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Supply & Demand in Smart Money Concepts (SMC); Optimal Entry & Exit Points

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fall.



Supply & Demand in Smart Money Concepts (SMC); Buying & Selling Pressure

Demand refers to buyers' willingness to purchase an asset at the market price. When **demand surpasses supply**, prices **rise**.

What are Supply and Demand Zones?

Supply Zone: Price region where abundant sell orders increase supply, causing prices to drop.

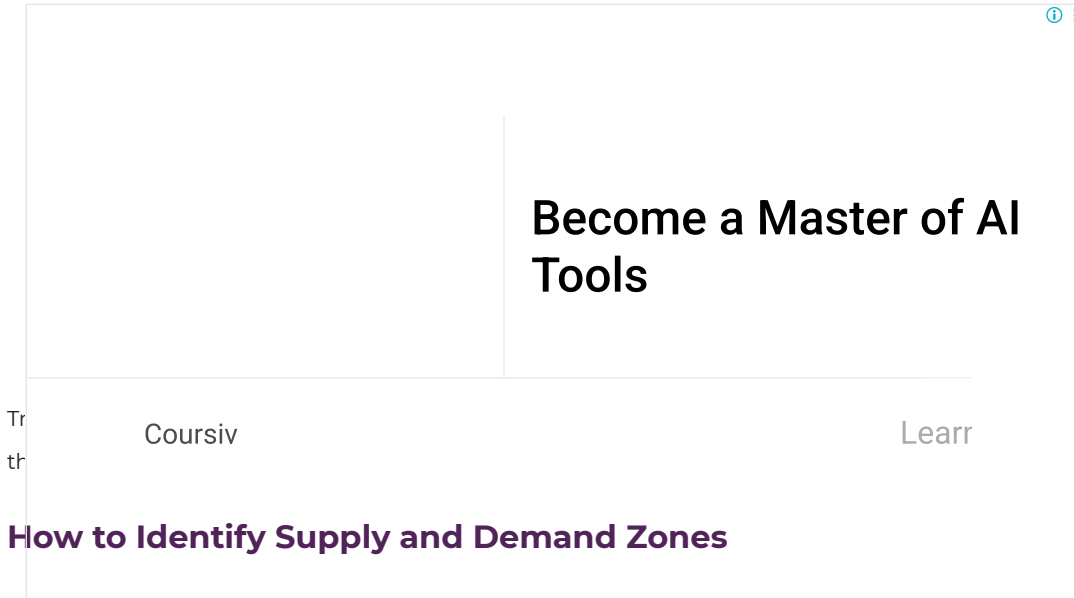


⚡ **Demand Zone:** Price region where abundant buy orders increase demand, causing prices to rise.

Why Are Supply and Demand Zones Important?

Supply and demand Zones are crucial areas on the price chart for identifying reversal and trend continuation trades. These zones often trigger rapid market reactions.

According to **Smart Money concepts**, institutional traders enter these zones in significant volumes, creating increased supply or demand.



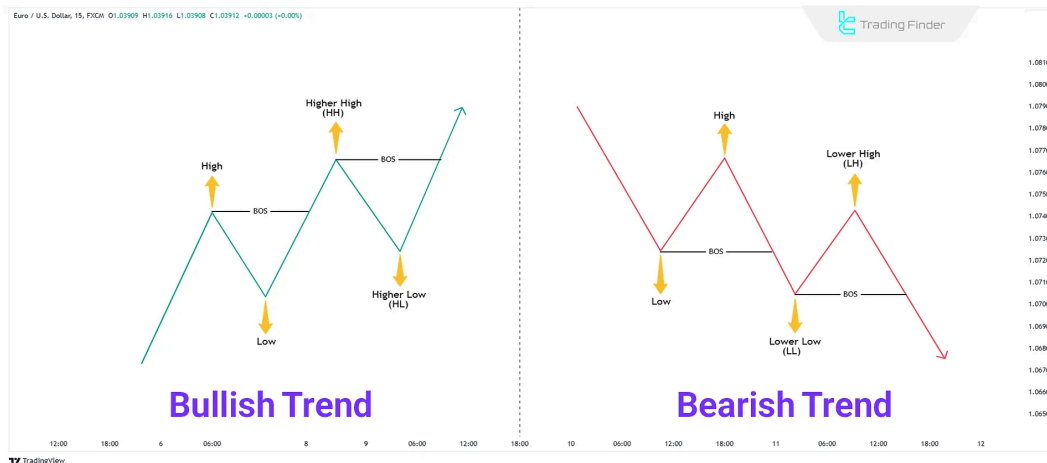
How to Identify Supply and Demand Zones

To identify supply and demand zones, you must first understand the basic concepts of **market structure**:

Break of Structure (BOS)

When the market trends, it breaks previous structures in the trend direction and continues moving. This phenomenon is called a **Break of Structure (BOS)**:

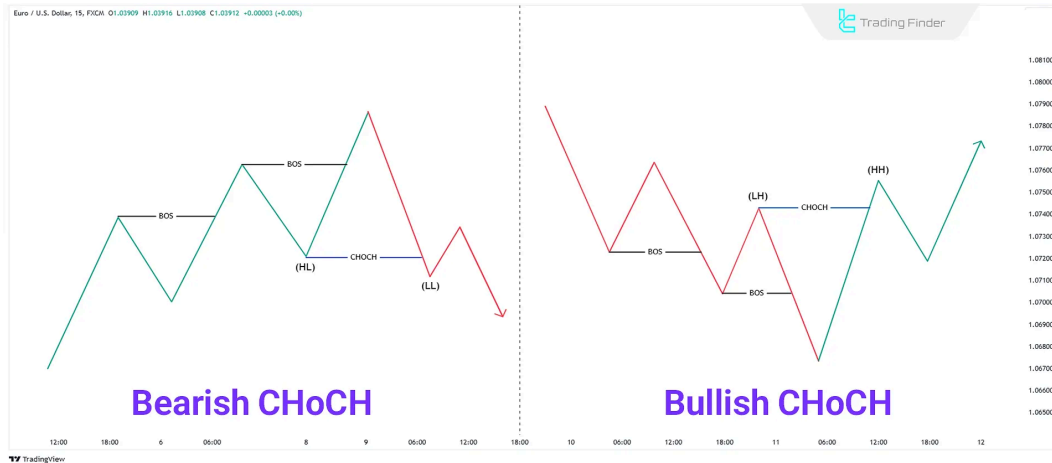
- ⚡ In an uptrend, the market breaks the previous high and creates a **Higher High (HH)**.
- ⚡ In a downtrend, the market breaks the previous low and creates a **Lower Low (LL)**.



Bullish & Bearish Break of Structure (BOS) Can be Seen in The Picture Above

Change of Character (CHoCH) indicates a market trend shift. It occurs when the market transitions from an uptrend to a downtrend or vice versa:

- ⚡ In a shift from a downtrend to an uptrend, the previous **Higher Low (HL)** is broken, forming a new **Higher High (HH)**.
- ⚡ In a shift from an uptrend to a downtrend, the previous **Higher Low (HL)** is broken, forming a new **Lower Low (LL)**.



Schematics of Bullish & Bearish CHoCH

Identifying Supply Zones

A **Supply Zone** is a market area where **selling** pressure causes prices to **fall** rapidly. These zones usually appear during **downtrends**.

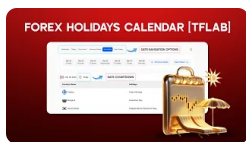
Supply zones are formed during **pullbacks** before a **CHoCH** or **BOS**. Following this, prices drop **sharply**. These pullbacks may consist of **one** or **multiple bullish candles**.

Identifying Supply Zones in EUR/USD Chart

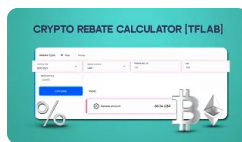
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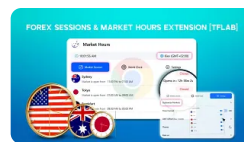
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Identifying Demand Zones

Demand Zone is a market area where **buying** pressure causes prices to **rise** rapidly. These zones typically form during **uptrends**.



Identifying Supply Zones in EUR/USD Chart

How to Trade Using Supply and Demand Strategy

To trade based on supply and demand zones, you must first determine the **market trend**:

Uptrend

1. After a **bullish CHOCH or BOS**, identify the demand zone.
2. When the price **retraces** and approaches the **demand zone**, execute a **buy**
3. If the demand zone is large, wait for the market to test at least 50% of it with additional confirmations, such as **lower timeframe structure changes**.
4. Place the **stop loss** a few pips **below** the demand zone.

Downtrend

1. After a **bearish CHOCH or BOS**, identify the supply zone.
2. When the price **retraces** and approaches the **supply zone**, execute a **sell**
3. If the supply zone is large, wait for the market to test at least 50% of it with additional confirmations, such as **lower timeframe structure changes**.
4. Place the **stop loss** a few pips **above** the supply zone.

Conclusion

In **Smart Money Concepts (SMC)**, supply and demand form the foundation of price movements in financial markets. Supply and demand zones are critical chart areas that determine trend direction and provide trading opportunities.

Supply Zone represents high **selling pressure**, leading to price declines. These zones typically appear in downtrends following a **BOS** or **CHOCH**.

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FAQs

What are supply and demand in Forex trading? ∨

Supply refers to an asset's availability in the market, while demand reflects buyers' willingness to purchase the asset at market price. When supply exceeds demand, prices fall, and vice versa. ∨

Supply Zone is a chart area with significant sell orders.

Demand Zone is a chart area with significant buy orders. ∨

How do you identify supply and demand zones?
First, understand the market structure. In an uptrend, a demand zone forms after a price retracement, and in a downtrend, a supply zone forms after a price retracement. ∨

How do you trade using supply and demand zones?
In an uptrend, identify a demand zone and buy when the price retraces to it. In a downtrend, identify a supply zone and sell when the price retraces to it.



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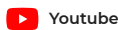
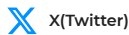


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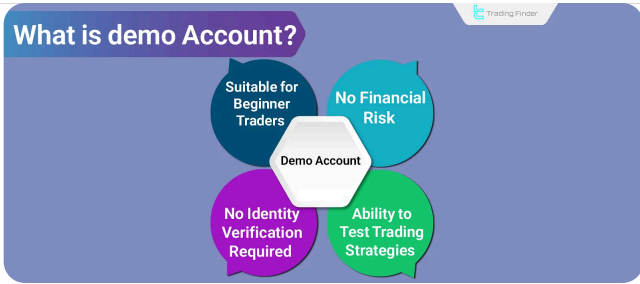
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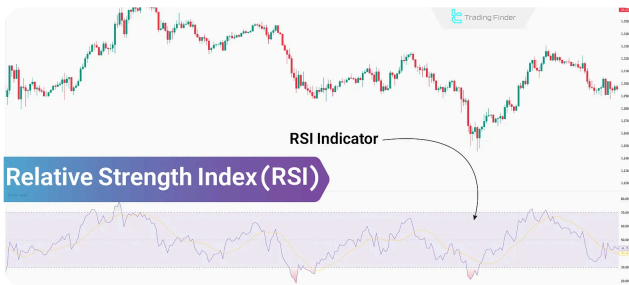
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