Win rate and expected value

Lesson: zerotoinvest.com/en/lesson/expected-value/

Name _____ Date _____

EXERCISE 1

Hit rate 45 percent, average win $200, average loss $120. Expected value?

Your answer

EXERCISE 2

Hit rate 70 percent, win $50, loss $150. Expected value?

Your answer

EXERCISE 3

For the first strategy each trade costs $8 in fees and spread. What is left?

Your answer

EXERCISE 4

How much is that after 200 trades, if the estimate is right?

Your answer

Tip: the calculators on zerotoinvest.com help you check your answers.

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Solutions: Win rate and expected value

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Exercise 1. 0.45 × 200 − 0.55 × 120 = $24 per trade.

Exercise 2. 0.7 × 50 − 0.3 × 150 = minus $10 per trade.

Exercise 3. $24 − $8 = $16 per trade.

Exercise 4. 200 × $16 = $3,200. After so few trades, though, the estimate is still uncertain.

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