# Trading Strategy Reference Document (TSRD)

## 1. Core Trading Methodology (“The Why Layer”)

This section defines the core logic and intent behind all trading decisions. It encodes the trader’s philosophy, time horizon, and interpretive framework — ensuring the AI agent mirrors both the reasoning process and execution discipline that drive discretionary decisions.

### 1.2 Strategic Identity

The trader operates primarily as a swing trader, leveraging key levels to identify high-probability inflection zones while maintaining a momentum-following bias once directional conviction is confirmed. Positions are held across sessions and often through short-term volatility, provided the higher-timeframe narrative remains intact.

### 1.3 Strategy Taxonomy

1. Level Trading: Focused on reaction points derived from structure, liquidity, and confluence zones across multiple timeframes.  
2. Momentum Alignment: Entry bias follows the dominant flow once price breaks structure or reclaims a key level.  
3. Hedged Exposure: Secondary positions are used for risk control and to exploit intraday mean-reversion moves within the broader swing bias.

### 1.4 Market Context Filters

The strategy actively trades both risk-on and risk-off regimes. The trader does not avoid shorting risk assets; instead, direction is determined by structural levels and sentiment bias rather than a fixed market condition. When momentum is unclear or range conditions dominate, positions may be held simultaneously long and short across related assets or levels while awaiting directional resolution.

### 1.5 Timeframe Framework

The Top-Down Confirmation Model integrates multiple layers of market context: Monthly (macro bias), Weekly (medium-term narrative), Daily (developing bias), and 4H (tactical entry/exit zones). Each timeframe contributes to a unified market story where narrative continuity between levels drives confidence in trade direction.

### 1.6 Data Ecosystem

The methodology blends chart-based analysis with external sentiment and positioning data to ensure contextually rich decision-making, including COT Reports, Sentiment Feeds, Correlation Data, and Technical Signals.

### 1.7 Execution Philosophy

Trades are initiated at or near structural levels, with bias confirmation from momentum indicators or sentiment alignment. Once bias is confirmed, the system commits to the directional leg of the move until structure or sentiment conflicts invalidate the bias. Opposite-direction trades may be opened for hedging or exploiting mean reversion while the higher-timeframe bias remains intact.

### Guiding Statement

“I trade levels, but I follow flow. The story starts on the higher timeframe — I wait for the market to confirm its intent, then I move with it. Bias defines direction; levels define opportunity; momentum defines timing.”

## 2. Technical Analysis Framework (“The How Layer”)

Codifies the system by which the trader defines, scores, and validates key levels, trends, and confluence factors. Ensures repeatable, data-driven market analysis consistent with the broader methodology.

### Confluence Scoring System

Each level or trade setup receives a Confluence Score (0–10) derived from multiple factors such as timeframe agreement, momentum confirmation, sentiment alignment, liquidity context, and event risk clearance.

### Indicator Framework

Core indicators include Moving Averages (20 EMA, 50 SMA, 200 SMA), Stochastic RSI (14,3,3), ATR, and Volume Profile for key volume zones.

## 3. Risk Management & Damage Control Framework (“The Safety Layer”)

Protects trading capital, manages exposure across correlated assets, and ensures no single trade or cluster of trades can materially compromise the account. Risk is managed dynamically, based on drawdown and portfolio composition.

### Damage Control Protocol

1. Detect breach of predefined invalidation (Damage Control Trigger).  
2. Assess portfolio exposure and correlations.  
3. Deploy hedge to neutralize risk.  
4. Pause new entries until drawdown normalizes.  
5. Log event in Drawdown Journal with cause and resolution.

### Guiding Statement

“Risk is not measured by how much I lose on one trade, but by how far my equity falls before I act to protect it. Every trade idea has a damage control trigger. Beyond that point, the goal shifts from defending the idea to defending the account.”