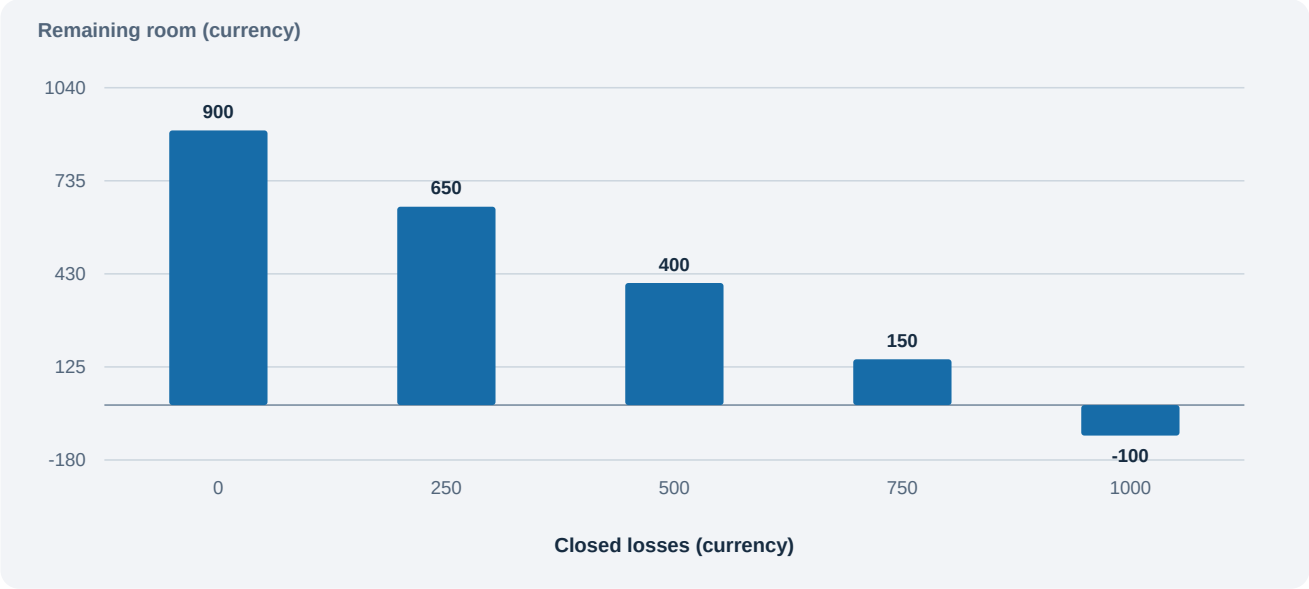
Remaining daily loss budget

Risk and sizing | Original synthetic example | Edition 2026-11-26

A daily loss limit can be translated into remaining room after closed losses and planned open risk. The exercise exposes a breach before a new position adds risk.

FORMULA Remaining = daily limit - closed losses - open planned risk

SCENARIO 01: Daily limit 1000; open planned risk 100



WORKED EXAMPLE

With 500 closed losses, room is 1000 - 500 - 100 = 400. Negative room means a breach.

COMMON MISTAKE

Resetting the loss tally after a winning trade can conceal a rule breach if the policy uses gross losses.

BEFORE YOU USE THE CALCULATION

1. Specify gross or net policy.
2. Include open planned risk.
3. Stop adding risk when remaining room is negative.

COMPARE TWO MORE INPUT SETS

Scenario 05: Daily limit 2000; open planned risk 300. With 500 closed losses, room is 2000 - 500 - 300 = 1200. Negative room means a breach.

Scenario 10: Daily limit 3250; open planned risk 550. With 500 closed losses, room is 3250 - 500 - 550 = 2200. Negative room means a breach.

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