

Order Block Theory private study notes extracted from various entities

Trading using ICT'S Institutional ORDER BLOCK Theory

1. Identify OBs using a Higher TFs i.e. start from the Daily TF then H4 TF. Determine your order flow (Institutional Trend) using the D1 & H4 TFs.
2. Now that you have the Long Term directional/institutional bias, proceed to construct the OBs in lower TFs i.e. H1 and M15. M15 being the Entry TF and Entries have to be in line with the HIGHER TF Order Flow/Institutional bias because that's where the real trend is going.
3. When price breaks a previous OB (i.e. Closes above or Below an OB), we should wait for an RTO (Return to Order Block), before Entry. Price should retest the OB after breaking it. This Pattern is known as the Last Step Broken + Retest (LSB + Retest). You can trade the break without waiting for a retest, however you must watch out for a possible return to the broken OB.

With this Order Block Concept, we look forward to take trades from Source to Source. i.e. taking a trade from PEAK to PEAK. That's the aim.

4. **H4 | M15** Integration.

Monthly Chart= Bearish.

Weekly Chart= Bearish.

Daily Chart= Bearish

it means the Lower TFs/Intraday charts H4, H1 and M15 will be Correcting/Retracing Higher (i.e. making Lower Highs). This is where you Expect the price to enter into a Premium (50+% bullish Retracement) and seek buy side liquidity to sell to.

Monthly Chart = Bullish

Weekly Chart = Bullish

Daily Chart = Bullish

It means intraday Charts 4 Hour and less will be Correcting or Retracing Lower (i.e. making Higher Lows). This is where you anticipate the market to enter a Discount (50+% bearish Retracement) and seek Sell Side Liquidity to Buy from.

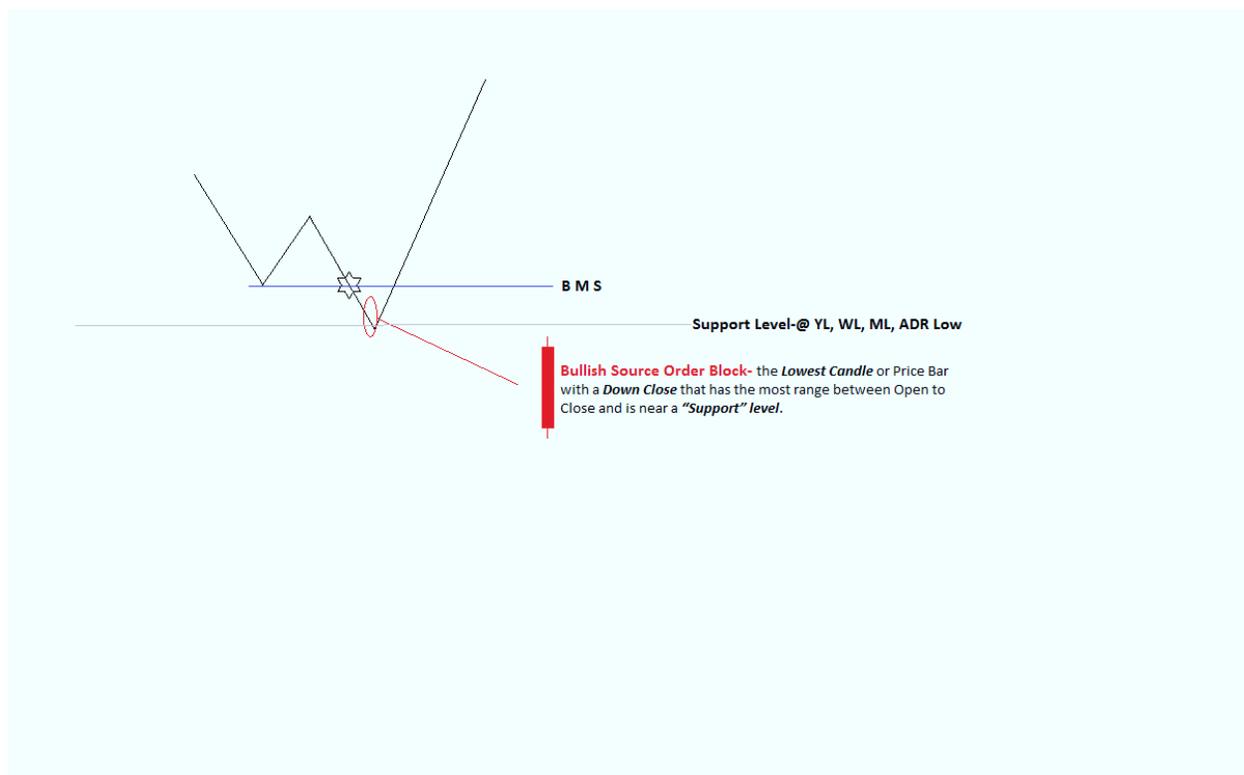
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Types of OBs:

- i. Bullish Order Block (BUB)
- ii. Bearish Order Block (BEB)

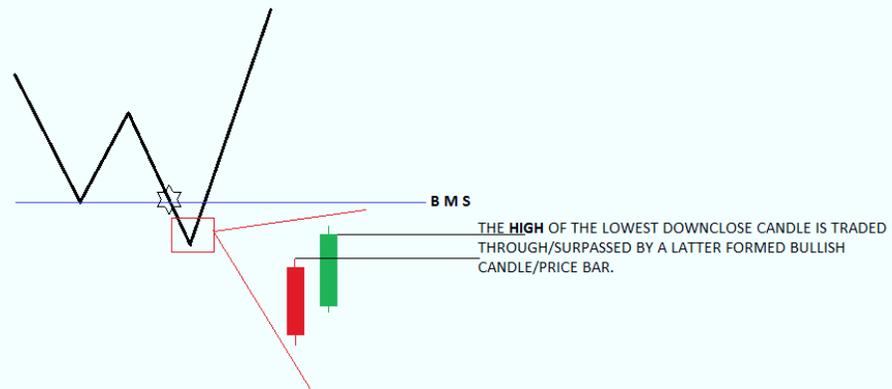
The Order of OBs

1. Source OB
2. Breaker OB
3. Continuation OB (Traditional/Basic OB)



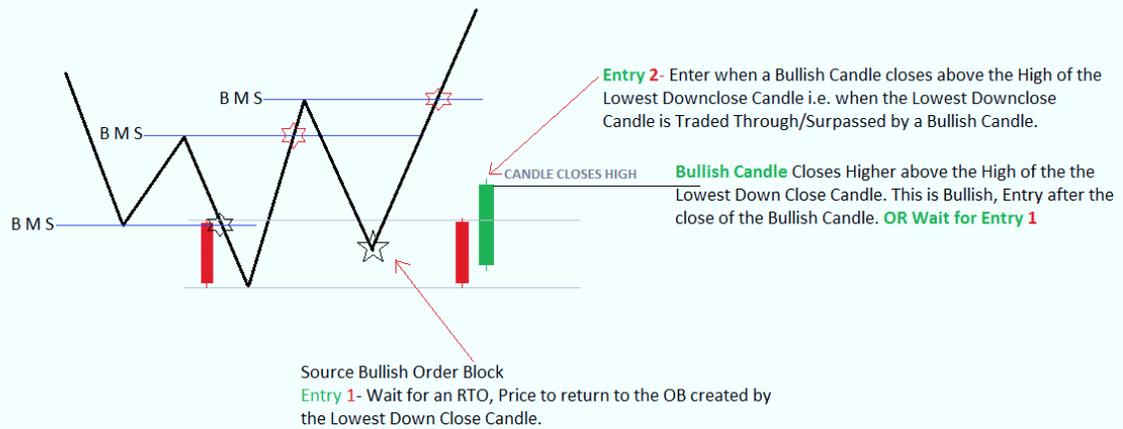
Bullish Source OB is the *Lowest Candle* or Price Bar with a *Down Close* that has the most range between Open to Close and is near a *"Support" level*. The support level can be YL, WL, ML, ADR Low...this is a Trend Reversal Order Block. It is the last candle creating a Peak Formation Low i.e. Lowest price point on the chart. Hence a Bullish SOB indicates a shift in Market Structure from Bearish to Bullish.

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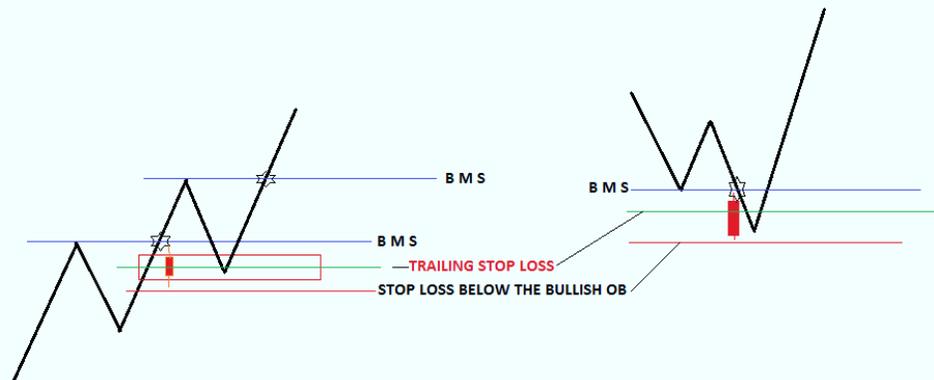
Validation of a Bullish SOB: When the High of the Lowest Down Close Candle or Price Bar is traded through/surpassed by a later formed Candle or Price Bar.

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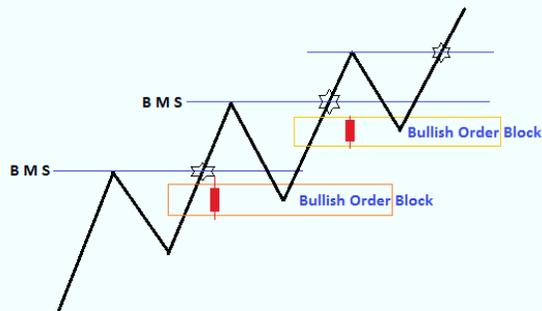
Entry Techniques: When Price trades Higher away from the Bullish Order Block and then Returns to the Bullish Order Block Candle or Price Bar High – This is Bullish i.e. you wait for price to Return to Order Block or Return to Origin (RTO) then you enter. THE AIM IS TO TAKE A TRADE FROM SOURCE TO SOURCE.

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Defining Risk: The Low of the Bullish Order Block is the location of a relatively safe Stop Loss placement. Just below the 50% of the Order Block total range is also considered to be a good location to raise the Stop Loss after Price runs away from the Bullish Order Block to reduce Risk when applicable.

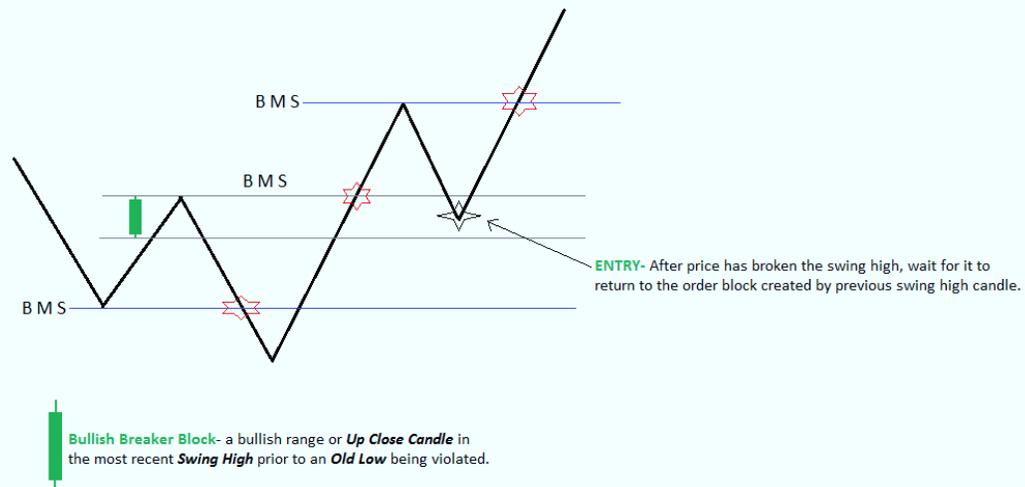
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Bullish Order Block (BUB) - a **Down Close** candle in the most recent swing high which has the **most range** between the **open and close**. This is an area where institutions will be taking profits i.e. selling against the trend and new market makers entering to resume the original bullish trend.

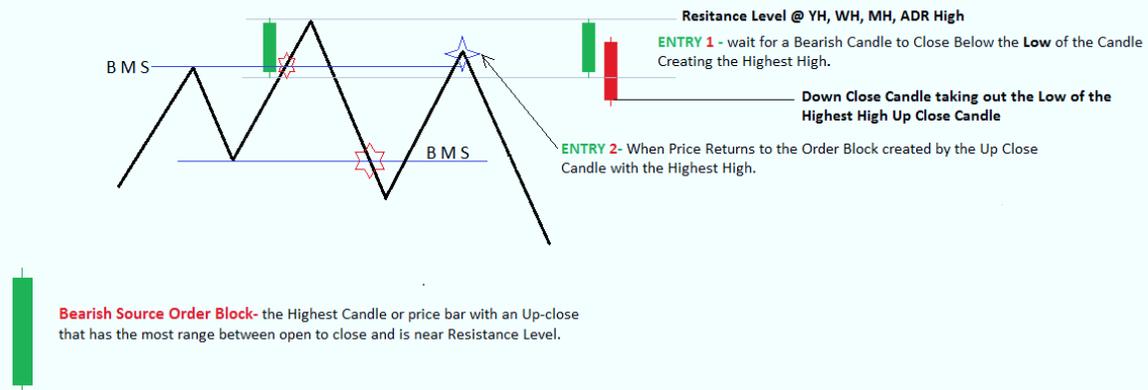
Specifically, a BUB is the previous **Bearish** candle to an upward movement. The BUB is a series of bullish orders (purchases) made by institutional as the price was falling (institutional buy when the market falls).

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Bullish Breaker Block is a bullish range or *Up Close Candle* in the most recent *Swing High* prior to an *Old Low* being violated. The Sellers that sold this Low and later see this same Swing High violated – will look to mitigate the loss. When Price returns back to the Swing High – this is a Bullish Trade Setup worth considering.

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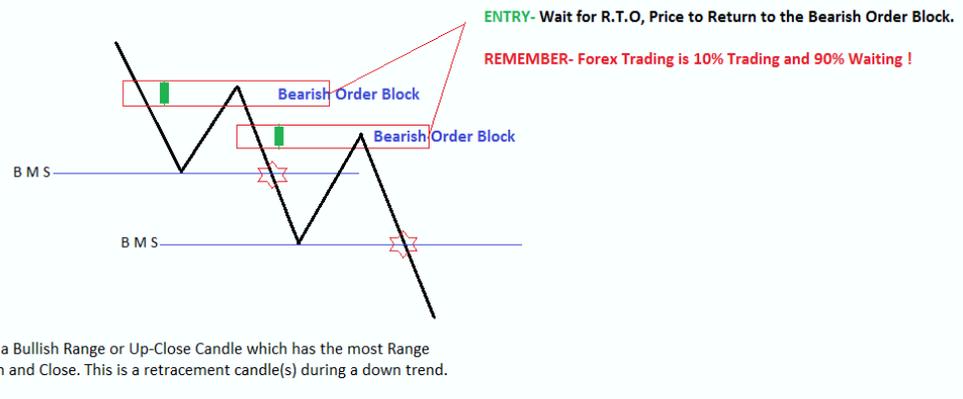
Bearish Source Order Block it is the Highest Candle or price bar with an Up-close that has the most range between open to close and is near Resistance Level. The resistance level can be YH, WH, MH, ADR High...this is a Trend Reversal Order Block. It is the last candle creating Peak Formation High i.e. the Highest Price Point on the chart. A bearish SOB indicates a Shift in Market Structure (SMS) from being Bullish to Bearish.

Validation of a Bearish SOB: When the Low of the Highest Up Close Candle or Price Bar is traded through/surpassed by a later formed Candle or Price Bar.

Entry Techniques: When Price trades Lower away from the Bearish Order Block and then Returns to the Bearish Order Block Candle or Price Bar High – This is Bearish, wait for price to Return to the Bearish Source Order Block (RTO-Return to Order Block/Origin) then you Enter. THE AIM IS TO TAKE A TRADE FROM SOURCE TO SOURCE.

Defining Risk: The High of the Bearish Source Order Block is the location of a relatively safe Stop Loss placement. Just above the 50% of the Order Block total range is also considered to be a good location to raise the Stop Loss after Price runs away from the Bearish Order Block to reduce Risk when applicable.

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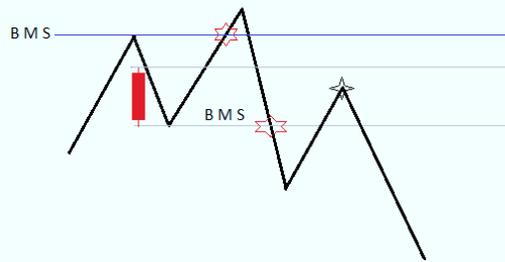


Bearish OB (BEB) is a **Bullish** Range or Up-Close Candle in the most recent Swing Low which has the most range between open and close.

Specifically, a BEB is a Bullish or a series of Bullish candles after a bearish movement, it is the last bullish candle in a down trend.

The BEB is a series of bearish orders (sells) made by institutions as the price was going up (institutional sell when the market rises).

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Bearish Breaker Block is a bearish range or **Down Close Candle** in the most recent **Swing Low** prior to an **Old High** being violated.

ENTRY- Wait for R T O, Price to Return to the Bearish Breaker Block.

Bearish Breaker Block is a bearish range or **Down Close Candle** in the most recent **Swing Low** prior to an **Old High** being violated. The Buyers that buy this Low and later see this same Swing Low violated – will look to mitigate the loss. When Price returns back to the Swing Low – this is a Bearish Trade Setup worth considering.

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CREDITS

MICHAEL J. HUDDLESTON-*December 2016 ICT Study Notes.*

BISHOPRAJ-*Simply Pips.*

BHEKI MPANGANE- *Bfx Strategy Training.*

LUIS RIESCO- *Market Makers Method (Order Blocks)*