

Forex Scalping System

The forex scalping system refers to tiny price gaps that were originally created by the bid ask spread. The bid ask spread is essentially the price quoted by a market maker for the immediate sale and the immediate purchase. The size of the spread is created by the size of the transaction cost itself. When scalping in the sense of arbitrage, you usually tend to act as the market maker yourself. When acting as the market maker, you will need to make decisions quick. In doing so, you should be able to change the market by lying a bit to bluff the trader. In order to gain money, that is, the difference between the bid and ask price, you will need to buy at the bid price and sell at the ask price. Those that use this system use it because it is possible to gain money even if there is no fluctuation in the bid or ask price.

There are, of course, different factors that affect the forex scalping system. This system does have its down falls, and one would have to be extremely knowledgeable in order to actually succeed in the forex scalping system. Factors such as liquidity, volatility, time frame, and risk management all affect the forex scalping system in either a negative way or a positive way.

The liquidity of the market greatly affects the performance of scalping- in other words, the more liquid the markets are, the tighter the spreads will be. This is important because the more liquid there is in a market, the more trades a scalper can make to add up the little money sums. As far as volatility goes, the forex scalping system works best when the prices do not change. If the prices do not change, it is completely possible to just bid and ask for the same price all day without the worry of sudden changes. Sudden changes are bad for the forex scalping system, because the shorter the time frame, the better the chances are of making more trades in a day. Because the preference for working in a short time frame, someone using the forex scalping system may look for hundreds of different trade profits throughout the day. It is essentially avoided to simply participate in one big trade as opposed to the little different trades through the day.

There are two different parties who participate in the forex scalping system, whether they realize it or not. For the spreads, there is the party who benefit from the spread and the party who pays the spreads. People benefiting from the spreads include the scalpers, the original market makers, and the forex brokers. The original market makers earn their money much like a scalper, and may fill out hundreds, if not thousands of orders each day. The forex brokers make profits from the ask bid quotes, and this is why they originally do not charge for their services. Those who pay the spreads are momentum traders on technicals and momentum traders on news. The traders on technicals study things such as charts, quotes and graphs, looking for the right rise or fall of a price to get in the bid. The traders on news are essentially the same as the traders who study charts, only they pay attention to the news. It is always important to understand that in the art of the forex scalping system, one must always act quickly.