Spread, Price Impact, and Slippage

What do Spreads, Price Impact and Slippage mean for your trade?

Written by Everett Hu
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Spread, price impact and slippage are all important metrics for traders to consider. All three of these affect the execution price of trades.

Spread

The difference in price between the highest bid (the price a buyer is willing to buy for) and lowest ask (the price a seller is willing to sell for) an asset.

Price Impact

The extent to which the price moves given the size of your order. For example, a larger order will cause the price to slip more because it is more 'expensive' to trade this size.

Max Slippage

[**Margin** only]
The maximum amount of additional slippage beyond the expected price impact that will be allowed on the product. If the slippage exceeds this amount, the order will fail in order to protect the trader from a bad price. Users can individually set this max slippage number to whatever you are comfortable with. dYdX sets the default here for you at .5%

The reason that the price can slip beyond the expected price impact is if the market moves during the time it takes the user to place the order and for the transaction to mine.

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To help protect against slippage, traders can use limit orders to set their own worse price for execution. Limit orders execute at or better than the specified limit price if/when they are filled.