

IMBALANCE

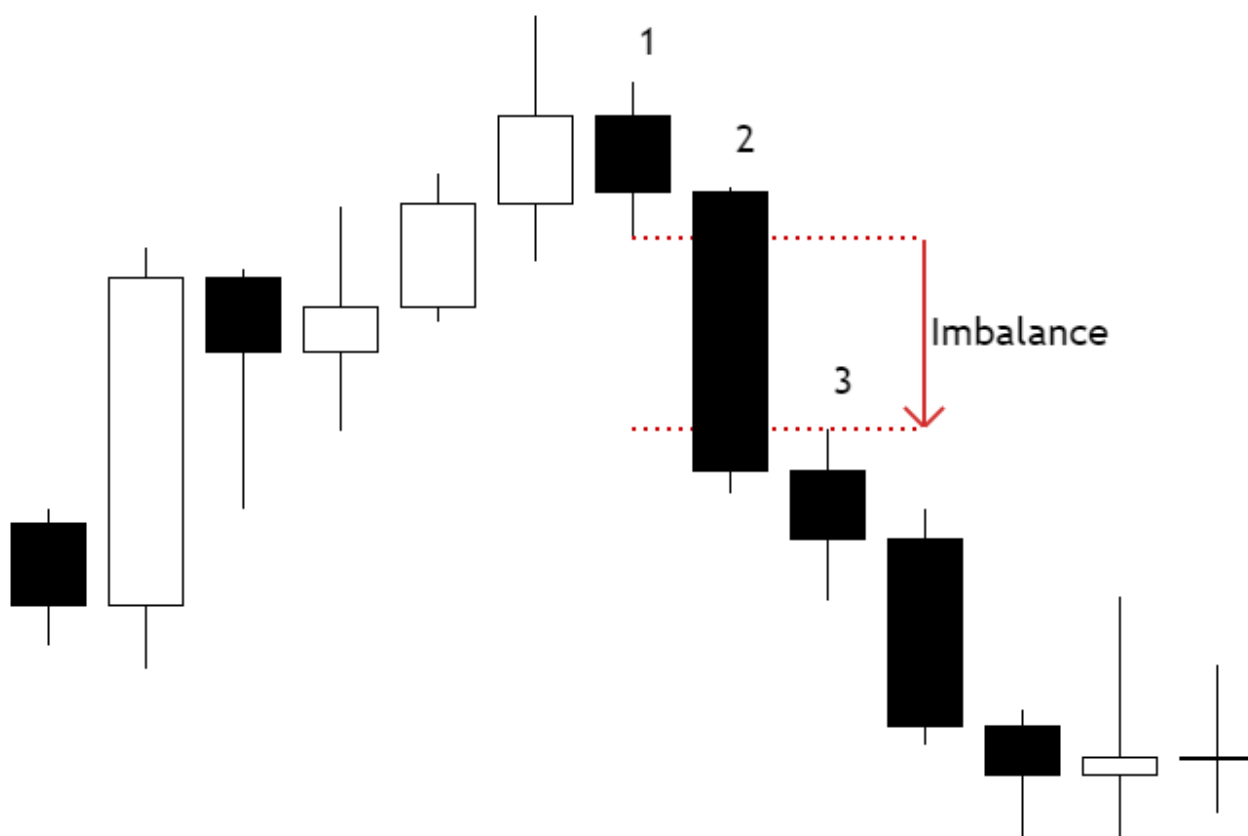


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What is Imbalance

Imbalance in price is when price moves too fast and it leaves inefficiencies behind. Let's use image below to illustrate how we find the imbalance on the chart. Price was initially moving higher and then we can see five consecutive bearish candles representing strong selling. I have marked first three bearish candles of this move down with numbers 1, 2 and 3. Candle No.2 is usually the largest and it shows that sellers were in charge with not many buyers interested to jump in and stop the price from falling lower. Candle No.2 must close below the candle No.3 high. Now we mark candle No.1 low and candle No.3 high. The distance between these two points is 'Imbalance'.



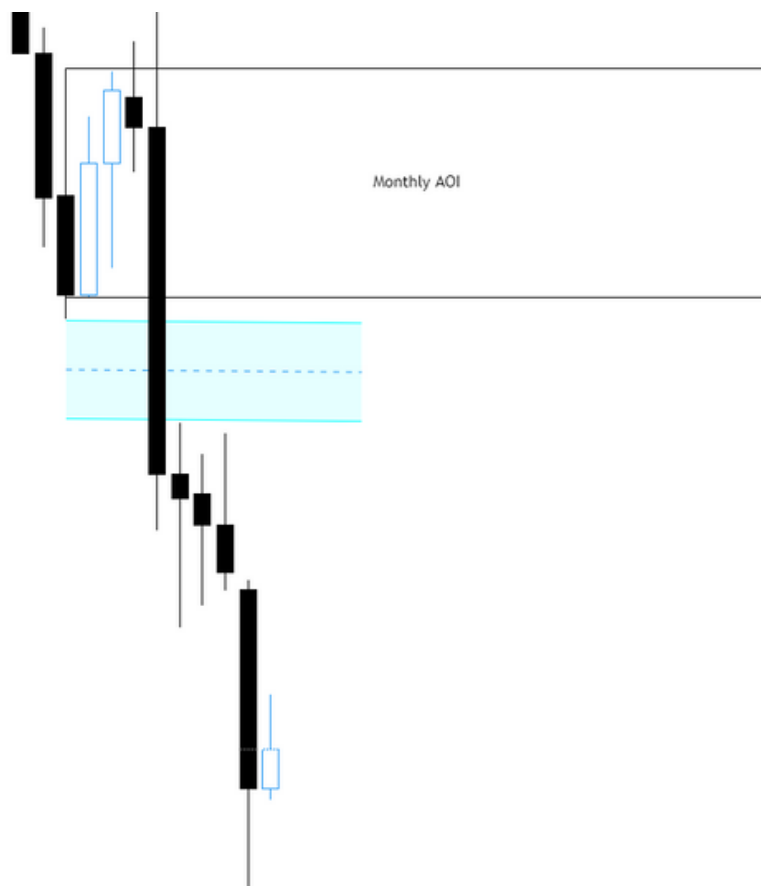
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We generally will stick to the higher time frames when looking at imbalance in prices - 1 hour and higher. This provides the best range, whereas if you use a lower time frame imbalance, it may only be few pips, which isn't overly helpful. One thing to note is that imbalance is more of an additional confluence and reference point of where price may revisit.

If you spot imbalance on the 1 hour, for example, and you drill down low enough you're likely to see efficient price action overall. That being said you will also see correlating inefficiency in some cases which can be a strong indication of where price is going to revisit if it correlates with a higher timeframe point of imbalance.

Monthly imbalance inline with your AOI on the monthly TF

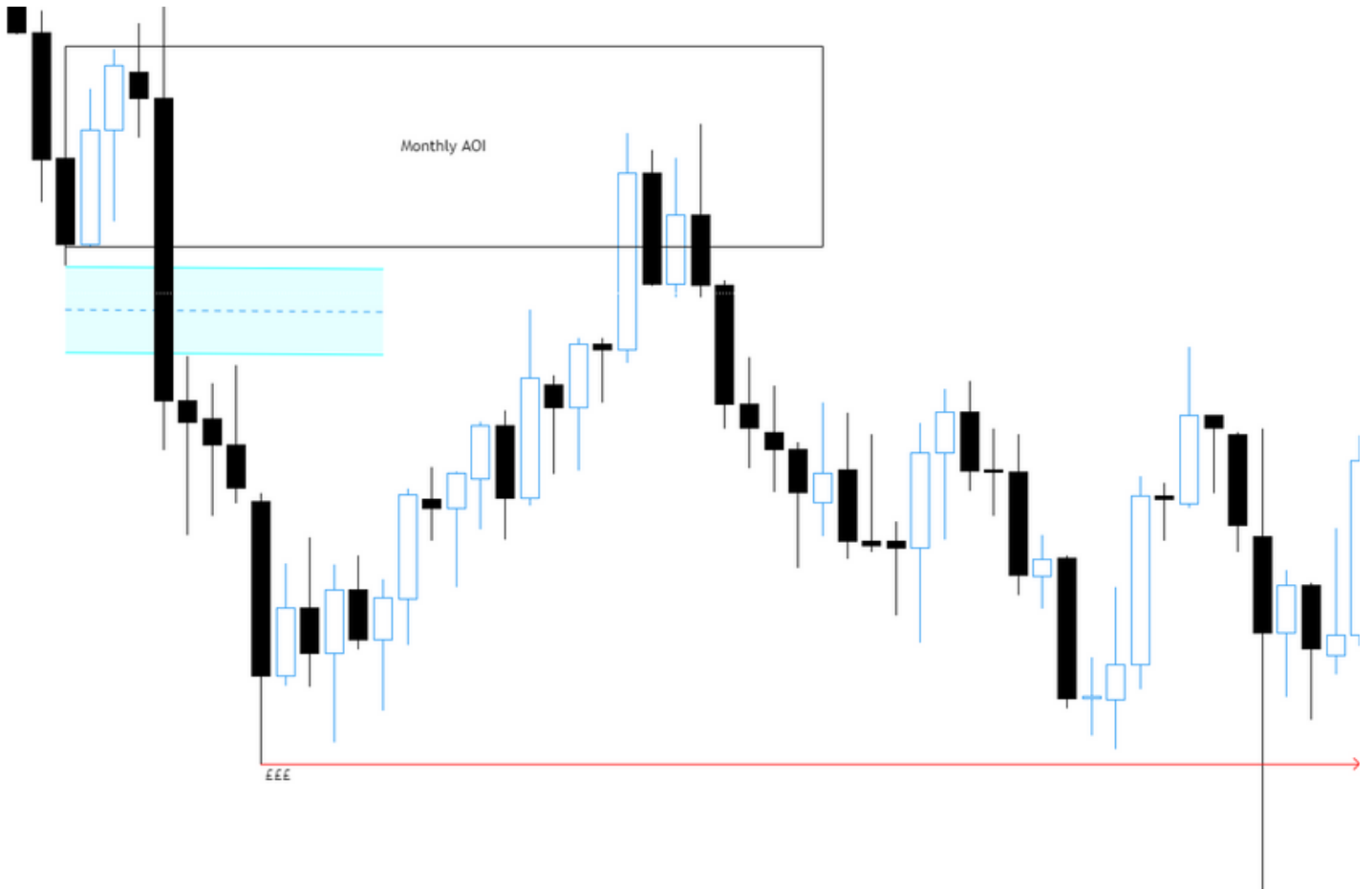


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Upon re-balancing with previous imbalance price, we reacted of that monthly AOI that raided previous monthly engineered lows



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