



HowToTrade

# MARKET STRUCTURE SHIFT [PDF]

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# Market Structure Shift

The ability to read and react to what is happening in the market can be the difference between failure and success in your trading journey. For instance, what do you do when a trend changes? How do you even know if a reversal is about to happen? That's where the market structure shift comes in.

This Market Structure Shift PDF will show you everything you need to know about the concept and how to use it in your trading.

## What is Market Structure Shift – MSS Explained

When we talk about the Market Structure Shift (MSS) in trading, we're referring to a technical pattern (or patterns) that signals a potential reversal in the market's trend. That's what it's all about.

It's usually represented by an aggressive move above or below an old structure level where a signal for a price reversal is given.



Now, to fully understand MSS, it's crucial to understand the concept of displacement within the market's structure. A displacement is a rapid movement often driven by the entry of major players into the market. It's a critical concept because it not only provides opportunities for trade entries but also helps traders establish their market bias. It's also worth noting that identifying an MSS without clear displacement is a common mistake among traders.

In an uptrend, we recognize a market structure shift when prices unexpectedly drop below the most recent low without reaching a new high first. This is a red flag, suggesting that the bullish energy is fading and a bearish reversal might be around the corner.

For traders, it suggests getting ready to sell the asset, hence, a bearish market structure. On the flip side, during a downtrend, if the price breaks above the most recent high without dipping below the latest low, it's a sign of MSS. This break indicates a change in market sentiment, with buyers gaining the upper hand over sellers.

So, let's see an example of what a market structure shift looks like on a price chart:



As you can see in the above example, the bullish trend is broken once the market structure shift pattern is developed. This occurs when a lower low level is formed following a series of higher lows, which signals a break or the end of the existing trend.

## How to Use Market Structure Shifts to Find Trade Opportunities

To use market structure shifts in trading, we can start by looking for patterns of higher highs and higher lows to identify an uptrend or lower highs and lower lows for a downtrend.

As explained earlier, a market structure shift occurs when these patterns are broken—such as when a price makes a lower low after a series of higher highs and higher lows, signaling a potential change from an uptrend to a downtrend or vice versa, as shown in the chart below.



As you can see in the chart above, the lower low levels signify the shift in market structure and help in identifying a U shape when the market completes a reversal.

So, recognizing these shifts can really help you identify trading opportunities, forecast potential market turns, and set entry and exit points accordingly. The concept can be applied across various time frames, offering trade opportunities to both short-term day traders and long-term position traders.

With that in mind, here are the steps you need to take to use Market Structure Shifts in trading effectively:

1. Identify the current market structure
2. Monitor for structure breaks
3. Confirm the shift with price action strategies or other technical analysis tools and indicators
4. Plan your trade

## What's the Difference Between Market Structure Shift vs Liquidity Grab?

Market Structure Shift and Liquidity Grab often confuse beginners. Both are pivotal, but they play very different roles in trading.

A market structure shift is an ICT concept that occurs when a price breaks past a swing high or low with a full-bodied candlestick, signaling a change in the market's direction.

This isn't just a brief pullback; it's a sign that the trend may be reversing.

Liquidity Grab, on the other hand, is more of a feint. It happens when the price quickly dashes past the previous swing high or low with just a wick — that thin line on a candlestick chart — as if reaching out to “collect” or grab liquidity from traders who have placed stop-loss orders just beyond these points before the price in the same direction. Unlike MSS, this doesn't indicate a trend reversal but rather a temporary move.

These grabs are often seen around areas where the market hesitates, like [double tops](#) and [double bottoms](#). They're the market's way of shaking out the weak hands before continuing its established trend. In contrast, a market structure shift is a more substantial change, suggesting that a new trend is taking shape.

Another key difference lies in the aftermath. A liquidity grab is typically followed by a return to the range or trend in place before the grab occurs. It's a short-lived movement that doesn't have the power to change the market's course. MSS, however, is the beginning of a new trend. Once a market structure shift has occurred, we often see the establishment of new highs or lows as the market starts a fresh trend.

Understanding the distinction between these two ICT concepts is crucial for traders. A liquidity grab might offer a quick in-and-out opportunity for the smart trader. At the same time, a market structure shift could signal a time to reevaluate and possibly reposition for a longer-term play.

## Identify Market Structure Shifts Using ICT Concepts and Tools

Identifying shifts in market structure comes with a lot of opportunities for traders. As part of the smart money concept strategy, there are various tools that can be used to identify market structure shifts and trade opportunities. Here are three of the most effective ways to find trading opportunities using market structure shifts in the forex market:

### 1. Order blocks

[Order Blocks](#) are essentially the footprints of the market's big players, areas where they have previously entered or exited their positions in significant volumes.



Identifying these zones can be crucial because they often act as turning points for price movements. When a Market Structure Shift occurs near an order block, the order block acts as a potential entry or exit point for traders.

To identify order blocks in the market, it's advisable to use tools such as [level 2 market data](#) and [order flow trading](#).

## 2. Fair Value Gaps (FVGs)

One of the clearest displacement indicators, and thus MSS, is the occurrence of [fair valued gaps](#), or a double fair value gap. These are the spaces on a price chart where the market jumps from one price to another without any trades happening in between. These gaps are like footprints, revealing the market's momentum and offering clues about upcoming shifts.

So, we can easily identify a trend change by observing where the price broke the last opposite swing point with displacement while leaving a fair valued gap behind.



FVGs appear when there's a significant price jump, leaving a gap on the chart. These gaps are areas where the price has not established fair value, and they often act as magnets for future price action. When a Market Structure Shift aligns with a fair value gap, it can suggest a strong move back to fill it, presenting a clear opportunity for traders to join the new trend.

### 3. The Relative Strength Index (RSI)

Another way to identify market structure shifts is by [using technical indicators](#). One example is [the Relative Strength Index indicator](#) – When the RSI indicates overbought or oversold conditions, it's a hint that the market's current trend may be exhausted. If this signal coincides with a Market Structure Shift, it's often a strong indication that the market may be about to change direction. Traders can use this information to position themselves on the right side of the market's new course.



As you can see, incorporating these tools into your trading strategy takes some practice to get the hang of. Each element supports the others, providing checks and balances to navigate the market's shifting tides. An order block can confirm a potential MSS, a fair value gap can suggest where the price might head next, and the RSI can indicate whether the timing is right.

Overall, here are all the technical analysis and SMC tools that can be used to identify market structure shifts:

- Order blocks
- Fair value gaps
- The break of structure
- ChoCh trading pattern
- Technical indicators
- Supply and demand



# How to Trade Market Structure Shifts

By now, you should have been familiar with identifying market shifts and have a little understanding of taking advantage of the concept while trading. It's now time to see how everything we've discussed earlier can be used to trade financial assets.

For this example, we are focusing on the GBP/USD chart on the hourly time frame. The first thing to do is identify the market structure shift. From the chart below, you can see that the price shift structure from bearish to bullish by breaking above the last swing high.



In this bullish market structure shift example, when the first higher high closes above the previous lower high, a market structure shift pattern is confirmed. At this point, you can look for entry opportunities to buy the market.

The good thing about trading the market structure shift is that it's easy to plan the trade. In that case, you can use the previous lowest level as a stop-loss level. Then, since the market structure usually creates a U shape, the profit target can be placed at the highest level of the previous market trend before the MSS formation.

## Bottom Line

The concept of market structure shift is certainly a powerful tool used by many professional traders; if you know how to use it properly, it helps you to identify potential trend reversals and new trade opportunities. Essentially, the MSS works pretty much the same as many other [chart patterns](#); however, by using other tools like liquidity, order blocks, and fair value gaps enables smart money traders to increase the chance of trading success.

Like many other SMC concepts, identifying market structure shifts can help analyze

market sentiment and predict future movements.

So, as you use them, remember that trading is not just about recognizing patterns; it's about understanding the story behind the movements and acting with informed confidence, and that's exactly what you get after you've mastered this concept.