\*\*Fair Value Gap Trading Strategy and Tips\*\*

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### \*\*Core Trading Strategy\*\*

#### \*\*1. Entry Criteria\*\*

- \*\*Fair Value Gaps (FVGs):\*\*

- Identify a minimum of three candles to confirm a fair value gap.

- Look for inefficiencies where the low of one candle is higher than the high of another, leaving a gap.

- Use the centerline of the fair value gap for entries when the gap is larger than five pips.

- Focus on setups forming during specific trading windows.

- \*\*Liquidity Concepts:\*\*

- Entries should align with liquidity sweeps (price taking out previous highs or lows).

- Look for draw-on liquidity, where price is attracted to areas like daily highs, lows, or other liquidity pools.

- \*\*Order Blocks and Zones:\*\*

- Identify supply and demand zones or order blocks for additional confirmation.

- Use these zones to determine reaction points in price.

#### \*\*2. Exit Criteria\*\*

- \*\*Reasonable Targets:\*\*

- Target areas just before major zones like order blocks, daily highs/lows, or liquidity areas to ensure price reaches the target.

- Stick to a 1:2 risk-to-reward ratio for consistency.

- \*\*Time-Based Exits:\*\*

- Trades must be closed by the end of the trading day, regardless of being in profit or drawdown, to avoid overnight gaps and swap fees.

#### \*\*3. Trading Windows\*\*

- \*\*London Trading Window (LTW):\*\* 8:00 AM to 9:00 AM (UK time).

- \*\*New York Trading Window (NTW):\*\* 1:00 PM to 4:00 PM (UK time).

- Entries must occur within these windows, but trades can run beyond them if triggered during the window.

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### \*\*Risk Management\*\*

#### \*\*1. Stop Loss Rules\*\*

- Minimum stop loss: \*\*5 pips\*\*.

- Maximum stop loss: \*\*20 pips\*\*.

- Larger stop losses increase the required target and risk potential slippage and spreads.

- \*\*Placement:\*\*

- Set stop loss at the high or low of the first candle within the fair value gap.

- Maintain consistency across trades.

#### \*\*2. Loss Management\*\*

- \*\*Good Losses:\*\*

- Losses that align with the strategy and meet all the rules.

- \*\*Bad Losses:\*\*

- Losses from trades outside the rules, due to emotional or impulsive decisions.

#### \*\*3. Position Sizing\*\*

- Risk a fixed percentage of capital per trade (e.g., 1%).

- Reduce risk if encountering more losses than backtested results predict.

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### \*\*Backtesting and Journaling\*\*

#### \*\*1. Importance of Backtesting\*\*

- Use replay tools to test strategies over historical data.

- Gather data on win rates, stop loss sizes, and average trade outcomes to refine rules.

#### \*\*2. Journaling Trades\*\*

- Record every trade, including:

- Entry and exit points.

- Reasons for taking the trade.

- Outcome and adherence to rules.

- Use journals to identify patterns in mistakes or successes.

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### \*\*Psychological Tips\*\*

#### \*\*1. Avoid FOMO (Fear of Missing Out)\*\*

- Recognize that the market will always provide new opportunities.

- Avoid chasing trades outside the defined rules.

#### \*\*2. Patience and Consistency\*\*

- Stick to the trading plan and avoid bending rules for exceptions.

- Trust the long-term probabilities of the strategy.

#### \*\*3. Discipline in Trading Windows\*\*

- Focus only on trades within defined windows, reducing overtrading and emotional decisions.

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### \*\*Key Rules Summary\*\*

1. \*\*Follow a Strict Trading Plan:\*\* Adhere to the rules without exception.

2. \*\*Avoid Discretionary Trades:\*\* If a trade could go either way, avoid it entirely.

3. \*\*Stick to Defined Windows:\*\* Only execute trades within the London and New York trading windows.

4. \*\*Take Reasonable Targets:\*\* Ensure targets are achievable based on liquidity and price behavior.

5. \*\*Journaling and Accountability:\*\* Track trades honestly and hold yourself accountable for deviations.

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### \*\*Closing Remarks\*\*

This strategy prioritizes consistency, discipline, and risk management. Success comes from following the rules, avoiding emotional decisions, and focusing on the long-term probabilities of the method. Losses are part of trading, but the key is to manage them effectively while sticking to the strategy. By maintaining a trading journal and continually refining your approach through backtesting, you can achieve sustainable growth.