

PRICE ACTION · LESSON 5

Break of Structure

When does a trend really change? One rule that names every break on any chart — and the honest numbers on how much a break is worth.

Time

35 min

You need

Lessons 3–4 + TradingView (free)

Data

Real US stock data - daily

WHAT YOU WILL BE ABLE TO DO

Name every break with one rule — then decide if it is worth anything.

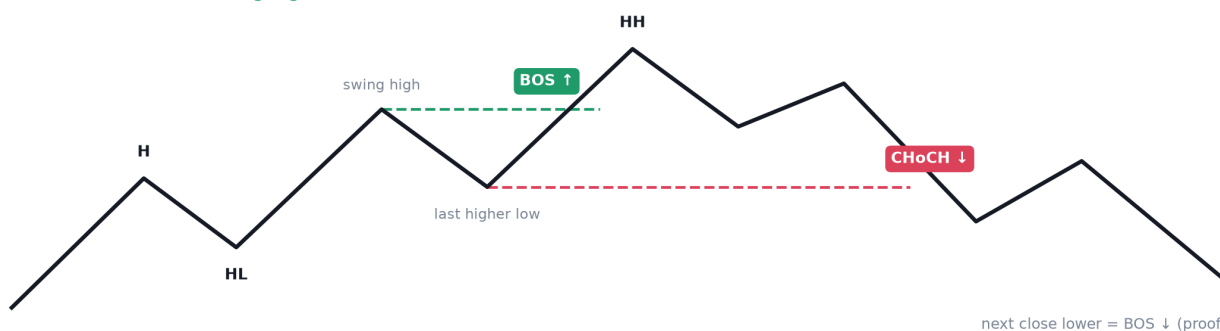
- 1 Label BOS and CHoCH on any chart with a mechanical rule: confirmed swings, a candle close beyond, and the trend decides the name.
- 2 Tell a warning from proof. A CHoCH is the first close against the trend. The next BOS is what confirms a new trend.
- 3 Trade it without fooling yourself. You will see the tested numbers for wick pokes, pullbacks and stops — and pick your entry before the break, not after.

The anatomy of a break

A trend is a staircase of swings (Lesson 4). A **break** is the day a candle *closes* beyond the last confirmed swing. With the trend it is a **BOS** (break of structure). Against it, it is a **CHoCH** (change of character).

UPTREND: closes above swing highs = BOS

first close under the last HL = CHoCH



Three words to keep straight. Swing: a high (or low) with 5 lower highs (higher lows) on each side, confirmed only when the 5th right candle closes. **Close beyond:** the body's close, not the wick. **Trend:** the direction of the most recent break.

CONCEPT 1 • ONE RULE, TWO NAMES

The trend decides whether a break is a BOS or a CHoCH.

BOS — break of structure

A candle **closes** beyond the last confirmed swing **in the direction of the trend**: above the last swing high in an uptrend, below the last swing low in a downtrend. The trend continues.

CHoCH — change of character

The **first** close beyond a swing **against** the trend. It flips the trend label — but it is a warning, not proof. The next BOS in the new direction is the proof.

Label any chart in three steps — SPY, 2025

- 1 Mark confirmed swings** (5 candles each side). The Feb 19 high at 613.23 only counted on Feb 26, when its 5th right candle closed.
- 2 Trend = the last break.** Jan 21 broke up, so the trend going into February was up.
- 3 Name the first close beyond.** Feb 18 closed at 611.49, above the Jan 24 high (610.78): BOS. Four sessions later Feb 24 closed at 597.21, under the Feb 12 low (598.51): CHoCH.



Then the trend was down: Apr 3 closed at 536.70, under the Mar 13 low (549.68) — BOS. May 12 closed at 582.99, above the Mar 25 lower high (576.41) — CHoCH. Jun 3 closed above the May 19 high (595.54) — BOS. Same rule every time; only the trend changes the name.

CONCEPT 2 • A CHOCH IS A WARNING

Three CHoCHs in four weeks. Only the third held.

NVDA, early 2026. Feb 4 closed under the Jan 20 low, Feb 25 closed back above the Feb 9 high, Feb 27 closed under the Feb 17 low. The first "change of character" flipped three weeks later, the second in two days. The third was confirmed on Mar 20, when a close at 172.70 broke the Mar 2 low (174.64) *with* the new trend: BOS. Then Apr 13 closed at 189.31, above the Mar 16 high (188.88) — a CHoCH up, and the proof came May 11 with a BOS above 216.83.



CONCEPT 3 • ONLY A CLOSE COUNTS

A wick beyond the swing is not a break.

Jul 22 poked above the Jun 22 high and closed back under it at 212.06. Five sessions later NVDA closed at 190.01. The real break came Aug 5: a close at 219.22, above the Jul 22 high. Across 462 wick pokes on 8 stocks, the next 5 days went the wick's way 51.1% of the time (base rate 50.4%). 71.2% did get a real close beyond within 10 days — the wick told you nothing about the path in between.



THE HONEST NUMBERS

A BOS has a small edge. A CHoCH on its own has none.

We ran the exact rule from Concept 1 on up to 10 years of daily data for 8 stocks and ETFs (SPY, QQQ, TSLA, NVDA, AMD, COIN, PLTR, META). "Worked" means: 5 sessions later, price closed on the side of the break. The base rate is how often *any* day closed that way 5 sessions later.

SIGNAL (8 SYMBOLS, 2016–2026)	CASES	WORKED	BASE RATE
BOS — break with the trend	460	56.5%	53.2%
CHoCH — first break against the trend	420	48.3%	49.9%
Wick poke beyond a swing (no close)	462	51.1%	50.4%

About 3 points of edge for a BOS. That is real, but small: you will be wrong on a BOS roughly 4 times in 10.

Failed example — TSLA, June 2026. Jun 24 closed at 375.53, under the Jun 10 low (380.15). Downtrend, so a BOS. Five sessions later TSLA closed at 425.30. A short with a stop just above the broken level was stopped out — yet the bounce topped at 432.86, under the May 27 swing high, so the downtrend never ended. Jul 23 broke the next low and Jul 29 traded at 297.38.



Lesson: a BOS tells you the structure, not the next five days. The trend survived; the trade with a tight stop did not.

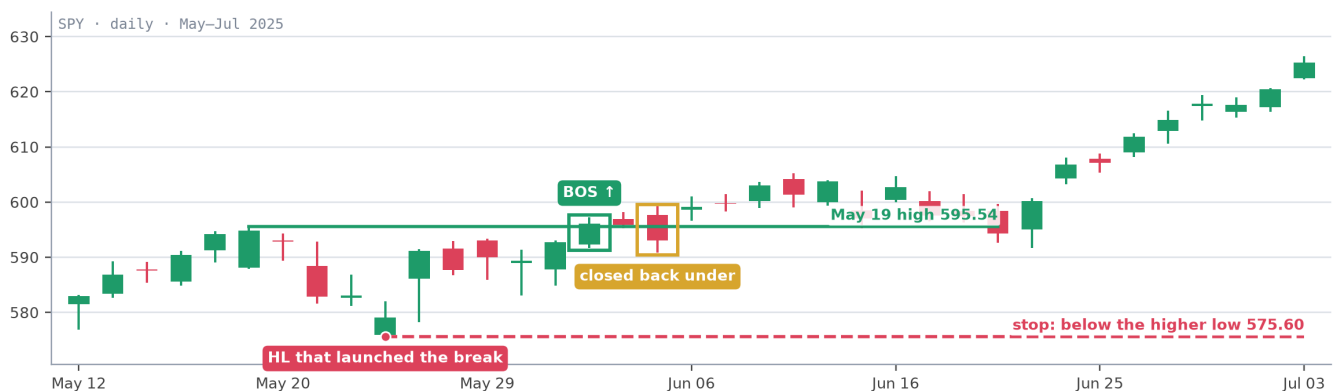
THE PART THAT ACTUALLY MAKES MONEY

Pick your entry before the break. Put the stop where the break would be wrong.

Most courses say: "wait for price to pull back to the broken level." We tested that on 457 BOS events (result = close 20 sessions after the break, in the break's direction):

ENTRY	WHAT HAPPENED	AVERAGE RESULT
Buy/sell at the break close	always filled	+0.61%
Limit order at the broken level	filled 75.7% of the time	-0.70% (the fills)
...the ones that never came back	24% missed	+8.93%
Any random day, same direction	base rate	about +1%

Waiting for the pullback cost about 0.53% per setup, because the best breaks never come back. Neither entry beats a random day. **So the entry is not the edge — consistency is.** Choose one in advance and accept what you miss.



Where the stop goes: just under the broken level, price closed back through within 10 days 61.7% of the time (n=459). On Jun 5 SPY did exactly that. A stop under the higher low that launched the break (May 23, 575.60) survived: 3.44% risk from the Jun 3 close. Size the position from that distance (Lesson 16).

Rule: a CHoCH alone is not a trade. Trade the BOS, with a stop beyond the swing that launched it, and an entry you chose before the candle closed.

FIVE WAYS TRADERS MISUSE BREAKS

Common mistakes

- 1 **Counting a wick poke as a break.** Only a close beyond the swing counts. The wick-poke row in the reliability table is a coin flip.
- 2 **Calling every CHoCH a reversal.** Two of NVDA's three CHoCHs in February 2026 were reversed within weeks. Wait for the next BOS in the new direction.
- 3 **Putting the stop right under the broken level.** Price closed back through it 61.7% of the time within 10 days. Use the swing that launched the break.
- 4 **Using tiny swings.** With 2 candles each side SPY gave about 26.8 breaks a year, with 5 about 13.0 — and the small swings had less than half the edge.
- 5 **Treating the weekly chart as a magic filter.** Daily breaks with the weekly trend worked 55.2% vs a 55.8% base. Use the weekly for context, not as proof.

Before you act on a break — tick all five

- ☐ Swings marked with one fixed size (5 candles each side) and confirmed — the 5th right candle has closed.
- ☐ The trend is the direction of the **last** break, written down before you look at today's candle.
- ☐ Today's candle **closed** beyond the swing. A wick does not count.
- ☐ BOS → plan a trade. CHoCH → write 'warning' in the journal and wait for the next BOS.
- ☐ Entry type chosen in advance; stop beyond the launching swing; risk $\leq$ 1% of the account.

Forex and crypto? Same rule. Our numbers come from US stocks and ETFs. In forex, use your broker's daily close (usually 5 p.m. New York).

DRILL • 15 MINUTES • NO PEEKING

Three real candles. BOS, CHoCH, or neither?



Chart 1 • QQQ, dashed candle Mar 20 2026. What is the trend going in? Which swing does this candle test? BOS, CHoCH or neither?



Chart 2 • META, dashed candle Oct 23 2025. The high is above the Oct 10 swing high. Is this a break?



Chart 3 • PLTR, dashed candle Jul 30 2026. Name it. Where would the stop go if you traded it?

Then on TradingView

Open AMD, daily, Jan–Sep 2026. Mark swings with 5 candles each side, then label every close beyond the active swing as BOS or CHoCH. You should find the Apr 7, May 26, Jun 15 and Jun 30 BOS and the Jul 17 CHoCH. Log one as a paper trade in fillscope.com with the stop at the launching swing.

ANSWER KEY

What the three candles were



Chart 1. BOS down. The trend was already down (CHoCH on Feb 4). The close at 582.06 broke the Mar 9 low (591.33). Five sessions later: **-3.3%**.



Chart 2. Neither — a wick poke. It closed at 734.00, back under 735.27. The next day closed above it: a CHoCH up. Five sessions after that CHoCH META was **-12.2%**. A warning is not a forecast.



Chart 3. BOS down — and it failed. After four wick pokes, Jul 30 closed at 122.26, under the Jul 14 low (122.64). Five sessions later: **+27.5%**. A stop just above the broken level would have been hit; plan for the 4-in-10.

Journal template (copy into fillscope.com)

DATE	SYMBOL	TREND BEFORE	BREAK (BOS / CHOCH)	SWING BROKEN	STOP AT	5-DAY RESULT

Next: Lesson 6 — Support and resistance. Where breaks matter most: the key levels the whole market is watching.

Liked this lesson?

Get the whole book for \$1.99.

You just finished Lesson 5. The other 15 lessons use the same format: the rule with a number, real market charts, where the setup failed, a drill and the answer key.

The Price Action Workbook — 16 lessons · 147 pages, one PDF, bookmarked by lesson. One-time payment, instant download, checkout by Paddle.

Get the full workbook — \$1.99 →

fillscope.com/workbook/price-action

Already trading? FillScope journals your real trades — R-multiple, mistake tags, Interactive Brokers import, your fills drawn on TradingView. [Open the live demo \(no sign-up\) →](#)