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Inverse Fair Value Gap (IFVG) in ICT Trading Strategies - Guide

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Article Level: Intermediate

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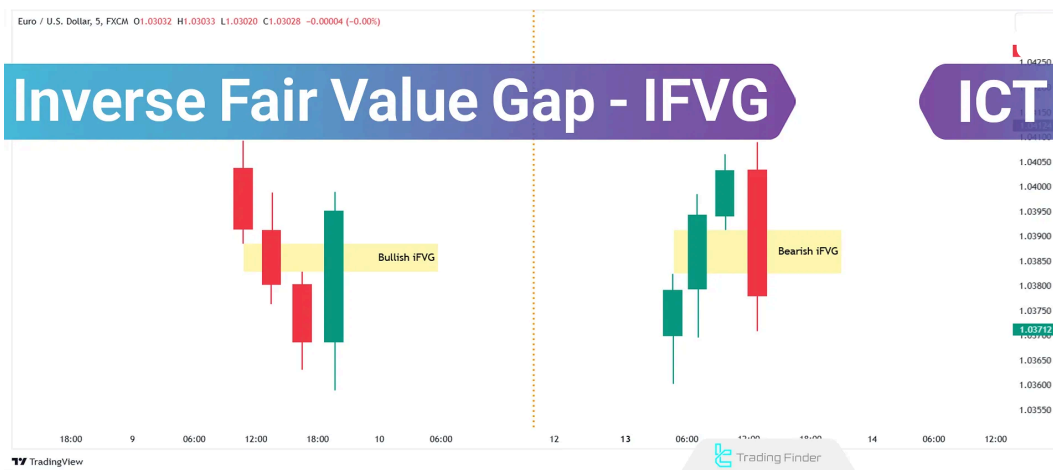
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The **Inverse Fair Value Gap (IFVG)** is an advanced **ICT trading concept** that identifies **key supply and demand zones**.

This gap occurs when a **Fair Value Gap (FVG)** is invalidated in one direction but becomes an effective zone for price reversal in the **opposite** direction.



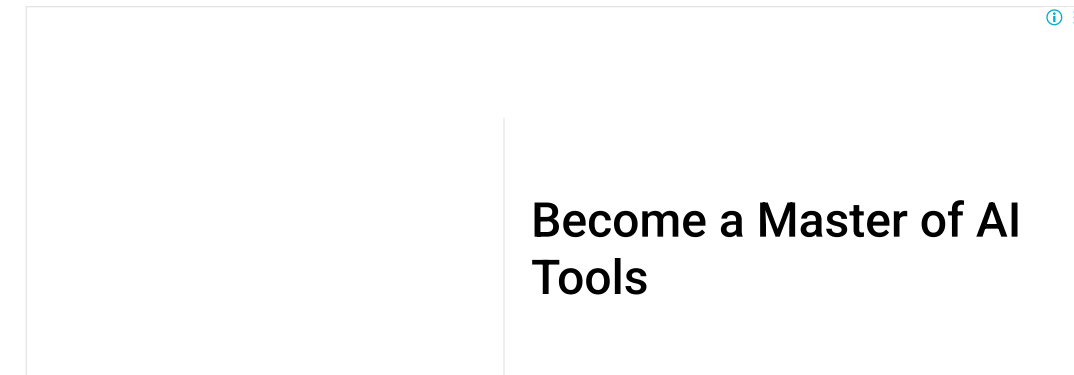
Understanding Inverse Fair Value Gap (IFVG) in ICT Trading

Bullish and Bearish IFVGs, combined with principles like **Market Structure Shifts (MSS)** and **Premium/Discount zones (PD)**, identify high-probability trading opportunities.

What is the Inverse Fair Value Gap (IFVG)?

The **Inverse Fair Value Gap (IFVG)** refers to a gap that fails to sustain the price in its initial direction.

Essentially, it is a **regular Fair Value Gap (FVG)** type that remains a valuable supply or demand zone in the opposite direction despite being invalidated in one specific direction.



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Advantages and Disadvantages of Inverse Fair Value Gap

Like any technical concept or tool, trading based on the Inverse Fair Value Gap has unique strengths and weaknesses. **Pros and Cons of IFVG:**

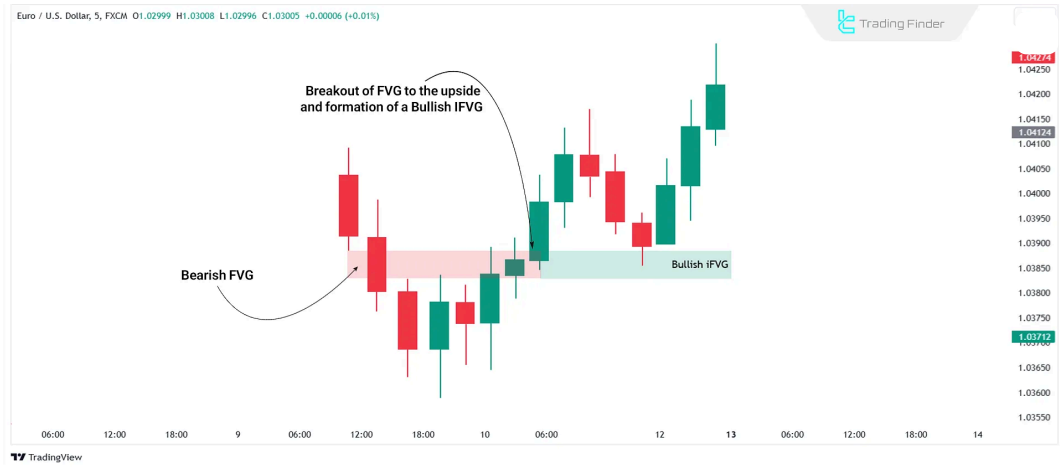
Advantages	Limitations
Provides an early signal for reversal points	It can sometimes produce false signals
Enables early trade entries	Dependent on market conditions
Improves risk-reward ratio	Requires integration with other tools

Types of Inverse Fair Value Gaps

Inverse Fair Value Gaps (IFVG) are divided into **Bullish IFVGs** and **Bearish IFVGs**.

Bullish Inverse Fair Value Gap (Bullish IFVG)

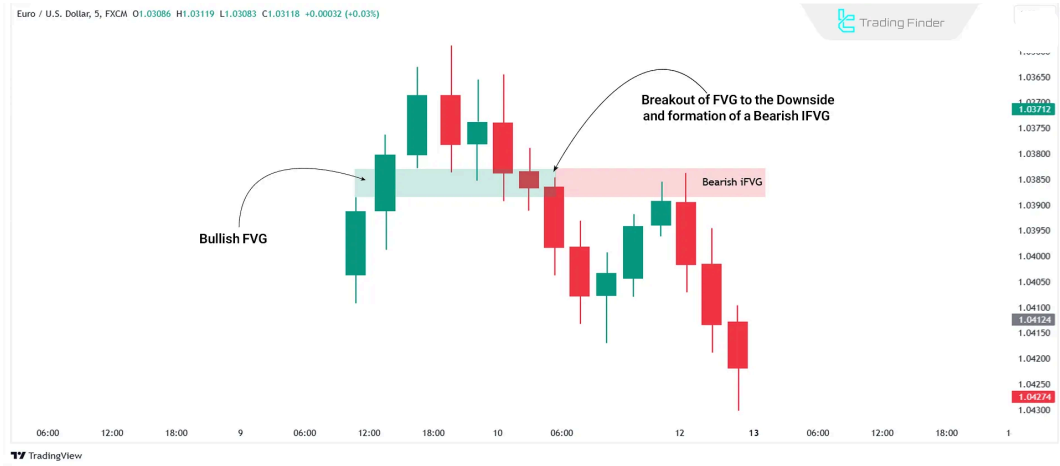
This type of gap forms when a **Bearish FVG** fails to push the price downward. The price then breaks **upward** through the gap, invalidating it. Ultimately, this level acts as a **demand** zone, triggering a **bullish** movement.



Breakout of FVG in the upside trend and formation of a Bullish Inverse Fair Value Gap (IFVG)

Bearish Inverse Fair Value Gap (Bearish IFVG)

In this scenario, a **Bullish FVG** is broken **downward** by the price, losing its validity. This zone then transforms into a **supply** area where a bearish movement begins.



The formation of a Bearish IFVG is depicted in three stages

Identifying High-Probability Inverse Fair Value Gaps

The likelihood of spotting an Inverse Fair Value Gap (IFVG) exists across any point on the chart. To identify **high-probability IFVGs**, consider the following key points:

#1 Liquidity Areas

IFVGs that emerge after clearing liquidity zones are more likely to hold prices. These liquidity zones include:

- ⚡ **Highs and Lows of the Day (HOD/LOD)**
- ⚡ **Session Highs and Lows**
- ⚡ **Equal Highs and Lows**
- ⚡ **Support and Resistance Zones**
- ⚡ **Swing Highs and Lows**

In a downtrend, **lower highs** often act as liquidity inducement zones (IDM), which the price clears before continuing the bearish move.

#2 Premium and Discount Zones (PD Zones)

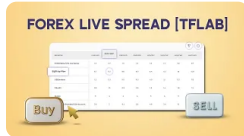
Identifying premium and discount zones is another effective method to locate high-probability IFVGs. Here's how to define these zones:

- ⚡ In an **uptrend**, the **discount zone** is the lower half of the move, while the **premium zone** is the upper half.
- ⚡ Typically, prices retrace at least **50%** before continuing. Thus, supply or demand zones within the discount area are more likely to hold prices.

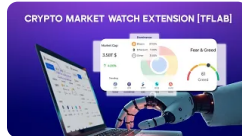
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How to Trade Using Inverse Fair Value Gap (IFVG)?

IFVG is not a standalone trading strategy but a concept that enhances understanding of price behavior. To use it effectively, combine it with other ICT principles.

#1 Identifying Liquidity Sweep

The first step is recognizing the liquidity area likely to be swept before the trend continues. Ideally, liquidity should exist on the side **opposite** your expected trend.

Example: An uptrend is expected on **EUR/USD** chart. However, a notable swing low serves as sell-side liquidity.



Liquidity sweep on the 15-minute EUR/USD chart for IFVG trading

#2 Trade Entry

First, identify the regular FVG that forms after liquidity is swept on the chart:



Identifying FVG on the 5-minute EUR/USD chart for potential IFVG

Next, wait for the price to break through the FVG in the opposite direction, forming an IFVG:



Bullish IFVG formation after an FVG break on the 5-minute EUR/USD chart

#3 Risk Management

Trading IFVG or any other strategy requires practical risk management tools. Use the following tips for stop-loss and take-profit placement:

- ⚡ **Stop Loss (SL):** Place your SL below the nearest low or above the nearest high before the IFVG formation.
- ⚡ **Take Profit (TP):** Set your TP at a significant high or low on the opposite side of the trade.



Entry setup on the price retracement to the IFVG in the 5-minute EUR/USD chart

Conclusion

The **ICT Inverse Fair Value Gap (IFVG)** is an advanced analytical tool for identifying **key entry or exit zones**.

It forms when an **FVG** becomes invalidated in one direction and transforms into an effective zone in the **opposite direction**.



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FAQs

What is an Inverse Fair Value Gap (IFVG)?



An IFVG refers to a gap that initially loses its validity in one direction but becomes a key supply or demand zone in the opposite direction. It indicates a price reversal or trend continuation.

What is the difference between FVG and IFVG?



A regular Fair Value Gap (FVG) is a price zone left unfilled during a move, acting as a potential reversal or continuation area. An IFVG, on the other hand, is an FVG that fails in one direction but gains importance in the opposite direction.



IFVGs often appear near key areas such as daily highs/lows, cleared liquidity zones, or within premium/discount zones.

Are IFVGs sufficient for trading alone?



No, IFVGs should be combined with other technical concepts like market structure shifts and liquidity inducement to increase the probability of success.

When are IFVGs most effective?



IFVGs formed after clearing liquidity in discount or premium zones are more likely to hold price and offer trading opportunities.

How are Stop Loss (SL) and Take Profit (TP) levels determined for IFVG trades?



· **Stop Loss (SL):** Place SL below the nearest low or above the nearest high prior to IFVG formation.

· **Take Profit (TP):** Use simple targets like a favorable risk-reward ratio or significant opposing liquidity zones.



Can IFVGs be applied to all markets? Yes, IFVGs work across financial markets, including Forex, stocks, and cryptocurrencies. However, their effectiveness depends on market conditions and volatility.

What is the difference between Bullish and Bearish IFVGs?



· **Bullish IFVGs:** Form when a bearish FVG is invalidated upward, turning into a demand zone.

· **Bearish IFVGs:** Occur when a bullish FVG is invalidated downward, becoming a supply zone.



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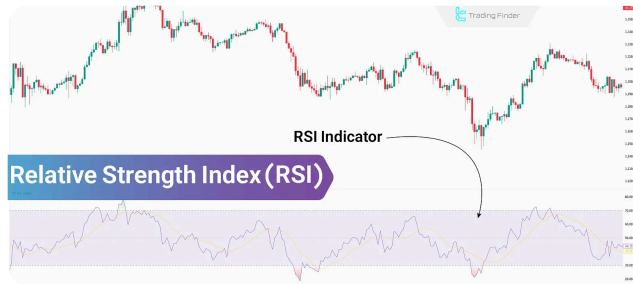
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