

VERTEX

INVESTING

ORDER BLOCK PLAYBOOK



Prepared by: Vertex Investing

INTRODUCTION

Welcome to the Vertex Investing Order block playbook.

This will be your point of reference when using this strategy, whether it is the risk entries or the safer entries.

Using order blocks is all about understanding the story behind each trade and understanding why order blocks exist and how they are used. Understanding this will change your perspective in how you view the markets.

Order blocks (OB) are areas where Institutions are either buying or selling from, these blocks are formed prior a large impulse to an already pre planned direction. The reason we trade order blocks, is because for the institutions to make a move they need to grab liquidity first, this is from retail traders stop losses, where many retail traders call it 'stop hunts'. So institutions drive price to grab this before creating their desired move. Institutions do not use Stop losses, which means although they have moved the market how they would like, they still have a trade going the opposite way in heavy drawdown. So they drive price back down to mitigate their orders then continue the move. This is where we come in with our strategy. We look to enter at this mitigation and follow price with them.

This strategy is not overly difficult however requires practice to understand how OBs work.



HOW TO TRADE USING ORDERBLOCKS

First stage is identifying your higher time frame directional bias.

Whether you are looking for intraday or Swing entries you still need to understand which way the market is moving for the pair that you are focusing on. Essentially you want to identify Order blocks from weekly down to the hourly and work off there. However, the more experience you gain, you may find that you can trade intraday moves by having a short term directional bias from lower time frames and finding entries on an even lower time frames. Either way, the concept is exactly the same.



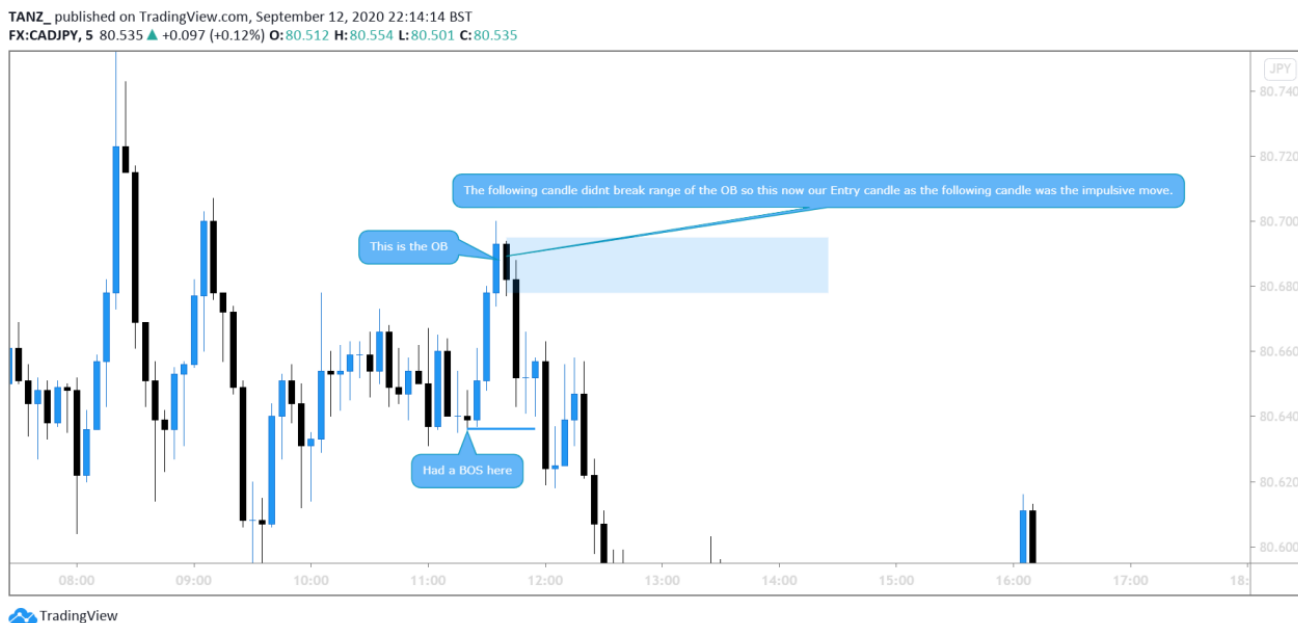
From above we can see a clear break of structure, this is the first thing we look for before looking for OBs. Reason for this, we want to find the candle that created this move, this candle is our OB. The OB is generally the last opposing candle before the move. So if its a bearish break, the OB is a Bullish candle. However, we need to understand what kind of BOS we look for and how to refine our OBs.



HOW TO REFINE ORDER BLOCKS

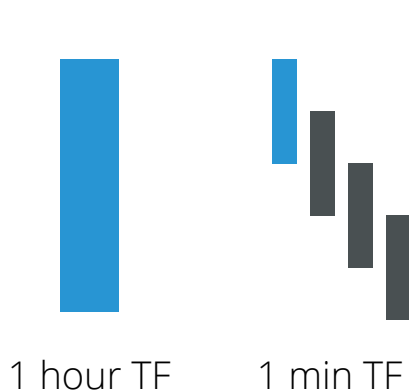
There are a few ways to refine the OB. The easiest would be moving left from the OB until you find the candle before the impulse which is still within the OB candles range.

Example:



As we can see above, the black candle following the OB hasn't overly moved or broken the range of the OB. This is now our refined OB. You can do this on all time frames.

Alternatively, you can locate your OB, and you can refine down the time frames and find a clear open OB within the OB.



So here on the left, that big blue candle is our OB, however within that candle on a lower time frame, there is a clear OB and this is now our refined OB. You can go down by as many time frames as you like.

TIP: If you are happy with the RR from a particular time frame OB, then Simply use that one. Don't get greedy and don't use lower time frames if it makes you anxious.

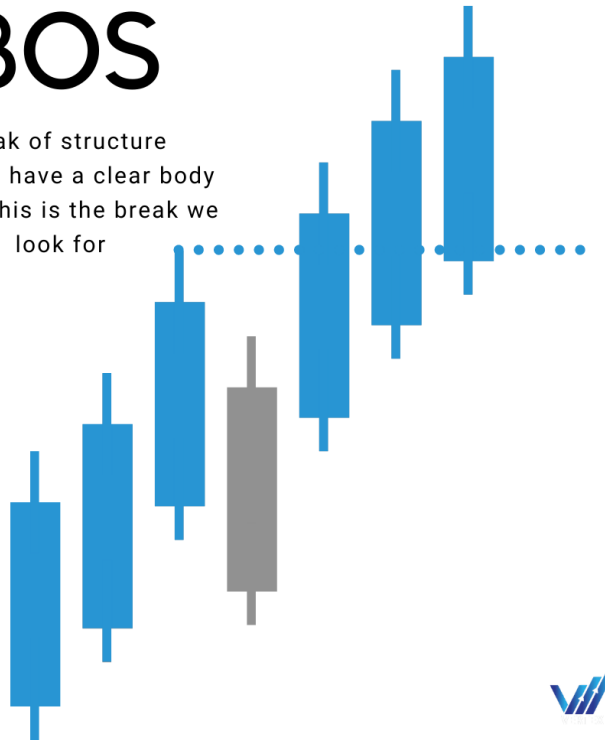


UNDERSTANDING BREAK OF STRUCTURE (BOS)

There are two types of BOS, we prefer a full body break.
This is very simple to understand as shown below:

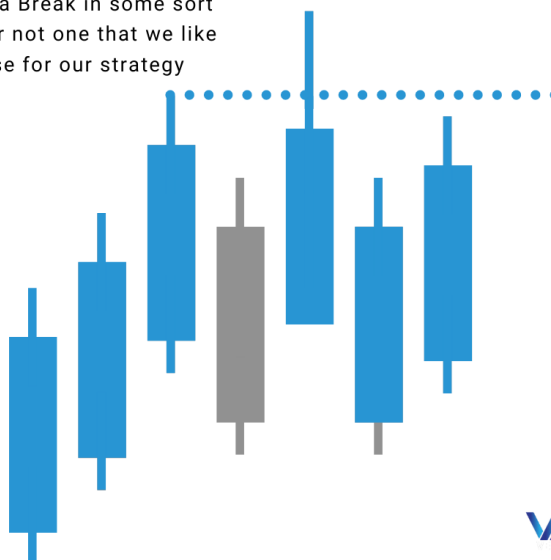
BOS

Break of structure
Here we have a clear body break.
This is the break we look for



BOS

Break of structure
This is a Break in some sort
however not one that we like
to use for our strategy



HOW TO TRADE USING ORDERBLOCKS

SAFER ENTRY

Identify your Point of interest on the higher time frame.

In this example it was the hourly, however as mentioned, this concept can be applied to any time frame. The higher time frames such as 4 hourly or daily are more more swing entries with hourly and lower being intraday.



So here we can see our higher POI.

Now from here, you can look deeper into that OB so you have an idea as to where price could potentially go before reversing. Once you find your OB, you can set an alert at the Open of your OB. This frees up your time, meaning you don't need to sit and stare at the screen. The reason we trade is to for our free time, so why waste time staring and waiting.



HOW TO TRADE USING ORDERBLOCKS

SAFER ENTRY

Once price taps your higher time frame OB, go to a lower time frame. This is up to you and what you are comfortable with, some prefer 1 min some prefer 15 min its up to you. But what we look for is a BOS and an OB on the lower time frame.

Once we find our OB we set a limit order at either THE OPEN of the OB or 50% of the OB. This again is up to you.



So here we can see a clear BOS and a clear OB, so we can now set a limit order on this OB



HOW TO TRADE USING ORDERBLOCKS

SAFER ENTRY



Once we set the order and set our target to our higher time frame High in this example.

The benefit of using a safer entry over a risk entry:

- More confirmation for the trade
- May get a better RR for the trade

Cons:

- More time consuming
- Sometimes it may not form a BOS on the lower time frame and price may just shoot from the higher time frame OB. So you may miss trades.



HOW TO TRADE USING ORDERBLOCKS

RISKY ENTRY

This method is very simple.

Once you locate your Higher time frame OB, you simply go down the time frames till you find an OB within the higher time frame OB which is clear.

Once you find your OB, mark it out. Use an OB which gives you and RR you are comfortable with.

Same as before you can set a limit order at the OPEN or the 50% mark of the OB with your stop loss below the low of the OB or the overall low and target the recent high or low depending on if you are buying or selling.

TANZ_ published on TradingView.com, October 06, 2020 18:23:46 BST

FX:GBPUSD, 2 1.29427 ▼ -0.00335 (-0.26%) O:1.29083 H:1.29269 L:1.29054 C:1.29258



TradingView

With this style of entry, it is of course riskier. This method is ideal when there is high momentum in the direction you are aiming for. If its more within a consolidation period, it is not worth trying a risk entry.



HOW TO TRADE USING ORDERBLOCKS

RISKY ENTRY

Either way you go about, you get similar results and its all dependent on your risk appetite and how you are comfortable trading. Trading is personal to you, you dont need to follow what everyone else is doing. You need to do what you are comfortable with doing and how you are happy about going about it.



Lets have a look at some examples

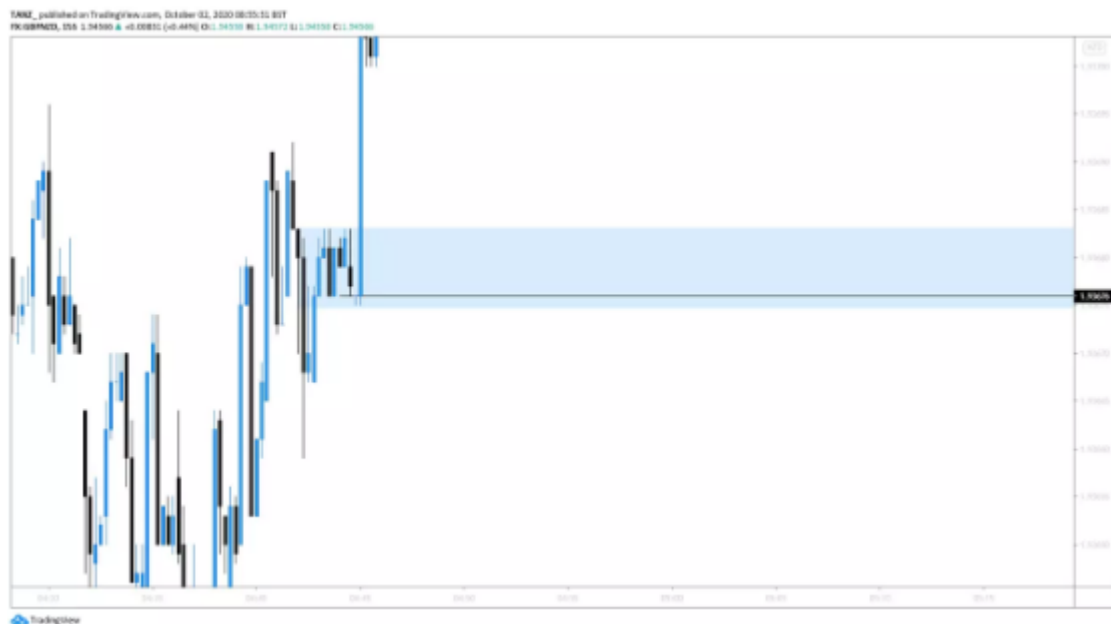


EXAMPLE 1

GBPNZD RISK ENTRY



15 MIN BOS AND OB



15 SECOND REFINEMENT



EXAMPLE 1

GBPNZD RISK ENTRY



1:70 - 20 MINS



EXAMPLE 2

USDJPY SAFER ENTRY



HOURLY BOS



5 MIN BOS AND OB ONCE TAPPED THE HOURLY OB



EXAMPLE 2

USDJPY SAFER ENTRY



19R IN 23 HOURS



EXAMPLE 3

EURGBP RISK ENTRY



HOURLY BOS



WICK TRICK



EXAMPLE 3

EURGBP RISK ENTRY



50% WICK TRICK ENTRY
47.4R IN 21 HOURS

WHY DOES THE WICK TRICK WORK?

THE WICK TRICK IS ESSENTIAL A LIQUIDITY GRAB FROM PREVIOUS
CANDLE,
WHICH MEANS THERE IS AN OB SITTING IN THERE ON THE LOWER TIME
FRAME. THIS ALLOWS US TO TRADE ACCURATELY WITHOUT EVEN GOING
TO A LOWER TIME FRAME. THE RR HERE WAS GOOD ENOUGH THAT WE
HAD NO REASON TO LOOK FOR A BETTER ENTRY



PSYCHOLOGY

THIS WAY OF TRADING IS ALL ABOUT PRECISION AND FINDING THE MARKET AT THE PERFECT TIME OF REVERSAL. HOWEVER, DON'T GET TOO GREEDY WITH THE RR, THERE IS NOTHING WRONG WITH SACRIFICING A FEW PIPS AND RR FOR A SAFER TRADE.

HAVING A PIP STOP LOSS, IS NOT THE GOAL, HAVING A SAFE TRADE AND SAVING CAPITAL IS THE MAIN GOAL. OUR PERCENTAGES ARE ALWAYS GONNA BE CRAZY EVEN WITH A 10 PIP STOP, SO DONT ALWAYS LOOK FOR A SMALLER STOP IF THERE ISN'T ONE AVAILABLE.

FOCUS ON YOURSELF AND WHAT YOU ARE COMFORTABLE WITH. DON'T TRADE TIME FRAMES THAT YOU ARE NOT HAPPY TRADING. THE GOAL IS NOT TO BE REPLICAS OF VERTEX TRADERS. THE GOAL IS TO BE YOU AND BE YOURSELF AS A TRADER. BE SELFISH AND THINK ABOUT YOURSELF AND YOUR OWN GROWTH.



FAQ

WHEN DO WE DELETE ORDERS?

WHEN TP IS HIT OR IF THERE IS A NEW BOS LEAVING ANOTHER OB

BEST TIMEFRAMES?

ANY THAT MAKES YOU COMFORTABLE . IF LOWER TIME FRAMES MAKE YOU ANXIOUS, DON'T USE IT. YOU WANT TO BE CALM AND RELAXED WHEN TRADING, NOT ON EDGE.

BEST PAIRS?

THIS STRATEGY WAS DEvised FOR STOCKS INITIALLY. THIS WORKS ON ANY PAIR AND STOCK YOU WANT TO USE IT ON. CONCEPT IS THE SAME.

STRIKE RATE?

THIS IS SUBJECTIVE, HOWEVER THE STRIKE RATE IS NOT OVERLY HIGH FROM OUR BACKTESTING AND HISTORY. AVERAGE OF 68% A WEEK STRIKE RATE IN 6 MONTH SAMPLE OF DATA. HOWEVER AVERAGE RR WAS 1:13.25. SO THE LOSSES ARE MINIMAL REGARDLESS OF BEING FAIRLY FREQUENT.