Risk per trade, in money before ticks

> **RISK PER TRADE**
>
> The amount of account money a single trade is permitted to lose, fixed as a fraction of the balance before the trade is designed. Everything else in risk management - the stop, the size, whether the trade is takeable at all - is derived from this number. It is chosen; the rest is arithmetic.

Every risk lesson in this track, on any asset class, starts from the same sentence: decide what a trade may lose before deciding anything else about it.

Money first, market second

A trade's risk is not a feeling, a chart level or a number of ticks. It is money: a fixed fraction of the account, decided in advance, the same discipline the FX and indices tracks built. One or two per cent per trade is the conventional band, and the exact figure matters less than its constancy - a risk budget renegotiated per trade is not a budget, it is a mood.

Why commodities test this harder

The contracts are large. A budget that buys a comfortable handful of index contracts may buy one WTI contract, or none - the sizing lesson next makes this concrete.The moves are violent. Module 1's inelasticity means the distance a stop needs is set by the instrument's range, not by what the budget wishes it were.The events are scheduled. A report can move the price across any stop instantly, which is why this module treats gap risk as its own subject rather than a footnote.

The order of operations

Balance times risk fraction gives cash at risk. The market then says how far the stop must sit to be meaningful - lesson 3's subject. Those two numbers divide into a size, and the size rounds down - lesson 2. Notice what never happens in that sequence: the size is never chosen first, and the stop is never moved to make a chosen size fit. Every blown commodity account you will ever read about ran the sequence backwards.

Write the number down before the module continues: what one trade may cost your account, in your currency. Every lesson from here divides by it.

Check your understanding

1. What is the correct first step in sizing any commodity trade?

a. Finding the chart level for the stop
b. Fixing the money the trade may lose, as a fraction of the account
c. Choosing how many contracts to trade

Answer: b. Risk is chosen; everything else is derived. A stop and size picked before the budget exists are answers to a question nobody asked.

2. Why is 'the stop was moved closer so the size would fit' a sequence error?

a. Closer stops are always wrong
b. The stop's distance belongs to the instrument's range; shrinking it to fit a size swaps a real constraint for a wish
c. Brokers reject modified stops

Answer: b. The market decides how far a meaningful stop sits. If the honest stop makes the size zero, the answer is zero - not a stop that will be hit by ordinary noise.