

Forex Money Management - The Foundation For Huge Gains and Forex Trading Success

Most traders use solid Forex trading systems but they fail to poor money management and really poor money management is the reason most traders lose lets take a look at in more detail...

If you watch any good football team it will have a strong defence it keeps the team in the game, until the offence gets an opportunity. If a team falls to far behind it doesn't matter how good the attack is, the team will lose and it's the same in Forex trading you need to defend what you have and keep your losses small until you get good high odds opportunities.

In Forex trading lose 50% of your account and you have to make a 100% to get back to profit and that's hard!

In Forex trading picking trend direction is easy but getting in at the best risk to reward is hard. So what tips can I give you?

The first is to cut leverage sure most brokers give you 200:1 but 10:1 is really plenty for most traders. Leverage up to far and you will have to have your stop to tight and will get taken out by the market noise so cut back leverage.

Next don't put stops to close!

This isn't being rash but you need to have stops outside of random volatility, so you don't get clipped out. Even more important is never jack your stop up to far to lock in profit - leave it back and accept short term dips in equity, to make a longer term gain.

Most traders either use to much leverage or think by having stops close, they reduce their risk but they don't, all they do is increase the probability of being stopped out to 100%. Many traders calculate their risk reward as - their target minus their stop but this is just an opinion! It does not take into account the probability if the trade.

To Win You Need to Deal with Volatility

When I ask traders I teach, do they know anything about standard deviation of price?

They look at me with a blank look yet; this should be essential knowledge for any Forex trader's essential education - why?

Because it gives you the volatility of the market and allows you to place stops more effectively. If you don't know what it is, make it part of your essential Forex education and look up our other articles.

Here are some simple money management tips.

- Always assume the worst when you enter a trade and things can only get better, there is no sure fire winner!
- Never place stops inside random volatility
- Never leverage up to hilt, keep leverage low
- Never trail a stop to quickly give the market room to breathe
- Never trade in random time periods so no day trading or scalping!
- Be patient and wait for high odds trades
- Don't place mental stops, they affect discipline and you may let a loss run
- Risk reward is NOT Your target minus your stop! Don't fall into this common trap
- If in doubt get out - any doubts liquidate

In forex trading your only trading the odds, you need to preserve your equity above all else fall too far behind and you will never recover. Forex money management is the key to this and always keep in mind the old gamblers saying:

To bet and win you need to be at the table but you can't bet if you lose your chips!

Obvious really - but very true. The foundation of your success is sound Forex money management SO pay attention and make it part of your essential Forex education or lose.

About the Author

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