PIP MAKERS

SLIPPAGE

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What Is Slippage?

Slippage occurs when a market order is executed, a stop loss closes or a take profit is hit at a different rate than set in the order.

Slippage is more likely to occur in the forex market when volatility is high and the market is moving quickly, normally due to a high impact news event.

How Does It Affect Me?

Slippage can work for and against you, for example if you had a buy order executed and current market price was 123.120 and your take profit was 123.140 and some high volatile news came in and it spiked the price up, your take profit would try to close at 123.140 but because the market is moving so quickly it cannot execute the command quick enough so therefore you might end up closing out at 123.240, this is known as positive slippage as you have infact now ended up with more profit.

Unfortunately this also works against us to, if the news sent a spike down this could also go straight through your stop loss and incur a larger loss, this is known as negative slippage.

How Can We Stop Slippage?

Slippage is pretty much unavoidable. As traders, there is nothing we can do to stop this due to the sheer volume and strength of the currency moving. We can only accept that slippage will occur and sometimes we will benefit and other times we will not.

The PipMakers Team