

# Supply and Demand Zones

*What is supply and demand*

*How can Supply and Demand zones be used.*

*What are supply and demand zones*

**TheCryptoDen**

## *What is Supply and Demand?*

Supply and demand is an economic model of price determination in a market.

The balance between supply and demand is what creates the price action in which we chart and trade every day.

Supply is **SELLERS** in the market

Demand is **BUYERS** in the market

## *How does Supply and demand affect price?*

When the supply of a coin exceeds the demand for a coin, the coin price will reduce.

When the supply of a coin is less than the demand for a coin, the coin price will increase.



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## *Supply and Demand Zones*

Supply and demand zones are areas in the market where there is a lot of liquidity (sell orders and buy orders) at a particular price range. These zones are created when there is an imbalance between buyers and sellers.





# Supply Zones

Supply zones have an imbalance where there is a surplus of sellers.  
These zones can be most easily identified right before sudden drops in price.

*Identifying  
a Supply  
Zone*



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## *Identifying a Supply Zone*

Supply zones can be identified by looking for a sudden drop away from either a single bullish candle or small consolidation structure.



The size of the supply zone is equal to the last single bullish candle before the drop, or the small consolidation.

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## *Supply and Demand Zones*

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## *Demand Zones*

Demand zones have an imbalance where there is a surplus of buyers. These zones can be most easily identified right before sudden increases in price.

*Identifying  
a Demand  
Zone*



## *Identifying a Demand Zone*

Demand zones similar to supply zones can be identified by looking for a sudden move up from either a single bearish candle or small consolidation structure.



The size of the demand zone is equal to the last single bearish candle before the push, or the small consolidation.

## *Demand Zones*

Demand zones have an imbalance where there is a surplus of buyers. These zones can be most easily identified right before sudden increases in price.

*Identifying  
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## *Supply and Demand Zones*

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## *How Can They Be used?*

Similar to support and resistance, supply and demand zones can be used to determine entries for trades, areas to take profit and also where to place your stop loss.

While they work on any time frame, the supply and demand zones found on the larger time frames (4hr, daily and larger) will hold more weight and be stronger than those identified on the smaller time frames (1hr and lower)

Like all technical analysis supply and demands zones work best when used with other forms of technical analysis such as support & resistance, patterns and fibs.

*Basic Rules*



## General Rules

- While you can trade off supply and demand zones without any other indicator, it is recommended you combine them with other technical analysis.
- The more touches to a supply or demand zone the weaker it gets.
- If a candle pierces through a supply or demand zone it can be seen as the orders have been all (bought or sold) and no longer considered valid.
- Don't buy into Supply zones and don't sell into demand zones.

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