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INTRODUCTION TO ICT TRADING STRATEGY PDF GUIDE

Trading has evolved over the years and with this evolution comes diverse trading approaches and strategies. Some of these strategies have grown to become very successful while some have also fizzled out with time. In this time and age, one of the most thriving trading strategies or as I love to say, one of the most thriving trading schools of thought that has created lots of reactions, proven to be very dynamic and also effective through various testimonies is the ICT Trading Strategy.

This ICT Trading strategy is a very comprehensive strategy that combines technical analysis, market structure analysis, order flow dynamics, risk management, and psychological discipline. Traders who follow ICT's teachings aim to develop a structured and systematic approach to trading financial markets with a focus on consistency and profitability.

In this article, I will be breaking down the ICT trading strategy for you my readers, simplifying it so that it becomes very easy to understand and I will also be giving some of the best ICT trading strategies approaches that were developed to help strengthen your understanding of the strategy.

If you are excited to learn this amazing strategy, get yourself a bottle of chilled drink, your notepad, pen and your personal computer as we delve into this article.

WHAT IS THE FULL MEANING OF ICT

Now before we delve in completely, you might have seen the term or words ICT mentioned multiple times already and now you are wondering what the meaning is, is it a trading word or an abbreviation for something? Yeah, it's an abbreviation, so, the full meaning of ICT is Inner Circle Trader. ICT is a pseudonym for the developer of the ICT trading strategy.

We now know the full meaning of the acronym ICT" let's move on to understanding the meaning of ICT trading, what makes it stand out and the major trading aspects it emphasizes.

MEANING OF ICT TRADING STRATEGY

The Inner Circle Trader (ICT) Trading Strategy is a strategy that empowers traders with a deep understanding of how the market functions that is the structure of the market and how institutional players or traders influence price movements. ICT trading is a methodology that involves the use of raw price action without reliance on several conflicting indicators. This trading method relies on several concepts to help deepen a trader's holistic understanding of the market.

This ICT trading methodology was developed by a trader known as Michael Huddleston and revolves around the concept of analyzing market movements through the lens of "smart money" or institutional traders. I guess you now have some understanding of what ICT trading is, the next step is to explain the concept in which the ICT trading strategy operates and how these concepts are used in analyzing the financial markets.

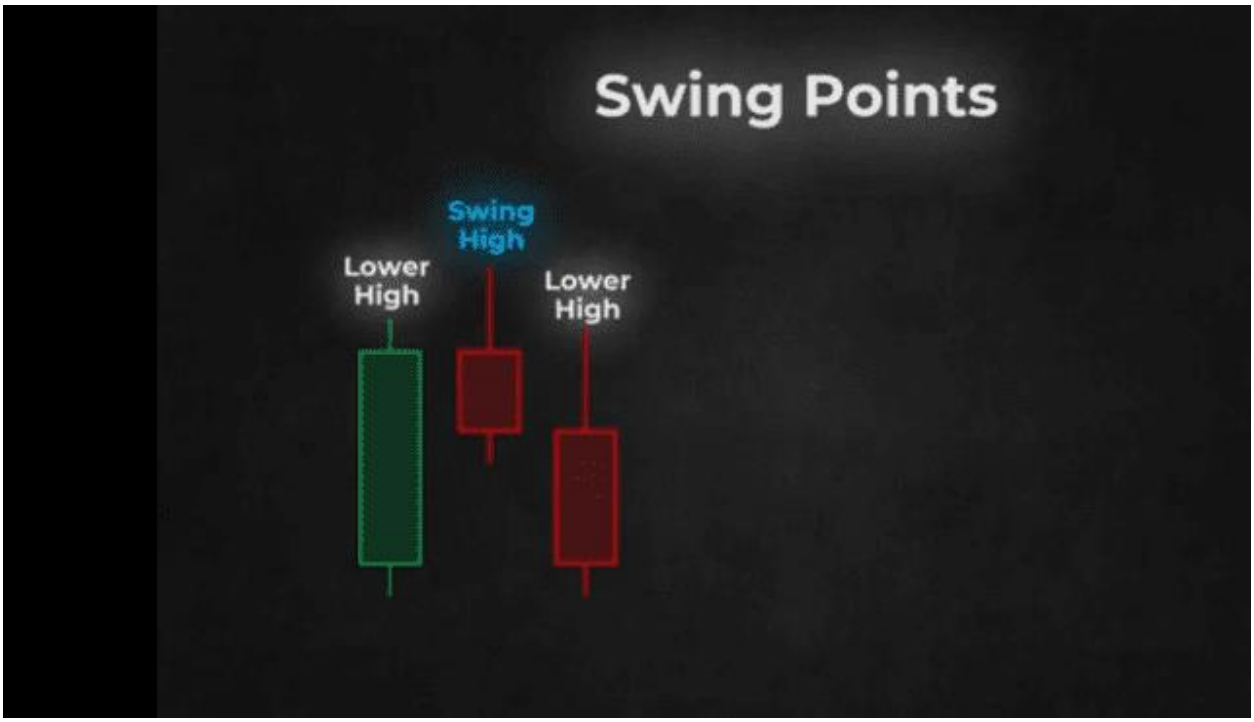
BASIC ICT CONCEPTS

ICT concepts are a set of trading principles designed and used in the ICT trading strategy to help traders make better decisions in the financial markets. These concepts were developed by a trader named Michael J. Huddleston, also known as the Inner Circle Trader (ICT). Several concepts and principles are guiding the ICT trading strategy and I will be listing and also giving a detailed explanation of them with practical illustration. Below is a list of some of the basic ICT concepts.

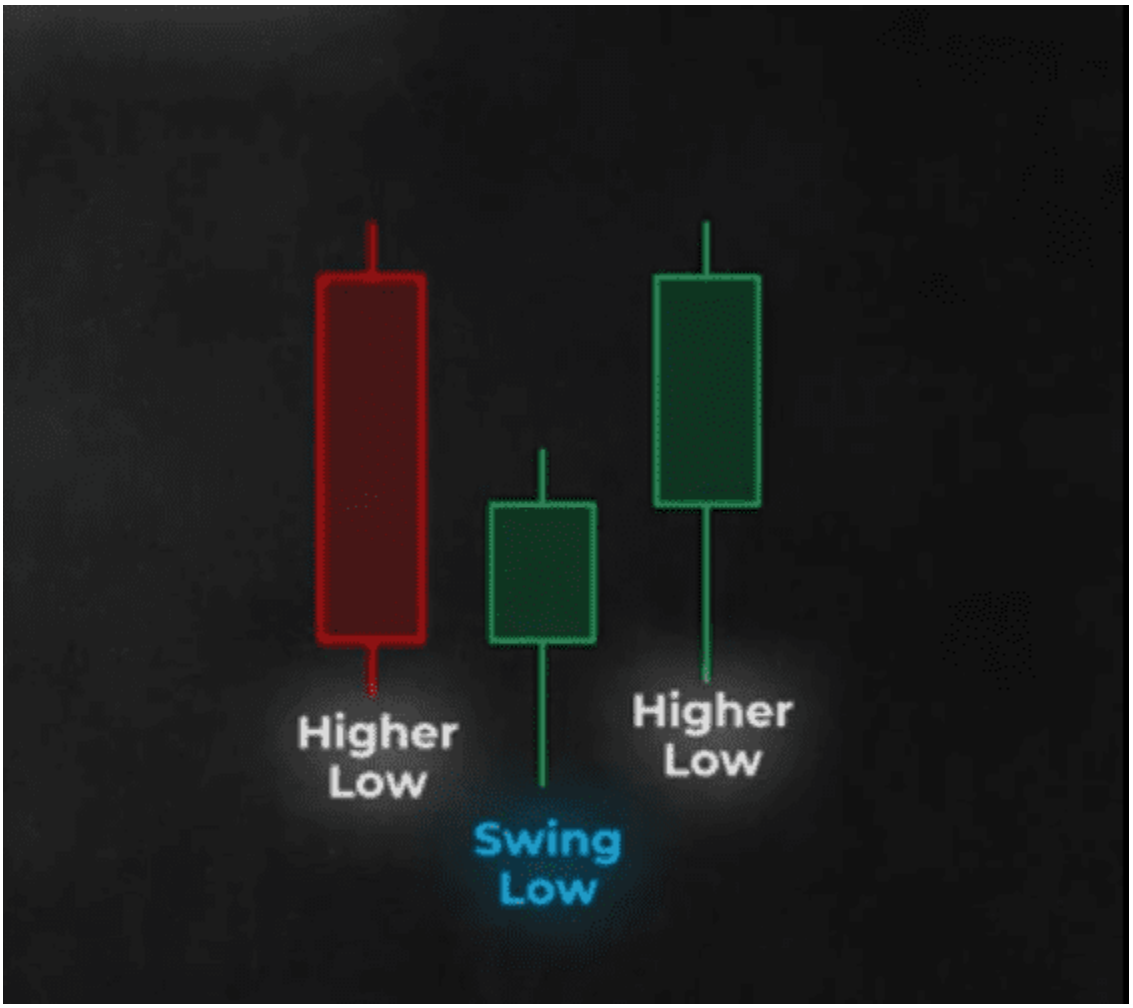
- Swing Points
- Buy Side Liquidity
- Sell Side Liquidity
- Discount & Premium Zones
- Optimal Trade Entries
- Fair Value Gap (Bullish & Bearish)
- Fair Value Gap Inversion
- Volume Imbalance & Gaps
- Order Block (Low & High Probability)
- Daily Bias
- Displacement

SWING POINTS & LIQUIDITY

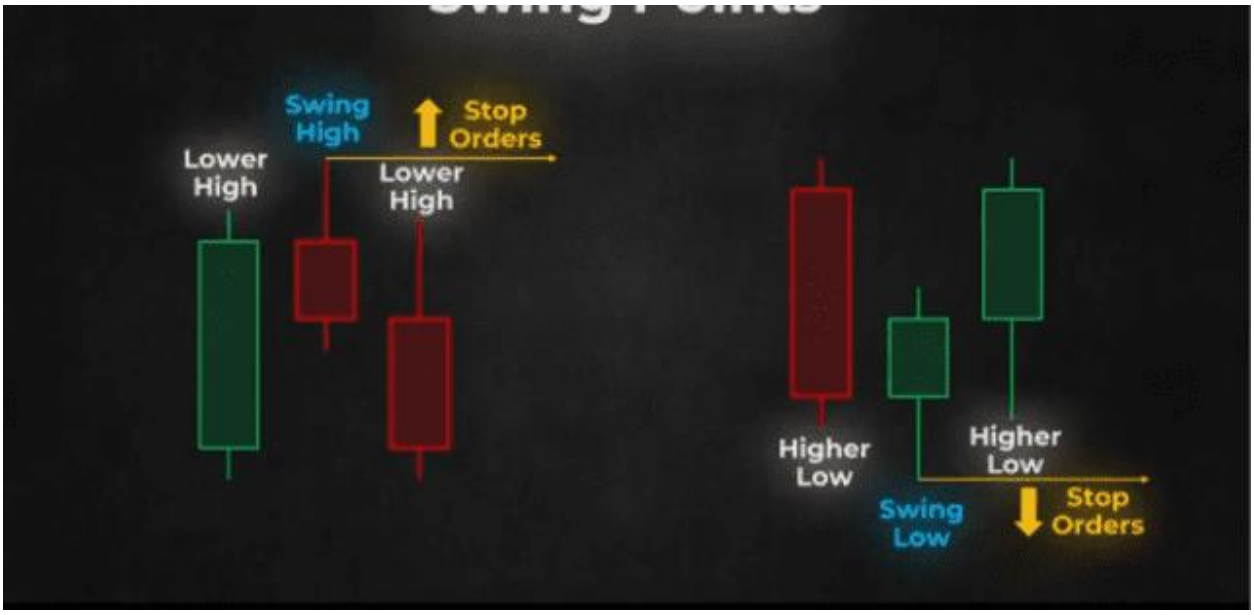
The first concept I will be writing about in this article is the swing points and the idea of liquidity. The very first thing we need to understand is the idea of swing points and their relation to liquidity. Swing points are either swing lows or swing highs. To identify swing points, we need three candles.



Looking at the diagram above you will see that in a swing high, the candle in the center has a lower high to the left and a lower high to the right.



In a swing low, the candle in the centre has a higher low to the left and a higher low to the right as shown in the diagram above.



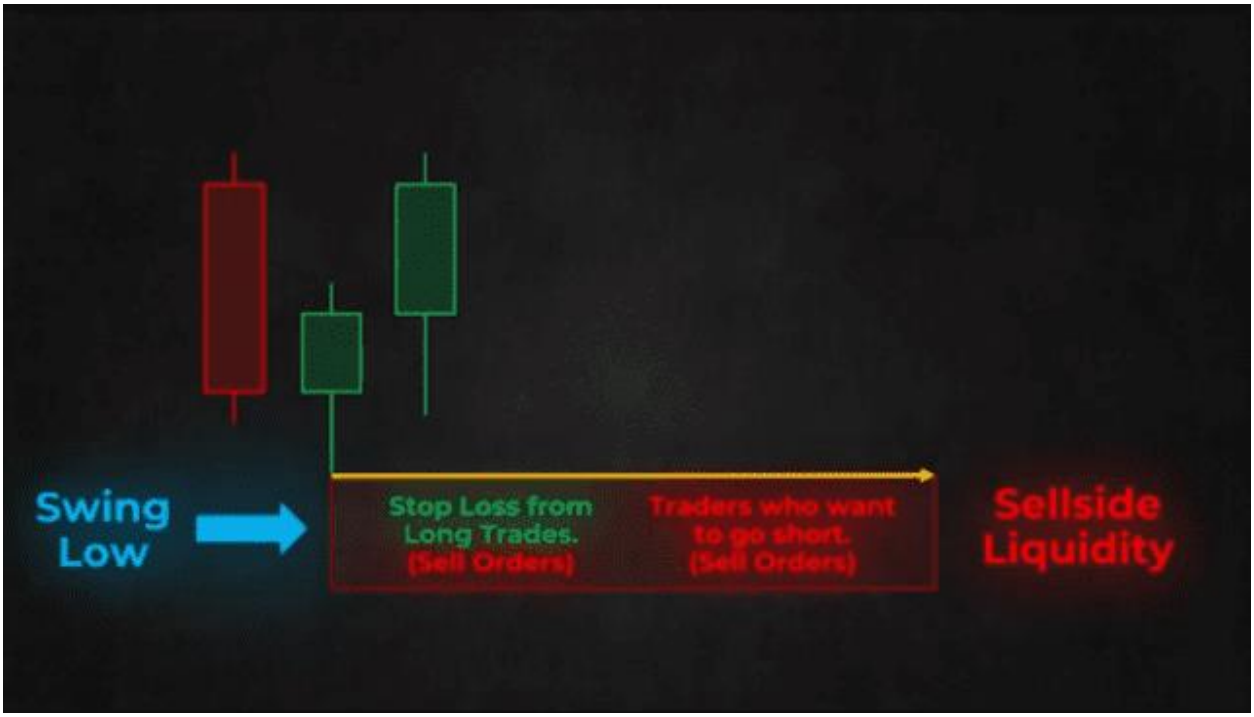
The reason the idea of swing points is important is that many retail traders place Stop orders just above swing highs or just below swing lows, meaning that liquidity is deeper in these areas.

You should know that in a long trade, the stop loss and the take profit targets are sell orders, and in a short trade, the stop loss and take profit targets are buy orders. This idea leads us directly to the concept of buy side and sell side liquidity.

BUY SIDE LIQUIDITY

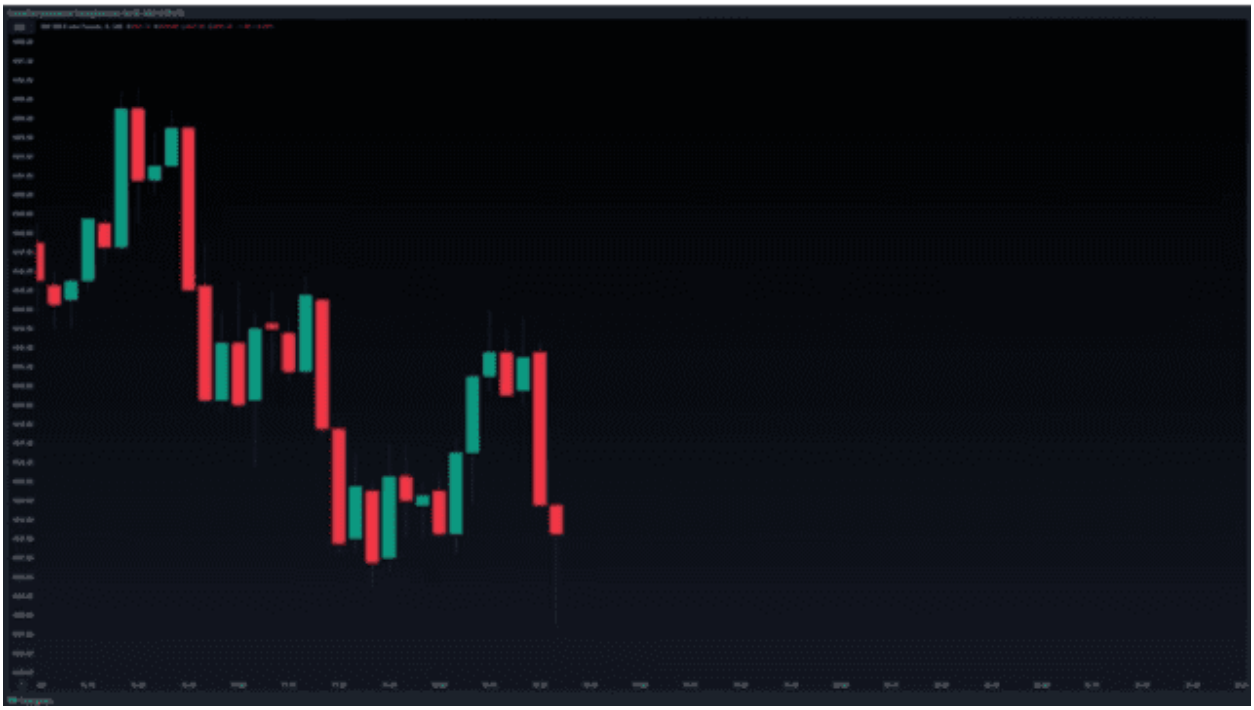
Looking at the diagram above you will see that just above a swing high there are a lot of stop orders from short trades which are buy-stop orders. And there are also a lot of buy-stop orders from traders who want to go long if the price surpasses the swing high. In ICT trading terms, this level represents buy-side liquidity.

SELL SIDE LIQUIDITY

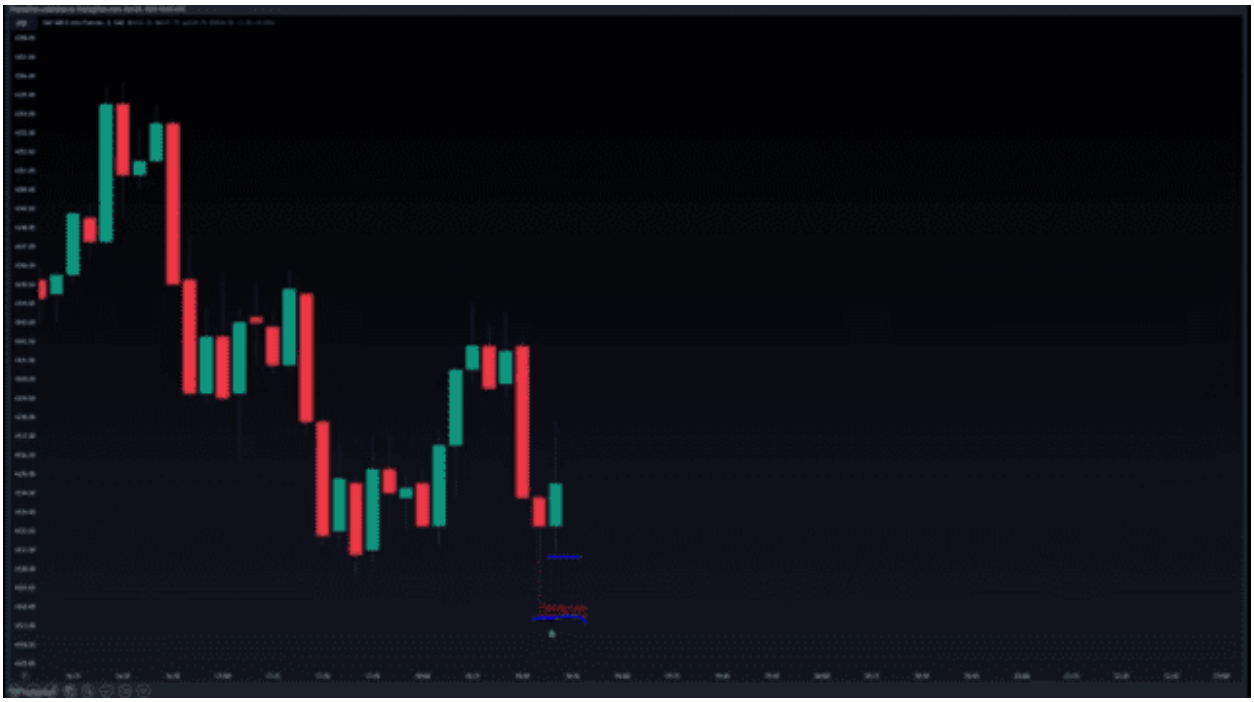


Again looking at the diagram above, just below a swing low there are a lot of stop loss orders from long trades which are sell-stop orders and there are also a lot of sell-stop orders from traders who want to go short if the price surpasses the swing low. In ICT trading terms, this level represents sell-side liquidity.

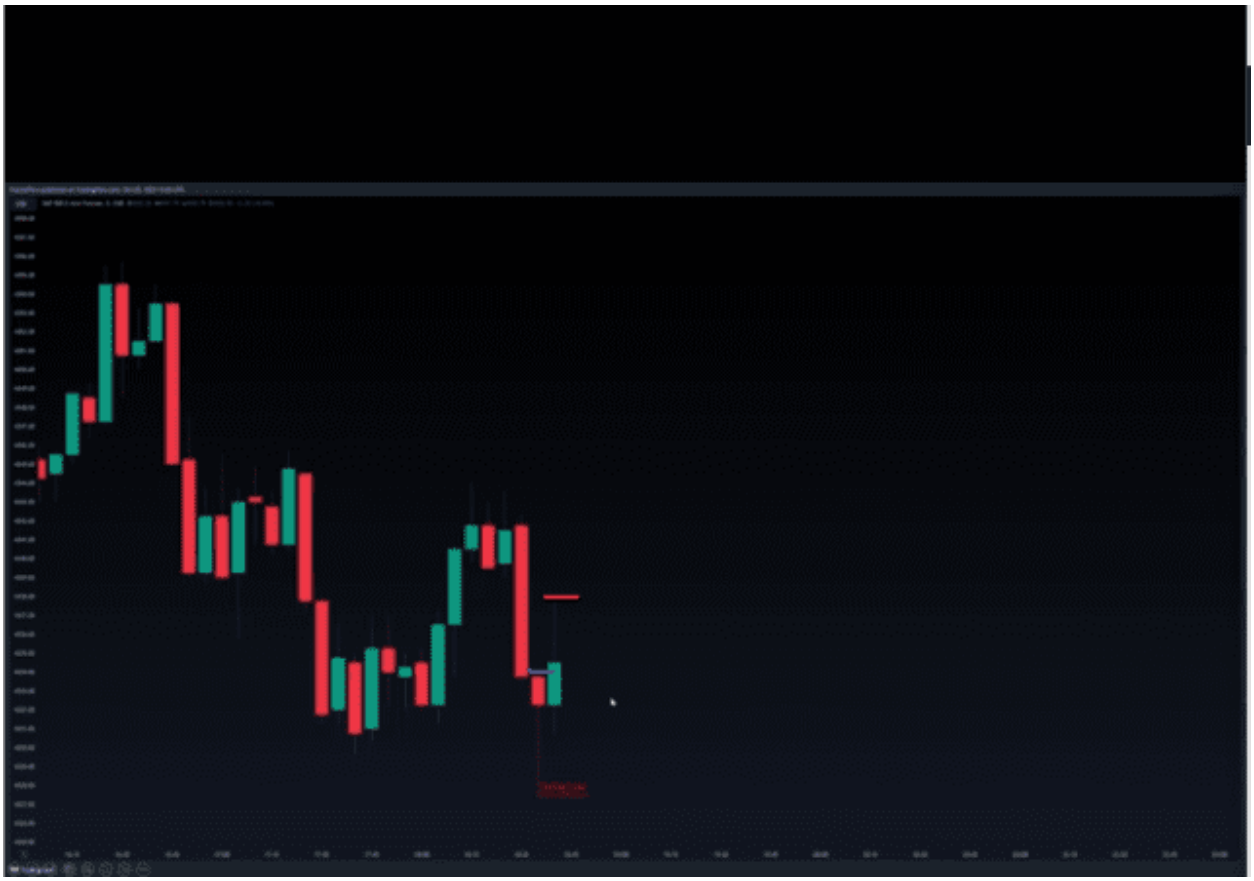
The identification of buy side and sell liquidity levels is important in many ways in the ICT trading strategy. Now that we already have an idea of what buy & sell side liquidity means, let's move on to a real price chart and observe examples of buy-side and sell-side liquidity levels to better increase your understanding.



Looking at the 5-minute chart of the mini S and P, you can see that we currently have a low. This is a potential swing low because the candle to the left has a higher low. If the next candle produces a higher low, the current candle in the chart above will be classified as a swing low, which represents a point of sell-side liquidity.



Now, looking at the chart above we can see that the next candle that follows, is a higher low, so we can go ahead and classify the previous low candle as a swing low.



While we are paying attention to the swing low, notice that we also have the potential for a swing high in this candle. That's because the candle to the left has a lower high as indicated by the blue line in the chart above when compared to the current candle. If the next candle also produces a lower high. Then the point indicated with the red line on the chart above will be classified as a swing high or buy side liquidity.

Looking at the chart above in the next candle, we can see that it produced a lower high as indicated by the blue line on the chart above, so we can go ahead and mark the previous green candle as a swing high. Again we have the potential to another swing low. If the next candle produces a higher low, we'll have another swing low.

Looking at the next candle, we can see that it doesn't happen, rather the new candle forms a lower low as you can see in the chart above. Now this new candle is a potential candidate for a swing low because it has a higher low to its left also.

In the next candle, we can see that a new swing low forms, so we can go ahead and mark it out as shown on the chart.

In the next 2 candles shown in the chart above, we can see that the price takes out the last swing high and comes back to test it on the other side as support.

Over the next four candles, we can see that only higher highs and higher lows are formed. Eventually, price produces a candle with a lower high and renders the previous high as a swing high or buy side liquidity, so we can go ahead and mark it out.

in the next candle. Price continues to the downside. You can see from these illustrations that identifying swing points is very simple, it's also a good idea to practice it often in real-time, so it becomes very easy for you to identify or spot them.

Once you start to mark swing points in real price charts, you will notice that certain swing points cluster together while others remain isolated, giving rise to two distinct definitions of highs and lows called 'equal highs & lows and old highs & lows.

In the chart above, we can see an example of equal highs. Notice how three swing highs cluster together roughly at the same level, still in the same chart we can spot an example of equal lows. in this case, three swing lows cluster to form equal lows.

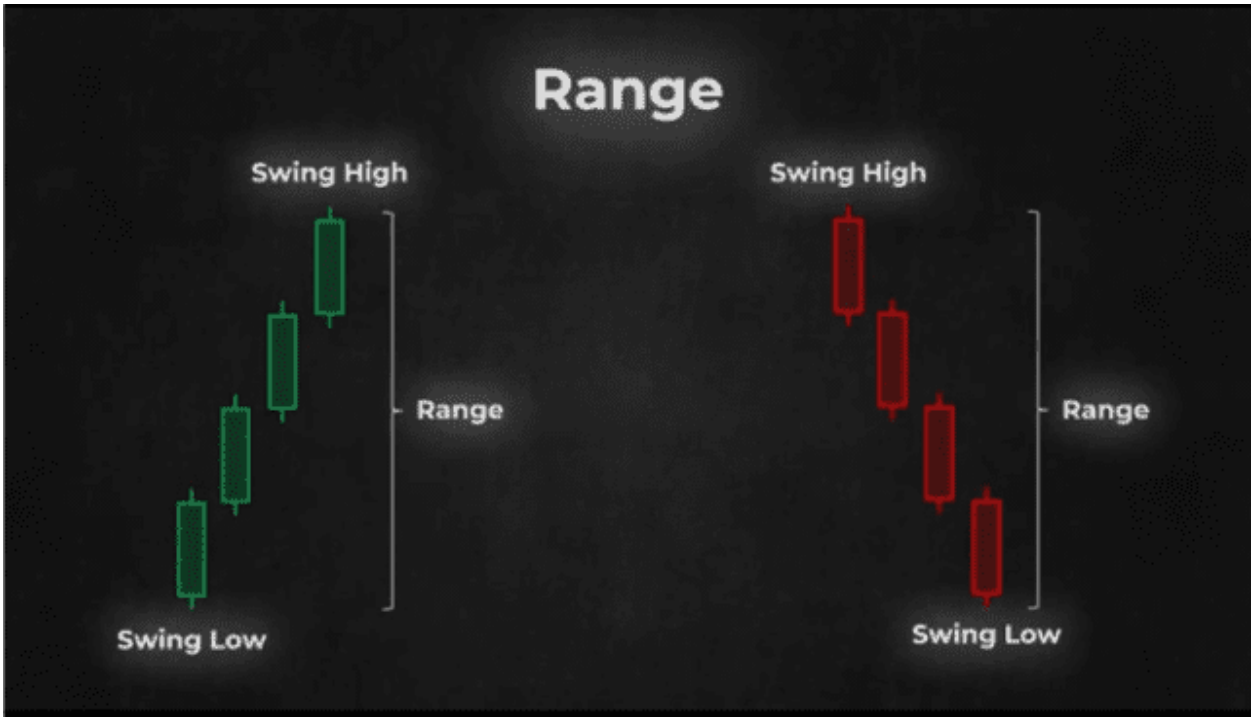
Notice that equal highs and lows don't necessarily happen at the same price level perfectly. They simply cluster together in the same area.

In the chart above, we can see the concept of old highs and old lows in the circled wicks/shadows, which are swing highs and lows that stand out or that are isolated in a way. Notice that in an example of the old low, price pierces the old low without closing below therefore forming a wick and then it starts to go up. This is an important discovery not only for the ICT Trading concepts but in the overall idea of market manipulation, meaning the triggering of liquidity to deceptively induce retail traders to one side of the market.

On the topic of highs and lows, we can look at other important types of highs and lows in any price chart, namely **the previous week's highs and lows** the **previous day's highs or lows,** the **Trading session's highs and lows** or the even the **intraday timeframe high and lows**.

We'll take another look at that when we talk about the concept of daily bias. The next ICT concept we will be looking at in ICT trading strategy is the idea of discounts in premium zones.

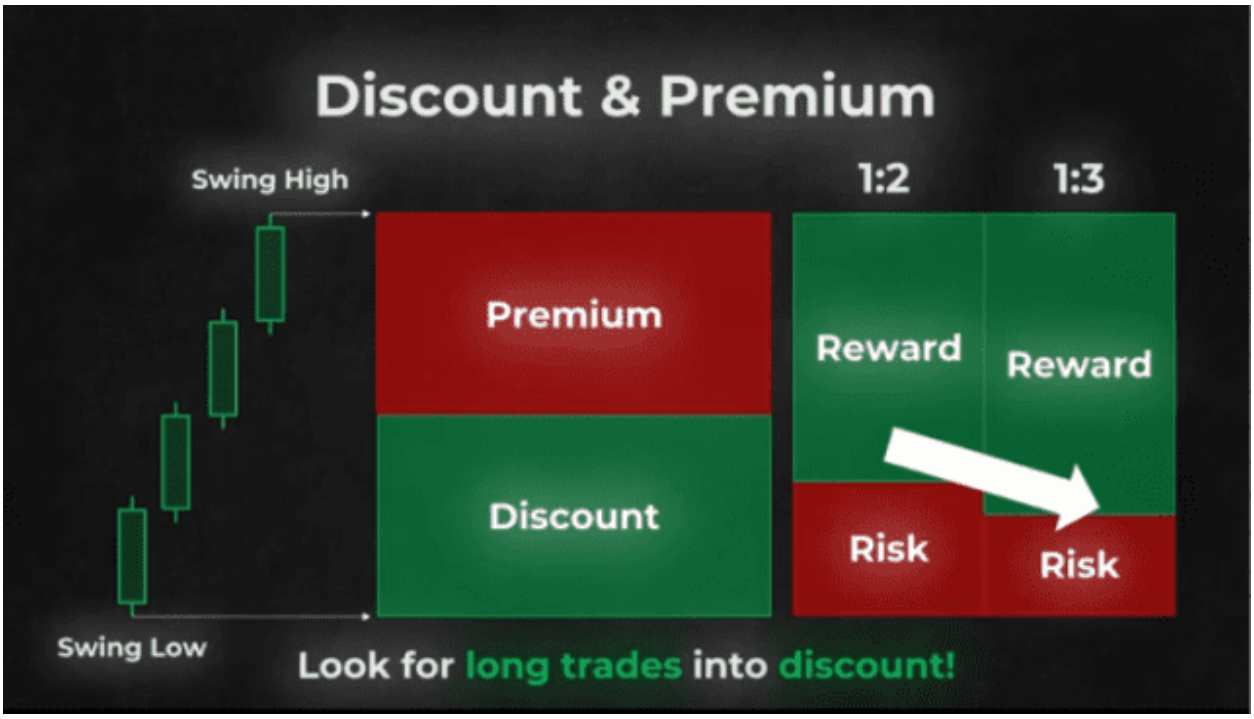
DISCOUNT & PREMIUM ZONES



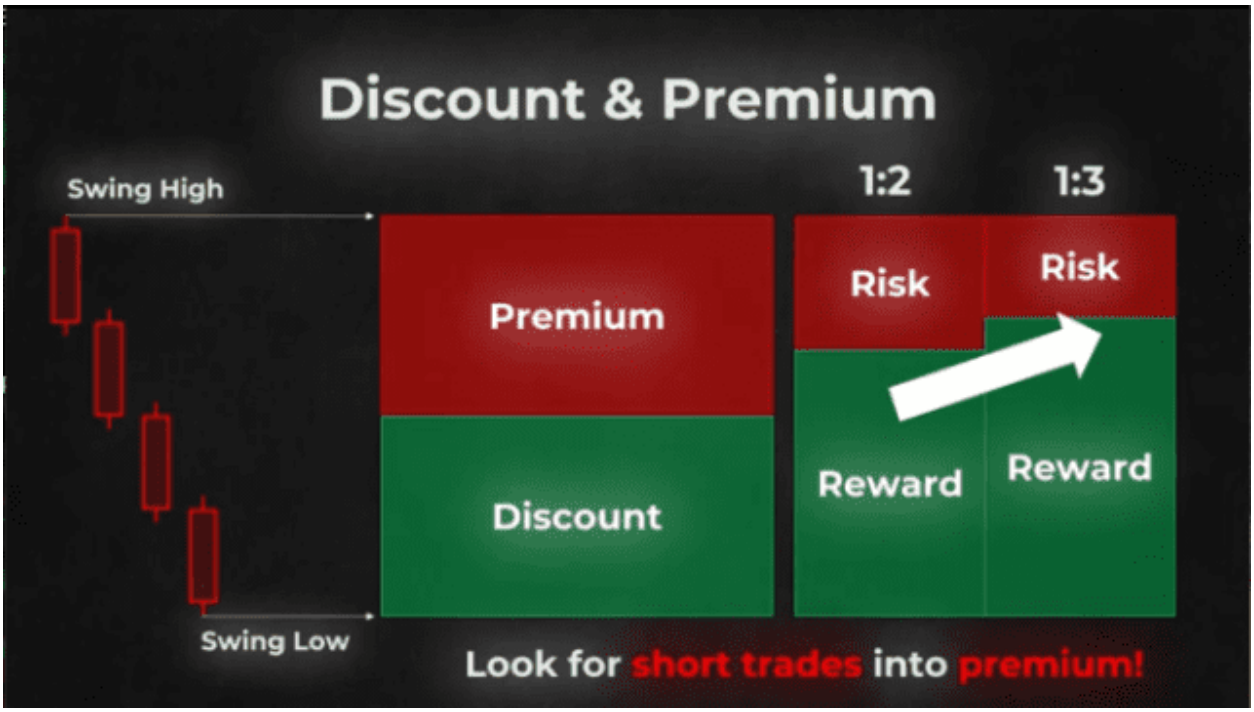
To understand what this is we must first understand the idea of range, which is simply the space between a swing low to a swing high or the space between a swing high to a swing low as shown in the diagram above.

Let's take the example of the range from a swing low to a swing high using the diagram below for illustration.

To define a premium and discount zone, we divide the range into 2 equal parts. The upper zone is always called premium and the lower zone is always called discount. That's also the case when the range comes from a swing high to a swing low, which would be a downward price movement. Whenever we look for long trade opportunities, we want to enter trades in the discount zone assuming there are other elements to support the trade ideas.



As depicted in the diagram above, we can see an upward movement and we are set to look for a long trade opportunity, the lower into the discount zone we take our long trade opportunities, the greater the risk-reward ratio If we place a stop below the swing low and a target at the swing high.



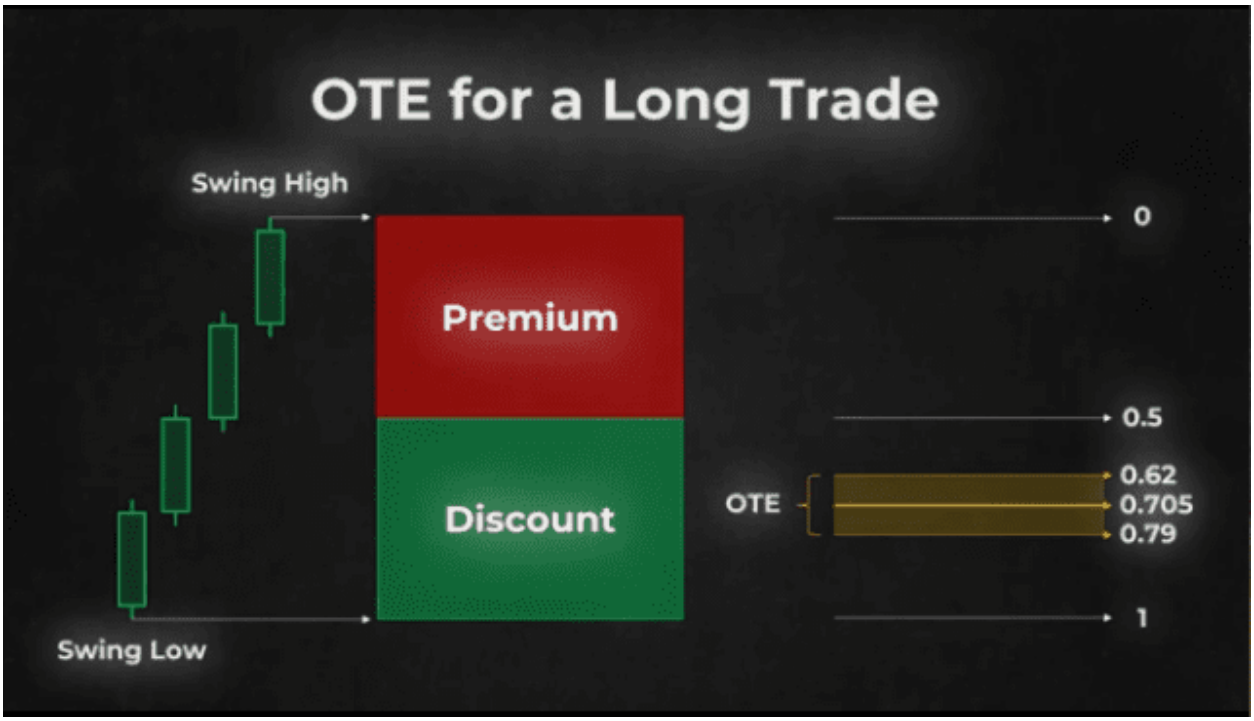
For downward price movements as shown above, we measure a range from a swing high to a swing low. We want to get into short trades in the premium zone. The higher into the premium zone the better because we can extract a greater risk-reward ratio assuming the stop loss is at the swing high and the target is at the swing low.

This notion of discount and premium is very simple, but it's something you need to keep in mind when we look at other concepts like optimal trade entries, fair value gaps, order blocks and the combination of elements that will generate trade setups.

Directly related to the idea of premium and discount zones, we have the concept of the OTE which is short for optimal trade entry.

OPTIMAL TRADE ENTRY (OTE)

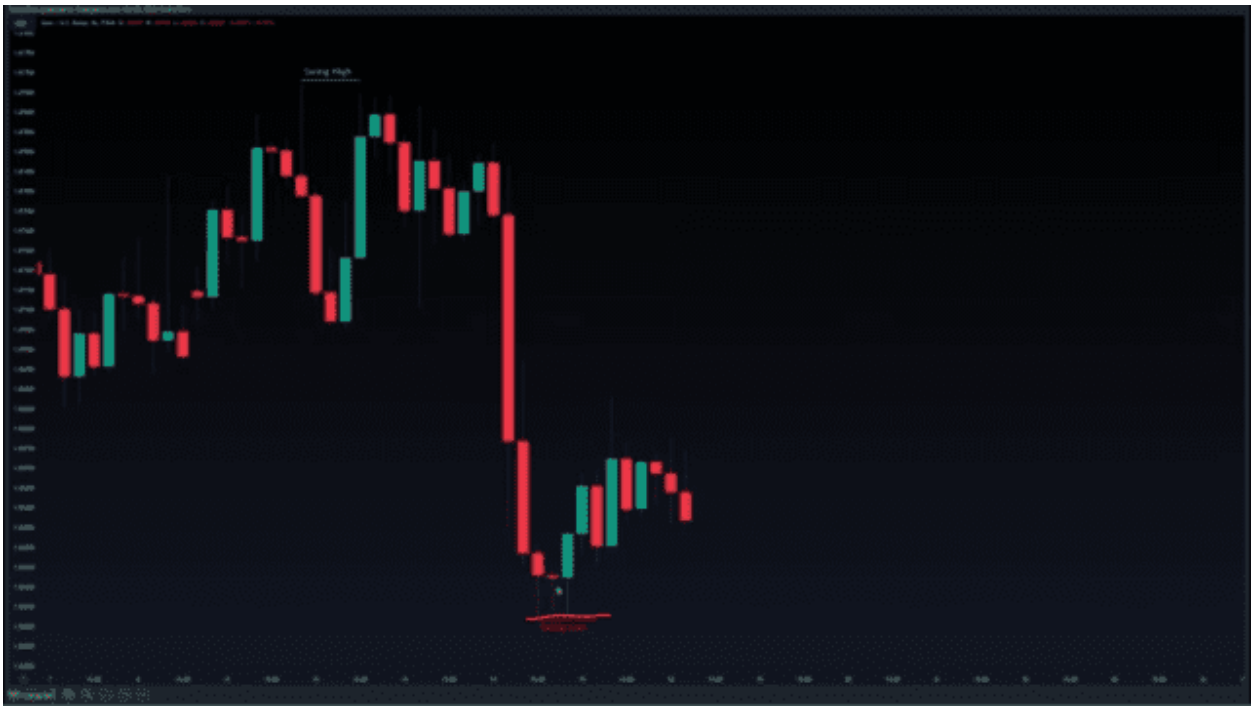
The OTE is a specific Fibonacci retracement zone that will fall in the discount zone for a long trade entry and in the premium zone for a short trade entry. This specific Fibonacci zone is from 0.62% to 0.79%. The midpoint of this zone which is 0.705 is also highlighted.



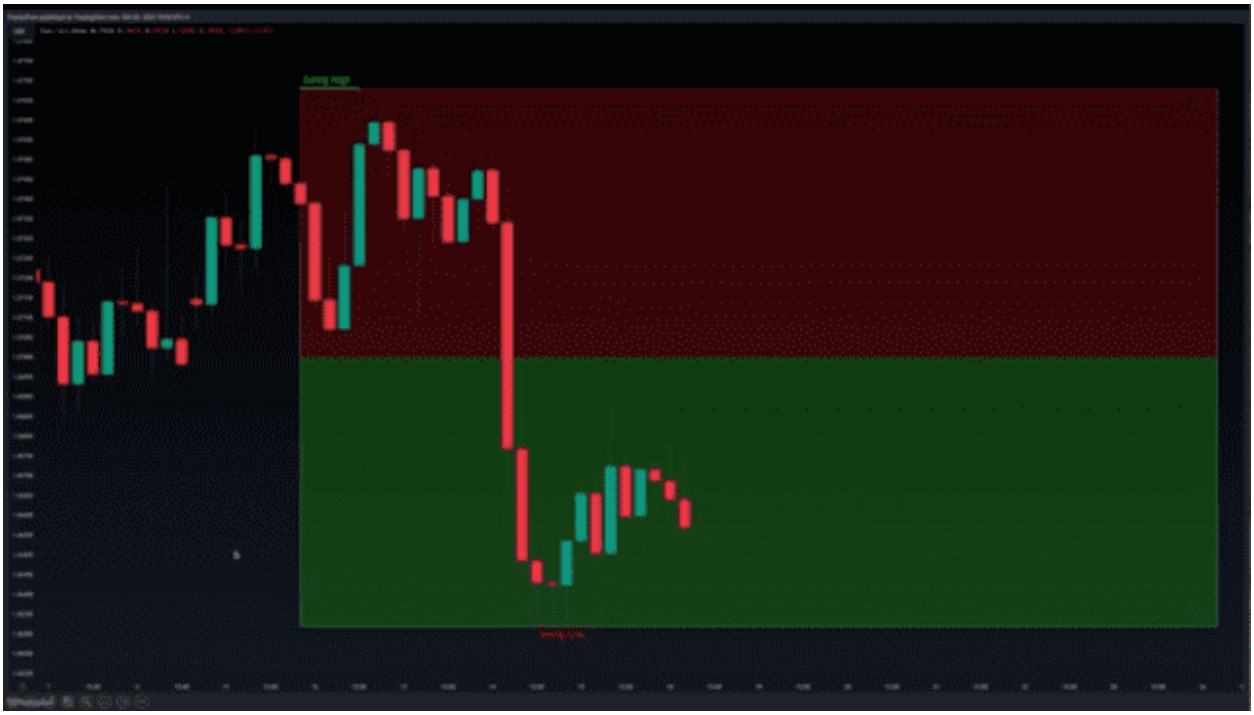
Using the illustration in the diagram above you can see the OTE for a long trade notice how the zone falls into the discount zone. It's important to observe how price action reacts to the three levels of this zone especially the midpoint at 0.705 retracement level.

In this other illustration above you can see the OTE for a short trade notice how the zone falls into the premium zone. It's important to observe how price action reacts to the three levels of this zone, especially the midpoint retracement level, just like in the case of an OTE for a long trade.

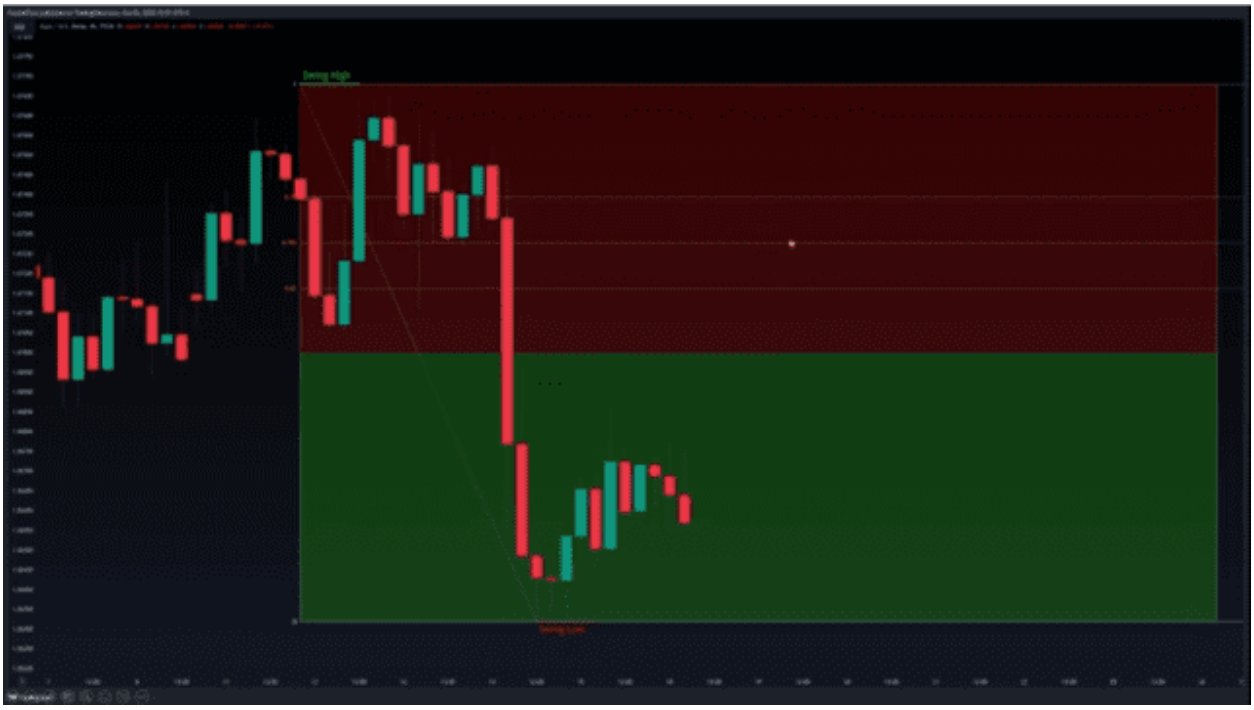
Now Let's take a look at a couple of examples of how the OTE works in real price charts.



Looking at the chart above you can see the 4-hour chart of the EURUSD, here I already marked out an important swing high and swing low.



Since we have been able to establish our swing high and low on the chart, we will mark out the discount and the premium zones generated by this range. By now you should know that a range is the distance between a swing high and a swing low.

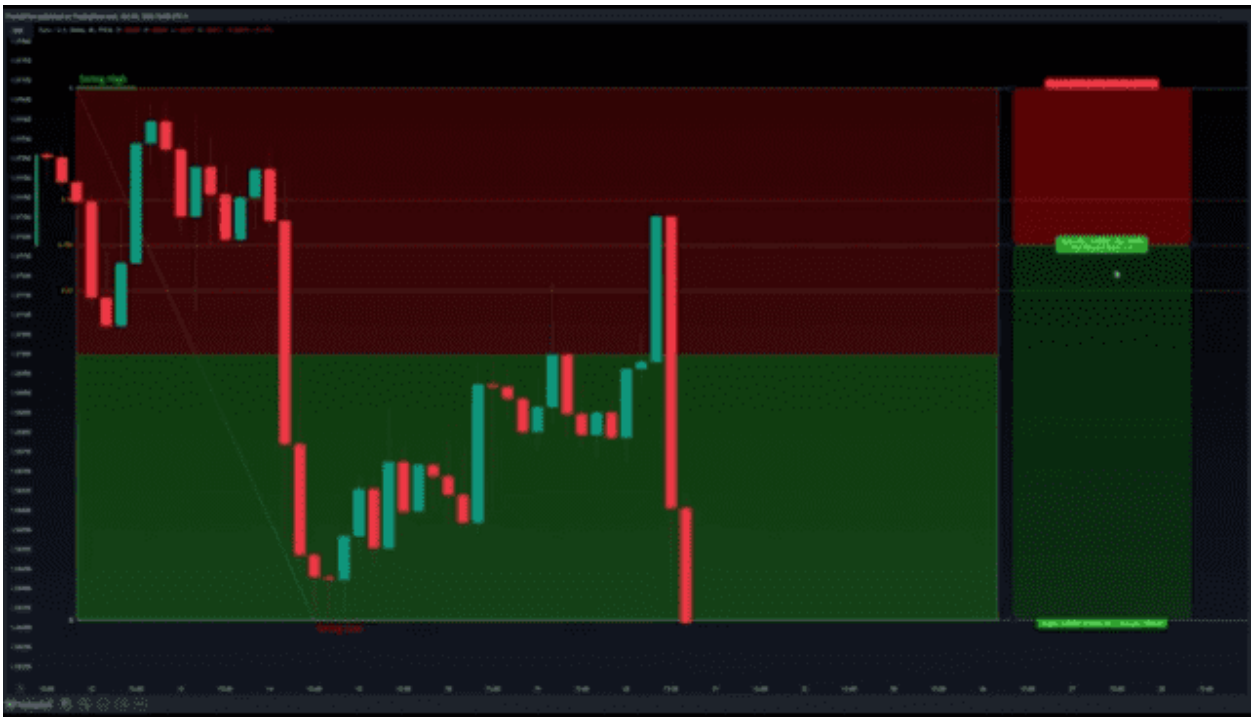


The next step is to mark out the OTE or optimal trade entry for this range as shown in the above chart. Notice how the OTE falls into the premium zone if the price comes back to that level.

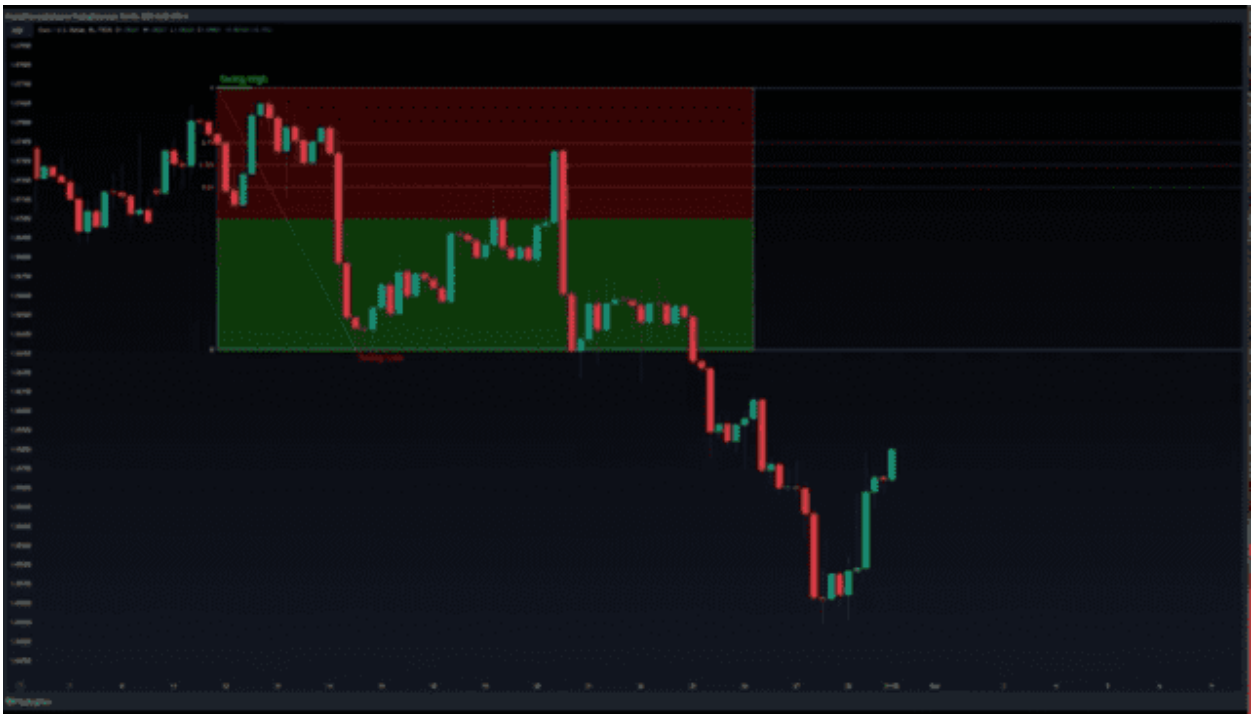
Let's observe the interaction of price with each of the three levels that compose the OTE zone. In the next few candles, looking at the chart above we can see that price reacts to the 0.62 level of the OTE. Although you can use this as an entry, keep in mind that the higher into premium you get the greater the risk-reward ratio you will extract from the trade.

In the chart above, we can see that price reacts a little to the downside but then returns back up to the OTE, closing above the midpoint but still below the 0.79 level.

In the very next candle, we can see from the chart above that the market drops significantly. It takes just one more candle for price to reach the swing-low target.



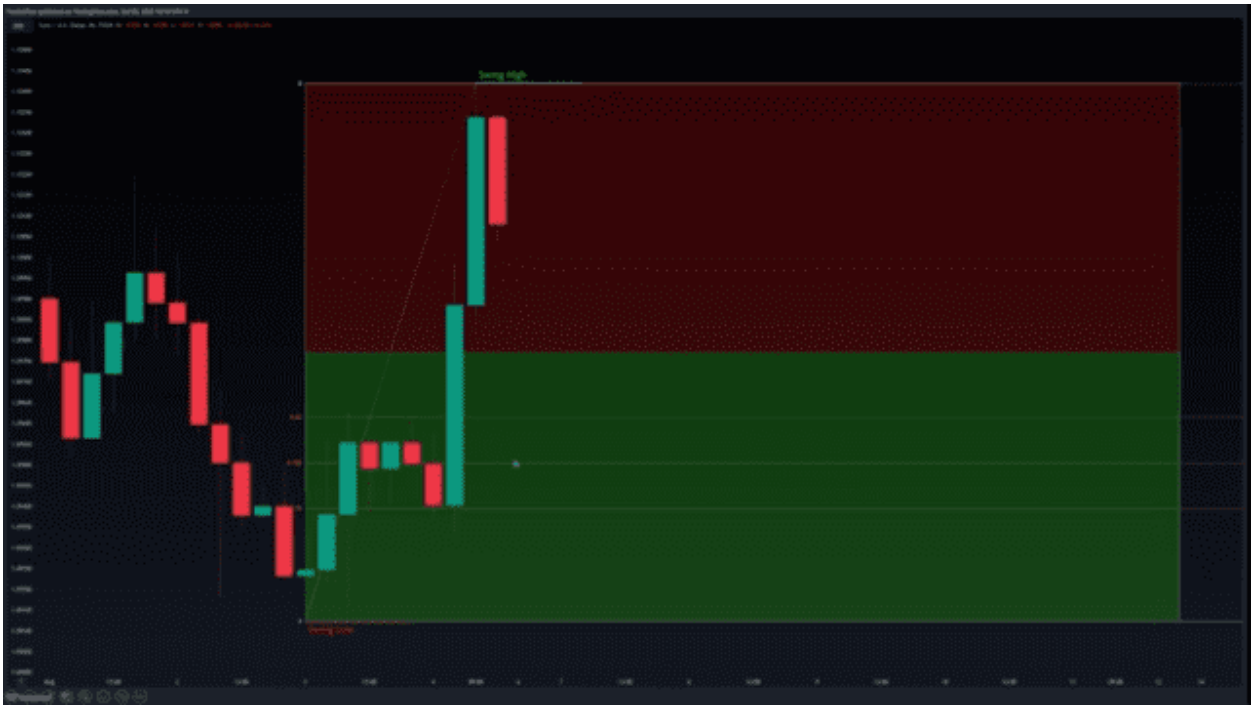
If a short trade was triggered at the midpoint of the OTE, with a stop at the swing high and a target at the swing low, the trade would have a 2:4 risk-reward ratio which is definitely not bad right?



In the chart above we can see that price continues going down afterwards, so even though a 2:4 risk-to-reward ratio is not terrible, there was a lot more that could be extracted from this trade, but as we always say, let's not be greedy.

Let's take a look at a long trade example using the OTE.

In the chart above you can see that the price just made a swing high.



The next thing is to draw the discount and premium zones and then plot the OT using the range outline as shown in the chart above.

In this chart, we can see that price returns to the OTE into the discount zone and reacts to the lowest level of the zone by touching it without closing below it.

Right after touching the lowest OTE in the discount zone the price begins to rise in the direction of the old high, swing high or buy side liquidity level as you can see in the chart.

Another major ICT concept we will be talking about is the fair value gap.

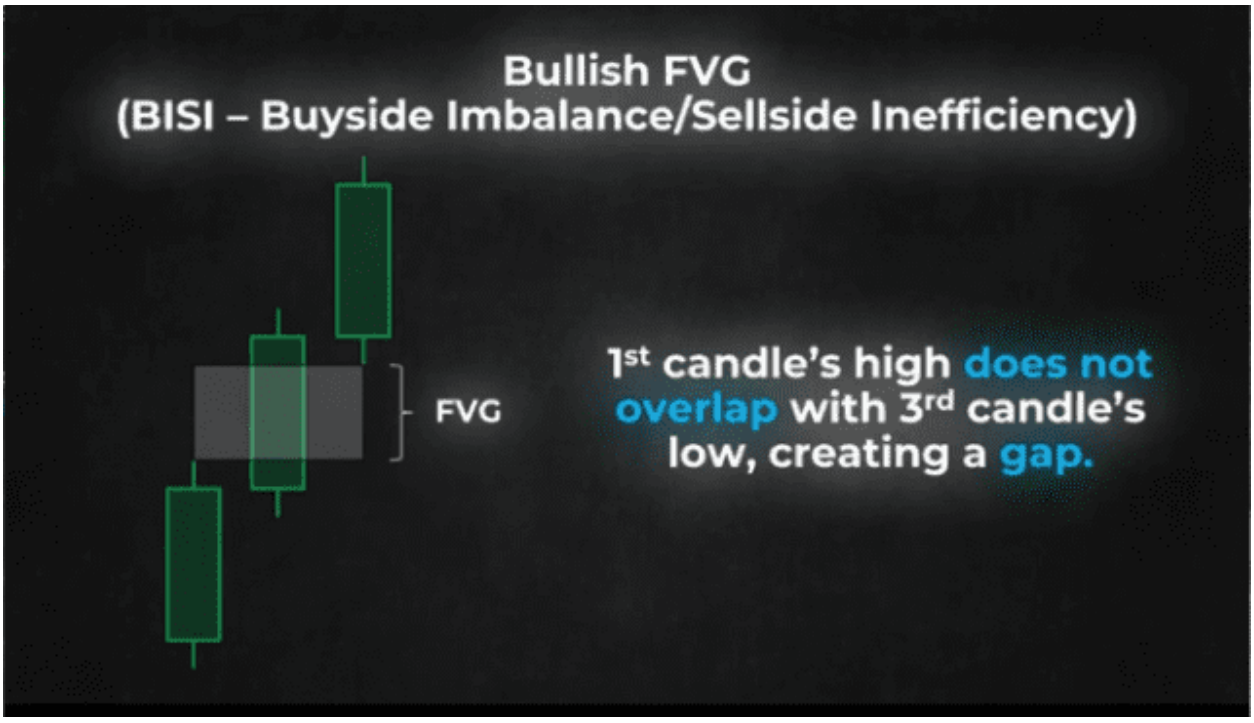
FAIR VALUE GAPS

The fair value gap is a three-candle pattern that hides a gap between the first and third candle shadows. There are two types of fair value gaps (FVG) namely:

Bullish Fair Value Gap OR Buy side imbalance / Sellside Inefficiency
Bearish Fair Value Gap OR Sell Side Imbalance / Buy side Inefficiency

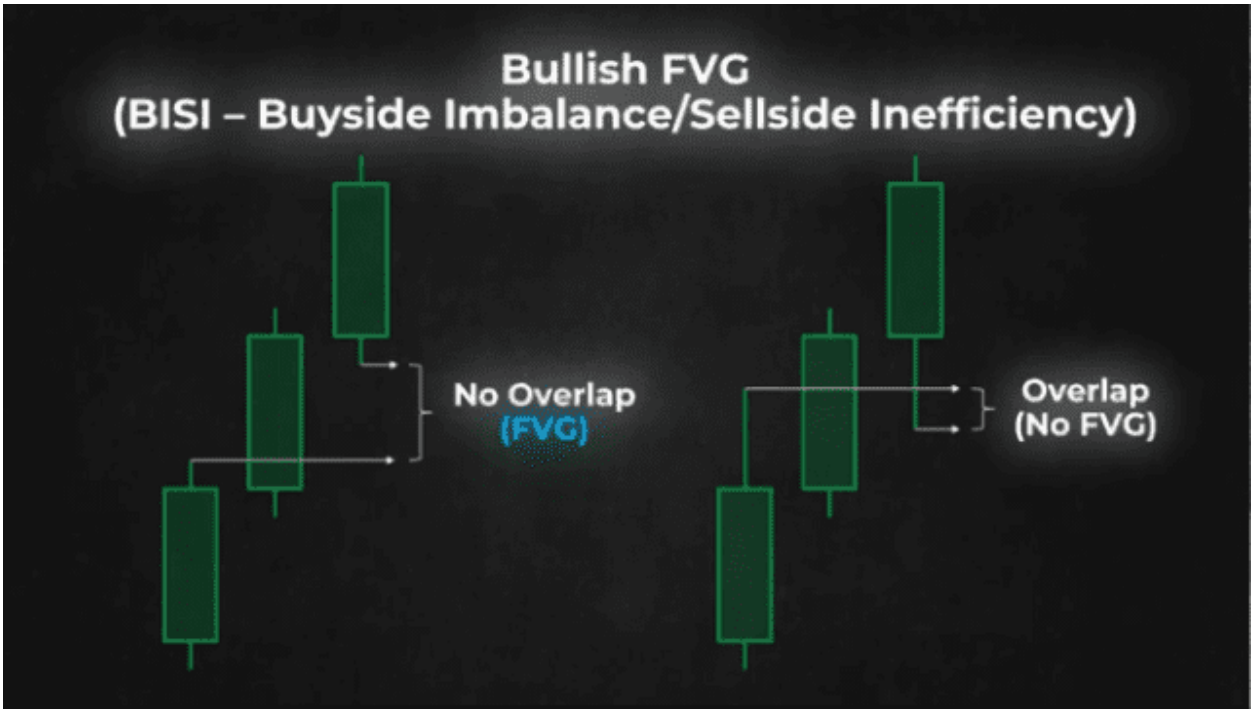
Let's first take a look at the bullish fair value gap which is often called BISI which means Buy Side imbalance and sell side inefficiency.

BULLISH FAIR VALUE GAP (BFVG)



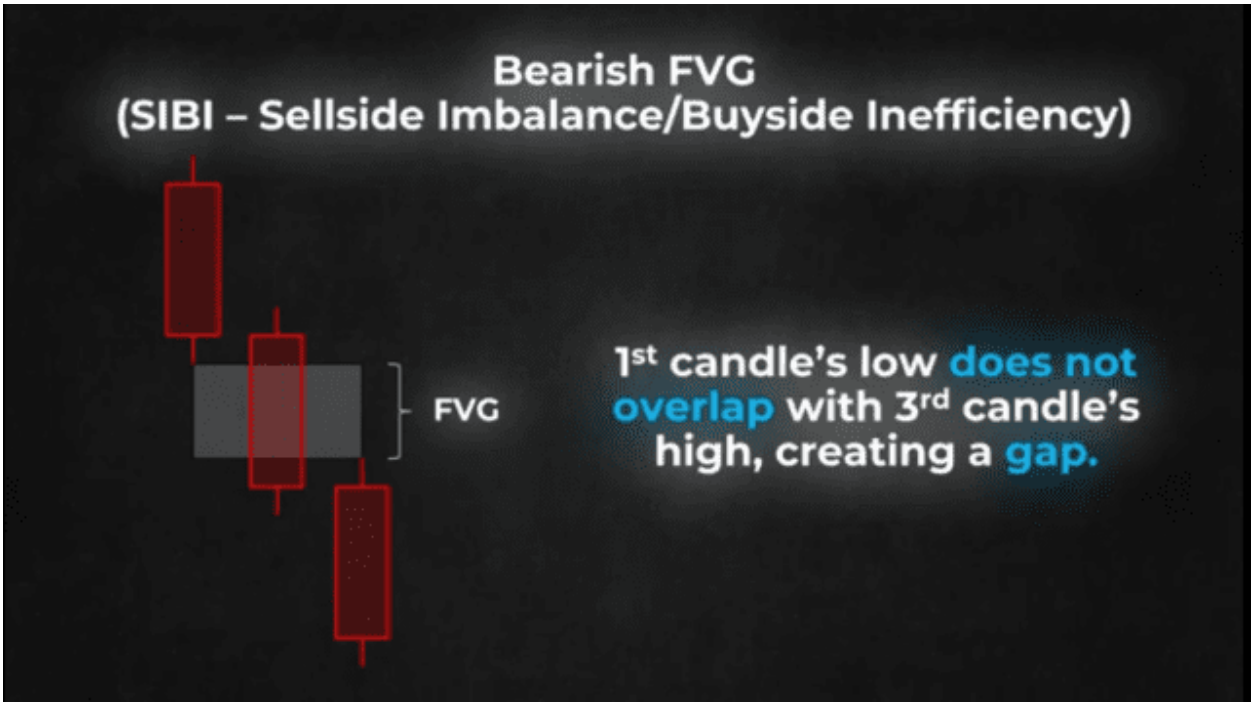
The bullish fair value gap is a pattern where the upper shadow of the first candle doesn't overlap with the lower shadow of the third candle, creating a gap between the two. You can see the illustration in the diagram above

Let's make a quick comparison between price movements where we can find a fair value gap and one where we cannot.



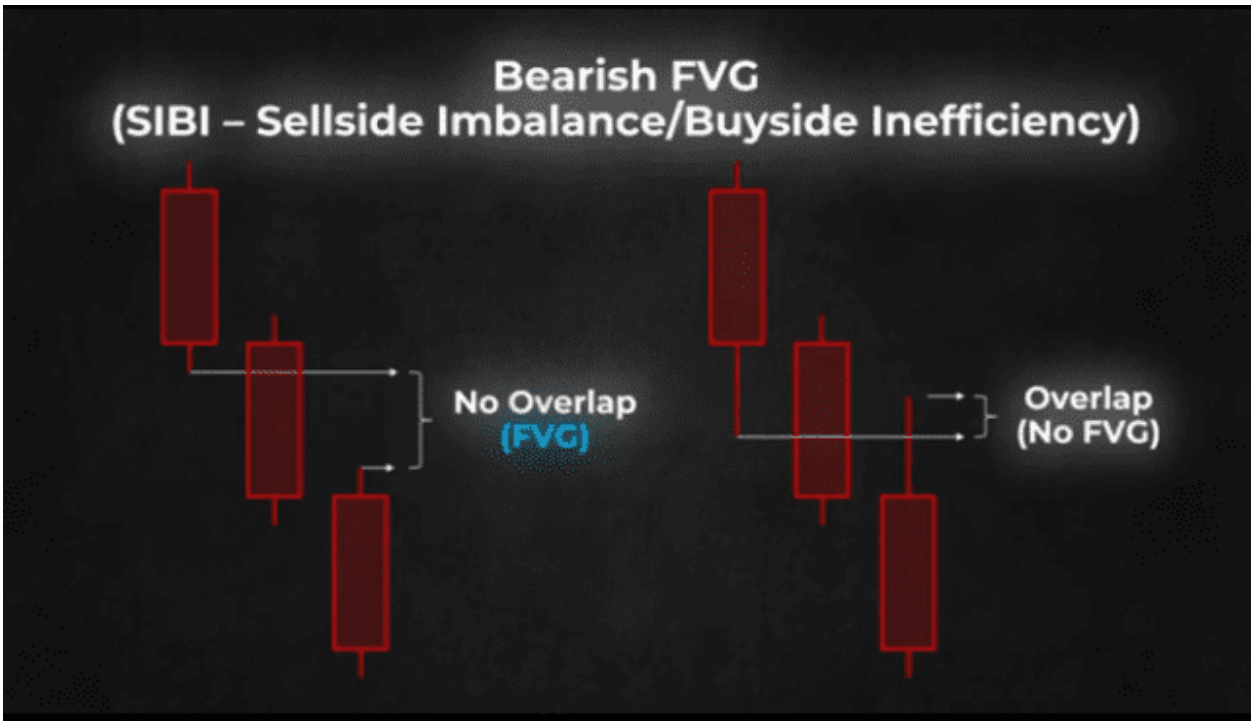
Looking at the chart above on the left, we can see that there is no overlap between the upper shadow of the first candle and the lower shadow of the third candle, therefore creating a fair value gap. On the right, we can see that the upper shadow of the first candle overlapped with the lower shadow of the third candle. In this case, there is no fair value gap.

BEARISH FAIR VALUE GAP (BFVG)



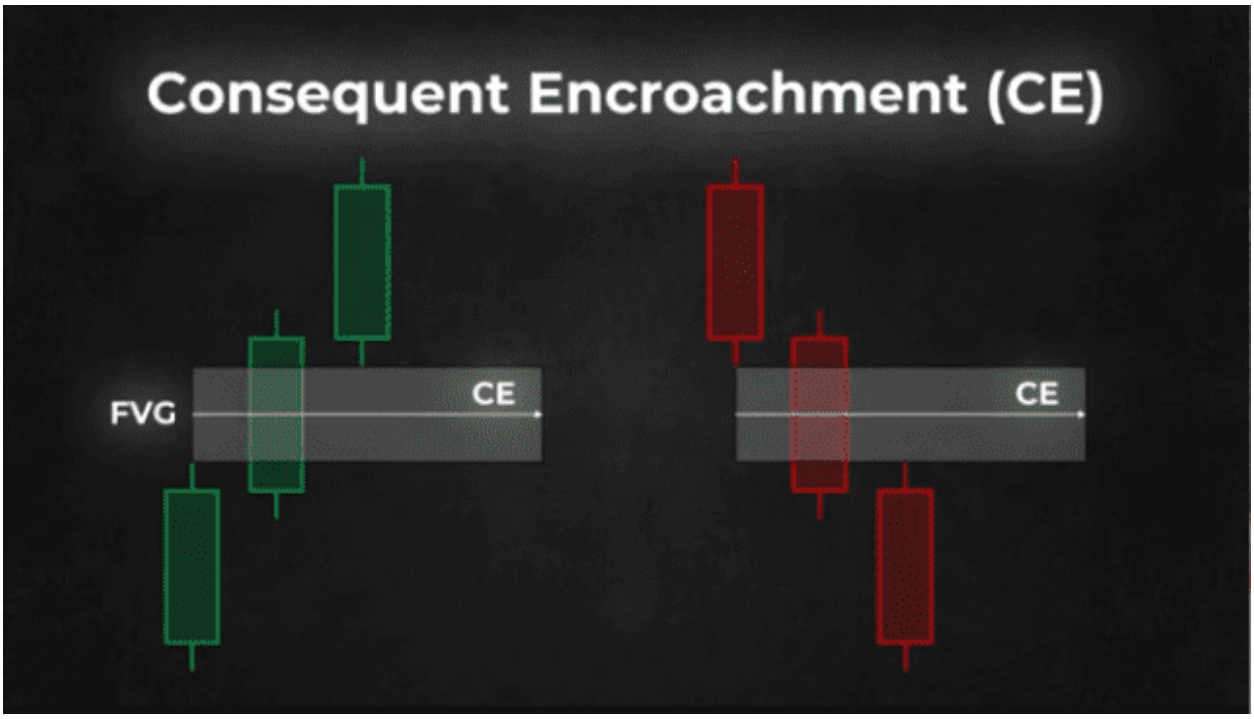
The bearish fair value gap is often called SIBI which stands for sell side imbalance and buy side inefficiency. The bearish fair value gap is a pattern where the lower shadow of the first candle doesn't overlap with the upper shadow of the third candle, creating a gap between the two as shown in the diagram above.

Now, Let's once again make a quick comparison between three candle patterns where we can find a fair value gap and one where we cannot.



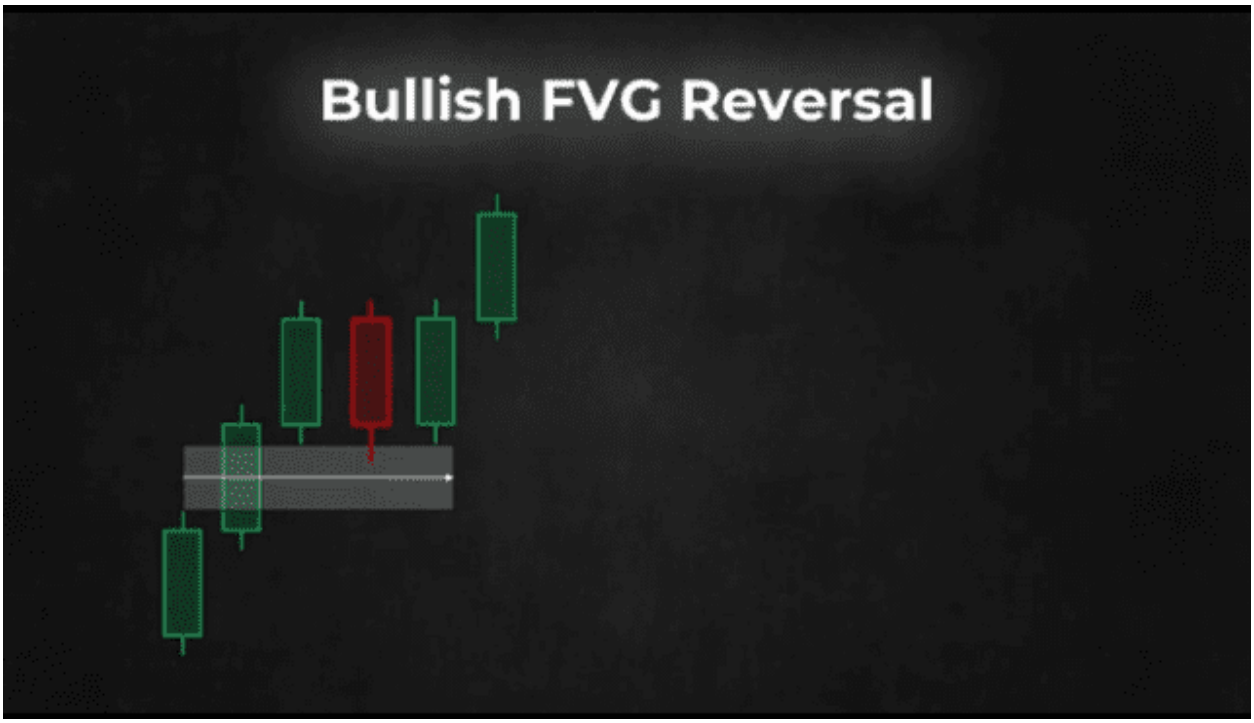
Looking at the chart once again, on the left side we can see that there is no overlap between the lower shadow of the first candle and the upper shadow of the third candle, therefore creating a fair value gap.

On the right, we can see that the lower shadow of the first candle overlaps with the upper shadow of the third candle. In this case, there is no fair value gap.

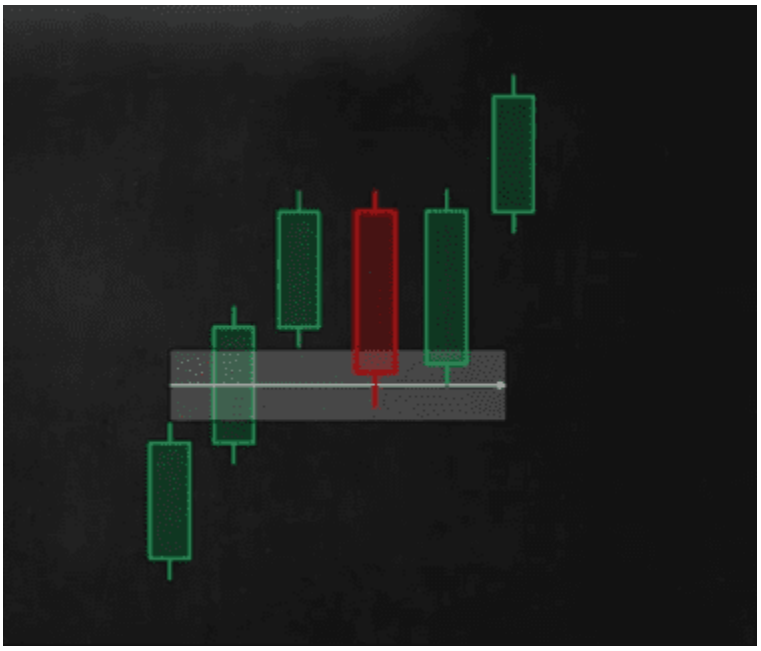


Another important detail about fair value gaps is the idea of consequent encroachment, which is simply a fancy expression that means the midpoint of the fair value gap or the 50% retracement of the gap also depicted in the above diagram.

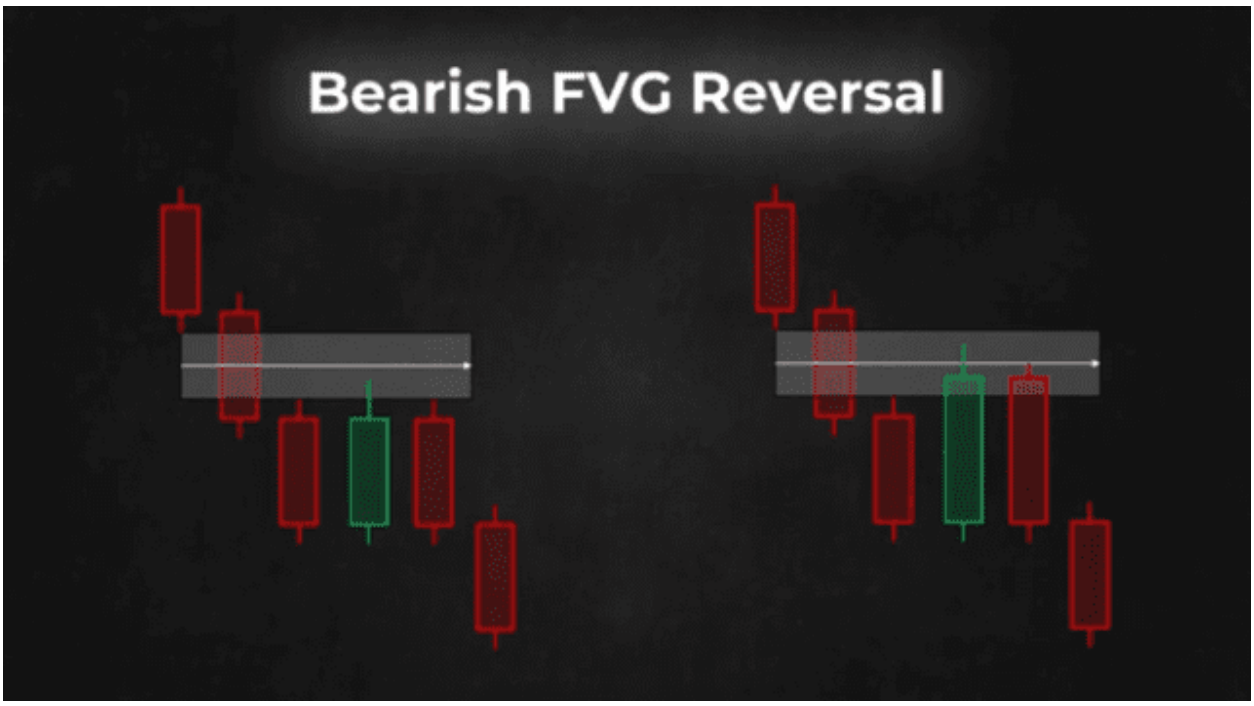
Fair value gaps can be used as zones of support and resistance, as is the case with many other types of support and resistance. It is important to pay attention to how price reacts to fair value gap limits and the consequent encroachment line.



Let's take a look at the BISI or Bullish fair value gaps first. The ideal scenario is to see price reacting to the upper limit of the fair value gap, meaning piercing it and closing above it as shown above. That's one way of knowing that price is respecting the fair value gap.



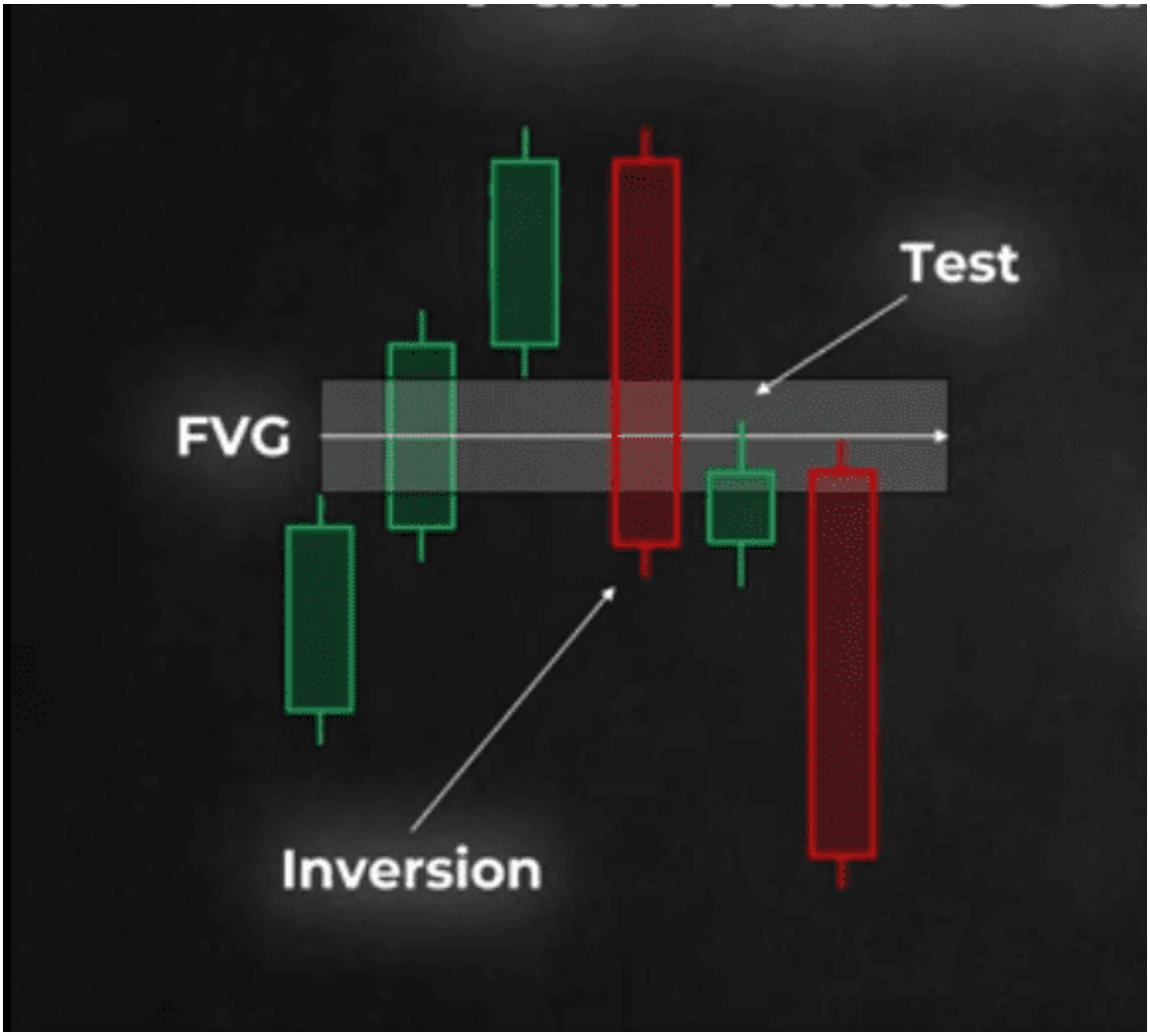
Another valid way is to observe the same type of reaction. At the consequent encroachment, price will pierce the midpoint of the fair value gap and close above it quite often testing the consequent encroachment again right after it, although that is certainly not a requirement.



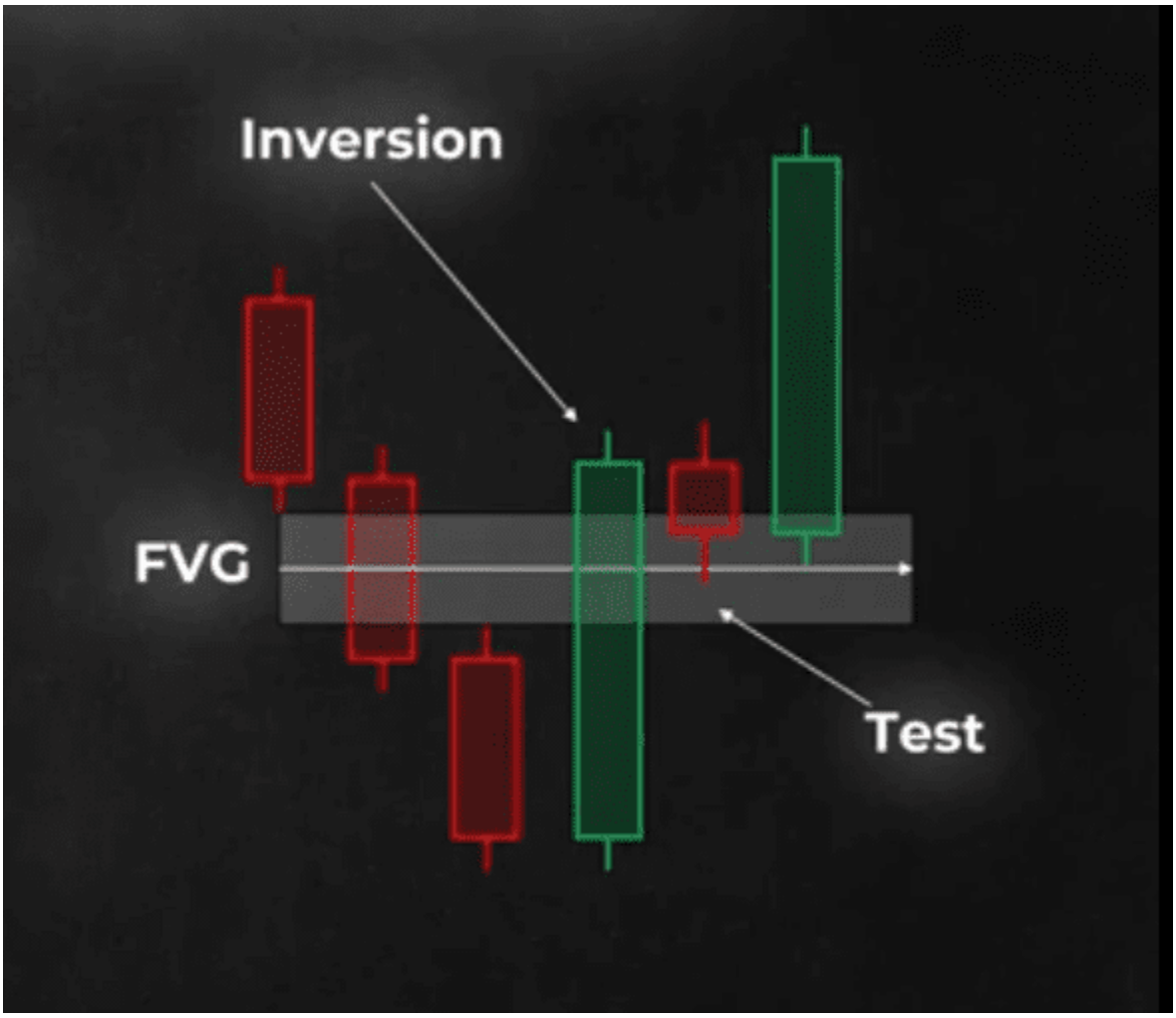
In the above illustration, you can see the bearish version of the fair value gap reversal. The principle is the same of course but everything is flipped upside down. As is the case with other types of support and resistance.

One thing of note is that Price can disrespect the fair value gap and test it on the other side. In ICT trading terms this is called a fair value gap inversion.

FAIR VALUE GAP INVERSION

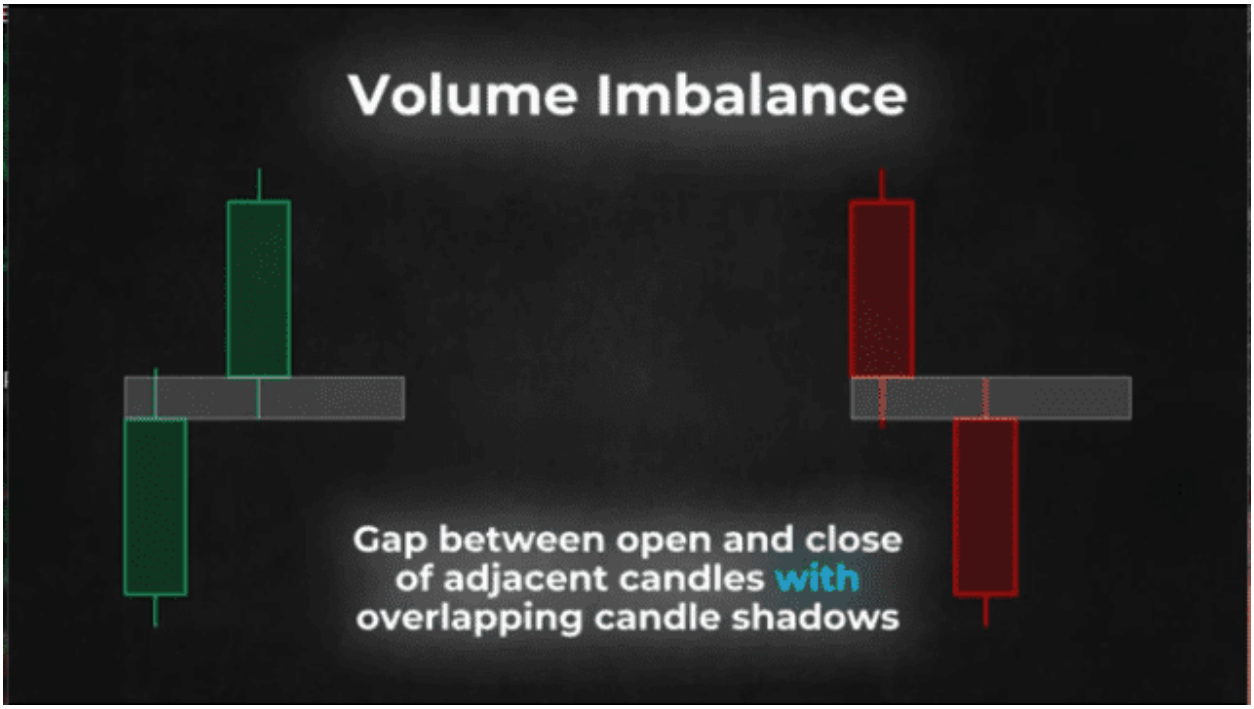


Looking at the above chart you can see a hypothetical example of the bullish fair value gap inversion leading to a bearish movement, and in the chart below you can see a bearish fair value gap inversion leading to a bullish movement.

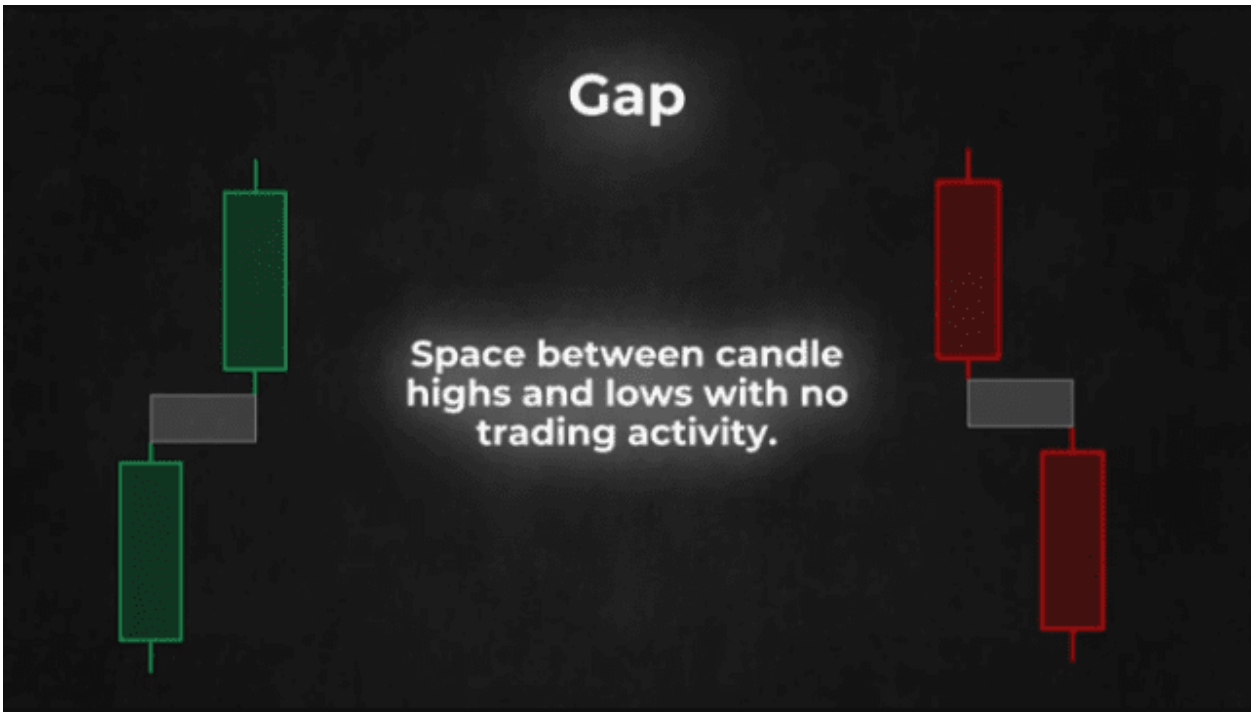


Beyond fair value gaps, ICT trading strategy includes other types of related concepts, namely volume imbalances and gaps which is what we will be examining next.

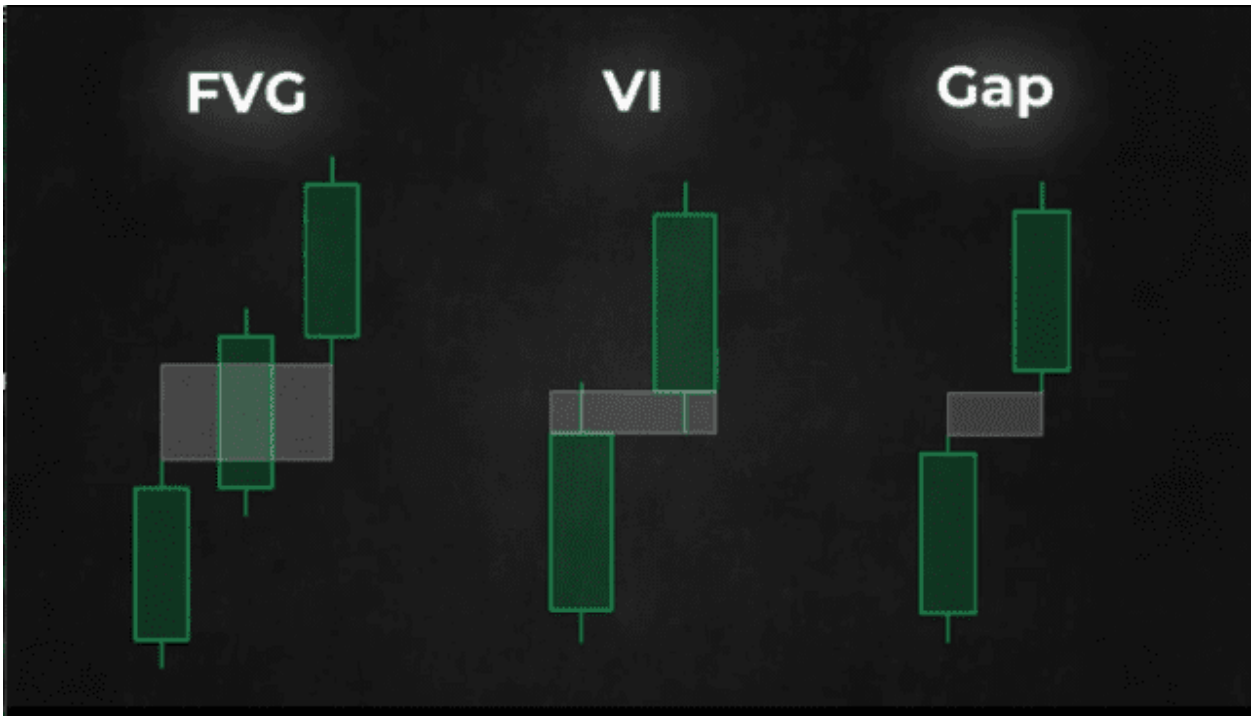
VOLUME IMBALANCE & GAPS



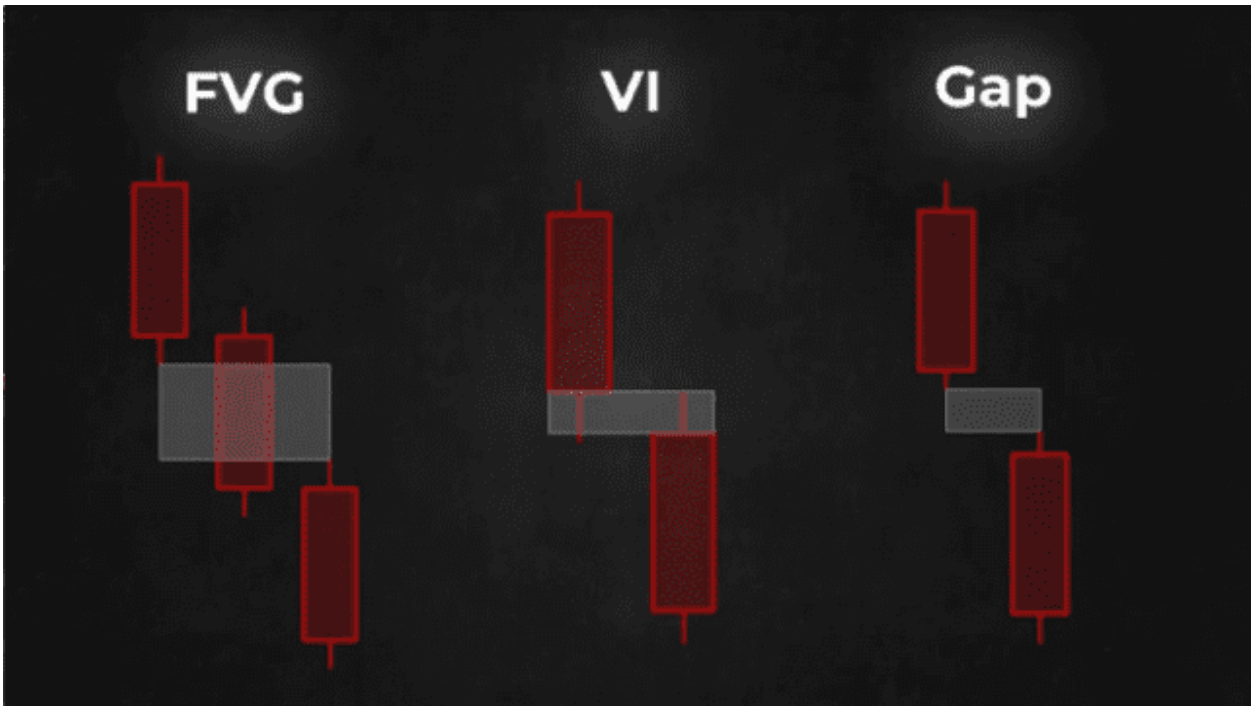
A volume imbalance happens when there is a gap between the open and close of the body of adjacent candles although there is trading activity within the gaps. Since candle shadows overlap.



On the other hand, a gap occurs when there is a space between highs and lows of adjacent candles and this means there is no trading activity between the high of the first candle and the low of the second candle in case of a bullish gap, or the low of the first candle and the high of the second candle in the case of a bearish gap.



Looking at the diagram above, you can see the bullish version of the fair value gap, volume imbalance and the gap side by side for comparison and also for clarity to clear any form of confusion you might be having.



Looking at this other chart above, we have the bearish version of all three patterns. Keep in mind that you can use fair value gaps, volume imbalances and gaps in a similar way. Let's now observe practical examples of fair value gaps, volume imbalance and gaps to make you understand better.

Looking at the 1-hour chart of the USD index above. We can spot the formation of a fair value gap. Since the upper shadow of this candle does not overlap with the lower shadow of the current candle, it's not uncommon for price to return to the fair value gap and then continue its main trajectory. However, this is not the only use of fair value gaps.

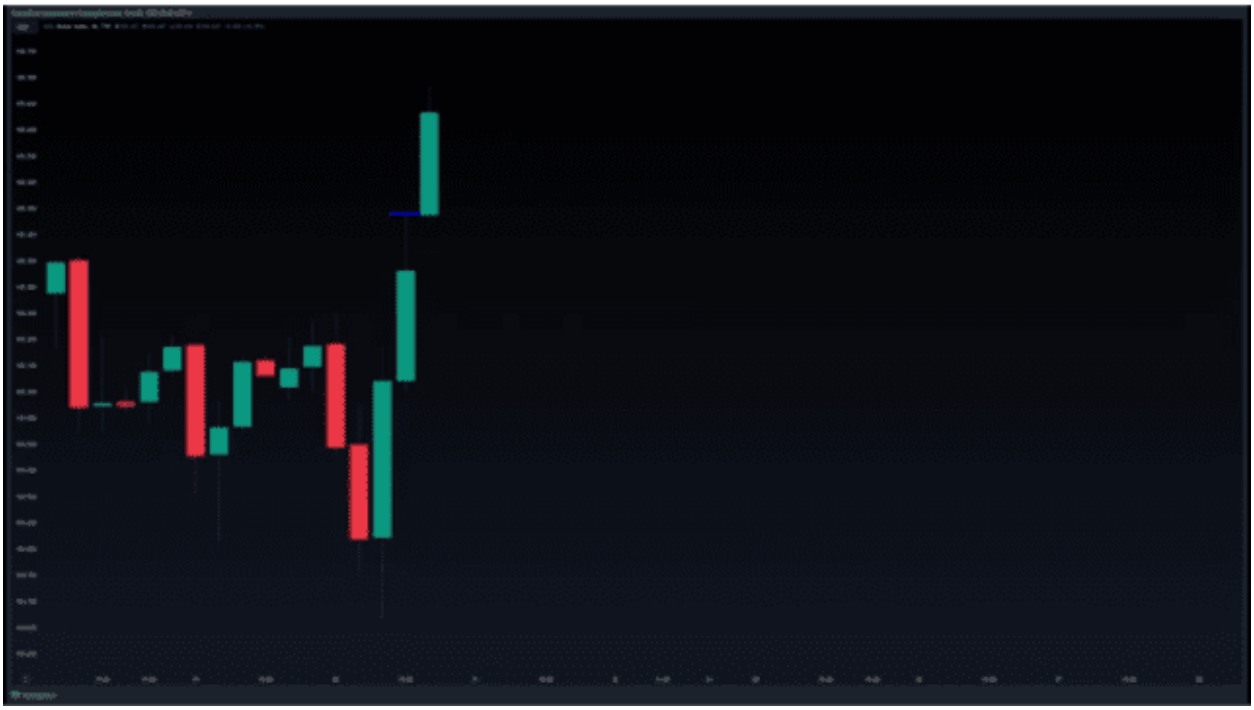
Looking at the chart above, we can see that the price enters the fair value gap area and then immediately reverses to the upside, continuing its main movement. Notice on the chart that if the lower shadow of the next candle does not overlap with the upper shadow of this red candle marked with a blue line in the chart, we'll have a new fair value gap.

In the next candle, we can see that this is exactly what happens. Another fair value gap is created.

In the next candle, we can see an inside bar formation but without entering the latest fair value gap in the next candle, price enters the fair value gap and closes above it, clearly reacting to that zone in a similar way it did with the previous fair value gap.

Looking at the chart above, price resumes its movement to the upside for a few more candles. If we move one more candle forward, we will observe the formation of a gap. We can mark it out in the same way that was done with the fair value gaps. The principle here is the same. This is an area where the price can come back to and reverse, we can also observe inversions in some cases.

In the next candle, we can see price reacting to the gap in a similar way it did with the previous fair value gap. Looking at the chart above we can see how price continued going up after reacting to the upward gap. Also, we can see the current candle is reacting to a fair value gap that was formed right after the upward gap.



Still in the dollar index. looking at the 4-hour chart we can see an example of a volume imbalance.

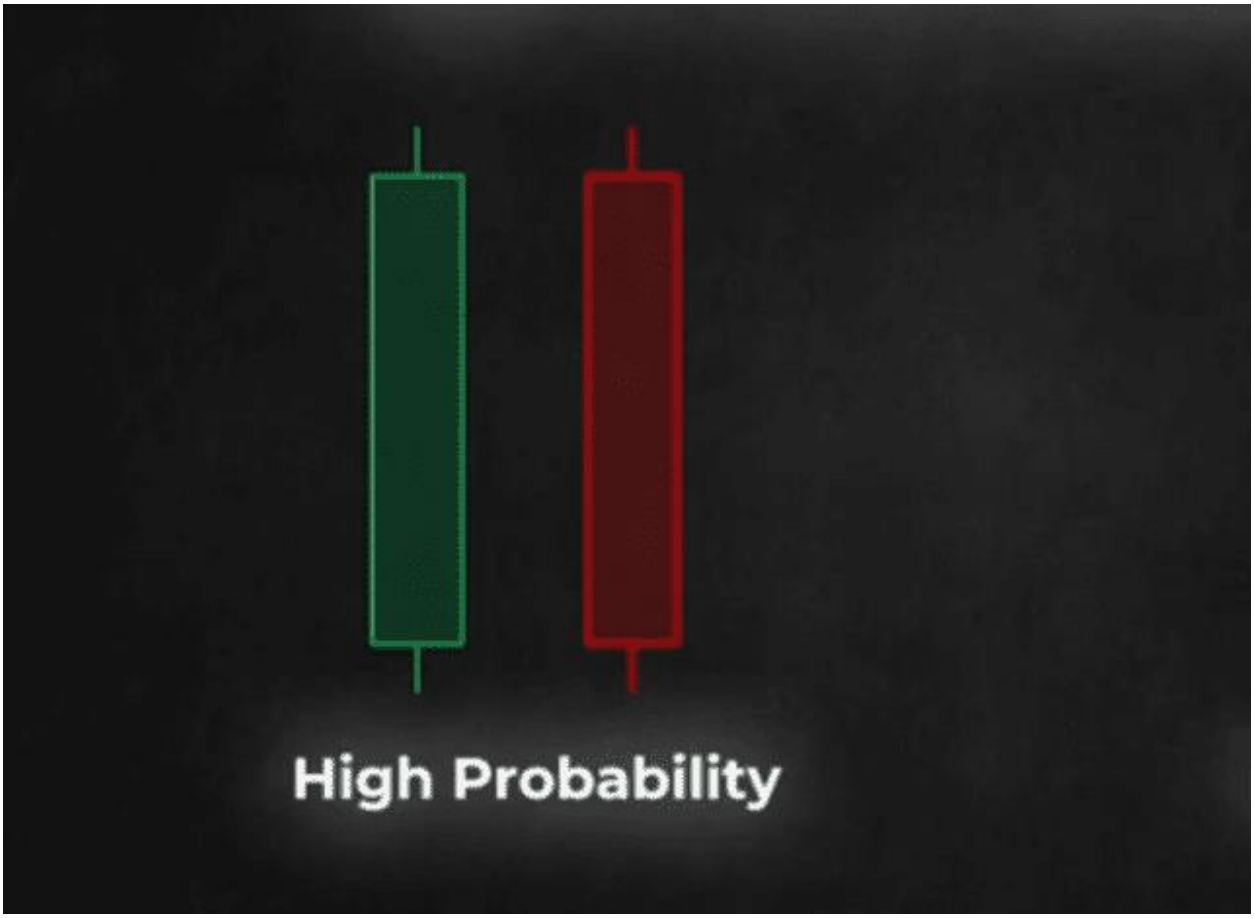
We can see that there is a gap between the close of the previous candle's body and the open of the current candle. But there is also trading activity between the gap which makes this a volume imbalance shown by the shadow/wick of the candle.

In the next few candles, we can see how the volume imbalance can hold price and eventually, the market starts to rise from there.

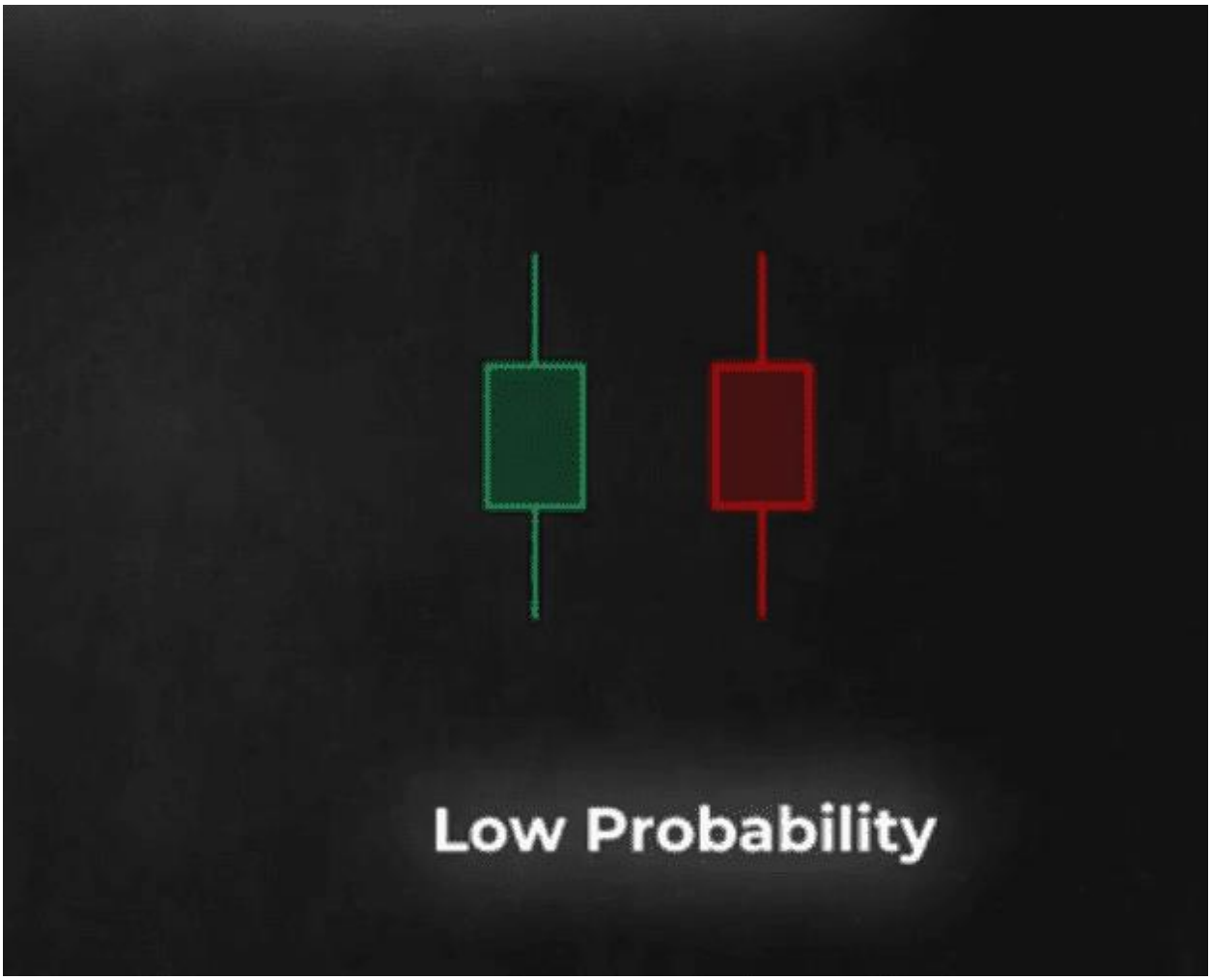
ORDER BLOCKS

Another very popular ICT concept is called order block. There are a couple of different ways of using order blocks.

Let's divide these two ways into the following:

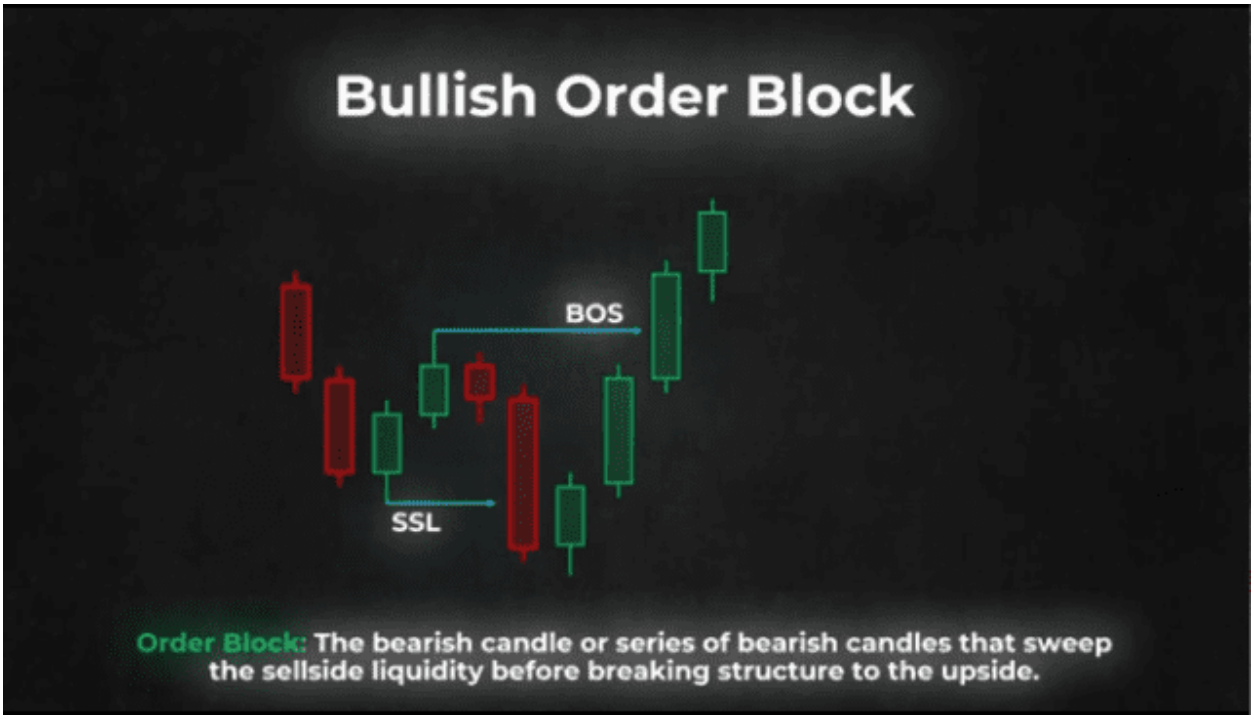


High probability order blocks: These are order blocks with Large body candles as shown above.

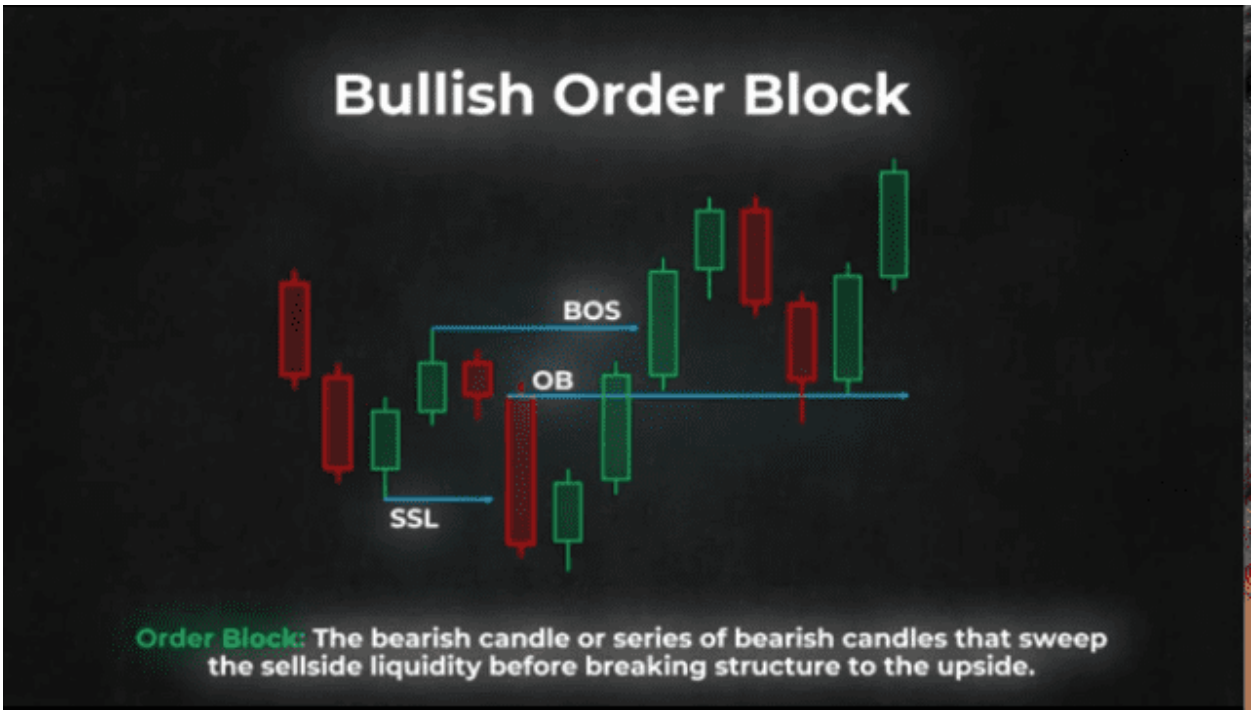


Low probability order blocks: These are order blocks with small body candles and with more prominent shadows or wicks as shown in the diagram above.

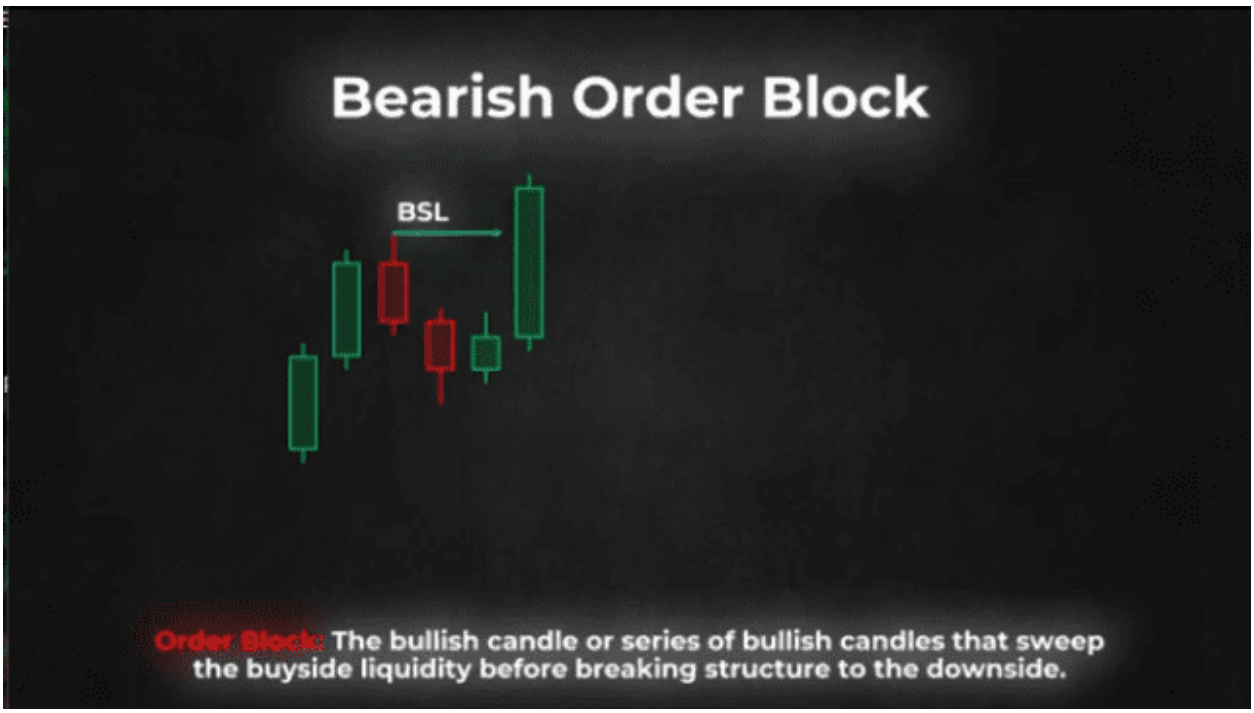
HIGH PROBABILITY ORDER BLOCKS



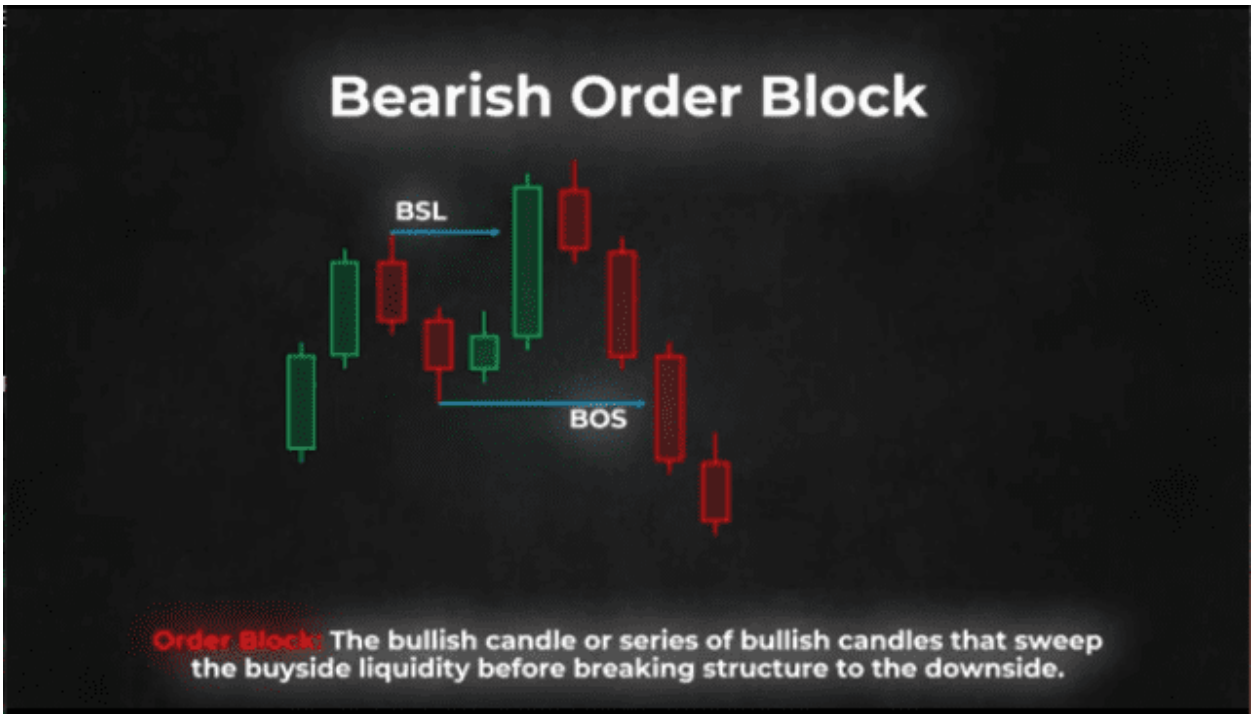
Now let's explore the high-probability order block first. The bullish variation of an order block is formed by the large-body bearish candle, or a series of large-bodied bearish candles that sweep southside liquidity and then lead to a break of an old high right after it which in this case is called a break of structure. Examine the diagram above to get a clearer understanding.



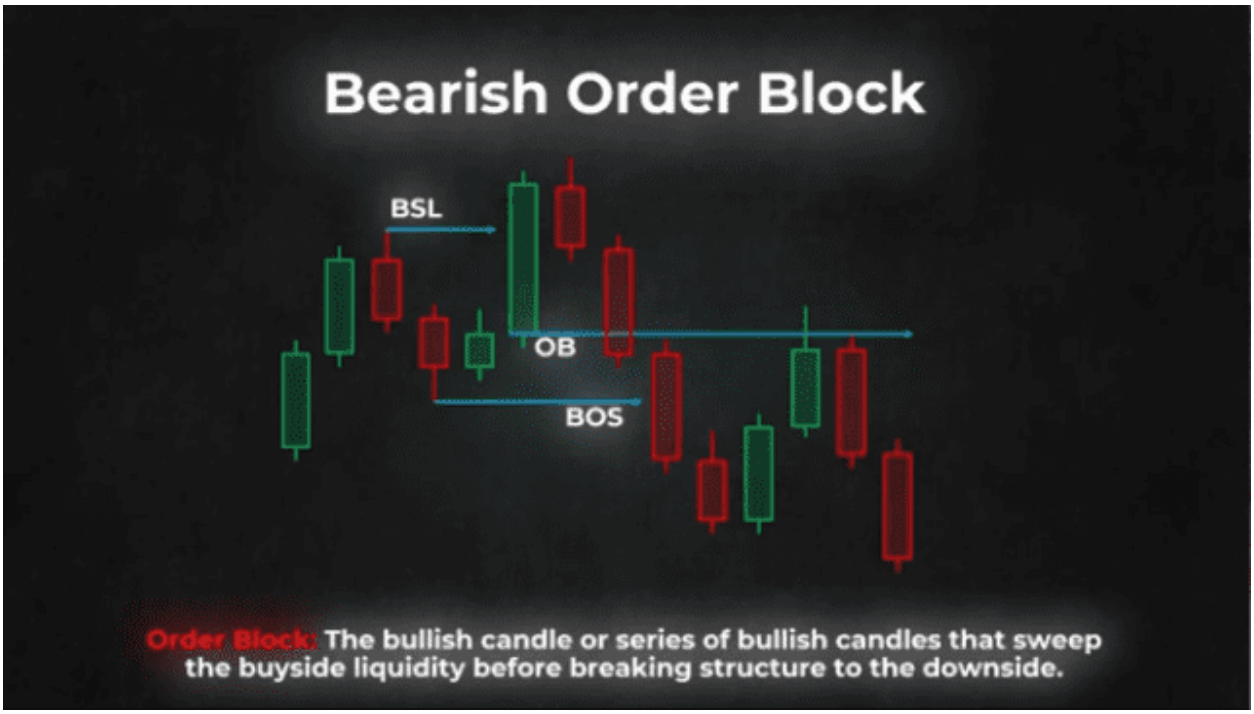
The order block occurs at the open of the large-bodied bearish candle that sweeps sell-side liquidity (SSL). Price will often retrace back to the order block before moving higher.



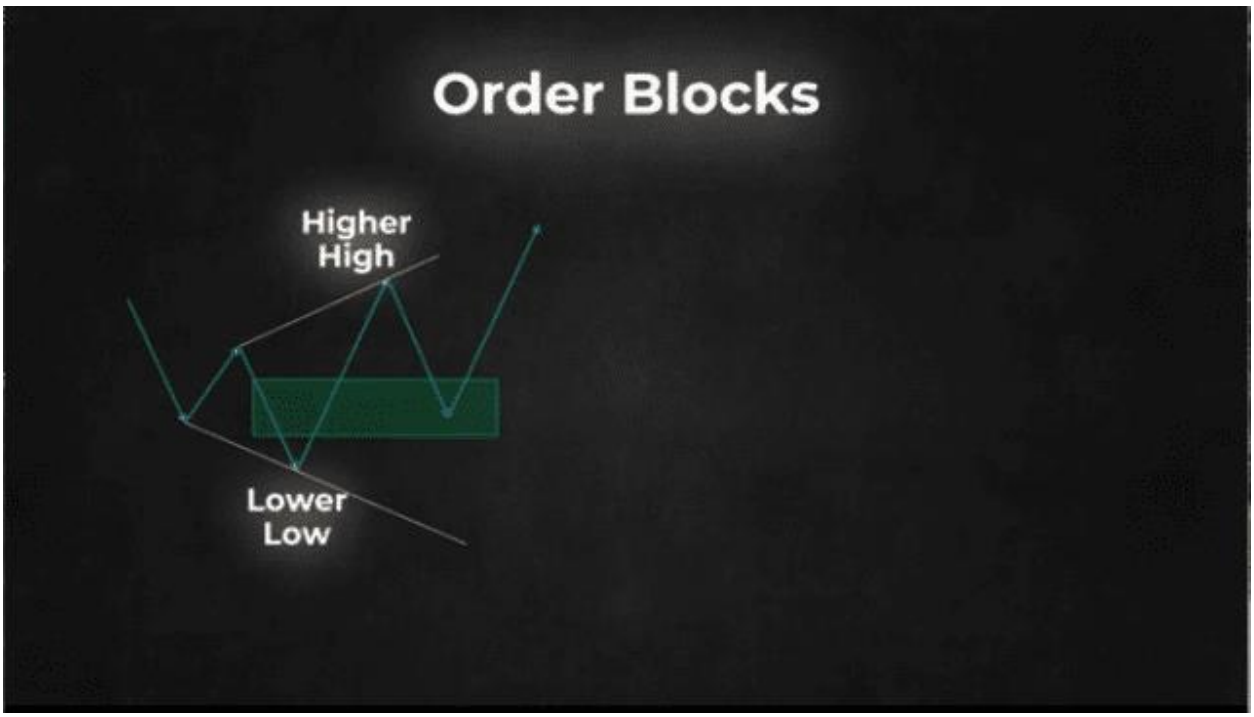
The bearish variation of an order block is formed by the large bullish candle or series of large body bullish candles that sweep buy side liquidity.



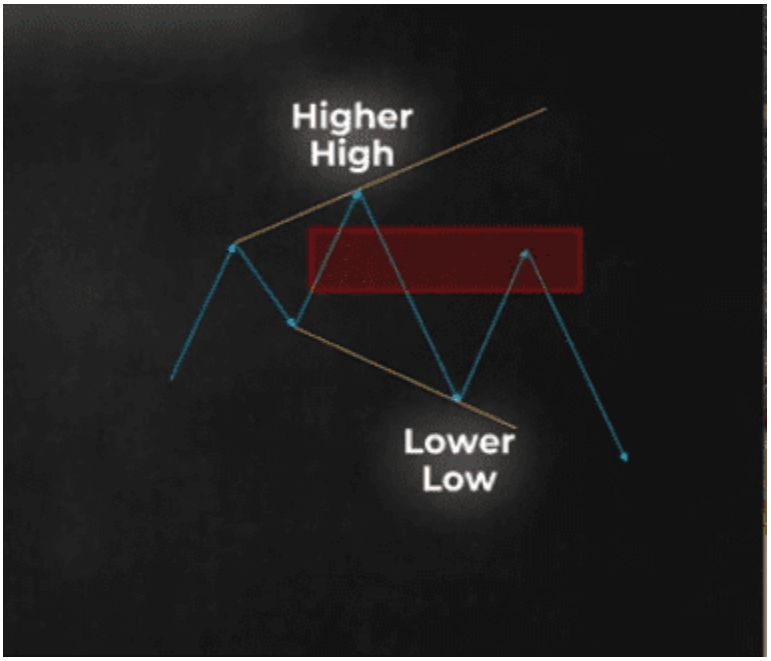
It then leads to a break of an old low right after it, which in this case is called a break of structure (BOS).



The order block occurs at the open of the large body bullish candle that sweeps buy side liquidity, price will often retrace back to the order block before moving lower.



One thing of note about the order block is that high probability order blocks come from simple expanding pivot formations where a lower low is followed by a higher high in the case of a bullish order block as shown above.

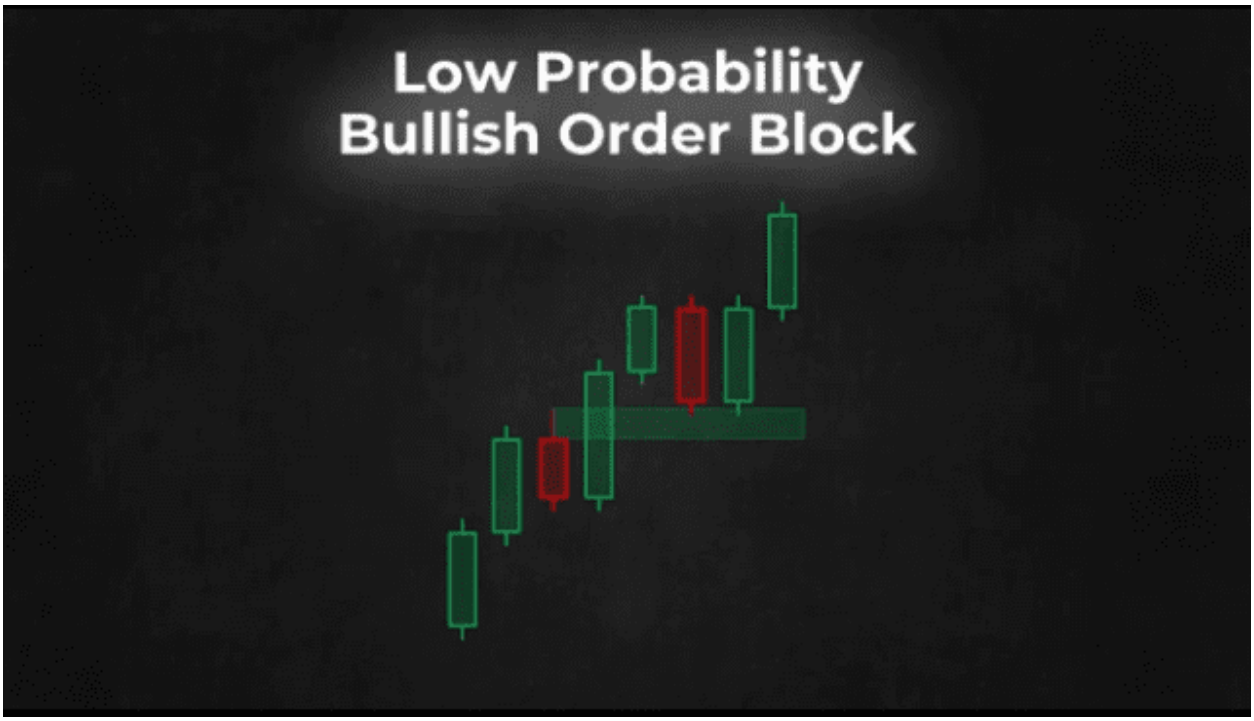


Then when a higher high is followed by a lower low in the case of a bearish order block.

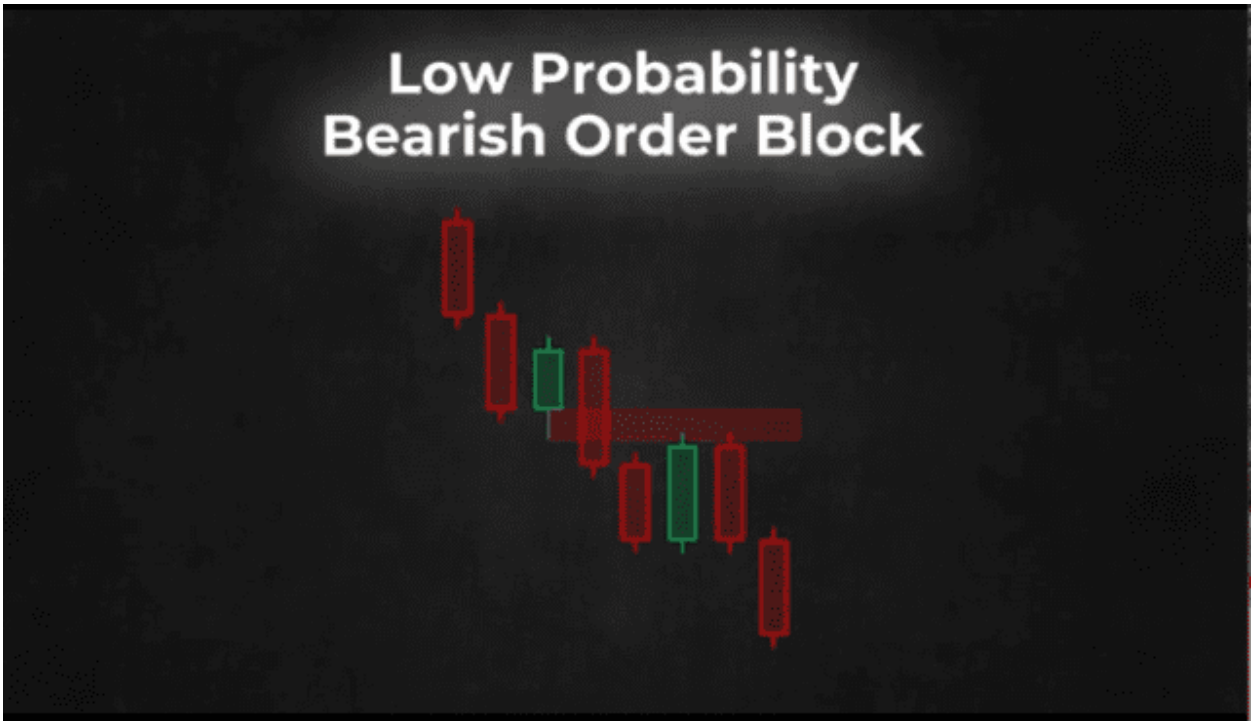
LOW PROBABILITY ORDER BLOCKS

The low probability order blocks are formed by small body candles with more prominent shadows occurring in the middle of a single price movement. This can also be divided into their bullish and bearish variations.

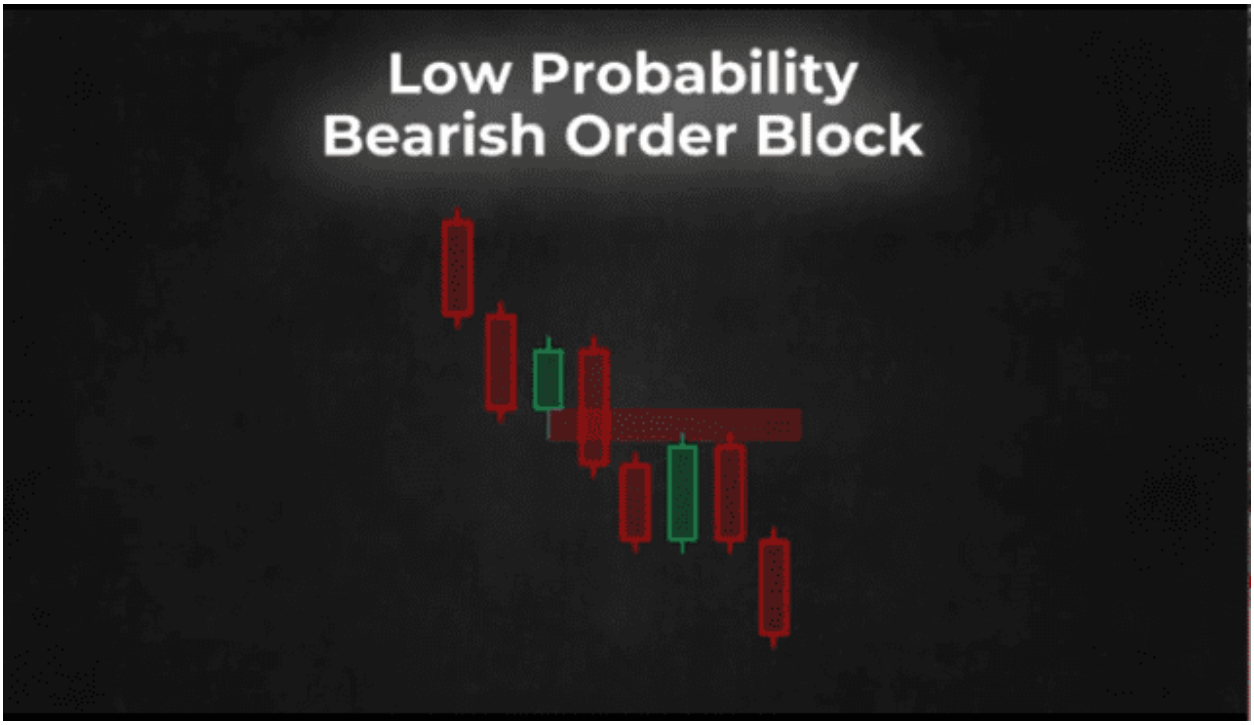
In the bullish variation a low probability order block, we find a small-bodied bearish candle in the middle of a price movement composed of mostly bullish candles. The order block sits in the space between the high and the open of the small body bearish candle.



As illustrated in the above diagram, price will often retrace to this order block before resuming the movement upwards.



In the bearish variation of a low probability order block, we find a small body bullish candle in the middle of a price movement composed of mostly bearish candles. The order block sits in the space between the low and the open of the small body bullish candle.

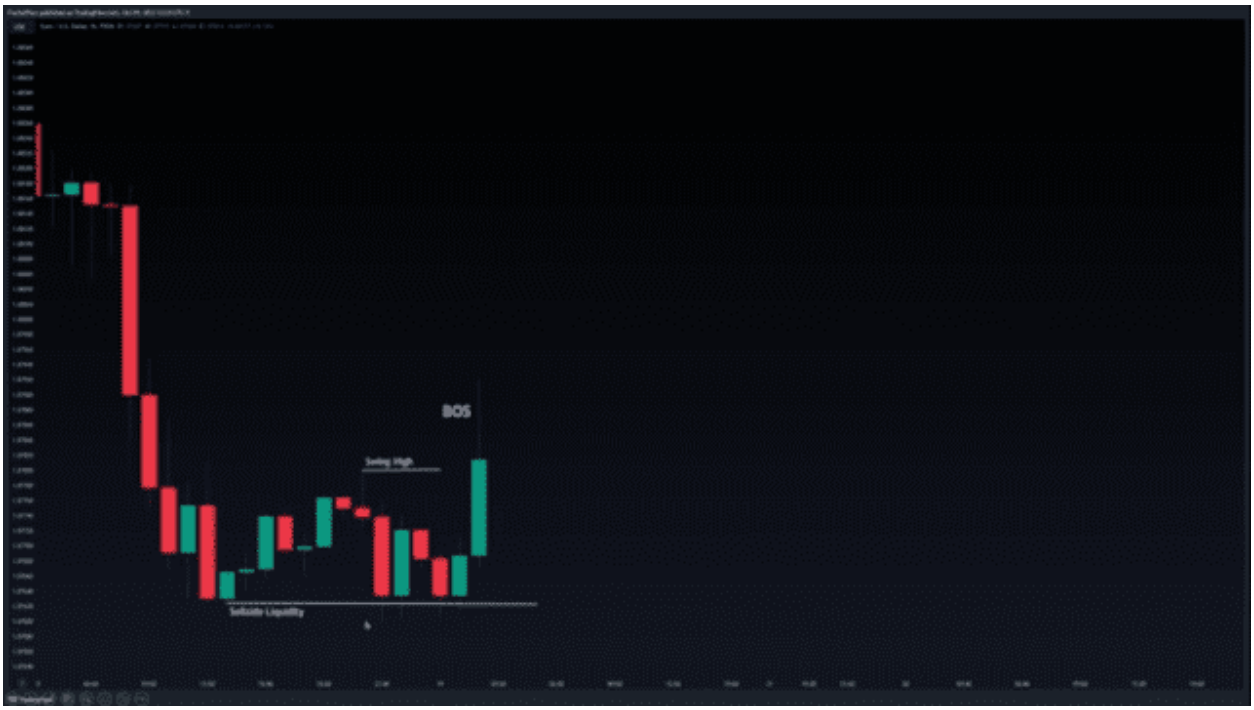


Price will often retrace to this order block before resuming the movement downwards. Let's take a look at an example of a high probability bullish order block in a real price chart.

In the chart above you can see that I marked out the latest swing low, highlighting a sell side liquidity level.

You should remember that in a bullish high probability order block, you must identify the sweep of sell side liquidity first.

In the chart above we can see that the sell side liquidity is swept by a large bearish candle. Notice also that the upper tail of the previous candle forms a swing high. We want the price to break this latest swing high. That would be the very next step for us to use an order block.



In the next few candles, we can identify a break of structure meaning that price rises and breaks the latest swing high.

In summary, we swept the sell side liquidity and price failed to move down after the sell side liquidity as shown in the chart above. Price then comes back up and breaks the market structure. This is a setup for a high-probability order block.

In high probability order block, the order block sits in the opening price of the large body bearish candle that swept sell side liquidity as you can see in the chart above.

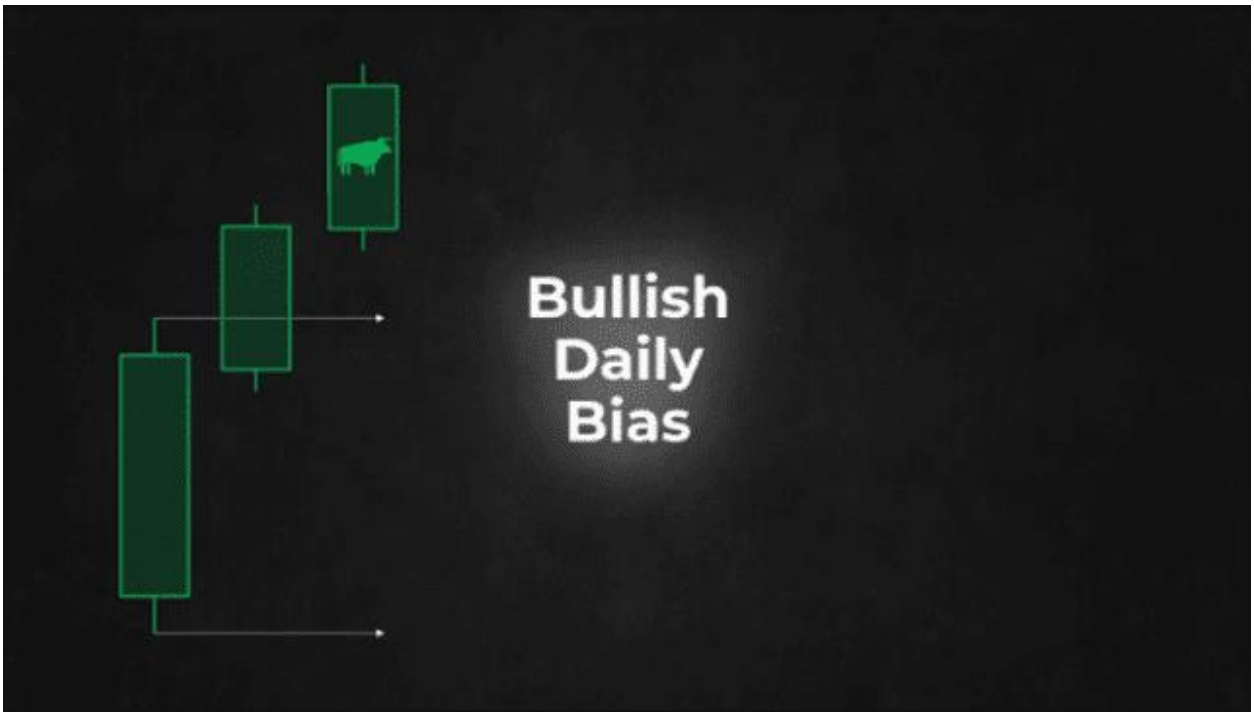
Price will often retrace back to the order block, as you can see here, which would be the long trade setup and then price goes to the upside as expected as you can see in the chart above. There are a couple of important details in the chart above. You will see that price touches the order block two times before going to the upside, as indicated by the two blue lines. This would be the opportunity for a secondary entry in case you missed the first entry.

Another thing to take note of is the low probability bullish order block working. As you can see in this area, a small-bodied bearish candle in the middle of a bullish movement where we mark the distance between the high and the open. You should observe how price action comes back to this area marked with the blue line right after and goes up from there.

Another ICT concept we will study is known as daily bias.

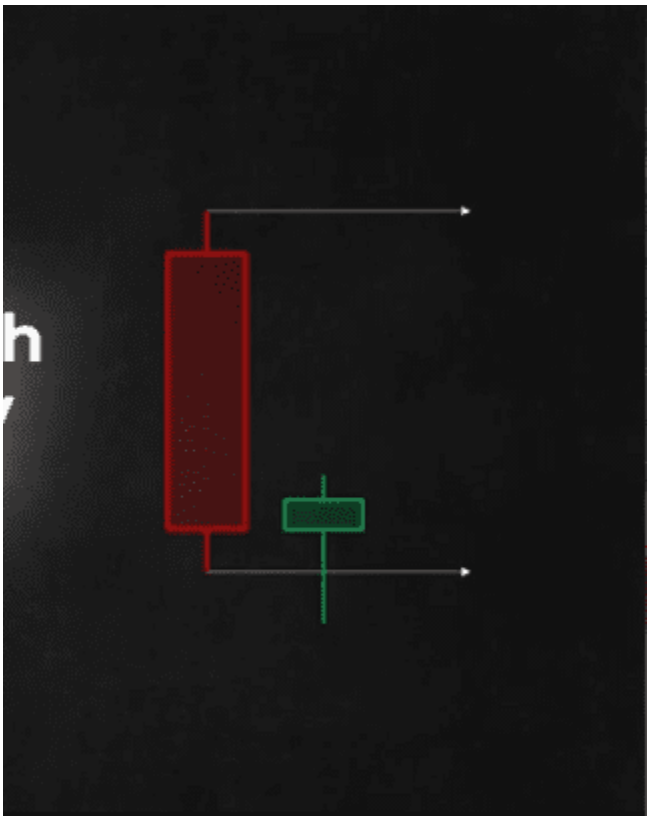
DAILY BIAS

The daily bias is exactly what it sounds like. It is a way to determine if the next day will be bullish or bearish. We can determine that in a very simple way using the previous day's high and low and the observation of what price does at these extremes.

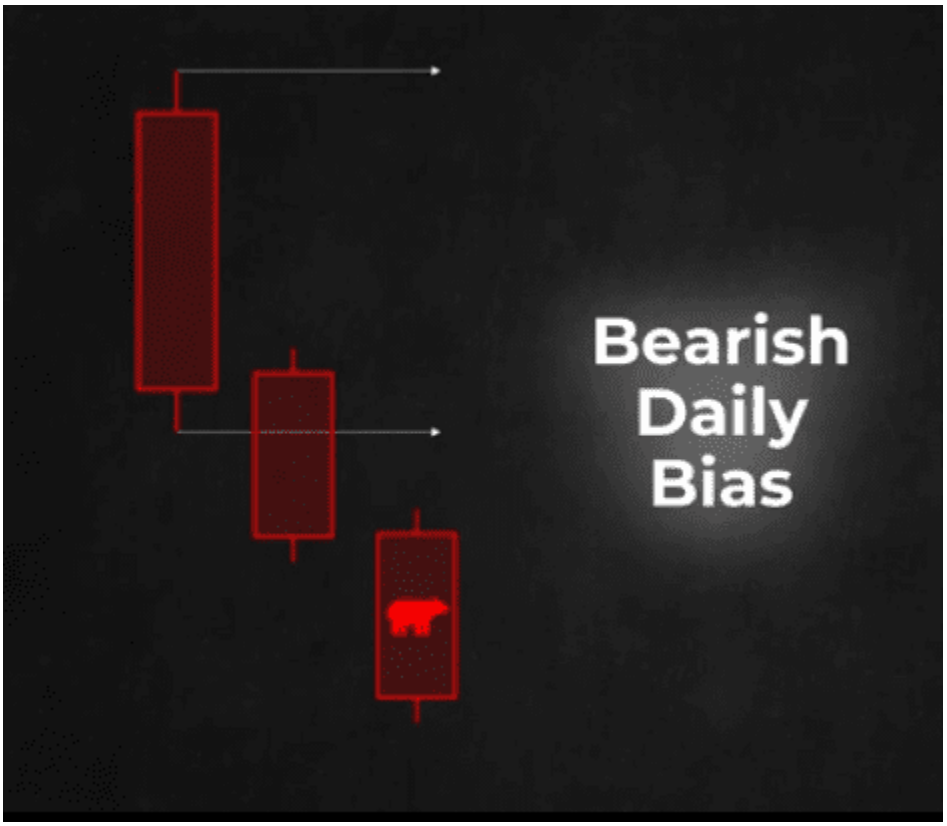


Let's look at the basic idea of the bullish daily bias. If you begin with the candle in the diagram above and mark out the high and low of the day. In the next candle, price breaks and closes above the previous day's high, which would generate a bullish bias for the next day.

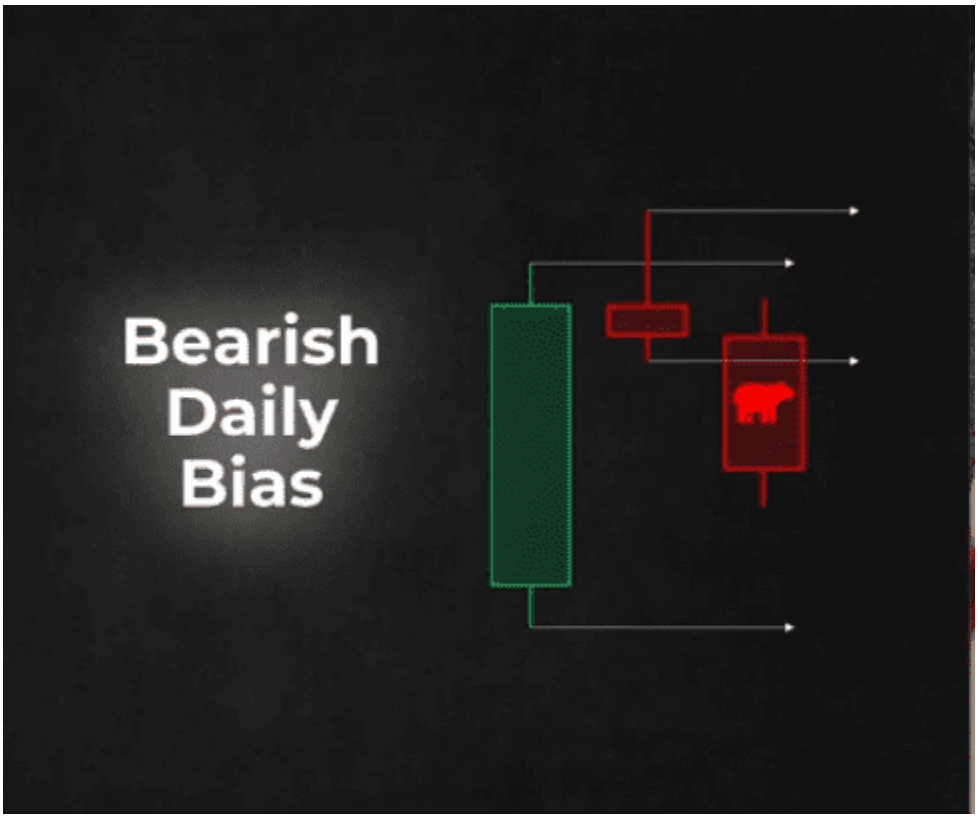
Another example of bullish bias is when price fails to move below the previous day's low, as indicated in the diagram below.



Notice that price breaks the low but cannot close lower. In the second case, we can expect the next day to be bullish or at least the high of the previous day's candle to be met.



In the case of a bearish daily bias, the rationale is the same. If price breaks and closes below the previous day's low, we have a bearish bias for the next day as illustrated in the above diagram.



If price breaks and fails to close above the previous day's high, we also have a bearish bias for the next day. In this case, we can expect the next day to be bearish, or at least to reach the previous day's low. This ICT trading concept, like many others, is better understood with practical illustrations.

So let's take the USD index daily chart above and see how this ICT concept works. Let's begin with the current bearish candle highlighted in the chart. The first step is to mark out the high and low as we have already done.

Looking at the next candle in the chart above, we can see that it broke and closed below the previous day's low. So according to the ICT concept daily bias rule, we have a bearish bias. For the next day, we mark out the current high and low of the current candle, as shown in the chart above.

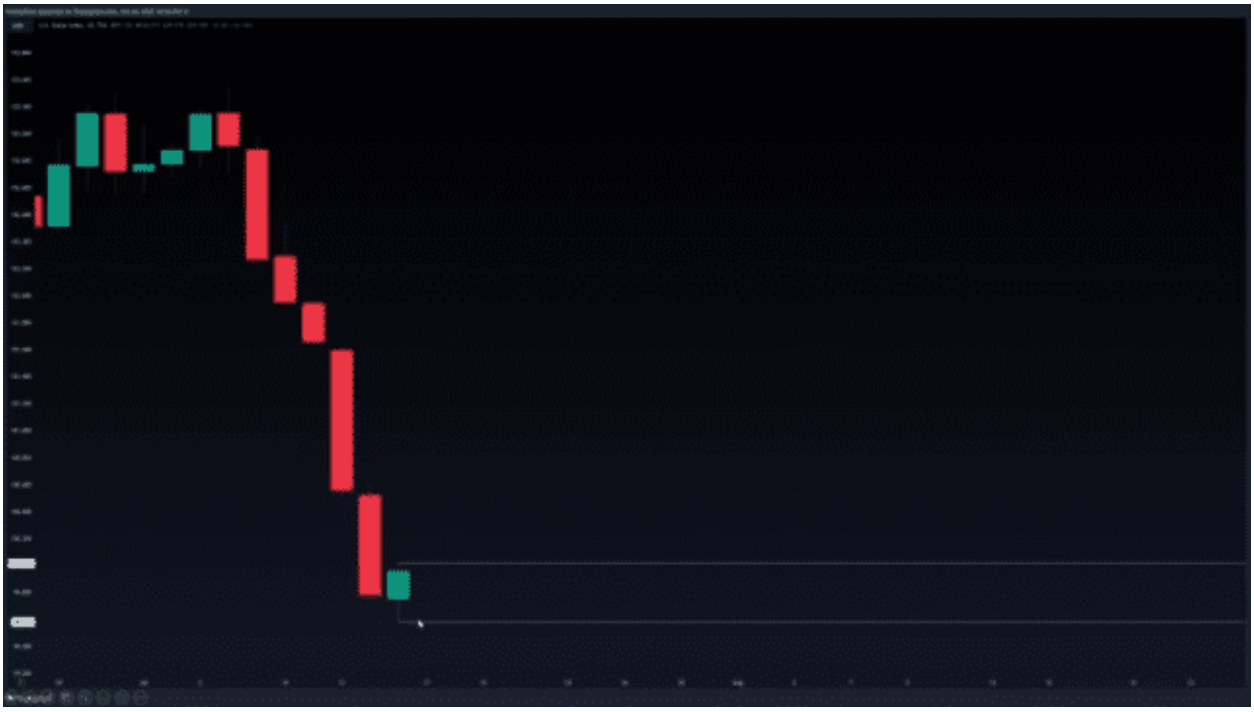
Two things can happen either in the next candle, we see price reaching the low marked with the blue line in the chart above which in this case is very close to the current price or we should see price break this low and close below it.

On the next day, we can see that our bearish bias was correct and since price closed below the previous day's low we continued with the bearish bias for the next day again.

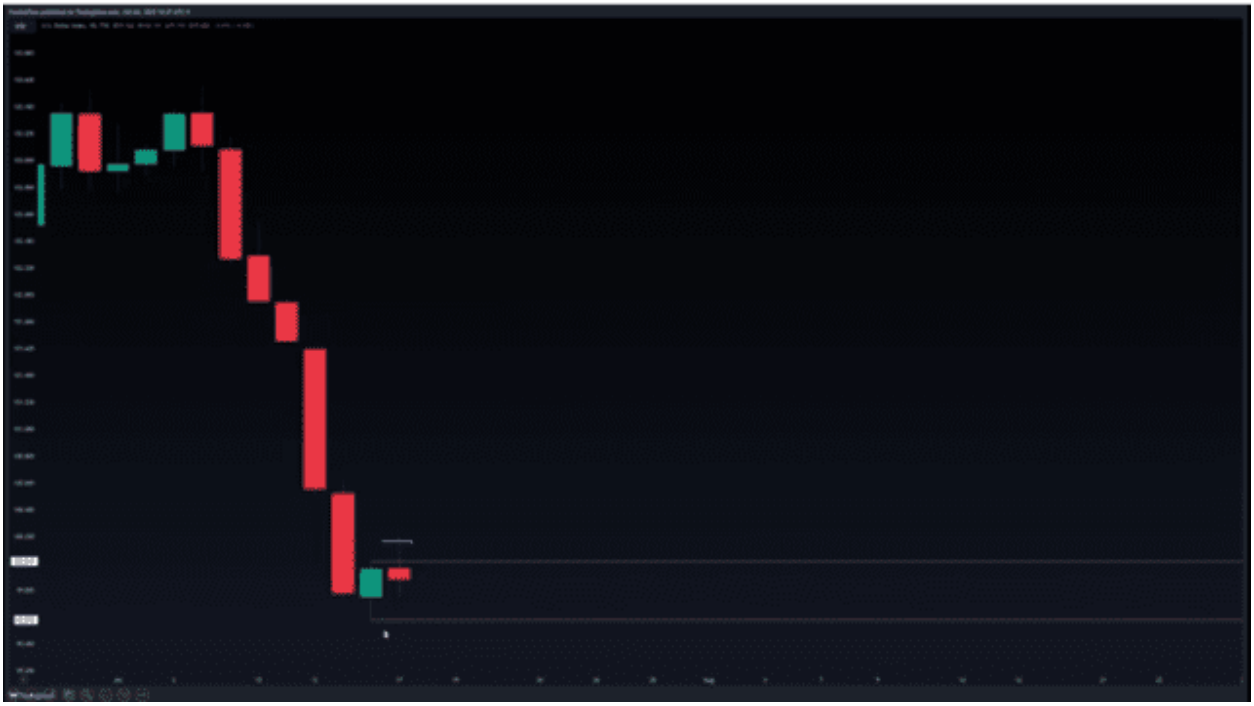
Now the next thing to do is to mark out the new high and low, as shown above. We should see price breaking to the downside or at least reaching the new low.

In the next candle, we can see that our bias was correct looking at the chart above, since price closed below the previous day's low, we continue with a bearish bias.

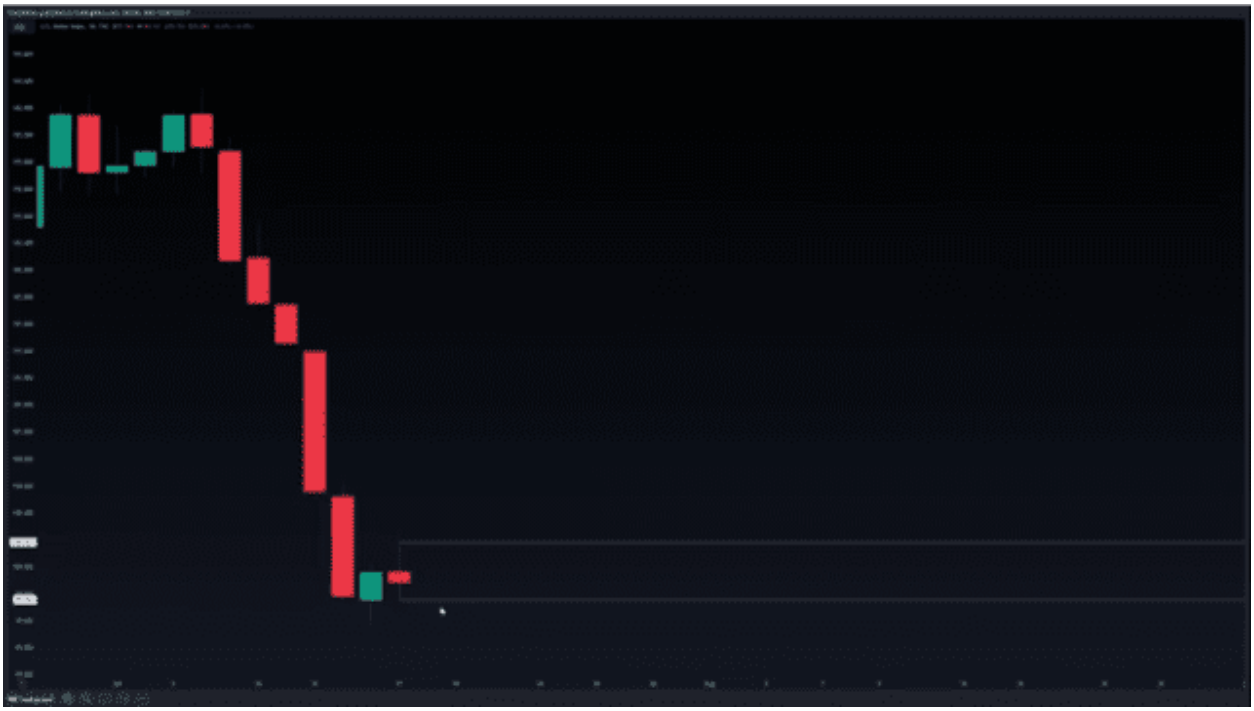
We have seen examples of bearish bias or bearish daily bias and how they work. Let's look at the illustration for a bullish bias.



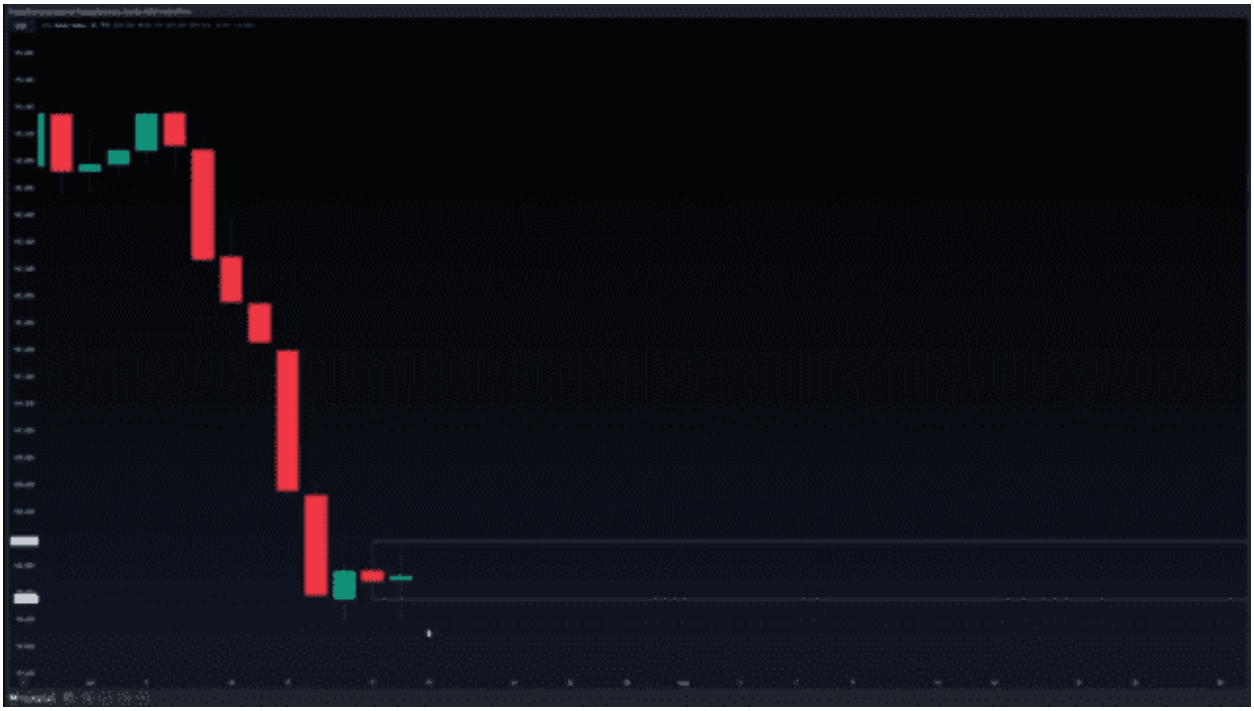
We will start with the current green candle and mark the new high and low. In other words, we should see a bullish candle surpassing the previous day's high or at least price reaching the previous day's high.



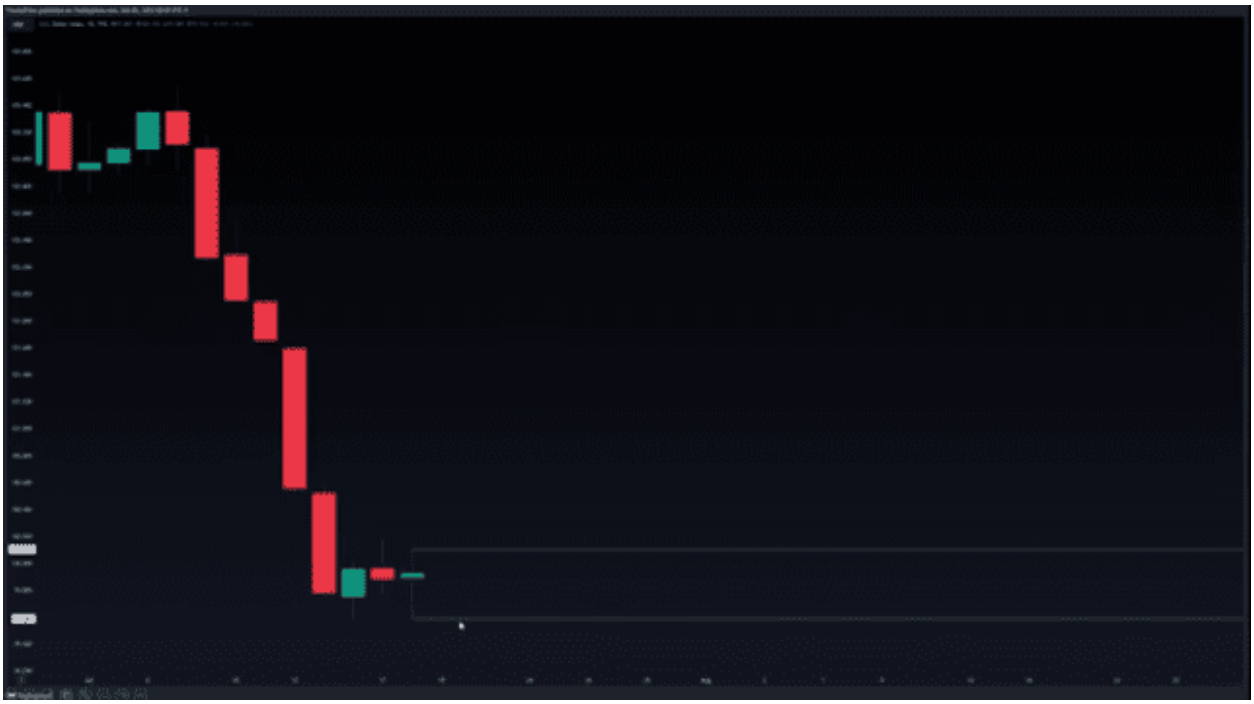
In the next candle, we see price reaching the previous day's high as expected, but a bearish candle appears so our bias was wrong in a way, but it was correct about reaching the previous day's high as we also speculated. Since we broke the previous day's high and failed to close above it. This generates a bearish bias for the next day.



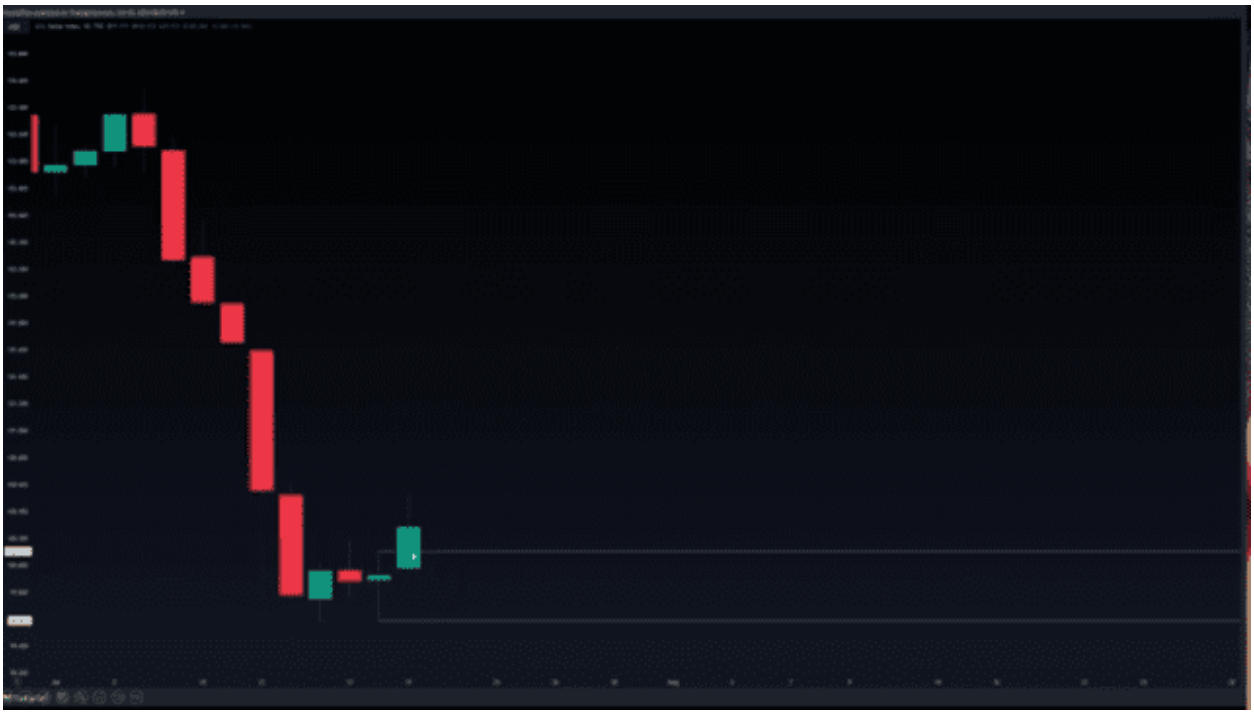
We must also update the high and low to the current candle as shown above. Since the bias now is bearish, we expect price to at least reach this low or break and close below it.



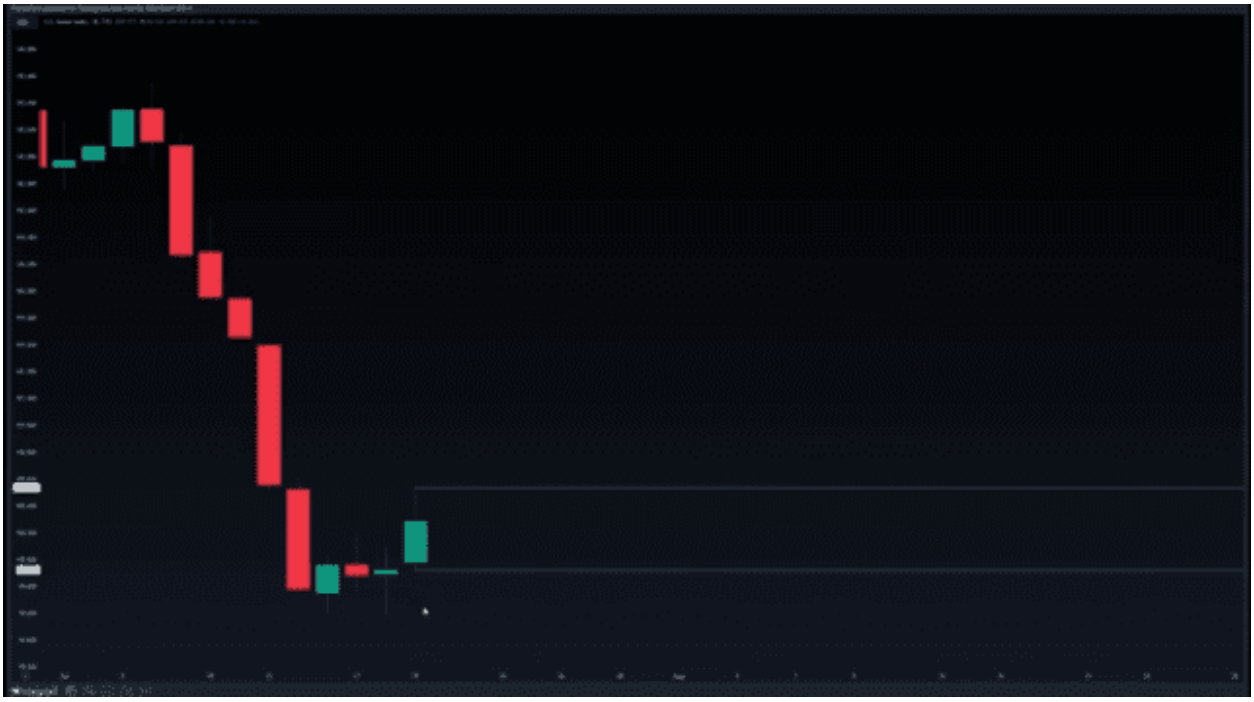
In the next candle, we can see that price does reach the previous day's low, but fails to close below it generating a bullish bias for the next day again.



Before moving on, we must update the high and low to the current day, which is displayed in the chart above. Now we have a bullish bias for the next day, so we should see price at least reaching the previous day's high or producing a bullish candle that surpasses that high.



In the next candle, we see that price did reach the previous day's high and surpassed it creating a bullish daily bias for the next day.



Before moving on, we need to update the new high and low. Once again, we should see price at least reach the previous day's high or surpass the previous day's high in a bullish daily bias.

In the next candle, we not only reached the previous day's high, we also surpassed it, creating a new bullish bias. Using the daily bias concept we keep going on and on.

In all these candles, the daily bias only didn't seem to fail in meeting one of the two criteria used for determining its bias. In other words, it worked most of the time. This doesn't mean it is foolproof but it is a reliable concept that helps ICT traders understand the market better The idea of the daily bias can also be used in intraday charts.

The principle is the same, the daily bias can be used to frame a trade in a lower timeframe as well.

Another common ICT trading concept is known as displacement.

DISPLACEMENT

Displacement happens when the price makes a strong and abrupt move, either going up or down. You can spot it on a price chart when you see a bunch of long candles in a row, all heading in the same direction with very short wicks.

In ICT trading strategy, there are two main things to know about Displacement. First, it usually shows a sudden increase in buying or selling activity, especially when the price hits a Liquidity level. Second, Displacement often leads to two important things happening: a change in Market Structure and a gap between the current price and its Fair Value.

ICT TRADING STRATEGY METHODOLOGY

The ICT trading method involves various strategies and approaches in the financial market, but some stand out than the others and among these several ICT trading strategies there are two (2) that are very common among traders and also very effective according to research and they are:

- Smart Money Concept Trading Strategy
- The Silver Bullet Trading Strategy

SMART MONEY CONCEPT TRADING:

Now, the Smart Money Concepts Trading Strategy is a simple trading strategy that uses basic trading concepts such as supply and demand, support and resistance techniques, etc, to analyze trade entry and exit positions. It involves the use of the ict concepts such as oreder block, fair value gap and others in utilizing the strategy and effective and easy to apply to real market scenerios.
You can read and learn more about the smart money concept trading strategy on our platform by clicking this link now.

SILVER BULLET TRADING STRATEGY:

The silver bullet strategy has to do with finding the right trade timing in the financial market and taking trades within that timeframe.
The strategy works best when the market is busy, usually between 10 am-11 am ET or 3 am-4 am ET. Once you know the timing, you look for certain conditions to align for your trade.

You're waiting for the price to break either the highest or lowest point of the last hour's candle. When that happens, you're aiming to trade back within that candle's range. The method takes the ICT concept of daily bias as its trading method.

Next, you decide on your direction and find a way to enter the trade, following the order methods taught by ICT – it's not difficult to find an entry point. After that, you set your stop loss, take profit, and let the trade run its course.

The Best Price Action Trading PDF Guide For Beginners

FINAL THOUGHTS

ICT Trading is one of the most detailed and compact trading strategies currently available in the trading community today and almost every modern-day swing trader or day trader is gradually including some if not all of the trading concepts in their trading exercise.

The ICT trading methodology is very broad and complex making it a little more challenging for beginner traders in the financial market to easily get a grasp of the strategy, this is why I have taken time to break down the basics of this trading methodology into an easy to understand masterpiece. Taking into consideration the varying trading concepts and ensuring chart and pictorial information.

I hope you have been able to learn a lot from this article, if you have then it gladens our hearts to have been of assistance. We would also like for you to drop a like and leave your comment as this will encourage us to do more. If you have any questions you can also drop them in the comment session. See you in our next article.

See Also: Smart Money Concept Trading PDF

FREQUENTLY ASKED QUESTIONS (FAQ)

IS ICT TRADING AND SMC TRADING THE SAME?

No, they are not. ICT trading focuses more on understanding overall market dynamics and order flow, while the SMC trading strategy centers on interpreting the actions of institutional traders and their impact on market trends.

WHO CREATED THE ICT TRADING METHOD?

The ICT trading method was created by a trader named Michael J. Huddleston, also known as Inner Circle Trader (ICT).

IS ICT TRADING METHOD PROFITABLE?

As i always say, profitability in trading always comes down to the trader. But, from various feedback, the ICT trading strategy has proven to have a higher level of profitability when used with proper risk management techniques.
