Want to learn supply and demand trading but don't know where to start?

Keep losing money with S & D and don't know why?

I've got you covered...

Over the last few years, “Supply and Demand trading” has become one of the most popular Forex trading strategies. And for good reason...

Supply and Demand trading takes the best of support and resistance and combines it with the tried and true concept of supply and demand.

The result is a strategy that allows you **to pinpoint EXACTLY where and when the banks are buying and selling**. Giving you the chance to get into some of the biggest reversals **BEFORE** they begin.

Sounds pretty amazing, right?

Supply and demand is a big part of how I trade forex... along with other strategies, of course. And today, I'm going to give you a full breakdown of how to start trading it yourself.

Here's a quick look at what we'll cover:

- What is supply and demand trading and how does it work?
- Why the normal way of trading S & D is wrong.
- Finding, and drawing supply and demand zones correctly.
- The difference between supply and demand and S & R.
- The two ways you can trade the zones.

So, ready to learn what supply and demand trading is all about?

Let's jump into the guide...

Free PDF: Download This Post As A PDF To Read Later - *Includes S & D Rules PDF*

TABLE OF CONTENTS

Part 1: Overview Of Supply And Demand Trading

Before we get to grips with supply and demand the strategy, we need to talk about the supply and demand the concept... after all *that's what the strategy is based upon.*

In economics, the law of supply and demand determines the price people pay for a product.

This law states:

When the supply of a product is high and the demand is low, prices must fall to incite buyer's interest; when the demand for a product is high and supply is low, prices must rise to represent the scarcity of that product.

Sound familiar?

So, for example...

When you buy a house, the price is determined by supply and demand, which itself is governed by various economic factors. Supply and Demand either increases or decreases, causing the price to change.

One of the biggest factors is birth rate - the number of people being born.

If a country has a declining birth rate, house prices 25 - 30 years down the road will be lower. Why?

Because fewer people being born = less demand for houses later on. If demand is low with lots of supply (houses), prices must fall to incite interest from buyers.

Does that make sense?

Now Forex, as well as all other markets - stocks, commodities, crypto, etc – are driven by this same concept.

News events, economic announcements, and just general market action all cause different groups of traders to buy and sell, resulting in changes to the supply and demand equation. These changes manifest visually as the rises, declines, and consolidations we see on our charts.

When we see price rising, demand outstrips supply.

When we see price falling, supply outweighs demand.

When supply and demand are in relative balance, a consolidation forms.

Observing the image above, you can easily see how changes in supply and demand create the moves we see.

First: supply and demand are in relative balance, resulting in a consolidation. Supply is equal to demand. That's why price moves sideways rather than up or down.

Second: for whatever reason, something changes, and supply suddenly outweighs demand. Someone, or a group of traders, decides to sell EUR/USD en masse, causing the price to fall.

Supply outstrips demand for a while, as more and more people decide to sell. They see price fall, so they decide to sell themselves.

Third: However, demand then comes in (3) and pushes price higher, setting off a new upswing.

This continues before equal supply enters the market and creates equilibrium. With supply and demand now in relative balance, price moves sideways, and we see a tight consolidation form.

Later, demand outstrips supply again and a large upswing forms.

It is a “play-by-play” commentary that goes on day by day, week, month, quarter, year, etc. Of course, it also goes on hour, half-hour, quarter-hour, 5-minute, one minute, and yes, etc.

How And Why Supply And Demand Zones Are Created

So, with all of that in mind, you're probably wondering:

“How does this all link together?" How does the concept of supply and demand give us a trading strategy we can use to anticipate where and when reversals could begin in the future?

The answer lies in what causes supply and demand to change in the first place.

Changes in supply and demand will **ONLY OCCUR** when the banks and other **big traders buy or sell**. We retail traders can't cause price to rise or fall; we don't have enough money! Only the banks, with their deep pockets and unlimited buying/selling power, can make price move.

So, when we see supply get outweighed by demand and vice versa, that's because the banks have decided to buy or sell, usually by placing trades, but very often by taking profits or closing trades.

Now, here's where it gets interesting:

In Forex, the banks can never place their full position all at once.

Their positions are so large they must break them into smaller chunks and place each trade individually, around a similar price, to avoid pushing price away and potentially forcing the entry at a bad price.

This way they achieve the same effect of placing one huge position, by placing a bunch of small ones instead.

Here's their problem:

These positions are often so big that not enough people exist on the **opposite side** - buying when the banks want to sell, or selling when the banks want to buy - to get them placed, even if they break them down into smaller chunks.

So, they must let price move away and then make it return later on to get the rest of their position entered.

On a chart, that process looks like this...

First: the banks place what positions they can, and price shoots away.

They then: make it return to the source, the point they placed their initial position, to get their remaining positions entered.

Once they do: price fully reverses, and a large move ensues.

So, supply and demand trading is all about finding points where the banks have bought or sold - supply and demand zones - and then jumping into trades when price returns to pick up the rest of the banks' position to get into the reversal, right beside the banks.

Price moves from supply zones to demand zones and back: over and over again.

If we identify these zones, which I'll show you how to do, later on, we can get into these moves precisely at the point they begin. That'll give us a low-risk entry with a very large risk to reward ratio.

Amazing, right?

Understanding The Zones

Let's go over the two zones now, so you can see how they work.

Demand Zones

Demand Zones represent points where the banks have placed a significant number of **buy** positions. These are the **support** levels of supply and demand trading, if you will.

Demand Zones form when the banks place a large number (or size) of buy positions, creating excess demand, and resulting in the price reversing and moving higher.

The point where price reverses is the demand zone.

Usually, this will create a significant swing low, but sometimes price will reverse mid-move as well.

Supply Zones

On the other side of the fence we have **supply zones**.

These are points where the banks place a significant number (or size) of **sell** positions and these are **resistance** points where price could fall.

Supply zones form when the banks decide to sell a large amount of currency. This selling creates an excess of supply, which causes price to fall, creating the supply zone we see.

The point where price reverses, which is usually a prominent swing high, is the supply zone. If price returns here, it has a high probability of falling again.

The Two Types Of Supply And Demand Zones

Before we move on, we need a quick discussion about the two types of supply and demand zones.

While supply and demand zones are the same thing - zones where price could reverse - the zones come in two types based upon whether they form from a **reversal** or **continuation**.

The two types are as follows:

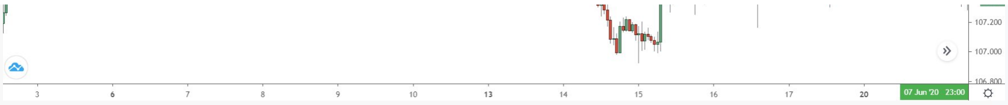
Rally-Base-Rally (RBR) and Drop Base Drop (DBD) Zones,

Rally-Base-Drop (RBD) and Drop Base Rally (DBR) Zones.

Rally-Base-Rally and Drop-Base-Drop

Continuation Zones:

Form, when price moves in one direction, **bases**, i.e consolidates or pauses, then **continues** in the same direction.



These zones always form mid-move, either from the banks taking profits or closing trades.

Compared to the reversal zones, **continuation zones don't tend to work that well**; they form from banks placing a small number of positions into the market. So, they don't hold the power of reversal zones.

That said; they can give you good trades here and there, especially if you know which zones to watch for in particular.

On to reversal zones now...

Rally Base-Drop and Drop-Base-Rally

Reversal Zones:

Form, when price reverses direction, **bases**, then sets off a **new swing.**

These zones form when one major swing changes to the other, usually from the banks buying or selling large quantities of currency.

Reversal zones are the ones you should be trading using Supply and Demand methods. They're the highest probability zones in the market.

These reversal zones are formed by the banks and other big traders placing huge buy and sell positions, compared to the much smaller positions they place to create continuation zones.

At the end of the day, don't get too caught up over which type of zone you're trading. Starting out, your goal is to simply gain experience finding and trading zones.

Focus on the reversal zones if you can, but don't get obsessed. The types don't matter so much as whether or not you're finding the right zones and drawing them correctly on the chart. That's the key skill you need. Once you've got a handle on that, you can start filtering the zones and only trading certain types.

Check my article, "The Two Types of Supply And Demand Zones," for a more detailed overview of the reversal and continuation zones.

Importatant Note: Profit Taking Zones And Trade Placing Zones

While RBR/DBD - RBD/DBR are the two main types of supply and demand zones, a further two types exist based on what causes the zone to form in the first place:

Profit-taking zones, and
Trade placing zones.

These zones, both of which form the two types listed at the top, are created via the banks taking specific action in the market, either taking profits or placing trades. Each type has its own characteristics that influence what price does when it returns. For example, price tends to spike beyond profit-taking zones before reversing.

This is because profit-taking zones aren't that powerful; due to forming from the banks taking profits rather placing trades.

Knowing what these further two types of zone are and how they affect what price does when it returns can give you a real leg up when it comes to trading S & D, and you can learn all about them in my article below.

Check It Out Now

Part 2: How To Find And Draw Supply And Demand Zones

If you want to be successful trading supply and demand, you MUST master the finding of high probability zones and correctly drawing them on the chart.

It takes time, practice, and experience to get this right:

But, I know a couple of tricks that should make everything much easier.

We'll start with finding the zones...

Finding Supply And Demand Zones

Now, you're going to have trouble finding supply and demand zones.

I know, I know... that's probably not what you wanted to hear. But, stay with me, because I know a method you can use to make finding zones much easier.

Supply and demand zones are formed by the banks buying and selling **large** quantities of currency, right? Well, what does that look like on a price chart?

Typically: **a sharp rise or, a sharp decline appears in price.**

So, to find good supply and demand zones look for sharp rises and declines in price. They reveal the banks are buying or selling a large amount of currency, which means a supply or, a demand, must exist at the source of the rise or decline.

Let's take a look...

Look at the rises on the chart above... see how sharp they are?

Rises like this occur when there's a huge imbalance between supply and demand: demand outweighing supply in this case.

What causes excess demand?

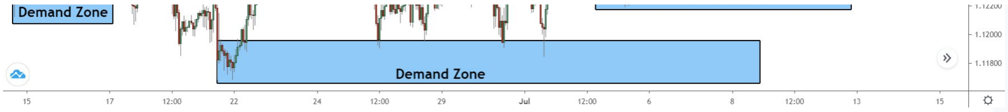
Why has price shot up?

It's because the banks have decided to enter a large buy position. They've decided to place buy trades, close sell trades, or take profits off sell trades.

To locate **Demand Zones**, then, look for **sharp rises**...

They reveal the banks have decided to take some action in the market - like place buy trades - which means price has a high probability of reversing once it returns to the source of the rise.

This is the demand zone.



And with the zones marked, this is how it looks.

Right away, you can see how almost all of the zones resulted in price reversing or at least caused a reaction of some sort. Even when there wasn't a large reversal, price still moved away from the zone, which gives you some idea of how accurate they are at predicting when and where price could reverse.

Also, notice how the zones are drawn from the base?

This is the point where demand exceeded supply and price shot up.

When it comes to drawing demand zones, which we'll go through in a minute, we always draw them from the base down to the most recent swing low to cover the area the banks placed their positions.

Let's switch over and look at **Supply Zones** now...

To find good **supply zones** we use the same process as with demand zones, only... the other way around; rather than looking for sharp rises, we're looking for **sharp declines**.

Sharp declines take place when excess supply comes into the market, which happens when the banks sell.

If the banks sell large quantities of currency - whether to place trades, close trades, take profits, etc. chances are - they haven't been able to sell the full amount they need to accomplish their entry.

That means it's likely the price will return to the same point - the supply zone - later on, so they can get the rest of their positions executed.

If I mark the zones on the chart, this is how it looks.

Again, almost all of the zones cause some sort of price reaction; most result in a large reversal, but a couple only cause minor declines, which last for two or three hours.

It'll take some practice to get good at finding the right zones; but, if you follow these guidelines, you will pick it up fast.

Name

Email

Sign Up

How To Draw Supply And Demand Zones

Learning how to find the right supply and demand zones is one thing; but, what's even more important; what you really need to get good at, is correctly drawing the zones on the chart.

Your entry depends on whether you've marked the zone properly, so you need to get it right.

Draw the zone too big... your risk will be higher. You must cover a larger area with the zone.

Draw the zone too small - which is probably even worse actually - and price may not touch the edge before reversing, causing you to entirely miss the reversal and not get into a trade.

Luckily, drawing supply and demand zones isn't that difficult... once you see the trick.

Here’s how to draw demand zones...

Demand Zones

So: to draw a **demand zone**, find a **sharp rise** where you think a zone has formed.

This rise seems good enough.

Now you need to locate the source of the move - the point where this most recent rise originated. That's where the banks placed their buy positions (in this example).

If they still have positions left to place, they'll bring the price back to this point. So, we need to cover it with a zone large enough to ensure price reverses within it.

To do this:
  open the rectangle tool from the tool menu, and
  place the rectangle on the
  MOST RECENT SWING LOW that
  formed at the source of the move.

In our example, that's the low above...

Technically, the swing low is where the banks placed their buy positions. It's the point where most retail traders were selling, so the banks had lots of opposing orders to place their positions.

The banks need sellers to buy from; remember, this is the key: opposing orders.

However, we can't just mark the low; because, buying came in above as well.

So, here's what we look for:
Leave the bottom edge of the zone on the low, and
move the top edge up to the
LAST SMALL CANDLE that
formed before price shot upwards and
created the first big bull candle.

If the small candle is bullish, mark it to the close.
If the small candle is bearish, draw it to the open.

If you've drawn it correctly, it should look like this...

The lower edge should sit on the most recent swing low, and the
upper edge should rest on the last small candle before the
first big candle appeared - a small bull candle in this case.

If you can't figure out which small candle to draw the zone from because the price action is too confusing, just draw the zone from the low to the point where the rise really takes off.

Nine times out of ten, that'll suffice as a valid zone. Your risk will be a little bigger, as the zone probably won't be the ideal size. But, it'll cover the right price range and provide you with a valid trade if price reverses within it.

On to supply zones now...

Supply Zones

The way we draw **supply zones** is practically the same as demand zones.

We find the source of **sharp down-move**: place a zone on the most recent swing high, bringing it down to the last small candle that formed before the decline.

Here's how to do it:

First, find a big **decline** where you think a supply zone has formed.

As with demand zones, we always draw supply zones from the base or source of the decline. That's the point where the banks placed their sell positions. If they still have positions left to enter, they'll bring price back to this point to place them at a similar price before causing the reversal.

Once you've found the source:

Place the rectangle tool on the most recent swing high,drag the opposite edge down to the LAST SMALL CANDLE that formed before price fell sharply and created the first big bear candle in the down move.

If the small candle is bullish, mark it to the close.
If the small candle is bearish, draw it to the open.

With the zone drawn, it should like this...

You can see the top of the rectangle rests on the swing high and the lower edge sits on the open of the last small candle before price fell sharply, which was a bear candle in this example.

Again, if the price action gets too confusing and
you can't figure out which candle is the small one:
draw the zone from the low to the
point where the decline turned sharp!

Look for the first big candle in the decline. That'll give you a valid zone, just with a slightly bigger risk due to the increased size.

And with that, you're all set!

Important Note: Don't Make This Mistake Drawing Zones

Drawing supply and demand zones correctly will never be a walk in the park, but there's one huge mistake so many traders make that causes them to draw the zone the wrong way:

Not incorporating the nearby rises and declines.

We draw supply and demand zones from the source because that's where the banks bought or sold to create the zone. However, the banks don't always buy or sell from one spot. Sometimes, they don't have enough orders available to buy and sell the full amount they want, so must split their buy/sell positions up and enter them from multiple points.

On a chart, this results in multiple rises or declines originating from different but nearby prices.
The problem arises when these rises and declines aren't included in drawing the zone.

Since they form from the banks buying or selling if you don't draw the zone to incorporate them, the zone won't be 100% correct - the effect being that price will often miss the zone before reversing, causing you to miss out. So, you MUST learn to include these rises and declines when drawing the zone.

If you want a full guide on how to do this, head over to my article below... it'll teach you exactly how to determine which rises/decline must be included, and why it's so important to get right.

Check It Out Now

Part 3: The Two Ways To Trade Supply And Demand Zones

As trading strategies evolve, new ways of trading them get created. Sometimes these ways work better than the previous methods or suit a particular style of trading. Supply and demand trading has also gone through this process, and today there are two different ways of trading the zones...

Price action entry, or... Set and forget entry.

Each method has pros and cons, and it is possible to be successful with either. I've made money with both in my time trading Supply and Demand.

Let's go over each method now, so you can see how they work.

More on that in a minute.

First, let me explain how each method works...

Limit Order Entry

Popularized by Sam Seiden, the set and forget entry is the original way of trading supply and demand. It's the simplest way to trade the zones and is the method most gurus and sites teach.

With the set and forget method, you trade the zones using limit orders.

The idea is that by placing a limit order at the edge of the zone, when price returns, it'll execute the order and put you into the trade.

The upside being you'll never miss a reversal –
which happens from time to time with S & D - and
the downside being price may just blast through the zone,
causing you to lose money, which happens a lot!

Here's a quick example, so you can see how it works:

As always, start by marking a bunch of zones on the chart.

Look for the zone closest to the price.

Once you've found a zone, place a limit order at the edge CLOSEST to the current price. If price is going to reverse from the zone, it must at least breach the closest edge, either by spiking through or by moving in via normal price action.

With the entry placed, now put a stop loss at the opposite edge.

Remember; don't place the stop exactly on top of the edge. Place it slightly outside the zone, so there's a small gap between the edge price and your stop price.

Now, just wait to see what happens...

In this case, the trade was successful: price came down, spiked the upper edge (triggering our order), before reversing and moving higher. It's a great trade, in anyone's books.

Like I said, the limit order entry is a decent way of trading supply and demand. I used it for a long time, and the results were overall pretty great.

The problem is it's flawed in a way the price action entry isn't, and sooner or later, you'll get tired of this issue cropping up over and over again.

More on this in a minute.,,

First, let's go over the price action entry.

Price Action Entry

My preferred way of trading supply and demand, and the method most pro traders utilise.

With the price action entry, you trade the zones using price action, candlestick patterns to be exact. Rather than place limit orders at the edge of zones, you wait for candle patterns.

Look for **pin bars** or **engulfing candles** to form inside a zone and then enter.

They indicate the banks are interested in making price move away, so the price action gives you more **confirmation** price will reverse.

Here's how it works:

So, first off, mark a bunch of zones on the chart and find which one is closest to price.

Now with the price action entry, we must wait for price to enter or touch the edge of the zone BEFORE entering. We want to see evidence price is going to reverse in the form of a pattern before we get in. That way we know our trade has a better chance of being successful and making money.

Soon after price enters the zone, a bearish engulfing pattern forms.

This is our signal to get in. The engulfing pattern confirms the banks likely want price to reverse from the zone, so it gives us additional confirmation a reversal is about to take place.

Note: You can use pin bars as well for the entry, but in my experience, engulfs tend to work better.

With our entry set, we place a stop above the zone - as price could still come down and reverse somewhere inside, which happens from time to time - and wait to see if it reverses.

And in this case, it does...

A few hours after the engulfing pattern appears, price reverses and exits the zone.

Now our next task is to:

First: lower the risk by getting our stop to breakeven so we can't lose if price reverses again, and

Second: take profits as price continues to rise.

Taking profits really comes down to personal preference - any method will do, so long as it's safe. I like to take mine whenever price makes a new higher high - if I'm long - or a new lower low - if I'm short.

Once I see price make a new high or low, I'll move my stop to the low (or high if I'm short) of the swing that caused the market to make the new higher high or lower low. That's the point the banks entered their most recent positions, so the chances of price coming down and breaking past, are extremely low.

So, in our example, I'd take profits like this...

I also use the same method to move my stop to break-even.

When I see price first make a new higher high/lower low, I'll move the stop to the low/high of the swing created from price making the new higher high/lower low to reduce the risk.

Then, I'll follow the process above to take profits.

Why The Price Action Entry Is Better

I'm not going to knock the set and forget entry too much, because it is a decent way of trading supply and demand, and you can be quite successful with it – I can attest to that.

When it comes to trading the zones, you need to stick to using price action.

The problem with using limit orders is a problem we price-action traders know all too well:

Confirmation.

The limit order entry provides NO confirmation price will reverse from a zone; you just place the order at the edge and hope price reverses. This wouldn't be a problem if all zones worked all the time, but that's the thing, they don't.

Price blasts through zones frequently, usually without stopping. With the limit order entry, you can't avoid this, the result being A LOT of losing trades.

With the price action entry, however, things are different...

You must **wait for a pattern to form** inside or at the edge of the zone before placing a trade, as that confirms the banks want price to reverse. This allows you to avoid the zones price blows through without stopping.

It's not foolproof – zones still fail even with the right price action –

But, it is a better, safer way of trading the zones.

So, the point is clear:

Stick to trading supply and demand with price action.

The set and forget entry is okay, but the unavoidable losing trades really drag it down, and make it inferior to using price action.

3 Rules For Trading Supply And Demand Profitably

So, now you know how supply and demand works and the two ways you can trade the zones (and which way is better). You're ready to begin using the strategy in your trading.

But wait, not so fast...

Before you start trading Supply and Demand, there are a few key rules you need to understand to find the right zones on the chart and trade them correctly using your entry method.

Here's what they are...

1. Old Zones Rarely Work, Avoid Them AT ALL COSTS

If you search for supply and demand trading online, almost everyone - guru's, experts, traders, etc - will tell you old zones have the same probability of working as new zones, and they're fine to trade.

I'm going to tell you right now, that's complete hogwash.

It's one of the biggest lies in the supply and demand community, and if everyone stopped and thought about it for a minute, they'd understand why it doesn't make any sense!

As we know, supply and demand zones are formed by the banks buying and selling with huge orders. They cause the zones to form by placing a few positions, then make it return later to place the rest and cause the reversal.

That's why price returns and reverses from the source of sharp rises and declines, as we saw earlier.

Now, here's my problem with the idea old zones cause reversals.

If the banks want price to return to a zone - whether to place trades, close trades, or take profits - they would want it to return quickly, relative to the timeframe they're trading.

They would NOT want to wait a long time!

Their reason for entering may change.

I mean, think about it...

If you were a bank that just bought 50 million EUR/USD, and you still had another 50 million to buy at the same price, would you wait for price to return to the zone three months from now?

Of course not, the whole market could have changed by then!

The price action would have changed, the economic situation would be different, the orders won't be the same... everything would be different from when you entered, changing your reason for buying EUR/USD in the first place.

There wouldn't be any point buying more as the market isn't the same as it was when you bought initially.

The reality is the banks want price to return to a zone ASAP.

They don't want to wait a long time to get their remaining positions placed; they want to place them as soon as they possibly can so they can get into the market and take advantage of their reasons for entering.

Don't trade old supply and demand zones:

They DON'T work.

You'll often see price reverse from old zones, but it's not the zone causing the reversal, it's some other technical factor - could be a Support & Resistance level, big round number, economic announcement, etc.

Follow these guidelines to know when an old zone's usefulness expires:

1. Daily zones = 90 days
2. Hourly zones = 20 days
3. Less than H1 = 1 day.

2. Always Put Your Stop Slightly Outside the Zone

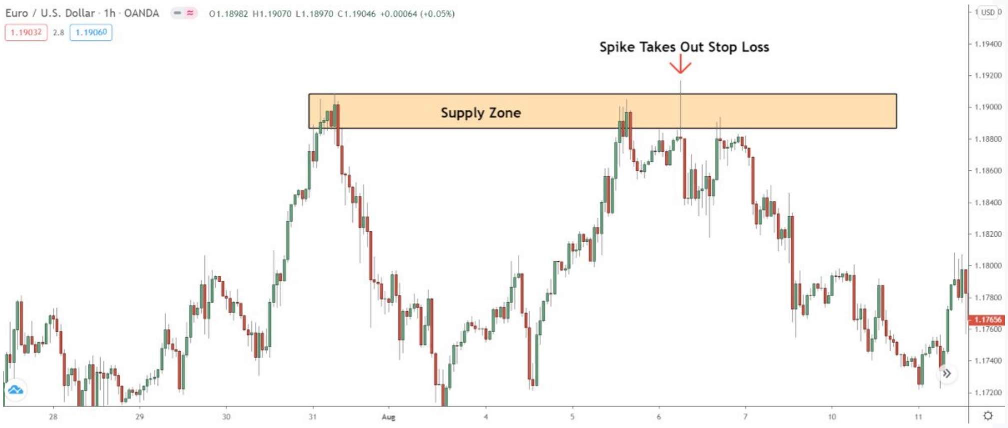
A bit obvious this, but I thought I'd put it in since it's a mistake I see many new supply and demand traders make all-too often.

When you trade a zone, put your stop slightly above or below the opposite edge.

DO NOT put it on the edge itself to skimp the risk.

It's all too common for price to spike through the edge of a supply or demand zone before reversing. If you put your stop at the edge rather than leaving a slight gap, the spike will take you out and make you miss what could be a successful trade.

You can see that happen here...



Just when it looked like price was about to reverse from this zone, price spiked through the lower edge. If you had placed your stop loss here, this spike would've taken you out, and caused you to not only lose money but also miss the reversal that then took place - not good.

So, always leave a little gap between your stop price and the edge of the zone.

How big that gap should be depends on the pair and volatility at that time, but in most cases, 15 - 20 pips should give you enough headroom to avoid any spikes while still keeping risk low.

3. Only Trade Fresh/Untouched Zones

Another big mistruth you'll hear in the supply and demand community is the idea zones have the power to cause reversals more than once like support and resistance levels do.

Again, this isn't true, not even close.

Supply and demand zones are **ONE TIME USE**.

Not two times or three times, one time **ONLY**.

When price hits a zone and reverses, that's it; the zone loses its power. The probability it'll cause another reversal in the future is extremely low.

The only exception to this rule is if a zone forms at the top or bottom of a consolidation. In this case, price will probably reverse two or three times from the zone, since the consolidation shows the banks are buying/selling from similar points.

However, once the consolidation is over, the zone loses all its power and probably won't cause another reversal. If you think about why a zone forms, it's obvious why they lose all their power after one touch.

Remember, the banks cause supply and demand zones to form because they've still got positions left to place - they haven't been able to place/close all their trades or take the right amount of profit.

So, they bring price back to the point they've already bought or sold to get their remaining positions placed - the supply or demand zone.

That way, they can place their positions (e.g trades) at a similar price, which allows them to make a similar level of profit from each trade with a similar amount of risk.

So with that being the case, why would the banks want price to return a zone a 2nd or 3rd time?

If they've already brought price back to get their remaining trades placed, why bring it back again?

It doesn't make any sense! They'd only bring price back the first time if they knew they could get their remaining trades placed, making it pointless for them to bring it back again a 2nd or 3rd time.

So this idea that zones can cause multiple reversals like support and resistance levels... it just doesn't add up.

You might see price return to the odd zone a 2nd time and reverse every now and again, but that's not a normal occurrence. And it doesn't show zones can cause multiple reversals. All it means is that something random occurred when price was in the zone - like a news release - and that caused it to reverse, not the banks buying or selling.

Part 4: FAQ And What To Do Next

Supply and Demand is a MAJOR focus for me on this site. I've used the strategy for a long time. It's a core component of how I trade, and view the markets. That said, it was impossible for me to cover everything about supply and demand trading in this one article.

So below, I've put together a bunch of Supply and Demand articles for you to add to the knowledge you have gained from this article.

These 6 additional articles cover all the bases of supply and demand. You will learn: how to find the highest probability zones, why the normal way of trading S & D (a la Sam Seiden) doesn't work, the biggest mistakes to avoid, how to draw the zones correctly... among other important things.

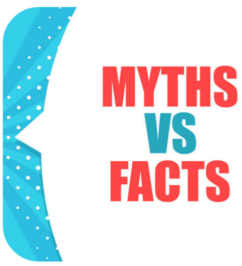
It's a good idea to get my book too...

This will go over the 5 key rules you need to know when trading supply and demand. Many of the rules or beliefs traders have on how to trade Supply and Demand don't make sense in the real world, as I explained earlier. So, I created this book to clear them up.

These 5 rules will improve your trading, by helping you find and trade the best zones.

I've also left a small FAQ containing the most common questions people ask about supply and demand at the bottom... Check it out if you have any questions about S & D - or leave a comment if your question isn't answered.

3 Key Facts Sam Seiden Gets Wrong About Trading Supply And Demand



If you've traded Supply and Demand for a while and not had much success, this article will probably explain why.

While Sam Seiden gets a lot of credit for coming up with Supply and Demand, many of the ideas he promotes about the strategy are flat out wrong and at odds with how the market really works. Like, for example, saying strong zones are those with a sharp move away – ever heard this before?

Most traders believe this to be true, even though it doesn't technically make any sense.

There are a few things he gets wrong, and I've compiled a list of the most important ones into a post that explains the problems with them and why they don't make sense...

Read Now

Don't Make This Mistake Drawing Supply And Demand Zones

Drawing a zone correctly is the single biggest thing to get right in supply and demand trading, but many traders make a simple mistake that causes them to draw the zone the wrong way...

They don't include the nearby points where price reversed.

When you fail to incorporate the nearby rises or declines when drawing the zone, you end up missing trades that otherwise would have been successful.

While this doesn't happen for every zone, for many, it does. And over time, if you fail to correct it, this will cause you to miss out on a lot of trades, which will impact your bottom line.

To avoid this, make sure you read my post below to draw the zones correctly.

Read Now

Why You Should Avoid Rally-Base-Rally/Drop-Base-Drop Zones

Supply and Demand zones come in two flavours, each determined by what price does to create the zone.

These two types of zones look and perform very different to one another due to what causes them to form. However, most traders don't realize this... they mistakenly assume both zones form for the same reason and have the exact same probability of causing price to reverse, which they don't.

I've written this article to explain why this is, and why you should stick to only trading one type of zone if you want to see good results.

Read Now

Profit Taking Zones Vs Trade Placing Zones: What's The Difference?

On top of two types of zones, they can also form for two different reasons: either the banks placing trades, or taking profits off trades. Each type of zone has its own quirks and characteristics which, if you know, can help you trade them and make fewer mistakes

To learn what these are, check out my profit-taking zones vs trading placing zone post.

Read Now

3 Mistakes That'll Destroy Your Supply And Demand Trading

In the case of supply and demand, there are 3 key mistakes traders make over and over again that you MUST avoid to become successful. My post below details what these mistakes are, why traders make them (and it's not all their fault in some cases), and most importantly... What you can do to avoid them yourself.

Check it out below if you're interested.

Read Now

Frequently Asked Questions About Supply And Demand Trading

Q. How long will it take to get good at finding and drawing the zones?

A. If you practice, it shouldn't take too long.

It's best to spend some time finding and drawing the zones yourself. By going back and finding/marking the zones you'll start to get a sense of how to draw them and what the good ones look like. Over time, you'll get better and better until eventually you'll know exactly what they look like and how to draw the properly.

Q. Can a zone be used more than once, like support and resistance?

A. No, supply and demand zones are a one-time use.
Sometimes you'll see price reverse from a zone after it's been touched, but these zones typically form at the top and bottom of consolidations, so are okay to trade. For all other zones though, only take the trade the first time price returns to a zone.

Q. Is supply and demand trading profitable?

A. It is if you learn from the right places.
Most supply and demand guru's don't really understand how the zones work, so if you learn from them, you'll probably lose money or you won't be very successful. If you learn from the people who do know what they're talking about, ... , you should have a decent chance.

Related Posts:

The Complete Guide To Trading The Double Bottom Pattern

The Total Beginners Guide To Trading Support And Resistance

Top 22 High Probability Candlestick Patterns Cheat Sheet

Is Discretionary Trading Better Than Mechanical Trading?

Tags: S & D F

Comments

Marvin
September 26, 2019 at 6:13 am

so. for the entry signal
we should go down to lower timeframe to find or just stay the current timeframe we trade at

Admin
September 26, 2019 at 11:46 am

Hey Marvin,

Stick with the timeframe you trade off for now. You can use a lower time-frame but I need to explain it more, as there are a few things you need to be aware of. I'll try to get a guide about it out in the next few weeks.

lukino60
September 27, 2019 at 8:30 am

Hey Liam,

this is piece of art. I already read your S/D book and all articles from old web, but this is again eye open in another way. I have again some ideas how to read price.

Thanks

Admin
October 1, 2019 at 6:16 pm

Glad you liked it Lucky.

Got some more S + D posts on the way. Keep a lookout for them over the next couple of weeks.

Marvin
September 28, 2019 at 3:00 am

one more question. what about the profit taking lvl, I am little confused with it
thx

Admin
October 1, 2019 at 6:10 pm

Hey Marvin,

The profit-taking level should be the closest zone on the higher time-frame. So if you trade off the 1 hour, you need to take profits once price reaches the next zone on the daily. If you trade off the 1 min or 5 min, take profits once price reaches the 1-hour zone. Don't take profits right away, though. Wait for signs of a reversal first, and then take profits if you see something developing.

Sborero
January 13, 2020 at 4:10 pm

Great post, you have taught me how to draw supply and demand zones. I have more idea now how to draw these zones.

Admin
January 14, 2020 at 6:23 pm

Great, glad to hear Sbo!

Let me know if you need anything else.

mahmoud
February 12, 2020 at 8:46 am

Thanks for your guidance in S&D. you enlighten me of some points as i am trading this method already. appreciating your efforts.

Good luck
April 14, 2020 at 7:31 pm

Thank you very much for making me know s/d zone but how do you identify it

Admin
April 17, 2020 at 12:39 pm

🙂No problem, lucky. Happy to help

Rob
April 19, 2020 at 4:40 am

Hi great article! I just found about this website and it is really helpful. Do you have any tips about profit-taking strategies you use? Do you take some profit at the first trouble area or do you just wait for it to hit the target? I have been having an issue where I tend exit the trade pretty early so I usually only earn around 2Rs per trade. I feel like you never know if the price is gonna reverse at the first trouble area. Did you ever has this issue when you were learning?

ปิ๊มไลค์
June 9, 2020 at 10:03 am

Like!! I blog frequently and I really thank you for your content. The article has truly peaked my interest.

Mandala
June 25, 2020 at 12:20 pm

Hello,
Can you please explain more about the curve? I trade the daily time frame and using H1 for confirmation when the price reaches the daily zone.

Admin
July 5, 2020 at 9:53 am

Hey Mandala, Liam here.

To be honest, I don't really use the curve concept in my trading. I understand it is a part of supply and demand theory – the economic concept of S & D, I mean – but for trading, I just don't think it adds anything valuable. It kind of narrows your view of the market and what zones are important, I think.

Much better to just concentrate on figuring out where the strongest zones are – zones created from the banks placing big trades – and then trade off of that, rather than focus on what the overall curve is, which may cause you to put more importance on zones that aren't that important if that makes sense?

Liam.

Roshan Thapa Chhetri
July 24, 2020 at 10:49 am

quick question. for test demand zone which candle must be appear red or green candle . what if whole candle touch the demand zone without wick on distal line ,does it consider rejection? if i saw demand zone in Day chart , still i have to go small time frame or not. when should i go small time frame ? your expedite reply would be wonderful. thank you

Admin
July 24, 2020 at 1:57 pm

It can be red or green, Roshan, doesn't matter which. The candle must touch the edge of the zone to signal a rejection, that's the most important thing. If it doesn't touch the edge, it's not classed a proper rejection, just a normal spike. As for daily zones, you can drop down to a lower timeframe if you want, it depends on your preferences really. I like to drop down to lower risk, but you can stay on your normal timeframe too – it's up to you, really.

Steve
August 9, 2020 at 12:21 am

Please what is your take on this?
I trade zones if price returns within:
5 min TF = 2 hours of zone creation
15- 30 min TF = 6-8 hours of zone creation
1 Hour TF = 24 hours of zone creation
Daily TF = 1 month of zone creation
Weekly TF = 1 year of zone creation

Admin
August 11, 2020 at 7:57 am

Try these instead, Steve:

1 min/5 min/15 min – 1 day.
30 min/1 hour/4 hour – 20 days
Daily – 3 months

I've tested these myself going back quite a few years, and they seem to work really well. Just give a little leeway with the times; you don't need to be super specific, e.g if a zone forms 1 day over the daily TF time, that's still a valid zone. You can't be exact with things like this, so you have to allow for a little variance with when price should return.

Steve
August 11, 2020 at 11:49 am

I'm very grateful sir. You're doing a great job

Steve
August 11, 2020 at 2:28 pm

Hi Liam,
Would like to know if S & D zones could be traded at anytime of the day, i.e. Asian, London & New York market hours. Thank you

Admin
August 12, 2020 at 12:00 pm

Yes, you can trade them at anytime, Steve. The time of day doesn't matter, only whether the zone is strong or not.

Steve
August 12, 2020 at 4:17 pm

Noted with thanks sir

Tshepi89
September 3, 2020 at 1:52 am

Hi Liam
thank you for the quality lesson above . your material has proven helpful for me and i change my whole perspective on trading.

please see "How To Trade Supply And Demand On The Daily: Full Guide + What You Need To Know" as the page does not open

thank you

Esther Dawodu
November 16, 2020 at 6:56 pm

Would Like To Know If You Have Written The Guide On Using The Lower Timeframe To Enter S&D Zone … And the guide on how to trade S&D zone daily

Admin
November 25, 2020 at 11:03 am

I haven't got a guide on entering using a lower timeframe zone, Esther – I'll try to get something out in the near future. I have got a guide on trading S & D on the daily, though…I took it off the site as I'm going to re-purpose it for another post, but I'll send it over to you so you can read it.
Cheers,
Liam.

Comments are closed.