

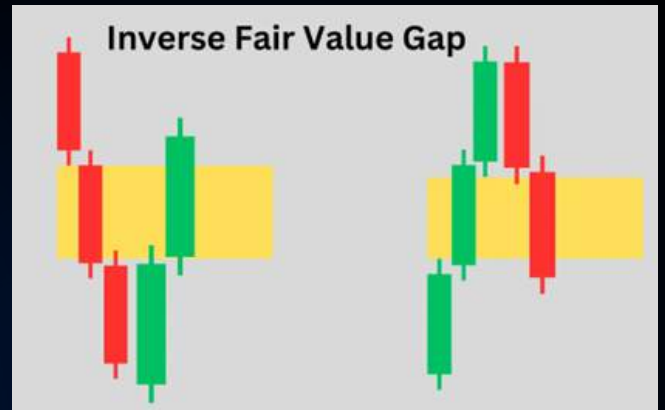
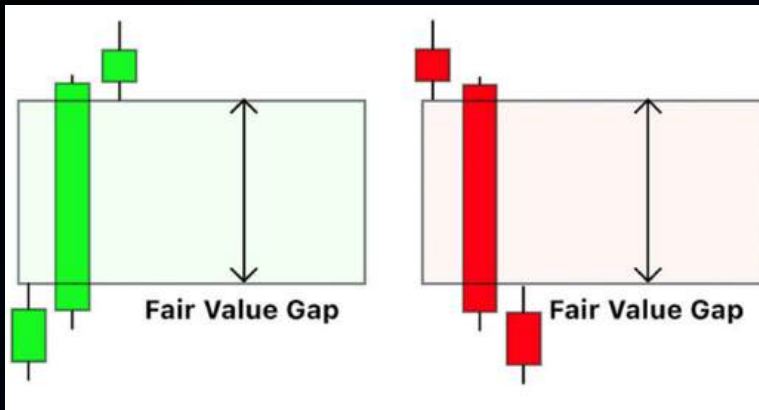
Justin Werlein's Forever Model

FX REPLY

Backtesting Reimagined

Educational Components

Fair Value Gap (FVG) and IFVG: Non-overlapping wicks before and after a candle. Considered an inverse FVG (IFVG) after price closes back through it.



Change in state of deliver (CISD):
Closure past body of recent price leg

Premium/Discount: only short in premium, long in discount

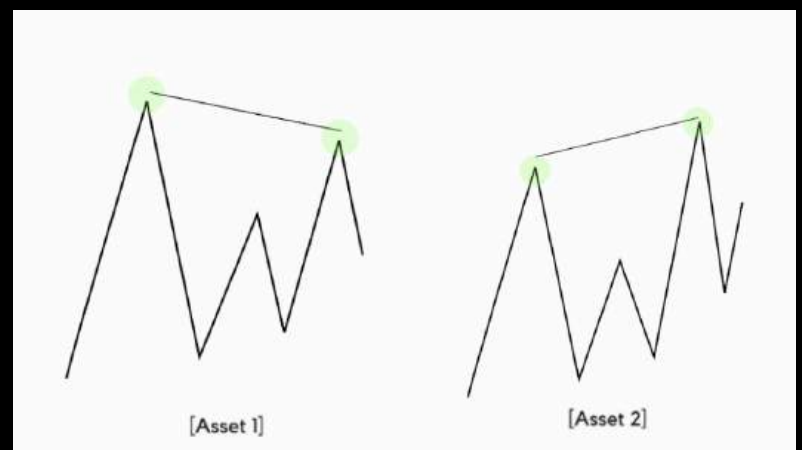
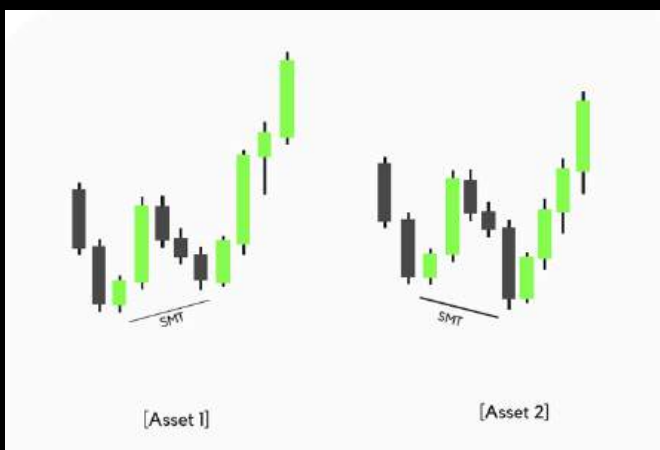


SMT Divergence: 'crack in correlation' between highly correlated assets

- Most easily identified by comparing wick H/L between assets
- Can also occur by comparing candle bodies (this is called 'Hidden SMT')

Bullish SMT Divergence

Bearish SMT Divergence

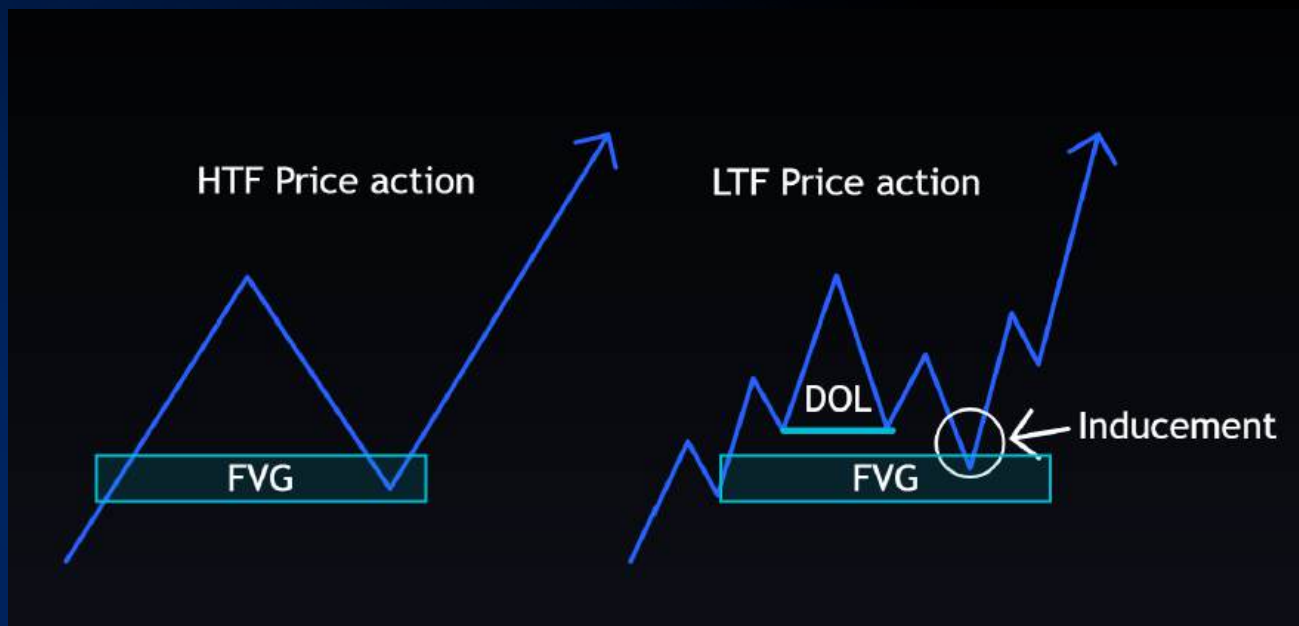


Educational Components cont.

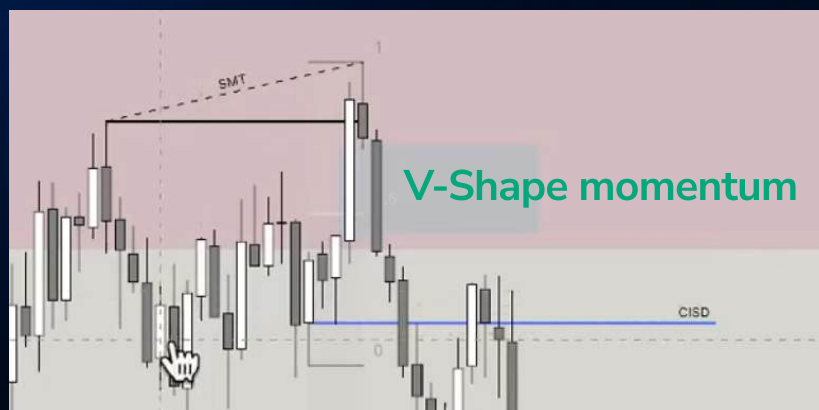
Draws on liquidity (DOL): relative equal H/L > trend line liquidity > buy-side/sell-side liquidity (internal H/L, session H/L, etc.)



Inducement: LTF liquidity sweeps, often into HTF points of interest (POIs)



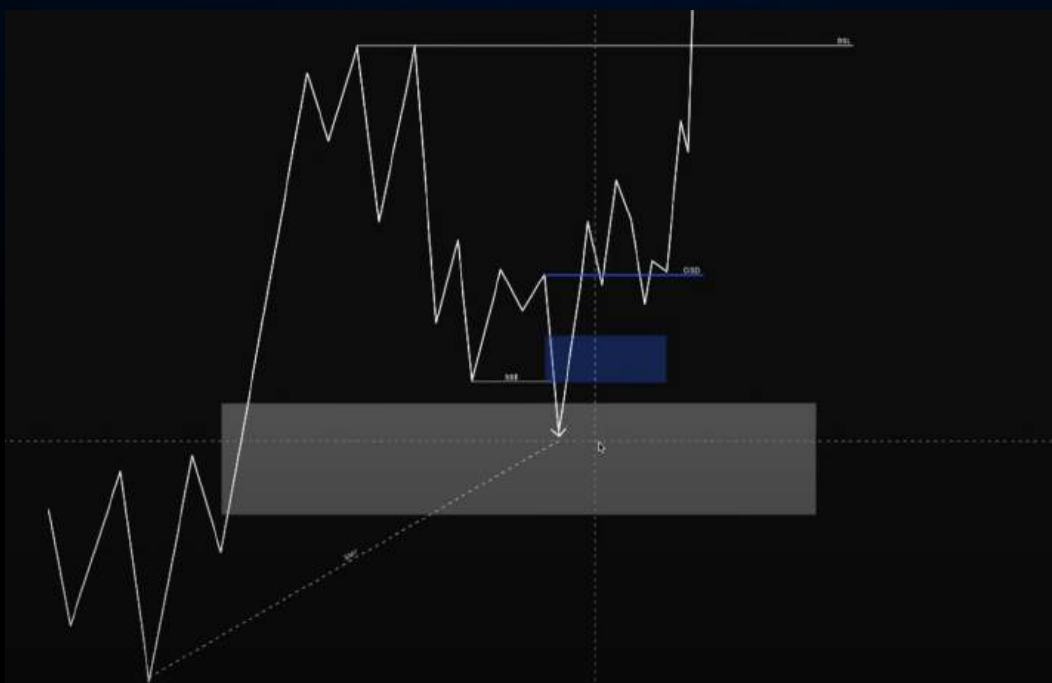
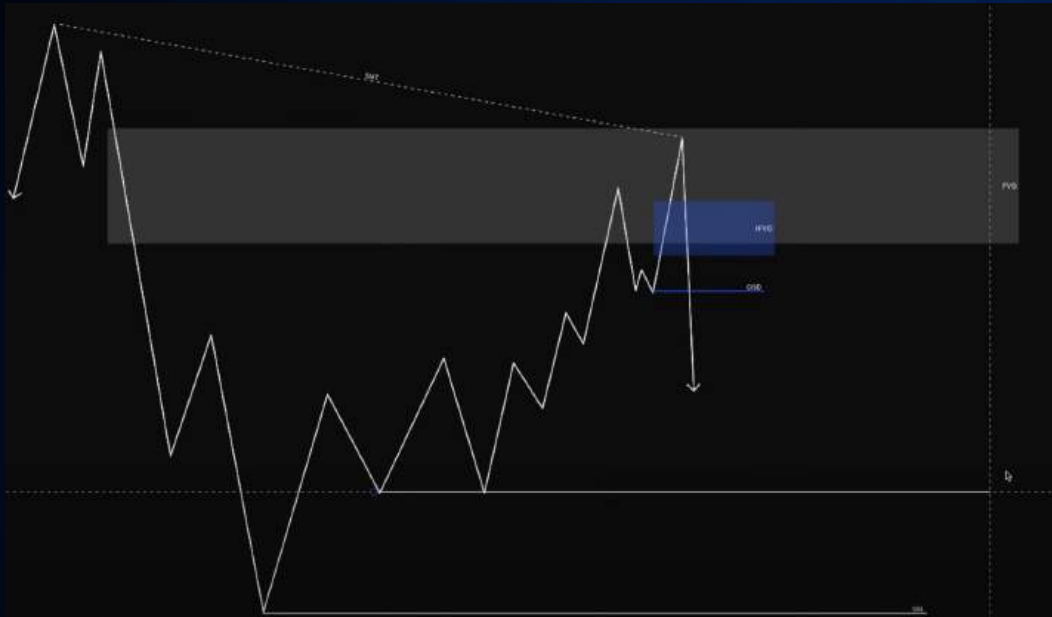
(Bonus) V-shape momentum for higher probability reversals: one way to spot higher probability reversals is to look for V-shape momentum where price very quickly inverts previous FVG(s) and forms a CISD.



Strategy Details

General parameters: (New York session): 1, 3, or 5m time-frame for execution, 1hr time-frame for HTF analysis. NQ/ES, entries in NY am session ideally.

Initial Condition: The first thing is to try and identify a clear draw on liquidity (DOL), and then a 1hr FVG in line with premium/discount that price could potentially pull back into before heading towards the DOL.



Strategy Details

Entry Model: After price pulls back into the 1hr FVG with inducement, look for an IFVG and CISD to follow. Entry will be on a retest of the CISD, with stop loss at the recent high or low.



Take Profit: Use a standard deviation projection of the inducement leg to project out 2 - 2.5 standard deviations for a TP, and if that doesn't provide 2R+ then target next internal H/L or liquidity.

Trade management: For simplicity, no trade management. However, if there is conflicting SMT divergence, that is also usually a good time to trim and/or close the trade.

"Trading is not about being right all the time, but about staying disciplined every time."

Strategy Details

Other rules & considerations:

- No trades right before red folder news
- No trade if it doesn't provide at least 2R
- Could consider using entry at a retest of the IFVG instead of the CISD.
- Could consider using other 1hr POIs in addition to just FVGs, such as order blocks, breaker blocks.

Trade Checklist

- ✓ *Identify 1hr FVG & DOL away from it*
- ✓ *Check for premium/discount. Only shorts in premium, longs in discount*
- ✓ *(Optional) Look for SMT Divergence*
- ✓ *Watch for inducement, IFVG, & CISD.
Bonus if v-shape*
- ✓ *Limit entry on CISD retest, target
opposing liquidity for 2R+*

Remember, if any of the parameters are missing, the trade quality is reduced. Aim to only take A+ setups!

Examples

E-MINI NASDAQ-100 FUTURES - 5 - CME on FXReplay 🌞 O21,601.75 H21,631.00 L21,601.75 C21,622.25 +20.75 (+0.10%)

▼ 1



FX REPLY

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it's time to practice! Luckily, we have a platform you can do
that for FREE.



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