

# FOREX TRAINING

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# Basics

- Forex stands for **Foreign Exchange**, which is exchanging one currency for another.
- You sell one currency and buy another currency simultaneously and once you do so you have essentially involved yourself in the forex market
  - e.g. USD/ZAR – When you go to USA you have to exchange/**SELL** the **ZAR** and **BUY** the **USD** in order for you to make transactions in USA.



# Basics Cont.

- Forex is the most liquid financial market with a **daily turnover** of more than \$5 trillion.



# Basics Cont.

- Currencies are always quoted in pairs, such as USD/ZAR, where you buy one currency and sell another simultaneously.

e.g.

- USD/ZAR = 13.3979

USD: Base Currency

ZAR: Quote Currency

# Terminology

- **Base Currency:** The base currency is the “basis” for the buy or the sell.

e.g.

If you buy **USD/ZAR** this simply means that you are buying the base currency and simultaneously selling the quote currency.

- **Quote Currency:** The quote currency is the second currency in any currency pair
- **Long/Bullish:** In trader's talk going long/Bullish means **BUY**
- **Short/Bearish:** In trader's talk going Short/Bearish means **SELL**

# Terminology Cont.

- **Pip: Percentage In point** – A pip is the smallest price movement available in a currency.

The 4<sup>th</sup> decimal number e.g. USD/ZAR = 13.397**9**

If USD/ZAR moves from 13.397**9** to 13.398**0** = 1 pip

(Helps you measure profit or loss).

Instances where you have USD/JPY = 100.50**9** use 3<sup>rd</sup> decimal number as your pip

- **Lot Size:** Value used to determine profit or loss.

|                   |                                 |
|-------------------|---------------------------------|
| Standard Lot size | : <b>1.00 = \$10</b> per pip    |
| Mini Lot size     | : <b>0.10 = \$1</b> per pip     |
| Micro Lot Size    | : <b>0.01 = 10 cent</b> per pip |

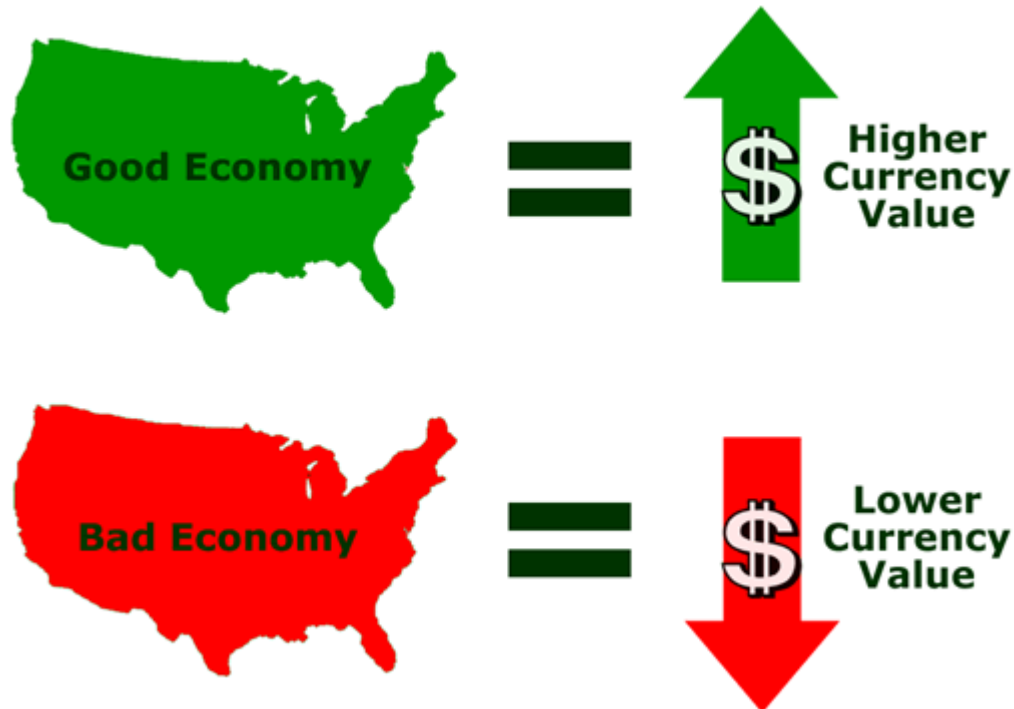
# Types of Orders

- **Market Order:** A market order is an order to buy or sell at the current market price.
  - **BUY:** USD/ZAR Current Market price = 13.3979
- **Take Profit:** A level where you decide to exit a trade with profit
- **Stop Loss:** A level where you decide to exit a trade with a loss



# Types of Trading

- **Fundamental analysis:** Fundamental analysis is a way of looking at the market through economic, social and political forces that affect supply and demand.



# Types of Trading Cont.

- **Technical Analysis:** Technical analysis is the study of price movement. In one word, technical analysis = charts

▼ USDJPY-,H1 104.552 104.615 104.551 104.605



# PRICE ACTION

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# What is Price Action?

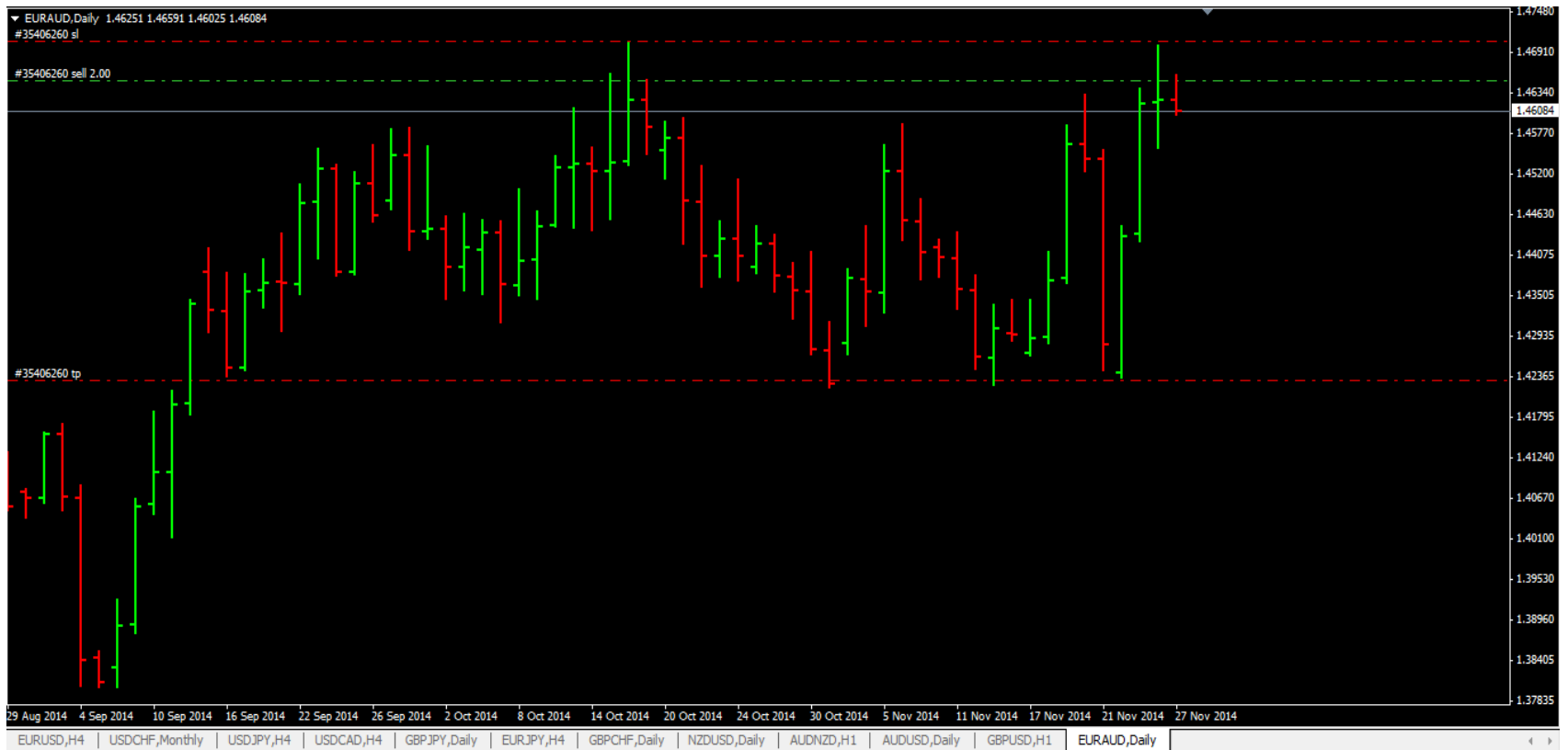
- Price action is a trading technique that allows the trader to analyse the market and make subjective trading decisions based on past and present price movements.
- Price action trading uses tools like chart patterns, candlestick patterns, trendlines, support & resistance and many more.

# PRICE AND CHARTS

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# Bar Chart

- Shows opening price, while simultaneously showing the closing price, as well as the highs and lows.



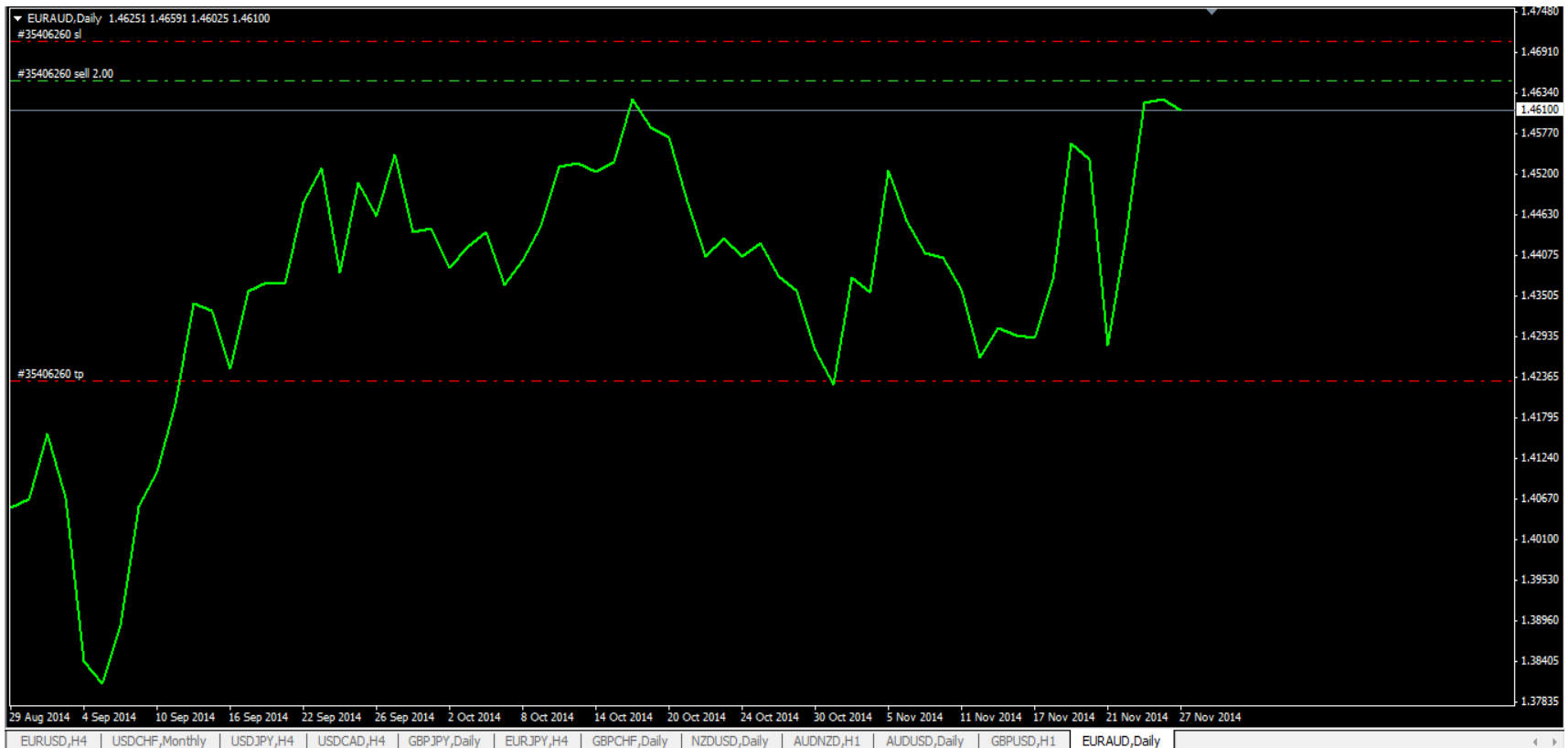
# Candlestick Chart

- Also shows opening price, while simultaneously showing the closing price, as well as the highs and lows.



# Line Chart

- A simple chart that draws a line from one closing price to the next closing price.



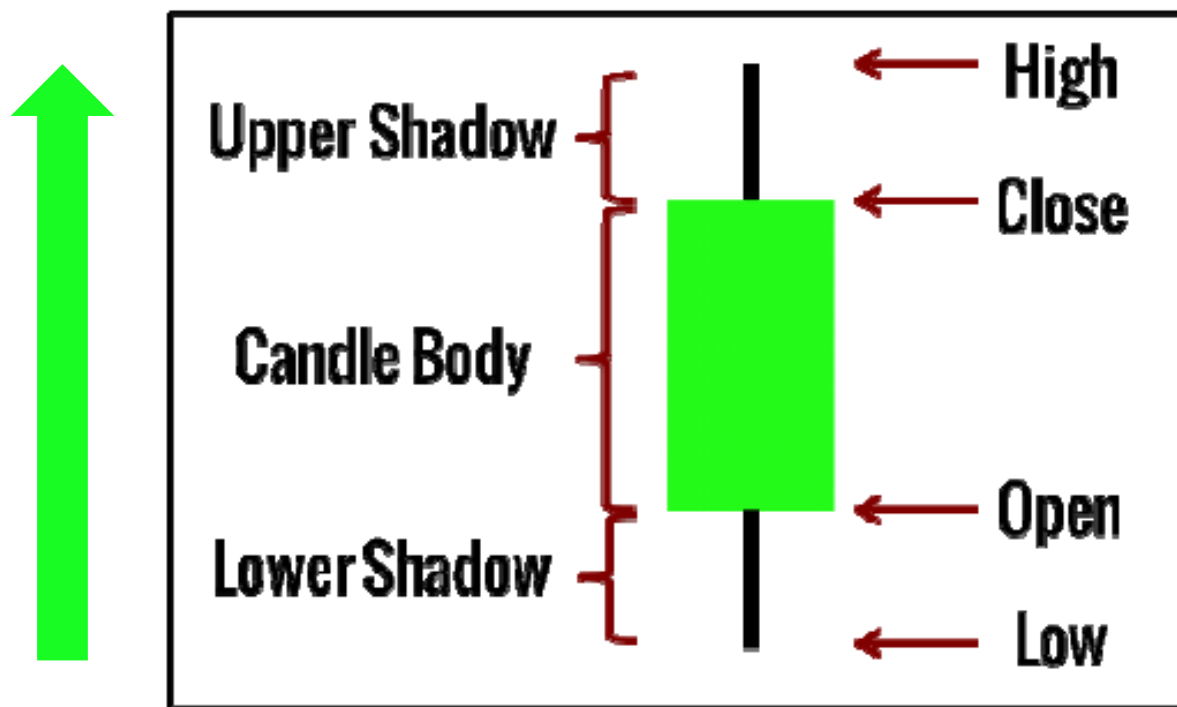


# CANDLESTICKS

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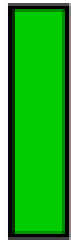
# Bullish Candlestick (BUY)

- A Bullish candlestick simply means the price opened lower and closed up higher after a certain time period.



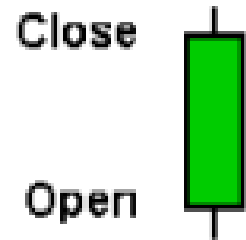
# Bullish Candlestick (BUY)

High  
and  
Close



Low  
and  
Open

High

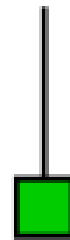


Close

Open

Low

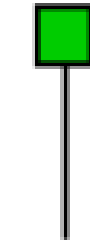
High



Open  
and  
Low

Close

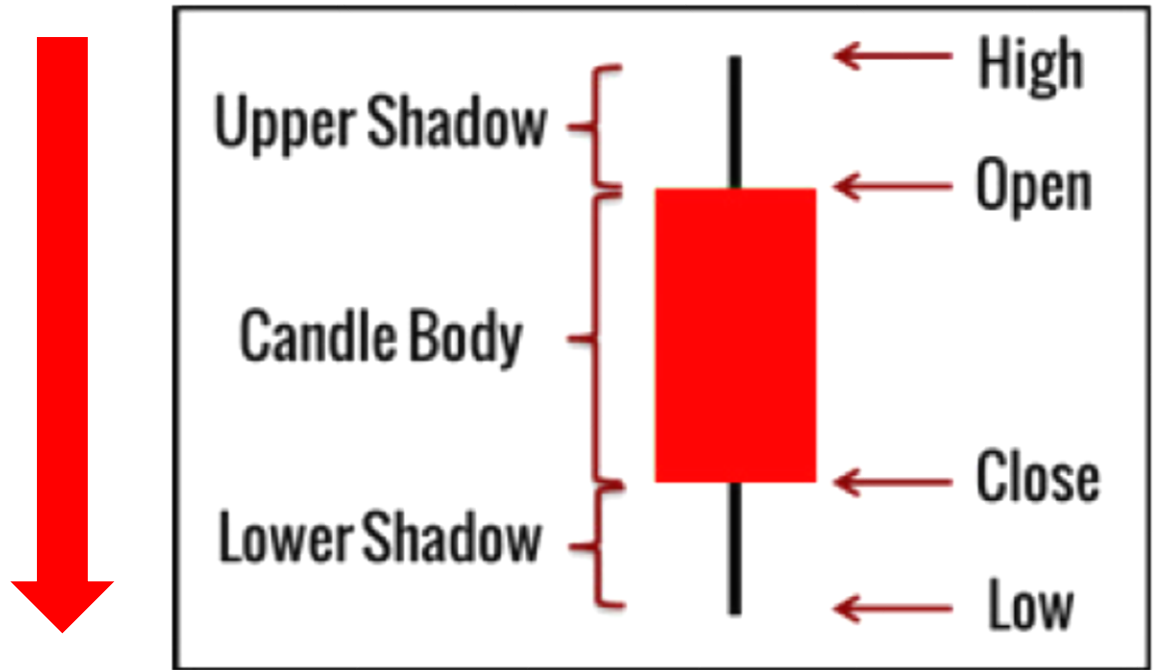
High  
and  
Close



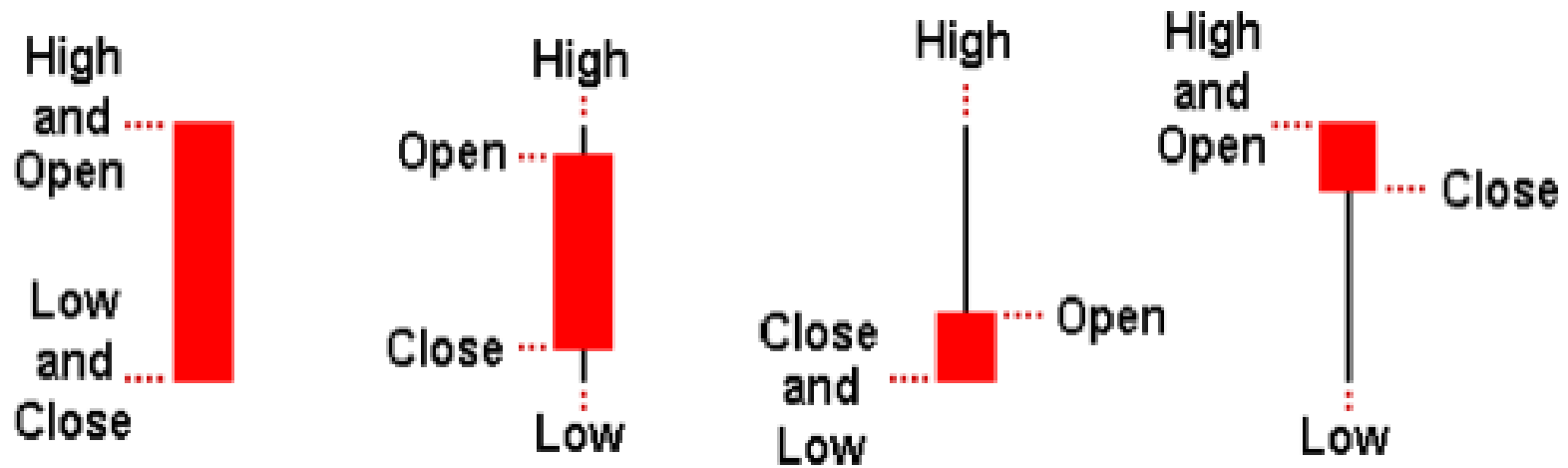
Open

# Bearish Candlestick (SELL)

- A bearish candlestick simply means that the candlestick opened up at a high price and closed lower after a certain time period.



# Bearish Candlestick (SELL)

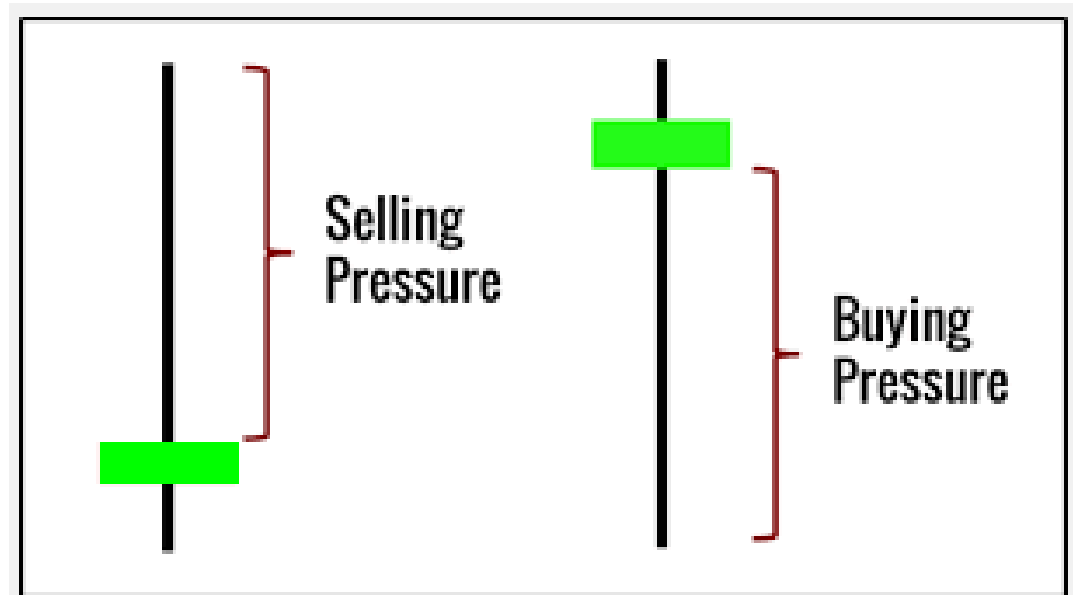


# Buying & Selling Pressure

- Understanding buying and selling pressure on candlesticks.
  - Every candlestick that forms tells you a story about the battle between the Buyers (**Bulls**) and Sellers (**Bears**), who dominated the battle, who is weakening and who finally won.

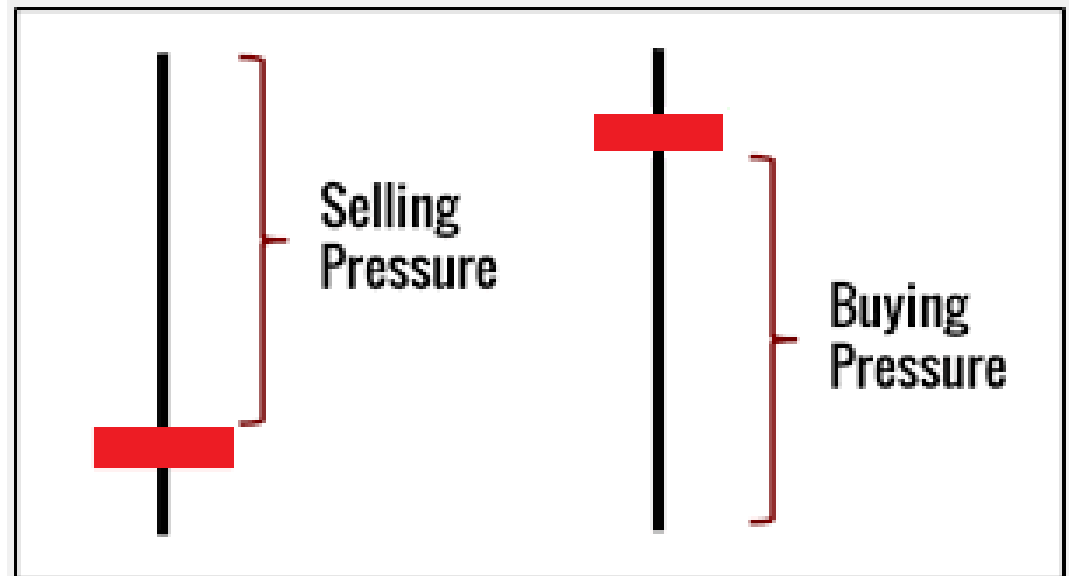
# Buying & Selling Pressure

- The first green candlestick on the left tells you that sellers(**bears**) were dominant.
- The second green candlestick tells you the buyers(**bulls**) were dominant.



# Buying & Selling Pressure

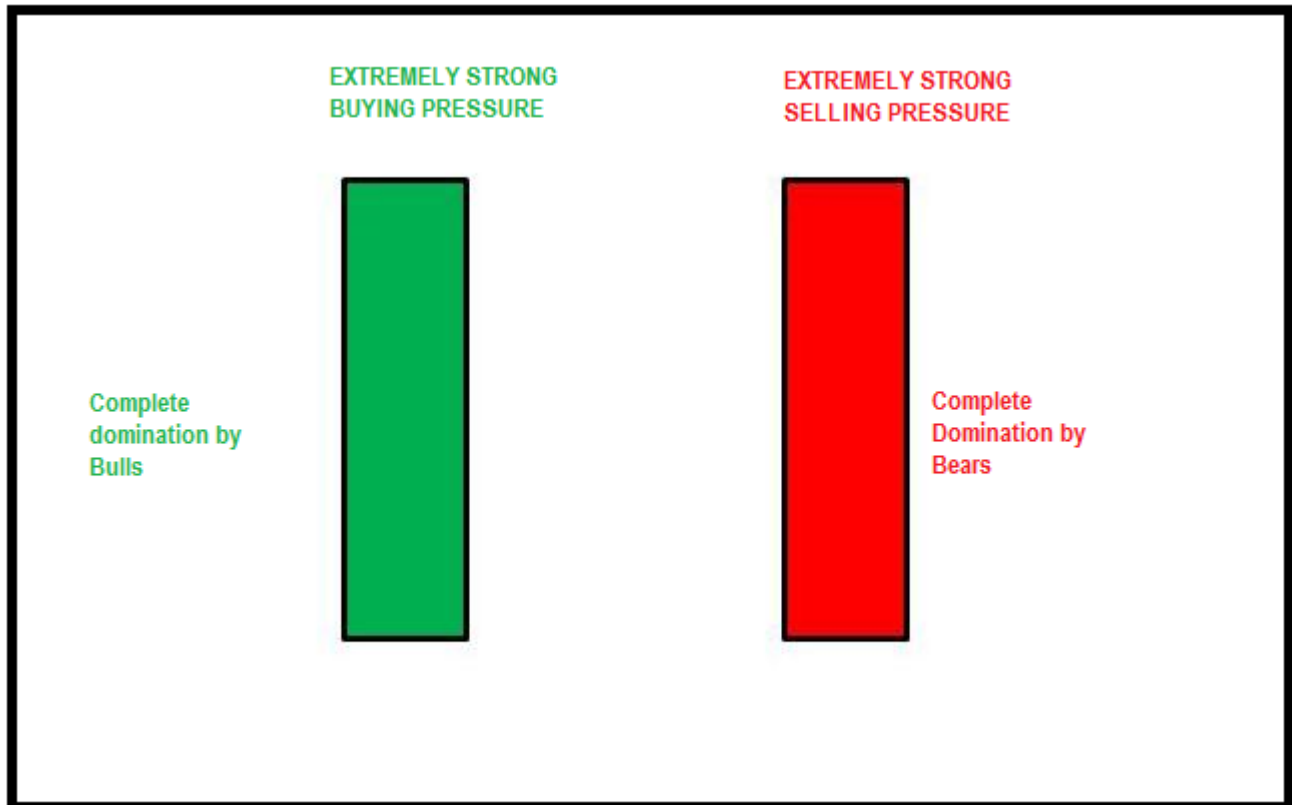
- The first red candlestick on the left tells you that sellers(**bears**) were dominant.
- The second red candlestick tells you the buyers(**bulls**) were dominant.





# Buying & Selling Pressure

- The longer the body of the candlestick the stronger the buying or the selling pressure.

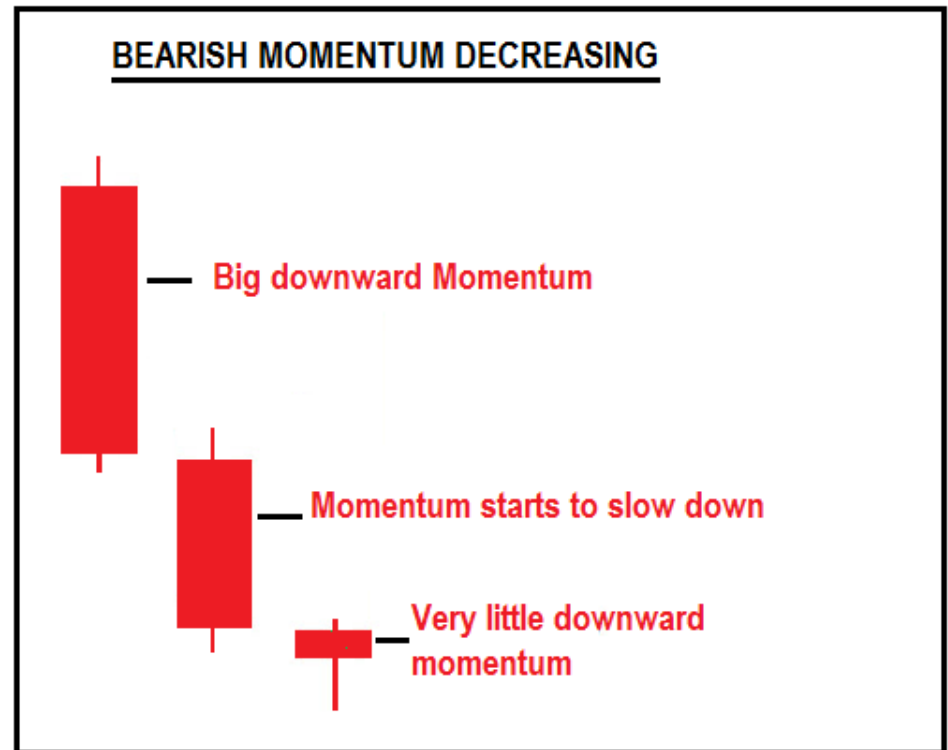


# Buying & Selling Pressure

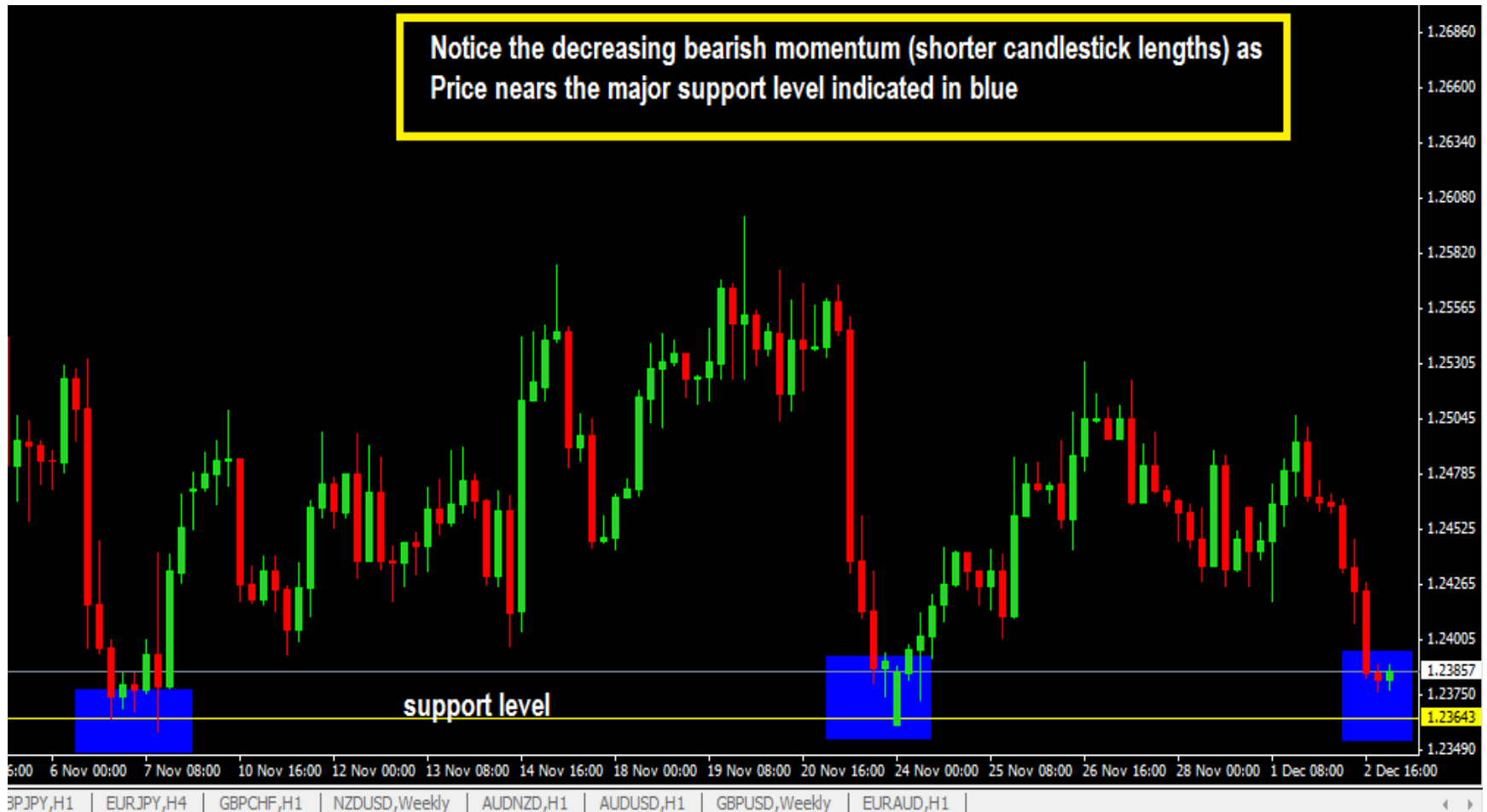
- So far we have been looking at individual candlesticks, what if we combine more than one candlestick? What does that show us?
  - A group of candlesticks can show you how strong or weak a bullish or bearish move is.
  - They can also show us if a bullish or bearish move is weakening.
  - The word used to describe such a situation is momentum.

# Buying & Selling Pressure

- 3 Bearish candlesticks in a downtrend, each with a decreasing body length.
  - This is a signal that the downtrend is weakening
  - Around support level be on the lookout for a bullish reversal candlestick.

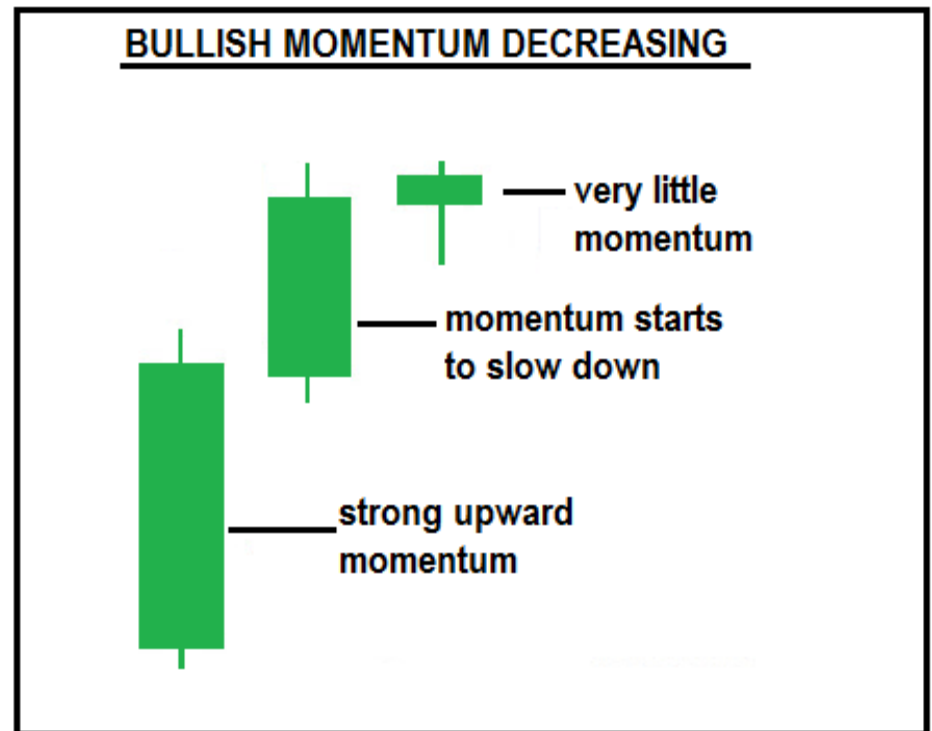


# Buying & Selling Pressure

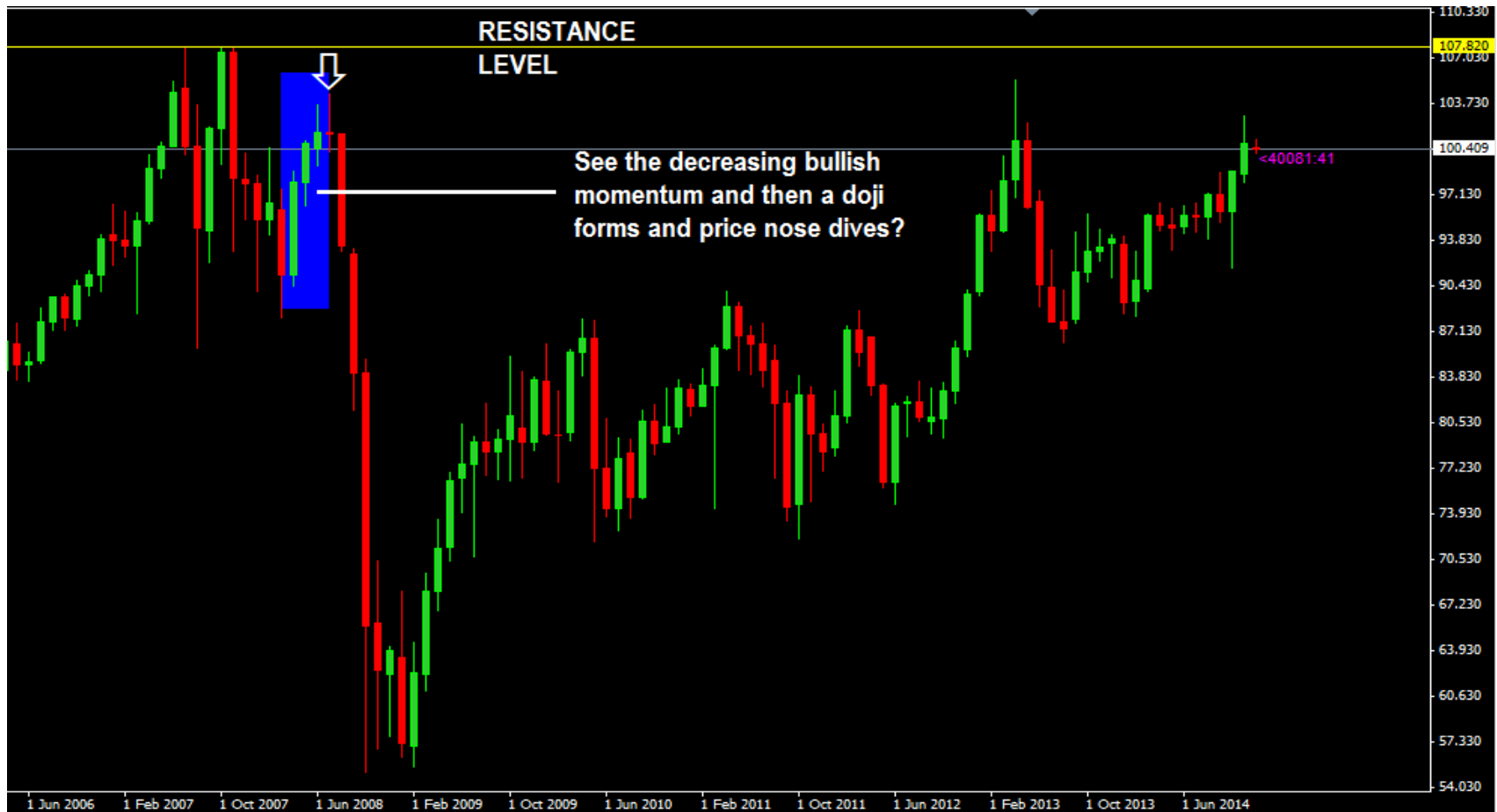


# Buying & Selling Pressure

- 3 Bullish candlesticks in an uptrend, each with a decreasing body length.
  - This is a signal that the uptrend is weakening
  - Around resistance level be on the lookout for a bearish reversal candlestick.



# Buying & Selling Pressure



# Candlestick Wicks/Shadows

- A wick is a long tail outside the body of the candlestick.
- A long wick on the bottom part of the candlestick tells us that the market made a significant fall then quickly retreated and rose from this price level. This is often seen as a bullish signal.
- Long lower wicks occur when the downtrend is losing steam.



# Candlestick Wicks/Shadows

- A long wick on the top part of the candlestick tells us that the market made a significant rise then quickly retreated and fell from this price level. This is often seen as a bearish signal.
- Long upper wicks commonly occur when an uptrend is losing strength.





# TRENDS

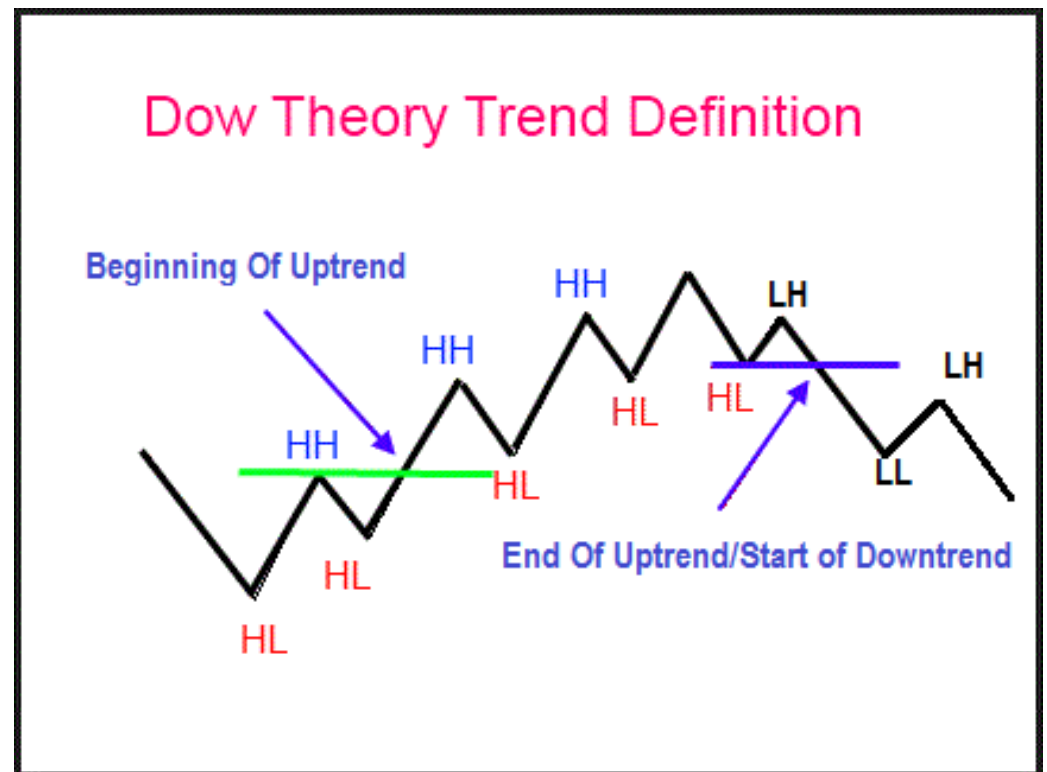
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# Trends

- A Trend is when price is either moving up, down or sideways.
  - So when price is moving up, it's called an **uptrend**.
  - When price is moving down, it's called a **downtrend**.
  - When price is moving sideways, it's called a **sideway trend/Consolidation/Lamb/Ranging**.

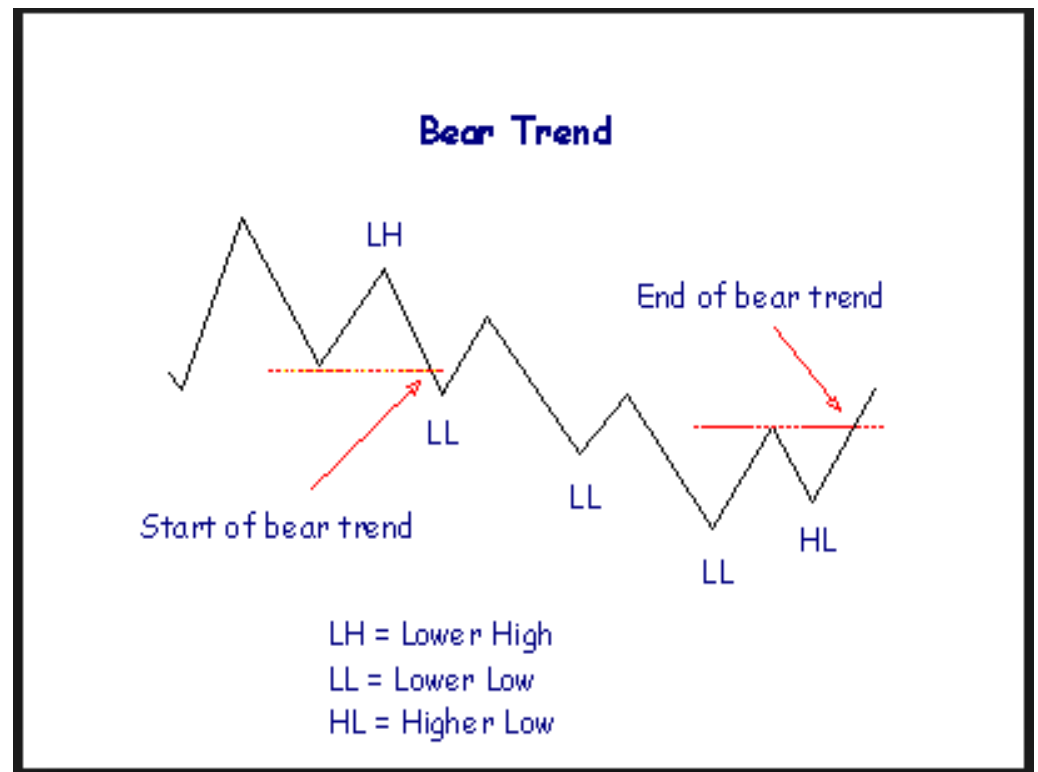
# Trends

- With an uptrend market, prices will be making increasing higher highs(**HH**) and higher lows(**HL**).

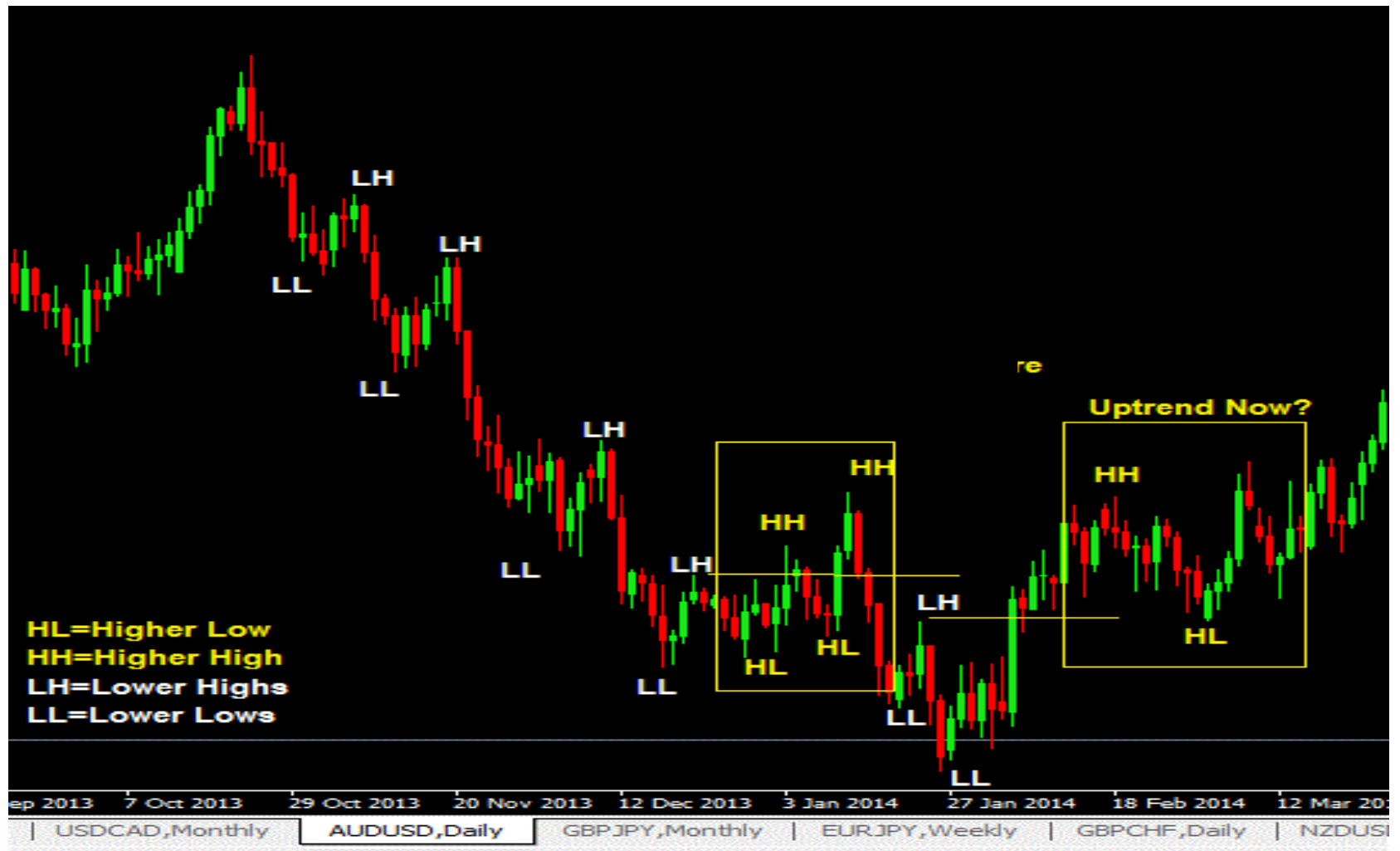


# Trends

- With a downtrend market, prices will be making decreasing lower highs(LH) and lower lows(LL).

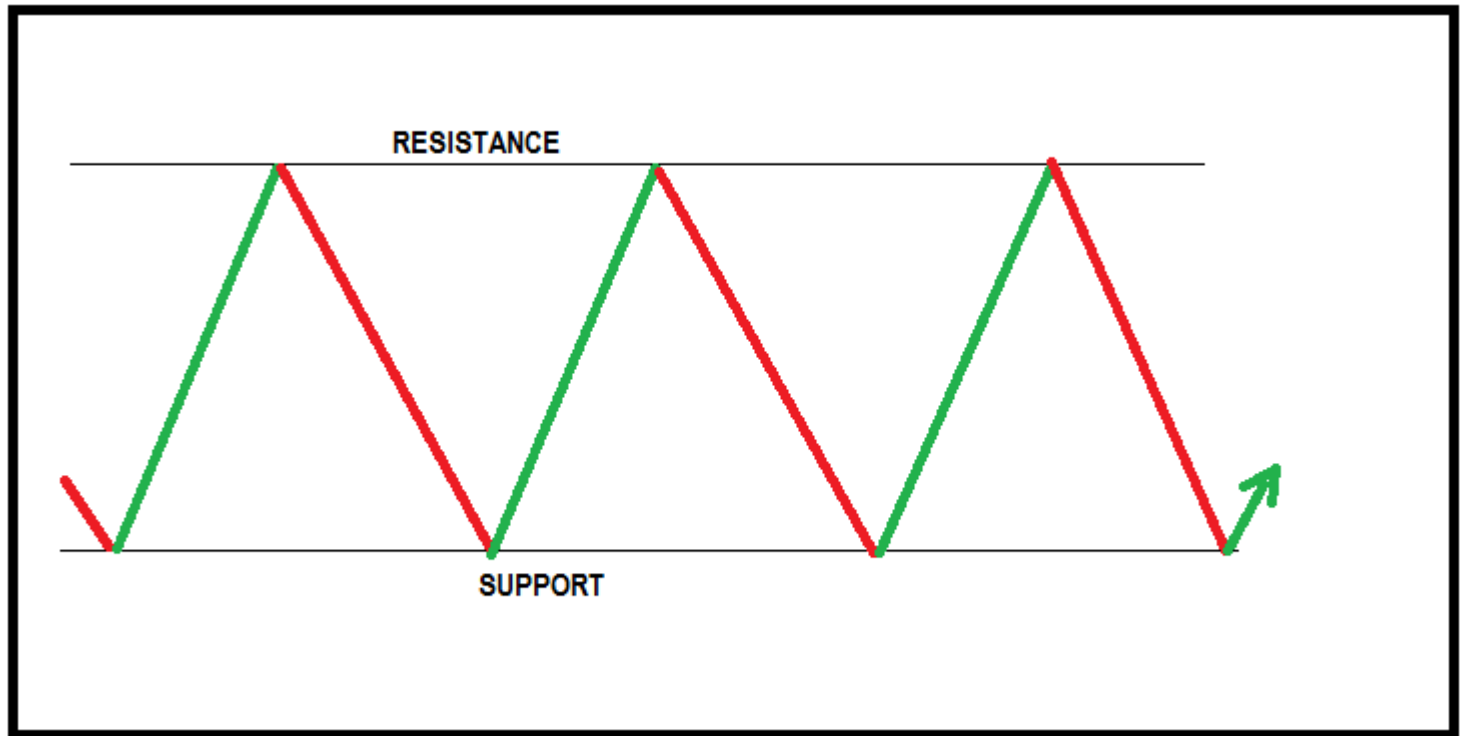


# Trends



# Trends

- With a Sideways/Ranging market, price moves between the support and resistance.



# Trends



# REVERSALS & CONTINUATION

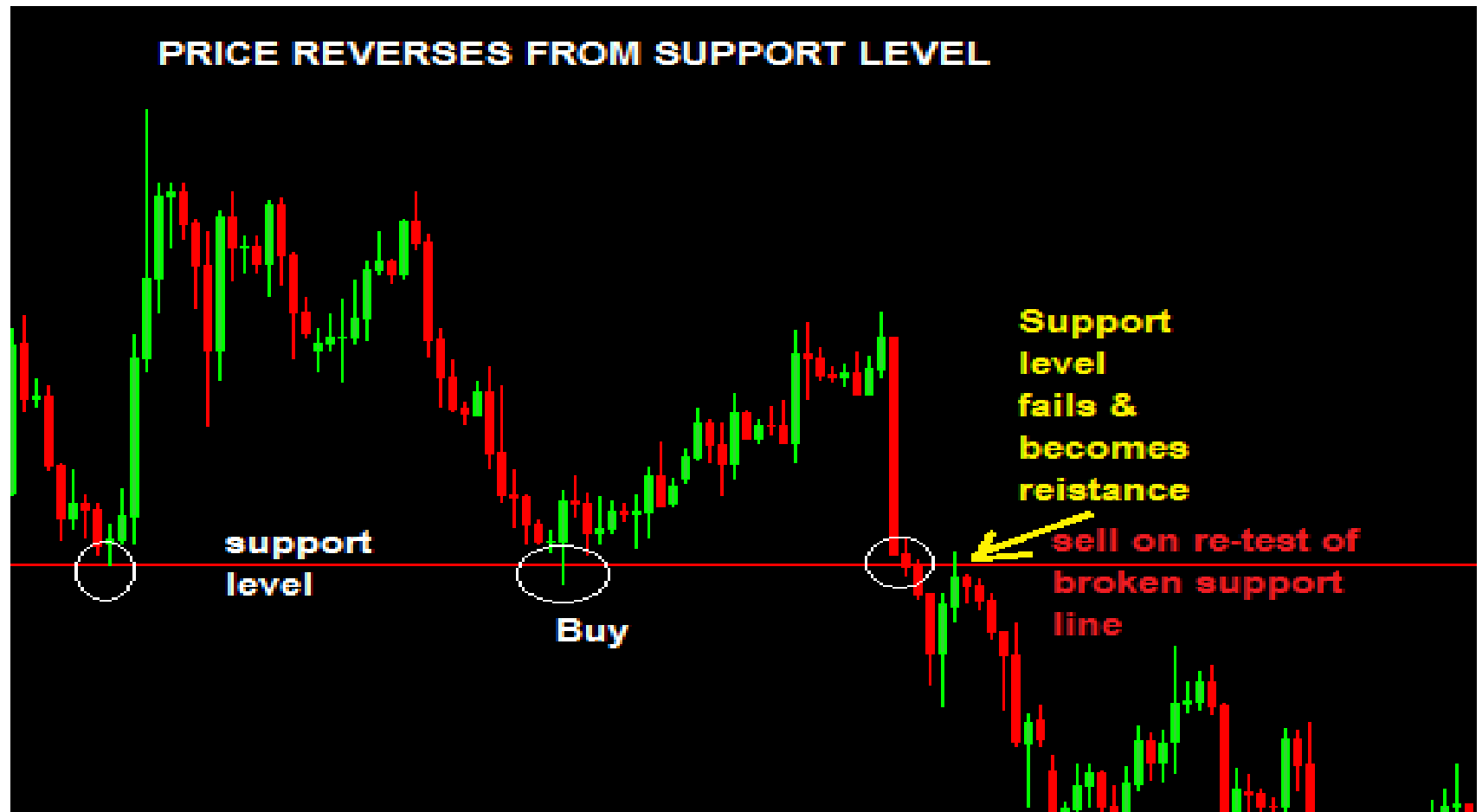
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# Reversal

- A Reversal is a term used to describe when a trend reverses direction e.g. from an **uptrend** to a **downtrend**.
- Where can reversals happen?
  - Support Levels.
  - Resistance Levels.

# Reversal



# Continuation

- Continuation is a term used to describe when a trend continues in the direction, but slows down or even pulls back a bit before continuing .

e.g.

- From a **downtrend** to a **Sideway trend** and back to a **downtrend again**.
- From a **downtrend** to a temporary **uptrend** and back to a **downtrend again**.

# Continuation



# MARKET SWINGS

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# Market Swings

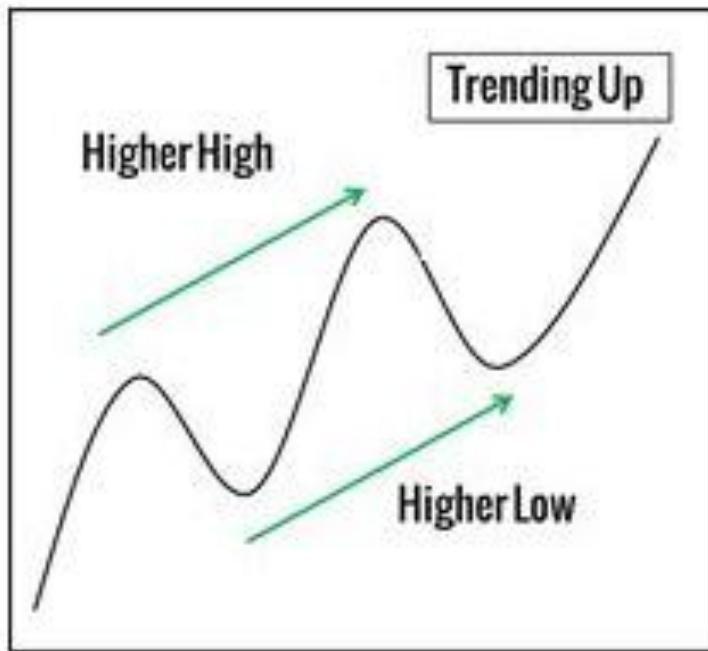
- The market price moves in swings.
- A market/price swing is when the market moves like a wave.

e.g.

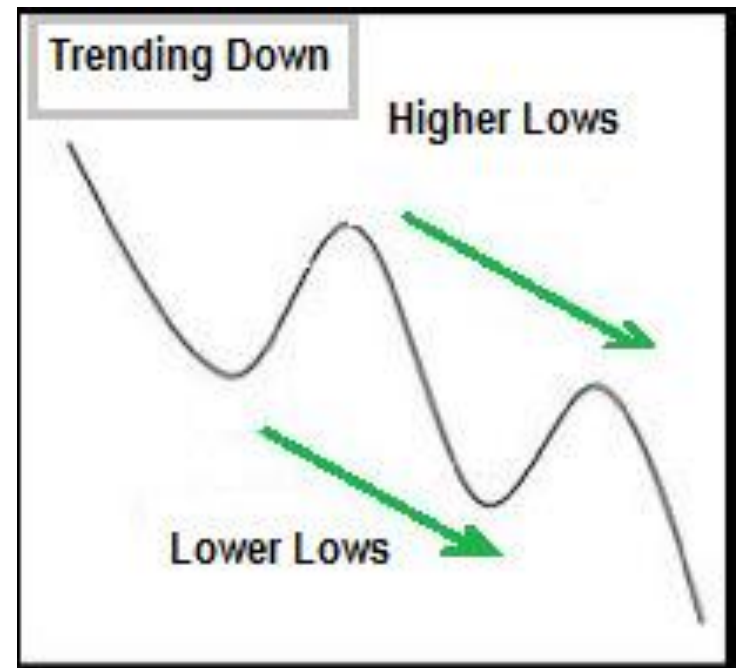
- In an uptrend, price will be making higher highs and higher lows.
- In a downtrend, price will be making higher lows and lower lows.

# Market Swings

- Uptrend

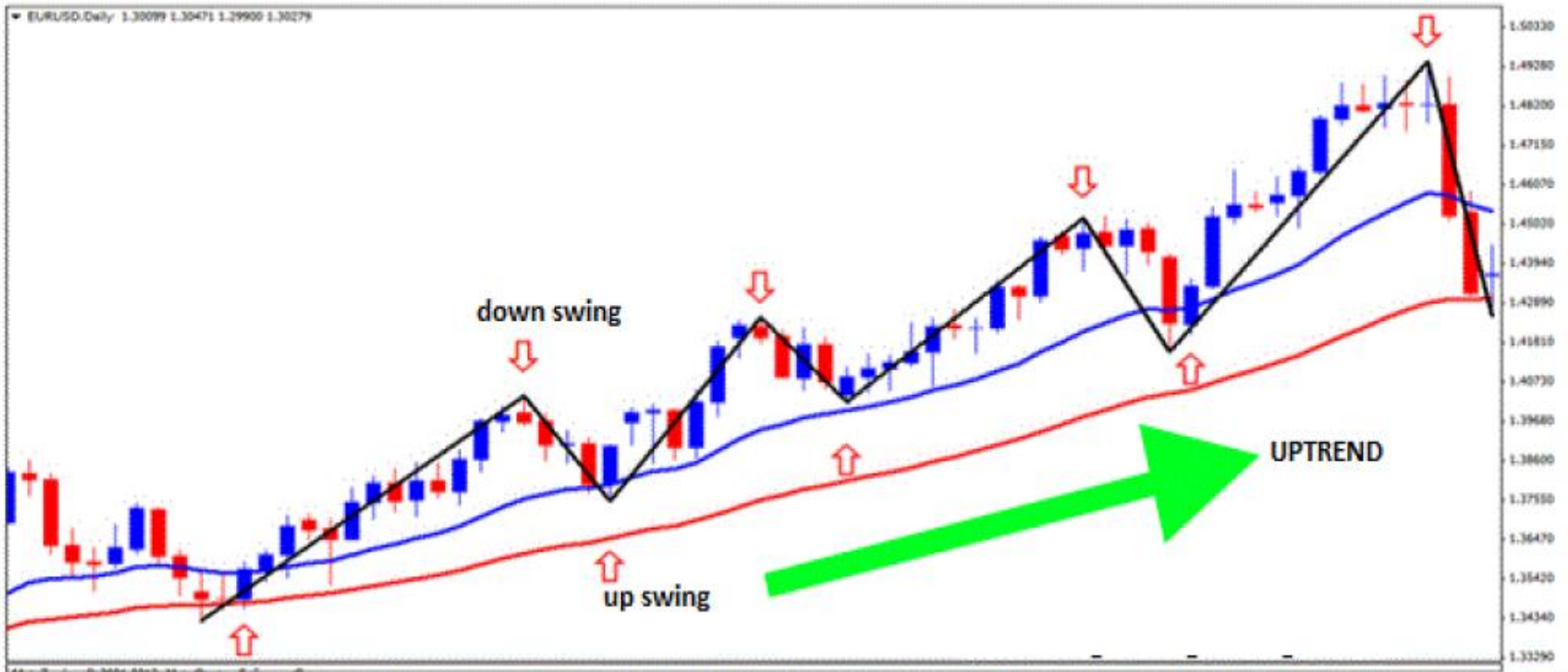


- Downtrend



# Market Swings

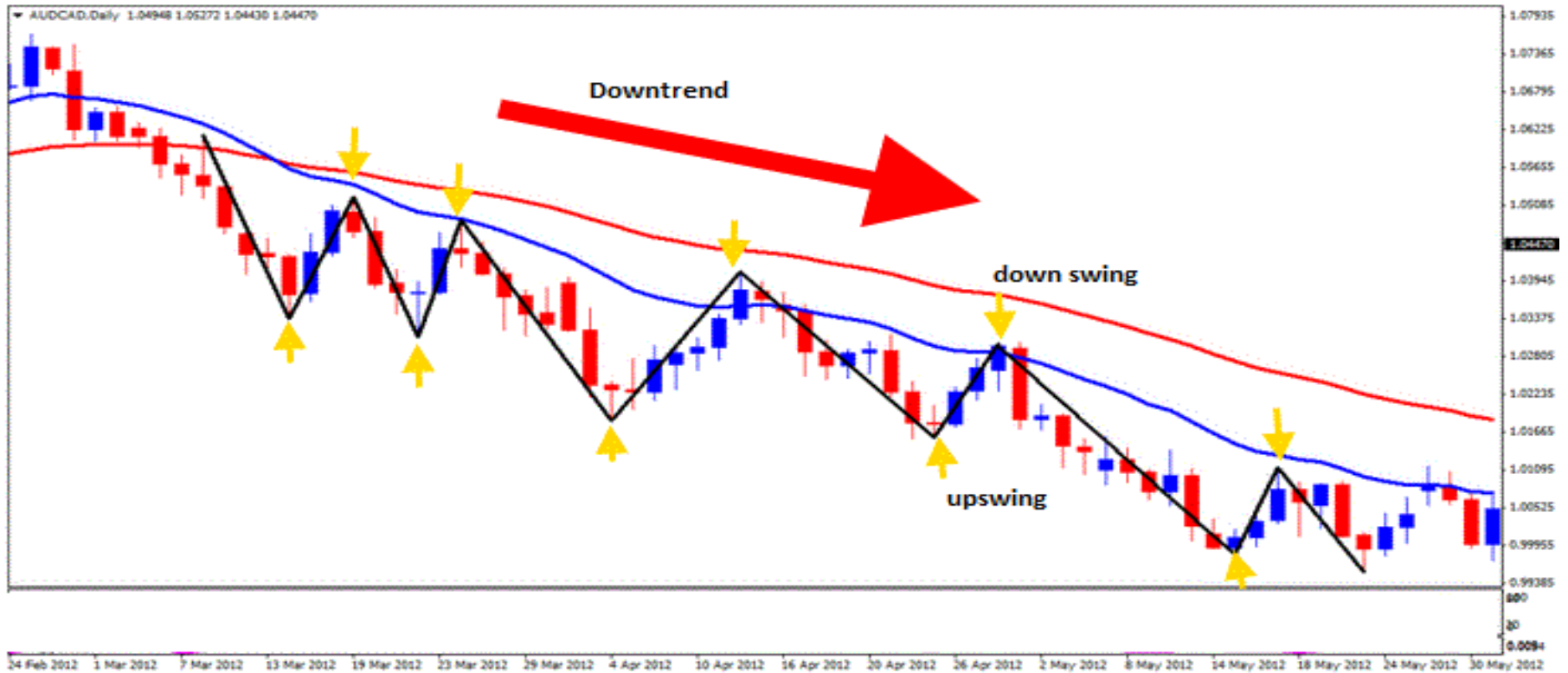
- Real Example: Uptrend





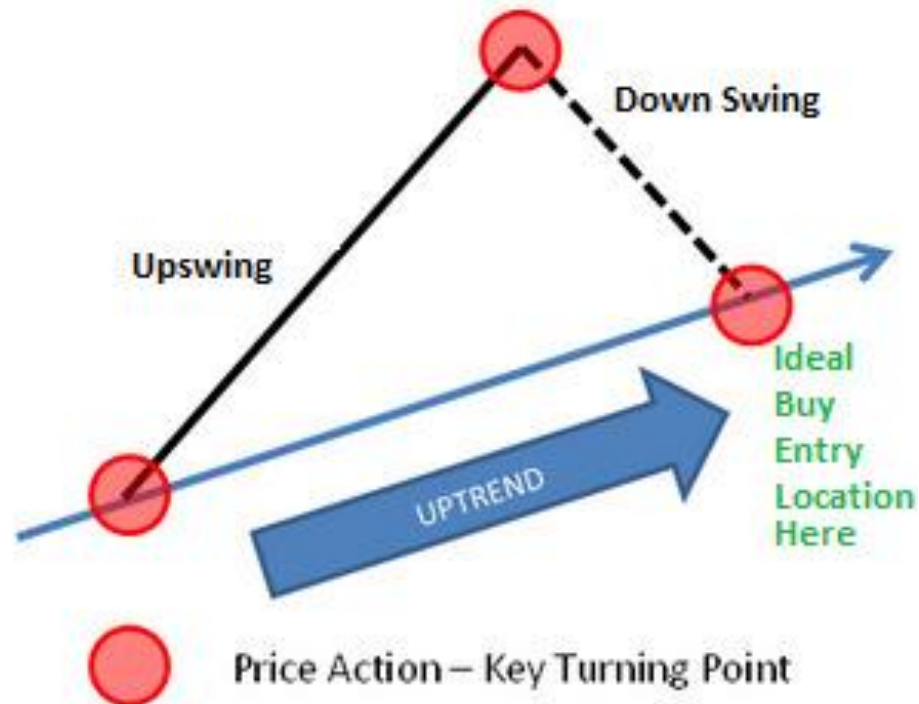
# Market Swings

- Real Example: **Downtrend**



# Market Swings

- Trading opportunities using market swings
  - Uptrend – **Buy** on the downswing.
  - Downtrend – **Sell** on an upswing.



# Market Swings

- Ideal **Buy** and **Sell** entry locations.



# SUPPORT & RESISTANCE

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# Support & Resistance

- **Support:** Lowest point the price reaches before reversing.
- **Resistance:** Highest point the price reaches before reversing.

e.g.

- Look at support as the floor in your house.
- Look at resistance as the ceiling in your house.

# Support & Resistance

- We call these support and resistance area's by one word— **zones**.
- Important characteristics of zones are as follows:
  - Zones are an area, not a price point.
  - Zones are like fine wine; they get better with age.
  - Zones are spots on the chart where price reverses, repeatedly.
  - Zones may be extreme highs or lows on the chart.
  - Zones are where naked traders find trading opportunities.
  - Support and resistance zones rarely need to be modified.
  - Line charts help naked traders find zones.

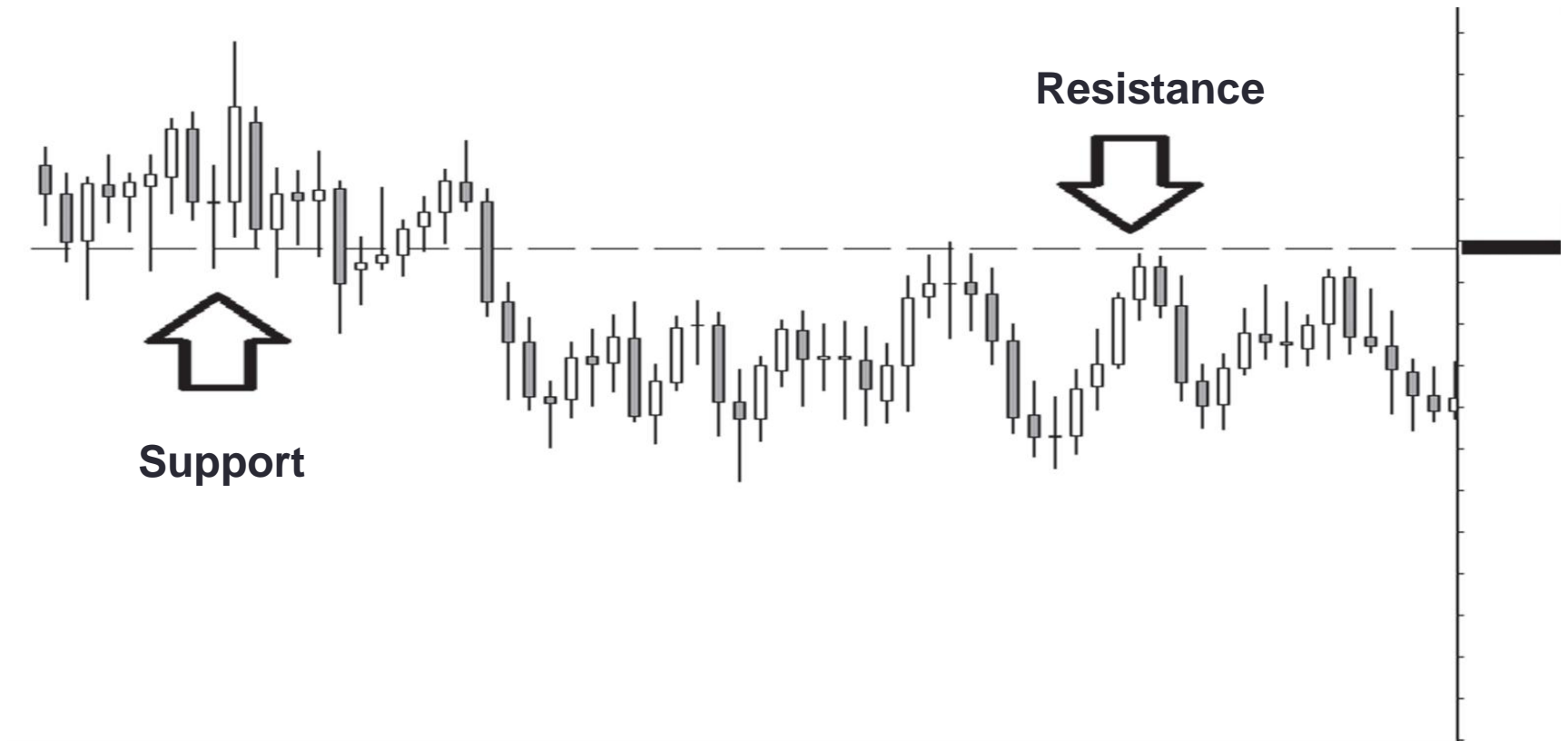
# Support & Resistance

- Zones are spots on the chart where price reverses, repeatedly.



# Support & Resistance

- Broken support turns into resistance and broken resistance turns into support.





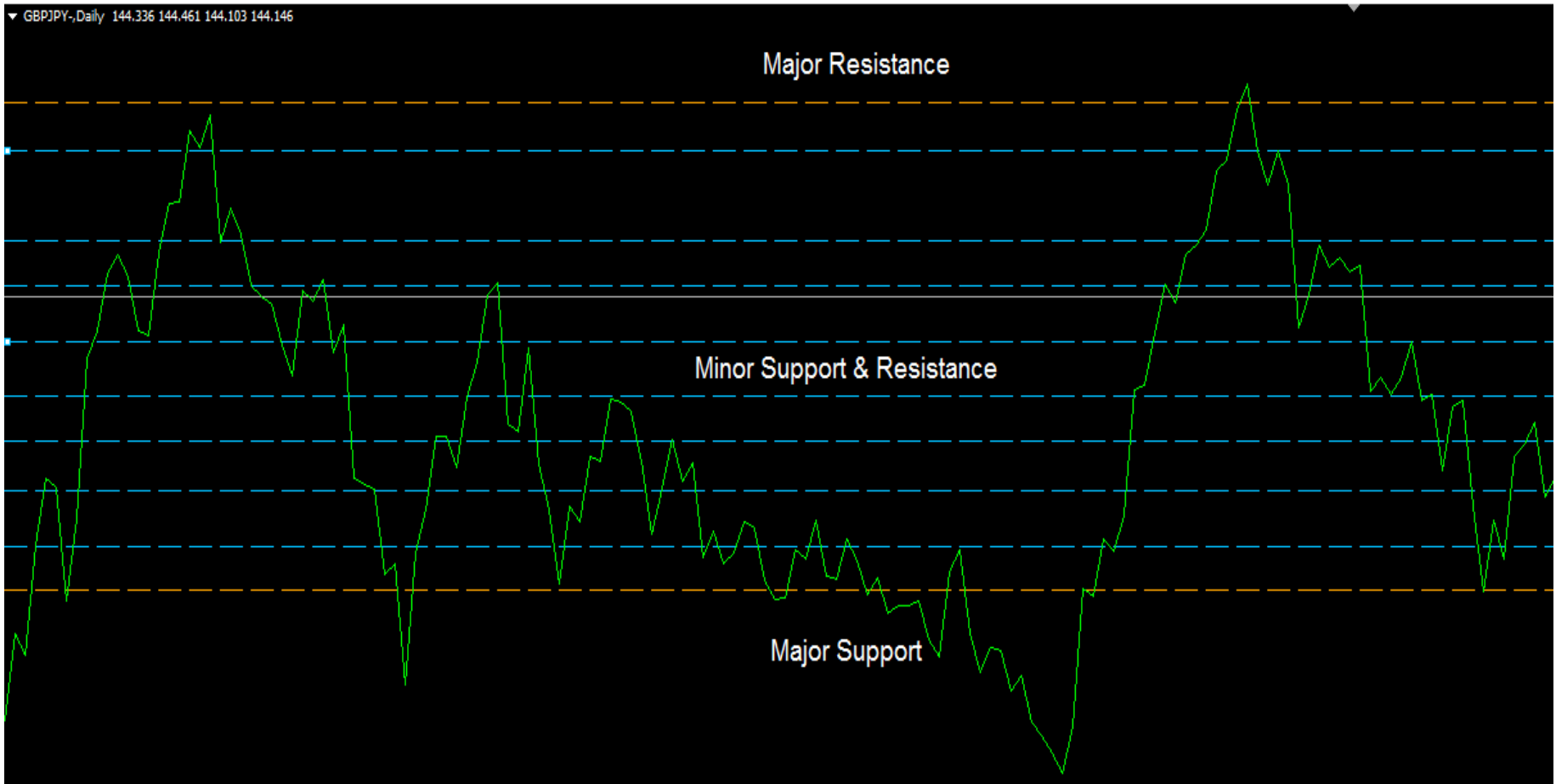
# Support & Resistance



# Support & Resistance

- How to find zones:
  - Start with a higher timeframe chart (4 Hour and Daily).
  - Use a line chart to find the zones on the chart.
  - Ignore minor Support and Resistance zones.

# Support & Resistance



# Support & Resistance



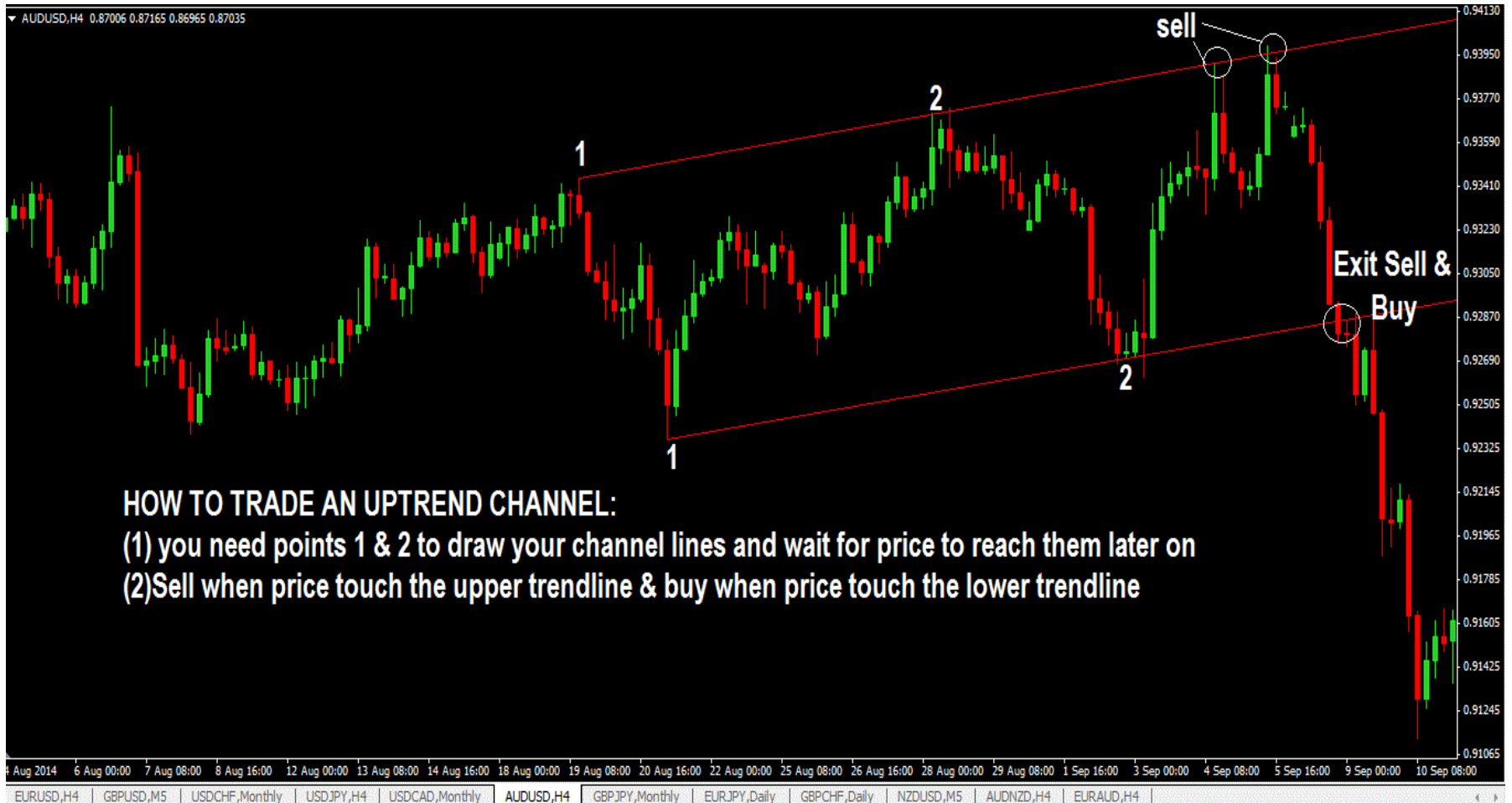
# CHANNELS

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# Channels

- A Channel is the path price follows and the area enclosed within it is called the price channel.
- 3 major channel types:
  - Uptrend channel
  - Downtrend channel
  - Sideways channel

# Channels



## HOW TO TRADE AN UPTREND CHANNEL:

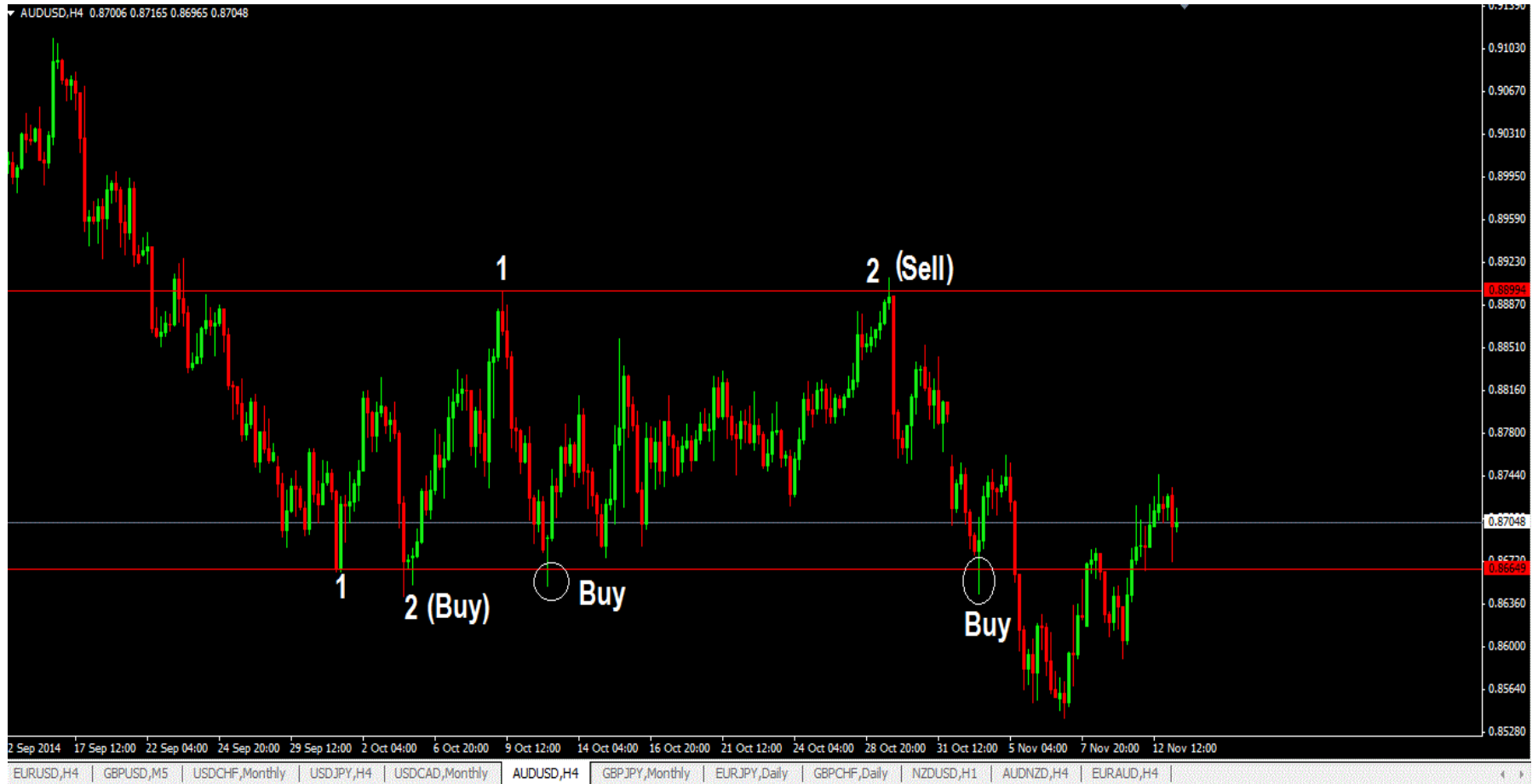
- (1) you need points 1 & 2 to draw your channel lines and wait for price to reach them later on
- (2) Sell when price touch the upper trendline & buy when price touch the lower trendline

# Channels





# Channels



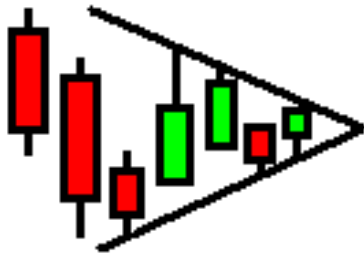
# CHART PATTERNS

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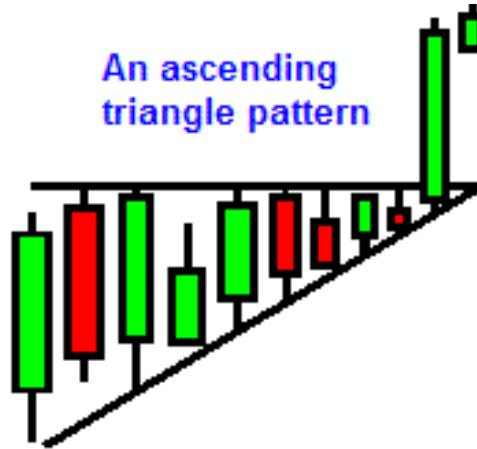
# Chart Patterns

- Symmetrical Triangle
  - 3 types of triangles:

A symmetrical triangle pattern



An ascending triangle pattern

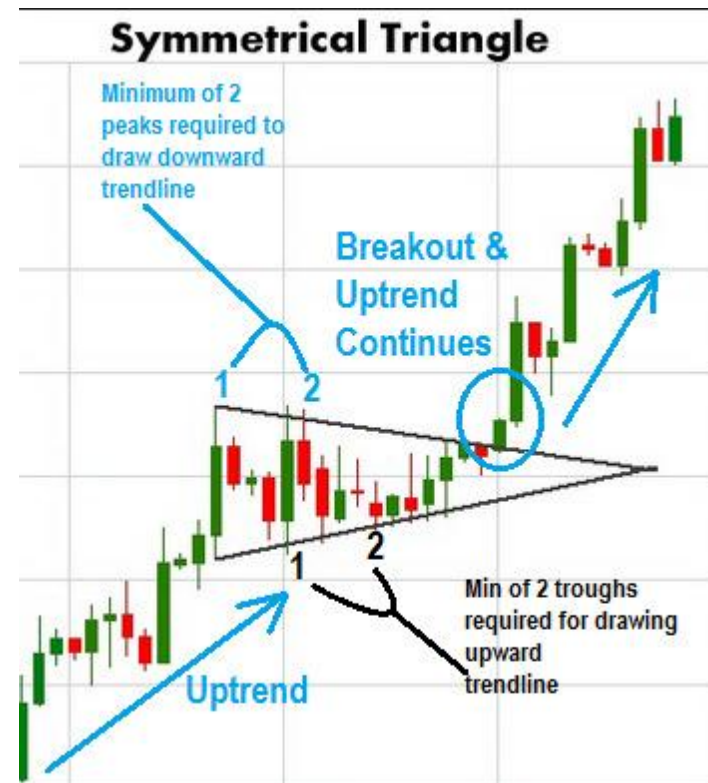


A descending triangle pattern



# Chart Patterns

- A Symmetrical triangle is a continuation pattern.
  - In an uptrend, expect a breakout to the upside.
  - In a downtrend, expect a breakout to the downside.



# Chart Patterns

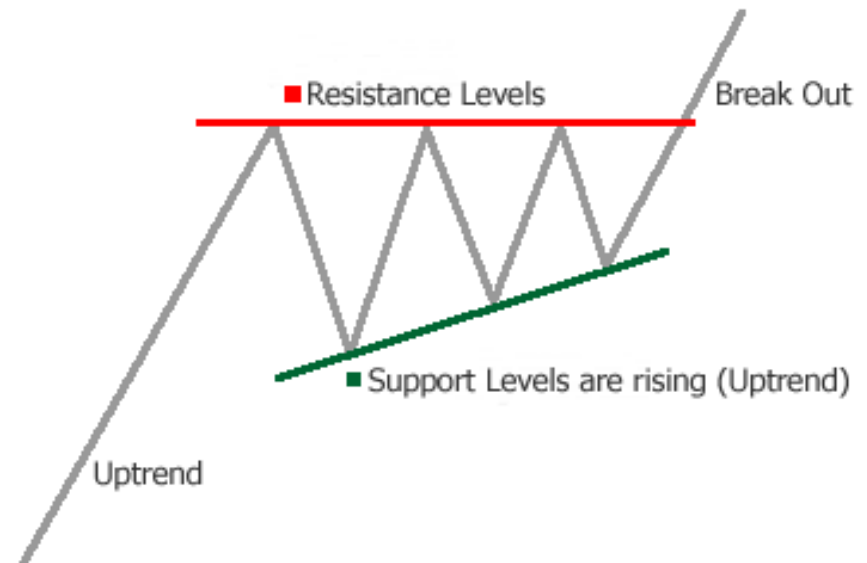
- Downtrend



# Ascending Triangle

- An ascending triangle is a **bullish** continuation pattern.
  - So when you see this pattern forming in an uptrend, then expect a breakout to the upside
- However, it can also be a strong reversal signal (bullish) when you see it form in a downtrend.

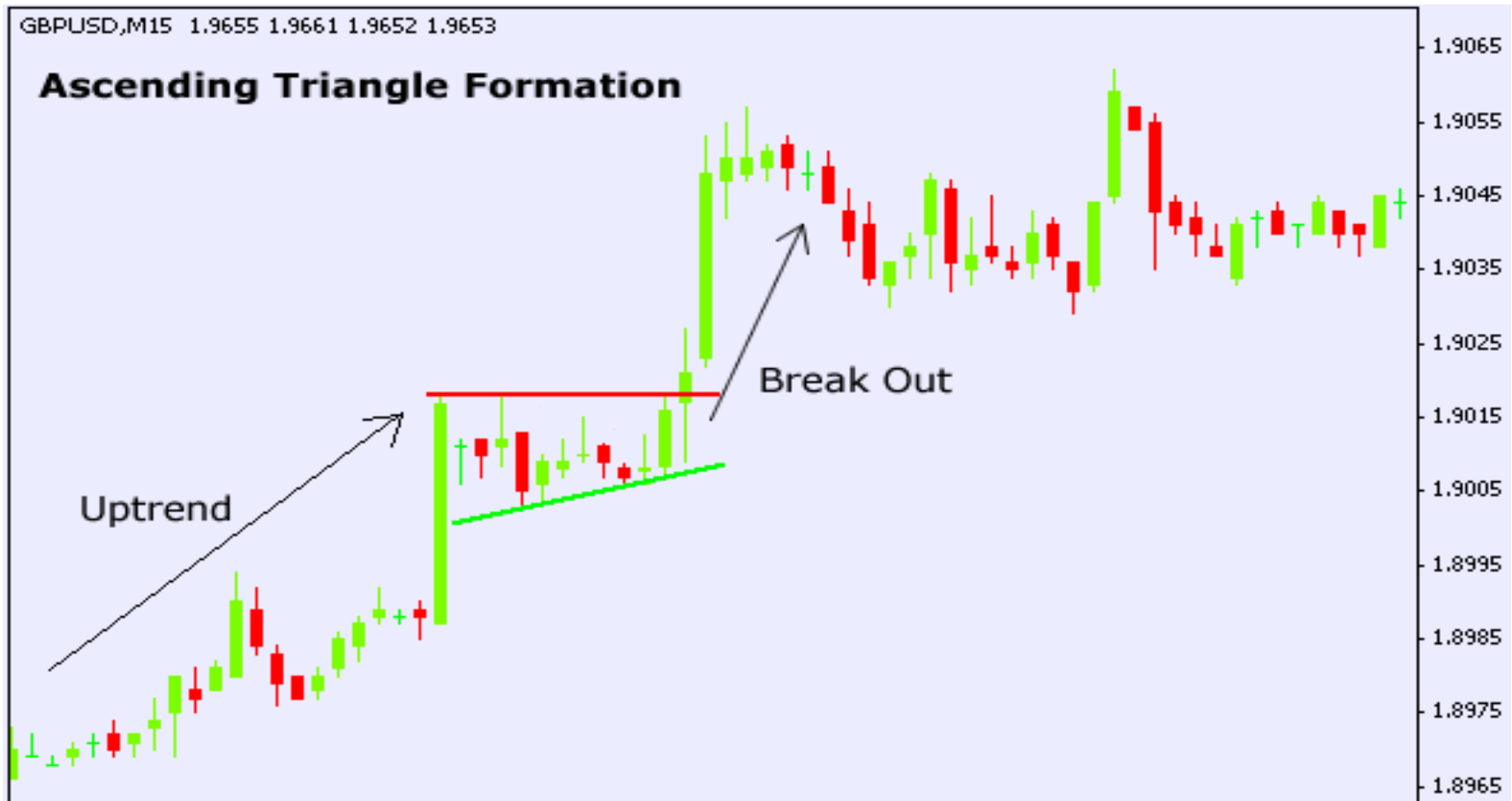
Ascending Triangle Formation



# Ascending Triangle



# Ascending Triangle

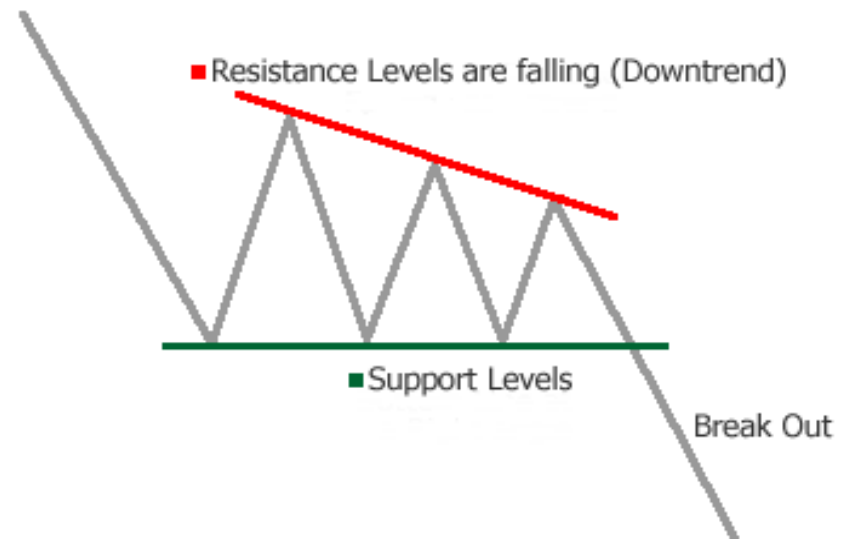




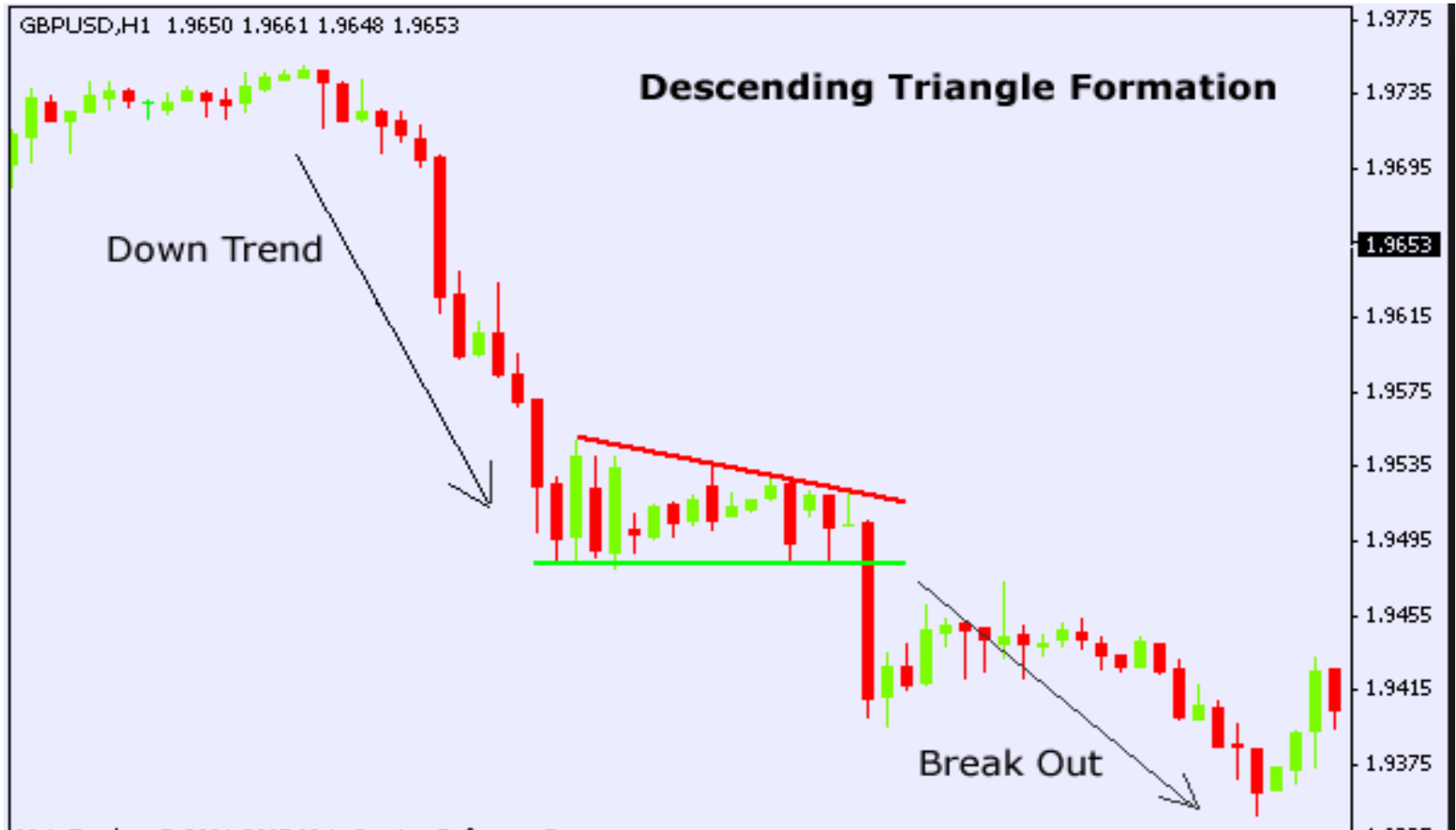
# Descending Triangle

- A descending triangle is a bearish continuation pattern.
  - So when you see this pattern forming in a downtrend, then expect a breakout to the downside.

Descending Triangle Formation



# Descending Triangle



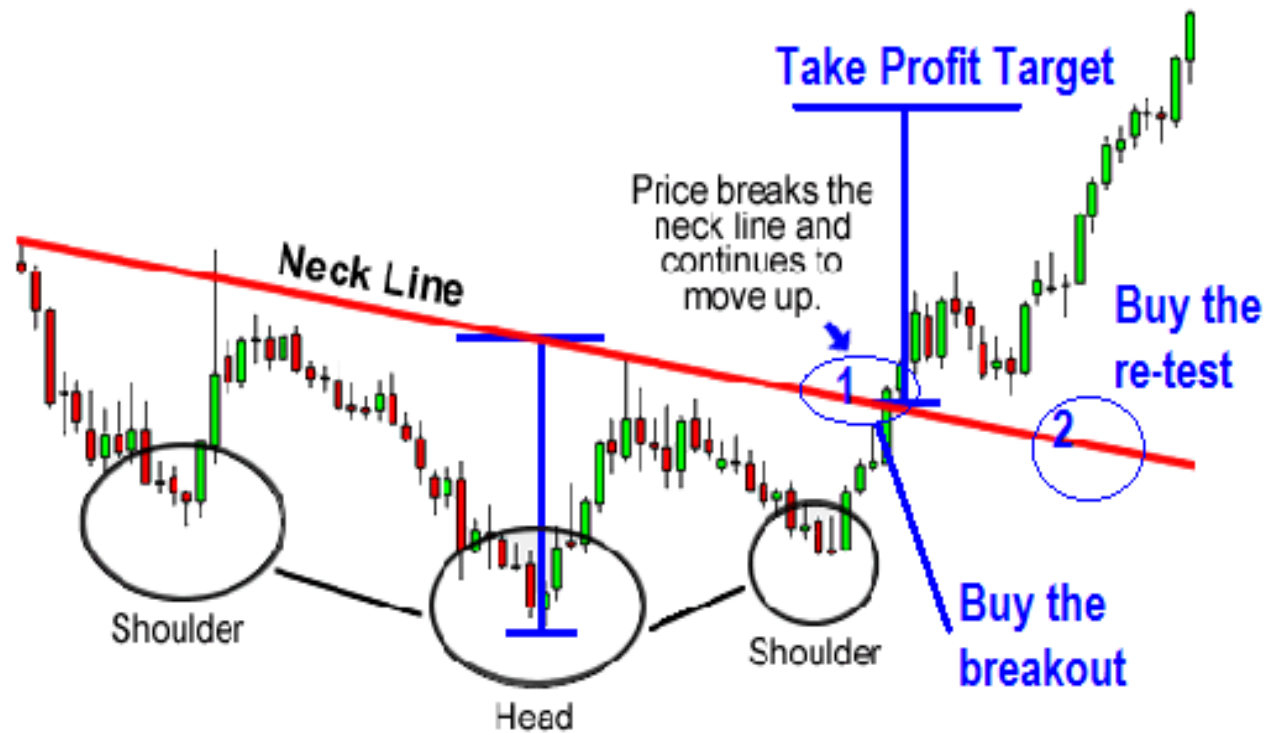
# Head & Shoulders

- A head & shoulders is a bearish reversal chart pattern.



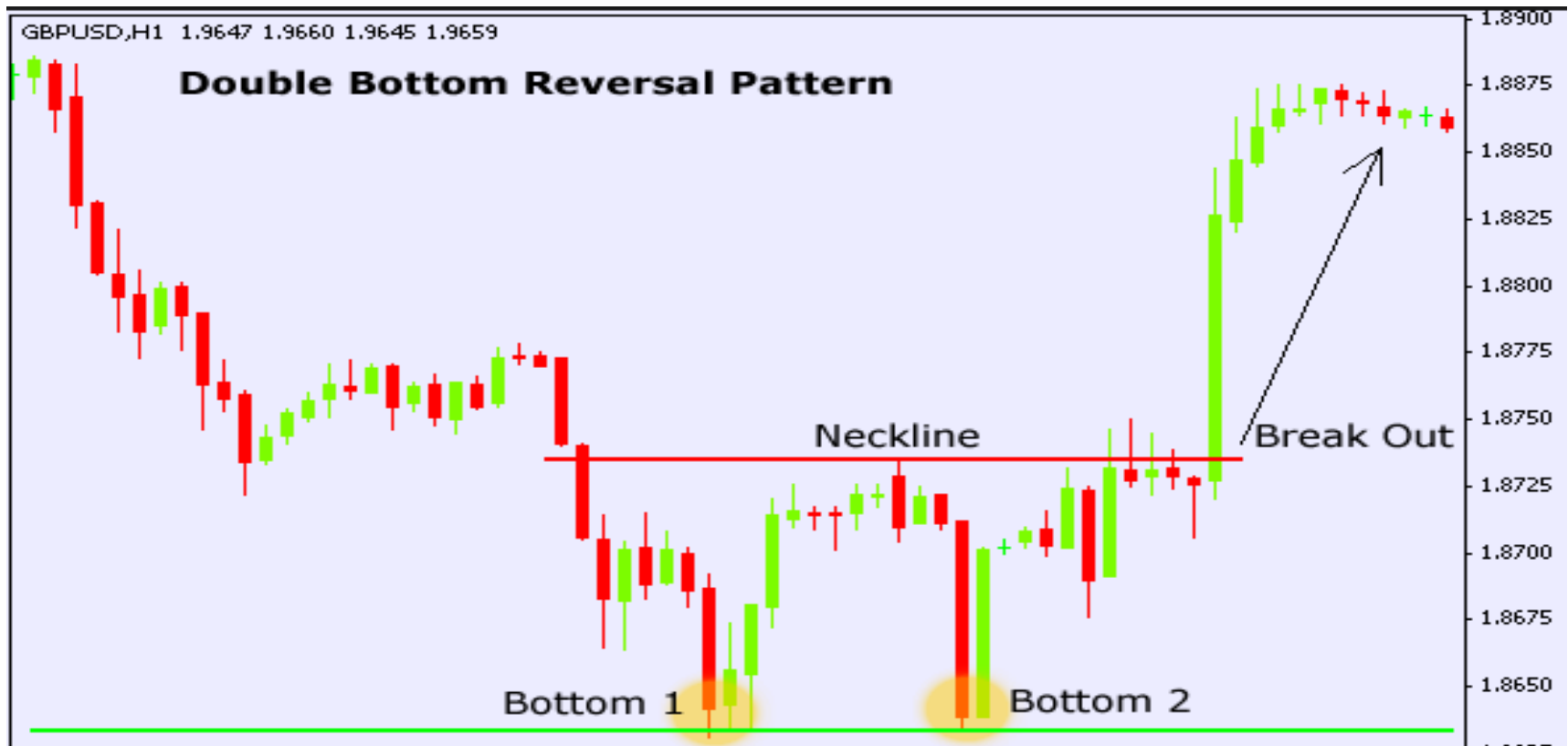
# Inverse Head & Shoulders

- An inverse head & shoulders is a **bullish** reversal chart pattern.



# Double Bottom

- A double bottom is a **bullish** reversal chart pattern.



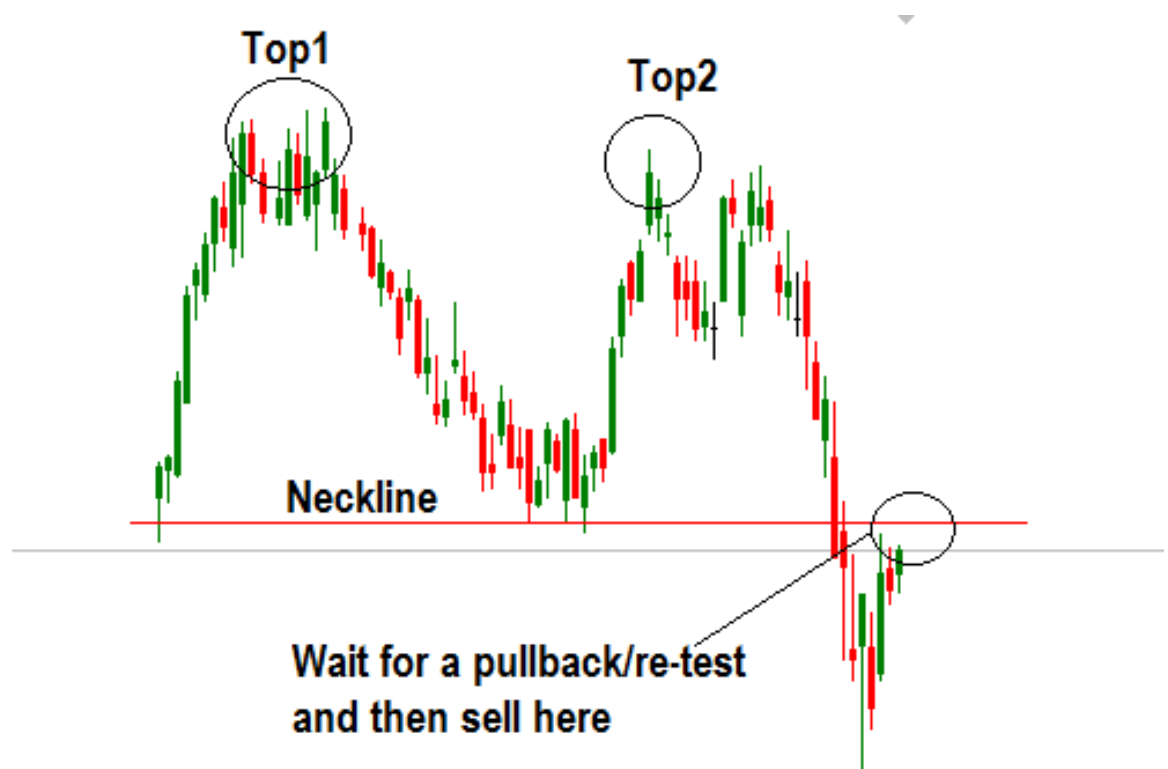
# Double Top

- A double top is a bearish reversal chart pattern.



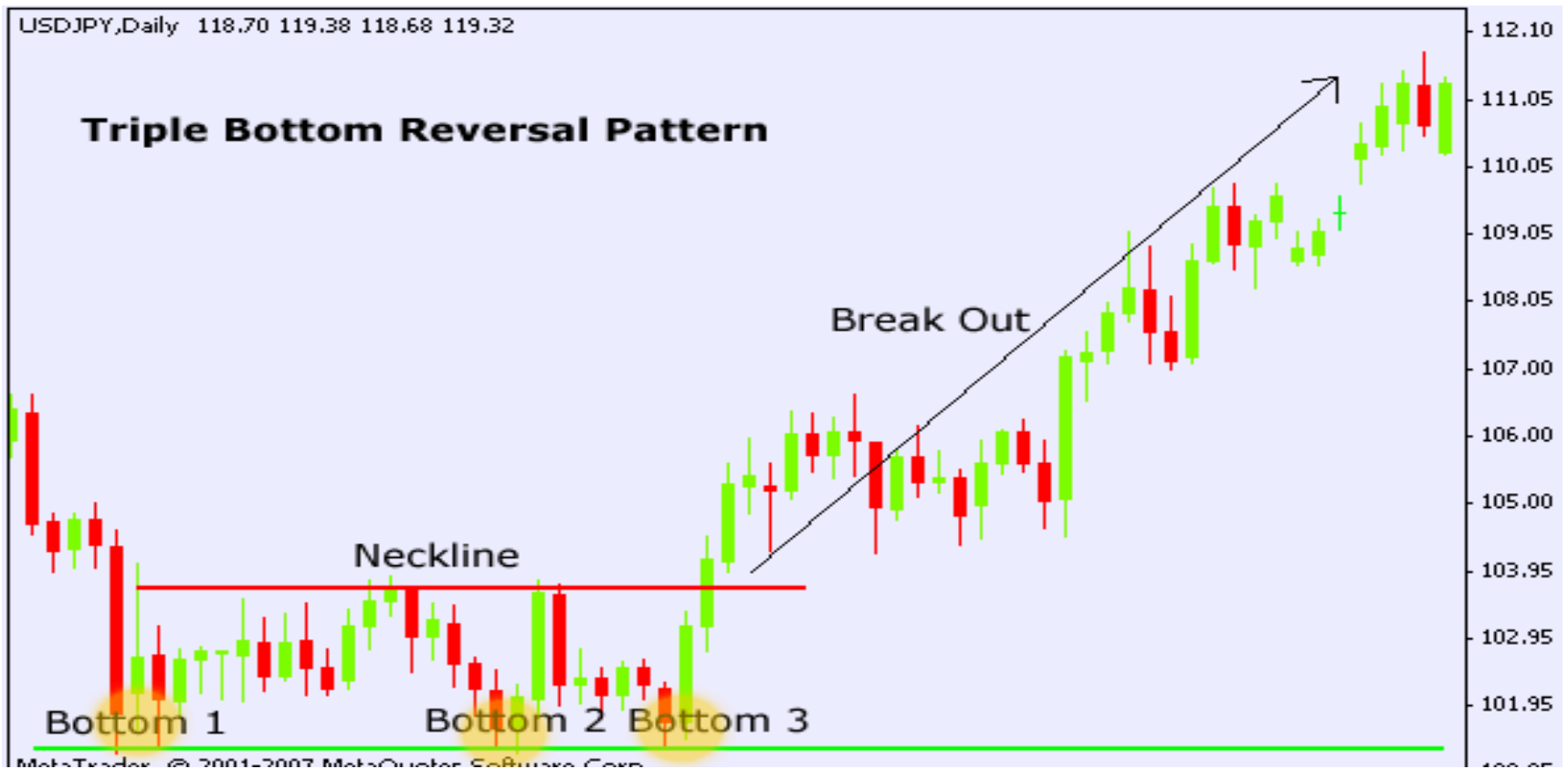
# Double Top

- Sometimes price might retest the neckline before continuing with the trend.



# Triple Bottom

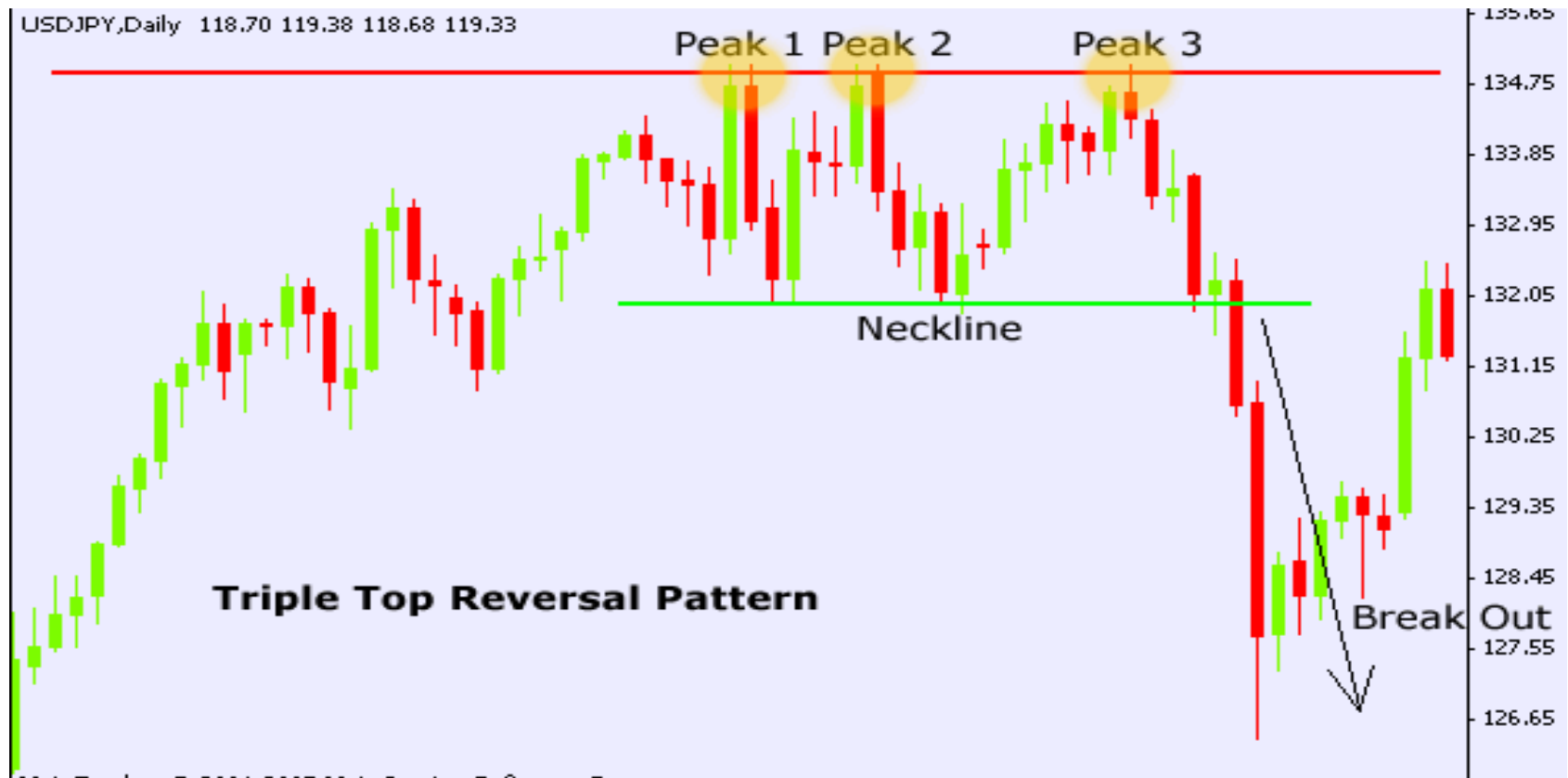
- A triple bottom is also a **bullish** reversal chart pattern.





# Triple Top

- A triple top is also a bearish reversal chart pattern.



# CANDLESTICK PATTERNS

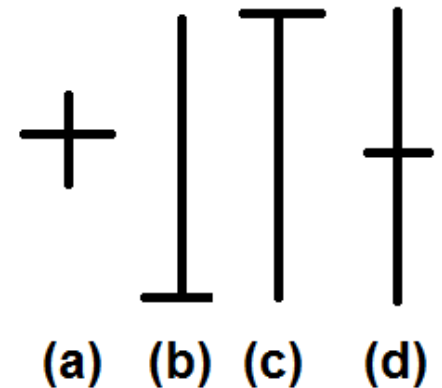
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# Candlestick Patterns

- 11 important candlestick patterns:
  - Doji
  - Engulfing
  - Harami
  - Dark Cloud Cover
  - Piercing
  - Shooting Star
  - Inverted Hammer
  - Hammer
  - Hanging Man
  - Railway track
  - Spinning Top
- These candles are great entry signals when they form around Support or Resistance levels.

# Doji

- A doji candlestick occurs when the open and closing price are equal.
- 4 Types of Doji candlesticks:
  - a) Bullish or Bearish signal
  - b) Bearish reversal
  - c) Bullish reversal
  - d) Bullish or Bearish depending on where it forms (Support/Resistance)

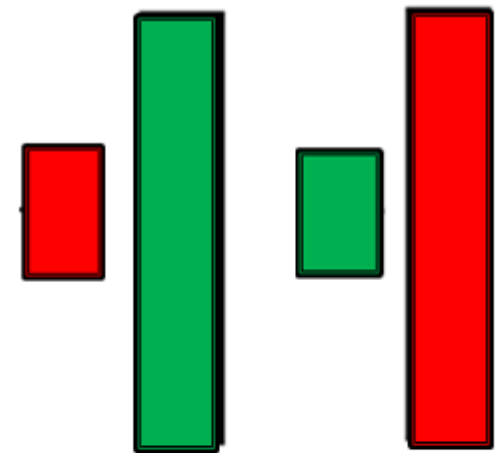


- (a) Doji  
(b) Gravestone Doji  
(c) Dragonfly Doji  
(d) Long-legged Doji

# Engulfing

- Engulfing happens when the 2<sup>nd</sup> candle covers the entire body of the 1<sup>st</sup> candle.

- a) **Bullish:** When formed in a support level it can signal potential downtrend ending.
- b) **Bearish:** When formed in a resistance level, it can signal potential uptrend ending.



(a)

(b)

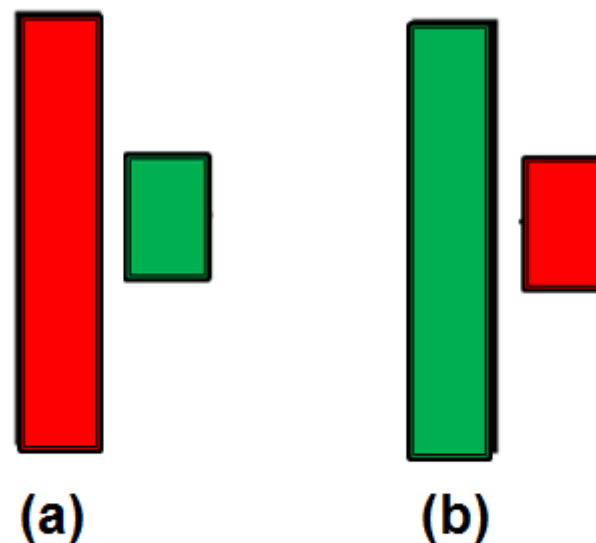
(a) **Bullish Engulfing**

(b) **Bearish Engulfing**

# Harami

- Harami happens when the 1st candle covers the entire body of the 2<sup>nd</sup> candle.

- a) **Bullish:** When formed in a support level it can signal potential downtrend ending.
- b) **Bearish:** When formed in a resistance level, it can signal potential uptrend ending.



(a) **Bullish Harami**  
(b) **Bearish Harami**

# Dark Cloud Cover

- A Dark Cloud is a bearish reversal candlestick pattern consisting of 2 candlesticks.
  - The 1<sup>st</sup> candle is bullish showing strong uptrend momentum
  - 2<sup>nd</sup> candle is bearish and closes at about midway of the 1<sup>st</sup> candle.
  - When formed around resistance it's a signal to **SELL**.



# Piercing

- A Piercing is a bullish reversal candlestick pattern consisting of 2 candlesticks.
  - The 1<sup>st</sup> candle is bearish showing strong downtrend momentum
  - 2<sup>nd</sup> candle is bullish and closes up the midway of the 1st candle.
  - When formed around support it's a signal to **BUY**.





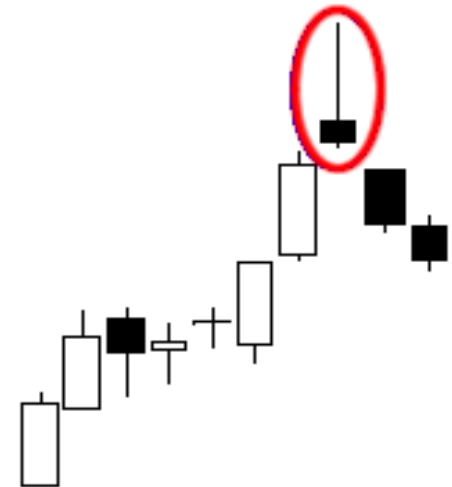
# Shooting Star

- Shooting star is a single candlestick and is a bearish reversal when formed around resistance level.

**Shooting Star**



**Shooting Star**



# Inverted Hammer

- An Inverted Hammer is a single candlestick and is a bullish reversal when formed around support level.

**Inverted Hammer**

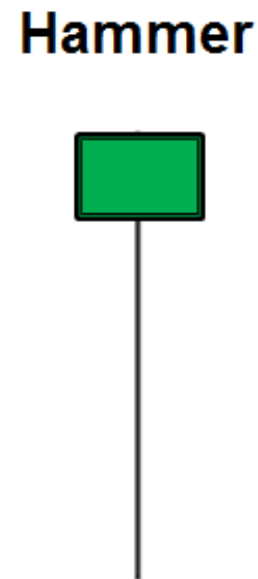
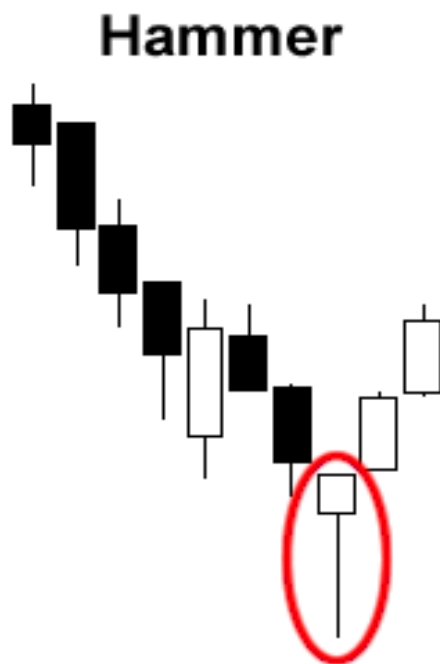


**Inverted Hammer**



# Hammer

- A Hammer is a single candlestick and is a bullish reversal when formed around support level.



# Hanging Man

- A Hanging Man is a single candlestick and is a bearish reversal when formed around resistance level.

**Hanging Man**

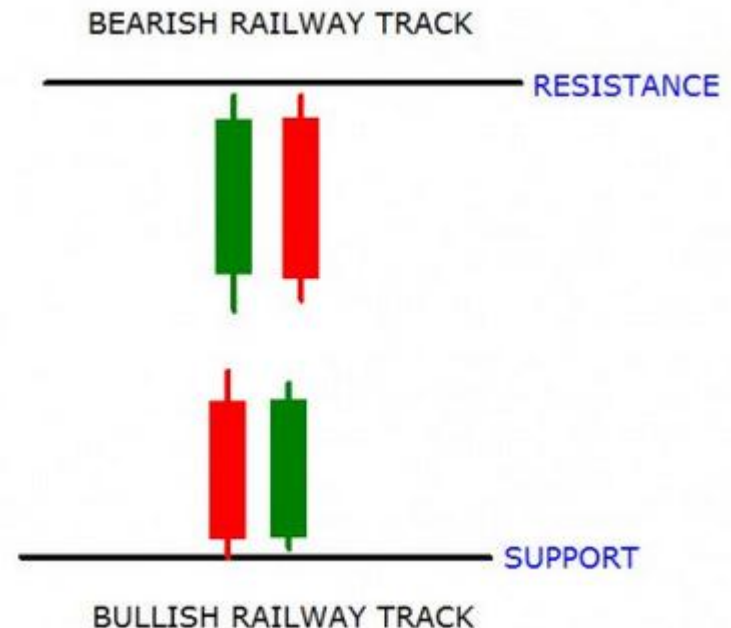


**Hanging Man**



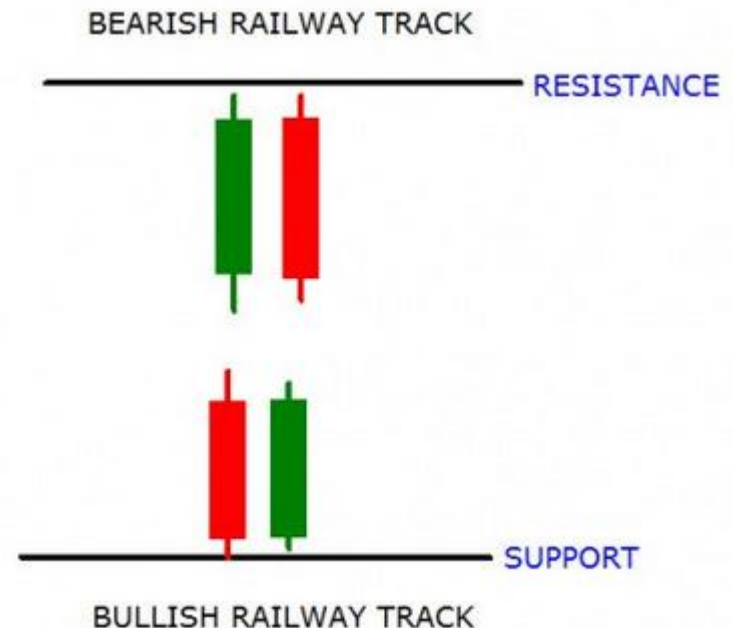
# Railway Track

- A Railway Track is a candlestick pattern consisting of 2 parallel candlesticks.
  - **Bearish:** The 1st candlestick is bullish followed by a bearish candlestick of the same length & body.
  - When formed around resistance it's a signal to **SELL**.



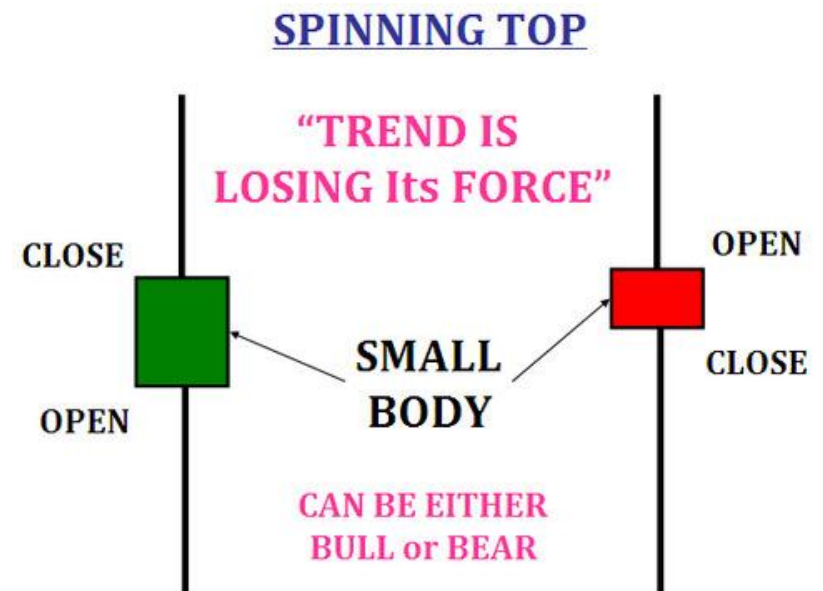
# Railway Track

- A Railway Track is a candlestick pattern consisting of 2 parallel candlesticks.
  - **Bullish:** The 1st candlestick is bearish followed by a bullish candlestick of the same length & body.
  - When formed around support it's a signal to **BUY**.



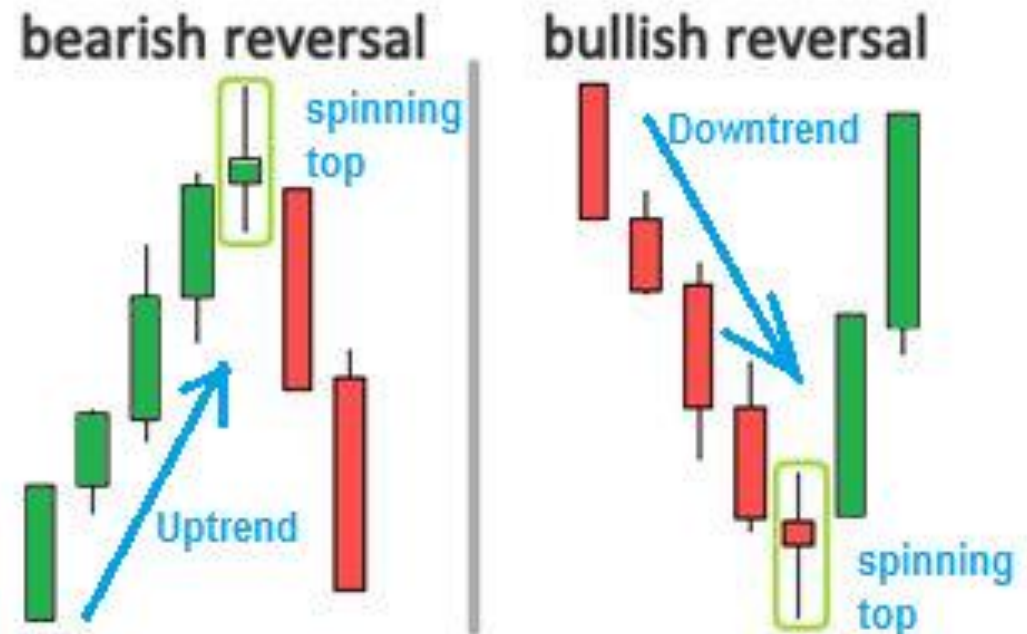
# Spinning Top

- A Spinning Top is a single candlestick and can be a continuation or reversal pattern.
  - A spinning top has a small body and long shadows on both sides that exceed the length of the body.



# Spinning Top

- When formed around a resistance in an uptrend it's a signal to **SELL**.
- When formed around a support in a downtrend it's a signal to **BUY**.





# Spinning Top



# TRENDLINES

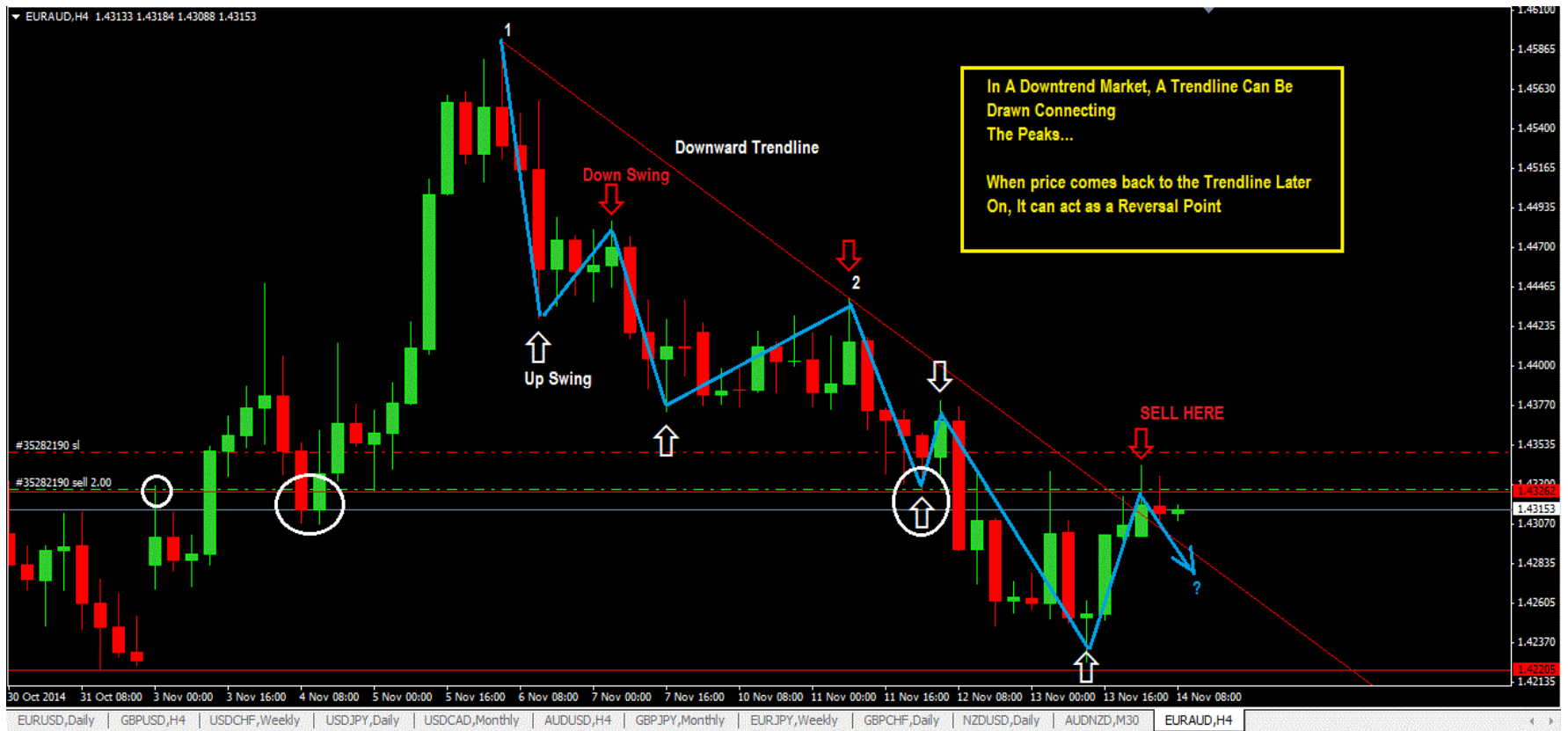
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# Trendlines

- Trendlines are lines that are drawn to connect the peaks that are formed by the up swings or the troughs that are formed by the down swings to help you identify where the trend is going.
- You need a minimum of 2 peaks to draw a downtrend trend line.
- You need a minimum of 2 troughs to draw an uptrend trend line.

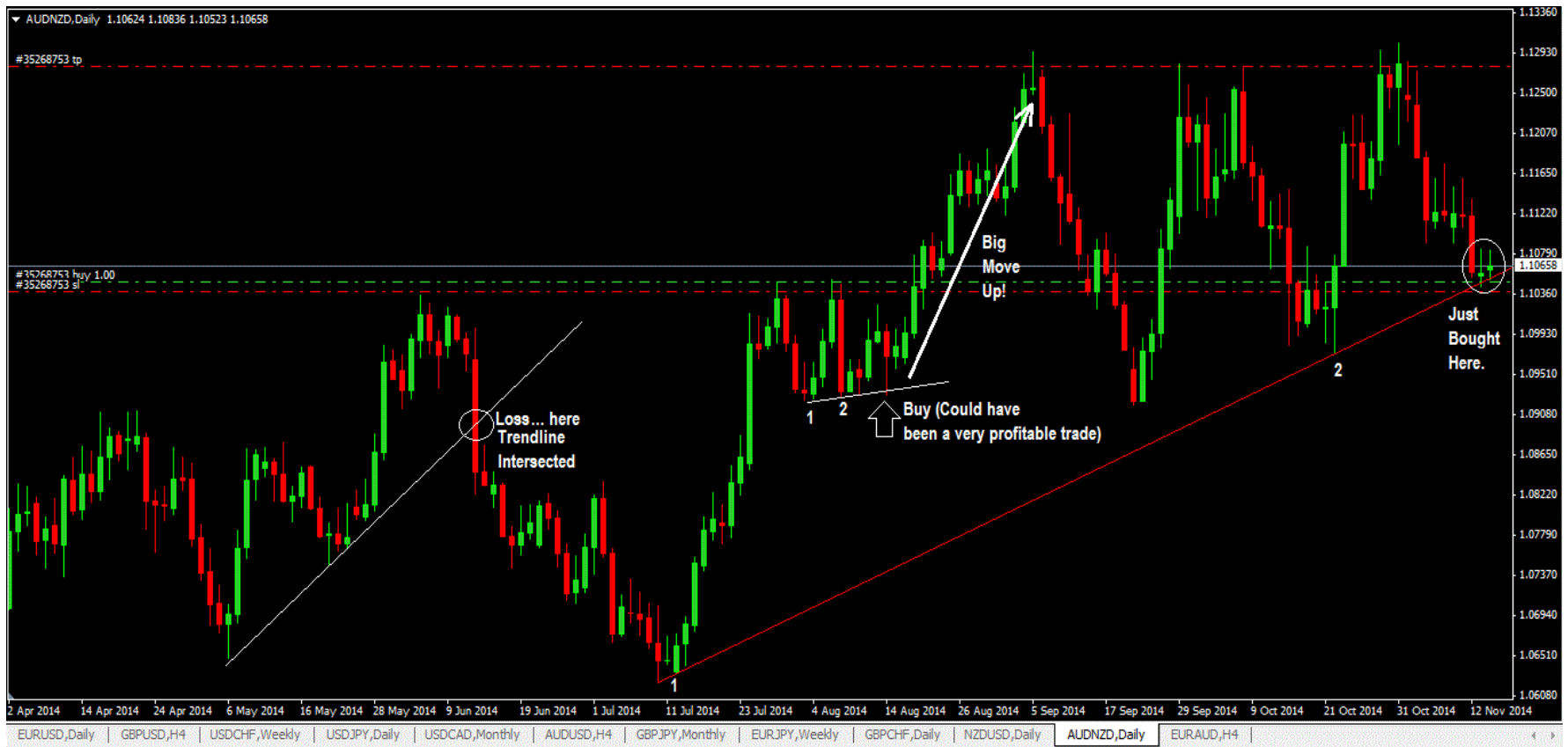
# Trendlines

- Downward Trend line:



# Trendlines

- Upward Trend line:



# Trendlines

- What does it mean when the trend line is intersected?
  - This could mean that the trend has now changed.
    - e.g. From Uptrend to Downtrend.
  - This could mean that it is only a false breakout and price will soon head back in the original direction.

# FUNDAMENTALS

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# Fundamentals (USD)

- Fundamentals that affect US Dollar:
  - **Non-Farm Payroll (NFP)** - Number of paid part-time or full time jobs in the public sector, excluding the farming sector.
  - 1<sup>st</sup> Friday of each month.
  - **High Employment figure** = Positive for USD **Buy/Bullish**.
  - **Low Employment Figure** = Negative for USD **Sell/Bearish**.



# Fundamentals (USD)

- Fundamentals that affect US Dollar:
  - **Unemployment Rate** –The percentage of the total work force that is unemployed and actively seeking employment.
  - 1<sup>st</sup> Friday of each month.
  - **Low Unemployment Figure** = Positive for USD **Buy/Bullish**.
  - **High Unemployment figure** = Negative for USD **Sell/Bearish**.

# Fundamentals (USD)

- Fundamentals that affect US Dollar:
  - **Interest Rate** – When the Federal Open Market Committee (FOMC) members vote on where to set the rate.
  - Every 2 months.
  - **High Interest Rate** = Positive for USD **Buy/Bullish**.
  - **Low/Unchanged Interest Rate** = Negative for USD **Sell/Bearish** (Only trade gold).

# Fundamentals (GBP)

- Fundamentals that affect GB Pound:
  - **Interest Rate** – Bank of England (BOE) monetary policy committee members vote on where to set the rate.
  - Every 2 months.
  - **High Interest Rate** = Positive for GBP **Buy/Bullish**.
  - **Low Interest Rate** = Negative for GBP **Sell/Bearish**.

# Fundamentals (GBP)

- Fundamentals that affect GB Pound:
  - **Construction Purchasing Management Index (PMI)** – Measures the activity level of purchasing managers in the construction industry.
  - Every month.
  - **Positive PMI (Above 50%)** = Positive for GBP **Buy/Bullish**
  - **Negative PMI (Below 50%)** = Negative for GBP **Sell/Bearish**

# Fundamentals (GBP)

- Fundamentals that affect GB Pound:
  - **Gross Domestic Product (GDP)** – Measure the value of all finished goods and services produced by the economy.
  - Every 3 months.
  - **Positive GDP** = Positive for GBP **Buy/Bullish**.
  - **Negative GDP** = Negative for GBP **Sell/Bearish**.

# Fundamentals (GBP)

- Fundamentals that affect GB Pound:
  - **Manufacturing Purchasing Manager's Index (PMI)** – Measures the activity level of purchasing managers in the manufacturing industry.
  - Every month.
  - **Positive PMI (Above 50%)** = Positive for GBP **Buy/Bullish**.
  - **Negative PMI (Below 50%)** = Negative for GBP **Sell/Bearish**.

# Fundamentals (EUR)

- Fundamentals that affect EUR:
  - **Queens Speech** – Positive for EUR **Buy**.
  - **Interest Rate** – ECB Announcement.
    - Every 2 months.
  - **High Interest Rate** = Positive for EUR **Buy/Bullish**.
  - **Low Interest Rate** = Negative for EUR **Sell/Bearish**.

# TRADING PLAN

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# Trading Plan

- Choose pairs to trade:
  - USD/ZAR                      XAU/USD (Gold)
  - GBP/JPY                      EUR/USD
  - USD/JPY
- When to trade your chosen pairs:
  - Proper Setup on H4 (4 Hours) /D1 (Daily)
  - Double Top/Head & Shoulders at major resistance.
  - Double Bottom/Inverse Head & Shoulders at major support.

# Trading Plan

- Where to place stop loss:
  - 1 – 2% of account.
  - Above the highest wick from previous chart movement.
- Risk Management:
  - \$100 – 0.01.
  - \$500 – 0.05.
  - \$1000 – 0.10.
- When to exit trade:
  - At Major Support/Resistance.

# Trading Plan

- What to ask yourself before placing a trade:
  - Where is the current price?
  - Are there any news that can affect my trade?
  - Where is my Support/Resistance?
  - Where is the trend going?

# Trading Plan

- What to do when scalping:
  - Identify Support and Resistance zones on H4 or Daily timeframe.
  - Identify direction of trend on H4 or Daily timeframe.
  - Move to smaller timeframes H1, 30m, 15m.
  - **ONLY** trade in the direction of identified trend.

THANKS

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