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A trailing stop loss is a type of order that traders use to limit their potential losses while maximizing their gains. If the asset's price rises, the trailing stop will rise with it, maintaining the set distance. If the asset's price starts to fall, the stop loss doesn't move. If the price hits the stop loss level, it triggers a sell order to minimize losses. A trailing stop is more flexible than a regular stop-loss order, as it automatically tracks the asset's price direction and does not have to be manually reset. Learn more about types of orders on TradeLocker. Here's how to set a trailing stop order on TradeLocker. First, navigate to the Instrument panel and select the asset you want to trade. Then, expand the order panel to set the trailing stop order. Click on the Trail button next to the Stop Loss option. The trailing stop loss level (T.SL) will appear on the chart. Now, you can set its distance from the current market price directly on the chart or using the order panel to automatically calculate your price, ticks, dollar amount or percentage of your account. The key is to set it at a distance that is not too close to avoid getting stopped out by normal market fluctuations, and not too far to prevent large losses or giving up too much profit. For example, if you are willing to risk 1% of your account, the trailing stop loss level will always follow 1% under the current market price. Depending on whether you chose a buy or sell order, simply click on the Buy or Sell button to confirm your order. As the market price goes up, the trailing stop loss goes up by the amount you set. If the market price falls, the stop loss stays in place, securing your profits and limiting your loss. Help us build the perfect trading platform that prioritizes your needs and preferences. Join our Discord community to meet the TradeLocker team and other traders, discuss upcoming features, and chat with us directly. There is no sure win for in forex trading, and sometimes it is hard to avoid making some wrong decisions. Therefore, Stop Loss is very important to all investors, even for professionals such as Warren Buffet! In the unpredictable investment market, it is inevitable that investors will face varying degrees of risk. Therefore, how to control the risk will determine who is the final winner. This article will introduce the method to set a stop-loss on the MT4 platform, as well as the principles and techniques of setting a stop-loss. What is stop-loss? Why is stop-loss important? Before we get into stop-loss, let's start with a story called the Alligator Principle. "When we run against the tide today and face paper losses, it's like being bitten by a crocodile in the leg. If we continue to add funds or adjust the positions, it will be all in vain as the more you struggle, the more alligator takes you in. The right way to do at this time is to sacrifice your leg, which means stopping the loss immediately to avoid further damage." This short story basically explains the meaning and importance of stop-loss. Traders who do not set stop-losses tend to follow the market closely and will make a judgment and decide whether to take profit or stop loss regardless of the market move. But this is really the case? In fact, when these traders make decisions, they often overreact and close their positions early for fear of giving up the gains, while unwilling to accept the losses and constantly look forward to the day of the price correction, thereby losing every penny they have in the end. This not only proves the principle of entering out of greed and leaving out of fear but also shows the problems faced by most traders. The problem is, what usually happens to us is that when we encounter some short-term adverse moves in a long-term trend, setting a stop loss may cause us to leave the market early, thereby missing the profits after it recovers from correction. However, we simply cannot always tell which one is a market correction. If we don't have a stop-loss mechanism, the best result for us in the medium to long term is to break even rather than making a big profit. Only if we have a set of stop-loss strategies suitable for ourselves and apply them regularly in the actual trading, we can effectively control the risk of big losses, and pursue steady profits in the long run. The first rule of investment is always avoiding loss, not making money. So, how to set stop loss, is important for every investor. How to set stop-loss? Before we get into the basics of risk control, let's talk about how we set a stop-loss for trade orders on the MT4 platform. Scenario 1: set stop-loss when opening a position When we place new orders to establish positions, we will see the confirmation at the bottom of the screen. Before opening the position, we can enter a custom value in the "stop-loss/profit" column in addition to position size. When the market falls to the price we set, a stop loss operation will be triggered automatically. Screenshot 1: How to set stop-loss when opening a position Scenario 2: Set stop-loss in an existing position To set a stop-loss on an established position, we can first open the terminal page at the bottom, then right-click on the order and select the option "Modify or Delete Order". Then, you will see the picture below. Now, you can set a stop-loss for the order. Screenshot 2: How to set stop-loss in an established position Related Article: MT4 Guide for Beginners: How to trade with MT4? Tips and methods for setting stop-loss Having said what a stop-loss means and how to set a stop-loss manually, here's how to set a stop-loss cleverly. After all, the stop-loss strategy is a key part of forex trading, as well as an art of investment. If the price is set too far to the market price, it will be of limited help for controlling the risk; if the price is set too close, investors can be kicked out of the market at any time. Beginners can simply set the stop-loss following some basic principles. Although no special skills are required, these principles are absolutely helpful to the overall trading strategy and practice. 1 / by price distance Calculated based on the entry price, a stop-loss is required whenever a predetermined distance is reached in an unfavorable direction. For example, a stop-loss can be placed at 30 pips below the entry price. For a long position on EUR/USD with a buying price of 1.1300, a stop loss can be set at 1.1270. Similarly, a stop-loss can be set at 0.3% below the entry price. In other words, if the price drops 34 pips to 1.1266, the position will be closed. 2 / As a profit/loss ratio The stop-loss distance should be proportional to the stop-gain distance. If a trade targets 30 ticks of profit, the stop-loss distance should not be more than 30 ticks. This can be set as one-to-one (30 ticks for stop profit and 30 ticks for stop loss) or two-to-one (30 ticks for stop profit and 15 ticks for stop profit), or as a ratio between the two. 3 / As a percentage of capital The loss of each transaction should not exceed a certain proportion of the funds in the account, and the value of 5-10% can be used as a reference to determine the rule of stop-loss. The more money we have in the account, the more pressure we can bear. For example, with an account of \$1,000 and a long position of 10,000 euros, the stop-loss distance shall be capped at 100 ticks, or a loss of \$100, and the loss of a transaction will not exceed 10% of the capital. 4 / With technical analysis Investors who specialize in the technical analysis would usually set stop-loss levels based on the above criteria and logic in combination with chart analysis. The common methods include drawing trend lines, observing trend patterns, and positioning with technical indicators such as average line, so as to determine reasonable support and resistance level, and set stop loss/profit accordingly. Technical indicators can also be used in statistical classes such as ATR to measure the recent volatility of some trading indexes to avoid setting the improper stop-loss distance. — Risk Warning: The above content is for reference only and does not represent ZFX's position. ZFX does not assume any form of loss caused by any trading operations conducted in accordance with this article. Please be firm in your thinking and do the corresponding risk control. ZFX (Zeal Capital Market) is an online forex & CFD broker providing more than 100 products for forex trading, commodity trading, index trading, and share CFDs trading. The minimum deposit for the account opening is only USD 50. Open a trading account and download our MT4 trading platform now! One of the most crucial aspects of successful forex trading is managing risk effectively. A stop loss order is a risk management tool that helps traders limit potential losses by automatically closing a trade at a predefined price level. Setting effective stop losses is essential for protecting capital and maximizing potential profits in the highly volatile forex market. In this article, we will discuss the key considerations and strategies for setting stop losses in forex trading. Understanding Stop Loss Orders: A stop loss order is an instruction given to a broker to automatically sell or buy a currency pair at a specific price level. It is designed to limit potential losses by closing a trade when the market moves against the trader's expectations. Stop losses are an integral part of risk management and are particularly important in forex trading due to the market's 24-hour nature and high liquidity. Factors to Consider When Setting Stop Losses: 1. Volatility: The first factor to consider when setting a stop loss is the volatility of the currency pair being traded. Highly volatile pairs, such as those involving emerging market currencies, often require wider stop loss levels to avoid premature exits. On the other hand, less volatile pairs may require tighter stop losses to protect against adverse price movements. 2. Timeframe: The timeframe in which a trader operates also affects the placement of stop losses. Shorter timeframes, such as day trading or scalping, often require tighter stop loss levels as the price can fluctuate rapidly. Conversely, longer-term traders may opt for wider stop losses to account for broader price swings. 3. Support and Resistance Levels: Technical analysis can help identify key support and resistance levels, which can serve as logical points to place stop loss orders. Placing a stop loss just below a support level or above a resistance level can help protect against sudden price reversals. 4. Risk-Reward Ratio: A trader must consider the potential reward in relation to the risk taken when setting stop losses. A favorable risk-reward ratio ensures that potential gains outweigh potential losses. For example, if a trader is willing to risk 50 pips to make 100 pips, the stop loss should be set at a level that reflects this ratio. Strategies for Setting Stop Losses: 1. Percentage-Based Stop Loss: This strategy involves setting the stop loss as a percentage of the trader's account balance or the total value of the trade. For instance, a trader may choose to set a stop loss at 2% of their account balance, ensuring that no single trade can exceed a predefined risk threshold. 2. Average True Range (ATR) Stop Loss: The ATR indicator measures the average range between high and low prices over a specific period. By multiplying the ATR value by a predetermined factor, traders can set stop losses that account for recent market volatility. 3. Trailing Stop Loss: This dynamic stop loss strategy adjusts the stop loss level as the trade becomes more profitable. Traders can set a specific distance or percentage between the current price and the stop loss, allowing for potential profits to be locked in while still protecting against potential losses. 4. Break-Even Stop Loss: Once a trade has moved in a trader's favor, they may choose to adjust the stop loss level to the entry price to eliminate the risk of losing capital. This strategy ensures that even if the trade reverses, the trader will not suffer a loss. Conclusion: Setting effective stop losses is vital for managing risk in forex trading. By carefully considering factors such as volatility, timeframe, support and resistance levels, and risk-reward ratios, traders can determine appropriate stop loss levels for their trades. Implementing strategies like percentage-based stop losses, ATR-based stop losses, trailing stop losses, and break-even stop losses can further enhance risk management and potentially maximize profits. Remember, setting stop losses is a skill that requires practice and adaptability to different market conditions. Once you've done your homework and created an awesome trade plan that includes a stop-out level, you now have to make sure that you execute those stops if the market goes against you. There are two ways to do that. One is by using an automatic stop and another through a mental stop. Which one is best suited for you? Here's where the hard part comes in as the answer to this question lies in your level of discipline. Do you have the mental toughness and self-control to stick to your stops? In the heat of battle, what often separates the long-term winners from the losers is whether or not they can objectively follow their predetermined plans. Traders, especially the more inexperienced ones, often panic and figure out what to do in each scenario so that you won't panic and do something you'd probably regret later on. A stop loss order helps control risk. It gets us out of a trade at a predetermined price or loss amount. A stop loss is actually a "stop" order, which has multiple functions. Most forex brokers call the order a stop loss, which means we just need to input the price we want to get out at if it goes against us. A stop loss can be mental or physically placed. An example of a mental stop loss is a trader buying the EURUSD at 1.1250 and saying they will get out if the price drops to 1.1225. They are risking 25 pips, but when the price reaches 1.1225 they'll need to manually exit since an order hasn't been placed to do this for them. Mental stop losses are typically used by day traders who can watch their screens in case the stop loss price is reached or by long-term traders who can monitor their charts occasionally and still have time to see when the price is creeping up on their stop loss level. An example of a physical stop loss is when a trader places an actual offsetting order at the stop loss price. For example, if a trader shorted the AUDUSD at 0.7530 and placed a stop loss at 0.76, the trader is risking 70 pips. If the offer/ask price reaches 0.76 the stop loss will be executed, buying the AUDUSD to close out the short position. When you place a new order in most forex trading platforms, it will ask you for a stop loss. You can type in the price you want your stop loss to be placed at. Some let you do it in pips, others require a price. A stop loss in pips is when you input how pips away from the entry you want the stop loss to be. If you input 50 pips, that means the stop loss will go 50 pips away from the entry. If you input a price, the stop loss will go at that exact price. Every successful trader knows where they will get out if a trade goes against them. They plan every trade before getting into it. Therefore, using a stop loss isn't really a question. As traders, we need to control our risk and losses, especially when using the kind of leverage that is available to forex traders. We need to use stop losses, the only question is whether it will be mental or physical. If you won't be watching your screen when your stop loss could potentially be hit, then you should place a physical order. Even if you can watch your screen all day, physically placing stop loss orders is still recommended. Some traders are scared that if they place a stop loss the broker will screw them by moving the price to the stop loss level causing a loss. This does happen, but it is no conspiracy. Had your order not been there, the price would have done the same thing. Getting stopped out is just part of trading. It happens to the best traders often 50% or more of the time... and yet the good traders still make good money even with placing stop losses and having them get hit often. I don't know of a single consistently profitable trader who doesn't manage their risk and losses. They all use stop losses in some way. If you're getting stopped out too much, your strategy needs work. The stop loss itself isn't the problem. Some strategies win 20% of the time, others win 73% of the time, and others 55%. All can be profitable. The point is that every trader will take losses/have their stop loss hit...a lot. The EURUSD Day Trading Courses teaches you what you need to succeed when day trading forex...from someone who has been day trading for almost 2 decades. In the forex market, most retail brokers only offer market order stop losses. That means when the stop loss price is reached, an order is sent to get you out at the best available price. A market order assures you get out, but sometimes the exit price won't be exactly the same as the stop loss price you set because markets can move very quickly or gap (no trading occurs between one price and another). This is called slippage. It is common, should be expected in small amounts quite often, and is a cost of trading. A solid trading strategy should factor in slippage and still be profitable. While stop loss limit orders are less common in the forex retail setting, a limit order means the stop loss will only fill if the price available at the time of the order is within a specific band. For example, if you buy the EURUSD at 1.1175 and place a stop loss limit order with a trigger at 1.1150 and a limit of 1.1145, that means that once the price hits 1.1150 a sell order is sent out. It only fills between 1.1150 and 1.1145, whereas a stop loss market fills at ANY available price. The limit order controls the exit price with more precision but also means the trade isn't exited if the price band specified is unavailable. Assume that a news event occurs when the price is trading at 1.1160. The moment after the news event the next bid price is 1.1130. A market order will sell at 1.1130. A limit order will keep you in the trade because the price isn't between the 1.1150 and 1.1145 sell points. If the price keeps dropping the position's loss increases. The market stop order incurred slippage (a 20 pip additional and unexpected loss), but at least the position is closed and not facing larger potential losses. Simply put, a stop loss should be placed where a strategy dictates. See the Double Pump day trading forex strategy as an example. Every forex trade taken should be based on a well-thought-out and tested strategy. My guess though, if you're reading this, is that you're working on building a strategy. Therefore, I'll provide a few ideas on where to place a stop loss. Keep in mind that where the stop loss is placed goes hand in hand with your entry technique. Therefore, I'll also provide a couple of entry ideas as well. This will hopefully get you on your way to generating your own strategies. Here is an example of how a stop loss could be used when there is a trend in effect. The price has pulled back and is forming a consolidation. A consolidation is where the price moves sideways for at least a few price bars. A trade could then be entered if the price breaks out of the consolidation in the overall trending direction. A stop loss is then placed slightly below the consolidation low. Since the price has already started to move higher out of the consolidation, we aren't expecting the price to drop back below the consolidation. If it does, we want to get out since our premise for the trade has been invalidated. The following EURUSD daily chart shows an example of this. Charts from TradingView. Here is another example of stop loss placement based on a EURUSD Session High Low Strategy. The price consolidates in an area we are interested in for a trade, and then the price breaks out of the consolidation triggering a trade. A stop loss is placed on the other side of the consolidation. EURUSD 1 minute chart As you can see, I like to use breakouts from consolidations to trigger my entries, and then my stop loss can go on the other side of the consolidation assuming all the other parameters of my strategy are also present (otherwise, no trade). If you go long you could also tack your stop loss below a recent swing low, or below a candlestick pattern you like. If going short, you could put your stop loss just above a swing high or above a candlestick pattern. Here's another example of placing stop losses during an uptrend. The EURUSD is rallying higher, then pulling back and forming a bullish engulfing pattern (where an up candle engulfs the prior down candle). If using a bullish engulfing pattern in this context for an entry, a stop loss could be placed just below the low of the bullish candlestick pattern. Entries and stop losses go hand in hand. Notice that if we enter later, then our stop loss size would increase AND there is less movement to capture (ouch...double whammy). Most people who are attempting to trade end up destroying their reward/risk before the trade is even placed. See more in this video, as it directly ties to stop losses and entries (and profit potential). Day traders don't have a lot of time to be placing orders. My day trades often only last a few minutes. To automatically place a stop loss (and profit target) when day trading in MetaTrader 4 or MetaTrader 5, right-click on the chart and select "Depth of Market". This will produce the window on the right. At the bottom of the window, you can input your position size, in standard lots. 10 is 10 standard lots. 1 is 1 standard lot. 0.1 is a mini lot. 0.01 is a micro lot. 0.67 is 6.7 mini lots. For new traders, understanding and using basic tools like Stop Loss (SL) and Take Profit (TP) is absolutely essential. Trading in financial markets—whether it's stocks, crypto, or forex—comes with high volatility. Using only Buy/Sell orders may not be enough to manage risk. If the market moves against your position, SL/TP settings serve as key tools to support your Buy/Sell decisions by automatically limiting potential losses and securing profits. This helps you trade with more confidence and discipline. What Are SL and TP Orders? SL (Stop Loss) – The Order That Limits Losses A Stop Loss (SL) is a preset order you place before executing a Buy or Sell trade to limit potential losses. If the asset's price moves in the opposite direction of your prediction, the SL order will automatically close your position when it reaches the set price. Put simply, if you place a Buy order and the price drops, the SL will trigger at your predefined level to prevent further losses. TP (Take Profit) – The Order That Locks in Profits Take Profit (TP) is a preset order designed to automatically close your trade once your target profit level is reached. For example, if you place a Sell order and the price drops to your desired profit level, the TP will execute and secure your gains without manual intervention. Both SL and TP orders help manage risk by ensuring that your trade is automatically closed when the market moves against your expectation—or in your favor—without needing to monitor the charts constantly. 1 Why Setting Stop Loss and Take Profit is So Important There are several key reasons why setting Stop Loss and Take Profit levels is critical in both asset trading and overall trading strategy: It helps you make decisions based on your trading plan, rather than reacting emotionally out of fear or greed. Using an SL to limit losses protects your account from major damage caused by sudden market volatility. Setting SL/TP enforces trading discipline, keeping you aligned with the strategy you originally planned. Read more: 10 Common Mistakes Beginner Investors and Traders Often Make In fast-moving markets, the best prices can disappear in the blink of an eye. IUX understands this reality—so it's built a trading platform designed for lightning-fast execution. Whether it's a Market Order, Limit Order, or Stop Order, every action is processed with precision and zero delays, giving you complete control over your timing and trades. Making profits from global assets doesn't have to be complicated—especially when you start with the right tools and a reliable platform. IUX is built for traders who don't want to miss the market's most critical moments. Ready to trade at a higher level? ► Sign up for IUX today – a faster, smarter platform for the modern investor. How to Set Stop Loss/Take Profit with Buy/Sell Orders Setting a Stop Loss (SL) and Take Profit (TP) alongside your Buy or Sell order is simple. Most trading platforms—like IUX—allow you to add SL/TP levels right when you're placing a new trade. As you select Buy or Sell, you'll see input fields where you can enter your desired Stop Loss (SL) and Take Profit (TP) values before confirming the order. Whether you're using a Market Order (executing at the current market price) or a Pending Order (such as a Buy Limit or Sell Stop), you can apply SL/TP settings at the same time. The SL/TP levels you set should align with your trading strategy and the timeframe you're operating in to make them truly effective. Find out how to set Pending Order (Buy Limit / Sell Stop) here Examples of Proper Stop Loss/Take Profit Placement Setting SL/TP should be based on analysis—not guesswork. Here's how to do it right: If you decide to Buy an asset, place your Stop Loss slightly below a key support level to allow for short-term price swings. If the price breaks through this support, it could signal a trend reversal. Your Take Profit should be set near a resistance level that you expect the price to reach. If you're Selling, your Stop Loss should be slightly above a key resistance level, while the Take Profit should be placed near a support zone where you anticipate the price might fall. Good SL/TP placement should be backed by chart analysis—such as identifying support/resistance levels and overall price trends. Adjust Your Risk-to-Reward Ratio New traders should start with a risk-to-reward ratio of 1:2. This means for every \$1 you're willing to risk, aim for a \$2 profit. For example, if you're okay with a \$100 loss, set your profit target at \$200. Even if you don't win every trade, this structure helps you stay profitable in the long run. Learn More: What Are Leverage and Margin? Pros and Cons of Stop Loss (SL) and Take Profit (TP) Pros: Limits losses to a level you're comfortable with Secures profits at your target level before the market reverses Reduces emotional decision-making while trading Allows you to trade without watching the screen 24/7 Cons: In highly volatile markets, your SL might get triggered before the price moves back in your favor If your TP is set too close, you might miss out on larger profits from extended price moves Requires careful analysis and planning of entry and exit points to be effective Frequently Asked Questions About SL/TP Q: How many pips should beginners set for SL/TP? A: There's no fixed number—it depends on the asset's volatility, your trading timeframe, and your strategy. A good starting point is to place SL/TP around clearly visible support and resistance levels. Q: Can I use SL/TP with Pending Orders? A: Absolutely. You can set SL/TP with both Market Orders and Pending Orders (such as Buy Limit, Sell Stop, Buy Stop, and Sell Limit). Q: How do I know if my TP is set too far? A: If your TP is too far from the entry point, the price may never reach it. Check the next key resistance level or use tools like Fibonacci retracement to identify realistic targets. Also, make sure your Risk:Reward ratio remains reasonable. How Should Beginners Start Setting SL/TP? For beginners, setting Stop Loss and Take Profit alongside Buy/Sell orders is easier than it seems. Here's how to get started: Start with a 1.2 Risk-to-Reward Ratio: Always aim for a profit target that's twice the amount of risk you're willing to take. Use Support and Resistance Levels: Set your SL/TP based on clear chart points like key support and resistance zones. Apply SL/TP with Every Buy/Sell Order: Build strong trading discipline by using SL/TP consistently to manage risk in every position you open. Review the full guide to trade orders (Buy/Sell, Limit, Stop) here or try setting them in action on the IUX platform. Note: This article is intended for preliminary educational purposes only and is not intended to provide investment guidance. Investors should conduct further research before making investment decisions.