What crossing the spread costs, name by name

> **SPREAD COST**
>
> The bid-offer gap converted to position money: spread percentage times position value, paid in full across a round trip. In equities it is the cost that varies most - the same £2,000 position pays pennies in a megacap and three figures in a small-cap - which makes the tier check the first line of any cost estimate.

Module 2 taught the spread as a percentage. This lesson multiplies it by your position, because costs are paid in money, and the range across names is the widest on the platform.

The arithmetic, tier by tier

A 500-share position at £4.00 is £2,000. In a megacap quoting a 0.2% spread, the full round trip costs £4 - a rounding error. The identical position in a small-cap quoting 6% costs £120 on the same arithmetic - 6% of the position gone before anything moves, a hurdle most trade ideas cannot clear. Same exchange, same order ticket, thirty times the cost: module 1's hundredfold liquidity range, arriving on the invoice.

Half now, half later, all real

Entering at the offer pays half the spread against the mid; exiting at the bid pays the other half - the round trip pays the width.Limit orders can earn the spread instead of paying it - at the price of maybe not trading; the choice between paying for certainty and being paid to wait is an execution decision this platform describes without prescribing.The profile matters as much as the quote: module 2's open-auction width and news-stretch mean the same name charges different spreads by hour - timing an entry into calm hours is a real cost reduction, free of any forecast.

The standing habit

Before any equity trade: position value times spread percentage, at the hour you will actually trade. If that number is a meaningful share of the idea's target, the idea has a cost problem no analysis fixes - the same gate every track has installed, with equities' twist being how violently the answer swings between names.

Check your understanding

1. The same £2,000 position costs £4 to round-trip in one name and £120 in another. What explains it?

a. Different broker commission tiers

b. The spread: 0.2% in the megacap against 6% in the small-cap - the liquidity tier arriving as money

c. Stamp duty differences

Answer: b. Spread cost is spread times position, and equity spreads span a wider range than any instrument on the platform. The tier check is the first line of the cost estimate.

2. What does a limit order change about spread cost?

a. Nothing - spreads apply to all orders

b. It can earn the spread rather than pay it, at the price of possibly not trading at all

c. It halves the spread automatically

Answer: b. Resting on the bid buys at the bid if reached - the spread paid to you - but the market may run without filling you. Certainty costs the spread; patience risks the trade.