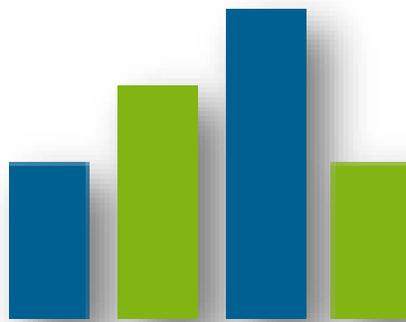


# Trading Gaps

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*A 91% Winning Trades Strategy*

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**InterAnalyst**  
Invest. Grow. Protect.

# Gaps always get filled...

...along with your pockets

If you know Technical Analysis (TA) of securities, you probably have heard about the statement. [Stock price gap](#) is one of the easiest stock TA patterns (no fancy equations needed). A statement as simple as “gaps always get filled” seems easy to be used as trading strategy.

However, if you are a curious person (like me), you would wonder: what does “always” mean, exactly? 100%? A quick Google search shows many people have wondered the same on forums and blogs. Surprisingly, nobody yet gave an empirical answer. Here, I’d like to share some statistics on how often stock price gaps get filled.

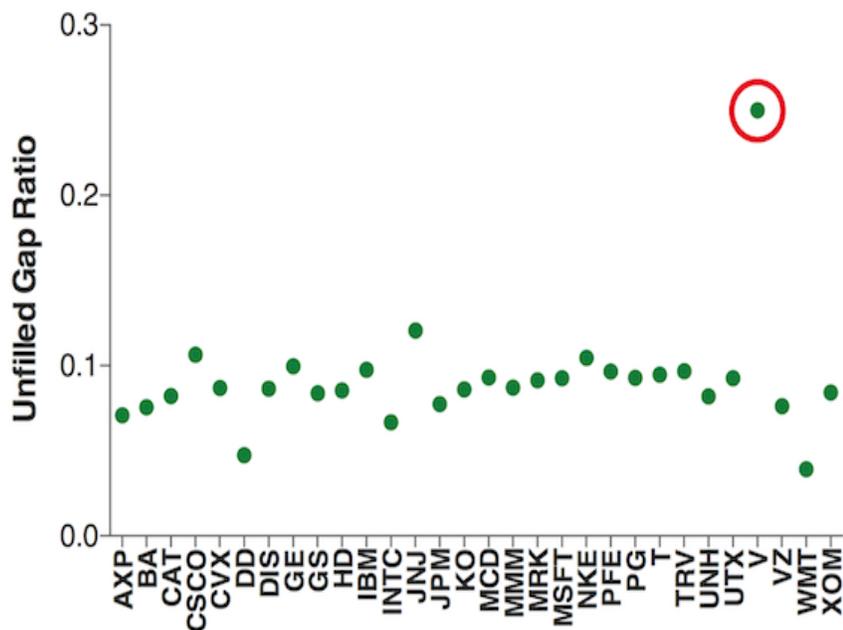
## Warning: Does NOT apply to “Down” gaps

Many articles and blog discussions gap research as if the conclusion apply to both up and down gaps. I want to be loud and clear; the conclusion here does not apply to down gaps, only up.

## Historical Proof

I utilized historical stock price data of 30 Dow Jones Industry (^DJI) components from Yahoo, dated 10/27/1989 – 10/11/2013 (24 years).

Since Dow stocks are all sound companies and their prices have overall long-term uptrend, most “down” gaps should have got filled. So, I only studied “up” gaps. An up gap is logged when “low” of the day is higher than “high” of previous day. Once a gap is logged, I look for how many days it took to “fill” the gap (defined as “low” of day k is lower or equal to “high”



of day i), or never got filled (when k reaches the end of time studied). Total, filled, and unfilled gaps are counted for each of 30 ^DJI components.

## Study Results:

1. Do gaps always get filled? Statistics says yes: ~91%
2. As you can see, the unfilled gap ratios of 30 DJI components have very tight distribution.
3. Average unfilled gap ratio: 8.8%
4. Standard deviation: 3.4%
5. Apparently, Visa, Inc (NYSE: V) is an outlier in this data set. *I think because its relative short history (2008 IPO), many up gaps (especially the ones generated in current bull market) have yet to be filled. When we exclude V, the distribution is even tighter.*

## A Current Regular & Perfect Example



As you see in the S&P500 chart, in just a matter of a few days I have pointed out gaps that have been opened, closed, and those that remain open for a quick profit!

## The Crystal Clear Conclusion:

When a price gap is observed, by a chance of 91.4% it will get filled in the future. In layman's word, 9 in 10 gaps get filled; not always, but very close. Plus, the longer the security has existed more confidently the gap will be filled.

All you do is use any of the 300+ Wealth Maximizer Pro Daily Charts, find gaps and your odds move from 91% to virtually 100%! Where can you find a better predesigned system?