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Forex Trading Education and Training for Professionals

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Price Action Forex Trading with Nial Fuller

# Introduction to Price Action and Forex Trading Material

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# Videos -Tutorials

- The Videos For The Introduction Course are in the members section and will be added periodically. They Follow on From the Course Notes Material.
- Over the next Few Months I will be releasing More Videos to Paying Members to explain all content in depth..
- I want you to read and then re read these course notes first, because it is a pre requisite to the Videos.



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Basic Forex Principles 101

# Introduction

# So What is Forex ?

- Foreign Currency Exchange is the act of “exchanging one country’s currency for that of another”
- It is conducted by International banks, large financial institutions, large corporations and companies, and price action traders like you and I.
- Foreign Currency is also known as the “FOREX”. Or “FX Market”
- The open market trades non stop from Monday 8am to Saturday 8am, Opening in New Zealand and Australia, Closing in the USA after Wall St Closes on Friday afternoon.

# Basic History of Forex

- Goods Bartering evolved to Exchange of Precious Metals
- Use of Metals evolves to Promisary Notes (IOU)
- Advent of Paper Note and Coin Money.
- US Dollar pegged to Physical Gold
- US Gold Standard Abandoned for “Floating Currency”
- World follows suit, floating major currency pairs.
- World trade explodes in Volume, Forex Trading is born.



# History of Forex In Detail part 1

- In order to gain a complete understanding of what forex is, it is useful to examine the reasons that lead to its existence in the first place. Exhaustively detailing the historical events that shaped the foreign exchange market into what it is today is of no great importance to the Fx trader and therefore we will happily omit explanations of detailed historical events in favour of a more specific insight into the reasoning behind foreign exchange as a medium of exchange of goods and services.
- Originally our ancestors conducted trading of goods against other goods this system of bartering was of course quite inefficient and required lengthy negotiation and searching to be able to strike a deal.
- Eventually forms of metal like bronze, silver and gold came to be used in standardized sizes and later grades (purity) to facilitate the exchange of merchandise. The basis for these mediums of exchange was acceptance by the general public and practical variables like durability and storage. Eventually during the late middle ages, a variety of paper IOU started gaining popularity as an exchange medium.
- The obvious advantage of carrying around 'precious' paper versus carrying around bags of precious metal was slowly recognized through the ages. Eventually stable governments adopted paper currency and backed the value of the paper with gold reserves. This came to be known as the gold standard. The Bretton Woods accord in July 1944 fixed the dollar to 35 USD per ounce and other currencies to the dollar. In 1971, US President Nixon suspended the convertibility to gold and let the US dollar 'float' against other currencies.

# History of Forex In Detail part 2

Since then the foreign exchange market has developed into the largest market in the world with a total daily turnover of about 3.2 trillion USD, far more than the world's stock and bond markets combined.

Traditionally an institutional (inter-bank) market, the popularity of online currency trading offered to the private individual has exploded in recent years, widening the retail market and substantially increasing trading activity.

## **No Central Exchange**

Foreign exchange is an 'over the counter' (OTC) market, that means that there is no central exchange and clearing house where orders are matched. Geographic trading 'centers' exist around the world however and are: (in order of importance) London, New York, Tokyo, Singapore, Frankfurt, Geneva & Zurich, Paris and Hong Kong. Essentially foreign exchange deals are made between participants on the basis of trust and reputation to deliver on an agreement. In the case of banks trading with one another, they do so solely on that basis. In the retail market, customers demand a written legally accepted contract between themselves and their broker in exchange of a deposit of funds on which basis the customer may trade.

# Who Trades Forex ?

- Banks, Large Financial Institutions, Insurers.
- Exporters and Importers (Mining and Car Companies etc)
- Hedgers (Eg, Airlines, Farmers etc Lock in Currency Prices as well as hedge Products Via offshore commodity futures.)
- Commercial Traders ( Hedge Funds)
- Retail Traders ( You and I )
- Travellers and Tourists

# Who Trades Forex ?

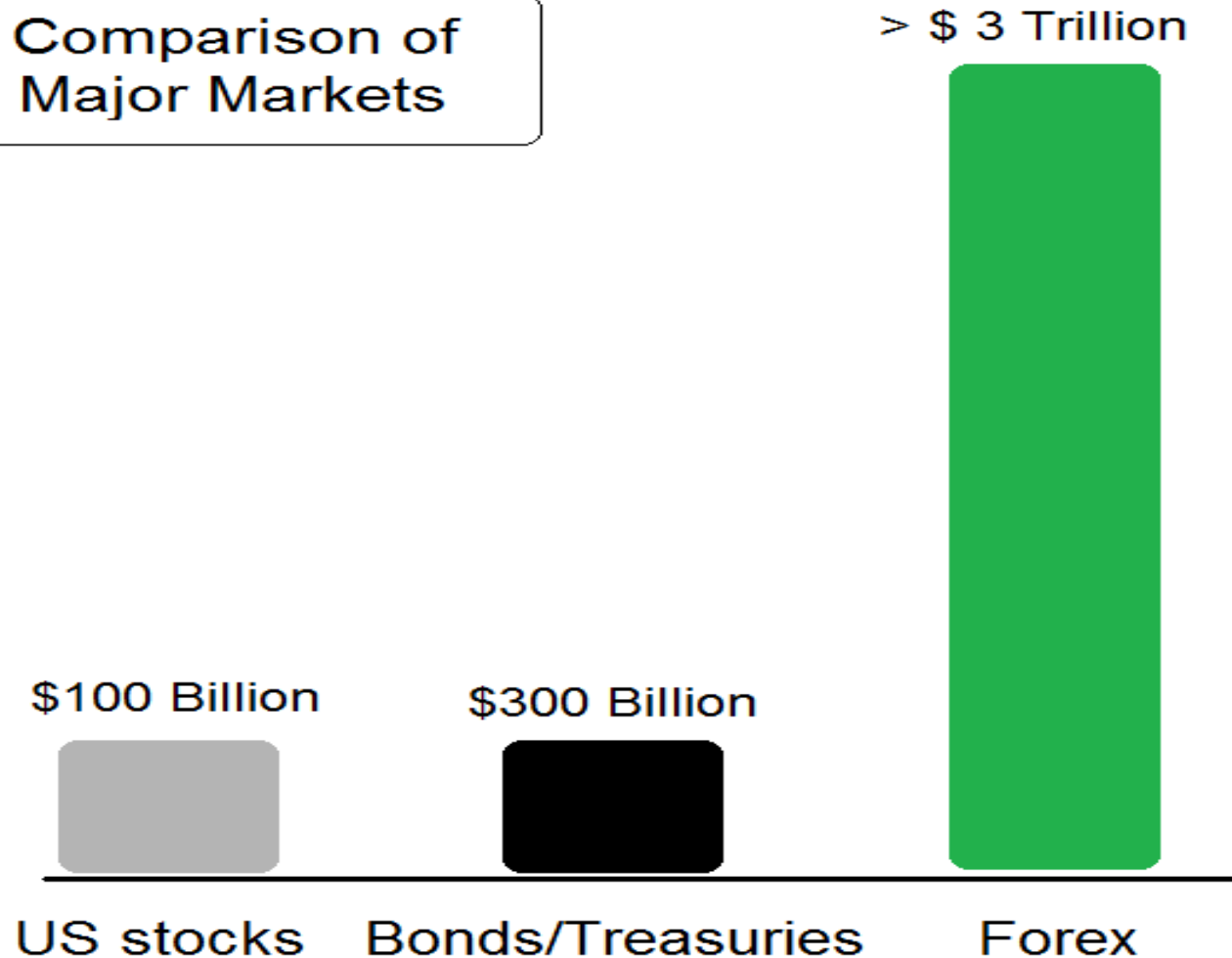
- In the last 10 years, the foreign exchange market has expanded from one where banks would execute transactions between themselves to one in which many other kinds of financial institutions like brokers and market-makers participate including non-financial corporations, investment firms, pension funds and hedge funds.
- Its' focus has broadened from servicing importers and exporters to handling the vast amounts of overseas investment and other capital flows that currently take place. Lately foreign exchange day trading has become increasingly popular and various trading execution firms offer trading facilities to both the large and small traders.
- Some market participants may be involved in the 'goods' market, conducting international transactions for the purchase or sale of merchandise. Some may be engaged in 'direct investment' in plant and equipment, or may be in the 'money market,' trading short-term debt instruments internationally. The various investors, hedgers, and speculators may be focused on any time period, from a few minutes to several years.
- But, whether official or private, and whether their motive be investing, hedging, speculating, arbitraging, paying for imports, or seeking to influence the rate, they are all part of the aggregate demand for and supply of the currencies involved, and they all play a role in determining the exchange rate at that moment.

# Advantages of Trading FOREX

- Worlds largest market, Volumes over \$3 trillion per day.
- Operates 24 hours, 6 days per week
- High liquidity, can always get in and out of positions.
- Straight through execution, order filled at the click of a mouse
- Fewer currency pairs to trade, as apposed to 1800 Local ASX stocks.
- Freedom to trade online from anywhere in the world

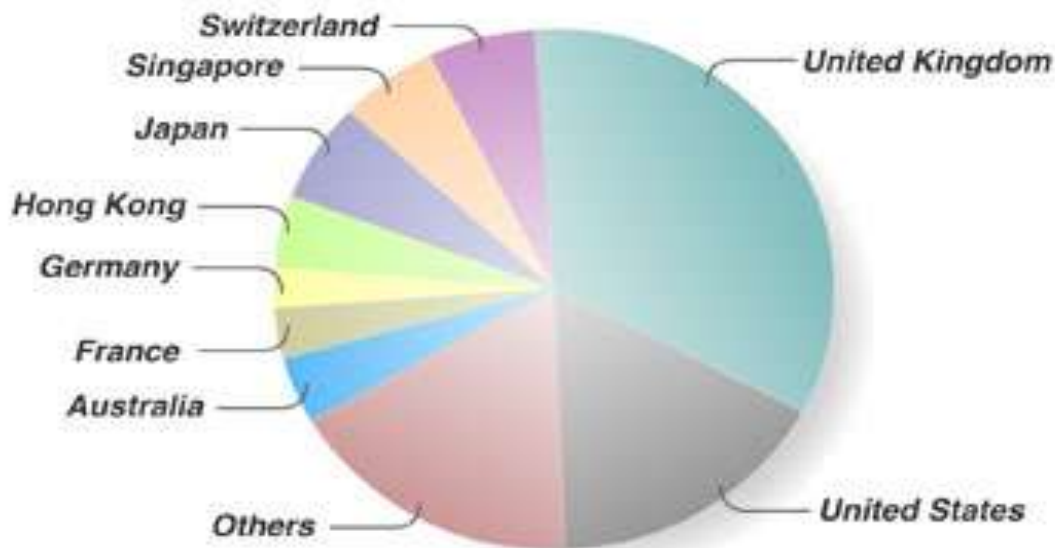
# Market Turnovers

Comparison of  
Major Markets



# Countries By Turnover

Comparison of reported worldwide FX turnover, 2007

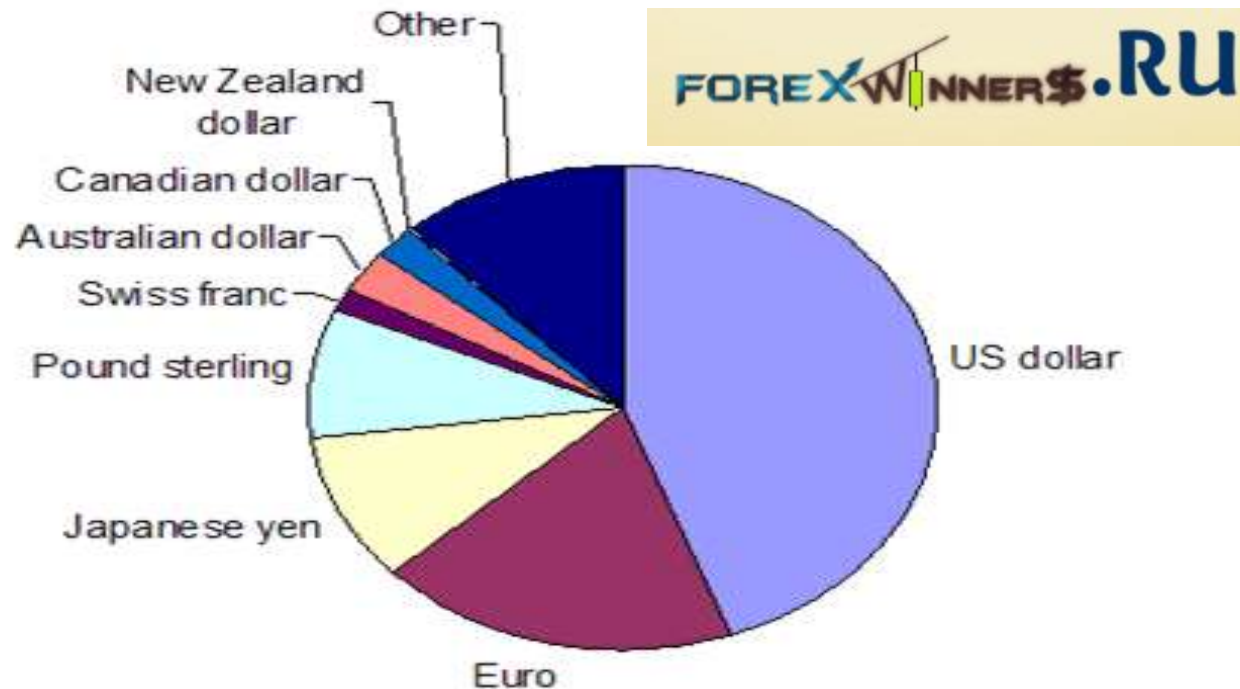


Australia	4.3
France	3
Germany	2.5
Hong Kong	4.4
Japan	6
Singapore	5.8
Switzerland	6.1
United Kingdom	34.1
United States	16.6
Others	17.2

Source: Bank for International Settlements, Triennial Central Bank Survey, December 2007

# Most Active Pairs by Turnover

Currency distribution of reported FX turnover



Source: Triennial Central Bank Survey 2004



# Misconceptions

- Q: Does the Forex have a higher level of risk than other markets?
- A: No this is NOT true, in fact, the Forex market is probably the easiest market in which to control risk due to very high trading volumes and liquidity. This allows us to enter and exit instantly. Furthermore, forex trading allows us to input our entry and exit points into the computer before a position is even taken.
- Of course, there is always an element of risk.

# “Trading Sessions” - Forex Times

- Forex trades 24/6 (Sunday to Friday)
- World Trade Commences trade in Wellington New Zealand at 8am ( Sunday Evening in New York). World Trading Closes on Friday Evening in New York.
- Trading only becomes active during European and US trading, Asian trading is generally much quieter.
- On a daily price graphs we monitor, the day begins just after the New York trading sessions closes (8 am)

# Global Break down of sessions

EST (Brisbane)	Sydney	Tokyo	Frankfurt	London	New York
8am					1800
9am					1900
10am					2000
11am					2100
12pm					2200
1pm					2300
2pm					0000
3pm					0100
4pm					0200
5pm					0300
6pm					0400
7pm					0500
8pm					0600
9pm					0700
10pm					0800
11pm					0900
12am					1000
1am					1100
2am					1200
3am					1300
4am					1400
5am					1500
6am					1600
7am					1700

# The Major Currency Pairs

- Forex contracts are always quoted in pairs. The euro vs. the U.S. dollar (EUR/USD) is the most heavily traded currency pair. The U.S. dollar vs. the Japanese yen (USD/JPY) is another popular pair. The 6 Majors are the major currency pairs. These are:

<u>Symbol</u>	<u>Name</u>	<u>Nick Name</u>
EURUSD	Euro Dollar	"Euro"
GBPUSD	British Pound	"Cable" "Pound" "Sterling" "The Beast"
USDJPY	Japanese Yen	"Carry trade" "Yen" "Jap"
USDCHF	Swiss Franc ,	"Swiss" "Chief"
AUDUSD	Australian Dollar	"Aussie"
USDCAD	Canadian Dollar,	"CAD" or "Loony"

- When one currency is traded against any currency other than the USD, the market rate for this currency pair is called a "Cross Rate".
- Examples include EURGBP, EURJPY, EURCHF, GBPJPY and AUDJPY.

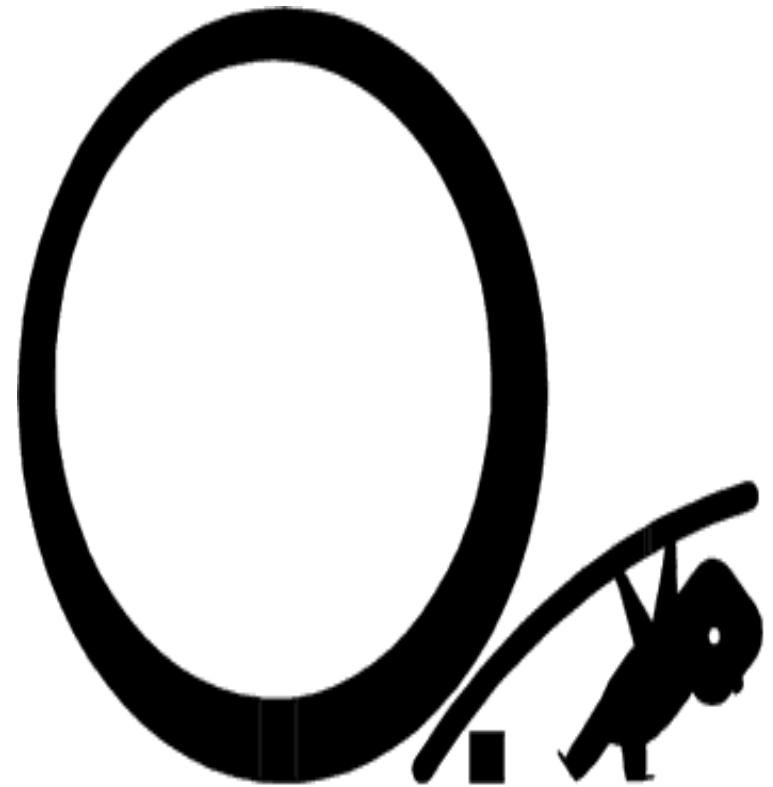
# Long or Short

- **Profit potential in rising and falling markets**
- Since the market is constantly moving, there are always trading opportunities, whether a currency is strengthening or weakening in relation to another currency.
- When you trade currencies, they literally work against each other. If the EURUSD declines, for example, it is because the US dollar gets stronger against the euro and vice versa. So, if you think the EURUSD will decline (that is, that the euro will weaken versus the dollar), you would sell EUR now and then later you buy EURO back at a lower price. In case that the EURUSD indeed declines, then you can take your profit. The opposite trading scenario would occur if the EURUSD appreciates.
- **Going Long - We Want Market to rise**
  - Going Long means to
  - "Buy the currency pair first "
  - "Sell the currency pair second"
  - example " Buy 10,000 EURUSD"
- **Going Short – We Want market to fall**
  - Going Short means to
  - "Sell the currency pair first",
  - "Buy the currency pair second"
  - example " Sell 10,000 EURUSD"



# Margin and Leverage Fx(Slides)

- Forex Typically Offers 100 to 1 Leverage on Capital
- Variable Vs Standard Margin
- Small Deposit to Control A Larger Amount
- Magnify gains and losses
- Designed to exploit movements in high priced, low volatility markets
- 1000 USD deposit will control 100,000 USD



# Margin and Leverage

- **Margin**
- Trading on margin means that you can buy and sell assets that represent more value than the capital in your account. Forex trading is usually conducted with relatively small margin deposits. This is useful since it permits investors to exploit currency exchange rate fluctuations which tend to be very small.
- A margin of 1.0% means you can trade up to USD 1,000,000 even though you only have USD 10,000 in your account. A margin of 1% corresponds to a 100:1 leverage (or “gearing”). (Because USD 10,000 is 1% of USD 1,000,000.)
- Using leverage enables you to make profits very quickly, but there is also a greater risk of incurring large losses and even being completely wiped out. Therefore, it is inadvisable to maximise your leveraging as the risks can be very high.
- Successful forex traders apply strict capital management and position size modelling, relative to their account size and personal risk profile.

# Public vs. Traders

- We have all been exposed to FX at one point in our lives, but things are different in a Commercial Environment than a Retail Environment.
- Example - Travelex or Credit Cards or TV News Reports etc Talk about Currency Markets very Differently to Currency Traders.
- **The Key Differences are the Spreads (cost of execution) , the way Prices are quoted and the Diversification in cross rates we trade globally.**



# Reading Currency Prices (slides)

*Head Currency*

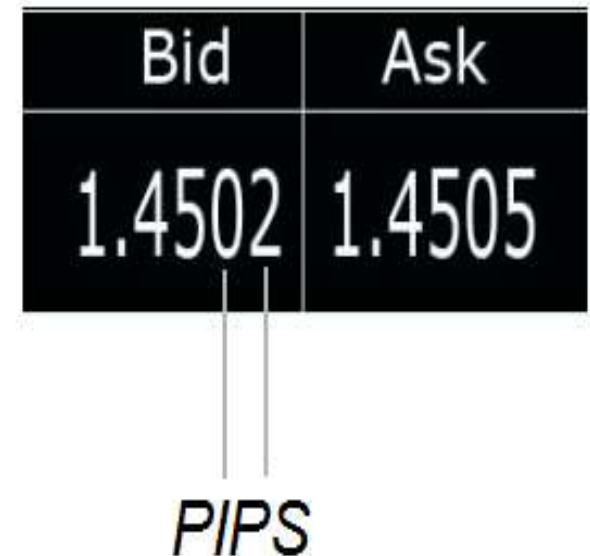
<b>EUR / USD</b>	
Bid	Ask
1.4502	1.4505
Sell	Buy

*Bid /Ask  
Price*

# "Spreads" and "PIPS"

- **Dealing Spread**
- The spread is the difference between the price that you can sell currency at (Bid) and the price you can buy currency at (Ask). The spread on majors is usually 2 to 3 pips under normal market conditions. The Dealer (Broker) makes his money in the width of the Spread, thus there are no commissions in Forex Trading.
- **PIPS (Price Intercept Point)**
- A pip is the smallest unit by which a cross price quote changes. A pip is the last decimal digit of a currency. When trading Forex you will often hear that there is a 2-pip spread when you trade the majors. This spread is revealed when you compare the bid and the ask price, for example EURUSD is quoted at a bid price of 1.4502 and an ask price of 1.4505. The difference is USD 0.0002, which is equal to 2 "pips".

Bid	Ask
1.4502	1.4505



The diagram illustrates the concept of pips by showing a bid price of 1.4502 and an ask price of 1.4505. Two vertical lines are drawn from the last two digits of the bid price (02) to the word "PIPS" below. Another two vertical lines are drawn from the last two digits of the ask price (05) to the word "PIPS". This visualizes that the difference between the two prices is 2 pips.

# Reading Currency Prices

- **Base Currency and Variable Currency**
- When you trade, you will always trade a combination of two currencies. For example, you will buy US dollars and sell Euro. Or buy Euro and sell Japanese Yen, or any other combination of dozens of widely traded currencies.
- But there is always a long (bought) and a short (sold) side to a trade, which means that you are speculating on the prospect of one of the currencies strengthening in relation to the other.
- The traded currency is normally, but not always, the currency with the highest value. When trading US dollars against Singapore dollars, the normal way to trade is buying or selling a fixed amount of US dollars, i.e. USD 1,000,000. When closing the position, the opposite trade is done, again USD 1,000,000. The profit or loss will be apparent in the change of the amount of SGD credited and debited for the two transactions.
- In other words, your profit or loss will be denominated in SGD, which is known as the price currency. Brokers will automatically exchange your profits and losses into your base currency if you request this, otherwise profit and losses remain in the “price currency”

# FX is traded in lots (contracts)

- **A mini Lot** – Control USD \$10,000
- **A Full Lot** – Controls USD \$100,000
- **Flexible Lot** You nominate the amount
- PIP VALUES
- **A mini Lot** – 1 PIP = \$1 USD
- **A Full Lot** – 1 PIP = \$10 USD

# 'Full lots' and 'Mini lots'

- **Full-Size Contracts** control 100,000 units of whatever the base currency in the currency pair is. So for instance, if you were to buy one full-size contract on the EUR/USD, you would control €100,000 because the euro is the base currency in the pair.
- **Mini-Contracts** control 10,000 units of whatever the base currency in the currency pair is. As you can see, a mini contract is one-tenth the size of a full-size contract.
- **Flexible Contracts** allow you to choose the exact amount of a currency you would like to control. If you want to control 84,392 units or 2,755 units of the currency you are interested in, you can with a flexible contract.
- Being able to choose among full-size, mini and flexible contracts allows you to tailor your investing to best meet your investment style and strategy.

# Day Traders and Position Traders

- **Short Term Day Traders** – Enter and Exit a trade within 24 to 48 hours. The hold time is very short.
- **Longer Term Position Traders** – Enter a trade today and stay in the position overnight, 1 week or longer.

# “Long Term” and “Short term” part 1

- **Key differences between long- and short-term trading**
- Here are the differences we see between the two types of trading and what you need to be aware of as you make decisions.
- **Short term trading** adopts quite a short term price view of the currency being traded, varying from a few seconds to a few days.
- Short-term forex traders immediately face a disadvantage because they trade more, and have to overcome the spread more often.
- To make a 1,000-pip profit when trading the EUR/USD, a long-term forex trader can make one trade that moves 1,002 pips (assuming the spread on the EUR/USD is 2 pips). He has to make 2 pips to overcome the spread.
- To make a 1,000-pip profit when trading that same EUR/USD pair, a short-term forex trader who makes 50 trades must make 1,100 pips (again, assuming the spread on the EUR/USD is 2 pips), because he has to overcome the spread for each trade.

## “Long Term” and “Short term” part 2

- **Long term trading** adopts a longer term price view of the currency being traded, varying from a few days to a few weeks, maybe even years.
- Long-term trading can be less time consuming since you don't have to watch the live market. Many new traders are working a full-time job, raising a family and having a life while they learn this market. Checking in on your trades and making adjustments every once in a while, rather than constantly watching the live market throughout the duration of the trade, requires a lot less time and can be easily scheduled around your daily routine.
- Short-term trading requires a lot more attention to the market on a continuous basis. A much talked about aspect of trading is the toll it can take on you emotionally. The longer you are in front of your trading screen watching the market zigzag back and forth between your limit and stop, the more tempting it can be to interfere with your strategy. That emotional toll increases the stress of trading and can make the whole experience unpleasant.



# Forex Calculator

- A Forex Position and Risk Calculator will Help In your day to Day Trading Activities.
- In The Members Area There is a Link to the Calculator.



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Understanding different order types and there application

# Order Types

# Order Timeframes

- **GTC** (*Good till cancelled*): A *GTC* order remains active in the market until the trader decides to cancel it.
- **“Valid Until”** Most brokers allow you to choose a time and date expiry into the future.

# Order Terms

- **Pending/working:** If an order is not executed instantly (eg: market orders), it will become a pending order. This means it will sit with the brokers computer system until it is filled.
- **Contingent:** consist of order legs which are activated if one order is filled. (if done orders). EG, Buy entry is filled, and stop loss and limits become active orders.
- **Executed Orders:** are previous orders which have been filled.

# Order Types and Terms

- MARKET – Instant Execution at current price
- LIMIT - Predefined order level (Pending in system)
- On Stop - Standing order which become a market order once market touches level.
- OCO - Instruction Order- *order cancels other*

# Order types – 'Market Orders'

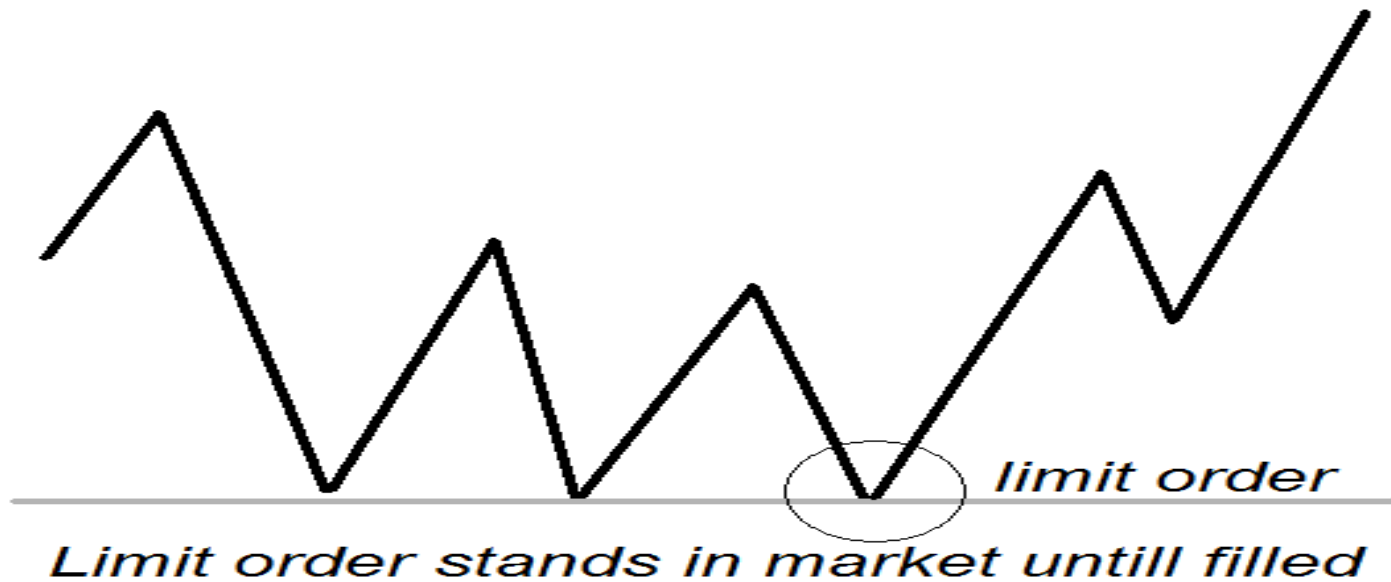
- **A market order** is an order to buy or sell at the current market price. The trader clicks on the buy or sell button after having specified their deal size. The execution of the order is instantaneous, this means that the price seen at the exact time of the click will be given to the trader. Placing a market order by phone is quite similar but usually takes a few seconds more time.

EUR / USD	
Bid	Ask
1.4502	1.4505
Sell	Buy



# Order Types - "Limit Orders"

- A **limit order** is an order placed to buy or sell at a certain price. The order essentially contains two variables, price and duration. The trader specifies the price at which he wishes to buy/sell a certain currency pair and also specifies the duration that the order should remain active.



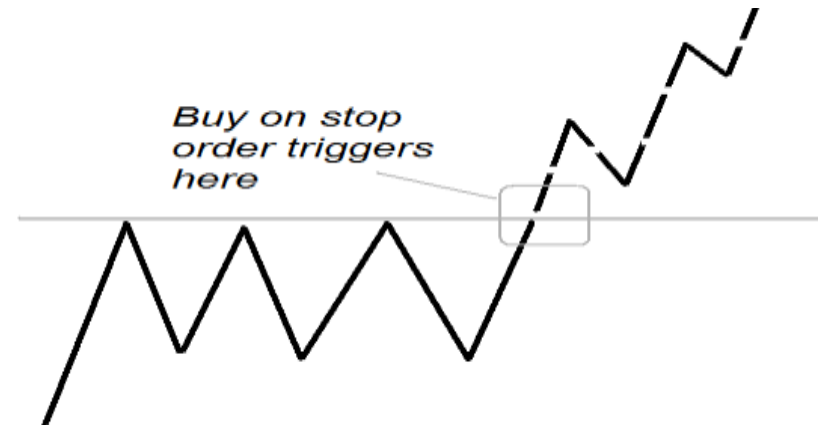
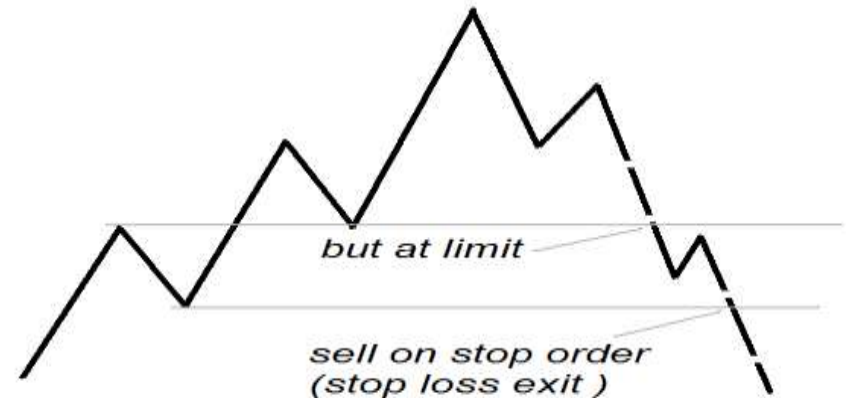
# Order Types – ‘Stop Orders’

- **A *stop order*** is also an order placed to buy or sell at a certain price. The order contains the same two variables as a limit order, price and duration. The main difference between a limit order and a stop order is that stop order is an order which stands in the market and then becomes a market order. Prices must move from the current level to breach or touch the specified “stop level” to become active order. Stop orders don’t always fill at the price you decide.
- They are usually used to limit loss potential on a transaction or enter markers on breaks from key price points. (break outs and break downs).
- The same variations are used to specify duration as other orders
- (GTC and Valid Until).



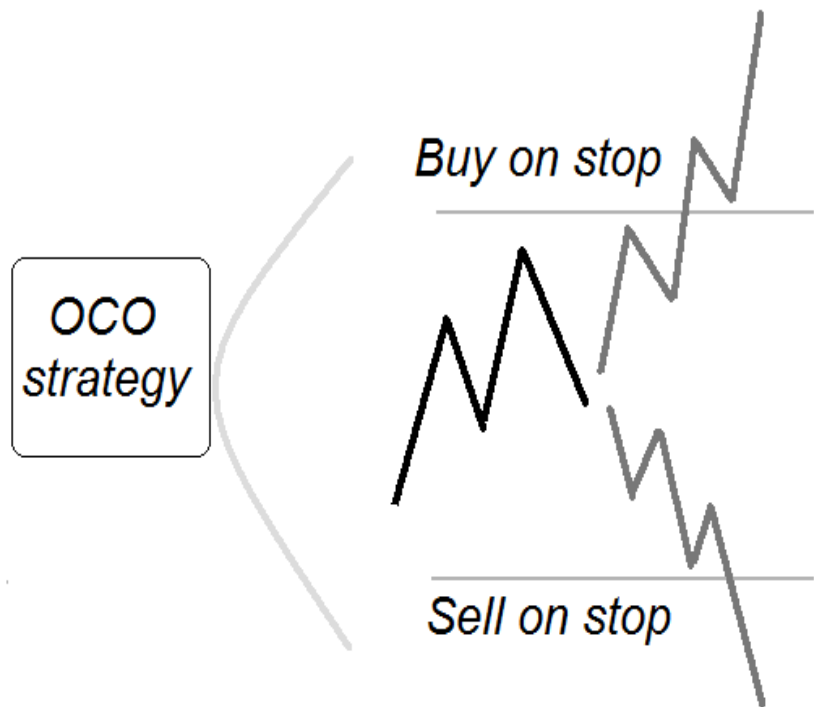
# On Stop Order examples

- **Example (stop loss):**
- Trader at 1.2400, he's expecting a 160 pip move in the market but he wants to protect himself in case he has overestimated the potential strength of the Euro. He knows that 1.2400 is a support level so he places a stop loss order to sell at 1.2370 ( 30 pips under) that level if it is broken. The trader has effectively limited his risk on this particular trade.
- **Example (enter on stop):**
- Another usage of a *stop order* is when a trader is expecting a price breakout to occur and wishes to grasp the opportunity to 'ride' the breakout or break down. In this case a trader will place an order to buy or sell 'on stop'.



# Order Strategy - OCO

- An **OCO (order cancels other)** order is a mixture of 2 limit and/or stop orders.
- 2 orders with price and duration variables are placed above and below the current price. When one of the orders is executed the other order is cancelled. To illustrate how an OCO order works let's take the following example:
- Example:
- Trader x wants to either 1.3400 over the resistance level in anticipation of a breakout or initiate a selling position if the price falls below 1.3200. The understanding is that if 1.3401 level is reached , the buy order will trigger and the sell order will be automatically cancelled. Or Visa Versa.



# FX Order Board

The image shows a screenshot of an FX Order Board interface with several annotations. The interface is titled "Ticket" and includes a close button (X) in the top right corner. The main section is divided into two tabs: "Deal" and "Order To Open".

Annotations and their corresponding interface elements:

- contracts being traded**: Points to the "Contracts" field, which is set to "1" (Min: 1).
- Current Price Bid/Ask**: Points to the "Buy" price field, which shows "0.72166".
- Currency Being Traded**: Points to the "Spot FX AUD/USD (-)" label.
- secondary currency**: Points to the "Currency" field, which is set to "USD".
- stop loss order (protect capital)**: Points to the "Stops and Limits" section, specifically the "Stop" field, which is set to "100" pips away (Min: 5) (Est: 0.73146 / 0.71166).
- Limit Order (take profit)**: Points to the "Limit" field, which is set to "300" pips away (Est: 0.69146 / 0.75166).
- Deposit /Margin Required**: Points to the "Deposit Requirements" section, which shows the required deposit for USD (\$ 1,072.17) and AUD (A\$ 1,485.92).

The "Stops and Limits" section also includes a "Guaranteed Stop" checkbox (unchecked) and a "Force Open" checkbox (checked).

Order Type	Price
Sell	0.72146
Buy	0.72166

**Deposit Requirements**

Currency	Amount
USD	\$ 1,072.17
AUD	A\$ 1,485.92

# Advanced FX Order Board

The screenshot shows a 'Ticket' window for a Spot FX AUD/USD trade. The window has a title bar with a close button. Below the title bar, there's a green play button icon and the text 'Spot FX AUD/USD (-)'. To the right of this are two tabs: 'Deal' and 'Order To Open'. The main area contains several fields: 'Current Level' with values 0.72161 and 0.72181, 'Direction' set to 'Buy' with a 'Switch' button, 'Order Level' set to 0.72175, 'Type' set to 'Limit', 'Contracts' with a spinner and '(Min: 1)', and 'Currency' set to 'USD'. Below these is a section 'Good Till (Now: 07/01/09 13:14)' with radio buttons for 'Cancelled' (selected) and 'Date/Time'. Further down is 'Contingent Orders' with 'Stop' and 'Limit' fields, each with a spinner and 'pips away (Min: 5)'. There's a checkbox for 'Guaranteed Stop'. At the bottom is 'Deposit Requirements' with input fields for 'USD' and 'AUD'. At the very bottom are 'Cancel' and 'Submit' buttons. Annotations with lines point to specific elements: 'Auto selects order Type' points to the 'Type' field; 'direction of trade' points to the 'Direction' field; 'choose order level' points to the 'Order Level' field; and 'time limit' points to the 'Date/Time' radio button.

**Ticket**

Spot FX AUD/USD (-)

Deal Order To Open

Current Level 0.72161 / 0.72181

Direction Buy Switch

Order Level 0.72175

Type Limit

Contracts (Min: 1)

Currency USD

Good Till (Now: 07/01/09 13:14)

☒ Cancelled ☐ Date/Time

Contingent Orders

Stop pips away (Min: 5)

☐ Guaranteed Stop

Limit pips away

Deposit Requirements

USD

AUD

Cancel Submit

Auto selects order Type

direction of trade

choose order level

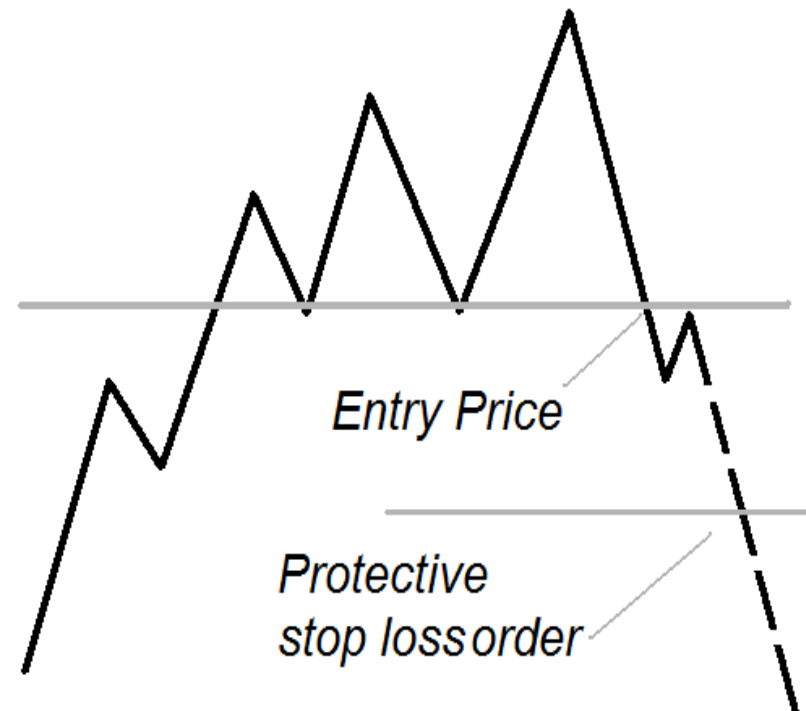
time limit

# Risk Control – Using Stops

- Due to quick market movements in FX, we must use a strict stop-loss always.
- A stop-loss order is by no means a guarantee of getting out at the desired level.
- Main risk is really an event over the weekend
- Guaranteed stop loss

# Risk control – Using a stop loss

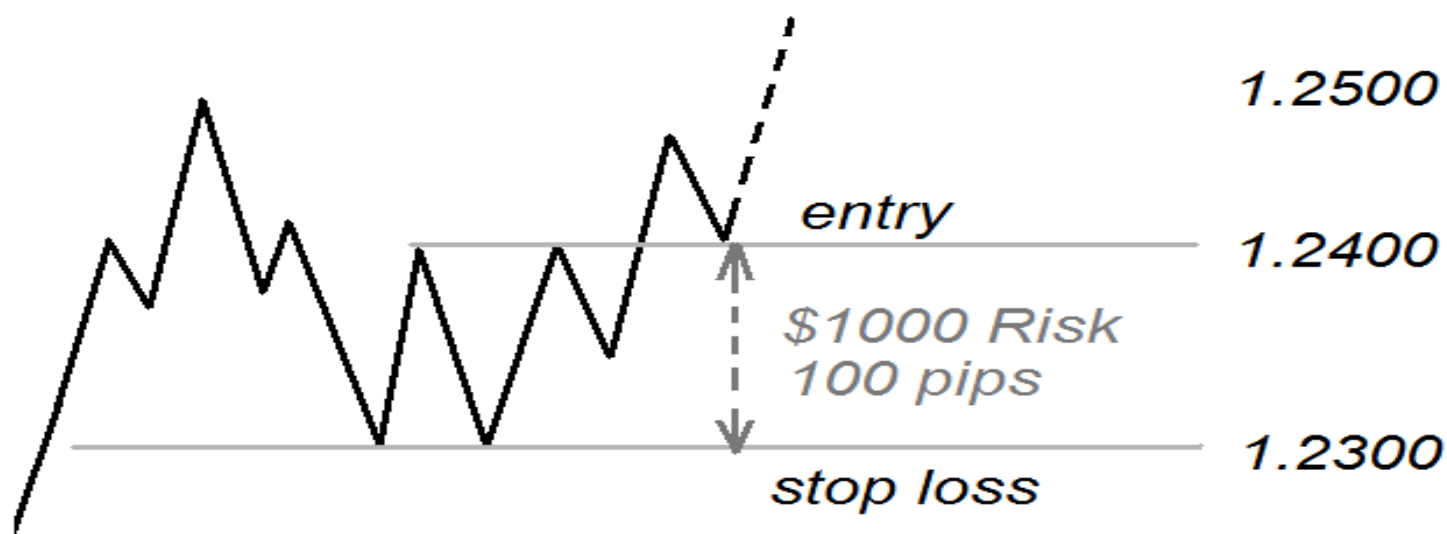
- As you can see from what we have already learned, there are significant opportunities and risks in foreign exchange markets. Due to quick market movements, we must use strict stop-loss policies in positions that are moving against you.
- **There will nearly always be an opportunity to react to moves in the main currency markets** and a low risk of getting caught without the opportunity of getting out. A stop-loss order is by no means a guarantee of getting out at the desired level.
- The **main risk is really an event over the weekend**, where all markets are closed. This happens from time to time as many important political events, such as G7 meetings, are normally scheduled for weekends.
- When holding over the weekend or during major news announcements we use a guaranteed stop.
- A “**guaranteed stop loss**” is a contract” between the broker and the trader. This order is guaranteed to execute your position at an agreed price, but this costs a small amount (2 to 5 pips)
- For speculative trading, It’s **always recommend that traders protective stop-loss orders or even guaranteed stop loss orders.**



# Calculating Risk per trade

- Using a 25 pips stop and risking no more than \$200, you would trade 8 mini lots..
- $\$200 / 25 \text{ pips} = 8$  mini lots if one mini lot is worth \$1 a pip.
- Most Standardized Mini Contracts are worth \$1 USD, however, to be sure, we refer to our "FX Calculator"
- Risk Calculator is in the Members Area.

# Stop Loss Calculation



$$\$1000 / 100 \text{ pips} = 10$$

1.2200

We can trade 10 mini lots or 1 Full lot

1 mini lot = \$10,000 , 1 full lot = \$100,000



# What is Demo Trading (Paper Trading)

## ■ Demo Trading

- You can open a demo account for free with most Forex brokers. This account has the full capabilities of a "real" account.
- Why is it free? It's because the broker wants you to learn the ins and outs of their trading platform, and have a good time trading without risk, so you'll fall in love with them and deposit real money.



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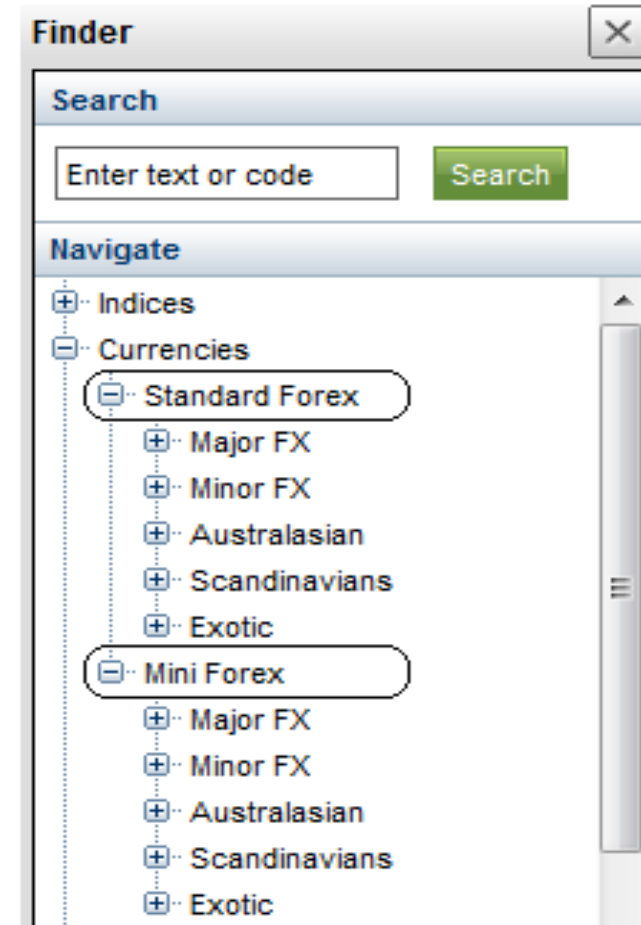
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Understanding How to place Forex Trades

# Trade Examples

# Currency is Traded in Lots

- **A mini Lot**
- Control USD \$10,000
- **A Full (standard) Lot**
- Controls USD \$100,000
- **Flexible Lot**
- You nominate the amount



# Calculating "Pip Value"

- On a contract or position, the value of a pip can easily be calculated for the most common pairs. Remember profit and loss is calculated in the second currency pair.
- You know that the EURUSD is quoted with four decimals, (eg 1.4300), so all you have to do is cancel out the four zeros on the amount you trade and you will have the value of one pip.
- Thus,
  - on a EURUSD 100,000 contract, one pip is worth USD\$ 10.
  - on a USDJPY 100,000 contract, one pip is equal to 1000 yen, because USDJPY is quoted with only two decimals. (eg 97.80)

# Calculating Pip values

- Whenever we find a figure , to covert it back to another currency, you must times it by the applicable exchange rate.
- Let's assume we will be using a \$100,000 lot size. We will now recalculate some examples to see how it affects the pip value.
- USD/JPY at an exchange rate of 119.90  
 $(.01 / 119.80) \times \$100,000 = \$8.34$  per pip
- USD/CHF at an exchange rate of 1.4555  
 $(.0001 / 1.4555) \times \$100,000 = \$6.87$  per pip
- **In cases where the US Dollar is not quoted first, the formula is slightly different.**
- EUR/USD at an exchange rate of 1.1930  
 $(.0001 / 1.1930) \times \text{EUR } 100,000 = \text{EUR } 8.38$   $\times 1.1930 = \$9.99734$  rounded up will be \$10 per pip

# Converting back to Home currency

- When converting back to Australian Dollars, we must know the exchange rate of the offshore currency verse Australian dollar.
- AUD base currency must always come first
- EG
- \$100 USD in Australian Currency
- Amount divided by the exchange rate (AUDUSD)
- $\$100 / 0.7000 = \$142$



# How to Calculate a Profit or Loss

- **When working out profit and loss, we always talk in Terms of the “Second Currency”** in the case of EURUSD, the result is shown in USD
- **Example**
- You see that the rate for EUR/USD is 1.1800 and decide to sell 10,000 EUR. Your trade is executed at 1.1800.
- $10,000 \text{ EUR} * 1.1800 = 11,800 \text{ USD}$   
You sold 10,000 EUR and bought 11800 USD.
- After you trade, the market rate of EUR/USD decreases to EUR/USD= 1.1400.
- You then buy back 10,000 EUR at 1.1400
- $10,000 \text{ EUR} * 1.1400 = \$11,400 \text{ USD}$
- **The result**
- You sold 100,000 EUR for \$11,800 and bought 10,000 back for \$11,400. The difference is your profit:
- $\$11800 - \$11400 = \$400 \text{ USD}$

Traders Action	EUR	USD
You SELL 10,000 Euros at the EUR/USD exchange rate of 1.1800	-10,000	+11,800*
Two weeks later, you exchange your 10,000 Euros back into US dollars. You BUY at the exchange rate of 1.1400.	+10,000	+11,400**
You earn a profit of \$400.	0	+400

# Trade Example

Traders Action	EUR	USD
You purchase 10,000 Euros at the EUR/USD exchange rate of 1.1800	+10,000	-11,800*
Two weeks later, you exchange your 10,000 Euros back into US dollars at the exchange rate of 1.2500.	-10,000	+12,500**
You earn a <b>profit of \$700.</b>	0	<b>+700</b>

\*EUR 10,000 x 1.18 = US \$11,800

\*\* EUR 10,000 x 1.25 = US \$12,500



# Simple Profit Loss

- When trading lots, we can work out profit and loss very easily.
- If we are “long” 5 mini lots of the EURUSD at 1.2000, then sell them at 1.2350, we take a profit of 350 pips.
- we can work out the profit in 2 steps.
- 5 mini lots @ \$1Usd per pip = \$5Usd per Pip
- =  $\$5 * 350 = \$1750$  profit



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Fundamentals and Technical's

# What Moves Forex Prices

# Supply and Demand

- Fundamental Supply Demand (eg News, Eco Data)
- Buying and Selling Aggression (bull vs. Bear)
- Technical's ( Systems and Charting)

# Supply and Demand part 1

- **Supply and demand drives the forex market**
- The Forex market, just like every other market in the world, is driven by supply and demand.
- Having a good grasp on supply and demand will make all of the difference in your Forex investing career because it will give you the ability to sift through the mountain of news that is produced every day and find those messages that are most important.
- Supply is the measure of how much of a particular commodity is available at any one time, or a measure of buying pressure verse selling pressure at any on time. As the supply of a currency increases, the currency becomes less valuable. Conversely, as the supply of a currency decreases, the currency becomes more valuable.
- Think about rocks and diamonds. Rocks aren't very valuable because they are everywhere. There is a large supply of rocks in the world. Diamonds, on the other hand, are expensive because there aren't that many of them in circulation. There is a small supply of diamonds in the world, and you have to pay a premium if you want one. It's a crude analogy, but the point is made.

# Supply and Demand part 2

- Always be thinking Supply and Demand in your analysis
- Fundamental and Technical analysis are the two major disciplines in the Forex market and every other market for that matter.
- **Fundamental analysis** is the study of what is happening in the world around us. It things such as news, economic announcements and policies, company earnings and most importantly for FX ... interest rates.
- **Technical analysis** is the study of what is happening on the chart of a particular currency pair. We will be discussing Technical analysis at length during this course
- Both forms of analysis are built upon a foundation of supply and demand. As traders we need to have only a brief understanding of fundamental analysis and focus much more on Technical Analysis.

# Interest Rates Differentials

- Traders favour the currency with the higher interest rate verse the lower interest rate.
- Example. AUDJPY, carry trade, when we sell Yen, we effectively borrow at 0.5 % , and then buy AUD and invest in 5.5% . The differential is 5%.
- Economic Factors change the relationship and pricing over time.

# Interest Rates and Forex (notes)

- **Interest Rate Differentials**
- Different currencies pay different interest rates. This is one of the main driving forces behind foreign exchange trends. It is inherently attractive to be a buyer of a currency that pays a high interest rate while being short a currency that has a low interest rate.
- Although such interest rate differentials may not appear very large, they are of great significance in a highly leveraged position. For example, early this Decade, the interest rate differential between the US dollar and the Japanese yen had been approximately 5% for several years. In a position that can be supported by a 5% margin deposit, this results in a 100% profit on capital per annum when you buy the US dollar.
- From a pure interest rate differential viewpoint, you have an advantage of 100% per annum in your favour by being long US dollar and an initial disadvantage of the same size by being short.
- Such a situation clearly benefits the high interest rate currency and as result, the US dollar was in a strong bull market all through 2005.
- Generally, the currency with the higher interest rate will be strongest unless there is some major economic event for the high interest rate such as runaway extremely high inflation

# Earning or Paying Interest

- Basic Understanding is that , we have a cost or credit in carrying either higher yielding or lower yielding currency.
- If we short AUDUSD, we would pay interest because the AUD has a higher interest rate than USD, if we went long we would receive interest because we own the higher yielding currency. (refer to IG terms and conditions)



# Earning or Paying Interest

- **Forex trading accounts have interest considerations**
- "Interest," "roll-over," "tomorrow-next," and "cost of carry" are all terms used by dealers to describe the premium paid or charged on each forex pair.
- Each forex pair has an interest payment and charge associated with holding the position long or short.
- Depending on the pair you trade, and what direction your trade is, you will pay or receive interest. You may have to look on the IG website for more information.
- The premium can change on a daily basis but will typically not change very much.
- This interest premium is derived from the difference in short term interest rates between the two economies represented by the currencies in the pair you are trading. The short term interest rate used is the overnight LIBOR rates. These are typically set by the British Banker's Association and are changed on a daily basis.
- **Interest premiums are paid in different ways, depending on the dealer**
- The most common ways that you are paid or charged this interest is through an actual payment, the amount will be added or deducted to your account at the days close.
- **OR** The broker may reset your position in a more or less favourable price.
- This process of resetting your position means that if you were long and are owed a premium your entry price is reset to be lower than when you first entered. Likewise, if you are short and owed a premium your entry price will be reset to be slightly higher than it was originally.



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Fundamental Economic Terms

# Economic Jargon

# Important Economic Data

- Trade Balance
  - GDP (discuss)
  - Consumer Price Index
  - Producer Price Index
  - Payroll Employment (discuss)
  - Durable good Orders
  - Retail Sales (discuss)
  - Housing Starts
- 
- **You Can Find a Link to the Economic Calender in the Members Area**

# Example of Economic Calender

Apr 12 - Apr 18									Filter
Date	11:54pm	Currency	Impact		Detail	Actual	Forecast	Previous	Chart
Sun Apr 12	All Day	NZD		Bank Holiday					
	All Day	AUD		Bank Holiday					
	7:50pm	JPY		CGPI y/y		-2.2%	-1.7%	-1.6%	
Mon Apr 13	All Day	CHF		Bank Holiday					
	All Day	EUR		French Bank Holiday					
	All Day	EUR		German Bank Holiday					
	All Day	EUR		Italian Bank Holiday					
	All Day	GBP		Bank Holiday					
	All Day	CAD		Bank Holiday					
	10:30am	CAD		BOC Business Outlook Survey					
	6:45pm	NZD		Retail Sales m/m		0.2%	-0.4%	-1.1%	
	6:45pm	NZD		Core Retail Sales m/m		-0.1%	-0.1%	0.3%	
	9:30pm	AUD		NAB Business Confidence		-13		-22	
Tue Apr 14	8:30am	USD		Core Retail Sales m/m			0.1%	0.7%	
	8:30am	USD		PPI m/m			0.0%	0.1%	
	8:30am	USD		Retail Sales m/m			0.3%	-0.1%	
	8:30am	USD		Core PPI m/m			0.1%	0.2%	
	10:00am	USD		Business Inventories m/m			-1.2%	-1.1%	
	10:30am	USD		FOMC Member Evans Speaks					
	1:30pm	USD		Fed Chairman Bernanke Speaks					
	7:01pm	GBP		RICS House Price Balance			-77.2%	-78.3%	
	8:30pm	AUD		MI Leading Index m/m				-0.2%	
	15th-29th	AUD		NAB Quarterly Business Confidence				-42	

# Forex Economic Jargon

- **AN UP TO THE MINUTE, UPCOMING ECONOMIC CALENDAR IS AVAILABLE IN THE MEMBERS AREA**
- **Trade Balance**
  - The trade balance is a measure of the difference between imports and exports of tangible goods and services. The level of the trade balance and changes in exports and imports are widely followed by foreign exchange markets.
  - The trade balance is a major indicator of foreign exchange trends. Seen in isolation, measures of imports and exports are important indicators of overall economic activity in the economy.
  - It is often of interest to examine the trend growth rates for exports and imports separately. Trends in export activities reflect the competitive position of the country in question, but also the strength of economic activity abroad. Trends in import activity reflect the strength of domestic economic activity.

Typically, a nation that runs a substantial trade balance deficit has a weak currency due to the continued commercial selling of the currency. This can, however, be offset by financial investment flows for extended periods of time.

- **Gross Domestic Product**
  - The Gross Domestic Product (GDP) is the broadest measure of aggregate economic activity available. Reported quarterly, GDP growth is widely followed as the primary indicator of the strength of economic activity.
  - GDP represents the total value of a country's production during the period and consists of the purchases of domestically produced goods and services by individuals, businesses, foreigners and the government.
  - As GDP reports are often subject to substantial quarter-to-quarter volatility and revisions, it is preferable to follow the indicator on a year-to-year basis. It can be valuable to follow the trend rate of growth in each of the major categories of GDP to determine the strengths and weaknesses in the economy.
  - A high GDP figure is often associated with the expectations of higher interest rates, which is frequently positive, at least in the short term, for the currency involved, unless expectations of increased inflation pressure is concurrently undermining confidence in the currency.

# Forex Economic Jargon

- **Consumer Price Index**

- The Consumer Price Index (CPI) is a measure of the average level of prices of a fixed basket of goods and services purchased by consumers. The monthly reported changes in CPI are widely followed as an inflation indicator.
- The CPI is a primary inflation indicator because consumer spending accounts for nearly two-thirds of economic activity. Often, the CPI is followed but excludes the price of food and energy as these items are generally much more volatile than the rest of the CPI and can obscure the more important underlying trend.
- Rising consumer price inflation is normally associated with the expectation of higher short term interest rates and may therefore be supportive for a currency in the short term. Nevertheless, a longer term inflation problem will eventually undermine confidence in the currency and weakness will follow.

- **Producer Price Index**

- The Producer Price Index (PPI) is a measure of the average level of prices of a fixed basket of goods received in primary markets by producers. The monthly PPI reports are widely followed as an indication of commodity inflation.
- The PPI is considered important because it accounts for price changes throughout the manufacturing sector.
- The PPI is often followed but excludes the food and energy components as these items are normally much more volatile than the rest of the PPI and can therefore obscure the more important underlying trend.
- Studying the PPI allows consideration of inflationary pressures that may be accumulating or receding, but have not yet filtered through to the finished goods prices.
- A rising PPI is normally expected to lead to higher consumer price inflation and thereby to potentially higher short-term interest rates. Higher rates will often have a short term positive impact on a currency, although significant inflationary pressure will often lead to an undermining of the confidence in the currency involved.

- **Payroll Employment**

- Payroll employment is a measure of the number of people being paid as employees by non-farm business establishments and units of government. Monthly changes in payroll employment reflect the net number of new jobs created or lost during the month and changes are widely followed as an important indicator of economic activity.

Payroll employment is one of the primary monthly indicators of aggregate economic activity because it encompasses every major sector of the economy. It is also useful to examine trends in job creation in several industry categories because the aggregate data can mask significant deviations in underlying industry trends.

- Large increases in payroll employment are seen as signs of strong economic activity that could eventually lead to higher interest rates that are supportive of the currency at least in the short term. If, however, inflationary pressures are seen as building, this may undermine the longer term confidence in the currency.

# Forex Economic Jargon

## ■ Durable Goods Orders

- Durable Goods Orders are a measure of the new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods. Monthly percent changes reflect the rate of change of such orders.
- Levels of, and changes in, durable goods order are widely followed as an indicator of factory sector momentum.

Durable Goods Orders are a major indicator of manufacturing sector trends because most industrial production is done to order. Often, the indicator is followed but excludes Defence and Transportation orders because these are generally much more volatile than the rest of the orders and can obscure the more important underlying trend.

- Durable Goods Orders are measured in nominal terms and therefore include the effects of inflation. Therefore the Durable Goods Orders should be compared to the trend growth rate in PPI to arrive at the real, inflation-adjusted Durable Goods Orders.
- Rising Durable Goods Orders are normally associated with stronger economic activity and can therefore lead to higher short-term interest rates that are often supportive to a currency at least in the short term.

## ■ Retail Sales

- Retail Sales are a measure of the total receipts of retail stores. Monthly percentage changes reflect the rate of change of such sales and are widely followed as an indicator of consumer spending.
- Retail Sales are a major indicator of consumer spending because they account for nearly one-half of total consumer spending and approximately one-third of aggregate economic activity.
- Often, Retail Sales are followed less auto sales because these are generally much more volatile than the rest of the Retail Sales and can therefore obscure the more important underlying trend.
- Retail Sales are measured in nominal terms and therefore include the effects of inflation. Rising Retail Sales are often associated with a strong economy and therefore an expectation of higher short-term interest rates that are often supportive to a currency at least in the short term.

## ■ Housing Starts

- Housing Starts are a measure of the number of residential units on which construction is begun each month and the level of housing starts is widely followed as an indicator of residential construction activity.
- The indicator is followed to assess the commitment of builders to new construction activity. High construction activity is usually associated with increased economic activity and confidence, and is therefore considered a harbinger of higher short-term interest rates that can be supportive of the involved currency at least in the short term.



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Introduction to Professional Trading

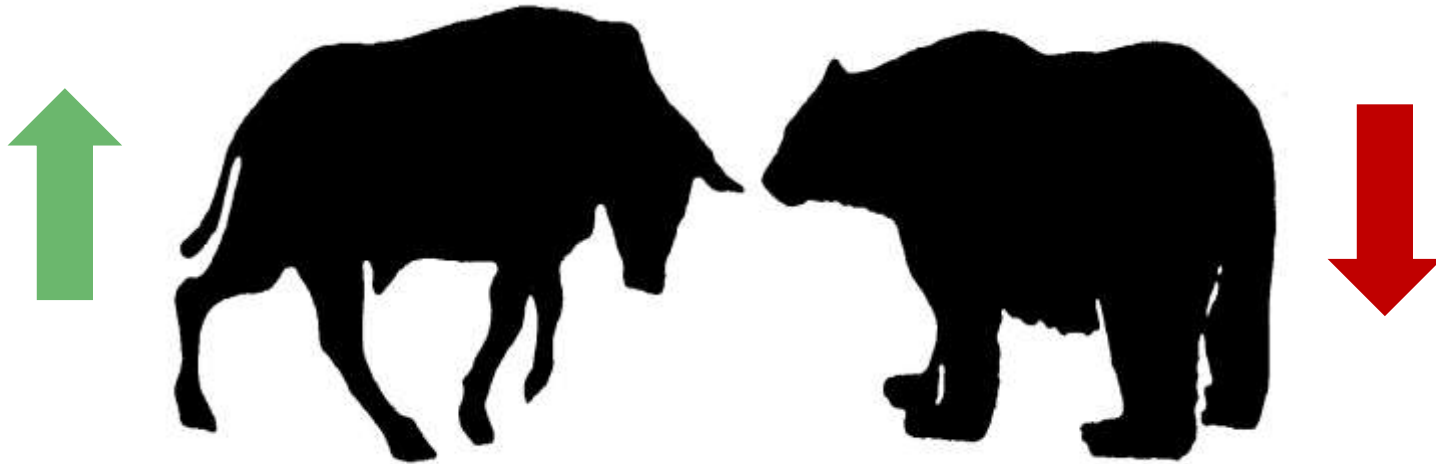
# Professional Speculation



# The Concept of Trading

- Professional Forex Trading is the art of using short term price movements in interbank Foreign exchange to make profit.
- Using Price Charts, our focus is to trade with an “EDGE” to successfully trade price movement from point x to point y.
- We must predict price direction correctly, execute a trade entry, then manage the position between our predetermined stop loss level and desired take profit level.
- Our winning edge is found using Technical Analysis
- IE: Finding Price action signals, Working with short term market trends and identifying key support / resistance. These tools are combined to create our winning edge.

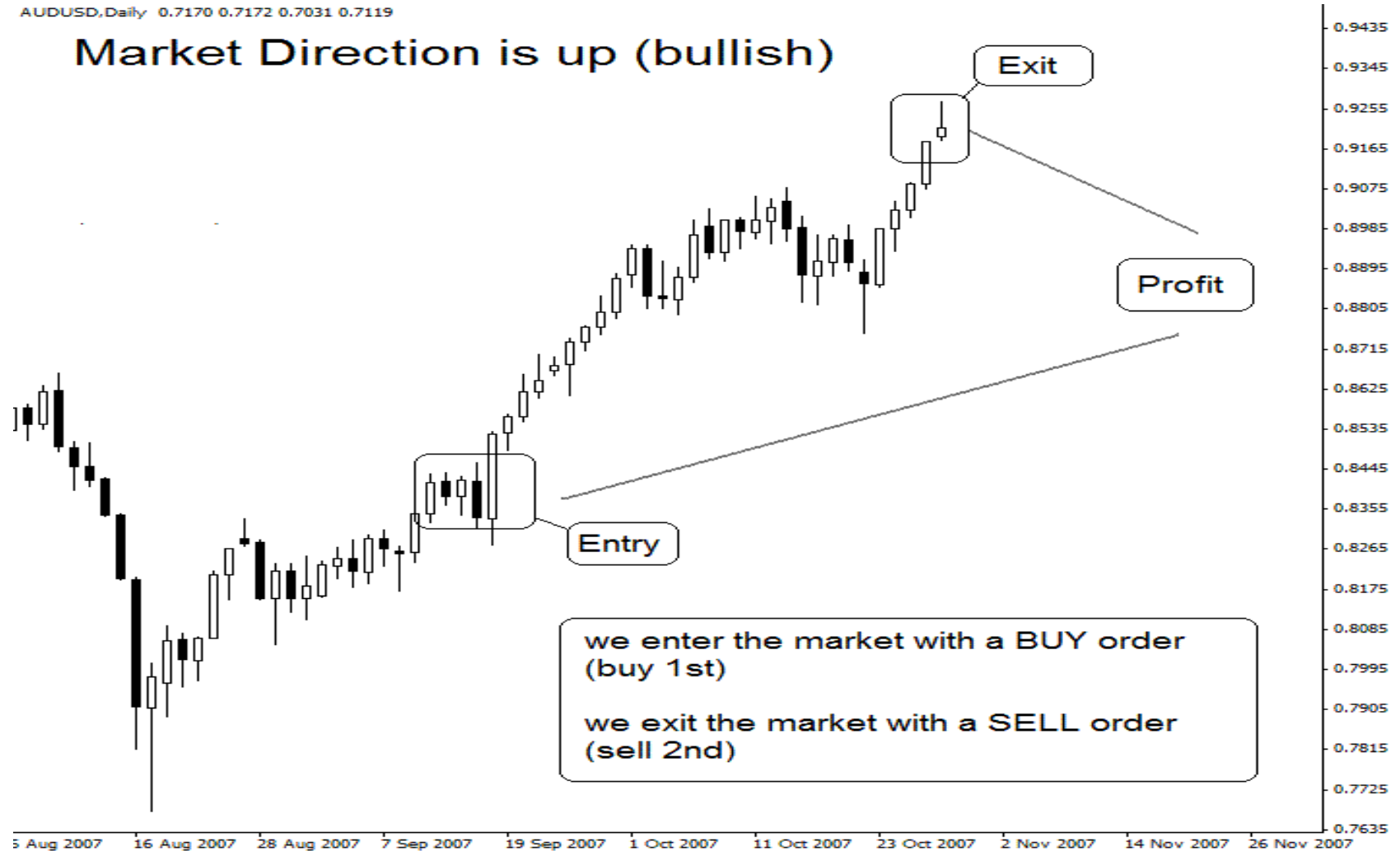
# The Bull and the Bear



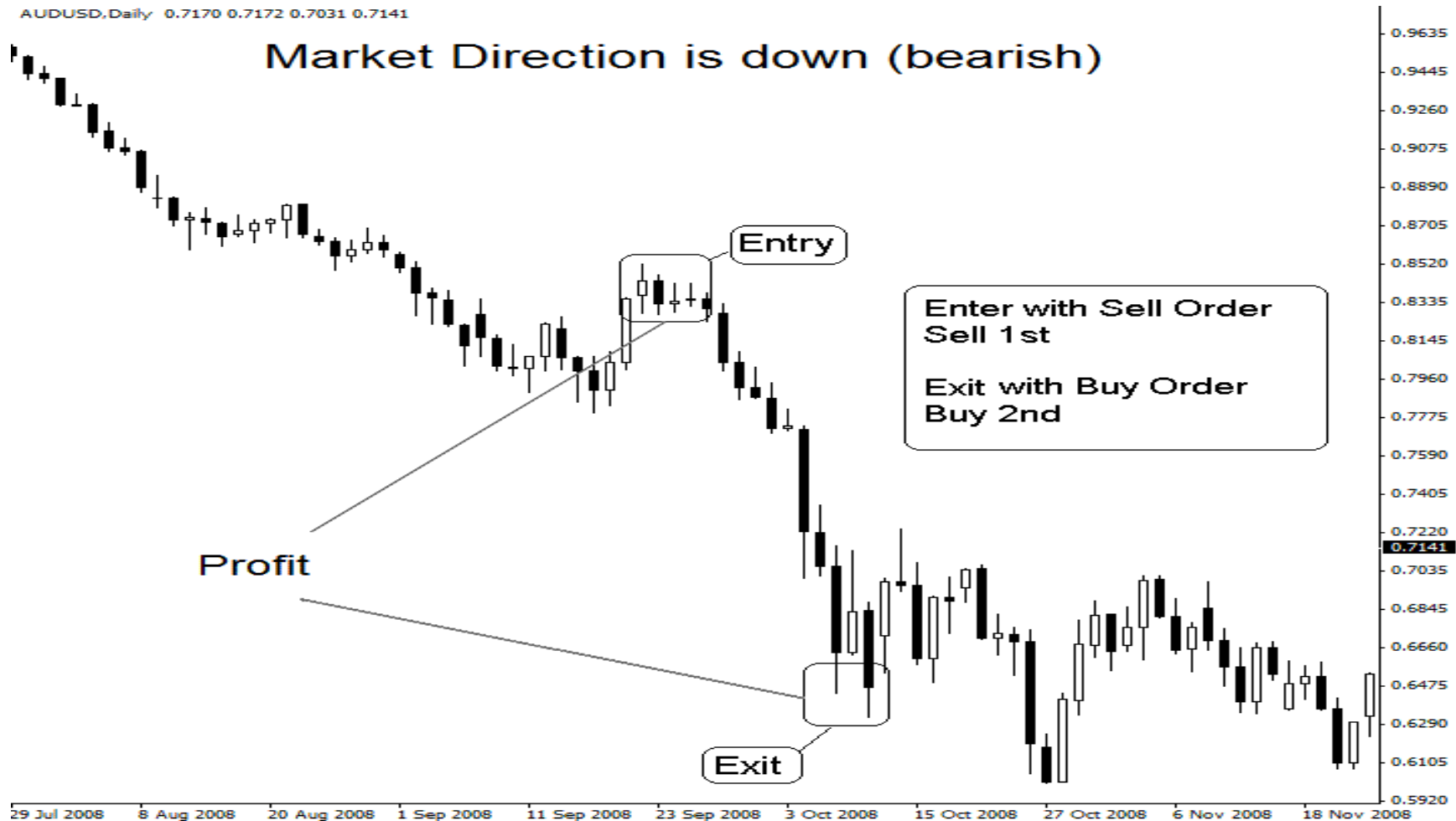
# Bullish

AUDUSD, Daily 0.7170 0.7172 0.7031 0.7119

Market Direction is up (bullish)



# Bearish



# Develop A winning Edge

- Traders should use entry methods which have a robust edge, even if the winning edge is small, we favour entering a trade using a repeatable and tested method as opposed to randomly chasing prices.
- A robust edge is a proven market event, it's repetitive price event in the market which acts as a "signal" create an order in the market.
- Risk Reward is Crucial
- Traders often fail in the forex market when they trade with emotion, riding the highs and lows, similar to that of a black jack player in a casino.
- They can't follow rules, set goals and certainly have no consistent trading method. We must do the opposite to the masses of traders in order to win.

# What is the most important part of trading?

- **Risk Reward:**
- Risk reward is the most important aspect of trading. It is the mathematical equation which tells us how much we stand to risk and how much we stand to lose on any single trade.
- If I was to risk 50 cents to make \$2 , my risk vs. reward would be 4 !
- As traders, we can control our risk reward on every trade. A high reward for our risk is an obvious goal of every trader.

# Risk Reward in Trading

- Every trade setup carries a unique degree of risk verse reward . The cliché – “make your winners larger than your losses” is the most obvious road to wealth in trading
- Often, traders lose focus, and they forget what each trade can realistically offer them in terms of profit. Markets do not move in straight lines, yet traders hold on to winners way too long expecting some giant winner, and soon .. They see these profits evaporate.
- You must lose all greedy emotions and stick to your rules! Most basic trading setups aim to deliver aprox 3 to 4 times what you risk, and we should be happy to take that kind of profit. This equation means we can win 1 in ever 3 or 4 trades and still make decent profits over a large sample of trades.
- When forex trading, we are effectively running a company. Trading Losses are the cost of business, wins are our revenue.

# What is Risk Reward?

NZDUSD -4 hour chart

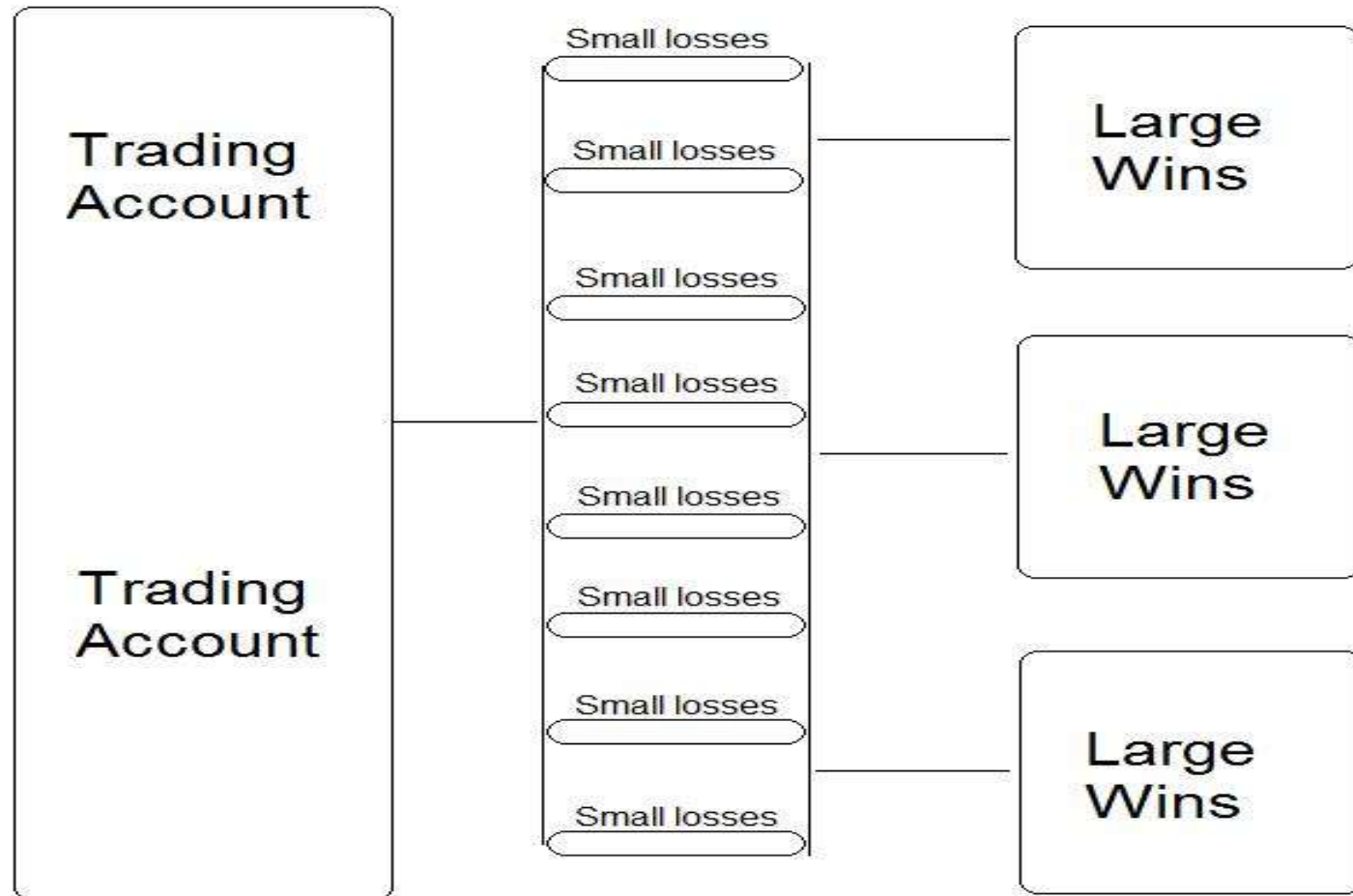




# Understanding Risk Reward

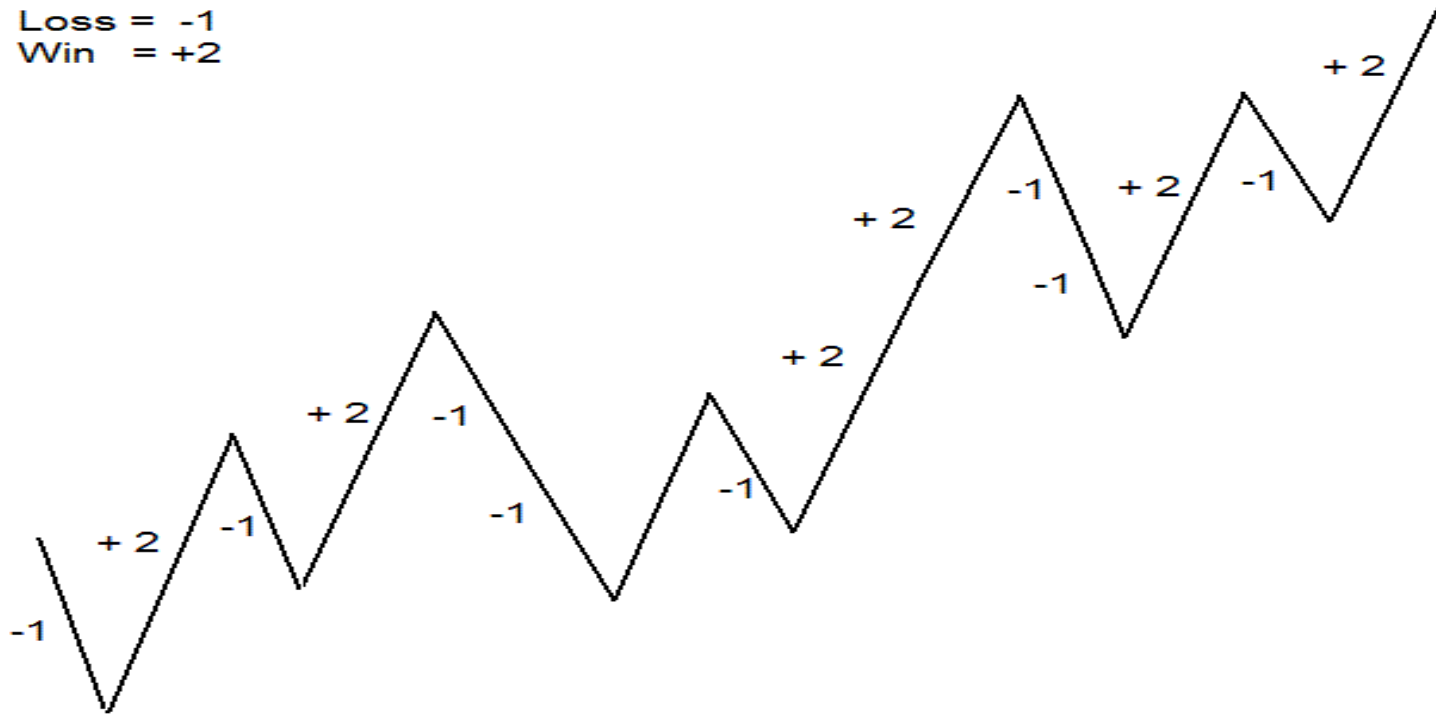
Win Edge % per 10 trades	<b>Risk vs. Return Required</b>	Risk per trade	wins	losses	Total profit Goal
75%	1 time risk	\$1000	7	3	\$4000
50%	2 times risk	\$1000	5	5	\$5000
25 %	4 times risk	\$1000	3	7	\$5000

# Small losses, large wins



# Equity Curve

Winners must be larger than losses to build a positive equity curve over time



# Mental Habits of winners

- The number one winning attribute of all traders is **patience**.
- Wait for your desired trading setup, don't ever enter just to be in a trade. Great traders often speak of being "neutral" or not in a position, as the most profitable trade setup there is.
- Once a perfect setup is identified, a winning trader will act on it with discipline.
- Trade the setup you see, believe what the market is telling you.
- Never panic or become anxious in the face of missed trading opportunities. Remember the market will be open again tomorrow, and never fall into the trap of getting on every single move.
- Try to be a short term trend follower as often as possible, don't be the hero who picks every top and bottom. Of course, there will be exceptions, but when starting, try to be a trend follower.
- If you miss a setup, don't chase prices, most of the time there will be a second opportunity to re enter.
- A good trader will only take trades that meet strict criteria in his trading Plan.



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Charting and Technical Analysis Explained

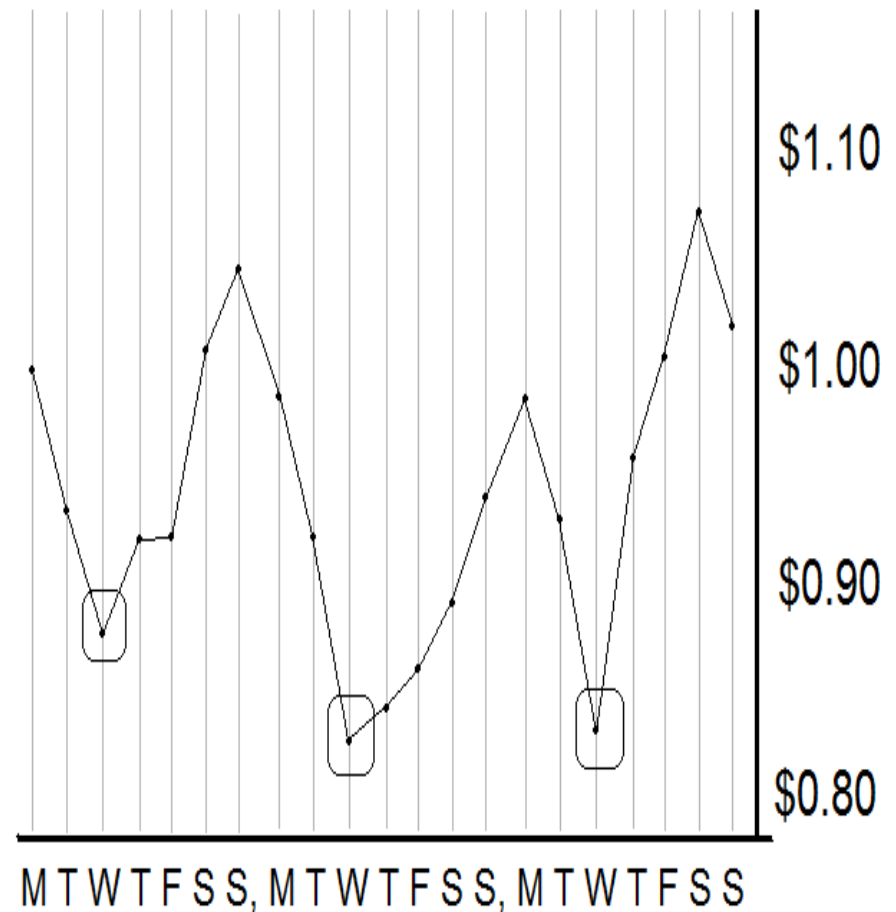
# Technical Analysis

# What is Technical Analysis

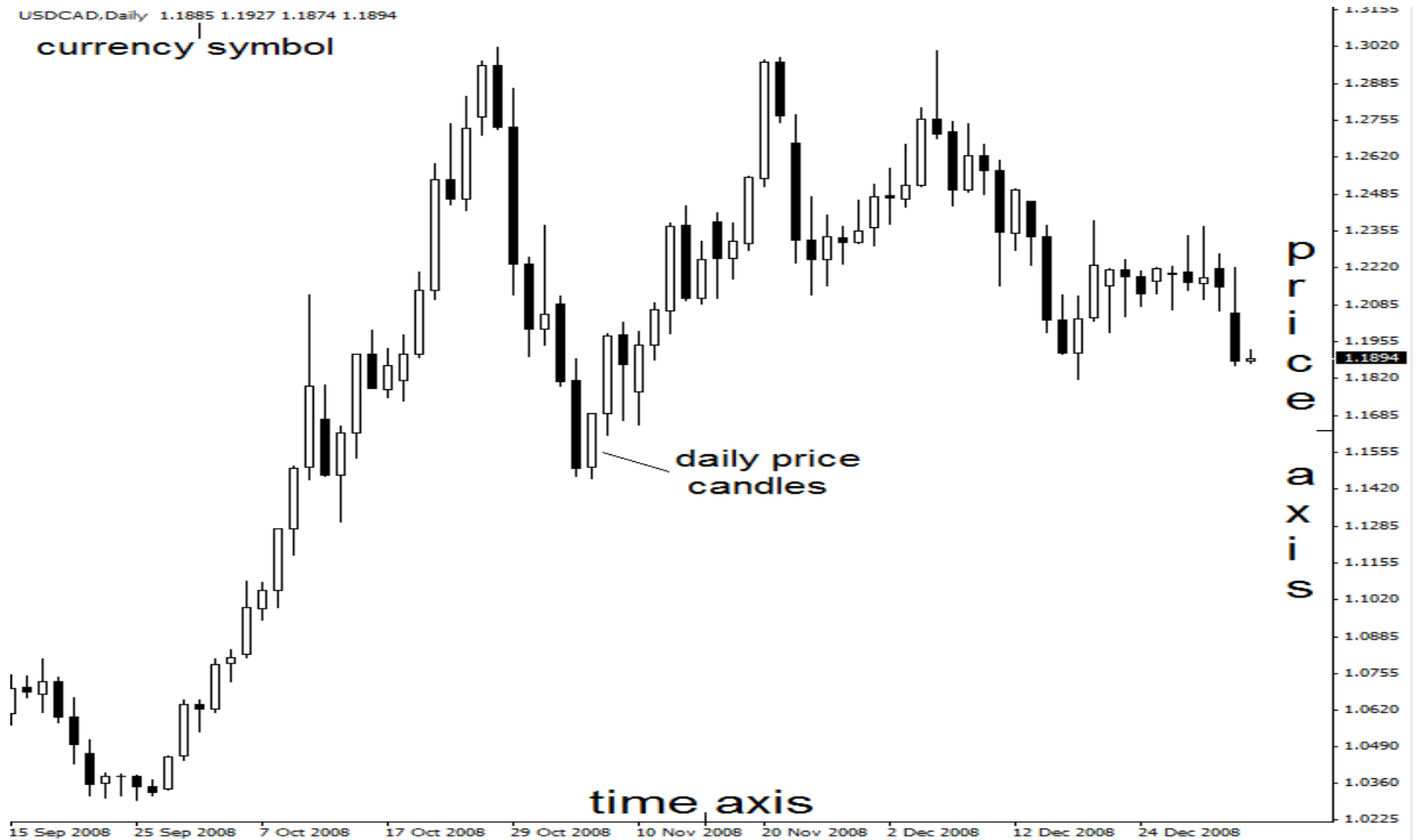
- Technical analysis or “T.A.” is the study of historical price action represented on a chart. It is the examination of past price movements to anticipate future price movements.
- This method of market analysis is used to study short term and long term price graphs. We can apply technical analysis to all financial markets.
- As forex traders, we are 95% focussed on technical analysis to generate trading signals

# A Way To Think About "T.A"

- Lets use the price of fuel as an example. We want to graph the price of petrol price over a 3 week period.
- Time is plotted on the bottom price axis and the day to day price is plotted on the right hand side axis.
- We can see clearly that the chart shows Wednesday is the cheapest day to buy fuel.
- We might assume, Wednesday is therefore the best time to buy, or Wednesday is 'support'.



# Typical Currency Chart





# The Study Of Price Action

- Price action is the single most important thing traders need concern themselves with on a day to day basis. It is the all encompassing key to all aspects of profitable trading.
- Price action takes into account every aspect of what is happening in the market and around the world at any precise moment.
- Price Action will define the key market levels are, and will provides price patterns and signals to trade from.
- A naked , raw candlestick chart like the one shown to the right, should be the most used tool in every traders toolbox



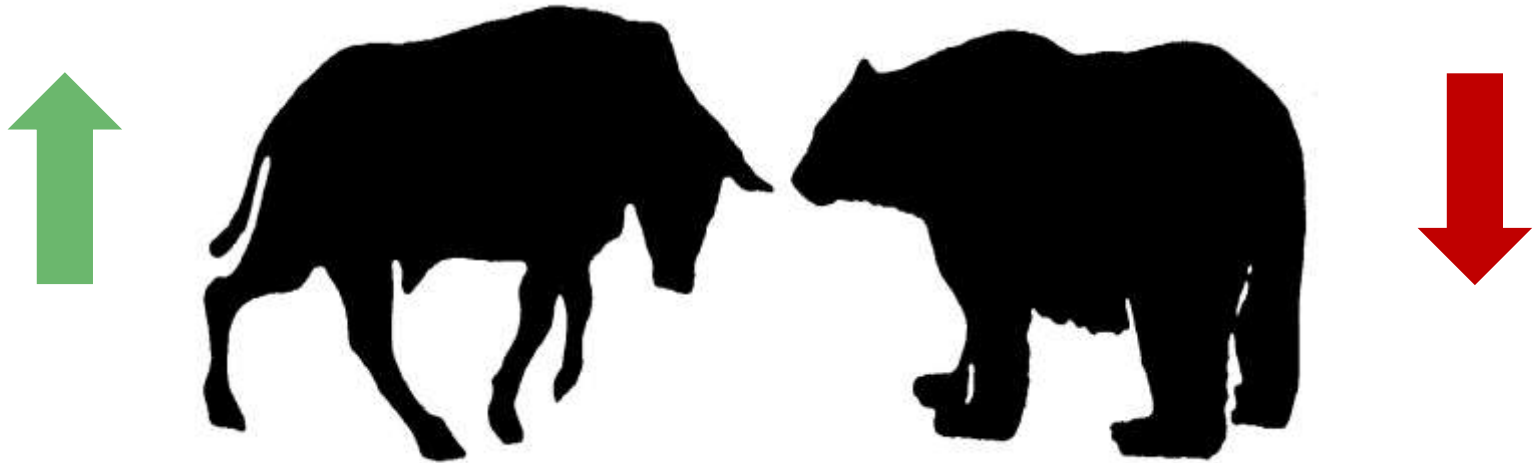
# What is Support and Resistance

- **A support level** is the level of price which buyers are expected to enter the market in sufficient numbers to take control from the sellers.
- **A Resistance level** is the level of price which sellers are expected to enter the market in sufficient numbers to take control from the buyers
- These horizontal levels are important because they provide clues to where the market MAY react in the future.
- **Price can either break through or hold a horizontal chart level.**

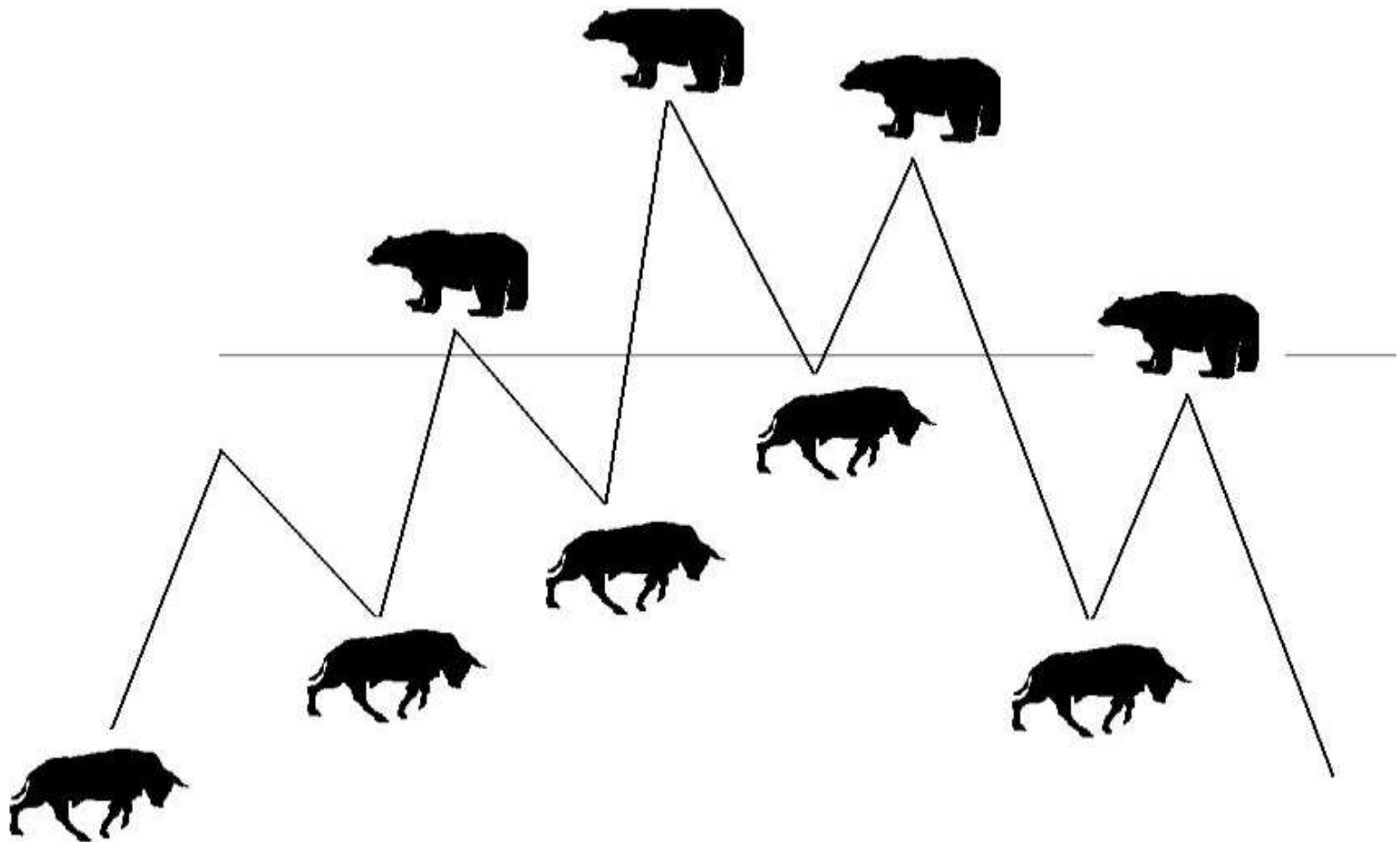
# Support and Resistance rules

- I rarely use support and resistance to enter a trade unless I have price action confirmation at or near the level. If there is a strong trend and I am selling a retracement, I may use support and resistance for a low risk entry.
- Once broken, swing points act as containment (support or resistance) in the direction of the trend. That means basically that where there was old supply, there will be new demand, and where there was old demand, there will be new supply. This is an ever-changing trait of markets, and basically drives all trends.
- Static support and resistance on longer term price horizon is more relevant to trade from. So when doing study, look at time frames above 240 minute chart for intraday traders, with daily and weekly being ideal for end of day traders)
- Support and Resistance rotate over and over, meaning, old support becomes new resistance, and old resistance becomes new support. The smaller the time frame the less accurate and more often it changes.
- We don't always trade from support and resistance, we may use the level to place a stop loss. E.g., if we enter a trend trade to the long side (bought) at a moving average, we might place our stop under support. (the opposite is also true).
- Support and resistance work best in trending markets and can be seen working on both short and long term time horizon..
- There are often 'false breaks' of Support and resistance, which we can use to trade. (more on this later)
- Price action usually gets us into most trades , so don't be too concerned about becoming an expert at identifying swing points and support and resistance. You just need to be aware of the levels and patterns that form near them. Learn to plot them on the chart, always.
- It is not hard to realize by simply glancing at a chart, that horizontal levels in the market guide everything.

# Remember The bull and the Bear?

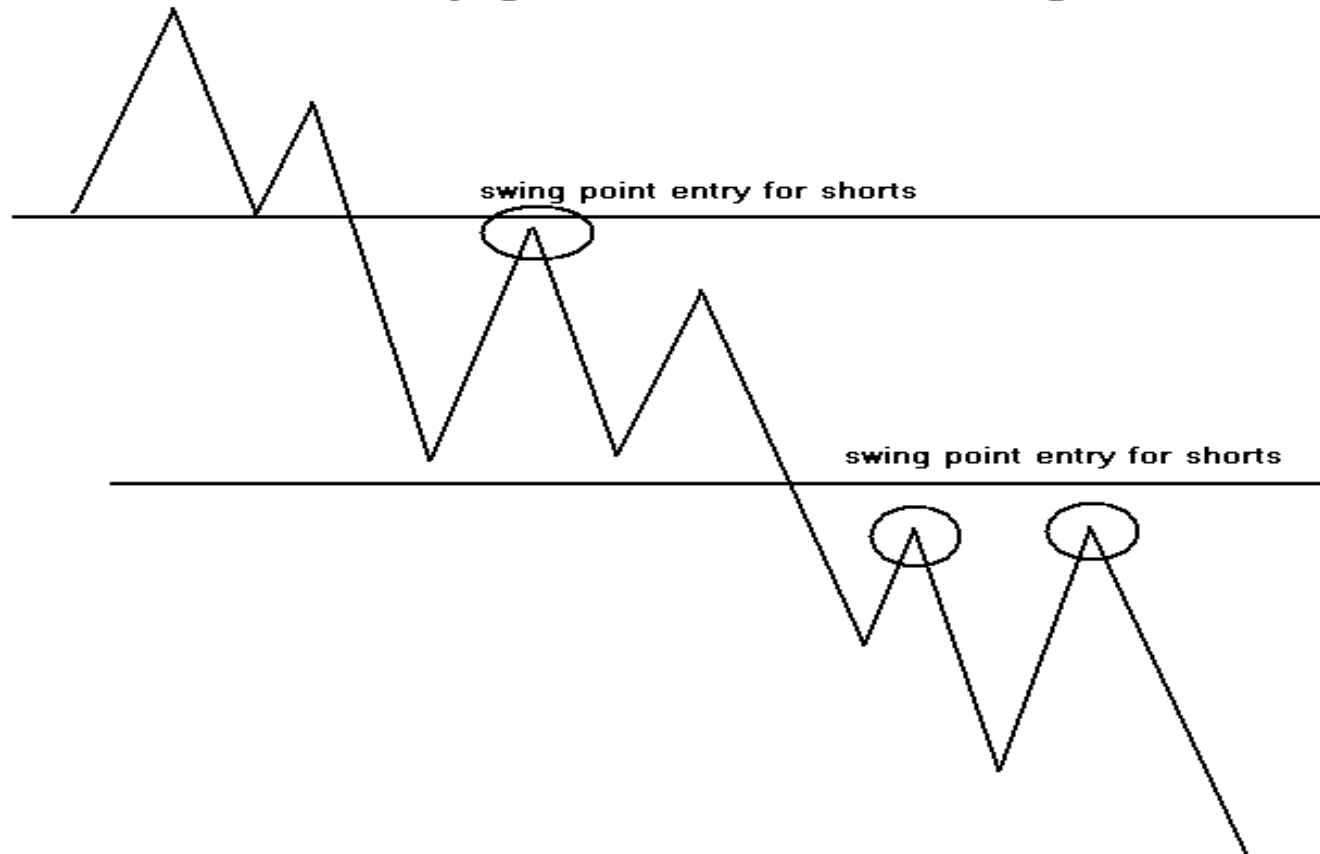


# Bulls Strike Up, Bears Claws Down

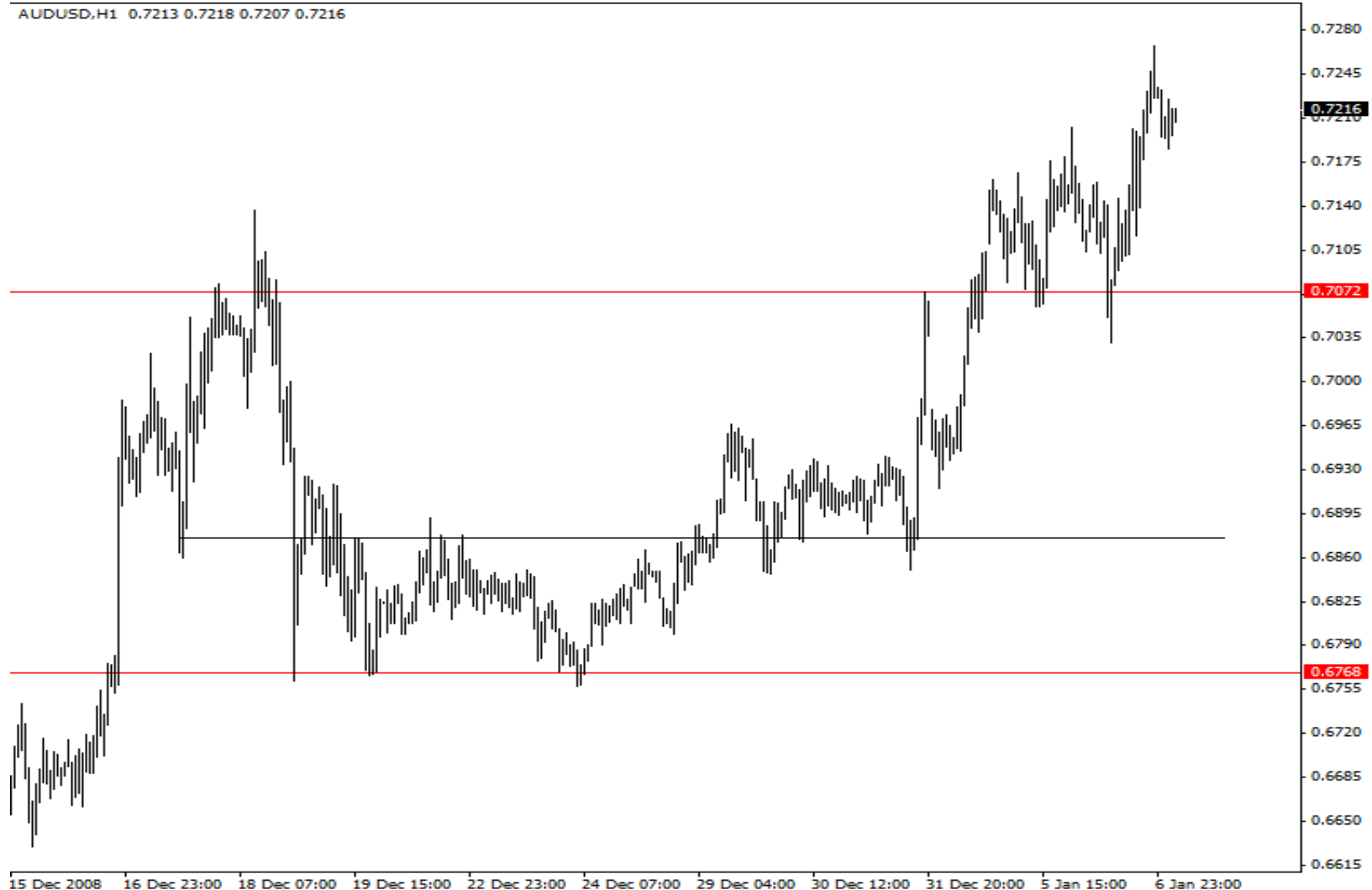


# The horizontal line

This is the most simple trading method of all, using Horizontal swing points. If we combine price action, we almost have the holy grail of trend following methods



# Defining Support and Resistance



# Think of Trading as a Game

- The bulls Team are attacking up the chart, while the bears are defending and push them back down the chart. The area where bears are defending are "resistance levels" (try line)
- When the Bulls cross the "resistance line" (score a try), they then pull back and try to score again.
- The Bears team are attacking down the chart, while the bulls are trying to defend and push them back up the chart. The area where the bears step in to defend are "support levels" (try line).
- When the bears cross the "support line" (score a try), they then pull back and try to score again.



# Swing Points

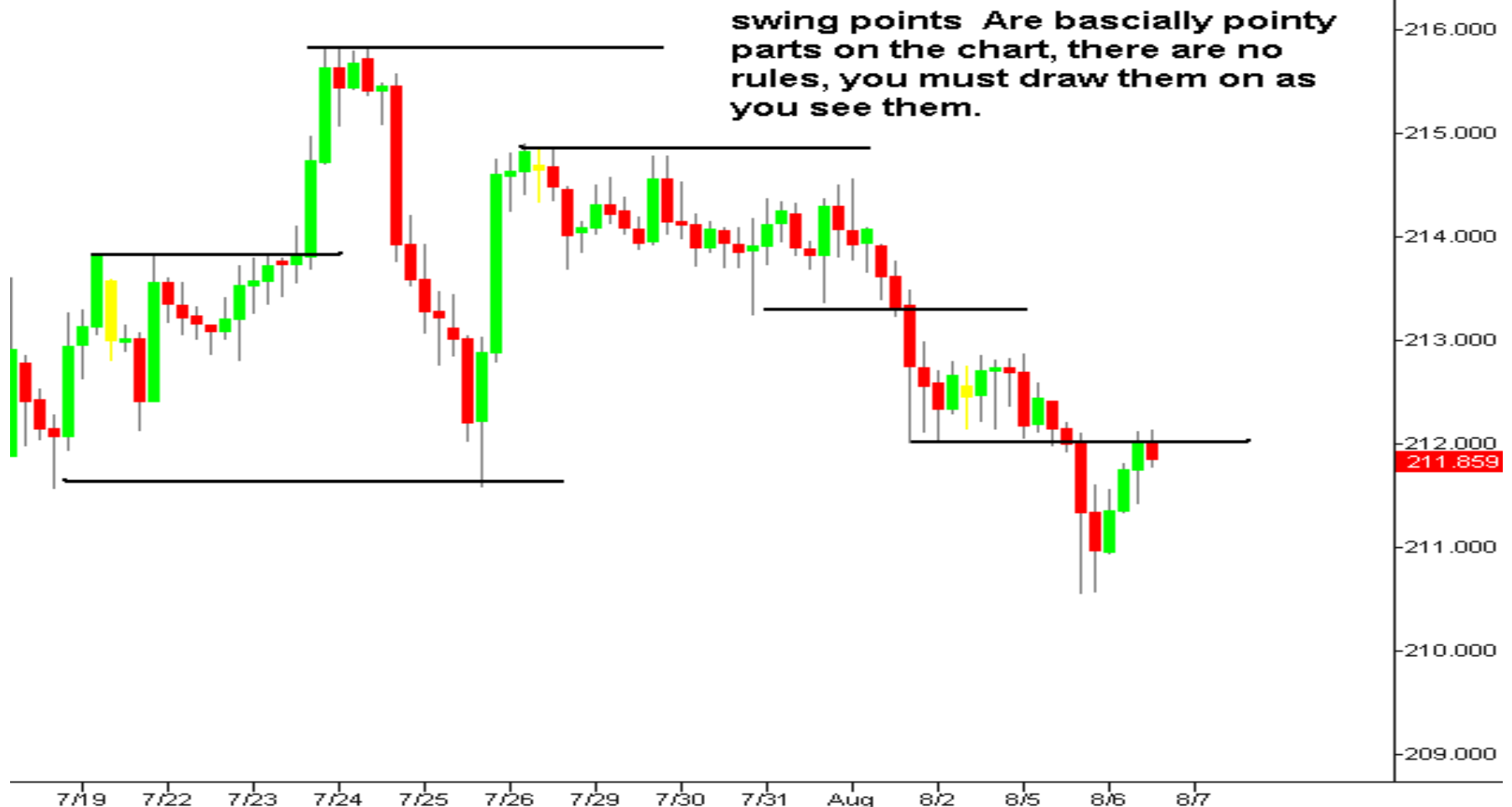
- The 'Pointy bits' after each wave in the market are known as swing points.
- When a market makes higher lows and higher highs it is up trending, and when it makes lower highs and lower lows it is down trending.
- Old support becomes new resistance, old resistance becomes new support
- Draw horizontal lines through relevant levels



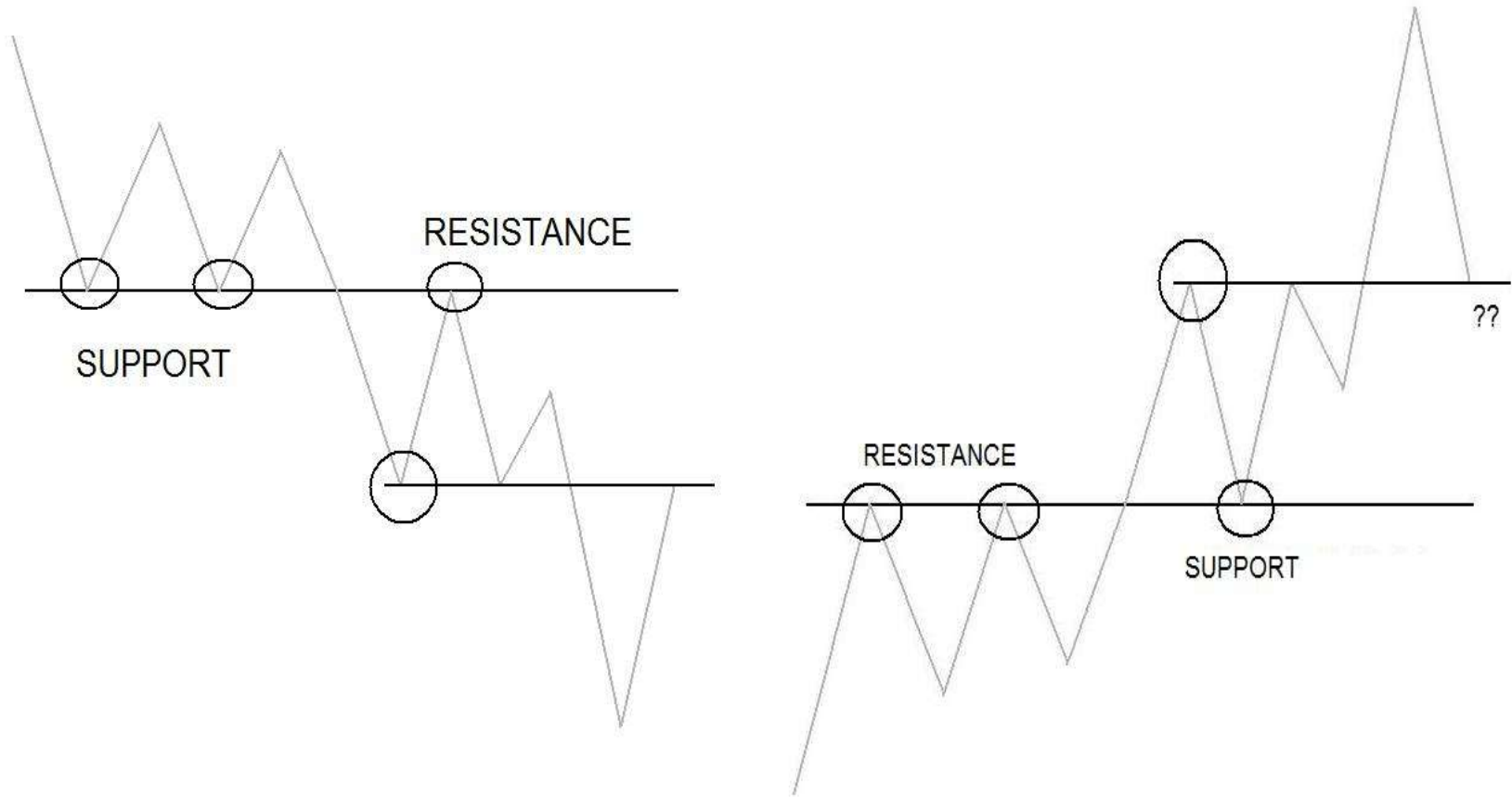
# Swing Points 2

GBPJPY - 240 min FOREX L=211.859 0.098 0.05%

U=211.755



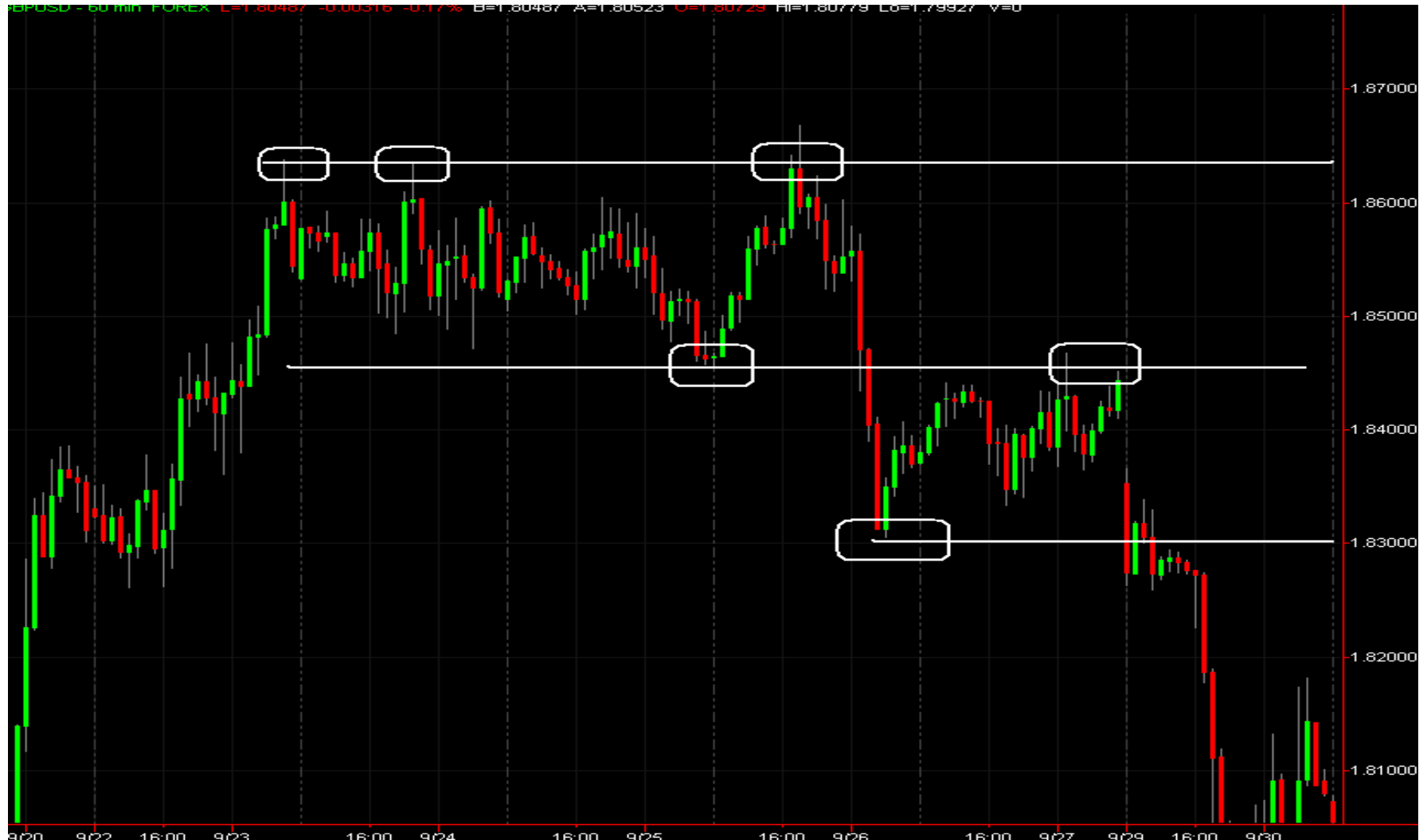
# Marking the swing points



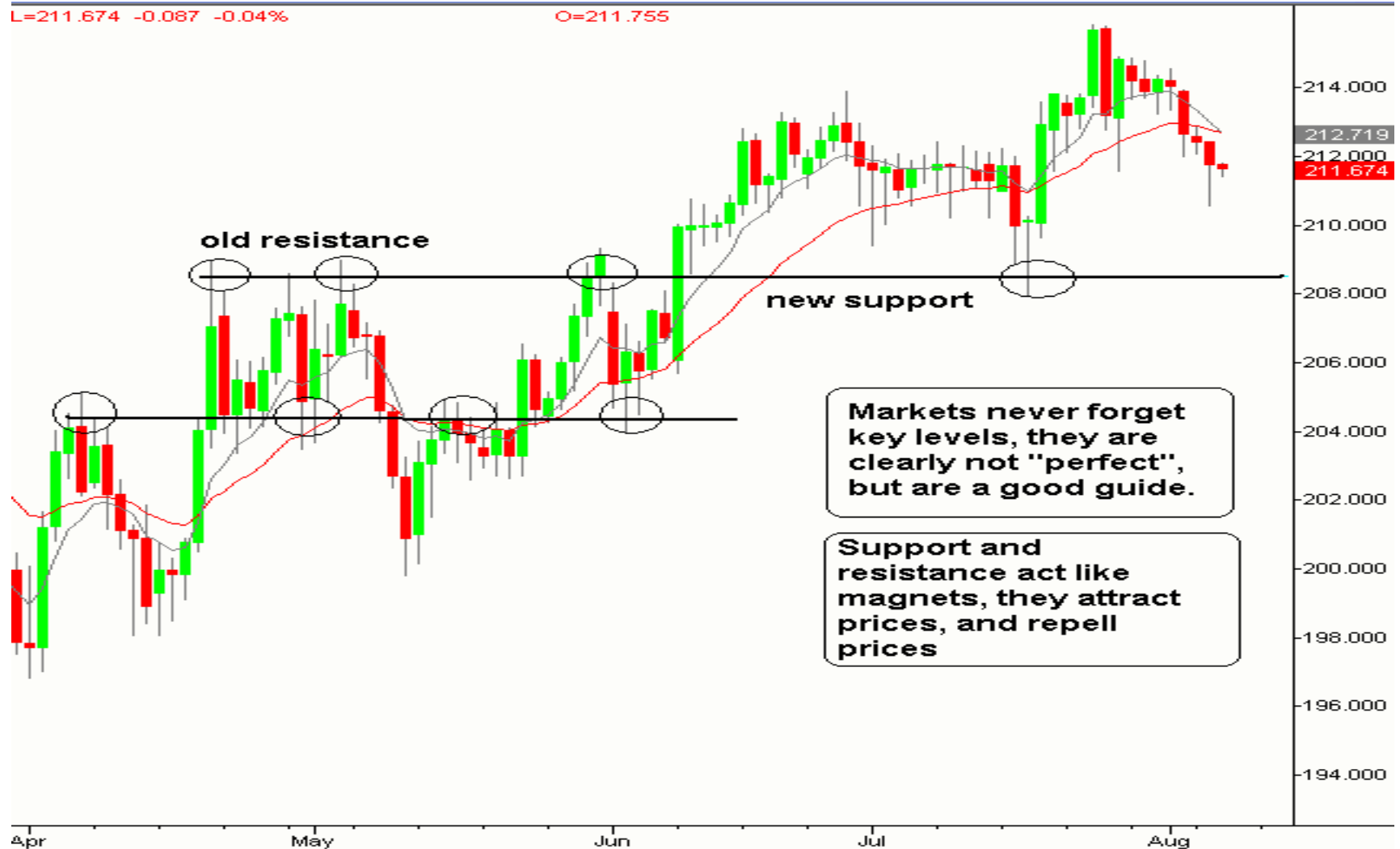
# Mark swing points and S and R



# Support and resistance intraday



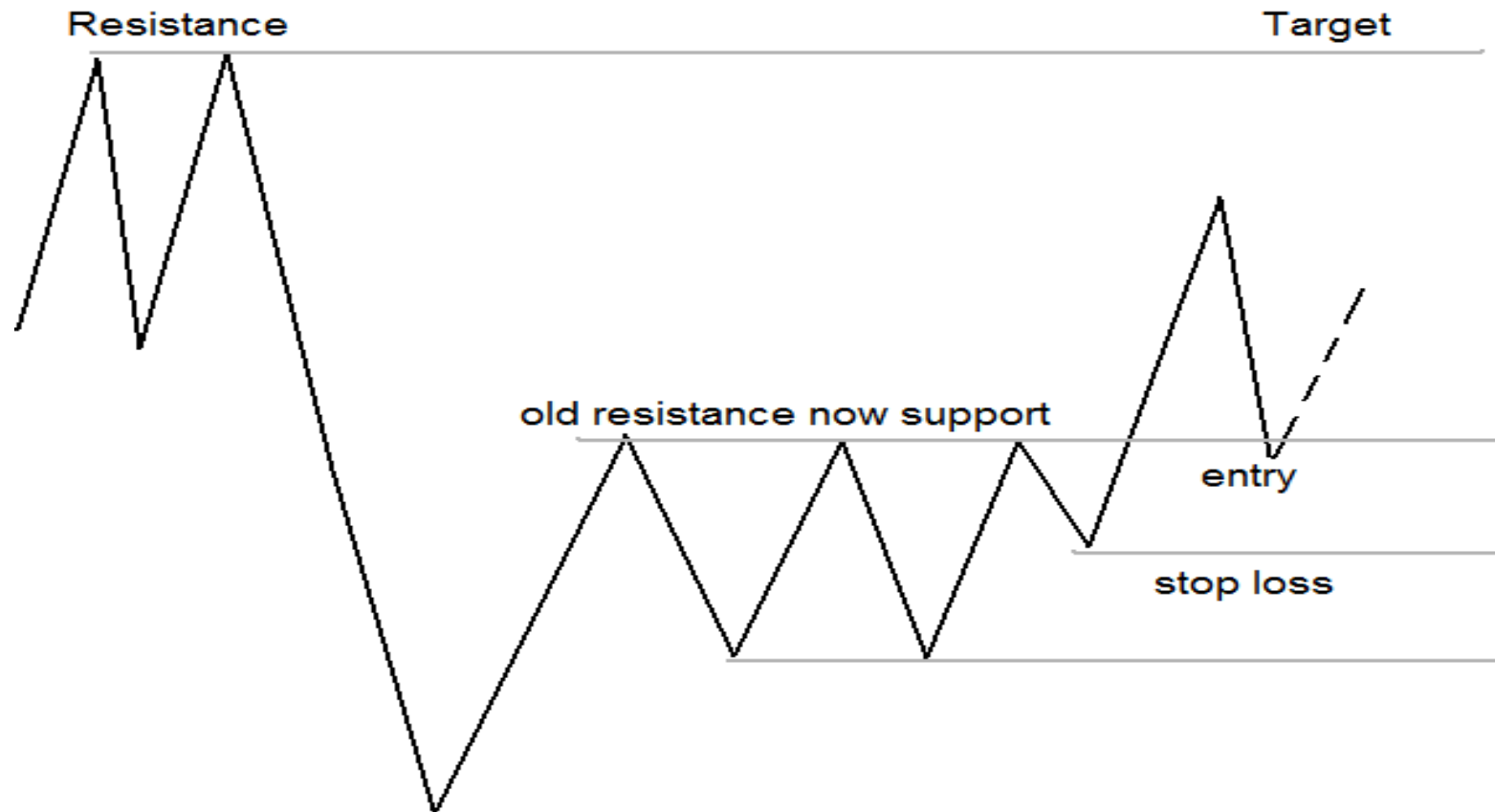
# Trend support and resistance (basic stuff)



# Using support and resistance

- Correctly identified and used Support and Resistance will help us know where..
- To enter trades with High probability.
- To place protective stop loss
- To Place limit order to take profit (target areas)
- To expect a change in market conditions or trend.







LEARN TO TRADE THE MARKET

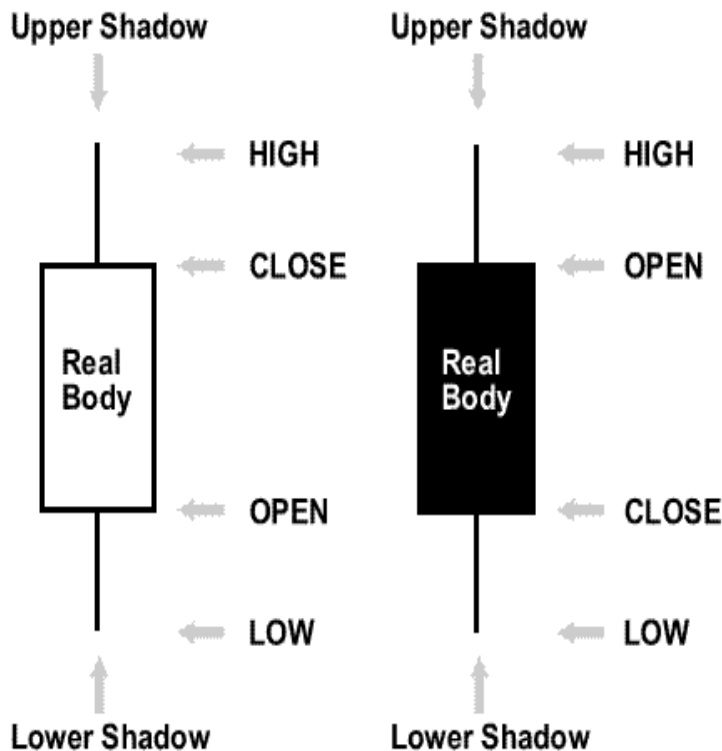
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Candlesticks Explained

# Japanese Candlestick Charts

# What is a Candlestick?

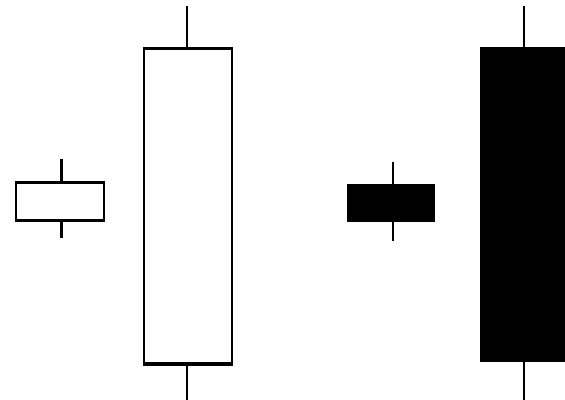


- Candlesticks are formed using the open, high, low and close of the chart timeframe we are using.
- If the close is above the open, then a hollow candlestick (usually displayed as white or green) is drawn.
- If the close is below the open, then a filled candlestick (usually displayed as black or red) is drawn.
- The hollow or filled section of the candlestick is called the "real body" or body.
- The thin lines poking above and below the body display the high/low range and are called shadows.
- The top of the upper shadow is the "high".
- The bottom of the lower shadow is the "low".

# Long and Short Candles

- Long bodies indicate strong buying or selling. The longer the body is, the more intense the buying or selling pressure.
- Short bodies imply very little buying or selling activity.
- Long white (green) candlesticks show strong buying pressure. The longer the white candlestick, the further the close is above the open. This indicates that prices increased considerably from open to close and buyers were aggressive. In other words, the bulls are kicking the bears' butts big time!
- Long black (filled) candlesticks show strong selling pressure. The longer the black candlestick, the further the close is below the open. This indicates that prices fell a great deal from the open and sellers were aggressive. In other words, the bears were grabbing the bulls by their horns and body slamming them.

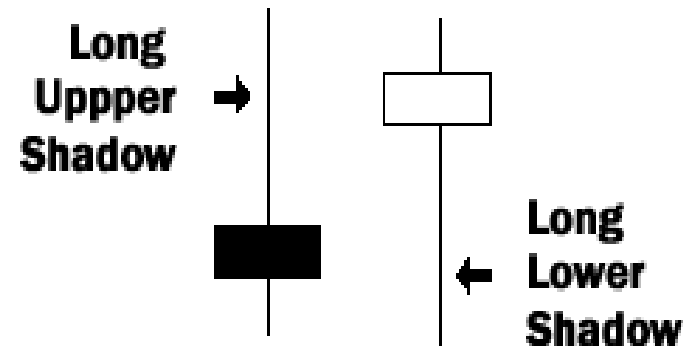
## Long vs. Short



# Shadows

- The upper and lower shadows on candlesticks provide important clues about the trading session.
- Upper shadows signify the session high. Lower shadows signify the session low.
- Candlesticks with long shadows show that trading action occurred well past the open and close.
- Candlesticks with short shadows indicate that most of the trading action was confined near the open and close.
- If a candlestick has a *long upper shadow and short lower shadow*, this means that buyers flexed their muscles and bid prices higher, but for one reason or another, sellers came in and drove prices back down to end the session back near its open price.
- If a candlestick has a *long lower shadow and short upper shadow*, this means that sellers flashed their washboard abs and forced price lower, but for one reason or another, buyers came in and drove prices back up to end the session back near its open price.

## Long Shadows



# Ready To Move To Advanced Course

I trust you learned from this introduction material, you should recap this introduction course if you are having trouble understanding any content in the advanced course. It will act as a refresher.

I trust you will Enjoy the Advanced material a great deal more. It's where most of the Meat is.

**You Can Contact Nial Fuller with Questions on Course Content at the Following Email**

[MaverickTrading@bigpond.com](mailto:MaverickTrading@bigpond.com)

Or Use the Contact US section of the Website.

