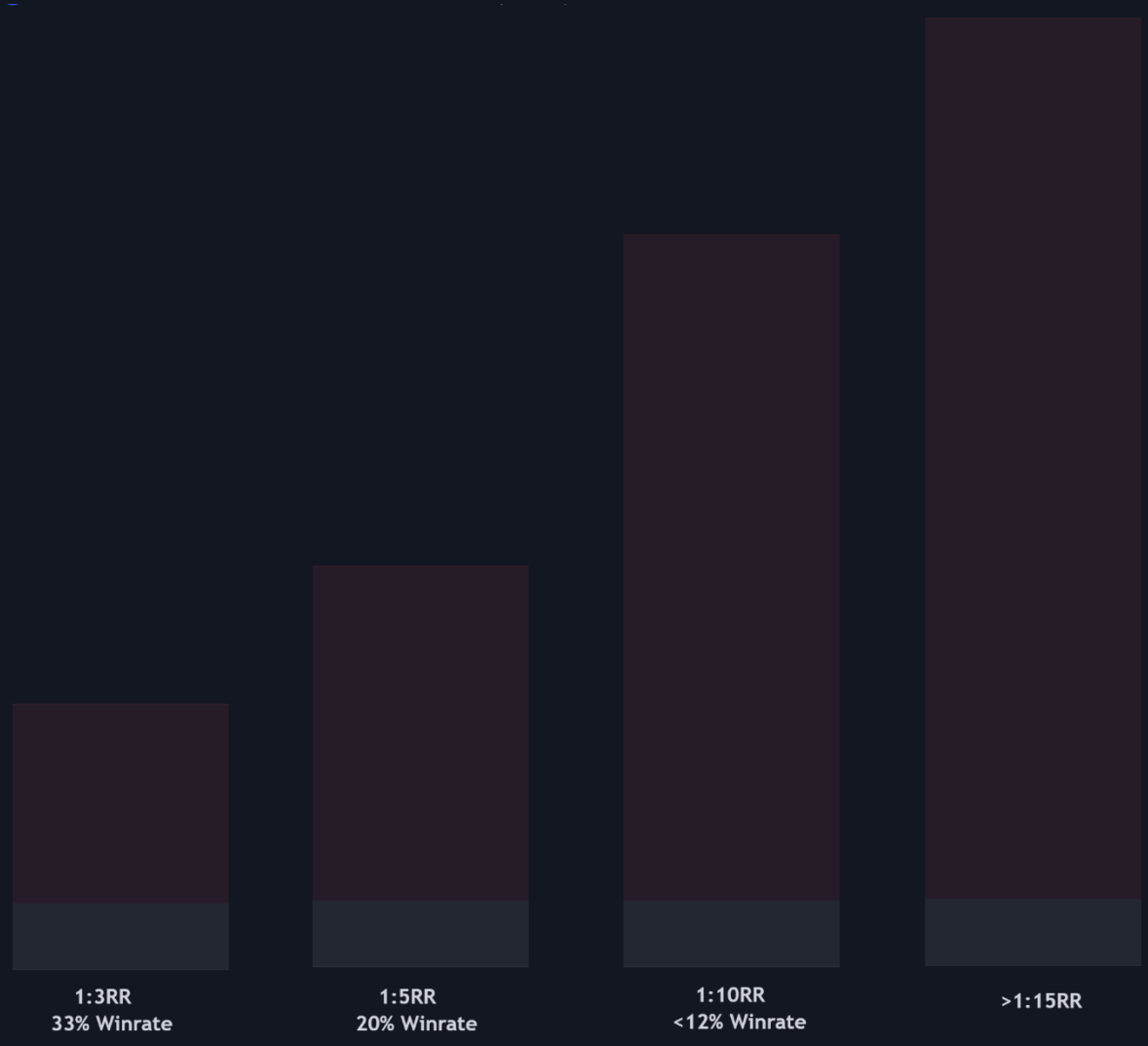
Understand the Risk reward:

The risk reward is something that can really change your trading for the end of your life. In fact, as a trader, it's important to think in terms of probabilities when we are trading.

If you only take 1:3 RR trade, it means that you have to win 33% of your trade in order to not lose money.

If you look for 1:5 RR, you will need to win 20% of your trades. That means that you can be wrong 80% of the time.

Now if we are looking for even bigger RR, then you can literally scale up an account very fast.



What do you need to be profitable?

1:2RR	1:3RR	1:5RR	1:10RR	1:15RR	1:20rr
>50% winrate	>33% winrate	>20% winrate	>10% winrate	>7% winrate	>5% winrate

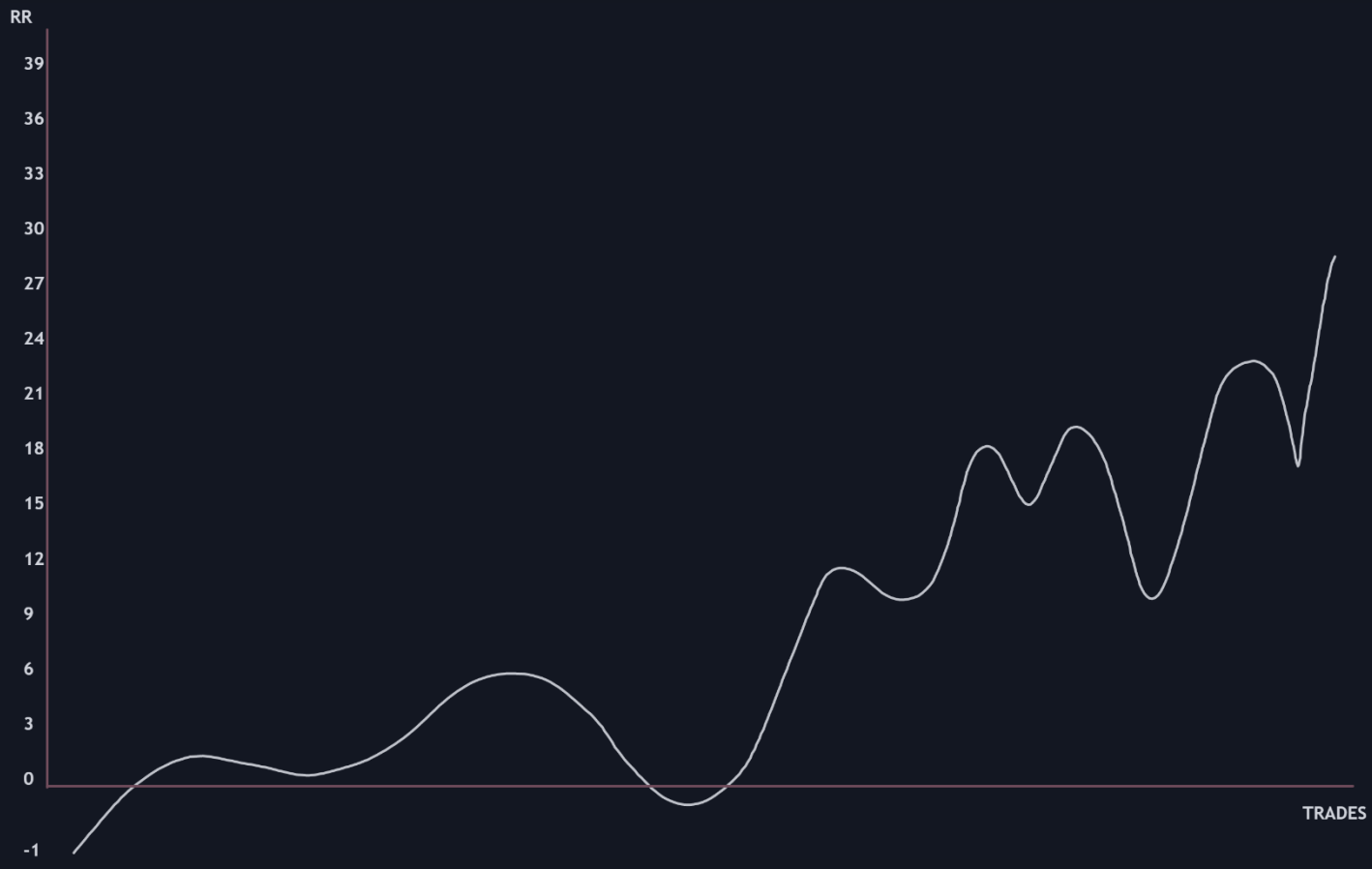
This table shows how much win rate could be powerful on the market. This is literally a game changer that can replace your way to trade forever, as it did for me. Personally, I use between 5 and 20RR with about 40% win rate. This allows me to make very profitable month even if I'm more wrong than right.

In trading you don't need to be right all the time, you need to follow the probabilities. For some people it's hard to handle a win-rate <50% because they think they are stupid and they have bad emotions; at the end this induces to a lot of bad decisions that can separate you from your edge and this is what differentiates the profitable and the not profitable traders.

Some traders have always different RR as me, but you can also use money management with strict tp and not taking care of the rest. If you do that, I advise you to use between 5 and 10RR maximum! 5RR with SMC is easily achievable with the daily process I give you, and strict 5rr tp on the long term can be very lethal. I personally use strict TP when I trade prop firms.

You won't always win money every day, every week, every month. It's very important to understand and save it in your mind, when you are actually taking losses and have bad moments.

What an equity chart looks like when you're profitable?



You can have bad moments, but if you follow your plan and your rules at the end it will worth it. This chart can also be compared to the psychology of a trader during the day.

Chapter 11: Trader bestfriends

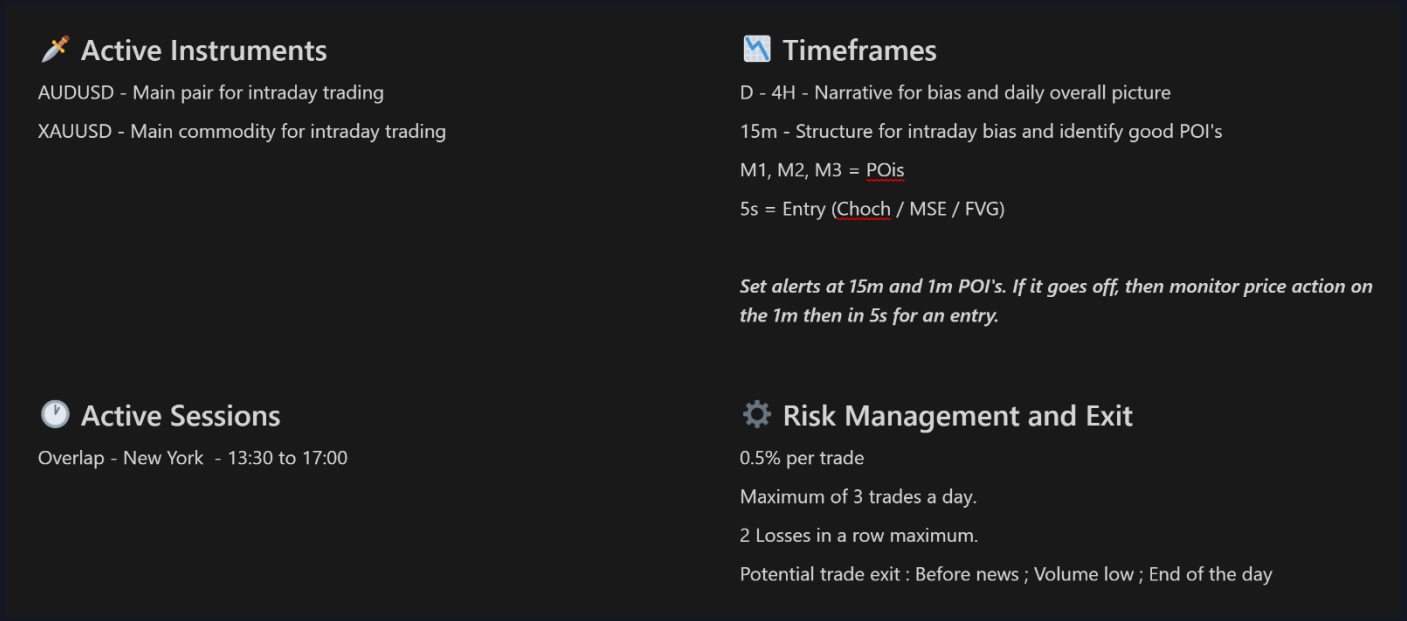
The trading plan:

Every business needs a plan to be executed. In trading, that's exactly the same. Trading is a lonely path and that's also a jungle. Once you are on the chart you can do whatever you want, nobody will tell you to take care at the trend or the liquidity that can delete your entry. You need to create that thought process by yourself.

Many people ask me about the course or my trades, most of them have more than 5 years' experience in trading, but still lose money. The first question I will ask is: have you a trading plan? 95% of the people doesn't have one and the resting 5% are not able to follow it on the long term.

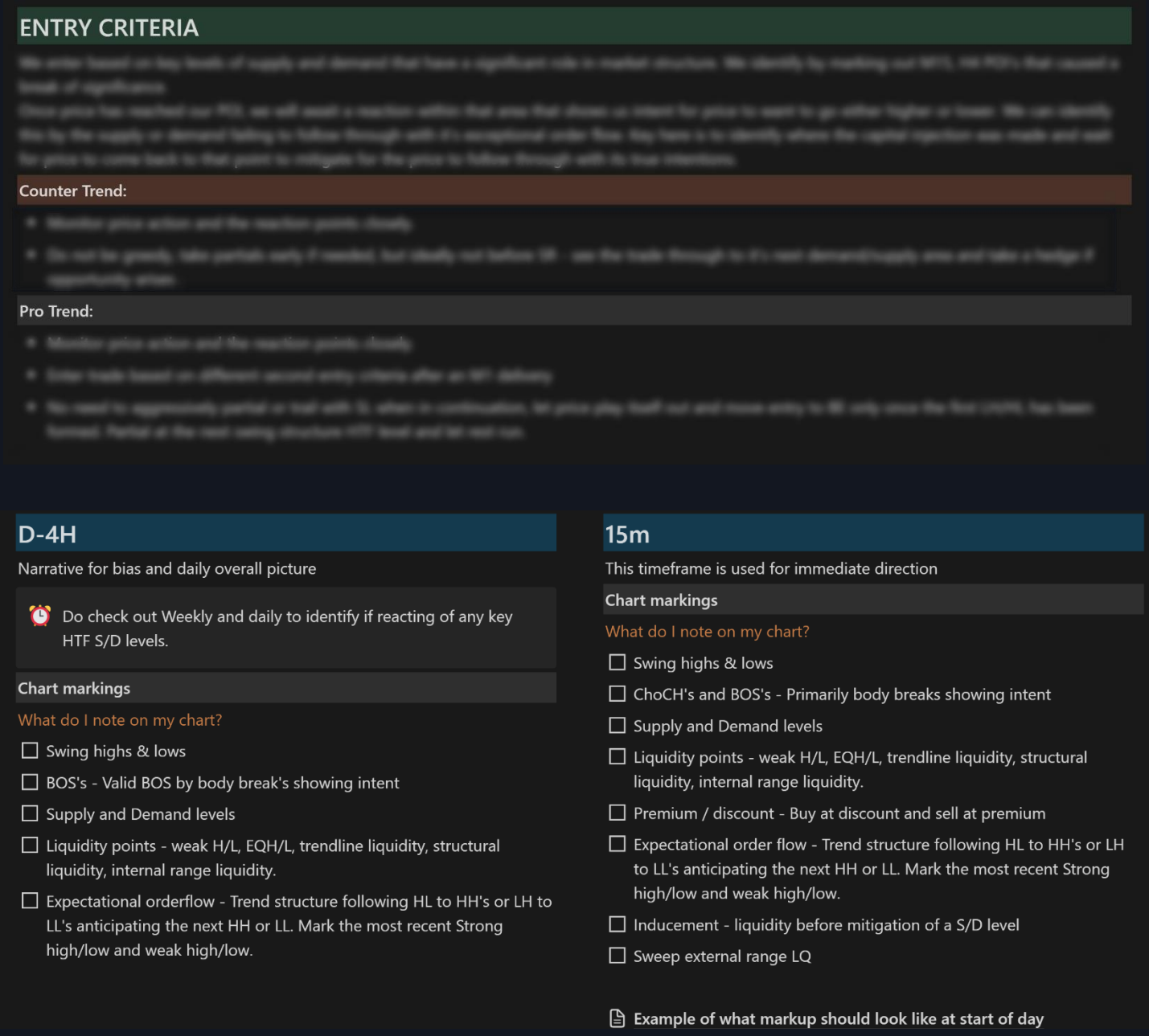
The trading plan contains:

- Active instruments
- Timeframes
- Active session
- Risk management and trade exit
- Entry criteria
- Step by step process time frame per time frame.



How can you manage to create your trading plan?

I personally use NOTION to make it. There is how I tend to make my trading plan.



ENTRY CRITERIA

[redacted]

Counter Trend:

- [redacted]
- [redacted]

Pro Trend:

- [redacted]
- [redacted]
- [redacted]

D-4H

Narrative for bias and daily overall picture

⏰ Do check out Weekly and daily to identify if reacting of any key HTF S/D levels.

Chart markings

What do I note on my chart?

- ☐ Swing highs & lows
- ☐ BOS's - Valid BOS by body break's showing intent
- ☐ Supply and Demand levels
- ☐ Liquidity points - weak H/L, EQH/L, trendline liquidity, structural liquidity, internal range liquidity.
- ☐ Expectational orderflow - Trend structure following HL to HH's or LH to LL's anticipating the next HH or LL. Mark the most recent Strong high/low and weak high/low.

15m

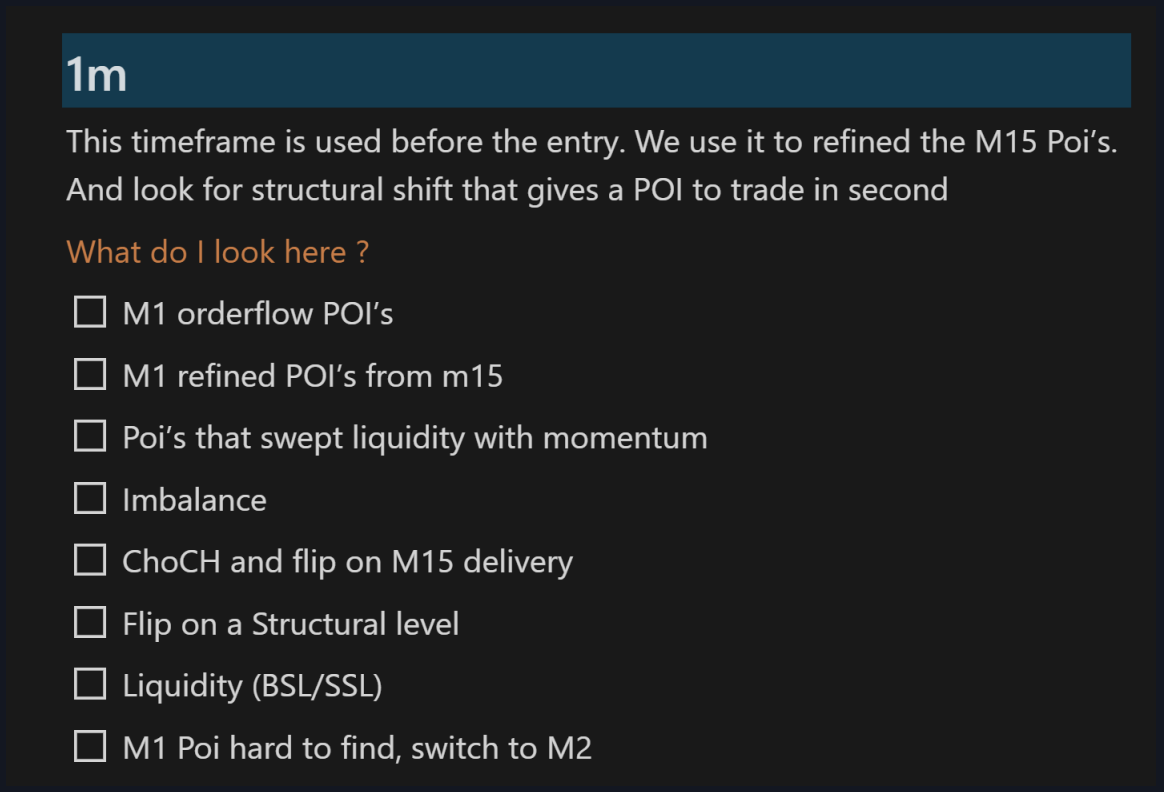
This timeframe is used for immediate direction

Chart markings

What do I note on my chart?

- ☐ Swing highs & lows
- ☐ ChoCH's and BOS's - Primarily body breaks showing intent
- ☐ Supply and Demand levels
- ☐ Liquidity points - weak H/L, EQH/L, trendline liquidity, structural liquidity, internal range liquidity.
- ☐ Premium / discount - Buy at discount and sell at premium
- ☐ Expectational order flow - Trend structure following HL to HH's or LH to LL's anticipating the next HH or LL. Mark the most recent Strong high/low and weak high/low.
- ☐ Inducement - liquidity before mitigation of a S/D level
- ☐ Sweep external range LQ

Example of what markup should look like at start of day



If you decide to use notion for your trading plan. I created a template that you will be able to use. You need to copy it on your personal NOTION.

LINK : https://dexterrfx.notion.site/STUDENT-TRADING-PLAN-1-5bcfefca4c444c69aad9bf80a84f7803

The trading journal:

What can make you different from the rest of the world? Trading journals. The trading journal is a simple file, on notion, sheet or word as you prefer. The trading journal will be the safe place for your data. This is where you will save every trade you take with the maximum information possible about your strategy.

The trading journal is very helpful to see where are your own mistakes. In fact, you'll not make the same mistakes of another trader and you will need specific information about your own data, when you save all your trades and also all your losses you can group them to see where are your common mistakes and create rules about that.

How it looks:

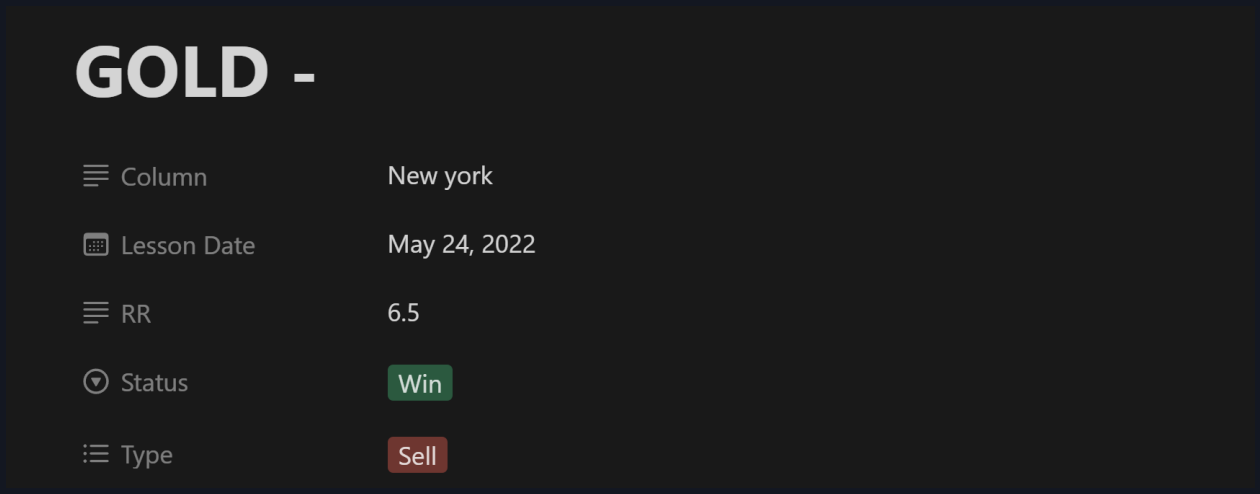
Gold 1Y

All trades | By Status | + | Filter | Sort | New

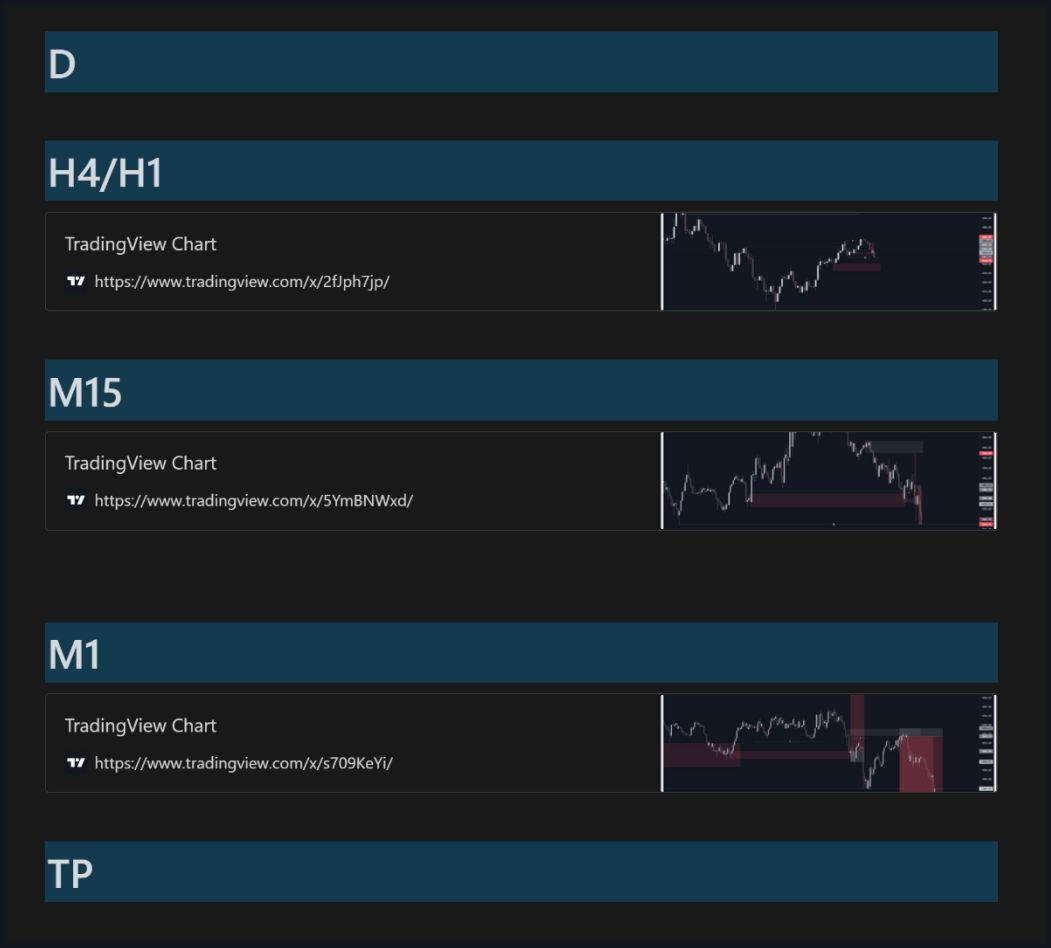
Name	Lesson Date	Status	Type	RR	Column
GOLD -	June 16, 2022	Loss	Sell	-1	New york
GOLD -	June 10, 2022	Loss	Sell	-2	New york
GOLD -	June 9, 2022	Loss	Sell	-1	New york
GOLD -	June 3, 2022	Win	Sell	4	New york
GOLD -	June 2, 2022		Sell	-2	New york
GOLD -	May 31, 2022		Sell	-2	New york
GOLD -	May 24, 2022	Win	Sell	6.5	New york
GOLD -	May 23, 2022	Win	Sell	3.5	New york
GOLD -	May 20, 2022	Win	Sell	4	New york
GOLD -	May 19, 2022	Loss	Sell	-2	New york
GOLD -	May 12, 2022	Win	Sell	12	New york
GOLD -	May 9, 2022	Loss	Sell	-1	New york
GOLD -	May 6, 2022	Loss	Sell	-2	New york
GOLD -	May 4, 2022	Win	Sell	6.5	New york
GOLD -	April 21, 2022	Loss	Sell	-1	New york
GOLD -	April 16, 2022	Loss	Sell	-1	New york
GOLD -	April 14, 2022	Win	Sell	5.8	New york

COUNT 33 VALUES 32

You can have your dates, the risk reward, the status, the type, the timeframes, the type of entries, the sessions, etcc.



You can also add your markups and also notes. I personally add the notes directly on my chart.



SMC Vocabulary –

BOS = Break of structure
iB = Internal BOS
OF = Orderflow
SLOW = Swing low
SHIGH = Swing high
ChoCH = Change of character
SND = Supply and demand
POI = Point of interest
AOI = Area of interest
OB = Orderblock
LQ = Liquidity
BSL = Buy side liquidity
SSL = Sell side liquidity
IMB = Imbalance
FVG = Fair value gap
IDM = Inducement
TF = Timeframe
EQ = Equilibrium