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Decode The Market Code

ICT Market Structure

& Trading Strategy

Read charts through institutional order flow. Learn to spot a real **market structure shift**, confirm it with **displacement**, and see where **liquidity** is pulling price.

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About This Guide

ICT market structure is a way of reading a chart through institutional order flow. It marks swing points, watches for a Market Structure Shift confirmed by displacement, and asks which pool of resting liquidity a move was heading for. ICT is short for "Inner Circle Trader", a methodology popularised by Michael J. Huddleston. It is an interpretive framework, so its concepts involve judgement and no setup works every time.

By the end of this guide you will be able to:

- Mark old highs and old lows, and tell a real Market Structure Shift from a minor break
- Use displacement to judge whether a break has real participation behind it
- Classify buyside and sellside liquidity, and internal and external range liquidity, to see where price is heading
- Add session context with killzones, the Judas Swing and the Power of Three
- Use Draw on Liquidity and Optimal Trade Entry for bias, targets and entry timing
- Align a top-down MSS across timeframes and avoid the common mistakes

ICT Market Structure & Trading Strategy

A Chart Code Academy Guide

Beginner to Advanced Level • 31 min read • 12 concepts • Updated 28 Sep 2026

Quick Answer: The Key Terms

These terms cover most of what you need to know. Each is explained in full, with a diagram, later in the guide.

Term	Meaning
Old highs and old lows	The swing points other traders can also see. Every later ICT signal is measured relative to them.
Market Structure Shift (MSS)	The first close beyond a prior swing point against the prevailing trend, flagging a possible change in order flow. It is a warning, not a guaranteed reversal.
Displacement	A sharp, high-momentum move through a structure point, often leaving a Fair Value Gap behind. It suggests real participation behind a break, unlike a slow grind through a level.
Buyside and sellside liquidity	Buyside liquidity (BSL) rests above old highs, where buy stops and breakout orders cluster. Sellside liquidity (SSL) rests below old lows, where sell stops and breakout orders cluster.
Internal and external range liquidity	External range liquidity sits beyond the outer high and low of a dealing range, while internal range liquidity sits inside it at smaller swing points and gaps.
Killzones, Judas Swing and Power of Three	Killzones are session windows where ICT traders expect key moves. The Judas Swing is a false early move that traps traders, and the Power of Three describes an accumulation, manipulation and distribution cycle.
Draw on Liquidity and Optimal Trade Entry	The draw on liquidity is the pool price is being pulled toward, used for bias and targets. Optimal Trade Entry is the roughly 62% to 79% retracement zone of a displacement move, used to time entries.

1. Why the ICT Framework Matters

ICT reads a chart through the lens of institutional order flow: where big participants are likely accumulating positions, where they are likely to manipulate price to trap the crowd, and where they are likely to deliver the real move. Market structure is the starting point for all of it, because every other ICT concept is defined relative to a swing point.

This guide focuses specifically on structure and order flow: the vocabulary of **old highs and old lows**, **Market Structure Shift (MSS)**, **Displacement**, and **liquidity classification**. These are the foundation every later ICT concept, from order blocks to Fair Value Gaps, is built on top of.

What sets the ICT framework apart from a purely price-action reading of structure is its insistence that *every* move should have an explainable purpose in terms of liquidity and time. A break of structure is never read in isolation. ICT always asks which resting liquidity pool it served, whether it happened inside a recognised session window, and whether the size and force of the move (displacement) supports the idea that real institutional size was behind it.

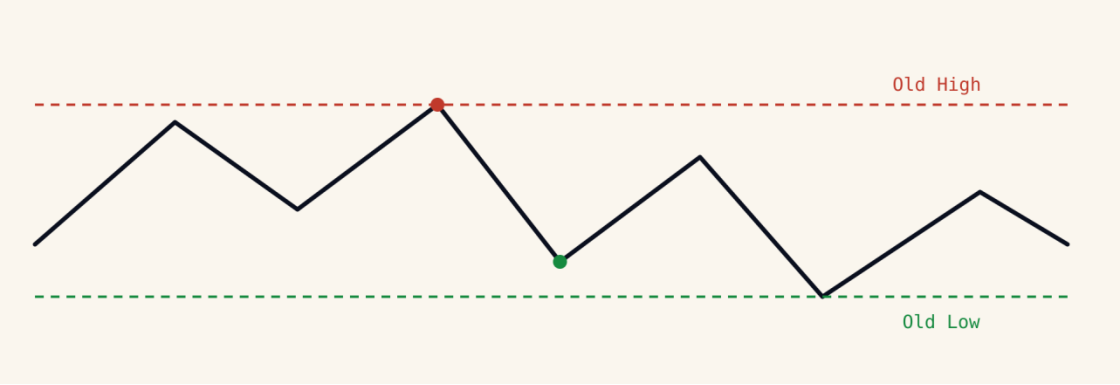
2. How to Actually Read ICT Structure

ICT concepts are commonly misapplied when a trader marks every wiggle as significant, or reacts to a structure break the instant it happens without asking what actually drove it. The framework rewards patience over reaction. Before acting on any signal in this guide, run it through these filters:

- **Is this a genuine old high or old low?** One that other traders would also recognise as a meaningful reference point, not a stray wick.
- **Did displacement accompany the break?** A slow, grinding close beyond a level carries far less weight than a sharp, forceful one.
- **What time of day and session is this?** Concepts like the Judas Swing and Power of Three are tied to session timing, so the same signal can mean different things depending on when it occurs.
- **Which liquidity pool does this move actually serve?** A break with no identifiable liquidity target nearby is a weaker signal, since ICT treats liquidity, not just price levels, as the real magnet behind most moves.

3. Old Highs & Old Lows

Core Concept



Visualising it: price trades between a prior swing high (old high) and a prior swing low (old low), the reference levels every later signal is measured against.

ICT uses "old high" and "old low" as the working names for the swing points classic technical analysis calls swing highs and swing lows. An old high is simply the most recent significant point where price turned down; an old low is the most recent significant point where it turned up. Every later ICT concept (MSS, liquidity, order blocks) is measured relative to these reference points.

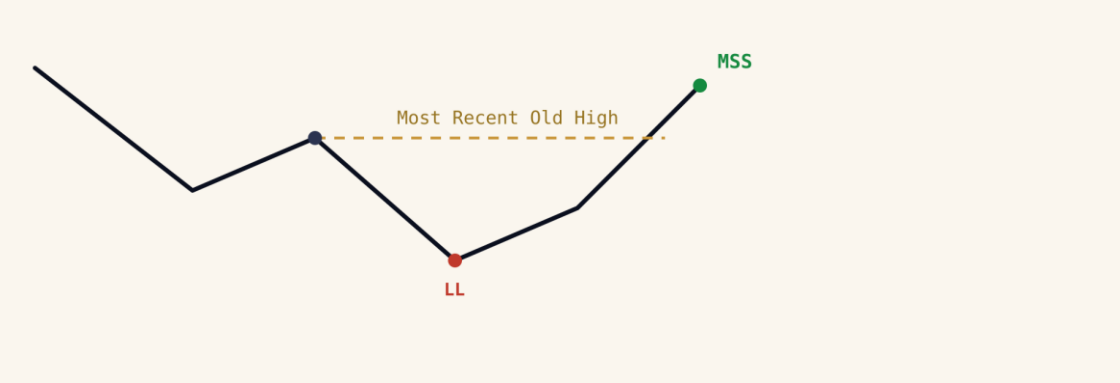
The word "old" is doing real work in this naming. It signals that these levels remain relevant long after price has moved away from them. An old high formed weeks ago can still matter today if price approaches it again, because the resting orders it attracted haven't necessarily been filled or cancelled. This is part of why ICT traders often keep a running map of the most significant old highs and lows on a chart, rather than only reacting to whatever the most recent swing happens to be.

HOW TO READ IT

Not every local high or low deserves the label. Reserve "old high" and "old low" for points obvious enough that most chart-readers would circle the same spot, since that is exactly what makes them meaningful liquidity references.

4. Market Structure Shift (MSS)

Trend Reversal Signal



Visualising it: in a downtrend of lower highs and lower lows, price closes above the most recent old high, signalling a possible shift in order flow.

A Market Structure Shift is ICT's name for a close beyond the most recent old high or old low *against* the current trend, the same underlying event many SMC traders call a Change of Character. In a downtrend, that means a decisive close back above the most recent old high, hinting that sellers may be losing control and order flow could be shifting bullish.

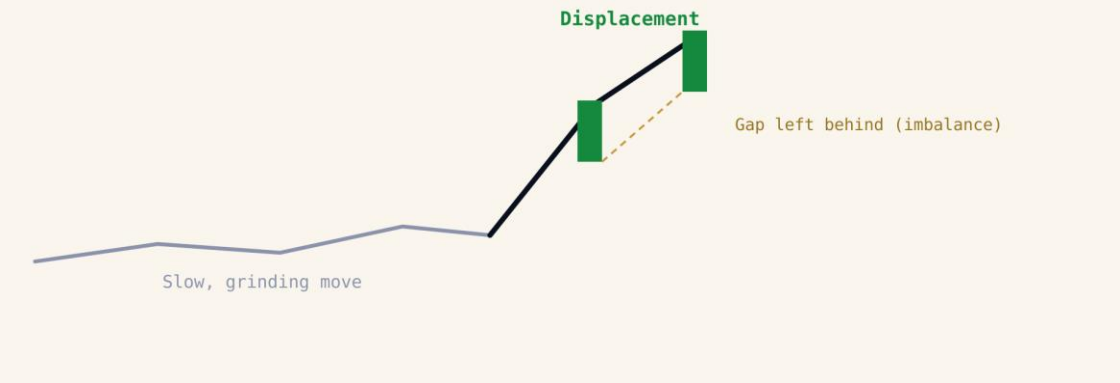
ICT traders generally treat an MSS as far more significant when it forms after price has already swept liquidity beyond the opposing old low or old high. In other words, the shift arrives right after the market has just finished collecting stop-losses on the other side. An MSS that appears out of nowhere, with no preceding liquidity sweep, is still worth noting, but it lacks the same explanatory "why now" that makes the framework's higher-conviction setups so much more convincing.

HOW TO TRADE IT

An MSS on its own is treated as a heads-up, not a signal to enter. ICT traders typically want to see it paired with Displacement before they consider the shift in order flow believable.

5. Displacement

Core Concept



Visualising it: a slow, grinding move is followed by a sharp, steep candle sequence that breaks structure with force and leaves an imbalance (gap) behind.

Displacement is a sharp, forceful, high-momentum move, usually one or a few candles with unusually large bodies, that drives price through a structure point far more aggressively than the surrounding price action. It often leaves behind an imbalance (a Fair Value Gap) because price moved so quickly that normal two-sided trading didn't have time to occur at every level.

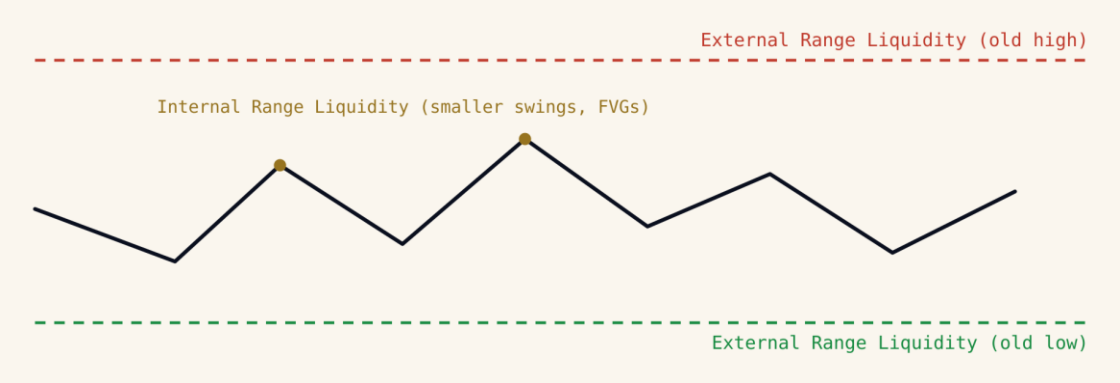
Displacement is best judged relative to the price action immediately around it, not against some fixed candle size. A "large" displacement candle on a highly volatile stock can look completely different in absolute points from one on a slow-moving large-cap index, yet both can qualify if they clearly dwarf the candles that came just before them. This relative reading is why displacement transfers reasonably well across instruments and timeframes.

HOW TO READ IT

Displacement is the evidence ICT traders lean on to separate a real institutional move from a slow drift that could just as easily stall or reverse. A structure break without it is treated with far more caution.

6. Internal Range Liquidity vs External Range Liquidity

Core Concept



Visualising it: the outer old high and old low mark external range liquidity, while smaller swing points and gaps inside the range mark internal range liquidity.

External range liquidity sits beyond the outer boundaries of a dealing range: the obvious old high and old low that most traders can see and where visible stop-losses tend to cluster. **Internal range liquidity** sits inside that range: the smaller swing points, order blocks and Fair Value Gaps that form as price moves back and forth between the two outer levels.

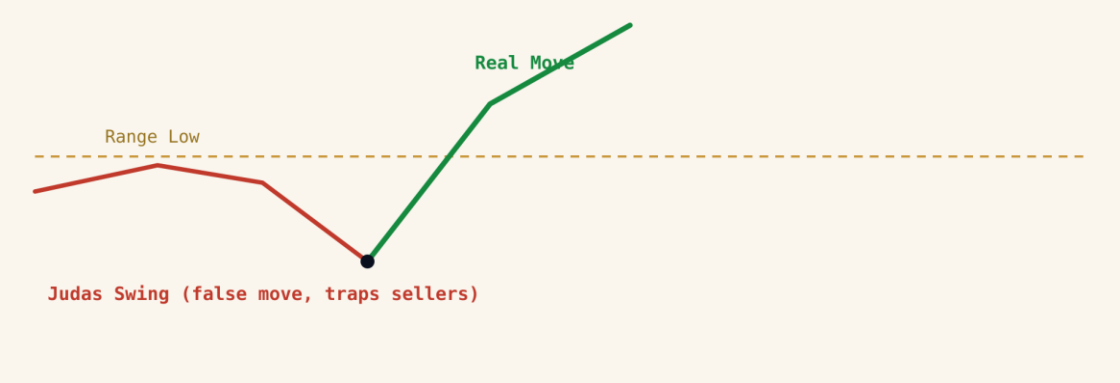
A "dealing range" is simply the current stretch of price action bounded by the most relevant old high and old low. Think of it as the box the market is currently negotiating inside. Every time price makes a new internal swing without breaking either boundary, it typically leaves fresh internal liquidity behind for the next visit. A chart that has been ranging for a while often has several layers of internal liquidity stacked inside it, all of which price may work through, one level at a time, before it finally reaches for the range's external boundaries.

HOW TO READ IT

Price is generally expected to seek out internal liquidity first while it stays inside a range, and only reach for external liquidity (the old high or old low) once the range itself is ready to break.

7. The Judas Swing

Manipulation Move



Visualising it: price makes a false move below a range low to trap sellers, then reverses sharply and displaces upward for the real move.

Named after the biblical betrayer, the Judas Swing is a deliberate false move, often near a session open, that pushes price just beyond a visible range boundary in the "wrong" direction. It triggers breakout orders and stop-losses from traders caught on the wrong side, before price sharply reverses and displaces in the real intended direction.

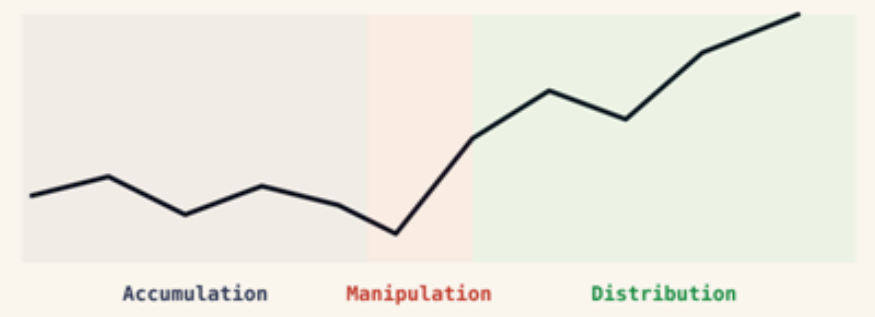
The pattern tends to be most convincing when it occurs early in a recognised session window (covered later in this guide as killzones) and directly sweeps a visible old high or old low rather than just drifting past an arbitrary level. A move that happens mid-session, well after the open, with no clean liquidity level nearby, is far less likely to be a genuine Judas Swing and more likely to be ordinary noise. The label should be earned by the context, not applied to any move that simply happens to reverse.

HOW TO TRADE IT

ICT traders commonly watch the early part of a session for this false move, then look to enter in the opposite direction once displacement confirms the reversal, rather than chasing the initial false breakout.

8. Power of Three (Accumulation, Manipulation, Distribution)

Strategy Framework



Visualising it: a session splits into a sideways accumulation range, a manipulation move that dips below the range, and a distribution phase that trends strongly.

The Power of Three (AMD) describes a full trading session as three phases: **Accumulation**, a quiet sideways range where positions are built; **Manipulation**, a Judas-style false move that runs liquidity just outside that range; and **Distribution**, the real, extended directional move that follows once manipulation is complete.

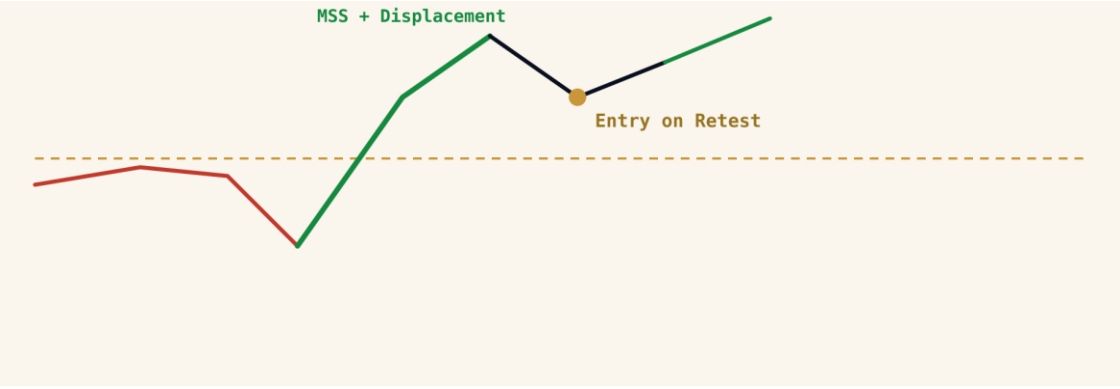
The framework scales beyond a single day. The same three-phase rhythm is often described across a week (accumulation early, manipulation mid-week, distribution into the close) and even across a month, which is why ICT content frequently references "weekly" or "monthly" Power of Three alongside the daily version. The logic does not change with the timeframe; only the size of the range and the length of each phase does.

HOW TO READ IT

Trying to trade during the accumulation phase itself tends to be low-reward. The framework is mainly useful for recognising when manipulation has likely completed, so the distribution phase can be entered closer to its start.

9. Aligning Entries with Institutional Order Flow

Putting It Together



Visualising it: a Judas swing sweeps below a range, a displacement candle breaks back above it with an MSS, and the entry is taken on the retest.

A high-conviction ICT setup typically stacks several concepts on top of each other rather than relying on any single one: a Judas Swing sweeps liquidity below a range, a displacement candle breaks back above the range accompanied by an MSS, and the entry itself is taken on a retest of the broken level or a Fair Value Gap left behind by the displacement move.

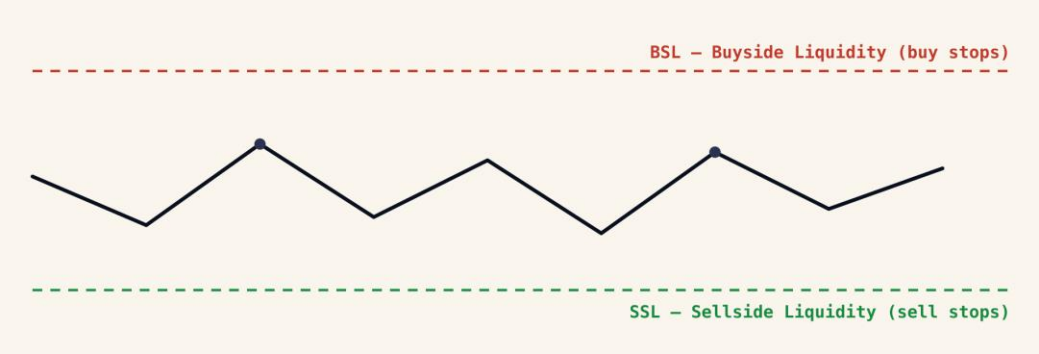
Notice that this stack is essentially a checklist running in the background of every trade idea: a liquidity reason for the move (the Judas Swing), a structural confirmation (the MSS), a conviction filter (displacement), and a precise, lower-risk entry technique (the retest or the Optimal Trade Entry zone covered later). Traders who skip straight to the entry technique without the earlier pieces in place tend to take technically "correct-looking" trades that lack the order-flow story that gives the setup its edge.

HOW TO TRADE IT

The more of these pieces line up (session timing, a swept liquidity level, an MSS confirmed by displacement, and a clean retest), the more confidence ICT traders typically place in the setup, rather than acting on any single piece alone.

10. Buyside & Sellside Liquidity (BSL / SSL)

Advanced Concept



Visualising it: buyside liquidity rests above the old high and sellside liquidity rests below the old low, with price ranging between the two.

ICT splits resting liquidity into two directional pools. **Buyside liquidity (BSL)** sits just above old highs, made up of short-sellers' protective buy stops and breakout traders' pending buy orders. **Sellside liquidity (SSL)** sits just below old lows, made up of long holders' protective sell stops and breakout traders' pending sell orders. Both are, functionally, orders waiting to be triggered, which is exactly why price tends to gravitate toward them.

This BSL/SSL split is a sharper, more directional way of describing the same idea behind internal and external range liquidity. Rather than just noting that liquidity sits "beyond the range," ICT specifies which side of the market benefits when each pool gets triggered. A sweep of SSL floods the market with forced selling that a smart-money buyer can absorb cheaply before reversing higher; a sweep of BSL does the mirror opposite. Thinking in terms of who gets trapped on each side is often more useful for anticipating the next move than simply marking the levels.

HOW TO READ IT

Before a trade, ask which pool (BSL above or SSL below) looks more obvious and more likely to be targeted first. The answer usually lines up with the higher-timeframe bias and often becomes the draw on liquidity for the current move.

11. Killzones: London, New York & Asian Sessions

Session Timing



Visualising it: a 24-hour day with a range-building Asian session followed by the London killzone and the New York killzone, where the key moves are expected.

Killzones are specific windows within a trading day where ICT traders expect the day's most meaningful structural moves (Judas Swings, displacement, genuine MSS confirmations) to be more likely. The Asian session is typically read as a range-building phase, since lower participation makes large directional moves less likely. The London and New York opens are read as killzones precisely because they bring the participation and volume needed to run liquidity and deliver a real move.

Indian markets follow the same underlying logic even though the specific windows differ from the forex-centric original framework. The first 30-45 minutes after the Nifty and Bank Nifty open frequently show exactly this kind of false-move-then-real-move behaviour, driven by overnight global cues being digested and early stop-losses being run before the session settles into its actual trend for the day. The core idea, that identical-looking structural signals deserve more weight during a period of concentrated participation, transfers across markets even when the exact clock times don't.

HOW TO TRADE IT

Note the range built during the lower-volume period before your market's main session opens. A sweep of that range's high or low in the first part of the session is the classic setup ICT traders watch for before looking to enter in the direction of the reversal.

12. Draw on Liquidity (DOL)



Visualising it: price has a small nearby pool and a larger, more obvious pool further away; the arrow shows it being drawn toward the larger one.

Draw on Liquidity is the specific pool of resting orders that price is currently most likely to be heading toward, out of all the candidate levels visible on the chart. It is less a fixed rule than a judgment call: when several liquidity pools sit at different distances, ICT traders generally favour the more obvious, more heavily tested, or more significant one as the likelier magnet, since that is where the largest and most consequential resting orders tend to be.

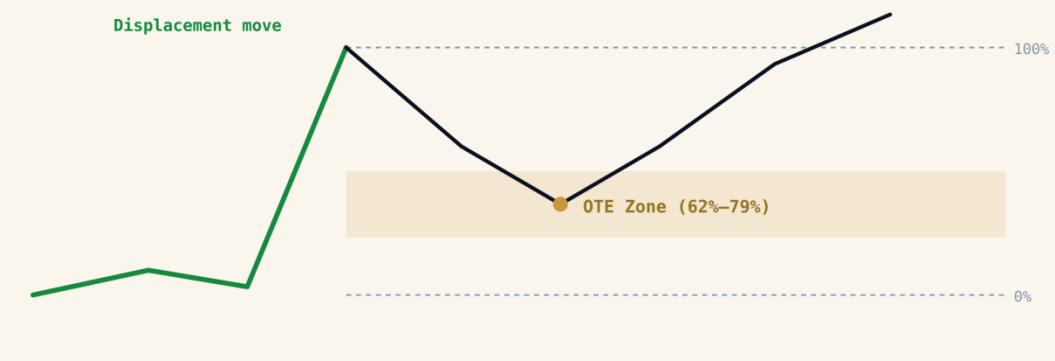
DOL is what turns liquidity classification into an actual directional bias rather than just a labelling exercise. Once you have identified the draw, you have effectively identified a working price target. If the higher-timeframe context and a recent MSS both support the same direction as the draw, that alignment is treated as one of the stronger cases the framework can offer, since structure, momentum and liquidity are all pointing the same way at once.

HOW TO TRADE IT

Re-evaluate the draw after every significant move. Once a pool is swept, it typically stops being the draw, and a new, further pool (often on the opposite side) frequently becomes the next target instead.

13. Optimal Trade Entry (OTE)

Entry Timing Tool



Visualising it: after a displacement move up, price pulls back into the 62% to 79% zone (Optimal Trade Entry) before continuing higher.

Optimal Trade Entry is the roughly 62% to 79% Fibonacci retracement zone measured from the start of a displacement move to its end. After an MSS confirmed by displacement, ICT traders commonly wait for price to pull back into this specific band rather than entering immediately, since a retracement into this zone is treated as offering meaningfully better risk relative to the stop-loss than chasing price right after the break.

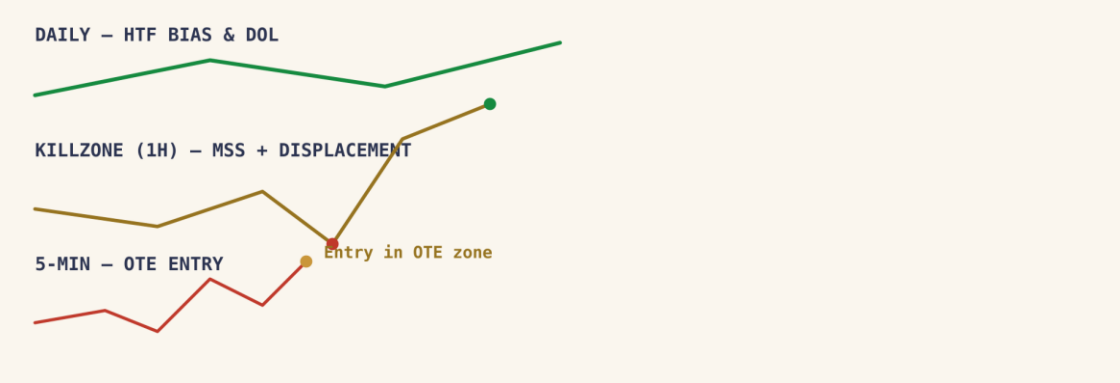
The OTE zone works well as an entry technique specifically because it usually overlaps with genuine internal range liquidity. An order block or a Fair Value Gap frequently sits inside this exact retracement band, which is part of why price is expected to reach it before continuing. Treating OTE as an isolated Fibonacci tool, disconnected from the structure and liquidity that justified the trade in the first place, misses the reasoning that makes the zone meaningful rather than arbitrary.

HOW TO TRADE IT

A pullback that overshoots well past 79% and threatens the old low or old high that started the move is generally treated as a warning that the displacement move may be failing, not simply a deeper, still-valid OTE entry.

14. Multi-Timeframe MSS Alignment

Advanced Framework



Visualising it: three nested timeframes narrow down to an entry: daily for bias and draw on liquidity, 1-hour for the MSS and displacement, 5-minute for the OTE entry.

A single-timeframe MSS is a useful signal; an MSS confirmed across three nested timeframes is a substantially stronger one. The practical method mirrors the framework's own fractal logic: establish bias and Draw on Liquidity on a higher timeframe (often daily), watch for the actual MSS and its confirming displacement inside a recognised killzone on an intermediate timeframe (often 1-hour), and time the precise entry on a lower timeframe (often 5-minute), ideally inside the Optimal Trade Entry zone of that intermediate-timeframe displacement move.

The value of doing this in a fixed order, rather than jumping straight to a lower-timeframe chart, is that it prevents an exciting-looking five-minute MSS from being traded in isolation, disconnected from the higher-timeframe story that should be justifying it. A five-minute MSS that lines up with a daily bias already drawing toward the same liquidity pool is a fundamentally different trade from the identical-looking five-minute MSS taken against that daily bias.

HOW TO TRADE IT

Write your daily bias and current Draw on Liquidity down before the killzone begins, so a lower-timeframe signal has to actively agree with a view you already committed to, rather than quietly redefining your bias in the moment.

15. Common ICT Market Structure Mistakes

1. **Treating every structure break as an MSS:** A close beyond a minor, barely-visible swing point isn't a meaningful Market Structure Shift. Reserve the term for genuine, widely-recognisable old highs and lows.
2. **Acting on MSS without displacement:** A slow, grinding break beyond a structure point carries far less weight than one accompanied by a sharp, forceful displacement move.
3. **Chasing the Judas Swing itself:** Entering in the direction of the false move, rather than waiting for the reversal and displacement that follows it, usually means trading exactly the trap the move was designed to set.
4. **Ignoring session timing:** Concepts like the Judas Swing and Power of Three are tied to specific session windows. Applying them without any regard for time of day removes much of their intended edge.

5. **Confusing internal and external liquidity:** Expecting price to immediately reach for the outer old high or old low, while ignoring the smaller internal levels it typically clears first, leads to early, premature entries.
6. **Stacking too many timeframes at once:** Trying to track structure, displacement and liquidity across several timeframes simultaneously, without a clear top-down process, tends to produce conflicting, confusing signals.
7. **Chasing every pullback into the OTE zone:** The 62%-79% Fibonacci zone only means something after a genuine MSS and displacement. Drawing it on any random swing and entering there ignores the structure that made the zone meaningful.
8. **Picking a Draw on Liquidity and never revisiting it:** Once a targeted liquidity pool is swept, it stops being the draw. Sticking with a stale target instead of reassessing which pool price is now likely heading toward leads to fighting the market's next real move.

16. Your ICT Structure Confirmation Checklist

Run this seven-point check before acting on any MSS or Judas Swing signal in this guide:

- **Genuine Old High/Low** — Is the level being broken a widely-recognisable reference point, not a stray, minor wick?
- **Displacement Present** — Did a sharp, high-momentum move accompany the break, or was it a slow, grinding close?
- **Session Context / Killzone** — Does the timing fit a recognised window (session open, a known manipulation phase), rather than an arbitrary point in the day?
- **Liquidity Logic (BSL/SSL)** — Does the move make sense as clearing a specific buyside or sellside liquidity pool, rather than moving for no identifiable reason?
- **Draw on Liquidity Confirmed** — Does the direction of the move agree with the most obvious remaining liquidity pool, rather than heading toward a level that was already swept?
- **OTE-Quality Entry** — If entering on a retracement, does it fall inside the 62%-79% zone of a genuine displacement move, rather than an arbitrary pullback?
- **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. ICT is an interpretive framework used by some traders; no setup works every time. Trading involves risk of loss, and many retail traders lose money, so always use a defined stop-loss and risk only what you can afford to lose.

17. Practice Exercises: Apply It on Real Charts

Reading a concept is not the same as spotting it live. Work through these on the daily or intraday chart of any Nifty 50 stock or index future, and treat the results as practice, not proof.

1. **Mark old highs and lows:** Open a daily chart of any Nifty 50 stock and mark only the swing points most traders would also circle. Compare your map with a friend's and see where you disagree.

2. **Find five MSS events:** Locate five closes beyond a recent old high or old low against the prevailing trend. Note whether displacement accompanied each one, and whether it held over the next five sessions.
3. **Watch the first 45 minutes:** On Nifty or Bank Nifty futures, mark the pre-open range and look for a sweep of its high or low in the first 30-45 minutes. Record what price did after the sweep.
4. **Draw the OTE zone:** After a clear displacement move, draw the 62%-79% retracement zone and note whether price reacted inside it, overshot it, or never came back.

18. Frequently Asked Questions

What is the difference between ICT's MSS and SMC's CHoCH?

They describe the same underlying event, a close beyond a prior swing point against the existing trend, using different vocabulary. ICT calls this a Market Structure Shift (MSS); many SMC traders call the same event a Change of Character (CHoCH). ICT traders typically also want to see Displacement accompanying the shift before treating it as high-probability.

What is Displacement and why does ICT care about it?

Displacement is a sharp, high-momentum candle or sequence of candles that moves price through a structure point with unusual force and often leaves a Fair Value Gap behind it. ICT traders treat displacement as evidence that real institutional buying or selling is behind a structural break, rather than a slow, grinding move that could reverse just as easily.

What is the difference between internal range liquidity and external range liquidity?

External range liquidity sits beyond the outer boundaries of a dealing range: the old high and old low most traders can see and place stops around. Internal range liquidity sits inside that range, at smaller swing points, Fair Value Gaps and order blocks that form as price moves between the two outer levels.

Is the Judas Swing the same as a fakeout?

They describe a similar visible pattern, a false move that quickly reverses, but the Judas Swing specifically refers to ICT's concept of an early, often session-opening move designed to run stops and trap traders on the wrong side, right before the day's real directional move begins.

Do I need to trade every ICT concept together, or can I use market structure alone?

Market structure (old highs and lows, MSS, and displacement) can be traded as a standalone framework for reading trend and timing entries. Concepts like order blocks, Fair Value Gaps and the Power of Three are refinements many ICT traders layer on top, but they are additions to structure, not a requirement for reading it correctly.

What is the difference between buyside liquidity (BSL) and sellside liquidity (SSL)?

Buyside liquidity (BSL) sits above old highs, where buy stops from short-sellers and breakout buy orders from bulls tend to cluster. Sellside liquidity (SSL) sits below old lows, where sell stops from long holders and breakout sell orders from bears tend to cluster. Price is often expected to move toward whichever pool it is currently being drawn to before making its next real directional move.

What are ICT killzones and why do they matter for structure?

Killzones are specific time windows within a trading session, commonly around the London open and the New York open, where ICT traders expect the Judas Swing, displacement and genuine Market Structure Shifts to be more likely to occur. The same structural signal is treated with more confidence

inside a recognised killzone than at a random point in the session.

What is Optimal Trade Entry (OTE) in ICT?

Optimal Trade Entry is the roughly 62% to 79% Fibonacci retracement zone measured from the start to the end of a displacement move. After an MSS confirmed by displacement, ICT traders often wait for price to pull back into this zone before entering, since it is treated as a higher-probability, better-risk area than chasing price immediately after the break.

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