PALDOMZ SYSTEMS

THE TRADER'S

DICTIONARY

Every trading term you will meet, explained simply and illustrated.

244 TERMS · 77 ILLUSTRATIONS

Crypto · Forex · Stocks

PALDOMZSYSTEMS.COM

The Trader’s Dictionary

An illustrated reference of trading terminology for crypto, forex and stock traders.

Published by Paldomz Systems · paldomzsystems.com

Important risk notice. This book is educational material only. Nothing in it is financial, investment or trading advice, and nothing in it is a recommendation to buy or sell any asset. Trading crypto, forex and stocks carries a high risk of loss, and leverage increases that risk substantially. You can lose some or all of your capital. Definitions describe how terms are commonly used by traders; they do not imply that any technique, pattern or indicator will be profitable. Past performance never guarantees future results. Always do your own research and trade only with money you can afford to lose.

How to use this book

This is a reference, not a novel. You are not meant to read it cover to cover in one sitting - though you certainly can.

The book is organised into nine themed chapters rather than one long alphabetical list. That is deliberate: terms make far more sense beside their relatives. Reading the candlestick chapter in order teaches you how candles work; looking up *Hammer* in isolation only tells you what one shape means. If you prefer to look things up directly, the A-Z index at the back lists every term with its page number.

Seventy-seven diagrams illustrate the terms that are genuinely visual - candle shapes, chart patterns, market structure, and risk concepts. Terms that a picture would not clarify are left as clean text.

A word of caution about patterns

Every pattern in this book describes a tendency, never a certainty. A hammer at support is a reason to look closer - it is not a reason to buy. Patterns fail constantly, and the traders who survive are not the ones who identify shapes fastest; they are the ones who decide in advance how much they will lose when the shape does not work. That is why the risk chapter matters more than all the pattern chapters combined.

Contents

01 Market Basics & Order Types 5
The vocabulary every order ticket assumes you already know.

02 Candlestick Anatomy & Patterns 13
How to read the story inside a single candle - and the handful of shapes that actually matter.

03 Chart Patterns 26
The recurring shapes crowds draw on charts - and what each one is really telling you.

04 Indicators & Oscillators 37
What the popular tools actually measure - and the mistakes almost every beginner makes with them.

05 Market Structure & Smart Money 44
How price actually moves, and the language institutional traders use to describe it.

06 Risk, Position Sizing & Leverage 50
The chapter that decides whether you survive. Most traders read it last.

07 Crypto-Specific Terms 56
The vocabulary of a market that never closes.

08 Forex & Stocks 59
Terms that appear the moment you trade beyond crypto.

09 Trading Psychology & Discipline 63
The gap between knowing what to do and actually doing it.

A-Z Index 66

01

Market Basics & Order Types

The vocabulary every order ticket assumes you already know.

Bid

The highest price a buyer is currently willing to pay. When you sell at market, you sell into the bid.

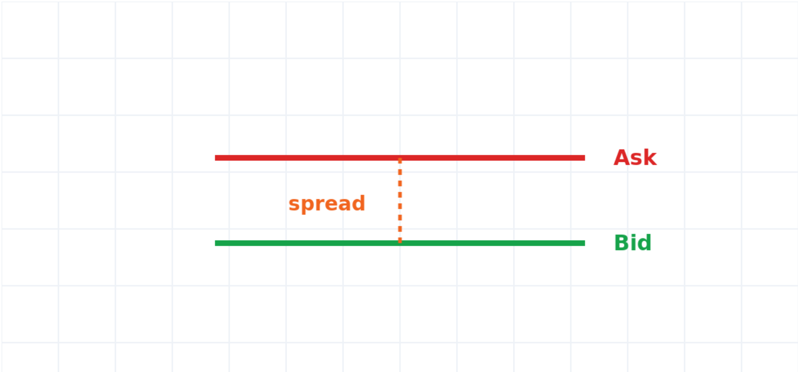
Ask

also: Offer

The lowest price a seller is currently willing to accept, also called the offer. When you buy at market, you pay the ask.

Spread

The gap between the bid and the ask. A tight spread means a liquid, healthy market; a wide spread means you pay more to get in and out. Exotic pairs and small-cap coins have the widest spreads.



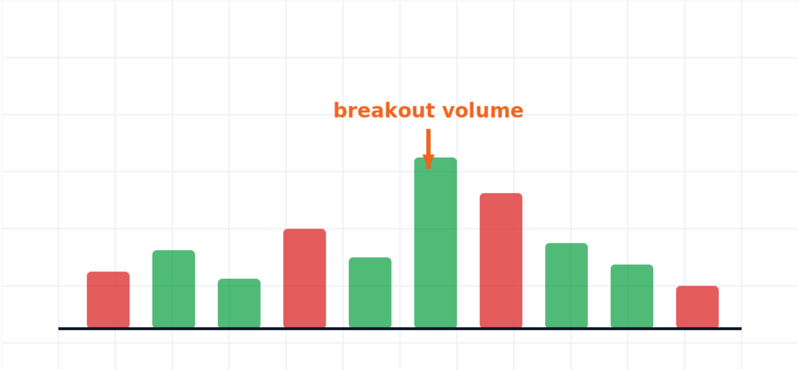
The spread is the gap between bid and ask

Liquidity

How easily an asset can be bought or sold without moving its price. Deep liquidity means large orders fill near the quoted price. Thin liquidity causes slippage and violent candles.

Volume

The number of units traded in a given period. Volume confirms conviction: a breakout on high volume is far more trustworthy than one on quiet volume.



Volume confirms conviction behind a move

Order Book

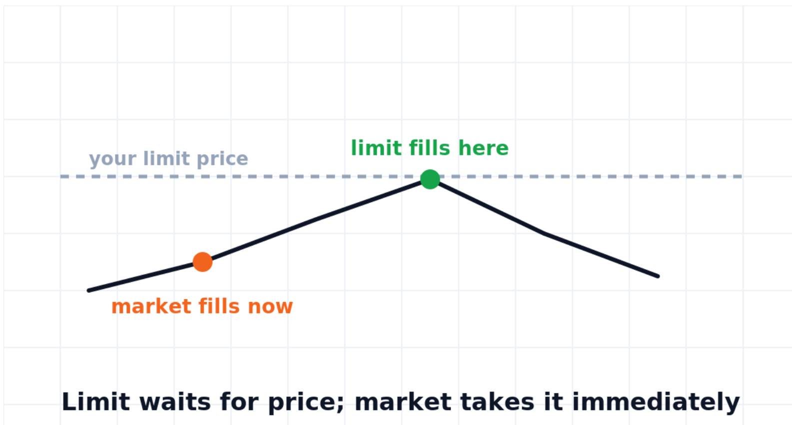
The live list of all pending buy and sell orders at each price level. It shows where supply and demand are stacked, though large orders can be spoofed or pulled.

Market Order

An instruction to buy or sell immediately at the best available price. It guarantees execution but not price - in fast markets you may fill worse than you expected.

Limit Order

An order to buy or sell at a specific price or better. It guarantees price but not execution: if the market never reaches your level, it simply never fills.



Stop Order

also: Stop-Market

A resting order that becomes a market order once a trigger price is hit. Commonly used to exit losing trades or to enter on a breakout.

Stop-Limit Order

A stop that converts into a limit order rather than a market order. It protects you from terrible fills, but risks not filling at all if price races past your limit.

OCO Order

also: One-Cancels-the-Other

One-Cancels-the-Other. Two orders placed together - typically a take profit and a stop loss - where filling one automatically cancels the other. The standard way to leave a trade unattended.

Trailing Stop

A stop loss that follows price at a fixed distance as the trade moves in your favour, locking in gains while never moving backwards. It never loosens, only tightens.

Slippage

The difference between the price you expected and the price you actually got. Caused by thin liquidity, fast moves, or news events. It is the hidden cost of market orders.

Fill

The execution of an order. A partial fill means only some of your requested size was executed, leaving the remainder open or cancelled.

Maker

A trader who adds liquidity by placing a resting limit order that sits in the book. Exchanges usually reward makers with lower fees.

Taker

A trader who removes liquidity by hitting an existing order in the book, typically with a market order. Takers pay higher fees.

Long

A position that profits when price rises. You buy first and aim to sell higher. In stocks and forex this is often simply called buying.

Short

A position that profits when price falls. You sell borrowed units first and aim to buy them back cheaper. Risk is theoretically unlimited, since price can rise forever.

Position

Your current exposure in a market: the direction, the size, and the price you entered at. Flat means holding no position at all.

Entry

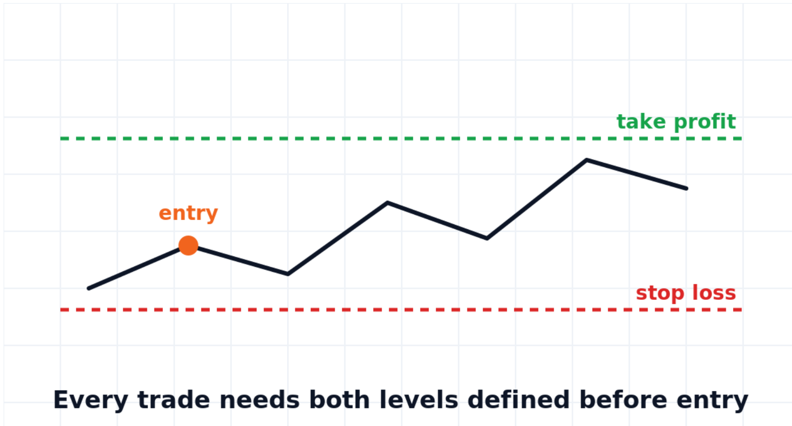
The price at which you open a position. A good entry is not the lowest price - it is the price where your invalidation level is close and clearly defined.

Exit

The price at which you close a position, whether at a profit, a loss, or breakeven. Most traders plan entries obsessively and exits barely at all.

Stop Loss

A pre-set order that closes your position at a defined loss. It is the single most important tool in trading: it converts an unknown risk into a known, budgeted one.



Take Profit

also: TP

A pre-set order that closes your position at a defined gain. Placing it in advance removes the temptation to hold a winner until it turns into a loser.

Breakeven

Moving your stop loss to your entry price so the trade can no longer lose money. Usually done after price reaches the first target.

Bull Market

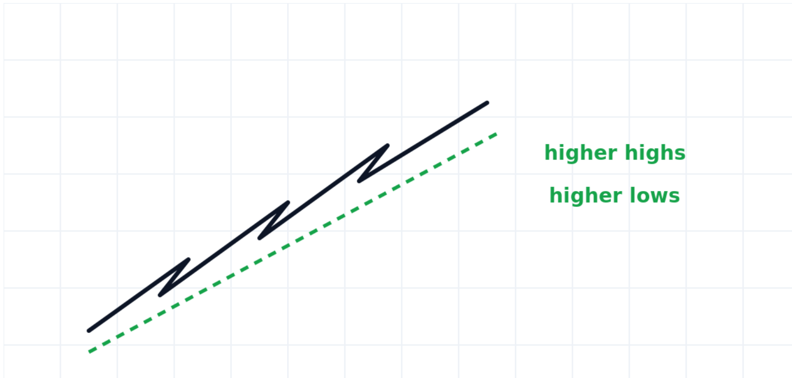
A sustained period of rising prices and optimism, generally defined as a rise of 20% or more from the lows. Pullbacks get bought.

Bear Market

A sustained period of falling prices and pessimism, generally a decline of 20% or more from the highs. Rallies get sold.

Trend

The prevailing direction of price. An uptrend prints higher highs and higher lows; a downtrend prints lower highs and lower lows. Trading with the trend puts probability on your side.

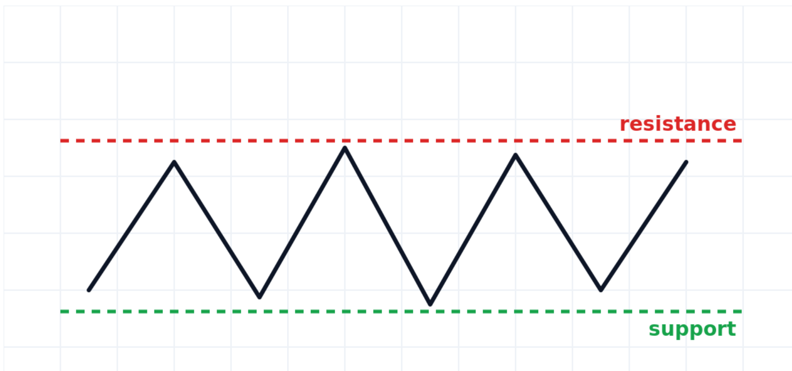


An uptrend: higher highs and higher lows

Range

also: Consolidation

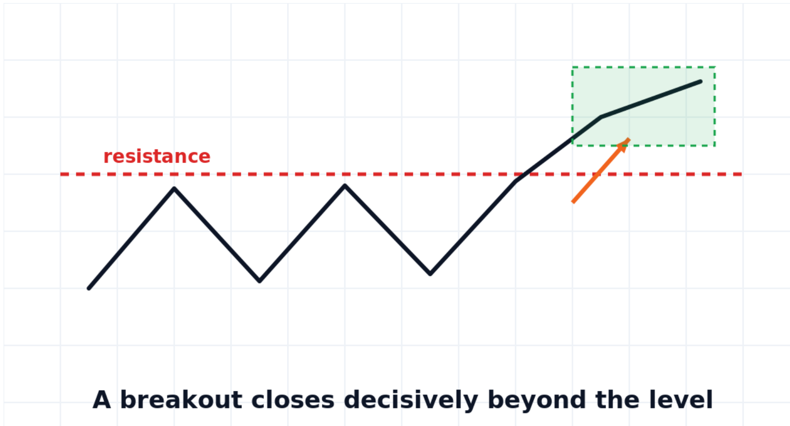
A market moving sideways between a clear ceiling and floor, with no directional bias. Range traders sell the top and buy the bottom; trend traders wait for the break.



A range: price bouncing between two levels

Breakout

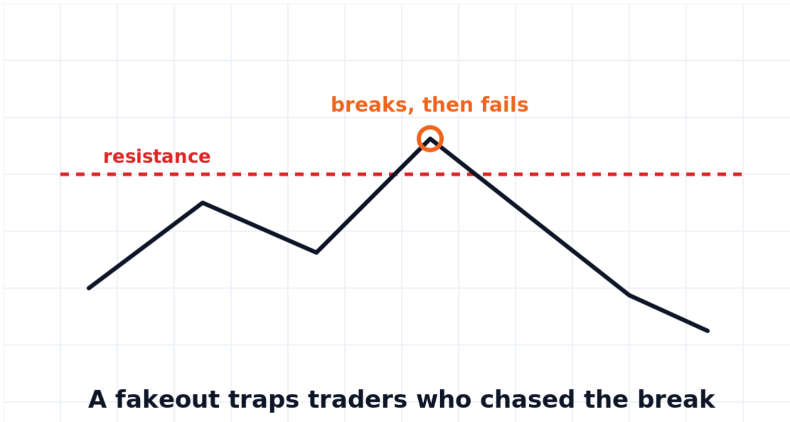
Price moving decisively beyond a defined level of support, resistance, or a pattern boundary. Genuine breakouts are usually accompanied by a surge in volume.



Fakeout

also: False Breakout

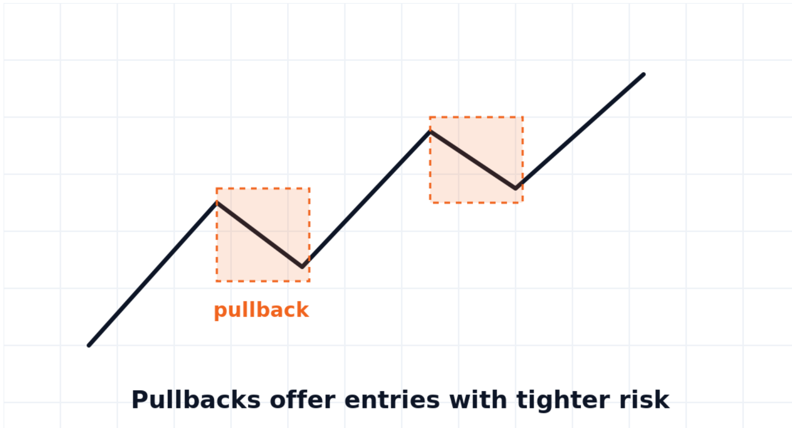
A breakout that fails and immediately reverses back inside the range, trapping the traders who chased it. Waiting for a candle close beyond the level filters most fakeouts.



Pullback

also: Retracement

A temporary move against the prevailing trend before it resumes. Buying pullbacks in an uptrend offers a far better risk-to-reward ratio than chasing highs.



Reversal

A genuine change in trend direction, not merely a pause. Confirmed by a break of market structure, not by a single strong candle.

Timeframe

The period each candle represents - 1 minute, 1 hour, 4 hours, 1 day. Higher timeframes carry more weight; lower timeframes offer precision but far more noise.

Volatility

The speed and size of price movement. High volatility widens the distance your stop must sit from entry, which means your position size must shrink to keep risk constant.

Gap

A jump between one candle's close and the next candle's open with no trading in between. Common in stocks at the open and in forex over the weekend; rare in 24/7 crypto.

Drawdown

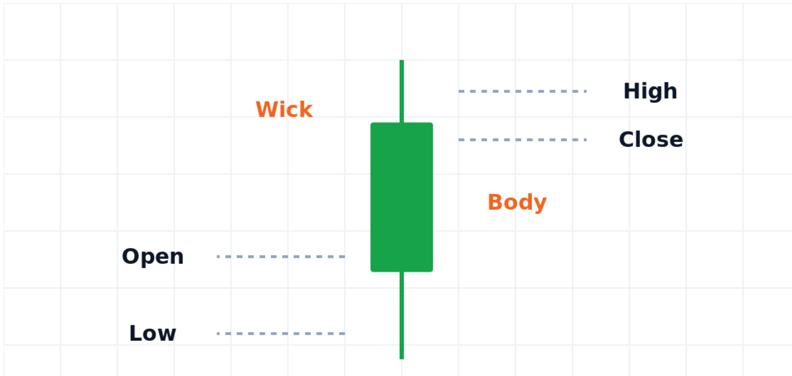
The decline from a peak in your account equity to the subsequent trough, expressed as a percentage. Recovering from a 50% drawdown requires a 100% gain.

02

Candlestick Anatomy & Patterns

How to read the story inside a single candle - and the handful of shapes that actually matter.

Candlestick
A visual representation of price action over one period, showing the open, high, low, and close. The single most information-dense chart element in trading.



Anatomy of a bullish candlestick

Body
The thick part of a candle, spanning from the open to the close. A long body signals conviction; a small body signals indecision.

Wick
also: Shadow, Tail

The thin line above or below the body, marking the extreme high and low. Wicks show where price went but could not stay - they mark rejection.

Open
The first traded price of the period.

High
The highest traded price of the period.

Low
The lowest traded price of the period.

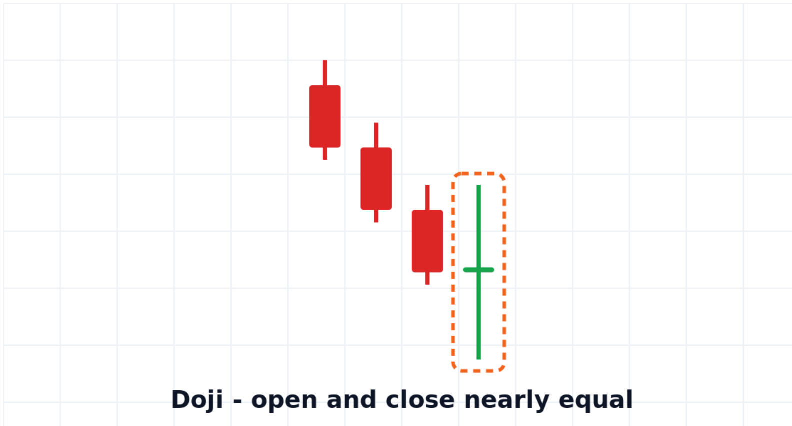
Close
The final traded price of the period, and the most important of the four. Professionals wait for the close before acting, because an intra-candle move can vanish.

Bullish Candle
A candle whose close is above its open, usually drawn green or hollow. Buyers won the period.

Bearish Candle
A candle whose close is below its open, usually drawn red or filled. Sellers won the period.

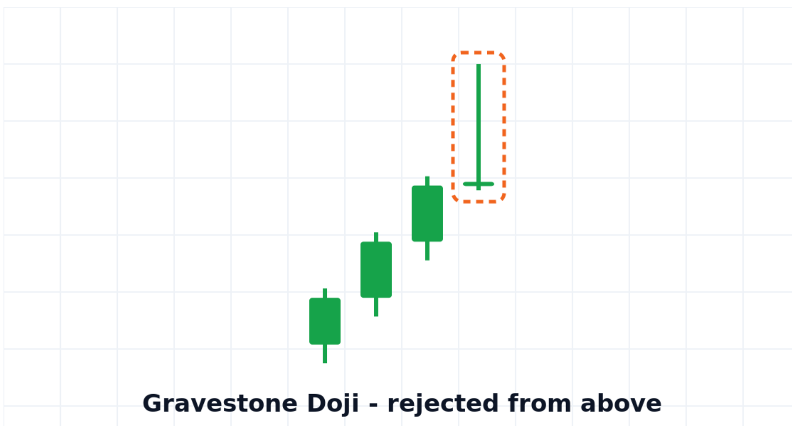
Doji

A candle whose open and close are nearly identical, producing a razor-thin body. It signals genuine indecision and often precedes a turn - but only at a meaningful level.



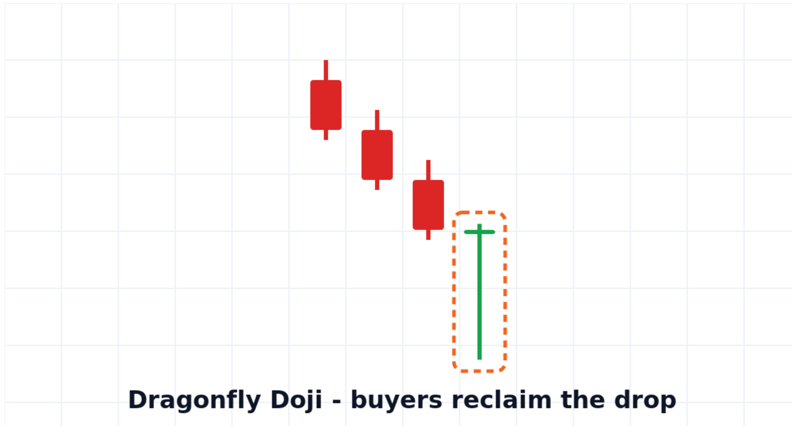
Gravestone Doji

A doji with a long upper wick and no lower wick. Price rallied hard then was rejected all the way back down. Bearish at resistance.



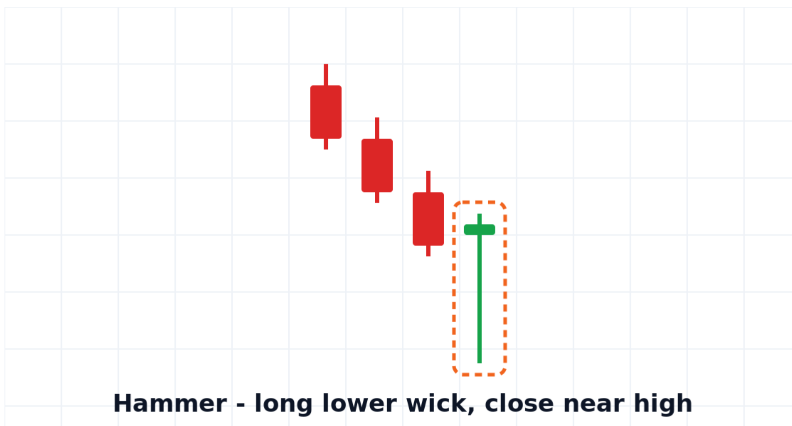
Dragonfly Doji

A doji with a long lower wick and no upper wick. Price collapsed then was bought all the way back up. Bullish at support.



Hammer

A small body at the top of the range with a long lower wick at least twice the body. Appearing after a decline, it shows sellers pushed price down and were overwhelmed.

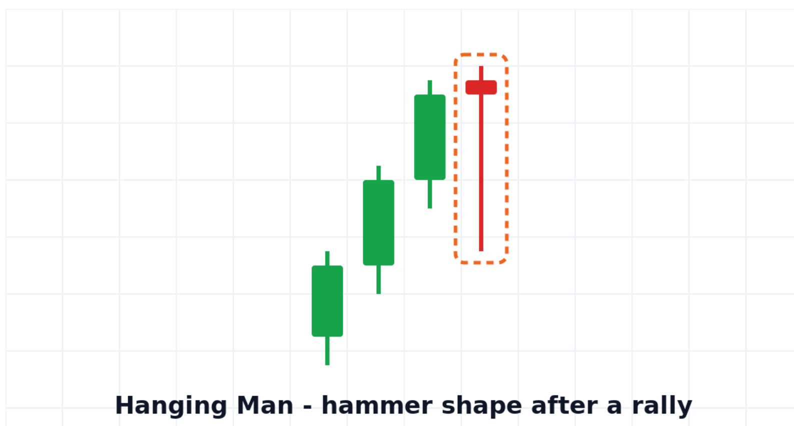


Inverted Hammer

A small body at the bottom with a long upper wick, appearing after a decline. Buyers attempted a push; a bullish close on the next candle confirms it.

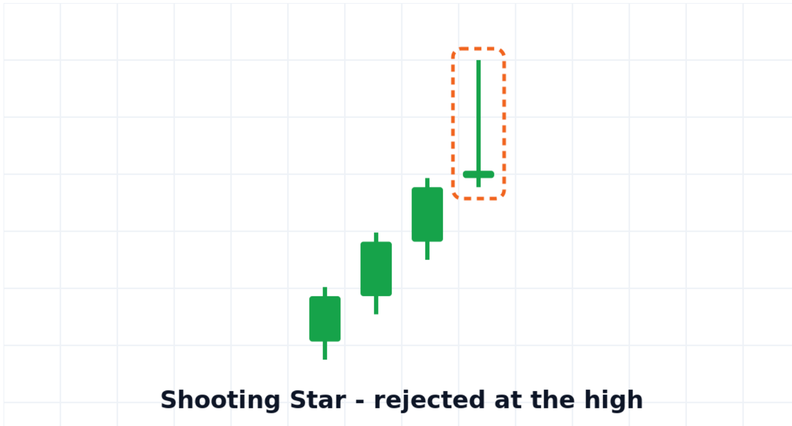
Hanging Man

Identical in shape to a hammer, but appearing after an advance. Warns that selling pressure is entering an uptrend.



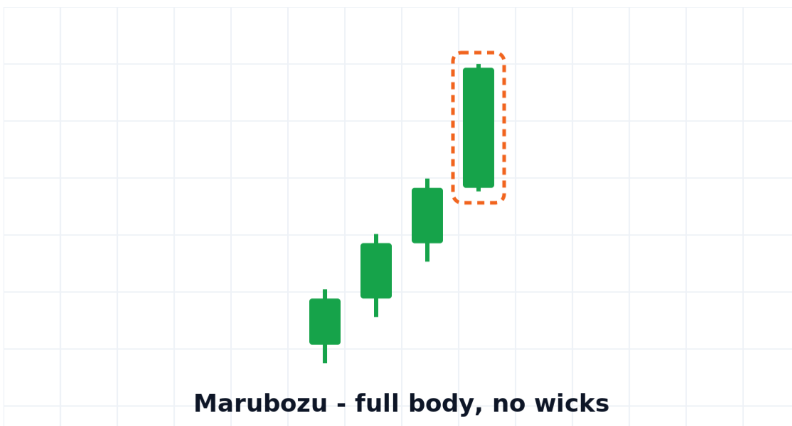
Shooting Star

A small body at the bottom of the range with a long upper wick, appearing after an advance. Buyers pushed to new highs and were firmly rejected.



Marubozu

A candle with a full body and virtually no wicks. It represents total control by one side from open to close - the strongest single-candle signal of momentum.



Spinning Top

A small body with wicks of similar length on both sides. Neither side won; a pause, not a signal.

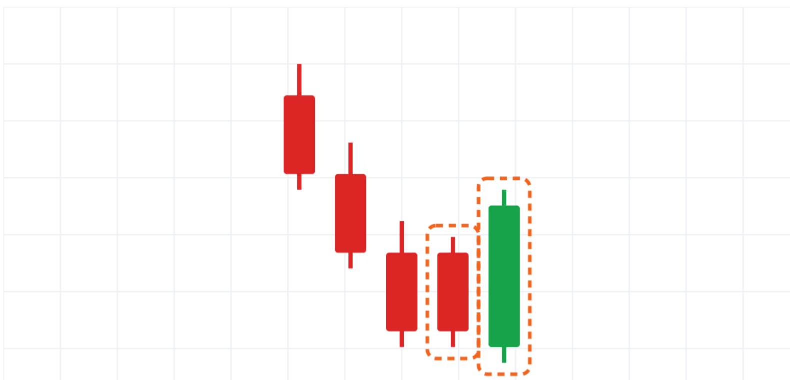
Pin Bar

Any candle with a small body and one dominant wick that clearly rejects a level. The name emphasises the rejection rather than the strict pattern rules.

Pin Bar - one dominant rejection wick

Bullish Engulfing

A green candle whose body completely engulfs the previous red body. It shows a decisive shift from selling to buying, and is most reliable at support after a clear decline.



Bullish Engulfing - green body swallows red

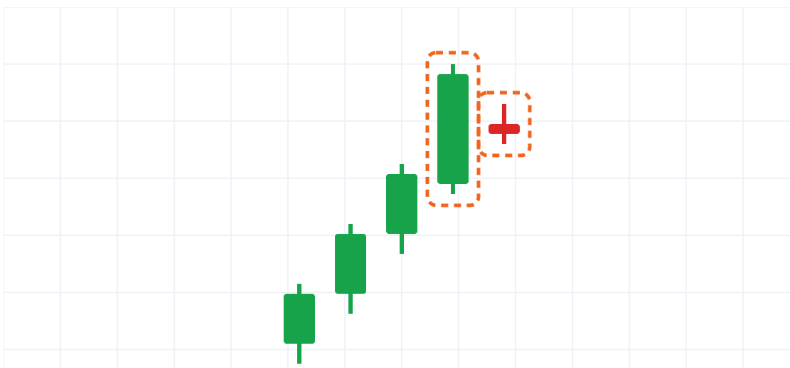
Bearish Engulfing

A red candle whose body completely engulfs the previous green body. A decisive shift from buying to selling, most reliable at resistance after a clear advance.

Bearish Engulfing - red body swallows green

Harami

A small candle whose body sits entirely inside the previous large body - the opposite of an engulfing. It signals momentum stalling rather than reversing outright.



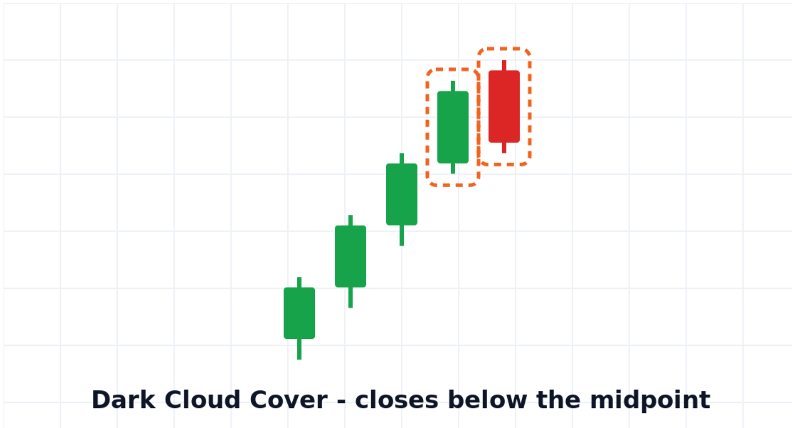
Harami - small body inside the previous

Piercing Line

A two-candle bullish reversal: a strong red candle, then a green candle that opens lower but closes above the midpoint of the red body.

Dark Cloud Cover

The bearish mirror of the piercing line: a strong green candle, then a red candle opening higher but closing below the midpoint of the green body.

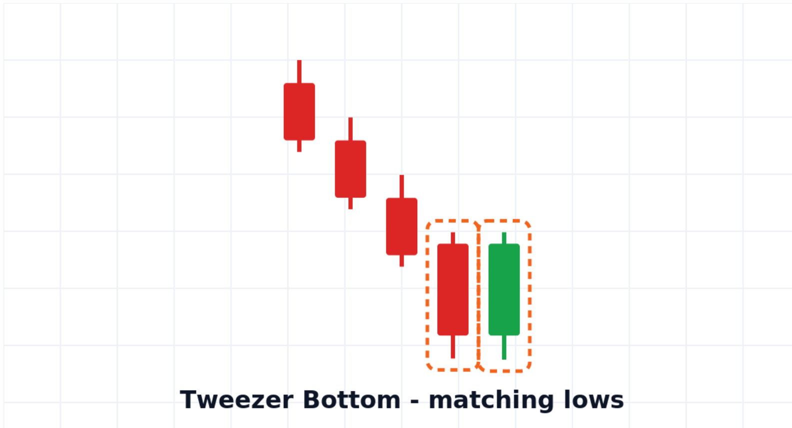


Tweezer Top

Two or more candles printing almost identical highs, showing a ceiling that price cannot break. Bearish at resistance.

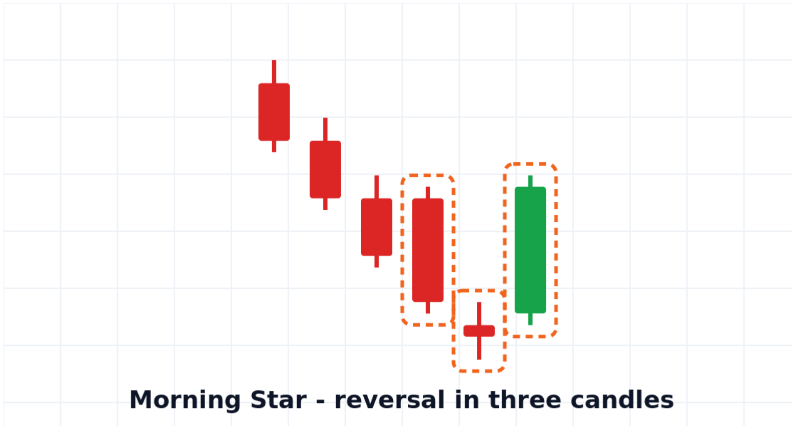
Tweezer Bottom

Two or more candles printing almost identical lows, showing a floor that price cannot break. Bullish at support.



Morning Star

A three-candle bullish reversal: a long red candle, a small indecisive candle, then a strong green candle closing well into the first body. One of the most reliable reversal formations.



Evening Star

The bearish mirror of the morning star: a long green candle, a small indecisive candle, then a strong red candle closing well into the first body.

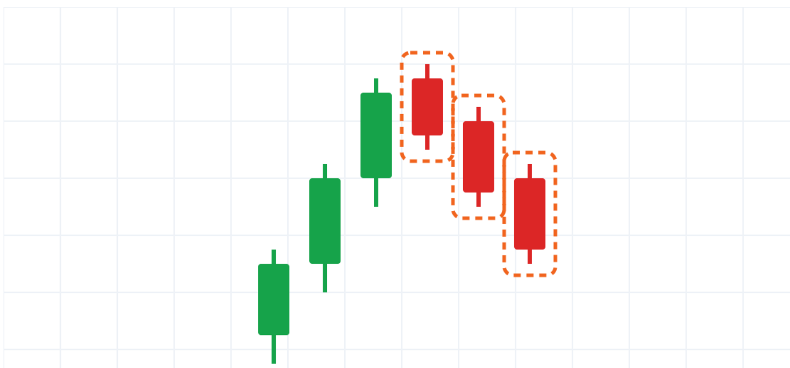
Three White Soldiers

Three consecutive strong green candles, each opening within the prior body and closing near its high. A powerful continuation and reversal signal after a downtrend.

Three White Soldiers - sustained buying

Three Black Crows

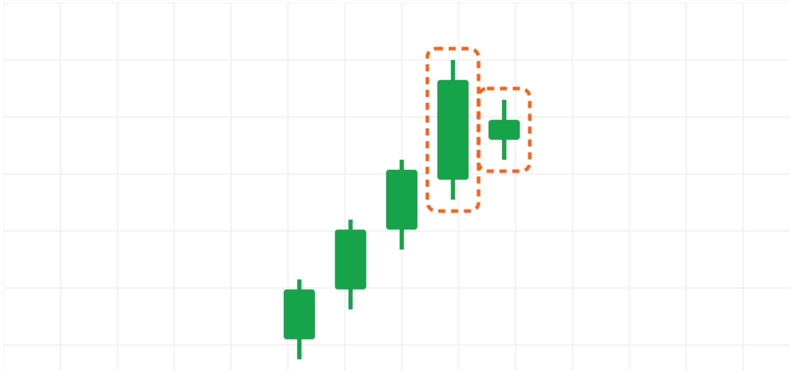
Three consecutive strong red candles, each closing near its low. The bearish mirror of three white soldiers, signalling sustained distribution.



Three Black Crows - sustained selling

Inside Bar

A candle whose entire range fits within the previous candle's range. It represents compression - energy building before an expansion in either direction.



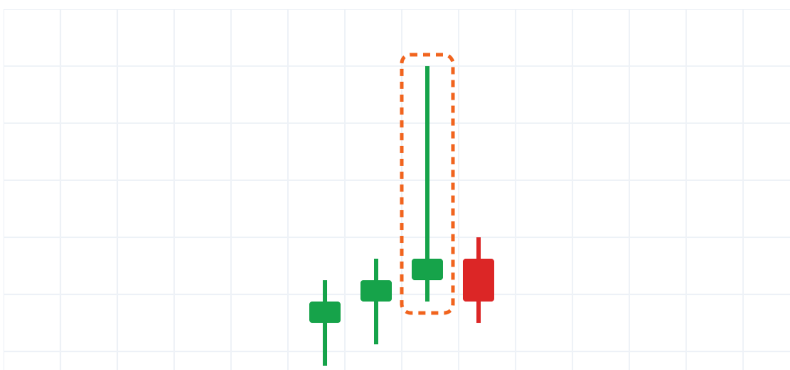
Inside Bar - range contained by the previous

Outside Bar

A candle whose range fully covers the previous candle's range, taking out both its high and its low. Signals a violent shift in control.

Wick Rejection

A long wick piercing a key level then closing back inside it. This is the market testing a level and failing - often a cleaner signal than the named pattern itself.



Wick Rejection - price cannot hold above

Candle Close Confirmation

The discipline of waiting for a candle to finish before treating a level as broken. It is the simplest filter that separates disciplined traders from those who chase every wick.

Heikin Ashi

An alternative candle type using averaged prices to smooth noise and clarify trend. Excellent for spotting trend persistence, but it does not show true open and close prices.

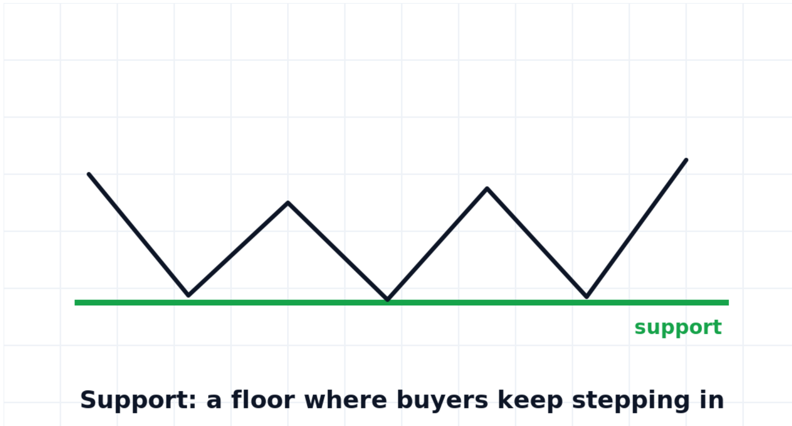
03

Chart Patterns

The recurring shapes crowds draw on charts - and what each one is really telling you.

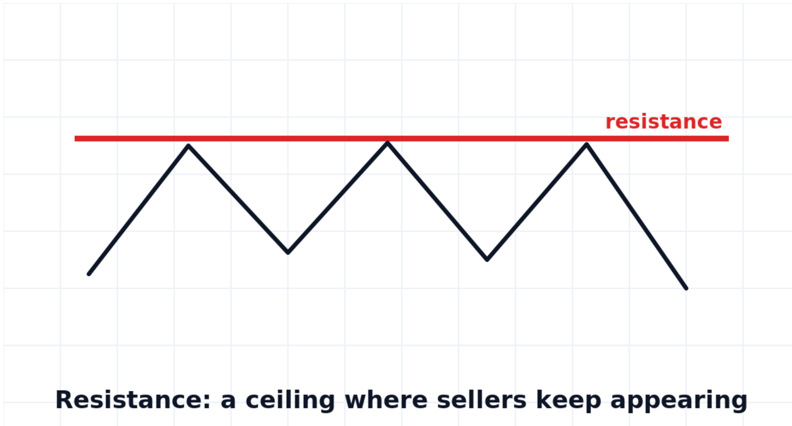
Support

A price zone where buying has repeatedly overwhelmed selling, forming a floor. Treat it as a zone, never a precise line - the wicks below it are where stops get hunted.



Resistance

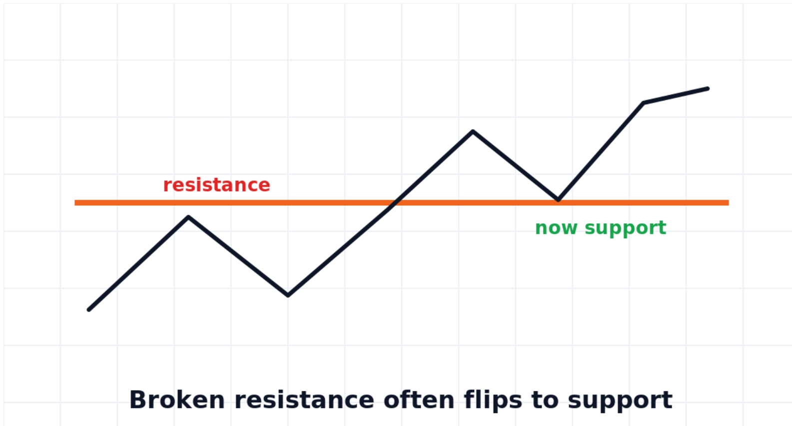
A price zone where selling has repeatedly overwhelmed buying, forming a ceiling. Once broken decisively, it often flips to become support.



Role Reversal

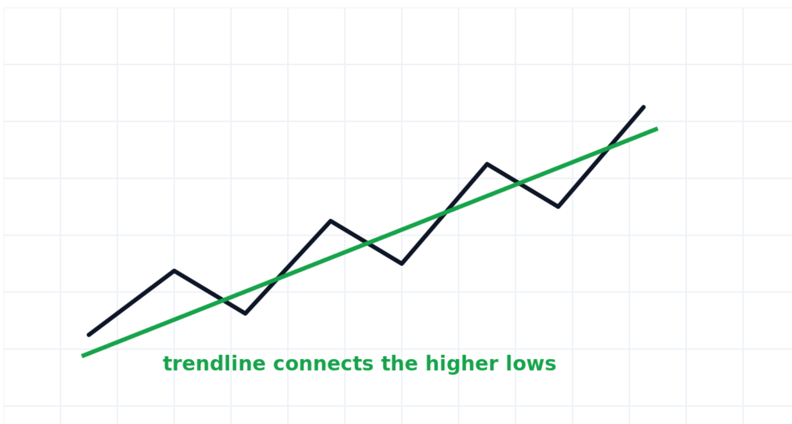
also: Support/Resistance Flip

The tendency of broken resistance to become support, and broken support to become resistance. Retests of a flipped level are among the highest-quality entries available.



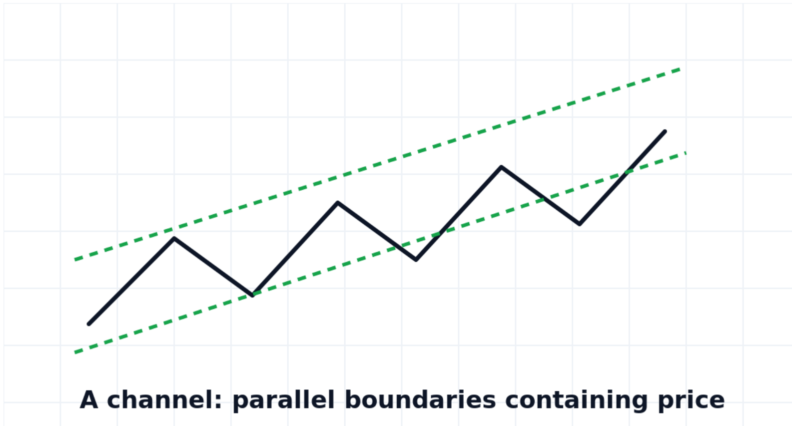
Trendline

A line connecting successive higher lows or lower highs, mapping the slope of a trend. It requires at least two touches to draw and a third to confirm.



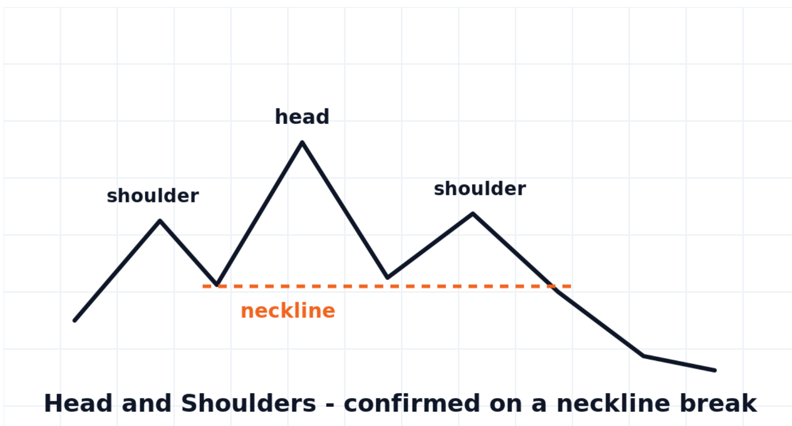
Channel

Two parallel trendlines containing price between them. An ascending channel drifts up, a descending channel drifts down, and a horizontal channel is simply a range.



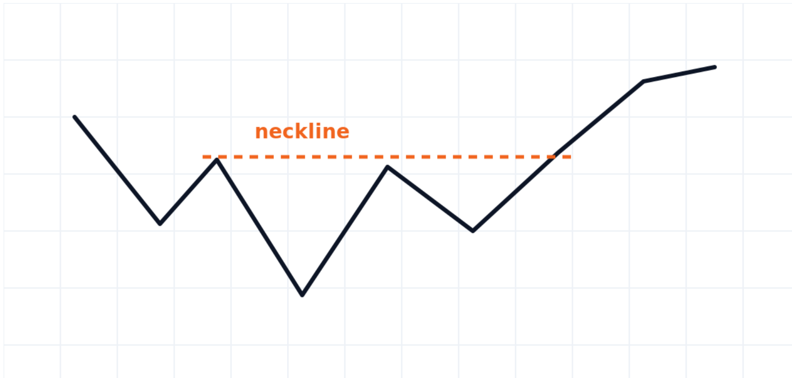
Head and Shoulders

A three-peak reversal pattern where the middle peak is highest. Confirmed only when price closes below the neckline connecting the two troughs. A classic top formation.



Inverse Head and Shoulders

The mirror image, forming at market bottoms: three troughs with the middle one deepest, confirmed on a close above the neckline.



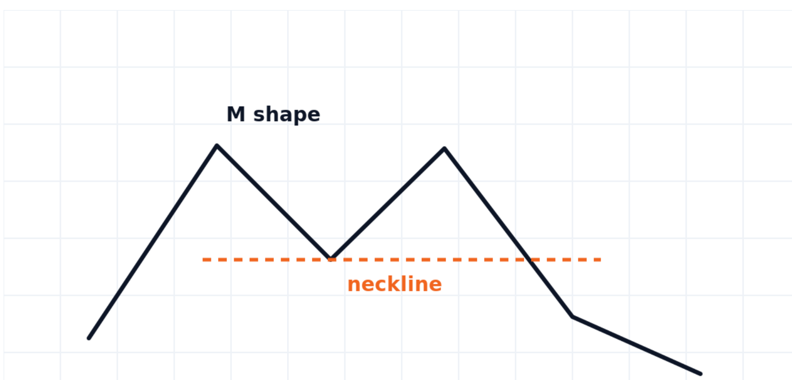
Inverse Head and Shoulders - a bottoming pattern

Neckline

The line joining the reaction lows of a head and shoulders, or the intervening peak of a double top. It is the trigger level - the pattern means nothing until the neckline breaks.

Double Top

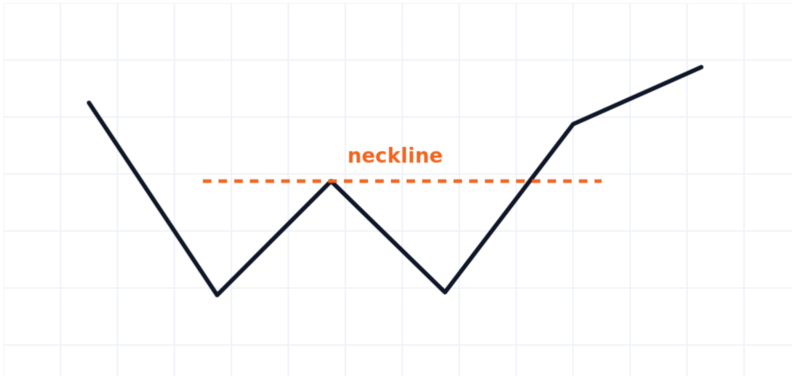
Two failed attempts at roughly the same high, forming an M shape. It shows buyers exhausting themselves twice at the same level. Confirmed on a break of the intervening low.



Double Top - two failures at the same level

Double Bottom

Two failed attempts at roughly the same low, forming a W shape. Confirmed on a break of the intervening high.



Double Bottom - a W-shaped reversal

Triple Top

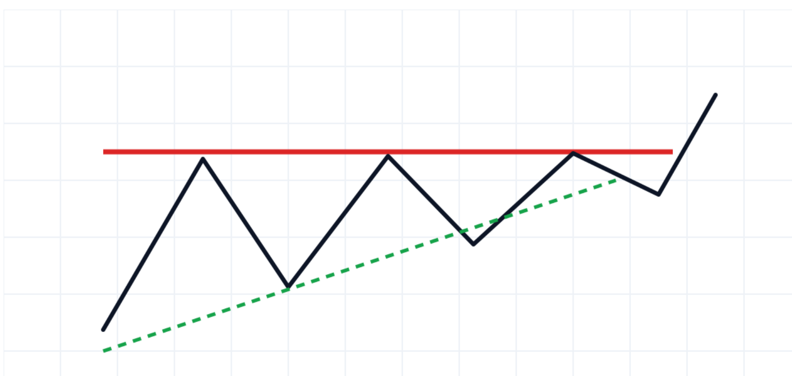
Three failed attempts at the same resistance. Each rejection drains buying pressure, and the eventual break tends to be decisive.

Triple Bottom

Three failed attempts at the same support, signalling absorbed selling pressure and a likely upside resolution.

Ascending Triangle

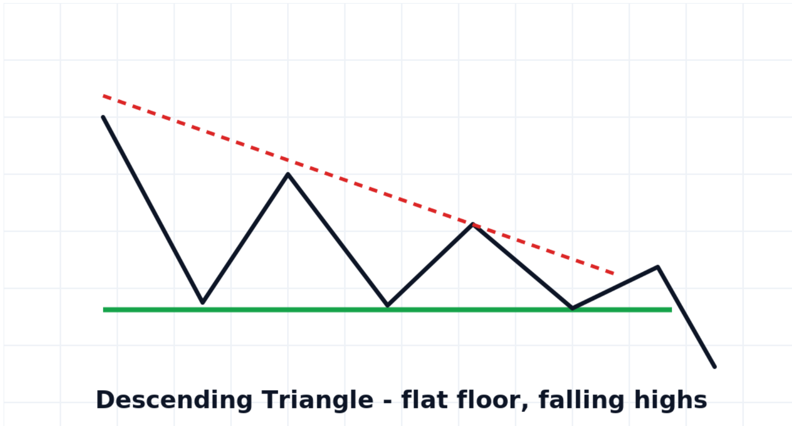
A flat resistance ceiling with rising lows beneath it. Buyers are paying progressively higher prices while sellers hold one line - usually resolves upward.



Ascending Triangle - flat ceiling, rising lows

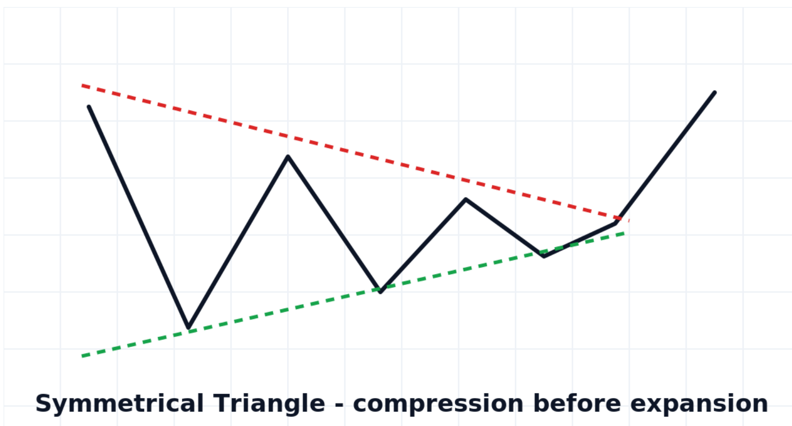
Descending Triangle

A flat support floor with falling highs above it. Sellers are accepting progressively lower prices - usually resolves downward.



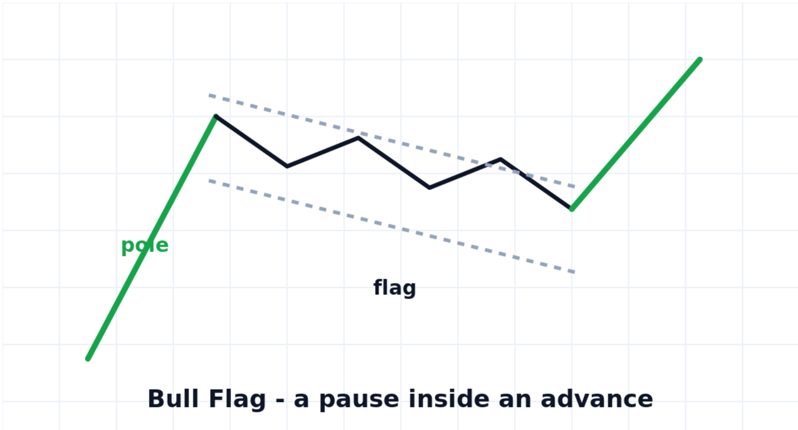
Symmetrical Triangle

Converging highs and lows compressing price into a point. Direction is genuinely neutral; trade the break, not the guess.



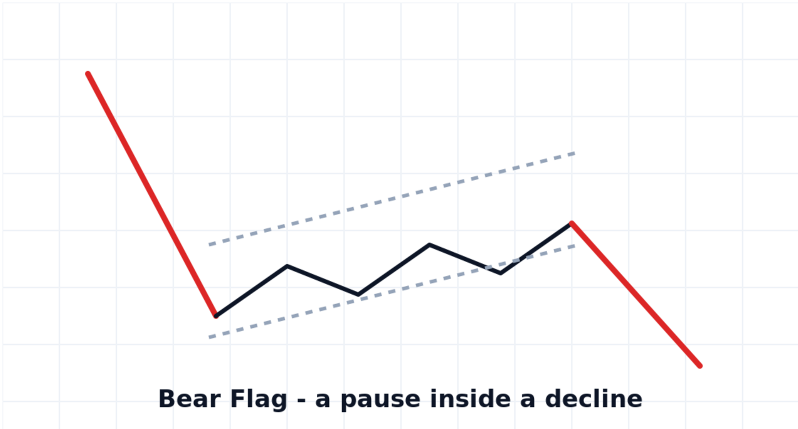
Bull Flag

A sharp advance (the pole) followed by a shallow downward-drifting consolidation (the flag). A continuation pattern - the pause that refreshes a trend.



Bear Flag

A sharp decline followed by a shallow upward-drifting consolidation, resolving lower. The bearish mirror of the bull flag.

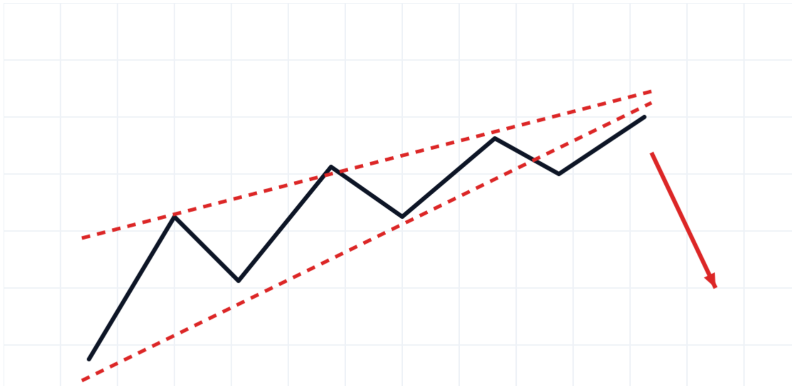


Pennant

Like a flag, but the consolidation converges into a small symmetrical triangle rather than drifting in a channel. Same continuation logic.

Rising Wedge

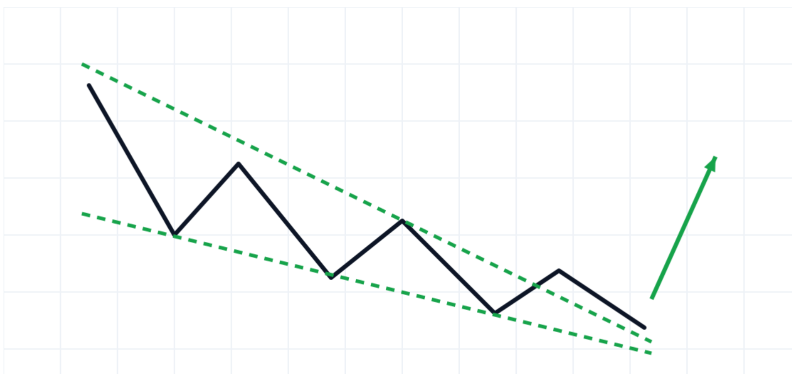
Both boundaries slope upward but converge, with highs rising more slowly than lows. Momentum is fading despite higher prices - typically bearish.



Rising Wedge - narrowing gains, usually bearish

Falling Wedge

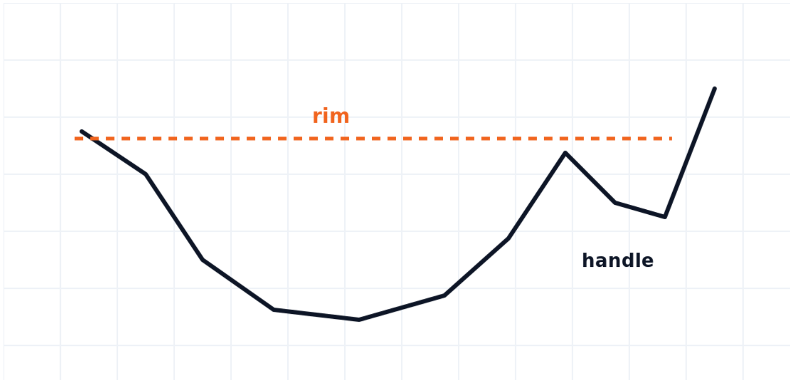
Both boundaries slope downward but converge, with selling losing steam as it compresses - typically bullish.



Falling Wedge - narrowing losses, usually bullish

Cup and Handle

A rounded bottom (the cup) followed by a small downward drift (the handle) before a breakout. A patient accumulation pattern seen on higher timeframes.



Cup and Handle - accumulation then breakout

Rounding Bottom

also: Saucer

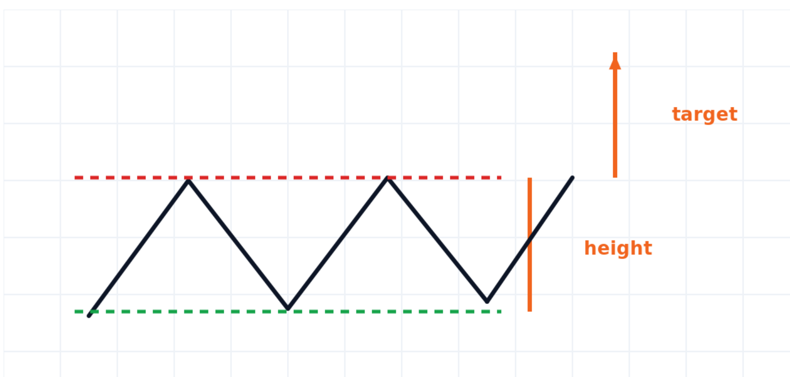
A slow, curved transition from downtrend to uptrend, reflecting a gradual shift from distribution to accumulation.

Rectangle

Price bounded by horizontal support and resistance for an extended period. A pure range, and often a continuation pattern in a strong trend.

Measured Move

A target projection technique: measure the height of the pattern and project it from the breakout point. A reasoned first target, not a guarantee.



Measured Move - project the pattern's height

Throwback

A return to the broken level shortly after a breakout, retesting it from the other side. It offers a second, lower-risk entry for those who missed the break.

Continuation Pattern

A formation that pauses a trend before it resumes - flags, pennants, and most triangles. Trade in the direction of the prevailing trend.

Reversal Pattern

A formation that marks the end of a trend - head and shoulders, double tops and bottoms. Requires confirmation, because most suspected reversals are merely pullbacks.

04

Indicators & Oscillators

What the popular tools actually measure - and the mistakes almost every beginner makes with them.

Indicator

A calculation derived from price or volume, plotted to reveal something not obvious on the raw chart. Every indicator is backward-looking - it describes what has happened, never what will.

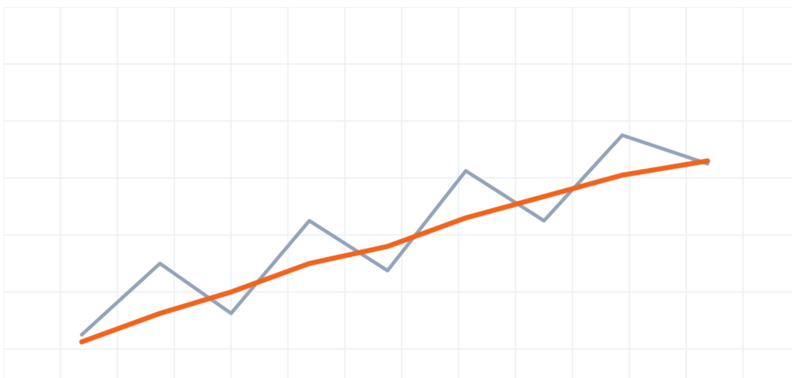
Oscillator

An indicator that moves within a fixed range, such as 0 to 100, used to gauge momentum and stretch. RSI and Stochastic are the best-known examples.

Moving Average

also: MA

The average closing price over a set number of periods, plotted as a smooth line. It filters noise to reveal trend direction, and often acts as dynamic support or resistance.



A moving average smooths price into trend

SMA

also: Simple Moving Average

Simple Moving Average. Weights every period in the lookback equally. Smoother and slower than an EMA, and better for defining major long-term trend.

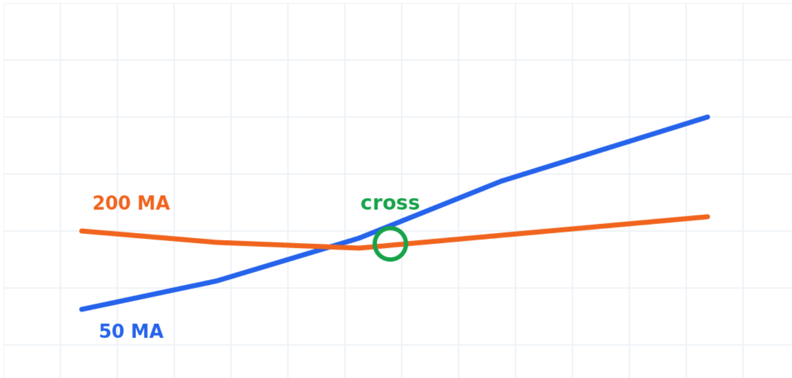
EMA

also: Exponential Moving Average

Exponential Moving Average. Weights recent prices more heavily, so it reacts faster than an SMA. The 20, 50, and 200 EMAs are the most widely watched.

Golden Cross

A shorter moving average crossing above a longer one, classically the 50 crossing above the 200. Widely read as a long-term bullish signal - and a notoriously late one.



Golden Cross - fast MA crosses above slow MA

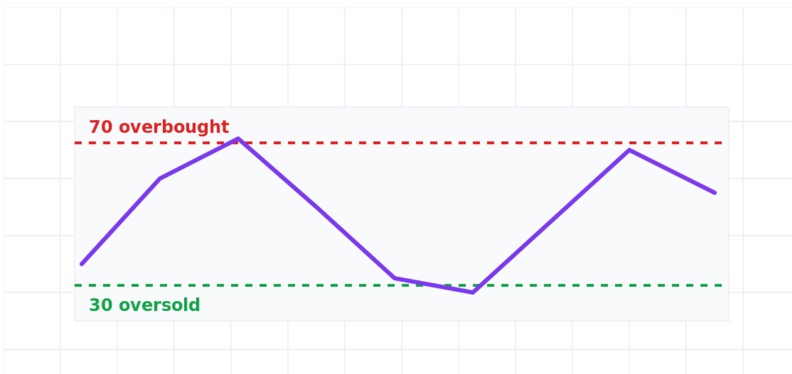
Death Cross

A shorter moving average crossing below a longer one. The bearish mirror of the golden cross, and equally lagging.

RSI

also: Relative Strength Index

Relative Strength Index. An oscillator from 0 to 100 measuring the speed and magnitude of recent moves. Above 70 is called overbought, below 30 oversold.



RSI measures momentum from 0 to 100

Overbought

A reading suggesting price has risen far and fast. Critically, this is NOT a sell signal - in a strong uptrend RSI can sit above 70 for weeks while price keeps climbing.

Oversold

A reading suggesting price has fallen far and fast. Equally, not a buy signal on its own. In a downtrend, oversold conditions persist far longer than most traders can fund.

Divergence

When price and an oscillator disagree: price makes a higher high while RSI makes a lower high (bearish), or price makes a lower low while RSI makes a higher low (bullish). Among the most useful indicator signals.

Bearish divergence: price up, momentum down

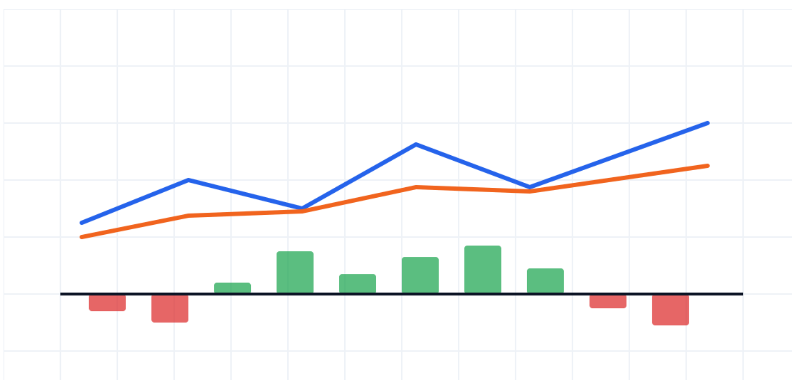
Hidden Divergence

A variation signalling continuation rather than reversal: in an uptrend, price makes a higher low while the oscillator makes a lower low, suggesting the trend will resume.

MACD

also: Moving Average Convergence Divergence

Moving Average Convergence Divergence. Plots the difference between two EMAs plus a signal line and histogram, capturing momentum shifts and trend strength.


MACD: two lines plus a momentum histogram

Signal Line

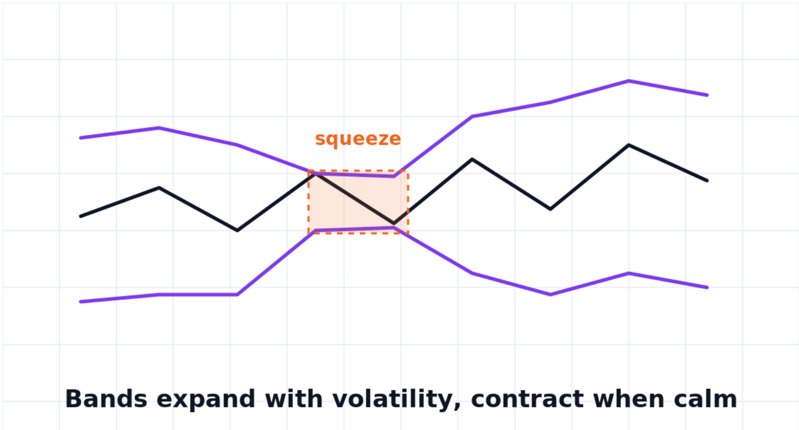
The smoothed average of the MACD line. Crossovers between the two are the classic MACD entry and exit triggers.

Histogram

The bars showing the gap between the MACD line and its signal line. Shrinking bars reveal fading momentum before the lines actually cross.

Bollinger Bands

A moving average with bands set a number of standard deviations above and below it. The bands expand in volatility and contract in calm.



Bollinger Squeeze

A period when the bands contract tightly, signalling unusually low volatility. Squeezes precede expansion - they warn a big move is coming without predicting its direction.

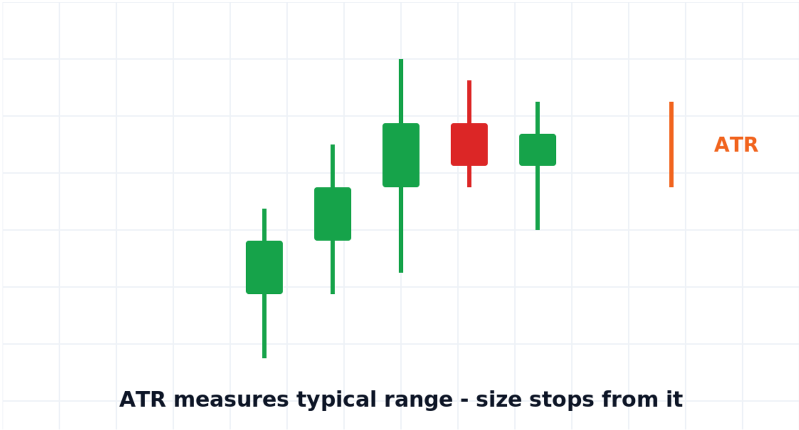
Stochastic Oscillator

Compares the closing price to the recent high-low range, on a 0 to 100 scale. Faster and noisier than RSI, and better suited to ranging markets.

ATR

also: Average True Range

Average True Range. Measures average volatility in price terms, not direction. The professional's tool for placing stops: set your stop a multiple of ATR away so normal noise cannot hit it.



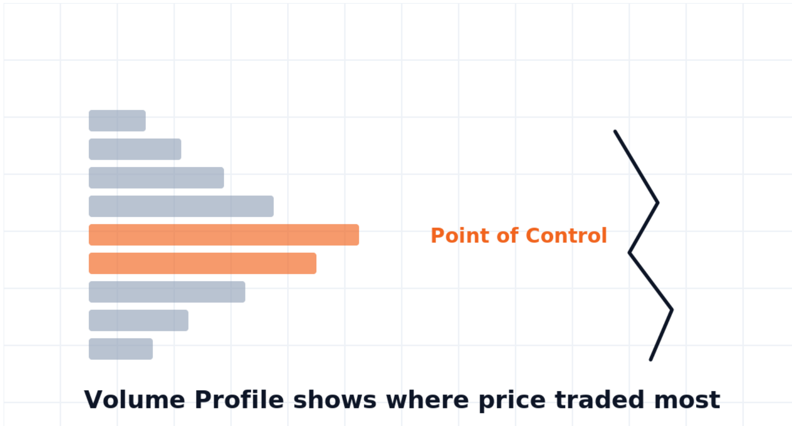
VWAP

also: Volume Weighted Average Price

Volume Weighted Average Price. The average price weighted by volume across the session. Institutions use it as a benchmark for fair value and execution quality.

Volume Profile

A histogram showing how much volume traded at each price level rather than in each time period. It reveals where the market genuinely agreed on value.



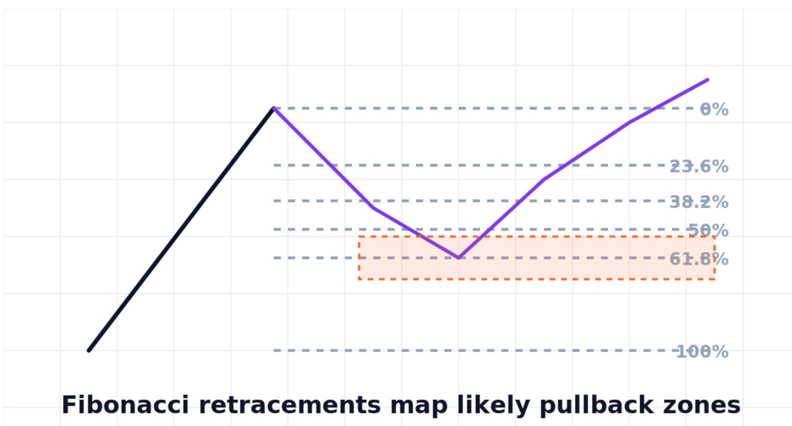
Point of Control

also: POC

The single price level with the highest traded volume in a profile. It acts as a magnet, drawing price back toward it.

Fibonacci Retracement

Horizontal levels at 23.6%, 38.2%, 50%, 61.8%, and 78.6% of a prior move, used to anticipate where a pullback may end. The 61.8% level is the most watched.



Golden Pocket

The zone between the 61.8% and 65% Fibonacci retracement levels, where traders commonly look for trend continuation entries.

Ichimoku Cloud

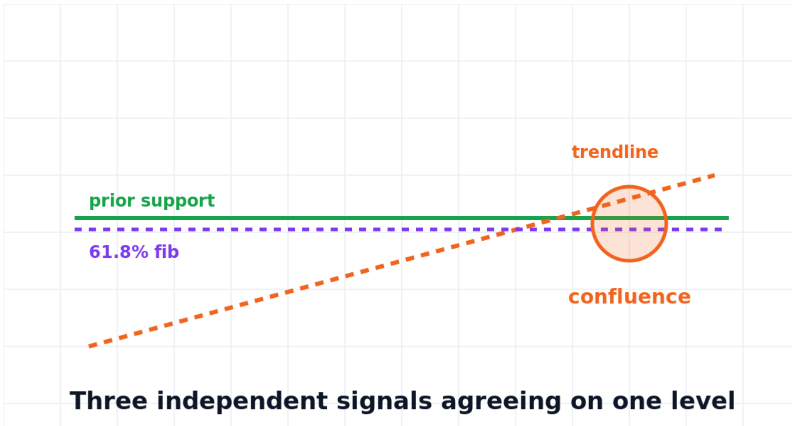
A multi-line Japanese system showing trend, support, resistance, and momentum at once. Price above the cloud is bullish, below is bearish, inside is undecided.

Pivot Points

Levels calculated from the prior period's high, low, and close, projecting likely intraday support and resistance. Popular with day traders because everyone watches the same numbers.

Confluence

Two or more independent signals pointing to the same conclusion at the same level - a Fibonacci level meeting a moving average meeting prior support. Confluence is what turns a guess into a setup.



Lagging Indicator

One that confirms a move after it has begun, such as a moving average. Reliable but late.

Leading Indicator

One that attempts to signal before a move, such as an oscillator reaching an extreme. Earlier, but far more prone to false signals.

Indicator Stacking

The beginner's trap of loading a chart with many indicators that all measure the same thing. Three momentum oscillators do not give three opinions - they give one opinion, three times.

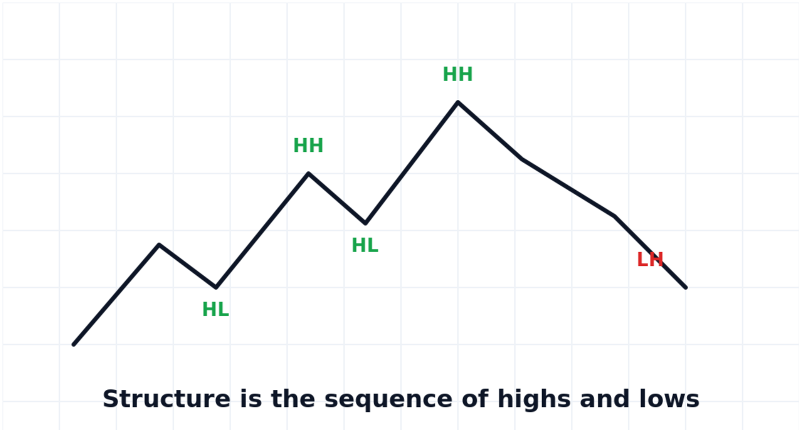
05

Market Structure & Smart Money

How price actually moves, and the language institutional traders use to describe it.

Market Structure

The sequence of highs and lows that defines trend. Higher highs with higher lows is bullish structure; lower highs with lower lows is bearish. Everything else is transition.



Higher High

also: HH

A peak that exceeds the previous peak - the defining feature of an uptrend.

Higher Low

also: HL

A trough that holds above the previous trough, showing buyers stepping in earlier each time.

Lower High

also: LH

A peak that fails to reach the previous peak, showing sellers taking control earlier.

Lower Low

also: LL

A trough beneath the previous trough - the defining feature of a downtrend.

Swing High

A candle high with lower highs on both sides - a local peak. Swing points are the anchors from which all structure is read.

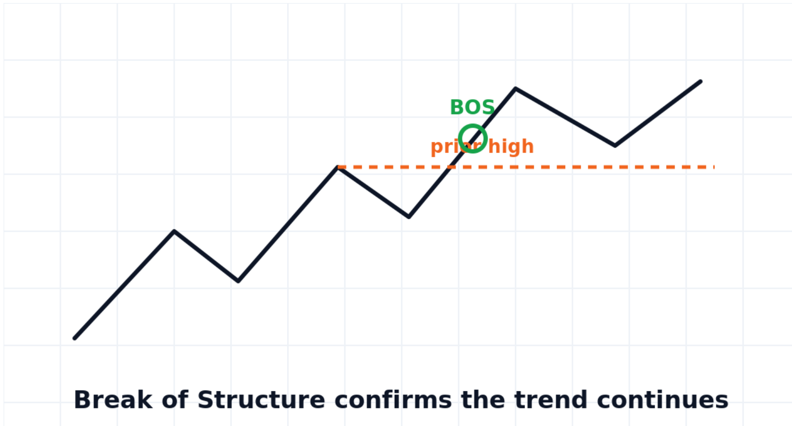
Swing Low

A candle low with higher lows on both sides - a local trough.

Break of Structure

also: BOS

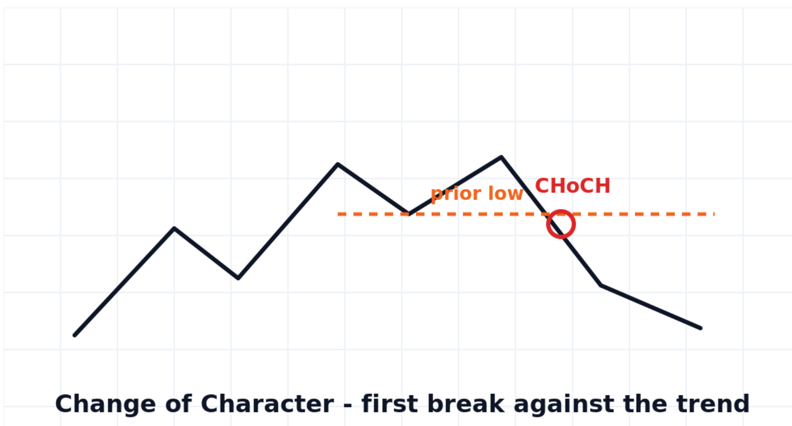
Price closing beyond a prior swing point in the direction of the trend, confirming its continuation. The clearest objective evidence that a trend remains intact.



Change of Character

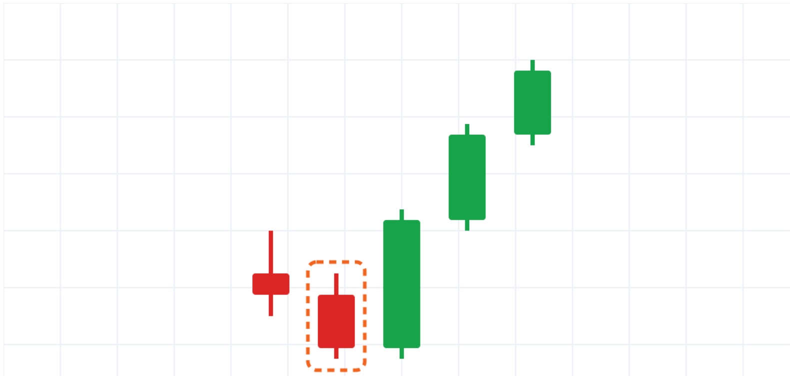
also: CHoCH

The first break of structure against the prevailing trend - the earliest warning that control may be changing hands. A CHoCH precedes a reversal; a BOS confirms a trend.



Order Block

The last opposing candle before a strong impulsive move - understood as the footprint of institutional orders. Price often returns to this zone before continuing.

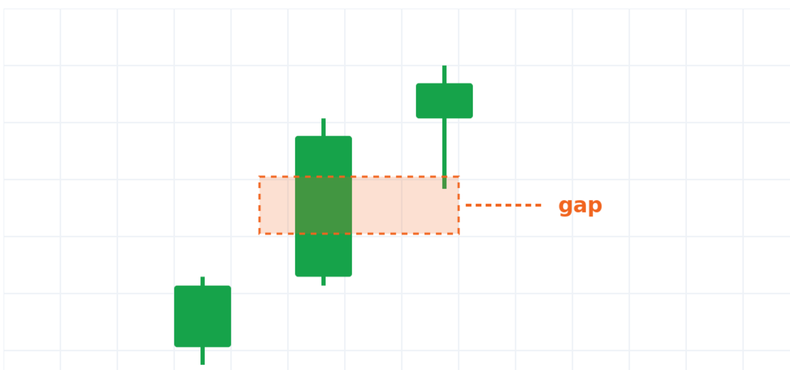


Order Block - the last opposing candle before the move

Fair Value Gap

also: FVG, Imbalance

A three-candle imbalance where the first and third candles' wicks do not overlap, leaving a gap of untraded price. Markets tend to return and fill these inefficiencies.



Fair Value Gap - an imbalance price tends to fill

Imbalance

Any zone where price moved so quickly that buying and selling were not evenly matched. Imbalances act as magnets for future price.

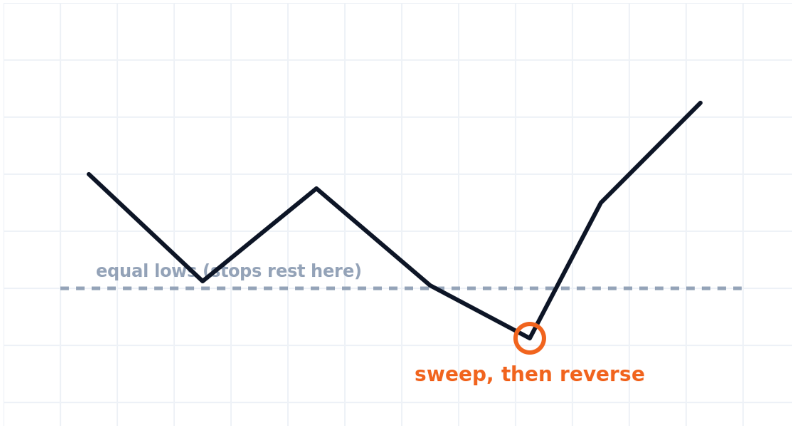
Liquidity

In the smart-money sense, the pool of stop-loss orders resting above highs and below lows. Large players need this liquidity to fill their size, which is why price so often runs to it first.

Liquidity Sweep

also: Stop Hunt

A sharp move beyond an obvious high or low that triggers clustered stops, then immediately reverses. What retail traders call a stop hunt.



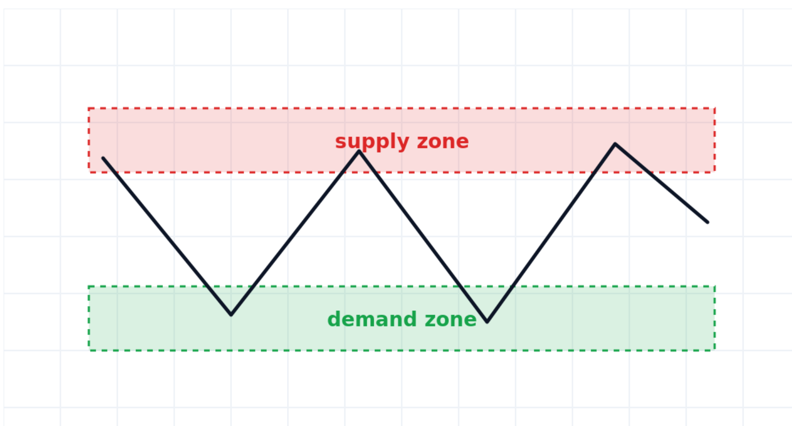
Equal Highs

also: Equal Lows

Two or more highs at nearly identical prices. They look like strong resistance, which is exactly why stops pile up above them - making them a target.

Supply Zone

An area where selling previously overwhelmed buying, producing a sharp drop. Expect sellers to defend it again on a retest.



Demand Zone

An area where buying previously overwhelmed selling, producing a sharp rally. Expect buyers to defend it again on a retest.

Accumulation

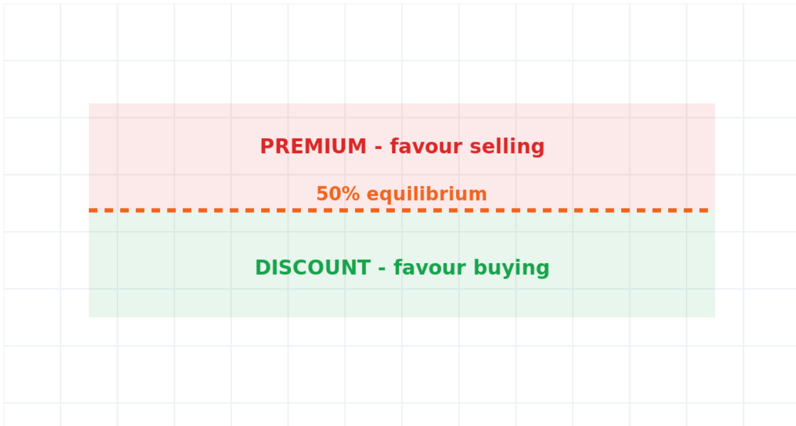
A quiet, range-bound phase in which large participants build positions without alerting the market. Typically follows a downtrend and precedes markup.

Distribution
A range-bound phase in which large participants offload positions into retail enthusiasm. Typically follows an uptrend and precedes markdown.

Markup
The trending advance following accumulation, when price rises with clear structure and the move becomes obvious to everyone.

Markdown
The trending decline following distribution.

Premium and Discount
Dividing a price range in half: above the midpoint is premium (expensive - favour selling), below is discount (cheap - favour buying). A simple filter for entry quality.



Mitigation
When price returns to an order block or imbalance, allowing earlier positions to be managed or closed, before continuing in the original direction.

Displacement
A sudden, forceful move that breaks structure and leaves imbalance behind. It signals genuine intent rather than aimless drift.

Consolidation
A pause where price moves sideways in a tight range, building energy. Every trend is a sequence of expansions separated by consolidations.

Trend Continuation
The resumption of a trend after a pullback, typically confirmed by a fresh break of structure in the original direction.

06

Risk, Position Sizing & Leverage

The chapter that decides whether you survive. Most traders read it last.

Risk Management

The practice of controlling how much you can lose on any single trade and across a series of trades. It is the only part of trading fully within your control.

Risk per Trade

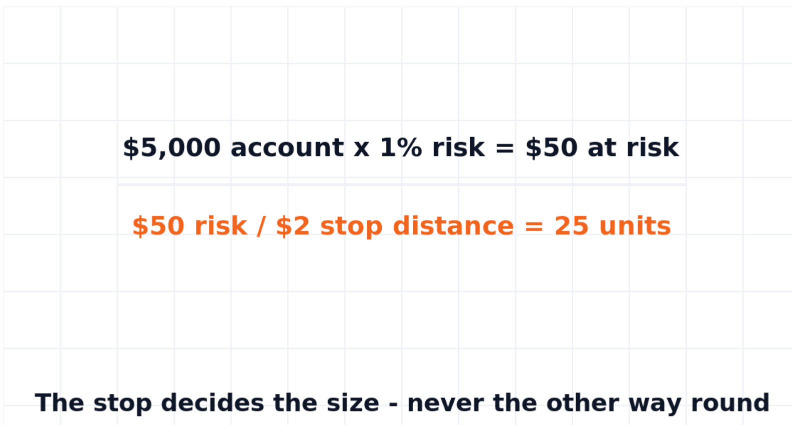
The percentage of your account you are willing to lose if a trade hits its stop. Professionals typically risk 1% or less. At 1%, ten consecutive losses cost about 10% - survivable.

One Percent Rule

Never risk more than 1% of account equity on a single trade. It is not about limiting profit; it is about guaranteeing you are still trading after an inevitable losing streak.

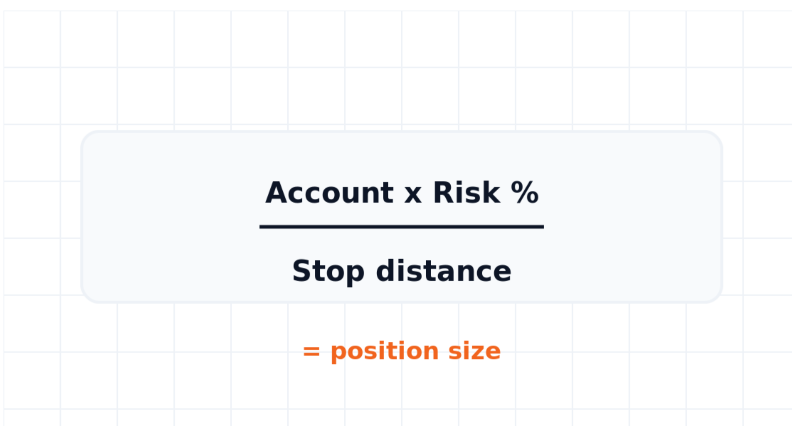
Position Size

The number of units to trade, calculated from your account size, your risk percentage, and your stop distance. Correct sizing is derived, never guessed.



Position Sizing Formula

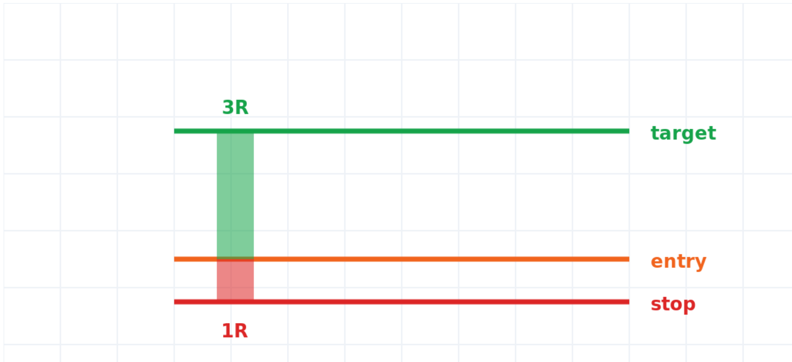
Position size = (Account x Risk %) / Stop distance. If you have $5,000, risk 1% ($50), and your stop is $2 away, you buy 25 units. The stop determines the size - not your excitement.



Risk-Reward Ratio

also: R:R

The ratio of potential profit to potential loss on a trade. A 1:3 ratio risks one unit to make three. With 1:3, you can be wrong 70% of the time and still break even.



Risk 1 to make 3 - a 1:3 risk-reward ratio

R-Multiple

Expressing outcomes in units of initial risk. If you risk $50 and make $150, that is +3R. Thinking in R makes results comparable across account sizes and instruments.

Expectancy

The average amount you expect to win or lose per trade over many trades: (Win rate x Average win) - (Loss rate x Average loss). Positive expectancy is the definition of an edge.

Win Rate

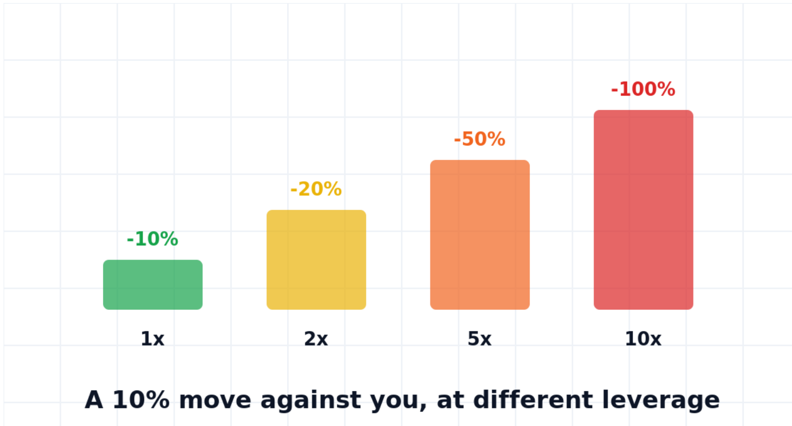
The percentage of trades that close in profit. A high win rate means nothing on its own - a 90% win rate with tiny wins and huge losses still empties an account.

Edge

A statistical advantage that produces profit over a large sample. An edge is not a feeling about a chart; it is a measurable, repeatable process.

Leverage

Borrowed capital that multiplies your exposure. 10x leverage means a 10% adverse move erases your entire margin. Leverage multiplies outcomes in both directions, never just the good one.



Margin

The capital you must post to open and hold a leveraged position. It is collateral, not a fee.

Initial Margin

The deposit required to open a leveraged position.

Maintenance Margin

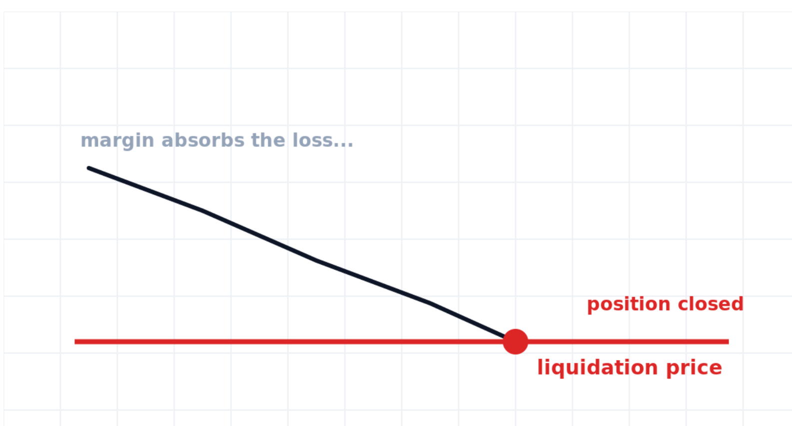
The minimum equity required to keep a position open. Fall below it and you are liquidated.

Margin Call

A demand to add funds when equity drops below maintenance margin. In crypto there is usually no call at all - you are simply liquidated.

Liquidation

The forced closure of a leveraged position when losses consume your margin. You do not choose the price; the exchange does, and you lose the entire margin.



Liquidation Price

The exact price at which your position will be force-closed. Every leveraged trader should know this number before entering, not after.

Isolated Margin

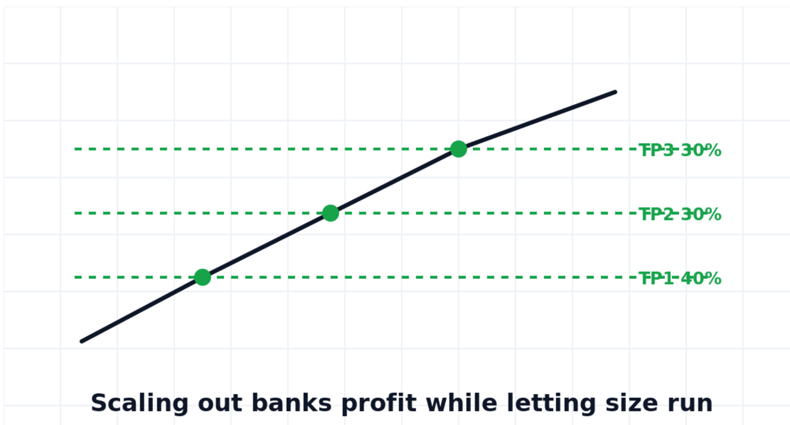
Margin mode restricting collateral to a single position, capping the damage to that position alone. Safer for most traders.

Cross Margin

Margin mode where your entire account balance backs every position. It reduces liquidation risk on one trade but puts the whole account at stake.

Scale Out

Closing a position in portions as price advances - taking some profit at TP1, more at TP2, letting the rest run. It converts an all-or-nothing decision into a managed process.



Scaling out banks profit while letting size run

Scale In

Adding to a position in stages rather than all at once. Adding to winners is sound; adding to losers is averaging down and is how accounts die.

Averaging Down

Buying more of a losing position to lower your average entry. It feels rational and is the single most common cause of catastrophic loss, because it increases risk exactly when you are proven wrong.

Dollar-Cost Averaging

also: DCA

Investing a fixed amount at regular intervals regardless of price. A sound long-term investing method - distinct from averaging down into a broken trade.

Average Entry Price

The volume-weighted average of all your entries in a position. It is the true breakeven point, and the number that decides whether you are actually in profit.

Breakeven Stop

Moving the stop to entry once price has advanced meaningfully, typically after TP1. From that point the trade is risk-free.

Risk of Ruin

The statistical probability of losing so much capital that recovery becomes impossible. It rises sharply with position size - which is why the 1% rule exists.

Exposure

Total capital at risk across all open positions. Five correlated crypto longs is not five trades - it is one large bet wearing five costumes.

Correlation

The degree to which two assets move together. Most altcoins are highly correlated to Bitcoin, so holding several rarely diversifies risk as much as it appears to.

Hedging

Opening an offsetting position to reduce directional risk. Useful for managing exposure, but it costs money and complexity, and rarely fixes a badly sized trade.

Portfolio Heat

The sum of risk across all open trades. If six positions each risk 1%, your portfolio heat is 6% - one correlated shock away from a serious drawdown.

07

Crypto-Specific Terms

The vocabulary of a market that never closes.

Blockchain
A distributed ledger recording transactions across many computers, so no single party controls it and records cannot be quietly altered.

Altcoin
Any cryptocurrency other than Bitcoin. Altcoins typically carry higher volatility and stronger correlation to Bitcoin than their marketing suggests.

Stablecoin
A token designed to hold a steady value, usually pegged to the US dollar - USDT, USDC. Traders use them as a safe harbour without exiting to a bank.

Market Cap
Circulating supply multiplied by price. A low price per coin means nothing on its own; a $0.001 coin with a trillion supply is not cheap.

Circulating Supply
The number of coins currently available to trade, as opposed to total or maximum supply. Large locked allocations can flood the market later.

Spot Trading
Buying the actual asset for immediate ownership, with no leverage and no liquidation risk. You own the coin outright.

Futures
A contract to trade an asset at a future date, usually leveraged. You never own the underlying coin - you trade its price.

Perpetual Swap
also: Perps

A futures contract with no expiry date, the dominant instrument in crypto leverage trading. Held in line with spot price by the funding rate.

Funding Rate
Periodic payments between long and short holders of perpetual contracts. Positive funding means longs pay shorts - a sign of crowded bullish positioning.

Open Interest
The total value of outstanding derivative contracts. Rising open interest with rising price means new money entering; falling open interest means positions closing.

Long Squeeze
A cascade of long liquidations driving price sharply lower, each forced sale triggering the next. The reason leveraged downside moves are so violent.

Short Squeeze
The mirror image: rapid buying forced by short liquidations, producing explosive upward candles.

Whale
A holder large enough to move the market with a single order. Whale wallets are tracked closely because their activity often precedes major moves.

DeFi
also: Decentralised Finance

Decentralised Finance. Financial services - lending, trading, yield - run by smart contracts instead of institutions.

DEX
also: Decentralised Exchange

A decentralised exchange where trades settle peer-to-peer from your own wallet, with no custodian holding your funds.

CEX
also: Centralised Exchange

A centralised exchange such as Binance or Coinbase. Convenient and liquid, but you do not control the private keys.

Halving
A scheduled event cutting Bitcoin's mining reward in half roughly every four years, reducing new supply. Historically a major driver of market cycles.

Gas Fee
The cost of executing a transaction on a blockchain, paid to validators. It rises with network congestion, sometimes dramatically.

Cold Wallet
Offline storage for crypto, immune to remote hacking. The standard for holdings you do not intend to trade.

Hot Wallet
An internet-connected wallet - convenient for trading, more exposed to compromise.

Rug Pull
A scam where developers abandon a project and drain its liquidity, leaving holders with worthless tokens.

Airdrop
A free distribution of tokens to wallets, usually to bootstrap adoption or reward early users.

08

Forex & Stocks

Terms that appear the moment you trade beyond crypto.

Currency Pair

Two currencies quoted against each other, such as EUR/USD. The first is the base, the second the quote. Buying the pair means buying the base and selling the quote.

Base Currency

The first currency in a pair, and the one you are buying or selling. In EUR/USD, the euro is the base.

Quote Currency

also: Counter Currency

The second currency in a pair, expressing the price of one unit of the base.

Pip

The smallest standard price increment in forex - 0.0001 for most pairs, 0.01 for yen pairs. Pips are how forex traders measure risk and reward.

Pipette

A fractional pip, one tenth of a pip, shown as a fifth decimal place by many brokers.

Lot

The standard unit of forex position size. A standard lot is 100,000 units, a mini lot 10,000, and a micro lot 1,000.

Majors

The most heavily traded pairs, all involving the US dollar - EUR/USD, GBP/USD, USD/JPY. They carry the tightest spreads and deepest liquidity.

Cross Pair

A pair that does not include the US dollar, such as EUR/GBP. Spreads are typically wider.

Exotic Pair

A major currency paired with a smaller economy's currency. Wide spreads, thin liquidity, and vulnerability to sudden policy shocks.

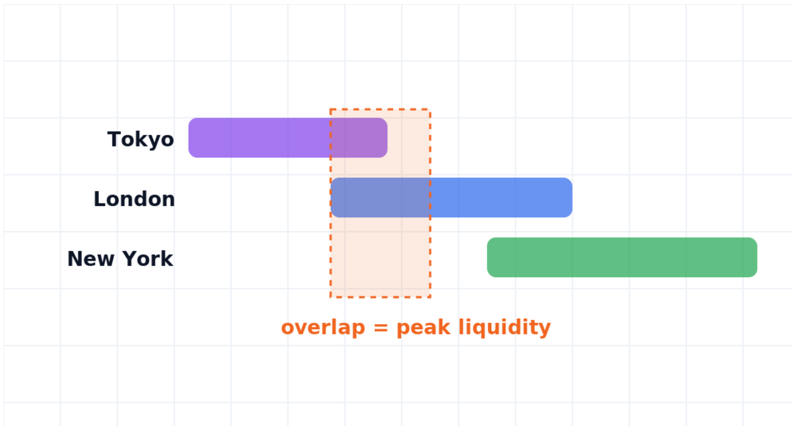
Swap

also: Rollover

The interest paid or earned for holding a forex position overnight, reflecting the interest rate difference between the two currencies.

Trading Session

The active hours of a regional market - Sydney, Tokyo, London, New York. Volatility concentrates when sessions overlap.



London-New York Overlap

The few hours when both major sessions are open, producing the highest liquidity and the largest moves of the day.

Share

also: Stock, Equity

A unit of ownership in a company, entitling the holder to a portion of its assets and earnings.

Index

A basket of stocks tracking a market segment, such as the S&P 500. Trading an index means trading broad sentiment rather than one company.

Blue Chip

Shares in large, established, financially sound companies. Lower volatility, and usually lower growth.

Dividend

A share of company profits paid to shareholders, typically quarterly. A component of long-term return that price charts alone do not show.

Earnings Report

A company's quarterly financial disclosure. Among the highest-volatility scheduled events - many traders deliberately stand aside through them.

Pre-Market

also: After-Hours

Trading before the official open, characterised by thin liquidity and exaggerated moves.

Circuit Breaker

An automatic trading halt triggered by extreme index moves, designed to interrupt panic. A feature of regulated equity markets, absent in crypto.

Short Selling

Borrowing shares to sell, aiming to buy them back cheaper. Requires a margin account and carries theoretically unlimited risk.

09

Trading Psychology & Discipline

The gap between knowing what to do and actually doing it.

Trading Plan
A written set of rules defining what you trade, when you enter, where you exit, and how much you risk. Without one, every decision is improvised under pressure.

Discipline
Following your plan when it is uncomfortable. Discipline is not enthusiasm - it is doing the same correct thing when it is boring and when it is frightening.

FOMO
also: Fear Of Missing Out

Fear Of Missing Out. Entering late because a move is already running. FOMO entries put you in exactly where earlier traders are taking profit.

Revenge Trading
Immediately re-entering after a loss to win it back. It replaces analysis with emotion and turns one manageable loss into a series of them.

Overtrading
Taking trades that do not meet your criteria out of boredom or the urge to be active. Activity is not productivity - fees and marginal setups quietly erode accounts.

Analysis Paralysis
Gathering so much information that no decision is ever made. Usually a symptom of unclear rules rather than insufficient data.

Confirmation Bias
Seeking evidence that supports the view you already hold while ignoring the rest. The reason traders switch timeframes until they find one that agrees with them.

Recency Bias
Over-weighting recent outcomes. Three losses do not mean your system is broken; three wins do not mean you should triple your size.

Loss Aversion
Feeling losses roughly twice as intensely as equivalent gains. It explains why traders cut winners early and let losers run - precisely backwards.

Hopium
Holding a losing position on hope rather than analysis, typically after the original invalidation level has already broken.

Stand Aside
Deliberately not trading when conditions are unclear. It is an active decision with a positive expected value, not a failure to participate.

Trading Journal

A record of every trade including reasoning, screenshots, and emotional state. It converts scattered experience into a dataset you can actually learn from.

Process vs Outcome

Judging decisions by whether you followed your plan, not by whether the trade won. A good process can lose; a bad process can win - only one is repeatable.

Tilt

An emotionally compromised state following a big win or loss, in which risk control collapses. The correct response is to stop trading for the day.

Paper Trading

Practising with simulated money to test a system without financial risk. Valuable for mechanics, limited for psychology - nothing simulates the fear of real money.

Backtesting

Testing a strategy against historical data to estimate its edge. Beware curve-fitting: a system tuned perfectly to the past often fails in the present.

Consistency

Applying the same rules, the same sizing, and the same discipline across every trade. Consistency is what makes results meaningful rather than random.

Patience

Waiting for setups that meet every criterion instead of forcing trades. The best traders are far more selective than beginners expect - most of the job is waiting.

A-Z Index

Every term in this book, alphabetically, with its page number.

Accumulation ··· **48**
Airdrop ··· **58**
Altcoin ··· **57**
Analysis Paralysis ··· **64**
Ascending Triangle ··· **31**
Ask ··· **6**
ATR ··· **41**
Average Entry Price ··· **54**
Averaging Down ··· **54**
Backtesting ··· **65**
Base Currency ··· **60**
Bear Flag ··· **33**
Bear Market ··· **9**
Bearish Candle ··· **14**
Bearish Engulfing ··· **20**
Bid ··· **6**
Blockchain ··· **57**
Blue Chip ··· **61**
Body ··· **14**
Bollinger Bands ··· **41**
Bollinger Squeeze ··· **41**
Break of Structure ··· **46**
Breakeven ··· **9**
Breakeven Stop ··· **55**
Breakout ··· **11**
Bull Flag ··· **33**
Bull Market ··· **9**
Bullish Candle ··· **14**
Bullish Engulfing ··· **19**
Candle Close Confirmation ··· **25**
Candlestick ··· **14**
CEX ··· **58**
Change of Character ··· **46**
Channel ··· **29**
Long Squeeze ··· **57**
Loss Aversion ··· **64**
Lot ··· **60**
Low ··· **14**
Lower High ··· **45**
Lower Low ··· **45**
MACD ··· **40**
Maintenance Margin ··· **53**
Majors ··· **60**
Maker ··· **8**
Margin ··· **53**
Margin Call ··· **53**
Markdown ··· **49**
Market Cap ··· **57**
Market Order ··· **7**
Market Structure ··· **45**
Markup ··· **49**
Marubozu ··· **18**
Measured Move ··· **35**
Mitigation ··· **49**
Morning Star ··· **23**
Moving Average ··· **38**
Neckline ··· **30**
OCO Order ··· **7**
One Percent Rule ··· **51**
Open ··· **14**
Open Interest ··· **57**
Order Block ··· **47**
Order Book ··· **7**
Oscillator ··· **38**
Outside Bar ··· **25**
Overbought ··· **39**
Oversold ··· **39**
Overtrading ··· **64**

Circuit Breaker ··· **62**
Circulating Supply ··· **57**
Close ··· **14**
Cold Wallet ··· **58**
Confirmation Bias ··· **64**
Confluence ··· **43**
Consistency ··· **65**
Consolidation ··· **49**
Continuation Pattern ··· **36**
Correlation ··· **55**
Cross Margin ··· **54**
Cross Pair ··· **60**
Cup and Handle ··· **35**
Currency Pair ··· **60**
Dark Cloud Cover ··· **21**
Death Cross ··· **39**
DeFi ··· **58**
Demand Zone ··· **48**
Descending Triangle ··· **32**
DEX ··· **58**
Discipline ··· **64**
Displacement ··· **49**
Distribution ··· **49**
Divergence ··· **40**
Dividend ··· **61**
Doji ··· **15**
Dollar-Cost Averaging ··· **54**
Double Bottom ··· **31**
Double Top ··· **30**
Dragonfly Doji ··· **16**
Drawdown ··· **12**
Earnings Report ··· **61**
Edge ··· **52**
EMA ··· **38**
Entry ··· **8**
Equal Highs ··· **48**
Evening Star ··· **23**
Exit ··· **8**
Paper Trading ··· **65**
Patience ··· **65**
Pennant ··· **33**
Perpetual Swap ··· **57**
Piercing Line ··· **21**
Pin Bar ··· **19**
Pip ··· **60**
Pipette ··· **60**
Pivot Points ··· **43**
Point of Control ··· **42**
Portfolio Heat ··· **55**
Position ··· **8**
Position Size ··· **51**
Position Sizing Formula ··· **51**
Pre-Market ··· **62**
Premium and Discount ··· **49**
Process vs Outcome ··· **65**
Pullback ··· **12**
Quote Currency ··· **60**
R-Multiple ··· **52**
Range ··· **10**
Recency Bias ··· **64**
Rectangle ··· **35**
Resistance ··· **27**
Revenge Trading ··· **64**
Reversal ··· **12**
Reversal Pattern ··· **36**
Rising Wedge ··· **34**
Risk Management ··· **51**
Risk of Ruin ··· **55**
Risk per Trade ··· **51**
Risk-Reward Ratio ··· **52**
Role Reversal ··· **28**
Rounding Bottom ··· **35**
RSI ··· **39**
Rug Pull ··· **58**
Scale In ··· **54**
Scale Out ··· **54**

Exotic Pair ··· **60**
Expectancy ··· **52**
Exposure ··· **55**
Fair Value Gap ··· **47**
Fakeout ··· **11**
Falling Wedge ··· **34**
Fibonacci Retracement ··· **42**
Fill ··· **8**
FOMO ··· **64**
Funding Rate ··· **57**
Futures ··· **57**
Gap ··· **12**
Gas Fee ··· **58**
Golden Cross ··· **39**
Golden Pocket ··· **42**
Gravestone Doji ··· **15**
Halving ··· **58**
Hammer ··· **16**
Hanging Man ··· **17**
Harami ··· **20**
Head and Shoulders ··· **29**
Hedging ··· **55**
Heikin Ashi ··· **25**
Hidden Divergence ··· **40**
High ··· **14**
Higher High ··· **45**
Higher Low ··· **45**
Histogram ··· **40**
Hopium ··· **64**
Hot Wallet ··· **58**
Ichimoku Cloud ··· **42**
Imbalance ··· **47**
Index ··· **61**
Indicator ··· **38**
Indicator Stacking ··· **43**
Initial Margin ··· **53**
Inside Bar ··· **25**
Inverse Head and Shoulders ··· **30**
Share ··· **61**
Shooting Star ··· **18**
Short ··· **8**
Short Selling ··· **62**
Short Squeeze ··· **58**
Signal Line ··· **40**
Slippage ··· **7**
SMA ··· **38**
Spinning Top ··· **18**
Spot Trading ··· **57**
Spread ··· **6**
Stablecoin ··· **57**
Stand Aside ··· **64**
Stochastic Oscillator ··· **41**
Stop Loss ··· **9**
Stop Order ··· **7**
Stop-Limit Order ··· **7**
Supply Zone ··· **48**
Support ··· **27**
Swap ··· **61**
Swing High ··· **45**
Swing Low ··· **45**
Symmetrical Triangle ··· **32**
Take Profit ··· **9**
Taker ··· **8**
Three Black Crows ··· **24**
Three White Soldiers ··· **24**
Throwback ··· **35**
Tilt ··· **65**
Timeframe ··· **12**
Trading Journal ··· **65**
Trading Plan ··· **64**
Trading Session ··· **61**
Trailing Stop ··· **7**
Trend ··· **10**
Trend Continuation ··· **49**
Trendline ··· **28**
Triple Bottom ··· **31**

Inverted Hammer ··· **17**
Isolated Margin ··· **54**
Lagging Indicator ··· **43**
Leading Indicator ··· **43**
Leverage ··· **53**
Limit Order ··· **7**
Liquidation ··· **53**
Liquidation Price ··· **54**
Liquidity ··· **47**
Liquidity Sweep ··· **48**
London-New York Overlap ··· **61**
Long ··· **8**
Triple Top ··· **31**
Tweezer Bottom ··· **22**
Tweezer Top ··· **22**
Volatility ··· **12**
Volume ··· **6**
Volume Profile ··· **42**
VWAP ··· **41**
Whale ··· **58**
Wick ··· **14**
Wick Rejection ··· **25**
Win Rate ··· **52**

Now put it to work

Knowing the vocabulary is the first half. Applying it under pressure - with a defined stop, a sized position and a plan you actually follow - is the half that decides your results.

Paldomz ChartVerdict is the tool I built for exactly that. You read your chart and tick the confirmations you can see - or let **Auto-Read** read the live chart for you - and it returns a clear LONG / SHORT / STAND ASIDE verdict with an entry, a stop loss, a TP1 / TP2 / TP3 scale-out plan, position sizing, and a discipline-tracking journal. It runs in any browser across crypto, gold, forex and stocks. Free to use, with an optional Pro membership that removes the limits.

Free to use - go Pro anytime, no download required:
paldomzsystems.com

Free trading tools - position size, liquidation, pip, compounding, DCA and more:
paldomzsystems.com/free-tools.html

The Trading Desk blog - patterns, indicators and discipline, explained:
paldomzsystems.com/blog

Thank you for reading. I build these on my own, and I read every message personally.

— Cosme · Paldomz Systems