



FVG Reversion

FVG Reversion | INTERMEDIATE | Timeframes: 15M, 5M (context: 1H)

STATUS: TESTING

1297 backtested trades | win rate 31.7% | profit factor 0.84 | worst drawdown 34.8% | avg RR 1:2

Past results do not guarantee future results. Educational use only.

What it is

A fair value gap (FVG) is a three-candle imbalance where the wicks of the first and third candles do not overlap. After displacement, price often returns to fill part of that gap. This strategy plans an entry inside the gap in the direction of the original move, with the stop beyond the gap.

In simple words

A very fast move can leave a gap in the price action, like a hole. Price often comes back to visit that hole before continuing. We plan to enter when it does, in the direction of the original move, with the stop on the far side of the gap.

Why it may work

A fast move means one side was much more aggressive, leaving prices that traded only briefly. Returning to these prices lets participants who missed the move enter and lets remaining orders fill. Many gaps are never revisited, so the gap alone is not a signal; the context decides.

Example chart



A strong candle leaves a fair value gap. Price rallies, then returns into the gap and bounces. Buy the reaction with the stop below the gap. (Illustrative diagram drawn by Bahari Academy. It is not real market data and not a prediction.)

Best market conditions

- The gap was created by a strong displacement that broke structure
- The higher-timeframe trend agrees with the direction
- The gap is large enough compared with the average range
- Price pulls back into it in an orderly way

When NOT to trade it

- The gap is tiny compared with normal candles
- Price closes completely through the gap against you
- The move that made the gap was weak or against the higher-timeframe trend
- News is about to hit

Timeframes

Entry: 15M, 5M. Context: 1H. Find the displacement on the 15M chart and refine the entry on the 5M chart.

Step-by-step setup

1. Find a strong displacement that breaks a swing
2. Mark the gap between candle 1's wick and candle 3's wick
3. Wait for price to pull back into the gap
4. Look for a reaction candle inside the gap
5. Enter with the stop beyond the far edge of the gap
6. Target the high (or low) of the move, or a 1:2 multiple

Entry rules

- Price enters a fresh gap that agrees with the trend
- A reaction candle closes in the trend direction
- Optionally enter at the gap's midpoint with a limit order

Stop loss

Beyond the far edge of the gap. A close completely through the gap against you invalidates the idea.

Take profit

The extreme of the displacement leg or a fixed 2R.

Risk / reward

At least 1:2. Entering deeper in the gap tightens the stop but fills less often.

Confirmation

- A rejection candle inside the gap
- A lower-timeframe structure shift
- The gap sits inside a zone you marked beforehand

Invalidation

- A close fully through the gap
- The gap is filled and price continues against the idea

Common mistakes

- Trading every gap
- Ignoring the trend
- Placing the stop inside the gap
- Treating gaps as magnets that always fill

How this strategy performed in our own backtests

Backtested on 1297 trades but not verified: 6 of 9 checks not met (win rate above 50%; profit factor at least).

Tested on 2026-10-03 with engine bahari-bt-1.0.0. Retest of a fair value gap in the direction of the structure trend, stop beyond the gap, 1:2 target.

Markets: BTCUSDT, ETHUSDT, SOLUSDT. Timeframes: 15m, 30m, 5m. Conditions with enough trades: 1 profitable of 9.

To be VERIFIED a strategy needs at least 300 trades, a win rate above 50%, a profit factor of 1.2+ and drawdown under 25%, across several markets and timeframes and both halves of the history.

- [pass] Sample size of at least 300 trades: 1297 trades
- [not met] Win rate above 50%: 31.7%
- [not met] Profit factor at least 1.2: 0.84
- [not met] Average result per trade above 0.05R after costs: -0.118R
- [not met] Worst max drawdown at most 25%: 34.8%
- [pass] Average planned reward:risk at least 1:1: 1:2
- [pass] Tested in at least 4 market/timeframe conditions (2+ markets, 2+ timeframes): 9 conditions, 3 markets, 3 timeframes
- [not met] Profitable in at least 67% of the conditions: 1 of 9
- [not met] Profitable in BOTH halves of the history (profit factor at least 1 in each): first 0.88, second 0.79

Quiz

1. A fair value gap is:

- A) A three-candle imbalance where candle 1 and 3 wicks do not overlap
- B) A news event
- C) A moving average
- D) A broker fee

Answer: A. It marks prices that traded only briefly during a fast move.

2. An FVG is most useful when:

- A) It stands alone
- B) It came from displacement and agrees with the trend
- C) It is tiny
- D) It is very old

Answer: B. Context decides whether a gap deserves attention.

3. Price closes fully through the gap against you. The idea is:

- A) Stronger
- B) Invalid
- C) Unchanged
- D) Confirmed

Answer: B. That is your invalidation level.

4. Entering deeper inside the gap usually means:

- A) A tighter stop but fewer fills
- B) A wider stop
- C) Guaranteed fills
- D) No risk

Answer: A. Deeper entries are closer to the invalidation but fill less often.

Practical challenge

Plan a limit order inside a fair value gap in a pending-order challenge. Open Challenges on bahari-academy.netlify.app to practise with the future candles hidden.

Important

Trading involves risk, and you can lose money, including all of the capital you risk. This lesson is for education only and is not financial advice. Nothing here guarantees profit, and backtested results do not guarantee future results.