ADVANCED LIQUIDITY

COMPREHENSIVE GUIDE COVERS A WIDE RANGE OF TOPICS RELATED TO ADVANCE LIQUIDITY

By Elad Menda

Advance Liquidity PDF by Elad Menda

Ok firstly what Liquidity is:

Liquidity refers to the degree to which an asset or security can be quickly bought or sold in the market without significantly affecting its price. In other words, it is the ease with which an asset can be converted into cash without incurring a significant loss in value.

Highly liquid assets, such as cash or large-cap stocks, can be easily bought or sold in the market without significantly affecting their price. On the other hand, assets with low liquidity, such as real estate or small-cap stocks, can be difficult to sell quickly without having to lower the price.

Liquidity also affects the bid-ask spread, which is the difference between the highest price a buyer is willing to pay for an asset (the bid) and the lowest price a seller is willing to accept (the ask). In a highly liquid market, the bid-ask spread is usually narrow, as there are many buyers and sellers willing to transact at similar prices. However, in a less liquid market, the bid-ask spread can be wider, reflecting the difficulty in finding a counterparty to transact at a particular price.

Now, after we have read the dry explanation about liquidity in trading, let's move on to the real deal. What do we refer to as liquidity in our trading? Some may call it SMC or ICT, but I call it the manipulation of banks and the algorithms of retail traders.

On the next page, I will start explaining how we can use liquidity to our advantage.

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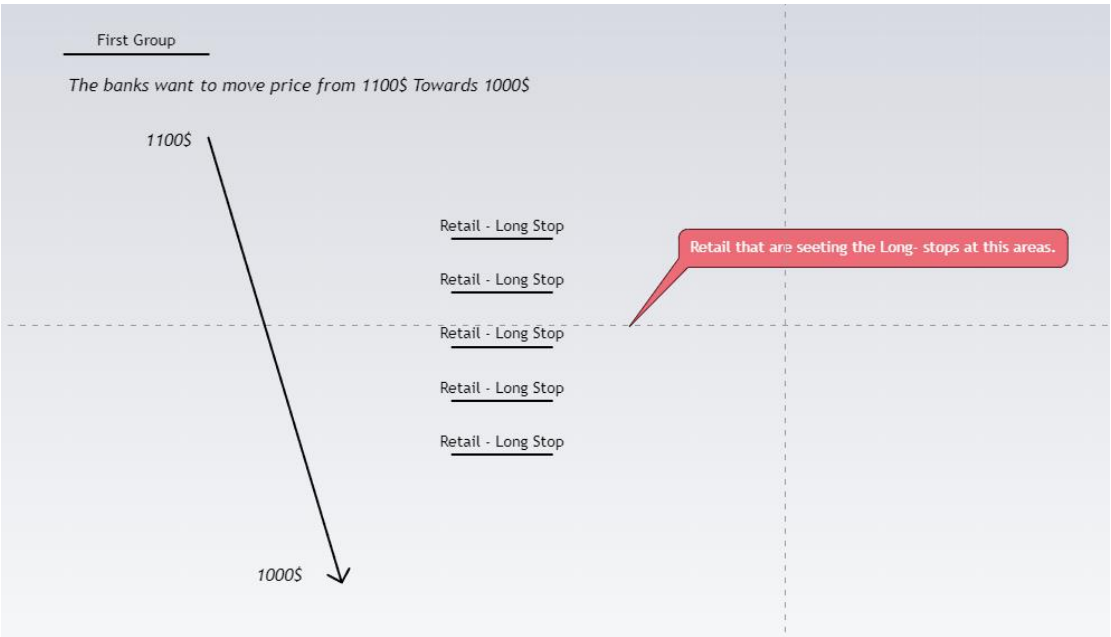
So, What liquidity is referring in our trading?

In the market, we have two groups. Some may argue that there are three or more groups, but I am referring to them as two groups.

The first group: consists of central banks, algorithms, and institutions.

The second group: is US retail.

The first group controls all the money in the market. In order for the first group to move the market, they need someone who is willing to buy towards the area they are aiming for. Let's say the first group wants to move the price down by $100. For this to happen, they need someone who is willing to buy from them at that price.



Why would retailers want to buy/sell at these areas?

Because they set their stops at these areas. When retailers open a long position, they set a long stop. When the price hits this stop, it immediately opens a short trade that stops the long trade. In this example, your long stop is a short trade, which we call Sell Side Liquidity (SSL). When retailers open a short position, they set a short stop, which is the opposite of the long stop. The short stop opens a long trade, and we call this Buy Side Liquidity (BSL).

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So the first group (I will refer to them as "the banks" from now on) is always manipulating prices to make retail traders believe that the market is bearish when the banks want to accumulate buy positions. Similarly, the banks manipulate retail traders into thinking that the market is bullish when they want to accumulate sell position.

How to spot Liquidity in the chart?

Okay, so now that we have covered the fundamental explanation about liquidity that you probably already knew, let's dive into how we can use it in our trading.

As a trader, you want to understand where the liquidity is, as it can help you spot potential trading opportunities or risks. Institutional traders, in particular, need to be aware of liquidity, as they trade in large volumes that can't be easily matched.

Institutions often try to "fool the masses" by engineering the markets in a way that induces retail traders to set their stop losses at certain places. Then, they can attack these places and enter positions with large volume.

To outsmart them, you need to understand where the liquidity is and avoid falling into their traps. Contrary to some rumors, liquidity does not rest at random old highs/lows. **Instead**, it tends to be located at the most recent places where retail traders bought or sold

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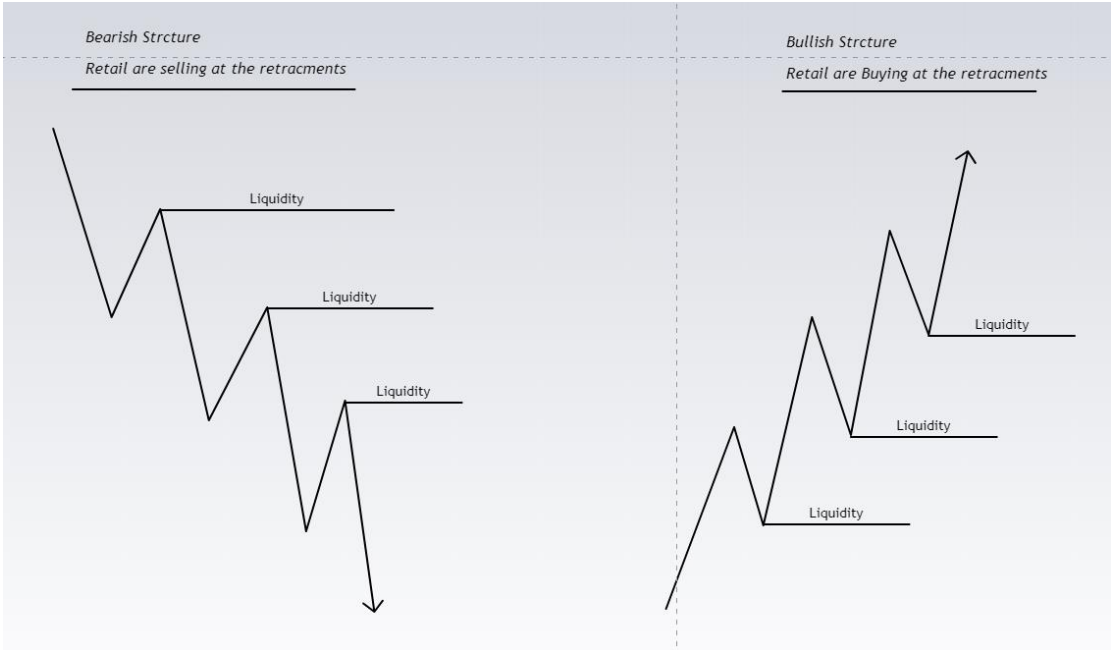
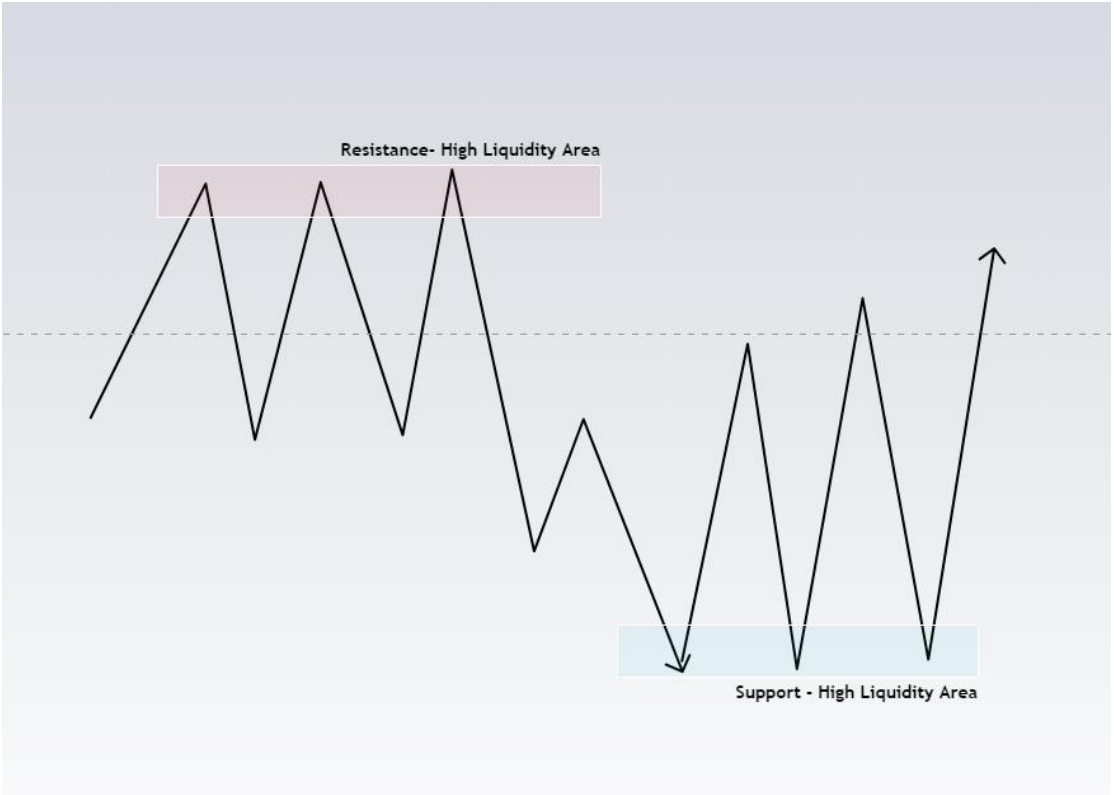
For example, if we had a bearish structure, liquidity would likely rest at the highs that formed during the bearish trend.



Institutions also leverage old highs/lows by using them to engineer new levels of liquidity, such as support/resistance or double tops. Understanding how they do this can help you anticipate their moves and stay ahead of the game.



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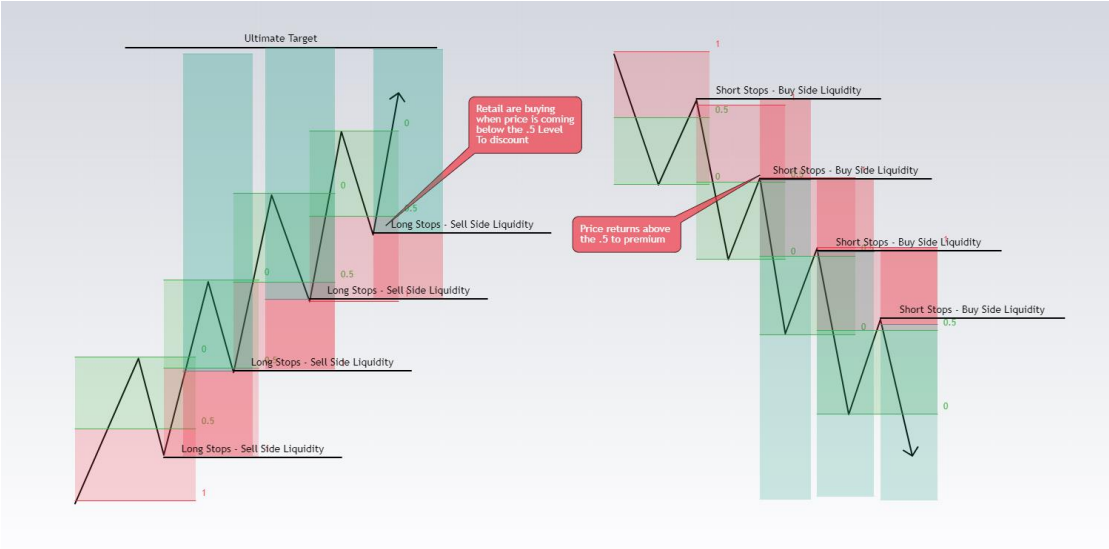
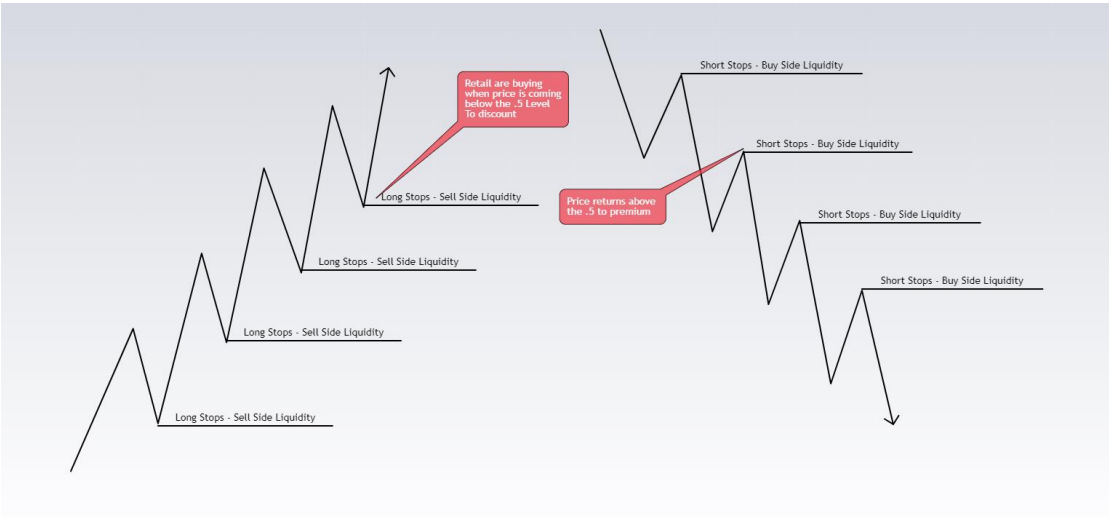
What Is SSL, BSL?

So I have already explained to you shortly what is it is but now I Will give you examples from the chart.

Example of How retail are opening orders:



Cleaner look:



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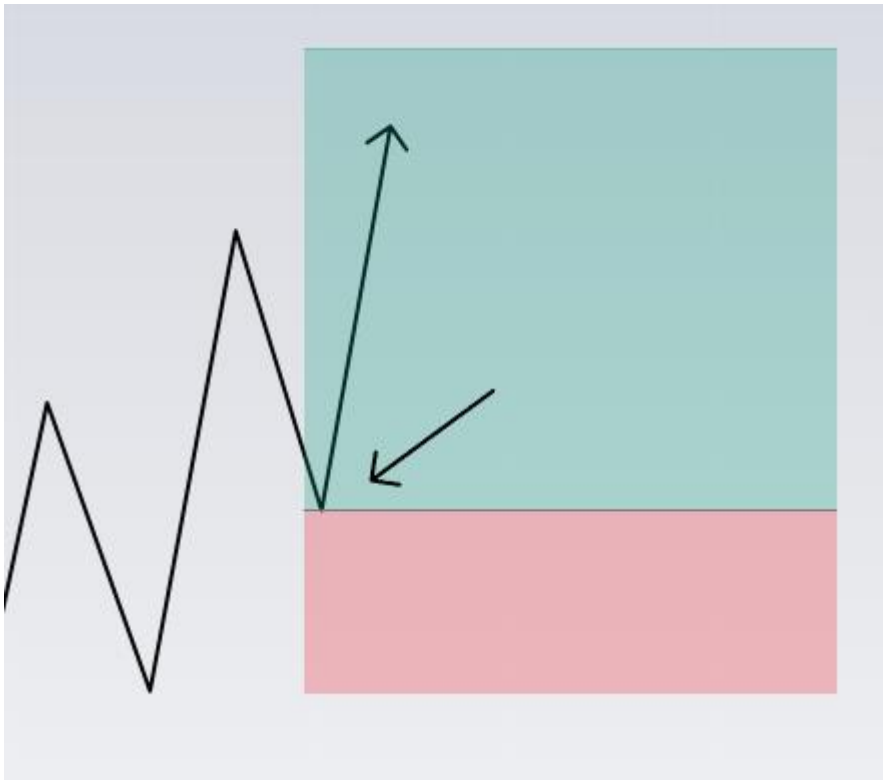
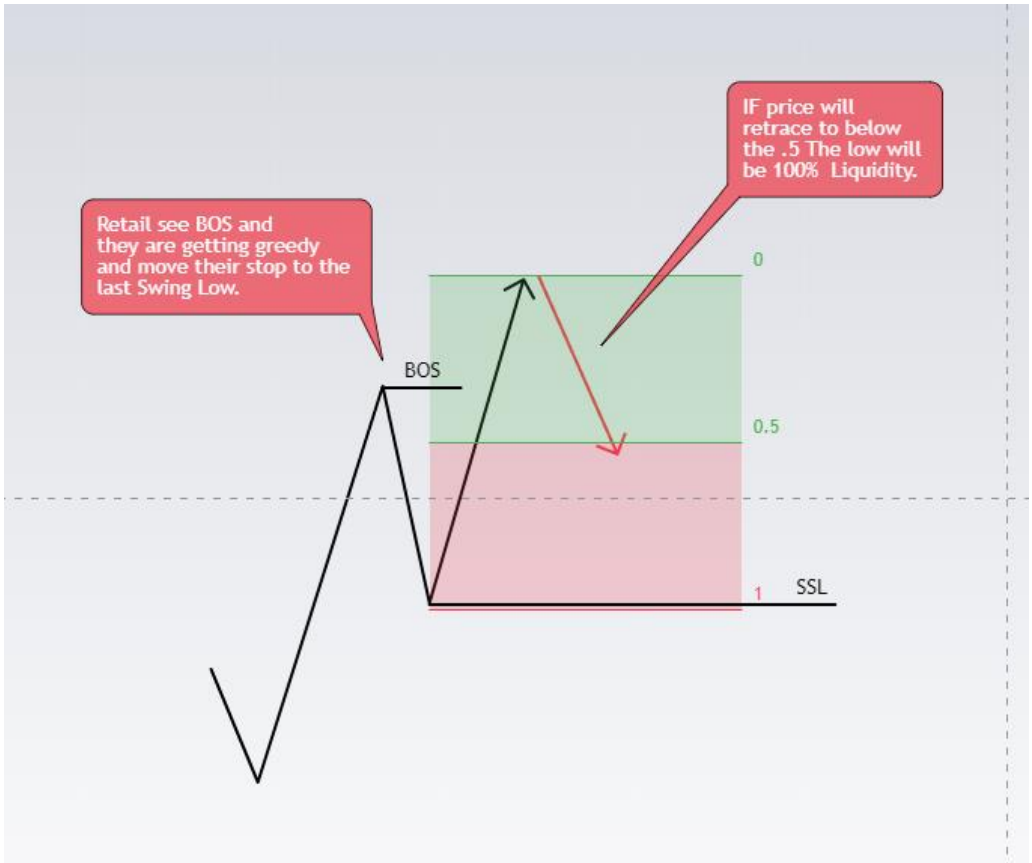
Why this Low is Liquidity?



Here is the explanation:



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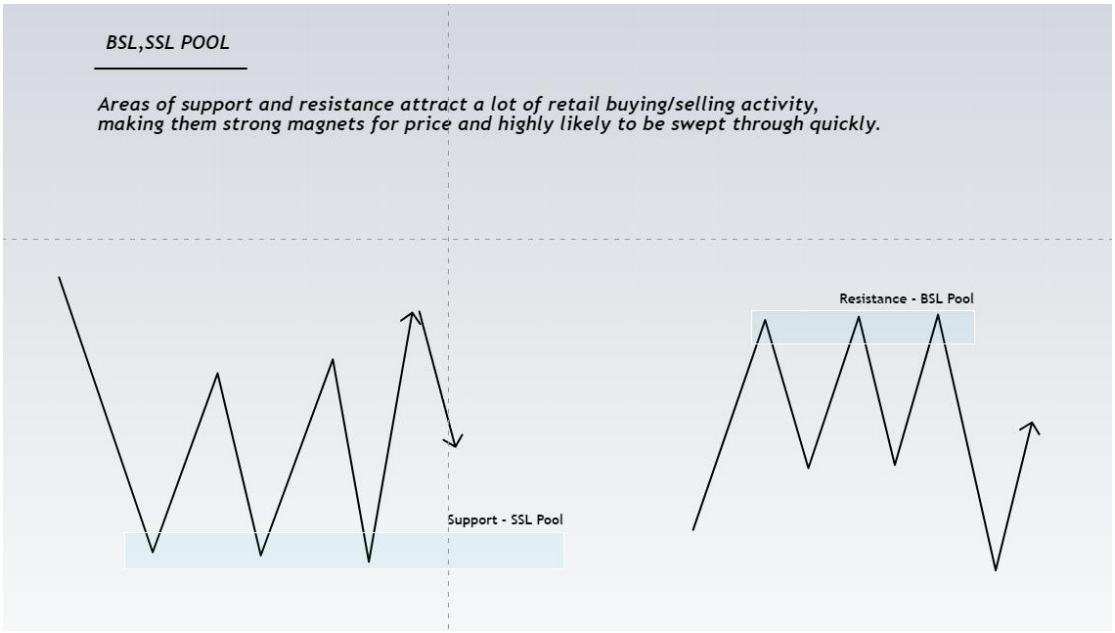
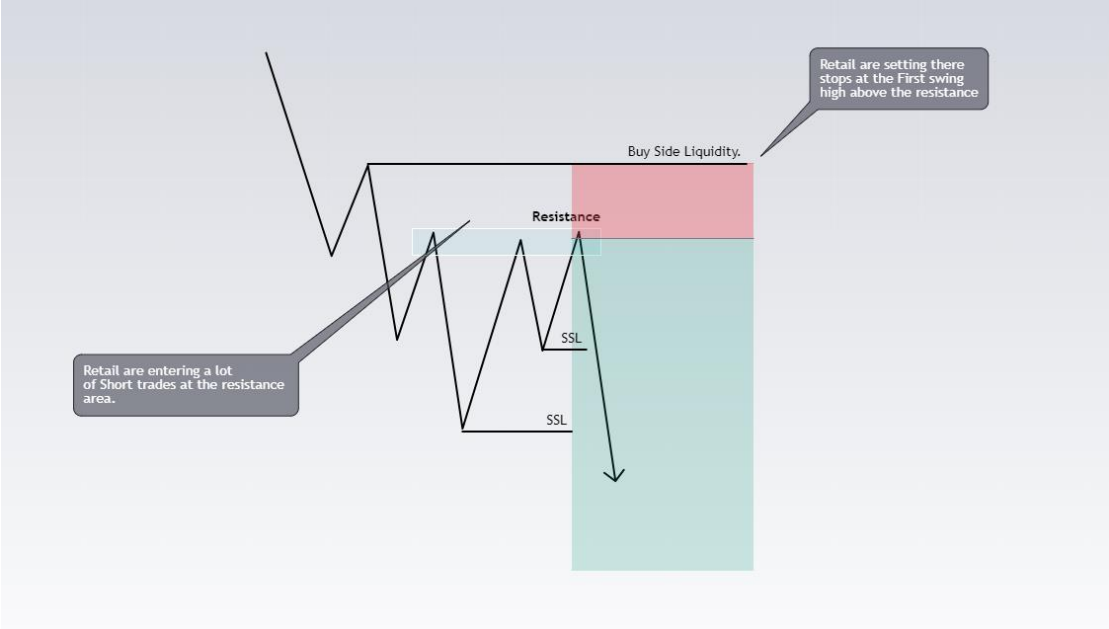
Liquidity in Support and Resistance areas. (SSl, BSL Pool)

Retail traders are heavily shorting at resistance areas and heavily buying at support areas. They put their stops at the first swing high above the resistance and the opposite for support, placing the stop on the first swing low.

What is BSL, SSL Pools?



How retail see S&R Levels:



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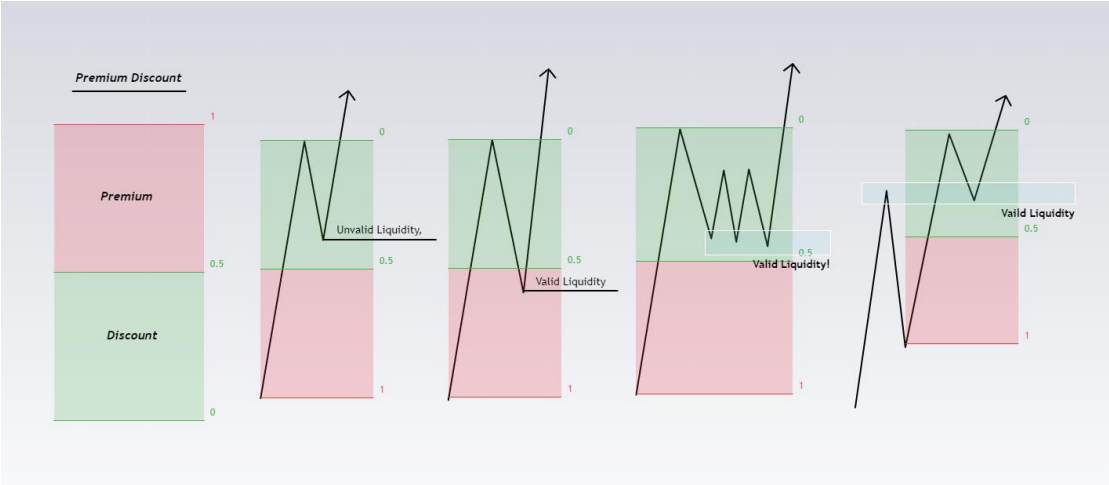
Retail see this price action and they are extremely bearish. (Bearish market structure + Resistance area)

How to identify Non-Liquidity, Liquidity Highs/Lows! (Very important.)

In trading we have a fib retracement tool. In this tool you need only the 1,.5, 0 levels. We call the area below the .5 level Discount and the area above the .5 Level Premium.

In PURE market structure When price doesn't retrace below/above the.5 level the Low/Highs is not Liquidity because retail had no chance to buy. (retail are buying/selling only when price retraces below/above the .5)

ITS VERY IMPORTANT TO UNDERSTAND THAT UPLISE ONLY TO PURE MARKET STRCTURE! If there are areas of support and resistance that didn't come back above/below the .5 they are liquidity.



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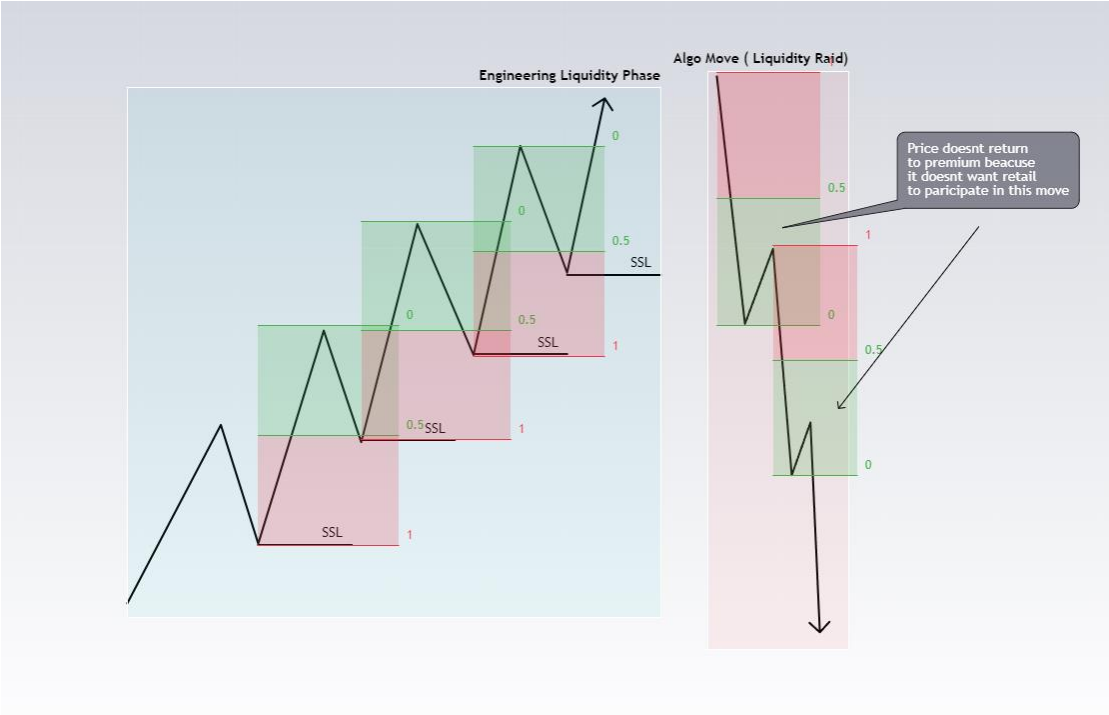
What is a Liquidity Raid?

Now after we have learned how to identify Liquidity on the charts and how to spot the right ones and avoid the invalid ones we can learn how to use these areas for out advantage.

The engineering Liquidity phase is special by the price returning to discount/premium almost at all retracements and entering a lot of retail traders.

Liquidity raid is the Algo move towards the Liquidity Levels.

What's special about the Algo move is that most of the times the price doesn't return to premium/discount areas, thereby preventing retail traders from entering the move.



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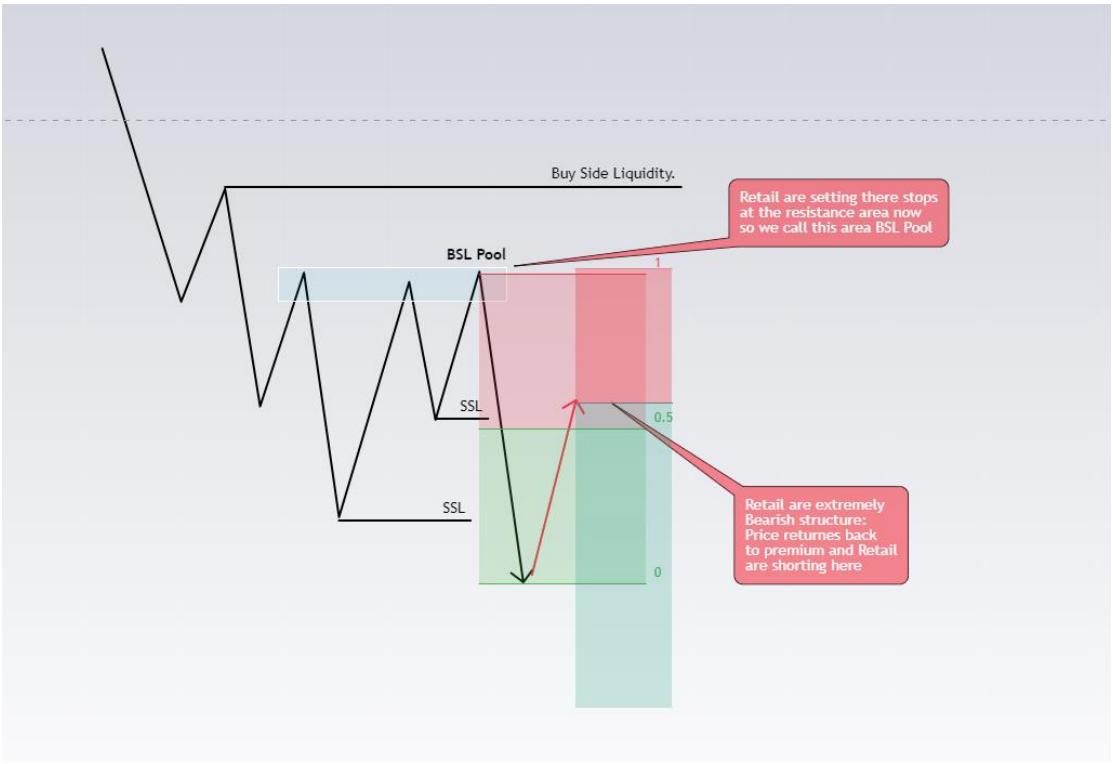
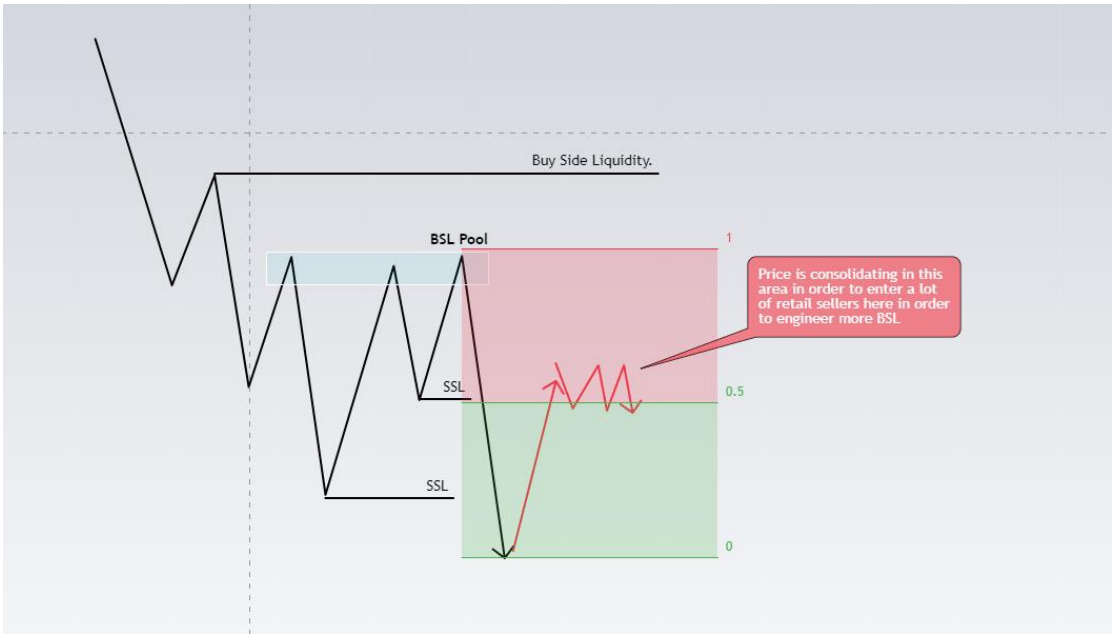
How the banks manipulate retail example:

Here you will see some photos of the S&R Chart with explanations in the photos:





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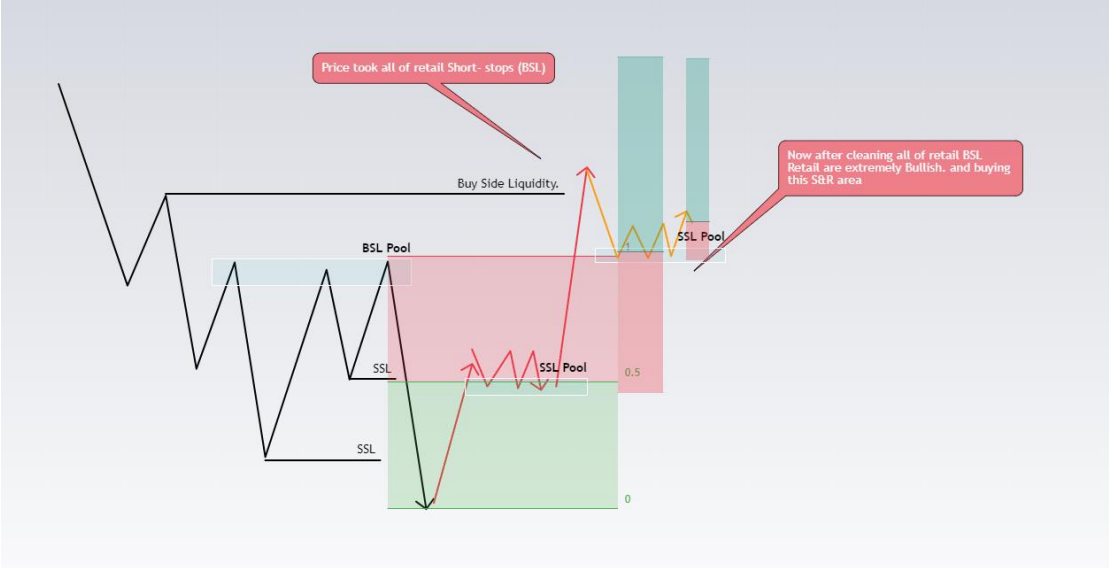

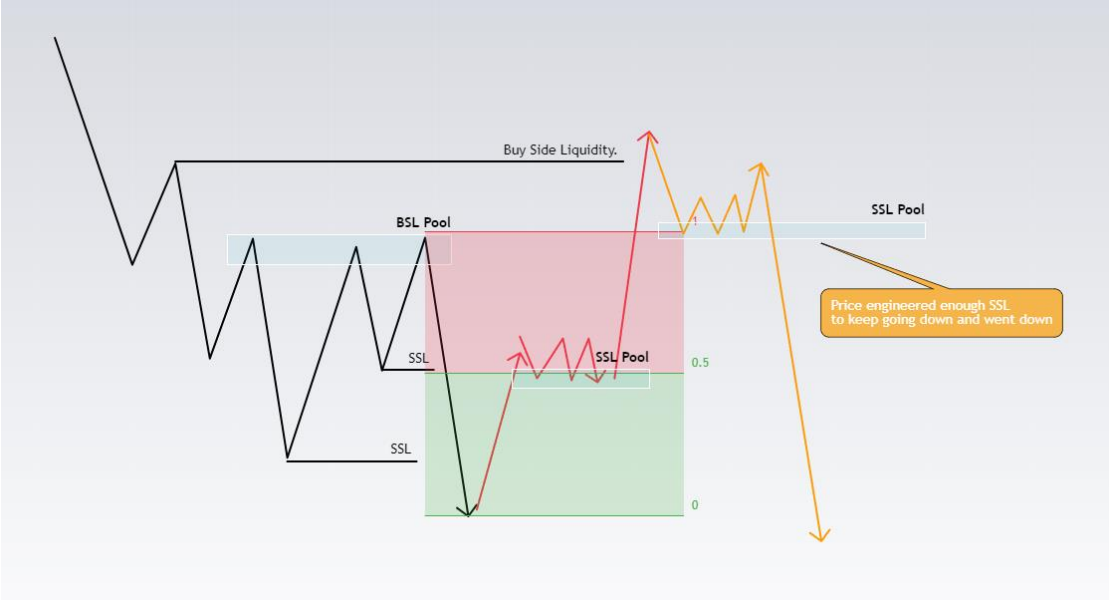

Now to sum up all of these photos:

In this Path example you can see how the algo and the banks are manipulating retail into doing the opposite the banks want to do.

In the black path you can see that the banks manipulate retail into thinking we are bearish and made them sell a lot. By selling they have engineered a lot of SSL Liquidity.

In the Red Path you can see how the banks are manipulating retail into thinking we are Bullish by taking all of their stops.

In the orange you can see that after price has manipulated all retails into thinking we have changed to Bullish structure the banks are taking the price down again and take the retail stops again.

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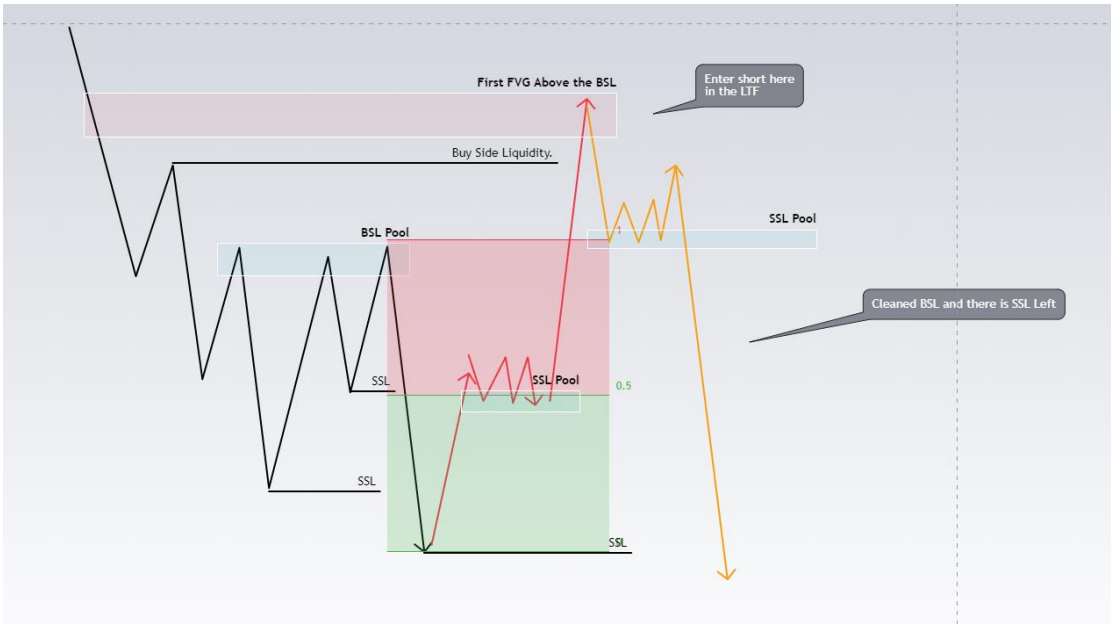
Now! How can we enter trades using Liquidity?

The first thing you need to insert in to your mind is that we aren't trading before any side of the liquidity is been taken.!

We are always waiting for on side to be taken and then we are staring to take action. We start looking for PD arrays only after one side of the liquidity is being cleaned.

Lets say we have cleaned SSL and we want to aim downwards if there isn't any BSL to target. We aren't taking this trade! Same for taking bsl and there is no SSL left. You are taking a trade only if you have clear liquidity to work with!

My way to go is to look for the first FVG after cleaning on side of the Liquidity.



So how can we enter this FVG on the Lower time frames?

If you want to short at the FVG you want price to come slowly towards the FVG and engineer a lot of Liquidity.

IF price is coming in an impulse move without creating any Liquidity you will want to pass over it, or wait for price to engineer some king of liquidity that will support price is going down.

There are 2 scenarios of how price can reach out towards the FVG

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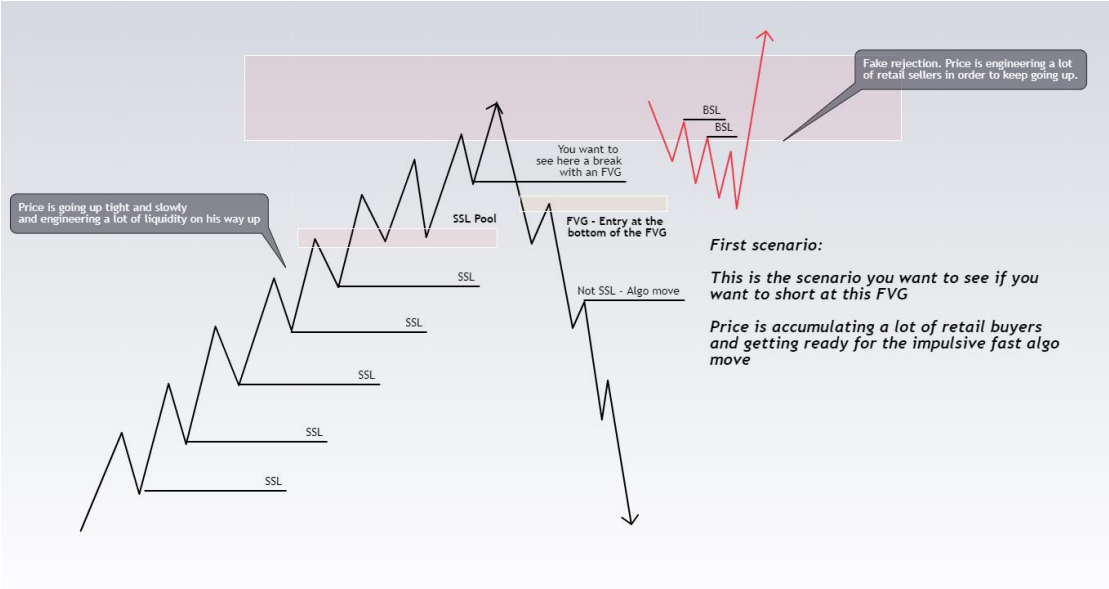
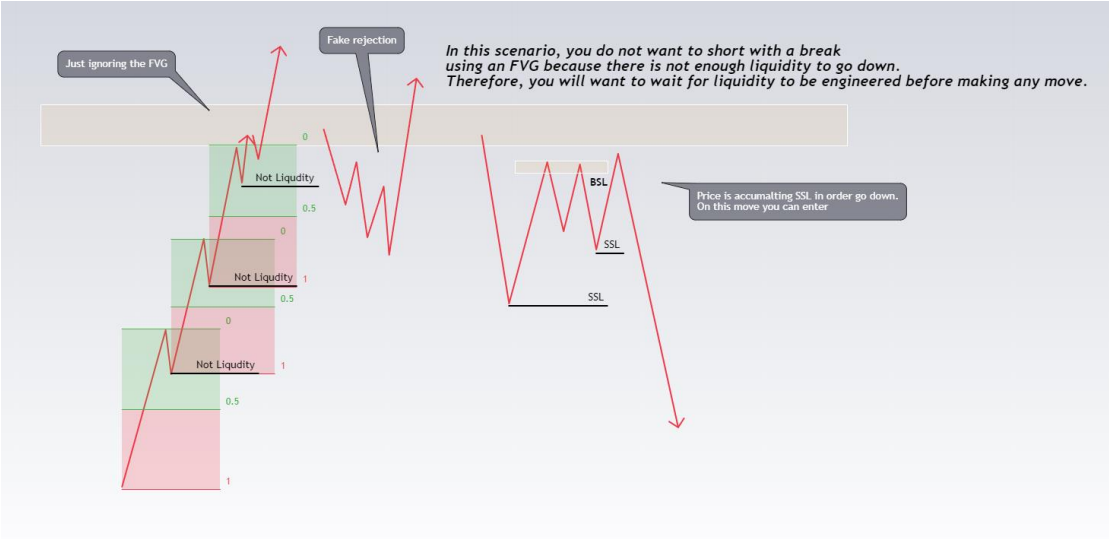
The first scenario:



Second scenario:



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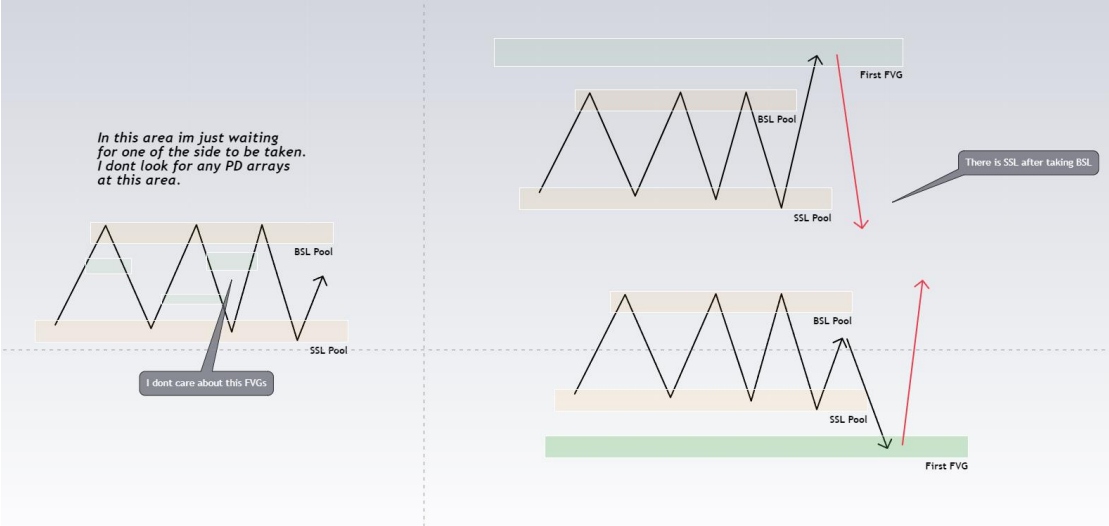
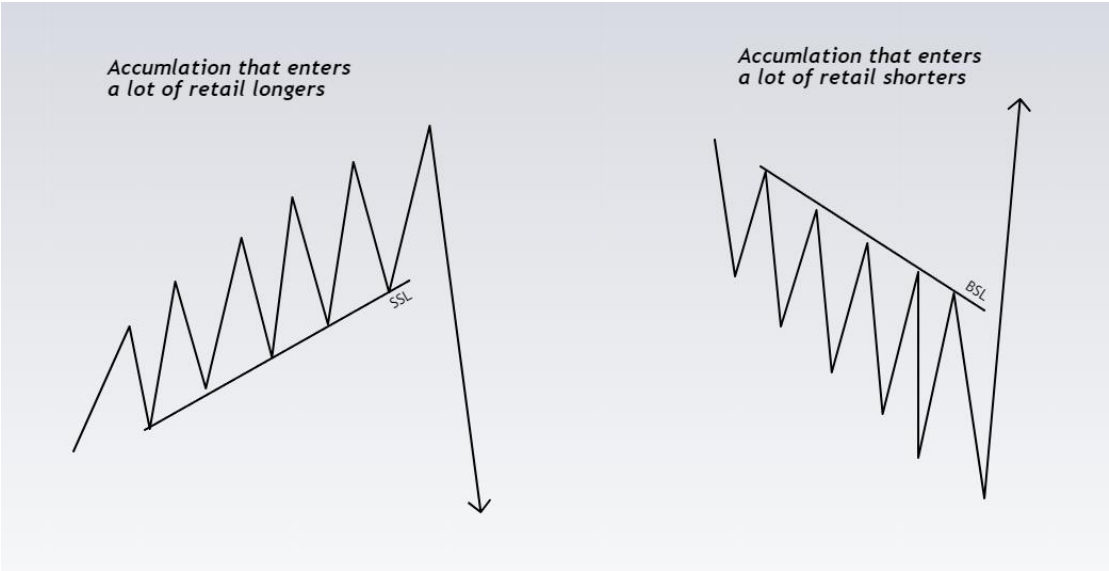
Very important to understand this!

We are looking for PD arrays only after one side of the liquidity has been cleaned.



How Price Accumulation look in price

These Areas tends to be cleaned very quickly. If you see the price moving in a particular direction like this, know that it won't last for long.



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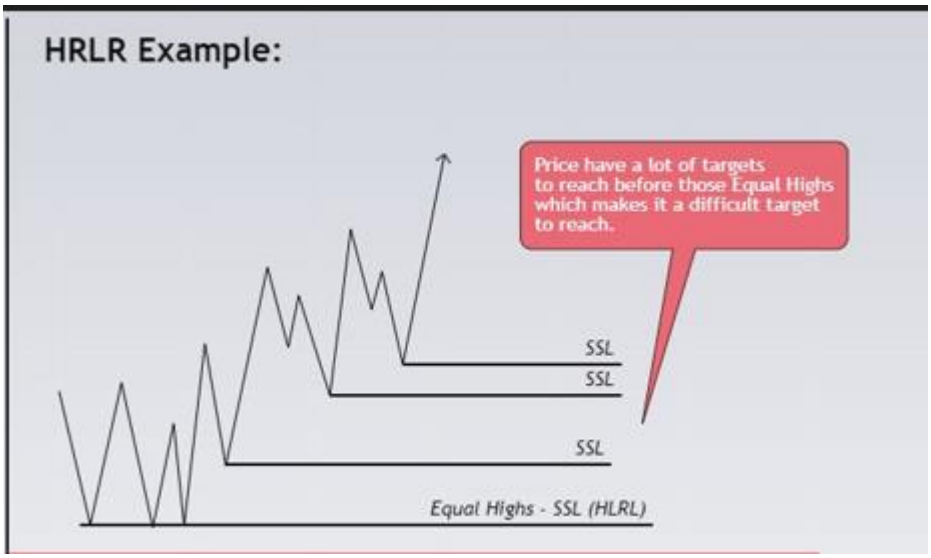
LRLR,HRLR Liquidity Runs:

What is HRLR (High Resistance Liquidity Run)?

A High Resistance Liquidity Run (HRLR) occurs when the market is faced with multiple areas of resistance, such as significant price levels. These resistance points create barriers that the market must overcome in order to reach a specific objective, such as breaking through a certain price level. In HRLR scenarios, the market may experience increased volatility, as buyers and sellers struggle to establish a clear direction. HRLRs are often viewed as less favorable conditions because they make it more difficult for investors to profitably trade the market.

What is LRLR (Low Resistance Liquidity Run)?

In contrast, a Low Resistance Liquidity Run (LRLR) occurs when there are fewer resistance points that the market needs to overcome in order to reach a specific objective. In LRLR scenarios, the market can more easily move through areas of liquidity, leading to smoother price movements and potentially higher profitability for investors.



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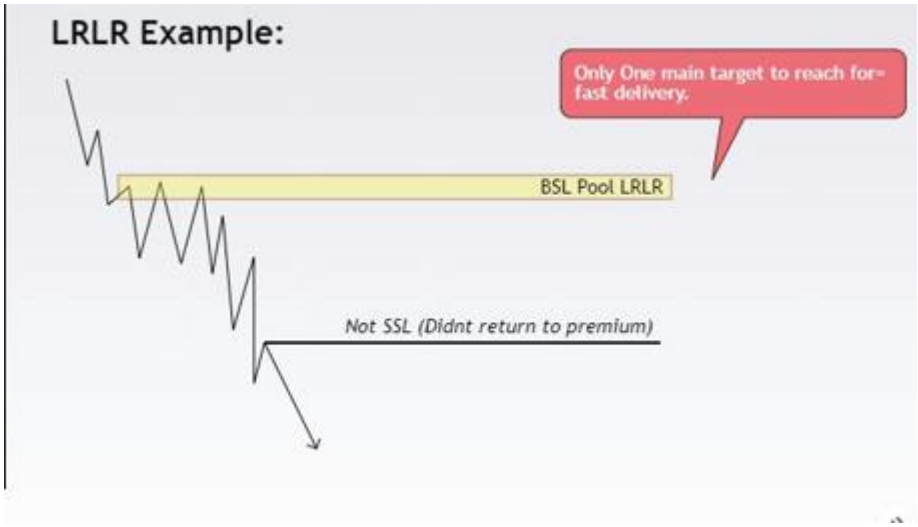

Here are some chart examples of LRLR and HRLR:

Example 1:

Example 2:

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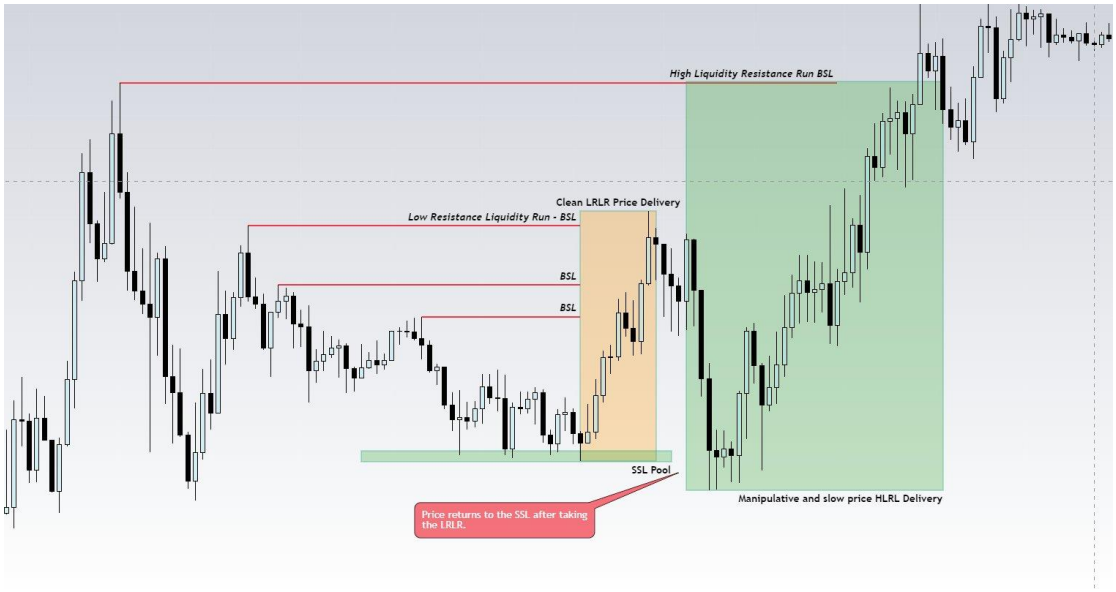

Now that you have read the Advanced Liquidity explanation a couple of times, let's move on to real chart examples.

First Example:

We can see that in this example, the price is manipulating retail traders into thinking that the market is extremely bearish, due to the bearish market structure and strong resistance.

This is leading to a lot of BSL valid liquidity being generated. The price is then raiding all of this BSL and manipulating retail traders into thinking that it's time to go long. However, after this manipulation, the price keeps going down.

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Second Example:

In this example, we can observe how the price is accumulating short positions from retail traders by creating a bearish structure that they enter in every retracement above the 0.5 . Afterward, the price creates a resistance with three taps, which engineers a very Buy Side Liquidity pool.

Then, we can see how the market pumps with an algo impulsive move.

The price made retail traders believe that the market was bearish, but then it pumped and took all of their stops.

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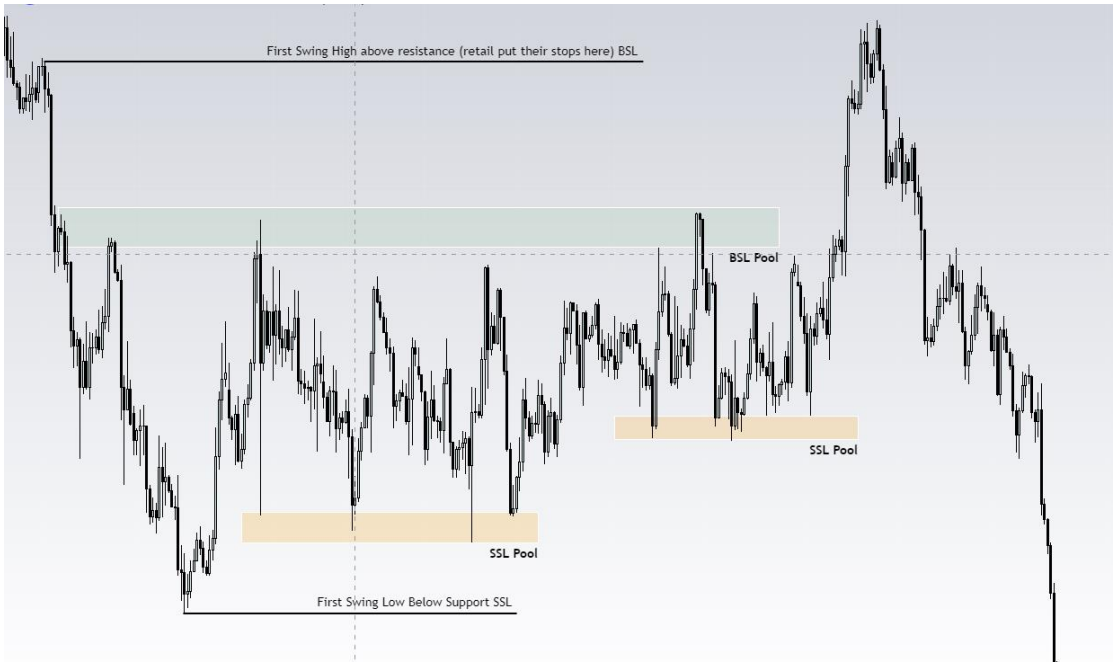
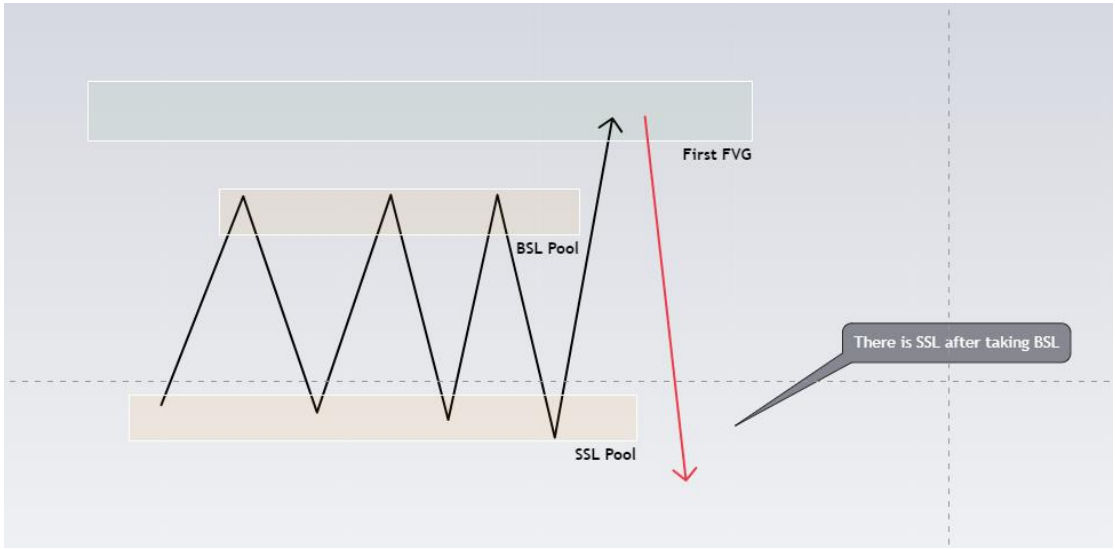
Third Example:

Price consolidates and engineers a lot of liquidity in both ways, SSL and BSL. In this scenario, we are waiting for one of the liquidity sides to be taken and then we aim for the opposite side. In this case, the BSL has been taken and now the SSL is our target



We can see this pattern happens here:



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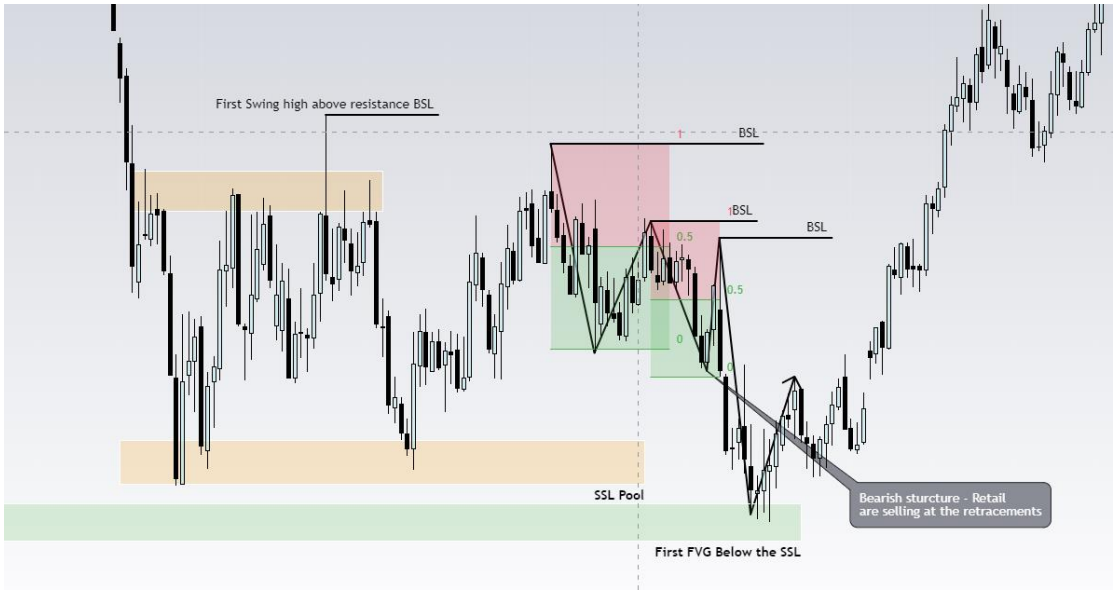
Forth Example (Example of the right scenario to enter after Liquidity cleaning) :



The price is slowly taking the SSL pool in a bearish structure (accumulation) and not in an impulsive move entering a lot of retail sellers.

This indicates that after taking this SSL pool, the price will immediately go to the BSL.

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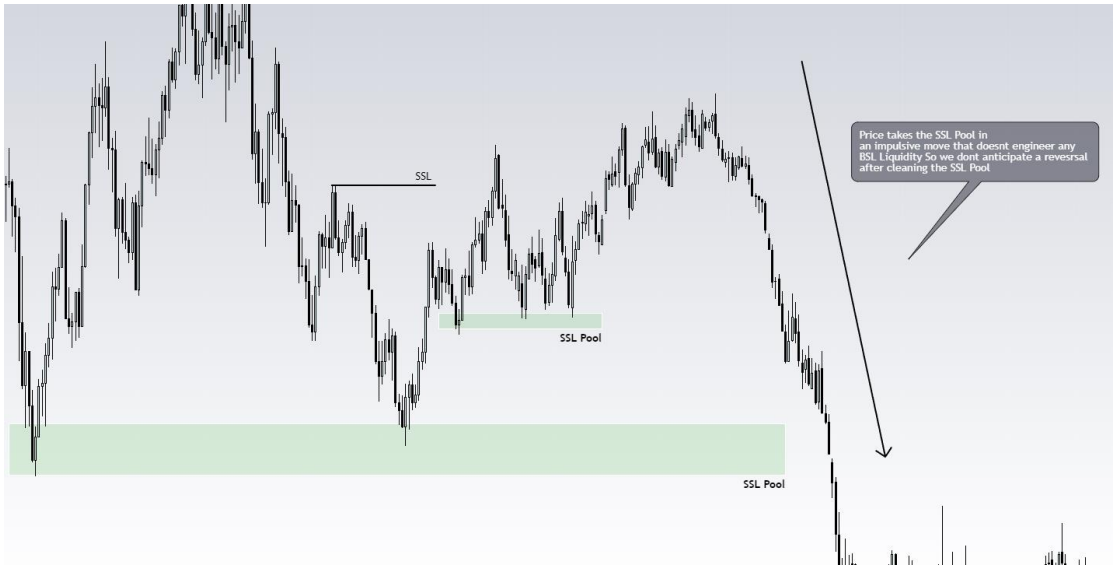
Fifth example:



Price is cleaning the SSL Pool in an impulsive move that doesn't engineer any new Liquidity so we are not anticipating a price reversal

BTC Real Chart Example:

In the first photo, we can observe that the price has two liquidity targets. However, in this particular scenario, we can assume that there are more retail buyers than sellers, given the bullish structure and the fact that the price has taken a lot of BSL levels. Therefore, we anticipate that in this case, the SSL will be taken first and only after the BSL. This is because, at the moment, it is more profitable for the algorithm to take the sell-side liquidity because it is stronger than the BSL.

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Second Photo:

Price is consolidating in discount area entering a lot of retail buyers in this bullish structure in order to create more stronger SSL. (VERY IMPORTANT TO UNDERSTAND THIS)

Third Photo:

Price took all of the SSL. So now almost of all of retail are bearish! SO if we cleaned up all of the SSL and there is no SSL left our next target is to take the retail short-stops (BSL) So in this area we can go long on the first FVG below the SSL.

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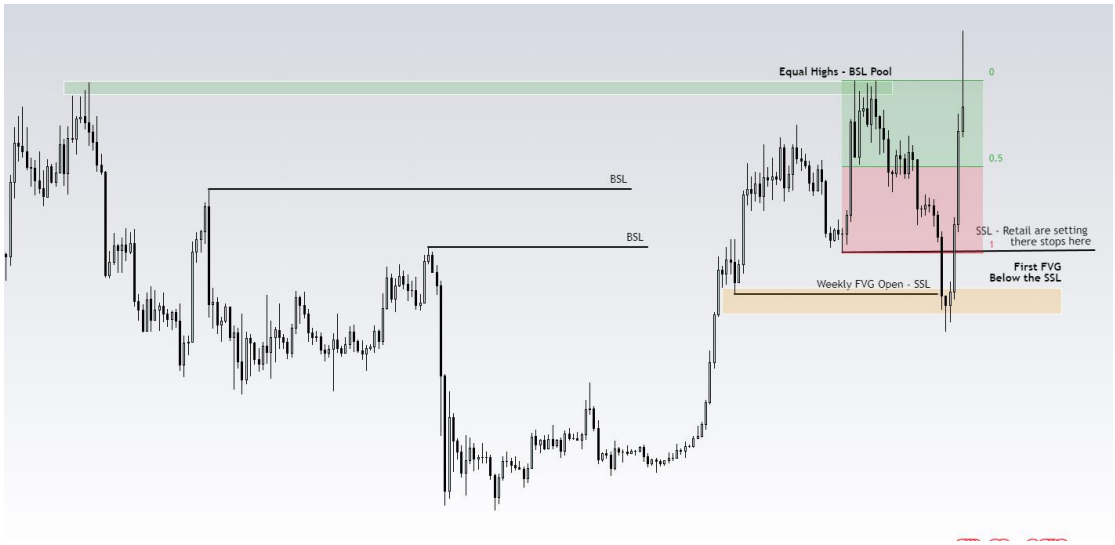
Fourth Photo:

Price went up to clean the BSL .



So to sum up all of this photos:

Firstly, there were both retail sellers and buyers in the market. Therefore, we analyzed whether there were more retail buyers or sellers. After our analysis, we found that there were more retail buyers than sellers. Thus, we decided to focus on the SSL. Once the price broke through the SSL, we searched for the first FVG below the SSL and entered a long position towards the BSL. This was because most retail traders were shorting at this area.

Okay, we have come to the end of the PDF. Your assignment is to backtest all of what you have been taught and master it. I can assure you that if you really put in the work needed, you will be able to predict the market like never before.

GOOD LUCK IN YOUR TRADING!

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