What is an Orderblock

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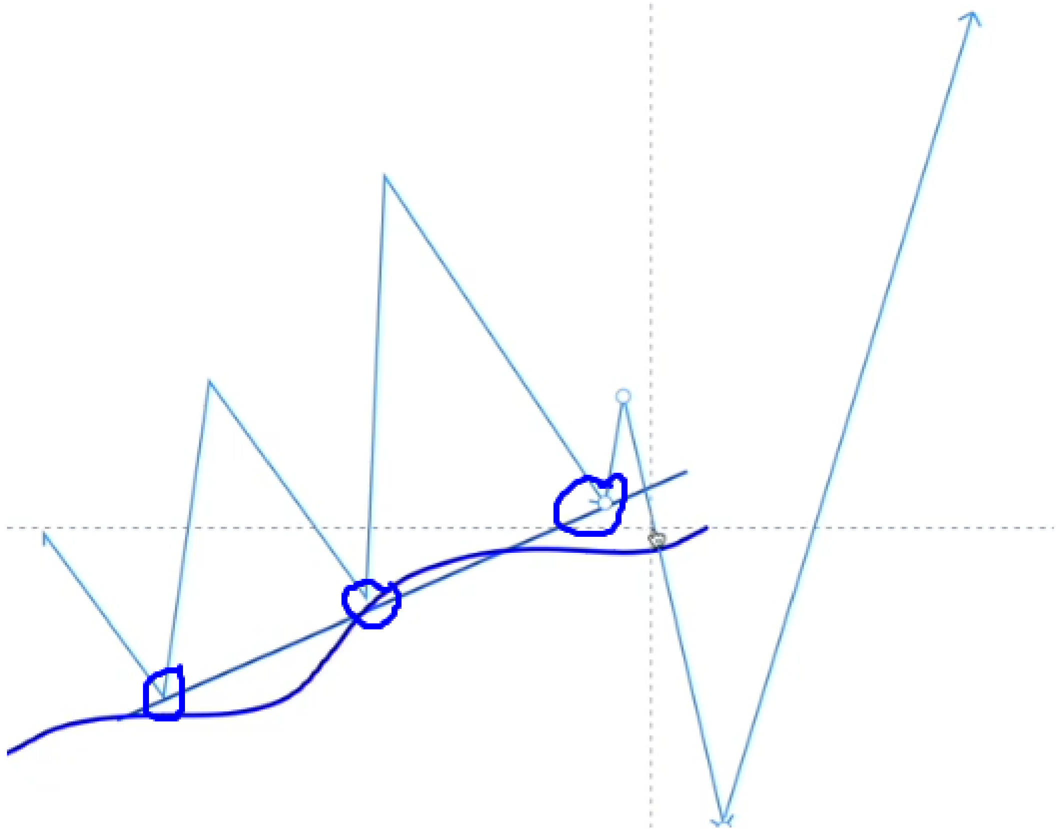
Tags	

The institutions are the reason why this big moves happening. Retail traders don´t do any of this, we don´t produce big impulses like this.

> ### So what it does mean? And how does that benefit us?

So essentially what we are doing with the strategy, is we are trading the footprints that are being left behind by the institutions.

> ### So what do I mean by that?



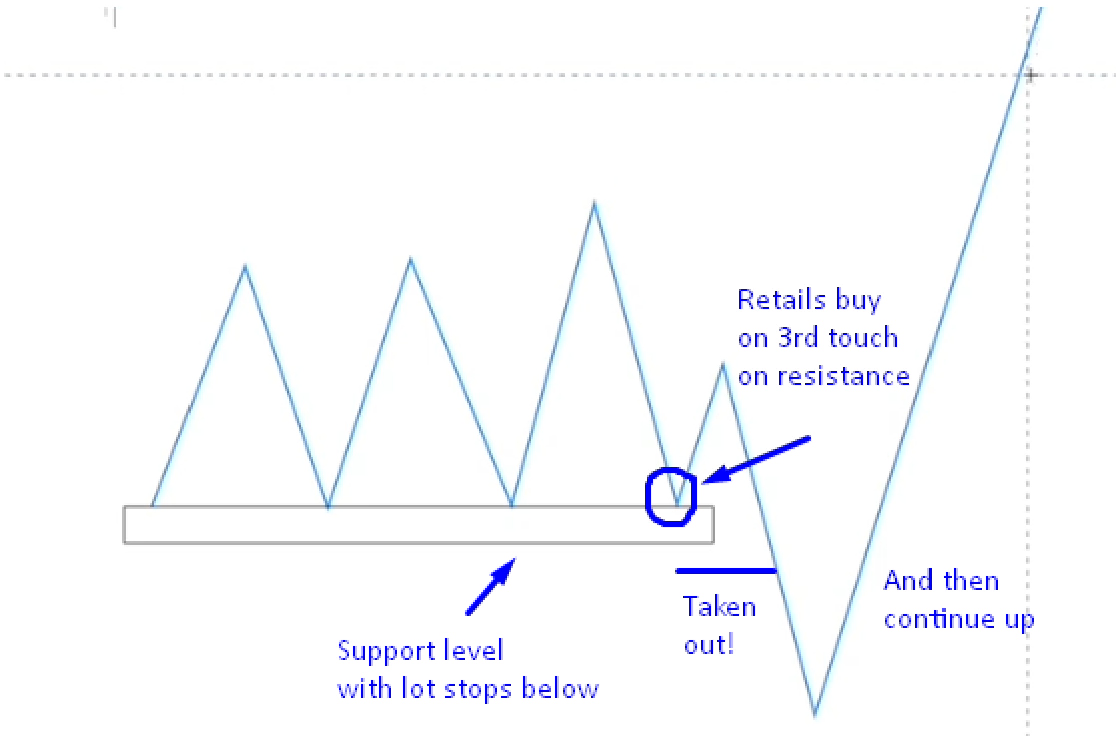
So we are going and we are in a nice uptrend, and we got a great trendline and also we have got a very nice EMA. So have we ever been in a situation where we are in the situation we have got a one touch, two touch on a trendline using a standard retail strategy and then we place a trade going on the third touch, but then this happens, we get probably sometimes a small reaction, and then price shoot down.

And then what happens afterwards?

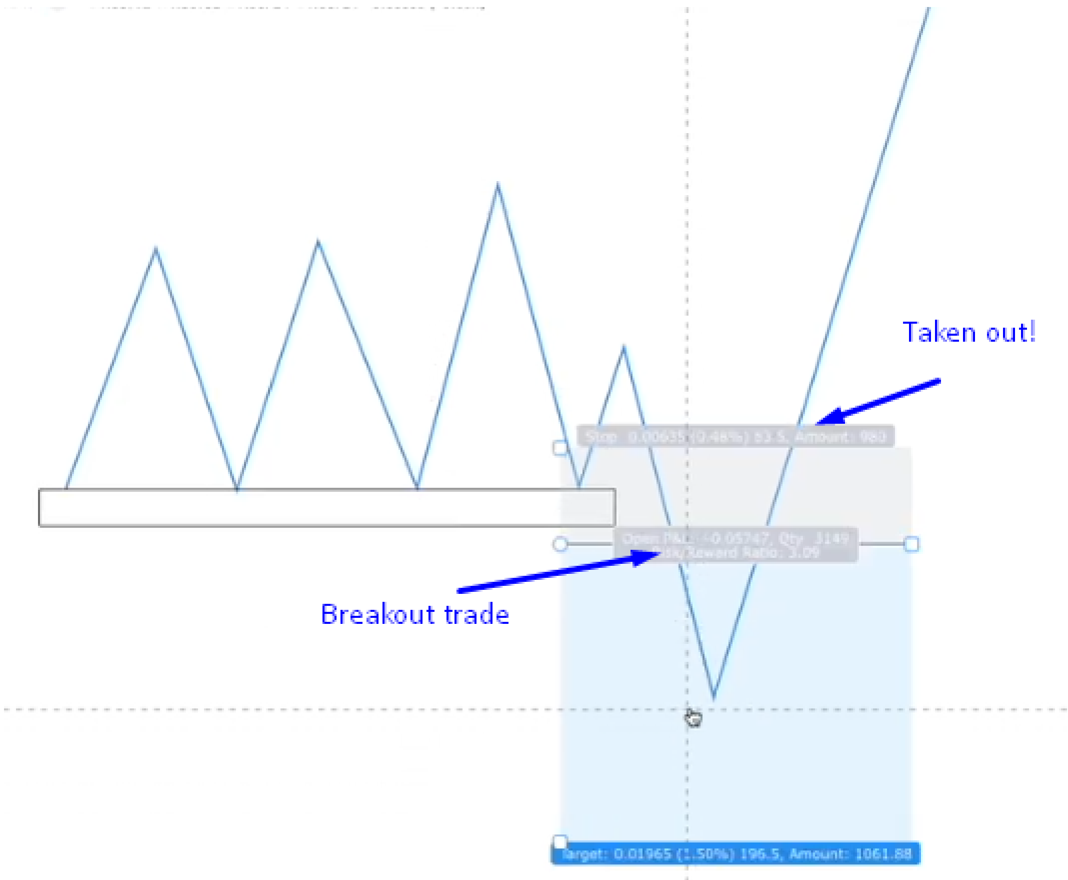
Price decides to fly in the way that we are going to trade anyway. Now we probably thinking " Oh thats was just a stop hunt " and the question and the thing about that is yes, is was. This are real.

What does that mean and how does that benefit us?

So using a standard retail strategy, we need to be aware of what is happening in this situation.



Have you ever been in a situation where we have got strong support level, you look to enter a trade at this support level, then we are having to get more reaction which is fine and then we get taken out, and then price continues. So we have got this strong support, there is a lot of support and resistance traders, and we are probably thinking " we have just been taken out, my stops been taken out, but I got the direction correct ".

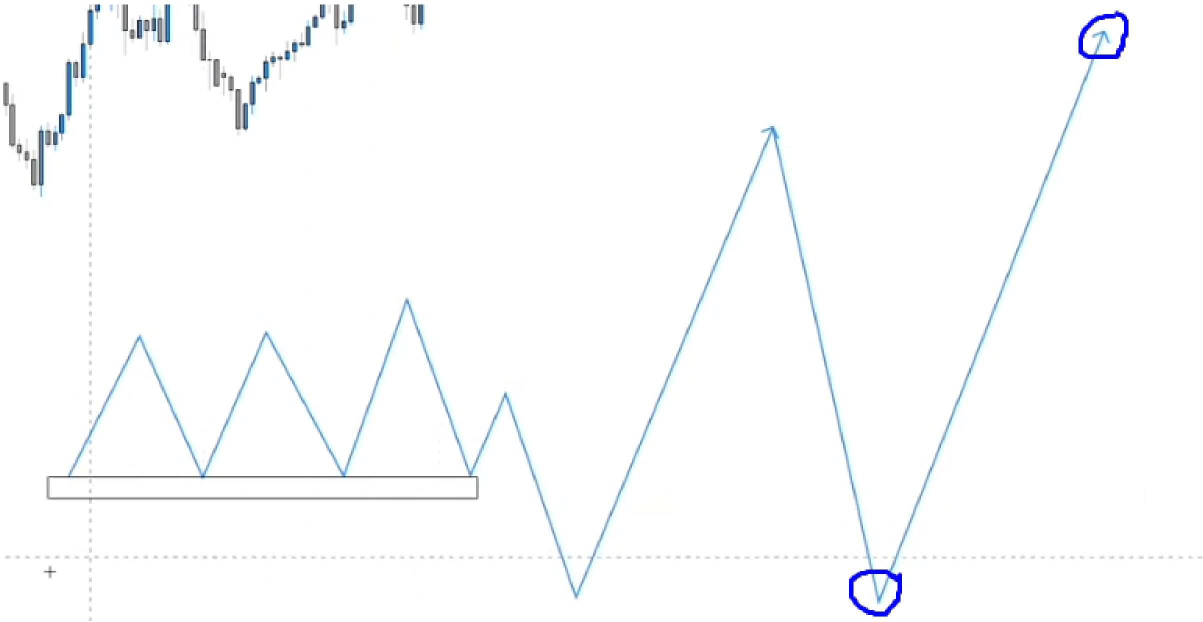


Okay well done, but we still lost the trade. Alternatively this situation have we ever been a breakout trader, where we have been placing a trade at the breakout, we are expecting price to come and then we catch the breakout and we are thinking " yeah, I know I got it correct ", but then we get taken out. We are completely wrong in that trade.

Why is that okay?

That is what we need to think about why does that happen over and over again? This strategies are based on probabilities, however ignore knows what it actually happening in the market, and who drives the market, when price is being pushed down, and then goes up in our favor.

What we realize is price is talented price.



Why is that there price does this, it goes from here, it comes back down and then it continues. Now at this point we are probably thinking " why does it do that? " So lets think about it from this prespective, we know about support and resistance, even institutions.

So we know people are placing orders at this point, they put buy limit orders to catch the bounce, and sell stop orders to catch the breakout.

But for the market to work, someone needs to lose, and for someone to win. So for me to win you need to lose, for you to win I need to lose, not directly, but thats just how it works. Thats how the markets function, its a sad truth. Institutions are fully aware of these standard support and resistance.

The standard trendline and fib strategies, sometimes they work, sometimes they don´t, but this is the reason why, because they are based on probabilities, and it does not actually think about what is actually happening in the market.

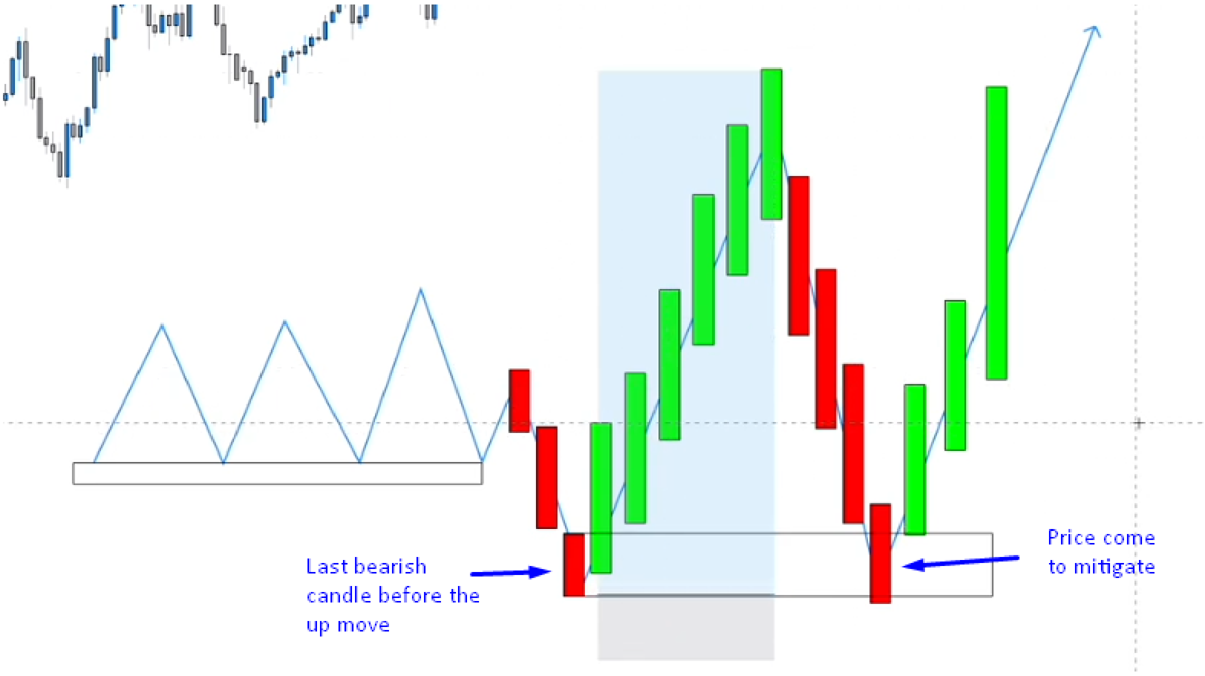
Price is being pushed down, and then what happens is price comes and it comes back down, and then it shoot back up again. So now this push down before the push up, is the big, is the first footprint, so price is being pushed purposely by the institutions to take everyone out to grab the stop losses and to trigger the sells of the breakout traders.

Once they have grabbed enough liquidity, now its time to grab liquidity from the breakout traders and price is being pushed up.

But they wanted to go long, they have always wanted to go long, so they are going long from down here, from this position which is fine, but if we think about it from this perspective, they have had to push price down to get there, so they have had to place a sell position to come down, but they dont use stop losses. This doesn´t exist so they are sitting in drawdown once price is up there, although they are in a profitable trade going up, they are still sitting in drawdown on the first trade, they sacrified this position to get a price there to grab liquidity and create this move.

So what happens is, they need to close the sell position to continue their move up, they dont want to take a loss, so they need to mitigate their orders, mitigate their loss in order to do so.

> So this comes into question, what is an order block?



The order block is basically the last place where the institutions have placed their orders before the move happens. So if we think about it from this perspective, where is that position? Because what we can see is didn´t mean to draw that there, but what we can see is this is the last bearish candle before the bullish move. So what does that mean this is the order block, this is the last place where the institution sold before price is pushed up, so they need to come and mitigate their loss, they need to close it either a break even or a small loss, and then they can continue their move as they always want to do.

So they have always wanted to go bullish right, but they need to close out this trade, this happens time and time again.

So what does that mean? How does that benefit us?

Is we know that this mitigation needs to happen, so we are going to look to enter at this mitigation, because we know that price is coming back and we are basically looking to take a trade from there to continue the move with them.

We are just following the footprints that is being left behind, so think about it that way, we are essentially trying to find the last orders where institutions have placed against the original move, against the move that they wanted to take.

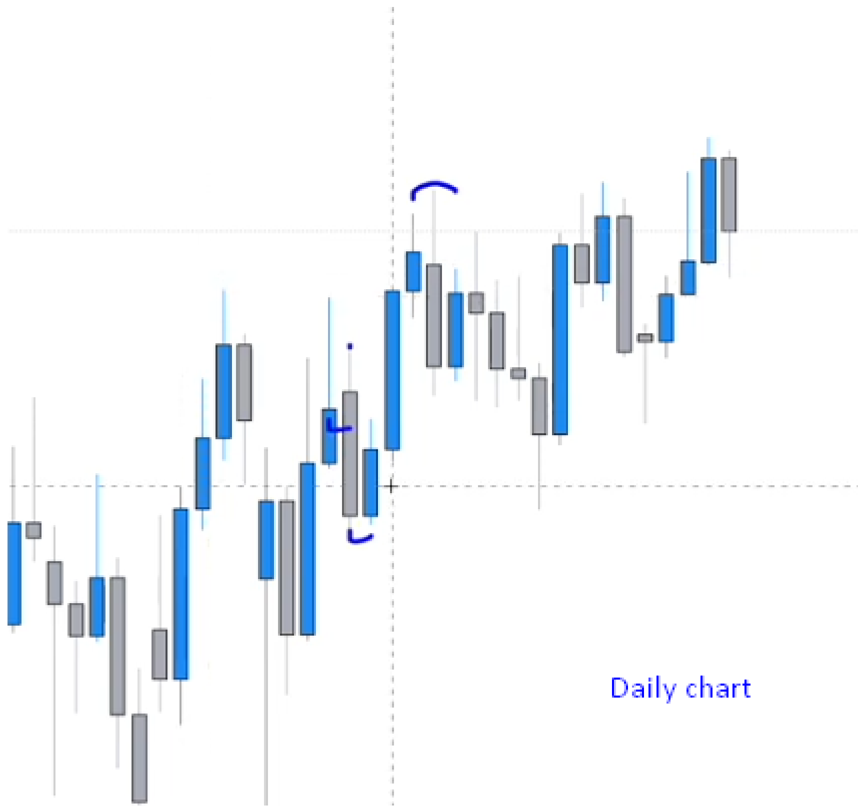
So that if they wanted to go bullish, we are going to be looking for the last bearish candle before the bullish move, that broke structure. Thats the next key point.

So for an order block to be an order block, needs to break structure. This is what we call a BOS (break of structure). So what we see is the order block has broken this structure here. So we know that this is strong enough to do retail traders, will not create a move that will break structure.

The OB as we know is here so for a bullish move is the last bearish candle, before the bullish move, and for a bearish move is the last bullish candle before the bearish move.

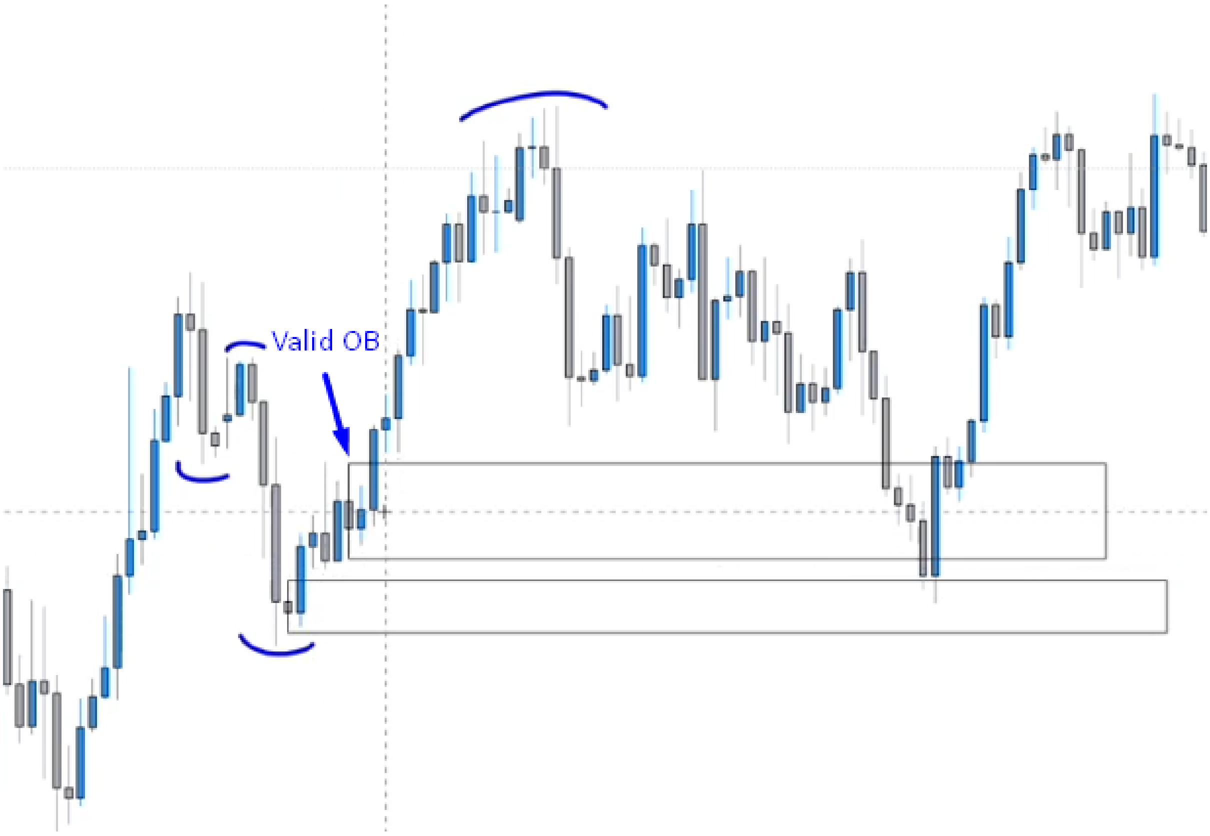
What we know is when there is a price that breaks structure, and then it for example continues to go in the favor of the overall trend that is questionable. Because what we can see is a price broke this low that was being created, because it created a low and it created a LH, and then it broke to create a new low and the price went on to break structure.

Why has it done that? Its grabbed liquidity from this previous low, there is also going to be SMC traders who is going to be placing a sell from this position here, from this OB, because thats the OB that made BOS, but the overall move that as we know, the overall trend is bullish.

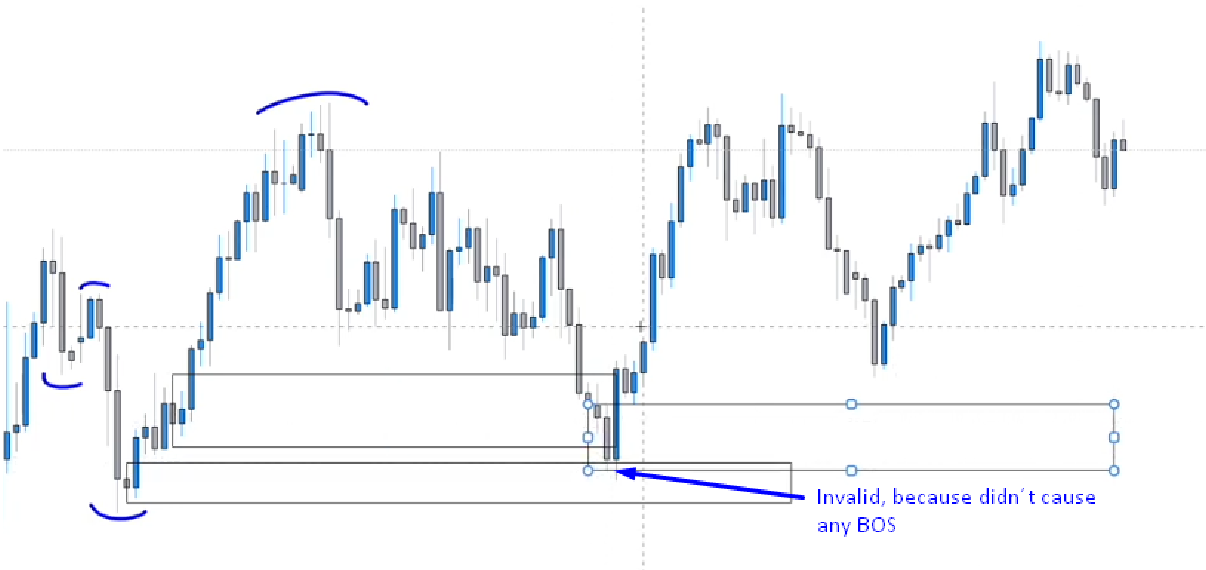


But the institutions have pushed this move. We know institutions were active, look how this big impulses, institutions were definitely active at that point, but then price impulsively broke structure and if we look at it from a daily perspective, what we see is price is breaking structure on a daily. Now for that big impulse to happen, retail traders are not doing that, we can not create those moves.

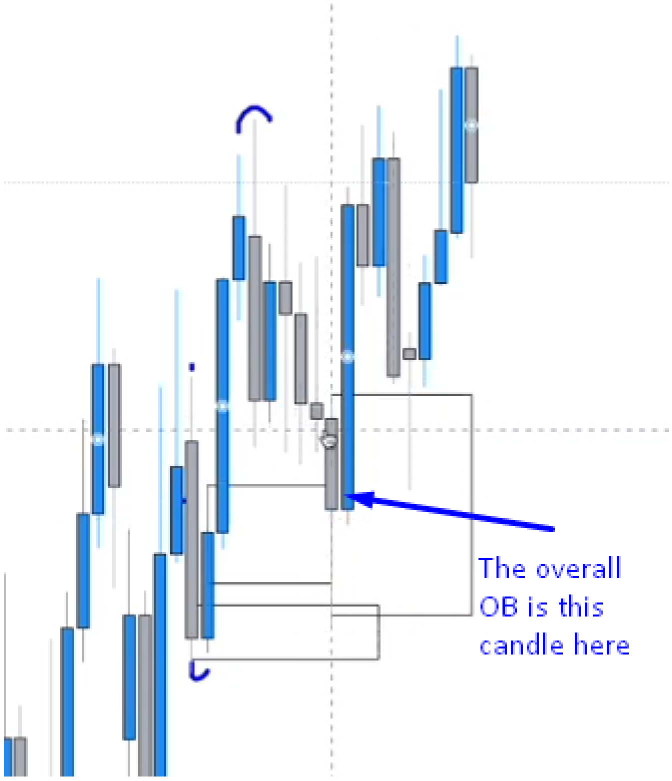
Now we need to identify the OB actually is, so the OB is the last bearish candle before the bullish move, which we can see is here.



Now we can question whether this OB here, we can´t question if thats an OB or not, and the answer is yes, that is an OB, because its the last bearish candle before the bullish move. But when we talk about refinement, it will make more sense why this are both equally valid in terms of being a OB.



Same situation as we have here, so we have a bullish move which broke structure, where is the last bearish candle before the bullish move? We have one here is that an OB? No because it didn´t cause any BOS.



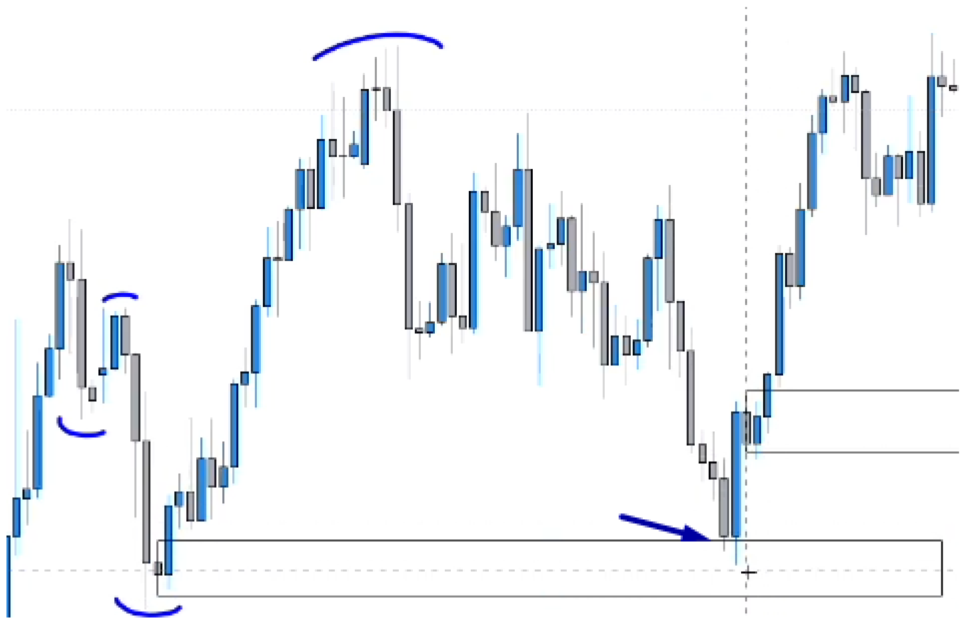
And if we look at the HTF and this is where it makes sense, the overall OB is this candle here, but it didn´t cause any structure break.

If we look at this from a different perspective, the OB that is sitting is right there. Its either one of this two but before move actually happened is this one that is our OB in this situation.

So we need to understand what an OB actually is, before moving forward. So to break it down very simply, and OB is the last place where institutions have been active before a move occurs.

So for a bullish move, their OB is the last bearish candle before the bullish move. For a bearish move coming down the OB is the last bullish candle before the bearish move coming down the OB is the last bullish candle before the bearish move.

We are trading the mitigation of their orders, when price is coming back to the OB at the last possible place that they have placed sell orders, they need to mitigate those trades and thats where we are going to look to enter.



So this mitigation play which is happening here, thats where we are going to look to enter the trades. And thats essentially the footprint that we are trading.