Beginners Workshop

Training Manual

Contents

Introduction

Welcome to The Traders Hideout. First off, I want to congratulate you for making this investment in yourself to learn a new skill that will be with you for the rest of your life. Most people are so scared to put their money at risk not even to mention investing it to learn a skill that can earn them a fortune. Don't get me wrong, it is not a guarantee that you will make it in trading nor make a fortune, but with The Traders Hideout you have the best chance you can get. There is still a secret that many people do not tell you about. That secret is … YOU!

In life you get people raised in wealthy families with enormous backgrounds, and still they do not amount to much. Then you get people that come from rural areas with tough backgrounds and they make a huge success out of the situation. My question was always why? Why do some people succeed, and some don't? Why do some people have it all and some people stay in the same position forever? I have found that my question is exactly the answer… WHY! You will find that the most successful people have one secret to success and that is their WHY. The reason they have that drives them to get up early in the morning and grind. The reason they keep on going after they have encountered many hardships and failures, it can be to help a family member get out of a difficult situation, to have a better life and help the people around them. It can be anything you like, if, there is a lot of emotion attached to it, that is what we will cover in the first chapter of this workshop.

In my few years of trading experience I have found out, only now, that I lacked the basics of trading, I had no mentor to teach me the basics of the basics. That slowed my trading career down drastically as I was wondering around pushing buttons just for the sake of it and buying, selling and basically gambling my hard-earned money to make the broker rich. We have found that this is the case for most new traders, they lack the basic knowledge and end up losing their hard-earned investments ending their trading career before it even started. We have developed this course is to save you a lot of time and money and get you straight on track from day one!

The other huge challenge is "scammers" in the trading industry. The so called 22 year old "gurus" that give the industry such a bad name by wasting and taking many peoples hard earned money , either by running away with the cash, blowing your accounts or make you pay way too much to learn something you can find anywhere. Luckily you have chosen the right path to learn how to trade without the glamour and fame, just the good old-fashioned charts, charts and lastly Charts!

Goalsetting

Why are you trading?

- **Reasons come first; answers come second**-
  the reason why you are trading and want to make a success must be clear. Most traders don't make it because they don't know what they want out of the market!

- **The 5 most important reasons why you want to become a successful trader**

  Think of and write down the 5 most important reasons why you have to or want to become a successful trader. Re-read those reasons everyday and especially when you are having a rough time in the markets because trust me that time will come.

- **Goals that you want to achieve in trading**

  Write down the goals that you want to achieve in trading, it can be anything from money goals, personal goals or whatever you want to achieve. Without targets in trading and in life we will just wander around.

- **7 Levels Deep exercise**

  This is an exercise I learned from one of my favorite books and it will help a lot when you struggle to find reasons. Ask yourself why 7 times and after about the 4^{th} why, the answers will move from your head to your heart and you will find the true reasons that you have to become successful.

Why Trading for a living and a career?

- You get to work for yourself and not a boss, thus you are responsible for your own success and not building someone else's dreams!
- Income potential is unlimited as you decide what you want out of the market and work towards that goal.
- Can work from anywhere in the world if you have a laptop and internet!
- Can spend more time with friends and family as you determine your working hours
- Escape the Rat race that everyone around us is following while hating their jobs and making someone else rich.

What is Forex

Forex is a decentralized marketplace where buyers and sellers meet and exchange currencies at different prices to one another. It is as simple as clicking buy and sell! Whenever you click a buyer is matched with a seller and vice versa (usually the broker takes the the other side of your trade, if you buy the broker sells to you). The FX market is also the largest financial market in the world with its approximately $4 Trillion a day trade volume. The Forex market is a 24/5 market which opens on Sunday 12 AM and closes on Fridays at 12PM, with that you have the ability to make your own trading schedule to trade the US, European and Asian markets at their different opening times.

In Trading there is always a base currency which is also known as the Major currency and then followed by the quote currency, For example:

EURUSD

- Euro is the base currency and is traded against the Dollar
- When your analysis suggest that the Euro will be the stronger currency you simply Buy (LONG) the EURUSD pair and when the Dollar is the stronger currency you Sell (SHORT) the EURUSD pair

Major and Minor currencies

In trading it is very important to know the difference between the major and minor currency pairs and is divided into these two categories for a good reason.

Major currencies are the most traded pairs in the world and are considered to have the highest volume and liquidity which makes execution (trading) easier with less gaps and narrower spreads.

Six major currencies are:

- US Dollar
- EURO
- Japanese Yen
- British Pound
- Canadian Dollar
- Swiss Franc

Six Minor currency pairs are:

- NZDJPY
- EURCHF
- EURGBP
- EURAUD

- AUDJPJ
- GBPCAD

What is leverage?

Leverage is the ratio between your account size and the amount of capital the broker will lend to you for trading purposes. With Blackstone you can get up to 100:1 leverage. This means for every R1 in your acct the broker is prepared to lend you R100 at an annual interest rate(fluctuates) known as the swap. Leverage is what enables us to trade with a lower amount of capital than buying the physical currency. Example: you want to trade USD/ZAR as a buy at 1:15

$1 = R15 you would buy 15 Rand and you would hand over 1USD to do it on the physical market. With leverage to make the identical trade you would only put down 1 us cent to buy R15.

If the rate goes up to 1: R16 you would make R1 profit off 15 ZAR cents ($.01: R0.15) deposit (margin)

What is spread and margin?

Spread is the difference in price between the asking and selling price when buying or selling a currency. That is how the brokers make their money they collect the spread , it also means that if the spread is 10 points you have to first be 10 points in profit to be clear of the spread and after that the profit you make is yours to keep. Be sure to always check the spread with your broker and remember during high volatility markets which usually happens during news events like NFP and FOMC spread tends to increase a lot!

FOMC is the interest rate announcements from the States where they announce if they are going to increase or decrease interest rates which as you can imagine have a huge impact on the market or the way that the world views the markets.

NFP stands for Non-farm payrolls. This is the biggest news event in the world, and it happens every first Friday of the month. It represents the amount of jobs added in the US economy and have a huge impact on the forex markets upon release and can throw the market in all directions.

Margin on the other hand is the amount you need in your account to be able to place a trade. This also differs from broker to broker so make sure you never over-leverage your account by using too much margin and lot size!

What is a pip?

A pip is the term in which currency pairs are measured and represents the change in value between the currency pairs. A pip is short for Percentage in Points. For instance, when GBPUSD moves from 1.2690 to 1,2691 that is one pip and is the last decimal in the quotation.

Types of market orders

The term order is referring to where you want to enter and exit a trade. Like any other market you get simple buy and sell orders and more advanced orders like:

- BUYSTOP orders which allows you to have a order that will trigger when the markets reached a higher price and will automatically place a buy (LONG) position.

- SELLSTOP orders which allows you to have a order that will trigger when the market reaches a lower price and automatically place a sell (SHORT) order.

- Stop loss orders which will close your trade automatically when it reached a certain price opposite your order which will help you preserve capital instead of wiping the entire account.

- Take Profit orders which are placed at the target of your trade to secure profit once that price have been reached.

- Buy limit order which are placed when the market is going down and at a certain level or price you want to buy, the buy limit will be placed for a buy at that price

- Sell limit order which are placed when the market is going up and at a certain price you want to sell, the sell limit will be placed for a sell at that price

Categories of traders

In trading there are three types of market analysis and they determine when and based on what to enter a trade, these three types of analyses are Fundamental analyses, Technical analyses and every traders own Sentiment analysis.

Many people will agree and disagree on a very important point, is the market random or not? That is a question you can only answer after you have gained some experience in trading your own strategies and come to your own conclusion. There is a theory that history repeats itself and that is true to some point, but the market also experiences new changes never seen before so it can also be that the market moves like never before. Either way we need to adapt and be prepared for anything.

Technical analysis is where traders study the price movement and price action of the market and always look at previous signs and price levels to determine whether to enter or exit a trade. This is a much better and reliable way for new traders to get into the world of trading as it's much easier to view historical data a do analysis with that.

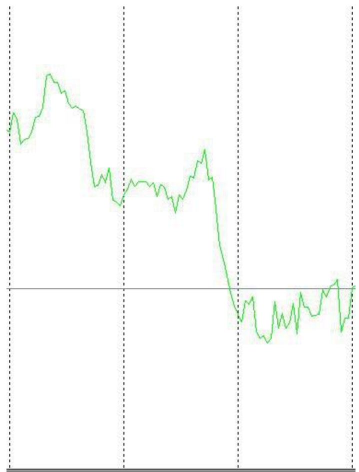
Fundamental analysis is when traders study important news events and politic standings in the world that will have an effect on the markets and then trade accordingly. This is very risky on its own because everyone looks at the markets differently. For instance, when interest rates go down in South-Africa that is good news for the people of SA, but not so good news for outside investors. Therefore, the USDZAR will gain strength and the ZAR will lose strength.

Sentimental analysis is just what the word says, Sentimental. Every trader views the market differently and see things other people don't. This analysis cannot be taught, it comes with experience and lessons learned in the market, but it is very important analysis you will need in your trading career. No matter how strongly you believe that the market will go down, if the overall sentiment of the market is bearish the market will go down and you will get stopped out. Remember there is much bigger forces like institutional traders in the market that moves the market much more than you and I (the retail traders). Therefore, always look at the big picture on what the world thinks and feel about the market, if there is a lot of uncertainty in the EURO the sentiment will be more bearish than bullish. Going against that won't be a good idea.

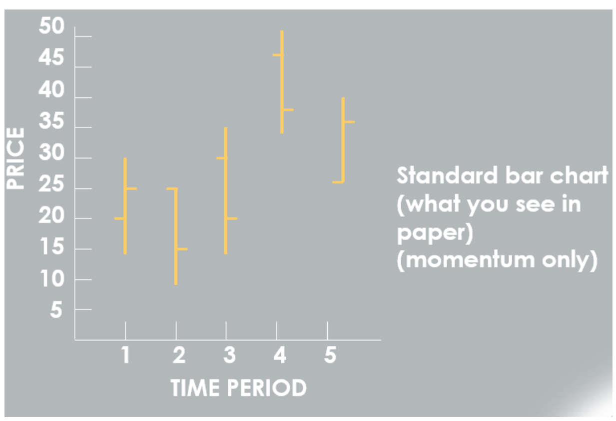
Type of Charts

Let's take a look at the three most common type of charts in trading that you will come across:

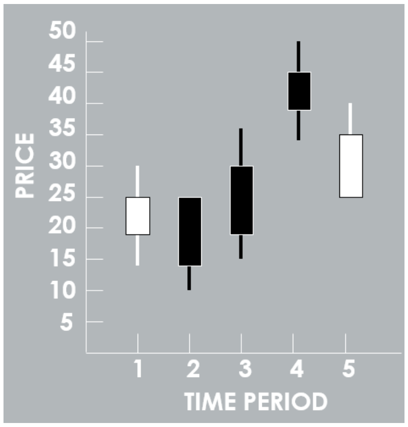
- Line charts – price movements are indicated by a line and changes as the market moves, not much info can be seen in a line chart.



- Bar chart – a bit more complicated to line chart. It shows the open and closing price as well as the high and lows of the session. The length of the candle shows the trading range as a whole. The info you can gather from Bar charts are still incomplete and can be very difficult to read.



- Candlestick chart – the best and most used type of chart in trading. Every candle shows the open and close of the session as the body and the high and lows as wicks. With candlestick charts you can gather a lot more info and every candle can indicate a change or continuation of the market. Candlestick patterns will be discussed later in the notes.

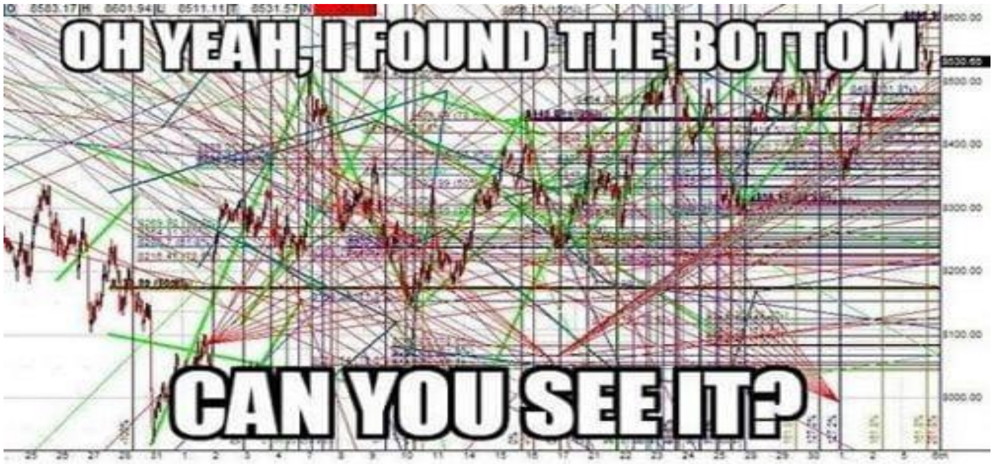


There are some reasons why we and most traders worldwide use candlestick charts, these reasons are:

- They are the easiest to interpret and a good visual tool for beginners to analyze the market, most people are visual learners so this can make things a lot easier to learn!

- Candlesticks can be put into categories with specific names, that can also make it easier to spot and learn to read the charts and spot turning points and candlesticks are essential to pick and spot turning points!

- Candlesticks are very good indicators not only when to enter a market but are very important to use to get out of a trade.

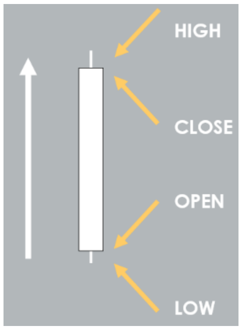


The most important candlesticks and patterns

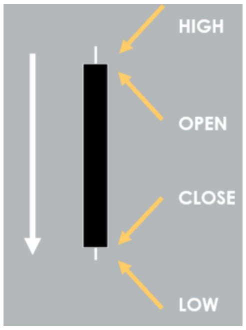
When viewing a chart, you will see a lot of different candlesticks, each one of them gives information on how the market moves, how strong the trend is and how well the pair you are looking at is trending. All this information is crucial to your decision making when entering a trade. In this course we will cover the most important candlesticks that will help you spot good trending pairs, trend reversal signs and turning points. We will also cover the five most important candlestick patterns you will see in your trading journey.

Firstly, we are going to look at a basic candle and how to read them:

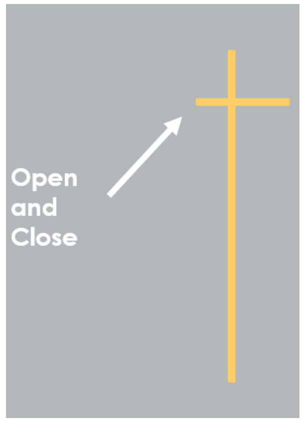
This is a **bullish** candle which indicates the market is moving up and has upwards momentum, the body of a candle shows the momentum and buying/selling power behind the market in the current session.



This is a **bearish** candle; it shows that the market is going down and the bears are in control.

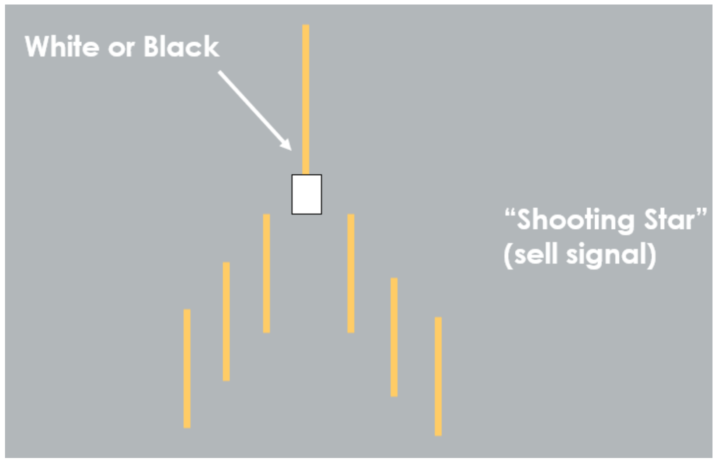


Next we will look at the five most common and important candlestick patterns, first one is the **Doji candle**. The Doji candle tells you that the market is tired, this is NOT a reversal candle so be careful tradeoff trading it as such. The Doji is a hesitation candle and has the same closing price as the open price which means the market is unsure of where to go next.

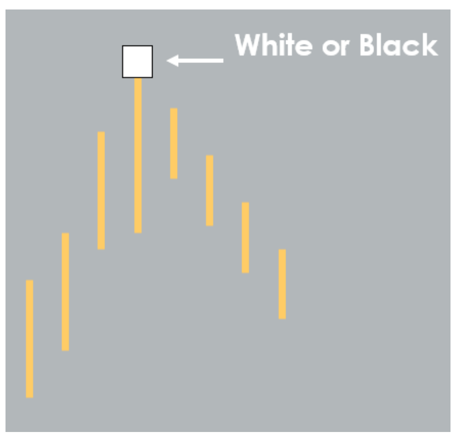


The next candle to look at is **The Hammer** candle. Hammers occurring at the bottoms of trends are powerful signals. It's important to use this candle in context and not trade it in the middle of a trend!

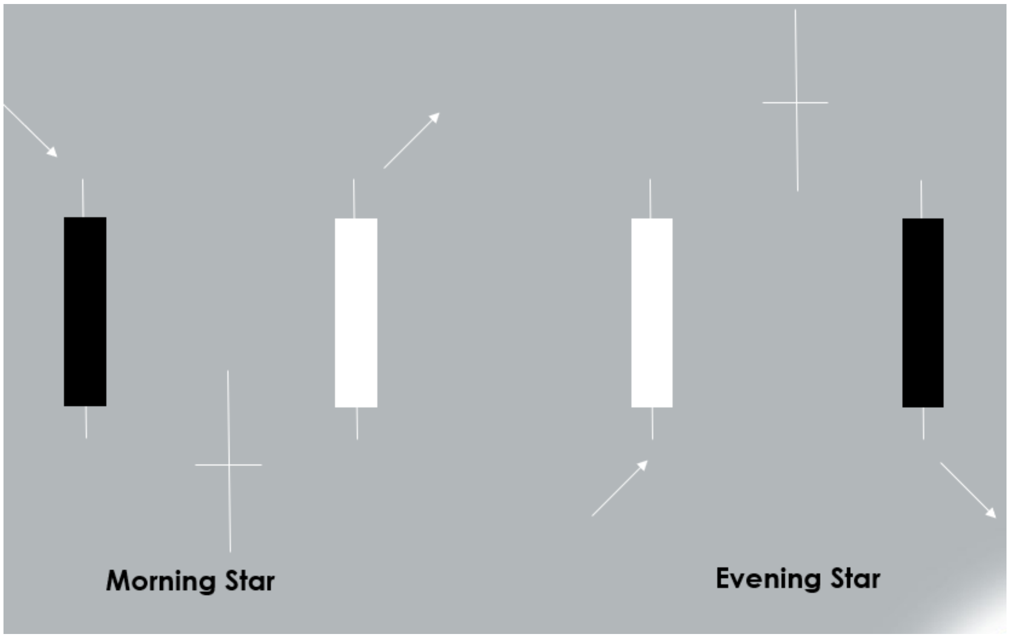
The next candle is **The Shooting star** candle. This is the opposite of the hammer candle and occur at the top of trends and are powerful selling signals, as with the hammer you must use this candle in context and not in the middle of a trend!



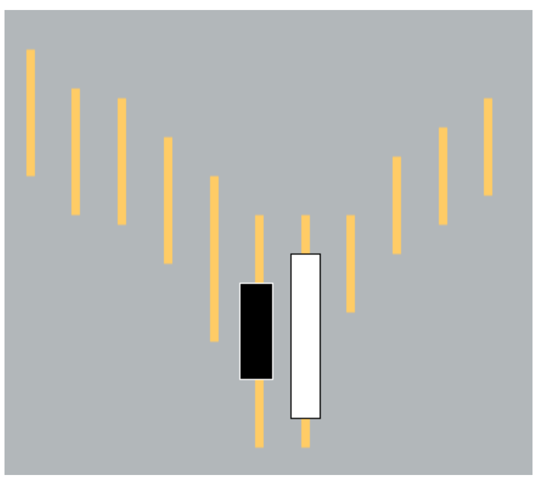
Next one is **The Hanging man** candlestick. This candle usually occurs at the top of trends for it to be effective, it shows the bears took over for a while and drove the price down and the last of the bulls (buyers) came in and drove the price a bit higher. This is a good sell signal as the buyers are now exhausted.



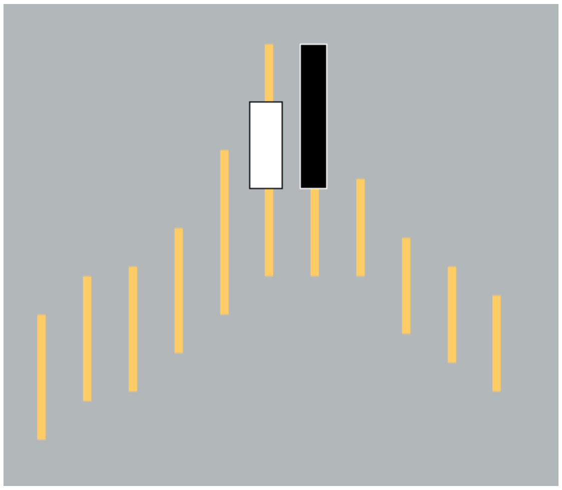
The next candle stick we are going to look at is the **Morning and Evening stars.** Morning stars occur at the bottom of trends and evening stars at the top of trends. This candle shows that the market is tired, and a reversal can follow soon.



Next one we will look at is **The Bullish engulfing pattern.** This pattern occurs at the bottom of trends where there was a long downtrend or selloff on a pair. The market then forms a support zone where the market finds buyers. At this support zone buyers start to take over and then the pattern forms where a bullish candle engulfs the body of a bearish candle, this is a powerful pattern as it shows the market can change in trend.



The next one we will look at is **The Bearish engulfing candle.** This is the opposite of the bullish engulfing candle; it occurs at the top of a trend where there was a big bull run and a lot of buying power. The market finds resistance at a certain price and a bearish candle engulfs a bullish candle. This is a very powerful pattern as a change in trend can occur next.



These are the most common candlestick patterns you will see and use to determine your trades and making your analysis. Using candlesticks is crucial for entering and exiting trades. There is a great saying that says “Candlesticks lights a trader’s path “, which is very true because without candlesticks the market can become a very dark place!

How to read charts

When it comes to technical analysis reading a chart is the most crucial skill you would have to have to become a successful trader. Spotting trends and reversal, candle patterns, channels, patterns and so forth will come with experience but for now we will go through the basics that you need to know when reading a chart. Defining a trend and where to draw trendlines, applying Oscillators and drawing Fibonacci retracements will be covered in this chapter and will be of much value as you progress in your trading career.

Every chart has a few timeframes to choose from. From 5minute charts for the day traders all the way up to monthly charts for the swing traders. At the Traders Hideout we will mostly work with 5min charts for the day trading and 4hour to Daily charts for the longer-term trend trades. The timeframes you can view is on the bottom right of your MT4 platform.

When looking at a chart what is it that you have to determine first? **Trend**. When you determine the trend, you can be on the right side of the market as the most important rule is to trade with the trend and remember the trend is your friend! There are various ways to trade reversals but that is a dangerous game to play, as for trading with the trend is much easier as the trend is lazy and don't change very quickly.

How do we determine trend?

- For an uptrend the market must form higher highs and higher lows
- For a downtrend the market must form lower lows and lower highs

Another way we can determine trend is by way of adding a **Moving average.** A moving average is a mathematical formula created to determine the average price over a certain period. A moving average show that the average price on a chart by way of a trailing line as price moves up or down for example:

This is an example of a simple 50 moving average on a chart which shows the average price over 50 days period. To determine trend on the longer time frame (D1,H4) we will use:

- 89 Exponential moving average (BLUE)
- 21 Exponential moving average (RED)
- 8 Exponential moving average (GOLD)

To determine trend on a shorter timeframe (H1,5m) we will use:

- 50 simple moving average (BLUE)
- 21 Exponential moving average (RED)
- 8 Exponential moving average (GREEN)

In the longer timeframe we have our moving average added, but how do we interpret these moving averages? When the 21 is above the 89 the long-term trend is up and when the 21 is below the 89 the trend is down. The 8 Ma is just to indicate an earlier trend change and can be used for earlier signs that trend is changing, remember that the 8 can cross the 21 a few times before the trend is actually changing so beware of false signals!

See if you can spot the trend and the trend changes:

Oscillators

Now that you have learned how to determine trend, we are going to look at another set of useful tools called **Oscillators**. Oscillators are mathematically derived and are the best to use in lateral (consolidating) markets rather than trending markets. Every oscillator shows you overbought and oversold conditions based on the period and the formula used for the oscillator.

We are going to look at the three most commonly used oscillators called **The RSI** (relative strength index), **The Stochastic** and **MACD.**

The RSI is an oscillator that shows the relative strength of the market over a period of time. When the RSI trails above 70 it indicated the market is overbought, when the RSI trails below 30 it indicated the market is oversold. The bigger the timeframe the more accurate this oscillator will be. Always remember that this is not a system it's just a tool that helps you to spot and determine trend changes or swings earlier. There is much more depth on the RSI, but this is how it works in a nutshell. You can see in the chart below where the RSI shows overbought and oversold conditions and the price moves accordingly (not always!)

Next we will look at the Stochastic oscillator. As with the RSI the Stochastic is also an indicator which indicates overbought and oversold conditions (momentum indicator). The Stochastic has a scale from 0 to 100 where price at or below 20 is seen as oversold and price on or above 80 is seen as overbought.

This looks easy in hindsight but the market doesn't do what oscillators tell them as the stochastic is a lagging indicator meaning that the price has to close for the stochastic to form, the market does what it wants to do, so be careful in using this oscillator to buy and sell. It is just a tool and not a system! As seen below on the chart using the stochastic, you can see what happens to price when it is overbought and oversold according to the stochastic.

Next we will look at the MACD indicator. MACD is an acronym for Moving Average Convergence Divergence. This indicator is used to identify moving averages that are signaling a change in trend coming. It measures is the relationship between two Exponential moving averages (EMA) and many traders use it with RSI to make a more accurate analysis on a possible trend change that is coming , be careful because sometimes the RSI indicated that markets is overbought but MACD indicated that there is still buying power behind it. In the chart below you can see where the MACD indicates that a change in trend is coming and the market acted accordingly. (luckily!)

One tool that is used within all these indicators is a term called **Divergence**. It is a very popular tool because it shows price moving higher/lower while the indicators move lower/higher, which indicates that a change in trend can be coming soon and this has a high success rate. Be sure to back test this on your own while using the indicators that suits you the best. In the picture below you will see how divergence and negative divergence is formed and spotted.

This is an example of reverse divergence, the price will continue to fall lower while the RSI will push higher, this is a good indicator that a change in trend can occur soon. Below you will see a chart with normal divergence. You will see price push higher while the RSI is lower, also a good indicator that a change in trend can occur soon.

Fibonacci

With the oscillators fresh in our mind we are going to look at one of the most important technical tools that there is in the market today. This tool is called **Fibonacci,** a mathematical and numeric system invented by a guy named Leonardo Pisano Bigollo, and anything invented by a guy with three names must be of some importance! (only if it was this simple). Jokes aside, the Fibonacci sequence was originally started by watching the breeding habits of rabbits.

The sequence goes like this:

1+1=2

2+1=3

3+2=5

5+3=8 and so forth. So, the sequence of numbers is 1;1;2;3;5;8;13;21;34;55;89;144 with the golden mean 0.618! A very important number is the Fibonacci sequence.

Everything in nature revolves around 0.618. If you take the top of your head to the bottom of your toes and multiply it with 0.618 what do you get? Your BELLY button! Take length from your shoulder to your fingertips and multiply it with 0.618 what do you get? Your ELBOW! Fascinating isn't it? The leaf versus the twig, 0.618! The twirl on a seashell, perfect 0.618!

How do we use this in trading though would you ask? That's simple, everything in nature goes the easiest path which is our golden mean number mentioned above so will markets go the most difficult route or the easiest route? That's where our Fib levels come in is to give targets in the market. Most traders will learn people when to press the button to go long or short, but no one teaches you where the market is going! Take a look at the chart below, we draw our Fib levels from a high point in the market to a low in a certain period and watch how these levels get hit!

This is how important these levels are, now we just have to know where to draw them! We use Monthly high/lows weekly high/lows for the longer-term trades and Daily high/low for the shorter timeframes and trades.

- For the Monthly high/low we use the Daily chart and draw the Fib from the highest point of last month to the lowest point of last month and you have the levels for the next month!
- For the Daily high/low we use a 5-minute chart, we then draw the Fib from the highest price of the previous day to the lowest price of the previous day and you have your levels for today!

These levels are not only targets, but they are levels of interim support and resistance that you can use, to get in a trade and to get out of trades are also helpful when using Fib levels where there is no clear support and resistance on the chart.

Money Management

In the trading industry, the term money management are often mentioned and taken too lightly and that is why most traders does not make money in trading. I am sure you have seen the so called "gurus" on social media driving their expensive cars and living their flashy lifestyles claiming to be traders. The truth of the matter is that 99.9% of them don't actually trade or know much about trading, they sell people a dream of making millions within months in trading, which is just not true. So, in essence they make their money from the poor souls that buy in to those programs and end up more confused in the end while the "gurus" keep getting richer.

At The Traders Hideout you will see that the term money management is a very important aspect to our approach to trading. When you watch the history of the most successful traders like Carl Icahn, Paul Tudor Jones, Jesse Livermore and many more, you will see the one thing they all agree in is CONTROL YOUR RISK!

Before even entering the trade, you must determine the risk you are willing to take if the trade does not work out. This Term is called **Risk to Reward** ratio.

To work out your Risk to reward ratio you must follow a few simple steps:

- Determine where the Stop loss will be when you place the trade
- Determine where your Take profit level will be
- If the Take profit is not at least 2 times the Stop loss, don't make the trade!

For example, if you enter a trade and your take profit is 50 pips but your stop loss is 100 pips, the R-R is 2:1 and that is not a good idea. You can still be right and make the 50 pips but remember we are here to preserve capital not to gamble with it! Trading is a matter of probabilities, and we have to get the probabilities on our side!

The minimum R-R ratio we work with in trading is at least 2:1, which mean your profit level you aim for must be at least two times more than the stop loss level. Trading like this will save you a fortune on stops and your account will come out on top!

How do you determine my lot size?

To determine your lot size in the market is also a very important skill to learn at an early stage in trading. First off, as mentioned in the previous chapter that we at The Trader Hideout use concept of a 1-2.5% of capital risk per trade, so we will discuss and go through how to determine stop loss according to this rule.

Let's say you have an account of R10000 and you are looking at a trade on EURUSD , you see that your system and strategy is triggering, all the emotions are flowing and you just want to jump in with a 10 lot size (R10 per pip). You push the button and boom… you are in the trade! But as the trade starts to go against you your equity and loss is starting to make you sweat and a bit nauseous, that is a very bad place to be. So, to help you prevent that situation or help reduce it we are going to take that same trade, let's say EURUSD. Your system is triggering to go long, your stop loss level is the previous swing low, let's say 100 points and your take profit level is at 200 points. Let's say your stop loss level is going to get hit, remember we are only risking 1-2.5% of trading capital, we work it out as follows:

- R10000 x 2.5% = R250, that means you can't risk more than R250 on this trade. Therefore, your lot size on this trade will be 2.5 (R2.50 per pip).

This is how you work out your lot size on anything that you are trading, when you are trading shorter strategies on 5min charts you can obviously risk a lot more as your risk won't be 100 points!

What to do with profit?

As with everything else in life making money is not the hard part, it is keeping the money that is the challenge. Here at The Traders Hideout we long for financial freedom which means you can do what you want and not have money as the main problem for anything. Everyone has different goals that they want to achieve so what you do with your profits is your business.

Here we teach our clients to have the same amount in their savings account as their trading accounts. For instance, if your target is a R50000 account, trade well until you have reached that. After that withdraw all the profits until your savings account is on R50000. Then push for the next target and so forth. That is simply to take some profit out of the system and putting it in your pocket, remember anything can happen in the market like a flash-crash or a bad week or month and there goes your trading account.

When you are having some drawdowns in your trading journey, try not to top of your account again but rather reduce position size and trade the account back to where it started. This will save a lot of your hard earned capital.