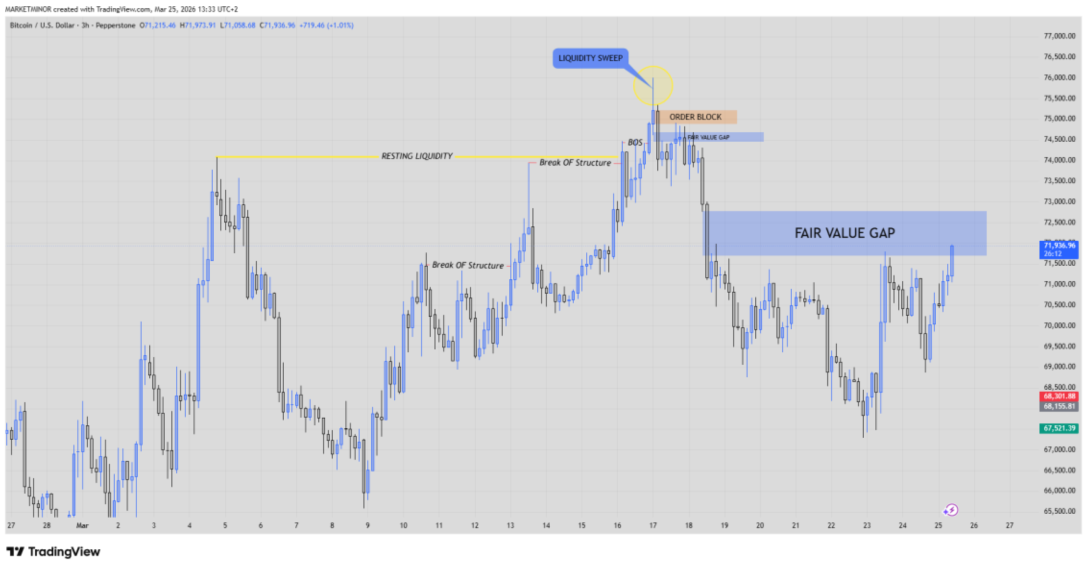
(SMC) Smart Money Concept

Market Minor

INTRO TO SMART MONERY CONCEPT

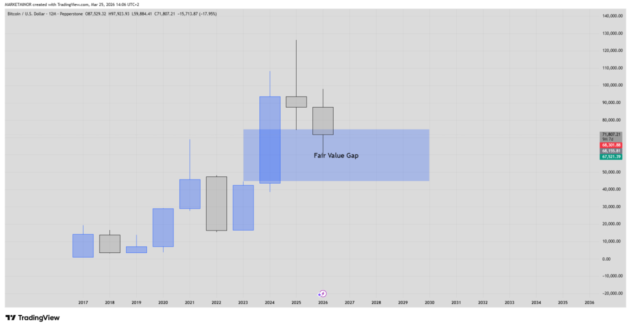
- The fundamental understanding about (SMC) Smart Money Concept is it's intended purpose which is to catch institutional flow and time-based execution, as a novice and retail trader you get introduced to a new window of observing the market with the intention to catch institutional positions, with criteria and rules that create high quality setups, fewer trades and clearer rules.

SMC charting requires a solid understanding of order flow to accurately define the current market environment and execute with confidence.



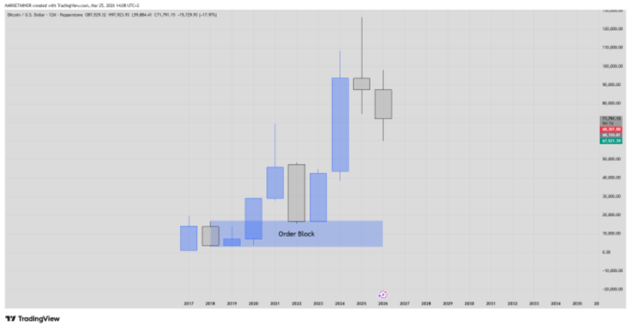
SMART MONEY CONCEPT CHARTWORK MAPING

Components For SMC



Fair Value Gap

Liquidity Sweep



Oder Block

Market Structure

Market Structure

- Break Of Structure
- Chance Of Character

Liquidity

- Equal Highs & Equal Lows – Demarcating obvious stops
- Swing highs & Swing Lows
- Trend Stops
- Session highs & Lows

Fair Value Gap & Displacement

- Displacement – Imbalance
- Fair Value Gap- Inefficiency

Oder Block

- potential re-entry zone
- unfilled orders

Equilibrium

- **Discount (below EQ):** generally, where you want to look for **buys** (bullish OBs)
- **Premium (Above EQ):** generally, where you want to look for **sells** (bearish OBs

Market Structure - Mapping

Market structure shift is the umbrella concept; Break of Structure (BOS) and Change of Character (CHOCH) are the two main ways we describe that shift.

MARKET STRUCTURE SHIFT

Definition: A clear change in the swing patten showing that control may be transitioning from buyers to sellers or vice versa

BREAK OF STRUCTURE

Definition: A break of a significant swing point in the *direction of the current trend,* confirming continuation.

CHANGE OF CHARACTER

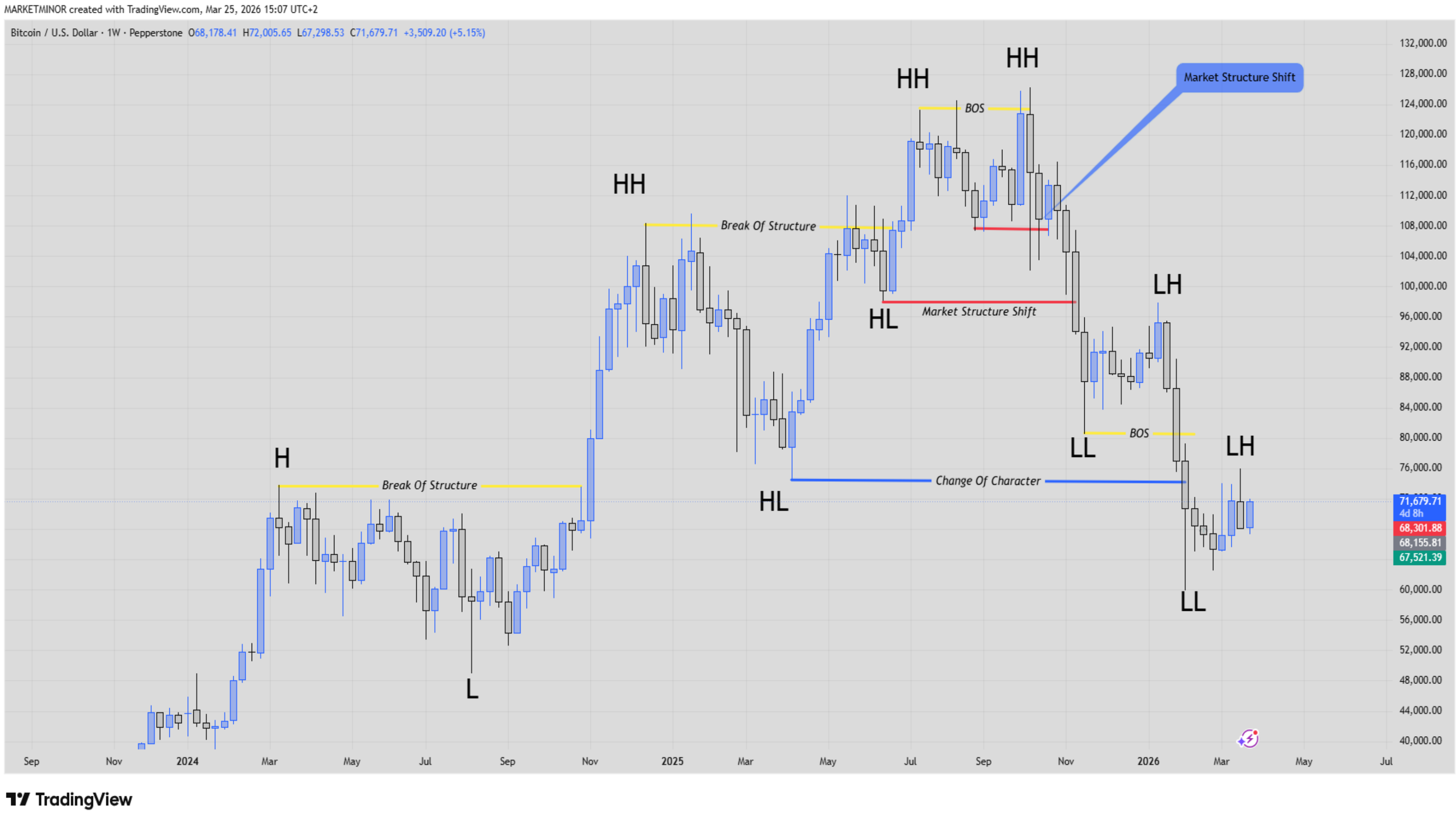
Definition: The first break against the prevailing trend structure, suggesting a potential reversal or transition phase.

Analysing and Using Market Structure

Market Structure Shift (MSS): Confirms a transition in control (bulls to bears or bears to bulls); establishes a new directional bias and the leg to trade.

Change of Character (CHOCH): Early reversal warning; signals trend weakness and prompts you to stop expecting continuation, often used as the first trigger after a liquidity sweep.

Break of Structure (BOS): Continuation confirmation; validates displacement and supports trading pullbacks in the direction of the trend (OB/FVG entries with higher confidence).



Mapping Market Structure – Chart Work

Liquidity

Liquidity in Smart Money Concepts refers to areas on the chart where a large concentration of orders is likely to exist, such as stop losses above highs, stop losses below lows, and clusters of pending orders around obvious levels. These pools of liquidity act as the fuel that enables large participants to enter and exit positions efficiently, so price often moves toward them before a directional expansion occurs. This is why the market frequently sweeps equal highs or equal lows, prior swing points, and session highs or lows, since those levels tend to hold resting orders. By mapping liquidity, a trader can better anticipate where price is likely to go first, recognize stop runs and false breakouts, and define objective targets and execution zones once liquidity has been taken and displacement confirms intent.

1) Buy-side liquidity (BSL)

What it is: Stops above highs (swing highs, equal highs, session highs).

Utility: Common target in bearish setups after a retracement, also used as a take-profit for longs.

2) Sell-side liquidity (SSL)

What it is: Stops below lows (swing lows, equal lows, session lows).

Utility: Common target in bullish setups after a retracement, also used as a take-profit for shorts.

3) Equal Highs (EQH) / Equal Lows (EQL)

What it is: Two or more similar highs/lows that are visually obvious.

Utility: High-probability stop pool, often swept before displacement; great for spotting “raid then move.”

4) Swing liquidity

What it is: Prior confirmed swing highs/lows (even if not equal).

Utility: Clean directional targets and strong reference points for “did price take liquidity yet?”

5) Range liquidity

What it is: Range high/low of a consolidation box.

Utility: Breakouts often grab liquidity on one side first, then reverse or expand; good for trap detection.

6) Session liquidity (time-based)

What it is: Asia high/low, London high/low, NY high/low (also daily high/low).

Utility: Often used for Silver Bullet: price raids a session level, then displaces in the true direction.

Understanding Liquidity

Session Liquidity

Equal High/Low Liq Pool

Swing High/low

Trend Stop liquidity

Equal Highs and Equal Lows: Mark obvious liquidity pools where stop losses cluster, making them common targets for liquidity sweeps before displacement.

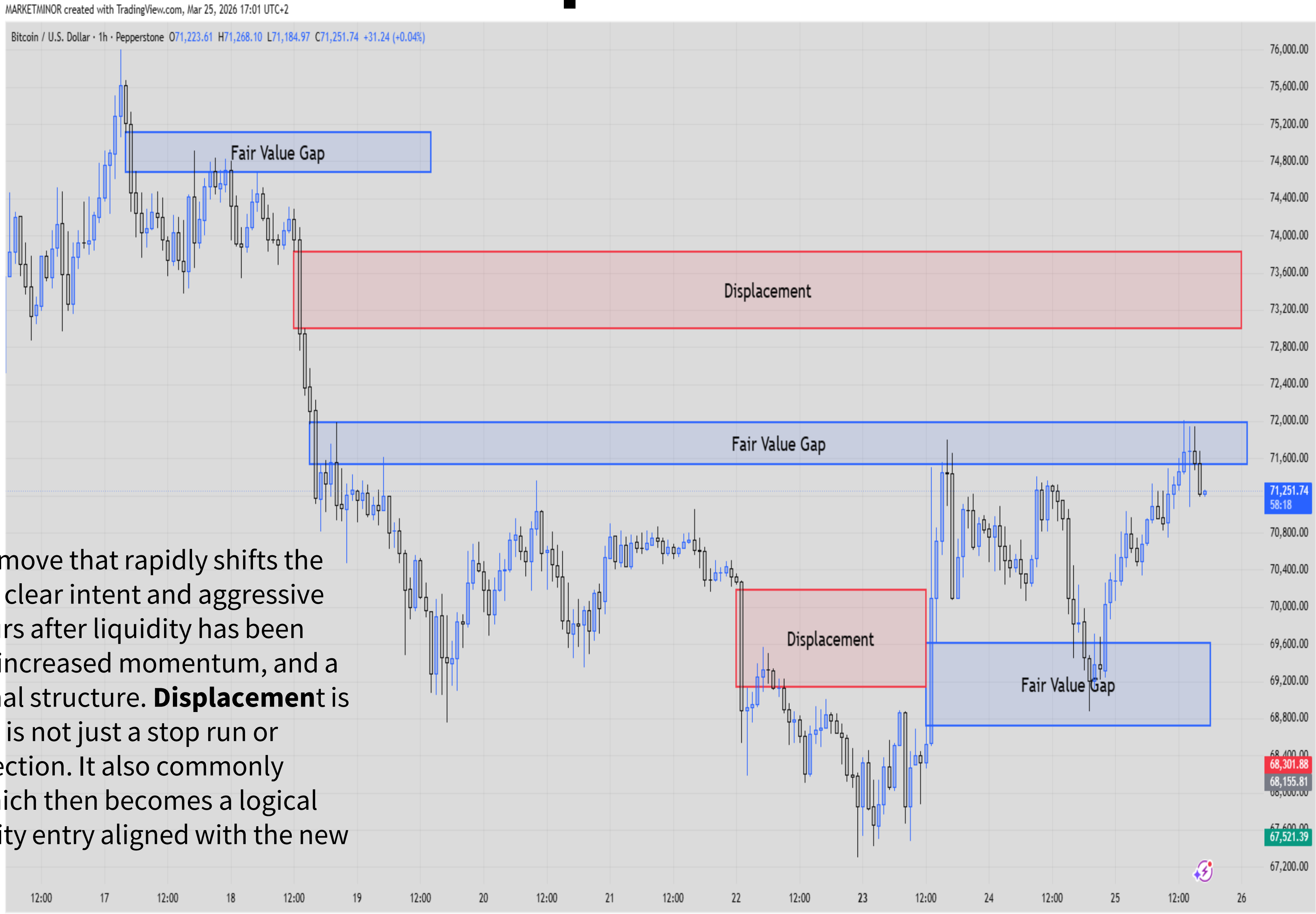
Swing Highs and Swing Lows: Identify key structural turning points that often hold resting stops and pending orders, serving as reliable draw-on-liquidity targets.

Trend Stops: Represent stops positioned along trendlines and trending swing structures; these are frequently raided to trigger breakout entries and force exits before the true move.

Session Highs and Lows: Define time-based liquidity (Asia, London, New York) that price commonly revisits and sweeps during active market windows, especially around Silver Bullet periods.

Fair Value Gap

A **Fair Value Gap** (FVG) is an area of inefficiency created when price moves away aggressively (displacement) and leaves behind an imbalance in order delivery. In SMC, it represents a moment where the market repriced so quickly that trading activity was not evenly distributed, so price often revisits that zone to “rebalance” before continuing. Practically, an **FVG** becomes a high-interest area for entries because it frequently acts as a retracement target after a liquidity sweep and a structure shift. Traders use it to time precise executions with defined risk (invalidating the idea if price trades cleanly through the gap), and to align pullback entries with the direction of the displacement rather than chasing the impulsive move.



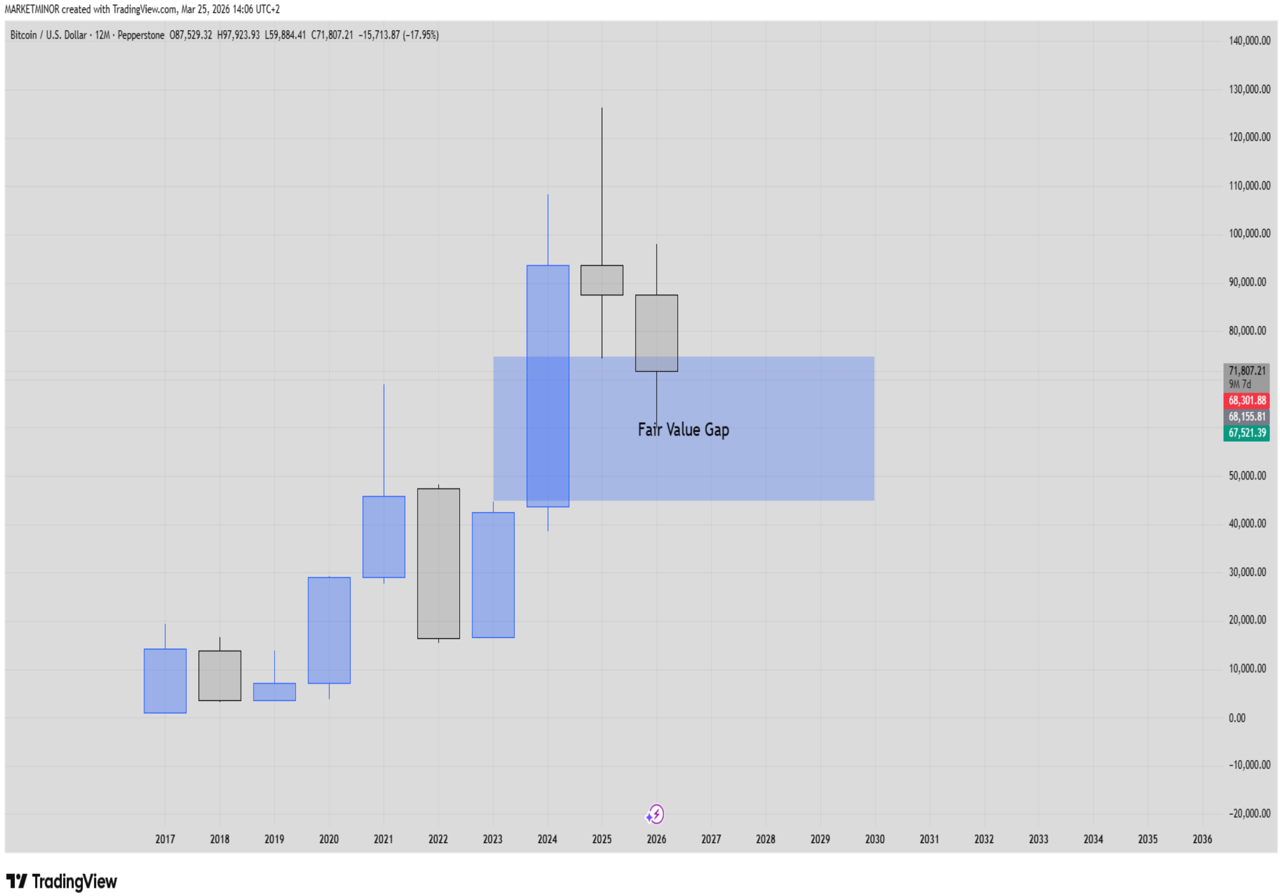
Displacement in SMC is a strong, impulsive price move that rapidly shifts the market away from a prior range or level, signaling clear intent and aggressive participation (often institutional). It typically occurs after liquidity has been taken and is recognized by large-bodied candles, increased momentum, and a decisive break through a key swing point or internal structure. **Displacement** is important because it helps confirm that the move is not just a stop run or random volatility, but a genuine repricing in a direction. It also commonly creates an imbalance such as a Fair Value Gap, which then becomes a logical area for price to retrace into for a higher-probability entry aligned with the new directional bias.

UTILIZING THE FAIR VALUE GAP

Using a Fair Value Gap (FVG) in SMC is mainly about treating it as a retracement entry zone created by displacement, not a signal to enter immediately. Use structure to determine direction (CHOCH/MSS/BOS) and location (premium or discount). Mark the nearest liquidity pools (EQH/EQL, swings, session highs/lows). Wait for liquidity to be taken, Price sweeps a clear high/low (stop run), confirm with displacement, Look for a strong impulsive move away from the sweep, ideally it breaks structure in the new direction (this validates intent). Mark the FVG created by displacement , Box the imbalance zone. Many traders refine the entry to the 50% (midpoint) of the FVG for precision. Execute on the retracement, Let price return into the FVG. Enter when you see confirmation (common options):

- lower timeframe structure shift back in your direction.
- rejection and renewed displacement out of the FVG
- smaller internal FVG forming inside the main FVG
- Targets: the next opposing liquidity pool (recent highs/lows, EQH/EQL, session high/low).
- One-line model (slide-ready)

- **Liquidity sweep → displacement + structure confirmation → retrace into FVG → entry → target opposing liquidity**.

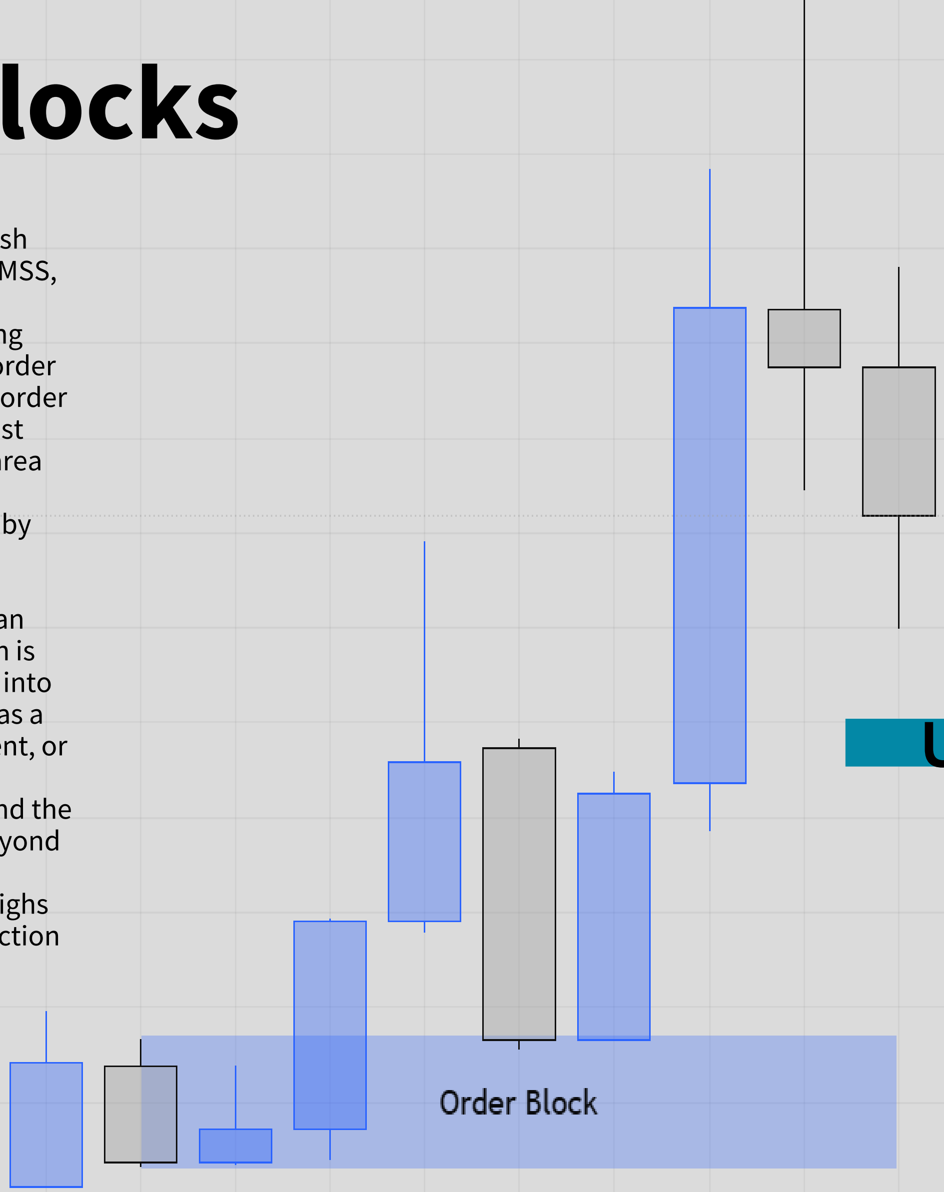


Mastering Order Blocks

In trading, there are many strategies available, but the market does not always present ideal conditions, which is why navigation and patience matter most. The objective is not to trade frequently, but to wait for high-quality setups. As a student of ICT, TRJ, and Smart Money Concepts, I prioritize setups that align with that framework. Markets often repeat because they are influenced by liquidity and positioning, and price will frequently seek a discount area to facilitate larger buying before repricing higher, which reflects the Smart Money principle of accumulation low and distribution high.Order blocks matter because they often reflect areas of prior institutional activity, and when price returns to them it can rebalance and fill additional orders, offering a precise entry location, clear invalidation, and minimal drawdown when timed correctly. Overall, order blocks form the foundation of my execution model because they consistently produce sniper-quality entries when aligned with liquidity context, a structure shift, and clear displacement intent.

Using Order Blocks

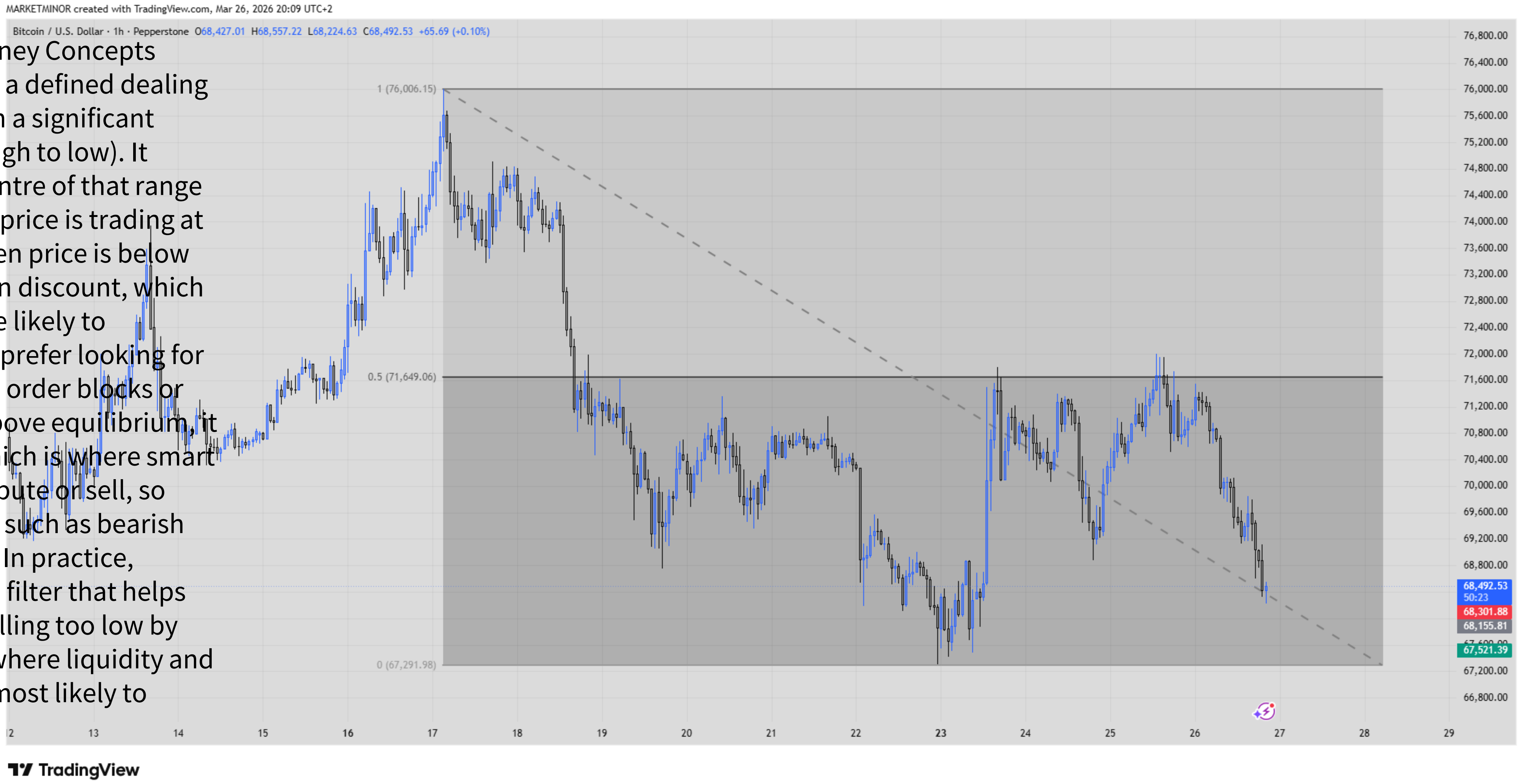
Using order blocks effectively starts with context: establish your directional bias through market structure (CHOCH, MSS, and BOS), then define your dealing range and mark equilibrium (the 50% midpoint) to judge location, favoring bullish order blocks in discount (below EQ) and bearish order blocks in premium (above EQ). Next, identify the correct order block by finding the displacement leg and marking the last opposing candle before that impulsive move, since this area often reflects where significant orders were previously executed. To increase accuracy, validate the order block by confirming that liquidity was taken beforehand (such as EQH/EQL, swing points, or session highs and lows), that displacement away from the zone is clear (often leaving an FVG), and that a structure shift confirms intent. Execution is then centered on patience: wait for price to retrace back into the order block and use a lower-timeframe trigger, such as a micro structure shift, rejection with renewed displacement, or an internal FVG, to avoid blind entries. Risk is defined by invalidation, either conservatively placing the stop beyond the swing that caused displacement or more aggressively beyond the order block's extreme, while targets should be set objectively at opposing liquidity pools, session or daily highs and lows, and the next draw-on-liquidity level in the direction of your bias.



USING ORDER BLOCKS

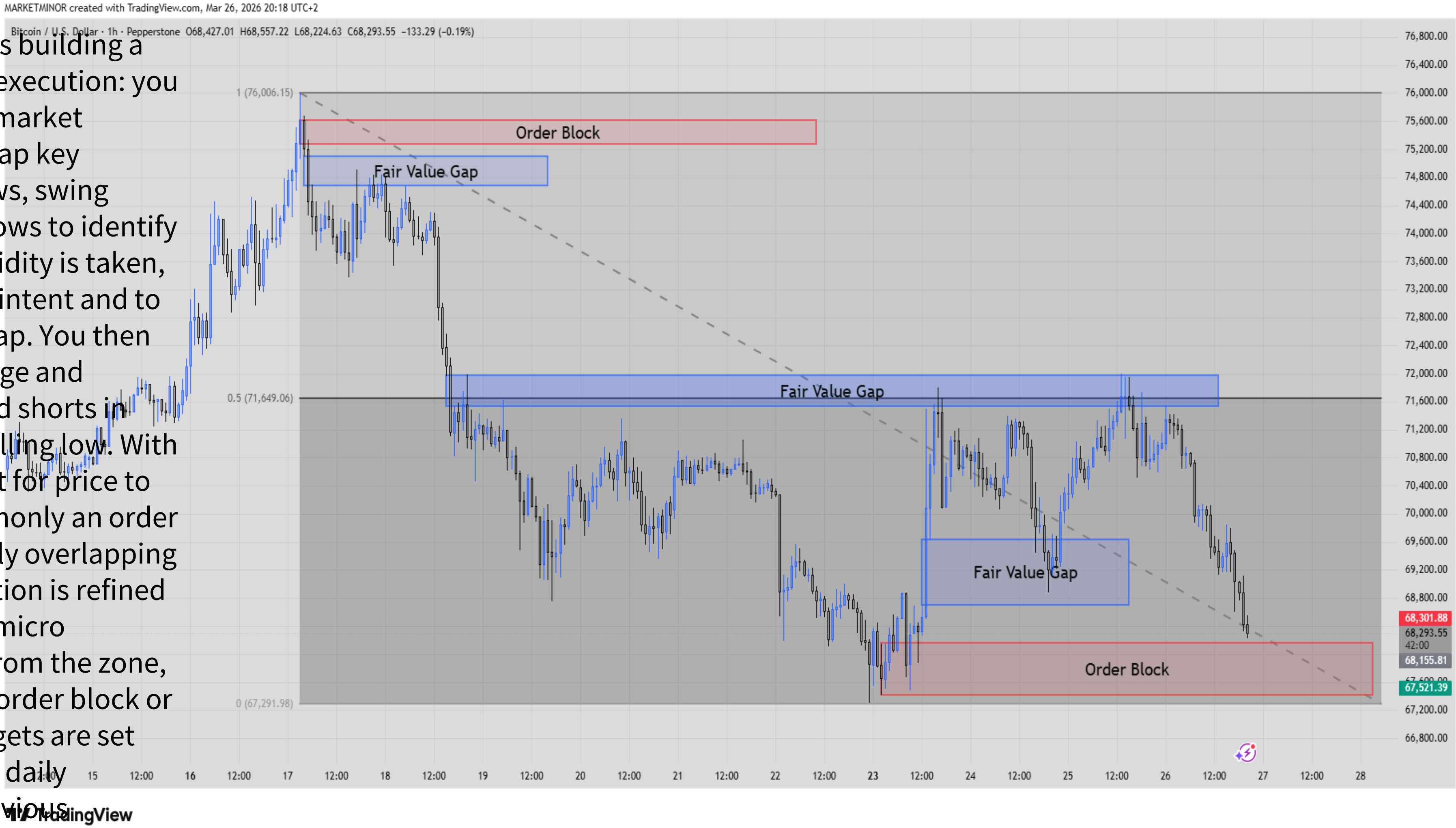
Equilibrium

Equilibrium (EQ) in Smart Money Concepts refers to the 50% midpoint of a defined dealing range, usually measured from a significant swing low to swing high (or high to low). It represents the “fair value” centre of that range and is used to judge whether price is trading at a premium or a discount. When price is below equilibrium, it is considered in discount, which is where smart money is more likely to accumulate longs, so traders prefer looking for bullish entries such as bullish order blocks or bullish FVGs. When price is above equilibrium, it is considered in premium, which is where smart money is more likely to distribute or sell, so traders prefer bearish entries such as bearish order blocks or bearish FVGs. In practice, equilibrium acts as a location filter that helps prevent buying too high or selling too low by keeping trades aligned with where liquidity and institutional positioning are most likely to favour the setup.



Full Component Utility Of SMC

Using all SMC components together means building a complete trade narrative from context to execution: you start by defining directional bias through market structure (CHOCH, MSS, and BOS), then map key liquidity pools such as equal highs and lows, swing points, trend stops, and session highs or lows to identify where price is likely to raid first. Once liquidity is taken, you look for displacement to confirm real intent and to form an imbalance, typically a fair value gap. You then frame location by marking the dealing range and equilibrium, favoring longs in discount and shorts in premium, so you are not buying high or selling low. With bias, liquidity, and intent aligned, you wait for price to retrace into a valid entry zone, most commonly an order block that caused the displacement, ideally overlapping with the FVG for added confluence. Execution is refined with a lower-timeframe trigger, such as a micro structure shift or renewed displacement from the zone, risk is defined by invalidation beyond the order block or the swing that initiated the move, and targets are set objectively at highs or lows and session or daily extremes.opposing liquidity pools like previous



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