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Price gaps: Another market anomaly?

#### ABSTRACT

This paper analyses price gaps in financial markets, also known as trading, opening, common, stock or morning gaps – all these terms being used to indicate that the current day's opening price is not the same as the previous day's closing price. To test for the presence of such an anomaly in price dynamics stock, FOREX and commodity market daily data were used. The sample period went from 2000 to 2015. Applying a variety of statistical tests, we tested six different hypotheses and are able to show that in most cases the observed price behaviour is not inconsistent with market efficiency, the exception being FOREX. In this case, a trading strategy based on exploiting the observed anomaly can generate abnormal profits.

**KEYWORDS:** Price gaps, trading strategy, technical analysis, FOREX, stock market, commodities, anomaly, efficient market hypothesis