



## Lesson # 1

Topic:  
Supply & Demand

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### Today's Agenda

- 1) Powerpoint lesson foundation & basics
- 2) 10 Minute Break
- 3) Powerpoint lesson foundation & basics
- 4) Review and quiz

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## What you will learn today:

- 1) How to identify turning points in the markets
- 2) How to place buy & sell orders in areas of high probability, high reward & low risk
- 3) How to use Supply & Demand to find trading opportunities
- 4) How to enter long and short positions in area of demand and supply

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**Too much Demand,  
prices go up**



**Too much Supply,  
prices go down**



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The law of demand states that, if all other factors remain equal, the higher the price of a good, the less people will demand that good.



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**The Poised Professional Trader vs. The Nervous Novice Trader**

Professional Trader Sells to  
Nervous Novice Trader

Professional Trader Buys  
from Nervous Novice

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Three critical components to any trade:  
High Probability, High Profit Margin, Low Risk



**It's all in the methodical, systematic PROCESS !**

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## Buying Low

All “Long” positions must be bought lower than when they are sold in order to profit

- ✓ Where do we buy low?
- ✓ What can give us a high probability of prices going higher?
- ✓ How can we lower our risk if we are wrong?
- ✓ How can we determine when to sell?

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## Buying Low

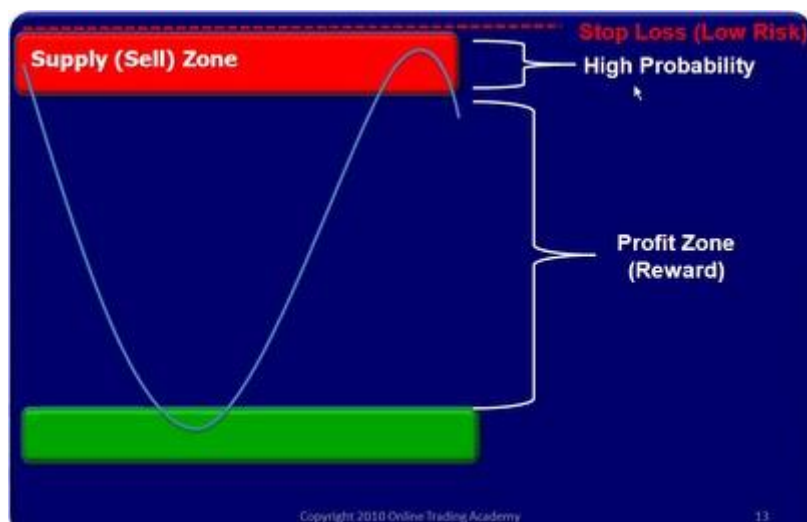
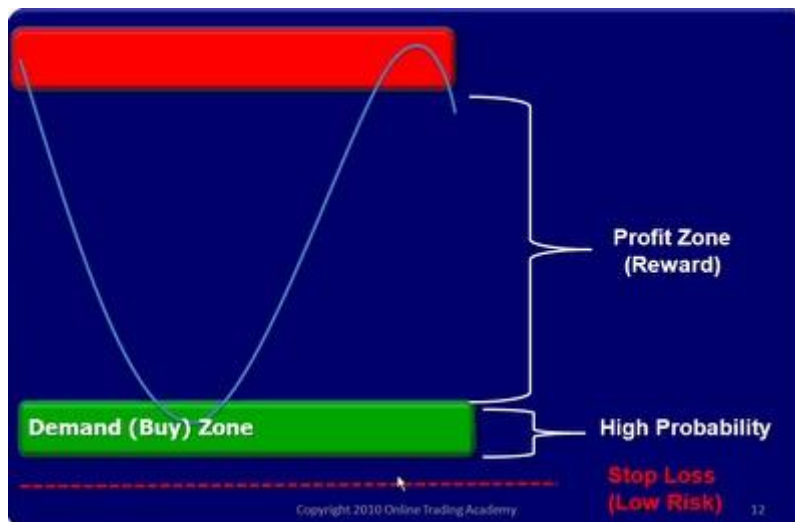
### DEMAND:

is where traders are willing to buy a stock aggressively because the supply/demand balance has shifted to the demand side where the buyers are dominant and the sellers are weak.



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## Sell High

All "Short" positions must be sold higher than when they are covered in order to profit

- ✓ Where do we sell high?
- ✓ What can give us a high probability of prices going lower?
- ✓ How can we lower our risk if we are wrong?
- ✓ How can we determine when to cover?

## Selling High

### SUPPLY:

is where traders are willing to sell a stock aggressively because the supply/demand balance has shifted to the supply side where the sellers are dominate and the buyers are weak.



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## Entries & Exits



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If \_\_\_\_\_, Then \_\_\_\_\_



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## Areas that have "Demand"

- 1) A Drop-Base-Rally "Demand Zone"
- 2) Previous Resistance
- 3) Gap Fill
- 4) Previous Days High, Low, Open & Close

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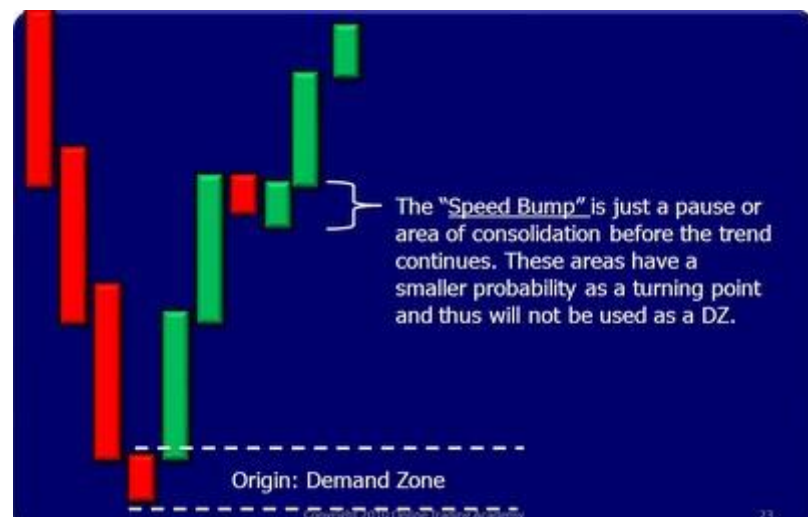
- ✓ Origins
- ✓ Speed Bump
- ✓ Level vs. Speed Bump
- ✓ Pockets of Nothing
- ✓ Unfilled Gap
- ✓ Fresh Level
- ✓ RBD vs RBR
- ✓ DBD vs DBR
- ✓ Limit Entry
- ✓ Confirmation Entry
- ✓ Line Placement
- ✓ Targets

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The Origin of the move is what we first look at in order to determine if a trade has a good level of probability.

In this example the Origin had a nice strong move upward, so we would use this as our next area of Demand



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**Origins** are what we use to determine Demand Levels. They provide the least amount of risk with the highest amount of probability.



A "fresh level" is an area of Demand that has not yet been touched.



Prices have yet to drop to this level, so this is considered a "Fresh" level

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## Drop Base Rally vs Rally Base Rally

### Drop-Base-Rally (DBR)

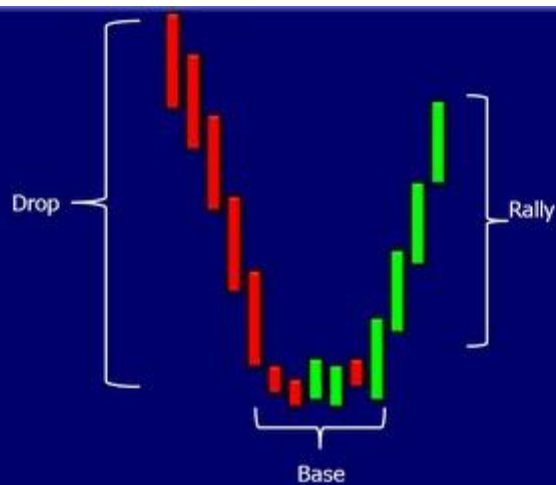
A drop in price where price consolidates (base) then rally's higher in price

### Rally-Base-Rally (RBR)

A rally in price where price consolidates (bases) then rally's higher in price

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## Rally Base Drop vs Drop Base Drop

### Rally-Base-Drop (RBD)

A rally in price, then price consolidates (bases) then drops lower in price

### Drop-Base-Drop (DBD)

A drop in price, then price consolidates (base) then drops lower in price

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## How do we find Demand Zones on any stock/ETF or market?

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- 1) First we must identify current price
- 2) Look down and to the left until you find a big strong aggressive move up
- 3) Find the origin of that big strong aggressive move up
- 4) Draw lines above & below the origin of that move

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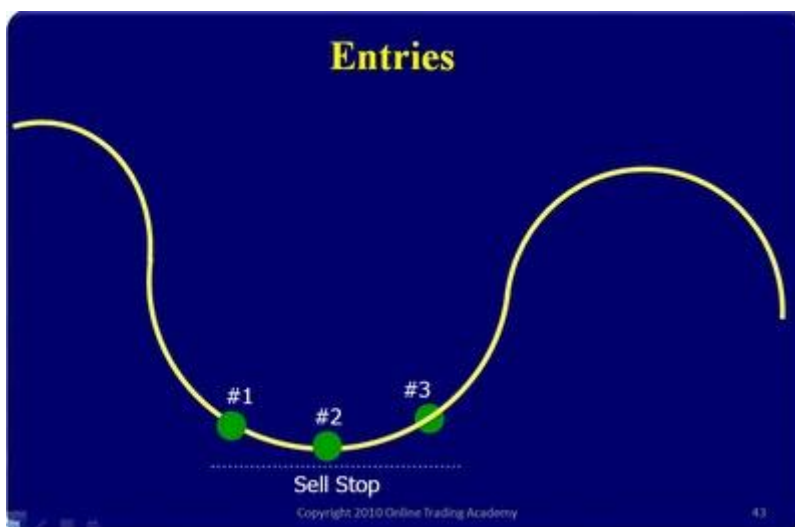
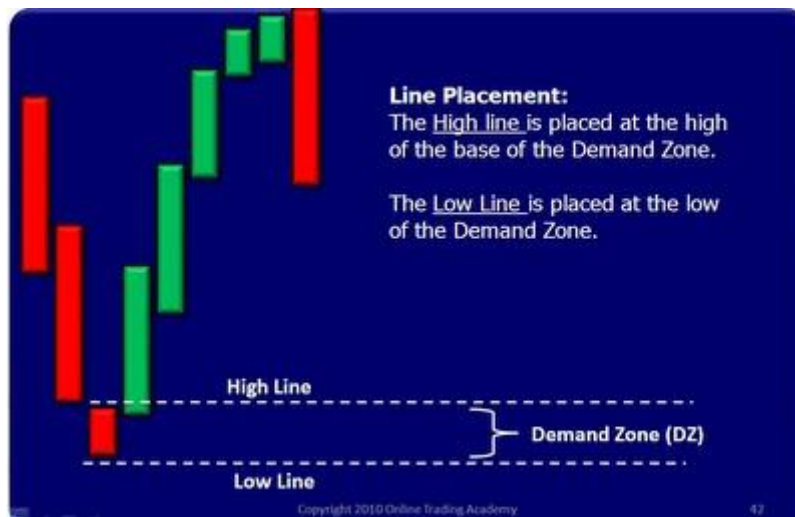
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**Exits:**  
 1) DBD  
 2) SZ





## Demand Zone (+DZ)

### The Set up:

- ❑ A stock drops in a fast manner into a Rally Base Drop Demand Zone (DZ)

### Time Frame Used:

- ❑ Weekly, Daily, 60 min, 15 min & 5 min

### Rules:

- ❑ Stock must be in a #1, #2 or #3 stage on Daily Chart
- ❑ Multiple level touches (Stage # 1 or 3) may be taken, however it must be considered a Fresh level
- ❑ Stock must drop 3 or more candles with lower highs
- ❑ Must have at least one ERC in last drop
- ❑ Stock must be in a DBR Demand Zone

### Odds Enhancers:

- ❑ Strength
- ❑ Reward -to-Risk
- ❑ Big Picture Uptrend (Stage # 1, 2, or 3)
- ❑ Retracement
- ❑ Time at Level
- ❑ Arrival

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**How do we find Supply Zones  
on any stock/ETF or market?**

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## Entries



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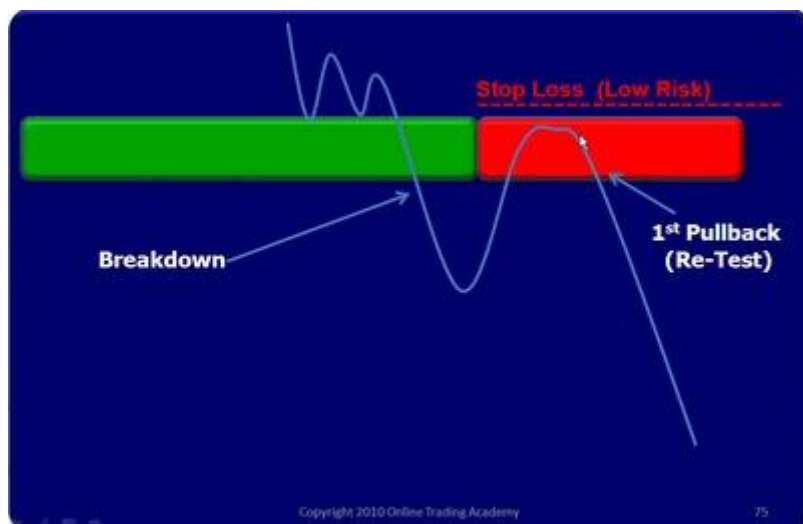
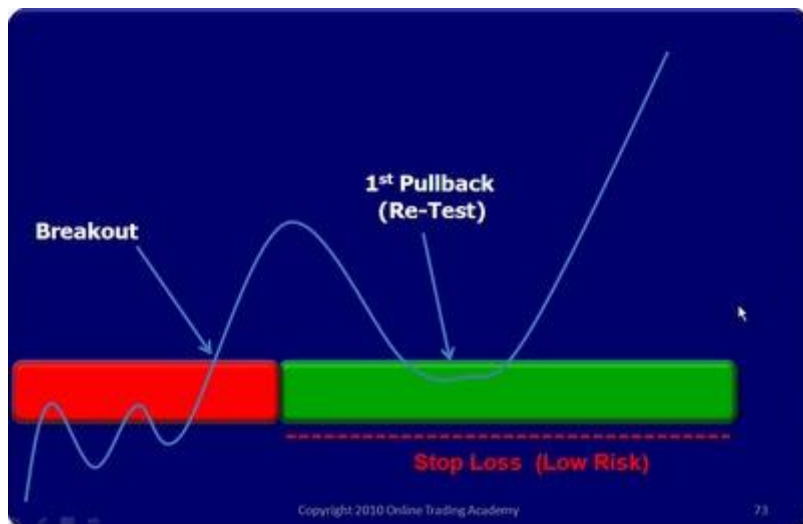
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## Review Quiz:

- 1) How do you identify turning points in the markets?
- 2) How do you place buy & sell orders in areas of high probability, high reward & low risk?
- 3) How do you use Supply & Demand to find trading opportunities?
- 4) How do you enter long and short positions in area of demand and supply?

