ICT Broadening Formation; Using Buy-Side & Sell-Side Liquidity

The **Broadening Formation** is a recurring pattern in technical analysis that helps traders understand **price behavior** under specific **market conditions**. This pattern often appears when the **market absorbs liquidity** and lacks a clear direction.

Price structure in ICT Broadening Formation

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What is the Broadening Formation?

The Broadening Formation in **ICT style** is a price structure where the price **continuously expands**, increasing its range of fluctuations.

This pattern **indicates** that the market is transitioning from a **consolidation** phase to more intense volatility.

In other words, the price initially fluctuates within a specific range, but **over time**, this range expands, creating **new highs and lows**.

How to Identify the Broadening Formation?

The **following** characteristics help identify the **Broadening Formation**:

- It usually appears after an initial **consolidation** phase;
- The price first breaks one side of the **range then returns** to the range and **breaks** the other side. This process repeats **several times**, eventually expanding the price range.

How to Draw the Broadening Formation?

There are two main methods to draw this pattern:

1. Identify key high and lows
2. Use buy-side and sell-side liquidity

1- Identifying Key Highs and Lows

To draw the pattern using key highs and lows, follow these steps:

1. Identify the **highest high** and the **lowest low**;
2. Determine the broken **highs and lows**;
3. Connect the previous **highs** and extend the lines;
4. Connect the previous **lows** and extend the lines;
5. Eventually, the **Broadening Formation** takes shape.

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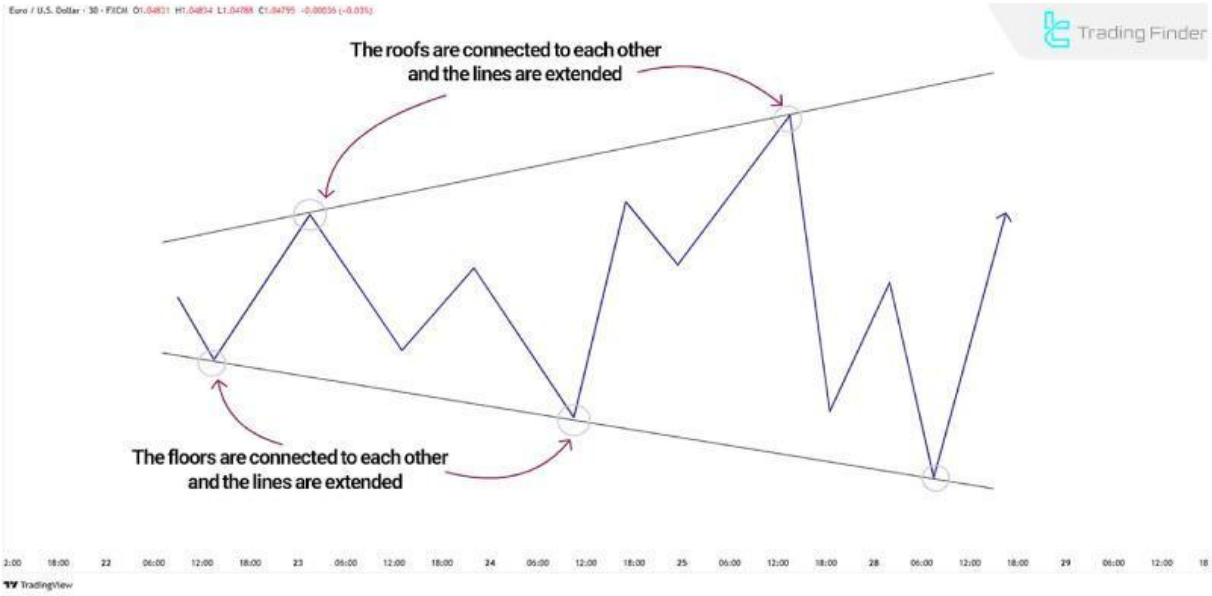

How the Broadening Formation Works in ICT Style

2- Using Buy-side and Sell-side Liquidity

To draw the pattern using liquidity, consider the following factors:

- Breaking **previous highs** in an uptrend indicates the absorption of buy-side liquidity;
- Breaking **previous lows** in a downtrend indicates the absorption of sell-side liquidity;
- Finally, connecting the highs and lows **reveals** the Broadening Formation.

Applications of the Broadening Formation in Trading

The Broadening Formation has the following applications in trading:

Identifying Suitable Entry and Exit Points

One of the most important applications of the Broadening Formation is identifying optimal **entry and exit points**. Typically, a trading opportunity arises when the price reaches one of the **edges** of the broadening range and shows signs of **reversal**. **Buy and sell positions with Broadening Formation:**

- A sell position can be **considered** if the price reaches the top of the pattern and shows weakness in continuing the **uptrend**;

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⚡ A buy position can be considered if the price reaches the bottom of the pattern and shows **weakness** in continuing the **downtrend**.

Using the Pattern in Different Timeframes

The **Broadening Formation** can be observed in various timeframes. For example, a smaller Broadening Formation may form in a shorter timeframe, such as the 15-minute chart, while **a larger** one may be created in **higher timeframes**, such as the hourly or daily chart. This phenomenon is known as **nested patterns**.

Combining the Broadening Formation with Other Trading Strategies

This pattern can be more effective when combined with other analytical methods:

Combining with SMT Divergence

If **SMT (Smart Money Tool)** appears at the edges of the pattern, it can be used to confirm **trade entries**. For example, a **bullish reversal** can be expected if SMT indicates buyer activity at the end of a **downtrend**.

Combining the Power of Three

The **Power of Three** consists of three stages:

1. **Accumulation:**The price consolidates within a specific range;
2. **Manipulation:**A false breakout occurs on one side of the range;
3. **Distribution:**The price moves in the opposite direction.

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How to use Power of Three [Accumulation, Manipulation, Distribution] in Broadening Formation

The Broadening Formation often follows these stages, so combining these methods can provide ideal entry and exit points.

Combining with Liquidity Levels and Support/Resistance

Buy side and sell side liquidity can be used to determine entry and exit points. A price correction can be expected if the price reaches **a high liquidity level** and shows signs of reversal. **Support** and **resistance** levels are also effective for setting **price targets** in the Broadening Formation.

Using the Broadening Formation in Daily Profiles

Another application of this pattern is analyzing it within the framework of daily profiles. Traders can use this pattern to predict market movements throughout the day:

- If the **London session** breaks the highs and lows of the Asian session, there is a high probability that the **New York session** will break the highs and lows of the London session;
- This trend reflects the **Seek and Destroy** price behavior, where the market aims to absorb liquidity on both sides.

Example of Trade Using the Broadening Formation

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In the 30-minute timeframe of GBP/USD chart, the price begins **breaking** short-term highs and lows after **forming** a Broadening Formation.

In this scenario, first, connect the **highest** and **lowest** prices in the **pattern** and extend the lines.

- A sell position can be entered when the price **breaks** a short-term high and touches the extended lines;
- When the price breaks a short-term low and touches the **extended lines**, a **buy position** can be entered.

Example of Using the Broadening Formation in ICT Style

Conclusion

The Broadening Formation indicates increasing volatility and expanding price movements. This pattern can be combined with methods like **SMT Divergence**, **Power of Three**, and **liquidity levels**.

By using this pattern across different timeframes, traders can identify **entry** and **exit** points and **predict price movements** within daily profiles.

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Sources:

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