



# How to determine tags for Price gaps and trading strategies

27<sup>th</sup> December, 2018

**Price Gaps:** Gaps occur when the market opens a session higher than the previous high or lower than the previous low. Gaps are an example of a price pattern that can provide very dramatic trading signals.

Gaps are caused by information or changes in investor sentiment that is released when the market is closed or not trading. This is seen most often in stocks and option markets where premarket and post market news is common. That news can change the perceived value of a stock and the buy/sell equilibrium will be different at the next open from the prior close.

- **Tagging price gaps:**

By tagging price gaps, we can ride the trend properly and with specific targets. It helps us to design trading strategies for that particular trend. Price gaps helps use to know in which wave the market or stock is.

# Types of price gaps

- **Breakaway Gaps** *(based on following characteristics we can tag price gaps)*  
Periodically a stock will break out of a trading range and break support or resistance levels. Usually they are accompanied by large volume due to sudden shift in sentiment of investors. It is also a product of strong fundamental reason either positive or negative and that compel investors to change their view or to reinitiate fresh buy or fresh sell.
- Generally, to validate wave 3 and wave 5 we can take the help of breakaway gap. After completion of wave 2(4) it enters into wave 3(5) but to validate wave 3(5) it needs to give technical break out by crossing strong trend lines or horizontal resistance line.
- Important characteristic of breakaway gap is, “ it takes time to fill completely, if it gets fill immediately then we can assume that either it is not a breakaway gap or trend is weak.

Source - Own observations and findings

# Types of price gaps

- **Continuation Gaps**: A continuation gap occurs when the market is already strongly trending one direction or the other and a gap between two trading periods occurs. Like breakaway gaps, a continuation gap to the upside is considered bullish and a continuation gap to the downside is bearish. It helps us to set price targets as generally they occur after price forms either flag or pennant formation. Here time interval between two gaps remains pretty long.
- **Runaway gaps**: generally comes to the end of a trend. When market starts giving several small price gaps in a short interval we can consider them as runaway gaps. To identify whether it is runaway gap or exhaustion gap we need to see size of it. If it is big enough then we can call it as exhaustion gap.
- **Exhaustion Gaps**: signify the last push in a direction before the security shows a reversal. Exhaustions **gaps** can be difficult to identify and may be easily confused with runaway **gaps**. However, if we follow the rule of size then it becomes easy to tag.

Source - [Own observations and findings](#)

# Breakaway Gap: Reliance industries



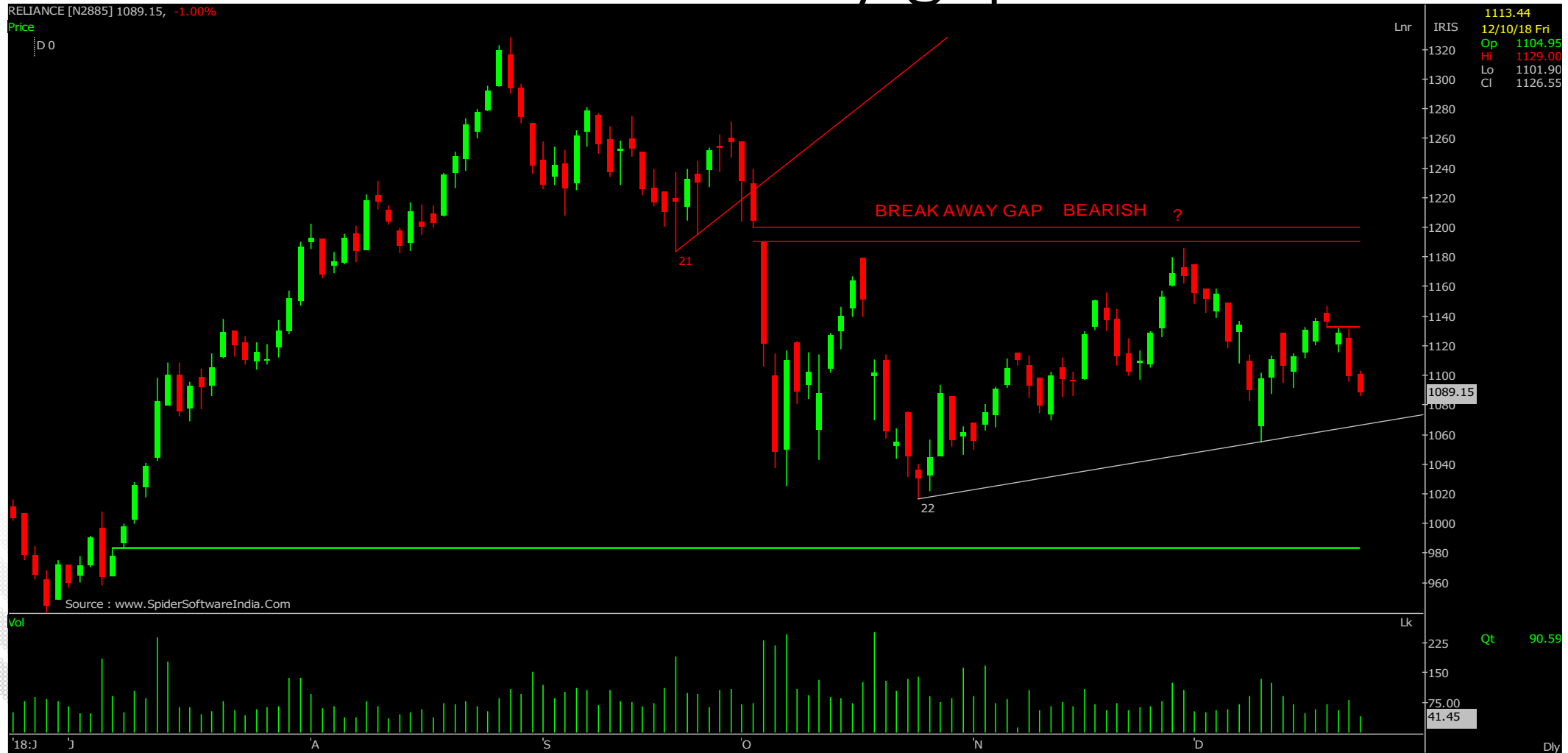
Source – Spider Software Pvt LTD

# Breakaway Gap and entered in trending wave



Source - Spider Software Pvt LTD

# Reliance bearish Brkaway gap or not?



Source - Spider Software Pvt LTD

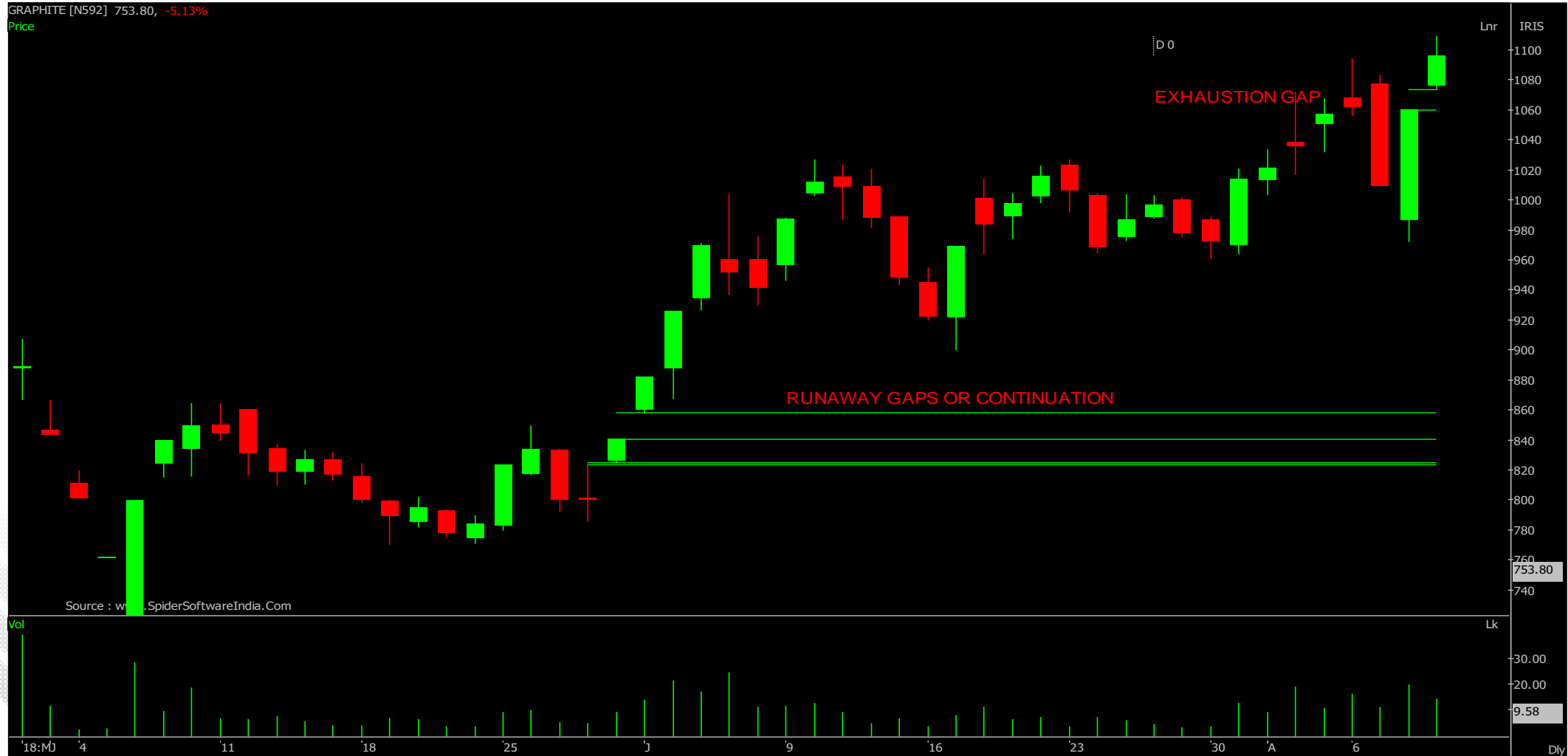
# Continuation gap: Titan



Source - Spider Software Pvt LTD



# EXHAUSTION GAP AND RUNAWAY GAPS



Source - Spider Software Pvt LTD

# EXHAUSTION GAP AND RUNAWAY GAPS



Source - Spider Software Pvt LTD

# Flag and Pennant for targets



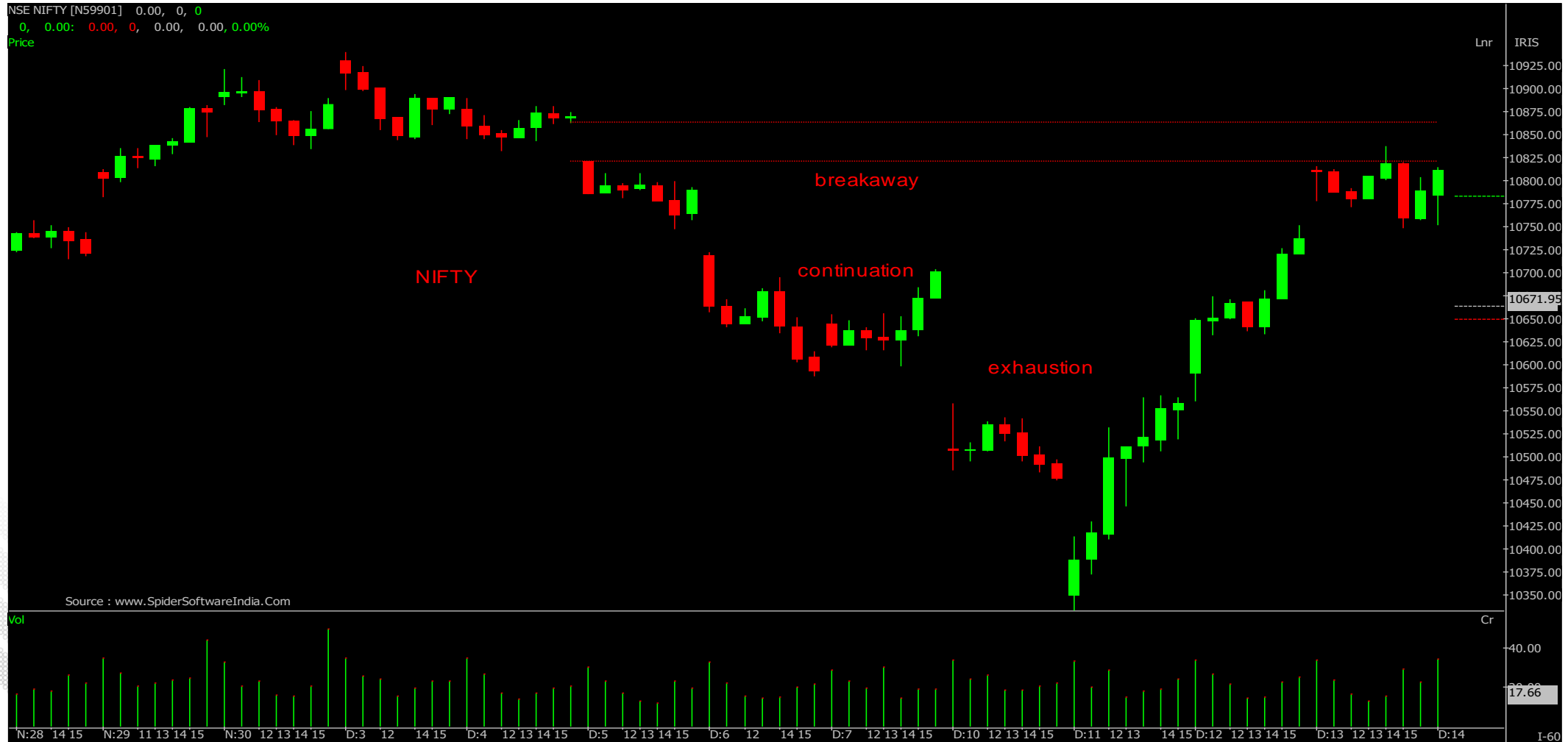
Source - Spider Software Pvt LTD

# Nifty : 60 min chart



Source - Spider Software Pvt LTD

# Nifty : 60 min chart – later it got filled



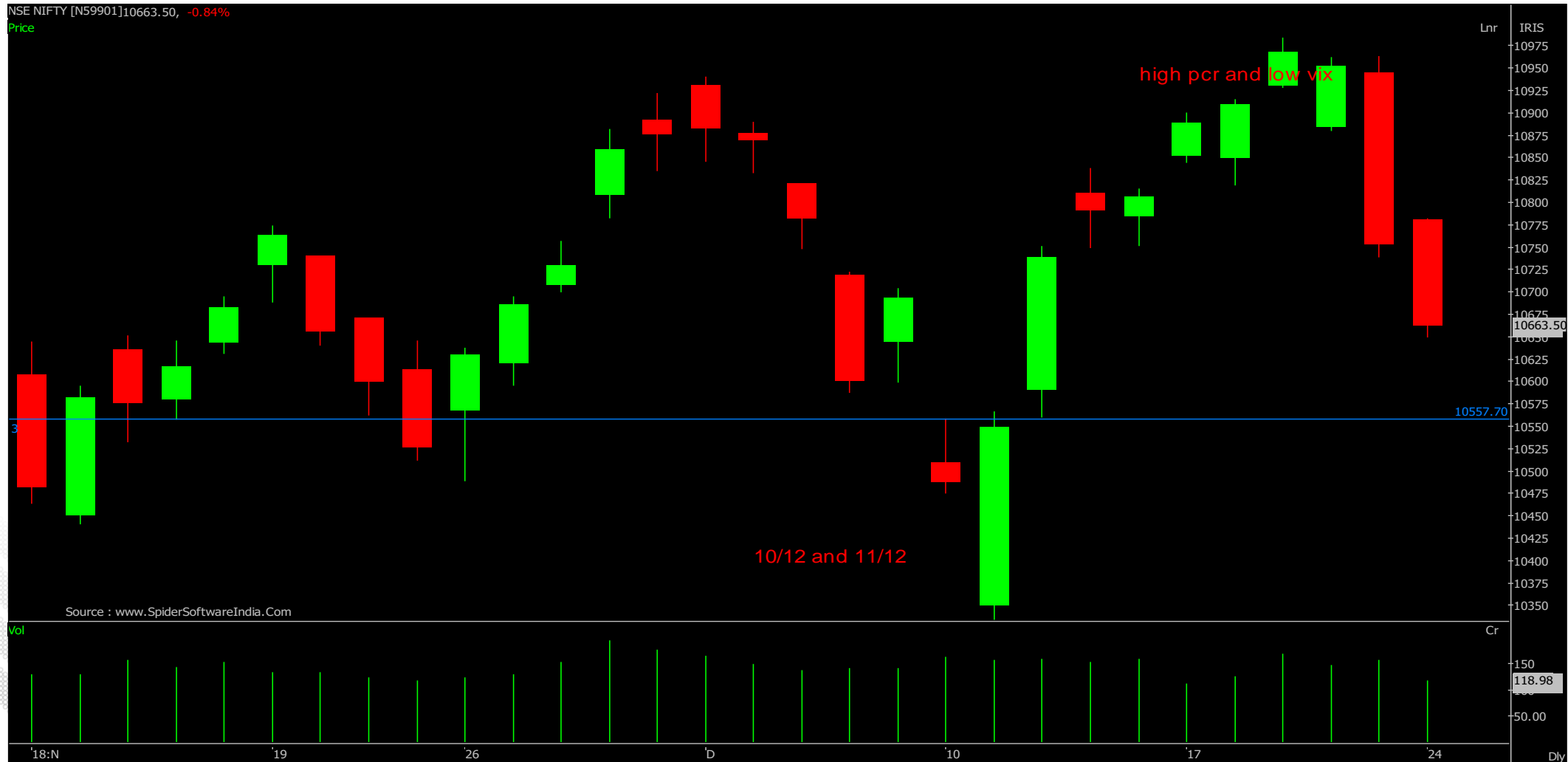
Source - Spider Software Pvt LTD

# LOW PCR AND HIGH VIX ON 10/12 and 11/12 2018



Source - Spider Software Pvt LTD

# HIGH PCR 1.45 AND LOW VIX 14 AT 10985



Source - Spider Software Pvt LTD

# Data Points of Nifty @ 10600

INDIA VIX – (Neutral)

(ahead of elections base is going to shift from 10 to 13 and from 20 to 25)

PCR – 1.40 OF SAME SERIES (Neutral).

DAILY RSI – AT 50 (Neutral)

INR – WAS AT 70 (corrected from 74.50)

Crude was at 53 (substantial fall)

World Markets : Down

*Source - Spider Software Pvt LTD*



# Nifty Pull back is due up to 10550 or 10750 max.



Source - Spider Software Pvt LTD

# Technical Analysis: When to Buy/Sell

## Fundamental Analysis: Why to Buy/Sell



## Question & Answer

Queries should be specific to stock that are in FNO segment.

## RATING SCALE

- BUY** – A condition that indicates a good time to buy a stock. The exact circumstances of the signal will be determined by the indicator that an analyst is using.  
**SELL** – A condition that indicates a good time to sell a stock. The exact circumstances of the signal will be determined by the indicator that an analyst is using.  
**Stop Loss Order** – An instruction to the broker to buy or sell stock when it trades beyond a specified price. They serve to either protect your profits or limit your losses.

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