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Supply and Demand Curve Training: Trading Setups and Manual/Fibonacci Plotting

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When analyzing **supply and demand** zones in **technical analysis**, identifying them is not enough; understanding the current price position relative to these zones is even more important.

The **Supply and Demand Curve** is a method that illustrates where the price is along the path between two key zones—whether it's in the upper, lower, or middle segment. With this insight, traders can avoid entering positions that go against the prevailing trend.



Supply and Demand Curve Trading Setup

What Is Supply and Demand?

Supply and demand are the two fundamental forces that shape prices in the market. **Demand** reflects the willingness of buyers to purchase an asset at a certain price, whereas **supply** represents the willingness of sellers to offer the same asset at that price level.

When demand exceeds supply, prices rise. Conversely, when supply surpasses demand, prices fall. This simple yet powerful dynamic forms the basis of many financial market analyses and is essential knowledge for every trader.

How to Identify Supply and Demand Zones?

To identify supply and demand zones, one must spot areas where the market has moved sharply in one direction, indicating a disruption in equilibrium.

These zones often emerge after a consolidation phase, accompanied by strong candlesticks and high volume.

NAVY SEALS CHALLENGE		ACCORDING TO YOUR AGE	
DAY 1		DAY 4	
Push ups	45 reps	Front Squat	55 reps
Diamond Pushup	30 reps	Squat	40 reps
Close Grip Pushups	20 reps	Reverse Table Up	25 reps
Star Plank	1 min	Leg Raise	40 reps
DAY 8		DAY 12	
Bicycle Crunches	45 reps	Dumbbell Stepup	40 reps
Dumbbell Stepup	40 reps	Deadlift	40 reps
Deadlift	25 reps	Leg Press	
Leg Press	40 reps	Plank	

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In such structures, the **Base** area must be identified first. This is where the price stayed relatively flat for a short period before making a decisive move away. A sudden breakout signals the entry of sell orders. By closely analyzing candlestick formations within these zones, one can draw a price is likely to react again upon revisit.



Plotting a demand zone after market breaks from equilibrium

Supply and Demand vs. Support and Resistance

Support and resistance levels are based on past price reactions—areas where price previously stalled or reversed. In contrast, supply and demand zones highlight areas of **actual imbalance** between buyers and sellers, where large orders were executed, driving strong price movement.

Support and resistance are usually drawn as lines, whereas supply and demand zones have **measurable depth**.

What Is the Supply and Demand Curve?

The Supply and Demand Curve provides a visual reference for the current price position between the nearest important supply and demand zones. This helps traders identify whether the price is in the upper, middle, or lower part of the curve.

Recognizing this position reduces the likelihood of entering poor trades. For example, buying near a supply-heavy area or selling in a demand-forming zone, carries a higher risk.

How to Plot the Supply and Demand Curve on a Chart?

First, correctly mark the supply and demand zones on the chart. Then, draw the upper, middle, and lower segments of the curve. There are two primary methods for plotting the Supply and Demand Curve:

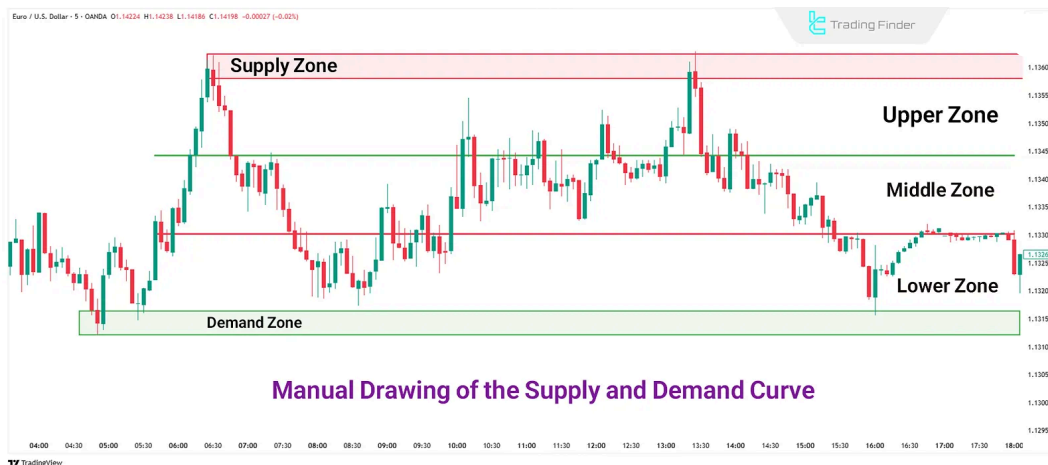
- ⚡ Manual
- ⚡ Fibonacci

Manual Supply and Demand Curve Plotting

Start by identifying the **proximal lines** (the inner edges of the supply and demand zones). These represent the boundaries of market control.

Count the number of price points between these levels. Divide the distance into three equal parts:

- ⚡ Upper zone (near supply)
- ⚡ Middle zone (equilibrium)
- ⚡ Lower zone (near demand)



Manually Plotting Upper, Middle, and Lower Areas of the Supply and Demand Curve

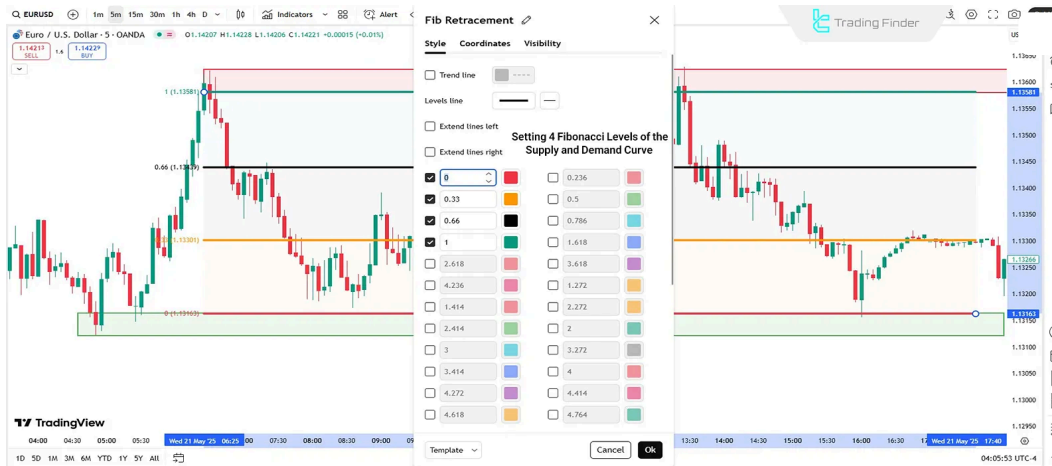
Plotting the Supply and Demand Curve with Fibonacci

To automate the division of space between supply and demand zones, use the **Fibonacci retracement tool**. This eliminates manual calculations and increases accuracy.

Enable only the following four **Fibonacci levels**:

- ⚡ 0%
- ⚡ 33%
- ⚡ 66%
- ⚡ 100%

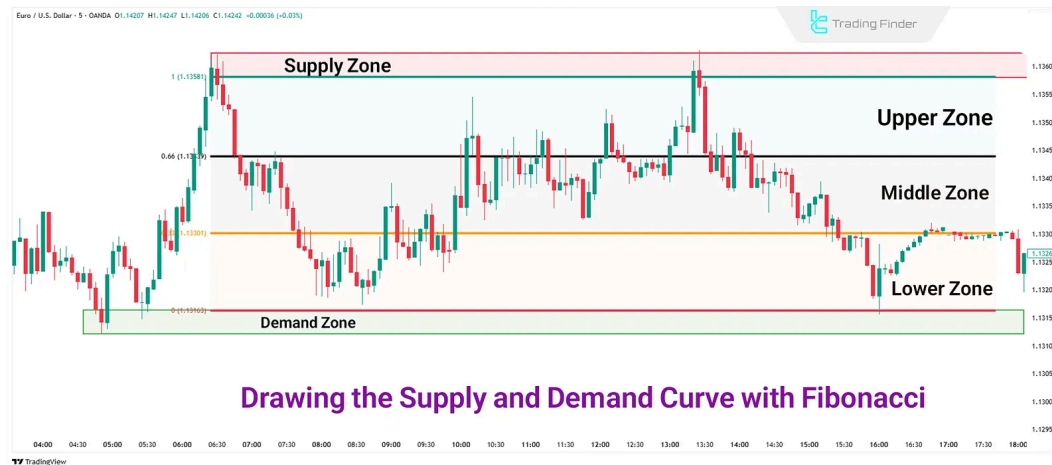
Then, disable all other levels.



Auto-Dividing Zones Using the Fibonacci Tool for Supply and Demand Curve

Draw the Fibonacci tool from the proximal line of the supply zone to the proximal line of the demand zone. The range is automatically divided into three equal segments:

- ⚡ **0% to 33%:** First zone (near supply or demand, depending on trend direction)
- ⚡ **33% to 66%:** Equilibrium zone
- ⚡ **66% to 100%:** Opposite zone



Drawing the Supply and Demand Curve with Fibonacci

Plotting Upper, Middle, and Lower Zones of the Supply and Demand Curve Using Fibonacci

Multi-Timeframe Analysis of the Supply and Demand Curve

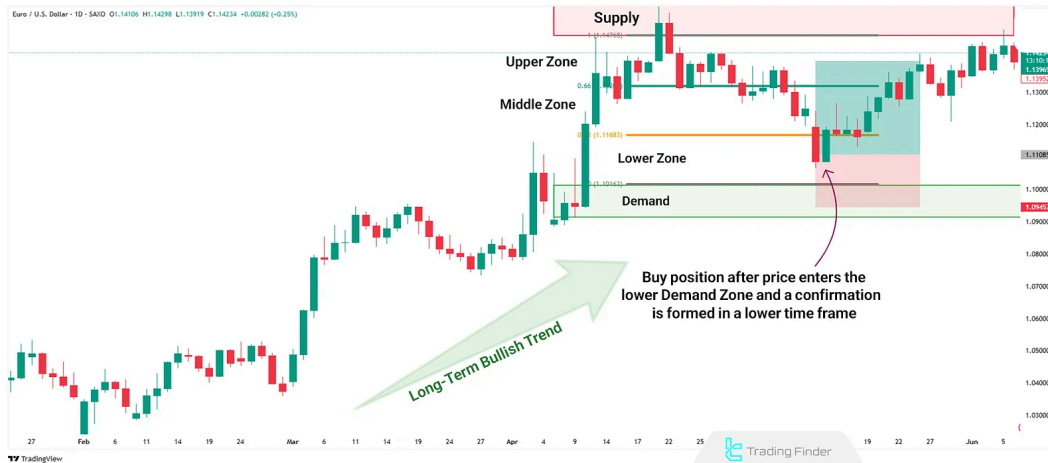
In multi-timeframe analysis, higher timeframes help define trend direction, while lower timeframes are used for precise entries. First, identify supply and demand zones on a higher timeframe (e.g., daily), and plot the curve.

Then, identify internal zones in a mid-timeframe (e.g., 1H), and finally execute entries on a lower timeframe (e.g., 15 minutes). This structure aligns trades with trend direction and minimizes risk.

Bullish Supply and Demand Curve Trading Setup

In the daily chart of EUR/USD, the overall market trend is bullish. As price enters the **lower zone** of the curve (near the demand area), and confirmation forms in a lower timeframe, a long position becomes favorable.

This entry gains more validity when the lower timeframe demand zone aligns with the higher timeframe's significant zone.

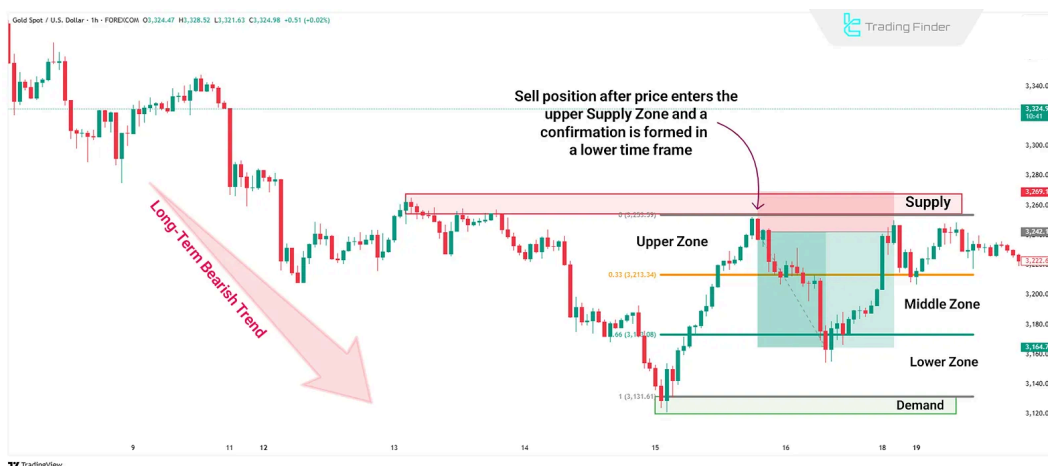


How to Enter Long Positions in a Supply and Demand Curve Trading Setup

Bearish Supply and Demand Curve Trading Setup

In the 1-hour chart of Gold (XAU/USD), the price enters the **upper zone** after a corrective move. This area overlaps with a supply zone. Weak buyer activity and lower timeframe selling pressure provide a valid short setup.

When this zone aligns with a higher timeframe downtrend, the trade's success rate increases.



How to Enter Short Positions in a Supply and Demand Curve Trading Setup

Conclusion

Supply and demand analysis becomes more effective when the price's position on the curve is known. This curve places price in the upper, middle, or lower region, guiding better decisions. It can be plotted manually or using Fibonacci.

Multi-timeframe analysis helps define the trend from the higher timeframe and find entry points on the lower one. When internal zones align with the primary ones, trade success probability increases. The combination of these techniques results in lower-risk trade entries.



Supply and Demand Curve Training PDF

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FAQs

What is the purpose of the Supply and Demand Curve in analysis? ∨

It identifies the current price position relative to the nearest supply and demand zones to avoid counter-trend entries.

How to determine where the price is on the curve? ∨

By marking the proximal lines of supply and demand zones and dividing the distance into three segments:

Upper ∨

Middle
Fibonacci is easier and more precise, especially for those wanting to save time and reduce manual error.

When should you avoid entering a trade? ∨

When the price is in the equilibrium zone, and no clear trend is visible on the higher timeframe.

What differentiates supply/demand zones from support/resistance? ∨

Supply/demand zones stem from real order imbalances and have depth; support/resistance are based on past price reactions and are usually linear.

Can you trade using the curve alone? ∨

No, The curve is a complementary filter and should be combined with timeframe analysis and key zones.

What defines nested zones (aligned zones)? ∨

They form when a lower timeframe zone lies within a higher timeframe zone, often providing better success probability.

What is the recommended risk-reward ratio for these setups? ∨

Typically 1:3 or higher, especially when entering from the lower curve zone aligned with the trend.

Is this method applicable to all markets? ∨

Yes, Concepts of supply and demand, price curve, and multi-timeframe analysis apply across forex, stocks, and crypto.



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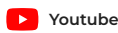
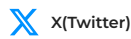


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