

Template: Forex Trading Risk Assessment Checklist

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Based on Article: "The Impact of Currency Correlations on Forex Trading Risk"

Website: <https://nairafx.ng>

A practical checklist to assess trading risk by understanding currency correlations before opening trades.

Checklist Items:

- 1. Identify Currency Pairs**
List the currency pairs you are considering for your trades. Focus on pairs you frequently trade.
Reference Section: [How to Read Currency Correlations Before Opening a Trade](#)
- 2. Check Correlation Values**
Use tools like Myfxbook's forex correlation tool to check the correlation values between your selected currency pairs. Look for values ranging from -1 to +1.
Reference Section: [What Currency Correlations Mean in Forex Trading](#)
- 3. Evaluate Positive Correlations**
If two pairs have a strong positive correlation, consider that they may represent similar market exposure and assess the combined risk.
Reference Section: [How Correlations Change Trading Risk](#)
- 4. Assess Negative Correlations**
Identify if any pairs have a negative correlation, as this can help in hedging strategies and managing risk effectively.
Reference Section: [What Currency Correlations Mean in Forex Trading](#)
- 5. Monitor Shared Currency Drivers**
Check if the currency pairs share common currency drivers (e.g., USD, EUR). This can increase correlation and risk when trading.
Reference Section: [What Currency Correlations Mean in Forex Trading](#)
- 6. Review Recent News Impact**
Stay updated on recent macroeconomic news that could affect currency movements, as correlations can shift rapidly due to such events.
Reference Section: [What Currency Correlations Mean in Forex Trading](#)
- 7. Adjust Position Sizing**
Based on your correlation analysis, adjust your position sizes to reflect the true risk exposure across correlated pairs.
Reference Section: [How Correlations Change Trading Risk](#)
- 8. Implement Risk Management Strategies**
Develop strategies for managing risk, such as setting tighter stop losses or diversifying into less correlated pairs.
Reference Section: [Risk Management Strategies for Correlated Trades](#)
- 9. Reassess Regularly**
Regularly reassess your positions and correlations, especially after significant market events, to ensure your risk exposure remains in check.
Reference Section: [How to Read Currency Correlations Before Opening a Trade](#)