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Trading Plus



PropIQ
Prop Trading Insights

FOREX 101

How to Trade Like a Prop Trading Pro in Today's Markets

Andrew Lockwood

PropIQ FOREX 101: How to Trade Like a Prop Trading Pro in Today's Markets

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Introduction

This book is grounded in my 40 years of experience as a trader — from my early days on the open-outcry floors of London to teaching thousands of traders around the world. Over those years, I've learned what works and what doesn't, through both hard-won personal lessons and by observing others.

More recently, through my work at **Funded Trading Plus**, I've had access to something I never had before: the ability to analyse millions of real trades placed by thousands of traders in our programs. This initiative, which we call **PropIQ**, has allowed me to test my knowledge against hard data, uncover new patterns of success, and challenge old assumptions. The principles and strategies you'll find in this book are the result of both — a career of hands-on trading experience, and the unique, evidence-based insights that **PropIQ** has revealed.

My goal is to share what actually works, so you can approach trading with clarity, confidence, and a plan informed by both experience and real-world data.

Why Trading Today Is the Opportunity of a Lifetime

Trading has never been more accessible, but that doesn't mean it's easy. In this book, you'll discover how the digital age has leveled the playing field, what proprietary trading really offers, and why most people still fail. You'll also meet me, **Andrew Lockwood**, and learn what this guide is all about, helping you avoid common mistakes and giving you the best chance to trade like a professional.

Since the dawn of the digital age, day trading has seen explosive growth. What was once the exclusive domain of professional city traders and wealthy individuals with direct lines to their brokers is now accessible to almost anyone with an internet connection. The playing field has been leveled, and the doors to the financial markets have swung wide open.

What Is Day Trading?

Day trading, simply put, involves buying and selling financial instruments within the same trading day, aiming to close out positions for a profit (or a loss) in a relatively short period of time. Thanks to modern trading platforms and technological advancements, you can now trade not just stocks but also contracts for difference (**CFDs**), futures, commodities, and more, all from the comfort of your own home.

The Rise of Prop Trading

One of the most significant developments in recent years has been the rise of proprietary (prop) trading firms. These firms allow traders to access large amounts of capital with relatively small upfront costs, sometimes just a modest fee to prove your trading ability through a challenge or evaluation. This means you no longer need to risk your own life savings or attempt to grow a small account through high-risk trading. You can aim for small, consistent gains on large accounts instead, an approach that can be much more sustainable.

Sounds easy, right? Quit your job, pass a challenge, and become a full-time trader. If only it were that simple.

The Harsh Reality

The truth is: while trading has become more accessible, it hasn't become any easier. The failure rate remains stubbornly high, about 95% of retail traders still don't succeed. The difference now is that instead of blowing up small accounts, many aspiring traders burn through multiple prop firm challenges, stuck in a frustrating cycle of resets and retries until they eventually give up.

We need to do things differently.



Why You Should Listen to Me

My name is Andrew Lockwood, and I've been trading the financial markets for nearly four decades. I began my journey on the London Stock Exchange as a junior trader back in the wild 1980s. From there, I moved onto the International Futures Exchange, where I stood in the pits wearing brightly coloured jackets, shouting orders and handling hundreds of thousands of dollars every day.

For the past 10 years, alongside my own trading, I've dedicated myself to educating and mentoring tens of thousands of traders from around the world. I've created this mini ebook to consolidate the most important lessons, insights, and strategies I've learned over the years, so that you can give yourself the best possible shot at becoming a successful day trader.

PropIQ

While the stories and lessons here come from decades of personal trading experience, they are also supported by the extensive data and insights from PropIQ, which tracks and analyses real-world performance across millions of trades executed by prop traders on Funded Trading Plus funded trading programs. This ensures that what you read here isn't just theory, it reflects what actually works in today's markets.

What This Guide Will Do for You

I can't promise that reading this book will make you rich or help you reach every trading goal you've ever dreamed of. But I can promise that I'll give you the unfiltered truth and share everything you need to know to improve your odds.

Yes, many will still fail. But my hope is that this book will help some of you break through, to finally "get it", to make better decisions, and to give this career your absolute best shot. Because when you do crack it, day trading truly is one of the best careers in the world, aside perhaps from being a professional sportsperson. It offers freedom, flexibility, and the kind of lifestyle most people only dream about. You owe it to yourself to see what's possible.

Let's get started.



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Chapter 1: Understanding the Makeup of a Successful Trader

Summary

Most traders think success comes down to finding the perfect strategy. It doesn't. In this chapter, you'll discover the three essential components of a winning trader, and why strategy is actually the smallest piece of the puzzle. You'll learn how to focus your time and energy on what really matters, so you can avoid years of wasted effort and frustration.

The Three Ingredients of Success

In my experience, there are three core components that make up a successful trader, and they don't all carry equal weight. What's surprising, and a bit frustrating, is that most rookie traders pour the bulk of their time, energy, and attention into the least important of the three, the strategy.



What a Strategy Really Is

Let's clear something up first. A trading strategy is simply a defined set of rules that outlines how you enter a trade, how you manage risk, and when you exit. That's it. It's a framework, a structure to guide your decisions in the market.

Now, don't get me wrong. Having a strategy with a proven edge is definitely important. But the problem is, many new traders believe that strategy is everything. They spend countless hours tweaking indicators, backtesting setups, buying into overpriced trading systems, or endlessly developing their own.

Many of them are chasing that mythical "holy grail" strategy, some magical formula no one else has discovered. A formula that somehow escaped the notice of massive investment banks with entire teams of quants and algorithms working around the clock.

Let's be real. If that kind of "perfect" strategy existed, we'd all be billionaires by now. The truth is, your trading success isn't going to hinge on some secret setup.

The Real Weight of Strategy

I personally believe that strategy only accounts for about 10% of what makes a trader successful. Yes, it's important, but it's just the tip of the iceberg.

Why Risk Management Matters More

Next, we have risk management, which I place at around 20%. This is the art of protecting your capital, knowing how much to risk per trade, how to size positions correctly, and how to survive losing streaks.

Without proper risk management, even the best strategy in the world won't save you. One poor decision, or one undisciplined moment, can wipe out an entire account.

The Biggest Factor: Psychology

But the real foundation of a successful trader lies in something most beginners overlook entirely, psychology. I put this at a massive 70% of the equation. Why? Because markets are emotional.

And when real money is on the line, your ability to stay calm, think clearly, and follow your plan matters more than any setup or spreadsheet.

You can have the best tools in the world, but if you crumble under pressure, hesitate when it's time to act, or panic when a trade goes against you, you'll struggle. Every trader does at some point. The difference is whether you're equipped mentally to manage those challenges.

The Three-Legged Stool

Think of it like a three-legged stool. Each leg represents a critical component, strategy, risk management, and psychology. Remove one leg, and the whole thing collapses. You need all three to succeed, but remember, they're not all equal in weight.

Focus Where It Counts

Understanding this early can save you years of frustration. Focus your energy where it really matters. Build the foundation before obsessing over the top.

Coming Up Next

In the next chapter, we'll take a closer look at the base of this pyramid, trader psychology, what it is, how it works, and how you can strengthen it.

Chapter 2: Trader Psychology

Summary

Psychology is the hardest part of trading and the biggest reason most traders fail. In this chapter, you'll learn why money stirs up so many emotions, why losses feel worse than they should, and how unrealistic expectations can ruin your progress.

You'll also discover the mindset shift you need to succeed, thinking like an actuary, not a gambler, so you can stay calm and consistent no matter what the markets throw at you.



Why Psychology Trips Up Most Traders

As we mentioned in the previous chapter, trader psychology is by far the most challenging aspect of day trading, and it is the number one reason why most traders fail and ultimately give up on the dream.

Why is psychology so difficult to master? There are a few key reasons.

• Money Is Emotional

First, money is emotional. As the saying goes, “money makes the world go round.” Having money gives us freedom and choice. Not having it often means doing things we don’t want to do, like being stuck in a 9-to-5 job, answering to a boss, asking for time off. Most people would trade that lifestyle for something better if they could, and trading appears to offer a way out.

And let’s be honest, it’s not entirely the trader’s fault for thinking that way. We’re all bombarded with marketing hype, YouTube videos of self-proclaimed trading “gurus” flaunting exotic cars, designer watches, and the dream lifestyle. But here’s the cold, hard truth, trading isn’t like that, not for most people.

• Why We Hate Being Wrong

Another reason psychology is so challenging is because, as humans, we hate being wrong. It doesn’t feel good. From our school days, when we’d raise our hands confidently only to be told we were wrong while classmates giggled, we’re conditioned to avoid being wrong.

As traders, we want to be right. It feels good when a plan comes together. But when it results in a loss, it feels terrible. And since trading naturally involves losses, that emotional sting is something every trader has to confront.

Here’s the reality, losing trades are part of the game. They’re unavoidable. Your goal isn’t to win every trade, it’s to be consistently more right than wrong over time. That means not only accepting loss, but expecting it.

• Unrealistic Expectations

In my experience, the biggest reason traders struggle with psychology is because they come into the game with unrealistic expectations.

Let’s talk about those expectations. Back in the day, say 10 years ago, most traders were self-funded. They had to put up their own capital and start trading with whatever they could afford, \$1,000, \$2,000, maybe \$5,000.

I've always said that a 3 to 5% monthly return is both huge and achievable. But here's the problem, 5% on \$1,000 is just \$50. That's not even enough to pay your internet bill. Even 5% on \$10,000 is only \$500, not nearly enough to quit your day job.

So what did traders do? They took on huge risk to make trading "worthwhile." But with huge risk comes a much higher chance of failure.

Traders would swing for the fences, trying to hit home runs on every trade. It might work once or twice, but it's not sustainable. Eventually, most would crash and burn.

• **How Prop Firms Change the Game**

That's where prop firms have changed the game. Now, traders can access large accounts, \$50,000, \$100,000, or more, just by paying a small fee and proving they can trade responsibly.

Suddenly, a 5% return isn't just \$50, it's \$5,000. And when you compound that over a year, you're looking at nearly 80% growth.

So how is this possible?

Thinking Like an Actuary

Because trading is all about probability. And probability only plays out over time. It's the law of large numbers in action.

Look at the insurance industry. Actuaries assess risk based on large datasets. Insurance companies don't panic after a single payout, they understand their edge plays out across thousands of customers.

The same goes for casinos. The casino owner doesn't throw out the roulette wheel just because red 32 came up three times in a row. They know their odds and trust them over time.



One Trade Doesn't Matter

As traders, we should think the same way. One trade doesn't matter. It shouldn't make or break you.

As I often say, "No one trade should make you, and no one trade should break you."

If you have a strategy with a real edge, your job is to let it play out over time, just like an actuary or a casino owner.

That's the mindset of a professional trader.

Later in the book, we'll also explore some practical techniques to help you better manage and control your emotions while trading.

Coming Up Next

In the next chapter, we'll dig into that next critical component of trading success, building and executing your trading strategy.

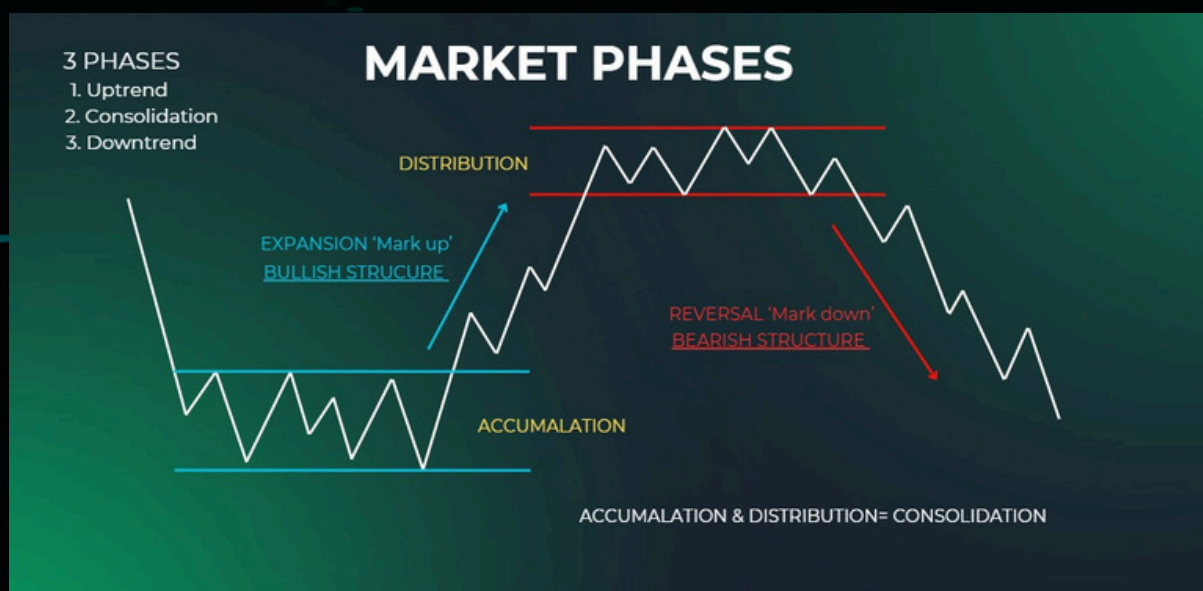
Chapter 3: The Strategy

Summary

A strategy is essential for trading, but it is not the magic bullet many believe it to be. In this chapter, you'll learn what makes a good strategy, why simple is often better, and how to avoid the infamous Cycle of Doom, the destructive loop that keeps so many traders stuck. You'll also discover why sticking with a tested strategy through drawdowns is more powerful than constantly chasing the next big thing.

The Strategy's Place in the Big Picture

So continuing with the three-legged stool analogy, strategy is an integral part of what makes a trader, but it's not the most important. That said, you do need at least one strategy to trade the markets.



The Three Market Conditions

Market dynamics are constantly shifting. At any given time, markets are typically in one of three conditions:

- **Trending**, when prices are making higher highs and higher lows in an uptrend, or lower highs and lower lows in a downtrend
- **Consolidating**, when price is moving sideways without clear direction
- **Reversing**, when price changes direction from a previous trend

Why One Strategy Isn't Enough

I personally believe a trader should utilise a maximum of three strategies:

- One for trending markets
- One for catching reversals, which can deliver great returns when timed right
- And maybe one for consolidation, although sometimes a round of golf or a day at the lake might be a better strategy when the markets aren't doing anything

Keep It Simple

Your strategy can be as simple or as complex as you like. For me, it's all about simplicity. After all, my roots are from the trading pits, where technical analysis and charts were pretty much non-existent.

Every strategy should include clear, precise conditions for entry, and well-defined exit criteria. Exits can be discretionary depending on market conditions, but even discretionary exits should follow rules you've set in advance. That way, you're not left guessing or reacting emotionally in the moment.

Test It Before You Trade It

A strategy can be self-developed, purchased, or borrowed from someone else. But whatever strategy you use, it must be thoroughly backtested.

Backtesting can be done using tools like the TradingView replay function, MT5's look-back feature (F12), automated testing software, or even old-fashioned pen and paper. The important part is knowing how your strategy has performed historically.

I often hear, "My strategy worked in backtesting but failed in live trading." That's entirely possible. There's no guarantee that just because a strategy worked in the past, it will succeed in the future. But one thing I am sure of, if it fails in backtesting, it's almost certainly not worth taking live.

Knowing how your strategy has performed in the past will help massively with your psychology going forward. For example, if your backtest shows eight consecutive losses but the strategy still comes out profitable over time, you'll be far more confident sticking with it through tough patches. That confidence is key to long-term success.

Beware the Cycle of Doom

And while we're on the subject of strategy, I have to talk about what has become the cornerstone of all my trader education, the Cycle of Doom.

I truly believe this is the number one issue that holds traders back. It ties together psychology, risk, and strategy into one vicious loop. Almost every trader I've ever worked with has either been stuck in the Cycle of Doom or is about to fall into it. The successful ones have learned to break free from it, but most go round and round.

How the Cycle of Doom Works

You're drawn to trading because of the hype, the dream lifestyle, the promise of easy money. You find a strategy, or build one yourself, and start trading. At first, you win. It feels amazing. "This is better than my day job! I've just made more in one hour than I do all week working for someone else!"

Then the inevitable losses hit. It doesn't feel good. "This isn't what I signed up for. I know, I'll add an RSI indicator. That should fix the losses."

You tweak the strategy. Profits return. You feel confident again. "I've cracked it. This is the one. I'm going to tell my boss to go jump in the lake, I'm going full-time as a trader!"

Then it happens again. Losses. Confusion. Frustration. "This shouldn't be happening. Maybe I need to add a Bollinger Band." More tweaks. More false hope. Then more losses. Eventually, you ditch the strategy and go looking for another one. And so the cycle continues.

The Truth You Need to Hear

Here's the truth. It's not the strategy. It's you. A simple strategy with a slight edge is all you need. Accept the losses. Expect the drawdowns. Control your risk. Let the law of large numbers play out.

Every strategy has losing streaks. If you're in the Cycle of Doom, chances are you're giving up on your strategy right when it's in its natural drawdown. If you keep doing that, you'll either:

- Bleed your account to obliteration, or
- Breach your prop firm's limits and lose your capital access

What's Next

At the end of the book, I'll share a couple of simple strategies that you can backtest and experiment with. These have worked for me in the past, but again, there are no guarantees they'll work for you.

In the next chapter, we're going to discuss the third leg of the stool, and that's risk.

Chapter 4: Risk Management

Summary

Risk management is the most overlooked yet critical part of trading. In this chapter, you'll learn why you must think about risk before profit, how to size your trades correctly, and how to protect your capital with stop losses. You'll also discover why correlation matters, how to approach risk-to-reward realistically, and how to stay disciplined even when emotions tempt you to break your rules.

Think Risk First, Not Profit

The third component that makes up a successful trader is risk management. I always say that traders should consider the risk before thinking about the profit. Far too often I've seen traders blow up accounts or breach prop firm assessments simply because they are risking too much, or worse, they have no risk management rules in place at all.

Always Use a Stop Loss

The first point I want to make is this: **ALWAYS use a stop loss.**

The stop loss is your seatbelt, it's there to protect your account. It helps relieve some of the psychological pressure because you've defined and accepted the potential loss. Not knowing how much you could lose if the trade goes against you is a dangerous game.

How Much Should You Risk?

I always say rookie traders should never risk more than 1% on a single trade and never have more than 2% total risk exposure at any one time. That's the maximum. Personally, I never risk more than 0.5% on any one trade, and I never allow more than 1% of account risk at any given time.

Some strategies require you to scale into a position, which is perfectly fine, just cap your total risk. For example, you can scale into a 0.5% total risk with two trades of 0.25% or five trades of 0.1% each.

It's good practice to keep your risk percentage consistent. When placing a trade with a corresponding stop, your lot size should be calculated at the time of entry.

Position Sizing Example

Here's a quick example:

If you're trading EUR/USD, where 1 standard lot equals 100,000 units of the base currency, the pip value is roughly \$10.

Position Size (lots) = Amount to Risk / (Stop Loss in Pips × Pip Value)

Let's assume:

- Account Size = \$50,000
- Risk = 0.5% of account = \$250
- Stop Loss = 30 pips

Then:

$$250 / (30 \times 10) = 250 / 300 = \mathbf{0.83 \text{ lots}}$$

If your stop loss is 60 pips instead of 30:

$$250 / (60 \times 10) = 250 / 600 = \mathbf{0.416 \text{ lots}}$$

By keeping your percentage risk consistent, your dollar profits grow as your account grows, and your dollar losses shrink during drawdowns. This helps cushion the emotional impact when things aren't going your way, which, by the way, will happen to every trader.

Understanding Risk-to-Reward

Another core concept is the **risk-to-reward ratio (R:R)**, the amount you stand to gain versus what you're risking. This is highly dependent on the strategy you're using.

Some setups aim for very high risk-to-reward ratios, like 10:1, where you risk \$1 to potentially gain \$10. Others might be 1:1 or 2:1. Personally, I prefer to see more winning trades than losing ones. I like consistent progress, even if that means slightly lower R:R ratios on average.

Here's how I typically approach it:

- Minimum: 1:1
- Ideal: 2:1
- Occasional: 3:1 or 4:1, depending on the setup and market conditions

Those larger reward trades are excellent when they play out, but they don't come along often. And realistically, how disciplined can you be taking multiple losses in a row while waiting for that one big win?

Be cautious of strategies that advertise extremely high win rates. If someone claims their strategy wins 90% of the time, it likely has a negative risk-to-reward, such as 1:0.1, meaning you're risking \$10 to make \$1. That's not a viable long-term approach.

Some strategies use trailing stops to maximise profits in trending markets. These can help secure higher R:R outcomes, but they often require giving back a portion of the profit at the end.

Others prefer moving stops to break-even after some movement in their favour. That can work, but beware of choking off trades too early. Good trades need room to develop. Personally, I use a mix of fixed profit targets and trailing stops, depending on the setup, the market conditions, and my own performance at the time.

And again, **never move a stop loss because you're uncomfortable taking a loss**. If you feel that urge, it's a sign to reassess your emotional state and discipline.

Why Correlation Matters

Another factor a trader should always consider in risk management is **correlation**. Most asset classes are correlated, either positively (move in the same direction) or negatively (move in opposite directions).

The US dollar, as the world's top reserve currency, heavily influences global markets. What happens in US equities or Treasuries often spills over into currencies, commodities, and bonds.

You might be long on USD/JPY and long on the S&P 500. At the time of writing, these two asset classes are positively correlated. That means if one trade goes against you, the other might as well, especially if you're using the same strategy across both.

Risk On vs. Risk Off

This is where the concept of **RISK ON** versus **RISK OFF** comes into play:

- **RISK ON:** Market confidence is high, investment increases, commodities rise, and risk-sensitive currencies like AUD and CAD tend to perform well.
- **RISK OFF:** Fear enters the market. Investors seek safety. Safe-haven assets like gold, CHF, and JPY gain strength.

Here's a quick summary of common risk profiles:

- **RISK-ON performers:** AUD, CAD, equities, oil, copper
- **RISK-OFF performers:** JPY, CHF, bonds, gold

These relationships aren't fixed, they evolve with economic cycles and sentiment shifts. But it's your job as a trader to be aware of correlation when taking trades.

There are great tools on platforms like TradingView that allow you to monitor correlations in real time.

Over-correlated trades can lead to compounded losses or gains. And frankly, traders should aim for neither. We're not chasing rollercoasters, we're building a steady, controlled, upward equity curve.

Final Word on Stop Loss Discipline

I will end with one piece of advice that trumps all others: **NEVER move a stop loss because you are worried about taking a loss.**

If you feel compelled to do so, you need to reconsider your emotional and psychological make-up.

Chapter 5: The Importance of the Business Plan

Summary

If you fail to plan, you plan to fail. Trading is no different. In this chapter, you'll discover why treating trading like a proper business is critical, what separates winners from losers, and how to create a business plan that keeps you focused, accountable, and moving towards your goals. This is your roadmap to professional trading success.

This image shows a form titled 'MY TRADING MISSION' and 'DATE LINE of MILESTONES' by Funded Trading Plus. The 'MY TRADING MISSION' section has a large white box for text. The 'DATE LINE of MILESTONES' section has a table with two columns: 'DATE' and 'GOAL'. There are eight rows for entries. At the bottom, there is a small disclaimer: 'THE INFORMATION CONTAINED WITHIN THIS COPY IS FOR EDUCATIONAL PURPOSES ONLY'.This image shows a form titled 'SWOT ANALYSIS' and 'DECLARATION' by Funded Trading Plus. The 'SWOT ANALYSIS' section has four rows with labels 'STRENGTHS', 'WEAKNESSES', 'OPPORTUNITIES', and 'THREATS' on the left and white boxes for text on the right. The 'DECLARATION' section has a list of statements with checkboxes, a 'SIGNATURE' line, and a 'DATE' line. At the bottom, there is a small disclaimer: 'THE INFORMATION CONTAINED WITHIN THIS COPY IS FOR EDUCATIONAL PURPOSES ONLY'.

Trading Is a Business, Not a Hobby

You've probably heard the saying, "Fail to plan, plan to fail," or maybe the 5 P's, "**Proper Planning Prevents Poor Performance.**" These ideas ring true in just about every walk of life, especially in business, and trading is no different.

If you were heading off on a road trip to an unfamiliar destination, you'd check your route on Google Maps or a sat nav. You'd want to be sure you were heading in the right direction. You'd plan ahead to avoid unexpected detours. Why wouldn't you take the same approach to your trading career?

Why Traders Without a Plan Fail

If you've ever started a business or tried to raise funds, you'll know that a business plan is essential. Banks won't even consider you without one. Trading is no exception.

If you're serious about quitting your job, and making trading your primary income, or simply achieving consistent profitability, then you must treat it like a business. And that means you need a proper business plan.

We've all seen the stats. Some say that 80% to 95% of retail traders fail. While the exact number may vary, the common theme is that most traders lose. One major reason is that they don't treat trading like a business.

At Funded Trading Plus, I get the unique opportunity to see what separates successful traders from the rest. One thing they consistently have in common is that they treat trading like a business. They don't just wing it, they plan, they track, and they adapt.

Are You Serious About Trading?

Now, if you're just dabbling in the markets, chasing a quick buck, or following a strategy someone on Discord promised would "never lose," then maybe a business plan doesn't matter to you.

But if you're genuinely committed, if you want to build a career, make consistent withdrawals, or scale up to significant capital, you must think like a business owner.

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Business Plan vs. Trading Plan

First, it's important to distinguish between a **business plan** and a **trading plan**.

The business plan sets out your vision, goals, resources, and structure.

The trading plan sits within the business plan and focuses more specifically on strategies, setups, and risk management.

Don't confuse the two. They serve different purposes.

What Should Your Business Plan Include?

1. Goals and Objectives

Start with a mission statement. Are you aiming to become a full-time trader? Do you want to supplement your existing income? Or are you simply seeking a better return on your capital than what the banks offer?

2. Timelines and Milestones

Lay out where you want to be in 3, 6, or 12 months:

- When do you aim to pass your first prop firm challenge?
- When will you take your first withdrawal?
- At what point will you scale up to larger capital?
- When, if ever, will you consider quitting your job?

3. Time and Financial Commitments

How many hours per day or week can you allocate to trading?

What's your budget for:

- Hardware and software?
- Education and mentoring?
- Prop firm fees or trading capital?

Be honest with yourself so that there are no surprises down the line.

4. SWOT Analysis

Every good business plan includes a SWOT analysis, an evaluation of your:

- **Strengths:** What are you naturally good at?
- **Weaknesses:** What could hold you back?
- **Opportunities:** What can you take advantage of?
- **Threats:** What external or internal factors could derail you?

Understanding your own psychology and environment is crucial in trading, where mental clarity is half the battle.

5. Accountability and Tracking

Plan how you'll review performance. Weekly reviews? Monthly KPIs? Will you track your results in a spreadsheet or journal? Will you review losing streaks and reassess risk?

Final Thoughts

If you're serious about trading, if you want long-term, sustainable success, then you must take a professional approach. That begins with a well-structured business plan.

This document will serve as your roadmap, your guiding compass, and your accountability partner all in one.

You wouldn't open a coffee shop or run a consultancy without a plan. Why would trading be any different?

Chapter 6: The Power of the Trade Journal

Summary

One of the simplest yet most powerful tools for any trader is a trade journal. In this chapter, you'll learn why journaling separates serious traders from amateurs, what to include in your journal, and how reviewing it can unlock insights you would otherwise miss. If you want to improve, you need to measure, and that starts here.

Why Most Traders Skip It

One of the most overlooked, yet most powerful tools in a trader's arsenal is the trade journal.

Ask a rookie trader if they keep one, and more often than not, you'll hear something like: "Nah, I just keep track in my head." Or: "It takes too long, I'd rather just focus on my next trade."

This mindset is one of the clearest dividing lines between those who treat trading as a serious business and those who are just dabbling. As I've said before, if you don't track what you're doing, how can you possibly improve?

Think of any successful business. A car mechanic knows which services are most profitable. A nail salon owner knows which days are busiest. They adjust, evolve, and grow because they understand their numbers. A trader must do the same. The trade journal is where that understanding begins.

Why Journaling Matters

There are several core reasons to keep a trading journal, and none of them have anything to do with being neat or organised for the sake of it.

1. It Keeps You Focused

Having a journal is a constant reminder that this isn't a hobby, it's a business. It keeps you engaged with your process and reinforces discipline.

2. It Makes You Accountable

Every trade you take should align with your strategy. Writing it down, before and after, forces you to ask: Was this a quality setup? Did I follow my plan? Without accountability, it's easy to fall into emotional or impulsive trading, especially after a win or a loss.

3. It Helps You Identify Patterns

You can't fix what you don't see. A good journal shows you where you're going wrong, and also what you're doing right. Over time, patterns emerge. Maybe you overtrade on Mondays, or maybe your best results come from a specific setup during the London session. These insights are gold. You simply won't see them without documentation.

What to Include in Your Journal

There's no one-size-fits-all template, but here are a few essentials I recommend:

- Date and time
- Instrument traded
- Direction (long/short)
- Entry and exit points
- Stop loss and take profit
- Lot size and position size
- Risk amount (in % and \$)
- Risk-to-reward ratio
- Result (win/loss and \$ outcome)
- Screenshot of the trade setup
- Notes on why you took the trade
- Emotional state before, during, and after
- Did you follow your rules?

You might also consider adding:

- A grading system for setups
- Comments on market conditions
- Reflections on psychology
- Areas for improvement

Again, this isn't about creating busywork, it's about creating clarity. If you're serious about becoming a consistently profitable trader, then you need to know what's working and what isn't.

Build Your Playbook

Over time, your journal becomes more than just a tracker. It becomes your trading playbook — a library of your best setups, clearly defined by screenshots, notes, and performance data.

This becomes your go-to guide when reviewing, preparing for the week ahead, or regaining confidence after a drawdown.

The Monthly Review

Journals are most powerful when you review them regularly. I recommend setting aside time at the end of each week and month to go through your trades. Ask yourself:

- What was my win rate?
- What was my average risk-to-reward?
- Did I follow my plan?
- Were there recurring emotional patterns?

This level of reflection is where the growth happens. Not during the trade, but after it.

Chapter 7: Finding Your Trading Style – No One Size Fits All

Summary

Feeling overwhelmed by all the trading styles and unsure where to begin? You're not alone. In this chapter, you'll learn why there is no perfect style, just the one that suits you best. We'll break down the most common approaches, explore their pros and cons, and help you choose a style that fits your personality, goals, and lifestyle.

Why Trading Style Matters

When new traders enter the markets, they're bombarded with terms like scalping, swing trading, robot trading, and day trading. Many feel pressured to pick the "best" one straight away. But here's the truth:

There is no perfect trading style, only the one that suits you.

This chapter is all about demystifying those styles, helping you understand the pros and cons of each, and most importantly, showing you how to choose one that fits your life, personality, and goals.

Understanding the Main Trading Styles

1. Day Trading

Day traders buy and sell assets within the same day, often within hours or even minutes. They never hold trades overnight and typically use shorter timeframes such as the 15-minute, 1-hour, and 4-hour charts to find entries and exits.

Pros:

- Frequent opportunities
- Minimal overnight risk and swap fees
- Fast feedback loops (you learn quickly)

Cons:

- Time-intensive, often 3–6 hours per day
- Emotionally and mentally draining
- Can lead to overtrading if not disciplined

Who it suits:

Traders with flexible schedules who enjoy actively engaging with the markets and can manage high-pressure decisions in real time.

2. Swing Trading

Swing traders hold positions for days, weeks, or even months, depending on market conditions. They operate off higher timeframes like the daily, weekly, and monthly charts, aiming to catch broader moves.

Pros:

- Low time commitment, 10 to 30 minutes a day
- Less stress and screen time
- Ideal for those with full-time jobs or limited availability

Cons:

- Trades take longer to play out
- Overnight and weekend risk
- Requires patience and a long-term mindset

Who it suits:

Those with busy lives, careers, or families. Also excellent for beginners who need more time to develop analysis skills and manage emotions.

3. Scalping

Scalping is the most intense form of trading, executing dozens of trades per day and targeting tiny profits with very tight stop losses. Scalpers focus on 1-minute, 5-minute, and 15-minute charts.

Pros:

- High number of trade opportunities
- Fast-paced and exciting
- Potential for rapid growth (if executed well)

Cons:

- Requires total concentration and quick decisions
- Emotionally taxing and easy to overtrade
- Slippage and transaction costs can eat into profits

Who it suits:

Experienced traders with quick reflexes, emotional control, and several uninterrupted hours daily. Not recommended for beginners.

4. Algorithmic and Robot Trading

This involves using automated systems (like Expert Advisors or trading bots) to trade based on pre-coded rules and algorithms.

Pros:

- Removes emotion from trading
- Can run 24/7, even while you sleep
- Great for testing strategies at scale

Cons:

- Many retail EAs are low-quality and over-optimised
- You still need to monitor them — no system is truly “set and forget”
- Poorly managed bots can quickly blow an account

Who it suits:

Tech-savvy traders who are comfortable with coding, backtesting, and tweaking systems. Automation can be powerful but only in capable hands.

Choosing the Right Style for You

When it comes to picking a trading style, there are three critical factors to consider:

1. Your Goals

- Long-term wealth building? Swing trading is ideal for compounding capital without daily screen time.
- Second income or full-time ambition? Day trading may suit you, but only if you can dedicate the time and energy.
- Chasing excitement? Scalping might sound appealing, but don't confuse adrenaline with profitability.

2. Your Personality

This is huge. Your trading style must align with how you naturally think and behave.

- If you're impulsive or anxious, scalping will amplify those traits and likely lead to burnout or big losses.
- If you're patient, methodical, and calm, swing trading may be a better fit.
- If you thrive on solving puzzles and adapting quickly, day trading might click once your discipline is developed.

Pro tip: Even if you eventually want to day trade or scalp, consider starting with swing trading to master the mental game first.

3. Your Time Commitment

Be realistic. If you have a 9–5 job, kids, or other major responsibilities, sitting at the screen all day isn't feasible.

Here's a rough guide:

- **Scalping:** 3–6 hours/day, total focus
- **Day trading:** 2–4 hours/day, ideally during a specific session
- **Swing trading:** 10–30 minutes/day, plus weekly reviews

My Experience

After 30+ years in this business and coaching thousands of traders, I've seen one thing again and again:

Most traders start with excitement, but only those who build discipline and self-awareness stick around long enough to succeed.

That's why I always recommend:

- Start with higher timeframes
- Master the fundamentals and psychology
- Then experiment with faster styles once your edge and mindset are strong

Too many new traders jump into scalping because it looks fun on Instagram, and they blow up within weeks.

Final Thoughts: Evolve, Don't Imitate

Your trading style isn't something you pick once and stick with forever. It evolves, just like you do.

Start with what fits your life and mentality now. As you gain skill, confidence, and capital, you can adjust your style or combine multiple approaches. Some traders day trade in the mornings and swing trade long-term positions in the background.

There's no right or wrong, only what works consistently for you.

Your edge isn't just your strategy. It's your ability to align your style, schedule, and personality into a repeatable process. That's where consistency and profitability live.

Chapter 8: Leverage – Use It Wisely

Summary

Leverage is one of the most powerful tools in trading, and also one of the most dangerous. In this chapter, you'll learn what leverage really is, how it works, why brokers encourage you to overuse it, and how to harness it properly without wrecking your account. The goal is simple: use leverage to your advantage while staying in control and protecting your capital.

What Is Leverage?

Let's talk about leverage, something that can either work in your favour or completely wreck your account.

One of the main reasons why traders are initially drawn to the CFD and forex markets is leverage. Leverage, simply put, is the ability to trade a much larger position size than the amount of money you actually have in your account.

It means that relatively small moves in the asset class can magnify your gains, but can equally cause huge losses, and quickly.

Why Brokers Want You Over-Leveraged

Many brokers use leverage as a way to entice you into opening an account. Why do you think they do that? Because they know that most traders will blow their accounts.

What many traders don't realise is that most CFD brokers are not placing your trades with a third party. They are taking the other side of your trade. In other words, they profit when you lose. That is why they want you over-leveraged and under-prepared.

Leverage Is Not Always Bad

But leverage, if used wisely, can be very powerful. Chances are, you've already used leverage in a different form. If you have ever purchased a house with a mortgage, you have used leverage.

For example, if you bought a house for \$100,000 and put down a \$20,000 deposit, you have effectively used 5:1 leverage.

Now, say you later sell the house for \$200,000. You repay the bank the \$80,000 loan and you're left with \$120,000. That's a \$100,000 profit, five times your initial \$20,000 outlay, even though the property only doubled in value.

That is the power of leverage when it works in your favour.

Why Less Is More

These days, leverage is more regulated. European regulators, specifically ESMA, put caps on leverage a few years ago to protect retail investors. Many prop firms have followed suit, reducing leverage to stop gamblers blowing up accounts too quickly.

Still, even 30:1 leverage is huge. For long-term sustainability, I always suggest keeping your effective leverage closer to 5:1 or 10:1. It gives you room to breathe and makes your trading more manageable.

How Leverage Works in Forex

Each standard contract in Forex represents 100,000 units of the base currency, which is the first currency in the pair.

Let's say you have a \$50,000 account and you trade 1 standard lot. That is 2:1 leverage, and in the case of EUR/USD, that would be about \$10 per pip.

Now, let's say your prop firm allows a 5 per cent daily drawdown, which is \$2,500. That gives you room for about 250 pips before breaching the account.

But what if you used 30:1 leverage? You would be trading \$1.5 million worth of currency with that same \$50,000 — 15 lots, or \$150 per pip.

Now you only have 16 pips of room before hitting your \$2,500 daily loss limit.

Sixteen pips is a normal market fluctuation. It is an incredibly risky way to trade.

The Bottom Line

Leverage is not evil. But uncontrolled leverage is deadly. You do not need to make it all on one trade. You should not even try. The goal is to preserve your capital and stay in the game long enough for your edge to play out. That is the essence of the law of large numbers.

Let your strategy work over hundreds of trades, not just one or two desperate swings. Leverage can be your best friend if you manage it right. But misused, it will be your worst enemy and the fastest way to the poor house.

Use it wisely. Respect it. Stay in control. And most importantly, stay in the game.

Chapter 9: Margin – The Real Cost of Trading

Summary

If leverage is the engine of your trading car, margin is the fuel. In this chapter, you'll learn what margin really is, why it's more dangerous than it looks, and how to avoid the common mistakes that lead to margin calls and blown accounts. Used wisely, margin is just another tool. Ignored or abused, it can end your trading career before it starts.

What Is Margin?

Now that we've covered leverage, let's talk about its partner in crime, margin.

Margin is one of those terms that gets thrown around all the time in trading circles, but many newer traders don't fully understand what it actually means, or how dangerous it can be when ignored.

If leverage is the engine of your trading car, margin is the fuel. It's what makes it all run, but if you run out or mismanage it, you are not going anywhere.

Put simply, margin is the amount of money your broker requires you to put up to open a trade. It's a portion of your account that is held as a deposit. The rest is effectively borrowed through the magic of leverage.

Let's say you want to open a position worth \$100,000, and your broker requires a 1 per cent margin. That means you only need \$1,000 in your account to take that position. Sounds great, right?

The Common Mistake

Here's where traders get it wrong. That \$1,000 isn't a "cost". It's the minimum you need to hold the trade open.

If the trade moves against you, even by a small amount, your losses are taken from the remaining balance in your account.

If the market keeps going against you and your equity drops below the margin requirement, you'll get a margin call. And trust me, that's a call no trader wants.

Margin Calls and Account Blow-Ups

A margin call means your broker is warning you that you don't have enough funds to support your open trades. If you don't top up your account or close positions quickly, they'll do it for you. Automatically. At the worst possible time. With no emotion. No warning.

You might log in and find your trades closed, your losses locked in, and your account balance looking a lot thinner.

This doesn't just happen with big moves. It can happen with normal, everyday market swings — especially when you are over-leveraged and using most of your available margin on just one or two trades.

The Truth About Free Margin

Most platforms show you something called **free margin**, this is the amount you still have available to open new trades or absorb losses. Watching your free margin drop while you're in a drawdown is like watching a leak in a sinking ship. The lower it goes, the closer you are to the dreaded margin call.

The smart trader keeps a healthy cushion. Not because it's required, but because it's common sense.

Margin Is Not a Target

One of the biggest mistakes I see is traders thinking that just because they have \$10,000 in margin available, they should use it all.

That is like going into a casino with a credit limit and maxing it out simply because you can.

Your available margin is not a target. It's a buffer, a safety net. Use it all, and you are walking a tightrope with no safety line.

Margin and Prop Firms

With prop firms, margin misuse is even more dangerous. Most of them have strict daily drawdown rules. You cannot afford to have margin pressure forcing you out of trades prematurely. Once you are out, you're out, and likely paying to start all over again.

Margin may feel like a back-office detail, but it can make or break your trading success.

Know how much margin you are using. Know how much you have left. And never let it get too close to zero.

Final Thoughts

Trade smart. Understand your tools. And remember — margin isn't free money. It's a borrowed privilege. Treat it with respect and it will keep you in the game. Abuse it and it will kick you out without warning.

Chapter 10: Technical Analysis vs. Fundamental Analysis

Summary

Traders make decisions using two main approaches: technical analysis, fundamental analysis, or a mix of both. This chapter explains the differences between them, the tools each uses, their pros and cons, and how you can blend them to create a stronger edge in the markets.

Two Ways to Read the Markets

There are two main ways traders make decisions in the markets: **technical analysis** and **fundamental analysis**, or sometimes a blend of both. In this chapter, we'll explore the key differences, benefits, and challenges of each approach.

Technical Analysis

Technical analysis is essentially the study of past price behaviour to forecast potential future price movements. The basic assumption behind this approach is that history tends to repeat itself, especially in financial markets influenced by human psychology.

Technical traders use charts to examine historical price action, often displayed in various formats such as candlestick charts, bar charts, line charts, and more. They apply technical indicators, which fall into three main categories:

Types of Technical Tools

Trend-Following Indicators

These help identify the direction of the market. Common examples include:

- Moving averages
- MACD
- ADX (Average Directional Index)
- Parabolic SAR
- Ichimoku Cloud

Oscillators

These oscillate between fixed values (often 0 to 100) to determine overbought and oversold conditions. Typically, values under 30 are seen as oversold and values over 70 as overbought. Popular oscillators include:

- Stochastic
- RSI (Relative Strength Index)
- Commodity Channel Index (CCI)

Miscellaneous Tools

These include support and resistance levels, pivot points, Fibonacci retracements, and more.

All these indicators are derived from price. They just present it in different formats.

Why Use Technical Analysis?

The main benefit of technical analysis is that it can help remove subjectivity and reduce emotional decision-making. You follow specific triggers, making the process more rule-based. It also enables automation, making it easier for traders to build strategies, even without coding experience.

Downsides of Technical Analysis

- With so many indicators available, traders can suffer from analysis paralysis.
- Many end up in the never-ending search for the “holy grail”, that perfect indicator combination that never loses. Spoiler: it doesn’t exist. See the discussion on the Cycle of Doom.
- Most indicators are lagging. They form after price has already moved, which can leave traders one step behind.

For me, **support and resistance**, simple horizontal lines where buyers and sellers previously reacted, are among the most powerful tools in technical analysis. Combine that with clean price action and perhaps a couple of moving averages, and you have a solid, no-nonsense trading method.

Fundamental Analysis

Fundamental analysis looks at the underlying factors driving the value of an asset.

For stocks, this includes earnings, dividends, balance sheets, competitors, and market sentiment. For currencies, it is about the macro view, economic health, policy, and global conditions.

The primary driver of a currency's value is its country's **interest rate**, which is set by the central bank.

Generally:

- Higher interest rates = stronger currency (due to capital inflows and higher yield appeal)
- Lower interest rates = weaker currency (intended to stimulate spending and investment)

What Central Banks Focus On

Central banks typically have a dual mandate:

- Maximise employment
- Maintain inflation around 2 per cent

If inflation is running hot, central banks may raise interest rates to cool it down. If inflation is too low, they may lower rates to stimulate the economy.

Key Economic Indicators

Here are some of the most important reports that influence monetary policy:

- **Non-Farm Payrolls (NFP):** Reports monthly job growth in the US. A higher figure suggests a strengthening economy and potential inflation.
- **Consumer Price Index (CPI):** Measures inflation by tracking the change in prices for a basket of consumer goods. A rising CPI often leads to rate hikes.
- **Retail Sales:** Tracks consumer spending. Strong figures point to growth and possible inflation.
- **Average Earnings:** Monitors wage growth. Higher wages often mean more spending, fuelling inflation.

- **Purchasing Managers' Index (PMI):** A forward-looking indicator of business activity. Readings above 50 indicate expansion.
- **Durable Goods Orders:** Tracks orders for long-lasting products. Rising orders suggest confidence in the economy.
- **Gross Domestic Product (GDP):** The broadest measure of economic performance. Growth supports higher rates, while weak GDP may lead to cuts.
- **Housing Starts:** Indicates economic momentum. Rising starts often signal expansion. Declining numbers may point to slowdown.
- **Personal Consumption Expenditures (PCE):** The Federal Reserve's preferred inflation gauge. Consistently above 2 per cent may prompt rate hikes.

These reports are released at different times during the trading week, and markets can react quickly to unexpected figures.

Which One Should You Use?

Most retail traders lean heavily towards technical analysis, especially for intraday trading. Trying to predict short-term moves based on fundamentals can be challenging. Sometimes the market does the exact opposite of what the data suggests, it might already be priced in, or other factors may override.

Fundamentals, however, shine when looking at longer-term trends or investment positioning. A strong fundamental backdrop combined with a clean technical setup can offer a powerful trading opportunity.

The Ideal Approach

Often, the best method is a combination of both. When the technicals align with the fundamentals, it may give you the conviction and edge to take the trade with confidence.

Chapter 11: The Importance of Having a Daily Routine

Summary

Markets are open around the clock, but that doesn't mean you should trade all the time. In this chapter, you'll discover why having a daily routine is vital to trading success, how to design a routine that works for you, and how it protects both your mindset and your results. Discipline starts with structure.

Why a Routine Matters

Since the birth of the digital age, day trading has become accessible to just about anyone. All you need is an internet connection, an account with a broker or prop firm, and you are technically ready to trade. With markets, especially the forex market, open 24 hours a day, it can feel like there is always an opportunity waiting.

But just because the market is open 24 hours a day does not mean you should be trading 24 hours a day.

We have been conditioned, especially in traditional careers, to believe that the more hours we put in, the more we earn. That equation, however, does not always hold true in trading. In fact, less can often be more.

A successful trader does not just show up and wing it. They operate with intention. They follow a routine.

Structure Prevents Chaos

Establishing a consistent daily routine is one of the most important aspects of becoming a disciplined trader. You should have clear boundaries for when you are trading, when you are planning, and when you are completely away from the screens.

Without structure, it becomes too easy to overtrade, trade impulsively, or burn out altogether.

For many, trading is not yet a full-time job. Perhaps you are working around a 9-to-5, managing family responsibilities, or studying. Whatever your circumstances, the key is to design a routine that works for you, and then stick to it.

What Your Routine Could Include

Your daily routine might include:

A Designated Trading Window

If you can only trade for two to three hours a day, define those hours and don't deviate. Avoid the temptation to jump back in later if you have had a bad session. That is often when traders make the biggest mistakes.

Pre-Market Preparation

A quiet time — perhaps on Sunday evening or early in the morning before your trading session — when you review the broader market conditions without any pressure to act. This is a great opportunity to identify key support and resistance levels and prepare for upcoming events.

Journaling

Track trades, thoughts, emotions, and results. This helps keep you accountable and focused. A few minutes spent reviewing your journal can make a huge difference in mindset and performance.

News Scan

Keep up with key economic events that may impact your market. Know what's on the calendar before you start trading.

Open Trade Management

If you have trades already running, review and manage them according to your plan — not based on fear or greed.

Know When Your Strategy Works Best

Another key consideration is to understand when your strategy works best. For example, trading during the quieter Asian session may not suit a strategy that relies on strong momentum or trend continuation.

Trying to force trades during low-volatility hours just because you are available can lead to poor decisions.

Set your daily session boundaries. If you have committed to trading for three hours each day, finish when the time is up, even if you are in the red. Some of the worst trading decisions are made after your planned session ends, in a rush to recover losses.

Routine Protects Your Mindset

Ultimately, a well-defined routine does more than organise your day — it protects your mindset. It keeps your trading from becoming emotional or reactive.

When trading becomes a structured part of your life rather than a constant obsession, you will start to find consistency and clarity in what you do.

Your daily routine should also be reflected in your business plan. Remember, this is not a hobby. It is a business, and like any business, it needs structure.

Final Advice

So set your hours. Stick to your plan. Build habits that support your long-term goals, not just your short-term emotions.

Chapter 12: Trading Time Zones

Summary

The markets may be open almost 24 hours a day, but that does not mean you should trade at any random time. This chapter explains the three major global trading sessions, when the most liquidity and opportunities occur, and how to match your strategy and lifestyle to the right time of day.

The Markets Are Always Open — But Should You Be?

The beauty of modern markets, especially the Forex and CFD markets, is that they are open nearly 24 hours a day. It is a global trading environment, offering access whenever it suits your schedule.

But just because the market is always open does not mean you should always be trading.

One of the most important decisions you will make as a trader is not just **what** you trade, but **when** you trade.

When I first started out on the bustling trading floors of London, our mornings started early. We would gather at 6:30 a.m. sharp for our morning briefings, analysing overnight moves, plotting out our strategy, and preparing for the chaos that would unfold at the open.

The energy in those first 60 to 90 minutes of market open was unmatched. That was when the real action happened. Volume, and with it opportunity, was at its peak.

The Three Major Sessions

Globally, the trading day is divided into three key sessions:

- **Asian Session:** Includes Australia, New Zealand, Japan, and China
- **European Session:** Primarily London, Frankfurt, and other European centres
- **US Session:** New York and Chicago

Each region's equity market typically operates for around eight hours per day, usually opening around 8:00 a.m. local time.

During these sessions, especially in the first few hours of their open, you will find increased volatility and volume, two critical components for strong trade setups.

But the real hotspots of liquidity are during the overlaps.

Asian–European Overlap

This occurs during the final few hours of the Asian session and the start of the European session. While not always explosive, it can see increased volume, especially in AUD, NZD, and JPY pairs.

European–US Overlap

This is where the magic often happens. When London and New York are open at the same time, the market comes alive. It is often the most volatile part of the day and typically provides the clearest setups for day traders.

Matching Instruments to Sessions

If you are trading the Australian dollar (AUD), it makes sense to focus on the Asian session, when Australian economic data is released and when local traders are most active.

On the other hand, if you are trading EUR/USD, then the London–New York overlap is likely your best window for action.

The key is to trade the instruments that are most active in your available time window. If you have a full-time job and can only trade in the evenings, it might not make sense to force trades on low-volume instruments. Instead, look for opportunities in pairs or markets that are active during your available session.

Strategy and Session Suitability

Another big consideration is how your strategy fits the session.

A momentum or breakout strategy might struggle during the Asian session when volatility tends to be low. Meanwhile, a range-trading strategy could perform better during those quieter hours.

If you rely on volatility and fast moves, you may want to stick to times with higher liquidity. But if your strategy is built around patience, mean reversion, or slow grind setups, the Asian session might suit you just fine.

Personal Time Constraints

We all have different lifestyles, commitments, and energy levels. Some traders are early birds, others are night owls.

If you only have a few hours in the evening or early morning, you need to structure your trading around that window, not try to force it to work during high-volume hours that do not fit your life.

This goes back to what we have discussed before: structure, discipline, and routine.

Understanding the trading time zones and matching your routine to market conditions gives you a huge edge in consistency.

Final Thoughts

While it is true that the markets are open nearly around the clock, your trading day should have clear boundaries.

Trade when your edge is strongest, not just when you are available. Set your schedule.

Know the sessions. Match your approach to the conditions at hand.

Chapter 13: Chart Types – What They Are and Which Ones Actually Matter

Summary

Charts are your window into the market. But with so many options available, it is easy to overcomplicate things. In this chapter, we explain the main chart types you will encounter, their strengths and weaknesses, and why keeping it simple and consistent is the smartest choice.

Why Charts Matter

Let's face it, there are a lot of fancy tools in trading, and charts are right at the heart of it all. But like most things in this game, the key is to keep it simple.

If you are just getting started, or even if you have been trading for a while but find yourself overwhelmed by what is on your screen, understanding chart types is a great place to focus. In my early days on the trading floor, we didn't even have fancy charts on screens. We would often rely on price quotes and gut instinct from years of market experience. But today, with all the technology and visual tools we have access to, it is vital to understand what you are looking at and, more importantly, why.

Here are the main chart types you will come across.

Line Charts

This is the most basic form of charting. A line chart simply connects the closing prices over a given period. That is it.

It gives you a very clean view of where price is going, but not much else. There is no detail on how price got there, just a line connecting dots.

It is useful if you are doing a long-term overview or want to strip things back to basics. But for active trading, it is a bit too limited in my opinion.

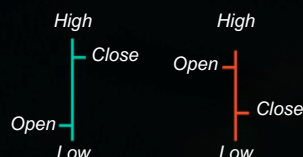


Bar Charts

These are a bit more detailed. Each bar shows the open, high, low, and close of a particular time period.

If you are looking at a one-hour bar chart, for example, each bar tells you what happened during that hour.

Back in the pit days, bar charts were much more common before candlesticks took over. They are a little harder to read quickly, but they do give you a full picture of price activity for each session.



Candlestick Charts

Now this is where most traders focus these days, and for good reason. Candlestick charts give you the same data as a bar chart (open, high, low, and close), but they present it in a more visual, intuitive way.

You have probably seen these: green (or white) candles for up moves, red (or black) candles for down moves. Fat middle body, with little wicks on top and bottom.

Once you get the hang of reading candlesticks, you can see a story forming in the price — where buyers stepped in, where sellers took control, and where things became indecisive. I have a number of strategies based on candlestick formations. Some traders build entire strategies off candlestick patterns alone, such as pin bars, engulfing candles, and dojis. It is definitely worth learning how to read them.

Here is a brief description of what they show:

- The body represents the open-to-close range.
- The wicks show the high and low within that period.
- Colour shows whether the period closed higher or lower than it opened.



Heikin Ashi

This one is a bit more specialised. Heikin Ashi candles average price movement and can smooth out the chart to make trends easier to spot.

They are not as reactive as standard candles, so they do not show every price tick, but they can help some traders stay in trades longer by reducing the noise.

Personally, I do not use them much myself, but I know some traders who swear by them, especially those looking to catch longer trends without getting shaken out.



My Advice

Pick one chart type, probably candlesticks, and get really familiar with it. Do not waste hours switching between types trying to find the magic one. That does not exist.

What matters most is how you interpret price over time and how that feeds into your strategy.

Charts are your window into the market. Keep them clean. Use them wisely. And always remember, they are tools to help you make decisions, not magic solutions.

Chapter 14: Support and Resistance – The Backbone of Technical Analysis

Summary

If you only mastered one technical concept, make it this one. Support and resistance have stood the test of time and remain the most reliable tools in a trader's arsenal. In this chapter, you'll learn what they are, how to identify them, and why they form the foundation of countless successful strategies.

Why Support and Resistance Matter

If I had to pick just one technical tool to take into battle as a trader, it would be support and resistance.

In all my years in this industry, going back to the trading pits of London in the 1980s, I have seen all kinds of indicators, tools, and systems come and go. But support and resistance? They have stood the test of time.

Support and resistance are among the most basic concepts in technical analysis, but in my opinion they are also the most powerful.

Some of the best strategies I have seen, used by top-performing traders, rely purely on identifying higher timeframe support and resistance levels combined with simple price action.

That is it. No fancy indicators. No overly complicated rules. Just clean levels and a good read on price.

What Are Support and Resistance?

In simple terms:

- **Support** is a price level where demand has historically been strong enough to stop a falling market and push prices back up.
- **Resistance** is a level where supply has previously overwhelmed demand, causing prices to stall or fall.

These levels are based on human behaviour. Price moves down to a level, buyers step in, price moves up. Then when it returns to that same area, traders remember it and respond accordingly.

The same applies to resistance. Sellers remember where the market topped out and act again when price returns.

A Lesson From the Pits

Back in the pits, we didn't have technical indicators on screen. What we did have, though, were mental notes and scribbles on boards of key levels, price zones where the market paused, reversed, or exploded. Those zones became our battlegrounds. That was where volume came in. That was where the orders stacked up.

In modern markets, we do the same on charts, marking up horizontal lines, zones, or areas of interest. These are not just random lines. They are where price did something significant in the past.

A strong support level becomes a potential buying opportunity. A solid resistance level might be where you look for a short. One of the most powerful setups of all is when support becomes resistance, or vice versa. That flip tells us a lot about who is in control.

Not All Levels Are Equal

Not all support and resistance levels carry the same weight.

The higher the timeframe, the more meaningful the level usually is. A daily or weekly level carries more weight than a five-minute line. That is because more traders are looking at it, and more institutional orders are likely to be sitting around it.

How to Identify Key Levels

Here is a simple process for marking support and resistance:

Start With the Higher Timeframes

Begin your analysis on the daily or even weekly chart. Ask yourself:

- Where has price turned around before?
- Where did a strong move start?

You are looking for major swing highs and lows, clear turning points in the market.

Mark Clean Zones

Mark these areas with clean horizontal lines or zones. Do not get caught up trying to find the perfect pip level. Markets are not exact. Think in zones, not laser beams. Price often reacts around a level, not directly on it.

Drop Down to Trading Timeframe

Next, drop down to your trading timeframe. Whether that is four-hour, one-hour, or fifteen-minute, look at how price has behaved around those higher timeframe levels. You will often see price stalling, wicking, or reversing exactly where you would expect. That is confluence, and it builds confidence in your setup.

Watch Consolidation Zones

It is also worth paying attention to areas where price has consolidated before making a strong breakout. Those zones often act as future support or resistance when price returns.

Trust Your Eyes and Experience

Lastly, use your eyes and judgement. Over time, you will start to feel where the market is finding value or rejecting price. That is something you cannot learn overnight, but the more time you spend on the charts, the more intuitive it becomes.

When combined with price action, candlestick patterns, trend direction, and market context, support and resistance can give you an incredibly effective, clean framework to build your trades from.

Final Thoughts

Next time you open your charts, strip everything off. No indicators. No clutter. Just price and key levels. See how the market reacts around those areas.

With practice, you will begin to see the same patterns forming over and over again.

Simple does not mean ineffective. Some of the most successful traders I have worked with built entire careers trading nothing more than support, resistance, and price action. That should tell you something.

Chapter 15: A Simple Strategy Example – Pullback Trend Strategy

Summary

A good strategy does not need to be complicated. This chapter gives you an example of a simple, rules-based pullback trend strategy that you can test, adapt, and make your own. Remember, no strategy works unless it fits **you** and is properly backtested.

Why You Need a Strategy

As we have discussed throughout this book, successful trading boils down to a solid mix of psychology, risk management, and strategy. Of those three, the strategy itself is not the most important component, but you do still need one.

It needs to be clear, rules-based, and properly tested. A strategy is just a set of rules that tells you when to get into and out of the market. It gives structure to your trading decisions and removes a lot of the emotional chaos that comes from winging it.

But here is the kicker, you have got to backtest it. Not just to see if it makes money, although that is important, but to understand its personality. You want to know how it behaves: how often it wins or loses, how deep the losing streaks can be, what kind of risk-to-reward it averages, and what kind of mental resilience it demands from you.

Over the years, I have found that the simplest strategies are often the most effective. The one I am about to share with you is no magic bullet, and I am not here to throw out any win rate or profit expectations. That is for you to discover through your own testing.

What I will say is that this strategy has been used by traders for years, and it is built on a solid principle: getting into strong trends on a pullback.

This particular strategy uses multi-timeframe analysis and exponential moving averages (EMAs) to confirm trend direction and enter with discipline.

The Setup

1. Determine the Trend on the Higher Timeframe

- Use the 8 and 21 EMA on a higher timeframe (e.g., the daily chart).
- Only look for buys if the 8 EMA is above the 21 EMA, and sells if it is below.
- Ideally, the moving averages should be fanned out cleanly for at least six candles. This confirms strength and clarity in the trend.

2. Check for Roadblocks

- Make sure the market is not approaching major support or resistance zones.
- You do not want to be buying into a ceiling or selling into a floor.

3. Drop Down to the Entry Timeframe

- Could be the one-hour or fifteen-minute chart depending on your trading style.
- Apply the 8, 13, and 21 EMAs to the entry chart.

4. Identify the Pullback

- In an uptrend, look for a candle that pulls back to the 8 EMA but does not close below the 13 EMA.
- In a downtrend, it should pull back to the 8 EMA but not close above the 13 EMA.
- This is your **trigger bar**.

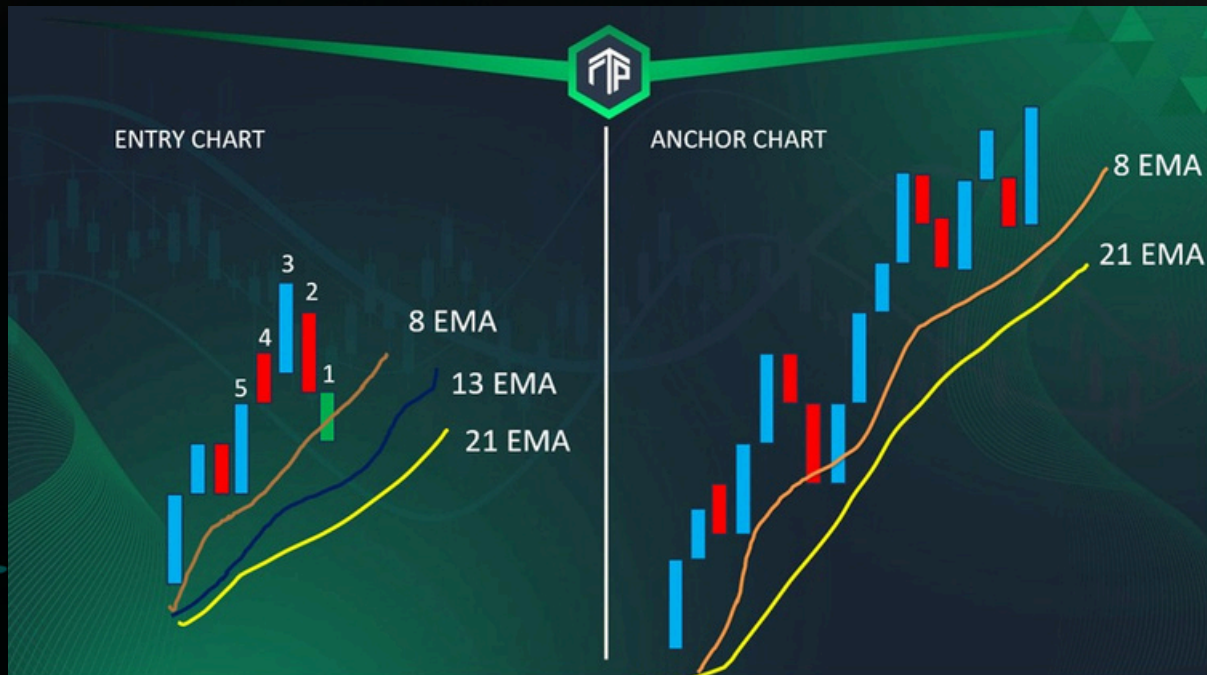
5. Count the Last Five Candles

- Include the trigger bar in this count.
- You will use this range to place your entry orders.

The Trade Entry

Place a Stop Order

- For a buy, place a stop order a few pips above the high of the last five candles.
- For a sell, place it a few pips below the low of the last five candles.



Position Size Accordingly

- Risk no more than your pre-defined amount.
- Your stop loss should be placed three pips below the low (for buys) or above the high (for sells) of the trigger bar.

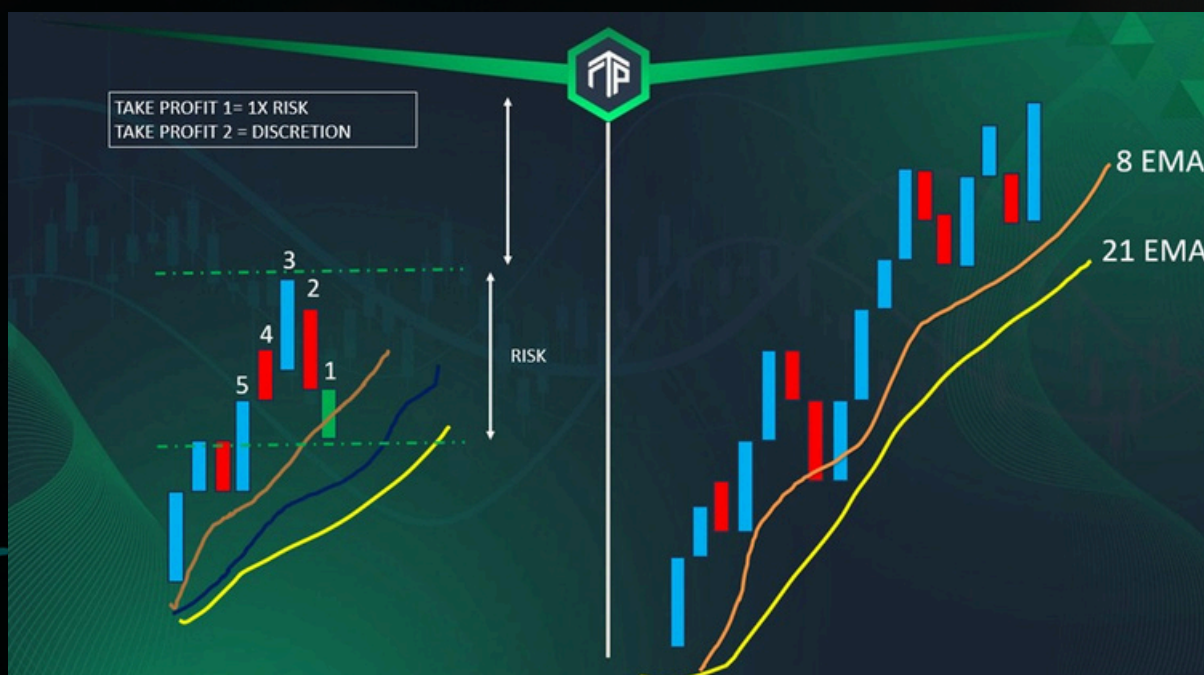
The Trade Exit

Partial Take Profit

- Close 50% of the trade at a 1:1 risk-to-reward.
- Move your stop to breakeven on the remainder.

Exit the Second Half at Your Discretion

- You could trail your stop behind the low (for buys) or high (for sells) of the last three candles.
- Or use a factor-based target, such as 2:1 or 3:1.
- Or exit at the next support or resistance level or liquidity area.



Does It Work?

I shared this strategy in a YouTube video about ten years ago. The feedback? Mixed. Some claimed it changed their trading careers. It gave them structure and helped them become profitable after years of struggle. Others said it did not work for them at all.

And you know what? That is trading. We are all wired differently. We have different levels of discipline, patience, and emotional tolerance. Some traders pick the best trending markets and manage risk beautifully.

Others overlook correlation, overexpose themselves, and wonder why their accounts implode when market dynamics shift.

That is why the strategy has to suit **you**. It is not about copying a system from someone on the internet. It is about finding something that fits your schedule, your temperament, and your level of discipline.

Go backtest this one. Use TradingView's replay tool or the scroll bar in MT5. Track 50, 100, or even 200 trades. Know the strategy inside and out before ever risking real money.

And if it does not feel right for you? No problem. Adjust it or find another one. Just make sure it is tested, repeatable, and emotionally sustainable.

This is not about finding the Holy Grail. It is about building a professional approach to your craft.

Final Thoughts

If you have made it this far, congratulations. You have already done more than most aspiring traders ever will.

You have taken the time to understand what trading really is: a business built on discipline, planning, and self-awareness.

Trading can be one of the most rewarding careers in the world. The freedom, the challenge, the satisfaction of mastering a skill that very few succeed at — it is all there. But make no mistake, this game is not easy. It will test you in ways few other careers can. Emotionally. Mentally. Sometimes even physically.

Throughout this book, I have shared lessons that come from decades of experience, lessons forged on the trading floors of London, in the chaos of open outcry pits, and in the calm of modern-day chart setups. I have watched traders come and go. I have seen dreams made and accounts blown. And through it all, one truth stands out: those who treat trading like a serious business stand the best chance of success.

You do not need to reinvent the wheel. You do not need fifteen monitors or some secret algorithm. What you need is structure. A plan. Discipline. And a mindset that is grounded in reality, not hype.

You will have ups and downs. You will have days where it all clicks and others where you question everything. That is normal. The markets do not owe you anything, but they will reward those who put in the time and respect the process.

So here is my final message to you: give it your best shot. Show up every day with intention. Stick to your plan. Control your risk. Let the probabilities work in your favour.

And above all, never stop learning.

TO YOUR SUCCESS,

Andrew Lockwood,
Head of Trader Education FT+



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