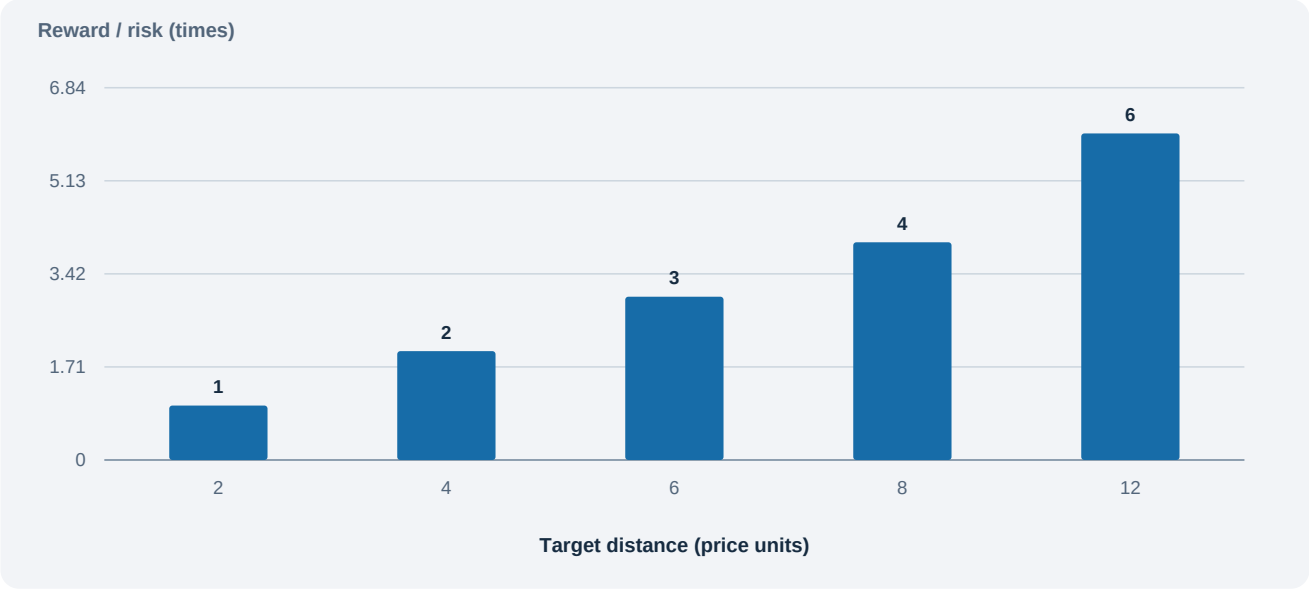
Reward relative to planned risk

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

A target-to-stop ratio compares potential favorable movement with planned adverse movement. It describes an intended price geometry and says nothing about the probability of either exit.

FORMULA Reward/risk = target distance / stop distance

SCENARIO 01: Fixed planned stop distance 2



WORKED EXAMPLE

A target distance of 6 divided by stop 2 is 3 times planned risk. No probability is implied.

COMMON MISTAKE

Calling a large target-to-stop ratio a profitable strategy without measuring outcomes omits probability.

BEFORE YOU USE THE CALCULATION

1. Use distances in the same units.
2. Include costs in a second calculation.
3. Record actual exits rather than target labels.

COMPARE TWO MORE INPUT SETS

Scenario 05: Fixed planned stop distance 6. A target distance of 6 divided by stop 6 is 1 times planned risk. No probability is implied.

Scenario 10: Fixed planned stop distance 11. A target distance of 6 divided by stop 11 is 0.5455 times planned risk. No probability is implied.

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