



METATRADER 5 SETUP GUIDE · SHEET 07 OF 18

Leverage explained

A ratio, not a goal



Places no trades. The Setup Check runs on demo and contest accounts only. The full guide has all 18 sheets.

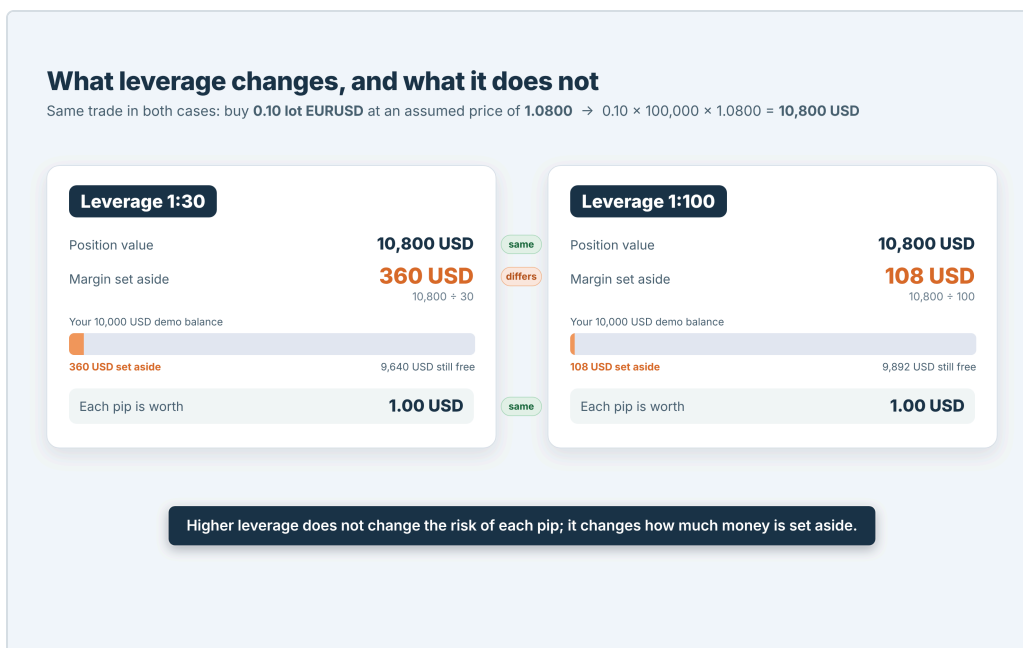
Leverage explained

A ratio, not a goal

Leverage is how much a trade can control for each dollar the broker sets aside. Read this before you size anything, especially on a prop-firm account.

Leverage is written as a ratio, such as 1:30 or 1:100. At 1:30, each dollar set aside as margin lets the account control 30 dollars of a trade. For example, a 0.10-lot EURUSD trade is worth about 10,800 dollars when the price is 1.0800. At 1:30 the broker sets aside about 360 dollars of margin; at 1:50, about 216 dollars; at 1:100, about 108 dollars. Each pip is still worth about 1 dollar on that trade, whatever the leverage.

Higher leverage doesn't make a price move cost any less. It only sets less money aside, which makes it easier to take on too much. In the United States, the most a broker may offer is 1:50 on major currency pairs. A demo account often allows more leverage than a prop-firm account: always use the rules of the account you will actually use.

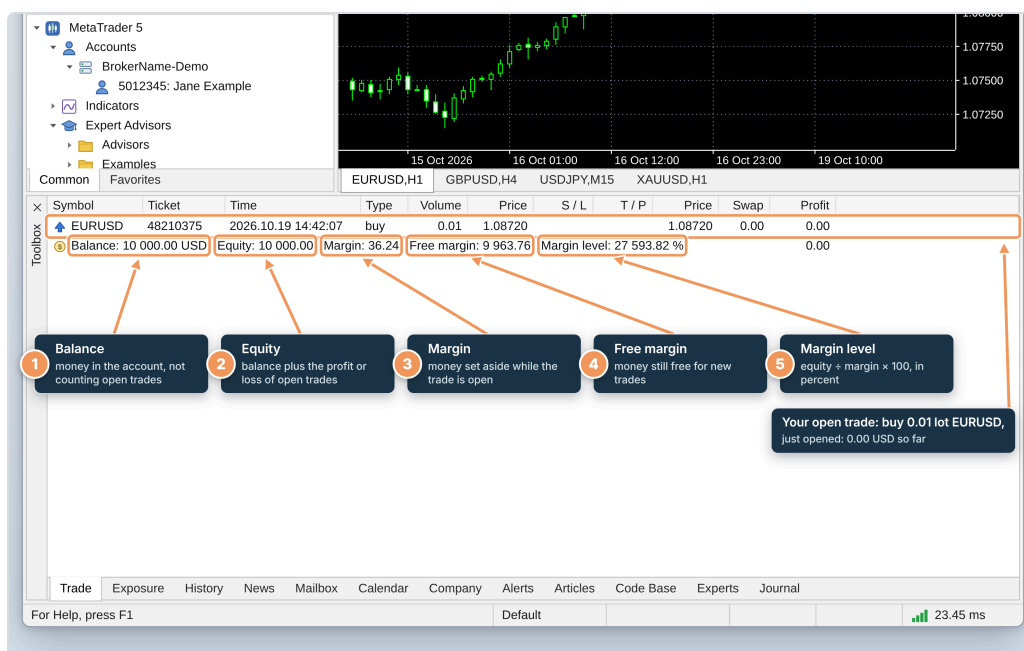


Picture 7.1 (illustration with example values): Leverage explained with the same trade (0.10 lot EURUSD at 1.0800, worth 10,800 USD): at 1:30 the broker sets aside 360 USD of margin, at 1:100 only 108 USD. Each pip is worth 1.00 USD in both cases. Higher leverage does not change the risk of each pip; it changes how much money is set aside.

Your account's numbers

At the bottom of the Toolbox's **Trade** tab (Sheet 08), one line sums up your account:

- **Balance:** the money in the account, not counting trades that are still open.
- **Equity:** the balance plus or minus the profit or loss of open trades. This is what the account is worth right now.
- **Margin:** the money set aside to keep open trades running.
- **Free margin:** equity minus margin, which is what is left for new trades.
- **Margin level:** equity divided by margin, as a percentage. If it falls too low, the broker starts closing trades automatically; the level, often between 50% and 100%, is set by the broker.



Picture 7.2 (illustration with example values): The Trade tab in the Toolbox, with example values from a demo account (not the result of any EA): one trade just opened (buy 0.01 lot EURUSD, 0.00 so far) and, below it, Balance, Equity, Margin, Free margin and Margin level, each explained in plain words.

On your demo account you can open one small 0.01-lot trade to watch these numbers move, then close it. Size every trade so that a normal move against you still fits the account's limits.