

The gap your stop cannot cover keeps a schedule

EVENT GAP

A price jump across which no order executes, produced when new information lands on a withdrawn book. A stop inside the jump fills on the far side of it, at the market's price rather than the stop's. In commodities the chief gap-makers are scheduled reports: the timing is published, the size is not.

The indices track taught you the overnight gap: the market closes, the world keeps happening, and the open prints wherever the accumulated news says. Commodities have that gap too. But their defining gap is a different animal, and the difference is the lesson.

Predictable in timing, unpredictable in size

An index gaps because the market was shut and news arrived meanwhile - random in timing, and mostly modest in size. A commodity gaps because the EIA or the USDA publishes at a moment printed on a calendar - utterly predictable in timing, and unpredictable only in size. The book empties into the release on purpose, the number lands, and the price jumps to wherever the surprise says, with nothing trading in between. You know the minute. You cannot know the magnitude. That combination is unique among the gaps this platform teaches, and it demands a different response.

What that difference buys you

A random gap can only be sized for. A scheduled one can be scheduled around - which is a risk tool the indices trader never had. Standing flat through a release costs nothing but patience; holding through it is a choice, made in advance, with a known clock. The one unforgivable version is the accidental hold: a position that meets a report because nobody checked the calendar. Module 2 built the fixture list precisely so this lesson could say - being surprised by timing is a choice.

Supply shocks: the unscheduled remainder

Storms, strikes, export bans and pipeline failures gap commodities without an appointment - the index-style gap, with commodity violence. These are why gap thinking applies to every held commodity position, not only ones near a report. The stop is not protection across any of them. It is an instruction to transact, and there is nothing to transact against inside a jump - the fill is on the far side, at the far side's price.

So the module's question becomes: what size survives the gap you cannot rule out? That is the next lesson, and it has an honest, uncomfortable answer.

Check your understanding

1. How does a commodity report gap differ from an index overnight gap?

- a. It is smaller, because reports are anticipated
- b. Its timing is published in advance while its size is not - the reverse of a gap that can land any night
- c. It only affects futures, not CFDs

Answer: b. The release minute is on a calendar; the surprise is unknowable. Predictable timing with unpredictable size is a different risk animal, and it can be scheduled around - which a random gap never can.

2. Why does a stop not protect against a gap?

- a. Brokers disable stops during releases
- b. A stop is an instruction to transact, and inside a jump there is nothing to transact against - the fill lands on the far side
- c. Stops are only honoured during exchange hours

Answer: b. No prices trade inside the jump, so the stop executes at the far side's market. The stop bounds the intention; the gap decides the fill.

3. What is the one unforgivable way to meet an inventory report?

- a. Flat, having closed the position beforehand
- b. Holding deliberately, with the exposure sized and written down
- c. Holding accidentally, because nobody checked the calendar

Answer: c. Holding through a release can be a legitimate, sized decision. Meeting one by surprise cannot - the timing is public, so ignorance of it is a process failure, not bad luck.