PRECISION PIPS ACADEMY | TRADING FROM ZERO · LESSON 10

ORDER BLOCKS (OBS)

How to identify potential order blocks, understand their context, and avoid common ICT/SMC mistakes

Welcome Back, Fam

In Lesson 09 we studied displacement and FVGs. Today: order blocks. Have you seen gold rally, return to an earlier bearish candle, and rally again? ICT/SMC traders study such areas as potential order blocks. The question is how to tell a meaningful one from an ordinary candle. (All prices are hypothetical.)

1. What Is an Order Block?

An OB is commonly identified as a candle or zone associated with a subsequent strong move away from it. In a basic ICT-style model, a **bullish OB** is the last bearish candle before a strong bullish move and a **bearish OB** is the last bullish candle before a strong bearish move. Traders then check whether the move produced displacement or broke relevant structure. A chart does not reveal institutions' orders or prove a candle holds unfilled orders; the term is part of an interpretive framework and definitions vary. Never assume a candle matters just because it is the last opposite-coloured candle before a move.

2. The Bullish Order Block

Example: gold trades near 4,020. A bearish candle prints between 4,018 and 4,025, the next candles move strongly up, price breaks a short-term swing high at 4,040, a bullish FVG forms, and gold continues toward 4,060. The last bearish candle before the displacement is a candidate bullish OB. If price returns, a trader observes whether buying pressure reappears; it can fail and price can continue down. Without context it is just a bearish candle: displacement and a structural break are what separate it from random action.

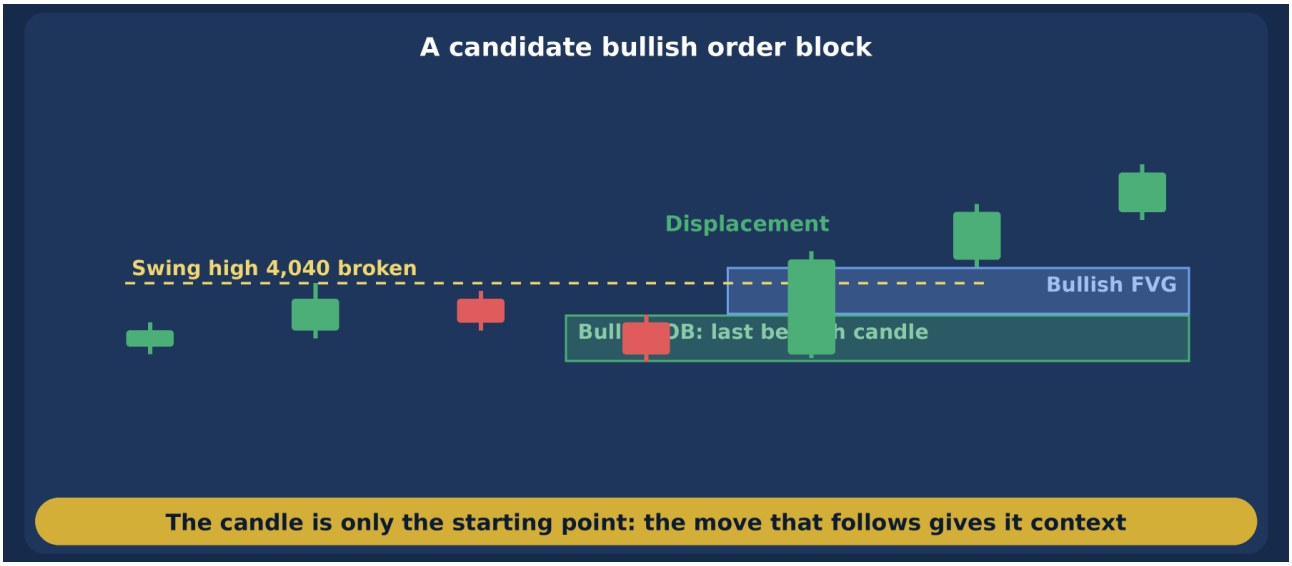


Figure 1: a candidate bullish OB, with its FVG.

3. The Bearish Order Block

Mirror it: gold near 4,080, a bullish candle between 4,075 and 4,085, a sharp fall that breaks a swing low at 4,060, a bearish FVG, and a move toward 4,040. The last bullish candle before the displacement is the candidate bearish OB. There is no guarantee it holds.

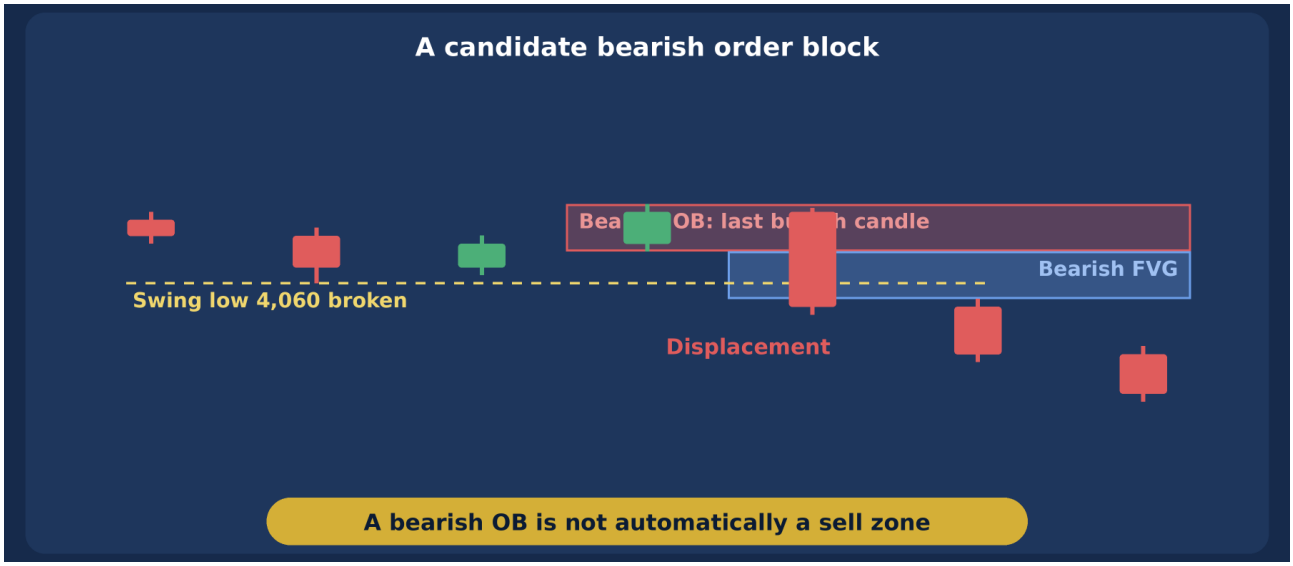


Figure 2: a candidate bearish OB.

4. How to Draw an Order Block

Some traders draw the full candle range, others the body or part of it. For consistent practice this academy uses the **full candle range**. If the bearish candle has a high of 4,030 and a low of 4,018, draw 4,018–4,030; for a bullish candle 4,075–4,085, draw that range. Rules: identify the candidate first, confirm a meaningful move followed, assess the structural break, keep your convention consistent, and never widen a zone because price is approaching.

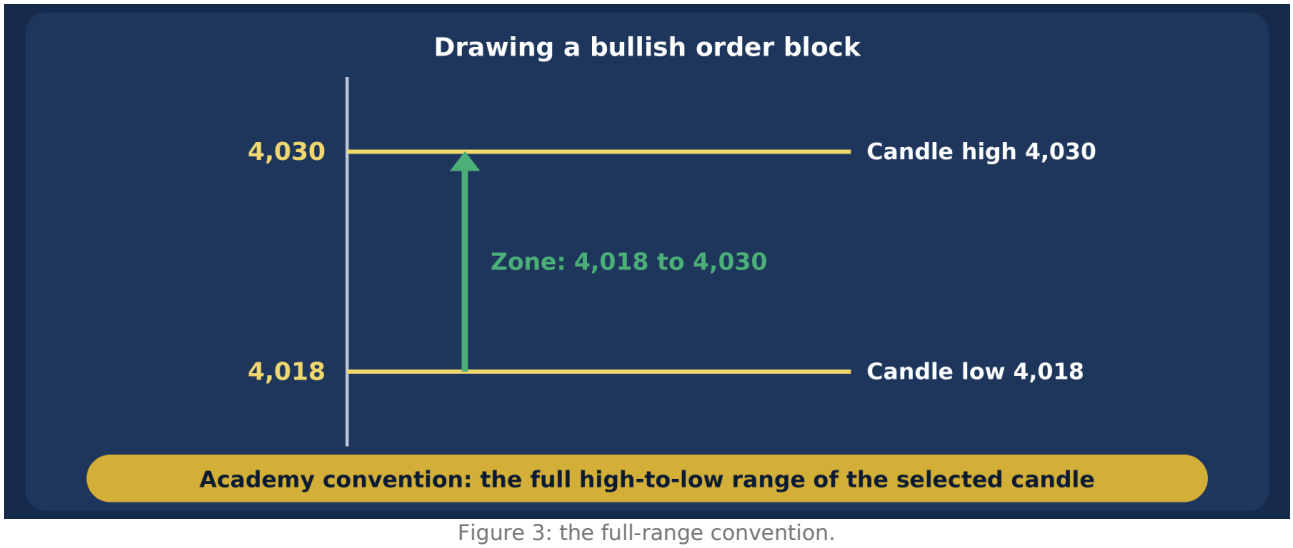


Figure 3: the full-range convention.

5. Why Displacement Matters

Displacement tests whether the candidate was tied to a meaningful move. A weak candidate (a slight rise inside the same narrow range) is little reason to prioritise; a stronger one (a sharp rally breaking a swing high with an FVG) gives more evidence. Strong displacement still does not guarantee the OB holds later.



Figure 4: weak versus stronger candidates.

6. Order Blocks With BOS, CHOCH and MSS

A bullish example: price trades below a significant low, reclaims it, displaces upward, breaks a short-term high, the last bearish candle becomes the candidate OB and price retraces toward it. The OB is one part of the analysis. A high-quality analysis uses several related observations: broader direction, the relevant liquidity or structural level, displacement, the structural break, the candidate OB and what would invalidate it.

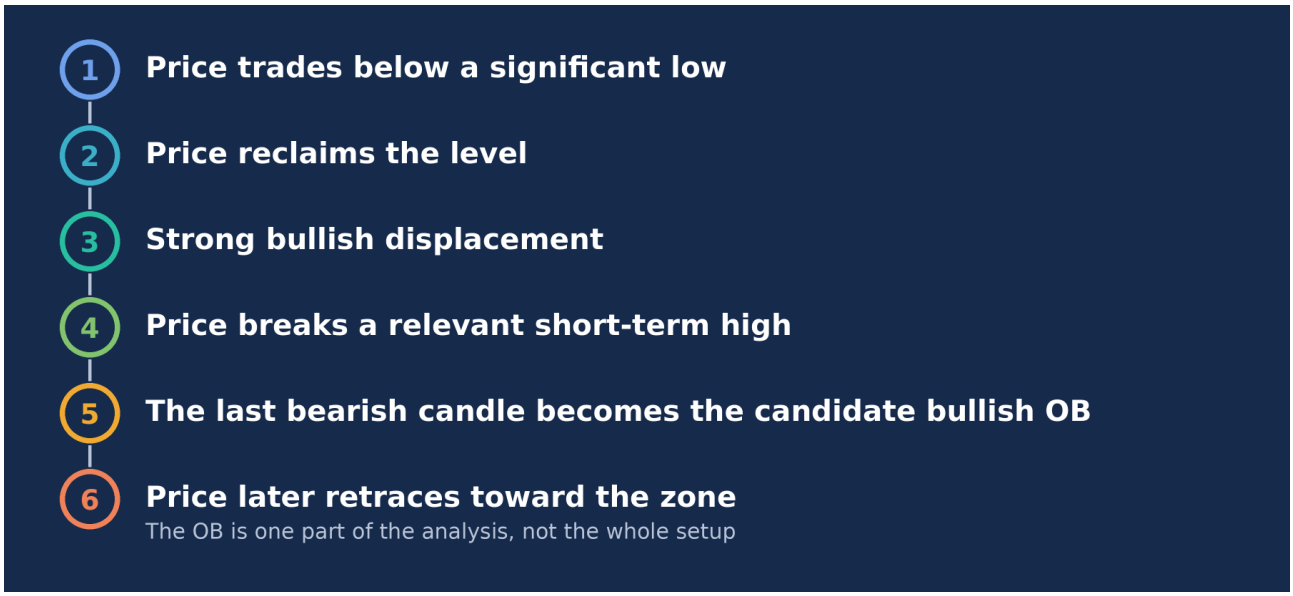


Figure 5: the bullish sequence.

7. What Happens When Price Returns?

Returning to an OB is often called **mitigation** (definitions vary). Outcomes: price reacts and moves away; partially enters; trades through; or consolidates inside. One successful example does not establish a reliable strategy.

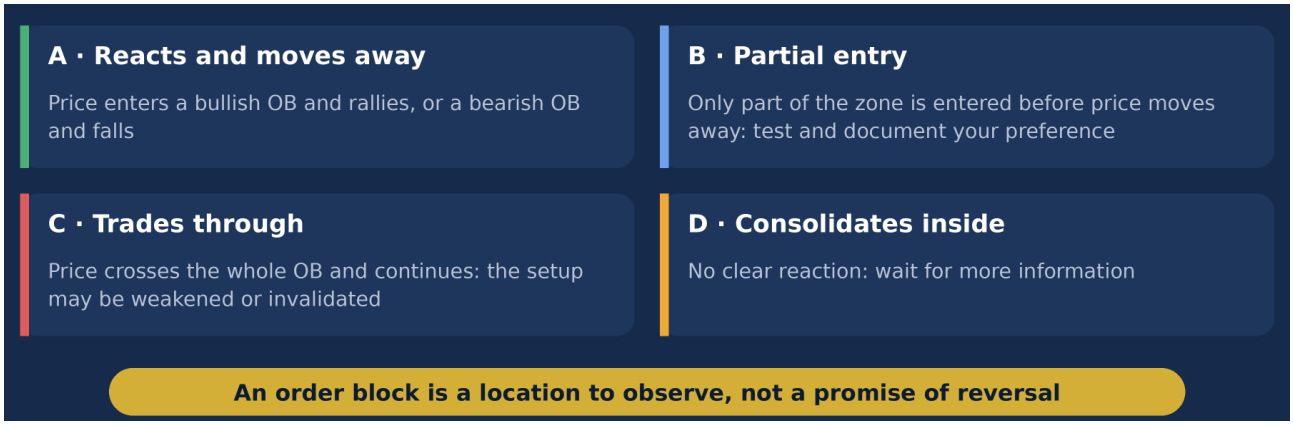


Figure 6: four outcomes.

8. Order Blocks vs Fair Value Gaps

Feature	Order block (OB)	Fair value gap (FVG)
Basic identification	A selected candle or zone tied to a later directional move	A three-candle non-overlapping price area
What you mark	A candle’s range under your rules	The gap between candle 1 and candle 3
What makes it relevant	Context, displacement, structure, your model	The pattern, context, your model
Guaranteed to hold?	No	No

Figure 7: related but different. They can appear together; alignment is called confluence.

9. What Is Confluence?

Confluence means multiple pieces of evidence support the same idea. But do not keep adding concepts until you can justify a trade you already want. Define confluence criteria **before** entering; if your model needs displacement and a structural break, they must be present, not added retrospectively. The goal is to find out whether your predefined setup is present, not to collect reasons to enter.



Figure 8: an example confluence stack.

10. Premium and Discount

With a range of 4,000–4,100 (midpoint 4,050), a bullish OB below 4,050 is in discount and a bearish OB above it is in premium. Some ICT-style models prefer bullish setups in discount and bearish in premium, but these are contextual filters, not guarantees: a bullish OB can fail in discount and a bearish OB in premium.

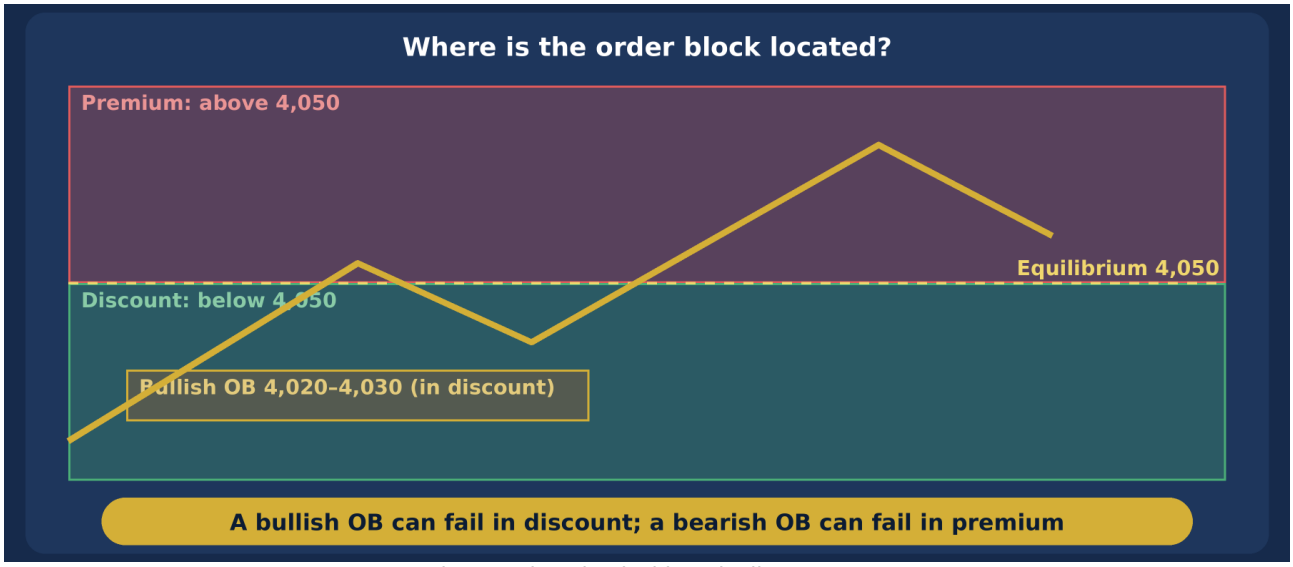


Figure 9: location inside a dealing range.

11. Multiple Order Blocks: Which to Prioritise?

Several candidates are normal. Do not automatically prioritise the newest or largest-looking candle; apply your criteria consistently.

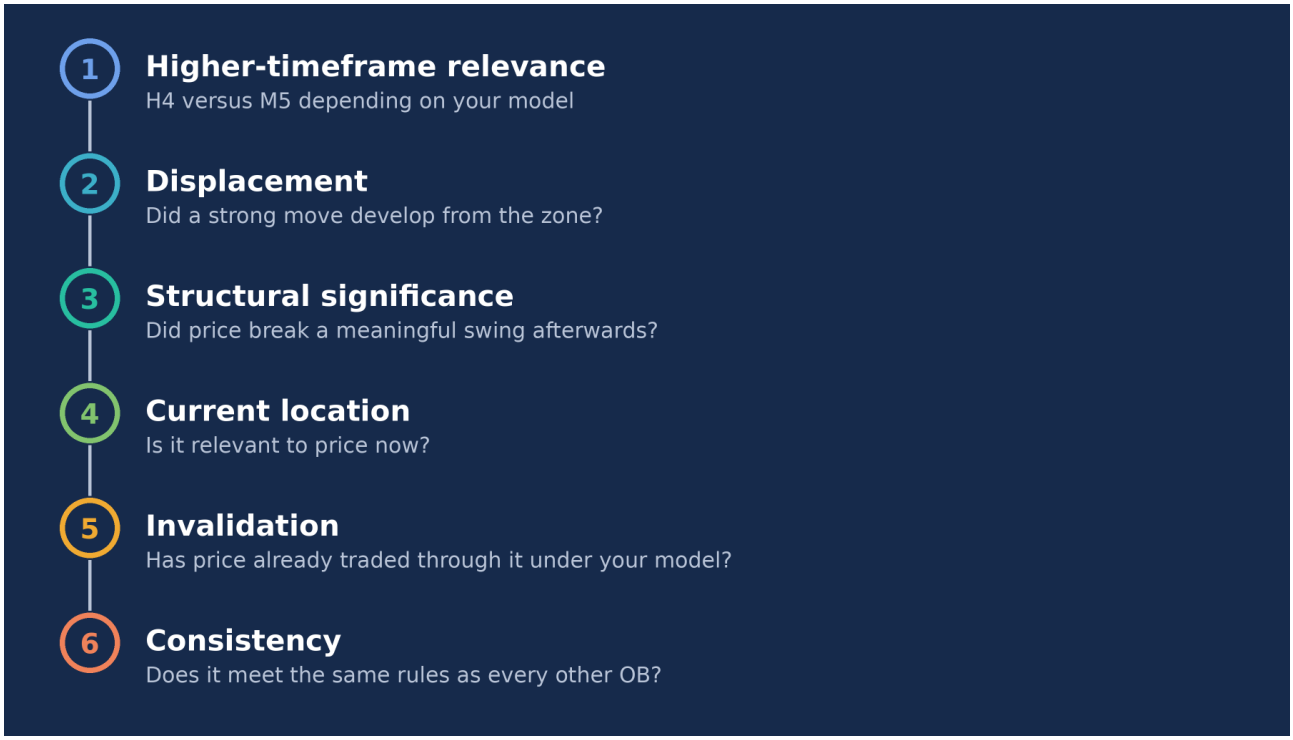


Figure 10: six prioritising factors.

Added: optional refinements

Mean threshold, breaker blocks and body-only drawing are advanced variations. Learn the full-range convention first, then test any variation separately.



Figure 11: optional refinements.

12. Common Order Block Mistakes



Figure 12: nine mistakes.

13. Your Step-by-Step Routine



Figure 13: eleven steps from context to journal.

Key Takeaways

- Bullish OB: a candidate last bearish candle before qualifying bullish displacement; bearish OB is the mirror.
- Displacement and structure give a candidate its context.
- Draw consistently (full range here).
- Returns can react, partially enter, trade through or consolidate.
- OBs and FVGs are different; confluence must be defined beforehand.
- A zone without context is just a zone.

Knowledge Check

Q: Bullish OB in our framework?

A: The last bearish candle before a qualifying bullish displacement.

Q: Bearish OB?
A: The last bullish candle before a qualifying bearish displacement.

Q: Why does the following move matter?
A: It provides the context that separates a meaningful candidate from an ordinary candle.

Q: Does every opposite-coloured candle qualify?
A: No: context, displacement and structure matter.

Q: One difference between an OB and an FVG?
A: An OB is a selected candle zone; an FVG is a three-candle non-overlap.

Q: What does it mean when price returns to an OB?
A: It is mitigated or revisited; reactions vary.

Q: Bullish OB in discount: does price have to rise?
A: No.

Q: What is confluence and why define it beforehand?
A: Several pieces of evidence for one idea; defining it first prevents retrofitting reasons.

Q: Price trades through an OB and invalidates the setup?
A: Follow your invalidation rules; do not move the zone.

Homework: Find Order Blocks

- Find a strong bullish displacement on H1 or M15, check the swing high break, mark the last bearish candle and draw its full range; note what happened when price returned.
- Do the same for a bearish displacement.
- Record timeframe, boundaries, displacement direction, broken structure, whether an FVG formed, whether price returned and what you would have needed as invalidation.
- Complete the sentences about what you marked and why. Judge reasoning, not wins.

Added: Glossary

Term	Meaning
Order block	Candidate candle/zone before a qualifying displacement.
Mitigation	Price revisiting a marked area.
Confluence	Several pieces of evidence aligned.
Mean threshold	The 50% point of a zone.
Breaker	A failed OB studied from the other side.

Next lesson
Lesson 11: Premium, Discount and Equilibrium. Using dealing ranges to understand price location.

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