

# Exhaustion Closing Reversal

Expert Advisor Documentation

**PLATFORM**

MetaTrader 5 (MT5)

**TYPE**

Counter-Trend Reversal (Price Action)

**TIMEFRAME**

M30 / H1

**WEBSITE**

[www.algotbot.live](http://www.algotbot.live)

**⚠ Important Disclaimer** This document is for educational and informational purposes only. It does not constitute financial or investment advice. Trading forex, CFDs, and other leveraged instruments involves substantial risk of loss and is not suitable for all investors. Past backtest performance does not guarantee future results. Never trade with capital you cannot afford to lose.

## Overview

**Exhaustion Closing Reversal** is a pure price-action Expert Advisor that fades a tired directional drive at its terminal extreme. It is built on the classic **Closing Price Reversal (CPR)** bar — one of the cleanest two-candle reversal fingerprints in raw chart reading: price pushes to a fresh extreme by taking out the prior bar's low (for longs) or high (for shorts), yet by the close it snaps back and **closes on the opposite side of the prior bar's close**. A new extreme paired with an opposite close means the last push found no follow-through and the late entrants are now trapped.

A CPR on its own fires far too often inside choppy ranges, so the entire edge of this strategy is **context**. The EA only acts when the move was genuinely a move: it requires a measured **run** of net directional travel feeding into the signal (an exhausted drive, not noise) and demands that the signal bar prints a **fresh extreme of the recent swing window**. The reversal is therefore taken at the terminal point of a real trend leg — exactly where protective stops pile up and reversals tend to pay.

There are **no indicators of any kind**. Every condition is derived from raw candle geometry, raw closing prices, and raw swing extremes. The protective stop sits just past the rejected extreme (the price level at which the reversal thesis is proven wrong), and the take-profit is a fixed risk/reward multiple of that structural stop distance.

**In one sentence:** wait for a directional drive to exhaust, let it print a closing-price reversal bar at a fresh swing extreme, then fade it with a structural stop just past the rejected level and a fixed-R target.

## How It Works

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The EA evaluates its logic **once per freshly-closed bar**. The most recently closed candle (shift 1) is the **signal bar**; its predecessor (shift 2) is the **prior bar**. The strategy holds at most one position at a time for its magic number, so no new signal is taken while a trade is already open.

### Entry Logic — Bullish Reversal (Long)

A long is taken when a down-drive exhausts and reverses. All of the following raw-price conditions must be true on the signal bar:

- **Net down run:** the prior bar's close is below the close `RunBars` candles earlier (the drive into the signal was genuinely downward).
- **Fresh extreme:** the signal bar's low is at or below the lowest low of the preceding `Lookback` window (a terminal low of the move).
- **Took out the prior low:** the signal bar's low is below the prior bar's low.
- **Closing-price reversal:** the signal bar nevertheless *closes above* the prior bar's close — the rejection that defines the setup.
- **Decisive body:** the bar closes above its open and the candle body is at least `MinBodyFrac` of the bar's full range (no doji).

### Entry Logic — Bearish Reversal (Short)

The short is the exact mirror: a net **up** run into the signal, the signal bar tagging the highest high of the window, taking out the prior bar's high, yet **closing below** the prior bar's close with a decisive bearish body.

#### Worked long example

Price has fallen for several bars. The newest closed candle spikes to a fresh low — below both the prior bar's low and the lowest low of the last 15 bars — but buyers reclaim control and it closes back above the prior bar's close with a strong bullish body. The down-drive has exhausted: a long is opened at the Ask, with the stop just under the rejected low.

### Exit Logic — Stop Loss & Take Profit

Both exits are placed at order time; there is no trailing or scaling logic.

- **Stop loss** is placed just past the rejected extreme — below the signal bar's low for longs, above the signal bar's high for shorts — offset by a buffer of `BufferFrac × (bar range)`. This is the level at which the

exhaustion thesis is wrong.

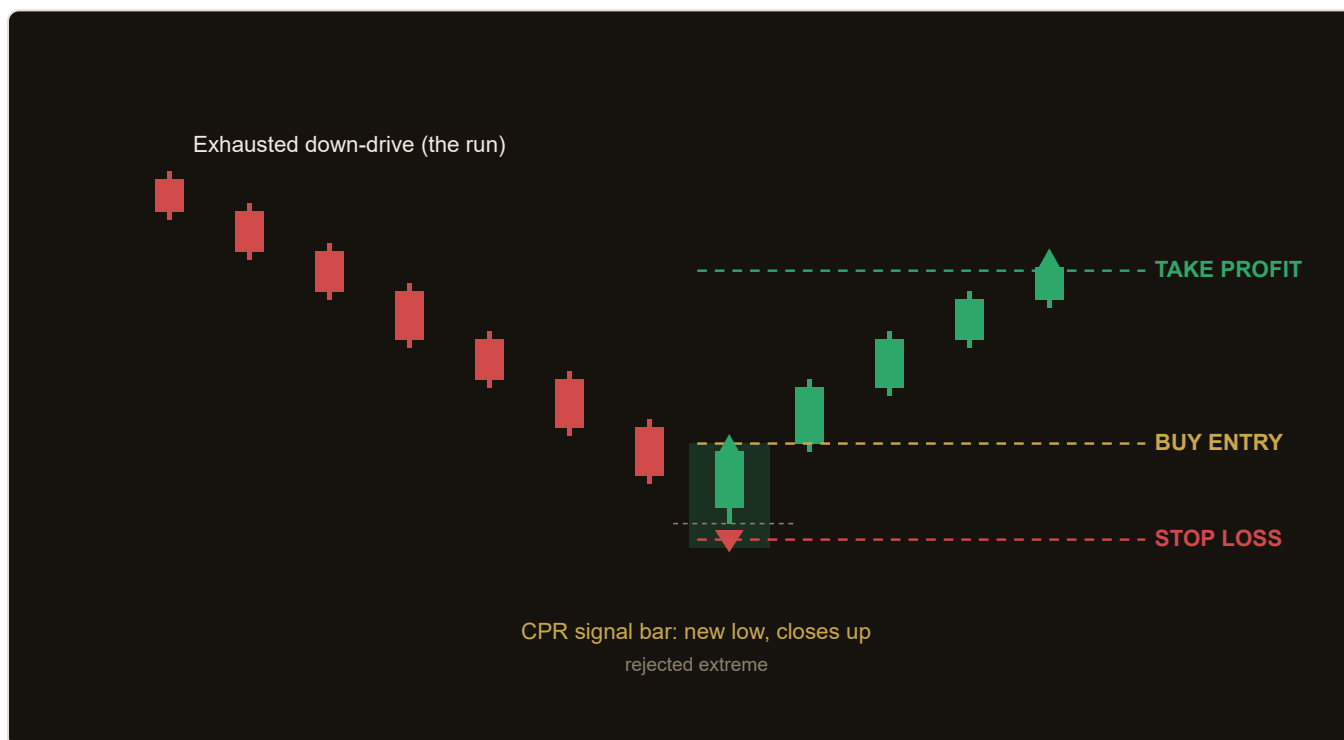
- **Take profit** is a fixed multiple of the structural stop distance:  $TP\ distance = RiskReward \times (entry - stop)$ . With the default  $RiskReward = 1.8$ , every trade risks 1 unit to make 1.8.

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risk = | entry - stopLoss |  
TP   = entry ± RiskReward × risk    (+ for longs, - for shorts)  
stop = rejectedExtreme ∓ BufferFrac × range
```

**Why a structural stop?** Because the stop is anchored to the rejected extreme rather than a fixed pip count, position risk automatically adapts to the volatility of each individual setup — tighter on quiet bars, wider on volatile ones.

## Strategy in Action

The illustration below shows an example of how the strategy identifies a setup and triggers its entry and exit. This is a simplified, illustrative example for educational purposes — not real market data.



*Illustrative example only. Actual market behaviour varies.*

## Parameters

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Parameter	Default	Description
Lots	0.10	Trade volume in lots. Range 0.01–1.00, step 0.01. Size this to your account and per-trade risk.
RunBars	4	Number of bars of net directional travel required into the signal — the exhaustion gate. Range 2–10, step 1. Higher values demand a longer, more committed drive before a reversal is faded.
Lookback	15	Length of the swing window preceding the signal bar. The signal bar must print a fresh extreme of this window. Range 6–50, step 1. Larger windows require a more significant terminal extreme.
MinBodyFrac	0.30	Minimum candle body as a fraction of the signal bar's full range — the decisive-close filter that rejects dojis. Range 0.10–0.70, step 0.05.
RiskReward	1.8	Take-profit distance as a multiple of the structural stop distance. Range 1.0–5.0, step 0.5. Higher values aim for larger wins at a lower hit rate.
BufferFrac	0.10	Stop-loss buffer placed past the rejected extreme, as a fraction of the signal bar's range. Range 0.00–1.00, step 0.05. Larger buffers give the trade more breathing room at the cost of wider risk.
Magic	530417	Magic number identifying this EA's positions. Use a unique value per chart/instance so the EA only manages its own trades.

## Recommended Settings

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The strategy was designed around volatile, trend-prone instruments where exhaustion extremes are pronounced and stops cluster at obvious levels.

- **Symbols:** GBP/JPY or XAU/USD (Gold). It will run on any liquid symbol, but these provide the kind of decisive drives and clean rejections the logic targets.
- **Timeframes:** M30 or H1. These balance signal frequency against noise; lower timeframes generate more false reversals, higher timeframes fire rarely.
- **Defaults:** the shipped values ( `RunBars 4` , `Lookback 15` , `MinBodyFrac 0.30` , `RiskReward 1.8` , `BufferFrac 0.10` ) are a sensible starting baseline.

**Tuning tips.** If the EA takes too many marginal reversals, raise `RunBars` and/or `Lookback` to demand a stronger, more terminal drive, or raise `MinBodyFrac` for a more committed close. If stops feel too tight on volatile symbols like Gold, increase `BufferFrac`. Always re-validate any change with a backtest and forward test on your own broker's data before going live.

**Counter-trend by design.** This EA deliberately trades *against* the immediate move. In a strong, persistent trend an exhaustion signal can fail repeatedly as price keeps extending. Respect the structural stop, keep position sizing conservative, and never disable the stop loss.

## How to Install on MetaTrader 5

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- 1 Copy `ExhaustionClosingReversal.ex5` to your MT5 `MQL5\Experts\` folder
- 2 Restart MetaTrader 5 and refresh the Navigator panel
- 3 Drag the EA onto a chart matching the recommended symbol and timeframe
- 4 Configure the input parameters and click **OK**
- 5 Enable **Algo Trading** in the MT5 toolbar

## Risk Warning

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