TBF TRADING ACADEMY

Fair Value Gaps (FVG)

Imbalance zones left behind by aggressive institutional orders.

Module: 02 — Imbalance

For educational purposes only. Trading involves risk of loss.

What is a Fair Value Gap?

A Fair Value Gap is a three-candle formation where the wick of candle 1 and the wick of candle 3 do not overlap, leaving an untraded price range on candle 2. It represents an area where price moved so aggressively that buyers and sellers were not able to transact fairly.

Anatomy

- Bullish FVG: the low of candle 3 is above the high of candle 1.
- Bearish FVG: the high of candle 3 is below the low of candle 1.
- The gap itself is the imbalance — price often returns to rebalance it.

Why FVGs matter

Institutions leave FVGs behind when they fill large orders quickly. Because that liquidity was inefficient, price tends to revisit the zone to re-fill orders before continuing.

Two ways to use an FVG

- Entry: enter on the retrace into the FVG, targeting the prior swing.
- Target: use an unfilled FVG on the higher timeframe as a magnet for price.

Quality checklist

- The FVG forms in the direction of HTF bias.
- It sits inside or adjacent to a valid order block.
- The impulse that created it broke structure (BOS).
- It has not been mitigated yet — first touch is highest probability.

Invalidation

A bullish FVG is invalidated once price closes fully below the low of the gap. A bearish FVG is invalidated once price closes fully above the high of the gap. Wicking through is not invalidation — a candle body close is.

Fair Value Gaps — Chart Example