



# LOTS, PIPS & POSITION SIZE

Complete Guide to Understanding Trade Size & Risk

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## Pips

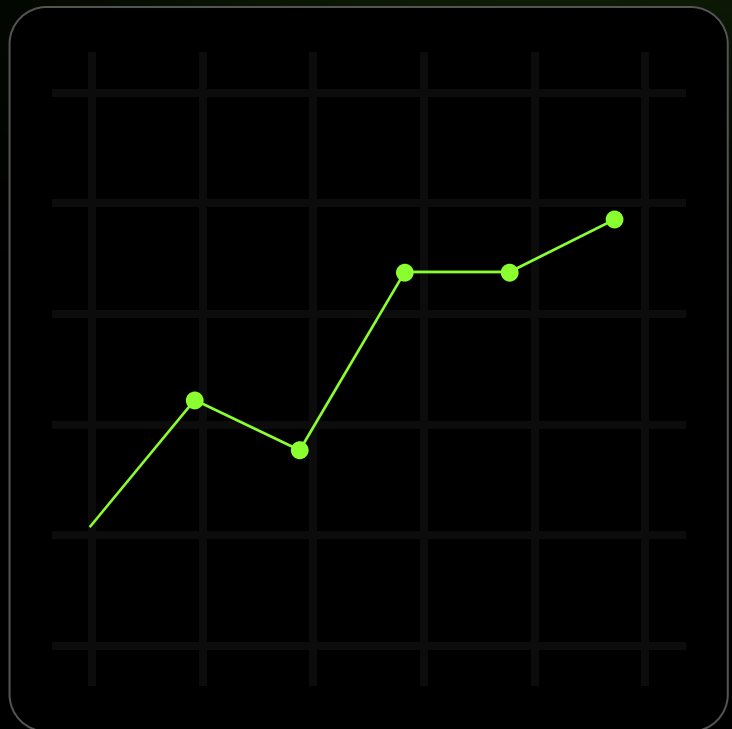
How far the markets moves

## Lots

How much each movement is worth

## Position Size

How large your final trade should be



## What You Will Learn

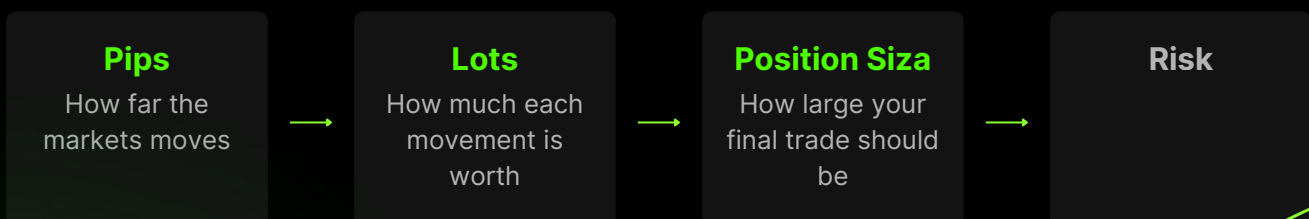
Before placing trades, it is important to understand how Pips, Lots and Position Size work together.

In this guide, you will learn:

- ▶ What a Pip is
- ▶ What a Lot is
- ▶ How Lot Size affects profit and loss
- ▶ How Forex and Gold Lot Sizes differ
- ▶ What Position Size means
- ▶ How to calculate the correct Position Size
- ▶ How Stop Loss distance affects your Lot Size
- ▶ How to use Position Size with Traidx signals
- ▶ How to manage one position or multiple positions
- ▶ Where to enter your Lot Size in MetaTrader 5
- ▶ Common beginner mistakes

The main goal is to understand how much you are actually risking before opening a trade.

### Pips → Lots → Position Size → Risk



## Getting Started

Before opening any trade, it is important to understand **Lots, Pips, and Position Size**.

These three concepts determine how much money you risk and **how much money you can potentially make** on every trade.

Many beginners focus only on finding the right entry. However, even the best trade setup can result in unnecessary losses if the Position Size is too large.

Understanding these concepts allows you to control your risk properly instead of simply choosing a random Lot Size.

A simple way to understand the relationship is:

**Pips** = How far the markets moves

**Lots** = How much each movement is worth

**Position Size** = How large your final trade should be

# What Is a Pip?

A **Pip** is a unit used to describe how far the price of an asset has moved.

Instead of always talking about exact prices, traders use Pips to make market movements easier to compare and communicate

For example, if a market moves from one price level to another, that movement can be expressed in Pips.

The important thing to understand is:

**Pips measure distance, not money.**

A movement of **100 Pips** is the same market movement for every trader.

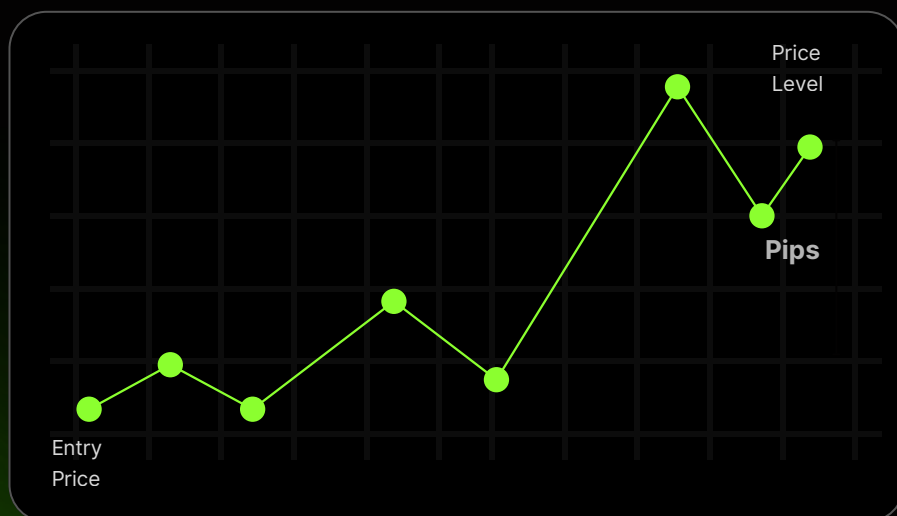
However, the amount of money gained or lost from those 100 Pips depends on the **Lot Size** being traded.

This means that two traders can both catch exactly the same 100 Pip movement but still have completely different financial results.

## Easy Way to Remember

**Pips tell you how far the market moved.**

**Lots determine how much that movement is worth.**



## What Is a Lot?

A Lot describes the size of your trading position and therefore determines how much money you gain or lose for each Pip the market moves.

When you open a trade in MetaTrader 5, you will find a field called:

### Volume

This is where you enter your Lot Size

Typical Lot Sizes are:

1.00 Lot

0.10 Lot

0.01 Lot

The easiest way to remember the relationship is:

**Pips tell you how far the market moved.**

Lots determine how much money each Pip is worth for your position.

For many major Forex pairs on a USD account, a common rule of thumb is:

1.00 Lot ≈ \$10 per Pip

0.10 Lot ≈ \$1 per Pip

0.01 Lot ≈ \$0.10 per Pip

This means that if the market moves 10 Pips in your favor:

1.00 Lot ≈ \$100 profit

0.10 Lot ≈ \$10 profit

0.01 Lot ≈ \$1 profit

If the market moves 10 Pips against you, approximately the same values would apply as a loss.

**The larger your Lot Size, the more valuable every Pip becomes**

This increases both your:

**Potential Profit** and your: **Potential Loss**

# Important: Pip Value Is Not the Same for Every Market

The \$10 / \$1 / \$0.10 rule is only a common Forex example.

**It is not a universal rule for every market.**

MetaTrader defines one Lot according to the contract size of the individual instrument, and brokers can use different:

- Contract Sizes
- Tick Sizes
- Tick Values

**For markets such as:**

- Gold
- Indices
- Oil
- Other CFDs

you should always check the instrument specifications or use a **Position Size Calculator** rather than assuming the same Pip Value.

This is especially important when moving from Forex pairs to assets such as XAU/USD.

## Forex ≠ Gold ≠ Indices

Pip / Tick Value

|         |                                                     |
|---------|-----------------------------------------------------|
| Forex   | <b>\$10 / \$1 / \$0.10</b><br>common Forex example  |
| Gold    | <b>Different</b><br>check instrument specifications |
| Indices | <b>Different</b><br>check instrument specifications |

## How Lot Size Changes Your Profit and Loss

Imagine two traders enter the same trade at exactly the same price.

Both traders catch a movement of:  
**100 Pips**

Trader A uses:  
**0.10 Lot**

Trader B uses:  
**1.00 Lot**

Both traders experienced exactly the same price movement.

However, Trader B's position is ten times larger.

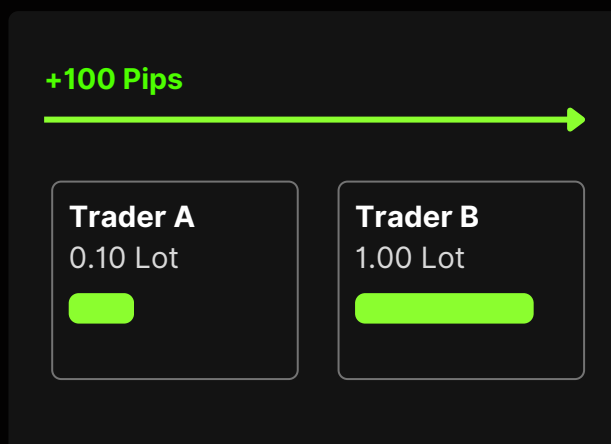
Therefore, the financial result is also approximately ten times larger.

This is why the number of Pips alone does not tell you how much money a trade made.

You always need to know the Lot Size as well.

### EXAMPLE

Same Trade:



The market movement is identical.

The financial result is not.

Easy Way to Remember

**Same Pips + Different Lot Size = Different Profit or Loss**

## Forex Lot Example

For many major Forex pairs on a USD account, a useful rule of thumb is:

**1.00 Lot ≈ \$10 per Pip**

**0.10 Lot ≈ \$1 per Pip**

**0.01 Lot ≈ \$0.10 per Pip**

### EXAMPLE

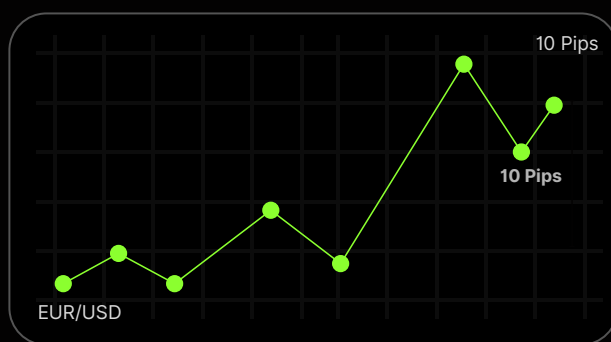
EUR/USD moves:  
**10 Pips**

With:  
**0.10 Lot**

this movement would be worth approximately:  
**\$10**

With:  
**1.00 Lot**

the same 10 Pip movement would be worth approximately:  
**\$100**



0.10 Lot  
**\$10**  
10 pips

1.00 Lot  
**\$100**  
10 pips

This is a useful guideline for understanding the relationship between Pips and Lots.

However, the exact Pip Value can vary depending on:

- Currency Pair
- Account Currency
- Broker
- Instrument Specifications

Always check the exact specifications if you are unsure.

## Gold Lot Example

For Gold, the relationship between Lot Size and price movement works differently than with many Forex pairs.

A simple way to understand it is by looking at how much a \$1.00 move in Gold is worth.

A common example is:

**1.00 Lot** ≈ **\$100 per \$1.00 Gold move**

**0.10 Lot** ≈ **\$10 per \$1.00 Gold move**

**0.01 Lot** ≈ **\$1 per \$1.00 Gold move**

### EXAMPLE

Gold moves from:

**4,100.00**

to:

**4,101.00**

This is a:

**\$1.00 Gold move**

With:

**0.10 Lot**

this movement would be worth approximately:

**\$10**

With:

**1.00 Lot**

the same \$1.00 Gold movement would be worth approximately: **\$100** The larger the Lot Size, the larger the financial effect of the same Gold movement.



0.01 Lot

**\$1**

\$1.00 move

0.10 Lot

**\$10**

\$1.00 move

1.00 Lot

**\$100**

\$1.00 move

The larger the Lot Size, the larger the financial effect of the same Gold movement.

# What Is Position Size?

Your **Position Size** is the final size of your trade

It determines **how many Lots you should trade for a specific setup.**

Your Position Size is based on two important factors:

- ▶ The distance between your Entry Price and Stop Loss
- ▶ The amount of money you are willing to risk

Before opening a trade, you first need to know how far your Stop Loss is away from your Entry Price.

This tells you how much room the trade has before it reaches your Stop Loss.

Next, you decide how much of your account you are willing to risk.

This topic is explained in detail in our:

**Risk Management Guide**

Once you know your planned risk and your Stop Loss distance, you can calculate which Lot Size matches that risk.

## BASIC RELATIONSHIP

**A small Stop Loss** usually allows **a larger Lot**

**Size.**  
**A large Stop Loss** usually requires **a smaller Lot Size.**

This allows your overall risk to remain more consistent even when individual trades have very different Stop Loss distances.

## Practical Examples

The following examples use the same account size and the same planned risk.

The main thing that changes is the distance between the:

**Entry Price**

and:

**Stop Loss**

Account Balance

**\$10,000**

Risk per Trade

**1% = \$100**

This will show why different Stop Loss distances require different Position Sizes.

## Example 1 – Gold with a Smaller Stop Loss

Asset:  
**XAU/USD**

Stop Loss Distance:  
**\$5.00**

Entry:  
**4,100.00**

Account Balance:  
**\$10,000**

Stop Loss:  
**4,095.00**

Risk:  
**1% = \$100**

As explained earlier in this guide, on many Gold setups:

**1.00 Lot  $\approx$  \$100 for every \$1.00 move in Gold.**

The Stop Loss is:

**\$5.00**

away from the Entry.

Therefore, a position of:

**1.00 Lot**

would lose approximately:

**$5 \times \$100 = \$500$**

But the maximum planned loss in this example is only:

**\$100**

The Lot Size therefore needs to be reduced until the full \$5.00 Stop Loss movement equals approximately \$100.

That results in:

**0.20 Lot**

With 0.20 Lot, every \$1.00 move in Gold is worth approximately:

**\$20**

If Gold moves the full \$5.00 against the position:

**$5 \times \$20 = \$100$**

The maximum planned loss is therefore approximately:

**\$100**

## Example 2 – Gold with a Wider Stop Loss

Asset:  
**XAU/USD**

Stop Loss Distance:  
**\$20.00**

Entry:  
**4,100.00**

Account Balance:  
**\$10,000**

Stop Loss:  
**4,080.00**

Risk:  
**1% = \$100**

Again:

**1.00 Lot  $\approx$  \$100 for every \$1.00 move in Gold.**

Because the Stop Loss is now:  
**\$20.00**

away, a position of:  
**1.00 Lot**

would lose approximately:  
 **$20 \times \$100 = \$2,000$**

That is far above the planned:  
**\$100 risk**

The Lot Size therefore needs to be reduced significantly.

The correct Position Size is:

**0.05 Lot**

With **0.05 Lot**, every \$1.00 move in Gold is worth approximately:

**\$5**

If the market moves the full:  
**\$20.00**

against the trade:  
 **$20 \times \$5 = \$100$**

The maximum planned loss remains approximately:

**\$100**

even though the Stop Loss is four times wider than in Example 1.

This is why a wider Stop Loss requires a smaller Lot Size.

## Example 3 – Forex Position Size

Asset:  
**EUR/USD**

Stop Loss Distance:  
**10 Pips**

Entry:  
**1.10000**

Account Balance:  
**\$10,000**

Stop Loss:  
**1.09900**

Risk:  
**1% = \$100**

As explained earlier in this guide, for many major Forex pairs:

**1.00 Lot  $\approx$  \$10 per Pip**

Since the Stop Loss is:

**10 Pips**

away, a position of:

**1.00 Lot**

would lose approximately:

**$10 \times \$10 = \$100$**

This matches the planned maximum risk of:

**\$100**

Therefore, the correct Position Size is:

**1.00 Lot**

With **1.00 Lot**, every Pip is worth approximately:

**\$10**

If the market moves the full 10 Pips against the trade:

**$10 \times \$10 = \$100$**

The maximum planned loss is approximately:

**\$100**

exactly as intended.

This example shows how Position Size is determined by combining the Stop Loss distance with the value of each Pip.

If the Stop Loss were larger, the Lot Size would need to be smaller.

If the Stop Loss were smaller, the Lot Size could be larger while maintaining the same planned risk.

## The Most Important Position Size Principle

The previous examples show one of the most important concepts in this guide:

### Your Lot Size should adapt to your Stop Loss.

Do not use the same Lot Size simply because your account balance has not changed.  
Two trades can have completely different Stop Loss distances.

Therefore:

**Smaller Stop Loss → Larger possible Lot Size**

**Larger Stop Loss → Smaller required Lot Size**

The goal is to keep your planned risk consistent, not your Lot Size.

## Position Size with Traidx Signals

Every Traidx signal already provides the most important information you need:

- Entry Zone
- Stop Loss
- Take Profit Levels

The only thing left for you to calculate is your:

### POSITION SIZE

Before entering the signal:

1. Check the Entry Zone.
2. Check the Stop Loss.
3. Calculate the distance between your Entry and Stop Loss.
4. Decide how much of your account you want to risk.
5. Use a Position Size Calculator
6. Enter the calculated Lot Size into MetaTrader 5.

Once you have calculated your Position Size, enter the Lot Size into the:

### VOLUME

field before opening the trade.

### IMPORTANT

Do not simply copy the Lot Size of another trader.

Their:

- Account Balance
- Risk Percentage
- Entry Price
- Stop Loss Distance

may be completely different from yours.

## One Position or Multiple Positions?

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After calculating your **total Position Size**, you can decide how you want to execute and manage the trade.

For example:

**Calculated Position Size: 1.00 Lot**

There are two different ways to open and manage this position.

## Option 1 – One Position

You open one single trade with:

**1 × 1.00 Lot**

Once TP1 is reached, you close approximately:

**35–55% of the original position**

For example:

**Close at TP1: 0.35–0.55 Lot**

The remaining position is approximately:

**0.45–0.65 Lot**

At the same time, the Stop Loss of the remaining position is moved toward the:

**Entry Zone / Break Even**

If TP2 is reached, you close another:

**15–25% of the original position**

For example:

**Close at TP2: 0.15–0.25 Lot**

This leaves approximately:

**0.20–0.50 Lot**

The remaining part of the trade is then left open until either:

**TP3 is reached**

or:

**The moved Stop Loss closes the position**

With this method, you only manage one trade.

However, you need to manually take partial profits as the individual Take Profit levels are reached.

## Option 2 – Multiple Positions

Instead of opening one:

### **1.00 Lot position**

you can split your total Position Size into three separate trades.

For example:

**Trade 1: 0.33 Lot**

**Trade 2: 0.33 Lot**

**Trade 3: 0.34 Lot**

Your total Position Size is still:

### **1.00 Lot**

At **TP1**, you can close the first trade completely.

If desired, you can also take a small additional partial profit from one of the remaining positions.

The Stop Loss of the remaining trades is then moved toward the:

### **Entry Zone / Break Even**

At **TP2**, the second position can be closed completely.

You can also reduce a small part of the final position if desired.

The third trade remains open until either:

### **TP3 is reached**

or:

### **The moved Stop Loss closes the position**

The advantage of this method is that different Take Profit targets can be assigned to the individual positions from the beginning.

This means less manual management may be required later.

## One Position vs. Multiple Positions

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Both methods start with exactly the same total Position Size:

### 1.00 Lot

The only difference is how the position is split and managed after the trade has been opened.

#### One Position

##### 1 × 1.00 Lot

You manually take partial profits at TP1 and TP2.

#### Multiple Positions

##### 0.33 + 0.33 + 0.34 Lot

The individual positions can be assigned to different Take Profit levels.

For the complete Traidx trade management strategy, including:

- ▶ TP1
- ▶ TP2
- ▶ TP3
- ▶ Partial Profits
- ▶ Moving the Stop Loss to Break Even

read our:

## How to Trade Traidx Signals Guide

## Where to Find the Lot Size in MetaTrader 5

When opening a trade in MetaTrader 5, you will find a field called:

### VOLUME

This is where you enter your Lot Size.

For example, if your Position Size Calculator determines that your correct trade size is:

**0.20 Lot**

you enter:

**0.20**

into the Volume field.

Before pressing:

**Buy by Market**

or:

**Sell by Market**

always verify that the Volume matches your Position Size calculation.

### Important

Always double-check the decimal point.

There is a large difference between:

**0.10 Lot**

and:

**1.00 Lot**

Entering the wrong Volume can significantly increase your risk.

## Common Beginner Mistakes

When calculating Position Size, beginners often make the same mistakes.

Avoid the following:

- Choosing a Lot Size based on how much profit you want to make
- Copying another trader's Lot Size
- Using the same Lot Size for every trade
- Forgetting to calculate the Stop Loss distance first
- Entering the wrong Lot Size by accident
- Entering **1.00 Lot instead of 0.10 Lot**
- Ignoring the instrument specifications
- Assuming Gold has the same Pip Value as Forex
- Skipping the Position Size calculation completely

Remember:

**The Lot Size should always be calculated before opening the trade.**

Your goal should not be to find the largest Lot Size possible.

Your goal is to select a Position Size that matches your:

**Account**

**Stop Loss**

and:

**Planned Risk**

## Final Notes

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Understanding **Pips, Lots, and Position Size** is one of the most important foundations of trading.

Always remember:

**Pips measure how far the market moves.**

**Lots determine how much each Pip or price movement is worth.**

**Your Position Size is the final Lot Size you trade after considering your Stop Loss distance and chosen risk.**

At first, calculating your Position Size may seem unfamiliar.

However, after placing enough trades, you will naturally develop a better understanding of how different Stop Loss distances affect your Lot Size.

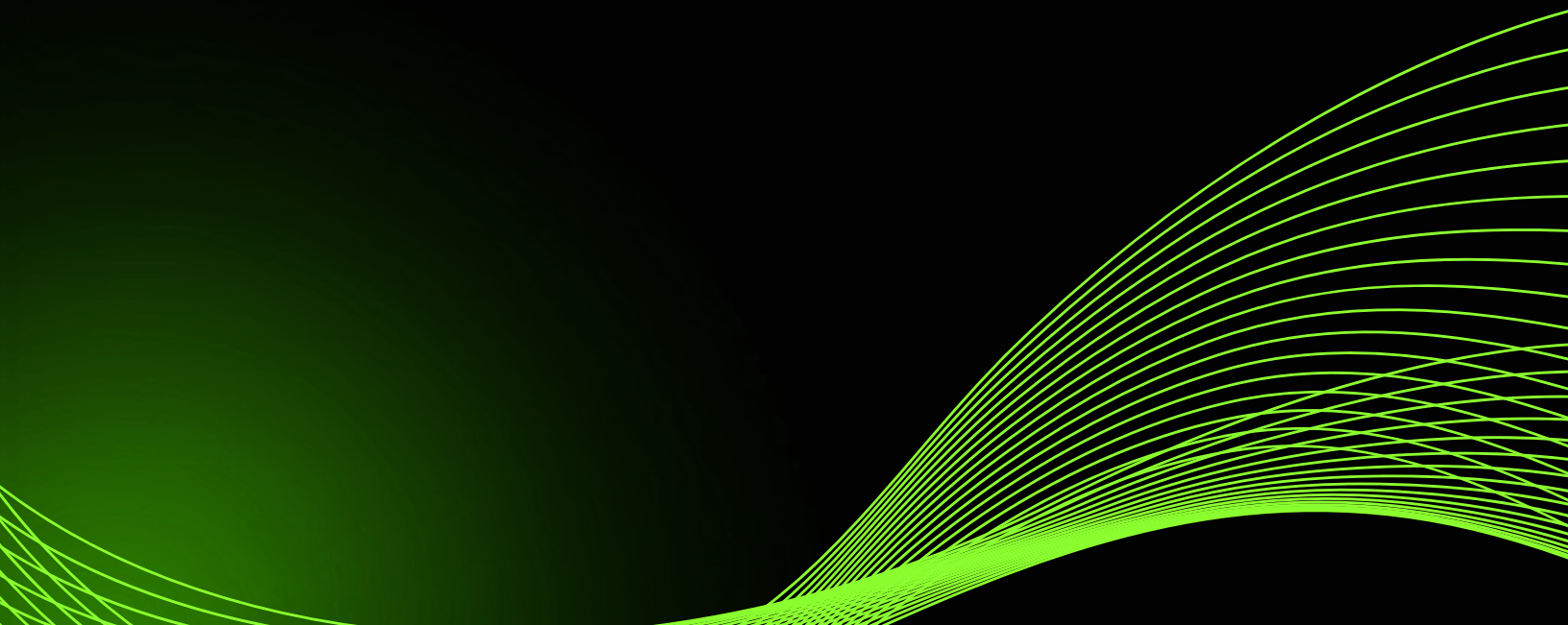
Even then, it is always good practice to verify your calculation with a:

### **POSITION SIZE CALCULATOR**

before entering a trade.

Proper Position Sizing is not about maximizing your potential profit.

It is about controlling your risk before the trade is opened.



## What's Next?

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Now that you understand **Pips, Lots and Position Size**, the next step is learning how to define the amount of risk you are willing to take on each trade.

Everything you need is explained separately in our:

### Risk Management Guide

There you will learn how to define your Risk Percentage, manage your account correctly and use Position Sizing as part of a consistent Risk Management strategy.

We recommend understanding:

**Pips**

**Lots**

**Position Size**

and:

**Risk Management**

before trading with real capital.