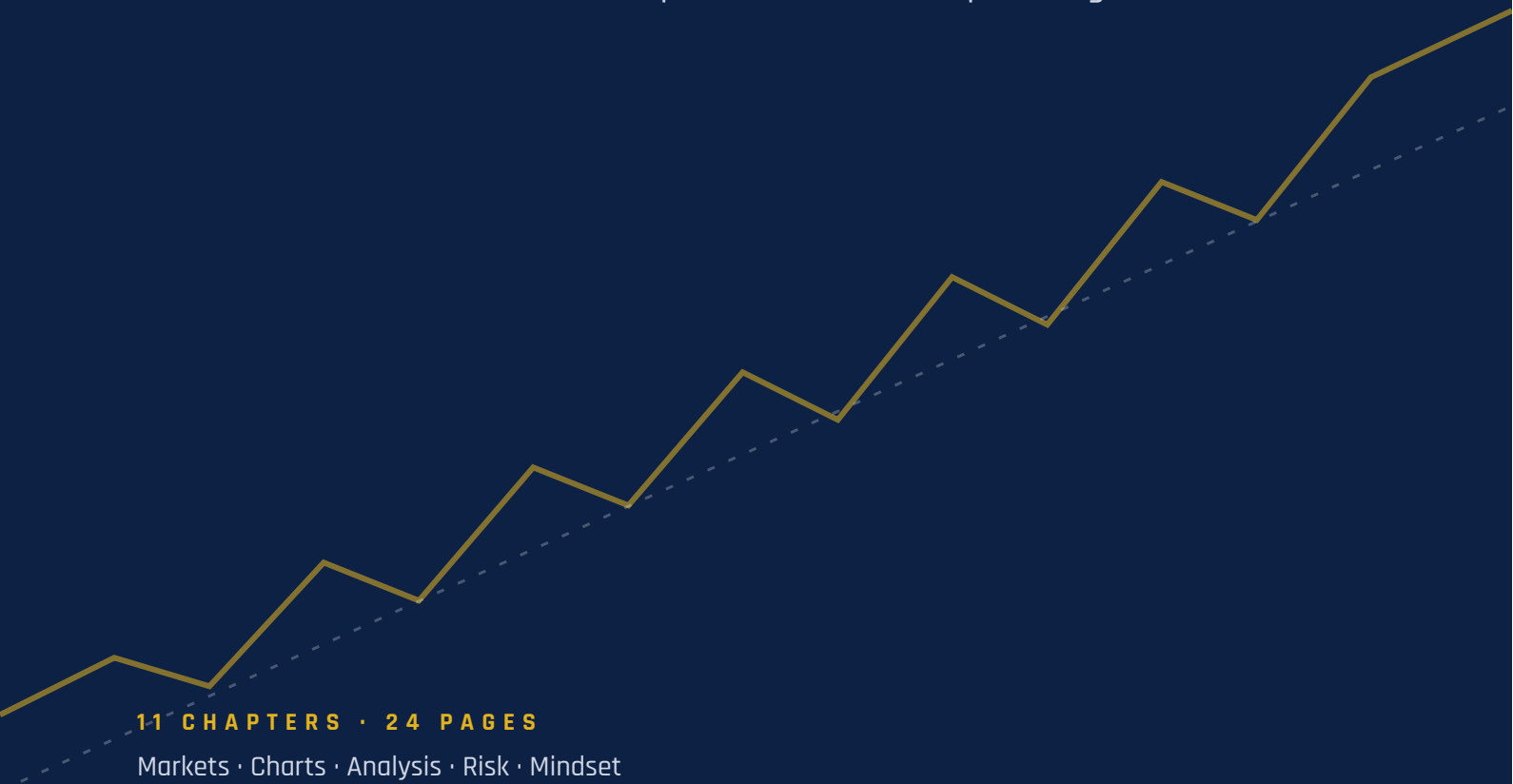
THE WEALTH AMBASSADORS
EDUCATION, GROWTH, PROSPERITY

BEGINNER'S SERIES

Trading Basics

The visual guide to how the markets work

From your first chart to managing risk, explained with diagrams, annotated charts and worked examples. Written for complete beginners.



11 CHAPTERS · 24 PAGES

Markets · Charts · Analysis · Risk · Mindset

WELCOME

Inside this guide

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The route through

- Foundations
- Markets
- Ways to trade
- Charts
- Trends and levels
- Patterns
- Indicators
- Analysis
- Risk
- Mindset
- Your checklist

A NOTE ON WHAT THIS GUIDE IS

We are an education company. This guide explains how things work. It never tells you what to buy or sell. Read it at your own pace: there is nothing to memorise.

CHAPTER 01

Before you start

What trading actually is, in three pictures.

What trading is

Trading is buying and selling financial assets, such as shares or currencies, aiming to profit from changes in their price.



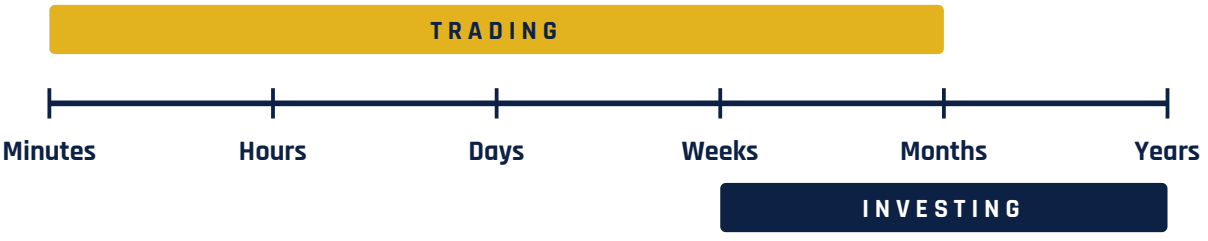
Every price is simply the last point where a buyer and a seller agreed.

What makes prices move

More buyers than sellers → **Price rises**

More sellers than buyers → **Price falls**

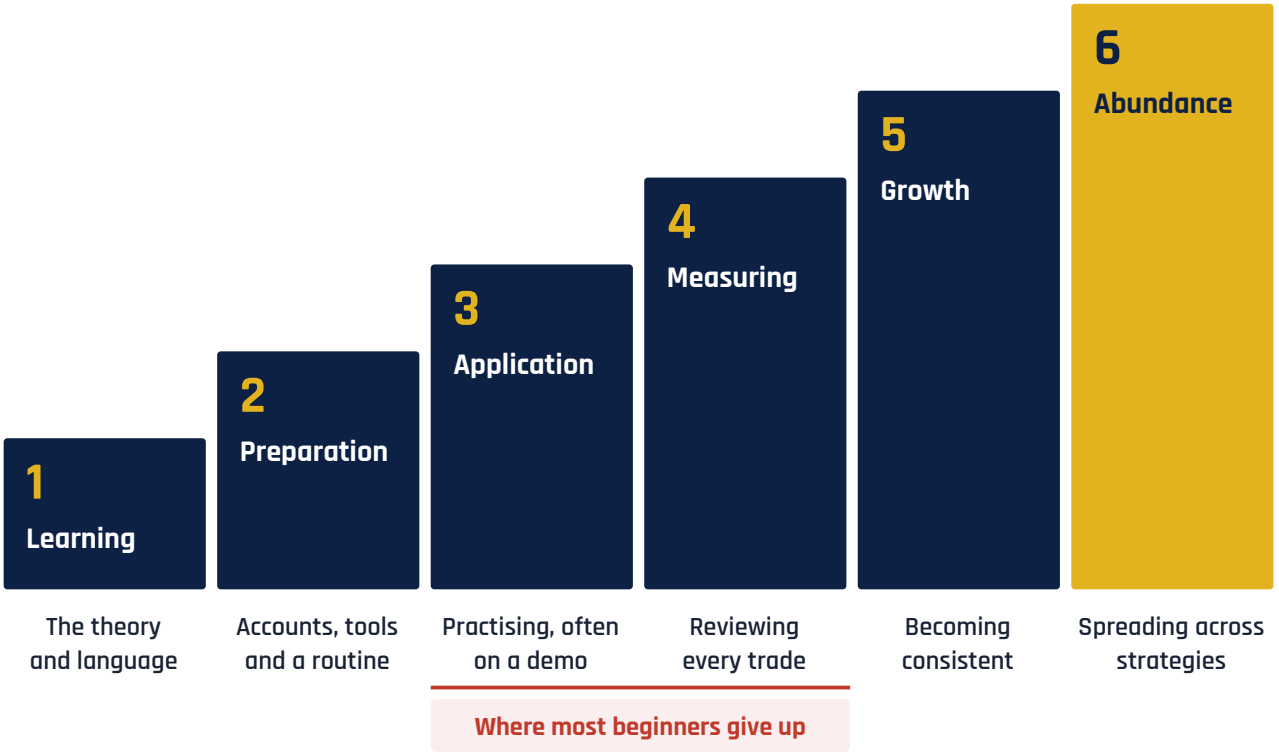
Trading and investing



Both use the same skills. The difference is mostly how long you hold.

Every trader's journey

The six phases of a trader's journey



REALISTIC EXPECTATIONS

Nobody wins every trade
Losses are a normal part of the process.

Losses teach you most
If you review them honestly.

Consistency beats big wins
Small, steady and repeatable.

It takes time
Like learning any other skill.

NEED TO KNOW · DEMO ACCOUNT
A practice account with pretend money and real prices. Most brokers offer one.

> "If you think education is expensive, try ignorance."

CHAPTER 02

The markets

The five main markets beginners come across.

Stocks

Shares in a single company

EXAMPLES
Apple, Tesco



Indices

A group of companies measured together

EXAMPLES
FTSE 100, S&P 500



Forex

One currency priced against another

EXAMPLES
GBP/USD, EUR/USD



Commodities

Raw materials

EXAMPLES
Gold, oil, wheat



Crypto

Digital currencies, very volatile

EXAMPLES
Bitcoin, Ethereum



NEED TO KNOW · INDEX

The FTSE 100 tracks the 100 largest companies on the London Stock Exchange. One trade gives you all 100 at once.

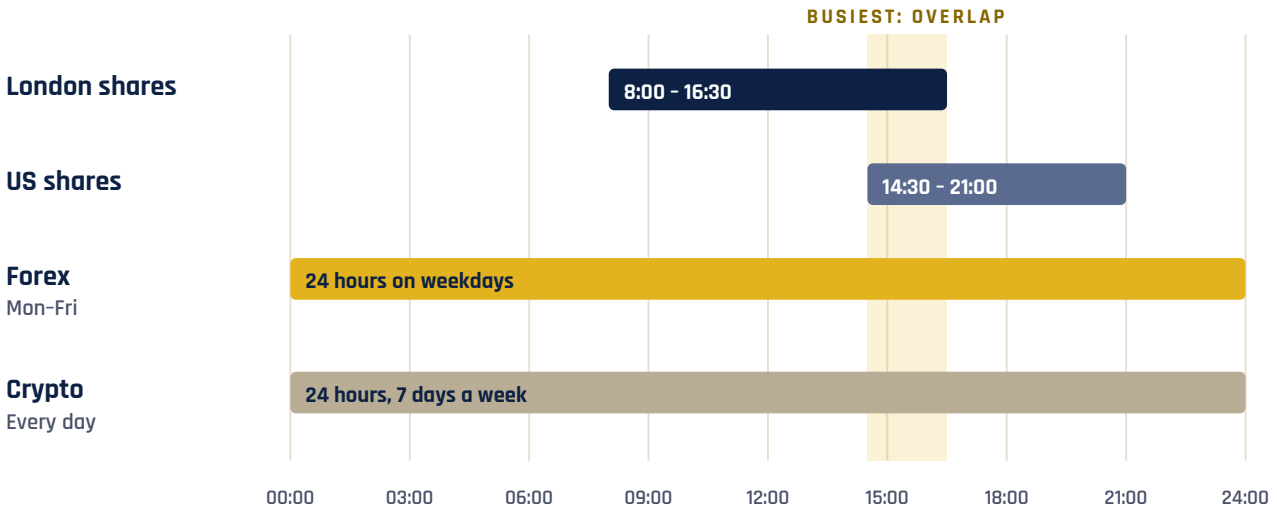
NEED TO KNOW · CURRENCY PAIR

GBP/USD at 1.27 means £1 buys $1.27. If it rises to 1.30, the pound has strengthened.

The small lines show the typical character of each market, not real prices. Crypto, for example, tends to swing far more than an index.

When markets move

When markets are open (UK time)



Times shift slightly when the clocks change. Your broker lists exact hours.

What moves prices?

Company news
Results, new products, a new boss

The economy
Interest rates, inflation, jobs

World events
Elections, conflicts, trade deals

Supply and demand
A poor harvest lifts wheat

Big institutions
Banks and funds trading in size

Mood
Fear and greed among traders

NEED TO KNOW · POSITION

Any trade you currently have open. Closing it locks in the profit or loss.

Rising and falling markets

You can aim to profit from a price going up or down. Either way, you lose if it moves against you.

Going long

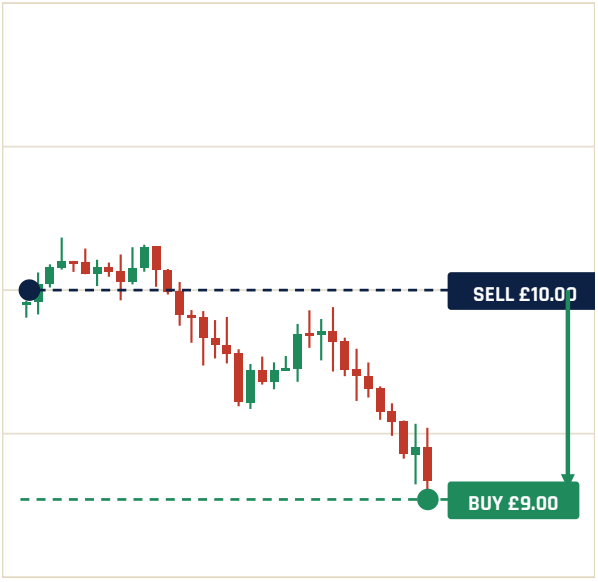
You expect the price to **rise**. Buy first, sell later.



100 shares × £1.00 rise = **+£100**
If it had fallen £1.00 instead: **−£100**

Going short

You expect the price to **fall**. Sell first, buy back later.



100 shares × £1.00 fall = **+£100**
If it had risen £1.00 instead: **−£100**

Bull and bear markets



BULL MARKET
Prices generally rising



BEAR MARKET
Prices generally falling

NEED TO KNOW · GOING SHORT

You can go short with CFDs and spread bets. With ordinary share buying, you can only profit if the price rises.

Educational content only. Not financial advice. Trading carries risk, and you can lose money.

CHAPTER 03

How you trade

Three ways to trade the same market, and what each means for your money.

The same trade, three ways: 50 shares at £20, rising to £22 (+10%). The profit is the same. What changes is how much of your own money is at stake.

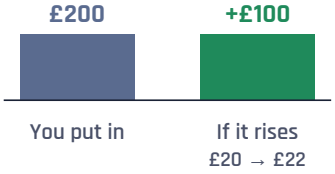
Buy and hold



Profit = 10% of what you put in

- ✓ You own the shares
- ✗ Can go short
- ✗ Uses leverage

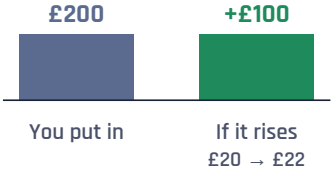
CFD



Profit = 50% of what you put in

- ✗ You own the shares
- ✓ Can go short
- ✓ Uses leverage

Spread bet



Profit = 50% of what you put in

- ✗ You own the shares
- ✓ Can go short
- ✓ Uses leverage

The catch

If the price falls to £18 instead, all three lose **£100**. For buy and hold that is 10% of your money. For the CFD and spread bet it is **50% of your deposit**.

NEED TO KNOW · CFD

Contract for difference: an agreement to exchange the difference in price between opening and closing a trade.

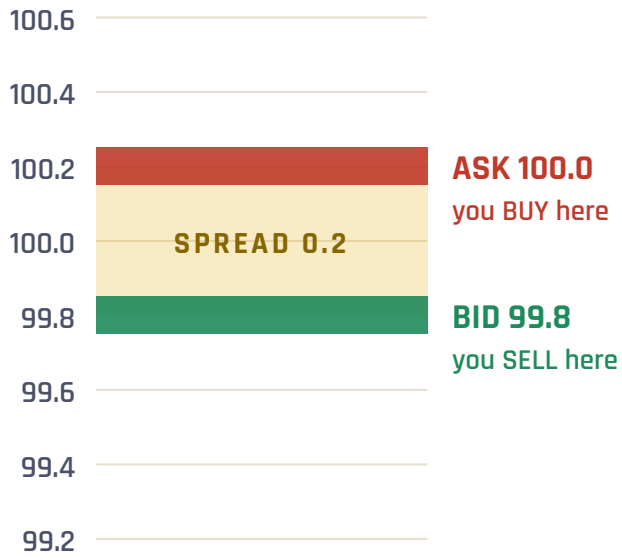
NEED TO KNOW · SPREAD BET

You choose an amount per point the price moves, for example £0.50 per penny. Available in the UK and Ireland.

Tax treatment differs between methods and depends on your circumstances. Check with a qualified adviser.

Prices, costs and brokers

Bid, ask and the spread



Every market shows two prices. You **buy at the higher one** and **sell at the lower one**.

Buy at 100.0 and close straight away, and you sell at 99.8: a small loss. Price has to move past the spread before you are in profit.

What a trade costs

Spread
Built into every trade

Commission
A fee per trade, often on shares

Overnight fee
For holding leveraged trades overnight

Choosing a broker

- **Regulated**
  In the UK, authorised by the FCA
- **Clear costs**
  Spreads and fees listed upfront
- **Your markets**
  Offers what you want to trade
- **Demo account**
  So you can practise first
- **Easy platform**
  Charts and orders you understand

NEED TO KNOW · SPREADS CAN WIDEN

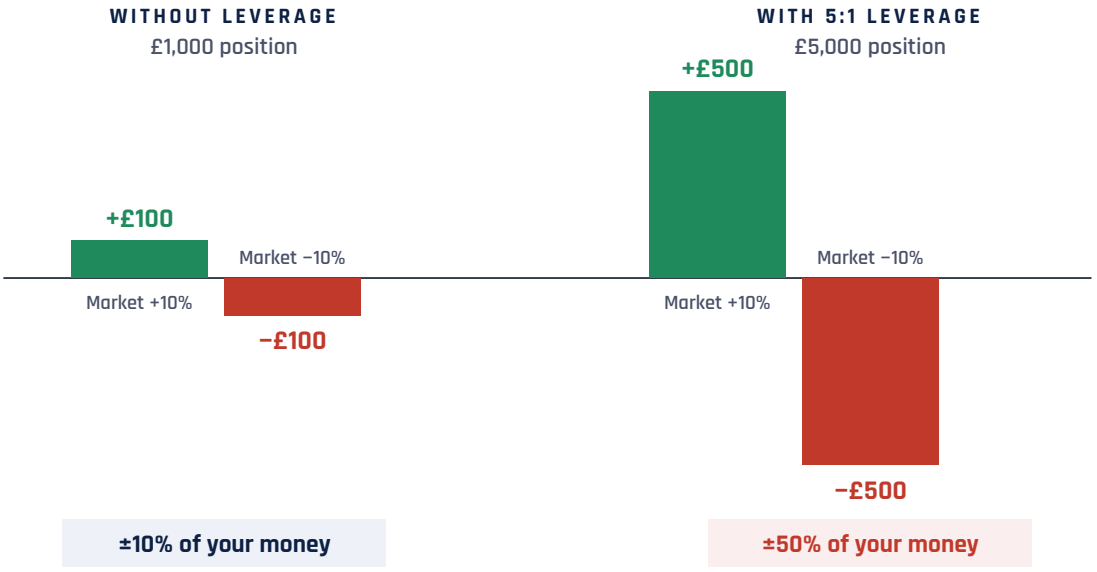
Spreads often get wider when a market is quiet, at the open, or around big news. A wider spread means a bigger cost to get into profit.

Leverage: why it cuts both ways

How leverage works



A 10% move in the market



Leverage magnifies gains and losses **by the same amount**. It is the most common reason beginners lose money quickly.

Margin calls



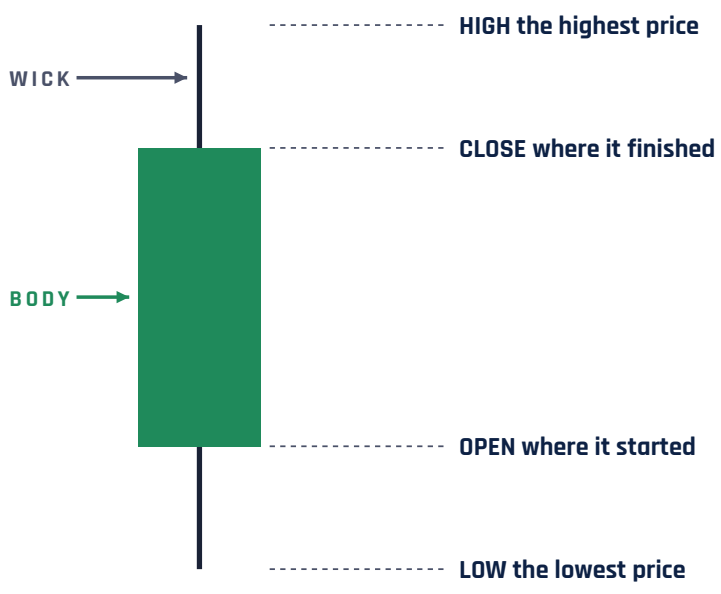
If losses shrink your deposit too far, your broker asks for more money or closes trades automatically.

CHAPTER 04

Reading a chart

Most traders use candlesticks because they show the most at a glance.

Anatomy of a candlestick





Red: closed lower than it opened, so the open is at the top.

Reading candle shapes



Strong
One side in control



Indecision
Buyers and sellers drew



Rejection
Higher prices refused



Rejection
Lower prices refused

One candle is a clue, not a signal. What matters most is where it appears, such as at a key level.

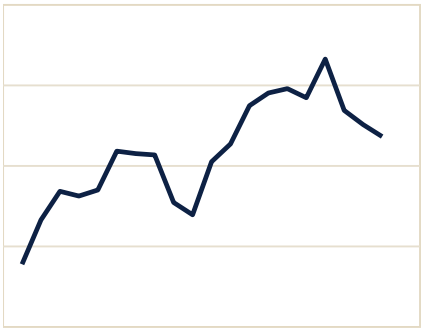
NEED TO KNOW · TIME FRAME

Each candle covers one period: one minute, one hour, one day and so on. You choose the time frame on your chart.

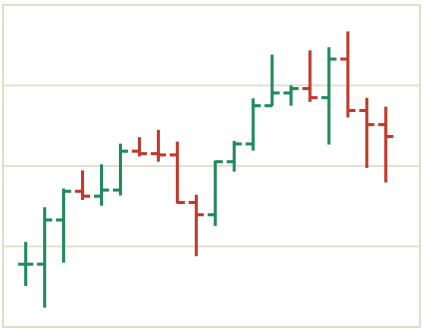
Chart types and time frames

Same prices, three ways to draw them

LINE CHART



BAR CHART



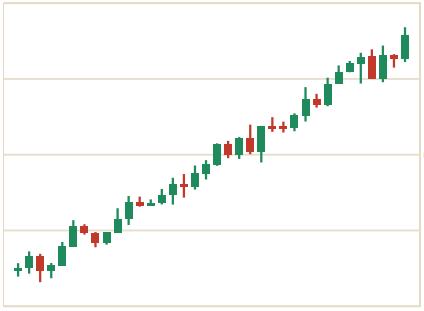
CANDLESTICK CHART



A **line chart** joins closing prices only. A **bar chart** and a **candlestick** both show the open, high, low and close.

Zoom out, then zoom in

MONTHLY
The direction



DAILY
The key levels



HOURLY
The timing



Start on a bigger time frame to see the overall direction, then move to smaller ones for detail. A rise on the hourly chart matters less if the monthly chart is falling.

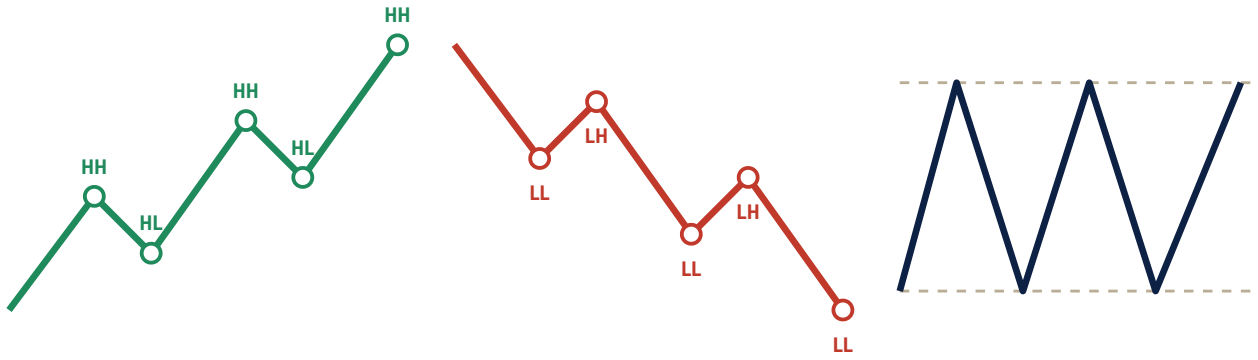
1–15 min Very short-term trades	**1–4 hours** Trades lasting days	**Daily** Trades lasting weeks	**Weekly / monthly** The big picture

CHAPTER 05

Market behaviour: trends

Prices zigzag. The direction of the zigzags is the trend.

The three types of market behaviour



UPTREND
Higher highs, higher lows

DOWNTREND
Lower highs, lower lows

SIDEWAYS
Moving in a range

HH higher high · **HL** higher low · **LH** lower high · **LL** lower low

A real uptrend, with a trend line



The blue line joins the rising lows. The more times price touches it, the more traders watch it. A clear break below can be an early sign the trend is changing.

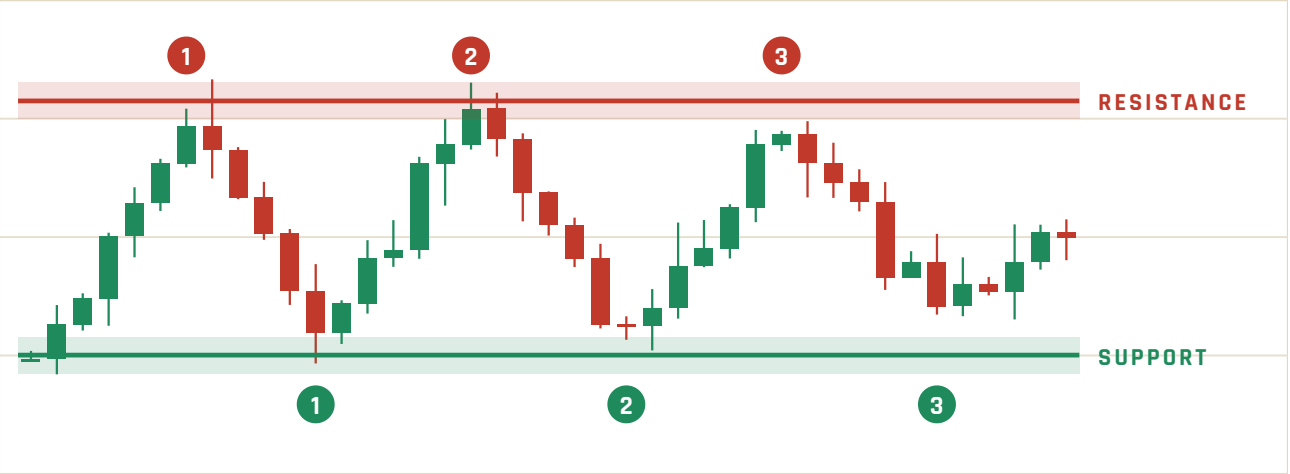
NEED TO KNOW · TREND LINE

A line joining two or more lows in an uptrend, or two or more highs in a downtrend.

Charts are past examples, used for education only. They are not recommendations to buy or sell.

Support and resistance

Support and resistance



Resistance: a level where rises have tended to stop, because sellers stepped in.

Support: a level where falls have tended to stop, because buyers stepped in.

When levels flip



Once broken, old resistance often becomes new support, and the reverse.

On a real chart

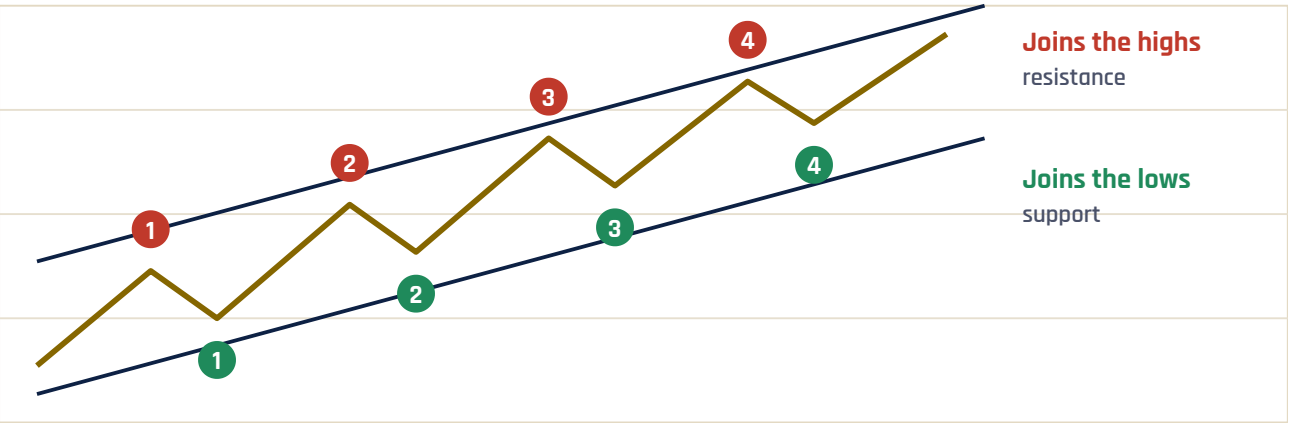


Levels are **zones**, not exact prices. Allow a little room either side.

Charts are past examples, used for education only. They are not recommendations to buy or sell.

Channels

How a channel is drawn



A **channel** is two parallel lines along the highs and lows of a trend. It shows the path price has been following, and where it might pause.

Rising channel



Each dip found support on the lower line.

Falling channel



Each bounce stopped at the upper line.

NEED TO KNOW · BREAKOUT

When price moves decisively out of a channel, pattern or past a key level. False breakouts are common, which is why traders wait for confirmation.

Charts are past examples, used for education only. They are not recommendations to buy or sell.

CHAPTER 06

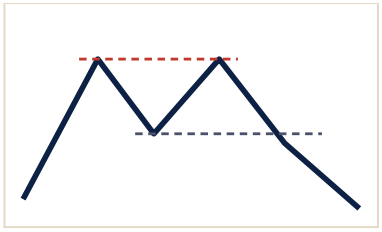
Chart patterns

Recognisable shapes that hint at what price might do next.

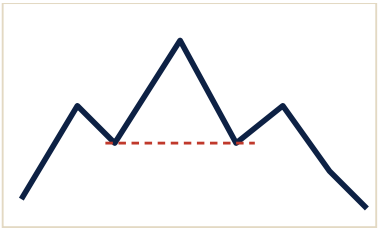
Reversal patterns
Often appear when a trend is running out of steam and may turn.

Continuation patterns
Often appear as a pause in a trend before it carries on.

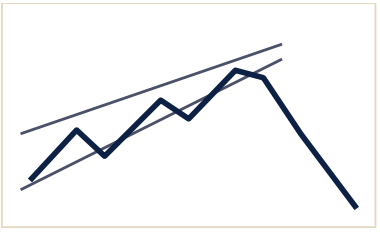
Six common patterns



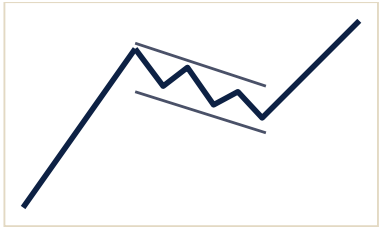
Double top REVERSAL



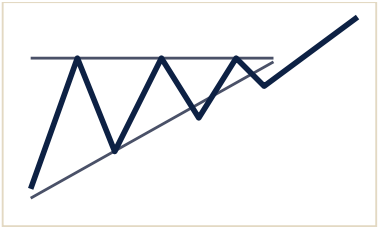
Head and shoulders REVERSAL



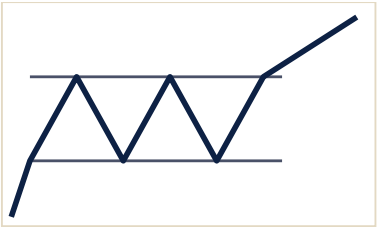
Rising wedge REVERSAL



Bull flag CONTINUATION



Ascending triangle CONTINUATION



Rectangle CONTINUATION

Real example: rising wedge



Price climbed inside two narrowing lines, then broke down.

Real example: pennant



A short pause in an uptrend, then the rise carried on.

Patterns are clues, not guarantees. Many fail, which is why they are always used alongside risk management.

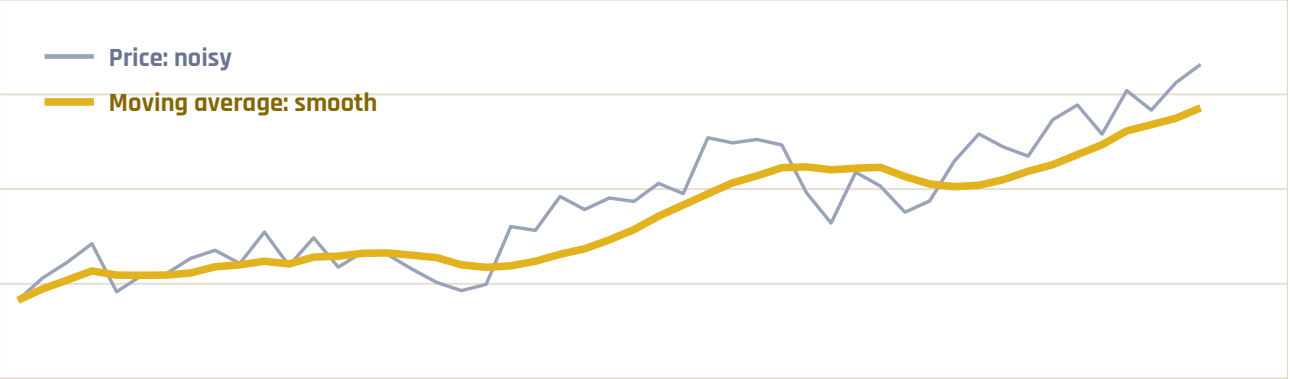
Charts are past examples, used for education only. They are not recommendations to buy or sell.

CHAPTER 07

Indicators

Tools added to a chart to help you read it.

What a moving average does



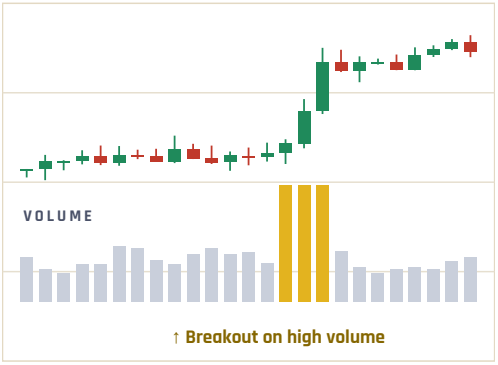
A **moving average** is the average closing price over a set number of candles. It smooths out the noise so the direction is easier to see. An **EMA** (exponential moving average) gives more weight to recent prices.

EMAs on a real chart



Short EMAs hug the price. Long ones are smoother and show the bigger trend.

Volume



A move on high volume has more conviction behind it.

NEED TO KNOW · KEEP IT SIMPLE

Indicators are built from past prices, so they follow the market rather than predict it. A few well-understood tools beat a chart covered in lines.

Charts are past examples, used for education only. They are not recommendations to buy or sell.

CHAPTER 08

Three ways to analyse a market

Three different kinds of evidence, and how they fit together.

Technical

THE CHART ITSELF

Where are the key levels? Which way is the trend?

Fundamental

WHAT SITS BEHIND THE PRICE

Is the economy growing? Is this company healthy?

Sentiment

THE MOOD OF THE MARKET

Are people fearful or greedy?

Top-down analysis



Start with the big picture, then narrow down.

Three economic figures

GDP Total value an economy produces	**Rising: growing economy**
Interest rates The cost of borrowing	**Rising: can weigh on shares**
Inflation How fast prices are rising	**High: rates often rise**

NEED TO KNOW · THE VIX

A widely followed measure of expected volatility in the US stock market, nicknamed the fear index. It tends to rise when fear rises.

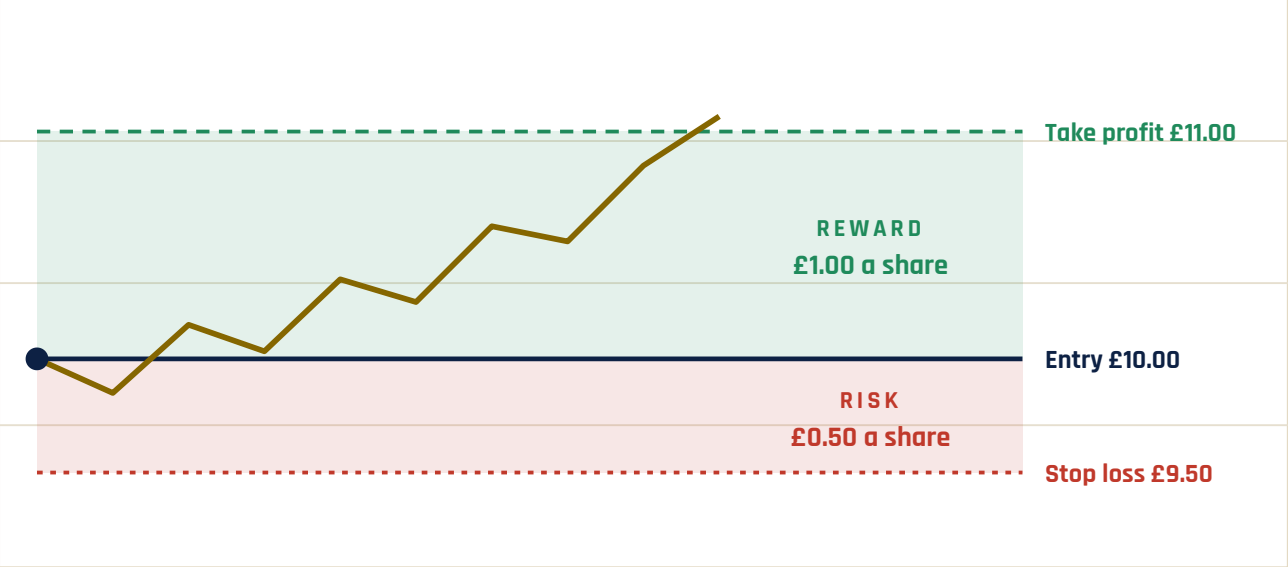
Many traders combine all three: fundamentals for **what** to look at, sentiment for the **mood**, and the chart for **when**.

CHAPTER 09

Managing risk

Deciding in advance how much you could lose, so no single trade does serious damage.

Stop loss and take profit



A **stop loss** closes the trade automatically if price moves against you. A **take profit** closes it at your target. Set both **before** you enter.

How big should a trade be?

Many traders risk only a small slice of their account on each trade, often 1% to 2%. The position size then follows from the stop loss:

£5,000	→	1% = £50	→	÷ £0.50	→	100 shares
Your account		Most you will risk		Entry to stop loss		Your position size

If the stop loss is hit, the loss is about £50: 1% of the account.

Market order
Trade now at the best price available.

Limit order
Trade only at your price or better.

Stop order
Triggers once price reaches a level.

NEED TO KNOW · SLIPPAGE

In fast markets a stop loss can be filled at a slightly worse price than you set. It still limits the damage, but not always to the penny.

Risk versus reward

Risk versus reward

Risking **£50** to make **£100** is a 1:2 risk-to-reward. Here is the result over 10 trades at different win rates:

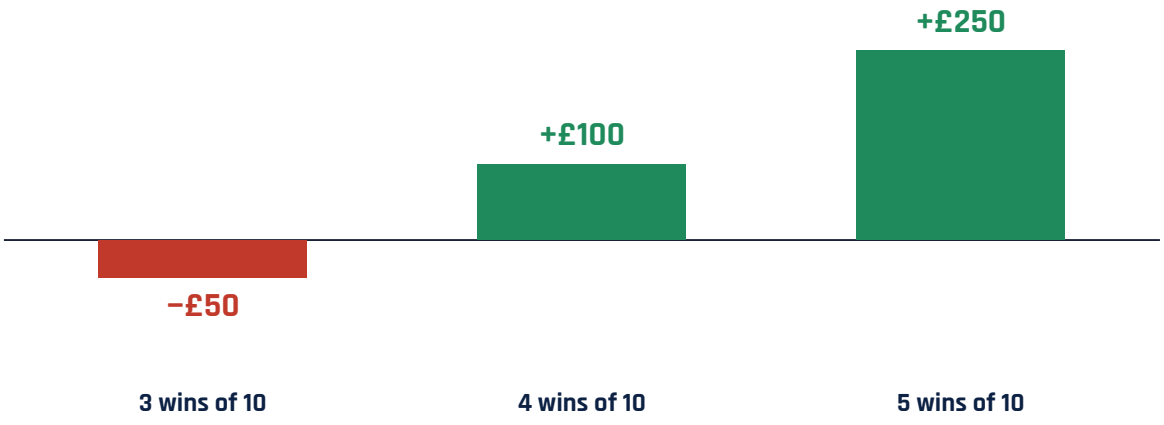
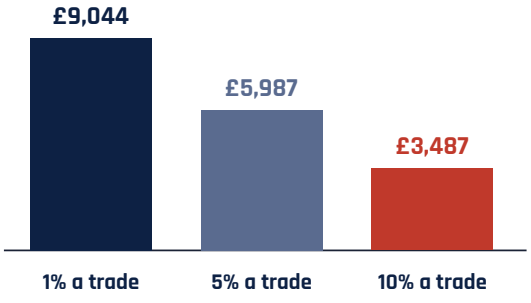


Illustration only. Ignores costs, and real results vary.

With rewards bigger than risks, you can be wrong more often than right and still come out ahead.

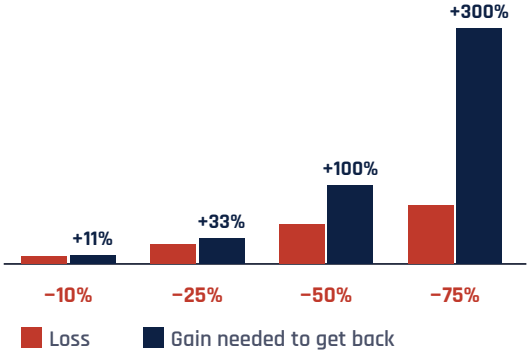
Ten losses in a row

A £10,000 account after ten straight losses:



The maths of recovery

The bigger the loss, the harder it is to win back:



NEED TO KNOW · DRAWDOWN

How far an account has fallen from its highest point. Keeping each loss small keeps drawdowns survivable.

CHAPTER 10

The trader's mindset

Most traders find the hardest part isn't the charts. It's themselves.

The emotional rollercoaster



Most traders feel these emotions as prices rise and fall. Knowing the cycle helps you notice when feelings, not your plan, are making decisions.

COMMON PITFALLS

- ✕ **Overtrading** — Trading out of boredom or to win back losses
- ✕ **Revenge trading** — Jumping back in bigger after a loss
- ✕ **Fear of missing out** — Chasing a move that has already happened
- ✕ **Overconfidence** — Raising risk after a winning run
- ✕ **Emotions over logic** — Abandoning the plan mid-trade
- ✕ **Repeating mistakes** — Usually from not reviewing trades

HABITS OF SUCCESSFUL TRADERS

✓ Patience · ✓ Discipline · ✓ Emotional control · ✓ Adaptability · ✓ Consistency · ✓ Self-awareness · ✓ Commitment · ✓ Continued learning · ✓ Focus

> "Trading without education is like gambling."

CHAPTER 11

Before every trade

Eight questions to run through every time. Keep this page by your screen.



1. Which way is the trend?

Check the bigger time frame first.

☐



2. Where are the key levels?

Mark support and resistance.

☐



3. Why am I taking this trade?

Explain it in one sentence.

☐



4. Where is my stop loss?

Decide it before you enter.

☐



5. Where is my take profit?

Is the reward bigger than the risk?

☐



6. How big is my position?

From your stop loss and % risk.

☐



7. Is there news due?

Big announcements cause sudden moves.

☐



8. Am I calm?

Angry, bored or chasing a loss? Step away.

☐

Can't answer one of these? Don't take the trade yet.

PRINT THIS PAGE

Educational content only. Not financial advice. Trading carries risk, and you can lose money.

GLOSSARY

Key terms, A to Z

Ask · The price you can buy at.

Bear market · A market where prices are generally falling.

Bid · The price you can sell at.

Breakout · Price moving decisively past a level or out of a pattern.

Broker · The company whose platform you trade through.

Bull market · A market where prices are generally rising.

Candlestick · A chart bar showing open, close, high and low.

CFD · A contract on the price difference between opening and closing a trade.

Channel · Two parallel lines containing a trend.

Commodity · A raw material such as gold, oil or wheat.

Demo account · A practice account with pretend money.

Diversification · Spreading money across different markets or strategies.

Drawdown · How far an account has fallen from its peak.

EMA · Exponential moving average: a smoothed price line.

Forex · Trading one currency against another.

Fundamental analysis · Studying the economy and companies behind a price.

Index · A group of companies measured together.

Indicator · A calculation drawn on a chart to help read it.

Leverage · Controlling a large position with a small deposit.

Long · A trade that profits if the price rises.

Margin · The deposit needed for a leveraged trade.

Margin call · A demand for more funds when losses eat into your deposit.

Position · A trade you currently have open.

Resistance · A level where rises have tended to stop.

Risk to reward · Potential loss compared with potential gain.

Sentiment · The overall mood of the market.

Short · A trade that profits if the price falls.

Spread · The gap between the bid and ask prices.

Spread bet · A bet of a set amount per point of movement.

Stop loss · An order that closes a trade to limit a loss.

Support · A level where falls have tended to stop.

Take profit · An order that closes a trade at a target.

Technical analysis · Studying the price chart itself.

Time frame · How much time each candle covers.

Trend · The general direction of the price.

Volatility · How much and how fast a price moves.

Volume · How much was traded in a period.

NEXT STEPS

Where to go from here

1 **Open a demo account**
Get comfortable placing trades and setting stop losses with pretend money.

2 **Get to know the charts**
Most demo platforms include free charts. Open one for something you know, such as the FTSE 100 or gold, and switch between time frames.

3 **Practise reading charts**
Find the trend, then mark support and resistance on a few different markets.

4 **Start a journal now**
Even on a demo account, write down why you'd take each trade.

5 **Keep learning**
This guide covers the what and the why. Turning it into a personal plan is the next step.

Ready for the next step?

At our 4-day MMT workshop we take you from understanding the basics to building your own plan: strategies for the long, medium and short term, your personal trader profile, and a clear game plan for preparing, executing and managing your trades. You'll also see it all applied on live charts.



Trading education for beginners and experienced traders. Questions about this guide: support@mmtformula.com

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