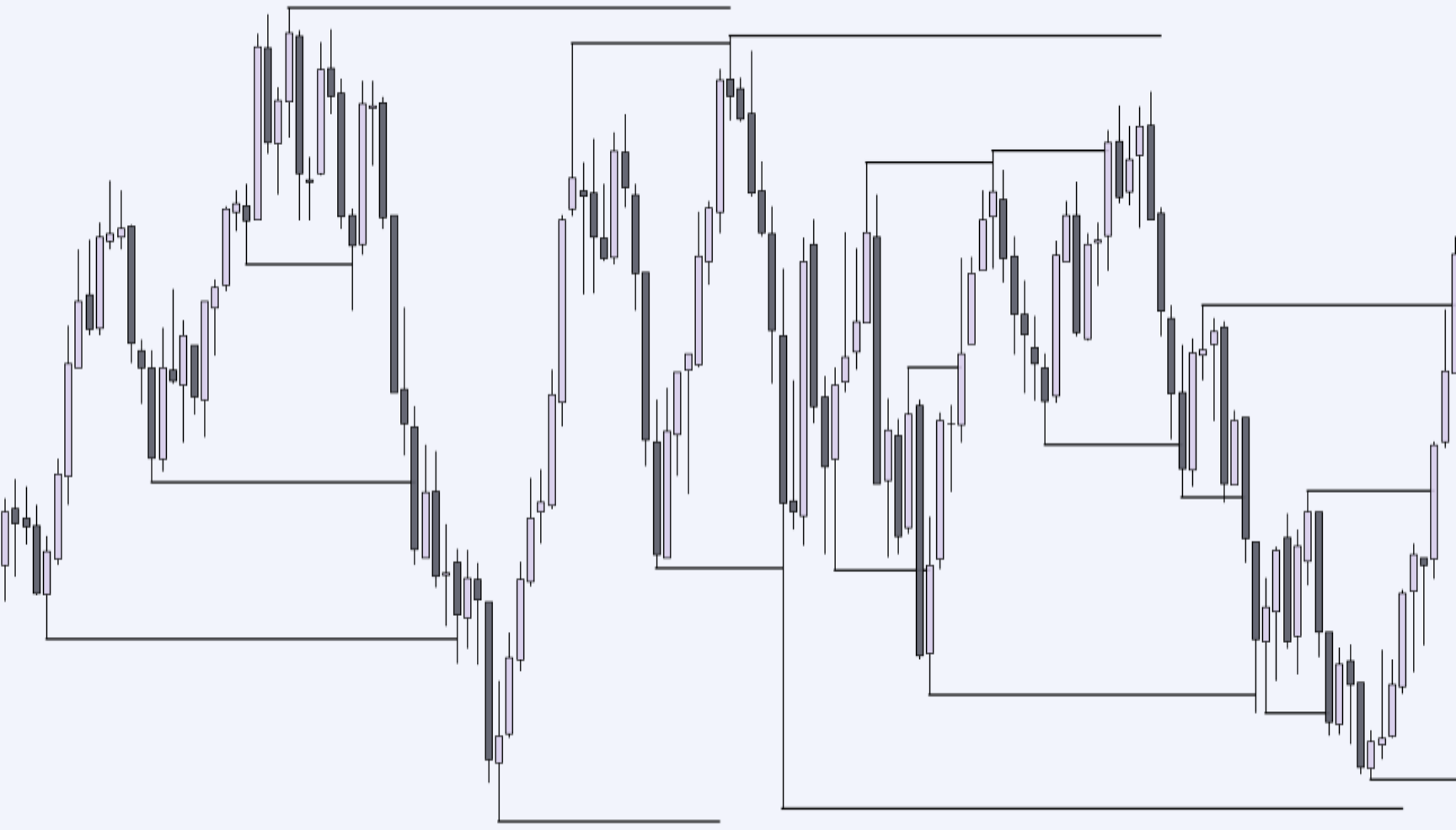
PHASE 404

The Ultimate A to Z Guide to Mastering Market Structure and Trading It Effectively & Mechanically



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Introduction

- **The Market follows a logic known as Wyckoff's Method.**
- **Wyckoff's Method** is a technical analysis approach that helps traders understand and anticipate market movements by observing the behavior of institutional investors. Developed by Richard Wyckoff in the early 20th century, this method focuses on price and volume to reveal the underlying intentions of market participants.

- **Wyckoff's Method is based on three primary phases: Accumulation - Manipulation - Distribution (AMD)**

  Understanding these phases allows traders to recognize the market's current condition and make informed decisions based on the institutional behavior underlying the price action.

AMD

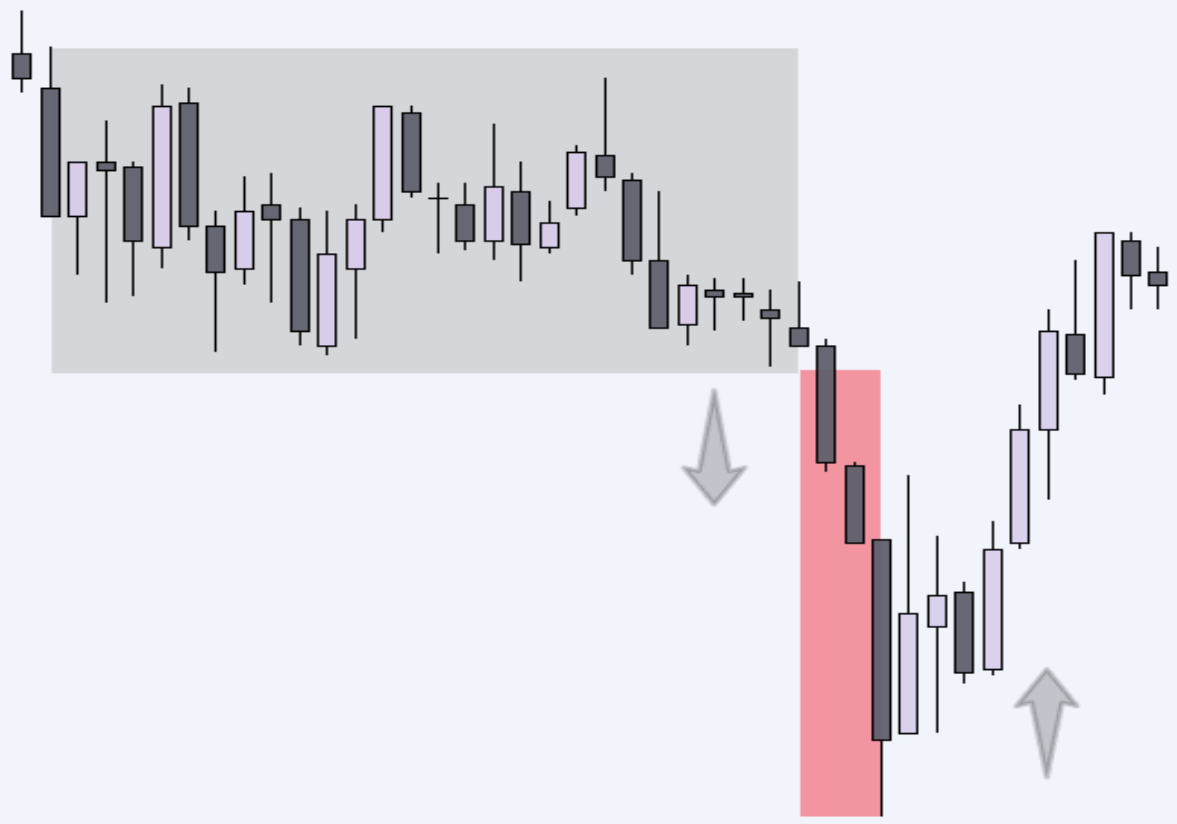
- **1. Accumulation Phase**

- 🔹 **Definition:** This phase occurs when institutions accumulate orders within a specific price range without causing a significant market move.
- 🔹 **Characteristics:**
  - ✔ Sideways market structure (Range-bound price action)
  - ✔ **Liquidity Grab:** Sweeping below previous lows to trigger stop-loss orders
  - ✔ High volume around lows (suggesting Smart Money accumulation)
  - ✔ **False Breakouts:** Tricking traders into believing a bearish move is underway
  - ✔ Presence of long wicks (wick rejections)
- 🔹 **Objective:** To accumulate long positions while inducing retail traders to short the market.

AMD

- **2. Manipulation Phase**

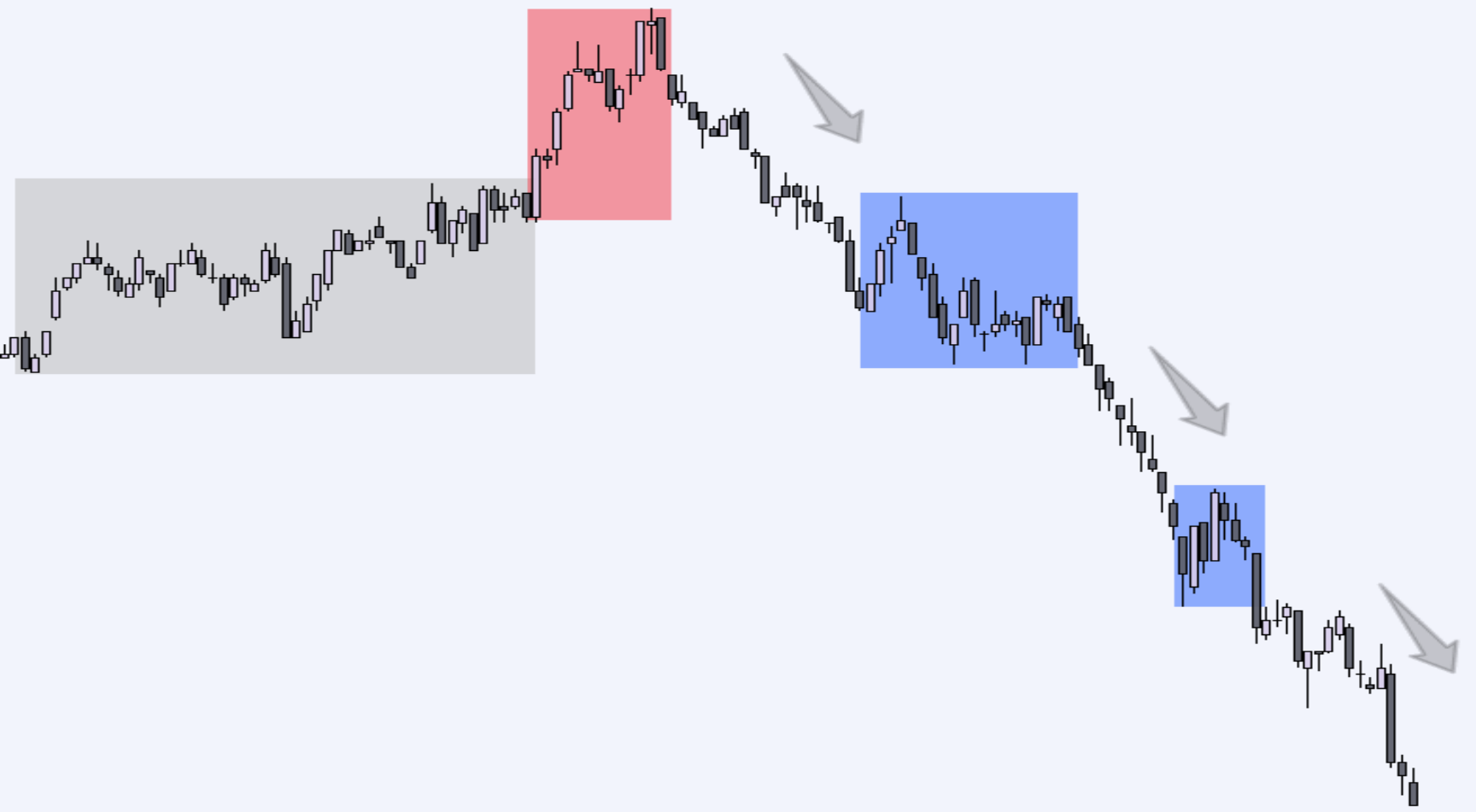
- 🔹 **Definition:** This phase involves sharp, unpredictable moves designed to manipulate retail traders into taking the wrong side of the market.
- 🔹 **Characteristics:**
  - ✔ **Stop Hunts:** Targeting liquidity by sweeping key highs or lows
  - ✔ **Liquidity Grab:** Triggering pending orders before a reversal
  - ✔ **Fake Breakouts:** Inducing premature entries on the wrong side
  - ✔ **High Volatility:** Sudden spikes designed to confuse traders
- 🔹 **Objective:** To capture liquidity before initiating a strong move in the intended direction.



AMD

- **3. Distribution Phase**

- 🔹 **Definition:** Following the manipulation phase, institutions begin offloading their positions by selling into rising prices or buying into falling prices.
- 🔹 **Characteristics:**
  - ✔ Formation of a market top (or bottom)
  - ✔ **Liquidity Grab at Highs:** Inducing FOMO buying before reversal
  - ✔ Weak continuation signals, often followed by structural shifts
  - ✔ Strong bearish candles indicating institutional selling pressure
- 🔹 **Objective:** To exit profitable positions while misleading retail traders into late entries.



Liquidity

- **What is Liquidity?**

- **Liquidity** refers to the ability to buy or sell an asset in the market **quickly and efficiently** without causing a significant change in its price. It represents the depth of market participation, where a higher number of buyers and sellers ensure smoother price movements.

- **Why Liquidity Matters?**

Institutions and market makers **hunt liquidity** to efficiently enter and exit positions without major price impact. Understanding liquidity helps traders anticipate where Smart Money is likely to manipulate price to grab liquidity before making a significant move.

Liquidity

- **Types of Liquidity**
- Liquidity is not randomly scattered throughout the market; rather, it is **concentrated at key price levels** where traders and institutions place their **stop-losses, pending orders, and large institutional orders**. These areas act as magnets for price because they provide the necessary volume for Smart Money (banks, hedge funds, and market makers) to execute their large positions efficiently.
- **Since** institutional traders handle enormous trade sizes, they cannot simply place all their orders at once without significantly impacting price. Instead, they manipulate the market to **seek out liquidity pools**, ensuring that their orders get filled at the best possible price with minimal slippage.

Liquidity

- **Buy-Side Liquidity (Above Current Price)**
- **Buy-side liquidity exists above the current market price**, where stop-losses of short sellers and buy-stop orders from breakout traders are located. Smart Money often pushes price into these areas to trigger these orders before reversing the market downward.
- **Where is Buy-Side Liquidity Found?**
- ✔ **Above major swing highs** – These levels attract stop-losses of short traders.

  ✔ **Above resistance zones** – Retail traders place buy-stop orders for breakout entries.

  ✔ **Above psychological round numbers (e.g., 1.1000 in Forex, $50,000 in BTC).**

  ✔ **At liquidity pools where Smart Money accumulates buy-side orders before selling.**
- **How Market Makers Use Buy-Side Liquidity?**
- 🔹 Price is often **manipulated upward** to trigger short sellers' stop-losses and activate breakout traders' buy orders.

  🔹 Once liquidity is grabbed, Smart Money **fills their sell orders at premium prices** and reverses the price downward.

  🔹 This often results in a **liquidity sweep (stop hunt)** where price wicks above a key level and then aggressively moves lower.
- 📌 **Example:**

  Imagine EUR/USD is consolidating near **1.1000**, and many traders have placed **sell positions** with stop-losses above **1.1020**. Market makers may drive price up to **1.1025**, triggering these stops and activating buy-stop orders before reversing sharply downward.

Liquidity

- **Sell-Side Liquidity (Below Current Price)**
- **Sell-side liquidity exists below the current market price**, where stop-losses of long traders and sell-stop orders from breakout traders are located. Institutions often push price down to sweep these levels before reversing upward.
- **Where is Sell-Side Liquidity Found?**
- ✔ **Below major swing lows** – These levels attract stop-losses of long traders.

  ✔ **Below support zones** – Retail traders place sell-stop orders for breakout entries.

  ✔ **Below psychological round numbers (e.g., 1.0900 in Forex, $45,000 in BTC).**

  ✔ **At liquidity pools where Smart Money accumulates sell-side orders before buying.**
- **How Market Makers Use Sell-Side Liquidity?**
- 🔹 Price is often **manipulated downward** to trigger long traders' stop-losses and activate breakout traders' sell orders.

  🔹 Once liquidity is grabbed, Smart Money **fills their buy orders at discounted prices** and reverses the price upward.

  🔹 This results in a **liquidity grab (stop hunt)** where price wicks below a key level and then aggressively moves higher.
- 📌 **Example:**

  Imagine GBP/USD is ranging around **1.2500**, and many traders have placed **buy positions** with stop-losses below **1.2475**. Market makers may push price down to **1.2470**, stopping out these traders and activating new sell orders before reversing the price back up sharply.

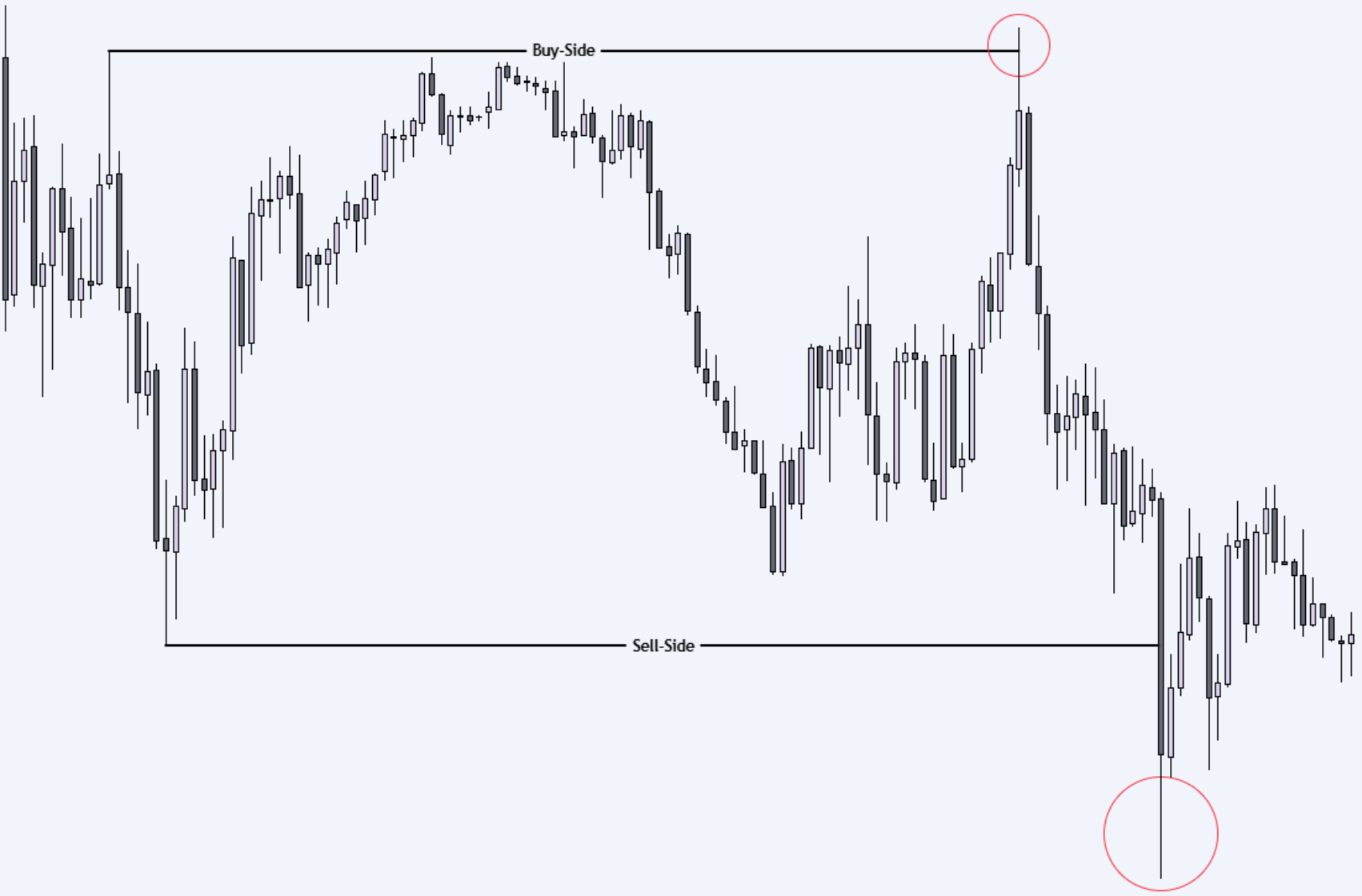
Liquidity

- **Why Understanding Liquidity is Essential?**
- Liquidity plays a crucial role in the financial markets, and mastering its dynamics can significantly enhance a trader's ability to navigate price movements with precision. The ability to recognize liquidity zones and understand how Smart Money manipulates price to capture liquidity can mean the difference between success and failure in trading.
- **Avoid Getting Trapped by Stop Hunts and False Breakouts**
- **Retail traders often fall victim to market manipulation** because they rely on traditional support/resistance concepts without understanding how liquidity drives price action. Market makers, institutions, and Smart Money take advantage of this by **engineering stop hunts and false breakouts** to trap retail traders before moving price in the opposite direction.
- **How Market Makers Manipulate Liquidity?**
  - They push price slightly **above a resistance level** to trigger breakout buy orders and stop-losses of short sellers, then **reverse the price downward** (bull trap).
  - They drive price slightly **below a support level** to trigger sell-stop orders and stop-losses of long traders, then **reverse the price upward** (bear trap).
- **Example:**

  Imagine EUR/USD is consolidating near **1.1000**, and many traders have stop-losses below **1.0980**. Market makers may **push price down to 1.0975**, triggering these stops before reversing the price back above **1.1050**, leaving retail traders trapped in losing positions.
- ✔ **Solution:** By identifying liquidity pools before entering a trade, traders can avoid executing positions right where Smart Money is likely to **hunt stop-losses** before reversing the trend.

Liquidity

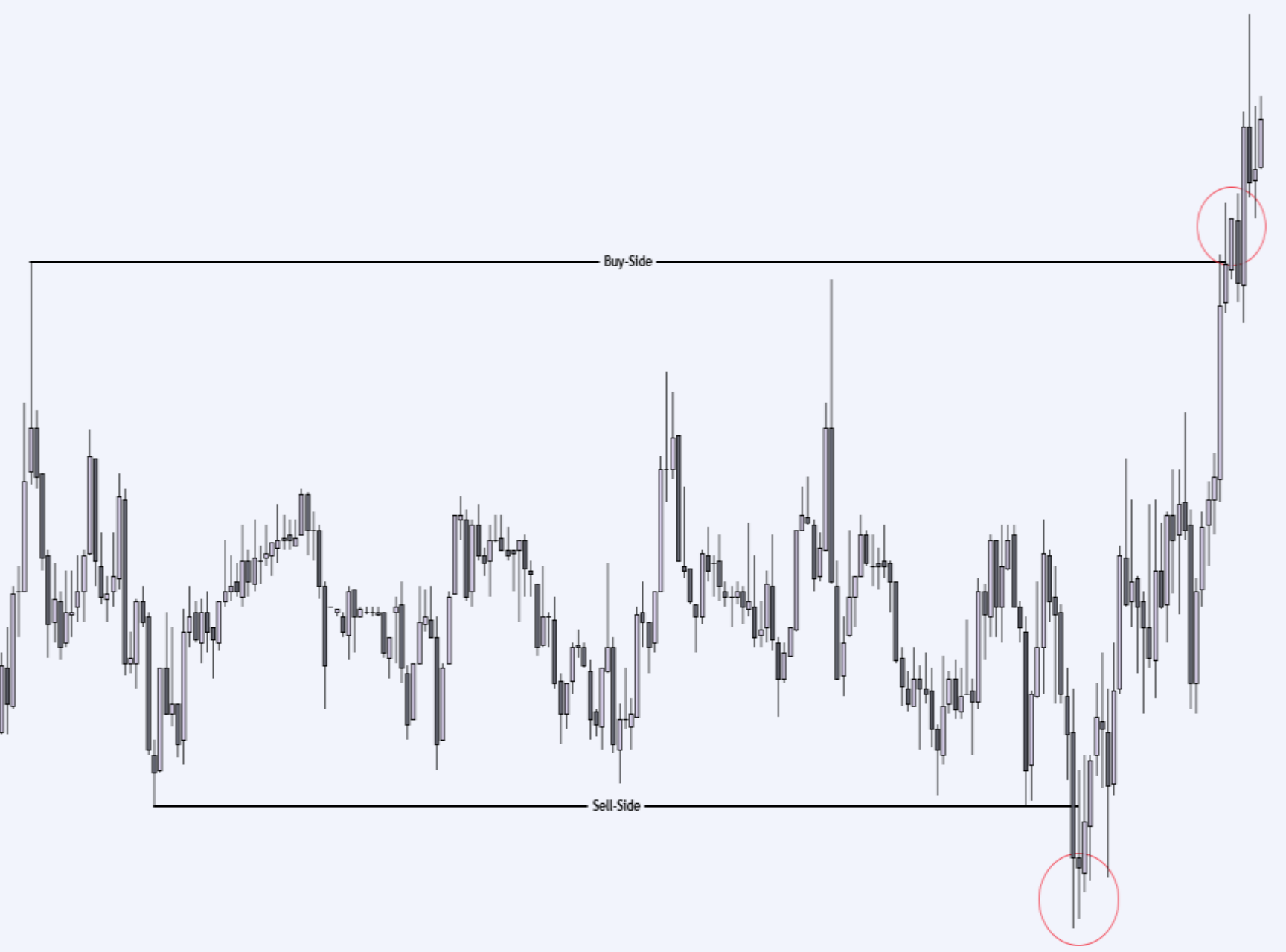
- As you can see in the image below, liquidity is extracted from the **buyside** (where buy orders are concentrated) and then transferred to the **sellside** (where sell orders are filled). This is a typical behavior of the market maker, who manipulates the liquidity to create market movement. The market maker does this on **all timeframes**, whether on a short-term chart or a longer one, in a **fractal manner**—meaning the same process occurs on different timeframes, with the same principles applied at each scale. This fractal pattern reflects how the market maker operates consistently, creating liquidity shifts and price action based on the same core strategy, regardless of whether the timeframe is 1 minute or 1 day.



Liquidity

- **Now, how can we easily identify the buyside and sellside?**
- To trade intraday, use the 15-minute timeframe and identify the highs and lows that are formed close to each other. These levels can be marked as the **buyside** and **sellside**.

- As your experience increases, you can also start using the 5-minute timeframe.



Market BIAS

- **Market bias** serves as the **foundation** for making decisions about when to enter or exit a trade. It essentially answers the question, "What direction is the market likely to move in?" Having a clear understanding of the market bias helps traders:
- **Avoid trading against the trend**: The most common mistake novice traders make is to take trades that go against the dominant market trend. Trading with the trend (also called "trend following") has historically been more profitable than trading against it.
- **Identify potential entry and exit points**: When the market bias is clear, traders can pinpoint the best areas to enter and exit positions based on the current market direction. For example, in a **bullish market bias**, traders may look for buying opportunities near support levels or breakouts above resistance levels.
- **Enhance risk management**: Knowing the market bias helps traders set their stop-loss orders in the correct zones. For instance, in a **bullish market bias**, a trader might place a stop below key support levels, while in a **bearish market bias**, a stop may be placed above resistance. This aligns risk with the prevailing market structure.

Market BIAS

- **How Liquidity Movement Indicates Market Bias:**
- Now, to determine the **market bias** (whether the market is bullish or bearish), you need to watch how liquidity shifts between the **buyside** and **sellside**. Here's how it works:
- **Bullish Bias**: In a **bullish market**, there is usually a higher amount of liquidity on the **buyside**. This means that there is strong buying interest, and prices are generally rising. The market maker or large institutions may take the liquidity from the **buyside** (buy orders) and move it to the **sellside**. When this happens, it could indicate that the market is making a temporary pause, retracement, or preparing for further upward movement after a shift.
- **Bearish Bias**: In a **bearish market**, liquidity shifts the opposite way. When sellers are in control, liquidity is primarily on the **sellside**, and prices are dropping. Market makers or institutions may take liquidity from the **sellside** (sell orders) and deliver it to the **buyside**, signaling a shift towards buying pressure and potentially reversing the downward trend.

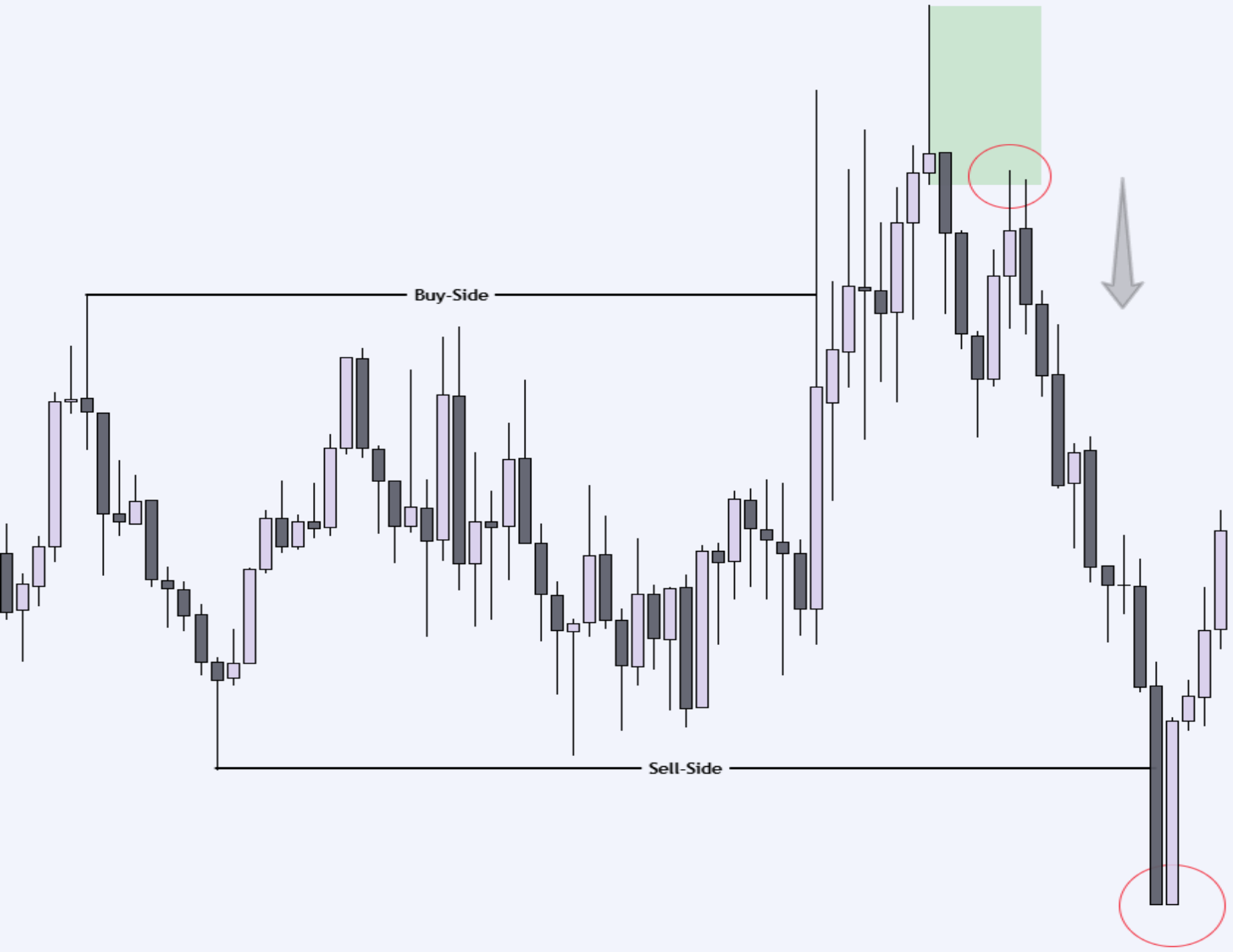
Market BIAS

- **Identifying Liquidity Shifts and Market Sentiment:**
- **Bullish to Bearish Shift**: If you see that the market is taking liquidity from the **buyside** and pushing it to the **sellside**, it could indicate that buying pressure is weakening, and the market might be turning bearish. This suggests a possible **bearish bias**.
- **Bearish to Bullish Shift**: Conversely, if the market takes liquidity from the **sellside** and shifts it to the **buyside**, it could show that selling pressure is weakening, and buying pressure is increasing. This would indicate a **bullish bias**.
- **Fractal Nature of Liquidity Shifts:**
- This liquidity movement happens in a **fractal** manner, meaning that it occurs on all timeframes. Whether you're looking at a 1-minute chart, 15-minute chart, or daily chart, you'll observe similar liquidity patterns. The key is to watch for how the market absorbs or releases liquidity at various price levels, which helps you identify the bias and align your trades with the prevailing market direction.

- In summary, observing how liquidity moves between the **buyside** and **sellside** helps you identify the market bias. By understanding these shifts, you can better predict whether the market is transitioning from a bullish to a bearish bias, or vice versa, giving you an edge in making informed trading decisions.

Market BIAS

- **For instance**, on the 15-minute timeframe, we can observe that liquidity has been absorbed from the **buyside**, indicating a shift in **market bias** towards the **sellside**. This shift suggests a **bearish bias**, meaning that the market is currently leaning towards downward price action. In this context, we can look for **short opportunities** as the market moves towards its **sellside liquidity target**. The bearish bias implies that there is more selling pressure, and as liquidity is absorbed on the sellside, prices are likely to continue moving lower. We can capitalize on this trend by entering short positions in alignment with the market's prevailing bias, taking advantage of the liquidity flows until the market reaches the area where sellside liquidity is absorbed. By doing so, we ensure that we are trading in the direction of the dominant bias, which increases the probability of successful trades.



Point of Interest

- **What is a Point of Interest (POI) in Trading?**
- In technical analysis, a **Point of Interest (POI)** refers to specific areas on the chart where price is likely to react. These zones typically hold liquidity, large orders, or key market levels that attract institutional activity. Understanding POIs helps traders anticipate high-probability trade setups and refine their entries.

- **Order Blocks (OBs)**
- Order blocks are the last bullish or bearish candles before a strong price move. They represent areas where institutions and smart money placed large orders before a major price shift. These zones often act as support or resistance when price revisits them.
- **Bullish Order Block:** A down candle before a strong bullish move. Acts as support when price retraces.
- **Bearish Order Block:** An up candle before a strong bearish move. Acts as resistance when price retraces.

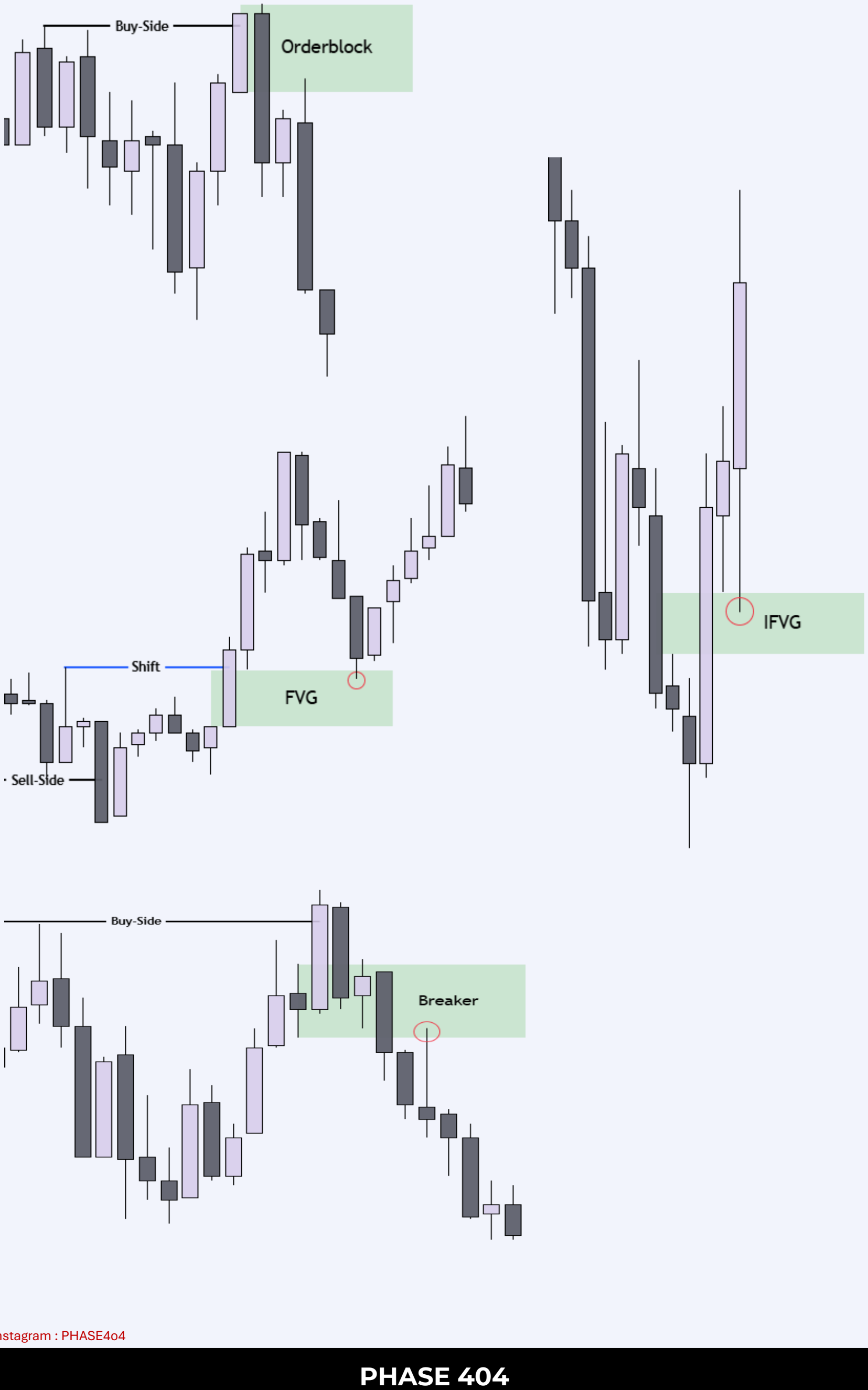
- **Fair Value Gaps (FVGs)**
- Fair Value Gaps (FVGs) are price inefficiencies created when the market moves aggressively in one direction, leaving a gap between the previous candle's high/low and the next candle's low/high.
- **Bullish FVG:** Created when price moves up rapidly, leaving an imbalance below.
- **Bearish FVG:** Created when price drops quickly, leaving an imbalance above.
- **FVGs act as magnets for price, as the market often seeks to "fill" these inefficiencies before continuing in the original direction.**

Point of Interest

- **Inversed Fair Value Gaps (Inversed FVGs)**
- Inversed Fair Value Gaps (IFVGs) are areas where price fills an FVG but fails to fully close the imbalance, leading to a partial gap. This creates a hidden zone of liquidity that can act as a strong support or resistance.
- **If price leaves an FVG but fails to fully close it, that unfilled portion acts as an Inversed FVG.**
- **These zones often lead to sharp reactions when revisited, as leftover liquidity gets absorbed.**

- **Breaker Blocks**
- Breaker Blocks are invalidated order blocks that later act as strong support or resistance. They occur when price breaks through an OB and then retests it from the opposite direction.
- **Bullish Breaker:** A previous bearish OB that gets invalidated and later acts as support.
- **Bearish Breaker:** A previous bullish OB that gets invalidated and later acts as resistance.

Point of Interest



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Confirmations

- **A trade confirmation** is a set of conditions or signals that validate the potential entry point for a trade. It's essentially the proof or confirmation that supports your decision to enter a position, ensuring that the trade aligns with your strategy and has a higher probability of success.

- **To enter a position**, you can use different confirmation models. Choose one that works best for you and repeat the process. There is no "better" or "worse" confirmation; each has its own success rate. The key is to backtest and see which one fits your understanding and style. Once you find the right one, stick to it and execute consistently.
- Confirmation can be done on the 1-minute or 5-minute timeframe. The lower the timeframe, the higher the risk.

- Important question! Where should we look for these confirmations? You should only look for confirmations when a **buyside** or **sellside** has been hunted. Once you identify that liquidity has been absorbed from one side, then you can proceed to look for your confirmation model. If this condition is not met, simply forget about it and move on.

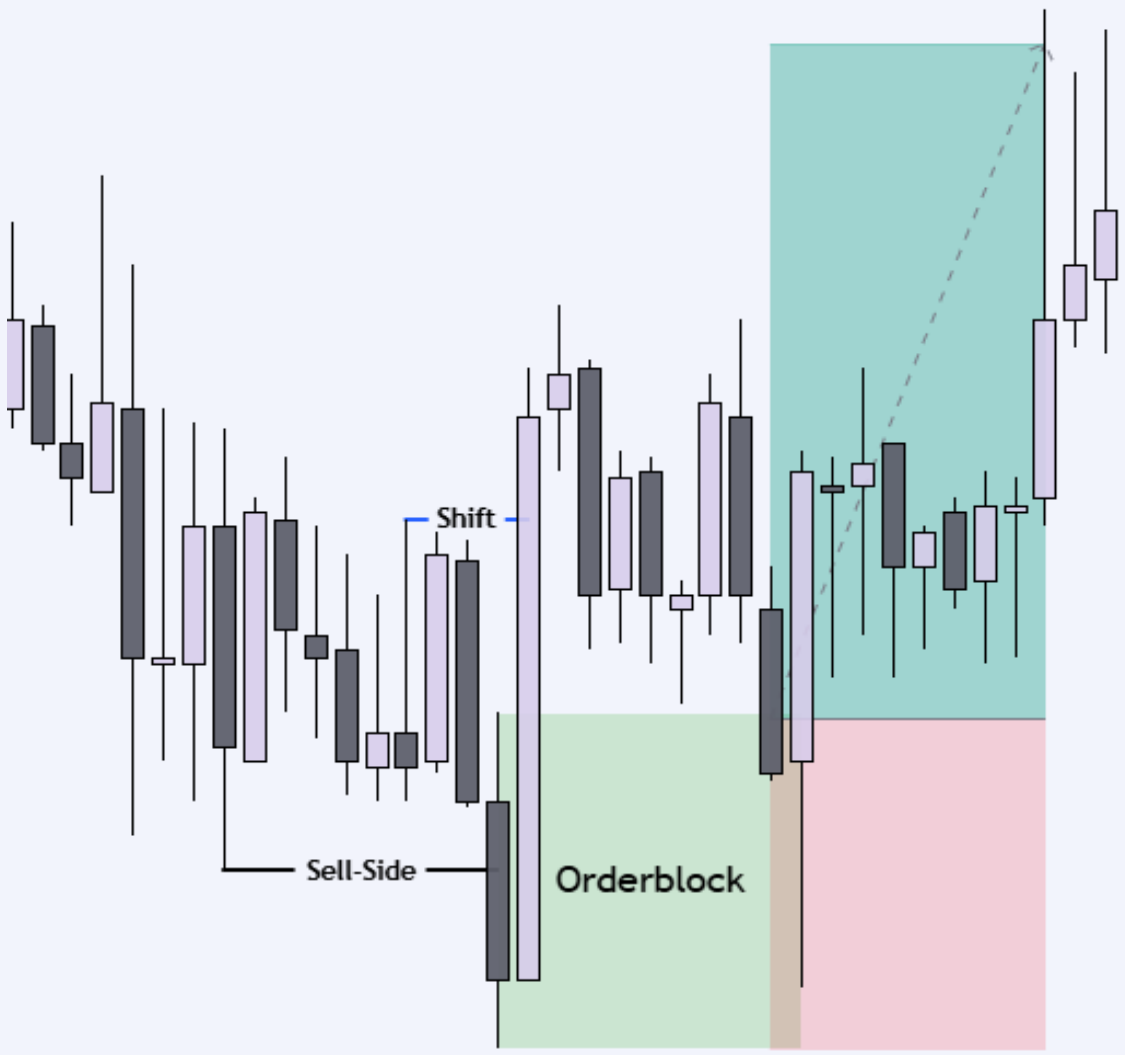
Confirmations

- **One important thing** to pay attention to is that you should try to look for confirmations in **kill zones**. This is because liquidity in the market is high during these periods, making it a great opportunity to spot potential confirmations. Kill zones represent times when market activity is concentrated, and liquidity is more likely to be absorbed, providing better conditions for confirming your trade setups.

- **The next thing** you need to pay attention to is that seeing a confirmation does not guarantee a 100% win rate. So, from now on, learn to behave like a mature trader and don’t get upset when you hit a stop loss. Losses are a natural part of trading, and it's important to stay emotionally neutral and focus on the long-term consistency of your strategy.

Confirmations

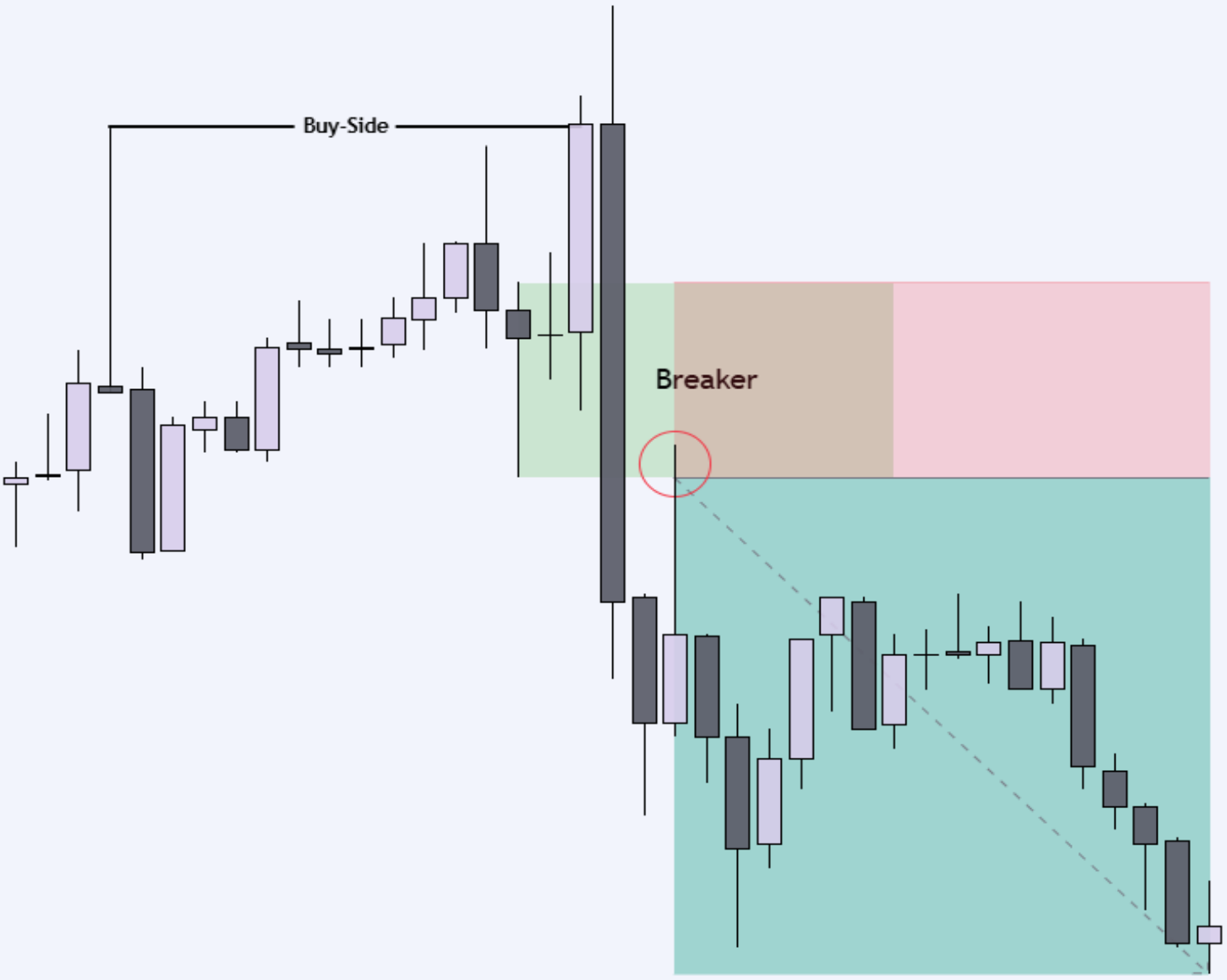
- **The first simple confirmation is MSS (Market Structure Shift).**
- MSS occurs when the market structure changes direction, typically after a period of consolidation or trending. It indicates a shift in the market's behavior, suggesting that a reversal or continuation may be coming. In other words, MSS is the point where the market moves from making higher highs and higher lows (bullish structure) to lower highs and lower lows (bearish structure), or vice versa.
- For example, if the market was making higher highs and higher lows (bullish structure) and then starts making a lower high, it could be signaling a potential bearish shift. This break in the structure can act as a confirmation that the market may be preparing to change direction, and you can use it to enter a trade in alignment with the new market trend.
- MSS is a useful and straightforward tool for identifying potential entry points because it helps traders spot the change in the market's direction, which often leads to profitable trades if entered at the right time.



Confirmations

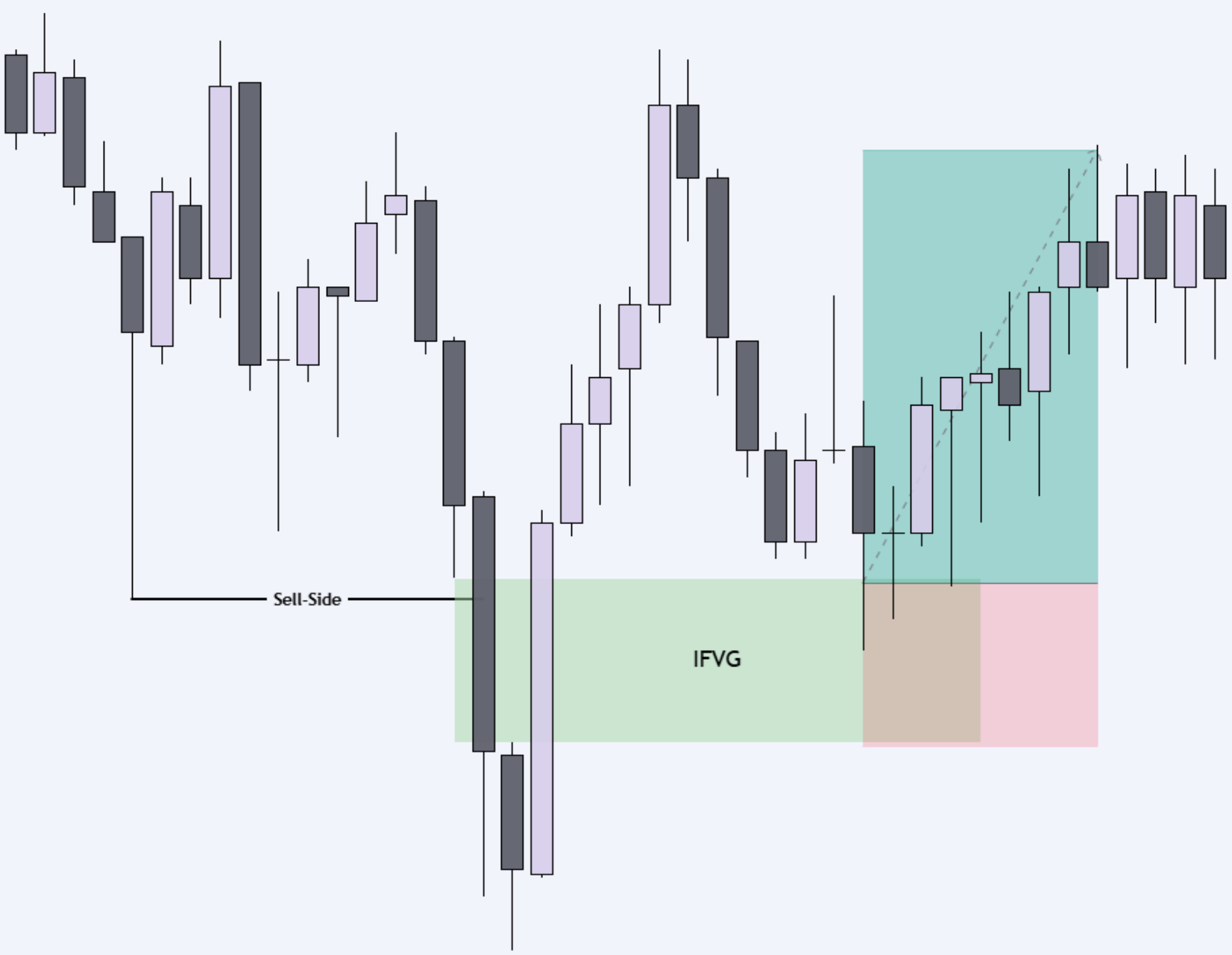
- **The second confirmation is the Breaker :**

- The Breaker sends the price deep into the liquidity zone, hunting for stops and orders. Once the price pushes through and breaks the level with significant momentum, it then creates a Point of Interest (POI). This happens because the market has absorbed the liquidity in that area, and the broken level now acts as a key point where price may reverse or continue in the new direction. So, after the liquidity hunt and the price rejection, the area transforms into a POI, which traders can use as an entry point for potential trades.



Confirmations

- **The third confirmation is IFVG (Inversed Fair Value Gap).**
- An **Inversed Fair Value Gap (IFVG)** is essentially the opposite of the regular Fair Value Gap (FVG), and it occurs in a similar way but with a reversal of expectations.
- An **IFVG** is formed when price moves in such a way that an area of imbalance or a "gap" is left behind, but this time the gap is formed in the opposite direction of the current trend or expected market direction. This creates an inefficient price move, where the market quickly retraces and fails to fill the gap fully, often due to a shift in market sentiment.

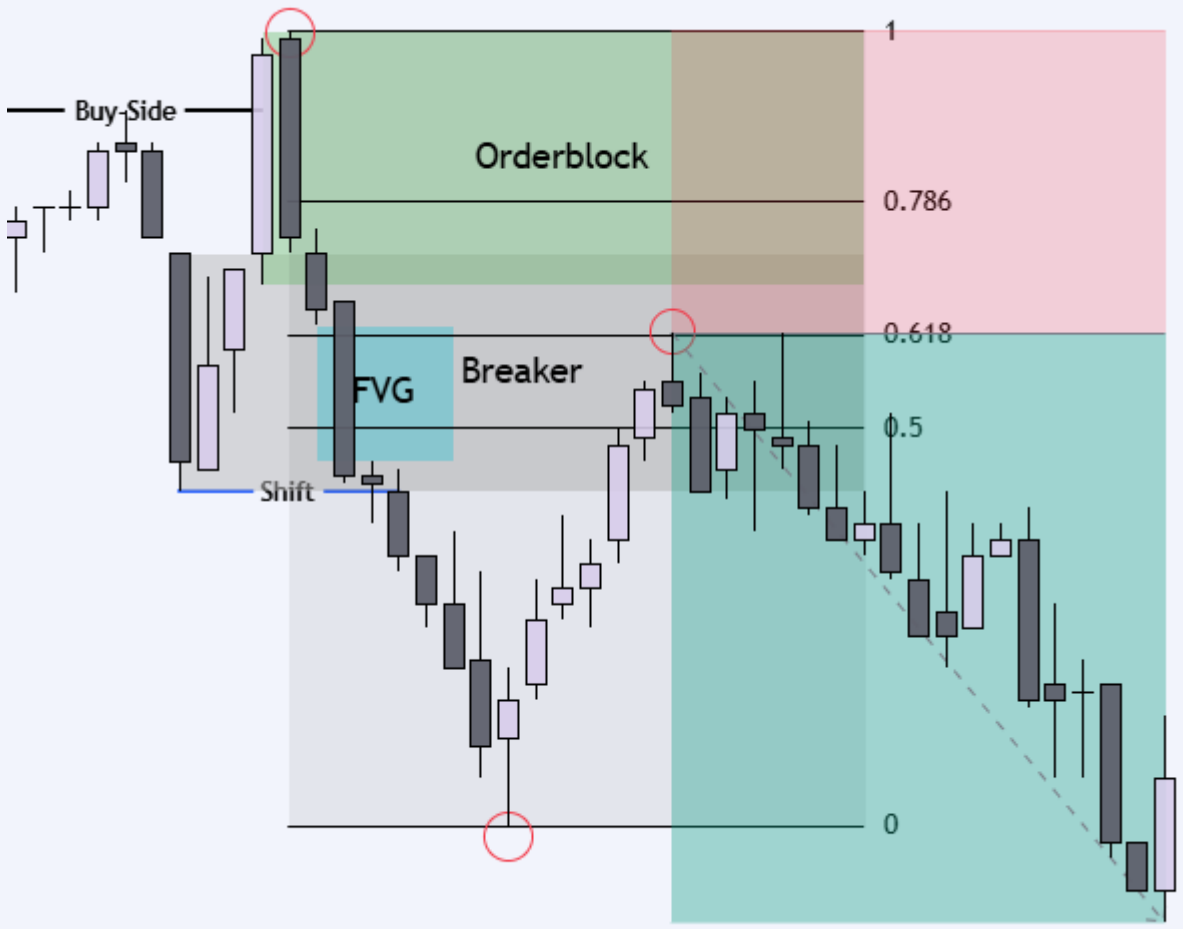


Confirmations

- **Optimal Trade Entry (OTE)** is a Fibonacci-based retracement zone that provides traders with an ideal entry point for high-probability trades. The OTE zone is typically found between the **61.8% and 78.6% Fibonacci retracement levels**, where price tends to reverse before continuing its primary trend.
- In reality, the **Equilibrium level (50% retracement)** can also be considered a significant area for trade entries, as it represents a fair value where the market often reacts before reaching deeper discount or premium zones. However, OTE offers a more refined entry within the discount or premium range, increasing the probability of a strong continuation in the intended direction.
- **How to Determine Which POI (Point of Interest) Price Will Return To & Re-Enter After Missing a Move**
- Missing an entry doesn't mean the opportunity is gone, price often provides a second chance at a more refined level. When analyzing multiple Points of Interest (POIs), traders must identify the most probable level where price will react and offer a re-entry opportunity. Here’s how to determine the best POI for entry or re-entry:
- **Identify the Best Discounted/Premium POI for Re-Entry**
- In an uptrend, look for POIs in a **discount zone (below equilibrium, 50% retracement)**.
- In a downtrend, look for POIs in a **premium zone (above equilibrium, 50% retracement)**.
- The deeper the retracement (e.g., **61.8%–78.6% OTE zone**), the higher the probability of a reaction.

Confirmations

- **How to Use OTE (Optimal Trade Entry) Effectively?**
- To utilize **OTE (Optimal Trade Entry)**, follow these steps:
- **1. Identify a Strong Market Move (Impulse Leg)**
- Find a clear **swing high to swing low (for bullish setups)** or **swing low to swing high (for bearish setups)**.
- The move should be significant, with strong momentum, indicating a valid impulse leg.
- **2. Apply the Fibonacci Retracement Tool**
- In a **bullish setup**, draw Fibonacci **from the lowest point (swing low) to the highest point (swing high)** of the move.
- In a **bearish setup**, draw Fibonacci **from the highest point (swing high) to the lowest point (swing low)** of the move.



Confirmations

- **Divergence Between Related Pairs (SMT Divergence)**
- When two correlated assets (e.g., EUR/USD & GBP/USD) show different behavior:
  - One makes a higher high while the other fails to do so (bearish divergence).
  - One makes a lower low while the other fails to do so (bullish divergence).
- This signals smart money manipulation and potential reversals.

Summary

- **Start by Identifying Buyside & Sellside Liquidity** – Before anything, mark out key liquidity zones where price is likely to target.
- **Wait for Manipulation to Occur** – Don't rush in; let price take out liquidity on one side before considering an entry.
- **Drop to a Lower Timeframe for Confirmation** – Once liquidity is grabbed, refine your entry on a lower timeframe using the Confirmations.
- **Personal Approach:** I personally mark liquidity zones on the **15-minute timeframe** and execute trades on **the 1-minute chart**. However, you can apply this method to any timeframe since price action is completely **fractal**.
- **Key Rule:** Once price sweeps liquidity in one direction, I avoid trading against it **until it reaches the opposite liquidity zone**. If you counter-trade too soon, your confirmations will **fail unnecessarily**.
- **Is This Process That Simple?**

  I'd say **NO**—this is a **skill-based** approach that requires **a lot of practice**. But once you develop your eye for it, execution becomes second nature.

- On the next page, I will include an example of my trade.

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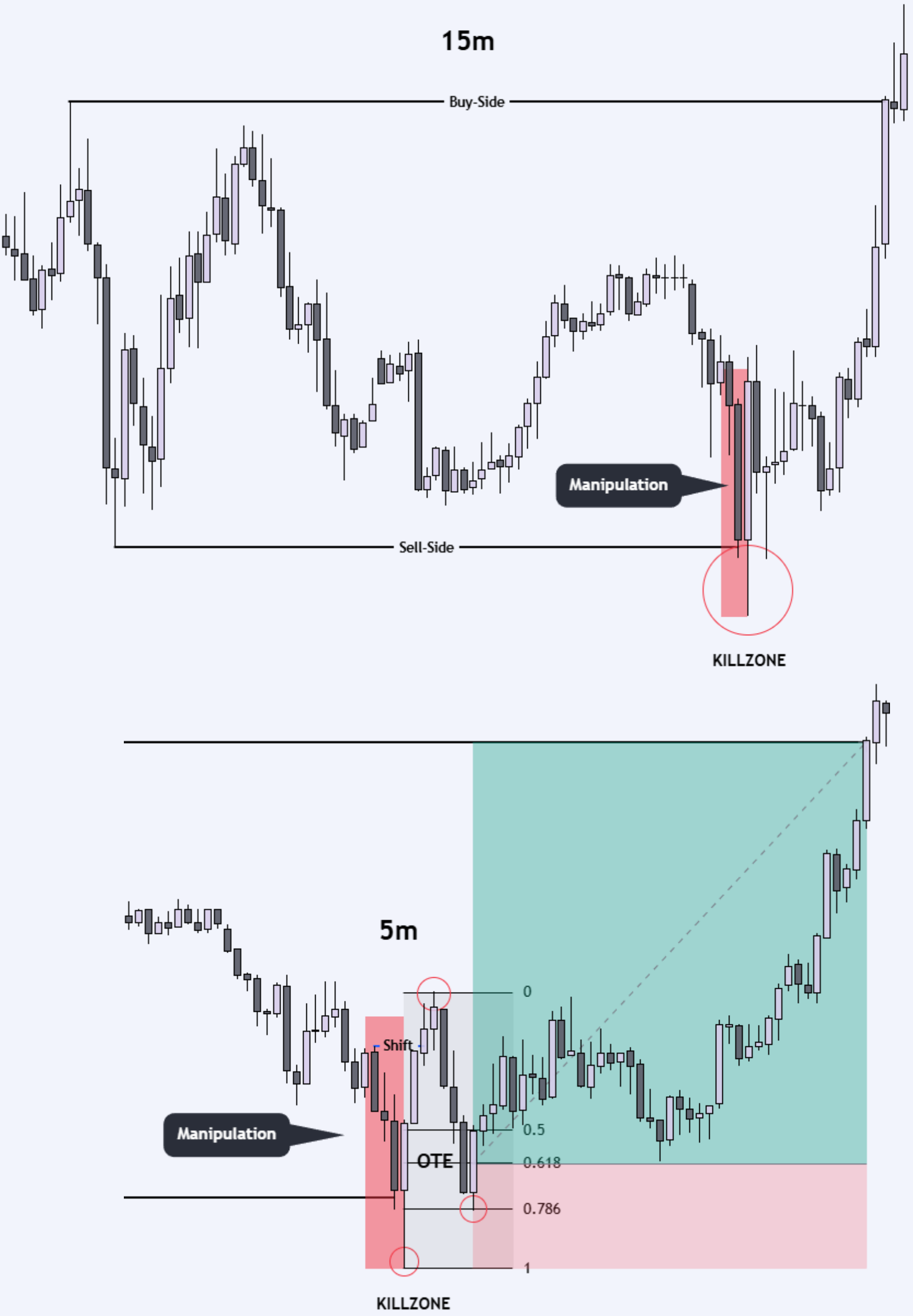
Example



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Final Thoughts

- I have tried to include all the essential elements in this **PDF** to help you trade mechanically with complete clarity. However, it is crucial that you **backtest** these concepts first to ensure you can apply them effectively on the charts.
- My advice to you: **Don't chase a magical strategy, because it doesn’t exist!** The only thing you truly need is a **simple and repeatable setup.** The setup I have taught here occurs frequently throughout the day and is easy to execute.
- All you need is **time and practice** to master it. I hope you make the most out of this material!

Follow me on Instagram to watch my educational videos, they will help you gain a deeper understanding of these concepts!

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