

Forex Scalping

Forex scalping is a very short term forex trading strategy. With forex scalping, the trader enters a trade and almost immediately takes profit as soon as the trade turns a small profit. Forex scalping is not aimed at capturing large pips moves like in conventional forex trading. Rather, the trader keeps a close eye on the market, engages in quick trades and gradually stacks up 5-15 pips.

Forex scalping is executed on short time frames like 5 minutes trade charts. The quick trades are entered using large amounts so that small pips scalped will still translate into large profits. For example, if a trader using scalping techniques makes only 5 pips in 5 minutes at \$60 a pip he makes a \$300 profit.

Scalping takes advantages of the liquidity of the currency market. Currency exchange rates are always changing based on changing market conditions. Conventional traders are always trying to predict currency changes or which rates are going up or down. Scalpers on the other hand are mainly interested on present market situations and what happens in the immediate short term. Most scalpers do not rely on the news as do regular forex brokers. Scalpers that use the news to trade are big time traders wishing to take advantage of the first few minutes of reaction.

Forex scalping is ideal for traders willing and able to risk larger lots as a small pip loss can also translate to losing large amounts of investment. Forex scalping is considered by many traders less risky because the trader spends less time on each trade. The trader is not concerned on long or over night trades. A disciplined scalper trader can double or even triple their account spending just a fraction of the time a day trader will spend on the market. At first glance, forex scalping would seem like a very profitable trading strategy but it does require some level of skill and discipline.

The strategy is surrounded with a level of controversy and many forex brokers do not allow it. Brokers do not favor quick entry and exits from trades because it makes them lose money back at the dealing desk and does not allow them trade against clients. Only a small percentage of the hundreds of forex brokers online support or encourage scalping. If you plan to use forex scalping as a trading strategy you would need to look for a broker that supports the system.

Experienced scalper traders profit from very slight price fluctuations, which may be as small as only 1-3 pips. They just stack it up and steadily build up their account. Since the pips gained from each trade are small, using a large leverage plays a vital role in the success of this strategy. It should however be mentioned that trading with a high leverage is risky as it could swing both ways. A little amount of pips gained can translate to significant profits, such as a few pips lost can really hurt your account. To reduce losses scalpers set tight stop loss limits.

A trader using forex scalping strategy needs a level of mental and physical alertness and speed. The trader cannot afford to enter a trade and walk away from the computer as a trade can last between seconds to a few minutes. Some traders use automated systems or robots designed to analyze the market trade using the scalping techniques. Other traders prefer to scalp the market manually.