FREE GUIDE · ORDER FLOW AND REVERSALS

A reversal, and what actually confirms it.

Price taking a level is not a reversal. It is the most common thing on a chart. This guide covers the sequence that has to follow a raid before anything has changed — and the measurement we ran on it, which is the part almost nobody publishes.

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> **A raid tells you someone was trapped. Only the reclaim tells you which side of it you were on.**

READ THIS FIRST

Page 8 is the honest summary of five years of testing, and it cuts both ways: a confirmation of the right kind does carry information about which turns were genuine, and no entry we built from it has beaten its own placebo once costs were paid. Both halves are true. A guide that printed only the first half would be selling you something.

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01 What a gap is for

A **fair value gap** is three candles where the middle one moves far enough that the third never trades back into the range of the first. It leaves a band of prices that was crossed in one direction and never auctioned in the other.

That is the whole idea, and the reason it matters is boring rather than mystical: price moved through a region without two-sided trade, so there is unfinished business there. Not a magic level — a location. In our tests a gap drew barely more reaction than a same-sized band beside it, so treat it as a place to look, not a place that holds.

A gap has a life, not a permanent meaning

Untouched	It has formed and price has not returned to it. It is a location, nothing more.
Tapped	Price has traded back into it. Now you find out whether anyone is defending it.
Reacting	After the tap, price closes back out of the gap the way the gap faces. This is the only state that tells you anything happened there.
Done	Price reached the objective beyond the gap. Its job is finished; it is history, not a live level.
Failed	Price finished beyond the far side. The gap did not hold, and pretending otherwise is how traders end up defending a level that has already lost.

ONE PRINCIPLE WORTH STEALING

Decide what a gap is aiming at **when it forms**, and never move it afterwards. A target chosen later, once you have seen where price went, is not a target — it is a story. Most of the difference between a rule and a feeling is whether the number was fixed before or after the fact.

What a gap is not

Not a signal	A gap is a place, not an instruction. Nothing about its existence says which way price leaves it.
Not proof of orders	You cannot see resting orders. A gap is a description of how price moved, and any claim about who is waiting there is a story told over the top of it.
Not all equal	Every chart has dozens. The ones worth marking are the ones that formed on real displacement and have not been traded through — which is a small fraction of them.

If your chart has so many gaps marked that you can always find one near price, they have stopped carrying information. That is not a drawing problem, it is a selection problem.

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02 When a gap fails

A failed gap is not simply deleted. Price closing decisively through a gap that was supposed to hold is information: the side defending it has been overrun. The same band often then acts in the **opposite** direction — support that breaks becomes resistance on the retest. That flipped gap is usually called an **inverted fair value gap**, or iFVG.

> **The level did not stop mattering. It changed sides.**

Why this matters more than the original gap

An untouched gap is a guess about where a reaction might happen. An inverted one has already produced evidence: something tried to hold there and lost. That is why a retest into a fresh inversion is one of the more legible things on a chart. Legible is not the same as profitable: nothing we tested made the inversion itself a better entry.

Broken, not gone — The band is still a reference. Only its direction has flipped.

Needs a close — A wick through proves very little. A close through is what changes the reading — the same standard you will see again on the next page.

It can fail too — An inversion is a level like any other. It is not a higher class of certainty, and treating it as one is a good way to be very confident and very wrong.

The three readings of a broken level

WHAT PRICE DID	WHAT IT MEANS
Wicked through, closed back inside	The level **held**. This is a normal test, not a break, and it often marks the low or high of the move.
Closed through, kept going	The level **failed** and price is gone. No retest is owed to you, and waiting for one is how a missed move becomes a bad entry.
Closed through, then came back to it	The interesting case: the band is now a reference from the other side. This is the inversion.

Only the third row gives you something to plan around. The first two are far more common, and being able to say "that one held" or "that one is gone" without hedging is most of the skill here.

A CAUTION

Every level on a chart has a story available for it in both directions. The discipline is deciding **in advance** what would make you drop it — not finding a reason it still counts after price has gone the other way.

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03 Internal and external liquidity

Two kinds of liquidity, and almost every intraday move is a trip between them.

TERM	WHAT IT IS
External liquidity ERL	The obvious levels: a prior swing high or low, a session extreme, yesterday's high. Where stops rest.
Internal liquidity IRL	The inefficiencies *inside* a range – the gaps. Where price often trades back to before it continues.

Read as a cycle, the story is simple: price leaves an external level, works through the internal inefficiencies, and travels to the next external level. A move that has just taken a swing high is, slightly more often than chance, looking for the internal liquidity behind it rather than for another high.

The leg

Put those together and you get a **leg**: a confirmed swing low, a confirmed swing high, and at least one gap of the leg's own direction between them. That last condition is what separates a leg that carries information from two swings with nothing in between.

TWO QUESTIONS A LEG ANSWERS

Is it still alive? A leg is in play until price either reaches its objective or closes back beyond where it began. One of those is completion and the other is invalidation, and the difference is not a matter of interpretation.

Is this move with it or against it? A pullback inside a live leg and a reversal of it look identical for the first few candles. The leg is what tells you which question you are asking.

The cycle, in one session

A session takes out the previous session's high – external liquidity. Having done it, there is nothing above for a while, so price turns back and works down into the gaps left behind on the way up – internal liquidity. It reprices there, and then travels to the next external level, which may be the low it started from.

Nothing about that is a prediction, and it is not a rule you can trade off. It is a **frame**: it stops you buying a high that has just been taken because it "looks strong", and it stops you reading a normal retrace into internal liquidity as a reversal.

This is also the honest answer to "where is my target": a target is a choice about risk. Measured, no target type – the next external level included – beat its own distance.

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04 Raid, reclaim, CISD

This is the sequence, and the order is not negotiable.

1. **The raid.** Price trades through a level that mattered — a swing, a session high or low. On its own this is close to meaningless: levels get taken constantly, and most of the time price simply carries on.
2. **The reclaim.** Price closes back on the original side of that level. Now something has happened: the move through it did not hold, and whoever entered on the break is offside.
3. **The change in state of delivery.** Price closes back through the origin of the run that did the raiding. This is the confirmation — the point at which the delivery that was pushing one way has demonstrably stopped.

> **Raided is not reclaimed. Reclaimed is not confirmed. Most of the trading day is spent in the middle two states.**

What invalidates it

The extreme of the raid is the level the whole idea depends on. Price closing back beyond it says the reclaim failed and the sequence is dead. That is one clean condition, decided in advance, and it is worth more than any amount of confidence.

Three ways it goes wrong

Front-running	Taking the raid without the reclaim. This is the single most expensive habit in this model, because the raid alone is close to a coin flip — and it always feels like the good price.
Counting a wick	Treating a wick back inside as the reclaim. Use closes for both the reclaim and the confirmation, or the read flips on every candle.
Moving the invalidation	Price closes beyond the raid extreme and the level gets redrawn a little further out. At that point there is no sequence left, only a position.

THE PART THAT COSTS PEOPLE MONEY

A sequence that has not confirmed is not "confirming soon". It is a sequence that has not confirmed. There is no partial credit, and the honest state most of the time is simply **waiting** — which is exactly why it is hard.

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05 When structure has changed

Two terms get used interchangeably and should not be.

Break of structure — Price makes a new extreme in the direction it was already going. A trend doing its job. Confirmation of what you already knew.

Market structure break — Price takes out a swing *against* the prevailing direction. This is the one that is supposed to mean something changed — and the one people read into far too early.

The test that keeps you honest

A break is a **close** beyond the level, not a wick through it. Wicks through swing highs are how ranges work. If your structure read flips on a wick, it will flip back on the next one, and you will have been "right" in both directions within the hour.

ONE LEVEL, ONE LINE

A practical habit rather than a concept: when several ideas point at the same price, mark it **once**. Three lines at one level does not mean three reasons — it usually means one reason counted three times, and a chart that looks like confluence when it is really just repetition. Stacking the same evidence is the most common way traders talk themselves into a bad idea.

Four honest states

STATE	WHAT YOU ARE ALLOWED TO CONCLUDE
Trending	Breaks keep coming in one direction. Pullbacks are opportunities, not warnings.
Tested	A counter-swing has been taken on a wick. Nothing has changed yet, and this is where most premature reversals get called.
Broken	A counter-swing has been taken on a close. The old read is no longer the working one.
Unclear	Overlapping swings, no clean break either way. The correct output is "unclear" — not the least-bad guess.

This is also why a structure break and a reversal are different claims. A break tells you a level was taken. Whether the turn is real is the next page.

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06 The turn, and what follows it

The reversals that matter most happen where a **higher timeframe** has run out of room — at a swing on a timeframe well above the one you are entering on. The lower timeframe is where you see it happen; the higher timeframe is the context.

The trap is that every failed reversal looks identical to a real one at the start. A raid, a reclaim, a confirmation, a gap left behind — the losers print all of it too. We tested that directly and it is on the next page. The shape does not separate them, and nothing we could see at the time separated them reliably either. The most you can say is **where** it happened relative to the higher-timeframe swing.

The 1-2-3

The 1	The extreme itself — the high or low the reversal turned from. It is also the invalidation: price closing back beyond it ends the idea.
The 2	The pullback after the turn. The first move away from the extreme gives some of itself back, and the quality of the pullback says more than the size of the initial thrust.
The 3	The continuation that makes the turn a trend rather than a bounce. Until the 3, a reversal is a claim; after it, it is a structure.

Choosing the pair of timeframes

The useful relationship is a wide one. If the timeframe you are watching for the turn is close to the timeframe you are entering on, you are not getting a second opinion — you are reading the same information twice at slightly different resolution, which feels like confluence and is not.

A good pair is far enough apart that the higher one moves slowly while you work, and it should come from **closed** candles of that timeframe. A higher-timeframe read taken from a candle still forming can flip and flip back inside the same hour, and every conclusion you drew in between was noise.

> **AND A WARNING ABOUT COUNTING**
>
> Any three-wave shape can be labelled 1-2-3 after the fact, and hindsight will always find one. The counting is only worth something if the invalidation was fixed at the start — which is the same principle as the frozen target in section 01. Written down beforehand it is a rule; recognised afterwards it is a narrative.

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07 What we measured

We tested this sequence harder than anything else we have built: roughly **790,000 signals** across NQ, Gold and Bitcoin over five years, scored on a held-out split so the answer could not be tuned into existence. The result splits cleanly in two, and publishing only one half would be dishonest.

The direction read is real

When a C2-CISD fires at the confirmation, the probability that the turn was the genuine one **rises materially** – a double-digit improvement in percentage points on all three instruments, with confidence intervals well clear of zero. That is a real, repeatable, out-of-sample finding. Trend or order-flow agreement from the higher timeframe added little (1–3 points) or nothing on top of it.

And no entry built from it has paid

WHAT WE TRIED	WHAT HAPPENED
The confluence traded, against a stop-matched placebo	**Flat.** Zero, within the confidence interval, on all three instruments
Hit rate at a fixed 2R inside those same conditions	**Falls** – the better signal produced a worse fixed-target result
Eleven different entry geometries from the confirmation	**None** net positive, across hundreds of condition cells
The same eleven, with **costs set to zero**	Still none. Gross return was about zero everywhere – so it was never a fee problem
Requiring a higher-timeframe sweep before the confirmation, against the same confirmation without one	**Lowered** the success rate slightly

WHY BOTH CAN BE TRUE AT ONCE

Knowing a turn is real is not the same as having a **price to buy it at**. Entering on the confirmation with the stop at the raid extreme is late and wide, and a wide stop flatters every metric you might check – including the placebo, by exactly the same amount. Win rates land back on the break-even value for whatever target you chose. The information was in the recognition, and it did not survive the execution.

So use it as attention, not as expectancy. It tells you which turns are worth watching and when one has stopped being true. Anyone selling you this sequence as a win rate has either not tested it against a placebo, or has and did not tell you.

RISK WARNING

Education only, not financial advice. Trading carries a high risk of loss. Charts are real historical data; nothing here is a signal or a promise of results.

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