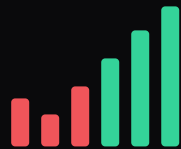




LIMA SIGNAL



Welcome to Trading

A clear, honest introduction to the markets

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The Fog Around Trading

Trading is one of the most talked-about, most misunderstood activities in the financial world. On one side, social media is full of screenshots of huge gains, flashy cars, and promises that anyone can quit their job and trade for a living. On the other side, most serious discussions about trading barely make it past jargon like "pips," "spreads," and "RSI" before losing a beginner completely.

This book sits between those two extremes. It will not promise you riches, and it will not drown you in technical language. Its only goal is to give you an honest, clear-eyed map of what trading actually is: how it works, why people do it, why most people who try it lose money, how the industry has changed over time, and what tools and knowledge you would need to approach it seriously.

Lima Signal was built on a simple belief: that trading education should look more like a university course and less like a sales pitch. This first book is completely free, and it always will be. There is no upsell hidden in the next pages, no "but to really succeed you need my paid mentorship." What you will find, later in the Lima Signal library, are more free resources — a glossary and an indicator — built with the same transparency.

If you finish this book and decide trading isn't for you, that is a perfectly good outcome. If you finish it and decide you want to go deeper, you will do so with realistic expectations and a real foundation, not a head full of hype.

HOW THIS BOOK IS ORGANIZED

The first four chapters build a foundation: what trading actually is, how trading differs from investing, the mechanics of an actual trade, and why people are drawn to it. From there, the book widens out — an honest look at the numbers behind who succeeds and who doesn't, how trading has evolved, the markets available today, the tools professionals actually rely on, the two main schools of analysis, and the mistakes that quietly end most beginners' accounts. Read it in order the first time; after that, treat it as a reference to come back to.

01 What Is Trading?

A Simple Definition

At its core, trading is the act of buying and selling a financial asset with the goal of profiting from a change in its price. The asset can be almost anything with a liquid market: a currency pair, a company's stock, a barrel of oil, a government bond, or a cryptocurrency. What defines trading — as opposed to other ways of interacting with markets — is the focus on price movement over a relatively short time horizon, and the intention to actively manage a position rather than hold it indefinitely.

The Mechanics: Bid, Ask, and Direction

Every market works through the interaction of buyers and sellers. At any moment, there is a "bid" (the highest price someone is willing to pay) and an "ask" (the lowest price someone is willing to sell for). The gap between them is the spread, and it is one of the basic costs of trading.

When you "go long," you are buying an asset because you expect its price to rise, planning to sell it later at a higher price. When you "go short," you are doing the reverse: borrowing and selling an asset you don't own, expecting to buy it back later at a lower price. Short-selling lets traders potentially profit even when markets are falling — but it carries distinct, often larger risks.

Who Is on the Other Side of Your Trade?

A question beginners rarely ask, but should: when you buy, who is selling to you? The honest answer is that it could be almost anyone — another retail trader, a large institutional fund, a market maker providing liquidity, or an algorithm executing a strategy in microseconds. Markets are not a closed game against "the house"; they are a continuous auction among millions of participants with very different information, timeframes, and objectives. Understanding this changes how you think about trading: you are not just predicting a price, you are competing — often unknowingly — against far better-resourced participants on the other side of many trades.

Timeframes and Trading Styles

Not all trading happens at the same speed, and the timeframe a trader chooses shapes almost everything else about how they operate.

Scalping

Seconds to minutes; small moves, many times a day; demands constant attention.

Day Trading

Open and close within a single day; never held overnight.

Swing Trading

Days to weeks; aims to capture a larger, sustained move.

Position Trading

Months or more; starts to blur into investing.

Choosing a Timeframe That Fits Your Life

There's no universally "best" timeframe — the right one depends on how much attention you can realistically give the markets. Scalping and day trading demand your full focus during market hours and don't mix well with a full-time job. Swing and position trading require patience and the discipline to sit through overnight and multi-day price swings, but fit around other commitments far more easily. Most beginners are better served starting slower — swing timeframes give more time to think, and punish impulsive decisions less severely than scalping does.

You Can Change Your Mind Later

Your first choice of timeframe isn't permanent. Many traders start with swing trading to build fundamentals, then move toward faster or slower styles as they discover what actually fits their temperament and schedule. Treat your first few months as an experiment in self-knowledge as much as market knowledge.

02 Trading vs. Investing

"Trading" and "investing" get used interchangeably, but they're different activities with different tools, timelines, and skills. Knowing which one you're actually doing — at any given moment — matters more than most beginners realize.

Trading

Shorter holding periods — minutes to weeks

Focuses heavily on price movement itself

Technical / market-structure analysis often central

Frequent decisions, frequent execution

Transaction costs matter a great deal

Execution — timing, fills, slippage — matters enormously

Investing

Longer time horizon — years to decades

Ownership and business fundamentals often central

Compounding is a major driver of returns

Lower turnover, fewer decisions

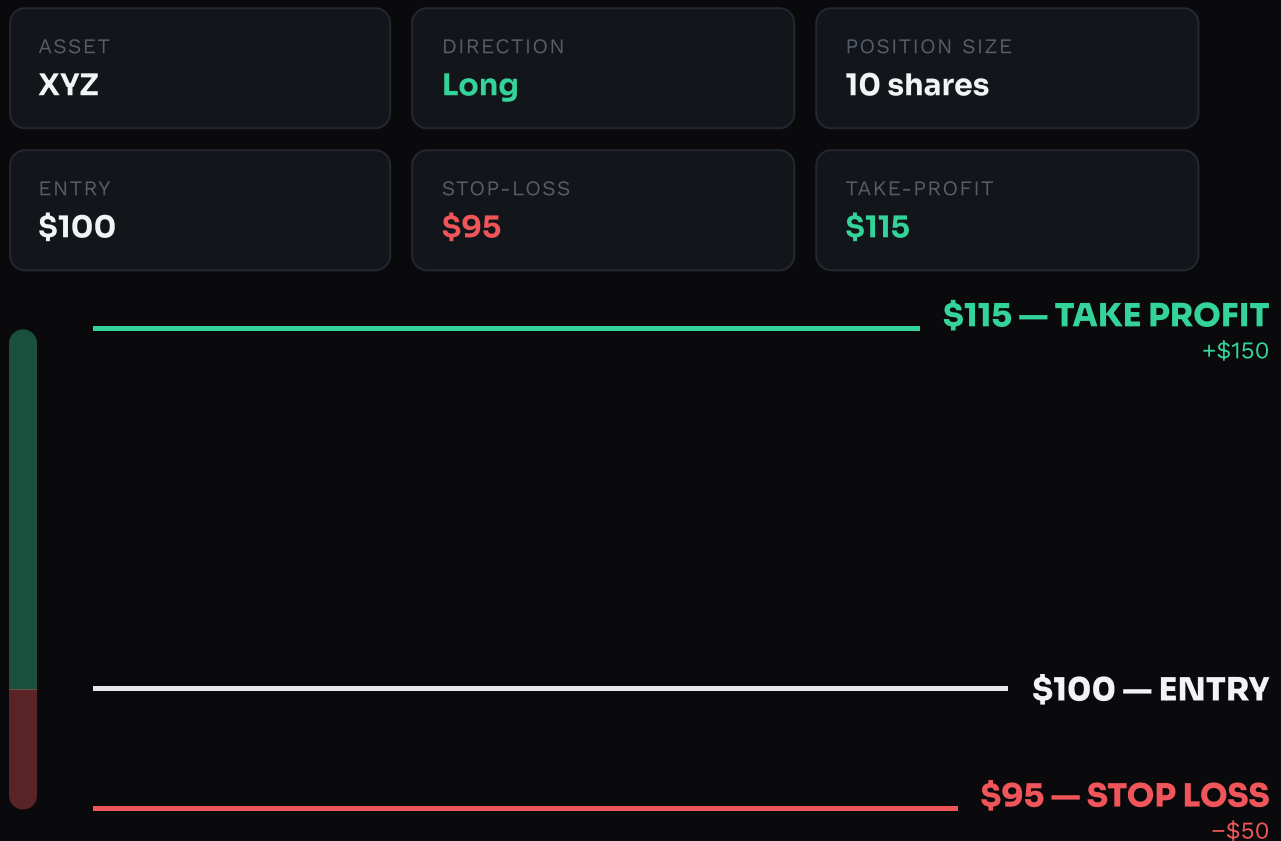
Valuation — what something is actually worth — matters most

Patience matters more than precision timing

Neither is inherently superior. They solve different problems, for different people, on different timelines — this book is about trading, but nothing here requires giving up investing separately, or vice versa.

03 How a Trade Works

Every trade, no matter how it's discussed elsewhere, comes down to the same handful of decisions made before you click "buy." Here's a simple hypothetical trade, worked through step by step.



The Terms Behind the Trade

Direction (long / short). Going long means buying, expecting the price to rise; going short means selling first, expecting it to fall so you can buy back cheaper. Options mirror this with calls (a bet the price rises) and puts (a bet it falls). This example is a long.

Entry. The price at which you open the position — \$100 in this example.

Position size. How many units you buy or sell — 10 shares here.

Stop-loss. A predefined price (\$95) where the trade automatically closes if it goes against you, capping the loss.

Take-profit. A predefined price (\$115) where the trade automatically closes if it goes in your favor, locking in the gain.

Risk. What you stand to lose if the stop is hit: $(\text{Entry} - \text{Stop}) \times \text{Position size} = (\$100 - \$95) \times 10 = \$50$.

Reward. What you stand to gain if the target is hit: $(\text{Target} - \text{Entry}) \times \text{Position size} = (\$115 - \$100) \times 10 = \$150$.

R-multiple. Reward expressed as a multiple of risk: $\$150 \div \$50 = 3R$. A trade's R-multiple is the fastest way to judge whether it's worth taking before you enter.

P&L (profit and loss). The actual result once the trade closes — here, +\$150 if the target fills, -\$50 if the stop fills.

Fees and slippage. Commissions, spread, and the difference between the price you wanted and the price you actually got. Real P&L is always slightly worse than the theoretical number above — small on a single trade, meaningful over hundreds of them.

WHY THIS TRADE MADE SENSE ON PAPER

Risking \$50 to potentially make \$150 is a 3:1 reward-to-risk setup — at that ratio, a trader can theoretically break even with just a 25% win rate before fees and slippage. Winning more often than that is where real profitability, and the trader's edge, comes from. This is the calculation worth doing before every trade, not after.

04 Why People Trade (and Why Many Shouldn't)

Trading attracts people for very different reasons — some good, some based on misconceptions. Before looking at tools or strategy, it's worth being honest about both sides of the ledger.

THE REAL ADVANTAGES

- **Accessibility.** Financial markets are open to almost anyone with an internet connection and a modest amount of capital — no degree requirement, no gatekeeper.
- **Uncapped upside, in theory.** Unlike most jobs, trading has no fixed ceiling tied to hours worked — though this cuts both ways.
- **Flexibility.** Can be done from anywhere, on a schedule that suits the trader, particularly in markets like forex and crypto.
- **Liquidity.** Major markets like forex, large-cap stocks, and top cryptocurrencies allow positions to be entered and exited quickly.
- **Low barrier to entry.** Some brokers accept deposits of \$100 or less.

A DIFFERENT KIND OF OPPORTUNITY

A salaried job trades effort for a fixed, predictable outcome — the same paycheck regardless of how well the month actually went. Trading works differently: your results scale with your skill and discipline, with no ceiling imposed by a job title or a pay grade. That freedom is exactly what draws so many people in — it just rewards preparation more than any traditional career does.

Advantages Compound With Experience

None of these advantages show up fully on day one. Accessibility gets you in the door, but liquidity, flexibility, and uncapped upside only become real assets once you've put in the time to trade with a genuine, tested edge — the next two chapters are about building exactly that.

THE REAL DISADVANTAGES

- **Leverage risk.** Amplifies gains and losses at the same rate — the most common reason new traders lose accounts quickly.
- **Emotional toll.** Watching real money move against you triggers stress responses that cloud judgment.
- **Steep learning curve.** Developing real skill takes months or years of deliberate practice.
- **Noisy information environment.** A mix of genuine education, exaggerated marketing, and outright scams.
- **Addictive potential.** Rapid win/loss feedback, combined with leverage, can create gambling-like patterns.

Who Trading Tends to Suit

It suits people comfortable with structured risk-taking; who can follow rules under pressure instead of improvising; who treat losses as a normal cost of doing business rather than a personal failure; and who have realistically months, not days, to dedicate to learning before committing meaningful capital. It suits people poorly if they're looking for a quick income replacement, struggle to separate emotion from decisions, or cannot afford to lose the capital they intend to trade with.

Questions Worth Asking Yourself First

Can you afford to lose the money you'd start with, without it affecting your life? Can you follow a rule you set for yourself even when it feels wrong in the moment? Are you looking to build a skill over months, or hoping for a shortcut this week? Honest answers here matter more than any strategy you'll learn later in this book.

There's No Rush

Nothing in this chapter is meant to talk you out of trading — only to slow down the decision enough to make it a considered one. The markets discussed in this book aren't going anywhere. Taking an extra month to build knowledge before risking real capital costs you nothing; skipping that step is how most avoidable losses happen.

BOTTOM LINE

Trading is neither a scam nor a shortcut to wealth. The outcome for any individual depends heavily on how seriously they treat the disadvantages — not just how excited they are about the advantages.

05 The Honest Numbers: A Reality Check

Financial regulators in several jurisdictions require brokers offering leveraged products like forex and CFDs to publicly disclose the percentage of retail client accounts that lose money. Across most of these disclosures, the figure has consistently landed somewhere between **65% and 82%** of retail accounts losing money over a given period. These numbers vary by broker, product, and country, but the pattern is remarkably consistent.

This is not a reason to be discouraged from learning — it's a reason to learn correctly. The traders who succeed are almost without exception the ones who treat trading as a discipline with rules, not as a series of exciting bets.

WHY MOST TRADERS LOSE

- **No real edge.** Trading on a hunch or headline, without tested, repeatable rules.
- **Overleverage.** Using leverage far beyond what the account can safely absorb.
- **No risk management.** Trading without predefined stop-losses or position sizing.
- **Revenge trading.** Trying to immediately win back a loss with a larger, less disciplined trade.
- **Unrealistic expectations.** Believing life-changing returns are achievable quickly.

A NOTE ON THESE STATISTICS

These figures describe leveraged retail trading specifically — forex and CFDs — not markets in general, and not longer-term investing. They also don't distinguish between someone who tried once with no preparation and someone who traded for years with a real process. The number is a warning about the average, not a verdict on any individual's chances.

Why Lima Signal Publishes This Number

Most sources selling a course or a signal service have every incentive to downplay this figure. We'd rather you read it here, plainly, before spending a single dollar with anyone — including us — than discover it the hard way after your first few trades.

The Math of Losses

One of the most underestimated facts in trading is how asymmetric gains and losses really are. This is why protecting capital from large drawdowns matters more than chasing big wins.

-20%

loss

needs +25%

-50%

loss

needs +100%

-80%

loss

needs +400%

What Separates the Traders Who Survive

They define risk before entering a trade, not after; they track their performance honestly, including their losses; they treat trading as a probabilistic activity where being right 55% of the time with good risk management beats being right 90% of the time with none; and they keep studying even after becoming profitable, because conditions change.

None of this is exciting. That's the point — sustainable trading is closer to running a small, disciplined business than to the fast, thrilling image often sold online.

A SIMPLE ILLUSTRATION

Two traders each risk 1% of their account per trade. Trader A wins 40% of trades but always aims for at least twice the reward of the risk. Trader B wins 70% of trades but routinely lets losers run bigger than winners. Over a long enough series of trades, Trader A's account tends to grow steadily while Trader B's is exposed to a single oversized loss wiping out weeks of gains. Win rate alone tells you very little without knowing the size of the wins and losses behind it.

Recovering From a Drawdown Takes Time

The math above is why experienced traders talk about drawdowns in terms of recovery time, not just percentage lost. A 50% loss isn't just a big number — it's months, sometimes years, of otherwise good trading needed just to get back to even. Protecting the account from ever reaching that point is a far more reliable path to long-term growth than trying to trade your way out of a hole once you're already in one.

06 How Trading Has Evolved

From the Trading Floor to the Screen

For most of the twentieth century, trading happened physically — on exchange floors, through open outcry, with brokers shouting orders across a crowded room. Access was restricted to those with a seat on the exchange or a relationship with someone who had one.

Electronic and Algorithmic Markets

Starting in the 1970s and accelerating through the 1990s and 2000s, exchanges moved to electronic order matching. Today a large share of daily volume in major markets is generated by automated systems rather than human decisions in the moment.

The Retail Access Explosion

Commission-free trading apps, mobile-first brokers, and fractional share investing have made it possible to open an account and place a trade within minutes. This democratization is genuinely positive — but it has also brought in a wave of participants with little formal preparation.

Crypto and the 24/7 Market

Cryptocurrency markets introduced continuous, 24-hour, seven-day trading with no centralized closing bell, attracting a new generation to markets — often as their first exposure to trading at all.

AI, Social, and Community-Driven Trading

The rise of social platforms where traders share ideas in real time, and the growing use of AI — both by institutions building trading systems, and by individual traders using AI tools to analyze markets and generate strategy code.

WHAT THIS MEANS FOR YOU, TODAY

A beginner today has more raw access — to markets, data, tools, other traders' ideas — than a professional had thirty years ago. But the competitive bar has also risen. Access to markets has never been the hard part; developing a genuine edge within them has.

07 The Largest Markets in the World

Market	Approx. Scale	Key Characteristic
Foreign Exchange (Forex)	~\$7–8T daily	Largest, most liquid market; decentralized, OTC, open ~24/5
Bond / Fixed Income	~\$130T+ outstanding	Largest by total value; dominated by institutions and governments
Global Equities (Stocks)	~\$100T+ market value	NYSE, Nasdaq and others; widely accessible to retail traders
Derivatives (Futures & Options)	Hundreds of trillions notional	Used for speculation and hedging
Cryptocurrency	Low trillions	Newest major asset class; trades 24/7; historically most volatile
Commodities	Varies by product	Oil, gold, agricultural products; driven by physical supply/demand

Why This Matters for a New Trader

Most retail traders start in forex, major stocks, or crypto — not because these are objectively "better," but because they are the most accessible, with low minimums and brokers built around retail access. The bond market, despite being the largest in the world by value, is dominated by institutions and rarely a starting point for individuals.

Size Isn't the Same as Suitability

It's tempting to assume the biggest market is the best place to start, but scale and accessibility pull in different directions. The bond market's size comes from institutions trading enormous positions off-exchange, with pricing and access built for banks and governments, not individuals with a few hundred dollars. Forex, by contrast, is both massive and open — a structural reason it has become the default entry point for so many new traders.

One Market, or Several?

Many new traders eventually work across more than one of these markets, since the underlying skills — reading price action, managing risk, staying disciplined — transfer reasonably well. Even so, it's usually better to become genuinely competent in one market before spreading attention across several; depth of understanding in a single instrument tends to matter more early on than breadth across many.

Market Hours and Trading Sessions

Unlike crypto, most traditional markets aren't open continuously. Forex trades nearly 24 hours a day on weekdays, moving between financial centers from Sydney to Tokyo to London to New York, with the London/New York overlap producing the highest volume. Stock exchanges keep fixed local hours — the NYSE and Nasdaq trade on a defined schedule, closed weekends and holidays.

These schedules matter in practice. A position opened late Friday in a stock or futures market sits untouched until Monday's open — and can "gap" sharply if news breaks over the weekend. Forex and crypto don't have that particular gap risk in the same way, but forex still closes for roughly 48 hours over the weekend, and thin holiday liquidity in any market can make prices move more erratically than usual.

TYPICAL SESSION WINDOWS (LOCAL TIME)

Tokyo	09:00–15:00 JST
London	08:00–16:30 GMT
New York (NYSE / Nasdaq)	09:30–16:00 ET
Crypto	Continuous, 24/7

LIQUIDITY CHANGES THROUGHOUT THE DAY

Volume isn't evenly spread across a session. The first and last hours of a stock market's day, and the London/New York overlap in forex, are consistently the busiest — spreads tend to be tighter and price moves more reliable during these windows. Trading in the quiet middle of a session, or right around a public holiday, often means wider spreads and less predictable price behavior for the same setup.

A PRACTICAL TAKEAWAY

If you're not sure which hours to focus on, the session overlaps are the simplest starting point: more participants, tighter spreads, and cleaner price action than the quieter stretches of the day.

08 The Trader's Stack: Tools of the Trade

Charting Platforms

TradingView has become close to an industry standard for retail traders, thanks to a free tier, a huge library of community indicators, and support for nearly every asset class in one place.

News and Data Sources

An economic calendar (interest rate decisions, employment data, inflation reports), financial news wires, and — for crypto — on-chain data. Increasingly, curated commentary on platforms like X, though this needs more skepticism than traditional financial news.

Brokers

What matters most: regulation (is the broker licensed by a credible authority?), cost structure (spreads, commissions, overnight fees), execution quality, and range of instruments. A flashy app is not the same as a safe one.

Journaling and Performance Tracking

Keeping a trading journal — a record of every trade, the reasoning, the outcome, an honest note on what went well or poorly — is one habit consistently found among traders who improve, and consistently missing among those who don't.

Community and Continued Education

Ideally communities transparent about risk and results, rather than built around lifestyle marketing.

A Note on Security

Two-factor authentication on every account, a password manager, skepticism toward unsolicited trading "opportunities," and — for crypto — understanding exchange custody vs. a private wallet you control.

BUILDING A MINIMAL STACK

One regulated broker, one charting platform, one economic calendar, and a simple journal. Everything else gets added only when a genuine need appears.

09 Fundamental vs. Technical Analysis

Fundamental Analysis

Looks at the underlying economic, financial, and political factors that drive an asset's value — earnings and debt for a stock, interest rates and inflation for a currency, supply and demand for commodities. Asks: "What is this asset actually worth?"

Technical Analysis

Sets aside underlying value and focuses on price action itself — charts, patterns, indicators. The premise: price reflects collective participant behavior, which tends to form recurring patterns useful for timing entries and exits.

Which One Is "Right"?

Neither has proven definitively superior. Fundamentals tend to matter more over longer horizons; technicals tend to dominate shorter-term decisions. Most experienced traders blend both — fundamentals to decide direction, technicals to time entry and exit — with market sentiment sometimes layered on as a third lens.

Sentiment: The Third Lens

Beyond fundamentals and technicals, many traders track sentiment — the collective mood of the market, visible in positioning data, news tone, and social chatter. Extreme sentiment in either direction is often, though not always, a useful contrarian signal: when nearly everyone already expects a move, much of it may already be priced in.

Building Your Own Approach

There's no single correct mix of fundamental, technical, and sentiment analysis — the right blend depends on the market you trade and the timeframe you operate on. What matters is picking a consistent framework and testing it, rather than switching lenses every time a trade doesn't go your way.

A WORKED EXAMPLE

A central bank is expected to raise rates — a fundamental factor that typically strengthens a currency. A trader blending both approaches agrees with that direction but waits for confirmation — price breaking a key resistance level — before entering, reducing the odds of acting too early on an idea the market hasn't priced in yet.

10 Common Mistakes to Avoid

Most losses in trading don't come from bad luck — they come from a small, repeatable set of avoidable mistakes. Recognizing them in advance is one of the cheapest edges a new trader can have.

- **Trading without a plan.** Entering positions on impulse or a headline, with no predefined entry, exit, or risk level decided in advance.
- **Risking too much per trade.** Sizing a position so large that a single bad trade can meaningfully damage the account.
- **Ignoring stop-losses.** Skipping or moving a stop-loss further away hoping a losing trade will "come back."
- **Chasing losses.** Doubling down after a loss to win it back quickly, instead of sticking to the original plan.
- **Overtrading.** Taking far more trades than a strategy calls for, often out of boredom or impatience.
- **Ignoring the broader trend.** Fighting the dominant direction of the market instead of trading with it.
- **Letting emotion drive decisions.** Trading out of fear, greed, or excitement rather than a tested set of rules.
- **Skipping the journal.** Never reviewing past trades, so the same avoidable mistakes repeat indefinitely.

THE COMMON THREAD

Almost every mistake on this page comes down to one thing: acting without a plan, or abandoning the plan under pressure. The traders who avoid them aren't smarter or luckier — they've simply built the habit of following their own rules even when a trade is moving fast and emotions are running high.

One Habit That Fixes Most of These

Writing down your entry, exit, and risk level before placing a trade — and refusing to act without that plan written down — quietly eliminates most of the mistakes on this page at once. It's a small piece of friction that keeps impulse from taking over.

What's Next

If you've made it this far, you now know more about how trading actually works than the majority of people who open a trading account. None of this makes trading easy. What it does is remove the fog of hype surrounding most people's first exposure to markets, and replace it with a clear, realistic starting point.

Thank you for reading. If this book gave you a clearer, more honest starting point than you had before, the best way to support it is simple: share it with another trader who could use the same head start.

STAY IN THE LOOP

Follow [@limasignal](#) on X, Instagram, and TikTok for more honest, no-hype trading education, and check out the rest of the guides and indicators in our store.

Disclaimer: This book is provided for educational purposes only and does not constitute financial advice. Trading involves substantial risk, including the potential loss of capital. Always do your own research and consider consulting a licensed financial professional before making trading decisions.



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