

Risk and the mind: how accounts survive

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3.1 Risk per trade: the 1-2% rule

This lesson shows how one number decides everything else on a trade: the amount of money you are willing to lose if the trade goes against you. Before you choose a lot size, a stop level or a target, you choose that number. A common starting point is 1 to 2 per cent of the account, and the difference between 1 per cent and 20 per cent is the difference between an account that survives a bad run and one that does not.

Starting balance	KSh 129,000
Risk per trade at 1 per cent	KSh 1,290
Risk per trade at 20 per cent	KSh 25,800
Losses in the run	12 of 20 trades

3.2 Working out position size

Position size is the number of lots you open. It is not a feeling and it is not a guess. It comes from three numbers you already have: the money you are willing to lose on the trade, the distance in pips from your entry to your stop, and the value of one pip on one standard lot of EUR/USD.

Risk in money	KSh 2,600
Stop distance	25 pips
Pip value on one standard lot	KSh 1,300
Risk per pip	KSh 104

3.3 Risk and reward

This lesson shows how the size of your target compared with your stop sets the share of trades you must win just to break even. On EUR/USD near 1.0850, one pip on one standard lot is 10 units of the quote currency, which converts to KSh at the rate your broker shows. Work through the arithmetic once and the numbers stop being abstract.

Stop distance	20 pips
Target distance	40 pips
Loss on a losing trade	KSh 2,000
Gain on a winning trade	KSh 4,000

3.4 Drawdown and losing streaks

Drawdown is how far an account has fallen from its highest value, measured in money. If an account peaks at KSh 200,000 and later sits at KSh 180,000, the drawdown is KSh 20,000, or 10 per cent. A losing streak is simply several losing trades in a row. It happens to everyone who trades often enough, and it does not mean the method is broken.

Starting account	KSh 100,000
Risk per trade	2 per cent
Loss 1	KSh 2,000
Loss 2	KSh 1,960

3.5 Margin call and stop out

This lesson shows the two levels a broker watches: the margin call, where you are warned, and the stop out, where positions are closed for you. On an account in Kenya funded with KSh, both levels are reached by the same thing: falling free margin, not falling profit alone. You will see how a KSh 108,500 balance behaves when EUR/USD moves against one open standard lot, and why the order in which positions close matters.

Account balance	KSh 108,500
Position opened	1 standard lot EUR/USD at 1.0850
Margin held at 1:100	KSh 108,500
Margin level	100 per cent

3.6 Fear, greed and FOMO

This lesson shows you the three states in which people break their own trading rules: fear, greed and FOMO. It uses one EUR/USD setup taken twice, once by plan and once in a chase, and adds up the difference in shillings so you can see what the second version costs.

Planned entry	1.0850
Chased entry	1.0885
Pip value on one standard lot	KSh 1,240
Planned stop distance	30 pips

3.7 Overtrading and chasing losses

Overtrading means taking more trades than your plan allows. Chasing losses means making a losing trade bigger to win the money back. Both turn one bad trade into a bad week. This lesson shows the cost in shillings, using EUR/USD around 1.0850.

Planned trades for the day	3
Trades actually taken	30
Cost per trade, one standard lot	KSh 1,085
Total cost of thirty trades	KSh 32,550

3.8 Discipline: the rules you do not break

This lesson sets out a written routine you follow before, during and after every session, so that the same five checks happen in the same order each time. Two readers start with KSh 50,000; one writes the routine down and follows it, the other trades on impulse, and the difference shows up in the account balance rather than in any single trade.

1. Instrument and direction	EUR/USD, buy
2. Entry level	1.0850
3. Stop distance	20 pips
4. Position size	0.10 lots

3.9 Signals, robots and copy trading

Signals, robots and copy trading all hand part of a decision to someone else. Each one copies something different, and each one leaves you holding the loss. This lesson shows what you still pay and still risk when the entry is not yours.

Signal, one standard lot	108 KSh per pip
Robot, one standard lot	108 KSh per pip
Copy trading, one standard lot	108 KSh per pip
Stop 20 pips away	2,170 KSh

3.10 Checking a broker in the local register

This lesson shows you how to check whether a broker is allowed to offer you forex and CFD trading in Kenya, and what the answers in the register actually mean for your money.

Reader A: checks the register before sending money	KSh 50,000
Reader A: finds the firm is licensed for the product offered	KSh 50,000
Reader B: does not check the register	KSh 50,000
Reader B: later finds the licence does not cover the product	KSh 50,000 at risk

3.11 Tax on trading in your country

This lesson shows which authority in Kenya wants to hear about your trading results, how those results are treated for tax, and what records to keep from the first day. A reader who keeps clean records can answer a question about a KSh 30,000 gain in minutes; one who does not may spend weeks rebuilding statements.

Trades closed in the year	40
Total gains	KSh 48,000
Total losses	KSh 18,000
Net result	KSh 30,000

3.12 Taking your money out

This lesson shows the route a withdrawal takes from a trading account back to your phone or bank, and how long each step can hold your money. You will see two cases: one where the money arrives, and one where it does not. The difference is almost never the market. It is paperwork and timing.

Account balance	KSh 60,000
Amount requested	KSh 54,250
Broker processing fee	KSh 250
Amount released	KSh 54,000

Trading forex and CFDs carries a high risk of losing money. Most retail accounts lose. Nothing here is a recommendation to trade or a forecast of any result. — LearnFX Editorial Desk