Module 04 · Printable reference

Market Structure

Key concepts, worked examples and risk reminders. Use alongside the full free course.

041 Structure mapping

Map confirmed pivots consistently to describe the sequence of price moves.

Example: Highs 110,115 and lows 100,105 suggest bullish structure.

Check: Why save pivot confirmation timestamps?

Answer: To prevent a backtest from acting on a pivot before it was observable.

Caution: Changing pivot rules mid-analysis creates bias.

042 Higher highs

A higher high exceeds the previous comparable swing high.

Example: A move from prior high 110 to 114 makes a higher high.

Check: Is a higher high sufficient to prove higher lows?

Answer: No; lows must be evaluated separately.

Caution: A single new high is not a complete trend definition.

043 Higher lows

A higher low remains above the previous comparable low.

Example: Lows 100 and 105 show a higher low.

Check: What should you compare to classify a higher low?

Answer: The prior comparable confirmed swing low.

Caution: Wait for pivot confirmation under the chosen rule.

044 Lower highs

A lower high fails to reach the previous comparable high.

Example: Highs 120 and 115 show a lower high.

Check: Can a lower high occur within a larger uptrend?

Answer: Yes; smaller swings can move against broader structure.

Caution: Small differences may be noise.

045 Lower lows

A lower low falls below the previous comparable low.

Example: Lows 105 and 98 indicate lower structure.

Check: Why distinguish wick and close breaks?

Answer: A wick can breach a level while the bar closes back above it.

Caution: A lower low can be brief and subsequently reclaimed.

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046 Break of structure

In many SMC conventions a BOS is a breach of a meaningful swing in trend direction.

Example: An uptrend closes beyond prior high 120 at 123.

Check: Under a close-only BOS rule, does H=123,C=119 break a 120 high?

Answer: No; the close remains below 120.

Caution: Define whether a wick or close counts before testing.

047 Change of character

CHoCH commonly describes the first meaningful break against the prior structure.

Example: In an uptrend with last higher low 110, a close at 108 is a candidate.

Check: An uptrend breaks its last higher low. Is a new downtrend certain?

Answer: No; a reversal candidate needs additional evidence under the chosen rule.

Caution: Terminology differs and a reversal is not guaranteed.

048 Internal and external structure

Smaller swings sit within larger swing sequences.

Example: A five-minute range can exist inside a daily upward leg.

Check: Why not compare a five-minute internal high with a daily external low?

Answer: They represent different reference scales and directions.

Caution: Do not mix pivot scales without defining them.

049 Consolidation

Consolidation describes overlapping moves within relatively bounded prices.

Example: Several closes between 100 and 105 show bounded clustering.

Check: Can narrowing ranges predict which side will break?

Answer: Not by themselves.

Caution: Duration alone does not predict breakout direction.

050 Structure rules lab

Mechanical pivot and break rules make a visual idea testable.

Example: Use two bars on each side for pivots and a close beyond for breaks.

Check: Why use a held-out period?

Answer: To assess the rule on data not used to choose its parameters.

Caution: Confirmation delay must be included in the test.

Further reading

SEBI investor education: investor.sebi.gov.in · NSE: nseindia.com. References for background only; no endorsement or independent validation is implied.

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