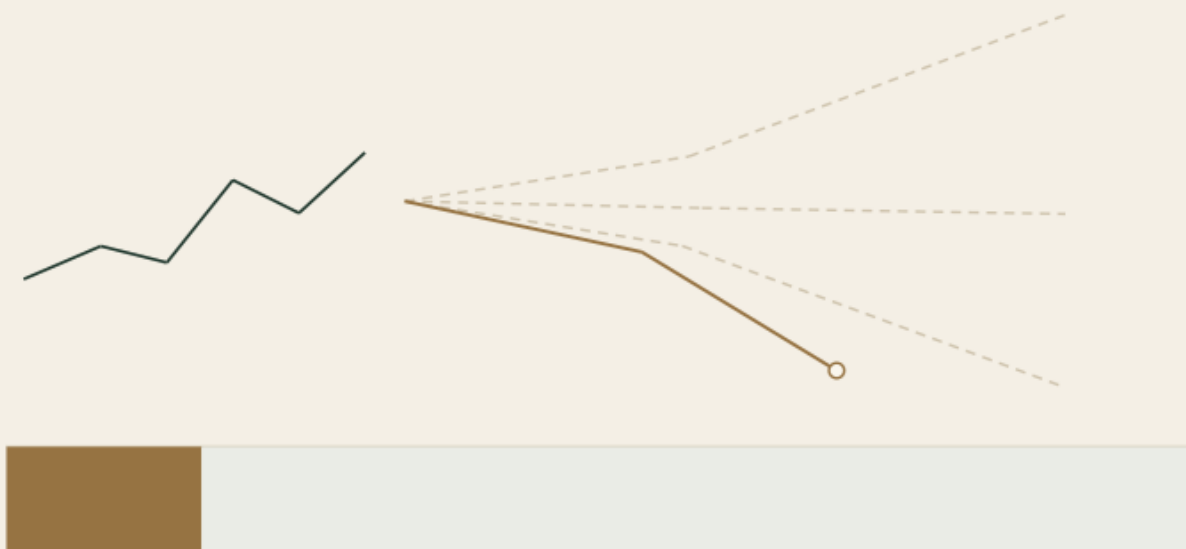


CAPITAL AND THE RIGHT TO CONTINUE

WHAT MUST REMAIN AVAILABLE AFTER THIS DECISION?

Capital also preserves the capacity to be wrong without being finished, even when a setup was reasonably understood.



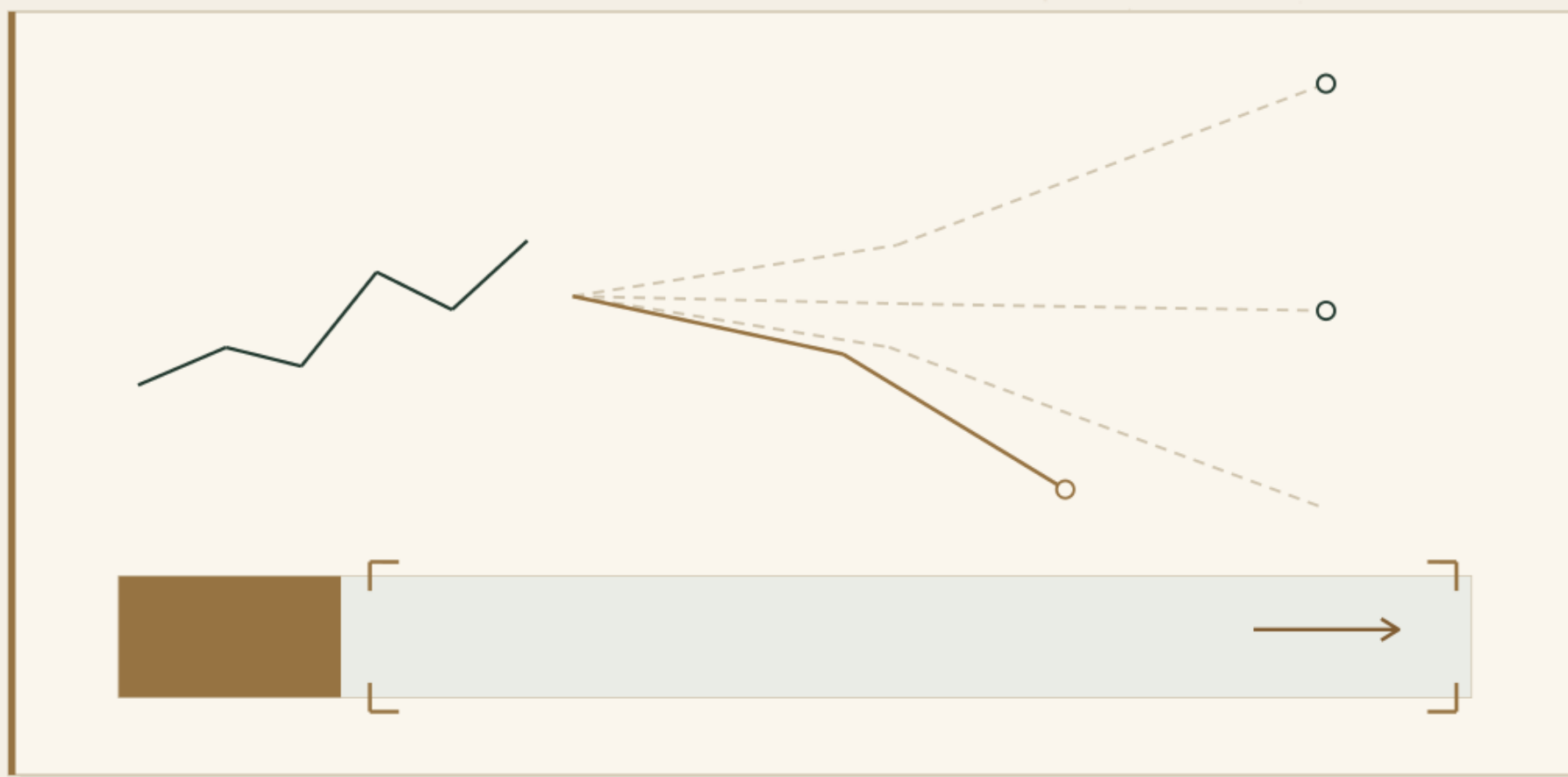
CURRENT RISK • REMAINING CAPITAL • NEXT DECISION



A valid idea can lose or develop later than expected; the account still needs capacity for the next decision.

CAPITAL AND THE RIGHT TO CONTINUE

TODAY'S RISK AFFECTS TOMORROW'S AVAILABLE CHOICES



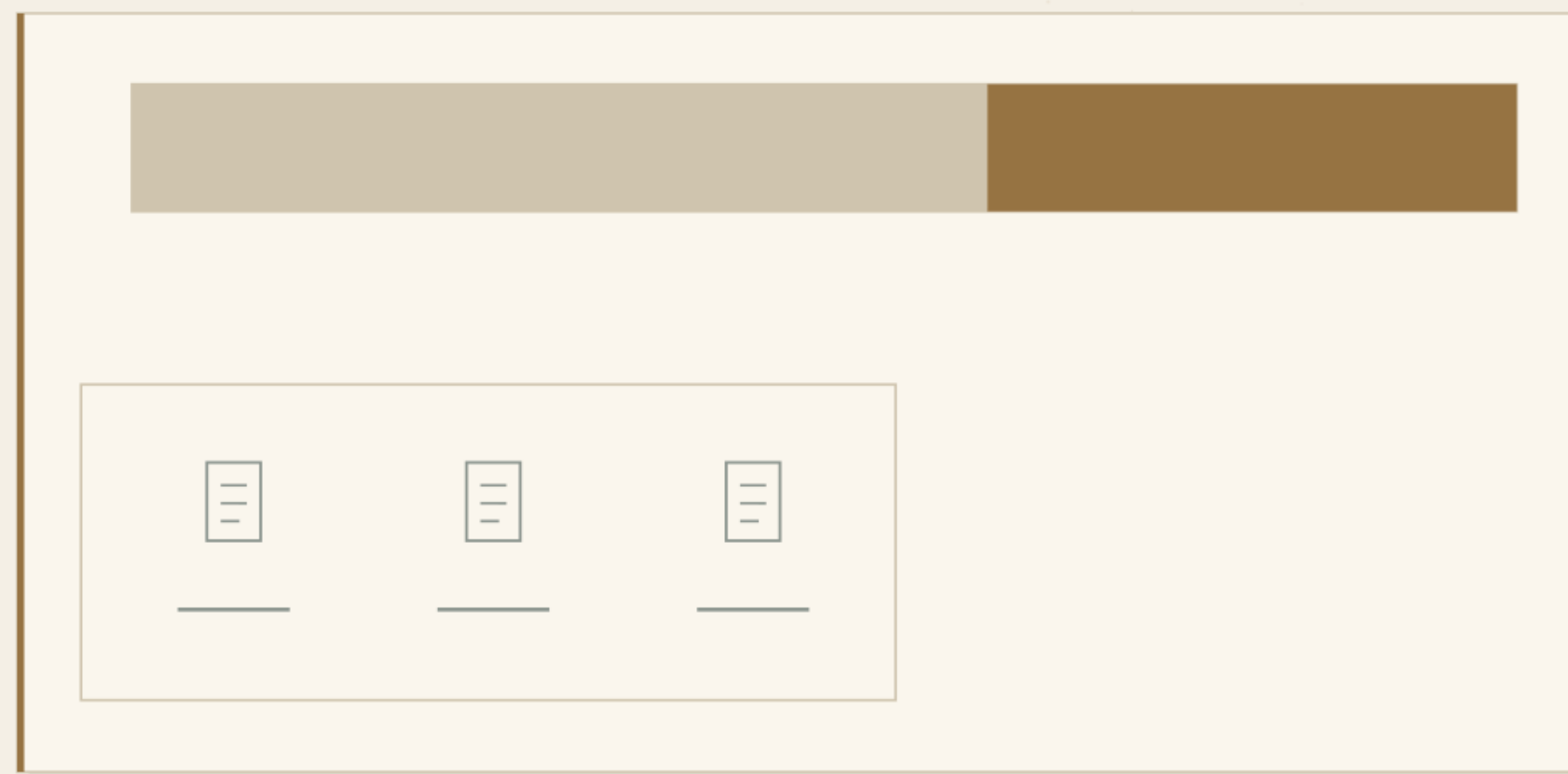
Money left after that experience makes the next decision possible.

Before asking how hard capital can work on one opportunity, we need to understand what that opportunity could take away from the opportunities that follow.

CAPITAL MEANS MORE THAN A BALANCE

CAPITAL AND THE RIGHT TO CONTINUE

MONEY ALREADY HAS RESPONSIBILITIES



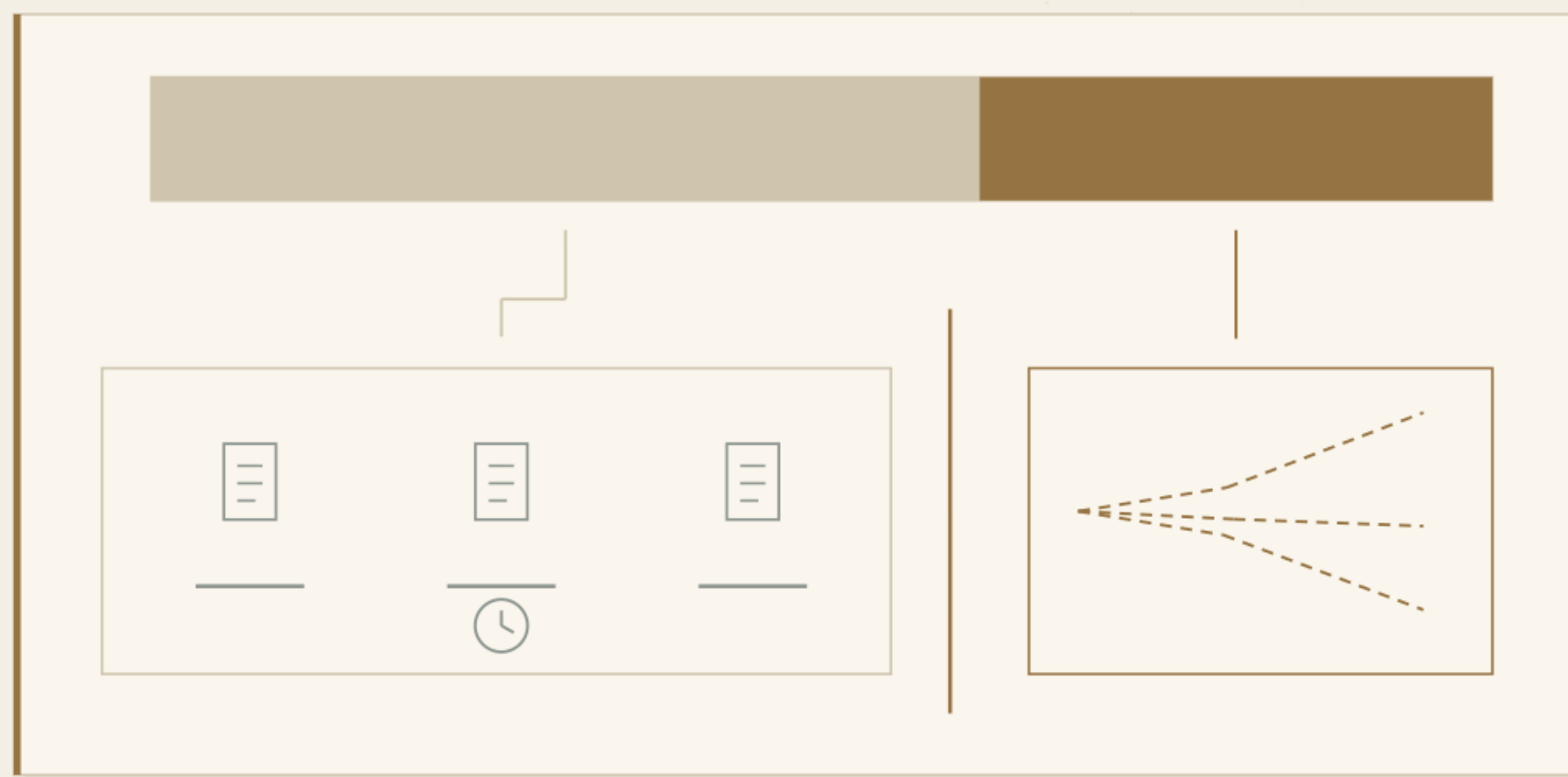
Money needed for essential commitments has a different job from trading risk capital.

A normal trading loss should not quietly become a threat to an essential payment.

ESSENTIAL COMMITMENTS • RISK CAPITAL

CAPITAL AND THE RIGHT TO CONTINUE

KEEP ESSENTIAL COMMITMENTS SEPARATE FROM RISK CAPITAL



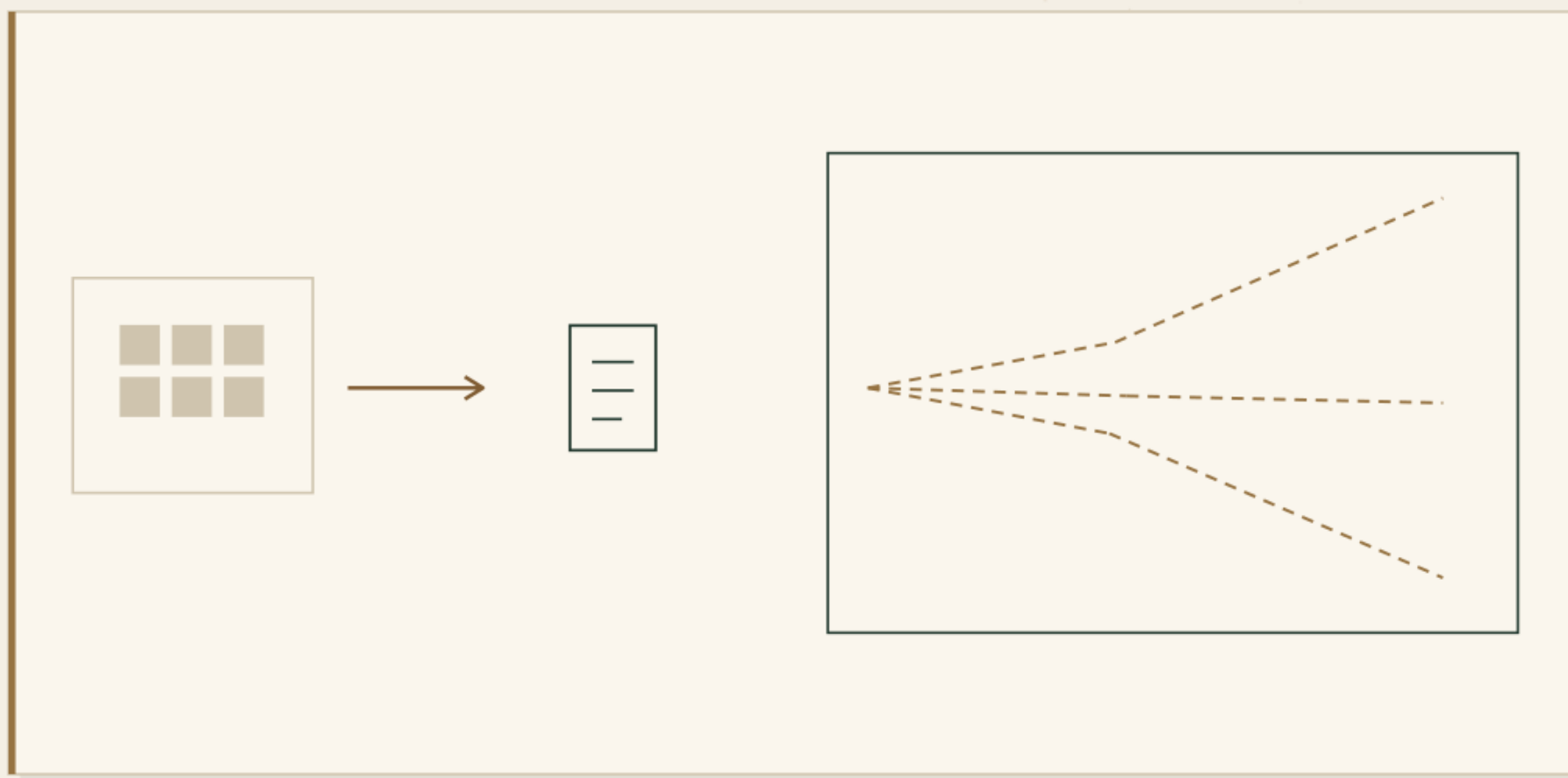
TRADING CAPITAL AND LIFE CAPITAL

Risk capital is the portion whose possible loss does not depend on a winning trade to restore basic commitments.

Money assigned to a necessary use should not quietly acquire the job of financing uncertain market outcomes.

CAPITAL AND THE RIGHT TO CONTINUE

BUYING POWER IS NOT LOSS CAPACITY



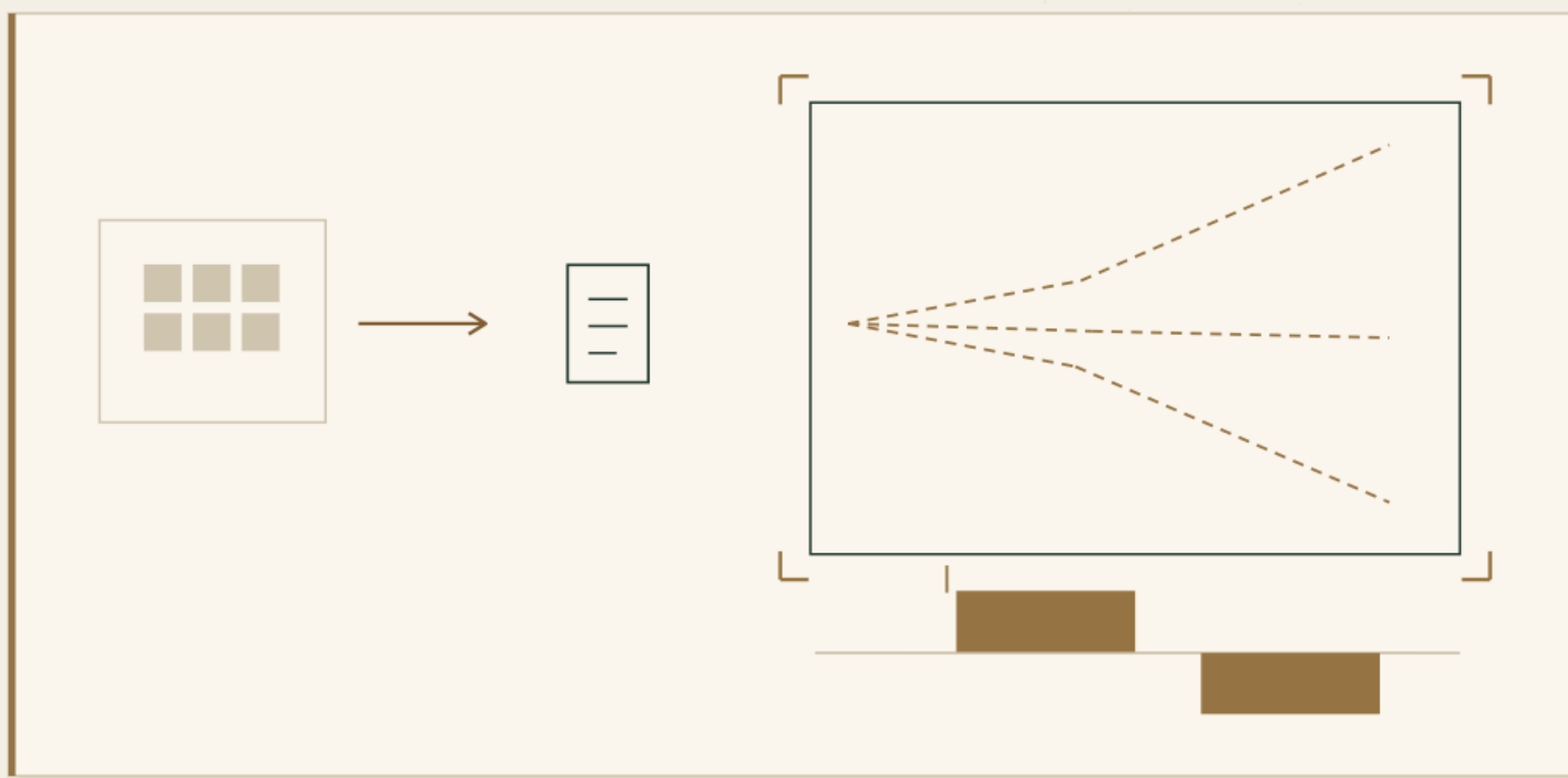
A broker's margin or buying-power requirement is an access condition, not a complete risk assessment.

In leveraged products, profit and loss respond to exposure rather than the apparent size of the deposit.

ACCESS REQUIREMENT • ECONOMIC EXPOSURE • LOSS CAPACITY

CAPITAL AND THE RIGHT TO CONTINUE

BEGIN WITH POTENTIAL LOSS AND CONCENTRATION



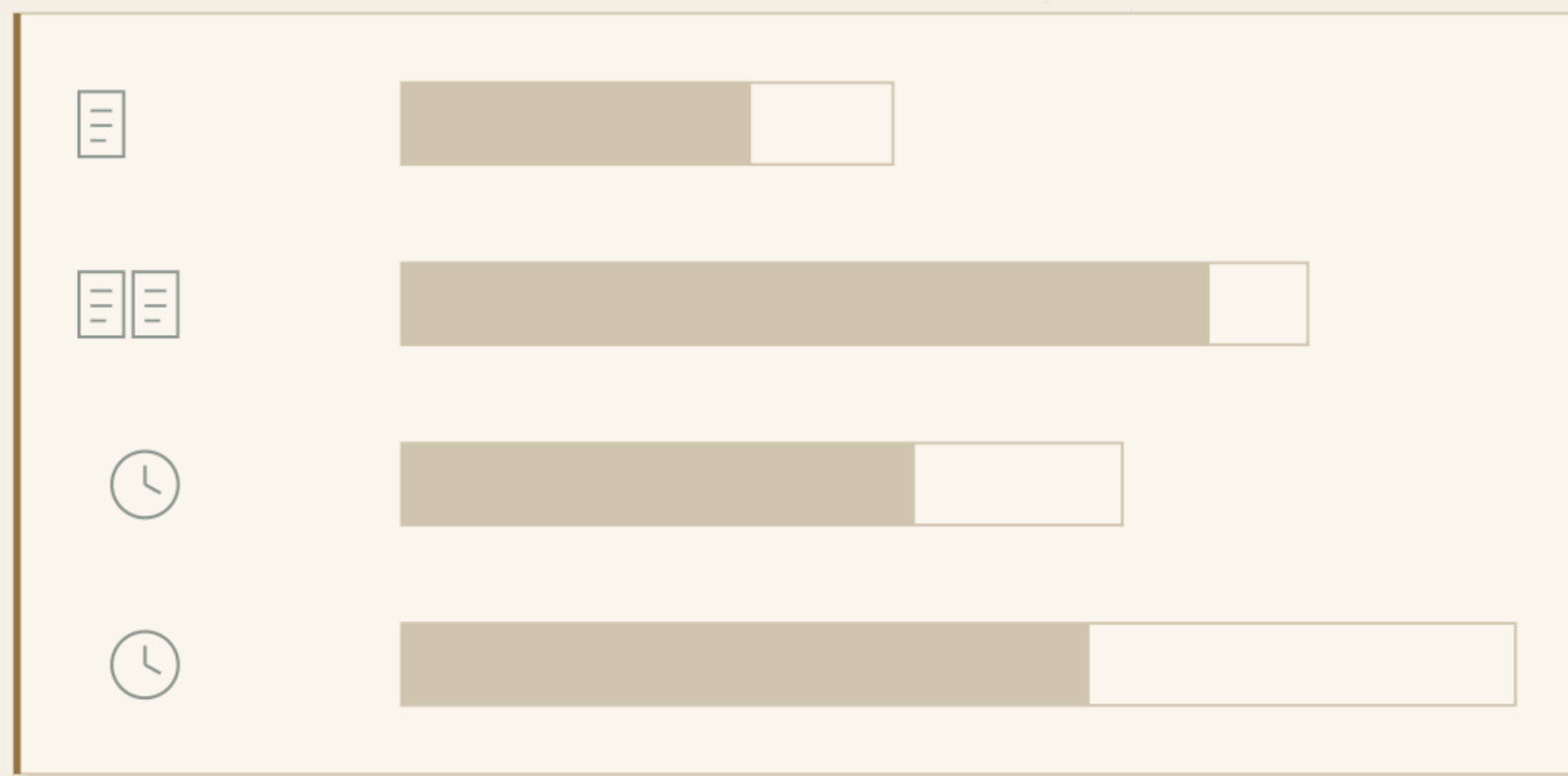
Even in an unleveraged account, committing a large share of available cash to one instrument can make the account highly sensitive to one event.

The more useful question is how much uncertainty the account can responsibly carry.

LOSS CAPACITY IS NOT BUYING POWER

CAPITAL AND THE RIGHT TO CONTINUE

EACH LIMIT ANSWERS A DIFFERENT QUESTION



Individual, aggregate, daily or weekly, and drawdown limits protect different parts of the account.

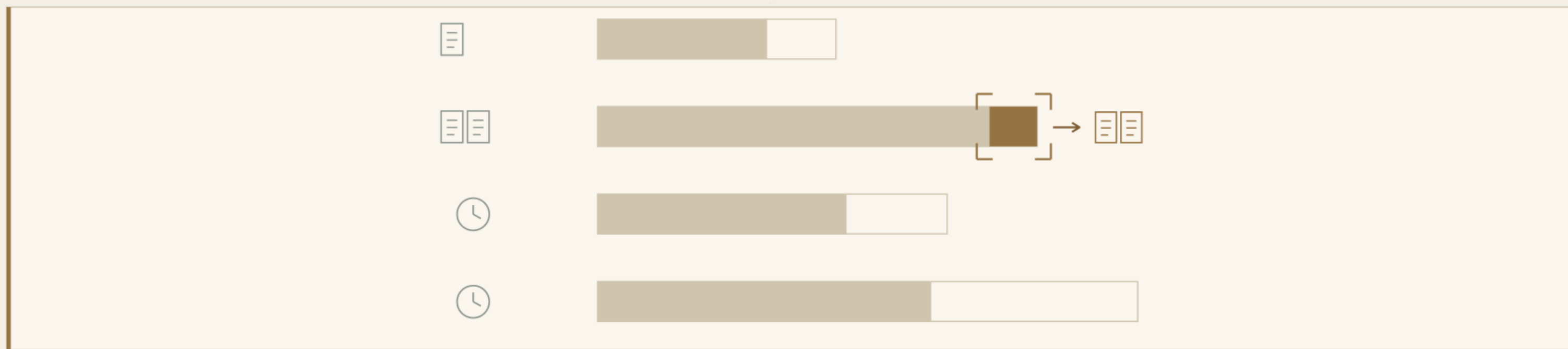
A small trade can still add too much combined exposure.

ONE IDEA • COMBINED POSITIONS • LOSSES OVER TIME

CAPITAL AND THE RIGHT TO CONTINUE

THE TIGHTEST RELEVANT LIMIT GOVERNS THE NEXT COMMITMENT

A small individual trade may still add too much exposure to a crowded portfolio.



DIFFERENT LIMITS DO DIFFERENT JOBS

A coherent structure lets each limit answer its own question, with the tightest relevant constraint governing the next commitment.

CAPITAL AND THE RIGHT TO CONTINUE

ONE ACCOUNT. TWO STATED CEILINGS.

Hypothetical account: \$20,000 capital; \$200 individual planned-risk ceiling; \$500 combined ceiling.



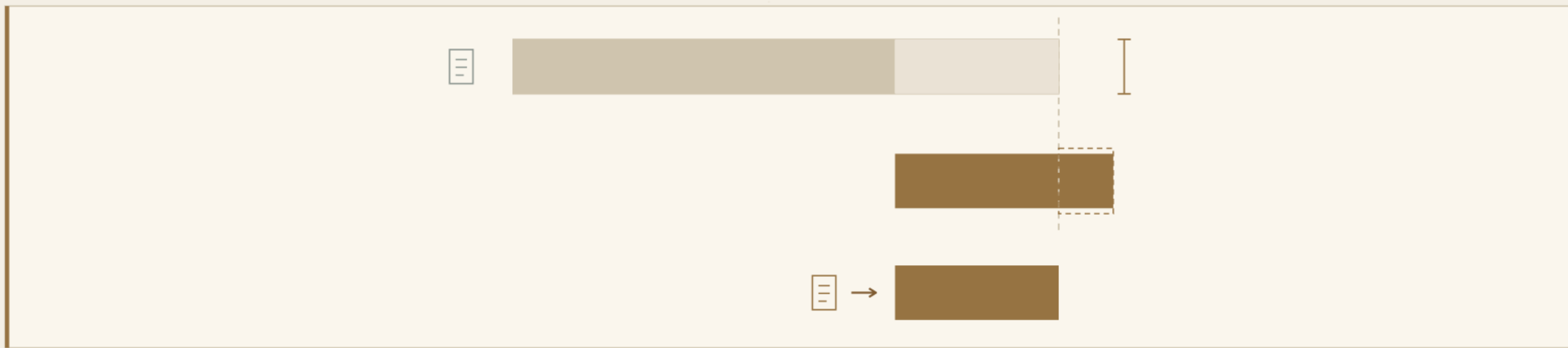
CAPITAL \$20,000 • INDIVIDUAL \$200 • COMBINED \$500

Existing positions already use \$350 of the combined allowance.

CAPITAL AND THE RIGHT TO CONTINUE

ONLY \$150 OF COMBINED CAPACITY REMAINS

$\$500 - \$350 = \$150$ available; adding \$200 would take combined planned risk to \$550.

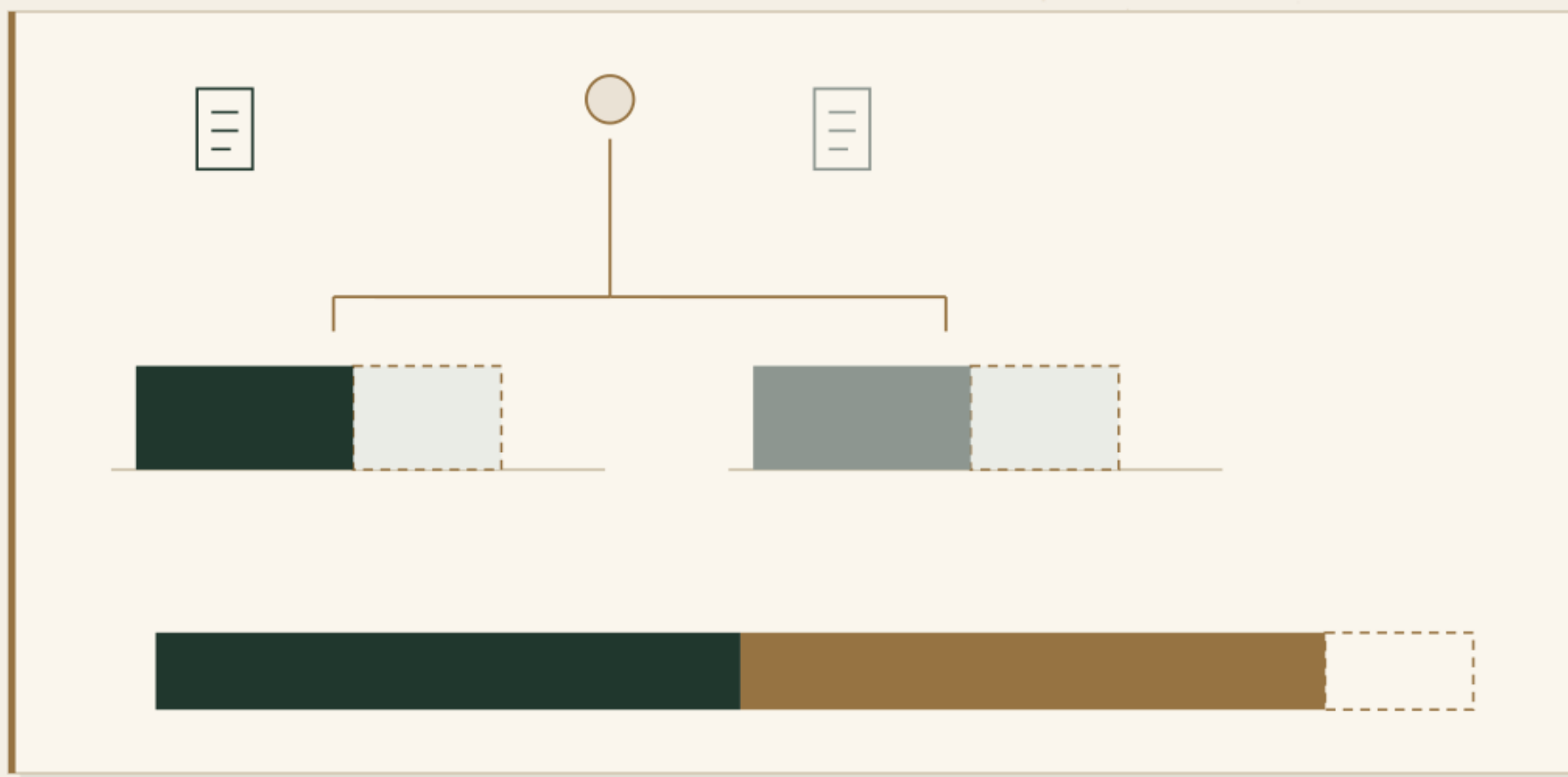


REMAINING \$150 · PROPOSED \$200 · COMBINED \$550

Fit the remaining allowance only if the instrument's tradable quantity permits it.

CAPITAL AND THE RIGHT TO CONTINUE

AN ALLOWANCE DEPENDS ON ITS ASSUMPTIONS



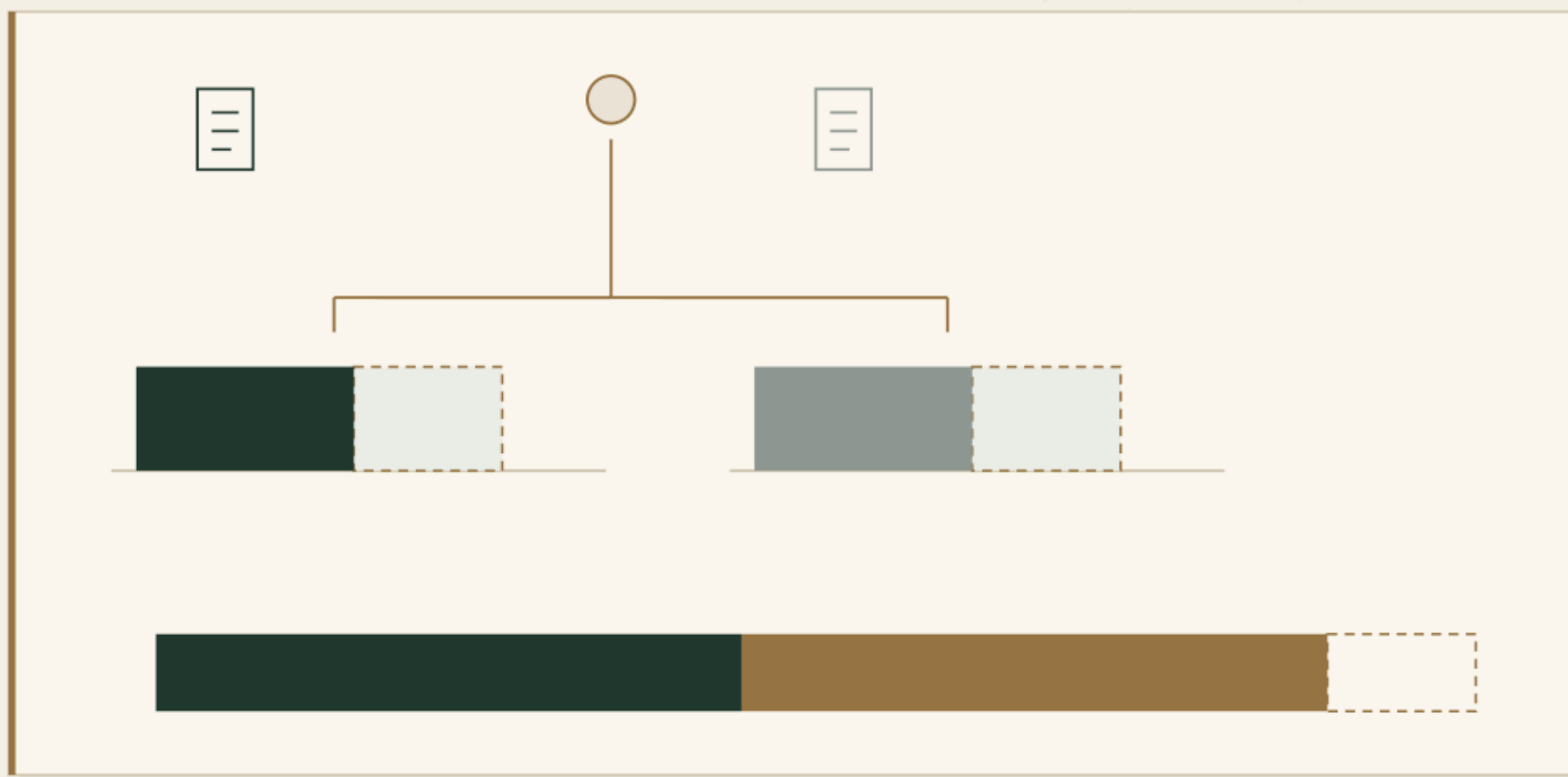
Adding planned stop losses is an organizing measure, not a guaranteed maximum account loss.

Joint losses, execution beyond a trigger, costs and estimation error still matter.

PLANNED LOSSES • SHARED SHOCK • EXECUTION UNCERTAINTY

CAPITAL AND THE RIGHT TO CONTINUE

A PERCENTAGE CANNOT CORRECT AN UNSUITABLE RISK MODEL



A smaller position reduces sensitivity, but it does not make an incorrect model correct.

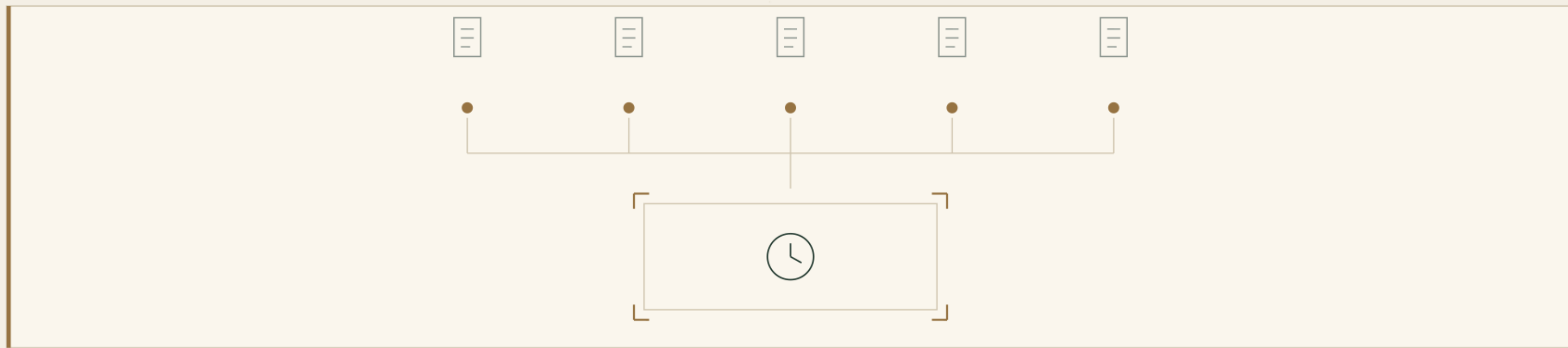
Sound capital management combines a reasonable exposure size with an understanding of the instrument and its liquidity.

THE ASSUMPTIONS BENEATH THE ALLOWANCE

CAPITAL AND THE RIGHT TO CONTINUE

ATTENTION ALSO HAS A CARRYING CAPACITY

An account can have financial capacity while lacking the attention needed to manage several positions at once.



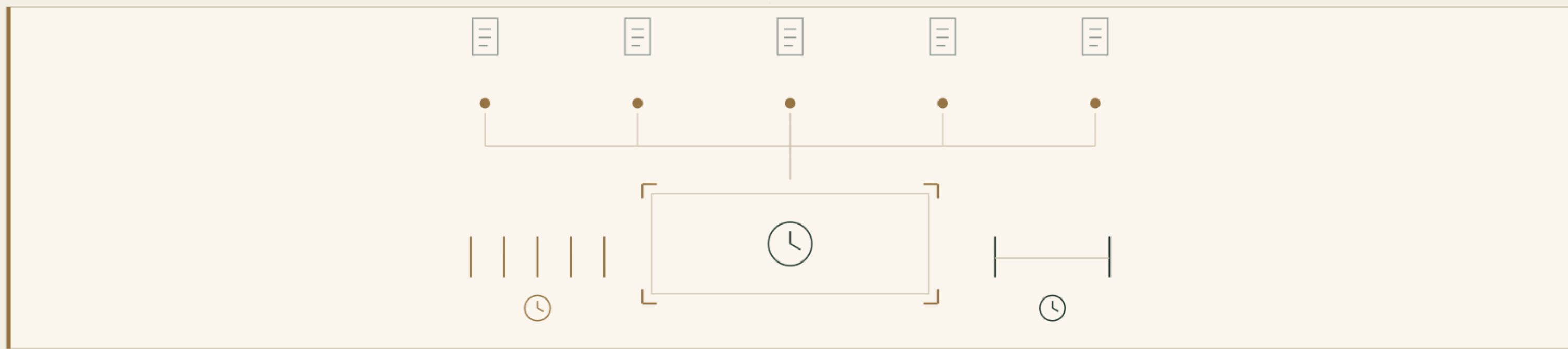
FINANCIAL CAPACITY • ATTENTION CAPACITY • MANAGEMENT DEMANDS

Match active monitoring, execution demands and decision frequency to actual availability.

CAPITAL AND THE RIGHT TO CONTINUE

MATCH MANAGEMENT DEMANDS TO ACTUAL AVAILABILITY

A position that relies on immediate manual intervention is a different commitment from one managed through orders and a slower decision cycle.

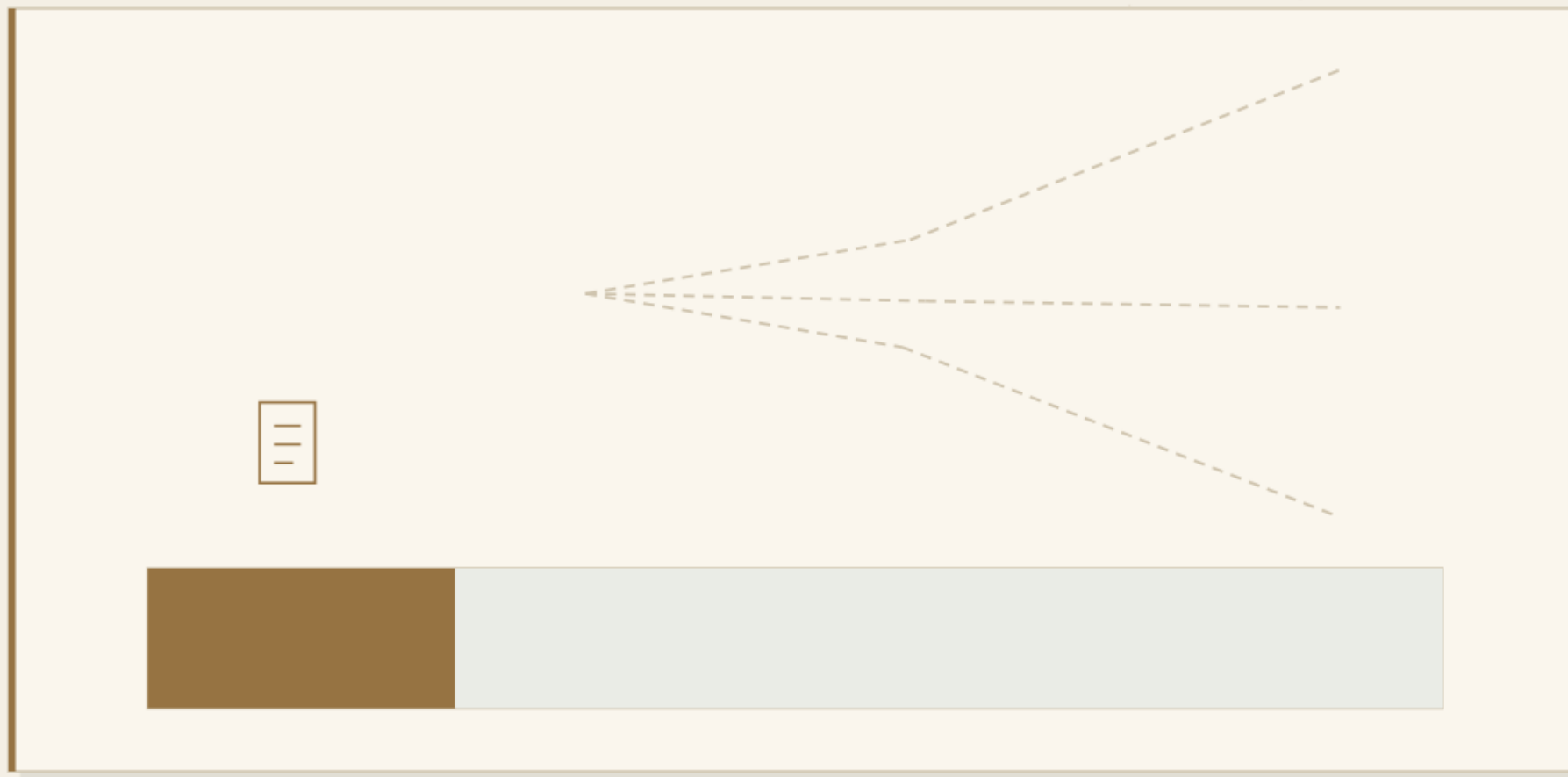


ATTENTION HAS CARRYING CAPACITY

Treating attention as part of capital planning helps explain why an apparently small position can become expensive.

CAPITAL AND THE RIGHT TO CONTINUE

UNCOMMITTED CAPACITY PRESERVES USEFUL CHOICES



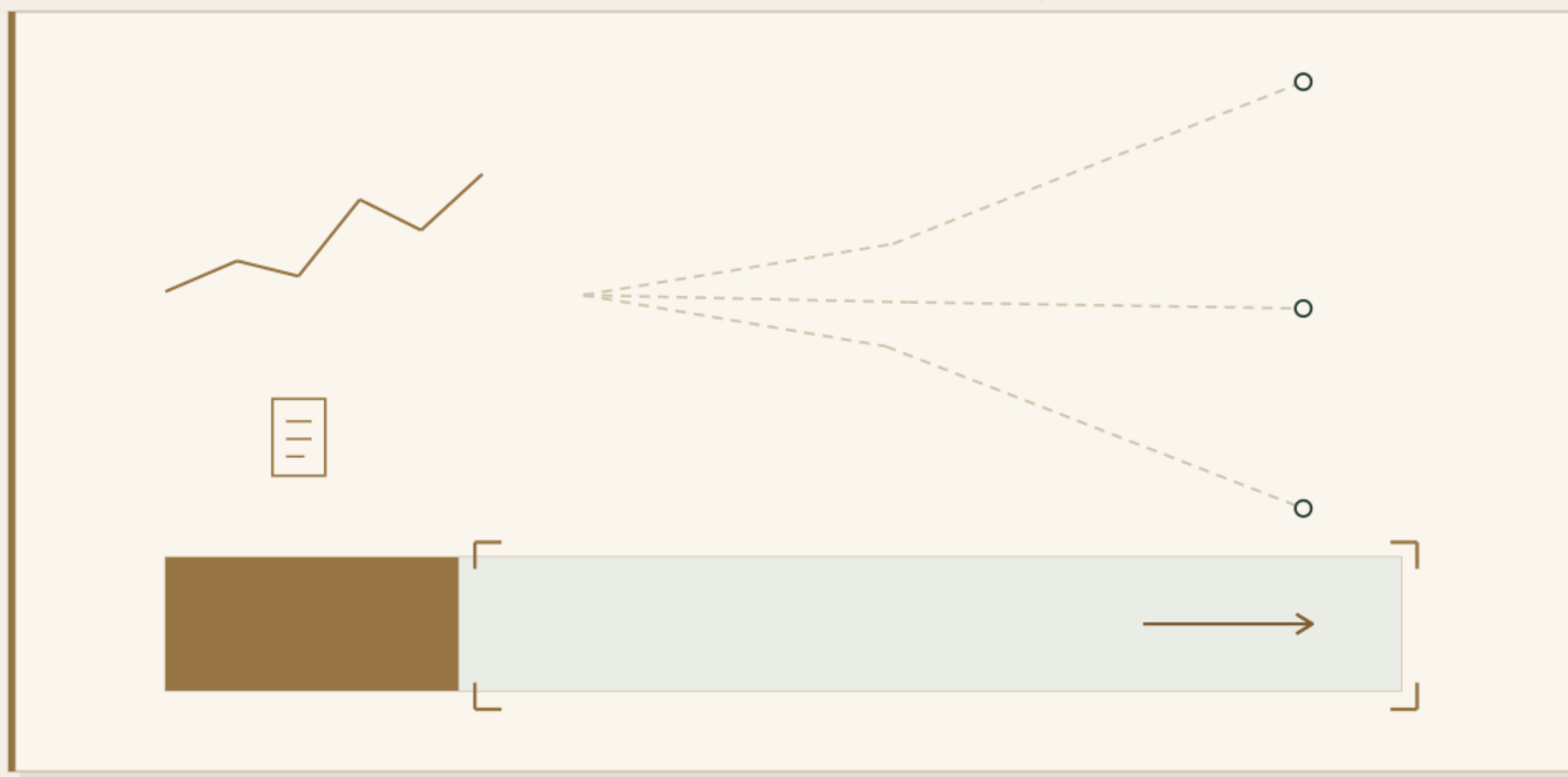
AVAILABLE CAPACITY • FUTURE CHOICE • ACCOUNT PRESSURE

Preserved capacity allows the account to choose opportunities, adapt a deteriorating method and participate later.

An account under pressure has fewer choices and may need an unusually favorable result just to recover.

CAPITAL AND THE RIGHT TO CONTINUE

MAKE EXPOSURE COMPATIBLE WITH REPEATED PARTICIPATION



CAPITAL CREATES USEFUL FREEDOM

The goal is not to protect every dollar from every fluctuation.

The right to continue is built into the amount of freedom left after today's trade.