Fair Value Gap Indicator v1.10

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Fair Value Gap Indicator

Say goodbye to the hassle of manual FVG identification. Our FVG indicator does the heavy lifting, pinpointing potential trades setups so you can focus on precise entries, Stop Loss and Take Profit positions.

For novice traders it can be combined with our Trend - Break of structure (BOS) / Change of Character (CHOCH) Indicator. Or for experts used as a stand-alone indicator.

Fully customizable and comes with one suggested simple strategy to get you started.

FVG's offer 2 possibilities to enhance our trading Performance:

Highlights areas of interest where price is likely to pullback to before continuing in the direction of the overall trend.

Or provides future areas of liquidity where price is likely to be drawn to.

Intuitive and easy to use. Traded as a stand-alone indicator designed to help be consistently profitable.

Real-time Insights

Automatically highlights FVGs as they form.

Customisable Filters

Adjust FVG size thresholds to suit your trading strategy

Smart Alerts

Get notified via the MT4 App, email or on-screen when price is retracing near to a FVG

Clear Visuals

FVG are colour coded Long or Short and to differentiate whether they are still active versus filled / touched

Flexible Display Options

Customise how the FVG's high and low values are displayed on the chart

Indicator Package

Forms part of our complete SMC indicator package. But it can be traded as a standalone indicator/ strategy

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Understanding Market Trends with Smart Money Concepts (SMC)

In today's fast-paced trading environment, identifying the trend early can be the difference between success and missed opportunity. At the heart of advanced trading strategies lies **Smart Money Concepts (SMC)** — a modern framework used by professional traders to understand market movements and position themselves on the right side of the trend.

Using **swing points**, the **Zigzag indicator**, **Change of Character (CHOCH)**, and **Break of Structure (BOS)**, SMC offers a clear, logical method to analyse price action and predict the next moves of the market.

1. Swing Points and the Zigzag Indicator: Visualising the Market's True Path

The market rarely moves in straight lines. Price action unfolds in waves — making **higher highs and higher lows** in uptrends, and **lower highs and lower lows** in downtrends.

The **Zigzag indicator** helps traders visualise these waves clearly by filtering out minor price noise and highlighting **key swing highs and lows**. These **swing points** form the structural skeleton of the market, making it easier to:

- Identify major turning points
- See patterns of higher highs or lower lows
- Focus on meaningful price movements

Without swing points, understanding the market structure would be like trying to navigate a city without a map. The Zigzag indicator provides that essential map.

2. Break of Structure (BOS): Confirming Trend Continuation

A **Break of Structure (BOS)** happens when price moves beyond a previous swing point, signalling **trend continuation**.

- In an **uptrend**, a BOS occurs when price **breaks above** a previous swing high.
- In a **downtrend**, a BOS occurs when price **breaks below** a previous swing low.

SMC

- Smart Money Concepts
- Used by professional traders to understand market structure

ZIGZAG

- Uses Swing Points to map out the high and low points of a market
- Uptrends = Higher highs and higher lows
- Downtrends = Lower lows and lower highs
- Helps focus on meaningful price movement

BOS

- Signals a trend continuation
- Uptrend—BOS above a prior swing high
- Downtrend—BOS below a prior swing low

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Understanding Market Trends with Smart Money Concepts (SMC)

3. Change of Character (CHOCH): Spotting Trend Reversals

A **Change of Character (CHOCH)** is the earliest signal of a **potential trend reversal**.

- In an **uptrend**, a CHOCH occurs when price **breaks below** the most recent **higher low** (swing low).

- In a **downtrend**, a CHOCH occurs when price **breaks above** the most recent **lower high** (swing high).

Key point: While BOS confirms continuation, CHOCH warns of change. Recognising a CHOCH allows traders to prepare for possible trend reversals before the crowd reacts, giving a massive edge in the market.

The Workflow: How SMC Traders Identify Trends

1. **Plot Swing Points:** Use the Zigzag indicator to map out swing highs and lows.

2. **Watch for BOS:** Identify if the market is breaking previous structural highs or lows, confirming the direction of the current trend.

3. **Look for CHOCH:** Monitor for breaks against the trend to catch early signs of a reversal.

4. **Plan and Execute:** Align trades with the structure — enter on BOS pullbacks, or prepare for reversals after a CHOCH.

Conclusion: Trade Smarter with Structure

By combining the **Zigzag indicator**, **Break of Structure**, and **Change of Character**, SMC traders can decode the hidden blueprint of price action.
This method is not just about predicting — it's about **reading the story the market is telling**, and positioning yourself with those who truly move the market: the smart money.

Master structure, master the market.

CHOCH

- Warns of a potential reversal in market trend
- Reversal Short - Price breaks below the most recent higher low
- Reversal Long - Price moves above the most recent lower high

WORKFLOW

- Identify Swing Points
- ZigZag clearly maps out market waves
- BOS signal a continuation in the trend
- CHOCH signal a potential trend reversal

TRADE SMART

- Combining ZigZag, BOS and CHOCH allows SMC traders to quickly and easily decode market structure and direction

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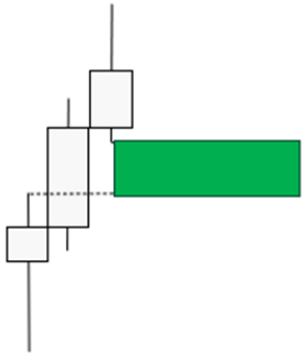
What is a Fair Value Gap?

A Fair Value Gap (FVG) occurs when there is a significant imbalance between buying and selling activity, leading to a rapid price movement. These gaps are sometimes referred to as Price Value Gaps or simply imbalances.

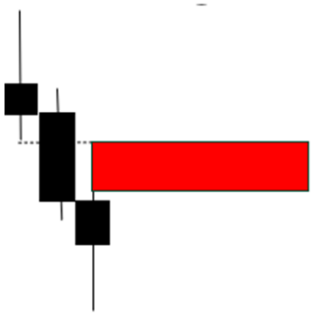
An FVG highlights instances where the market experiences a disparity between buyer demand and seller supply. When one significantly outweighs the other, it can drive prices sharply in the direction of the excess activity. On a price chart, the FVG marks the area where this swift movement took place.

Fair Value Gaps are visually identifiable as large candles with price ranges that are not fully overlapped by the wicks of adjacent candles. This pattern involves three candles and can be classified as either bullish or bearish:

Bullish Fair Value Gap: Forms when there is a visible gap between the high of the first candle and the low of the third candle.



Bearish Fair Value Gap: Forms when the low of the first candle and the high of the third candle leave a gap.



These gaps signify a market irregularity, where prices deviate from their fair value. Since markets typically strive to revert to fair value, traders can use this knowledge to their advantage when anticipating the next move in the market i.e. they provide areas where we can enter on a pullback to a trend. Or expect price to move to in the future.

Fair Value Gap

- FVG's Form when there is rapid price movement due to an imbalance between buyers and sellers
- FVG's are a 3 bar pattern. Visible as a large candle not fully covered by the 2 adjacent candles

Bullish FVG

- Form during uptrends. Breakouts that pull back down to the top of Bullish FVG's are seen as great entries for a continuation Long

Bearish FVG

- Form during downtrends. Breakdowns that run back up to the bottom of Bearish FVG's are seen as great entries for a continuation Short

Liquidity Draw

- Where FVG's are left untouched they tend to create a price draw. Where price will move down to seek Bullish FVG's (Liquidity) and up to find bearish FVG's (Sellers)

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Example of a simple FVG Strategy

This strategy uses **Atomic's FVG Indicator** in combination with **Break of Structure (BOS)** and **Change of Character (CHOCH)** analysis to identify high-probability trade setups. It involves recognising the overall trend on the 4-hour chart, identifying a FVG on the 1-hour chart in the same direction of the 4-hour trend, and then entering the trade when price retraces and touches the FVG. Trades are managed using very clear rules for the stop loss and profit target.

Step-by-Step Process:

Step 1: Recognize the Trend on the 4-Hour Chart (Using BOS & CHOCH)

1. **Identify the Trend:**
   - Use the **4-hour chart** to determine the market's overall trend.
     - **Bullish Trend:** Higher highs and higher lows.
     - **Bearish Trend:** Lower highs and lower lows.
     - **Use Break of Structure (BOS):**
   - **BOS** occurs when price breaks past a significant previous high or low, confirming the direction of the trend.
     - In an uptrend, look for a break above a previous swing high (bullish BOS).
     - In a downtrend, look for a break below a previous swing low (bearish BOS).
     - **Monitor for Change of Character (CHOCH):**
   - **CHOCH** signals a shift in market behaviour.
     - In an uptrend, a CHOCH would be a break below the recent swing low and can indicate a potential reversal or perhaps some consolidation.
     - In a downtrend, a CHOCH would be a break above the recent swing high. Suggesting a reversal long or perhaps some consolidation.

Action: Ensure you are trading in the direction of the 4-hour trend (either bullish or bearish) with recent BOS.

OVERVIEW

A simple trend continuation strategy that uses BOS/CHOCH analysis to establish the trend. Combined with FVG's to find pullbacks that have a high probability of success.

TREND

- Use a 4-hour chart to establish the overall trend

Break of Structure

- Use BOS analysis to establish the continuation of a trend

Where;

- Uptrends demonstrate higher highs and higher lows
- Downtrends demonstrate lower lows and lower highs

Change of Character

- Watch for potential trend reversals using CHOCH, where;
- In an uptrend price breaks below a recent swing low
- In a downtrend price breaks above a recent swing high

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Example of a simple FVG Strategy

Step 2: Identify a Fair Value Gap (FVG) on the 1-Hour Chart

1. **Wait for an FVG to Form in the Direction of the Trend:**
    - On the **1-hour chart**, look for FVGs that align with the direction of the trend identified on the 4-hour chart. The best results come from the 1st FVG prior or just after a BOS.
2. **Confirm FVG Size and Validity:**
    - Ensure that the FVG is of a reasonable size. A very small FVG may not be as reliable whereas a large FVG is likely to offer a poor risk to reward.
    - **Bullish FVG:** Look for a price gap where price has moved up sharply, leaving a bullish gap between the 2 adjacent bars on the 1-hour chart.
    - **Bearish FVG:** Look for a price gap where price has dropped sharply, leaving a bearish gap between the 2 adjacent bars on the 1-hour chart.

Step 3: Enter the Trade at the Touch of the FVG

1. **For Long Trades:**
    - Enter the trade when the price revisits the **top of a bullish FVG**. Typically where there is a strong trend, price has a high chance of reversing around these liquidity points (FVG) before continuing Long in the direction of the established 4-hour trend.
2. **For Short Trades:**
    - Enter the trade when the price revisits the **bottom of a bearish FVG**. Typically where there is a strong trend, price has a high chance of reversing around these liquidity points (FVG) before continuing Short in the direction of the established 4-hour trend.

Step 4: Set the Stop Loss

1. **For Long Trades:**
    - Place your stop loss just below the **low of bar 1** (the candlestick that forms the start of the FVG). This is the most logical level for your stop, as breaking below this level would invalidate the trade idea.
2. **For Short Trades:**
    - Place your stop loss just above the **high of bar 1** (the candlestick that forms the start of the FVG). If the price breaks above this level, the short trade setup would be invalid.

ENTRY

- Use a 1-hour chart to time the entry
- Watch for FVGs that form in favour of the 4-hour trend
- If the FVG is too small it will lack liquidity and likely provide a poor entry
- If the FVG is too big the RR will be poor

- Enter Long trades when price falls back down and touches the top (high) of a Bullish FVG
- Enter Short trades when price runs back up and touches the bottom (low) of a Bearish FVG

STOP LOSS

- For long trades place your stop just below the low of bar 1 (of the FVG)
- For short trades place your stop just above the high of bar 1 (of the FVG)

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Example of a simple FVG Strategy

Step 5: Set the Profit Target

Setting an accurate profit target is the hardest piece of the puzzle. In an ideal world, you will target a Risk to Reward (RR) of 1:2. But sometimes this is not achievable. The trader should observe areas of likely resistance (Long) and Support (Short). Areas to consider are;

- Previous swing highs for long trades / Swing lows for short trades
- Untapped FVG's as price tends to be drawn back to areas of liquidity. These can include FVG's created on the 4-hour chart as these hold more strength
  - Long trades—Watch for Short FVG's above the entry point
  - Short trades—Watch for Long FVG's below the entry point

Ultimately this comes down to some trader experience matched with your level of risk. Safe trades mean exiting at the first level of support / resistance. Higher risk trades are more focused on achieving a RR of 1:2.

1. **For Long Trades:**
   - Set your profit target either at a prior level of **resistance** on the 1-hour or 4-hour chart. This is typically the closest point where the price could reverse.
   - Alternatively, use a **Risk to Reward Ratio (R:R)** of **1:2** (i.e. your target should be at least twice the distance from your entry to your stop loss).
   - Compare the two options with a view to exiting at the closest one i.e. if you can achieve an R:R of 1:2 before an area of likely resistance this is the safest and best option.
2. **For Short Trades:**
   - Set your profit target either at a prior level of **support** on the 1-hour or 4-hour chart. This is typically the closest point where the price could reverse.
   - Alternatively, use a **Risk to Reward Ratio (R:R)** of **1:2** (i.e. your target should be at least twice the distance from your entry to your stop loss).
   - Compare the two options with a view to exiting at the closest one i.e. if you can achieve an R:R of 1:2 before an area of likely support this is the safest and best option.

PROFIT TARGET

- For the safest and most reliable trades, set your Profit Target at either;
- Long - A previous level of resistance
- Short - A previous level of support
- Or alternatively use a Risk to Reward Ratio (R:R) of 1:2
- **Use whichever is the closest to the entry price**

REMEMBER

- Be patient, FVG's can take time to fill
- Untouched FVG's often provide liquidity draws in the future
- Where price will want to revisit them at a later date
- Using an additional higher timeframe (e.g. daily) can provide additional confirmation of a trend
- Always risk the same amount (%) of your account on each trade i.e. 1-2% per

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Example of a simple FVG Strategy

Additional Considerations:

1. **FVG & Market Behaviour:**
    - FVGs may take some time to fill, so patience is important. Not every FVG will get filled immediately.
2. **Trend Across Multiple Timeframes:**
    - To increase the probability of success, consider checking higher timeframes (e.g., 4-hour and daily charts) for alignment with the 1-hour chart FVG setup.
    - If the FVG on the 1-hour chart aligns with a strong trend on the 4-hour and daily chart, the setup is more likely to be successful.
3. **Risk Management:**
    - Always calculate position size based on the stop loss level and the amount of risk you are willing to take (e.g. 1-2% of your total trading capital). If you are using Atomic trading's semi-automated dashboard this is done for you automatically.

Summary of Strategy:

1. **Identify the Trend:**
    - Use the BOS and CHOCH concept to establish the trend direction on a 4-hour chart.
2. **Wait for FVG Setup:**
    - On the 1-hour chart, wait for an FVG to form in the direction of the trend.
3. **Enter the Trade:**
    - For long trades, enter at the top of a bullish FVG.
    - For short trades, enter at the bottom of a bearish FVG.
4. **Set Stop Loss and Profit Target:**
    - Set the Stop loss just below the low of bar 1 (long) or above the high of bar 1 (short).
    - Set the Profit target at a prior level of support / resistance (FVG/Swing Point) or a Risk to Reward of 1:2. Whichever is the closest.
4. **Risk Management:**
    - Set your position size based on the distance between you entry point and your stop loss, risking no more than 1-2% on each trade.

By following this strategy, traders can effectively leverage FVGs in conjunction with market trend analysis to enter high-probability trades.

SUMMARY

Instrument: Indexes, Forex that have a tight spread and a good daily range. Or possibly BTCUSD/ETHUSD

Trend: Use a 4-hour chart

Entry: Use a 1-hour chart

- Use BOS and CHOC analysis to establish the current trend
- Wait for price to retrace to a FVG. In favour of the trend before entering a trade
- Set your Stop Loss at Bar 1 of the 3 bar FVG pattern
- Set the Profit Target either at a prior level of support / resistance or a Risk to Reward of 1:2. Whichever is the closest
- Always risk the same amount (%) of your account on each

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EA Configuration / Inputs

Input	Options	Explanation
Box Name (max 57 characters)	Default: "FVG"	Fair Value Gap box can be named as you so wish
Colour for untapped Long FVG Box	Default: Aqua	This is the colour that is used for Long FVG's where it either new or has yet to be touched / retested. We make these boxes brighter so they standout.
Colour for untapped Short FVG Box	Default: Violet	This is the colour that is used for Short FVG's where it is either new or has yet to be touched / retested. We make these boxes brighter so they standout.
Colour for filled Long FVG Box	Default: Navy	This is the colour that is used for Long FVG's where price has revisited and touched it . We make these boxes less bright so that they do not standout as much as the untouched boxes.
Colour for filled Short FVG Box	Default: Purple	This is the colour that is used for Short FVG's where price has revisited and touched it. We make these boxes less bright so that they do not standout as much as the untouched boxes
Draw filled FVG as outline	Default: False	Some people prefer to have just the outline of a filled / touched FVG shown on the screen vs a shaded box. However using this option can sometimes interfere with our Semi-automated trading dashboard.
Min FVG size in MT4 Points. 0 = off	Default: 0	It can be said that if a FVG is too small there will hardly be enough liquidity left behind to draw price too it. So this option enables you to filter out small FVG's.
Max FVG size in MT4 Points. 0 = off	Default: 0	Similarly to small FVG's, if the FVG is too wide, it makes the Risk to Reward on trades to poor to trade. So again these FVG's can be filtered out if needed by setting a maximum FVG in MT4 Points.
Show FVG for # bars	Default:50	Essentially this decides how many bars in the chart an unfilled FVG will extend across the chart. If it set too small FVG's are likely to remain unfilled and disappear off the chart too quickly. Setting it too long can potentially make the chart too busy and slow down MT4. So its best to find a balance, we suggest a maximum of 50 bars.
Skip any FVG created over the weekend	Default: True	Some people believe that a FVG created between the closing and opening of a market over the weekend is not a genuine FVG. So this option allows you either display (False) or hide weekend gaps (True).
Text font size in pixels	Default: 10	Define the size of the value labels that can be shown next to live / unfilled FVG's.
Font colour for Long price labels	Default: Aqua	Defines the colour of the price labels shown next to the live / unfilled Long FVG's
Font colour for Short price labels	Default: Violet	Defines the colour of the price labels shown next to the live / unfilled Short FVG's
Show upper value for Long FVG	Default: True	Enables you to turn on/off values relating to the upper price of Long FVG's. By default we only show the upper value on Long FVG's.
Show lower values for Long FVG	Default: False	Enables you to turn on/off values relating to the lower price of Long FVG's. By default we turn off the lower value on Long FVG's.

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EA Configuration / Inputs

Input	Options	Explanation
Show upper values for Short boxes	Default: False	Enables you to turn on/off values relating to the upper price of Short FVG's. By default we turn off the upper value on Short FVG's.
Show lower values for Short boxes	Default: True	Enables you to turn on/off values relating to the lower price of Short FVG's. By default we only show the lower value on Short FVG's.
Offset in MT4 points for alert to trigger before filling FVG	Default: 0	Enables alerts to trigger before the current price fills / touches the FVG. An alert will be triggered for Long trades where price is within this value above the High price. Alerts on Short trades are triggered based on the gap to Low price of the FVG.
Enable native alerts	Default: true	Set to true if you wish the alerts to be shown on screen
Enable sound alerts	Default: true	Set to true if you wish a default sound to ring when the alert is triggered.
Enable email alerts	Default: false	Set to true if you wish to receive an email when an alert is triggered. For this to work you will need to configure email alerts in the menu option; Tools->Options->Email
Enable push alerts	Default: false	Set this to True if you wish alerts to be sent direct to your phone using the MT4 App. You will need to download the App to your phone and configure it with your Metaquotes ID found under Tools->Options->Notifications
AlertEmailSubject	Default: FVG Alert	Defines what the email subject header should say for email alerts
Alert text	Default: FVG Alert	Defines what the content of the email alert should say. As well as on-screen native and push alerts to your MT4 App.
Print errors	Default: False	Helps with identifying and fixing bugs. Only turn this on when instructed by support in order to provide more details of an issue.