

## Breakaway Gaps

### Dramatic market movements

Whenever there is a significant change in market conditions, you can see the occurrence of gaps, which can occur at the start of trade or during the session. Most shares/stocks will show gaps at the beginning points of trade, rather than during a trading session. Three main types of gaps exist, known as breakaway gaps, measured gaps, and exhaustion gaps. Measured gaps are also known as continuation gaps.

Breakaway gaps *may* signal a reversal, and usually occur in two places. They can be found when the trend moves in an opposite direction from the one before it, or after a consolidation. Generally, no matter where they are found, breakaway gaps signify strong buying and selling pressure. This means that you can expect prices to lean toward the gap's direction for some time.

You can see how WBC has a good breakaway gap on their charts in mid-January. We can see a trend break supported by a volume climax which helps us identify the breakaway gap.

Another example is with MO where you will see a consolidation-based breakaway gap. It fought the resistance, and was formerly in a formation of an ascending triangle, which it broke out of, confirming the breakout. BHP shows you that some gaps can be completely meaningless. For a company to have multiple gaps with no significant chart markers is often normal behavior.

When it comes to breakaway gaps, you need to make sure that you take the time to properly identify the trends, and ensure you have confirming evidence the trend is established. Gaps should not be traded without confirmation of supporting evidence the breakout may be continued.

