

## Template: Forex Risk Management Checklist

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Based on Article: "Essential Guide to Risk Management Strategies for Forex Traders"

Website: <https://nairafx.ng>

A practical checklist for Forex traders to apply effective risk management strategies in their trading.

### Checklist Items:

- 1. Preserve Capital**  
Treat your trading account as a business asset and avoid drawdowns that require unrealistic recovery. Keep psychological edge intact by maintaining small drawdowns.  
Reference Section: Core Principles of Forex Risk Management
- 2. Set Consistent Risk Per Trade**  
Risk a fixed percentage (e.g., 1%) of your account on each trade. Calculate your `risk\_amount` using  $\text{risk\_amount} = \text{account\_size} * \text{risk\_percent}$ .  
Reference Section: Core Principles of Forex Risk Management
- 3. Calculate Position Size**  
Use the formula  $\text{position\_size} = \text{risk\_amount} / (\text{stop\_distance\_in\_pips} * \text{pip\_value})$  to determine your trade size based on your risk amount.  
Reference Section: Core Principles of Forex Risk Management
- 4. Account for Correlation**  
Sum exposures across correlated pairs to avoid excessive risk. Treat correlated assets as interconnected to manage total portfolio risk effectively.  
Reference Section: Core Principles of Forex Risk Management
- 5. Predefine Trade Parameters**  
Establish a stop loss and position size for each trade before entering the market. This helps in managing emotions during trades.  
Reference Section: Core Principles of Forex Risk Management
- 6. Utilize Volatility Adjustments**  
Adjust your risk size according to market volatility. Use the Average True Range (ATR) to determine appropriate stop distances and position sizes.  
Reference Section: Practical Techniques: Stop Losses, Take Profits, and Order Types
- 7. Monitor Economic Events**  
Keep track of economic calendars to anticipate potential market impacts on your stop placements and trade executions.  
Reference Section: Core Principles of Forex Risk Management
- 8. Choose Stop Loss Strategies**  
Decide on the type of stop loss to use based on market conditions: fixed pip stops for low volatility or ATR-based stops for high volatility.  
Reference Section: Practical Techniques: Stop Losses, Take Profits, and Order Types
- 9. Implement Trailing Stops**  
Use trailing stops to protect profits by automatically adjusting your stop loss in favor of winning trades.  
Reference Section: Practical Techniques: Stop Losses, Take Profits, and Order Types