

Simple Gap Trading Strategy for the Forex Market The gaps that appear on a chart are pretty important. It is a price pattern which can offer information regarding the direction of the price and the strength of the market. On Forex, because of the high liquidity, gaps are not that frequent, but they do appear especially after the weekends.



In trading a myth, that the gaps are always covered, was born. The gaps are usually covered, but it can be done very fast, or it can take a long time until it will be covered. It is important to know that there are mainly four types of gaps: - Common gaps, which usually appear inside a price pattern and they are easily covered (Head and Shoulders, Rectangle, Triangle, etc.). - Breakaway gaps, these gaps appear when the price breaks from a price pattern or above/under

important levels and shows that the market is ready to continue the move and they are not that easy to be covered. - Runaway gaps, these are continuation patterns just like Flags and Pennants and they are very hard to cover because of the strength and determination of the market to move forward. - Exhaustion gaps are announcing that the market has reached a limit and the current move might be reversed soon and this is why it is easier for this gap to be covered. The strategy we recommend when trading gaps is pretty easy. When a gap appears a trader should look for other technical elements that will tell him what kind of gap it is. If he managed to determine if it is a common, breakaway, runaway or exhaustion gap, then he should wait for another candle to be drawn. An opening of a trade right at the opening of the gap is pretty dangerous. If another candle or candles are drawn, he/she can use the new low as a support level. A break through this level can be used as a trigger for the trade. The Stop level can be set on a high; it can also be the closest one. As take profit, the trader can set several levels. One can be the 50% of the gap and the second the high of the last candle before the gap.

Source:[FinanceAttitude.com](https://www.financeattitude.com)