WHAT IS MINE IS YOURS

Risk Management & Position Sizing

Protect capital before thinking about profit

Educational notice
This guide is for general education only. It is not financial, investment, legal or tax advice, nor a recommendation to buy or sell any instrument. Forex and leveraged products are high risk; you can lose some or all of your capital. Practise on demo, verify broker specifications and never risk money needed for essentials.

Risk before entry

Choose the setup’s invalidation point first, then calculate position size. Never choose a large lot and force a stop to fit it. A good setup can lose; risk controls help keep losses survivable.

Fixed-fractional example

If equity is R2,000, then 1% is R20. This is an arithmetic example, not a recommendation. A percentage of remaining equity means cash risk falls as the account falls, but it cannot prevent drawdown.

Position-size formula

Cash risk = equity × risk percentage. Approximate lots = cash risk ÷ (stop distance in pips × pip value per lot). Pip value depends on symbol, contract size and account currency. Verify with broker specifications or a trusted calculator.

Worked example

Suppose cash risk is R20, stop distance is 20 pips, and verified pip value for one lot is R150. Approximate size = 20 ÷ (20 × 150) = 0.0067 lots. If minimum size is 0.01, rounding up exceeds the intended risk; skip rather than force the trade.

Expectancy and drawdown

Expectancy = (win rate × average win) – (loss rate × average loss), measured consistently and after costs where possible. Risk-to-reward alone does not prove an edge. Set daily loss and trade-count limits before the session.

Practice

Calculate size for ten different stop distances on demo and compare your result with the platform. Investigate differences caused by pip value, currency conversion, contract size or rounding.

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