MODULE 2

Business Analysis Essentials for Analysts

WHAT YOU WILL PRODUCE IN MODULE 2

Portfolio Artifact:
📊 **KPI & Metrics Definition Pack**

This artifact will:

- Be referenced in dashboards (Module 6)
- Govern analysis scope (Modules 4 & 5)
- Act as acceptance criteria for your strategy (Module 8)

PART 1 — CORE BUSINESS ANALYSIS CONCEPTS (EXPLAINED)

1. ==Decision Criteria ≠ KPIs (Critical Distinction)==

From Module 1, you defined **Decision Criteria** such as:

- Drawdown tolerance
- Profit consistency
- Recovery factor

==These are **judgment rules**, not metrics.==

==A **KPI** is:==

- ==Observable==
- ==Measurable==
- ==Continuously tracked==
- ==Comparable against a threshold==

==Decision Criteria answer: *"How do we judge success?"*==
==KPIs answer: *"What numbers tell us whether we are succeeding?"*==

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2. The KPI Decomposition Chain

==Every strong KPI must map cleanly:==

Example:

- Decision: Restrict EA to Step Indexes?
- Criterion: Drawdown must not exceed 15%
- KPI: Maximum Floating Drawdown (%)
- Data: Equity curve, balance, floating P/L

This traceability is what differentiates **analysis** from **opinion**.

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3. Leading vs Lagging Indicators (Very Important)

- **Lagging KPIs** confirm outcomes
  (e.g., total profit, net P/L)
- **Leading KPIs** warn you *before* failure
  (e.g., consecutive losses, holding time drift)

Professional analytics always includes both.

PART 2 — DERIVING KPIs FROM *YOUR* DECISION DOCUMENT

We will now work **directly from your approved v1.1 document**.

Your Key Decision Criteria (Recap)

PART 3 — MODULE 2 EXERCISE

KPI & Metrics Definition Pack

You will complete the following table.
This *is* the portfolio artifact.

📊 KPI Definition Table — Version 1.0

KPI 1 — Risk Control (Single Trade)

- **Business Objective:** Prevent catastrophic loss from any single trade
- **Decision Criterion Linked:** Max single-trade impact ≤ 5%
- **KPI Name:** Single-Trade Risk Exposure (%)
- **Definition:** Percentage of account equity lost if stop-loss is hit
- **Calculation:** (Stop Loss Value ÷ Account Equity) × 100
- **Threshold:** ≤ 5%
- **Type:** Leading
- **Action if Breached:** Reduce lot size or disable EA

KPI 2 — Capital Preservation (Drawdown)

- **Business Objective:** Ensure survivability during adverse sequences
- **Decision Criterion Linked:** Floating drawdown ≤ 15%
- **KPI Name:** Maximum Floating Drawdown (%)
- **Definition:** Largest peak-to-trough equity decline during live trading
- **Calculation:** (Peak Equity − Lowest Equity) ÷ Peak Equity × 100
- **Threshold:** ≤ 15%
- **Type:** Lagging
- **Action if Breached:** Halt trading and reassess strategy

KPI 3 — Profit Consistency

- **Business Objective:** Achieve repeatable daily profitability
- **Decision Criterion Linked:** ≥ 3/5 positive trading days
- **KPI Name:** Positive Day Ratio
- **Definition:** Percentage of trading days closing positive
- **Calculation:** Positive Days ÷ Total Trading Days
- **Threshold:** ≥ 60%
- **Type:** Lagging
- **Action if Breached:** Investigate session behaviour and trade timing

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KPI 4 — Strategy Resilience

- **Business Objective:** Ensure recovery outweighs risk taken
- **Decision Criterion Linked:** Recovery Factor ≥ 1.5×

- **KPI Name:** Recovery Factor
- **Definition:** Total net profit divided by maximum drawdown
- **Calculation:** Net Profit ÷ Max Drawdown
- **Threshold:** ≥ 1.5
- **Type:** Lagging
- **Action if Breached:** Reduce risk or abandon configuration

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KPI 5 — Behavioural Integrity (Early Warning)

- **Business Objective:** Detect strategy drift
- **Decision Criterion Linked:** Scalping integrity
- **KPI Name:** Average Trade Duration
- **Definition:** Mean holding time per trade
- **Calculation:** Exit Time − Entry Time
- **Threshold:** Must remain within historical scalping range
- **Type:** Leading
- **Action if Breached:** Review SL logic and execution delays

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PART 4 — QUALITY BAR FOR MODULE 2

Before submitting:

- Every KPI must link back to a **decision criterion**
- Every KPI must have a **clear action if breached**
- No KPI exists "because it's interesting"
- Leading indicators must be present

If a KPI does not change behaviour, it does not belong.

PART 5 — WHY THIS MATTERS (BIG PICTURE)

After this module:

- Your dashboards will be **governed**, not decorative
- Your EDA will be **bounded**, not exploratory chaos
- Your strategy will be **measurable**, not belief-driven

This is how analysts earn trust.

YOUR NEXT ACTION

Complete the **KPI & Metrics Definition Pack**:

- You may adapt the examples above
- You may add 1–2 additional KPIs if justified
- Keep it tight and defensible

Proceed carefully. This module sets the guardrails for everything that follows.