

Reading the market: charts, tools and instruments

LearnFX · South Africa · 15

2.1 Charts and timeframes

A reader asked: why does USD/ZAR look like it is going up when I open one chart, and down when I open another? The answer is the timeframe, which is simply how much time each bar or candle on the chart covers. On one screen the same market can show three different pictures, and the timeframe you choose decides what your stop, your target and your holding time have to be. This lesson shows one price move on three timeframes and what each one tells you.

The move itself	18.4100 to 18.5600
On M5 (each candle is 5 minutes)	about 30 candles
On H1 (each candle is 1 hour)	about 3 candles
On D1 (each candle is 1 day)	1 candle or less

2.2 Candles: what one candle tells you

A reader asked: "I see those little green and red sticks on the chart. What do they actually tell me about my money?" This lesson answers that. A candle is just four numbers for one slice of time: the open, the high, the low and the close. On USD/ZAR at around 18.4100, those four numbers decide what one rand of movement is worth to you. By the end you will read the body and the wicks without guessing.

Open	18.4100
High	18.4250
Low	18.4000
Close	18.4200

2.3 Trend, support and resistance

A reader asked: "If price bounced off the same level three times, why did it break through on the fourth?" This lesson shows how those levels are found on a chart and why the fourth touch often behaves differently. On USD/ZAR at around 18.4100, a move of 100 pips on 0.10 lots is about R100, so where you place your stop changes what a losing trade costs in rand.

Support level	18.4100
Stop distance below support	15 pips
Position size	0.10 lots
Value of 1 pip on 0.10 lots	about R1.00

2.4 Indicators: MA, RSI, MACD, Bollinger

A reader asked: "I see four lines on my chart called MA, RSI, MACD and Bollinger. Do they tell me four different things, or the same thing four times?" This lesson answers that. Each one is arithmetic done on past prices, drawn as a line. Once you know which arithmetic, you know what it can react to and what it cannot. That matters in rand: on USD/ZAR at 18.4100, a 0.0100 move on 0.10 lots is about R10, and no indicator changes that sum.

The section	USD/ZAR moves 18.4100 to 18.4200, then back to 18.4100
Moving average	the line barely moves
RSI	rises, then falls back
MACD	a small bump in the histogram

2.5 Fibonacci levels

A reader wrote in to ask: why do so many charts show the same three lines, and do they mean anything on their own? This lesson shows what Fibonacci levels are, where the 38.2, 50 and 61.8 lines come from, and how to read them on a USD/ZAR chart around 18.4100. On a 0.10 lot position, one rand of movement in USD/ZAR is worth roughly R1,000, so the distance between these lines is not a small detail.

Move size	4,100 points
38.2 per cent line	18.2534
50 per cent line	18.2050
61.8 per cent line	18.1566

2.6 Price action: trading without indicators

This lesson answers a common beginner question: can you read a chart without adding any indicators? Yes. You learn to read price action by looking at where price stopped before — the highs, the lows and the ranges between them. That matters in rand: on USD/ZAR, a move of 1,000 points (0.0100) on 0.10 lots is about R100, so knowing where the market turned last time helps you plan where you might act.

Instrument	USD/ZAR
Price area	around 18.4100
Range high	18.4500
Range low	18.4100

2.7 Smart money: order blocks, FVG, liquidity

A reader asked: 'I keep seeing videos about order blocks and liquidity. What are they actually, and do they change what I pay in rand?' This lesson gives you the vocabulary and, more importantly, the assumption underneath it. All three terms describe places on a chart where large orders are assumed to sit. The assumption is the part to understand. The chart does not label them for you.

Instrument	USD/ZAR
One pip	0.0001
Position size	0.10 lots
Value of one pip	R0.10

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

Gold (XAU/USD) is not a currency pair, and that changes the arithmetic of every trade you place. On a standard lot, one pip on gold is worth about ten times what one pip is worth on a currency pair such as EUR/USD, and gold's daily range is often several times wider. This lesson shows how the cost of a stop loss in rand changes when you move from EUR/USD to gold, so you can size a position before you open it rather than after.

Gold pip value on 0.10 lots	R18.41
Gold stop: 20 pips on 0.10 lots	R36.82
EUR/USD pip value on 0.10 lots	R1.84
EUR/USD stop: 20 pips on 0.10 lots	R18.41

2.9 Crypto CFDs: bitcoin without a wallet

A reader asked: if I never want to hold bitcoin, can I still trade its price? Yes, with a crypto CFD. You agree to exchange the difference in price, so no wallet, no private key and no transfer of coins. What you do get is a contract with its own costs: weekend hours, wider spreads and a daily funding charge for holding overnight. In rand terms, a small position can move R50 on a quiet day and cost R10 or more just to keep open.

Position size	0,01 lots
BTCUSD price	65 000
Notional value	650 USD
Margin at 20%	130 USD

2.10 Index and share CFDs

A reader asked: "If I buy an index CFD, am I buying shares in many companies at once?" Not quite. An index CFD tracks a basket of companies as one number, while a share CFD tracks one company. Both behave differently from a currency pair like USD/ZAR, which trades around 18.4100. This lesson shows what those differences cost you in rand.

US30 CFD point value per 0.10 lot	R1.84
20 points on US30 CFD	R36.80
Local index CFD point value per 0.10 lot	R1.00
20 points on local index CFD	R20.00

2.11 Scalping: why costs decide the outcome

A reader asked: if I take 20 trades a day and each one only makes 3 pips, why does my account not grow? This lesson answers with arithmetic, not opinion. On USD/ZAR at about 18.4100, a pip is 0.0001, so one pip on a standard lot is roughly R10.00. If your spread is 1.2 pips, you start every trade 1.2 pips behind. That cost is charged whether you win or lose.

Gross pips per trade	3.0 pips
Spread cost per trade	1.2 pips
Net pips per trade	1.8 pips
Trades per day	20

2.12 Day trading

A day trade is a position you open and close inside one trading session, so it never gets rolled over to the next day. That means no swap or overnight financing is charged, but every decision is made while the price is moving. On USD/ZAR around 18.4100, a move of 100 pips on 0.10 lots is about R100, and the same move against you costs about R100.

Instrument	USD/ZAR at 18.4100
Position size	0.10 lots
Entry	18.4100
Exit	18.4200

2.13 Swing and position trading

A reader asked: if I hold a trade for four days instead of one, what actually changes in my account? This lesson answers that in rand. You will see how the cost of holding moves from the spread to the swap, and how the risk moves from one session to overnight gaps.

Instrument and price	USD/ZAR at 18.4100
Position size	0.10 lots
Value of one pip	R1.00
Price move over four days	20 pips

2.14 Sessions, news and the calendar

A reader asked: "I set my stop on USD/ZAR before work, and by lunchtime it was gone. I did not touch anything. What moved it?" This lesson shows which hours a pair actually moves, and which scheduled releases can widen the spread enough to reach a stop that looked safe. We use USD/ZAR near 18.4100 and put every money figure in rand, because the rand is what leaves your account.

Instrument	USD/ZAR
Price used	18.4100
Position size	0.10 lots
Move in pips	20 pips

2.15 A plan, a journal and a backtest

A plan, a journal and a backtest are three separate written records. The plan says what you will do before you trade. The journal says what you actually did. The backtest says what one rule would have done on past prices before you risked any money. On USD/ZAR around 18.4100, one rand of movement per unit is R1, so a small written rule can be checked in rands rather than in feelings.

Rule tested	Buy USD/ZAR at 18.4100, sell at 18.4200, stop at 18.4050
Number of trades in the backtest	50
Wins	28
Losses	22

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