EVENLINE
TRADING

FOUNDATIONS TRACK · FREE EBOOK

The Foundations of Forex Trading

All eight Foundations lessons — what forex is, order types, choosing a platform, why most new traders lose money, leverage and margin, position sizing, routine, and building a trading plan — collected into one document you can read start to finish, print, or download as a designed PDF booklet.

8 chapters · ~28 min read · No cost, no account required

Education only — not investment advice.

CONTENTS

1. What is forex? How a currency trade works
2. Order Types, Explained
3. Choosing a Trading Platform: MT4, MT5, and Alternatives
4. Why Most New Traders Lose Money
5. Leverage and margin: the beginner's version
6. Position Sizing and Risk Per Trade
7. Building a Trading Routine
8. Building a Trading Plan

CHAPTER 01 OF 8

What is forex? How a currency trade works

Everything else on this site builds on a few simple ideas. This lesson covers them from scratch: what the forex market is, what a price like "EUR/USD 1.0800" actually means, and how a trade ends up as a gain or a loss. No prior knowledge needed.

What the forex market is

"Forex" is short for foreign exchange: swapping one currency for another. A company that sells goods abroad, a tourist changing money and a bank moving funds all take part. There is no single exchange building. The market is a network of banks, dealers and brokers trading directly with each other, which is why it is called an **over-the-counter** market. It runs around the clock on weekdays, following business hours from Sydney to Tokyo to London to New York. The Bank for International Settlements' regular surveys put daily turnover well above $7 trillion, which makes it the largest financial market in the world.

Who trades it? Mostly banks and dealers, companies paying for imports or receiving foreign income, central banks, and investment funds. Individual retail traders are a very small slice of the total.

Currencies trade in pairs

A currency has no price on its own. It is always priced against another currency, which is why you see pairs such as EUR/USD, GBP/USD or USD/JPY. In a pair, the first currency is the **base** and the second is the **quote**. The number tells you how much of the quote currency one unit of the base currency costs.

So **EUR/USD = 1.0800** means 1 euro costs 1.0800 US dollars. When the number rises, the euro is getting stronger against the dollar. When it falls, the euro is getting weaker against the dollar. Buying the pair means buying the base currency and selling the quote currency at the same time. Selling the pair is the reverse.

How a trade makes or loses money

A trade profits when the price moves in the direction you chose and you close at a better price than you opened. The distance is measured in **pips**, the standard small unit of price movement, which is 0.0001 for most pairs (see pips, lots and pip value). The size of your position, measured in **lots**, decides how much each pip is worth in money.

Worked example: you buy EUR/USD at 1.0800, using a mini lot of 10,000 euros. Each pip is worth about $1 on that size. If the price rises to 1.0850, that is 50 pips, so you make about $50. If it falls to 1.0750 instead, you lose about $50. You can also open a trade by selling first, which profits if the price falls. The mechanics are the same, reversed. Real results are a little lower than this, because of the costs below.

What you are really trading as a retail trader

Most individual traders do not take delivery of currencies. They open positions with a broker, usually through contracts for difference (CFDs) or similar products that follow the market price. You never receive the euros, you simply gain or lose the price difference. This matters, because the broker's role and pricing are part of the deal (see types of forex brokers).

It also means trading has costs. The main ones are the **spread**, the small gap between the buying and selling price, a **commission** on some accounts, and a **swap** fee or credit for positions held overnight. See spread vs. commission for how to compare them.

What to know before going further

- **Prices move in both directions.** Every trade can lose, and no method wins every time.
- **Leverage amplifies both outcomes.** The next lessons explain how it works and why it needs care.
- **Most new traders lose money.** That is not a reason to give up learning, but it is a reason to start small and learn the risks first (see why most new traders lose money and what the loss-rate warning means).
- **Practice first.** A demo account lets you try the mechanics without risking real money.

The takeaway: forex is the exchange of one currency for another, priced in pairs. A trade gains or loses by the number of pips the price moves, multiplied by your

position size, minus costs. Everything else is built on that.

CHAPTER 02 OF 8

Order Types, Explained

Every trading platform is built around a handful of order types, and most tutorials skip straight past explaining them — they're treated as too basic to cover, right up until someone places the wrong one and gets an unexpected fill. This lesson covers what each order type actually does, in plain terms, before any of the strategy content elsewhere in this library assumes you already know.

The core order types

Order type	What it does
Market order	Executes immediately at the best available current price. Fastest, but you accept whatever price is available at that instant.
Limit order	Only fills at your specified price or better. A buy limit sits below the current price; a sell limit sits above it. Waits — may never fill.
Stop order	Sits dormant until price reaches your trigger level, then converts into a market order. A buy stop sits above current price (used to enter a breakout); a sell stop sits below it.
Stop-loss	Attached to an open position, automatically closes it if price moves against you to a set level — the core tool of the position sizing lesson elsewhere in this library.
Take-profit	Attached to an open position, automatically closes it once price reaches a set profit level, locking in gains without needing to watch the chart.
Trailing stop	A stop-loss that moves automatically as price moves in your favor, staying a fixed distance behind — locks in profit progressively without a fixed exit target.

Market orders: speed, at the cost of certainty on price

A market order guarantees execution but not price — in a fast-moving or thin market, the price you actually get filled at can differ meaningfully from the price you saw when you clicked. This gap is called slippage, and it tends to be worst exactly when markets are moving fastest, which is often when traders most want quick execution.

Limit and stop orders: the same mechanism, opposite intent

The distinction that trips people up most is that stop and limit orders can point in either direction depending on what you're trying to do. A limit order is for getting a better price than the current one — buying cheaper or selling higher, which means waiting. A stop order is for confirming a move already happening — entering only once price has broken through a level, which means paying up for confirmation rather than trying to catch a bottom or top.

Why stop-loss and take-profit aren't optional extras

A position without a stop-loss has no predetermined exit if the trade goes wrong — exactly the failure mode covered in the very first lesson in this library. Attaching a stop-loss (and, if your plan calls for one, a take-profit) at the moment you open a position, rather than deciding "I'll get out if it gets bad," removes the in-the-moment decision-making that tends to go badly under pressure.

> **The takeaway:** market orders trade certainty of price for speed. Limit orders wait for a better price; stop orders confirm a move already in progress. Stop-loss and take-profit orders turn your exit plan into something mechanical rather than something you have to decide in the heat of the moment — attach them when you open the position, not after.

CHAPTER 03 OF 8

Choosing a Trading Platform: MT4, MT5, and Alternatives

A trading platform is the software you actually use to place orders, watch charts, and manage positions — the practical home for everything covered in the order types lesson. Most brokers on this site support one or more of the options below, and the choice matters more for convenience and features than for anything fundamental about your trading.

The major options

Platform	What it's known for
MetaTrader 4 (MT4)	The longest-standing industry standard, especially for forex. Extremely wide broker support, huge library of third-party indicators and automated strategies ("Expert Advisors"), simple and familiar interface.
MetaTrader 5 (MT5)	The newer, broader successor to MT4 — supports more asset classes beyond forex, additional order types and timeframes, and a more modern (though not universally loved) interface. Not fully backward-compatible with MT4 indicators and strategies.
Broker-proprietary platforms	Custom platforms built by individual brokers, often web-based or app-based. Can offer a more modern interface and features tailored to that specific broker, but with less third-party tool support and less portability if you switch brokers.
TradingView (as a charting/execution layer)	Widely used for its charting and analysis tools specifically, with a growing number of brokers now supporting direct trade execution through it — often paired with, rather than replacing, a broker's own platform.

What actually matters when choosing

- **Broker support** — the platform choice is only relevant among the options your chosen broker actually offers, so this often narrows the decision quickly
- **Automated or algorithmic trading needs** — if you plan to use or build automated strategies, MT4's ecosystem is larger and more established, though MT5 has been closing that gap over time
- **Asset classes beyond forex** — MT5 and many proprietary platforms support a wider range of instruments than MT4's more forex-focused design
- **Mobile and web access** — if you need to manage positions away from a desktop, checking the quality of a platform's mobile and web apps specifically is worth doing before committing
- **Familiarity and available resources** — MT4's ubiquity means far more tutorials, community resources, and existing indicators are built for it than for less common platforms

Why this choice matters less than it might seem

Every platform covered here supports the core order types from the earlier lesson, real-time charting, and basic risk management tools. The platform is the interface to your trading, not the strategy itself — a well-planned trade executed on any of these platforms works the same way underneath. Spending excessive time optimizing platform choice, rather than the position sizing, setup criteria, and trading plan covered elsewhere in this library, is a common way to feel productive without actually improving anything that determines results.

A reasonable approach

Start with whatever platform your chosen broker supports and makes easiest to open an account with. If a genuine need arises later — algorithmic trading, a broader asset range, better mobile tools — that's the point to reconsider, rather than trying to predict every future requirement before placing a single trade.

The takeaway: MT4 remains the most broadly supported platform with the largest ecosystem of tools and resources; MT5 extends that to more asset classes and features at some cost to backward compatibility; proprietary and TradingView-based options each have their own tradeoffs. All of them support the fundamentals

covered elsewhere in this library — the platform is a means to an end, not something worth over-optimizing before you've even placed a trade.

CHAPTER 04 OF 8

Why Most New Traders Lose Money

Ask ten new traders why they lost money on a bad month, and most will point to their strategy. "The setup didn't work." "The market wasn't trending." "I need a better indicator." It's a natural place to look — strategy is the visible, learnable part of trading, so it's where the blame lands first.

But strategy is rarely the actual problem. Most professional traders will tell you the same thing: a mediocre strategy with strict risk control will outlast a brilliant strategy with none. The gap between traders who last and traders who don't usually comes down to a handful of behavioral patterns, not technical ones.

1. Risking too much on a single trade

This is the single most common reason accounts blow up. A trader risks 10%, 20%, even 50% of their account on one position because they're "confident" in the setup. It works — until it doesn't. One bad trade wipes out weeks of gains, and the psychological damage often does more harm than the financial loss.

Professional risk management usually looks boring by comparison: risking a small, fixed percentage of the account on any single trade, regardless of how confident the trader feels. Confidence is not a risk management strategy.

2. Trading to "make back" a loss

After a loss, there's a strong pull to jump back in immediately and win it back. This is called revenge trading, and it's one of the fastest ways to turn a manageable loss into a serious one. Trades made from a need to recover money are rarely made with a clear head — the trader isn't reading the market anymore, they're reacting to their own account balance.

3. No exit plan before entering

Many new traders decide where to enter a trade but never decide, in advance, where they'll exit — either in profit or in loss. Without that plan, decisions get made in the

moment, under pressure, usually after the price has already moved against them. A trade without a predetermined stop is a trade with unlimited downside.

4. Treating trading as a shortcut, not a skill

Trading is often marketed as a way to get rich quickly. That framing sets up unrealistic expectations from day one — expecting consistent profits within weeks, expecting every trade to work, expecting a smooth equity curve. Real skill development takes time, and treating early losses as "proof it doesn't work" (instead of a normal part of the learning curve) causes a lot of traders to quit or blow up their account chasing shortcuts.

5. Not tracking what actually happened

Without a record of trades — what the setup was, why the trade was taken, what the outcome was — it's nearly impossible to identify patterns in your own decision-making. Traders who don't track their trades tend to remember their wins vividly and rationalize their losses, which means they never actually learn from the losses.

> **The takeaway:** none of these are about finding a better strategy. They're about behavior — how much you risk, how you react after a loss, whether you plan your exits, and whether you're honest with yourself about what happened. Fix the behavior first. The strategy matters far less than most new traders assume.

The next lesson in this track covers exactly how to size a position so that no single trade can do serious damage to your account — the practical fix for point #1 above.

CHAPTER 05 OF 8

Leverage and margin: the beginner's version

Leverage is probably the most misunderstood idea in forex. Brokers advertise it as buying power. It is also the reason small accounts can be wiped out quickly. This is the starter version: what it is, what it does to your results, and the one idea that keeps it manageable. A deeper walk-through is in Leverage and margin, explained simply in the Going Further track.

What leverage and margin are

Leverage lets you control a position much larger than the money you put up. At a ratio of 1:30, each $1 of your money controls $30 of position. **Margin** is the part of your account the broker sets aside while the position is open, a good-faith deposit that makes this possible. For a $30,000 position at 1:30, the margin is $1,000.

Margin is not a fee, and it is not spent. It is simply tied up while the trade is open and released when you close. Your profit or loss, however, is calculated on the whole position, not on the margin.

The part beginners miss

Leverage does not change how far the price moves. It changes how large a position you can open, and so how big each price move is compared with your account. Take the same $1,000 account and three different position sizes, and look at a 1% move against you:

POSITION SIZE	LOSS FROM A 1% MOVE	
$3,000	−$30	3%
$10,000	−$100	10%
$30,000	−$300	30%

Currency pairs often move around 1% over a day or a few days, so these are not extreme cases. A trader using the full 1:30 can lose nearly a third of the account on an ordinary move against them. Another trader on the same account, with a smaller position, barely notices it.

What happens when losses grow

As a position loses, your account's equity falls and less of it is left as free margin. If it falls too far, you may get a **margin call**, a warning, and if it keeps falling the platform may close positions automatically in a **stop-out**. The exact levels depend on your broker. You can read how this works in margin calls and stop-outs. Check also whether your broker offers negative-balance protection, which varies by regulator and account type.

What actually keeps the risk in check

- **Effective leverage.** Divide your total position size by your account equity. A $3,000 position on a $1,000 account is 3:1, regardless of the 1:30 or 1:500 the broker allows. The lower this number, the more room you have to be wrong.
- **Position size, set from your stop.** Decide how much of the account you are willing to risk on a trade, then size the position from that and the distance to your stop-loss (see position sizing).
- **Available leverage is a limit, not a target.** Regulators set caps that differ by country, and some brokers offer far more than regulators of strict markets allow. A higher number gives you more room to take risk, not a better trade.

Common mistakes

- Choosing the highest leverage on offer "for flexibility" and then opening the biggest position it allows.
- Thinking more leverage means more profit, rather than the same trade with magnified outcomes in both directions.
- Forgetting that margin only covers the deposit. The loss is measured on the whole position.
- Adding to a losing position to "recover", which raises the effective leverage at the worst moment.

The takeaway: leverage magnifies gains and losses by the same factor, and margin is the deposit that makes it possible. What protects you is not the leverage setting, but a small position size and a stop-loss decided in advance.

CHAPTER 06 OF 8

Position Sizing and Risk Per Trade

If there's one concept that separates traders who last from traders who don't, it's this one. Position sizing isn't glamorous, it doesn't predict where the market is going, and it won't make for an exciting story — but it's the thing that keeps a string of losses from becoming account-ending.

The core idea: risk a fixed percentage, not a fixed feeling

Most new traders size their positions based on how confident they feel about a trade, or simply based on how much they "want" to make. Both are unreliable. A more durable approach is to decide, before ever opening a position, how much of your account you're willing to lose if the trade goes wrong — and to keep that number small and consistent, trade after trade.

A common starting point discussed in trading education is risking somewhere in the region of 1% of account equity on any single trade. That's not a rule carved in stone — some traders use less, very few responsibly use much more — but the principle behind it matters more than the exact number: no single trade should be able to meaningfully damage your account.

Why the number matters more than it seems

The math behind this is unforgiving in one direction. A 10% loss requires an 11% gain to recover. A 50% loss requires a 100% gain just to get back to even. The bigger the drawdown, the disproportionately harder the climb back — which is exactly why keeping any single loss small is worth more than any strategy tweak.

ILLUSTRATIVE EXAMPLE

Say a trader has a $10,000 account and decides to risk 1% ($100) per trade. If their stop-loss is 50 pips away from their entry, they can work backward to figure out how large a position they can take without risking more than that $100 — regardless of how strongly they feel about the trade.

Account size	Risk %	Max risk per trade
$10,000	1%	$100
$10,000	2%	$200
$1,000	1%	$10

Position size follows the stop, not the other way around

A common mistake is picking a position size first (like "I'll trade 1 lot") and only then figuring out where to place a stop-loss. That backwards approach means your actual dollar risk changes randomly from trade to trade, depending on how far away the stop happens to land.

The more disciplined order of operations: decide where the stop-loss needs to go based on the market structure (not on how much you're willing to lose), decide how much you're willing to risk in dollars, and then calculate the position size that fits both of those numbers. The stop comes from the chart. The position size comes from the risk.

Consistency beats optimization

It's tempting to size up on trades that feel like "sure things" and size down on ones you're less sure about. In practice, confidence is a poor predictor of outcome — plenty of "sure thing" trades lose, and plenty of uncertain ones win. Keeping risk per trade consistent removes the temptation to let emotion drive position size, which is often where the real damage happens.

> **The takeaway:** pick a small, consistent percentage of your account to risk per trade. Let your stop-loss come from the chart, and let your position size come from the math — not from how confident you feel. This one habit does more to keep you in the game than any entry strategy will.

CHAPTER 07 OF 8

Building a Trading Routine

Trading is often shown as spontaneous — someone spots an opportunity and jumps on it. In reality, most traders who last a long time run on routine. The decisions that matter most happen before the market opens and after it closes, not in the heat of a live trade.

Why routine matters more than reaction speed

Markets move fast, but good decisions rarely do. A routine takes the pressure off in-the-moment decision-making by handling as much as possible ahead of time: what you're watching for, what would change your mind, and what your risk limits are for the day. When a trade setup actually appears, you're checking it against a plan you already made calmly — not inventing a plan on the spot under pressure.

A simple structure to build from

This isn't a rigid script to follow — it's a shape. Adjust it to your own schedule and the markets you trade.

Before market
Check the economic calendar for anything scheduled that could move your instruments. Review open positions. Note any key levels you're watching.

Session start
Confirm your bias is still valid given overnight moves. Decide your maximum risk for the day and stick to it, regardless of what happens.

During session
Only act on setups that match your plan. If nothing matches, no trade is the correct decision — not a missed opportunity.

After session
Log every trade taken (and, just as usefully, every setup you passed on). Note what you'd do differently, not just whether you won or lost.

Weekly

Review the week's log for patterns — recurring mistakes, recurring wins, and whether your risk discipline actually held up under pressure.

The role of a daily risk limit

Beyond risk per trade, many disciplined traders also set a maximum loss for the day or week — a point at which they stop trading entirely, no matter how "close" they feel to turning it around. This protects against the exact spiral described in the first lesson: one loss leading to a revenge trade, leading to a bigger loss, leading to more revenge trades.

A daily limit only works if it's decided in advance, while calm, and respected in the moment, when it's much harder to think clearly.

Routine isn't about trading more — it's about trading on purpose

A common misconception is that a "serious" trader is glued to the screen constantly. In practice, a good routine often means trading less, not more — waiting for setups that actually match your plan, and treating the rest of the time as observation rather than opportunity. Boredom is not a reason to force a trade.

> **The takeaway:** the traders who last tend to have unremarkable, repeatable routines — not exciting ones. Decide your plan and your limits before the market opens, log what actually happened afterward, and review the pattern weekly. The routine does the discipline for you, so you don't have to rely on willpower in the moment.

CHAPTER 08 OF 8

Building a Trading Plan

Most of what's covered so far in this library — risking a fixed percentage, having an exit plan, keeping a routine — are principles. A trading plan is where those principles get written down as specific, personal rules, so "what do I do here" has already been answered before you're staring at a live chart with money on the line.

Why writing it down changes the outcome

A plan that exists only in your head is negotiable in the moment — and under pressure, in-the-moment negotiation almost always favors whatever feels urgent right now over what you'd have decided calmly beforehand. A written plan is something you can check a decision against, not just something you vaguely intend to follow. That difference is the entire point.

What belongs in the document

01

What you trade, and when

Which instruments, which sessions or hours, and which market conditions you'll trade in — and just as importantly, which ones you'll avoid.

02

Your setup criteria

The specific, checkable conditions that define a trade you're willing to take. If it can't be written as a checklist, it's not specific enough yet.

03

Risk rules

Your risk-per-trade percentage, maximum daily or weekly loss, and what happens when you hit that limit — covered in more depth in the position sizing lesson.

04

Entry, stop, and target rules

How you'll decide exactly where each of these goes — not just "somewhere reasonable," but a specific, repeatable method.

05

Review triggers

When you'll revisit the plan itself — a fixed schedule, not just "whenever it feels like it's not working," which tends to mean right after a loss, the worst possible time to make changes.

A plan is meant to change — deliberately, not impulsively

A trading plan isn't meant to be permanent. As your journal and trading data (covered in the Staying Steady track) reveal what's actually working, the plan should update to reflect it. The distinction that matters is between a scheduled, evidence-based revision and an emotional one made mid-session after a bad trade — the first is how a plan improves; the second is usually just abandoning discipline with extra steps.

Short and specific beats long and vague

A one-page plan you actually follow is worth more than a twenty-page document that sits unread. Start with the sections above answered in a few sentences each, and add detail only where your own trading history shows you actually need it.

The takeaway: a trading plan is the written version of every principle covered elsewhere in this library — what you trade, your setup criteria, your risk rules, and your entry/exit method — put down on paper so decisions get made in advance, not

negotiated under pressure. Revise it on a schedule, using your own data, not in the heat of a bad moment.

THAT'S THE FOUNDATIONS TRACK

From here, the next track is Market literacy — or browse the full lesson library. For a one-page version of each lesson's key points, see the printable cheat sheets.