PRECISION PIPS

MASTERING ICT OPTIMAL TRADE ENTRY (OTE)

Choose the range · Mark the zone · Wait for confirmation

Three methods, worked examples, figures and practice tasks

RANGE | OTE ZONE | TRIGGER | RISK



Based on the document “Mastering ICT Optimal Trade Entry”, explained with original figures.

Educational material only. Not financial advice. Trading involves substantial risk of loss.

• About this lesson

Optimal Trade Entry (OTE) is a way of planning an entry on a **retracement** instead of chasing an extended move. You choose a range, mark a retracement zone inside it, and then wait for price to show a reaction there. The source document builds this into three methods and one rule that runs through all of them: **the Fibonacci gives you a location; price action decides whether there is a trade.**

	Method 1: Swing retracement	Method 2: HTF wick	Method 3: RTH gap
Range measured	The leg from a liquidity raid to the displacement high or low	The wick only, of a completed 1H or 4H candle	Prior day's 16:00 close to today's 09:30 open
0% sits at	The end of the move	The edge of the candle body	Today's open
100% sits at	The start of the move (the raid)	The tip of the wick	The previous close
Typical use	Any liquid market, any session you have tested	A clear higher-timeframe rejection at liquidity or a PD array	Cash-session indices with a defined open and close

About the figures

Every figure in this lesson is **redrawn as an original illustration** from the ideas in the document, using the same example numbers (such as a 100 to 140 move). They are schematics, not real market data and not historical trades. Source: the document “Mastering ICT Optimal Trade Entry” (author not shown), explained in our own words. Educational only, not financial advice.

The one rule to remember

Treat OTE as a **filter for location**, not a signal. Without confirmation, a touch of the zone is only an area of interest. The source repeats this: no confirmation, no entry.

1 What is OTE?

OTE stands for **Optimal Trade Entry**. It uses a **62% to 79% retracement** of a chosen price move to mark an area where you may look for an entry. Four levels matter:

Level	Name	Bullish example (100 → 140)	Bearish example (140 → 100)
0.50	Equilibrium	120.0	120.0
0.62	Start of OTE	115.2	124.8
0.705	Central reference	111.8	128.2
0.79	Deep end of OTE	108.4	131.6

Bullish: level = high − (percentage × range) Bearish: level = low + (percentage × range)

Check with the example: range = 140 − 100 = 40, and 140 − (0.62 × 40) = 115.2. Always read the percentage **from the end of the move**, back toward where it began.

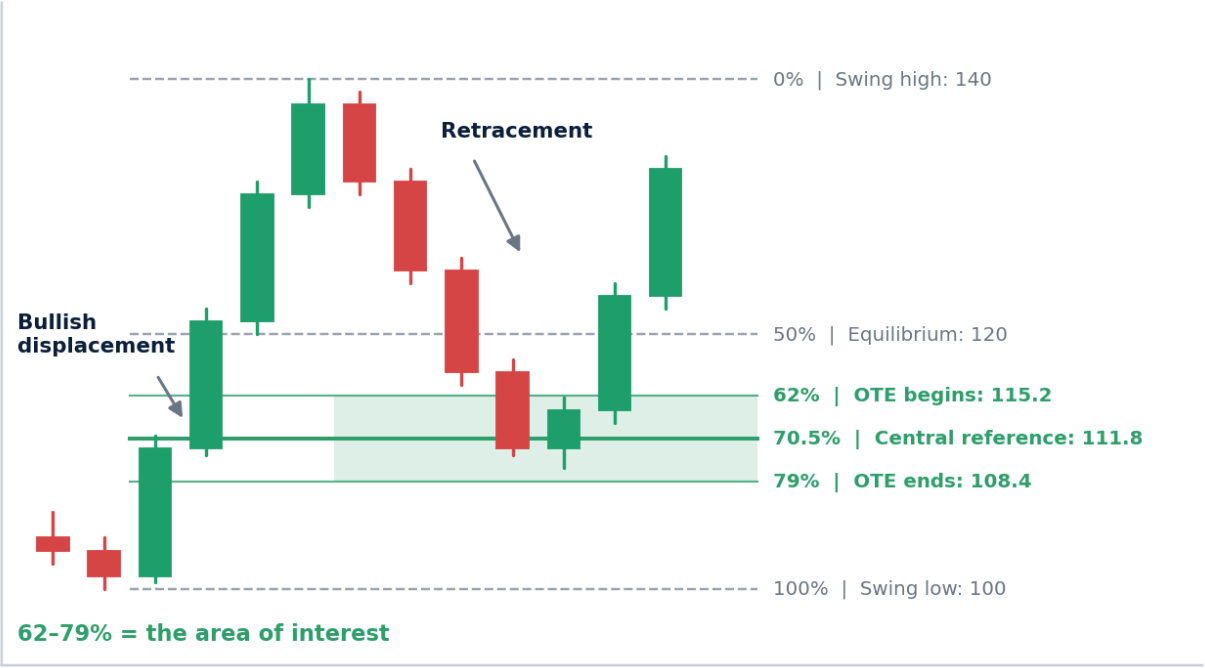


Figure 1 — The OTE levels on a bullish 100 to 140 move. Everything is measured down from the swing high.

- **Buys** use the zone in the **lower half** of the selected range (discount). **Sells** use it in the **upper half** (premium). This is the same premium/discount idea from the Time & Price lesson, with exact levels attached.
- **70.5% is a reference level, not a guaranteed turning point.** Price can react at 62%, at 79%, or not at all. Think of the whole 62–79% band as one area of interest.

OTE is an area of interest from 62% to 79%. The 70.5% line is a reference, never a promise.

2 The range comes before the Fibonacci

Most mistakes with OTE happen before the retracement tool is even opened. The retracement is only as good as the range you measure. For the confirmation-based approach in the source, look for four things first:

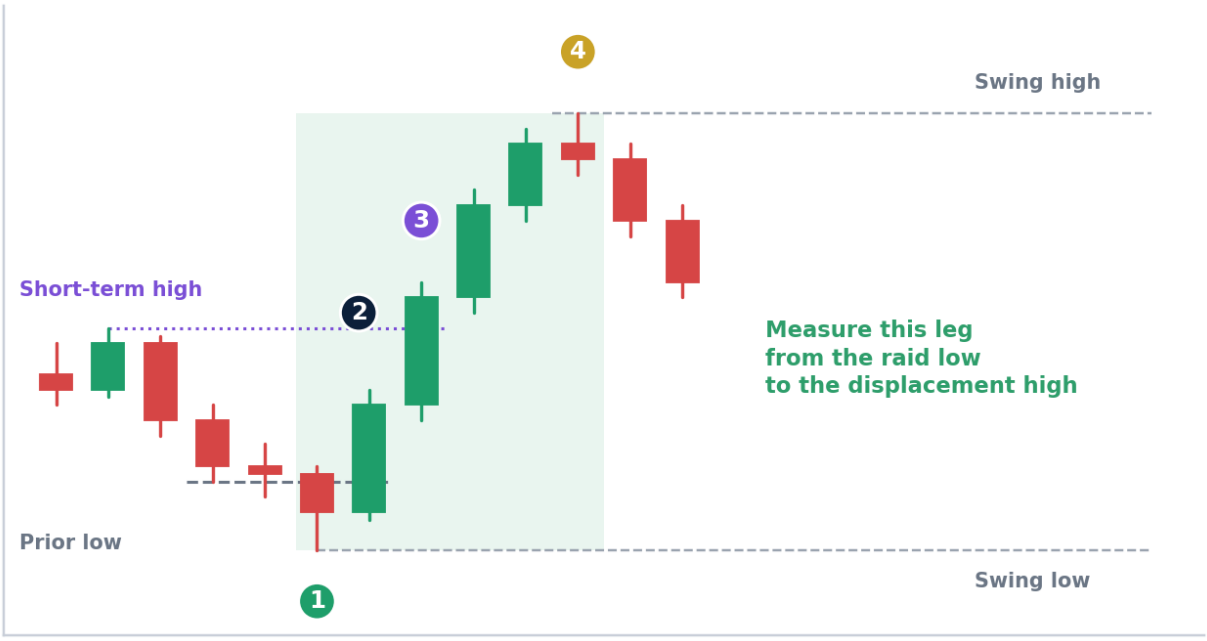


Figure 2 — Build the range first. The leg to measure runs from the raid low to the displacement high, once that high is confirmed.

1	**Sell-side raid.** Price takes a relevant low (the prior low) and reacts.
2	**Displacement.** An aggressive move away from the raid.
3	**Structure breaks.** Price closes beyond the short-term high.
4	**Confirm the endpoint.** Wait for an identifiable swing high before measuring.

Requirement	Why it matters
Higher-timeframe direction and a liquidity objective	Tells you which side to look at and where the move is heading.
A raid of a relevant high or low	Supplies the fuel and marks the origin of the leg.
Displacement away from the raid	Shows intent; the leg you measure is the one that contains it.
A break of meaningful short-term structure	Confirms delivery has actually shifted.

Two practical rules follow. First, **use the swing that captures the displacement**. Second, **wait for an identifiable endpoint** before measuring. If you draw the tool while the move is still running, the 0% anchor keeps changing and so does your zone.

Which timeframe does what

Timeframe	Role
Daily / 4H	Context: direction and liquidity objective
1H / 15m	The range: where you mark the swing and the OTE zone
5m / 1m	Execution: where the trigger appears

The source calls these **model filters, not universal requirements** for every OTE application. They describe one confirmation-based approach; the wick and gap methods later use different ranges.

Range first, Fibonacci second. A shifting 0% anchor means a shifting zone.

3 Method 1: Bullish retracement (buying a pullback)

- **Start with bullish context.** Higher-timeframe direction supports longs.
- **Look for the sequence:** sell-side liquidity raided, then bullish displacement, then a structure shift.
- **Measure the move** from its swing low to its swing high.
- **Read the retracement downward** from the high.
- **Wait for price to return into the zone.** In the example (low 100, high 140), that is 108.4 to 115.2.
- **Then look for bullish confirmation,** ideally where the zone overlaps an FVG or order block.

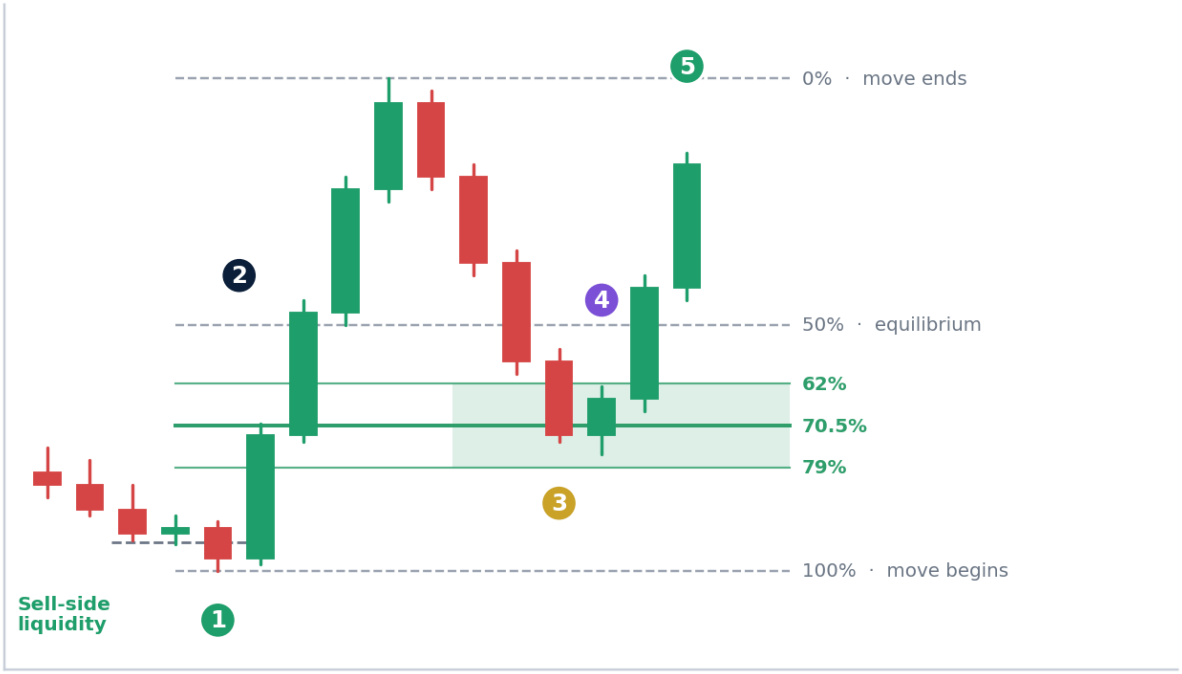


Figure 3 — Method 1, bullish: raid, displacement, retracement into the OTE zone, confirmation, continuation.

1	**Sell-side raid.** Equal lows are taken at 100.	2	**Displacement** up to the swing high at 140.
3	**Retracement** into 108.4–115.2.	4	**Confirmation** on the lower timeframe.
5	**Continuation** toward the objective.		

Bullish OTE: raid the lows, displace up, measure the leg, buy the return only after confirmation.

4 Method 1: Bearish retracement (selling a rally)

- **Start with bearish context.**
- **Look for the sequence:** buy-side liquidity raided, then bearish displacement, then a structure shift.
- **Measure the move** from its swing high to its swing low.
- **Read the retracement upward** from the low.
- **Wait for price to return into the zone.** With high 140 and low 100: 62% = 124.8, 70.5% = 128.2, 79% = 131.6, so the zone is 124.8 to 131.6.
- **Then look for bearish confirmation** at a relevant PD array.



Figure 4 — Method 1, bearish: the mirror image of Figure 3. The zone sits in the upper half of the range.

1	**Buy-side raid.** Equal highs are taken.	2	**Displacement** down to the swing low.
3	**Retracement** into 124.8–131.6.	4	**Bearish confirmation.**
5	**Continuation** lower.		

Common drawing error

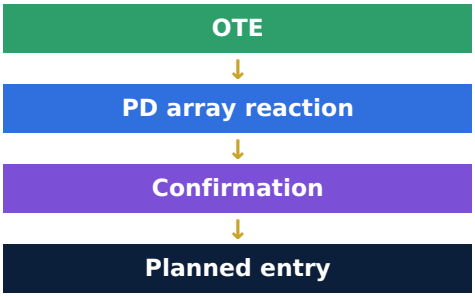
Check your Fibonacci settings. Place 0% at the move's **endpoint** and 100% at its **origin**. If you draw the tool the wrong way round, the 62–79% band lands in the wrong half of the range (for a bullish move it would sit near the top instead of the bottom).

5 Entry confirmation: location first, trigger second

Reaching the OTE zone puts price in an area of interest. **It does not complete the setup.** On the lower timeframe you then look for the trigger you have chosen to trade:

Trigger	What it means	What to look for
CISD	A change in the state of delivery	Price stops delivering in one direction and starts in the other, usually seen as a close beyond the recent run of opposite candles
IFVG	An imbalance that fails and then acts in the opposite direction	Price closes through a fair value gap, which then flips role
Structure shift + displacement + retest	A break of short-term structure with force, followed by a valid return	A close beyond the short-term high or low, then a retest of the resulting gap

SMT divergence can support the idea but does not replace the trigger. Use it as extra context, never as the entry.



The sequence

- The zone is where you start paying attention.
- A PD array reaction (FVG, order block) refines the location.
- Only the trigger turns attention into a trade.
- **No confirmation, no entry.**

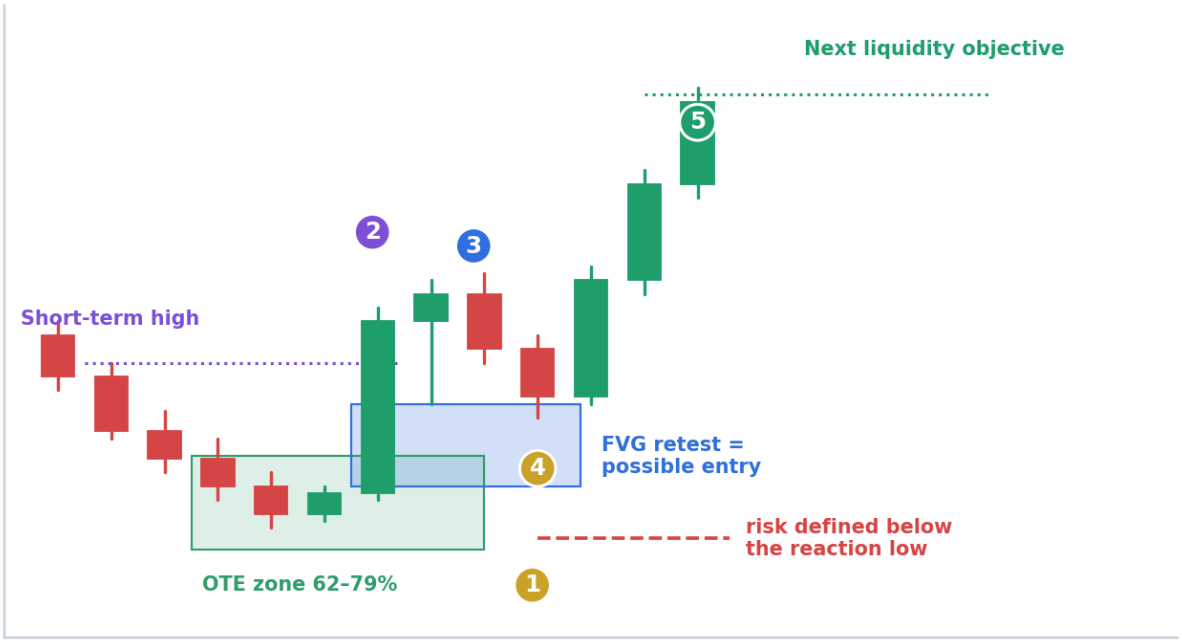


Figure 5 — A lower-timeframe structure shift after a bullish OTE retracement. The level is the location; the reaction is the trigger.

1	**OTE touch.** Price enters 62–79%. Not yet a setup.	2	**Displacement** closes above the short-term high.
3	**FVG** left behind by the displacement.	4	**Retest of the FVG:** a possible entry, risk below the reaction low.
5	**Next liquidity objective.**		

The level is the location. The reaction is the trigger.

6 Targets, invalidation and when OTE fails

OTE can fail, and the plan must say how before you enter. **Know where the idea is wrong.**

- **Stop:** define it with the structure that invalidates your entry model, such as beyond the reaction low or the PD array.
- **Size:** account for that stop distance when sizing the position (see Section 11).
- **Objectives:** the displacement high or low; the next opposing liquidity pool; or a pre-planned extension only if your own testing supports it.

What each breach means

Event	What it means
Price trades through **70.5%**	Still inside OTE. Not a failure.
Price trades through **79%**	Moved beyond the zone, but this is **not an automatic reversal signal**.
The **swing origin** breaks	The original retracement premise has failed.

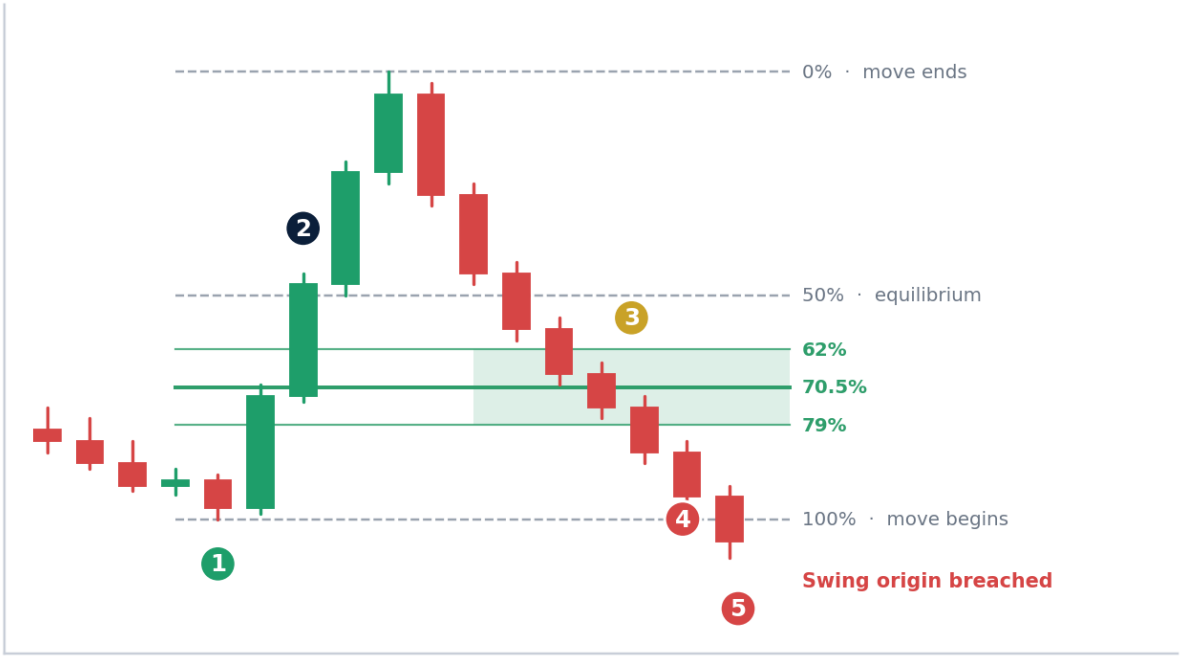


Figure 6 — OTE can fail. Price cuts through the zone with no bullish confirmation and then breaks the swing origin.

1	**Sell-side raid** at the origin (100).	2	**Displacement** to 140.
3	**No bullish confirmation** inside the zone: just continuous selling.	4	**79% breached.** Beyond the zone, not yet decisive.
5	**Swing origin breached.** The premise has failed.		

Discipline

Do not keep redrawing the Fibonacci to justify the trade. Moving the anchors until price "respects" a level is hindsight, not analysis. If the origin breaks, the setup is over.

A 70.5% breach is inside OTE. A 79% breach is not a signal. A broken origin means the idea has failed.

7 Method 2: HTF wick OTE

This is a **wick-based adaptation** of the retracement idea. Instead of measuring a swing, you measure the wick of a completed higher-timeframe candle that rejected a level.

- Choose a **completed** HTF candle with a clear rejection at liquidity or a relevant PD array. For study, start with 1H or 4H candles.
- **Measure only the wick.** For a lower wick: bottom of the body to the candle low. For an upper wick: top of the body to the candle high.
- Use the **body edge as 0%** and the **wick tip as 100%**.
- Mark **62%, 70.5% and 79%** toward the tip.
- **A large wick alone is not enough to justify an entry.** It only defines the zone.

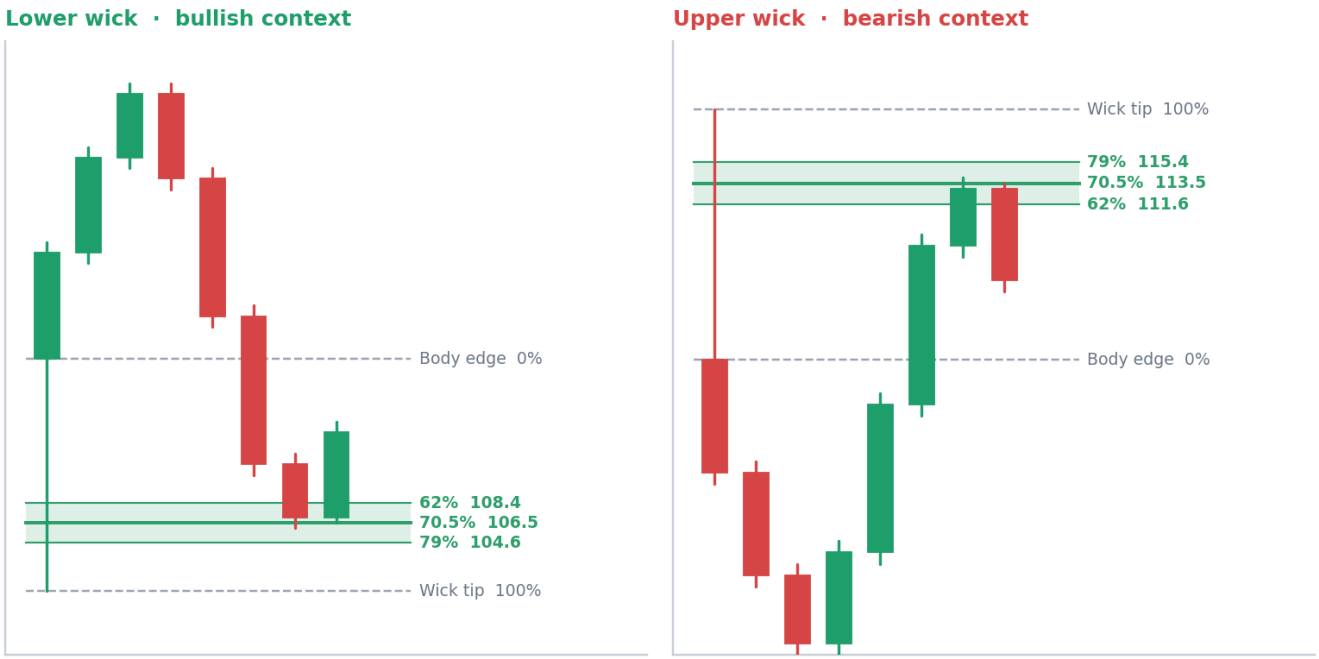


Figure 7 — Wick OTE. Lower wick (bullish context) and upper wick (bearish context), using a body edge at 122 and a tip at 100 as the example.

Lower-wick example	Value	Calculation
Body edge (0%)	122.0	Bottom of the body
Wick tip (100%)	100.0	Candle low; wick length = 22
62%	108.4	122 − 0.62 × 22
70.5%	106.5	122 − 0.705 × 22
79%	104.6	122 − 0.79 × 22

Measure the wick, not the whole candle. The wick defines the zone; the later reaction confirms it.

8 Trading the wick reaction

The return matters. The wick sets up the location, but the trade comes from what price does when it comes back to it.

	Bullish example	Bearish example
1. Rejection	A lower wick raids sell-side liquidity and closes back above it	An upper wick raids buy-side liquidity and closes back below it
2. Return	Price later returns into the wick's OTE zone	Price later returns into the wick's OTE zone
3. Trigger	Switch to the lower timeframe and wait for a bullish trigger	Wait for a bearish trigger before considering a short

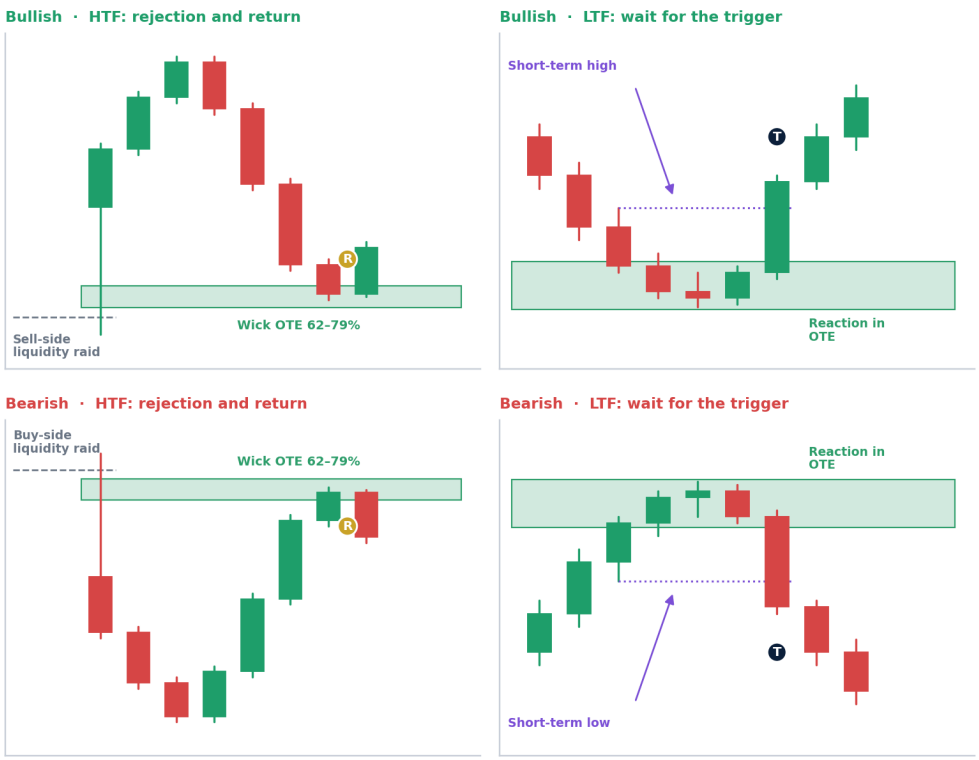


Figure 8 — Rejection, return into the wick OTE, then lower-timeframe confirmation. Left: higher timeframe. Right: lower timeframe.

R **Return** into the wick's 62–79% zone.

T **Trigger.** A close beyond the short-term structure on the lower timeframe.

Rejection → return into wick OTE → lower-timeframe confirmation

The wick defines the zone. The later reaction must confirm the entry.

9 Method 3: RTH gap OTE

Method 3 treats the **opening gap** of a cash session as the range. The source's example uses the US cash session, so every time is New York time on a normal full session.

- Mark the **previous trading day's 16:00 close** and the **current day's 09:30 open**.
- After a shortened session, use the **actual earlier close** instead of 16:00.
- Set **today's open to 0%** and the **previous close to 100%**.
- Measure **25%, 50%, 62%, 70.5% and 79%** toward the previous close.
- This is the **cash-session close convention**. Keep it separate from a futures opening-gap template that uses a different close time.

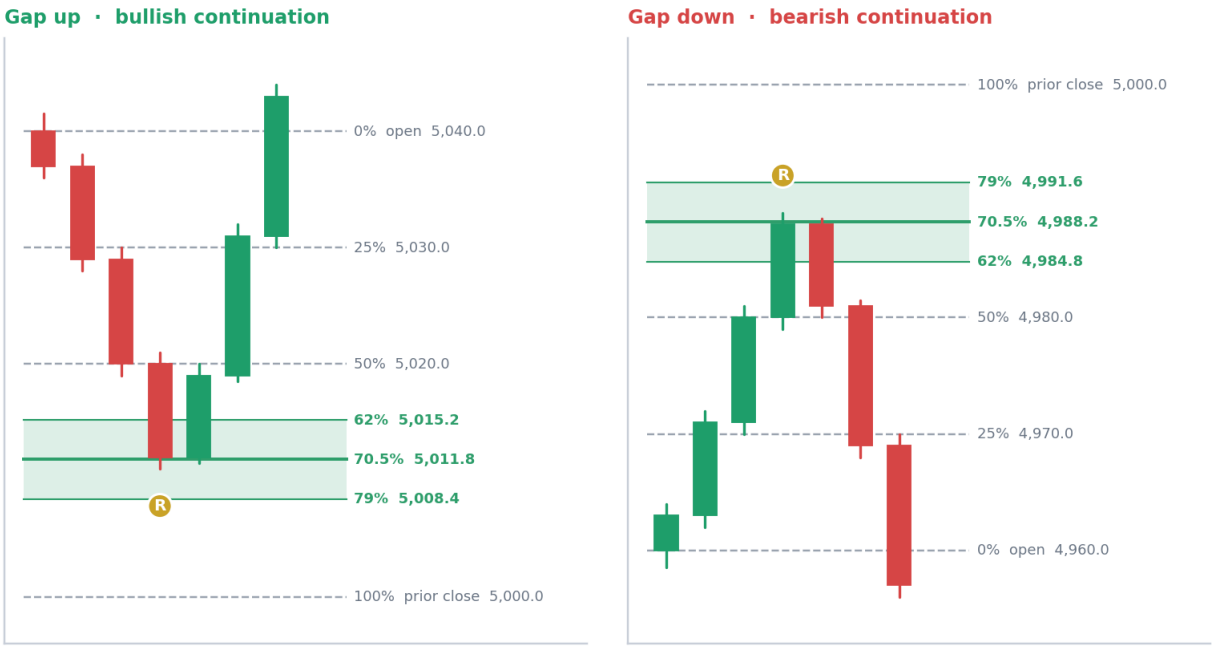


Figure 9 — Gap up (left) and gap down (right). The example uses a previous close of 5,000 and an open of 5,040 or 4,960. R marks a reaction inside the OTE zone.

Level	Gap up (5,000 → 5,040)	Gap down (5,000 → 4,960)
0% today's open	5,040.0	4,960.0
25%	5,030.0	4,970.0
50%	5,020.0	4,980.0
62%	5,015.2	4,984.8
70.5%	5,011.8	4,988.2
79%	5,008.4	4,991.6
100% previous close	5,000.0	5,000.0

Does this apply to gold?

Method 3 is built for markets with a defined cash-session open and close, such as US index cash sessions. **XAUUSD trades almost around the clock**, so it has no true RTH gap of this kind. For gold, Methods 1 and 2 are the relevant ones.

10 Reading the gap: a partial fill can be enough

Depth	Meaning
25%	Shallow retracement
50%	Gap midpoint
62–79%	Deeper retracement zone (OTE)
100%	Full gap fill

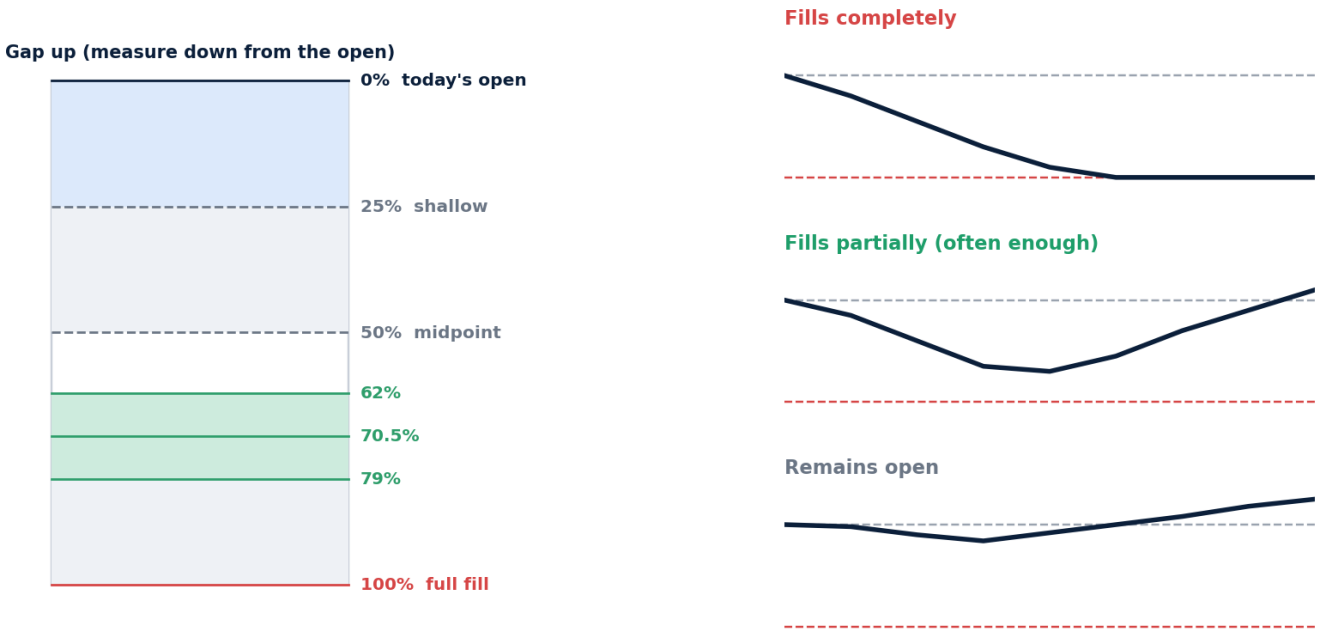


Figure 10 — Depth bands of a gap (left) and three outcomes (right). Price may fill the gap completely, partially, or not at all.

- **Gap up:** a pullback enters the gap below the open. If bullish context is still valid, look for confirmation before considering continuation higher.
- **Gap down:** a rally enters the gap above the open. If bearish context is still valid, look for confirmation before considering continuation lower.
- **Neither the midpoint nor OTE guarantees a reaction.** The gap may fill completely, partially, or remain open. A full fill is not required.
- **If you analyse SPX and execute ES,** confirm the setup on ES rather than copying SPX prices across. The two do not trade at identical levels.

A partial fill can be enough, and confirmation still matters.

11 Worked example (illustrative prices)

To make the plan concrete, take the bullish sequence in Figure 3 and add 4,000 to every price, so it reads like a gold move. **These are illustrative numbers, not a live level or a trade idea.**

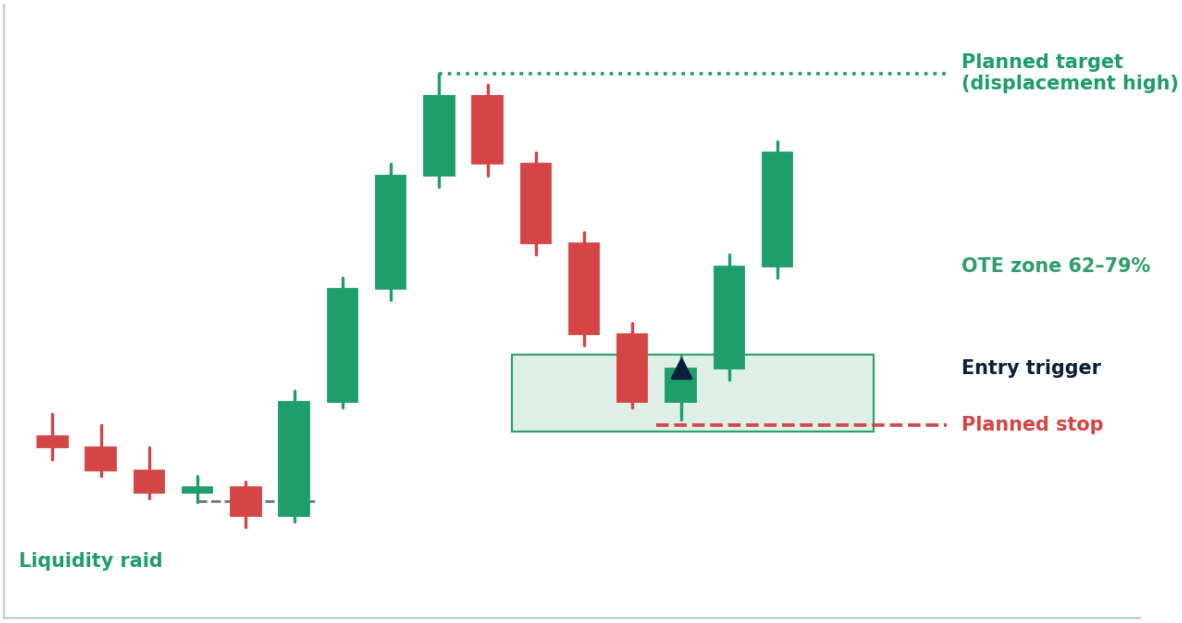


Figure 11 — A complete OTE plan: raid, OTE zone, entry trigger, planned stop and planned target.

Step	Plan	Price
Swing low (raid) to swing high	Measure the displacement leg	4,100.0 → 4,140.0
OTE zone	62% to 79% retracement	4,115.2 to 4,108.4
Entry trigger	Lower-timeframe bullish close inside the zone	4,114.0
Planned stop	Below the reaction low (structure that invalidates the entry)	4,109.0
Planned target	The displacement high	4,140.0
Risk / reward	Risk 5.0, reward 26.0	about 5.2 : 1

Sizing from the stop

Account $10,000, risk 1% = $100. If one standard lot is 100 oz, a $1 move is about $100 per lot (check your broker). A 5.0 stop therefore loses about $500 per lot, so the size is $100 ÷ $500 = **0.20 lot**. Leave a little extra room for spread and slippage.

> **Order of decisions**
>
> The stop comes from the structure; the lot size comes from the stop. Never shrink the stop to fit a bigger position.

12 Common mistakes

Mistake	Why it fails	Fix
Measuring before the endpoint is confirmed	The 0% anchor keeps moving, so the zone moves	Wait for an identifiable swing high or low
Treating 70.5% as a guaranteed turn	It is only a reference inside an area of interest	Treat 62–79% as one zone
Entering on touch	A touch is location, not a trigger	Wait for CISD, IFVG or a structure shift with displacement
Drawing the tool backwards	The zone lands in the wrong half of the range	0% at the endpoint, 100% at the origin
Redrawing the Fibonacci until it fits	Hindsight, not analysis	Fix the range, then stand by it
Measuring any wick	A large wick alone is not a reason to trade	Use a completed HTF candle with a clear rejection
Ignoring a failed origin	Premise is gone	Exit the idea when the swing origin breaks
Copying SPX levels onto ES	The instruments trade at different prices	Confirm the setup on the instrument you execute

13 Final checklist

Run these six checks before every OTE entry:

1	**HTF direction**	Is the direction supported by higher-timeframe context?
2	**Defined range**	Is the selected swing, wick or gap clearly defined?
3	**Confluence**	Is OTE aligned with a relevant PD array or liquidity reference?
4	**Tested session**	Is this a session window you have tested?
5	**LTF trigger**	Has your lower-timeframe trigger formed?
6	**Risk and target**	Are the stop, position size and target planned?

- **Study one market and one session first.** Depth beats breadth.
- **Record failed setups as carefully as winning ones.** Failures show you where the model breaks.

THE LESSON TO REMEMBER

THE FIB GIVES YOU A LOCATION.
PRICE ACTION DECIDES WHETHER THERE IS A TRADE.

14 Practice and self-check

Practice tasks

1. On a 15-minute chart, find five recent raid-and-displacement legs. Mark the swing, the OTE zone and the levels with the formulas in Section 1. Do not look at what happened next until you have drawn them.
2. For each leg, note whether price reached the zone, and whether a lower-timeframe trigger appeared there. Count how many reached the zone **without** a trigger.
3. Mark three completed 1H or 4H candles with clear wicks and measure their wick OTE zones. Which returned?
4. Keep a failure log: for every setup where the swing origin broke, write down what you would check next time.

Question	Answer
What range does OTE use?	62% to 79% of the selected move, with 70.5% as a reference.
Where do buys and sells sit?	Buys in the lower half of the range; sells in the upper half.
Why wait for an endpoint?	So the 0% anchor, and therefore the zone, does not keep moving.
Does touching OTE complete the setup?	No. It needs a trigger such as CISD, IFVG or a structure shift.
What does a 79% breach mean?	Beyond the zone, but not an automatic reversal signal.
What if the swing origin breaks?	The original retracement premise has failed.
In the wick method, what is 0% and 100%?	Body edge is 0%; wick tip is 100%.
Does the gap method suit gold?	Not directly: gold has no true cash-session gap.

Glossary

Term	Meaning
OTE	Optimal Trade Entry: the 62–79% retracement area used to plan an entry.
Equilibrium	The 50% level of the selected range.
Displacement	Aggressive, one-directional movement that shows intent.
Raid	Price trades through a high or low to take the liquidity beyond it.
PD array	A reference such as an FVG, order block or breaker used to refine entries.
CISD	Change in the state of delivery: price stops delivering one way and starts the other.
IFVG	Inverse fair value gap: an imbalance that fails and then acts in the opposite direction.
SMT divergence	A disagreement between correlated markets, used as supporting context.
RTH	Regular trading hours: the cash session, 09:30 to 16:00 New York time.
HTF / LTF	Higher timeframe / lower timeframe.