

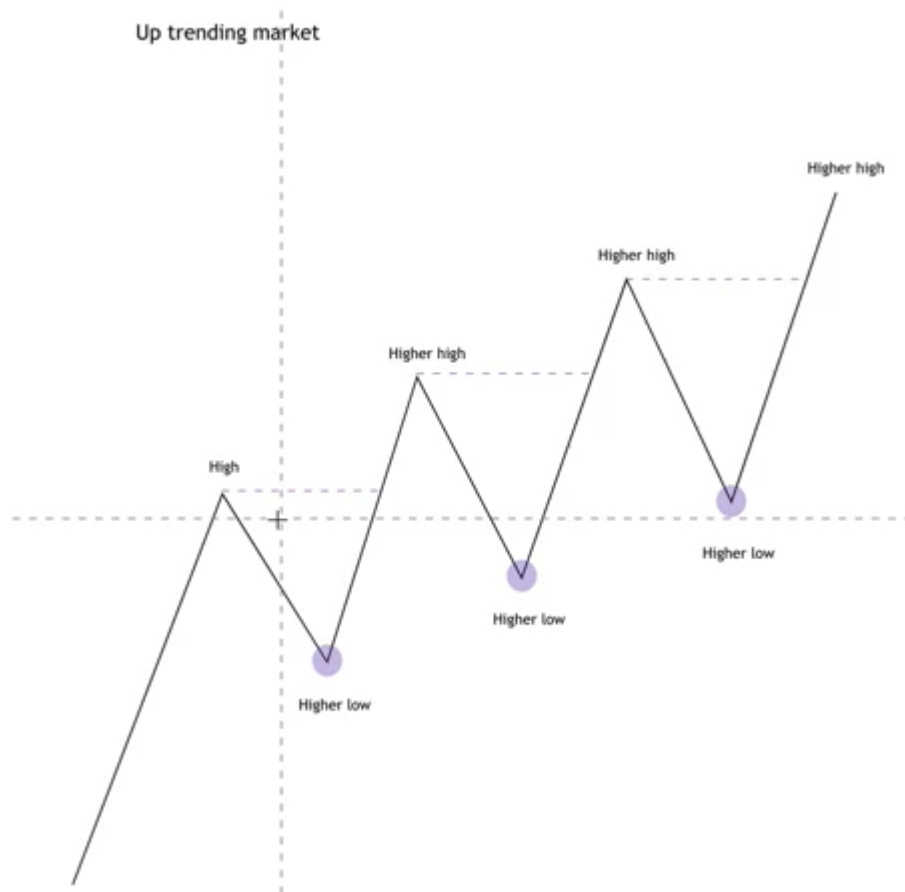
Market Structure

🕒 Created	@July 26, 2021 8:41 PM
🏷️ Tags	

Market Structure Basics

When we identifying market structure on a price chart is a crucial part of actually knowing what that pair is doing, what phase we are in, and to know when a pair structure is shifting to a different direction.

- So is a currency pair trending up, trending down? So are we putting in LLs, LHs, HHs, HLs.
- Are we ranging? So a range by market where we are staying within two price points, not really moving up or down.
- Is price impulsive, corrective? So we will know what a pair is doing by identifying the structure.

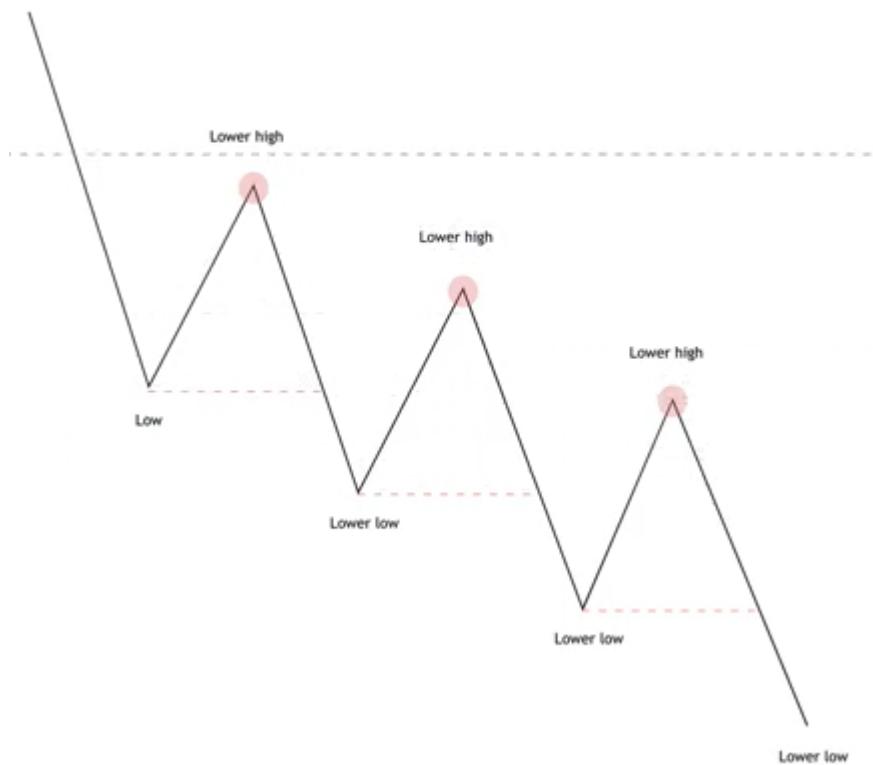


So as we just said, what we have here is an uptrending market. So an uptrending market we will get HHs and HLs. So as we see we have a higher here, and price pullback. Now as soon as we get price break above this high, it confirms this to be the HL.

So all the time price is trading within this high, so below it we haven't got a confirmed HL until we break above.

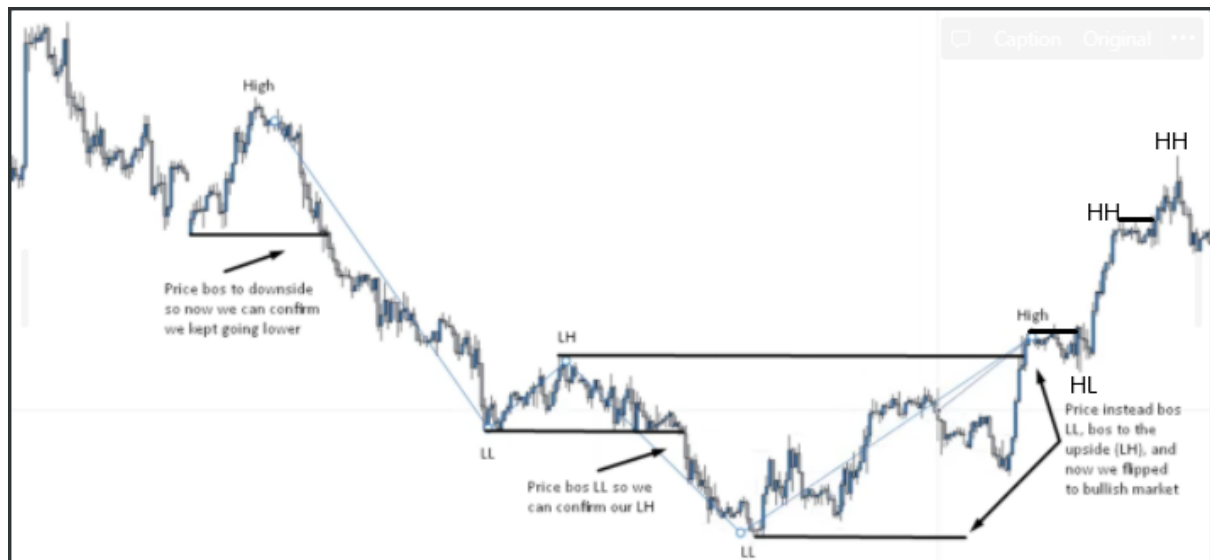
So once we break this is the most recent HL and that's HH, we pullback HL. We then wait for a new higher which confirms the HL and then HH, HL, HH.

Down trending market



Now the same is in a downtrending market but obviously its flipped so its the opposite. So we will get a low, a pullback and this LH is not confirmed until price breaks this low here. So we get a break below which confirms the LH, LL, pullback, LL, confirming the LH, LH, LL, confirming the LH.

A HH is not confirmed until we get a bos of the most recent high, and the vice versa for a downtrend.



Now here we have EU, and let's look at this on the charts. So starting from here, price is pulled back and we have broken, so we have made this low which we could say kept going lower until here. This is when we actually got a pullback.

So this low, this whole leg down broke below here. So we can clearly see it's broken this low. So we have a LL, we then have a LH. So we can see price pulled back which is tapped into an OB which would be more visible on a LTF.

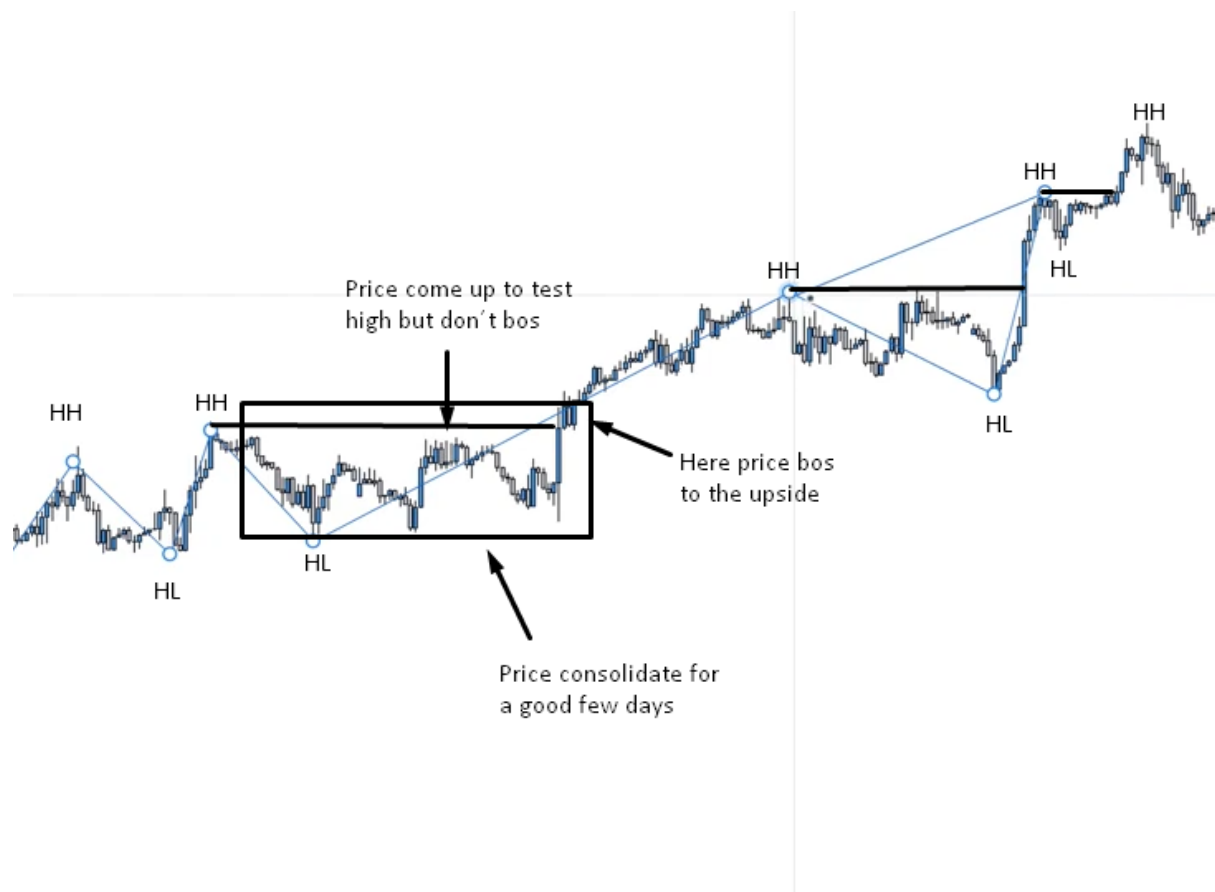
So the low that we need to be broken is clearly here which we can see price pulled down to here, this is one, continuation leg to the downside, then price pulls back but this is not confirmed as a LH, but we can see what price done, is tried to come down, but we failed to break below this LL, and instead we come up to test the LH.

We then pullback, but then we eventually we break it with this move, this impulsive move that bos this LH.

So as the LH was broken and we didn't get a LL, our bias has flipped from a bearish market to now a bullish market, because we can see the LH is broken.

Price then pulled back and we get HH, which we can classify this as the highest point. So we can see this is a new HH, because it broke above this highest point here. We then pullback and make a HH.

This is now confirmed as the most recent HL.



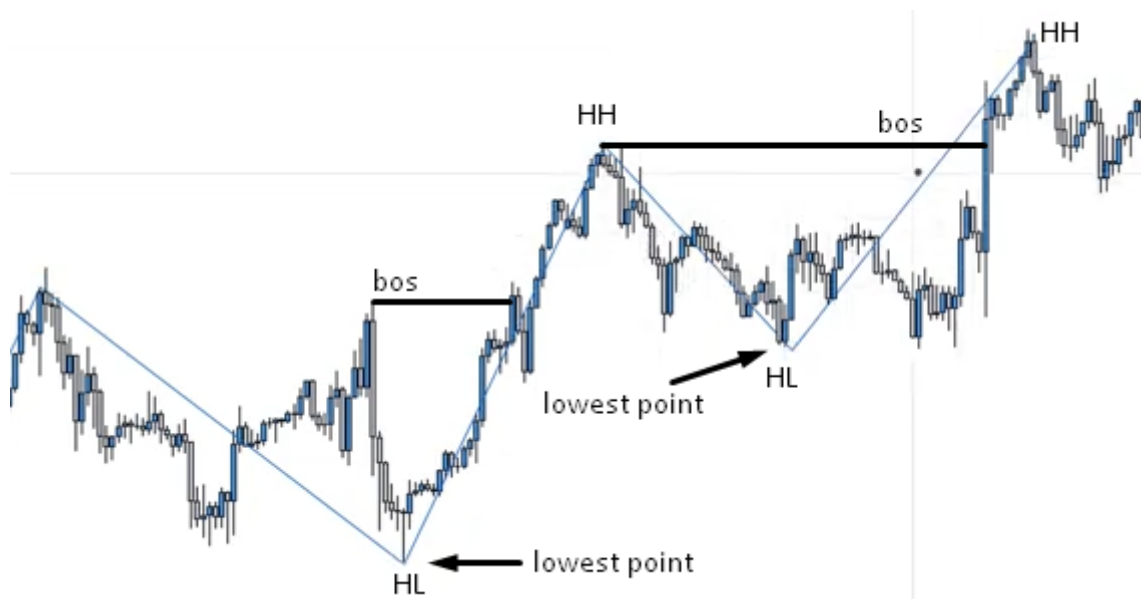
Now we have a HH, HL, price then pulls back, we consolidate for a good few days here, we come up to test this high but we don't break it until here.

So where we would classify the HL? Well technically the lowest point is here, so we can mark this as a HL, bearing in mind we have areas here, that we can look to be getting long from, this is the HL, we then get a HH which the highest point is surround here, so that's the most recent HL, HH, HL, HH. This is confirmed once we got this impulsive move up that broke this high.

Now we could say that this we had is an impulsive move up that made the HH, pulled back and then we made this HH.



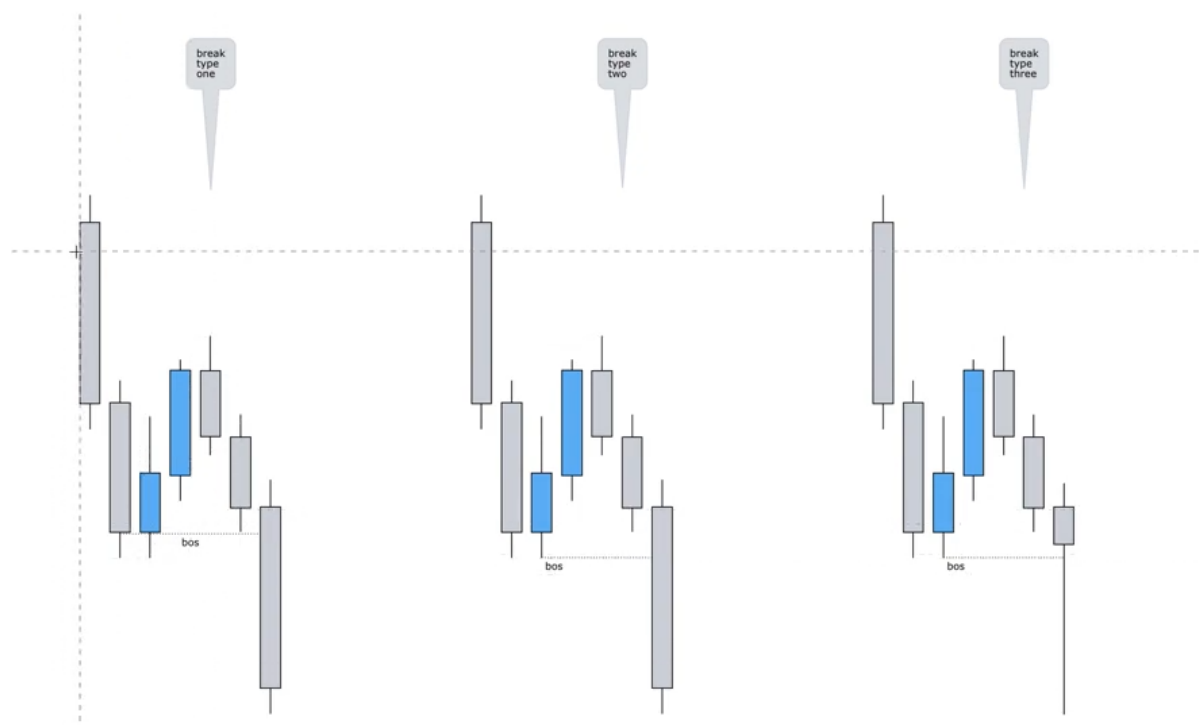
We came down to test it, we put pulled off and then we broke it, so essentially we had a little bos, but this could be grabbing liquidity from people who are in longs on this HL with stop losses, we didn't quite tap into any sort of POI.



We just sort of pushed up from here, but the lowest point is here, and then we actually do put in HH and a HL.

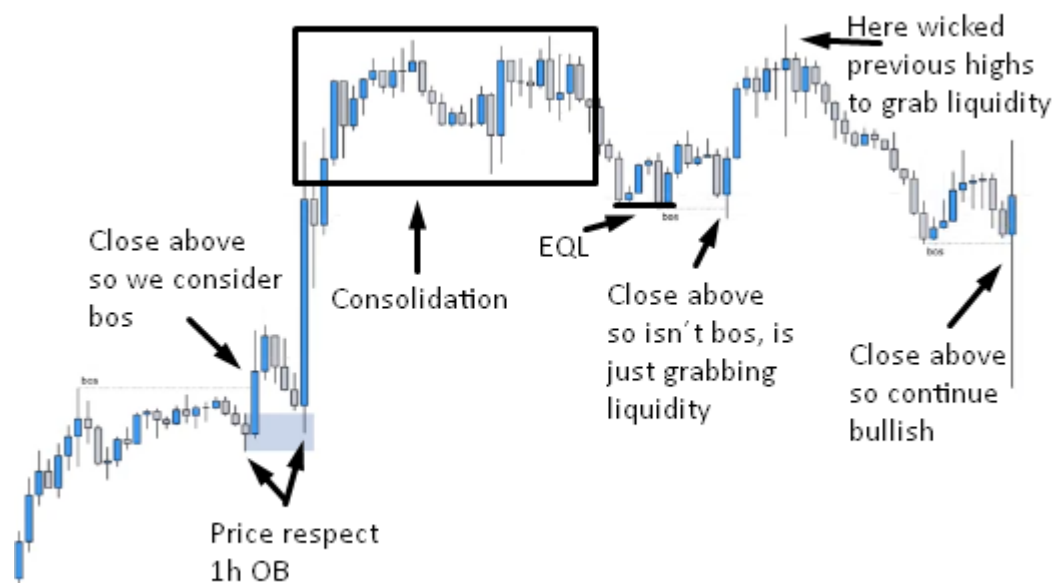
After a BOS we have HH and next we can confirm our HL, and to HL is the lowest point always. So we have here again a HL and HH. Of course there are several bos in LTF, but this is the overall how to mark bos.

Market Structure Mapping



There is a few different variations of market structure breaks, that I want to cover. Now its important that we choose one of the following market structure breaks as we go to, and stick with it.

1. So the first type is going to be where price breaks structure with a candle body closing below the candle body low, and not factoring the wicks.
2. The second type, which is what I personally use, and one that is the most popular, is a candle body close below the candles wicks.
3. The third and final type is a candle wick close below the candle wicks. In my own experience this type is the least realiable out of the three, as it does not really show us any true break.



So looking at some examples of bos, what we can on EU 1h, we had a bos here, we had this higher, we had a little bit of a range, and then this candle broke structure, and we got a wick, but we did close above and then we can see price pulled back into a bullish OB, which is here, before we see some huge momentum to the upside.

Now as we broke above and closed above the structure, this would be for me a valid sort of trade to be looking at as we come back into this 1h OB which we can refine on a LTF.

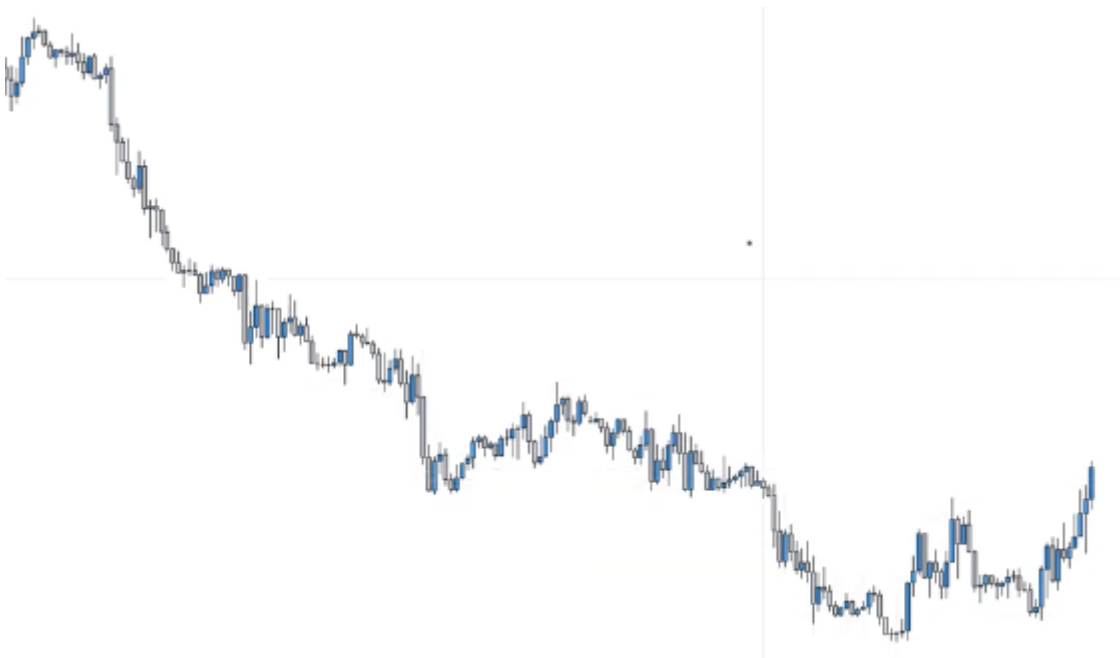
But if we look at some of this examples here, we can see we had this bit of a consolidation range, we pushed down ranged, we had a low, price come down looking like it was gonna break this low, we wicked it and closed above, and then we can see price then reversed to the upside.

So for for me this wick to downside is just grabbing some sell side liquidity from this EQL, before they reverse price up to this highs here, as we can see we also get a wick above this high, which is taking some more buy side liquidity, price then reverses, we put in a new low, and then we pullback and then we have a huge wick.

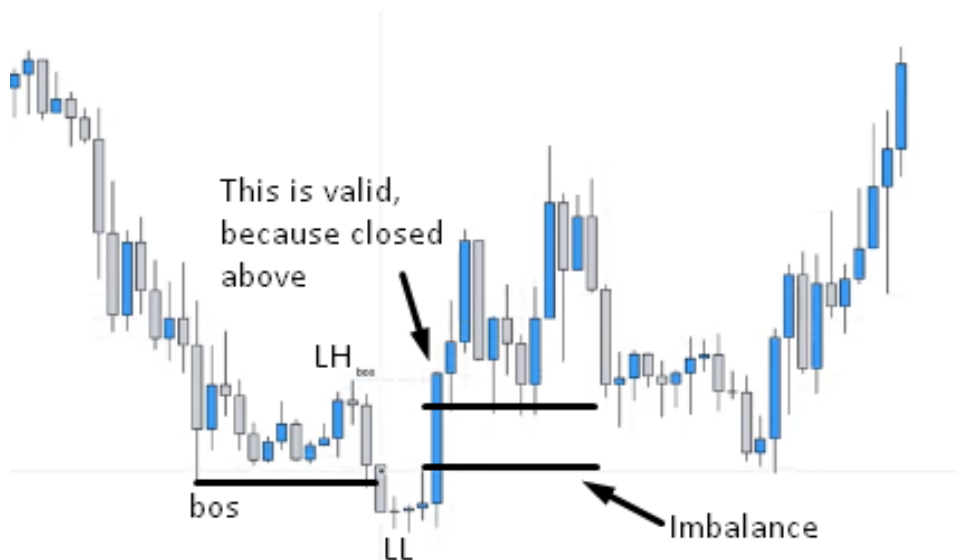
So we at one point price was down here, and then we actually closed bullish, so we pushed down below this low and then closed above it.



If we look left we can also see that this wick tapped into a bullish OB, perfectly mitigating before continuing. So this is why this is definitely not a valid bos for me because, this is just generating liquidity, rebalancing this impulsive move here, tapping into an a bullish OB that has yet to be mitigated before reversing price to the upside.



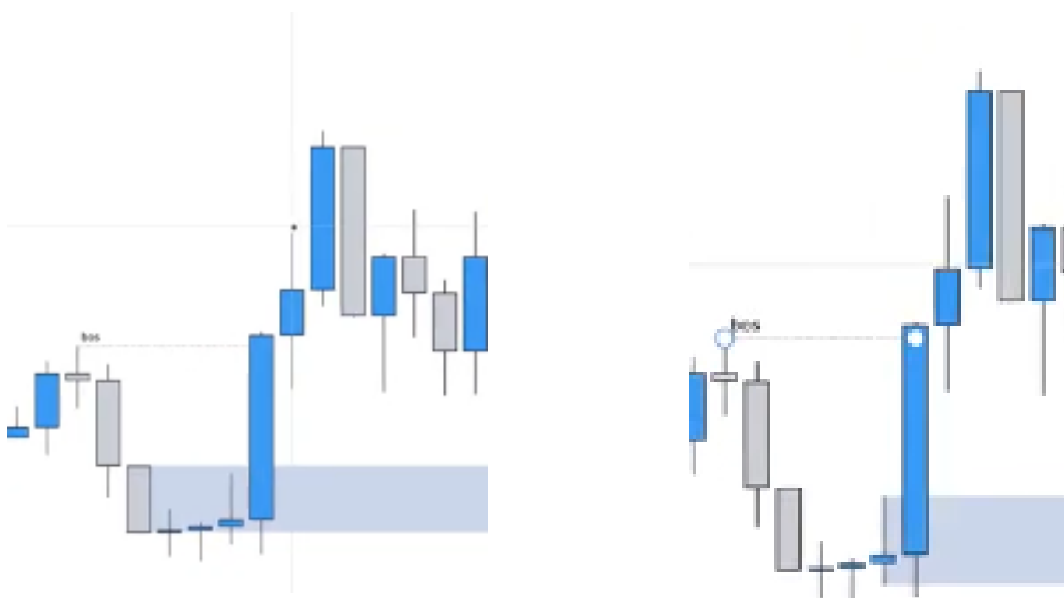
Now other example on EU 1h, we was clearly putting in LLs and LHs all the way down here.



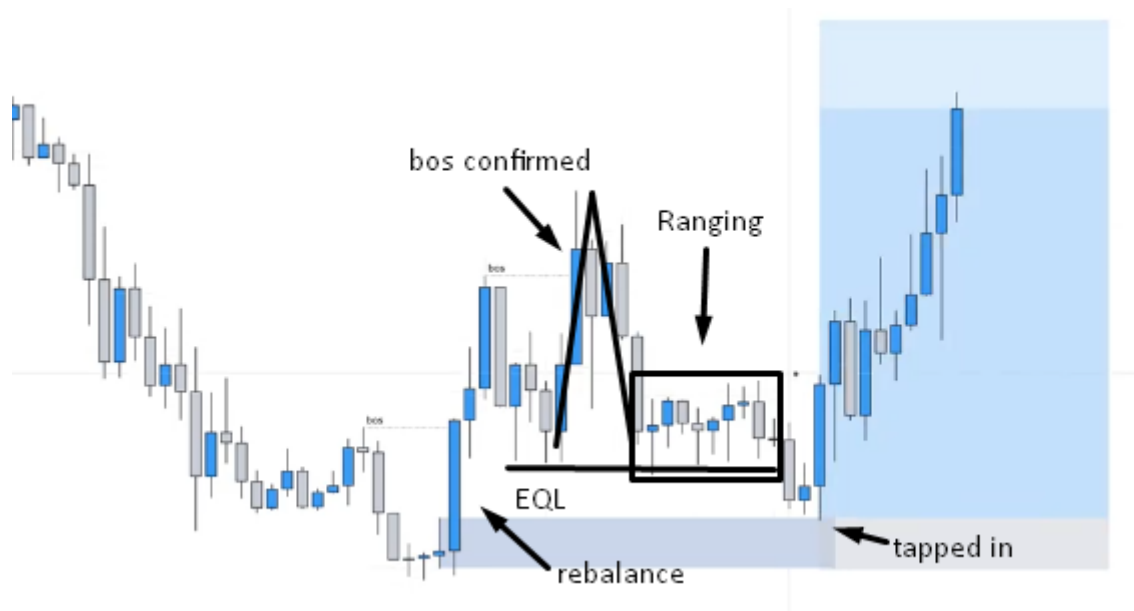
We can see at this point here we had price put in this LL and LH, because we can see this is the LL that broke this low here. So then we can see that price impulsively broke the structure to the upside.

Now for me this would be a valid bos, because we can see we had a candle body that closed above the wicks of this LH.

So once we got this we can see, we left imbalance as well, we have a momentous move showing us a change in market structure.



We can then take the last down candle as our OB which we can then obviously refine down to this candle here, because the momentum came in on the next candle which broke structure.

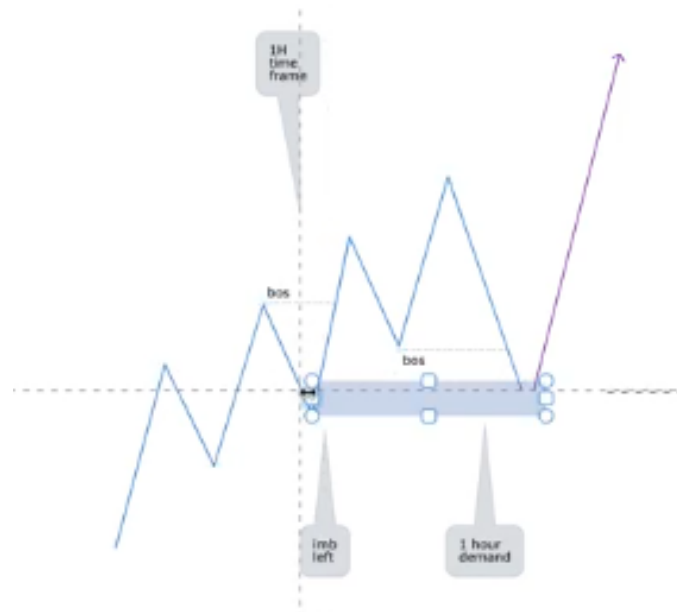


So we can see after that we did get a good day or so off a range buy market, we did bos again, so we have did bos here, price did come down quite impulsively into that level, we did range, this is building some liquidity which is more seen on LTF. We have EQL, price come in tapped into our OB which we can obviously refine on a LTF, but this is what we can be looking at, and then we can see price reacted from this OB, rebalance bit of price and then we can see the impulsive move to the upside from here.

How does price break structure?

Now I wanna get into looking at how does price bos. So when we are looking at structure breaks, its very important to note how it breaks that particular piece of structure. So what I mean by this is, Ill be breaking structure and truly switching from a bullish to bearish market or vice versa, bearish to bullish, or I will be breaking a structural low, high, grabbing liquidity, tapping into an unmitigated AOI to then see price continue with the overall trend whether that be bullish or bearish.

This is why its important that we take note of how price breaks, because it will give us a really solid idea of what price is actually doing and where its likely to be heading.



So this first example I have drawn some diagrams here. So this is gonna be our 1h, so we can see we have put it in HHs and HLs all the way up. Now this move down broke the HL. So we have got breaking structure. So what we are gonna be assuming on this example is this down move here is a calm and corrective bos.

Calm and corrective bos

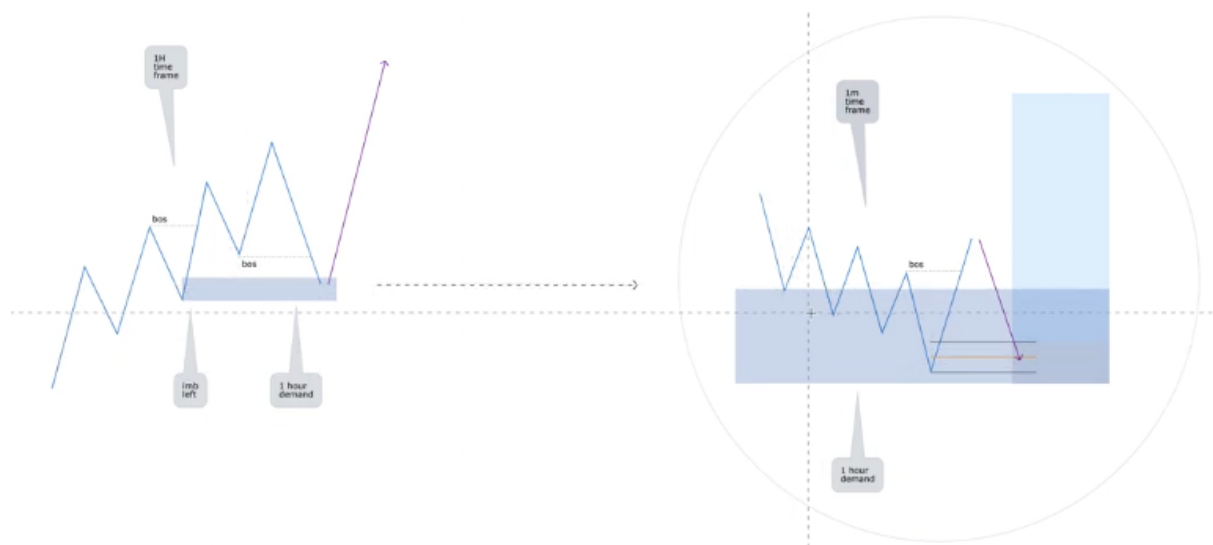
Meaning there is not much momentum behind it, its just a bos with corrective and low momentum candles.

So when we get this, we are gonna view this as a common corrective bos, meaning its very likely that price is coming down to sweep liquidity and tap into an unmitigated demand zone that was previously created, because once we was making this HHs and HLs we are breaking structures to the upside which is creating demand levels and OBs.

We may see something that is left behind and untested, unmitigated, imbalance left behind as well. So this breaking structure could be grabbing liquidity from anyone who is in the bias and trading stop losses at the lows. Because we know that there is liquidity at every low and high in the market.

So this could be a bos taking liquidity, tapping into an OB which is unmitigated before continuing with the overall bias, which is bullish.

So this would be our 1h demand, the price tapped in.



Now what we can see from this on a LTF, this is 1m perspective. So this blue box here is 1h OB. So the move that coming down that bos on 1h, will look like this on a LTF, so we would be seeing LLs and LHs. As price taps in to the 1h demand, we can look for where is the LL and the LH.

Well we have a LL here and this is the most recent LH, we can look for price to bos that will create a bullish OB, which we can look to get long from.

Now with targets we can look for previous 1h highs, because the anticipation for us is to still see bullish order flow. We have swept liquidity, so we wanna see price put in new HHs.

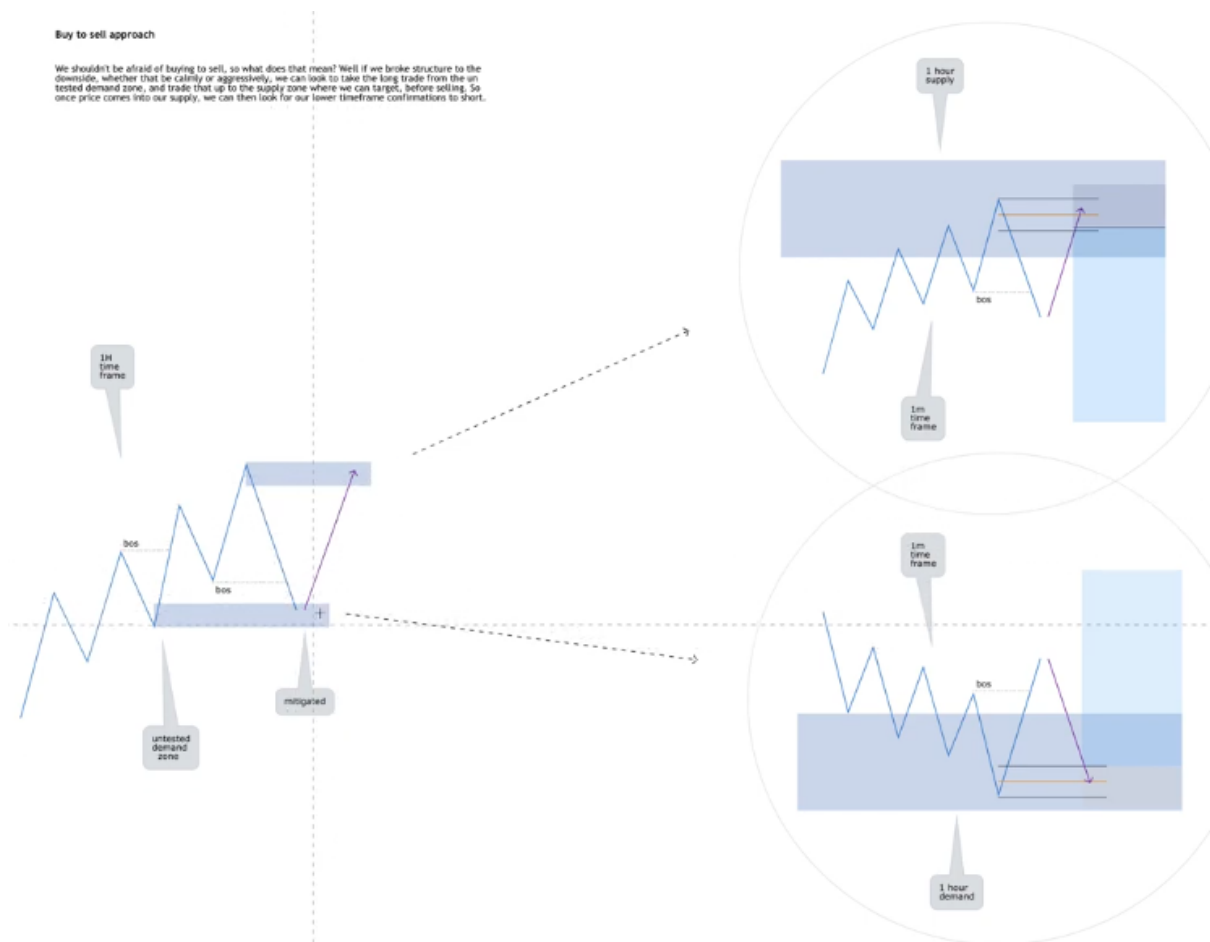
Agressive bos

So we have the same thing than corrective one, HHs and HLs, this is now gonna be an impulsive bos. So an aggressive bos meaning we would see some large momentum candles which would ultimately leave behind price imbalance.

So on this down move, once price bos we can classify this as the market shifting from bullish to bearish, because we have seen large momentum. So the bos, once we get that we form a supply zone and OB which we can look to get short from as we can anticipate a pullback into that zone, and for future LLs and LHs to take place. Bearish order flow.

At a minimum as we have switched our bias from bullish to bearish, we wanna be

So this is a good place to target for a first target at a minimum.



So we shouldn't be afraid of buying before the longer term sell, so what I mean by this is let's say price bos to the downside, as we can see here, whether that was a calm or aggressive move that bos the structure.

We can still look to take longs from an area if there is an area there to long from. So if we have a demand level which was untested then dependent on how the LTF confirmation is showing us, as we come into this level, we can take long from here where we can target a supply zone which was recently created from this bos to the downside.

So we buy from here and target up there before a longer term sell, which we can then expect for price to make new lows and then LLs, LHs from there.

Now this move from here as we can use the LTF to our advantage, we can obviously get in with a very tight stop loss and this move from demand to supply zone could be 30 pips, 20 pips, 60 pips, whatever.

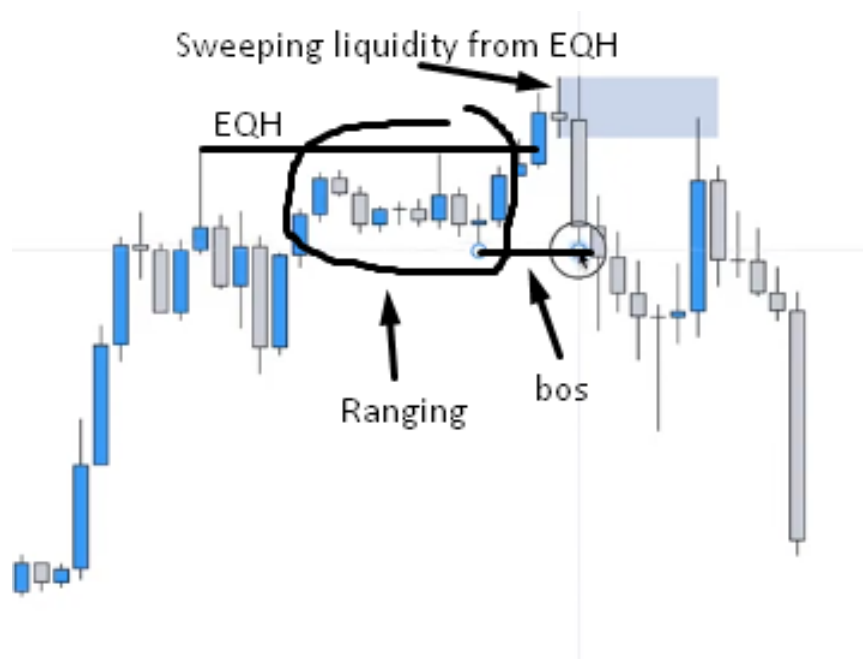
We can still make some nice percentage in this move here, before we look to sell. So we can buy to sell. Now the reason why this is also higher probability is because once price comes into this level, we are essentially mitigating this move, taking

liquidity from anyone who is in buyers or even trading some form of breakout in this structure break, whatever the case maybe, liquidity is being taken.

So people are getting stopped out to then see price come in to a supply zone. So basically it clears the way for liquidity and price can tap into a supply zone and then we can shorten from here.

So this move now has been mitigated, this demand zone, we have seen a push off so we can now classify this as a completed sort of move.

We have pushed off once price comes down. There is not much real reason why this demand zone will hold again, because its been mitigated already from this move here. So we can see price come down and take out lows.



An example of buy to sell or in this example is gonna be a sell to buy, we are gonna talk about, when we bos we can sell and then we can look for a longer term buyer from an untested area. So this is also a trade that I took.

So if we look the price we had this high and price come up, we see a bit of a range. We did form EQH and this is the high that took some buy side liquidity. So once we had this high, we had a HL here. So range, and this is the move that broke to a new HH, this is the HL. We can then see price after sweeping buy side liquidity, we came down to bos, and candle closed below so is a valid bos.



This is also seen on a LTF, the 15m, 5m where we did it actually close below, but this for me would be on the 1h, its a calm bos, as we have closed below, we can still look to sell from this supply zone before a longer term buyer from this areas down here.



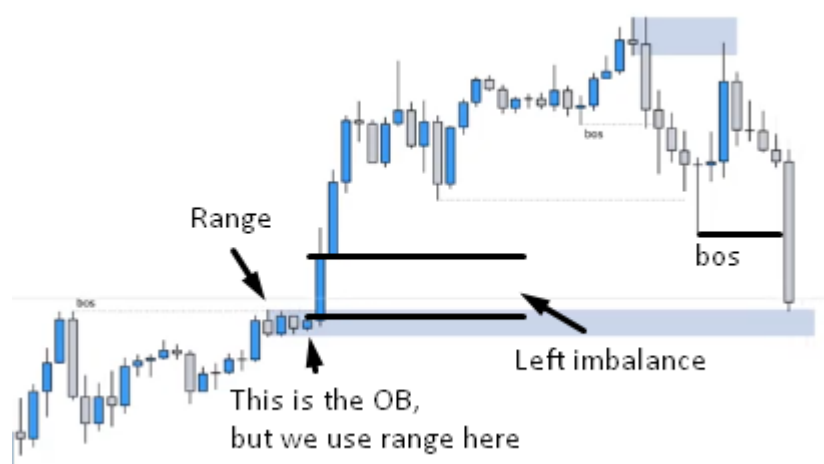
So once we bos, we have the last up move before the down move that bos, we can then also refine it from this last up move to this candle here, because we can see this candle has not engulfed the OB. So this is our supply zone and OB which we can look to get short from.



So as we came down, we did get some wicks which for me is just taking liquidity from this HL prior to this one. So we can see we had this wick that come down, so anyone who is in buys, who is holding from this uptrend, would likely have stop losses at this low.

Sp we can see price come down to take that liquidity reversed and then reversed again. So this happens every single day.

So here we can take a sell on a LTF, so once we tap in we move to LTF, looking for reactions and bos which leaves imbalance. So once we tap in OB we need to look left, we could look to see if we have any demand levels that have been unmitigated, and left for a later date.

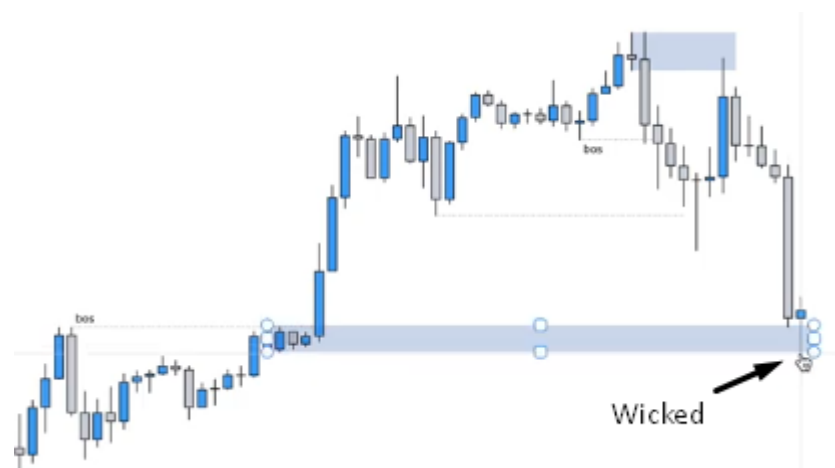


So lets have a look, so we had this HH, and a HL, price come up to form this EQH and then we see some huge momentum that essentially broke this high here. So we can mark it as bos, we wicked it but we can see this is a range, and then we expand

it out quite momentarily leaving behind imbalance. So for this example I'm gonna put on this demand level.

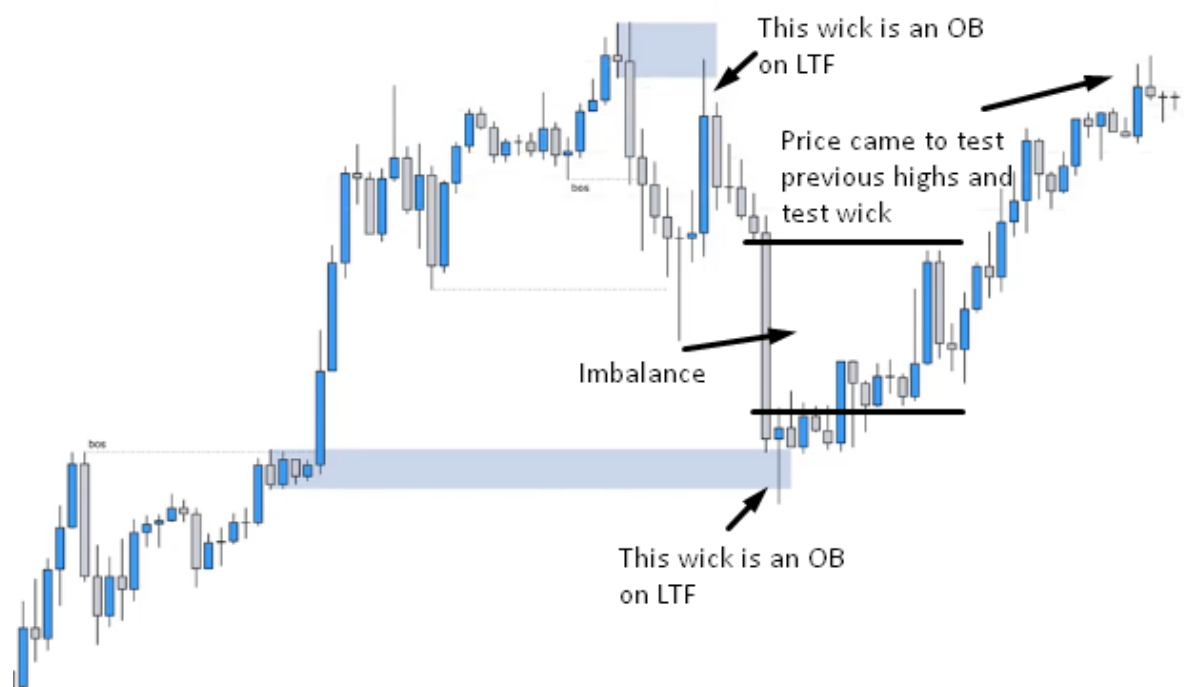
We do have an OB, so this is OB, but let's just mark on the actual range, from the high end to the low, so as price comes in we can note that we have seen some heavy momentum coming into this level. So price has taken out this low, rebalance this move that was made previously, but price is impulsive.

So what we could do on a LTF is we can wait for price to slow down, show us they actually want us to respect this area and actually go long from here to potentially back up to this high.



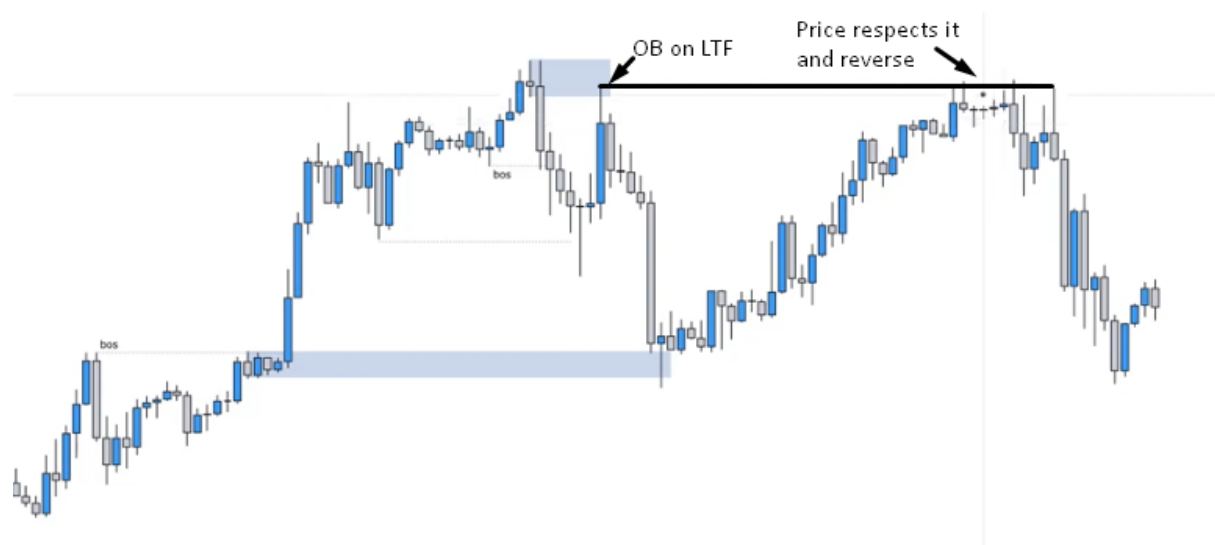
But if we get another candle, something like this that just completely destroys this demand level, then it hasn't held, so we can just classify it or we can just deny it and just move on, and look for bearish sort of structure, and look to get short but the next candle, I'm not gonna go LTF and look at the entries but we see we wicked below it, but we closed back up.

Now for me this is not invalidating the demand zone, because it's about how it breaks, is it breaking momentarily or is it breaking correctively with wicks? And we can see it is breaking with wicks.



So on a LTF, firstly, when we get wicks, if we get a wick on a 1h, it will be an OB on a LTF. So wicks just show us OB basically on LTF. So there is entries here on a LTF like the 5m or the 1m which I won't go into but we can see what happens next.

We do respect the demand zone and we do correct but then we can see we come up to rebalance this candle here from wick to wick, we then break above it and we can see then do come up to previous highs and back up to test this wick here, which we know as an OB on a LTF.



And that's where price then reverses again. So we can see this wick up here that we know is an OB on LTF, and look at how price respects it.

Now we do wick above it, which is likely because we want our price to want to generate liquidity before reversing. But ultimately it respects it and then we bounce back down to the low.

So this is where price currently is, but this is just the concepts of buying to sell, selling to buy. Now as we have already tapped into this demand zone, it's likely we could now see lower prices and we can look for sells.

USDCAD, 1h, FXCM

Strategy Content:

1. Market Structure

- In an up-trending market, price will form a series of higher highs and higher lows. Now it's important to know what YOU classify as a break of structure. So you have some options; 1. You determine your break of structure (new high) by the wicks, so what you need to see is price wick above, and if it fails to close above, that does not matter; 2. You classify your break of structure as a break above and a close above, meaning price needs to break and close above to be considered a valid break of structure. Now, mapping out WHERE your candle high is will also need to be determined. Option 1: do you want price to break the high at the wicks of the candle (highest point). Option 2: Do you want price to break the high at the bodies of the candles, rather than the wicks. Once you start collecting data, you'll find the best.
- This strategy is very hybrid, meaning we can trade with and against the trend, and still hit some huge returns. Now at the same time, it is important to establish the overall momentum and direction of that specific market. We do this by taking note of where the most recent trend high and trend low is within that market. If we are in a downtrend, then we would have a low, and we would have a high. What this means is, that most recent high SHOULD NOT be breached if we are to continue in the manner of a downtrend. If price was to break that high, (dependent on how it breaks) that is showing us a change in market sentiment, and a break of structure (BOS). So at this point, we could look for potential buys, or future buys I should say. But if we stay below that high, then we are in a seller's market, so there is no saying price won't stop producing lower lows and lower highs, so this means we want to be looking for potential selling opportunities.

