MONEY DOOR GOLD SHELF

Risk Management & Lot Sizing

Protecting a gold (XAUUSD) account, with worked maths

Free learning guide

Inside: the 1% idea, stop-loss placement, the lot size formula, risk-reward, drawdown maths, daily limits, news risk and a journal.

For complete beginners | Simple English

www.moneydoorfxacademy.com

Education only. Not investment advice. Practise on a demo account.

WELCOME

What is inside

Most beginners ask 'where do I enter?'. Experienced traders first ask 'how much can I lose if I am wrong?'. This guide teaches that second question: how to size every gold trade so that one bad trade, or a bad week, stays small. Every calculation is shown so you can check it yourself.

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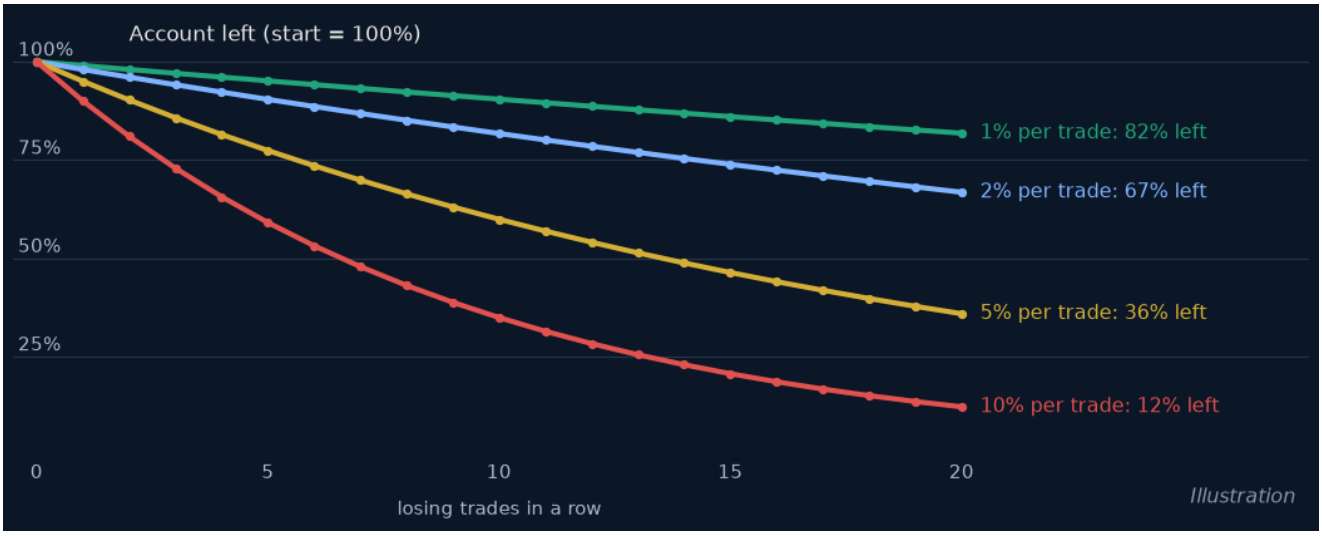
About the numbers. Examples use round gold prices such as $4,000.00 and a **standard account where 1.00 lot = 100 ounces**. They are practice numbers, not trade ideas or price forecasts. Check your own broker's contract size in MT5 (Specification) and practise everything on a demo account first.

THE FIRST RULE

Why risk management comes first

Every trader has losing trades, including the best ones. Losses often come in groups: five, eight or ten in a row is normal over a year. Nobody can avoid that. What you **can** control is how much each loss costs. That is risk management.



The same losing run with four different risk sizes. Each loss takes a fixed percentage of what is left.

Risk per trade	Left after 10 losses in a row	What it feels like
1%	90.4%	A bad week. Easy to recover with patience.
2%	81.7%	Painful but still manageable.
5%	59.9%	Serious damage. Needs about +67% to get back.
10%	34.9%	Most of the account is gone.

The goal is survival. If you keep each loss small, you stay in the game long enough to learn. A trader who loses 1% ten times can keep going; a trader who loses 10% ten times usually cannot.

DECIDE BEFORE YOU ENTER

Risk per trade: the 1% idea

Risk per trade is the money you would lose if your stop-loss is hit. A common rule taught to beginners is to risk no more than **1% of the account balance** on one trade. Some use 0.5% while learning; few experienced traders go above 2%.

Account balance	0.5% risk	1% risk	2% risk
$200	$1.00	$2.00	$4.00
$500	$2.50	$5.00	$10.00
$1,000	$5.00	$10.00	$20.00
$5,000	$25.00	$50.00	$100.00
$10,000	$50.00	$100.00	$200.00

Fixed percentage, not fixed lot

Work out the risk from your **current** balance before each trade. When the account falls, the money at risk falls with it, which slows the damage. When it grows, the risk grows slowly too. Using the same lot size every time ignores both your balance and the size of your stop.

What '1%' really includes

- **The spread.** A buy is opened at the Ask and closed at the Bid, so the spread is part of the loss.
- **Slippage.** In fast markets a stop-loss can be filled at a worse price than you set.
- **Open trades together.** Two gold trades at 1% each are 2% risk on the same market.

Write it down: 'My risk per trade is ___% of my balance, which today is $___.' Say it before every demo trade.

WHERE AM I WRONG?

Where to place a stop-loss

A **stop-loss** (SL) is an order that closes your trade at a set price if the market goes against you. Place it at the price where your idea is clearly wrong, **not** at a random dollar amount you are happy to lose.



1. **Find the level** your idea depends on, such as a support area or a recent swing low for a buy (swing high for a sell).
2. **Put the stop beyond it**, plus a small buffer for normal noise and the spread.
3. **Measure the distance** from entry to stop in dollars. This number goes into the lot size formula.
4. **If the distance is too big** for your risk, use a smaller lot or skip the trade. Never move the stop closer just to make a bigger lot fit.

Gold detail: charts show the Bid price. A **sell** trade's stop is triggered by the **Ask**, which is higher by the spread. When spreads widen (news, early morning in India), a sell stop can be hit even if the chart line never touched it.

THE CORE SKILL

The lot size formula

Lot size = Money at risk / (Stop distance in $ x 100)
Standard account, 1.00 lot = 100 oz. Always round **down** to 0.01.

1. Money at risk = balance x risk %.
2. Stop distance = |entry - stop| in dollars of gold price.
3. Divide, then round down to two decimals.
4. Check: lot x 100 x stop distance should be at or below your money at risk.

Balance	Risk 1%	Stop distance	Exact lot	Lot to use	Real risk
$1,000	$10.00	$4.00 (400 pts)	0.0250	0.02	$8.00
$5,000	$50.00	$6.00 (600 pts)	0.0833	0.08	$48.00
$10,000	$100.00	$12.50 (1,250 pts)	0.0800	0.08	$100.00
$2,000	$20.00	$3.00 (300 pts)	0.0667	0.06	$18.00

Worked line 1: $1,000 x 1% = $10. Stop $4.00 away. $10 / ($4 x 100) = $10 / $400 = 0.025. Round down to **0.02 lot**. Check: 0.02 x 100 x $4 = **$8.00**, below $10.

Why rounding down?

Rounding 0.025 up to 0.03 would risk $12, which is 1.2%. Small breaks of the rule add up. Rounding down keeps every trade at or below plan.

Tool: the free Position Size Calculator on www.moneydoorfxacademy.com/calculator/ does this sum for you. Still learn the formula by hand first, so you can spot a wrong number.

WHEN 0.01 IS TOO BIG

Small accounts and cent accounts

On a standard account the smallest gold trade is usually 0.01 lot = 1 ounce, worth $1 for every $1 move. On a small balance that minimum can already be more than 1%.

Example	Numbers
Balance and risk	$300 x 1% = $3
Stop distance	$5.00
Formula	$3 / ($5 x 100) = 0.006 lot
Problem	0.006 is below the 0.01 minimum. 0.01 lot would risk $5 = 1.67%.

Your choices

- **Skip the trade** or wait for a setup with a closer, still logical stop.
- **Practise on a cent-type demo account**, where sizes are 100 times smaller.
- **Never** remove the stop or shrink it below the logical level to make the lot fit.

Lot size on a cent account

On many cent accounts, 1.00 cent lot = 1 ounce, and the balance is shown in US cents (100 USC = $1). Then:

> **Cent lot size = Money at risk in $ / Stop distance in $** (when 1.00 cent lot = 1 oz)

Same example: $3 / $5 = **0.60 cent lot**. Check: 0.60 oz x $5 = $3.00 = 300 USC. The balance would show 30,000 USC, and 1% of it is 300 USC. Contract sizes differ between brokers, so confirm in Specification first.

IS IT WORTH IT?

Risk-reward

Risk-reward (R:R) compares the distance to your target with the distance to your stop. A $5 stop and a $10 target is 1:2: you aim to make two units for every one unit you risk.



At 0.02 lot this example risks 0.02 x 100 x $5 = **$10** to aim for 0.02 x 100 x $10 = **$20**.

How often must you be right just to break even?

Risk : reward	1 : 0.5	1 : 1	1 : 1.5	1 : 2	1 : 3
Share of trades that must reach target to break even (before costs)	67%	50%	40%	33%	25%

Maths: break-even share = 1 / (1 + reward). For example, over 10 trades at 1:2, 4 targets and 6 stops gives 4 x 2 - 6 x 1 = **+2 units**, while 3 targets and 7 stops gives 6 - 7 = **-1 unit**. These are maths examples, not results anyone should expect.

Watch out: a far target looks good on paper but is reached less often. Set targets at logical levels, then check the R:R. If it is below about 1:1.5, many traders simply skip the trade.

LOSSES ARE NOT SYMMETRIC

Drawdown maths

Drawdown is how far your account has fallen from its highest point. The hard truth: you need a bigger gain to repair a loss than the loss itself. Lose 50% and you need **+100%** just to get back to where you started.



Account loss	Left	Gain needed to recover	Example on $1,000
-10%	90%	+11.1%	$900 must grow by $100 to get back to $1,000
-20%	80%	+25.0%	$800 must grow by $200 to get back to $1,000
-30%	70%	+42.9%	$700 must grow by $300 to get back to $1,000
-50%	50%	+100.0%	$500 must grow by $500 to get back to $1,000
-75%	25%	+300.0%	$250 must grow by $750 to get back to $1,000

Formula: gain needed = 1 / (1 - loss) - 1. Example for a 30% loss: 1 / 0.70 - 1 = 0.4286 = +42.9%.

Set a stop for the account too. Many educators suggest stopping completely after a drawdown of about 10%, going back to demo, and reviewing your journal before continuing.

KNOW WHEN TO STOP

Daily loss limit and overtrading

Daily loss limit

Decide in advance the most you will lose in one day, for example **2% to 3% of the balance**. With 1% risk per trade and a 3% limit on a $1,000 account, the limit is $30: after three full losses you close the platform for the day.

- Count closed losses **and** the open risk of trades still running.
- Some traders also use a weekly limit, for example 5% to 6%.
- When the limit is hit, stop. No 'one last trade'. The market will be there tomorrow.

Overtrading

Overtrading means taking more trades, or bigger trades, than your plan allows. Gold moves a lot, so it is very easy to feel there is always 'something to trade'.

Warning sign	What to do instead
Trading to win back a loss (revenge trading)	Stop for the day after a loss that upset you.
Doubling the lot after a loss	Never increase size to recover. Keep the 1% rule.
Trades without a written reason	Write the setup, stop and target before clicking.
Many trades in quiet hours	Set a maximum, e.g. 2 to 3 trades a day.
Watching every tick for hours	Set price alerts and step away from the screen.

Fewer, better trades are easier to review, cost less in spreads and protect your focus.

BIG MOMENTS

News risk

Gold reacts strongly to US economic news. In the first seconds after a big report the price can jump several dollars, spreads can widen many times over, and orders can be filled at worse prices than planned (slippage).

Event	New York time	India time (IST) Nov to Mar	India time (IST) Apr to Oct
US jobs report (NFP), usually first Friday	8:30 AM	7:00 PM	6:00 PM
US inflation (CPI), monthly	8:30 AM	7:00 PM	6:00 PM
US Fed interest-rate decision (8 a year)	2:00 PM	12:30 AM (next day)	11:30 PM

US clocks change on the second Sunday of March and the first Sunday of November, so near those dates check an economic calendar for the exact IST time.

Simple news rules for beginners

1. Check the economic calendar every morning (www.moneydoorfxacademy.com/economic-calendar/).
2. Do not open new trades in the 15 to 30 minutes before and after high-impact news.
3. If a trade is open before news, decide in advance: close it, or keep it with the stop in place and accept that the fill may be worse.
4. Remember the weekend gap: gold can open on Monday morning far from Friday's close, skipping your stop price.

A stop-loss limits risk, it does not fix the price. In very fast moves the stop becomes a market order and fills at the next available price. That is why sizing small matters most around news.

PUT IT ON PAPER

Your risk plan and journal

My risk plan	Fill in
Risk per trade	____ % of balance (suggested while learning: 0.5% to 1%)
Daily loss limit	____ % / maximum ____ trades a day
Weekly loss limit	____ %
Minimum risk-reward	1 : ____
News rule	No new trades ____ minutes before and after high-impact news
Drawdown pause	Back to demo and review after ____ % drawdown

Trade journal (copy into a notebook or spreadsheet)

Date	Buy / sell	Entry	Stop ($ dist.)	Target	Lot	R:R	Result ($)	Followed plan? Notes

Example line: 9 Nov | Buy | 4,000.00 | 3,995.00 ($5) | 4,010.00 | 0.02 | 1:2 | -10.00 | Yes, stop at plan. Practice numbers only.

Sources

US release times: U.S. Bureau of Labor Statistics release schedules (bls.gov/schedule) for the Employment Situation and CPI at 8:30 AM ET; Federal Reserve FOMC calendar (federalreserve.gov) for the 2:00 PM ET statement. Converted to IST with time-zone rules. All other figures in this guide are maths worked out from the stated example numbers.

Next steps

1. Watch the Gold Vault Level 1 lessons

Our Gold Vault video lessons cover risk, lot sizing and stop placement step by step, with gold chart examples.

2. Test ideas in the Money Door AI Lab

Check how an idea would have behaved on past gold charts with a fixed risk per trade, and see its drawdown. Learning tool only.

3. Practise sizing on a demo account

Open a free demo at www.moneydoorfxacademy.com/open-account/ and size every practice trade with the formula on page 6.

Questions? Talk to our customer care

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This guide is for education only. It is not investment advice and is not a recommendation to buy or sell anything. Trading gold carries risk, and leverage can make losses large and fast. Learn and practise on a demo account. All charts and numbers are illustrations.

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