 FREE TRADING GUIDE

# Forex Trading **for** **Beginners**

A complete, honest introduction to forex trading — lot sizes, risk management, pip values, and the calculations every trader needs before placing their first trade.

**11**

CHAPTERS

**100%**

FREE GUIDE

**2026**

EDITION

## CONTENTS

## What's **Inside** This Guide

This guide is built for people who are just starting in forex. No jargon. No complicated math you don't need yet. Just the real, practical knowledge that protects your account from day one.

- Chapter 1** — What Is Forex Trading?
- Chapter 2** — Understanding Pips and Pip Value
- Chapter 3** — Lot Sizes Explained Simply
- Chapter 4** — How to Calculate Lot Size Correctly
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### Who This Guide Is For

- Anyone opening their first forex trading account
- Traders who have lost money and want to understand why
- People confused by lot size, pips, and risk percentages
- Anyone who wants a simple, honest explanation — not a sales pitch

## CHAPTER 1

# What Is Forex Trading?

Forex trading means buying one currency while selling another at the same time. That's it. When you trade EUR/USD, you are buying Euros and selling US Dollars — or the other way around if you sell.

The forex market is the largest financial market in the world. Banks, governments, companies, and individual traders all participate. Prices move constantly because currency values shift based on economic news, interest rates, and global events.

## Why People Trade Forex

The appeal is simple — currencies move every single day, and even small price movements can produce profit if you trade with the right position size. The market is open 24 hours a day, five days a week, which makes it accessible no matter your schedule.

**Important:** Forex trading carries real risk. Most retail traders lose money, mainly because of poor risk management — not bad market analysis. This guide focuses heavily on risk because that is what actually determines long-term success.

## The Three Things Every Trade Needs



### Entry Price

The price at which you open your trade — buy or sell.



### Stop Loss

The price where you exit if the trade goes against you.



### Lot Size

How much you are trading — this controls your real risk.



### Take Profit

The price where you exit if the trade goes in your favor.

Most beginners focus heavily on entry price and almost ignore lot size. This is backwards. Lot size is what determines how much money you actually risk — and that is what this guide spends the most time on.

## CHAPTER 2

# Understanding Pips and Pip Value

A pip is the smallest price movement in a currency pair. For most pairs — EUR/USD, GBP/USD, AUD/USD — a pip is the fourth decimal place.

EUR/USD moves from 1.1000 → 1.1001 = 1 pip

For JPY pairs, a pip is the second decimal place instead, because these pairs are priced differently.

USD/JPY moves from 149.50 → 149.51 = 1 pip

## What Is Pip Value?

Pip value is how much money you make or lose for every one pip the market moves. It depends on your lot size and which pair you are trading.

INSTRUMENT	PIP VALUE (STANDARD LOT)	NOTES
EUR/USD	\$10 per pip	Most common reference
USD/JPY	~\$9 per pip	2 decimal pricing
Gold (XAU/USD)	\$10 per pip	100 oz contract
Silver (XAG/USD)	\$50 per pip	5,000 oz contract
US30 / NAS100	Uses points	Not pips at all

**Why this matters:** If you don't know the pip value of what you're trading, you cannot calculate your real risk. A 50-pip stop on EUR/USD and a 50-pip stop on Gold mean completely different dollar amounts.

## Mini and Micro Lots Change Pip Value

Pip value scales directly with lot size. On EUR/USD:

- Standard lot (1.00) = \$10 per pip
- Mini lot (0.10) = \$1 per pip
- Micro lot (0.01) = \$0.10 per pip

## CHAPTER 3

# Lot Sizes Explained Simply

A lot is the unit that measures how much currency you are trading. It is not the direction of your trade — that's buy or sell. The lot size is how big the position is.

LOT TYPE	UNITS	BEST FOR
Standard	100,000	Accounts \$25,000+
Mini	10,000	Accounts \$2,000+
Micro	1,000	Accounts under \$2,000
Nano	100	Accounts under \$100

## The Most Common Beginner Mistake

Many new traders think a small lot size automatically means small risk. It does not. Your real risk depends on three things together — lot size, stop loss distance, and account balance.

**Example:** A 0.10 lot with a 10-pip stop risks \$1. The same 0.10 lot with a 200-pip stop risks \$20. Same lot size — 20 times different risk. The lot size alone tells you nothing without the stop loss distance.

## Matching Lot Size to Account Size

ACCOUNT BALANCE	RECOMMENDED LOT SIZE
\$100 — \$500	0.01 (micro)
\$500 — \$2,000	0.01 — 0.05
\$2,000 — \$10,000	0.05 — 0.20
\$10,000+	0.20+ (calculated per trade)

These are starting guidelines, not fixed rules. The correct lot size for any specific trade always depends on your stop loss distance — covered fully in the next chapter.

## CHAPTER 4

# How to Calculate Lot Size Correctly

This is the single most important calculation in this entire guide. Get this right, and you control your risk on every trade. Skip it, and you are guessing with real money.

## THE FORMULA

$$\text{Lot Size} = (\text{Account Balance} \times \text{Risk \%}) \div (\text{Stop Loss Pips} \times \text{Pip Value})$$

## Worked Example

Account balance: **\$2,000** · Risk: **1%** = \$20 · Stop loss: **40 pips** · Pip value (EUR/USD): **\$10**

$$\$20 \div (40 \times \$10) = \$20 \div \$400 = 0.05 \text{ lots}$$

If this trade hits the stop loss, you lose exactly \$20 — 1% of your account. That is the entire goal of this calculation.

## Why This Works for Every Account Size

The formula scales automatically. A \$500 account at 1% risk with the same 40-pip stop calculates to 0.0125 lots — round down to 0.01. A \$20,000 account calculates to 0.50 lots. Same formula. Same discipline. Different numbers.

**Shortcut:** You don't have to do this math by hand every time. The free [Pipsify Lot Size Calculator](#) does this instantly for any pair, Gold, Silver, Oil, or index — just enter your numbers.

## Always Round Down

If the calculator gives you 0.23 lots, trade 0.20 — not 0.25. Rounding up even slightly means consistently over-risking on every single trade. Over months, this adds up to real damage.

## CHAPTER 5

# Risk Management That Actually Works

Risk management is not a complicated topic. It comes down to one decision made before every single trade — how much of your account are you willing to lose if this specific trade goes wrong?

## Choosing Your Risk Percentage

RISK LEVEL	PER TRADE	BEST FOR
Conservative	0.5%	Beginners building consistency
Standard	1%	Most experienced traders
Moderate	2%	Tested strategies only
Aggressive	3%+	Not recommended for most

**Why 3%+ is dangerous:** Ten losing trades in a row at 3% risk wipes out roughly 26% of your account. That kind of drawdown affects your psychology — and a stressed trader makes worse decisions, which often makes the drawdown even bigger.

## The Question That Actually Matters

It's not "how much can I make?" It's "what percentage will I genuinely stick to on my eighth or ninth losing trade in a row, without panicking and changing my plan?" That number — whatever it honestly is — is the right one for you.

## Daily and Weekly Limits

Beyond per-trade risk, many experienced traders set a daily loss limit — for example, stopping for the day after losing 3% total, regardless of how many trades that took. This prevents revenge trading after a bad start to the day.

## CHAPTER 6

# Risk/Reward Ratio Explained

Risk/reward ratio compares how much you stand to lose against how much you stand to gain on a trade. It is written as 1:2, 1:3, and so on.

## HOW TO READ IT

**1 : 2 means – risk \$1 to potentially make \$2**

## Why This Number Matters So Much

Risk/reward ratio determines how often you actually need to win to stay profitable. This is called your breakeven win rate.

R:R RATIO	BREAKEVEN WIN RATE	VERDICT
1:1	50%	Marginal — hard to sustain
1:2	33%	Good — room for error
1:3	25%	Excellent — strong margin

At a 1:3 ratio, you only need to win 25% of your trades to break even. Win more than that, and you are genuinely profitable — even with a losing record on individual trades.

**Practical tip:** Before entering any trade, check the ratio. A trade with poor risk/reward — like 1:0.5 — needs an unusually high win rate just to survive. Most traders are better off skipping it. The free [Pipsify Risk/Reward Calculator](#) shows this instantly.

## Don't Chase Every Setup

Not every trade idea deserves a position. If the risk/reward doesn't make sense on paper, it usually doesn't make sense to take — no matter how confident the setup feels in the moment.

## CHAPTER 7

# Common Mistakes That Blow Accounts

These five mistakes account for most of the preventable losses new traders experience. None of them require bad market analysis — they are entirely about discipline and process.

- Trading the same lot size every time** — regardless of stop loss distance. Your lot size must change with every trade.
- Rounding lot size up** — instead of down. This quietly increases your risk on every single trade.
- Calculating risk from an old balance** — instead of your account balance today. Risk percentage should always reflect current capital.
- Skipping the calculation when confident** — the trades you feel most sure about are exactly when you're tempted to skip the process.
- Using the wrong formula for the instrument** — Gold, Silver, and indices all need different calculations than standard forex pairs.

## The Pattern Behind Every One of These

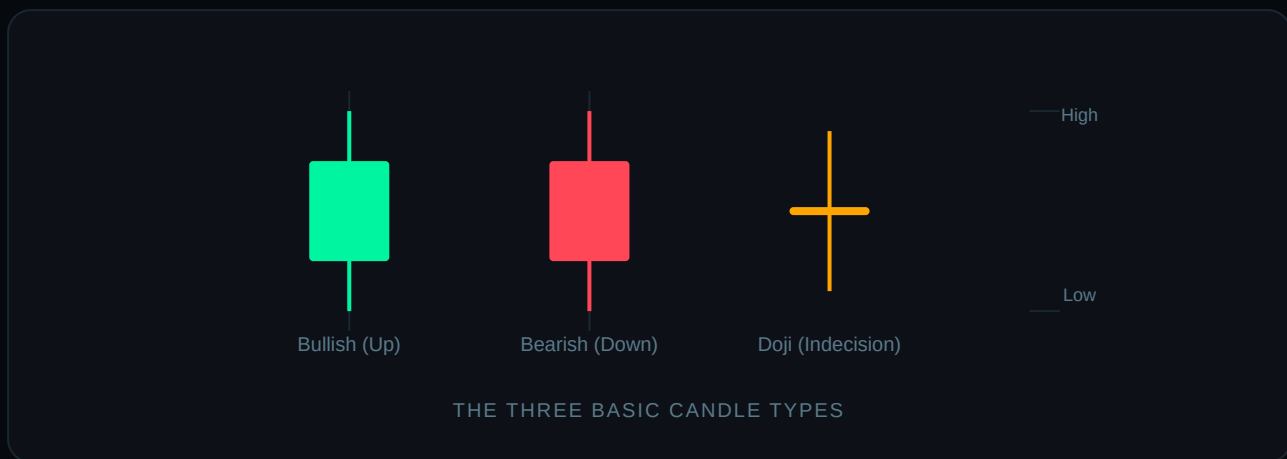
Every mistake on this list comes from skipping a calculation that takes less than ten seconds. The traders who last in this market are not always the sharpest analysts. They are the ones who do this calculation every single time, without exception.

That habit — checking your numbers before every trade — is worth more to your long-term success than any single strategy or indicator.

## CHAPTER 8

# Reading Candlestick Charts

Before you can recognize chart patterns, you need to understand the building block they're made of — the candlestick. Each candle shows four prices for a time period: open, high, low, and close.



## What Each Candle Tells You

A **bullish (green) candle** means the closing price was higher than the opening price — buyers were in control during that period.

A **bearish (red) candle** means the closing price was lower than the opening price — sellers were in control.

A **doji** has almost no body — the open and close are nearly the same price. This usually signals indecision in the market, and often appears right before a reversal.

**Why this matters for risk:** A long wick on a candle often shows where price got rejected. Many traders place their stop loss just beyond that wick — which directly affects your stop loss distance, and therefore your lot size calculation.

## Common Single-Candle Signals

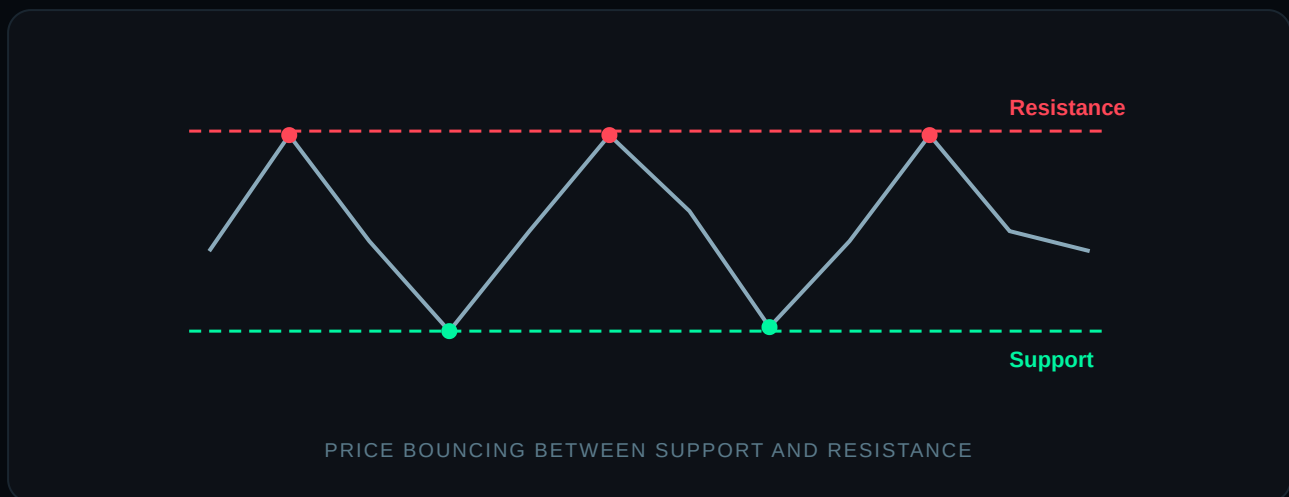


You don't need to memorize every candle pattern that exists. These four show up often enough that recognizing them gives you a real edge in spotting potential reversals.

## CHAPTER 9

# Support and Resistance Levels

Support and resistance are the two most fundamental concepts in chart reading. Almost every strategy and pattern is built on top of these two ideas.



## What Support and Resistance Actually Are

**Support** is a price level where buying pressure has historically been strong enough to stop the price from falling further. Think of it as a floor.

**Resistance** is a price level where selling pressure has historically stopped the price from rising further. Think of it as a ceiling.

These levels are not exact lines — they're zones. Price often pierces through slightly before reversing, which is exactly why stop losses are usually placed a little beyond the level, not directly on it.

## Why These Levels Matter for Your Trades



### Entry Points

Many traders buy near support and sell near resistance, expecting the bounce to continue.



### Stop Loss Placement

Placing your stop just beyond a support/resistance level gives the trade room to breathe.

**Important:** When price breaks through resistance with strong momentum, that old resistance often becomes new support — and the reverse happens when support breaks. This is called a "role reversal" and it's one of the most reliable patterns in trading.

## CHAPTER 10

# Chart Patterns Every Trader Should Know

Chart patterns form when price repeats certain behaviors that traders have observed for decades. They don't guarantee an outcome, but they shift the odds — and combined with proper position sizing, that edge becomes meaningful over time.



## Double Top

Price hits a resistance level twice and fails to break through both times. This is a bearish reversal signal — it often appears after an uptrend and suggests the move up is losing strength.



## Double Bottom

The mirror opposite of a double top. Price tests a support level twice and bounces both times. This is a bullish reversal signal, often appearing after a downtrend.



## Head and Shoulders

Three peaks where the middle one is the highest. This classic bearish reversal pattern shows buyers attempting a final push (the head) before sellers take full control.



## Inverse Head and Shoulders

The bullish version — three troughs with the middle one lowest. Often marks the end of a downtrend and the start of a new upward move.

## CHAPTER 10 — CONTINUED

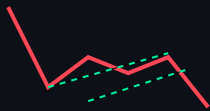
## Continuation Patterns

Not every pattern signals a reversal. Some patterns suggest the current trend is simply pausing — taking a breath — before continuing in the same direction.



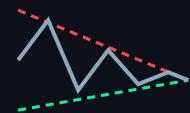
### Bullish Flag

A sharp upward move followed by a small downward-sloping consolidation. Once price breaks above the flag, the original uptrend often resumes with similar momentum.



### Bearish Flag

The mirror image — a sharp drop followed by a small upward-sloping consolidation. Often precedes another leg down once the flag breaks.



### Symmetrical Triangle

Price makes lower highs and higher lows, squeezing into a point. This shows indecision, and the breakout direction — up or down — often determines the next strong move.

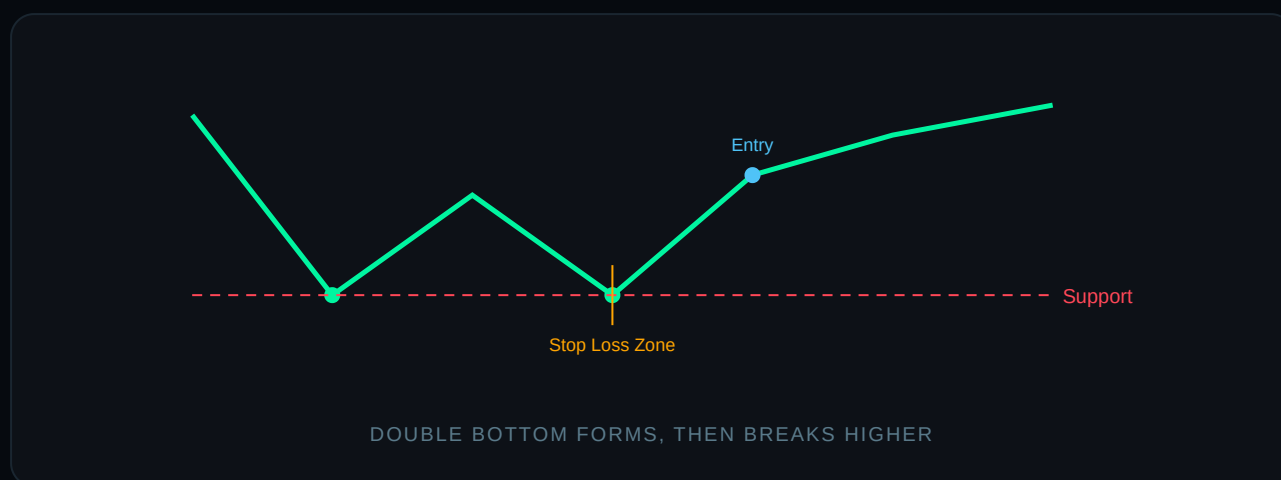
**How this connects to risk management:** Every pattern gives you a natural place for your stop loss — usually just outside the pattern's boundary. Once you know that distance in pips, you already have everything needed to calculate your correct lot size using the formula from Chapter 4.

## CHAPTER 11

## Putting It All Together — Real Examples

Knowing patterns and knowing position sizing are two different skills. This chapter combines them, using a complete example from start to finish.

### Example: Double Bottom on EUR/USD



Here's how a trader might approach this setup step by step:

**Step 1 — Identify the pattern.** Price touches the same support level twice and starts moving up. This is the double bottom pattern from Chapter 10.

**Step 2 — Find your stop loss.** A stop is placed just below the second bottom — let's say 35 pips from the entry price.

**Step 3 — Calculate position size.** Account balance: \$3,000. Risk: 1% = \$30. Stop loss: 35 pips. Pip value (EUR/USD): \$10.

$$\$30 \div (35 \times \$10) = \$30 \div \$350 = 0.08 \text{ lots}$$

The trader enters with 0.08 lots. If the pattern fails and price hits the stop, the loss is exactly \$30 — 1% of the account, exactly as planned.

### Why This Combination Matters

The pattern told the trader *where* to enter and where to place the stop. The lot size formula told them *how much* to risk. Pattern recognition without position sizing is gambling with extra steps. Position sizing without a reason to enter is just sitting on the sidelines.

✓ YOU MADE IT

## Now Put This Into Practice

Reading this guide is the easy part. The next step is using these calculations before every trade you take — starting with your very next one.



Lot Size  
Calculator



Profit  
Calculator



Risk/Reward  
Calculator

[pipsify.com](https://pipsify.com)