How to Refine Order Blocks

⏱ Created	@July 10, 2021 11:04 PM
☰ Tags	
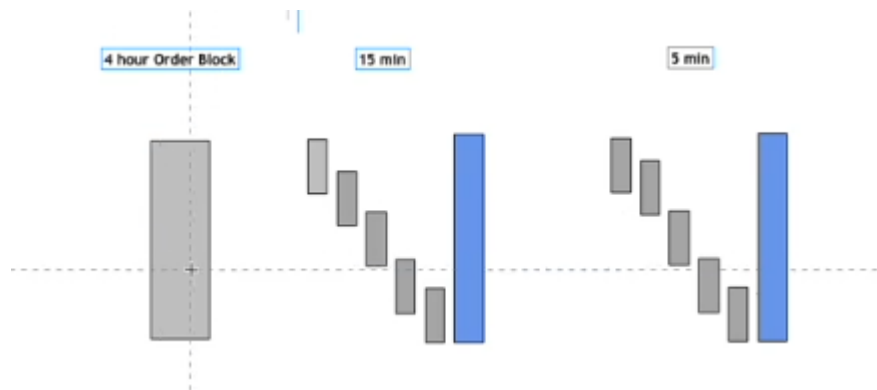
When we find an order block, lets say this is the 4H order block. Now we know that within this order block that there are several little candles.

And what I mean by that?

We know that say on the 15m, we know that there is going to be several other candles, before price pushes up again. And then within that, so within the 5m timeframe for example, we have this happening again, but with even more candles.

What am I trying to say here?

So if we think about it for an order block for example, for a bullish move, we are going to be looking for the last bearish candle before the bullish move happen. Now my grey candles are the bearish candles in this situation, and blue are the bullish candles.

So we know within this 4H order block, we have got 15m candles and we have got 5m candles. Now if we are going to think about precisely, where the last place they sold, we are going to look inside this candle (4H) and try to find the last place at the sell orders have been taking place.
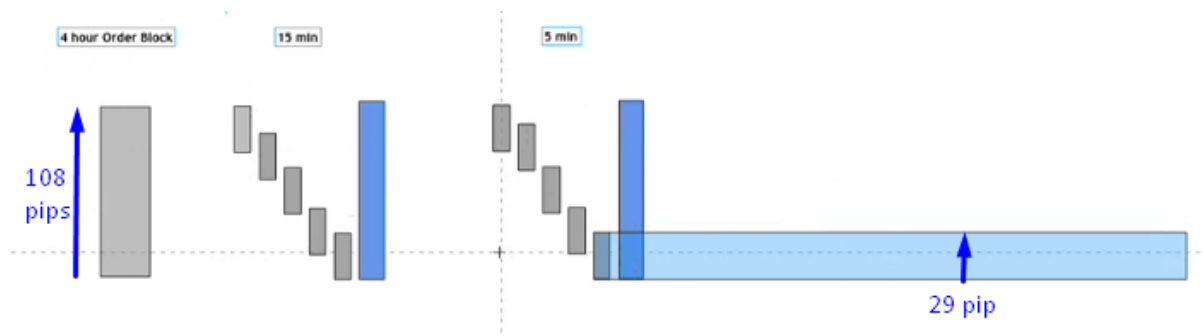
So last place to sell orders have been taking place, is this candle here. So that is my order block, so I have refined 4H candle. This 4H candle, is going to be 108 pip order block, we have refined that to a 29 pip order block, and thats essentially the process of refinement.
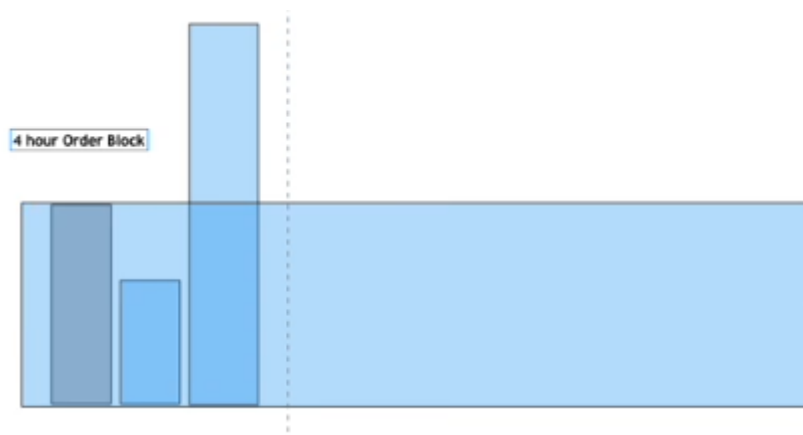

There is another way I can do this, so say for example, I have my candle thats in here, and this is the 4H, and then we have lets say a bullish candle, and then I have another bullish like that. Now this is all happening at my OB. So I know that this is the OB candle. So this candle here is 4H OB.

4 hour Order Block
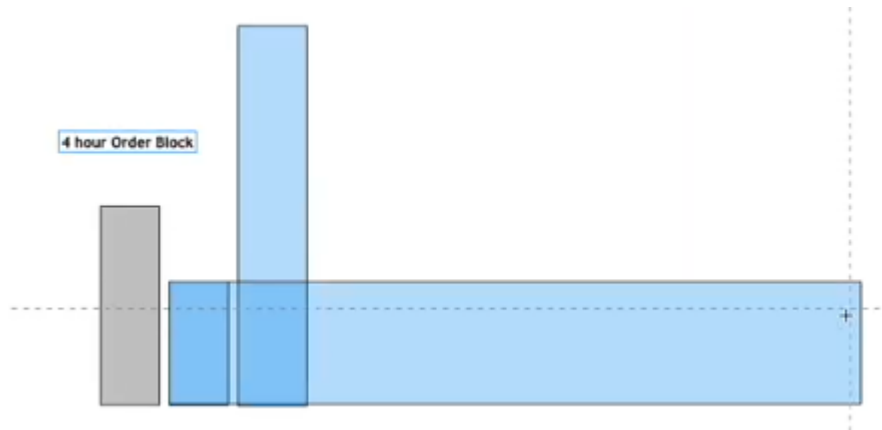
Now I can mark this out now without going to a LTF, I can simply find the range of the OB, which is this and refine it to the next candle, if its within the range of the OB, including the wicks.

So I can refine the OB without having to go down to a LTF.

4 hour Order Block

5 min
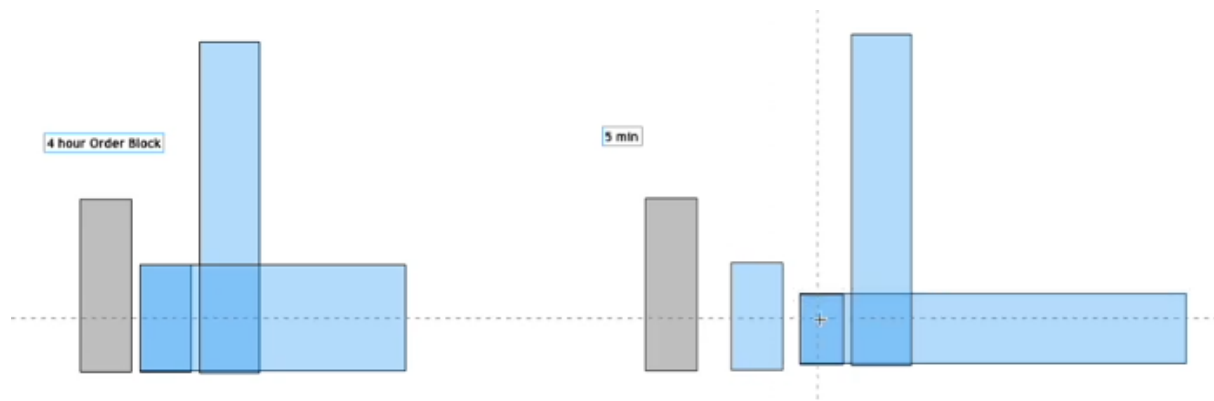
Same situation if Im like this, so within this situation (4H), in within this (5m) even if I get this situation where I have another candle, doesn´t matter if its bullish or bearish. We know that this gray candle here is the OB, we are keep going to the right until the candle breaks the range, we have this is the impulse, this is the last candle before the impulse actually occurs, and its still within the OB range.

So again I have although refined the 4H block to this one within this candle, I have this refined 4H OB, and within this range I have this candle (5m). So I have refined the OB without going through the different timeframes, because this will be an OB sitting on the 1m.

Sometimes we get situations for example like this, so that is my OB. But sometimes I get situations like this, where I have got the impulse and I have got and OB that is sitting here.

So I have this one where its actually the last candle before the bullish move. Same thing like the last bullish candle before the bearish move, they are simple ones. But sometimes I gets where I have an OB, and then I have another another candle in between, and then I have the bullish move.

If its within for example, this range of the OB, like this, I can simply refine that down to the next candle, if its within that range of the OB.
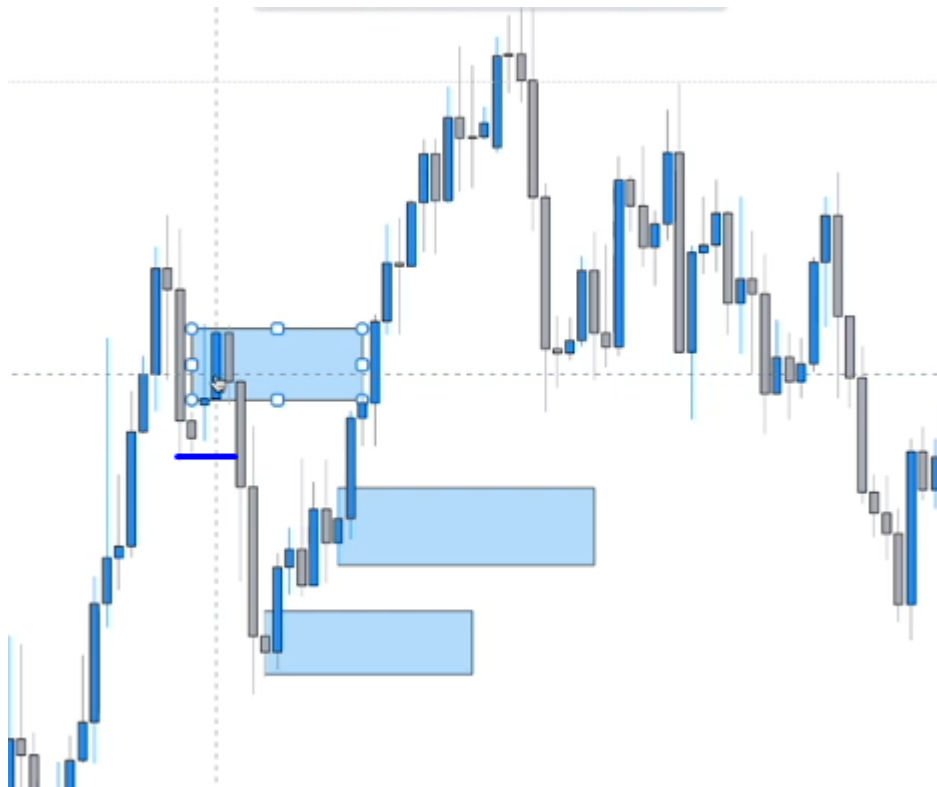
So what I mean by that is for example here, I have got a BOS here, so I have got the OB which is this one.
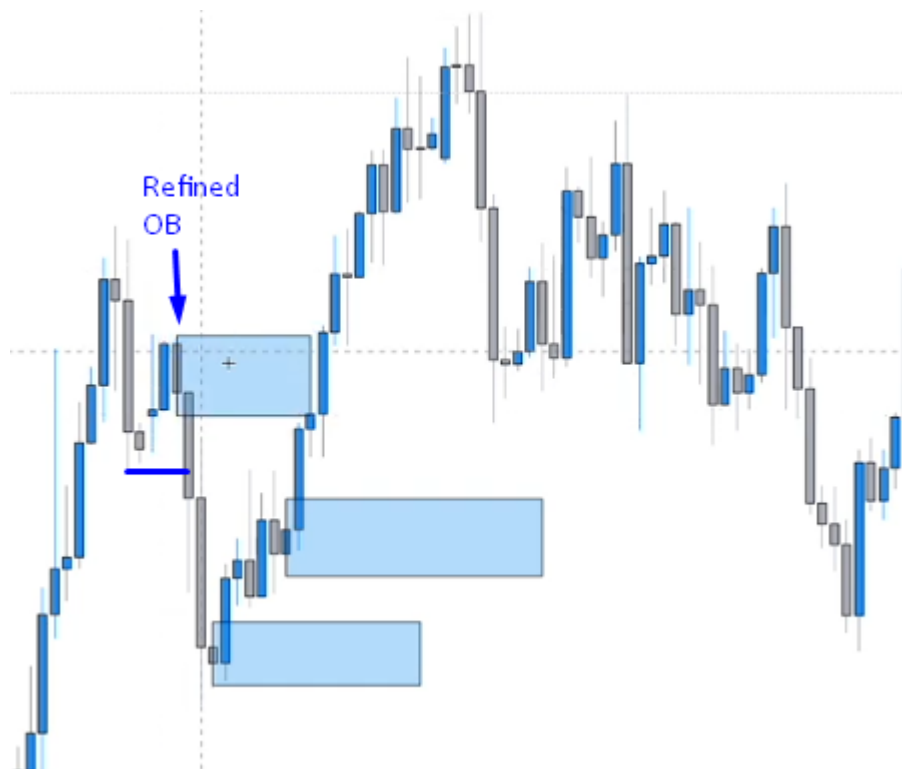
The next candle before the impulse, is going to be this one. So I can refine it to that one that is now my OB without having to go down to a LTF.

Here we have this bullish impulse, and Im going to try to locate the best OB. The best OB is essentially going to be the most extreme one, because as the last place of the institution sold. So this is my OB, so I want to see where is the last place that the insitutions have sold, before the price continue to go up to the upside.
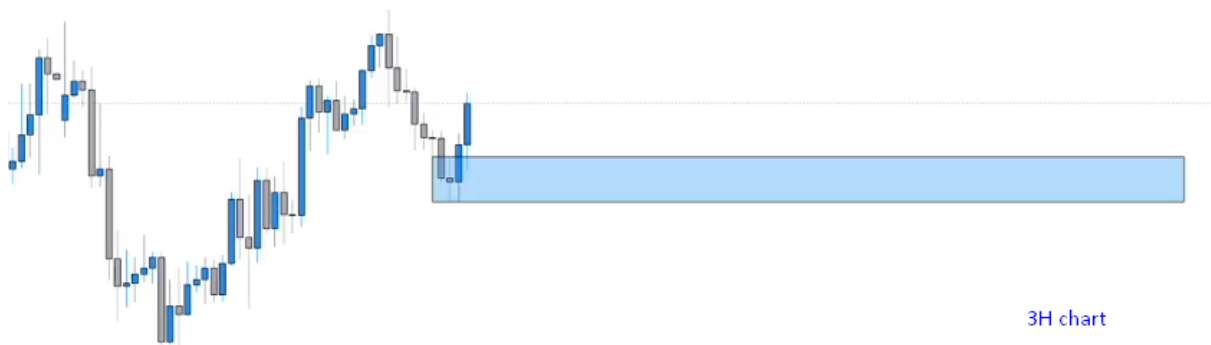
So all I can do is I can go down to my OB, and go down the timeframes. So I go down to 3H, it still there.

2H chart
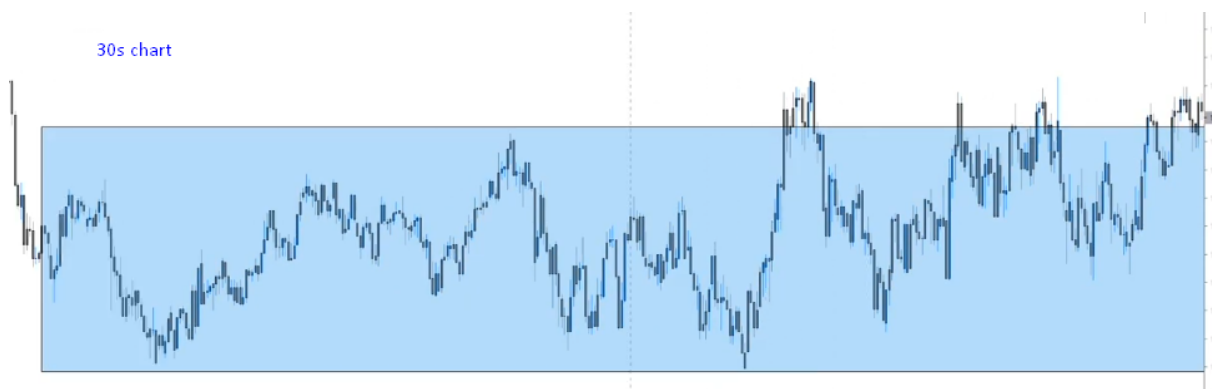
Look we can refine down to this one now.

45m chart
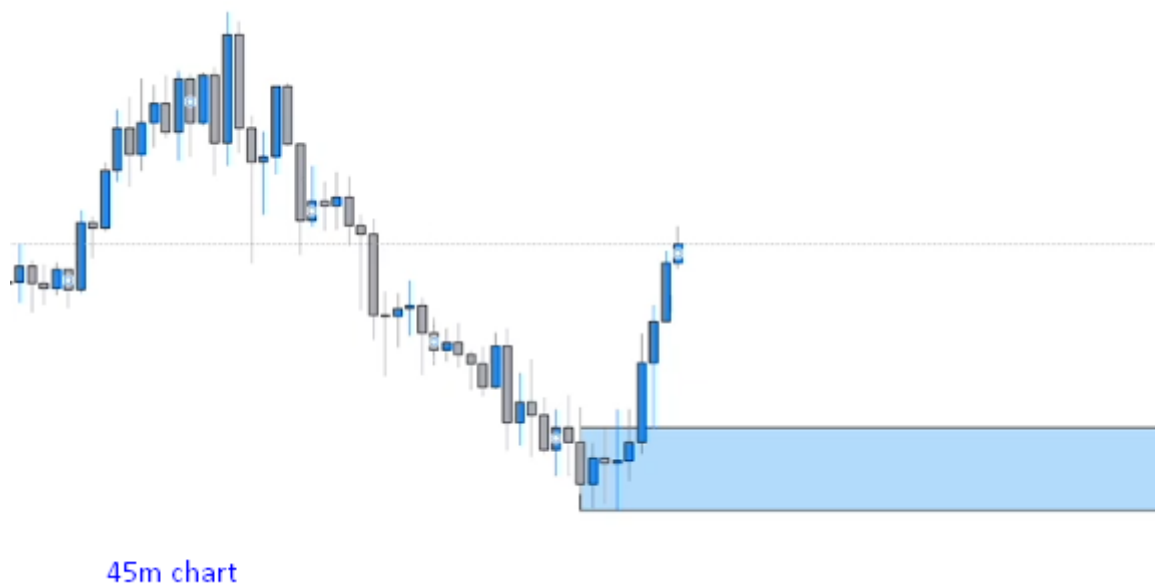
And then I can go even further, so I can go to 45m, nothing is different in that case.

So Im going to keep going down the timeframes, until I find a clear OB within this range. Again I want to look for the most extreme point.

There is nothing clear for me on 4m chart.

30s chart

So lets go to 30s, so what can I see? So if I zoom down within this, what do I have?

I have a little OB and not mitigated, and this is within the HTF OB. This OB is the last place that institutions have sold, before price continue up, and have not mitigated.

Why did Im looking to extreme points, and not like the?

Is because nothing of this are clear, and all this are mitigated. I wanna find a mitigated OB. So I wanna think where is the last place that institutions need to come to mitigate their OB.

30s chart

too close but not mitigated

Now this 30s OB that is sitting here, has not been mitigated, because even though its come close, but its not actually tapped out.


4h chart

30s Chart
OB

If I go back to the 4H, I can see what I refined it to, so I refined that 4H OB here, this all the way down to this. So Im expecting price to react of here, before continuing to the upside.

So if I go back to where I were, lets see what actually happens. So it broke structure, now Im looking for the OB. What the price do? It came back and it reacted at the 30s OB, precisely and then continued. It mitigated the OB, and look how price reacted.

Now that they have mitigated the OB, they can happily continue their move, which is why its so impulsively rejected off there.

So thats the process of refinements. So when I refine OB, all I need to do is go down the timeframes to find an OB that Im happy with.
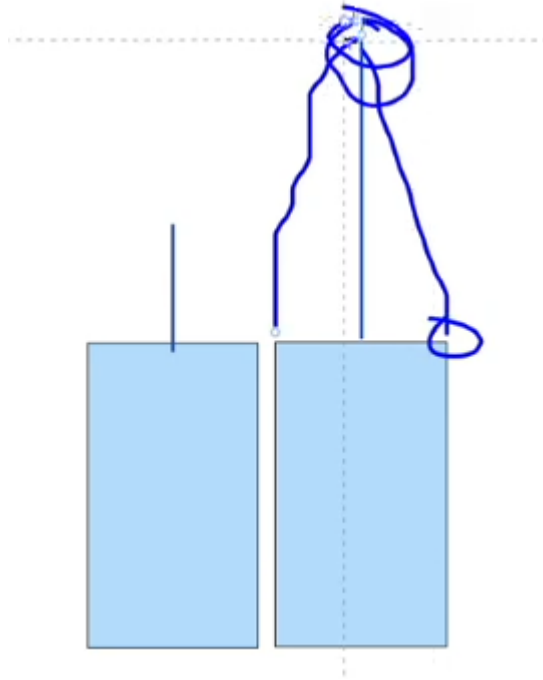
I have all the OB either like this, but I also have all the OB within the wicks. So within a wick, lets say this is a candle, and then I get another candle like this, and then I have sometimes have candles with huge wicks, and then I normally do sometimes the candles with small wicks.

What I want, I can see here right?

So price, what I can tell by the wick is that the buyers are also pushing price up, but they get exhausted, which is why there is nobody there, because the sellers are in control.

What does that mean?
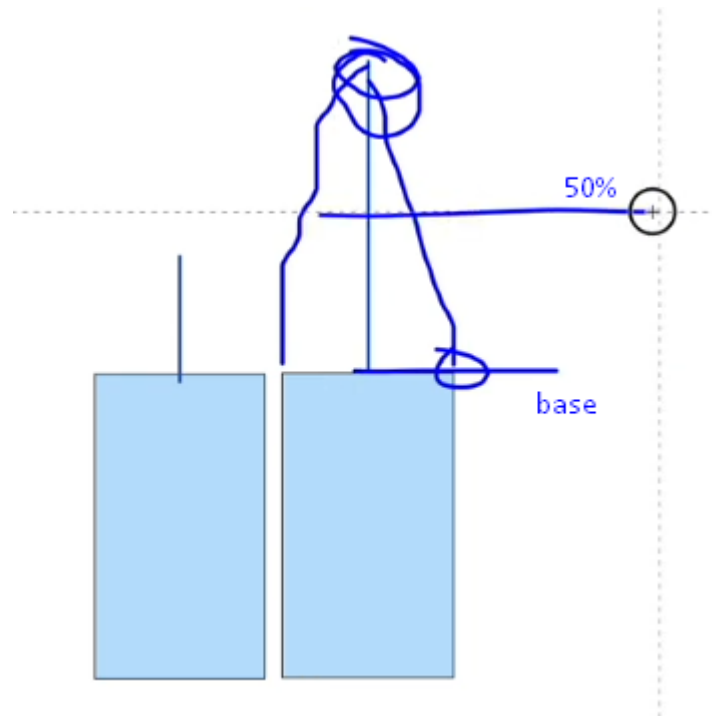
It means that the sellers, the selling pressure is within this wick. The main thing I need to take away from what Im saying here, is there is an OB sitting at either the base or the 50% of this candle.
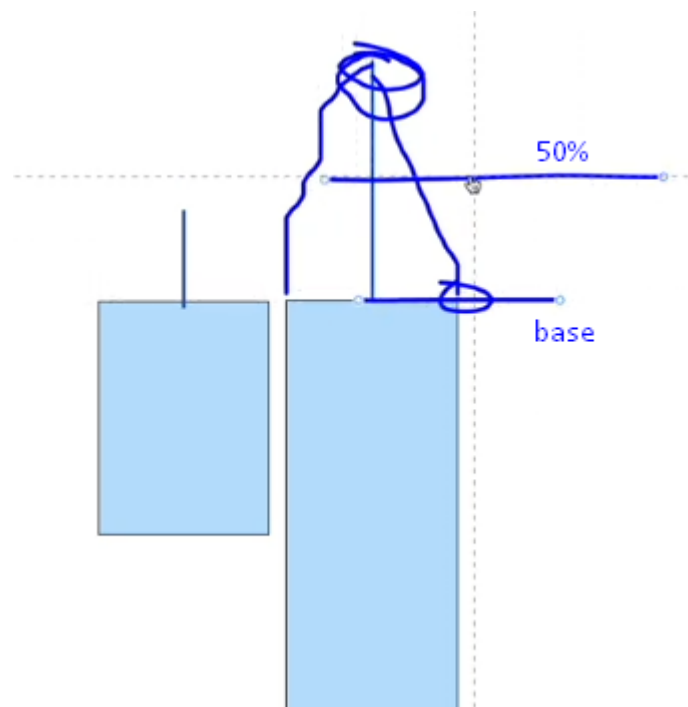
So say for example, if that is my OB and that is the next impulsive move. If I have a wick right that is surpassing the previous wick of my OB candle, I could take a trade.

I all have my POI, as the base of the wick or the 50%. Its completely up to me how I wish to do that.

So if I see it from this prespective, on the 5m, what can I see? So I have a BOS here, impulsively broken, so I immediately identify the OB, which is sitting here.
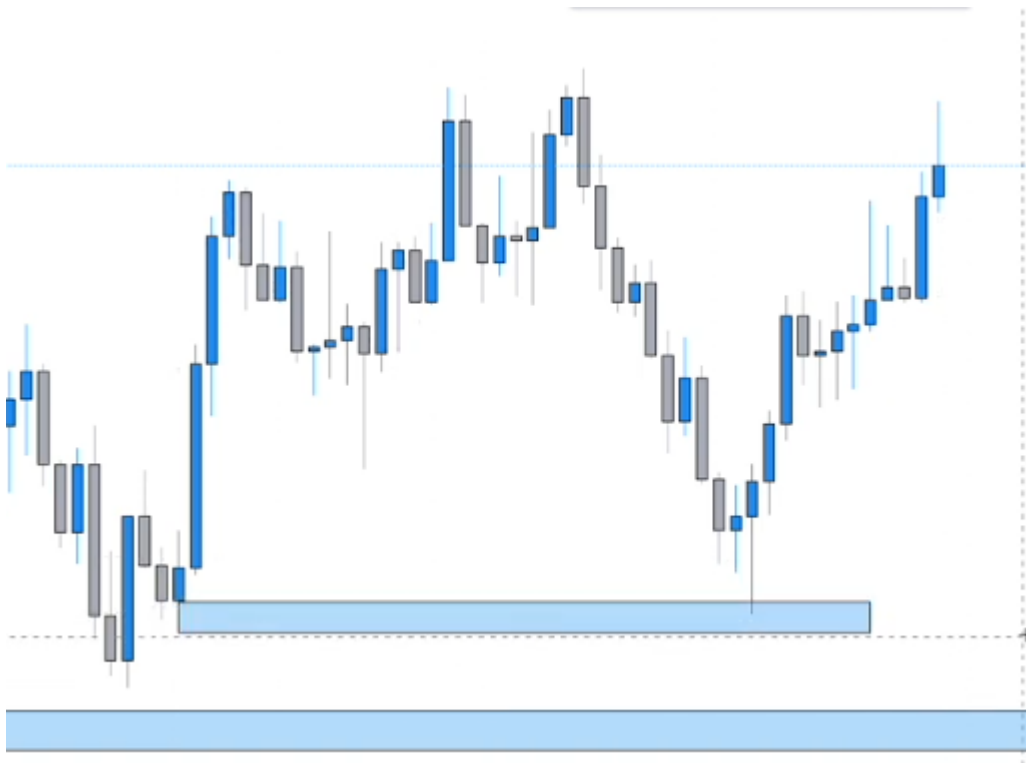

Now this candle is within the range, its not broken the range of the OB, because this wicks they haven´t broken the range, its not a candle body, not broken the range of this OB, so I can refine it down to the next candle.

But if I look carefully, what do I see?

This wick surpassing previous one

I have got this wick, is surpassing the previous one.

What does that mean?

The buyers are in control, within this candle, so I can actually refine my OB to that wick itself.

Where does price react?

It reacts to that wick.

Now for I get trust in the fact that its reacting to the wick, and to for I to give trust and reacting to OB it will take practice. Essentially, that is the reason behind it, because when I get a wick, that is to the downside, grabbbing liquidity from the previous candle.

The buyers are in control.

And what does that mean?

That is where the buying pressure started, so the last place the institutions are sold is within this wick. So the sellers have been exhausted here. So they have been

selling throughout this wick and then the big buy happens, this whole move originated from within here.

So the last sell position in theory is within here.

Why is this liquidity wick not a POI?

But this one did

This one can't be a POI because didn't break structure.
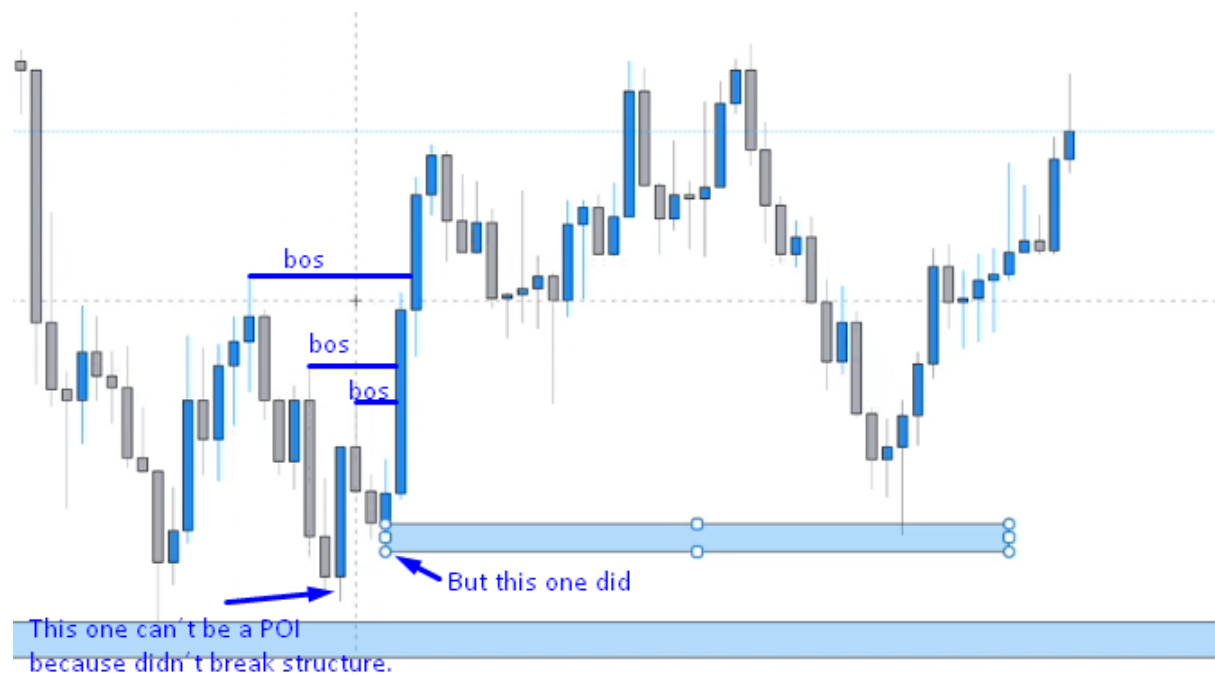
Because it didn´t break structure, it didn´t do anything significant for us to say that there is an OB sitting within that, but this one did. This one went on to produce a powerful move that broke 3 structures.

So it needs to be mitigated and thats where the mitigation happened, and I could have taken a trade based of that.

Is the exact same thing going from for example, the daily. If I think about it from this perspective, where did the BOS occur?
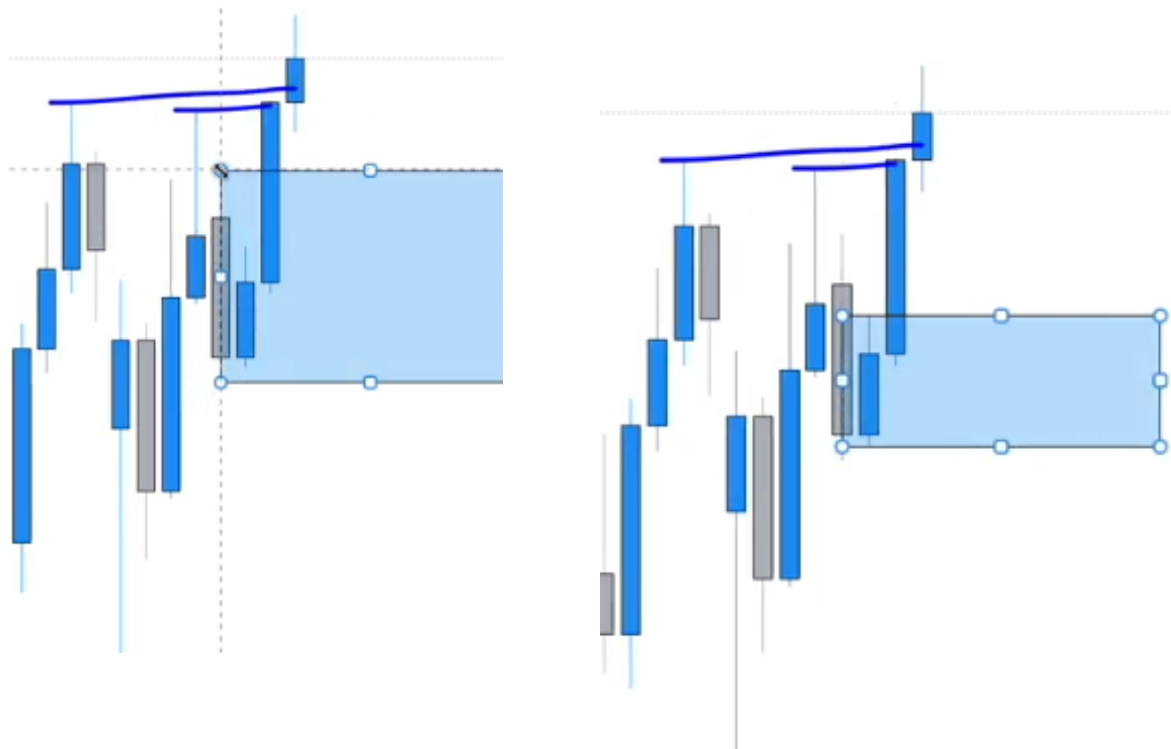
So I have broken structure here, and also broken this one. Where is the OB? This candle here, I can refine it down to OB here, and then I can go down the timeframes and then refine that down even further.

4h chart

So I can refine it down to this one and then I can keep going down the timeframe and refine that down even further until I find a candle which is clear and its an OB.

15m chart

All this is not clear

This is the move that was part of that move that made BOS

So what I can see is this is the one thats not been mitigated, and created a move was part of that move, that broke structure. Everything here is not clear and this is only the 15m.

4h chart

If I go back to the 4H, I can see where price actually reacted. So reacted perfectly of the unmitigated OB.

So with this refinement, I reduced from a 180 pips daily OB to 9.8 pips 15m OB.