PSEDYS | TECHNICAL REFERENCE MANUAL V3.0

FVG — Fair Value Gap / Imbalance

FVG — Fair Value Gap / Imbalance

Technical Reference Manual v1.0

PSEDYS | Complete Edition
3-Bar Pattern · Gap High[i-2]/Low[i] · Fill · Partial Fill · Inverse FVG · ICT Concept · MTF · PSEDYS

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1. What is FVG? ICT Concept

FVG (Fair Value Gap) or **Imbalance** is a liquidity gap created by a strong movement in three consecutive bars, where the middle bar does not overlap with the surrounding bars. It represents an area of **imbalance** where trades were executed rapidly without an efficient bilateral market.

ICT Philosophy: The market tends to "fill" these gaps (inefficiency filling) because prices in the FVG area have not been validated bilaterally. Smart Money "retraces" FVGs to complete orders.

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2. Identifying FVG — Exact Formula

2.1 Bullish FVG

```
3-bar Pattern: Bar[i-2], Bar[i-1] (impulse bar), Bar[i]

Bullish FVG Condition:
  Low[i] > High[i-2]

FVG Zone:
  Bottom = High[i-2]   ← top of the bar before the impulse
  Top    = Low[i]      ← bottom of the bar after the impulse

Interpretation: Bullish gap — no bilateral transaction in this interval
Magnet: price will tend to return to the area [High[i-2], Low[i]]
```

2.2 Bearish FVG

```
Bearish FVG Condition:
  High[i] < Low[i-2]

FVG Zone:
  Top    = Low[i-2]    ← bottom of the bar before the bearish impulse
  Bottom = High[i]     ← top of the bar after the impulse

Magnet: price will tend to return to the area [High[i], Low[i-2]]
```

2.3 Numeric Example

Bullish FVG:

```
Bar[i-2]: H=100.50, L=99.80 → High = 100.50
Bar[i-1]: H=104.20, L=100.60 (bullish impulse bar)
Bar[i]:   H=105.00, L=101.20 → Low = 101.20

Condition: Low[i]=101.20 > High[i-2]=100.50 ✓
Bullish FVG: zone [100.50, 101.20] — gap of 0.70 pts
```

Bearish FVG:

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```
Bar[i-2]: H=106.00, L=104.50 → Low = 104.50
Bar[i-1]: H=104.30, L=100.80 (bearish impulse bar)
Bar[i]:   H=101.50, L=100.20 → High = 101.50

Condition: High[i]=101.50 < Low[i-2]=104.50 ✓
Bearish FVG: zone [101.50, 104.50]
```

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3. Fill vs Partial Fill

```
Full Fill: price fully retraces through the FVG zone (crosses both edges)
→ FVG "consumed" — no longer reacts

Partial Fill (50% FVG):
  Middle of FVG = (Top + Bottom) / 2
  → Price reaches 50% of the gap → partially filled zone
  → Probable reaction at 50% (ICT "Equilibrium")

Unfilled FVG:
  → Unconsumed FVG = active magnet for return
```

---

4. Inverse FVG

```
Bullish FVG fully consumed (price retraces through the gap):
→ Inverse FVG = zone becomes Bearish Resistance
→ Similar to Breaker Block (consumed OB)

Bearish FVG consumed:
→ Inverse FVG = zone becomes Bullish Support
```

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5. Trading Signals

5.1 FVG as Price Magnet

```
Price with unconsumed FVG "above" (bullish FVG):
→ Price will tend to return upwards to fill the FVG
→ If price is below bullish FVG: bullish bias (magnet up)

Price with unconsumed FVG "below" (bearish FVG):
→ Bearish bias (magnet down)
```

5.2 FVG as Entry Zone

```
Bullish Setup (bullish trend, retracement to bullish FVG):
1. Confirmed bullish trend (BOS, EMA stack)
2. Bullish FVG identified in recent structure
3. Price retraces to FVG
4. Long Entry at Bottom_FVG (lower edge of the gap)
   or at 50% FVG (equilibrium)
5. SL: below Bottom_FVG − 0.5×ATR
6. TP: High of bar[i] or higher structure

Bearish Setup (bearish trend, bounce to bearish FVG):
1. Confirmed bearish trend
2. Bearish FVG in bearish structure
3. Price bounces to Top_FVG
4. Short Entry at Top_FVG
5. SL: above Top_FVG
6. TP: Low structure or lower bullish FVG
```

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5.3 Combined Filters

```
# FVG detection
def find_bullish_fvg(highs, lows):
    fvgs = []
    for i in range(2, len(highs)):
        if lows[i] > highs[i-2]:
            fvgs.append({
                'bottom': highs[i-2],
                'top':    lows[i],
                'mid':    (highs[i-2] + lows[i]) / 2,
                'index':  i,
                'filled': False
            })
    return fvgs

# Entry at FVG
def price_in_fvg(close, fvg):
    return fvg['bottom'] <= close <= fvg['top']

entry_long = (
    trend_bullish and
    any(price_in_fvg(close, fvg) for fvg in bullish_fvgs if not fvg['filled']) and
    not chop_market    # ADX > 18
)
```

6. FVG vs Order Block vs Supply/Demand

Aspect	FVG	Order Block	Supply/Demand
Pattern	3 bars (gap)	1 opposite bar	1-3 base bars
Zone	Exact gap H[i-2]/L[i]	H/L of OB bar	H/L of base
Prerequisite	Visible gap	BOS + impulse	Impulse
Fill tendency	Yes (market refill)	Mitigation	Freshness
Combination	Often co-located with OB	May include FVG	Broader
Precision	Maximum (mathematically exact)	High (1 bar)	Moderate

FVG + OB in the same zone = strongest ICT setup

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7. MTF

```
FVG 4H/1D: major fill zones (may last days/weeks)
FVG 1H: meso zones (hours)
FVG 15M/5M: intraday zones for scalping

Rule: FVG on HTF → wait for LTF for entry precision
```

8. PSEDYS — FVG in Strategy

```
# FVG scanner for screener
def scan_for_fvg(symbols_data):
    signals = []
    for symbol, data in symbols_data.items():
        highs, lows, closes = data
        bull_fvgs = find_bullish_fvg(highs, lows)
        for fvg in bull_fvgs:
            if not fvg['filled'] and price_approaching_fvg(closes[-1], fvg):
                signals.append({'symbol': symbol, 'type': 'BULL_FVG', 'zone': fvg})
    return signals

# FVG monitoring
def update_fvg_fill_status(fvgs, current_high, current_low):
    for fvg in fvgs:
        if fvg['type'] == 'bull' and current_low <= fvg['top']:
            fvg['partial_fill'] = True
        if fvg['type'] == 'bull' and current_low <= fvg['bottom']:
            fvg['filled'] = True
```

9. Practical Exercises

Exercise 1: BTC with Unconsumed Bullish FVG at 63000-63500

Situation: BTC bullish trend. Bullish FVG at 63000 (bottom) - 63500 (top). Price at 64800 and retracing. ADX = 28.

Answer: Long Entry upon entering FVG. Unconsumed FVG = active magnet. Price retraces towards the gap. Aggressive Long Entry at 63500 (Top FVG) or standard at 63250 (50% FVG = equilibrium). SL below 63000 (Bottom FVG) − 200 pts buffer = 62800. TP at last High = 66000+. Good R:R with ADX = 28 (active trend).

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Exercise 2: Partially Consumed Bearish FVG — Still Valid?

Situation: ETH. Bearish FVG at 3100 (bottom) - 3250 (top). Price reached 3175 (50% fill). Now small bounce to 3200.

Answer: Partial fill — OB still holds at Top. 50% fill = equilibrium reached, but FVG not fully consumed. Top FVG at 3250 = more active resistance than Bottom. Short at 3200-3250 with SL above 3250 + buffer = 3280. TP at Bottom FVG = 3100 or lower structure. If price crosses 3250 with Close → FVG fully consumed, look for Inverse FVG or higher zone.

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10. Cheat Sheet — Quick Summary

Concept	Rule
Bullish FVG	`Low[i] > High[i-2]` (3-bar gap)
Bearish FVG	`High[i] < Low[i-2]` (3-bar gap)
Bull FVG Zone	`[High[i-2], Low[i]]`
Bear FVG Zone	`[High[i], Low[i-2]]`
50% FVG	`(Top + Bottom) / 2` — Equilibrium
Full fill	Price crosses both edges → FVG consumed
Unfilled FVG	Active magnet for price return
Inverse FVG	Consumed FVG → reversed zone (support ↔ resistance)
FVG + OB	Co-location = strongest setup
Bull Entry	At Bottom_FVG or 50%
Bull SL	Below Bottom_FVG
MTF	HTF FVG > LTF FVG in importance
Error Cause #1	Low[i] > High[i-1] (2 bars) instead of High[i-2] (3 bars)

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