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DISCLAIMER

Everything here are my notes from my trading blog. I am not a financial advisor. This is not financial advice. The content is provided for informational purposes only. To make the best decision that meets your needs please do your own research. All investments carry some form of risk. Nothing is guaranteed. Please do not invest money you can not afford to lose.

LESSON - 16

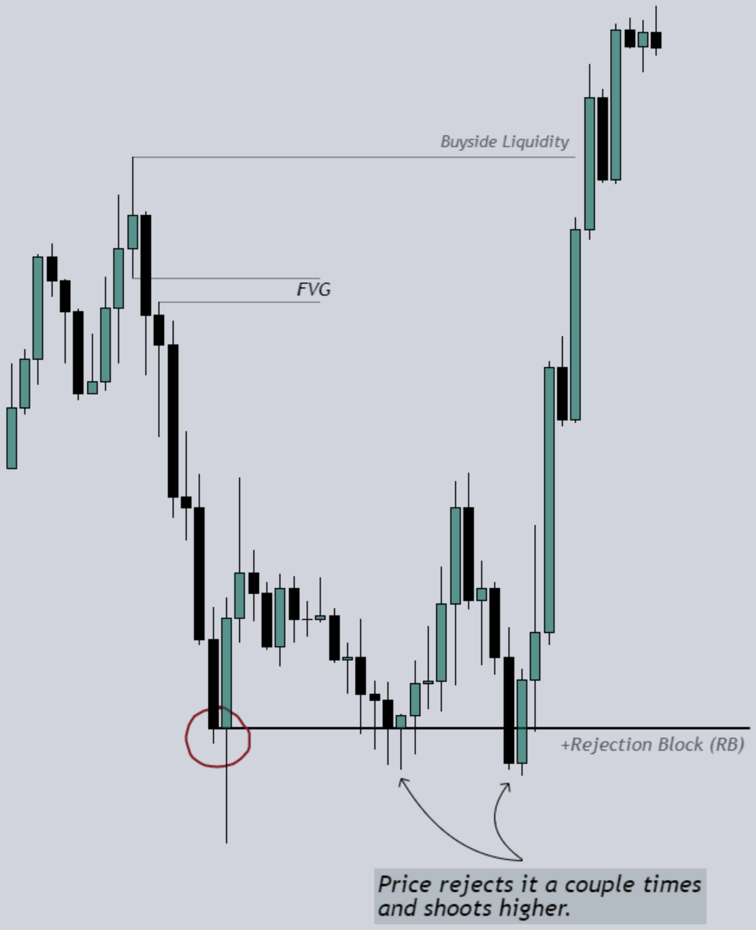
Rejection Blocks & Stop Placement

Rejection Block

Rejection Block (RB) is as most of you already know something that we don't really use too often (hence I wasn't marking it much on my charts) as the main focus goes to PDA's like: Orderblock, Fair Value Gap & Breaker <- these are the ones to master and you will be very comfortable with your PDA palate BUT Rejection Block is a very nice addition when you know how to correctly implement it.

Understanding Rejection Blocks well will help you to 1 – Stack confluence and see the overlapping "strong" areas better; 2 – Place your stop losses more accurately.

Rejection Block (RB) – is when price in let's say a bullish scenario (example on the right) pushes below the body of the candle/s to run some Sellside Liquidity (internal Lower TF) before the launch higher. So, usually it's a deep retracement into the range of previous lows body to wick of the candle range.



Rejection Block

Another form of using/marking the Rejection Block that ICT doesn't talk about and the one that we will actually use in our day to day trading for stacking confluence & placing our stop losses. Also, we will use it for highlighting potential areas of reversal/reaction.

So, the second & the main way of how we use it is when in a bullish scenario price completely runs the low (collects the Sellside Liquidity), and then launches higher. We mark the Rejection Block (+RB) and extend it into the future, that's where a lot of times price will find support, and also align with other Bullish PDA's like FVG and or Orderblock.

This is the RB that can be put in use and when we expect it to hold price and send it to the opposite side when on the first example (way of using it) we can only mark it after the fact, after it happens as we can't actually know if it will hold or price will completely run the low – that's why this is the main way of how we (and ICT) implement RB's into our daily analysis.

Let’s dive into some examples

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+ Rejection Block


FVG lining up
with +RB
FVG
+ Rejection Block

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Bearish Example

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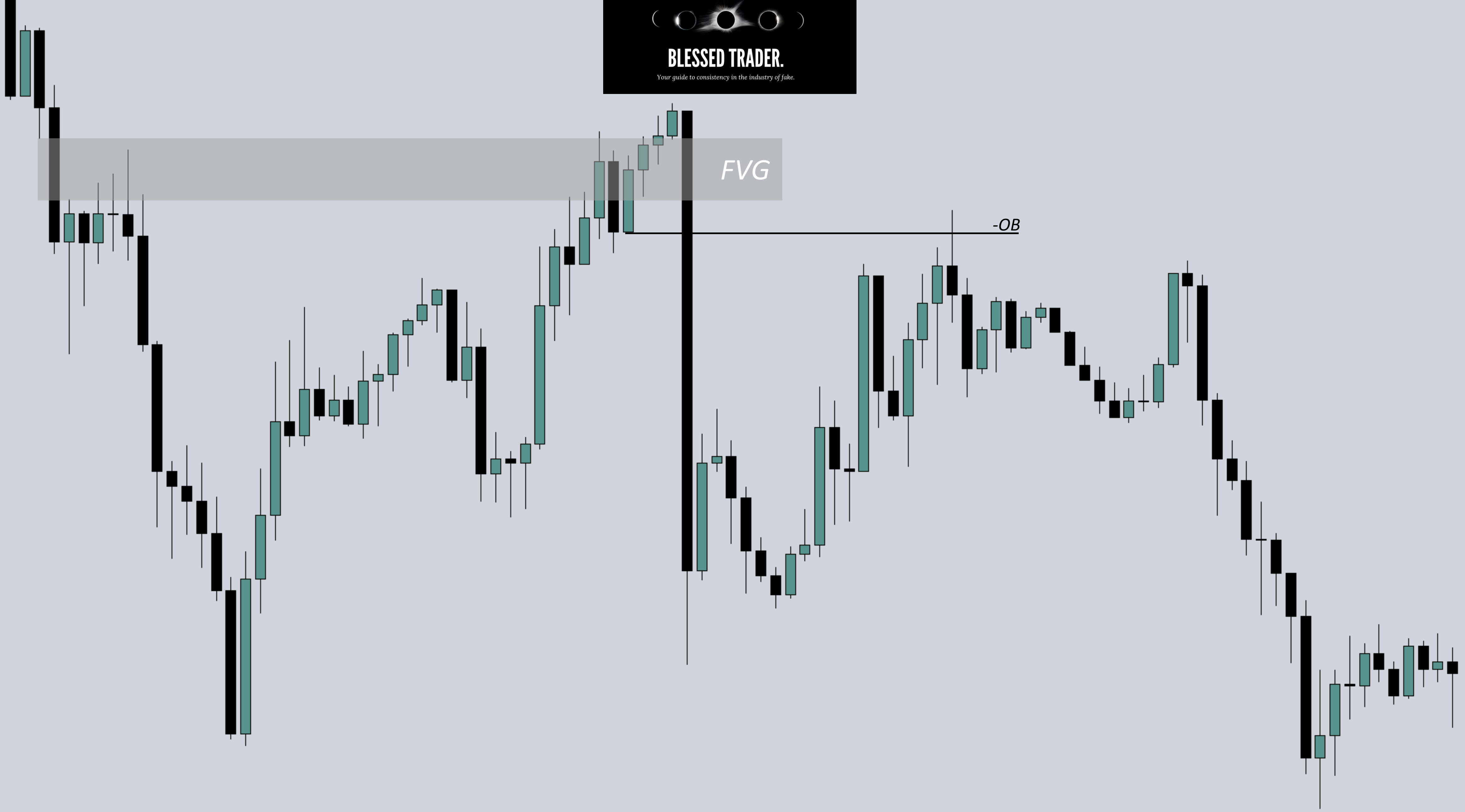


FVG
-OB
- Rejection Block

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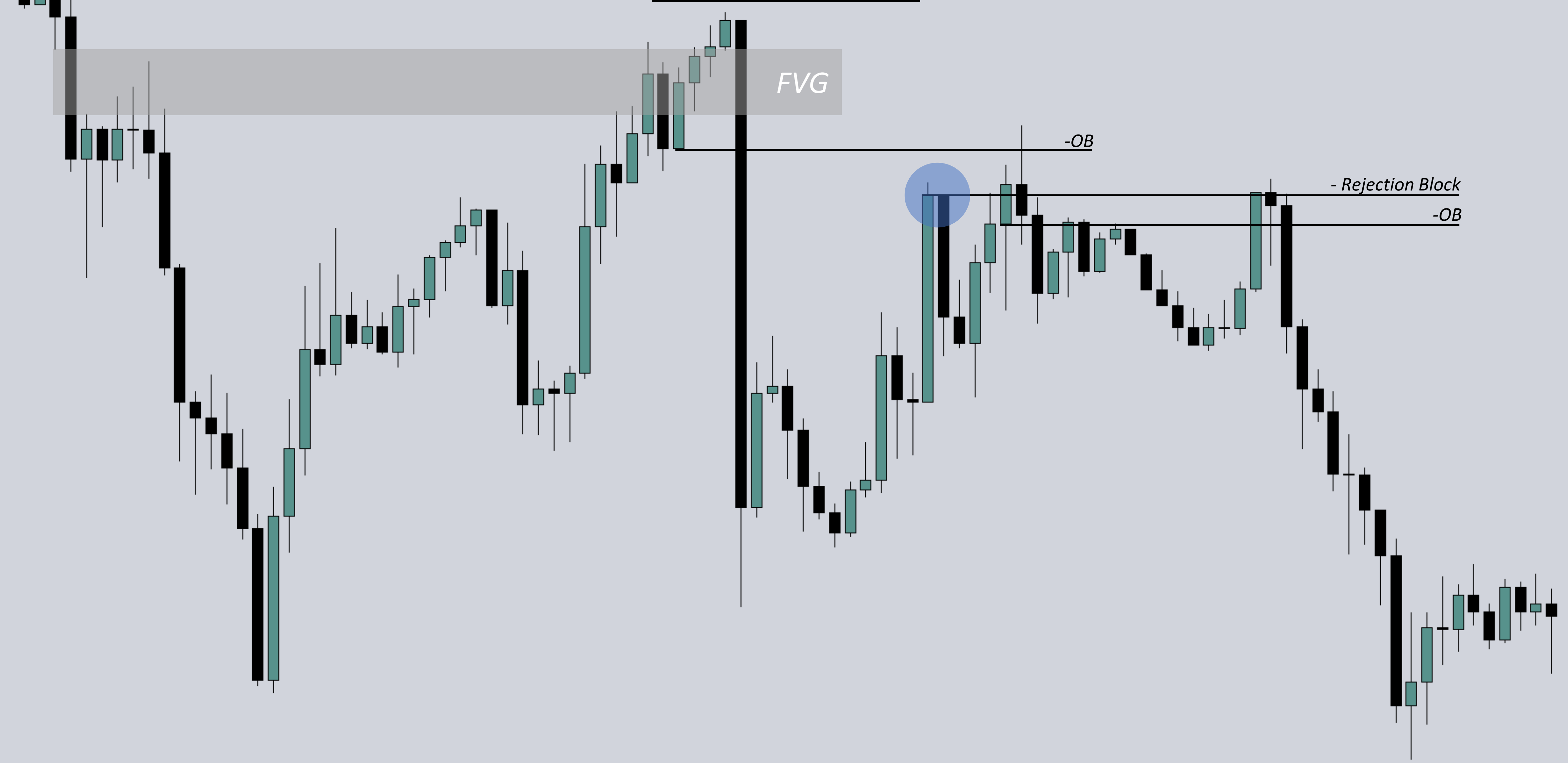

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Stop Loss Placement

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Stop Loss Placement

So, this one is an important part that will help you to in some cases go with a bit tighter stop loss and get better Risk To Reward ratio out of your trades + understand the whole logic behind price delivery and why a lot of times price doesn't go below the main Low/High that runs the Liquidity.

M. Protraction move that runs Liquidity before reversing and then causes a Market Shift/Break doesn't have a motive to go below the low marked in the screenshot on the right side (blue box). Why? – because the job was already done, price ran the stops there (red circle – SSLQ), so there's no actual reason for price to go below this price again – that's why we don't always have to cover the whole stop run move.

Of course, there're many different scenarios, different variations and as you already know same as ICT I'm not a big fan of leaving my stop there for the grabs, I want to place it bit out of the picture to not get spiked out for no reason, but in the process we dive into the logic behind price delivery and align it where most likely price won't reach again, so that's why I wanted to combine it with the Rejection Block lesson as it's very similar topic and it will be easier for you guys to digest.

Stop Loss Placement

Expanding on this topic, inside the stop loss we want to wrap as much opposing PDA's there as we can and or cover the Lows/Highs that if we're right with the direction & timing, shouldn't get ran (without going too crazy, of course).

For me, 95% of time stop loss varies from 8 to 12 pips, the 10 pip SL being the most common option, so I don't really spend a lot of time sitting and thinking where to place it because I know my numbers of how wide I'm going to go right away & also I can quickly spot where the structure would change if the price would reach/break this or that level (that's where my SL is placed) also, when we need to cover the whole move (as price could reach into specific PDA), etc. or it's okay to go with a tighter stop as price already did it's job running the stops and if it breaks below/above that level there will be no actual reason to stay in the trade, and so on.

So, don't go tight on your stops, cover some ground there, don't let the manipulation spike you out before going into your direction, wrap some PDA's (especially the Midpoints of it), always pay attention to the momentum and if price is in a rush to reach a specific draw on LQ or it has been slightly all over the place that day and is not in a rush (if it is, that's when going with a tighter stop makes sense, as price will want to retrace – reject, and continue expanding towards the specific area without messing around too much). Also, if it's with D/60min O/F or just with 60min O/F, etc. so all these tiny details matter, even though there really are not mega "secrets" to SL placement but knowing when to add a few extra pips to your SL helps massively.

Stop Loss Placement

Also, same thing goes with manual closes.

I will mention right away that I don't suggest to dive into a game of touching your running trades when they're in red as I can almost guarantee that majority of you will very quickly pick up bad habits and start making all kinds of emotional mistakes, close trades that will suddenly reverse and shoot into your direction or you will keep it but think about closing then it will drop into Stop and you will feel frustrated for not closing it earlier. So, this type of trading very quickly can break your edge and push you back to Level -1.

So, until you master yourself and your approach, I suggest to not touch your running positions at all except for risk removal and partial taking. With time your experience will build and you will start noticing those situations when there's no reason to keep the trade open if the structure changes, i.e. internal Lower TF Order Flow shifts -> from there the best move then is to NOT just sit, wait and pray but just close the trade and move on. However, as I already mentioned avoid doing that for now, collect data & screenshots, and over time it will become an easy process to notice if your stop will get hit before it happens, so you won't have to take a full loss every time you're off side.

Stop Loss Placement

This logic also applies to Midpoints of our main PDA's like MT of the Orderblock, CE of the Imbalance, etc. this means that we always want to at Least cover the Midpoint of the PDA, so this is just an addition, we don't base our Stops on this but again we always want to cover at least the Midpoint of any clear PDA as it's usually a sensitive area.

When we have clear Orderflow, we automatically assume that price won't go deeper than the Midpoint of these PDA's, however, that does happen from time to time as wicks are broker based and it can push deeper than expected (hence as mentioned the stop always has to be covering some ground as we don't want to rely on luck).

Understanding where price stops, where it reverses or gets held + adding the time element on top of it (when the LOD/HOD formed that day for example) makes you ahead of the game, that's why you can point out important areas, reversal points in price as well as placing your stop loss – where it won't be tagged if your direction and analysis are right for the day.

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