Twitter Thread by Steve Nison



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A general guide to position sizing for beginners. There is nothing new which I am sharing. Everything is already in the public domain or many books elsewhere.

Position sizing for beginners

Two basic rules:

1. No more than 1% risk per trade. (1% of your total capital).
2. No more than 10% allocation in a single position.

Example:

Laurus Labs current price to buy @ 690

Stop Loss Level : 620/-

Difference ⇒ 70/-

Total capital ⇒ 5,00,000 ₹

Risk per trade ⇒ 1% of total capital ⇒ 5,000 ₹

Therefore, quantity to be bought

$$\Rightarrow \frac{5000\text{ ₹}}{70\text{ ₹}} = 71 \text{ shares.}$$

Total capital deployed ⇒ 71 shares × 690 ₹

= 48,990 ₹,

which is less than 10% of total portfolio value.

If position per trade coming out to be more than 10% ⇒ reduce the quantity accordingly.