

RSI Divergence Reversal strategy

Bullish and bearish RSI divergence with a buy-stop confirmation, a EURUSD example and a free Pine Script. By M. A. Horaira, updated 10 October 2026.

THE RULES

- **Market:** any major pair, 1-hour chart (example: EURUSD)
- **Swing lows:** a low below the 5 candles before it and the 3 after it
- **Divergence:** a lower swing low with a higher RSI (14); the first low's RSI under 30; lows 5 to 60 candles apart
- **Entry:** buy stop above the highest high since the second low (+0.05 ATR), open 5 candles; cancel on a close below that low
- **Stop loss:** a quarter of an ATR below the second low
- **Target:** twice the risk (2R)
- **Bearish:** the mirror image (higher high, lower RSI high, first above 70)

WORKED EXAMPLE

EURUSD 1H: lows 1.1619 (RSI 24) and 1.1613 (RSI 31). Buy stop 1.16384 above the bounce, stop 1.16108 (27.6 pips), target 1.16936 (2R). 0.36 lots: -\$99 / +\$199.



Illustrative chart drawn to show the rules, not a real day's prices.

LOT SIZE

Lots = money at risk ÷ (stop in pips × pip value per lot).
On EURUSD, GBPUSD and AUDUSD one standard lot is \$10 a pip. Risk the same 0.5% to 1% on every trade.

BEFORE EVERY TRADE

- ☐ Second swing low CONFIRMED (3 candles)?
- ☐ Lower low in price, higher low in RSI?
- ☐ First RSI low under 30?
- ☐ Buy stop above the bounce, 5 candles max?
- ☐ Cancel on a close below the second low?

BACKTEST IT BEFORE YOU TRADE IT

1. Open the chart on TradingView.
2. Pine Editor → paste the free script → Add to chart.
3. Settings → Properties: add your commission and slippage.
4. Look for 100+ trades, a profit factor above 1 after costs, and a drawdown you can live with.
5. Check the same settings on other dates, then demo trade for a few weeks.
6. Free script: pipledgerfx.com/downloads/rsi-divergence-strategy.pine

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