

SPOT TRADING



PERPETUAL FUTURES



Spot vs Perpetuals (Futures) Explained

Understanding the Key Differences in Trading Mechanics

A Comprehensive Guide for Beginners

Crypto

Futures

Trading Education

Legal and Risk Notice

- Trading in financial markets involves significant risk and is not suitable for all investors.
- You may lose all of your invested capital.
- This course does not provide any guarantees of profit or performance.
- Always conduct your own research and consult with a financial advisor if needed.
- The information provided in this course is for educational purposes only.

Who This Is Not For

- Individuals seeking guaranteed profits.
- Those who are not willing to accept the risks associated with trading.
- People looking for specific investment advice.

How to Use This Course

Recommended Pace

- Take your time with each module.
- Review the exercises and summaries regularly.
- Engage with the material actively.

Instructions

- Read each module thoroughly.
- Complete the exercises to reinforce your learning.
- Use the glossary for unfamiliar terms.
- Review the risk boxes to understand potential pitfalls.
- Take the self-test quiz at the end to assess your understanding.
- Refer back to the one-page summary for quick reference.

This course is designed to be print-friendly for your convenience.

Keep a trading journal to track your thoughts and progress as you learn.

Set a weekly schedule to review each module and its key concepts.

Table of Contents

Click on any entry to jump to that section.

- [Preface / Orientation](#)
- [Module 1: Spot vs Perpetuals](#)
- [Module 2: Margin and Leverage](#)
- [Module 3: Liquidation](#)
- [Module 4: Funding Rates](#)
- [Module 5: Beginner Traps](#)
- [Module 6: Risk-First Rules](#)
- [Module 7: Exercises](#)
- [Glossary](#)
- [Self-Test Quiz](#)
- [One-Page Summary](#)

Preface / Orientation

Who This Is For

- Complete beginners in trading.
- Self-taught users seeking structured learning.
- Individuals interested in understanding the differences between spot and perpetual futures.

What You Will Learn

- The fundamental differences between spot and perpetual futures trading.
- How margin and leverage work in trading.
- The risks associated with liquidation and funding rates.
- Common pitfalls beginners face in trading.
- How to create a personal leverage policy.
- Risk management principles to apply in trading.

What This Course Will Not Do

- Provide specific trading strategies or advice.
- Guarantee profits or performance in trading.
- Encourage reckless trading behavior.
- Offer real-time trading signals or calls.

Prerequisites

- No prior trading knowledge is required.
- An interest in learning about trading mechanics.

Spot vs Perpetuals

Goal: Understand the fundamental differences between spot trading and perpetual futures.

What You Hold vs What You Contract

In spot trading, you buy and own the actual asset, like Bitcoin or Ethereum. You can hold it in a wallet and use it as you wish.

In perpetual futures, you do not own the asset. Instead, you enter a contract that speculates on the asset's price movement. This means you can profit from price changes without owning the asset.

Spot Trading: Buying and owning the actual asset.

Perpetual Futures: A contract that allows speculation on an asset's price without owning it.

Understanding this difference is crucial because it affects how you manage your investments and risks.

Why It Matters: Knowing what you hold versus what you contract helps you understand the nature of your investment and the associated risks.

Key Differences in Mechanics

Spot trading is straightforward: buy low, sell high. Perpetual futures involve more complex mechanics, including margin, leverage, and funding rates.

In perpetual futures, you can trade on margin, meaning you can control a larger position with a smaller amount of capital.

Why It Matters: Understanding these mechanics is essential for effective trading and risk management.

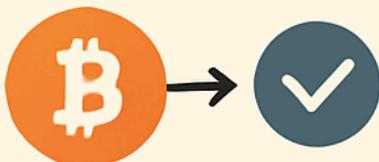
Margin: Borrowed funds to increase the size of a trading position.

Leverage: Using borrowed funds to amplify potential returns, but also risks.

Recognizing how these elements work together can help you make informed trading decisions.

SPOT TRADING

OWNERSHIP



You own the asset

MECHANICS



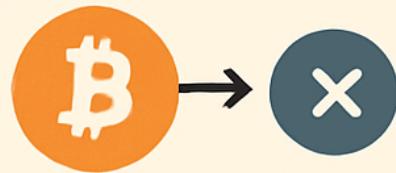
Simple

RISKS



Lower

PERPETUAL FUTURES



You don't own the asset



Leverage

RISKS



Higher

A visual comparison of spot trading and perpetual futures, highlighting key differences in ownership, mechanics, and risks.

Module 1 Checklist

- Understand the difference between spot and perpetual trading.
- Know the implications of holding an asset versus a contract.
- Familiarize yourself with margin and leverage concepts.
- Recognize the importance of trading mechanics.
- Identify the risks associated with perpetual futures.
- Review the key definitions.

- Complete the exercises in the module.

Module 1 Exercise

Purpose: To reinforce understanding of spot vs perpetuities.

1. Write down the key differences between spot trading and perpetual futures.
2. Identify which type of trading you are more comfortable with and why.
3. Reflect on how these differences impact your trading strategy.
4. Discuss your findings with a peer or in a trading forum.
5. Consider how you might approach a trade in each scenario.

Expected Output: A written summary of your understanding of spot vs perpetuities and how it affects your trading approach.

Module 1 Risk Box

- Trading perpetual futures involves higher risks than spot trading.
- Be aware of the potential for total loss of capital.
- Understand that leverage can amplify both gains and losses.
- Always consider your risk tolerance before entering trades.

Key Takeaways

- Spot trading involves owning the asset, while perpetuities involve contracts.
- Margin and leverage can amplify both potential gains and risks.
- Understanding the mechanics of trading is crucial for effective risk management.
- Recognizing the differences can help you make informed trading decisions.
- Always be aware of the risks involved in trading.

Margin and Leverage

Goal: Learn how margin and leverage work in trading and their associated risks.

Understanding Margin

Margin is the amount of capital you need to open a leveraged position. It allows you to control a larger position than your initial investment.

For example, if you want to control a \$10,000 position with a 10% margin, you only need \$1,000.

Margin: The collateral required to open a leveraged trading position.

Why It Matters: Understanding margin helps you gauge how much capital you need and the risks involved.

If the market moves against you, your losses can exceed your initial margin.

Always be cautious when using margin, as it can lead to significant losses.

Leverage: Amplification and Risk Framing

Leverage allows you to increase your exposure to the market without needing to invest the full amount.

While it can amplify profits, it also increases the potential for losses.

For instance, if you use 10x leverage, a 10% price movement can result in a 100% gain or loss.

Leverage: The use of borrowed capital to increase the potential return of an investment.

Why It Matters: Understanding leverage is critical to managing your risk and protecting your capital.

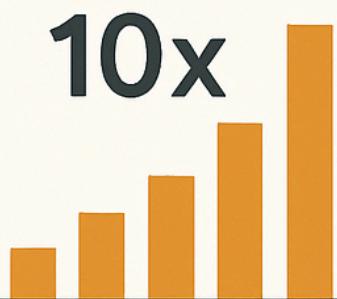
Always assess your risk tolerance before using leverage.

MARGIN AND LEVERAGE



5%

MARGIN



LEVERAGE

POTENTIAL GAIN



50%



POTENTIAL LOSS



50%



An illustration of how margin and leverage work in trading, including examples of potential gains and losses.

Module 2 Checklist

- Understand what margin is and how it works.
- Know the implications of using leverage in trading.
- Recognize the risks associated with margin and leverage.
- Review the examples provided in the lessons.
- Complete the exercises in the module.
- Reflect on your own risk tolerance regarding margin and leverage.

- Discuss your findings with a peer or in a trading forum.

Module 2 Exercise

Purpose: To create a personal leverage policy.

1. Determine your risk tolerance level.
2. Decide on the maximum leverage you are comfortable using.
3. Write down your personal leverage policy, including limits and conditions for using leverage.
4. Reflect on how this policy can help you manage your trading risks.
5. Share your policy with a peer or mentor for feedback.

Expected Output: A personal leverage policy document outlining your risk tolerance and limits.

Module 2 Risk Box

- Using margin can lead to significant losses if the market moves against you.
- High leverage increases the risk of liquidation.
- Always trade within your risk tolerance.
- Consider avoiding leverage entirely if you are a beginner.

Key Takeaways

- Margin allows you to control larger positions with less capital.
- Leverage amplifies both potential gains and losses.
- Understanding your risk tolerance is essential when using margin and leverage.
- Create a personal leverage policy to manage risks effectively.
- Be cautious with leverage, especially as a beginner.

Liquidation

Goal: Understand what liquidation is and why it happens in trading.

What is Liquidation?

Liquidation occurs when a trader's account balance falls below the required margin level.

This means that the broker will automatically close your position to prevent further losses.

Liquidation: The process of closing a trading position when the account balance is insufficient to maintain it.

Why It Matters: Understanding liquidation helps you manage your risk and avoid unexpected losses.

Being aware of your margin levels can prevent liquidation.

Always monitor your positions and account balance.

Why Liquidation Happens and Its Speed

Liquidation can happen quickly due to market volatility.

If the market moves against your position, your losses can accumulate rapidly, leading to liquidation.

For example, if you are using high leverage, even a small price movement can trigger liquidation.

Why It Matters: Understanding the speed of liquidation can help you manage your positions more effectively.

Always be prepared for sudden market movements.

Consider setting stop-loss orders to protect your capital.

LIQUIDATION PROCESS

INITIAL MARGIN

LEVERAGED TRADING

MARKET MOVEMENT

EQUITY DECLINE

MARGIN LEVEL

A flowchart showing the steps leading to liquidation in trading, including margin calls and market movements.

Module 3 Checklist

- Understand what liquidation is and how it occurs.
- Know the factors that can lead to liquidation.
- Recognize the importance of monitoring your margin levels.
- Review the examples provided in the lessons.
- Complete the exercises in the module.
- Discuss your findings with a peer or in a trading forum.

- Reflect on how liquidation impacts your trading strategy.

Module 3 Exercise

Purpose: To assess your understanding of liquidation.

1. Write down what liquidation means in your own words.
2. List the factors that can lead to liquidation in your trading.
3. Reflect on how you can manage your positions to avoid liquidation.
4. Discuss your findings with a peer or mentor for feedback.
5. Consider how you might adjust your trading strategy based on this understanding.

Expected Output: A written summary of your understanding of liquidation and strategies to manage it.

Module 3 Risk Box

- Liquidation can lead to total loss of your investment.
- Market volatility can trigger liquidation quickly.
- Always monitor your margin levels to avoid liquidation.
- Consider using stop-loss orders to manage risk.

Key Takeaways

- Liquidation occurs when your account balance is insufficient to maintain a position.
- Understanding the factors that lead to liquidation is crucial for risk management.
- Monitoring your margin levels can help you avoid liquidation.
- Be prepared for sudden market movements that can trigger liquidation.
- Consider strategies to protect your capital, such as stop-loss orders.

Funding Rates

Goal: Learn about funding rates and their significance in perpetual trading.

What are Funding Rates?

Funding rates are periodic payments made between long and short positions in perpetual futures.

They are designed to ensure that the price of the perpetual contract stays close to the underlying asset's price.

Funding Rate: A fee paid between traders to balance the price of perpetual contracts with the underlying asset.

Why It Matters: Understanding funding rates helps you account for additional costs in your trading strategy.

Ignoring funding rates can lead to unexpected losses.

Always factor in these costs when trading perpetual futures.

Why Funding Rates Exist

Funding rates exist to maintain the price equilibrium between perpetual contracts and the underlying asset.

If there are more long positions than short positions, the funding rate will be positive, meaning longs pay shorts.

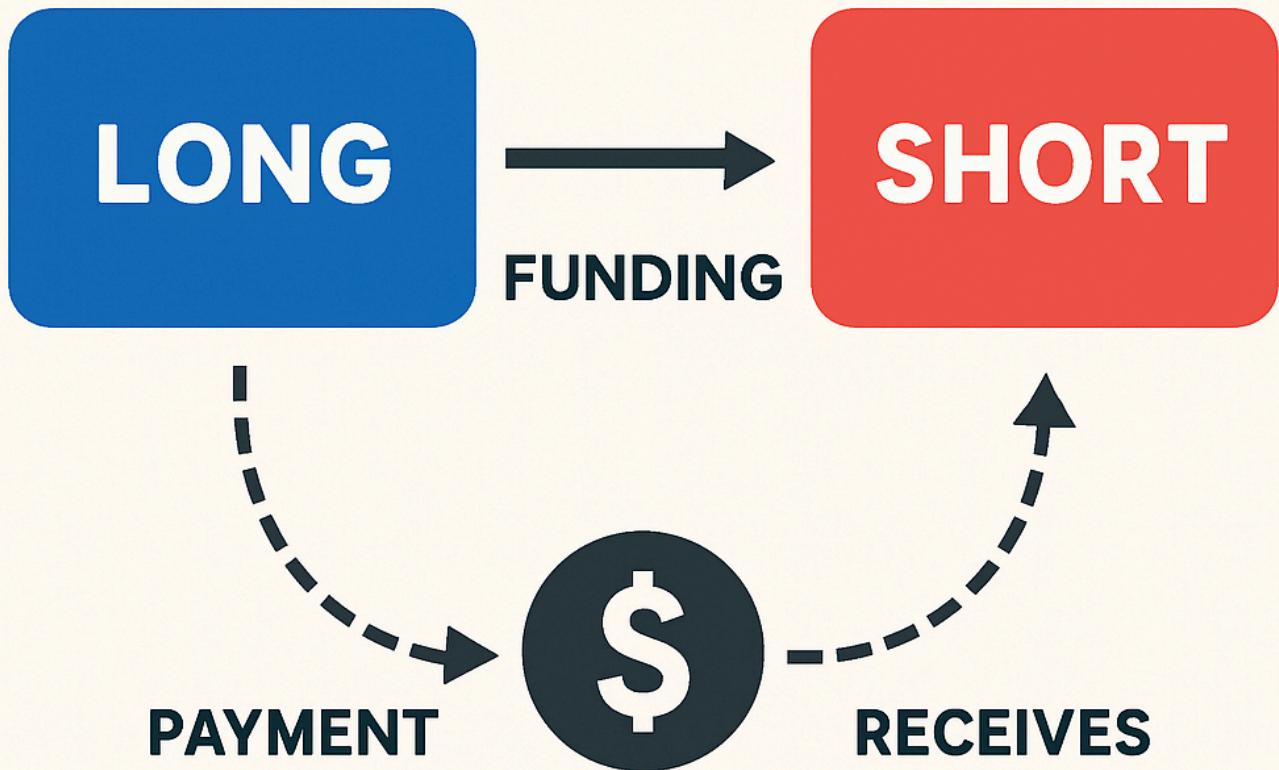
Conversely, if there are more shorts, the funding rate will be negative.

Why It Matters: Understanding the dynamics of funding rates can help you make informed trading decisions.

Always stay updated on funding rates as they can impact your trading costs.

Consider how funding rates affect your overall profitability.

FUNDING RATES IN PERPETUAL TRADING



A diagram illustrating how funding rates are determined based on long and short positions in perpetual trading.

Module 4 Checklist

- Understand what funding rates are and how they work.
- Know the reasons behind funding rates in perpetual trading.
- Recognize the importance of factoring in funding rates in your trading strategy.
- Review the examples provided in the lessons.
- Complete the exercises in the module.
- Discuss your findings with a peer or in a trading forum.

- Reflect on how funding rates can impact your trading costs.

Module 4 Exercise

Purpose: To evaluate your understanding of funding rates.

1. Write down what funding rates mean in your own words.
2. List the factors that can influence funding rates in perpetual trading.
3. Reflect on how you can incorporate funding rates into your trading strategy.
4. Discuss your findings with a peer or mentor for feedback.
5. Consider how you might adjust your trading strategy based on this understanding.

Expected Output: A written summary of your understanding of funding rates and their implications.

Module 4 Risk Box

- Funding rates can add to your trading costs.
- Ignoring funding rates can lead to unexpected losses.
- Stay updated on funding rates to manage your costs effectively.
- Consider how funding rates affect your overall profitability.

Key Takeaways

- Funding rates are payments between long and short positions in perpetual futures.
- They help maintain price equilibrium between contracts and the underlying asset.
- Understanding funding rates is crucial for managing trading costs.
- Always factor in funding rates when trading perpetual futures.
- Stay informed about funding rates to enhance your trading strategy.

Beginner Traps

Goal: Identify common pitfalls that beginners face in trading.

Common Beginner Traps

Many beginners fall into traps such as over-sizing positions, ignoring fees, and using revenge leverage.

Over-sizing means taking larger positions than you can afford, which increases risk.

Ignoring fees can erode profits, especially in high-frequency trading.

Revenge leverage refers to the impulse to recover losses by taking larger risks.

Over-Sizing: Taking larger positions than your risk tolerance allows.

Revenge Leverage: Increasing position size to recover losses.

Why It Matters: Recognizing these traps can help you avoid costly mistakes.

Avoiding the Traps

To avoid these traps, set strict position size limits based on your risk tolerance.

Keep track of all trading fees and factor them into your strategy.

Develop a disciplined approach to trading, avoiding emotional decisions.

Why It Matters: A disciplined approach can help you manage risks and improve your trading outcomes.

Always remember that trading is a marathon, not a sprint.

Focus on long-term success rather than short-term gains.

Module 5 Checklist

- Identify common beginner traps in trading.
- Understand the risks associated with over-sizing and revenge leverage.
- Know the importance of tracking trading fees.
- Review the examples provided in the lessons.
- Complete the exercises in the module.
- Discuss your findings with a peer or in a trading forum.

- Reflect on how you can avoid these traps in your trading.

Module 5 Exercise

Purpose: To create a personal trading plan to avoid beginner traps.

1. Write down the common traps you have encountered or are aware of.
2. Develop a personal trading plan that includes position size limits and fee tracking.
3. Reflect on how you can maintain discipline in your trading.
4. Discuss your plan with a peer or mentor for feedback.
5. Consider how this plan can help you avoid costly mistakes.

Expected Output: A personal trading plan document outlining your strategies to avoid beginner traps.

Module 5 Risk Box

- Over-sizing positions can lead to significant losses.
- Ignoring fees can erode your trading profits.
- Revenge trading increases risk and can lead to further losses.
- Always maintain a disciplined approach to trading.

Key Takeaways

- Common beginner traps include over-sizing, ignoring fees, and revenge leverage.
- Recognizing these traps can help you avoid costly mistakes.
- Developing a disciplined trading plan is essential for long-term success.
- Always track your fees and position sizes.
- Focus on long-term strategies rather than short-term gains.

Risk-First Rules

Goal: Learn the principles of risk management in trading.

When to Avoid Leverage

As a beginner, it is often wise to avoid leverage entirely until you gain more experience.

Trading without leverage allows you to learn the mechanics of trading without the added pressure of amplified risks.

Why It Matters: Understanding when to avoid leverage can protect your capital and reduce stress.

Consider practicing with a demo account to build your skills.

Always prioritize learning over profit in the early stages of trading.

Focus on developing a solid understanding of market movements.

Establishing Risk Management Rules

Establish clear risk management rules for your trading.

This includes setting stop-loss orders, position size limits, and defining your risk tolerance.

Why It Matters: Having clear rules helps you stay disciplined and avoid emotional trading decisions.

Always review and adjust your rules as you gain experience.

Focus on protecting your capital first and foremost.

Consider using a risk-reward ratio to evaluate potential trades.

Module 6 Checklist

- Understand the importance of risk management in trading.
- Know when to avoid leverage as a beginner.
- Establish clear risk management rules for your trading.
- Review the examples provided in the lessons.
- Complete the exercises in the module.
- Discuss your findings with a peer or in a trading forum.
- Reflect on how you can implement risk management strategies in your trading.

Module 6 Exercise

Purpose: To create a personal risk management plan.

1. Write down your risk management rules, including stop-loss and position size limits.
2. Reflect on how these rules can help you manage your trading risks.
3. Discuss your plan with a peer or mentor for feedback.
4. Consider how you might adjust your rules as you gain experience.
5. Share your plan with a trading community for additional insights.

Expected Output: A personal risk management plan document outlining your strategies to manage risks.

Module 6 Risk Box

- Avoid using leverage until you are confident in your trading skills.
- Establishing clear risk management rules is crucial for success.
- Always prioritize protecting your capital over making profits.
- Review and adjust your risk management strategies regularly.

Key Takeaways

- Avoid leverage as a beginner to reduce risk.
- Establish clear risk management rules for trading.
- Focus on protecting your capital and developing your skills.
- Review your rules regularly as you gain experience.
- Consider using a risk-reward ratio for evaluating trades.

Exercises

Goal: Develop a personal leverage and risk management policy.

Creating Your Personal Leverage Policy

Write down your maximum leverage limits based on your risk tolerance.

Consider your trading experience and comfort level with risk.

Why It Matters: A personal leverage policy helps you stay disciplined and avoid emotional decisions.

Always review and adjust your policy as you gain experience.

Focus on maintaining a balance between risk and potential reward.

Consider sharing your policy with a mentor for feedback.

Drafting Your Risk Management Plan

Outline your risk management rules, including stop-loss levels and position size limits.

Reflect on how these rules can help you manage your trading risks.

Why It Matters: A well-defined risk management plan is essential for long-term trading success.

Always be prepared to adjust your plan as you gain experience.

Consider discussing your plan with a trading community for additional insights.

Focus on protecting your capital first and foremost.

Module 7 Checklist

- Develop a personal leverage policy based on your risk tolerance.
- Outline your risk management rules clearly.
- Review your policies regularly as you gain experience.
- Discuss your policies with peers or mentors for feedback.
- Reflect on how your policies can help you manage risks effectively.
- Consider sharing your policies in a trading community for additional insights.
- Complete the exercises in the module.

Module 7 Exercise

Purpose: To create a comprehensive leverage and risk management policy.

1. Draft your personal leverage policy, including maximum leverage limits.
2. Outline your risk management rules, including stop-loss levels and position size limits.
3. Reflect on how these policies can help you manage your trading risks.
4. Discuss your policies with a peer or mentor for feedback.
5. Consider how you might adjust your policies as you gain experience.

Expected Output: A comprehensive leverage and risk management policy document outlining your strategies to manage risks.

Module 7 Risk Box

- A personal leverage policy helps you stay disciplined in trading.
- Clear risk management rules are essential for protecting your capital.
- Regularly review and adjust your policies as you gain experience.
- Focus on maintaining a balance between risk and potential reward.

Key Takeaways

- Developing a personal leverage policy is crucial for disciplined trading.
- A well-defined risk management plan is essential for long-term success.
- Regularly review and adjust your policies as you gain experience.
- Focus on protecting your capital and managing risks effectively.
- Consider sharing your policies with peers for additional insights.

Glossary

Goal: Familiarize yourself with key trading terms and definitions.

Glossary of Terms

This glossary provides definitions of key terms used throughout the course.

Familiarizing yourself with these terms will enhance your understanding of trading concepts.

Why It Matters: A solid understanding of terminology is crucial for effective communication and comprehension in trading.

Refer back to this glossary as needed.

Spot Trading: Buying and owning the actual asset.

Perpetual Futures: A contract that allows speculation on an asset's price without owning it.

Margin: The collateral required to open a leveraged trading position.

Leverage: The use of borrowed capital to increase the potential return of an investment.

Liquidation: The process of closing a trading position when the account balance is insufficient to maintain it.

Funding Rate: A fee paid between traders to balance the price of perpetual contracts with the underlying asset.

Over-Sizing: Taking larger positions than your risk tolerance allows.

Revenge Leverage: Increasing position size to recover losses.

Using the Glossary

Refer to the glossary whenever you encounter unfamiliar terms.

Understanding these terms will help you navigate trading discussions and materials.

Why It Matters: A strong grasp of terminology enhances your confidence in trading.

Always keep this glossary handy for quick reference.

Consider adding new terms you encounter to your personal glossary.

Focus on continuous learning and expanding your vocabulary.

Module 8 Checklist

- Familiarize yourself with key trading terms.
- Use the glossary as a reference tool.
- Consider adding new terms to your personal glossary.
- Review the definitions regularly to reinforce your understanding.
- Discuss any unfamiliar terms with peers or mentors.
- Reflect on how understanding terminology can enhance your trading skills.
- Complete the exercises in the module.

Module 8 Exercise

Purpose: To enhance your understanding of trading terminology.

1. Review the glossary and identify any terms you are unfamiliar with.
2. Write down definitions for these terms in your own words.
3. Discuss these terms with a peer or mentor for clarification.
4. Consider how understanding these terms can improve your trading skills.
5. Reflect on how you can continue to expand your trading vocabulary.

Expected Output: A written summary of your understanding of key trading terms and their definitions.

Module 8 Risk Box

- Understanding trading terminology is crucial for effective communication.
- A strong grasp of terms enhances your confidence in trading.
- Always seek clarification on unfamiliar terms.
- Continuous learning is key to improving your trading skills.

Key Takeaways

- Familiarizing yourself with key trading terms enhances your understanding.
- Use the glossary as a reference tool for quick access to definitions.
- Continuous learning is essential for improving your trading skills.
- Discuss unfamiliar terms with peers or mentors for clarification.
- Focus on expanding your trading vocabulary over time.

One-Page Rules & Reality Check

Key Concepts

- Spot trading involves owning the asset; perpetual futures are contracts.
- Margin allows control of larger positions; leverage amplifies risks.
- Liquidation occurs when margin levels are insufficient.
- Funding rates balance perpetual contracts with underlying assets.
- Avoid common beginner traps like over-sizing and revenge leverage.

Risk Management

- Establish clear risk management rules.
- Avoid leverage as a beginner until confident.
- Regularly review and adjust your trading policies.
- Focus on protecting your capital first.

Glossary Highlights

- Spot Trading: Owning the asset.
- Perpetual Futures: Contracts for price speculation.
- Margin: Collateral for leveraged positions.
- Leverage: Borrowed capital to increase returns.

Final Thoughts

- Continuous learning is essential for trading success.
- Stay disciplined and stick to your trading plan.
- Always be aware of the risks involved in trading.
- Engage with trading communities for support and insights.

This summary provides a quick reference to the key concepts covered in the course.

Glossary

Spot Trading

Buying and owning the actual asset.

Understanding spot trading is essential for grasping the basics of asset ownership.

Perpetual Futures

A contract that allows speculation on an asset's price without owning it.

Knowing about perpetual futures helps you understand advanced trading mechanics.

Margin

The collateral required to open a leveraged trading position.

Understanding margin is crucial for managing your capital effectively.

Leverage

The use of borrowed capital to increase the potential return of an investment.

Leverage can amplify both gains and losses, making it essential to understand.

Liquidation

The process of closing a trading position when the account balance is insufficient to maintain it.

Understanding liquidation helps you manage risks and avoid total loss.

Funding Rate

A fee paid between traders to balance the price of perpetual contracts with the underlying asset.

Funding rates can impact your trading costs and profitability.

Over-Sizing

Taking larger positions than your risk tolerance allows.

Recognizing over-sizing helps you avoid significant losses.

Revenge Leverage

Increasing position size to recover losses.

Avoiding revenge leverage is crucial for maintaining a disciplined trading approach.

Risk Management

Strategies to minimize potential losses in trading.

Effective risk management is essential for long-term trading success.

Stop-Loss Order

An order to sell a security when it reaches a certain price.

Stop-loss orders help protect your capital from significant losses.

Position Size Limit

The maximum amount of capital allocated to a single trade.

Setting position size limits helps manage risk effectively.

Risk-Reward Ratio

A measure of the potential reward for a given risk in a trade.

Understanding risk-reward ratios helps evaluate trade opportunities.

Demo Account

A simulated trading account used for practice without real money.

Demo accounts allow beginners to learn trading without financial risk.

Trading Fees

Costs associated with executing trades, such as commissions and spreads.

Tracking trading fees is essential for accurate profit calculations.

Market Volatility

The degree of variation in trading prices over time.

Understanding market volatility helps in risk assessment.

Trading Community

A group of traders who share insights and support each other.

Engaging with a trading community can enhance learning and provide valuable insights.

Self-Test Quiz

1. What is the main difference between spot trading and perpetual futures?

- A. Spot trading involves owning the asset, while perpetual futures are contracts. ✓
- B. Spot trading is risk-free, while perpetual futures are risky.
- C. Spot trading is only for beginners, while perpetual futures are for experts.
- D. There is no difference.

Explanation: Spot trading involves owning the actual asset, while perpetual futures are contracts that speculate on price movements.

2. What does margin allow you to do in trading?

- A. Control larger positions with less capital. ✓
- B. Avoid losses entirely.
- C. Trade without any risk.
- D. Increase your profits without any investment.

Explanation: Margin allows you to control larger positions than your initial investment.

3. What is liquidation?

- A. The process of closing a position when profits are reached.
- B. The process of closing a position when the account balance is insufficient. ✓
- C. A way to increase your profits.
- D. A method to avoid losses.

Explanation: Liquidation occurs when your account balance falls below the required margin level.

4. What are funding rates?

- A. Payments made between long and short positions. ✓
- B. A type of trading strategy.
- C. A method to guarantee profits.
- D. A fee that traders do not need to worry about.

Explanation: Funding rates are periodic payments made between long and short positions in perpetual futures.

5. What is a common beginner trap in trading?

- A. Over-sizing positions.
- B. Ignoring trading fees.
- C. Revenge trading.
- D. All of the above. ✓

Explanation: Common beginner traps include over-sizing positions, ignoring fees, and revenge trading.

6. When should a beginner consider avoiding leverage?

- A. When they are confident in their skills.
- B. When they have a solid trading plan.
- C. When they are just starting out. ✓
- D. When they have experience.

Explanation: Beginners should often avoid leverage until they gain more experience.

7. What is the purpose of a personal leverage policy?

- A. To increase trading frequency.
- B. To help manage risks and stay disciplined. ✓
- C. To guarantee profits.
- D. To avoid trading altogether.

Explanation: A personal leverage policy helps you manage risks and stay disciplined in your trading.

8. What is the risk-reward ratio?

- A. A measure of potential reward for a given risk. ✓
- B. A method to increase profits.
- C. A way to avoid losses.
- D. A trading strategy.

Explanation: The risk-reward ratio measures the potential reward for a given risk in a trade.

9. What does a stop-loss order do?

- A. It guarantees profits.
- B. It closes a position at a certain price to limit losses. ✓
- C. It increases position size.
- D. It has no impact on trading.

Explanation: A stop-loss order closes a position when it reaches a certain price to limit losses.

10. Why is it important to track trading fees?

- A. To increase profits.
- B. To avoid emotional trading.
- C. To accurately calculate profits and losses. ✓
- D. It is not important.

Explanation: Tracking trading fees is essential for accurate profit calculations.

11. What is market volatility?

- A. The degree of variation in trading prices over time. ✓
- B. A method to guarantee profits.
- C. A way to avoid losses.
- D. A trading strategy.

Explanation: Market volatility refers to the degree of variation in trading prices over time.

12. What is a demo account?

- A. A real trading account.
- B. A simulated account for practice without real money. ✓
- C. A way to guarantee profits.
- D. A method to avoid losses.

Explanation: A demo account is a simulated trading account used for practice without real money.

13. What is the significance of understanding trading terminology?

- A. It enhances confidence and communication. ✓
- B. It guarantees profits.
- C. It is not important.
- D. It only matters for experts.

Explanation: Understanding trading terminology enhances your confidence and communication in trading.

14. What should you do if you encounter unfamiliar trading terms?

- A. Ignore them.
- B. Ask a mentor or peer for clarification. ✓
- C. Assume you know their meaning.
- D. Avoid trading altogether.

Explanation: Seeking clarification on unfamiliar terms helps improve your understanding.

15. What is the importance of engaging with a trading community?

- A. To increase trading frequency.
- B. To enhance learning and provide insights. ✓
- C. To guarantee profits.
- D. It is not important.

Explanation: Engaging with a trading community can enhance learning and provide valuable insights.