Break-even win probability

Performance arithmetic | Original synthetic example | Edition 2026-11-26

For a simplified two-outcome trade with fixed win and loss sizes, the break-even win probability balances expected gains and losses. Real outcome distributions may contain many sizes.

FORMULA Break-even probability = loss / (win + loss)

SCENARIO 01: Fixed loss 50; win is a multiple of loss



WORKED EXAMPLE

With a win of 75 and loss 50, the break-even win rate is 40% before costs.

COMMON MISTAKE

Applying the formula to a variable-payoff strategy without using representative outcome sizes can mislead.

BEFORE YOU USE THE CALCULATION

1. State fixed win and loss assumptions.
2. Use net outcome amounts.
3. Compare with observed uncertainty.

COMPARE TWO MORE INPUT SETS

Scenario 05: Fixed loss 150; win is a multiple of loss. With a win of 225 and loss 150, the break-even win rate is 40% before costs.

Scenario 10: Fixed loss 275; win is a multiple of loss. With a win of 412.5 and loss 275, the break-even win rate is 40% before costs.

Synthetic values are not historical market data. Educational material; trading can result in substantial losses.