



The Complete Forex Trading Guide

Fundamentals · Technical Analysis · Trading Strategies · Money Management

Trade Smarter. Grow Stronger.

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1. Forex Fundamentals

What is Forex?

Forex — short for foreign exchange — is the global marketplace where currencies are bought and sold against one another. It runs nearly 24 hours a day across the Sydney, Tokyo, London and New York sessions, closing only on weekends. Retail traders access this market through a broker, who quotes prices and executes orders on their behalf.

Currency pairs

Every quote involves a pair, like EUR/USD. The first currency (EUR) is the base currency; the second (USD) is the quote currency. If EUR/USD trades at 1.0850, one euro buys 1.0850 US dollars. Pairs are grouped into majors (a major currency vs. USD), minors (majors without USD), and exotics (a major paired with a smaller or emerging-market currency).

Pips, lots, leverage and margin

A pip is the standard unit for measuring price movement — the fourth decimal place for most pairs, the second for JPY pairs. A standard lot is 100,000 units of the base currency; a mini lot is 10,000; a micro lot is 1,000. Leverage lets you control a larger position than your balance alone allows — at 1:100, \$1,000 of margin can control a \$100,000 position. Leverage magnifies both gains and losses, which is the central reason Forex carries substantial risk.

Pip Value (standard lot) = Pip Size x 100,000 x Lots

How a trade actually works

You select a pair, a direction, a trade size, and typically a stop-loss and take-profit. Once filled, the position shows a live floating profit or loss until you close it manually or it hits your stop/target. Brokers earn revenue through the spread, a commission per lot, or both.

2. Technical Analysis Basics

Support & resistance

Support is a price level where buying pressure has historically stopped or reversed a decline; resistance is where selling pressure has capped advances. These aren't exact lines so much as zones. A broken resistance level often becomes new support, and vice versa.

Candlesticks

Each candle shows open, high, low and close for a period. A long wick with a small body (a pin bar) can suggest a failed push and a possible reversal, especially near support or resistance. No single candle pattern is a signal on its own — it's context, combined with structure and trend.

Moving averages, RSI and MACD

A moving average smooths price to make the underlying trend easier to read. RSI measures the speed and size of recent price changes on a 0-100 scale, commonly used to gauge overbought (often above 70) or oversold (often below 30) conditions relative to recent history. MACD tracks the relationship between two moving averages to visualize accelerating or fading momentum. All indicators lag price — they describe what already happened.

3. Trading Strategies

There is no single 'best' strategy. Every approach below performs well in some conditions and poorly in others — the skill is recognizing which condition you're in.

1. Trend following

Enter in the direction of an established trend and stay in as long as it persists, often using a moving average or a sequence of higher highs/higher lows to define 'trend'. Works best in strongly trending markets; typically a lower win rate offset by occasional large winners.

2. Breakout trading

Enter as price moves decisively through a well-established support or resistance level. The main risk is a false breakout — many traders wait for a candle close beyond the level, or a retest, before entering.

3. Pullback (retracement) trading

Wait for price to retrace toward a moving average or broken level within an established trend, for a better entry and tighter stop than chasing the move. Higher win rate than breakout trading, but requires patience.

4. Range (mean-reversion) trading

Buy near support and sell near resistance when a market lacks a clear trend, using oscillators like RSI to gauge overbought/oversold. The risk is a range that finally breaks into a real trend.

5. Price action & structure trading

Reads raw candlestick behavior and chart structure without relying primarily on indicators. Flexible across timeframes, but more subjective — disciplined rules and backtesting matter more here, not less.

6. Moving average crossover

A mechanical rule: go long when a faster MA crosses above a slower one, short on the reverse. Objective and unambiguous, but prone to whipsaw (a string of small losses) in choppy markets right before a real trend arrives.

Matching strategy to condition

- Strongly trending market: trend following or pullback entries suit best.
- Choppy, range-bound market: range trading suits best.
- High-impact news pending: many strategies are deliberately paused.

Before risking real capital, test any strategy on historical data (backtesting) and then in a demo environment (forward testing) — specifically through a realistic losing streak, not just the best-looking stretch.

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4. Money Management & Risk

The 1% rule

Risk no more than 1% of account equity on a single trade as a default. Conservative traders use 0.5%; only after 50+ verified trades of results do some move to 2%. The number matters less than applying it every trade, without exception.

Position sizing formula

$$\text{Position Size} = (\text{Balance} \times \text{Risk \%}) / (\text{Stop-Loss Pips} \times \text{Pip Value})$$

Example: on a \$10,000 account risking 1% (\$100), a 25-pip stop, and a \$10/pip standard-lot value: $\$100 / (25 \times \$10) = 0.4$ standard lots.

R-multiples and expectancy

Express results in 'R' — the amount risked on a trade. A trade risking \$100 that makes \$300 is +3R. Expectancy = (Win Rate x Avg Win) - (Loss Rate x Avg Loss), in R.

$$\text{Expectancy} = (\text{Win\%} \times \text{Avg Win R}) - (\text{Loss\%} \times \text{Avg Loss R})$$

A 40% win rate with a 2.5R average winner against a 1R average loser has expectancy $(0.40 \times 2.5) - (0.60 \times 1) = +0.4R$ per trade — profitable despite losing more often than winning.

Risk of ruin

Risking 1% per trade, a trader can survive a 20-trade losing streak with roughly 82% of the account remaining. Risking 10% per trade, the same streak leaves roughly 12% — which is why oversized position size, not a bad signal, is usually what actually ends an account.

Drawdown math

- A 10% drawdown needs an 11.1% gain to recover.
- A 25% drawdown needs a 33.3% gain to recover.
- A 50% drawdown needs a 100% gain just to break even.

Correlation risk

Long EUR/USD and long GBP/USD at the same time isn't two independent bets — both are heavily USD-driven, so one dollar move can hit both. Cap total exposure across correlated pairs, not just each trade in isolation.

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5. Trading Psychology

Most trading plans fail not because the analysis was wrong, but because execution deviated from the plan under stress — moving a stop hoping for a reversal, closing a winner early out of fear, or increasing size after a loss to 'get it back'.

Building consistency

Pre-defined entry criteria, pre-set stop and target levels, and a fixed risk percentage per trade all remove real-time decision points that emotion could otherwise hijack. A trading journal that records the reasoning behind each trade — not just the outcome — surfaces recurring mistakes before they compound.

What you can actually control

Any single trade's outcome is largely uncontrollable. What you can control is process, sizing and consistency. Internalizing that shift is what most traders describe as taking longer than learning the technical analysis itself.

6. Advanced Concepts

Market structure

An uptrend is a series of higher highs and higher lows; a downtrend the reverse. A break in that sequence is often the first technical clue a trend may be weakening. Reading structure across multiple timeframes helps avoid taking a short-term signal against a dominant larger trend.

Liquidity

Pending orders — often stop-losses and entries — cluster around obvious levels like recent highs/lows or round numbers. Some traders believe price is drawn toward these zones because a large number of orders can be filled there. Treat this as a framework for asking better questions, not a mechanical rule.

Portfolio-level risk

The same per-trade risk discipline needs a portfolio-level ceiling, especially when running multiple correlated positions at once. Total exposure, not just each trade's stated risk, determines what a bad day can actually cost.

7. Risk Disclaimer

The information in this guide is for educational purposes only and does not constitute financial, investment or trading advice. It is not a solicitation to buy or sell any financial instrument.

- Trading Forex, CFDs and other leveraged products carries a high level of risk to your capital.
- You could sustain a loss of some or all of your invested capital.
- Leverage magnifies both gains and losses.
- Past performance is not indicative of future results.
- Consult a licensed financial advisor before making trading or investment decisions.

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