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## Types of Price Gaps in Technical Analysis [Breakaway, Continuation, Exhaustion]

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**Types of price gaps** refer to discontinuities on a price chart where no **trading activity** has occurred. These **types of gaps in trading** emerge when the opening price of a **candlestick** is significantly higher or lower than the close of the previous one.

This **phenomenon typically results** from sudden price changes, often triggered by **economic news** or abrupt shifts in **supply and demand** conditions.



Different types of price gaps and their application in technical analysis

### Application of Price Gaps in Technical Analysis

**Price gaps** are used to detect sudden shifts in **price action** across financial markets. Traders utilize these gaps to anticipate **market trends** and potential **reversal zones**.



## Types of Price Gaps in Trading

Each **price gap** type signals different aspects of market direction, reversal areas, and **momentum**.

**Price gaps** are classified into four primary categories:

- ⚡ **Common Gap**
- ⚡ **Breakaway Gap**
- ⚡ **Continuation Gap (Runaway Gap)**
- ⚡ **Exhaustion Gap**

### Common Gap

The **common gap** is one of the most frequently observed **types of price gaps**, often appearing in choppy or sideways markets with average trading volume.

#### Characteristics of Common Gaps

- ⚡ Also known as "**area gaps**" or "**trading gaps**"
- ⚡ Typically, unrelated to major events
- ⚡ Small in size
- ⚡ Filled quickly
- ⚡ Provide no strong market signals
- ⚡ Usually form within price ranges

#### Real Example of Common Gap

Below is a chart showing **common gaps** on the NZD/CHF pair in a one-minute **timeframe**.



Display of common gaps on the USD/CHF pair in a 1-minute chart

### Breakaway Gap

A **breakaway gap** occurs when the price breaks out from a **key support or resistance level**. It reflects strong **momentum**, with price typically continuing in the direction of the gap.

## Characteristics of Breakaway Gaps

- ⚡ Occur at the **beginning of a new trend**
- ⚡ Appear after price exits a consolidation zone
- ⚡ High trading volume
- ⚡ Indicate trend direction changes
- ⚡ Rapid price movement

## Real Example of Breakaway Gap

The chart below shows a **breakaway gap** after price exits a range in the GBP/JPY pair (1-minute chart).



Formation of a breakaway gap as price exits a range in GBP/JPY

## Continuation Gap (Runaway Gap)

The **continuation gap**, also known as a **runaway gap**, forms when traders who missed the initial move enter aggressively, causing a surge in **buying or selling pressure**.

These gaps often remain unfilled for extended periods, suggesting a strong continuation of the trend, whether **bullish or bearish**.

## Characteristics of Continuation Gaps

- ⚡ Form within strong trends
- ⚡ Driven by high volume
- ⚡ Indicate trend strength
- ⚡ Rarely retrace to gap origin
- ⚡ May be news-driven

## Real Example of Continuation Gap

A continuation gap on the NZD/USD pair in a one-minute chart is shown below.



Continuation gap in the direction of the trend on NZD/USD (1-minute chart)

### Exhaustion Gap

**Exhaustion gaps** typically appear near the end of a trend or around significant **support and resistance levels**. They may resemble **continuation gaps** but are usually filled quickly by subsequent **candles**.

#### Characteristics of Exhaustion Gaps

- ⚡ Indicate the end of a trend
- ⚡ Signal weakening momentum
- ⚡ Follow prolonged price moves
- ⚡ Occur near major support/resistance
- ⚡ Accompanied by high volume

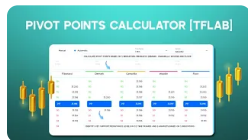
#### Real Example of Exhaustion Gap

The chart below illustrates an **exhaustion gap** followed by a **trend reversal** on the US100 index (1-minute chart).



Formation of exhaustion gap after a strong price rally reaching resistance on US100

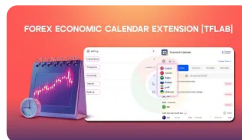
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## Comparing Price Gaps in Technical Analysis

Different **types of price gaps** convey insights into market direction, **sentiment** changes, support and **resistance levels**, and **volume shifts**. Interpreting each type depends on these **contextual elements**.

### Key Notes on Using Price Gaps

Despite being easy to spot, the correct usage of **types of gaps in trading** requires trader skill. Misinterpretation can lead to missed opportunities or losses.

- ⚡ **Timing matters:** Different gaps mean different things at various times;
- ⚡ **Strategic use:** Gaps can serve as entry/exit signals;
- ⚡ **Volume relevance:** Volume at the gap provides clues about strength and continuation;
- ⚡ **Type identification:** Recognizing the type of gap is essential for technical analysis.

## CME Gap in Cryptocurrency Markets

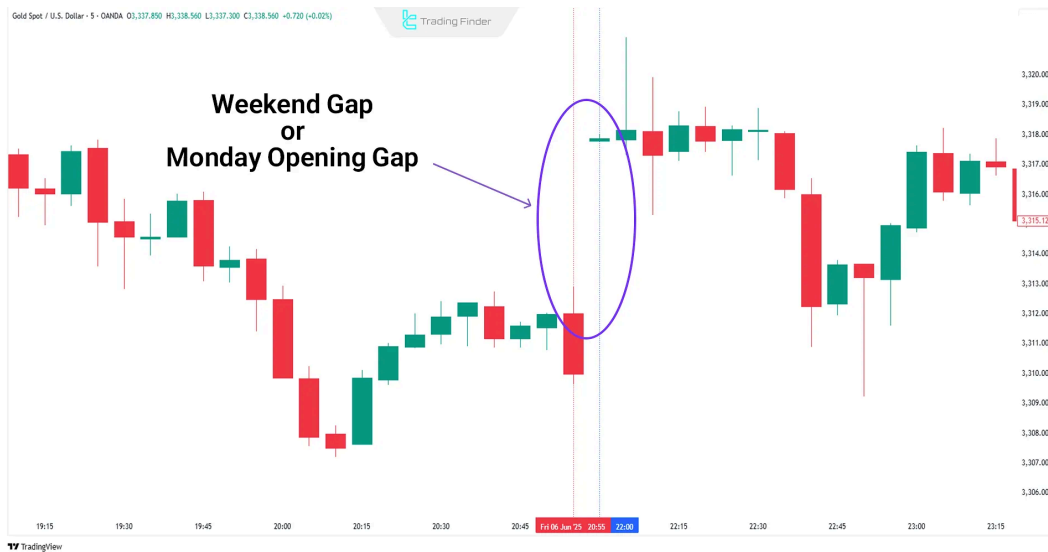
In crypto markets, the **CME gap** refers to the price difference between **Bitcoin's** close and open on the **Chicago Mercantile Exchange (CME)**. These gaps usually occur because **cryptoexchanges** operate continuously, unlike the **CME**.

Crypto traders use the CME gap as a reference tool to **assess potential price targets** and **entry** and **exit points**.

### Monday Opening Gaps

At the beginning of a new trading week, **price gaps** can form due to **the release of macroeconomic news over** the weekend.

These are often **breakaway or continuation gaps**, depending on the nature of the move.



Price gap formed at the start of the trading week on XAU/USD

## Conclusion

**Types of price gaps** appear as gaps between **candlesticks**, providing various market insights based on **timing** and **location**. Traders use them for **price analysis** and to define entry and exit levels.

They **reveal information** on trend strength, **market sentiment** shifts, and **key levels**. In the **cryptocurrency market**, the **CME gap** has become a key tool for **Bitcoin** traders.

## FAQs

What are the types of price gaps? ▼

- Common Gap
- Breakaway Gap

What is the use of price gaps? ▼

- Continuation/Runaway Gap
  - Exhaustion Gap
- They help assess the strength and direction of trends in financial markets.

What are the features of a breakaway gap? ▼

- Price breaks out of range

What do price gaps reveal? ▼

- High volume
  - Trend direction change
- They provide data on market direction, sentiment, support and resistance levels, and volume.

What are the important tips when using price gaps? ▼

- Timing awareness
  - Integration in trading strategies
- Which gaps are filled quickly? ▼
- Volume analysis
  - Exhaustion gaps can be filled rapidly.
  - Gap type recognition

What are the characteristics of exhaustion gaps? ▼

- End-of-trend signal
- Loss of momentum
- High volume
- Form near key zones

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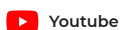
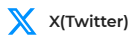


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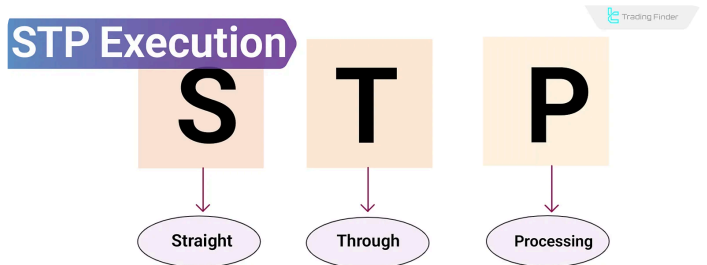
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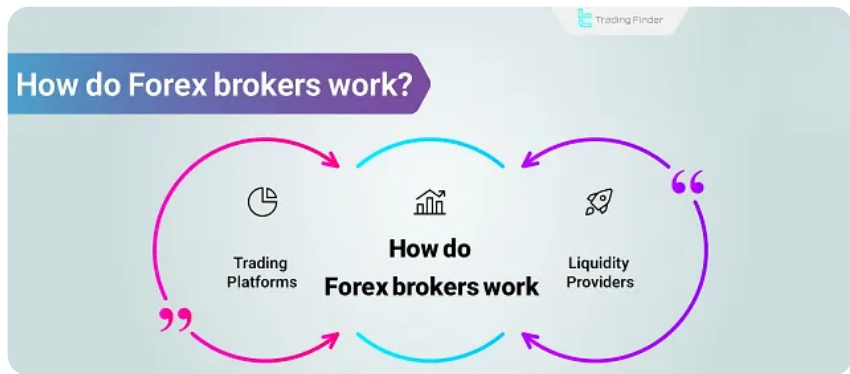
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