

Break of Structure (BOS) on ICT

Break of Structure (BOS) refers to continuing **the market trend** by breaking the previous structure.

By leveraging the **Break of Structure (BOS)** concept **ICT strategy**, traders can identify trend-following trades and determine the market direction.

A **bullish BOS** indicates higher prices in the future, while a bearish BOS signals lower prices. To learn more about BOS, traders can use **TradingFinder indicator** tools:

- ⚡ **BOS Indicator for MT4;**
- ⚡ **BOS Indicator for MT5;**
- ⚡ **BOS Indicator for TradingView**



Break of Structure (BOS) concept ICT strategy

How do you identify a break in structure in trading?

Before diving into the concept of BOS, it's crucial to understand **Inducement**, as a previous structure break is considered valid only after absorbing Inducement. Based on market trends and **smart money**, BOS can be classified into two types:

#1 Bullish Break of Structure

New highs are formed when the market is in an uptrend, breaking the previous highs. This is referred to as a **Bullish Break of Structure (BOS.)**

For a BOS to be valid, **Inducement** must first be absorbed. In simpler terms, the price must first absorb the Inducement before breaking the previous high.



If the price breaks the previous high without absorbing the Inducement, it is considered a **Minor Bullish BOS**. In this case, a new high is created, but the previous low remains unchanged.



#2 Bearish Break of Structure

In a downtrend, new lows are formed, breaking the previous lows. This is referred to as **Bearish Break of Structure (BOS)**.

For a valid BOS, **Inducement** must be absorbed first. In other words, the price must absorb the Inducement and break the previous low.



Market Structure Break (BOS) in a bearish trend can be seen in the picture above

If the price breaks the previous low without absorbing the Inducement, it is considered a **Minor Bearish BOS**. A new low is created here, but the previous high remains intact.



Minor Bearish Break of Structure in XAU/USD

Which Timeframe is Best for Identifying a Break of Structure?

Market structure exists in all timeframes, and you might observe different structures in each timeframe.

To identify BOS in any timeframe, simply mark the previous structure;

The best practice is to have a comprehensive market view by analyzing structures across multiple timeframes.

This approach, called **Top-Down Analysis**, involves connecting market structures across timeframes to gain accurate insights.

How do you trade a break of structure in Forex?

BOS can be applied in both bullish and bearish markets:

#1 Bullish Market

When the price breaks a structure, mark the inducement level and wait for the price to return to it. Once the price absorbs the Inducement, enter **buy positions**. For better entries, use confirmations like Interaction with Higher Timeframe **PD Array**, market structure shifts or trend reversals in lower timeframes.

#2 Bearish Market

When the price breaks a structure, mark the inducement level and wait for the price to return to it. Once the price absorbs the Inducement, enter **sell positions**. Confirmations like Interaction with Higher Timeframe **Order Block**, market structure shifts or trend reversals in lower timeframes can be used to refine entries.

Difference Between BOS and MSS

- ⚡ **BOS** refers to breaking previous highs or lows after absorbing **Inducement**.
- ⚡ **MSS (Market Structure Shift)** refers to breaking a **Swing Low** or **Swing High** in the market.

The key difference lies in **Inducement** absorption. BOS indicates a larger trend change, while MSS reflects an initial market structure shift.

Conclusion

Break of Structure (BOS) occurs when the price breaks the previous high or low after absorbing Inducement.

This signals a significant change in market trend and is commonly used as a confirmation for trend continuation. BOS can happen in both **bullish and bearish trends**, to start the new market movements.

source:

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