CHART CODE ACADEMY

Decode The Market Code

Advanced Institutional Concepts

Inducement, Breakers, Mitigation & the Unicorn Model

Smart Money Concepts reframes price action as **engineered liquidity**: shallow highs and lows exist to be swept before the real move. Learn to tell a genuine order block from a swept **inducement**, spot a **breaker** once it flips from support to resistance, and combine a Fair Value Gap with a breaker into the high-probability **Unicorn** setup.

A FREE STUDY RESOURCE BY CHART CODE

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About This Guide

Market structure, liquidity, order blocks and Fair Value Gaps cover the core of how most Smart Money Concepts traders read a chart, and are enough on their own to build a complete approach. The seven ideas in this guide sit a level above that foundation: refinements experienced traders layer on top to filter for cleaner setups and explain price behaviour the basics sometimes miss.None of these concepts work in isolation.

Advanced Institutional Concepts

Inducement, mitigation blocks, breaker blocks and other advanced Smart Money Concepts that go a step beyond basic order blocks and Fair Value Gaps — each one explained with a custom diagram.

How to Actually Use These Concepts

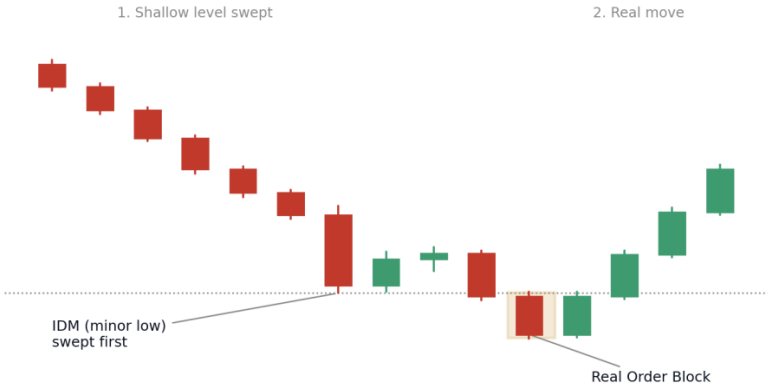
The most common mistake with advanced SMC concepts is reaching for them to explain every unusual move on a chart, turning simple price action into an overly complicated story. These ideas are meant to sharpen a handful of specific, recognisable situations, not to be applied everywhere.

- **Is the basic structure already clear? —** these refinements only make sense layered on top of a correctly-read trend and liquidity picture.
- **Is there a simpler explanation? —** not every failed order block is a "breaker," and not every wick is a meaningful "rejection block."
- **Does it add real confluence, or just a label? —** the goal is a stronger case for a trade, not a more impressive-sounding one.

1. Inducement (IDM)

MANIPULATION CONCEPT

Inducement is a minor, early swing point sitting between current price and a more significant level, such as a genuine order block or a major liquidity pool. Price is expected to sweep this smaller, more obvious level first — inducing early entries and trapping traders — before reaching the real level and making its actual move.



Visualising it: the shallow IDM low is swept first, and the real reversal comes from the order block beyond it. Illustrative price action.

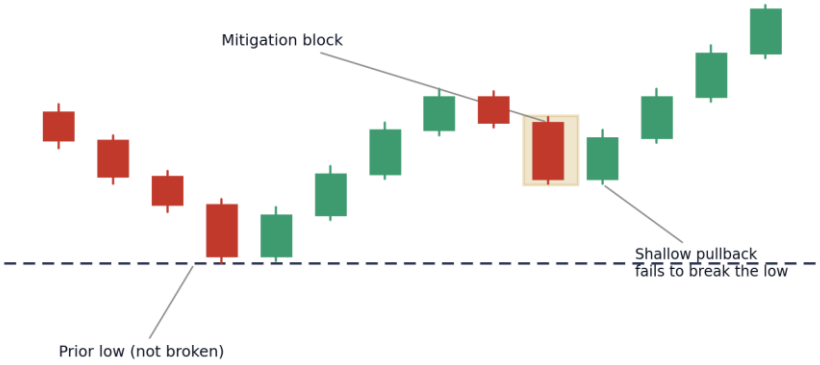
How to Read It

Entering at the first, shallower level (the inducement) rather than waiting for the deeper, more significant one is one of the most common ways traders end up on the wrong side of a subsequent reversal.

2. Mitigation Block

CORE CONCEPT

A mitigation block forms when price attempts a new low (or high) but fails to actually break the prior structure point, then reverses. The last opposing candle before that shallow, unsuccessful pullback is marked as a mitigation block — associated with trapped traders closing out losing positions there, rather than fresh institutional buying or selling.



Visualising it: the pullback stays above the prior low, so the last down candle before it is a mitigation block rather than a fresh order block.

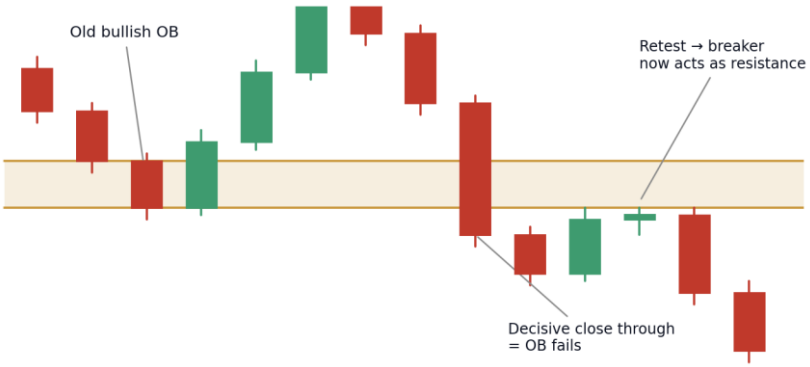
How to Read It

A mitigation block is generally treated as a weaker zone than a standard order block, since it lacks the strong displacement and structural break that give a normal order block its weight.

3. Breaker Block

FLIPPED ZONE

A breaker block starts life as a normal order block, but fails — price closes straight through it instead of respecting it. Once that happens, the zone is believed to have flipped: a bullish order block that gets broken can become resistance on a later retest, and a bearish order block that gets broken can become support.



Visualising it: the old bullish order block fails on a decisive close through it, then acts as resistance when price retests the same zone from below.

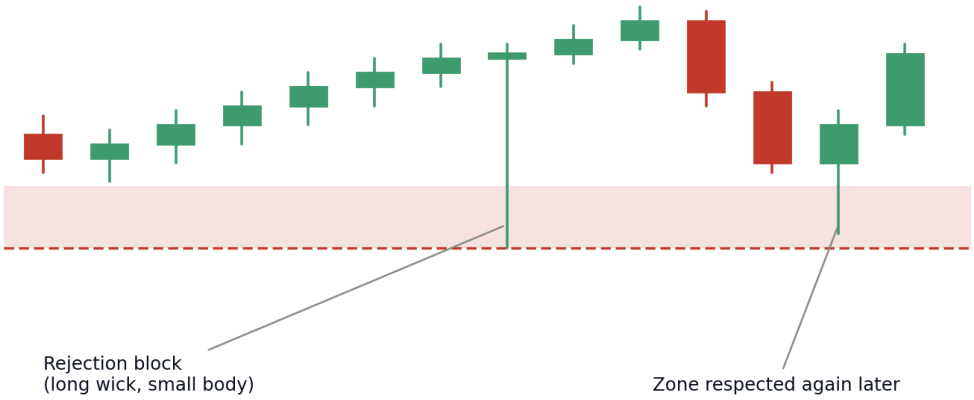
How to Trade It

A breaker is only considered valid after a clear, decisive close through the original zone — a level that merely wicks through and holds hasn't failed, and shouldn't be treated as a breaker.

4. Rejection Block

WICK-BASED ZONE

A rejection block is built from a candle's wick rather than its body — typically a candle with a small body but a long wick sharply rejected in one direction. The wick's range is marked as the zone, on the idea that a rejection that sharp and immediate reflects real, forceful participation at that exact price.



Visualising it: the long lower wick marks the rejection block, and price respects the same zone again on a later visit.

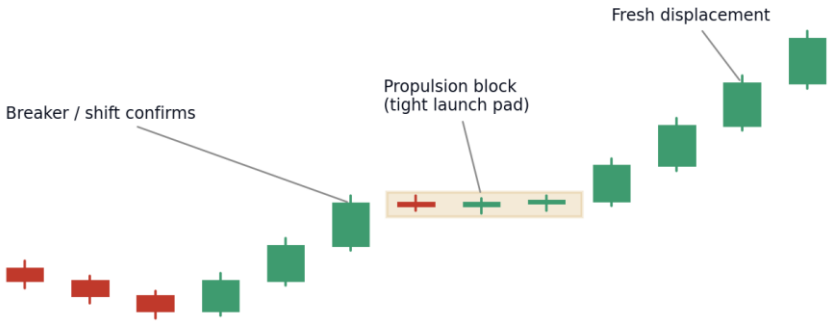
How to Read It

A rejection block is most convincing when it forms at an already-significant level — a liquidity pool or a prior structure point — rather than appearing as an isolated wick with no other context around it.

5. Propulsion Block

LAUNCH PAD

A propulsion block is a tight, brief consolidation that often forms right after a breaker or a fresh structural shift confirms a new direction — a short pause where price gathers before launching into another strong displacement leg. It is less about a single candle and more about a small range that precedes renewed momentum.



Visualising it: a tight range forms right after the structural shift confirms, then price launches into a fresh displacement leg from it.

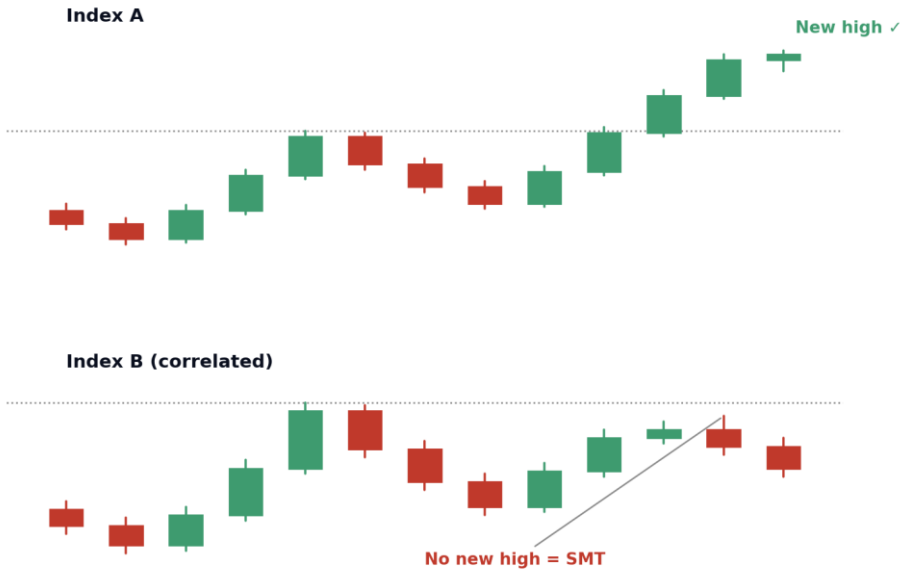
How to Read It

The key difference from an ordinary consolidation is context — a propulsion block sits directly after a confirmed structural shift, not in the middle of an undecided, directionless range.

6. SMT Divergence

CROSS-MARKET WARNING

SMT (Smart Money Technique) divergence compares two correlated instruments — two related indices, for example — to check whether they are confirming each other's moves. If one makes a fresh new high while the correlated instrument fails to make a matching new high, that mismatch is treated as a sign of underlying weakness, often watched for around potential reversal points.



Visualising it: Index A prints a new high while the correlated Index B fails to reach its prior high — the mismatch is the SMT divergence.

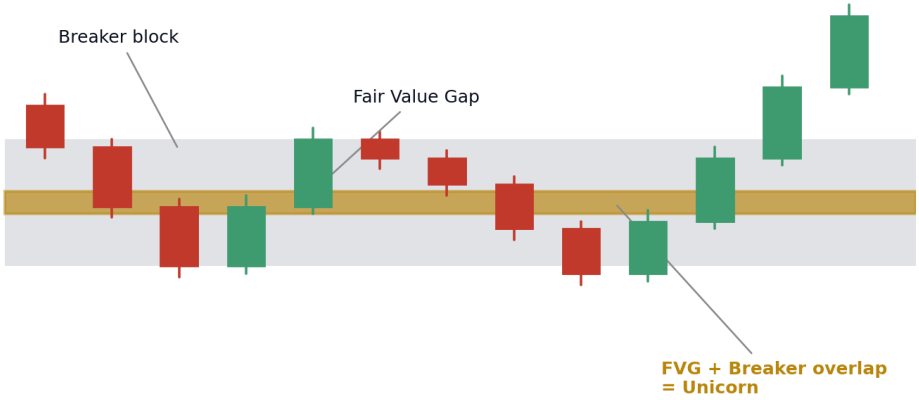
How to Read It

SMT divergence is a supporting signal, not a standalone trigger — it is most useful when it lines up with a structure shift or a liquidity sweep happening around the same time on the instrument being traded.

7. The Unicorn Model

PUTTING IT TOGETHER

The Unicorn Model combines two ideas into one setup: a breaker block that overlaps with a Fair Value Gap in the same price zone. Because both concepts independently point to the same area, a trader gets two sources of confluence stacked on top of each other rather than relying on either alone.



Visualising it: the breaker block and the Fair Value Gap overlap in the same narrow zone — the Unicorn setup.

How to Trade It

As with any confluence-based setup, the overlap itself is not a guarantee — it is still worth checking that the wider trend, structure and liquidity context all support the direction the model is pointing toward.

Concept Comparison at a Glance

Concept	What it is	Key signal	Watch out for
Inducement (IDM)	A shallow level swept before the real move	Quick wick through a minor high/low, then reversal	Entering on the shallow sweep instead of the real level
Mitigation Block	Last opposing candle before a failed pullback	Pullback holds, prior structure point not broken	Grading it the same as a full order block
Breaker Block	A failed order block, now flipped	Decisive close through the zone, then a retest	Calling a mere wick-through a breaker
Rejection Block	A zone built from a long wick, not a body	Small body, long sharp wick, no follow-through	Treating an isolated wick as meaningful with no context
Propulsion Block	A tight pause right after a confirmed shift	Narrow range, then a fresh displacement leg	Confusing it with an ordinary mid-range consolidation
SMT Divergence	A mismatch between two correlated instruments	One makes a new high/low, the other fails to	Trading it alone, without a structure shift to match
Unicorn Model	A breaker and an FVG overlapping	Two zones from different concepts line up	Ignoring the wider trend just because the zones align

Common Advanced Concept Mistakes to Avoid

1. Reaching for advanced labels too early: Applying inducement, breaker blocks or SMT divergence before the basics of structure and liquidity are solid usually adds confusion, not clarity.

2. Calling every failed level a "breaker": A level that merely wicks through and holds hasn't failed — only a genuine, decisive close through the zone qualifies it.

3. Treating SMT divergence as a standalone signal: A divergence between two instruments carries more weight paired with a structure shift than it does in isolation.

4. Confusing mitigation blocks with standard order blocks: A mitigation block, formed without a genuine structural break, is generally weaker and shouldn't be graded the same.

5. Skipping the wider context on a Unicorn setup: An FVG and breaker overlapping is still just confluence, not a guarantee — trend and liquidity still need to line up.

6. Overcomplicating simple price action: Not every move needs an advanced explanation — sometimes a candle is just a candle.

These refinements are the finishing touches. Building the underlying structure, liquidity and order block foundation is what we focus on step by step in our structured courses at Chart Code, offline in Boisar or live online anywhere in India.

Your Advanced Concept Confirmation Checklist

Before applying any concept in this guide to a live setup, run through this five-point check:

- **Basics confirmed first —** Is the underlying structure, trend and liquidity picture already clear, before layering an advanced concept on top?
- **Decisive confirmation —** For a breaker block, did price actually close through the original zone, rather than only wicking through it?
- **Genuine context —** Does the concept genuinely fit the situation, rather than being forced onto ordinary price action after the fact?
- **Real confluence —** Does this add an independent, additional reason for the trade, rather than just relabeling something you already saw?
- **Defined risk —** Do you know exactly where you'd be proven wrong, and have you placed a stop-loss there before entering?

EDUCATIONAL CONTENT ONLY

This guide explains a chart-reading framework and is not investment advice or a recommendation to buy or sell any security. Smart Money Concepts are a way of reading price action, not a guaranteed signal. Practice on a demo account first, and never risk money you cannot afford to lose.

Frequently Asked Questions

What is inducement (IDM) in Smart Money Concepts?

Inducement is a minor, early swing point sitting between current price and a more significant level, such as a real order block. It is believed to be swept first, trapping traders who entered on the smaller level, before price reaches the more significant level and makes its real move.

What is the difference between a mitigation block and an order block?

A standard order block is the last opposing candle before a strong, displaced move that typically breaks structure. A mitigation block is the last opposing candle before a shallower pullback that fails to break structure at all — it is associated with traders closing out, or "mitigating," losing positions rather than fresh institutional entries.

What is a breaker block?

A breaker block is a former order block that failed to hold — price closed through it — and then, on a later visit, the same zone acts in the opposite role. A bullish order block that gets broken can become a breaker block that now acts as resistance instead of support.

What is SMT divergence?

SMT (Smart Money Technique) divergence compares two correlated instruments, such as two related indices, to see whether they confirm each other's moves. If one instrument makes a new high or low while the correlated one fails to make a matching new high or low, that mismatch is read as a possible sign of underlying weakness or a coming reversal.

Are these advanced concepts necessary, or can I trade with just market structure and order blocks?

They are refinements, not requirements. Market structure, liquidity and basic order blocks or Fair Value Gaps are enough to build a complete trading approach on their own. Concepts like inducement, breaker blocks and SMT divergence are additional layers some traders use to filter for higher-probability setups once the basics are already solid.

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