CompareFX

INDEPENDENT FOREX BROKER COMPARISON

FREE EBOOK · 2026 EDITION

Forex trading for beginners

How the currency market works, what a trade really costs, how to size it, how to check a broker, and the ten checks before you use real money.

9 short chapters | 4 worksheets inside | No broker pitches

Risk warning: CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. Most retail investor accounts lose money when trading CFDs. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.
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BEFORE YOU START

Read this first

Risk warning. CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. Most retail investor accounts lose money when trading CFDs. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money. Never trade with money you need for rent, bills or savings.

Affiliate disclosure. CompareFX may earn a referral fee when you open an account through links on our website. This eBook names no broker and contains no broker links. Nothing in it is paid for by a broker.

This eBook is a plain-language starting point. It explains how forex works and gives you four simple tools to stay in control: a cost worksheet, a position-size sheet, a broker licence check and a demo-to-live checklist.

It will not tell you what to buy or promise you a result. No guide can do that honestly. What it can do is help you avoid the most common and most expensive beginner mistakes.

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CHAPTER 1

What is forex trading?

Forex is short for foreign exchange. It is the global market where one currency is swapped for another.

When you change euros into dollars before a holiday, you take part in the forex market. Banks, companies, funds and individual traders do the same thing, but far more often and in much larger amounts.

> **Key fact.** Forex is the largest financial market in the world. The Bank for International Settlements measured average daily turnover at about 7.5 trillion US dollars in its 2022 survey. It is open 24 hours a day, five days a week.

There is no central exchange

Shares trade on an exchange such as the London or Frankfurt stock exchange. Forex does not. It runs electronically across a worldwide network of banks and dealers. That is why prices can differ slightly from one provider to another.

The basic idea

Currencies are always quoted in pairs, such as EUR/USD. If you think the euro will rise against the US dollar, you buy EUR/USD. If you think it will fall, you sell. If the price moves your way, the trade gains. If it moves against you, the trade loses. Both outcomes are always possible.

How retail traders take part

Individuals reach the market through a **broker**. In the EU and UK, most retail forex trading is done with **CFDs** (contracts for difference). You do not own the currency. You hold a contract that gains or loses with the price.

The broker gives you a trading platform, live prices and **leverage**. Leverage lets you open a large position with a small deposit. It is the main reason most retail accounts lose money, so chapter 3 explains it with care.

> **Remember.** Forex is not a way to earn a steady income. Prices move for many reasons nobody can fully predict. Treat it as a high-risk activity and only use money you can afford to lose.

CHAPTER 2

How the forex market works

The market follows the sun. Trading moves from Sydney to Tokyo to London to New York, then starts again.

The four trading sessions

When two sessions overlap, more people trade. Prices tend to move more and spreads are often tighter. The London and New York overlap is usually the busiest time of day.

Session	Opens (UTC)	Closes (UTC)	Pairs often traded
Sydney	22:00	07:00	AUD/USD, NZD/USD
Tokyo	00:00	09:00	USD/JPY, AUD/JPY
London	08:00	17:00	EUR/USD, GBP/USD, EUR/GBP
New York	13:00	22:00	EUR/USD, USD/CAD, USD/CHF

Times are approximate and shift by about one hour when daylight saving time starts or ends.

Reading a currency pair

Every pair has a **base currency** (first) and a **quote currency** (second). The price tells you how much of the quote currency buys one unit of the base currency.

EUR/USD = **1.0800**

One euro costs 1.08 US dollars. Euro is the base, dollar is the quote.

Three groups of pairs

Group	Examples	What to expect
Major pairs	EUR/USD, GBP/USD, USD/JPY	Most traded. Usually the lowest costs.
Minor pairs	EUR/GBP, EUR/AUD, GBP/JPY	No US dollar. Costs a little higher.
Exotic pairs	USD/TRY, EUR/ZAR, USD/MXN	Less traded. Wider spreads, sharper moves.

Beginner tip. Many beginners start with one major pair, such as EUR/USD, and learn how it behaves before adding others. Fewer pairs means fewer things to watch.

CHAPTER 3

Key ideas: pips, lots, leverage and margin

Four words come up in every trade. Learn them once and the rest of this eBook gets much easier.

Pip
The smallest usual price step. On most pairs it is the fourth decimal (0.0001). If EUR/USD moves from 1.0800 to 1.0810, that is 10 pips. On yen pairs, a pip is the second decimal (0.01).

Lot
Your trade size. 1 standard lot = 100,000 units. 0.10 lot (mini) = 10,000 units. 0.01 lot (micro) = 1,000 units. Small lots keep risk small while you learn.

Leverage
Lets you control a large position with a small deposit. At 30:1, a deposit of €1,000 can control €30,000. It makes gains and losses bigger by the same amount.

Margin
The money the broker holds while your trade is open. If your account falls below the required level, you get a margin call and trades can be closed automatically.

Leverage limits in the EU and UK

EU and UK rules cap leverage for retail clients. The cap depends on what you trade:

What you trade	Maximum leverage
Major currency pairs	30:1
Other currency pairs, gold, major indices	20:1
Other commodities, other indices	10:1
Individual shares	5:1
Crypto assets	2:1

The maximum is a ceiling, not a target. You can always use less.

Negative balance protection. EU retail accounts must have it. It means you cannot lose more than the money in your account. You can still lose all of it.

CHAPTER 3 · CONTINUED

Leverage in one example

The same 50-pip price move can be a small change or a large one. Only the trade size is different.

You open a trade on EUR/USD at 1.0800 with 30:1 leverage. The price then moves 50 pips.

Trade size	Position value	Margin held (30:1)	50-pip move
0.01 lot (micro)	$1,080	about $36	± $5
0.10 lot (mini)	$10,800	about $360	± $50
1.00 lot (standard)	$108,000	about $3,600	± $500

The "±" matters. The move can go either way. On a $500 account, a 50-pip move against a 0.10 lot trade costs a tenth of the account.

Bid, ask and the spread

Every price has two sides. The **bid** is the price you sell at. The **ask** is the price you buy at. The gap between them is the **spread**.

Bid **1.0800** · Ask **1.0801** → spread **1 pip**

You pay the spread the moment you open a trade, win or lose.

Spreads change during the day. They are usually tightest when the market is busy, and they can widen a lot around big news or when the market opens on Monday.

Pip value: the number that links it all

To turn pips into money you need the **pip value**. On pairs that end in USD, one pip on 1 standard lot is worth 10 US dollars. On 0.10 lot it is 1 dollar, and on 0.01 lot it is 10 cents. Your platform shows the pip value for every pair, so you never need to guess.

> **Why this matters.** Chapters 4 and 5 both use pip value. Chapter 4 uses it to price a trade. Chapter 5 uses it to size a trade so one loss stays small.

CHAPTER 4

What a trade really costs

Every trade has a cost, and you pay it whether the trade wins or loses. Most beginners only look at the spread. There are four parts.

Spread
The gap between the buy and sell price. Paid the moment you open a trade.

Commission
A fee per trade on some account types. Charged when you open and again when you close.

Swap
A fee (sometimes a small credit) for keeping a trade open overnight. Charged every night.

Slippage
The gap between the price you asked for and the price you got. Common in fast markets.

Total cost = **spread** + **commission** + **swap** + **slippage**

Worked example

You buy 0.10 lot of EUR/USD and keep the trade open for 3 nights. Your account is €1,000. One pip on 0.10 lot is worth 1 US dollar, about €0.93 at an example rate of 1.08.

Cost	How to work it out	Amount
Spread	1.2 pips × €0.93	€1.12
Commission	€3.00 per side per lot × 2 sides × 0.10 lot	€0.60
Swap	€0.70 per night × 3 nights	€2.10
Slippage	0.3 pips × €0.93	€0.28
Total cost		**€4.10**
Share of a €1,000 account		0.41%

Example numbers to show the maths. They are not any broker's prices. Use your own broker's numbers.

Two things to notice. The swap is the biggest cost here, because the trade stayed open three nights. And you pay the full €4.10 whether the trade wins or loses.

WORKSHEET 1 · TRADE COST

Your trade cost worksheet

Fill this in for your next trade, before you place it.

Cost	Your numbers	Amount
Spread	_____ pips × pip value _____	_____
Commission	_____ per side × 2 × _____ lots	_____
Swap	_____ per night × _____ nights	_____
Slippage	_____ pips × pip value _____	_____
Total cost		_____
Share of account	Total ÷ account balance × 100	_____ %

Where to find each number

- **Spread:** the platform's quote window, or the broker's spreads page. Look for the typical spread, not the minimum.
- **Commission:** the fee schedule for your account type.
- **Swap:** the instrument's contract specification in the platform. Some brokers charge three nights on one weekday to cover the weekend.
- **Slippage:** your own trade history. Compare the price you asked for with the price you got.

Three ways to keep costs down

- Trade the busy hours, when spreads are usually tighter.
- Know your swap before you hold a trade overnight, and especially over a weekend.
- Trade less often. Every trade pays the spread again.

ONLINE TOOL Fill it in on screen or print it: **comparefx.co/en/free/trade-cost-worksheet/**

CHAPTER 5

The 1% rule: how big should a trade be?

Size every trade so that if it hits your stop-loss, you lose at most 1% of your account. This one habit protects you from the losing streaks every trader has.

Stop-loss
An order that closes your trade automatically at a price you choose, to cap the loss.

Stop distance
How far your stop-loss is from your entry price, in pips.

Lots = (**balance × 1%**) ÷ (**stop distance in pips** × **pip value per lot**)

Always round down, never up.

Worked example

Your balance is €2,000. You want to buy EUR/USD with a stop-loss 25 pips away. One pip on 1 lot is worth 10 US dollars, about €9.26 at an example rate of 1.08.

1% of the balance	€20.00
Cost of the stop on 1 lot: 25 pips × €9.26	€231.50
€20.00 ÷ €231.50	0.086 lots
Rounded down	**0.08 lots**
Loss if the stop is hit: 0.08 × €231.50	€18.52

Example numbers to show the maths. Use your own balance, stop and pip value.

Use it on every trade

1. **Put the stop where your idea is wrong**
   Place it where the trade no longer makes sense, not where the loss feels comfortable.
2. **Measure the distance in pips**
   Count the pips from your entry price to your stop-loss.
3. **Work out the size, then round down**
   Use the formula above or the free spreadsheet.
4. **Place both orders together**
   Set the stop-loss in the same order ticket, before you click buy or sell.

WORKSHEET 2 · POSITION SIZE

Why 1%? What a losing streak does

Every trader has losing streaks. This table shows what is left of your account after several losses in a row.

Losses in a row	Risk 1% per trade	Risk 2% per trade	Risk 5% per trade
3	97.0%	94.1%	85.7%
5	95.1%	90.4%	77.4%
10	90.4%	81.7%	59.9%

At 5% per trade, ten losses leave about 60% of the account. You would then need a gain of about 67% just to get back to where you started. At 1%, the same streak leaves about 90%.

Your position-size sheet

A. Account balance	_____
B. Risk per trade: A × 1%	_____
C. Stop distance (pips)	_____
D. Pip value per 1 lot (from your platform)	_____
E. Cost of the stop on 1 lot: C × D	_____
F. Lots: B ÷ E	_____
G. Rounded down: the size you trade	_____

Add a daily loss limit

The 1% rule protects each trade. A daily loss limit protects each day. Pick a number, for example 3% of the account, and write it down. When you reach it, close the platform until tomorrow.

My daily loss limit: _____

ONLINE TOOL Spreadsheet that does the maths for you: **comparefx.co/en/free/position-size-sheet/**

CHAPTER 6 · WORKSHEET 3

How to check a broker's licence

Five checks, about five minutes. If any check fails, stop there. That is your answer.

- [ ] **1. Find the licence number on the broker's own site**
  Look in the footer, or the About or Legal page. Write down the regulator's name, the company's legal name and the licence number.
  Stop if: no regulator, no legal name or no number.

- [ ] **2. Open the regulator's register yourself**
  Type the regulator's address into your browser. Do not click the broker's own “regulated by” badge. EU and UK registers include CySEC (cysec.gov.cy), BaFin (bafin.de), AMF (regafi.fr), FSMA (fsma.be) and FCA (register.fca.org.uk).
  Stop if: the broker's link takes you to a page that is not the regulator's.

- [ ] **3. Search by the number, not the brand**
  Brand names change. Licence numbers do not. The company name the register shows must match the legal name on the broker's site exactly.
  Stop if: no result, or a different company name.

- [ ] **4. Check the status and what it covers**
  The status must say Authorised or Active today, not Former, Suspended or Revoked. It must cover dealing for retail clients, not only fund management.
  Stop if: status is not active, or retail trading is not covered.

- [ ] **5. Check the protections an EU broker must show**
  An EU broker serving retail clients must show the percentage of accounts that lose money with CFDs, and must offer negative balance protection.
  Stop if: no loss percentage shown, or no negative balance protection.

Then compare the rest

A valid licence means a regulator oversees the broker. It does not protect you from trading losses, and it says nothing about costs. After the licence, compare total trading costs (chapter 4), a free demo account, the platform, and support in your language.

ONLINE TOOL comparefx.co/en/free/broker-licence-check/

CHAPTER 7

Your step-by-step start plan

Go slowly. Each step is there to protect your money while you learn.

1. **Check the broker's licence**
   Use the five checks in chapter 6 before you sign up anywhere.

2. **Register and verify your identity**
   You will need proof of identity (passport or ID card) and proof of address (a recent utility bill or bank statement). Checks usually take from a few hours to a day.

3. **Open a demo account first**
   A demo uses virtual money. Treat every demo trade as if the money were real, with the same size and the same stop-loss.

4. **Learn the platform**
   Practise opening and closing trades, setting a stop-loss and take-profit, reading a candlestick chart and checking your margin level.

5. **Learn the two kinds of analysis**
   Technical analysis studies price charts and indicators. Fundamental analysis studies economic news such as interest rates and inflation. Both are useful. Neither can predict the future.

6. **Write down a simple plan**
   Decide your entry rule, your stop-loss and your target before each trade. Risk no more than 1% per trade (chapter 5).

7. **Pass the demo-to-live checklist**
   Only move to real money once you can tick all ten checks in chapter 8. Then start with a small amount you can afford to lose in full.

8. **Keep a trading journal**
   Record every trade: why you entered, why you exited, the result and how you felt. Review it every week. It is the quickest way to spot your own repeated mistakes.

Take your time. Many traders spend three to six months on a demo account. There is no prize for going live early.

CHAPTER 8 · WORKSHEET 4

Demo to live: the 10-point checklist

Tick all ten before you move from a demo account to real money.

- [ ] **1. Trade the demo long enough**
  At least 30 trading days and 40 closed trades. A few winning trades can be luck.
- [ ] **2. Check that your results have an edge**
  Expectancy = (win rate × average win) − (loss rate × average loss). It should be above zero across all your demo trades.
- [ ] **3. Check that you followed your own rules**
  Did you respect every stop-loss? If you broke rules with play money, you will break them faster with real money.
- [ ] **4. Check the broker's licence**
  Run the five checks in chapter 6.
- [ ] **5. Know what each trade will cost you**
  Use the trade cost worksheet in chapter 4.
- [ ] **6. Confirm negative balance protection**
  Find it in the account terms before you deposit.
- [ ] **7. Set your risk per trade to 1%**
  Use the position-size sheet in chapter 5.
- [ ] **8. Set a daily loss limit**
  For example 3% of the account. When you reach it, stop for the day.
- [ ] **9. Start small and test a withdrawal**
  Deposit an amount you can afford to lose. Ask for a small withdrawal and see how long it takes.
- [ ] **10. Expect live trading to feel different**
  Use low leverage and your smallest size at first. Write down how you felt after every trade.

Ticked all ten? You are ready to start small. Ready does not mean safe: most retail CFD accounts lose money.

CHAPTER 9

Common beginner mistakes

Most of these mistakes are about behaviour, not knowledge. Knowing them in advance makes them easier to spot.

Using too much leverage

Using the maximum leverage on a small account is the fastest way to lose it. One bad trade can wipe out weeks of work. Keep your real exposure low until your journal shows steady discipline.

Trading without a stop-loss

Many beginners skip the stop-loss and hope a losing trade will come back. Sometimes it does. The one time it does not can undo months. Set the stop before you enter, never after.

Trading through big news

Releases such as US jobs data, central bank rate decisions and inflation figures can cause sharp moves and much wider spreads. Until you understand news trading, avoid opening trades in the 30 minutes before and after major releases.

Revenge trading

After a loss, it is tempting to jump straight back in to win it back. This is how small losses become large ones. After a losing trade, step away and read your journal before you trade again.

Ignoring costs

Frequent trades, wide spreads and overnight swaps add up. A strategy that looks fine on a chart can lose money once costs are counted. Price your trades with chapter 4.

Expecting quick results

Social media is full of screenshots of big wins. You rarely see the losses. Ignore promises of fast or easy money, and be very wary of anyone selling “signals” or guaranteed systems.

Watch out for scams. Never give anyone access to your trading account, never send money to a person who “manages” trades for you on social media, and never trust a broker you cannot find on a regulator's register.

REFERENCE

Glossary, questions and next steps

Base / quote currency	The first / second currency in a pair.
CFD	Contract for difference. You trade the price change without owning the currency.
Expectancy	The average result per trade over many trades.
Margin call	A warning that your account is close to the level where trades are closed.
Take-profit	An order that closes a trade automatically at a target price.

Questions beginners ask

How much money do I need?

Some brokers let you start with very little. What matters more is that the amount is money you can afford to lose in full, and that trades are small enough to follow the 1% rule.

Can beginners make money from forex?

Most retail CFD accounts lose money. EU brokers must publish the exact share on their websites. No guide, course or system can promise a profit. Treat early live trading as paid learning.

Which pair should I start with?

Many beginners start with EUR/USD. It is the most traded pair, usually has the lowest spread and has the most free learning material.

Can I trade on my phone?

Yes. Most platforms have mobile apps. Many traders still prefer a computer for charts and for planning trades.

Next steps. Read our full beginner guide and compare regulated brokers side by side at **comparefx.co/en/forex-trading-for-beginners/**

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Keep these tools close

All four worksheets in this eBook are also free online. You can print them or fill them in on screen.

Trade cost worksheet
comparefx.co/en/free/trade-cost-worksheet/

1% position-size sheet
comparefx.co/en/free/position-size-sheet/

Broker licence check
comparefx.co/en/free/broker-licence-check/

Demo-to-live checklist
comparefx.co/en/free/demo-to-live-checklist/

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