

SMART MONEY CONCEPTS · LESSON 8

Fair Value Gap

The three-candle box every SMC chart is full of. What it is, what it is not, and what 3,404 of them did next.

Time

35 min

You need

Lessons 3–7 + TradingView (free)

Data

Real US stock data · daily

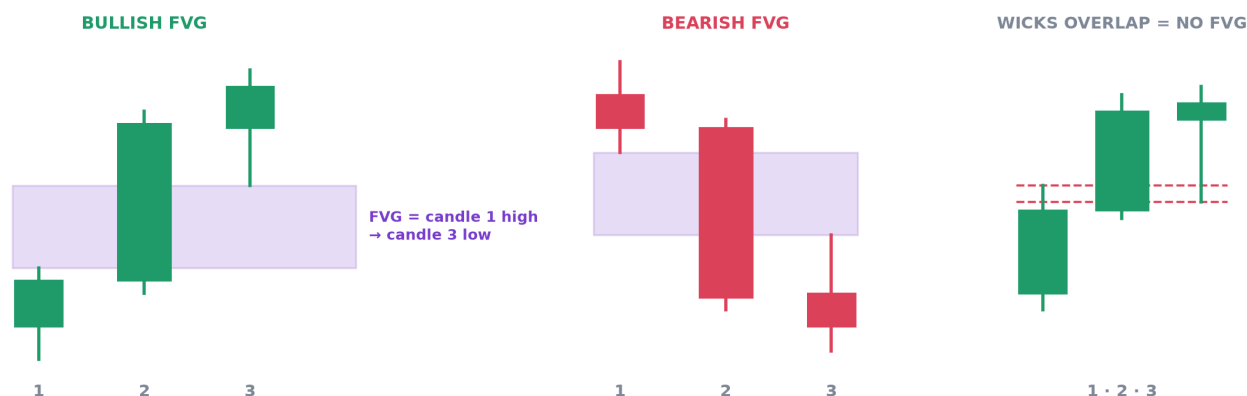
WHAT YOU WILL BE ABLE TO DO

Draw the box correctly, then judge it with numbers — not with the story.

- 1 Mark a fair value gap from three candles, wick to wick, and tell it apart from an overnight gap and a volume imbalance.
- 2 Measure what matters: box size in ATR (the average daily range), the first touch, and whether that touch held.
- 3 Use it as one checklist item, not a prediction: big gap, with the trend, first touch only, stop past the far edge.

The anatomy

Price moved so fast that candle 1 and candle 3 never traded at the same prices. Candle 2 raced through that space. The space — from candle 1's wick to candle 3's wick — is the **fair value gap (FVG)**. ICT calls a bullish one BISI and a bearish one SIBI: same box, different name.

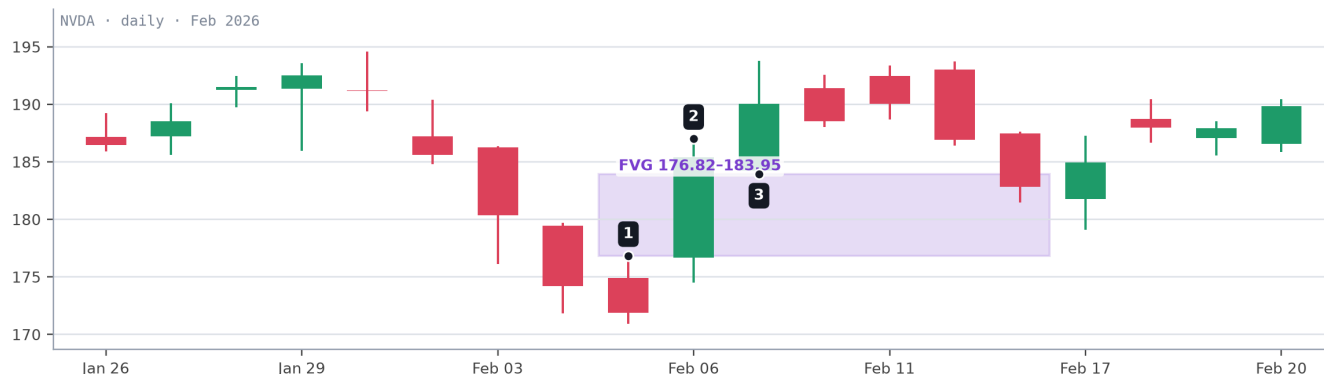


Draw wick to wick, never body to body. Bullish: candle 1's **high** must stay below candle 3's **low**. Bearish: candle 1's **low** must stay above candle 3's **high**. If the wicks overlap, there is no gap — no matter how big candle 2 is.

CONCEPT 1 • WHAT AN FVG IS

Three candles. Candle 1 and candle 3 never touch.

NVDA, February 2026. Candle 1 (Feb 5) had a high of 176.82. Candle 2 (Feb 6) closed **+7.9%** higher at 185.41. Candle 3 (Feb 9) never dipped below 183.95. The box 176.82–183.95 is the FVG: $1.06 \times \text{ATR}$ tall, so a real-sized gap, not a crack.



CONCEPT 1B • FVG VS OVERNIGHT GAP

On stocks, most FVGs start with a gap — but they are not the same box.

In our 8 stocks, 80.7% of bullish FVGs had an opening gap inside them. SPY, election week 2024: Nov 5's high was 576.74, Nov 6 opened at 589.20. The **opening gap** (2 candles) runs up to Nov 6's low, 585.39. The **FVG** (3 candles) runs up to Nov 7's low, 593.00: same start, bigger box. FVG traders saw a touch on Nov 14. Gap traders waited until Jan 13, 2025, when SPY traded at 575.35.

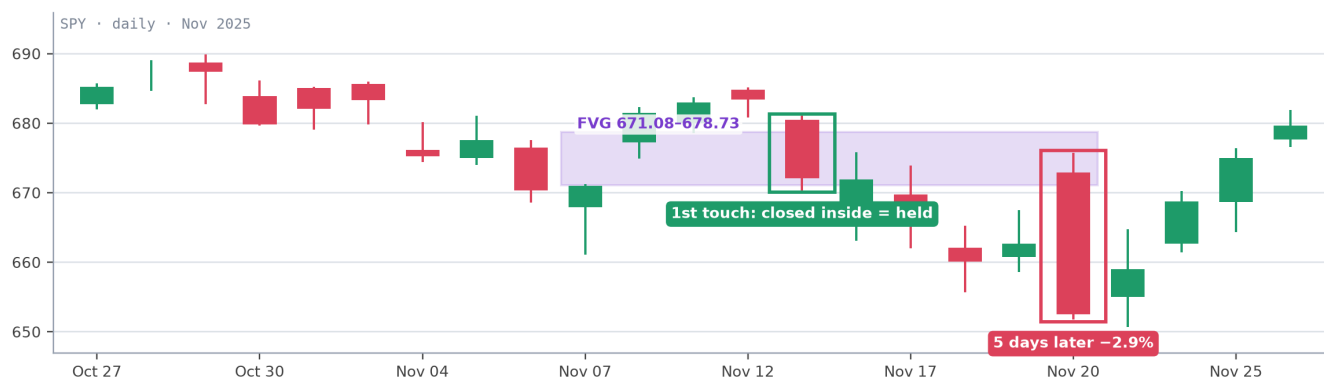


The reverse is not true either: only 67.0% of opening gaps left an FVG. Forex has almost no overnight gaps; its FVGs form inside the day, on 15-minute or 1-hour charts — same three-candle rule.

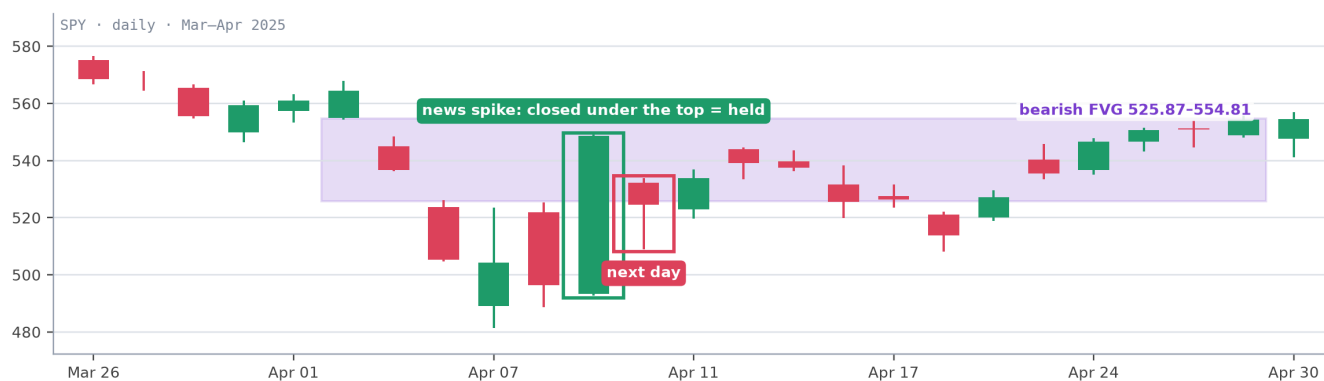
CONCEPT 2 • THE FIRST TOUCH

"Held" has one meaning: the touch day did not close through the far edge.

After the gap forms you wait for price to come back into the box. The **first touch** is where traders look for a reaction. For a bullish FVG it **held** if that day closed above the bottom of the box; it **failed** if it closed below. SPY, November 2025: the box ran from 671.08 to 678.73. On Nov 13 price wicked to 670.52 and closed at 672.04, inside the box. Held. Five sessions later SPY closed at 652.53.



Held is not profit. The box did its job by definition and the trade still lost. Bearish gaps work the same way upside down. April 2025, the tariff drop: Apr 2's low 554.81, Apr 4's high 525.87. On Apr 9 tariff-pause news lifted SPY **+10.5%** into the box; it closed at 548.62, still under 554.81. The next day it closed at 524.58. The jump came from news, not from the gap — the gap only capped it.



THE HONEST NUMBERS • 3,404 BULLISH FVGs, 8 STOCKS, UP TO 10 YEARS

FVGs get revisited — about as often as any random level.

MEASURE	BULLISH FVGs	CONTROL: ANY RANDOM LEVEL
Touched within 5 days	65.8%	68.4% (any day's low revisited)
Touched within 120 days	89.2%	89.9%
Filled completely (wick through the far edge)	81.7%	—
Never touched in 120 days	10.8%	—
Held on 1st touch — big gaps (≥ 0.5 ATR)	89.8%	92.5% (random 1-ATR box)
Held on 1st touch — small gaps	63.8%	66.7% (random $\frac{1}{4}$ -ATR box)
Closed higher 5 days after the touch	59.7%	56.8% (any day)

Read the table slowly. Price comes back to gaps because price comes back to *most* nearby levels. Big gaps "hold" more because a wide box is simply harder to close through — a random box of the same width holds just as often. And after the touch, the direction edge is about 3 points over any day.

Failed example — a small TSLA gap. Dec 10, 2024 high 409.73, Dec 12 low 415.00: a 5.27-dollar box, $0.30 \times \text{ATR}$. First touch on Dec 31: the day closed at 403.84, under the box. Failed. A box that thin is a crack, not a level.



And some never fill. PLTR, Nov 2024: Nov 4 high 42.04, earnings, Nov 6 low 51.61 — a $4.45 \times \text{ATR}$ gap. The closest PLTR came was 53.55 the next day. It never went back. Fading a gap because "it has to fill" is a story, not a rule.

THE PART THAT ACTUALLY MAKES MONEY

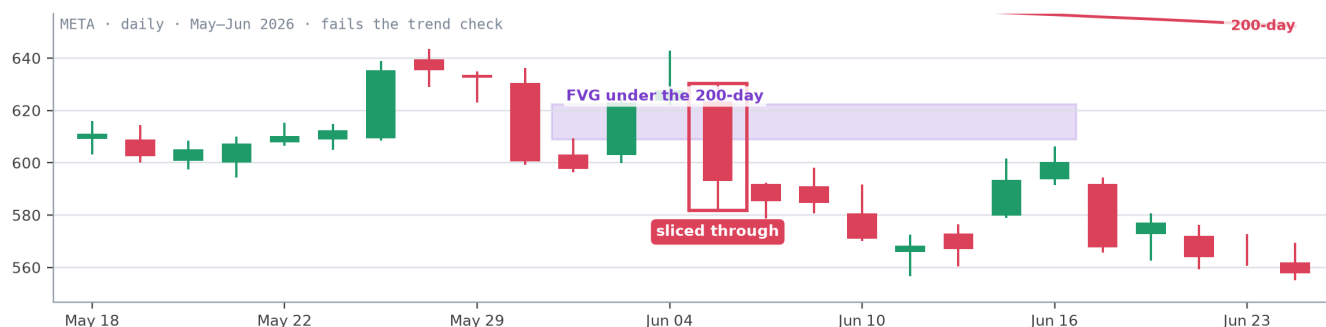
A checklist, not an edge: big, with the trend, first touch, stop past the far edge.

Bullish gaps above the 200-day average held 75.0% on the first touch; below it, 67.9%. Among big gaps above the 200-day (1,006 cases) 89.9% held and 62.3% closed higher 5 days later, against 56.8% for any day. The trend filter mostly keeps you on the market's side; it adds little by itself.



META was above its 200-day (628.31). Jul 29 high 724.47, Jul 31 low 765.51: a big gap. First touch Aug 1 closed at 750.01, inside the box — held, stop under 724.47. Aug 8 closed at 769.30 (+2.6%). But on Oct 1 META closed at 717.34: the stop would have been hit. One example proves nothing; the stop is what keeps a failure small. Size the trade from the stop distance (≈1% account risk).

Skip example — META, June 2026. Box size passed (0.83 ATR), trend failed: price was under the 200-day (663.24). Jun 5 sliced through and closed at 593.00. Later rallies stalled at 601.27 and 605.81, under the old box — a broken gap acting as resistance, the inverse FVG of Lesson 9.



FIVE WAYS TRADERS MISUSE FVGs

Common mistakes

- 1 **Calling every empty space an FVG.** The rule is three candles, wick to wick. Overlapping wicks = no gap, however big candle 2 is.
- 2 **Treating the overnight gap and the FVG as one box.** The FVG is usually bigger and gets touched sooner. SPY's election FVG was touched in days; the opening gap took two months.
- 3 **Trading thin gaps.** Gaps under 0.5 ATR held only 63.8% of the time on the first touch. Measure the box against ATR before you care about it.
- 4 **Fading a move because "gaps always fill".** About 1 in 9 bullish FVGs (10.8%) was never touched in 120 days. PLTR's Nov 2024 gap never came back.
- 5 **Ignoring the trend.** A bullish gap under a falling 200-day average is a gap against the market. META June 2026 sliced straight through.

Before you act on an FVG — tick all five

- ☐ Three candles, wick to wick: candle 1 high < candle 3 low (bullish) — measured, not eyeballed.
- ☐ Box $\geq 0.5 \times \text{ATR}(14)$ on the day candle 3 closed.
- ☐ With the trend: price above the 200-day for a bullish gap (below for bearish), ideally right after a break of structure (Lesson 3A).
- ☐ First touch only. A gap that already got touched is used.
- ☐ Stop past the far edge of the box; size so that stop = about 1% of the account. Logged in fillscope.com before entry.

FVG + order block? Same push, two footprints (Lesson 7). Raw numbers look great — 84.2% vs 72.6% held — but among big gaps only it is 93.1% vs 89.0%. The block adds little once you control for size.

DRILL • 15 MINUTES • NO PEEKING

Three real gaps. Draw the box, measure it, take it or skip it.

Chart 1 • AMD, dashed candle = candle 3 (Jun 15, 2026). Mark the FVG. Size in ATR? With the trend? Take it or skip it?



Chart 2 • QQQ, dashed candle = candle 3 (Jun 16, 2026). Is there an FVG? How big is it? Would it pass your checklist?



Chart 3 • COIN, dashed candle = candle 3 (Jul 2, 2026). The gap is big. Does that make it a trade?

Then on TradingView

Open NVDA, daily, 2026. Find every bullish FVG of at least 0.5 ATR above the 200-day average (use the free "Fair Value Gap" indicator by LuxAlgo or draw them by hand). For each, write the first-touch date and whether it held. Log your best one as a paper trade in fillscope.com with the stop past the far edge.

ANSWER KEY

What the three gaps did



Chart 1. Take it. FVG 490.46–530.50, $1.13 \times \text{ATR}$, AMD far above its 200-day. First touch Jun 16 closed at 507.29: held. Five sessions after the touch: **+2.5%**. Stop under 490.46.



Chart 2. Skip it — too small. FVG 724.01–729.64 is only $0.33 \times \text{ATR}$. First touch Jun 17 closed at 722.51, under the box: failed, the next day.



Chart 3. Skip it — against the trend. Big ($1.32 \times \text{ATR}$) but COIN was under its 200-day. The first touch on Jul 6 held — and five sessions later COIN was **-6.8%**. Held is not profit.

Journal template (copy into fillscope.com)

DATE	SYMBOL	FVG (LOW-HIGH)	SIZE (ATR)	TREND (200-DAY)	1ST TOUCH: HELD?	5-DAY RESULT

Next: Lesson 9 — Inverse FVG & consequent encroachment. What a gap becomes after it breaks, and what the 50% line inside it is worth.

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