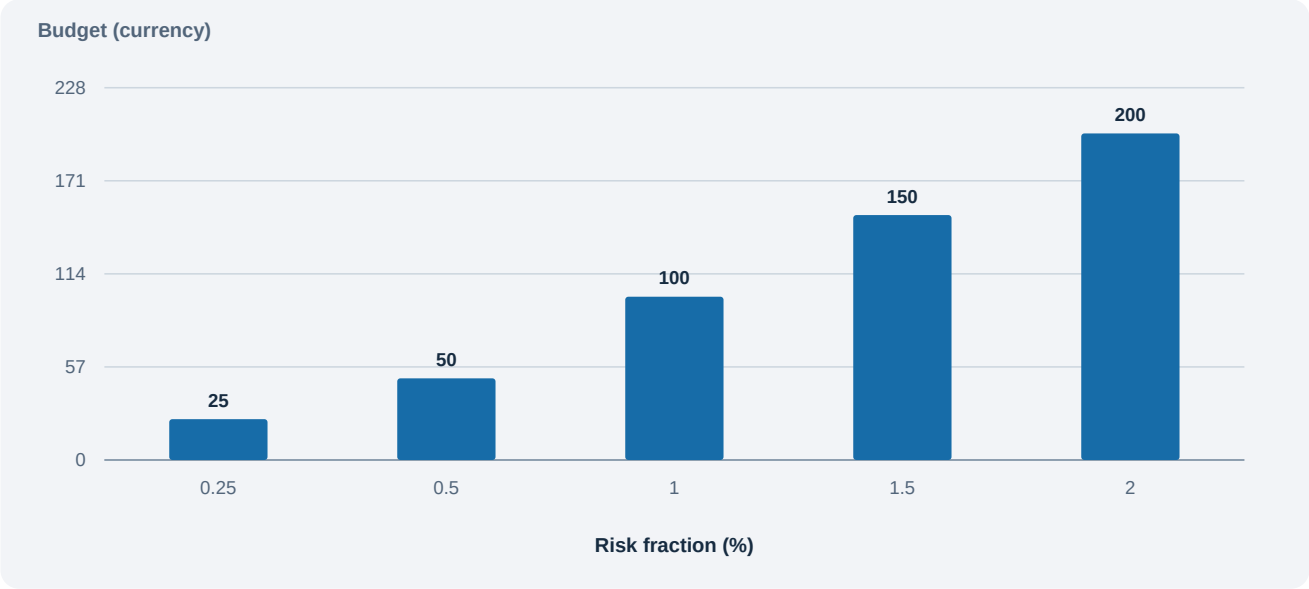
Risk budget in currency

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

A risk budget converts a chosen fraction of account equity into a planned currency loss. It is a planning constraint, not a guarantee that an exit will fill at that loss.

FORMULA Budget = account equity x risk fraction

SCENARIO 01: Equity 10,000; compare five risk fractions



WORKED EXAMPLE

At 1% of 10,000, the planned budget is 100. Actual loss can exceed it.

COMMON MISTAKE

Treating the planned budget as a guaranteed maximum loss ignores gaps and execution costs.

BEFORE YOU USE THE CALCULATION

1. Identify available equity.
2. Express the fraction as a decimal.
3. Stress the loss beyond the planned stop.

COMPARE TWO MORE INPUT SETS

Scenario 05: Equity 100,000; compare five risk fractions. At 1% of 100,000, the planned budget is 1000. Actual loss can exceed it.

Scenario 10: Equity 1.00m; compare five risk fractions. At 1% of 1.00m, the planned budget is 10,000. Actual loss can exceed it.

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