PSEDYS | TECHNICAL REFERENCE MANUAL V3.0

CHoCH — Change of Character

CHoCH — Change of Character

Technical Reference Manual v1.0

PSEDYS | Complete Edition
Structure Reversal · Bullish/Bearish CHoCH · BOS vs CHoCH · MSS · Confirmation · MTF · ICT/SMC

CONTENTS

1. What is CHoCH? Concept
2. Definition and Identification
3. CHoCH vs BOS — Fundamental Difference
4. Types of CHoCH
5. Trading Signals
6. CHoCH in the Context of Market Structure
7. MTF and PSEDYS
8. Practical Exercises
9. Cheat Sheet

---

1. What is CHoCH? Concept

CHoCH (Change of Character) signifies **the first sign of a change in the dominant trend** — a modification in market structure suggesting that the existing trend is ending and a new (opposite) trend is forming.

Hierarchy: CHoCH → structure reverses → BOS in the new direction → new trend confirmed.

Downloaded from PSEDYS Ecosystem | t.me/PSEDYS

2. Definition and Identification

Bullish CHoCH (in bearish structure)

```
Context: Active bearish structure (LH + LL pattern)
  SH1=100 → SL1=90 → SH2=95(LH) → SL2=85(LL) → SH3=92(LH)...

Bullish CHoCH = Close > previous SH (LH) IN BEARISH CONTEXT

  Close > 95 (SH2/LH) = bullish CHoCH
  → Bears can no longer form LL; bulls surpass LH
  → Possible trend reversal

CHoCH Confirmation → bullish trend:
  + HL formed after CHoCH (bullish structure established)
  + Subsequent bullish BOS (Close > SH3)
```

Bearish CHoCH (in bullish structure)

```
Context: Bullish structure (HH + HL pattern)
  SL1=50 → SH1=60 → SL2=55(HL) → SH2=65(HH)...

Bearish CHoCH = Close < previous SL (HL) IN BULLISH CONTEXT

  Close < 55 (SL2/HL) = bearish CHoCH
  → Bulls can no longer form HL; bears surpass HL
  → Possible reversal

Confirmation:
  + LH formed (lower bounce)
  + Subsequent bearish BOS (Close < SL1 or SL2)
```

---

3. CHoCH vs BOS — Fundamental Difference

```
BULLISH CONTEXT (HH+HL):
  Close > SH (HH) = Bullish BOS → continuation of bullish trend
  Close < SL (HL) = Bearish CHoCH → bearish reversal signal

BEARISH CONTEXT (LH+LL):
  Close < SL (LL) = Bearish BOS → continuation of bearish trend
  Close > SH (LH) = Bullish CHoCH → bullish reversal signal
```

Downloaded from PSEDYS Ecosystem | t.me/PSEDYS

Simple Rule:
- If the move continues the direction: BOS
- If the move contradicts the direction: CHoCH

---

4. Types of CHoCH

```
Strong CHoCH:
  + Large impulsive bar
  + High volume on the CHoCH bar
  + Surpasses LH/HL by >1×ATR
  → High probability of reversal

Weak CHoCH:
  + Small bar
  + Normal or low volume
  + Slightly surpasses LH/HL
  → Possible false CHoCH (liquidity sweep) → wait for additional confirmation

Minor CHoCH (on small TF):
  → Less relevant signal on macro
  → Confirms intraday reversal but does not change macro trend
```

---

5. Trading Signals

```
Bearish CHoCH entry (stop loss trigger):
  → If you are Long and a Bearish CHoCH appears:
     Exit Long immediately (CHoCH = compromised bullish trend)
     Or: reduce to 50%, SL at CHoCH level

  Entry Short after CHoCH:
    DO NOT enter Short directly on the CHoCH bar → risk of false CHoCH
    Wait: LH formed (bounce to LH = Short entry)
    SL above LH
    TP at the last LL or bearish extension

Bullish CHoCH entry:
  → If you are Short and a Bullish CHoCH appears: exit Short
  Entry Long after CHoCH:
    Wait for HL to form (retracement after CHoCH)
    Long entry at HL with SL below HL
    TP at the last LH (former resistance) or BOS target
```

Downloaded from PSEDYS Ecosystem | t.me/PSEDYS

6. CHoCH in the Context of Market Structure

```
Reversal confirmation hierarchy:
  1. CHoCH (first signal) → potential reverse structure
  2. HL formed in new bullish trend (if bearish CHoCH → LH formed) → confirmation
  3. BOS in the new direction → fully confirmed new trend

Without confirmation 2 and 3: CHoCH alone = reversal probability ~60%
With confirmation 2 and 3: probability ~80-85%
```

7. MTF and PSEDYS

```
CHoCH on 4H = potential macro change → major signal
CHoCH on 1H in 4H bullish trend = deep retracement, not macro reversal
CHoCH on 5M = intraday noise

PSEDYS:
  - CHoCH 4H = trigger for exposure reduction or strategy reversal
  - CHoCH 1H + 4H bullish structure = entry on deeper pullback
```

```python
def detect_choch(closes, swing_highs, swing_lows, current_trend):
    """Detect CHoCH in the context of the current trend."""
    if current_trend == 'bullish':
        # Bearish CHoCH = Close < last HL
        last_hl = [sl for sl in swing_lows if sl['is_higher_low']]
        if last_hl and closes[-1] < last_hl[-1]['price']:
            return {'type': 'bearish_choch', 'level': last_hl[-1]['price']}
    elif current_trend == 'bearish':
        last_lh = [sh for sh in swing_highs if sh['is_lower_high']]
        if last_lh and closes[-1] > last_lh[-1]['price']:
            return {'type': 'bullish_choch', 'level': last_lh[-1]['price']}
    return None
```

8. Practical Exercises

Exercise 1: Bearish CHoCH on 4H — exit Long immediately?

Situation: BTC in bullish structure (HH+HL). Last HL = 62000. Current 4H bar: Close = 61500 (below 62000). ADX = 22.

Downloaded from PSEDYS Ecosystem | t.me/PSEDYS

Answer: Reduce position by 50% — not a total exit. Bearish CHoCH signaled (Close < HL=62000). But: ADX = 22 = not an extremely strong trend, possible false CHoCH. Reduce to 50% and tight SL at 61000. If the NEXT bar: (a) returns > 62000 = false CHoCH → re-enter; (b) forms LH < 63000 and declines = confirmed CHoCH → complete exit.

Exercise 2: Bullish CHoCH on 1H with macro bearish trend 4H

Situation: ETH. 4H bearish trend (LH+LL). On 1H, Bullish CHoCH (Close > previous LH on 1H). ADX 4H = 31.

Answer: Skip Long — minor CHoCH against macro trend. CHoCH on 1H in 4H bearish trend = against the macro trend. ADX 4H = 31 = strong active bearish trend. The 1H signal is noise or temporary bounce. Use 1H CHoCH as a signal to prepare for Short entry at LH formed on 1H in the macro bearish context.

---

9. Cheat Sheet

Concept	Rule
Bearish CHoCH	Close < last HL (in bullish structure)
Bullish CHoCH	Close > last LH (in bearish structure)
vs BOS	BOS = continuation; CHoCH = reversal
CHoCH Confirmation	+ HL/LH formed after + BOS in new direction
Entry after CHoCH	Not directly — wait for HL/LH to form
Strong CHoCH	Large bar + volume + surpass > ATR
Weak CHoCH	Small + low volume → possible sweep
Exit Long	At bearish CHoCH (reduce or exit)
MTF CHoCH 4H	Major macro change
MTF CHoCH 1H	Deep retracement or noise vs 4H

PSEDYS CHoCH Technical Manual v1.0 — May 2026

Downloaded from PSEDYS Ecosystem | t.me/PSEDYS

Downloaded from PSEDYS Ecosystem | t.me/PSEDYS