Mastering

Risk
Management in
Forex Trading
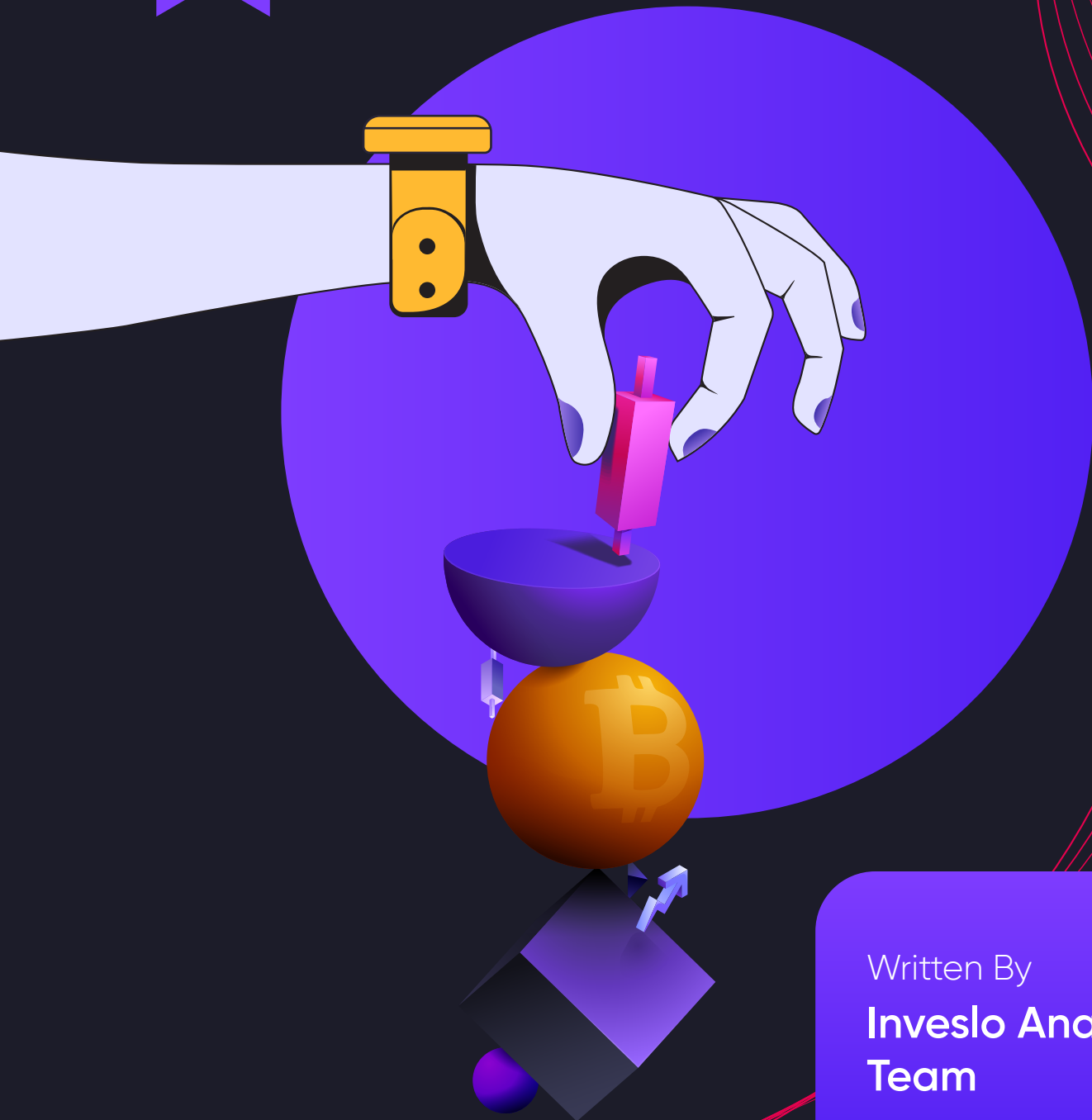
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inveslo
YOUR GATEWAY TO TRADING

4   Who fails to plan, plans to fail

People think that trading successfully has to do with some sort of secret formula or some magic technique, let's say, a holy grail. You find the formula, and you'll get rich, and that's what success in the markets is about.

However, success in forex is all about consistency because trading is a simple process. Still, it's not easy to follow the long-term winning approach, so we need to make a plan.

The difference between making money and losing money can be as simple as trading with a plan or trading without one.

The idea is that we would need something concrete and structured that we could refer to before we take a trade and also after taking one to either review how things went and look for ways that we could change it or determine if the trade is setting up for us to even get into it.
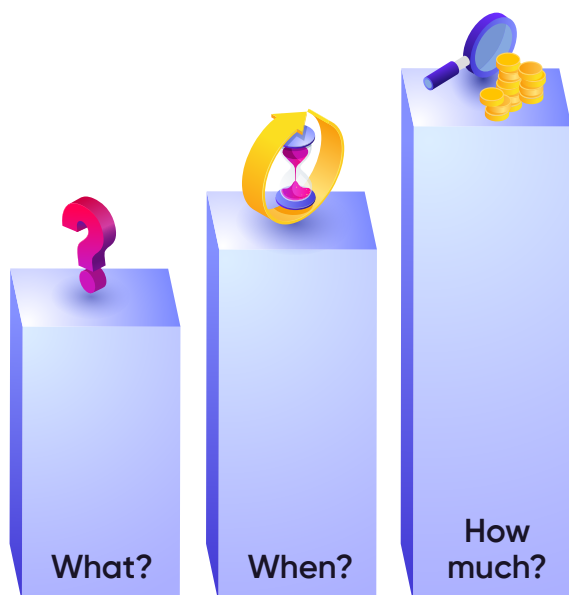
From this perspective, a trading plan is our road map. It is there to help us decide **what**, **when**, and **how much** to trade. And when to stop for the day. By asking these questions, we can make a plan that suits us.

What?

When?

How much?

7.1 Components of trading expectancy

Expectancy is described as an average, but it can be broken down into two main components.

It is possible to track your average win size and your %win. As you get more experienced, you'll be able to observe the changes in your percent win as time elapses. This is due to their negative correlation. There is also a psychological element to it, and we need to keep in mind that it is not only about math.

Then perhaps your average win is as good as it gets for your style, or your average portrayal is as far as it will come.

In addition, you should consider your win percentage and figure out what you need to do to increase that and increase your expected returns, which depend on your trading strategy.

Trading expectancy needs to be greater than zero to have a winning plan. It simply means you need to profit more than you lose over a series of trades.