Margin Calculations Explained

Margin is one of the most commonly used terms in trading, yet many new traders find margin calculations confusing. Today we'll break it down so you can calculate the margin needed to open a trade on any product.

Understanding Margin Currency

The margin required to open a position is initially calculated in the **margin currency** of the product.

⚠️ Important: **The margin currency is not always the base currency.**

- In many FX pairs, the margin currency is indeed the base currency (e.g., in **EURUSD**, the margin currency is **EUR**).
- But for other instruments such as commodities, indices, or some CFDs, the margin currency can be **USD** or another currency defined by the broker. For example:
    - **XAUUSD (Gold)** → margin currency is **USD**, not XAU.
    - **GER30 index CFD** → margin currency is **EUR**.

If the margin currency doesn't match your account currency, then conversion will take place.

How to Check the Margin Currency

You can check the margin currency directly in the **MT5 platform**:

1. Right-click on the product in the *Market Watch* window.
2. Select **Specification**.
3. In the pop-up window, look for the field **"Margin currency"**.
    - This shows the currency in which margin will be calculated.
    - Example: For EURUSD → Margin currency = EUR; for XAUUSD → Margin currency = USD.

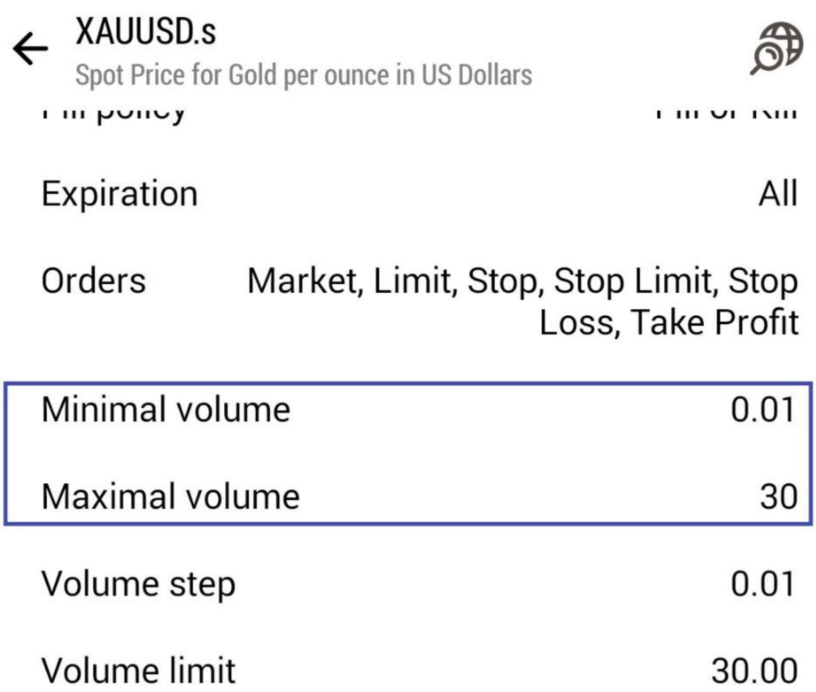
Now let’s see how Margin is calculated, the formula is simple and all needed info can be found in MT5 itself:

In MT5, right-click the product in *Market Watch* → **Specification** → see the field **“Calculation”**.

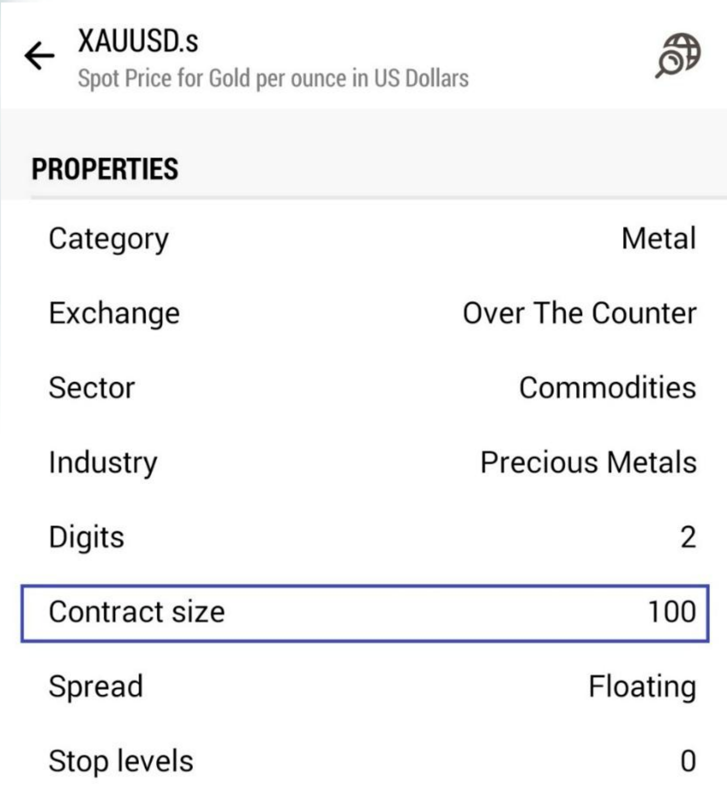
Calculation mode	Formula
CFD (no leverage)	lots*contract size*price*margin rates*conversion rate
CFD with Leverage	(lots*contract size*price*margin rates/leverage)*conversion rate
Forex (no leverage)	lots*contract size*margin rates*conversion rate
Forex with Leverage	(lots*contract size*margin rates/leverage)*conversion rate

Where can you find the important info in MT5?

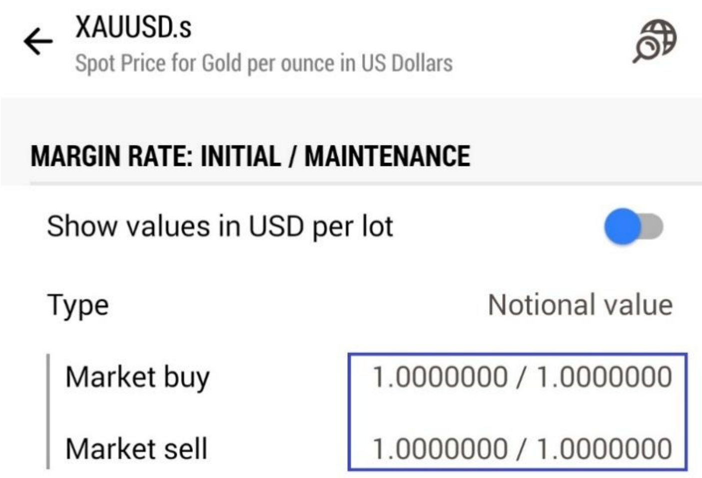
Lot size – defined by a trader, min lot size on most products is 0.01 and max size is 30-50 lots, you may check min and max per any product you want to trade from properties column of MT5 as shown below:



Contract size -is predefined by company and differ from asset category or product itself, you may check the contracts size of product you want to trade on from properties column of MT5:



Margin rate- can be checked directly from the MT5 application in properties section of each product:



Leverage – it will differ from one product to another and can be found on our website under Leverage ([Connext | Leverage]) or Markets for each category for example you may see that max leverage on currency pairs like EURUSD if your Equity is below 1000usd is 1:2000 or can be expressed as 1/2000.

Asset Class	Maximum Leverage
Forex	Up to 1:2000
Precious Metals Gold	Up to 1:2000
Silver, Platinum	Up to 1:200
Energies	Up to 1:100
Indices	Up to 1:10
Cryptocurrencies	Up to 1:5
Global Stocks	Up to 1:10

Conversion rate – as mentioned earlier it will apply only when the margin currency is calculated in currency different than USD, this diagram will help you to clarify:

Start → Is Margin Currency = USD? (e.g., XAUUSD)

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├── Yes → Conversion Rate = 1

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└── No → Is Margin Currency the Base Currency of a Forex Pair with USD? (e.g., EURUSD)

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├── Yes → Conversion Rate = Ask Price of Margin Currency/USD

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└── No → Is USD the Base Currency of a Forex Pair with Margin Currency? (e.g., USDJPY)

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├── Yes → Conversion Rate = 1 / Bid Price of USD/Margin Currency

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└── No (e.g., GBPJPY) → Use cross rate via available currency pairs (GBPUSD x USD JPY)

Let's see few examples together to see how this formula works:

Example 1 (CFDs with Leverage, no conversion):

Let's say you want to open BUY trade 1 lot on Gold (XAUUSD) and your Equity is 500usd which is below 1000usd threshold for leverage on Gold, thus the leverage will be 1:2000, and we will use the formula for CFDs with leverage = (lots *contract size* price *margin rates/leverage)*conversion rate, where:

Lot size – 1 lot

Contract size - 100 ounces

Price of product: 3644.20 USD

Margin rate – 1.00

Leverage – 2000

Conversion rate – 1 (since the margin currency for Gold is USD by default then no conversion is necessary)

If you put this into formula you will get = (1*100* 3644.20*1/2000)*1= **182.21 USD**.

Example 2 (FX pair with leverage, and conversion):

Let's see now margin required for FX pair with leverage like EUUSD : you want to open BUY trade 1 lot of EURUSD and your Equity is 5000usd which above the threshold of 1000usd for FX leverage, thus the leverage is 1:1000, however since the base currency in EUR, then conversion will take place from EUR to USD, and we use this formula = (lots *contract size *margin rates/leverage)*conversion rate, where:

Lot size – 1 lot

Contract size - 100 000 EUR

Margin rate= 1.00

Leverage – 1000

Conversion rate= 1.18438 (margin currency in EURUSD is EUR, and Margin Currency is the Base Currency of a Forex Pair with USD, thus we will apply ASK price of EURUSD)

If you put this into formula you will get = (1*100 000*1/1000)*1.18438 **= 118.44 USD**

Example 3 (FX and CFD with no leverage):

Now if you decide to use no leverage which mathematically can be described as 1:1 leverage, then in previous 2 examples we would use the formulas without leverage, thus:

In example above with XAUUSD but no leverage, the Margin would be calculated as = lots*contract size*price*margin rates*conversion rate= 1*100* 3644.20*1*1= **364,420 USD**

Whereas, in example above with EURUSD again with no leverage, the Margin would be calculated as = lots* contract size*margin rates*conversion rate= 1*100 000* *1*1.18438 = **118,438USD**

We hope these examples make margin calculations clearer and help improve your risk management.
If you'd like to double-check your calculations or save time, you can use our **Margin Calculator** on the website: Connext - Margin Calculator