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Let's understand how to trade gap-up/gap-down,
by understanding gap-theory
■
Tags: #StockMarket #sharemarket #Investing #Trading #Breakoutstocks #StocksInFocus #NSE #BSE

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Following are the different types of Gaps.
1■ Gap-up
2■ Gap-down
3■ Common gap
4■ Breakaway gap
5■ Continuation gap
6■ Exhaustion gap
7■ Island gap

1■ What is Gap-up?
When the opening price is above the high of the previous day, we get a gap-up.
■How to trade?
➡■Trade in the direction of the gap-up as long as the price remains above the opening of that day.



2■ What is Gap-down?

When the opening price is below the previous day's low it's considered as gap-down

■how to trade

➡■Look for only shorting opportunity until the high of 15 min candle is not breached.



3■ What is the common gap?

When you see gaps forming within a range, then such gaps are called common gaps.

■How to trade

➡■Common gaps within a range will always get filled. so look for trading in the direction of gap filling



4■ What is the breakaway gap?

When we get a gap-up/gap-down after price consolidation in a tight range then it's called a breakaway gap.

■How to trade it?

➡■Trade only in the direction of a breakaway i.e if we get gap-up then only buy and if we get gap-down then only sell.



5■ What is the continuation gap?

The frequent gaps that we get in a trending market are examples of continuation gaps.

■How to trade?

➡■Go for positional trade/btst trade in the direction of gaps



6■ What is the Exhaustion gap?

When a trending markets give a gap up which is not able to break the previous resistance then such a gap is called an exhaustion gap.

■how to trade?

➡■once you identify the Exhaustion gap. look for trading in the direction opposite of the gap.



7■ What is the island gap?

after a gap-up, if markets consolidate for some days and give a gap down, then this forms an island gap.

■how to trade?

➡■Once the formation is complete you'll see a complete trend reversal. trade in direction of reversal



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