Decision Framing Document

Version 1.0

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 final deployment approval.

3. Decision Statement

Should we formalize the 'Step-Index-Only' configuration as the primary production strategy, given the strict mandate to minimize drawdown while maintaining aggressive (5%) daily growth targets, based on risk-adjusted performance metrics and drawdown analysis?

4. Available Options

- Restrict trading to Step Indexes only.
- Adjust SL padding lower.
- Adjust number of trades executed.

5. Decision Criteria

- Minimized daily drawdowns.
  Consistent profit.

6. Assumptions

- EA logic behaves consistently on Step Indexes only.
- Higher SL Padding exposes high drawdowns when price moves against entry direction

7. Constraints

- Capital size

- 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)