Forex Investing At The Right Time And The 10 AM Rule And How It Works

Sometimes it`s wise not to be the early bird when investing in forex, instead wait and see what the day will bring before you take action. The 10 A.M. rule is a great example of this concept, and is an example that protects your capital. Let`s say you want to buy a forex stock, for whatever reason; a trend play, or a market rally that you think a currently hot sector will participate in. You know that a great time to buy would be on a gap down, but the market is in rally mode and instead of gapping down, the forex stock gaps up. But buying the gap up is a bad trade. Now what do you do?

You use the 10 A.M. rule, and wait until after 10 A.M. for the right forex stock investing time to buy the stock. If the forex stock makes a new high for the day after 10 A.M., then, and only then, should you trade the stock. Of course, you will use stops to protect yourself, like you would on any trade.

Anyone who`s followed the market knows that a forex stock will often gap up early in the morning, only to suddenly sell off and reverse into negative territory. By following the 10 A.M. rule, you avoid the risk of this sudden reversal. If the forex stock does make it to a new high after 10 A.M., there is still trader interest in the forex stock, and it stands a good chance of gaining momentum and heading even higher.

Here is an example of the 10 A.M. rule on a gap up: A forex stock closes the day at $145. After hours, the company announces a two for one forex stock split. The next morning the forex stocks gaps up to open at $161. It trades as high as $166 before 10 A.M. For two hours after 10 A.M. it trades lower and doesn`t reach $166. At 2 P.M., it hits $166.50. The forex stock is now safe to buy, using the 10 A.M. rule.

Using a version of the 10 A.M. rule, you could watch for a hot sector to appear in the morning and follow the forex stocks in the sector that are up for the day. If the forex stocks are still making new highs at midday, they stand a good chance of finishing the day near their ultimate highs for the day, and could be good trading opportunities. This also applies in a down market and to stocks in forex that gap down, opening at prices lower than where they closed the previous day. In this situation, you should not short a forex stock that has gapped down unless and until it makes a new low for the day after 10 A.M.

Using the 10 A.M. rule ensures that you will never end up chasing and buying a forex stock when your chances of making a profitable trade are low. Remember, trading is all about probabilities. The more forex stock investing trades you make with a high probability of success, the more successful you will be. The 10 A.M. rule is a valuable addition to your trading plan, giving you a straightforward way to avoid making costly mistakes and to increase your number of profitable stock investing trades in forex.

About the Author

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