



SMART MONEY CONCEPTS

A practical guide to structure, liquidity, POIs and execution

THE GOAL: READ PRICE WITH CONTEXT - NOT CHASE RANDOM CANDLES

The Dopest Traders | TSK Education

Companion playlist: youtube.com/playlist?list=PLQON0CDxv_Lk

HOW TO USE THIS GUIDE

Study one concept, mark it on charts, then move to the next lesson.

Smart Money Concepts (SMC) is a price-action framework used to study market structure, liquidity, imbalances and areas where large orders may have influenced price. It does not predict every move. Its value comes from creating a repeatable process for reading context and managing risk.

SMC DOES NOT REMOVE RISK. IT GIVES YOU A LANGUAGE FOR ORGANIZING PRICE ACTION.

Recommended study order

1. Market structure and trend
2. Liquidity and stop placement
3. BOS and CHOCH
4. Order blocks and fair value gaps
5. Premium, discount and points of interest
6. Entry confirmation and risk management

Core rule

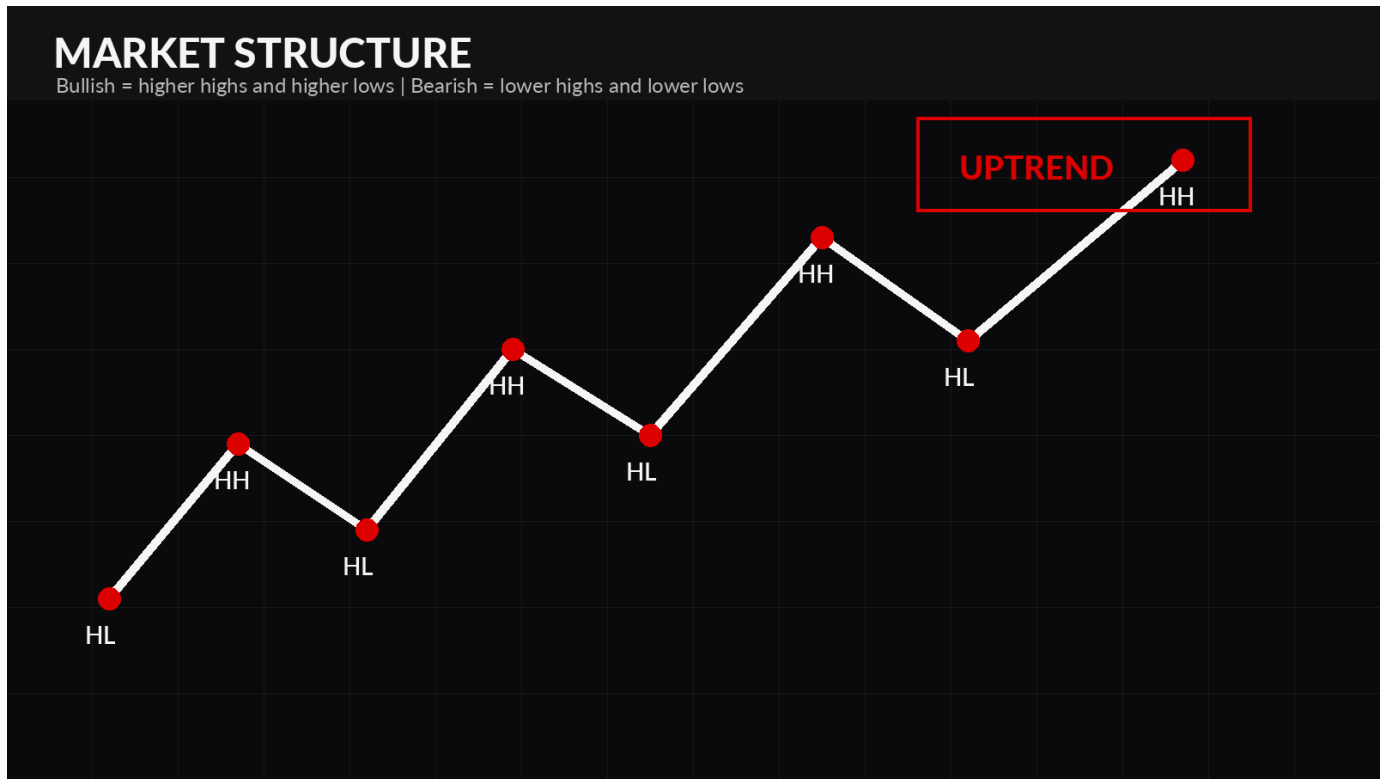
Never trade a single concept in isolation. A strong setup combines higher-timeframe direction, a meaningful location, liquidity behavior, confirmation and controlled risk.

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- 10. Risk management and journaling

1. MARKET STRUCTURE

Structure tells you whether buyers or sellers are controlling the auction.



Bullish structure

- Price creates a higher high (HH).
- The pullback holds above the previous meaningful low and forms a higher low (HL).
- A clean break above the prior high supports continuation.

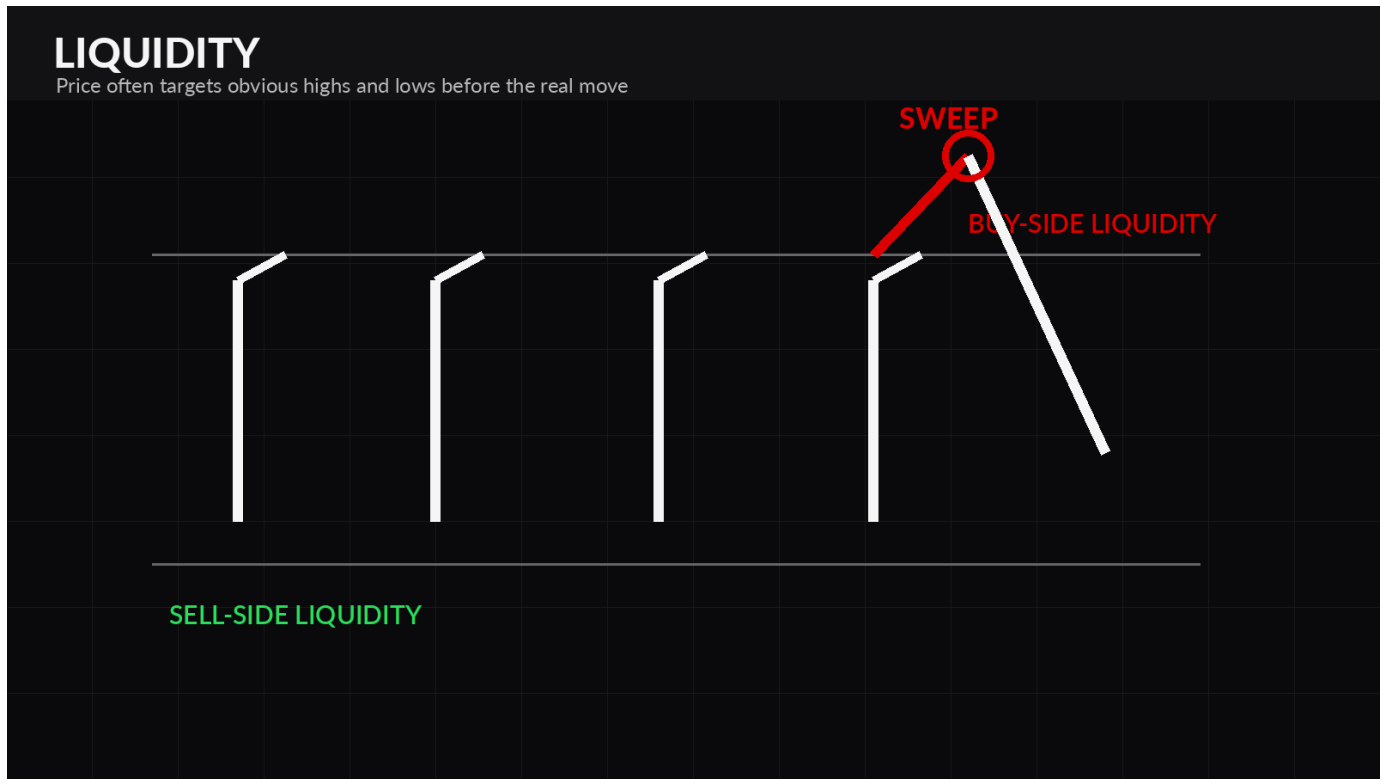
Bearish structure

- Price creates a lower low (LL).
- The pullback fails below the previous meaningful high and forms a lower high (LH).
- A clean break below the prior low supports continuation.

Do not label every tiny swing. Focus on the swings that caused displacement or broke meaningful structure.

2. LIQUIDITY

Obvious highs and lows often attract orders before price expands.



Liquidity is concentrated around areas where many traders place stop losses or breakout orders. Common pools include equal highs, equal lows, previous day highs/lows, session highs/lows and major swing points.

Two common types

- Buy-side liquidity: orders resting above highs.
- Sell-side liquidity: orders resting below lows.

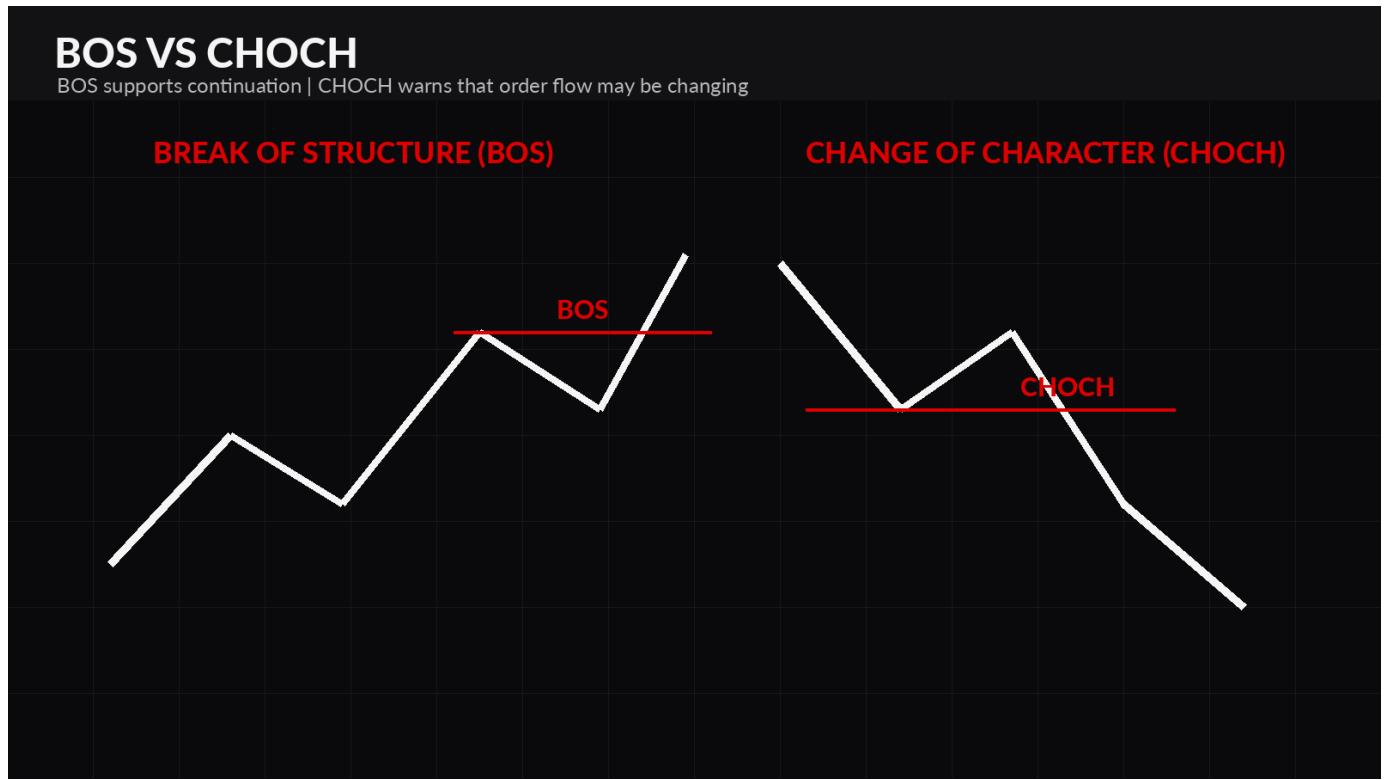
Sweep vs breakout

- A sweep trades through a level and quickly rejects back inside.
- A true breakout shows acceptance, displacement and follow-through beyond the level.

A liquidity sweep by itself is not an entry. Wait for a shift in order flow and a retracement into a valid POI.

3. BOS AND CHOCH

Use structure breaks to distinguish continuation from a possible reversal.



Break of Structure (BOS)

A BOS occurs when price closes through a meaningful swing in the direction of the existing trend. It confirms that the current order flow is still active.

Change of Character (CHOCH)

A CHOCH occurs when price breaks a meaningful swing against the current trend. It is an early warning that control may be shifting, but it should be supported by location, liquidity and displacement.

Wicks can grab liquidity. Give more weight to decisive candle closes and strong displacement.

4. DISPLACEMENT

Displacement is the evidence that aggressive participation entered the market.

Displacement is a strong, fast price move that leaves little overlap between candles. It often breaks structure and leaves an imbalance behind.

Characteristics of quality displacement

- Large candle bodies relative to recent candles.
- Limited overlap and decisive closes.
- A break through meaningful structure.
- An imbalance or fair value gap left behind.
- Follow-through rather than immediate full retracement.

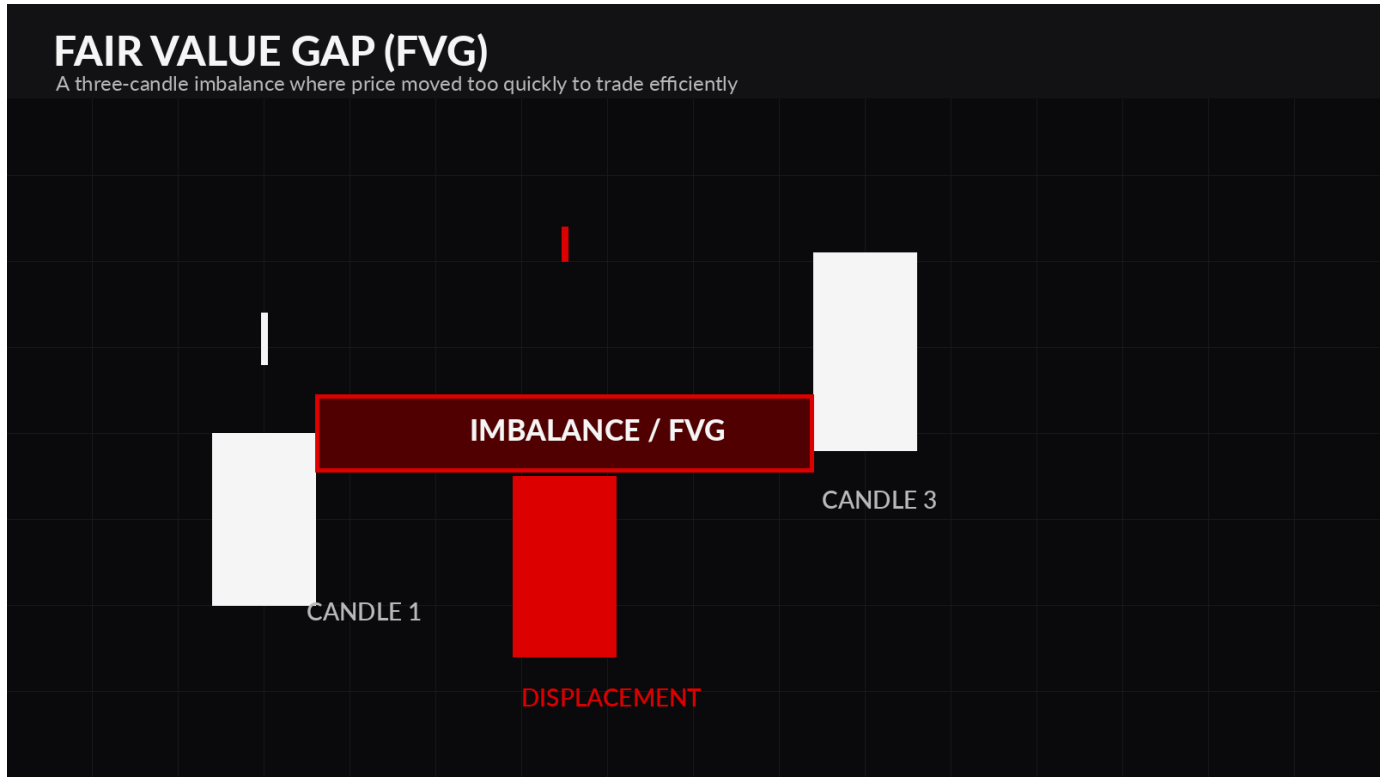
Why it matters

A POI becomes more meaningful when it is directly connected to displacement. Without displacement, an order block or fair value gap may simply be random consolidation.

LOCATION + LIQUIDITY + DISPLACEMENT = A MUCH STRONGER STORY THAN ANY SINGLE INDICATOR.

5. FAIR VALUE GAPS

An FVG marks a price imbalance created by aggressive movement.



A bullish FVG exists when the high of candle one does not overlap the low of candle three. A bearish FVG is the opposite. Traders watch these areas because price may revisit them to rebalance before continuing.

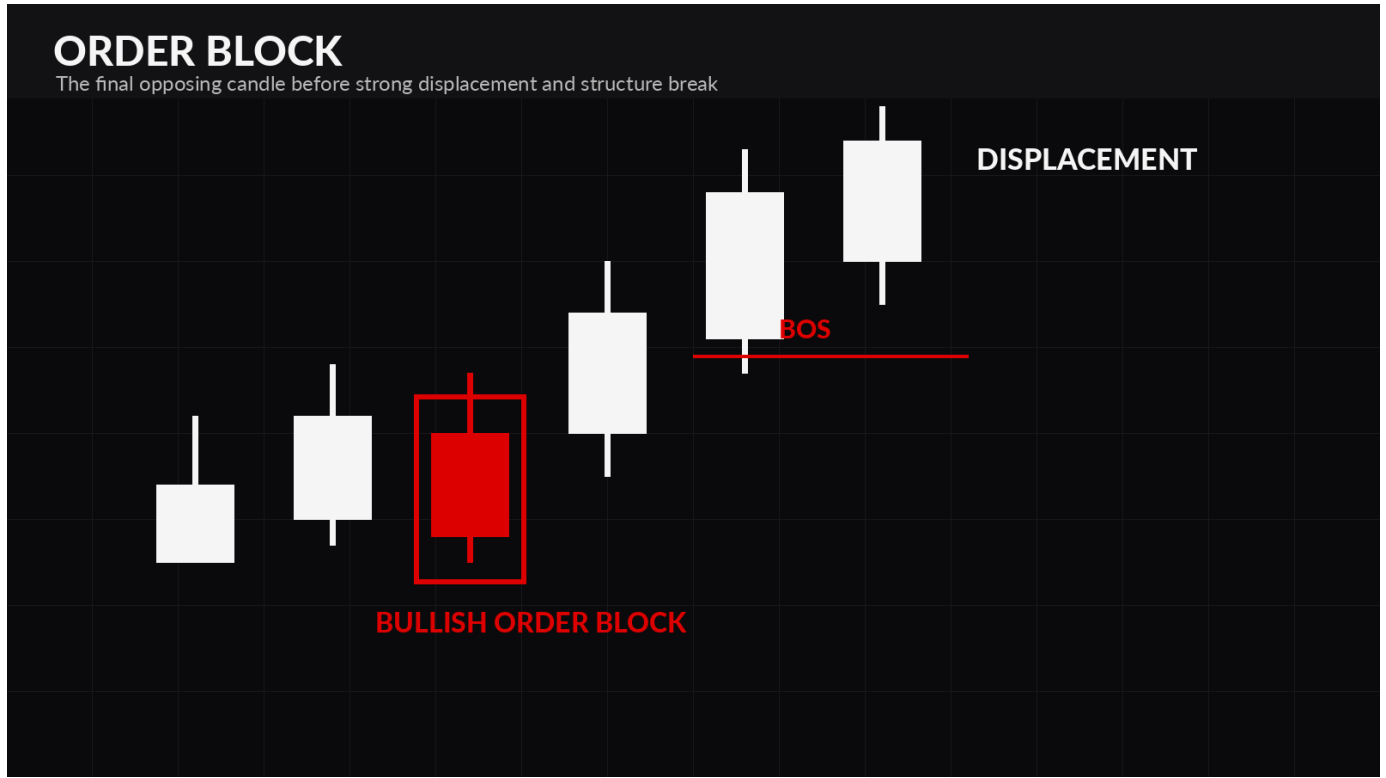
How to grade an FVG

- Did it form during strong displacement?
- Did it cause a BOS or CHOC?
- Is it aligned with higher-timeframe bias?
- Is it located near liquidity or another key level?
- Is there enough room to the next target for a favorable risk-to-reward ratio?

Not every FVG must be filled, and a fill does not guarantee a reversal.

6. ORDER BLOCKS

The last opposing candle before displacement can act as a reaction zone.



A bullish order block is commonly defined as the final bearish candle before bullish displacement. A bearish order block is the final bullish candle before bearish displacement.

Valid order block checklist

- It is followed by clear displacement.
- The move breaks meaningful structure.
- The zone has not been repeatedly tested.
- It aligns with higher-timeframe direction or a valid reversal narrative.
- It offers logical invalidation beyond the zone.

An order block is not valid just because it is the last opposite-colored candle.

7. POINTS OF INTEREST (POI)

A POI is a location where multiple forms of evidence overlap.

A Point of Interest is any area where you expect price to react. It may contain an order block, fair value gap, prior high/low, supply/demand zone, breaker block or another key level.

High-quality POI ingredients

- Higher-timeframe alignment
- Fresh order block or imbalance
- Nearby liquidity sweep
- Structure shift or continuation BOS
- Premium/discount alignment
- Clear target and invalidation point

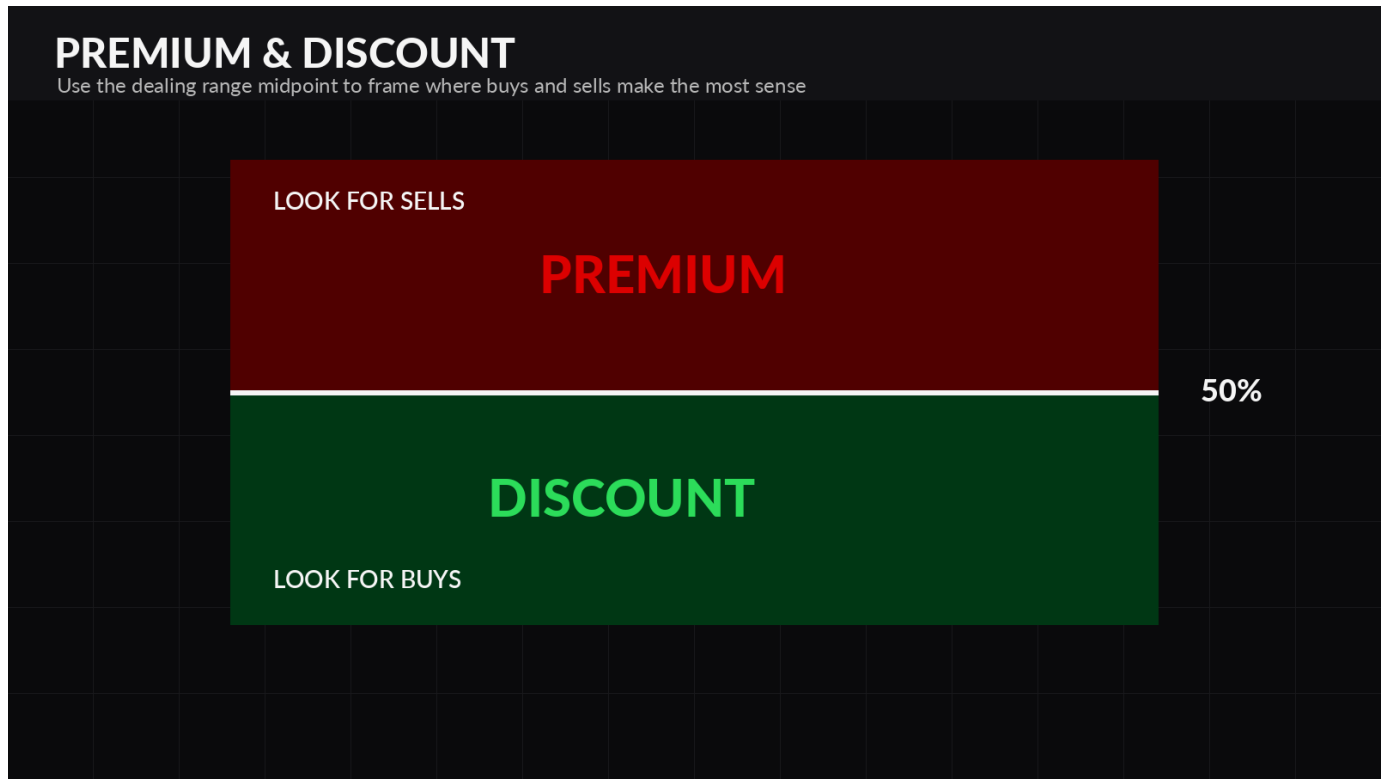
POI ranking method

Quality	Characteristics	Action
A	HTF aligned, liquidity taken, displacement, fresh zone	Primary setup
B	Good location but missing one confirmation	Wait for stronger confirmation
C	Isolated zone or poor R:R	Skip

A POI tells you WHERE to pay attention. Confirmation tells you WHEN to execute.

8. PREMIUM AND DISCOUNT

Frame the current dealing range before choosing buy or sell locations.



Mark a meaningful swing low and swing high. The midpoint is equilibrium. In a bullish narrative, traders generally prefer buying in discount. In a bearish narrative, traders generally prefer selling in premium.

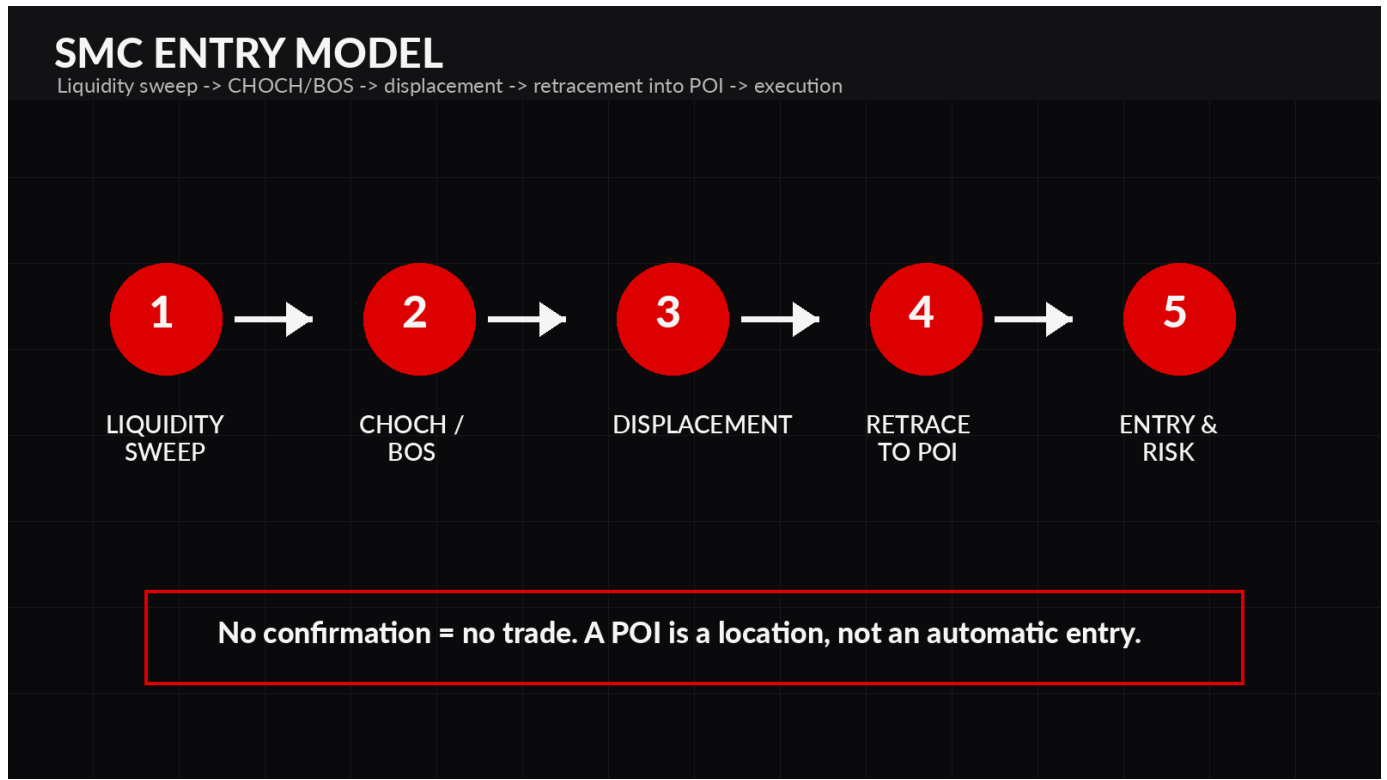
Important limitation

Premium and discount are contextual tools, not standalone signals. Price can remain in premium during a strong uptrend or in discount during a strong downtrend. Structure and liquidity still come first.

BUY LOW AND SELL HIGH ONLY MAKES SENSE INSIDE A CLEARLY DEFINED DEALING RANGE.

9. SMC ENTRY MODEL

Build a sequence. Do not enter because price merely touched a rectangle.



7. Set higher-timeframe bias using trend, structure and key levels.
8. Mark the liquidity that price is likely to target.
9. Wait for price to sweep or interact with that liquidity.
10. Look for CHOCH/BOS with displacement on the execution timeframe.
11. Mark the order block or FVG created by the displacement.
12. Enter on a controlled retracement only when invalidation is clear.
13. Target opposing liquidity or the next major structural objective.

NO RETEST, NO ENTRY. NO CLEAR INVALIDATION, NO TRADE.

10. RISK MANAGEMENT

Your edge is useless if one trade can damage the account.

Basic risk framework

- Risk a fixed percentage or fixed dollar amount per trade.
- Place the stop where the setup is invalidated, not where the loss feels comfortable.
- Calculate position size after defining the stop distance.
- Avoid moving the stop farther away to prevent taking a loss.
- Set a daily and weekly maximum loss. Stop trading when it is reached.

Simple position-size formula

$$\text{POSITION SIZE} = \text{DOLLAR RISK} / (\text{STOP DISTANCE} \times \text{VALUE PER POINT})$$

Example

If your maximum loss is \$100 and the stop represents \$20 of risk per lot, the maximum position size is 5 lots. Always verify contract specifications with your broker because point values differ by instrument.

Targets

- Opposing liquidity
- Previous day high or low
- Session high or low
- Major swing high or low
- Higher-timeframe POI

PROTECT THE ACCOUNT FIRST. PROFITS ARE THE RESULT OF REPEATING QUALITY DECISIONS.

TRADE CHECKLIST AND JOURNAL

Use this before and after every trade.

Pre-trade checklist

- ☐ Higher-timeframe bias is clear
- ☐ Price is at a meaningful POI
- ☐ Liquidity has been identified
- ☐ Sweep or reaction has occurred
- ☐ BOS/CHOCH is confirmed by a close
- ☐ Displacement is present
- ☐ Entry, stop and target are defined
- ☐ Risk is within limits
- ☐ Risk-to-reward is acceptable
- ☐ No major news conflict

Journal prompts

- What was the market narrative?
- Which liquidity pool was targeted?
- Why was the POI valid?
- What confirmed the entry?
- Did I follow the risk plan?
- What would make this setup invalid next time?

GRADE THE PROCESS, NOT JUST THE RESULT. A WIN CAN BE A BAD TRADE, AND A LOSS CAN BE A GOOD TRADE.

SMC GLOSSARY

Keep these definitions simple and consistent.

Term	Definition
BOS	A break of meaningful structure in the direction of the current order flow.
CHOCH	A break against the current order flow that may signal a shift.
Liquidity	Orders concentrated around obvious highs, lows and breakout levels.
Displacement	Strong directional movement showing aggressive participation.
FVG	A three-candle imbalance left by rapid price movement.
Order Block	The final opposing candle before displacement and a meaningful structure break.
POI	A zone where several reasons for a reaction overlap.
Premium	The upper half of a dealing range.
Discount	The lower half of a dealing range.
Mitigation	Price returning to a previous zone before continuation or reversal.

STUDY THE CONCEPTS. BACKTEST THE MODEL. EXECUTE WITH DISCIPLINE.

Continue your education with the Smart Money Concepts playlist:

https://youtube.com/playlist?list=PLQON0CDxv_Lk&si=QrC9e6ywJUIh8d_R

Educational purposes only. This guide is not financial advice and does not guarantee trading results.