

## Supply & Demand in Smart Money Concepts (SMC); Optimal Entry & Exit Points

The price of any asset in the market is determined by the **balance** between **supply** and **demand**:

**Supply** refers to the quantity of a good or asset in the market. When **supply exceeds demand**, prices **fall**.



Supply & Demand in Smart Money Concepts (SMC); Buying & Selling Pressure

**Demand** refers to buyers' willingness to purchase an asset at the market price. When **demand surpasses supply**, prices **rise**.

## What are Supply and Demand Zones?

In **SMC trading** and **price action analysis**, supply and demand zones are defined as:

- ◆ **Supply Zone:** Price region where abundant sell orders increase supply, causing prices to drop.
- ◆ **Demand Zone:** Price region where abundant buy orders increase demand, causing prices to rise.

## Why Are Supply and Demand Zones Important?

**Supply and demand Zones** are crucial areas on the price chart for identifying reversal and trend continuation trades. These zones often trigger rapid market reactions.

According to **Smart Money concepts**, institutional traders enter these zones in significant volumes, creating increased supply or demand.

Traders should wait for the market to test these zones before executing **buy** or **sell** trades, following the footprints of institutional traders and Smart Money.

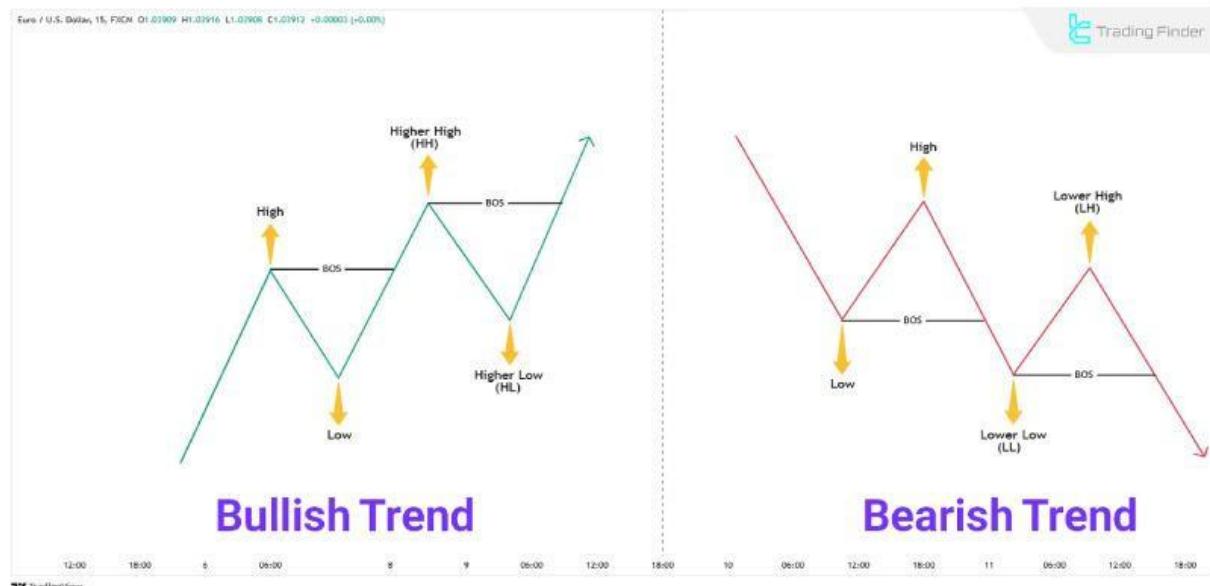
## How to Identify Supply and Demand Zones

To identify supply and demand zones, you must first understand the basic concepts of **market structure**:

### Break of Structure (BOS)

When the market trends, it breaks previous structures in the trend direction and continues moving. This phenomenon is called a **Break of Structure (BOS)**:

- ◆ In an uptrend, the market breaks the previous high and creates a **Higher High (HH)**.
- ◆ In a downtrend, the market breaks the previous low and creates a **Lower Low (LL)**.



## Identifying Supply Zones

A **Supply Zone** is a market area where **selling** pressure causes prices to **fall** rapidly. These zones usually appear during **downtrends**.

Supply zones are formed during **pullbacks** before a **CHOCH** or **BOS**. Following this, prices drop **sharply**. These pullbacks may consist of **one or multiple bullish candles**.

Identifying Supply Zones in EUR/USD Chart

## Identifying Demand Zones

**Demand Zone** is a market area where **buying** pressure causes prices to **rise** rapidly. These zones typically form during **uptrends**.

Demand zones usually form during **pullbacks** before a **CHoCH** or **BOS**. Following this, prices **rise** sharply. These pullbacks may consist of **one or multiple bearish candles**.



Identifying Supply Zones in EUR/USD Chart

## How to Trade Using Supply and Demand Strategy

To trade based on supply and demand zones, you must first determine the **market trend**:

## Uptrend

1. After a **bullish CHOCH or BOS**, identify the demand zone.
2. When the price **retraces** and approaches the **demand zone**, execute a **buy**
3. If the demand zone is large, wait for the market to test at least 50% of it with additional confirmations, such as **lower timeframe structure changes**.
4. Place the **stop loss** a few pips **below** the demand zone.

## Downtrend

1. After a **bearish CHOCH or BOS**, identify the supply zone.
2. When the price **retraces** and approaches the **supply zone**, execute a **sell**
3. If the supply zone is large, wait for the market to test at least 50% of it with additional confirmations, such as **lower timeframe structure changes**.
4. Place the **stop loss** a few pips **above** the supply zone.

## Conclusion

In **Smart Money Concepts (SMC)**, supply and demand form the foundation of price movements in financial markets. Supply and demand zones are critical chart areas that determine trend direction and provide trading opportunities.

**Supply Zone** represents high **selling pressure**, leading to price declines. These zones typically appear in downtrends following a **BOS** or **CHOCH**.

**Demand Zone** represents high **buying pressure**, leading to price increases. These zones typically appear in **uptrends**.

## Sources:

1.our website link :

<https://tradingfinder.com/education/forex/smc-supply-demand/>

2.all Education :

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

3.TradingFinder Support Team (Telegram):

<https://t.me/TFLABS>



[TradingFinder](https://tradingfinder.com)



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