Low Spread Scalping Strategies

What is a Spread in Forex Trading?

Knowing what does a spread means in trading is crucial for one to understand scalping strategies. If you want to know Apa Itu 'spread' Forex, then it is the difference between the Buy (Bid) and the Sell (Ask) price of currency pairs. If the bid price, let's say EUR/USD is 1.6919, and the asking price is 1.6929, then the forex trading pip spread is one pip. If the Bid price is 1.6909 and the Ask price is 1.6959, the spread is five pips. Thus, the answer to what does spread mean in forex trading is the profitability of a currency pair. The wider the spread, the longer it will take for trade to become profitable.

What is Forex Scalping?

Scalping in Forex entails taking advantage of small price changes in the market. These generally mean making small trades over short periods – somewhere between 1 and 15 minutes. A one minute scalp would aim for a five pip profit while a 5-minute trader would look for a ten pip profit.

> **Since the trades are so small, it is crucial to choose low-spread currency pairs.**

This is because if the spread is too large, there won't be any profit left after the trade ends. This is a very popular trading style as it creates many opportunities in a single day.

Best Low Spread Scalping Strategies

Understanding what does spread mean in Forex and low spread scalping strategies can offer various opportunities for profit for traders. For instance, a forex currency pair can go up by 20 pips, pull back by ten pips, fluctuate there for a few minutes, and move sharply up by another 20 pips. In the Forex market, this is usually seen as a minor move as it occurs over a manner of minutes and is what the scalpers are after. But, before we begin, let’s see the benefits of scalping.

These are as follows:

- No need to wait for trends to develop;
- Various trading opportunities;
- No need to analyze the market;
- Possibility of making big profits by making positional trades.

At the same time, a few disadvantages are also linked to Scalping:

- Small margin for mistakes;
- Scalping can be exhausting;
- A risk of overtrading;
- ‘Good’ trades leading to overconfidence.

1. Extreme Scalping

In this section and the next, we shall mention the forex scalping strategies for active traders.

Here are the indicators:

- Bollinger Bands;
- Exponential Moving Average;
- MACD Histogram;
- Relative Strength Index (RSI).

Timeframe: 1 minute

- Trade Pairs: GBP/USD, EUR/USD, USD/CAD, USD/JPY, GBP/JPY Scalping strategy

Long Entry:

- Let the 3 EMA cross through the Bollinger Brands 18 mid-line;
- Let the RSI and MACD histogram align above 0 on MACD; on RSI, above 50.

Short Entry:

Let the 3EMA cross down through the Bollinger Brands 18 mid-line;

Let the RSI and MACD histogram align below 0 on MACD; on RSI, below 50.d.

Stop Loss:

For a long trade, place stop loss for some pips below the low band;

For selling, place stop loss for some pips above the high band.

Profit Taking:

Put the target profit on the opposite band;

Let the average target be between pips 5 and 15.

2. Trade Gold CFDs

Here are the indicators:

Exponential Moving Average;

Relative Strength Index;

Stochastic Oscillator.

Long Entry:

The price should be close to the Admiral Pivot support or a little above Pivot Point;

Let the 5 EMA cross above 10;

The Stochastic Oscillator must be crossed 20 from underneath recently;

RSI above 50.

Short Entry:

The price should be close to the Admiral Pivot resistance or a bit above Pivot Point;

Let the 5 EMA cross below 10;

- The Stochastic Oscillator should have crossed 20 from above recently;
- RSI below 50.

Stop Loss

- For long trade, place stop loss below previous support;
- For sell trade, place stop loss above previous resistance.

Take Profit:

- Put the profits nearer to the next pivot.

Things to Keep In Mind for Low Spread Trading

The following factors must be kept in mind when using low spreads as part of the trading strategy.

More about them is given in later sections:

- Average True Range (ATR);
- Stop loss versus stop grab;
- Currency correlations;
- Benefits of a Margin;
- Bid-Ask Spread Percentage.

Average True Range (ATR)

ATR indicates measures of financial instrument volatility. Based on its calculation, it can also project the upper and lower levels of the range. High ATR is an indicator of high volatility. For low spread trading, though high volatility can compensate for wider spreads, the best situation is when the spread is low while volatility is high.

Stop-Loss versus Stop Grab

Another thing to note is what happens when stop-loss gets hit on high spread pairs. When the market order stop-loss hits the market, you might be paying a considerable spread. This can create a pattern which collects all stop above or below. The price move is going to depend on the number of stops that are hit.

Currency Correlations

A +1 correlation denotes that two currency pairs will move in the same direction, while a -1 correlation will denote that the two currency pairs will move in the opposite direction. A 0 correlation means that there is no relationship between the currency pairs, and these are Forex opposite pairs. Sometimes, you’ll see the lowest spread forex brokers let you trade at low costs, which is something you should be on the lookout for.

Benefits of a Margin

Before problems with margins hit the radar, the account of the traders should be in a better position for the handling of setups with more significant drawdowns. In terms of the number of trades, the traders are less limited. When the market accelerates in price action, this can be particularly useful, which can offer the trader more opportunities to trade.

Bid-Ask Spread Percentage

It is crucial to understand the spread percentage to know how to calculate the spread in Forex. Spread fluctuation depends on liquidity. A liquid market is one in which many trades take place daily and has many active traders. Forex is exceptionally liquid since millions of individuals and hundreds of banks trade currencies every day. It is then divided by the average daily range of currency pairs. The resultant percentage shows us how much the spread costs. The lower the number, the better it is.

In a sense, it can be considered an opportunity cost as it might reduce the profit gained from the forex average daily range in pips calculated by ATR. The higher the opportunity costs, the higher the likelihood of it being converted to losing trades and, in turn, real financial losses.

Conclusion

We hope that you have found this article useful in understanding spread meaning in trading forex. Understanding what is a spread in forex trading, and what is time spread trading will help you in live forex spreads and making profits in Forex. It is easy to know the effect of 0 pip spread forex brokers on opportunity costs, their benefits, and why they should be considered by professional traders.

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