

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 \Rightarrow 70/-

Total capital \Rightarrow 5,00,000 ₹

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

Therefore, quantity to be bought

$$\Rightarrow \frac{5,000 \text{ ₹}}{70 \text{ ₹}} = 71 \text{ shares.}$$

Total capital deployed \Rightarrow 71 shares \times 690 ₹
 $=$ 48,990 ₹,

which is less than 10% of total portfolio value.

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