

Reading the market: charts, tools and instruments

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2.1 Charts and timeframes

The word 'timeframe' on a platform means the length of time each candle or bar covers, and it is chosen by you, not by the market. The same AUD/USD price near 0.6640 can look like a calm drift on one timeframe and a violent move on another, so the timeframe decides what your plan has to be. This lesson shows one price move read three ways, and why the money at stake changes with the reading.

Five-minute chart	30 pips
One-hour chart	30 pips
Daily chart	30 pips
Money value on one standard lot	A\$300

2.2 Candles: what one candle tells you

This lesson is about one candle on a price chart. A candle is a picture of four numbers for one slice of time: the open, the high, the low and the close. The body of the candle shows the distance between the open and the close. The thin lines above and below, called wicks or shadows, show the high and the low. If you can read those four numbers, you can read any candle on any chart, whether the chart is of AUD/USD or anything else.

Open	0.6635
High	0.6650
Low	0.6628
Close	0.6640

2.3 Trend, support and resistance

This lesson is about the two words you will see most often on a chart: trend and level. A trend is the direction price has been moving over a chosen period. A level is a price where price has turned before, so orders tend to sit there. On AUD/USD around 0.6640, one pip is 0.0001. On one standard lot of 100,000 units, one pip is worth 10 units of the quote currency, which is the US dollar, so the value in A\$ depends on the AUD/USD rate itself. At 0.6640, one pip is about A\$15.06, because 10 divided by 0.6640 is 15.06.

Level price	0.6640
Fourth touch entry	0.6640
Stop price	0.6620
Distance from entry to stop	0.0020

2.4 Indicators: MA, RSI, MACD, Bollinger

The word indicator comes from the Latin indicare, to point out, and on a chart it points at one thing only: arithmetic done on prices that have already happened. Four names appear on almost every platform, and each is a different sum. A moving average adds closing prices and divides. The RSI compares the size of recent up moves with the size of recent down moves. MACD subtracts one moving average from another. Bollinger bands add and subtract a measure of how spread out recent prices were. Because each one is built from past prices, each can only react to what those prices already did. None of them can see a central bank statement before it is published.

The stretch	AUD/USD falls from 0.6660 to 0.6640
Moving average	Turns down after the fall
RSI	Drops towards the lower part of its 0 to 100 scale
MACD	The fast line crosses below the slow line

2.5 Fibonacci levels

Fibonacci levels are a set of horizontal lines drawn at fixed proportions of a price move. The word comes from the surname of Leonardo Fibonacci, but on a chart the tool is simply a grid: you pick a swing low and a swing high, and the platform divides that distance into the same fractions every time. The levels most platforms show by default are 23.6 per cent, 38.2 per cent, 50 per cent, 61.8 per cent and 78.6 per cent of the move. What they mark is not a prediction. They mark prices where many other people have drawn the same lines, so orders and attention tend to collect there.

Swing low	0.6600
Swing high	0.6700
Size of the move	0.0100
38.2 per cent level	0.6662

2.6 Price action: trading without indicators

This lesson shows how to read a chart from price structure alone, using highs, lows, ranges and breaks, without adding a single indicator. You will see the same AUD/USD entry worked out twice: once from a calculated line, and once from the shape of the price itself. By the end you can place a stop and a target in A\$ terms from structure, and you will know why the two methods can give different numbers.

Instrument	AUD/USD
Price area	around 0.6640
Range high	0.6660
Range low	0.6620

2.7 Smart money: order blocks, FVG, liquidity

This lesson builds a vocabulary for the places where large orders are assumed to sit: order blocks, fair value gaps and liquidity. None of these terms describes something you can see directly on a chart. They describe an assumption about where bigger participants may have left orders behind.

Instrument and price	AUD/USD near 0.6640
Block marked on the chart	0.6620 to 0.6630
Liquidity sweep	price dips to 0.6605
Return to the block	price comes back to 0.6625

2.8 Gold (XAU/USD): how it differs from currencies

Gold is quoted as XAU/USD, which means the price of one troy ounce of gold in US dollars. The word 'XAU' is the currency code for gold, and the platform reads it exactly like a currency pair: the first part is what you are buying or selling, the second part is what it is priced in. Because gold is not a currency, the contract size, the pip and the typical daily range are all different from a currency pair such as AUD/USD. Those three differences change the arithmetic of risk per trade, so the same stop distance in pips can cost a very different amount in A\$.

XAU/USD pip size	0.01
XAU/USD contract size	100 troy ounces
Value of one pip on 0.10 lots	A\$1.00
Stop distance in pips	20 pips

2.9 Crypto CFDs: bitcoin without a wallet

A crypto CFD is a contract for difference on the price of a coin. The word 'contract' is the important part: there is no coin, no wallet and no transfer. The reader learns what that changes in money terms, using a small bitcoin position as the worked example.

Lot size	0.01 lots
Contract value	A\$1,000
Margin at 20 per cent	A\$200
Spread cost	A\$5

2.10 Index and share CFDs

This lesson explains what an index CFD and a share CFD are, how they differ from the currency pair used in earlier lessons, and why their trading hours, dividends and price steps change the numbers on your screen. Using an example with US30 and a local index, you will see how a single price step can be worth a different amount in A\$ depending on the instrument and the time of day. By the end, you will be able to read the contract details for any CFD and work out what one point of movement means in Australian dollars.

Index	US30
Price step (tick size)	1.0 index point
Value of one point per contract	A\$1.00
Move in the example	20 points

2.11 Scalping: why costs decide the outcome

Scalping means taking many small trades, often aiming for a few pips each. On AUD/USD, one pip on a standard lot is 10 units of the quote currency, which is US dollars, converted at the current rate to Australian dollars. At around 0.6640, that is roughly A\$15 per pip on one standard lot. This lesson shows why the spread and commission decide the result before any technique does.

Trades per day	20
Target per trade	3 pips
Spread per trade	1.2 pips
Net pips per trade before commission	1.8 pips

2.12 Day trading

This lesson explains what a day trade is: a position opened and closed within one trading session, so it is never held overnight. You will see how a small move on AUD/USD turns into a dollar figure on your account, and why the cost of that trade depends on the size you choose. The worked example uses a 0.10 lot position that is opened, held and closed before the daily rollover, so no swap is charged.

Entry price	0.6640
Exit price	0.6660
Position size	0.10 standard lot
Pip value for this size	A\$1.00 per pip

2.13 Swing and position trading

Swing and position trading means holding a position for days or weeks instead of minutes. The cost of that decision moves from the spread you pay on entry to the swap charged for each night you keep the position open. On AUD/USD around 0.6640, a four-night hold can turn a small gain into a smaller one, and the risk shifts from one session's noise to overnight gaps.

Position size	0.10 standard lots
Entry price	0.6640
Exit price	0.6660
Gross pip value	A\$1.00 per pip

2.14 Sessions, news and the calendar

This lesson shows which hours of the day an Australian reader is most likely to see AUD/USD move, and which scheduled releases can widen the spread enough to matter to a stop. The word 'session' is how a platform labels the blocks of the trading day, and the label tells you when the market is busy rather than when it is quiet. By the end you can put a rough money figure on one hour of movement, in A\$, before you place an order.

Instrument	AUD/USD
Price used	0.6640
Position size	one standard lot
Value of one pip	A\$10.00

2.15 A plan, a journal and a backtest

A plan, a journal and a backtest are three written artefacts that sit before and after every trade. A plan says what you will do, a journal says what you did, and a backtest says what your rule would have done before you used it with money. On AUD/USD around 0.6640, one pip on one standard lot is 10 units of the quote currency, so a 20 pip move on 0.10 lots is $20 \times 1 = \text{A\$}20$. Written records turn that arithmetic into evidence you can check.

Trades recorded	50
Wins	18
Losses	32
Average win	A\$40

Trading forex and CFDs carries a high risk of losing money. Most retail accounts lose. Nothing here is a recommendation to trade or a forecast of any result. — LearnFX Editorial Desk