Premium and Discount

Where price sits inside its own range — and why that settles your risk before it settles your direction.

01 Every move becomes a range

A leg runs from where it started to where it stopped. The moment it stops, it stops being a move and becomes a measuring stick: the extreme it reached is the **0**, the origin it came from is the **1**, and every price between them is a fraction of that distance.

Split it in half at equilibrium — **EQ**, the 0.5. The half holding the **1** is the **discount**: the retracement side, where you are being offered a good price for the direction the leg just went. The half holding the **0** is the **premium**.

LEG	DISCOUNT IS	BECAUSE
Ran up	the lower half	the 1 is the low it came from
Ran down	the upper half	the 1 is the high it came from

> This is worth being precise about, because it is the opposite of the reflex. On a leg that ran down, the *cheap-looking* half is the bottom — and that is the premium. You are selling into strength, so a good price is a high one. **A note on terms:** this guide uses its own convention, where discount always means the retracement half. Most material elsewhere simply calls the half above EQ premium and the half below it discount. On a leg that ran up the two agree; on a leg that ran down they are reversed.

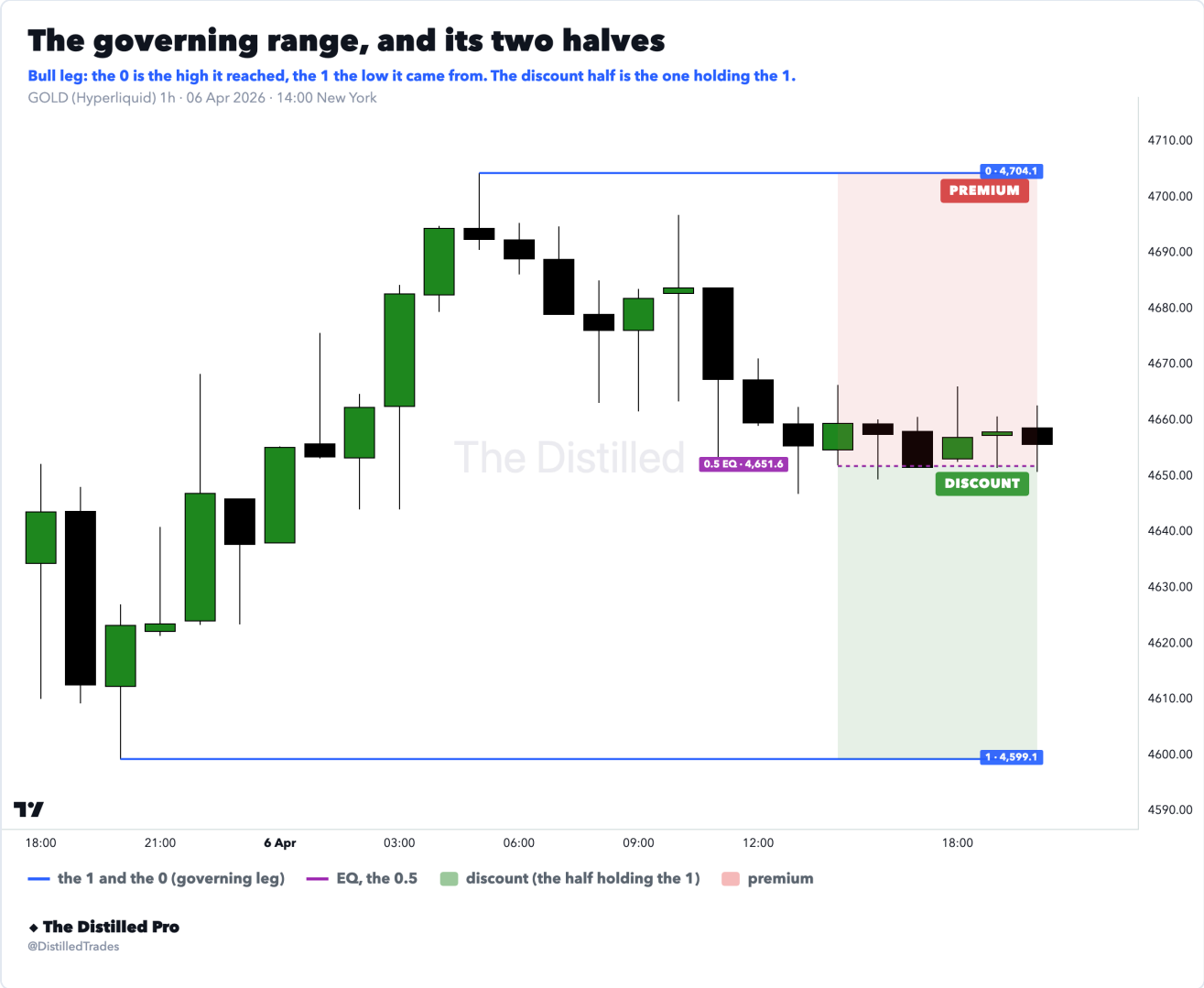
Discount is not about price being low. It is about price being good for the trade the leg is offering.

02 A governing range, drawn by rule

Nothing here is placed by hand. The 0 and the 1 are the two ends of a governing leg found by a fixed rule — a Python port of The Distilled Ladder's governing swing chain, run on four-hour candles — and the EQ is halfway between them.

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GOLD (HYPERLIQUID) · 1H · 5-6 APRIL 2026, NEW YORK TIME · A BULL LEG AND ITS TWO HALVES



The leg ran **up**: the 0 is the high it reached, 4,704.1 at 05:00 on 6 April; the 1 is the low it came from, 4,599.1 at 20:00 on 5 April. So the discount — green — is the **lower** half, and it is the half a long is looking to buy into. Note the shading starts at 14:00, when the four-hour swing that ended the leg was confirmed, not at the left edge: the range did not exist before the leg that defined it was known to have finished.

> The levels only start where they became knowable. A range drawn back across bars that predate it is the most common way a chart is made to look more obvious in hindsight than it was at the time.

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03 It is a risk statement, not a prediction

The reason to care about discount is not that cheap things go up. It is what discount does to the shape of the trade.

Take a long in an uptrend. Enter deep in discount and your invalidation – the low that started the leg – is close underneath you, while the target above is still the full distance away. Small risk, long runway. Take the same idea in premium and you have inverted it: the invalidation is now far below and the target is just overhead. Same trend, same direction, same analysis. Completely different trade.

Discount does not make you right. It changes the shape of the trade, not the odds.

Discount changes the shape of the trade: a nearer stop and a longer runway. It does not change the odds in your favour – in our tests on historical data the hit rate falls as the reward grows, and the two cancel. That is still worth knowing, because it is arithmetic about where your stop and your target sit, and it decides how big a loss is before you take it.

04 Drawing the range

Two anchors, and only two. The **0** goes on the extreme the leg reached. The **1** goes on the origin it came from. Everything between them is a fraction of that distance.

The mistake that ruins it is redrawing. If you move the anchors every time price makes a new wiggle, the levels follow price around and stop telling you anything – a range that updates to fit the present cannot tell you the present is expensive.

- **Measure a leg that finished.** A leg still running has no extreme yet, so it has no 0.
- **Use the structure that governs you.** The range that matters is the one on the timeframe setting your bias, not the one on the chart you happen to have open.
- **Leave it alone once it is drawn.** It stops being valid when price closes beyond the 1, not when it becomes inconvenient.

> The Distilled Ladder draws this from governing structure so the anchors are chosen by the same rule every time. You do not need it to use any of this – but you do need to pick a rule and keep it.

05 OTE – a band inside discount

Discount is half the range, which is far too much chart to call a level. The band most traders mark sits deeper: roughly **0.618 to 0.79**, with 0.705 through the middle of it. It is called the optimal trade entry – OTE. The name is a convention, not a measurement: in our tests on historical data, entries in the band did no better than entries elsewhere, and within it the deeper turns did slightly worse, not better.

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Why not simply go deeper still? Because the deeper you go the closer you sit to the level that invalidates you, and past a point you are no longer buying a discount – you are buying a leg that is failing. The band is a compromise between price being cheap and the idea still being alive, and it is drawn where it is for that reason rather than because the numbers are special.

LEVEL	WHAT IT IS
0.5	Equilibrium. The boundary, not an entry.
0.618 - 0.79	OTE. A conventional band. Measured, deeper was not better.
0.705	The middle of that band.
Beyond 1.0	Not a discount. The leg is broken and the range is gone.

06 Price arrives at the 0.705

The same range, later. Price has retraced off the 0, fallen back through EQ into the discount half, and traded the 0.705.

GOLD (HYPERLIQUID) · 1H · 6 APRIL 2026, NEW YORK TIME · THE RETRACEMENT REACHES THE BAND



Reaching the level is the whole event. Nothing has been delivered, nothing is confirmed – this is the decision, not the outcome. The 21:00 candle traded through the 0.705 (4,630.1) and its low, at **4,618.3**, just past the band, is now the obvious place a stop would sit, which makes it liquidity.

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07 And what came after

Identical frame — same price scale, same time axis, the camera has not moved. The only difference is more candles.

GOLD (HYPERLIQUID) · 1H · 6-7 APRIL 2026, NEW YORK TIME · THE RAID, THEN THE DELIVERY



Thirteen bars later, at 10:00 on 7 April, a lower low of 4,609.8 takes that level out — the red line runs from the low that was raided across to the candle that took it. Then price turned and delivered the whole way back through the **0**, five bars after that: the 15:00 candle traded to 4,717.0.

> The raid is not a detail. Price went and collected the stops sitting below the retracement before it moved back through the 0. Being early into the band is what puts you on the wrong side of that.

This example was picked by a rule — the most recent governing leg where all of this happened inside one trading week — **because it shows the idea cleanly.** Measured over thousands of cases in our research on other data, entries like this reach 2R about 1 time in 3 — roughly what chance gives at that target.

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08 What it does not do

Premium and discount tells you **where**. It never tells you **whether**. Confusing the two is the most expensive mistake available here.

- **Discount is not a buy signal.** In a downtrend price is cheap and getting cheaper, and every level below is also a discount. Direction has to come from structure – from what price has actually done – before the level means anything at all.
- **It does not expire on a schedule.** Price can sit in premium for weeks. A level being reached is an event; a level existing is not.
- **The 0 is a reference, not a promise.** Some legs stall there and some run through it. In our tests on historical data no kind of target beat its own distance, the 0 included.
- **More confluence is not more edge.** Stacking discount on top of every other filter you own mostly shrinks your sample. It rarely improves what is left.

Structure decides the direction. The range decides the price you pay for it.

09 Putting it to work

1. Establish direction first, from structure – not from the fib.
2. Find the leg that governs that direction and anchor the range: 0 at the extreme, 1 at the origin.
3. Ask one question: is price premium or discount for the direction you want?
4. If it is on the wrong side, the stop is far and the runway short. Waiting costs nothing.
5. If it is on the right side, the band is a place to look, not a better price – your model still has to confirm.
6. Invalidate on a close beyond the 1. Not on a wick, and not on the level being uncomfortable.

> If you take one thing: check which half of the range you are in before you take the trade, every time. It changes nothing about your analysis and everything about your risk.

> The Distilled Frame draws governing and internal structure free and public on TradingView. The Distilled Ladder adds the range, its halves and the OTE band automatically.

> **Risk warning.** Education only, not financial advice. Trading carries a high risk of loss. Charts are real historical data; nothing here is a signal or a promise of results.

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