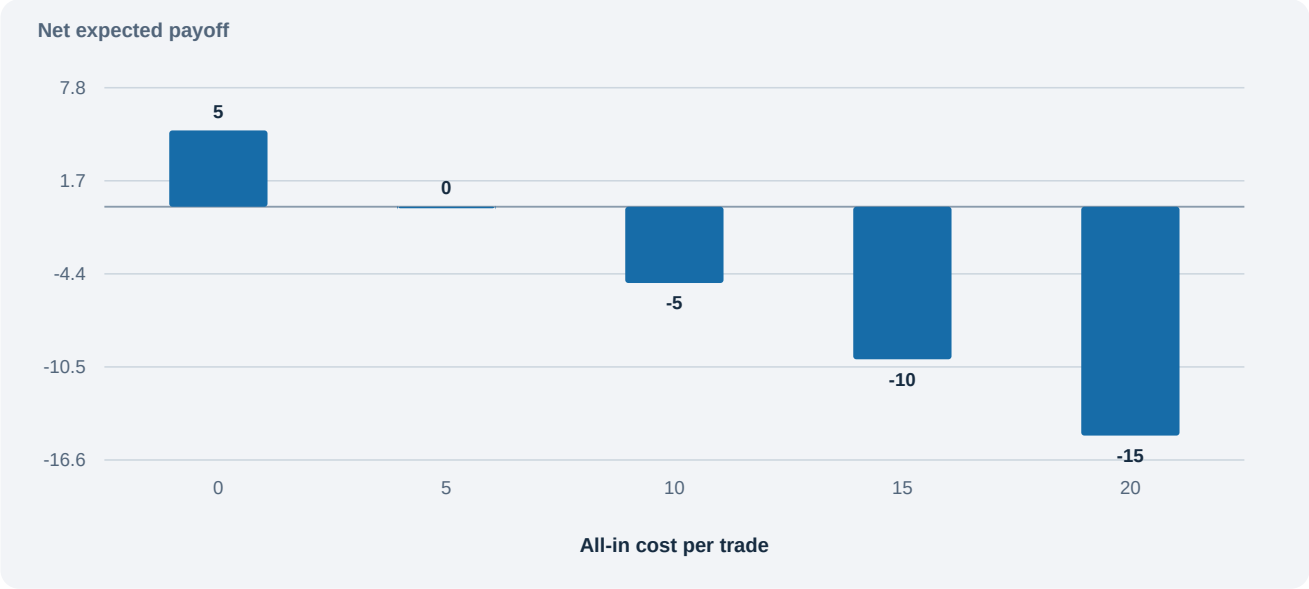
Costs and net expectancy

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

Subtracting expected all-in trading costs from gross expected payoff shows how a small apparent edge may disappear. A constant cost assumption is a simplification of variable execution conditions.

FORMULA Net EV = gross EV - average all-in cost

SCENARIO 01: Assumed gross expected payoff 5 per trade



WORKED EXAMPLE

At cost 10, net EV is 5 - 10 = -5. The gross estimate itself remains uncertain.

COMMON MISTAKE

Using headline commission alone can miss spread, slippage and other applicable charges.

BEFORE YOU USE THE CALCULATION

1. State what costs include.
2. Avoid counting the same cost twice.
3. Stress costs across market conditions.

COMPARE TWO MORE INPUT SETS

Scenario 05: Assumed gross expected payoff 13 per trade. At cost 10, net EV is 13 - 10 = 3. The gross estimate itself remains uncertain.

Scenario 10: Assumed gross expected payoff 23 per trade. At cost 10, net EV is 23 - 10 = 13. The gross estimate itself remains uncertain.

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