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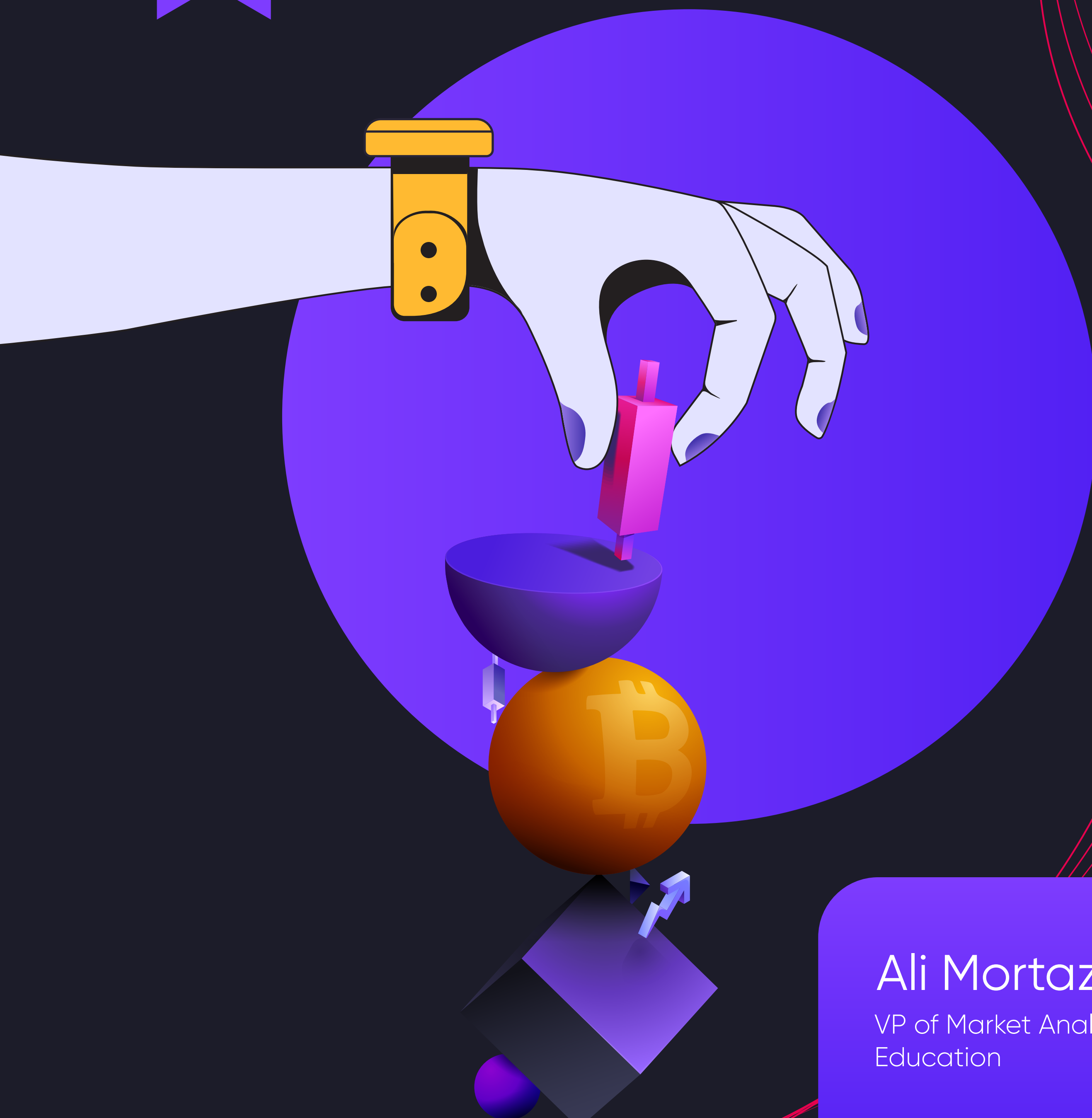
YOUR GATEWAY TO TRADING

Mastering

Risk Management in Forex Trading



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Ali holds BEc, (CMSA)® certificate. He is a member of CFA (Chartered Financial Analysts), an associate member of STA (Society of Technical Analysis UK) and IFTA (International Federation of Technical Analysis). A Financial Markets enthusiast with a background in Economics, Ali has been involved in the financial industry for nearly a decade as a trader, instructor and market analyst.

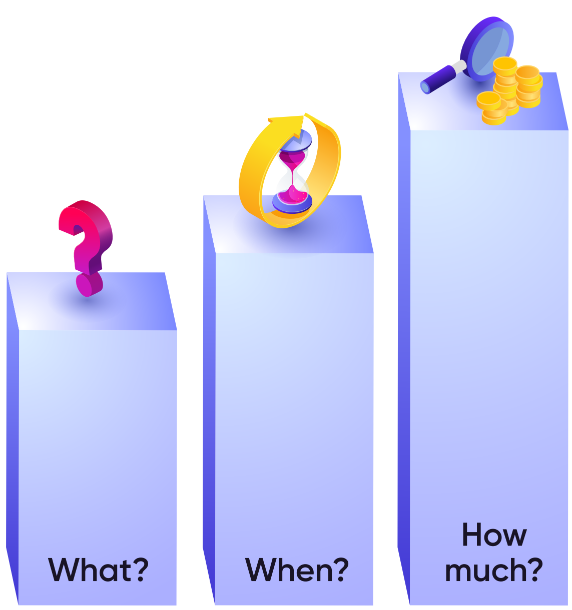
He specializes in price action and risk management. With years of experience and knowledge, Ali now provides valuable insight into the fundamentals of the markets and trading techniques based on his extensive skill set. Besides delivering an array of webinars, seminars and speeches he has developed a variety of educational materials and courses to assist traders of any level of experience with learning how to read charts and analyze market movements.

4 Who fails to plan, plans to fail

People think that trading successfully has to do with some sort of secret formula or some magic technique, let's say, a holy grail. You find the formula, and you'll get rich, and that's what success in the markets is about. However, success in forex is all about consistency because trading is a simple process. Still, it's not easy to follow the long-term winning approach, so we need to make a plan.

The difference between making money and losing money can be as simple as trading with a plan or trading without one.

The idea is that we would need something concrete and structured that we could refer to before we take a trade and also after taking one to either review how things went and look for ways that we could change it or determine if the trade is setting up for us to even get into it.



From this perspective, a trading plan is our road map. It is there to help us decide **what**, **when**, and **how much** to trade. And when to stop for the day. By asking these questions, we can make a plan that suits us.

7.1 Components of trading expectancy

Expectancy is described as an average, but it can be broken down into two main components.

It is possible to track your average win size and your %win. As you get more experienced, you'll be able to observe the changes in your percent win as time elapses. This is due to their negative correlation. There is also a psychological element to it, and we need to keep in mind that it is not only about math.

Then perhaps your average win is as good as it gets for your style, or your average portrayal is as far as it will come.

In addition, you should consider your win percentage and figure out what you need to do to increase that and increase your expected returns, which depend on your trading strategy.

Trading expectancy needs to be greater than zero to have a winning plan. It simply means you need to profit more than you lose over a series of trades.