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Trading Education Series

Fundamentals of Trading

Your Complete Guide to Understanding the Financial Markets



Volume 1

From zero knowledge to confident trading

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2026 Edition

Free Educational Resource

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Welcome, Trader

Trading the financial markets is one of the most rewarding skills you can develop. It offers freedom, flexibility, and the potential for significant financial growth. But it also demands discipline, education, and a genuine respect for risk.

This guide was written for people who are starting from scratch. You do not need any prior financial knowledge. By the time you finish reading, you will understand how the markets work, what moves prices, how trades are executed, and — most importantly — how to protect your capital while you learn.

Every successful trader was once a complete beginner. The difference between those who succeed and those who do not is not talent or luck — it is the willingness to learn properly before risking real money.

This is Volume 1 of our Trading Education Series. Future volumes will cover Technical Analysis, Risk Management, and Advanced Strategies.

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CHAPTER 01

What is Trading?

At its core, trading is the act of buying and selling financial instruments — currencies, stocks, commodities, indices — with the goal of making a profit from changes in their price. If you buy something at a lower price and sell it at a higher price, you profit. If the price moves against you, you lose.

This concept is as old as commerce itself. What has changed is the technology: today, anyone with an internet connection can access the same global markets that were once reserved for banks and institutional investors.

Trading vs Investing

	Trading	Investing
Time Horizon	Minutes to weeks	Months to decades
Goal	Profit from price fluctuations	Build wealth over time
Activity Level	Active — regular buying and selling	Passive — buy and hold
Analysis	Technical and short-term fundamental	Long-term fundamental analysis
Risk Profile	Higher frequency, managed per trade	Lower frequency, managed per portfolio

What Can You Trade?

Market	What You Trade	Example
Forex (FX)	Currency pairs	EUR/USD, GBP/JPY
Stocks / Equities	Shares of public companies	Apple (AAPL), Tesla (TSLA)
Indices	Baskets of stocks representing a market	S&P 500, NASDAQ, DAX
Commodities	Physical goods	Gold, Oil, Natural Gas
Cryptocurrencies	Digital currencies	Bitcoin (BTC), Ethereum (ETH)
Metals	Precious and industrial metals	Gold (XAU), Silver (XAG)

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DID YOU KNOW?

The Forex market trades over $7.5 trillion per day, making it the largest and most liquid financial market in the world. By comparison, the entire New York Stock Exchange trades about $25 billion per day.

KEY TAKEAWAY

Trading is buying and selling financial instruments to profit from price changes. It is not gambling — it is a skill that can be learned, practiced, and refined. But like any skill, it requires education before execution.

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CHAPTER 02

The Financial Markets

Financial markets are platforms where buyers and sellers come together to trade financial instruments. They exist to facilitate the transfer of capital, enable price discovery, and provide liquidity. Understanding how they work gives you a significant advantage.

Market Participants

Prices move because of the actions of millions of participants:

- Central Banks: Set interest rates and monetary policy. Their decisions move entire currencies.
- Commercial Banks: Trade on behalf of clients and for their own accounts. Major liquidity providers.
- Hedge Funds & Institutions: Trade large volumes using sophisticated strategies.
- Corporations: Exchange currencies for international business operations.
- Retail Traders: Individual traders like you, accessing markets through brokers.

Trading Sessions

The Forex market operates 24 hours a day, 5 days a week, across four major sessions. Each session has different characteristics in terms of volatility and volume:

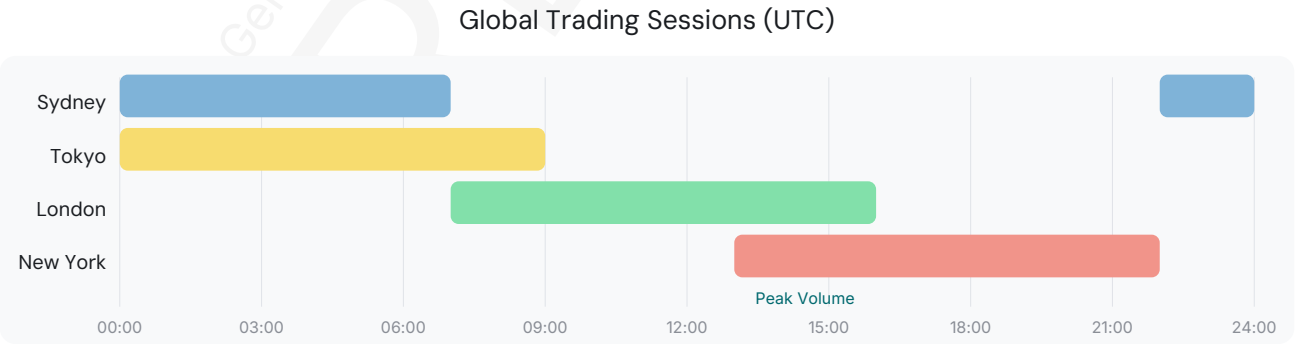

Fig 2.1 — The four major trading sessions and their overlap periods

Session	Hours (UTC)	Characteristics	Best For
Sydney	22:00 – 07:00	Low volatility, thin liquidity	AUD, NZD pairs
Tokyo	00:00 – 09:00	Moderate volatility, yen activity	JPY crosses

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Session	Hours (UTC)	Characteristics	Best For
London	07:00 – 16:00	Highest volume, strong trends	EUR, GBP, majors
New York	13:00 – 22:00	High volatility, news-driven	USD pairs, indices

PRO TIP

The London-New York overlap (13:00 – 16:00 UTC) is the most active period in Forex. This is when the majority of daily volume is traded, and it is where most short-term opportunities occur.

KEY TAKEAWAY

Markets are driven by the collective actions of millions of participants across different time zones. Understanding who moves prices and when helps you choose the right time to trade.

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CHAPTER 03

How Forex Works

Forex (foreign exchange) is the market for trading currencies. Unlike stocks, currencies are always traded in pairs. When you buy EUR/USD, you are simultaneously buying euros and selling US dollars.

Currency Pairs

Every Forex trade involves two currencies:

Base Currency	The first currency in the pair (e.g., EUR in EUR/USD). This is what you are buying or selling.
Quote Currency	The second currency (e.g., USD in EUR/USD). This is what you are paying with.
Exchange Rate	How much of the quote currency is needed to buy one unit of the base currency.

If EUR/USD = 1.1050, it means 1 Euro costs 1.1050 US Dollars. If you believe the euro will strengthen, you buy (go long). If you believe it will weaken, you sell (go short).

Types of Currency Pairs

Category	Description	Examples	Spread
Major Pairs	Include USD on one side. Most traded.	EUR/USD, USD/JPY, GBP/USD	Tightest (0.5 – 2 pips)
Minor Pairs	Two major currencies, no USD.	EUR/GBP, AUD/NZD, GBP/JPY	Moderate (2 – 5 pips)
Exotic Pairs	One major + one emerging market.	USD/TRY, EUR/ZAR, USD/MXN	Wide (5 – 50+ pips)

What Moves Currency Prices?

- Interest Rates: Higher rates attract foreign capital, strengthening the currency
- Economic Data: GDP, employment, inflation reports cause immediate price reactions

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- Central Bank Policy: Statements and decisions from the Fed, ECB, BOE move markets
- Geopolitical Events: Elections, wars, trade agreements create uncertainty and volatility
- Market Sentiment: Risk appetite vs. risk aversion drives capital flows between currencies

DID YOU KNOW?

You do not need a degree in economics to trade Forex. What matters is understanding how news and data affect prices — not predicting the news itself. Most successful retail traders use technical analysis (charts and patterns) as their primary tool, with fundamental awareness as context.

KEY TAKEAWAY

Forex is the exchange of one currency for another. Currencies trade in pairs, and prices move based on interest rates, economic data, and global events. You profit by correctly predicting which direction a currency will move.

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CHAPTER 04

Understanding Price — Pips, Lots, and Spreads

Before you place your first trade, you need to understand the language of price. Three concepts form the foundation: pips, lots, and spreads.

What is a Pip?

A pip (Percentage in Point) is the smallest standard price movement in Forex. For most currency pairs, a pip is the 4th decimal place.

Understanding a Pip

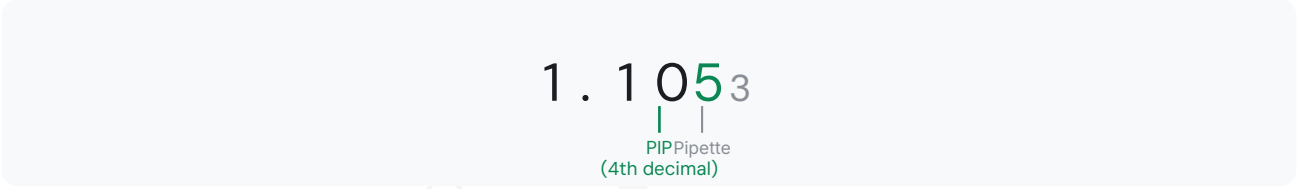

Fig 4.1 — A pip is the 4th decimal place. The 5th decimal is a pipette (1/10th of a pip).

If EUR/USD moves from 1.1050 to 1.1060, it has moved 10 pips. If it moves from 1.1050 to 1.1053, it has moved 3 pips.

Exception: JPY pairs use the 2nd decimal as a pip. If USD/JPY moves from 150.00 to 150.10, that is 10 pips.

What is a Lot?

A lot is the standard unit of measurement for trade size. The size of your lot determines how much each pip is worth in monetary terms:

Lot Type	Units	Pip Value (USD pairs)	Example
Standard Lot	100,000 units	$10 per pip	1.00 lot EUR/USD
Mini Lot	10,000 units	$1 per pip	0.10 lot EUR/USD
Micro Lot	1,000 units	$0.10 per pip	0.01 lot EUR/USD

What is the Spread?

The spread is the difference between the Bid price (what you sell at) and the Ask price (what you buy at). It is your broker's primary transaction cost.

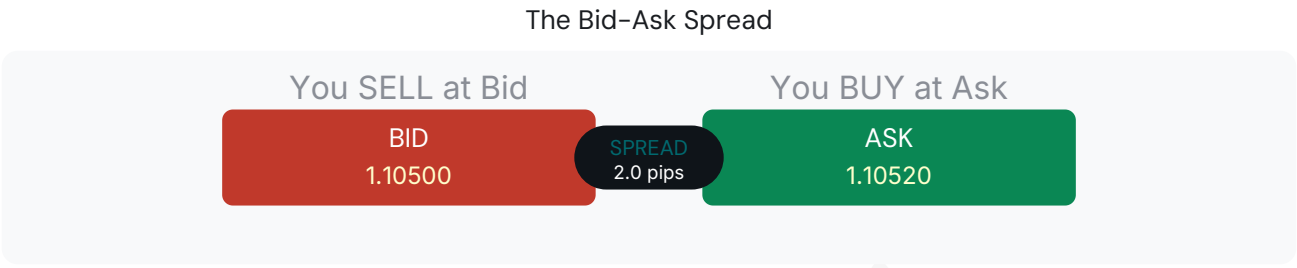

Fig 4.2 — The spread is the gap between Bid and Ask. This is the cost of entering a trade.

When you open a trade, you immediately start at a small loss equal to the spread. Your trade becomes profitable only after the price moves enough to cover the spread and then some.

PRO TIP

Always check the spread before trading. During major news events or low-liquidity hours, spreads can widen significantly. A 1-pip spread on EUR/USD is normal during London hours, but it can expand to 5+ pips during a news release.

KEY TAKEAWAY

A pip is the smallest price movement. A lot determines your trade size. The spread is your transaction cost. Understanding these three concepts lets you calculate exactly how much you stand to gain or lose on any trade before you enter it.

PREVIEW

CHAPTER 05

Reading Candlestick Charts

Charts are the primary tool traders use to analyze price movement. While there are several chart types (line, bar, Renko), candlestick charts are by far the most popular and informative. Each candle tells you a story about the battle between buyers and sellers.

Anatomy of a Candlestick

Every candlestick represents a specific time period (1 minute, 1 hour, 1 day, etc.) and shows four prices:

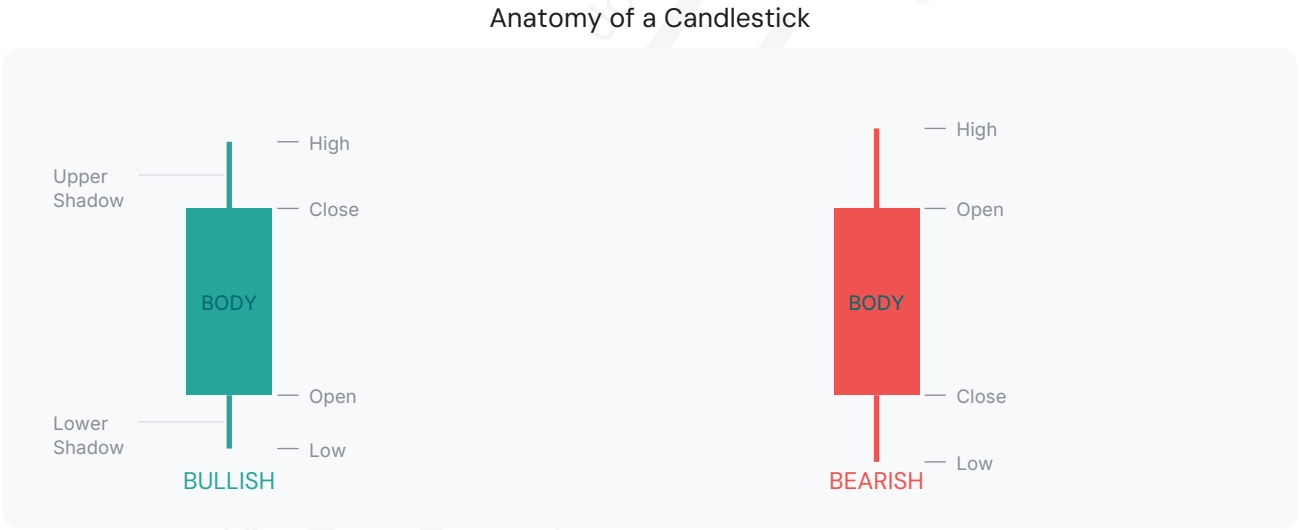

Fig 5.1 — Bullish candles close higher than they open. Bearish candles close lower.

Open	The price at the start of the time period
Close	The price at the end of the time period
High	The highest price reached during the period
Low	The lowest price reached during the period
Body	The filled area between Open and Close — shows the net direction
Shadows (Wicks)	The thin lines above and below the body — show price rejection

What a Candlestick Chart Looks Like

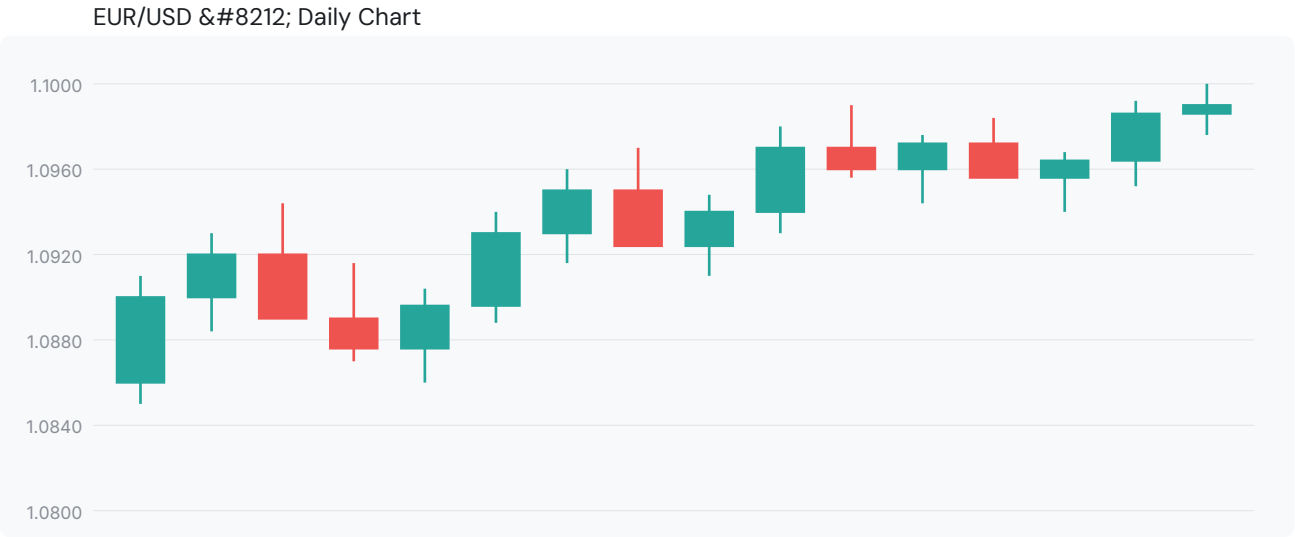

Fig 5.2 — A candlestick chart showing price action over 16 periods

Key Candlestick Patterns

Pattern	Appearance	Meaning
Doji	Tiny body, long shadows	Indecision — buyers and sellers are balanced
Hammer	Small body at top, long lower shadow	Potential bullish reversal — sellers pushed price down but buyers recovered
Shooting Star	Small body at bottom, long upper shadow	Potential bearish reversal — buyers pushed price up but sellers took over
Engulfing (Bullish)	Large green candle completely covers previous red candle	Strong buying pressure — potential trend reversal upward
Engulfing (Bearish)	Large red candle completely covers previous green candle	Strong selling pressure — potential trend reversal downward
Pin Bar	Very small body with one extremely long shadow	Sharp rejection of a price level — strong reversal signal

DID YOU KNOW?

The shadows (wicks) are often more important than the body. A long lower shadow means buyers aggressively rejected lower prices. A long upper shadow means sellers rejected higher prices. Shadows tell you where the battlefield is.

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KEY TAKEAWAY

Candlestick charts are the most information-dense way to view price action. Each candle shows the open, high, low, and close for a time period. Learning to read candle patterns gives you insight into market sentiment without any indicators.

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CHAPTER 06

Market Trends and Structure

The single most important concept in trading is the trend. Prices do not move randomly — they tend to move in identifiable directions for extended periods. Understanding and trading with the trend is the foundation of most profitable strategies.

The Three Types of Trends



Fig 6.1 — Uptrend (higher highs/lows), Downtrend (lower highs/lows), Sideways (range-bound)

Uptrend	Price makes higher highs (HH) and higher lows (HL). Buyers are in control. Look for opportunities to buy.
Downtrend	Price makes lower highs (LH) and lower lows (LL). Sellers are in control. Look for opportunities to sell.
Sideways / Range	Price oscillates between support and resistance. Neither side has control. Trade the range or wait for a breakout.

Market Structure

Markets move in waves, not straight lines. Even in a strong uptrend, there are pullbacks. Even in a downtrend, there are bounces. Understanding this structure helps you time your entries:

- Impulse Moves: Strong directional moves in line with the trend. This is where momentum traders make money.
- Corrections / Pullbacks: Temporary moves against the trend. This is where value traders enter — buying the dip in an uptrend or selling the rally in a downtrend.

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- Breakouts: When price moves beyond a key level (support or resistance), starting a potential new trend.
- Reversals: When the overall trend direction changes. These are harder to catch and riskier to trade.

Timeframes

Trends exist on every timeframe simultaneously. A pair can be in an uptrend on the daily chart while being in a downtrend on the 15-minute chart. This is why experienced traders use multiple timeframe analysis:

Timeframe	Used For	Typical Trader
M1 – M15	Precise entry and exit timing	Scalpers
M30 – H1	Short-term trend identification	Day traders
H4 – D1	Overall trend direction and key levels	Swing traders
W1 – MN	Long-term bias and major levels	Position traders

COMMON MISTAKE

Never trade against the trend unless you have a very specific, well-tested strategy for doing so. The phrase "the trend is your friend" exists because fighting trends is the fastest way to blow an account. If the trend is up, look to buy. If it is down, look to sell. It really is that simple for beginners.

KEY TAKEAWAY

Identify the trend, trade with it, and let corrections be your entry points. Markets trend roughly 30% of the time and range 70%, but the trending periods generate the majority of profits.

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CHAPTER 07

Support, Resistance, and Key Levels

Support and resistance are the most fundamental concepts in technical analysis. They represent price levels where buying or selling pressure is strong enough to pause or reverse the market. Mastering these levels is worth more than any indicator.

Support and Resistance Levels

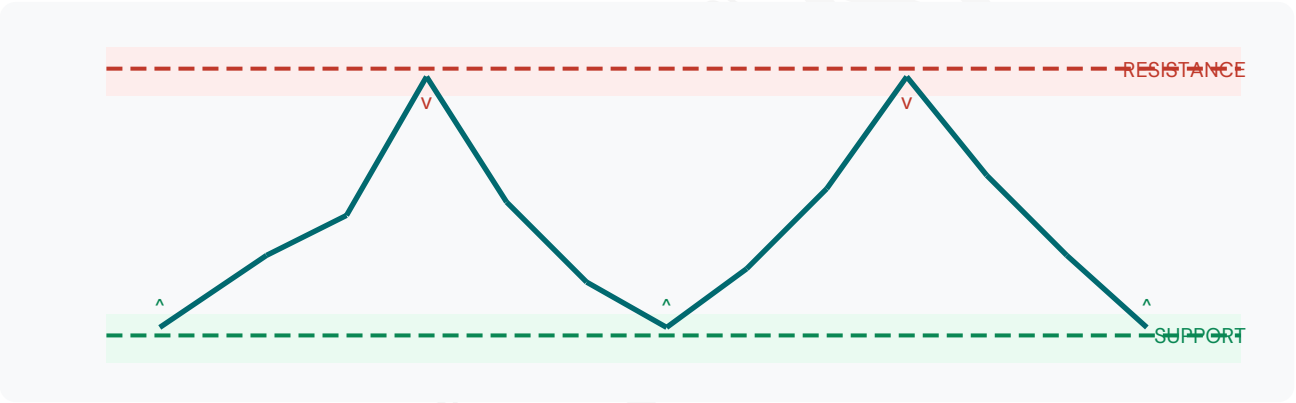

Fig 7.1 — Price bounces between support and resistance levels

Support	A price level where buying pressure is strong enough to prevent further decline. Think of it as a floor.
Resistance	A price level where selling pressure is strong enough to prevent further rise. Think of it as a ceiling.
Flip Zone	When support is broken, it often becomes resistance (and vice versa). This is called a role reversal.

How to Identify Key Levels

- Historical Bounces: The more times price has bounced off a level, the stronger it is
- Round Numbers: Psychological levels like 1.1000, 150.00, or 2000.00 often act as support/resistance
- Previous Highs and Lows: Swing highs and lows from recent price action are natural levels
- Timeframe Significance: Levels on higher timeframes (daily, weekly) are stronger than those on lower timeframes

Trading Support and Resistance

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Strategy	Entry	Stop Loss	Target
Buy at Support	When price reaches and bounces off a support level	Below the support level	The next resistance level above
Sell at Resistance	When price reaches and reverses at resistance	Above the resistance level	The next support level below
Buy Breakout	When price breaks above resistance with strong momentum	Below the broken resistance (now support)	Project the range height above breakout
Sell Breakdown	When price breaks below support with strong momentum	Above the broken support (now resistance)	Project the range height below breakdown

PRO TIP

Support and resistance are zones, not exact lines. Price rarely turns at a precise number. Mark levels as zones (e.g., 1.1040–1.1060) rather than exact prices. This prevents you from getting stopped out by wicks that barely touch a level.

KEY TAKEAWAY

Support and resistance are the foundation of nearly every trading strategy. Learn to identify these levels accurately, and you will know where to enter, where to place your stop loss, and where to take profit — before the trade even starts.

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CHAPTER 08

Order Types — How Trades Are Executed

Understanding order types is essential for executing your trading plan precisely. Using the wrong order type can result in unexpected fills, missed trades, or unnecessary losses.

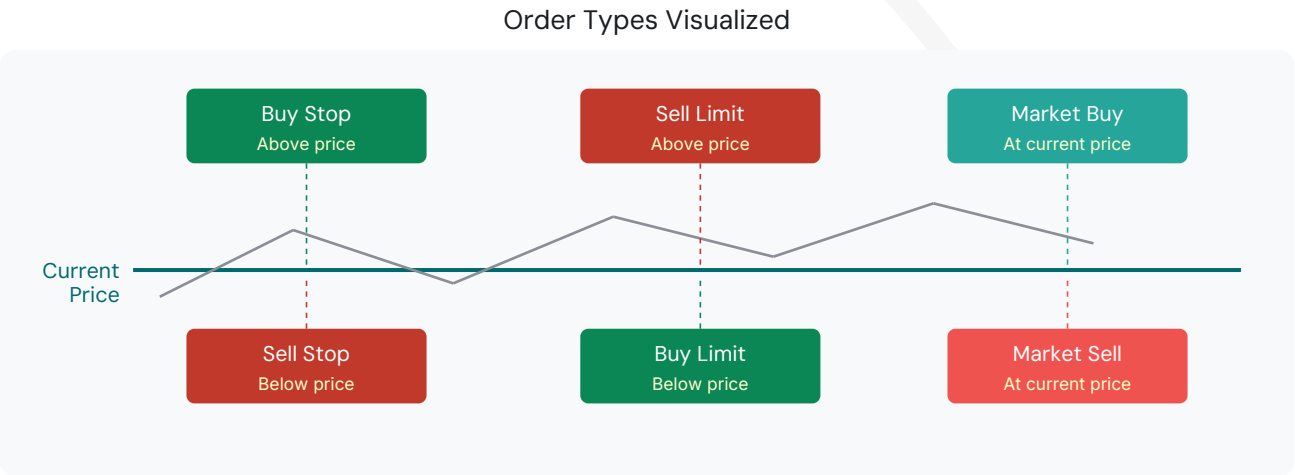

Fig 8.1 — Visual overview of the six main order types relative to current price

Market Orders

A market order executes immediately at the best available price. Use it when you want to enter or exit right now and price precision is less important than speed.

Pending Orders

Order Type	Placed	Triggers When	Used For
Buy Limit	Below current price	Price drops to your level	Buying at a better price (pullback entry)
Sell Limit	Above current price	Price rises to your level	Selling at a better price (rally entry)
Buy Stop	Above current price	Price rises to your level	Buying a breakout above resistance
Sell Stop	Below current price	Price drops to your level	Selling a breakdown below support

Protective Orders

Stop Loss (SL)	Automatically closes your trade at a specified loss level. This is your safety net — it limits how much you can lose on a single trade. Never trade without one.
Take Profit (TP)	Automatically closes your trade at a specified profit level. Locks in gains without you needing to be at the screen.
Trailing Stop	A dynamic stop loss that moves with the price as your trade becomes profitable. It follows the price at a fixed distance.

COMMON MISTAKE

Every single trade you take should have a stop loss. No exceptions. A trade without a stop loss is not a trade — it is a hope. Hope is not a strategy. Your stop loss is what makes the difference between a manageable loss and an account-ending disaster.

KEY TAKEAWAY

Market orders get you in now. Pending orders get you in at your price. Stop losses protect your capital. Take profits lock in your gains. Master these four concepts and you control exactly how every trade will play out.

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CHAPTER 09

Leverage and Margin

Leverage is the tool that makes Forex trading accessible to retail traders. It allows you to control a large position with a small amount of capital. But it is a double-edged sword — it amplifies both profits and losses equally.

How Leverage Works

Your broker lends you the difference between your capital and the full trade size. If you have $1,000 and use 1:100 leverage, you can control a $100,000 position — the equivalent of 1 standard lot.

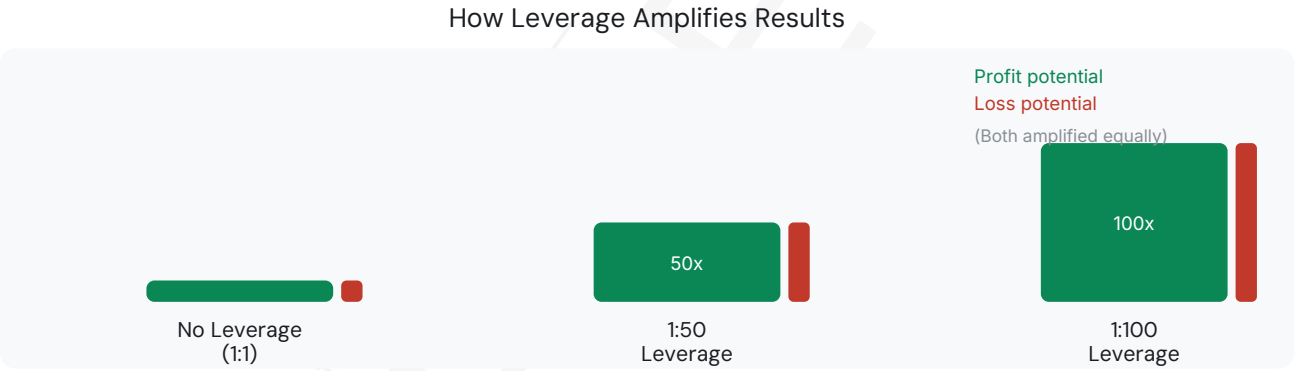

Fig 9.1 — Leverage amplifies both profit and loss potential equally

Leverage in Practice

A 1% price move on EUR/USD (100 pips) with different leverage levels:

Leverage	Capital	Position Size	100-Pip Profit	100-Pip Loss	Account Impact
1:1	$1,000	$1,000	$1	-$1	0.1%
1:10	$1,000	$10,000	$10	-$10	1%
1:50	$1,000	$50,000	$50	-$50	5%
1:100	$1,000	$100,000	$100	-$100	10%
1:500	$1,000	$500,000	$500	-$500	50%

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Understanding Margin

Margin	The amount of your capital locked up as collateral for an open trade
Free Margin	Your available capital that can be used to open new trades
Margin Level	Your equity divided by used margin, expressed as a percentage
Margin Call	A warning when your margin level drops below a threshold (typically 50–100%)
Stop-Out	Your broker automatically closes trades when margin level is critically low (typically 20–50%)

COMMON MISTAKE

High leverage does not mean you should use it all. Just because your broker offers 1:500 does not mean you should trade with 1:500. Professional traders rarely use more than 1:10 effective leverage. The leverage your broker offers is the maximum — not the recommendation.

KEY TAKEAWAY

Leverage makes large positions possible with small capital. But it amplifies losses exactly as much as it amplifies profits. Use leverage conservatively — your goal is to survive long enough to become profitable, not to get rich on one trade.

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CHAPTER 10

Risk Management — Protecting Your Capital

Risk management is the single most important skill in trading. It is not the most exciting topic, and it will not give you an adrenaline rush — but it is the difference between traders who survive and those who blow their accounts. Every professional trader will tell you the same thing: manage your risk first, profits follow.

The 1–2% Rule

The most widely recommended risk management rule is simple: never risk more than 1–2% of your account on a single trade. This ensures that no single loss can significantly damage your account.

Account Size	1% Risk Per Trade	2% Risk Per Trade	Max Consecutive Losses to Halve Account
$1,000	$10	$20	35 losses (at 2%)
$5,000	$50	$100	35 losses (at 2%)
$10,000	$100	$200	35 losses (at 2%)
$50,000	$500	$1,000	35 losses (at 2%)

Risk-Reward Ratio

The risk-reward ratio compares how much you risk on a trade (distance to stop loss) versus how much you stand to gain (distance to take profit). A 1:2 ratio means you risk $50 to potentially gain $100.

Risk-Reward Ratio (1:2 Example)

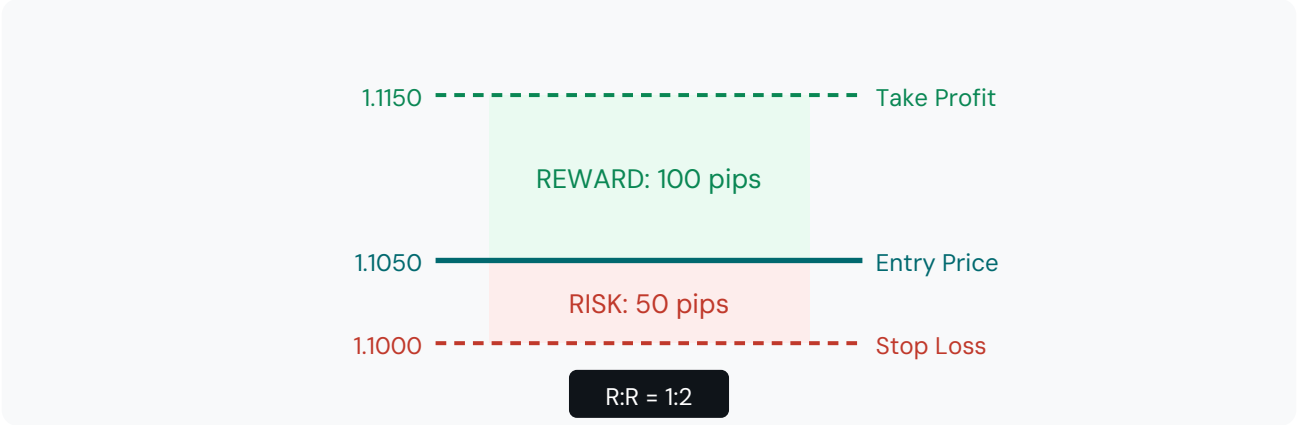

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Fig 10.1 — A 1:2 risk-reward ratio. Risk 50 pips to gain 100 pips.

Why this matters: with a 1:2 risk-reward ratio, you only need to win 34% of your trades to be profitable. Even with a 50% win rate, you come out ahead.

Win Rate	R:R 1:1	R:R 1:2	R:R 1:3
30%	Losing	Losing	Break-even
40%	Losing	Profitable	Very Profitable
50%	Break-even	Profitable	Very Profitable
60%	Profitable	Very Profitable	Highly Profitable

Position Sizing

Position sizing connects your risk percentage to your actual trade size. The formula:

Lot Size = (Account Balance x Risk %) / (Stop Loss in Pips x Pip Value)

Example: $10,000 account, 2% risk, 50-pip stop loss on EUR/USD

Lot Size = ($10,000 x 0.02) / (50 x $10) = $200 / $500 = 0.40 lots

PRO TIP

Use a position size calculator (available on most trading platforms) rather than doing this math manually. The key point is: your lot size should be determined by your risk parameters, never the other way around.

KEY TAKEAWAY

Risk management is not optional. Risk 1–2% per trade, aim for at least a 1:2 risk-reward ratio, and size your positions based on your stop loss distance. These three rules alone will keep you in the game long enough to become profitable.

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CHAPTER 11

Trading Psychology

The biggest obstacle to profitable trading is not the market, your strategy, or your broker. It is you. Your emotions, biases, and impulses will sabotage your trading unless you learn to recognize and manage them.

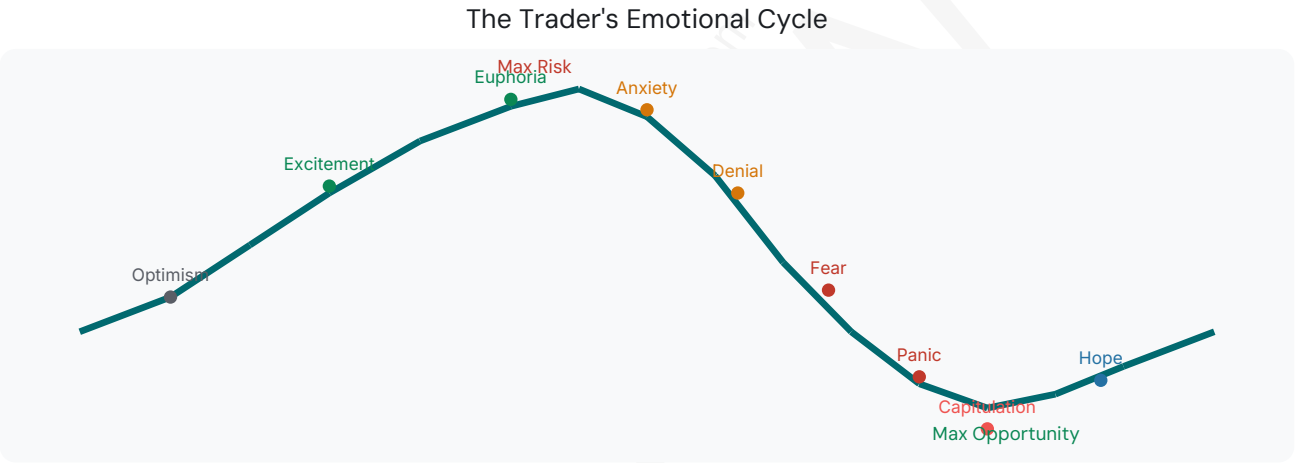

Fig 11.1 — The emotional cycle every trader experiences. Most buy at euphoria and sell at capitulation.

The Enemies Within

Emotion	How It Manifests	The Antidote
Fear	Hesitating to enter valid setups, closing winners too early, avoiding trading after a loss	Trust your tested strategy. Accept that losses are part of the process.
Greed	Overleveraging, moving take profit further, adding to winning positions recklessly	Set your take profit before entering. Follow your plan, not your excitement.
Revenge Trading	Immediately entering another trade after a loss to "win it back"	Step away after 2–3 consecutive losses. Return tomorrow with a clear mind.
FOMO	Chasing trades that have already moved, entering without proper analysis	There is always another trade. If you missed it, wait for the next setup.
Overconfidence	Increasing position size after a winning streak, ignoring risk rules	Treat every trade identically. The market does not care about your winning streak.

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Building Mental Discipline

- Keep a trading journal. Record every trade: why you entered, how you felt, what happened. Patterns will emerge that no indicator can show you.
- Trade your plan, not your emotions. Write your trading rules down. Follow them mechanically. Review them after market hours, not during.
- Accept losses as business expenses. A surgeon does not quit medicine after a patient dies. A trader does not quit after a losing trade. Losses are the cost of doing business.
- Set daily loss limits. Decide in advance: "If I lose 3% today, I stop trading." Then actually stop.
- Take breaks. If you feel emotional — angry, euphoric, frustrated, anxious — close your charts. Come back when you are calm.

DID YOU KNOW?

The best traders in the world have a win rate between 40–60%. That means they lose nearly half their trades. What makes them profitable is not being right more often — it is losing small and winning big. Emotional traders do the opposite: they cut winners short and let losers run.

KEY TAKEAWAY

Trading psychology is the invisible edge. Two traders with the exact same strategy will have completely different results based on their discipline and emotional control. Master yourself first, then master the market.

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CHAPTER 12

Building Your First Trading Plan

A trading plan is your business blueprint. It defines what you trade, when you trade, how you enter and exit, and how much you risk. Without a plan, you are gambling. With one, you are running a business.

Your Trading Plan Template

Component	Define	Example
Markets	Which instruments will you trade?	EUR/USD, GBP/USD, Gold (XAU/USD)
Timeframes	Which chart timeframes will you analyze?	H4 for trend direction, H1 for entry
Session	When will you trade?	London session (07:00 – 12:00 UTC)
Strategy	What specific conditions must be met to enter?	Pullback to support in an uptrend + bullish candle pattern
Entry Rules	Exact criteria for opening a trade	Buy when price touches H4 support + H1 bullish engulfing candle
Stop Loss	Where will you place your stop?	Below the support zone (20–30 pips)
Take Profit	Where will you take profit?	Next resistance level (minimum 1:2 R:R)
Risk Per Trade	How much will you risk?	1% of account balance
Max Daily Loss	When will you stop trading for the day?	3% of account or 3 consecutive losses
Review Schedule	When will you review your performance?	Weekly review every Sunday

The Trading Journal

Every trade should be recorded in a journal. After 50–100 trades, you will have enough data to identify patterns in your performance:

- Which setups have the highest win rate?

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- Which sessions produce your best results?
- Are you consistently cutting winners short?
- Do you perform worse after a loss?
- Which emotions appear most often in losing trades?

Trading Journal Entry Format

Date / Time	When the trade was opened and closed
Instrument	What you traded (e.g., EUR/USD)
Direction	Buy (Long) or Sell (Short)
Entry Price	The price at which you entered
Stop Loss	Where your stop was placed
Take Profit	Where your target was
Result	Win / Loss / Break-even, and amount in $ and pips
Reason for Entry	Why you took this trade (your setup)
Emotional State	How you felt before, during, and after
Lessons	What you learned, what you would do differently

PRO TIP

Start with a demo account and trade your plan for at least 4–8 weeks before risking real money. Track at least 50 trades. If your plan is profitable on demo, transition to a small live account. If not, adjust your plan and test again.

KEY TAKEAWAY

A trading plan turns random decisions into a repeatable process. Write it down, follow it strictly, and review it regularly. The plan is your edge — without it, you are just another emotional trader hoping for the best.

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CHAPTER 13

Your First Trade — Step by Step

You have the knowledge. Now let us walk through placing your first trade, step by step. We will use a demo account — never risk real money on your very first trades.

Step 1: Open Your Demo Account

- Log in to your trading platform
- Select a demo account with a realistic balance ($5,000 or $10,000)
- Familiarize yourself with the interface: chart area, market watch, trade panel

Step 2: Choose Your Instrument

- Start with a major pair like EUR/USD — tightest spreads, most liquid
- Open the chart and set your timeframe (start with H1 — 1 hour candles)

Step 3: Analyze the Market

- Check the H4 or Daily chart to identify the trend direction
- Mark the nearest support and resistance levels
- Look for a clear setup (e.g., price at support in an uptrend)

Step 4: Calculate Your Position Size

- Decide your risk: 1% of $10,000 demo = $100 maximum loss
- Determine your stop loss distance (e.g., 25 pips below support)
- Calculate: Lot size = $100 / (25 pips x $10) = 0.40 lots

Step 5: Place Your Trade

- Select Buy or Sell based on your analysis
- Enter your lot size (0.40)
- Set your Stop Loss (25 pips from entry)
- Set your Take Profit (50 pips from entry for 1:2 R:R)
- Review everything, then click Confirm

Step 6: Manage and Review

- Do NOT move your stop loss further away

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- Do NOT close early because of fear
- Let the trade hit either your SL or TP
- Record the result in your trading journal
- Analyze: was the setup valid? Did you follow your plan?

REMEMBER

Your first trade does not need to be profitable. It needs to be correct — meaning you followed your plan, managed your risk, and recorded the result. A losing trade taken correctly is worth more than a winning trade taken randomly, because one is repeatable and the other is luck.

KEY TAKEAWAY

Start with demo, follow the process, and treat every trade — win or lose — as a learning opportunity. After 50+ demo trades with consistent execution, you are ready to consider going live with a small account.

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CHAPTER 14

Common Beginner Mistakes

Every experienced trader has made most of these mistakes. The goal is not to avoid them all — it is to recognize them quickly and correct course before they become habits.

Mistake	Why It Happens	How to Fix It
Trading without a stop loss	Overconfidence or fear of being stopped out	Set SL before entry. Make it a non-negotiable rule.
Risking too much per trade	Greed, desire to grow fast	Use the 1–2% rule. Calculate position size every time.
Overtrading	Boredom, FOMO, or revenge trading	Set a max number of trades per day. Quality over quantity.
Ignoring the trend	Trying to call tops and bottoms	Always check the higher timeframe trend before entering.
Moving the stop loss	Hope that the trade will turn around	Once set, never move your SL further from entry.
Skipping the demo phase	Impatience to make real money	Trade demo for 4–8 weeks minimum. Build confidence first.
Trading news without experience	Excitement around big moves	Avoid trading 15 min before/after major news until experienced.
Chasing trades	Entering after a big move has already happened	If you missed the entry, wait for the next setup. There is always one.
Using too many indicators	Belief that more tools = better analysis	Master 2–3 tools. Price action + S&R is enough to start.
Not keeping a journal	Laziness, not seeing the value	Record every trade. Review weekly. Your journal is your best teacher.

The Path Forward

Trading is a skill that takes time to develop. The traders who succeed are the ones who:

- Start small — demo first, then micro lots with real money

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- Focus on process — correct execution matters more than individual trade results
- Stay consistent — trade the same strategy for at least 100 trades before changing it
- Keep learning — markets evolve, and so should your knowledge
- Protect capital — survival is the prerequisite for profitability

COMMON MISTAKE

If someone promises you a guaranteed way to make money trading, they are lying. There is no holy grail, no secret indicator, and no course that turns beginners into millionaires overnight. Trading is a legitimate skill — but it requires work, discipline, and patience. Anyone who tells you otherwise is selling something.

KEY TAKEAWAY

Every expert was once a beginner. The path from here to consistently profitable trading is not about finding the perfect strategy — it is about developing the discipline to follow a good-enough strategy with flawless risk management. Start today, start small, and never stop learning.

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Glossary of Trading Terms

Term	Definition
Ask	The price at which you can buy an instrument. Always higher than the bid.
Base Currency	The first currency in a pair. In EUR/USD, the euro is the base currency.
Bear / Bearish	Expectation that prices will fall. A bear market is a prolonged decline.
Bid	The price at which you can sell an instrument. Always lower than the ask.
Bull / Bullish	Expectation that prices will rise. A bull market is a prolonged advance.
Candlestick	A chart element showing open, high, low, and close for a specific time period.
CFD	Contract for Difference — a derivative that lets you trade price movements without owning the underlying asset.
Commission	A fixed fee charged per lot traded, separate from the spread.
Drawdown	The decline from a peak in your account balance to a subsequent low point.
Equity	Your account balance plus or minus any unrealized profit/loss from open trades.
Free Margin	The amount of capital available to open new positions.
Leverage	The ratio of borrowed capital to your own. 1:100 means $1 controls $100.
Liquidity	How easily an instrument can be bought or sold without significantly affecting price.
Long	Buying an instrument with the expectation that its price will rise.
Lot	A standardized unit of trade size. 1 standard lot = 100,000 units.
Margin	The collateral required by your broker to maintain an open position.
Margin Call	A warning that your account equity is approaching the minimum required margin.
Pip	The smallest standard price movement. For most pairs, 0.0001 (the 4th decimal).
Position	An active trade that has been opened but not yet closed.
Quote Currency	The second currency in a pair. In EUR/USD, the dollar is the quote currency.

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Term	Definition
Resistance	A price level where selling pressure tends to prevent further upward movement.
Short	Selling an instrument with the expectation that its price will fall.
Spread	The difference between the bid and ask price — the cost of entering a trade.
Stop Loss	An order that automatically closes a losing trade at a predetermined price.
Stop-Out	Automatic closure of trades by the broker when margin falls below a critical level.
Support	A price level where buying pressure tends to prevent further downward movement.
Swap	Interest charged or credited for holding a position overnight.
Take Profit	An order that automatically closes a winning trade at a predetermined price.
Volatility	The degree of price fluctuation. High volatility = larger and faster price swings.
Volume	The amount of an instrument traded during a specific period.

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What Comes Next?

You now have a solid foundation in trading fundamentals. You understand the markets, how prices move, how to read charts, how to manage risk, and how to build a trading plan.

But this is just Volume 1. Your education continues:

Trading Education Series

- ✓ Volume 1: Fundamentals of Trading (You are here)
- ▶ Volume 2: Technical Analysis Mastery
- ▶ Volume 3: Risk & Money Management
- ▶ Volume 4: Trading Strategies & Systems

Start Practicing Today

Open a demo account and apply what you have learned. Practice reading candlestick charts, identifying trends and support/resistance levels, and placing trades with proper risk management.

Remember: the goal of your first 50 trades is not to make money. It is to follow your plan correctly. Profits are a byproduct of consistent execution.

Start Trading with Docree Demo

Open a free demo account and apply everything in this guide

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