

# Outside Bar Fakeout Reversal

Expert Advisor Documentation

## PLATFORM

MetaTrader 5 (MT5)

## TYPE

Mean Reversion (Counter-Trend)

## TIMEFRAME

M15 / 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

**Outside Bar Fakeout Reversal** is a pure price-action, liquidity-sweep reversal Expert Advisor built around a single, highly readable structure: the **failed outside bar**. An outside bar is a candle that trades both above the prior bar's high *and* below the prior bar's low — it fully engulfs the previous candle's range. On its own, that simply signals volatility expansion. The edge this strategy exploits is in *where* the bar pokes and *where* it closes.

When a bar spikes through the highest high of the recent swing window — sweeping resting buy-side liquidity and stop orders parked above old highs — but then snaps back and **closes in the lower portion of its own range**, that high was a trap. The breakout failed, trapped longs are now offside and must liquidate, and price tends to reverse downward. The EA fades that move with a **short**. The exact mirror — a bar that undercuts the window's lowest low yet closes in the upper portion of its range — traps shorts, and the EA goes **long**.

The strategy uses **no indicators of any kind**. Every condition is raw candle geometry (engulfing structure and close position) combined with the bar's location relative to a raw swing-high / swing-low window. The protective stop is placed just beyond the swept wick — the precise level where the "trap" thesis is proven wrong — and the take-profit is a fixed multiple of that stop distance.

## How It Works

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The EA evaluates the market exactly once per freshly-closed bar. It inspects the most-recently-closed candle (the *signal bar*, shift 1), its immediate predecessor (shift 2), and a swing window of prior bars. It will only ever hold one position at a time for its magic number.

### 1. Structure Gate — The Outside Bar

Before any directional logic runs, the signal bar must fully engulf the prior bar's range:

```
outsideBar = (signal.High > prior.High) AND (signal.Low < prior.Low)
```

If the signal bar is not an outside bar, the EA does nothing and waits for the next candle.

### 2. Liquidity Sweep — Window Extremes

The EA scans the swing window *preceding* the signal bar (shifts 2 through `Lookback + 1`) and records the raw highest high and lowest low. The signal bar must poke beyond one of these extremes to qualify as a sweep:

- **Bearish sweep:** `signal.High > highestHigh` — the bar pierced above the window's high, sweeping buy-side liquidity.
- **Bullish sweep:** `signal.Low < lowestLow` — the bar pierced below the window's low, sweeping sell-side liquidity.

### 3. Rejection — Close Position Within the Range

The EA measures where the candle closed inside its own range, where `0` = at the low and `1` = at the high:

```
closePos = (signal.Close - signal.Low) / (signal.High - signal.Low)
```

- **Short signal:** the bar must close *red* (`Close < Open`) and in the lower portion of its range, i.e. `closePos ≤ MaxClosePos` (default 0.33).
- **Long signal:** the bar must close *green* (`Close > Open`) and in the upper portion of its range, i.e. `closePos ≥ 1 - MaxClosePos` (default 0.67).

#### Worked Example — Bearish Fakeout (Short)

Suppose the window's highest high over the last 12 bars is `2412.00`. The signal bar prints a high of `2414.50` (sweeping the highs), a low of `2408.00`, and closes red at `2409.50`. Its range is 6.50 points, and `closePos = (2409.50 - 2408.00) / 6.50 ≈ 0.23`, which is below the 0.33 threshold. All three gates pass: outside bar ✓, high swept ✓, rejection close ✓ → the EA sells.

## 4. Entry, Stop Loss & Take Profit

A stop buffer is computed as  $\text{buffer} = \text{BufferFrac} \times \text{range}$ , placing the stop just beyond the swept wick. For a short:

- **Entry:** market sell at the current Bid.
- **Stop Loss:**  $\text{signal.High} + \text{buffer}$  — just above the swept high. If this trade is correct, price should never return here.
- **Take Profit:**  $\text{entry} - \text{RiskReward} \times \text{risk}$ , where  $\text{risk} = \text{StopLoss} - \text{entry}$ .

A long is the exact mirror: entry at the Ask, stop at  $\text{signal.Low} - \text{buffer}$ , and take-profit at  $\text{entry} + \text{RiskReward} \times \text{risk}$ . If the computed risk is zero or negative (an unusual price configuration), the trade is skipped.

**Tip:** Because the stop is anchored to the swept wick and the take-profit is a fixed `RiskReward` multiple of that distance, the EA self-adjusts to volatility — wider bars produce proportionally wider stops *and* targets, keeping the risk-to-reward ratio constant regardless of market conditions.

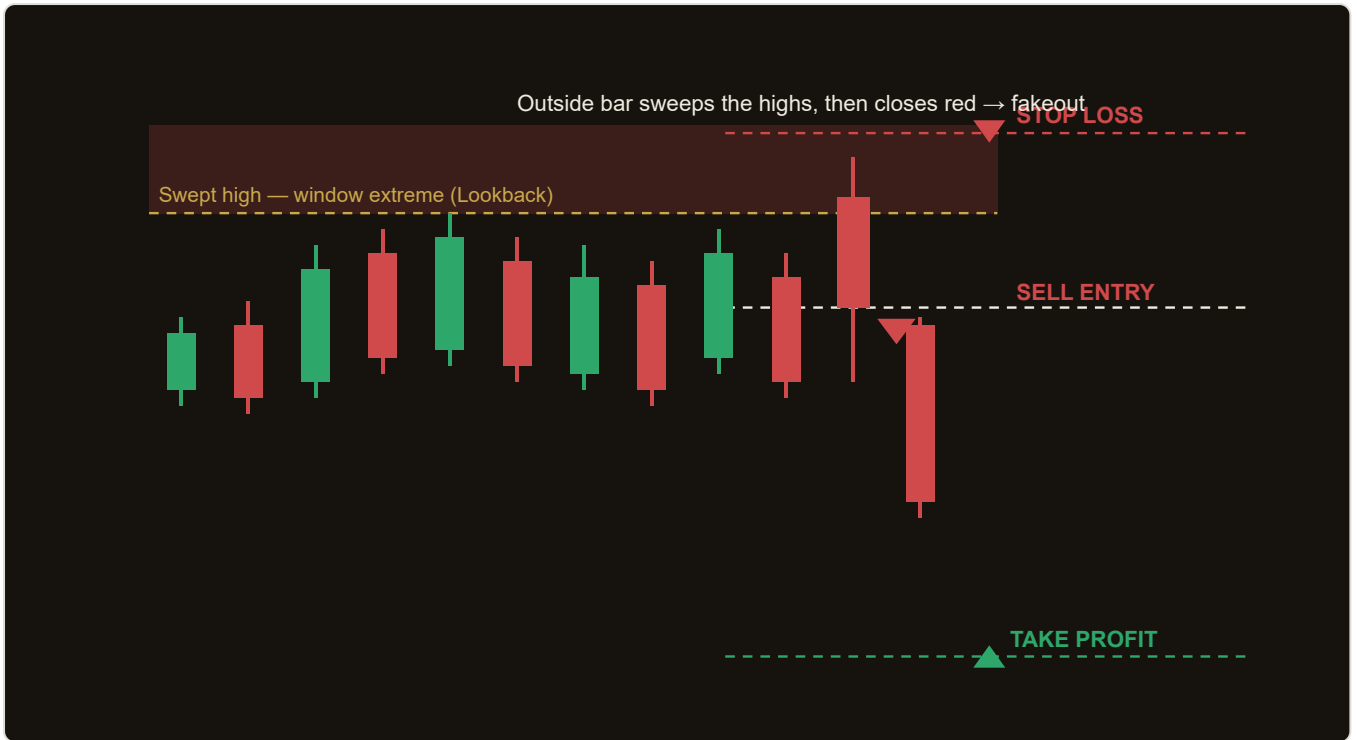
## Position Management

- **One position at a time:** the EA will not open a new trade while a position with its magic number is already open.
- **New-bar evaluation only:** signals are assessed once per closed candle, never on every tick, so behaviour is deterministic and stable.
- **Fully managed exits:** every trade carries a hard stop loss and take profit from the moment of entry — there is no trailing or break-even logic to override them.

## Strategy in Action

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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

Parameter	Default	Description
Lots	0.10	Trade volume in lots. Range 0.01–1.00, step 0.01.
Lookback	12	Length of the swing window (in bars) preceding the signal bar, used to compute the highest high and lowest low. Range 4–40, step 1.
MaxClosePos	0.33	Maximum close position within the signal bar's range for a valid rejection. A short requires the close in the lower 33% of range; a long requires the upper 33%. Range 0.10–0.50, step 0.05.
RiskReward	2.0	Take-profit distance expressed as a multiple of the stop distance (the risk). Range 1.0–5.0, step 0.5.
BufferFrac	0.10	Stop-loss buffer as a fraction of the signal bar's range, placing the stop just beyond the swept wick. Range 0.00–1.00, step 0.05.
Magic	770133	Magic number used to identify and isolate this EA's trades from other positions on the account.

## Recommended Settings

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The strategy was designed for liquid instruments where stop-runs and liquidity sweeps are common and clean:

- **Symbols:** XAU/USD (Gold) or GBP/USD. The logic runs on any liquid symbol, but these exhibit the sharp wick-and-reject behaviour the EA targets.
- **Timeframes:** M15 or H1. Lower timeframes generate more frequent but noisier signals; higher timeframes produce fewer, higher-conviction setups.
- **Lookback:** 12 is a balanced default. Increase it to demand sweeps of more significant, longer-standing extremes; decrease it for more frequent local sweeps.
- **RiskReward:** 2.0 keeps targets twice the stop distance. As a counter-trend strategy, raising this too high reduces hit-rate; values of 1.5–2.5 are a reasonable working band.

**Note:** Because this is a counter-trend, mean-reversion approach, it performs best in ranging or range-bounded conditions where breakouts repeatedly fail. In strong, sustained trends a "swept" extreme may be a genuine breakout rather than a trap — always validate on a demo account against your chosen symbol and timeframe before committing live capital.

## How to Install on MetaTrader 5

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- 1 Copy `OutsideBarFakeoutReversal.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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