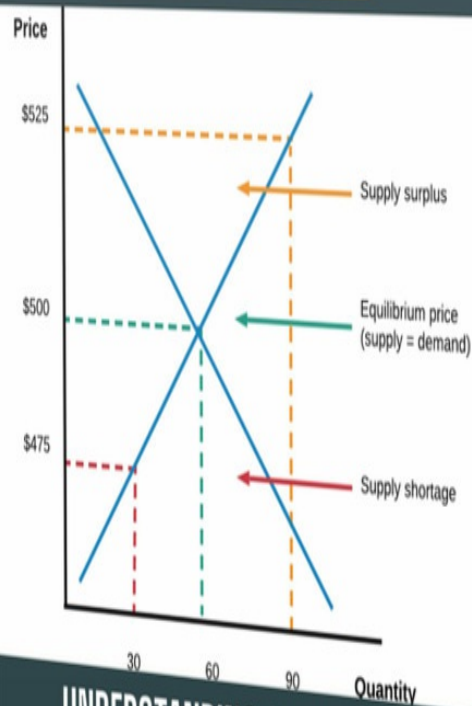


SUPPLY AND DEMAND TRADING

STRATEGY IN THE FOREX MARKET

TIPS AND TOOLS



UNDERSTANDING SUPPLY AND DEMAND IN THE FOREX MARKET

TOM CLAY

THE FOREX MARKET: UNDERSTANDING SUPPLY AND DEMAND

“Supply and Demand trading” is one of the most popular Forex trading methods today, and for good reason. In supply and demand trading, the tried-and-true principles of supply and demand are paired with the best forms of support and resistance.

The result is a strategy that enables you to “Pin-Point Precisely Where and When Banks Buy and Sell.”

The best opportunity to “get into the biggest reversals before they begin” is actually through supply and demand trading.

Before we can discuss supply and demand as a strategy, we first need to discuss supply and demand as a notion. After all, that serves as the strategy’s cornerstone.

How much individuals pay for a thing is determined by the economic principle of supply and demand.

According to this rule, prices must decrease when a product is plentiful but few people are interested in buying it. Conversely, when demand for a good is great but supply is low, prices must increase to make up for the shortage.

Sounds recognizable?

For instance, supply and demand, which are impacted by a variety of economic factors, determine the price of a house.

Due to fluctuations in supply and demand, the price fluctuates.

One of the most crucial aspects is the birth rate, or the number of newborns.

If a country has a lower birth rate in 25 to 30 years, housing costs will decrease. Why?

Because there will be fewer births, which will reduce the need for housing in the future.

When there is a lot of supply and little demand (for housing), prices must drop to draw purchasers.

That makes sense, right?

Today, all markets, including Forex, equities, commodities, cryptocurrencies, and others, are driven by the same concept.

Newsworthy events, economic updates, and regular market activity all affect the supply and demand relationship. Various trading organizations buy and sell.

Our charts’ rises, falls, and consolidations provide as a visual representation of these developments.

Demand exceeds supply at the point where we notice cost rising.

When prices decline, supply outweighs demand.

When supply and demand are about balanced, a consolidation takes place



It is clear from the preceding illustration that changes in supply and demand are what lead to the movements we

observe.

First: A relative equilibrium between supply and demand is what causes a consolidation.

Demand and supply are equal.

As a result, prices initially wobble sideways before steadily increasing as demand increases.

Second: Suddenly, for some reason, demand surpasses supply due to a change in circumstances.

When a lot of traders opt to sell EUR/USD, the price drops.

There comes a moment when supply outweighs demand as more and more people decide to sell their possessions. They observe the price dropping and decide to sell themselves.

Third: When there is actual demand, prices go up and a fresh upswing begins.

This continues until equal supply enters the market and creates equilibrium.

As supply and demand are now reasonably balanced and the price is moving sideways, a tight consolidation has formed.

It is a commentary that is ongoing on a daily, weekly, monthly, quarterly, annual, etc. basis. Of course, it also operates on the hour, half-hour, quarter-hour, five minutes, one minute, and so forth.

Creating Supply and Demand Zones: How and Why

You undoubtedly have a question in your head after reading the above: “How does everything connect?”

How can the concept of supply and demand give us a trading method that enables us to predict where and when potential reversals might start in the future?

The fundamental causes that affect supply and demand hold the key to the solution.

Supply and demand only alter when banks and other significant traders purchase or sell.

Since we are small-scale dealers, we are unable to affect price adjustments.

Only the banks, who have limitless buying and selling power and substantial financial resources, can adjust the price.

Price can therefore only change when supply exceeds demand, and vice versa.

This price shift is typically brought on by the banks’ decision to purchase or sell, largely through trade placement but also commonly through profit taking or transaction termination.

The following is the intriguing part:

Banks cannot open their whole position at once in the forex market.

They must break their positions into smaller pieces and place each transaction independently around a comparable price in order to prevent pushing price away and potentially forcing their subsequent entries at a lower price.

To accomplish the same effect, they use many tiny positions rather than one huge one.

The problem the banks encounter is that, even when they divide them into smaller pieces, their positions are frequently too big for anyone on the other side to place them.

Other traders must be buying or selling when the banks wish to purchase or sell.

As a result, they must wait for price to come back before entering the remainder of their position.

This is how the process appears on a chart:



First: As soon as the banks fill their available positions, prices soar.

The banks then go back to the source, or the location where they first placed their positions, in order to enter their remaining positions.

Then: A huge change will take place if the banks permit the price to entirely reverse.

Finding the points where banks have purchased or sold is the main goal of the supply and demand trading method. These are the supply and demand zones.

At this time, we must pay immediate attention.

We can engage the reversal with the rest of the banks once pricing picks up the other banks' position at this time.

Every single time, the price moves from supply to demand zones and back again. If we recognize these zones, which I will show you, we can start these actions just where they start.that will give you a minimal risk entrance and a highly favorable risk to reward ratio.



Isn't that amazing?

A Zones

Let's discuss the two zones now that you are familiar with how they operate.

1 zones of demand

Demand zones are the locations where banks have established a substantial number of buy positions. These are the

market interest exchanging assistance levels.



The price reverses and swings higher when banks create a significant number of buy positions, or demand zones.

The interest zone is the area where costs switch.

Usually, this will lead to a significant swing low.

On occasion, price will change direction during a move.

2 Zones of Supply

On the other side of the fence are supply zones.

The supply zones, where banks have a sizable number of sell positions, represent the resistance levels at which the price may decline.



Supply zones develop when banks decide to sell a large amount of currency.

This selling causes the price to decline, establishing the supply zone.

The noticeable swing high that designates the area of supply is when the price turns around.

If the price returns to this area, it will certainly decrease once more.

The Two Types of Demand and Supply Zones These zones of supply and demand can be segmented further.

Let's now have a brief discussion regarding the two different supply and demand zones.

Despite being the same thing—areas where the price may reverse—supply and demand zones are split into two groups based on whether they result from a reversal or a continuation.

The two kinds are as follows:

1. Rally-Base-Rally (RBR) and Drop-Base-Drop (DBD) Zones in Zone 2.

There are two zones for Rally-Base-Drop (RBD) and Drop-Base-Rally (DBR).

Zones of Continuation: When price moves in one direction, bases, or pauses, and then moves in the same direction, zones such as rally, base, rally, and drop, base, drop form.



These zones always appear in the middle of a move when banks close trades or take profits.

Reversal zones typically outperform continuation zones in terms of performance.

They are the result of banks entering the market with little positions. They are therefore deficient in reverse zone power.

In any case, they could occasionally offer you good trades if you are aware of the exact zones to keep a watch out for.

Let's now talk about the reversal zones:

Drop, base, rally, and drop When price moves in the other direction, bases, and then reverses, starting a new swing, a rally-base-rally formation occurs.



These zones develop when one major swing transitions to the next. This typically occurs when banks make large currency purchases or sales.

You should trade in reversal zones using supply and demand techniques. These areas have the highest probability in the market.

These reversal zones are produced by banks and other large traders who take sizable buy and sell positions.

These zones are substantially larger and act as continuation zones in comparison to their much smaller placements.

At the end of the day, don't get too focused on the type of zone you're trading. Your initial goal should only be to gain experience finding and exchanging zones.

If you can, concentrate on the reversal zones, but avoid becoming fixated on them. More crucial than the types is the accuracy with which you identify the proper zones and depict them on the chart. That is your key competency. You can start filtering the zones and trading only certain sorts once you've accomplished that.

Zones of Supply and Demand Identification and Determination:

Successful supply and demand trading requires the ability to accurately identify high probability zones and draw them on the chart.

You need time, practice, and experience to do this correctly:

But there are a few things I know that should make things considerably easier.

We'll start by identifying the zones. Finding Supply and Demand Zones You will initially struggle to identify supply and demand zones.

I realize it probably wasn't the news you wanted to hear.

However, stick with me because I can show you how to detect zones much more quickly.

It makes sense that the banks' large-scale currency purchases and sales create supply and demand areas. How does that look on a price chart, in any case?

Price typically exhibits a dramatic rise or fall.

Therefore, watch for sharp price spikes and reductions to identify strong supply and demand zones. These telltale indications point to big currency purchases or sales by banks. This suggests that the cause of the rise or decline must be either a supply or a demand.

Let's examine it.



Have you noticed how abruptly the rises are on the graph above?

Rises like this one happen when there is a major imbalance between supply and demand. There is more supply than demand in this situation.

What results in excessive interest? Why has the price gone up?

This is due to the banks' choice to have a sizable buy position.

They have chosen whether to close buy trades, take profits from sell trades, or do both.

The fact that the banks have chosen to intervene in the market, such as by executing purchase trades, suggests that the price will almost certainly reverse once it reaches the source of the increase. Therefore, watch for sudden increases to identify Demand Zones.

The demand zone is here. And with the zones indicated, it looks like this...



It is clear right away that practically every zone caused price corrections or at the very least a response. Price departed from the zone even when there was no big price reversal, demonstrating the accuracy of their forecasts of when and where price will turn around.

Additionally, have you noticed that the zones are drawn from the base up?

Prices increased dramatically as supply failed to keep up with demand.

To cover the region where the banks took their positions, we always create demand zones from the base down to the most recent swing low. We'll discuss this afterwards.

Now let's move on to Supply Zones.



We use the same cycle as with request zones to locate excellent stock zones, but in the opposite direction. We're searching for large drops.

When banks sell, the market is flooded with surplus supply, which prompts rapid drops.

There is a good probability that the banks won't have sold enough money to finish their entry if they sell a lot of currency, whether to open transactions, terminate trades, or take profits.

This shows that it is likely that the price will return to the supply zone at that level so that they can close out the rest of their positions.



When the zones are marked, the chart looks like this.

Once more, practically every zone generates a price response.

The majority result in a large reversal.

However, a handful of them result in temporary falls of two to three hours.

It takes some practice to become adept at identifying the proper zones. If you follow these guidelines, you will learn it rapidly.

No matter how abrupt the peaks and dips are, zones are still produced as a result.

Zones are most easily found along sharp increases, but many excellent zones can also be found on non-sharp peaks and falls.

How to Draw Supply and Demand Market Zones: A Step-by-Step Guide

Finding the appropriate supply and demand market zones is a task in and of itself, but what's even more crucial is accurately drawing the zones on the chart.

Your admission is dependent on how precisely you mark the zone.

You face more of a risk if you draw the zone overly large.

A larger area should be covered by the zone.

The price might not reach the edge before reversing if you create the zone too tiny, which is probably worse.

You will utterly miss the inversion as a result of this, and you will by no means engage in an exchange.

Fortunately, once you know the trick, designing supply and demand market zones is really simple.

Here's how to create demand zones:

Drawing Demand Zones Find a sharp surge in the area where you think the demand has formed, and then draw a circle around it.



This increase seems adequate.

You must now determine the source of the movement.

This most recent ascension began at the source.

In this case, the banks set up their purchase positions at the source point.

If the banks still have vacancies to fill, they will raise the price back to this level. We must thus surround it with a zone that is sizable enough to ensure price reversals there.

To demonstrate this market demand: Choose the rectangle tool from the tool menu, then position it on the MOST RECENT SWING LOW that developed at the move's origins.



Technically speaking, the banks' buy positions were set at the swing low.

Given that the majority of retail traders were selling at that point, the banks faced numerous competing orders as they placed their positions.

The banks must buy from vendors; Bear in mind that this is the crucial component: opposing orders. However, since purchasing also came in higher, we cannot only record the bottom.

What then do we search for?

Leave the bottom border of the zone at the low and move up to the LAST SMALL CANDLE that appeared before price surged upward and produced the first huge bull candle.

If the little candle is bullish, note it until it closes. Draw the tiny candle to the open if it's possible that it's negative.

If you drew it correctly, it should appear to look like this.



The last tiny candle before the first big candle, in this case a small bull candle, should serve as the upper edge, while the most recent swing low should serve as the lower edge.

If you are unable to choose which little candle to draw the zone from due to the complexity of the price movement, draw the zone from the low to the point where the climb truly takes off.

Nine times out of ten, that will work as a legal zone.

Your risk will be a little larger because the zone most likely won't be the proper size.

However, if the price drops, it will make a decent trade and cover the appropriate price range.

The supply zones are now:

Drawing Supply Zones

Demand and supply zones are created using essentially the same process.

We identify the root of a noticeable decline: Establish a zone around the most recent swing high and lower it to the final little candle that formed before the decline.

How to approach it:



Start by looking for a sizable decrease where you believe a supply zone has formed.

Just like with demand zones, we always draw supply zones from the base or source of the decline. At that point, the banks initiated their sell positions.

If the banks still have positions to enter, they will get the price back to this level before initiating the reversal so they may place their remaining bets at a comparable price.



Following the discovery of the source:

Put the rectangle tool on the most recent swing high and drag the opposite edge down to the LAST SMALL CANDLE, which developed before the sudden drop in price and resulted in the first major bear candle in the downward movement.

If the little candle is bullish, note it until it closes. If it is bearish, move the little candle toward the open.

When drawn, the zone should resemble this...



The bottom edge of the rectangle is supported by the open of the final minor candle before a major decline in price, which in this case was a bear candle. It is clear that the rectangle's upper border sits on the swing high.

Once more, if the price action is too illogical and you can't tell which candle is the little one: Draw the region that extends from the peak to the point at which the drop really begins!

Keep an eye out for the first big candle that declines.

That will give you a legitimate zone, albeit one with a marginally higher risk due to the larger size.

The setup is finished!

How to Trade Zones of Supply and Demand

As trading tactics develop, new Supply and Demand trading techniques appear.

These methods occasionally outperform one another or are more effective for a specific trading style.

Supply and demand underwent a similar pattern, and as a result, trading the zones now offers Price Action entry and Set and Forget entry options.

Set and forget entry, price action entrance

Both strategies have benefits and drawbacks, but it is possible to be successful with either. I have profited from both

Supply and Demand trading throughout my career.

Let's go through it all now that you understand how each technique operates.

Put it in and forget it

The set-and-forget entry, made popular by Sam Seiden, was the original strategy for trading supply and demand. The reason it is recommended by the majority of specialists and websites is because trading zones may be done using it easily.

In the set and forget strategy, zones are traded using limit orders.

The idea is that by sending a cutoff request near the zone's edge, it will be executed when the cost returns, putting you inside the exchange.

The benefit is that, unlike with Supply & Demand, you will never miss a reversal.

The drawback is that, as is frequently the case, the price could suddenly jump through the roof, costing you money.

Here is a small example to show how it functions:



To begin, mark a zone on the chart.

Once you've located a zone, place a limit order at the edge that's most near the current price. Price cannot leave the zone unless it at least crosses the closest edge, either by spiking through or by creeping in through regular price movement.

Now that the entry has been made, set a stop loss at the opposite edge.

Keep in mind that the stop should not be directly on the edge.

Place it just outside the zone so that your stop price and the edge price are barely different from one another.

Just wait and see what happens now.



In this case, the trade was profitable since the price rose, surged near the edge, triggering our order, before reversing and falling.

Everyone would concur that it's a fantastic trade.

A limit order entry can be used to trade supply and demand successfully, as was before mentioned. I employed it frequently, and the outcomes were generally favorable.

The problem is that it has flaws in a way that the price action entry does not.

The constant recurrence of this issue will eventually wear you out.

More to come on this soon.

Let's first take a look at that Price-Action entry.

The bulk of seasoned traders use this method, which is ideal for trading supply and demand.

With the price action entrance, you trade the zones utilizing price action, more especially candlestick patterns.

Rather of putting limit orders at the edges of zones, you wait for candle patterns.

Look for pin bars or engulfing candles before entering a zone.

These price-action candles demonstrate the banks' desire for the price to decline. As a result, the price action offers more proof that the price will change.

Here is how it works:



Using what you've learnt so far, mark the zone you want to trade on the chart.

We must wait for price to enter the zone or touch its edge before entering now that we are employing the price

action entry method.

We want to see pattern-based proof that the price will turn before we enter. We are aware that doing this will increase the likelihood that our trade will be profitable.



A bearish engulfing pattern appears not long after price enters the zone.

We are now ready to go inside.

The engulfing pattern shows that the banks most likely want price to leave the zone, which adds to the evidence that a reversal is soon to take place.

Although pin bars can be utilized for the entry, engulfs work better in my experience.

Due to the possibility that prices could still climb and reverse from much higher inside the zone, we put a stop above the zone with our entry set. This occasionally happens.

Currently, we are watching to see if it changes.

It does in this case...



Value changes and departs the area a few hours after the overwhelming design appears.

Our subsequent duty is to:

Bring our stop to the break-even point to reduce risk next. Profit from the price's subsequent drop after that.

Whether to take gains actually depends on personal preference.

Any approach will do as long as it is secure.

Whenever the price changes—a higher high if I'm long, or a lower low if I'm short—I like to keep my winnings.

When I see price create a new high or low, my stop will be moved to the new low, or new high, if I'm short, of the swing that prompted the market to make the new higher high or lower low.

The most recent swing is the point at which the banks took their most recent positions. Therefore, there are very few chances of cost breaking through this swing.

In our hypothetical circumstance, I would accept these profits...



Using the same method, I shift my stop to the break-even point.

When I see price first, I will change the stop to the low or high of the swing that was produced when price made that new higher high or lower low. Profits will be guaranteed, and the risk will be reduced.

The advantages of the Price-Action Entry

I won't be too harsh in my criticism of the set-and-forget entry because it can be an effective approach to exchange supply and demand. The price-action entry, though, is superior. I can attest to that.

When trading the zones, price action must still be used.

The problem with limit orders is widely known among price-action traders:

Confirmation.

The price may move back out of a zone even after the limit-order entry.

You will carelessly place the order on the edge and wait for the price to decrease. This wouldn't be a problem if all the zones operated continuously, but that is the issue.

Price often passes through zones quickly and without pausing.

This cannot be averted using the limit-order entry.

As a result, your trading losses are substantial.

However, the issue is particular with the cost activity passage.

You must wait for a pattern to develop inside or close to the edge of the zone before placing a trade.

This patience demonstrates the banks' desire for the price to change.

With additional evidence, you can avoid regions where prices are just blown out of control.

It's not flawless.

Zones still fail even with the proper price-action entry.

It is still a safer and more efficient way to trade the zones.

The takeaway is so obvious: only trade supply and demand using price action.

Three Guidelines for Profit

You can make money now that you understand how supply and demand operate as well as the two methods for trading the zones (and which one is best). You are ready to begin incorporating the process into your trading.

However, there's still more. There are a few key guidelines you should be aware of before you begin trading supply and demand in order to use your brilliant new entry approach to trade the appropriate chart zones.

The following is one of them:

1 Avoid old zones because they rarely work.

The majority of experts, gurus, and teachers that teach supply and demand trading online will claim that both old and new zones have an equal chance of functioning, and these gurus don't mind if you lose some deals.

I'm going to tell you right now that's complete rubbish, and I mean it!

The reality is that this is one of the largest fallacies propagated by people who research supply and demand, and if anyone took the time to stop and consider it, they would see that it is completely illogical.

Banks establish supply and demand zones, as we all know:

The banks must be buying and selling given the size of the orders.

The banks establish the zones through a select few positions.

The banks provide a price return in order to complete the remainder of their orders.

The reversal is then, and only then, started by the banks.

This is why the source of sudden increases and decreases in price returns and reverses.

Here's where I have a problem with the assertion that reversals are brought on by ancient zones.

If the banks wish to open, close, or take profits on trades, they would like the price to recover fast relative to the time frame they are trading.

They wouldn't want to stay still for too long!

They might have a different motivation for entering now.

Consider this: If a bank purchased 50 million EUR/USD and had 50 million more to purchase at the same price, would it actually wait another three months for the market to stabilize?

Of course not—the market might have completely transformed by then!

To start: The price's trajectory will have changed.

Second: A changed economic climate could not be advantageous to them.

Additionally, it's likely that the market's fresh orders won't be sufficient to cover their open holdings.

Therefore, it makes no sense for the banks to wait to execute their final trades until the price moves back into a specific zone. They really need Price to return as soon as possible.

The faster they can fill their remaining positions, whether economically, based on price action, or otherwise, like a pandemic, the less likely it is that something will happen that will change their outlook on the market.

Don't try to swap out the existing organic market zones:

They merely don't function.

Yes, older zones do regularly experience price decreases.

In any event, the inversion isn't being caused by the zone. It's probably yet another specialized component.

It's possible that it's one of the following: The degree of support and opposition, a sizeable round number, an economic announcement, or a variety of other things.

Use the following guidelines to decide when an old zone will no longer be useful:

1. 90 days equal one zone per day.

2. 20 days are equal to zones per hour. A day fewer than in H1

2: little stray from the area of the stop.

It goes without saying that you should always put your stop just outside the zone. I choose to add it nonetheless since I see new supply and demand traders make this mistake a lot.

Every time you trade a zone, set your stop a little above or below the opposite edge. You shouldn't put it right on the edge to reduce risk.

All too frequently, prices will surge through the edge of a supply or demand zone before turning around.

The spike will take you out and prevent you from missing what could be a beneficial transaction if you place your stop near the edge rather than leaving a small opening.

This makes it quite clear...



Just as it seemed like price might move in the opposite direction from this zone, price soared through the upper edge. Hello, stop-loss!

To make matters worse, the price abruptly changed, costing you money and preventing you from making a profitable trade.

Therefore, always leave a small gap between your stop cost and the zone's edge. How much of a gap should there be?

Indeed, it is comparable to the degree of ambiguity and the length of time.

Gaps in higher time frames are larger in pips due to the size difference.

For most zones, 15 to 20 pip should be adequate, in my opinion.

Increase the amount of pips for higher time zones; everyday, consider four hours.

There should be a few for low-time-frame zones deleted, like 5 seconds, 15 seconds, etc.

That ought to provide you just enough room to avoid any unwanted spikes while still lowering your risk.

3 Only trade untouched or fresh zones

Another common misconception in the supply and demand industry is that certain zones, such as levels of support and resistance, have the ability to reverse market trends several times.

Again, this is not at all the case.

Only once are supply and demand zones employed. Not twice or three times, but once.

When the price reverses at a specific level, that's it!

The zone's authority and validity are lost.

Price reversal in the future is quite unlikely.

The sole exception to this rule is if a zone forms at the top or bottom of a consolidation. In some zones, the price may reverse twice or three times. They show that the banks are making purchases and sales at comparable times, which implies that price may change direction from a zone more than once before the consolidation is complete.

However, the zone loses all of its power once the consolidation is over, thus another reverse is probably not going to happen.

They lose all strength with just one touch when you take into account the causes of a zone's creation.

Recall: The banks create supply and demand zones because they are unable to place all of their holdings simultaneously.

They haven't been able to execute and close all of their trades, or pocket all of their winnings.

Shortly after placing what they can to place their remaining positions, they bring price back to the same point, the Supply or Demand zone.

In this way, they will be able to price each trade in their position so that they can profit from each one at the same rate and assume the same level of risk.

Why then would the banks want the price to return to a specific zone a second or third time given this?

Why would pricing be brought back after being brought back the first time in order to complete their remaining trades?

They would only bring it back the first time if they knew there were enough orders available to fill their open positions. This makes it unnecessary to raise the price many times.

Consequently, it is untrue that zones, such as support and resistance levels, can cause many reversals.

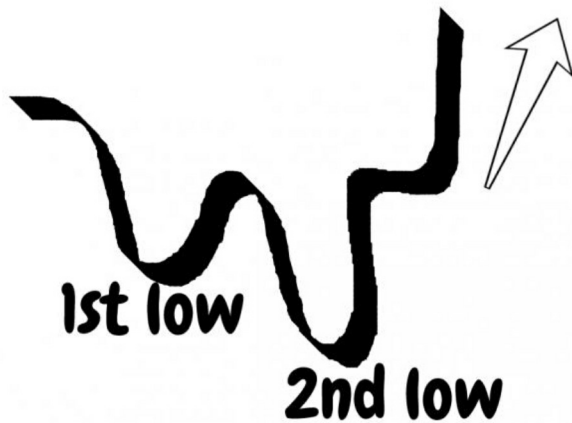
Price will occasionally leave the strange zone and revert, although this rarely happens.

Additionally, the reversal is rarely brought on by the zone itself; rather, it is brought on by another technical factor unrelated to supply and demand.

supply and demand zone with bear trap and bull trap

Let's define a bear trap first.

In essence, bear traps are just a second low that didn't work.



Instead of continuing after a second low, as shown in the graphic above, the price immediately starts to rise.

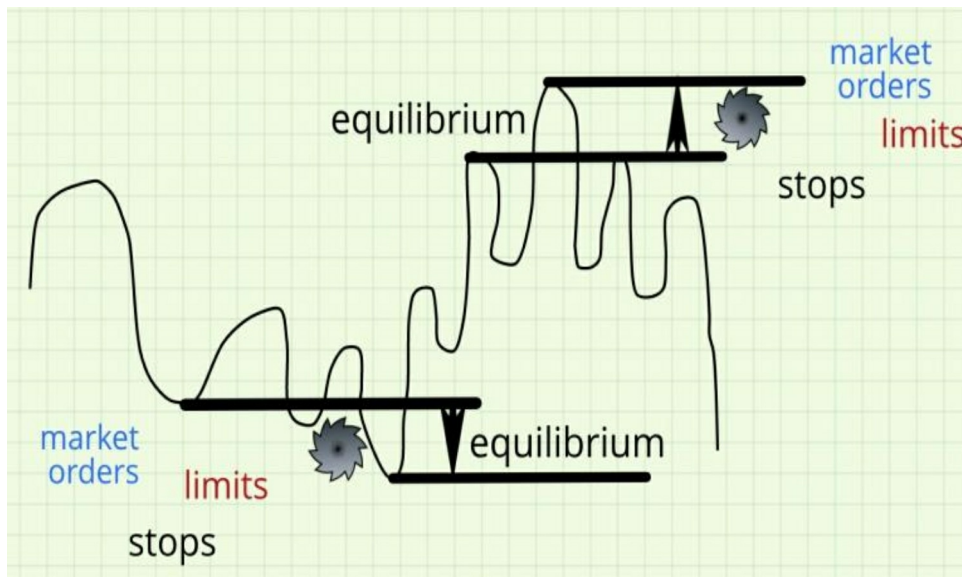
A very thorough article about bull and bear traps can be found [HERE](#).

Understanding supply and demand can be greatly aided by using a bear trap as a prototype.

I usually seek for a bear trap below a demand zone when I employ supply and demand in trading.

One of the strongest trading patterns that incorporates price action, supply and demand zones, and other factors is definitely this one.

It has power since it is a place where many stops and limits are attained. Additionally, trade interest is highest in the region of an equilibrium.



Demand Zones with bull traps

The opposite of a bear trap is a bull trap.

It is at this point that many breakout traders are building up large bets and betting that the price will maintain its level.

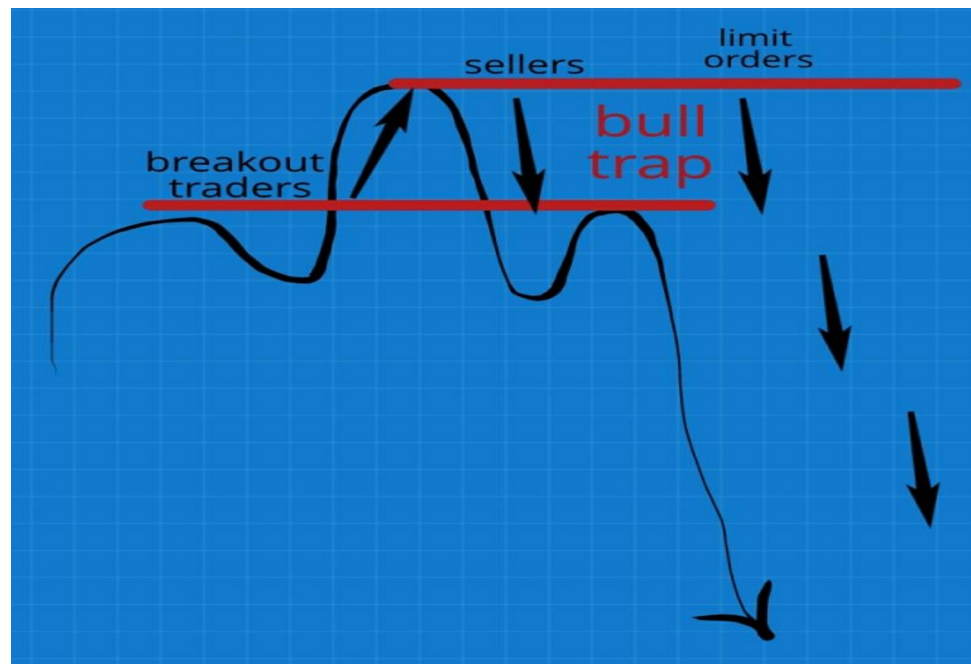
Sadly, their aspirations are not fulfilled.

Sadly, the exact opposite is true!

In fact, the price changes direction and wipes out many of those traders' stops.

Conversely, supply and demand traders are positioned at those similar levels and are attempting to balance out long orders with short ones.

In this tug-of-war conflict, the fulfillment of several limit orders intensifies selling pressure and causes a precipitous collapse.



Price movement in zones of supply and demand

Indicators of the Supply and Demand Zones I do not frequently employ indicators in my trading.

Yes, even the amazing opposite! My kids are familiar with every tool I employ, which is often the chart itself.

The greatest approach for utilizing supply and demand zones has been to use price action while switching back and forth between several timeframes.

However, some traders also combine indicators with supply and demand zones.

What traders seek is a convergence of supply and demand zones and indications.

Although I can't hold them responsible for it, supply and demand zones and indicators have become essentially meaningless to me.

One of the rare exceptions is possibly the RSI indicator.



One method for using indicators to trade supply and demand zones is to look for divergences between the price and an indicator.

If it happens in an area of supply or demand, you'll be able to predict which way the price will move better.

Personally, I prefer to avoid combining supply and demand zones with indicators.

The more pristine the chart, the clearer the signal is!

Price Action and Why Trading Supply and Demand Zones Is Best Done Through It I use price action when trading the markets. I do use it in conjunction with other tools, as you may already be aware, but I try to keep it tidy.

Trading based on supply and demand and price action are fully compatible.

a pattern of price movement

We should look at the model that is provided:



That is a fantastic example of how price action trading and supply and demand zones may work together.

The supply section has developed an internal bar.

It had an impact on the price, as demonstrated by the massive sell-off in the DAX.

Example of a Demand Zone with Price Action in B Just like with supply zones, trading price movement with demand zones is a terrific technique to enter a high-probability transaction.

Here is an example of a demand zone trade using price action



The picture above shows that this request zone about 125.00 is a remarkable example of a help.

When paired with the pin bar, it makes a fantastic reversal point.

Nothing in my experience with trading is more impressive than a combination of cost activity trading and market interest (or areas of support and opposition) zones.

Supply and demand zones and money management Risk and money management play a big role in trading with supply and demand zones.

The most crucial factor is having sound money management abilities.

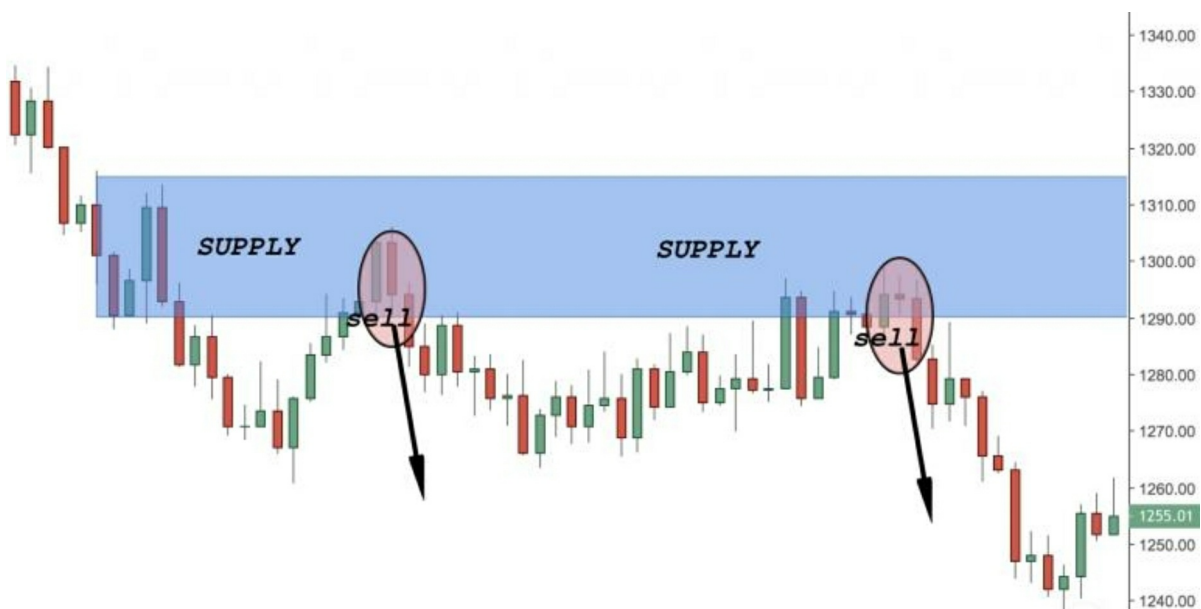
Let's move on to a different supply zone and price action illustration.



Keep in mind that a signal's dependability frequently correlates directly with its frequency when dealing with supply and demand zones.

To put it another way, a pattern may occur less frequently the more reliable it is.

Example 2: Let's look at another supply zone example using price action.



I chose a supply zone in the middle of a range in the previous example. You can see that it has the same power as if it were at the extremities of a range.

The first sell signal was generated when price action displayed a two-candle bearish engulfing pattern.

The second sell-trigger was triggered when price formed yet another two-candle bearish engulfing pattern.

A supply or demand zone is typically easier to spot in the middle of a range than it is at either end.

In some ways, the zone itself is more significant than the place.

It doesn't really matter where it forms as long as it forms.



You can see an example of a potential trading setup in the example above, which would have offered risk ratios of almost 1:16 when viewed only from the standpoint of the reward ratio on the daily chart.

This may have been a much bigger winner if you were able to modify your entrance from the 4H outline.



The procedures for entering this trade were identical to those outlined earlier.

If my rules had been followed carefully, the potential profit from this trade could have been enormous.

The daily view is as follows:



The following is the 4H zoomed-in view:





Here is the 4H view that has been enlarged.

The charts above show that this could have been a fantastic trade if you had followed those instructions. I was able to agree to this trade and stick with it for a long time. It is quite tough to keep this transaction going all the way to the conclusion, but even with a little percentage of this move, you might have made a lot. Let's look at a prospective threat. If you were able to stay during the entire movement, you would receive the following reward:



This amazing risk at 1:35: The ratio of rewards to risks is almost astonishing! Even if you were only able to stay in this trade for a third of the move, you would still have made more than ten

times your risk.

This return was only made possible by ONE SINGLE TRANSACTION, even without scaling in!

I often scale in when I utilize my trading method, which would have improved trade outcomes!

The genius of my trading method is that it lessens the effects of losing transactions, which saves you money.

The setting was much the same on a daily basis.



After price on the daily chart produced a bearish engulfing pattern just outside the supply zone, the DAX fell by almost 2,000 points.

We're about to learn: When we enlarge the 4H chart:



This could easily rank among my best trades! Let's see what your return would be if you traded this inside bar.



These possibilities are exceedingly rare, but they are definitely worth the wait!

You might want to pause before proclaiming that you are aiming for a 1:1 or 1:1 risk: Dollar amount When every need is satisfied, multipliers may be substantially higher.

Despite the fact that it is practically difficult to acquire the entire move, you would still experience a risk to reward ratio of more than 1:10 even if you only participated in a third of the trade.

Trading with supply and demand and candlestick charts

A key element of supply and demand trading is the application of candlestick charts.

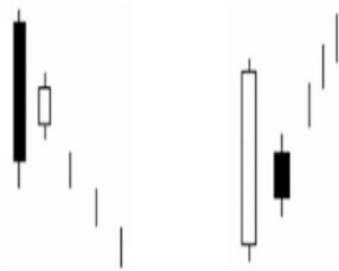
The pinbar and the overpowering example are the two most important candle designs used in relation to market interest levels. Most traders who employ supply and demand zones will be searching for rejected or confirmed levels.

You must therefore be able to identify at least those two candlestick patterns. Here is an example of each:

PATTERNS OF BULLISH AND BEARISH ENGULFING



PIN BAR.



I've provided a real-world illustration to assist you in visualizing candlesticks that are even more effective in use:



In the aforementioned illustration, there are two candlestick patterns: a Pinbar and a 2 Bullish Engulfing Pattern. The graph above illustrates how the price rises right away after those candlesticks have formed.

Zones vs Levels of Support and Resistance As was already said, the zones and levels of support and opposition are fairly similar. Zones merely differ in that they cover a larger region. The approach used to create organic market zones is the other contrast, although we shall discuss this in more detail later.

Support and resistance zones, supply and demand zones, and supply and demand zones are all actually the same thing.

Given that, you can picture organic market zones as sizable assistance and opposition areas with a sizable convergence of customers and vendors separately.

Timeframes and Zones of Supply and Demand The good news is that Supply and Demand zones work equally well across all times. In any event, I would advise using them for durations longer than an hour. Anything below that has a lot of noise and more misleading signals.

The best periods for finding supply and demand zones, in my opinion, are the 4H and the Dsignal.

The Context: How to Locate Zones of Supply and Demand

The best way to identify supply and demand zones is via a candlestick chart. To locate supply and demand zones, the following actions should be taken:

Try to spot a string of big candles on the chart as you look at it. The pricing must change dramatically. Find the starting point, or base, from which the price made its sharp move.



Most of the time, a small sideways move comes before a major one; this is your organic market zone.

To help you understand what I mean by “huge progressive candles,” allow me to provide a model:

There is a lot of price volatility in the three locations shown in the graphic above. These kinds of market changes are exactly what you should be watching for. How to define the supply and demand zones is still a problem.

The best demonstration technique is an illustration. I’ll draw them for you so you can see them better:

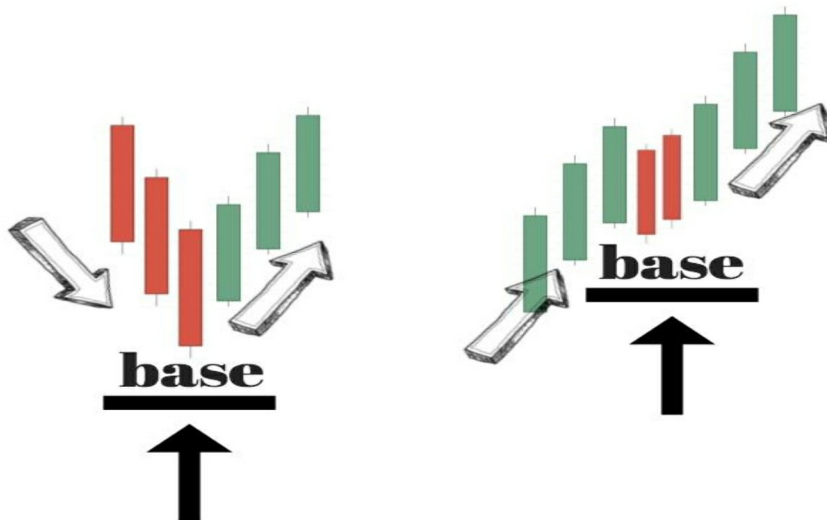


The interest and supply zones are engulfing the base at the beginning of the move, as you can see in the image above. Precision is quite challenging at high levels, making this more of an art than a science.

The good news is that your eye becomes a natural scanner if you get used to identifying certain levels.

Always keep in mind that you must first move quickly in either direction. After that, you should be able to roughly pinpoint the beginning of the demand/supply zone.

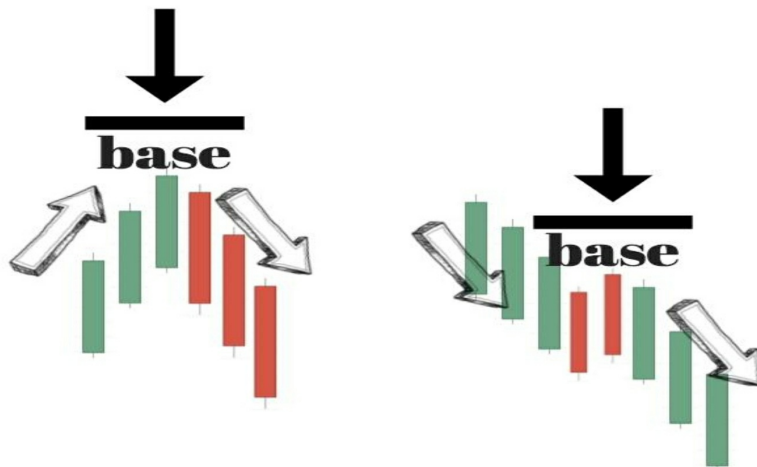
Different Supply and Demand Formations There are numerous supply and demand formations. Some of the most well-known ones are listed below



The graphic above illustrates two potential outcomes. In the first one on the left, price moves down (D), then back up (U), before building a base (B). I'll refer to this configuration as the DBU setup.

The graphic to the right of this one shows an uptrend (U) first. After that, the price forms a base (B), and the uptrend keeps going (U). I'll refer to this setup as UBU.

There are two conceivable arrangements when examining the supply and demand zones. which are



The graph on the left above shows the prices rising (U), establishing a base (B), and then dropping (D). I'll call this the UBD arrangement.

The price is decreasing (D) in the right image above; it then builds a base (B); and last, it falls (D) again. DBD operates in this way.

You don't need to keep track of the acronyms; the four settings are DBU, UBU, UBD, and DBD. The various organic market zones can be identified in this manner.

Understanding Supply and Demand Zones Let's examine the four main categories of supply and demand formations. The three processes outlined above must be followed in order to determine the supply and demand zones.

Search at the chart and search for a string of big candles.

Draw the zone and lay the foundation. Because it takes time and practice to distinguish those places, as was previously explained, it is challenging to draw an exact zone. Simply adhere to the instructions and draw these levels confidently enough via practice.

Remember that every other user of those levels has learnt it effectively using this way, so keep that in mind. Over time, you'll get used to it and develop the ability to rapidly identify them.

Now it's time to examine a few other market interest zones.

A USDCAD 4H chart serves as the first illustration.



It is crucial to remember that candle tails typically appear in demand/supply zones. The demand zone above demonstrates that the zone contains a sizeable lower tail.

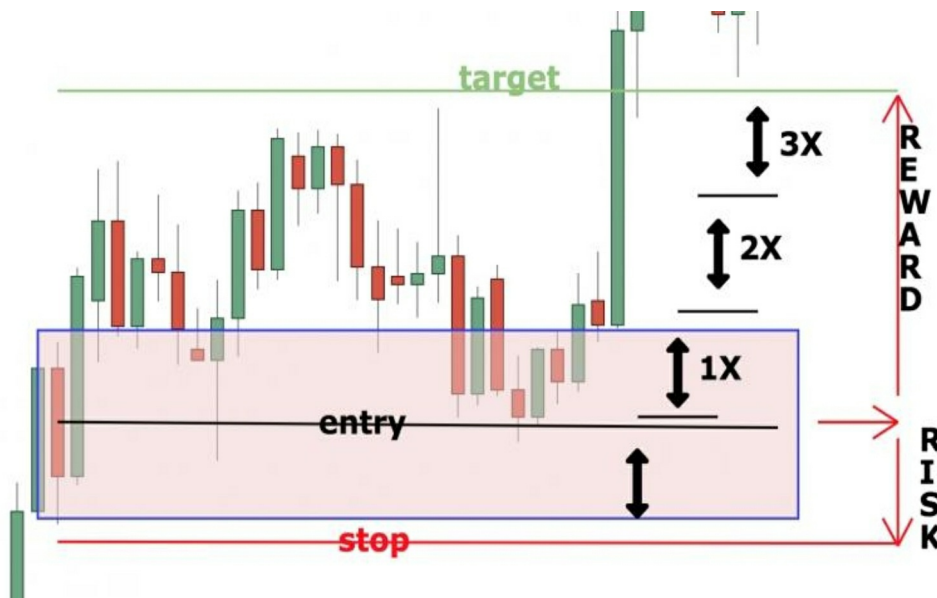
The AUDUSD daily chart was used to create the graphic that follows. As you can see, this follows the UpBaseUp (UBU) pattern that was previously discussed.



The ensuing setup is supported by the USDCAD daily chart. It displays a classic DownBaseDown (DBD) pattern.



Before looking at more examples, let's proceed with the entry, stop loss, and take profit rules. To demonstrate the Entry, Stop Loss, and Take Profit levels, let's begin with an example.



The above picture shows the supply and demand trading regulations. This is one method of trading with supply and demand zones. Although every trader will have their own set of guidelines, it's crucial to keep in mind that you should always seek for greater profits than risk.

In the previous illustration, the ratio is 1:3. Typically, the entry is located in the midst of the supply or demand zone. As seen by the red line, the stop is normally 5–10 pip below the interest zone. Your target should be at least two or three times your risk, as shown in the graphic above.

First Supply and Demand Illustration Let's give a more thorough explanation of supply and demand.



The basis for this illustration is the USDJPY daily chart. As you can see in the image above, we have a pattern known as UpBaseUp (UBU). Clearly, the top and lower limit define the interest zone.

An alternative strategy to those levels involves using a different confirmation method or a different period of time for confluence.



Again, different traders will use different techniques; in the end, it's your P/L that counts. Second Supply and Demand Illustration I'll use the daily chart for the GBPJP as my second example.

Two supply and demand market zones are seen. All of the significant buyers are concentrated in the interest zone. The supply zone contains all of the major sellers.

You may observe the speed of the price movement after it reaches one of those thresholds.

I could give more and more instances, but it is ultimately up to you to start recognizing such locations. You need to practice till you master it. The demand and supply zones can be quite useful to price action traders, however it might take some time.