



HowToTrade

THE FOREX SCALPING STRATEGY [PDF]

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Forex Scalping Strategy

Let's start with this – scalping is fun. Yes, it's a famous book, but the truth is that scalping is indeed a fun and exciting way to trade financial assets. You are less attached to the trades you take and mostly rely on your instincts and various trading tools rather than researching and analyzing the markets.

This forex scalping strategy PDF attempts to show every basic thing you need to be a scalper.

What is Scalping?

Scalping is one of the leading [forex trading strategies](#) and is the shortest-term trading method of all, where traders exploit small price changes to make quick profits. Its main characteristic is the super short time between a trade's opening and closing time and the large number of transactions made by scalpers daily.

Generally, the scalping trading technique is based on grabbing small amounts of pips as often as possible throughout the day. Scalpers only hold onto their scalping trades for a few seconds or, at most, a few minutes. They are not attached to any position, have a neutral market outlook, and their only goal is to have a positive win/loss ratio by the end of the day/week/month. They are Pips collectors.

What are the Characteristics of a Scalper?

Now, before choosing the path of a scalp trader, here are the most desired characteristics a scalper needs to succeed.

- You work well under pressure and like a fast-paced environment.
- You are a fast thinker with fast fingers.
- You are impatient and do not want to wait for long trades.
- You do not get easily stressed in a fast-paced environment.
- You have good trading instincts and the ability to make good trading decisions fast, even during confusing price action.

Nonetheless, if you don't have the skills above, do not panic. These skills can certainly be achieved over time with practice and education. Unlike other trading strategies, scalping is a technical trading method, so you can always put the time and effort into learning those scalping trading tricks that can make it work for you

How Does Scalping Work?

The name scalping is derived from the way its goals are achieved. Professional traders can place up to a few hundred trades in a single day, trying to scalp many small profits from a massive number of trades.

Forex scalping is based on buying and selling forex currencies while profiting from small, fast moves. Scalping forex traders often target as little as ten pips for their profit targets. To profit from such small market moves, forex scalping requires the trader to enter the market with a greater lot size than they would, let's say, a [swing trade](#) with a target of multiple hundred pips. Scalpers also maximize their profits by opening a large volume of daily trades and using high leverage to increase the purchasing power and profit from minor price movements.

As scalpers typically make hundreds of trades in a day, they must also [find a brokerage firm](#) that enables them to trade with low transaction costs. This is a crucial factor in succeeding as a scalp trader and one that you must notify your forex broker about. Additionally, many forex scalp traders use the forex compound method to reinvest their profits back into their trading accounts. To do so, they often use [a forex compounding plan template](#) and a [trading journal template](#).

Finally, to make a scalping strategy work in the forex markets, the traded pair must be volatile and liquid, providing enough movement for the scalper to take advantage of. Therefore, most forex scalpers focus on major currency pairs to utilize scalping trading strategies. Additionally, the bid and ask spread must be small so scalpers can easily get in and out of positions.

The Most Common Currency Pairs to Trade as a Scalper

Due to the high volatility and liquidity required to utilize the scalping strategy, here are some of the most popular currency pairs on which scalpers like to execute their forex scalping strategies.

- EUR/USD
- USD/JPY
- GBP/USD
- USD/CHF
- USD/CAD
- AUD/USD
- NZD/USD

The Best 5 Forex Scalping Tools

For scalpers, analyzing the markets is a different story. They do not focus on in-depth market research and the fundamentals. Instead, they are using other tools and approaches that will enable them to capture these small price movements.

Here are some top indicators and tools for the forex scalping trading strategy:

1. Automated Trading

A scalping forex strategy can either be manual, in which case the trader executes the entry and exit manually, or automated, where the trader takes advantage of a predetermined set of rules coded into a scalping Expert Advisor that executes the trades automatically.

There are obvious benefits to using an automated forex scalping system:

- 1.Traders do not have to sit in front of their screens to execute their forex scalping strategy.
- 2.They do not have to manually scan all the pairs and look for the correct signals to enter the markets.
- 3.It removes the human error factor, where emotional decisions can affect the

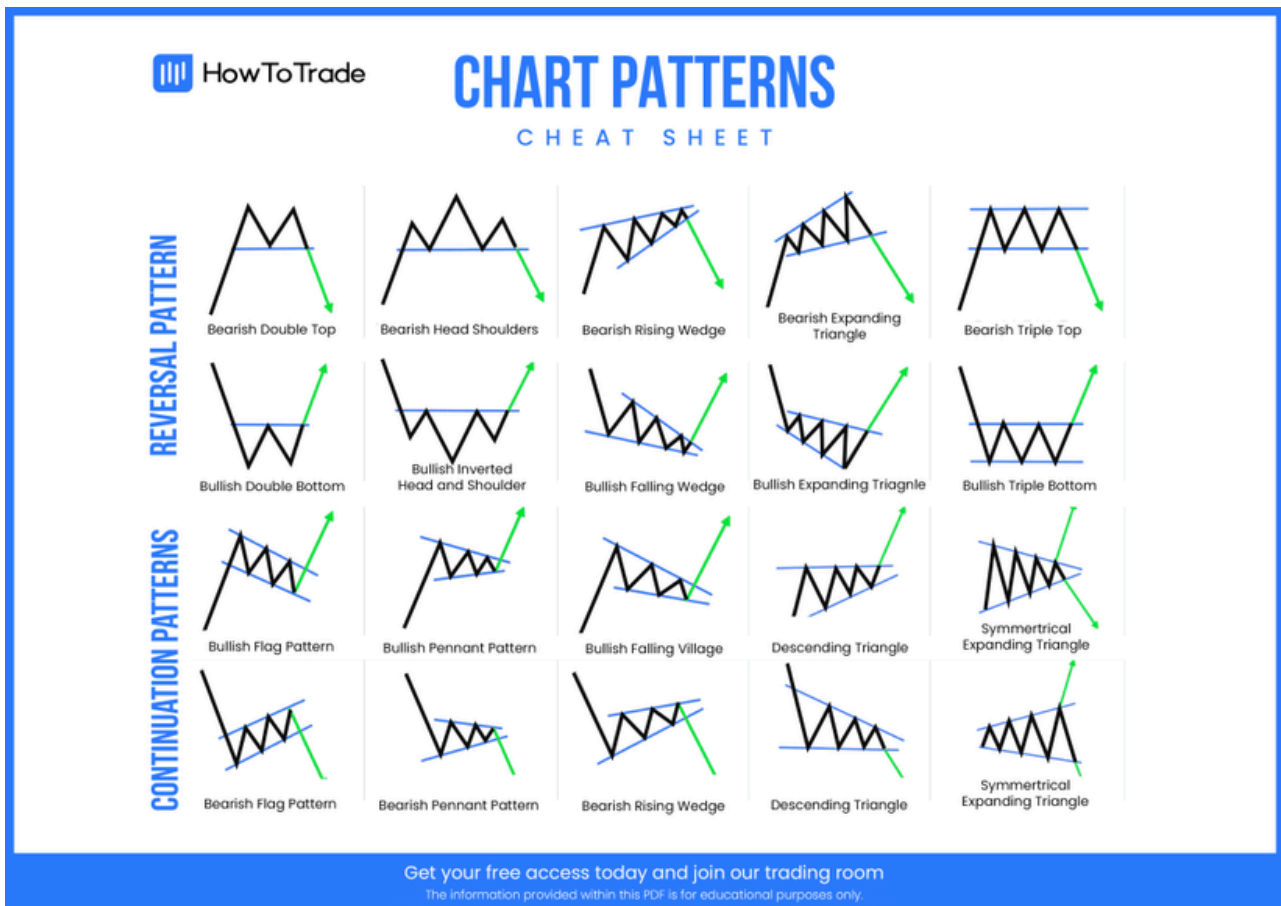
Still, you must remember that automated trading is a relatively complex trading strategy that requires programming skills or acquiring a programmer to build an automated trading system. Either way, most traders who automate their trading typically use the scalp trading strategy as it involves less risk and a better risk management plan.

2. Level 2 Market Data

[Level 2 market data](#) is a more detailed set of information that allows traders to view the complete order book of a particular market, including bid and ask prices, trading volumes, market makers, and more. Scalp traders use this additional layer of information to make quick trades. For example, they place orders on the buy and sell sides or try to collect just a few pips by taking a short-term trade when they see a big buyer or seller in the market placing [large order blocks](#). It is a highly effective tool, especially for day and scalp traders.

3. Chart Patterns

Chart patterns are the basis of technical analysis and are the most valuable tool for short-term traders. Without them, it is nearly impossible for forex scalp traders to predict future price movements. These repetitive candlestick patterns provide signals for the strength or weakness of the existing trend and help short-term traders find many trading opportunities.



4. Technical Indicators


Forex scalp traders also use technical analysis indicators to understand better the supply and demand of currency pairs and the overall market sentiment. These forex scalping indicators are statistical tools designed to help traders analyze price behavior and offer indications to enter and exit trades. Some of the most popular and commonly used scalp trading indicators include the Relative Strength Index, Bollinger Bands, Moving Averages, MACD, and Stochastic Oscillator.

5. Tracking Multiple Charts

Traders often use [multiple charting layouts](#) to detect potential trading opportunities. With this trading technique, a forex scalp trader keeps track of several markets or opens multiple charts of the same instrument. For example, a scalp trader can monitor an instrument from several time frames. By analyzing various time frames, scalp traders can significantly increase their odds of developing a successful trading system. If you would like to learn how to do that, visit our lesson on [setting up multiple charts in MetaTrader4](#).



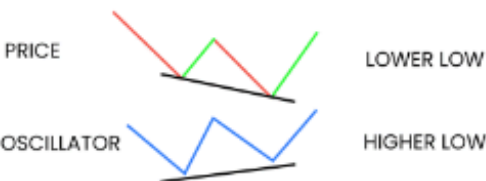
Additionally, many scalp traders track two assets with high correlation to detect trade opportunities. For example, when a currency pair moves in a particular direction, and the correlated asset stays put, you may want to exploit this price anomaly by taking a similar position in the correlated asset. To learn more, visit [our Forex Correlation cheat sheet guide](#).



DIVERGENCE

CHEAT SHEET

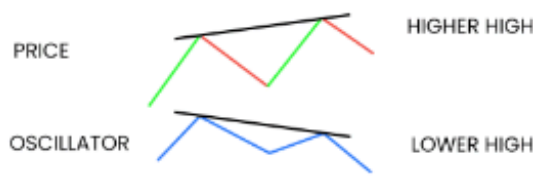
BULLISH DIVERGENCE



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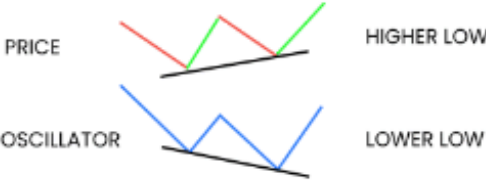
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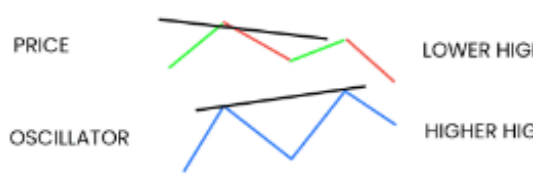
HIDDEN BULLISH DIVERGENCE



PRICE: HIGHER LOW

OSCILLATOR: LOWER LOW

HIDDEN BEARISH DIVERGENCE



PRICE: LOWER HIGH

OSCILLATOR: HIGHER HIGH

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Another popular trading technique for scalpers is to trade divergences. For those unaware, divergence in trading is a situation when the price of an asset and the indicator do not signal the same thing.

Scalpers often use this technique to find trading opportunities and quickly get in and out of positions. To learn more about the divergence trading strategy, you can download [our divergence cheat sheet](#) and our [MACD](#) and [RSI divergence](#) cheat sheets.

Is Scalping a Viable Trading Strategy?

It's safe to say that forex scalping is not for everyone. It's difficult to master and can be risky, especially when you risk your money. However, it can be a viable strategy with the right mindset and determination. It very much depends on a trader's personality and characteristics.

Scalping is often preferred by traders who have a neutral market outlook, and therefore, they can avoid market noise and distractions. For scalpers, trading is much like a video game.

One more thing to keep in mind is that scalping is more suitable for novice retail traders than other more complex strategies that require more knowledge of the markets. With proper discipline, a set of practical scalping tools, and a predetermined set of rules, forex scalping is certainly a great strategy.

Is Scalping a Viable Trading Strategy?

Let's take a closer look at some of the pros and cons of forex scalping strategies.

Pros

- Scalping requires less market knowledge to start
- Forex scalping is engaging and entertaining
- The liquidity of the market means trades can be entered and exited easily
- Trades are held for short periods, minimizing losses

Cons

- Forex scalping can be risky due to market volatility
- The small profit from each trade can make it seem like the account is not growing fast
- Forex scalping requires a lot of screen time
- Leverage can increase gains but also losses