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## Trailing Stop – Methods of Calculate Trailing Stop [Percentage, Indicators]

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Article Level: [Elementary](#) 



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Modified: Sep 2, 2025

 Comments: 0

 Views: 1,303

 11 Min

A Trailing Stop is a type of **stop-loss** order that adjusts according to the instructions defined by the trader. This feature helps in managing trades and risk, and if used correctly, it increases the success rate of trades.

As the price moves in the direction of profit, this order moves along with it, securing the profit of the trade. The main goal of this order is to protect the trade's profit against the price movement trend.





Trailing Stop is one of the widely used methods of trade risk management

## What is Trailing Stop?

A trailing stop loss is an order designed for risk management during trading. The range of this order moves with the price when it goes in the direction of profit and remains fixed when the price moves toward loss.

The distance of this order from the current market price depends on the **trading strategy**; in some cases, it is determined as a percentage of the price, and in other cases, it is specified by the unit of volatility measurement in that market (for example, a pip in the **Forex market**).

## Advantages and Disadvantages of Using Trailing Stop

If the price trend suddenly changes and the price moves toward loss, the Trailing Stop preserves part of the profit earned up to that point and closes the trade.

If such a sudden price move is only a short-term correction, the trailing stop loss causes an early exit from the trade, leading to reduced profit gained from the trade.

Advantages and Disadvantages of Using Trailing Stop:

Advantages	Disadvantages

Protects trade profit	Possibility of early exit from a trade
Reduces trade losses	Requires high trading experience
Saves time	Requires continuous internet connection
Applicable in all trading styles	Poor performance in ranging markets

## Example of Trailing Stop Loss

For instance, consider a buy trade on Solana at the price of \$100 with a trailing stop range of 5%. If the price starts dropping immediately from \$100, the trade will close at \$95 with a loss.

However, if the price rises to \$120, the Trailing Stop moves upward along with the price in the direction of profit.

If a downward move begins, the stop-loss order will activate at \$114, thereby protecting part of the profit.

## Comparison Between Trailing Stop and Regular Stop Loss

A regular stop loss and a trailing stop loss are both tools for risk management and reducing losses in trades. The main difference between them lies in how they react to price volatility.

A Trailing Stop adjusts automatically with market price fluctuations according to the trader's instructions, while a fixed stop loss remains unchanged unless manually modified, showing no reaction to price movement during the trade.



Comparison between Trailing Stop and Regular Stop Loss

Comparison of Trailing Stop and Regular Stop Loss:

<b>Comparison Parameter</b>	<b>Regular Stop Loss</b>	<b>Trailing Stop</b>
Reaction to price volatility	No reaction to market fluctuation	Adjusts with price movement toward profit
Operation method	Requires manual adjustment based on market conditions	Order range changes automatically
Need for continuous internet connection	No	Yes
Performance in different market phases	Same performance in all market phases	Relatively weak in ranging phases

## Placing a Trailing Stop Order in MetaTrader

To place a Trailing Stop order, the trade must first be opened according to the type of analysis.

**Note:** It is not mandatory to set a regular stop loss when placing a trailing stop, but to reduce risk, it is recommended to set a standard stop loss as well. This way, if the price moves against the prediction, excessive loss is prevented.

Steps to Place a Trailing Stop in MetaTrader 4 and 5:

1. **Open a trade:** To set a trailing stop loss, a trade must be opened first;
2. **Set the trailing stop loss:** Right-click on the trade and activate the “**Trailing Stop**” option;



### The option to enable Trailing Stop Loss

After right-clicking on the trade bar, the Trailing Stop option is displayed

3. **Specify the trailing stop range:** After clicking on the Trailing Stop option, by default, several options between 15 to 50 points will be displayed.

**Note:** Every 10 points equals 1 pip.

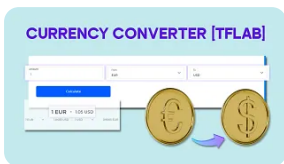
The Custom option is designed to specify the trailing stop loss range at any desired interval. To use this option, click on it and in the input box, enter the desired trailing stop

range in points.



From this menu, it is possible to enter a custom value for the trailing stop range

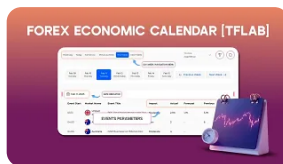
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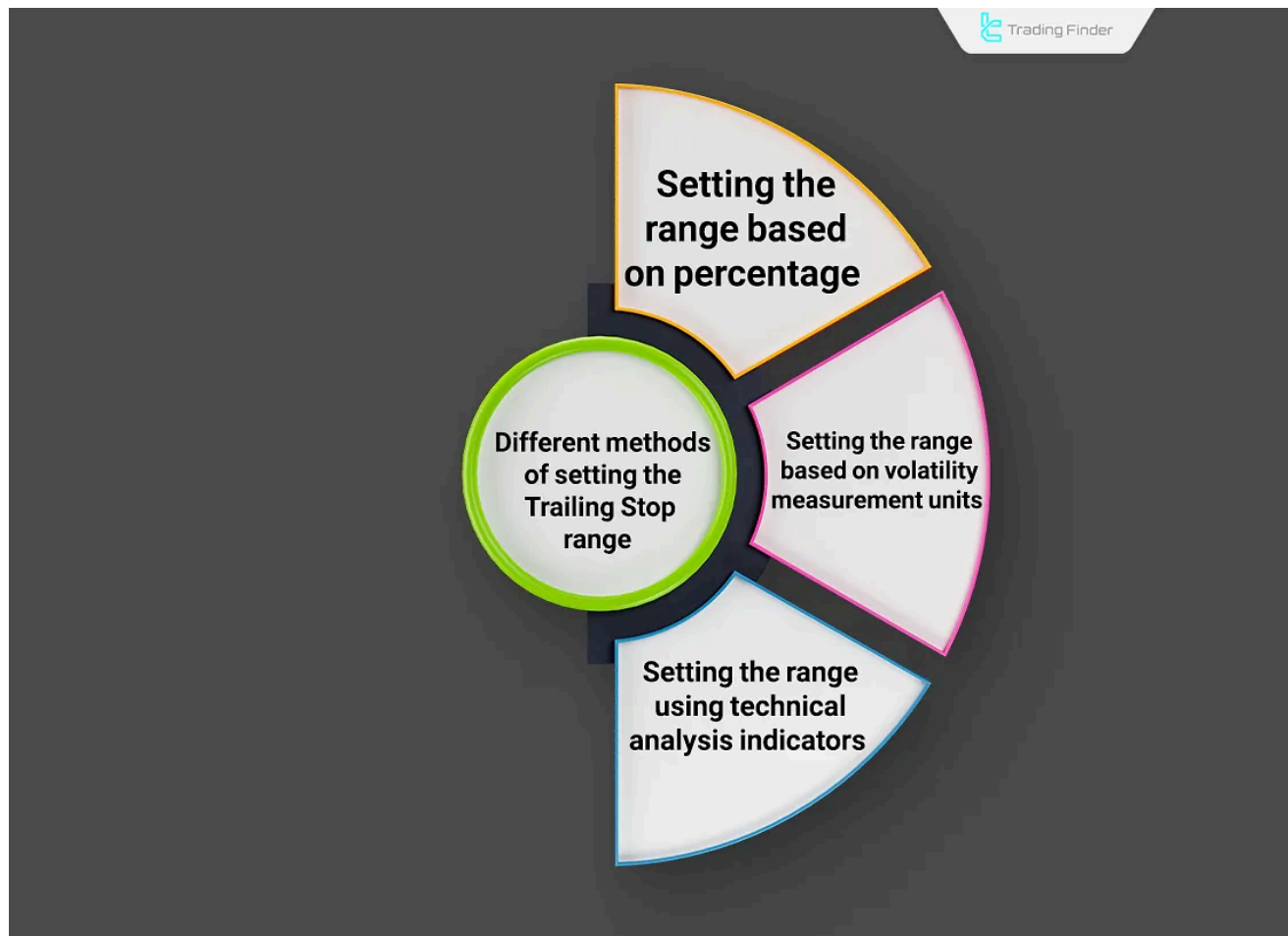
## Application of Trailing Stop in Trading

The main application of a Trailing Stop in trading is risk and capital management. This order executes based on defined instructions to secure a portion of the trade's profit.

In Set & Forget trades, sometimes the price moves close to the take-profit order and then reverses toward the stop-loss order. The Trailing Stop ensures that if this happens, the trade not only avoids loss but also secures part of the profit and adds it to the account balance.

## Different Methods of Defining the Trailing Stop Range

Depending on the asset being traded and the trading strategy, the method of determining the trailing stop loss range may differ. To select the right approach, factors such as market type, trade structure, volatility, and others must be considered.



The trailing stop range can be determined using various indicators such as moving averages

### Defining the Trailing Stop Range by Percentage

This method is more common in the **cryptocurrency** market, as price fluctuations are usually high. In this step, the trader defines the percentage distance at which the Trailing Stop will follow the current market price.

**Note:** In this method, the percentage is calculated continuously relative to the current market price throughout the trade.

## Defining the Trailing Stop Range Based on Market Volatility

### Units

In different markets, volatility is measured using specific units. For example, in the Forex market, volatility is measured in pips.

In this method, the Trailing Stop range is measured and calculated based on the volatility unit of the respective market.

## Defining the Trailing Stop Range Using Technical Indicators

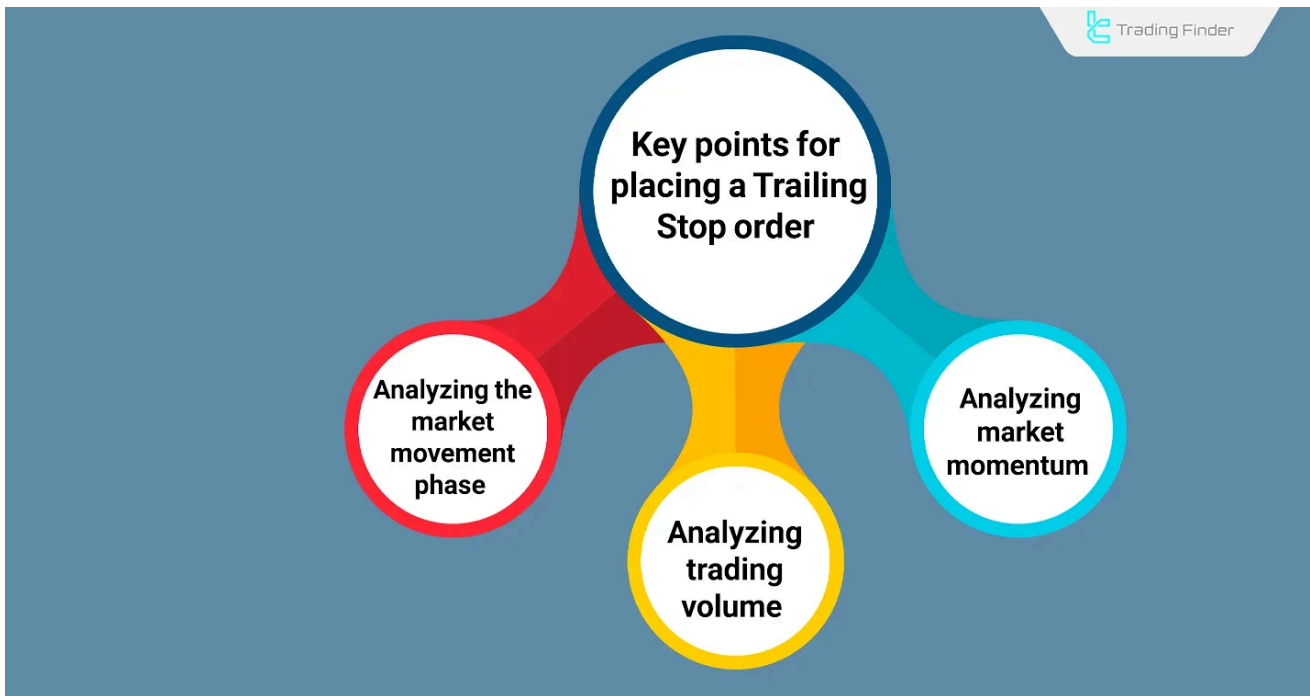
In this method, the Trailing Stop range is determined using data from **technical Analysis** indicators. For instance, in a buy trade, the lower boundary of the **Moving Average** (MA) can be selected as the trailing stop range, and the stop loss will move upward along with the rising moving average.

## Key Points for Placing a Trailing Stop Order

If mistakes occur when identifying the correct Trailing Stop area, a significant portion of the profit may be lost, and the account's overall performance may drop.

If the range is placed too close to the market price, the trade may close prematurely due to normal fluctuations. Conversely, if the range is set too far from the price, a large portion of the profit may be lost.

Key Points for Placing a Trailing Stop Order:



Analyzing price phases (range, trend, and spike) is crucial when using trailing stop

## Conclusion

A Trailing Stop is a dynamic stop-loss order used for both risk and trade management. This order adjusts based on the trader's instructions, moving with the price in the direction of profit, and helps secure gains.

Proper use of this order enhances trading account efficiency and saves time during trading.

However, correct application requires sufficient experience and skill in trading strategies, since any mistake in placing this order increases the chance of losing part of the profit.



### Trailing Stop Tutorial PDF

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## FAQs

### What is Trailing Stop? ∨

It is a type of stop-loss order that moves with the price in the direction of profit and secures part of the gains.

### What is the difference between Trailing Stop and a regular stop loss? ∨

A regular stop loss is fixed and requires manual adjustments, while a Trailing Stop automatically shifts with the price movement toward profit.

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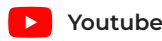
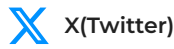


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