KEENBASE TRADING LAB

Supply and Demand Trading Playbook

The Zone Inside a Zone Setup for MetaTrader 4 and MetaTrader 5: the two zones, when a zone ends, which zone to trade and which to skip, the rules on one page, a checklist, a worksheet, five real examples and a trade journal.



How to use this playbook

1. Read pages 2 to 4 once, to learn the zones and which one the setup trades.
2. Keep page 5 (the setup) and page 6 (the checklist) beside your screen.
3. Use the worksheet on page 7 before every trade.
4. Write every setup in the journal on the last pages, the losers as well as the winners.

PART 1 · THE ZONES

Demand zones and supply zones

A **demand zone** is the small pause in price just before a strong move up. A **supply zone** is the small pause just before a strong move down. Traders watch these zones because price often reacts when it comes back to one.



Left: a demand zone on gold. **Right:** a supply zone. In both, the zone covers the pause, and the strong move away from the pause is what made it a zone.

- **The pause:** one or a few small candles where price stops moving for a moment.
- **The strong move:** large candles that leave the pause in one direction.
- **The near edge:** the side of the zone that price reaches first when it comes back.
- **The far edge:** the other side. A candle close beyond it ends the zone.

> A zone exists only once the candle of the strong move has closed. KT Supply and Demand Indicator draws the zones from the candles, so the zone on your chart is the same zone every other user of the indicator sees.

When a zone ends

A zone does not last forever, and one rule decides when it is finished.



Left: a candle pushed a wick below the demand zone and closed back above its far edge. The zone stays. **Right:** a candle closed below the far edge. The zone is removed from the chart.

What the candle does	What happens to the zone	What it means for the setup
Trades into the zone and closes inside it	The zone stays	Wait. No trade yet
Pushes a wick through the far edge and closes back	The zone stays	Wait for a close back out of the zone
Closes back out through the near edge	The zone stays	**This is the entry candle of the setup**
Closes beyond the far edge	The zone is removed	The setup is gone. Do not trade it

> A zone never moves after it is drawn. It is only removed, and only by a candle close through it.

Trade, wait or skip: a field guide

A chart shows many zones at once. The setup trades only one kind of zone, at only one moment.



What you see	Verdict	Why
An H1 zone on its own, with no H4 or daily zone of the same side around it	**Skip**	The setup only trades an H1 zone that sits inside a bigger zone
An H1 zone inside a bigger zone, price is in the zone, and the candle closed inside it	**Wait**	Price can still run straight through. There is no entry until a candle closes back out
An H1 zone inside a bigger zone, and a candle reached it and closed back out	**Trade**	Enter at the open of the next candle, if the target is far enough (page 5, rule 5)

> "Inside" includes an H1 zone that overlaps the bigger zone. The indicator's tooltip on the H1 zone tells you when it sits inside an H4 or daily zone.

PART 2 · THE TRADE

The setup on one page

Chart: H1, KT Supply and Demand Indicator on its default settings, which draws the H1 zones filled and the H4 and daily zones as outlines behind them.

1 **Find an H1 zone inside a bigger zone**
A demand zone inside an H4 or daily demand zone for a buy. A supply zone inside an H4 or daily supply zone for a sell.
Why: It cuts a chart of many zones down to a few, and the trade agrees with the zone a four hour or daily trader is also watching.

2 **Wait for a candle to close back out**
Price must reach the H1 zone, and an H1 candle must close back out of it through the near edge. The indicator's second alert marks this candle.
Why: Price can run straight through a zone. The close shows that it did not, on this visit.

3 **Enter at the open of the next candle**
Buy at a demand zone. Sell at a supply zone.
Why: A fixed entry that you can repeat the same way every time.

4 **Stop loss on the stop room line**
The dotted line the indicator draws beyond the zone's far edge.
Why: A wick does not end a zone, so a stop loss at the edge is hit by moves that leave the zone standing.

5 **Target at the nearest opposite zone**
For a buy, the near edge of the nearest supply zone above. For a sell, the nearest demand zone below. If it is closer than 1.5 times the stop loss distance, skip the trade.
Why: The opposite zone is where the other side may act, and you can see it before you enter.

6 **One trade per visit**
If a candle closes through the zone, the zone and the setup are gone.

7 **Risk 1% per trade**
Choose the lot size so that a stop loss hit loses 1% of the account.

> Start with gold (XAUUSD) and the major forex pairs. Use one market you already know before you add others.

Pre-trade checklist

Print this page. Every box must be ticked before you enter.

- [ ] The zone is an H1 zone, and it sits inside an H4 or daily zone of the same side.
- [ ] Price reached the zone, and an H1 candle closed back out of it through the near edge.
- [ ] No candle has closed beyond the far edge. The zone is still on the chart.
- [ ] The stop loss is on the zone's stop room line.
- [ ] The target is the near edge of the nearest opposite zone.
- [ ] The target distance is at least 1.5 times the stop loss distance.
- [ ] No other trade is open.
- [ ] The lot size risks 1% of the account.
- [ ] The setup is written in the journal before the trade goes in.

Market: _____ Buy / sell Zone from _____ to _____ Inside: H4 / daily

Stop loss and target worksheet

The rule: skip the trade when the target distance is less than 1.5 times the stop loss distance. A trade that wins 1.5 times what it risks breaks even, over many trades, when it reaches its target 2 times in 5 (1 divided by 2.5, where 2.5 is the 1.5 you win plus the 1 you risk). A larger target distance lowers that share. Spread, commission and swap raise it a little.

Market	Entry	Stop loss	Stop loss distance	Target	Target distance	Target ÷ stop	Trade?
XAUUSD buy	*2,444.11*	*2,434.96*	*9.15 points*	*2,468.83*	*24.72 points*	*2.7*	*Yes*
GBPUSD buy	*1.35651*	*1.35416*	*23.5 pips*	*1.36520*	*86.9 pips*	*3.7*	*Yes*
Example	*1.10000*	*1.09700*	*30 pips*	*1.10360*	*36 pips*	*1.2*	*No, skip*

> Pips: on EURUSD and GBPUSD one pip is 0.0001. On gold, one point is a price move of 1.00. The third row is a made up example to show a skip.

PART 3 · EXAMPLES

Five real examples



XAUUSD, H1, a buy

H1 demand zone 2,439.69 to 2,443.88, inside an H4 demand zone. A candle dipped into the zone and closed back above it. Entry 2,444.11 at the next open. Stop loss 2,434.96 (9.15 points). Target 2,468.83, the near edge of the supply zone above (24.72 points), reached the next day.

Notice: the target is 2.7 times the stop loss distance, so the 1.5 rule passes with room.



XAUUSD, H1, a buy

H1 demand zone 4,438.57 to 4,443.59, at the top of a much taller H4 demand zone. Entry 4,446.35. Stop loss 4,429.27 (17.08 points). Target 4,479.15 (32.80 points), reached within hours.

Notice: the supply zone that gave the target no longer shows, because price later closed through it. A close through a zone removes it.



GBPUSD, H1, a buy

H1 demand zone 1.35498 to 1.35585, inside an H4 demand zone. Entry 1.35651. Stop loss 1.35416 (23.5 pips). Target 1.36520, the near edge of the supply zone above (86.9 pips), reached the same day.

Notice: the candle that closed back out opened inside the zone. What matters is where it closed.



XAUUSD, H1, a sell

H1 supply zone 4,341.07 to 4,353.57, inside a taller H4 supply zone. Several candles traded inside the zone before one closed back below it. Entry 4,339.23. Stop loss 4,368.08 (28.85 points). Target 4,287.09, the near edge of the demand zone below (52.14 points).

Notice: a sell is the mirror of a buy. The stop loss sits above the zone, on the stop room line.



EURUSD, H1, a buy that was stopped out

H1 demand zone 1.15058 to 1.15278, inside an H4 demand zone. A candle closed back above the zone. Entry 1.15374. Stop loss 1.14918 (45.6 pips). Target 1.16194 (82.0 pips). Price turned down again within hours and reached the stop loss.

Notice: every rule was met and the trade still lost. That is a normal outcome, and it is why the risk is fixed at 1% before the entry.

Mistakes to avoid

- **Trading every box.** Most zones on the chart are not the setup. Use the field guide on page 4.
- **Buying the touch.** The entry comes after a candle closes back out of the zone, not when price first reaches it.
- **A stop loss at the zone edge.** A wick through the edge does not end the zone, but it does hit a stop loss placed there.
- **A target the chart does not allow.** When the opposite zone is closer than 1.5 times the stop loss distance, there is no trade.
- **Keeping a zone alive.** After a candle closes through a zone, the indicator removes it. Do not redraw it by hand.

PART 4 · YOUR RECORD

Trade journal

One row for every setup the rules give you, taken or skipped. After thirty rows you will know how these zones behave on your market, from your own record.

Date	Market	Buy / sell	Inside H4 / daily	Entry	Stop loss	Target	Target ÷ stop	Outcome	Note

PART 4 · YOUR RECORD

Trade journal

Date	Market	Buy / sell	Inside H4 / daily	Entry	Stop loss	Target	Target ÷ stop	Outcome	Note

Keenbase Trading

Next step: KT Supply and Demand Indicator draws the supply and demand zones of your chart, the H4 and daily zones behind them and the stop room line beyond each zone, removes a zone when a candle closes through it, and alerts when price reaches a zone and when a candle closes back out. MT4 and MT5.
https://www.keenbase-trading.com/products/supply-and-demand-indicator/

The full article, with every chart: https://www.keenbase-trading.com/supply-and-demand-trading-strategy/

Educational material. Prices, candle times and market names differ from broker to broker; check the rules on your own broker's charts before trading with real money.