

The one-percent rule

Lesson: zerotoinvest.com/en/lesson/one-percent-rule/

Name _____

Date _____

EXERCISE 1

Your trading account holds \$8,000. How much may a single losing trade cost under the one percent rule?

Your answer

EXERCISE 2

Ten losses in a row, each 1 percent of the current account. How much of 8,000 is left afterwards?

Your answer

EXERCISE 3

And at 5 percent risk per trade after ten losses?

Your answer

EXERCISE 4

You hold five positions in the same sector, each with 1 percent risk. Roughly how much can a bad day for the sector cost?

Your answer

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

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Solutions: The one-percent rule

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Exercise 1. $\$8,000 \times 1 \text{ percent} = \$80$.

Exercise 2. $8,000 \times 0.99^{10} = \$7,235$, a little over 9.5 percent less.

Exercise 3. $1 - 0.95^{10} = 40.1 \text{ percent loss}$.

Exercise 4. Almost 5 percent, because the positions move together.

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