



Scalping Strategy

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What is Scalping?



- Quick trading where you jump in and out of the market several times in a short period of time
- Ideally taking approx. 20 pips of profit each time
- Usually done on the 5 minutes charts
- Tight stop loss and profit taking targets

Key Terms



BUY – OPENING A POSITION
IN THE MARKET WHEN THE
TREND IS POSITIVE



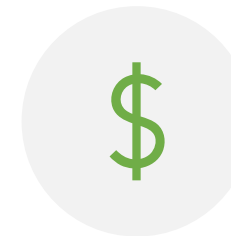
SELL – OPENING A POSITION
IN THE MARKET WHEN THE
TREND IS NEGATIVE



EXIT – CLOSING EITHER A
BUY/SELL POSITION



STOP LOSS – AUTOMATIC
VALUE SET TO EXIT POSITION
IF THE MARKET IS MOVING
AGAINST YOU



TAKE PROFIT – AUTOMATIC
VALUE SET TO EXIT POSITION
IF THE MARKET IS MOVING
IN YOUR FAVOR

What is EMA?

- EMA – Exponential Moving Average measures trend direction of the market over a period, applying more weight to the data that is more current.

Calculation

- You should notice how the EMA uses the previous value of the EMA in its calculation. This means the EMA includes all the price data within its current value. The newest price data has the most impact on the Moving Average and the oldest prices data has only a minimal impact.
- $EMA = (K \times (C - P)) + P$
- Where:
C = Current Price
P = Previous periods EMA (A SMA is used for the first periods calculations)
K = Exponential smoothing constant
- The smoothing constant K, applies appropriate weight to the most recent price. It uses the number of periods specified in the moving average.



Anchor Trend (Confirmation Chart)

- For the 5 min scalping strategy trend is determined based on the 1 hour chart
- This trend determines whether to buy or sell (sell pictured)
- Based on the 8 and 21 EMA
- When 8 EMA is below the 21 (Sell)
- When 8 EMA is above the 21 (Buy)



Trade

- Move to the 5 min chart
 - This trend determines when to enter the market
 - Based on the 8, 13 and 21 EMA (sell pictured)
 - When 8 EMA is below 13 and 21 (Sell)
 - When 8 EMA is above 13 and 21 (Buy)
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- Sample Trade
 - 5 mins bar touches the 8 EMA (trigger bar)
 - Count back 5 candles and enter 3 pips below the lowest price of the lowest candle
 - Stop Loss set 3 pips above trigger bar
 - Take Profit set at $1 * \text{Risk}$

Source

<https://www.youtube.com/watch?v=zhEukjCzXwM>



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