ICT Trading Model Number 6: Universal Trading Model (Buy Side Focus)The ICT Trading Model Number 6, known as the Universal Trading Model, is a versatile framework developed by the Inner Circle Trader (ICT). It targets buy side low resistance liquidity runs and fractal patterns, applicable across all time frames—from seconds to months—making it suitable for scalping, day trading, swing trading, and position trading. This note focuses on the buy side of market maker profiles, identifying opportunities where price is expected to rally toward liquidity pools or premium arrays with minimal resistance.Core Concepts

* Objective: Identify and trade buy side opportunities within market maker buy and sell models, targeting liquidity draws (e.g., buy stops, premium arrays) above current price levels.
* Universality: The model’s fractal nature allows consistent application across any time frame, adapting to the trader’s style without forcing trades.
* Liquidity Draw: Price seeks liquidity, such as buy stops above old highs or fair value gaps, providing a clear target for movement.
* Range of Opportunity: The area between the current price (discount array) and the targeted liquidity level (premium array) where buying setups emerge.
* Market Maker Profiles:
  + Sell Model: Price consolidates, rallies to a premium array, then reverses lower. Buy side opportunities occur before the reversal.
  + Buy Model: Price consolidates at a premium, drops to a discount, reverses, and rallies back to or above the original consolidation. Buy side opportunities follow the reversal.

Algorithmic Theory and NarrativeThe algorithmic theory emphasizes understanding the market’s narrative—why price should move to a specific level. This involves:

* Top-Down Analysis: Analyze higher time frames to identify premium arrays (e.g., bearish order blocks, old highs, liquidity voids) that price is likely to target.
* Fractal Patterns: Market maker buy and sell models repeat across time frames, enabling consistent application.
* Stages of Accumulation: In a market maker sell model, there are typically two stages of accumulation before reaching the premium array, offering entry opportunities during retracements.

Key Insights from Algorithmic Theory

* Narrative Identification: The AI must determine why price should rally, such as targeting a premium array, guiding the trade setup.
* Stages of Accumulation:
  + First Stage: Initial retracement after an impulse move, offering the first buying opportunity.
  + Second Stage: A subsequent retracement, often leading to a more dynamic price run toward the target.
* Pyramiding Entries: Add to positions during retracements if the target remains unrealized, provided multiple stages of accumulation exist.
* Single Stage Accumulation: If price has moved over 50% toward the target, assume only one stage, limiting pyramiding.
* Experience Factor: Recognizing setups improves with backtesting and journaling, requiring time and practice to master.

Setup IdentificationThe model identifies buy side setups within two market maker profiles.Market Maker Sell Model (Buy Side)

* Structure:
  + Consolidation: Price forms a base or range.
  + Impulse Move: An upward break targets a premium array (e.g., bearish order block, old high).
  + Retracements: Pullbacks after the impulse offer buying opportunities.
* Steps:
  + Locate Consolidation: Identify a range on the chosen time frame.
  + Spot Impulse Move: Confirm an upward break signaling a liquidity run.
  + Identify Premium Array: Determine the target above (e.g., old high, fair value gap).
  + Pinpoint Retracements:
    - First Retracement: Post-impulse pullback to a discount array (e.g., bullish order block).
    - Second Retracement: A subsequent pullback, if present, for another entry.
* Target: Liquidity pool or premium array above consolidation.

Market Maker Buy Model (Buy Side)

* Structure:
  + Consolidation: Price forms a range at a premium (e.g., equal highs).
  + Drop: Price declines to a discount array.
  + Reversal: A market structure break higher signals a rally.
  + Retracements: Post-reversal pullbacks provide buying opportunities.
* Steps:
  + Locate Consolidation: Identify a premium range with equal highs.
  + Confirm Drop: Price breaks to a discount array (e.g., bullish order block).
  + Detect Reversal: Look for a market structure shift (e.g., higher low).
  + Pinpoint Retracements:
    - First Retracement: Post-reversal pullback to a discount array.
    - Second Retracement: A deeper pullback, if available, for another entry.
* Target: Liquidity above the original consolidation (e.g., equal highs).

Time Frame Considerations

* Higher Time Frames (e.g., Daily, Weekly): Often provide two retracement opportunities due to larger swings.
* Lower Time Frames (e.g., 15-Minute, 1-Minute): Typically offer one retracement with faster moves.
* Fractals: Patterns repeat across time frames, ensuring flexibility.

Narrative and Premium Array Identification

* Top-Down Analysis: Start with higher time frames to locate premium arrays.
* Market Structure: Confirm a bullish structure (e.g., higher lows, break of resistance).
* Confluences: Align with seasonal tendencies, economic events, or institutional order flow.

Entry ConditionsEntries occur at discount arrays, refined by price action tools and confluences.

* Discount Arrays:
  + Bullish Order Blocks: Areas of previous rallies, indicating institutional buying.
  + Fair Value Gaps (FVGs): Price inefficiencies likely to be filled.
  + Liquidity Voids: Thin volume areas price seeks to rebalance.
  + Sell Stop Raids: Dips below lows to trigger stops, then reverse higher (e.g., Turtle Soup).
* Confluences:
  + Standard Deviation: Entries align with a deviation of -3 or less during key sessions (e.g., London Open).
  + Time of Day: Favor high-volume kill zones (e.g., 8:30 AM EST, 2:00 PM EST).
  + Day of Week: Monday to Wednesday often provide expansion setups.
  + Seasonal Tendencies: Align with bullish periods (e.g., late September for USD strength).
  + Economic Events: Volatility from high-impact news enhances setups.
* Execution:
  + Place buy limit orders at the discount array plus 5 pips.
  + Confirm bullish market structure (e.g., higher low).

Stages of Accumulation and Pyramiding

* First Stage Accumulation: Initial retracement after impulse or reversal. Enter with a portion of the position.
* Second Stage Accumulation: Add to the position during a subsequent retracement, often leading to a dynamic run.
* Pyramiding Strategy:
  + Add positions only if the target remains unrealized and price retraces to a discount array.
  + Example: 10 lots on first stage, 5 lots on second, 2-3 lots on further confluences (e.g., institutional order flow drill).
* Single Stage Accumulation: If price exceeds 50% of the range to the target, assume one stage and avoid pyramiding.

Risk Management

* Stop Loss Placement:
  + Below the recent swing low or consolidation low, minus 20 pips.
  + Adjust based on time frame: tighter for lower, wider for higher.
* Re-Entry: If stopped out, monitor for a secondary entry at the same or revised discount array.
* Position Sizing:
  + Formula: Position Size = (Account Equity × Risk Percent) ÷ Stop Loss in Pips
  + Example: $20,000 equity, 1.5% risk, 20-pip stop = 15 mini lots.
  + Use multiple orders with equal entry prices, rounding down for safety.
* Post-Loss Adjustment: After a full loss, reduce risk percent by 50% until 50% of the loss is recovered, then revert to original risk.

Trade Management

* Profit Targets:
  + Multiple Orders:
    - First order: Take 20 pips profit.
    - Second order: Take 40 pips profit.
    - Third order: Target 60 pips; close 80% of the position, let the rest run to the premium array.
* Stop Loss Adjustment:
  + At 25% of expected profit: Reduce stop loss by 25%.
  + At 50% of expected profit: Reduce stop loss by 50%.
  + At 75% of expected profit: Move stop to break-even.
* Pyramiding:
  + Add positions on retracements if the target is unrealized.
  + Avoid pyramiding if price exceeds 50% of the range with one retracement.
* Exit Strategy:
  + Exit fully at the premium array (e.g., bearish order block).
  + Take partial profits earlier if momentum weakens.

Monitoring and Adjusting Expectations

* Price Action: Watch for reversal signs or weakening momentum before the target.
* Scaling Out: If hesitation occurs near the target, scale out early.
* Unrealized Range: Assess the remaining range to the target to decide on holding or exiting.

Additional Considerations

* Narrative Alignment: Ensure setups align with higher time frame biases and market conditions.
* Avoid Forcing Trades: Wait for setups to develop naturally.
* Backtesting: Test setups historically to refine recognition and execution.
* Journaling: Document trades with annotated charts to build expertise.
* Sell Side Context (Model 7):
  + Aggressive Declines: Sell side runs are faster, more violent, and exaggerated compared to buy side runs.
  + Controlled vs. Crash: Distinguish between a controlled decline to a discount (buy model sell side) and a potential crash (sell model sell side).
  + Macro Awareness: Consider intermarket relationships, macroeconomic, and geopolitical factors to avoid buy setups during potential meltdowns.

Actionable ExamplesS&P E-Mini Futures (Intraday, May 31, 2022)

* Setup: Consolidation, impulse leg higher, targeting an old high.
* Entry: First retracement to a fair value gap (FVG) after 8:30 AM EST news failed to break lower. Stop below swing low.
* Target: Relative equal highs or premium array above consolidation.
* Execution: Bought in the FVG, weathered a dip, took partial profits as price hit the original consolidation, then rallied further.

British Pound (Weekly Chart)

* Setup: Consolidation at a premium, drop to a discount, reversal higher.
* Entry: First retracement to a bullish order block; second retracement if missed.
* Target: Liquidity above the consolidation.
* Execution: Buy limit at the order block, stop below consolidation low, target the premium array.

S&P E-Mini Futures (1-Minute Chart)

* Setup: Consolidation, drop to a discount, smart money reversal.
* Entry: First stage accumulation at an old distribution area; second stage at a deeper retracement with a dynamic run.
* Target: Old high or buy side liquidity above consolidation.
* Execution: Buy limit at accumulation zones, stop below swing low, target the premium array