

SUPPLY AND DEMAND

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Supply and demand is a fundamental economic principle that describes the relationship between the quantity of a commodity available (supply) and the quantity buyers are willing to purchase (demand) at various price points.



Supply Curve:

Shows the quantity suppliers are willing to produce at different price levels.



Demand Curve:

Illustrates the quantity consumers are willing to buy at different price levels.



Equilibrium Point:

Where supply and demand curves intersect, determining market price.



Impact on Trading



Price Increases:

When demand exceeds supply

When supply decreases but demand remains constant



Price Decreases:

When supply exceeds demand

When demand decreases but supply remains constant

Identifying Supply and Demand Zones

1. Look for strong price reversals
2. Identify areas of consolidation before significant moves
3. Use volume analysis to confirm strong supply/demand areas

Trading Strategies



Buy at demand zones in an uptrend



Sell at supply zones in a downtrend



Use stop losses just beyond supply/demand zones

Tips

- Combine with other technical indicators for confirmation
- Be aware of false breakouts near supply/demand zones
- Consider the timeframe: longer-term charts often show stronger zones