



THE TRADING GUIDE

For Challenge4trading.com

RÉSUMÉ

This guide introduces you to the basics of trading, financial markets, risk management, and technical analysis. You will learn how to use the SIRIX platform, laying the foundation for more advanced strategies.

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INTRODUCTION

Welcome to Phase 1 of your trading course, designed to lay the foundation for your journey into the world of trading. This phase is crucial because it introduces you to the fundamental concepts, tools and strategies that will shape your understanding and approach to financial markets. Whether you are a complete beginner or already have some knowledge, this phase will provide you with the essential skills needed to navigate the trading landscape with confidence.

What you will learn

- **Introduction to financial markets** : Gain a comprehensive understanding of what financial markets are, the types of financial instruments traded and the main participants involved. This knowledge is essential to grasp the big picture of how markets function and interact.
- **Trading Basics** : Learn the fundamentals of trading, including the mechanics of buying and selling assets, different order types, and the roles of market participants. This fundamental knowledge will be useful to you when tackling more complex topics in later phases of the course.
- **Risk management and trading psychology** : Learn the importance of risk management and developing a strong trading mindset. Effective risk management and a disciplined psychological approach are crucial to long-term success in trading.
- **Basic Concepts of Technical and Fundamental Analysis** : Learn the basics of technical and fundamental analysis. These analytical tools are essential for making informed trading decisions and understanding market trends.

Why it matters

Starting with a solid foundation is crucial for any successful trader. This phase provides the basic elements necessary to understand the complex and dynamic nature of financial markets. By mastering these fundamental concepts, you will be better prepared to delve into more advanced trading strategies and techniques in later phases.

Prepare to dive

Prepare to engage with a mix of theoretical lessons and practical exercises designed to build your confidence and trading skills. This phase is structured to ensure that you develop a strong foundation in trading principles and are ready to move forward with a clear understanding of the basics. At the end of this phase,

you will have the knowledge and skills to set up your trading activities and start exploring the markets with a strategic approach.

Module 1: Understanding Financial Markets

Welcome to this first module of phase 1, where we begin our exploration of financial markets. Understanding their structure and function is essential to becoming a successful trader. Here you will get an overview of the types of financial instruments – stocks, bonds, currencies, commodities – and the main market participants.

Financial markets facilitate asset trading, price discovery and liquidity, playing a key role in the economy. We will explore primary markets, where new securities are issued, as well as secondary markets for existing securities.

Finally, you will get to know the main players, such as institutional investors and market makers, and their influence on transactions. This module will give you the basics to navigate the world of trading and identify opportunities.

Lesson 1: Introduction to Financial Markets

In this lesson, we will explore the fundamental concept of financial markets, which are crucial to the global economy. You will learn what financial markets are, the difference between primary and secondary markets, and types of financial instruments like stocks, bonds, currencies, and commodities. We will also identify key market players, such as retail traders, institutional investors and market makers.

1. Definition of financial markets

Financial markets are platforms where buyers and sellers come together to exchange financial assets. These markets facilitate the exchange of securities, commodities, and other fungible items at prices determined by supply and demand. They play a crucial role in the economy by providing a structured environment for the trading of assets, which supports economic stability and growth.

A. Types of financial markets

a. Primary markets

Primary markets are where new securities are issued and sold for the first time. Businesses, governments, and other entities raise capital by issuing new stocks, bonds, or other securities. Investors purchase these new issues directly from the issuer. The primary market is essential for capital formation because it allows issuers to obtain the funds needed for expansion and other business activities.

b. Secondary markets

Once securities are issued on the primary market, they are traded between investors on the secondary market. The secondary market provides liquidity, allowing investors to easily buy and sell securities. Examples of secondary markets include stock exchanges like the New York Stock Exchange (NYSE) and the Paris Stock

Exchange (Euronext Paris). The secondary market is crucial to the continued valuation of securities and provides investors with a means of exiting their investments.

B. Importance of Financial Markets

a. Liquidity

Financial markets provide liquidity, meaning assets can be easily converted into money. This liquidity is crucial for both investors and issuers because it ensures that securities can be bought and sold easily. High liquidity levels in financial markets enable rapid transactions without significantly affecting asset prices.

b. Price Discovery

Through the interactions of buyers and sellers, financial markets help determine the prices of securities. This price discovery process reflects the value of assets based on current market conditions. Accurate price discovery is essential for investors to make informed decisions and for efficient allocation of resources in the economy.

c. Capital Formation

Financial markets make it easier for businesses and governments to raise capital, allowing them to finance their operations, invest in new projects and stimulate economic growth. By issuing stocks and bonds, companies can attract investment from a broad pool of investors, which helps spread risks and supports large-scale economic activities.

d. Risk Management

Financial markets offer various instruments allowing investors to hedge against risks. Tools such as derivatives and options help manage exposure to different types of risks, including market risk, credit risk and interest rate risk. These risk management instruments are essential to maintaining financial stability and protecting investments.

Conclusion Part 1

Understanding the definition and importance of financial markets is essential for anyone entering the world of trading and investing. These markets provide the liquidity, price discovery, capital formation and risk management necessary for economic stability and growth. By understanding how financial markets work, you will be better equipped to navigate the trading landscape and make informed investment decisions.

We will then explore the different types of financial instruments traded in these markets, including stocks, bonds, currencies and commodities. Understanding these instruments is essential to making informed trading decisions and participating effectively in financial markets.

2. Types of Financial Instruments:

In this part of the lesson, we will explore the different types of financial instruments traded in financial markets. Understanding these instruments is crucial for anyone looking to effectively navigate the world of trading and investing. Let's look at the main types of financial instruments: stocks, bonds, currencies and commodities.

A. Actions

Stocks represent ownership shares in a company. When you buy a stock, you acquire a share of the company and become a shareholder. Stocks are traded on stock exchanges such as the New York Stock Exchange (NYSE) and the Paris Stock Exchange (Euronext Paris). Owning stocks can provide you with two main financial benefits: dividends and capital gains. Dividends constitute a portion of the company's profits distributed to shareholders, providing a source of regular income. Capital gains occur when you sell shares for more than the purchase price, allowing you to profit from the company's growth. Additionally, as a shareholder, you often have voting rights in company decisions, which can influence the strategic direction and management of the company.

B. Obligations

Bonds are debt securities issued by corporations, governments, and other entities to raise capital. When you buy a bond, you are essentially lending money to the issuer in exchange for periodic interest payments, called coupon payments, and the return of the bond's face value at maturity. Bonds are attractive to investors who want a reliable source of income and lower risk compared to stocks. However, bonds carry credit risk, which is the risk that the issuer will fail to pay interest or repay principal. Government bonds are considered low-risk investments, while corporate bonds generally offer higher yields to compensate for the increased risk associated with corporate issuers.

C. Devises

Currencies are traded on the foreign exchange market, also known as the Forex market. Currency trading involves buying and selling currencies from different countries. The Forex market is the largest and most liquid financial market in the world, with trillions of dollars traded daily. The value of one currency relative to another is determined by exchange rates, which fluctuate based on economic conditions, interest rates and geopolitical events. Currency trading often involves leverage, allowing traders to control large positions with relatively little capital. This can amplify gains, but also increases the potential for significant losses.

D. Raw Materials

Commodities are raw materials or primary agricultural products that can be bought and sold. They include items such as gold, oil and wheat and are traded on commodity exchanges. Commodities are material goods with their own value (we would say that they are “tangible assets with intrinsic value”), offering a hedge against inflation and currency devaluation. Commodity trading often involves futures contracts, which are agreements to buy or sell a specific quantity of a commodity at a predetermined price on a future date. These contracts are used for both hedging and speculation purposes. Commodity prices can be very volatile,

influenced by factors such as supply and demand, weather conditions and geopolitical events, creating opportunities and risks for traders.

E. CFDs

CFDs, or Contracts for Difference, are financial derivative instruments that allow traders to speculate on changes in the price of assets without physically owning them. They are widely used to trade assets like stocks, currencies, commodities and indices. With CFDs, investors purchase a contract that represents the difference in price of the asset between the time the position was opened and closed.

CFDs offer several advantages, including the ability to profit from both upward and downward price movements, as well as access to leverage, which allows you to control larger positions with smaller capital. However, leverage also increases risks, increasing potential gains as well as losses.

CFDs are popular among traders due to their flexibility and the diversity of underlying assets available, although they carry high risk, particularly for novice traders or those who do not have a strategy for managing their trading. well-established risks.

When you trade on trading platforms, these are the financial instrument you use.

Conclusion Part 2

Understanding the different types of financial instruments – stocks, bonds, currencies and commodities – is crucial to navigating the financial markets. Each instrument offers unique opportunities and risks, knowing their characteristics will help you make informed trading decisions and develop effective strategies.

Subsequently, we will explore the main participants in financial markets and their roles in the trading ecosystem. This will further enhance your understanding of how financial markets work and interact. Let's move on to the next part of our lesson.

3. Market Participants:

In this part of the lesson, we will identify and understand the different participants in financial markets. Each participant plays a distinct role that influences the functioning and dynamics of markets.

Let's find out who these participants are and how they contribute to the market ecosystem.

A. Individual Investors

Individual investors, also known as Retail Traders, are people who buy and sell securities for their personal accounts. They account for a significant share of trading in financial markets, although their trading volumes are generally smaller compared to institutional investors.

Individual investors have varied objectives. Some may engage in short-term trading, aiming to profit from daily price movements, while others may focus on long-term investment goals, such as building a retirement portfolio. Unlike institutional investors, individual investors generally have limited financial resources and

restricted access to information.

They rely heavily on publicly available data and use online trading platforms like SIRIX to execute their trades and access market analysis tools. These platforms offer user-friendly interfaces, real-time data and various analytical tools, making it easier for individual investors to make informed decisions.

B. Institutional Investors

Institutional investors include entities such as pension funds, insurance companies, mutual funds and hedge funds. These organizations invest large amounts of capital in financial markets and play a crucial role in providing liquidity and influencing asset prices through their significant transactions.

Institutional investors engage in high trading volumes, which can have a significant impact on asset prices and market trends. Their trades can move markets due to the sheer volume of assets they manage.

Unlike retail traders, institutional investors have substantial resources to conduct in-depth market research and analysis. They employ teams of analysts and use sophisticated models to evaluate investment opportunities and risks.

This in-depth analysis allows them to make well-informed decisions and implement diversified strategies, including passive management (such as tracking the performance of an index) and active management (such as choosing specific stocks and trying to predict the market movements). Some institutional investors also engage in complex strategies like arbitrage, leverage and derivatives trading to enhance returns and manage risks, we will cover these topics in the 3rd phase of our trading courses.

C. Market Makers

Market makers are key players who facilitate trading by buying and selling securities from their own inventory. They provide liquidity to the market by being ready to buy securities from sellers and sell securities to buyers at any time.

Market makers profit by maintaining a spread between the purchase price (bid) and the sale price (ask) of the securities. This gap compensates for the risk of holding securities in inventory and constitutes a source of income.

By constantly providing buy and sell prices, market makers ensure that securities can be bought and sold quickly, even during periods of high volatility. This consistent liquidity helps stabilize asset prices and reduce market volatility. Market makers play a critical role in ensuring that there are always buyers and sellers in the market, which helps prevent extreme price fluctuations and improve market efficiency.

Conclusion Part 3

By understanding the roles and influences of these market participants, you will be better prepared to navigate financial markets and anticipate market movements. Individual Investors bring diversity to the

market with their varied objectives and limited resources.

Institutional investors provide significant liquidity and influence markets through their large-scale trading and in-depth analysis. Market Makers ensure market stability and liquidity, enabling fast and smooth trading operations. This overview of market participants helps you understand the key elements that make up financial markets.

Conclusion Lesson 1

In this lesson, we covered the basics of financial markets, including their definition, types of markets, and the importance of liquidity, price discovery, capital formation, and risk management. We explored the main financial instruments — stocks, bonds, currencies and commodities — and their role in the markets.

By understanding the key participants, such as individual investors, institutional investors and market makers, you are now better equipped to navigate and make informed decisions in the financial markets. Later in Lesson 2: Trading Basics, we will delve deeper into the mechanisms buying and selling assets. We will look at the different order types and the roles of market participants in trading activities. This foundation will help you better understand how trades are executed and learn the concepts of useful strategies to achieve your trading objectives.

Lesson 2: Trading Basics

In this lesson, we will explore the fundamentals of trading, the central component of financial markets. You will learn the basic mechanics of buying and selling assets, the different order types and finally we will see how these concepts apply to trading activities.

1. Definition of trading and its role:

Trading is the act of buying and selling financial instruments with the aim of making a profit. It is a fundamental component of financial markets, providing liquidity, enabling price discovery and facilitating capital formation.

- *Liquidity* :
Trading ensures liquidity in financial markets, that is, assets can be easily converted into cash. This liquidity is crucial for investors and issuers because it ensures that securities can be bought and sold easily. High levels of liquidity enable rapid transactions without significantly affecting asset prices.
- *Price discovery* :
Through interactions between buyers and sellers, trading helps determine the prices of financial instruments. This price discovery process reflects the value of assets based on current market conditions. Accurate price discovery is essential for investors to make informed decisions and for efficient allocation of resources in the economy.

- *Capital Formation :*

Trading makes it easier for businesses and governments to raise capital. By enabling the buying and selling of stocks and bonds, trading allows companies to attract investment from a wide range of investors. This helps spread risk and supports large-scale economic activities, such as expansion projects and new businesses.

- *Risk management :*

Financial markets offer various risk management tools that help investors mitigate potential losses. Instruments such as futures, options and swaps allow traders to hedge against adverse price movements, interest rate changes and other financial risks. Effective risk management through trading ensures the stability and resilience of financial markets, thereby strengthening investor confidence

Conclusion Part 1

Understanding the definition and importance of trading is essential for anyone entering the world of trading and investing. Trading provides the liquidity, price discovery, capital formation and risk management necessary for economic stability and growth.

By understanding how trading works within the financial markets, you will be better equipped to navigate the trading landscape and make informed investment decisions.

Subsequently, we will explore the concept of buying and selling assets, focusing on long and short positions. This knowledge is fundamental to understanding how traders seek to profit from market movements.

2. Concept of buying and selling assets:

In trading, understanding the concept of buying and selling assets is fundamental. This involves taking long and short positions, these are the strategies used by traders to profit from market movements. But what are these positions?

A. Long Positions

When a trader takes a long position, he or she is buying an asset with the hope that its price will increase. This is the most common type of trade and is based on the principle of “buy low, sell high”.

By buying an asset at a lower price and selling it at a higher price later, the trader makes a profit. Long positions are typically used in bull markets, where prices are expected to rise.

For example, imagine you buy stock in a company at \$50 per share. If the price of these shares increases to €70, you can sell them to make a profit of €20 per share.

This strategy is simple and relies on the appreciation of the asset's value over time. The profit potential in a long position is theoretically unlimited, as there is no upper limit to how much an asset's price can increase.

Long positions are popular among traders who have a positive outlook on the market or a particular asset. They are also used in various investment strategies, including value investing, where traders buy undervalued assets and hold them until their true value is recognized by the market.

B. Short Positions

Conversely, a short position involves selling an asset that the trader does not currently own, with the intention of buying it back later at a lower price. This strategy is used to take advantage of a drop in the price of the asset. Short selling is based on the principle of “sell high, buy low”.

But..... We are going to have to make a little important aside to explain a key principle of trading. We said that when a trader takes a short position, they are selling an asset that they do not yet own. But how is this possible? How do you sell something you don't own?

This is done through a process called securities borrowing.

1. Short Sale Process

- *Borrowing of Securities :*

The trader borrows securities (e.g. stocks) from a broker or other investor. These securities are loaned to the trader for a borrowing fee.

- *Sale of Borrowed Securities :*

The trader immediately sells the borrowed securities on the market at the current price. For example, if he borrows shares at €70 each, he sells them at the market price of €70.

- *Purchase for Reimbursement :*

The trader's goal is for the stock price to fall. If the stock price drops to €50, the trader buys back the stock at this new lower price.

- *Return of Titles :*

The trader returns the borrowed shares to the lender. The difference between the initial sale price (€70) and the buyback price (€50) constitutes the trader's profit, less borrowing fees and other associated costs.

2. Simplified Example

- *Step 1 :* You borrow 100 shares of a company through your broker.
- *Step 2 :* You sell these 100 shares at €70 each. You receive €7000.
- *Step 3 :* The share price drops to €50. You buy back the 100 shares for €5,000.
- *Step 4 :* You return the 100 shares borrowed to the broker. Your gross profit is €2000 (€7000 - €5000).

3. Why Do Traders Use Short Selling?

- *Take advantage of the price drop :*

Short selling allows traders to make a profit when asset prices fall.

- *Blanket* :

It can also be used to protect against potential losses on other investments.

For example, if a trader holds a long position in a stock and fears that the overall market will decline, he or she may take a short position in another stock or market index to offset potential losses.

In a short sale, the trader borrows the asset, sells it at the current market price, and hopes to buy it back at a lower price.

For example, if you short a stock at \$70 per share and the price drops to \$50, you can buy the shares back at that lower price, return them to the lender, and pocket the difference of \$20 per share.

Short positions are commonly used in bear markets, where prices are expected to fall. However, short selling carries higher risk because if the price of the asset increases instead of decreasing, the potential for loss is theoretically unlimited. This is because there is no cap on the increase in the price of an asset, meaning losses can exceed the initial investment.

Short selling is often employed by traders who anticipate negative market movements or who wish to hedge against potential losses in other investments. It requires a margin account and involves borrowing, which incurs interest and adds to the cost of the transaction.

C. Practical Considerations

- *Market Sentiment*:

Traders must accurately gauge market sentiment. Taking a long position in a bull market and a short position in a bear market aligns with the general direction of market movements and increases the chances of success.

- *Risk Management*:

Proper risk management is essential when taking long or short positions. Using tools such as stop-loss orders can help limit potential losses and protect profits.

- *Leverage*:

Long and short positions can be amplified using leverage, allowing traders to control a larger position with a smaller amount of capital.

Although leverage can increase potential profits, it also increases potential losses and should be used with caution.

These practical considerations will be explored in more detail in future lessons. Understanding how to gauge market sentiment, manage risk, and use leverage effectively will further improve your trading strategies and performance.

Conclusion Part 2

Understanding long and short positions is essential for effective trading. Long positions involve purchasing assets in the expectation of a price increase, while short positions involve selling borrowed assets to profit from falling prices.

Mastering these concepts allows traders to strategically navigate varying market conditions, taking advantage of both up and down trends.

Next, we will explore order types. These tools are fundamental to executing trades and effectively managing your trading strategy. Understanding how to use these order types will allow you to enter and exit positions efficiently, maximizing your trading potential.

3. Types of Orders

Understanding the different order types is essential to executing trades efficiently. Each order type has a specific objective and can be used strategically to manage trading activities. The main types of orders are market orders, limit orders and stop orders.

A. Market Orders

A market order is an instruction to buy or sell an asset immediately at the current market price. Market orders are executed quickly, ensuring that the transaction is completed without delay. This type of order is generally used when the speed of execution is more important than the price at which the trade is made.

- *Execution Speed:*

Market orders are executed as soon as they reach the market, making them ideal for traders who need to enter or exit a position quickly.

- *Price Fluctuation:*

As market orders are executed at the best available price, there may be slight price variations from what the trader anticipated, especially in rapidly moving markets.

For example, if you place a market order to buy shares of a company listed at €50, the order will be executed at the current market price, which could be slightly above or below €50 depending on market conditions. at runtime.

B. Limit Orders

A limit order is an instruction to buy or sell an asset at a specific price or better. This order type allows traders to control the execution price, ensuring that they do not pay more (for a buy) or receive less (for a sell) than the desired price.

- *Limit Purchase Order :*

A limit buy order is placed below of the current market price, which ensures that the order will only be executed at the limit price or at a price lower.

- *Limited Sell Order :*

A limit sell order is placed above of the current market price, which ensures that the order will only be executed at the limit price or at a price superior.

Limit orders are useful for traders willing to wait until a specific price is reached.

For example, if a trader wants to buy shares of a company only if the price drops to \$45, they can place a buy limit order at \$45. The order will only be executed if the stock price drops to \$45 or less.

C. Exit Orders: Stop-Loss and Take-Profit

Exit orders allow traders to manage their positions by setting predetermined levels to secure profits or limit losses.

- *Ordres Stop-Loss :*

A stop-loss order is a type of stop order used to limit losses by automatically closing a position when it reaches a specified price, called a stop level. This type of order is often placed below the current price for a long position. If the price of the asset falls to this level, the stop-loss order is triggered and becomes a market order, executed at the best available price, thereby minimizing losses in a bear market.

- *Take Profit Orders :*

A take profit order is a type of limit order used to close a position when it reaches a predefined profit level. This order is placed above the current price for a long position or below it for a short position. Unlike stop orders, take profit orders do not transform into market orders and only execute if the target price is reached, thus making it possible to secure profits without the risk of slippage.

Conclusion Part 3

Understanding the different order types is fundamental to effective trading. These orders provide traders with the tools needed to execute trades at desired prices and manage their trading strategies efficiently.

Subsequently we will discover the crucial importance of these orders.

Conclusion Lesson 2

In this lesson, we explored the fundamentals of trading, including the concepts of liquidity, price discovery, capital formation, and risk management.

You also learned how to differentiate between long and short positions, as well as how to use order types like market, limit, stop-loss, and take-profit orders. Mastering these basics will allow you to enter and exit positions efficiently and manage your investments in an informed manner.

Conclusion Module 1

This first module has given you a solid understanding of the basics of financial markets and trading principles. By mastering these fundamentals, you are now ready to navigate the world of trading with more confidence.

In Module 2, we will explore the Essential Concepts of Trading, covering key concepts like risk management and trader psychology. These elements are essential to develop an effective strategy and manage your investments successfully.

Module 2: Essential Trading Concepts

This module covers the key concepts essential to success in trading. You will discover tools to manage your transactions effectively, improve your strategies and strengthen your psychological discipline.

After having acquired the basics of how markets work, we will now delve into crucial concepts for risk management and the development of winning strategies.

Lesson 1: The Basics of Risk Management

In this lesson, we'll delve deeper into the fundamentals of risk management, a crucial aspect of trading that ensures long-term success and sustainability.

Risk management involves identifying, assessing and controlling potential losses during trading activities.

By effectively managing risks, traders can protect their capital, maintain the consistency of their trading results and preserve their psychological stability.

1. Why is Risk Management Crucial?

Risk management is the process of identifying, analyzing and reducing uncertainties in investment decisions. In trading, it is essential because it helps traders avoid catastrophic losses and survive in the markets in the long term.

A. Capital Preservation

Preserving capital is an essential principle in risk management for any trader, beginner or experienced. His goal? Ensure that you can continue to seize market opportunities, even after some losses. Imagine that you start with a capital of €10,000. Without effective risk management, a few unfavorable trades could quickly deplete your account, leaving you with no means to bounce back.

This is where the loss limit per transaction comes into play. By setting a rule, for example never risking more than 2% of your capital per transaction (i.e. €200 for a €10,000 account), you protect yourself against significant losses. This limit acts as a safeguard, allowing you to weather tough times while keeping your bankroll strong enough to stay in the game.

This approach also ensures that you don't have to take excessive risks to "catch up" after a loss. By preserving your capital, you ensure longevity in the market and opportunities to learn and grow, regardless of fluctuations.

B. Consistency of Trading results

Consistency of results is another key benefit of risk management. It allows traders to maintain a more stable capital curve, avoiding large drops that can be difficult, if not impossible, to recover from. Imagine risking only 1-2% of your capital per trade: even if you suffer several losses in a row, the impact on your overall capital will remain limited, allowing you to stay on track.

This approach helps you develop trading discipline because you avoid impulsive decisions related to large losses. By maintaining this consistency, you gain confidence, which strengthens your performance in the long term. A stable capital curve also allows you to face the ups and downs of the market with peace of mind, knowing that you have strategies to protect your capital.

C. Psychological Stability

Psychological stability is an essential aspect of trading, often underestimated. Managing risk effectively helps traders stay calm and disciplined, avoiding big losses that can cause emotional reactions. By following clear rules, such as setting stop-losses and limiting position sizes, you reduce stress and stay in control of your decisions. This prevents behaviors like panic or impulsive trading that can harm your account.

D. Maximization of Opportunities

Good risk management helps maximize trading opportunities. By protecting your capital, you can stay active in the market longer, increasing your chances of seizing profitable opportunities. Additionally, spreading risk across multiple trades, rather than betting everything on one, protects your portfolio from significant losses.

E. Improved Decision Making

Risk management also contributes to better decision-making. By assessing the risk of each trade, you can scale your position sizes and set stop-loss levels based on reward/risk potential. For example, a ratio of 3:1 means that the potential reward is three times the risk, which can make a trade more attractive.

Conclusion Part 1

The importance of risk management in trading cannot be overstated. It is essential for preserving capital, maintaining consistency of trading results, ensuring psychological stability, maximizing market opportunities and improving decision-making.

By prioritizing risk management, traders can build a solid foundation for long-term success in the markets.

Now, we will explore some useful tools for risk management.

These tools, such as risk-reward ratio, position sizing, and stop-loss orders, are essential for implementing effective risk management strategies and protecting your investments.

2. Risk Management Tools

Effective risk management involves using a variety of tools to control and mitigate potential losses. Let's explore three key commonly used risk management tools: risk-reward ratio, position sizing, and stop-loss orders. While there are other useful tools, these are essential for a solid risk management strategy.

A. Risk-Reward Ratio

The risk-reward ratio is a fundamental tool in trading. It allows you to evaluate the potential reward of a transaction in relation to its risk.

For example, for a trade where the potential loss is \$100 and the potential gain is \$300, the risk-reward ratio is 1:3, meaning the potential reward is three times the risk involved.

By focusing on trades with favorable ratios, such as 1:2 or higher, traders ensure that the potential gains outweigh the risks, thereby strengthening their overall strategy.

B. Position Size

Position sizing is crucial to managing risk and ensuring that no single transaction impacts the entire portfolio too heavily.

A common method is to determine position size based on total capital and risk tolerance. For example, with a \$10,000 account and a 2% risk per trade, a trader could risk \$200 on a trade.

If the stop-loss distance is €2 per share, the trader could buy 100 shares ($€200 / €2$). A well-defined position size helps limit potential losses and maintain a diversified and balanced portfolio.

C. Ordres Stop-Loss

A stop-loss order is an absolutely essential tool for any trader wishing to limit their losses and protect their capital. By setting a predetermined price to close a position, the stop-loss order helps avoid large losses during unanticipated market movements.

For example, if a trader buys a stock at €50 and sets a stop-loss at €45, he knows that his maximum loss will be €5 per share if the price falls to that level. This tool is crucial because it helps automate risk management, preventing emotions from taking over during volatile times.

Stop-loss orders promote rigorous trading discipline by eliminating the temptation to “let a loss run” in hopes of a market turnaround. By activating an exit strategy from the start, the trader protects his capital and maintains a rational approach, essential for long-term success.

Using stop-losses is therefore much more than a simple risk management technique; it is a way to ensure the financial security of the portfolio and to stay aligned with a clear and disciplined trading strategy.

Conclusion Part 2

Using tools like risk-reward ratio, position sizing, and stop-loss orders is essential for effective risk management. These tools help control exposure, protect capital and improve trading performance. Risk management is an essential pillar for trading success, and implementing these strategies helps navigate the markets with more confidence and discipline.

Conclusion Lesson 1

Risk management is the cornerstone of successful trading. By applying fundamental principles such as capital preservation, consistency of results, psychological stability, and maximizing opportunities, you equip yourself with an essential discipline to navigate the markets calmly. Additionally, using risk management tools, such as risk-reward ratio, position sizing, and stop-loss orders, strengthens your ability to control potential losses and maintain a strategic approach.

By prioritizing rigorous risk management, you lay the foundations for sustainable and balanced performance. This mastery is not limited to protecting your capital, it also allows you to build a solid trading mentality, able to face the uncertainties and challenges of the market.

In the next lesson, we'll dive into the psychology of trading, exploring the emotions and biases that influence decisions. You will discover how mental discipline and resilience are as essential as strategy to trading success.

Lesson 2: Introduction to Trading Psychology

In this lesson, we'll explore an often overlooked but crucial aspect of trading: psychology. Succeeding in trading is not just about understanding the markets and technical analysis, but also about managing your emotions, cognitive biases and mindset.

Developing strong trading psychology is essential to making rational decisions, maintaining discipline, and ultimately achieving long-term success in trading.

1. Basic Trading Psychology

Trading psychology refers to the emotional and mental state that influences a trader's decision-making process. Emotions and cognitive biases can have a significant impact on trading performance, often leading to irrational decisions that can harm your trading account.

A. Emotions in Trading

Emotions play a central role in trading and can easily influence decisions, often in irrational ways. Even experienced traders are not immune to emotional reactions to gains or losses.

Understanding the impact of fear, greed, anxiety and excitement on your trading choices is essential to keeping a disciplined and rational approach. By recognizing how these emotions influence your decisions, you

will be able to better manage them and strengthen your self-control in an often unpredictable market environment.

Fear:

The Obstacle to Opportunity Fear is one of the most common emotions in trading and can cause traders to avoid taking positions, even when profitable opportunities present themselves. It can also cause a premature sale to avoid potential losses. For example, if all indicators show a favorable opportunity but you are hesitant, this fear could prevent you from making gains by following your strategy.

Greed :

The Risk of Impulsive Decisions Greed often pushes traders to take excessive risks to achieve quick profits. This emotion often leads to excessive trading or holding on to losing positions in the hope that they will turn around. A greedy trader might ignore their stop-loss, hoping for a market reversal, but this can make losses worse.

Anxiety and Stress :

Erosion of Confidence Anxiety, especially after a series of losses, can undermine a trader's confidence in their skills. This stress can make him doubt his strategies, leading him to miss potential opportunities. For example, after several losses, a trader might avoid taking risks, thereby limiting their profit potential.

Overconfidence: A Bridge Between Emotions and Cognitive Biases

The excitement of a series of winning trades can create overconfidence, giving the illusion of infallibility. This positive emotion can quickly evolve into a cognitive bias, where the trader overestimates his skills and makes less calculated decisions. Overconfidence then becomes a trap which, if not controlled, can lead to costly and irrational mistakes.

But what is a cognitive bias?

B. Cognitive Bias

Cognitive biases are systematically deviant thought patterns that move us away from rationality in our judgment. They often result in decisions based on faulty reasoning, sometimes triggered by uncontrolled emotions, such as overconfidence.

A common bias in trading is therefore *excess confidence*, where, after several successes, the trader begins to believe that he has "mastered" the market. This bias can cause it to ignore important signals and data or underestimate the need for ongoing analysis and strategic caution.

Another significant bias is the *confirmation bias*, where traders favor information that confirms their pre-existing beliefs while ignoring evidence that contradicts them. Suppose you believe that a stock will go up; you might only look for positive news about that stock and ignore bearish signs, leading to poor decision-making.

Recency bias is another challenge, where traders place too much importance on recent events while neglecting long-term trends and data. This can lead to impulsive decisions based on short-term market movements. For

example, a sudden drop in the price of a stock could cause a trader to panic sell, even if the long-term trend remains positive.

Being aware of these biases helps mitigate their impact on your trading decisions. Developing a disciplined approach based on data and well-defined strategies can counteract the effects of cognitive biases.

C. State of Mind in Trading

Having the right mindset is essential to succeed in trading. A growth mindset, where you see challenges as opportunities to learn and improve, can significantly improve your trading performance.

Patience is crucial in trading. Waiting for the right opportunities and not rushing into deals can improve your success rate. For example, a patient trader will wait for the perfect setup according to his strategy, rather than rushing into the market for fear of missing an opportunity. Discipline is about sticking to your trading plan and not deviating based on emotional impulses.

Discipline helps you follow your risk management strategies and trading rules. For example, a disciplined trader will systematically set and follow stop-loss orders, thereby protecting their capital against large losses.

Resilience is crucial, as trading can be difficult, with inevitable losses and setbacks. Developing resilience allows you to recover from losses and continue trading with a clear mind. For example, a resilient trader will analyze their losing trades, learn from their mistakes, and adjust their strategies accordingly, rather than giving up or becoming overly cautious.

Conclusion Part 1

Understanding the basics of trading psychology, including the impact of emotions, cognitive biases, and the importance of a strong mindset, is vital to making rational, informed trading decisions. By recognizing how fear, greed, overconfidence and other psychological factors influence your trading, you can develop strategies to manage these influences effectively.

In the next part of this lesson we will discuss Common Psychological Traps, providing you with ideas to overcome them, and ensure you navigate the psychological challenges of trading with confidence and clarity.

2.Manage Common Psychological Traps

These psychological traps can have a significant impact on your decision-making process and overall performance. Knowing how to overcome these pitfalls is crucial to maintaining a disciplined and effective trading strategy.

Let's explore some common psychological challenges we saw earlier and how to deal with them: fear, greed, and overconfidence.

A. Overcoming Fear

The Relative Strength Index (RSI) is a momentum oscillator that measures the speed and change of price movements. It ranges from 0 to 100 and helps identify if an asset is overbought or oversold.

a. Develop a Solid Trading Plan:

A well-defined trading plan, including entry and exit points, risk management strategies and clear objectives, can help reduce uncertainty and fear.

By following your plan, you can make decisions based on logic rather than emotion.

b. Use Risk Management Tools:

Implementing tools such as stop-loss orders and appropriate position sizing can help limit potential losses and provide a safety net, reducing the fear of large losses.

c. Accept that losses are an integral part of Trading:

Understand that losses are inevitable in trading. Accepting this reality can help you see losses as learning opportunities rather than failures. Analyze your losing trades to identify mistakes and improve your strategy.

B. Managing Greed

Greed can push traders to take excessive risks in pursuit of higher profits. This often leads to overtrading, holding on to losing positions for too long, or ignoring risk management rules.

To manage greed, consider the following strategies:

a. Set Realistic Goals:

Set achievable profit goals and be satisfied with steady, consistent gains rather than chasing unrealistic returns. Setting smaller, incremental goals can help you stay focused and disciplined.

b. Respect Your Trading Plan:

A disciplined approach to trading is about sticking to your plan and not deviating based on emotional impulses. By following your predefined strategies and risk management rules, you can avoid the pitfalls of greed-driven decisions.

c. Take Regular Breaks:

Periodic breaks from trading can help prevent burnout and maintain a balanced perspective. Stepping away from the screen can reduce the temptation to make impulsive trades motivated by greed.

C. Controlling Overconfidence

Overconfidence can cause traders to overestimate their abilities and take excessive risks. This often develops after a series of successful trades, causing traders to become complacent and ignore potential risks.

To control overconfidence, adopt the following practices:

a. **Continuous Learning:**

Remember that the market is dynamic and constantly changing. Stay humble and commit to continuous learning, regularly updating your knowledge and skills.

b. **Review and Reflect:**

Regularly review your trading performance, including your successes and failures. Reflecting on your trades can help you maintain a realistic view of your abilities and identify areas for improvement.

c. **Search for Feedback:**

Engage with other traders or mentors to get different perspectives on your trading strategies. Constructive feedback can help you stay grounded and avoid becoming overconfident.

Conclusion Part 2

Mastering psychological traps such as fear, greed and overconfidence is essential to maintaining a disciplined and successful trading strategy. With a solid trading plan, risk management tools, and continuous learning, you can overcome these challenges and improve your results.

This concludes the second part of Lesson 2. The next section will discuss techniques for developing a suitable trading mindset. You'll learn how to build the discipline, mental resilience, and positive mindset that are essential for long-term success.

3.Develop a Trading Mindset

To achieve long-term success in trading, it is essential to develop a robust mindset. This involves building discipline, developing mental resilience and maintaining a positive attitude towards trading.

Let's explore these essential components and how to cultivate them.

A. Building Discipline

Discipline is the cornerstone of success in trading. It involves sticking to your trading plan and making decisions based on logic rather than emotions. Here are some strategies to help you build and maintain discipline:

a. Create and Follow a Trading Plan:

A well-structured trading plan defines your strategies, risk management rules and objectives. By following this plan, you will avoid impulsive decisions dictated by emotions. Make sure your plan includes specific entry and exit points, position sizes and stop-loss levels.

b. Set Realistic Goals:

Setting achievable and measurable goals helps you stay focused and motivated. Instead of aiming for unrealistic returns, set incremental targets that can be adjusted as you progress.

c. Keep a Trading Journal:

Documenting your trades, including your reasons and results, can help you identify patterns in your behavior and decision-making process. Reviewing your journal regularly allows you to learn from both your successes and your mistakes, reinforcing your disciplined trading habits.

d. Avoiding Overtrading:

Overtrading often results from a lack of discipline and can result in significant losses. Stick to your trading plan and avoid making unnecessary trades. Quality rather than quantity should be your guiding principle.

B. Develop Mental Resilience

a. Accept that Losses are Part of the Game:

In trading, losses are inevitable and an integral part of the process. Rather than seeing them as failures, it is important to view them as learning opportunities. Each loss can reveal flaws in a strategy or a moment of recklessness, allowing you to improve and refine your future decisions. Accepting losses with equanimity helps reduce stress, maintain rigorous discipline, and stay focused on long-term goals.

b. Maintain a Positive Attitude

To succeed in trading, it is essential to cultivate a positive attitude in the face of market challenges and uncertainties. This means focusing on future opportunities rather than past losses or mistakes, while viewing each failure as a valuable lesson in refining your strategies. Surrounded by a positive environment, the trader is better prepared to maintain a constructive outlook and persevere despite obstacles.

c. Stay in Good Physical and Mental Health

Trading can be demanding, and it is crucial to maintain physical and mental balance. Good physical health, supported by a balanced diet, restful sleep and regular physical activity, helps manage stress and improves concentration. On a mental level, relaxation techniques such as meditation or regular breaks help keep a clear mind and reduce tensions linked to market volatility.

d. Build a Support Network

A strong support network can make all the difference in a trader's journey. Joining trading communities or working with an experienced mentor allows you to share ideas, benefit from advice and feel less isolated. Furthermore, involving loved ones in your trading goals can strengthen motivation and provide essential moral support during difficult times.

Conclusion Part 3

Developing a strong trading mindset is essential to long-term trading success. By building discipline, developing mental resilience and maintaining a positive attitude, you can confidently and effectively navigate through the challenges of trading.

Conclusion Lesson 2

This lesson allowed you to discover the impact of emotions and cognitive biases on trading. By recognizing and mastering these elements, you are better prepared to make disciplined and rational decisions in an unpredictable market environment.

Conclusion Module 2

This module covered risk management and trading psychology, two essential pillars for success. With this solid foundation, you are ready to dive into Module 3: Basic Analysis Techniques, where we will explore technical and fundamental analysis methods to interpret market movements and refine your trading strategies.

Module 3: Basic Analysis Techniques

Welcome to Module 3: Basic Analysis Techniques. This module introduces you to the essential tools for interpreting the markets and making informed trading decisions.

We will discuss technical analysis, exploring candlestick charts, trends, supports, and resistances. Next, you'll learn about key technical indicators, like moving averages and RSI, to refine your analyses.

Finally, we will introduce fundamental analysis, studying economic indicators and their impact on the markets. This module prepares you to develop concrete strategies in the next chapter.

Lesson 1: Introduction to Technical Analysis

In this lesson, we will see how technical analysis helps anticipate price movements based on historical data. This method uses key tools like candlestick charts, trends, support and resistance, and technical indicators.

We'll first explore candlestick charts, which are essential for visualizing price movements and interpreting signals. Then, we will delve deeper into trends, supports and resistances, which help to understand price dynamics.

Finally, we will discuss common technical indicators, such as moving averages, RSI and MACD, to refine your trading decisions. This lesson will provide you with a solid foundation for integrating technical analysis into your strategies.

1. Understanding Candlestick Charts

Candlestick charts are essential in technical analysis because they allow traders to track price movements accurately and anticipate trends.

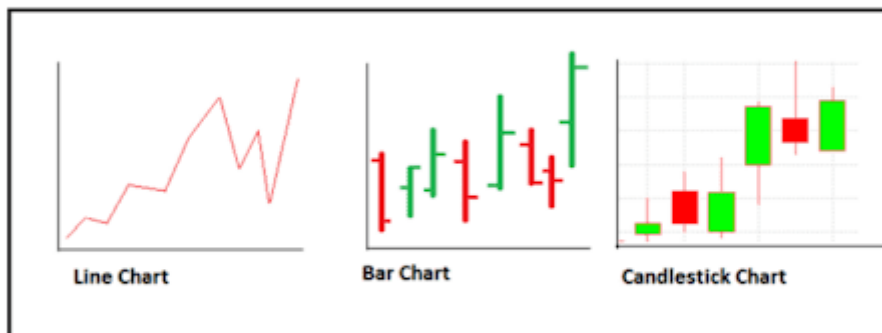
Before diving into the specific patterns, let's first explore the different chart types in technical analysis to understand why candlesticks stand out.

We will then discuss the structure of a candlestick, detailing the elements that make up each price period: bodies, wicks and colors, which indicate bullish and bearish movements.

Finally, we'll discover how to interpret key candlestick patterns, such as the hammer and shooting star, which help spot reversals and guide trading decisions.

A. The Different Types of Charts in Technical Analysis

TYPES OF CHARTS IN



TECHNICAL ANALYSIS

In technical analysis, several types of charts can be used to represent price movements. The most common include:

a. *Line Chart:*

Showing only closing prices over time as a solid line. This graph is simple and allows a quick view of the general trend.

b. *Bar Chart:*

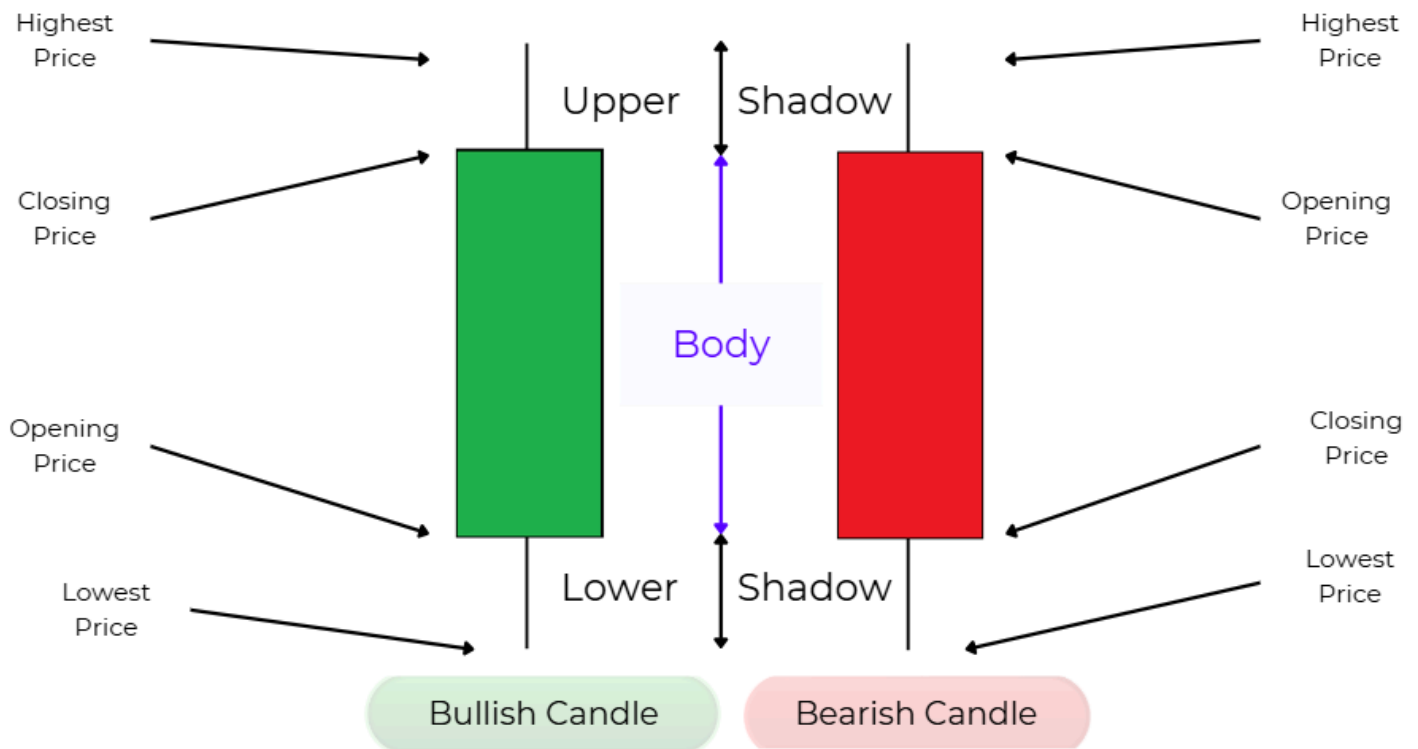
Providing more information than line charts, including open price, close price, high and low prices over a given time period. Each bar shows price changes during the selected time period.

c. *Candlestick Chart:*

By far the most popular, it presents a wealth of information while remaining visually clear. Each “candlestick” represents a specific period of time and gives indications of the opening, closing, high and low price reached. This type of chart is essential for technical analysis because it allows you to accurately identify patterns and trends.

B. Understanding the Structure of a Candlestick

A candlestick consists of several parts that provide valuable information about price behavior during a given period:



Corps : The thick part of the candlestick shows the difference between the opening price and the closing price of the asset for the chosen period.

- If the body is **Green** (or sometimes white), this means that the closing price is **superior** at the opening price of the period, indicating that buyers dominated this period. It's a **bullish candlestick**.
- If the body is **rouge** (or sometimes black), the closing price is **lower** at the opening price of the period, meaning sellers have gained the upper hand. It's a **bearish candlestick**.

Highlights or Shadows : The thin lines above and below the body, which indicate the **highest prices** and the **lowest prices** achieved during the period.

- The **upper wick** shows the highest price reached during the period.
- The **lower wick** indicates the lowest price reached during the period.

In summary, the body of the candlestick indicates whether the price went up or down during the period, while the wicks show the extremes of the price.

C. Interpreting Candlestick Patterns to Detect Trends

Candlestick patterns can reveal crucial information about trend reversals and future price movements. Here are some commonly used candlestick patterns in technical analysis:

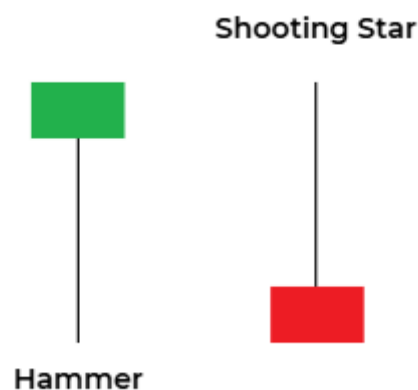
a. *Hammer and Shooting Star:*

Candlestick patterns, like the hammer and shooting star, are simple but powerful visual indicators for identifying potential reversals in the market.

These patterns form within established trends, providing traders with signals of a possible change in direction.

The hammer is often a sign of hope for buyers after a decline, while the shooting star alerts of a possible loss of steam in an uptrend. These two easy-to-recognize patterns are essential for refining your trading decisions.

- **Hammer :**
Appears in a downtrend and is characterized by a small body at the top, with a long lower wick. It indicates a potential bullish reversal.
- **Shooting star :**
Appears in an uptrend with a small body at the bottom and a long upper wick. It suggests a potential bearish reversal.



The Hammer and the Shooting Star reveal key twists. Now let's find out how engulfing patterns strengthen your reading of trends.

b. *Bullish and Bearish Swallowing*

Engulfing patterns are powerful setups in technical analysis, often used to detect trend reversals. These patterns form when a candlestick entirely engulfs the body of the previous candlestick, signaling a significant change in the dynamics between buyers and sellers.

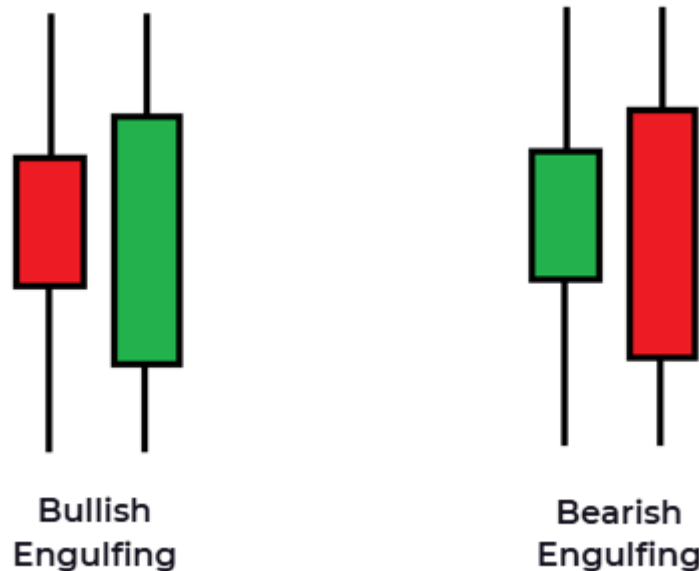
Bullish engulfing and bearish engulfing provide valuable clues about the market's intentions, whether to anticipate a recovery after a decline or a loss of steam after a rise. Let's analyze these models in detail.

- **Bullish Engulfing** : This pattern appears after a downtrend. It is characterized by a large bullish candlestick (green) whose body completely engulfs the body of the previous bearish candlestick (red). This indicates a strong bull rally and suggests a potential bullish reversal.

Example : After a series of red candlesticks, a large green candlestick appears, signaling a possible price rise.

- **Bearish Engulfing** : This pattern forms after an uptrend. A large bearish candlestick (red) engulfs the body of the previous bullish candlestick (green), indicating seller dominance and a potential bearish reversal.

Example : After a series of green candlesticks, a large red candlestick appears, signaling a likely price drop.

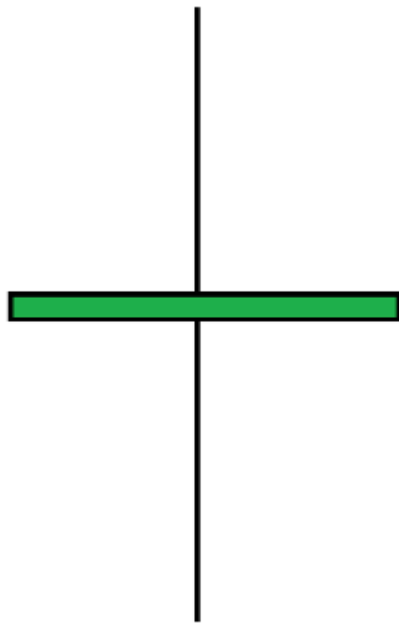


Engulfing patterns offer strong reversal signals. Now let's move on to the Doji, a pattern indicative of hesitation and potential changes in direction.

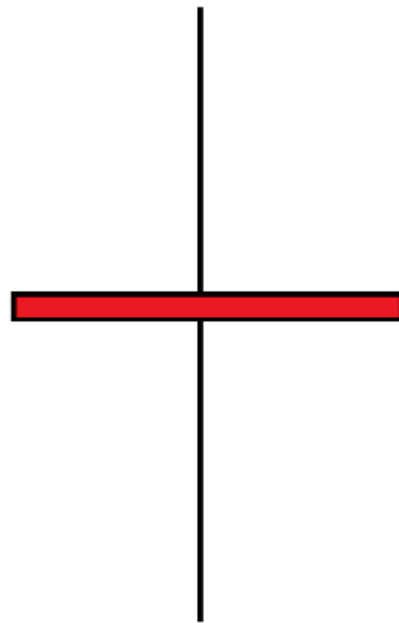
c. *Doji*

- **Doji** : A Doji is a candlestick where the opening and closing price are almost identical, forming a very thin or non-existent body. This pattern reflects strong hesitation in the market and may indicate a reversal or pause in the current trend.

Example : When a Doji appears in an uptrend, it can signal weakening buyers and a potential bearish reversal.



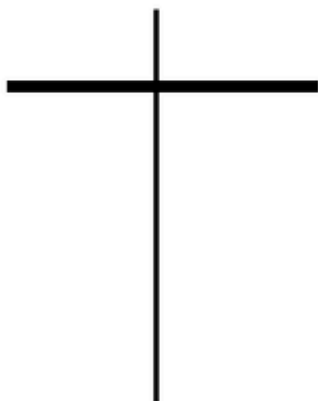
Bullish Doji



Bearish Doji

- **Other types of Doji:** The classic Doji is a key configuration in technical analysis, but there are also other types of Doji, such as the Dragonfly Doji, the Tombstone Doji or the Long-Legs Doji. These variants bring additional nuances to the interpretation of market movements.

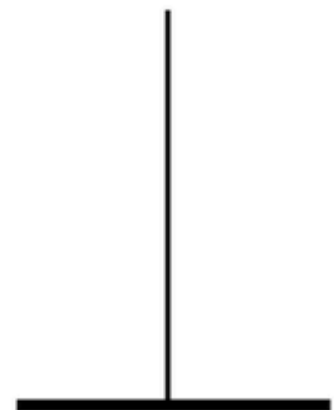
We'll dig deeper into these patterns and their meaning when we explore more advanced technical analysis in Phase 2.



Long-Legged Doji



Firefly Doji



Gravestone Doji

The different types of Doji provide various clues about the state of the market, often linked to hesitation or possible reversals:

1. **Long Legs Doji** : This Doji, with long upper and lower wicks, indicates strong indecision in the market. Buyers and sellers tried to gain control, but neither was able to dominate. This may herald a break in the current trend or a reversal, depending on the context.
2. **Breastfeeding Libellula** : With a long lower wick and an open and close price near the top, this Doji often appears after a downtrend. It reflects a rejection of low levels by buyers and may signal a potential bullish reversal.
3. **Doji Tombstone** : Unlike the Dragonfly Doji, this pattern has a long upper wick and an opening and closing price near the bottom. It generally forms after an uptrend, indicating a rejection of high levels by sellers and a possible bearish reversal.

In all cases, these Doji require confirmation by candles or additional signals to validate their meaning.

Conclusion Part 1:

Candlestick charts and their patterns, like the hammer and shooting star, are essential tools for identifying trend reversals and anticipating price movements. In the next part, we'll dig deeper into market trends and support and resistance levels, key elements for refining your trading decisions.



Trends, supports, resistances and different candlestick patterns are not isolated tools, but rather essential complements to the use of technical indicators and fundamental analysis.

These elements provide a visual and contextual basis, allowing the data provided by the indicators to be more effectively interpreted.

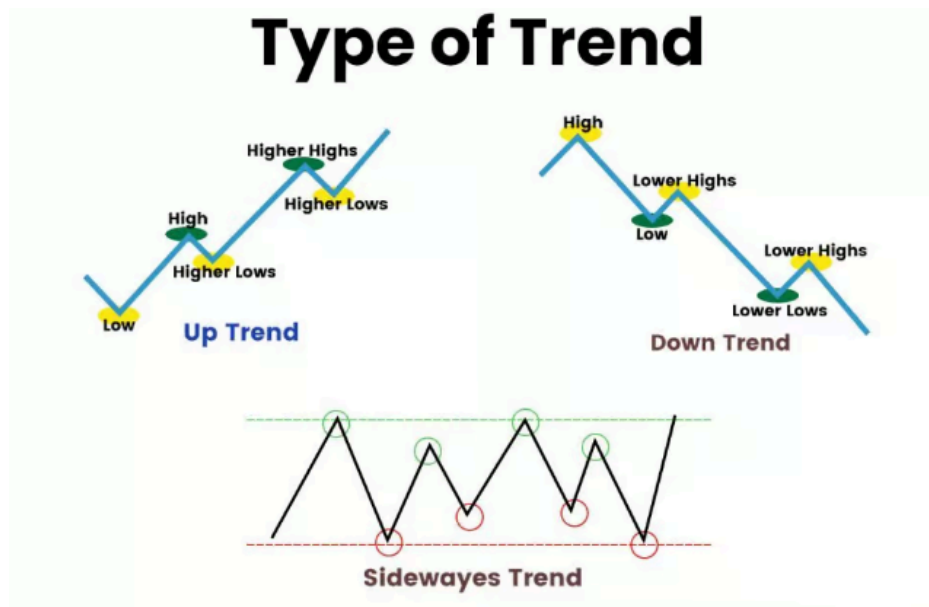
By integrating these concepts, traders can build a more comprehensive and consistent approach to analyzing markets, anticipating price movements, and making informed trading decisions.

2. Understand Market Trends

In this part, we will explore two fundamental concepts in technical analysis: **trends** of the market and the **support and resistance levels**. These elements are essential for understanding price dynamics and anticipating areas where the market might change direction.

A. Understanding Market Trends

Trends indicate the general direction of price movements over a period of time. They are crucial in determining whether the market is moving up, down, or remaining stable. There are three main types of trends:



a. Uptrend:

Characterized by a series of increasingly higher peaks and troughs. It reflects buyer domination of the market. Example: When the price of an asset records successively higher closing levels, it indicates an uptrend.

b. Bearish Trend:

Manifests as a series of increasingly lower highs and lows, indicating seller dominance.

Example: If the price falls gradually, with each rebound lower than the previous one, this confirms a bearish trend.

c. Sideways (or horizontal) Trend:

The price fluctuates in a range without a clear upward or downward direction. This type of market reflects a phase of indecision or consolidation. Example: An asset that oscillates between two well-defined levels without crossing them creates a sideways trend.

Identify Trends:

Traders use tools like trend lines or channels to visualize these movements and predict their continuation or breakdown. A good reading of trends allows you to align your trades with the dominant direction of the

market.

Understanding market trends allows you to better identify the dominant price direction and adjust your strategies accordingly. To strengthen this analysis, it is crucial to explore support and resistance levels, key benchmarks for anticipating areas of reversal or consolidation.

B. Support and Resistance Levels

Support and resistance levels play a key role in technical analysis. They indicate areas where the price has historically struggled to go lower (support) or rise higher (resistance).

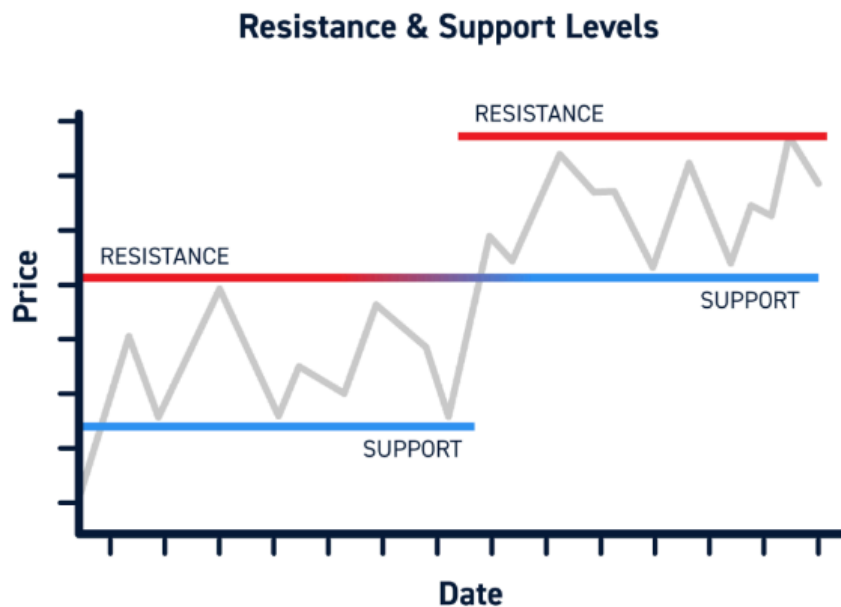
a. Support :

Characterized by a series of increasingly higher peaks and troughs. It reflects buyer domination of the market. Example: When the price of an asset records successively higher closing levels, it indicates an uptrend.

b. Resistance :

Resistance is a level where the price struggles to rise above because concentrated supply leads to downward pressure. It acts like a ceiling.

Example: If an asset reaches €100 several times without exceeding it, this level becomes resistance.



Why are these levels important?

- **Entry and exit points** : Traders use these levels to place buy or sell orders.
- **Place stop-loss and take-profit orders** : These zones help limit losses and secure gains.
- **Anticipate reversals** : A breakout of support or resistance can signal a significant movement to come.

We will then see how to read the data and information

Conclusion Part 2

Market trends and support and resistance levels are fundamental benchmarks for analyzing price dynamics and anticipating future movements. By mastering them, you will be able to identify key opportunities and adjust your positions with more precision. In the next part, we will discover how technical indicators, such as moving averages, RSI and MACD, can further enrich your analysis and refine your trading strategies.

3. Common Technical Indicators

Technical indicators are mathematical tools used to analyze past price movements and predict future trends. They complement chart analysis by providing additional signals to confirm or refute your trading decisions. In this part, we will explore three indicators commonly used by traders: moving averages, RSI and MACD.

A. Moving Average

Moving averages are essential tools in technical analysis, helping to smooth out price fluctuations to identify general trends. They are simple to use and widely used by traders to analyze financial markets. Here's a more comprehensive exploration of how they work and what they're useful for.

a. Definition and Operation

- **Simple Moving Average (SMA):** This is the average of prices over a defined period, for example 10 days. This makes it a reliable tool for observing long-term trends and limiting the effects of temporary fluctuations.



- **Exponential Moving Average (EMA):** In contrast, the EMA places more weight on recent prices, making it more responsive to sudden changes and ideal for volatile markets.



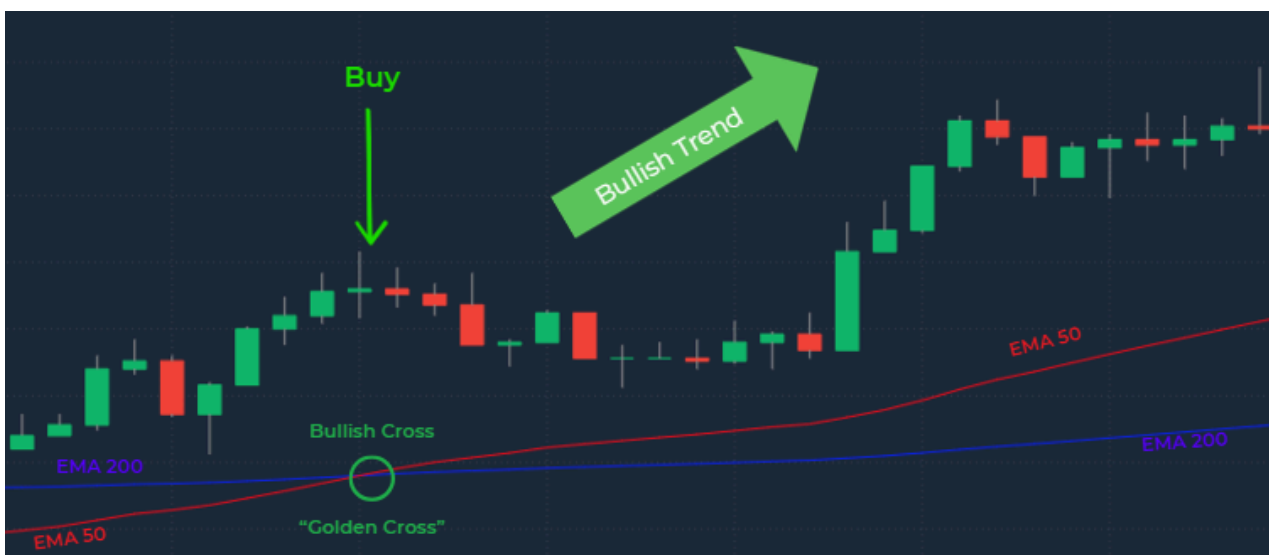
These two types complement each other depending on the analysis needs and the chosen time horizons.

b. Applications of Moving Averages: Trends and Crossovers

One of the main uses of moving averages is trend detection. When the price moves above the moving average, it often indicates an uptrend, while a price below it signals a downtrend. This offers a clear reading of the direction of the market.

Moving average crossovers are also crucial signals.

A **bullish cross (Golden Cross)** occurs when the short average, such as the 50 EMA, rises above the long average, such as the 200 EMA. This signals a potential start of a move higher.



Example of "Golden Cross"

Conversely, a **bearish cross (Death Cross)**, where the 50 EMA crosses below the 200 EMA, can indicate an upcoming decline. These crosses, when used with other indicators, make it possible to confirm or refute a trend hypothesis.



These crosses, when used with other indicators, make it possible to confirm or refute a trend hypothesis.

c. *Moving Averages as Dynamic Support and Resistance*

Moving averages are not limited to indicating trends or signaling crossovers. They also serve as dynamic supports and resistances. In an uptrend, the price may test the moving average as a support level before starting to rise again. In a downtrend, it can act as resistance, slowing down rebound attempts.



However, moving averages have their limitations. In markets without a clear trend, they can produce false signals or lack precision. By combining them with other analysis tools, such as RSI or trend lines, their effectiveness is greatly enhanced. A trader can thus better interpret market conditions and adapt his strategies to maximize his results.

Conclusion

Moving averages are essential tools for identifying trends, detecting significant crossovers, and using dynamic support and resistance as part of your market analysis. However, their effectiveness may be limited in markets without a clear trend, highlighting the importance of combining them with other technical indicators.

In the next part, we will explore the RSI (Relative Strength Index), a powerful tool for measuring the strength of a trend and identifying areas of overbought or oversold. This supplement will strengthen your ability to make informed decisions in your trading strategies.

B. Relative Force Index (RSI)

The RSI, or Relative Strength Index, is a key indicator for measuring whether an asset is overbought or oversold. Very popular with traders, it helps identify potential reversals and assess the strength of trends. Let's discover how it works, its applications and its limits.

a. Definition and Operation

RSI, or Relative Strength Index, is a technical indicator that measures the strength of an asset by comparing its gains and losses over a period of time, usually 14 days. Presented on a scale of 0 to 100, this tool is designed to assess whether an asset is in a situation of **surchat** or from **overselling**. An RSI above 70 is considered an overbought alert, indicating a potential weakening of the uptrend. Conversely, an RSI below 30 signals an oversold situation, suggesting a likely bullish recovery or reversal.



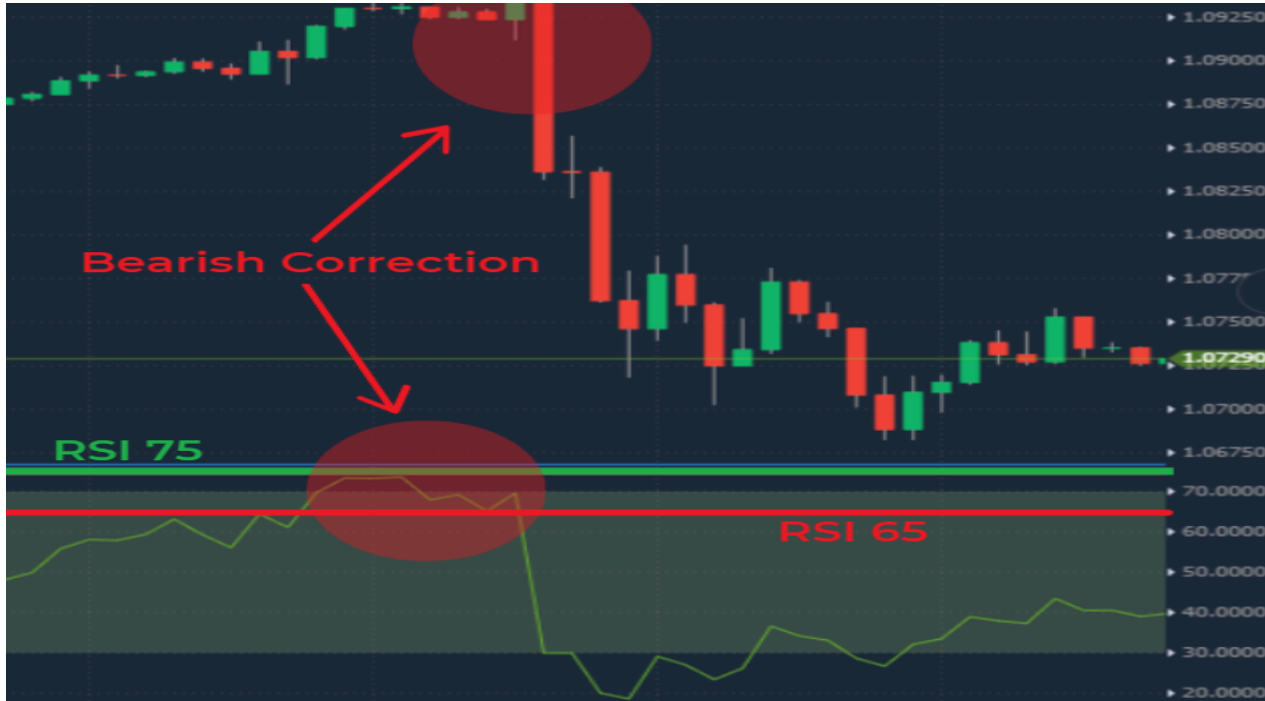
Example of RSI

This indicator is particularly appreciated for its ability to detect **divergences** between price movements and asset dynamics. A bullish divergence occurs when prices make lower lows while the RSI forms higher lows, signaling a possible reversal higher.

b. Practical Use of RSI

The RSI is a versatile tool, used for several applications in technical analysis:

- **Rollover Detection** : When an asset moves out of an overbought or oversold zone, it can signal an imminent change in direction. For example, an RSI falling from 75 to 65 may suggest a bearish correction.



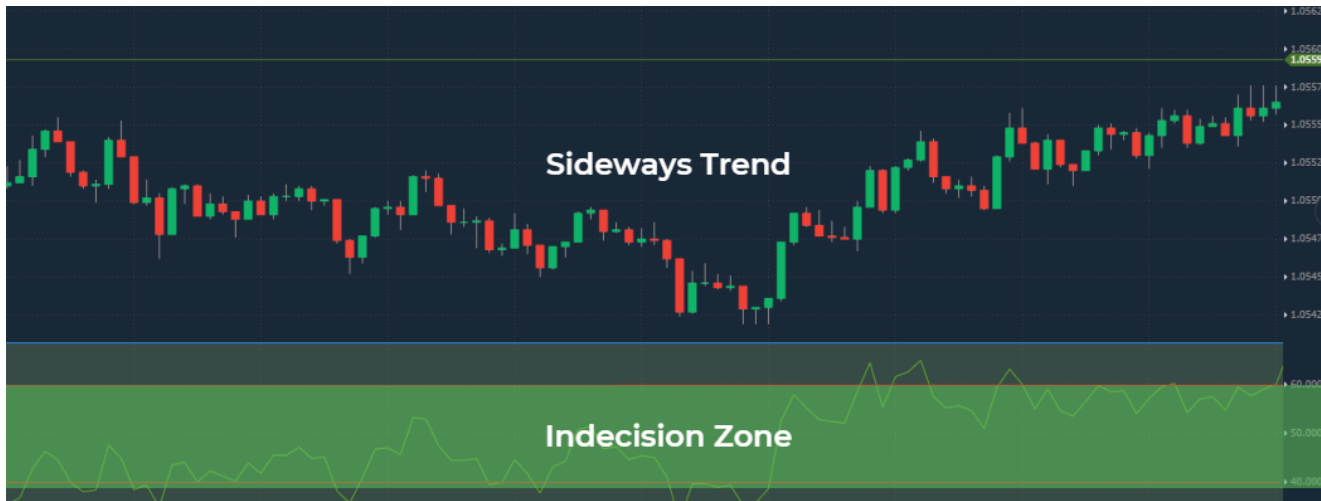
RSI falling from 75 to 65 suggesting a bearish correction.

- **Trend Confirmation**: An RSI above 50 supports an ongoing uptrend, while an RSI below 50 confirms a downtrend.



Examples of trend confirmations

- **Zones of Indecision:** In sideways markets, the RSI often fluctuates between 40 and 60, indicating a temporary equilibrium between buyers and sellers.



Example of Zone of Indecision



These signals should be combined with other tools, such as support and resistance levels or moving averages, to validate trading opportunities.

c. Limits and Supplements to the RSI

Despite its power, the RSI has limitations, particularly in strongly bullish or bearish markets, where an asset may remain overbought or oversold for an extended period of time without an immediate reversal. Therefore, savvy traders often combine the RSI with complementary indicators, such as the MACD or moving averages, to strengthen their analyses.

By integrating RSI into an overall strategy, traders can better interpret market conditions, identify potential reversal areas, and optimize their trading decisions. In the next part, we will discuss MACD (Moving Average Convergence Divergence), a key tool for analyzing the dynamics of trends and momentum changes.

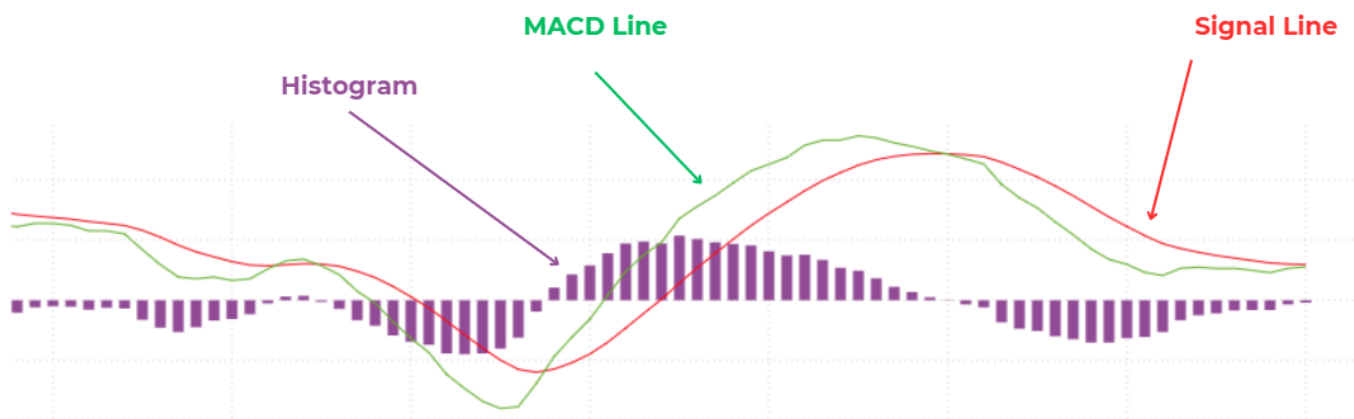
C. MACD (Moving Average Convergence Divergence)

The MACD, or Moving Average Convergence-Divergence Indicator, is a versatile tool that helps traders identify momentum changes and trend signals. Let's discover its structure, its main applications, and its limits.

a. Structure and Operation

The MACD is made up of three main elements:

- **Ligne MACD** : The difference between two exponential moving averages (EMA), usually a 12 EMA and a 26 EMA.
- **Signal Line** : An EMA of the MACD line, generally calculated over 9 periods.
- **Histogram** : Represents the difference between the MACD line and the signal line, providing a visual indication of momentum strength and direction.



MACD Example

This mix of lines and histogram allows for quick visual analysis of trend changes.

b. Applications of MACD

The MACD is used to spot trend and reversal signals:

- **MACD and Signal Line Crosses** :
When the MACD crosses the signal line, it may indicate a rise. If it goes below, a decline is possible.
- **Histogram** :
A histogram that becomes positive can signal an uptrend, and the opposite a downtrend.
- **Divergences** :
If prices are falling but the MACD is rising, this may indicate a recovery. If prices are rising but the MACD is falling, trend weakness is possible.

These concepts are being monitored at the moment, and we will delve into them in the next phases to fully integrate them into your trading strategies.

c. Limits and Optimization of MACD

Although the MACD is a powerful indicator, it is not infallible:

- **Signal Delays** : Due to its reliance on moving averages, signals may be slightly delayed, especially in volatile markets.
- **False Signals in Lateral Markets** : The MACD can generate misleading signals in periods of low volatility or without a clear trend.

To maximize its effectiveness, traders often combine the MACD with other indicators, such as the RSI or moving averages, to validate signals and minimize risks.

Conclusion Part 3

Moving averages, RSI and MACD are essential tools for analyzing trends, detecting reversals and assessing market dynamics.

- **Moving averages** simplify trends and act as dynamic supports or resistances.
- **CSRs** identifies overbought and oversold areas to anticipate changes.
- **The MACD** identifies crossovers and divergences to track momentum.

These indicators, combined with each other, will strengthen your analyses. We will delve deeper into their advanced use in the next phases to perfect your trading strategies.

Conclusion Lesson 1

This lesson allowed you to explore the basics of technical analysis, covering candlestick charts, market trends, support and resistance, as well as essential technical indicators like moving averages, RSI and MACD. Together, these tools give you a clear understanding of price movements and market signals.

In the next lesson, we will dive into fundamental analysis. You will learn how economic indicators, monetary policies and current events influence financial markets. Get ready to discover a new dimension to refine your analyzes and trading strategies!

Lesson 2: Introduction to Fundamental Analysis

Welcome to the **Lesson 2: Introduction to Fundamental Analysis**, where we will discover how economic and geopolitical factors influence financial markets. Unlike technical analysis, which focuses on studying past price movements to anticipate future trends, fundamental analysis is concerned with the underlying forces that shape the economy and markets.

Fundamental analysis plays a crucial role in trading, as it allows you to assess the overall economic health, the performance of a sector or even the financial situation of a company. By looking at economic indicators like GDP, inflation or interest rates, and taking into account global events, this approach provides an in-depth understanding of the factors that influence asset values.

Rather than pitting them against each other, it is important to see fundamental analysis and technical analysis as complementary. Together, they provide a global vision, combining an assessment of economic conditions with market signals. In this lesson, we'll dive into key economic indicators and geopolitical events, to help you better understand and anticipate market movements.

1. Key Economic Indicators

A. Gross Domestic Product (GDP)

The **Gross Domestic Product (GDP)** is one of the most important economic indicators in fundamental analysis. It represents the total value of goods and services produced in a country over a given period, usually quarterly or annually. GDP is used to measure the overall economic health of a nation.

a. Economic Growth Indicator:

A growing GDP indicates an expanding economy, which can boost investor confidence and boost financial markets.

Conversely, a decline in GDP can signal an economic contraction, often associated with bear markets.

b. Impact on Monetary Policies :

Central banks, such as the ECB or the Fed, closely monitor GDP to adjust their monetary policies. For example :

- Rapid growth can push central banks to raise interest rates to prevent economic overheating. This makes borrowing more expensive, reducing spending and investment, which dampens inflation. However, the rise can slow growth, depress stocks and strengthen the domestic currency, while encouraging savings through higher yields.
- Conversely, weak or negative growth can prompt central banks to adopt accommodative policy, lowering interest rates to stimulate the economy. This makes borrowing less expensive, thereby encouraging spending, investment and a recovery in aggregate demand.

c. Effect on Currencies and Markets :

- A higher-than-expected GDP release can strengthen the domestic currency, as it reflects a robust economy.
- Conversely, lower-than-expected GDP can weaken the currency and push down stock indices.

B. Inflation and Consumer Price Index (CPI)

Inflation is the rate at which prices of goods and services increase in an economy over a given period. It is measured using indicators such as **Consumer Price Index (CPI)**, which reflects variations in the prices of a

representative basket of goods and services commonly consumed by households.

a. Economic Health Indicator :

- Moderate inflation is a sign of a healthy growing economy.
- Inflation that is too high (hyperinflation) or too low (deflation) can signal economic imbalances.

b. Influence on Monetary Policies :

Central banks adjust interest rates based on inflation:

- High inflation can push rates to rise to curb it.
- Low or negative inflation can lead to lower rates to stimulate demand.

c. Impact on Financial Markets :

- **Devises** : High inflation can weaken the national currency because it erodes purchasing power.
- **Stocks and Bonds** : Inflation impacts corporate profits and bond yields, influencing the value of markets.

Understanding inflation and the Consumer Price Index (CPI) is essential for analyzing economic health and its impact on financial markets. By monitoring these indicators, traders can anticipate central bank actions and adjust their strategies based on market conditions, whether inflationary or deflationary.

In the next part, we will explore the role of interest rates and employment data, two key drivers of market movements. You will learn how these factors influence business cycles, trading decisions and investor sentiment. Let's continue to deepen your understanding of fundamental analysis!

2. Interest Rates and Employment Data

Interest rates and employment data play a central role in fundamental analysis because they directly reflect economic health and influence central bank decisions. These key factors strongly impact financial markets, currencies, and traders' strategies.

A. Interest Rates

Interest rates represent the cost of borrowing money set by central banks. They are one of the most powerful tools for controlling the economy.

a. Importance

- **Monetary Policy**: Central banks adjust rates to control growth and inflation. Rising rates slow the economy by curbing spending and investment, while falling rates stimulate the latter.

- **Impact on Currencies:** High interest rates attract investors, strengthening the national currency, while low rates tend to weaken it.
- **Consequences for Financial Markets:**
 - Stocks can fall if companies experience rising borrowing costs.
 - Bonds are seeing their yields increase, which can attract investors.

B. Employment Data

Employment-related indicators, such as the unemployment rate or job creation, provide valuable information on economic dynamics.

a. *Key Employment Indicators:*

- **Unemployment rate:** Reflects the health of the labor market. A low rate indicates a growing economy, while a high rate signals economic weakness.
- **Job Creations (Non-Farm Payrolls):** Measures the number of new jobs, excluding the agricultural sector, and is a major indicator in the United States.
- **Labor Cost:** Raising wages can spur inflation by increasing costs for businesses.

b. *Link Between Employment and Markets:*

- Strong job creation can strengthen a currency because it reflects a dynamic economy.
- Conversely, disappointing employment figures can signal a slowdown, leading to accommodative monetary adjustments (rate cuts).

c. *Practical Interpretation:*

Traders carefully monitor central bank announcements, such as those from the Fed or the ECB, because they directly influence the markets. A rise in interest rates can strengthen a currency by attracting foreign investors, while a fall can weaken it.

Practical Example:

If the Fed unexpectedly raises rates by 0.5%, the US dollar could strengthen against the Euro, providing an opportunity for forex traders. On the other hand, equity markets, such as the S&P 500, could decline due to increased borrowing costs for companies.

Understanding interest rates is crucial for evaluating monetary policies and their impact on financial markets. These variations directly influence currencies, bonds, and traders' strategies. By monitoring central bank decisions and rate trends, traders can anticipate market movements and adapt their strategies to take advantage of them.

Conclusion Lesson 2

In this lesson, we explored the foundations of fundamental analysis, looking at key economic indicators like GDP, CPI, interest rates, and employment data. These tools make it possible to better understand economic dynamics and anticipate movements in financial markets. By integrating this information into your analyses, you can refine your trading decisions and seize opportunities offered by economic fluctuations.

Conclusion Module 3

The **Module 3: Basic Analysis Techniques** has allowed you to acquire an essential dual skill: technical analysis, which focuses on past price movements to anticipate future trends, and fundamental analysis, which examines underlying economic factors to evaluate markets. These two complementary approaches constitute the basis of informed and strategic trading.

Conclusion Phase 1

Phase 1 of your trading course allowed you to acquire a solid foundation to navigate with confidence in the world of financial markets. Across three key modules, you explored the fundamentals of trading, essential concepts of risk management and psychology, and basic analytical techniques, which are at the heart of strategic decision-making.

- **Understanding of Financial Markets:** You have learned about the structure and functioning of markets, the types of financial instruments, and the main participants that influence market dynamics. These concepts have given you an essential overview to seize opportunities and anticipate risks.
- **Essential Principles of Trading:** By learning about risk management and the psychology of trading, you have learned to protect your capital, maintain rigorous discipline and develop a strong mindset. These skills are crucial for sustainable and resilient performance.
- **Analysis Techniques:** You've explored the basics of technical and fundamental analysis, two complementary approaches that allow you to interpret market movements and better understand underlying economic forces. These tools enhance your abilities to make informed trading decisions.

By mastering these fundamentals, you are now ready to advance to more complex concepts and more sophisticated strategies. Phase 1 gave you the keys to laying the foundations for your trading success. As you progress, keep in mind that trading is a lifelong learning process, where each experience, each analysis, and each lesson strengthens your skills and refines your approach.

Ready for what's next?

In Phase 2, we will deepen your knowledge with intermediate tools and techniques to help you refine your strategies and develop an even more structured approach to market challenges. You will learn to master the complex dynamics of the markets to transform your basics into real expertise.

Stay disciplined, curious and committed: your trading journey has only just begun!