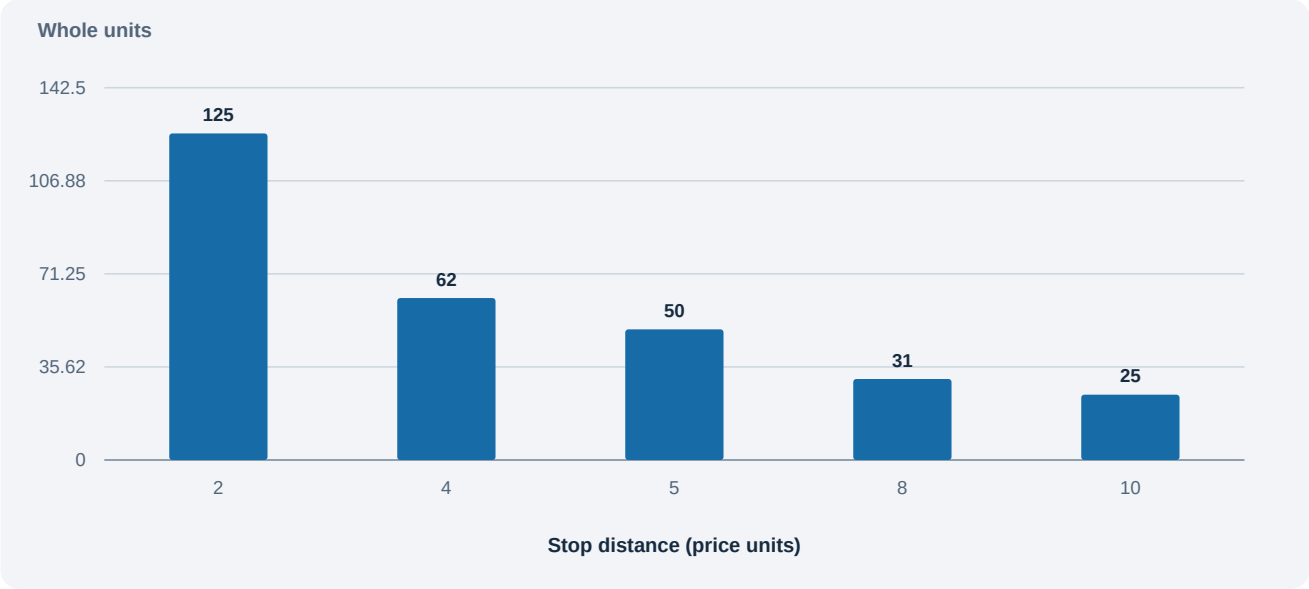
Sizing from stop distance

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

With a fixed currency budget, a wider entry-to-stop distance permits fewer units. The distance should reflect a defined invalidation rule before the quantity is calculated.

FORMULA Units = floor(budget / stop distance)

SCENARIO 01: Budget 250; stop distance changes quantity



WORKED EXAMPLE

A distance of 5 permits 50 units: floor(250 / 5). Costs and exposure caps are excluded.

COMMON MISTAKE

Moving a stop closer merely to afford a larger position changes the trading hypothesis.

BEFORE YOU USE THE CALCULATION

1. Measure entry-to-stop distance.
2. Round quantity down.
3. Check cash and liquidity constraints.

COMPARE TWO MORE INPUT SETS

Scenario 05: Budget 1000; stop distance changes quantity. A distance of 5 permits 200 units: floor(1000 / 5). Costs and exposure caps are excluded.

Scenario 10: Budget 5000; stop distance changes quantity. A distance of 5 permits 1000 units: floor(5000 / 5). Costs and exposure caps are excluded.

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