

# Template: Forex Trading Risk-Reward Ratio Checklist

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Based on Article: "Risk-Reward Ratios: Optimizing Your Forex Trading Strategy"

A practical checklist to optimize your forex trading strategy using risk-reward ratios.

## Checklist Items:

### 1. Calculate Your Risk-Reward Ratio

Measure the distance between your entry price and stop-loss to determine risk in pips, then measure the distance between take-profit and entry price to determine reward in pips. Calculate the ratio as reward pips divided by risk pips.

Reference Section: Understanding Risk-Reward Ratio: Basics and Math

### 2. Determine Position Size

Convert pip risk into monetary risk using the formula:  $\text{monetary risk} = \text{risk pips} * \text{pip value per lot} * \text{position size lots}$ . Ensure this fits your risk tolerance (e.g., 1% of account equity).

Reference Section: Position Sizing and Risk Management Using RR

### 3. Choose the Right RR Ratio

Select an appropriate risk-reward ratio based on your trading style—scalpers may use lower ratios, while swing traders might target higher ones. Consider your win rate and market conditions.

Reference Section: Choosing the Right Risk-Reward Ratio for Your Strategy

### 4. Incorporate Trading Costs

Factor in spreads, commissions, and any expected swaps when calculating effective risk. Ensure these are included in your overall risk management framework.

Reference Section: Understanding Risk-Reward Ratio: Basics and Math

### 5. Log Your Trades

Maintain a detailed log of each trade including entry, stop, target, commissions, and slippage. This data will help in evaluating your strategy's effectiveness.

Reference Section: Measuring Performance and Iterating on RR Rules

### 6. Calculate Expectancy

Use the Expectancy formula to analyze your system's long-term profitability:  $\text{Expectancy} = (\text{WinRate} * \text{AvgWin}) - (\text{LossRate} * \text{AvgLoss})$ . Adjust your trading approach until you achieve positive expectancy.

Reference Section: Choosing the Right Risk-Reward Ratio for Your Strategy

### 7. Use Broker Tools Effectively

Leverage your broker's risk management tools, such as guaranteed stops and advanced order types, to enhance your trading discipline and minimize risk exposure.

Reference Section: Integrating Risk-Rewards with Trading Strategy and Tools

### 8. Adjust Timeframes as Necessary

Be prepared to adjust your risk-reward targets across different timeframes to maintain realistic and attainable rewards based on market behavior.

Reference Section: Choosing the Right Risk-Reward Ratio for Your Strategy

### 9. Analyze Psychological Factors

Be aware of psychological pitfalls that can affect your trading decisions. Stick to your strategy even during periods of drawdowns to maintain consistency.

Reference Section: Common Pitfalls and Psychological Factors