

Template: Forex Risk Management Checklist

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Based on Article: "Risk Management in Forex: Strategies to Protect Your Capital"

Website: <https://randfx.co.za/>

A practical checklist to help forex traders manage risk and protect their capital effectively.

Checklist Items:

- 1. Determine Your Maximum Risk**
Establish the maximum percentage of your account equity you are willing to risk on a single trade to manage your losses effectively.
Reference Section: Position Sizing and Money Management Rules
- 2. Calculate Position Size**
Use the formula: position size (lots) = risk amount / (stop distance in pips × pip value per standard lot) to determine the appropriate position size based on your risk tolerance.
Reference Section: Position Sizing and Money Management Rules
- 3. Set a Stop-Loss Order**
Implement a stop-loss order that aligns with your position size to minimize potential losses. Adjust the stop based on the market's average true range (ATR).
Reference Section: Stop-Losses, Take-Profits and Order Placement
- 4. Monitor Leverage Usage**
Keep your leverage modest and align your position size with your account equity to avoid amplified losses.
Reference Section: Foundations of Forex Risk Management
- 5. Assess Market Conditions**
Evaluate liquidity and potential volatility prior to entering a trade to avoid slippage and unexpected price movements.
Reference Section: Foundations of Forex Risk Management
- 6. Diversify Your Trades**
Avoid highly correlated trades to prevent excessive exposure; ensure diversification to spread risk across different assets.
Reference Section: Keep the Whole Book Small
- 7. Use a Trading Checklist**
Create a pre-trade checklist that includes all necessary checks and balances to minimize operational risk and errors.
Reference Section: Operational Risk
- 8. Track Your Trading Metrics**
Regularly monitor drawdown and strategy performance metrics to ensure your trading approach remains viable and to make adjustments as necessary.
Reference Section: The metrics worth tracking
- 9. Remain Disciplined**
Stick to your risk management plan and avoid revenge trading or emotional decisions during drawdown periods.
Reference Section: Psychology and Discipline in Risk Management