COMBO ALGORITHM

Trading strategy



ENG .LUTANDULA

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Eng.Lutandula

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DEDICATION

To all aspiring traders who strive for consistency, discipline, and financial freedom. May this book serve as a guide to unlocking the true potential of market opportunities. Special thanks to my family, friends, and mentors who supported me throughout this journey. Your encouragement and belief in me have made this possible.

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ABBREVIATION

BB-Rejection Block....1
Combo-Combination....1
FVG- Fair Value Gap....1
HTF - High Time Frame....2
LTF-Low Time Frame....2
MTF-Micro Time Frame....25
OB-Order Block....4
V1- First Variable....30
V2-Second Variable....30

FOREWORD

The world of trading is often unpredictable, challenging, and rewarding for those who take the time to understand its intricacies. The "Combo Algorithm" by **Eng. Lutandula** presents a structured and systematic approach that simplifies complex market dynamics into actionable strategies. Having witnessed the evolution of this strategy firsthand, I can confidently say that this book provides traders with the tools they need to navigate markets with precision.

Through well-researched methodologies and real-world applications, this book bridges the gap between theory and practice. Whether you are a novice or an experienced trader, the insights shared within these pages will undoubtedly enhance your trading acumen. I am honored to introduce this remarkable work and hope it inspires traders worldwide to approach the market with confidence and clarity.

PREFACE

Trading is an art and science, requiring a delicate balance between strategy, psychology, and risk management. Over the years, I have dedicated my time to studying the patterns, behaviors, and technical aspects of financial markets. The Combo Algorithm was born from years of observation, testing, and refining various trading principles to develop a method that is both effective and reliable.

This book is designed to help traders understand and apply this powerful trading strategy with clarity. It provides a step-by-step guide on market variables, trade setups, risk management, and execution techniques. My goal is to empower traders with a structured approach that eliminates guesswork and promotes consistent results.

I invite you to explore the concepts, practice the methods, and embrace the discipline required to succeed in trading. May this book serve as a valuable resource in your journey towards financial growth.
Eng. Lutandula

INTRODUCTION

Trading financial markets requires more than just knowledge of price movements; it demands a strategic approach backed by data, logic, and discipline. The Combo Algorithm is a comprehensive trading strategy designed to provide traders with a structured framework for identifying high-probability setups and managing risk effectively.

In this book, we will explore the fundamental principles of the Combo Algorithm, including:

- The key market variables that influence price action.
- Multi-timeframe analysis for optimal trade execution.
- Logical elements that drive market movements.
- Entry and exit strategies based on well-defined rules.

Risk management techniques to maximize gains while minimizing losses. The strategy is particularly useful for traders who seek consistency in their trading approach. By leveraging logical elements and technical confluences, traders can make informed decisions without falling into the traps of emotional trading.

This book is structured to guide you from the foundational concepts to advanced applications of the Combo Algorithm. Whether you are a beginner looking to understand the basics or an experienced trader aiming to refine your skills, this book will provide valuable insights and practical tools to elevate your trading game.
Welcome to the world of structured and systematic trading. Let's begin.

CHAPTER 1

1.1 What Is the Combo Algorithm?

The Combo Algorithm is a structured and systematic trading strategy that focuses on analyzing price action using key market elements. It is built on logical elements and a combination of variables that help traders make well-informed trading decisions. The strategy is particularly useful for intraday trading, where price movements occur rapidly, requiring a solid framework to navigate market fluctuations.

1.1.1 Key Principles of the Combo Algorithm

The Combo Algorithm is based on several core principles that define its approach to market analysis:

Use of Market Variables

The strategy relies on four primary variables that play a crucial role in market structure and trade execution:

i. **Order Block** – A price action element that signifies a strong buying or selling area after a liquidity raid.
ii. **Rejection Block** – A two-candle pattern where wicks indicate a liquidity raid or fair value gap rebalance.
iii. **Fair Value Gap (FVG)** – A three-candle structure showing inefficiencies in price movements.
iv. **Fractal High/Low** – A significant point in price action representing liquidity zones.

Logical Elements & Market Structure

The Combo Algorithm defines specific **logical elements**, which represent the relationships between variables across different timeframes.
These logical elements confirm volume, identify inducements, determine triggers, and establish entry points.

Multi-Timeframe Analysis

The algorithm follows a **top-down approach**, starting from higher timeframes (HTF) and narrowing down to lower timeframes (LTF).
Each step in the analysis must confirm the presence of specific market conditions before proceeding further.

Combination of Variables (Combos)
The strategy structures trades into **eight possible "combos"**, formed by combining HTF and LTF elements.
These combos dictate trade setups, confirmations, and entries.

Risk Management through Trouble Areas
The concept of **Trouble Areas** and **First Trouble Areas** helps traders define stop losses and take profit levels based on market structure.
The rule **"From liquidity to inefficiency and from inefficiency to liquidity"** ensures trades align with price movement dynamics.

1.1.2 How the Combo Algorithm Works in Trading?

The trader begins by identifying key **market variables** on a **higher timeframe (HTF)**.

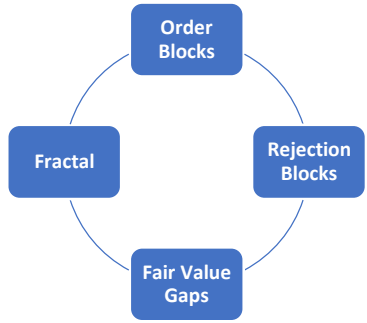
If a valid setup forms, the trader moves to a **lower timeframe (LTF)** to refine entry points.
The trade is executed based on predefined **combos**, ensuring volume confirmation, inducement, and proper execution.
The **Trouble Area** and **First Trouble Area** are used to set risk parameters and determine the trade's validity.

The **Combo Algorithm** simplifies the trading process by providing a structured, repeatable framework for identifying high-probability trade setups. It ensures that every trade follows a logical sequence, reducing impulsive and emotional trading decisions.

1.2 Market Variable

To navigate the complexities of financial markets effectively, traders must recognize and analyze the key variables that influence price action. Among the most critical are **Order Blocks, Rejection Blocks, Fair Value Gaps (FVGs), and Fractal Highs/Lows (Liquidity)**.

These elements define the structure of price movements, revealing areas of high institutional activity, market inefficiencies, and liquidity imbalances. By incorporating these variables into market analysis, traders can make informed decisions with higher precision and confidence.



1.2.1 Order Block

An **Order Block** is a zone where institutions and smart money accumulate large positions before a major price movement. These blocks represent areas of interest where banks and institutional traders place significant orders, causing a temporary pause in price action before a strong move in a particular direction. Order Blocks often serve as support or resistance zones, providing traders with potential trade entry points. When price revisits these levels, it frequently reacts sharply, confirming the presence of institutional footprints.



Figure 1.Order Block

1.2.2 Rejection Block

A **Rejection Block** is a price level where the market attempts to move in one direction but faces strong opposition, causing a sharp reversal. This typically happens when an aggressive buy or sell attempt fails, leaving behind a wick or a strong rejection candle. Rejection Blocks indicate zones of significant order flow resistance and often serve as key areas where price is likely to bounce or reverse. Traders use these blocks to refine entries and exits, ensuring they align with market momentum.

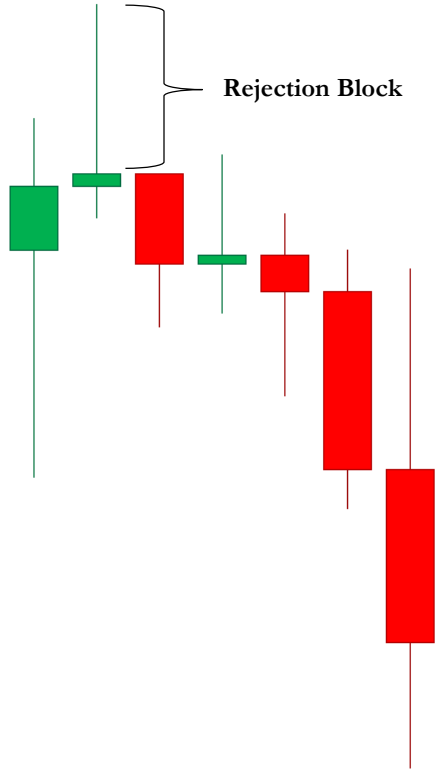


Figure 2.Rejection Block

1.2.3 Fair Value Gap (FVG)

A **Fair Value Gap (FVG)** occurs when price moves so rapidly that it leaves an imbalance between buyers and sellers, creating a price inefficiency. This usually happens during high volatility events, such as institutional order executions or news-driven price spikes. The market naturally seeks to fill these gaps over time, meaning traders can anticipate potential retracements to these zones before continuation in the prevailing trend. Recognizing FVGs helps traders identify high-probability trade setups and predict future price corrections.

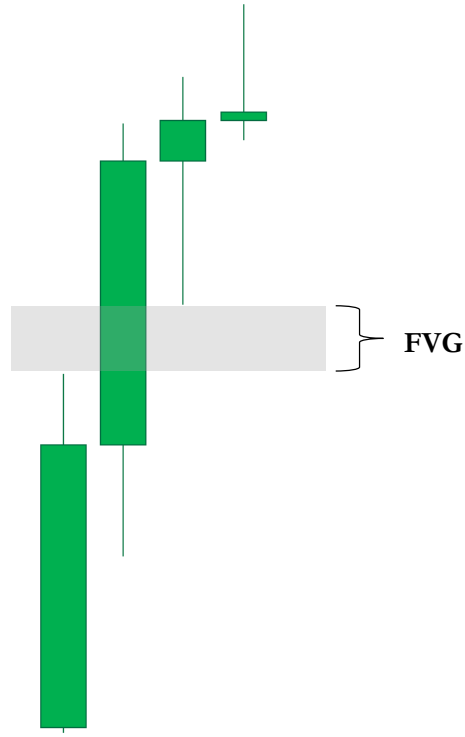


Figure 3.Fair Value Gap

1.2.4 Fractal High/Low (Liquidity)

Fractal Highs and Lows represent liquidity zones where stop orders and pending orders accumulate. These levels act as magnets for price action, as market makers and institutions target them to trigger liquidity grabs. When price reaches these points, it often results in sharp moves, trapping retail traders and fueling institutional positions. Understanding how liquidity functions in the market allows traders to anticipate price manipulations and position themselves accordingly.

By mastering these four key market variables, traders can better interpret price movements, recognize smart money strategies, and improve their overall trading performance.



Figure 4.Fractal

1.3 How Variables Impact Market Analysis

Market variables are not isolated components; rather, they work together to shape price action and create a structured trading environment. Understanding how these elements interact is essential for developing a comprehensive market analysis strategy.

For instance, an **Order Block** may coincide with an **FVG**, reinforcing the likelihood of price revisiting that level before continuing its trend. Similarly, a **Rejection Block** near a **Fractal High** could indicate an area where liquidity is being targeted, setting the stage for a price reversal.

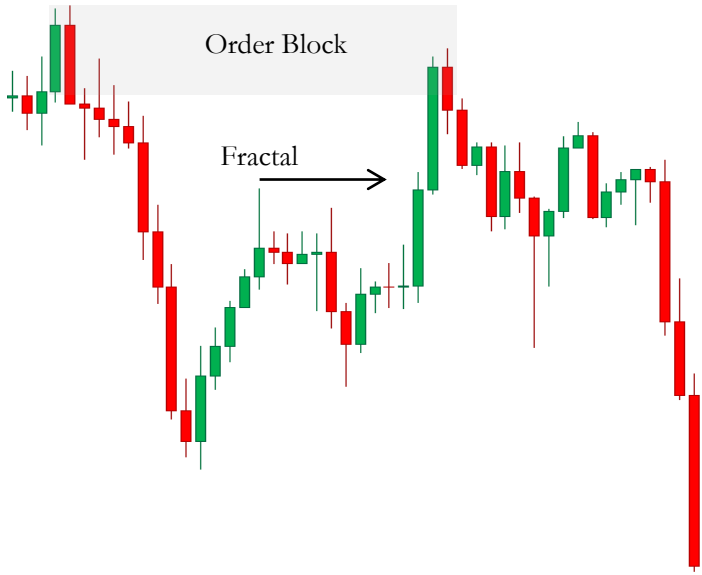


Figure 5.Variable

When multiple variables align, they create **high-probability trade setups**, allowing traders to execute trades with a greater level of confidence. Moreover, these market variables help traders **filter out noise** and avoid false signals. Instead of reacting impulsively to price fluctuations, traders can use these elements to assess market structure, confirm trade entries, and set appropriate stop-loss levels.

By integrating these variables into a systematic trading approach, traders can reduce uncertainty and enhance their decision-making process.

1.4 Visual Representations of Market Variables

Understanding market variables conceptually is crucial, but seeing them in action within price charts is what truly brings them to life. Visual representation helps traders recognize patterns, refine entry and exit strategies, and develop a deeper comprehension of market behavior.

1.4.1 Order Block Visualization

On a chart, an **Order Block** typically appears as a consolidation zone or a significant candle before a strong directional move. Traders often highlight these areas to identify potential retracement levels where price may react upon return.

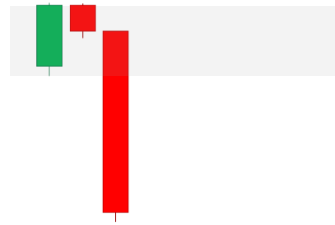


Figure 6.Order Block Visualization

1.4.2 Rejection Block Visualization

A **Rejection Block** is best identified through candlestick wicks or sudden reversals at key price levels. A long wick at a major resistance or support zone indicates rejection, signaling potential price reversals.



Figure 7. Rejection Block Visualization

1.4.3 Fair Value Gap (FVG) Visualization

An **FVG** appears as a noticeable price gap between consecutive candles, often marked by a large imbalance in market structure. Traders look for price to retrace and fill these gaps before resuming its trend.

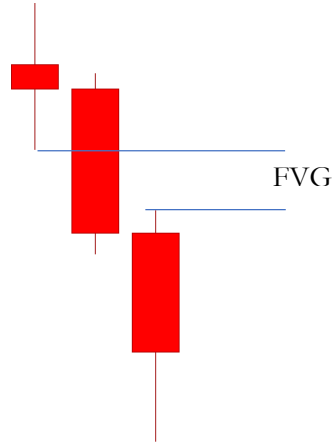


Figure 8. Fair Value Gap (FVG) Visualization

1.4.4 Fractal High/Low Visualization

Fractal Highs and Lows are best visualized as liquidity zones where price frequently reacts. These areas often coincide with stop hunts or liquidity grabs, resulting in sharp price reversals.

By consistently analyzing charts and identifying these variables in real-time, traders can enhance their ability to spot profitable trade setups and anticipate market movements with greater accuracy.

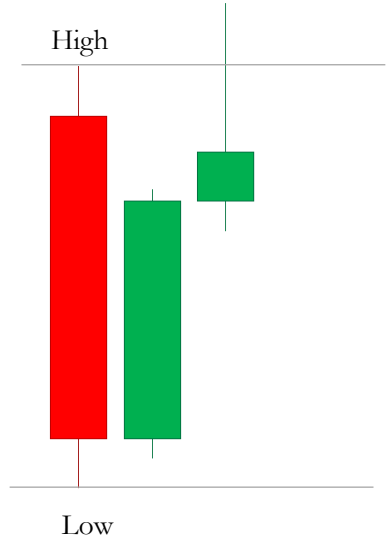


Figure 9. Fractal High/Low Visualization

CHAPTER 2

2.1 Functions of Market Variables

Market variables play a crucial role in defining price movements, helping traders anticipate market behavior with greater accuracy. While understanding the **Order Blocks, Rejection Blocks, Fair Value Gaps (FVGs), and Fractal Highs/Lows** is essential, knowing how these elements function within the market is what allows traders to execute trades with confidence.

Five key functions of market variables:

1. Volume Confirmation
2. Inducement
3. Trigger
4. Execution & Entry
5. Identifying Trouble Areas

2.1.1 Volume Confirmation

Volume is one of the most critical factors in confirming market moves. Without sufficient volume, price action can be misleading, resulting in false breakouts and unreliable signals.

i. Order Blocks (OB)
ii. Rejection Blocks (RB)
iii. Fair Value Gaps (FVG)

} Volume Confirmation

Market variables help traders determine whether price movements are supported by institutional participation or merely driven by short-term speculation.

For instance, when price revisits an **Order Block** with increased volume, it suggests that institutional traders are actively involved, making the level more significant. Conversely, if price revisits an **FVG** but lacks volume, the move may be weak, increasing the risk of a failed setup. Traders often use volume indicators alongside market variables to strengthen their analysis and confirm trade entries.

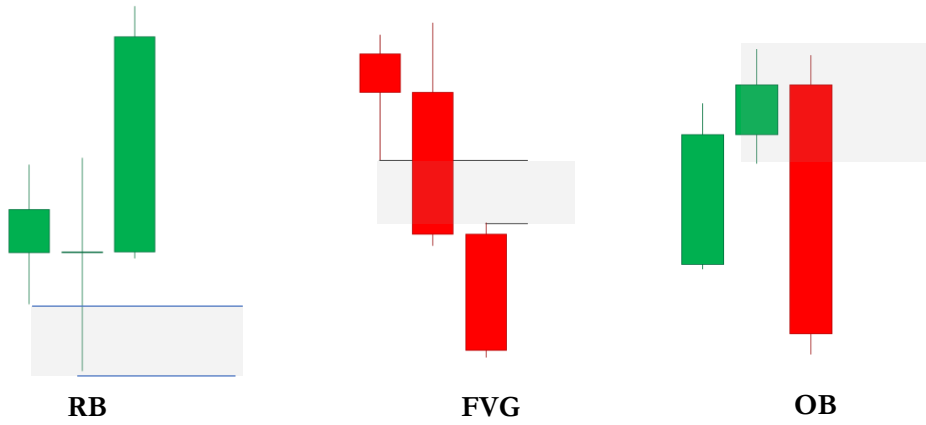


Figure 10.Volume Confirmation

2.1.2 Inducement

Inducement refers to market manipulation techniques used by institutions to trap retail traders and generate liquidity. Market makers often induce

traders into taking positions before executing their own orders, resulting in **stop hunts, liquidity grabs, or false breakouts**.

- Fractal Point } Inducement

Understanding how **Fractal Highs/Lows and Rejection Blocks** play into inducement is key to avoiding these traps.
For example, when price approaches a **Fractal High**, it often sweeps above it before reversing. This occurs because retail traders place stop-loss orders at these levels, providing liquidity for institutional traders to enter the market at better prices. Recognizing these setups helps traders avoid premature entries and position themselves for high-probability trades.

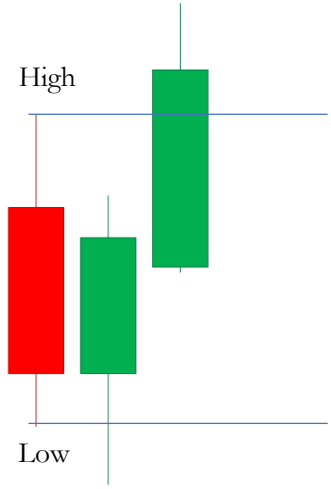


Figure 11.Inducement

2.1.3 Trigger

A **Trigger** is the final confirmation that a trade setup is valid. Market variables serve as triggers by signaling when price is likely to react and move in the expected direction.

i. Fractal Point
ii. FVG

} Trigger

For example, if price enters an **Order Block** and simultaneously fills an **FVG**, traders may look for additional signs such as a **candlestick rejection or shift in market structure** before executing a trade. Similarly, if price taps into a **Rejection Block** and fails to break through with strong momentum, it acts as a trigger for a potential reversal.

By understanding how these variables interact, traders can refine their trade execution process and avoid entering trades too early or too late.

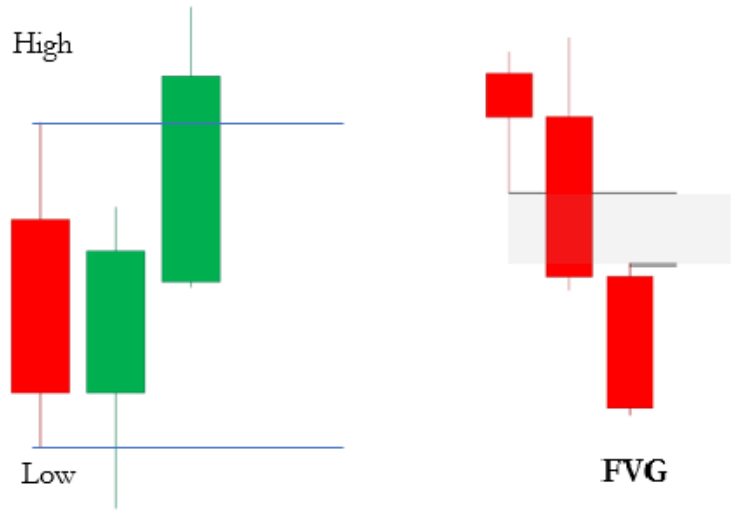


Figure 12.Trigger

2.1.4 Execution & Entry

Once a trigger is identified, traders must execute their trade with precision. Proper entry techniques ensure that traders maximize profit potential while minimizing risk.

Market variables provide **ideal entry points** by identifying where institutional traders are most likely to place their orders. Here's how they guide execution:

- **Order Blocks** act as re-entry points, allowing traders to enter in line with institutional positioning.
- **FVGs** indicate where price is likely to return before resuming its trend, offering optimal trade entries.
- **Rejection Blocks** signal strong resistance or support, confirming whether price is ready to reverse.

Traders use a combination of **market structure shifts, confirmation candles, and liquidity sweeps** to refine their entries. This approach ensures they are entering trades at high-probability zones while avoiding unnecessary risk.

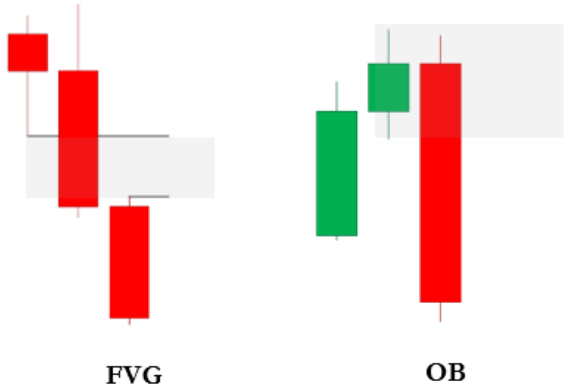


Figure 13.Execution & Entry

2.1.5 Trouble Areas

Even the best trade setups can fail if traders do not account for trouble areas—key levels where price may stall, reverse, or exhibit unpredictable behavior. Market variables help traders identify these zones in advance, allowing them to manage risk effectively.

Trouble areas include:

- **Unfilled FVGs** that may act as price magnets, causing unexpected pullbacks.
- **Liquidity Pools** where stop hunts and false breakouts frequently occur.

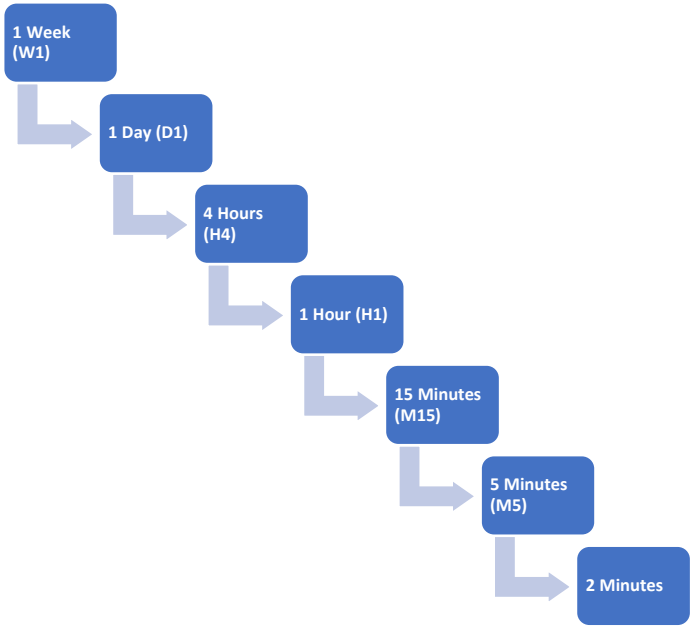
- **Rejection Blocks** that may prevent price from moving further in the desired direction.

By recognizing these areas, traders can set realistic profit targets, adjust stop-loss placements, and avoid entering trades at points of uncertainty.

CHAPTER 3

3.1 Overview of Trading Timeframes

Timeframes play a crucial role in market analysis and trade execution. They serve as structured intervals that allow traders to observe price movements at different levels of detail. In intraday trading, the most commonly used timeframes are:



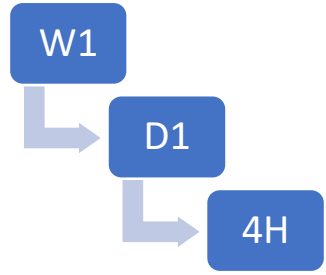
Each of these timeframes provides distinct insights into market trends, liquidity conditions, and price inefficiencies. The higher the timeframe, the stronger and more reliable the trading variables tend to be.

3.2 The Hierarchical Nature of Timeframes

Timeframes function in a hierarchical manner, much like a staircase. Each step down offers a more granular view of price action while being influenced by the broader trends and patterns of higher timeframes. This hierarchy can be summarized as follows:

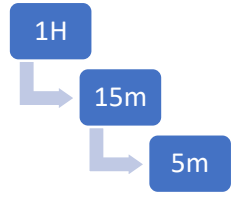
- **Higher Time Frames (HTF)**:

  These include the weekly, daily, and 4-hour charts. They establish major trends and identify key liquidity zones.



- **Lower Time Frames (LTF)**:

  These include the hourly, 15-minute, and 5-minute charts. They provide refined entry and exit points.



- **Micro Time Frames (MTF)**:

  The 2-minute chart is rarely used but can help in high-frequency trading for ultra-precise entries.

By understanding this hierarchy, traders can identify the most significant market moves and avoid low-probability setups.

3.3 Analyzing Markets from the Top Down

A structured approach to market analysis begins with the highest timeframe and moves downward:

1. **Start with HTF (W1, D1, H4)**: Identify major liquidity zones, inefficiencies, and strong order blocks.
2. **Move to LTF (H1, M15, M5)**: Look for confirmations such as fair value gaps, rejection blocks, or fractal points.
3. **Fine-tune with MTF (M2)**: If necessary, use micro timeframes for precise trade entries.

This top-down approach ensures that all trades align with the prevailing market structure, reducing the chances of false signals and poor trade execution.

3.4 Synchronizing Variables Across Timeframes

To effectively trade using multiple timeframes, it is essential to synchronize variables correctly. This means ensuring that:

- **Volume Confirmations (Order Blocks, Rejection Blocks, Fair Value Gaps)** appear in alignment across timeframes.
- **Inducement (Fractal Points)** triggers are positioned logically relative to volume confirmations.
- **Trade Entries and Exits** are supported by at least two or more synchronized variables.

CHAPTER 4

4.1 Understanding Symbols & Notation

To effectively utilize the Combo Algorithm strategy, it is essential to understand the symbols and notations used throughout the process. These symbols help define the relationship between different variables across multiple timeframes, making it easier to construct and interpret logical elements.

- **V (Variable)**

  Represents a specific price action element, such as an Order Block, Rejection Block, Fair Value Gap, or Fractal Point.

- **> (Greater than)**

  Indicates that one variable is positioned on a higher timeframe compared to another.

- **< (Less than)**

  Indicates that one variable is positioned on a lower timeframe compared to another.

- **= (Equal to)**

  Indicates that two variables are positioned on the same timeframe.

- **≥ (Greater than or equal to)**

  Used when an element can be on the same or a higher timeframe.

By mastering these symbols, traders can effectively interpret the logical relationships that form the foundation of the Combo Algorithm strategy.

4.2 The Six Logical Elements

Using only four variables, we can define six logical elements. These elements are grouped into three categories based on their function in the market.

4.2.1 Volume Confirmation & Inducement

4.2.1.1 [V1 -Inducement > V2- Volume Confirmation]

- This element confirms volume in the market by identifying an inducement (Fractal Point) at a higher timeframe, followed by a volume confirmation (Order Block, Rejection Block, or Fair Value Gap) at a lower timeframe.

Example:

A liquidity raid occurs on the 4-hour chart (Inducement), followed by an Order Block formation on the 1-hour chart (Volume Confirmation).

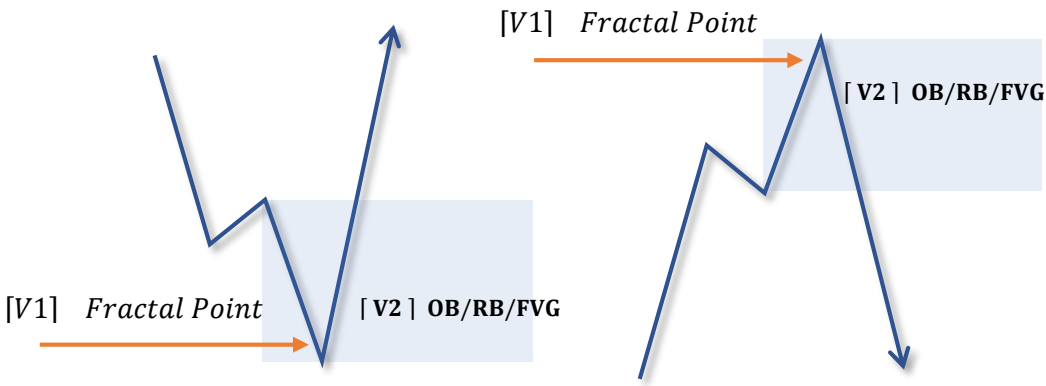


Figure 14.V1 -Inducement > V2- Volume Confirmation

4.2.2 Volume Confirmation & Volume Confirmation

4.2.2.1 [V1 -Volume Confirmation > V2 -Volume Confirmation]

- This logical element indicates that price first forms an Order Block, Rejection Block, or Fair Value Gap and later tests the same area, forming another confirmation at a lower timeframe.

Example:

A 1-day Order Block followed by a 4-hour Fair Value Gap confirms volume in the market.

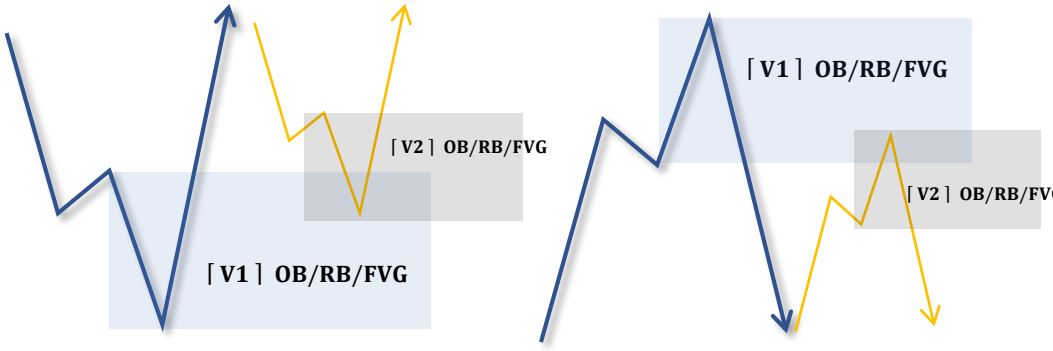


Figure 15.V1 -Volume Confirmation > V2 -Volume Confirmation

4.2.3 Volume Confirmation & Inducement (Entry)

4.2.3.1 [V1 -Volume Confirmation > V2 -Inducement]

- Here, the first variable is a Volume Confirmation (Order Block, Rejection Block, or Fair Value Gap), and the second variable is an Inducement (Fractal Point) positioned within or near the first variable.

Example:

A Fair Value Gap on the 1-hour chart, followed by a Fractal Low forming inside it on the 15-minute chart.

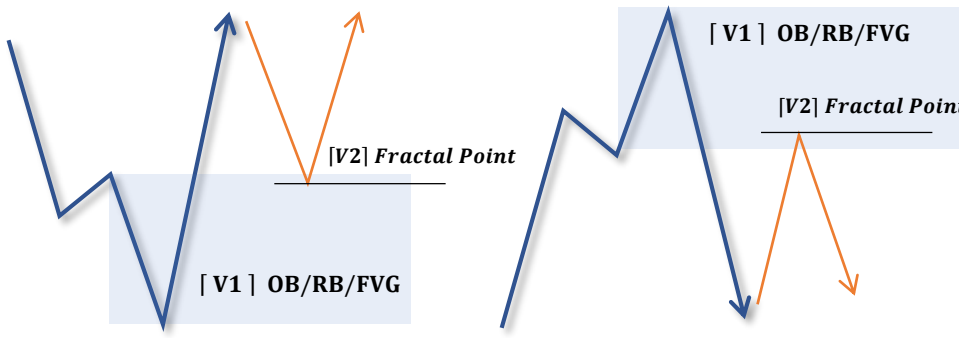


Figure 16. V1 -Volume Confirmation > V2 -Inducement

4.2.4 Volume Confirmation & Trigger

4.2.4.1 [V1 -Volume Confirmation > V2 –Trigger]

- The Volume Confirmation (Order Block, Rejection Block, or Fair Value Gap) must form first, with the Trigger (Fractal Point or Fair Value Gap) forming inside it.

Example:

A 4-hour Order Block followed by a 1-hour Fair Value Gap acting as a trigger.

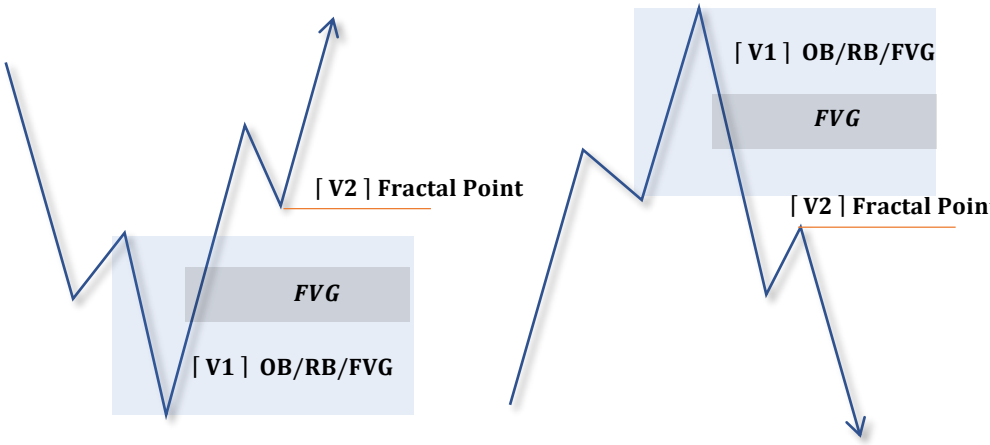


Figure 17.V1 -Volume Confirmation > V2 –Trigger

4.2.5 Trigger & Entry

4.2.5.1 [V1 Trigger > V2 Entry]

- The Trigger can be a Fractal Point or Fair Value Gap, and the Entry is confirmed when price raids liquidity and forms another Volume Confirmation (Order Block or Fair Value Gap) at a lower timeframe.

Example:

A 1-hour Fair Value Gap acting as a trigger, followed by a 15-minute Order Block serving as the entry point.

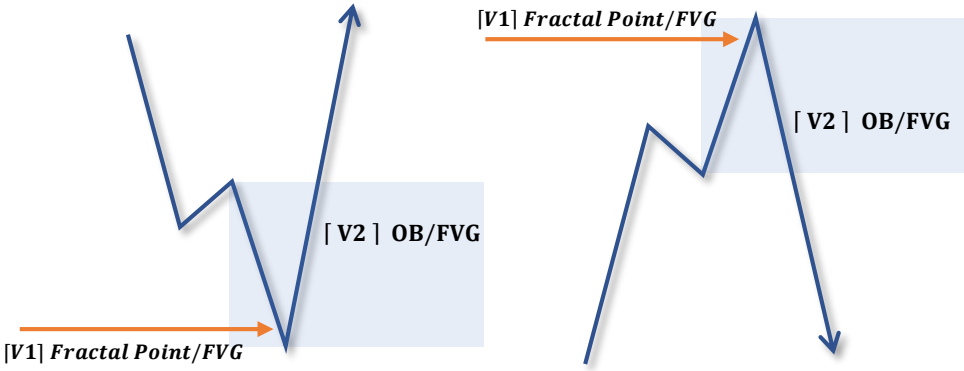


Figure 18.V1 Trigger > V2 Entry

4.2.6 Volume Confirmation & Entry

4.2.6.1 [V1 Volume Confirmation > V2 Entry]

- A Volume Confirmation (Order Block, Rejection Block, or Fair Value Gap) forms at a higher timeframe, and an entry-level is confirmed by another Order Block or Fair Value Gap at a lower timeframe.

Example:

A 15-minute Order Block confirming volume, followed by a 5-minute Fair Value Gap acting as the entry point.

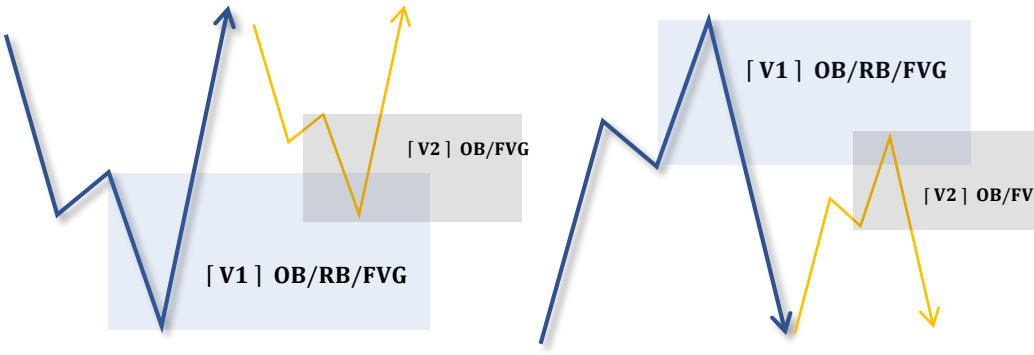


Figure 19.V1 Volume Confirmation > V2 Entry

4.3 How These Elements Form Market Structure?

The logical elements above provide the foundation for constructing reliable market structures. Understanding how these elements interact across multiple timeframes allows traders to:

- Identify **strong volume zones** where price is likely to react.
- Confirm **liquidity injections**, ensuring the market is ready for movement.
- Establish **entry triggers**, enabling precision in trade execution.

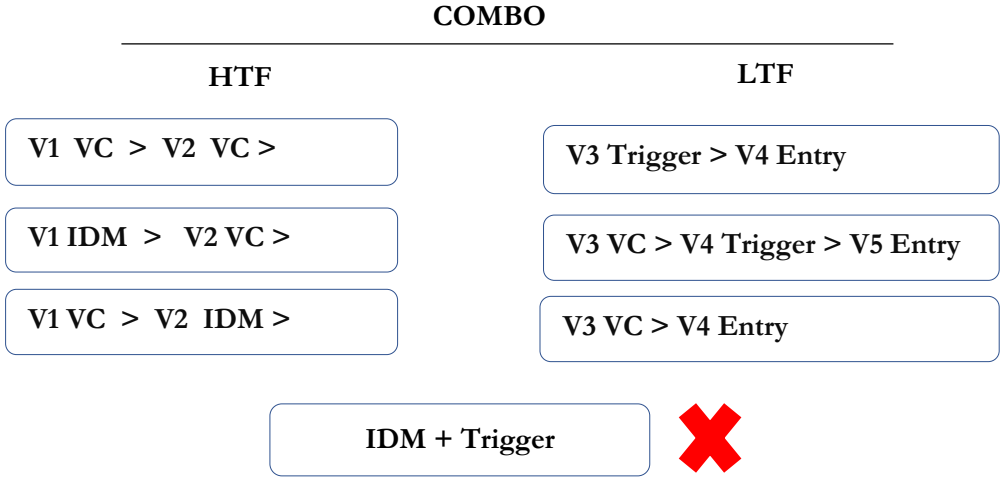
Every trading setup in the Combo Algorithm follows these principles. By combining Volume Confirmation, Inducement, and Entry triggers across High Time Frame (HTF) and Low Time Frame (LTF) structures, traders can maximize the probability of successful trades.
By practicing and recognizing these logical elements on real charts, traders can develop a systematic and disciplined approach to market analysis, ensuring consistent and strategic decision-making

CHAPTER 5

5.1 High Time Frame (HTF) & Low Time Frame (LTF)

The Combo Strategy is structured into two essential components: High Time Frame (HTF) and Low Time Frame (LTF). These two segments play distinct yet interconnected roles in identifying trade opportunities.

- **High Time Frame (HTF):** This part focuses on broader market trends and the formation of key market structures. It involves analyzing larger timeframes such as the 1-Day, 4-Hour, or 1-Hour charts. HTF setups provide the foundational confirmation needed before zooming into lower timeframes for precise entries.
- **Low Time Frame (LTF):** This part refines trade entries and risk management. LTF setups are usually derived from the 1-Hour, 15-Minute, 5-Minute, and occasionally the 2-Minute charts. Once an HTF confirmation is found, traders analyze the LTF for entry triggers and risk-reward assessments.



5.2 Identifying Logical Elements on the HTF

To identify logical elements on the HTF, traders must use specific market variables and price structures. The three key logical elements for the HTF stage are:

1. **V1 Volume Confirmation > V2 Volume Confirmation:**
   - When an Order Block, Rejection Block, or Fair Value Gap forms, followed by another Volume Confirmation on a lower timeframe.

V1 VC > V2 VC

2. **V1 Inducement > V2 Volume Confirmation:**
   - When a Fractal Point or liquidity raid occurs, followed by the formation of a Volume Confirmation (Order Block, Rejection Block, or Fair Value Gap) on a lower timeframe.

V1 IDM > V2 VC

3. **V1 Volume Confirmation > V2 Inducement:**
   - When an Order Block, Rejection Block, or Fair Value Gap forms first, followed by the presence of a Fractal Point inside or near the initial Volume Confirmation.

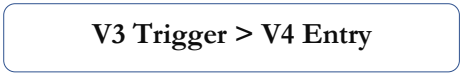
V1 VC > V2 IDM

If none of these three conditions are met, traders do not proceed to lower timeframes and instead wait for a suitable setup

5.3 Finding Entry Signals on the LTF

Once an HTF confirmation is found, the next step is to look for entry signals on the LTF using three primary logical elements:

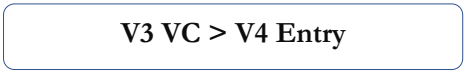
1. **V3 Trigger > V4 Entry:**
    - The trigger (Fractal Point or Fair Value Gap) must precede an entry signal (Order Block or Fair Value Gap).



2. **V3 Volume Confirmation > V4 Trigger > V5 Entry:**
    - This involves an additional Volume Confirmation step before the trigger and entry.



3. **V3 Volume Confirmation > V4 Entry:**
    - The Volume Confirmation is directly followed by an entry signal without an explicit trigger.



A crucial rule to remember is that **Inducement and Trigger cannot be combined**, meaning setups must follow one of the predefined structures to ensure optimal execution.

5.4 Rules for Inducement & Triggers

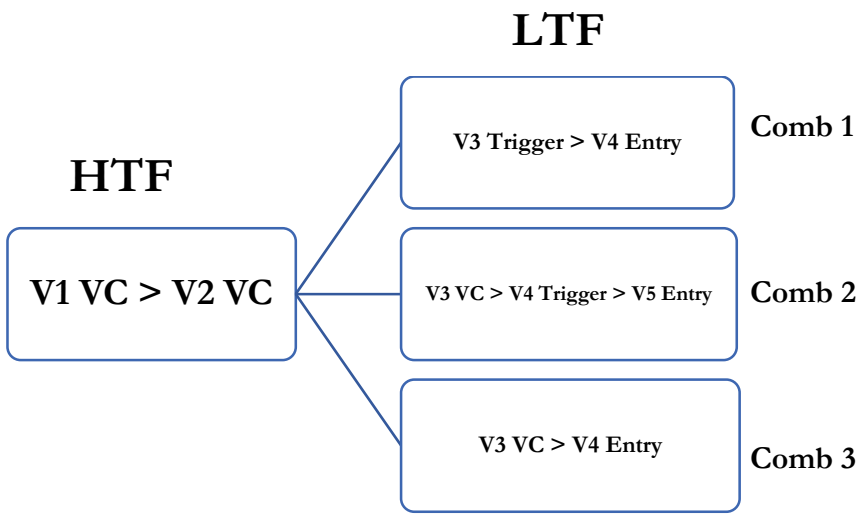
The "From Zone to Zone" rule is fundamental in understanding market flow. Price moves between liquidity and inefficiency, reinforcing that every move has a **Point of Interest (POI) and a Target**.

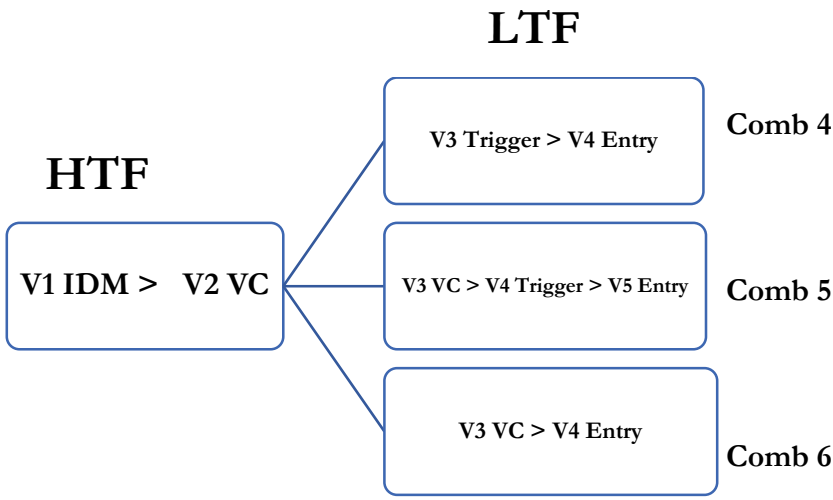
- **Trouble Area:** The nearest liquidity or inefficiency on the same timeframe as the POI (Variable 2 of HTF Combo).
- **First Trouble Area:** The nearest Fractal Point or Fair Value Gap equivalent to the trigger (Variable 3 of LTF Combo).

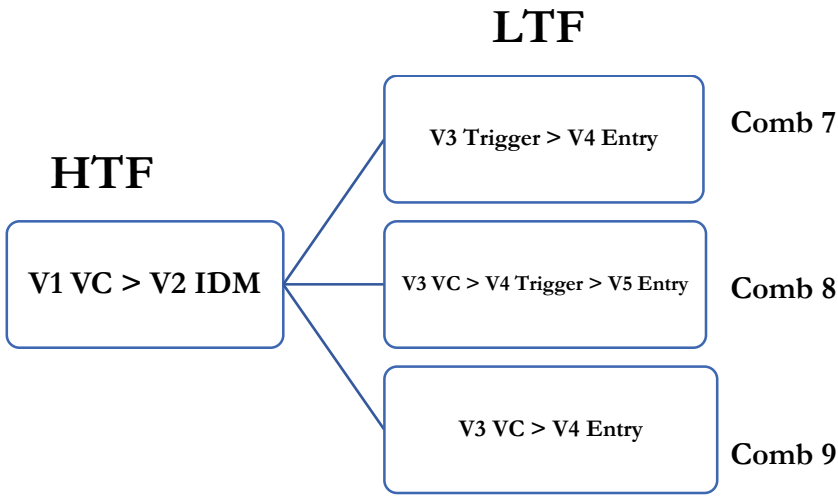
Correct identification of these areas helps traders manage risk and define profit targets effectively.

5.5 The nine Combo Trading Setups

There are nine possible combo setups that traders can use to enter the market based on HTF and LTF confirmations:




LTF
HTF
V1 IDM > V2 VC
V3 Trigger > V4 Entry
Comb 4
V3 VC > V4 Trigger > V5 Entry
Comb 5
V3 VC > V4 Entry
Comb 6


LTF
HTF
V1 VC > V2 IDM
V3 Trigger > V4 Entry
Comb 7
V3 VC > V4 Trigger > V5 Entry
Comb 8
V3 VC > V4 Entry
Comb 9

Each of these setups offers structured trade opportunities based on well-defined logical elements. By systematically applying these combinations, traders can enhance their ability to identify high-probability trade setups while maintaining disciplined risk management.

This chapter provides a structured approach to executing the Combo Strategy in a trading environment. By mastering the identification of logical elements, understanding market flow principles, and correctly applying combo setups, traders can improve their decision-making and optimize trade performance.

CHAPTER 6

6.1 The Trouble Area & First Trouble Area

"Zone to Zone Principle"

One of the fundamental rules in trading is the "From Zone to Zone" principle, which originates from the Smart Money Concept (SMC). This concept is based on the idea that price always moves from one zone of interest to another due to liquidity or inefficiency, which provides buying or selling volume in the market. Understanding this movement allows traders to predict price behavior and make strategic trading decisions.

The principle states that price moves from liquidity to inefficiency, and from inefficiency to liquidity

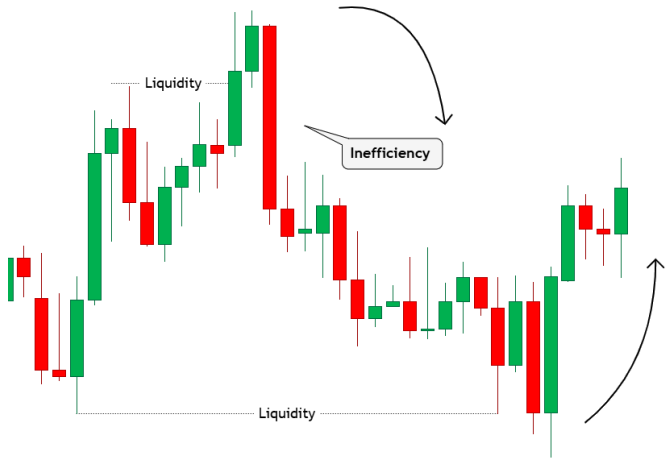


Figure 20.Zone to Zone Principle

For this to function correctly, all these zones must be located within the same time intervals. This ensures that each price movement has a cause (Point of Interest) and an effect (Target). This concept is essential for identifying optimal entry and exit points in trading. By applying this principle consistently, traders can avoid unnecessary trades and improve their overall success rate.

Additionally, the "From Zone to Zone" principle is especially useful when analyzing multiple timeframes. When a higher timeframe (HTF) zone aligns with a lower timeframe (LTF) structure, the probability of a successful trade increases significantly. This is why experienced traders always ensure that their entries and exits align with HTF zones before making decisions. Recognizing these zones and their significance is key to executing high-probability trades with confidence and precision.

6.2 Identifying Points of Interest & Targets

Points of Interest (POIs) are crucial areas in a chart where price action suggests a high probability of reversal or continuation. These areas are often defined by key variables such as:

i. Order Blocks
ii. Rejection Blocks
iii. Fair Value Gaps
iv. Fractal Highs and Lows

When analyzing a chart, traders should always start by identifying the POIs at higher timeframes (HTF) such as the daily (1D) or 4-hour (4H) chart. This ensures that the most significant and reliable zones are considered before moving to lower timeframes (LTF) for more precise entries. Once a POI is identified, traders must determine the potential target, which is another POI on the same timeframe.

This target could be:

- **A liquidity zone** (e.g., a significant high or low where stop-losses are placed)

- **An inefficiency zone** (e.g., Fair Value Gap that has yet to be balanced)

By using this structured approach, traders can determine whether a trade setup aligns with the overall market structure and increases the probability of success. Furthermore, recognizing how POIs interact with each other provides valuable insights into future price movements. For example, if price fails to reach a POI, it may indicate weakening momentum, signaling a potential trend reversal.

Additionally, POIs must be validated using confluence factors. A single POI may not be sufficient to enter a trade confidently. However, if multiple factors such as volume increase, candlestick confirmations, and Fibonacci retracements align with the POI, the likelihood of a successful trade improves. The key is to ensure that POIs are not analyzed in isolation but as part of a broader market structure to enhance decision-making.

6.3 Understanding Trouble Areas in Different Market Conditions

A **Trouble Area** is a zone where price may encounter difficulty in moving further due to an opposing force in the market. Recognizing these areas helps traders manage risk effectively and avoid unfavorable trades. There are two key types of Trouble Areas:

6.3.1.1 First Trouble Area (FTA)

The **First Trouble Area** is the initial obstacle that price may face after an entry. It is often found at a:

- **Fractal High or Low**
- **Fair Value Gap**
- **Order Block or Rejection Block**

If the price struggles to break through the FTA, traders must be prepared to exit early or adjust their stop-loss. The importance of identifying the FTA cannot be overstated, as it often determines whether a trade will be profitable or lead to a premature exit. Additionally, FTAs can act as decision points where traders can assess whether the trade setup remains valid or needs to be reconsidered.

6.3.1.2 General Trouble Area

This refers to a broader zone that could hinder price movement, typically found on the same timeframe as the POI. The Trouble Area is often where liquidity exists or where inefficiencies are partially filled. Trouble Areas can vary in size and significance, but they are particularly important when analyzing price movement during trending versus ranging market conditions.

Understanding Trouble Areas in different market conditions is essential for positioning trades effectively. In ranging markets, these zones are more frequent and cause price to consolidate, while in trending markets, they serve as key retracement levels where price either continues or reverses. By studying how price interacts with these Trouble Areas, traders can develop strategies to mitigate risk and maximize profit potential.

Additionally, different asset classes may have unique Trouble Areas based on their liquidity, volatility, and order flow characteristics. For example, forex markets may exhibit FTAs more frequently due to rapid price swings, whereas stock markets may have broader Trouble Areas due to institutional order placements. Recognizing these nuances can help traders refine their strategies for different market environments.

6.4 How to Use Trouble Areas for Take Profit & Stop Loss

Properly identifying Trouble Areas is crucial when setting take profit (TP) and stop loss (SL) levels. This ensures a balanced risk-to-reward ratio and increases the probability of profitable trades. By using Trouble Areas strategically, traders can safeguard their capital while maximizing gains.

6.4.1.1 Setting Take Profit Using Trouble Areas

Target the Next POI: Since price moves from zone to zone, the nearest POI can serve as a logical take profit level.

Adjust TP Based on Market Conditions: If the risk-reward ratio is unfavorable, traders may consider a more distant POI, ensuring that the trade remains worth the risk.

Monitor the FTA: If the price struggles at the First Trouble Area, traders may consider securing partial profits or closing the trade early.

Additionally, traders can use dynamic take profit levels based on moving averages, trend lines, or support/resistance zones. By dynamically adjusting TP targets, traders can respond to changing market conditions and optimize trade outcomes.

6.4.1.2 Placing Stop Loss Effectively

Below or Above the Entry POI: A common strategy is placing the stop loss just below (for buys) or above (for sells) the POI where the trade was initiated.
Using the Nearest Trouble Area: If price moves against the trade and reaches a key Trouble Area, it may indicate a failed setup, and exiting early minimizes losses.
Adjusting SL as Price Moves: If the trade moves favorably, trailing the stop loss based on Trouble Areas can help lock in profits while allowing the trade to run further.

Another effective method is using ATR (Average True Range) to determine stop loss placement. This ensures that the SL is set at a reasonable distance based on market volatility rather than arbitrary price levels. Additionally, traders can implement break-even strategies where the stop loss is adjusted to the entry point once price reaches a predetermined level, reducing the risk of losing capital.

By incorporating Trouble Areas into risk management strategies, traders can avoid unnecessary losses and maximize profits, ensuring a more structured and systematic approach to trading. Understanding how to adapt to market conditions and modify risk management techniques accordingly can help traders develop long-term consistency and profitability.

CHAPTER 7

7.1 HTF 1 & LTF 1 – A Common Setup

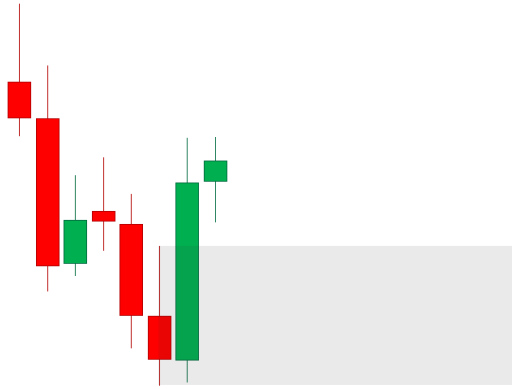
The first and one of the most commonly occurring combinations is HTF 1 and LTF 1. This setup follows a structured approach where we first analyze the high time frame (HTF) to establish a valid volume confirmation and then move to the low time frame (LTF) for trigger identification and entry.

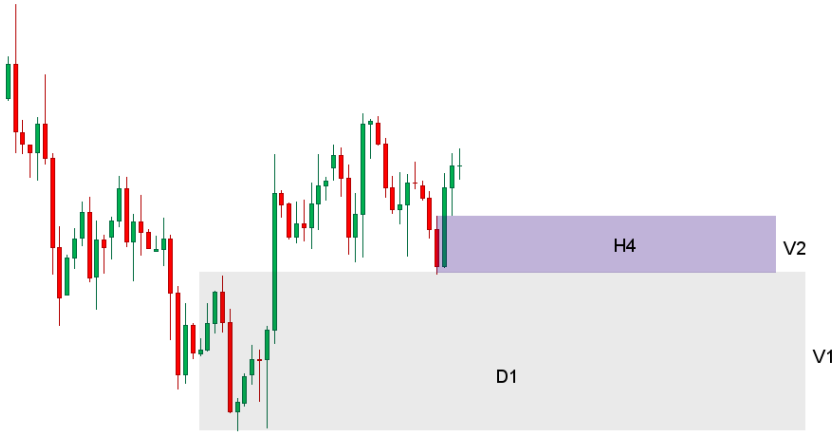
7.1.1.1 Step 1: Identifying HTF Logical Elements

The essential requirement for this setup is the logical element:

V1 Volume Confirmation > V2 Volume Confirmation

For example, on the 1-day chart, the price forms a bullish Order Block zone. This serves as Variable 1 (V1). The next step is to find Variable 2 (V2) on a lower timeframe, such as the 4-hour chart. If the price tests the bullish Order Block and forms a Fair Value Gap (FVG), this confirms volume, thus meeting the HTF condition.





7.1.1.2 Step 2: Moving to LTF for Entry Setup

Once the HTF conditions are satisfied, we shift to the LTF, looking for the following logical element:

V3 Trigger > V4 Entry

On the **1-hour chart**, the price forms an inducement (fractal point), serving as **Variable 3 (V3)**. We then switch to the **15-minute chart** to locate the **entry point**. If the price performs a **raid on the trigger (V3)** and subsequently forms an **Order Block or Fair Value Gap**, we identify this as **Variable 4 (V4)**, the entry zone.



7.1.1.3 Step 3: Determining the Take-Profit Target

For a valid trade setup, we determine the **Trouble Area** and **First Trouble Area**:

- **Trouble Area** is always positioned at the same timeframe as the Point of Interest (**V2 from HTF**), typically a **fractal point or FVG**.
- **First Trouble Area** is equal to the **Trigger (V3)**, which can often be a fractal point.

The take-profit level is set at the closest **fractal high** on the **4-hour chart**. If the risk-reward ratio (R/R) is acceptable (typically above 2.0), the position is executed.

7.2 Real-World Chart Analysis

The previous setups demonstrate theoretical approaches, but applying them to **real market conditions** is crucial for mastering the strategy. Let's analyze **two real-world examples** to validate these concepts.

7.2.1.1 Example 1: HTF 1 LTF 1 in a Bullish Market

- On the **1-day chart**, the price forms a **bullish Order Block (V1)**.



Figure 21.1-day chart

- On the **4-hour chart**, price retests this zone and forms an **FVG (V2)**.



Figure 22.4-hour chart

Price tested the bullish Order Block and forms a Fair Value Gap (FVG), this confirms volume, thus meeting the HTF condition.

V1 VC > V2 VC

- On the **1-hour chart**, a **trigger (V3 - Inducement)** appears.

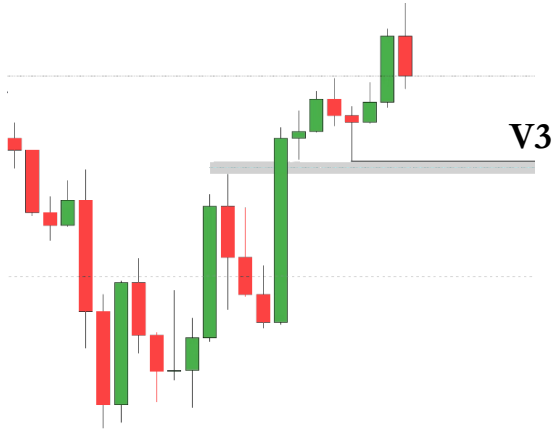


Figure 23.1-hour chart

- On the **15-minute chart**, price retests the trigger and forms an **Order Block (V4 - Entry)**.

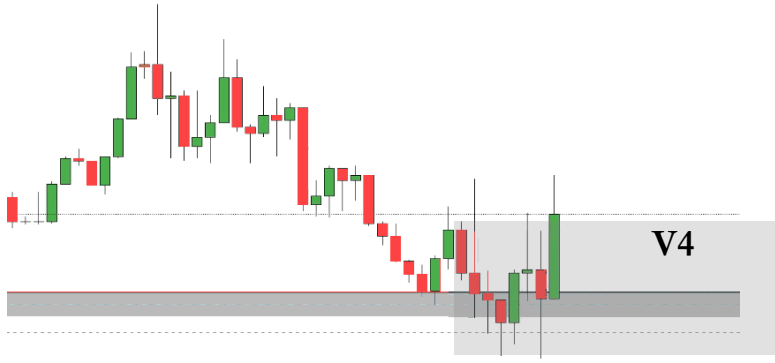


Figure 24.15-minute chart,

- The **trouble area** is the **4-hour fractal high**, offering an **R/R** making this a viable setup.

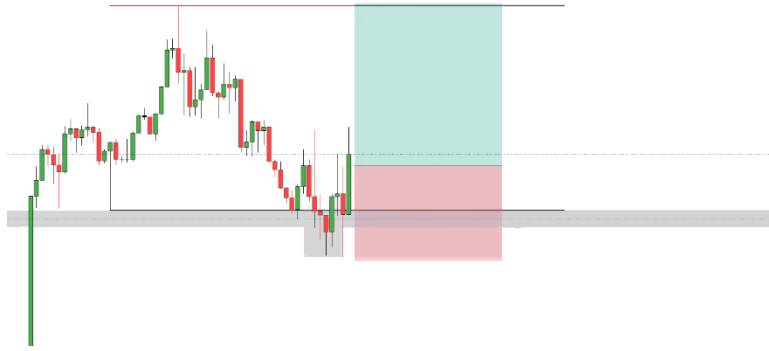


Figure 25.trouble area

7.2.1.2 Example 2: HTF 2 LTF 1 in a Bearish Market

- On the **4-hour chart**, equal highs (V1 Inducement) are visible.



Figure 26.4-hour chart

- On the **1-hour chart**, a liquidity raid occurs, forming an **FVG (V2)**.



Figure 27.1-hour chart

- On the **15-minute chart**, a trigger appears (**V3 Inducement**).



Figure 28.15-minute chart

- On the **5-minute chart**, an **Order Block (V4 Entry)** forms after the test.



Figure 29.5-minute chart

- The **trouble area** is the **1-hour fractal low**, providing an **R/R** making it a good trade.



Figure 30.trouble area

7.2.2 7.4 Back testing the Combo Algorithm

Back testing is a vital step in validating the effectiveness of the **Combo Algorithm** before applying it in real-time trading. The process involves:

7.2.2.1 1. Defining Test Parameters

- Select historical data from at least **3-6 months**.
- Use different market conditions: **trending, ranging, and high volatility periods**.
- Ensure data covers multiple asset classes (Forex, Stocks, Crypto).

7.2.2.2 2. Identifying and Recording Trades

- Apply the **HTF logical elements** to mark potential setups.
- Analyze the **LTF entry conditions** and validate execution points.
- Record key metrics: **entry price, stop loss, target, and risk-reward ratio (R/R)**.

7.2.2.3 3. Evaluating Performance Metrics

- **Win rate:** Measure the percentage of successful trades.
- **Average R/R ratio:** Ensure trades meet minimum **2:1 risk-reward**.
- **Drawdown:** Analyze losing streaks to assess risk management.

7.2.2.4 4. Refining the Strategy

- Identify weak points (e.g., failing setups in high volatility conditions).
- Adjust entry rules (e.g., requiring additional confirmation from HTF).
- Optimize stop-loss placement to reduce premature exits.

By rigorously backtesting the **Combo Algorithm**, traders can improve confidence in execution and refine their edge in live markets.

CHAPTER 8

8.1 **Risk Management**

The Combo Algorithm is a highly adaptable trading strategy that can be fine-tuned for different financial markets, including forex, stocks, and cryptocurrencies. Since each market has its own distinct characteristics, understanding how to customize the algorithm for different asset classes is crucial for improving performance, minimizing risks, and maximizing profitability. A comprehensive approach ensures that traders can navigate market fluctuations effectively while maintaining a structured strategy.

8.1.1 Adapting to Market Conditions

Forex Market: With its 24/5 trading schedule and high liquidity, forex markets often experience sharp trends and frequent fluctuations. Optimizing the Combo Algorithm in forex requires using higher timeframes such as the 1-Day and 4-Hour charts for Volume Confirmation, increasing the probability of entering trades in line with dominant trends. Additionally, monitoring economic news releases is essential to avoid unexpected price swings.

Stock Market: Stocks are heavily influenced by earnings reports, institutional activity, and macroeconomic events. To improve accuracy, traders should integrate the Combo Algorithm with fundamental analysis tools, such as earnings forecasts and sector performance. Identifying key levels of institutional accumulation can help refine entry points.

Cryptocurrency Market: Cryptos are notorious for extreme volatility and rapid price movements. Utilizing shorter timeframes, such as 15-minute and 5-minute charts, is effective for scalping and day trading. Meanwhile, higher timeframes like the weekly and daily charts help identify major trends and potential reversal points. Risk management is particularly important in crypto due to the market's susceptibility to sudden, unpredictable moves.

8.1.2 Timeframe Synchronization

- **Large Timeframes (1 Week, 1 Day):** Used for primary zones of interest and trend identification.
- **Mid-Timeframes (4 Hours, 1 Hour):** Help confirm setups, identify inducements, and establish trade direction.
- **Lower Timeframes (15 Minutes, 5 Minutes):** Provide precise entry points and trade execution timing.

By effectively synchronizing timeframes, traders can avoid unnecessary trades and focus only on high-probability setups, thereby improving overall consistency and profitability.

8.2 Managing Risk with the Combo Algorithm

8.2.1 Defining Risk Parameters

Risk management is a fundamental component of trading, and the Combo Algorithm incorporates structured risk parameters to minimize losses while maximizing gains. Traders should adhere to the following risk-management principles:

1. **Risk-Reward Ratio (RRR):**
    - Minimum acceptable ratio: 1:2 (risking $1 to gain $2)
    - Ideal ratio: 1:3 or higher to ensure long-term profitability

    - If the RRR falls below 1:2, reconsider the trade setup or seek better opportunities
2. **Stop-Loss Placement:**
    - Place stop-losses below/beyond the entry variable (such as Order Blocks or Fair Value Gaps)
    - Adjust stop-loss levels based on market structure and volatility to prevent premature exits
3. **Trouble Area & First Trouble Area:**
    - Identify potential reversal points to anticipate price reactions
    - The Trouble Area aligns with the Point of Interest (POI) timeframe, while the First Trouble Area aligns with the Trigger timeframe

8.2.2 Avoiding Overtrading

Overtrading can lead to unnecessary losses and emotional exhaustion. To prevent overtrading, traders should:

- Only trade when a fully confirmed Combo setup aligns across multiple timeframes.
- Set a strict daily/weekly limit on the number of trades to maintain discipline.
- Use alerts for trade opportunities rather than monitoring the charts excessively, reducing emotional trading decisions.

8.3 Position Sizing & Stop Loss Strategies

8.3.1 Position Sizing

Determining the correct position size is crucial for maintaining account stability. The recommended methods include:

1. **Fixed Percentage Risk:**
    - Risk 1-2% of total account equity per trade to prevent excessive drawdowns.

   - Adjust position size based on account balance to maintain consistent risk exposure.
2. **ATR-Based Sizing:**
   - Utilize the Average True Range (ATR) indicator to determine position sizes relative to market volatility.
   - ATR-based sizing helps adapt trade size according to changing conditions, minimizing risk in volatile markets.

8.3.2 Stop Loss Strategies

1. **Static Stop-Loss:** Placed at fixed points below/beyond key market levels to prevent excessive risk.
2. **Trailing Stop-Loss:** Adjusted based on price movement, allowing profitable trades to run while locking in gains.
3. **Break-Even Stop-Loss:** Moves the stop-loss to the entry point once price moves favorably by a certain amount, eliminating potential losses.

A well-placed stop-loss strategy is critical to preventing large account drawdowns while allowing trades enough flexibility to develop.

8.4 Avoiding Common Mistakes in Execution

8.4.1 Mistakes in Logical Elements

Errors in logical components can lead to suboptimal trade outcomes. Common mistakes include:

- Entering trades without proper Volume Confirmation or Inducement, resulting in low-quality setups.
- Failing to align timeframes properly, leading to inconsistent performance.

8.4.2 Overlooking Key Rules

1. **From Zone to Zone Rule:**
    - Every price movement should have a clear cause and effect, moving from a Point of Interest (POI) to a Target.
    - Price action flows between liquidity zones and inefficiencies, which traders should capitalize on.

2. **Avoid Combining Inducement & Trigger:**
    - Maintain clear distinctions between inducement signals and trade triggers to ensure precision in entries.

8.4.3 Ignoring Market Context

- Trading during high-impact economic events, such as Federal Reserve decisions or Non-Farm Payroll (NFP) reports, can result in unexpected volatility.
- Failing to analyze broader market structure leads to misaligned trades, reducing overall consistency.

8.4.4 Emotional Trading

- Emotional reactions to wins or losses can cloud judgment and result in impulsive decisions.
- Maintaining a structured trading journal helps track errors and identify behavioral patterns that need improvement.

By strictly following these principles, traders can maximize the efficiency of the Combo Algorithm while maintaining disciplined risk management. Proper execution ensures sustainable success, reducing emotional bias and increasing overall profitability.

APPENDIX

This section provides additional resources, references, and explanations to help readers further understand the Combo Algorithm:

- **Key Market Variables** (Order Blocks, Rejection Blocks, Fair Value Gaps, and Fractal Highs/Lows)
- **Logical Elements** used in trading setups
- **Risk Management Strategies** and tools for different market conditions
- **Common Trading Mistakes** and how to avoid them
- **Recommended Books & Resources** for further learning

GLOSSARY

- **Order Block (OB):** A price area where institutional traders accumulate positions before a significant price move.
- **Rejection Block (RB):** A zone where price fails to continue in a certain direction due to strong opposition.
- **Fair Value Gap (FVG):** A price imbalance caused by rapid market movement, often leading to retracements.
- **Liquidity:** The availability of active buyers and sellers in the market.
- **Stop Loss (SL):** A predefined level where a trade is exited to limit losses.
- **Risk-to-Reward Ratio (RRR):** A calculation that compares potential profit to potential loss.

ABOUT THE AUTHOR

Eng. Lutandula is a trader, strategist, and educator with extensive experience in financial markets. Through his expertise in market structure and algorithmic trading, he has developed the **Combo Algorithm**—a systematic approach to identifying high-probability trade setups. As the founder of LutaMarkets, he is dedicated to helping traders refine their skills and achieve consistency in their trading careers.

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