PRECISION PIPS ACADEMY | TRADING FROM ZERO · LESSON 11

PREMIUM, DISCOUNT & EQUILIBRIUM

How to use dealing ranges to understand price location and avoid chasing entries

Welcome Back, Fam

Today: premium (the upper part of a selected range), discount (the lower part) and equilibrium (the midpoint). Have you bought gold after it had already rallied, then watched it retrace, or sold after a big drop just before it recovered? One possible reason is entering without considering where price sat in its broader dealing range. Our objective is not to assume price must reverse at premium or discount but to understand location and wait for evidence. (Hypothetical prices.)

1. What Is a Dealing Range?

A dealing range is a price range defined by a meaningful high and low: with a significant swing low at 4,000 and a significant swing high at 4,100, the range is 4,000–4,100. Gold at 4,090 sits near the upper boundary and at 4,010 near the lower: same range, different location. The highs and lows you select must be meaningful to your analysis; the quality of your range matters as much as the arithmetic.

2. What Is Equilibrium?

Equilibrium (EQ) is the midpoint: (range high + range low) ÷ 2. For 4,100 and 4,000 it is 4,050. It is not a guaranteed turning point; it is a reference some traders use when assessing retracements and the relative location of entries.



Figure 1: premium, equilibrium and discount.

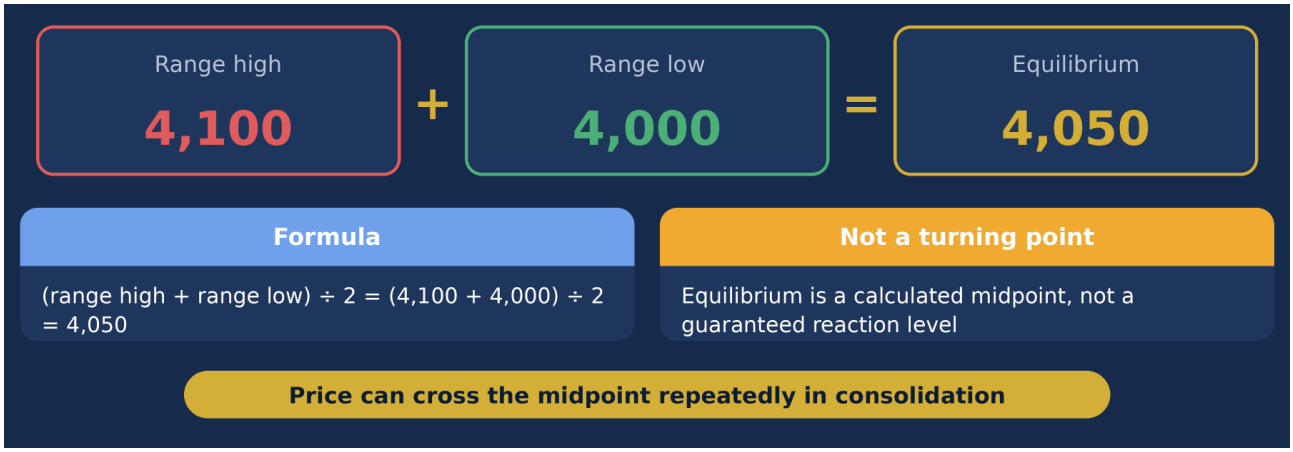


Figure 2: calculating equilibrium.

3. Premium and 4. Discount

Premium is the upper half (above 4,050 in our example). In many ICT-style models traders look for potential sells in premium when the broader context is bearish, then for evidence such as a reaction at resistance or a bearish OB, a swept buy-side liquidity, bearish displacement and a bearish MSS. It does not mean price is “expensive” in an absolute sense, and strong bull markets can stay in premium or extend beyond the range high. **Discount** is the lower half. With bullish H4 structure and a pullback, a trader may wait for price to return to discount and look for a support area or bullish OB, a sell-side sweep, bullish displacement, a bullish MSS and a bullish FVG. Discount does not mean price must rise: a market can keep falling through it.



Figure 3: how the two halves are used.

5. How to Calculate Them

Range 4,100–4,200: range size 100; equilibrium (4,200 + 4,100) ÷ 2 = 4,150; premium above 4,150, discount below. Price 4,180 is premium; price 4,120 is discount.

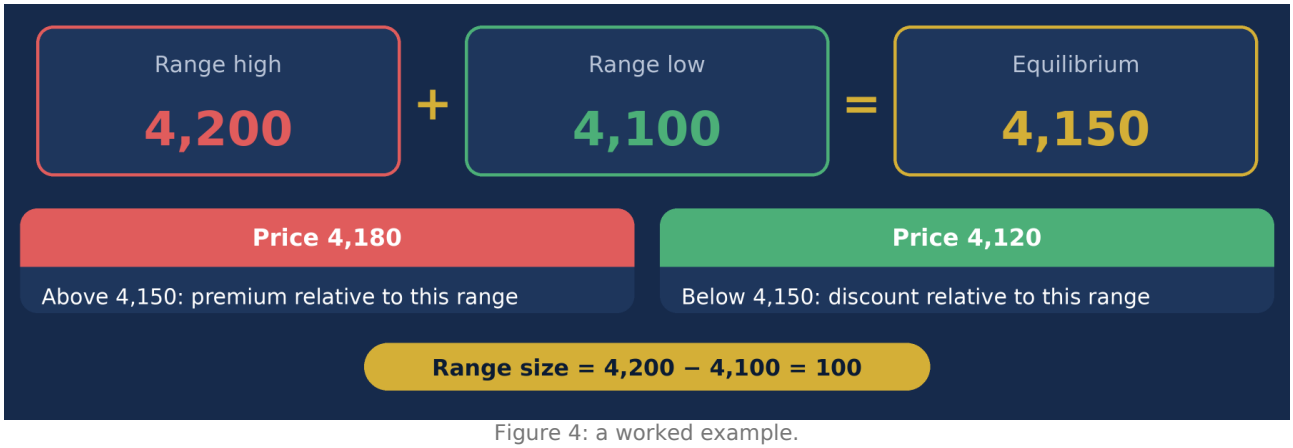


Figure 4: a worked example.

Added: use the formula, then a quick check
Premium and discount classification only needs two numbers. Always check that range high is greater than range low, and decide in advance what you will call a price exactly at the midpoint (equilibrium).

6. Choosing the Correct Dealing Range

This is where beginners go wrong: you can calculate equilibrium perfectly and still analyse poorly if you chose the wrong high and low. Different ranges give different midpoints and classifications. Choose a range relevant to your question; identify a meaningful swing high and low, confirm both belong to the range you intend to analyse, mark them before calculating, do not change boundaries because price is approaching an inconvenient area, and reassess if price breaks beyond the range.



Figure 5: matching the range to the question.

Selected range	High	Low	Equilibrium
Daily swing range	4,200	4,100	4,150
H4 swing range	4,170	4,110	4,140
H1 swing range	4,160	4,130	4,145

Added: a price of 4,148 is discount on Daily but premium on H4 and H1

Figure 6: different ranges, different midpoints.

7. Premium and Discount With Market Structure

Scenario A (bullish): H4 makes higher highs and higher lows, gold rallies 4,000 → 4,100 and pulls back. Define that swing as the range (EQ 4,050). Price retraces to 4,030, entering discount; a trader may investigate a sell-side sweep, bullish displacement and a structure shift. But discount alone is not enough: if price breaks the structure behind the bullish idea, reassess. Scenario B (bearish) mirrors this with a retracement to 4,075 in premium. Principle: bullish context + discount = an area to investigate for buys; bearish context + premium = an area to investigate for sells. These are preferences, not entry rules.

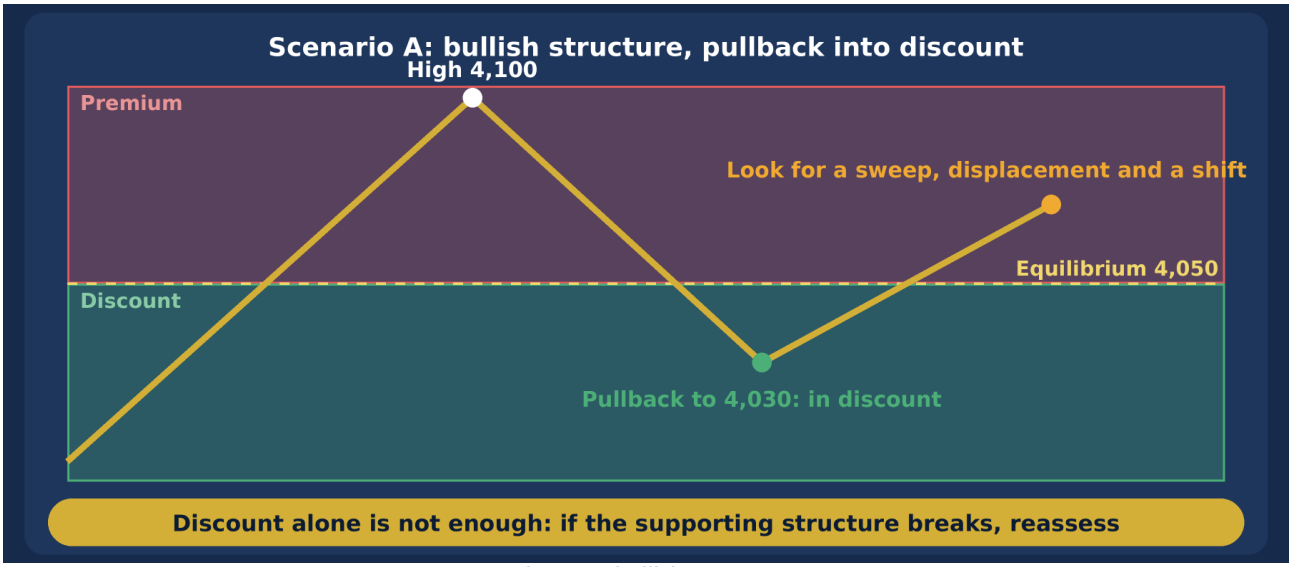


Figure 7: bullish context.

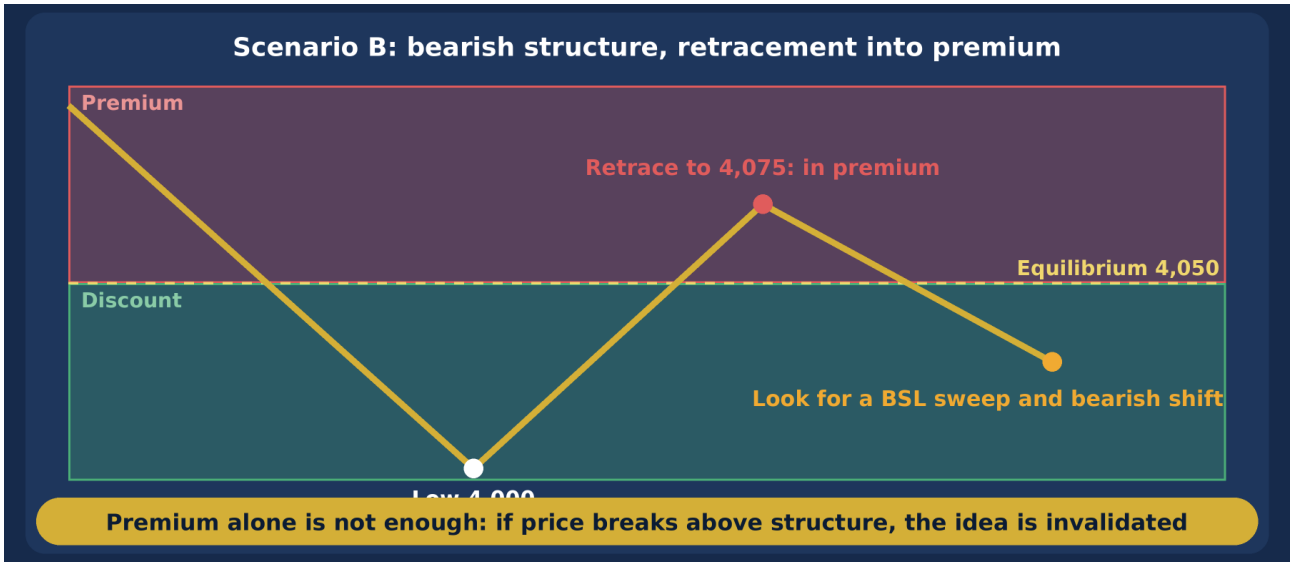


Figure 8: bearish context.

8. Premium and Discount With OBs and FVGs

With H4 bullish, range 4,000–4,100, a bullish OB around 4,020–4,030 and a bullish FVG around 4,030–4,038, both zones lie in discount. A trader may monitor them, but overlapping zones do not guarantee a setup. A bullish FVG in premium is not automatically invalid; some strategies treat premium/discount as strict filters, others as extra context. Understand your model and test its rules consistently.

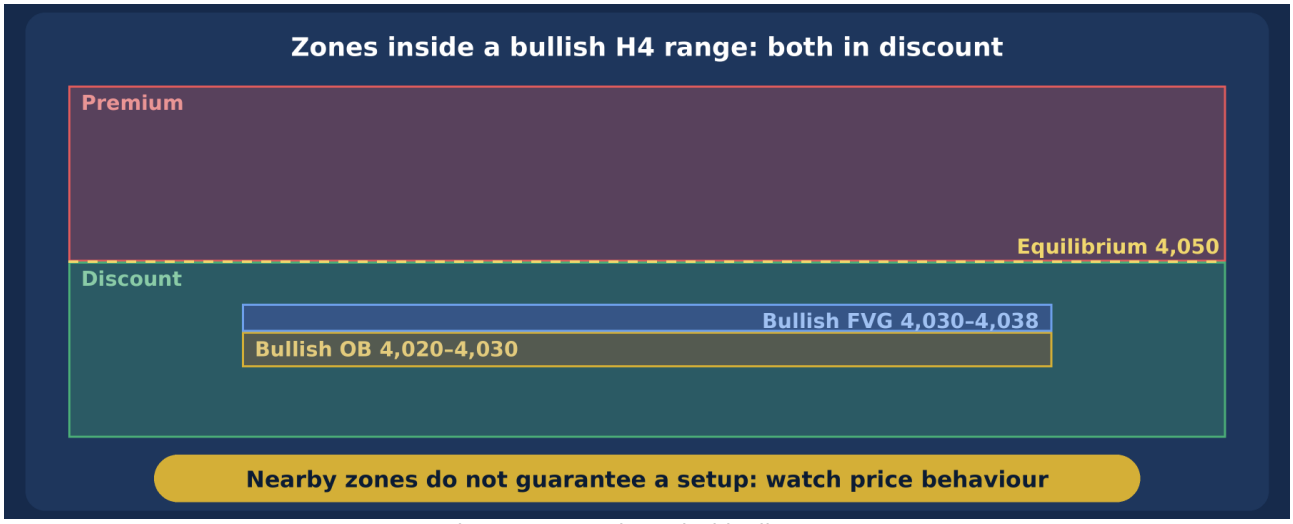


Figure 9: OB and FVG inside discount.

9. What Is Equilibrium Used for in Practice?

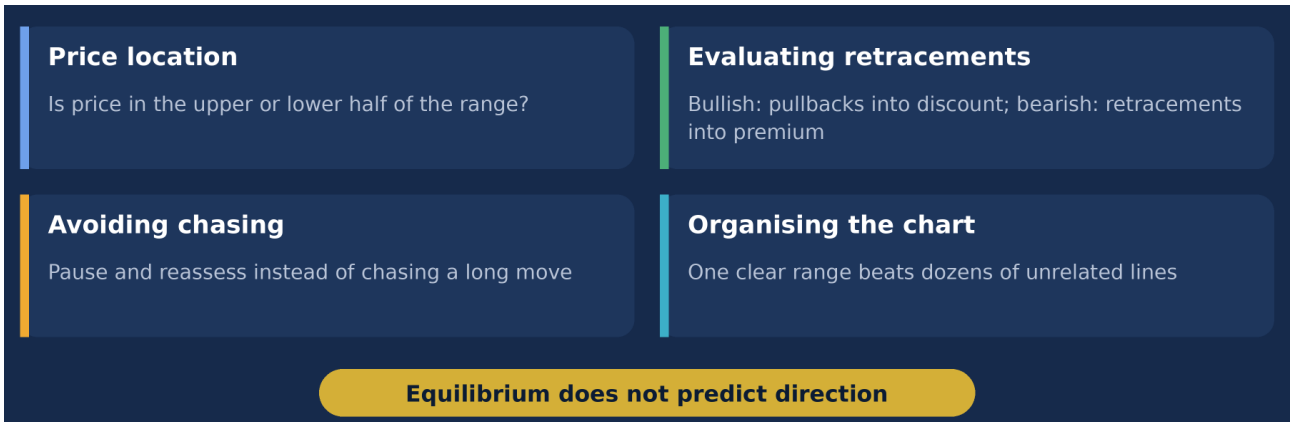


Figure 10: four practical uses.

Added: the OTE refinement
Some ICT traders also watch the 62%–79% retracement of a swing as an "optimal trade entry" zone. In a 4,000–4,100 bullish swing that is roughly 4,038 down to 4,021. It is optional and should be tested before use.

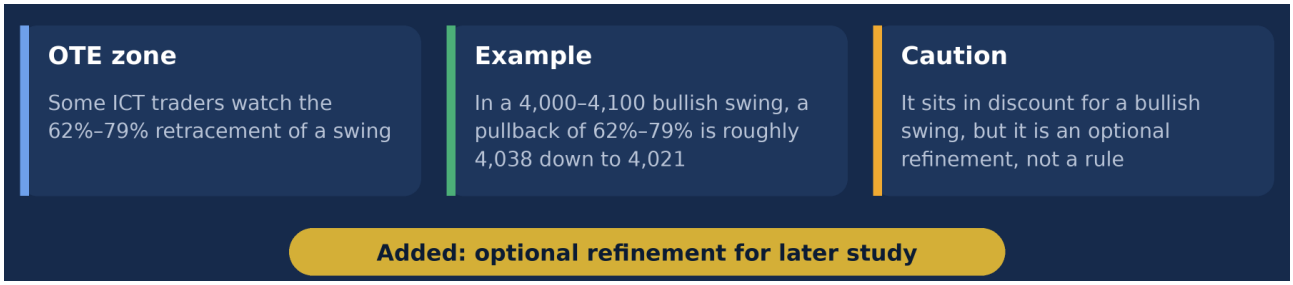


Figure 11: the optional OTE zone.

10. Common Mistakes



Figure 12: nine mistakes.

11. Your Top-Down Routine

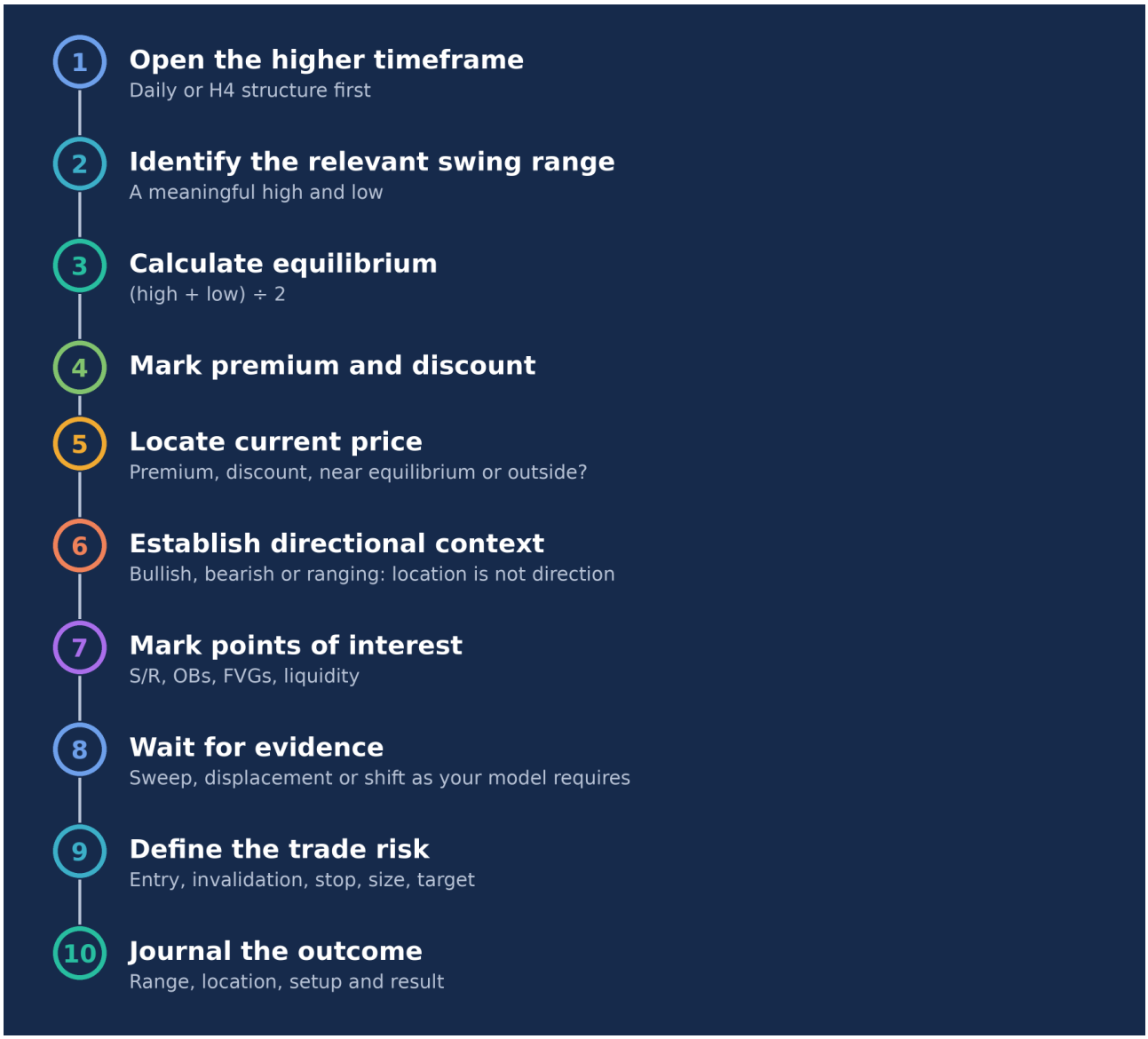


Figure 13: ten steps.

Key Takeaways

- Premium is the upper half of a selected range, discount the lower half, equilibrium the midpoint.
- A dealing range is a meaningful high-to-low range you select.
- Premium and discount describe location, not what price must do.
- Range choice matters: do not redraw it to fit a bias.
- Combine location with structure, liquidity, displacement and your entry model.

Knowledge Check

Q: What is a dealing range?

A: A meaningful high-to-low range selected for analysis.

Q: How do you calculate equilibrium?

A: (Range high + range low) ÷ 2.

Q: Range 4,100–4,200: equilibrium?
A: 4,150.

Q: Is 4,180 premium or discount in that range?
A: Premium.

Q: Does discount mean a trader should buy?
A: No: it is location only; structure, evidence and risk still decide.

Q: Why does the choice of range matter?
A: Different ranges give different midpoints and classifications.

Q: How can premium and discount help evaluate a bullish OB?
A: Check whether it sits below the midpoint, as some models prefer, without treating that as a guarantee.

Q: H4 bearish and price retraces into premium: what else might you look for?
A: A BSL sweep, bearish displacement, a structural shift and a defined entry area.

Q: Can price stay in premium or discount for long?
A: Yes.

Q: Price breaks beyond your selected range?
A: Reassess whether that range is still useful.

Homework: Map Premium, Discount and Equilibrium

- On H4 choose a meaningful recent swing high and low, calculate the midpoint and label premium and discount.
- Record range high, range low, equilibrium and the price you are analysing, and where it sits (use real chart values).
- Add context: structure, nearby OB/FVG/liquidity, what confirmation you would need and what would invalidate.
- Complete the conclusion sentences, including what you would not enter merely because of.

Added: Glossary

Term	Meaning
Dealing range	A selected meaningful high-to-low range.
Equilibrium	Midpoint of the range.
Premium / discount	Upper / lower half.
OTE	Optional 62%–79% retracement zone used by some ICT traders.

Next lesson
Lesson 12: Trading Sessions, Killzones and Time of Day.

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