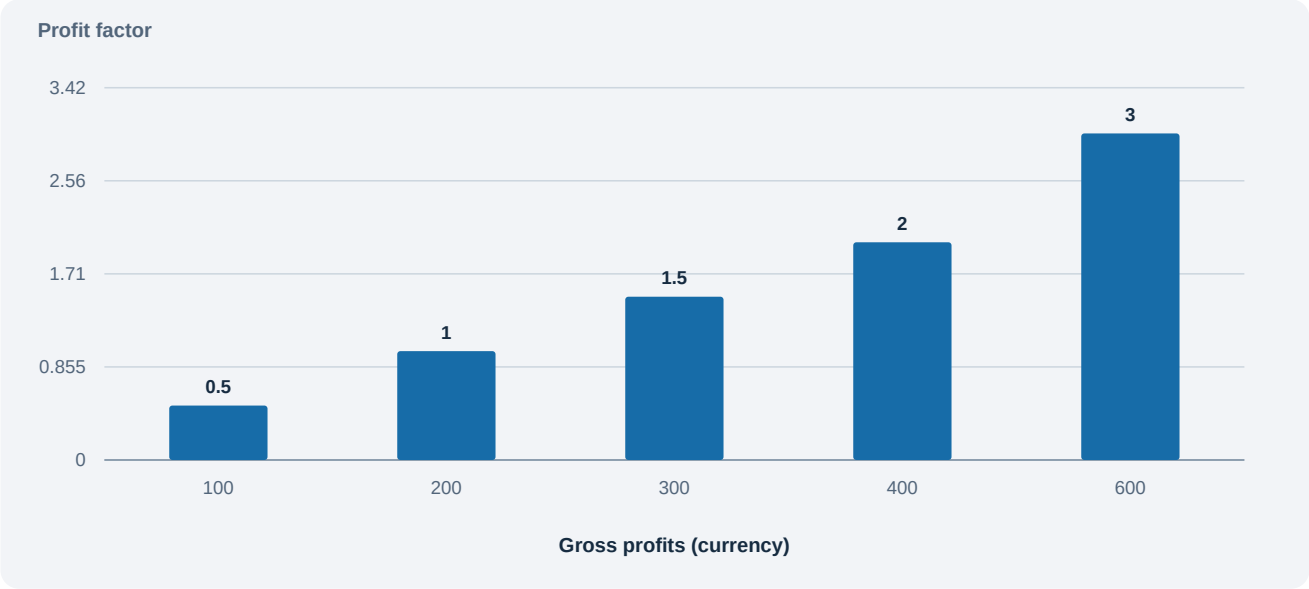
Profit factor from trade groups

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

Profit factor divides the sum of positive trade results by the absolute sum of negative results. It needs losing observations and can be unstable in a short sample.

FORMULA Profit factor = gross profits / absolute gross losses

SCENARIO 01: Absolute gross losses 200



WORKED EXAMPLE

Gross profits 300 divided by gross losses 200 produce a profit factor of 1.5.

COMMON MISTAKE

Reporting a finite ratio when there are no losses invents information that the denominator does not contain.

BEFORE YOU USE THE CALCULATION

1. Separate gains and losses.
2. Apply a consistent cost convention.
3. Show the number of trades alongside the ratio.

COMPARE TWO MORE INPUT SETS

Scenario 05: Absolute gross losses 600. Gross profits 900 divided by gross losses 600 produce a profit factor of 1.5.

Scenario 10: Absolute gross losses 1100. Gross profits 1650 divided by gross losses 1100 produce a profit factor of 1.5.

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