

# Money management calculator, E&OE.

Protect your capital and manage your risk, by thinking in terms of probabilities

## Hit rate

Hit rate	1 out of 2	2 out of 3	3 out of 4	4 out of 5	9 out of 10
Right	50%	66%	75%	80%	90%
Wrong	50%	33%	25%	20%	10%

## Probability of number of trades going wrong consecutively

1 in a row	$\frac{1}{2}$	$\frac{1}{3}$	$\frac{1}{4}$	$\frac{1}{5}$	$\frac{1}{10}$
2 in a row	$\frac{1}{4}$	$\frac{1}{9}$	$\frac{1}{16}$	$\frac{1}{25}$	$\frac{1}{100}$
3 in a row	$\frac{1}{8}$	$\frac{1}{27}$	$\frac{1}{64}$	$\frac{1}{125}$	$\frac{1}{1000}$
4 in a row	$\frac{1}{16}$	$\frac{1}{81}$	$\frac{1}{256}$	$\frac{1}{625}$	$\frac{1}{10000}$
5 in a row	$\frac{1}{32}$	$\frac{1}{243}$	$\frac{1}{1024}$	$\frac{1}{3125}$	$\frac{1}{1E+05}$

## Money management

So if your hit rate is:

And your available capital:

And you risk on each trade:

66/33 = 2 out of 3
<b>R 100 000.00</b>
<b>3%</b>

of your capital, then:

Then somewhere during every 243 trades you take with your trading system, you will be wrong on 5 consecutive trades, and you will reduce your capital during those 5 consecutive trades as follows:

Trade nr	Start with	Minus the loss	End with
1	R 100 000.00	R 3 000.00	R 97 000.00
2	R 97 000.00	R 2 910.00	R 94 090.00
3	R 94 090.00	R 2 822.70	R 91 267.30
4	R 91 267.30	R 2 738.02	R 88 529.28
5	R 88 529.28	R 2 655.88	R 85 873.40

## Summary

Started with	R 100 000.00
Ended with	R 85 873.40
Capital down	R 14 126.60
Pct drop	<b>14.13%</b>

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