




# What is an ICT Order Block and How to Trade It?

Categories: Forex Education ICT (Inner Circle Trader) Free Trading Courses

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One of the fundamental concepts in the ICT trading style is the **Order Block**, which refers to an area where a large number of orders are placed by **smart money** and **ICT Strategy**.

It causes the market to exhibit a sudden and powerful move; As a result, traders can enter positions when the price returns to this area.



## What is an ICT Order Block?

**Order Blocks** are an ICT abbreviation that represents a price chart area with significant buying or selling pressure, leading to a sudden strong upward or downward movement in the market.

Retail traders see these strong movements as the footprints of smart money. Thus, they wait for the price to return to these order blocks to trade alongside major institutions like **banks** and **gain profits**.

Examples of order blocks can be seen in the image below:



Identifying Different Types of ICT Order Blocks

## Types of Order Blocks

The market exhibits two types of price movements:

- ⚡ **Upward**
- ⚡ **Downward**

Based on price movement, order blocks are classified into two types:

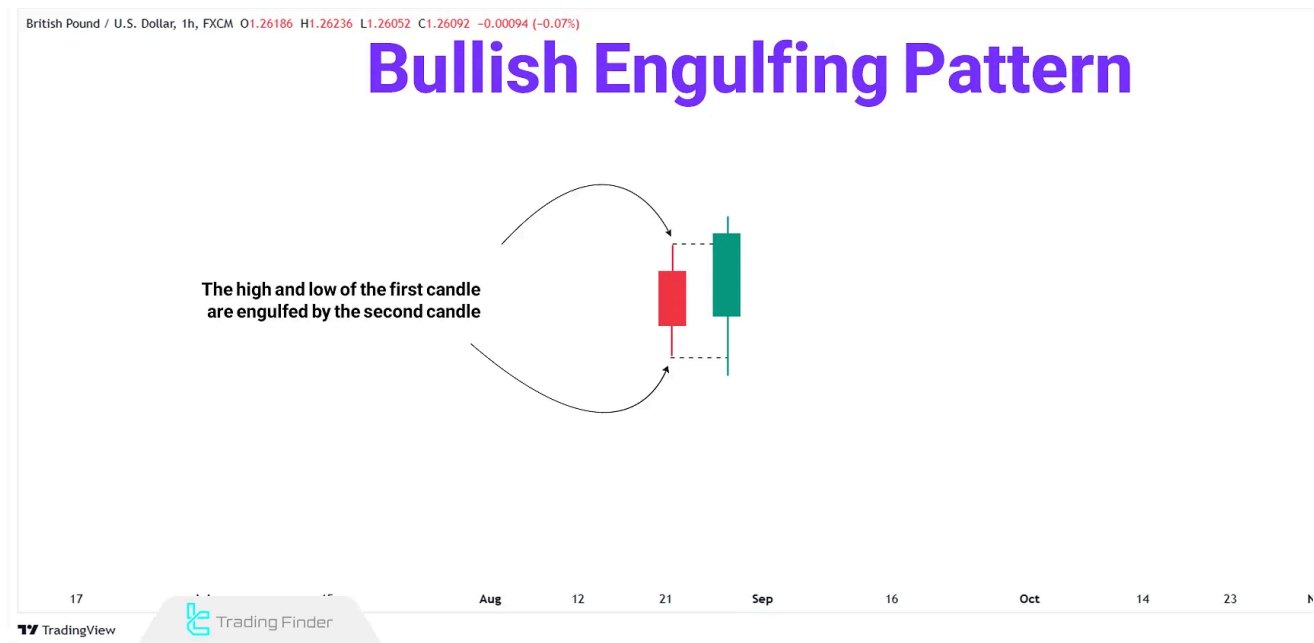
### 1. **Bullish Order Block (OB+)**

## 2. Bearish Order Block (OB-)

### Bullish Order Block

**ICT Bullish Order Block** represents an area on the price chart with significant buying pressure, causing a sudden and intense upward movement in the market.

A bullish order block is typically the last bearish candle before a strong bullish move. It usually consists of two candles, the first being bearish and followed by a strong bullish engulfing candle.



Bullish Engulfing Candle Pattern

**Note:** You can easily identify engulfing candles with TFlab indicator:

- ⚡ [Engulfing Pattern Indicator for Meta Trader 4](#)
- ⚡ [Engulfing Pattern Indicator for Meta Trader 5](#)

### How to Identify a Bullish Order Block?

To identify a valid bullish order block, check for the following:

1. The second (bullish) candle must remove the liquidity below the previous bearish candle;
2. The second (bullish) candle must close above the high of the previous bearish candle;
3. Presence of an imbalance in lower timeframes within the order block area;

#### 4. Market Structure Shift (MSS) in lower timeframes.

In summary, the second candle must completely engulf the first candle (body to body and wick to wick.) Examples of bullish order blocks are shown below:



ICT Bullish Order Block – 5-Minute Gold Chart (XAU/USD)

TFlab team developed an indicator, which can identify order blocks and breaker blocks in TradingView; You can use this indicator via the link below:

⚡ [Breaker Blocks + Order Blocks Indicator on TradingView](#)

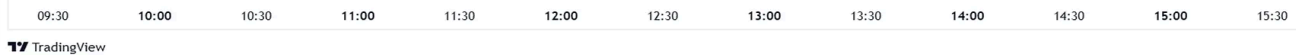
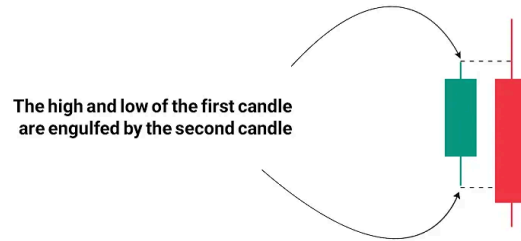
## Bearish Order Block

**ICT Bearish Order Block** represents an area on the price chart with significant selling pressure, causing a sudden and intense downward movement in the market.

A bearish order block is typically a bullish candle followed by a strong bearish engulfing candle.

Gold Spot / U.S. Dollar, 5, FX O2,649.38 H2,649.78 L2,647.96 C2,649.77 +0.39 (+0.01%)  
 TFlab ICT Macros (UTC, UTC-4:00)

# Bearish Engulfing Pattern



Bearish Engulfing Candle Pattern

## How to Identify a Bearish Order Block?

To identify a valid bearish order block, check for the following:

1. The second (bearish) candle must take out the liquidity above the previous bullish candle;
2. The second bearish candle must close below the low of the previous bullish candle;
3. Presence of an imbalance in lower timeframes within the order block area;
4. Market Structure Shift (MSS) in lower timeframes.

In summary, the second candle must engulf the first candle (body to body and wick to wick.)

Examples of bearish order blocks are shown below:



ICT Bearish Order Block – 5-Minute Gold Chart (XAU/USD)

## How to Trade a Bullish ICT Order Block?

To trade based on a **Bullish ICT Order Block**, follow these steps:

1. **Identify the Market Order Flow:** Determine the prevailing trend in the market;
2. **Validate in an Uptrend:** Bullish order blocks are more reliable in uptrends; In downtrends, they might offer only a short-term reversal;
3. **Identify a Valid Bullish ICT Order Block:** Look for key areas with strong bullish setups;
4. **Wait for Price Return to Order Block:** Once identified, wait for the price to revisit the bullish order block;
5. **Entry at 50% Retracement:** When the price approaches the bullish order block, initiate a buy trade around the block's 50% retracement level;
6. **Confirm with Lower Timeframes:** Use lower timeframes (e.g., 15 or 5 minutes) for confirmation, such as market structure shifts.



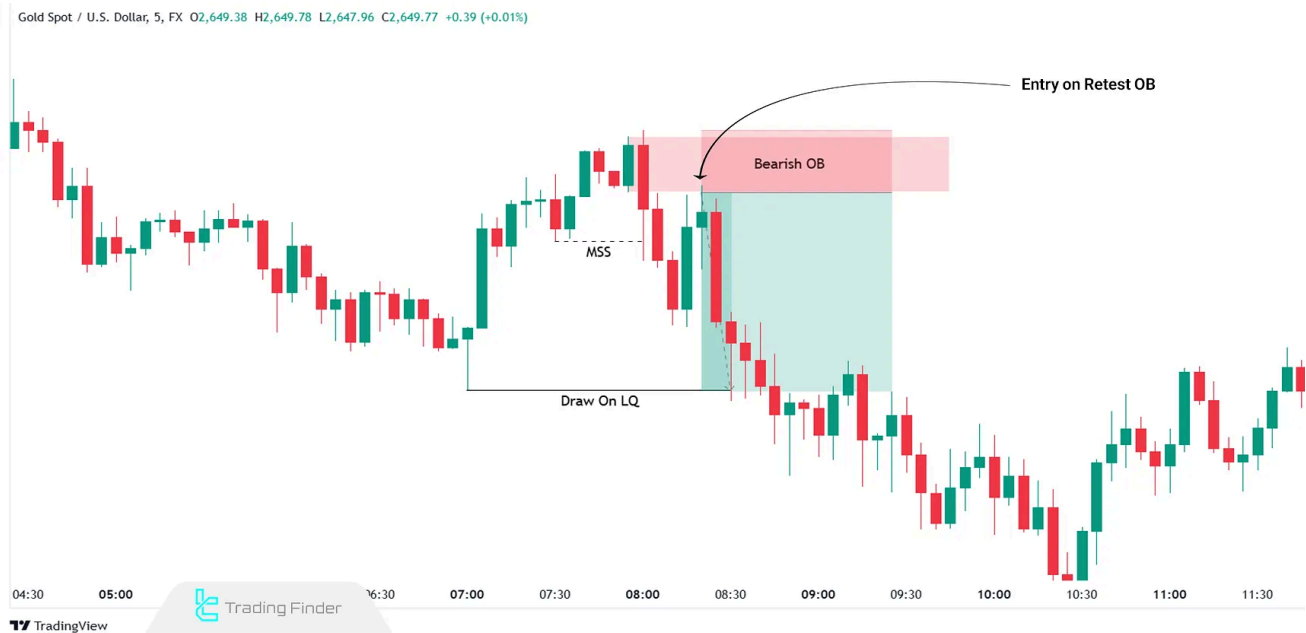
Entry with ICT Bullish Order Block – 5-Minute Gold Chart (XAU/USD)

In the above image, the gold market shows a shift in structure towards a bullish trend. After forming a bullish order block, the price returns to it, and a buy trade is executed upon confirmation in lower timeframes.

## How to Trade a Bearish ICT Order Block?

To trade based on a **Bearish ICT Order Block**, follow these steps:

1. **Identify the Market Order Flow:** Determine the prevailing trend in the market;
2. **Validate in a Downtrend:** Bearish order blocks are more reliable in downtrends; In uptrends, they might offer only a short-term reversal;
3. **Identify a Valid Bearish ICT Order Block:** Look for key areas with strong bearish setups;
4. **Wait for Price Return to Order Block:** Once identified, wait for the price to revisit the bearish order block;
5. **Entry at 50% Retracement:** When the price approaches the bearish order block, initiate a sell trade around the block's **50% retracement** level;
6. **Confirm with Lower Timeframes:** Use lower timeframes (e.g., 15 or 5 minutes) for confirmation, such as market structure shifts.



Entry with ICT Bearish Order Block – 5-Minute Gold Chart (XAU/USD)

In the above image, the gold market shows a shift in structure towards a bearish trend. After forming a bearish order block, the price returns to it, and a sell trade is executed upon confirmation in lower timeframes.

## Stop Loss and Take Profit for Order Block Trades

When trading based on bullish or bearish order blocks:

- ⚡ Place the **stop loss** a few pips below or above the order block;
- ⚡ To **take profit**, target the next significant liquidity level;
- ⚡ Always risk no more than 1% of your capital in a single trade.

## Final Notes

Order blocks can also be found after pullbacks within trends. These order blocks confirm the trend's strength. For instance:

- ⚡ In a downtrend, a bearish order block (OB-) may form after a bullish pullback, confirming the downtrend and providing a new sell opportunity;
- ⚡ In an uptrend, a bullish order block (OB+) may form after a bearish pullback, confirming the uptrend and providing a new buy opportunity.

## FAQs

What is an Order Block? ∨

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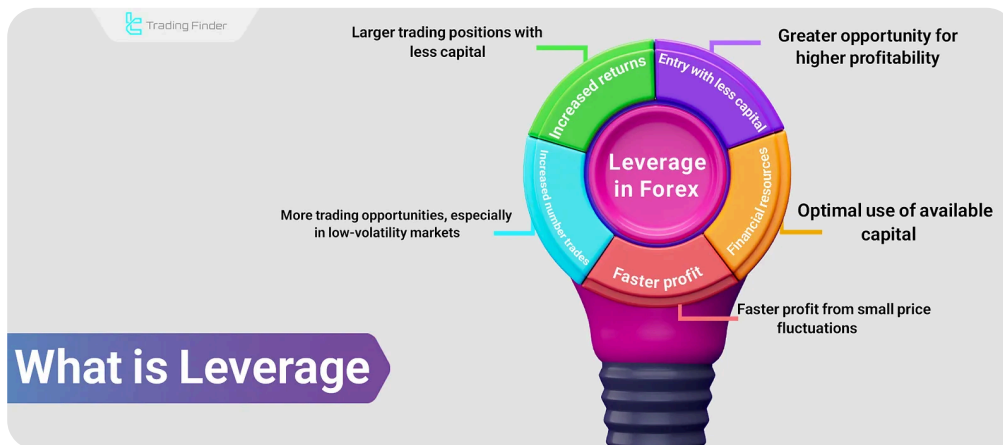
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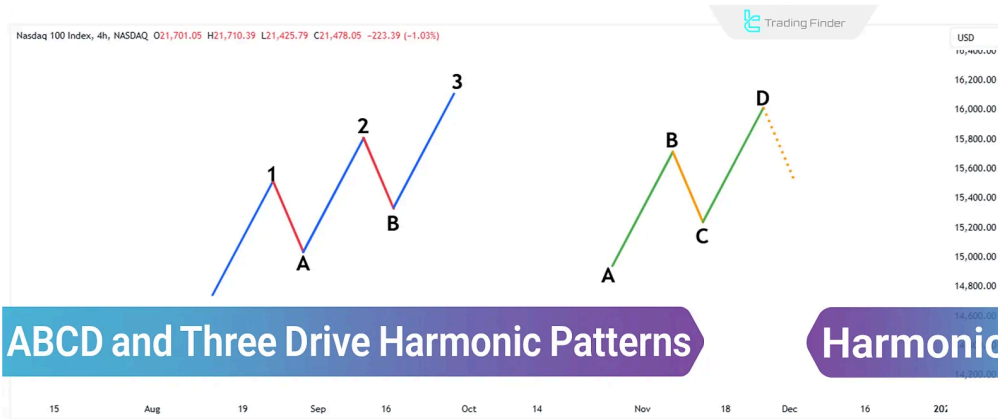
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