Decision Framing Document

Version 1.1

1. Business Context

A proprietary automated trading system (MT5 EA) was deployed to generate daily cash flow using synthetic indices. The underlying strategy utilizes momentum indicators (Moving Averages, Williams %R) to execute high-frequency scalping operations rather than long-term trend capturing. Initially, the system was allowed to trade a broad range of instruments with an aggressive risk profile (5% per trade) and dynamic trailing stops. Early operational data suggests a disparity in performance across asset classes, specifically highlighting potential stability in Step Indexes versus others. The current focus is determining if this operational model is sustainable for long-term capital deployment.

2. Decision Owner

The Algorithmic Strategy Manager, responsible for capital allocation, risk parameter configuration, and bearing the downside exposure and financial consequences of deployment decisions.

3. Decision Statement

Should the EA be formally restricted to trading Step Indexes only as its primary production configuration, based on comparative drawdown stability and risk-adjusted performance relative to other synthetic instruments?

4. Available Options

- Maintain Status Quo - Continue trading the current multi-asset configuration with existing risk parameters (accepting current volatility).
- Strategic Pivot - Restrict trading exclusively to Step Indexes and formally re-optimize risk parameters for this single asset class.
- Pause & Recalibrate Environment - Halt all live trading operations to re-configure the testing environment. This involves conducting a new phase of back-testing and forward-testing using a capital base and leverage setting that strictly mirrors the live account, thereby eliminating false confidence derived from inflated demo buffers.

5. Decision Criteria

- Maximum Single-Trade Impact - Operational lot sizing must be calibrated against the fixed-point Stop Loss so that no single stop-out event exceeds 5% of available equity.
- Drawdown Tolerance: The strategy operational settings must prevent a floating drawdown exceeding 15% of the account balance at any given time.
- Profit consistency - The strategy must achieve a net positive daily close on 3 out of 5 trading days, relying on trailing accumulation rather than fixed targets.
- Recovery Factor - The total accumulated profit over the test period must be at least 1.5x the maximum observed drawdown.

6. Assumptions

- EA logic behaves consistently on Step Indexes only.
- Historical volatility patterns in Step Indexes are reasonably indicative of future behaviour (mean reversion properties hold).
- Slippage and execution speed in the live environment will not deviate significantly from the test environment.

7. Constraints

- Capital size on live account limits ability to absorb deep drawdowns.
- Broker instrument spread.
- Psychological tolerance for loss.
- EA logic limitations.

8. Decisions Risk

- Short evaluation window - Only based on 2 weeks of live trading and simulated MT strategy tester back testing. Volatility in proceeding time may change and invalidate current EA performance results.
- False confidence from inflated capital buffers - The analysis relies on demo data where large account balances absorb significant drawdowns without liquidation. Live deployment on smaller capital bases may trigger 'Margin Call' events during similar drawdown periods, invalidating the demo performance results.
- Overfitting to Specific Asset Class - The decision to focus on Step Indexes was derived from post-hoc observation of performance rather than pre-defined strategy design. There is a risk that the algorithm is "curve-fitted" to the specific recent price action of Step Indexes and lacks genuine predictive power for future movements.
- Execution Discrepancy Risk - The analysis assumes trade execution (fills, spread, and slippage) matches the historical/demo environment. Live market conditions may introduce latency or slippage that erodes the thin profit margins relied upon by the scalping strategy.

9. What Data Is Required to Decide?

- Comparative Trade History broken down by Symbol.
- Floating Equity or Max Drawdown values per trade session.
- Daily Profit/Loss totals and Win Rate % per day.
- Sessions Profit/Loss totals and Win Rate
- Number of trades taken and those won/loss
- **Trade Duration / Holding Time -** To verify if "quick scalps" are turning into "long holds" (which implies a failure of strategy)