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SMART MONEY CONCEPTS

What the **big institutions** and **banks** use and **don't want you to know** about.

MATI TRADER

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At MATI Trader

We help you learn how to trade well and make a success from the financial markets.

We have shared the four main principles of successful trading to over 257,000+ members since 2003.

Markets, Methods, Money & Mind.

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The founder is not responsible for any errors nor any personal financial risk.

Introduction

It's not ANYTHING I have ever shared to anyone.

There is a strategy that is so powerful that the big banks, institutions are using - that they don't want you to ever know.

And in this book, I will be very discreet with MATI Traders only - about the strategy.

<u>This is confidential</u>. This is legal but very unknown to the trading world. I Don't know any local brokers who use it.

I don't know any traders who even know how it works. And I am going to teach you EVERYTHING about this strategy.

This element is what the BIG banks, Smart money, big institutions and traders use every day.

They use this strategy to stop you out. They use this strategy to cause fakeouts and shakeouts.

They do this because they NEED huge orders to fill their own.

They do this to stop people out, so THEY can make the money.

They do this to keep the number of successful traders to a maximum of 2%.

And they do this, because retail traders are blinded from what is actually going on.

Retail traders who lose are in the matrix. They go by the system. They learn the basics of trading from commercial books, videos, amateur traders' and websites.

The sheep are teaching the sheep.

I have the platform to teach you how to be a wolf. And if you have a mentor and you are not succeeding from them, I urge you to take what they say with a pinch of salt. I'll even be happy to be their mentor. Why?

Because I want a dedicated community of traders to be successful. There is so much money in this world.

So, I know that if I can exit the system, live my life how I want, wake up when I want, travel, buy anything I want - YOU CAN TOO.

But you need to know a few things.

And one of the things is this system and strategy that the big boys and the fat cats are using to be rich while they make the retail traders poor.

So why now? Why am I going to share this incredibly hush strategy.

Well for one, I have this platform (MATI Trader).

I have my Discord group with my MATI Members and I have my exclusive Premium Membership with only the most dedicated and hungry traders who want me to help them succeed.

The strategy I’ve incorporate into nearly all analyses and soon new daily trading for is called.

SMART MONEY CONCEPTS (SMC)

In this complete guide you'll:

✓ Spot **higher probability trades** (like never before)

✓ **Identify a change** in the market environment (instantly)

✓ Learn about Smart Money and its **power in making better trading decisions** used by the big players.

✓ Discover **8 strategies** used by the top **7 smart money players.**

✓ **Understand liquidity** and spot **5 levels of liquidity** and liquidity sweeps for your trading and why it's important for Smart Money.

✓ Learn and master **order blocks, Break of Structure, Change of Character, Fair Value Gaps, Equilibrium** and find the **daily bias** to know the future and unlock when to buy or sell the market.

✓ **Master the 6 main elements of Smart Money Concepts** and use them to improve your trading strategy.

✓ **Know the Daily MATI SMC strategy**

✓ **Avoid trading during High Impact News events**

✓ **Put the new-found knowledge into action** with real-life SMC examples.

Also, I'm going to make sure you learn an entirely new way of trading, thinking and strategizing.

This will help you to improve your market analysis in new levels

<u>Forget about everything you know about how you think successful trading works.</u>

This could be the final puzzle piece you will need to grow your forever-portfolio.

I'm doing this for YOU because I want to incorporate the strategies the big banks and smart money uses that are known by only a FEW traders.

I've been in the trading world for 20 years and it's taken research of unfathomable proportions to identify SMC (Smart Money Concepts).

And now, with you reading this – you will be one of the few lucky traders to have this powerful tool in your arsenal.

Shall we begin?

Trade well, live free.

Facebook Group:

https://www.facebook.com/groups/matitrader

Website:

https://www.timonandmati.com/

MATI Trader Chat Room

https://discord.gg/c8f37kyv35

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INTRO SMART MONEY CONCEPTS

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About Smart Money Concepts

Smart Money Concepts have been around for a long time and have evolved through the contributions and insights of numerous financial experts, investors, and academics.

One prominent individual who has introduced the trading community to SMC via social media channels is Michael J. Huddleston.

He operates the ICT (Inner Circle Trading) program where he has shared his insights, perspectives, and knowledge around Smart Money Concepts.

He uses price action to identify and analyse price movements, opportunities with charts using market structure and order flow.

He then created an educational platform to give traders a comprehensive education on the deep understanding of market dynamics in technical analysis, market structure, order flow and price action trading strategies.

Most new traders might find his work copious and vast.

But that’s why I am writing this book.

I'm going to make it easy for you to understand this methodology at the best of my ability.

Let’s start with the question you all have in mind.

What are Smart Money Concepts (SMC)?

SMC is a more **sophisticated** method of **price action** to spot, identify and locate where **smart money** is **buying and selling** their positions.

We use SMC to make better and more informed trading decisions based on what the big guys are doing.

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WHO IS SMART MONEY?

Who is Smart Money?

Smart Money are the big market movers.

These are smart, informed, and savvy financial institutions that invest (buy and sell) their large capital into different financial markets.

Some of the Smart Money players include:

- ✓ Hedge funds
- ✓ Private equity firms
- ✓ Investment banks
- ✓ Big banks
- ✓ Market makers
- ✓ Asset management companies
- ✓ Mutual Fund companies

You'll find that their capital is enough to drive up or down the price and to create new demand, supply as well as invoke fear, greed and ego.

This means, their contract sizes and volumes are large enough to shake and move the markets.

They do this for two reasons.

1. To achieve superior returns in the markets.
2. To hedge in order to protect their positions.

I like to call Smart Money – **The Big Contrarians.**

They look for **huge orders** where retail traders' entry and stop loss levels are.

This is so they can enter into their own positions or exit out of their own positions, which go in the opposite direction.

Buying Volume – **Smart Money SELLS**

If there is a large volume of **BUYING from RETAIL TRADERS,** smart money uses these levels to **SELL or GO SHORT.**

Selling Volume – Smart Money Buys

If there is a large volume of **SELLING from RETAIL TRADERS,** smart money uses these levels to **BUY or GO LONG.**

Smart Money strategies

With these guys, they all use their own individual strategies for buying or selling financial markets.

There are many different ways they pinpoint what and when to buy and sell.

Here are a few I can think of.

#1: Fundamental analysis

Evaluate and base buying and selling decisions on a market's health, revenues, micro and macro analysis as well as price ratios.

#2: Technical analysis

Indicators, price and volume strategies to find market trends, price patterns, areas of liquidity, accumulation and distribution.

#3: Quantitative analysis

Use large amounts of data to look for price correlations, patterns and make probabilities.

#4: Value investing

To find undervalued companies, currencies and markets that show strong potential of growth in the future.

#5: Arbitrage

To find opportunities in buying and selling securities simultaneously in the markets to profit from the discrepancies of the prices.

#6: Hedging

To reduce their risk exposure by buying (going long) and selling (going short) different markets to offset potential losses, generate returns through dividends and interest income.

#7: High Frequency Trading (HFT)

To generate quick and large returns through buying and selling high speed trades.

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LIQUIDITY EXPLAINED

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Liquidity in a nutshell 

Liquidity is the degree, rate and ability for an asset or security to be easily bought or sold in the market at a specific price

The ability to **FLOW in** and out of positions **EASILY** and without a large price move change.

I.e. Higher liquidity – Easier flow.

The lower the liquidity, the harder it is to FLOW in and out of a market at a certain price.

This is where there is less volume in the markets at the bids and offers.

This can be difficult to fulfill all the orders in one go, without affecting the price.

WHY HIGH LIQUIDITY IS NB* FOR SMART MONEY

Liquidity is a crucial aspect for Smart Money players.

They want to be able to ensure their transactions are smooth, effortless and without any difficulties.

Here are a few reasons why liquidity is paramount for Smart Money.

#1: Quick

They wish to enter and exit their positions quickly and gives them a better chance of adjusting their positions if needed.

#2: Less costs

High volume in the markets, mean they can enter the positions in less increments.

This means less transaction costs, brokerages and slippage.

#3: Less manipulation and risks

They want to get into high liquid and top markets because there is less of a chance of price manipulation. They avoid markets that can be swung due to crazy price moves.

#4: Better risk and money management

High liquid markets for smart money makes it easier for them to manage their risk better.

This way they can control their positions entries, stop loss and take profits along with their volume they trade with.

2 Types of Liquidity

First, we need to understand a certain term with liquidity.

Liquidity sweep.

A.K.A Liquidity grab or a Stop loss hunt.

A liquidity sweep is where Smart Money **look** for **liquidity levels** in order to **enter or exit** their **trades easily, quickly and at lower costs.**

Once they enter into their positions, we say **liquidity has been swept.**

#1: Sell Side Liquidity? (Smart money BUYS)

The area of prices where smart money players, BUY large quantities of assets without significantly affecting the market's price.

What happens once smart money BUYS at Sell Side Liquidity levels?

We say sell side liquidity (from retail traders who sold or shorted) has been swept.

Markets will tend to reverse in trend to the upside.

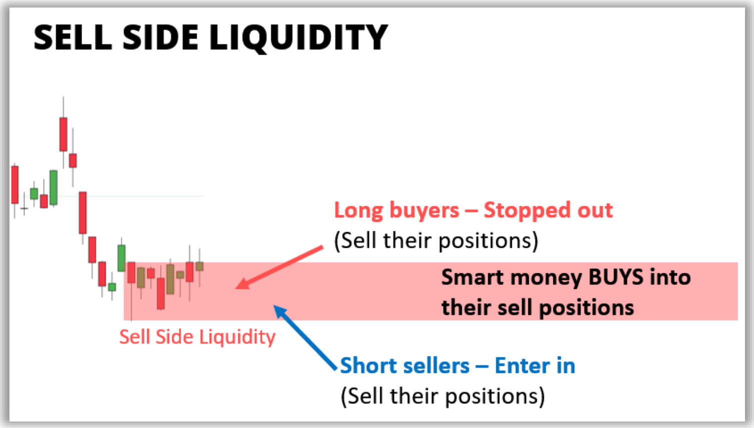
How do you spot Sell Side Liquidity?

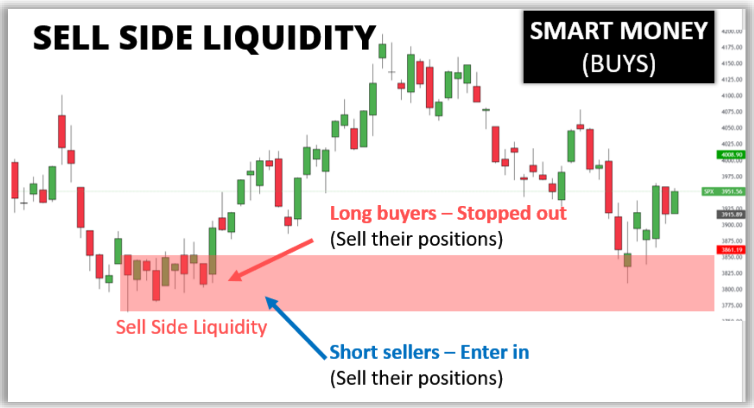
A **price area** on the charts where **retail traders** will most likely have:

Their **stop losses** in place for traders who are **long (buy).**

Smart Money will come in, BUY and sweep the sell side liquidity (getting them out)

2. Their entry orders in place for traders who go short (sell).





Price tends to go up after the liquidity sweep.

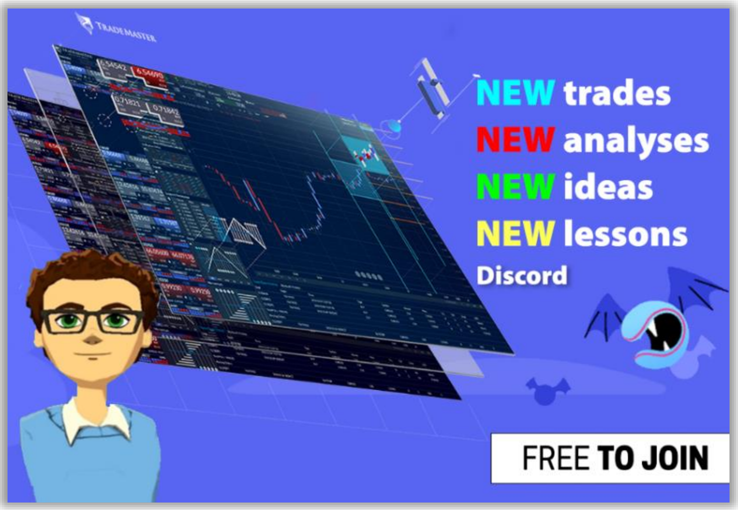
#2: Buy Side Liquidity? (Smart money SELLS)

The area of prices where smart money players, SELL large quantities of assets without significantly affecting the market price.

What happens once smart money SELLS at Buy Side Liquidity levels?

We say buy side liquidity (from retail traders who bought) has been swept.

Markets will tend to reverse in trend to the downside.



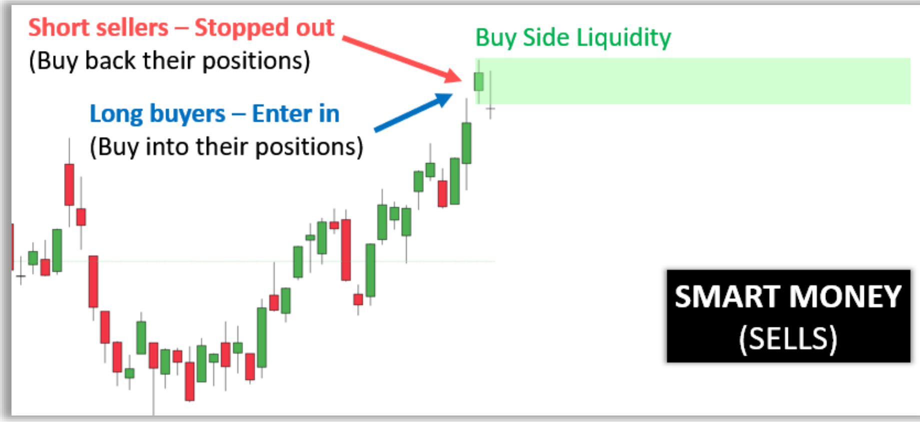
How do you spot Buy Side Liquidity?

A **price area** on the charts where **retail traders** will most likely have:

Their **stop losses** in place for traders who are **short (sell).**

Smart Money will come in and sweep the buy side liquidity (getting them out)

2. Their entry orders in place for traders who go long (buy).



Levels of liquidity

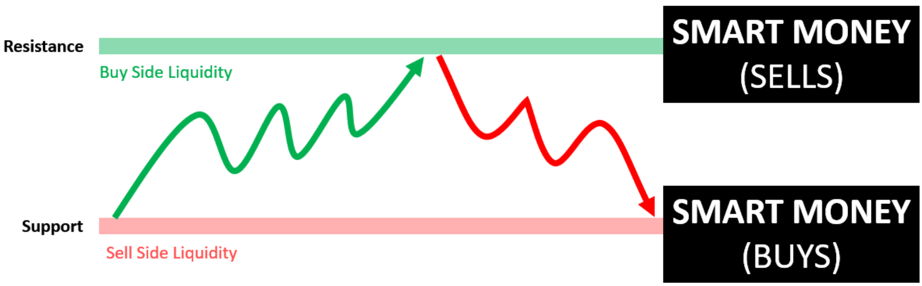
Levels of liquidity are the **area of prices** where **smart money** players, identify and choose to **BUY or SELL** large quantities.

There are many different ways Smart Money finds these levels of liquidity to sweep.

Here are the five most common ones I know of:

#1: Supports & Resistances

They look for prominent levels of **supports and resistances.**



#2: Highs and Lows

They look for the most recent and prominent levels of highs and lows.

#3: Key levels

Smart Money identifies key & psychological levels.

These include:

- ✓ Fibonacci, Pivot, Gann levels

- ✓ 200 SMA

- ✓ Bollinger Bands (Highs and low)

- ✓ Round numbers

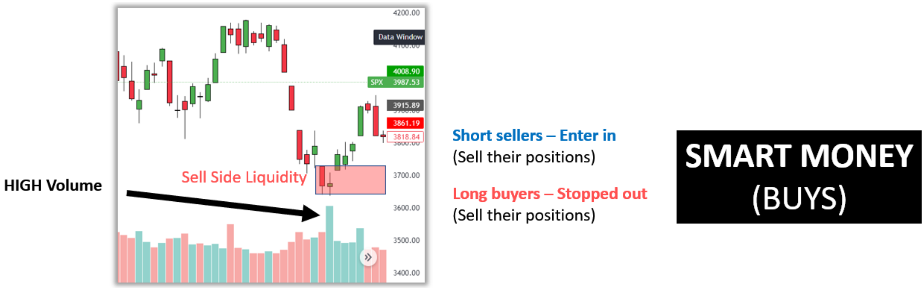
- ✓ 52 Week (Highs, lows, supports & resistances)

#4: Trend lines

Smart Money buys & sells above and below trend lines (up trend, down trend and sideways trend).

#5: Traders stop losses

They look for **HIGH volume** of orders of retail traders in order to enter or exit out of their positions.



SUMMARY: 5 Levels Of Liquidity (LOL)

- ✓ At prominent supports & resistances
- ✓ At prominent and recent highs & lows
- ✓ At key levels
- ✓ Above or below trend lines
- ✓ Traders stop loss (Volume)

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IDENTIFY ORDER BLOCKS

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Order Block in a nutshell

An area where a huge amount of volume of buying or selling was executed.

NOTE: This normally causes a market reversal or for the market to reverse in the trend.

In other words:

Large market orders (big block of orders) where smart money buys or sells within a price range.

These are their areas of buying (demand) and selling (supply).

Two types of order blocks

#1: Bullish order block

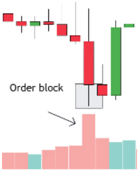
This is known as a **buying** or a **demand zone** for **smart money.**

#2: Bearish order block

This is known as a **selling** or a **supply zone** for **smart money.**

It's our job to find these order blocks and act off of them.

6 Ways to spot order blocks



High volume

Abnormal and significant volume at certain prices.

Rejection

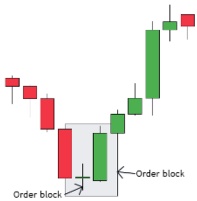
Supports or Resistances, Highs or Lows get rejected. i.e. Weekly H or L.

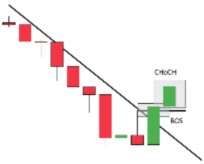
Key levels

i.e. Psychological, Round numbers, Fib, Gann, Pivots etc…

Candlesticks

Certain candlestick formations.
i.e. Engulfing candles, dojis and shooting stars.





Market structure break

i.e. Break Of Structure (BOS) or Change of Character (CHoCH).

News event

When there is a HIGH impact event that causes

a shock in the market's price i.e. NFP or FOMC.

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MARKET STRUCTURE SHIFT

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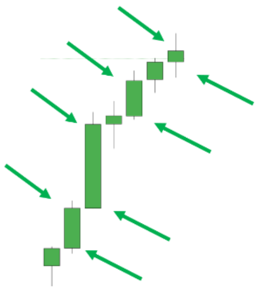
Market structure in a nutshell

Market structure shows you what a market is doing, which direction it's in and where it is more likely to go.

There is an up structure and a down structure.

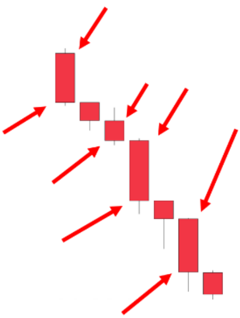
#1: Up structure

When the price makes **higher lows** and **higher highs.**



#2: Down structure

When the price makes **lower lows** and **lower highs.**



Now it'll be easier to understand the next part.

What is a market structure shift?

Market structure shift shows you when the price is breaking a structure or changing the direction in the market.

NOTE: Each following candle's **CLOSE** will confirm the market structure.

Do you use the Wick or the Candle?

You can choose!

If you use the body of the candles, you're following the structure of a line chart.

If you use the wick of the candles,

you're incorporating the entire market's price movement.

What do I use?

I prefer to use the wicks.

However, there are scenarios where I'll use the body instead or the previous wick.

E.g. Price anomalies or shakeouts where the wick is abnormally large.

Now we are ready to learn the two most crucial terms with the market structure shift.

Break Of Structure & Change of Character.

Break Of Structure (BOS)

A BOS is when the price **breaks above or below**, and

continues in the direction of the **trend.**

More specifically…

When the **price breaks and closes below or above**

the previous wick of the previous **low or high in a down or up trend.**

Think of a Break Of Structure as a simple CONTINUATION in the overall trend.

There are only two types of Break Of Structures:

#1: Break Of Structure to the Upside

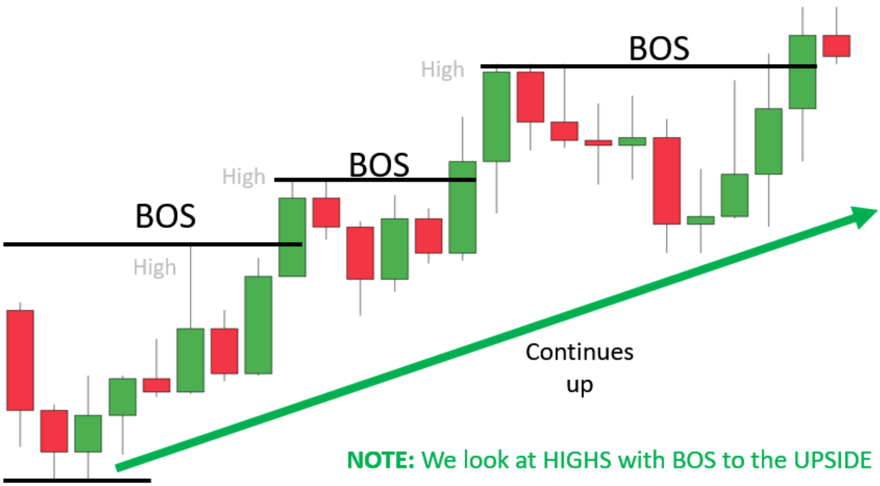
#2: Break Of Structure to the Downside

#1: Break of Structure to the upside

When the price **breaks and closes ABOVE** the wick of the previous **HIGH** in an **UPTREND.**

We then will draw the next **resistance level** (from the most recent and prominent high), in order to see where the next BOS would take place.

With an uptrend, we'll continue to look at the HIGHS only with BOS to the upside.

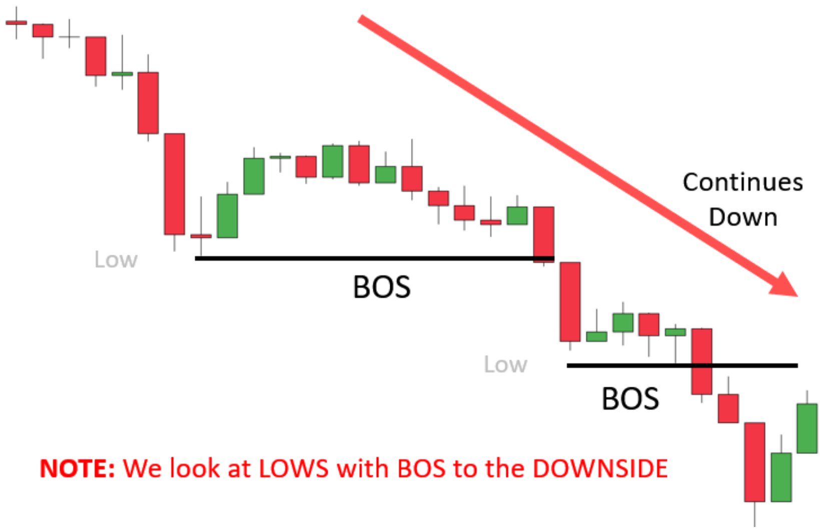


#2: Break of Structure to the downside

When the price **breaks and closes BELOW** the wick of the previous **LOW** in a **DOWNTREND.**

We then draw the next support level, from the most recent and prominent low, in order to see where the next BOS would take place.

With a downtrend, we'll continue to look at the LOWS only with BOS to the downside.



What happens when there is a Break of Structure?

- ✓ Shows a potential **entry** (long or short).
- ✓ Gives an area where the **price is most likely to return** and sweep, grab or draw liquidity.
- ✓ Shows a **level of liquidity** or a **key level.**
- ✓ Creates new levels of **support or resistance.**

NOTE FOR LATER:

A **BOS** shows a break in market structure in the current trend direction **(continuation).**

A **CHoCH** shows you a complete trend **reversal.**

(Where the price reverses and forms a new direction).

Change of Character (CHoCH)

A change of character refers to a **much larger shift** in the underlying market **trend**, dynamic or sentiment.

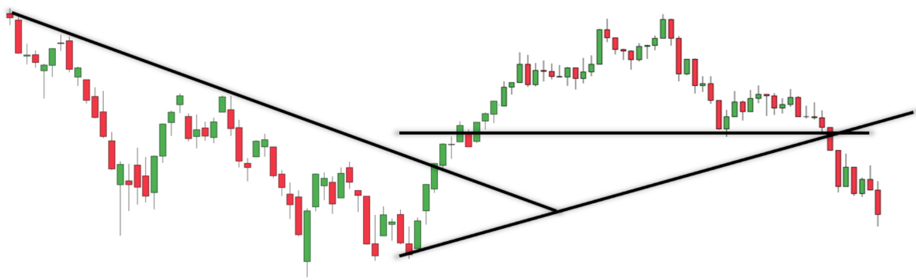
This is where the price moves to the point where there is a change in the **overall trend**. It creates a trend reversal.

You'll see a CHoCH on **higher time frames** usually.

In other words…

A Change of Character is when the price breaks above or below the overall market trend and changes direction.

Think of a CHoCH as a trend reversal.



There are only two types of Change of Character

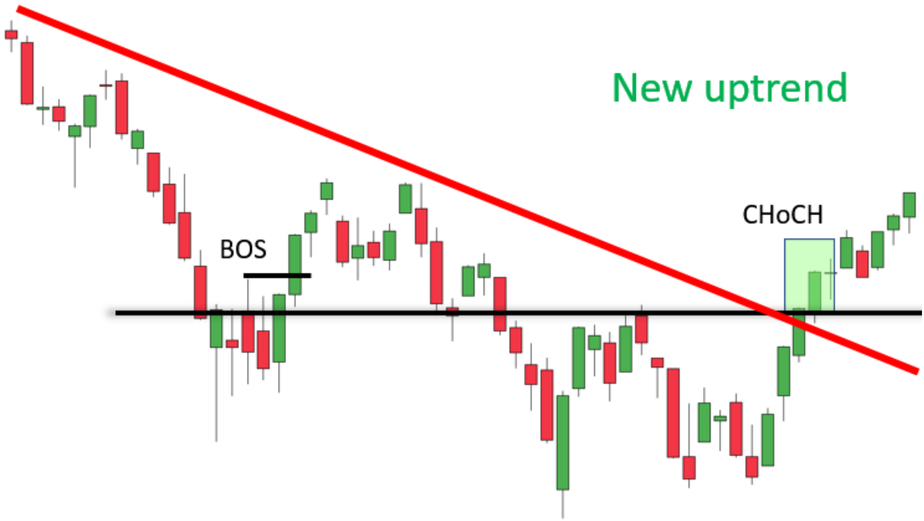
#1: Change of Character to the Upside

#2: Change of Character to the Downside

NOTE: Chart patterns work amazing with CHoCH.

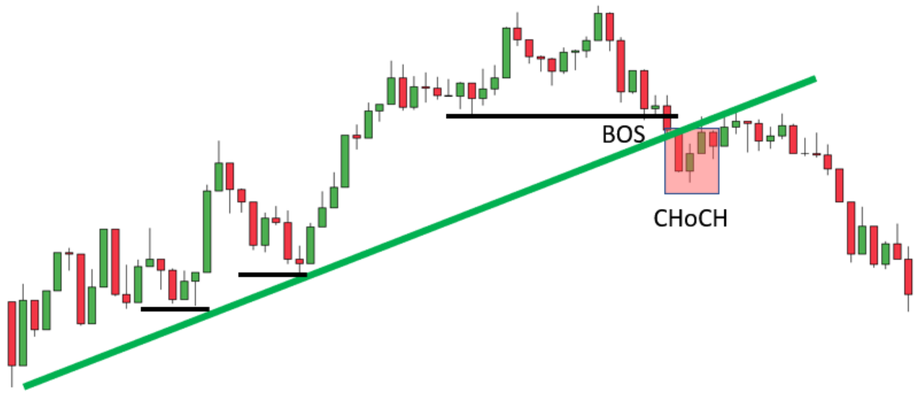
#1: Change of Character to the upside

When the price **breaks** and **closes above** the previous **downtrend.**



#2: Change of Character to the downside

When the price **breaks** and **closes below** the previous **uptrend.**



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DAILY BIAS

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Daily bias in a nutshell

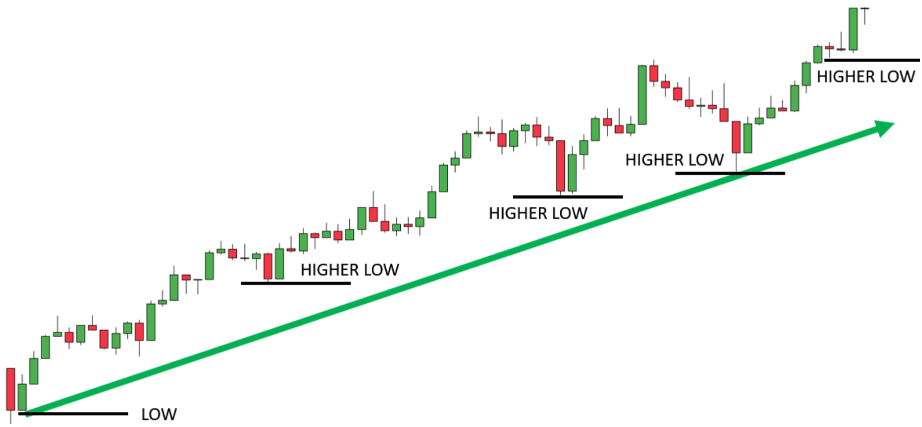
The ‘Daily bias’ tells us which direction, trend and environment the market is in and what we are looking to trade.

NOTE: We use longer time frames to confirm the daily bias i.e. Daily or Weekly.

The two main daily biases are:

#1: Bullish daily bias

When the market environment is **UP** and the **trend is UP** - we **look for long** positions (buys) in the market.



3 Ways to spot a bullish daily bias:

1. Price breaks up from a downtrend and into an **uptrend.**

2. There is a prominent & evident uptrend with **higher lows.**

3. There is a **diagonal support line** showing a strong uptrend.

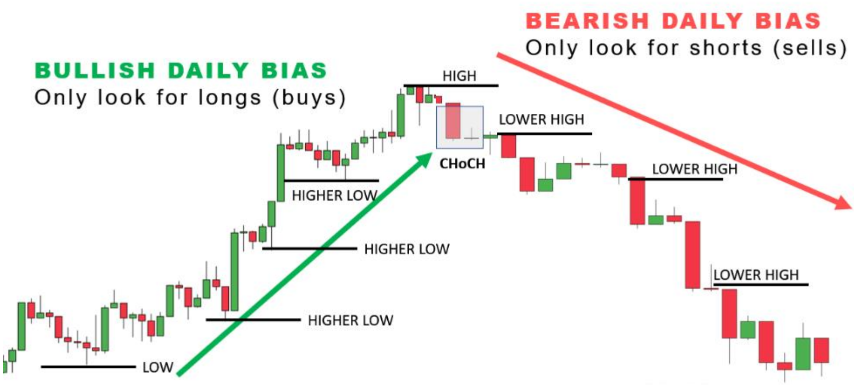
#2: Bearish daily bias

When the market environment is **DOWN** and the **trend is DOWN - we look for shorts** (sells) in the market.

There are a few ways to spot a bearish daily bias, which you can identify such as:

1. We see the price break out of the uptrend, and into a new downtrend.

2. There is a prominent and evident downtrend where the price keeps moving down and keeps making lower highs.



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FAIR VALUE GAPS

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Fair Value Gap in a nutshell

A **3 candle structure** with an **up** or **down impulse candle** that indicates and creates an **imbalance** or an inefficiency in the market.

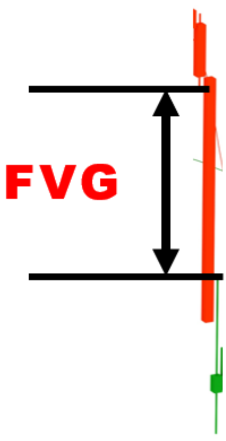
These imbalances tell us that the buying and selling is not equal.

And now the market needs to rebalance to make up for the imbalance.

To rebalance the candle, orders need to be filled in the prices of the candle with the FVG.

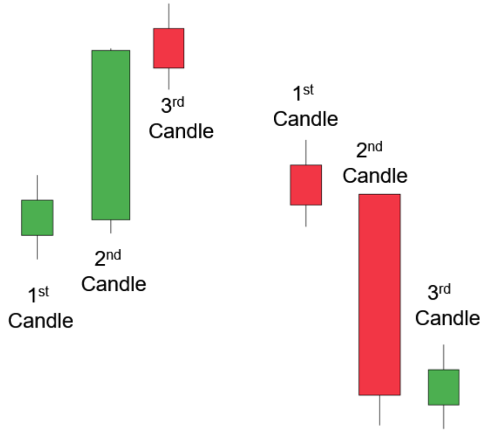
Sounds like a mouthful, but let's illustrate it better with examples.

Besides, you only need to know about TWO Fair Value Gaps (FVG).



How is a Fair Value Gap constructed?

As mentioned, there are three candles that make a Fair Value Gap.



1st Candle

It can be an up or down candle or even a doji. It's generally smaller than the 2nd candle.

2nd Candle

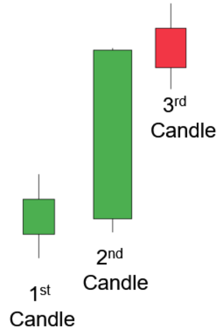
This is an **impulse** candle, normally quite large, that is also either an up or down candle.

3rd Candle

It can be an up or down candle or even a doji. However, the candle does not share common prices with the 1st candle.

There are two types of Fair Value Gaps (FVG).

#1: Bullish Fair Value Gap (FVG)



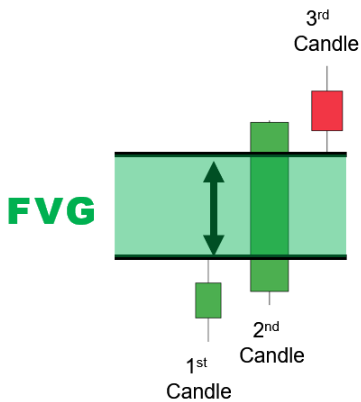
A **3 candle structure** with an **up impulse** candle that indicates and creates an imbalance or an inefficiency in the market.

To see the Bullish Fair Value Gap it'll require the three candles and three steps.

How to construct the Bullish Fair Value Gap

Step #1:

Draw a horizontal line from the top of the wick or the high price of the 1st candle.



Step #2:

Draw a horizontal line from the bottom of the wick or the low price of the 3rd candle.

Step #3:

Draw a BOX or a range between the high price of the 1st candle and the bottom price of the 3rd candle to see the bullish Fair Value Gap.

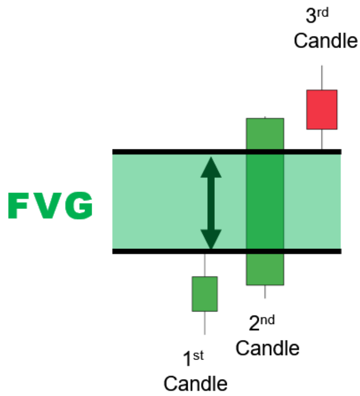
Bullish Fair Value Gap's imbalance

Between candle 1 and 3, do NOT show common prices.

This means, both candles' prices to do NOT touch.

In technical terms we say the high price of the 1st candle and the low price of the 3rd candle do NOT overlap.

Between this range is a Bullish FVG, which is also a liquidity void, within the market.



When you see a Bullish FVG, we can expect the market price to move DOWN to rebalance at fair value.

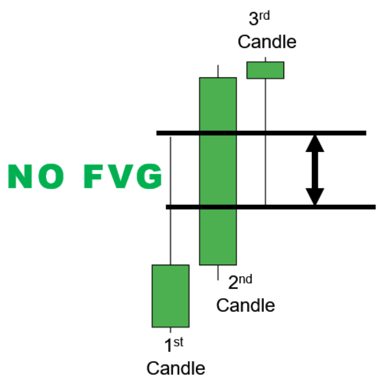
What a Bullish FVG is NOT

If between candle 1 and candle 3 DO show common prices and do overlap.

Then there is NO Bullish FVG.

This means, there is no inefficiency or imbalance in the market.

The **market does NOT need to go back and fill the orders** to rebalance and go back to fair value.



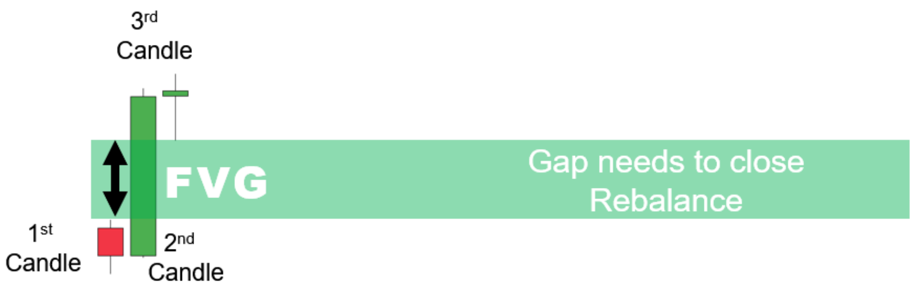
Bullish FVG in action

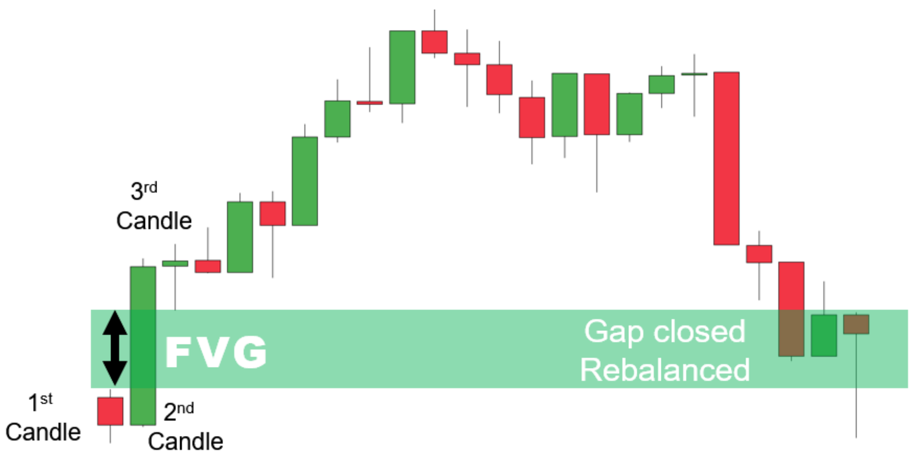
You may see Bullish Fair Value Gaps on different markets and on different time frames.

They are indeed more common and prevalent on shorter time frames, which many intraday traders take advantage of.

But when you see them on higher time frames, they can be even more powerful.

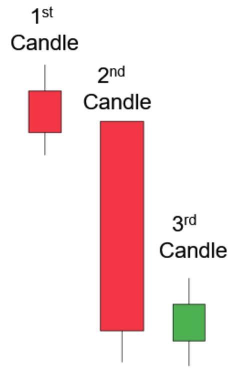
Let's envision the working of a Bullish FVG in action, so you can have an idea on what to identify.





We expected the price to come down and rebalance the orders.

#2: Bearish Fair Value Gap (FVG)



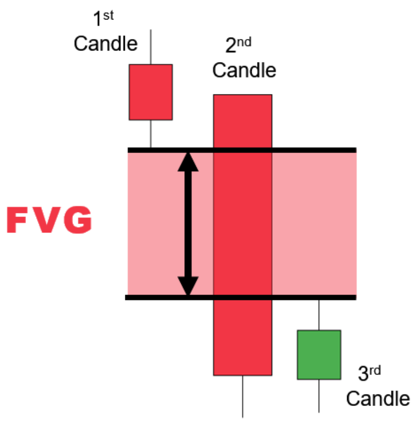
A **3 candle structure** with a **down impulse** candle that indicates and creates an imbalance or an inefficiency in the market.

To see the Bearish Fair Value Gap it'll require the three candles and three steps.

How to construct the Bearish Fair Value Gap

Step #1:

Draw a horizontal line from the bottom of the wick or the low price of the 1st candle.



Step #2:

Draw a horizontal line from the top of the wick or the high price of the 3rd candle.

Step #3:

Draw a BOX or a range between the low price of the 1st candle and the high price of the 3rd candle to see the Bearish Fair Value Gap.

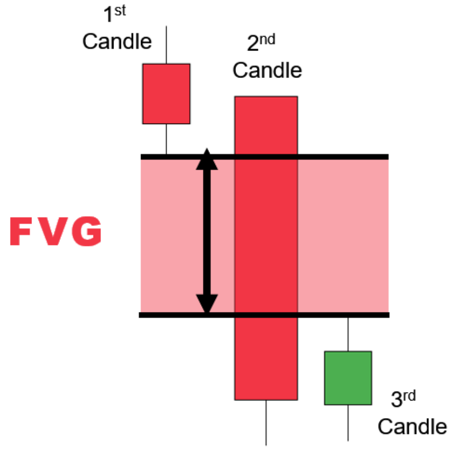
Bearish Fair Value Gap's imbalance

Between candle 1 and 3, do NOT show common prices.

This means, both candles' prices to do NOT touch.

In technical terms we say the low price of the 1st candle and the high price of the 3rd candle do NOT overlap.

Between this range is a Bearish FVG, which is also a liquidity void, within the market.



When you see a Bearish FVG, we can expect the market price to move UP to rebalance back to fair value.

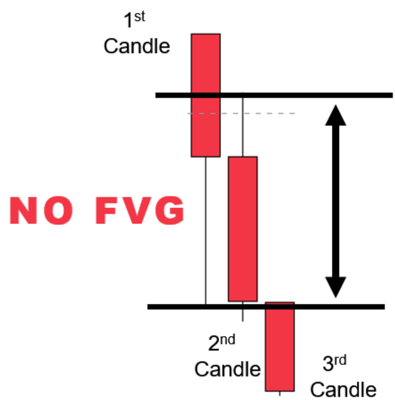
What a Bearish FVG is NOT

If between candle 1 and candle 3 DO show common prices and do overlap.

Then there is NO Bearish FVG.

This means, there is no inefficiency or imbalance in the market.

The **market does NOT need to go back and fill the orders** to rebalance and go back to fair value.



Bearish FVG in action

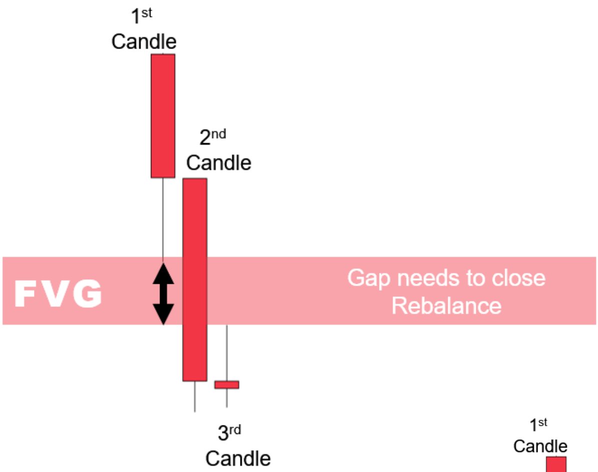
You may see Bearish Fair Value Gaps on different markets and on different time frames.

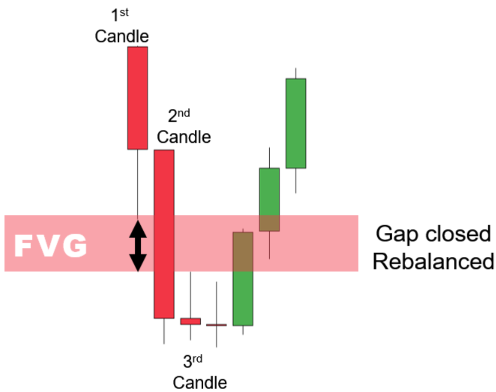
You'll definitely see them more on lower time frames (i.e 15 minutes, 5 minutes and 1 minute).

And you'll find that many SMC traders like to take advantage of Bearish FVGs.

But you'll also spot them on higher time frames like hourly, daily and even weekly.

Let's look at an example with a Bearish FVG in action.





Common Fair Value Gap Questions

Q 1. How much does a FVG need to be filled?

Price needs to fill at least 50% of the FVG to consider it closed (rebalanced).

Q 2: Do FVGs always close and if not why not?

NO! They don't always close!

Reason #1: Price

Where the demand or supply of the market is stronger and doesn't lead to a gap fill.

Reason #2: News

News data, announcements or meetings can lead to a FVG to not fill.

Reason #3: Micro and Macro

The inner micro or macro aspects of a market, security or asset could result in the FVG not to fill.

Q 3: Is FVG all I need to trade SMC?

Definitely not!

You need to combine it with liquidity sweeps, break of structure,

highs, lows, chart patterns and indicators if you use them.

SMC

EQUILIBRIUM 50%

MATI TRADER

Equilibrium in a nutshell

Equilibrium is a state of the market where the demand and supply are in balance with the price.

We say the price of the market is at fair value.

NOTE: Think of the 50% or equilibrium (mean or average) mark as an elastic band.

There are three states you need to know with equilibrium

- **Premium**
- **Equilibrium**
- **Discount**

1. Premium market

The market is at a premium when the price trades **ABOVE** the equilibrium level.

We say the price is at a premium **(high price).**

NOTE: When the price goes too high, it is more likely to turn around and go back down to the equilibrium price.

How to identify a Premium market

1. Wait for a market to move in an uptrend at a high degree angle.

2. Plot the swing low and the swing high to identify the 50% (Gann Box or Fib Levels).

3. The market's price above 50% is at a premium.

Let's see it in action:

In the above example, we can see a market has moved in a solid uptrend.

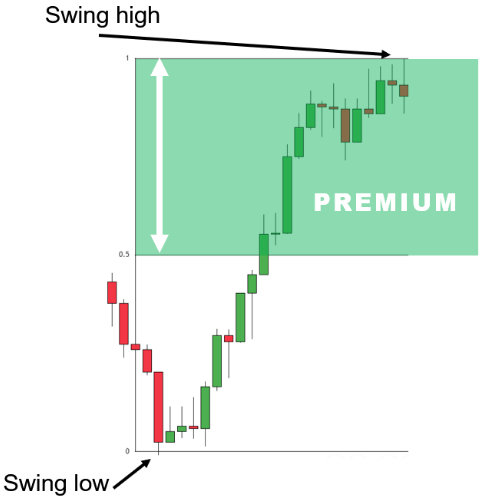
It is confirmed with higher lows, higher highs, a high degree of inclination as well as an uptrend.

Between the swing low (lowest price of the uptrend) and the swing high (highest price of the uptrend).

We will then draw using either a Gann Box or a Fibonacci to identify the 50% level.

Any price above the 50% level is at a Premium.

And so, we can eventually expect the price to come back down and rebalance around the 50% level.



So now that you know what a Premium price is.

We can look into a common formation when it comes to SMC called the…

Premium Bullish Fair Value Gap…

As always, it is a three-candle formation.

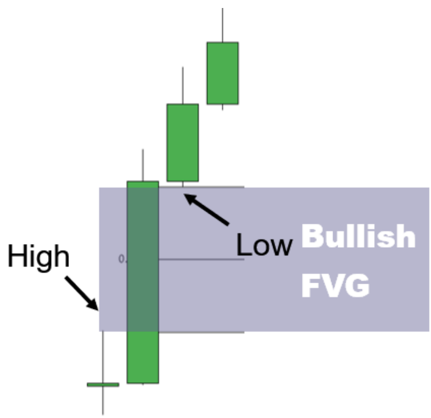
With the 1st candle, we need to draw a horizontal level with the candle's high price.

The 2nd candle is the impulse up candle.

With the 3rd candle, we need to draw a horizontal level with the candle's low price.

Between the 1st and the 3rd candle is the Bullish Fair Value Gap.

Spot the Bullish FVG



To identify the Premium level, you'll simply plot a Gann Box or a Fib level over the FVG.

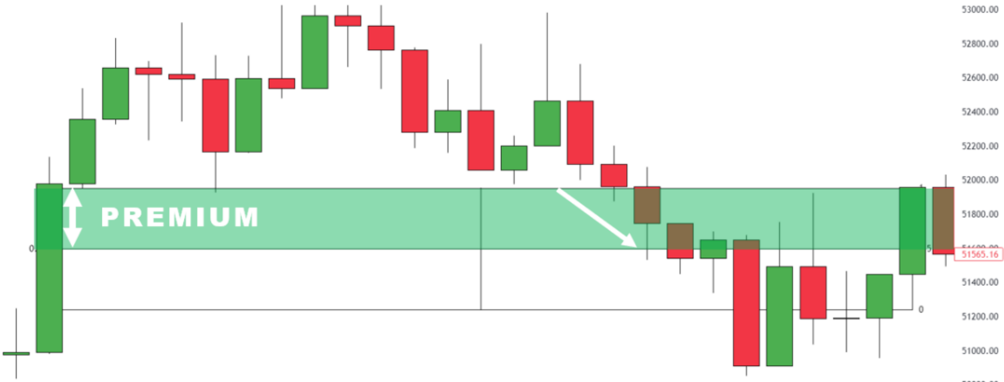
The low of the FVG (1st candle) is the swing low.

The high of the FVG (3rd candle) is the swing high.

Once you draw the box, you'll then have the 50% level revealed within the FVG.

Any price above the 50% level is at a premium.

We can therefore, expect the price to eventually turn down to at least 50% of the Bullish Fair Value Gap.



The market as expected, turned back and came back down into the premium price range of the FVG.

Not only did it rebalance into the premium area but also it moved all the way down closing the gap completely.

Now when it comes to Smart Money, they want to **SELL** at a Premium (high price).

That’s why they come back down to sweep liquidity from buyers (Buy Side Liquidity), which causes the price to drop further.

2. Discount market

The market is at a discount when the price trades **BELOW** the equilibrium level.

We say the price is at a discount **(low price).**

NOTE: When the price goes too low, it is more likely to turn around and go back up to the equilibrium price.

How to identify a Discount market

1. Wait for a market to move in a downtrend at a high degree angle.

2. Plot the swing low and the swing high to identify the 50% (Gann Box or Fib Levels).

3. The market's price below 50% is at a discount.

Let's see it in action:

In the above example, we can see a market has moved in a solid downtrend.

It is confirmed with lower lows, lower highs, a high degree of declination as well as a downtrend.

Between the swing high (highest price of the downtrend) and the swing low (lowest price of the downtrend).

We will then draw using either a Gann Box or a Fibonacci to identify the 50% level.

Any price below the 50% level is at a Discount.

And so, we can eventually expect the price to move up and rebalance around the 50% level.

So now that you know what a Discount price is.

We can look into a common formation when it comes to SMC called the…

Discount Bearish Fair Value Gap…

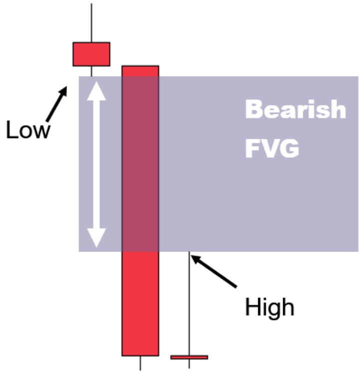
This is also a three-candle formation.

With the 1st candle, we need to draw a horizontal level with the candle's low price.

The 2nd candle is the impulse down candle.

With the 3rd candle, we need to draw a horizontal level with the candle's high price.

Between the 1st and the 3rd candle is the Bearish Fair Value Gap.



Spot the Discount FVG

To identify the Discount level, you'll simply plot a Gann Box or a Fib level over the FVG.

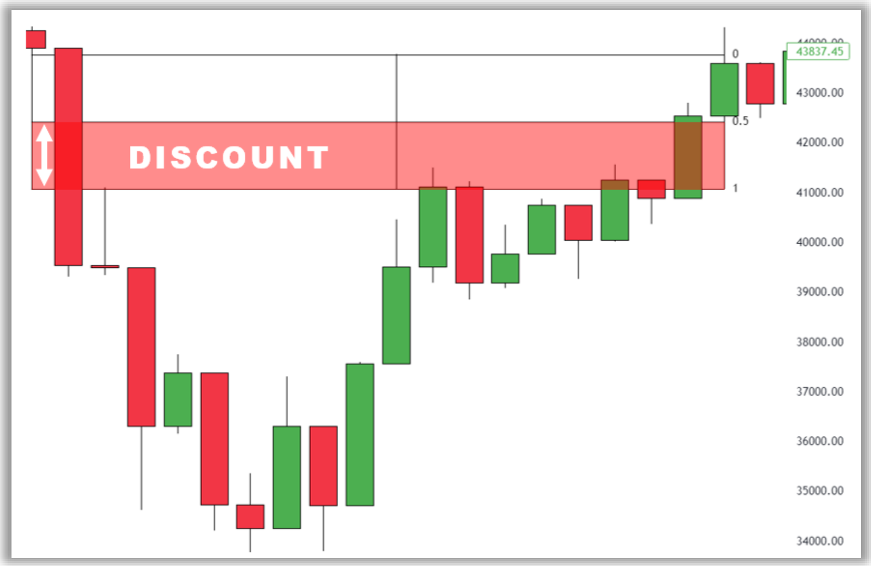
The high of the FVG (1st candle) is the swing high.

The low of the FVG (3rd candle) is the swing low.

Once you draw the box, you'll then have the 50% level revealed within the FVG.

Any price below the 50% level is at a discount.

We can therefore, expect the price to eventually turn up to at least 50% of the Bearish Fair Value Gap.



The market as expected, reversed and turned back up into the discount price range of the FVG.

Now when it comes to Smart Money, they want to **BUY** at a Discount (low price).

That's why they come back down to sweep liquidity from sellers (Sell Side Liquidity), which causes the price to rally up.

EQUILIBRIUM
DISCOUNT AND PREMIUM

SMC

SMC
STRATEGY

MATI | TRADER

6 Elements

Smart Money Concepts

As you can imagine.

With all the different variations of features with SMC, there are many strategies you can use to incorporate into your system.

However, I want to give you an idea on the 6 elements that you can apply to your SMC strategy.

After the 6 elements, I’ll provide you with my complete Smart Money Concepts Cheat Sheet.

1. Daily Bias
(Which direction the market is in to trade – Daily or Weekly)

BULLISH Daily Bias – Market trend is up (Only look for longs)

BEARISH Daily Bias – Market trend is down (Only look for shorts)

2. Spot Buy Side Liquidity or Sell Side Liquidity

BULLISH Sell Side Liquidity – Plot Order Blocks

BEARISH Buy Side Liquidity – Plot Order Blocks

3. Draw Market Structure Shifts (MSS)

Break of Structure (BOS) – Continuation

Change of Character (CHoCH) – Reversal

4. Levels of Liquidity (Draw them in the charts)

BULLISH – Resistance / High / Trend line / Key / BOS / ChoCH / Bull FVG

BEARISH – Support / Low / Trend line / Key / BOS / CHoCH / Bear FVG

5. Box the Equilibrium and Fair Value Gaps

BULLISH – Equilibrium (Premium) & Bull FVG

BEARISH – Equilibrium (Discount) & Bear FVG

6. Exit levels (Risk and Reward)

STOP LOSS – **LONG & SHORT –** Bearish & Bullish Levels of Liquidity

TAKE PROFIT – LONG & SHORT – Bullish & Bearish Levels of Liquidity & R:R >1.5

LONG SMC CHEAT SHEET

DAILY BIAS - (DAILY or WEEKLY) - (Up trend or Price > 200MA)				
ENTRY				
ABOVE an Order Block (Sell Side Liquidity)				
Stop loss				
Support / Low	Trend line / Key	BOS / CHoCH	Equilibrium 50%	Bear FVG
Take profit				
Resistance / High	Trend line / Key	R:R >1.5	Premium	Rebalanced FVG

SHORT SMC CHEAT SHEET

DAILY BIAS - **BEARISH** (DAILY or WEEKLY) - (Down trend or Price < 200MA)				
ENTRY				
BELOW an Order Block (Buy Side Liquidity)				
Stop loss				
Resistance / High	Trend line / Key	BOS / CHoCH	Equilibrium 50%	Bull FVG
Take profit				
Support / Low	Trend line / Key	R:R >1.5	Discount	Rebalanced FVG

Daily MATI SMC Strategy

Smart Money Concepts

One strategy that I like to apply with Smart Money Concepts is the Daily MATI SMC Strategy.

Essentially, we want to be in and out within a day or a few days at max.

There are a few steps you'll follow. We'll use the GBP/JPY Forex Currency Pair, but you can use this on any high liquid market.

Step #1: Identify the Daily Bias

(Up for longs or down for shorts)

Either you can look for the daily bias on a daily time frame. Or you can look for it on a 30-minute time frame.

I personally prefer the daily time frame.

In this case, the price has broken above the downtrend.

This tells us, we are now looking for longs (buys).

Step #2:

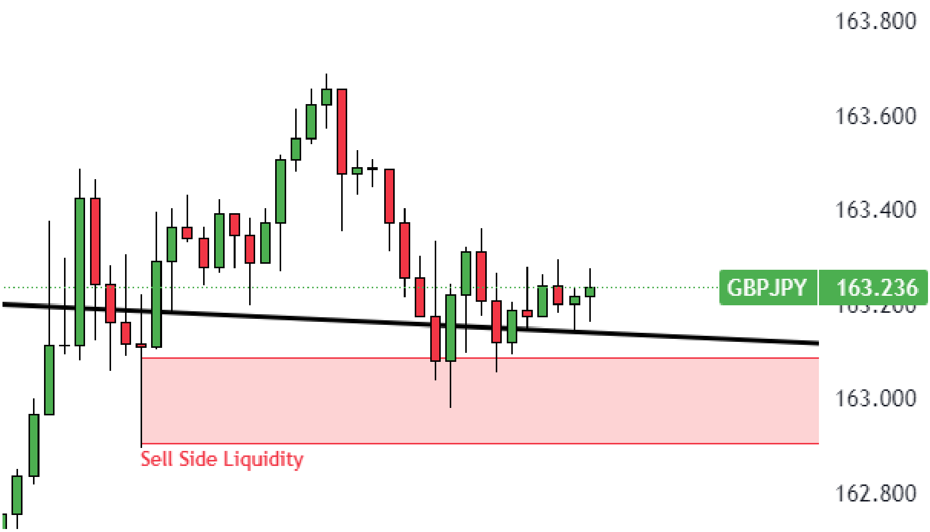
Draw Buy Side Liquidity (sells) or Sell Side Liquidity (buys)

Go to the 15 minute or 5-minute time frame to spot liquidity levels

In this case, because we are looking for longs (buys), we will plot any Sell Side Liquidity levels.

We plot the Sell Side Liquidity just below the Downtrend line and where the most recent and prominent lows or supports are.

We need the price to come back down and sweep liquidity before we look to buy (go long) the market.



Step #3:

Wait for the sweep, market structure, and enter

We'll then see a sweep of liquidity by Smart Money.

This is where the price will come down and sweep selling liquidity from long traders (who've had their stop losses hit) and short traders (who go short to enter).

Smart Money will BUY into these sells, which will cause the price to rocket up.

And this is where you'll see a Break Of Structure (BOS) to the upside.

The next candle that opens, will be the entry level.

Step #4:

Place your trading levels and JUST TAKE THE TRADE!

We've got the Daily bias (Bullish – look for longs)

We have the sweep of liquidity (Sell Side Liquidity)

We have the Break Of Structure to the Upside

The open of the next candle above the Break of Structure is our **entry level.**

You can then put your **stop loss** below the Sell Side Liquidity Order Block.

And with the **take profit,** you can find other levels of liquidity. But make sure the Risk to Reward is at least more than 1:1.5.

Here's another example we took and sent out to the Discord chat room but with the South African JSE ALSI 40 index.

Boost your win rate with this powerful 50% TP rule

Plot 1, 2 even 3 take profits and lock in the minimum gains!

The beauty about this strategy is that you can plot two to three different levels of liquidity order blocks for take profits.

This means, you can have more than one take profits in your trade.

Once the price hits the take profit, you'll move your stop loss to just past break-even – to bank a minimum gain.

Once you've plotted a few take profits, you'll then need to answer 1 question…

Q. How much do you close per position?

With a stop loss – you'll close everything (simple).

With each take profit – you'll close 50% at a time.

If TP 1 hits – Close 50% of the full position.

If TP 2 hits – Close 50% of the capital in your position or (25% of the original).

If TP 3 hits – Close 50% of the capital in your position or (12.5% of the original).

If TP 4 hits – Close 50% of the capital in your position or (6.25% of the original).

If you had 100 shares, you would close

50, 25, 12.5, 6.25 = 93.75 shares.

Here's the important bit.

When TP 1 hits, move your stop loss to JUST past breakeven in your trade.

That way, you'll have nothing to lose, you'll bank gains and your win rate will be higher.

I have created calculator you can use.

This will show you the Risk to Reward elements to where you put in your Entry, Stop loss and Take profits...

Download it here https://www.timonandmati.com/wp-content/uploads/2023/04/MATI-Trader-Risk-and-Reward-Calculator.xlsx

MATI TRADER

FILL IN BLUE

CFD RISK & REWARD CALCULATOR

		R:R
Portfolio value	500,000.00	
Risk % per CFD trade	2.00%	
Max risk per CFD trade	10,000.00	
FOREX TRADE (YES or NO?)	NO	
Market	JSE ALMI 40	
Type of trade (Buy / Sell)	Buy	
Minimum quantity	1.00	
Initial margin per CFD (%)	15.00%	
Entry price level	71,544.0000	
Stop loss price level	70,879.0000	
Take profit 1	72,600.0000	1.59
Take profit 2	73,240.0000	2.55
Take profit 3		
Initial margin per CFD	10,731.60	
Initial margin (Total CFDs)	160,974.00	
Risk in trade (Entry - Stop)	665.00	
Risk value per CFD or Pip value		
Risk / pip value (Portfolio Exch.)	665.00	
Risk in trade (Portfolio Exch.)	9,975.00	
No. of CFDs per trade	**15.00**	
Profit 1 - Close total	15,840.00	
Profit 1 - Close half	7,920.00	

EXCHANGE RATE

ZAR	ZAR
1	1.00

TAKE PROFIT 2

No. of CFDs	7.00
Entry price level	71,544.0000
Take profit 2	73,240.0000
Take profit 3	
Initial margin per CFD	10,731.60
Total initial margin	75,121.20
2nd Profit	11,872.00
Profit 2 - Close half	5,936.00
TOTAL PROFIT - Close trade	19,792.00
TOTAL PROFIT - Close half	13,856.00

TAKE PROFIT 3

PRIVATE CHAT ROOM

Discord

CONNECT WITH US:

SMC

NEWS TO WATCH OUT FOR

MATI TRADER

When will I not trade?

When it comes to trading Forex or any international market, there are days that I won't trade.

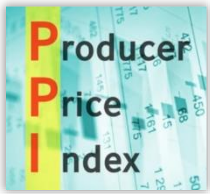
These are during High Impact News events.

4 High Impact News events I won't trade

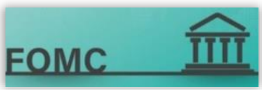
- **CPI (Consumer Price Index) news report days**
  CPI measures the changes in prices of a basket of goods and services over time as a measure of inflation.

- **NFP (Non Farm Payrolls)**
  A monthly report released (on the 1st Friday of the month) by the US Department of Labor. It shows the number of jobs added or lost in the non-farm sector. This is a measure of the health of the US economy.

- **PPI (Producer Price Index)**
  A measure of the average change over time in the prices that domestic producers receive for their goods and services.



  This is another measure of inflation and economic growth. First with CPI and then with PPI.



- **FOMC (Federal Open Market Committee)**
  When the FOMC the US Federal Reserve meets to set monetary policy, (decision on interest rates and the money supply).

Q. Where can I see **High Impact News Events?**

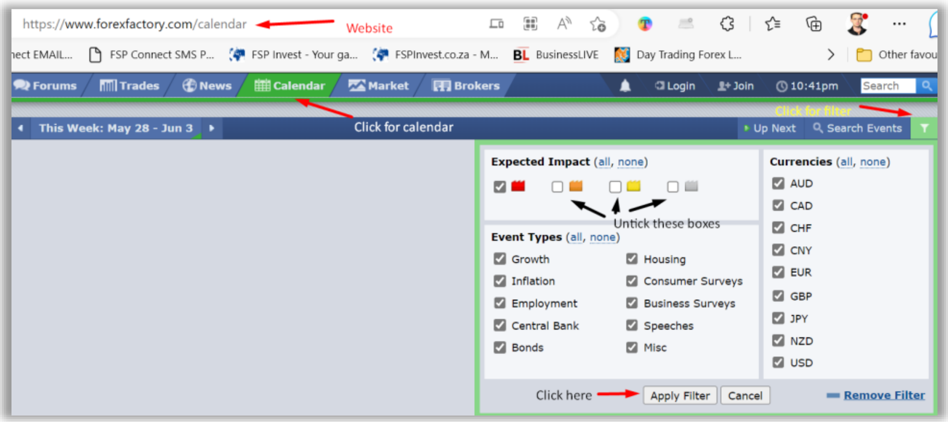
If you head over to ForexFactory, you'll see columns where they'll show you what news will be released.

All you need to worry about are the events that are boxed in Red.

To see these events, you can go to [ForexFactory Calendar.]()

Click on Filter and untick all the boxes that are not red.

Click Apply filter and boom – Done.

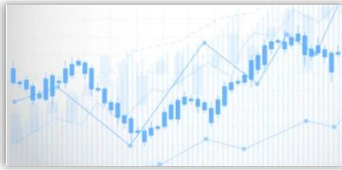


Thu Jun 1	3:15pm	USD	ADP Non-Farm Employment Change	167K	296K
	3:30pm	USD	Unemployment Claims	236K	229K
	5:00pm	USD	ISM Manufacturing PMI	47.0	47.1
Fri Jun 2	3:30pm	USD	Average Hourly Earnings m/m	0.3%	0.5%
		USD	Non-Farm Employment Change	191K	253K
		USD	Unemployment Rate	3.5%	3.4%

I hope that helps.

NOTE: You can go back to the filter and filter out any currencies, events or other factors that will apply to your trading.

Q. Why is it dangerous to trade on these High Impact days?



1. High volatility

Strong up and down price moves that stop traders out regardless the direction.

2. Wide spreads

1.08101	1.08197
1.26092	1.26192

We see larger spreads between the bid and offer which can cause shake in prices and potential slippage.

3. Unpredictable price movements

Pangs of fear and strong greed can cause the market to jump to erratic price levels.

4. Slippage

Based on the crazy prices, you might enter your trade at levels you never wished to enter in.

FINAL WORDS!

As you can tell, this is not a read once book and then pack it away.

This is YOUR guide and reference book that you'll need to use and apply each day with your trading.

And until SMC becomes second nature to you, at least have the 6 elements, strategy and the cheat sheet by you.

Print it, laminate it, stick it to your wall!

I've introduced you to the concepts.

I've taught you the mechanics.

I've made it as simple and as user friendly as I could.

Now it's time for you to get on it and apply them to your strategy.

Or at least read through the daily analyses I send out to the Discord MATI Trader Chat room.

Trade well, live free.

TimonR

Timon Rossolimos
Founder, MATI Trader

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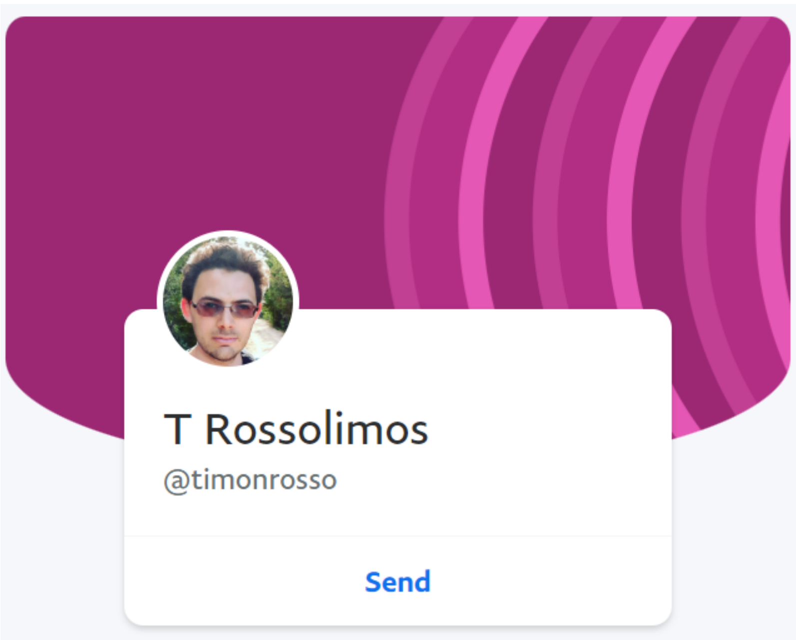

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If you would like to give us feedback or thoughts about the book – You can email me at timon@timonandmati.com

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Break Of Structure (BOS) (CONTINUATION)

A BOS is when the price breaks above or below, and continues in the direction of the trend. (CONTINUATION).

Break Of Structure Down

When the price breaks and closes BELOW the wick of the previous LOW in a DOWNTREND.

Break Of Structure Up

When the price breaks and closes ABOVE the wick of the previous HIGH in an UPTREND.

Buy Side Liquidity (Smart Money SELLS)

Where an Order Block forms where Smart Money SELLS into retailers (dumb money) BUYING orders - Pushing the price DOWN.

Change of Character (CHoCH) (REVERSAL)

Refers to a much larger shift in the underlying market trend, dynamic or sentiment.

This is where the price moves to the point where there is a change in the overall trend. (REVERSAL)

Change of Character Down

When the price breaks and closes below the previous uptrend.

Change of Character Up

When the price breaks and closes above the previous downtrend.

Daily bias

Tells us which direction, trend and environment the market is in and what we are looking to trade.

Daily bias Bearish

When the market environment is DOWN and the trend is DOWN - we look for shorts (sells) in the market.

Daily bias Bullish

When the market environment is UP and the trend is UP - we look for long positions (buys) in the market.

Discount market <50%

The market is at a discount when the price trades BELOW the equilibrium level. We say the price is at a discount (low price).

Equilibrium

Equilibrium is a state of the market where the demand and supply are in balance with the price. We say the price of the market is at fair value.

Fair Value Gap (FVG)

A 3 candle structure with an up or down impulse candle that indicates and creates an imbalance or an inefficiency in the market.

Fair Value Gap Bearish

A 3 candle structure with a DOWN impulse candle that indicates and creates an imbalance or an inefficiency in the market.

Between candle 1 and 3, do NOT show common prices. The price needs to move back up to rebalance and fill the gap.

Fair Value Gap Bullish

A 3 candle structure with an UP impulse candle that indicates and creates an imbalance or an inefficiency in the market.

Between candle 1 and 3, do NOT show common prices. The price needs to come back down to rebalance and fill the gap.

Levels of liquidity

The area of prices where smart money players, identify and choose to BUY or SELL large quantities.

E.g. Supports, resistances, highs, lows, key levels, trend lines, volume, indicators, psychological levels.

Liquidity

The degree, rate and ability for an asset or security to be easily bought (flow in) or sold (flow out) in the market at a specific price.

Liquidity sweep (Liquidity grab)

Smart money buys or sells (and sweeps or grabs liquidity) from traders who enter, exit or get stopped.

Market down structure

When the price makes lower lows and lower highs.

Market structure

Indicates what a market is doing, which direction it's in and where it is more likely to go.

Market Structure Shift (MSS)

MSS shows you when the price is breaking a structure or changing the direction in the market.

Market up structure

When the price makes higher lows and higher highs.

Order block

Large market orders (big block of orders) where smart money buys or sells from different levels of liquidity.

Order Block Bearish

A strong selling or a supply zone for smart money.

Order Block Bullish

A strong buying or a demand zone for smart money.

Order block events

Large market orders where smart money buys or sells from certain events i.e. High volume, supports, resistances, highs, lows, key levels, Break Of Structure, Change of Character, News or economic event.

Point Of Interest (POI)

POI is an area or level in the market where there is expected to be a large amount of buying or selling activity i.e. Order blocks.

Premium market >50%

The market is at a premium when the price trades ABOVE the equilibrium level.

We say the price is at a premium (high price).

Sell Side Liquidity (Smart Money BUYS)

Where an Order Block forms where the Smart Money BUYS into the retail (dumb money traders orders - Pushing the price UP.

Smart Money

These are the smart, informed, and savvy financial institutions that invest (buy and sell) their large capital into different financial markets.

Smart Money Concepts

SMC is a more sophisticated method of price action to spot, identify and locate where smart money is buying and selling their positions

Sweep Buy Side Liquidity (Smart Money SELLS)

Smart Money SELLS into positions (and sweeps liquidity) from retail traders who are short (get stopped) and for long traders who buy and enter their trades.

Sweep Sell Side Liquidity (Smart Money BUYS)

Smart Money BUYS into positions (and sweeps liquidity) from traders who are long (get stopped) and for short traders who enter their trades.

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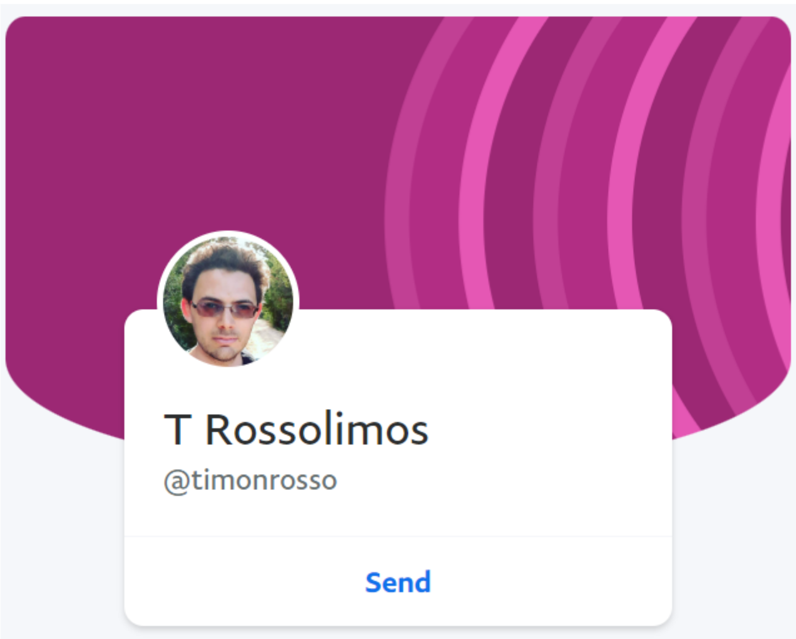


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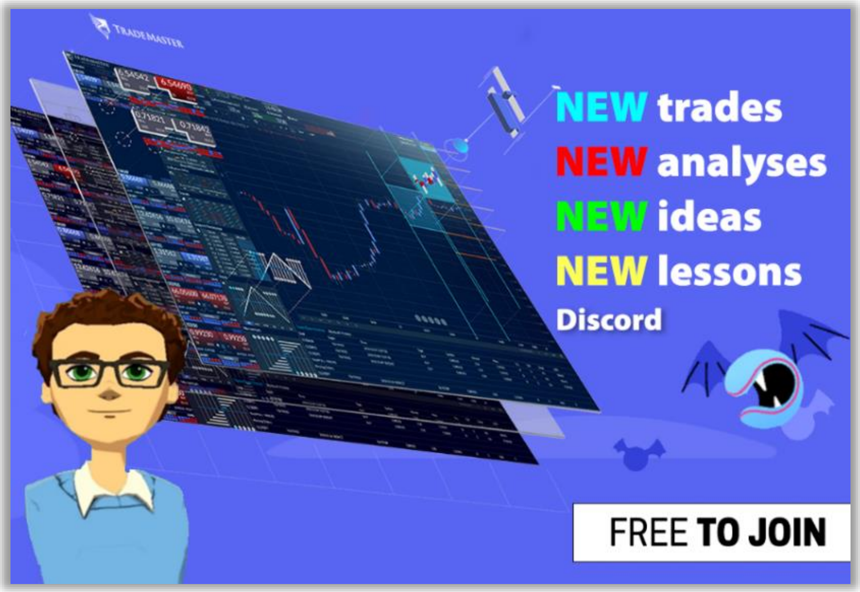
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What the **big institutions** and **banks** use and **don't want you to know** about.

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