# how to trade commitments of traders (COT) report with fair value gaps

ghosttraders.co.za/how-to-trade-commitments-of-traders-report

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The Commitments of Traders report is a key tool for traders. It shows the net positions of different types of traders, including commercial traders, large speculators, and small speculators. As a trader, your focus should be exclusively on the net positions of the **commercials**—the big players in the market. You should ignore the positions of large and small speculators.

Commercials don’t cause the market to react immediately because they exit and accumulate positions gradually. For instance, when commercials begin accumulating long positions, they are slowly offloading their sell positions. The market will only show bullish price action on your forex chart once they have fully taken profit from all their sell positions and have accumulated enough long positions.

## Video Resources

Some aspects of trading cannot be fully communicated in writing and are better understood through visual aids. Therefore, I recommend watching the accompanying videos for more clarity.

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## Time Frames for Trading

When using the COT report, focus on at least a daily time frame on your trading charts to understand the overall price movement. Once you have identified the market's direction, you can refine your entries by switching to smaller time frames.

## Entries with Fair Value Gaps and Order Blocks

Fair value gaps, order blocks, and other smart money trading concepts such as propulsion blocks and volume in balance can be used for entry only if they rest on swing highs and swing lows. The commercials give us a clear picture of which swing lows and swing highs will be taken out or not.

As a trader, you should use the concepts from the Ghosttraders Smart Money Trading Course, such as fair value gaps and order blocks. Always focus on fair value gaps and order blocks that are above the premium of your Fibonacci if you are looking for sell positions, and focus on fair value gaps and order blocks that are below the discount if you are looking for buy positions.

## Explanation of Key Concepts

- Order Blocks in forex are a change in the state of price delivery validated by fair value gaps and indicated on the forex chart by the last bullish candle in a swing high that forms the highest high before the down move if it is a bearish order block. Conversely, a bullish order block is represented by the last bearish candle in a swing low that forms the lowest low before the up move. These areas of order blocks represent where big participants and large banks have placed their orders in the form of sell limits, buy limits, or pending orders. Learn more about the article on the order blocks in forex.
- Fair Value Gaps occur when Price leaves a specific level where there's less trading activity seen and only has a one-directional price movement. Learn more about the article on the fair value gap trading strategy.



## Swing Trading with Commitments of Traders

Trading the commitment of the trader's report is ideal for swing trading as it focuses on the overall price action based on net long positions of what the commercials are doing, which is the ultimate price driving force. So traders must be well equipped with order flow and a clear understanding of higher timeframe analysis.

## Day Trading with Commitments of Traders Report

Although the commitment of traders' reports is ideal for swing traders, remember that the less is included in the greater meaning within the higher timeframe price movement. There are smaller timeframe price actions that day traders can take advantage of and make money trading, but it would make much sense to just get a small piece of the pie if you can have the whole thing.

What you can do is first have a clear target per trade for the day and once that target has been reached, close the position and live partials or small open positions targeting the whole move, no matter how small the position is, because you will be focusing on the long move, so that will compensate for the small position.

## Trading Liquidity Voids with Commitments of Traders Report

Liquidity voids are often referred to as price imbalances, although they are much more than that. Liquidity voids are sudden and sharp movements that occur in one direction in financial markets, which are often represented on price charts by large candlesticks with little trading activity.

These phenomena signify a liquidity gap, and what makes them significant is not the initial price movement, but the expectation that the price will eventually return to close this gap. Whether the gap will be closed successfully or not can be seen through the net positions of the commercials, as it allows us to have a clear picture of which swing lows or highs will be taken out or not. Hence, you focus on those gaps or inefficiencies that are close to your swing highs or lows.

These voids in liquidity are inefficiencies in the market that can result from either sell-side or buy-side inefficiencies, providing opportunities for traders who can recognize them.

The commitment of traders gives traders a clear way to capitalize on those inefficiencies by giving a clear picture of what to expect next and which swing low or swing high will be taken out or not based on the net long positions of the commercials.

The commercials are more than just institutions trying to predict what price is doing like large and small speculation; these are the ones that determine the direction that the market will go.

In conclusion, the essential element in effectively trading the Commitment of Traders report lies in gaining a comprehensive understanding of how to integrate it with other smart money trading concepts, such as fair value gaps, order blocks, and liquidity voids. To achieve this mastery, enrolling in the Smart Money Trading Course is highly recommended.

This extensive course offers over 13 hours of valuable lessons designed to equip traders with the knowledge and skills necessary for successful trading.