



Liquidity Sweep + Engulfing

Liquidity Sweep + Engulfing | INTERMEDIATE | Timeframes: 15M, 5M (context: 1H)

STATUS: TESTING

2672 backtested trades | win rate 33.1% | profit factor 0.85 | worst drawdown 81.6% | avg RR 1:2

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

What it is

Equal highs, equal lows and obvious swing points hold many stop orders. When price spikes through such a level and then closes back inside the range with an engulfing candle, it can mean the stops were taken and the move has failed. You trade the reversal with the stop beyond the sweep.

In simple words

Everyone puts their stops in the same obvious places. Sometimes price pokes through, grabs those stops and snaps back. We wait for a strong candle that proves the snap-back, then trade in the new direction.

Why it may work

Clusters of stop orders are a source of liquidity for larger orders. After that liquidity is used, the push that caused the spike may disappear, and price can reverse. The engulfing candle is the evidence that buyers or sellers have taken over. It does not always work: some spikes are real breakouts.

Example chart



Equal lows attract stops. A candle spikes below them but closes back above, and the next candle is a bullish engulfing: buy with the stop below the sweep. (Illustrative diagram drawn by Bahari Academy. It is not real market data and not a prediction.)

Best market conditions

- Equal highs/lows or an obvious swing level
- A quick spike beyond it that closes back inside
- A strong engulfing candle right after
- The sweep happens at a meaningful level or session high/low

When NOT to trade it

- Price keeps closing beyond the level (a real breakout)
- There is no clear level that attracted stops
- The engulfing candle is huge so the stop would be too far
- You are fighting a strong higher-timeframe trend

Timeframes

Entry: 15M, 5M. Context: 1H. Mark equal highs/lows on the 1H chart and trade the reaction on the 15M or 5M chart.

Step-by-step setup

1. Mark equal highs or lows and obvious swing points
2. Wait for a wick through the level
3. Wait for the candle to close back inside the range
4. Look for a bullish (at lows) or bearish (at highs) engulfing candle
5. Enter after the engulfing close; stop beyond the extreme of the sweep
6. Target the opposite side of the range or a 1:2 multiple

Entry rules

- A sweep of a marked level
- A close back inside the range
- An engulfing candle in the reversal direction

Stop loss

Beyond the extreme of the sweep wick. If price makes a new extreme, the sweep idea has failed.

Take profit

The other side of the range, the next liquidity pool, or a fixed 2R.

Risk / reward

At least 1:2. Reversals from a sweep often offer 1:3 or more when the range is wide, but verify before you trade.

Confirmation

- The close back inside the range
- The engulfing candle's body covers the previous candle
- A structure shift on a lower timeframe

Invalidation

- A new extreme beyond the sweep wick
- Price closes beyond the level again after the engulfing candle

Common mistakes

- Entering during the spike before the candle closes
- Calling every wick a sweep
- Placing the stop inside the sweep wick
- Ignoring the trend

How this strategy performed in our own backtests

Backtested on 2672 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. A liquidity sweep followed by an engulfing candle, stop beyond the sweep extreme, 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: 2672 trades
- [not met] Win rate above 50%: 33.1%
- [not met] Profit factor at least 1.2: 0.85
- [not met] Average result per trade above 0.05R after costs: -0.109R
- [not met] Worst max drawdown at most 25%: 81.6%
- [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 0.83, second 0.87

Quiz

1. What is a liquidity sweep?

- A) A quick move through an obvious level that fails and closes back inside
- B) A slow drift
- C) A broker fee
- D) A type of order

Answer: A. The defining feature is the failure to hold beyond the level.

2. Where does the stop go?

- A) Beyond the extreme of the sweep wick
- B) At the entry price
- C) Inside the range
- D) Nowhere

Answer: A. A new extreme beyond the wick means the sweep idea failed.

3. What do you wait for before entering?

- A) Nothing
- B) The close back inside the range and an engulfing candle
- C) A news release
- D) The next day

Answer: B. The close and the engulfing candle are the evidence that the move failed.

4. Price keeps closing beyond the level after the spike. This is probably:

- A) A liquidity sweep
- B) A real breakout, so the sweep idea is invalid
- C) A data error
- D) A buy signal

Answer: B. Holding beyond the level is what separates a breakout from a sweep.

Practical challenge

Find a sweep and an engulfing candle in a challenge and decide whether it is a valid reversal. 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.