Understanding 1:100 Leverage

Leverage allows traders to **control a larger position** with a **small amount of capital** (known as margin).

A **1:100 leverage** means that for every **$1** you have in your account, you can control **$100** in the market.

How to Calculate Leverage?

The formula is:

Leverage = Total Trade Size * Margin Required

For example, with **1:100 leverage**:

- If you deposit **$100**, you can control **$100 × 100 = $10,000** in the market.
- If you deposit **$500**, you can control **$500 × 100 = $50,000** in the market.
- If you deposit **$1,000**, you can control **$1,000 × 100 = $100,000** in the market.

Example of a Trade with Leverage

Imagine you are trading **EUR/USD** and want to buy **1 lot (100,000 units)**. Without leverage, you would need **$100,000** in your account.

But with **1:100 leverage**, you only need: 100,000 :100= $1,000

So, you can control **$100,000** with just **$1,000** of your capital.

Key Points to Remember

□ **Leverage amplifies profits –** If the price moves in your favor, your earnings can be much higher than your initial investment.
□ **Leverage also increases risk –** If the price moves against you, losses can be bigger, and you might lose your entire capital quickly.