The 30-Trade Execution Audit

Entry Efficiency Diagnostic: Pricing Inefficiency Attribution Protocol

Educational Disclaimer

This protocol remains an educational measurement tool designed to evaluate historical data and pricing inefficiencies. It does not constitute financial advice or live trading instruction. No formula, matrix outcome, or validation state within this diagnostic guarantees future profitability.

Phase 1: System Calibration

The system calibration phase represents the primary structural guardrail against data corruption. Operators must isolate a specific, static execution environment by selecting a single asset class and timeframe. This protocol requires that asset volatility is either uniform or ATR-normalized prior to averaging excursion metrics. Mixing high-volatility regimes with low-volatility data without standardization leads to biased averages, rendering the diagnostic invalid. This step aligns the historical risk parameters with the current market noise baseline, ensuring that the diagnostic measures pricing inefficiency rather than mere volatility variance.

- **Date of Audit:** ______________________ **System Name:** ________________________
- **Target Asset:** ______________________ **Timeframe:** ____________________________
- **Fixed Stop (S):** ____________________ **Volatility Buffer (B_{vol}):** ____________________

Phase 2: The 30-Trade Capture Matrix

This phase requires the extraction of exact historical trade data from a consecutive sample. A minimum sample size of thirty (30) trades is enforced to ensure statistical significance and to limit the probability of curve-fitting on historical noise. By logging the price extremes—Maximum Adverse Excursion (MAE) and Maximum Favorable Excursion (MFE)—from the entry timestamp to the exit timestamp, the operator creates a mathematical map of the strategy's risk distribution. This granular capture isolates behavioral execution waste from expected system variance, allowing for an objective review of execution slippage and spread cost drag against fixed strategy parameters.

ID	Direction	Stop (S)	Spread	Slip	MAE	MFE	Result
#001							
#002							
#003							
#004							
#005							
#006							
#007							
#008							
#009							
#010							
#011							
#012							
#013							
#014							
#015							
#016							
#017							
#018							
#019							
#020							
#021							
#022							
#023							
#024							
#025							
#026							
#027							
#028							
#029							
#030							

Phase 3: Diagnostic Calculations

This phase transforms raw trade logs into actionable efficiency metrics. The diagnostic features explicit algebraic formulas to quantify pricing inefficiency, such as Stop Loss Bloat and Total Transaction Cost (TTC) drag. By identifying the 90th percentile of adverse movement recorded specifically in winning trades—$P_{90}(MAE_w)$—the operator establishes a mathematically calibrated risk boundary. This new baseline (S_{new}) accounts for actual asset volatility and real-world execution costs. This isolation of 'Wasted Pips' (W) identifies capital that serves no statistical purpose in setup maturation and is instead consumed by execution inefficiencies.

- **Total Transaction Cost (TTC):** $Average(Spread + Slippage) =$ ______________________
- **Excursion Threshold:** $P_{90}(MAE_{winning})$ = ______________________________
- **Stop Loss Bloat (Waste):** $W = \max(0, S - P_{90}(MAE_w))$ = ________________________
- **New Stop Baseline:** $S_{new} = P_{90} + B_{vol} + Average(TTC)$ = ____________________

Phase 4: Attribution Gates & Validation

The final phase utilizes strict logic gates to attribute pricing inefficiency to specific causes, ranging from uncalibrated exits to slippage spikes. Remediation remains subordinate to forward-sample validation. The Out-of-Sample block must confirm that the S_{new} parameter validates mathematically against contemporary market noise. A successful validation corresponds to a tighter alignment between system rules and execution reality. Any outcome that fails the $S_{new} > \max(MAE_w, forward)$ proof indicates a mixed-state error requiring a systemic strategy review rather than mere execution adjustments.

- ☐ **Outcome: Stop Loss Bloat.** $P_{90}(MAE_w)$ is significantly smaller than the historical fixed stop. *(Remediation: Sensitivity testing using the S_{new} baseline).*
- ☐ **Outcome: Execution Drag.** Average TTC consumes $>$ 15% of the total stop distance. *(Remediation: Evaluate limit-order models vs market-order execution).*
- ☐ **Forward Proof 1 (Validation):** The S_{new} parameter remains sufficient within a rigorous 30-trade forward historical block. *(Test: $S_{new} > \max(MAE_w, forward)$).*
- ☐ **Closure Requirement:** All validation proofs are protocol-pass criteria and not predictive guarantees of live profit performance.

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