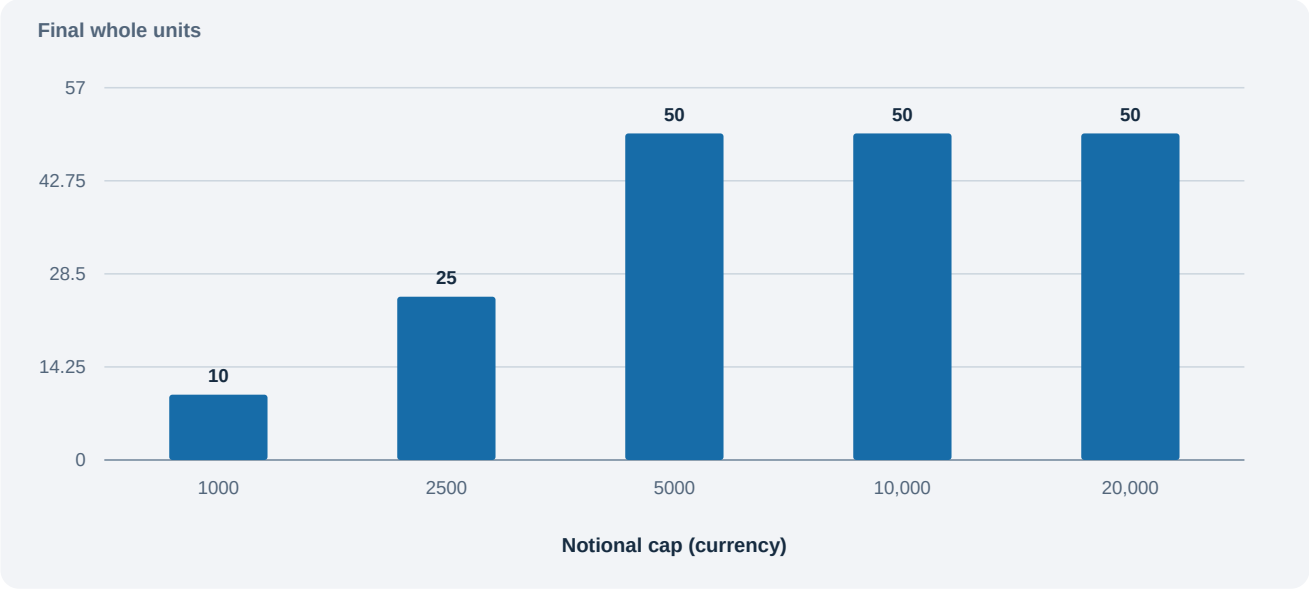
Sizing with an exposure cap

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

A trade can satisfy a stop-risk rule and still commit too much notional capital. The final quantity is the smaller quantity allowed by risk and exposure constraints.

FORMULA Units = min(risk-limited units, floor(notional cap / price))

SCENARIO 01: Price 100; risk allows 50 units



WORKED EXAMPLE

A 5,000 exposure cap allows 50 units at 100; the risk and notional constraints both apply.

COMMON MISTAKE

Assuming a small stop distance makes a highly concentrated position harmless.

BEFORE YOU USE THE CALCULATION

1. Calculate both constraints.
2. Use the binding smaller quantity.
3. Recheck the cap after price changes.

COMPARE TWO MORE INPUT SETS

Scenario 05: Price 140; risk allows 200 units. A 5,000 exposure cap allows 35 units at 140; the risk and notional constraints both apply.

Scenario 10: Price 190; risk allows 1000 units. A 5,000 exposure cap allows 26 units at 190; the risk and notional constraints both apply.

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