

LESSON 1

SYNTHETIC INDEX

MARKET STRUCTURE

Eng.Lutandula

LutaMarket

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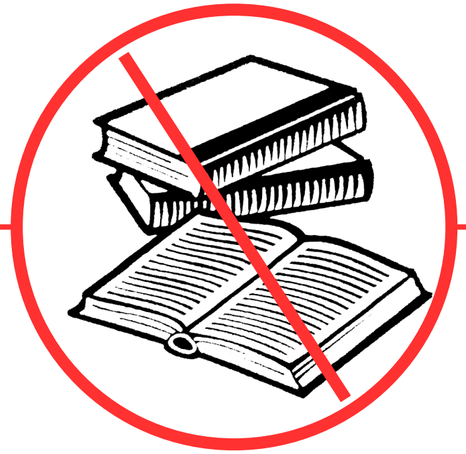


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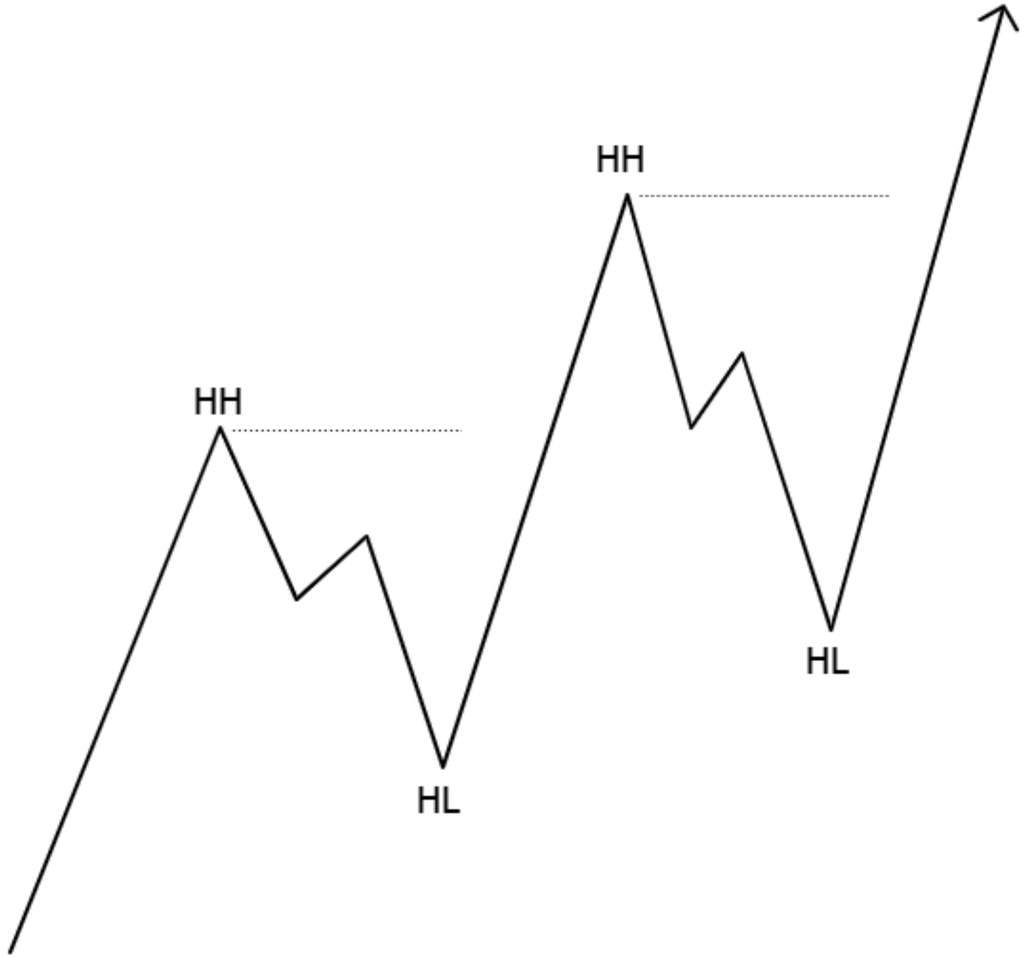
What Is a Synthetic Index?

A Synthetic Index is a tradable instrument designed to simulate market price movements using a mathematical/random-number-based mechanism rather than being directly tied to a traditional financial market such as:

- ❖ Forex
- ❖ Stocks
- ❖ Commodities
- ❖ Stock indices

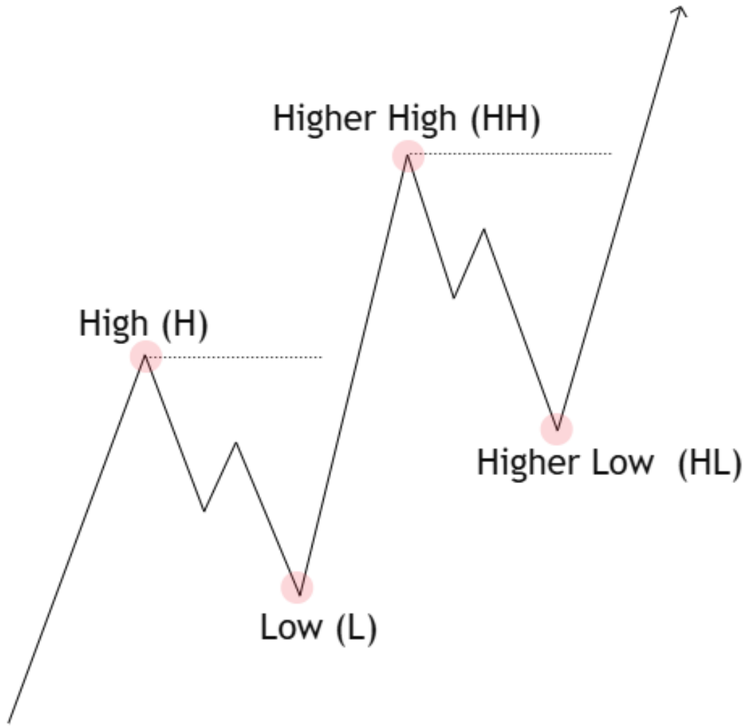
Synthetic Indices are available through platforms such as Deriv.

- **Market Structure** - is the overall order flow of the market and provides us with a mechanical framework to read and understand price.



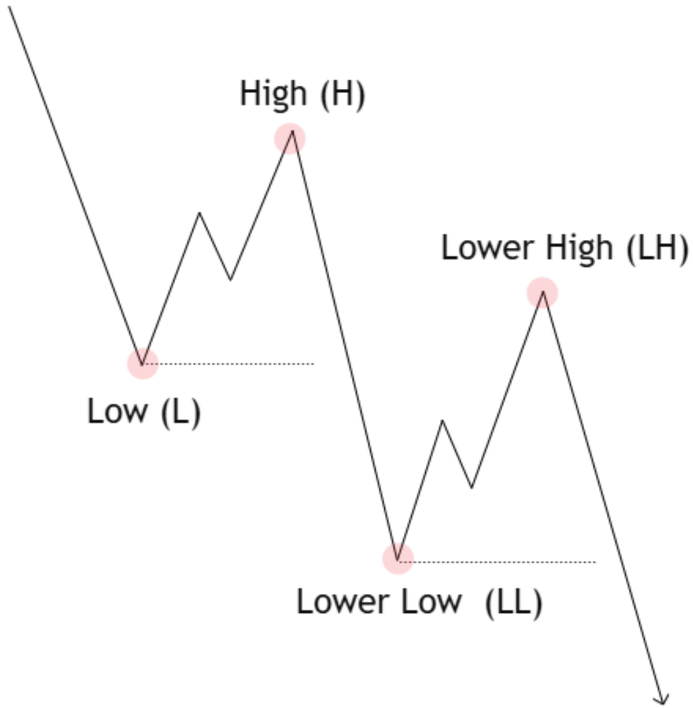
1.Bullish Market Structure

- Is Higher high (HH) and Higher Low (HL)



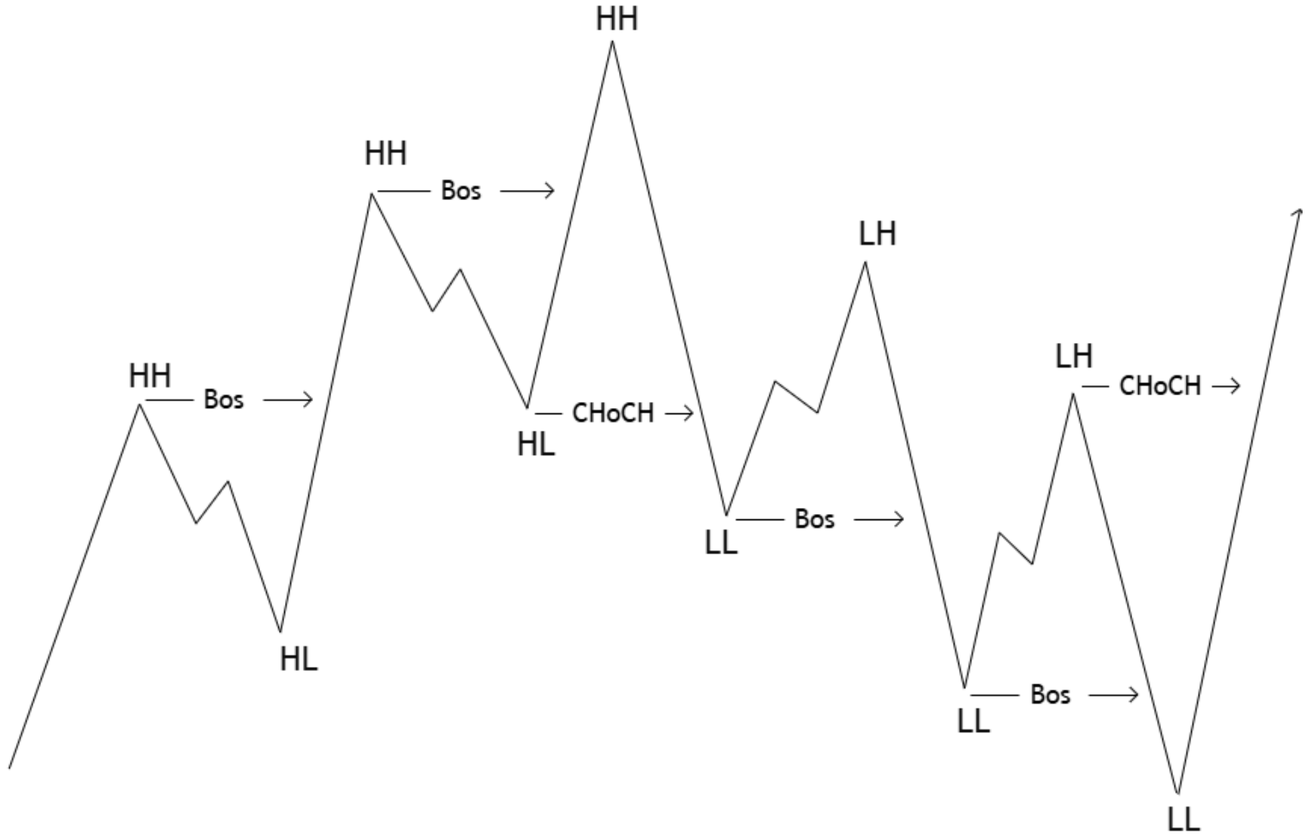
2.Bearish Market Structure

- Lower high(LH) and Lower low(LL)



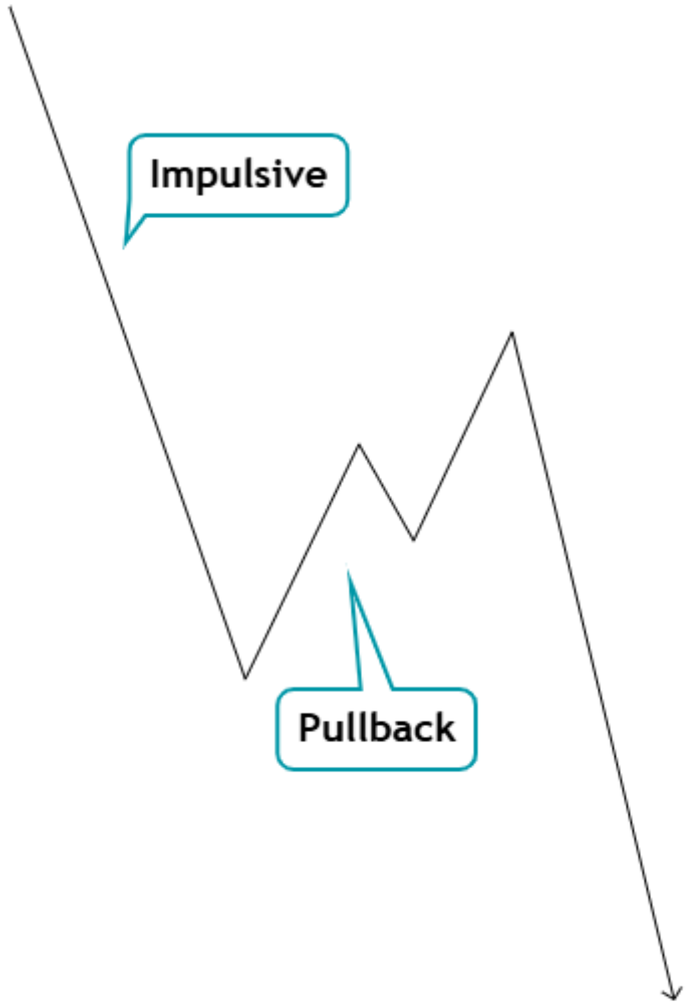
CHoCH - this is first indication of price can change direction upward/downward

BOS - this is break of structure in continuation trend



Market structure is created by two main movements

1. Impulsive Moves (Strong Moves)
2. Corrective Moves (Pullbacks)

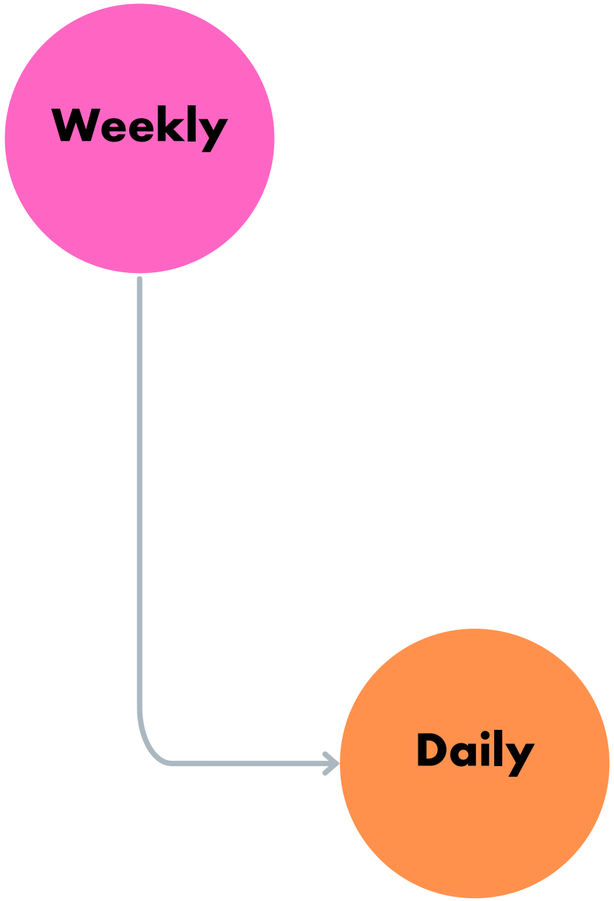


An impulsive move is a strong, clear movement in one direction — either upward or downward.

It shows momentum, meaning buyers or sellers are in control.



TYPES OF RANGE

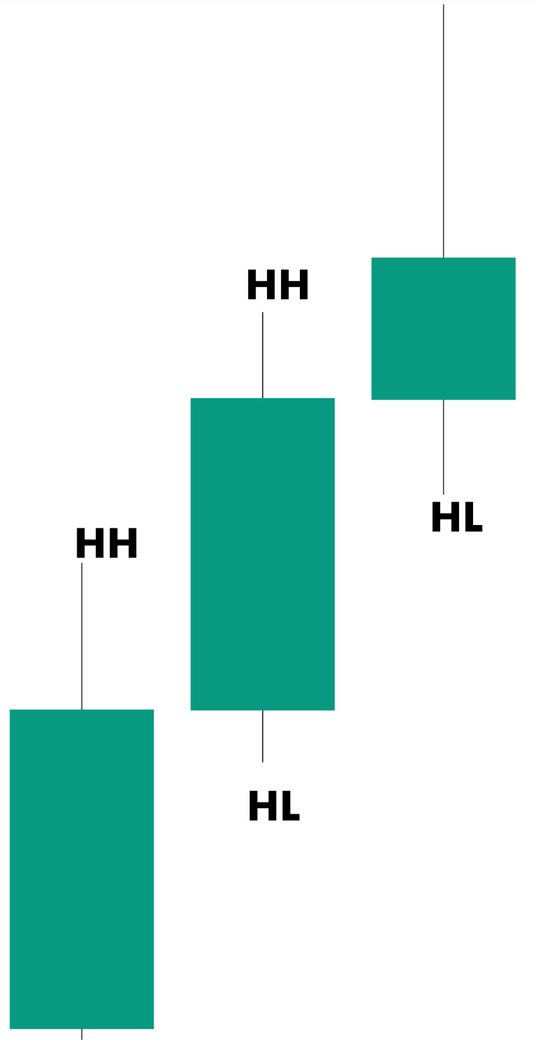


Weekly bias defines the MAIN MARKET DIRECTION

Acts as the MASTER TREND - all other timeframes defer to it

Why It's Critical:

→ Provides directional authority for all trades
→ Filters out counter-trend noise
→ Keeps you aligned with institutional flow

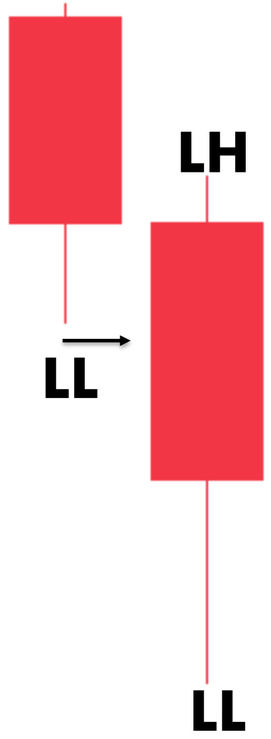




Step 1: Look at the candle close

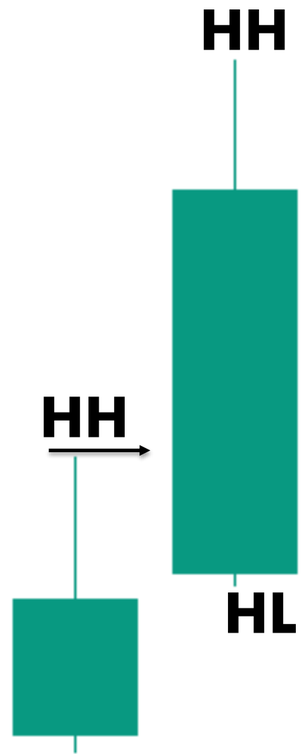
- Bullish candle: Close > Open
- Bearish candle: Close < Open





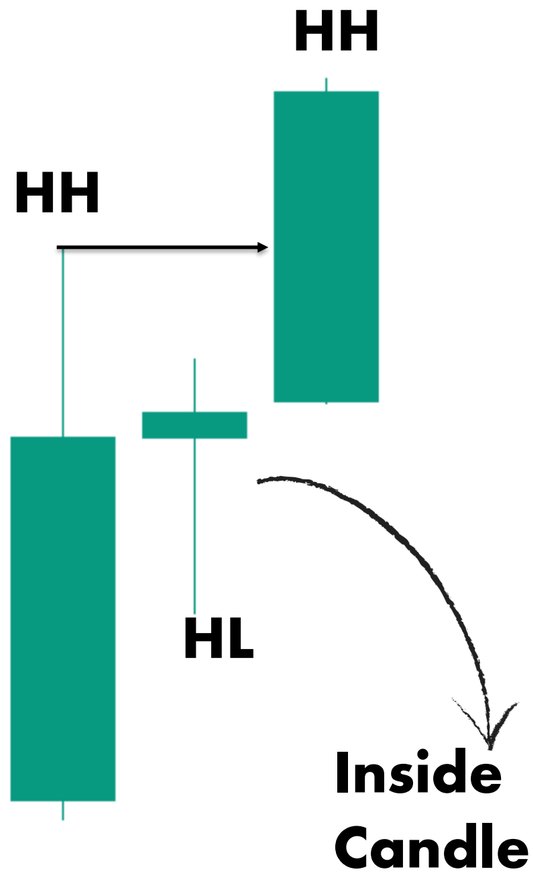
Step 2: Identify Key Levels

- Bullish trend:
  - Current candle high → mark as HH
  - Next candle low → mark as HL
- Bearish trend:
  - Current candle low → mark as LL
  - Next candle high → mark as LH



Step 3: Check for Inside Candles

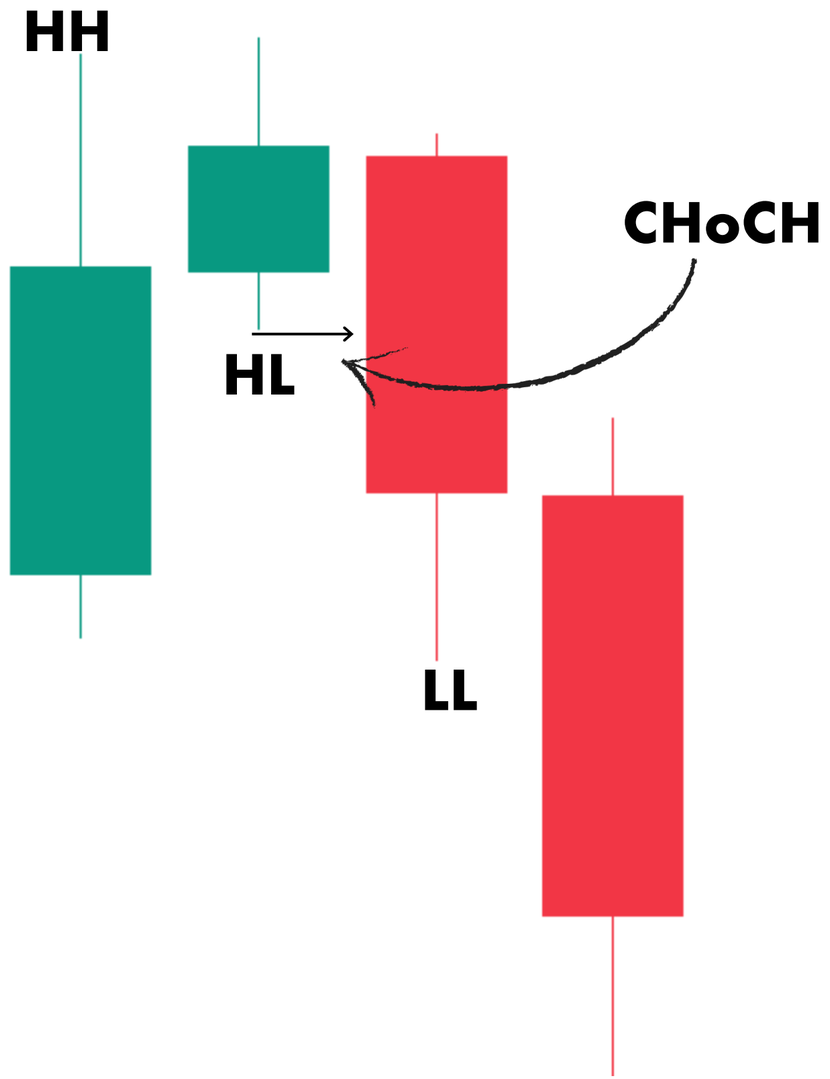
- Candle stays within previous candle high/low → inside candle (consolidation).
- Bullish trend: Only mark HL of inside candle, HH stays the same
- Bearish trend: Only mark LH of inside candle, LL stays the same



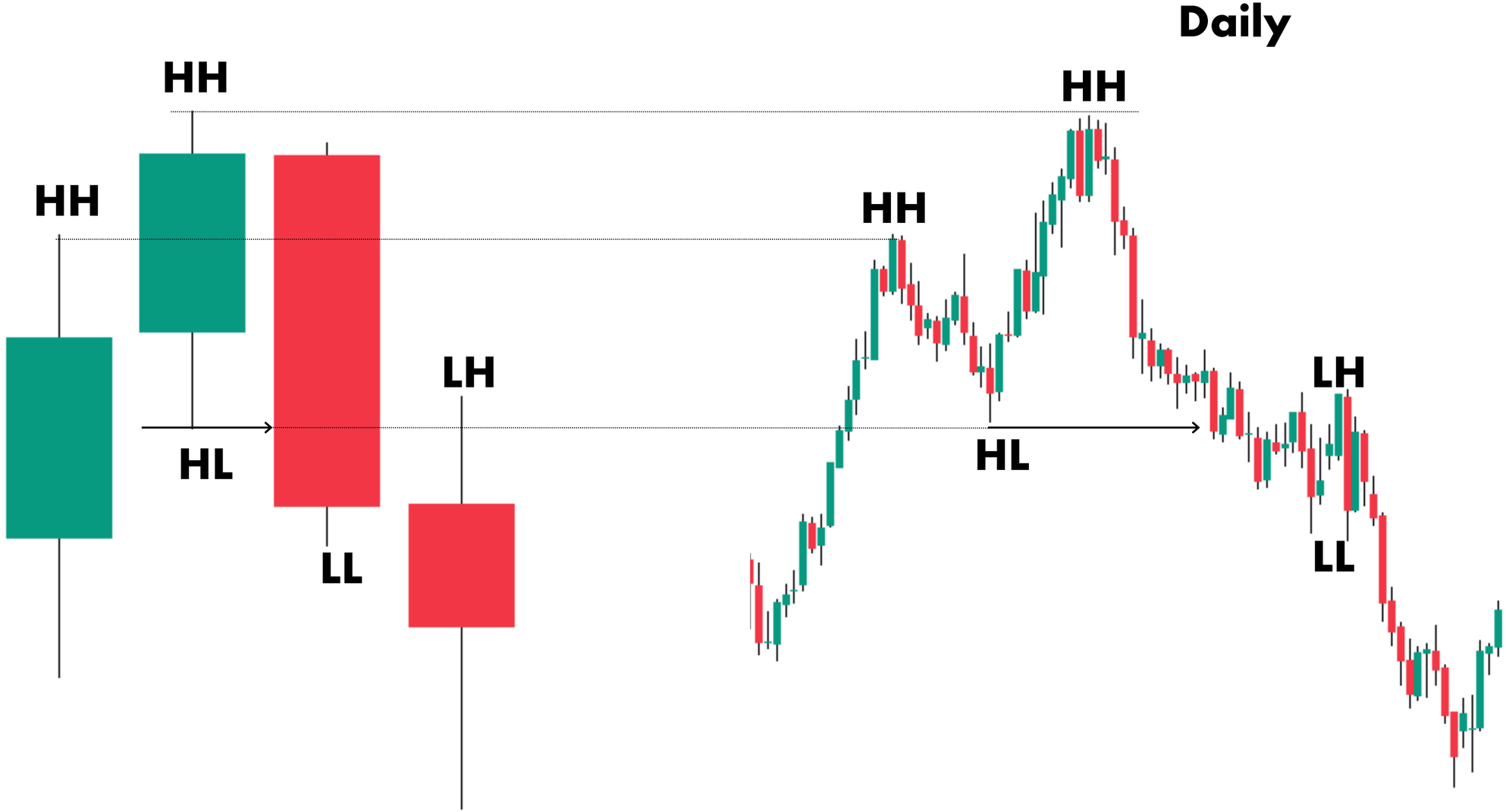
Step 4: Look for Trend Change

- Bullish → Bearish: HL is broken → mark LL, next candle's high = LH

- Bearish → Bullish: LH is broken → mark HH, next candle's low = HL



WEEKLY CANDLE



STRUCTURE BREAK

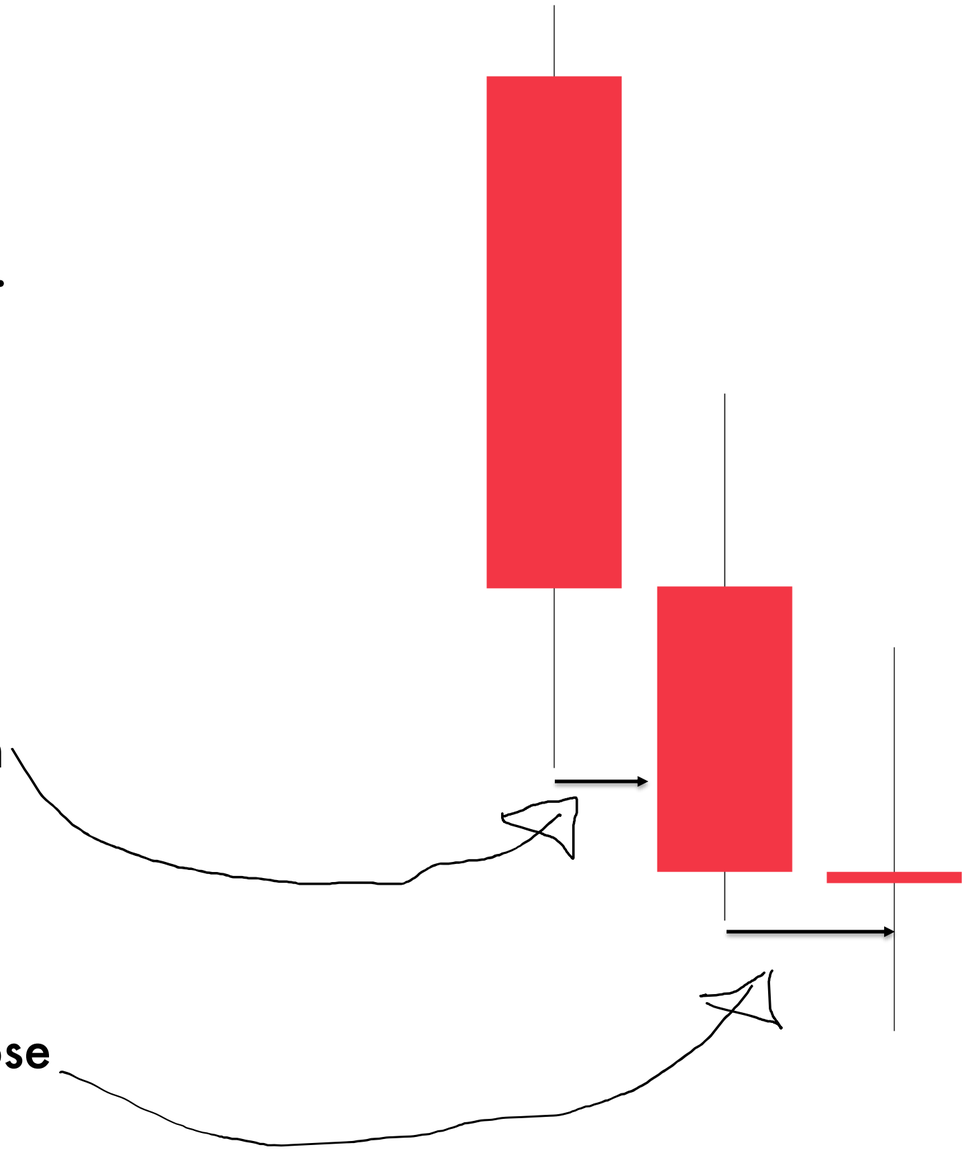
A structural break occurs when price moves beyond an important previous structural level.

But **LutaAlgo™ Strategy** does **not** treat every wick as a confirmed break.

We distinguish between:

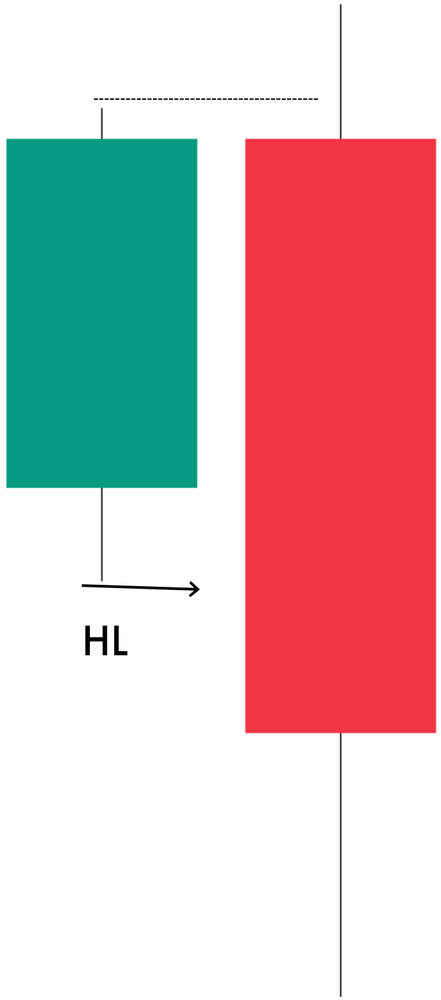
- **Confirmed Structural Break**
  Price breaks the level **and closes beyond it on the candle.**

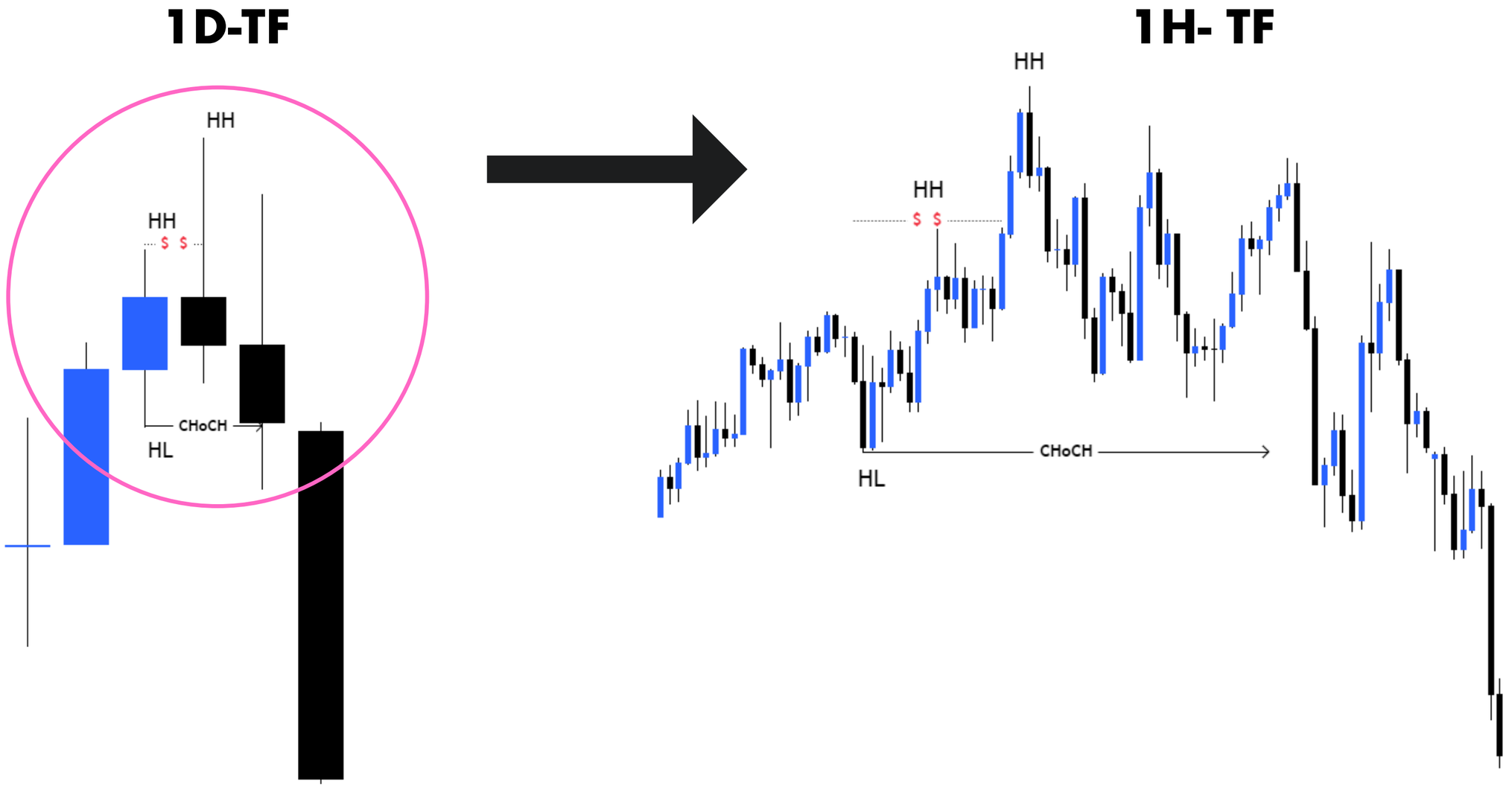
- **Liquidity/Temporary Break**
  Price trades beyond the level but does not close beyond it.



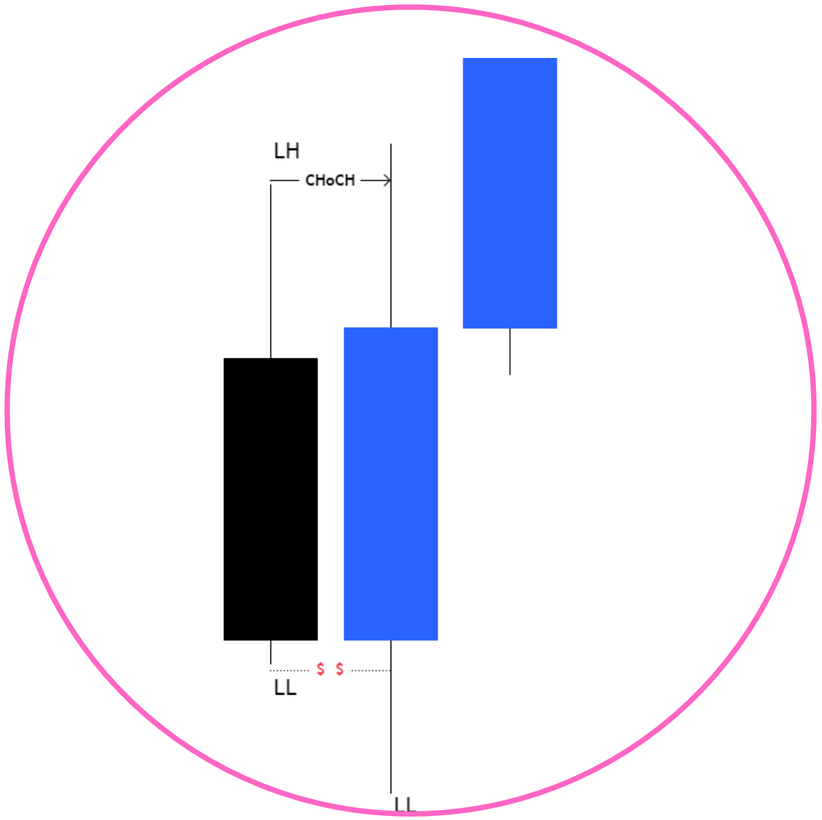
Hidden CHoCH

is not visible on the high time frame, but it appears on the lower time frame.

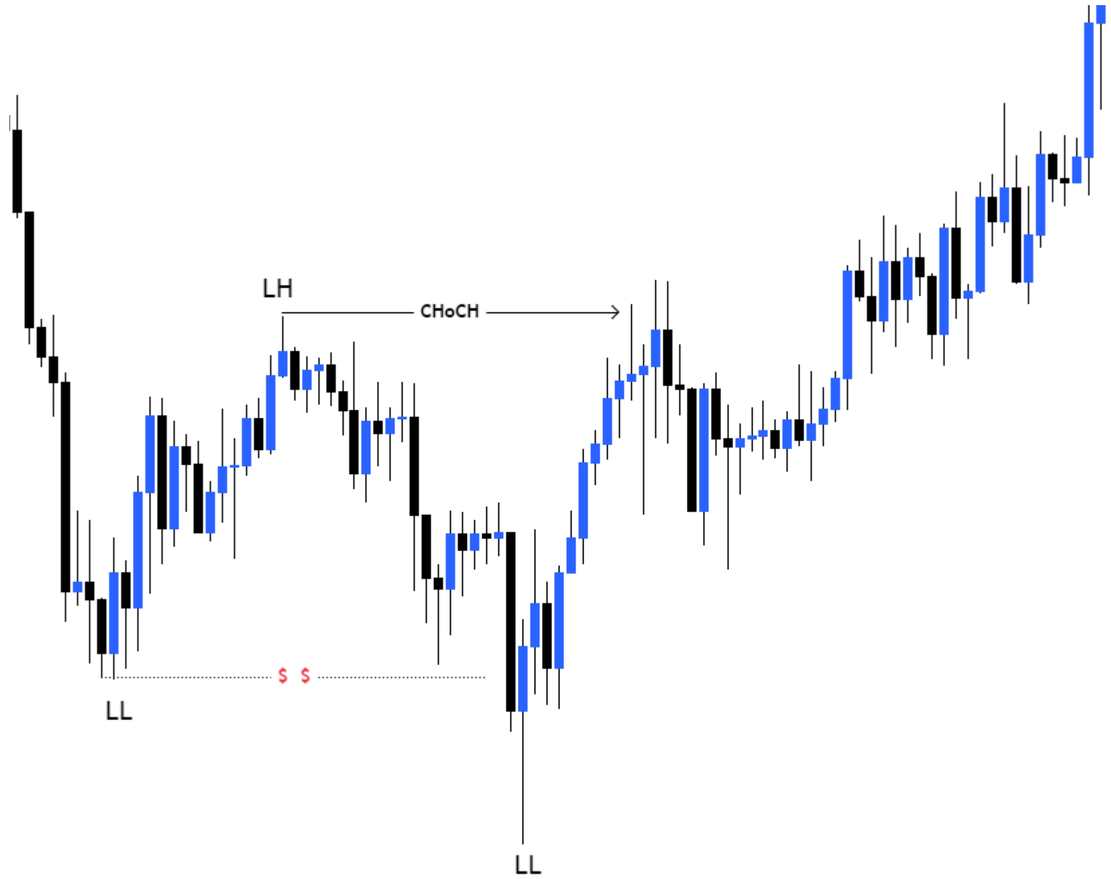



1D-TF
HH
HH
$ $
CHoCH
HL
1H- TF
HH
HH
$ $
CHoCH
HL

1D-TF

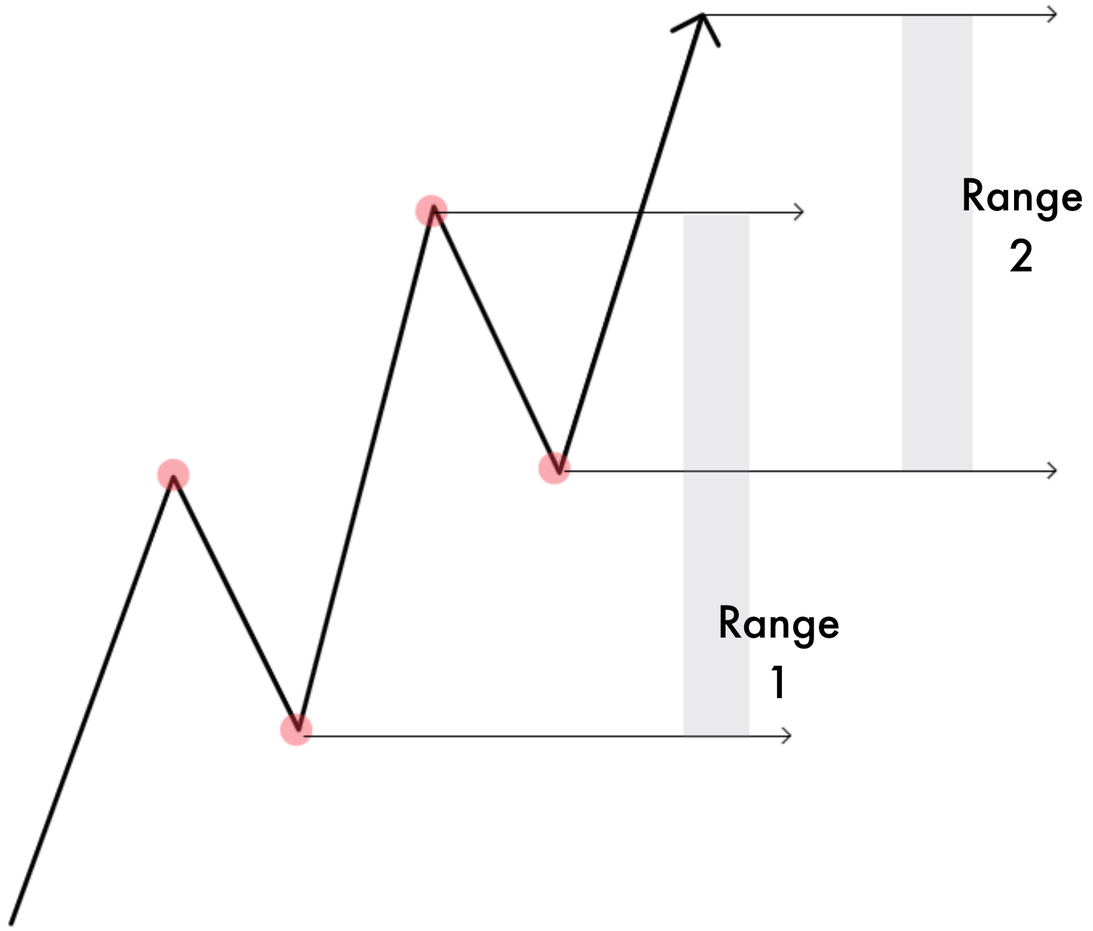


1H- TF



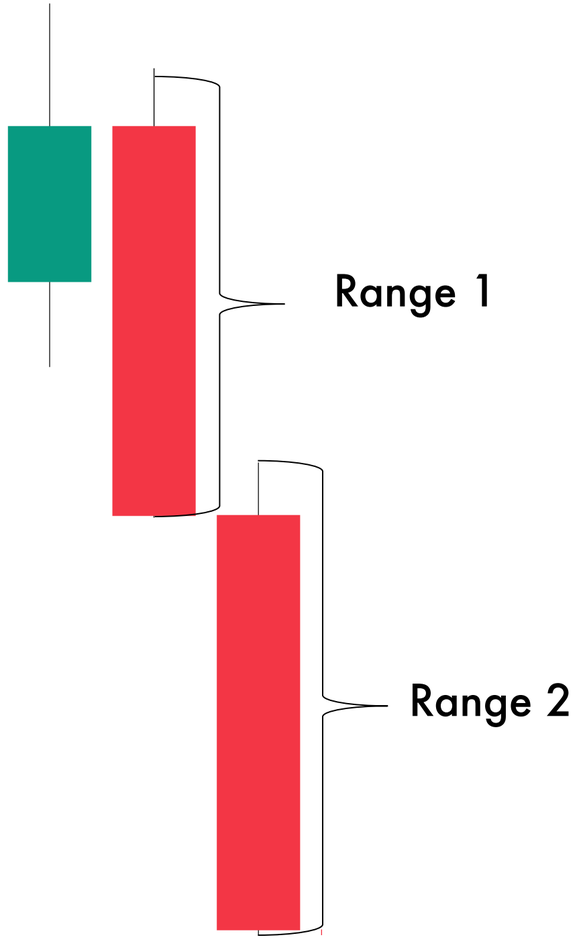
Price Range

- is price Movement between a certain high price and low price e.g Impulsive Move



Price Range

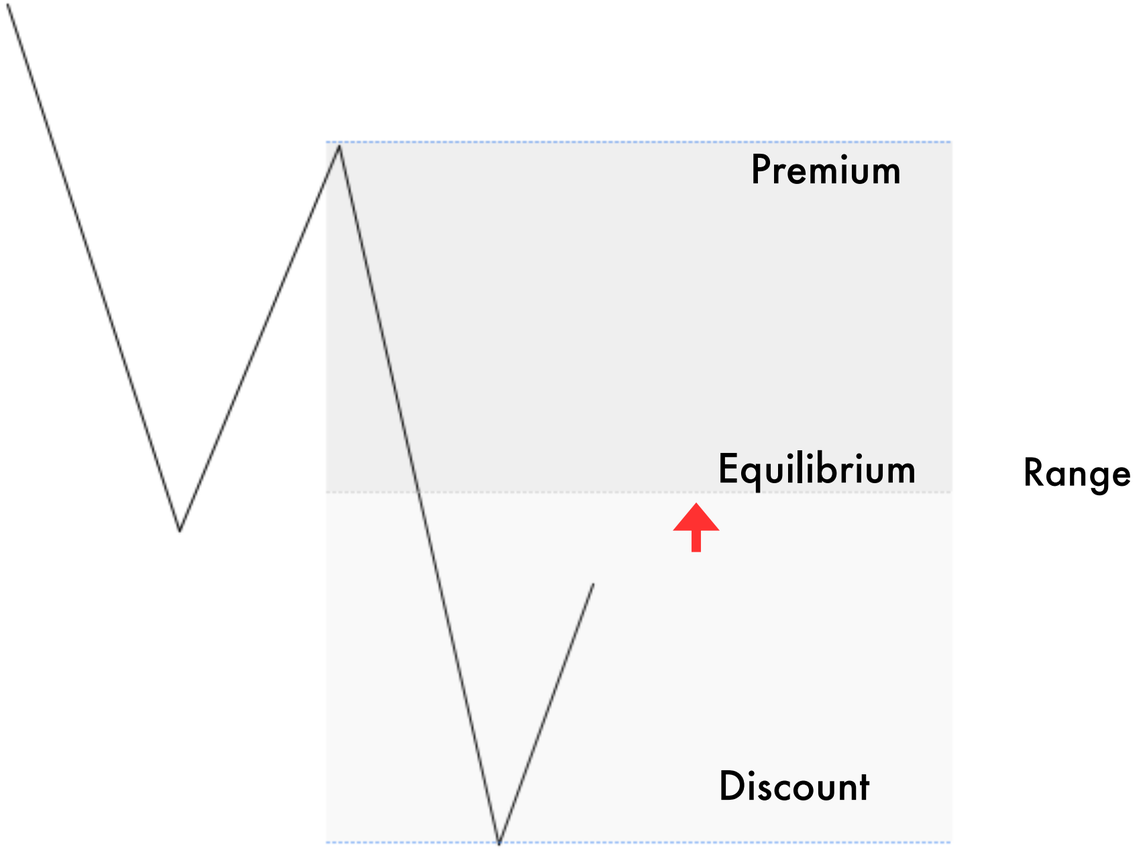
- is price Movement between a certain high price and low price e.g Impulsive Move

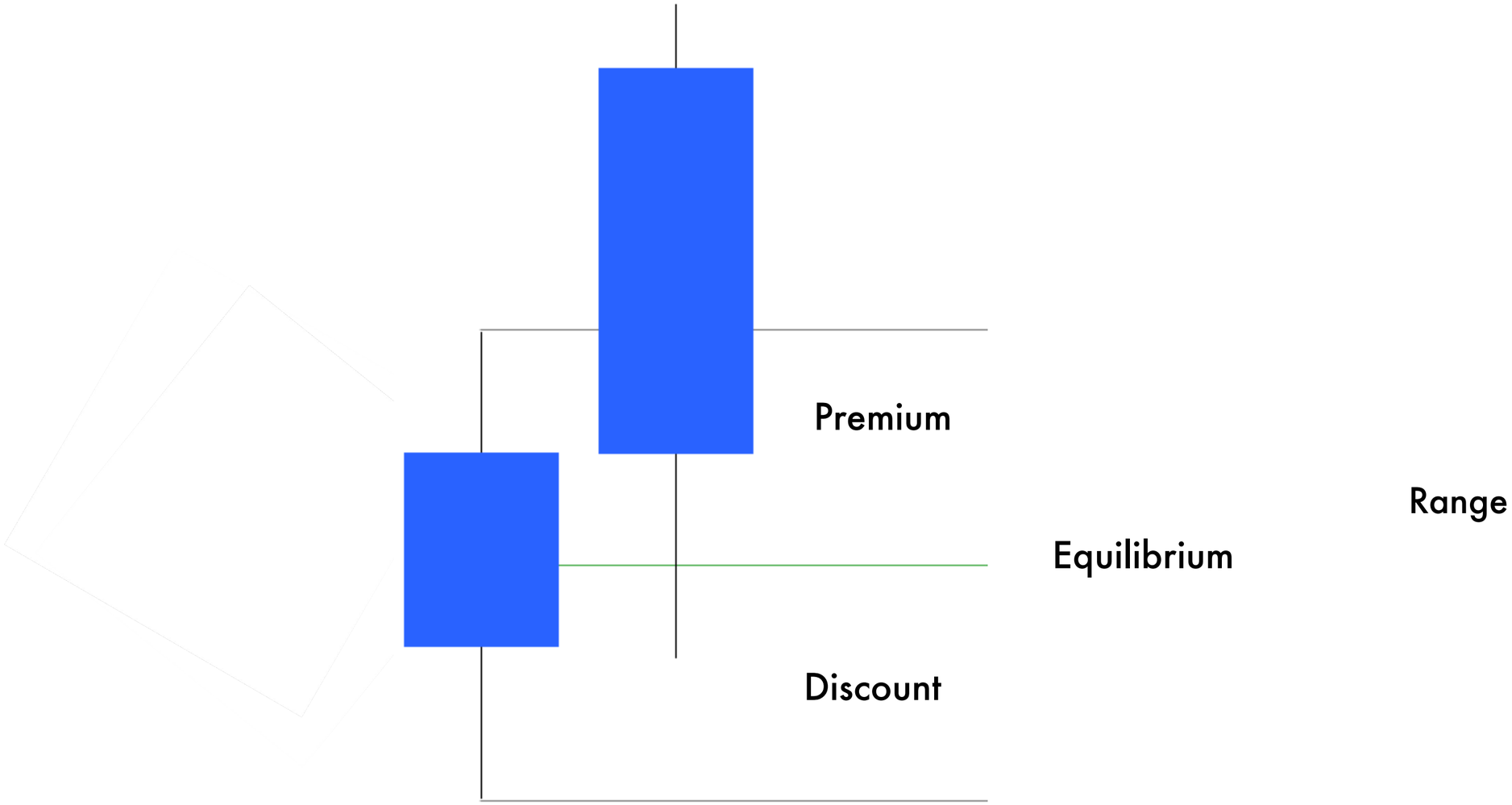


Once a price range is defined, we split it into two halves using the 50% equilibrium line.

Premium

- The upper half of the price range (above equilibrium).
- Price is considered expensive / overvalued.
- Institutions (smart money) prefer to sell in this area during a bearish context.




Premium
Range
Equilibrium
Discount

BREAK CONFIRMATION

Bullish Break

Previous High → Break → **Close Above** → ✅ Confirmed Bullish Break

Bearish Break

Previous Low → Break → **Close Below** → ✅ Confirmed Bearish Break

Break + Close = Confirmed Structure Break

