

Learn IRL & ERL in ICT; Internal and External Range Liquidity

In the **ICT Style**, price movement in financial markets is shaped solely towards **liquidity**;

In this context, liquidity is divided into two categories of **Internal Range Liquidity**

(IRL) and **External Range Liquidity (ERL)**.

Internal Range Liquidity (IRL) refers to **Fair Value Gaps (FVGs)** within a **range**, while

External Range Liquidity (ERL) refers to **Old Highs** and **Old Lows**.



An overview of ICT Internal and External Range Liquidity, showing some examples of these concepts on the chart

How Does Price Move According to ICT?

According to this style, prices in financial markets move solely to gather **liquidity** and adjust **imbalance zones** such as **Fair Value Gaps (FVGs)**.

The creator of the **ICT style** views the market as moving **algorithmically**, driven toward areas of liquidity regardless of **patterns** or **analyses** from other technical styles.

What is a Dealing Range in ICT?

This concept refers to the space between a **Swing High** and a **Swing Low**, forming a price movement step.

Within this range, various levels and areas exist, including **Fair Value Gaps (FVGs)**, **Order Blocks**, and **liquidity levels** related to short-term **highs** and **lows**.



A schematic of a Dealing Range showing Internal Range Liquidity (IRL) and External Range Liquidity (ERL)

What Are Internal and External Range Liquidity?

Internal range liquidity represents trapped orders within a **swing**, while external range liquidity targets **breakout** traders and **stop hunts**.

Internal Range Liquidity (IRL)

Internal Range Liquidity (IRL) refers to **Fair Value Gaps** (FVGs) formed within a **price range**, where each gap represents an imbalance and a liquidity target that attracts market movement.



Internal Range Liquidity (IRL) or Fair Value Gaps (FVG), with four examples identified in a price movement step

External Range Liquidity (ERL)

External Range Liquidity (ERL) refers to the levels above **Old Highs** and below **Old Lows**; Retail traders perceive these levels as **resistance or support** due to the high concentration of **stop orders**.

This liquidity attracts the market, making these areas prime targets for **stop hunts**.



External Range Liquidity (ERL) or Old Highs and Lows, with two examples marked in a price movement step

How Does Price Move Towards Liquidity?

In ICT analysis, price movement in the market is algorithmically drawn towards liquidity. When the market reaches an **Internal Range Liquidity (IRL)**, it will be drawn towards an **External Range Liquidity (ERL)**. Conversely, after reaching an **External Range Liquidity (ERL)**, the market is drawn back towards an **Internal Range Liquidity (IRL)**. This cycle occurs constantly.

What Are the Applications of Internal (IRL) and External (ERL) Liquidity Concepts?

By applying IRL and ERL effectively, traders can refine their approach to **Identifying Daily Bias** while ensuring **Precise and Optimized Trading**, aligning their entries with liquidity cycles and institutional **order flow**.

Identifying Daily Bias

Traders can determine the overall **market direction** and **daily bias** by using internal and external liquidity concepts in higher timeframes such as **monthly, weekly, and daily** charts.

Precise and Optimized Trading

Applying this concept in timeframes lower than 4 hours helps traders accurately identify optimal areas to enter trades. Additionally, stop loss and take profit levels can be set more precisely using these concepts.

Conclusion

The concepts of **Internal Range Liquidity (IRL)** and **External Range Liquidity (ERL)** in ICT style refer to **Fair Value Gaps (FVGs)** and **Old Highs** and **Lows** that act as liquidity-attracting zones.

In this approach, price moves **algorithmically** to collect **liquidity** and **fill gaps** between IRL and ERL. The continuous interaction between these liquidity ranges forms the foundation of this analysis, guiding market direction and enabling precise **entry** and **exit** points in trades.

Sources:

Our Website Link :

<https://tradingfinder.com/education/forex/ict-internal-and-external-range-liquidity/>

All Education :

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

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