



FX MARKETS / USD PRESENTS

MASTERING THE FOREX MARKET

Technical & Fundamental Analysis

A Complete Professional Guide for Forex, Crypto & Commodity Traders

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Introduction: Welcome to Trading

The foreign exchange market is the largest financial market in the world, with trillions of dollars changing hands every day. Banks, corporations, central banks, hedge funds and individual traders all take part. Because it trades around the clock, five days a week, it offers opportunity to people in every time zone.

Successful traders rely on two complementary ways of understanding price. **Technical analysis** studies price charts and patterns to find *when* and *where* to trade. **Fundamental analysis** studies economies, interest rates and news to understand *why* a currency should move. This book teaches both, then shows how to combine them with disciplined risk management and sound trading psychology.

How this book is organised

Part	What you will learn
Part 1 - Foundations	How the forex market works: pairs, pips, lots, leverage, sessions
Part 2 - Technical Analysis	Candlesticks, trends, support and resistance, indicators, patterns, Fibonacci
Part 3 - Fundamental Analysis	Economic data, central banks, interest rates, geopolitics, intermarket links
Part 4 - Putting It Together	Trading plan, risk management, psychology, checklists, glossary

Chapter 1: Forex Market Basics

What is forex?

Forex trading means buying one currency while simultaneously selling another. Currencies are always quoted in **pairs**. In EUR/USD = 1.1000, the first currency (EUR) is the **base** and the second (USD) is the **quote**. The price tells you how many units of the quote currency are needed to buy one unit of the base. If you expect the euro to strengthen against the dollar, you **buy** EUR/USD; if you expect it to weaken, you **sell**.

Types of currency pairs

Category	Description	Examples
Majors	Pairs that include the US dollar; the most liquid, tightest spreads	EUR/USD, GBP/USD, USD/JPY, USD/CHF, AUD/USD, USD/CAD
Minors (Crosses)	Major currencies traded without the USD	EUR/GBP, EUR/JPY, GBP/JPY, AUD/NZD
Exotics	A major paired with an emerging-market currency; wider spreads, higher volatility	USD/TRY, USD/ZAR, USD/MXN, USD/PKR

Pips, lots and leverage

A **pip** is the standard unit of price movement: 0.0001 for most pairs (0.01 for pairs with the Japanese yen). A **lot** is the trade size: a standard lot is 100,000 units of the base currency, a mini lot is 10,000 and a micro lot is 1,000. On EUR/USD, one pip on a standard lot is worth about \$10, on a mini lot about \$1 and on a micro lot about \$0.10.

Leverage lets you control a large position with a small deposit (margin). With 1:100 leverage, \$1,000 controls \$100,000. Leverage magnifies profits and losses equally, which is why it is the number-one reason beginners lose accounts. Use it carefully.

Worked example: pip value and risk

You buy 0.10 lot (a mini-lot x 1) of EUR/USD at 1.1000 and place a stop-loss at 1.0950 (50 pips away). Each pip is worth about \$1, so your maximum loss is roughly $50 \times \$1 = \50 . If the target is 1.1100 (100 pips), the potential profit is about \$100, giving a 1:2 risk-to-reward ratio.

Bid, ask and spread

Every pair has two prices: the **bid** (where you can sell) and the **ask** (where you can buy). The difference is the **spread**, the broker's built-in cost of trading. Major pairs have the tightest spreads, especially during busy sessions.

Trading sessions

The forex market moves through four main sessions. The **London-New York overlap** (roughly 13:00-17:00 GMT) usually offers the highest volume and the best movement for most pairs, while the Asian session tends to be calmer, with the yen, Australian and New Zealand dollars most active.

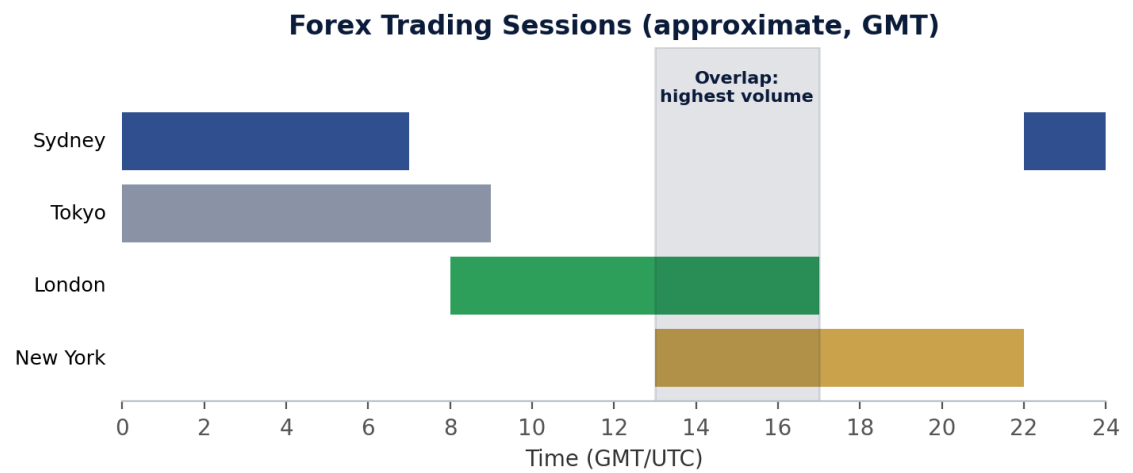


Figure 1.1 - Approximate forex trading sessions in GMT.

Chapter 2: Candlesticks and Chart Types

Technical analysis rests on three ideas: (1) price reflects all available information, (2) prices move in trends, and (3) history tends to repeat because human behaviour repeats. Charts are the trader's map.

Chart types

- **Line chart** - connects closing prices; clean view of the overall direction.
- **Bar chart (OHLC)** - shows open, high, low and close for each period.
- **Candlestick chart** - the same four values, drawn as a coloured body with wicks. It is the most popular choice, and the one used throughout this book.

Anatomy of a candlestick

The **body** shows the range between the open and the close. The **wicks** (shadows) show the highest and lowest prices reached. A green (bullish) candle closes higher than it opened; a red (bearish) candle closes lower.

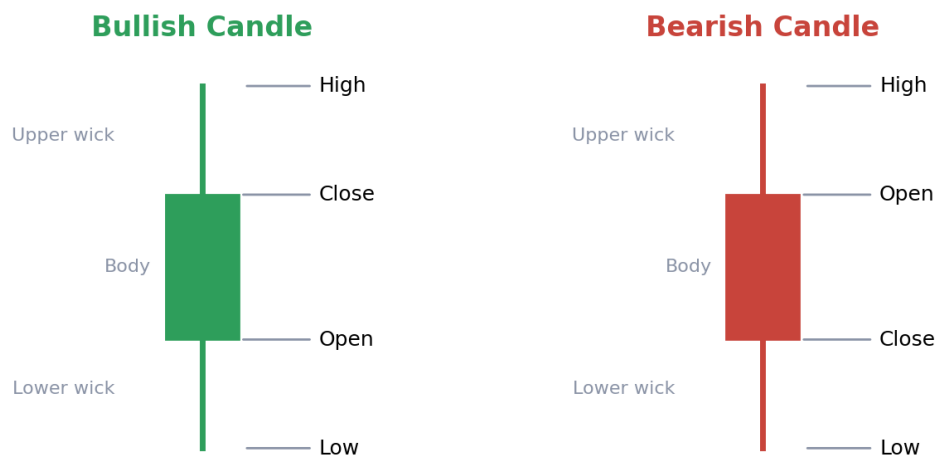


Figure 2.1 - Anatomy of bullish and bearish candlesticks.

Key candlestick patterns

Pattern	What it looks like	What it suggests
Doji	Open and close nearly equal; small body, long wicks	Indecision; possible reversal after a strong move
Hammer	Small body at top, long lower wick (2x body)	Bullish reversal at the end of a downtrend
Shooting star	Small body at bottom, long upper wick	Bearish reversal at the end of an uptrend
Bullish engulfing	Large green candle fully covers the prior red body	Buyers taking control; bullish reversal
Bearish engulfing	Large red candle fully covers the prior green body	Sellers taking control; bearish reversal

Pattern	What it looks like	What it suggests
Morning / Evening star	Three-candle reversal formation	Morning = bullish, Evening = bearish
Marubozu	Full body with almost no wicks	Strong momentum in the body's direction

Pro tip

A candlestick pattern is only meaningful **in context**. A hammer at a major support level on a higher timeframe is far more reliable than a hammer floating in the middle of nowhere. Always ask: where did it form, and what confirms it?

Chapter 3: Trends, Support and Resistance

Reading the trend

A trend is the general direction of price. In an **uptrend**, price makes higher highs and higher lows. In a **downtrend**, it makes lower highs and lower lows. When price moves sideways between two levels, the market is **ranging**. The oldest advice in trading is still the best: *the trend is your friend*. Trading with the dominant trend on a higher timeframe improves your odds.



Figure 3.1 - An uptrend with a rising trend line drawn under the lows.

Drawing trend lines: in an uptrend connect at least two swing lows (three is stronger); in a downtrend connect swing highs. The more times price respects the line, the more important it becomes. A decisive close through the line warns that the trend may be changing.

Support and resistance

Support is a price zone where buying interest tends to stop a decline. **Resistance** is a zone where selling interest tends to stop a rally. Think of them as zones rather than exact lines. When a level breaks, it often flips roles: old resistance becomes new support, and vice versa.

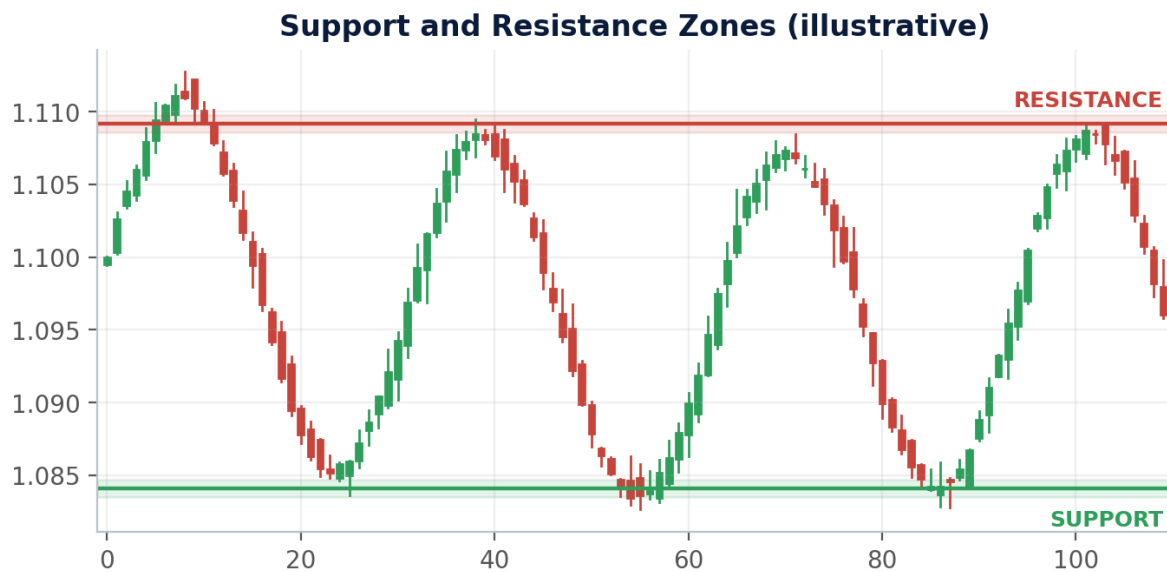


Figure 3.2 - Price repeatedly reacting from support and resistance zones.

How to trade these levels

- **Bounce trade:** enter near the level when a reversal candle appears; place the stop just beyond the level.
- **Breakout trade:** enter when price closes beyond the level with strong momentum; a retest of the broken level is a safer entry.
- **Avoid** chasing price far from a level; wait for it to come back to you.

Strengthening a level

Levels are stronger when they are (1) on higher timeframes (daily, weekly), (2) tested several times, (3) aligned with round numbers such as 1.1000, and (4) confirmed by other tools such as moving averages or Fibonacci.

Chapter 4: Technical Indicators

Indicators are mathematical calculations applied to price. They do not predict the future; they help you read momentum, trend and volatility. Use a small number of indicators that measure *different* things, rather than stacking five that say the same.

1. Moving Averages (SMA and EMA)

A moving average smooths price by averaging the last N candles. The **SMA** weights all periods equally; the **EMA** reacts faster by weighting recent prices more. Common settings are 20, 50 and 200. When a fast average crosses above a slow one it is a bullish signal (often called a *golden cross*); crossing below is bearish (a *death cross*). Price above the 200 EMA is generally viewed as a bullish long-term bias.

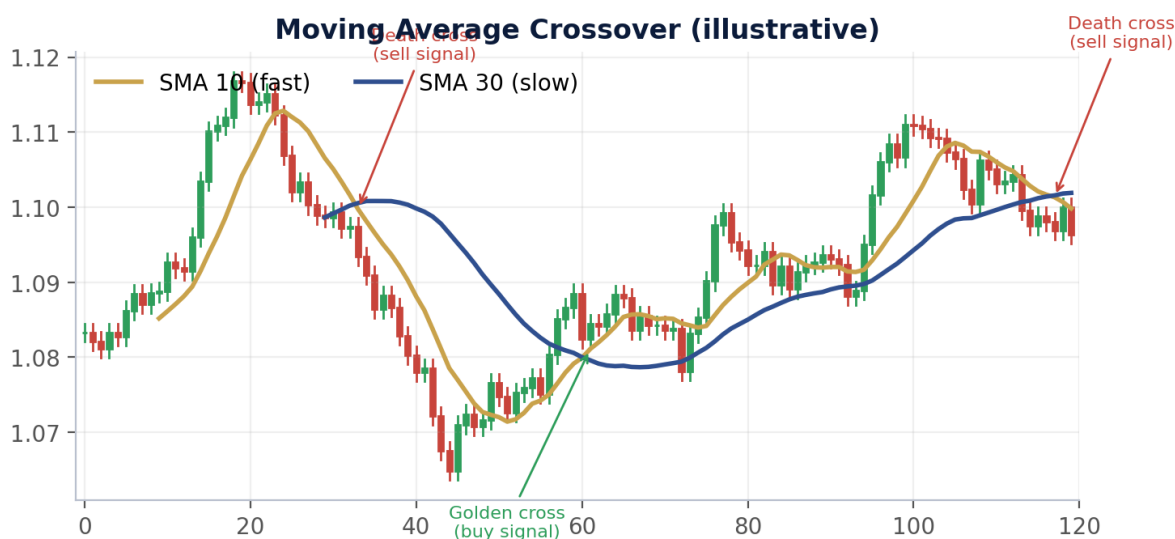


Figure 4.1 - Moving average crossovers highlight trend changes but lag in choppy markets.

2. Relative Strength Index (RSI)

RSI measures the speed of price changes on a scale of 0 to 100. Readings above 70 suggest an asset is **overbought**; readings below 30 suggest **oversold**. In strong trends, RSI can stay overbought or oversold for a long time, so treat these zones as a warning rather than an automatic signal. **Divergence** (price makes a new high while RSI makes a lower high) is a classic sign that momentum is fading.

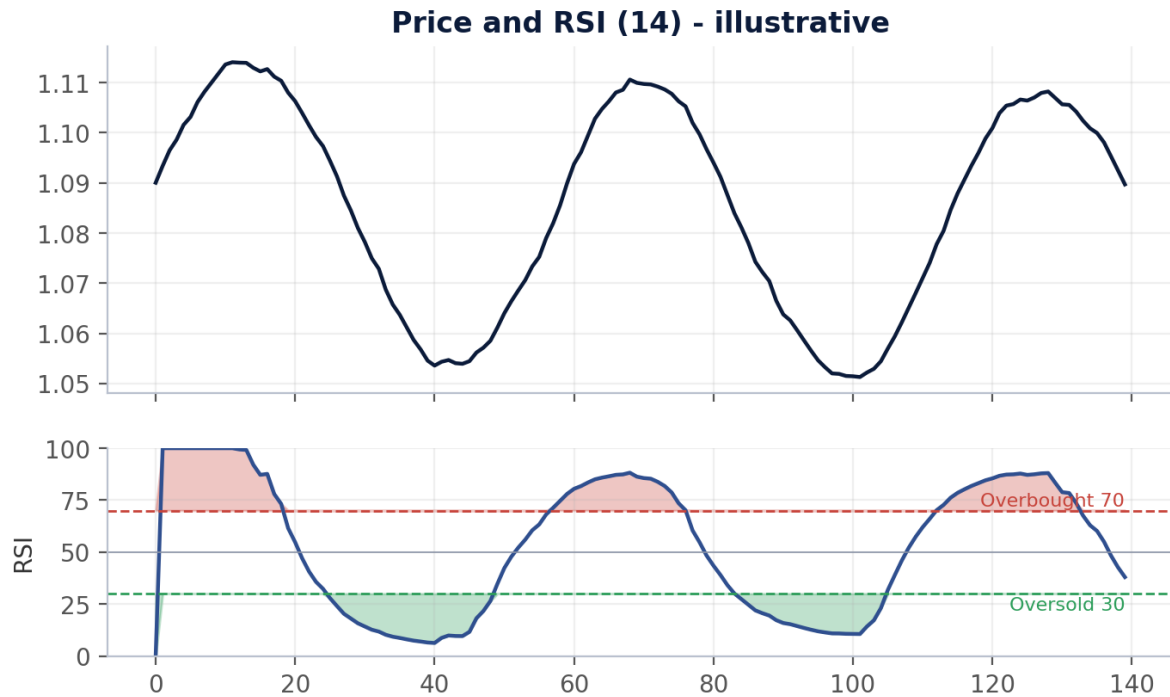


Figure 4.2 - RSI with overbought (70) and oversold (30) zones.

3. MACD

The Moving Average Convergence Divergence indicator subtracts a 26-period EMA from a 12-period EMA to form the MACD line, then smooths it with a 9-period signal line. A MACD line crossing above the signal line is bullish; below is bearish. The histogram shows the distance between the two, revealing strengthening or weakening momentum. Crosses near the zero line, in the direction of the higher-timeframe trend, are the most reliable.

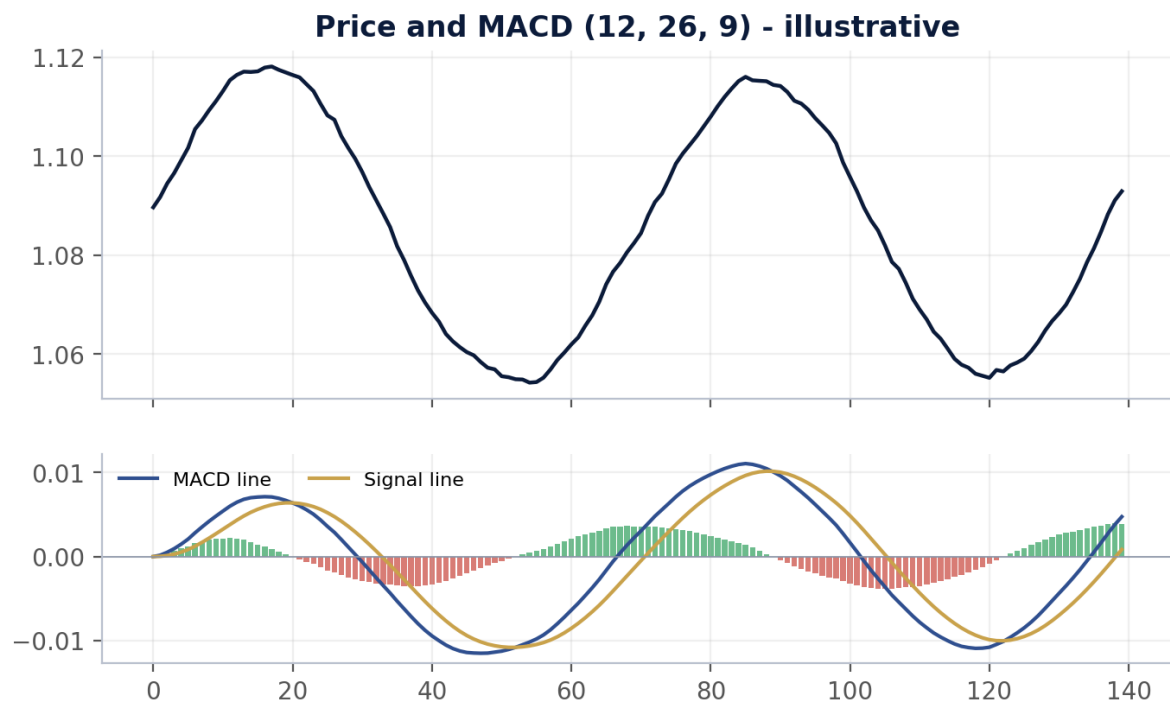
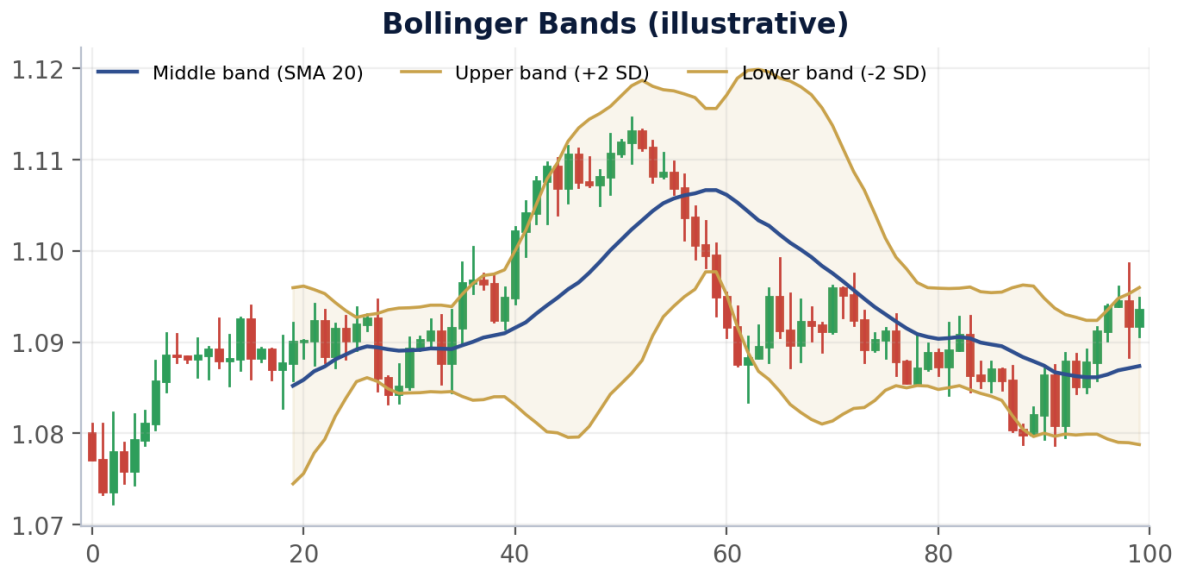


Figure 4.3 - MACD line, signal line and histogram.

4. Bollinger Bands

Bollinger Bands place two standard-deviation bands around a 20-period average. Narrow bands (a *squeeze*) signal low volatility and often precede a large move. Price touching the outer band is not automatically a reversal signal: in strong trends, price can 'walk the band'.



Quick reference: which indicator for what?

Purpose	Indicators	Best used to
Trend	Moving averages, ADX	Identify direction and bias
Momentum	RSI, Stochastic, MACD	Spot strength, weakness and divergence
Volatility	Bollinger Bands, ATR	Set stops and detect squeezes
Levels	Pivot points, Fibonacci	Plan entries, targets and stops

Chapter 5: Chart Patterns and Fibonacci

Reversal patterns

Reversal patterns show that a trend may be running out of steam. **Head and Shoulders** (three peaks with the middle highest) signals a possible move from bullish to bearish once price breaks the *neckline*. The **Double Top** and **Double Bottom** show price failing twice at the same level. The distance from the peak to the neckline is commonly projected as the minimum target after the break.

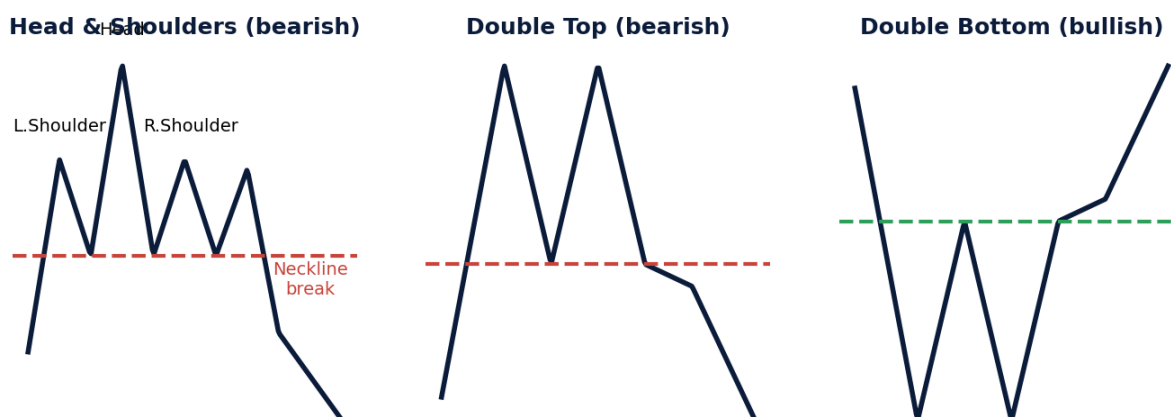


Figure 5.1 - Head & Shoulders, Double Top and Double Bottom patterns (schematic).

Continuation patterns

- **Flags and pennants:** a short consolidation after a sharp move; the trend usually continues in the original direction.
- **Triangles:** ascending (bullish bias), descending (bearish bias) and symmetrical (breakout either way).
- **Rectangles:** a range between clear support and resistance; trade the breakout.

Fibonacci retracement

After a strong move, price often pulls back before continuing. Fibonacci retracement levels (23.6%, 38.2%, 50%, 61.8% and 78.6%) mark potential areas where the pullback may end. Draw the tool from the swing low to the swing high in an uptrend (reverse for a downtrend). The 38.2% to 61.8% range is called the *golden zone*. Confluence, where a Fibonacci level lines up with support or a moving average, is far stronger than a level on its own.

Fibonacci Retracement - price bounces from the 61.8% zone (illustrative)

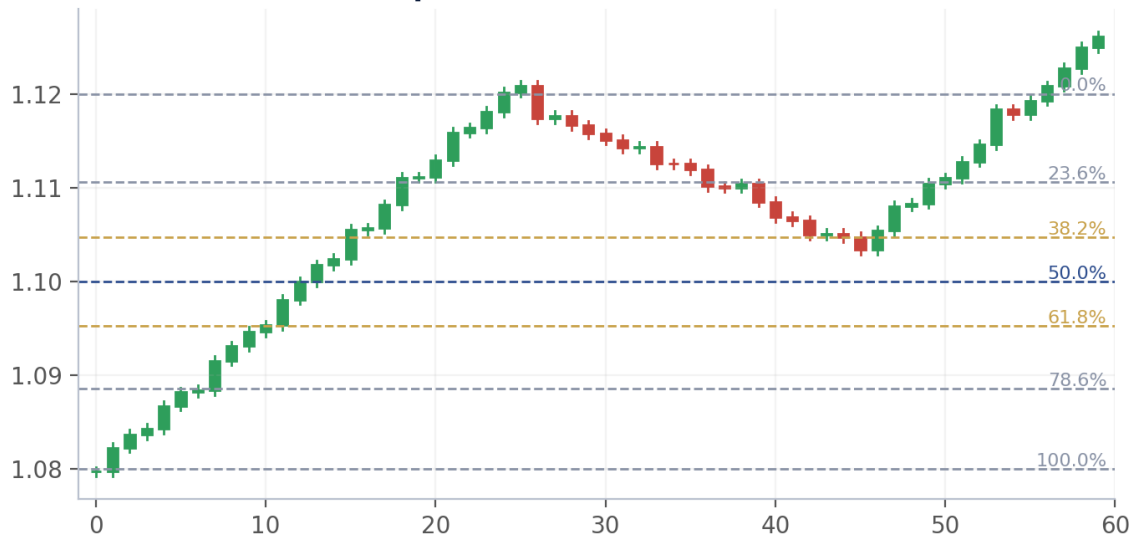


Figure 5.2 - A pullback finds support at the 61.8% level before the uptrend resumes.

Multi-timeframe analysis

Professional traders analyse several timeframes. A common approach: use the **daily or 4-hour** chart to identify the trend and major levels, and the **1-hour or 15-minute** chart to time the entry. Never trade against a strong higher-timeframe trend without a very good reason.

Chapter 6: Introduction to Fundamental Analysis

Fundamental analysis asks a different question from technical analysis: *what is the real economic value and strength of this currency?* A currency represents a country's economy, so its long-term direction is shaped by growth, inflation, employment, interest rates, trade, debt and political stability.

The core idea: relative strength

Forex is always a comparison. EUR/USD does not rise because Europe is doing well in isolation; it rises when Europe is doing better *relative to* the United States. Always compare both sides of the pair.

The Business (Economic) Cycle



Figure 6.1 - Economies move through cycles of expansion and contraction; currencies often follow.

What drives a currency?

Driver	Effect on currency
Higher interest rates / rate hike expectations	Usually bullish (attracts foreign capital)
Strong economic growth (GDP)	Bullish
High and rising inflation	Bullish if central bank hikes; bearish if it erodes value
Strong employment	Bullish; supports consumer spending and rate hikes
Trade surplus / strong exports	Bullish
Political instability, high debt	Bearish
Risk-off sentiment	Safe havens (USD, JPY, CHF) gain

Fundamentals vs technicals

Fundamentals tell you the **direction and the story** over weeks and months. Technicals tell you the **timing and the levels**. Traders who use both filter out many low-quality trades.

Chapter 7: Economic Indicators

Scheduled economic data releases move markets. What matters most is not whether the number is good or bad in isolation, but how it compares with the **market forecast**. A 'good' number that is weaker than expected can still push a currency down.

The most important indicators

Indicator	What it measures	Why traders care
Interest rate decision	Central bank policy rate	The single biggest driver of currency value
CPI (Inflation)	Change in consumer prices	Guides central bank rate policy
Non-Farm Payrolls (NFP)	US jobs added, released monthly	Huge USD volatility; a top market mover
GDP	Total economic output	Broad measure of economic health
Unemployment rate	Share of workforce without jobs	Labour market strength
PMI (Manufacturing / Services)	Business activity survey; above 50 = expansion	Early signal of growth changes
Retail sales	Consumer spending	Consumer demand is a big part of GDP
Trade balance	Exports minus imports	Foreign demand for the currency

Trading the news

Around major releases spreads widen and price can spike in both directions within seconds. Beginners should avoid opening trades in the minutes before and after high-impact news. A safer approach is to wait for the initial spike to settle, then trade the direction the market chooses on a retest of a key level.

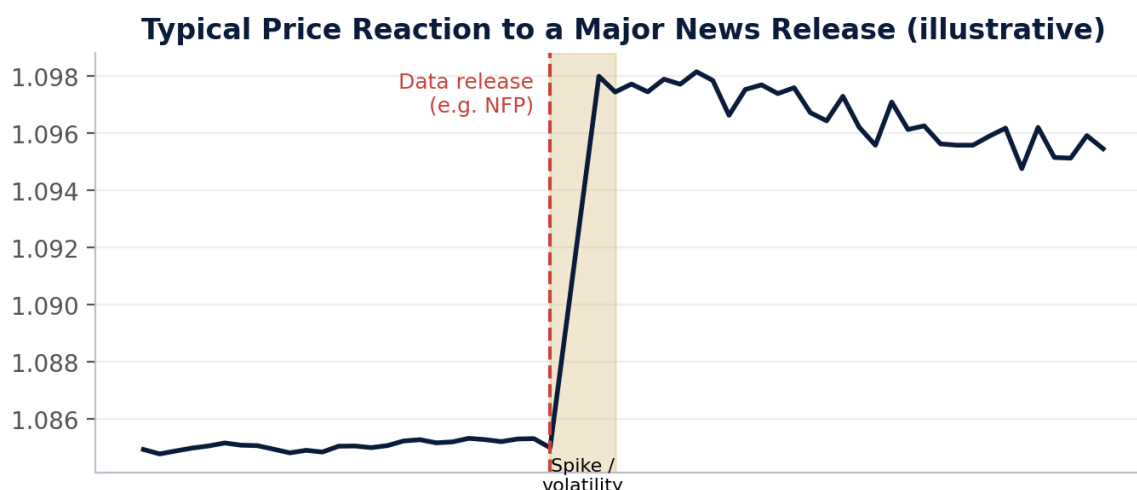


Figure 7.1 - Volatility spike after a high-impact release, followed by a new direction.

Using an economic calendar

- Check the calendar every day, filtering for high-impact events for your currencies.
- Note the **forecast**, **previous** and **actual** values.

- Reduce position size or stay flat during major events you do not plan to trade.

Simple rule of thumb

Actual data **better** than forecast = usually supportive for that currency. Actual data **worse** than forecast = usually negative. The bigger the surprise, the bigger the reaction.

Chapter 8: Central Banks and Interest Rates

Central banks such as the US Federal Reserve (Fed), the European Central Bank (ECB), the Bank of England (BoE) and the Bank of Japan (BoJ) set monetary policy. Their main tool is the **interest rate**. Investors move capital to where it earns a higher return, so rising rates tend to strengthen a currency and falling rates tend to weaken it.

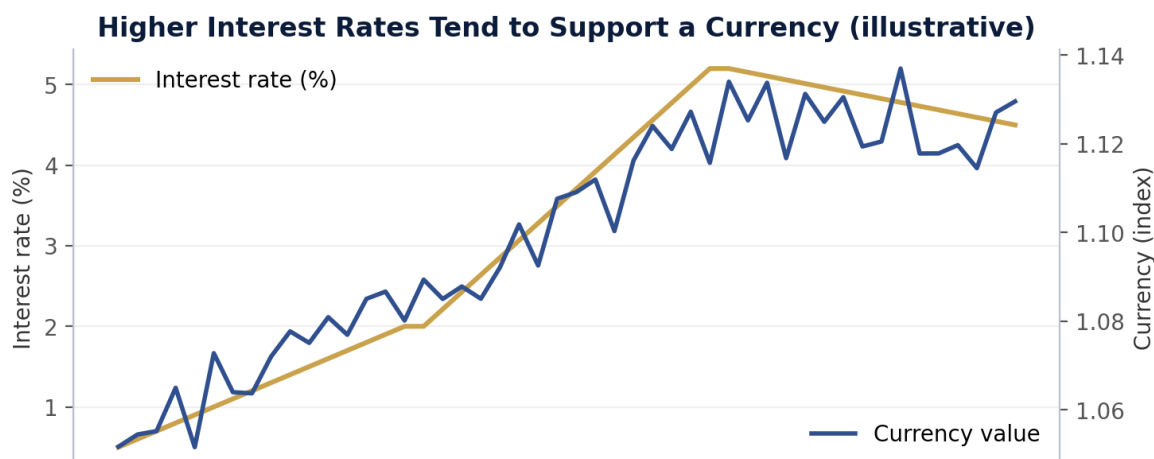


Figure 8.1 - Currency value tends to follow the direction of interest rates over time.

Hawkish vs dovish

Stance	Meaning	Currency impact
Hawkish	Focus on fighting inflation; favours higher rates or fewer cuts	Bullish
Dovish	Focus on supporting growth; favours lower rates or more stimulus	Bearish
Neutral	Data-dependent; no clear direction	Mixed

Tools beyond interest rates

- **Quantitative easing (QE):** the bank creates money to buy bonds; increases supply and usually weakens the currency.
- **Quantitative tightening (QT):** the opposite; reduces liquidity and can support the currency.
- **Forward guidance:** speeches, minutes and press conferences that hint at future policy. Markets often move on *expectations* before the decision itself.

The carry trade

A carry trade means borrowing a low-interest currency (historically the Japanese yen or Swiss franc) to buy a higher-interest currency, earning the interest difference, or *swap*. It performs well in calm, risk-on markets but can unwind violently when risk appetite collapses.

Market expectations: buy the rumour, sell the fact

Prices move in advance. If a rate hike is 95% expected and it happens, the currency may not rise at all, or may even fall, because it was already priced in. The surprise is what moves price. Follow tools that show market-implied rate probabilities, and focus on the change in expectations.

Chapter 9: Sentiment, Geopolitics and Intermarket Analysis

Risk-on and risk-off

Global sentiment swings between appetite for risk and flight to safety. In **risk-on** conditions, investors buy stocks and higher-yielding currencies such as AUD, NZD and CAD. In **risk-off** conditions, they buy safe havens: the US dollar, Japanese yen, Swiss franc and gold.

Geopolitics and unexpected events

Elections, wars, sanctions, trade disputes and surprise policy moves can override technical setups instantly. Stay informed, reduce leverage before major uncertain events, and always use stop-losses.

Commodities and currencies

Commodity	Linked currency	Relationship
Crude oil	CAD, NOK	Higher oil usually supports these currencies
Gold	AUD, CHF; inverse to USD	Gold often rises when the dollar weakens or fear increases
Iron ore / metals	AUD, NZD	Demand from China influences these currencies
Dairy	NZD	New Zealand is a major exporter

Bond yields and the US dollar

The yield on US government bonds (especially the 10-year) is closely watched. Rising US yields relative to other countries generally support the dollar. The **US Dollar Index (DXY)**, which tracks the dollar against a basket of majors, is a useful gauge of overall dollar strength.

Cryptocurrencies

Bitcoin and other digital assets trade 24/7 and are influenced by liquidity, regulation news, institutional adoption and global risk appetite. They tend to be more volatile than major currencies. The same technical tools apply, but position sizes should usually be smaller because of higher volatility.

Correlation caution

Correlations change over time. Two pairs that move together can double your exposure without you realising it. Before opening several trades, check whether they are effectively the **same bet**.

Chapter 10: Building Your Trading Plan

The best analysis in the world fails without a plan. A trading plan is a written set of rules that removes emotion from decisions. Write it down and follow it.

Combining technical and fundamental analysis

Step	Question	Tool
1. Macro bias	Which currency is stronger fundamentally?	Rates, data, central bank tone
2. Calendar check	Any high-impact news coming?	Economic calendar
3. Trend and levels	What is the higher-timeframe trend? Where are key levels?	Daily/4H chart, S/R, trend lines
4. Setup	Is there a pattern or signal at a key level?	Candlesticks, indicators, Fibonacci
5. Entry and exit	Where is the entry, stop-loss and target?	Lower timeframe, ATR
6. Risk	How much am I risking? Is R:R at least 1:2?	Position-size calculator

Worked example (illustrative)

Scenario: The Fed is signalling higher rates for longer while the ECB is turning dovish (fundamental bias: bearish EUR/USD). On the daily chart, EUR/USD is in a downtrend. Price rallies to the 61.8% Fibonacci level, which also aligns with a previous support zone now acting as resistance and the 50 EMA. A bearish engulfing candle forms on the 4-hour chart, and RSI turns down from 60.

Plan: Sell after the candle closes; place the stop-loss above the recent swing high (for example 45 pips); set the first target at the previous low (90 pips or more). The risk-to-reward is at least 1:2, and the trade is aligned with fundamentals, trend, level and momentum. This alignment is called **confluence**.

Journaling

Record every trade: date, pair, direction, entry, stop, target, result, screenshot and your emotional state. Review weekly. A journal turns experience into data, and data into improvement.

Chapter 11: Risk Management

Professional traders think first about how much they can lose, and only second about how much they can win. Risk management is what keeps you in the game long enough to become profitable.

The golden rules

- **Risk only 1-2% of your account** on any single trade.
- **Always use a stop-loss.** Decide the exit before you enter.
- **Aim for at least 1:2 risk-to-reward.**
- Set a **maximum daily and weekly loss** and stop trading when it is hit.
- Avoid over-leveraging; leverage is a tool, not a target.
- Do not add to losing trades or move your stop further away.

Position sizing formula

Position size

Position size (lots) = (Account balance x Risk %) / (Stop-loss in pips x Pip value per lot)

Example: \$5,000 account, 1% risk = \$50. Stop-loss = 25 pips. Pip value for a 1.00 lot on EUR/USD = \$10.
Position size = $50 / (25 \times 10) = 0.20$ lot.

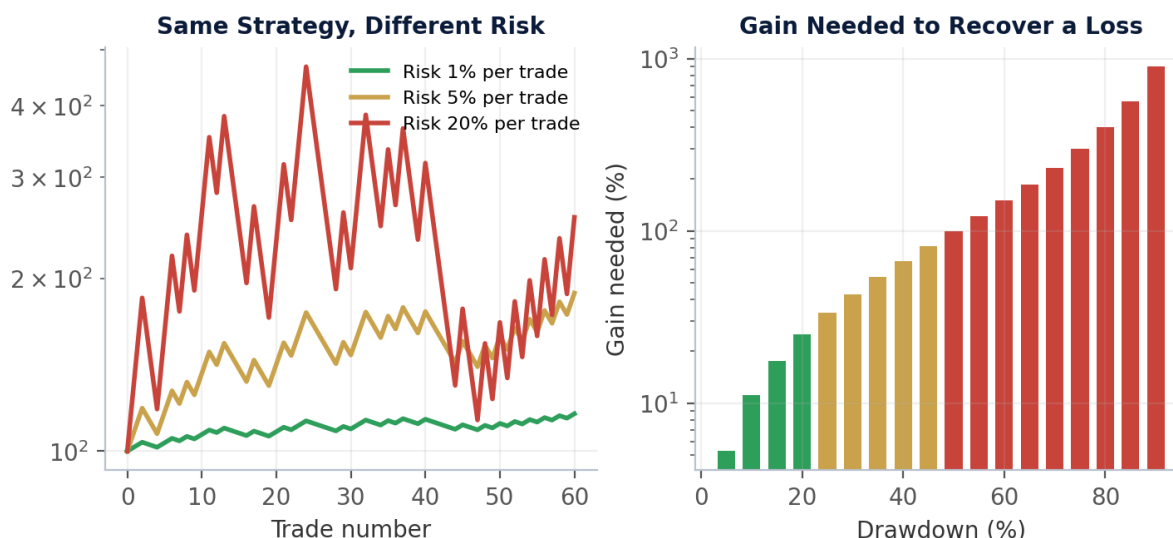


Figure 11.1 - Left: how risk per trade changes outcomes. Right: the recovery gain needed grows sharply as losses deepen.

Risk-to-reward and win rate

You do not need to win most trades to be profitable. With a 1:2 risk-to-reward ratio, you only need to win about 34% of trades to break even. Always combine a realistic win rate with a sound reward-to-risk ratio.

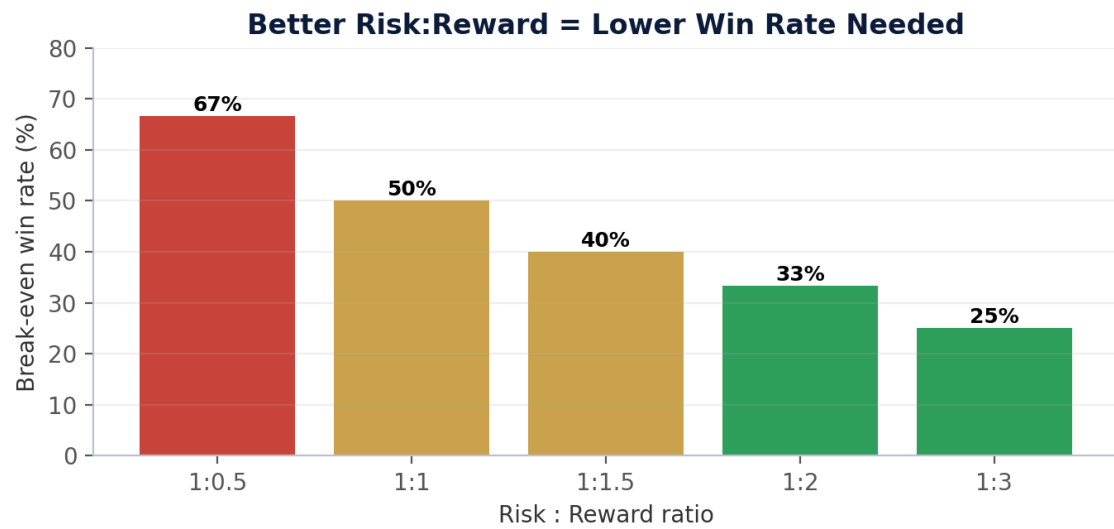


Figure 11.2 - Break-even win rate for different risk-to-reward ratios (before costs).

Chapter 12: Trading Psychology

Most traders do not fail because of a lack of knowledge. They fail because they cannot follow their own rules. Markets test your emotions every day.

The common enemies

Emotion / bias	How it hurts	How to manage it
Fear	Closing winners too early; skipping valid setups	Trade small enough to be comfortable; trust the plan
Greed	Over-leveraging, moving targets, overtrading	Fixed risk per trade and daily limits
Revenge trading	Trying to win back losses immediately	Walk away after a set number of losses
FOMO	Chasing price after a big move	Wait for pullbacks; there is always another trade
Overconfidence	Ignoring risk after winning streaks	Keep the same rules and size

Habits of disciplined traders

- Prepare before the session and trade only planned setups.
- Accept that losses are a normal cost of doing business.
- Focus on **process**, not on the profit of any single trade.
- Take breaks; protect sleep, health and focus.
- Review the journal regularly and improve one thing at a time.
- Start on a **demo account**, then go live with small size.

Remember

Consistency beats intensity. A trader who risks 1% and follows the plan for a year will usually outperform one who chases large wins and blows up an account.

Chapter 13: Checklists and Glossary

Pre-trade checklist

■	Check
■	Is the higher-timeframe trend and fundamental bias clear?
■	Have I checked the economic calendar for high-impact news?
■	Is price at a meaningful support, resistance or Fibonacci level?
■	Do I have a confirming signal (candlestick, indicator)?
■	Are entry, stop-loss and take-profit defined?
■	Is risk 1-2% or less, and the reward at least twice the risk?
■	Am I calm, rested and following my plan?

Glossary

Term	Meaning
Ask / Bid	Price at which you can buy / sell
ATR	Average True Range; a measure of volatility
Base / Quote	First and second currency in a pair
Drawdown	Decline in account value from a peak
Leverage	Using borrowed capital to increase position size
Margin	Deposit required to open a leveraged position
Pip	Smallest standard price move (usually 0.0001)
Slippage	Difference between expected and executed price
Spread	Difference between bid and ask
Stop-loss / Take-profit	Orders that automatically close a trade at a loss / profit level
Swap	Interest paid or earned for holding a position overnight

Continue Your Trading Journey

Thank you for reading. Learning to trade is a marathon, not a sprint. Keep studying, practise on a demo account, manage your risk, and be patient with yourself.

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