Learning to to Market Structure Shift (MSS) and Change of Character (CHoCH) in ICT

In **ICT style**, **Market Structure Shift (MSS)** and **Change of Character (CHoCH)**, are two key concepts and powerful tools for identifying **trend changes**.

While these two concepts share similarities, they serve **different purposes** and roles in **market structure analysis**.



Comparison of Market Structure Shift (MSS) & Change Of Character (CHOCH(

What Is Market Structure Shift (MSS) and Its Application?

Market Structure Shift (MSS) refers to a **short-term change** in price direction accompanied by a break of significant **Swing Highs** or **Swing Lows**.

This event indicates a **temporary shift** in price movement and is sometimes considered an **early warning** of a potential long-term trend reversal.

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What Are the Applications of MSS?

- **Indicates Temporary Change:** It primarily signals a **short-term trend change** and does not always indicate a complete reversal of market direction
- **Tool for Early Confirmation:** MSS is often used as an **initial signal** that might lead to a **Change of Character (CHoCH)**

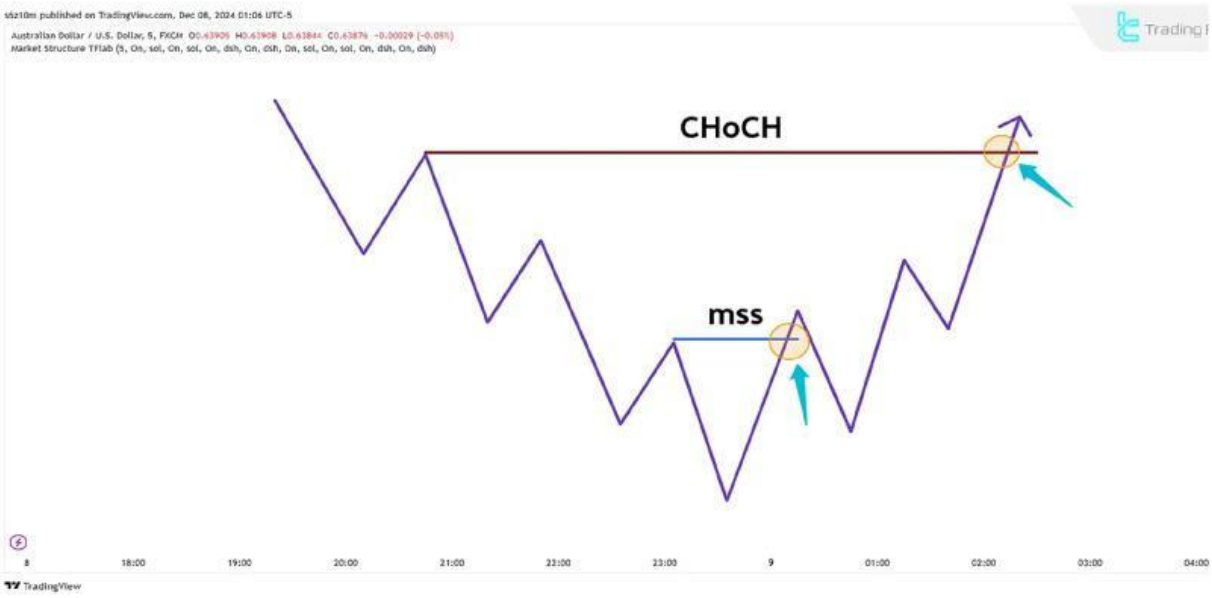
Types of MSS

- **Bullish MSS:** A break of **Swing High** indicates that the market is **temporarily shifting** towards an **uptrend** or **buying pressure**
- **Bearish MSS:** A break of **Swing Low** indicates that the market is **temporarily shifting** towards a **downtrend** or **selling pressure**

Why Is MSS Important?

MSS allows traders to identify **short-term market shifts** more quickly and act with greater precision when entering or exiting trades.

It is particularly valuable for **early confirmation** of market structure changes.



The formation and comparison of MSS and CHoCH, where market structure changes occur after a shift in character during a bullish phase.

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Below is a real example of **market structure change** and **character shift** during a bullish market:



A practical example comparing MSS and CHoCH during a bullish market, highlighting the difference between these two concepts

What Is Change of Character (CHoCH) and Its Application?

Change of Character (CHoCH) refers to a **long-term change** in trend direction. **CHoCH** occurs when the current market structure is broken, and price direction **fully shifts** (e.g., from bullish to bearish or vice versa).

Applications of CHoCH

- **Indicates Trend Reversal: CHoCH** signifies a break of a **key structural point** in the market, reflecting the **beginning of a new trend**.

Types of CHoCH

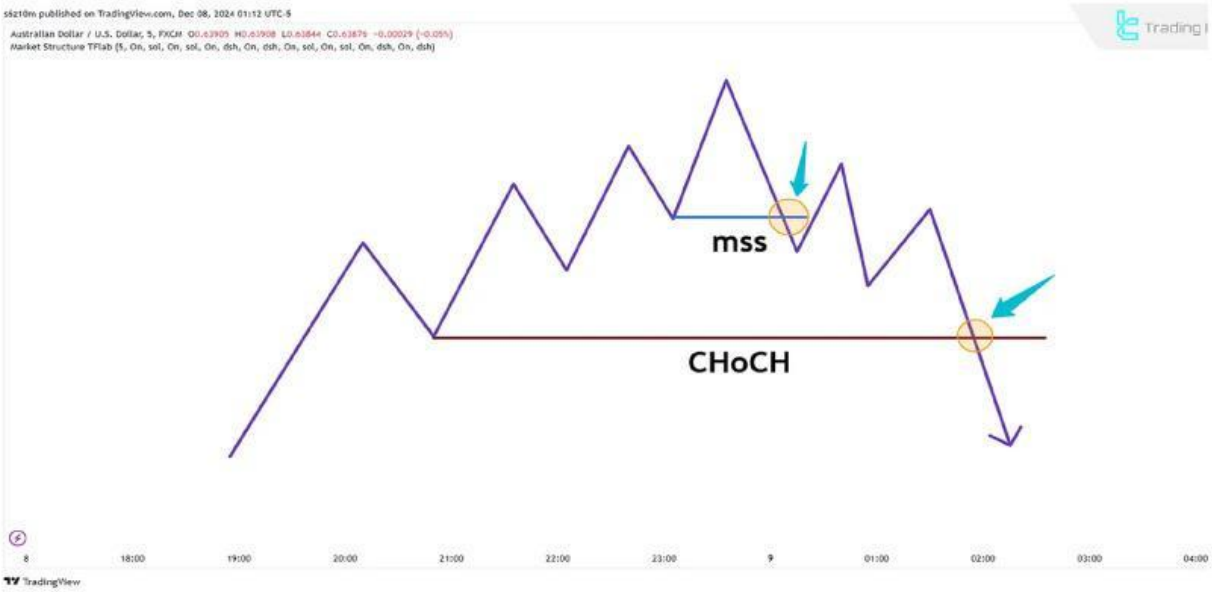
- **Bearish CHoCH:** After an uptrend, **CHoCH** occurs when the price breaks below the previous **Higher Low (HL)** and forms a new **Lower Low (LL)**
- **Bullish CHoCH:** After a downtrend, **CHoCH** occurs when the price breaks above the previous **Lower High (LH)** and forms a new **Higher High (HH)**

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Why Is CHoCH Important?

CHoCH helps traders identify **major market shifts** and align their strategies with the **new trend**.

It is regarded as a **powerful signal** for trend reversals.



The formation and comparison of MSS and CHoCH, where market structure changes occur after a shift in character during a bearish phase

Below is a real example of **market structure change** and **character shift** during a bearish market:



A practical example comparing MSS and CHoCH during a bearish market, highlighting the difference between these two concepts.

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Note: To simplify **market structure (Market Structure)** identification, traders can use the **indicator** developed by the **[TFlab]** team:

- **TradingView Version** of the **Market Structure Indicator**
- MetaTrader 4 Version of the Market Structure Indicator
- MetaTrader 5 Version of the Market Structure Indicator

Comparison of MSS and CHoCH in a Table

The major differences between **Market Structure Shift (MSS)** and **Change of Character (CHoCH)** are summarized in the following table:

Parameters	MSS	CHoCH
Type of Change	Short-term change	Long-term change
Location of Occurrence	At **Swing Points**	At **Key Structure Points**
Potential Outcome	May lead to **CHoCH**	Indicates a **full trend reversal**
Importance in Analysis	Initial signal of **temporary shifts**	Strong signal of **long-term changes**
Primary Application	Identifies minor changes for trade entry	Detects major market direction shifts

How to Use MSS and CHoCH in Trading?

To use these two concepts in trading, follow the steps below:

1. **Identify Market Structure Shifts (MSS):**
   - Analyze the chart to locate **Swing Highs** and **Swing Lows**
   - If a **Swing High** or **Swing Low** is broken, **MSS** has occurred

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2. **Identify Change of Character (CHoCH):**
   - Identify the **key structural points** in the market
   - If the price breaks these points and starts a **new trend**, **CHoCH** has occurred
3. **Combine MSS and CHoCH:**
   - Use **MSS** as an **initial signal**
   - If **MSS** is confirmed and structure fully breaks, consider it as a trade entry opportunity

Conclusion

The concepts of **Market Structure Shift (MSS)** and **Change of Character (CHoCH)** are powerful tools for identifying trend changes in the market.

MSS acts as an **early signal** for short-term shifts, while **CHoCH** indicates a **long-term trend reversal**.

Combining these two concepts can improve the precision of trading strategies by enhancing the analysis of market structure.

source:

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