

SMART MONEY CONCEPTS & LIQUIDITY ENGINEERING

How Tier-1 Market Makers Engineer Retail Stop-Runs, Inducements, and Fair Value Gaps

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Target Audience:	Quantitative Prop Traders & Fund Managers
Coverage:	SMC, FVG, Order Blocks, Liquidity Sweeps, Asian Range
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CHAPTER 1: The Liquidity Pool Anatomy

Retail textbooks teach traders to place stop losses just above swing highs or below swing lows. Because retail liquidity is clustered predictably at these coordinates, algorithmic market makers treat these clusters as resting buy-stop and sell-stop liquidity pools.

To fill an institutional buy order of \$50,000,000 without moving price against themselves, institutions **MUST** engineer a drop below recent support where thousands of retail sell-stops will be triggered into the market.

KEY CONCEPT: Price does not move in the direction of the trend; price moves continuously toward the nearest pool of concentrated liquidity until that pool is consumed.

CHAPTER 2: Fair Value Gaps (FVG) & Order Blocks

A Fair Value Gap occurs during violent three-candle impulsive expansions where the high of Candle 1 does not overlap with the low of Candle 3. This three-bar imbalance leaves unfilled institutional orders behind.

An Institutional Order Block (OB) is the final contrarian candle prior to an impulsive expansion that broke market structure (BOS / MSS). When price returns to retest the 50% equilibrium (Mean Threshold) of the order block, high-probability institutional entries materialize.

CHAPTER 3: The 3-Step London Open Strategy

Step 1 (Asian Session Range): Mark the High and Low established between 00:00 UTC and 06:00 UTC.

Step 2 (The Judas Swing): Between 07:00 and 08:30 UTC (London Open), watch for an aggressive false breakout that sweeps either the Asian High or Asian Low.

Step 3 (Market Structure Shift): Wait for an impulsive 5-minute candle body close back inside the Asian range accompanied by an FVG. Enter on the FVG retest targeting the opposing session liquidity.