

TRADING KNOWLEDGE LIBRARY

The Account That Doubled

Risk Management



The Account That Doubled

What a good run is evidence of, and what it changes

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Trading Papers

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01

Ten to twenty in three weeks

An account goes from ten thousand to twenty and a half in a few weeks. It is a real event: the trades happened, the statement is genuine, and the person who did it did something most people cannot. It is also the single most misread number in this business, and the misreading has a shape worth setting out before anything else.

	It is evidence of	It is not evidence of
About the method	That the method can produce large gains in favourable conditions.	That the conditions were typical.
About the future	That risk was taken, and this time it paid.	A rate. Nothing here annualises.

What a doubling in a few weeks is evidence of. The left column is real and worth having; the right is what the number is usually read to mean, and reading it that way is the beginning of everything that follows.

Read the left column first, because it is not nothing. A run like that is evidence that the method can produce large gains when conditions suit it, and that the person was willing to carry risk. Both are genuine and both are rarer than they look.

The right column is where the damage begins. Nothing about a three-week run establishes that those weeks were typical, and nothing about it is a rate. The phrase that does the harm is not a lie but a tense: it doubled becomes it doubles, and from there the arithmetic in the next section follows automatically.

This is the last paper in The Right Way to Trade. It assumes the first three — the job, the standard of evidence, and the written plan — and it is about the part of the story that usually stops at the screenshot.

02

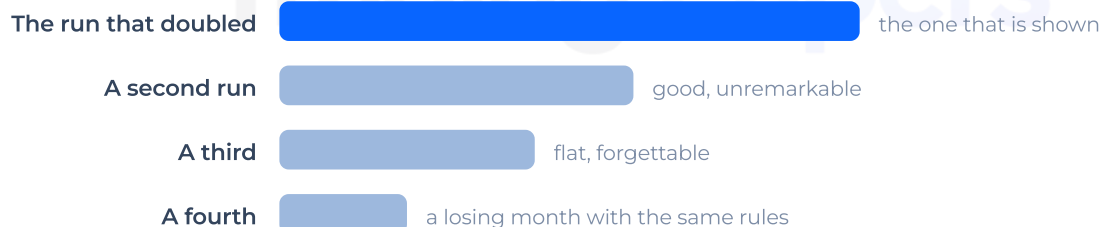
Why it is not a rate

The operation that turns a good run into an expectation is annualising, and it is worth seeing what it produces when applied honestly.

Observed	Annualised	What it would mean
+105% in three weeks	+1,900,000%	the world's money, within two years
+8% in a week	+5,300%	a fund that has never existed
+2% in a month	+27%	an excellent professional year
+0.5% a month	+6%	modest, and sustainable

What happens when a short run is extended. Every row is arithmetically correct and the last two are impossible, which is the point: the operation that produces them is the same one used in most advertising.

Every row is arithmetically correct and the top two are impossible. A hundred per cent in three weeks, extended, exceeds the money in the world within a couple of years — which is not an argument that the run was fake, but a demonstration that the extension is meaningless. Short periods do not annualise, because the thing that produced them does not repeat on a schedule.



Schematic. The same method, the same risk per trade, and four different runs of the same length — because a distribution has a good tail as well as a bad one. Only one of these gets photographed.

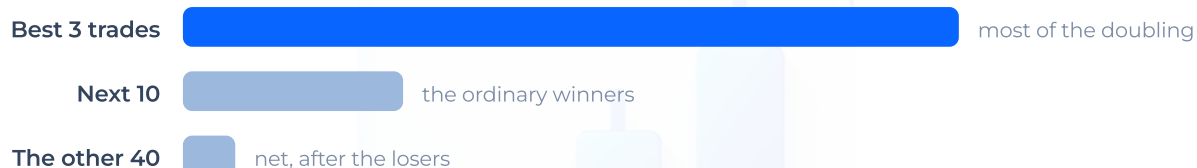
The second figure is the part that is hardest to internalise. The same method, at the same

risk, run four times over the same length of period, produces four different results — one of them excellent, one flat, one losing. That is not a failure of the method; it is what a distribution means. And of those four, only the first is ever photographed, which is how an ordinary method acquires an extraordinary public record.

03

Which trades made it

A doubling looks like a curve, and a curve hides its own composition. Taking one apart is the most useful thing a trader can do with a good period, and it almost always shows the same shape.



Schematic, and the shape almost every strong run has when it is taken apart: a small number of trades carry nearly all of it. This is not a flaw in the run — it is what a positive-expectancy distribution looks like from close up.

Three trades carried most of it. That is not unusual and it is not a defect — a method with positive expectancy earns most of its money in a small share of its trades, and the rest of the record is the cost of being present for them. But it changes what the run is evidence of, and the change is not in the direction anyone hopes.

Because the gain is concentrated	It follows that
Missing three trades changes everything	being present matters more than the entries
Those three were not knowable in advance	selection after the fact explains nothing
The other forty roughly broke even	the method's ordinary output is ordinary
A different three weeks omits them	the same method produces a flat month

What that concentration implies, one consequence per row. The last is the reason this paper exists: a run carried by three trades is a run that could have been carried by none.

Work down those consequences. If three trades carried the run, and those three could not have been identified in advance, then the skill on display is being present and following the rules rather than selection. And a different three weeks, traded identically, contains no such trades and produces a flat month with exactly the same discipline behind it.

There is one practical instruction in this. When reviewing a strong period, recompute the result with the best three trades removed. If what remains is roughly break-even, you have learned something specific and valuable: the method works, and the month was the tail of its distribution rather than a new normal.

04

The same risk at the new size

Suppose the run is kept. The account is now twice the size, the rules have not changed, and everything about following them has.

	£10,000 account	£20,500 account
1% risk per trade	£100	£205
A five-loss run	£500	£1,025
Position size	×1	×2
Slippage on that size	barely visible	measurable
How the loss feels	a cost of business	a bad afternoon

The same rule at two account sizes. Nothing in the arithmetic changed and everything about the experience did — which is why the rule that was easy to follow at the start is the one that gets loosened at the new size.

One per cent of the larger account is twice the money. The arithmetic is untouched — same fraction, same number of losses to survive, same everything — but a five-loss run now costs a thousand pounds instead of five hundred, and the position is twice the size in a market that has not grown to accommodate it.

Two consequences follow, and they pull in opposite directions. Slippage becomes visible: an order twice the size fills slightly worse, most noticeably in exactly the best conditions the best setups occur in. And the loss stops feeling like a cost of doing business and starts feeling like a bad afternoon, which is the point at which the rule that was easy to follow becomes the rule that gets discussed.



What a drawdown costs at each depth, and why the arithmetic is asymmetric. The right-hand figure is the gain required to get back to level, and it grows much faster than the loss that caused it.

The asymmetry in that figure is the reason all of this matters. A twenty-five per cent fall needs a thirty-three per cent gain to undo; a fifty per cent fall needs a doubling. Giving back

the run costs more than the run produced, and the arithmetic gets worse the further it goes — which is why the rules that protect against depth matter more after a good period than during one.

05

The run from inside

Curves are drawn afterwards and are smooth. The experience is not, and the difference between the two is where most of the decisions in this paper actually get made.

Week	The account	What it felt like
One	+14%	cautious, following the plan exactly
Two	+9%, then -6% in two days	the first doubt about the method
Three	+38%, mostly on two trades	conviction, and the first size increase
Four	+31%	certainty, and a plan being quietly rewritten
The day after	-11%	the largest single loss of the period

The same run, week by week, as it looked from inside rather than as a curve afterwards. The middle column is what a chart of the account cannot show and what the person doing it will remember.

Notice week two. A six per cent fall inside a period that ended at plus a hundred was, at the time, the first real doubt about the method — and it arrived before any of the trades that made the run. A trader who abandoned the plan there would have exited a winning period during its ordinary noise, which is the most common way a good month is missed entirely.

Then notice the last two rows, which are the same event seen twice. The certainty of week four and the loss on the day after are not a coincidence: the size that produced the loss was set by the confidence that the preceding weeks created. Nothing in the market changed between them.

06

What a run does to the person

The changes that follow a strong period are predictable enough to be written down in advance, which is the only useful thing to do with them.

	What rises	What that produces
Confidence	The feeling of having understood something.	Larger size, taken as a reward rather than a decision.
Reference point	The account's peak becomes the number in your head.	Ordinary results now register as losses.

What changes in the person after a strong run, and what the plan should have said about each in advance. Every cell on the right is ordinary and predictable, which is exactly why it can be written down before it happens.

Confidence rises, and it rises specifically as a feeling of having understood something — which is the least reliable moment to increase size, because the sample supporting the understanding is three weeks long. The reference point moves too: the peak becomes the number in your head, and every ordinary result afterwards registers as a loss against a level that was reached once.

Step	The reasoning at the time	What changed
1% as written	the plan says so	nothing
1.5% on a good setup	this one is clearly better	the rule now has exceptions
2% to recover a loss	just to get back to where we were	size is now a response to results
3% because it is working	the method is proven	a small sample became proof
Whatever is left	one trade to fix everything	there is no rule left to break

How position size grows after a good run, written as it actually happens. No step is a decision to abandon the rule, and by the fifth the rule has been abandoned.

That table is the mechanism by which the run is given back, written as it actually happens. Not one step is a decision to abandon the plan. Each is a local amendment with a reason that sounded good on the day, and the fifth row is where the account meets the arithmetic of the previous section.

The defence is the one from the third paper and it is boring: no rule changes without a hundred trades, and no rule changes in the same week it was broken. Written before the run, it costs nothing. Written during it, it does not get written.

07

Making it real

A number on a screen is not money. This is the least glamorous section in the series and the one that decides whether any of it produced anything.

The number	What it is	Can it be spent?
The peak balance	the best moment, unrealised	no
The open profit	a position not yet closed	no
The closed balance	realised, before tax and costs	partly
What was withdrawn	money outside the account	yes

The four numbers a trader could call their result, and what each is actually worth. Only one of them can be spent, and it is the one nobody photographs.

Four numbers compete to be called the result. The peak is a moment; open profit is a position that has not been closed; the closed balance is real but still owes tax and costs. Only the last row can be spent, and it is the only one that never appears in a screenshot, because a withdrawal looks like a smaller account.



Turning a number on a screen into money that exists. Each step is dull, and the whole sequence is what separates a good run from a story about a good run.

The rule has to be decided before the run for a simple reason: during one, every argument favours leaving the money in. It is working, the conditions are right, withdrawing now would be timid. All three are persuasive, all three are the run talking, and a fixed share on a fixed date does not have to argue back.

Where it goes matters as much as that it goes. Money moved to an account you can reach on the same afternoon has not left trading; it is a delay. Somewhere trading cannot reach means exactly that — a different institution, a different login, a delay measured in days rather than clicks.

08

Where trading income can go

Once money is out, it has to be somewhere. This section describes destinations by the question they answer rather than by product, because the products differ by country and the questions do not.

Destination	What it is for	The honest caveat
Cash reserve	months of expenses, so trading is optional	returns nothing, and that is the point
The trading account	working capital at a size you can run	more capital does not improve a method
Long-horizon holdings	growth that does not need your attention	a different discipline and a different timescale
Higher-risk allocations	a small, capped share	sized so a total loss changes nothing

Where trading income can go once it exists, described by the property that matters rather than by product name. This is not advice about instruments; it is the question each destination answers.

The second row is worth pausing on. Returning money to the trading account is a legitimate destination and it has a ceiling: more capital does not improve a method, it only scales it, and scaling a method with a thin edge scales the thin edge. The correct working size is the one you can actually follow the plan at, and it is usually smaller than the one you can technically fund.

No reserve		every trade has to work
Three months		a bad month is survivable
Six months		the plan can be followed
Twelve months		trading becomes optional, which improves

Why the boring destination is the one that changes trading most. Each bar is how many months a trader could go without a profitable week, and the effect of that on the decisions made during a bad one is larger than any technique in this library.

The first row is the one that changes trading most, which is counter-intuitive because it earns the least. A trader with six months of expenses outside the market can follow a plan through a bad month; a trader with none cannot, because every trade has to work, and needing a trade to work is the reliable way to ensure it does not.

The last row exists because it is where excitement goes if it has nowhere sanctioned to be. A small, capped allocation to something speculative, sized so that losing all of it changes nothing, is a legitimate line in a plan. The same impulse, unallocated, arrives instead as size on the next trade.

09

Was it luck?

This is the question everyone asks about someone else's run and nobody asks about their own, and it has an answerable form.



How to find out whether a run was skill, in the only way available. None of these steps can be done during the run, which is why the question is best settled by having started the record earlier.

The first step disposes of most cases. Under fifty trades there is no version of this question that can be answered, and a three-week doubling is usually built on fewer. That is not a criticism of the run; it is a statement about what a small sample can support, and it applies exactly as much to a good one as to a bad one.



Schematic of an uncomfortable fact: with ordinary variance, a method with a small positive edge throws off spectacular short periods often enough that seeing one tells you very little. Each bar is how often a run this good appears across a year of active trading.

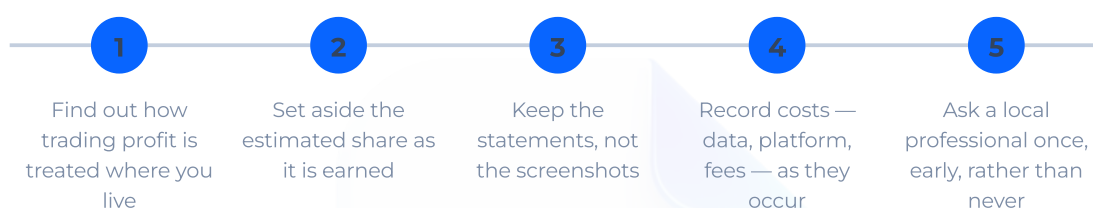
The figure is the uncomfortable part. A method with a genuine but small edge, traded with ordinary variance, throws off spectacular short periods regularly — often enough that seeing one is weak evidence about the method. Most people who trade actively for a year will have at least one week that looks like proof of something.

None of this means the run was luck. It means the run cannot settle the question by itself, and that the thing which can settle it — expectancy across a large sample under unchanged rules — is exactly what the plan and the log in the third paper were for. A trader with that record can answer this in an afternoon; a trader without one cannot answer it at all.

10

The administration nobody photographs

A profitable year creates paperwork, and the paperwork is easier to do while the year is happening.



The unglamorous administration that a profitable year creates. None of it is difficult and all of it is easier before the year ends than after; the specifics depend entirely on where you live.

How trading profit is taxed varies enormously — by country, by instrument, by whether the activity is a hobby or a business, and by rules that change. This paper deliberately does not tell you what applies to you; what it does say is that the answer exists, that it is findable, and that finding it in month two costs a fraction of what finding it in month fourteen does.

The rest is bookkeeping. Set aside the estimated share as it is earned rather than discovering it later; keep statements rather than screenshots, because a statement is the document anyone official will ask for; record the platform and data costs, which are usually deductible where trading is treated as a business. None of it is interesting and all of it is cheaper done early.

11

What stops working as you grow

There is a ceiling on every method, and it arrives from two directions at once.

As size grows	What degrades	What it means
Position value rises	slippage on entry and exit	the same rules earn less per trade
Orders meet the book	fills at worse prices in fast markets	the best setups suffer most
Instruments differ	some cannot absorb the size at all	the universe narrows as you grow
The number gets large	the discipline that was easy is not	the human limit arrives before the market's

What stops working as size grows, in the order it bites. Every row is a reason a method that works at one size is not automatically a method at ten times that size.

The market's limit is capacity: a position large enough to matter starts to move the price it is filled at, and the effect is worst in fast conditions, which are exactly the conditions the best setups occur in. On liquid instruments this is far away and on illiquid ones it is close, and the only way to know which you are on is to measure your own fills as size grows.

The human limit usually arrives first and is rarely named. The rule that was easy at a hundred pounds a trade is not the same rule at two thousand, even though the arithmetic is identical, and the size at which you can still follow the plan without discussion is a real and personal number. Finding it and stopping there is not a lack of ambition; it is the difference between a method and a period.

12

Telling people about it

A good run creates an urge to show someone, and the moment it is shown something changes that is worth naming.

	Before telling anyone	After
What the next trade is for	Following the plan.	Continuing a story other people are now watching.
What a loss costs	One unit of risk.	One unit of risk, and an audience.

What happens when a good run is made public, and why the incentives change the moment it is. This is the standard from the second paper pointing at its author, which is the only direction it is uncomfortable in.

Before it is public, the next trade is for following the plan. Afterwards it is also for continuing a story that people are now watching, and a loss costs one unit of risk plus an audience. That second cost is not imaginary and it is not vanity — it reliably produces the size increases described earlier, for reasons that feel like commitment rather than pressure.

Publish	Not just
The period, with its start and end date	the percentage
The worst drawdown inside the run	the peak
The number of trades	the best one
What was withdrawn	what the screen said
The months before this one	the month that worked

If it is going to be published anyway, this is what publishing it honestly looks like. Every row is something the second paper in this series would ask of a stranger.

If it is going to be published anyway, this is what publishing it honestly looks like, and every row is something the second paper in this series would demand of a stranger. Applying it to your own result is the whole test: a standard is only worth anything in the direction where it costs you something.

There is a smaller version that costs nothing. Tell one person who will ask about the drawdown, and give them the drawdown at the same time as the return. It keeps the two halves of the ratio together, which is the only habit in this paper that survives contact with an audience.

13

And then

The title of the video that prompted this paper ends with an ellipsis, and the ellipsis is the honest part. A doubling has four endings and only one of them is told in public.

Ending	What happens	What decided it
It is kept	withdrawn, and the account resumes	a withdrawal rule written earlier
It is compounded carefully	size grows slowly with the account	a plan that said how
It is given back	one enlarged position, or a run of them	size chosen by confidence
It ends the career	the loss is larger than the appetite to continue	nothing was written at all

The four endings a doubling actually has, with roughly how often each one arrives. The first is the one told in public and the third is the most common, and the difference between them is decided before the run rather than after it.

The third row is the most common, and reading it should not be discouraging — the run in it was real, and so was the skill that produced it. What decided the ending was not the market and not the method but what had been written down beforehand: whether there was a withdrawal rule, whether size was allowed to respond to results, and whether anyone had decided in advance what a good period would be permitted to change.



The whole series as one sequence, which is what it was written to be. Each step is one paper, and the last is where this one lands.

That is where this series ends, and it is a smaller claim than the one usually made. Nothing in these four papers will produce a doubling. What they are for is the other side of it: knowing what the job is, refusing to believe claims that cannot be checked including your own, writing rules precise enough to be tested, and deciding — while nothing is at stake — what will happen to the money if any of it works.

Term	As used in this paper
Drawdown	The fall from a peak to the following trough.
Annualising	Extending a short period's return to a year, which is usually wrong.
Realised	Closed, and therefore actually in the account.
Withdrawal rule	A fixed share of profit taken on a fixed date.
Reserve	Money outside trading, measured in months of expenses.
Capacity	The size at which a method's own execution begins to erode it.

The terms this paper uses in a fixed sense, most of them carried from earlier papers in the series.

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