How to Identify Daily Bias Using Internal (IRL) & External (ERL) Liquidity

Recognizing **"Daily Bias"** using the concepts of **Internal Range Liquidity (IRL)** and **External Range Liquidity (ERL)** is essential for determining the general price movement direction in a trading day.

Based on analyzing key **liquidity zones** and **algorithmic market behavior**, these concepts provide a framework for predicting price movements.

Price action in the **ICT trading model** constantly oscillates between external and internal liquidity levels.

Identifying Daily Bias Using Internal and External Liquidity

What is Daily Bias?

Daily Bias refers to predicting the predominant price direction throughout a **trading day**.

The concept begins by analyzing higher timeframes, such as **weekly** and **daily**, and then drills down into lower timeframes using **internal and external liquidity** principles.

Identifying Daily Bias with **Internal and External Liquidity** enhances traders' **win rates**.

How to Identify Daily Bias

Follow the steps below to identify Daily Bias:

#1 Analyzing Higher Timeframes

To identify daily bias with IRL and ERL, start by examining the **weekly and daily** timeframes.

In this phase, old highs and old lows should be marked as **external range liquidity (ERL)**. These levels indicate areas that the market tends to move towards.

Additionally, **Fair Value Gaps** (FVGs) within these timeframes should be identified, as they act as **internal range liquidity (IRL)**, attracting price movement.

Determining price movement in the EUR/USD pair on the weekly timeframe to recognize daily bias using IRL & ERL

#2 Identifying the Market's Dominant Trend

The overall market trend should be determined once key levels like **support and resistance** are identified on **higher** timeframes.

The trend can be **bullish, bearish, or neutral**. This analysis considers displacement moves (signaling liquidity grabs) and **market structure shifts** (MSS).

The trend is **bullish** if the market continuously breaks previous highs and forms new ones. Conversely, breaking previous lows consistently indicates a **bearish** trend.

Determining price movement after liquidity collection and market structure shift in identifying daily bias using internal and external liquidity

#3 Identifying Internal and External Liquidity

To identify daily bias with IRL and ERL, focus on areas likely to attract **price movement**.

Internal liquidity (IRL) is often found within **Fair Value Gaps (FVGs)** and **imbalance zones**. These areas indicate points where the market tends to fill gaps.

On the other hand, external liquidity (ERL) corresponds to **old highs and lows**, which attract price movement due to the accumulation of **stop orders**.

To recognize these areas, examine **long-term** and **mid-term** highs and lows.

Determining internal liquidity (FVG) and external liquidity (old highs and lows) for recognizing daily bias with IRL & ERL

#4 Analyzing Recent Price Action

After determining key areas, recent price action should be reviewed in the **daily** timeframe.

If the price has recently collected **external liquidity (ERL)**, its next target is typically an **internal liquidity (IRL)** zone.

Conversely, if the market moves away from an **FVG**, it is likely to head towards previous highs or lows.

#5 Confirming Bias Using Lower Timeframes

Once daily bias is identified using IRL and ERL, lower timeframes (such as 1-hour and 4-hour) should be analyzed.

Look for signs like **market structure shifts (MSS)** or **displacement moves** in the direction of the daily bias. These confirmations enable traders to enter trades with higher confidence.

Determining price movement using internal and external liquidity to recognize daily bias, where price movement order is visible

Key Points in Identifying Daily Bias with Internal and External Liquidity

To accurately use the concepts of identifying Daily Bias with IRL and ERL, pay attention to the **following points:**

- **Internal liquidity (IRL)** is typically observed as **Fair Value Gaps (FVGs)**;
- **External liquidity (ERL)** consists of old highs and lows where significant order accumulation occurs;
- Analyzing recent **price action** is crucial for better understanding future movements;
- Utilizing **lower timeframes** helps pinpoint precise entry and exit points.

Conclusion

Higher timeframes serve as the foundation for **daily bias identification**. **Weekly and daily charts** provide critical reference points for external liquidity grabs, while lower timeframes refine entry points.

Without this **top-down Analysis**, traders risk misinterpreting short-term fluctuations.

Sources:

Our Website Link :

https://tradingfinder.com/education/forex/ict-irl-erl/

All Education :

https://tradingfinder.com/education/forex/

TradingFinder Support Team (Telgram):

https://t.me/TFLABS