FOREX FUNDAMENTALS — MODULE 4

Risk Management

The single discipline that determines whether you're still trading a year from now: risk per trade, R:R, and drawdown control.

MODULE 4 OF 7

Risk Management

This is the most important module in this course. Strategy determines whether individual trades win or lose. Risk management determines whether you're still trading in six months. Most traders who fail don't fail because of a bad strategy — they fail because of unmanaged risk.

Risk Per Trade

Cap how much of your account you're willing to lose on any single trade — commonly 0.5% to 1%. At 1% risk per trade, it takes a genuinely brutal losing streak to meaningfully damage the account. At 5% or 10% risk per trade, a handful of bad trades can end it.

1% risk, 10 losses in a row	Account down ~9.5% — recoverable.
5% risk, 10 losses in a row	Account down ~40% — a steep climb back.
10% risk, 10 losses in a row	Account down ~65% — effectively over.

Risk-to-Reward Ratio (R:R)

This compares what you're risking to what you're aiming to gain. A 1:2 R:R means risking $100 to make $200. With a healthy R:R, you don't need to win most of your trades to be profitable overall.

At 1:2 R:R, winning just 40% of trades still produces a net profit over time. This is why consistency and discipline matter more than raw win rate.

Why Leverage Kills Accounts

Leverage doesn't cause losses by itself — oversized positions relative to account size do. The mistake isn't using leverage; it's letting available leverage dictate position size instead of letting your risk percentage dictate it. Just because a broker allows a huge position doesn't mean your risk plan does.

Drawdown Discipline

Drawdown is the decline from a peak in account value. Every trader experiences it — the question is whether it stays controlled. This is exactly what evaluation and funded accounts are built to measure and reward: not the absence of losses, but the containment of them.

KEY TAKEAWAY

- Risking 0.5–1% per trade is what lets you survive losing streaks that are statistically inevitable.
- A favorable risk-to-reward ratio means you don't need a high win rate to be profitable.
- Leverage is dangerous only when position size ignores your risk plan — not by itself.
- Consistent, controlled drawdown is the trait that separates traders who last from those who don't — and it's exactly what FDR is built to reward.

Next up: Module 5 — A Simple Strategy Framework: one concrete setup to practice with.