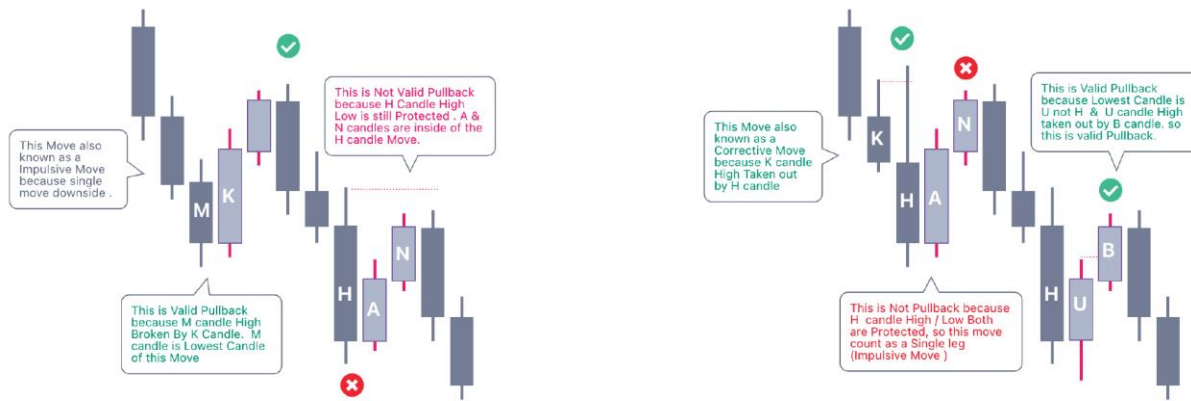
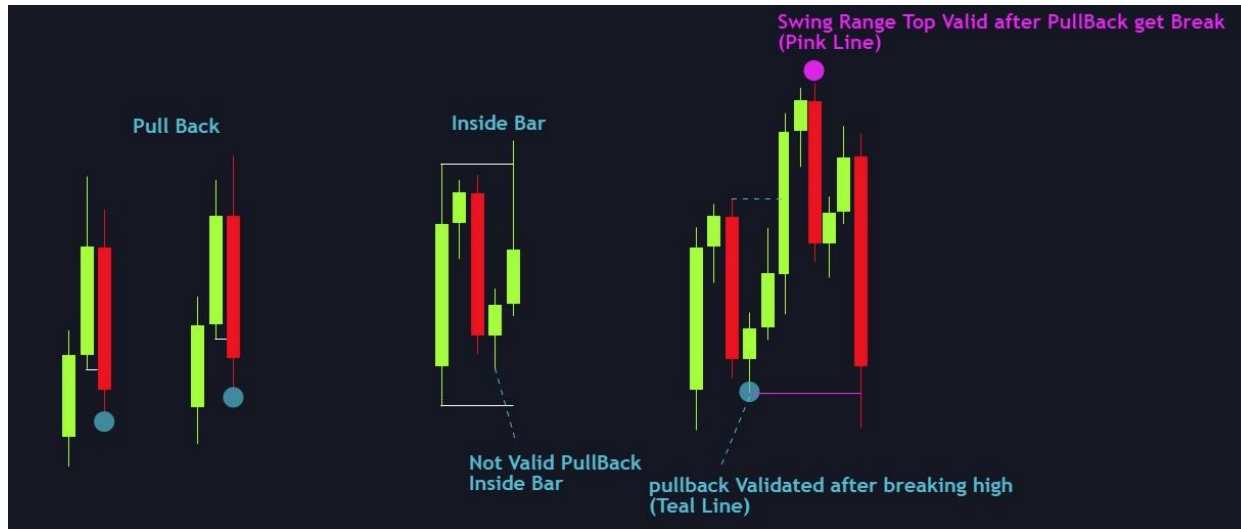
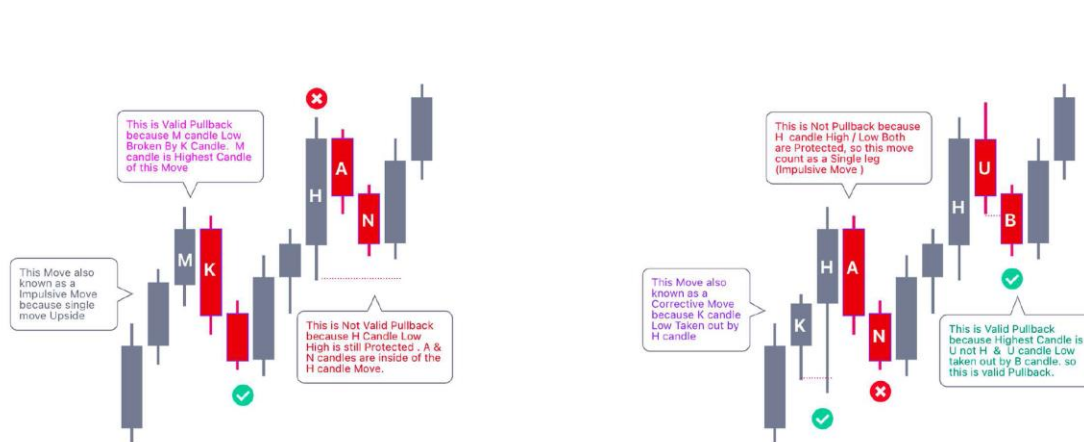


In these explanations throughout this pdf, an uptrend has been used to describe the different concepts (Inducement, BOS and CHOCH). But these explanations are also applicable to a downtrend in exactly the same way.

1. PULL BACK

Below is the concept of the Pull Back adopted for this indicator. Figure 1 shows how it should be drawn on charts as depicted by the magenta lines.





2. INDUCEMENT (IDM)

Now the inducement in an uptrend happens when the most recent low that gave birth to a new Higher High (HH) is swept by price making another low after the Higher High (HH) as seen in Figure 2. Figure 2 attempts to make Figure 1 clearer, by drawing the new HH not shown in Figure 1 hence showing how the IDM is formed.

NOTE:

1. It is important to note that once an IDM is formed in an uptrend, the most recent Higher High (HH) is established and locked awaiting to be swept by price to create a new HH.
2. It is also important to note that an IDM might not be swept but if both candle lows have the same values, this is still a valid IDM. This holds true also for a BOS and a CHOCH. If the candle close is the same value as a HH, it is assumed to have closed above the HH and hence is deemed a BOS or a CHOCH.

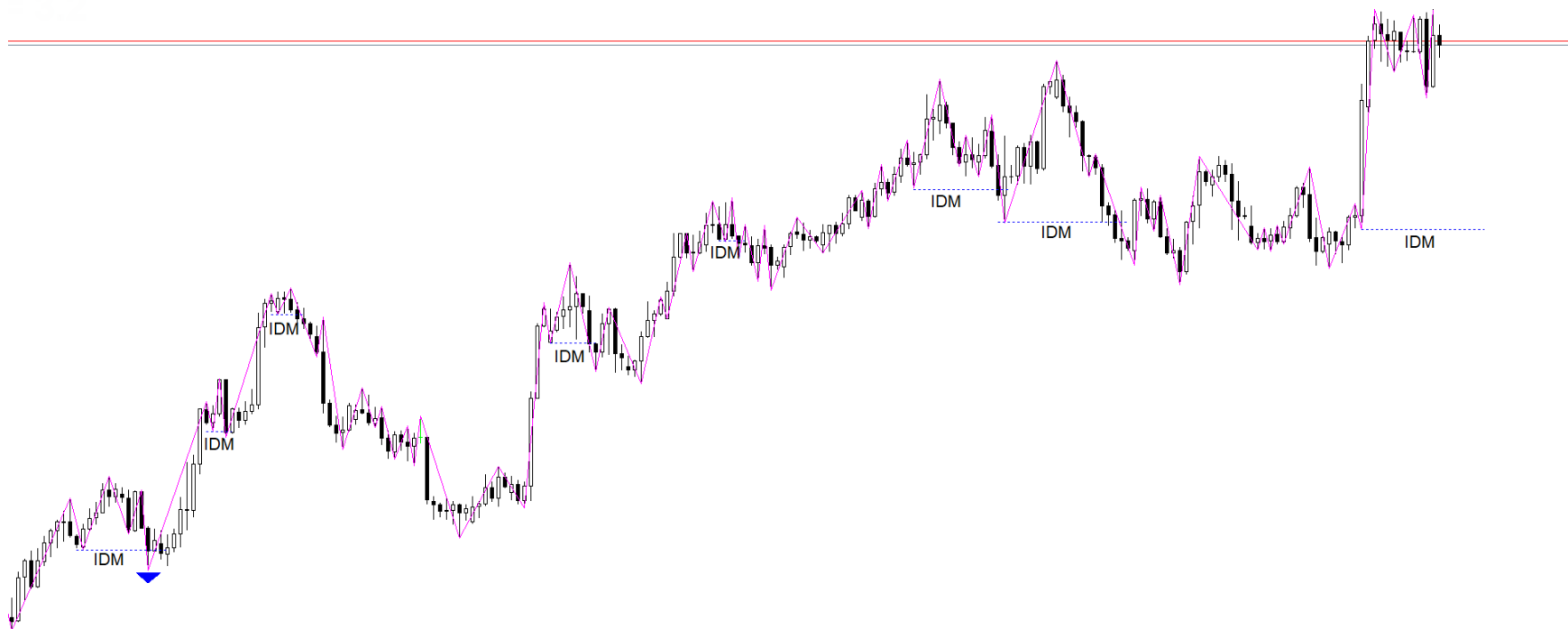


FIGURE 1



FIGURE 2

3. BOS

Now for a Break of Structure, (Arrow 4 in Figure 3 below) happens after an IDM is formed (Arrow 3 in Figure 3 below) and price returns to the most recent HH (Arrow 2 in Figure 3 below) and closes above it. Once a valid BOS of structure is formed, a valid Higher Low (HL) is simultaneously formed as shown by arrow 5 in Figure 3 below. It is important to note that the (HH) is the highest point waiting to be broken after the IDM has been formed.



FIGURE 3

NOTE:

It is important to note that price must close above the most recent HH or the close must be the same value as the recent HH for it to be a valid BOS. If price sweeps the most recent HH and does not close above it, the new candle high that swept the previous HH becomes the new high and the old HH is transferred to this new candle high. This continues to occur till price closes above the most recent swept candle High as shown in Figure 4 below.



FIGURE 4

Arrow 1 in Figure 4 above depicts HH after IDM has been swept.

Arrow 2 in Figure 4 above depicts a failed attempt at BOS as the candle swept the former HH and did not close above it hence becoming the new HH.

Arrow 3 in Figure 4 above depicts a candle close above the transferred HH depicted by arrow 2. This becomes a valid BOS.

NOTE:

- 1. It is important to note that this transfer of HH could happen for several candles before a BOS is established.**
- 2. It is also important to note that if the HH to be broken has the same value as the candle close; this is also regarded as a BOS.**

4. CHOCH

Still using an uptrend as an example, in figure 5 below, we see that the most recent HL is swept by the candle as shown by arrow 1. Since the candle did not close below the HL, it is not seen as a CHOC until the low of the candle that swept the HL is broken and the candle closes below it as shown by arrow 2. This means that the market has turned from an uptrend to a downtrend.



FIGURE 5

Again, in Figure 6 below, we see another example of a CHOCH that happened in an uptrend but without a transfer of the HL as the HL was not swept, but price closed neatly below it as shown by arrow 1. It is important to note that as soon as a CHOCH happens in the case of an uptrend, the peak point or HH becomes fixed as shown by arrow 2 and price begins to look for the next IDM which arrow 3 denotes as already explained when describing an inducement. Since the CHOCH tells us the trend has changed to a downtrend, a BOS at the recent LL denoted by arrow 5 to create a new LL happens and a new LH is established simultaneously as shown by arrow 4. Next the indicator begins to search for a new IDM.

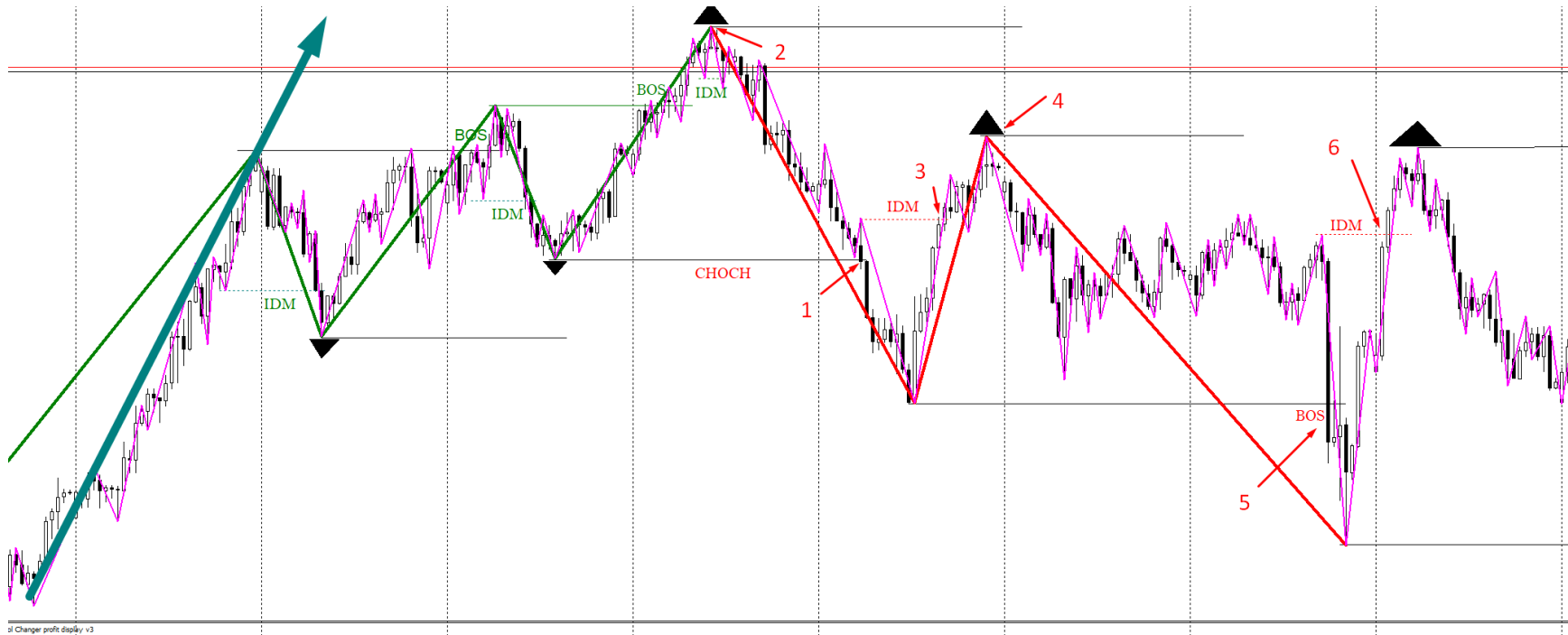


FIGURE 6

i. **CHOCH FAILURE:** A CHOCH is said to have failed when the situation in Figure 7 below happens. We see that after a BOS shown by arrow 1, the market creates a CHOCH as shown by arrow 2. But instead of the market to begin to make series of HH as shown by arrow 4, the market creates another CHOCH shown by arrow 3 WITHOUT ANY IDM BETWEEN ARROW 2 AND ARROW 3. When this happens. The CHOCH denoted by arrow 2 becomes invalid and the indicator will adjust or repaint, but should leave traces to show this event as deemed fit by you the coder. What is to be done next is further explained in “REMEDY CHOCH FAILURE” below.

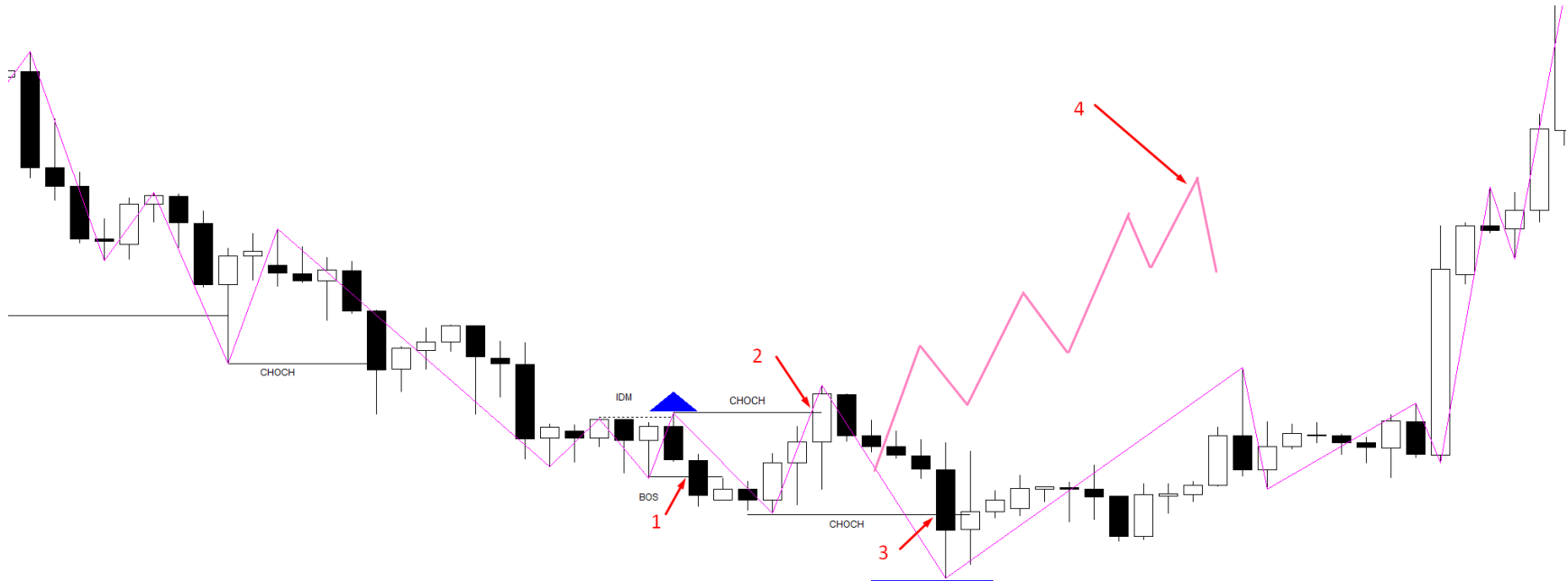


FIGURE 7

ii. **REMEDY CHOCH FAILURE:** When a CHOCH fails as explained above, the way the indicator should adjust or repaint to leave traces of the failure and what it is to do next is explained below in Figure 8. It is important to note that the only valid part of the structure after such a failure is the IDM as shown in Figure 8 below. Just as a suggestion, the previous structure which becomes annulled (except for the IDM) could all become magenta or whatever approach you the coder feels is appropriate. Next is that the previous high shown by arrow 1 is transferred to arrow 2 and the previous low shown by arrow 3 is transferred to the new low shown by arrow 4.

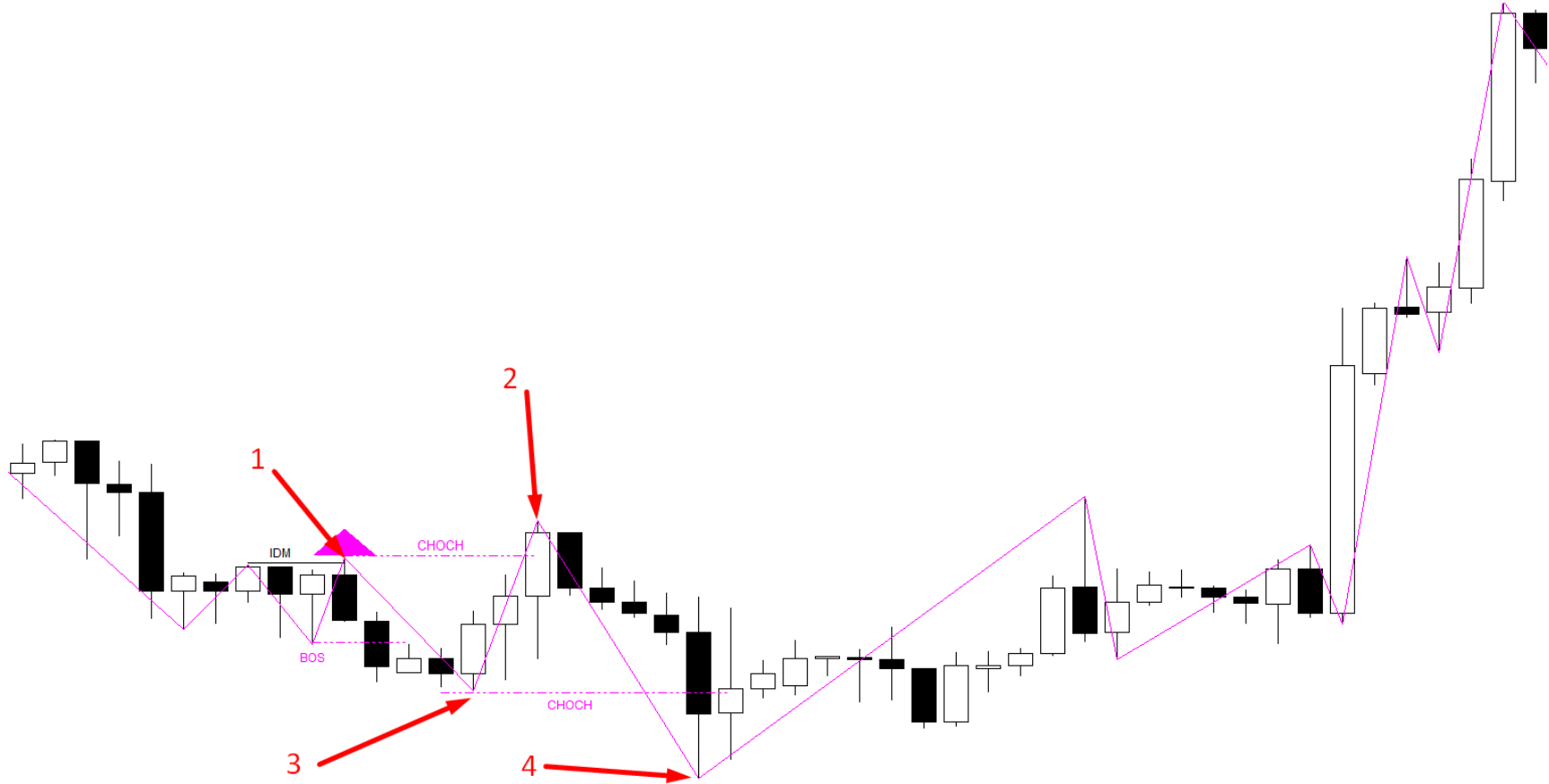


FIGURE 8

Finally, please let every line and label have in the external parameter a way to adjust the size, thickness and style where appropriate.

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