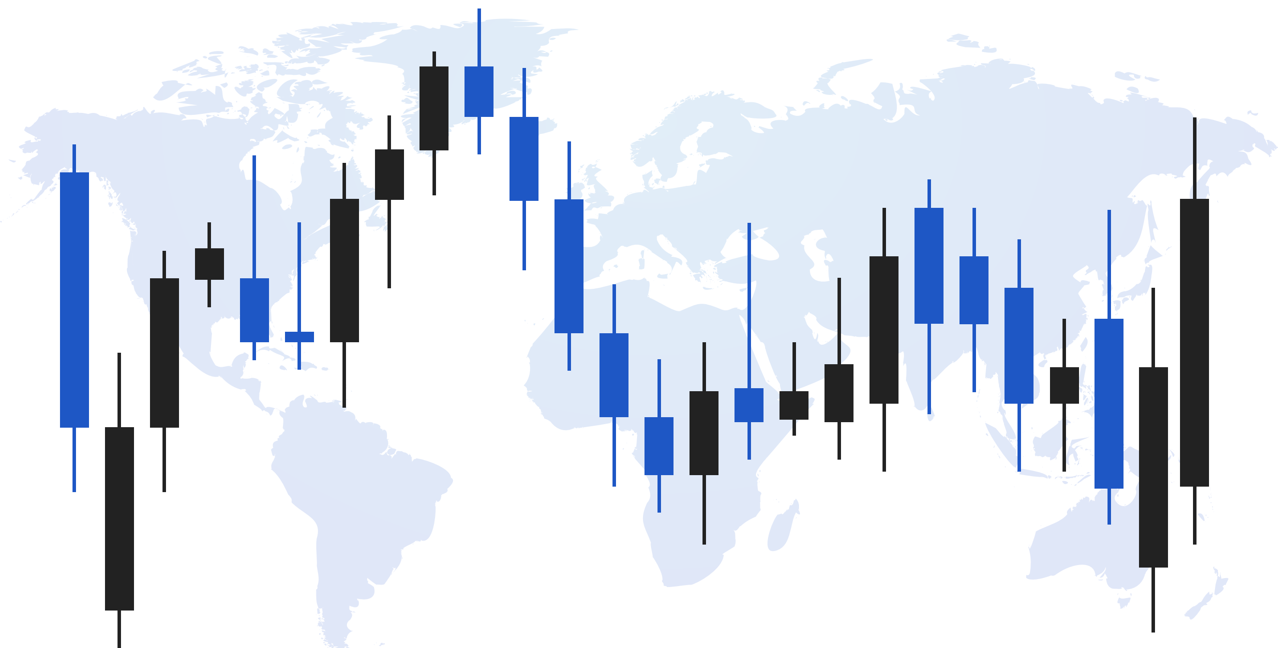
# THE ULTIMATE FOREX TRADING PDF

## Full Learning Guide



EUR to USD
1.09890 USD –0.55%

USD to JPY
146.426 JPY +0.34%

GBP to USD
1.2983 USD –0.90%

USD to CAD
1.41540 CAD +0.48%

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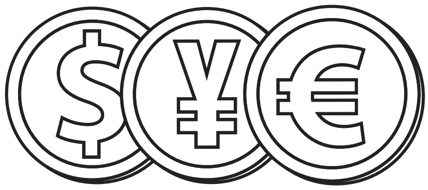
➤ Chapter 1

# Introduction



## Part 1: What is Forex?

**Forex is a commonly used abbreviation derived from English (Foreign Exchange or FX) for the largest international currency market, where one currency is traded in pairs with the simultaneous sale of another currency.**

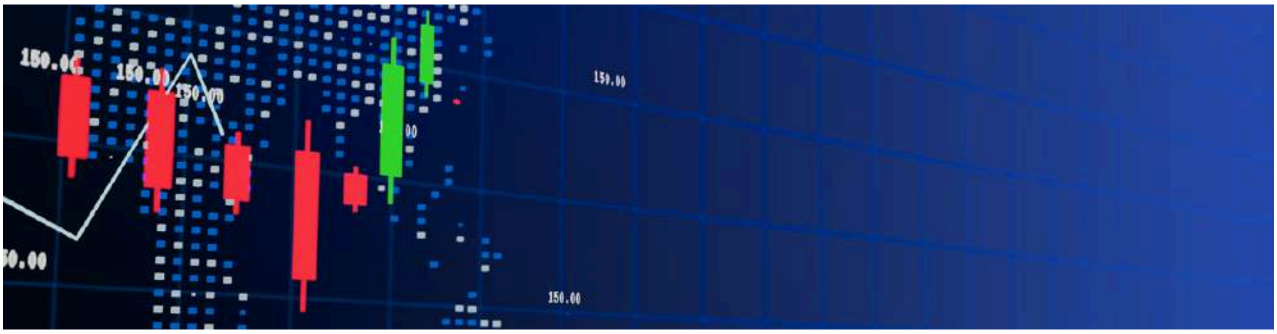
**Forex is the largest market in the world.** While some traders exchange their national currency for foreign currency, most market participants are investors and speculators who use the relative value of different currencies to generate profits, similar to stock trading. Forex brokers aim to capitalize on currency price fluctuations, while currency trading mainly occurs directly between market participants.

Price fluctuations result from supply and demand curves, which correlate with global macroeconomic events. All major market-impacting news is made public, ensuring that all participants receive the information simultaneously. This minimizes the influence of insider information to nearly zero.

**In Forex trading, currencies are always traded in pairs.** If you buy one currency, you automatically sell another and vice versa. This is represented as xxx/yyy, where xxx is one currency, and yyy is the second currency. For example, if you trade the euro against the US dollar, it is written as EUR/USD, meaning 1 Euro = 1.0970 US dollars. There is no fixed exchange rate for any specific currency pair.

**EUR/USD = 1.0970**

**The Forex market is open 24 hours a day, from Sunday evening to Friday evening.** When the American trading session ends, the Asia-Pacific or other sessions begin. This means that all currencies around the world are constantly being traded. Traders do not need to wait for the market to open to react to global news. With a daily turnover of approximately $5.3 trillion, it is the largest financial market in the world, offering the highest liquidity.



# Part 2: Forex History

The Forex market, as we know it today, dates back to **1973**. However, currency exchange has existed since the first coins appeared during the **Pharaonic era**. After the end of World War II, the U.S. economy was much stronger than most European countries. The U.S. dollar gained significant strength and was recognized as the world's reserve currency. The American currency was designated as the anchor currency, and the well-known Bretton Woods system was established. According to the agreement, deviations of other currencies were allowed within a range of +/- 1% against the U.S. dollar.

The Bretton Woods system remained in effect from 1944 until 1973, when the system of fixed but adjustable exchange rates lost its validity. At that time, the United Kingdom was facing severe financial problems, and the exchange rate of its national currency was freely fluctuating. This led to other currencies also depreciating in value. Trading with major currencies became free. U.S. President Richard Nixon made an attempt to save the Bretton Woods system. In 1971, the Smithsonian Agreement was reached, which allowed currency exchange rates to fluctuate within a 2% range. Ultimately, these restrictions were in stark contrast to economic realities, and the Smithsonian Agreement ended in March 1973.

In 1982, the option to trade currency pairs was first offered in the U.S. In 1983, many other currencies were added. By 1987, both the United Kingdom and the United States had already achieved significant trading volumes in Forex. Countries such as China, South Korea, and even Iran (1991) later joined the market.

**Online forex trading began in 1994**, which in turn led to the idea of a unified European currency. The euro followed the U.S. dollar as a reserve currency. The 19 member countries of the Eurozone joined the euro system at different times.

# Part 3: Why Trade Forex?

Many traders are familiar with the advantages of stock trading, but few beginners fully understand the **benefits of Forex trading**. The popularity of the Forex market is growing because it offers something that is lacking in other financial markets. Here are some reasons why the Forex trading mechanism enjoys such popularity among market participants:

- **No Commission System:** No one wants to pay a commission when it comes to making money. Forex traders do not have to pay clearing fees or commissions for currency exchange. Taxes to the state are also eliminated. In other words, traders do not have to give up any of the money in their accounts to pay fees. Forex brokers cover their costs through the difference between the buying and selling price, and how this works in detail will be explained further in the next video.
- **No Intermediaries:** Traders can trade Forex directly without the need for intermediary services.
- **No Fixed Lot Size:** Traders can start with as little as $25 or even less. They can determine the lot size themselves, making this market accessible to almost everyone.
- **24-Hour Trading Access:** Forex trading takes place at any time of the day or night. Investors can choose the time that suits them best. The trading week begins early Monday morning in the Australian market and ends Friday evening in New York.
- **Low Forex Costs:** For traders, this means especially fair costs: usually less than 0.1 percent – the difference between the buying and selling price, or spreads. Brokers earn their money this way. Larger broker firms can even set transaction costs as low as 0.07 percent.
- **Free Market Forex:** The Forex market is so large that no one can control it for a specific period.
- **Easy Global Access:** Starting with Forex trading doesn't require a large fortune. In fact, most Forex brokers allow opening a trading account with just $25 or even less. While this doesn't mean traders should start with a small account, it shows that significant capital is not required to begin trading.
- **High Liquidity:** The Forex market is enormous, resulting in high liquidity. Traders are never "stuck" because there is always someone willing to buy what is being offered. In practice, traders can set limit orders to close a transaction when the price reaches a target level. They can also set a stop-loss if the price moves in the wrong direction.
- **Higher Leverage:** Even with a small deposit, it is possible to use a larger amount when executing trades. The trader can generate significant revenue without necessarily increasing the risk capital.

- **Free Access to Forex Demo Accounts:** Almost all online Forex brokers offer the option to open a demo account to prepare potential traders for real trading. This is a great way to develop the necessary skills while not risking real money before starting with actual transactions in the Forex market.

# Part 4: Who Trades on Forex?

Until the late 1990s, traders needed between $10 million and $50 million to open a trading account. The market was originally intended for use by large corporations and banks, but with the rise of the internet, smaller traders gained direct real-time access to trading platforms. The Forex market is now categorized into **four main groups of market participants**.

- **Large Banks:** Exchange rates on the Forex market are set by the largest banks in the world. They also determine the price difference between the "bid" and "ask," which brokers must pay per transaction.
- **Large Corporations:** Companies that trade on a global level need to exchange local currency for foreign currency to conduct business in foreign countries.
- **Governments and Central Banks:** Like the largest publicly listed companies, governments and central banks consider trading on Forex as part of their operations. Central bank interest rate decisions can lead to significant market fluctuations.
- **Private Speculators:** Around 90% of all currency transactions are conducted by speculators. Their goal is to make as much money as possible from fluctuations in exchange rates.

# Part 5: Day Trading

Day trading offers market participants full personal and financial freedom. While there are certain risks involved, **at least 10 reasons can be highlighted for why day trading has become so popular among investors.**

- **Gender, social status, or education do not matter when you want to start with intraday trading.** What is important is that you have a certain amount of money to carry out Forex trades.
- There are **no bosses** you need to answer to, and **no employees** to pay. The only thing you need to worry about is the quality of your broker's services. However, if you're not satisfied, there's always an alternative.
- You can **work from home** without paying rent or setting up office facilities.
- **You don't have to communicate with customers**, handle customer service, issue invoices or receipts, or deal with other problems typically associated with clients.
- You can trade at **any time** and as comfortably as it suits you. Forex trading can be your **part-time job**. You don't need to work eight hours a day like in a regular job.
- You **don't need large amounts of money** to start and earn in Forex trading.
- **If you want your money back, it happens in seconds**. You don't have to wait for payout days to access the money you need – you can get it whenever you want.
- **Low costs** in terms of liquidity and the absence of commissions allow you to save your earned money to the fullest.
- You **don't need a college degree** to learn the modalities of Forex trading quickly and efficiently. You also don't need years of experience to start trading on the Forex market.
- All you really need is a **stable internet connection**, an **online broker,** a **trading account**, and a reliable **trading strategy** to execute trades.

➤ Chapter 2

# BASIC TERMS IN FOREX

## Part 1: Currencies

When traders operate in the Forex market, they **buy or sell currency pairs**. Each pair consists of **two currencies** that constantly compete against each other—exchange rate fluctuations result from the strength or weakness of a particular currency. Trading always follows the format Currency 1 (base currency) / Currency 2. For example, an investment in euros against the US dollar is represented as EUR/USD.

- **Major pairs:** Major currency pairs always include the US dollar. They are the most liquid and, therefore, the most frequently traded and important currency pairs.

**Here are the most important currency pairs, along with their alternative names**

| Currency Pair | Participating Countries | Designation |
|---|---|---|
| **EUR / USD** | Eurozone / United States | Euro-Dollar |
| **GBP / USD** | United Kingdom / United States | Pound-Dollar |
| **USD / JPY** | United States / Japan | Dollar-Yen |
| **USD / CAD** | United States / Canada | Dollar-Loonie |
| **NZD / USD** | New Zealand / United States | Kiwi-Dollar |
| **USD / CHF** | United States / Switzerland | Dollar-Swissy |
| **AUD / USD** | Australia / United States | Aussie-Dollar |

There are also currency pairs that do not include the US dollar. These are known as currency pairs without the US dollar or **cross-currency pairs**. Sometimes, they are also referred to as minor currency pairs. However, one of the three major currencies other than the US dollar is always included. Below are lists featuring the euro, yen, and pound.

# Part 1: Currencies

## Euro Cross-Currency-Pairs

| Currency Pair | Participating Countries | Designation |
|---|---|---|
| **EUR / CHF** | Eurozone / Switzerland | Euro-Swissy |
| **EUR / NZD** | Eurozone / New Zealand | Euro-Kiwi |
| **EUR / GBP** | Eurozone / United Kingdom | Euro-Pound |
| **EUR / AUD** | Eurozone / Australia | Euro-Aussie |
| **EUR / CAD** | Eurozone / Kanada | Euro-Loonie |

## Cross-Currency-Pairs with Yen

| Currency Pair | Participating Countries | Designation |
|---|---|---|
| **EUR / JPY** | Eurozone / Japan | Euro-Yen |
| **NZD / JPY** | New Zealand / Japan | Kiwi-Yen |
| **GBP / JPY** | United Kingdom / Japan | Pounf-Yen |
| **AUD / JPY** | Australia / Japan | Aussie-Yen |
| **CHF / JPY** | Switzerland / Japan | Swissy-Yen |
| **CAD / JPY** | Canada / Japan | Loonie-Yen |

## Pound Cross-Currency-Pairs

| Currency Pair | Participating Countries | Designation |
|---|---|---|
| **GBP / CHF** | United Kingdom / Switzerland | Pound-Swissy |
| **GBP / NZD** | United Kingdom / New Zealand | Pound-Kiwi |
| **GBP / AUD** | United Kingdom / Australia | Pound-Aussie |
| **GBP / CAD** | United Kingdom / Canada | Pound-Loonie |

# Part 1: Currencies

## Other Cross-Currency-Pairs

| Currency Pair | Participating Countries | Designation |
|---|---|---|
| **AUD / CHF** | Australia / Switzerland | Aussie-Swissy |
| **AUD / NZD** | Australia / New Zealand | Aussie-Kiwi |
| **AUD / CAD** | Australia / Canada | Aussie-Loonie |
| **NZD / CAD** | New Zealand / Canada | Kiwi-Loonie |
| **NZD / CHF** | New Zealand / Switzerland | Kiwi-Swissy |
| **CAD / CHF** | Canada / Switzerland | Loonie-Swissy |

In addition to major and minor currencies, there are also currencies from developing countries, known as **exotic currencies**, when traded against the US dollar. These should not necessarily be part of a trader's portfolio, especially if they have little experience in Forex trading, as transaction costs are usually higher. However, it can be useful to familiarize oneself with some of these exotic pairs.

### Here is the list of the most common exotic currencies:

| Currency Pair | Participating Countries | Designation |
|---|---|---|
| **USD / HKD** | United States / Hong Kong | Dollar-Hongkong Dollar |
| **USD / SEK** | United States / Sweden | Dollar-Swedish Krona |
| **USD / SGD** | United States / Singapore | Dollar-Singapore Dollar |
| **USD / NOK** | United States / Norway | Dollar-Norwegian Krone |
| **USD / ZAR** | United States / South Africa | Dollar-Rand |
| **USD / DKK** | United States / Denmark | Dollar-Danish Krone |
| **USD / THB** | United States / Thailand | Dollar-Baht |
| **USD / MXN** | United States / Mexico | Dollar-Mexican Peso |

**Exotic currencies generally have higher spreads compared to pairs like the Euro to the Dollar.**

# Part 2: Prices

For beginners, dealing with the topic of prices is not an easy task. Price changes require decisions to be made in a split second. The first step toward a clear understanding of how it works is knowing how the price of a specific currency is quoted. For example, if you want to buy 100 euros, you need to know how much you will need to pay in another currency for that amount. We can best illustrate this with an example:

**EUR/USD = 1.0970**

The currency quotation tells us that **1 euro can be bought for 1.0970 US dollars**. For 100 euros, you would need to spend 109.70 US dollars. This price shows the current average between the ask price and the bid price at a specific moment. One must also consider the cost factor of the spreads: the mentioned price does not include the difference set by the broker between the best bid and the best ask price.

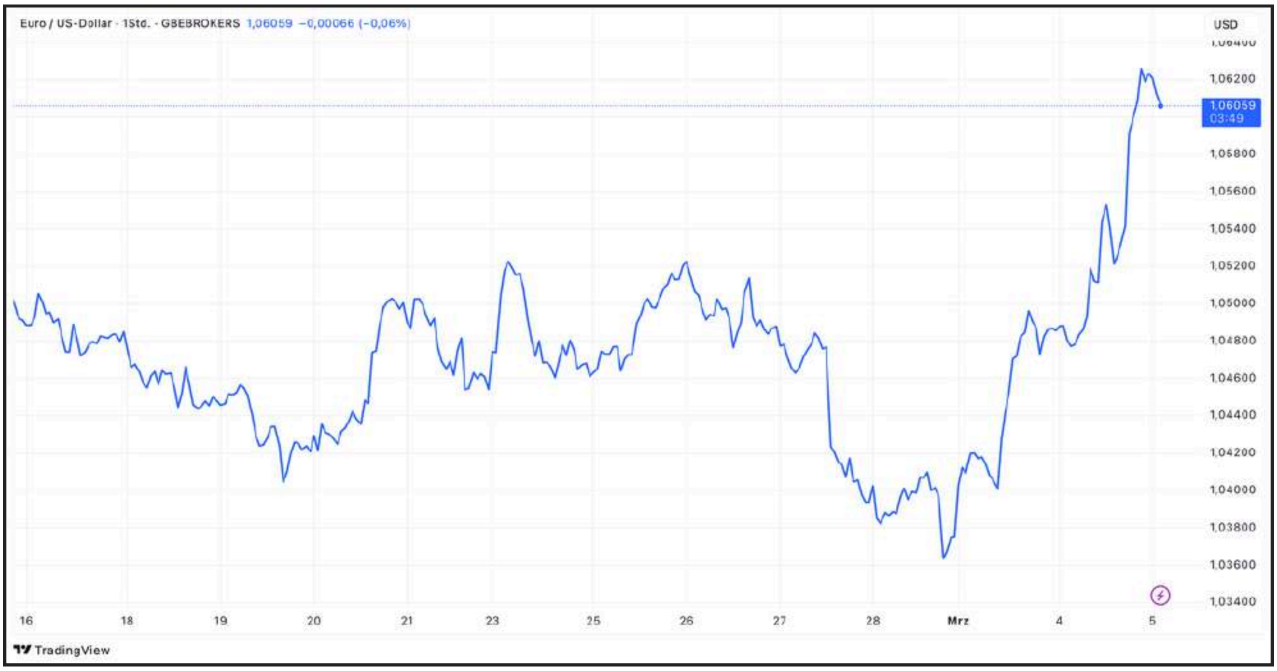
**Major currencies usually have a lower cost difference between the bid and ask prices.** It is also important to remember that the broker is always entitled to increase the spread on a specific trade in order to enter the profit zone. Traders must take into account factors such as the time of year, the overall emotional state of the market, and even the hour at which the transaction occurs. Situations can change in seconds, thus affecting prices.

# **Part 3:** Forex Charts

Three fundamental [chart types] are used to visually illustrate price movements in order to analyze past price trends and make predictions. After analyzing the charts, traders must decide which currency pairs are worth buying or selling and which positions they should potentially avoid.

## 1. Line Chart

**The line chart is the simplest type of chart for quickly assessing major market trends, as well as support and resistance levels.** Entry and exit points are not visible here, as key information like daily price fluctuations is missing. However, it is useful for **trend detection** or **longer-term analyses**. The line chart shows prices between different points in time and connects them with a line. Timeframes of one hour and higher are ideal for this type of technical analysis.

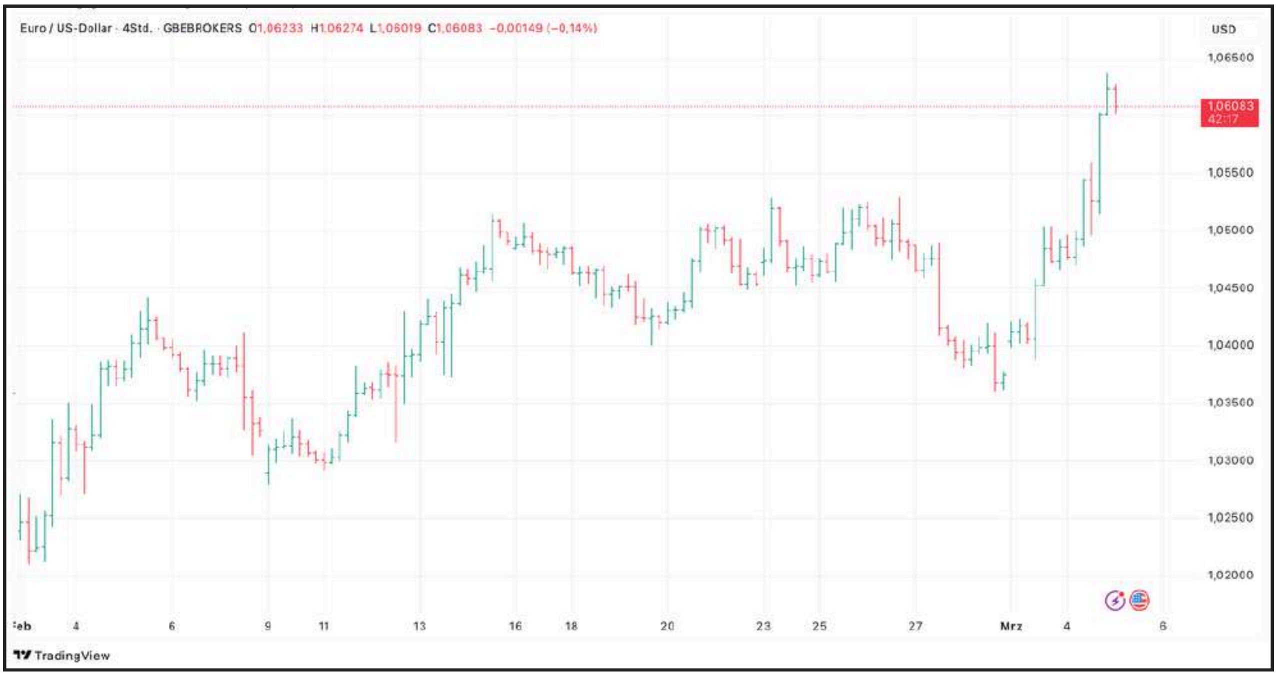



## 2. Bar Chart

**In this chart, each time interval is represented by a vertical line, depicting different time periods.** Price fluctuations are visible, ranging from the lowest to the highest price (open, high, low, close) within the interval. A monthly bar chart shows price changes on a monthly basis. A daily chart illustrates price movements over a year, a month, or a day. The 4-hour chart displays price changes within a 4-hour period.

All these charts are based on the four key prices: Open, High, Low, and Close. Bar charts provide a more detailed representation than line charts and allow traders to quickly recognize important information for trading decisions at a glance.

# Part 3: Forex Charts




## 3. Candlesticks Chart

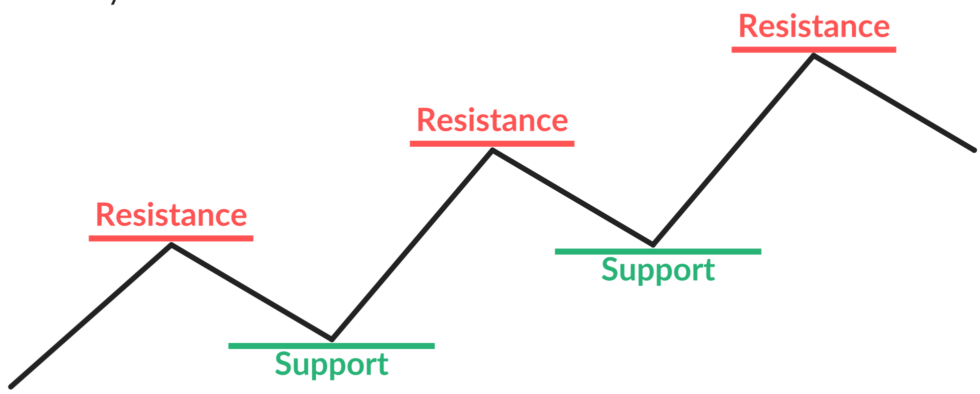
[Japanese candlestick charts]() provide the same information as bar charts, but in a **clearer** and **more user-friendly** format. A vertical line shows the highest and lowest price levels for a given time period, while the candlestick body represents the opening and closing prices.

The upper and lower lines protruding from the candlestick body are called the upper and lower shadows (or wicks). The main difference between bar charts and candlestick charts lies in the representation of the opening and closing prices. The body of the candlestick shows the range between the opening and closing prices. If the candlestick body is red or black, it means the closing price was below the opening price. If the body is green or white, the closing price was above the opening price. This format helps traders quickly recognize the dynamics of rising and falling prices. Candlestick charts are one of the oldest and most accurate representations of price movements in forex trading.

# **Part 3:** Forex Charts

# **Part 4:** Support and Resistance

To execute successful trades in forex trading, you need to learn how zigzagging lows and highs, or in other words, **support and resistance**, work. Both price levels are commonly used in trend analysis.




Typically, an upward trend in price is characterized by a rise followed by a pullback, with the highest point before the retracement being referred to as resistance. When the price starts to rise again, the lowest point before the upward movement resumes is called support. The price movement resembles a zigzag pattern.

It is important to know that support and resistance levels represent zones rather than precise numbers. One might assume that a price level has been broken, but only later will it become clear whether the breakout was false and if the price merely tested that level.

In practice, a breakout of the support or resistance line is usually considered confirmed when the trading day closes below or above that level. However, this claim is not always true. Therefore, it is advisable to use a line chart to determine support and resistance zones. A line chart only considers the closing price, without showing highs and lows.

Information about highs and lows can be misleading, as they only reflect short-term market reactions. Defining both support and resistance zones shows the actual highs and lows, helping to avoid losses.

### What you need to remember about support and resistance:

- The more often the price tests a support or resistance line, the stronger the level becomes.
- The strength of a support or resistance level can be determined by how stable the level was before being broken.
- If the price consolidates above a resistance line, that resistance can later turn into support.

# **Part 5:** Trendlines

To draw a trendline correctly, we need to **connect the high and low points**. Most importantly, we should learn how to use them properly. It is essential not to try to adjust the trendline to the market movement, but rather the other way around.

To draw a trendline, first identify two low points or two high points on the chart. Connect them, and the trendline is created – it's that simple! In a downtrend, the trendline runs above the resistance zones (over the peaks). In an uptrend, the trendline lies below the support zones (below the troughs). For example, to draw a descending trendline, you need two or more high points.

**In forex trading, there are three types of trendlines:**

## 1. Uptrend (Upward movement)

# Part 5: Trendlines

## 2. Downtrend (Downward movement)


## 3. Sideways trend (without significant fluctuations)

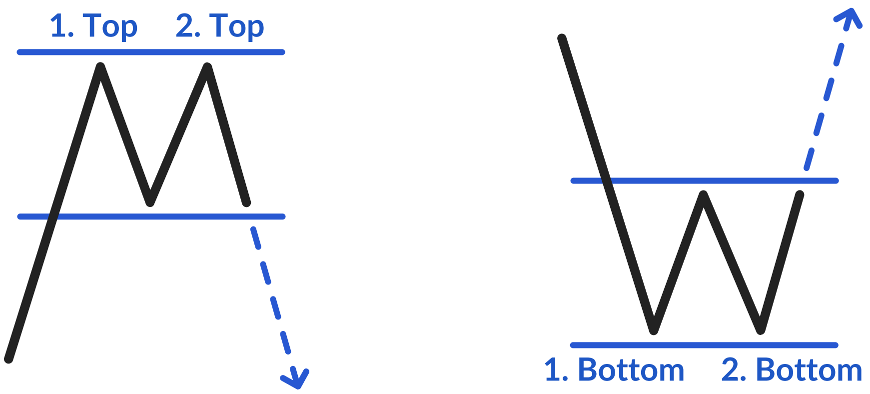
# Part 6: Chart patterns in technical analysis

To trade successfully with profits in the forex market, you should learn how to take advantage of price fluctuations. The chart patterns in technical analysis are a systematic way to identify a trend or trend reversal early on. Below are the **6 most well-known chart patterns in technical analysis** that will help you familiarize yourself with these formations. Although these patterns have several variations, you can independently predict future developments using the chart patterns listed below.

## 1. Double top and double bottom

There are two types of double trend reversal formations that signal a trend change. The **double top** is considered a reliable **reversal pattern** in chart analysis. It occurs after a prolonged upward movement when the price fails to reach a new high twice in a row. After an initial rise, a pullback follows, followed by another, weaker attempt. If this second attempt also fails, the trend typically reverses. A typical characteristic is that the volume during the second top is lower than during the first.

The **double bottom**, on the other hand, is the **reverse pattern** of the double top. It typically signals the reversal of an existing downtrend. The two low points mark a strong support level. If the second low point is above the first, it suggests that selling pressure is easing, and the price could potentially move upward.

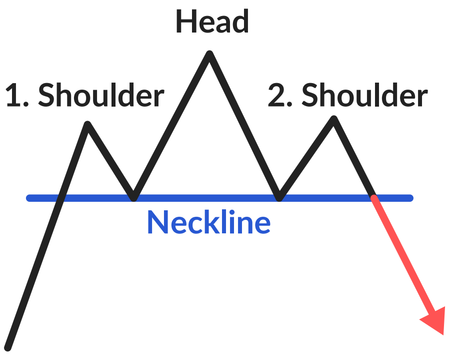



## 2. Head and shoulders pattern

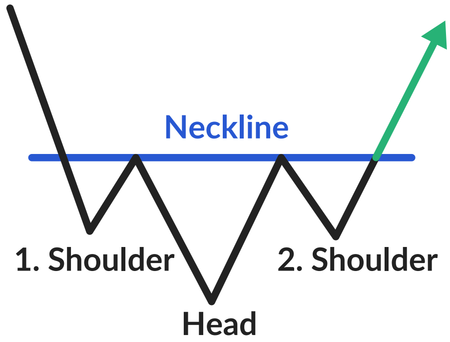
The **head and shoulders pattern** is a classic trend **reversal formation** in trading. It gets its name from its distinctive appearance and consists of 3 parts: a higher middle peak (head) and two side peaks that are approximately equal in height (shoulders). Connecting the low points between the shoulders creates the so-called neckline. A break of this line signals the completion of the pattern and indicates a trend reversal. A particularly strong signal occurs when the neckline slopes downward. The entry point should be placed just below the neckline, as a price decline is expected with the head and shoulders pattern, allowing for the maximum profit to be secured.

# **Part 6:** Chart patterns in technical analysis

Head and shoulders pattern in an uptrend (bearish)




Head and shoulders pattern in a downtrend (bullish)



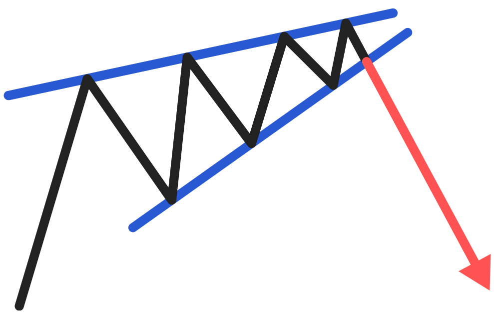

## 3. Falling Wedge & Rising Wedge Pattern

There are two types of wedge formations: the **rising wedge** and the **falling wedge**. The wedge formation resembles a triangle and describes a price movement confined by two converging trendlines. This can result in either a **continuation** or a **reversal pattern**.

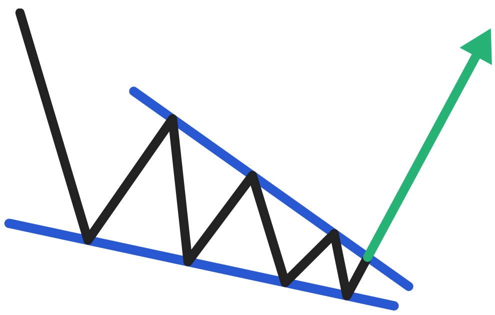
When the price moves within two upward-sloping lines, it signals a slowdown in momentum, which often precedes a trend reversal. This pattern is called a **rising wedge**. The price consolidates between upward-sloping support and resistance zones, with price fluctuations gradually becoming smaller until a breakout occurs. The rising wedge moves against the established trend and is generally interpreted as a continuation pattern. Therefore, it is considered a bearish pattern.

A **falling wedge** can signal both a reversal pattern and a continuation of the trend. When formed within a downtrend, it typically leads to a trend reversal. However, if the falling wedge occurs within an uptrend, it usually indicates a trend continuation.

Rising Wedge



Falling Wedge



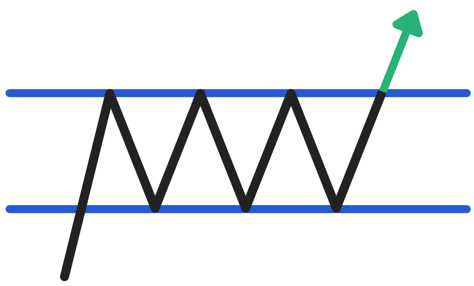
# **Part 6:** Chart patterns in technical analysis

## 4. Rectangle

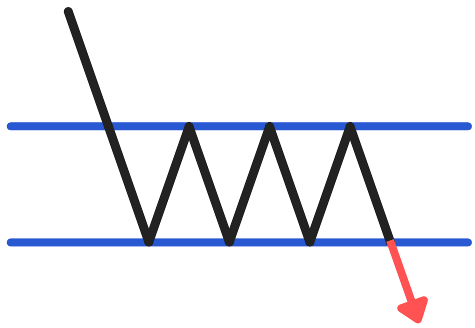
The **rectangle** is also referred to as a **consolidation phase**, where prices move parallel between a fixed resistance and support line over a period of time. It can be seen as a period of indecision from both buyers and sellers. The price tests the support and resistance zones multiple times before finally breaking out. A continuation of the movement in the direction of the breakout is expected.

The **bearish rectangle** consolidates within an established downtrend, until it encounters resistance in a specific range, typically leading to a price decrease. The **bullish rectangle** forms during consolidation within an established uptrend and signals a potential further price increase.

**Bullish Rectangle**



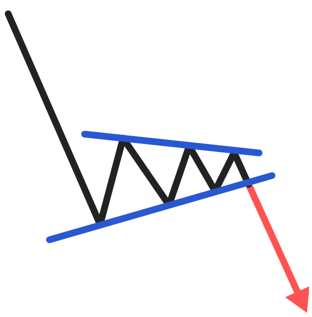
**Bearish Rectangle**



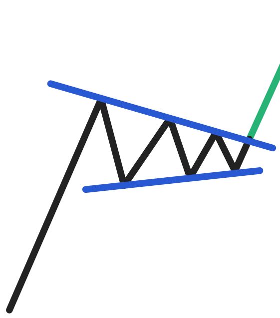
## 5. Pennant (Flag)

The **pennant (flag)** is a chart pattern that provides a good opportunity to enter an existing strong trend. It is a symmetrical triangle formation that forms after a strong trend movement and is characterized by flat consolidations. When the pennant breaks out, the price usually follows the direction of the previous trend. During the consolidation phase, more buyers or sellers (depending on the trend direction) enter the market, reinforcing the movement in the trend direction. A **bearish flag** indicates a strong price decline, while a **bullish flag** forms after a sharp price increase.

**Bearish Pennant (Bear Flag)**



**Bullish Pennant (Bull Flag)**

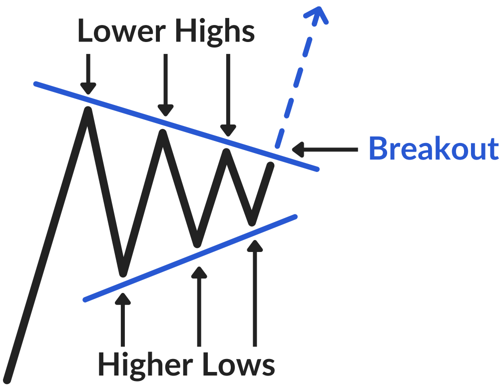


## 6. Triangles

In the forex market, **three types of triangles** are distinguished. The first, the **symmetrical triangle**, occurs when the market initially reaches an extreme point, creating increased tension between bulls and bears. This means that within a certain period, the market reaches all highs and lows, signaling price consolidation. This tension can then be released impulsively.

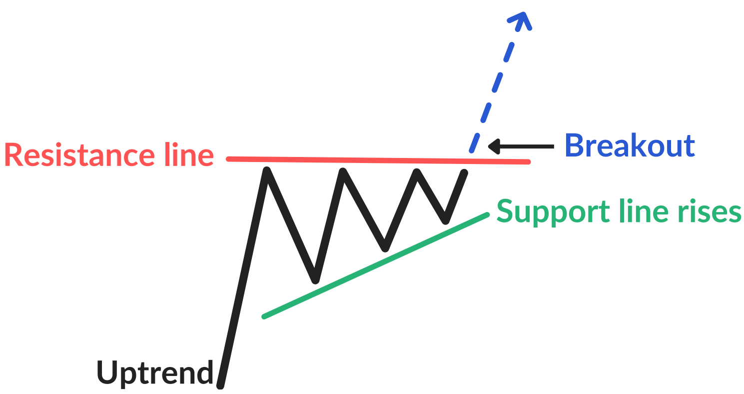
However, it remains unclear whether the breakout from this chart pattern will initiate an upward or downward trend. Nevertheless, a profit can still be made, regardless of the direction of the breakout.

**Symmetrical Triangle Pattern**




In an **ascending triangle**, the upper line runs horizontally while the lower line slopes upward, signaling increasing buying interest, often accompanied by higher trading volumes. This triangle formation reflects the cautious behavior of buyers, who gradually push the price higher while putting increasing pressure on the resistance. A breakout above the resistance line does not always occur, but it typically happens in most cases.

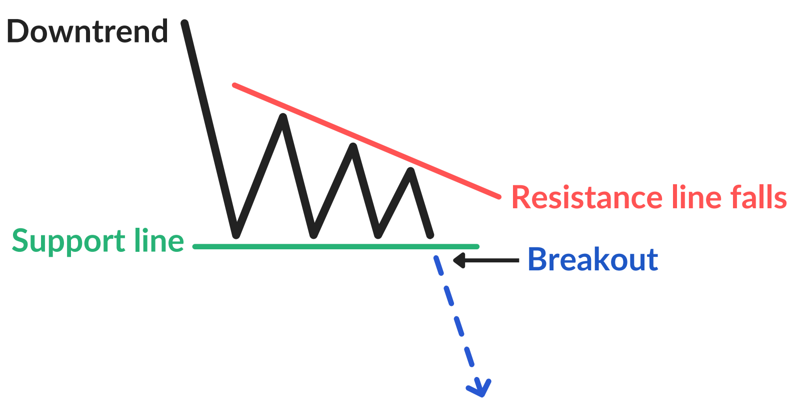
**Ascending Triangle Pattern**



## **Part 6:** Chart patterns in technical analysis

The principle of an ascending triangle can be completely reversed. When the price forms a downtrend line over the support, it is called a **descending triangle**. In this case, the price reaches a high point and enters into a consolidation. In most cases, the buying pressure is no longer sufficient to break the previous high, and the price bounces off the support. It does not matter which direction the price will move, as long as the trader places two orders to hedge the position: one above the price's high point and one below the support line. After the breakout, the irrelevant order should be canceled.

**Descending Triangle Pattern**






## **Part 7:** Time Frame

When entering the forex market, you need to choose a time frame. A time frame refers to the duration in which you apply a particular trading strategy. There are 3 types of time frames: **long-term, medium-term, and short-term**.

| Long-term | Medium-term | Short-term |
|---|---|---|
| Weeks, months, or years | Hours or days | Minutes to hours |

# Part 7: Time Frame

## 1. Long-Term Time Frame

A long-term timeframe can span several **weeks, months, or even years**. When opting for a long-term investment, analyze daily and weekly charts to place your trades.

### Advantages of Long-Term Trading:

- Lower transaction fees
- Less stress, as you don't have to monitor every market fluctuation
- More freedom, as you don't need to sit in front of the computer constantly

### Disadvantages of Long-Term Trading:

- You must set your stop-loss well in advance to avoid major losses from market corrections
- Patience is required
- A large amount of capital is needed to withstand significant market fluctuations
- You have to accept regular weekly and monthly losses

## 2. Medium-Term Timeframe

A medium-term timeframe can span several **hours or days**. In this case, you would analyze hourly charts to place your trades.

### Advantages of Medium-Term Trading:

- More trading opportunities
- Lower risk of losing money over a month
- Ability to diversify your portfolio

### Disadvantages of Medium-Term Trading:

- Higher transaction fees
- Overnight risk
- Requires regular market monitoring
- Increased stress levels

# Part 7: Time Frame

## 3. Short-Term Timeframe

A short-term timeframe can range from a **few minutes to several hours**. In this case, you would analyze minute charts to place your trades.

### Advantages of Short-Term Trading:

- High number of trading opportunities
- No overnight risk
- Quick results

### Disadvantages of Short-Term Trading:

- High stress levels
- Requires a lot of time to monitor the market
- Limited profits (but also limited losses)
- High transaction fees due to frequent orders

The timeframe you choose depends on your personality and goals. It is recommended to test all timeframes on a demo account first before starting real trading. This helps you find the investment style that suits you best.

# Part 8: Chart Indicators

Trading indicators are statistics used to assess current Forex market conditions and predict future market developments. They are used in analysis to anticipate fluctuations, allowing you to benefit from market movements. Your task is to select the best indicators and combine them in a way that gives you an advantage during trading. Ideally, the forex trading indicators confirm the information you receive from another indicator rather than duplicating it. **There are 7 main indicators frequently used by Forex traders**. A description of each indicator follows.

## 1. Bollinger Bands

This indicator was developed by John Bollinger and is used to **measure market volatility**. It indicates whether the market is "**active**" or "**calm**." When the market is "active," the bands expand, and when it is "calm," they contract. There are various approaches to trade more effectively with this indicator.

A Bollinger retracement occurs when the price returns to the middle of the band. The reason for these retracements is that the bands act as dynamic support and resistance levels. The longer the timeframe, the stronger the Bollinger Bands.

# Part 8: Chart Indicators

The **Bollinger Squeeze** is an indicator that the price is about to break out. During a correction, the bands contract. If the price falls below the lower band, it signals a downtrend. If the price rises above the upper band, it indicates the start of an uptrend.


## 2. Moving Average Convergence Divergence (MACD)

The **MACD (Moving Average Convergence Divergence)** is an indicator used to identify moving averages that signal a **new trend**. A MACD chart displays 3 numbers that assist in interpreting the indicator:

- **Number 1**: Represents the number of periods used to calculate the faster moving average.
- **Number 2**: Indicates the number of periods for the slower moving average.
- **Number 3**: Refers to the number of bars used to calculate the average of the difference between the slower and faster moving averages.

You can use the two moving lines with different speeds to predict a trend. When the distance between the two lines is zero, a crossover may occur, signaling the start of a new trend. The only downside of the MACD is that the moving averages respond slower to price movements, but it remains a preferred tool for many traders.


## 3. Parabolic Stop And Reversal (SAR)

The **Parabolic SAR** indicates the **end of a trend**, not the beginning. This helps traders identify the right time to exit a trade. The indicator places dots on the chart that signal potential reversals in price movement. When the dots appear below the candlesticks, it indicates a buy signal. When the dots are above the candlesticks, it suggests a sell signal. The Parabolic SAR works best in markets with a clear upward or downward trend and should not be used in sideways markets.

## 4. Stochastic

The **Stochastic Indicator** is similar to the Parabolic SAR, providing traders with signals of when a **trend might be coming to an end**. It measures **overbought** and **oversold** conditions in the market. The indicator consists of two lines, similar to the MACD lines, with one line reacting faster than the other. The Stochastic Indicator is plotted on a scale from 0 to 100. When the lines are above 80, the market is considered overbought. When the lines are below 20, the market is considered oversold. Typically, traders buy currencies in oversold markets and sell them in overbought markets.


## 5. Relative Strength Index (RSI)

The **Relative Strength Index (RSI)** is an indicator that helps identify currencies that are **overbought** or **oversold**. It moves on a scale from 0 to 100. Readings above 70 indicate that the market is overbought, while readings below 30 signal that the market is oversold. The RSI can also be used to **confirm trends**: a value above 50 suggests a potential uptrend, while a value below 50 points to a possible downtrend.


## 6. Average Directional Index (ADX)

The **ADX** moves within a range from 0 to 100. Values below 20 indicate a weak trend, while values above 50 suggest a strong trend. Unlike the Stochastic Indicator, **the ADX measures only the strength of the current trend without indicating whether it is upward or downward**. It is used to determine whether a new trend is forming or the market is moving sideways. However, it does not provide buy or sell signals but rather indicates whether it is safe to trade within an existing trend.

## 7. Ichimoku Kinko Hyo (IKH)

**The Ichimoku Kinko Hyo (IKH) indicator consists of five lines that identify future price momentum as well as potential support and resistance levels.** It is primarily used for currency pairs involving the Japanese yen (JPY).

- **Kijun Sen (blue line):** The base line calculates the average of the highest high and the lowest low over the past 26 periods.
- **Tenkan Sen (red line):** The conversion line calculates the average of the highest high and the lowest low over the past nine periods.
- **Chikou Span (green line):** The lagging line plots the current closing price shifted 26 periods back.
- **Senkou Span (brown & beige lines):** One Senkou line calculates the average of the Tenkan Sen and Kijun Sen and is plotted 26 periods ahead. The other Senkou line calculates the average of the highest high and lowest low over the past 52 periods and is also plotted 26 periods ahead.


Most traders use **at least three different indicators** to make their decisions in Forex trading. They only open a position when all three indicators give the same signal. Which indicators you ultimately use depends on which ones work best for you. That's why it's important to try out different indicators until you find the right combination.

# Part 9: Time Zones

As previously mentioned, the **Forex market is open around the clock from Sunday evening to Friday evening.** This gives traders the flexibility to trade at any time that suits them. However, with growing experience, the timing of trades becomes increasingly important. **The best opportunities arise when trading volume is at its highest. During these times, there are more chances to profit from price movements.** In contrast, slow markets can waste time and effort. You need to know when the various markets are open in order to find the best time of day to place your trade.

### Opening hours of the most important Forex markets (EST)

| Forex Market | Opening Time (EST) |
|---|---|
| **New York Forex Market** | 8:00 AM to 5:00 PM EST |
| **Tokio Forex Market** | 7:00 PM to 4:00 AM EST |
| **Sydney Forex Market** | 5:00 PM to 2:00 AM EST |
| **London Forex Market** | 3:00 AM to 12:00 PM EST |

Looking at the times, you can see that there are three overlapping periods. New York and London are both open between 8:00 AM and 12:00 PM EST, Sydney and Tokyo are both active between 7:00 PM and 2:00 AM EST, and London and Tokyo are both open between 3:00 AM and 4:00 AM EST.

So, if you're looking for the best Forex trading hours, the EUR/USD and GBP/USD Forex markets offer good profit opportunities **between 8:00 AM and 12:00 PM EST**. You will find that most trades are made during this time as well as during the other overlapping periods. These time windows therefore provide the best opportunities for profitable trades.

# **Part 10:** Types of Forex Orders

**The word "order" refers to the different ways you enter the Forex market or close a trade.** You should check in advance which types of orders your broker accepts before deciding on the ones that suit you. Below, we introduce **5 types of orders in Forex trading**:

- **Market Order:** This is an order to buy or sell a currency at the best available price. For example, if the bid price for EUR/USD is 1.215 and the ask price is 1.219, and you want to buy the currency at market price, you would buy it at the ask price of 1.219.
- **Pending Limit Order:** This order is placed to buy a currency below the market or sell above the market at a specific price. For instance, if EUR/USD is trading at 1.2070 and you want to open a position when the price reaches 1.2090, you can either sit at your computer and patiently wait for the price to reach that point to place a sell-market order, or alternatively, set a sell-limit order at that price and do something else while your order is automatically executed at the specified price.
- **Pending Stop Order:** This order is placed to sell below the market or buy above the market at a specific price. You use this order when you think the price will move in a certain direction.
- **Stop Loss Order:** This order is designed to prevent traders from losing more money if the price moves against their expectation. The order remains active until it is executed or you cancel it. It is especially useful if you don't want to sit in front of the computer all day and constantly worry about losing your money.
- **Trailing Stop:** The trailing stop is a special type of stop-loss order that adjusts with price movement. Your trade remains active as long as the price does not move 20 pips against you. If the trailing stop is hit, the stop-loss order is triggered and your trade is closed.

**Note that some brokers charge rollover fees if you keep a trade open for more than one day. It is important to check with your broker before placing orders.**

# Part 11: Pips

**A pip is a unit of measurement that indicates the price change between two currency pairs.** For example, if EUR/USD is at 1.2360 and changes to 1.2361, the increase of 0.0001 is one pip. Typically, a pip is the last decimal place. Most currency pairs are quoted with 4 decimal places, but some currency pairs, such as those involving the Japanese yen, are quoted with only 2 decimal places.

Some brokers quote currency pairs with more than 4 decimal places, which means they also display "fractional pips." These are also referred to as "pipettes." If EUR/USD moves from 1.23600 to 1.23601, the difference of 0.00001 is one pipette.

When considering trading a currency pair, you need to calculate the value of a pip, as the value of one currency differs in relation to the second currency.

To determine the pip value in your account, you need to multiply or divide the pip value by the exchange rate of your currency. However, brokers almost always calculate the pip value for you, so you don't have to do the math yourself. Still, it's good to know how brokers calculate it in case discrepancies arise.

# Part 12: The Importance of News

In addition to the ability to analyze charts, trends, and indicators, you should also understand what causes movements in the Forex market. **Global news is the driving force behind market developments.** It influences the decisions of traders. Unlike in the stock market, the earlier you learn about news that affects the Forex market, the better it is for your trades. You don’t need to worry about insider trading. In fact, you can benefit significantly from it.

➤ Chapter 3

# FUNDAMENTAL ANALYSIS

## Part 1: What is Fundamental Analysis?

When you take a closer look at the Forex market, you will recognize certain forces that influence the price of currencies. This is known as fundamental analysis. **In fundamental analysis, you examine the economic, political, and social forces that affect the supply and demand of a currency.** Essentially, fundamental analysis is based on the basic principles you may already know from an economics course: supply and demand determine the price.

The goal as a Forex trader is to determine which country has a healthy economy and which country is facing an economic downturn. To make an informed statement about this, you need to understand how certain events, such as a rise in unemployment, not only affect the economic situation of a country but also the demand for that country's currency.

Essentially, traders use fundamental analysis to predict the future economic situation of a country. They look for economically stronger countries, as such growth should lead to increased demand for that country's currency.

To begin learning fundamental analysis, you just need to understand that this analysis is a way of looking at currency prices through the strengths and weaknesses of a country's economy.

## Part 2: Forex Economic Calendar

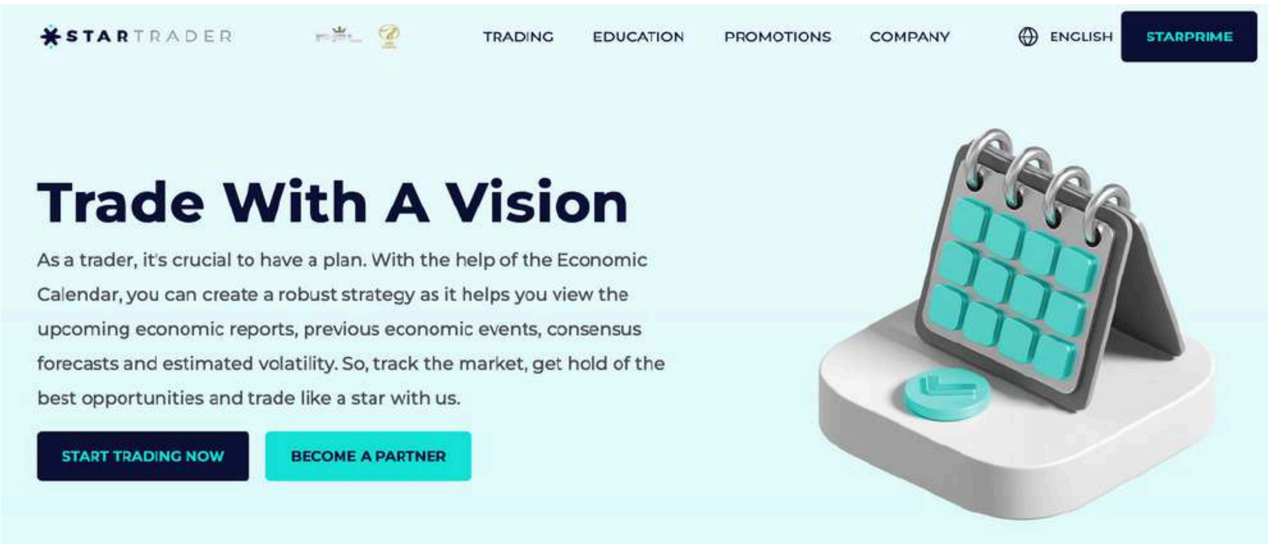
To analyze a country's economy, you need to know what is happening globally in terms of the economy. This is why every successful Forex trader uses an **economic calendar to keep track of events that impact the market.**

Certain economic news is released around the same time every year. These events are noted in the Forex economic data calendar. Additionally, most events are planned far enough in advance that traders receive a warning about potential market fluctuations in time.

For example, when the European Central Bank meets to discuss interest rates, this is recorded in the calendar to provide you and other traders with the information at the same time.

## Part 2: Forex Economic Calendar

**Most brokers offer an economic calendar that automatically updates as economic or political news is released.** Typically, the calendar shows when the data will be released, what the data is (after publication), the previous number, and what impact the data will have on the market. Many traders use this data to determine their next trades.




## Part 3: News Trading

Trading with news can be very risky, but it also offers the **potential for high profits**. As a beginner in Forex trading, you likely want to gain more confidence before starting news trading. The principle behind it is relatively simple: You make the trade either right before or after a major announcement, as there is a high probability that the market price will rise or fall.

For example, if the U.S. Federal Reserve is expected to announce an interest rate hike, Forex traders might buy U.S. dollars, anticipating an increase. They are likely to make the trade before the announcement is made, as the currency is expected to start rising as soon as the announcement occurs. Otherwise, traders would miss out on the potential profits.

However, **there is also the risk that the news does not unfold as you expected.** If the US Federal Reserve does not raise interest rates as anticipated, you could quickly lose money if you assumed the US dollar would rise. If you're on the wrong side of the trade, you may not even have enough time to manually close the position.

**To successfully engage in news trading, you need an exceptionally fast and reliable news source.** Additionally, you must be experienced enough to execute the trade at the right time. The advantage is that you don't have to analyze indicators and price indices for hours. You simply wait for announcements and then make your trade.

# Part 3: News Trading

There are many news events that can move the Forex market. **The most important events that will definitely lead to price fluctuations include announcements on interest rates, retail sales, FOMC interest rate decisions, the Consumer Price Index (CPI) and other inflation indicators, the Producer Price Index (PPI), industrial production announcements, unemployment numbers, as well as business and consumer confidence.**

Economic news has varying impacts on the market. Pay attention to news that will influence the market for at least a few minutes or hours. It is risky to place trades based on minute-to-minute price movements immediately after announcements. The combination of expected news and your chart analysis will make decision-making easier. So, if you choose news trading, don't neglect your chart analysis knowledge—it remains a valuable tool.

# Part 4: Advantages of Fundamental Analysis

At its core, fundamental analysis helps you decide whether a country's currency is a good or bad choice for a trade. It examines the causes of market movements. The biggest advantage of fundamental analysis is that it gives you the potential to make **significant profits in a relatively short time.** Traders who are most successful with fundamental analysis are **long-term investors**, but that doesn't mean you can't achieve good results with short-term or medium-term trades as well.

There are also other positive aspects of fundamental analysis that can give you an edge in the Forex market. For example, you will **improve your knowledge of the global market** and gain a better understanding of how it operates. This will provide you with a clearer picture of the world economy.

You will also be able to explain certain **unexpected market movements**. This gives you an advantage, as you will understand the factors responsible for price increases or decreases. Knowing which event will trigger a movement allows you to leverage this to your advantage and make profits.

However, there are also some disadvantages to fundamental analysis. In addition to the risk, you must sift through a large amount of information to interpret it correctly in the context of trading. Furthermore, you should be cautious not to fall for false signals that could lead to significant losses.

In conclusion, fundamental analysis can help you make a lot of money in the Forex market. However, you must be sure that you are willing to accept the risks associated with news trading.

➤ Chapter 4

# TECHNICAL ANALYSIS

## Part 1: What is Technical Analysis?

You have just learned that fundamental analysis is the study of the causes behind price changes in the Forex market. Technical analysis is also an examination of price movements, but it focuses on the effects of market movements based on past events. Traders use both types of analysis to predict how the market will move. Essentially, traders who use technical analysis believe that all market factors are reflected in price movements, which is why there is no need to use other methods of analysis for Forex trading.

When performing a technical analysis of a currency, you look for chart patterns that repeat. The basic idea is that price changes are driven by human behavior, and these patterns will continue to repeat as long as humans control the market. People trade repeatedly based on recurring emotions, and these repetitions can be analyzed to predict price movements.

Technical analysts study trends, support and resistance levels, and Forex indicators to predict the direction in which the price will move. You can use these factors to your advantage by knowing what signals to look for. This allows you to time your trades at the best moment and maximize your profits.

## Part 2: Forex Charts

Forex charts are the foundation of technical analysis. They provide the information traders need to evaluate and manage currency changes. As explained in **Chapter 2, Part 1**, all currencies are quoted in pairs, where the value of one currency is set in relation to the other. **All Forex charts consist of two currencies and their relative value to each other.**

Monitoring currency movements is crucial if you want to be able to time your trades to maximize profit. You will need to track price data over individual days, multiple days, a month, several months, a year, and even several years. This allows you to capture the overall picture of a currency's movements, so you won't be distracted by abnormal fluctuations.

Other types of Forex charts include **line charts, bar charts, and candlestick charts,** as discussed in Chapter 2, Part 3. You should learn how to analyze chart patterns that represent price movements. At this point, you can then apply the technical indicators you've selected and be able to execute a successful trade. Without these live data on the charts, you would be trading blindly, which is never a good idea. You should always make informed trading decisions, and Forex charts are one way to gather that information.

# Part 3: Price Trends

**Forex price trends are easily identifiable price patterns**. By observing prices over a period of time, you will begin to recognize patterns. You can study these patterns and learn to predict price movements. In this way, you can time your trades to profit from a repeating pattern or price trend. Your goal is to predict key areas that will help you generate profits.

Your goal is to identify a price trend as early as possible, place your trade, and then close it once the trend begins to reverse. Remember, you use past price movements to predict where the price will move in the future. However, avoid using external factors, such as news, to predict future prices.

You make assumptions that a price will move in a certain direction. However, your assumption could be wrong; the better you become at technical analysis, the higher your chances of making an accurate prediction based on price movements. You must expect to make losing trades as well, but if you learn from them, you can make better and more profitable trades in the future.

# Part 4: Support and Resistance

Technical analysis in Forex relies more on support and resistance than any other concept. This means that price movement will stop and reverse at certain levels. **Resistance represents the upper level of a currency that the price will reach but cannot surpass. Support is the lower level of a currency that the price will reach but cannot fall below.** Typically, the price moves between support and resistance lines, allowing traders to buy a currency at support (when it's cheapest) and sell it at resistance (when it's most expensive).

When trying to determine the entry and exit points for a trade based on support or resistance levels, you should choose a Forex chart that shows a price range that matches your trading strategy and timeframe. If you are trading short-term, use a one-minute chart. For long-term trading, use a hourly, daily, weekly, or monthly chart. When analyzing support and resistance, consider trading indicators to determine when a trend might reverse.

Different methods are used for analyzing support and resistance. Proactive methods include, among others, measuring movement with Fibonacci, trendlines, moving averages, volatility, market profile, pivot points, and VWAP. There are also reactive methods, such as price swing lows/highs, open gaps, volume profiles, candlestick patterns, and OHLC (Open, High, Low, Close). Some of these methods will be explained in more detail later.

# Part 4: Support and Resistance


# Part 5: Breakouts

As explained earlier, **a breakout occurs when the price breaks through support or resistance.** Your task during technical analysis is to predict when a breakout will happen. There are **3 types of breakouts** that occur most frequently:

1. **A breakout after a period of price consolidation**
2. **A breakout after a period of tighter price fluctuations**
3. **A breakout after an uptrend or downtrend**

Breakouts occur because traders have different opinions on the fair value of a particular currency. This leads to price fluctuations, with prices reaching support and resistance levels. Ultimately, one side of the market will prevail, causing the price to break through either support or resistance, pushing the currency further up or down. **A breakout is often the beginning of a new trend.** To profit from a breakout, you must predict when it will occur using technical analysis and time your trade to enter right at the start of the breakout.

## Part 5: Breakouts


## Part 6: Trendlines

**Trendlines are used in technical analysis to determine entry and exit points for a trade.** Sometimes, trendlines are also called Dutch lines because they were originally used in the Netherlands. Trendlines are created by drawing a diagonal line between at least two price points. A support line is drawn below the line between two support points, while a resistance line is drawn above the line between two resistance points. It is important to choose a chart that represents the time frame that matches your trading strategy.

The goal of using trendlines is to buy a currency at the support line and sell it at the resistance line. The reason for this is that when the price returns to the trendline, you might have an opportunity to open a new trade in that direction, believing the trend will continue in that direction.

Analyzing trendlines also allows you to better identify breakouts, where you can place a trade in the opposite direction of the current trend and close trades that move in the direction of the existing trend.

## Part 6: Trendlines


## Part 7: Trend Channel

**Trend channels** are very similar to trendlines but are often used by traders who trade on **shorter timeframes** and aim to **profit from small price movements**. A trend channel is drawn parallel to the trendline. When the price of the currency approaches the trendline, the trader buys the currency. When the price nears the trend channel, the trader sells the currency. Some traders use trend channels to trade against the trend, but this carries a higher risk.

**Trend channels are often used to identify the weakening of a trend.** If the price fails to reach the trend channel at the next high or low, it can be an early signal of a trend reversal. Although this is not always the case, traders who base their technical analysis on trend channels try to capitalize on this tendency.

# Part 7: Trend Channel


# Part 8: Time Frame

**The time frame refers to the type of chart you analyze.** For example, if you analyze an hourly chart, you are looking at the prices for each hour. For technical analysis purposes, however, your hourly chart can span several days, weeks, or even months. You would then analyze one price point per hour. In this way, an analyst can view the Forex market and identify long-term trading opportunities.

**It is often recommended to first analyze long-term time frames and then move to shorter time frames as you dive deeper into your analysis.** On long-term charts, you will see less movement, so there is less distraction. As you move towards minute charts, you'll see more movement and have more information to analyze. After reviewing all these charts, you can determine your entry point into the Forex market. The more you analyze, the more accurately you can pinpoint your entry point.

# Part 9: Types of Traders

There are many types of traders who use technical analysis. You won't know what type of trader you are until you truly begin trading on the Forex market. With some Forex trading strategies, you might not feel comfortable as they carry high risk. Over time, you may become more comfortable with these strategies, but if you want to find an entry point, it's best to start with a more conservative strategy. Here are some types of traders who use technical analysis:

## 1. Trend Trader

**These are traders who buy a currency when it rises.** They hold the currency until it starts to decline and then sell it again. If you are this type of trader, you won't spend much time managing your trades. You simply ride out the trend, which could last days, weeks, or even years. However, your profits are limited in the short term.

## 2. Day Trader

**These are traders who aim to profit from small price fluctuations.** You must actively monitor your account at all times and pay attention to patterns and indicators. As a day trader, you can make significant profits quickly, but you can also lose a lot of money just as fast.

## 3. Range Trader

**These are traders who feel most comfortable trading between support and resistance zones.** They aim to exit before a breakout and typically place their stop orders just outside the support and resistance lines to avoid significant losses if a breakout occurs. As a range trader, you won't make huge profits, but you also don't have to worry as much about technical analysis.

## 4. Mean Reversion Trader

**These traders use statistical tools to predict whether the price has moved too far from its average and is likely to return to it.** They often use Bollinger Bands to calculate the standard deviation and trade based on the probability that the price will revert to the average. This strategy is based on the assumption that extreme price movements are often temporary, and a return to the average is likely.

## 5. Pullback Trader

**These traders analyze various indicators and use different methods for their trades.** In general, when the price drives a currency to a new high, a small correction usually follows before the price continues to rise. The pullback trader buys the currency with the intention of selling it once the price moves back in the direction of the current trend.

# Part 9: Types of Traders

## 6. Breakout Trader

**These traders look for potential breakouts to enter the Forex market with low risk and profit from high opportunities.** This strategy is especially popular as it allows for pre-analysis of charts and careful trade planning. Buy or sell stop orders can be placed in advance, eliminating the need for constant monitoring of currency pairs.

# Part 10: Fibonacci Retracements

**Technical analysts use Fibonacci retracements to predict the length of corrections during a trend.** These are expressed as percentages, with **38.2%, 50%, and 61.8%** being the most popular retracement levels in Forex trading.

Fibonacci retracements are named after the mathematical sequence discovered by the mathematician Fibonacci in the 12th century. This sequence has been found in numerous situations in nature and essentially states that each subsequent number is the sum of the two previous numbers. In a sequence like 1, 1, 2, 3, 5, this means that 1+1=2, 1+2=3, 2+3=5, and so on. Each number is approximately 1.618 times larger than the previous number and 0.618 times smaller than the following number. Additionally, when a number is divided by the number two places to the right, the result is a ratio of approximately 0.382. This is where the percentages of 38.2% and 61.8% come from.

Since the Forex market is the largest market in the world, it operates most similarly to a natural mechanism. Therefore, its behavior can be explained by laws that also apply to other natural processes. For this reason, Fibonacci retracements are a helpful tool in technical analysis. **Large currency movements are typically followed by corrections of 38.2%, 50%, or 61.8%.**

Currency prices will correct by at least 38.2% in a strong trend. In a weak trend, corrections can be as much as 61.8%. The 50% retracement level is the most commonly observed level, and many traders buy during uptrends and sell during downtrends at this level.

# Part 10: Fibonacci Retracements

To draw Fibonacci retracements, you need to calculate the pip distance between several recent high and low points. Then, determine the percentage of this distance that corresponds to each retracement level.

- **For example:** If you measured the pip distance to be 200 pips, then 38% of 200 = 76 pips, 50% of 200 = 100 pips, and 61.8% of 200 = 124 pips. Subtract these pip values from the high point for an uptrend or add them to the low point for a downtrend.

Traders use Fibonacci retracements to either add to their current trade or open a new trade based on the prevailing trends. When analyzing charts, you can identify when prices are overbought or oversold, indicating that a correction is imminent. There is a high likelihood that when prices correct, they will stop at one of the Fibonacci retracement levels. This provides an opportunity with low risk and high profit potential.

Most Forex traders use a combination of technical analysis tools and Fibonacci retracements to confirm their predictions. When more than one indicator signals the same thing, you should act on it and execute your trade.

# Part 11: Advantages of Technical Analysis

Traders who rely solely on technical analysis believe that there is no reliable way to trade based on news, as fundamental analysts try to do. In their view, the market moves quickly, and any news released is already reflected in the charts. Therefore, ignoring this information would be a significant risk.

On the other hand, fundamental analysts believe that technical analysts are behind the times because they only look at what has already happened, rather than focusing on future developments. They are convinced that it is the news that moves the market. It is up to you to decide which approach you want to follow. Here are some advantages that technical analysis can offer when making your trading decisions.

First of all, technical analysis allows you to accurately determine entry and exit points, which is difficult if you are simply waiting for news releases. Analyzing charts enables you to spot trends at the same time as other traders, as everyone is looking at the same data. This means that the many Forex traders using the same information can drive prices in a certain direction through their trading decisions.

Charts and indicators are not a passing trend. They have existed since the early days of the Forex market, and traders have been using them to make profits ever since. If they weren't effective, it would have been discovered long ago. The advantage: anyone can learn to read charts. This means that you too can develop this skill and trade with it. In fact, analyzing charts helps you plan your profits and losses more accurately compared to trading based solely on news.

However, you should also pay attention to other signals that can influence a trend. Charts show you past developments, so you should never rely solely on the idea that the current price of a currency predicts its future price. While this is often the case, it is not always true.

➤ Chapter 5

# MASTER FOREX TRADING

## Part 1: Forex Trading Psychology

Anyone can get involved in Forex trading and believe they will make a fortune in the Forex market. You can learn indicators, charts, analyses, and strategies, and potentially achieve moderate success. However, if you want long-term success in Forex trading, you must understand the psychology behind the decisions you make. **You need to learn to control your emotions while trading, as emotions can hinder your rational decision-making.** You must determine if Forex trading is suitable for you before you even begin.

Once you have set your rules for Forex trading and created a trading plan, you must not break these rules. During Forex trading, you may become excited, scared, or hopeful, which makes it easy to toss the plan aside and break the rules. **If you want to be successful, you need to have the self-discipline to stick to your plan.**

When you lose money, fear will arise, which can disrupt your trading system. **Losses are part of trading**, but don't let them shake your confidence and prevent you from seizing further opportunities. Also, don't let fear stop you from maximizing profits by closing a trade too early. Trust that your analysis will bring you more profits than losses in the long run – that's all a trader can expect.

Excitement can trigger greed, an emotion that leads you to break your rules. Stay objective and close the trade, even if you believe you could make more profit. Be content with what you have, follow your trading plan, and move on to the next trade.

Another emotion that can harm your trades is hope. Many traders hope to get their money back by staying in a trade, even though they should have exited long ago. When a trade goes wrong, it's advisable to exit sooner rather than later. Hope is not based on solid analysis and can lead to greater losses over time.

**Self-discipline is the most important trait a trader can have.** You must be able to close trades that are not profitable or where the maximum gain has already been achieved. Trading psychology plays a crucial role here, as you should not behave like a gambler who makes a big win, only to risk it all again in hopes of an even larger profit. If you want to be a successful trader, you need to keep the bigger picture in mind to spot trading opportunities based on logic and solid analysis. Additionally, you should be organized, decisive, and disciplined.

# Part 2: Risk Management

**Risk management is essential in Forex trading. Without it, you risk losing your capital quickly.** Losses are part of trading, and you will likely lose on some or even many trades. Your goal should be to develop strategies that prevent continuous losses, so you retain enough capital to keep trading.

**Stop-loss orders are an important part of risk management. Many trading experts recommend setting a stop-loss order for every open trade.** This way, you can automatically close the trade if it moves against you. Beginners in Forex trading often fear losses and wait too long to exit a losing trade. They hope the market will turn around and their losses will be recovered. However, as mentioned before, hope is not a strategy. Stop-loss orders help prevent excessive hoping and avoid larger losses.

**Before making a trade, you should decide how much of your invested capital you are willing to lose if the trade goes against you.** This helps remove emotions from trading. Once your losses reach the predetermined amount, you can stop the trade without feeling like you've lost more than you can afford.

It's important to **regularly review your trading strategy**, especially if it's not working as expected. Even before you start trading, you should decide when to reassess your strategy if trades are unsuccessful. This depends on your account size and loss tolerance. If you reach this point, you need to reconsider your analysis methods and determine whether it would be helpful to use other indicators or methods to become more successful.

**When setting stop-loss and limit orders, you need to decide how much loss is too much and how much profit is enough.** Solid risk management means not placing your orders too close to the current market price, as small fluctuations could trigger them, nor too far away to avoid unnecessary risk. Stop-loss and limit orders help control risks — so make sure to use them for all your trades.

# **Part 3:** The Right Forex Broker

After practicing for several months, you're ready to open a real trading account. The first step is selecting a [Forex broker](). You've already gained some experience with different brokers through your demo accounts, but there are still many other brokers to choose from. Here are 3 steps to help you find the right Forex broker for you.

- **Research**: Your broker should be registered with a regulatory authority. Check whether the broker offers fixed or variable spreads, which is particularly important if you plan to trade short-term. Also, find out how much or how little leverage the broker provides. As a new trader, it's generally better to use lower leverage. Beginners with limited capital might want to start with micro-lots. If you have less than $2,000 to start with, you should choose a Forex broker that offers this option, as not all brokers do. If you plan to hold trades overnight, find out how the broker handles overnight interest. Finally, choose a broker that provides features such as charting, market commentary, and news feeds — especially important if you use technical analysis as your primary method.
- **Compare at least two Forex brokers:** Compare Forex trading brokers where you have already had a demo account. Use common features like company information, customer service, and trading platforms to decide which broker offers more of the desired features. A visual representation of these features will help you choose the right broker.
- **Registration for a live trading account:** On the broker's homepage, you will find a button to sign up for a live trading account. By clicking this button, you will be directed to the steps to open an account and start trading with real money.

## Part 4: Open a Forex live trading account

Some brokers require many documents to open a live trading account, while others only need a few basic proofs. Make sure to choose a broker that offers a user-friendly trading platform and provides you with helpful analysis tools for Forex trading.

**We at WR Trading recommend Startrader as an excellent Forex broker.** With spreads starting from 0.0 pips, transparent commissions, and over 80 currency pairs, this broker offers optimal trading conditions for both beginners and advanced traders. The broker offers fast order execution with Direct Market Access (DMA) and supports popular trading platforms such as MetaTrader 4 and MetaTrader 5.

Most brokers offer micro, mini, or standard accounts. If you're new to trading and have limited capital, you should start with a micro or mini account. This helps minimize risk until you've gained more experience. Only later, when you feel more confident, should you consider a standard account.

To open an account, you need to verify your residence (e.g., with a utility bill or bank statement) and confirm your identity (e.g., with a passport or driver's license). Once the broker has reviewed your documents, you will receive confirmation that your account has been opened. The entire verification process is online, allowing you to trade regardless of the broker's location.

**Now you're ready to trade with real money. Stay focused on your goals, and over time, you will become a successful Forex trader.**