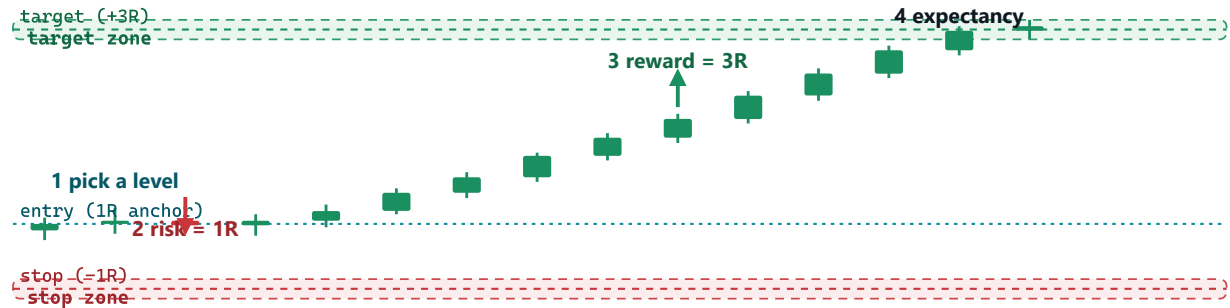


Risk, reward, and expectancy

Every idea has a distance to where it would be wrong (risk) and where it would be right (reward). Measuring both as one number, the R multiple, and pairing it with how often outcomes land is what matters.

QUANTREEF
market microstructure



PHASE 1 · THE SETUP

Pick a level

A trade idea starts at a reference level in the structure. It marks the anchor point from which everything else is measured, giving the risk and reward a common starting line.

entry ~ 61000

PHASE 2 · DEFINE RISK

Mark the stop

Below the idea sits an invalidation point — where the structure would say the idea is simply wrong. The distance from entry down to that stop is the risk, and it is defined as 1R, one unit of risk.

stop ~ 60000 · risk = 1R

PHASE 3 · DEFINE REWARD

Mark the target

Above sits a target level used to measure how far the move is tracked. The distance from entry up to target, divided by the risk distance, is the reward in R. Here the reward distance is roughly three times the risk, or 3R.

target ~ 64000 · reward = 3R

PHASE 4 · EXPECTANCY

Combine with win rate

Reward-to-risk alone is not enough. Expectancy blends it with how often outcomes land: (win rate x average win) minus (loss rate x average loss). A high R multiple can still be negative if wins are rare, and a modest one can be positive.

Key terms

R (risk unit) — The distance from entry to stop, treated as one unit. All outcomes are then measured in multiples of it.

Reward-to-risk — Target distance divided by stop distance. A 3R shape has a reward distance three times the size of the risk distance.

Win rate — The share of outcomes that reach the target rather than the stop, expressed as a percentage over many events.

Expectancy — Average result per event: win rate times average win, minus loss rate times average loss. Positive means favourable on paper.

How to read & use it

Read levels as distances

Don't just look at prices — measure the gap from entry to stop and from entry to target. Those two distances, expressed as R, describe the shape of the idea before any outcome is known.

Win rate needs its partner

A high hit rate with tiny rewards and large losses can still lose over time. Always pair how often with how much, because either number alone can mislead.

Think in many events

Expectancy only describes averages across many outcomes, never the next single one. Any individual result can land anywhere regardless of the arithmetic.

HOW TO READ THIS ON QUANTREEF

Where Quantreef shows risk, reward, or R multiples, treat it as descriptive context and education about the structure — not a signal, recommendation, or prediction of what price will do. Nothing here is trading or financial advice.