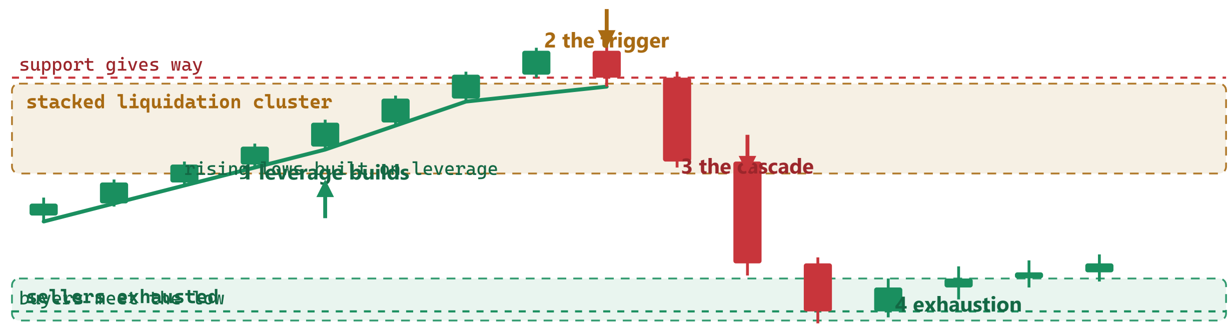
FIELD GUIDE · CRYPTO & DERIVATIVES

When one forced sale triggers the next

In leveraged markets, each borrowed position has a price where the platform auto-closes it. When many sit close together, one forced close can push price into the next batch, snowballing into a fast wick.

QUANTREEF
market microstructure



PHASE 1 · LEVERAGE BUILDS

Positions stack up

Price grinds higher and more traders open leveraged longs. Each borrowed position carries a hidden liquidation price below the market, so a dense cluster of automatic exit orders quietly builds up beneath price.

PHASE 2 · THE TRIGGER

Price dips into the cluster

A normal pullback nudges price into the top of that cluster. The first positions hit their liquidation price. To close a long the platform must sell, and that selling pushes price toward the next batch.

PHASE 3 · THE CASCADE

Selling feeds selling

Each forced sale drops price onto the next stack of liquidations, firing more sales. The loop feeds itself and accelerates, printing one long, fast wick down as the stacked leverage unwinds in seconds.

PHASE 4 · EXHAUSTION

The fuel runs out

Once the crowded levels are cleared, no forced sellers are left to feed the chain. Selling fades, buyers meet the low, and price often snaps back and steadies. The sharp wick plus quick recovery is the fingerprint.

Key terms

leverage — Borrowing to hold a position larger than your own cash, which magnifies both gains and losses.

liquidation — An automatic forced close of a leveraged position when price reaches the level where its collateral would run out.

liquidity pool — A cluster of resting orders, here stacked liquidation levels, that price can run into and consume.

cascade — A self-feeding chain where each forced sale pushes price into the next batch of liquidations.

How to read & use it

A wick out of proportion

A long, thin wick that dwarfs nearby candles often marks forced selling, not fresh news. The size comes from the chain reaction, not from a big change in what the asset is worth.

Clusters sit below a crowded rally

When many traders are leveraged long into a steady climb, their liquidation levels tend to stack below price. That build-up is what a cascade later runs through.

Speed and snap-back

Cascades tend to be fast and to partially reverse once the stacked positions are cleared. The abrupt move plus quick recovery is the tell that leverage, not demand, drove it.

HOW TO READ THIS IN QUANTREEF

Anything Quantreef shows about leverage build-up or liquidation clusters is descriptive context for learning, drawn from public market data. It is educational information, not a signal, recommendation, or prediction, and it does not tell you what to do with money.