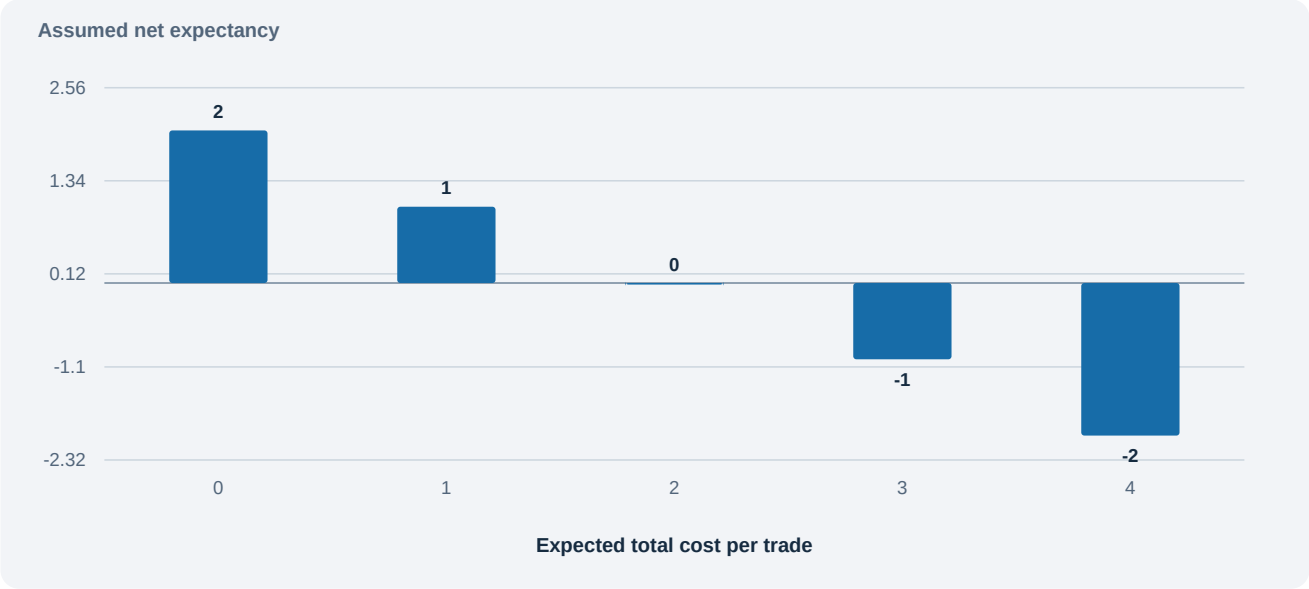
Cost at which an assumed edge vanishes

Research and evaluation | Original synthetic example | Edition 2026-11-26

The cost break-even threshold equals an assumed gross expected payoff when costs are expressed in the same per-trade units. Costs above that threshold turn the assumed net expectation negative.

FORMULA Net EV = gross expected payoff - total expected cost

SCENARIO 01: Assumed gross edge 2 per trade



WORKED EXAMPLE

Cost 2 exactly offsets assumed gross EV 2. Above that cost, this fixed-input net estimate is negative.

COMMON MISTAKE

Interpreting a threshold based on estimated gross EV as a reliable future cost allowance ignores estimation risk.

BEFORE YOU USE THE CALCULATION

1. Use one per-trade unit.
2. Stress both weaker payoff and higher costs.
3. Keep the empirical confidence separate from arithmetic.

COMPARE TWO MORE INPUT SETS

Scenario 05: Assumed gross edge 10 per trade. Cost 10 exactly offsets assumed gross EV 10. Above that cost, this fixed-input net estimate is negative.

Scenario 10: Assumed gross edge 20 per trade. Cost 20 exactly offsets assumed gross EV 20. Above that cost, this fixed-input net estimate is negative.

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