



Trend Pullback

Trend Pullback | BEGINNER | Timeframes: 15M, 5M (context: 1H, 4H)

STATUS: TESTING

1593 backtested trades | win rate 32.8% | profit factor 0.88 | worst drawdown 40.4% | avg RR 1:2

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

What it is

In an uptrend, price makes higher highs and higher lows. This strategy waits for a pullback to a new higher low and buys when buyers show up again, with the stop under that low. In a downtrend it sells at a lower high.

In simple words

Do not chase a price that has already run. Wait for it to take a small step back, then join the trend with a stop below the dip. You get a better price and a clear place to be wrong.

Why it may work

Trends tend to persist for a while because large orders are filled in pieces, and pullbacks give participants who missed the move a second chance to enter. The edge is mostly in the better entry price and the tight, logical stop, not in a promise that trends continue.

Example chart



An uptrend of higher highs (HH) and higher lows (HL). The third pullback ends with a bullish engulfing candle at the higher low. (Illustrative diagram drawn by Bahari Academy. It is not real market data and not a prediction.)

Best market conditions

- A clear sequence of higher highs and higher lows (or the reverse)
- Pullbacks that are shallow and orderly
- The higher timeframe points the same way
- Normal volatility, not a news spike

When NOT to trade it

- The market is ranging and has no clear swings
- The pullback breaks the previous swing low (the trend may be over)
- You are chasing the third or fourth leg of an exhausted move
- A major event is about to be released

Timeframes

Entry: 15M, 5M. Context: 1H, 4H. Find the trend on the 1H or 4H chart; time the pullback entry on the 15M or 5M chart.

Step-by-step setup

1. Mark the swing highs and lows on a higher timeframe
2. Confirm higher highs and higher lows (or lower highs and lower lows)
3. Wait for a pullback toward the last swing low
4. Look for a bullish engulfing or rejection candle there
5. Enter with the stop under the swing low and a 1:2 target
6. Skip the trade if the pullback has broken the last swing

Entry rules

- The trend structure is intact on the higher timeframe
- Price pulls back to or near the last higher low (or lower high)
- A confirming candle closes in the trend direction

Stop loss

Beyond the swing point that the pullback formed: below the higher low for a buy, above the lower high for a sell, with a small buffer.

Take profit

The previous swing high or a fixed 2R. Trailing the stop under each new higher low is an option for part of the position.

Risk / reward

At least 1:2, ideally with the target at the previous high so that price has room to run.

Confirmation

- A bullish engulfing, hammer or break of the small pullback structure
- The pullback's momentum fades (smaller candles) before the entry candle
- The higher-timeframe trend agrees

Invalidation

- Price closes below the last higher low (uptrend) or above the last lower high (downtrend)
- The pullback is deeper and faster than the move before it

Common mistakes

- Calling a reversal a pullback
- Entering mid-pullback without confirmation
- Trading against the higher-timeframe trend
- Placing the stop inside the pullback noise

How this strategy performed in our own backtests

Backtested on 1593 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. In an uptrend or downtrend by structure, an engulfing candle after a pullback, stop beyond the swing, 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: 1593 trades
- [not met] Win rate above 50%: 32.8%
- [not met] Profit factor at least 1.2: 0.88
- [not met] Average result per trade above 0.05R after costs: -0.089R
- [not met] Worst max drawdown at most 25%: 40.4%
- [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 0.87, second 0.89

Quiz

1. In an uptrend the pullback entry is usually near:

- A) The last higher low
- B) The highest high
- C) The daily open
- D) Any random candle

Answer: A. The higher low is where the pullback typically ends in a healthy trend and where the stop logically sits beneath.

2. If price closes below the last higher low, the uptrend structure is:

- A) Stronger
- B) Broken or in question
- C) Unchanged
- D) Irrelevant

Answer: B. The sequence of higher lows has failed, so waiting for a new structure is wiser than buying the dip.

3. Why look at a higher timeframe first?

- A) To find the dominant trend direction
- B) To make the entry faster
- C) It is required by brokers
- D) To find more signals

Answer: A. Higher timeframes show the trend you should be trading with.

4. A pullback that is deeper and faster than the previous move is:

- A) A better entry
- B) A warning that the trend may be weakening
- C) Always a buy
- D) Meaningless

Answer: B. Strong counter-moves can signal a change of character, so caution is appropriate.

Practical challenge

Identify the trend on a hidden-future chart and decide whether the pullback is a valid entry. 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.