MFE Analysis: Optimal Profit Targets

Based on 10-Year Backtest Data (2016-2025)

Dataset

- **Total Trades Analyzed:** 2,761 (Threshold 0% strategy)
- **Sweet Spot Trades:** 1,727 (ranges 0.10-0.25%)
- **Winners:** 621 (36%)
- **Losers:** 1,106 (64%)

Key MFE Statistics

Winners Only (What You Should Aim For)

Metric	MFE %
Average	0.351%
Median	0.322%
75th Percentile	0.454%
90th Percentile	0.566%
Maximum	1.215%

Context: All Trades (Including Losers)

Metric	MFE %
Average	0.177%
Median	0.116%

Key Insight: Even losing trades move favorably by ~0.08% on average before reversing.

Profit Target Recommendations (R-Multiples)

Assumption: Opening Range Height = 1R (Your Risk)

For a **typical 0.18% range** (sweet spot midpoint):

Target	% Move	% of Winners That Reach It
0.5R	0.090%	98.6% ✓
1.0R	0.180%	89.2% ✓
1.5R	0.270%	74.6% ✓
2.0R	0.360%	52.7%

2.5R	0.390%	34.3%
3.0R	0.467%	22.7%

Recommended Scaling Strategy

Based on the probability distribution, use a **3-tier exit approach**:

TP1: 1.5R (50% of position)

- **Target:** ~0.27% move
- **Hit Rate:** 75% of winners
- **Logic:** Captures the median winner. Locks in profit early.

TP2: 2.5R (30% of position)

- **Target:** ~0.39% move
- **Hit Rate:** 34% of winners
- **Logic:** Captures above-average moves. Lets winners breathe.

TP3: 4.0R+ (20% of position)

- **Target:** ~0.54%+ move (or trail)
- **Hit Rate:** ~15-20% of winners
- **Logic:** Captures the "home runs" (90th percentile+). Use trailing stop.

Example Trade Execution

Scenario: NQ at 20,000, Opening Range = 36 points (0.18%)

Level	Price Target	R-Multiple	Exit Action
Entry	20,036 (Long)	-	Full position
Stop Loss	20,000	-1R	Exit all if hit
TP1	20,054	+1.5R	Exit 50%
TP2	20,070	+2.5R	Exit 30%
TP3	20,090+	+4R+	Trail remaining 20%

Risk: 36 points **Potential Reward:**

- Minimum (all TP1): 54 points (1.5R)
- Blended (typical): ~70-80 points (2-2.2R)
- Maximum (runners): 100+ points (3R+)

Key Takeaways

1. **1.5R is the "sweet spot"** - 75% of winners reach it
2. **2R is ambitious but achievable** - 53% hit rate
3. **3R+ requires patience** - Only 23% reach it, but these are the big wins

4. **Scaling out is optimal** - Balances consistency with upside capture

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