The all-in cost of one index trade

> **ALL-IN COST**
>
> Every charge a single index position incurs from open to close, in money: the spread, any commission and fees, financing for each night held, dividend adjustments over any ex-dates, and slippage on both fills. It is the number a trade has to overcome before it has made anything.

Each cost in this module is small on its own and easy to wave through. Added up on a real position they decide whether a strategy with a genuine edge keeps any of it.

The list, in the order they arrive

Slippage on entry - the difference between the price you clicked and the one you got.The spread - points times point value, effectively charged the moment you are in.Commission and exchange fees, if your vehicle unbundles them, on both sides.Financing - the nightly charge, times charged nights, for anything held overnight.Dividend adjustments - net of withholding, over any ex-dates you hold through.Slippage on exit, which is worst precisely when you most want out.

Adding up the module's example

The sterling position from lesson 8: one contract at £5 a point, cash product, 1.6-point spread, £1.80 a night, held ten nights.

Spread £8.00, financing £18.00, and no commission because the product bundles it. That is £26.00 before slippage, on a position where every point is worth £5.00 - so the index has to move 5.2 points in your favour just to reach level.

Ten nights, one trade, no commission, nothing unusual. The break-even was five points away before you started.

What that does to a strategy

A strategy taking twenty such positions a year is paying roughly £520 in costs on that size, which has to come out of gross profit before anything reaches the account.

It is also why holding period and edge have to be considered together. A small edge held briefly can survive; the same edge held for weeks pays financing that a short holding period never incurs, and the arithmetic decides which of those is which.

The habit

Before opening a position, convert the whole expected cost into points. That gives you one number in the same unit as your chart, and it makes the question concrete: is my target further away than my costs?

A target three points away on a position costing 5.2 points to run is not a marginal trade. It is a losing one with a good win rate, which is the most expensive kind.

Where this goes next

Module 4 takes these numbers into sizing and risk - what a point is worth against your account, gap risk that a stop cannot cover, and leverage on an instrument that moves fast around the open.

Check your understanding

1. Which cost is worst exactly when you most want to act on it?

a. Financing
b. Slippage on exit
c. The dividend adjustment

Answer: b. The moments you most want out are the fast ones, and those are the moments the book is thinnest and the price moves furthest through it.

2. Why convert total expected cost into points before opening a position?

a. Points are the broker's unit of account
b. It puts the cost in the same unit as your chart, so you can compare it against the distance to your target
c. Point costs are tax deductible

Answer: b. It makes the question concrete: is the target further away than the costs? A target three points away on a position costing five points to run is a losing trade with a good win rate.