POINT
TRADER GROUP

ESSENTIAL INTRODUCTORY
TO THE WORLD OF FOREX

Basics of Forex | Basics of Trading | Basics Analysis | Profit Making

WWW.POINTFXLTD.COM

Table of Content

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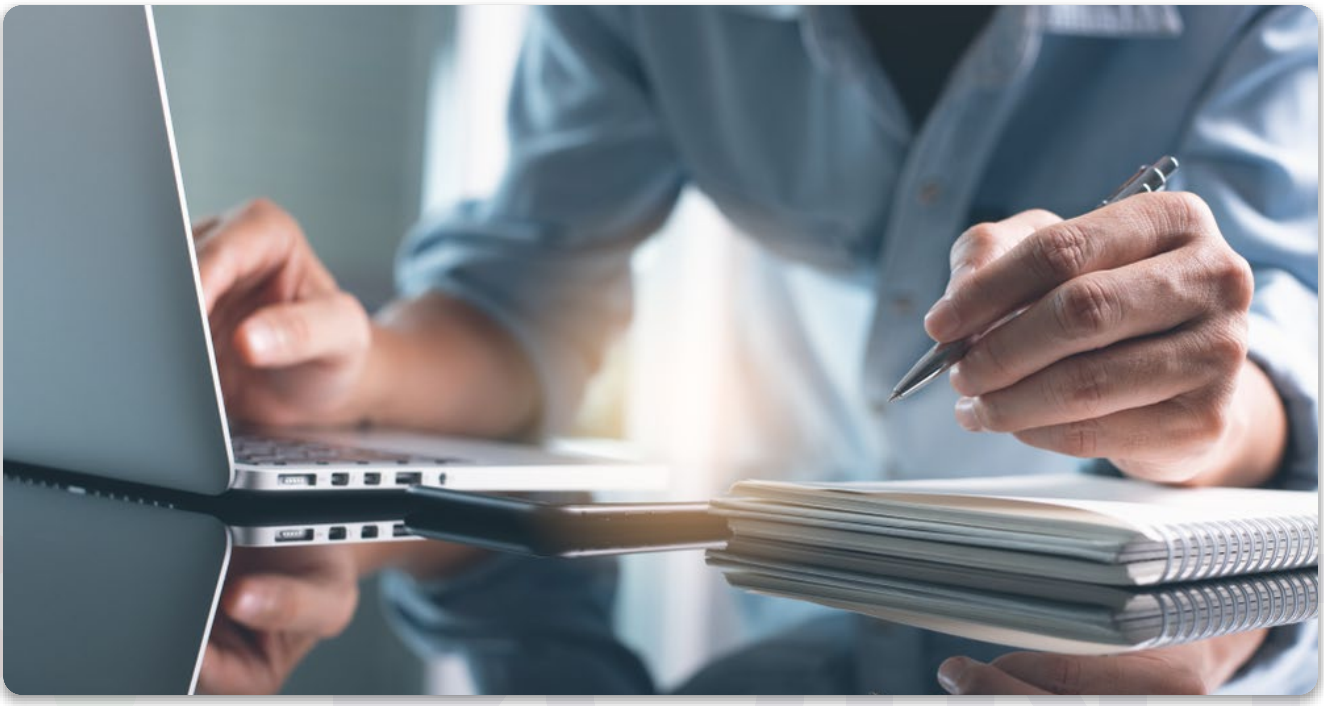
Introduction



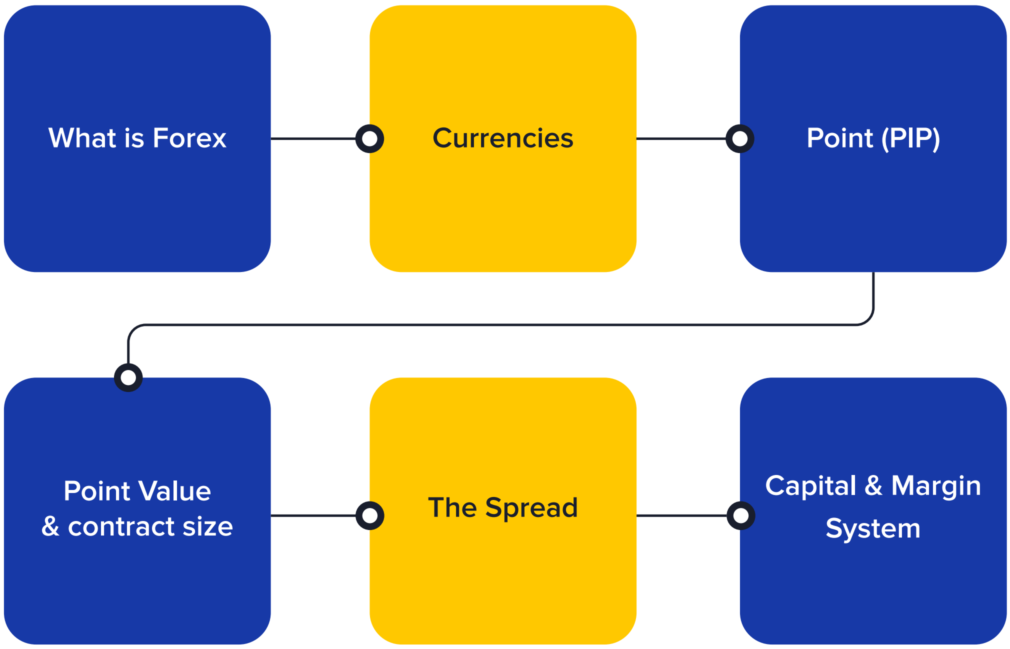
We welcome you to this interesting e-book presented by Point Trader Group. Our goal in presenting this E-book is to train the beginners on the currency market (forex) and give them a brief overview of the most important basics of the forex market in terms of dealing with currencies and how to anticipate the future movement of the markets.

In this E-book you will find explanations covering all the main points related to trading so that you are ready to trade immediately. We will also be happy to assist you if you have any questions.

Are you now ready for the learning journey?

1 Chapter 1 - What is forex?

This level covers all the basic terms in the forex market.



What is forex?

Forex in English is an abbreviation of the words (Foreign Exchange), which is the foreign exchange market. It is a financial market in which the currency of one country is bought and sold in exchange for the currency of another country. For example, the US dollar is bought by paying the single European currency (the euro), or vice versa, that is, the euro is bought by paying the US dollar against it.

The currency exchange is one of the exchanges that are based on dealing over communication networks. And when you start trading in currencies on the international currency exchange, you will deal with this type of exchange, ie, exchanges via the network and through the Internet in particular.

The international currency market is the largest financial market in the world, dwarfing all other financial markets. And you will realize the enormity of this market when you know that the volume of trading on the New York Stock Exchange, which is the largest stock exchange in the world, reaches 25 billion dollars per day, while in the currency exchange, nearly 5 trillion dollars are traded daily!!!

Why trading in the currency market is better than trading in other markets?

The currency market has unique characteristics that make it a very special market, and gives all participants great privileges that they will not obtain outside the currency market, and the most important of these reasons are:

Working around the clock	High liquidity
Market fairness and transparency	Market clarity and relative simplicity
High Leverage	Taking advantage of the bullish & bearish market

Working around the clock

In the currency exchange and because there is no specific central place, and because the operations are carried out by computer networks, the work of the currency exchange does not stop throughout the 24 hours..
except on the last two days of the week (Saturday and Sunday), which means that the work in the currency exchange continues for 24 hours / 5 days a week.

High liquidity

We previously mentioned how huge the fx market is compared to the largest stock market in the world. At a time when the trading volume of the New York Stock Exchange per day is approximately $25 billion, the volume of currency trading per day is approximately $5 trillion. This ensures that currency traders can buy or sell currencies at any time and at any price levels, an advantage that traders lose in other financial markets such as stock or commodity markets.

Market fairness and transparency

In the currency market, and because it is a huge market, no individual or entity can control it, and currency prices are only affected by huge economic movements estimated in billions, and they are affected only by official government data not from any country but from the largest economic countries .. such as the United States or Japan Or the European Union, or the statements of the finance ministers and central banks of these countries.

Market clarity and relative simplicity

In the currency markets, although there are dozens of currencies that can be traded, 80% of dealing in the currency market is on only four currencies: the euro, the Japanese yen, the British pound and the Swiss franc, and all of these currencies are against the US dollar. And if you want to expand, there are only 8 currencies that are of interest to traders, and that 95% of the operations are confined to them, meaning that the options you have are limited, which makes it easier and more focused.

High (Leverage)

Margin trading is the basis of trading in the currency market. In the currency market, you can start trading with only $500, that is, you can invest any amount you want, and the margin system enables you to trade in values many times greater than your capital through the so-called leverage. Point Trader Group provides you with leverage of up to 100 times.

Taking advantage of bullish and bearish market

In the currency market, you will find trading in the bullish direction and the bearish trend. It is the same!!
The explanation for this is that currencies are traded in pairs, and this means that when you buy a pair, you buy the base currency, and when you sell the pair, you buy the second currency, so you can trade if the price of the pair is rising or falling.

Currencies

In the currency exchange, currencies become the commodity or securities that are traded and their prices are speculated. Therefore, the currency system must be known within the currency market.

The following is a table showing the symbols of the most important world currencies:

Country	Currency	Currency (Shortcut)
United States of America	U.S Dollar	**USD**
Canada	Canadian Dollar	**CAD**
Australia	Australian Dollar	**AUD**
Euro Region	Euro	**EUR**
Japanese Yen	Japanese Yen	**JPY**
Great Britain	Great Britain Pound	**GBP**
Switzerland	Confederal Helvetica Franc	**CHF**

Currencies Pairs

After specifying the symbol for each currency, comes the most important question: how can currencies be bought and sold? For example, what can I sell US Dollars for?, or what should I pay to get the Euro?

Quite simply, all you have to do to buy one currency is to sell another currency, and if you want to sell one currency then you have to buy another currency.

For example, if you want to get the US dollar, you have to pay the Euro and get its equivalent of the US Dollar.
For example, if you decide to give up what you own of the Japanese Yen, you have to replace your Yens with their equivalent in the Pound Sterling, for instance.

Therefore, buying a currency means selling another currency, and selling a currency necessarily means buying another currency. This rule is the basis for offering currencies in the Forex market.

Currencies are offered in the Forex market in the form of currency pairs. When you decide to sell a currency against another, you must specify the pair that combines the two currencies to implement your decision, and write the currency pairs as follows: For the pair that combines the US Dollar against the single currency of the European Union (the Euro), this pair is symbolized by EUR / USD, i.e., the ISO symbol is used for both currencies facing each other.

Another example is the pair that groups the Swiss Franc against the British Pound, expressed by the symbol GBP / CHF.
Currency pairs are divided into:

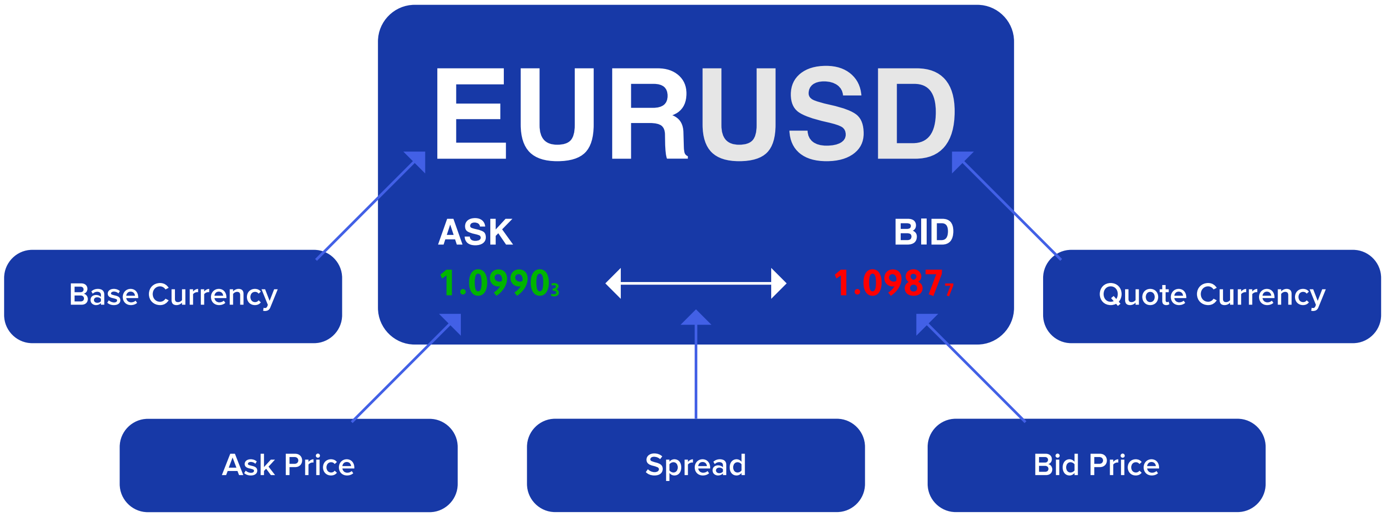
Major currencies: any currency pair that contains the US dollar and is usually characterized by low daily movement and stability.
- Like the euro against the dollar - the sterling against the dollar.

Cross currencies: any currency pair that does not contain the US dollar and is usually characterized by high movement.
- Like the British pound against the JPY.

How to read a currency rate

A Currency Pair contains of:

- Base Currency
- Quote Currency
- Bid Price
- Ask Price
- Spread



PIP

We previously explained the formula in which currency pairs and their prices are written. When you trade currencies, you buy the currency at one price and sell it at another.

Currency prices change in percentages, which are points. The greater the difference between the sale price and the buy price, it means that you sold at a price several points higher than the buy price, and the greater the difference between the selling price and the buying price, the greater your loss or profit.

A pip represents the least amount of change in the market and is the fourth number after the decimal point. This rule is generally not applicable to yen pairs.

Example

Suppose you buy the Euro at **EUR/USD = 1.2570**
And sold it at **EUR/USD = 1.2680**
How many pips the difference between buying and selling? Is it a gain or a loss?
Pip = (Sell Price - Buy Price) **x 10000**
(1.2680 – 1.2570) × 10000 = 110

That is, you sold with a difference of **110** pips in profit. (Positive).

Example

Suppose you sold the pound at **GBP/USD = 1.3200**
Then you bought it at **GBP / USD = 1.2950**

How many pips the difference between buying and selling? Is it a gain or a loss?

Answer:

Pip = (Sell Price - Buy Price) x **10000**
(1.2950 – 1.3200) × 10000 = -250

That is, you ended the trade with a loss of **250** pips. (negative).

This is the basic method of calculating the number of pips for all pairs that combine any of the following currencies (the US dollar, the Australian dollar, the New Zealand dollar, the Canadian dollar, the euro, the British pound, the Swiss franc).

Point value and contract size (lot size).

To determine the pip value, which is usually **0.0001** we need to know the quantity you wish to trade. The higher the quantity, the higher the value of one point.

Contract sizes in the forex market:

Pip Value	Lot Size
$0.10	1000 Units
$1	10000 Units
$10	100000 Units

The Spread

It is the price difference between buying and selling

Regardless of the rest of the profits generated by brokerages, the price difference between buying and selling is the main source of income for brokerages.

It is not new, in most cases that the difference between the selling price and the buying price of currencies is something that everyone is exposed to, when you go to the bank or exchange shops, you will find that each currency has two prices, a selling price and a buying price.

What is the buy price and sell price?

Buying price (ASK)
Selling price (BID)

It is the price at which you sell the base currency and buy the second currency.
Currency rates are always changing up and down, but there is always a difference between the purchase price and the selling price, and this difference is a fixed profit for the brokerage company.

Suppose you look at the price panel in the trading platform, and you find it as follows:

EUR/USD	
BID	ASK
1.1090	1.1096

But you expect that the price of the euro will rise 60 pips soon and will reach **EUR/USD = 1.1156**

What will you do?

Answer:

- We expect the price of the Euro to rise, so we will have to buy Euros to sell it later at a higher price.
- The price at which we will buy the Euro will now be **1.1096** because it is the buying price.
- As the **ASK** is the price at which we will buy the base currency and sell the second currency, and the base currency is always the euro against the dollar.
- So, we will buy **1** euro lot at **1.1096**
- If your expectations come true and the price of the euro rises, you may look at the price board at the platform

After a while and find the price of the euro as follows:

EUR/USD	
BID	ASK
1.1150	1.1156

- You now have a euro and you want to sell it at a price higher than the purchase price. When you look at the new price, you will find that the selling price (that is, the price at which you sell) is **1.1150**
- Because **BID** is the price at which you sell the base currency and buy the second currency, and you have a euro and you want to sell it, and the euro is always the base currency.

- If you sell **1** euro lot that you have at a price of **1.1150**
- You bought **1** lot at **1.1096** and now sold it at **1.1150**, so you made a profit = **54** pips.

Capital and Margin System

To illustrate how the margin system works, we will give the following example:

Suppose you have good knowledge of cars, and you have a vision that a certain car will increase in price, and you want to make a profit from this, but you do not have the price of this car, and let's also say that the price of the car is $10,000, and what you have is only $1,000.

In this case, you will go to a car dealership and pay them $1,000 as a deposit, in exchange for you to reserve a car worth $10,000 at your disposal, and when its price rises to $12,000 (for example), you ask the agency to sell this car, and the agency gets the price of its car The full $10,000, and you get back the $1,000 deposit, and you also get a $2,000 profit.

This means that you traded a commodity worth 10 times your capital, and made a profit of 200% of your capital.

But what if you booked the car with the same deposit of 1000 dollars, and your expectation was not fulfilled and the price of the car decreased in the market!!!

As soon as you pay the deposit and reserve the item that you want to trade in, you and the agency begin to follow the price of the car in the market, and the agency's task is not to lose because of the low price of the car in the market. Thus, your deposit is used to cover the loss.

Suppose that the price of the car in the market has become $9,500, this means that your money can cover the losses, meaning if the company sells the car in the market for $9,500, it will deduct $500 from your deposit to get $10,000 in full for the price of the car and return the remaining $500 to you, But in this case the agency cannot take any action as long as your deposit covers the losses.

But for the market price, you are a loser of $500. This loss is called a floating loss, meaning it is a loss but it is not for real yet until you sell.

Therefore, the company does not take any action, as long as your deposit will cover any losses.

Now suppose that the price of the car in the market has become 9,000 dollars, then the agency will sell the car in the market for 9,000 dollars, and deduct your deposit in full, to get 10,000 dollars for the full price of the car, and you bear the loss of 1,000 dollars.

When the price of the commodity in the market reaches the point where you lose all your money so that the agency does not lose, the agency carries out the sale without referring to you, and this is called Margin Call.

Leverage?

You own $1,000, and the agency gave you a chance to trade in a **$10,000** car.

This means that the company has multiplied your money **10** times,
and this is called the leverage, which is the amount of doubling the capital that the agency may grant you.

And its formula like this **(1:10)** means that you can buy a commodity for **10** times your capital.
Point Trader Group provides you with leverage up to ***100*** times i.e. **1:100**

Another example

What does the leverage ratio **(1:100)** mean?

It means that the agency gives you an opportunity to buy a commodity that costs **100** times more than your capital.

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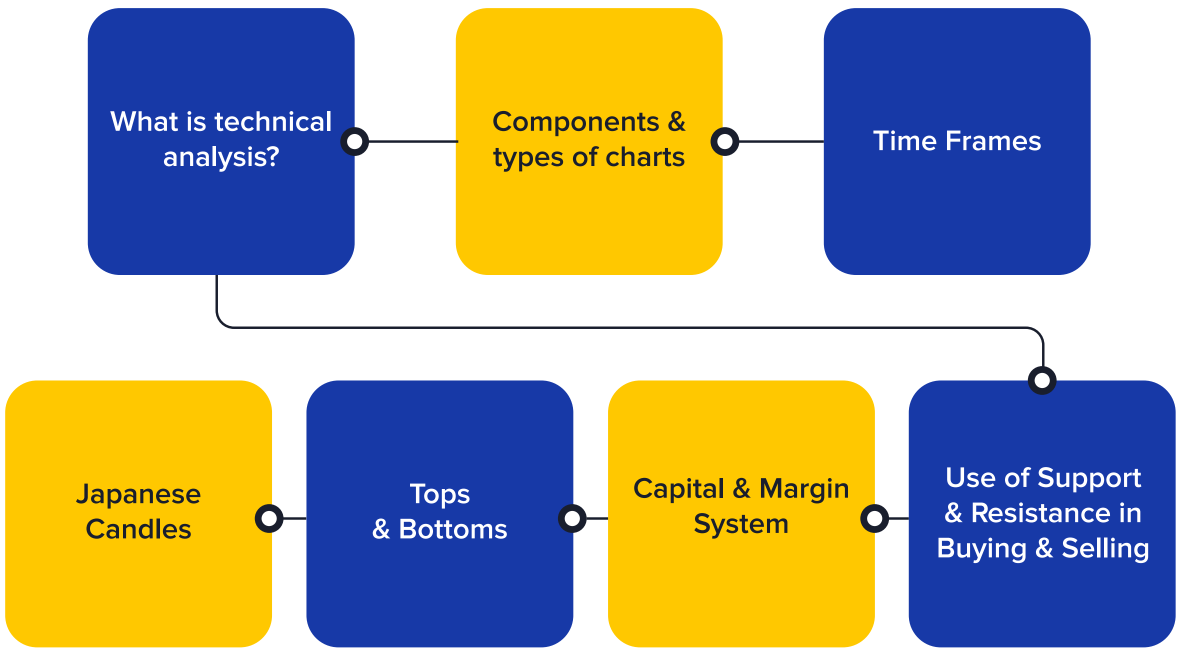
2 Chapter 2 - How do you anticipate future movement of prices?

This level shows how to analyze the charts to predict the future movement of the markets In the future, you can attend Point Trader Group's educational seminars on the following link, completely free of charge



What is technical analysis?

Technical analysis is the study of market movement primarily through the use of charts, in order to predict future price trends.

Technical analysis can also be defined as "the study of market psychology," which is a more in-depth definition of technical analysis.

Fundamentals of technical analysis

The science of technical analysis is mainly based on three main rules that represent the essence of the science of technical analysis, and despite the simplicity of these rules, their full realization represents the cornerstone of using technical analysis tools perfectly.

Market movement decides everything	Markets move in trends	History repeats itself

We will go over these rules in a little more detail, to show the reader some of the philosophy behind these rules.

Market action decides everything

A technical analyst believes that anything that can affect the price is in fact reflected in the market price, whether it is fundamental analysis, political events, psychological or otherwise. Thus, all that is required is to study the price action.

The technical analyst also believes that price action is a reflection of changes in supply and demand.

Markets move in trends

The concept of trend is fundamental to the method of technical analysis. If one cannot accept the idea that the markets are moving in a true direction, there is no point in predicting the future price movement.

History repeats itself

Human psychology will not change, so the key to understanding the future lies in studying the past.

The most important characteristic of technical analysis

The principles of technical analysis can be applied to all financial markets	The principles of technical analysis can be applied to any time frame	The study of technical analysis does not require a background in economics, accounting or statistics.	Economic forecasting

These features are what always make technical analysis the first choice for newcomers to the financial markets.

- Determine entry and exit points.

- Using technical analysis tools in making trading strategies and automated trading programs.

As for these two features, it is what leads some to believe that they do not need more knowledge outside the context of technical analysis, and that the development of his trading results is linked to the development of his skills in using technical analysis tools.

Components and types of Charts

Charts are the primary tool that a technical analyst relies on, and therefore the structure of charts must be explained in more detail.

Looking at the following figure, you will be able to see:

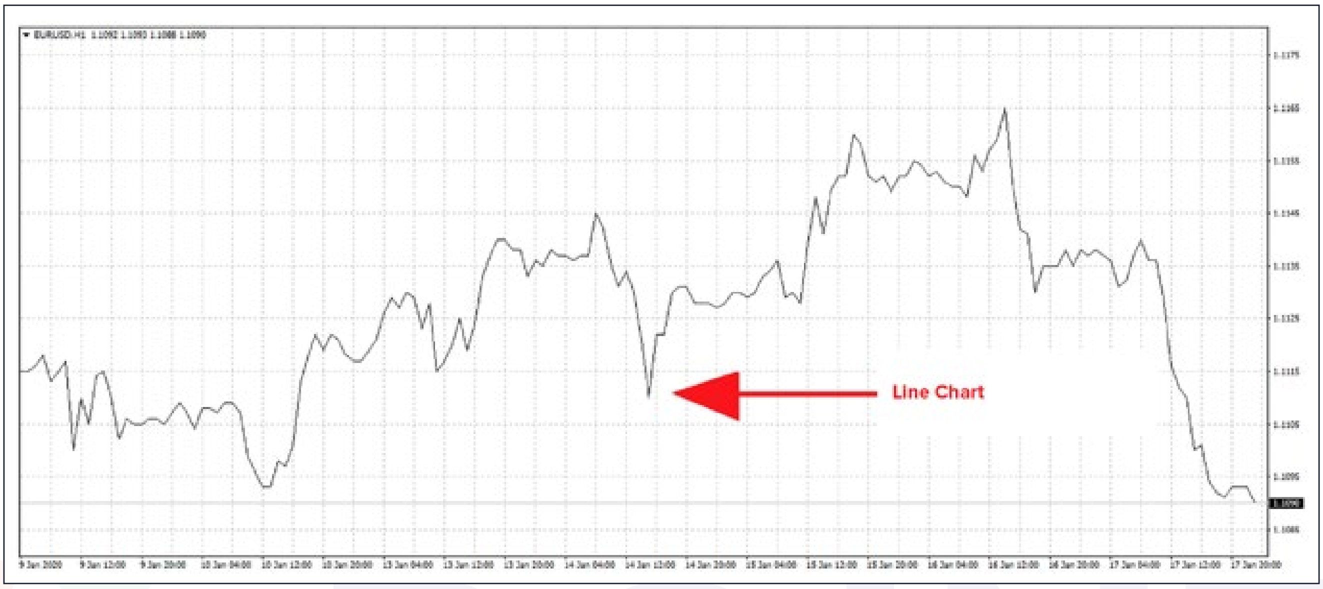
- The vertical axis representing the price scale.

- The horizontal axis representing the time scale.

- Price movement is displayed in different ways, including several data(opening price, closing price, highest price, lowest price).

Line Chart

It is the simplest way to display prices, where all the data is reduced and the chart depends on connecting the closing prices together to show the movement of the price.



Bar Chart

It is the most popular way to display price data (open price, close price, high price, low price) in the western school of technical analysis. But it retreats a lot in the face of Japanese candles.

Japanese Chart

The most popular method at the moment is the Japanese candles chart. It gives a lively picture of trading and has its own way of analyzing the trend and giving indications of upcoming moves. We will discuss it in more detail later.

The previous three methods are the most famous methods of displaying prices, which you will always find in all platforms that display charts for the purpose of analyzing them using technical analysis and its tools, but that is not all, there are dozens of ways to display trading prices, each method differs in terms of form and content, and the method of price analysis According to it.

Time Frames

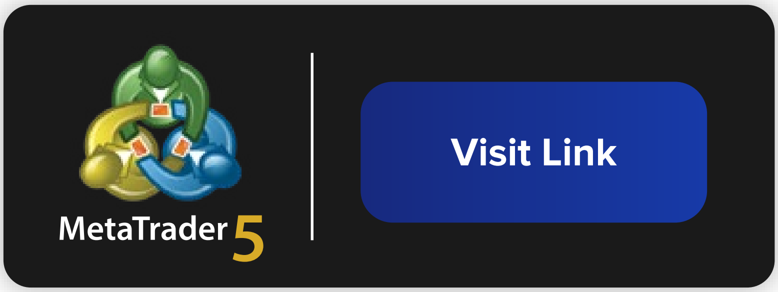
We previously talked about that the principles of technical analysis can be applied to any time frame. It represents the most important feature of technical analysis, but for further expansion we have to ask what time frame should we analyze?

To answer this question, we must be well aware of the relationship between price movement and time movement from more than one side, and it is considered the most important two aspects that must be explicitly identified, first the time frames of the charts, and secondly the time periods of the concept of trend.

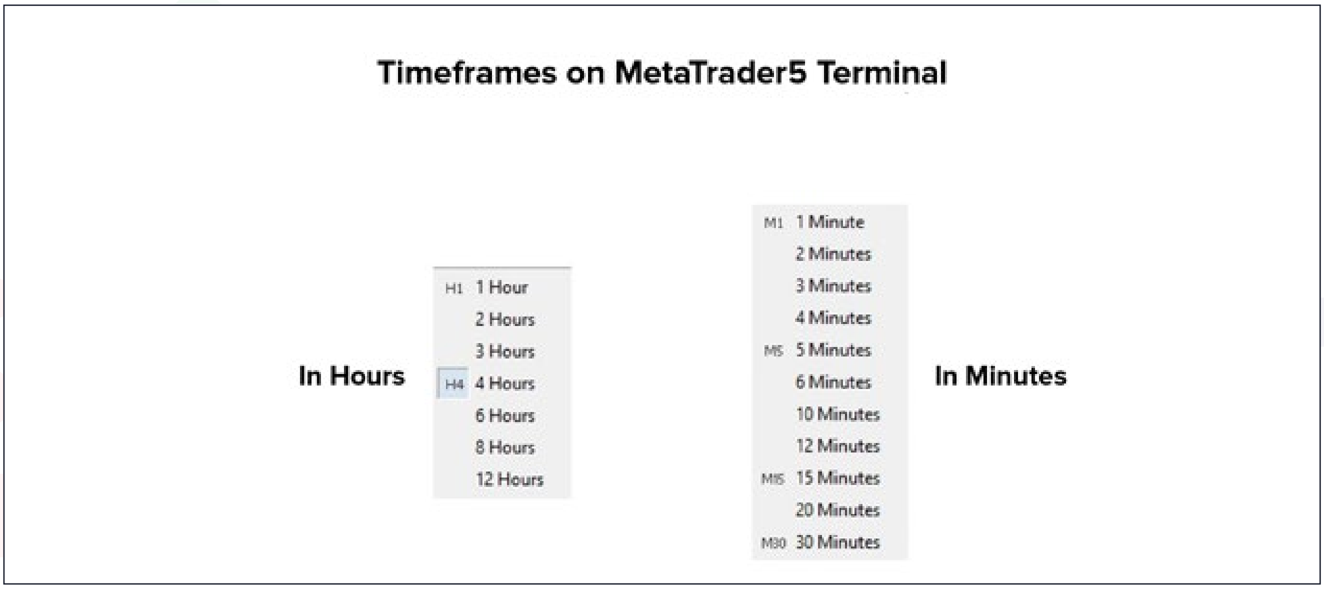
In general, on all trading platforms you will find, there are always time frames (monthly, weekly, daily, four hours, hour, 30 minutes, 15 minutes, 5 minutes, 1 minute), and these timings represent the basic timings that the markets have known for their existence on all trading platforms.

However, the companies that developed the trading platforms started to develop the trading platforms in a way that gives traders a little more room in setting the timeframes more flexible. For example, the MetaTrader 5 platform, which is one of the most famous trading platforms in the world, has been developed by the company that produced the platform to include more time frames in terms of minutes and hours available on many trading platforms.

You can download Point's latest MetaTrader 5 trading platform from the following link



The following figure shows the different time frames in minutes and hours available to display the charts:



Traders may find special value for these time frames, that can give them the opportunity to be able to read the markets better, but often these timings are not very common among analysts or traders.
Usually weekly, daily, 4 hour, 1 hour, and 15 minute charts, these are the most popular time frames among analysts and traders in most financial markets.

Japanese Candles

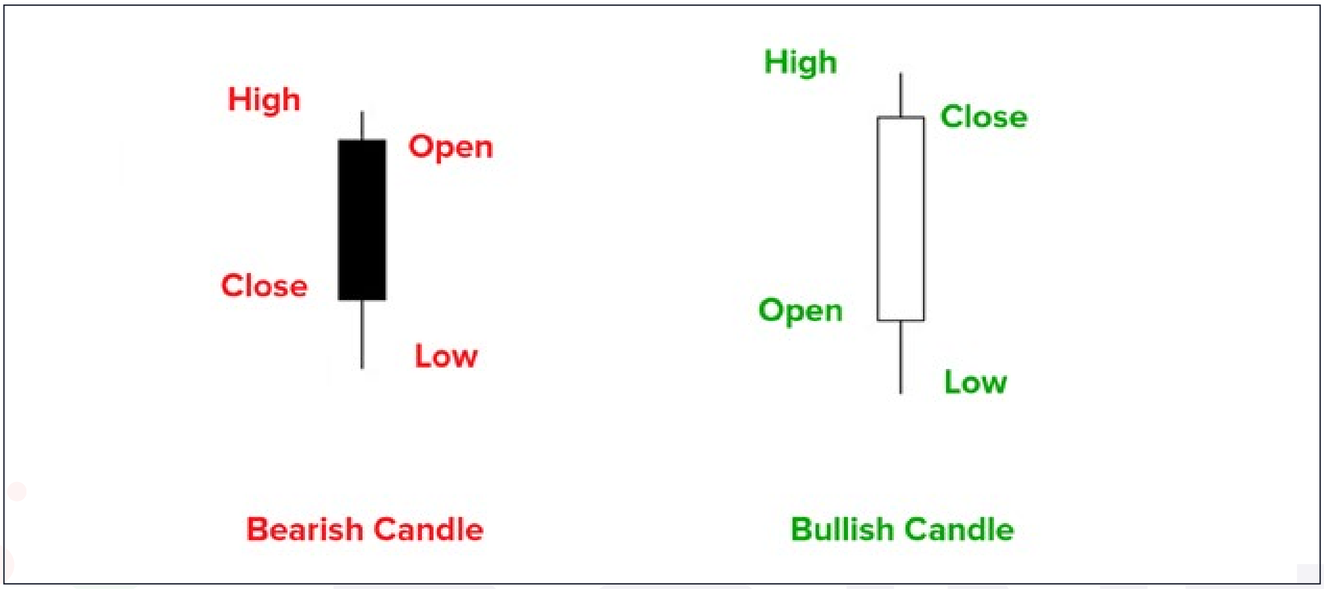
During our presentation of the most famous methods of displaying prices, we talked about the so-called Japanese candles, and we mentioned the importance of these candles, but here we have to explain more to the reader that Japanese candles have become the most common type of charts, and they have become the most important types of charts in displaying market prices.

The value of Japanese candles is that they give the chart great vitality, and make the task of the chart reader easier with just a look, a beginner can know the bullish sessions from the bearish ones, on the other hand, Japanese candles have their own technical forms through which you can read market trends, or at least they give signals about a change in
the direction of price waves.

Now we need to explain how to read Japanese candlesticks in more detail.

Japanese candles depend on four basic data (the opening price, the closing price, the highest price, the lowest price),

and the shape of the candles is as follows:



The candle is bullish when the closing price is higher than the opening price, and the bearish candle is the candle in which the closing price is lower than the opening price, and Japanese candles usually have their own colors that make you easily distinguish between bullish candles and bearish candles, in this figure represents the black candle The bearish candle and the white candle is the bullish candle.

The highest and lowest price are the tails of the candles, while the opening price and the closing price are the body of the candle, the distance between the lowest price and the highest price of the daily trading range, while the distance between the opening price and the closing price represents the extent to which one of the two teams is outperforming either the sellers or the buyers.

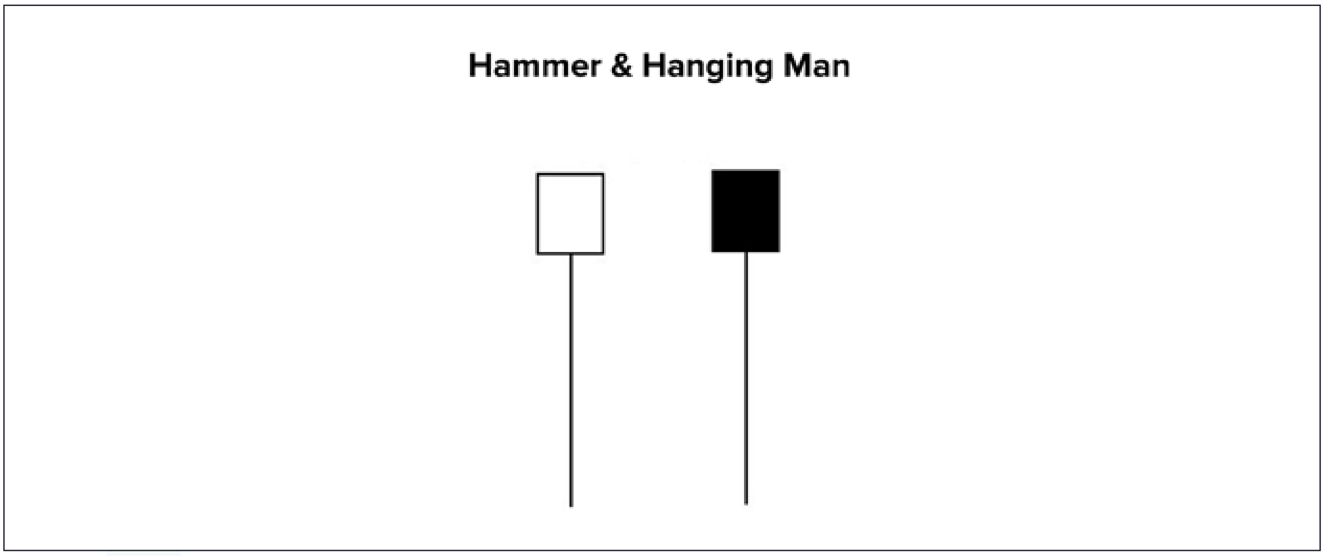
In the bullish candle, when the body of the candle is large, it means that the buyers have outperformed the sellers with great strength and momentum, and the same is true for the bearish candle, the large body of the bearish candle means that the sellers have a great advantage over the buyers.

Japanese candlestick patterns

A hammer or hanging man candle can be identified by three criteria.

- The body of the candle is at the top of the trading range, and the color of the candle does not matter.
- The lower shadow is long and should be twice the height of the candle's body.
- It must not have an upper shadow, or that shadow is too small.

The following figure shows the ideal picture of this candle:



This candle is called Hammer when it comes at the end of a bearish wave (ie it is a candle that supports the upside), and it is reversing the direction of the wave from descending to bullish. While it is called the Hanging Man when it comes at the end of an ascending wave (that is, it is a candle that supports the downside), and it is reversing the direction of the wave from rising to falling.

Inverted Hammer and Shooting Star

A hammer or hanging man candle can be identified by three criteria.

- The body of the candle is at the bottom of the trading range, and the color of the candle does not matter.
- The upper shadow is long and should be twice the height of the candle's body.
- It must not have a lower shadow, or that shadow is too small.

The following figure shows the ideal picture of this candle:

This candle is called the Inverted Hammer when it comes at the end of a bearish wave (that is, it is a candle that supports the rise), and it is reversing the direction of the wave from descending to rising.

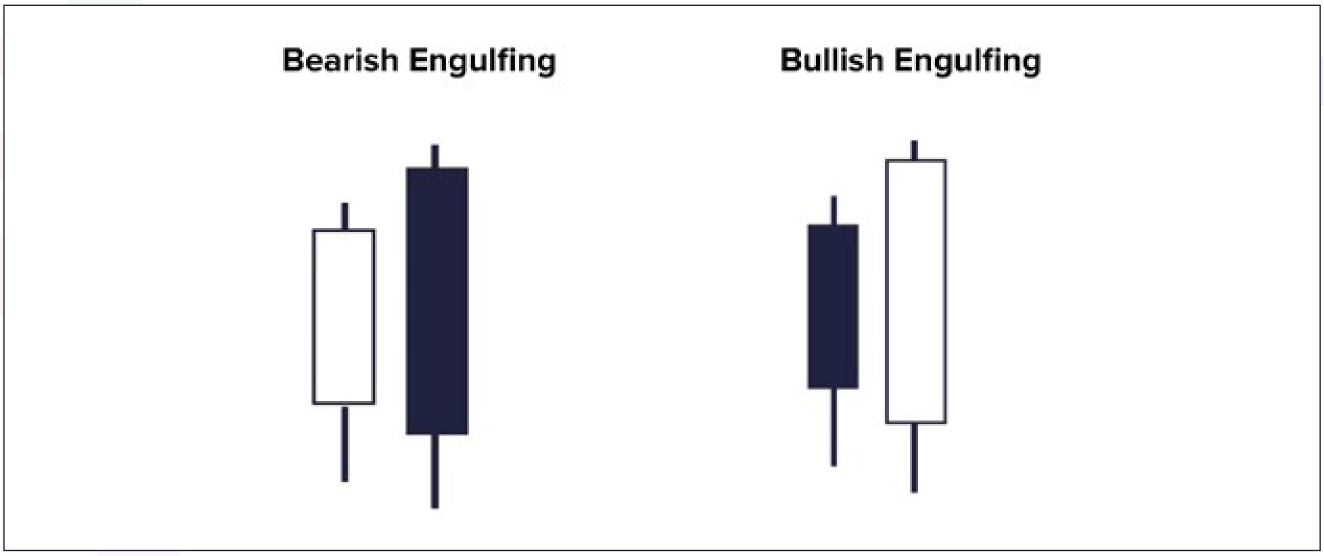
While it is called a shooting star when it comes at the end of an ascending wave (i.e. it is a candle that supports the downside), and it is reversing the direction of the wave from ascending to descending.

Bullish and Bearish Engulfing

This candle can be identified by the following criteria:

- The market must be in a clear upward or downward trend.
- The engulfing pattern consists of two candles, in which the body of the second candle must completely swallow the body of the first candle (it is not necessary for it to swallow its lower and upper shadows).
- The color of the second candle must be the opposite of the color of the first candle.

The following figure shows the ideal image of this model:



The bullish engulfing pattern comes at the end of a bearish wave to change the trend from bearish to bullish. The first small candle means weakness in the sellers' activity, then the next candle comes with a large buying activity that swallows the selling activity of the previous day. The engulfing selling pattern comes at the end of an ascending wave to change the trend from bullish to bearish. The first small candle means weakness in the buyers' activity, then the next candle comes with a large selling activity that swallows the buying activity of the previous day.

Tops and Bottoms

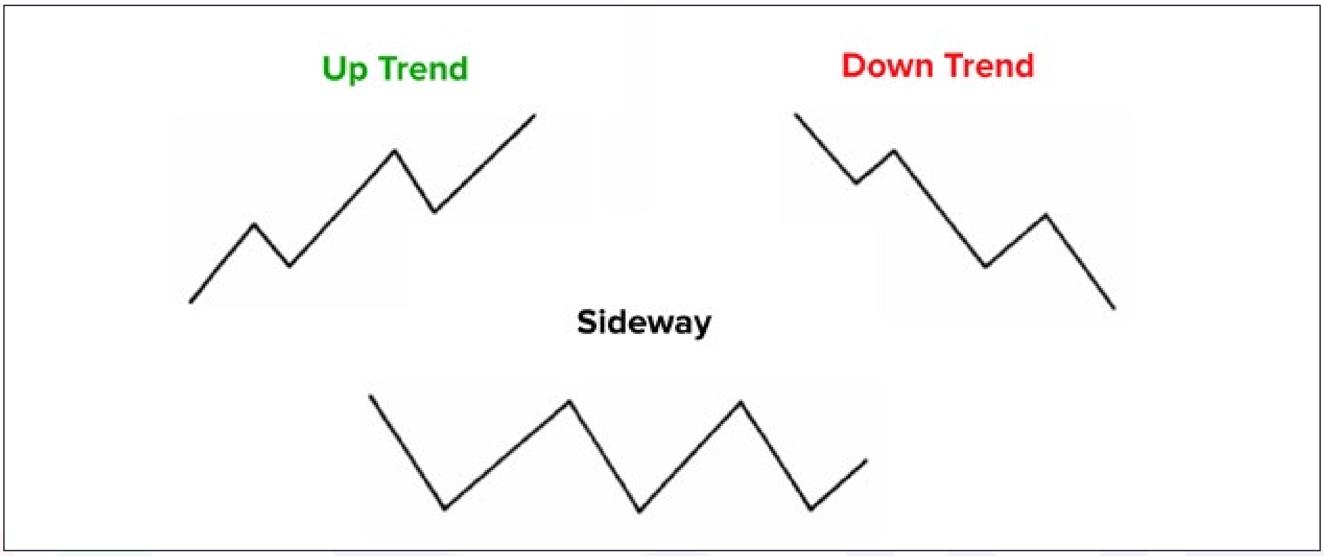
Markets do not move in straight lines. The movements of financial markets are characterized by a series of zigzag lines. These zigzags are represented by a series of waves with very clear tops and bottoms, and the direction of the market consists of these tops and bottoms.

An uptrend can be defined: It is a series of rising tops and bottoms.

Downtrend: It is a series of descending tops and bottoms.

Sideways: A series of horizontal tops and bottoms.

The following figure shows the three trends of the markets in an abstract way, the sequence of tops and bottoms clearly:



On closer examination, you will find that the bottom is an area where buyers outperform sellers, and were able to push prices higher, meaning that the bottom is the beginning of the buyers outperformance.

The top is an area where sellers are superior to buyers, and it is an area where sellers have been able to impose their control over purchasing power, meaning that the top is the beginning of sellers' superiority.

Tops and bottoms are a key concept in understanding the trend of the market, and understanding this well gives the analyst a deeper understanding of the classic tools - which we will explain later -. Here we are not going to explain the psychological aspect behind the top or bottom, but we explain in a simplified way the mechanism of work of the top and bottom.

We previously agreed that a trend is a series of tops and bottoms, meaning that the tops and bottoms illustrate the relationship between sellers and buyers.

The beginning of the uptrend

Here we will explain how an uptrend starts, i.e. how buyers start to take control of the market creating a new uptrend.

The classic start of an uptrend, that prices start to form a top (top - 1) and then a bottom (low - 2), then the prices break the first top up, and thus achieve a higher next top (top - 3), then a higher bottom (low - 4)) from the previous bottom.

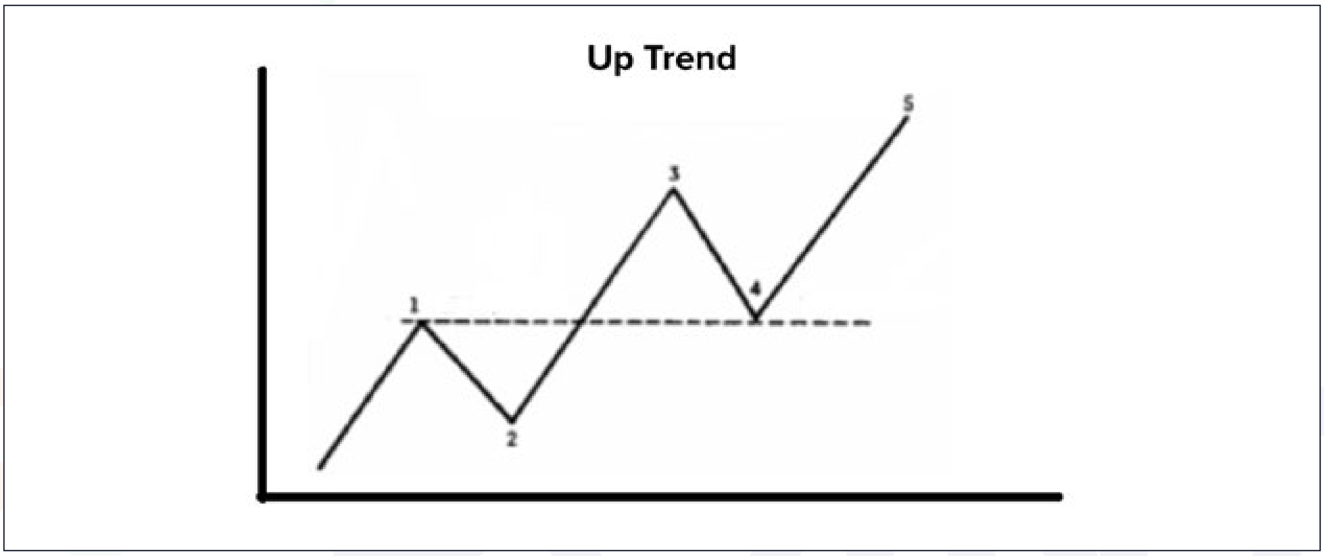
The following figure shows the beginning of an uptrend:

Rising tops mean that buyers have enough reasons to keep pushing prices higher and achieve new higher prices,

while rising bottoms mean sellers are not able to continue selling, which means that purchasing power is outperforming.

This sequence of tops and bottoms means the start of a new bullish trend,

whatever time frame you noticed this formation on.



The beginning of the downtrend

Now we will show how a downtrend starts,
i.e. how the sellers start to take control of the market, creating a new downtrend.

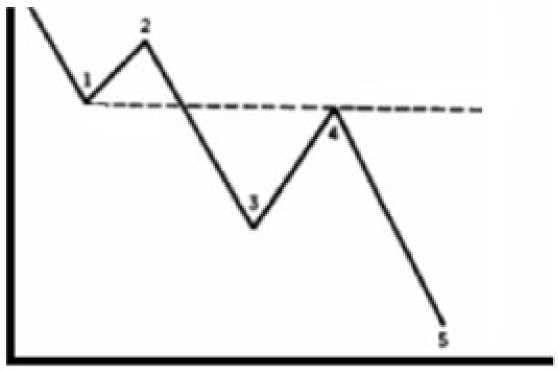
The classic beginning of a downtrend, that the prices start forming a bottom (low-1) then a top (high-2),

then the prices break the first bottom down, and thus achieve a next lower bottom (low-3),

then a lower top (high-4).) from the previous previous peak.

The following figure shows the beginning of the downtrend:

Down Trend



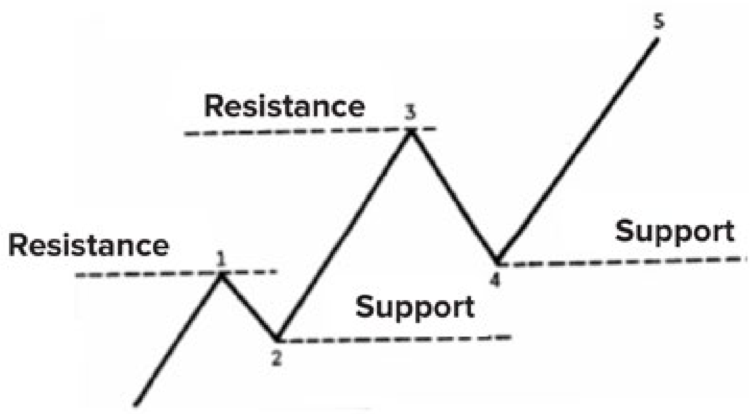
Lower bottoms mean that sellers have enough reasons to continue pushing lower prices and achieve new lower prices, while lower tops mean that buyers are unable to continue buying, which means that the selling forces are outperforming. This sequence of tops and bottoms means the start of a new downtrend, whatever time frame you notice this formation on.

Support and resistance levels

Support and resistance is one of the basic concepts in knowing and measuring price movement, after we have clarified that prices move in clear tops and bottoms, we can now look more closely at the areas of tops and bottoms, and this is what constitutes the concept of support and resistance.

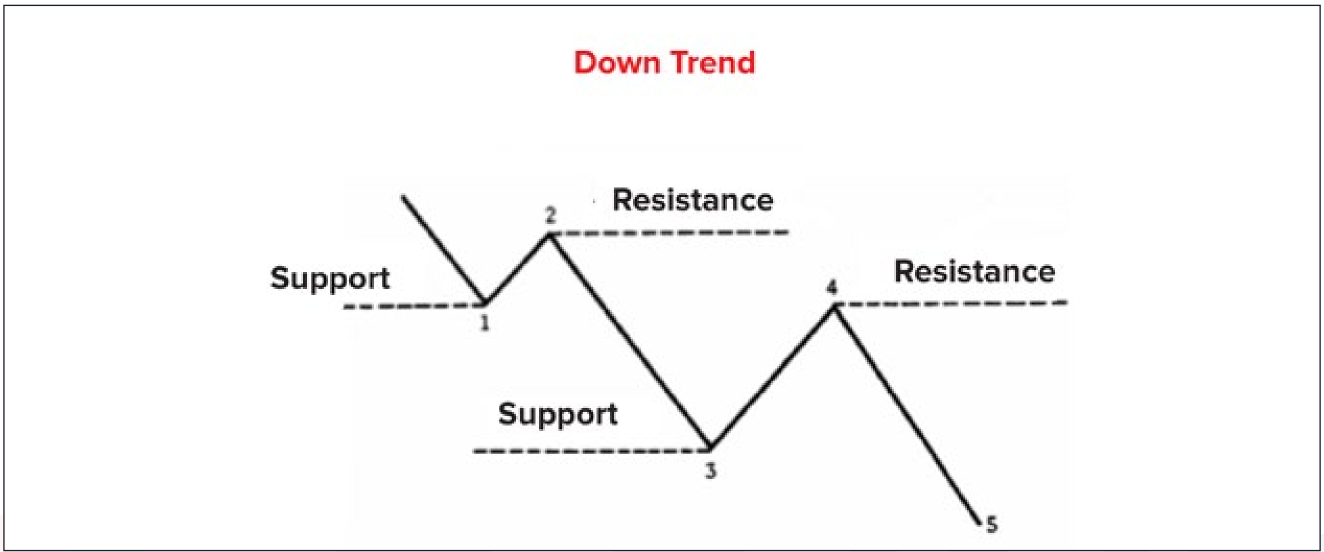
Support: It is the bottoms or the lowest levels from which the price bounces, and it is the level and the area that lies below the chart of the market movement, where the buying interest is strong, which pushes the prices higher when these levels are reached. Some analysts prefer to define the bullish trend as resistance levels that are broken upwards, and support levels that always succeed in supporting the price.

Up Trend

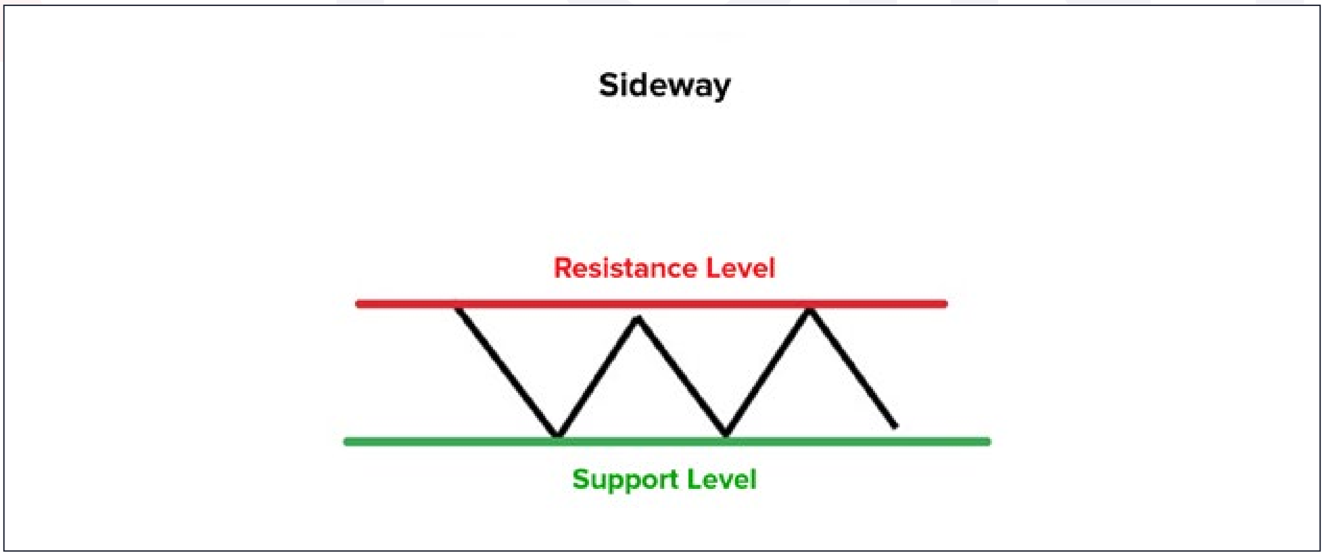


Resistance: It is the peaks or the highest prices from which the price is falling, and it is the level or area that lies at the top of the market movement graph, where the interest in selling is strong, which pushes the prices to fall back down when these levels are reached.

While the downtrend represents: - As support levels that are broken down, and resistance levels that always succeed in resisting the rise in prices and pushing them down again.



Thus, the sideways direction is the stability of a support level in the price response up, as well as the stability of a resistance level in the price response down. Prices remain in this range until one of these limits is broken.



Reasons to support the strength of the support or resistance level

After understanding the concept of support and resistance in general, we have to clarify the most important reasons that may increase the value of the support or resistance level, and therefore the technical analyst must examine them to identify the extent of the strength of these levels.

- **The number of times the price touched the support or resistance line.**
  The more times the price touches a support or resistance level, the greater the technical value.

- **The time range of the level of support or resistance.**
  A resistance or support level that extends over a longer period of time is stronger.

- **The distance that the price moved before touching a support or resistance line.**
  The more prices move a large distance before reaching a level of support or resistance, the more likely the level of support or resistance will remain in front of prices.

- **Trading volumes around the level of support or resistance.**
  The more trading volumes increase when prices approach a resistance or support level, the stronger this level will be. In the currency exchange, this can be characterized by the sizes of the price candles, that is, the larger the candles sizes around the level of support or resistance, the higher the value of this level.

- **The extent of the price retracement after touching the level of support or resistance.**
  The price distance that the price moves after touching the level of support or resistance, the greater it is, this means that the level of support or resistance is more important.

Breaking the level of support or resistance

When examining the chart, the technical analyst begins by identifying levels of support and resistance, and then begins to determine the importance of each level based on the reasons we explained earlier. But does this mean that prices cannot cross the levels of support and resistance?! The answer is definitely no. Breaking the levels of support and resistance is one of the most important concepts that must be recognized and understood well, because it sometimes represents one of the pillars of buying and selling opportunities.

A break means that prices are above the level. Breaking a resistance level means prices have crossed this barrier up, and breaking a support level means prices have crossed this level down.

Here we have to answer the following question, when can we consider the fraction to be true?!

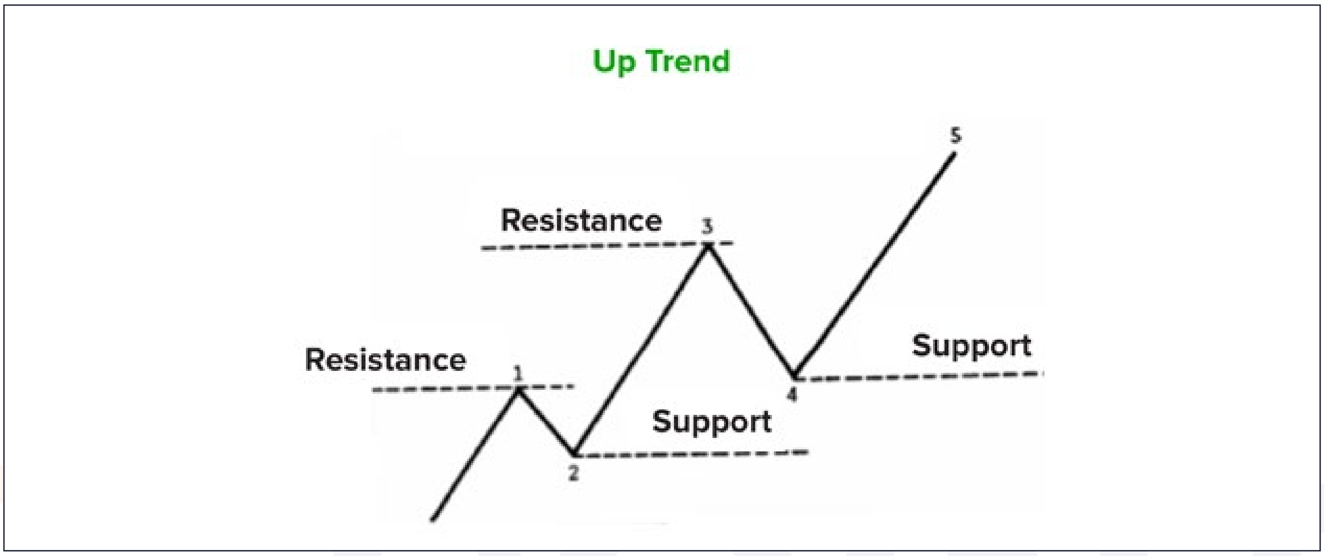
Not every breakout of the level means breaking it, sometimes there are breakouts of the level during trading and then prices rebound to the opposite direction, and this does not mean a break.

Technical analysts identify some of the criteria they base on determining the validity of the fracture, the most important of which are:

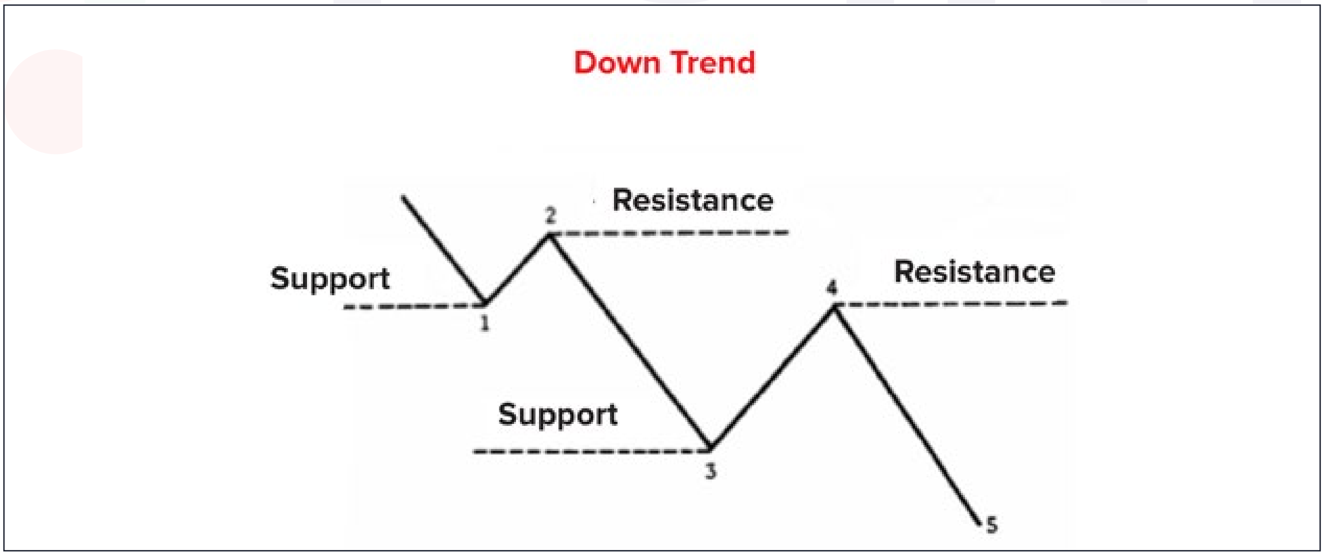
- The price closes above the resistance level, or below the support level.
- Price stability above the resistance level and the lowest support level.
- The breakout takes place amid high trading activity (large trading volume, or large price candle).

When roles change

The reversal of roles between support and resistance is a basic concept in understanding supports and resistances, and it means that after the support level is broken correctly - the support level becomes higher in prices - and thus becomes a resistance level. When a resistance level is broken correctly - the resistance level becomes below the price - it starts to act as a support level below the market. Looking at the following figure, which represents an upward trend in prices, how the breach of the top (high - 1) turned into a support level later (support - 4).



The following figure shows the reversal of the role of the support level to become a resistance level, during the downtrend trades. Where the support level (Support-1) was broken, it turned into a resistance level later when prices rebounded up at (Resistance-4).



It is not over yet, we have not explained everything about support and resistance, and perhaps the most prominent thing that we did not explain is the psychology behind the concept of support and resistance, because its explanation requires a large area of explanation and details. But we have clarified the basic principles for understanding how support and resistance levels work and how they help analysts and traders understand the movement of the market, as well as help them a lot in setting buy and sell orders.

Using support and resistance in buying and selling

We have to emphasize the concept of support, that it is a price level below the market movement, and it is an area in which the activity of buyers increases, which pushes prices up, such as (the ascending trend line, the support level, the descending channel line).

The concept of resistance is a price level above the market movement, an area in which sellers' activity rises, causing prices to fall down (such as the descending trend line, the horizontal resistance level, the ascending channel line). The main rule in the markets is that support levels are areas of buying, and resistance levels are areas of sale. Based on this, we will illustrate a mechanism that enables us to use both trend lines and support and resistance lines together, which is a popular way to trade the financial markets.

This method is based on setting a specific time frame, then the trend line, resistance and support lines are identified.

Buying is when prices reach a support level in the presence of an ascending trend line

Selling is when prices reach a resistance level in the presence of a downtrend line

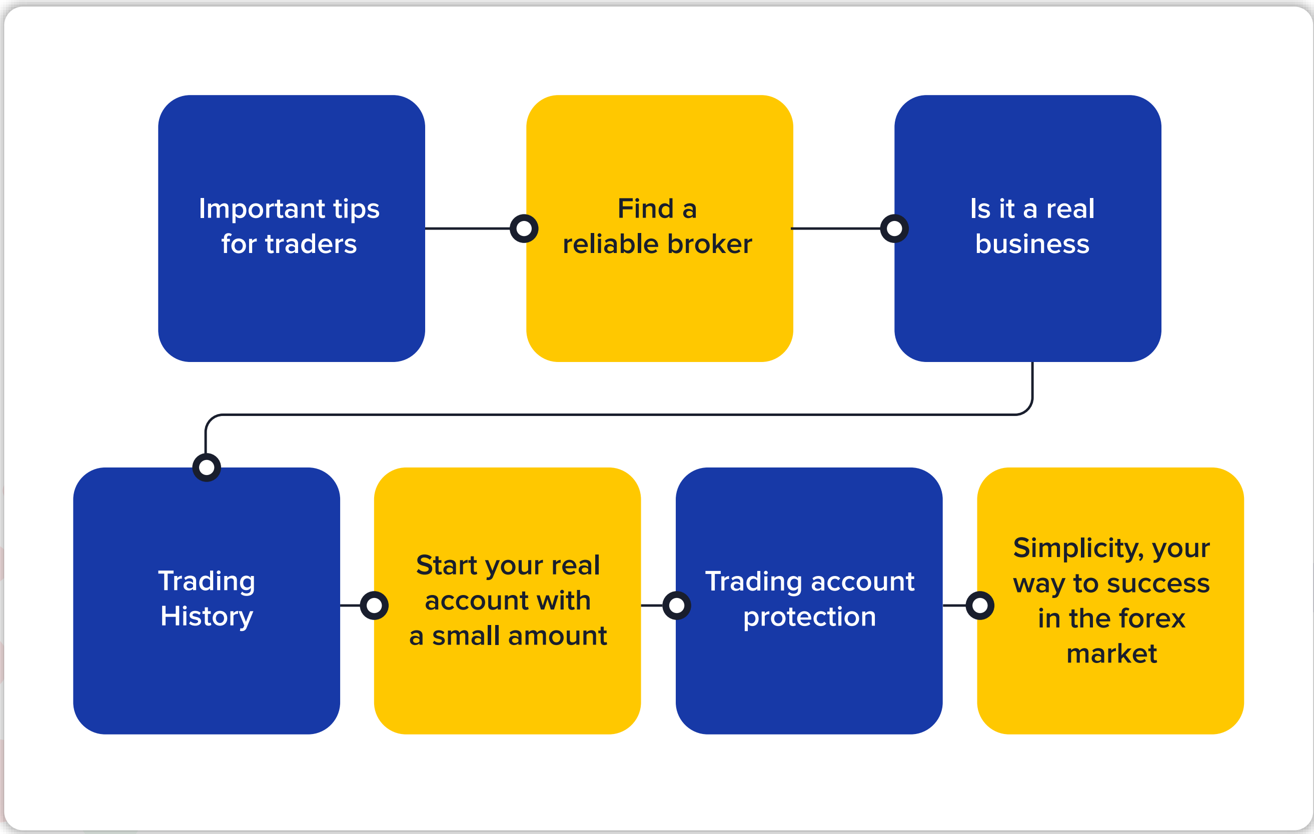
For example, by looking closely at the EUR/USD chart, we will do the following:

- We will draw the last trend line.
- We will draw support and resistance lines on the obvious tops and bottoms.

In the following example

We will look for the sell signal, because the general trend of the four-hour time frames - which is the chosen time frame - we carry out selling operations when the prices reach the resistance level, which is the best selling points, and the stop loss order is to break the resistance level up, and the sale is never stopped in case it breaks downtrend line.

3 Chapter 3 - Important tips for trading



Important tips for traders

The forex market is the largest financial market in the world, with trading volumes exceeding $5 trillion daily. The forex market is competitive in nature as it attracts a lot of new traders every day, from experienced professionals to beginners. Forex speculators can make huge profits in trading. However, there is also a possibility that speculators will lose money. To avoid losing, it is important to keep the following tips in mind.

Find a reliable broker

This should be the priority of any serious trader. Trading with a trustworthy broker is crucial. Before you choose a broker, make sure their offering matches your trading goals. Second, make sure that the broker is licensed by a trusted regulatory body (**check Point's licenses at the following link**). This is important as it will protect you from being scammed by some brokers. If there comes a time when you feel that you are being scammed by the broker, you can always reach out to the financial regulatory authority of that broker and let them know what you are facing. Also, you can always recover the funds of your trading account in the event of bankruptcy of the company when the broker is a member of an organization to protect the client's investments.

Is it a real business

Traders should remember that forex trading is a business. Like any business, traders are likely to experience losses and profits. Therefore, it is very important not to view the loss as a setback. Just consider the loss as a bad day in the office and just focus on long-term performance. You should monitor the overall condition of your long-term trades. We must also get rid of the idea of revenge and the momentary pursuit of compensation for the loss; Because this may lead to more losses.

Trading History

Successful traders keep good records of their trading history. Records that traders must keep include their performance, losses, profits, instruments and activity histories. These records could be a priceless treasure in the future. For example, if you made a losing trade because you did not follow the terms of your trading strategy, it will be important to take this note to avoid making the same mistake in the future. You should learn from your mistakes in trading to avoid them in the future.

Start your real account with a small amount

The first stage in a trader's life is the practice of trading. The first step in the life of any trader is to use **the demo account** to learn the rules, strategies and other trading tips that he must learn. After practicing on the demo account, the trader switches to real trading with real money by opening **a real account**. During a trader's early days of trading with real money, it is advisable to start with a small amount as there are some differences between demo and live trading. By starting with a small amount, traders can learn the basics without risking a lot of money.

Trading account protection

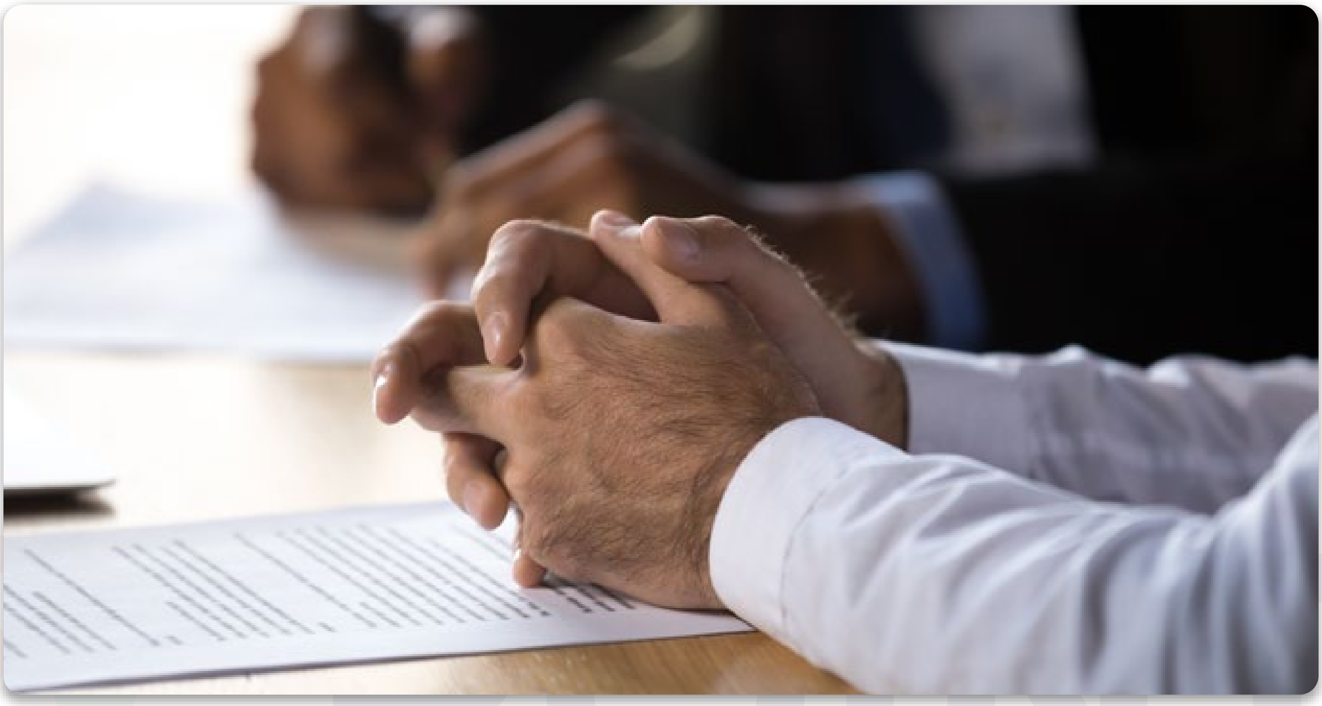
Trading is a business - or at least, it should be treated as a business. Always remember this rule: Risk comes with trading! It is necessary that you use some important tools in this market to avoid losses. We believe your constant partner is your stop loss order. Stop losses are automated software that you can use to stop trading when the market moves against your expectations.

Simplicity - your way to success in the forex market

Every trader needs charts for technical analysis. Many different charts are available for **technical analysis**, and many traders find themselves in front of a lot of options due to the abundance of technical tools for market analysis. We do not recommend using many tools in market analysis.

You should choose no more than two or three tools to avoid being overwhelmed or distracted.

4 Conclusion: Is this the end?



Conclusion

In this book, we have provided you with a summary of the most important tools you need to start on your journey to making profits from the forex market.

You can always gain more experience with Point Trader Group's experts by directly communicating with the technical support team to respond to your inquiries by writing to us through the following e-mail: **backoffice@pointfxltd.com**.

You can also attend our permanent educational seminars throughout the year via **the following link**.

We also provide you with live technical analysis and exclusive coverage of the most important market events to help you in your decision-making process.

For latest news and market updates, you can follow us on **Telegram** & **Youtube**.

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