# Liquidity Trading (ICT); Buy-Side vs Sell-Side Liquidity + Free PDF

CATEGORIES ICT

WRITER
ICT Trading Concepts Desk

REVIEWER
ICT Trading Concepts Editorial Board

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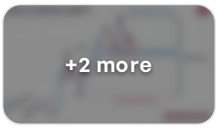



Liquidity sits at the base of both ICT and SMC trading. In both schools, liquidity means resting orders, mainly stop losses and breakout entries, clustered at price levels every trader can see. Liquidity trading is reading where those orders sit, which side price is likely to take next, and what price does once it gets there. SMC took the idea from ICT, so one explanation fits both. This page uses ICT's terms and names the SMC label where it differs.

KEY TAKEAWAYS

- **Resting orders:** in ICT liquidity, liquidity is the cluster of stop losses and breakout orders beyond an obvious high or low.
- **Two sides:** buy-side liquidity (BSL) rests above highs; sell-side liquidity (SSL) rests below lows.
- **Where it collects:** untouched swing highs and lows, equal highs and lows, the previous day and week highs and lows, and session highs and lows.
- **Two outcomes:** price takes the stops and comes back inside (a sweep), or closes beyond the level and holds (a run or breakout).
- **In practice:** higher-timeframe bias, marked pools, a sweep of the opposite side, a market structure shift, then a target at the next pool.

## What Is Liquidity Trading in ICT and SMC?

Put simply, liquidity is the orders waiting beyond a high or low. Most of them are stop losses. The rest are breakout entries: buy-stop orders above a high and sell-stop orders below a low.

These orders collect where many traders make the same decision. A trader who buys at a swing low places a stop just under it. A trader who sells short at a high places a stop just above it. Breakout traders wait at the same places with entry orders. The result is a dense band of orders beyond each obvious high and low.




*Liquidity concepts in ICT and SMC: buy stops above the high, sell stops below the low*

SMC liquidity uses ICT's idea almost unchanged: **a swing high or low matters because of the orders behind it**, not because of the line itself.

Liquidity trading then comes down to three jobs:

1. **Find the orders:** mark the highs and lows where stops and breakout orders rest.
2. **Pick the side:** decide which group of orders price is likely to reach next.
3. **Read the reaction:** watch whether price takes the orders and turns, or takes them and keeps going.

## How Liquidity Builds Above Highs and Below Lows

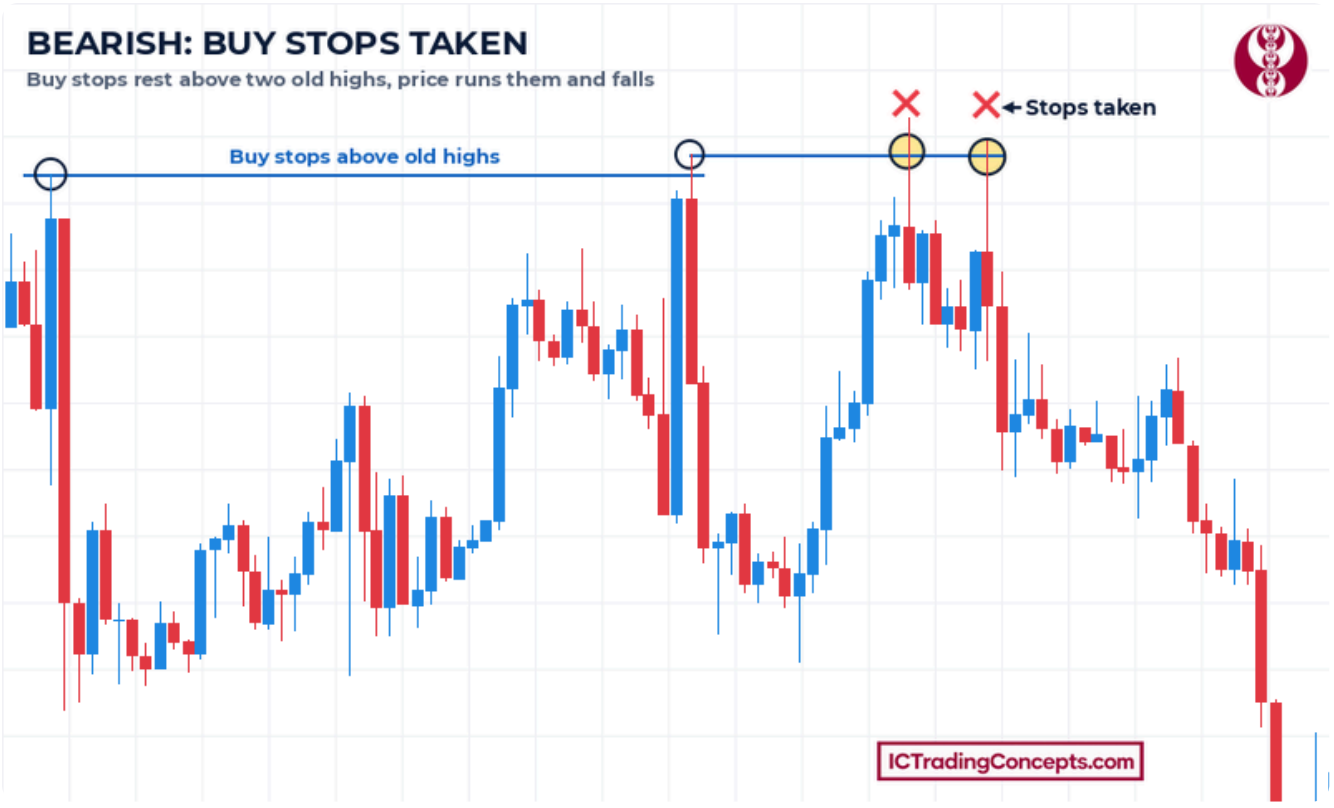
Every high and low on a chart has a group of orders beyond it. ICT names each group by the side of the market those orders trade on when they fill.

| | Buy-side liquidity (BSL) | Sell-side liquidity (SSL) |
|---|---|---|
| Where it rests | Above old highs | Below old lows |
| Whose orders | Short sellers' stop losses, breakout buy stops | Buyers' stop losses, breakout sell stops |
| What they become when hit | Market buy orders | Market sell orders |
| Who can use them | A large seller filling a short | A large buyer filling a long |

### Buy Stops Above the Highs (Bearish Example)

Above every old high sits buy-side liquidity. Short sellers protect their trades with buy stops there. Breakout traders place buy-stop entries in the same area. When price trades above the high, all of these orders fill as buys at once.

In the bearish example below, buy stops rest above two old highs at nearly the same price. Price comes back, trades above them twice and then falls.




*ICT liquidity: buy stops above the old highs are run, then price turns lower*

### Sell Stops Below the Lows (Bullish Example)

Below every old low sits sell-side liquidity. Buyers keep their sell stops there, and breakout sellers wait with sell-stop entries. A move below the low turns those orders into market sells.

In the bullish example, a candle closes below both old lows. Within two candles, price is back above the lower one and keeps climbing. The close below does not cancel the sweep, because price came straight back.




*Liquidity in trading: sell stops below the old lows fill, then a bullish turn*

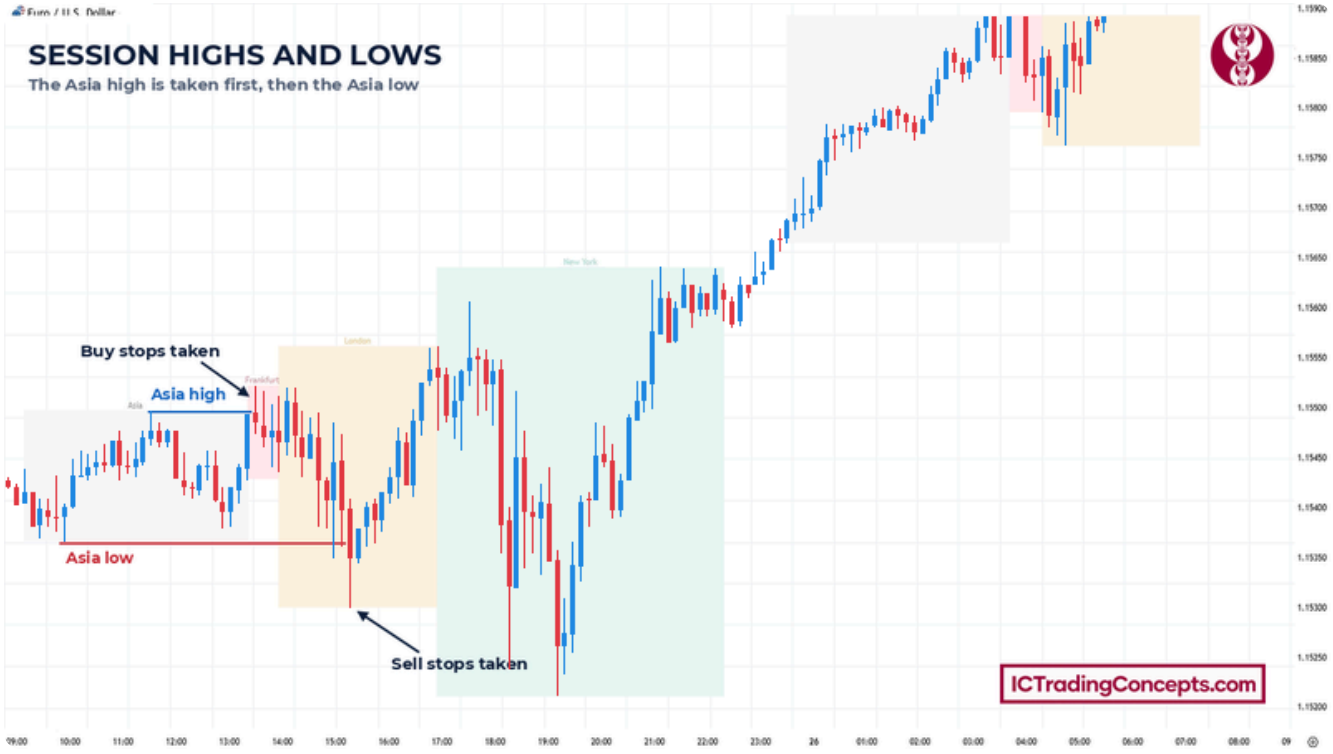
## Where Does Liquidity Rest on a Chart?

Liquidity rests where many traders can see the same high or low. The clearer the level, the more stops and breakout orders gather beyond it. ICT traders mark these places first:

- **Untouched swing highs and lows:** a high or low that price has not traded back through. Once price takes it, its orders are gone.
- **Equal highs and equal lows:** two or more highs, or lows, at the same price. **Each failed test tends to add orders beyond the level**, because more traders lean on it and place their stops just past it. Relative equal highs and lows, a few ticks apart, work the same way.
- **Previous day high and low:** yesterday's extremes, watched by most intraday traders.
- **Previous week high and low:** the same idea on a larger scale.
- **Session highs and lows:** the high and low of the Asia, London and New York sessions, once each session has closed.

Equal highs show how the ICT view differs from classic chart reading. On a classic chart, two peaks at the same price form a possible double top, a bearish reversal pattern that treats the level as a ceiling. An ICT or SMC trader reads the same picture as a pool of buy stops waiting above that ceiling.

Session levels show the idea in real time. In the chart below, price opens the next session by running above the Asia high. It then turns and takes the Asia low as well.




*SMC liquidity at sessions: the Asia high goes first, then the Asia low*

### Reading Liquidity Across Timeframes

Liquidity in trading exists on every timeframe, but the pools are not equal. A daily high collects orders from swing traders, day traders and scalpers. A one-minute high collects far fewer.

A common practice is to mark liquidity one or two timeframes above the chart you enter on. If you enter on the 5-minute chart, mark the pools on the 15-minute, 30-minute or 1-hour chart. If you enter on the 1-hour chart, look to the 4-hour or daily chart. **Higher-timeframe pools set the target**, and lower-timeframe pools are often taken along the way.

## Why Does Price Reach for Liquidity?

ICT's answer starts with order size. A bank or fund that wants a large long position needs an equal amount of selling to fill against. Resting sell stops below a low are a ready supply of that selling. When price trades through the low, each stop becomes a market order to sell, and the large buyer fills against it.

The same works in reverse above a high. Buy stops fill as market buys, and a large seller sells into them. In this reading, **price moves toward liquidity because that is where large orders can be filled**.

This is ICT's explanation of order flow, not a measured fact. Part of it has outside support. New York Fed research on currency orders found that stop-loss orders cluster at popular price levels and tend to intensify the move once those levels break.

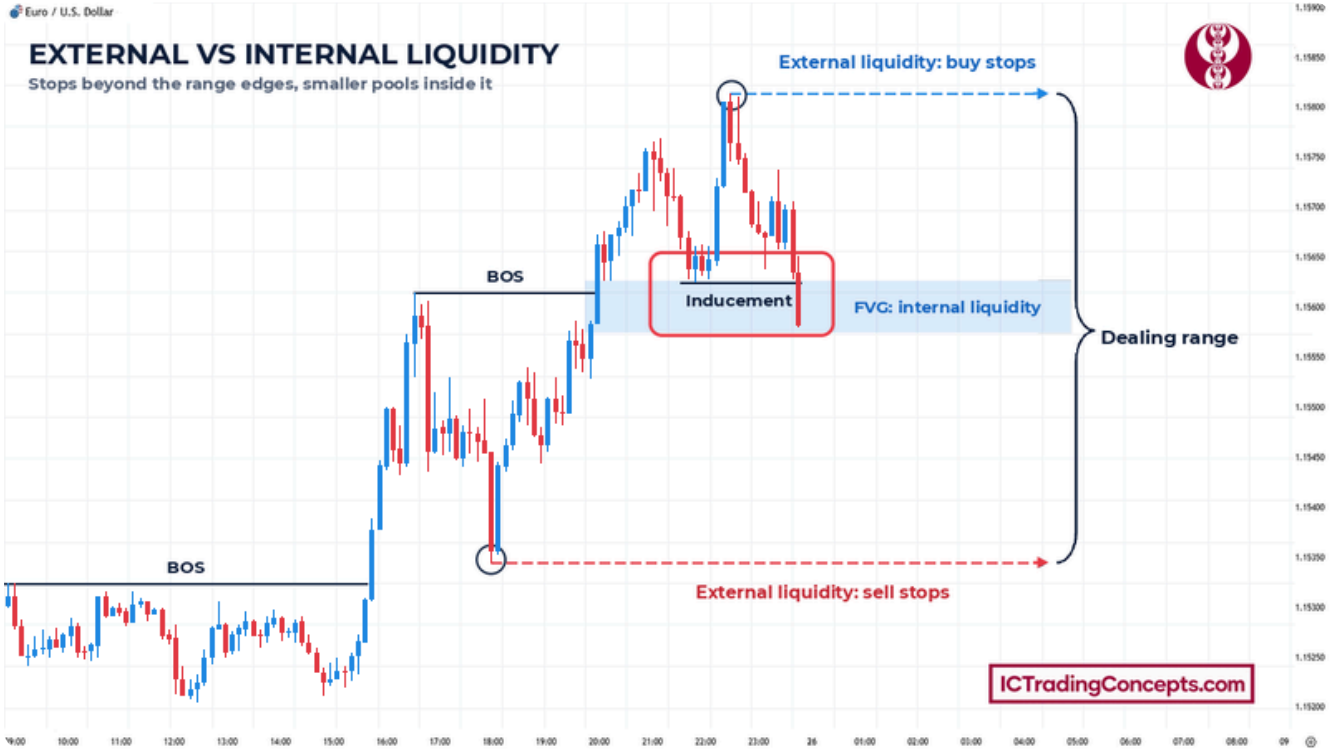
## Liquidity Inside and Outside the Dealing Range

A dealing range is the high and low that frame the current price swing. ICT splits the liquidity around it into two groups:

- **External range liquidity:** the stops beyond the dealing range's high and low. These are usually the largest pools on that chart, built over many candles or sessions.
- **Internal range liquidity:** the smaller swing highs and lows that form inside the range, often during pullbacks. ICT also counts fair value gaps inside the range as internal range liquidity.

The two groups work together. Price often takes internal liquidity on the way, then reaches for an external pool. The external pool that price is expected to reach next is the **draw on liquidity**. The higher-timeframe bias sets it. In a bullish bias, the draw is usually the buy-side liquidity above the range high. In a bearish bias, it is the sell-side liquidity below the range low.

In the chart below, the dealing range runs from the swing low to the swing high, and both ends hold external liquidity. Inside it, the last pullback low and a fair value gap hold internal liquidity.




*ICT liquidity explained: external pools at the range edges, internal pools inside*

## What Happens When Price Takes the Stops?

Reaching a pool is only half the story. What price does after it trades through the level tells you which of two events you are watching.

### Back Inside the Range: A Sweep

A liquidity sweep takes the stops beyond a high or low and fails to continue. A wick through the level is enough. A candle may even close beyond it, and it still counts if price comes straight back inside. The orders were filled, but no new buyers or sellers followed, so the move beyond the level dies.

In the bearish example below, price spikes above the previous day's high and the Frankfurt session high (the hour before the London open) in one candle. That candle closes back below both levels, and price falls. The drop later reaches the sell-side liquidity under the old low.




*Smart money liquidity: the previous day high is swept, then price falls*

In ICT terms, price raided the liquidity and turned. Traders also call this a stop hunt. A sweep is context for a reversal, not an entry by itself. In the ICT Power of 3 model, the manipulation phase is this kind of sweep.

### Closes Beyond and Holds: A Run or Breakout

Sometimes a candle closes beyond the level and price holds there with follow-through. Then the stops became fuel for continuation. That is a run, or a classic breakout, not a sweep.

When the bias called for a reversal and price runs instead, ICT traders read the missing turn as a failure to manipulate. **The same level can produce either outcome**, so the reaction after the level matters more than the level alone.

## ICT Liquidity vs Commonly Confused Terms

Several terms in liquidity trading describe different parts of the same event. Mixing them up leads to entries in the wrong place:

| Term | What it is | Its role around liquidity |
|---|---|---|
| Liquidity | Resting stops and breakout orders beyond a high or low | The orders themselves |
| Sweep | Price takes the orders and comes back inside | One outcome at the level |
| Run or breakout | Price closes beyond the level and holds | The other outcome |
| Draw on liquidity | The pool price is expected to reach next | The direction liquidity points to |
| Market structure shift (MSS) | A body close beyond the swing that launched the last leg, with displacement | The confirmation after a sweep |
| Inducement (SMC) | The last pullback low or high inside an impulse leg | An internal pool SMC uses to confirm a swing |

### Inducement: How SMC Names the Trap

SMC adds one more label. Inducement trading centres on the low of the last pullback in a bullish leg, or the high of the last pullback in a bearish leg. Traders who buy that pullback place their stops under its low, so it holds internal liquidity.

Until price takes the inducement, SMC treats the new high or low as internal. A close beyond it is not yet a break of structure. Once the inducement is taken, the swing becomes external. ICT's internal and external range liquidity is a similar idea, but it sorts pools by where they sit in the dealing range, not by whether a swing is confirmed.

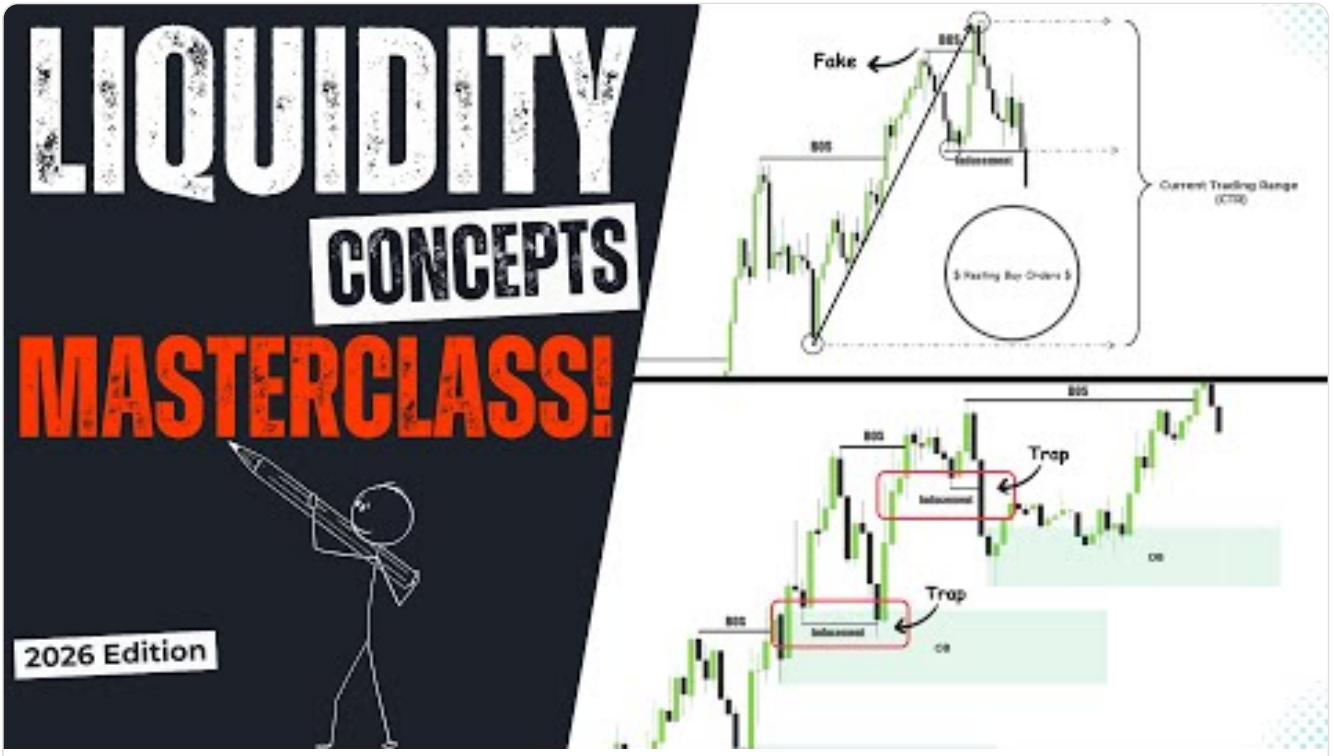
## How ICT Traders Use Liquidity in Practice

Liquidity does not give an entry on its own. It shows where price is likely to go and where a reversal can start. The short flow below is a frame for any liquidity trading strategy, not a complete one:

1. **Set the higher-timeframe bias:** read market structure on the 4-hour or daily chart and decide which side is the draw.
2. **Mark the pools:** the range high and low and the levels listed above.
3. **Wait for a sweep of the opposite side:** in a bullish bias, wait for price to take sell-side liquidity below a low and come back.
4. **Look for a lower-timeframe MSS:** a candle body closes beyond the short-term swing that started the move into the sweep, with displacement. This is a market structure shift. SMC traders call a similar break a change of character (CHoCH).
5. **Enter from a fair value gap or order block:** use the pullback into the fair value gap or order block left by the displacement. Never enter on the sweep candle itself. The stop goes beyond the sweep's extreme.
6. **Target the next pool:** aim for the liquidity on the other side, such as the old highs above a long.

The bearish version mirrors it. The bias is bearish and price sweeps buy-side liquidity above a high. A bearish MSS follows, the entry comes from a bearish gap or order block, and the target is the old lows.

The video below shows these ideas on real charts. It defines the trading range first, then external and internal liquidity, then sweeps at the session opens.




► **Watch the video**

## Common Mistakes

Most liquidity trading errors come from treating every line as equal or acting before price shows its hand:

1. **Treating every old level as liquidity:** only clear, untouched highs and lows hold meaningful orders. A level price already traded through has no stops left.
2. **Entering before the level is reached:** front-running a sweep means trading a guess about where the stops are.
3. **Confusing the pool with the sweep:** liquidity is the resting orders; the sweep is the event that takes them.
4. **Calling every move beyond a level a sweep:** if price closes beyond the level and holds, it is a run or breakout.
5. **Ignoring the higher timeframe:** the same sweep can lead to a reversal or a continuation, depending on the higher-timeframe draw.
6. **Treating internal and external pools alike:** internal pools are smaller and often taken on the way. The larger draw sits at the dealing range's high and low.

## ICT Liquidity Indicators on TradingView

An ICT liquidity indicator can mark highs and lows automatically, which saves time across many charts. It does not decide which pool is the draw or whether a sweep held. These three tools fit this page:




FREE

### Liquidity Sweep Session [TradingFinder]

Marks the previous session's high and low and flags when price trades through one of them and returns inside the range.

View on TradingView



FREE

### Buyside & Sellside Liquidity [LuxAlgo]

Marks buy-side levels above swing highs and sell-side levels below swing lows, and flags when price breaches a level.

View on TradingView



FREE

### Key Intraday Levels

Plots the Asia, London and New York session highs and lows, the previous day and week highs and lows, and equal highs and lows, and stops each line once price takes it.

View on TradingView

## Conclusion

Liquidity trading starts with one idea: orders rest beyond obvious highs and lows, and price is drawn to them. Buy-side liquidity sits above highs and sell-side liquidity below lows. The largest pools form at equal highs and lows, the previous day and week extremes, session highs and lows, and the edges of the dealing range.

When price reaches a pool, it either sweeps it and turns, or runs through it and holds. ICT and SMC read these liquidity concepts the same way; SMC adds inducement as its label for one internal pool: the last pullback low or high. Use this page as the map. The sweep, the structure shift and the entry zones each have their own guide.

## Sources


- Trading range, external and internal liquidity, and session sweeps (video and chart frames): Smart Risk, YouTube
- Currency stop-loss orders and exchange-rate trends (Staff Report 125): New York Fed
- Market orders and other order types: Wikipedia


TAGS MSS

COMMON QUESTIONS

## Frequently asked questions

### 01 What is liquidity in trading for ICT and SMC traders?

It is the resting orders beyond obvious highs and lows, mainly stop losses and breakout entries. Buy-side liquidity sits above highs and sell-side liquidity below lows.

### 02 Is ICT liquidity the same as SMC liquidity?

Yes, in substance. SMC took the liquidity idea from ICT. The labels differ in places. ICT calls the break after a sweep a market structure shift. SMC calls a similar break a change of character and adds inducement.

### 03 Where does liquidity rest above and below price?

Above untouched highs, equal highs, the previous day and week highs and session highs. Below the matching lows. Each failed test of a level tends to add orders beyond it.

### 04 Why does price move toward liquidity?

In ICT 's explanation, large orders need opposite orders to fill. Triggered stops become market orders that supply them, so price is drawn to where stops cluster. It is a reading of order flow, not a measured fact.

### 05 How does ICT liquidity inside the dealing range differ from liquidity outside it?

External liquidity rests beyond the range 's high and low. Internal liquidity is the smaller swings inside the range, and ICT also counts the fair value gaps there. Price often uses internal liquidity on the way to an external pool.

### 06 In liquidity trading, does price have to close back inside after taking the stops?

No. A wick through the level is enough. A close beyond still counts if price comes straight back inside. If price closes beyond the level and holds, it is a run or breakout.

### 07 What timeframe is best for liquidity trading?

There is no single best timeframe. A common practice is to mark liquidity one or two timeframes above your entry chart, because higher-timeframe pools hold more orders.

### 08 Are equal highs stronger liquidity than a single high?

Usually they hold more orders. Each failed test tends to leave more traders leaning on the level, with stops and breakout orders just beyond it.

### 09 Is a liquidity sweep enough to enter a trade?

No. A sweep is context. ICT traders wait for a market structure shift with displacement, then enter from a fair value gap or order block toward the next pool.