

How to manage risks while trading is one of the most common questions asked by beginner traders, and today we are going to explore it and share tips on how to manage these risks more efficiently, so come along!

Risk Management in Leveraged Products

The biggest advantage of trading with leverage is that you can open much bigger positions with fraction of your own money, which significantly boosts your profits when market goes with you, but also amplifies losses if market goes against you. The key is not to avoid risks, but to learn techniques aiming to minimize it.

Key Risks of Leveraged Products

- Amplified Losses: A rapid market move against your position may result in outsized losses.
- Margin Calls: Once your margin level falls below 100%, your account is under risks of reaching stop-out at 50% if market continues going against you. To avoid that from happening, most traders add funds to increase the Margin externally or accept the losses and close the trade with the result accumulated by then to avoid heavier losses.
- Stop-out: If your margin level falls below 50% ratio, your position will be closed automatically from broker's side with the result recorded at that moment, to ensure that your trading balance don't go into negative.
- Volatility Exposure: Leverage magnifies market swings, making positions more sensitive to price changes, especially during highimpact events.
- Greed & Overconfidence: The chase of big profits can lead to reckless trading behaviour: traders overexpose their trading balance to more than they can handle.

Again, acknowledging the risks is the first step towards more mindful trading strategy. By prioritizing long-term growth over short-term gain chasing, traders focus on more sustainable results while keeping their risks tolerance in check.

Top Risk Management Strategies

Stop-Loss Orders

By setting your Stop Loss order the trade will

automatically exit the market at a set loss level to cap the

downside.

Position Sizing

Consider smaller trade size based on account balance

and your personal risk tolerance.

Spread investments across assets to reduce the impact of

Diversification

any single loss. As your grandma used to say: "Don't put all the eggs in one basket!"



Demo Testing

Try new strategy on demo account first to test it out before applying this strategy to live account.

Trading Plan

Define for yourself entry and exit points of your trades, along with the expected losses/profits you can tolerate.

Pro Tips

- Use Calculators: Tools like margin call and stop-loss calculators helps to quantify risk and set correct expectations and damage-control strategies.
- Stay Educated: Educating yourself continuously on the technical, fundamental analysis, and product's patters may contribute in extra confidence and deeper understanding of the market and your own performance.
- **Know Your Limits:** Trade mindfully and use the capital you can afford to lose.

We hope these tips will help you to navigate the risks better and give you needed direction towards your personal investment goals. Trading just like any other skill takes time to develop and master, don't rush to excel in a day. Be mindful of risks, and use it as motivation to learn, practice, and grow.

If you want to learn more on Margin and Leverage, check our Margin Requirements guide for more tips and practical examples. ConenxtFX team wishes you a prosperous trading!