CHART CODE ACADEMY

Decode The Market Code

Order Blocks

& Trading Strategy

How to mark valid **bullish and bearish order blocks**, filter out weak ones with **displacement**, and build entries around the zones where institutions actually placed orders — explained with diagrams.

A FREE STUDY RESOURCE BY CHART CODE

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About This Guide

An order block is the last opposing candle before a sharp, displaced move: the last down-close candle before a strong rally (bullish) or the last up-close candle before a strong decline (bearish). Traders mark its range as a zone where large players are believed to have placed orders. This guide shows how to identify, filter and trade order blocks, with a diagram for every concept.

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

- Mark valid bullish and bearish order blocks, and know why most candles are not one
- Filter weak zones using displacement, a structure break and higher-timeframe trend
- Choose between a wick-to-wick zone and a body-only zone, and size your stop accordingly
- Build a retest entry that waits for a visible reaction before committing
- Grade zones by confluence and run a five-point checklist before every trade

Order Blocks & Trading Strategy

1. Why Order Blocks Matter

A large institutional order rarely gets filled in a single transaction — it's built up gradually, candle by candle, before the market is ready to move. An order block is the visual footprint that gradual accumulation leaves behind: the last candle trading in the "wrong" direction, right before price explodes the other way with real force. Traders treat that footprint as a zone worth remembering. If price returns to it later, the idea is that unfilled orders may still be resting there, giving that exact zone a reasonable chance of producing another reaction — support in an uptrend, resistance in a downtrend.

> **THE SHORT VERSION**
> Filter first: real displacement, a structure break, and higher-timeframe trend alignment. Wait for a retest and a visible reaction rather than entering the moment price touches the zone. Place the stop-loss just beyond the zone, and treat order blocks as a ranked list, not a yes/no.

The seven concepts in this guide build on one another. Start at the top and work down.

Section	Concept	Role
3	What Is an Order Block?	Core concept
4	Identifying a Bullish Order Block	Support zone
5	Identifying a Bearish Order Block	Resistance zone
6	Filtering with Displacement	Quality filter
7	Wick vs Body Zones	Zone construction
8	Retest Entry Strategy	Entry framework
9	Grading Order Block Strength	Confluence framework

2. How to Actually Read Order Blocks (Before You Trade Them)

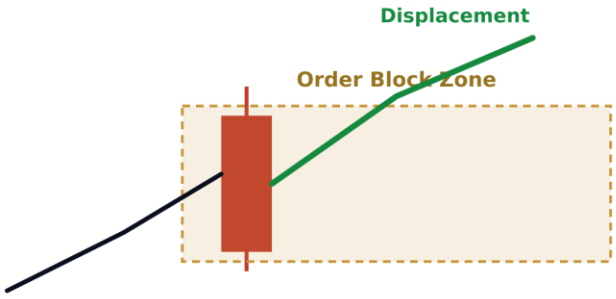
The most common beginner mistake with order blocks is marking almost every candle that precedes any move, producing charts cluttered with dozens of "zones" that mean very little. A useful order block is the exception, not the rule.

Before treating any candle as a tradeable order block, run it through three quick filters:

- **Did real displacement follow it?** A sharp, forceful move carries far more weight than a slow drift.
- **Did it break a meaningful structure point?** An order block behind a genuine BOS or MSS is worth more than one sitting in the middle of a range.
- **Does it align with the higher-timeframe trend?** A bullish order block inside a strong daily uptrend deserves more confidence than one fighting against it.

3. What Is an Order Block?

CORE CONCEPT



Visualising it: a single down-close candle sits right before a sharp, displaced rally. The shaded range of that candle is the order block zone.

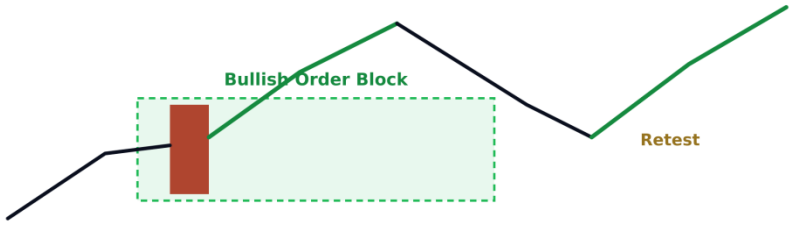
An order block is the last candle trading against the coming move, right before a sharp, displaced move away from it. It's treated as the zone where a large share of institutional buying or selling is believed to have taken place — accumulated quietly before the visible, forceful move began.

HOW TO READ IT

The candle itself matters less than what follows it — an order block is only meaningful because of the strong move it precedes, not because of anything special about its own shape.

4. Identifying a Bullish Order Block

SUPPORT ZONE



Visualising it: the last down-close candle before a strong rally becomes a support zone. Price later pulls back into it, retests, and continues higher.

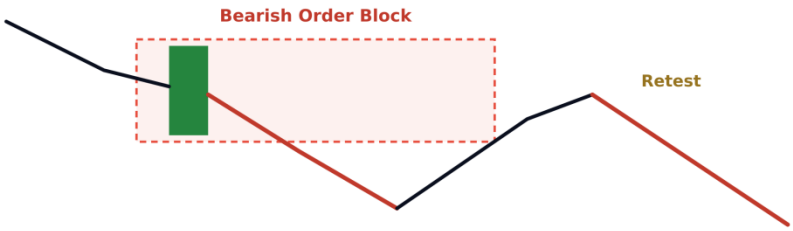
A bullish order block is the last down-close candle right before a strong rally. Once marked, that candle's range is treated as a zone that may offer support if price pulls back and revisits it later — the idea being that leftover buy orders from the original move may still be resting inside it.

HOW TO READ IT

The strongest bullish order blocks are usually found right at the base of a rally that also broke a swing high — an order block with no accompanying structural break tends to be far less reliable.

5. Identifying a Bearish Order Block

RESISTANCE ZONE



Visualising it: the last up-close candle before a strong decline becomes a resistance zone. Price later rallies back into it, retests, and continues lower.

The mirror image: a bearish order block is the last up-close candle right before a strong decline. Its range is marked as a zone that may act as resistance if price rallies back into it, on the idea that leftover sell orders from the original decline may still be resting there.

HOW TO READ IT

As with the bullish version, a bearish order block sitting right before a break of a swing low is generally treated as far more significant than one that formed without any accompanying structural break.

6. Filtering Order Blocks with Displacement

QUALITY FILTER



Visualising it: on the left, a slow drift away from the candle makes a weak order block. On the right, a sharp displaced move makes a strong one.

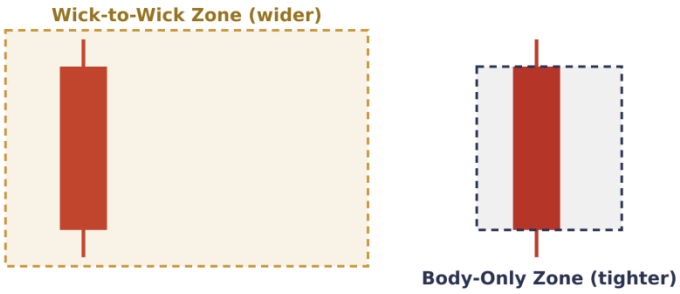
Not every candle that precedes a move deserves to be marked. The single most useful filter is displacement: an order block followed by a sharp, forceful, high-momentum move — ideally one breaking a structure point — is treated as meaningfully stronger than one followed by a slow, hesitant drift that barely makes progress.

HOW TO READ IT

If the move away from a candle looks unremarkable, the order block behind it is probably unremarkable too — save your attention for the candles that precede genuinely forceful moves.

7. Order Block Zones: Wick vs Body

ZONE CONSTRUCTION



Visualising it: the same candle can be drawn two ways. The wick-to-wick zone is wider; the body-only zone is tighter.

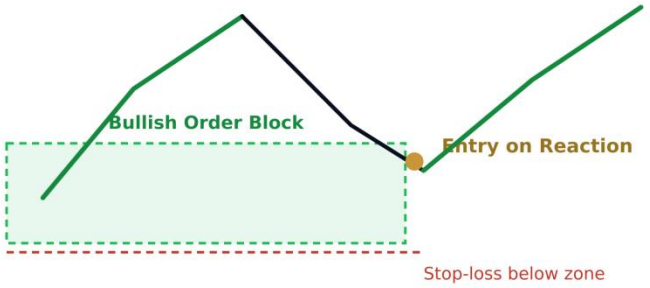
Traders draw order block boundaries two common ways. A **wick-to-wick zone** spans the candle's full high-to-low range, giving a wider area to react and typically a wider stop-loss. A **body-only zone** spans just the open-to-close range, giving a tighter, more precise area with a smaller stop — at the cost of price potentially not reaching that far in before reversing.

HOW TO READ IT

There's no single correct answer — many traders start by watching the body-only zone for a reaction, and only widen their attention to the full wick if price pushes further in without responding.

8. Order Block Retest Entry Strategy

ENTRY FRAMEWORK



Visualising it: price displaces away from the zone, returns to it, shows a reaction, and the entry is taken with the stop-loss just below the zone.

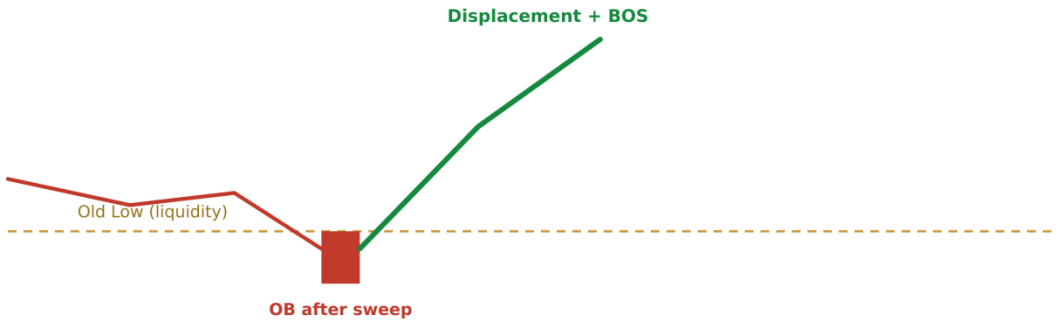
The most common way to trade an order block is not to buy or sell the instant it forms, but to wait for price to return to the zone later, watch for a reaction — a bounce, a rejection candle, a smaller-timeframe structure shift — and enter in the direction of the original displacement, with a stop-loss placed just beyond the zone.

HOW TO TRADE IT

A clear reaction on the retest, rather than price slicing straight through the zone without pausing, is generally treated as the signal that the order block is still "live" and worth trading.

9. Grading Order Block Strength

CONFLUENCE FRAMEWORK



Visualising it: an order block forming right after a liquidity sweep below an old low, followed by displacement that breaks structure, stacks three confluence factors.

The highest-confidence order blocks are rarely graded on the candle alone — they're graded on confluence. A block that formed immediately after a liquidity sweep, was followed by strong displacement, and broke a meaningful structure point on the move away carries far more weight than one meeting only a single criterion.

HOW TO TRADE IT

Treat order blocks as a ranked list, not a binary yes/no — the more confluence factors a zone has stacked in its favour, the more size or confidence many traders are willing to put behind it.

10. Quick Reference: Bullish vs Bearish Order Block

Feature	Bullish order block	Bearish order block
Marked candle	Last down-close candle before a strong rally	Last up-close candle before a strong decline
Zone may act as	Support on a pullback	Resistance on a rally back
Stronger when	It sits at the base of a rally that broke a swing high	It sits before a break of a swing low
Stop-loss	Just below the zone	Just above the zone

11. Common Order Block Mistakes to Avoid

1. **Marking every opposing candle:** Not every down-close candle in an uptrend is a meaningful order block — most are just noise, without any real displacement following them.
2. **Ignoring the higher-timeframe trend:** A bearish order block fighting against a strong daily uptrend is a much lower-probability zone than one aligned with the dominant bias.
3. **Entering the instant price touches the zone:** Reacting before any confirmation forms means risking entry directly into a zone that price simply slices straight through.
4. **Trading a zone that's already been used up:** An order block that has already reacted once and been broken through afterward is generally treated as far less reliable on a second visit.
5. **Skipping the displacement check:** Trading a candle simply because it "looks like" an order block, without checking the strength of the move that followed it, is a common source of weak setups.
6. **Using too wide a stop by default:** Always defaulting to the wick-to-wick zone, rather than starting tighter with the body, can mean giving up far more risk than the setup actually requires.

Marking a valid order block is the foundation. Combining it with Fair Value Gaps and liquidity context is the next skill we build hands-on in our structured courses at Chart Code, offline in Boisar or live online anywhere in India.

12. Your Order Block Confirmation Checklist

Before trading any order block in this guide, run through this five-point check:

- **Real displacement** — Was the candle followed by a sharp, forceful move, or just a slow, unremarkable drift?
- **Structural break** — Did the move away from the order block also break a meaningful swing high or low?
- **Trend alignment** — Does this order block sit in the same direction as the dominant higher-timeframe trend?
- **Clean reaction on retest** — Did price show an actual reaction on the retest, rather than slicing straight through the zone?
- **Defined risk** — Do you know exactly where you'd be proven wrong, and have you placed a stop-loss just beyond the zone before entering?

EDUCATIONAL CONTENT ONLY
Order blocks are a discretionary chart-reading concept, not a guaranteed signal. This guide is not investment advice or a recommendation to buy or sell any security. Trading in shares, futures and options involves risk of loss; always use a defined stop-loss and sensible position sizing.

13. Practice Exercises: Apply It on Real Charts

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

1. **Mark and filter:** Open a daily chart of any Nifty 50 stock and mark every candle that looks like an order block. Then cross out the ones with no sharp displacement and no structure break. Note how many survive.
2. **Compare wick and body:** Draw the same bullish order block both ways, wick-to-wick and body-only. Record how far price entered each zone on the retest and how the stop-loss distance differs.
3. **Track ten retests:** Find ten marked order blocks. Record whether price showed a clear reaction on the retest or sliced through, then write down the confluence factors each one had.
4. **Grade the zones:** Rank five order blocks from strongest to weakest using the five-point checklist, then watch what price does next. Treat the results as practice, not proof.

14. Frequently Asked Questions

What is an order block in simple terms?

An order block is the last opposing candle before a sharp, displaced move in the market. In an uptrend, it's usually the final down-close candle right before a strong rally; in a downtrend, it's the final up-close candle right before a strong decline. It's treated as a zone where large players are

believed to have placed a significant share of their orders.

How do I know if an order block is valid or just a random candle?
A valid order block is followed by real displacement — a sharp, high-momentum move, often breaking a structure point and leaving a Fair Value Gap behind it. An order block followed only by a slow, grinding move, with no structural break, is generally treated as low-quality and not worth trading.

Should I draw an order block using the candle's wick or its body?
Both approaches are used. A wick-to-wick zone captures the full range of the candle and gives a wider entry area with a wider stop-loss. A body-only (open-to-close) zone is tighter, offering a smaller stop but a lower chance of price actually reaching it. Many traders start with the body and widen toward the wick only if price doesn't react.

Do I need to trade every order block I see?
No. Most charts have many candles that technically qualify as order blocks; only a small number are worth trading. Grading them by displacement strength, whether they formed after a liquidity sweep, and whether they align with the higher-timeframe trend filters out the majority of low-quality zones.

What happens if price trades straight through an order block without reacting?
If price closes through an order block zone without the expected reaction, many traders treat that zone as no longer valid for a bounce and stop expecting support or resistance from it — some track it further as a potential "breaker" zone, but that is a separate, more advanced concept.

What is a bullish order block?
A bullish order block is the last down-close candle right before a strong rally. Its range is treated as a zone that may offer support if price pulls back and revisits it, on the idea that leftover buy orders from the original move may still be resting there.

What is a bearish order block?
A bearish order block is the last up-close candle right before a strong decline. Its range is treated as a zone that may act as resistance if price rallies back into it, on the idea that leftover sell orders from the original decline may still be resting there.

How do you trade an order block?
The most common approach is to wait for price to return to the zone, watch for a reaction such as a bounce, a rejection candle or a smaller-timeframe structure shift, and then enter in the direction of the original displacement with a stop-loss just beyond the zone. The five-point checklist in this guide helps you decide whether a zone is worth trading.

15. Continue Your Learning

Order blocks work best combined with other concepts. Continue with these free guides from Chart Code:

- SMC Market Structure: BOS & CHoCH Explained
- Fair Value Gaps (FVG) & Trading Strategy

- ICT Market Structure: MSS & Liquidity Guide
- Advanced Institutional Concepts: Inducement & Breakers
- Liquidity Trading
- Multi-Timeframe Analysis
- Stop-Loss Discipline

Verify rules, contract details and data with the official sources:

- SEBI Investor Website (investor.sebi.gov.in)
- NSE India (www.nseindia.com)
- NISM (www.nism.ac.in)

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