

# PROSPERITY ACADEMY

SMART MONEY TRADING STRATEGY



## THE SECRETS OF TRADING WITH THE BANKS PDF

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2022

### Premium Community Access

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# Chapter 1 - Structure

## Orderflow - External Structure

Orderflow is the external swing points of the market - If you take any timeframe and mark out the external structure points, if price is making lower highs and lower lows, then the orderflow is bearish; meaning that the BFI's (Banks and Financial Institutions) have the intention to push price down.

In the opposing scenario, if price is making a series of higher highs and higher lows, then the orderflow is bullish, meaning that the BFI's have the intention to push price up.

The purpose of orderflow is to understand where price is heading overall and how to relate the current trend to that orderflow.

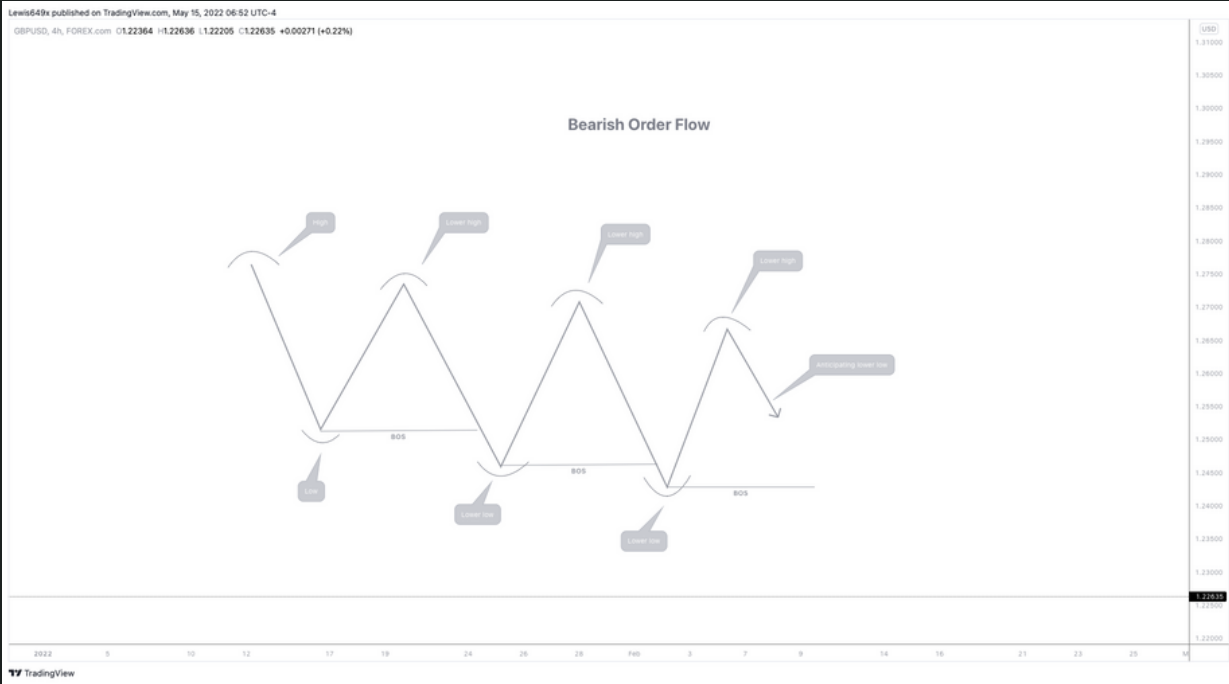
Typically, we can see that the M15 external swing points are seen as internal structure on the 4H timeframe - this is what we use to give us our overall directional bias while analysing the markets.

## External Structure - On The Charts





# External Structure - Line Drawing



[Image Link](#)

## Trend - Internal Structure

Trend is more focused on the internal swing points, you can understand the direction of price by marking up the internal swing points on your chart.

If price is making a series of higher highs and higher lows, then the trend is currently bullish.

If price is making a series of lower highs and lower lows, then the trend is bearish.

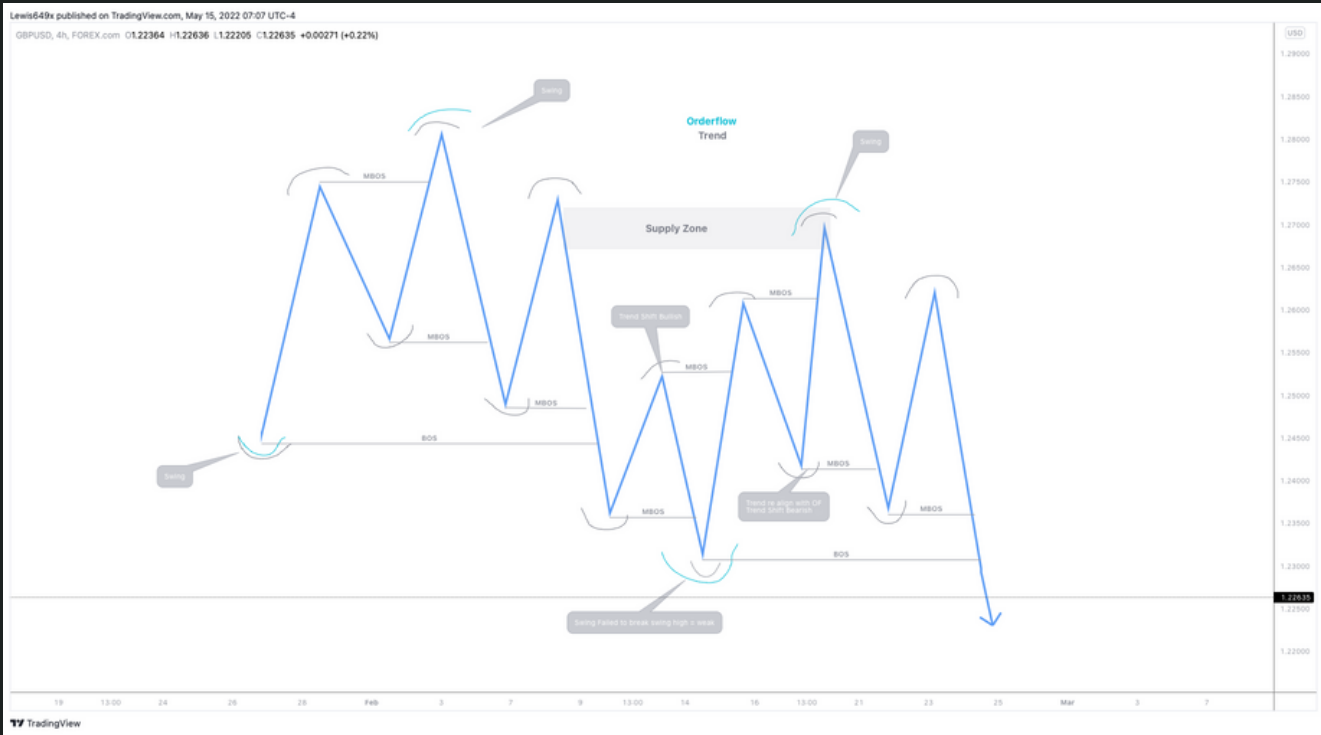
## Internal Structure - On The Charts



[Image Link](#)



# Internal Structure - Line Drawing



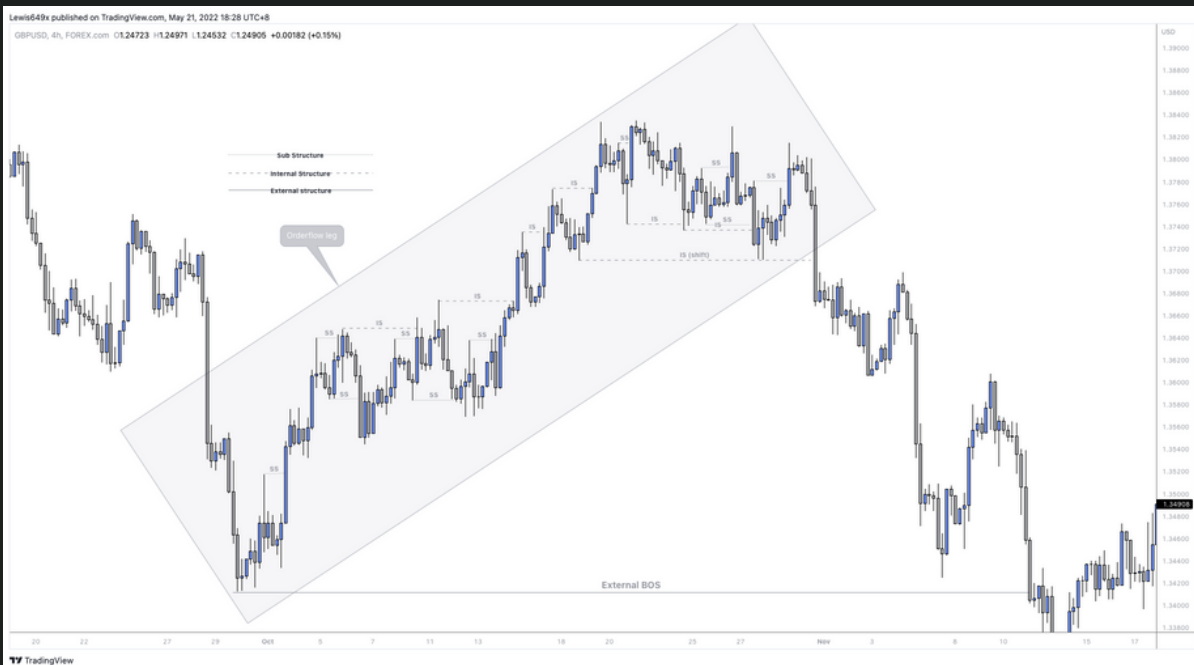
[Image Link](#)

## Sub Structure

If trend is about the internal swing points, then sub structure is what we use to understand the ranges between those internal swing points - these are likened to lower timeframe structure (relative to the perceived timeframe)

Just as the trend operates within orderflow, sub structure operates within trend in the exact same way.

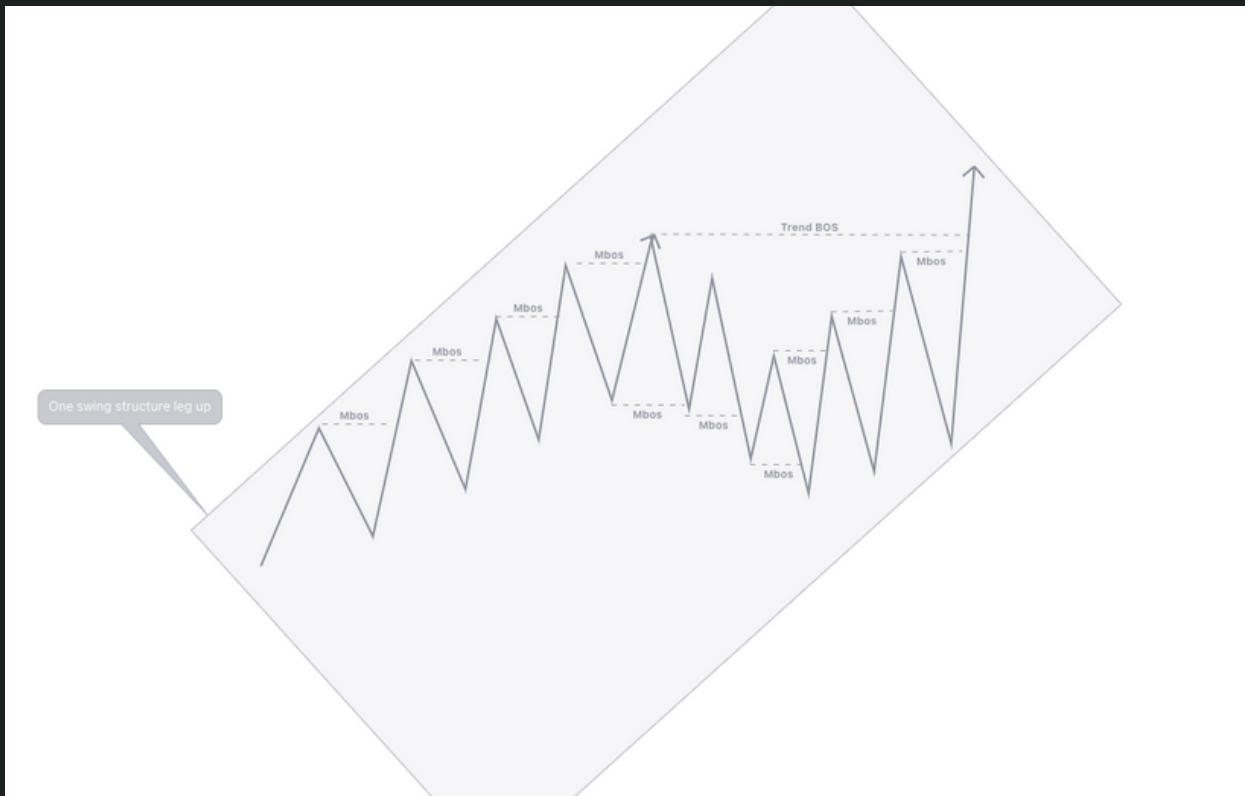
## Sub Structure - On The Charts



[Image Link](#)



# Sub Structure - Line Drawing



[Image Link](#)

## Fractal Alignment

Now that you understand the difference between order flow and trend (Orderflow the overall direction & Trend the current phase of that direction) we can place them both together.

Order flow is the external direction, trend is the internal direction; the internal direction makes up the external direction.

We can better understand both of these if we assess them in relation to each other - this assessment is the practice of multi-time frame analysis

If order-flow is bearish making LL's and LH's but the current trend is making HH's and HL's, this is because the order-flow is pulling back. We see this often after we put in a new low or high; price will gravitate to collect more orders and in the process the LTF (Trend) will be different to the HTF - this occurs as price navigates towards our points of interest, which you will learn more about shortly, within these POI's we wait for trend and order-flow to align before we get into the markets.



# Fractal Alignment - On The Charts



[Image Link](#)

# Fractal Alignment - Line Drawing



[Image Link](#)



# Break of Structure (BOS)

This is very simple to understand - on any timeframe, once we see a break and close of a candle above or below a swing structure point, this is called a break of structure, very simply we have broken old structure and created new structure.

## Break of Structure - On The Charts



[Image Link](#)

## Break of Structure - Line Drawing



[Image Link](#)



# Minor Break of Structure (MBOS)

The MBOS is slightly different to swing point structure, often times between those structural swings we have internal swings that can be identified as external structure on a lower time frame - they are not key structural points but they are still some kind of internal trend within a leg of price; we call this minor structure and it's identified as LTF structure relative to the time frame it's perceived on.

## Minor Break of Structure - On The Charts



[Image Link](#)

## Minor Break of Structure - Line Drawing



[Image Link](#)





# Premium and Discount

If you take a whole leg of price (a swing high and the low that the high put in, or a swing low and the high that the low put in) and measure from top to bottom; this is what we call premium and discount - the top premium & the bottom discount

We use this analysis tool to understand the probability associated with getting into the market; selling has a higher probability of success when price is in premium and buying has a higher probability of success when price is in discount (relative to other factors too of course)

Typically we use the top and bottom 25% of a leg for our premium/discount analysis, however anything above 50% can still be considered premium and anything below 50% can still be considered discount.

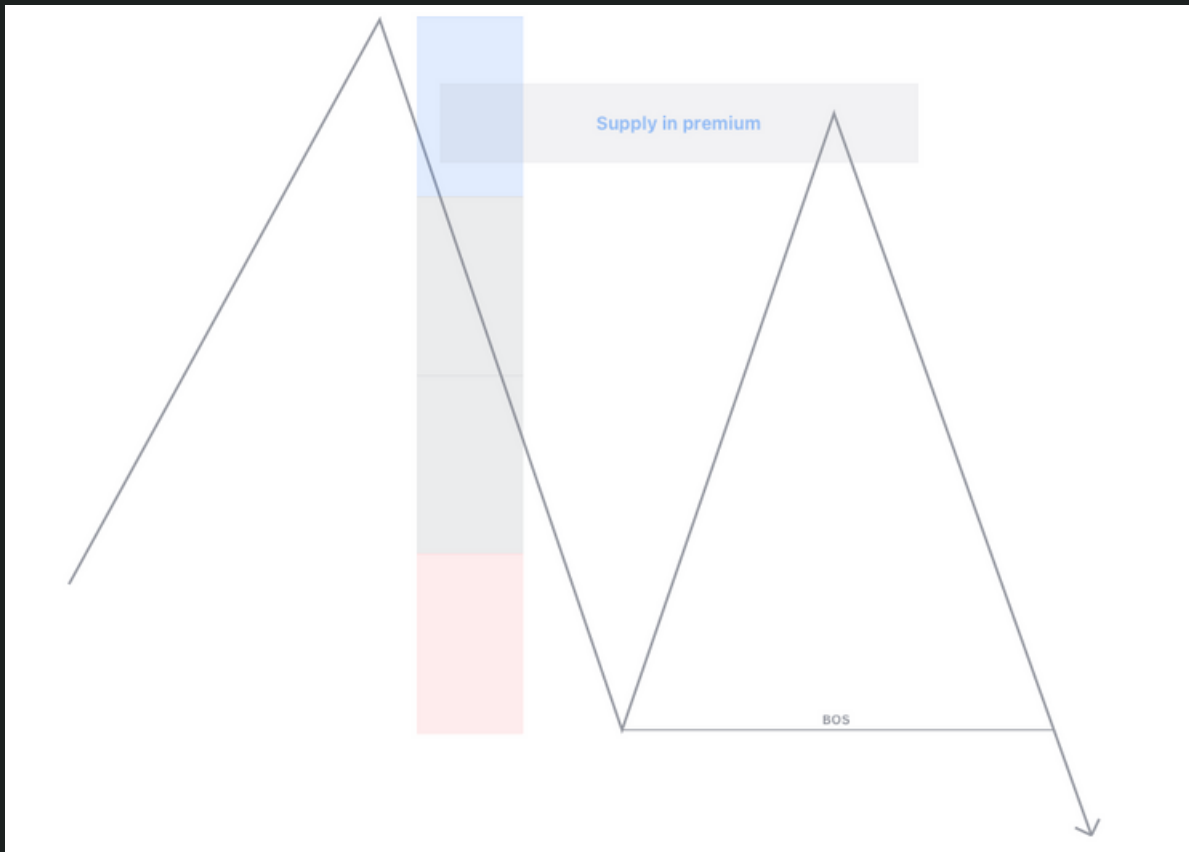
## Premium & Discount - On The Charts



[Image Link](#)



# Premium & Discount - Line Drawing



[Image Link](#)

## Strong Structure

If a high breaks a low, this results in a lower low & the high that caused it becomes considered “strong” the reason for this is because if price is trending in a direction, this means the BFI’s have an intention for price.

If that trend is bearish they are going to be stacking sell orders, so if a high puts in a lower low - that is done with BFI selling power.

For price to take out that high whilst in its current trend makes no sense because the BFI’s would put their sell positions into a loss, and considering that the BFI’s control this market - that is not going to happen.

That is the logic behind this practical understanding.

The same is true if the scenario is inverse and a low breaks a high, the low becomes protected and thus considered strong.

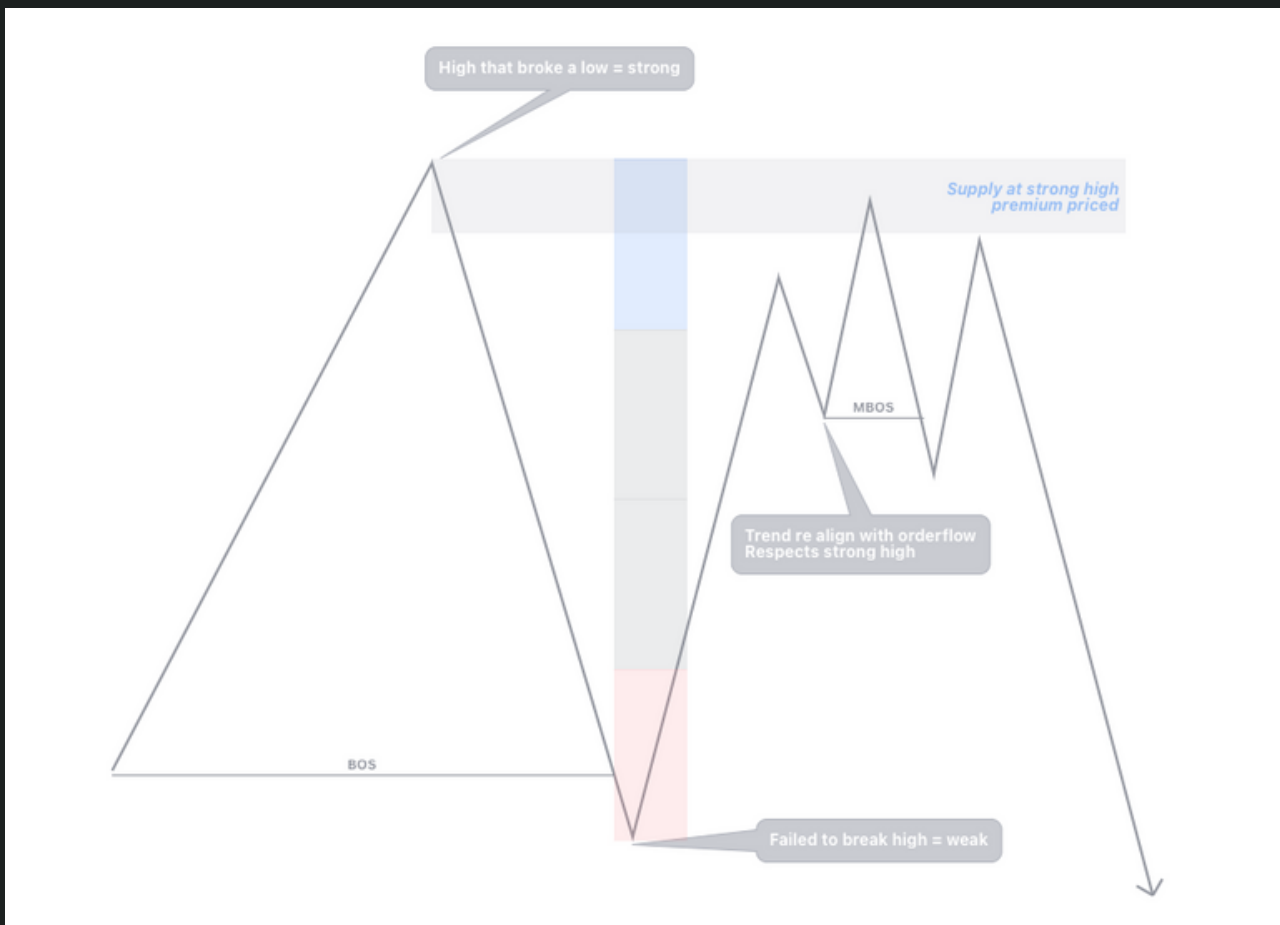


# Strong Structure - On The Charts



[Image Link](#)

# Strong Structure - Line Drawing



[Image Link](#)

# Weak Structure

Definition: A high fails to break a low or a low fails to break a high, a failure to break something = weak

Weak structure is that of the other side, if a low fails to put in a high that low then becomes weak.

At what point do we know that it is considered weak?

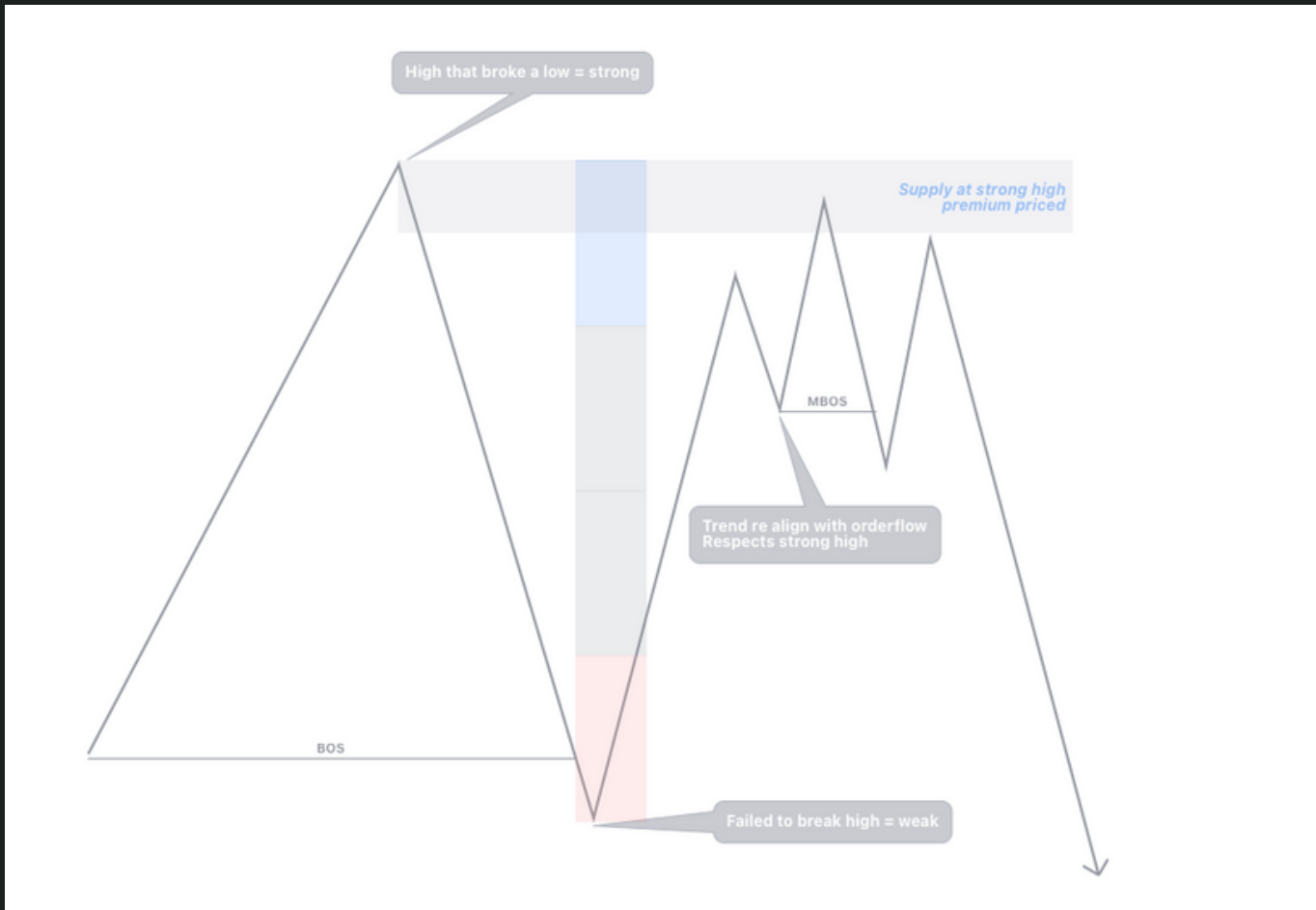
Price puts in a lower low - forming a strong high - once price breaks structure it will have a trend change and price will start pulling back, once price enters back into premium and the trend changes, price re-aligns with the orderflow, it is at this point we consider the swing low to be weak.

## Weak Structure - On The Charts



[Image Link](#)

# Weak Structure - Line Drawing



[Image Link](#)



# Chapter 2 - Supply & Demand

## WHAT IS SUPPLY AND DEMAND

Supply and demand are just different words for buying and selling.

The primary function of the market is just capital flowing in and out (Buying and selling - Supply and demand) in order to collect orders.

## HOW DO WE USE SUPPLY AND DEMAND

We use supply and demand zones to identify where there are remaining buy or sell orders pending in the market.

This can be identified as a buy to sell or sell to buy candle followed by an engulfing candle, here is an example: <https://www.tradingview.com/x/QowymekW/>

In this example price was moving up and finally one large up move to induce liquidity occurred before selling off and taking out all of the stop losses of the buyers - price also broke structure down from this zone, which is a part of the criteria of what makes a good zone.

We understand that banks have used buying power for the purpose of bringing liquidity into the market - tempting traders into positions before taking them all out. Doing this requires buying power because as price sells off, those buy positions get left open and run in a loss - therefore price will usually at some point revisit that zone so banks can close those losing positions and continue pushing price in the given direction. This is hugely important to understand as we only trade pro trend or pro orderflow, so we are positioning our orders with the banks in alignment with their narrative and this is what we call “trading with the banks”



# HOW DO WE USE SUPPLY AND DEMAND - Cont

You can see here in this example what happened after price did what it did, it comes back to “mitigate” the “unmitigated” levels and then continues further down



[Image Link](#)

## Points of Interest

A POI - Point of interest is simply an unmitigated zone that meets the criteria set forth in “criteria that makes a good quality zone”

These are levels that we look to trade from in alignment with the banks

## What is Mitigated and Unmitigated S/D

An unmitigated zone is a zone that price has not yet come back too and probably needs to in order to collect more orders.

A mitigated zone is a zone that price has already been back to and collected the orders.



# Unmitigated Supply



[Image Link](#)

# Mitigated Supply



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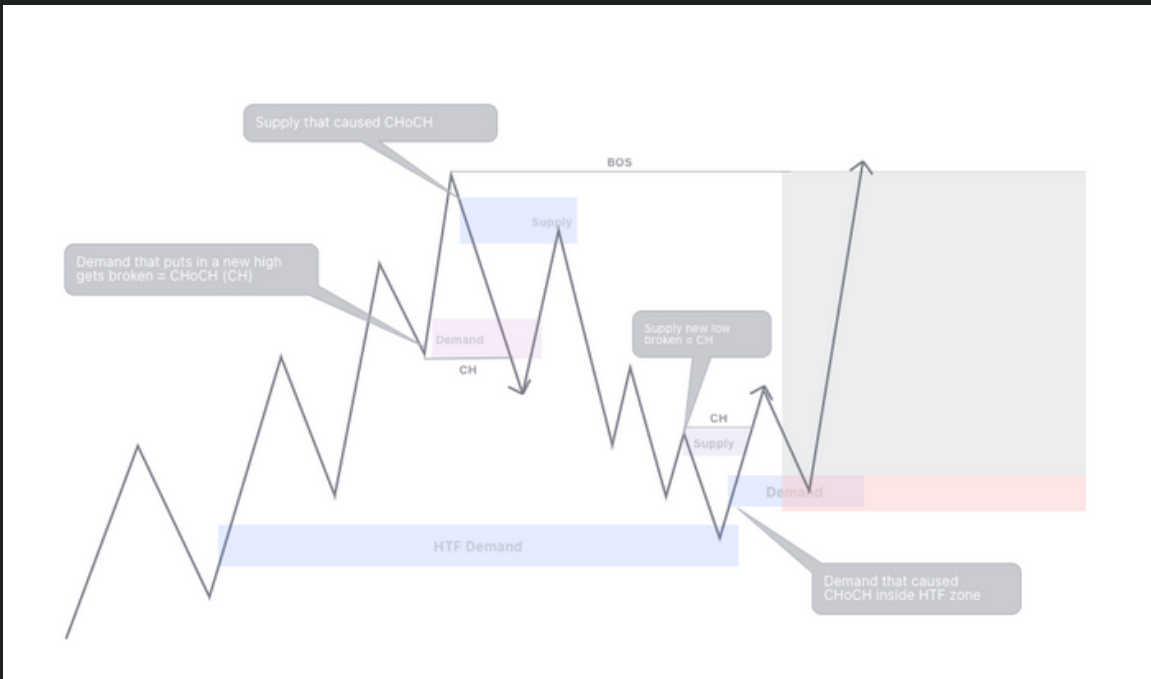




# What Is A CHOCH (Change of Character)

CHOCH stands for change of character - this is the shift of control from one hand to another (supply to demand or demand to supply) for a CHoCH, its best to display this visually.

## Change of Character - Line Drawing



[Image Link](#)

## Change of Character - On The Charts



[Image Link](#)



# What Is Market Control

Market control is slightly different to trend and orderflow but also quite a similar concept: at any moment either supply or demand are in control - this can be identified because either supply is breaking demand and being respected causing a supply chain - or demand is breaking supply and being respected causing a demand chain.

The reason why they are similar to trend is because if there is a demand chain, that means that price will be trending upwards, the difference however is that character can change and trend can remain the same (character being supply or demand in control)

This can be seen in the example below:



[Image Link](#)

We must have trend and market control both be in alignment to take a trade - for example to take a short we must be trending bearish and have supply in control and for longs we must have price trending bullish with demand in control.



# Bearish + Demand Example



[Image Link](#)

# Bearish + Supply Example



[Image Link](#)



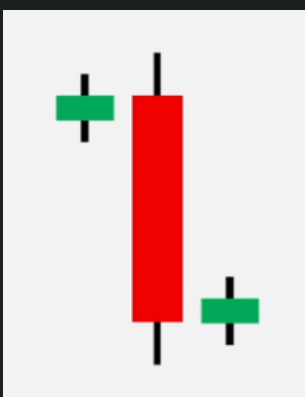
# Criteria of A Good Quality Zone

Checklist of what is needed to identify a tradable zone:

- Level should be in premium or discount of a price leg
- Level should take opposing liquidity or have opposing liquidity to take on its way back up to mitigate (more to learn about liquidity in the next chapter).
- Level should have a clear buy to sell or sell to buy candle followed by an engulfing candle that leaves behind an area of market inefficiency
- Zone should change character or break structure
- Level of liquidity to target



[Image Link](#)



## Engulfing Candle Example



# Chapter 3 - Liquidity Inducement

## What is Liquidity and Inducement?

Plain and simple liquidity stands for “money”

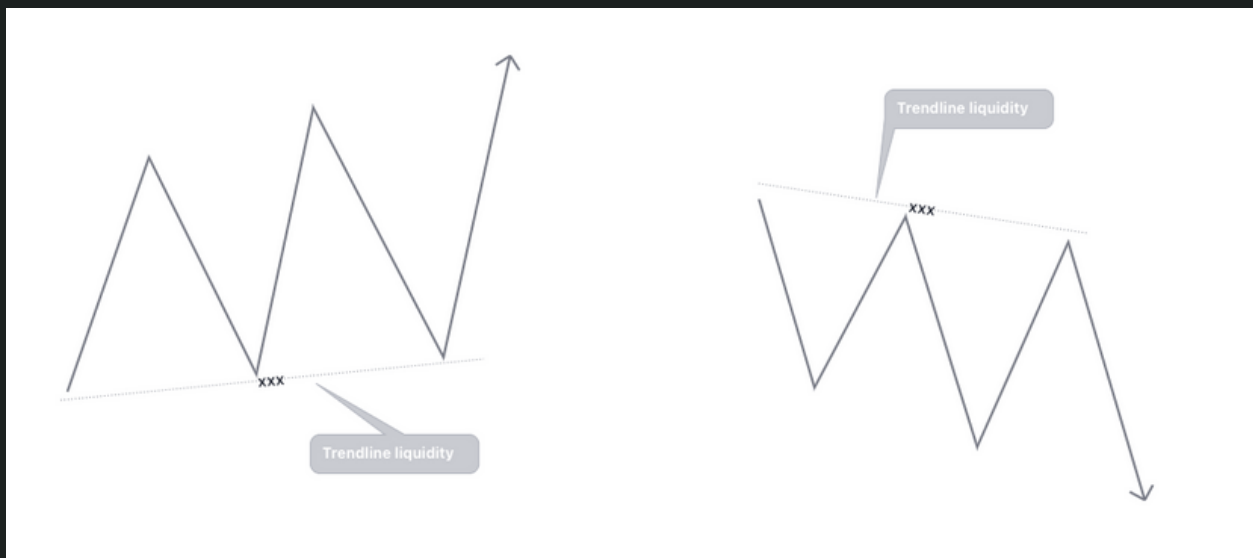
Money in a capital market is connected with orders (where are there orders to activate liquidity) and where are the stop losses in order to take that liquidity and free up positions for banks to play out their intention.

Inducement is similar to liquidity, however it's more about the artificial setups created by smart money liquidity traps to “induce” traders to activate their capital.

When banks want to initiate their intention they will first build liquidity areas that they know will have orders in them.

The main reason behind this is that by inducing one side of the market, once they clear that liquidity, it gives them all of the buying/selling power which allows them to effortlessly initiate price in the intended direction without hitting areas that cause a battle forcing them to input more liquidity than they wanted to in order to move price where they want to move it to.

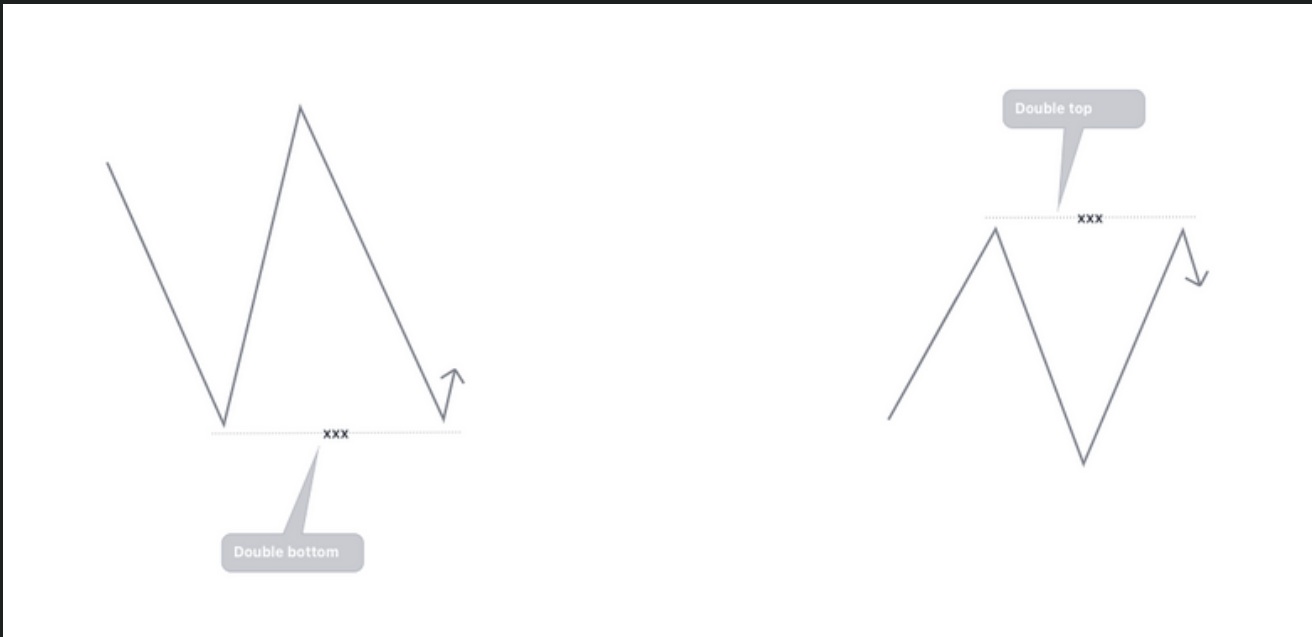
## Liquidity Example: Trend Line



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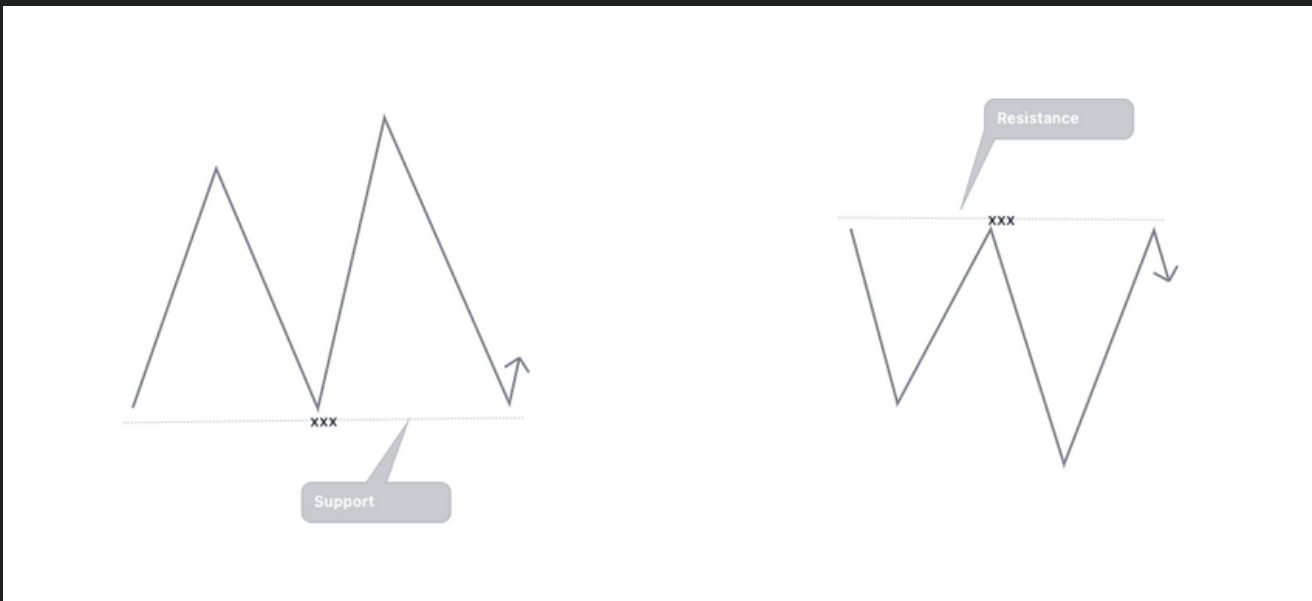


# Liquidity Example: Double Tops/Bottoms



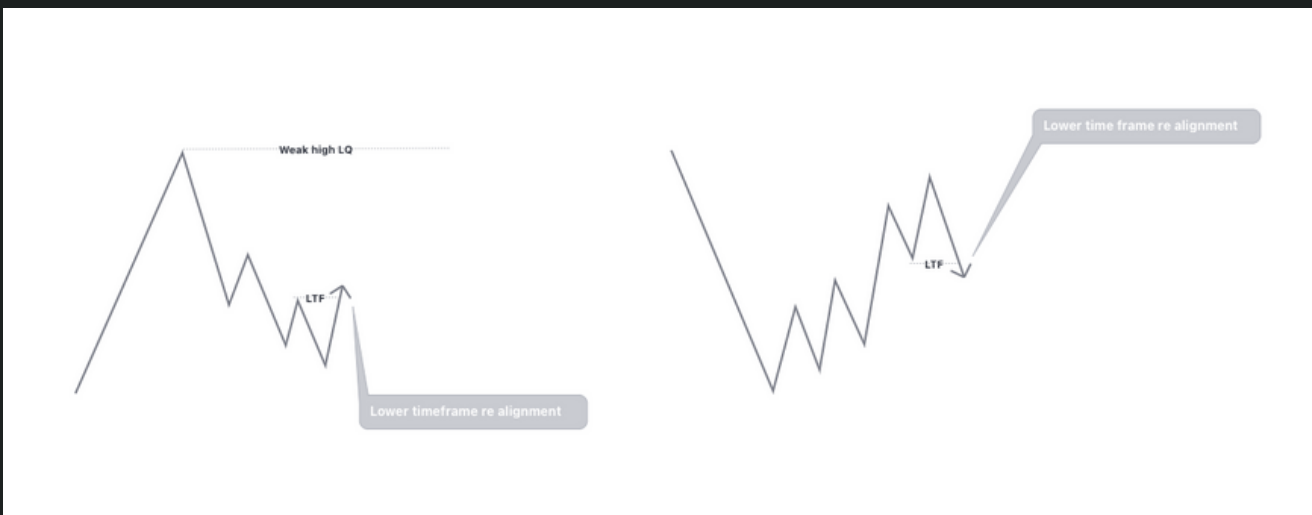
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# Liquidity Example: Support/Resistance



[Image Link](#)

# Liquidity Example: Weak Highs/Lows



[Image Link](#)



# Liquidity Example: Weak Highs/Lows



[Image Link](#)

# Liquidity Example: Bitcoin Large Liquidity



[Image Link](#)

# Liquidity Example: Bitcoin Large Liquidity

Smart money creates artificial pricing on bitcoin to lure orders - both sellers and buyers, buyers at the level of support / double bottom with stop losses underneath and then sell stops (sellers who get triggered as price breaks through that level with stop losses just above expecting price to continue)

Here is the outcome of this creation:



[Image Link](#)

This wick takes out all of the buyers and tags in all of the sellers, hence the reaction straight back up after to take out the sellers too, this gives them dominant control of the asset/pair



# Chapter 4 - Putting It All Together

## Case Study 1 - GU Longs

### H4 Outlook:

- Order-flow is bearish
- Trend is bullish
- We have a H4 POI sat above the current price level that could produce a heavy reaction



[Image Link](#)

### M15 Outlook:

- Bullish orderflow
- Bullish trend
- POI unmitigated took LQ changed character + Broke structure
- Discount pricing



[Image Link](#)

- Bullish orderflow
- Bullish trend
- POI unmitigated took LQ changed character + Broke structure
- Discount pricing



[Image Link](#)

- Weak high LQ to take
- Poi gets entered

# M1 Outlook:



[Image Link](#)



[Image Link](#)



[Image Link](#)

**Take Profit**



[Image Link](#)



[Image Link](#)

## Case Study 2 - UK 100 LONG

### H4 Outlook:



[Image Link](#)

# M15 Outlook:



## [Image Link](#)



## [Image Link](#)



[Image Link](#)

## M1 Entry:



[Image Link](#)

# M1 Evaluation:



[Image Link](#)

# M3 Perspective:



[Image Link](#)



# M1 Perspective:



[Image Link](#)

# M3 Outlook:



[Image Link](#)

# M1 Entry:



[Image Link](#)

# M1 Entry:



[Image Link](#)



# TP 1 HIT - 44R



[Image Link](#)

# TP 2 HIT - 77R



[Image Link](#)

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