

# How To Determine The Strength Of Supply And Demand Zones

By: PriceActionNinja.com

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If I had a dime ...  
for every time ...  
I was told ...

*"Only trade the zones with a strong move away;" and;  
"Zones with a weak move away rarely work."*

I probably wouldn't need to trade anymore. No joke!

Supply & Demand gurus are EVERYWHERE these days;  
and the above is one of their favourite mantras.

**These "rules" aren't even close to being true.**

In supply and demand trading, the move away from a zone, for example, how price rises away from a demand zone, is considered *THE KEY* factor in the strength of the zone. This is due to how zones form in the first place: the banks placing *orders* into the market via buying and selling to *place* trades, *close* trades, or *take profits*.

The gurus say:

*"A strong move away indicates the banks could not place all their orders, making a return to the zone in the future more likely. This return enables the banks to get their remaining orders executed."*

On paper, this makes sense, and much of it is true!

There are also gurus of truth;

*"In every good lie there is just enough truth to make it believable."*

Do the banks enter orders at supply and demand zones? Yes!

Do they make price return to the zones so they can get their leftover orders executed before the main reversal gets underway? Of course, that's why price reverses!

BUT, as with so many things in trading, while "powerful zones developing from a strong move away" SOUNDS good on the surface, it's just not true.

**In reality: it's the move BEFORE the zone forms which determines its strength.**

And today, I'm going to explain this concept.

In this guide, we will learn how to determine the strength of a supply or demand zone without looking at the move away. We will be analyzing the **preceding** move coming into the zone. This will give us a far better idea of a zone's strength, both on its own and compared to the surrounding zones.

I have split this guide into two parts:

## Part 1:

We will learn why the move away is not critical because of how zones develop.  
{*hint: it has to do with how the banks trade*}.

## Part 2:

This is the meat of the guide.

In this section, I will give you a step-by-step breakdown of how to analyze the preceding move to determine the strength of a zone.

There are 3 steps in total:

1. Find a demand zone you want to analyze for strength.
2. Analyze the preceding move coming into the zone to determine how many traders are buying or selling **before** the zone develops.
3. Compare the zones against one another to understand how powerful they are on a relative basis. This step is optional yet very useful.

By the end of this guide we will know:

What strong and weak preceding moves look like,  
Why weak supply and demand zones typically form towards the end of long swings, and  
When the banks will create large consolidations or deep retracements late in the swing simply to shake out the retail traders.

Overall, this should give your trading a **BIG** boost and make it much easier to consistently pick strong zones and avoid weak ones.

So, without further ado, let's jump into the guide.

## Part 1: Why the move BEFORE the zone DEVELOPS is more important than the move away.

Look at the zone below...



This supply zone has a VERY sharp move away. It consists mainly of multiple, big, bullish candles, with only a few small bear candles breaking up the action.

In the eyes of most Supply & Demand experts, this zone is extremely powerful.

The sharp move away is a strong sign the banks and other big institutions could not place all their orders during the formation of the zone. Therefore, price is likely to return so the banks can get their remaining orders placed.

Looks like a great trading opportunity, right?

Let's see what happens when price returns...



... I'll bet you've seen this before.

Get this into your head; in fact, get some paper and WRITE IT DOWN!!

**“What the banks can and can't do depends entirely upon how many retail traders are doing the opposite, and yes, size matters.”**

Now for the banks to place big trades or take large profits, which is what causes most Supply & Demand zones, they need A TON of traders doing the opposite: buying or selling.

The question is:

What determines how many traders are buying or selling?

And the answer is... the market (duh!)

All traders buy or sell according to what the market is doing: rising, falling, moving sideways. It's common sense, really!

If the market is bullish, what are most traders doing: buying or selling?

Buying of course: because price is rising, and the market is heading higher.

The opposite is true when the market is bearish.

SO:

To determine the strength of a zone we need to figure out how many traders were buying or selling **before** the zone formed. This will tell us the size of the trades placed by the banks or how much profit they took off to cause the zone to form.

*And how do we do that?*

We analyze the move **BEFORE** the zone formed.

Think about this...

How the market looked before the zone formed determines how many traders were buying or selling, and thus, the size of the bank's trades or how much profit they could take off to create the zone.

For example:

If price was in a strong downtrend before a demand zone formed, we know the zone created must be strong. Why?

Because everyone was selling due to the trend!

The only way price can rise and create a zone is if someone buys from all the traders selling. More traders selling = more the banks must buy to create the zone.

So, whatever the banks did to cause the zone to form, by placing trades or taking profits, it must have been significant. How else could price reverse? We know tons of traders were selling, so the banks needed to purchase a HUGE amount to turn it the other way and make it rise.

The result being: a **VERY STRONG** demand zone.

That is why the preceding move is far more important than the move away!

The preceding move tells us **how many** retail traders were buying or selling.

This tells us the **size** of the trades placed by the banks or **how much profit** they took off to create the zone.

This reveals the strength of the zone.

Although it sounds counter-intuitive:

**Strong DEMAND zone = tons of traders SELLING before the zone formed.**

**Powerful SUPPLY zone = tons of traders BUYING before the zone formed.**

## Part 2: How to Gauge the Strength of a Zone Using the Prior Move

Now, in this section, I'm going to show you, step-by-step, how to determine the strength of a supply or demand zone by analyzing the preceding move coming into the zone.

### REMEMBER:

The preceding move reveals how many retail traders were buying or selling before the zone formed.

Once more, with feeling:

**“What the banks can and can't do depends entirely upon how many retail traders are doing the opposite, and yes, size matters.”**

The banks rely on retail traders to be buying or selling to get their own trades placed or to take profits. Banks can't do it without retail traders.

So, if we figure out roughly how many traders were buying or selling before the zone developed, we can determine the size of the trades placed by the banks or how much profit they took off, giving us a good idea of the strength of the zone.

For the most part, this is fairly straightforward... *with emphasis on "fairly"*.

There are a few tricky bits, but you should pick up the general idea by the end. If you need any help, shoot me an email or leave a comment somewhere on the site for clarification, and I will get back to you ASAP.

So, are we ready to get started?

Not quite yet...

Once more, with feeling:

**“What the banks can and can't do depends entirely upon how many retail traders are doing the opposite, and yes, size matters.”**

Let's jump in and look at step 1...

## Step 1: Find a Supply or Demand Zone: Look at the Length of the Move

First things first: find the zone you want to analyze.

Any zone will zone do: supply or demand.  
This method works on all pairs and all timeframes.

All types of zones work as well: Rally-Base-Rally/Drop-Base-Rally, etc.

You will usually find RBR/DBD zones are not as strong as RBD/DBR zones.  
Does this confuse you?

*There is an article, "Why RBR/DBD zones rarely work," on the priceactionninja.com website which will help.*

For this example, we're going to use a 1-hour supply zone on GBP/USD...



Nothing special about this zone; I haven't picked it because I know it works successfully, which it does, just for the record. It highlights the distinct phases of analysis; that's why I selected it.

Okay, NOW for the fun part...

## Step 2: Analyze the Move BEFORE the Zone Formed

To determine how powerful this zone is, we need to look at the move BEFORE the zone formed. What is the overall state of the market at that time? What was everyone thinking?

Were they bullish or bearish, and if so, to what degree; strongly bullish, slightly bearish?

Remember, we're trying to figure out how many retail traders were buying or selling before the zone formed.

We need to put ourselves in the typical retail trader's shoes and think: "what lead them to buy or sell en masse."

To do this, we need to focus on two key points:

1. How much time was the price rising/falling before the zone developed?
2. How bearish/bullish was the state of the market at that time?

Together, this will give us an idea of how many retail traders were buying before the zone formed. Then we'll know how many buy orders the banks had available to sell into, and as a result, the strength of the zone.

If tons of traders were buying, we know the zone is powerful because it developed from the banks placing HUGE sell trades. How else would the market reverse and begin falling with so many traders buying?

Let's look at the length of time that price was rising...



So, moving the chart back a little, what do we see?

Right away, it's clear; the market was VERY bullish before the zone formed.

Coming into the zone, price had been in a strong upswing, with only a few tiny pauses and retracements breaking up the action. On top of that, look at the last move higher. It's almost vertical!! Price looked like it was taking off, sucking many into going long, perfect timing for the banks.

Overall, the market was looking bullish, which indicates many traders were long and this bodes well for the zone being powerful.

**Now:**

We need to put ourselves in the shoes of the retail traders who were viewing this move. What were they thinking during this time? How bullish or bearish were they?

The best way to do this is to move the chart back to just before the zone formed. This way, you can't see the zone itself but how the market looked immediately before it was created.

Like this...



Now, we can look into the minds of retail traders and see what they were thinking before the zone formed.

Given that price was rising steadily, even before the upswing creating the zone, we can say most retail traders were STRONGLY bullish here. The sharp rise, followed by the upswing, enticed many to enter long. Nothing suggested price was about to turn and reverse lower.

Would you think price was about to reverse looking at this?

So, it's safe to say: Before this zone formed, many retail traders were going long.

And that means: the banks MUST have placed HUGE sell trades to make price reverse and create the zone.

Think...

If everyone is buying, the only way price can reverse is if someone comes in and sells to all the buyers! Only the banks can do that. And why would the banks decide to place such big trade?

Because they expect price to REVERSE and begin falling.

Looking at the move, we know this supply zone has a high probability of causing a reversal; because it developed from the banks placing large sell trades.

And if I move the chart forward...



It plays out exactly as expected: Once price returns to the zone, a large reversal takes place.

The banks created this zone by selling to all the traders entering long. The banks used the retail orders to enter HUGE sell trades. That is why price reversed and the zone formed! It returned later on because the banks still had more buy trades to place – *even with a large number of retail orders, the banks can rarely place all their trades in one sitting.*

Once they placed these trades, the real reversal got underway and price started falling.

## What Do Weak Zones Look Like?

Of course, not all supply and demand zones are strong like the one above. Many, in fact most, are weak zones with little chance of causing a big reversal, *if any reversal at all*.

How do you spot these zones?

EASY: you look for a small move preceding the zone.

Weak zones do not form after a long, sustained rise or decline like strong zones. They ALWAYS form after a small move; the shorter the move, the weaker the zone.

Here's an example...



Look at the up-move before this zone formed... *doesn't last long, does it?*

Compared to the decline in the previous example, this rise is TINY, lasting a measly two days before ending! *This is a mere flicker in the dark compared to the two weeks price was falling in the other example.*

The move is small because it's a retracement to a large downtrend.

If price is trending lower, what do you think most retail traders are doing: buying or selling?

Selling, of course!

Why are they selling?

Because they believe in the concept of trend!

That is: “the longer price moves in the same direction, the more likely it is to continue in that same direction.” Haven't we heard this before? Inertia, maybe?

They think price is going to keep falling indefinitely.

So, with everyone selling because of the trend, do you think many decide to buy when price retraces?

HELL, NO!

Those traders already short want to stay in the trend. They think it will fall forever!  
Traders sitting on the side-lines see the retracement as a chance to get short at a cheaper price.

Nobody thinks...

"Hmm, maybe price is reversing; I should get long now."  
*Some people do, but not many.*

With only a few thousand traders buying, the banks can't enter big sell trades; there are not enough buyers!

So, whatever supply zone develops will be weak. The banks won't be worried about price breaching the zone; because, they haven't placed large trades!

If they had entered large trades, they would not want price to break through; they would lose A TON of money.

If the banks only place small trades, they don't mind so much. They still don't want to lose, naturally; who likes losing? But, it's not as if they are losing a couple hundred million, which is a big deal.

Another thing...

### **BE CAREFUL:**

Trading zones that form late into upswings and downswings is fraught with difficulties.

When a zone forms late in a long swing, banks will close whatever trades they placed, severely weakening the zone. Why would they do this?

Because the longer a swing continues with no large consolidation or retracement breaking up the action, the higher the likelihood one will soon begin; the banks must shake out the late retail traders, causing a large retracement / consolidation.

To do this shake out of late retail traders the banks will cause a retracement / consolidation by taking profits and by closing some of their nearby trades.

This will cause price to reverse, making all the retail traders who entered late lose money. This allows the banks to enter again at a better price. The result will push price beyond the recent zones, breaking them in the process.

That's what happens in our example.



Price reverses, falls, and then breaks through our zone!

This confirms the banks no longer have trades placed at that price.

So, this supply zone... *yeh, it isn't very strong.*

It developed from the banks placing small buy trades.  
This we know because of the small preceding move.

That, coupled with the fact it formed AFTER price had been falling, non-stop for a long time, making a big retracement/consolidation likely.

This means it had a LOW probability of being successful.

## Summary:

Here's a quick sum-up of the key takeaways from this section:

**Weak zones are ALWAYS preceded by a small move.**

**The smaller the move = the weaker the zone.**

To find weak supply and demand zones, look for a small move preceding the formation of the zone. This could be a pause, tiny consolidation, retracement, or minor swing.

A weak move means not many traders were buying or selling before the zone formed.

### REMEMBER:

It's non-negotiable; the banks NEED to harvest swaths of retail traders doing the opposite to the bank's desired direction.

The banks cannot place big trades or take significant profits if only a few retail traders are doing the opposite. That's why zones preceded by a small move are not powerful.

The small move means not many traders are doing the opposite.  
The banks cannot place big trades or take a lot of profits.  
This signifies a weak zone.

Keep in mind too:

**The smaller the move = the weaker the zone.**

If you find two strong zones preceded by a long-sustained move, the zone with the smaller move is the weaker of the two. Same goes for a cluster of weak zones.

The zone with the smallest move is the weakest, followed by the others in order of the length of the move.

I'll explain how to compare zones against one another later on, so you can easily rank them in order of strength.

## Weak Zones Usually Form Right Before Up-Swings & Downswings End

This really needs its own article for me to explain fully; look for it on the website, soon.

Weak zones can be those that form late into a swing. In other words, zones that appear after price has been in a downswing or upswing for a long time have a low probability of being successful.

These zones DO NOT develop from the banks placing big trades; why?

Because the banks periodically initiate big retracements/consolidations to shake retail traders out of their trades, this usually breaks the nearby supply and demand zones in the process.

Sound confusing?

Let me explain...



As a swing continues, more retail traders catch on to its existence. They think it's a new trend.

As a result, they start trading in the same direction. The banks need retail traders to lose so they can make money. Forex is a zero-sum game, remember!

This means when everyone is trading in the same direction, they can't make a profit; no-one is losing!

So, to shake everyone out, they initiate a deep retracement or consolidation.



By this time, tons of retail traders are grabbing the trend and will be short, so the banks can profit by pushing price against these short traders.  
Crafty devils, aren't they?

If price retraces deeply or starts consolidating, most shorts will exit their trades and start going long. They'll think the trend/swing is ending.

Price will then rise to a point where the banks can sell again at a much better price.

**Now here's the important bit:**

To initiate a retracement or consolidation, the banks take profits off their open short trades.

Obviously, the banks know price is going to rise significantly and break many of the nearby supply zones. They're the ones causing the rise; so it's not a secret to them.

So, what do the banks do?

The banks exit the trades they placed to create these zones and thus avoid losing money from the rise.

This WEAKENS the zones, because now, the banks have no incentive to make price reverse when it returns.

See for yourself...



That's why zones which form late into a swing rarely result in big reversals; the banks haven't got trades placed at them anymore! They liquidate them to avoid the incoming retracement or consolidation, severely weakening the zone's power.

Check the success rate of zones that form late into a swing, close to where it ends and a new swing begins, and you'll see this for yourself.

### Quick Point:

Notice how this all links together.

The banks can't do one without the other!

For the banks to make money again, they need to make price rise to shake out the late shorts. But they can only do that by taking profits off their own shorts, which requires swaths of retail traders to be selling. They can't do one without the other; it's all a setup!!

Remember...

**“What the banks can and can't do depends entirely upon how many retail traders are doing the opposite, and yes, size matters.”**

So, be wary of zones that form late into a swing.

Focus on the zones that form at the beginning and in the middle of a swing/trend, especially those preceded by a long move. Typically, price will reverse at these zones after the shake-out consolidation or retracement ends.

Of course, don't dismiss late swing zones entirely; they could still cause a reversal.

Simply be a little more careful when trading them. Chances are they won't cause a large reversal.

Always wait for more confirmation before getting in, like a big engulfing candle, or even better, a sharp move away. These are good signals the banks are entering trades at the zone, making a sustained reversal more likely.

## Summary:

The banks play with us!

The banks create many zones and wait for the correct number of retail traders to take the bait before they harvest them.

The banks are crafty and you need to be vigilant to pick up on their intentions. Otherwise, you could become just another statistic.

Going forward:

Always be careful trading zones that form later into a swing.

Yes, they might look strong; but, chances are these zones are actually weak with little to no chance of creating a large reversal.

And now, let's look at the third and final step...

## Step 3:

### Compare the Zone with the Surrounding Zones {Optional}

You don't need to carry out this last step. Yet, it can make a difference in your bottom line.

*It's optional compared to the rest.*

Basically, we're going to determine the strength of all zones close to price and compare them against one another and see how they stack up. By doing this, we'll know which zones are strong/weak on a relative basis.

We can then use this as a roadmap for where price is heading and what kind of reaction to expect once price reaches each zone, which is BIG help.

Sound good?

Here's what you do:

#### **FIRST:**

Find all the zones close to the current price action.

Nearby zones are those which price could realistically reach and soon cause a reversal.

Mark them on the chart, as I've done in the following diagram.



In this case, we have four zones: 2 demand and 4 supply.

## NEXT:

Determine the strength of each zone.

Analyze the move coming into the zone using the method we learned earlier.  
Determine whether it's a strong or weak zone.

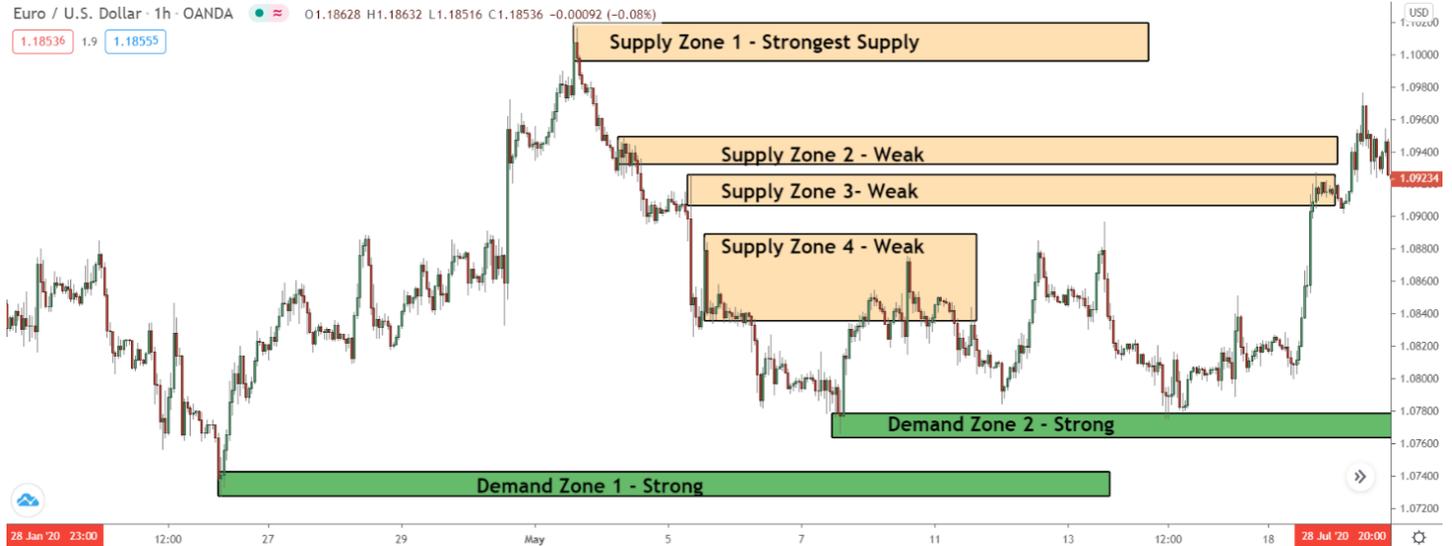
Remember:

**Large move = strong zone**  
**Small move = weak zone.**

Check each zone and determine the general level of strength.

Are they super strong, weak, or in the middle?

This is how my zones pan out...



A couple of super-strong zones, and a bunch of weaker zones: This is a typical situation.

**NOW:**

Here's what we're going to do.

We know the two demand zones are strong; that's clear.  
We also know the other zones are weaker.

What we don't know is:  
Which of the two demand zones is strongest; and,  
How strong the weak zones are relative to each other.

Yes, they're weak; but, which is the weakest and which is the strongest?  
That's what we need to know!

Figure that out and we can establish the probabilities of each zone.  
Then we'll know:

1. which have the highest and lowest chances of causing a large reversal.
2. what size reaction they'll probably generate once price returns.

IN SHORT: our lives will become MUCH easier.

So, let's start with the two strong zones... *they are the easiest, after all.*

Euro / U.S. Dollar - 1h - OANDA 01.17188 H1.17202 L1.17135 C1.17171 -0.00017 (-0.01%)

1.17121 10.0 1.17221



Looking at the chart; demand zone 1 clearly developed after a significantly-longer downswing than demand zone 2: three days versus six days.

There are more big bear candles in move 2; however, and remember this, **duration always trumps strength!**

*More traders enter after a large move in time than a small sharp one due to the concept of trend!*

Since the preceding move for demand zone 1 was larger, over more time, we know MORE traders were selling before it formed: giving the banks the ability to place bigger buy trades, resulting in a stronger zone.

So, of the two, demand zone 1 is the strongest.

Being preceded by a larger move lower, over more time, means the banks could place bigger buy trades, making the zone more powerful.

Demand zone 2, while almost as strong due to the similar length of the preceding move, doesn't hold the same power; not as many traders were selling, so the banks couldn't place buy trades as big as they could to create demand zone 1.

And that's it!

That's all you need!

Compare the zones against one another, and see which has the largest preceding move!

Pretty simple, right?

Now we do the same for the supply zones.



### Key Point:

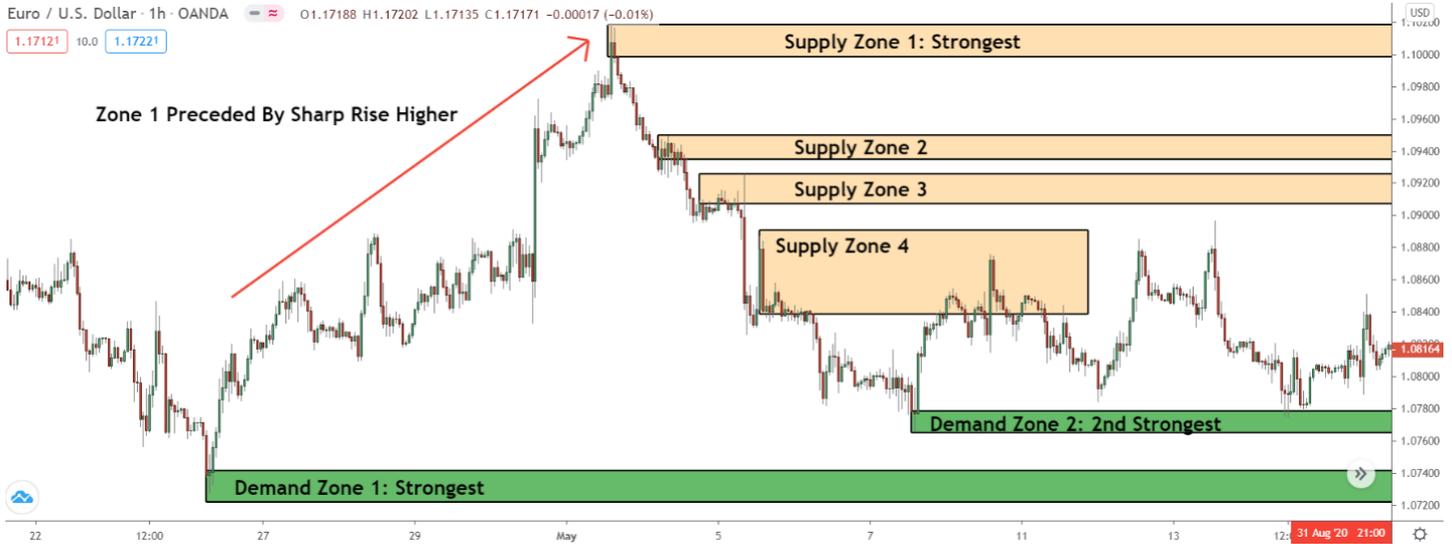
I always find it best to compare the zones from left to right.  
*It just keeps things more orderly.*

We look at these 4 supply zones to determine which are the strongest and weakest.

How do we do that?

We will see which has the largest preceding move,  
over the most time,  
and then  
rank them 1 thru 4,  
from strongest to weakest.

Here's what mine look like...



Naturally, supply zone 1 is BY FAR the strongest of the 4 zones. Compared to the others, it has the largest preceding move over the most time. It originated from demand zone 1, funnily enough.

The large rise means a large swath of traders were buying before the zone formed. This gives the banks the ability to place big sell trades, resulting in a much stronger zone than the others.

If price continues to rise, expect to see a big reaction of reversal from this zone.

Onwards to supply zone 4:



A bit of a messy one, supply zone 4 developed from a small consolidation that took place near the end of the down swing.

Small consolidations DO NOT cause many traders to buy or sell; there is too much confusion.

So, supply zone 4, while it is the second strongest supply, is also a weak zone. It's stronger than the other supply zones, for sure, but not in same ballpark as supply zone 1. They're not even in the same league.

Next up is zone 3.



Zone 3 is much like zone 4, developing from a small consolidation after the initial fall.

In these situations, where two or more zones develop from a consolidation and it's not clear which is more powerful, the strongest zone is the one with the longest consolidation. So, supply zone 4 in this case.

The longer consolidation gives more opportunity for more traders to enter in the opposite direction. They think: "Price isn't falling anymore, so maybe it's about to reverse;" and the buying starts in anticipation of a reversal.

All of which gives the banks more orders to use for their sell trades.

Compare the preceding move, being a rise; it's nothing. That's still far more important. However, when compared to the other consolidation zone, it is strong, making supply zone 3 the weaker of the two.

## Quick Note:

Notice how the weak zones are all Drop-Base-Drop?

You might think this is a coincidence. It's not!

RBR (rally, base, rally) and DBD (drop, base, drop) zones are ALWAYS weaker than their RBD (rally, base, drop) / DBR(drop, base, rally) counterparts, for one simple reason:

RBR and DBD zones always form AFTER price has ALREADY moved in the same direction.

If price has already moved in the direction of the zone, for example, if price has risen for an RBR zone, most traders are bullish and already buying because of the rise.

So, when price retraces or pauses, creating the preceding move of the RBR zone, only a few thousand traders decide to sell, leading to a weak zone.

Once again, why would anybody sell if price is rising strongly?

That's why Rally-Base-Drop/Drop Base Rally zones are much stronger.

RBD and DBR zones ALWAYS develop AFTER a move in the OPPOSITE direction.

This gives the banks significantly more orders to use.

Once again; check the "[Why RBR/DBD zones rarely work](#)" article on priceactionninja.com for a more in-depth overview of this concept.

And finally, let's look at supply zone 2...



Of the four supply zones, supply zone 2 is EASILY the weakest.

It should be clear by now; unlike the other zones, which all develop from a small consolidation or retracement, zone 2 developed from a tiny pause.

Do you think many traders were buying here?

Outside of the odd trader, pauses don't cause many traders to buy. The price doesn't move in the other direction. It only pauses for a few candles.

So, when a zone develops from a small pause, very few traders enter in the opposite direction, a buy in this case. This provides the banks with only a small number of orders to use, creating a weak zone.

This is how our zones rank, then, in terms of strength:



Of the two demand zones, zone 1 is the strongest, with zone 2 being slightly less powerful due to a smaller preceding move.

Expect to see a large reversal if price returns to either of these zones in the future.

The supply zones, ranked from strongest to weakest: the top zone (zone 1) is the strongest, due to the long-sustained rise preceding it, the zone just below it, (zone 2), is the weakest. Zone 2 formed after a small two-three candle pause.

The other two zones are similar in strength: supply zone 3 is slightly stronger than zone 2 due to the longer consolidation.

And here's how things end up panning out:



Look at the reversals generated by each zone, pretty telling, isn't it?

The reversal/reaction generated was predicted by each zone's strength.

We see the strongest zones generate the biggest reversals, like demand zone 1 and supply zone 1.

We know from our analysis these are the strongest zones, and low and behold; they caused the biggest reversals.

It was the same story for the other, weaker zones. They all generated a reversal/reaction based on their strength and rank. The weaker zones result in the smallest reversals/reactions, as expected.

Do you see the HUGE advantage you gain by comparing the zones against one another?

By comparing the zones, you build a pseudo 'roadmap' of what to expect from each zone:

strong zones = potentially big reversal,  
weak zones = small retracement or pause.

This gives you a far better idea of which zones to focus on and what reaction each might generate once price returns to them.

Try it out for yourself.

Once you see the foresight it gives, you'll never look at zones in the same way again.

This, I can promise you.

## Closing Words

If you want to trade supply and demand successfully, you **MUST** learn how to find the strong zones. And with what we have learned today, you have an accurate method.

Test this method out for a while.  
Look at your results.

It's best to try it on individual zones first, to get a sense of how analyzing the preceding move works.

Once you have that down, start comparing the zones against one another, as I showed in step 3.

Knowing which zones are strong/weak on a relative basis is the key to mapping out the market and having a plan of action for what price might do and where.

This is how I use supply and demand.

I use step 3 to rank the zones in order of strength, then I know which zones will most likely cause a big reversal and which will probably result in a small retracement or pause.

I don't stop watching the weak zones - *anything could happen, this is trading, of course.*  
Therefore, I have it in the back of my head that they are weak, so I need to see strong signs of a reversal: like a big engulfing candle, or sharp rise/decline.

Then I will consider whether price could be reversing for a while. If I do decide to get in, I know to run my stop close to price, as chances are the reversal won't last long because the zone is weak.

Do the same in *your* trading, and I guarantee you'll see better results.

***Oh, and remember...***

If you have any questions about what we've learned today, or Supply & Demand in general, feel free to email me using the website address below or leave a comment somewhere on the site.

I'm happy to clear up anyone's understanding of how this method works.

Just shoot me an email, and I'll get back to you ASAP.

PAN

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