TRADING FOUNDRY

COURSE PLAYBOOK · BEGINNER · 12 LESSONS

Forex From *Zero.*

Everything a new trader needs before risking a penny — explained plainly, drawn clearly, with the maths done in the open.



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What you will be able to do

- Explain what a currency pair quote means and what happens to your account when it moves
- Convert any price move into pips, and any pip move into money for a given lot size
- Work out the real cost of a trade — spread, commission, swap and slippage — before you place it
- Use leverage and margin without letting them decide your risk for you
- Read a candlestick chart, choose sensible timeframes and tell a trend from a range
- Mark support and resistance zones and use the right order type to act on them
- Size any position so a losing trade costs a fixed, chosen percentage of your account
- Write and follow a one-page beginner trading plan, with a pre-trade checklist

This playbook is educational content only. It is not financial advice and nothing in it is a recommendation to buy or sell any instrument. Every chart is an illustrative training example built from synthetic price data — not a record of real market history or results. Trading foreign exchange on margin carries a high level of risk.

What Forex Is, and Who Is on the Other Side of Your Trade.

MODULE 1 — HOW THE MARKET WORKS · LESSON 1

Explain in plain English what the foreign exchange market is, why currency prices move, who trades it, and where a retail trader actually fits.

Every time someone changes pounds into euros for a holiday, a business in Leeds pays an invoice in dollars, or a pension fund in Tokyo buys American bonds, a currency is sold and another is bought. Add up every one of those exchanges across the world and you get the foreign exchange market — forex, or FX. It is the largest financial market on earth by a wide margin, trading several trillion dollars' worth of currency every day.

That size is the first thing beginners hear, usually followed by something about opportunity. We would rather start somewhere more useful: what you are actually doing when you "trade forex", who you are doing it with, and why the price moves at all. Get these three things straight and the rest of this course — pips, lots, leverage, charts, risk — will slot into place instead of floating around as jargon.

This course is free and every lesson is unlocked. It is also, deliberately, not a strategy course. It is the foundation every strategy sits on. Traders who skip it tend to pay for it later, in money rather than time.

Trading forex means trading one currency against another

You cannot buy "the dollar" on its own in the forex market. A currency only has a price in terms of another currency. So everything in forex is quoted as a **pair**: EUR/USD, GBP/USD, USD/JPY and so on.

The quote EUR/USD 1.0850 means one euro costs 1.0850 US dollars. If that number rises to 1.0950, a euro now buys more dollars than it did — the euro has **strengthened** against the dollar, or, saying the same thing the other way round, the dollar has weakened against the euro. If it falls to 1.0750, the euro has weakened.

That is all a forex chart shows: the changing exchange rate between two currencies. When you trade it, you are taking a view on which of the two will strengthen relative to the other.



When the EUR/USD line rises, each euro buys more US dollars. A move from 1.0800 to 1.0950 means the euro has strengthened against the dollar — and, viewed from the other side, the dollar has weakened against the euro. Every forex chart is a tug of war between two currencies.

Here is the part that trips people up. The same economic story can make one chart go up and another go down, depending on which currency is written first.



On USD/JPY the dollar is written first, so a falling chart means each dollar buys fewer yen: the yen is strengthening. If the dollar weakened across the board, EUR/USD would rise and USD/JPY would fall — the same story, drawn in opposite directions. Always ask which currency is first.

KEY POINT

A forex price is an exchange rate. A rising chart means the first currency is strengthening against the second; a falling chart means it is weakening.

Why exchange rates move

Currencies are priced by supply and demand like anything else. Demand for a currency rises when people need more of it: to buy that country's goods, invest in its companies, or hold its bonds. Some of the biggest, most persistent drivers are:

- **Interest rates.** Money tends to flow towards currencies that pay a higher return for holding them. When a central bank such as the Bank of England, the European Central Bank or the US Federal Reserve raises or cuts rates — or even hints that it might — its currency often moves sharply.
- **Economic data.** Employment, inflation and growth figures change expectations about future interest rates, so they move currencies too. The monthly US jobs report is a famous example.
- **Trade and capital flows.** A country that exports heavily, or attracts lots of foreign investment, sees steady demand for its currency.
- **Risk appetite.** In nervous markets, money often moves towards currencies seen as safe places to park it; in confident markets, it flows back out.

You do not need to forecast any of this to trade, and this course does not ask you to. But you do need to know that these events exist, because they are the moments when prices jump, costs widen and beginners get hurt. We will mark them on charts throughout the course.



A training illustration of a central bank decision that surprises the market. For hours beforehand, GBP/USD drifts in a tight band while traders wait. When the news lands, a single hourly candle moves more than 50 pips as everyone reprices the pound at once. These events are why prices move — and why beginners should treat them with great caution.

Who trades forex

There is no single forex exchange with a trading floor. Forex is an **over-the-counter** market: a global network of banks, brokers and electronic platforms dealing with each other directly. Roughly, the participants look like this.

Banks and dealers. The big international banks quote prices to each other and to their clients all day, and they handle the bulk of the volume. They are not, mostly, betting on direction. They make money from the gap between the price they buy at and the price they sell at, and from serving clients.

Businesses. Companies that buy or sell abroad convert currencies to pay bills and bring home revenue. Many also **hedge** — lock in exchange rates in advance — so that a currency move does not wreck their profit margins. Their trades are driven by business needs, not by charts.

Investment funds. Pension funds, asset managers and hedge funds move money between countries to buy shares and bonds, and some trade currencies directly as an investment. Their positions can be very large and held for months.

Central banks. They set interest rates and occasionally buy or sell their own currency directly. They are not trying to make a trading profit; they are trying to run an economy.

Retail traders. That is you. Individuals trading through an online broker, usually with small accounts relative to everyone above. Retail traders are a small slice of the total volume.

This matters for one practical reason: **you are not the market's main character.** Price will not wait for you, will not notice your stop, and does not owe you a trend. Your job is not to outsmart banks. It is to find situations where the odds lean slightly your way, risk a small and fixed amount on each, and survive long enough for that slight lean to matter. Most of this course is about the "small, fixed amount" and "survive" parts, because those are what beginners neglect.

COMMON MISTAKE

Believing that because the market is huge and open 24 hours, there is always a trade worth taking. Size and access are not the same as opportunity. Most of the time, the right decision is to do nothing.

How a retail trader actually trades

When you open an account with a retail broker and click "buy" on EUR/USD, you are not usually exchanging euros for dollars that land in a bank account. In most cases you are entering a **contract** whose value tracks the exchange rate. In the UK this is often a CFD (contract for difference) or a spread bet; elsewhere it is commonly a margin forex account. The details vary by country and broker, but the effect is the same: if the price moves your way, the contract gains value; if it moves against you, it loses value, and the gain or loss is settled in your account currency.

Three features of this set-up will come up again and again:

1. **You can profit from falling prices as easily as rising ones**, by selling first. That is called going short, and it is covered in Lesson 4.
2. **You do not need the full value of the trade in your account.** The broker lets you control a large position with a small deposit called margin. This is leverage, and it is the single most dangerous tool a beginner is given. Lesson 4 again.
3. **Every trade has a cost** — at minimum the spread between the buying and selling price. Lesson 3 shows you how to measure it.

A word on regulators. In the UK, the Financial Conduct Authority regulates brokers offering these products, and you can check a firm's registration on its public register. Many other countries have equivalent bodies. A broker you cannot find on a proper regulator's register is a broker to walk away from. Regulators also require brokers to publish the percentage of retail accounts that lose money on these products, and those figures are consistently high. Read them. They are not there to scare you; they are there because they are true.

A practice drill before we start

Before we teach you anything else, here is a first look at the kind of judgement this course builds. You do not need any technical knowledge to answer it — only common sense about what you have just read.

PRACTICE DRILL · BUY, SELL OR WAIT? DECIDE, THEN TURN THE PAGE



Price has gone nowhere all morning and a major scheduled data release is due on the next candle. Would you place a trade now? Decide, then press REVEAL.

THE REVEAL



THE ANSWER

No trade. The scheduled US jobs report is due on the next candle. The morning gave no direction at all, and the next candle swings roughly 70 pips from high to low — up first, then sharply down — before price settles lower. A beginner buying or selling just before the release is gambling on the coin flip, at the moment when costs are widest and stops can fill well beyond their level. Knowing when not to trade is the first skill.

Going deeper

How big is "big"? Industry surveys put global forex turnover at several trillion dollars a day, with the US dollar on one side of the large majority of trades. The practical consequences for you are liquidity and tight costs on the major pairs during busy hours — and the fact that no individual retail trader can move the price. Liquidity is not constant, though. It thins out in the gap between the New York close and the Asian open, around holidays and immediately before major news, and costs widen accordingly (Lessons 3 and 5).

Who is on the other side of your trade? With a retail broker, your trade's counterparty is usually the broker itself. Some brokers pass client orders on to banks and liquidity providers; others take the other side internally and manage the overall exposure. Neither model is automatically sinister — regulated brokers must treat client orders fairly and keep client money segregated — but it is worth understanding what your broker's model is and how it makes money (spread, commission, or both). Read the order execution policy. It is dull, and it is your money.

Rolling positions and swap. Because spot currency trades technically settle two days later, positions held past the daily roll-over time are charged or credited an overnight financing amount, called swap or rollover, based on the interest rate difference between the two currencies plus a broker charge. For short-term traders

it is small; for positions held for weeks it becomes a real cost, and on some pairs it is charged in both directions. We cover it with the other costs in Lesson 3.

The honest picture. Retail forex is legal, regulated and accessible, and it is also a market where most retail accounts lose money. The main reasons are not mysterious: too much leverage, no fixed risk per trade, trading around news and in quiet hours, and treating each trade as a test of being right. Every one of those is fixable with knowledge and discipline, and that is what this course is for. Nothing here promises profit. What it can do is stop you losing money for avoidable reasons.

Summary

- Forex is the global market for exchanging one currency for another, quoted in pairs such as EUR/USD.
- A rising chart means the first currency is strengthening against the second; a falling chart means it is weakening.
- Prices move on supply and demand, driven largely by interest rates, economic data, capital flows and risk appetite.
- Banks, businesses, funds and central banks dominate volume; retail traders are a small slice and do not move the price.
- Retail traders usually trade contracts that track the rate, with leverage and costs — both of which this course teaches you to control.

CHECK YOURSELF · ANSWERS AT THE BACK

1. EUR/USD moves from 1.0800 to 1.0900. What has happened?
   A. The euro has weakened against the dollar
   B. The euro has strengthened against the dollar
   C. Both currencies have strengthened
   D. The dollar has strengthened against the euro
2. The US dollar weakens against most currencies. Which pair of chart moves would you expect?
   A. EUR/USD up, USD/JPY up
   B. EUR/USD down, USD/JPY down
   C. EUR/USD up, USD/JPY down
   D. EUR/USD down, USD/JPY up
3. Which of these is most likely to cause a sudden, large move in a currency?
   A. A quiet afternoon with no news
   B. A central bank interest rate decision that surprises the market
   C. A retail trader placing a large order
   D. The broker changing its chart colours
4. What does 'over-the-counter' mean in forex?
   A. Trades happen only during bank opening hours
   B. There is no single central exchange; participants deal through a network of banks, brokers and platforms
   C. Only banks are allowed to trade
   D. Prices are fixed once a day
5. In the drill chart, why was 'no trade' the right answer?
   A. Because EUR/USD cannot be traded in the afternoon
   B. Because the chart was going up
   C. Because a major scheduled release was due, the morning had no direction, and costs and slippage are worst at that moment
   D. Because the broker would have refused the order

Currency Pairs, Pips and Lots — The Units of the Market.

MODULE 1 — HOW THE MARKET WORKS · LESSON 2

Read any currency quote, measure any price move in pips, and convert pips into money for any lot size — in your own account currency.

Imagine trying to follow a recipe where nobody agreed what a "cup" was. That is roughly the position of a beginner who opens a trading platform without knowing what a pip or a lot is. The numbers on the screen move, money goes up and down, and there is no way to connect the two.

This lesson fixes that. It introduces the three units everything else in forex is built on: the **pair** (what you are trading), the **pip** (how far price moved) and the **lot** (how much you traded). Once you can move between those three, you can answer the only question that really matters before a trade: *if price goes this far against me, how much money do I lose?*

There is some arithmetic here. It is all multiplication and division, and every example is worked in full. Take it slowly once; after that it becomes automatic.

Base and quote: reading a pair

Every pair has two currencies. The first is the **base currency**; the second is the **quote currency**. The price tells you how many units of the quote currency one unit of the base currency costs.

- **EUR/USD 1.0850** — one euro costs 1.0850 US dollars. Base EUR, quote USD.
- **GBP/USD 1.2700** — one pound costs 1.2700 dollars. Base GBP, quote USD.
- **USD/JPY 150.00** — one dollar costs 150 yen. Base USD, quote JPY.
- **EUR/GBP 0.8540** — one euro costs 0.8540 pounds. Base EUR, quote GBP.

When you **buy** a pair, you are buying the base currency and selling the quote currency. When you **sell** a pair, you are selling the base and buying the quote. So buying GBP/USD is a bet that the pound will strengthen against the dollar. Selling USD/JPY is a bet that the dollar will weaken against the yen.

Pairs fall into three rough groups:

- **Majors** — the most traded pairs, all involving the US dollar: EUR/USD, GBP/USD, USD/JPY, USD/CHF, AUD/USD, USD/CAD, NZD/USD. These have the most liquidity and usually the lowest costs. Beginners should start here.
- **Crosses** — pairs of major currencies without the dollar, such as EUR/GBP, EUR/JPY or GBP/JPY. Perfectly tradeable, usually a little more expensive.

- **Exotics** — a major currency against a smaller or emerging-market one, such as USD/TRY or EUR/ZAR. Wider spreads, sharper gaps, and more ways to get hurt. Not for this course.

KEY POINT

Buying a pair means buying the first currency and selling the second. The quote currency — the second one — is the currency your profit or loss is calculated in before conversion.

What a pip is

A **pip** is the standard unit for measuring a price move. For almost every pair it is the **fourth decimal place**: 0.0001. For pairs quoted in Japanese yen, where prices are around 100 or more, it is the **second decimal place**: 0.01.

So:

- EUR/USD moving from 1.0850 to 1.0900 is a move of 0.0050, which is **50 pips**.
- GBP/USD falling from 1.2700 to 1.2665 is a move of 0.0035, which is **35 pips**.
- USD/JPY rising from 150.00 to 150.80 is a move of 0.80, which is **80 pips** — because on yen pairs a pip is 0.01.

Most platforms show one more digit — EUR/USD 1.08503, for example. That fifth digit is a **pipette**, a tenth of a pip. Ignore it when counting pips, but do not be confused when you see it.



On EUR/USD a pip is 0.0001, the fourth decimal place. A rise from 1.0850 to 1.0900 is 0.0050 — fifty pips. Counting the move in pips, rather than in raw prices, lets you compare moves across any pair and any day.



On USD/JPY, prices sit around 150, so the pip is the second decimal place: 0.01. A rise from 150.00 to 150.80 is 0.80, which is eighty pips. Getting this wrong — treating 0.80 as eight pips or eight hundred — is one of the commonest sizing errors beginners make.

COMMON MISTAKE

Counting the pipette digit as a pip. On a five-digit platform, EUR/USD moving from 1.08500 to 1.08550 is 5 pips, not 50. If your sums ever give you a pip count ten times bigger or smaller than seems sensible, check the decimal place first.

What a lot is

A **lot** is the standard unit of trade size, measured in units of the base currency:

SIZE	UNITS OF BASE CURRENCY	PLATFORM SHOWS
Standard lot	100,000	1.00
Mini lot	10,000	0.10
Micro lot	1,000	0.01

So buying 1.00 lot of EUR/USD means buying €100,000 worth of euros (against dollars). Buying 0.10 lots means €10,000. Buying 0.01 lots means €1,000. Most brokers allow sizes in steps of 0.01 lots, and some spread-betting accounts express size as money per point instead — the logic below is identical, only the label changes.

Do not let the big numbers alarm you. You do not need €100,000 in your account to trade a standard lot; leverage, covered in Lesson 4, lets you control it with a deposit. But the size of the position is what decides

how much each pip is worth, and that is the number we care about.

Pip value: turning pips into money

Here is the one fact to memorise:

One pip on one standard lot is worth 10 units of the quote currency.

That follows directly from the definitions: 100,000 units × 0.0001 = 10. (For yen pairs: 100,000 × 0.01 = 1,000 yen — the same idea, because the pip is bigger.)

So, per standard lot:

- EUR/USD and GBP/USD: **$10 per pip** (quote currency is USD).
- EUR/GBP: **£10 per pip** (quote currency is GBP).
- USD/JPY: **¥1,000 per pip** (quote currency is JPY).

Mini lots are a tenth of that ($1 per pip on EUR/USD) and micro lots a hundredth ($0.10 per pip).

Now put pips and lots together. Profit or loss is simply:

Profit or loss = pips moved × pip value per lot × number of lots

A 40-pip move on EUR/USD is worth:

- 1.00 lot: 40 × $10 × 1 = **$400**
- 0.10 lots: 40 × $10 × 0.1 = **$40**
- 0.01 lots: 40 × $10 × 0.01 = **$4**



A long trade on EUR/USD gains 40 pips. The chart is identical whatever size you trade — what changes is the money. At $10 per pip per standard lot, the same move is worth $400, $40 or $4. The stop, 20 pips below, would have cost $200, $20 or $2. Size, not the chart, decides how much a trade matters to your account.

Converting to your account currency

If your account is in the same currency as the quote currency, you are done. A dollar account trading EUR/USD makes and loses dollars at $10 per pip per lot.

Most readers of this course will have a pound account, though, and most popular pairs are quoted in dollars. So you convert. The rule: **divide** a dollar amount by the GBP/USD rate to turn it into pounds.

Worked example, all rates illustrative:

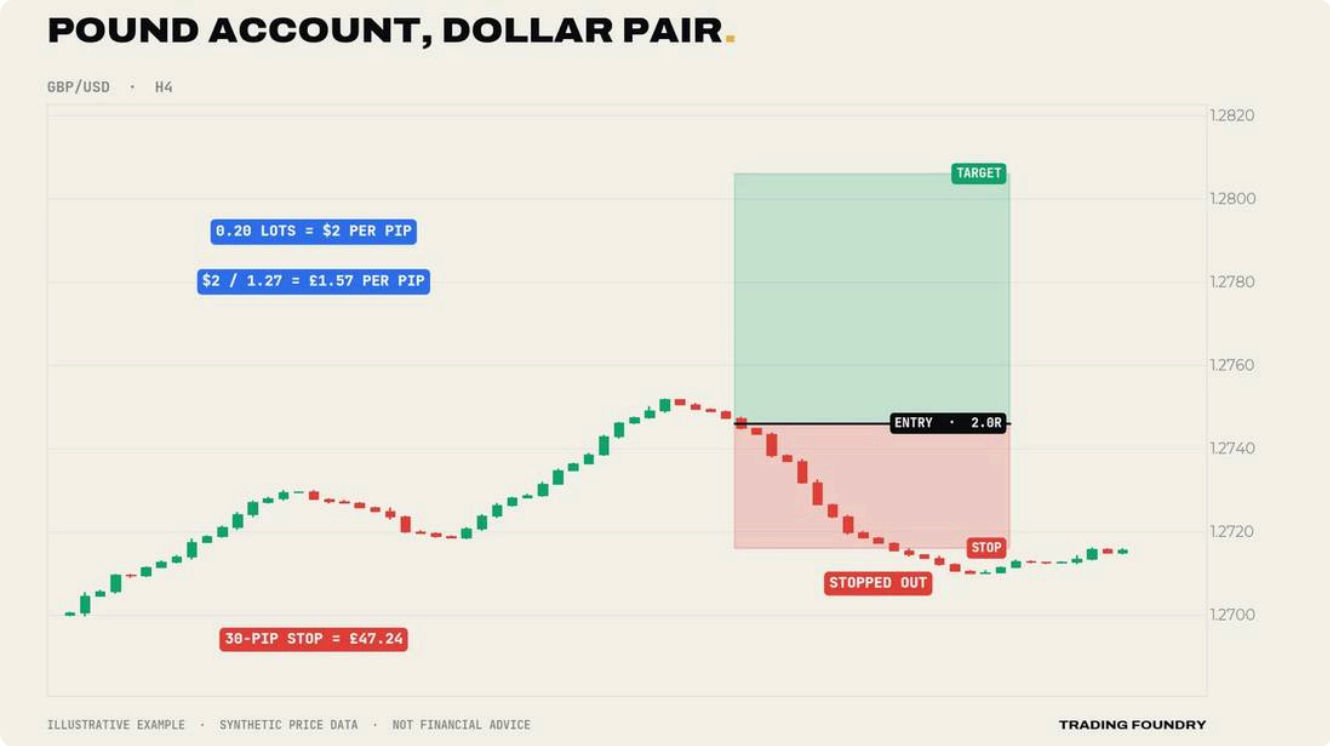
- Account in GBP. Trading EUR/USD, 0.20 lots.
- Pip value: $10 × 0.20 = **$2 per pip**.
- GBP/USD is 1.2700, so $2 ÷ 1.27 = **£1.57 per pip**.
- A 30-pip loss costs 30 × £1.57 = **£47.24**.

And on a cross quoted in pounds, there is nothing to convert:

- Account in GBP. Trading EUR/GBP, 0.20 lots.
- Pip value: £10 × 0.20 = **£2 per pip**.
- A 30-pip loss costs **£60**.

For yen pairs, convert the yen amount into your account currency the same way. On USD/JPY at 150.00 with a dollar account, ¥1,000 per lot is ¥1,000 ÷ 150 = **$6.67 per pip per lot**. With a pound account, you would divide

the yen amount by the GBP/JPY rate instead. Every platform shows pip values somewhere, and a good position size calculator does all this for you — but you must be able to check it by hand, or you will not notice when it is wrong.



A losing long on GBP/USD in a pound-denominated account. The stop is 30 pips below entry. At 0.20 lots, each pip is worth $2, which converts to about £1.57 at an illustrative GBP/USD rate of 1.2700. The loss is 30 × £1.57 = £47.24 — a number you can and should know before you click buy.

Going deeper

Why pip value drifts. Pip value in your account currency depends on an exchange rate, so it changes slightly as rates move. On EUR/USD in a GBP account, £1.57 per pip at GBP/USD 1.2700 becomes about £1.53 if GBP/USD rises to 1.3100. For sizing a single trade, the current rate is fine. For anyone comparing trades across months, it is one more reason to measure results in R (risk units, Lesson 11) rather than in pounds.

Pips on gold, indices and other symbols. Many platforms list gold (XAU/USD), oil and stock indices alongside currencies. Their "pip" or "point" is defined by the broker, and it is not always the same between brokers. Gold, for example, is often quoted to two decimals with one pip defined as 0.10 — but check your platform's contract specification. Never assume a pip value outside the major currency pairs; look it up.

Contract specifications are the source of truth. Every broker publishes a specification for every symbol: contract size, minimum and step size, pip or point value, trading hours, and margin requirement. Five minutes reading it for the pair you trade will save you from the commonest error in retail trading — a position ten times bigger than intended because a pip or lot was misunderstood.

Spread bets. UK spread-betting accounts express size as "£ per point" instead of lots. If one point is one pip, then £1 per point on EUR/USD is equivalent to about 0.127 lots at GBP/USD 1.2700 (because 0.127 × $10 ÷ 1.27

≈ £1). The arithmetic of risk is the same: points moved × money per point = profit or loss.

Summary

- A pair is base/quote; buying it buys the base and sells the quote.
- A pip is 0.0001 on most pairs and 0.01 on yen pairs; the fifth digit is a pipette.
- A standard lot is 100,000 units of the base currency; mini 0.10, micro 0.01.
- One pip on one standard lot is worth 10 units of the quote currency; convert it into your account currency.
- Profit or loss = pips × pip value per lot × lots. Know the loss at your stop before every trade.

CHECK YOURSELF · ANSWERS AT THE BACK

1. GBP/USD falls from 1.2740 to 1.2695. How many pips is that?

   A. 4.5 pips

   B. 45 pips

   C. 450 pips

   D. 0.45 pips

2. USD/JPY rises from 149.20 to 149.65. How many pips?

   A. 4.5 pips

   B. 45 pips

   C. 450 pips

   D. 0.45 pips

3. You buy 0.30 lots of EUR/USD in a dollar account. What is each pip worth?

   A. $0.30

   B. $3

   C. $30

   D. $300

4. In a pound account, you trade 0.50 lots of EUR/GBP with a 24-pip stop. What does the stop cost if hit?

   A. £12

   B. £50

   C. £120

   D. £240

5. Buying EUR/USD means:

   A. Buying dollars and selling euros

   B. Buying euros and selling dollars

   C. Buying both currencies

   D. Lending euros to your broker

6. In the 'Pound account, dollar pair' chart, why is the loss £47.24 rather than $60?

   A. Because the broker charged a fee

   B. Because $2 per pip was converted into pounds at the GBP/USD rate before multiplying by 30 pips

   C. Because pound accounts get a discount

   D. Because GBP/USD pips are smaller

Spreads and Costs — What Every Trade Really Costs You.

MODULE 1 — HOW THE MARKET WORKS · LESSON 3

Read the bid and ask, measure a trade's full cost — spread, commission, swap and slippage — and judge whether that cost is small enough relative to your stop to be worth paying.

Nobody runs a forex broker for fun. Every time you open and close a trade, you pay for the privilege. The fee is rarely presented as a bill; it is built into the prices you see, charged quietly per lot, or added overnight. Because it is quiet, beginners ignore it — and then wonder why a strategy that "should" break even keeps slowly bleeding.

This lesson makes the costs visible. You will learn where the spread comes from, how commission and swap work, why slippage exists, and — most usefully — how to judge whether a trade's cost is a rounding error or a serious handicap. That last judgement is about proportion, and it shapes which timeframes and stop sizes are realistic for you.

All prices and costs in this lesson are illustrative. They are in a realistic range for major pairs at a regulated retail broker, but yours will differ. Part of the job is measuring your own.

Two prices: the bid and the ask

At any moment, your platform shows two prices for each pair:

- The **bid** — the price at which you can **sell**.
- The **ask** (or offer) — the price at which you can **buy**.

The ask is always higher than the bid. The gap between them is the **spread**, measured in pips. If EUR/USD shows 1.08500 bid and 1.08512 ask, the spread is 0.00012, or **1.2 pips**.

That gap is the dealer's margin. Think of the bureau de change at an airport: it buys your pounds at one rate and sells them back at a worse one, and the difference is how it pays the rent. A forex broker does the same thing, only with a far smaller gap.



Most charts plot the bid price, so the candles show where you could sell. To buy, you pay the ask, which sits above it — here 1.2 pips higher. That gap, the spread, is paid on every round trip: you buy at the ask and later sell at the bid, or the other way round.

A practical consequence: **every trade starts slightly in the red.** Buy at the ask, and if you closed immediately you would sell at the bid — 1.2 pips lower. Price has to move in your favour by at least the spread just to get back to zero.



A buy order fills at the ask (the white entry line). The bid — what the chart shows — is 1.2 pips lower, shaded amber. Until the bid climbs through your entry price, the trade shows a small loss even though the chart has not moved against you. That gap is the cost of entry.

Spread accounts and commission accounts

Brokers charge in one of two broad ways.

Spread-only (often called "standard") accounts. No separate fee; the broker's charge is built into a wider spread. On EUR/USD in busy hours you might see something like 0.8–1.5 pips.

Raw-spread or commission accounts. The spread is much tighter — perhaps 0.1–0.3 pips on EUR/USD in busy hours — but you pay a commission per lot. A common structure is around $7 per standard lot per **round turn** (opening and closing). On EUR/USD, where a pip on one lot is $10, $7 is **0.7 pips**.

Add the parts to get your **all-in round-trip cost**:

- Standard account: 1.2-pip spread + nothing = **1.2 pips**.
- Raw account: 0.2-pip spread + 0.7-pip commission = **0.9 pips**.

The cheapest account type depends on how often and how large you trade, so compare them on this all-in number, not on the headline spread.

KEY POINT

Know your all-in cost per round trip, in pips, for the pair and the hours you actually trade. It is the entry fee for every trade, win or lose.

Spreads are not fixed

The spread changes all day. It is tightest when the most banks and dealers are active — the London session and the London–New York overlap — and widest when they are not:

- **Around the daily roll-over** (around 22:00 UK time, depending on daylight saving), when liquidity is thin and dealers reset positions. Spreads can briefly widen to several times normal.
- **Before and during major news**, when dealers pull back and prices jump.
- **On Monday's open and before weekends or holidays.**
- **On less-traded pairs**, all the time.



In the quiet hour around the daily roll-over, liquidity thins and spreads can widen sharply. The spiky wicks marked here is typical of what wide spreads and thin prices look like on a chart. A stop sitting a few pips away can be hit by a spread widening alone, even though price never really traded there in size.

Swap: the overnight cost

If you hold a position past the daily roll-over, it is charged or credited **swap** (also called rollover or overnight financing). Swap is based on the difference between the interest rates of the two currencies, minus a broker charge, and it is applied for each night held. Many brokers apply three nights' worth on one weekday — commonly Wednesday — to cover the weekend.

Swap can be positive or negative depending on direction, but after the broker's charge it is often negative in **both** directions on some pairs. For a trade held a few hours, ignore it. For a trade held for weeks, it adds up. A position paying an illustrative −$7 per lot per night costs $210 per lot over thirty nights — the equivalent of 21 pips on EUR/USD. Your platform shows the current swap rates in each symbol's specification.



A position held for thirty daily candles pays thirty nights of swap. At an illustrative −$7 per lot per night, that is $210 per lot — around 21 pips of EUR/USD. Swap is invisible on a short trade and significant on a long one. Check the rate before you plan to hold for weeks.

Slippage: the cost nobody quotes

Slippage is the difference between the price you asked for and the price you got. A market order fills at the best available price at the moment it reaches the market; if price is moving fast, that can be worse than the price you saw when you clicked. A stop-loss order, once triggered, also becomes a market order — so in a fast move it can fill beyond your stop level.

Slippage is usually small in calm, liquid conditions and can be large around news and opens. It can occasionally be in your favour. You only learn your typical slippage by logging the price you intended and the price you were filled at, on every trade.

The judgement that matters: cost as a share of your stop

A one-pip cost means nothing on its own. What matters is its size **relative to your stop**, because the stop is what you are risking.

- 1.2-pip cost on a 40-pip stop = **3%** of your risk. A rounding error.
- 1.2-pip cost on a 10-pip stop = **12%** of your risk. Noticeable.
- 1.2-pip cost on a 5-pip stop = **24%** of your risk. A heavy handicap, paid on every trade.

This is why the smallest timeframes, with the tightest stops, are the hardest place for a beginner to make the arithmetic work. A simple guard rail for this course: **if your all-in cost is more than about a fifth of your stop,**

the trade is too expensive. Widen the stop (and reduce the size — Lesson 11), move to a higher timeframe, or skip it.

COMMON MISTAKE

Comparing brokers on the advertised "from 0.0 pips" spread. What matters is the all-in cost at the hours you trade, including commission and typical slippage. Measure it; do not trust the banner.

Going deeper

Measure, do not guess. For two weeks, at the times you intend to trade, note the spread on your chosen pair every 15 minutes, and log intended versus filled price on any demo orders. Take a bad-but-normal figure (around the 80th percentile, not the average) as your planning cost. Averages flatter you, because spreads are widest exactly when markets move.

Commission converts by pair. $7 per lot is 0.7 pips on EUR/USD and GBP/USD, where a pip on a lot is $10. On USD/JPY at 150.00, a pip on a lot is about $6.67, so $7 is about 1.05 pips. Convert before comparing.

Costs and the break-even win rate. If you risk S pips to make T pips and pay C pips per round trip, a winner nets T − C and a loser costs S + C. The win rate you need just to break even is (S + C) ÷ (S + T). With a 20-pip stop, 40-pip target and 1.2-pip cost: 21.2 ÷ 60 = 35.3%, against 33.3% with no costs. With a 5-pip stop and 10-pip target and the same cost: 6.2 ÷ 15 = 41.3%. Same reward-to-risk, same cost in pips — but the smaller trade needs eight more winners in every hundred just to stand still. These figures are arithmetic, not predictions of any strategy's results.

Guaranteed stops. Some brokers offer guaranteed stop-loss orders that cannot slip, for an extra fee charged when they are used. They can be worth it for trades held over weekends or through known events. Read the terms.

THE RULES

- Know your all-in round-trip cost (spread + commission + typical slippage) in pips for your pair and hours
- If the all-in cost is more than about a fifth of your stop, do not take the trade as planned
- Avoid opening trades in the hour around the daily roll-over and immediately before major scheduled news
- Check the swap rate before planning to hold a position for more than a few days

Summary

- You buy at the ask and sell at the bid; the gap is the spread, and every trade starts behind by that amount.
- Commission accounts swap a wider spread for a fee per lot; compare accounts on the all-in cost.

- Spreads widen around the roll-over, news, opens and on thin pairs; slippage is worst at the same moments.
- Swap is charged nightly on held positions and becomes significant over weeks.
- Judge cost as a share of the stop: above roughly a fifth, the trade is too expensive.

CHECK YOURSELF · ANSWERS AT THE BACK

1. EUR/USD is quoted 1.09210 bid / 1.09224 ask. What is the spread?

   A. 0.14 pips

   B. 1.4 pips

   C. 14 pips

   D. 0.014 pips

2. You want to buy GBP/USD. At which price will you be filled?

   A. The bid

   B. The ask

   C. The midpoint

   D. The previous close

3. A raw account charges a 0.3-pip spread plus $7 per lot round turn on EUR/USD. What is the all-in cost in pips?

   A. 0.3 pips

   B. 0.7 pips

   C. 1.0 pip

   D. 7.3 pips

4. Your all-in cost is 1.5 pips. Which stop size makes the cost a heavy handicap under this lesson's guard rail?

   A. 30 pips

   B. 20 pips

   C. 15 pips

   D. 6 pips

5. Why might a stop a few pips below price be hit around 22:00 UK time even if the chart barely moves?

   A. Brokers close all trades at 22:00

   B. Spreads can widen sharply at the roll-over, so the price you would sell at drops below your stop

   C. Swap is deducted from the stop

   D. Charts stop updating at 22:00

6. A trade is held for 20 nights at an illustrative swap of −$5 per lot per night, at 0.5 lots. What is the swap cost?

   A. $5

   B. $50

C. $100

D. $200

Long, Short, Leverage and Margin — and Why Leverage Is Dangerous.

MODULE 1 — HOW THE MARKET WORKS · LESSON 4

Explain how buying and selling make money in either direction, calculate the margin a position uses, and measure how leverage turns small price moves into large account swings.

Two features make retail forex very different from buying shares in an ISA. You can make or lose money as easily when prices fall as when they rise. And you can control a position many times larger than the money in your account. The first is genuinely useful. The second is the main reason beginners lose money quickly.

This lesson explains both properly: what going long and short actually means, what margin is, what leverage really does to the numbers, and what happens when an over-leveraged account runs out of room. The lesson ends with a rule that should stay with you for your whole trading life: **your broker's leverage limit is not your risk limit.** You decide risk with your stop and your position size. Leverage merely allows it.

All figures are illustrative and assume a pound account, a GBP/USD rate of 1.2700, and the 30:1 maximum leverage that UK and EU regulators currently allow retail clients on major pairs. Check your own broker's limits.

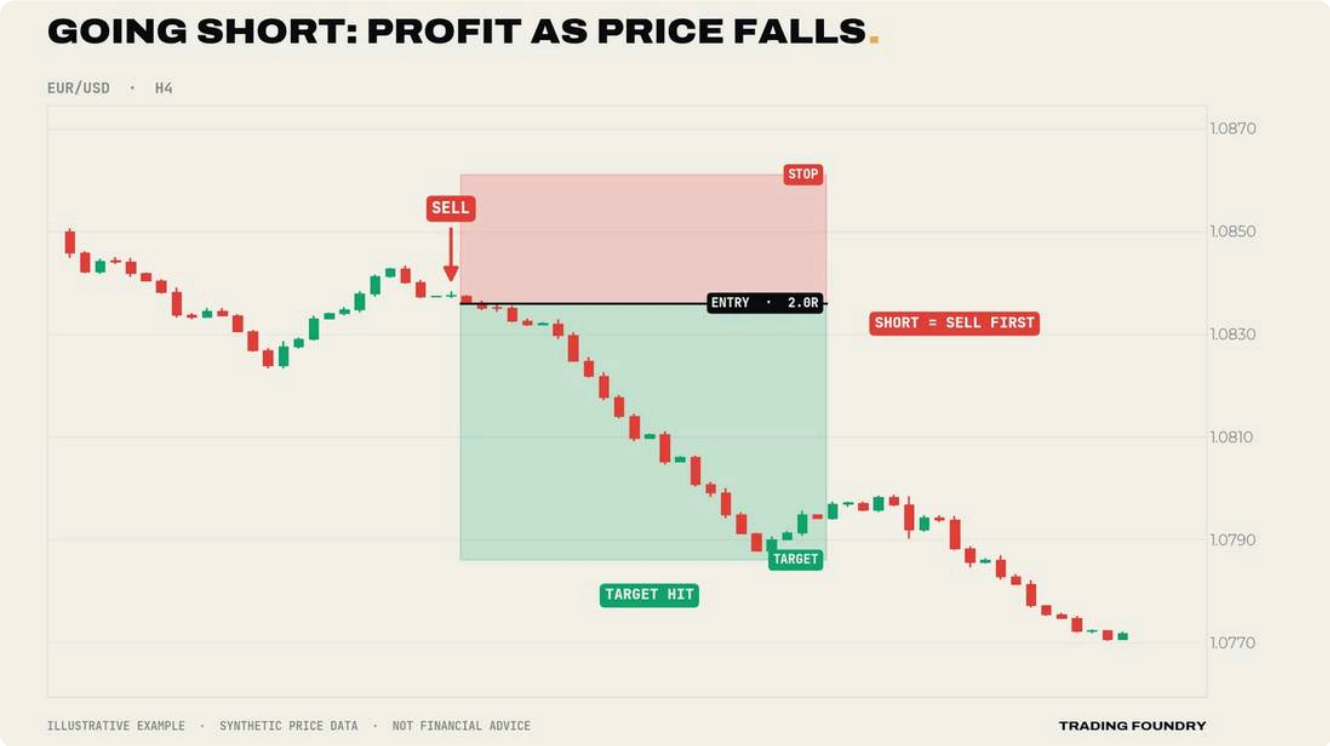
Going long and going short

Going long means buying a pair. You profit if it rises. Buy EUR/USD at 1.0850, sell it later at 1.0900, and you have made 50 pips.

Going short means selling a pair you do not already own, hoping to buy it back cheaper later. Sell EUR/USD at 1.0850, buy it back at 1.0800, and you have made 50 pips. Because a currency pair is always one currency against another, selling EUR/USD is simply buying dollars against euros. There is nothing exotic about it; it is just as normal as buying.



A long trade: buy first, sell later at a higher price. The green box is the profit if the target is reached; the red box beneath is what is lost if price falls to the stop instead. Every trade in this course has both drawn before entry.



A short trade is the mirror image: sell first, buy back later at a lower price. The stop sits above entry, because a rising price is what hurts a short. Being comfortable selling as well as buying doubles the situations you can act on — and halves the excuses for forcing a long.

KEY POINT

Long profits from a rise, short profits from a fall. In both cases the stop sits on the side where you would be proven wrong.

What margin is

When you open a leveraged position, your broker does not lend you the full amount in a way you ever see. Instead, it sets aside part of your balance as a **deposit** to cover potential losses. That deposit is called **margin**.

With 30:1 maximum leverage, the margin required is 1/30 of the position's value, or about **3.33%**.

Worked example:

- You buy **0.50 lots of EUR/USD** at 1.0850. That is €50,000.
- In dollars: €50,000 × 1.0850 = **$54,250**.
- In pounds: $54,250 ÷ 1.27 = about **£42,717**. That is the size of the position — its **notional value**.
- Margin at 3.33%: £42,717 ÷ 30 = about **£1,424**.

So on a £2,000 account, a 0.50-lot trade "uses" £1,424 of margin and leaves about £576 of **free margin** — the room you have before the broker starts to worry. Margin is not a fee. It is returned when you close. But it limits how big a position you *can* open, and it sets the point at which the broker will close your trades for you.

What leverage really does

The headline "30:1 leverage" describes the maximum. What matters is your **effective leverage**: the size of your positions divided by your account equity.

In the example above, a £42,717 position on a £2,000 account is effective leverage of about **21:1**. The arithmetic of that:

- 0.50 lots on EUR/USD is $5 per pip, or about **£3.94 per pip**.
- A 50-pip move against you — a perfectly ordinary day on EUR/USD — costs about **£197**, or **10% of the account**.
- A 100-pip move costs about **£394**, or **20%**.

Now compare a sensibly sized trade on the same account. Suppose the chart says the stop belongs 30 pips away, and you decide to risk 1% of the account (£20) if it is hit. That works out at about 0.08 lots (the method is in Lesson 11): roughly £0.63 per pip, a notional value of about £6,835, and effective leverage of about **3.4:1**. A 100-pip move against that position would cost £63 — but it never gets the chance, because the stop closes it at a £19 loss.



Two traders buy at 1.0864 on a £2,000 account. Price falls 110 pips. The over-leveraged trader with 0.50 lots and no stop is down about £433 — over a fifth of the account — and still holding. The trader sized at 0.08 lots with a 30-pip stop was taken out early for a loss of about 1% and is free to think clearly about the next trade.

Leverage is often sold as "control a large position with a small deposit". The more honest description is: **leverage multiplies the effect of every pip on your account, in both directions.** It does not change the chart. It does not change your odds. It changes how hard each pip hits.

COMMON MISTAKE

Choosing position size by how much margin is available — "I have £2,000 and the broker lets me trade 0.70 lots, so I will". Available margin answers the question "how big can I go?". The only question that matters is "how much will I lose if my stop is hit?".

Margin calls and stop-outs

As an open position loses money, your **equity** (balance plus or minus open profit and loss) falls, while the margin used stays the same. The ratio between them is your **margin level**:

Margin level = equity ÷ margin used × 100%

Brokers act at set thresholds. Typically you get a **margin call** warning when the margin level falls to around 100%, and under UK and EU rules for retail clients, the broker must start closing your positions — a **stop-out** — when it falls to 50%.

Back to the over-leveraged 0.50-lot trade on £2,000, with £1,424 margin used:

- Margin call at 100%: equity £1,424 → a loss of about £576 → about **146 pips** against you.

- Stop-out at 50%: equity £712 → a loss of about £1,288 → about **327 pips** against you.

A 327-pip move in EUR/USD is not rare over a couple of weeks. And a stop-out does not close the position at a nice price; it closes it wherever the market is when the threshold is breached. You would lose around 64% of the account on one trade that never had a planned stop.



The 0.50-lot trade on a £2,000 account with no stop. A margin call arrives after roughly 146 pips; the broker's forced stop-out closes the trade after roughly 327 pips, wherever price happens to be. A planned stop would have cost about 1%. Letting margin rules be your stop cost nearly two-thirds of the account.

Negative balance protection and gaps

Under UK and EU rules, retail clients have **negative balance protection**: you cannot lose more than the money in your account. That is a safety net, not a strategy. Prices can **gap** — jump from one level to another without trading in between — over weekends and around big news. A gap can carry price straight through your stop, and your order fills at the next available price. Small, sensibly sized positions shrug gaps off. Over-leveraged ones do not.

Going deeper

Why regulators capped leverage. Retail leverage limits in the UK and EU (30:1 on major pairs, 20:1 on minor pairs and gold, lower on more volatile instruments) were introduced because retail losses on high-leverage products were persistently large. Some offshore brokers still offer 500:1 or more. Higher maximum leverage does not give you an edge; it gives you a bigger rope.

Leverage is an output, not an input. Professionals rarely think about leverage directly. They decide risk per trade (say 0.5–1%), find the stop on the chart, calculate the position size that makes the stop cost exactly that,

and then check the resulting margin is comfortably affordable. Effective leverage drops out of that process — usually low single figures for a single trade. If you ever find yourself thinking "how much leverage should I use?", rephrase it to "how much am I prepared to lose if this is wrong?".

Correlated positions add up. Two trades that are both "short the dollar" — say long EUR/USD and long GBP/USD — behave much like one larger trade. Each may be sized at 1%, but a dollar rally can hit both stops together. For beginners, the simplest rule is **one open trade at a time**.

The maths of recovery. Losses are harder to recover than they look. Lose 10% and you need 11% to get back. Lose 20% and you need 25%. Lose 50% and you need 100%. Lose 64%, as in the stop-out example, and you need about 178%. Small fixed risk keeps you in the zone where recovery is realistic.

THE RULES

- Every trade has a stop placed at the moment of entry; margin rules are never your stop
- Position size is calculated from the stop and a fixed risk per trade, not from available margin
- Keep margin used comfortably below half of your account equity
- One open trade at a time while learning

Summary

- Long profits from rising prices, short from falling; the stop always sits where the idea is proven wrong.
- Margin is a deposit set aside to cover losses; at 30:1 it is about 3.33% of the position's value.
- Effective leverage — position size divided by equity — is what decides how hard each pip hits your account.
- Margin calls and stop-outs close over-leveraged trades at the worst moment; a planned stop and sensible size prevent both.
- Your broker's leverage limit is not your risk limit. You set risk with your stop and your size.

CHECK YOURSELF · ANSWERS AT THE BACK

1. You sell GBP/USD at 1.2700 and buy it back at 1.2640. What is the result?

   A. A 60-pip loss

   B. A 60-pip profit

   C. A 6-pip profit

   D. Nothing — you cannot sell what you do not own

2. Where does the stop go on a short trade?

   A. Below entry

   B. Above entry

   C. At entry

   D. Shorts do not need stops

3. A position has a notional value of £30,000 on a £3,000 account. What is the effective leverage?

   A. 3:1

   B. 10:1

   C. 30:1

   D. 100:1

4. Equity is £900 and margin used is £1,200. What is the margin level, and what is likely happening?

   A. 133% — all fine

   B. 75% — below the margin call level, approaching stop-out

   C. 50% — positions being closed

   D. 25% — account closed

5. Which statement about leverage is most accurate?

   A. Higher leverage improves your chances of winning

   B. Leverage multiplies how much each pip affects your account, in both directions

   C. Leverage only matters on losing trades

   D. Using maximum leverage is safer because positions close faster

6. In the 'Same chart, two very different accounts' example, why did the 0.08-lot trader lose only about 1%?

   A. Because their broker gave them better prices

   B. Because they had a stop placed at entry and a size calculated from it

   C. Because 0.08 lots cannot lose money

   D. Because they used more leverage

The Trading Sessions — When the Market Moves and When It Sleeps.

MODULE 2 — READING THE CHART · LESSON 5

Identify the Asian, London and New York sessions in UK time, explain why price behaves differently in each, and choose trading hours that suit your pair, costs and life.

Forex is open around the clock from Sunday evening to Friday night. That fact is usually sold as freedom: trade whenever you like. In practice it is closer to a trap. The market is open for 24 hours, but it is not equally *alive* for 24 hours. For long stretches it drifts sideways on thin volume and wider spreads. Then, at fairly predictable times, the big centres open, volume pours in, and the day's real moves happen.

A beginner who trades whenever they happen to be free will spend much of their time in the dead hours, paying more and seeing less. This lesson shows you the daily rhythm of the market so you can choose your hours deliberately.

All times below are **UK time** and approximate. Daylight saving changes on different dates in the UK, US and Australia, so the edges shift by an hour for a few weeks each spring and autumn. Your broker's server clock may also use a different time zone — check what your charts are showing.

The three main sessions

The trading day follows the sun round the world's financial centres.

Asian session — roughly 23:00 to 08:00. Sydney opens first, then Tokyo, Hong Kong and Singapore. Activity is concentrated in yen, Australian and New Zealand dollar pairs. On EUR/USD and GBP/USD, Asian hours are usually the quietest part of the day, with price often drifting in a narrow range.

London session — roughly 08:00 to 17:00. London is the world's largest forex centre. When it opens, volume jumps across every major pair, spreads tighten, and the day's first significant move often begins. The opening hour or two can be lively and occasionally violent as overnight orders are filled.

New York session — roughly 13:00 to 22:00. US banks and funds arrive, and major US economic data is typically released at 13:30 or 15:00 UK time. From around 17:00, once London closes, activity tends to fade through the evening.

The window when London and New York are both open — roughly **13:00 to 17:00** — is usually the most liquid of the day. For the dollar majors it is often where costs are lowest and moves are cleanest, though it also contains much of the day's scheduled news.



A training illustration of one trading day on 15-minute candles. Asian hours drift in a narrow band. The London open brings a burst of activity — often a false start first, then the real move. The London–New York overlap adds a second push, and the late New York afternoon fades into another quiet drift.

KEY POINT

The market is open 24 hours, but the bulk of the movement in the major pairs happens in a few hours around the London open and the London–New York overlap.

Why sessions behave differently

There is nothing magical about the clock. Price moves when large amounts of money need to change hands, and that happens when the institutions handling it are at their desks. During the Asian session, the banks that dominate euro and sterling trading are mostly asleep; liquidity in those pairs is thinner and there is less reason for big repricing. When London opens, a wave of corporate, fund and bank orders arrives at once.

Three practical patterns follow, all of them tendencies rather than rules.

The Asian range. EUR/USD and GBP/USD often spend the Asian session in a fairly tight band. The high and low of that band become reference points for the day.

The London open move. Early London often breaks out of the Asian range. Sometimes the first break is false and price reverses through the other side — which is why waiting for the first hour to settle can be wiser than reacting to the first candle.

The overlap and the data. Many of the most important US data releases land just as the overlap begins. Price can move sharply in either direction, then continue — or completely reverse — once the dust settles.



GBP/USD drifts in a 15-pip band through the Asian session. Early London breaks the top of that band and the morning's move follows. The Asian high and low are among the first reference levels many day traders mark each morning. Not every break holds — the next chart shows the other version.



The same opening pattern, a different outcome. London pushes above the Asian range, fails within an hour, and falls through the bottom of it. Anyone who bought the first break was stopped out. This is why this course prefers to let the first hour of London settle, then trade a confirmed level, rather than chase the opening candle.

The dead zones

Just as important as knowing when to trade is knowing when not to.

- **Late New York into the roll-over (about 20:00 to 23:00).** Volume fades, spreads widen around 22:00, and moves are often aimless.
- **The Asian session on European pairs.** Low activity, and the tight range often means small moves relative to the costs.
- **Friday afternoon.** Many participants square up positions before the weekend; moves can be erratic, and anything left open is exposed to a weekend gap.
- **Sunday evening open.** Prices can open away from Friday's close, and spreads are often wide for the first hour.
- **Bank holidays** in the UK or US, when one of the main centres is effectively shut.



Price closes on Friday at one level and opens on Sunday evening 27 pips lower, with nothing traded in between. Any stop sitting in that gap fills at the opening price, not at the stop level. Small, properly sized positions survive gaps; over-leveraged ones are where gap losses become painful.

COMMON MISTAKE

Trading the hours that fit your life rather than the hours that fit the market — typically late evening in the UK, the quietest and most expensive part of the day for EUR/USD and GBP/USD. If your free time falls there, use it for review and planning, not for live entries.

Choosing your hours

For most UK-based beginners trading the dollar majors, the sensible windows are:

- **08:00 to 11:00** — the London morning, once the first 30–60 minutes have settled.
- **13:00 to 16:00** — the overlap, avoiding the minutes either side of scheduled US data.

If you work during those hours, there are honest alternatives. You can trade higher timeframes (H4 and D1), where you place orders in the evening and let them work; the session matters less because each candle spans several sessions. Or you can choose pairs that are active when you are free — yen and Australian dollar pairs during Asian hours, for instance — accepting that you then need to learn their behaviour and costs.

What you should avoid is trading short-term setups on EUR/USD at 21:00 simply because that is when you are free. It is possible, but it is the hard way.

A simple session routine

Knowing the clock is only useful if it shapes what you actually do. Here is a routine that fits the London morning for a UK-based trader, and that you can shift to the overlap if that suits your day better.

- **07:30.** Open the economic calendar. Note any high-impact releases for the euro, the pound or the dollar today, and write down the 30-minute no-entry windows around them.
- **07:45.** Look at the H4 chart of your pair. Label the trend and mark the nearest zones (you will learn both in Lessons 8 and 9). Mark the Asian session's high and low.
- **08:00 to 09:00.** Watch, but do not act on the first move. Let the opening hour show you whether the Asian range is being broken cleanly or falsely.
- **09:00 to 11:00.** This is your active window. If price reaches one of your marked zones in line with the trend and gives you a trigger, you may trade it. If not, you do nothing.
- **11:00.** Stop looking for new entries. Manage anything open according to its plan, and write up the session in your journal — including the sessions where you did not trade.

The routine is short on purpose. Fixed hours protect you from the slow drift into trading whenever the screen is open, which is how most beginners end up trading the dead zones.

Going deeper

Liquidity and volatility are different things. Liquidity is how much can trade without moving price much; volatility is how far price actually moves. The London–New York overlap tends to be high in both. A news spike can be high volatility on *low* liquidity — dealers pull their prices, spreads widen and price jumps. That combination produces slippage.

Average range by hour. If you want evidence for your own pair, measure it: for the last few months, record the average high-to-low range of each hourly candle by time of day. The pattern is usually unmistakable.

Compare that average range to your all-in cost. An hour whose average range is 6 pips with a 1.2-pip cost is a very different place to trade from one whose average range is 25 pips.

The economic calendar. Every serious broker and many free websites publish a calendar of scheduled data releases and central bank events, graded by expected impact. Check it at the start of each day. This course's simple rule for beginners is to have no new entries in the 30 minutes before and after a high-impact release on a currency in your pair, and to be wary of holding a trade with a tight stop through one.

Daylight saving. For a few weeks each March and October/November, the UK and US clocks change on different dates, so the overlap is an hour longer or shorter than usual and US data lands an hour earlier in UK time. Check, rather than assume.

THE RULES

- Trade the London morning (after the first 30–60 minutes) or the London–New York overlap on the dollar majors
- No new entries in the 30 minutes either side of high-impact scheduled news for either currency in the pair
- No new short-term entries from 20:00 to 23:00 UK time or on Sunday evening
- Check the economic calendar before the first trade of every day

Summary

- The day runs through the Asian (about 23:00–08:00), London (08:00–17:00) and New York (13:00–22:00) sessions, UK time.
- Most movement in the major pairs happens around the London open and the 13:00–17:00 overlap.
- The Asian range is a useful reference; London often breaks it, and sometimes breaks it falsely first.
- Late evening, Sunday open, Friday afternoon and holidays are low-quality, higher-cost hours.
- Choose hours that suit the market; if your life does not fit them, trade a higher timeframe or a different pair.

CHECK YOURSELF · ANSWERS AT THE BACK

1. Roughly when is the London–New York overlap in UK time?

   A. 08:00–11:00

   B. 13:00–17:00

   C. 17:00–22:00

   D. 23:00–03:00

2. Why is EUR/USD often quiet during the Asian session?

   A. Trading in EUR/USD is banned in Asia

   B. The banks and funds that dominate euro and dollar flows are mostly not at their desks

   C. Spreads are always zero in Asia

   D. The euro is not traded on Mondays

3. In 'The false start' chart, what happened after London broke above the Asian range?

   A. Price trended higher all day

   B. The break failed and price fell through the bottom of the range

   C. Price stayed inside the range

   D. The market closed

4. You hold a trade with a stop 15 pips away over the weekend, and the market opens 30 pips beyond your stop. What happens?

   A. The stop fills at the stop level

   B. The stop fills at or near the opening price, 15 pips worse

   C. The broker cancels the trade

   D. Nothing until Monday morning

5. A beginner can only trade at 21:00–23:00 UK time and wants to trade EUR/USD on M5. What is the most sensible advice from this lesson?

   A. Go ahead; the market is open

   B. Use bigger size to make up for slow moves

   C. Use that time for analysis and placing orders on higher timeframes, or trade a pair active at that hour

   D. Only trade during roll-over

Reading a Candlestick Chart — Bodies, Wicks and the Close.

MODULE 2 — READING THE CHART · LESSON 6

Read any candle's open, high, low and close, tell momentum, indecision and rejection candles apart, and judge whether a candle pattern means anything by where it formed.

Open any trading platform and the default chart is a row of little coloured bars with lines poking out of each end. Most beginners learn to say "green is up, red is down" and stop there. That is like learning to read by recognising the colour of the book covers.

Each of those bars is a **candlestick**, and each one is a compact summary of a fight between buyers and sellers over a fixed period of time. Learn to read that summary properly and a plain chart, with no indicators at all, starts telling you a great deal: who was in control, how hard the other side resisted, and whether that control is growing or fading.

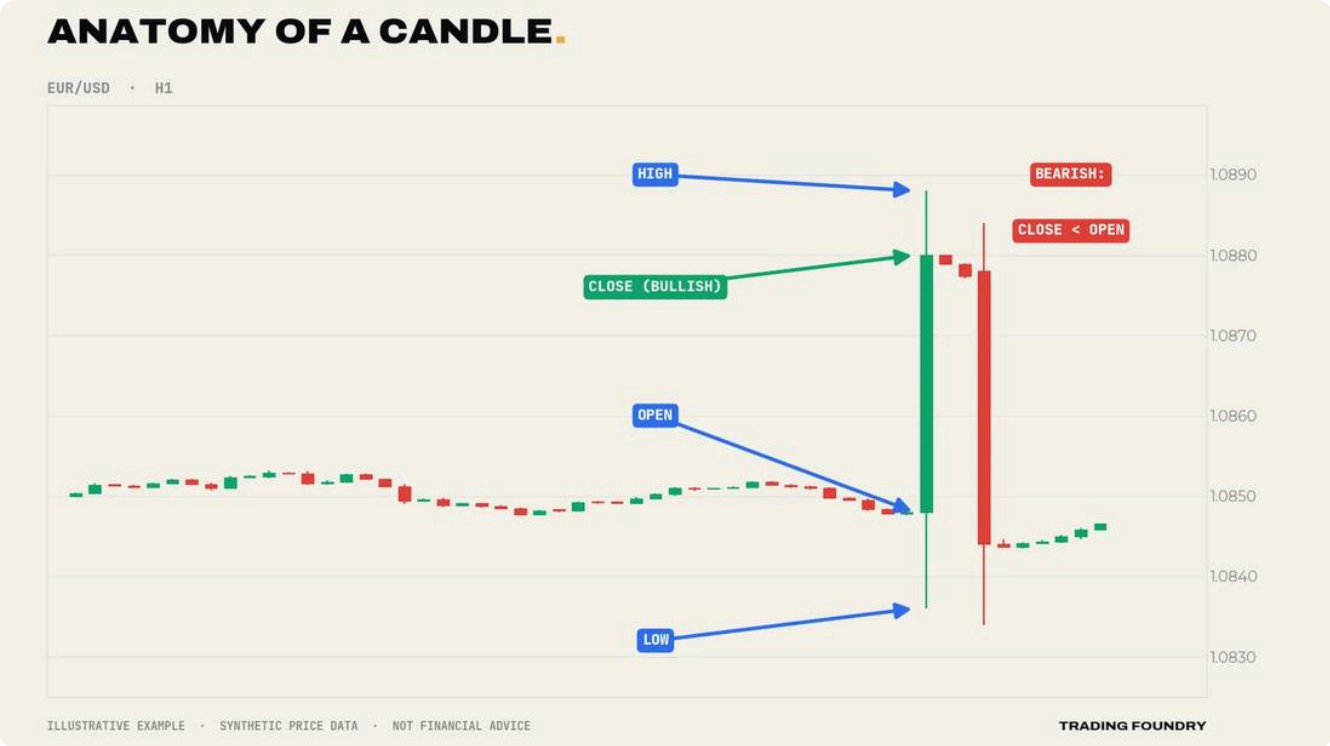
This lesson teaches you to read single candles, then small groups of candles, and finally the most important idea in price action: a candle only means something because of *where* it formed. If you have watched the Trading Foundry film on why most traders cannot read charts, this is the longer, slower version.

Four prices, one picture

Every candle records four prices for its time period — one hour on an H1 chart, one day on a D1 chart:

- **Open** — the first price of the period.
- **High** — the highest price reached.
- **Low** — the lowest price reached.
- **Close** — the last price of the period.

The thick part, the **body**, spans the open and the close. If the close is above the open, the candle is **bullish** — drawn green here. If the close is below the open, it is **bearish** — drawn red. The thin lines above and below the body are the **wicks** (also called shadows). They show how far price travelled beyond the body before being pushed back.



A bullish candle (green) opens low and closes high; a bearish candle (red) opens high and closes low. The body spans open to close. The wicks reach to the high and low — the furthest price travelled before being pushed back. Four prices, one picture of a fight.

KEY POINT

The body tells you the result; the wicks tell you the struggle.

The close is the verdict

Of the four prices, the close matters most. The open is where the argument started and the high and low are where it wandered; the close is where the period ended up — the price everyone holding a position was marked at when the candle finished.

This is why experienced traders wait for candles to **close** before reading them. Halfway through an hourly candle, GBP/USD might look like a huge bearish bar. By the close it might have recovered to leave a long lower wick — a candle that says nearly the opposite. Reading a candle before it closes is reading a match report at half-time.

One question will do more for your chart reading than any indicator: **where did the candle close within its own range?**

- A close in the **top quarter** of the range: buyers finished in control.
- A close **mid-range**: nobody won.
- A close in the **bottom quarter**: sellers had the last word.



Both candles open at the same price and close 20 pips higher. The first had almost no wicks — buyers were in charge throughout. The second fell 30 pips below its open first, then was bought all the way back. The result is identical; the journey, recorded in the lower wick, is very different. That rejected low is information.

Three families of candle

There are dozens of named candle patterns. You need three families.

Momentum candles. Large bodies, small wicks, closing near the extreme. One side was in control for the whole period. Several momentum candles in a row in the same direction show a strong, committed move.

Indecision candles. Small bodies with wicks on both sides — the doji and the spinning top. Buyers and sellers fought to a draw. Indecision after a strong move often means the move is pausing; indecision in the middle of a choppy range means nothing much at all.

Rejection candles. A long wick on one side, a small body at the other end. The best-known is the **pin bar**: a wick at least twice the length of the body, with the body near one end of the range. A long lower wick says price was pushed down and then firmly rejected; a long upper wick says the reverse.

Location is everything

Here is the idea that separates candle reading from candle superstition. **A candle pattern only means something at a meaningful price.** A pin bar rejecting a level that has turned price several times before is evidence. The same pin bar floating in the middle of nowhere is just a candle with a long wick.

You will learn to mark those meaningful levels — support and resistance — properly in Lesson 9. For now, look at the difference.



Price returns to a support zone that turned it higher earlier in the chart. A bullish pin bar forms there: sellers pushed through the zone, failed, and buyers closed the candle near its high. The same shape matters here because of where it formed — a level with history behind it.



A pin bar of almost exactly the same shape, but in the middle of a falling market with no level beneath it. Nothing about its location gives the wick any meaning, and the downtrend simply carries on. Same pattern, opposite outcome — the difference is location, not shape.

COMMON MISTAKE

Memorising pattern names and trading every one that appears. Patterns found in empty space, against a strong trend, or in a tight sideways chop are mostly noise. Ask "where is this?" before you ask "what is this?".

Engulfing candles

One two-candle pattern is worth knowing now. A **bearish engulfing** pattern is a bullish candle followed by a larger bearish candle whose body completely covers the previous body. It shows buyers in apparent control being overwhelmed within a single period. A **bullish engulfing** is the mirror image. Like the pin bar, it carries far more weight at a level than in the middle of a range.



Price rallies back into a resistance zone that capped it earlier. A bullish candle pokes into the zone; the next candle opens near its close and falls well below its open, its body engulfing the previous one completely. At a level with history, that is a clear sign sellers have taken over — for now.

Reading candles in sequence

Single candles are words; a run of candles is a sentence. Most of the useful information on a chart comes from how candles change from one to the next, not from any one candle on its own.

Three sequences are worth learning to spot.

Expanding bodies. A run of candles in one direction, each with a bigger body than the last, shows the move gathering pace. Buyers (or sellers) are becoming more committed, and the other side is getting out of the way. Fading such a move — trading against it — is usually expensive.

Shrinking bodies. The same run, but with each body smaller than the last and wicks appearing on the side the move is heading towards. The move is still going, but each period gains less ground. This is often the first sign of a pause, especially when it happens as price approaches a level that has turned the market before.

Overlap. Candles whose bodies sit largely on top of each other, alternating colour, show a market going nowhere. Neither side can make progress. Signals inside heavy overlap are unreliable, because the chart has no direction for them to mean anything against.

A practical exercise: take any H1 chart, cover everything to the right of a candle with a piece of paper, and describe the last five candles in a sentence — "bodies getting smaller, wicks appearing above, approaching a previous high". Then slide the paper across one candle at a time. You are not trying to predict. You are training your eye to describe what is in front of it, which is the skill every later lesson depends on.

Going deeper

Every candle contains a chart. A daily candle is a summary of 24 hourly candles. A long lower wick on the daily chart is, on the hourly chart, a visible sell-off followed by a visible rally. The summary filters noise — but two very different days can print identical candles. That is one reason to read candles in sequence and in context rather than one at a time.

Higher timeframes carry more weight. A daily pin bar records the activity of a full day's participants. A one-minute pin bar might be a single order. The shapes look the same; the evidence is not. While you learn, read candles on H1 and above.

Candles are evidence, not prophecy. A rejection candle tells you what happened; it does not guarantee what happens next. Price action trading is the practice of stacking evidence — level, trend, candle, timing — until the odds lean slightly your way, and then limiting the damage when they do not. Even an A-grade pin bar at a strong level can and will fail. That is what stops are for.

Ranges and the body ratio. A useful objective test for momentum is body size as a fraction of the candle's total range. A body over about 70% of the range, closing near the extreme, is a momentum candle. A body under about 25% is indecision or rejection, depending on where the body sits. Measuring this keeps you honest when you "want" to see a pattern.

Summary

- Each candle shows open, high, low and close; the body is the result, the wicks the struggle.
- The close is the verdict. Wait for it, and ask where it sits within the range.
- Three families: momentum (big bodies), indecision (small bodies, two-sided wicks) and rejection (long single wick, such as the pin bar).
- Location decides meaning: patterns at support or resistance are evidence; in empty space they are mostly noise.
- Engulfing candles show one side overwhelming the other; like all patterns, they matter most at a level.

CHECK YOURSELF · ANSWERS AT THE BACK

1. A candle opens at 1.2700, trades up to 1.2735, down to 1.2690, and closes at 1.2730. What kind of candle is it?

   A. Bearish, closing near its low

   B. Bullish, closing near its high

   C. A doji

   D. A bearish pin bar

2. Which part of a candle shows where price was pushed but could not stay?

   A. The body

   B. The wick

   C. The colour

   D. The open

3. Why do experienced traders wait for a candle to close before acting on it?

   A. Brokers do not allow trades mid-candle

   B. The candle's shape can change completely before it closes

   C. Spreads are always wider mid-candle

   D. Closed candles are always bullish

4. Compare the two pin bar charts. Why did one lead to a rally and the other mean nothing?

   A. One was green and one was red

   B. One formed at a support zone with history; the other formed in empty space in a downtrend

   C. One had a longer wick

   D. One was on a different pair

5. Which describes a bearish engulfing pattern?

   A. A small bearish candle inside a large bullish one

   B. A bullish candle followed by a larger bearish candle whose body covers the previous body

   C. Two dojis in a row

   D. A bearish candle with a long lower wick

6. A candle's body is 8 pips of a 40-pip range, with a 30-pip upper wick and the body at the bottom. What is it, most likely?

   A. A bullish momentum candle

   B. A bearish rejection candle (pin bar) — price was pushed up and rejected

C. A bullish engulfing

D. A doji with equal wicks

Timeframes — Why Two Traders See Opposite Things.

MODULE 2 — READING THE CHART · LESSON 7

Choose a sensible pair of timeframes, read the higher one for direction and the lower one for timing, and avoid the trap of trading against the bigger picture.

Two traders look at EUR/USD at the same moment. One says it is clearly going up. The other says it is clearly going down. Both are looking at accurate charts from the same broker. Neither is wrong — they are simply looking at different **timeframes**.

This is one of the most common sources of confusion for new traders, and one of the most expensive. It produces the trader who sees a "downtrend" on the five-minute chart, sells, and is flattened by a daily uptrend they never looked at. It also produces the trader who flicks between six timeframes until one agrees with what they already wanted to do.

This lesson gives you a simple, fixed way to use timeframes: one for direction, one for timing, chosen in advance and never swapped mid-trade. It is the written version of the Trading Foundry film on timeframes.

What a timeframe is

A chart's timeframe is the period each candle covers:

- **M1, M5, M15** — one, five and fifteen minutes.
- **H1, H4** — one and four hours.
- **D1** — one day.
- **W1** — one week.

The market underneath is the same. A daily candle is simply the summary of 24 hourly candles; an hourly candle is the summary of 60 one-minute candles. Change the timeframe and you change the zoom, not the market.

But the zoom changes what you see. A strong daily uptrend contains plenty of hourly sell-offs. A neat-looking hourly downtrend may be nothing more than a two-day dip inside that bigger rise.



The daily chart of a training market: a steady uptrend making higher highs and higher lows across three months. The last four candles, shaded amber, are a small dip — barely worth noticing at this zoom. Now look at those same four days on the hourly chart.



The same four days, now on one-hour candles. Here the market looks firmly bearish: lower highs and lower lows for 50 pips. Both traders are reading their charts correctly. The hourly trader is seeing a pullback inside the daily trend — and selling it means trading against the bigger, more powerful picture.

KEY POINT

Every timeframe is accurate. The question is not which one is true, but which one you let decide direction.

Higher timeframes carry more weight

Why should the higher timeframe usually win the argument? Because it summarises more trading. A daily trend reflects the decisions of every participant over weeks — including large funds and businesses whose orders take days to fill. A five-minute move might reflect a few large orders and some algorithms reacting to each other.

So when the hourly chart says "down" and the daily chart says "up", the most likely story is that you are looking at a dip in a rising market. It might become a reversal. But until the higher timeframe itself shows the trend breaking, the odds favour it continuing.

This leads to a simple discipline: **use the higher timeframe for direction and the lower timeframe for timing.** If the H4 chart is in an uptrend, you look only for buying opportunities on the H1 chart. If the H4 is in a downtrend, only selling opportunities. If the H4 is going sideways with no clear direction, you probably do nothing.



A losing example. On H1, GBP/USD has made a run of lower highs and lower lows, so a trader sells the next small bounce. But the four-hour trend is up, and this dip is a pullback within it. Buyers return, the short is stopped out, and the H4 trend resumes. The hourly pattern was real; it was simply the smaller force.

Pairing your timeframes

A common, workable rule of thumb is to use two timeframes roughly four to six times apart:

DIRECTION (HIGHER)	TIMING (LOWER)	TYPICAL HOLDING TIME
W1	D1	Weeks
D1	H4	Days
H4	H1	Hours to a couple of days
H1	M15	Hours

For beginners, this course recommends **H4 for direction and H1 for timing**. It is slow enough to think, fast enough to see several opportunities a week, and the stops are wide enough that costs are a small fraction of them (Lesson 3). It also fits around most working lives better than you might expect: an H1 candle gives you an hour to decide.

The routine is called **top-down analysis**:

1. On H4, decide the direction: uptrend, downtrend or no trend (Lesson 8).
2. On H4, mark the key support and resistance zones (Lesson 9).
3. Drop to H1 and wait for price to reach one of those zones in line with the H4 direction.
4. Use an H1 candle signal at that zone as the trigger, with a stop beyond the zone.



The four-hour chart is in an uptrend, so only buys are allowed. Price dips back to a support zone marked on H4. On the hourly chart a rejection candle forms in the zone; the trade buys above it with a stop below the zone and a target at 2R. The higher timeframe chose the direction; the lower timeframe chose the moment.

COMMON MISTAKE

Timeframe shopping — flicking between charts until one tells you what you want to hear, or moving to a lower timeframe mid-trade to "check" a position and closing it on a five-minute wobble. Choose your two timeframes before you look at the market, and manage the trade on the timeframe you entered it on.

Why beginners should avoid the smallest timeframes

The one-minute and five-minute charts look exciting. Things happen constantly. That is precisely the problem.



Ninety minutes of EUR/USD on one-minute candles. The swings are three to five pips — not much bigger than the all-in cost of a trade. Patterns appear and dissolve every few minutes. Short-term trading can be done, but it demands lower costs, faster execution and more discipline than any beginner has yet.

On M1 and M5 charts:

- The swings are small, so **costs are a large share** of every stop and target.
- **Noise dominates.** Random wiggles are hard to tell from real moves.
- Decisions have to be made in seconds, which favours emotion over thought.
- You can take dozens of trades a day, which multiplies every mistake.

None of this makes short-term trading impossible — the Trading Foundry scalping course exists for those who want to learn it properly. It simply means it is the wrong place to *learn*.

A top-down routine in words

Here is what the routine sounds like in practice, on an illustrative Tuesday morning.

"On H4, EUR/USD has made three higher highs and three higher lows over the past two weeks. That is an uptrend, so today I am only interested in buying. The last swing high, broken yesterday, is at about 1.0900, and that area — 1.0892 to 1.0904 — is the nearest support zone below price. Price is currently 35 pips above it. Nothing to do yet."

Two hours later: "Price has pulled back into the zone. I switch to H1. The last H1 candle closed with a long lower wick and a body near its high, inside the zone. That is a rejection candle in the direction of the H4 trend, at an H4 level. Now I can plan a trade: entry above the candle's high, stop below the zone and the wick, target at least twice the risk and short of the next resistance."

Notice what did *not* happen. The trader did not look at the H1 chart until H4 had pointed somewhere. They did not take a trade because H1 looked exciting at 07:00. They did not check M5 to fine-tune anything. The higher timeframe made two decisions — direction and location — and the lower timeframe made one: timing. Keeping those jobs separate is most of the skill.

Going deeper

Fractal, but not identical. Markets look broadly similar at every zoom level — trends, pullbacks and ranges at every scale. But they are not identical. Lower timeframes have proportionally more noise and higher costs relative to the moves; higher timeframes have bigger stops, fewer trades and more exposure to overnight and weekend gaps. Pick the scale whose trade-offs suit your account, costs and time.

Alignment in three layers. Some traders add a third, higher timeframe for context — for example D1 for the big picture, H4 for direction and H1 for timing. When all three agree, the conditions are strongest. When the D1 is heading into a major resistance level, even a clean H4 uptrend deserves caution, because the bigger picture may be about to push back.

Candle times and your broker's clock. H4 and D1 candles open and close at times set by your broker's server clock. A broker on New York close time produces five daily candles a week; one on UK time may produce a small sixth candle on Sunday evening. This changes how daily candles look, so be aware which you are using if you compare charts.

Holding time follows timeframe. A trade entered on H1 with a stop based on H1 structure will usually take hours to a day or two to resolve. If you cannot leave a position open overnight, H1 entries late in the London afternoon may not suit you. Plan your timeframe around your actual availability.

THE RULES

- Choose two timeframes before looking at the market: H4 for direction, H1 for timing in this course
- Only trade in the direction of the higher timeframe's trend; if it has no clear direction, stand aside
- Manage a trade on the timeframe you entered it on — no switching down to "check"
- No M1 or M5 trading while learning

Summary

- A timeframe is the period each candle covers; changing it changes the zoom, not the market.
- Different timeframes can show opposite directions at the same moment, and both are accurate.
- Higher timeframes summarise more trading and usually win the argument: use them for direction.
- Use the lower timeframe for timing. This course uses H4 for direction and H1 for timing.
- The smallest timeframes are dominated by noise and costs — the wrong place to learn.

CHECK YOURSELF · ANSWERS AT THE BACK

1. The daily chart shows a strong uptrend; the hourly chart shows a run of lower highs and lower lows. What is the most likely interpretation?
   A. The daily chart is wrong
   B. The hourly chart is showing a pullback within the daily uptrend
   C. The market has definitely reversed
   D. Both charts are showing the same thing
2. Using this course's top-down approach, the H4 chart is in a downtrend. What should you look for on H1?
   A. Buying opportunities at support
   B. Selling opportunities at resistance
   C. Any setup at all
   D. Nothing — H1 is not used
3. In 'Fighting the bigger trend', why was the short stopped out?
   A. The stop was too far away
   B. The H1 decline was a pullback in an H4 uptrend, and buyers resumed the bigger trend
   C. The trade was entered on the wrong pair
   D. Spreads widened
4. Which is the biggest practical problem with M1 charts for a beginner?
   A. They are not accurate
   B. Swings are small relative to costs and dominated by noise, and decisions must be made in seconds
   C. Brokers charge more for M1 charts
   D. They only work on yen pairs
5. A trader enters on H1, then watches the M5 chart and closes the trade on a small five-minute drop that never threatened the H1 stop. What has gone wrong?
   A. Nothing; closing early is always safer
   B. They switched timeframes mid-trade and let noise override the plan
   C. They should have used a lower timeframe to enter
   D. The stop was too tight

Trend or Range? Reading Market Structure.

MODULE 2 — READING THE CHART · LESSON 8

Identify uptrends, downtrends and ranges from swing highs and lows, spot when a trend is breaking, and decide which conditions are worth trading at all.

Before you ask "should I buy or sell?", there is a more important question: **what kind of market is this?** A market that is trending behaves very differently from one that is going sideways, and an approach that works well in one tends to lose steadily in the other. Most beginners never ask the question. They use the same idea everywhere and are baffled when it works for a month and then stops.

This lesson teaches you to read **market structure** — the pattern of swing highs and swing lows — so you can label any chart as an uptrend, a downtrend or a range, quickly and objectively. It is the foundation for the H4 "direction" step in the top-down routine from Lesson 7.

Swing highs and swing lows

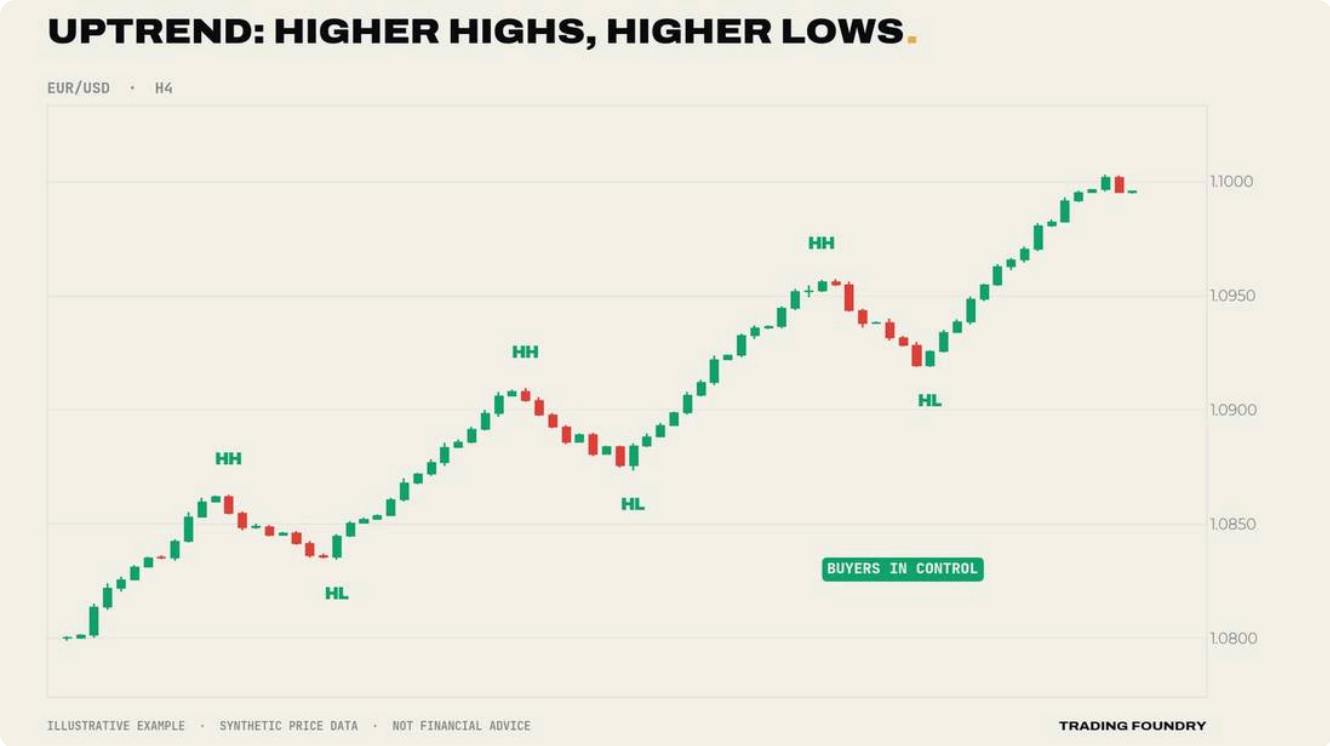
Price never moves in straight lines. It moves in waves: a push, a pause or pullback, another push. The turning points of those waves are **swings**.

- A **swing high** is a peak: a candle with lower highs on either side of it.
- A **swing low** is a trough: a candle with higher lows on either side of it.

On any chart there are tiny swings everywhere. For reading structure, you want the obvious ones — the peaks and troughs you would point to if someone asked "where did price turn?". On H4, those are typically 30 to 100 pips apart on the major pairs. If you have to squint, it is not a swing.

The uptrend

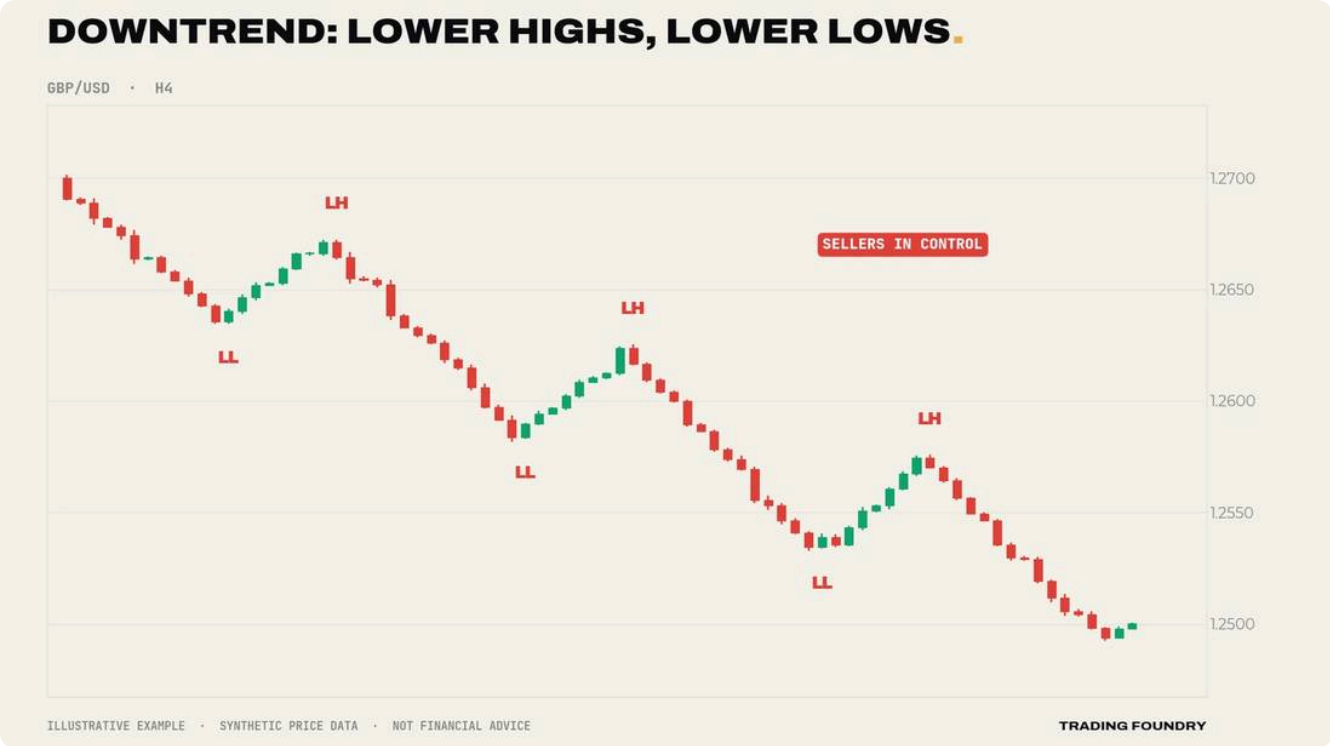
An **uptrend** is a sequence of **higher highs (HH) and higher lows (HL)**. Each push up goes further than the last, and each pullback stops above the previous pullback's low. Buyers are in control: they are willing to pay more on each wave, and they step in sooner on each dip.



A clean uptrend. Each peak (HH) is higher than the last, and each pullback low (HL) holds above the previous one. While that sequence continues, the trend is intact and the simplest bias is to look for buying opportunities on the pullbacks.

The downtrend

A **downtrend** is the mirror image: **lower highs (LH) and lower lows (LL)**. Each rally fails below the previous one and each sell-off breaks to a new low. Sellers are in control.



A clean downtrend. Every rally fails below the previous rally's high (LH), and every decline breaks to a new low (LL). The bias is to look for selling opportunities when price rallies into resistance — never to buy because it 'looks cheap'.

KEY POINT

Uptrend = higher highs and higher lows. Downtrend = lower highs and lower lows. Anything else is not a trend.

The range

A **range** is a market moving sideways between a reasonably clear ceiling and floor. Highs are roughly equal; lows are roughly equal. Neither side is in control for long. Markets spend a great deal of their time in ranges — often more than in trends.



A range: price bounces between a ceiling around 1.0910 and a floor around 1.0850 for weeks. Highs are roughly level and so are lows — no higher highs, no lower lows. Trend-following ideas struggle here, and the middle of the range is the least informative place on the chart.

In a range, the edges carry information and the middle carries very little. Buying in the middle has the ceiling as an obstacle a few dozen pips away and the floor as a stop a few dozen pips the other way — a poor trade-off either direction. For beginners, the simplest approach is: **trade trends, and treat ranges as a reason to wait.** Range-trading strategies exist and can be learned later, but they need their own rules.

When a trend ends

Trends do not last for ever. The structure itself usually gives the first warning.

In an uptrend, watch for two things:

1. **A failure to make a higher high.** Price rallies but stalls below the previous peak. That is a lower high — the first crack.
2. **A break of the last higher low.** Price falls below the most recent pullback low. Now the sequence of higher lows is broken too.

When both have happened, the uptrend is over as far as structure is concerned. That does not mean a downtrend has started — it may become a range — but it does mean you stop looking for buys.



The trend makes two clean higher highs and higher lows. Then the next rally stalls below the prior peak — a lower high — and price falls through the last higher low. The uptrend's structure is broken. The trader stops looking for buys, whatever the indicators or news say.

COMMON MISTAKE

Calling the top of a trend on one big red candle. A single sharp drop inside an uptrend is usually just a pullback. Wait for structure — a lower high and a break of the last higher low — before deciding the trend has changed.

Practice drill: trend or not?

Here is a chart to read before you look at the answer. Label the structure, then decide: is this a market where a beginner using this course's approach should be looking for a trade?

PRACTICE DRILL · BUY, SELL OR WAIT? DECIDE, THEN TURN THE PAGE



Four hours per candle, GBP/USD. Read the swing highs and lows. Is this a trend you can trade in the direction of — and is price somewhere useful right now? Decide, then press REVEAL.

THE REVEAL



THE ANSWER

No trade. Look at the swings: the highs are roughly equal near the top zone and the lows are roughly equal near the bottom zone — no higher highs, no lower lows. This is a range, and price is sitting in the middle of it, the least informative place on the chart. After the reveal, price keeps bouncing between the edges. A trend trader has no direction to follow here; the right decision is to wait for structure to change.

Labelling structure, step by step

When you first try this, it can feel subjective. A simple, repeatable procedure helps.

1. **Open H4 with about two months of history.** Remove indicators so you can see the swings.
2. **Mark the five or six most obvious turning points**, working from left to right. Only mark swings where price clearly changed direction and travelled a meaningful distance afterwards — not every two-candle wobble.
3. **Compare each high with the previous high**, and each low with the previous low. Write HH, LH, HL or LL next to each.
4. **Read the most recent three or four labels.** HH and HL together: uptrend. LH and LL together: downtrend. A mixture, or roughly equal levels: range or transition.
5. **Write the verdict down** — "H4: uptrend", "H4: downtrend" or "H4: no trend" — before you look at any other chart.

That last step matters more than it looks. If you write "no trend" and then catch yourself hunting for a buy on H1 an hour later, you have caught yourself breaking your own plan. Without the written verdict, you would

never notice.

Ranges inside trends, trends inside ranges

Structure exists on every timeframe at once, which is why Lesson 7 insists on one timeframe for direction. A healthy H4 uptrend often contains short H1 ranges — pauses where the market digests a move before the next push. Equally, a wide D1 range can contain perfectly tradeable H4 trends running from one side of it to the other.

This is not a contradiction. It simply means your label is always "an uptrend *on H4*" or "a range *on H4*". When the direction timeframe is trending, a small range on the timing timeframe is just a pause. When the direction timeframe is ranging, a neat trend on the timing timeframe is just a trip from one side of the box to the other, and it will probably stop at the far edge.

Going deeper

Choosing which swings count. Structure depends on which swings you treat as significant, and that is where subjectivity creeps in. Two practical aids: first, judge swings on your direction timeframe (H4 here), not on the timing timeframe. Second, a swing only "counts" if the move away from it was meaningful — for example, at least a third of the average daily range. Write your own definition down and apply it consistently; consistency matters more than which definition you pick.

Trend strength. Not all trends are equal. Strong trends have deep pushes and shallow pullbacks — a pullback that retraces only a third of the previous push. Weakening trends have shallower pushes and deeper pullbacks, often retracing more than two-thirds. Watching the ratio of push to pullback gives an early, objective clue that a trend is tiring before the structure actually breaks.

Moving averages as a helper. A moving average such as the 50-period EMA can help you see the trend at a glance: price mostly above a rising average in an uptrend, mostly below a falling one in a downtrend, and crossing back and forth through a flat average in a range. It is a summary of structure, not a replacement for reading it. The Trading Foundry trend courses go into this properly.

Regimes change. A market can trend for months and then range for months. Strategies that rely on trends tend to give back profit in ranges, and vice versa. Labelling the regime first, and having a rule for "no trade" conditions, is one of the simplest ways to avoid giving back what a good trend gave you.

THE RULES

- Label the H4 structure before every trade: uptrend (HH + HL), downtrend (LH + LL), or range
- Only look for buys in an H4 uptrend and sells in an H4 downtrend
- A trend is over when it fails to make a new extreme and breaks its last pullback swing
- In a range, or in the middle of one, stand aside

Summary

- Structure is the pattern of swing highs and lows on your direction timeframe.
- Uptrend: higher highs and higher lows. Downtrend: lower highs and lower lows. Range: roughly equal highs and lows.
- In a range, the edges hold the information; the middle has none.
- A trend ends when it fails to make a new extreme and then breaks its last pullback swing.
- For beginners: trade trends, and treat ranges as a reason to wait.

CHECK YOURSELF · ANSWERS AT THE BACK

1. Which sequence describes an uptrend?
   A. Lower highs and lower lows
   B. Higher highs and higher lows
   C. Equal highs and equal lows
   D. Higher highs and lower lows
2. In an uptrend, price rallies but stalls below the previous peak, then falls through the last higher low. What has happened?
   A. The uptrend has been confirmed
   B. The uptrend's structure has broken
   C. A new uptrend has started
   D. Nothing important
3. Why is the middle of a range a poor place to enter?
   A. Spreads are always wider there
   B. There is an obstacle on each side at similar distances, so neither direction offers a good stop-to-target trade-off
   C. Ranges cannot be traded
   D. Price never visits the middle
4. In the drill chart, what was the right decision?
   A. Buy, because price just bounced
   B. Sell, because price just fell
   C. No trade: it was a range and price was in the middle of it
   D. Buy, because ranges always break upwards
5. A downtrend makes a lower low, then rallies above the previous lower high. What does structure say?
   A. The downtrend is stronger
   B. The downtrend's sequence has broken; stop looking for sells until structure is clear again
   C. Buy immediately; an uptrend is confirmed
   D. Nothing; only candles matter
6. Which observation suggests a trend is weakening before its structure breaks?
   A. Pushes getting longer and pullbacks shallower
   B. Pushes getting shorter and pullbacks deeper

C. Candles getting greener

D. The spread narrowing

Support and Resistance — Marking the Levels That Matter.

MODULE 3 — LEVELS, ORDERS AND RISK · LESSON 9

Draw support and resistance as zones rather than lines, grade a level's strength, recognise role reversal, and know when a level has failed.

If you asked a room of experienced traders, using very different methods, to name one tool they all rely on, most would say the same thing: support and resistance. It is the oldest idea in charting and it is still the most useful. It tells you where price has turned before, and therefore where it is most likely to react again.

It is also one of the easiest tools to misuse. Beginners draw dozens of lines until the chart looks like a barcode, then any move can be "explained" after the fact. That is not analysis; it is decoration. This lesson teaches a stricter approach: few levels, drawn as zones, graded by evidence, and used only in the context of the trend you identified in Lesson 8.

What support and resistance are

Support is a price area where falling prices have repeatedly stopped and turned up. Buyers have stepped in there before.

Resistance is a price area where rising prices have repeatedly stopped and turned down. Sellers have stepped in there before.

Why would price remember a level at all? There are a few plausible, ordinary reasons. Traders who bought at a level and saw price rise are inclined to buy there again. Traders who missed the first move wait for a return to get in. Traders who bought just before a fall and endured a loss are inclined to sell when price comes back to their entry, to get out flat. Orders cluster around round numbers and obvious turning points. None of this needs a conspiracy; it is simply many people looking at the same chart and remembering the same prices.



Three separate declines stop in the same 16-pip area and turn higher. Each time, buyers were willing to step in around the same prices. The more clearly a level has turned price before, the more traders are watching it — and the more likely it is to provoke a reaction next time.

KEY POINT

Support and resistance are areas where price has turned before. They are not magic; they are memory, and they tell you where a reaction is most likely.

Zones, not lines

Price is not precise. A level that turned the market three times did not turn it at exactly the same price each time: once the low was 1.0796, once 1.0802, once 1.0808. A single thin line forces you to pick one of those numbers, and price will spend its time poking through your line by a few pips and making you doubt it.

So draw **zones**: a band that covers the cluster of turning points. A useful starting rule on H4 is to draw the zone from the extreme wick to the area where the candle bodies turned. On the major pairs that usually gives a zone of roughly 10 to 25 pips. If your zone is 60 pips deep, it is not a level; it is a region, and you need a tighter definition.



Three rallies stop in the same area, but each peak is a few pips different. A thin line at 1.2700 is pierced by every one of them, which tempts the trader to believe the level has broken. The zone covers the full cluster of reactions and stays valid throughout.

How to draw your levels: a routine

Keep it simple and repeatable. On your direction timeframe (H4 in this course):

1. **Zoom out** to show roughly two to three months of H4 candles.
2. **Find the obvious turning points** — the swing highs and lows you would point to without hesitation.
3. **Look for clusters**: places where two or more turning points line up horizontally.
4. **Draw a zone** over each cluster, from the extreme wicks to where the bodies turned.
5. **Keep only the nearest two or three levels** above price and the nearest two or three below. Delete the rest.

That last step matters. The levels that matter for your next trade are the ones price can reach in the next few days. A level 400 pips away is history, not information.

Grading a level

Not all levels are equal. Before you rely on one, grade it on a few simple questions:

- **How many times has it turned price?** Two clean reactions is a level; three or more is a strong one.
- **How sharply did price leave?** A strong move away shows real interest. A slow drift away shows little.
- **How visible is it?** Levels obvious on H4 and D1 are watched by more people than those only visible on M15.

- **Is it a round number?** Levels such as 1.1000 or 150.00 attract orders and attention.
- **Does it agree with the trend?** In an uptrend, support zones where price might resume higher are the interesting ones. In a downtrend, resistance zones.

Role reversal: broken resistance becomes support

When price breaks decisively through a level, that level often changes role. Old resistance, once broken, tends to act as support when price comes back to it; old support, once broken, tends to act as resistance. Traders who sold at resistance and were proven wrong are keen to exit near their entry, and traders who missed the breakout get a second chance to buy.



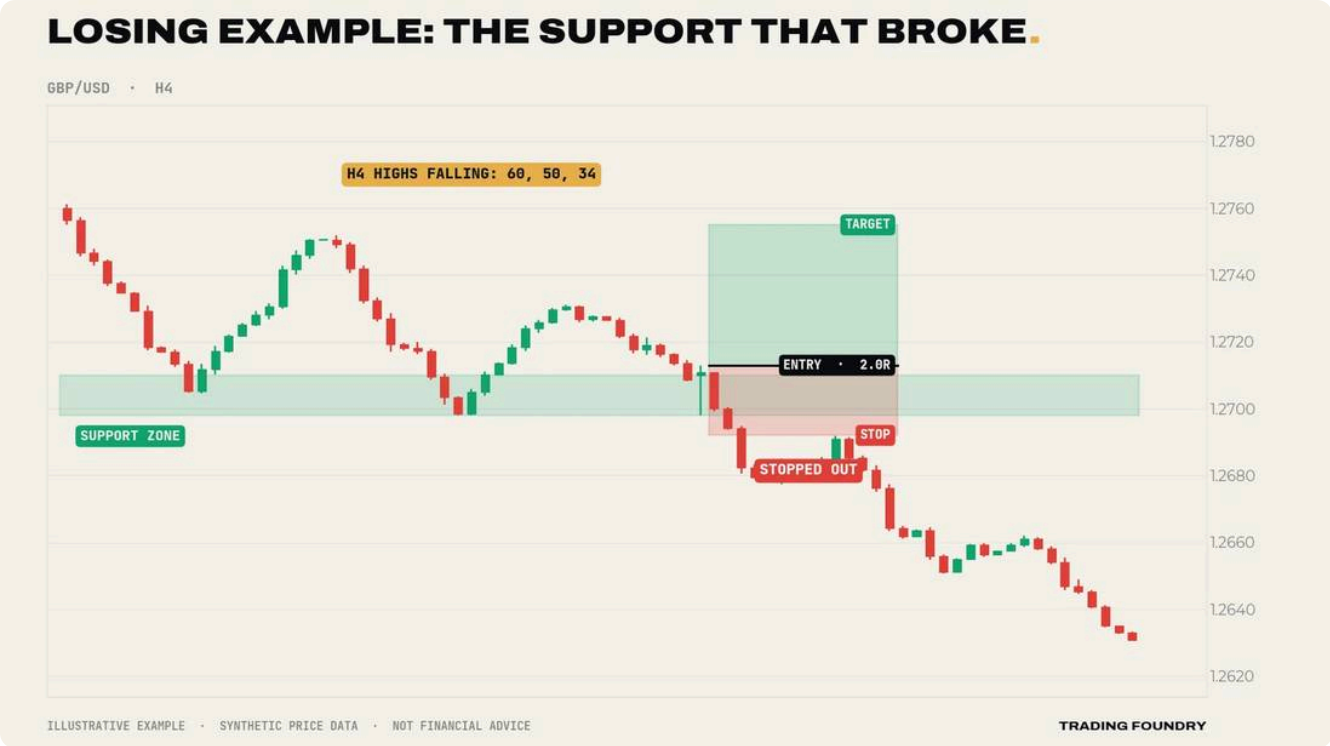
Price is capped twice by a resistance zone, then breaks through it with strong candles. When it returns to the same zone, the area that used to stop rallies now stops the decline. A rejection candle forms on the retest and the uptrend continues. Broken levels often change role — but not always, as the next chart shows.

COMMON MISTAKE

Treating every level as a wall. Levels are areas where a reaction is *more likely*, not certain. Price breaks through levels all the time — which is why every trade at a level has a stop beyond it.

When a level fails

A level fails when price closes decisively through it and keeps going. On H4, a useful rule is: a **candle body closing clearly beyond the zone**, followed by a second candle that does not reclaim it. A wick poking through and snapping back is not a failure — that is often the level doing its job.



A losing trade at support. Buyers had defended the zone twice, and a small rejection candle invited a long with the stop below the zone. Price broke through and the stop was hit for a 1R loss. Look back at the highs: 60, 50, then 34 pips above the zone — each rally weaker than the last. A level being tested by fading bounces is a level likely to give way. The stop did its job.

That losing trade is not a failure of the method. Levels fail, and that is exactly why the stop sits beyond the zone. But the chart did offer a warning: each rally from support was weaker than the one before, and the H4 structure was making lower highs. A support zone inside a market making lower highs is being leaned on, and buying it is buying against the structure.

Practice drill



Price has returned to a support zone that has held twice before. Buy here? Read the structure first, then press REVEAL.

THE REVEAL



THE ANSWER

No trade. The zone has held twice, which looks attractive, but read the structure: the highs went 120, 100, 72, 50 — a clear run of lower highs. The H4 chart is in a downtrend, and each bounce from support is weaker. Under this course's rules you only buy in an uptrend, so a long here is against the structure. After the reveal, the zone gives way and price falls a further 60 pips. A downtrend trader would have treated the broken zone as future resistance instead.

A worked example of marking a chart

Suppose GBP/USD is trading at 1.2715 on H4, and you are preparing for the week. You zoom out to about ten weeks of candles and see:

- three clear turning points between 1.2648 and 1.2660 over the past month, each followed by a rally of at least 60 pips;
- two swing highs at 1.2788 and 1.2797, each followed by a sharp sell-off;
- a former ceiling around 1.2700–1.2712 that price broke through a week ago and has not yet revisited;
- assorted smaller wiggles everywhere else.

You draw three zones: **1.2648–1.2660** (support, three reactions — strong), **1.2700–1.2712** (old resistance, possible new support — untested since the break), and **1.2786–1.2800** (resistance, two reactions, near the round number 1.2800). You ignore the smaller wiggles.

Now you have a map. If the H4 trend is up, the interesting places for a buy are the 1.2700 zone (if price pulls back to it) and the 1.2650 zone below that. The obvious first target for any long is the 1.2790s. If price is sitting

at 1.2715 right now, it is already just above the first zone — so the job is to wait, not to act. That is what most of good chart work looks like.

Going deeper

Levels as decision points, not predictions. Professional use of support and resistance is less "price will bounce here" and more "this is where I will find out who is in control". At a level, you have a nearby, logical place for a stop (just beyond the zone) and a clear test. That improves the geometry of a trade even if it does not change the odds very much.

Liquidity around obvious levels. Because many traders place stops just beyond obvious levels, price sometimes pokes through a level, triggers those stops, and then reverses. This is why stops placed right on the edge of a zone get hit so often, and why this course places stops beyond the zone *and* beyond the trigger candle's wick, with a small buffer for the spread.

Psychological levels. Round numbers (1.1000, 1.2500, 150.00) behave like levels even without prior history, because orders and option interest cluster there. Treat them as an extra reason a zone is important, not as levels to trade on their own.

Fewer levels, better levels. If you have more than about six zones on your H4 chart, you have too many. Every extra level is another excuse to see a trade that is not there.

THE RULES

- Draw support and resistance as zones (typically 10–25 pips on H4 majors), not single lines
- Keep only the nearest two or three zones above and below price
- Only buy at support in an H4 uptrend and only sell at resistance in an H4 downtrend
- Stops go beyond the zone and the trigger candle's wick, never inside the zone
- A level has failed when an H4 body closes clearly beyond it and the next candle does not reclaim it

Summary

- Support is where falling price has repeatedly turned up; resistance is where rising price has repeatedly turned down.
- Draw zones over the cluster of reactions, not thin lines through one price.
- Grade levels by number of reactions, strength of departure, visibility, round numbers and agreement with the trend.
- Broken levels often change role: old resistance becomes support and vice versa.
- Levels fail; a series of weakening bounces is a warning, and the stop beyond the zone is what limits the damage.

CHECK YOURSELF · ANSWERS AT THE BACK

1. Why does this course draw support and resistance as zones rather than lines?

   A. Zones look better on phones

   B. Price turns in clusters, not at one exact price; a zone covers the cluster and avoids false 'breaks'

   C. Brokers require zones

   D. Lines only work on yen pairs

2. Price breaks above a resistance zone, rallies, then comes back to the zone. What often happens?

   A. The zone is irrelevant now

   B. The zone often acts as support — role reversal

   C. Price must fall back below it

   D. The broker removes the level

3. Which observation best warns that a support zone may be about to fail?

   A. Each bounce from support is weaker than the last, with lower highs

   B. The zone is near a round number

   C. The zone has been tested twice

   D. A wick briefly pokes below the zone and closes back inside

4. In the drill, why was buying at support the wrong call?

   A. The zone had never held before

   B. The H4 structure was a downtrend of lower highs, so a long was against the trend

   C. Support zones can only be sold

   D. The spread was too wide

5. Where should a stop go on a long trade from a support zone?

   A. In the middle of the zone

   B. Exactly on the top edge of the zone

   C. Beyond the bottom of the zone and the trigger candle's wick, with a small buffer

   D. There is no need for a stop at strong support

6. You have drawn 14 zones on your H4 chart. What should you do?

   A. Add more for accuracy

   B. Keep only the nearest two or three above and below price, based on the clearest reactions

   C. Switch to M5 to see them better

   D. Trade every zone

Order Types — Market, Limit, Stop, and the Orders That Protect You.

MODULE 3 — LEVELS, ORDERS AND RISK · LESSON 10

Choose between market, limit and stop orders for any entry, attach a stop-loss and take-profit to every trade, and understand when slippage and gaps can change your fill.

You can have the best analysis in the world and still lose money on the mechanics. Beginners chase price with market orders at the worst moment, forget to attach a stop, or place a "stop" order thinking it is a "limit" and get filled in exactly the wrong direction. These are not trading mistakes so much as button mistakes. They are entirely avoidable.

This lesson covers the handful of order types you need, what each one does, and which to use when. It also covers the two orders that should accompany every single trade you ever place: the stop-loss and the take-profit.

Platforms name things slightly differently — "pending order", "entry order", "working order" — but the underlying types below are universal. Practise every one of them on a demo account before using them with real money.

Market orders: now, at the best available price

A **market order** buys or sells immediately at the best price available. Buy at market and you pay the current ask; sell at market and you receive the current bid.

Its strength is certainty of execution: you are in. Its weakness is uncertainty of price: in a fast market, the price you get may be worse than the price you saw when you clicked. That gap is slippage (Lesson 3).

Use market orders when your trigger has already happened and you want in now — for example, when an H1 signal candle has just closed and you are entering at the open of the next candle.

Limit orders: a better price, or nothing

A **limit order** waits for price to come to you, at a price *better* than the current one.

- A **buy limit** sits **below** the current price. "Buy, but only if price falls to here."
- A **sell limit** sits **above** the current price. "Sell, but only if price rises to here."

Limit orders fill at your price or better, so there is no negative slippage on entry. The cost is that the order may never fill — price can turn just before reaching it, and the move happens without you.



With price still above a support zone, the trader places a buy limit near the top of the zone. Price falls into it, the order fills at the chosen price, and the market turns higher. A limit order says: I want this price or better — and if price never comes, I do not trade.

Stop orders: only if price proves the move

A **stop order** (as an entry, sometimes called a stop-entry or buy stop / sell stop) waits for price to move *further* in the direction you want, at a price *worse* than the current one.

- A **buy stop** sits **above** the current price. "Buy, but only if price rises to here."
- A **sell stop** sits **below** the current price. "Sell, but only if price falls to here."

Why pay a worse price? Because the stop order makes price prove itself first. If you want to buy only if price breaks above a candle's high, a buy stop just above that high does the job without you watching the screen. If price never gets there, you never get in — which is often exactly what you want.



A rejection candle (the signal candle) forms on H1. Instead of buying immediately, the trader places a buy stop two pips above its high. Two candles later price breaks that high and the order triggers. Had price instead fallen away, the order would never have filled and would simply be cancelled.

KEY POINT

Limit = a better price than now (buy below, sell above). Stop = a worse price than now, as confirmation (buy above, sell below). Mixing them up enters you in the wrong direction at the wrong time.

The stop-loss: the order that keeps you in business

A **stop-loss** is an order attached to your open trade that closes it automatically if price reaches a set level against you. On a long trade it is a sell stop below entry; on a short, a buy stop above.

The stop-loss is not optional, not a sign of weakness and not something to "add later". It is the single order that turns an open-ended risk into a known one. This course's rule is absolute: **the stop-loss is attached at the moment of entry, every time**, at the level your analysis says the idea is wrong — beyond the zone and the signal candle's wick.

The take-profit: deciding the exit in advance

A **take-profit** is the mirror image: an order that closes the trade automatically when price reaches your target. A long trade's take-profit is a sell limit above entry; a short's is a buy limit below.

Placing it in advance has two benefits. You do not need to be watching when the target is reached. And you make the exit decision while calm, before greed and fear are involved.



A long trade with all three parts in place from the start: entry, stop-loss 14 pips below and take-profit 28 pips above, a 2R trade. The stop-loss is a sell stop; the take-profit is a sell limit. Once placed, the trade manages itself — the trader's job is not to interfere.

When orders do not fill where you asked

A stop-loss is a stop order, and once triggered it becomes a market order. In normal conditions it fills at or very close to your level. In a fast market — a news release, a thin roll-over hour — or over a weekend gap, it can fill beyond your level.



A long held into a scheduled data release. The release candle drops more than 40 pips in seconds; the stop at 12 pips below entry triggers, but in the rush the fill comes 6 pips worse. A planned 1R loss becomes 1.5R. This is why this course avoids holding tight-stopped trades through high-impact news.

That is not a reason to avoid stops. A stop that slips 6 pips is infinitely better than no stop at all. It is a reason to avoid holding small-stopped positions into scheduled news, and to keep position sizes modest enough that occasional slippage is survivable.

COMMON MISTAKE

Moving the stop further away as price approaches it, "to give the trade more room". That converts a planned 1R loss into an unplanned bigger one, and it is the single most common way small losses become account-damaging ones. Stops move only in your favour, or not at all.

Which order for which job

JOB	ORDER	SITS	FILLS
Enter now	Market	—	Immediately, at best available price
Buy at a lower price	Buy limit	Below price	At your price or better, if reached
Sell at a higher price	Sell limit	Above price	At your price or better, if reached
Buy only on a break higher	Buy stop	Above price	Once triggered, at next available price
Sell only on a break lower	Sell stop	Below price	Once triggered, at next available price
Cap the loss	Stop-loss	Beyond your invalidation	Once triggered, at next available price
Bank the target	Take-profit	At your target	At your price or better

A worked example of all three orders together. EUR/USD is in an H4 uptrend and an H1 bullish pin bar has just closed at a support zone: high 1.0886, low 1.0871. The plan:

- **Entry:** buy stop at 1.0888, two pips above the high. If price never trades above the pin bar, there is no trade.
- **Stop-loss:** sell stop at 1.0868, below the zone and the wick, 20 pips from entry.
- **Take-profit:** sell limit at 1.0928, 40 pips from entry — twice the risk.

All three are placed at the same time. Many platforms let you attach the stop-loss and take-profit to the pending entry order, so they activate automatically if it fills. Check that they have — a pending order with no attached stop is an accident waiting for a fast market.

Going deeper

Order duration. Pending orders have a time-in-force: "good till cancelled" (GTC) stays live until you remove it; "good for day" expires at the end of the trading day. Leaving a forgotten GTC buy stop live for a week is how traders discover they are in a trade they no longer want. Review pending orders every session.

OCO (one cancels other). Some platforms let you link two orders so that when one fills, the other is cancelled — for example, a buy stop above a range and a sell stop below it. Useful, but with a beginner's plan of one direction from the H4 trend, rarely necessary.

Trailing stops. A trailing stop follows price at a fixed distance as it moves in your favour, locking in profit. They sound ideal and often perform worse than expected in practice, because ordinary pullbacks hit them. Learn fixed stops and fixed targets first; experiment with trailing only once you have a journal to judge it against.

Entry choice changes results. A limit order at a zone gives a better price and a tighter stop but misses some trades; a stop order above a signal candle gets confirmation but a slightly worse price. Neither is right in general. This course's beginner plan uses a stop order above the signal candle, because confirmation keeps beginners out of trades where price never actually turns.

THE RULES

- Every trade has a stop-loss and take-profit attached at the moment of entry
- Stops move only in the trade's favour, or not at all
- Enter with a buy stop above (or sell stop below) the closed signal candle, not by chasing with a market order
- Cancel any pending order whose setup is no longer valid, and review pending orders every session

PRE-TRADE CHECKLIST

- ☐ Order type matches the plan: buy stop above / sell stop below the signal candle
- ☐ Stop-loss attached beyond the zone and wick, plus spread
- ☐ Take-profit attached at the planned target
- ☐ No high-impact news for either currency within 30 minutes
- ☐ Order duration set, and a reminder to review it

Summary

- Market orders fill now at the best available price, with possible slippage.
- Limit orders wait for a better price (buy below, sell above) and may not fill.
- Stop orders wait for confirmation at a worse price (buy above, sell below).
- Every trade carries a stop-loss and take-profit from the moment of entry.
- Stops can slip in fast markets and gaps, which is a reason to avoid news with tight stops — never a reason to trade without one.

CHECK YOURSELF · ANSWERS AT THE BACK

1. EUR/USD is at 1.0900. You want to buy only if it falls to 1.0870. Which order?

   A. Buy stop at 1.0870

   B. Buy limit at 1.0870

   C. Sell limit at 1.0870

   D. Market order now

2. GBP/USD is at 1.2700. You want to buy only if it breaks above 1.2725. Which order?

   A. Buy limit at 1.2725

   B. Buy stop at 1.2725

   C. Sell stop at 1.2725

   D. Sell limit at 1.2725

3. What type of order is the stop-loss on a short trade?

   A. A sell limit below entry

   B. A buy stop above entry

   C. A buy limit below entry

   D. A sell stop above entry

4. In 'A stop that slipped', why was the loss 1.5R instead of 1R?

   A. The trader moved the stop

   B. The broker charged a penalty

   C. A fast data-release candle jumped through the stop level and the fill came 6 pips worse

   D. The take-profit was hit first

5. Your long is 4 pips from its stop-loss. What does this course's rule say?

   A. Move the stop further away to give it room

   B. Remove the stop and wait

   C. Leave it; stops move only in your favour or not at all

   D. Double the position to average down

6. What is the main trade-off between a limit entry and a stop entry?

   A. Limit orders are always better

   B. Limit gets a better price but may miss trades; stop gets confirmation at a slightly worse price

   C. Stop orders cannot be used for entries

   D. There is no difference

Risk Per Trade and Position Sizing — The Maths That Keeps You Trading.

MODULE 3 — LEVELS, ORDERS AND RISK · LESSON 11

Choose a fixed risk per trade, calculate the exact position size for any stop on any pair in your own account currency, and measure results in R.

If you take one lesson from this course into every trade you ever place, make it this one. Pattern reading, levels, timing — all of it matters, but none of it protects you if a single trade can do serious damage to your account. Position sizing is what makes losses small, equal and survivable. It turns trading from a series of bets into a process you can measure and improve.

The idea is simple: **decide in advance how much of your account you are prepared to lose if a trade is wrong, put the stop where the chart says the idea is wrong, and then calculate the position size that makes those two numbers agree.** The stop comes from analysis. The risk comes from your rules. The position size is the output — never the input.

This lesson works through the maths in full, with four worked examples in pound and dollar accounts. All exchange rates and figures are illustrative.

Step one: risk a fixed percentage

Professional and serious retail traders typically risk a small, fixed **percentage of their account** on each trade. For learning and early live trading, this course uses **0.5% to 1%**.

On a £5,000 account:

- 1% risk = **£50** per trade.
- 0.5% risk = **£25** per trade.

Why a percentage rather than a fixed amount? Because it scales automatically. After a run of losses, 1% of a smaller account is a smaller amount, so you lose more slowly when things are going badly. After a run of wins, it grows with you. And it makes every trade the same size *in risk terms*, so no single trade can matter more than any other.

Why so small? Because losing streaks are normal. Even a sound method can produce long runs of consecutive losses over a few hundred trades. Look at what streaks do at different risk levels:

RISK PER TRADE	AFTER 5 LOSSES	AFTER 10 LOSSES	GAIN NEEDED TO RECOVER FROM 10
0.5%	−2.5%	−4.9%	+5.1%
1%	−4.9%	−9.6%	+10.6%
2%	−9.6%	−18.3%	+22.4%
5%	−22.6%	−40.1%	+67.0%

At 1%, ten losses in a row is an unpleasant fortnight. At 5%, it is a disaster that takes a 67% gain just to undo. The method is the same; only the size changed.

KEY POINT

Choose your risk per trade before you look at the chart, and keep it fixed: 0.5–1% of the account while you are learning.

Step two: put the stop where the chart says

The stop belongs where the trade idea is proven wrong — beyond the support or resistance zone and beyond the trigger candle's wick, plus a small buffer for the spread (Lessons 9 and 10). Measure the distance from entry to stop in pips.

You do **not** move the stop closer to allow a bigger position, or further away because a round number feels nicer. The chart decides the stop.

Step three: calculate the position size

The one formula:

Position size (lots) = money at risk ÷ (stop distance in pips × pip value per lot)

with the pip value per lot expressed in your account currency (Lesson 2).

Worked example 1: pound account, pound-quoted pair

- Account £5,000, risk 1% = **£50**.
- Pair **EUR/GBP**, stop **25 pips**.
- Pip value per lot: **£10** (quote currency is GBP).
- Size = £50 ÷ (25 × £10) = £50 ÷ £250 = **0.20 lots**.
- Check backwards: 0.20 × £10 = £2 per pip; × 25 pips = **£50**. Correct.

Worked example 2: pound account, dollar-quoted pair

- Account £5,000, risk 1% = **£50**.

- Pair **GBP/USD**, stop **25 pips**. GBP/USD rate 1.2700.
- Convert the risk into dollars: £50 × 1.27 = **$63.50**.
- Pip value per lot: **$10**.
- Size = $63.50 ÷ (25 × $10) = 0.254 → round **down** to **0.25 lots**.
- Check: 0.25 × $10 × 25 = $62.50 = £49.21. Just under £50 — the right side to miss on.

Worked example 3: pound account, yen pair

- Account £5,000, risk 1% = **£50**.
- Pair **USD/JPY**, stop **40 pips**. GBP/JPY rate 190.50.
- Pip value per lot: ¥1,000 ÷ 190.50 = **£5.25**.
- Size = £50 ÷ (40 × £5.25) = £50 ÷ £210 = 0.238 → round down to **0.23 lots**.
- Check: 0.23 × £5.25 × 40 = **£48.30**.

Worked example 4: dollar account

- Account $10,000, risk 0.5% = **$50**.
- Pair **EUR/USD**, stop **20 pips**. Pip value per lot **$10**.
- Size = $50 ÷ (20 × $10) = **0.25 lots**.

Notice the pattern in every example: **round down, never up.** Rounding up "because it's only a bit" is how 1% becomes 1.2%, then a habit.



Worked example 2 on a chart. Entry is a buy stop above the signal candle at 1.2739; the stop sits below the zone and the wick at 1.2714 — 25 pips. At £50 risk, the size is 0.25 lots. The target is 50 pips away, 2R. When it is hit, the gain is 50 × $2.50 = $125, about £98: two units of the £49 actually risked.

The see-saw: stop distance and size

Here is the idea that clicks for most people once they see it. A wider stop does not mean "risking more". It means trading a **smaller** position, so the money at risk is unchanged.



A pound account trading EUR/GBP. The chart puts the stop 20 pips away, so at £10 per pip per lot the size is £50 ÷ (20 × £10) = 0.25 lots. If the stop is hit, the loss is 20 pips × £2.50 = £50.



A four-hour setup needs a 50-pip stop. The size drops to £50 ÷ (50 × £10) = 0.10 lots. The loss if the stop is hit is still exactly £50. Stop distance and size move in opposite directions so the risk never changes — that is the whole point.

COMMON MISTAKE

Tightening the stop to fit a position size you wanted to trade. That puts the stop where the money is comfortable rather than where the idea is wrong, and normal market noise then takes you out of trades that were never actually invalid.

Thinking in R

From now on, measure trades in **R**, where **1R is the amount you risked**. Risked £50 and lost it: −1R. Made £100: +2R. Closed at break-even: 0R.

R makes every trade comparable, whatever the account size or pair, and it makes the most important relationship in trading easy to see. If your winners average 2R and your losers are 1R, the win rate you need just to break even (before costs) is:

Break-even win rate = 1 ÷ (1 + R)

- Winners average 1R → need **50%** winners.
- Winners average 2R → need **33%**.
- Winners average 3R → need **25%**.

This is why this course insists on a target of **at least 2R**. It gives the plan room to be wrong more often than it is right and still not lose money — before costs, and assuming every loss really is 1R.

That last assumption is where many traders fall down.



A long with a planned 20-pip stop (−1R). As price approaches it, the trader moves the stop 30 pips lower 'to give it room'. Price keeps falling and the new stop is hit for a 50-pip loss: −2.5R. One moved stop has wiped out more than a full 2R winner. Planned losses only stay small if you let them happen.

Going deeper

Expectancy. Over many trades, the average result per trade in R is:

Expectancy = (win rate × average win in R) − (loss rate × average loss in R)

As a purely hypothetical illustration: a plan that wins 40% of the time with average winners of 2R and losses of exactly 1R has expectancy (0.40 × 2) − (0.60 × 1) = **+0.20R per trade**. If sloppy stop management lets the average loss drift to 1.3R, the same entries give (0.40 × 2) − (0.60 × 1.3) = **+0.02R** — almost nothing. Most struggling traders lose their edge in the loss column, not the entry column. These numbers illustrate the arithmetic; they are not a claim about any strategy.

Costs in the sizing. Your real loss at the stop includes the spread and any commission. On tighter stops (under about 15 pips), add your typical all-in cost to the stop distance when sizing. On a 12-pip stop with a 1.2-pip cost, size for 13.2 pips.

Minimum size. If the calculated size rounds below your broker's minimum (often 0.01 lots), the correct answer is to skip the trade or find a setup with a tighter valid stop — never to take it oversized. On a very small account this binds often, and that is useful information: the account may be better used for practice at micro size than for live trading at "real" stakes.

One trade at a time, and a daily stop. Two trades on correlated pairs (EUR/USD and GBP/USD, for instance) can lose together, so 1% each is really closer to 2% on one idea. For beginners: one open trade at a time, and

stop for the day after two losses. These are boundaries that protect your decision-making on bad days, when it is least reliable.

Practice drill



A £200 account risking 1% per trade (£2). The setup looks clean — an uptrend and a rejection candle at the green support zone — but the stop must sit about 40 pips from entry. Can you size this trade within your rules? Work it out, then press REVEAL.

THE REVEAL

DRILL: £200 ACCOUNT, 40-PIP STOP.



THE ANSWER

No trade — even though it would have won. The setup is good: an uptrend, a pullback into support and a clear rejection candle. But a buy stop above the candle at about 1.0924 and a stop below the wick at 1.0884 is 40 pips. The smallest size, 0.01 lots, is $0.10 per pip, about £0.079: 40 pips costs about £3.15, which is 1.6% of a £200 account, not 1%. You cannot size this trade within your rules, so you skip it. The reveal shows price rallying — and that does not change the answer. Judge decisions by the rules, not by one outcome.

THE RULES

- Risk a fixed 0.5–1% of the account per trade, chosen before looking at the chart
- The stop goes where the chart says the idea is wrong; size is calculated from it, never the other way round
- Round position size down, never up; if it rounds below the minimum, skip the trade
- Never move a stop further away
- One open trade at a time; stop for the day after two losses

PRE-TRADE CHECKLIST

- ☐ Risk amount in account currency written down (balance × risk %)
- ☐ Stop distance measured in pips, including a buffer for the spread
- ☐ Pip value per lot converted into account currency
- ☐ Size calculated, rounded down, and checked backwards
- ☐ Target at least 2R from entry

Summary

- Risk a small, fixed percentage per trade (0.5–1% while learning); losing streaks are normal and size decides whether they hurt or harm.
- Position size = money at risk ÷ (stop pips × pip value per lot), in your account currency, rounded down.
- Wider stop, smaller size; tighter stop, larger size — the money at risk stays the same.
- Measure trades in R. With 2R targets, you need about one win in three to break even before costs.
- A moved stop destroys the arithmetic; planned losses must stay 1R.

CHECK YOURSELF · ANSWERS AT THE BACK

1. Pound account of £8,000, risk 1%, EUR/GBP, stop 32 pips. What size?

   A. 0.025 lots

   B. 0.25 lots

   C. 2.5 lots

   D. 0.32 lots

2. Dollar account of $4,000, risk 0.5%, EUR/USD, stop 16 pips. What size?

   A. 0.125 lots, rounded down to 0.12

   B. 0.13 lots

   C. 1.25 lots

   D. 0.16 lots

3. Your stop on a trade widens from 20 to 40 pips. To keep the same risk, the position size should:

   A. Double

   B. Stay the same

   C. Halve

   D. Quadruple

4. Your winners average 2R and losers 1R. Before costs, roughly what win rate breaks even?

   A. 50%

   B. 40%

   C. 33%

   D. 20%

5. In 'the moved stop', what did moving the stop do?

   A. Turned a 1R loss into a 2.5R loss

   B. Turned a loss into a win

   C. Reduced the risk

   D. Nothing, because the trade lost anyway

6. In the £200 account drill, why was the right answer 'no trade' even though price rallied?

   A. The setup was against the trend

   B. The smallest available size risked about 1.6% of the account, breaking the 1% rule

   C. The broker would not allow it

   D. Support zones only work on D1

Capstone — Building Your First Simple Trading Plan.

MODULE 4 — YOUR FIRST PLAN · LESSON 12

Assemble everything in this course into a written, one-page beginner plan; follow it through three fully worked trades, including a loss; and know exactly what to practise next.

You now know what a pip is worth, what a trade costs, how leverage bites, when the market is awake, how to read candles, timeframes, trends and levels, which order to use, and how to size a position so that being wrong costs a fixed, small amount. Individually, those are pieces of knowledge. Put together and written down, they become a **trading plan**.

A plan is not a promise of profit. It is a set of decisions you make once, calmly, so that you do not have to make them again in the moment, when price is moving and your judgement is at its worst. It also makes your trading measurable: if you follow the same rules every time, your results tell you something about the rules. If you improvise, your results tell you nothing at all.

This capstone builds a deliberately simple beginner plan from the parts of this course, walks through three complete trades — two winners and a loser — and finishes with the one-page passport and the full pre-trade checklist. It is a training plan for learning on a demo account and then at the smallest live size. It is not a recommendation to trade anything in particular, and the example trades are illustrations, not real market history.

The eight parts of a plan

Every workable plan answers eight questions. Here are this course's answers.

1. **What do I trade, and when?** One major pair — EUR/USD or GBP/USD — during the London morning (after the first 30–60 minutes) or the London–New York overlap. (Lessons 2 and 5.)
2. **Which timeframes?** H4 for direction and levels; H1 for timing. (Lesson 7.)
3. **When is the market tradeable?** Only when H4 shows a clear trend — higher highs and higher lows, or lower highs and lower lows. Ranges and unclear structure mean no trade. (Lesson 8.)
4. **Where do I look for entries?** At an H4 support zone in an uptrend, or an H4 resistance zone in a downtrend, ideally one with role-reversal history. (Lesson 9.)
5. **What triggers the entry?** A closed H1 rejection candle (pin bar) or engulfing candle out of the zone in the trend direction. Enter with a buy stop above its high, or a sell stop below its low. (Lessons 6 and 10.)
6. **Where is the stop?** Beyond the zone and the signal candle's wick, plus a buffer of about the spread. (Lessons 9 and 10.)
7. **Where is the target, and how big is the trade?** The next opposing swing or zone, and at least 2R away. Size so the stop costs 0.5–1% of the account. (Lesson 11.)

8. **What are my limits?** One open trade at a time. Stop for the day after two losses. No entries within 30 minutes of high-impact news, or when the all-in cost is more than a fifth of the stop. Never move a stop further away. (Lessons 3, 4 and 11.)

KEY POINT

A plan is only useful if it is written down before you trade and followed exactly. An unwritten plan is a mood.

The playbook, step by step

Here is the plan as a routine you can run every session.

1. **Calendar check.** Note any high-impact releases for EUR, GBP or USD today. Mark the 30-minute no-entry windows.
2. **H4 structure.** Label the trend: up, down or none. If none, close the charts — there is no trade today on this pair.
3. **H4 zones.** Mark the nearest two or three support and resistance zones above and below price.
4. **Wait.** Set alerts at the zones in the trend's direction. Do nothing until price arrives.
5. **H1 trigger.** When price reaches a zone, wait for an H1 candle to close. Is it a rejection or engulfing candle pointing with the trend? If not, keep waiting — or let the zone go.
6. **Measure.** Entry (2 pips beyond the candle's extreme), stop (beyond zone and wick plus buffer), target (next opposing level). Is the target at least 2R? Is the cost under a fifth of the stop? If either answer is no, there is no trade.
7. **Size.** Calculate the position for 0.5–1% risk, round down, check backwards.
8. **Place all three orders together**: entry stop order, stop-loss, take-profit.
9. **Leave it alone.** No moving the stop away, no early exits on lower timeframe noise.
10. **Journal.** Screenshot before and after, the reasons, the R result, and one line on whether you followed the plan.

Worked trade 1: EUR/USD long (winner)

Account £5,000, risk 1% = £50. GBP/USD at an illustrative 1.2700.

H4 context. EUR/USD has made a clear series of higher highs and higher lows. The last swing high, around 1.0900, was broken strongly and price has now pulled back towards it. That old ceiling is the zone to watch: 1.0892–1.0904.



The four-hour picture: higher highs and higher lows, then a pullback to the area of the previous swing high, which price broke through earlier. Old resistance, now potential support, in an uptrend — exactly the location the plan waits for. Nothing is traded yet; this chart only says where and in which direction to look.

H1 trigger. Price reaches the zone during the London morning. An H1 bullish pin bar forms with a low at 1.0891 and a high at 1.0910, closing near its high. No news is due for two hours.

Measurements.

- Entry: buy stop 2 pips above the high = **1.0912**.
- Stop: below the zone and the wick with a buffer = **1.0889**. Distance **23 pips**.
- Next resistance: the prior high at about 1.0962. A 2R target is 46 pips → **1.0958**, just below it. Target passes.
- Cost: about 1.2 pips, around 5% of the stop. Passes.

Size. £50 × 1.27 = $63.50. Size = $63.50 ÷ (23 × $10) = 0.276 → **0.27 lots**. Check: 0.27 × $10 × 23 = $62.10 ≈ £48.90.



The H1 pin bar (ringed) rejects the H4 zone. A buy stop above its high triggers on the next candle at 1.0912; the stop sits at 1.0889, 23 pips below, and the target at 1.0958, 2R away and just under the prior high. Price pulls back once but never threatens the stop, and the target is reached: +46 pips × $2.70 = $124.20, about £97.80, or +2R.

Result: +2R. The trader did nothing between entry and exit, which is the point.

Worked trade 2: GBP/USD short (winner)

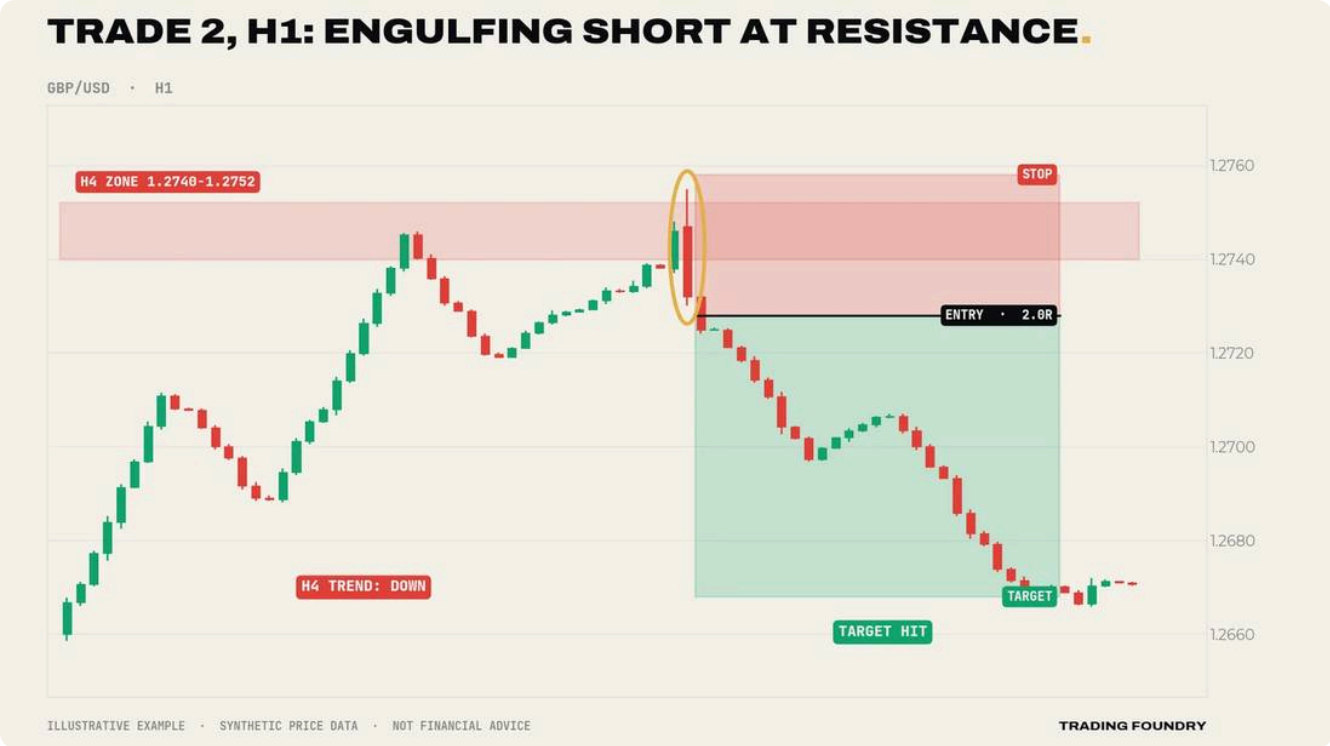
Same account and risk. H4 GBP/USD is in a downtrend: lower highs and lower lows. Price rallies into a resistance zone at 1.2740–1.2752 that was support before the last breakdown.

H1 trigger. A small bullish candle pokes into the zone, then a bearish engulfing candle closes at 1.2732, low 1.2730, high 1.2755.

Measurements.

- Entry: sell stop 2 pips below the low = **1.2728**.
- Stop: above the zone and the high with a buffer = **1.2758**. Distance **30 pips**.
- Next support: the prior low around 1.2660. A 2R target is 60 pips → **1.2668**. Passes.

Size. $63.50 ÷ (30 × $10) = 0.212 → **0.21 lots**. Check: 0.21 × $10 × 30 = $63.00 ≈ £49.61.



In an H4 downtrend, price rallies into a resistance zone. A bearish engulfing candle (ringed) closes back below it. The sell stop under its low fills at 1.2728, the stop sits 30 pips above at 1.2758, and the target at 1.2668 sits just above the prior low. Price bounces once, then reaches the target: +60 pips × $2.10 = $126, about £99, or +2R.

Result: +2R.

Worked trade 3: EUR/USD long (loser)

Same account and risk. H4 EUR/USD is in an uptrend and pulls back into a support zone at 1.0870–1.0882. Every box is ticked.

H1 trigger. A bullish pin bar: low 1.0871, high 1.0886, close 1.0884.

Measurements.

- Entry: buy stop **1.0888**. Stop **1.0868**, 20 pips. Target 2R = **1.0928**, just below the prior high at about 1.0934.
- Size: $63.50 ÷ (20 × $10) = 0.3175 → **0.31 lots**. Check: 0.31 × $10 × 20 = $62.00 ≈ £48.82.



A setup with every condition met: H4 uptrend, price at support, a clean H1 pin bar. The buy stop triggers at 1.0888, price stalls, and then sellers push it through the zone. The stop at 1.0868 is hit for 20 pips × $3.10 = $62, about £48.82: exactly −1R. Nothing was done wrong. This is what a normal loss looks like.

Result: −1R. Across the three trades: +2R + 2R − 1R = **+3R**, about £148 on a £5,000 account. Do not read anything into that number — three trades are far too few to tell you anything about a plan, and you could just as easily show three losers in a row. The point of the example is the *process*: three trades sized identically, managed identically, with the loss kept at exactly the planned 1R.

COMMON MISTAKE

Judging a trade by its outcome. Trade 3 was a good trade that lost; a rule-breaking trade that happens to win is a bad trade. Judge decisions by whether you followed the plan, and judge the plan only over a large sample — at least 50 to 100 trades.

Practice drill: the target that is not there



H4 uptrend, price at an H4 support zone, and a closed H1 bullish pin bar. Everything looks right. Run step 6 of the playbook before you decide. Trade or no trade? Then press REVEAL.

THE REVEAL



THE ANSWER

No trade. The trend, the zone and the pin bar all qualify. But measure it: a buy stop at about 1.2718 with a stop at 1.2698 is 20 pips, so a 2R target needs 1.2758 — and there is a resistance zone at 1.2740–1.2748 in the way, only about 1.1–1.5R from entry. The plan requires the target to be at least 2R and short of the next obstacle; this one is not. After the reveal, price rallies straight into resistance, stalls, and falls back through the stop. Skipping it was the plan working.

The strategy passport

The whole beginner plan on one card:

- **Market:** EUR/USD or GBP/USD. H4 for direction, H1 for timing. London morning or London–New York overlap.
- **Wait for:** a clear H4 trend and price pulling back into an H4 support (uptrend) or resistance (downtrend) zone.
- **Trigger:** a closed H1 pin bar or engulfing candle out of the zone in the trend direction; enter with a stop order 2 pips beyond it.
- **Stop:** beyond the zone and the candle's wick, plus a spread buffer. Size for 0.5–1% risk.
- **Target:** the next opposing level, at least 2R away. If the next obstacle is closer, there is no trade.
- **Avoid:** ranges, unclear structure, high-impact news windows, wide spreads, more than one open trade, and anything you cannot size before clicking.

PRE-TRADE CHECKLIST

- ☐ Economic calendar checked; no high-impact news for either currency within 30 minutes
- ☐ Trading during the London morning (after the first 30–60 minutes) or the London–New York overlap
- ☐ H4 structure labelled: clear uptrend or downtrend (not a range)
- ☐ Price is in an H4 zone that agrees with the trend (support for longs, resistance for shorts)
- ☐ A closed H1 pin bar or engulfing candle points with the trend
- ☐ Entry stop order placed 2 pips beyond the signal candle
- ☐ Stop beyond the zone and wick, plus spread buffer; distance measured in pips
- ☐ Target at the next opposing level and at least 2R from entry
- ☐ All-in cost under a fifth of the stop
- ☐ Position size calculated for 0.5–1% risk, rounded down, checked backwards
- ☐ No other trade open; fewer than two losses today
- ☐ Entry, stop-loss and take-profit placed together
- ☐ Journal entry started with a screenshot

How to practise this plan

1. **Backtest by hand.** Scroll back through six to twelve months of H4 and H1 charts on one pair. Every time the checklist would have been met, record the trade in R. Be strict; record the losers honestly.
2. **Demo trade for at least 50 trades.** Follow the plan exactly, in real time, with the position sizes you would actually use. Journal every trade.
3. **Review every 20 trades.** Did you follow the plan? Where did you break it? What would the results have been if you had not?
4. **Only then go live, at the smallest size.** Risk 0.5% or less at first. Your first live trades are about learning to follow the plan with real money at stake, not about income.

Going deeper

What this plan is, and is not. It is a sound learning framework that puts the core ideas of trend, location, trigger and risk into one routine. It is not a finished, tested strategy, and nothing in this course claims it will be profitable for you. The paid Trading Foundry courses exist to go deeper on each element: defining and filtering trends with moving averages, pullback depth and timing, support and resistance and supply and demand zones, candlestick price action, session-based day trading, and risk management in far more depth. The trend pullback course, in particular, is the natural next step from this plan.

Measure everything in R. Keep your journal in R-multiples. After 50 or 100 trades, calculate your win rate, average win, average loss and expectancy (Lesson 11). If average losses are larger than 1R, the problem is

execution, not the setup. If you are taking trades outside the checklist, the problem is discipline. Both are fixable, and only a journal will tell you which you have.

Change one thing at a time. When you do start to refine the plan — a different trigger, a trailing exit, a third timeframe — change one rule, then trade at least another 30 to 50 trades before judging it. Changing several things at once leaves you unable to say what helped.

Expect the boring parts. Most sessions under this plan end with no trade. Most of the work is waiting at levels for candles that never form. That is not the plan failing; it is the plan filtering. Traders who cannot tolerate boredom tend to lower their standards until they are trading noise.

THE RULES

- Follow the written plan exactly; any change is made between sessions, never during a trade
- Trade only when every checklist item is met
- 0.5–1% risk per trade, one trade at a time, stop for the day after two losses
- Minimum 2R target, short of the next opposing level
- At least 50 demo trades, journalled in R, before trading live at minimum size

Summary

- A plan answers eight questions — what, when, timeframes, conditions, location, trigger, stop and target with size, and limits — and must be written down.
- The playbook runs from calendar and H4 structure, through waiting at zones, to an H1 trigger, measurement, sizing and three orders placed together.
- In the worked trades, two winners made +2R each and the loser cost exactly −1R; the process, not the result, is the lesson.
- The drill shows the plan filtering a good-looking setup whose target was blocked by resistance.
- Practise by hand-backtesting and demo trading for at least 50 trades before going live at minimum size.

CHECK YOURSELF · ANSWERS AT THE BACK

1. Under this plan, the H4 chart shows roughly equal highs and lows for three weeks. What do you do?

   A. Look for buys at the range low

   B. Look for sells at the range high

   C. No trade on this pair today — structure is not a clear trend

   D. Switch to M5 to find a trend

2. A setup gives entry 1.0950, stop 1.0925, and the next resistance at 1.0985. Is it a valid trade under the plan?

   A. Yes — the trend is up

   B. No — 25-pip stop means 2R needs 1.1000, beyond the resistance at 1.0985

   C. Yes, if size is doubled

   D. Only if the stop is moved to 1.0940

3. £5,000 account, 1% risk, GBP/USD at 1.2700, EUR/USD stop of 23 pips. What size?

   A. 0.21 lots

   B. 0.27 lots

   C. 0.30 lots

   D. 2.7 lots

4. Worked trade 3 lost 1R. What is the right conclusion?

   A. The plan is broken and should be changed

   B. The trader should have moved the stop

   C. It was a valid trade with a normal, planned loss; judge the plan over 50–100 trades, not one

   D. Pin bars do not work

5. Which order of operations is correct when a trigger forms?

   A. Choose a size, then place the stop where the size allows

   B. Measure entry, stop and target; check 2R and costs; calculate size; place all three orders together

   C. Enter at market, then decide the stop later

   D. Place the take-profit only, and watch for the stop

6. Before trading this plan with real money, what does the course recommend?

   A. Nothing — start live immediately at 2% risk

   B. Hand-backtest, then at least 50 demo trades journalled in R, then go live at minimum size

   C. Watch two YouTube films

   D. Trade live with bigger size to learn faster

Strategy passport.

The whole setup on one page. Print it and keep it by your screen.

MARKET

One major pair (EUR/USD or GBP/USD), H4 for direction, H1 for timing, traded during the London or London–New York overlap.

WAIT FOR

A clear trend on H4 (higher highs and higher lows, or lower highs and lower lows) and price pulling back into a marked support or resistance zone that lines up with that trend.

TRIGGER

A closed H1 rejection candle out of the zone in the trend direction — buy above its high for longs, sell below its low for shorts — with a stop or limit order, never a chase.

STOP

Beyond the zone and the trigger candle's wick, plus the spread. Position size calculated so the stop costs no more than 0.5–1% of the account.

TARGET

The next opposing swing or zone, and at least 2R away. If the next obstacle is closer than 2R, there is no trade.

AVOID

Ranges with no clear swings, the 30 minutes either side of high-impact news, spreads wider than 20% of the stop, more than one open trade, and any trade you cannot size before you click.

Quiz answers.

Lesson 1, Q1: B. One euro now buys $1.0900 instead of $1.0800, so the euro buys more dollars: it has strengthened. The dollar has weakened against it, which is the same fact seen from the other side.

Lesson 1, Q2: C. On EUR/USD the dollar is second, so a weaker dollar pushes the chart up. On USD/JPY the dollar is first, so a weaker dollar pushes the chart down. Always check which currency is written first.

Lesson 1, Q3: B. Interest rate expectations are one of the biggest drivers of currencies, so a surprise decision forces the whole market to reprice at once. A retail order, however large it feels, does not move a market of this size.

Lesson 1, Q4: B. Forex has no central exchange floor. It is a decentralised network, which is why it runs around the clock across time zones and why prices can differ very slightly between brokers.

Lesson 1, Q5: C. There was no edge — just a flat morning — and the next candle was a news candle where price can swing violently both ways and costs widen. Choosing not to trade is a decision, and often the best one.

Lesson 2, Q1: B. 1.2740 − 1.2695 = 0.0045. On non-yen pairs a pip is 0.0001, so that is 45 pips.

Lesson 2, Q2: B. 149.65 − 149.20 = 0.45. On yen pairs a pip is 0.01, so 0.45 is 45 pips.

Lesson 2, Q3: B. One standard lot is $10 per pip, so 0.30 lots is 0.30 × $10 = $3 per pip.

Lesson 2, Q4: C. EUR/GBP is quoted in pounds, so one lot is £10 per pip and 0.50 lots is £5 per pip. 24 pips × £5 = £120. No conversion needed.

Lesson 2, Q5: B. Buying a pair buys the base (first) currency and sells the quote (second) currency. You profit if the euro strengthens against the dollar.

Lesson 2, Q6: B. 0.20 lots on GBP/USD is $2 per pip; 30 pips is $60. Converted at 1.2700, $60 ÷ 1.27 ≈ £47.24. The pip count is the same; only the currency of the money differs.

Lesson 3, Q1: B. 1.09224 − 1.09210 = 0.00014. A pip is 0.0001, so that is 1.4 pips (the fifth digit is a pipette).

Lesson 3, Q2: B. You buy at the ask, the higher of the two prices. You sell at the bid.

Lesson 3, Q3: C. $7 on a $10-per-pip lot is 0.7 pips. Add the 0.3-pip spread: 1.0 pip per round trip.

Lesson 3, Q4: D. 1.5 ÷ 6 = 25% of the risk, above the one-fifth guard rail. On 15 pips it is 10%, on 30 pips 5%.

Lesson 3, Q5: B. A long position's stop triggers on the bid. When the spread widens, the bid can dip far enough to hit a nearby stop even without much real trading.

Lesson 3, Q6: B. 20 nights × $5 per lot × 0.5 lots = $50. Swap scales with both time held and position size.

Lesson 4, Q1: B. A short profits when price falls. Sold at 1.2700, bought back at 1.2640: 0.0060, which is 60 pips in your favour.

Lesson 4, Q2: B. A short loses money when price rises, so the stop sits above entry at the level that proves the idea wrong.

Lesson 4, Q3: B. Effective leverage = position size ÷ equity = £30,000 ÷ £3,000 = 10:1, regardless of the broker's maximum.

Lesson 4, Q4: B. £900 ÷ £1,200 = 75%. That is below the typical 100% margin call level and heading towards the 50% retail stop-out.

Lesson 4, Q5: B. Leverage does not change the chart or your odds. It changes the money attached to each pip — gains and losses alike.

Lesson 4, Q6: B. The stop limited the loss to 30 pips, and the size was chosen so 30 pips cost about 1% of the account. The other trader had neither.

Lesson 5, Q1: B. New York opens around 13:00 UK time and London closes around 17:00, so both are active roughly 13:00–17:00 — usually the most liquid window of the day.

Lesson 5, Q2: B. Price moves when large flows need to change hands. During Asian hours, the main European and US participants are mostly inactive, so euro and sterling pairs tend to drift.

Lesson 5, Q3: B. The upside break was rejected within an hour and price reversed through the Asian low. It illustrates why chasing the first opening candle is risky.

Lesson 5, Q4: B. Price gapped through the stop without trading at it, so the stop becomes a market order and fills at the first available price — the gap price.

Lesson 5, Q5: C. Late evening is quiet and costly for EUR/USD. Higher-timeframe orders or a pair active in those hours fit the market better than forcing short-term trades in dead hours.

Lesson 6, Q1: B. The close (1.2730) is above the open, so it is bullish, and it is 5 pips from the high of a 45-pip range — in the top quarter. Buyers finished in control.

Lesson 6, Q2: B. Wicks show the high and low reached beyond the body — prices that traded but were rejected by the close.

Lesson 6, Q3: B. Until the close, a candle that looks strongly bearish can recover and leave a long lower wick — a very different message. The close is the verdict.

Lesson 6, Q4: B. The shapes were nearly identical. Location made the difference: rejection at a level with history is evidence; the same shape in empty space is noise.

Lesson 6, Q5: B. The second, bearish body completely covers the first, bullish body: buyers in apparent control were overwhelmed within one period.

Lesson 6, Q6: B. A long upper wick, at least twice the body, with the body at the low end, shows a rally that was firmly rejected — a bearish pin bar. Whether it matters depends on where it formed.

Lesson 7, Q1: B. Both are accurate. A smaller-scale decline inside a larger uptrend is a pullback. Until the higher timeframe itself breaks, the bigger trend is the stronger force.

Lesson 7, Q2: B. The higher timeframe sets direction. In an H4 downtrend you only look for H1 selling opportunities, typically as price rallies into resistance.

Lesson 7, Q3: B. The hourly pattern was real, but it was a dip inside a stronger four-hour uptrend. Trading against the higher timeframe put the trade on the weaker side.

Lesson 7, Q4: B. Small swings make costs a large fraction of every trade, noise is hard to separate from signal, and the speed favours emotional decisions.

Lesson 7, Q5: B. Manage a trade on the timeframe it was entered on. Dropping to M5 turns ordinary noise into a reason to abandon a plan that was still valid.

Lesson 8, Q1: B. Each peak higher than the last and each pullback low higher than the last: buyers are paying more on each wave and stepping in sooner on each dip.

Lesson 8, Q2: B. A lower high followed by a break of the last higher low breaks the sequence. Stop looking for buys, even if a downtrend has not yet formed.

Lesson 8, Q3: B. In the middle, a long faces the ceiling as an obstacle and a short faces the floor. The edges are where information and better trade-offs sit.

Lesson 8, Q4: C. The swings were roughly equal at top and bottom — a range — and price sat mid-range. A trend approach has no direction to follow; waiting is correct.

Lesson 8, Q5: B. Breaking above the last lower high breaks the LH/LL sequence. That ends the downtrend structurally, but one break does not yet prove an uptrend.

Lesson 8, Q6: B. Shallower pushes and deeper pullbacks show the trending side is gaining less ground on each wave and the other side is fighting back harder.

Lesson 9, Q1: B. Turning points differ by a few pips each time. A line forces you to pick one price and is pierced constantly; a zone covers the whole reaction area.

Lesson 9, Q2: B. Broken resistance often becomes support as trapped sellers exit and late buyers get a second chance. Often — not always.

Lesson 9, Q3: A. Fading bounces and lower highs show sellers are gaining ground. A wick that snaps back inside is often the level working, not failing.

Lesson 9, Q4: B. The zone had held, but the highs were falling steadily. Buying support in a downtrend is buying against the structure — and the zone broke.

Lesson 9, Q5: C. If price closes beyond the zone the idea is wrong. The stop belongs beyond the zone and the wick, with a buffer for the spread, so normal probing does not trigger it.

Lesson 9, Q6: B. Too many levels make every move 'explainable' and every trade look valid. The nearest few strong zones are the ones that matter for the next trade.

Lesson 10, Q1: B. Buying below the current price is a better price than now, which is a limit order: a buy limit at 1.0870.

Lesson 10, Q2: B. Buying above the current price, as confirmation, is a stop order: a buy stop at 1.2725.

Lesson 10, Q3: B. A short is closed by buying. The stop-loss buys if price rises to the level above entry, so it is a buy stop.

Lesson 10, Q4: C. A triggered stop becomes a market order. In a violent news candle the next available price was 6 pips beyond the stop, turning a 12-pip loss into 18 pips.

Lesson 10, Q5: C. Widening a stop as price approaches it converts a planned loss into a larger unplanned one. Leave it alone.

Lesson 10, Q6: B. A limit buys the price; a stop buys the confirmation. Each gives something up, and the plan should choose one deliberately.

Lesson 11, Q1: B. Risk = £80. Pip value £10 per lot. Size = £80 ÷ (32 × £10) = £80 ÷ £320 = 0.25 lots.

Lesson 11, Q2: A. Risk = $20. Size = $20 ÷ (16 × $10) = 0.125 lots. Round down to 0.12, never up.

Lesson 11, Q3: C. Risk = pips × pip value × size. Doubling the pips at the same risk means halving the size.

Lesson 11, Q4: C. Break-even = 1 ÷ (1 + R) = 1 ÷ 3 ≈ 33%.

Lesson 11, Q5: A. The planned 20-pip loss (−1R) became a 50-pip loss (−2.5R). One such trade cancels more than a full 2R winner.

Lesson 11, Q6: B. 0.01 lots × 40 pips ≈ £3.15, which is 1.6% of £200. The trade could not be sized within the rules. A good outcome does not make a rule-breaking decision correct.

Lesson 12, Q1: C. Step 2 of the playbook: if H4 has no clear trend, there is no trade. The plan trades trends only.

Lesson 12, Q2: B. Risk is 25 pips, so 2R is 50 pips: 1.1000. Resistance at 1.0985 is only 1.4R away. The target fails the 2R rule, so there is no trade — and the stop must never be tightened to make the numbers work.

Lesson 12, Q3: B. £50 × 1.27 = $63.50. $63.50 ÷ (23 × $10) = 0.276, rounded down to 0.27 lots — as in Worked trade 1.

Lesson 12, Q4: C. Every rule was followed and the loss was exactly the planned 1R. Single outcomes say nothing about a plan; only a large, honestly recorded sample does.

Lesson 12, Q5: B. The chart fixes entry, stop and target; the rules check 2R and cost; the size is calculated last; then entry, stop-loss and take-profit go in together.

Lesson 12, Q6: B. A large, honest sample on demo shows whether you can follow the plan and how it behaves. Going live small then tests your discipline with real money at modest cost.