



# **Risk Reward Ratio**

## **MetaTrader 4/5 Indicator**

**ver. 3.xx**

## Introduction

Investment in the capital markets is risky. Some of transactions are closing with loss, so very important thing is to controlling risk. There are many tools for risk controlling. One of them is Risk Reward Ratio indicator.

It is used by many investors to compare the expected returns of an investment to the amount of risk undertaken to capture these returns. This ratio is calculated mathematically by dividing the amount he or she stands to lose if the price moves in the unexpected direction (i.e. the risk) by the amount of profit the trader expects to have made when the position is closed (i.e. the reward).

Using this indicator, you can check, how much you are risk relative to the profit you can get. If you are always place orders in market with Risk Reward Ration higher than 2 than if you have min. 50% of accurate orders, than your account balance will systematically grow.

For example:

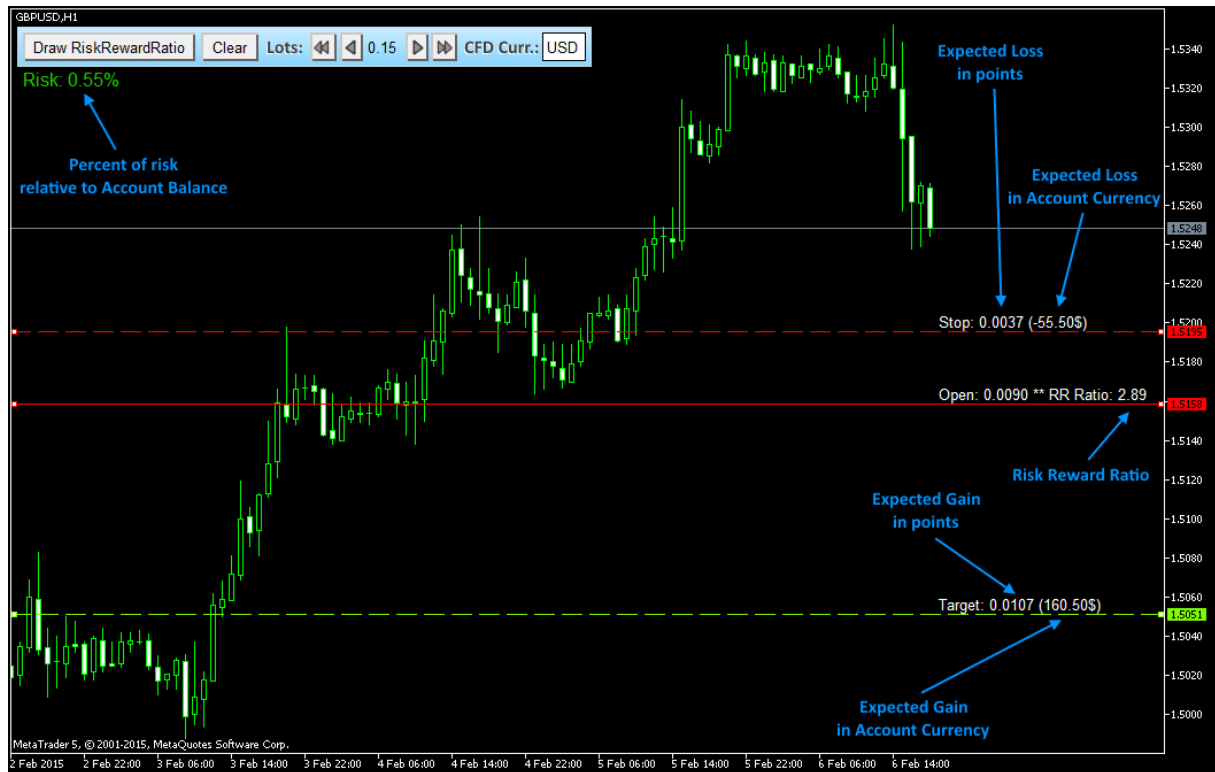
For 10 transactions, we have 5 profitable transaction and 5 lossy transactions (50% of efficiency).

If we set Risk Reward Ratio = 2, in this 10 transactions, we will loss e.g. \$250 (\$50 per trade) and we will earn \$500 (\$100 per trade), so our account will increase by \$250.

If we set Risk Reward Ration = 3, in this 10 transactions, we will loss e.g. \$500 (\$100 per trade) and we will earn \$1500 (\$300 per trade), so our account will increase by \$1000.

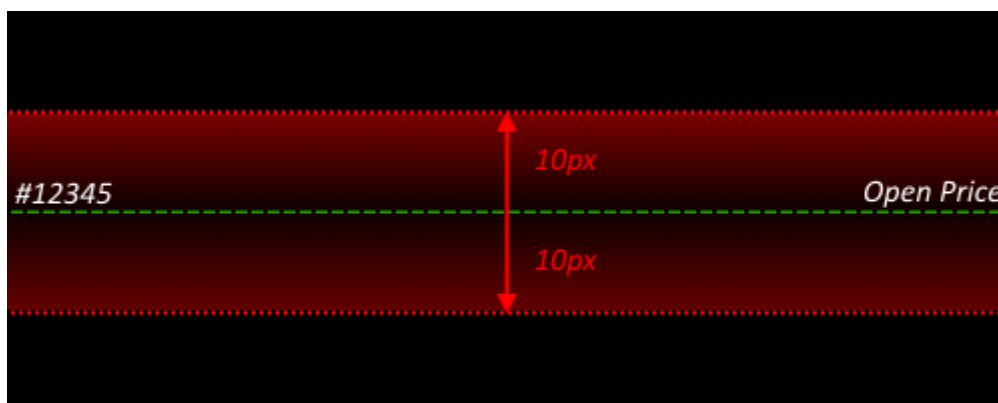
## How to use Risk Reward Ratio Indicator

Using Risk Reward Ratio indicator, you can simply control your current orders and future orders by setting Stop Loss and Take Profit in appropriate distance to open price.



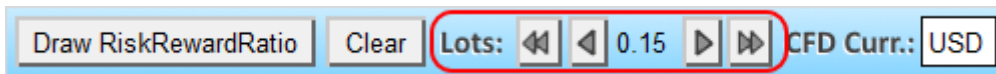
To draw Open, Stop and Target lines, you should click on „Draw RiskRewardRatio” button and then click on chart in place where you want to place „Open” line. Each line you can select by double clicking and move in any direction.

You can also put indicator’s line on opened position or placed pending order. If this orders have set stop loss and take profit then you should click “Draw RiskRewardRatio” button on indicator’s panel and click on chart near order’s open price:



If you want to remove lines, click “Clear” button.

You can check expected loss and gain from transaction in account currency. This is displayed near Stop and Target lines, but it depends on selected lot. You can set assumed lot in indicator panel to obtain right value:



Under the panel, you can also read how big is the risk relative to account balance:



Some of instruments (especially CFD) are calculate in different currency e.g. USD, EUR. To obtain right values of Gain or Loss you must define properly currency symbol in indicator's panel or in indicator's params:



## Indicator's params

### CFD Quotation Currency

**CFDCurrency** – symbol of quotation currency for CFD symbols needs to proper computations of profit and loss in currency

### Risk

**AllowedRiskPercent** – acceptable risk of single transaction according to account balance (allowed values from 0.1 to 100).

**AcceptableRiskColor** – font color of risk % if it is smaller or equal than acceptable risk (set by AllowedRiskPercent param)

**UnacceptableRiskColor** – font color of risk% if it is greater than than acceptable risk (set by AllowedRiskPercent param)

### Prefix & Suffix

Sometimes indicator must read price of other symbol to properly calculate current pair or CFD profit and loss in currency. In some cases, pairs have additional prefix and/or suffix, e.g. "EURUSD.Pro". In this case you should write ".Pro" into suffix field.

### Line Open/Line Take Profit/Line Stop Loss

**LineStyle** – select line style from list (solid, dash, dot, etc.)

**LineColor** – line color

**TextColor** – label text color

### Panel

**HorizontalAlign** – panel can be horizontally aligned to left/right border or center.

**YDistance** – distance in px from top.

**PanelFontColor** – panel text color