RISK REWARD STRUCTURE

Key Trading Risk Parameters

Monthly Risk Limit:

10% maximum risk per month.

If the 10% loss limit is reached, trading will be halted for the remainder of the month.

Trading will resume in the following month to ensure disciplined capital preservation.

Daily Risk Limit:

3% maximum risk per day.

If this daily loss limit is reached, trading will pause for the day to avoid further losses.

The next trading day will proceed as planned unless the monthly limit has been reached.

Trading Window Suspension:

Reaching the monthly risk limit results in the closure of the trading window for that month.

This policy ensures that losses are contained and no impulsive trades are made.

Risk-Reward Structure Per Trade

Risk Per Trade:

The risk is carefully managed to ensure that no single trade jeopardizes overall portfolio stability.

Risk per trade typically stays within a range of 0.5% to 2% of the total capital.

Reward Expectation:

The target reward per trade is structured to be at least 1.5 to 3 times the risk.

Example: If risking 1% per trade, the target profit would range between 1.5% to 3%.

Risk-Reward Ratio:

A consistent 1:1.5 or 1:3 risk-reward ratio is followed.

This ensures profitability even if not all trades are successful.

Controlled Risk:

Daily and monthly limits prevent excessive losses.

Encourages disciplined trading habits.

Sustainability:

Preserves capital for future opportunities.

Avoids emotional and impulsive decision-making.

High Reward Potential:

Structured risk-reward ratios ensure profitability over the long term.

Transparency:

Clear boundaries on trading activities build trust and confidence.

Scenario 1: Single Trade Example

Capital: $10,000

Risk Per Trade: 1% ($100)

Reward Target: 2% ($200)

Risk-Reward Ratio: 1:2

Scenario 2: Daily Risk Limit

Daily Loss Limit: 3% ($300)

Number of Trades: Maximum 3 unsuccessful trades (1% risk each).

Scenario 3: Monthly Risk Limit

Monthly Loss Limit: 10% ($1,000)

Impact: Trading halts for the rest of the month once this limit is reached.

Conclusion:

- This structured risk management approach prioritizes capital preservation while allowing for consistent returns.

- By adhering to predefined limits, it reduces the emotional pressure and promotes disciplined decision-making in trading activities.

- The approach ensures that losses are contained, avoiding the risk of compounding errors or chasing losses during unfavorable market conditions.

- A focus on achieving favorable risk-reward ratios enhances long-term profitability, even if individual trades result in losses.

- Additionally, the transparency of this framework fosters confidence and trust between all stakeholders, demonstrating a commitment to responsible trading practices.