Glossary - G [ChartSchool]

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Gap

Gaps form when opening price movements create a blank spot on the chart. This occurs when the high of the day is below the low of the previous day or when the low of the day is above the high of the previous day. Gaps are especially significant when accompanied by an increase in volume.

Gap - Breakaway

Breakaway gaps signal a potential change in trend and are especially significant when accompanied by an increase in volume. A bullish breakaway gap forms when a security gaps up after an extended decline. Bullish breakaway gaps can also occur after an extended base or consolidation period. A bearish breakaway gap forms when a security gaps down after an extended advance. Bearish breakaway gaps can also form after an extended top or consolidation period.

Gap - Common

Common gaps occur within a trading range or shortly after a sharp move as a reaction. These gaps do not signify the beginning or continuation of a move, but rather represent anomalies. For instance, if a security has declined 20% in a week and gaps up, it would be considered a common gap and not likely to signify a change in trend. Or, if a trading range develops between 20 and 30, and a gap forms in the middle, it is probably a common gap.

Gap - Continuation

A continuation gap forms in the middle of a move and in the same direction as the current move. These gaps signal a continuation of the preceding trend and can mark good entry points. After a short or intermediate advance, a continuation up gap is usually considered bullish and signals a renewal of the uptrend. After a short or intermediate decline, a continuation down gap is usually considered bearish and signals a renewal of the downtrend. This gap is also called a measuring or runaway gap.

Gap - Exhaustion

After an extended or long move, a gap in the direction of the current move is called an exhaustion gap. For an exhaustion gap to be considered valid, prices should reverse soon after the gap and close the gap. After an extended decline, a gap down could signal that the downtrend is about to exhaust itself. An exhaustion gap is confirmed when prices reverse soon afterward and move above (or “close”) the gap. After an extended advance, an exhaustion gap would be confirmed when prices reverse soon afterward and move below the gap.

Gap - Measuring

See Gap - Continuation.

Gap - Up/Down

An up gap forms when a security opens above the previous period's high, remains above the previous high for the entire period and closes above it. Up gaps can form on daily, weekly or monthly charts and are generally considered bullish. A down gap forms when a security opens below the previous period's low, remains below the previous low for the entire period, and closes below it. Down gaps can form on daily, weekly or monthly charts and are generally considered bearish.

Golden Cross

A signal where the shorter moving average moves above the longer moving average. Usually, this term is associated with the 50-day moving average crossing above the 200-day moving average. See ChartSchool article on Moving Averages.

Golden Ratio

Also called Phi, the Golden Ratio is 1.618. The inverse of 1.618 is .618. These ratios can be found throughout nature, architecture, art, and biology. See also ChartSchool article on Fibonacci Retracements.

Gravestone Doji

A doji line that develops when the Doji is at, or very near, the low of the day.