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Optimizing Risk/Reward Ratio by Refining Entry on Lower Timeframes (ICT & SMC)

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Article Level: Intermediate

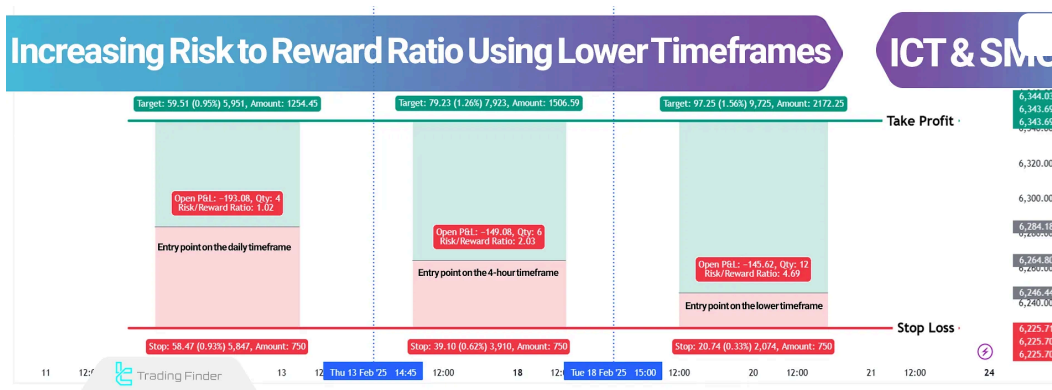
Writer: Sinan Aydin | Reviewer: Nino Gogochashvili | Fact checker: Davit Kvaratskhelia | Modified: Apr 28, 2025

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Aligning entry points between higher and lower timeframes using concepts such as **Order Block** and **Fair Value Gap (FVG)** in **ICT Style** and **Smart Money** strategies helps identify precise and optimal entry points. This method can also improve the **Risk to Reward Ratio**.



Learn how to optimize entries on lower timeframes to increase the risk-to-reward ratio in ICT and Smart Money trading

Pros and Cons of Increasing Risk to Reward Ratio Using Lower Timeframes

Increasing the risk-to-reward ratio with lower timeframes has multiple advantages and disadvantages:

Pros	Cons
Optimized entry point and reduced stop-loss	Increased chance of stop-loss being triggered early
Increased trade accuracy	More frequent stop-loss triggers due to rapid fluctuations
Better control and utilization of hidden liquidity	Requires deep market analysis knowledge



How to Increase the Risk to Reward Ratio (RRR)?

To **optimize trade entries** and **increase the risk-to-reward ratio**, you must first analyze the **higher timeframe** and identify key entry zones such as **Order Blocks** or **Fair Value Gaps (FVG)**.

Then, by switching to lower timeframes and conducting a more precise analysis, you can refine (narrow) these entry zones. This **reduces the stop-loss distance**, ultimately improving the **risk-to-reward ratio (RRR)**.

The process of increasing the risk-to-reward ratio using lower timeframes consists of the following steps:

#1 Identifying Key Zones on the Higher Timeframe

To optimize trade entries and improve the risk-to-reward ratio, the trader must first determine an **Order Block**, **Fair Value Gap (FVG)**, or **liquidity zone** on a higher timeframe (e.g., 1-hour or 4-hour).

This zone serves as a **potential entry area** and acts as a foundation for further analysis.



Identify entry zones in higher timeframes to reduce stop-loss and improve risk-to-reward ratio using lower timeframes

Based on the **FVG strategy** and **liquidity in Forex**, the **stop-loss** is placed **above the candle**, creating **the FVG**, while the **take-profit** is positioned below the liquidity under the previous low.

#2 Precise Analysis on the 15-Minute Timeframe

Once the **entry zone** is determined on the higher Timeframe, traders should **switch to the 15-minute Timeframe** to refine entry points. During this timeframe, analyzing the **break of structure (BOS)**, liquidity and narrowing the entry zones, enhance trade accuracy.



Switching to a lower timeframe increases the risk-to-reward ratio as the stop-loss distance is reduced

#3 Final Entry Refinement on the 5-Minute Timeframe

At this stage, the trader moves to the **5-minute timeframe** to pinpoint the entry area with greater precision. This timeframe can reveal **entry points with tighter stop-losses**, thus improving the risk-to-reward ratio.

However, **reducing the stop-loss on lower timeframes** may lead to **more frequent stop-loss activations** due to the increased market volatility at these levels.

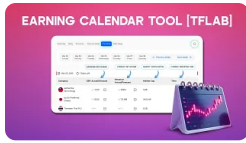


Increasing the risk-to-reward ratio using lower timeframes (5-minute chart)

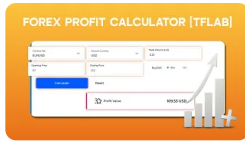
Using lower timeframes gradually **narrows the entry zone and stop-loss**, while the **take-profit target stays fixed** based on the **higher timeframe**. This results in an improved **risk-to-reward ratio**.

However, while **reducing stop-loss distances increases the risk-to-reward ratio**, it also **raises the likelihood of early stop-loss activations**, leading to **multiple consecutive stop-outs**.

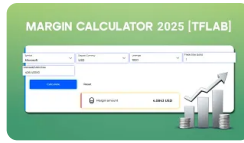
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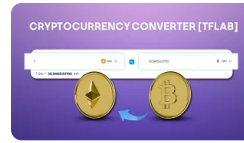
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Conclusion

Optimizing the **risk-to-reward ratio** using **lower timeframes** involves a **precise identification of liquidity zones** and filtering **low-risk entry points** near **Order Blocks (OBs)** and **Fair Value Gaps (FVGs)**.

This technique allows traders to **reduce the stop-loss distance** while maintaining **the same take-profit target** as defined in **higher timeframes**. Consequently, it **enhances the risk-to-reward ratio** while also **increasing the probability of early stop-loss activations**.

FAQs

How can lower timeframes be used to increase the risk-to-reward ratio? ▼

By identifying key zones on the higher timeframe and refining the entry point on lower timeframes, traders can reduce stop-loss distances and increase the risk-to-reward ratio. ▼

No, overly tight stop-losses may result in premature stop-outs, causing traders to face multiple consecutive losses. ▼

What tools are useful for lower timeframe analysis? ▼

Tools such as FVGs, Order Blocks, liquidity analysis, and Break of Structure (BOS) are useful for refining entry points. ▼

Which trading styles benefit from this method? ▼

This strategy is particularly useful for Scalping and Intraday Trading.



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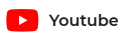
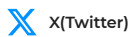


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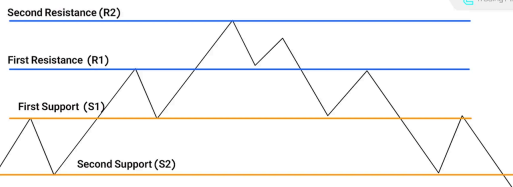
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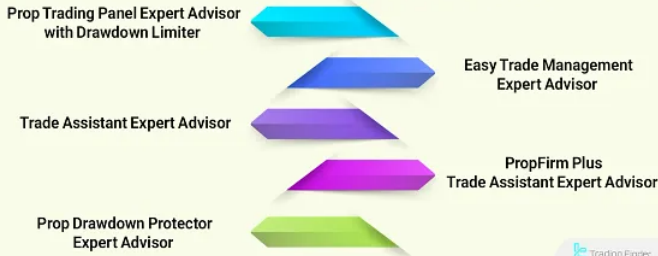
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