PSEDYS | TECHNICAL REFERENCE MANUAL V3.0

Order Block — OB

Order Block — OB

Technical Reference Manual v1.0

PSEDYS | Complete Edition
Smart Money Concept · Ultima Bara Contrara · Bullish/Bearish OB · Mitigation · BOS Prerequisit · MTF · ICT

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1. What is an Order Block? ICT Concept

Order Block (OB) is a concept from **ICT (Inner Circle Trader)** created by **Michael J. Huddleston**. An OB is the **last bar (or last bars) of opposite direction before a major impulsive move**.

Philosophy: Institutions (Smart Money) place large orders in these bars. When the price returns to the OB, their resting orders are executed → strong reaction zones.

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Difference from S/D Zone: OB is more precise — it focuses on the last contrary bar, not the entire consolidation base.

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2. Identifying the Order Block

2.1 Bullish Order Block

```
Condition: Impulsive bullish move (bullish BOS or strong upward impulse)

Bullish OB = last BEARISH bar (Close < Open) before the bullish move

OB Zone:
  Top    = High of the OB bar (or Close if more conservative)
  Bottom = Low of the OB bar (or Open)

Example:
  Bars: ..., bearish bar [O=105, H=106, L=103, C=103.5], large bullish bar [C=110]
  OB = bearish bar: zone [103, 106]
  Long Entry on retest of zone [103-106]
```

2.2 Bearish Order Block

```
Condition: Impulsive bearish move (bearish BOS or strong downward impulse)

Bearish OB = last BULLISH bar (Close > Open) before the bearish move

OB Zone:
  Top    = High of the OB bar
  Bottom = Low of the OB bar (or Close if more conservative)

Short Entry on retest of the zone
```

2.3 Strict Identification Rules

```
1. BOS (Break of Structure) or significant impulse must follow
2. OB bar must be opposite to the direction of the move (bearish → bullish OB)
3. The following impulse must exceed at least 3-5 previous bars
4. Volume at the impulse bar > average volume
5. OB valid only until the first mitigation (retest that consumes it)
```

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3. Types of Order Blocks

Type	Description
Bullish OB	Last bearish bar before a bullish impulse
Bearish OB	Last bullish bar before a bearish impulse
Breaker Block	Previous "broken" OB that becomes inverted support/resistance
Mitigation Block	Partially consumed OB (incomplete mitigation)
Void / FVG OB	OB with gap (imbalance) in the impulse bar → stronger

4. Mitigating the Order Block

```
Mitigation = price returns to the OB zone and "touches" it

Partial Mitigation: price enters the zone but does not completely traverse it
→ Partially consumed OB, may still react

Full Mitigation: price completely traverses the OB zone
→ Consumed OB, invalidated (orders executed)

After full mitigation:
  Consumed Bullish OB → may become Bearish OB (Breaker Block)
  Consumed Bearish OB → may become Bullish OB (Breaker Block)
```

5. Trading Signals

5.1 Bullish OB Entry

```
Setup:
1. Identify bullish BOS (confirmed bullish structure)
2. Find the last bearish bar before BOS → this is the Bullish OB
3. Price retraces to OB (retracement in trend)
4. Long Entry:
   - Aggressive: at first touch of Top_OB
   - Standard: at Close > High OB (confirmation)
   - Conservative: at bullish reversal bar within OB
5. SL: below Bottom_OB (or below Low OB with −0.3×ATR buffer)
6. TP: last High or next Supply Zone / Bearish OB
```

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5.2 Bearish OB Entry

```
Setup:
1. Confirmed bearish BOS
2. Last bullish bar before BOS = Bearish OB
3. Price retraces to OB (bullish bounce)
4. Short Entry at Bottom_OB or at bearish bar in OB
5. SL: above Top_OB
6. TP: last Low or Demand Zone / Bullish OB
```

5.3 Combined Filters

```
# OB quality score
def ob_quality(ob_type, impulse_size, ob_range, vol_at_impulse, vol_avg,
               has_fvg, bos_confirmed, timeframe):
    score = 0
    if bos_confirmed: score += 30           # BOS mandatory
    if impulse_size > ob_range * 3: score += 20
    if vol_at_impulse > vol_avg * 1.5: score += 15
    if has_fvg: score += 20                 # gap in impulse bar = stronger
    if timeframe in ['4H', '1D']: score += 15
    return score  # > 70 = high quality

# Entry
entry_long = (
    ob_quality > 70 and
    price_in_bullish_ob and
    discount_zone and          # price in discount zone (< 50% swing)
    not_mitigated              # OB not fully consumed
)
```

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6. OB vs Supply/Demand Zone — The Difference

Aspect	Order Block	Supply/Demand Zone
Key Bar	Last opposite bar (1 bar)	1-3 base bars (consolidation)
Precision	More precise (1 bar)	Wider (zone)
Prerequisite	BOS mandatory	Impulse without explicitly required BOS
Concept	ICT (Smart Money)	Classic Supply/Demand
Mitigation	Explicit concept (partial/full)	Freshness
Breaker Block	Yes (broken OB = inversion)	Not explicit

7. MTF

```
HTF (Higher Timeframe) OB: 4H/1D → most important
LTF (Lower Timeframe) OB: 15M/5M → entry precision within HTF OB

MTF Workflow:
1. Identify Bullish OB on 4H (HTF context)
2. On 1H, look for Bullish OB or Demand Zone within 4H OB
3. On 15M/5M, entry on 1H OB in 4H context
→ Triple confluence = high probability
```

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8. PSEDYS — OB as Precise Entry Zones

```
# Automatic OB detection
def find_bullish_ob(candles, n_candles_impulse=3):
    """Last bearish bar before n consecutive bullish impulses."""
    obs = []
    for i in range(len(candles)-n_candles_impulse):
        # Check bullish impulse (n consecutive bullish bars)
        impulse = all(candles[i+j]['close'] > candles[i+j]['open']
                      for j in range(1, n_candles_impulse+1))
        if impulse and candles[i]['close'] < candles[i]['open']:  # bearish bar
            obs.append({
                'top': candles[i]['high'],
                'bottom': candles[i]['low'],
                'index': i,
                'mitigated': False
            })
    return obs
```

9. Practical Exercises

Exercise 1: Bullish OB on 4H — how to enter?

Situation: BTC 4H. Confirmed bullish BOS at 66000. Last bearish bar before BOS: O=63800, H=64500, L=63200, C=63500. Price retraces to 64200.

Answer:

```
Bullish OB: Top=64500, Bottom=63200
Price at 64200 = within OB

Aggressive Entry: Long at 64200 (within OB)
Conservative Entry: wait for bullish bar closing > 64500

SL: below Bottom_OB = 63200 (or 63000 with buffer)
TP: last High = 66000 or nearest Bearish OB above
R:R: (66000-64200)/(64200-63200) = 1800/1000 = 1.8 — acceptable
```

Exercise 2: OB with FVG — stronger?

Situation: ETH. Bearish OB at 3100-3180. Impulse bar created an FVG (50-point gap between Low of OB bar and High of the bar before the impulse). Fresh OB.

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Answer: OB with FVG = strong resistance zone. FVG (Fair Value Gap) in the impulse bar = intense imbalance at creation → Smart Money pushed with force → large resting orders at OB. Short Entry at 3100-3180 (Bottom OB). SL above 3180 + buffer = 3200. TP = last Low or Demand Zone below current price.

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10. Cheat Sheet — Quick Summary

Concept	Rule
Bullish OB	Last bearish bar before bullish impulse + BOS
Bearish OB	Last bullish bar before bearish impulse + BOS
OB Zone	High and Low of the OB bar
BOS	Break of Structure — mandatory for validation
Bull Entry	At Top_OB (aggressive) or confirmation bullish bar in OB
SL Bull	Below Bottom_OB with small buffer
Mitigation	Retest that consumes OB (partial or full)
Breaker Block	Fully consumed OB → inverted zone
FVG + OB	Strongest setup (imbalance + orders)
Freshness	Untouched OB = stronger
MTF	HTF OB (4H/1D) + LTF entry (15M)
vs S/D	OB: exact 1 bar; S/D: wider zone

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