Notional leverage

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

Notional leverage compares gross exposure with account equity. For a linear position, a small percentage move in the underlying can produce a much larger percentage change in equity.

FORMULA Leverage = gross notional / equity

SCENARIO 01: Underlying adverse move 0.25%; linear exposure



WORKED EXAMPLE

At 3 times leverage, a 0.25% adverse move implies 0.75% equity loss before costs.

COMMON MISTAKE

Interpreting low margin as low economic exposure confuses collateral with position size.

BEFORE YOU USE THE CALCULATION

1. Measure gross exposure.
2. Keep equity and notional in one currency.
3. Stress both favorable and adverse moves.

COMPARE TWO MORE INPUT SETS

Scenario 05: Underlying adverse move 1.25%; linear exposure. At 3 times leverage, a 1.25% adverse move implies 3.75% equity loss before costs.

Scenario 10: Underlying adverse move 4%; linear exposure. At 3 times leverage, a 4% adverse move implies 12% equity loss before costs.

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