

Template: Currency Pairs Diversification Checklist

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Based on Article: "Exploring Different Currency Pairs: A Guide to Diversification"

Website: <https://randfx.co.za/>

A practical checklist for diversifying currency pair trading strategies to reduce risk and enhance returns.

Checklist Items:

- 1. Choose a Mix of Currency Pairs**
Select a combination of major, minor, and exotic currency pairs to diversify risk and reduce exposure to single-country macroeconomic factors.
Reference Section: Section Content
- 2. Analyze Correlation Between Pairs**
Evaluate the correlation between selected currency pairs to understand how they move in relation to each other. This will help you pick pairs that complement each other and minimize risks.
Reference Section: Section Content
- 3. Assess Volatility of Selected Pairs**
Examine the volatility of the chosen currency pairs. Allocate higher portion to lower volatility pairs while balancing exposure with some higher volatility pairs for potential gains.
Reference Section: Section Content
- 4. Define Position Sizing Rules**
Establish position sizing rules based on the volatility and liquidity of each currency pair. For example, reduce lot size for more volatile exotic pairs.
Reference Section: Section Content
- 5. Test Strategies on Demo Accounts**
Open demo accounts with brokers like Exness or XM to test diversified currency pair strategies without risking real capital.
Reference Section: Section Content
- 6. Implement Risk Management Techniques**
Utilize risk management strategies such as setting stop-loss orders and proper sizing to protect against significant drawdowns.
Reference Section: Section Content
- 7. Monitor Market Conditions**
Keep an eye on market liquidity and relevant economic data releases that could impact the performance of your selected currency pairs.
Reference Section: Section Content
- 8. Review and Adjust Portfolio Regularly**
Regularly review the performance of your currency pair portfolio and make adjustments based on market trends, correlations, and volatility changes.
Reference Section: Section Content