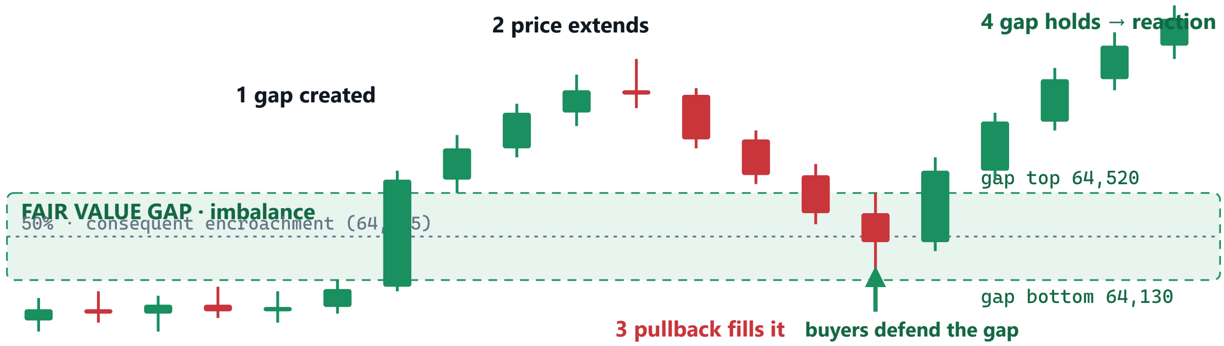
FIELD GUIDE · IMBALANCE & INEFFICIENCY

Anatomy of a fair value gap

When price moves so fast it skips levels, it leaves an un-traded gap — an imbalance. The market tends to return later to rebalance it. Here's how an FVG is created, and how it gets filled.

QUANTREEF
market microstructure



PHASE 1 · CREATION

The gap is created

A fast, one-sided move over three candles: a normal candle, a big impulse, then continuation — so quick that no trading happens in the middle.

`gap = C1 high → C3 low`

PHASE 2 · EXTENSION

Price runs on

The move continues and leaves the gap behind as un-traded “fair value” — unfinished business sitting below price.

`gap 64,130 – 64,520`

PHASE 3 · THE FILL

Pullback rebalances

Later, price retraces into the gap to fill the inefficiency. The 50% level — consequent encroachment — is the one to watch.

`50% → 64,325`

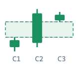
PHASE 4 · REACTION

Gap holds or breaks

If the imbalance still matters, buyers defend the gap and price bounces — it acted as support. A decisive close through = filled and spent.

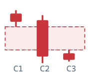
`bounce → continuation`

The three-candle rule `gap = the un-traded space`



Bullish FVG

Gap between **candle 1's high** and **candle 3's low**. C3's low never trades down to C1's high — that space is the gap. Acts as demand / support below.



Bearish FVG

Mirror image: gap between **candle 1's low** and **candle 3's high** after an impulsive drop. Acts as supply / resistance above.

Why it forms & how it fills

Why it forms

Aggressive one-sided order flow with thin opposing liquidity — price skips levels. Common at breakouts, news spikes, and right after a liquidity sweep.

How it fills (mitigation)

Price tends to retrace to rebalance the inefficiency. A tag of the **50%** (consequent encroachment) is often enough; a move through the far edge is a **full fill** — the gap is closed and spent.

How traders use it

Treat the gap as a support/resistance **zone**, not a line. Look for a reaction on the tag; a decisive close straight through it invalidates the zone.

WHAT THE % ON QUANTREEF'S FVG CARD MEANS

It is a **descriptive base rate** from public price history — how often gaps like this one have been filled before. It is **context, not a prediction**, and not an engine probability or a trade instruction. A high fill-rate tells you the gap is likely to get revisited eventually; it says nothing about *when*, or which direction pays.