FOREX FUNDAMENTALS — MODULE 2

How Orders Work

Market vs. limit orders, stop loss and take profit, and the position sizing math that separates survivors from blown accounts.

MODULE 2 OF 7

How Orders Work

Understanding the mechanics of currencies means nothing if you don't know how to actually place, protect, and size a trade. This is where most beginner accounts are lost — not from bad ideas, but from bad execution.

Order Types

Market order	Buy or sell immediately at the current price. Simple, instant, no control over exact entry.
Limit order	Set a specific price you want to enter at, better than the current price. Executes only if the market reaches it.
Stop order	Set a trigger price to enter once the market moves in a direction, confirming momentum.

Stop Loss: Your Non-Negotiable

A stop loss is a pre-set price where your trade automatically closes for a loss, capping how much you can lose on that position. Every single trade should have one before it's even placed — not added later, not adjusted mid-trade to "give it more room."

Moving a stop loss further away because a trade is going against you isn't a strategy adjustment. It's the mechanism by which small losses become account-ending ones.

Take Profit: Locking In the Win

A take profit is a pre-set price where your trade automatically closes for a profit. Setting this in advance — alongside your stop loss — forces you to define what a good trade looks like before emotion gets involved in the outcome.

Position Sizing: The Math That Actually Matters

Position size should be calculated from your risk, not the other way around. The order is: decide how much you're willing to lose on this trade → measure the distance to your stop loss in pips → size the position so that distance equals your risk amount.

1. Risk amount	Account size × risk % per trade (commonly 0.5–1%).
2. Stop distance	Entry price minus stop loss price, in pips.
3. Position size	Risk amount ÷ (stop distance × pip value) = lot size to trade.

Example: $10,000 account, 1% risk = $100. Stop loss is 20 pips away. On a pair where 1 pip ≈ $10 per standard lot, $100 ÷ (20 × $10) = 0.5 lots. That's the position size — not a round number picked because it "felt right."

KEY TAKEAWAY

- Every trade needs a stop loss set before entry — no exceptions, no adjustments mid-trade.
- Position size is calculated backward from your risk amount and stop distance — never picked first.
- Risking a small, consistent percentage per trade (0.5–1%) is what actually survives losing streaks.

Next up: Module 3 — Reading a Chart: candlesticks, support and resistance, and choosing a timeframe.