

The Trading Routine

Part 1 : Basics

What is CFD ?

CFD stands for **Contract for Difference**.

A **CFD** is a financial instrument that allows you to **speculate on the price movement** of an asset **without owning the asset itself**.

Simple explanation

You make a contract with a broker to exchange **the difference in price** of an asset between:

- the time you open the trade
- and the time you close it

If price moves in your favor → **profit**

If price moves against you → loss

What you can trade with CFDs

CFDs cover many markets, such as:

- **Forex** (EUR/USD, GBP/JPY, etc.)
- **Commodities** (Gold, Oil)
- **Indices** (NASDAQ-100, Dow Jones, S&P 500)
- **Stocks** (Apple, Tesla, Nvidia)
- **Crypto** (Bitcoin, Ethereum) (*depending on broker*)

Buy & Sell both directions

With CFDs you can:

- **Buy (Long)** → if you expect price to go up
- **Sell (Short)** → if you expect price to go down

You don't need to own anything physically.

Leverage :

CFDs are usually traded with **leverage**, meaning:

- You control a large position with a small amount of capital
- This **increases both profits and losses**

Example:

- 1:100 leverage → \$100 controls \$10,000
- A small move can result in big gains **or** big losses

Key advantages

- Trade **up or down**
- Access many markets from one platform
- Lower capital required (because of leverage)
- No ownership or storage of assets

Key risks

- Leverage can wipe out your account quickly
- Spreads, swaps, and fees apply
- Not suitable for beginners without risk management

In one sentence

A CFD is a leveraged contract that lets you profit or lose from price movements of an asset without owning it.

What is Spread ?

Spreads in trading mean the **difference between the Buy price and the Sell price** of an asset.

- **Simple explanation**

In any market, there are always two prices.

- Buy price: the price you enter a buy trade at.
- Sell price: the price you enter a sell trade at.

The **spread** is the gap between these two prices.

It is considered the **basic cost of trading** paid to the broker.

- **Simple example**

If Gold is priced at:

- Buy: 2400.20
- Sell: 2400.00

The spread is **0.20**.

This means every trade starts with a small loss equal to the spread.

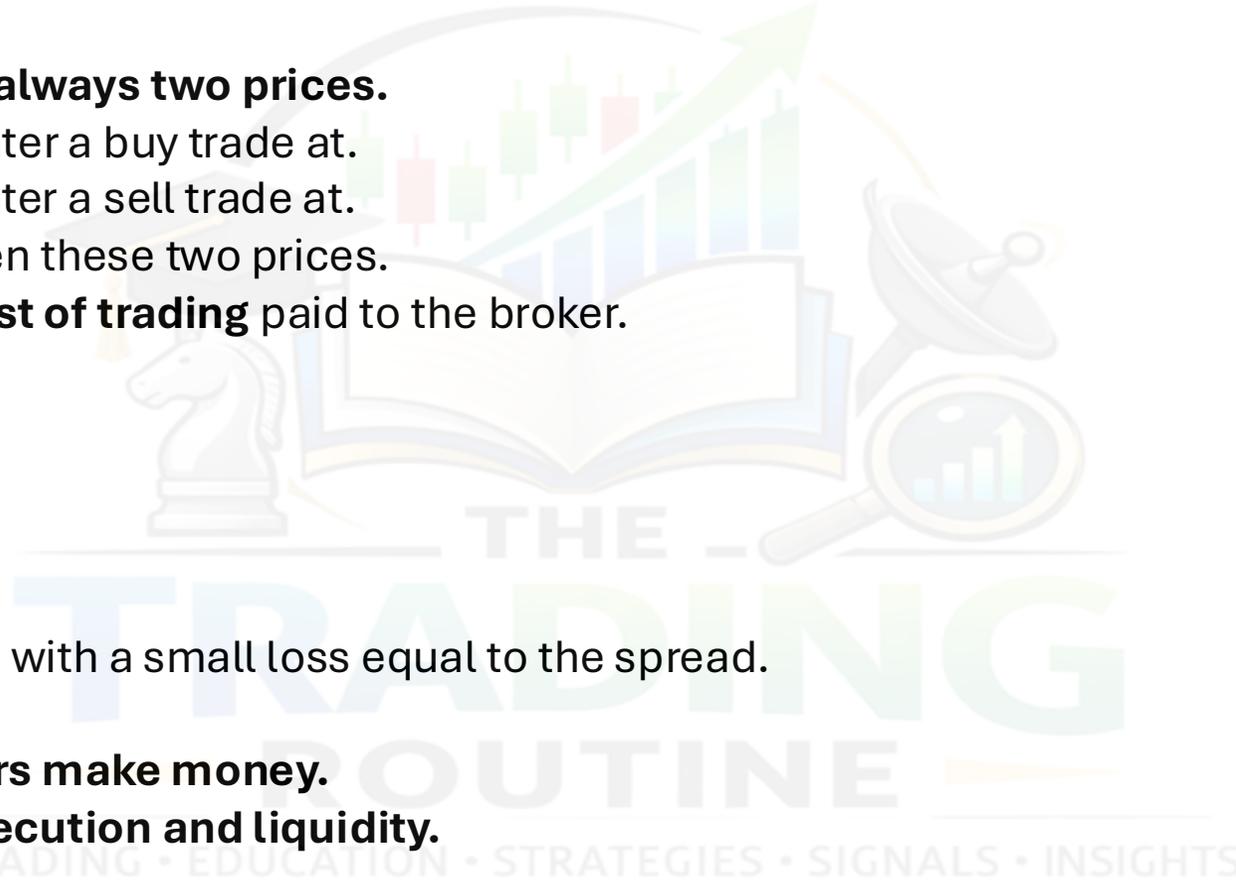
- **Why spreads exist**

The spread is how brokers make money.

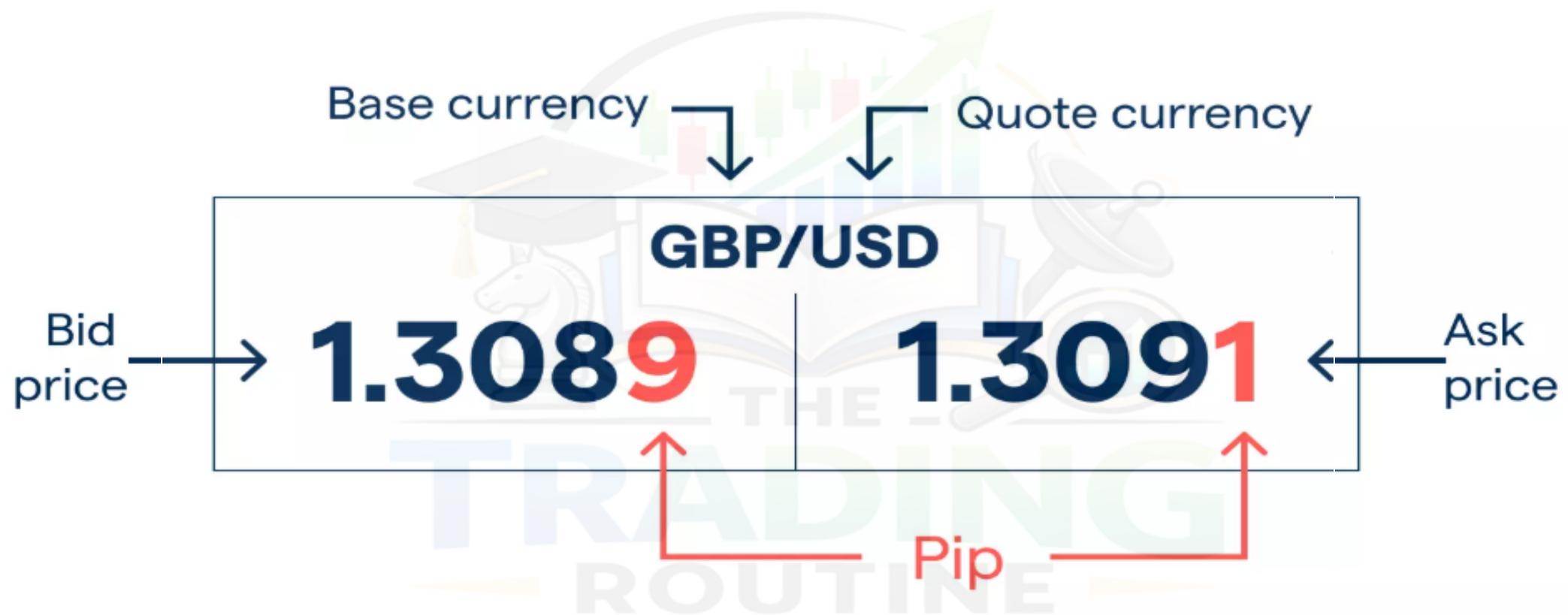
It is the cost for trade execution and liquidity.

- **Types of spreads**

- Fixed spread.
Stays the same regardless of market conditions.
- Variable spread.
Changes based on liquidity, news, and volatility.



- **When spreads widen**
- During high-impact news.
- When liquidity is low.



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$$\text{Spread} = 1.3091 - 1.3089 = 2 \text{ pips}$$

What does lot size mean ?

Lot size in trading refers to the **volume or quantity of a trade** you open in the market. It tells you **how big or small your position is**.

- **Simple explanation**

A lot size defines how much of an asset you are buying or selling in one trade. The bigger the lot size, the bigger the profit or loss per price movement.

- **Standard lot sizes**

In most markets, especially Forex:

- **Standard lot** = 1.00 lot = 100,000 units
- **Mini lot** = 0.10 lot = 10,000 units
- **Micro lot** = 0.01 lot = 1,000 units

- **Example**

If you trade EUR/USD with:

- 1.00 lot, every 1 pip move \approx \$10
- 0.10 lot, every 1 pip move \approx \$1
- 0.01 lot, every 1 pip move \approx \$0.10

- **Lot size and risk**

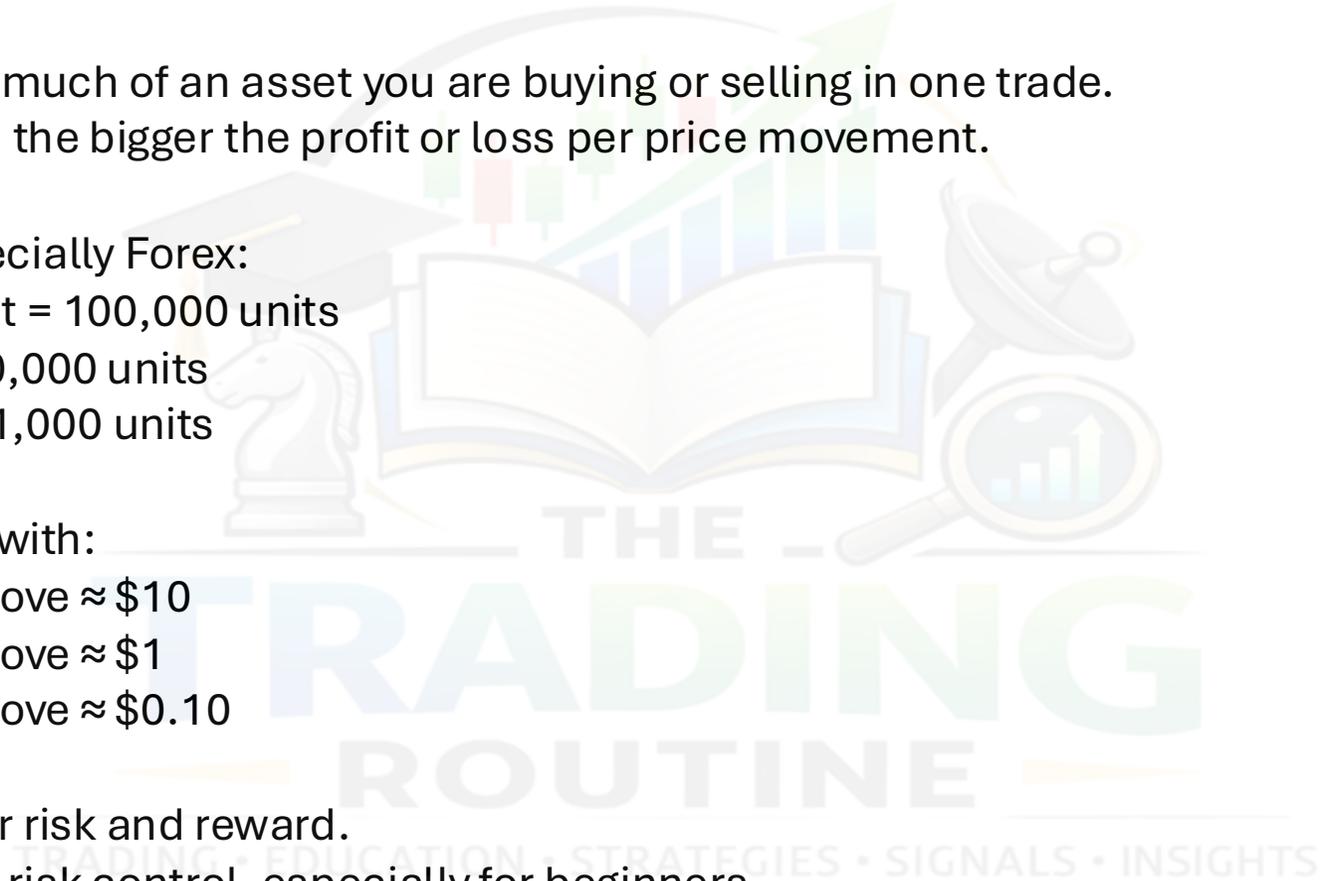
Higher lot size = higher risk and reward.

Lower lot size = better risk control, especially for beginners.

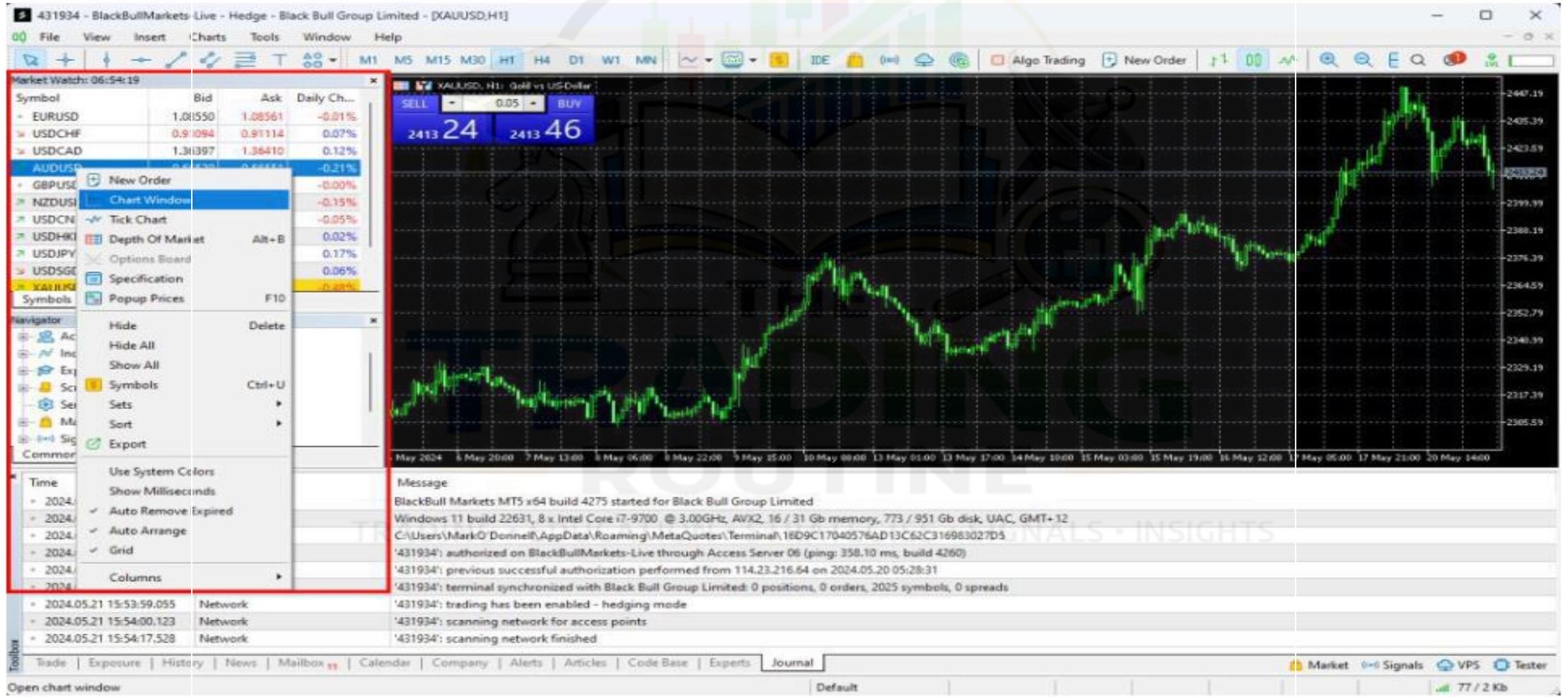
- **Lot size in CFDs**

In CFDs, lot size can represent:

- a number of contracts,



- ounces of gold,
- barrels of oil,
- or index contracts, depending on the market and broker.
- **In one sentence**
Lot size determines how much money you gain or lose for every price movement.



What is a pip in trading ?

A pip is the **smallest standard price movement** in trading.

It shows **how much the price has moved**.

- **Simple explanation**

A pip is a unit used to measure price changes in the market, mainly in Forex.

- **Forex pairs**

For most currency pairs:

- 1 pip = 0.0001

Example:

EUR/USD moves from 1.1000 to 1.1001

That move equals **1 pip**.

- **JPY pairs**

For pairs that include the Japanese Yen:

- 1 pip = 0.01

Example:

USD/JPY moves from 150.00 to 150.01

That move equals **1 pip**.

- **Pips in Gold (XAUUSD)**

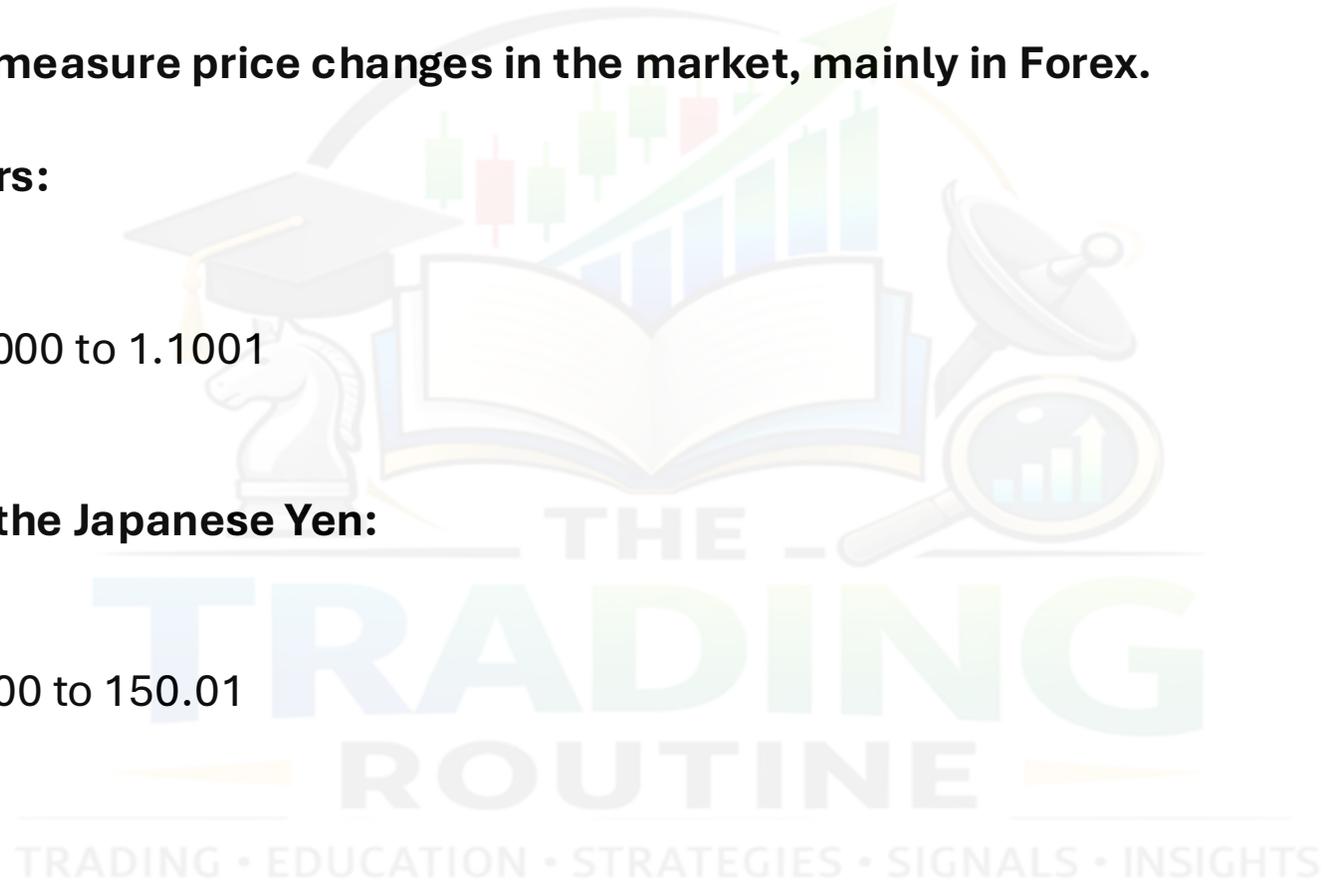
In Gold trading:

- Every **1.00 USD move = 10 pips**

Example:

Gold moves from 2400.00 to 2401.00

That equals **10 pips**.



- **Pips in Indices**

For indices like **US30** and **NASDAQ**:

- Every **10 USD** move = **10 pips**

Example:

US30 moves from 38,000 to 38,010

That equals **10 pips**.

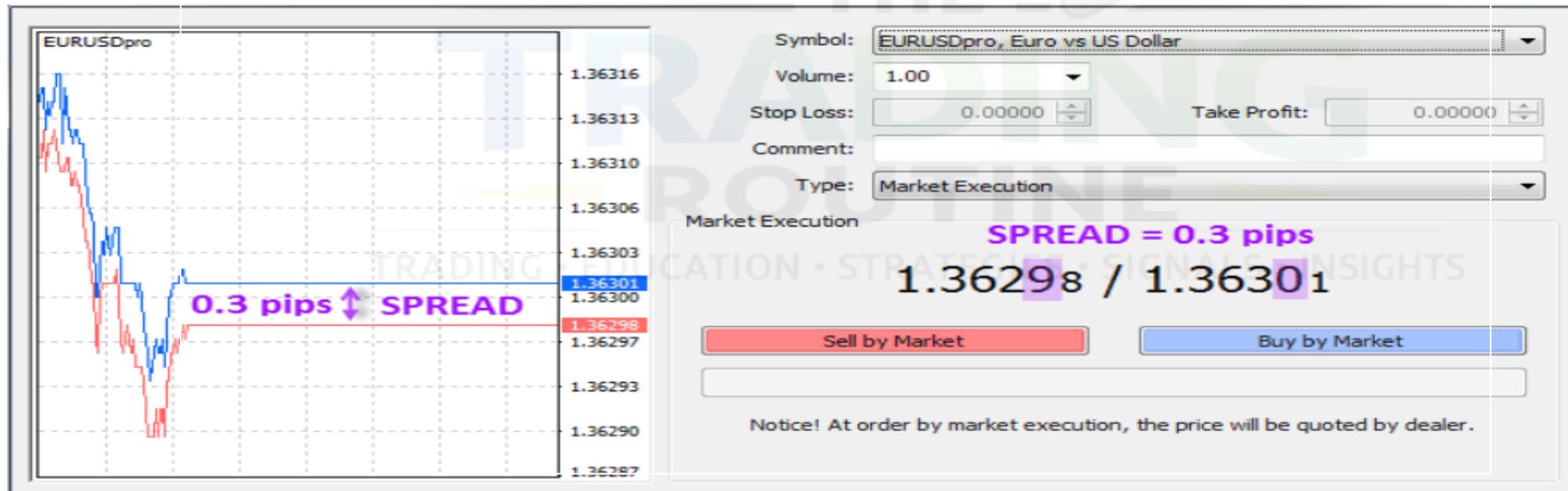
- **Why pips matter**

Pips help traders measure:

- profit and loss,
- stop loss and take profit distances,
- risk per trade.

- **In one sentence**

A pip is the basic unit used to measure price movement in trading.



What are charts in trading ?

Charts in trading are **visual tools** that show **price movement over time**.

Traders use charts to analyze the market and decide when to buy or sell.

Simple explanation

A trading chart shows:

- Price on the vertical axis
- Time on the horizontal axis

Charts help traders understand market direction and price behavior.

Main chart types in trading

- **Line chart : Shows only the closing price / Simple and clean / Good for identifying the overall trend.**
- **Candlestick chart : The most widely used chart type / Shows open, high, low, and close prices / Helps traders read market psychology and momentum.**

Why charts are important

Charts help traders:

- Identify trends
- Find entry and exit points
- Manage risk

In one sentence

Charts in trading are visual representations of price movement used to analyze the market and make trading decisions.

- CandleStick chart :



OHLC Candlestick Chart



Bearish



Bullish

OHLC = Open , High , Low , Close

Bearish = Open price > Close price

Bullish = Open price < Close price

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- Line chart :



Notes :

