PSEDYS | TECHNICAL REFERENCE MANUAL V3.0

Liquidation Levels — Liquidation Levels

Technical Reference Manual v1.0

PSEDYS | Complete Edition
Liquidation Heatmap · Leverage Calculator · Cascade Risk · Coinglass · Stop Hunt vs Liq Hunt · MTF · PSEDYS

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1. What are Liquidation Levels? Concept

Liquidation Level = the price at which an exchange **forces the closure of a position** because the margin has fallen below the required minimum (Maintenance Margin).

Utility for trading: Areas with a high concentration of liquidations become **targets for Smart Money** — the market is pushed to those levels to execute those liquidations (similar to stop hunt, but more violent).

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2. Calculation of Liquidation Level

```
Long Position:
  Liq_Price = Entry_Price × (1 - 1/Leverage + Maintenance_Margin%)

Short Position:
  Liq_Price = Entry_Price × (1 + 1/Leverage - Maintenance_Margin%)

Maintenance Margin standard: 0.5% (Binance/Bybit futures)

Examples:
  Long BTC 10x @ 65000:
    Liq = 65000 × (1 - 0.1 + 0.005) = 65000 × 0.905 = 58,825

  Long BTC 20x @ 65000:
    Liq = 65000 × (1 - 0.05 + 0.005) = 65000 × 0.955 = 62,075

  Short BTC 10x @ 65000:
    Liq = 65000 × (1 + 0.1 - 0.005) = 65000 × 1.095 = 71,175

  Short BTC 5x @ 65000:
    Liq = 65000 × (1 + 0.2 - 0.005) = 65000 × 1.195 = 77,675
```

3. Liquidation Heatmap

```
Liquidation heatmap (Coinglass, Hyblock):
  Displays the concentration of liquidations per price level
  More intense colors = more USD liquidations at that level

Dense levels:
  Long Liquidations Clusters = areas where Longs will be liquidated
  → Market tends to move down towards them (smart money sells → longs liquidated → cascade)

  Short Liquidations Clusters = areas where Shorts will be liquidated
  → Market tends to move up towards them (short squeeze → cascade)

Liquidations in USD: coinglass.com/LiquidationData or /LiquidationHeatmap
```

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4. Liquidation Cascades

```
Cascade mechanism:
  1. Price drops towards Long Liq Level cluster
  2. Initial Longs get liquidated → automatic market sell orders
  3. Automatic sales push the price even lower
  4. More Longs get liquidated → more sell orders
  5. Cascade: price drops rapidly with high volume ("liq wick")

Visual on chart:
  Long rapid wick followed by recovery = liquidation cascade reached
  "Liq wick" = bar with large H-L, extreme volume, rapid recovery

Long Liq Cascade = Visible lower wick
Short Liq Cascade = Visible upper wick (spike)
```

5. Trading Signals

```
Long Liq Level cluster identified at 62000 (below current price 65000):
  → Smart money may push towards 62000 to liquidate longs
  → If price hits 62000 with liq cascade: aggressive Long entry
    (cascade exhausted → rapid bounce)

Short Liq Level cluster at 70000 (above price 65000):
  → Short squeeze if price hits 70000
  → Anticipated Long entry at 68000 (before cluster) with TP at 70000+

Usage for SL placement:
  DO NOT place SL at round or obvious levels
  Smart money knows where retail SLs are
  SL = below/above a NON-OBVIOUS level (e.g., −0.3×ATR from support, not exactly at support)
```

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6. Liquidation vs Stop Hunt

```
Stop Hunt: market hits retail SLs (stop orders)
  → Activation of stop orders → market orders flood the market
  → Similar to liquidation cascade but on positions with explicit SL

Liquidation Hunt:
  → Positions without explicit SL (or SL too far)
  → Exchange forcibly liquidates at Liq Price
  → More violent than stop hunt (exchange does not negotiate)

Practical difference:
  Stop Hunt: short wick, rapid recovery (stops executed)
  Liq Cascade: longer wick, extreme volume, recovery may take longer

  Both are entry opportunities in the opposite direction of the sweep
```

7. MTF and PSEDYS

```python
# Calculate liq level for position
def liq_price(entry, leverage, direction, mm_rate=0.005):
    if direction == 'long':
        return entry * (1 - 1/leverage + mm_rate)
    else:
        return entry * (1 + 1/leverage - mm_rate)

# Check distance to liquidation
def distance_to_liq(current_price, liq_price_val):
    return abs(current_price - liq_price_val) / current_price * 100

# Example
entry = 65000; leverage = 10; direction = 'long'
liq = liq_price(entry, leverage, direction)
print(f"Liq Price: {liq:.0f}")  # 58825
print(f"Distance: {distance_to_liq(65000, liq):.1f}%")  # 9.5%
```

PSEDYS: Heatmap from Coinglass API (external). Own liquidations calculated from `client_positions` + leverage.

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8. Practical Exercises

Exercise 1: BTC Long 10x at 65000 — where is Liq?

Calculation:

```
Liq = 65000 × (1 - 0.1 + 0.005) = 65000 × 0.905 = 58,825
Distance: (65000-58825)/65000 = 9.5%

At ATR(4H)=1500: 9.5% = 6.2× ATR → SL at 2×ATR = 62000 → real risk before liq
Recommended: SL at 62000 (SL hit before Liq = control risk)
```

Exercise 2: Short Liq Cluster at 68000 with price at 65000

Situation: Heatmap shows large Short Liq cluster at 68000. Current price 65000.

Answer: Long setup with TP at 68000+. Short Liq Cluster = if price reaches 68000, massive short squeeze (cascade of close shorts). Long entry at 65500 with SL 64800. TP1 = 67000; TP2 = 68500 (above cluster, post-cascade). Timing: wait for bullish BOS on 1H for confirmation.

9. Cheat Sheet

Concept	Value / Formula
Liq Long	`Entry × (1 - 1/Lev + MM%)`
Liq Short	`Entry × (1 + 1/Lev - MM%)`
MM% standard	0.5% (Binance/Bybit)
Liq 10x Long	~9.5% below entry
Liq 20x Long	~4.5% below entry
Cascade	Automatic liq → market orders → price accelerates
Liq Wick	Bar with extremely long wick + volume + recovery
Cluster Liq Level	Area with many Long/Short at the same price
Stop Hunt vs Liq	Stop hunt: explicit SL; Liq: margin exhausted
Entry at liq cascade	Post-wick (cascade exhausted) → counter direction
SL placement	NOT at obvious levels (round, exact support)
Sources	Coinglass heatmap, Hyblock, CryptoQuant

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