SMART MONEY TRADING GUIDE

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Introduction

Institutional trading, also known as smart money trading, provides a glimpse into how price delivery algorithm is used to manipulate and deliver price in the foreign exchange market. Smart money is the only trading concept or strategy that has introduced the understanding the market is not random instead there's a price delivery algorithm. This thorough guide aims to explore the world of smart money trading and analyze the strategies that shape the financial markets.

The Basics of Smart Money Trading

Smart money trading is based on the premise that large financial institutions and major market participants can manipulate and control prices. This is achieved through the use of price delivery algorithms, which seek liquidity either on the sell side or the buy side of the market. Depending on which side of the market price collects liquidity, we can anticipate either a bearish or bullish order flow.

Are you ready to unveil the power of smart money and gain insights into the strategies employed by the biggest movers in the financial arena? Let's embark on this journey into the heart of the financial world where knowledge becomes power.

1. Order Blocks

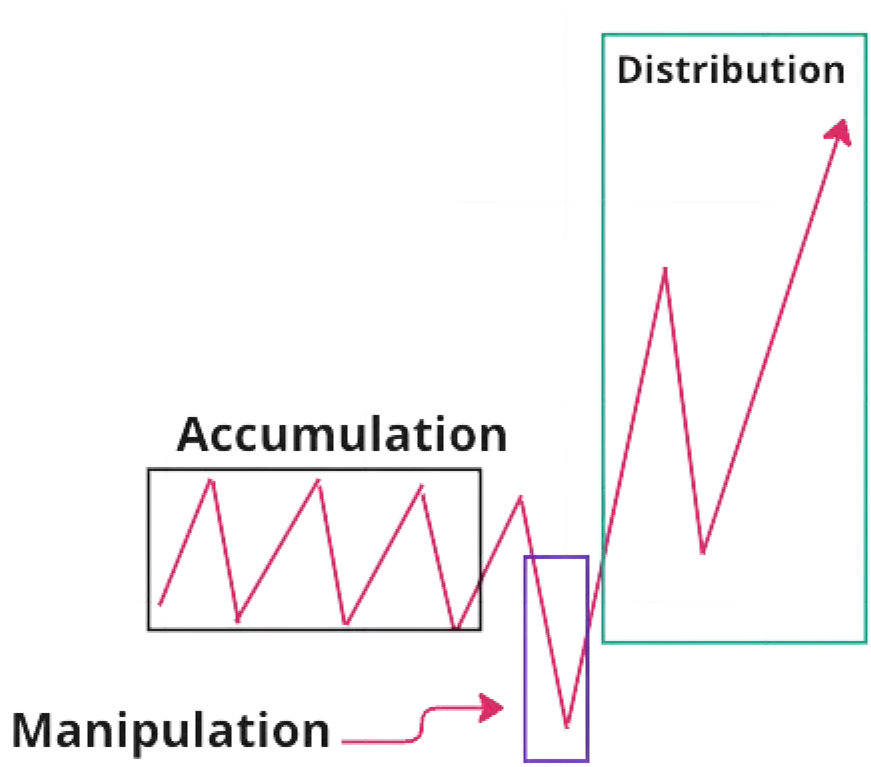
Order Blocks are key components of smart money trading. An Order Block represents a change in the state of price delivery where big participants and banks leave their orders in the form of sell or buy limits. There are two types of order blocks in forex: bearish order blocks and bullish order blocks. The bearish order block is the last up candle that forms the highest high before a downward move, while the bullish order block is the last down candle that forms the lowest low before an upward move. You can check this article on order block in forex by ghosttraders

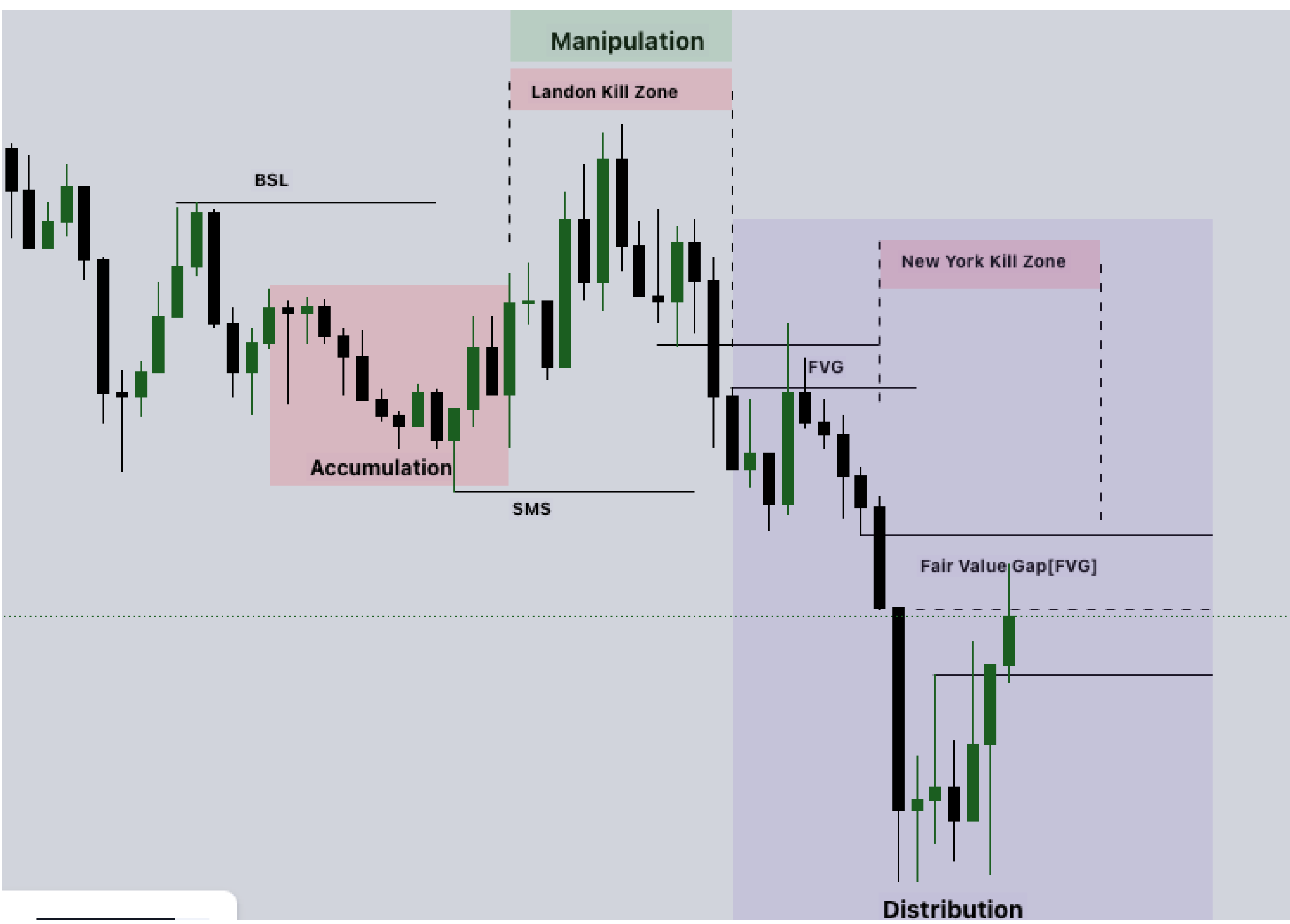
2. Fair Value Gaps

Fair Value Gaps are essential to understanding smart money trading. These gaps occur in price delivery where one side of the market liquidity is offered, typically confirmed with a Liquidity Void on lower time frame charts in the same price range. Price can "gap" to create a vacuum of trading when it leaves a specific level where there's less trading activity, resulting in one-directional price movement.

3. Power Of Three

The Power of Three (PO3) is a crucial concept for successful intraday trading. PO3 consists of three key elements: accumulation, manipulation, and distribution. During accumulation, price collects orders on both sides of the market. Manipulation occurs when price deliberately moves in a false direction to deceive traders, while distribution involves the release of accumulated orders in the market.





4. Institutional Order Flow Trading

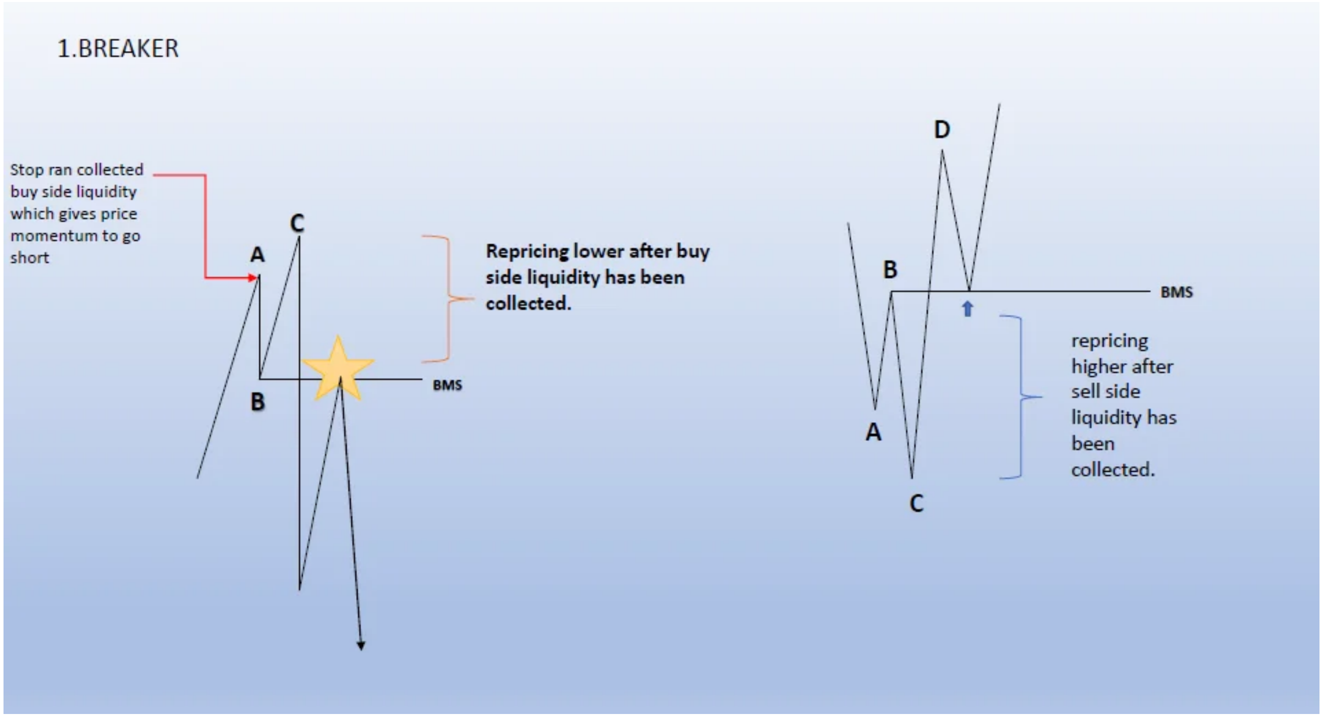
[Institutional Order Flow Trading](#) reveals the directional bias of the market. It focuses on how significant participants manipulate prices, often targeting resting liquidity pools at previous highs and lows, such as stop losses or pending orders. Understanding order flow helps retail traders discern the market's directional bias. A shift in market structure indicates the type of institutional order flow. In this chart, a bearish shift in market structure is evident as prices reach previous lows but fail to surpass previous highs. This suggests increased selling pressure, leading to orders flowing to the bearish side of the market, known as bearish order flow.

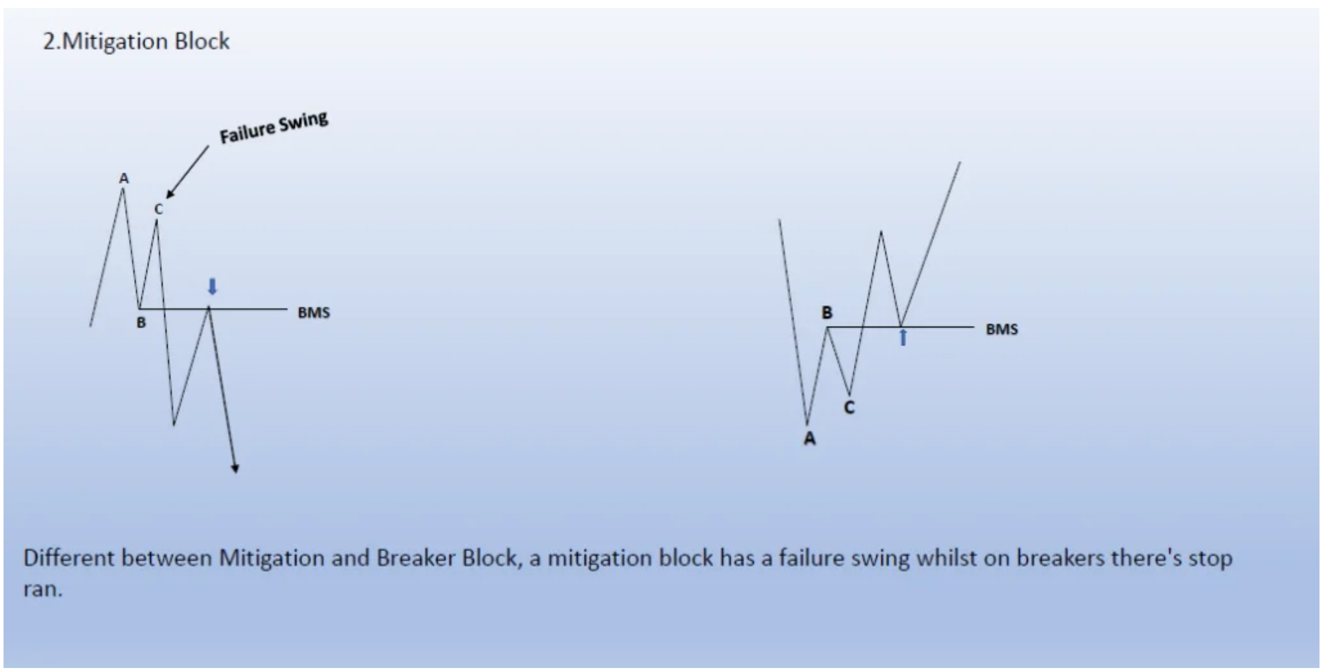
5. New York Kill Zones and London Kill Zone

Kill zones are time intervals with high volatility used in trading strategies. The New York Kill Zone is one such strategy that integrates price and time. It identifies high-probability trading opportunities using institutional trading reference points like fair value gaps or order blocks. There are also London kill zones with similar concepts. Here is a guide by GhostTraders on how to trade [New York Kill Zone and Landon Kill Zone](#), which I find interesting.

6. Mitigation Blocks and Breakers

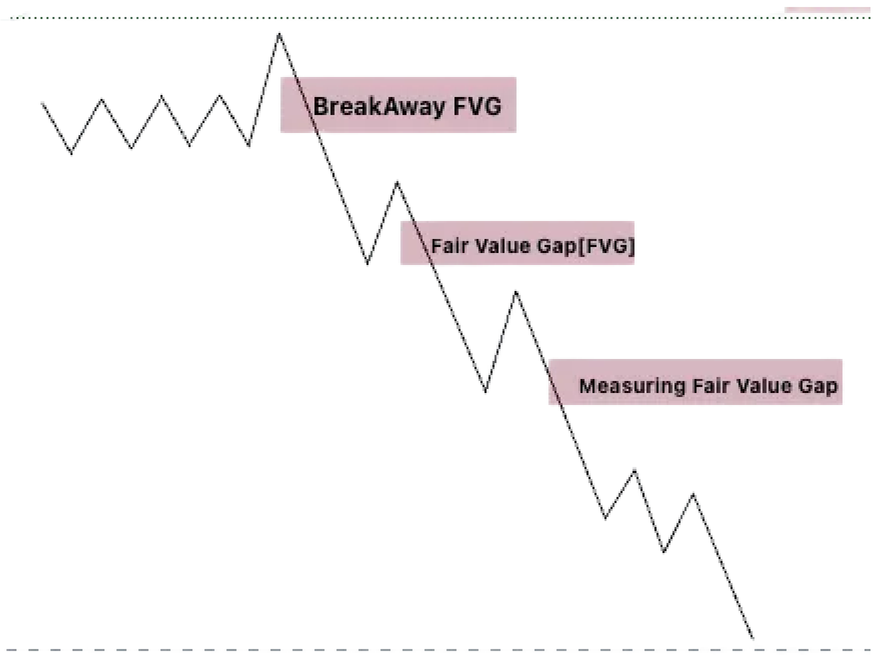
[Mitigation blocks and breakers](#) are reversal patterns in smart money trading. As a trader, it's helpful to look for patterns in the market to identify trading opportunities. A mitigation block occurs when there is a failure swing, while a breaker occurs when there is a successful swing. These two patterns have different market dynamics, as breakers form higher highs and mitigation blocks form lower highs. Understanding these patterns can help traders make more informed decisions.





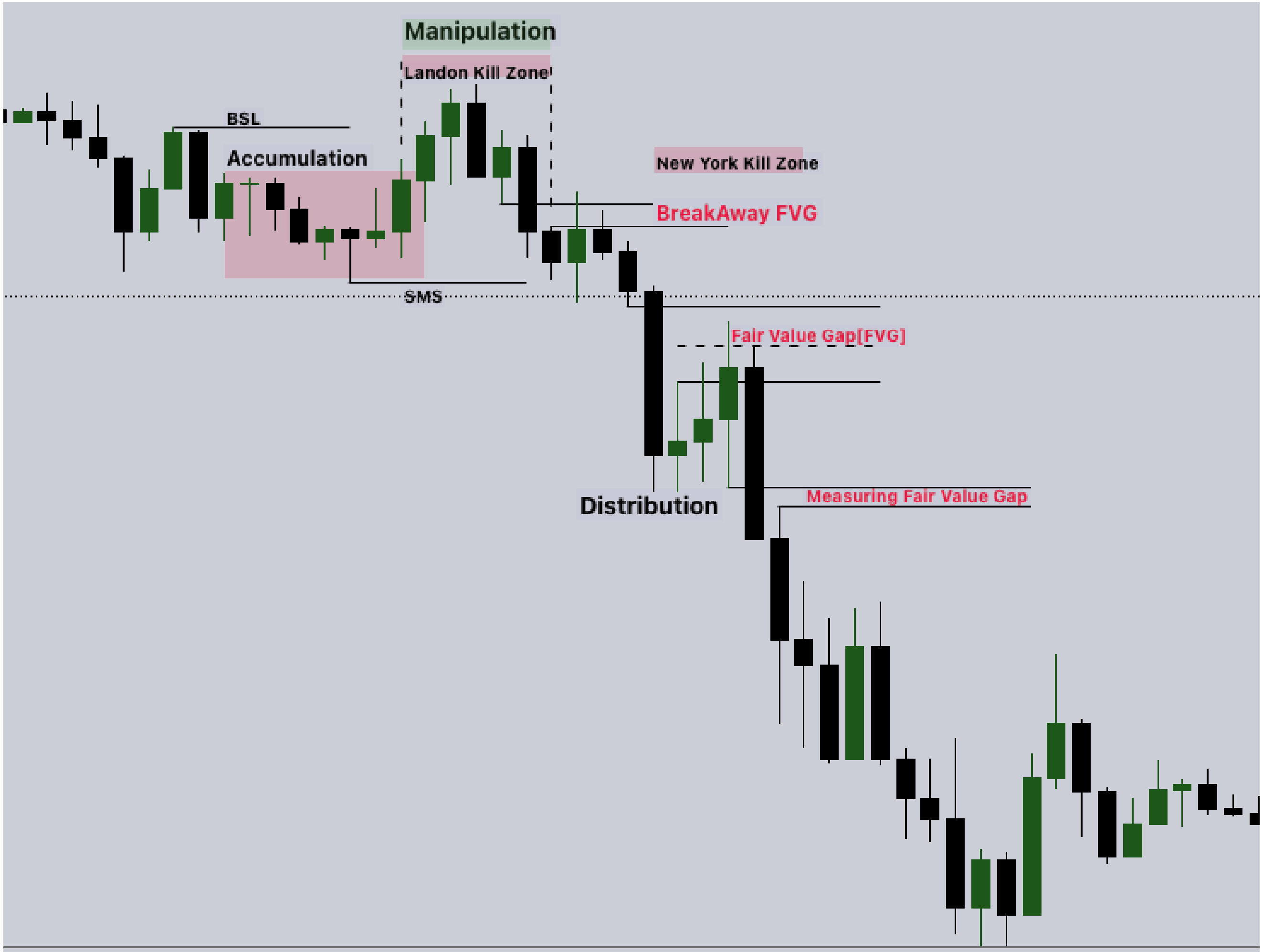
7. Measuring Fair Value Gap

In addition to Breakaway Gaps, there is another crucial concept in Forex trading known as the Measuring Fair Value Gap. This gap is created following a Fair Value Gap and is crucial in examining market dynamics. The Measuring Gap is an indicator of institutional order flow in a particular direction. You can the full article on different types of fair value gaps



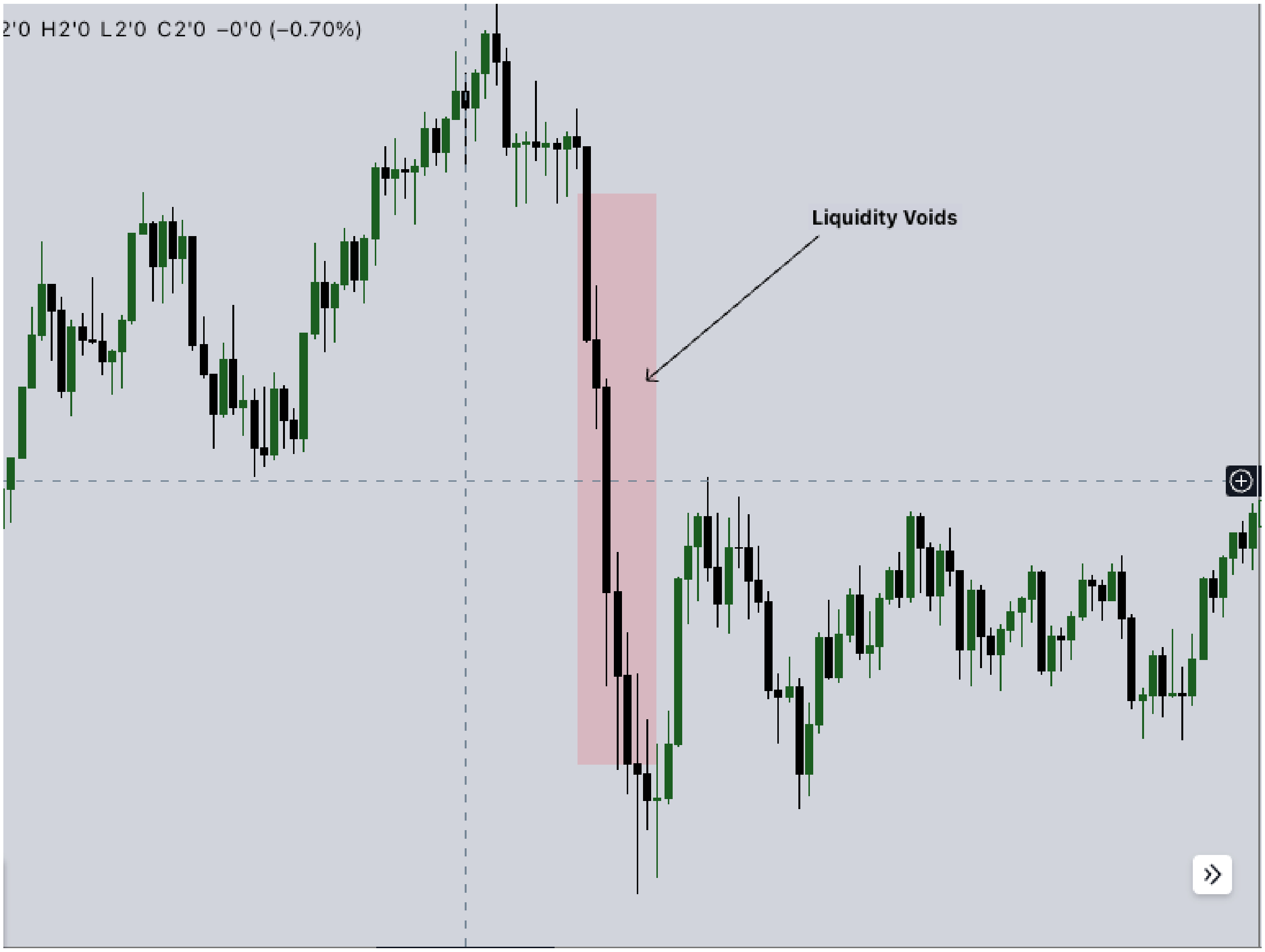
8. Breakaway Fair Value Gap

A Breakaway Fair Value Gap is a significant price gap that occurs when the price breaks out of a consolidation phase or trading range. It signifies a shift in market sentiment and momentum. Breakaway gaps often remain open, reflecting a rapid change in the balance between buyers and sellers.



9. Liquidity Void

Liquidity voids occur when price moves sharply in one direction, marked by large candles with little trading activity. These voids are eventually filled as price returns to close them later. Liquidity voids often align with fair value gaps and order blocks, serving as entry points when price retraces and then continues in the desired direction after filling the liquidity void.



Conclusion

Institutional trading, or smart money trading, unveils the strategies used by major market participants to manipulate prices and control the financial markets. From order blocks to fair value gaps, from the Power of Three to order flow trading, and from kill zones to mitigation blocks and breakers, these concepts offer valuable insights into the dynamics of the market.

As a Forex trader, understanding smart money trading can provide you with a competitive edge. By decoding the strategies of institutional trading, you can make informed decisions and navigate the financial markets with greater confidence.

Knowledge is indeed power in the world of smart money trading. So, equip yourself with these insights, stay vigilant, and may your trading journey be filled with success.

Disclaimer: Trading involves risk, and past performance is not indicative of future results. It’s important to conduct thorough research and seek professional advice before engaging in trading activities.