How to Set Trailing Stop Loss on MT4 and How Trailing Stop Loss Works

Using a trailing stop loss is one of the methods that helps you to manage your positions and take care of your profit. I personally don't use trailing stop loss, but maybe you are interested in it because of the different trading strategy you have. So, let's start from the basics of trailing stop loss and then learn how to set it on MT4 platform.

What Is Trailing Stop Loss?

Trailing stop loss is a feature that some of the trading platforms, including MT4, support. When you set it on an open position, it moves your stop loss further when the price moves toward the target. For example, you take a long position and you set a 100 pips stop loss, and a 50 pips trailing stop loss. Trailing stop loss doesn't do anything as long as the position is not in profit. However, as soon as the position goes to profit for 50 pips, the trailing stop loss moves the stop loss to breakeven.

After this stage, if the price turns around and goes against you, the stop loss remains at breakeven and the trailing stop loss doesn't do anything. But, if the price keeps on moving accordingly, the trailing stop loss moves the stop loss one point further, for each point that the position's profit goes beyond 50 pips. So, if the position reaches 100 pips profit eventually, the stop loss will be placed 50 pips above the entry price.

This is how the trailing stop loss locks your profit.

Note:

1. If you don't set any stop loss for your position, but you set a trailing stop loss, then the trailing stop loss will set a stop loss at breakeven, as soon as it is the time for the trailing stop loss to move the stop loss to breakeven.

2. Unlike stop loss and target orders that are set on the broker's server and work even if you turn off your computer or close the platform, trailing stop loss works at your side and from your computer and while the platform is up and running. The broker's servers know nothing about the trailing stop loss you set. Therefore, if you turn off your computer or shut down the MT4 platform, the trailing stop loss will not work anymore, and the stop loss will not be moved.

How to Set a Trailing Stop Loss on MT4

It is very easy to set a trailing stop loss on your position on MT4 platform:

1. Take a position and set the stop loss and target orders if you want (never trade without a reasonable stop loss).

2. Press Ctrl+T to open the MT4 terminal.

3. Click on the "Trade" tab which is the first tab.

4. Right click on the position's record on the "Trade" tab.

5. Over your mouse pointer on "Trailing Stop".

6. Click on one of the options: 15 points, 20 points, … . Note that 20 points means 2 pips on the platforms that have 5 decimals for the price of the currency pairs like EUR/USD, or 3 decimals for currency pairs like USD/JPY. This will be a too tight trailing stop loss, because it will move the stop loss too close to the market price, and so, the position will be closed with a small price movement. To set a wider trailing stop loss, click on "Custom…" and then enter the value. For example, if you want to set 50 pips trailing stop loss, you have to enter 500.

7. Click on the "OK" button.

8. You are done. Leave your computer and the platform on.