

*JJ Simon's Fair Value Theory  
NQ Strategy*

**FX REPLY**

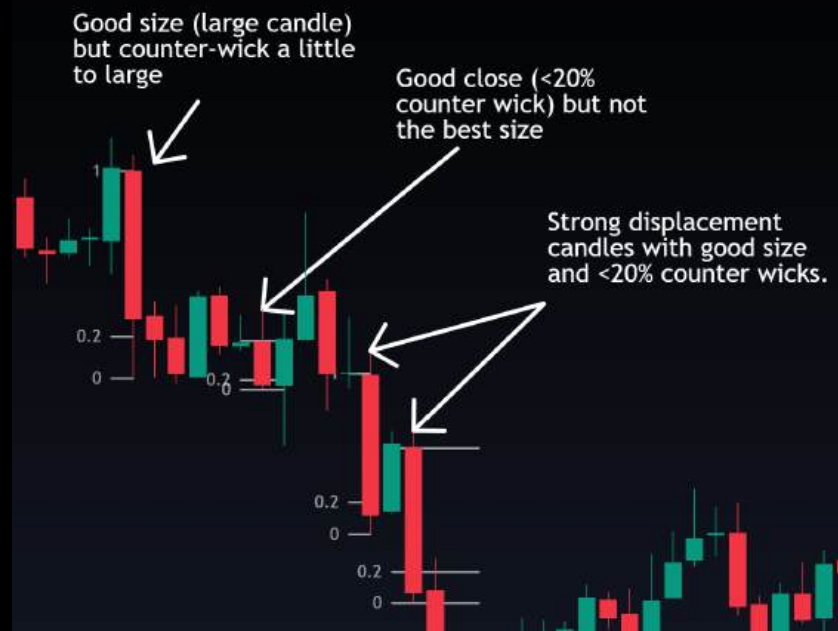
Backtesting Reimagined

# Educational Components

**Market Structure Break (MSB):** Close past wick H/L of recent price leg. You may also hear break of structure (BOS) which is similar, but indicating trend continuation whereas MSB indicates possible reversal of trend.



**Displacement Candle:** A candle that closes decisively (small 'counter-wick') and ideally is larger than the candles before it. For a more mechanical definition, require 'counter-wick' to be less than 20% of the distance from the candle's open to counter wick h/l, visualized below. Fib retracement settings use 0, 0.2, and 1. 'Large candle size' is discretionary so it's optional.



# Strategy Details

**General parameters:** 1m time-frame, NQ, entries 9:30-11am NY time, 2-3pm NY time. Could also test first 90m after Asia & London market opens.

**Fair Value Theory:** If there is no 'new' information for the market to price in, it is most likely going to revert back to 'fair value.' JJ has found 9:30 market open price and 2pm NY afternoon to often act as fair value.

**Timing:** Look for continuations away from the fair value the first ~10-15m and then look for mean reversions back to fair value the rest of the trade window.

**Entry Model:** Look for displacement candle + BOS or MSB. Then market enter targeting 1.5R, no trade management.



**Stop loss distance:** He most often uses 25 point SL and 37.5 point TP for 1.5R, but mentioned in more volatile times he will do 50 point SL and 75 point TP. Use the below ATR (avg. true range) guidelines to determine SL distance:

- Above 20 ATR: 50 point SL, 75 point TP (one point = \$1 on NQ).
- 7-20 ATR: 25 point SL, 37.5 point TP
- Below 7 ATR: 16.5 point SL, 24.75 point TP

These SL distances with 1, 2, or 3 NQ contracts equates to \$1k risk per trade.

# Strategy Details

## Other rules & considerations:

- It may be best to avoid the first 3m after 9:30 market open
- Session VWAP could be a confluence to test; he had it on his chart examples sometimes
- If trading Asia session, only trade it if it provides a surge in volume/volatility
- 2nd attempts may be ok, but best to collect the data to confirm
- Could also trade 8:30am red folder news reversions to price before news.
- Could also consider taking additional continuations after price returns back to fair value, but you would probably want to use a separate tag for those.
- It may be best to not trade the 2nd hour of NY trade windows (optimization)
- You can trade mean reversions either side of fair value

## Trade Checklist

- ✓ *Wait for BOS/MSB + Displacement  
Candle continuation first 10-15m*
- ✓ *Or Wait for MSB + Displacement  
candle back to Fair value price*
- ✓ *Use ATR to determine SL distance*
- ✓ *1.5R Take Profit, no trade management*

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

# Examples

BOS with strong displacement candle, market entry targeting 1.5R  
(either continuation or mean reversion back to reference price)



# FX REPLAY

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