

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.