BTC Price Action Strategy – Rule Set for a Language-Based Rule-Based AI Agent (EN)

📌 Fully price action-based
📌 All entries via limit orders
📌 Stop-loss is executed via stop-market orders
📌 No indicators, no market entries

―――

📌 GENERAL RULES (updated)
1.   Only trade BTC/USDT based purely on price action.
2.   Use limit orders only to open trades.
3.   Do not use any indicators (such as RSI, MACD, etc.).
4.   Stop-losses must be executed as stop-market orders
(Once the SL level is hit, a market close is triggered).
5.   Market orders for entries are not allowed.
6.   Only take a trade if all entry conditions are fully met.
7.   Do not enter trades during impulsive movements.
8.   Always calculate the Risk-to-Reward ratio (RR) before entry.
9.   Never open a trade in the middle of a range.

―――

🧱 MARKET STRUCTURE DETECTION

The agent must detect:
•   Uptrend = Higher Highs (HH) + Higher Lows (HL)
•   Downtrend = Lower Lows (LL) + Lower Highs (LH)
•   Break of Structure (BoS):
•   Bullish: new HH > previous high
•   Bearish: new LL < previous low
•   GAIN: A candle opens and closes above a resistance → the level is "gained"
•   LOSS: A candle opens and closes below a support → the level is "lost"

―――

🧭 ENTRY TYPES

🟩 1. Limit Catch Entry (aggressive)

A limit buy/sell without confirmation, placed only at clear range extremes.

Allowed:
•   Only on 15m timeframes or higher

•   Only at the top of the range (short) or bottom of the range (long)

Conditions:
•   Range must be clearly present with at least 2 touches on both sides
•   Range must be horizontal and low in volatility (1.5–3%)

Action:
•   Place limit order at rangehigh or rangelow
•   SL = just outside the range (executed as a stop-market order)
•   TP = midrange or opposite edge of the range

____

🟦 2. In-Price Entry (conservative)

An entry placed after a structure break (BoS), during a pullback to HL or LH.

Allowed:
•   On all timeframes (especially scalping on M1–M15)

Conditions:
•   BoS or GAIN/LOSS has been confirmed
•   Price pulls back to a zone between LL ↔ HH (or HH ↔ LL)
•   The zone must be a previous S/R, orderblock, wick cluster, or candle base

Action:
•   Place a limit order at HL or LH
•   SL = below HL or above LH (executed as a stop-market order)
•   TP = next structural level or minimum RR ≥ 1:3

____

📊 RANGE DETECTION

A range is defined as:
•   No clear trend (no HH/HL or LL/LH)
•   Highs and lows are within 1.5–3% deviation
•   At least 2 touches at both the top and bottom
•   Lasts at least 15 candles

Once detected:
•   Mark the rangehigh and rangelow
•   Only allow entries at the extremes
•   Invalidate the range if a candle closes outside of it

———

🛡️ STOP-LOSS STRATEGY
- • Level 1 SL (tight): Just below HL / just above LH
- • Level 2 SL (wider): Below wick / orderblock / test zone
- • All stop-losses must be executed as stop-market orders

———

🔄 IMPULSE VS BUILD-UP
- • Never enter during a strong impulse
- • Only trade during build-up phases or pullbacks
- • Impulse = used to hit TP, not to enter trades

———

🧠 ENTRY QUALITY (Orderblocks – OBs)
- • A strong impulse after an orderblock makes the zone more reliable
- • OB = last candle before the impulse begins
- • Entry should be placed at or just above/below the OB during the pullback

📚 Technical Rule Set – BTC Price Action AI Agent

Purpose: These rules serve as a framework for developing a rule-based AI agent that trades using the Doopiecash price action strategy.

———

◆ 1. What defines a strong impulse?

A strong impulse is a fast, directional price movement with clear intent.

Criteria:
- • At least 2 consecutive candles
- • Total price movement ≥ 1.5%
- • Occurs within a maximum of 3 candles
- • Candle bodies must be significantly larger than their wicks (body ≥ 60% of total candle size)
- • No significant retracement during the move

———

◆ 2. What defines a build-up phase?

A build-up is a consolidation phase where the market compresses before an impulse.

Criteria:
- At least 5 consecutive candles
- Small-bodied candles, often overlapping
- Total range of the build-up must be ≤ 1%
- No clear HH/HL or LL/LH structure
- Visually appears as compression or horizontal movement

_____

◆ 3. How is the midrange zone defined?

Midrange = the middle 30% of the total range.
- Only short entries above the top 35%
- Only long entries below the bottom 35%
- No entries allowed within the middle 30% zone

Example:
- Range: $25,000 to $26,000 (1,000 USD wide)
- Midrange: $25,350 to $25,650 → no entries allowed in this area

_____

◆ 4. How precise do the touches need to be for range detection?

Use timeframe-based tolerance:

Timeframe	Range touch tolerance
1m–3m–5m	±0.5% from top/bottom
15m and higher	±1.0% from top/bottom

- A valid range requires at least 2 touches on both the top and bottom
- The touches do not need to be exact, as long as they fall within the specified tolerance

_____

◆ 5. How many days of historical data should the strategy use?

The strategy may look back as far as needed, as long as the structure remains relevant.

Structure Type	Validity / Lookback Window
Ranges	Valid until broken (no time limit)
Orderblocks	Valid until tested or invalidated
BoS / Pullbacks	Valid immediately after formation, no limit
S/R Levels	Always valid if price continues to interact with them

There is no fixed limit in days—structures remain valid until invalidated by price action.

_____

◆ 6. How many touches are required to validate an S/R level?
- • Minimum of 2 touches at approximately the same level
- • Tolerance: ±0.25%
- • 3 or more touches give the level extra significance

_____

◆ 7. What is an Orderblock (OB)?

An Orderblock (also called "armpit") is:

The last candle in the opposite direction before a strong impulse begins.

Bullish Orderblock:
1. Identify a strong upward impulse
2. Locate the last red (bearish) candle before the move
3. Mark the zone (usually the body, optionally include wick)
4. Entry = when price returns to this zone later

Bearish Orderblock:
- • Same logic, reversed: the last green (bullish) candle before a downward move

_____

◆ 8. What qualifies as a valid impulse from an Orderblock?

Validating the OB:
- • Impulse must be at least 1.5%
- • Must occur within 3 candles
- • Candles must have dominant bodies with minimal wicks
- • Price must exit the OB zone with strength

_____

◆ 9. Can an Orderblock expire?

Time-based expiration:
- ❌ No, Orderblocks do not expire over time

Invalidation rules:
✅ An Orderblock becomes invalid if:
- Price closes through the OB zone with a full candle body
- Or if price tests the OB with a wick and no strong reaction follows
→ In both cases, the OB is considered used or broken

After a wick test → the OB is no longer valid for new entries

―――

◆ 10. How many wicks must overlap to qualify as a wick cluster?
- Minimum 3 wicks
- All must fall within ±0.25% of each other
- Can be from consecutive candles
- Visually forms a clear area of repeated rejection

―――

◆ 11. What defines a valid candle base?

A candle base is a small consolidation that appears right before a strong impulse.

Criteria:
- 2 to 4 candles
- Small bodies, with significant overlap
- Total range limited to 0.5–1%
- Must be followed directly by a strong impulse
- Used as an entry zone in continuation setups

―――

📌 Developer Summary Table

Structure Type	Detection Criteria
Impulse	≥1.5% in ≤3 candles, body-dominant
Build-up	≥5 small candles, <1% range, no HH/HL/LL/LH
Midrange	Middle 30% of the range = no-entry zone
Range Touch	Min. 2 touches per side, timeframe-based tolerance
S/R Validation	Min. 2 touches, ±0.25% tolerance

Orderblock   Last candle before impulse, valid until tested
OB Invalidation   Wick test or body-close through zone
Wick Cluster   Min. 3 wicks within ±0.25%
Candle Base   2–4 overlapping small candles before impulse
OB Reaction Strength – What qualifies as a "strong reaction"?
📈 Chart interpretation:
Price must react clearly to the Orderblock — not just wick in and out, but actually reject it with strength.
✅ For the team:

Reaction must occur within maximum 3 candles after touching the OB
The move must be a clean impulse of ≥1.5%, with large candle bodies and minimal retracement
Candle Overlap – What qualifies as a valid build-up/base?
📈 Chart interpretation:
A build-up or base shows small candles closely packed together in a tight range.
✅ For the team:

Candle bodies (open/close) should overlap within ±0.15%
2–4 candles = valid base
5 or more candles = valid build-up
OB Invalidation Wick – How deep can a wick go into the OB?
📈 Chart interpretation:
If price wicks into the OB and doesn't respect it, it's no longer a valid zone.
✅ For the team:

If a wick penetrates more than 50% into the OB without a clear rejection, the OB becomes invalid
Reaction Time – How quickly must price react to the OB?
✅ The reaction must start within 3 candles after price touches the OB zone. If not, the setup is considered invalid.
Stop-Loss movement after TP1 – How should this work?
✅ Strategy: SL should move to breakeven after TP1 is hit
⚠️ Technical: The original SL can't be modified via Bybit API, but it can be canceled and replaced with a new order — that's fine, as long as it's done automatically
Impulse after base – How quickly must the move follow?
✅ An impulse must follow within 3 candles after the base. If it doesn't happen within that window, the base is no longer valid as an entry trigger.