POPULAR INDICATORS — TESTED! BOOK 1

SMART MONEY CONCEPTS

TESTED ON REAL DATA

What works. What doesn't.
Proof inside.



A user guide, popular setups put to the test, and two trend systems that passed a 12-market test.

MURAT BOZKURT

MR. BACKTESTER

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POPULAR INDICATORS — TESTED! · BOOK 1

Smart Money Concepts

A user guide, popular setups put to the test, and two trend systems that passed a 12-market test

MURAT BOZKURT

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All test results in this book are hypothetical and based on historical data. See the important notice on the next page.

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CHAPTER 1

The Smart Money Concepts indicator: what it is and how to read it

1.1 What is this indicator?

Smart Money Concepts (SMC for short) is a TradingView drawing tool that "reads" the price chart for you and marks the important points automatically. It does not give buy or sell signals. It shows the market's current direction, when that direction changes, and the zones where price may react.

"Smart money" refers to large players such as banks and funds. The idea behind the approach is simple: large players leave footprints on the chart. Sudden, strong moves, areas that price skipped through and left empty, and levels that are tested again and again are examples of those footprints. The indicator finds and draws these footprints according to fixed rules.

When you add it to a chart with the default settings, you see:

- Horizontal lines labelled **BOS** and **CHoCH**: they show that the trend is continuing or turning.
- **Coloured boxes (order blocks):** zones where price may come back and react.
- Dotted lines labelled **EQH / EQL**: highs or lows that formed at almost the same level.
- **Strong / Weak High and Low** labels: they tell you how "solid" the last major high and low are.

In the settings you can also switch on: price gaps (FVG), Premium/Discount zones, the previous day's/week's/month's high and low lines, and candles coloured by trend.

This guide explains each element in turn: what it is, how the indicator finds it, and what you should understand when you see it on the chart.

1.2 How does it work?

On every new candle the indicator follows the same sequence: first it finds highs and lows, then it checks whether price has broken them, and if it has, it writes a label and records an order block.

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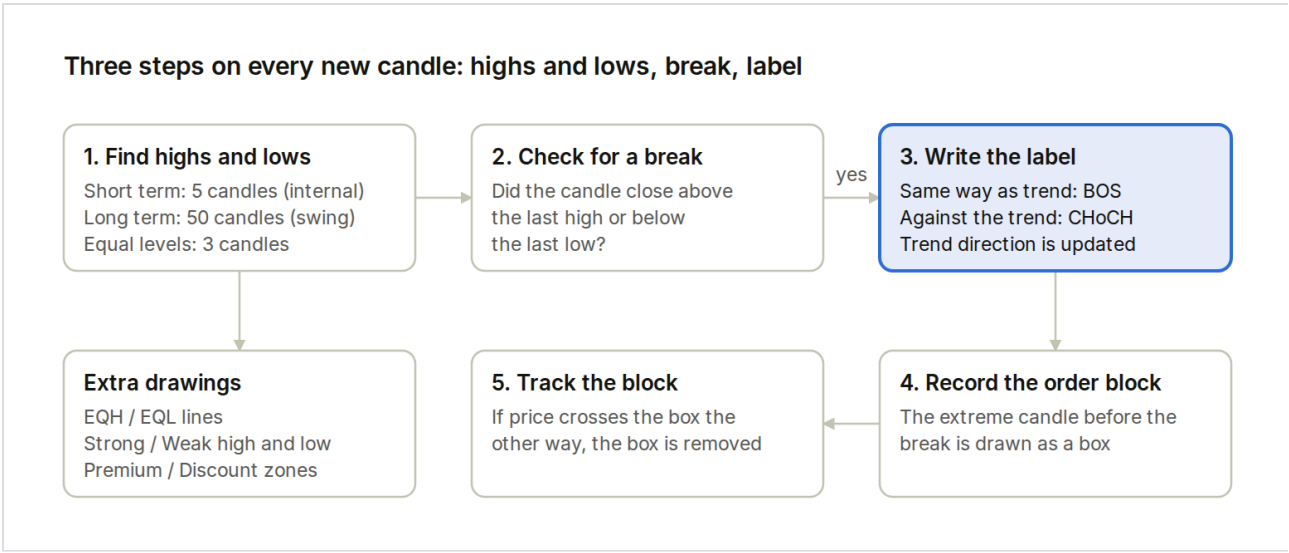


Figure 1.1 — How the indicator works

There are two important details. First, the indicator works at **two sizes** at the same time. The small scale (internal structure) captures short swings and is drawn with dashed lines. The large scale (swing structure) shows the main trend and is drawn with solid lines.

Second, a wick passing the level is not enough for a break. **The candle must close** on the other side of the level. This reduces false signals from momentary spikes.

1.3 Highs, lows and market structure

Everything starts with highs and lows. The direction of the trend is read from whether these highs and lows rise or fall relative to each other.

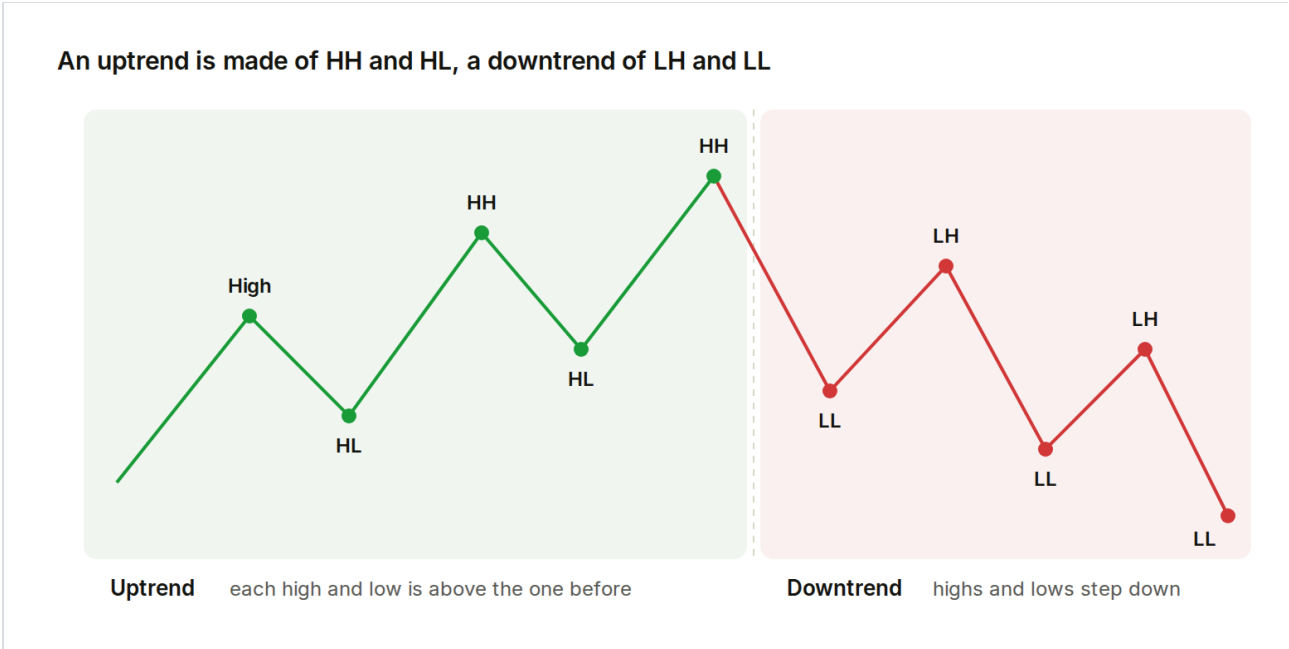


Figure 1.2 — Market structure: high and low labels

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The four abbreviations on the chart mean:

Label	Stands for	What it says
HH	Higher High	Buyers are strong, the rise continues
HL	Higher Low	Pullbacks are not as deep as before
LH	Lower High	Buyers are getting tired
LL	Lower Low	Sellers are in control, the fall continues

How does the indicator recognise a high? If the high of a candle is not exceeded by any of a certain number of candles that come after it, that point counts as a high. The same rule works in reverse for a low. By default this number is **50 candles** for swing structure and **5 candles** for internal structure.

This has a practical consequence: highs and lows are **confirmed late**. For a high to be confirmed in swing structure, 50 more candles must follow it. On a 1-minute chart that is about 50 minutes; on a 1-hour chart it is two days. When confirmation arrives, the label is written back onto the high.

Internal structure versus swing structure:

- **Internal Structure:** short-term, small swings. Drawn with dashed lines and small text. Shows corrections within the main trend.
- **Swing Structure:** long-term, large swings. Drawn with solid lines and larger text. Determines the main direction.

The HH, HL, LH and LL labels are hidden by default. To see them, tick **Show Swings Points** in the settings. The number next to it (50) sets how many candles the swing structure looks at.

1.4 BOS and CHoCH: continuation or reversal?

These two labels are the heart of the indicator. Both mean "price closed through an important level". The difference is whether the break goes with the current trend or against it.

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CHAPTER 3

Do the setups work in other markets?

No. We tested the rules set on gold, without changing anything, on five different markets. Neither of the two "successful" setups made a profit in any of the five. This chapter is the turning point of the book: it shows how misleading a result that looks good in a single market can be.

3.1 How was the test done?

The rules stayed exactly as they were locked in the gold test. For each market only two things were set, and both were fixed before any results were seen: trading hours (the hours when the market is most liquid) and a typical retail cost.

Market	Data (1 hour / 15 minutes)	Trading hours (MT5 server time)	Assumed cost (round trip)
Gold (XAUUSD)	from 2019 / 2022	09:00–20:00	0.30 USD/oz
EURUSD	from 2018 / 2022	09:00–20:00	1.0 pip
Oil (XTIUSD, WTI)	from 2019 / 2022	09:00–20:00	0.04 USD/barrel
S&P 500 (US500)	from 2018 / 2022	16:00–23:00 (New York session)	0.6 points
Tesla (TSLA)	from 2018 / 2018	No filter (trades only in the New York session)	0.06% of price
Bitcoin (BTCUSD)	from 2018 / 2023	No filter (24/7)	0.04% of price

Two data corrections were made. The Tesla data had not been adjusted for the 5-for-1 stock split on 31 August 2020; earlier prices were divided by 5. The oil data was checked for contract roll-over jumps; all large gaps were weekend gaps.

Why trading hours differ by market is a fair question. The 09:00–20:00 filter on gold covers the London and New York sessions. For indices and stocks, the main trading volume is in the New York session; for Bitcoin, it is spread across the whole day. The purpose of the filter was "the market's most active hours", and that definition was applied to every market with the same logic.

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3.2 Results

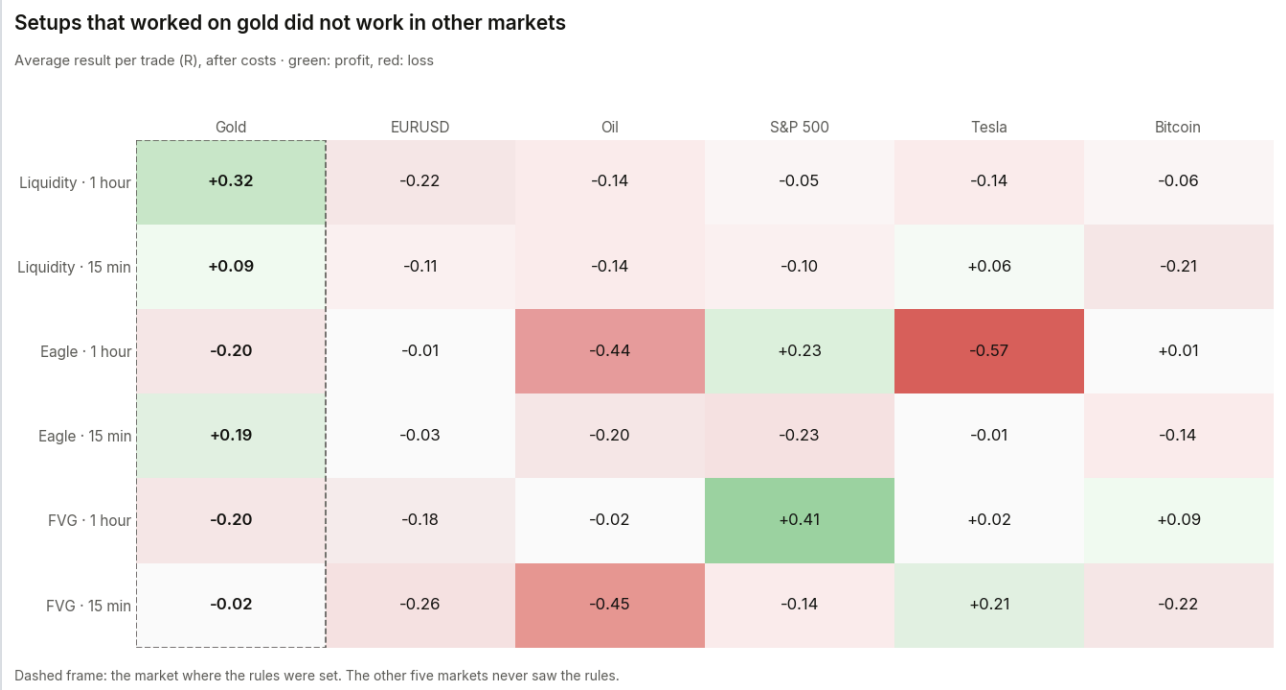


Figure 3.1 — 3 setups × 2 timeframes × 6 markets: average result per trade. MT5 data, 2018–2026

Of the thirty new results (five markets × six setups), only seven are positive. None of them belongs to the two ways of using the setups that did well on gold. Some of the scattered positives come from very few trades; for example, the +0.41R of the 1-hour FVG setup on the S&P 500 comes from 22 trades.

When we look at the five new markets together, the picture becomes clear:

Setup	Timeframe	On gold	5 new markets (trades)	5 new markets average	Probability that the average is above 0
Liquidity Hunter	1 hour	+0.32R	340	−0.12R	4%
Liquidity Hunter	15 minutes	+0.10R	266	−0.08R	13%
Eagle Eye	1 hour	−0.20R	198	−0.05R	28%
Eagle Eye	15 minutes	+0.19R	497	−0.13R	1%
FVG Sniper	1 hour	−0.20R	315	+0.01R	54%
FVG Sniper	15 minutes	−0.02R	577	−0.20R	0.2%

We also checked that cost was not the problem: even with zero costs, the two "successful" setups stay negative in the new markets.

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3.3 Where did the profit on gold come from?

The most likely explanation has two parts:

- **Gold itself.** Between 2019 and 2026 gold rose almost without a break from 1,500 USD to above 4,000 USD. Almost all of Eagle Eye's profit came from long trades. In a market this one-directional, almost any rule that buys dips looks good.
- **Luck and many attempts.** More than a hundred rule combinations were tried in the gold test. When you try many things, some turn out well by chance. Gold's own test period could not fully protect us from this, because that period was inside the same rise.

3.4 The lesson from this chapter

Before you trust a strategy, test it on markets you never looked at while setting the rules. A good result in a single market, even in a separate test period, is not enough evidence. In the next chapter we applied this lesson: we developed the rules on one group of markets and tested them on six new markets we had never seen.

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