Market Structure Basics

- Purpose of Market Structure Analysis:
- To determine the direction of the market: bullish or bearish.
- Breaks of structure are the key indicators for direction.
- Bullish vs. Bearish Trends:
- Break Up: Indicates bullish momentum.
- Break Down: Indicates bearish momentum.
- More complex than a single break signaling a trend; trends are determined by the sequence and context of breaks.

Breaks of Structure

- Definitions:
- Break Up: Occurs when price breaks above the previous high.
- Break Down: Occurs when price breaks below the previous low.
- Ranges:
- A range is defined between the most recent low and high.
- Breaks within this range don’t shift the trend until the range’s boundaries are crossed.
- Example Process:

1. Identify current range (low to high).
2. Look for a candle body close (not just a wick) to determine a confirmed break.
3. If the price breaks above the high, the range shifts upward (bullish continuation).
4. If the price breaks below the low, the range shifts downward (bearish shift).

Multi-Timeframe Analysis

- Importance of Higher Timeframes:

- Start analysis on higher timeframes (e.g., daily chart) to establish the overall market bias (bullish or bearish).
- Use lower timeframes (e.g., 4-hour, 1-hour) for more detailed confirmation.
- Example of Conflicting Timeframes:
- Daily chart showing bullish momentum.
- 4-hour chart showing temporary bearish movement.
- Align entries with the overall daily bias once lower timeframes confirm the same direction.

Using Indicators for Structure Analysis

- Indicator: MentFX Structure:
- Visualizes breakups and breakdowns with clear lines.
- Shows ranges (e.g., range low and range high).
- Saves time and ensures consistency in identifying structural breaks.
- Key Rule:
- Breaks are only confirmed by the candle’s body closing above/below the range, not by wicks.

Multi-Timeframe Trading and Confluence

- Steps to Build Confluence:

1. Start with higher timeframes (daily) to identify overall trend bias.
2. Wait for lower timeframes (4-hour, 1-hour) to align with higher timeframe bias.
3. Enter trades on even lower timeframes (e.g., 5-minute) when trends align across all levels.

- Avoiding Noise:
- Lower timeframes often appear chaotic; always rely on the higher timeframe direction to avoid confusion.

Practical Applications

- Candle Wick vs. Body:

- Only body closes are considered structural breaks.
- Wicks above/below ranges are ignored to reduce false signals.
- Example Walkthrough:
- Breaks up and down shift ranges dynamically (e.g., low to high, high to low).
- Identify the current range, track breakouts, and confirm with indicators.

Trading with Structure

- System Foundation:
- Step 1: Use structure to determine market direction.
- Step 2: Combine with supply and demand zones (covered in next topic).
- Step 3: Advanced concepts such as models for deeper structural insights.
- Goal:
- Build a trading plan by systematically identifying bullish and bearish setups.
- Apply structure analysis across multiple timeframes for confluence and clarity.