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.

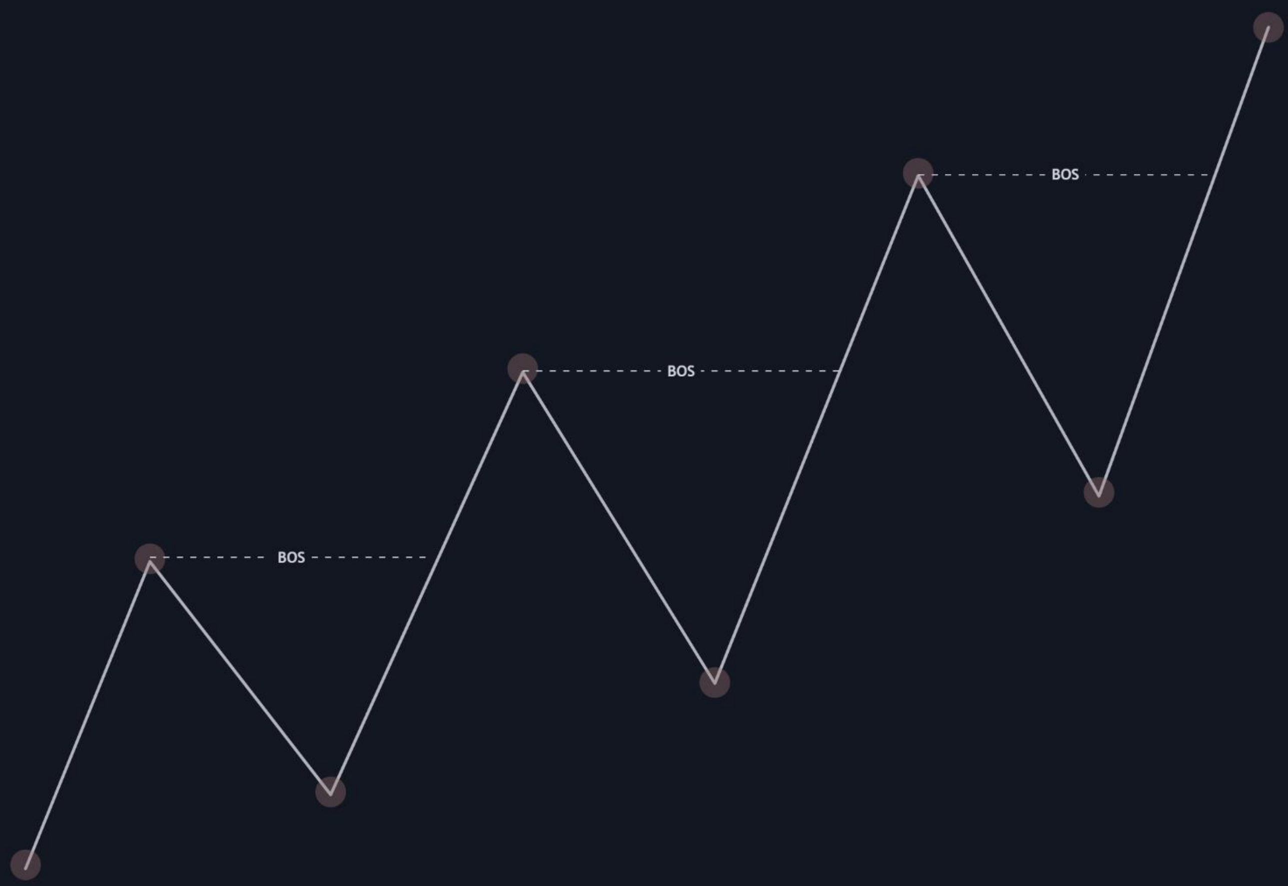
Chapter 2: MARKET STRUCTURE

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.

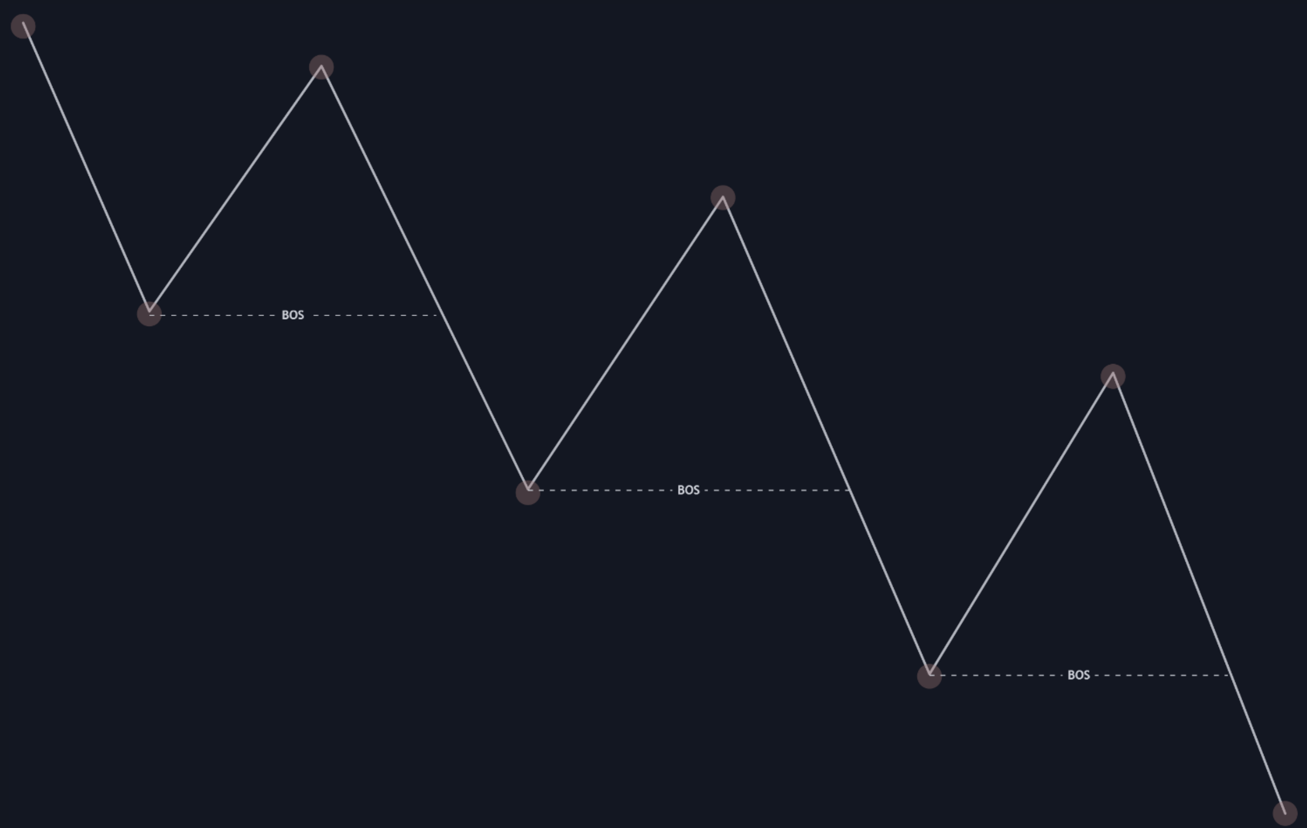
THE SWING STRUCTURE:

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:



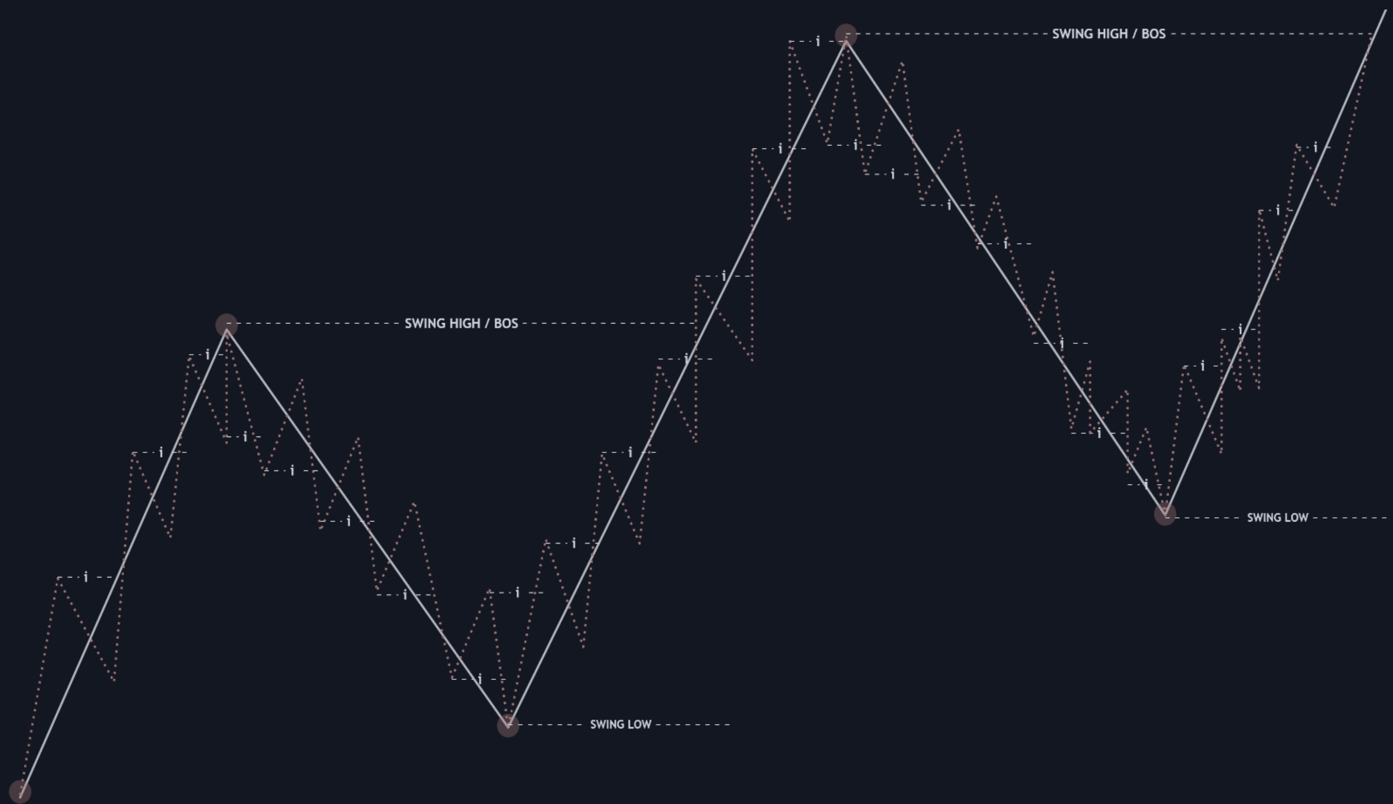
This is the example of a BEARISH structure:



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 :

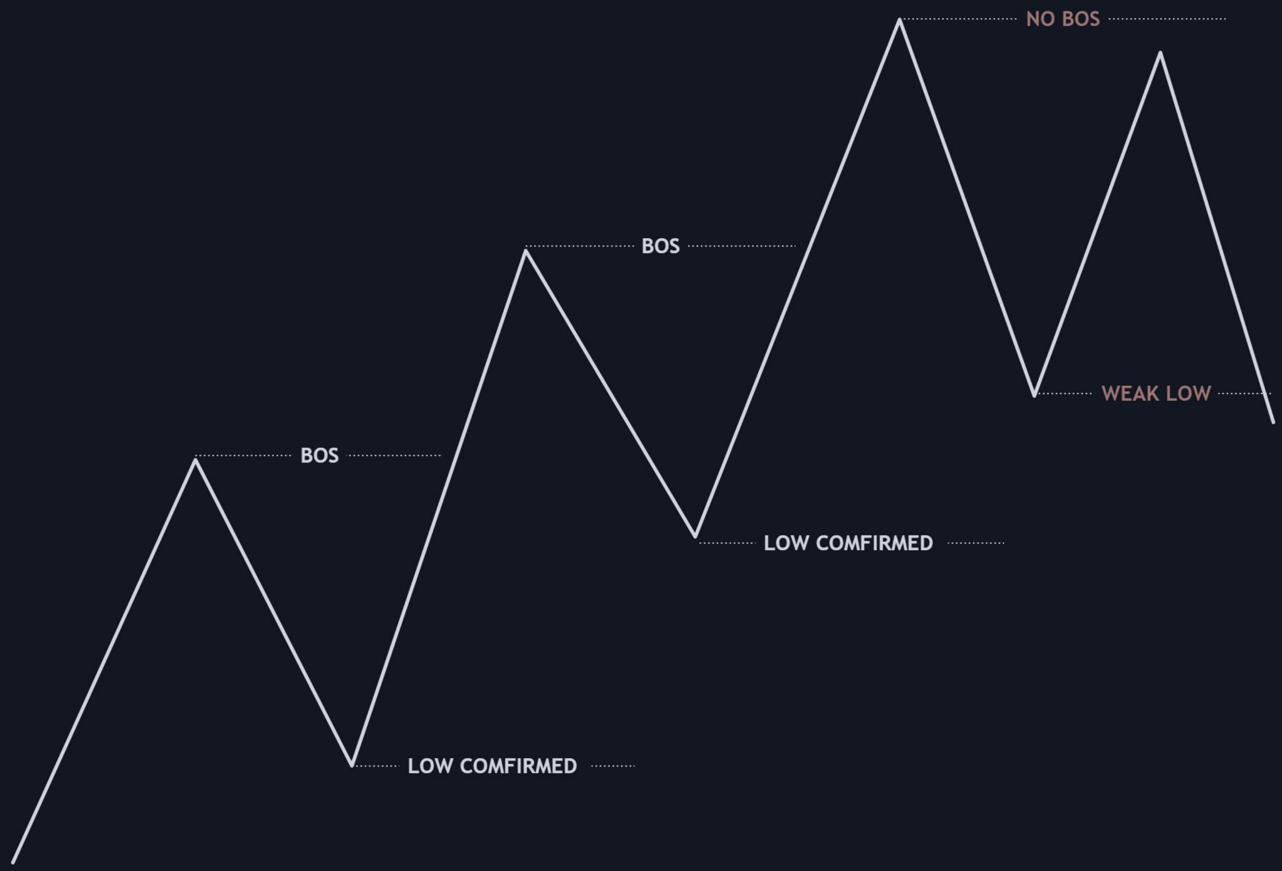
As we can see the M15 timeframe went from bullish to bearish and the market follows its bearish m15 trend until it creates the H4 next swing low. In the next chapters you will be able to see where a low (or a high depending the structure) can be created.

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.

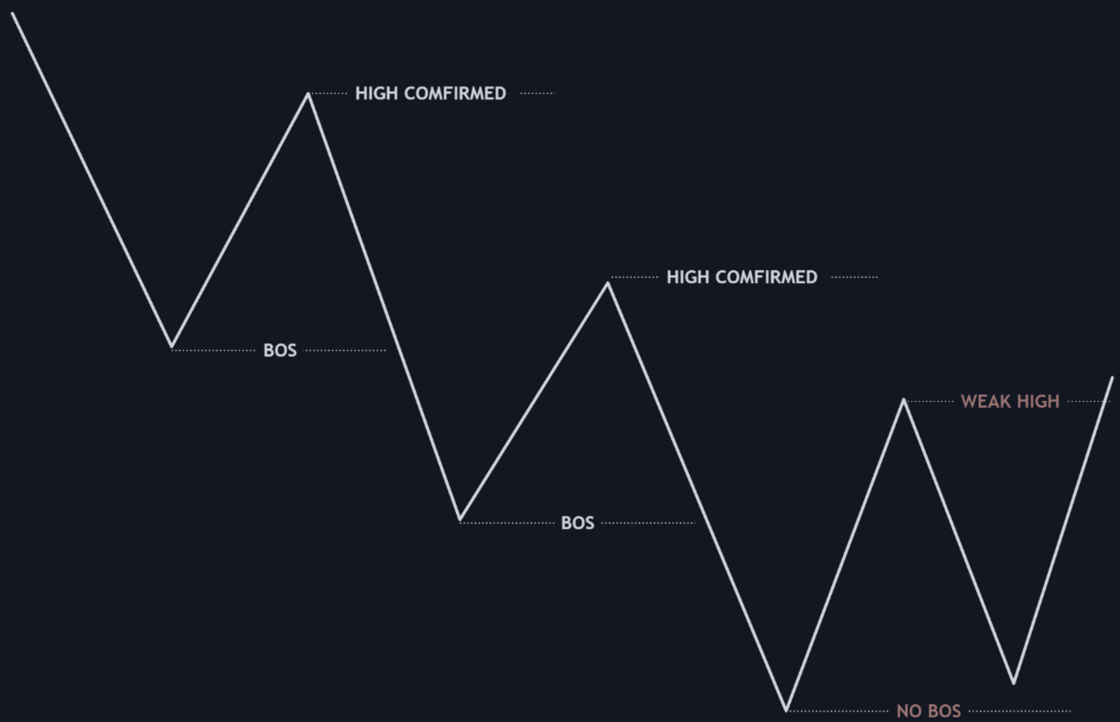
THE CHANGE OF TREND:

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.

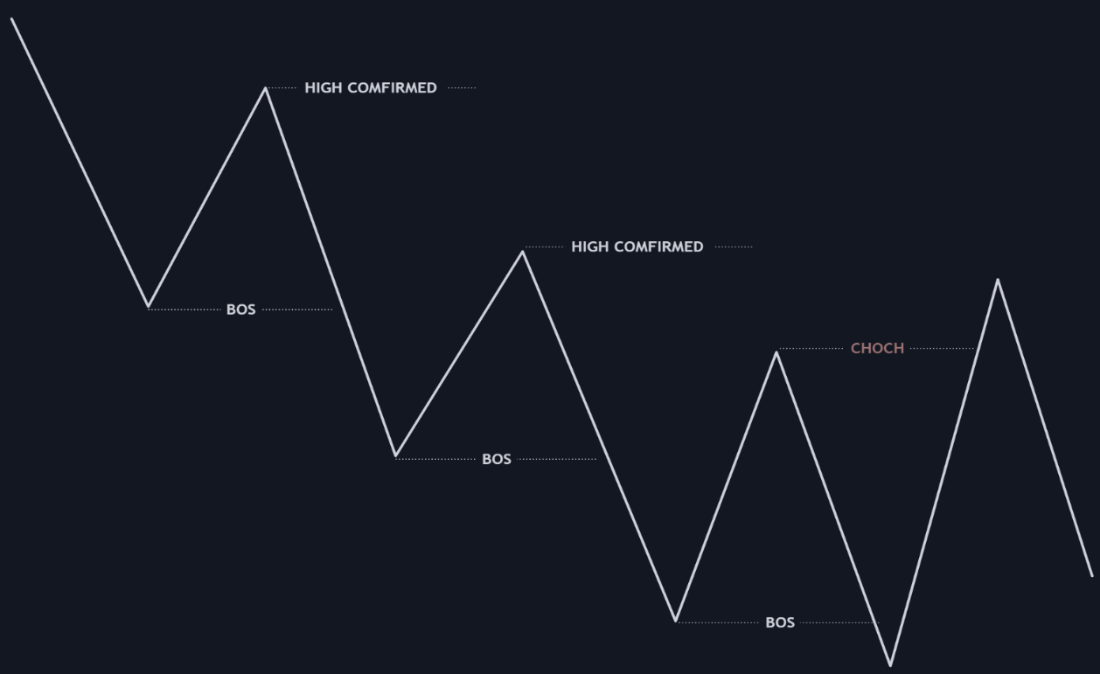
Example:



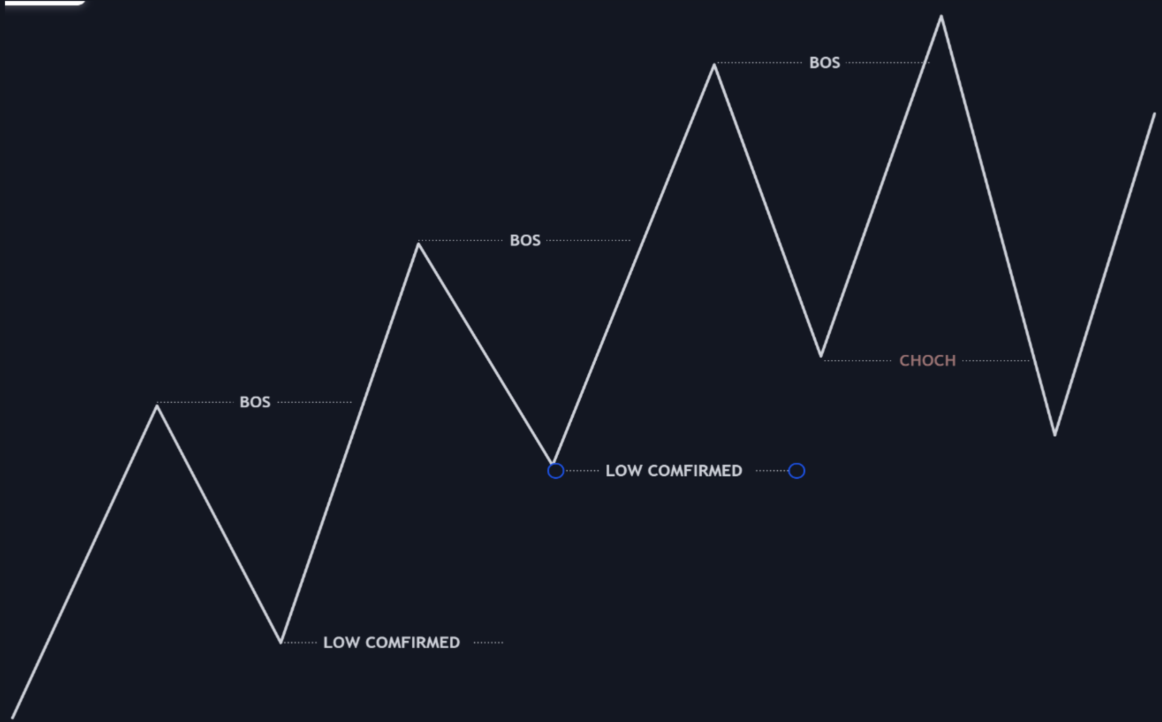
Vice versa in a BEARISH market. Price builds lower low (LL) and lower highs (LH). For a high to be confirmed, it needs to break a LL, otherwise the high will become weak.



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.



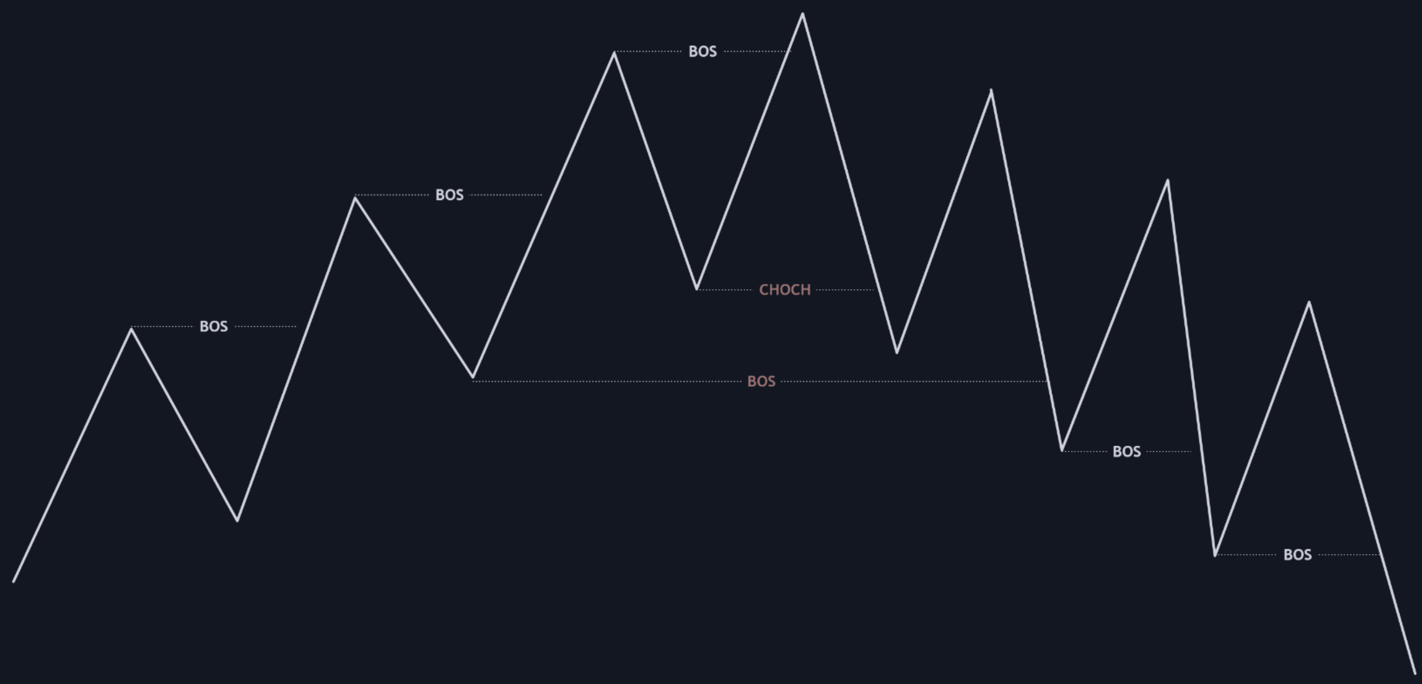
Bearish example:



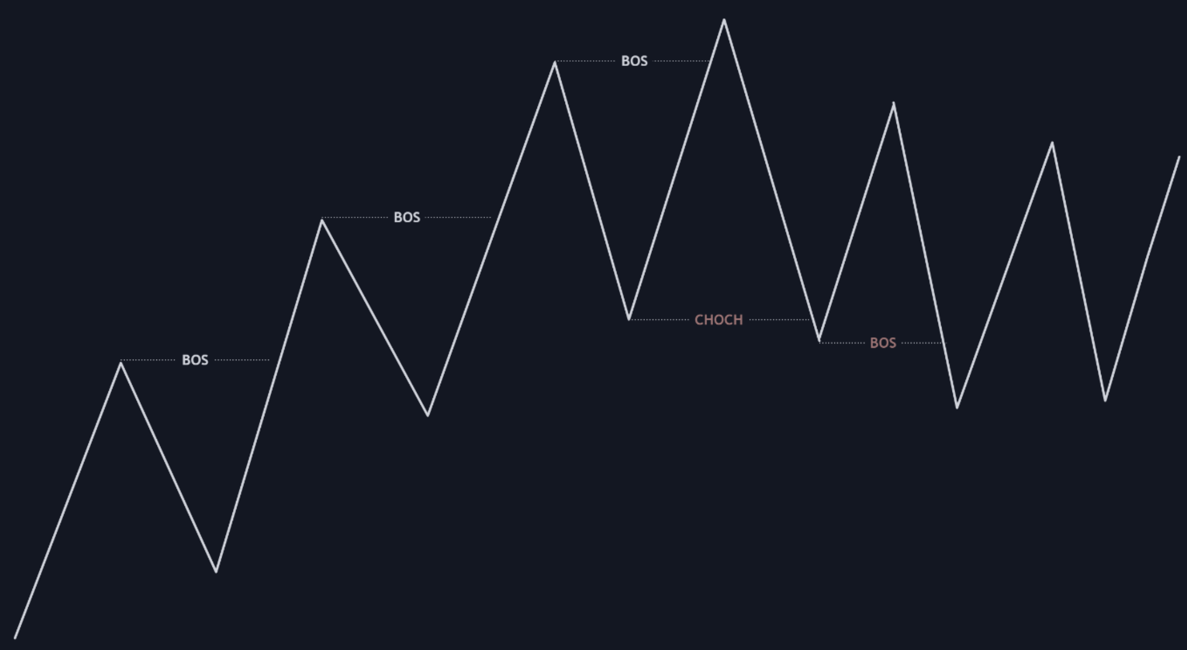
The change of character doesn't confirm that the trend has changed totally. This is only the first sign and big players as bank and financial institution (BFI) can use it to trap people. It has to be operated at the right place and we will see later in this book how to use it at its best.

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:

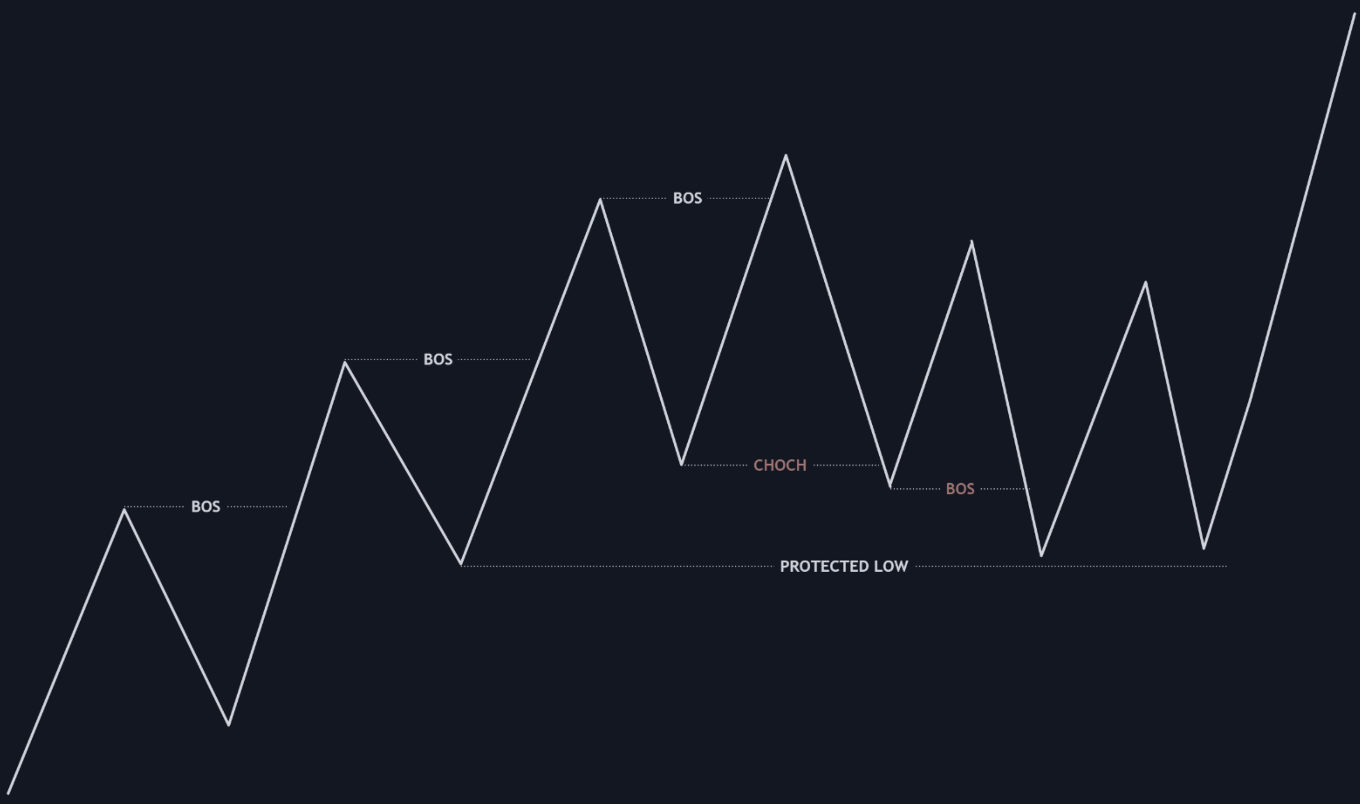


Once we got the second structure broken on the left, we can assume that the structure has changed completely. There is a common error with structures I see every day. This error is to count the choch and immediately after to employ the actual price to assume that we change in structure.



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:

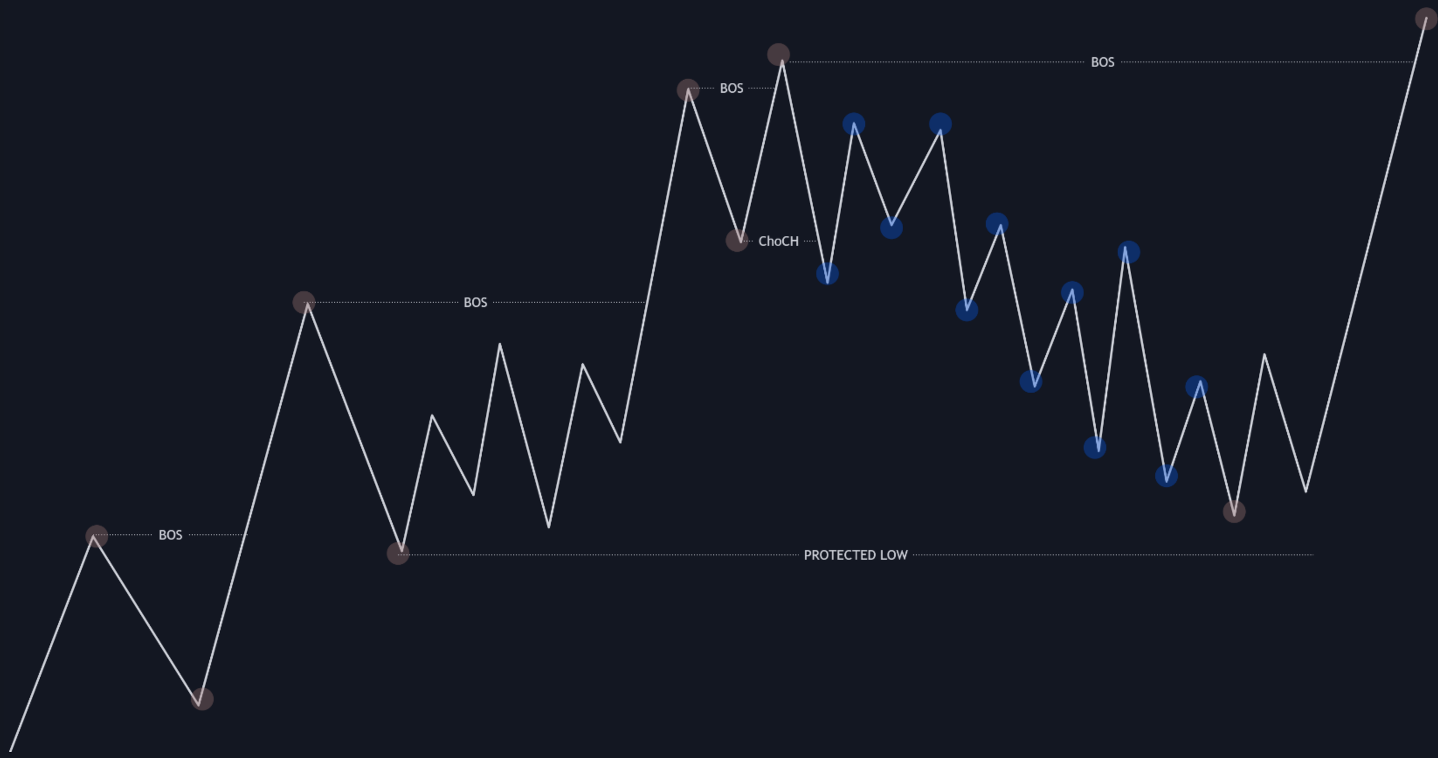


As you can see a lot of sellers would be trapped and would get out of the market as soon as the price reacts from its protected low. This allows a strong move with a lot of momentum.

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.

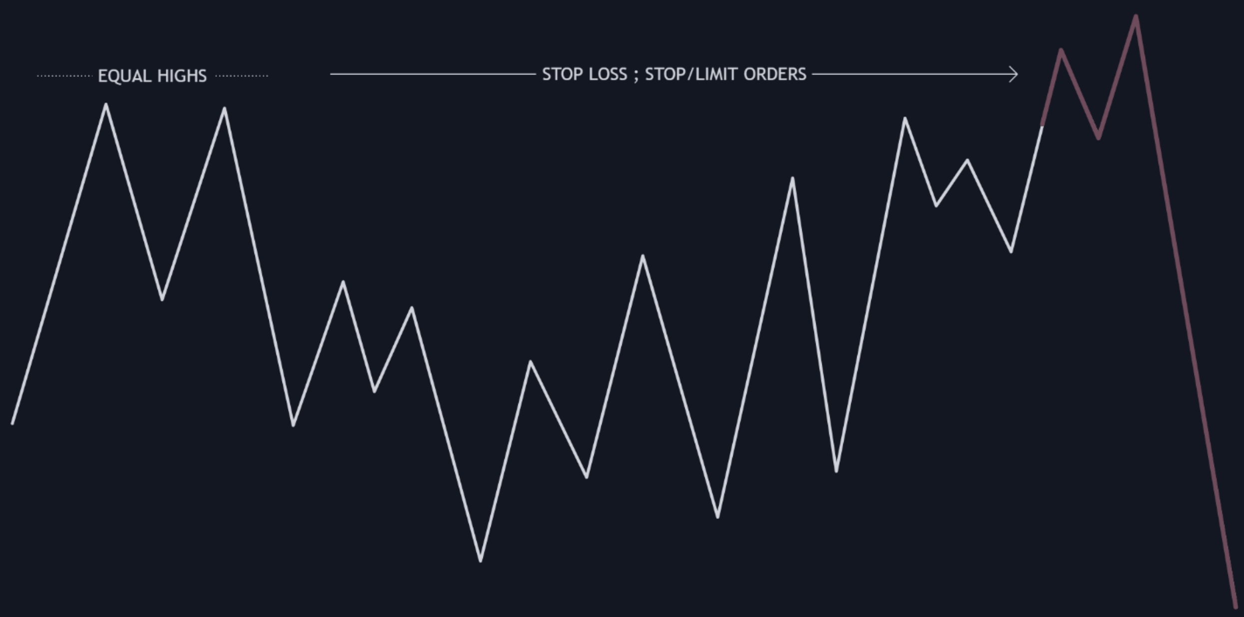
How can we spot the liquidity?

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:

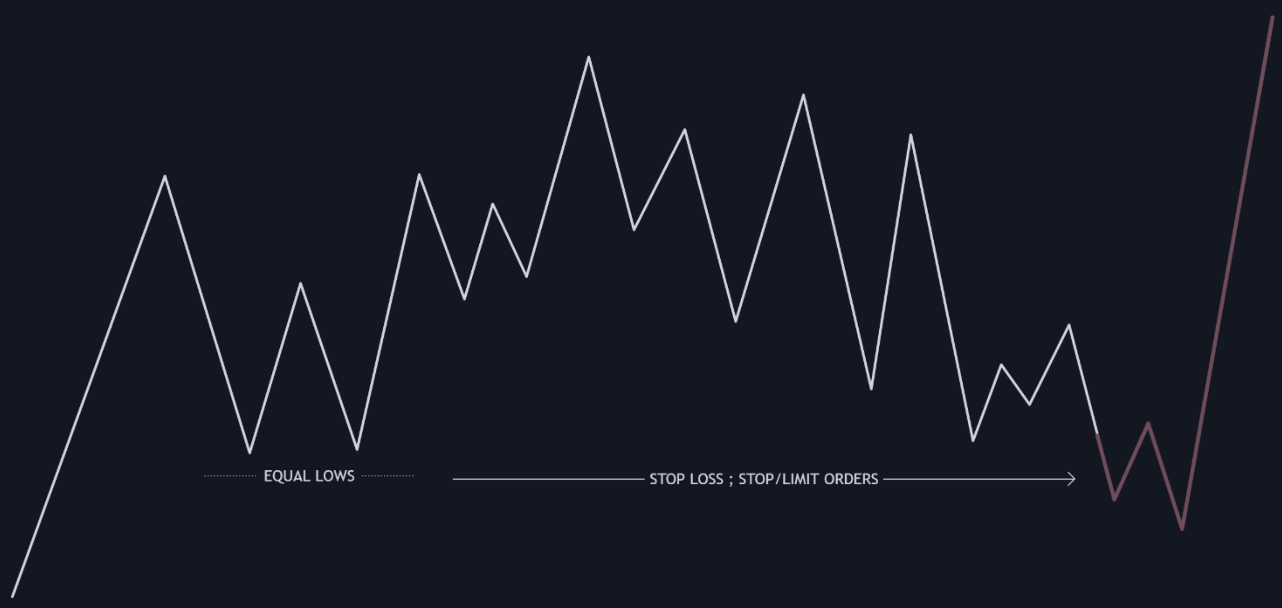
As said earlier, the price will use the liquidity to make the opposite move. In fact, if you are bearish, price creates Equal highs. Above those equals there are sellers stop loss, breakout traders stop orders, limit orders on the pullback. This creates a larger number of buy orders, and those will allow 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:

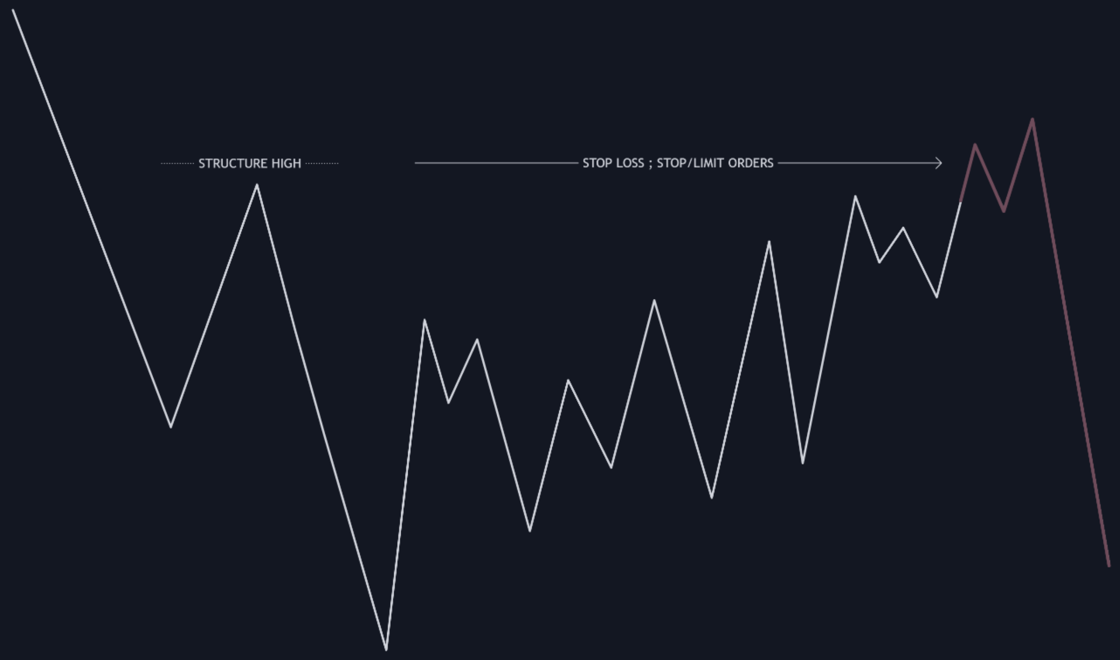


EQUAL HIGHS (EQH) CHART:

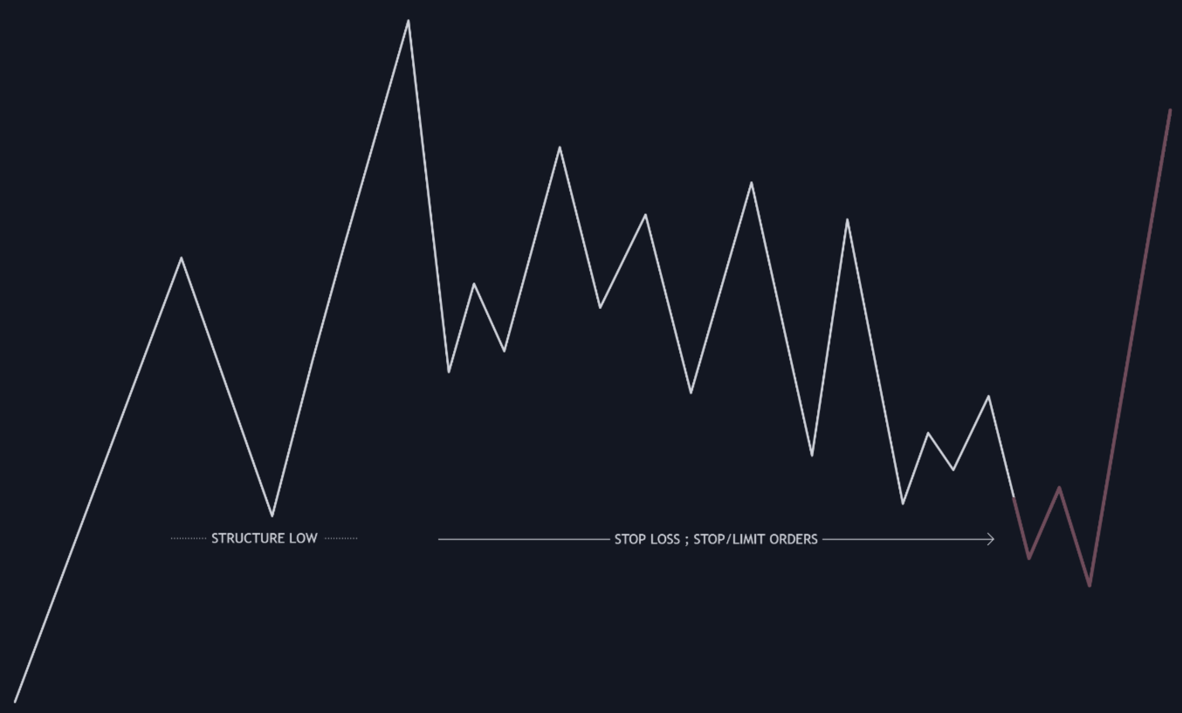
EQUAL LOWS (EQL) CHART:

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

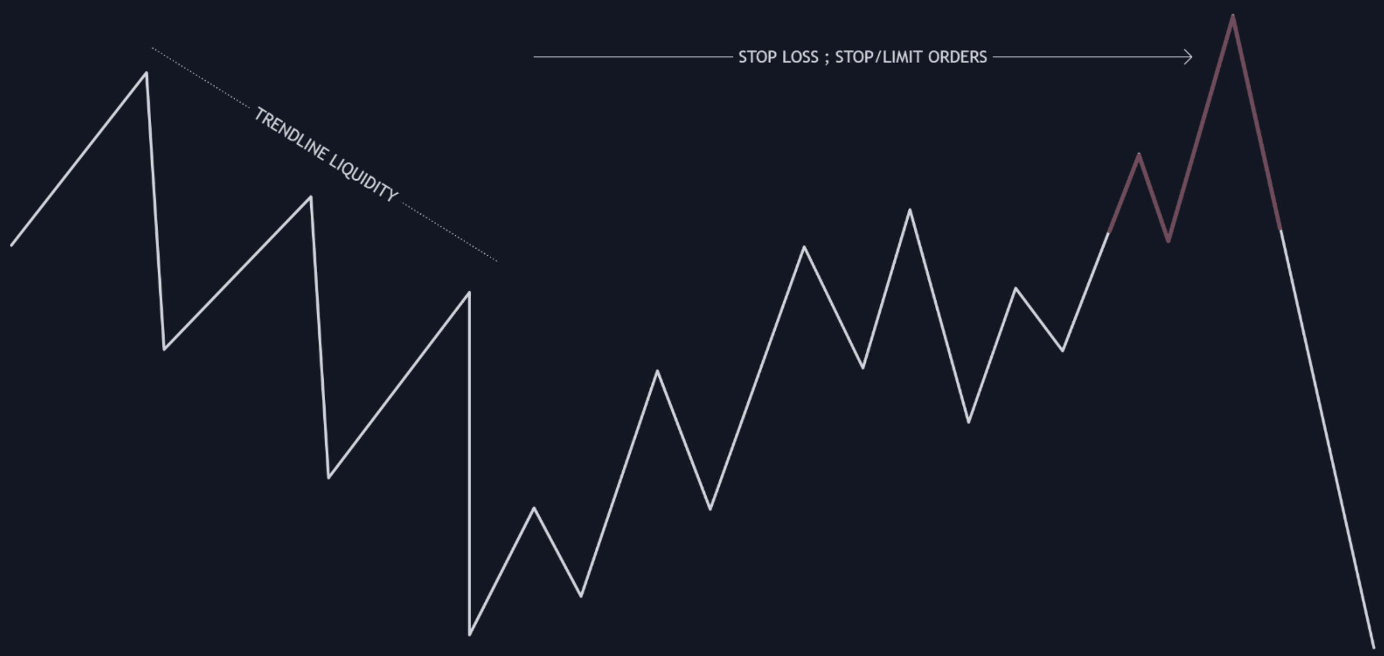
MOMENTUM SHIFT (MS) BULLISH MODEL

MOMENTUM SHIFT (MS) BEARISH CHART:

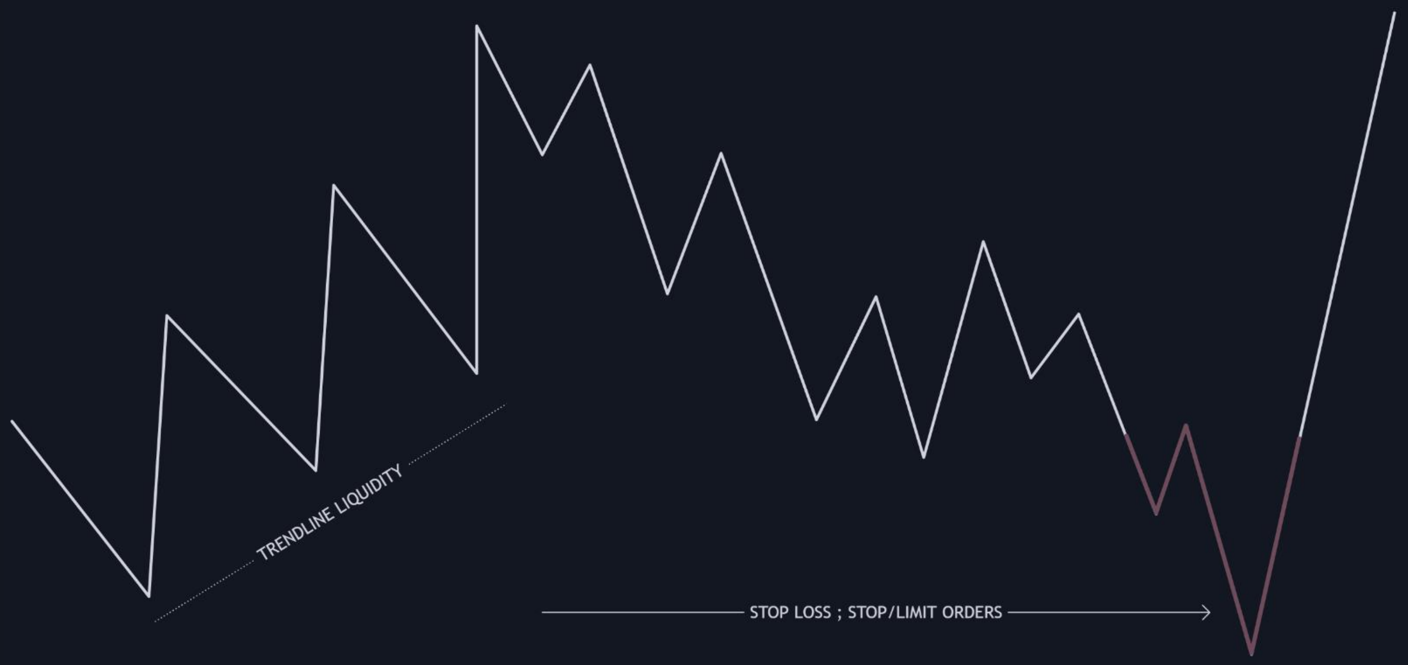
MOMENTUM SHIFT (MS) BULLISH CHART

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:

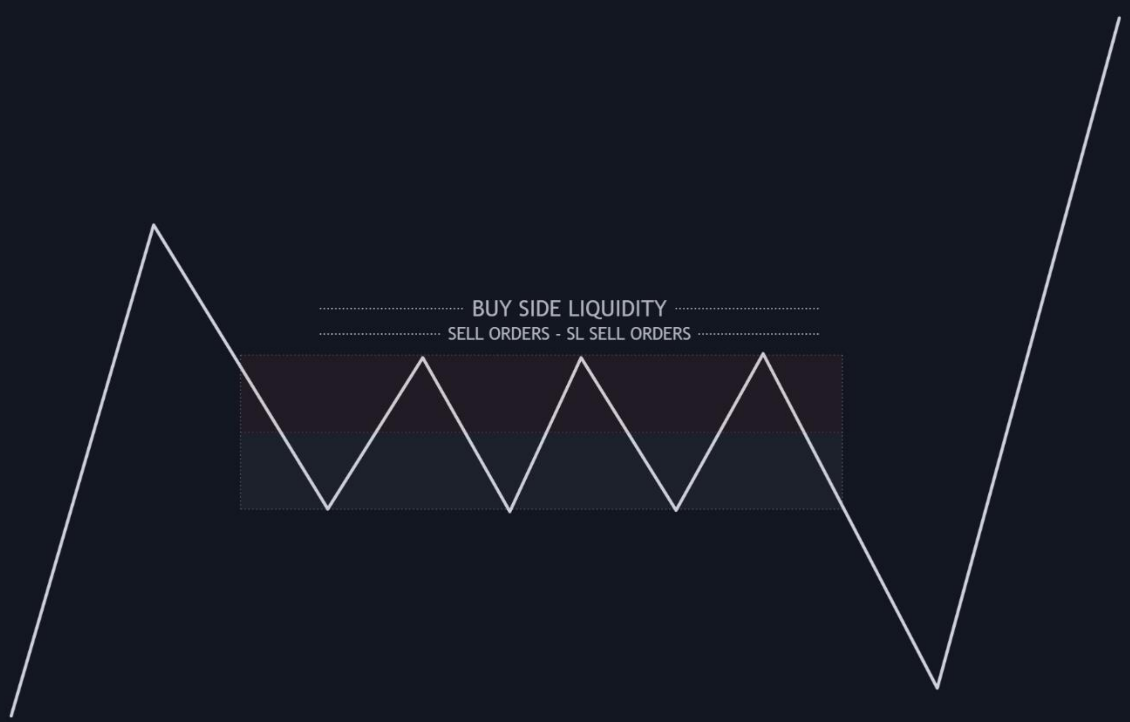
TRENDLINE LIQUIDITY BULLISH CHART:

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):

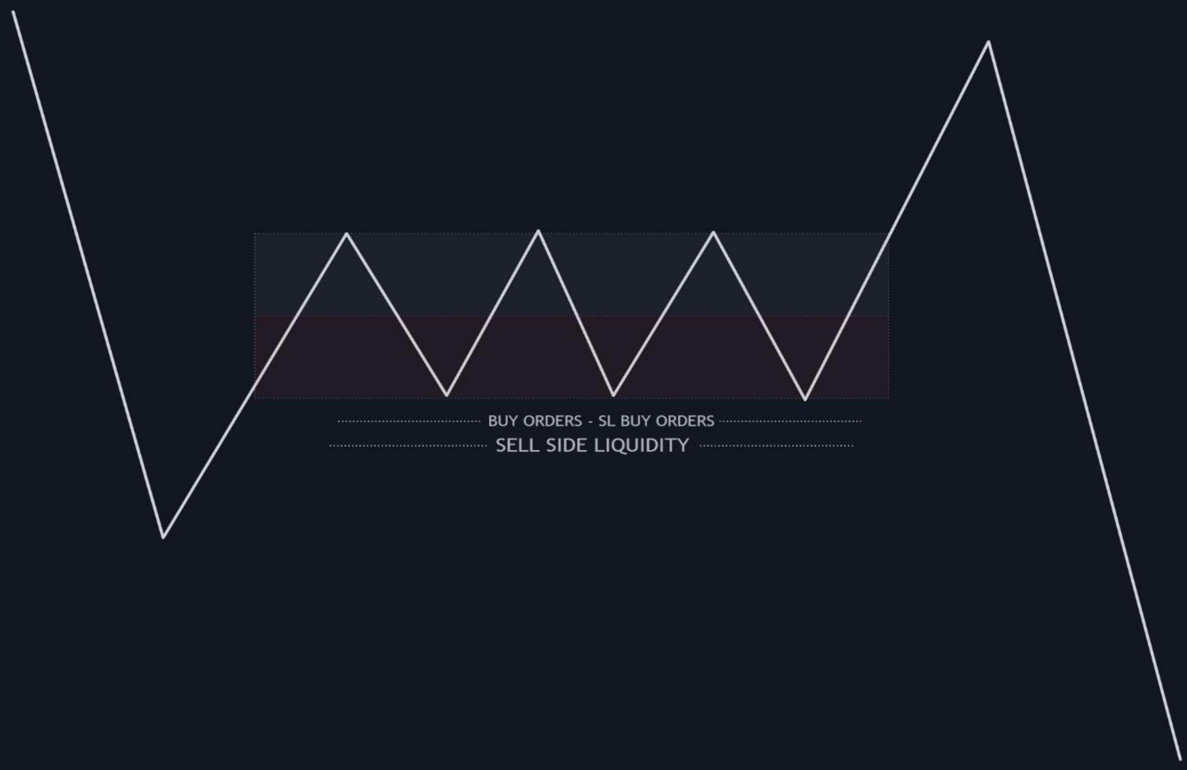
The buy side liquidity is basically all the liquidity that will be used by the buyers. It's created in major by sell orders but that can also be buy orders as seller stop loss.



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):

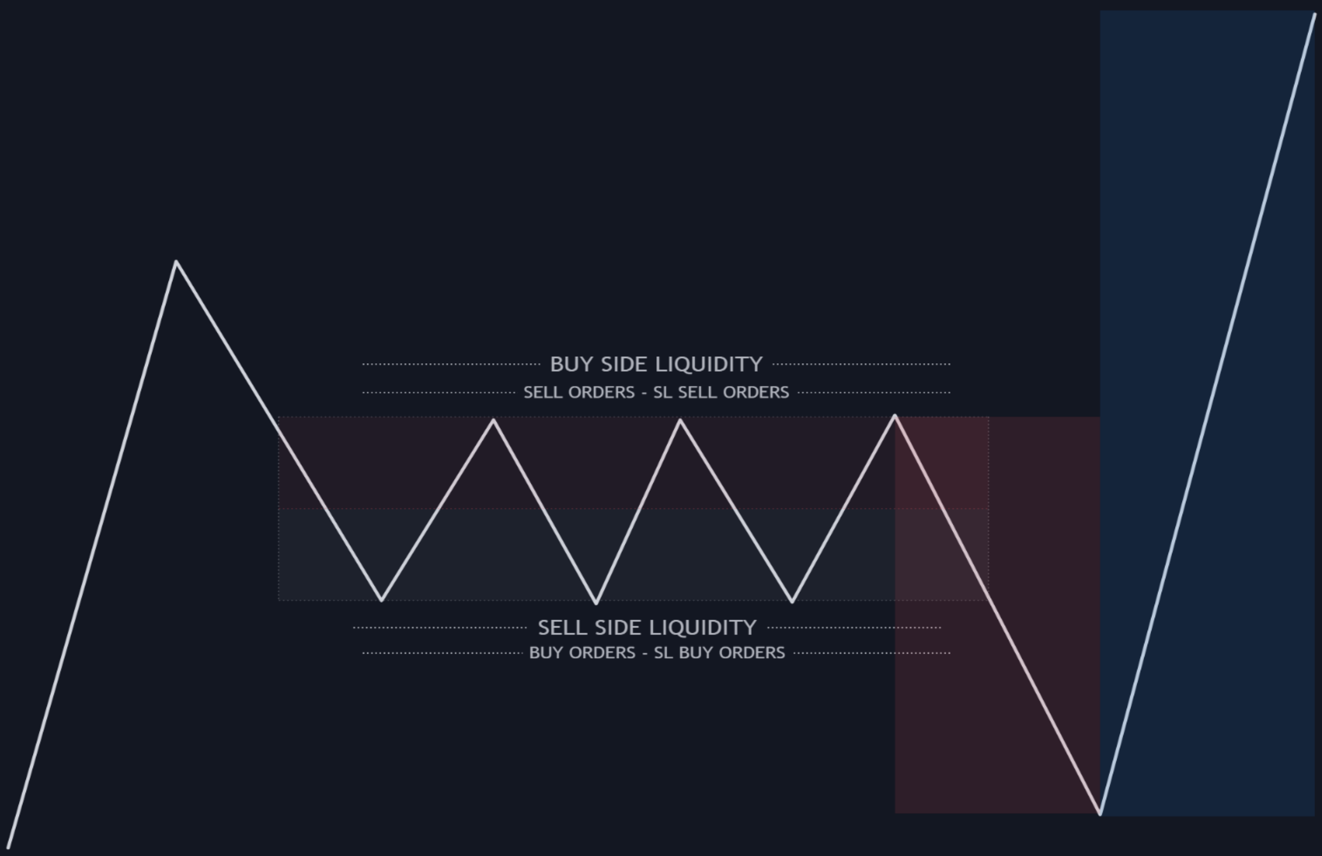
The sell side liquidity is basically all the liquidity that will be used by the sellers. It's created in major by buy orders but that can also be sell orders as buyer stop loss.



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.

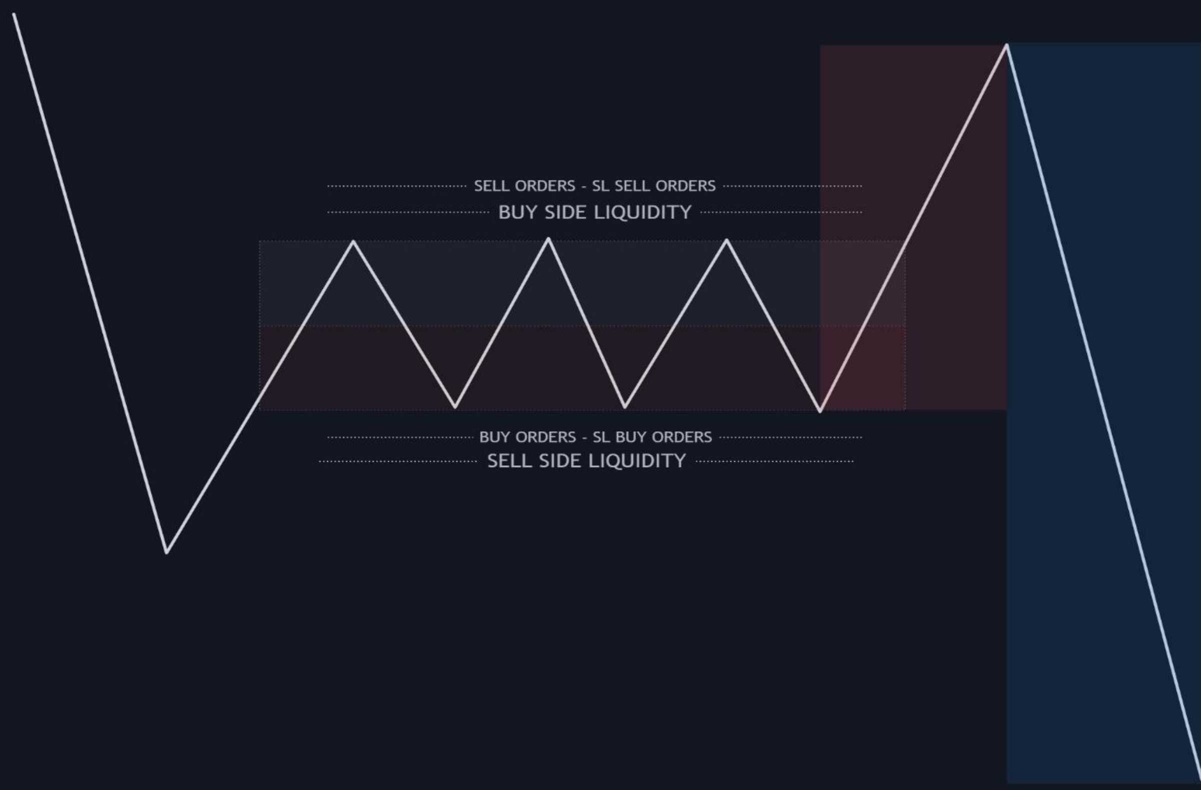
UNDERSTANDING LIQUIDITY (BULLISH):



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):

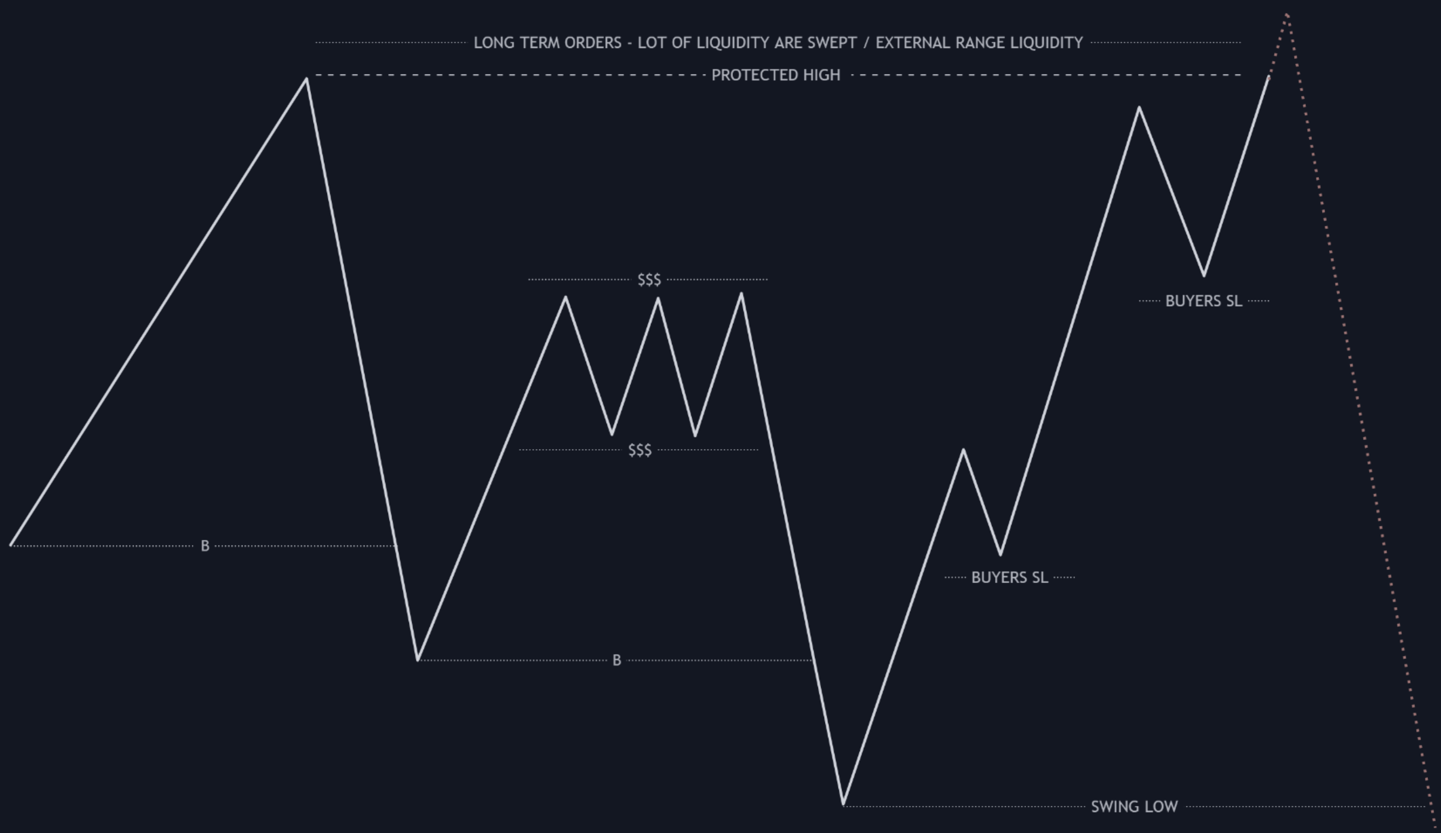


On a bearish market, we understand now how the SSL can be helpful in our trade. But what about the BSL then? The BSL in a bearish market will be useful to trap people and to induce them towards the wrong move. In fact, once the BSL is broken, it induces breakout traders and it creates also a demand zone 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

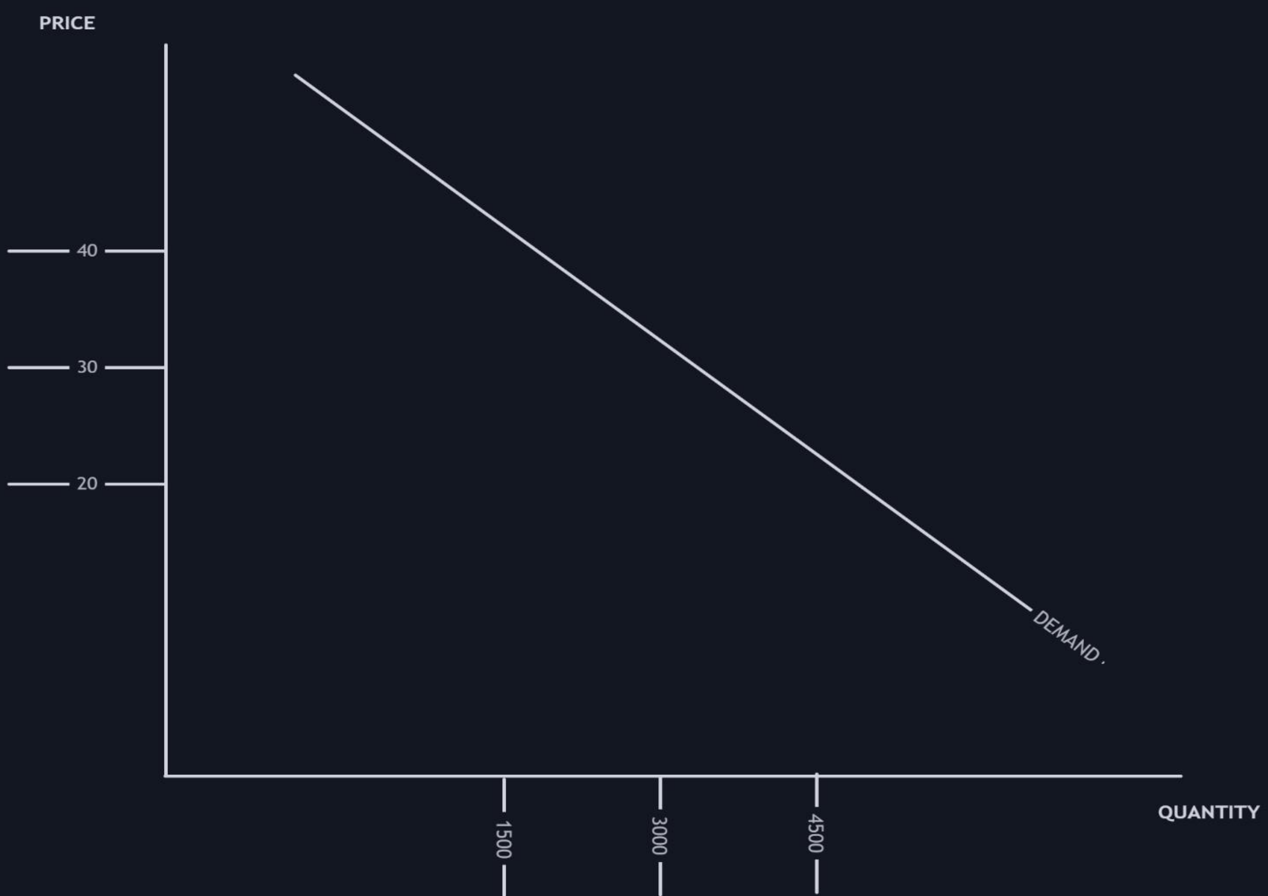
Chapter 4: SUPPLY & DEMAND

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

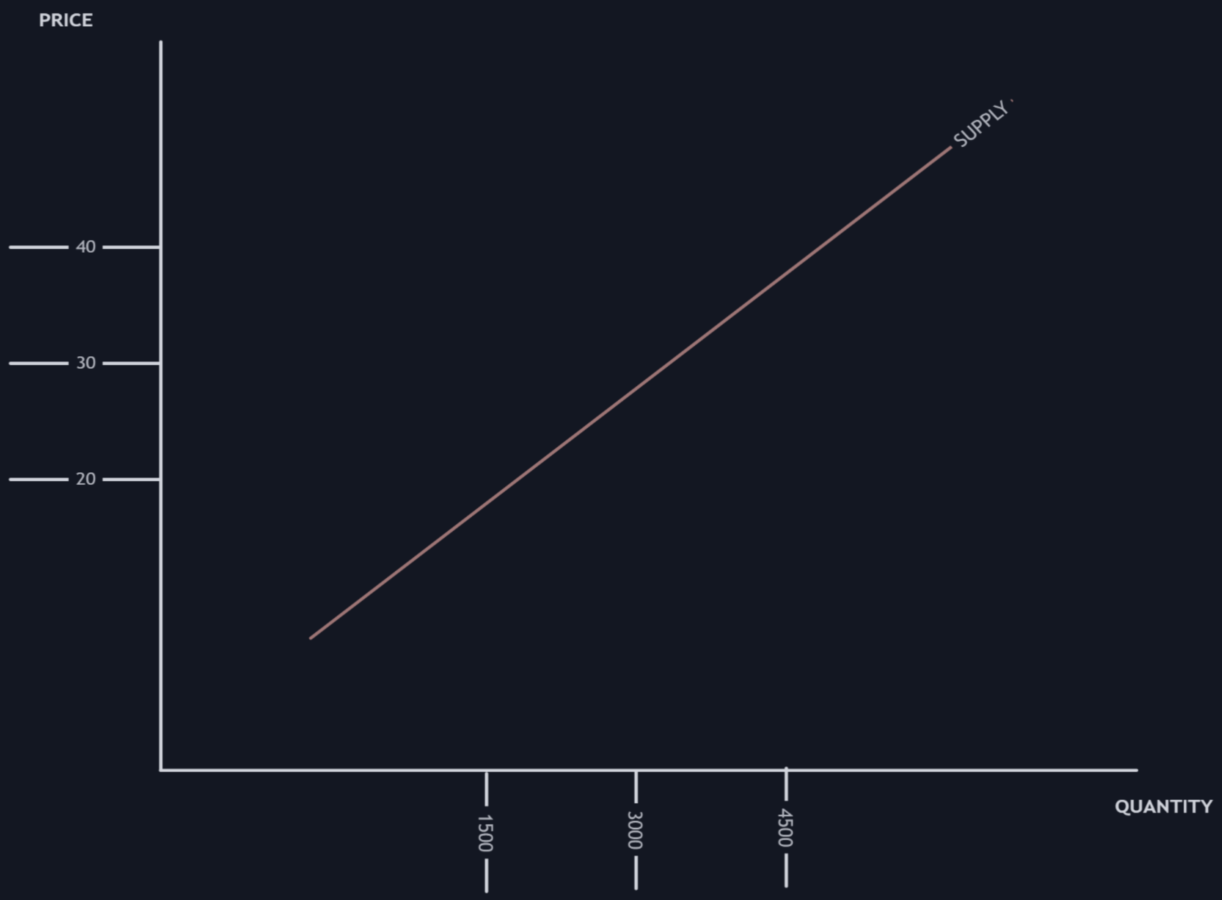
Explanation of the schematic step by step.

Demand curve:



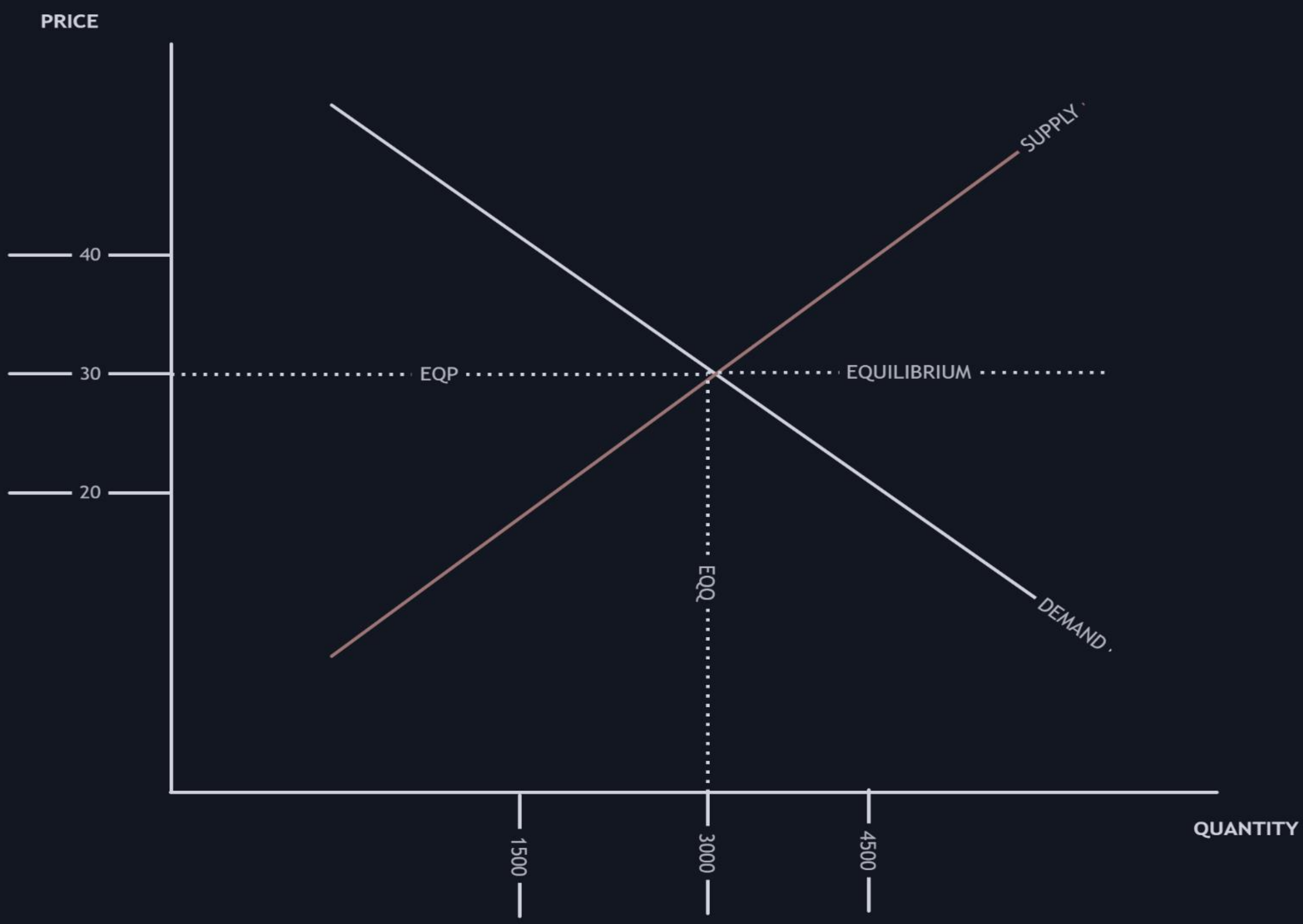
As we can see here, we have a chart which represents the quantity versus the price. We will start by analyzing the demand curve. This one is decreasing, that means that when the price is high, my demand will be low. And if the price is low, then the demand will be high. Everyone wants to buy when it's 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!

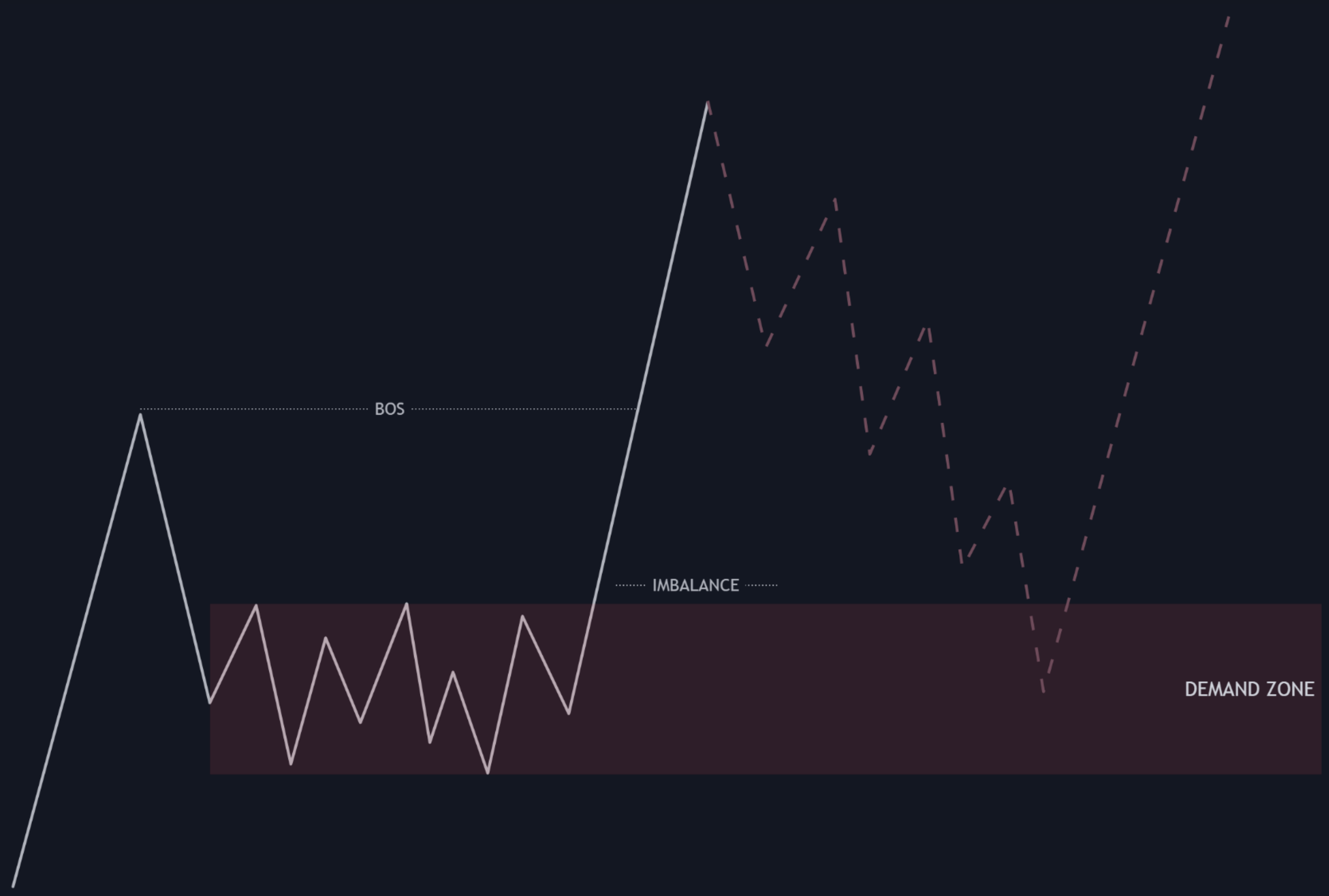
In a bullish market we will look for demand zone to see where price could bump. The demand zone will generally be just before the protected low. As we are bullish, we want to buy (DEMAND) at the lowest price possible to make the best outcome.

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:



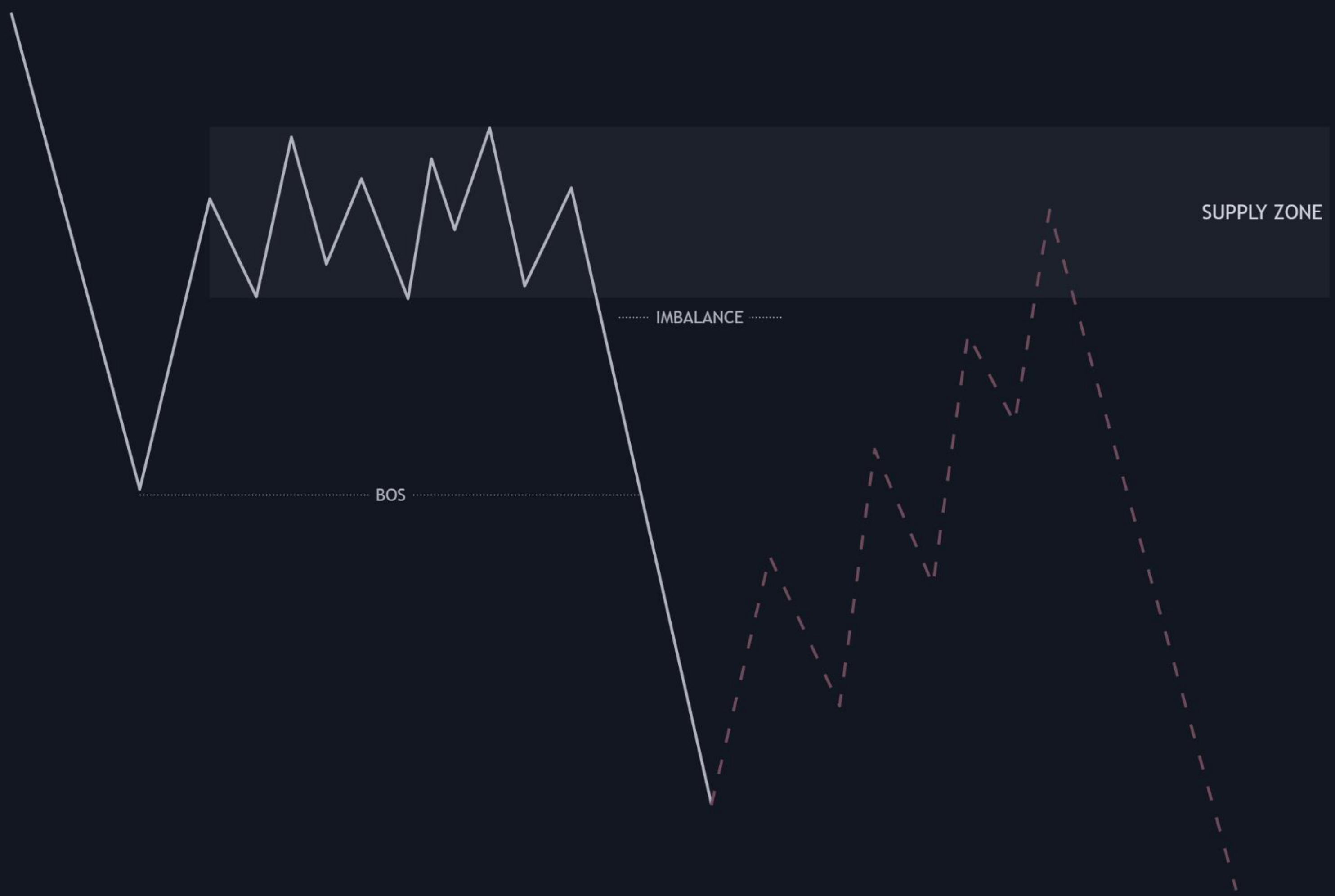
As we said earlier, in a bullish market we will look for demand zone to see where price could bump. The demand zone will generally be just before the protected low. This is the place where we sweep the most of the SELL SIDE LIQUDITY and where we fill the most IMBALANCE.

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:

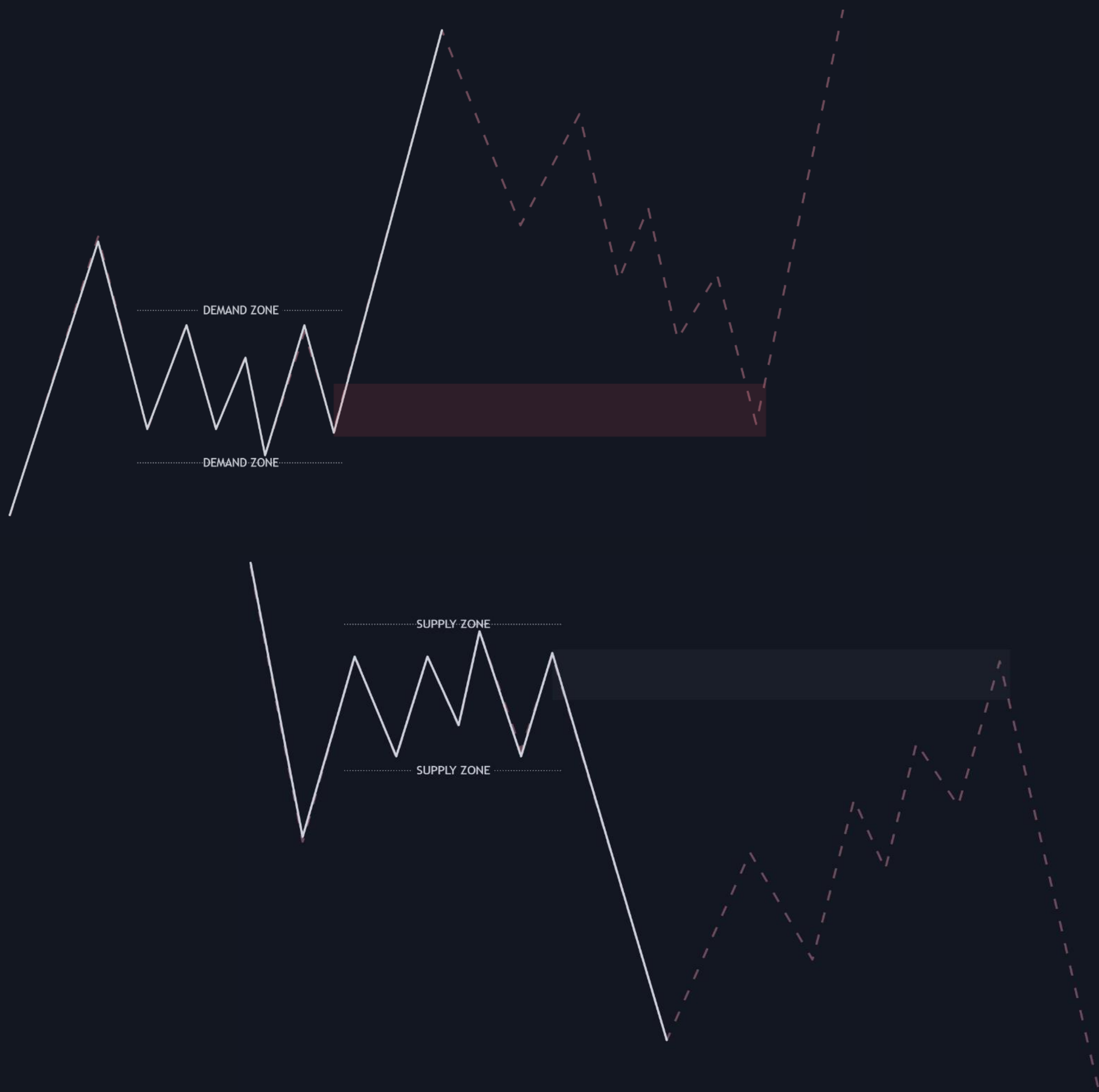
Here price decided to come back to its protected high and react to the higher zone. The zone was the only very visible here on the chart.

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.

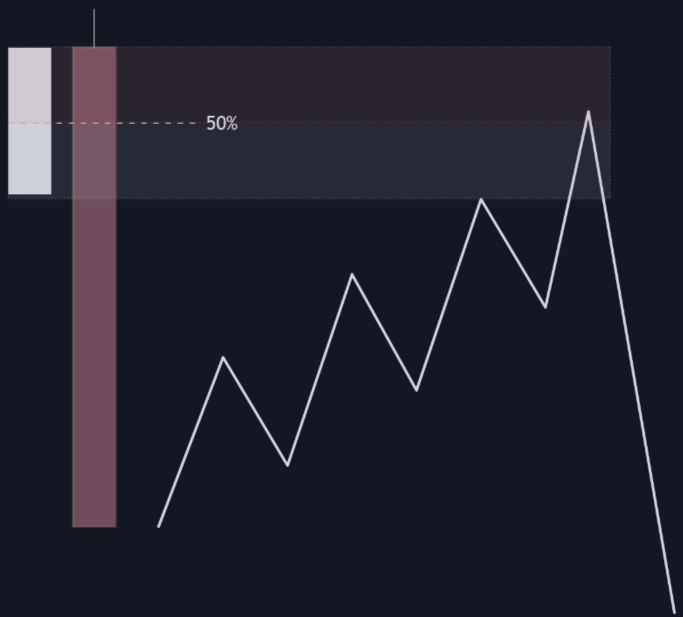
Chart example:

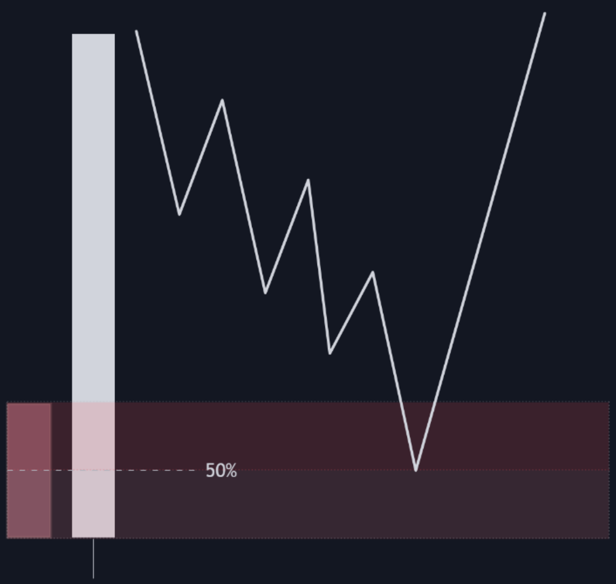
The orderblock has several advantages:
- You can refine your entry and increase your R:R
- You are not the liquidity
- You fill maximum IMBALANCE
- You sweep all the liquidity
- It creates big moves

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

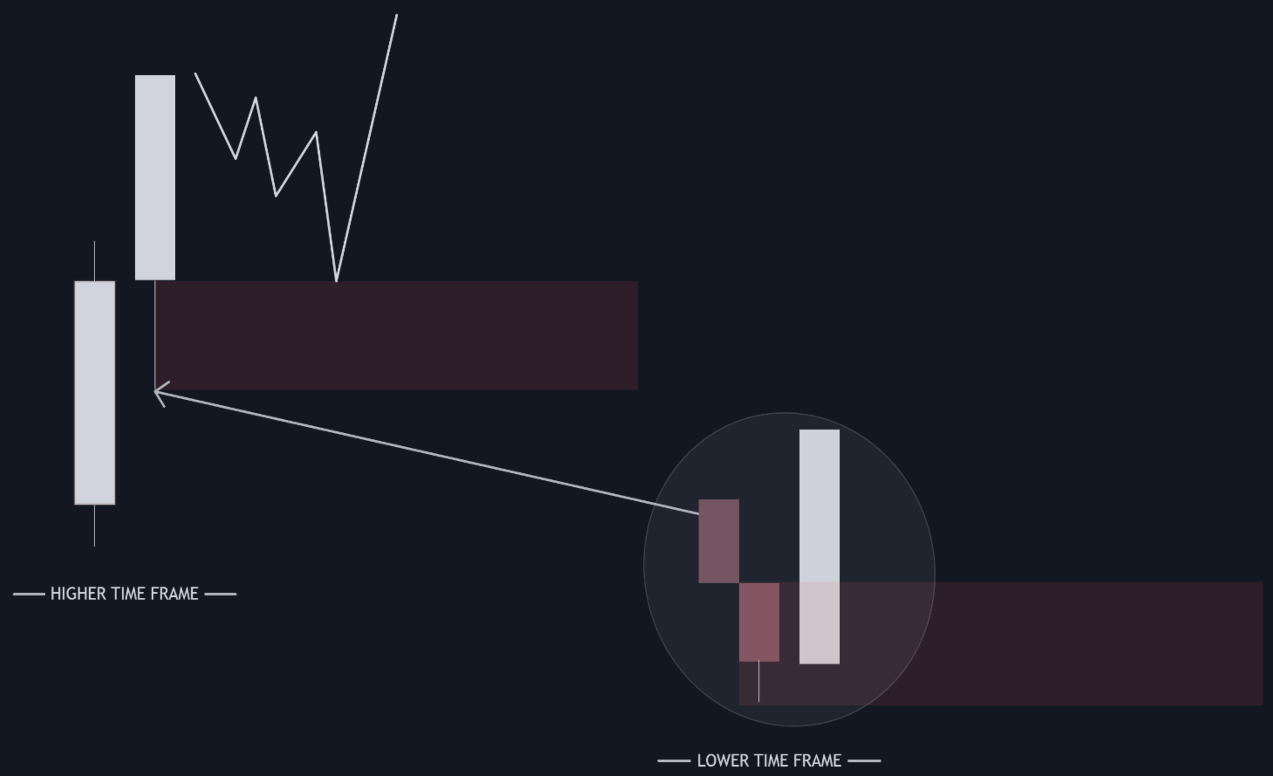
The complete candle:





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.

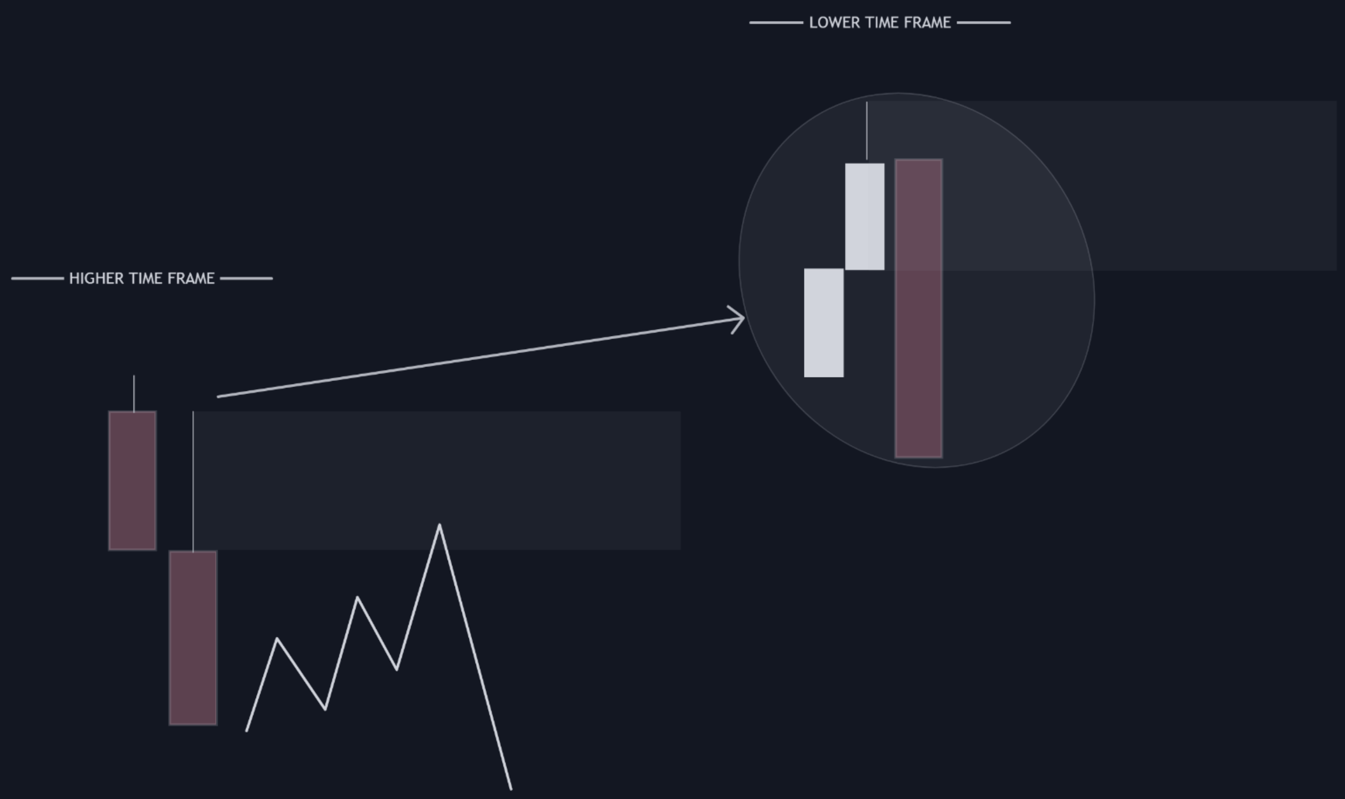
Generally, on the higher time frame (HTF) price will create a wick and will come back fast on the POI. On the LTF we will see a structure that has been broken

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

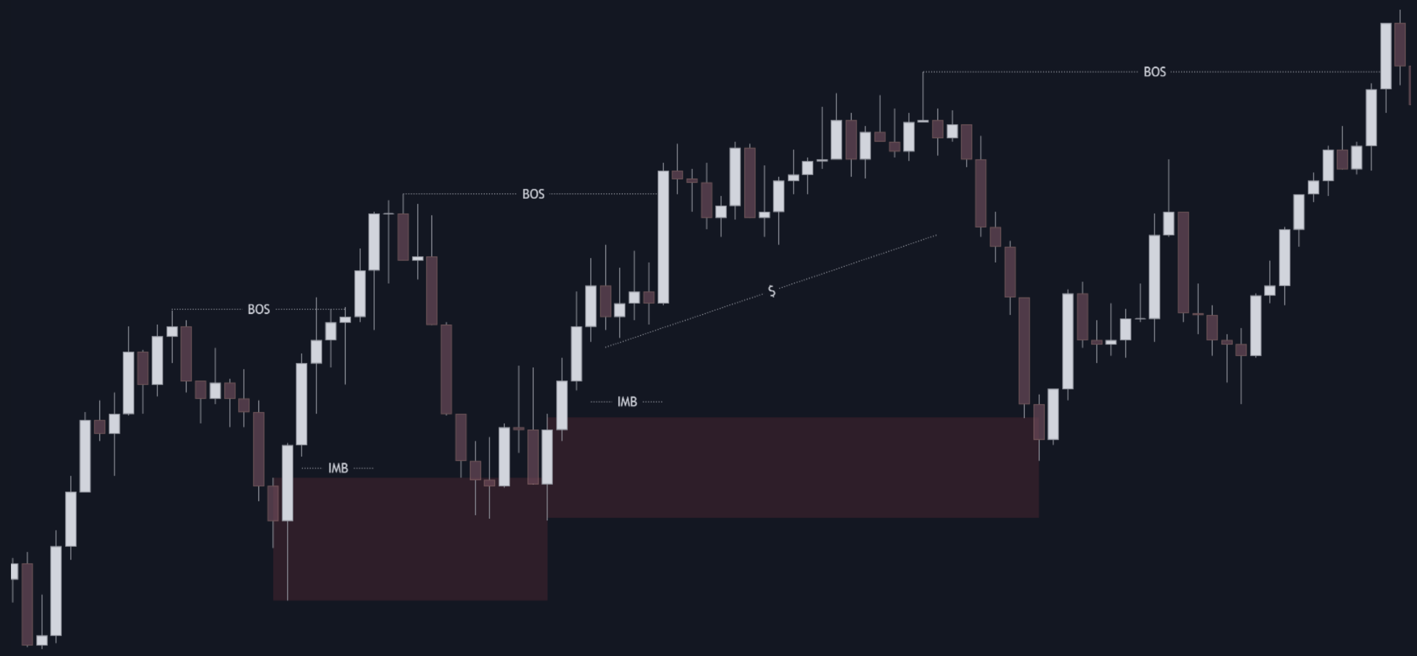
The buy to sell (B2S) candle on a chart (HTF):

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:

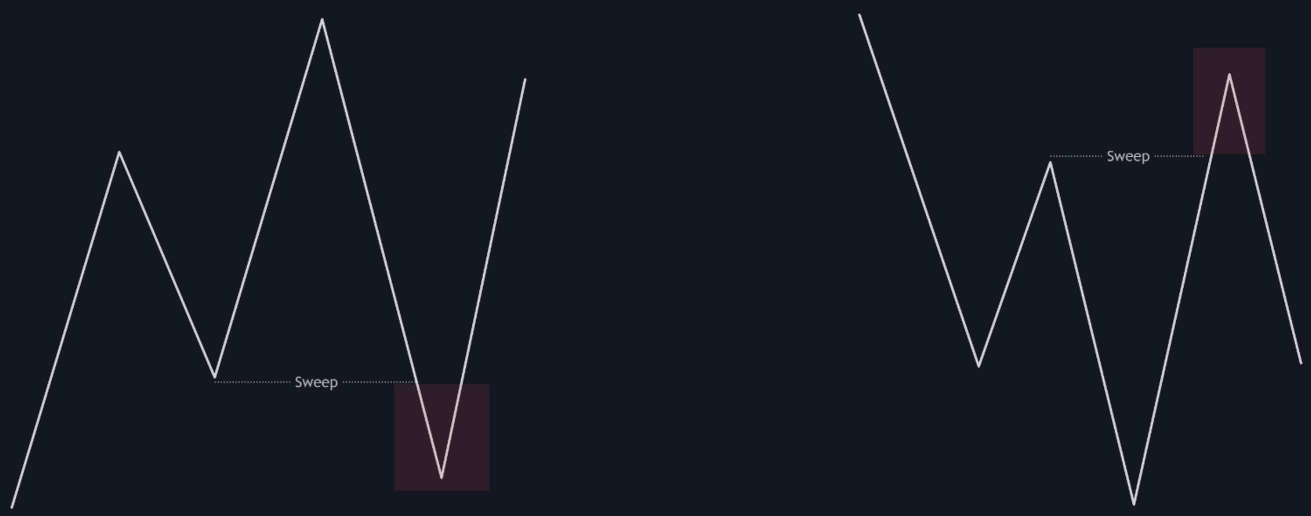


The Sweep & shift:

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.

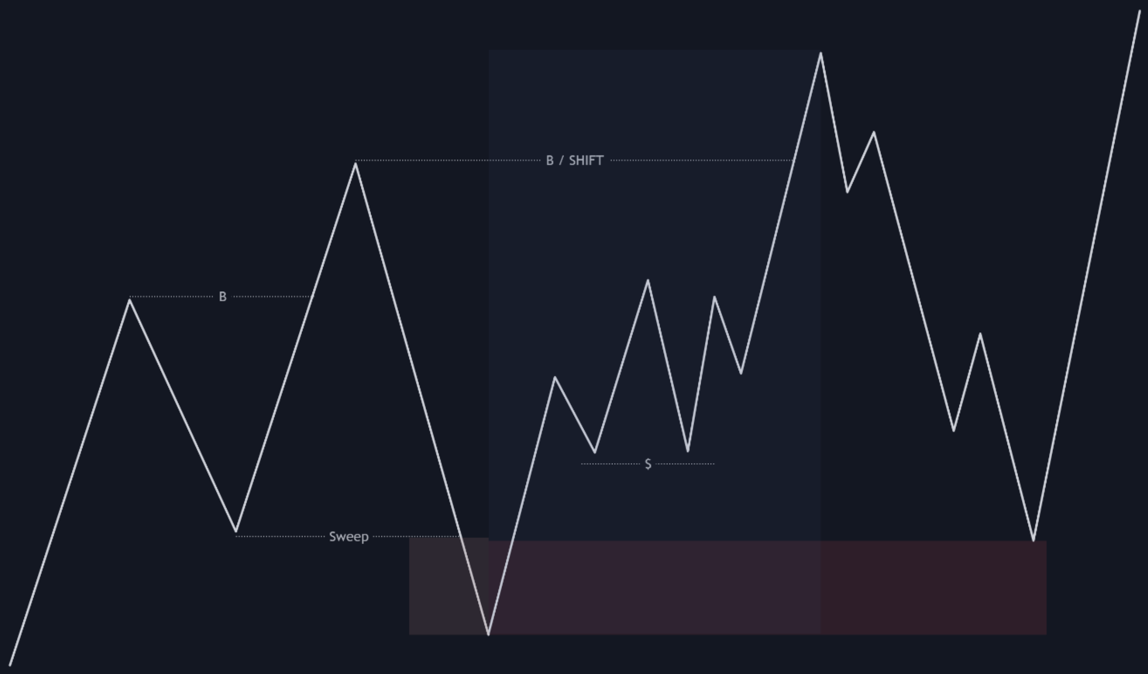
Before the model, we need to clearly understand what's a sweep of liquidity. A sweep of liquidity is simply a grab below a low or a high, depending the structure. This induces people to make the wrong move and generates liquidity.

Basic sweep example:

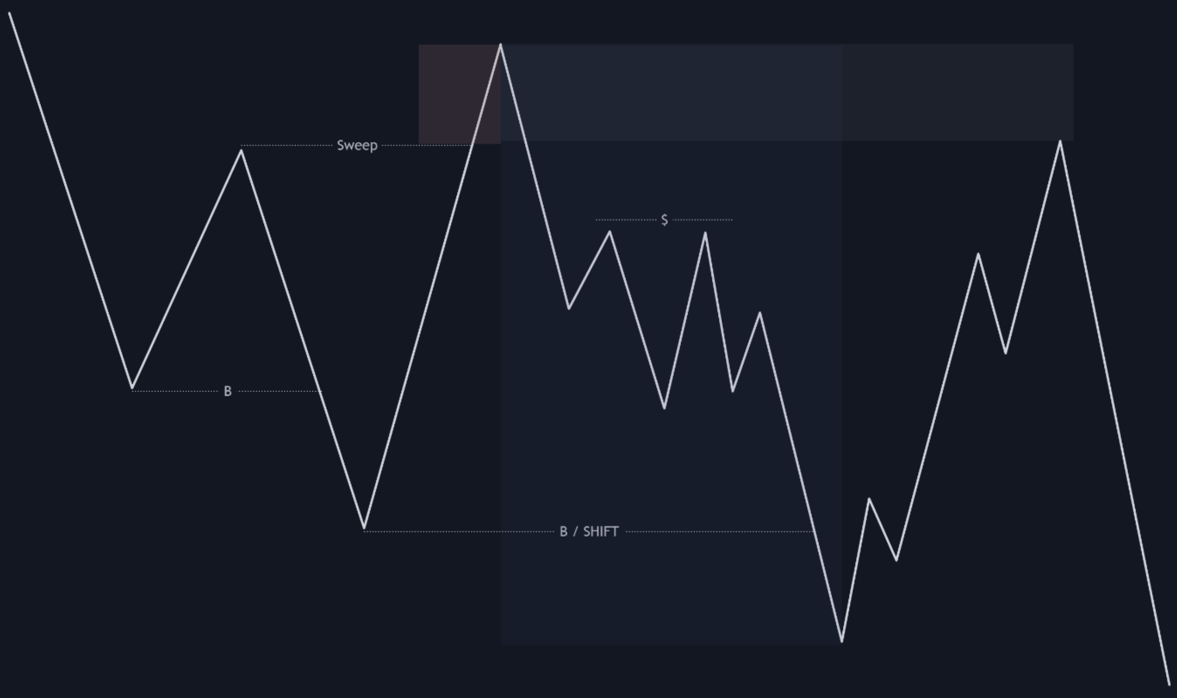


As we can see on a bullish market on the left, we sweep the protected low, this sweep induces sellers to sell and will also create a zone to trade for smc traders and to sell the market. Vice versa on a bearish market, price sweeps the protected high and it induces buyers to enter on the market.

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):

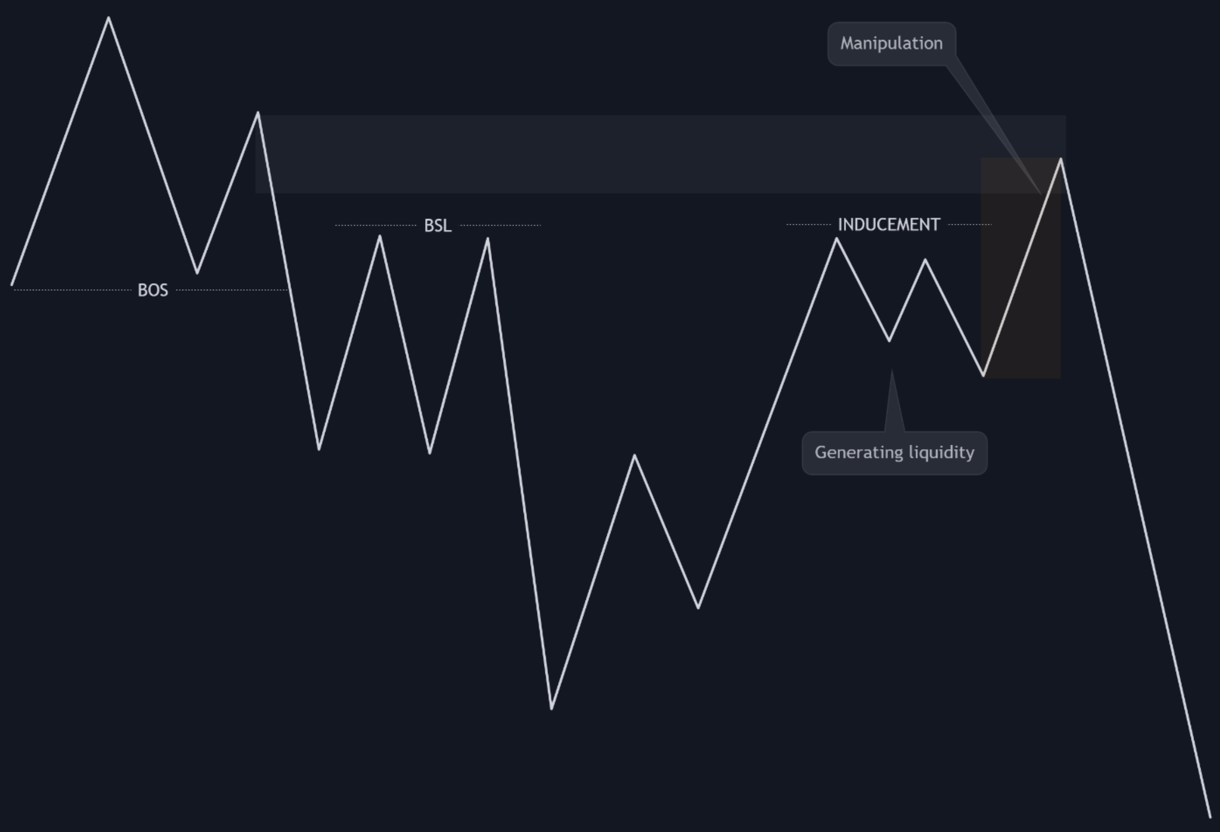
We had previous rules for the zone selection. With the sweep of liquidity, we can add a new rule to our zone selection

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

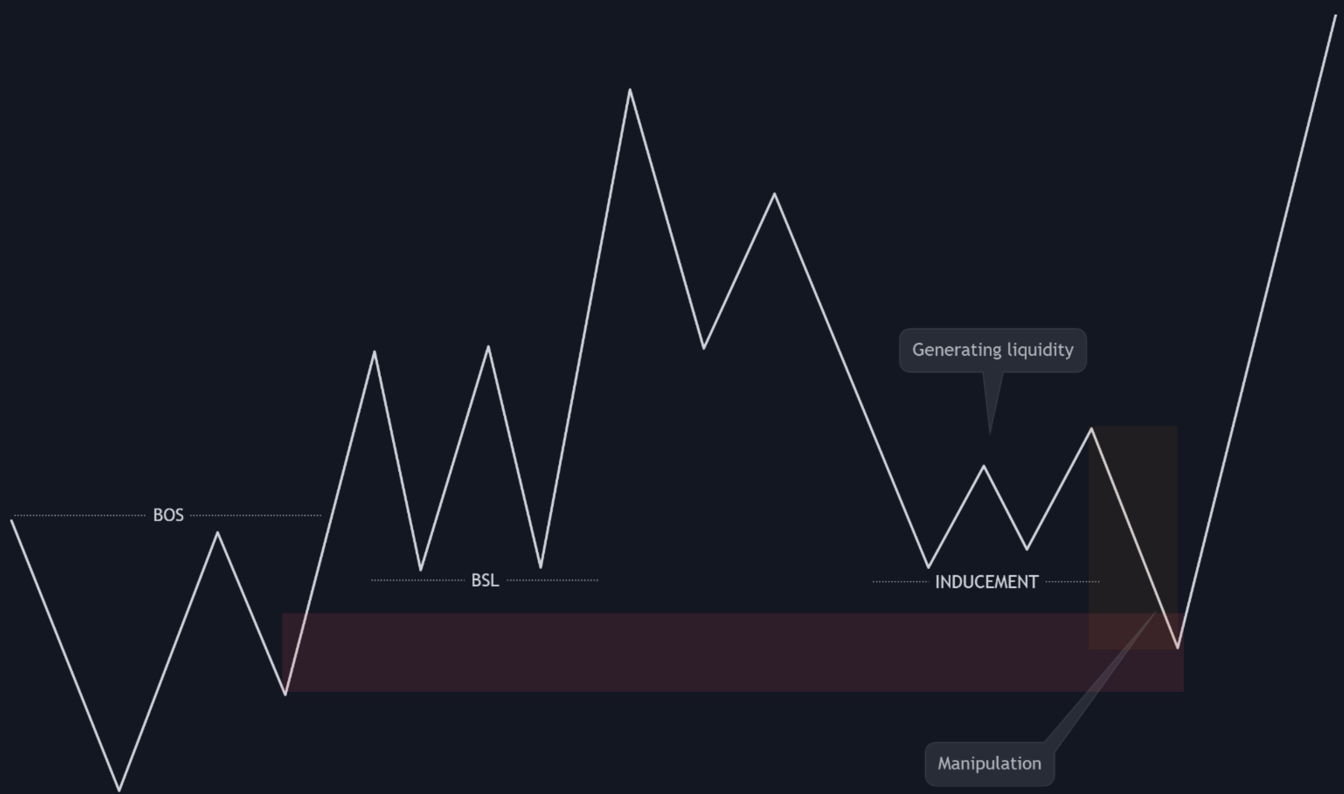
We will add another rule before showing the rules following their strengths. Let's now introduce the inducement

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: