

Money Management

Use constant euro risk on each trade. The amount of risk cannot be decreased because on a losing streak this means that more winners are necessary to make up the losses than constant risk. The risked euro amount will be incremented after a substantial capital increment, for example every 1/3 of capital growth. Once incremented, next increment (delta) is again 1/3 of full current capital. When incrementing the euro risk amount, do not exceed 3.33% of full capital, because if a drawdown happens with a losing streak of 10 consecutive losses, 33.3% of capital gets lost (drawdown). Losing more than 1/3 of capital on a losing streak is not acceptable.

Each setup must give at least 1:2 risk:reward to be considered as potential valid.

Position Size

The size of the position must meet the constant euro risk amount.

$$\text{units} = \left(\frac{\text{planned constant € risk}}{\text{stop loss pips}} \right) \cdot \left(\frac{100000}{\text{€ per pip on 1 lot (100000 units)}} \right)$$

$$\text{€ / pip at 1 lot} = \frac{\text{pip size}}{\text{exchange rate}} \cdot 100000$$

Pip size is the smallest pip value of currency, for example 0.0001 for EUR/USD and 0.01 for USD/JPY.

Example 1

Account currency: EUR

Pair: AUD/JPY

Euro Risk: €100

Stop loss: 43 pips

$$\text{€ / pip} = \frac{0.01 \text{ JPY / pip}}{96.85 \text{ AUD / JPY}} \cdot 100000$$

$$\leftrightarrow 10.325 \text{ AUD / pip} \cdot 0.9668 \text{ AUD / USD} = 9.982 \text{ USD / pip}$$

$$\leftrightarrow \frac{9.982 \text{ USD}}{1.3084 \text{ EUR / USD}} = 7.63 \text{ EUR / pip}$$

$$\text{position size} = \left(\frac{100 \text{ €}}{43 \text{ pips}} \right) \cdot \left(\frac{100000}{7.63 \text{ € / pip}} \right) \leftrightarrow 30479 \text{ units}$$

Example 2

Account currency: EUR

Pair: XAU/USD (Gold)

Euro Risk: €200

Stop loss: 500 pips

Gold and Silver position sizes are measured in ounces or lots, depending on broker.

Shorting: XAU/USD

Entry: \$1649.65

Stop loss: \$1654.65

Exchange rate EUR/USD: \$1.33374

Dollar risk from 200 € → $200 \text{ EUR} \cdot 1.33374 \text{ USD/EUR} = 266.75 \text{ USD}$

Stop loss distance → $1654.65 - 1649.65 = 5.0 \leftrightarrow 500 \text{ pips}$

Size (ounces) → $\frac{266.75}{5.0} = 53.35 \text{ oz}$

The position size is 53 ounces. Some brokers measure position sizes for gold/silver in lot sizes. For example, if the broker sets 1 lot = 100 oz then the lot size would be $53.35/100 = 0.536$ lot.

Great tool for position size calculation can be found [here](#).