



SMC Order Flow

SMC | ADVANCED | Timeframes: 15M, 5M (context: 1H, 4H)

STATUS: TESTING

747 backtested trades | win rate 30% | profit factor 0.76 | worst drawdown 26.8% | avg RR 1:2

Past results do not guarantee future results. Educational use only.

What it is

This strategy follows the complete SMC sequence. After a downtrend sweeps liquidity under a low, price breaks its last lower high (a change of character). The strategy then waits for a pullback into the demand zone created by that move and buys from there with the stop below the sweep. The mirror image applies to uptrends.

In simple words

First the market is falling. Then it dips below the old low to grab stops and jumps back up, breaking above the last small high. That tells us the sellers may have lost control. We wait for a pullback to the area where the jump started and buy there, with the stop below the lowest point.

Why it may work

A sweep followed by a break of the last lower high is a sequence that traders interpret as a shift of control. The zone left behind gives a defined place to enter and a clear invalidation. It requires several conditions to line up, which reduces the number of trades but does not guarantee any of them wins.

Example chart



A downtrend (LH, LL) sweeps the prior low, then closes above the last lower high (CHoCH). Price pulls back to the demand zone and buys from it. (Illustrative diagram drawn by Bahari Academy. It is not real market data and not a prediction.)

Best market conditions

- A clear prior trend
- A sweep of an obvious low or high
- A change of character that closes beyond the last opposite swing
- A fresh zone or gap from the move
- Higher-timeframe bias or key level agrees

When NOT to trade it

- No clear liquidity was taken
- The structure break is only a wick
- The zone is wide or has been revisited
- You are fighting a strong higher-timeframe trend

Timeframes

Entry: 15M, 5M. Context: 1H, 4H. Mark bias and liquidity on the 1H chart, then read the sequence on the 15M chart.

Step-by-step setup

1. Mark the trend and the last lower high (or higher low)
2. Wait for a sweep of an obvious low (or high)
3. Wait for a candle to close beyond the last lower high: the change of character
4. Mark the demand zone and any fair value gap from that move
5. Wait for a pullback into the zone
6. Enter on a reaction; stop beyond the sweep low; target 1:2 or the next liquidity

Entry rules

- A change of character after a liquidity sweep
- A pullback into the fresh zone
- A reaction candle at the zone

Stop loss

Beyond the sweep extreme. If price makes a new low, the sequence has failed.

Take profit

The next liquidity or structure level, or a fixed 2R; take partial profit if price stalls.

Risk / reward

At least 1:2. Because the stop sits beyond the sweep, confirm the distance to the target before entering.

Confirmation

- The change-of-character candle closes beyond the swing (not a wick)
- A displacement-like move leaves a fair value gap
- A reaction candle in the zone

Invalidation

- A close beyond the sweep low
- A new lower low and lower high after the change of character

Common mistakes

- Calling a wick a change of character
- Skipping the sweep step
- Entering at the first tick of the zone without a reaction
- Marking zones after the move

How this strategy performed in our own backtests

Backtested on 747 trades but not verified: 6 of 9 checks not met (win rate above 50%; profit factor at least).

Tested on 2026-10-03 with engine bahari-bt-1.0.0. Liquidity sweep, then a change of character, entry from the resulting zone in the trend direction, 1:2 target.

Markets: BTCUSDT, ETHUSDT, SOLUSDT. Timeframes: 15m, 30m, 5m. Conditions with enough trades: 1 profitable of 9.

To be VERIFIED a strategy needs at least 300 trades, a win rate above 50%, a profit factor of 1.2+ and drawdown under 25%, across several markets and timeframes and both halves of the history.

- [pass] Sample size of at least 300 trades: 747 trades
- [not met] Win rate above 50%: 30%
- [not met] Profit factor at least 1.2: 0.76
- [not met] Average result per trade above 0.05R after costs: -0.177R
- [not met] Worst max drawdown at most 25%: 26.8%
- [pass] Average planned reward:risk at least 1:1: 1:2
- [pass] Tested in at least 4 market/timeframe conditions (2+ markets, 2+ timeframes): 9 conditions, 3 markets, 3 timeframes
- [not met] Profitable in at least 67% of the conditions: 1 of 9
- [not met] Profitable in BOTH halves of the history (profit factor at least 1 in each): first 0.71, second 0.81

Quiz

1. In a bullish SMC setup, the change of character is:

- A) A close above the last lower high after a sweep
- B) A wick above a high
- C) Any green candle
- D) A gap

Answer: A. A closed break of the last opposite swing is the shift.

2. If one step of the sequence is missing:

- A) Trade bigger
- B) Stand aside
- C) Remove the stop
- D) Switch timeframe immediately

Answer: B. The framework needs all steps.

3. The stop belongs:

- A) Beyond the sweep extreme

- B) At the entry
- C) At the CHoCH level
- D) Nowhere

Answer: A. A new extreme beyond the sweep invalidates the sequence.

4. SMC outputs should be treated as:

- A) Certainties
- B) Hypotheses with defined invalidation
- C) Broker signals
- D) Random

Answer: B. It is an interpretive model.

Practical challenge

Run the five-step SMC checklist on a challenge before deciding. Open Challenges on bahari-academy.netlify.app to practise with the future candles hidden.

Important

Trading involves risk, and you can lose money, including all of the capital you risk. This lesson is for education only and is not financial advice. Nothing here guarantees profit, and backtested results do not guarantee future results.