

Supply And Demand Zones: The Definitive Guide (2023 Update)

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“Pin-point EXACTLY where and when the banks are buying and selling.”

“Get into the biggest reversals BEFORE they begin.”

Have you ever heard these *statements* before?

This is where you start...

I've got you covered...

Over the last few years, **“Supply and Demand trading”** has exploded, becoming one of the most popular Forex trading strategies.

And for *good reason...*

Supply and Demand trading takes the best elements of *support and resistance* and merges them with the tried-and-true concept of **supply and demand**.

The result?

A strategy which allows you to:

“Pin-point EXACTLY... where and when the banks are buying and selling.”

“Get into the biggest reversals... before they even kick off.”

Sounds amazing, right?

Supply and Demand trading is one of the *core strategies* I use to trade forex... along with other setups, of course.

In this *mammoth guide*, I'll give you a full step-by-step breakdown on **How you can start trading Supply and Demand**.

Here's a quick look at what we'll cover:

- *What, exactly, is supply and demand trading, and how does it work...*
- **Why the normal way of trading Supply and Demand is wrong,**
- Finding, and drawing **Supply and Demand zones correctly,**
- The *two ways* you can trade supply and demand.

So, let's get started!

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Understanding Supply And Demand In Forex

Before we dive into understanding how to trade using the **supply and demand strategy**, it's important to discuss its origin:

The Law of Supply and Demand.

In economics, the law of supply and demand *fundamentally* determines the price people pay for a product...

This law states:

When supply of a product is high and demand is low, prices *must* fall to incite buyer's interest. Conversely, when demand for a product is high and supply is low, prices *must* rise to represent the scarcity of that product.

Sound familiar?

But here's the **key point**:

Forex, just like all other financial markets—stocks, commodities, crypto, etc.—is guided by the same *fundamental* concept of supply and demand.

News events...

Economic announcements...

General market action...

All these factors influence various groups of traders to buy and sell... leading to shifts in the **supply and demand balance**. These shifts are visually represented as the rises, declines, and consolidations we see on our charts.

- **When price is RISING** = demand *outstrips* supply.
- **When price is FALLING** = supply *outweighs* demand.
- **When price moves SIDEWAYS** = supply and demand are *in balance*.

Here's a quick example...



The image above *demonstrates* how the interplay of supply and demand drives the price movements we see.

First: When supply and demand are in relative balance, we see consolidation. This means supply is equivalent to demand.

Second: At some point, a shift occurs.

Perhaps due to an unforeseen event or market sentiment, demand begins to surpass supply...

This could be because an individual or a group of traders choose to buy EUR/USD en masse, leading to a rise in price. As price rises, more traders decide to buy, further driving the price higher.

Third: Just when it seems the up-move will persist, supply re-emerges and pushes price downwards, triggering a new downswing.

This continues until a greater amount of demand enters the market, creating a new upswing. More supply then inevitably enters the market, price stabilizes, and we witness a tight consolidation phase.

The cycle then repeats with demand surpassing supply, resulting in a significant upswing.

This sequence is a "**play-by-play**" cycle which unfolds regularly—daily, weekly, monthly, quarterly, annually, and so on.

At its core, **supply and demand dictate the trajectory of prices.**

How And Why Supply And Demand Zones Are Created

With all that said, you might be asking yourself...

"How does everything fit together?"

How, exactly, does the law of supply and demand create a trading strategy? One which we can harness to *predict potential future reversals*? The answer lies in what *causes* supply and demand to change in the first place...

Here's the deal:

Changes in supply and demand only happen when banks and other major entities engage in buying or selling.

For us—the *retail traders*—we simply don't have the financial clout to influence price movements...

It's the **banks, hedge funds**, and other *financial juggernauts*, with their vast reserves and unparalleled buying/selling capabilities, which drive **major changes in supply and demand**.

When the scales tip, when supply is surpassed by demand (or the other way round), it's a *clear indicator*: **Banks have made their move**.

The banks could be...

- Entering new trades,
- Securing current profits,
- Wrapping up existing trades.

But here's the key point:

In Forex, banks *can't unload their entire position all at once...*

Why?

Their positions are **colossal!**

To avoid distorting the market and possibly entering at an *unfavourable price*, they fragment their positions... They split them into smaller trades, executing each around a *similar, consistent price point*.

In essence: **The banks replicate the placing of one mammoth trade by dispersing several smaller ones.**

Clever, right?

However... **here's the problem:**

These positions are usually *so massive* there aren't enough counteracting traders for the banks to execute them, even when they're divided into smaller trades.

What does this mean?

Banks must sometimes let price move away from their initial entry and then *manoeuvre* the market back to the same point to enter their remaining positions at a similar price.

What does this look like on a graph?

Let's take a look...



Here's how the banks manipulate price to drum up orders (buys, in this case) to enter more *sell* positions.

First: The banks place what *sell positions* they can, and price falls away.

This creates a **supply zone**—the zone marks the point where the banks *would want to enter* any remaining sell trades in the future.

Second: The banks *manipulate* price back to the source—the point they placed their initial position (the supply zone)—to get their remaining sell positions entered.

Finally: Price reverses, and a **large down-move ensues**.

This is supply and demand trading in action!

We identify points where the banks enter *significant positions*—**supply and demand zones**—and then jump in when price returns to enter right beside the banks.



Price moves from supply zones to demand zones and back: over and over again.

If we identify these zones, which I'll show you how to do later, we can get into these moves *precisely at the point they begin...*

That will give us a **low-risk entry with a very large risk-to-reward ratio.**

Breaking Down Supply And Demand Zones

Let's quickly go over the two zones now, so you can see how they work.

Demand Zones

Demand Zones represent points where banks have entered *significant buy positions*.



Demand Zones form when the banks place a large number (or size) of buy positions to *overwhelm* supply (sellers), causing price to move higher.

The source of the reversal = the **demand zone**.

Important: Most demand zones will create a *significant up-swing*, but some zones will form mid-move from a **retrace-ment** or pause... (I'll explain the differences between these two zones in a minute.)

Supply Zones

On the other side of the fence, we have **supply zones**...

These are points where *the banks* enter a *significant number (or size)* of sell positions.

These are the **resistance levels** where price could fall.



Supply zones form when banks sell a *substantial amount* of currency.

The selling creates an excess of supply, overwhelming demand (*buyers*), and thereby causes price to fall... **creating a supply zone**. The *source of the reversal*, usually marking the start of a significant downswing, is where the supply zone exists.

The Two Types Of Supply And Demand Zone

Before we move on, let's *quickly* go over **the two types of supply and demand zones** which form in forex.

While supply and demand zones mark points where price *could reverse*, the zones themselves come in two flavors. These are based upon whether they arise from a price reversal or a continuation.

Let's delve into RBR and DBD first...

The two types are as follows:

- Rally-Base-Rally (RBR) and Drop-Base-Drop (DBD) Zones,
- Rally-Base-Drop (RBD) and Drop-Base-Rally (DBR) Zones.

Continuation Zones: Rally-Base-Rally and Drop-Base-Drop

RBR/DBD Zones Form When:

Price moves in one direction, bases—i.e., consolidates or pauses—then *continues* in the same direction...



These zones always form *once a price swing is underway*, usually courtesy of the banks securing profits or closing open trades...

- **RBR Zones** – Banks Taking Profits/Closing *BUY* Trades.
- **DBD Zones** – Banks Taking Profits/Closing *SELL* Trades.

Keep in mind: Continuation zones are *LESS powerful* than reversal zones.

Some may argue otherwise, but it's true.

This is because the reversal, which spawns the zones, often originates from banks placing *smaller* sell/buy positions to profit from the current move. By the time price returns, the move has concluded, and the banks are now trading in the opposite direction.

While some RBR/DBD zones might offer *decent trades* occasionally, it's important to be **selective** and know where to look.

On to **reversal zones** now:

Reversal Zones: Rally Base-Drop and Drop-Base-Rally

RBD/DBR zones form when:

Price *reverses* the prior market direction, bases—consolidates or pauses—then sets off a new swing in the opposite direction...



Reversal zones always form during the transition of one major swing to another.

Typically, this happens because of *banks* buying or selling vast amounts of currency.

- **RBD Zones** – *Banks Entering Large SELL Trades.*
- **DBR Zones** – *Banks Entering Large BUY Trades.*

Reversal zones represent the *most potent* supply and demand zones in forex.

These zones only form when *banks* and other **significant traders** put *massive trading positions* in play... Their goal?

To reverse the prevailing price direction.

The influx of supply or demand in these areas **significantly overshadows** that in RBR/DBD zones. This implies *banks* must enter substantial positions to overpower the opposing supply or demand and **reverse the market**.

Remember: It's easy to lose yourself in the intricacies of the type of supply or demand zone you're trading. As a beginner, aim for **gaining experience** in spotting and trading these zones...

Give priority to **reversal zones** if possible, but avoid becoming overly fixated...

It's not so much about the *type*, but about **accurately identifying the right zones** and representing them correctly on the chart.

That's the key skill you need to hone.

Once you've got a handle on finding and drawing supply and demand zones, you can begin **filtering these zones**.

This allows you to trade or avoid specific types.

How To Locate And Draw Supply And Demand Zones

There are **three key skills** to master in trading supply and demand zones:

1. **Identifying the right zones.**
2. **Drawing zones** according to the correct rules.
3. **Trading zones** using the right signals.

In this section, we'll look into the **first two skills**: Identifying and drawing supply and demand zones.

Mastering these skills requires time, practice, and experience...

BUT, I'm privy to a few *sneaky tricks* which will significantly simplify the process of finding and drawing these zones.

Let's begin with **finding the zones**...

How To Quickly Identify Supply and Demand Zones

Here's the thing:

You might find it challenging to **pinpoint the right supply and demand zones**...
I get it, I really do... *Bummer, right?*

Probably not the revelation you were hoping for.

However, stick with me here, because there's a straightforward strategy to **identify powerful supply and demand zones**.

And guess what?

It's closely tied to the **methods of the banks**.

Remember what I explained earlier?

Supply and demand zones form when *banks* and other influential entities execute *sizeable buy or sell orders*...

How does this activity appear on a price chart?

A steep rise or a steep decline!

To identify **high-probability zones**, keep an eye out for steep price fluctuations.

These are telltale signs of banks initiating **large buy or sell orders**, signifying the presence of a zone at the origin of the move:

- **Steep rise = demand zone.**
- **Steep decline = supply zone.**

Let's take a look...

Euro / U.S. Dollar - 1h - OANDA 01.18982 H1.19070 L1.18970 C1.19046 +0.00064 (+0.05%)

1.19032 2.8 1.19060



Look at the rises above... **Notice** how steep they are?

Such steep rises occur when a *massive influx* of demand enters the market, **overwhelming** the current supply.

So, what's the **root cause** of this *excess demand*?

Banks buying, of course.

Here's the plan: To pinpoint **strong Demand Zones**, search for steep rises...

These rises *signal* banks have taken a **significant buy position**. This means price has a **high probability** of reversing once it returns to the origin of the rise. It's likely the banks will still have additional *buy trades* to initiate.

The **origin of the rise?**

That's your **Demand Zone**.

Here's how it looks with the zones marked...



Each **Demand Zone** is drawn from the *base/source* of the steep rise, a result of the banks initiating **large buy trades**.

Demand Zones always form in a *specific location*:

At the **BASE** of the **STEEP up-move/upswing**.

When it comes to drawing **Demand Zones** (which we'll get into shortly), we *always* draw them from the base/source down to the most recent swing low... This area encompasses where the banks entered **buy positions**.

Important: Supply and demand zones can form when the banks are **entering trades**, *taking profits*, or **closing trades**. The difference might be subtle, but the methodology for identifying, drawing, and trading these zones **remains consistent**.

(For a deeper understanding, [check out my course](#).)

Let's switch over and look at **Supply Zones** now...

To find **strong Supply Zones**, we use the **same process** as Demand Zones... The **only difference**:

Rather than looking for steep rises, we're looking for **steep declines**...



Such declines *form* when there's a *surge* in supply in the market. This typically happens when the banks are executing **substantial sell orders**. And how can the banks execute large trades while **evading slippage**.

Split the trade into smaller segments!

This indicates there's a **high likelihood** of price revisiting the **Supply Zone**, allowing the banks to finalize their *remaining sell orders*...



Here's the **supply zones** which formed during the segment of price action shown where I marked the steep rises.

Straight away, you'll notice:

1. The zones **ALL** form steep declines/downswings.
2. The zones **ALL** exist at the *source/base* of the decline.

So... *this is how you identify powerful supply zones:*

1. **Find a steep decline.**
2. **Mark a zone** around the source.
3. **Wait** for the price to return to get an entry.

However, there were a few zones which didn't generate a strong reaction, only a small pause or retracement. These zones are *almost exclusively DBD zones*, which *always* form **AFTER** price has already reversed and started falling.

With the **RBD zones**, it's a different story:

For the most part, these zones *all* create **powerful reactions** or reversals.

This is just another reason to focus *more* on trading RBD and DBR zones and **avoid trading DBD and RBR zones.**

Keep this in mind as well...

Steep rises are the easiest way to find *powerful* zones.

BUT, many great zones can develop from non-steep rises/declines and provide **profitable trading opportunities.**

To find these zones, *follow the same process:*

1. **Find the base/source** of the rise/decline.
2. **Mark a zone** around the base to cover.
3. **Wait** for the price to return and provide an entry signal.

Now, let's switch over and explore... **How To Draw Supply And Demand Zones**

How To Draw Accurate Supply And Demand Zones

Learning how to identify **high probability supply and demand zones** is essential...

But you know what's even more critical?

Drawing supply and demand zones.

Here's the thing:

Your success in S&D hinges on how accurately you've marked the zone.

- **Draw the zone too large**, and the stop distance (i.e., risk) increases.
- **Draw the zone too small**, and price might bypass the zone before reversing.

In both scenarios, you'll face:

- **Larger than expected losses.**
- **Missed profitable trades.**

But don't despair!

I'm here to guide you...

There's a method to draw accurate supply and demand zones without misjudging their size.

Want to learn how?

Let's look at **demand zones**...

How to Draw Demand Zones

1. **Find a steep rise** where you believe a zone has formed.
2. **Pinpoint the most recent swing low** at the *source* of this rise.
3. **Draw a zone** from the swing low, extending to the breakout candle.

Let's examine an example...

FIRST: Identify a steep price rise, one where you *sense* a demand zone has formed...

(The rise should consist of several *prominent bullish candlesticks*).



This rise seems decent...

NEXT: Find the source/base of the rise—this marks the **starting point** of the upswing. This is where the *banks initiated their buy positions*.

If banks still have buy positions to enter, they'll *manoeuvre* price back to this point to execute their remaining trades. It's **important** to highlight this area with a zone substantial enough to *guarantee* price reverses within.

To mark the zone:

1. **Open the rectangle tool** on your chart.
2. **Position the rectangle** on the **MOST RECENT SWING LOW** found at the base.



In our example, this is the swing low above...

Key point: The swing low signifies where the banks *entered* their most significant buy position. This is when the market sentiment appeared *most bearish*, luring thousands of traders into selling.

This provided the banks with a **plethora** of opposing sell orders, facilitating their buy trades.

Remember: Banks **NEED** other traders **SELLING** to initiate their buy trades.

However, drawing the zone solely from the low is insufficient. Buying can also come from above... The banks might execute *most of their buys at the low*, subsequently adding a few more at the minor lows generated above.

Here's how to mark the zone:

1. Place the **bottom edge** of the zone right at the swing low.
 2. Identify the **LAST SMALL CANDLE** before price took off (the breakout candle).
 3. **Extend the upper edge** of the zone to the open/close of the breakout candle.
- If the small candle is **BULLISH**, align it to the **CLOSE**.
 - If the small candle is **BEARISH**, position it at the **OPEN**.

When drawn accurately, the zone should appear as follows...



- The **LOWER EDGE** sits on the **most RECENT SWING LOW**.
- The **UPPER EDGE** rests on the close of the **last SMALL CANDLE** before price took off.

In this instance, it was a *small bull candle*; the upper edge is positioned at the **CLOSE**.

Important: Unsure about which small candle to use as a reference?

Simply draw the zone from the point immediately before *large candlesticks began to form*...

For **bullish** candles, use the **CLOSE**.

For **bearish** ones, use the **OPEN**.

Nine times out of ten, this method will provide a **valid zone**...

Your risk might be slightly higher, as the zone might not be the *ideal size*. However, the zone will cover the area where the banks entered. This should offer you a **valid trading entry** once the price revisits and then reverses.

Now, let's look at **supply zones**.

How To Draw Supply Zones

The process for drawing supply zones follows the *same process* as drawing demand zones.

To draw a supply zone, follow these steps:

1. **Identify a steep DECLINE** where a zone seems to have formed.
2. **Find the most recent SWING HIGH** at the root of the decline.
3. **Draw a zone** from the swing high down to the **BREAKOUT CANDLE**.

Here's a *step-by-step guide*:



FIRST: Locate a steep decline where you believe a supply zone has formed.

Just as with demand zones, it's *critical* to draw supply zones from the **base/source** of the decline.

This will include any potential points where *banks* might have initiated **sell trades**.

If banks still have pending trades to be entered, they'll navigate price back to the **base/source** to ensure they enter at a consistent price (i.e., within the *supply zone*) before prompting price to reverse and trend downwards.



NEXT: Once you've pinpointed the source...

1. **Place the rectangle tool** on the most recent swing high.
2. **Locate the last small candle** before the price tanked (the **breakout candle**).
3. **Drag the opposite edge down** to the open or close of the breakout candle.

- If the candle is **BULLISH**, align it with the **OPEN**.
- If the candle is **BEARISH**, align it with the **CLOSE**.

Once you've drawn the zone, it should look like this...

U.S. Dollar / Japanese Yen · 1h · OANDA 0105.398 H105.416 L105.338 C105.367 -0.031 (-0.03%)

105.350 3.4 105.384



The **UPPER EDGE** sits on the most recent swing high...

The **LOWER EDGE** rests on the breakout candle open (which is *bullish* in this case).

Reminder: If the price action appears *confusing*, or if you can't pinpoint which candlestick is the last small one before the decline, here's what you do...

Draw the zone from the swing high to the point where *significant bear candles* first began to form.

Start by **identifying the first large candle** in the decline...

From there, trace back and **mark the zone** from the first small candle.

Doing this will *typically* provide you with a **valid supply zone** albeit with a slightly increased risk due to the larger size. With those steps completed, you're all set!

How To Trade Supply And Demand Zones

As trading strategies evolve, *fresh approaches gain traction...*

Some of these **new methods** might outperform older ones or better align with an individual's trading style.

Supply and demand has also experienced this evolution.

Today, traders predominantly utilize **two ways of trading the zones**:

1. **The Price Action Entry**
2. **The Set And Forget Entry**

Each method has its own *set of advantages and drawbacks...*

Both strategies offer traders **low-risk/high-reward entries** into supply and demand zone trades. While it's possible to profit from both, one approach has certain *limitations* which can impact its profitability.

(We'll get into this shortly...)

Now, let's **unpack each method** so you can understand their workings.

Set and Forget Entry

Popularized by Sam Seiden, the "set and forget" entry is the **most common method** for trading supply and demand. It's the approach most *gurus and experts* advocate for due to its *simplicity*.

Set and forget revolves around trading zones using **limit orders**.

Here's the breakdown:

1. **Place a limit order** to buy/sell right at the edge of the zone.
2. **Wait for price** to circle back and activate the order.
3. **Anticipate price** to reverse and yield a profit.

The upside: You're *guaranteed* never to miss a reversal...

The downside: Price might **smash past the zone**, leading to losses.

Here's a quick example...



Start by identifying any nearby zones on your chart...

(For this example, I'll use a supply zone.)

Upon pinpointing a zone, **set a limit order** at the boundary closest to the current price. For price to shift away from the zone, it *must*, at the very least, cross this nearest boundary either by moving above it or spiking inside.

- **For supply zones** – position the order at the *lower edge*.
- **For demand zones** – position the order at the *upper edge*.

Moving on...

Place a **stop loss** on the edge opposite your entry point.

Important Note: *Never* anchor your stop right on the precise edge. Ensure a small gap—typically around 5-10 pips—between the stop and the zone's boundary. This buffer assists in dodging stop runs and unexpected price spikes.

NOW, it's a waiting game...

Let's see what happens...



In this case, the trade was *successful!*

1. Price moved up to the zone,
2. Spiked the lower edge (triggering the order),
3. Then reversed and began falling.

A great trade, by anyone's standard!

Using the limit order entry to trade supply and demand zones can be **incredibly effective**. I relied on this method extensively when I was just starting out, and the results were, by and large, pretty good.

But we can do better...

Here's the problem:

The limit order entry has a **significant drawback**...

This issue *drastically undermines its profitability*.

Moreover, it **completely erases** its user-friendly nature and the advantage of precise entries.

Trust me, this flaw makes it a *pain in the ASS* to trade.

(More on this in a minute...)

First, let's quickly break down the **price action entry**.

Price Action Entry

When trading supply and demand, my method of choice is the **price action entry**. This technique involves using *candlestick patterns* to enter trades within supply and demand zones.

Instead of setting limit orders, **you wait for specific candle patterns**.

The reason?

Confirmation.

Seeing a *candlestick pattern* forms within a supply or demand zone offers **more substantial proof** price is about to reverse... The pattern indicates banks might be initiating large positions, nudging price to reverse.

Here's how it works:

1. Await the price's return to a zone,
2. **Enter when a pattern emerges within,**
3. Set a stop and *anticipate the price reversal.*

Wondering which candle patterns to look out for?

You've got a few choices:

- **Bearish Pin Bars** (For Supply Zones)
- **Bullish Pin Bars** (For Demand Zones)
- **Bullish Engulfing Patterns** (For Demand Zones)
- **Bearish Engulfing Patterns** (For Supply Zones)

Keep an eye out for pin bars or engulfing candles forming within a zone, then make your move.



The **main purpose** of price action entry is to *wait* for the price to **ENTER** or *touch* the edge of the zone and **form a pattern BEFORE entering**.

DO NOT ENTER WHEN PRICE TOUCHES THE ZONE!

Instead... *wait* for a **candlestick pattern** to form first.

We're looking for *evidence* banks are **initiating trades**, causing price to reverse from the zone. This *evidence* comes in the form of a **pin bar** or an **engulfing pattern**; these indicators signal banks *want* the price to reverse.

For a **valid entry**, the price must do one of two things:

1. **Spike the zone** and form a pattern (e.g., pin bar).
2. **Move into the zone** and form a pattern *inside*.

Let's take a closer look...



A **strong bearish engulfing pattern** forms just after the price peaks *inside the zone*.

This is our signal to get in.

The bearish engulf suggests banks are likely **entering more sell trades**, aiming to make price reverse from the zone. The pattern gives us **extra confirmation** a reversal *could be imminent*.

Note: **Pin bars** also serve as great entry signals, but in my experience **engulfing patterns** tend to be a bit more consistent.

With our entry set...

We place a **stop above the upper zone edge**.

(Don't forget to leave a *small gap!*)

Finally... we *wait* and see if the price reverses.

And, in this case, it does...



A few hours after the engulf appears, price **reverses and exits the zone.**

Our Next Task Is To:

1. **First:** Lower the risk by moving our stop to break-even.
2. **Second:** Take profits as the price *continues to rise.*

Taking profits is really a matter of personal preference. **Any method will suffice**, so long as it's safe.

Here's how *I like to do it*: I **take profits** whenever the price forms a **new higher high** or **lower low**, depending on the current trend (which I track on the 1-hour trade timeframe).

- If price forms a **new lower low** (downtrend) – take profits off *sell trades*.
- If price forms a **new higher high** (uptrend) – take profits off *buy trades*.

Once I see price forming a **new higher high** or **lower low**... I move my stop to the **swing low/high** of the current up-move or down-move.

The **swing low/high** serves as the most recent point where banks *could enter large trades*. The odds of price reversing and breaking beyond this point are **pretty low**, providing us with *decent cover*.

In our example...



I'd **take profits** following the method outlined above... I also use the same strategy to *move my stop to break-even*.

When I first see price making a **new higher high or lower low**, I shift the stop to the *swing low/high* of the swing created by this new higher high or lower low. This **reduces the risk**.

Then, I continue to follow the process above to **take profits**.

Why the Price Action Entry is Better

Here's the thing...

I'm *not* knocking "**set and forget**," because it can be a great way to trade supply and demand—especially for beginners.

However, when it comes to trading the zones... **stick to using price action**.

The **killer flaw** with using limit orders is something we price-action traders know all too well...

Confirmation!

Limit orders offer **NO confirmation** the price will reverse from a zone.

ZERO.

Why is this a problem?

Because supply and demand zones *can—and do—fail*. Price frequently blasts through these zones, often without even the *slightest pause*.

You're stuck facing these zones when you enter using limit orders, which leads to a **pile of losses**.

But with price action, this isn't the case...

You **MUST WAIT** for a pattern to form inside or at the edge of the zone before placing a trade. The pattern serves as *confirmation* the banks want price to reverse and move away.

In short, you can **AVOID** zones price easily breaks without stopping.

No pattern = no trade.

It's not a *foolproof strategy*, mind you... Zones can—and will—still fail, even when using price action patterns for confirmation.

BUT, it's a *more secure and effective approach to trading zones*.

So, the point is clear...

Stick to trading supply and demand with price action.

While "set and forget" has its charms, the unavoidable losing trades and *lack of confirmation* significantly weigh it down, making it inferior to using price action.

FAQ And What To Do Next

I've been **crushing it** with supply and demand trading for a while now, and it's at the *heart of my trading approach*...

Supply and demand determines:

- How I **view the markets**,
- How I **analyze for opportunities**,
- How I **decide when and where to enter**.

But here's the thing...

I couldn't fit all the finer details of trading supply and demand into this guide. So, I've made a lineup of **awesome Supply and Demand articles** for you right here, to level up your trading game from what you've learned so far!

These 6 additional articles cover the **finer details** of trading supply and demand...

Check them out:

- [Exposed: 3 Killer Flaws in Sam Seiden's Supply and Demand Approach!](#)
- [#1 Mistake EVERYONE Makes Drawing Supply and Demand Zones](#)
- [How To Trade Supply And Demand On The Daily: What You Need To Know](#)
- [Why You Should Avoid Rally-Base-Rally/Drop-Base-Drop Zones](#)

... among *other important things*.

[Check out my **S&D Trading course**, too!](#)

VIP

MEMBERS ONLY

My **VIP Membership** includes a *2.5-hour course* which will detail **every aspect** of trading supply and demand, step-by-step. From how to identify the **strongest zones** to advanced techniques like creating a *price roadmap* by assessing zone strength.

Here's a quick look at what's **included**:

1. **How to combine zones** for *more accurate zones*,
2. **How to create a supply and demand roadmap**,
3. **Secret entry signals** for entering SD trades,
4. **5-step checklist** for trading SD zones,
5. **The right way to draw SD zones**,
6. And... *much, much more...*

And let's not forget my **books**, too:

1. **5 Rules For Trading Supply And Demand**,
2. **How To Determine The Strength Of A Zone**,
3. **Supply And Demand: How To Find And Trade The Best Zones**,
4. **3 Mistakes That'll Destroy Your Supply And Demand Trading**.

[All included with my VIP membership](#)—no extra charge!

Remember: *VIP Membership also contains my "Drain The Banks" video course, which will help you further understand price action and SD.*

Before we come to the end...

Here's a *small FAQ* containing the **most common questions** people ask about supply and demand.

Supply And Demand: Your Questions Answered!

Q. How long will it take to get good at finding and drawing the zones?

A. With consistent practice, sooner than you think.

Investing time in finding and drawing the zones yourself is **the fastest way**. As you go back and mark these zones, you'll *gradually* develop an understanding of how to draw them accurately.

You'll also get a feel for what makes a zone "**good**."

Over time, you'll refine your skills to the point where you'll know **exactly** how to identify and draw the zones correctly.

Q. Can a zone be used more than once, like support and resistance?

A. Generally, supply and demand zones are for one-time use only.

While you *may* occasionally see price reverse from a zone after its first touch, such zones usually appear at the top and bottom of consolidations and are *therefore okay to trade*.

For all other zones, however, only take the trade the first time the price returns to that **specific zone**.

Q. Is supply and demand trading profitable?

A. Absolutely... but only if you're learning from the right sources.

Many so-called "*supply and demand gurus*" lack a genuine understanding of how these zones operate. If you follow their guidance, you're likely to either **lose money** or achieve *limited success*.

However, if you learn from those who *truly* know what they're talking about, you'll stand a **much better chance** of turning a profit.

Q. Who Invented Supply And Demand Trading?

A. Sam Seiden.

Sam Seiden came up with the concept of **Supply & Demand (S&D)** while working as an order runner on the Chicago Mercantile Exchange. His backstory is *pretty interesting*, although we don't have time to go into it here.

Just remember: Not everything Sam claims about supply and demand is *accurate*.

For a detailed breakdown, check out my *Sam Seiden post*...

Q: Do The Banks Trade Supply And Demand?

A: NO – *Banks create the zones...*

Banks establish **supply and demand zones** by entering significant trading positions. In simpler terms, banks don't just *trade* the zones; they **ARE the zones!** We use S&D analysis to identify when and where the banks are buying and selling. *Then...* we position ourselves to piggyback on their trades.

Q: Is Supply And Demand The Same As Support And Resistance?

A: No, but they are similar...

Support and resistance are specific *price levels* where the price could reverse. Supply and demand, on the other hand, are **price zones** where the price *may* reverse.

It's a *subtle difference*, but an **important one...**

Additionally, S&D zones always form due to institutions—**banks, hedge funds**—entering major trading positions. Support and resistance levels are just points where price has reversed multiple times in the past.

Thanks for reading,

PAN

