Risk Management Cheatsheet

The floor every other skill stands on. If you take one page off this whole website, take this one.

The four numbers you must always know

- **Account size** — the actual capital you're trading.
- **Risk per trade** — % of account you'll lose if stopped out.
- **Stop distance (pips)** — from entry to stop loss.
- **Pip value** — depends on instrument + lot size.

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Position size = (Account × Risk%) ÷ (Stop pips × pip value)
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The 0.5% rule

Risk **0.5%** per trade. Half of what most courses recommend. Reasons:

- Survives a 10-loss streak with only ~5% drawdown.
- Lets you take 2–3 setups per day without breaching daily-loss caps.
- Required for prop firm challenges (5% daily DD = max 2% per trade is reckless).

The daily-loss cap

If two trades stop out in a day — **walk away**. No exceptions. Your judgement after two losses is statistically degraded; you are not the exception.

What kills accounts (in order of frequency)

- Risking 2%+ per trade "to make it back".
- Moving stops further away to avoid being wrong.
- Adding to losing positions ("averaging in").
- Removing the stop loss entirely.
- Trading during news without a news strategy.

What protects accounts

- Fixed 0.5% risk regardless of "confidence".
- Stop placed before entry, never moved.
- Daily loss cap at 2 × per-trade risk.
- Walk away after 2 losses. Re-evaluate tomorrow.
- Run risk-of-ruin maths on every system you use.

Quick lot-size lookup

Account	Risk %	Stop	Lots (EUR/USD)
£10,000	0.5%	20 pips	0.25
£10,000	1.0%	20 pips	0.50
£25,000	0.5%	30 pips	0.41
£50,000	0.5%	20 pips	1.25
£100,000	0.5%	20 pips	2.50

Risk of ruin — the number that matters

Risk of ruin = probability the account hits a stop-trading threshold before recovering. A 0.5% per-trade risk with a 50% win rate at 1:2 R:R = essentially 0% ruin. The same system at 2% risk = a meaningful ruin probability. Run yours through the **free Risk of Ruin calculator on the Tools page**.

The Orion way — match your risk to the probability

With order flow = standard risk

When the entry is **inline with the higher-timeframe bias and the M5 order flow**, that's

Against it = lower risk, or skip

A counter-bias entry is, by definition, **lower probability**. If you take it at all, take it at your highest-probability setup — take it at your normal fixed risk.

reduced risk. Never size *up* a counter-trend trade because it "feels" strong.

Protect with structure, not a round number

- Place the stop **beyond the swing high / low or a key market pivotal** — a level price must invalidate to reach, not an arbitrary pip count.
- For tight setups, use the **previous candle** for protection.
- Baseline target **2R (1:2)**. Scale the target down for a larger position, or let a runner go — the protection logic stays the same.

News = stand aside

Around high-impact news, brokers **widen spreads and slow execution**. Your entry and stop can't be trusted in that window — unless you have a specific news plan, don't be in the market for it.

From the Orion Path video: *Mastering Risk in Trading — The Orion LTF System.*

If you remember nothing else

1. Risk 0.5% per trade.
2. Place the stop before entry.
3. Stop trading after 2 losses in a day.
4. Never add to a losing position.
5. Calculate the position size every single trade.