

# Step 1: What is Trading?

## Definition of Trading

Trading refers to the buying and selling of financial instruments such as stocks, bonds, commodities, currencies, or derivatives.

## Purpose of Trading

Traders aim to profit from fluctuations in the prices of assets. By buying low and selling high, or selling high and buying low.

## Common Trading Instruments

Stocks: Shares of ownership in a company.

Forex: Currency pairs like EUR/USD, GBP/JPY.

Commodities: Gold, oil, wheat, livestock, etc.

Derivatives: Options, futures contracts.

## Types of Trading

Day Trading: Opening and closing positions within a day.

Swing Trading: Holding positions for several days to weeks.

Position Trading: Long-term investing over months or years.

## Key Trading Concepts

Buy/Sell: The basic actions of trading.

Bid/Ask: The price buyers are willing to pay and sellers willing to sell.

Spread: The difference between bid and ask prices.

Leverage: Using borrowed money to increase position size.