THE WEALTH CREATION MOVEMENT

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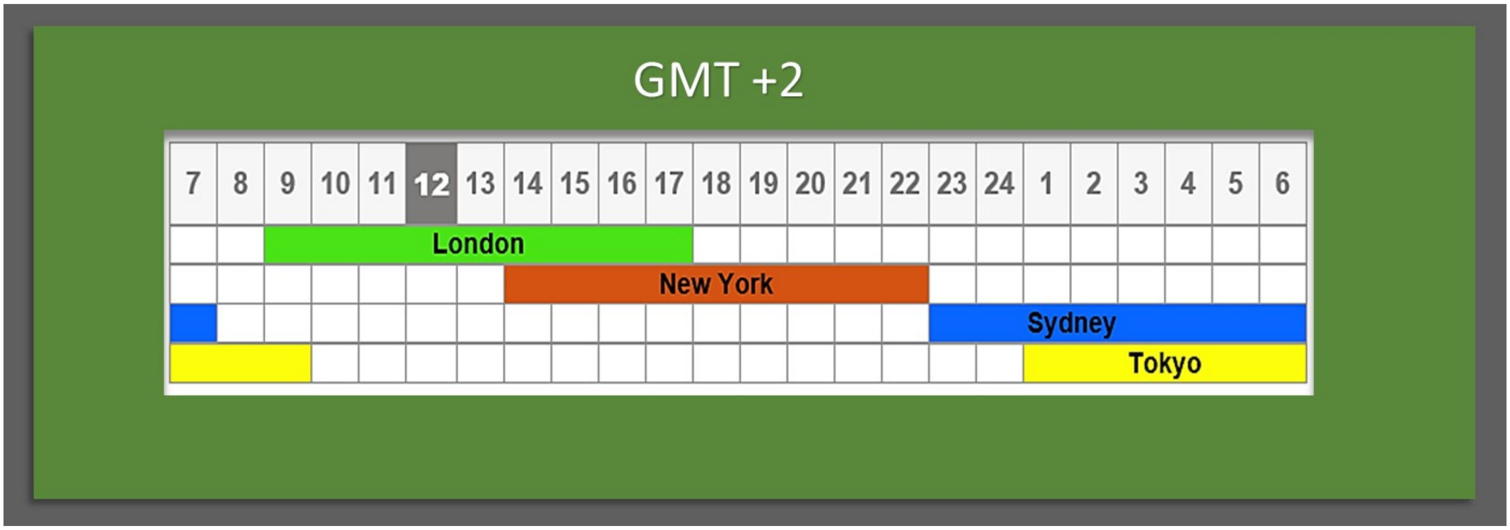
Introduction

- Forex stands for foreign **exchange**, which is exchanging one currency for another.
- It is the **largest** financial market in the world.
- Compared to the **74 billion** day trading on the New York exchange, the forex market has an enormous day trade of **5.5 trillion** Dollars.
- When trading **Forex**, You **buy** and **sell** currency
- Assuming you are **America** visiting **Japan**, you have traded the **Dollar** for the **Yen**.
- Buying a currency is like buying a share in a country, like buying stocks in a particular country.
- The price of the currency, is a direct reflection of what the markets think of the future health of that economy.

24-Hour Market



- The Forex Market is a **24 hour** market.
- Most Brokers are open from Sunday 23:00pm and close on Friday 23:00pm(EST)
- Customer service is usually available 24/7

The 8 Major Currencies

Symbol	Currency	Country	Nickname
USD	Dollar	United States	Buck
EUR	Euro	Europe	Fiber
JPY	Yen	Japan	Yen
GBP	Pound	Great Britain	Cable
CHF	Franc	Switzerland	Swissy
CAD	Dollar	Canada	Loogie
AUD	Dollar	Australia	Aussie
NZD	Dollar	New Zealand	Kiwi

- There are **8 major currencies** traded in the forex market.
- They are called 'majors because they are the most widely traded ones.
- As illustrated above, **Symbols** always have **three letters** in them, with the first two letters representing the **country**, and the last letter representing the **currency**.
- For example, the letters **US** represent 'United States', while the letter **D** represents the 'Dollar'. (USD)

Currency Pairs

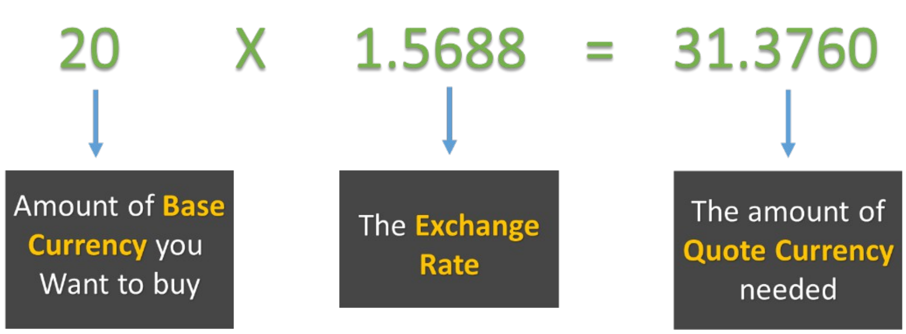
- The **Base** Currency is always 1.
- The **Quote** Currency is what you **buy** or **sell** (what you deal in).
- The Exchange Rate tells you how much of the **Quote Currency** is needed to receive **1** unit of the **Base Currency**.

Example

The Exchange Rate is at GBP/USD: 1.5688. You want to buy 20 GBP how much USD would you need?

You would first say the rate is at 1.5688 to 1 because the base currency always remains 1.

You would multiply the amount of the amount of Base Currency you want to buy, by the current Exchange rate.



The Exchange Rate is now at GBP/USD: 1.5693. You want to sell the 20 GBP you bought, how much USD would you receive?

You would multiply the 20 GBP you bought by the new Exchange Rate to find out how much USD you would receive.

Exercise

The Exchange Rate is at EUR/CAD: 1.7468. How much CAD would you need to purchase 120 units of EUR?

Calculations:

Answer:

The Exchange Rate is now at EUR/CAD: 1.9011. How much CAD would you receive when you sell your EUR?

Calculations:

Answer:

The Exchange Rate is now at USD/YEN: 88.65. How much YEN would you need to purchase 90 units of USD?

Calculations:

Answer:

Suggestion:

If you are still not 100% confident in understanding the difference between the Base Currency, Quote Currency and how to use the Exchange Rate, make some examples of your own and practice with a group member that does understand it until you do.

Leverage

- Leverage is borrowing money from the forex broker so that you can get an even bigger exposure to the markets.
- You don't pay any interest on the loan.
- So a small amount deposited into your trading account can control a much larger contract value.
- With \$100 you can handle currency that's worth \$1 000
- For example, if you make 2% from the \$1 000 that means that you have made \$20 and your trading account is \$120 now.

Pips and Pipettes

Pip: Percentage in point.

- A pip is the 4th decimal point in the exchange rate.
- When the YEN is in the currency pair then it only has 2 decimal points.
- The amount of Pips the market moves determines your profit or loss.

Example

You enter the market at GBP/USD: 1.5734 and you exit at 1.5818. How many Pips did the market move?

You would do your calculations as follows:

$$58\underline{18} - 57\underline{34} = 84 \text{ Pips}$$

Exercise

You entered the market at GBP/USD: 1.6324 and you exit at 1.6530. How many Pips did the market move?

Calculations:

Answer:

You entered the market at GBP/CAD: 1.1674 and you exit at 1.1435. How many Pips did the market move?

Calculations:

Answer:

You entered the market at USD/YEN: 89.90 and you exit at 91.23. How many Pips did the market move?

Calculations:

Answer:

Market Orders

When trading Forex, you don't exactly buy or sell, you place an order (like a bet) in the direction you believe the market will go.

<u>Going long</u>

- An order that you place if you believe the market will go up.
- This means **buying the base currency** and **selling the quote currency.**
- You collect every pip as the exchange rate goes up.
- This is also known as "going long" or taking a "long position".
- **Long → Buy**

Going short

- An order that you place if you believe the market will go down.
- This **means selling the base currency** and **buying the quote currency.**
- You collect every Pip the as the exchange Rate goes down
- This is called "going short" or taking "short position"
- **Short → Sell**

Types Of Orders

The term "order" refers to how you will enter or exit a trade

Limit order

- This is an order that takes you out of the market once you've reached your desired profit.
- EUR/USD is currently trading at 1.2050. You want to go short if the price reaches 1.2070. You can either sit in front of your monitor and wait for it to hit 1.2070 (at which point you would click a sell market order), or you can set a sell limit order at 1.2070 (then you could walk away from your computer to attend your ballroom dancing class).

- It collects your profit

Stop loss order

- This is an order you place to protect your self
- It takes you out of the market when the market does not go in the direction you believed it to, and minimizes your loss
- You place it when you place your trade order.
- It works faster than manually trying to exit the market.

Trailing Stop Loss

- This stop loss moves up at intervals as your order moves up with the market.
- When the market turns to go in the opposite direction, it hits the stop loss then kicks you out and you would have either made a small profit or broke even.

Types Of Market Analysis

Fundamental

- Fundamental analysis is based **on economic data.**
- Traders who trade fundamentally wait for specific press releases and attempt to jump into big moves.
- This is very dangerous because the market is normally very volatile during a news release.
- If the trader takes the bait and jumps in on a false buy or sell signal and the market moves quickly in the opposite direction, it is very difficult for the trader to get out of the position without taking a hit.
- With that in mind, there are also huge benefits to trading the news.
- Large pip scores can be made very quickly, and this type of trading can prove to be very profitable to the seasoned trader.

Technical

- Technical analysis is based on chart interpretation.
- Technical traders are looking for the charts to show very clear setups. Once a setup appears, the trader is then able to precisely determine the entry, stop loss, and take profit prices.
- This is the biggest practical difference between the two styles: fundamental trading is more free flowing; technical trading is more accurate and specific.

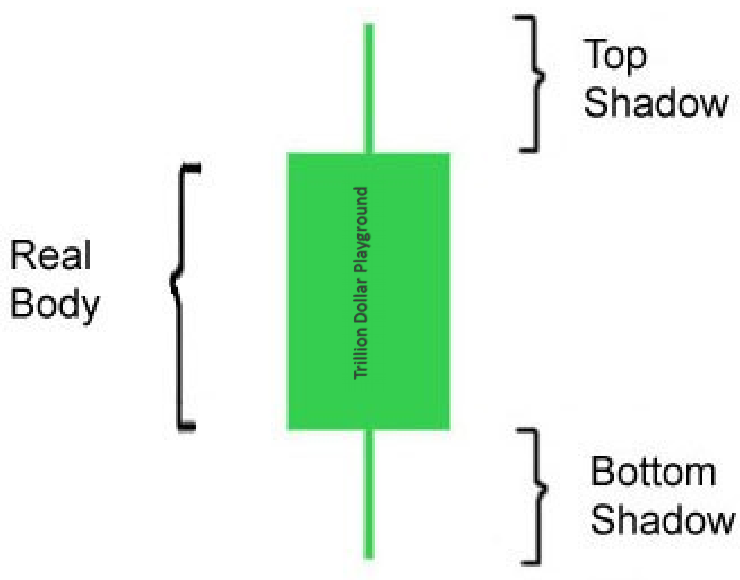
TECHNICAL ANYLISIS

CANDLESTICKS

- Candlesticks are graphical representations of market price movements within a specified time period.
- A candlestick may represent price movement that occurred in the
- last 5 minutes
- 15 minutes
- 30 minutes
- 1 hour
- 4 hours
- 1 day
- 1 week
- or 1 month

Example

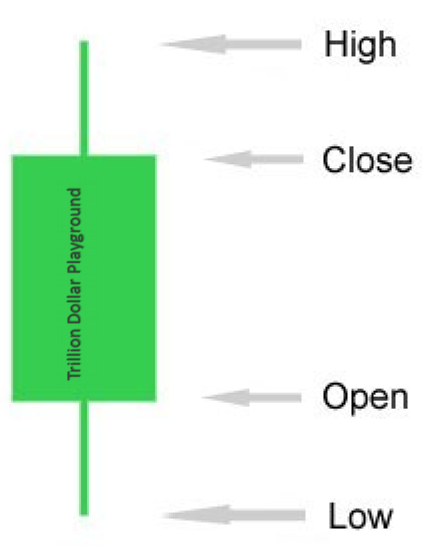
Remember that each candlestick represents a specific time period?
Let's assume the candlestick to the right represents price
movement in a 1 hour period.



Bullish/bearish Candlesticks

Bullish

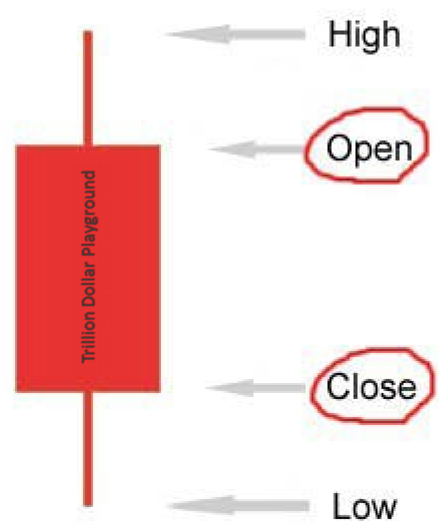
- A **bullish** candlestick represents market prices that are moving up.
- If you look back at the 1 hour candlestick (in the previous page), you'll see that the 'close' (end) price is higher than the 'open' (beginning) price.
- This means that in that 1 hour, the market has moved from the 'open' price, up to the 'close' price.



- The 'open' would be the market price at beginning of the 1 hour.
- The 'close' is the market price at the end of the 1 hour.
- The 'high' and 'low' are the highest and lowest prices that were traded within that 1 hour, respectively

Bearish

- A bearish candlestick represents market prices that are moving down.
- If you look back at the 1 hour candlestick (in the previous page), you'll see that the 'close' (end) price is higher than the 'open' (beginning) price.
- This means that in that 1 hour, the market has moved from the 'open' price, up to the 'close' price.



- A Bearish candlestick is the opposite of a Bullish candlestick.
- It shows how prices have moved down within the time frame that the candlestick represents.
- Bearish candlesticks are usually represented by the colour red.

TRENDS

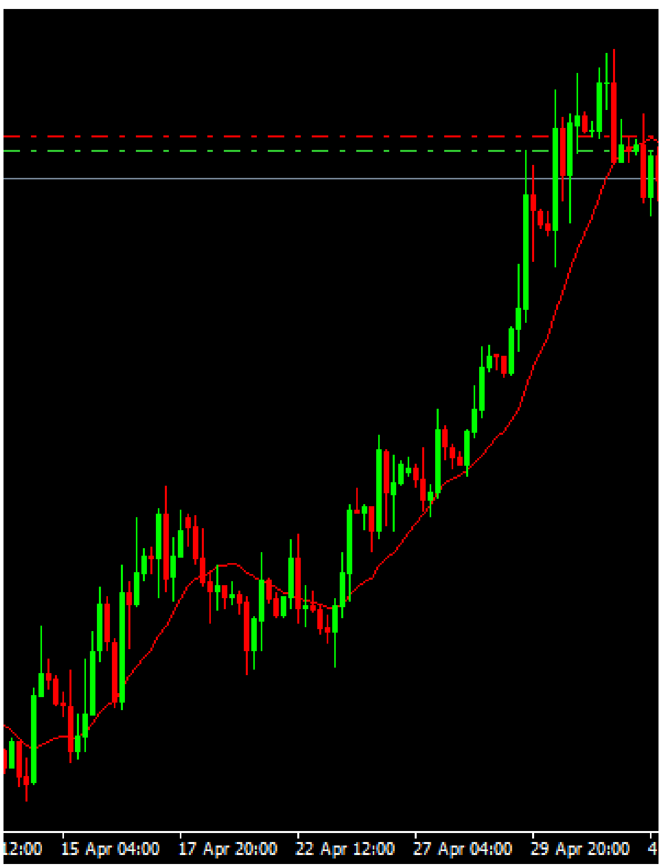
WHAT IS A TREND?

A trend is the **movement of price up or down or sideways over time.**

- When price is consistently moving up, forming **Higher Highs and Higher Lows**, this is called an **uptrend**.
- When the price is consistently moving down, forming **Lower Highs and Lower Lows**, this is called a **downtrend**.
- When Price is travelling sideways, it is called **sideways trend**. In such a sideways trending situation, price is neither going up or down.

3 Types Of Trends

Uptrend



- An uptrend means that there are more buyers than sellers
- The buyers are pushing the price of that particular currency up,
- Trading is about supply and demand. If there are more buyers than sellers, the price will go up
- In this case it’s due to demand (there are more buyers than they are sellers), demand pushes the price up.

Downtrend

- A **Down-Trend** is the direct opposite of an uptrend,
- Downtrend is when there are more sellers than buyers
- The sellers are pushing price down.
- Remember that the charts represents the current and historical price of that currency, so when there is more sellers than buyers, this causes price to go down

Range Bound

- A **range bound** market doesn't trend,
- This is a sideways market,
- This is when both the buyers (Bulls) and the sellers (Bears) are fighting for dominance and none of them are overpowering the other.
- This is when we have an equal amount of buyers and sellers and instead of the market trending, it tends to go sideways without any proper direction, it's relatively flat.

SUPPORT AND RESISTANCE

- **Support** and **Resistance** levels represent key price levels where the forces of supply and demand meet.
- In the forex market, the prices are driven by supply and demand.
- If there is an **oversupply**, **prices will go down**
- If there is a **demand**, **price will go up**.
- If demand and supply even out, price tends to move sideways in a **range**.

#NB: Demand is synonymous with **Bulls** (buyers) and supply is synonymous with **Bears**(sellers).

Support

- **Support is the price level at which demand is thought to be strong enough to prevent the price from declining further.**

- As the price declines towards support(which means it gets cheaper), buyers become more inclined to buy and sellers become less inclined to sell.
- By the time the price reaches the support level, it is believed that demand will overcome supply and prevent the price from falling below support

Resistance

- **Resistance is the price level at which selling is thought to be strong enough to prevent the price from rising further.**
- As the price advances towards resistance, sellers become more inclined to sell and buyers become less inclined to buy.
- By the time the price reaches the resistance level, it is believed that supply will overcome demand and prevent the price from rising above resistance.

NB* One thing to remember is that support and resistance levels are **not exact number.** Often times you will see a Support or Resistance levels that appear broken, but you soon after find out the market was just testing it. With candlestick charts, these "tests "of support and resistance are usually represented by the candlestick shadow.

STOPS AND TARGETS

- A stop loss order is an order used to exit a trade while at the same time limiting the eventual amount of loss.
- Some traders use them all the time as a regular exit strategy, whereas others will have "emergency stops" only, to be used in the event that something unpredictable occurs.
- It represents the maximum amount of loss the trader will allow himself or herself to lose on a single trade just in case it goes the wrong way.

WHERE TO SET A STOP LOSS

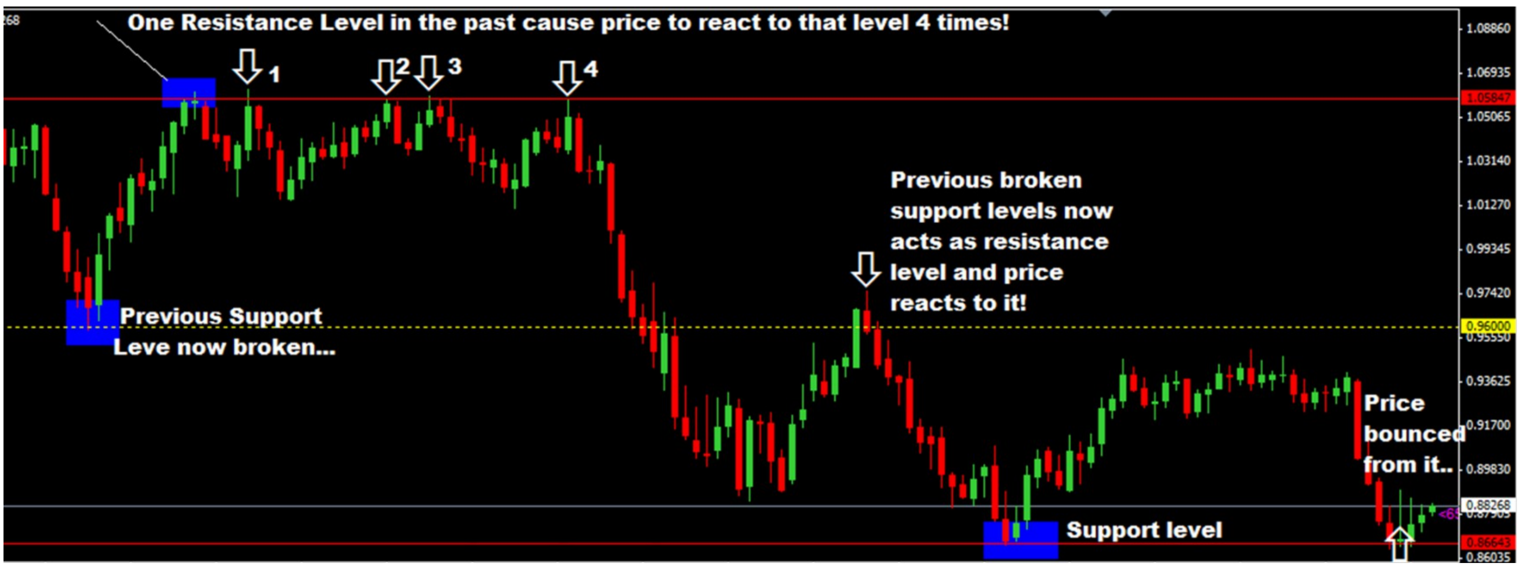
Support/Resistance-Based Stops

- These are stops that are usually set at the most recent swing high or low or at a specific price that the market has bounced off of repeatedly.
- It is recommended to set the stops a couple of pips higher or lower than the area to allow for more safety.
- Be advised that this is not recommended in choppy or sideways markets.

TARGET/TAKE PROFIT

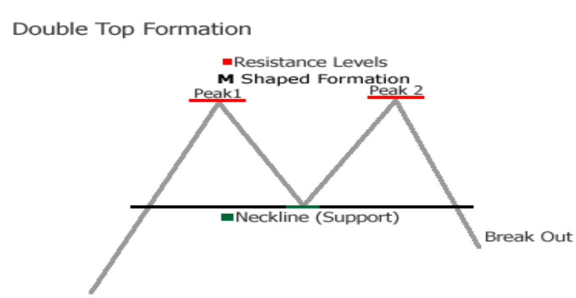
- A Take-Profit order is an order used to exit a trade with profit.
- They are represented by the number of points or pips a trader believes a currency pair will rise or fall depending on his or her strategy and time frame.
- Calculations can be made using several tools, supports and resistance, depend heavily on the time frame being traded.
- They are usually placed at previous support and resistance levels
- A higher time frame will allow the setting of wider targets, but this also will require a wider stop loss.

CLASSROOM EXAMPLES



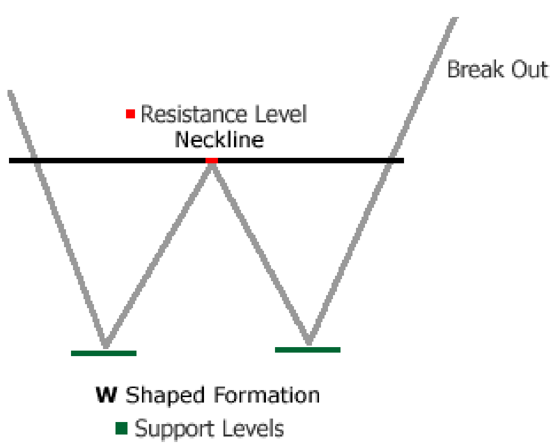
REVERSAL PATTERNS

- The **double top** is a reversal pattern that can be seen in all timeframes.
- It often forms when price has moved up for an extended amount of time.
- The tops are formed when price hits a certain resistance levels where it cannot break it to the upside.
- When price does not break this resistance level above top2, this is a strong indication that a reversal is going to occur.

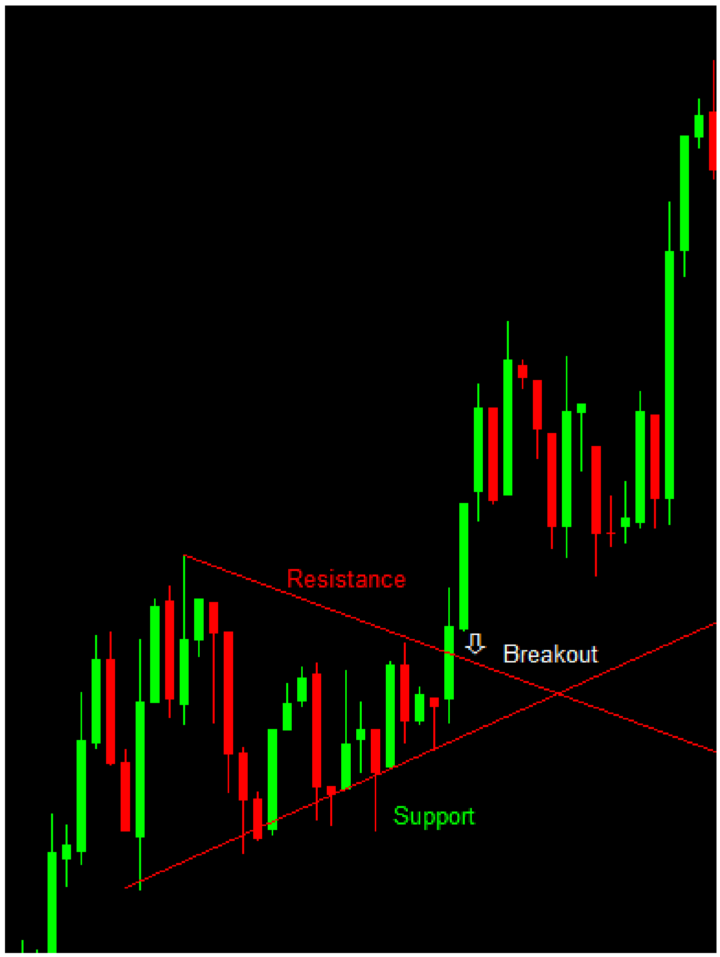


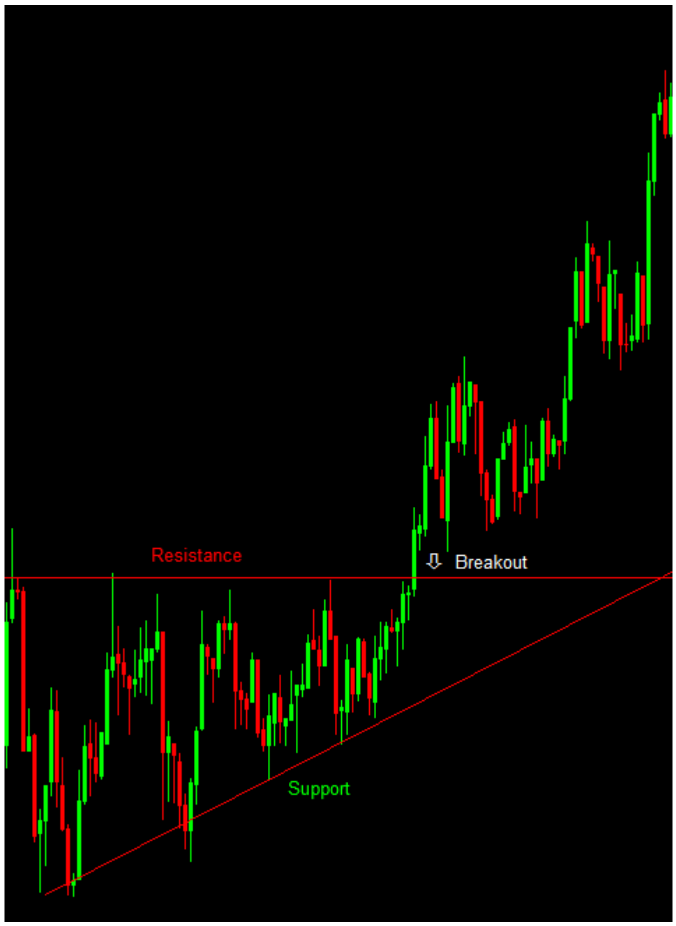

Neckline
Resistance
Support
Bottom 1
Bottom 2

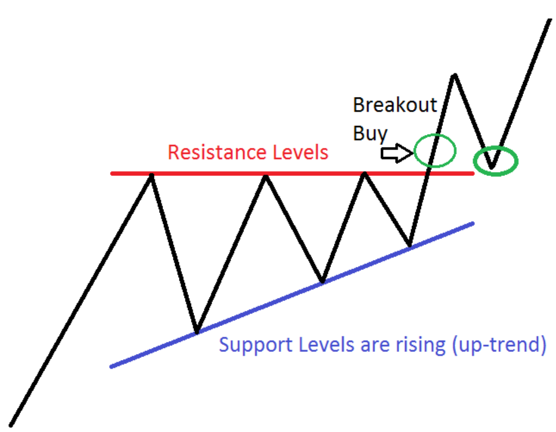
- The **Doubl**

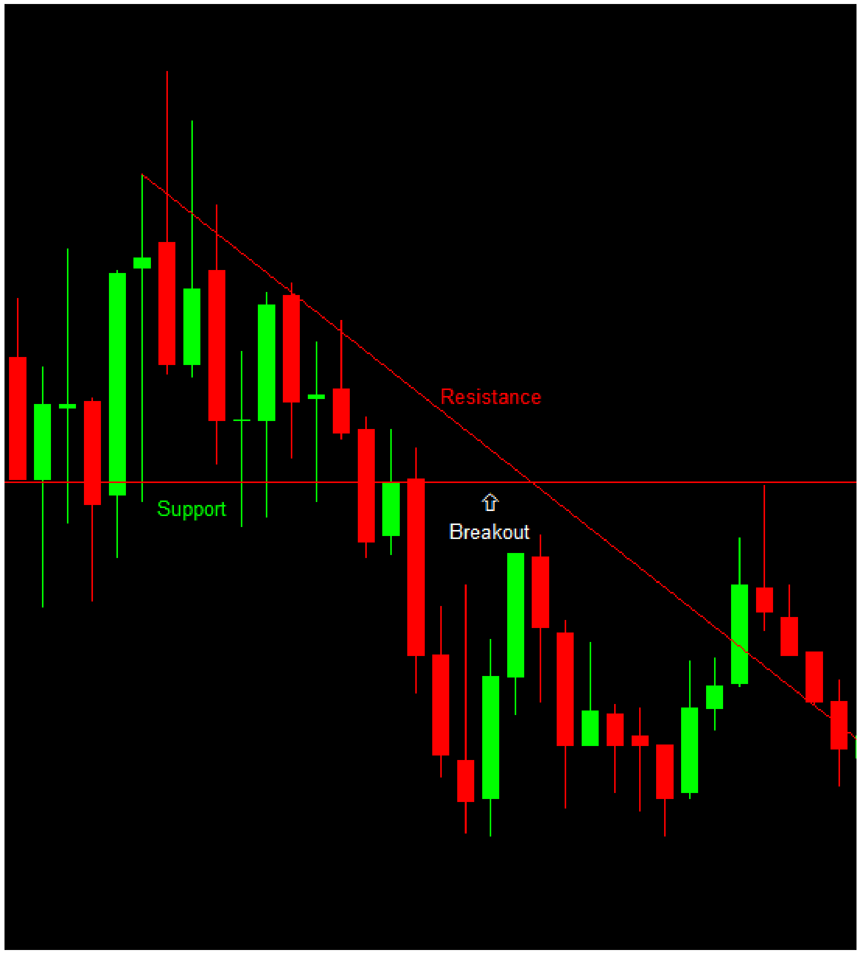

Break Out
Resistance Level
Neckline
W Shaped Formation
Support Levels

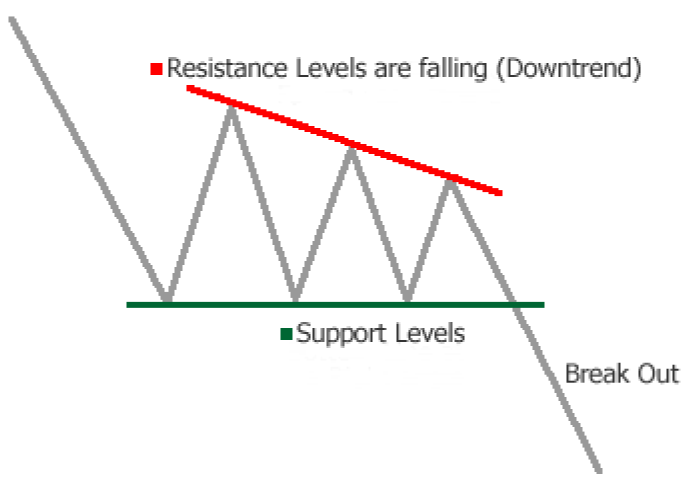
TRIANGLE PATTERNS




Resistance
Breakout
Support


Breakout
Buy
Resistance Levels
Support Levels are rising (up-trend)


Resistance
Support
Breakout


Resistance Levels are falling (Downtrend)
Support Levels
Break Out

- Head-and-shoulder patterns usually form after an uptrend, indicating a reversal.
- It can also be a continuation pattern for a down trend.
- It is a bearish indicator so when you see this pattern you know price is going to drop.
- The lows formed at support of the shoulders and the head create the neckline.

- When your neck line has been broken you would calculate the pips from the top of the head to the neck line to determine how many pips the break out will be.

INVERS HEAD AND SHOULDERS

•Inverse Head-and-shoulder patterns usually form after a downtrend, indicating a reversal.

•It can also be a continuation pattern for an uptrend.

•It is a Bullish indicator so when you see this pattern you know price is going to raise.

•The highs formed at support of the shoulders and the head create the neckline.

•When your neck line has been broken you would calculate the pips from the bottom of the head to the neck line to determine how many pips the break out will be.

COMPLEX HEAD AND SHOULDERS

- A Complex head and shoulders pattern could have two heads, or two left shoulders.
- It is the same as a head and shoulder pattern it would just have additional heads or shoulders.

FAILED HEAD AND SHOULDERS

- The im

er pattern
- A head f the neck line then breaks

FLAG FORMATIO

- The Flag and Pennant are treated the same because they show up in similar situations and they are both continuation patterns.
- They appear after the market ascends or descends with momentum, forming a series of long candles or a pole like structure.
- After the pole the market consolidates and forms either a Flag or Pennant.

After the steep move the market consolidates within two parallel lines forming a flag before it breaks out in the same direction of the steep move.

PENNANTS

After the steep move the market consolidates within two trend lines forming a Pennant before it breaks out in the same direction of the steep move.

FIBONACCI

What is a Fibonacci pattern?

The Fibonacci pattern starts with the numbers 0 and 1, every number after that is the sum of the previous two. 0 + 1 = 1 so the next number in the sequence would be 1.
So the sequence would go:
So …
0 + 1 = 1
Then you take the sum of the last 2 numbers of the above equation and add them: 1 + 1 = 2
Then you take the sum of the last 2 numbers of the above equation and add them: 1 + 2 = 3
Then you take the sum of the last 2 numbers of the above equation and add them: 2 + 3 = 5
Then you take the sum of the last 2 numbers of the above equation and add them: 3 + 5 = 8
Then you take the sum of the last 2 numbers of the above equation and add them: 5 + 8 = 13
Then you take the sum of the last 2 numbers of the above equation and add them: 8 + 13 = 21 … and on it goes to infinity!

Before we get into Fibonacci lets define a trend.

- An uptrend is formed when every highest high is higher than the previous highest high and every lowest low is higher than the previous lowest low.

- A down Trend is formed when every lowest low is lower than the previous lowest low and every highest high is lower than the previous highest high

What Is a Fibonacci retracement?

- The market will often pull back or retrace a percentage of the previous move before reversing. These Fibonacci retracements often occur at three levels – 38.2%, 50%, and 61.8%.

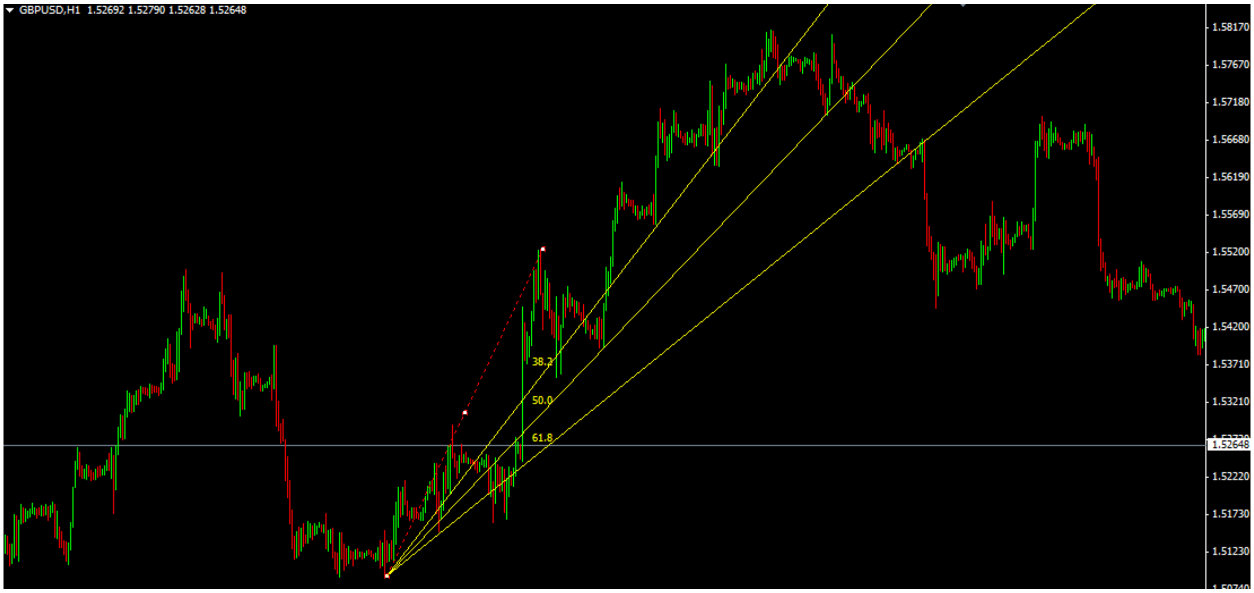
- The use of Fibonacci retracement levels in market analysis serves to help determine how far one expects the market to retrace before continuing in the direction of the trend.

- Fibonacci retracement is a very popular tool used by many technical traders.
- It is used to help identify strategic places for transactions to be placed, target prices or stop losses.
- After a significant price movement up or down, the new support and resistance levels are often at or near these lines.
- See the chart below, note how close the market bounces are to these levels

How to plot the Fibonacci retracement lines on your MT4 platform

- To plot the automated Fibonacci retracement lines drag the dotted line from the end of the trend to the begging.
- For an uptrend it would be from the highest high of the trend to the lowest low.
- For a down trend it would be from the lowest low to the trends highest high.

The Fibonacci Fan



- The Fibonacci Fan
- The Fibonacci fan plots trend lines using the Fibonacci ratios. The trend lines act as possible support and resistance levels for price action.
- To plot the Fibonacci fan, drag the dotted line