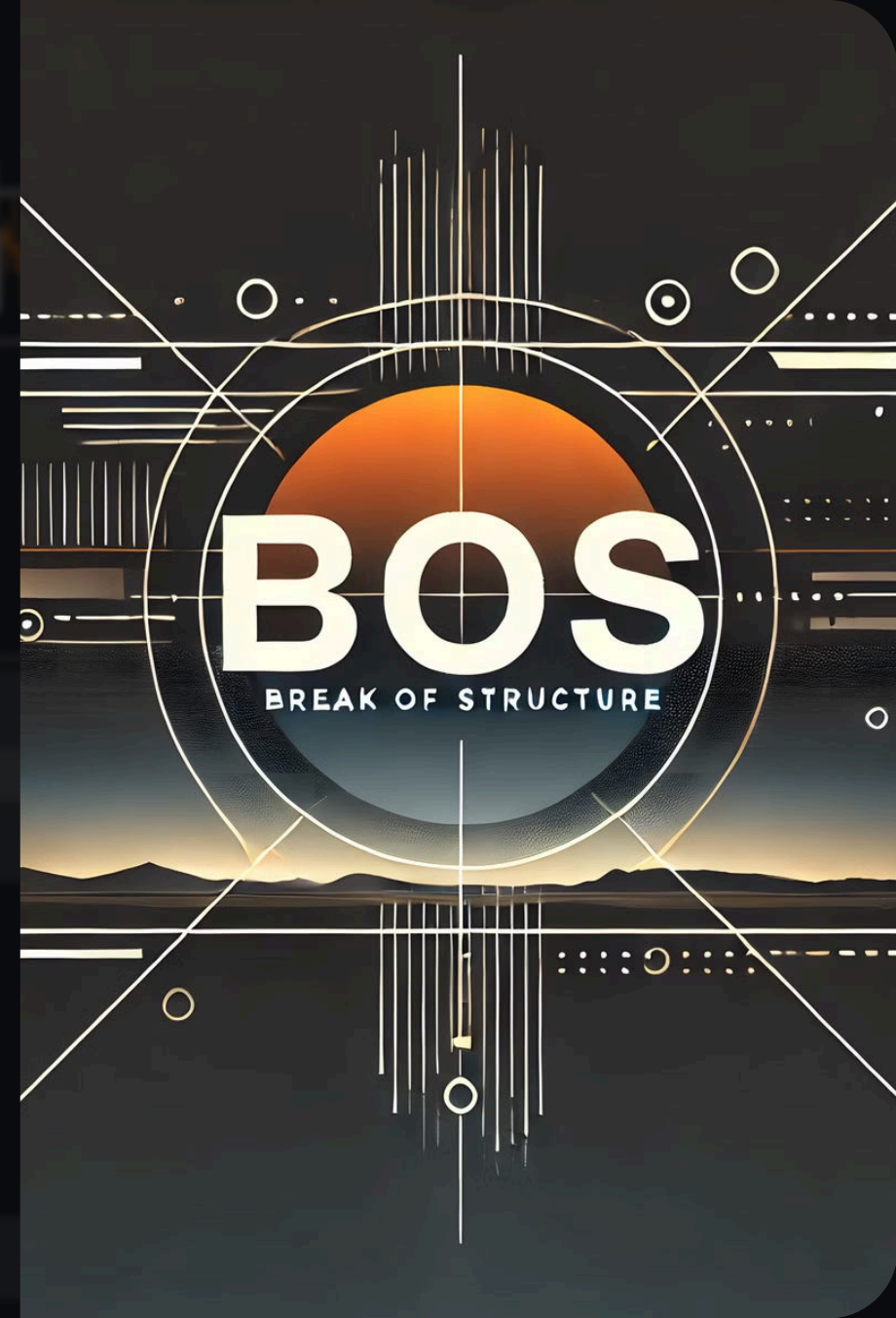


Identifying and Trading Break of Structure (BOS) in ICT

Welcome to Episode 08 of our trading tutorial series. In this lesson, we will dive into the concept of Break of Structure (BOS) in ICT (Inner Circle Trader) methodology. Understanding BOS is crucial for identifying trend reversals and continuations, which can significantly enhance your trading strategy.

 by Arman Shaban



What is Break of Structure (BOS)?

Break of Structure, also known as Break of Market Structure (BMS), is a critical concept in price action trading. It occurs when the market violates a key level of support or resistance, indicating a potential change in market direction.

This event is highly important for traders, as it can signal the start of a new trend or the continuation of an existing one. By identifying and understanding Break of Structure, traders can make more informed decisions and improve their chances of profiting from market movements.

The term "Break of Structure" refers to the market breaking out of its established pattern or trading range. This can happen when the price crosses above a key resistance level or falls below a critical support level. These breakouts often coincide with increased volatility and volume, further confirming the significance of the event.

Traders use Break of Structure as a tool to identify potential trend reversals or to confirm the continuation of an existing trend. By monitoring the market's structure and being alert to these breakouts, traders can position themselves to take advantage of the resulting price action and capitalize on emerging opportunities.

Definition

Break of Structure occurs when the market violates a key level of support or resistance, indicating a potential change in market direction.

Importance

It is a critical concept in price action trading and is often used to identify trend reversals or confirm trend continuations.

Alternate Term

In some trading circles, Break of Structure is also referred to as Break of Market Structure (BMS). Both terms refer to the same concept and can be used interchangeably.

Identifying BOS



Trend Reversal

BOS is identified when the price breaks through a significant support level in a downtrend or a significant resistance level in an uptrend.



Trend Continuation

BOS can also confirm a continuation of the current trend if the price breaks through minor support or resistance levels within the trend.

Why is BOS Important?

1 Confirmation of Trend Reversal

BOS helps traders confirm when a trend is reversing, allowing for timely entries and exits.

2 Identification of Trend Continuation

BOS can also confirm that a trend will continue, providing confidence to hold or enter positions in the direction of the trend.

3 Improving Risk Management

Understanding BOS can help traders set more accurate stop-loss levels, reducing risk and increasing potential profit.



Steps to Identify and Trade BOS

1

Analyze the Market Structure

Determine the current trend by identifying higher highs and higher lows in an uptrend, or lower highs and lower lows in a downtrend.

2

Identify Key Levels

Mark significant support and resistance levels that the price has respected in the past. These levels are potential points for a BOS.

3

Wait for the Break

Observe the price action around the key levels. A clear break of these levels indicates a BOS. Use candlestick patterns, volume, and other indicators to confirm the break.

4

Confirmation

Look for confirmation of the BOS. This could be a retest of the broken level, where support turns into resistance or vice versa.

5

Entry and Exit

Enter the trade after confirmation. Place stop-loss orders just beyond the broken level to manage risk. Use trailing stops or predetermined take-profit levels to exit the trade.

Example Trade Setup



1

Identify Market Structure

Suppose the market is in an uptrend with higher highs and higher lows.

2

Mark Key Levels

Identify a significant resistance level that the price has failed to break multiple times.

3

Wait for the Break

The price breaks above the resistance level with a strong bullish candle.

4

Confirmation

The price retests the broken resistance level, now acting as support, and holds above it.

5

Enter the Trade

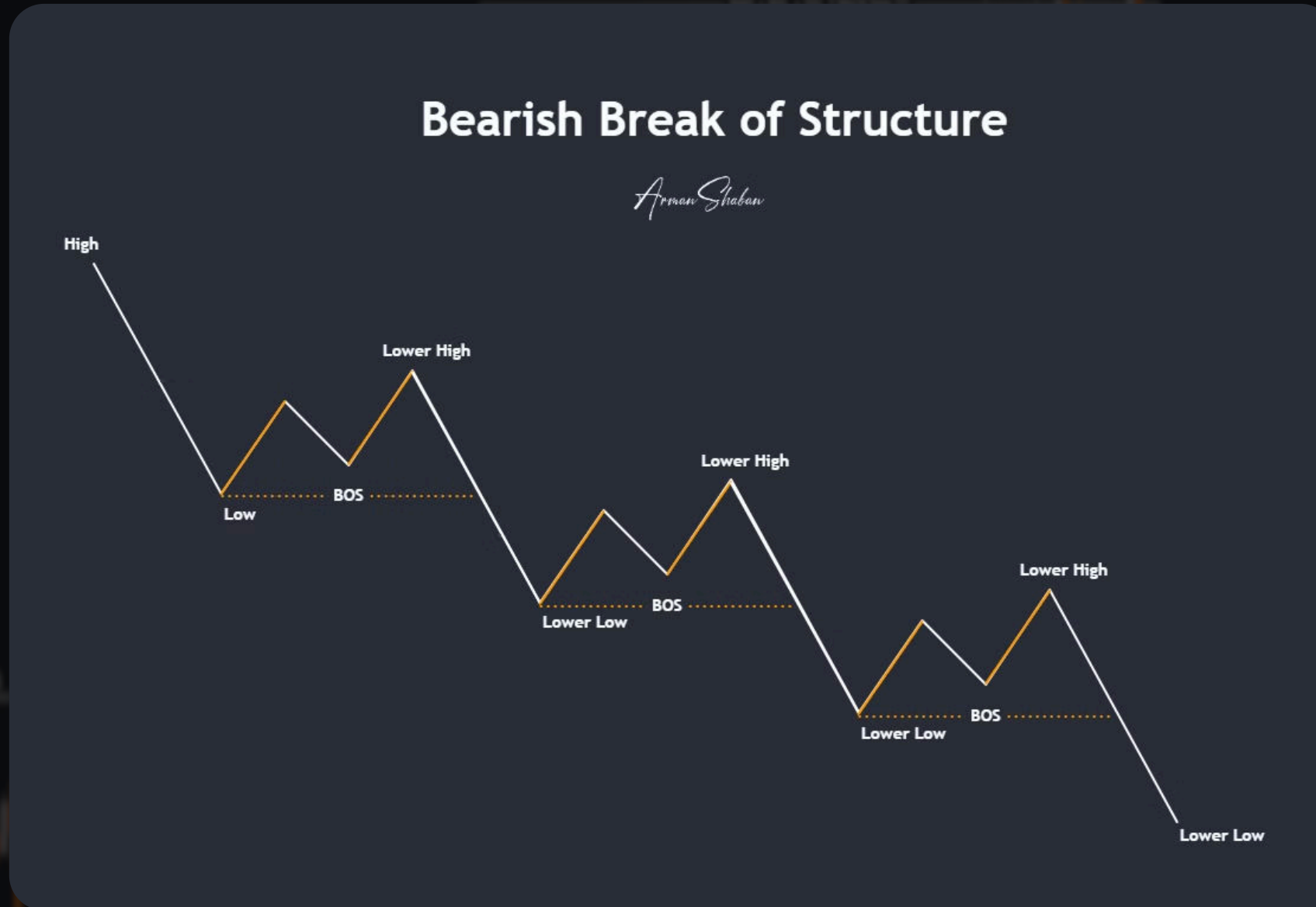
Enter a long position after the retest confirmation. Place a stop-loss just below the new support level.

6

Exit the Trade

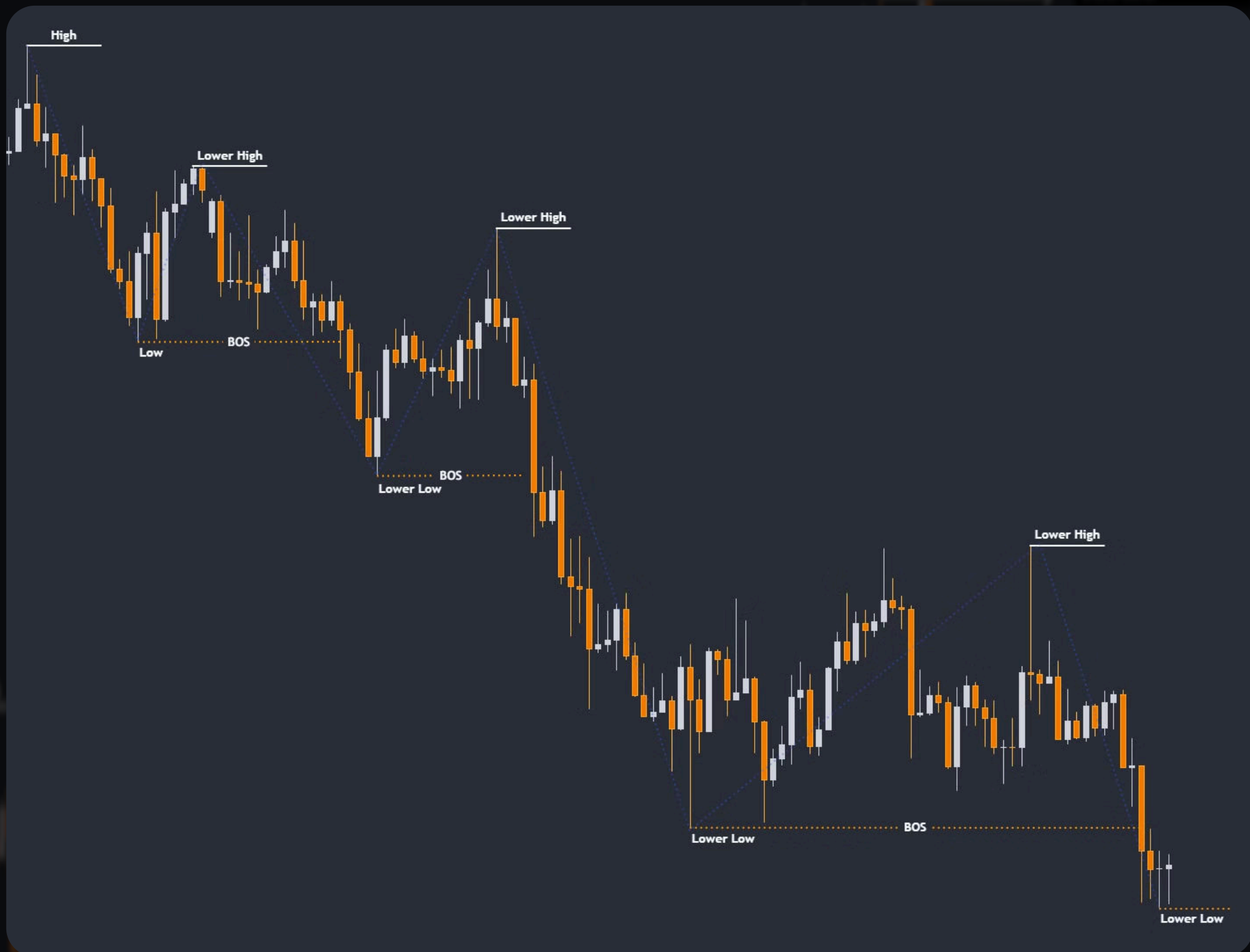
Use a trailing stop to lock in profits as the price moves higher, or set a take-profit level based on previous resistance levels or a specific risk-reward ratio.

Bearish Break of Structure (BOS) Explained



This is a graph of a Bearish Break of Structure (BOS) in a down trend. In each, marked, price is falling below the last lower low, showing continuation of a bearish trend. Succession of LHLL adds more validation for down trend; what it does then is highlight some important marks for potential trade setups. Please note that this kind of trading with BOS calls for intensive backtesting and forward testing on demo accounts to get the hang of this strategy.

Detailed Bearish Break of Structure Example

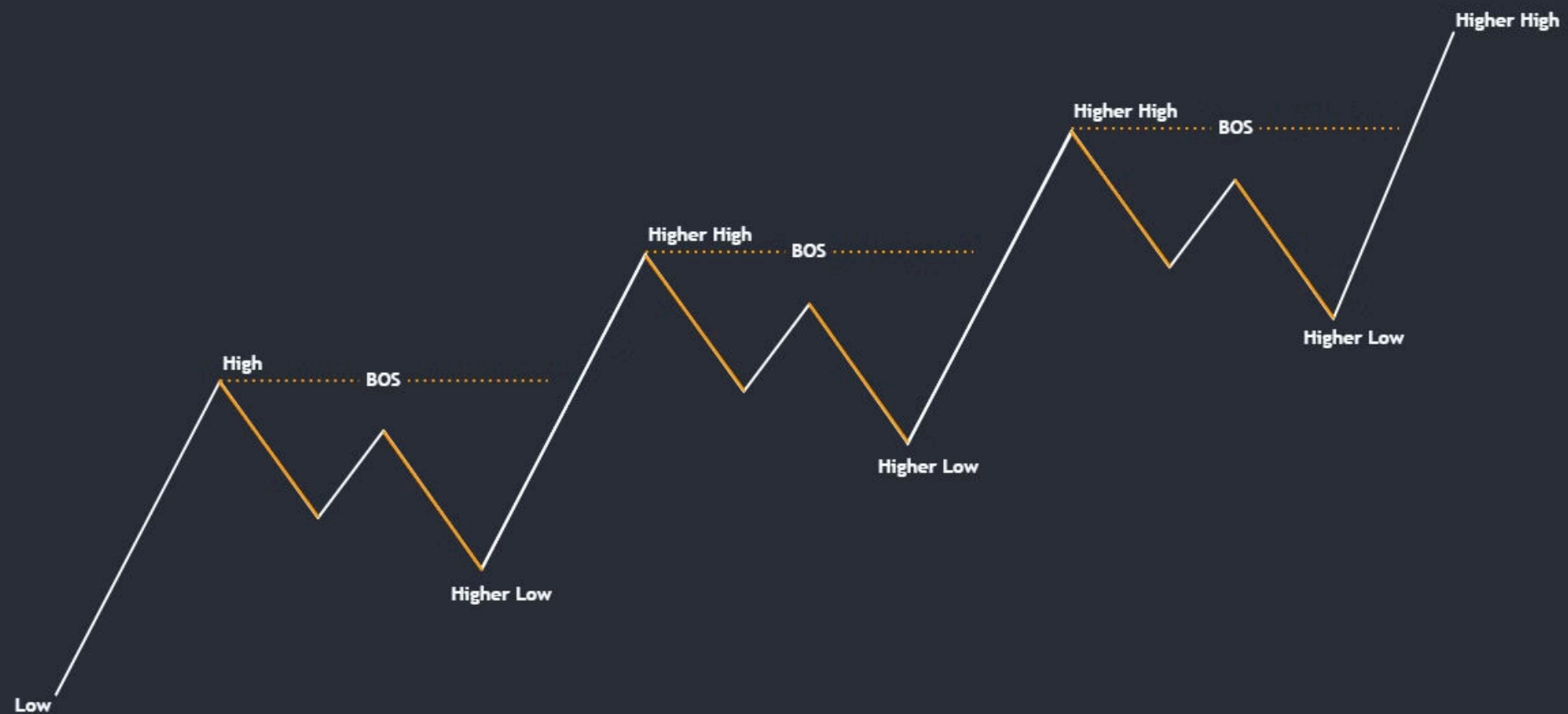


Here's a chart example of Bearish Break of Structure (BOS) in a down market. Every BOS is marked where price drops below the low of the previous low, signaling a confirmed bearish move continuation. It's right here that this pattern of lower highs and lower lows becomes very pronounced, emphasizing the downtrend. This visual complements Lesson 8 with an application of how BOS works in practical real market conditions.

Bullish Break of Structure (BOS) Explained

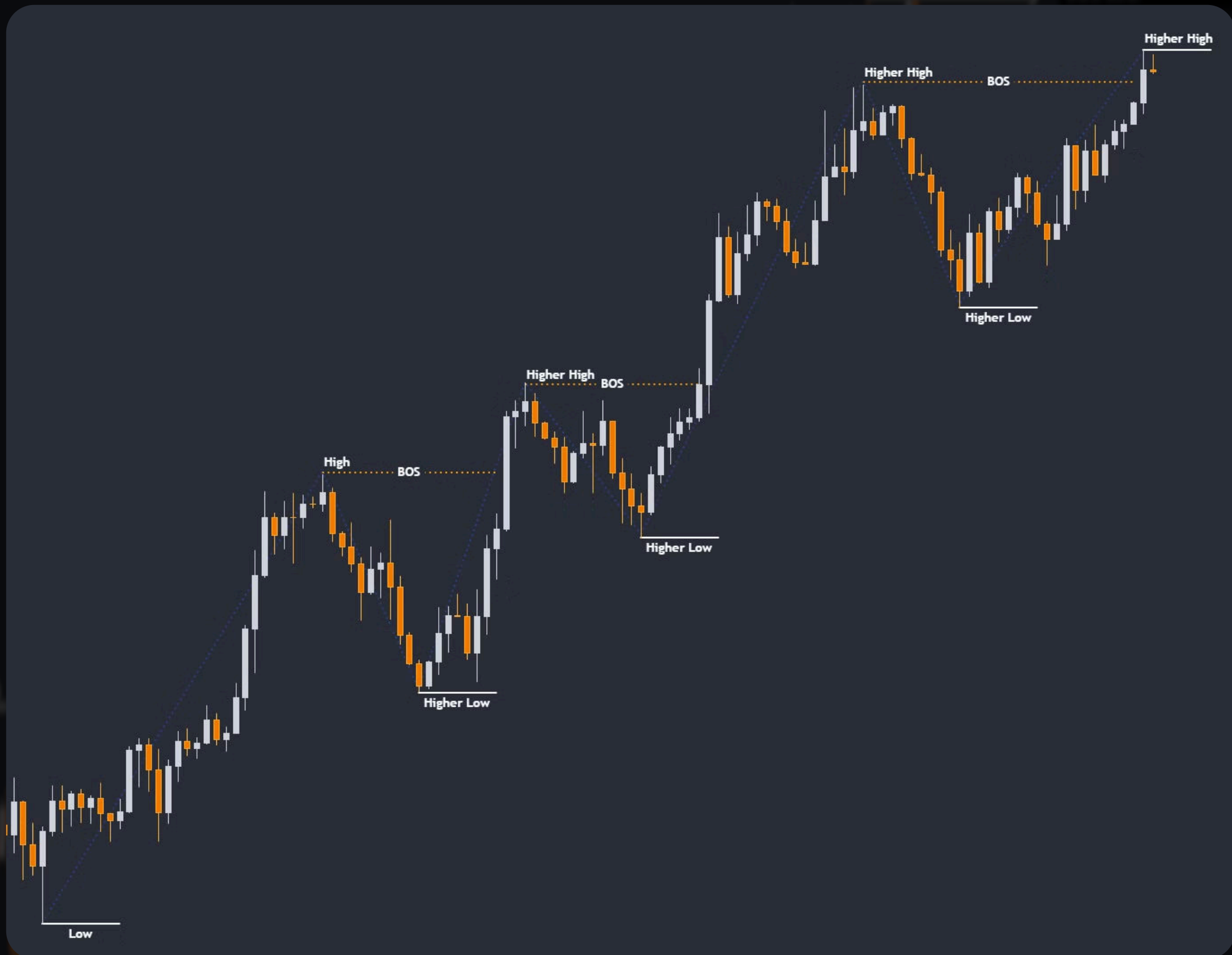
Bullish Break of Structure

Arman Shaban



This chart represents an uptrend Bullish Break of Structure (BOS). Each BOS is labeled where price action, in an uptrend, breaks higher through the previous higher high, signaling that the Bullish momentum has resumed. That sequence of higher highs and higher lows confirms the uptrend as it highlights potential trades at key levels. This visual representation supports Lesson 8 in demonstrating practical identification and trading in trend continuations using BOS.

Detailed Bullish Break of Structure Example



This chart gives a good detailed example of Bullish Break of Structure (BOS) on an uptrend. Every BOS is marked where the price goes up past the previous higher high, which in turn is validating a continuation of an uptrend. The pattern is clearly marked where higher highs and higher lows are apparent, emphasizing an uptrend. This visual aid goes well with Lesson 8, as it allows for practical application of BOS on actual market conditions.

Important Considerations and Next Steps

While the Break of Structure (BOS) strategy can be a powerful trading technique, it's important to recognize that there are additional complexities involved that have not been fully covered in this lesson. In future sessions, we will delve deeper into the nuances of when a BOS signal is valid and when it may be unreliable. To truly master this approach, it is essential to dedicate significant time to backtesting and forward testing on a demo account. This hands-on practice will help you develop a comprehensive understanding of the strategy's success and failure rates!



Conclusion



Enhanced Strategy

Understanding and utilizing Break of Structure (BOS), also known as Break of Market Structure (BMS), is essential for any trader looking to improve their trading strategy.



Informed Decisions

By accurately identifying BOS/BMS and incorporating it into your trading plan, you can make more informed trading decisions.



Increased Profitability

Implementing BOS/BMS strategies can enhance your overall profitability in trading.

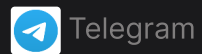
Prepared by : Arman Shaban

© 2024 Arman Shaban Trading. All rights reserved.



Contact Information

Thank you for reading this document. If you have any questions, feedback, or would like to get in touch with me, please feel free to reach out through the following channels:



Arman Shaban

This is my official account on Telegram



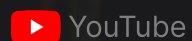
Arman Shaban Trading ©

This is my official and public channel on Telegram



Trader ArmanShabanTrading — Trading Ideas & Charts

This is my official page on TradingView, here you can access my latest ideas and insights.



Arman Shaban Trading

This is my official channel on YouTube



Arman Shaban (@Arman_Trading) on X

This is my official account on X (Formal Twitter)



Arman Shaban

This is my official website



Risk Disclaimer

Please note that **ArmanShabanTrading / Arman Shaban** is not a licensed investment advisor, legal tax advisor, or broker-dealer. All financial insights and recommendations provided by ArmanShabanTrading/Arman Shaban are based on personal research and experience and are intended for educational purposes only. We make every effort to ensure the accuracy and currency of the information provided, but occasional errors or omissions may occur.

Trading with leverage involves substantial risk. We strongly advise you to exercise caution and acknowledge that you are trading at your own risk. We are not liable for any gains or losses that may result from your trading activities or investment decisions.

Participating in forex or cryptocurrency trading on margin is highly risky and may not be suitable for every investor. Prior to engaging in the forex, stock, or cryptocurrency markets, it is essential to carefully consider your investment objectives, level of experience, and risk tolerance.

Instruments such as forex, options, futures, spread betting, cryptocurrencies, and CFDs are complex and come with a high risk of rapid financial loss due to leverage and market volatility.