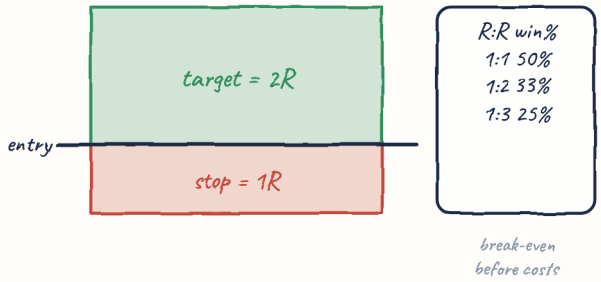
XAUUSD Global · study note

Risk to reward

Reward-to-risk compares what a trade can make at its target with what it loses at its stop. 1R is the amount you risk.



Key points

- Break-even win rate before costs = 1 ÷ (1 + R): 50% at 1:1, 33.3% at 1:2, 25% at 1:3.
- Expectancy per trade = win rate × average win − loss rate × average loss (in R).
- Hypothetical: 40% winners at 2R and 60% losers at 1R gives 0.4 × 2 − 0.6 × 1 = +0.2R per trade before costs.
- Bigger targets need fewer winners but are usually hit less often. There is no free lunch.
- Costs (spread, commission, slippage) shrink every R, most of all on small scalping targets.

How traders use it

1. Measure entry to stop (1R) and entry to target.
2. Take the target from the chart: the next opposing level, not a fixed 1:3.
3. Skip trades where the room to the next level is below your minimum.

Watch out

- ✗ Moving the target further away mid-trade.
- ✗ Taking winners at 0.5R while letting losers run to 1R.
- ✗ Judging a method on ten trades.

Key line: **A win rate means nothing without R. Break-even win rate = 1 ÷ (1 + R).**