

The Consistency Keys: A Full Risk-Management System for Forex Trading

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"It starts by hard work, but it's end with the smart work."

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¹**Note:** This document is tailored for day traders, requiring basic math and trading knowledge for comprehension.

1 The Missing Piece Of The Puzzle

What has your Trading results shown you over the course of your career as a Trader? Are you struggling? Have you seen your account experience devastating drawdown or worse... blown it out? I purposely placed this topic at the beginning of the core material as I believe it is the most vital component to long term success in trading Forex... or any other asset class! I am confident the piece of the puzzle you are looking for is Risk Management. Have you risked more than 2% of your total equity on any one trade? How about just about every one of them? Have you tried to over-leverage your account to make the losses back right away... only to find it resulted in steeper losses and deeper in depression? At the top of the list of crucial components to successful and consistent trading is the concept of Risk Management. Risk Management is basically divided into two core principles... Money Management and Trade Management. These areas are far greater in importance than your treasured little Trading System and patterns.

"Risk Management is your only shield against ultimate failure"

2 What Does Risk Management Really Mean?

2.1 Account Risk:

This is the amount of Risk the Trader is willing to assume. It should be limited to 2% of total equity or less. To calculate the Risk per trade use the following formula...

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Risk Management

What Does Risk Management Really Mean?

Account Risk:

This is the amount of Risk the Trader is willing to assume. It should be limited to 2% of total equity or less. To calculate the Risk per trade use the following formula...

- **Cash float** is \$ 5000 USD
% risk is 2%
Risk per trade is \$100 USD (500×0.02)
\$ per Pip = \$100/ number of pips between entry and initial stop loss
i.e. if entry is 1.50 and sell stop is 1.4975 for the GBP/USD pair = 25 pip stop
 $\$100/25 = \4 per pip leverage or 4 mini lots (40k lot size) = 2% risk




Figure 1: Risk-Management

2.2 Money Management

2.3 Money Management Example

3 Formulas

3.1 The combination of Risk-reward and Winrate

$$\text{RR Formula} = \frac{\text{Win Rate}}{1 - \text{Win Rate}}$$

$$\text{Winrate Formula} = \frac{\text{Risk}}{\text{Risk} + \text{Reward}}$$