INTERMEDIATE FOREX TRAINING

MODULE 1: UNDERSTANDING THE FOREX MARKET

Learn. Understand. Practise. Grow.

INTRODUCTION

Welcome to Module 1 of the FriendsFOREX Intermediate Training.

This module revisits important Forex foundations and develops your understanding of how the Forex market operates, how currency prices are displayed, how traders interpret price charts and how economic information influences currencies.

The original lesson was delivered as a live online training session. You may hear the presenter interacting with participants and referring to charts displayed on screen.

This learning material is designed to accompany the original video recording. Read the notes, watch the video and practise the concepts discussed.

LEARNING OBJECTIVES

By the end of this module, you should be able to:

1. Explain what the Forex market is and identify its major participants.
2. Understand currency pairs and distinguish between base and quote currencies.
3. Explain bid price, ask price and spread.
4. Identify the major Forex trading sessions and understand session overlaps.
5. Understand support, resistance, supply and demand.
6. Identify common candlestick patterns and interpret their meaning.
7. Understand basic economic indicators.
8. Differentiate between technical and fundamental analysis.

SECTION 1: INTRODUCTION TO THE FOREX MARKET

What is Forex?

Forex means Foreign Exchange.

It is the global financial market where currencies are exchanged against one another.

For example, when trading EUR/USD, you are trading the Euro against the US Dollar.

The Forex market is recognised as the world's largest and most liquid financial market.

The original training referenced average daily trading volume of over $6.7 trillion. This is the historical figure mentioned in the recording, not necessarily the latest market statistic.

Major Participants in the Forex Market

The major participants include:

1. **Central Banks:** They influence currencies through monetary policies, interest rates and other financial decisions.
2. **Financial Institutions:** Banks and other financial organisations participate in currency transactions.
3. **Corporations:** Businesses exchange currencies for international trade and operations.
4. **Retail Traders:** Individual traders like you and me who participate in the market to benefit from price movements.

Understanding these participants helps us appreciate that Forex is a global market influenced by different economic and financial activities.

SECTION 2: CURRENCY PAIRS AND QUOTES

Forex trading involves buying one currency while selling another.

This is why currencies are traded in pairs.

Base Currency and Quote Currency

Consider this example:

EUR/USD

- EUR (Euro) is the base currency.
- USD (US Dollar) is the quote currency.

The base currency is always the first currency in a pair, while the quote currency is the second.

The price tells you how much of the quote currency is required to buy one unit of the base currency.

Three Major Categories of Currency Pairs

1. Major Currency Pairs

These are commonly traded currency pairs involving the US Dollar and other major currencies.

Examples:

- EUR/USD
- GBP/USD
- USD/JPY
- USD/CHF
- AUD/USD

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2. Minor Currency Pairs

These involve major currencies but do not include the US Dollar.

Examples:

- EUR/GBP
- GBP/JPY
- EUR/JPY

3. Exotic Currency Pairs

These generally involve a major currency paired with a currency from a smaller or emerging-market economy.

Examples:

- USD/TRY
- USD/ZAR

Buying and Selling Currency Pairs

When you BUY EUR/USD:

- You are buying EUR.
- You are selling USD.

When you SELL EUR/USD:

- You are selling EUR.
- You are buying USD.

Remember: Buying a currency pair means buying the base currency and selling the quote currency.

SECTION 3: BID PRICE, ASK PRICE AND SPREAD

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What is Bid Price?

The bid price is the price at which you can sell the base currency.

What is Ask Price?

The ask price is the price at which you can buy the base currency.

What is Spread?



Spread is the difference between the bid price and ask price.

Example:

Bid Price: 1.1916

Ask Price: 1.1918

Spread: 0.0002 (2 pips for a standard four-decimal quote).

Spread represents one of the costs involved in executing a trade.

Why Should Traders Pay Attention to Spread?

Traders should consider spreads when choosing a broker.

A high spread increases the cost of entering a trade.

This is particularly important for scalpers who target smaller price movements, such as 10, 15 or 20 pips.

Always compare trading costs, including spreads and applicable commissions.

SECTION 4: FOREX MARKET SESSIONS

The Forex market operates across different financial centres around the world.

The four commonly referenced trading sessions are:

1. Sydney Session
2. Tokyo Session
3. London Session
4. New York Session

Each session has its own opening and closing times.

Why Are Market Sessions Important?

Different currency pairs tend to experience varying levels of activity depending on which financial centres are open.

For example, if you are trading GBP/USD, you may want to pay attention to the London and New York sessions.

During active sessions, there can be increased liquidity and volatility.

When sessions overlap, trading activity can increase because participants from both financial centres are active.

Session Overlaps

The London and New York overlap is particularly important for traders monitoring GBP/USD and other major currency pairs.

The original training used the following GMT illustration:

- London opening: 7:00 AM GMT.
- London closing: 3:00 PM GMT.
- London–New York overlap: approximately 12:00 PM to 3:00 PM GMT.

The recording also provided a GMT+1 example.

Important: Session times can shift because of daylight-saving changes. Always check current session times using your own local time zone.

What Is the Best Trading Session?

There is no universally best trading session.

It depends on:

- Your trading strategy.
- The currency pair you trade.
- Your preferred trading hours.
- The market conditions.

The main lesson is to understand when the currency pairs you trade are most active.

Higher volatility can create trading opportunities, but it also increases risk. It does not guarantee profitable trades.

SECTION 5: SUPPORT AND RESISTANCE

Support and resistance are important concepts in technical analysis.

What Is Support?

Support is a price area where buying interest has previously appeared, potentially preventing the market from falling further.

When price reaches a support area, buyers may enter the market and push the price upward.

You can think of support as a floor.

What Is Resistance?

Resistance is a price area where selling interest has previously appeared, potentially preventing the market from moving higher.

When price reaches resistance, sellers may enter the market and push the price downward.

You can think of resistance as a ceiling.

Understanding Supply and Demand

The lesson also introduces the relationship between supply and demand.

Demand: An area associated with buying interest.

Supply: An area associated with selling interest.

When demand increases relative to supply, prices may appreciate.

When supply increases relative to demand, prices may depreciate.

Remember:

Not every support level is automatically a demand zone, and not every resistance level is automatically a supply zone.

How to Identify Support and Resistance

To identify possible support:

1. Open your chart.
2. Look for areas where price has formed repeated lows.
3. Observe where price has previously reacted upward.
4. Mark that area using a horizontal line or rectangle.

To identify possible resistance:

1. Look for areas where price has formed repeated highs.
2. Observe where price has previously reacted downward.
3. Mark that area using a horizontal line or rectangle.

It is often better to think of support and resistance as zones rather than exact lines because price does not always react at precisely the same level.

Support and Resistance Role Reversal

Something important happens when support or resistance is broken.

- When support is broken, it may later act as resistance.
- When resistance is broken, it may later act as support.

This is called role reversal.

However, it does not happen in every situation. Always observe how price behaves around the area.

Three Types of Market Trends

The lesson identifies three basic market conditions:

1. Uptrend.
2. Downtrend.
3. Ranging market.

Understanding the current market condition helps you make better trading decisions.

SECTION 6: CANDLESTICK ANATOMY

Candlesticks are among the most important tools used in technical analysis.

They help traders understand price movement and the interaction between buyers and sellers.

What Does a Candlestick Represent?

A candlestick represents price movement over a particular period.

For example:

- A 5-minute candle represents 5 minutes.
- A 15-minute candle represents 15 minutes.
- A 1-hour candle represents 1 hour.
- A 4-hour candle represents 4 hours.

Parts of a Candlestick

Every candlestick has four important price points:

1. Open – The price at which the candle begins.
2. Close – The price at which the candle ends.
3. High – The highest price reached during that period.
4. Low – The lowest price reached during that period.

The candle also has:

- Body: The area between the opening and closing prices.

- Wick or Shadow: The lines showing the highest and lowest prices reached.

Bullish Candlestick

A bullish candle closes above its opening price.

This indicates that buyers were stronger during that particular candle period.

Bearish Candlestick

A bearish candle closes below its opening price.

This indicates that sellers were stronger during that particular candle period.

SECTION 7: COMMON CANDLESTICK PATTERNS

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Candlestick patterns help traders understand market psychology.

They provide information about the interaction between buyers and sellers.

However, a candlestick pattern does not guarantee that the market will move in a particular direction.

The location where a pattern forms is equally important.

1. Doji

A Doji is a candlestick with a very small body where the opening and closing prices are almost equal.

It indicates market indecision.

Neither buyers nor sellers have established clear control during that candle period.

A Doji can suggest a possible change in market direction, but confirmation is important.

2. Spinning Top

A spinning top has a small body and wicks on both sides.

It suggests uncertainty or a balance between buying and selling pressure.

Traders often observe the next candle to understand what direction the market may take.

3. Hammer

A hammer is a potential bullish reversal pattern.

Characteristics:

- Small body.
- Long lower wick.
- Usually appears after a downward movement.

It suggests that sellers pushed price lower, but buyers entered and pushed it back upward.

When it appears around support or demand, it may provide a potential buying opportunity.

Confirmation is still necessary.

4. Inverted Hammer

An inverted hammer has a small body and a long upper wick.

It may appear after a downward movement and suggest a possible bullish reversal.

Traders should wait for confirmation before considering an entry.

5. Hanging Man

The hanging man resembles a hammer but typically appears after an upward movement.

It may indicate that selling pressure is beginning to emerge.

If the next candle confirms bearish momentum, it can strengthen the possibility of a downward reversal.

6. Shooting Star

A shooting star is a potential bearish reversal pattern.

Characteristics:

- Small body.
- Long upper wick.

- Usually appears after an upward movement.

It suggests that buyers pushed price higher, but sellers entered and pushed it back down.

When it forms around resistance or supply, traders may watch for a possible sell opportunity.

7. Bullish Engulfing

A bullish engulfing pattern occurs when a bullish candle's body engulfs the previous bearish candle's body.

It suggests that buyers have entered with stronger momentum.

When it forms around support or demand, it may provide a potential buying confirmation.

8. Bearish Engulfing

A bearish engulfing pattern occurs when a bearish candle's body engulfs the previous bullish candle's body.

It suggests that sellers have entered with stronger momentum.

When it forms around resistance or supply, it may provide a potential selling confirmation.

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9. Morning Star

A morning star is a three-candle formation commonly interpreted as a potential bullish reversal.

It typically appears after a downward movement.

It suggests that selling pressure may be weakening and buyers may be taking control.

10. Evening Star

An evening star is a three-candle formation commonly interpreted as a potential bearish reversal.

It typically appears after an upward movement.

It suggests that buying pressure may be weakening and sellers may be taking control.

11. Three White Soldiers

This formation consists of three consecutive strong bullish candles.

It can indicate sustained buying pressure and potential bullish momentum.

12. Three Black Crows

This formation consists of three consecutive strong bearish candles.

It can indicate sustained selling pressure and potential bearish momentum.

IMPORTANT: LOCATION MATTERS

One of the most important lessons from this training is:

It is not just the candlestick pattern that matters. The location where the pattern forms matters too.

For example:

Imagine the market has been moving upward and reaches a resistance zone.

A Doji forms, indicating indecision.

The next candle forms bearish, suggesting that sellers may be taking control.

This combination may provide a potential selling opportunity.

Likewise, if the market reaches a support zone and forms a bullish engulfing candle, it may provide a potential buying confirmation.

Always consider:

- The current market trend.
- The location of the candlestick pattern.
- The next candle or confirmation.
- The available distance to the next support or resistance zone.
- The risk-to-reward opportunity.

Never enter a trade simply because you recognise a candlestick pattern.

SECTION 8: INTRODUCTION TO FUNDAMENTAL ANALYSIS

Fundamental analysis involves studying economic information and events that can influence currency values.

The lesson introduces four major economic indicators.

1. Gross Domestic Product (GDP)

GDP means Gross Domestic Product.

It measures the total value of goods and services produced within a country's economy over a specific period.

It is used to assess the economic performance of a country.

Stronger economic growth can support a country's currency, depending on market expectations and other conditions.

2. Consumer Price Index (CPI)

CPI means Consumer Price Index.

It measures changes in the prices of a basket of consumer goods and services.

It is commonly used to measure inflation.

Inflation is an important factor considered by central banks when making monetary policy decisions.

3. Unemployment Rate

The unemployment rate measures the percentage of the labour force that is unemployed and actively seeking employment.

High unemployment can indicate economic weakness.

Employment figures are important because they provide information about the strength of an economy.

4. Interest Rates

Interest rates represent the cost of borrowing money.

Central banks set policy interest rates to influence economic activity and inflation.

Higher interest rates can attract investors seeking better returns, potentially supporting a currency.

However, currency reactions depend on expectations, economic conditions and other factors.

Impact of Economic News on Forex

Economic announcements can cause significant price movements.

For example:

- GDP announcements can influence market expectations about economic growth.
- CPI announcements can influence expectations about inflation and central-bank policy.
- Employment reports can influence expectations about economic strength.
- Interest-rate decisions can affect currency demand.

A trader must understand how these announcements may influence the currencies being traded.

Important: Never assume that every positive economic announcement will automatically make a currency appreciate. The market also reacts to expectations and the actual details of the announcement.

SECTION 9: TECHNICAL AND FUNDAMENTAL ANALYSIS

There are two major forms of market analysis introduced in this training.

1. Technical Analysis

Technical analysis involves studying charts and price movements to identify potential trading opportunities.

Some of the tools include:

- Support and resistance.
- Candlestick patterns.

- Market trends.
- Price action.
- Chart patterns.

Technical analysis helps traders identify potential entry and exit points.

2. Fundamental Analysis

Fundamental analysis involves studying economic data, news releases and central-bank decisions to understand the factors influencing currency values.

Examples include:

- GDP.
- CPI.
- Unemployment reports.
- Interest-rate decisions.
- Economic announcements.

How They Work Together

Technical and fundamental analysis can complement each other.

Fundamental analysis helps you understand the economic factors influencing a currency.

Technical analysis helps you study price behaviour and identify potential entry points.

For example:

If economic information suggests that the US Dollar may strengthen, a trader can monitor USD-related currency pairs.

However, the trader should still study the chart and wait for a suitable technical confirmation before entering a trade.

The goal is to avoid trading based on assumptions or emotions.

Only trade when your analysis and trading plan support the decision.

SECTION 10: USEFUL TOOLS AND LEARNING RESOURCES

The presenter introduced several platforms and resources that traders can use for further learning.

1. TradingView

For chart analysis, identifying support and resistance and studying historical price movements.

Website: https://www.tradingview.com/

2. Forex Factory

For monitoring economic news and scheduled financial announcements.

Website: https://www.forexfactory.com/

3. Myfxbook

For Forex market tools and trading statistics.

Website: https://www.myfxbook.com/

4. BabyPips

For additional Forex education and fundamental analysis.

Website: https://www.babypips.com/

5. Investopedia

For understanding financial terms and concepts.

Website: https://www.investopedia.com/

IMPORTANT LESSONS TO REMEMBER

1. Forex trading involves buying one currency and selling another.
2. The first currency in a pair is the base currency; the second is the quote currency.
3. Spread is the difference between the bid and ask prices.
4. Market sessions influence trading activity and liquidity.
5. Support and resistance are important areas for technical analysis.
6. Support and resistance can change roles after a breakout.
7. Candlesticks communicate information about buyers and sellers.
8. The location of a candlestick pattern matters.

9. Candlestick patterns are not guaranteed trading signals.
10. Fundamental analysis helps traders understand economic influences on currencies.
11. Technical and fundamental analysis can work together.
12. Trading requires patience, continuous learning and consistent practice.

MODULE 1 STUDY CHECKLIST

Before proceeding to the next module, ensure you can:

- Explain what Forex trading is.
- Identify base and quote currencies.
- Explain the difference between major, minor and exotic pairs.
- Understand bid, ask and spread.
- Identify the four major market sessions.
- Explain why session overlaps matter.
- Identify support and resistance.
- Understand supply and demand.
- Identify bullish and bearish candles.
- Recognise the major candlestick patterns introduced.
- Explain GDP, CPI, unemployment rate and interest rates.
- Differentiate between technical and fundamental analysis.

VIDEO LESSON

Original Training Recording:

Intermediate Forex Training – Live Session 1 | FriendsFOREX & DeluxeDealers Academy

YouTube Link: *VIDEO MODULE 1*

https://www.youtube.com/live/7oOFmc8Wi_w?si=4uYpjqSWtWu1CG2H

Instructions: Read this learning material and watch the original video. Pay close attention to the chart examples and explanations given during the live session.

After completing the lesson, proceed to the Module 1 Assignment.

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INTERMEDIATE FOREX TRAINING

MODULE 1 ASSIGNMENT: UNDERSTANDING THE FOREX MARKET

Instructions

1. Answer all questions in your own words.
2. Take your time and refer to the learning material when necessary.
3. You do not need to rush. The goal is to understand, not just finish.
4. Submit your completed assignment for review before proceeding to Module 2.

SECTION A: UNDERSTANDING FOREX

1. What is Forex trading, and what exactly are people exchanging in the Forex market?

2. Mention any three participants in the Forex market.

3. What is a currency pair? Explain the difference between the base currency and the quote currency.

4. What are the differences between major, minor and exotic currency pairs? Give one example of each.

SECTION B: FOREX MARKET OPERATIONS

5. Mention the four major Forex trading sessions.

6. Why do traders pay attention to session overlaps, particularly the London and New York overlap?

7. What is the spread in Forex trading? If the bid price is 1.1916 and the ask price is 1.1918, what is the spread in pips?

SECTION C: UNDERSTANDING PRICE MOVEMENT

8. What is the difference between support and resistance?

9. Explain the difference between an uptrend, a downtrend and a ranging market.

10. What information does a bullish candlestick and a bearish candlestick communicate?

SECTION D: SIMPLE PRACTICAL EXERCISE

Read the following situations and answer the questions:

A. EUR/USD moves from 1.1000 to 1.1050. What has happened to the value of EUR against USD?

B. A currency pair repeatedly struggles to move above a particular price level. What might that level represent?

C. You notice a candlestick that closes above its opening price. Is it bullish or bearish?

D. An economic report shows that a country's unemployment rate has increased significantly. Could this affect the value of its currency? Briefly explain your answer.

PERSONAL REFLECTION

11. What are the three most important things you learned from this module?

12. Which topic in this module do you still find difficult or need further explanation on?

SUBMISSION

- Answer all 12 questions.
- Ensure your answers are clear and written in your own words.
- Submit your completed assignment for review.
- You do not need to place any live trades for this assignment.

Remember: The goal is not to know everything at once. Take each lesson seriously, understand the concepts and build your knowledge step by step.

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