PREVIEW

Issam Algo

TRADING LIBRARY / VOLUME 07

SUPPLY AND DEMAND TRADING

A Practical Illustrated Guide

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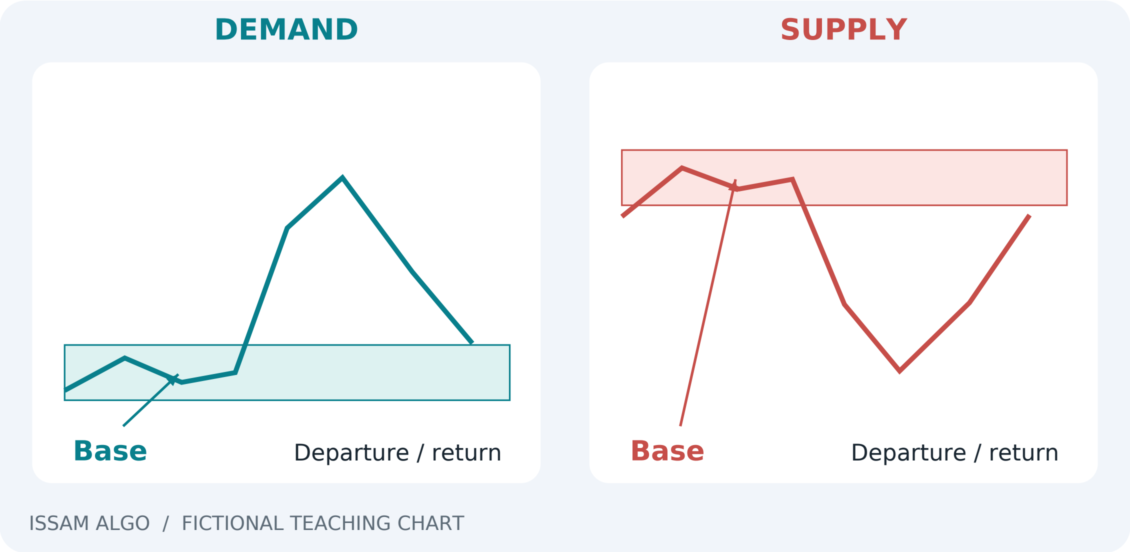
What is a supply or demand zone?

A demand zone is an area from which price moved up. A supply zone is an area from which price moved down. Traders mark these areas to observe what happens if price returns.



Schematic paths: a pause, a departure and a possible return. Rectangles mark areas, not guaranteed turning points.

The central idea is location plus response. A previous departure helps you choose an area to study; it does not tell you what the next visitor to that area will do.

This overlaps with support and resistance, which can also be treated as areas. Our focus is the base that preceded a departure, rather than collecting repeated swing touches. [1]

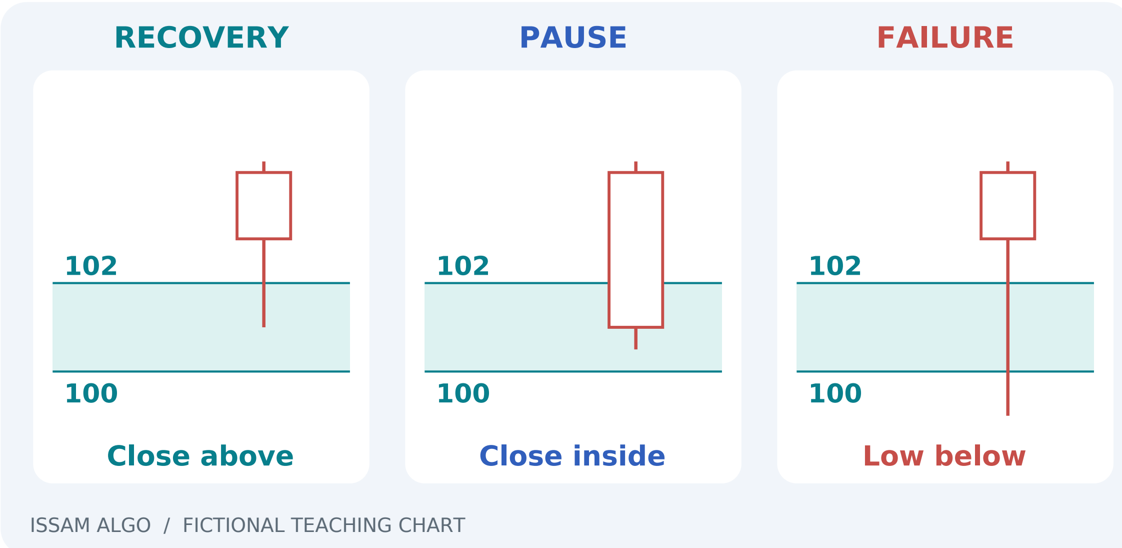
A chart records price. It cannot show how many hidden orders remain in a rectangle, who placed them or whether a bank will defend it. Treat the label as a working hypothesis.

COMMON MISTAKE

Calling a zone a wall that price cannot cross.

A return has more than one ending

After an upward departure, price may revisit demand and recover, stay in the area, or continue below it. A touch is information; it is not an instruction to buy.



Three possible first-return candles at the same 100-102 zone. These are alternatives, not a chronological sequence.

Recovery: the low enters the area and the completed close finishes above 102. Our model still needs the entry and risk checks.

Pause: the candle closes inside the rectangle. Our model rejects this first visit even if price rises later.

Failure: the low crosses below 100. Our model cancels immediately, even if that candle eventually closes above 102. We do not redraw the zone.

COMMON MISTAKE

Remembering the recovery pictures while ignoring pauses and failures.