

## Forex Scalping Strategy

### What is Forex Scalping?

Forex scalping is the art of using high leverage and a large number of short term trades to steadily increase an account. Usually, only 1 to 5 pips are targeted for each trade. This type of trading appeals greatly to day traders and those looking to minimize the risk involved in trading currencies. Next to money management, "risk control" is the single most important trait to a surviving (and thriving) currency trader. The small amount of time that is spent in the market limits much of the risk in exposure in comparison to a longer term system. Also, the freedom involved in a speedy Forex scalping system in such a liquid market is a "magnet" that drives many traders from other markets to try their hand in currency. A disciplined and steady scalper could seamlessly double or triple an account, and spend only a fraction of the time in the market as a common day trader.

### Forex Scalping - The Problem

Though Forex scalping may seem like a preverbal "holy grail" at first glance, there are still many unseen hurdles that surround the controversial method of trading. If you do wish to add scalping to your trading toolbox, it is extremely important to pick a broker who can support a scalpers's system. You will quickly find that many brokers do not allow scalp trading, as the method of quickly entering and exiting trades may actually cause the broker to lose money at the dealing desk. Forex scalping also does not give the broker a means to trade against their clients which is a way of money making for them. Out of the hundreds of online Forex brokers, only a handful support scalping. It is a very thin line between scalping and short term trading. Generally if you hold trades for a minute or less, you may have problems with brokers. They could warn you and then if you continue shut down your account. However, if you trade in minutes or more, most likely you will not have problems with dealing desk brokers. Non dealing desk (ECN) brokers allow scalping where you can hold a position for seconds however the minimum to open an account is higher (\$2,000 and above).

### Forex Scalping Strategy

Effective Forex scalping strategies take advantage of extremely slight price fluctuations (sometimes only 1-3 pips) many times in order to steadily build an account. Because of the smaller number of pips gained per trade, larger than normal leverages play a key role in a successful Forex scalping strategy. By leveraging much more than a standard day trader in a liquid environment, a very skilled scalp trader is able to make just as much money as the day trader in a shorter period of time. However, this is an obvious double-edged sword. The market can just as easily move against you on a high leverage, which could produce substantial blows to your account.

Also, it is important to take into consideration the physical and mental speed of a trader who will only stay in the market for seconds to minutes. Executing a scalping strategy by hand can be extremely difficult considering the quick amount of time you must be in and out of the market for your strategy to be affective. Many successful Forex scalping strategies are built to be automated; the rules to the system are coded into a trading platform to automatically perform scalp trades around the clock. Though it is completely possible to trade a Forex scalping strategy manually, the majority of today's traders would agree that automating the process based on a set of rules would be the best way to ensure speed and reliability. When choosing a platform to automate your scalp strategy, it is extremely important to stick with those platforms that allow the execution of your system on every tick (such as MetaTrader 4). This ensures that your entrances and exits will be on a per-tick basis, and will give you a much higher probable rate of success than those platforms who will execute your code more periodically.

To understand the full challenge of scalping as a trading style, consider this: hard work and small gains accumulated over a decent period of time could easily be wiped out with one large loss. Finding a balance between profit levels and size of acceptable losses presents the most difficult challenge to scalpers' strategy.

Forex scalping can be a good method of growing a managed Forex account quickly, but should not be looked at as the "holy grail" of trading. Most brokers do not support scalping, and a consistently profitable Forex scalping strategy can be very difficult to engineer. However, if much time and effort is spent in system optimization and setting up a good relationship with a scalp supporting broker, the benefits could be well worth the time spent.

### About the Author

[Forex](#) scalping strategy can be very difficult to engineer. However, if much time and effort is spent in system optimization, developing a fine [forex strategy](#) and setting up a good relationship with a broker that supports [scalping](#), the benefits could be well worth the time spent.