

FractalEdge

A Letter to Subscribers: How the System Works, and Why

Dear Subscribers,

This letter explains what the system you're connecting to actually does, why it's built the way it is, and what we're asking of you as a subscriber. We've written it in more detail than a typical onboarding email because we believe you should understand the reasoning behind the system you're trusting with real capital -- not just the mechanics.

The Foundation: Why Certain Price Levels Matter

The strategy is built on a simple observation with deep roots in both market microstructure and behavioral finance: not all price levels are equal. Certain levels, calculated using a well-established statistical technique applied to the prior session's trading range, are watched by a large, independent population of market participants -- institutional desks, algorithmic systems, and discretionary traders alike. When many independent actors are watching the same specific number, that number can become self-reinforcing, regardless of any single participant's individual reasoning. This is a form of what economists call a *focal point* -- a reference level that coordinates behavior simply because it is widely known and widely watched, not because of any inherent property of the number itself.

This connects directly to market microstructure: liquidity in any market is never evenly distributed across price. It tends to pool at levels where large participants have historically placed resting orders, and where stop-loss orders from short-term traders tend to cluster just beyond. A brief, sharp move through such a level -- particularly during lower-liquidity hours -- can trigger that clustered order flow, absorb it, and then reverse as genuine, deeper-pocketed participants step back in. What looks like a random dip and bounce is often a real, structural liquidity event, not noise.

Execution, however, is everything. Knowing that certain levels matter is not the same as knowing when a specific level is worth acting on, and how. No two price levels behave identically -- some get respected, some get run through cleanly, and telling the difference in advance is where nearly all of the real work lives. This is precisely what the FractalEdge engine is designed to do:

1. Identify and capitalize on the market microstructure that forms around key levels.
2. Define those levels using rigorous, statistically consistent techniques -- not discretion or guesswork.
3. Evaluate systematically when a level is worth acting on, and how to enter.
4. Manage risk methodically, on every single trade, without exception.

How and When You'll Be Alerted

You will receive alerts during two specific windows each trading day. The first begins around 4:00 AM ET. This timing is intentional, not arbitrary: it falls shortly after the European trading session opens, when liquidity in U.S. index futures is documented to increase meaningfully as London and continental European desks come online. The hours before this are typically the thinnest of the overnight session -- exactly when a level is most likely to be pierced on thin volume without genuine conviction behind the move, rather than genuinely broken. Waiting for this liquidity transition avoids acting on that noise.

The second window begins at 9:25 AM ET, shortly before the regular U.S. session opens -- a fallback opportunity if the first window's conditions were never met.

In both windows, you'll receive an alert only if a qualifying level has actually been identified. That alert means a limit order has been placed, with both an entry and a firm exit already defined -- there is nothing further for you to decide or configure. Both windows also include automatic time-based safeguards that cancel an order if it remains unfilled under certain market conditions, avoiding stale entries into a setup that no longer reflects current conditions. The specific rules behind this are proprietary and intentionally not detailed here.

Why a Limit Order, Not a Market-Order Breakout Entry

This wasn't the starting point. An earlier version of this approach traded momentum -- entering with a market order once price had already broken through a level, chasing the move rather than waiting for it. We said so directly to subscribers at the time we changed it, and the reasoning is worth repeating here.

The problem was a genuine mismatch, not a vague feeling that momentum "felt riskier." On a typical day, the Nasdaq's own average true range runs somewhere around 700 points. A 200-point stop -- the same fixed risk used throughout this system -- is a small fraction of that daily range. A market-order entry chasing a breakout has no cushion against that volatility: price can reverse by more than the entire stop distance in the time it takes the order to fill and the position to register. We concluded a market this volatile needed an entry method with real room built in, not one that assumes the breakout continues cleanly in your favor from the exact moment you get filled.

That's why we moved to a levels-based approach, and why we do the opposite of chasing:

- The levels we trade are ones where, historically, meaningful liquidity concentrates and where large market participants are known to be active. Entering there, rather than chasing a breakout, means trading with that structural liquidity rather than against it.
- A limit order resting at the level itself provides a built-in cushion relative to the stop-loss -- the position is entered at a defined, known price, not at whatever price a fast-moving market happens to offer during a breakout. This is the direct fix for the ATR-vs-stop mismatch above.
- These predefined levels are also, quite simply, where fills tend to be better. Liquidity that isn't visible on the surface of the order book tends to concentrate at exactly these points -- resting there means the order is waiting where the market's real

depth already is, not hoping to find it in the middle of a fast, thin move.

In short: more cushion, better fills, and a more reliable relationship between the stop we actually place and the risk we actually take -- which a 700-point-a-day market and a 200-point stop demand.

The Fisherman, Not the Surfer

There will be days you notice the market moving substantially, fast, in one direction -- and no alert comes. That's not the system missing something. It's the system doing exactly what it's built to do.

Momentum trading is a surfer chasing a wave: the timing has to be nearly exact, and a wave that breaks wrong can hold him under and drag him along with it before he can get clear. This system is a fisherman anchored at a known, productive spot, with a line already in the water. He isn't trying to guess where the fish are moving right now -- he's waiting at a place they're known to come back to. If a cast doesn't produce, he loses a hook, re-baits, and casts again. Nothing about a single miss threatens the boat.

The Nasdaq, in particular, produces very fast, very sharp dips with real regularity -- moves that look like the start of a genuine breakout right up until they reverse just as quickly. A momentum entry chasing that breakout is exposed exactly when it reverses. Because this system waits at a predefined level instead, those same sharp dips often deliver a fill at a meaningfully more favorable price than the breakout chaser ever got -- the fast move that looked like it left us behind is frequently the very thing that brings price back to where we were already waiting.

This patience is the essence of the FractalEdge Anchor Protocol: not being the fastest into a move, but being reliably positioned at the level the move eventually has to answer to.

Why This Beats Discretionary Trading

There's a further advantage worth naming plainly: a system executes the same rule the same way every single time, and a discretionary trader, however skilled, does not. This isn't a criticism of skill or judgment -- it's a description of a well-documented feature of human decision-making under financial risk.

- The disposition effect -- a well-studied tendency to close winning trades too early and let losing trades run too long -- is close to the exact opposite of this system's fixed 2:1 reward-to-risk design. A discretionary trader fighting this instinct is fighting their own wiring on every single trade; a system simply doesn't have the instinct to fight.
- A losing trade changes how a person feels about the next one -- hesitating on a perfectly valid signal after a recent loss, or sizing up to "win it back" after one. A system evaluates the next trade on its own terms, with no memory of how the last one felt.
- A discretionary approach, by its nature, can't be rigorously backtested the way everything in this letter has been -- there's no single, fixed rule to re-run against seven years of history. A systematic approach can be tested, challenged, and validated

with exactly the kind of rigor this letter has tried to demonstrate throughout.

- A system's performance doesn't degrade with a trader's own stress, fatigue, or a bad week elsewhere in life. The 200th trade gets the identical discipline as the first.

None of this claims a system is smarter than a skilled discretionary trader at reading a chart. It claims something narrower and, we think, more defensible: consistency of execution is itself a source of edge, independent of how good any single decision is in isolation.

Risk Management: Fixed, Defined, Never Discretionary

Parameter	Value
Max risk per trade	200 points (\$400 per contract)
Take-profit target	400 points (2R -- twice the risk)
Position management	All trades close automatically by end of day
Position sizing (current)	1 contract -- no scaling for the first several months
Backtested trade frequency	~1.25 trades per week

This is an intraday-only system. No position is ever held overnight or across a weekend. The 200-point risk figure is not a round-number guess -- it was arrived at through direct testing across a range of stop distances, and held up as the most consistent choice among the alternatives tested. A wider stop was tested and rejected: it produced a better win/loss ratio on paper, but only by taking on meaningfully more risk per trade for a marginal gain in total return -- a poor trade-off by any reasonable standard. The relatively low trade frequency is similarly intentional, not a shortcoming -- it reflects the nature of the levels being traded: genuinely high-probability institutional levels are not touched every day, and a system built around waiting for the right setup, rather than manufacturing activity, will trade less often than one that doesn't discriminate. For a subscriber base, this also means your attention is only needed when something real has happened.

Long-Only and Intraday, By Design

Two further structural choices are worth making explicit, since both reduce your real exposure beyond what the per-trade stop alone does.

This system only ever buys -- it never shorts. That's a deliberate design choice, not a limitation. Short-selling carries mechanics long positions don't: borrow costs, the possibility of a forced buy-in, and a loss that is theoretically unbounded rather than capped at the position's value. A long-only system avoids all of that by construction. It also means the system is working with the Nasdaq's long-term structural tendency to trend upward over time, rather than against it -- and it keeps the rule set to one direction, which is simpler to reason about, backtest, and validate rigorously than a system that has to get both directions right.

Every position is also closed by end of day, without exception. This means zero overnight or weekend gap risk -- no exposure to a headline, an earnings surprise, or a geopolitical event that breaks while the market is closed and this system has no ability to react. Each day's risk is fully resolved by the close; nothing compounds or carries forward into the next session. It also means margin requirements are generally lower than they would be for a position held overnight, since brokers typically require substantially more capital to hold futures positions through the close than to trade them intraday.

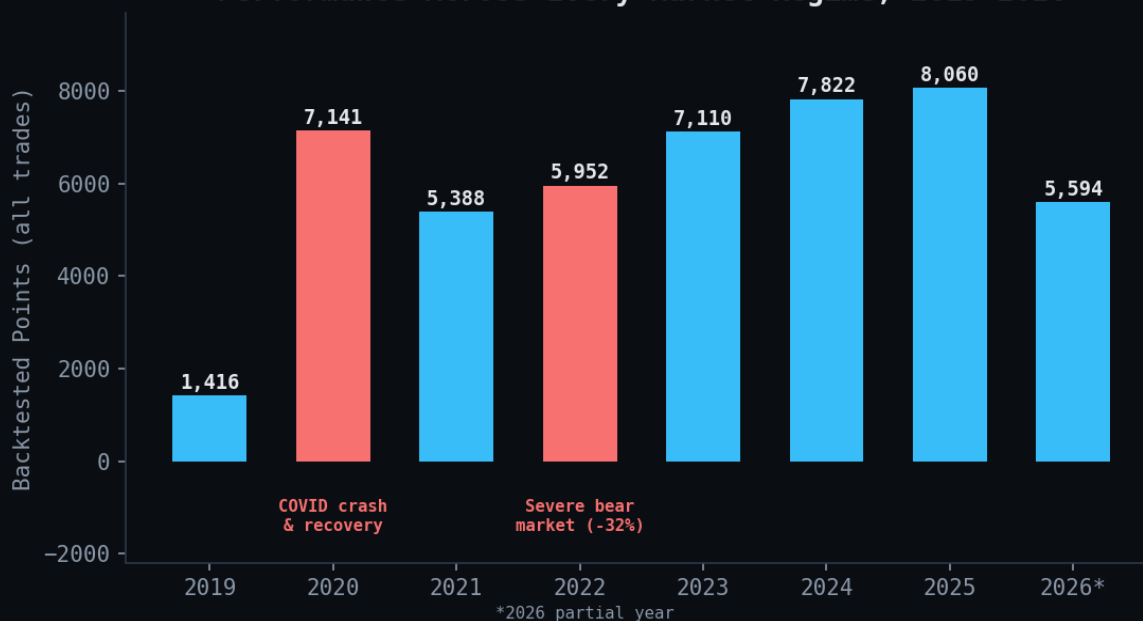
How Rigorously This Has Been Tested

Every component of this system -- the level calculation, the entry timing, the stop and target distance, the trend and volatility filters, the exit discipline -- has been individually backtested and, where a change was proposed, validated using walk-forward testing: a candidate improvement is identified on one portion of historical data and then re-tested, completely unchanged, on a separate, later portion the search never saw. An idea only survives into the live system if it holds up on that unseen data. Multiple candidate refinements were tested and specifically rejected during this process because they looked promising in isolation but failed this standard -- we consider that discipline, and the willingness to document it honestly, itself a form of evidence.

Headline Backtested Results (~7 years of history)

Metric	Result
Total trades	411
Win rate	93.2%
Profit factor	163.8
Total points captured	80,471
Net losing calendar years	0 of 8 (2019-2026)

Performance Across Every Market Regime, 2019-2026

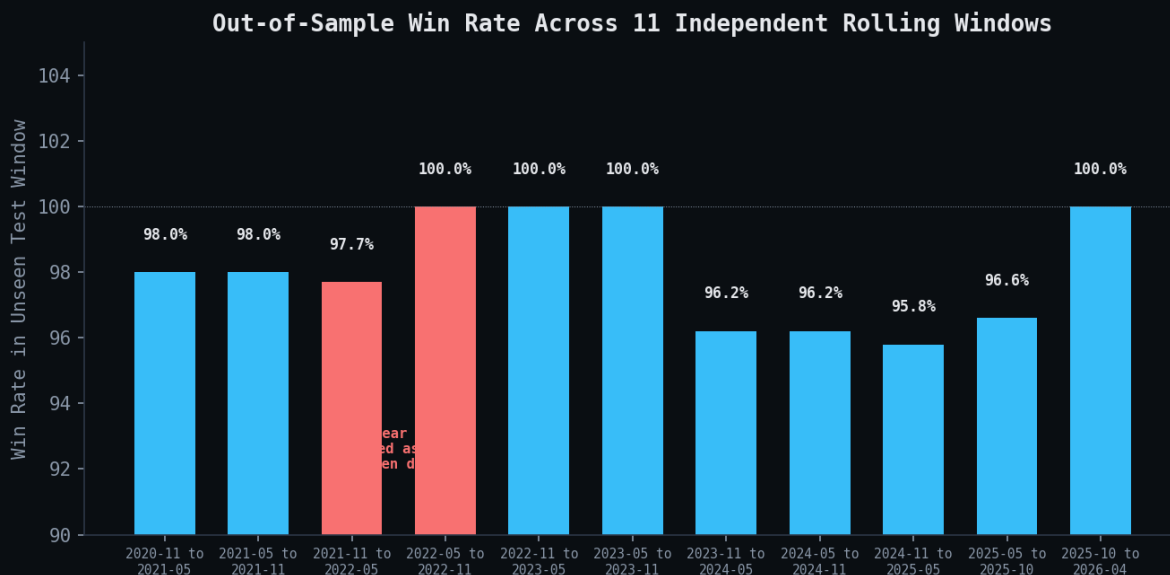


The chart above is not a cherry-picked window. It spans the 2020 pandemic crash and recovery, and 2022 -- one of the worst years for the Nasdaq in over a decade, with the index falling roughly 32% amid aggressive interest rate increases. The system's backtested performance that year was still positive. Every calendar year in this window was net profitable.

We also went a step further than most published backtests do: we tested whether this system's results reflect a genuinely well-designed approach, or simply the byproduct of being invested in a generally favorable market. We re-ran the exact same trading opportunities 500 times with key specifics randomized -- whether to take each trade, the stop distance, the target, and the precise entry price -- and compared the system's actual, fixed rules against that distribution of random outcomes. The real system outperformed all 500 randomized trials. Notably, even the randomized trials were profitable on average, which tells us something too: the underlying opportunity selection is real, and the specific, disciplined rules then capture substantially more of that opportunity than chance would.

A Harder Test: Many Independent Out-of-Sample Windows

A single walk-forward split, however clean, is still one sample -- it can't fully distinguish a genuinely robust edge from a favorable split that happened by chance. To go further, we ran 11 independent rolling windows across the full history: roughly 18 months of data to learn from, followed by 6 months of genuinely unseen data to test on, then rolled forward and repeated across the entire span. Two of those windows fall specifically inside the 2022 bear market -- and critically, the data used to calibrate the system for those windows ends before 2022 even begins, meaning that period was tested as honest, unseen data, not something the system had any way to anticipate in advance.

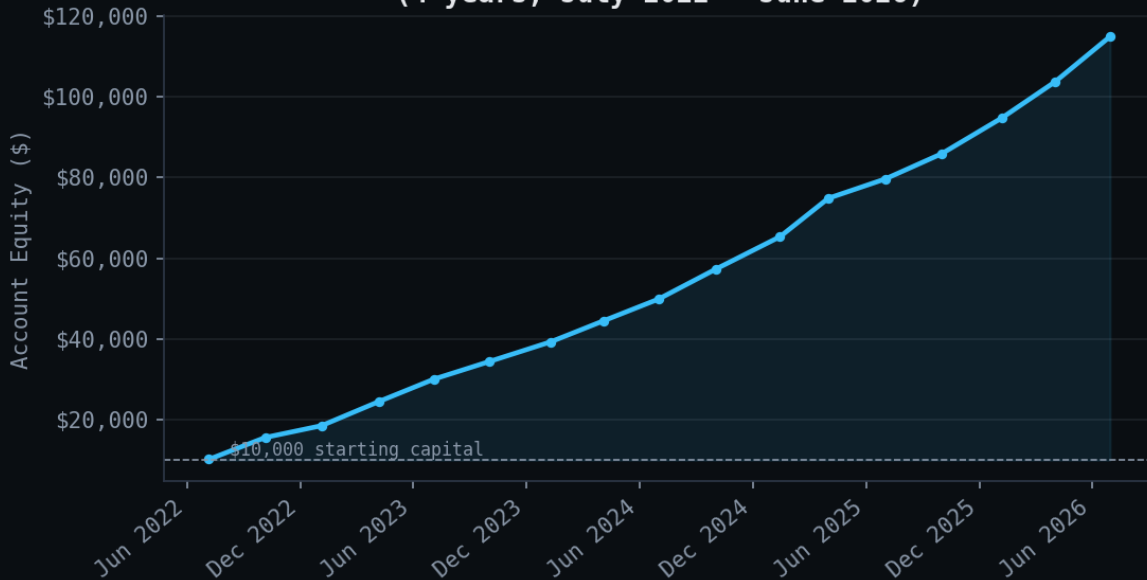


Every one of the 11 windows was net profitable, with win rates ranging narrowly from 95.8% to 100% and never more than a single loss in a row in any individual window -- including both windows that specifically isolate the 2022 bear market as pure out-of-sample data. This is meaningfully stronger evidence than a single split could provide.

We also want to be direct about what this does and doesn't resolve. Even under this harder test, the result remains extraordinarily clean by any realistic standard -- zero losing windows out of 11 is not what we'd expect from a typical live trading result, and we don't think it's honest to imply otherwise. Part of what this test can validate -- specifically, whether a threshold recalibrated fresh on each training window continues to work on the following unseen period -- it does validate well. What it cannot fully address is that the system's foundational structure (the stop distance, the trend filter period, the entry timing) was originally shaped using this same historical window before this testing began, and that all 11 windows still come from the same underlying seven years of Nasdaq history. A genuinely different kind of market -- a prolonged decline without the relatively quick recoveries this window happened to contain -- isn't represented here, and no amount of re-slicing this same data can manufacture a regime that isn't in it.

Numbers in a table only tell part of the story. Here is what actually happened, backtested, to a \$10,000 account trading a single contract over the last four years -- no scaling, no leverage increases, exactly the configuration running live today.

**Backtested Growth of a \$10,000 Account, 1 Contract
(4 years, July 2022 - June 2026)**



323 trades over four years, a 97.8% win rate, growing the account from \$10,000 to just over \$114,900. Growth is remarkably steady across the entire window -- there is no single lucky quarter driving the result, and no long stretch of stagnation either.

We want to be candid about one thing this simulation does *not* fully capture: a backtest this clean, over a window this long, is unusually favorable by any realistic standard. We don't think it's honest to present the exact backtested worst-case losing streak as something you should expect to hold in live trading indefinitely -- real markets will eventually produce a rougher stretch than this specific historical window happened to contain. The \$4,000 maximum described earlier in this letter, not this backtest's own best case, is the number we'd ask you to actually plan around.

Rather than only showing summary statistics, here is an actual, unedited sample of the most recent backtested trades in the dataset -- May and June 2026 -- shown with the full detail: the level itself, entry, stop-loss, take-profit, exit type, and result. We're including this specific stretch because it contains real losses, not because it's a flattering run. A sample this small will always show more variance than the multi-year aggregate -- that's simply what a genuine, unfiltered sample of the system operating exactly as designed looks like.

Date	Level	Entry	SL	TP	Exit	Pts
2026-05-13	29,242.75	29,242.75	29,042.75	29,642.75	EOD	+217
2026-05-21	29,258.75	29,258.75	29,058.75	29,658.75	EOD	+159
2026-05-24	29,615.17	29,615.17	29,415.17	30,015.17	EOD	-95
2026-05-26	29,855.17	29,855.17	29,655.17	30,255.17	EOD	+243

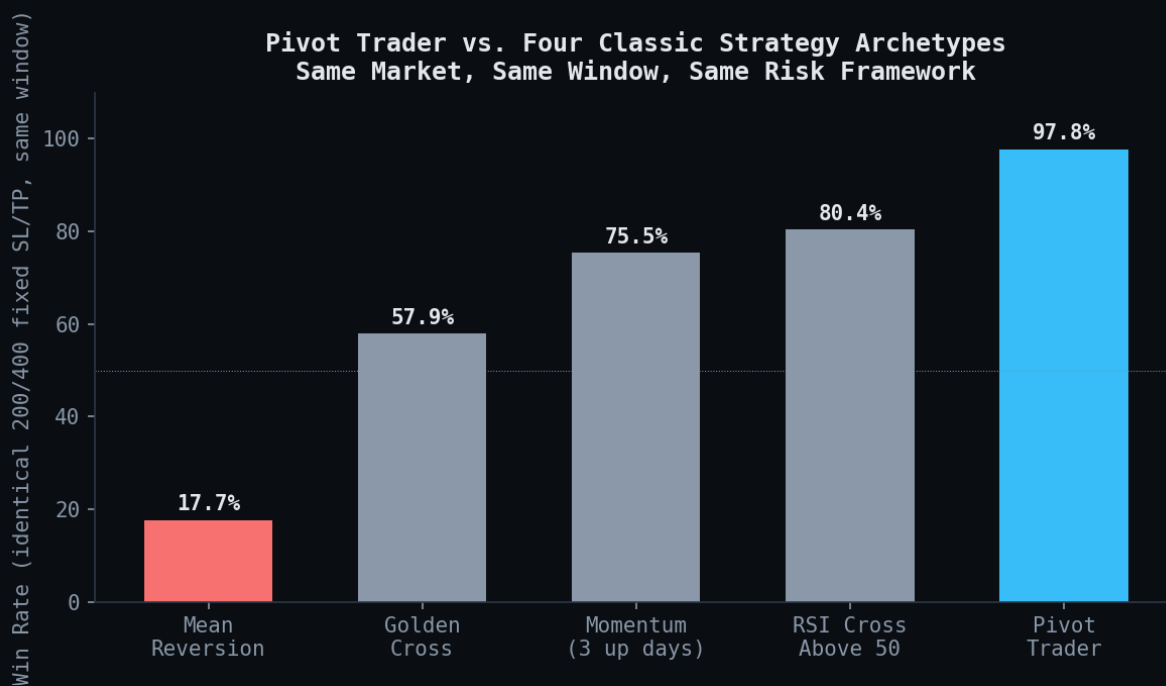
2026-05-28	29,921.42	29,921.42	29,721.42	30,321.42	TP	+400
2026-05-31	30,396.67	30,396.67	30,196.67	30,796.67	EOD	-10
2026-06-02	30,428.83	30,428.83	30,228.83	30,828.83	EOD	+271
2026-06-12	29,352.42	29,352.42	29,152.42	29,752.42	TP	+400
2026-06-14	29,787.33	29,787.33	29,587.33	30,187.33	EOD	-110
2026-06-17	29,646.83	29,646.83	29,446.83	30,046.83	EOD	-6

Six wins, four losses across these ten trades -- a 60% win rate over this specific short window, well below the multi-year 93.2% average. That's expected, not concerning: short windows are noisy by nature, in both directions. Worth noting: none of the four losses shown here reached the full 200-point stop -- each closed at end of day with a smaller, partial adverse move. That's a real, unedited characteristic of this sample, not something to read too much into on its own.

A Direct Comparison: Is This Just a Favorable Market?

One more test, and we think it's the most intuitive one in this letter. Rather than only asking whether this system beats randomness, we asked a more direct question: would other, well-known trading approaches also look this good on this same market, during this same window? If the answer were yes, that would suggest the results reflect a generally favorable period more than anything specific to this system's design.

We ran four classic, widely-used strategy types side by side with this system -- a mean-reversion approach, a trend-following moving-average crossover, a momentum approach, and an RSI-based momentum signal -- on the exact same market, the exact same historical window, and critically, the exact same fixed risk framework (the same 200-point stop, the same 400-point target, the same same-day close). Holding risk management identical isolates entry signal quality as the only real variable in the comparison.



The mean-reversion approach lost money outright on this same market and window. The other two classic approaches were modestly profitable, well below this system's results. If the market itself were simply this forgiving to any reasonable systematic approach, we would expect all of these to look similarly exceptional. They don't. We think this is real, independent evidence that this system's specific design is doing genuine work, rather than the results being mostly a byproduct of favorable market conditions any strategy would have captured.

An Analysis Layer That Watches Itself

Beyond the trading system itself, a separate monitoring process runs continuously in the background, logging a wide range of market and system parameters. Once a month, it runs a full review to check whether the system's current settings remain well-calibrated to current market conditions, and whether the assumptions the system was built on still hold. This is not automatic re-optimization -- no setting changes without deliberate review -- but it means drift in market conditions gets caught and evaluated on a regular schedule, rather than being discovered only after it has already cost something. In this sense, the system is self-monitoring, even though it is not self-modifying without oversight.

What This Requires From You

Very little, by design. You do not need to watch the market, evaluate setups, or make any trading decisions. Your role is simply to understand what will happen: limit orders will be placed automatically during the two windows described above, and you'll be alerted when one is. Trades close automatically by end of day.

You'll hear from us on two cadences. A daily Telegram brief gives you a quick pulse on market conditions and any pending positions -- informational, not something requiring action from you. A monthly report highlights actual performance over that period. You can, of course, also view every position directly in your own brokerage account at any time.

Your Risk Profile -- Please Read This Section Carefully

To summarize plainly what you are connecting your account to: a rigorously backtested system that buys at statistically defined key levels in the Nasdaq, with strictly defined risk on every single trade.

Risk Level	Amount
Maximum loss, any single trade	\$400 (200 points, 1 contract)
System pause threshold	10 consecutive losing trades
Maximum drawdown before pause	\$4,000

Every backtest we've run shows ten consecutive losses to be a low-probability event. But backtested probabilities are not guarantees, and for your own peace of mind, \$4,000 is the number you should hold in mind as your real, worst-case exposure while this system runs.

Are you prepared to lose \$4,000?

Ask yourself that question honestly before connecting your account. If the answer is yes, connect to this system and let it run. If the answer is no, this may not be the right amount of capital, or the right system, for you right now -- and that's a legitimate answer too.

If you can genuinely accept that number, there is nothing further for you to do. That is not a throwaway line -- it's the actual design goal. And it's worth saying plainly: this isn't capital we're asking you to risk while we watch from the sidelines. Our own capital is deployed in this same system, at the same risk, alongside yours.

The right way to trade any system that's been studied and backtested this thoroughly is this: understand its maximum loss, decide honestly whether you can accept that number, and then let the system work without second-guessing it trade by trade. We expect to have a genuinely meaningful live track record by December or January -- enough real trades across enough real conditions to say something honest about how backtested performance is holding up live. Between now and then, let it run.

A Note on Discipline

When a limit order sits below the current price -- which, by design, it always does before a fill -- there is a very natural, very human tendency: you'll watch price approach it, watch it fill, and then watch it dip a little further before (hopefully) recovering. In that moment, a fight-or-flight instinct activates. The impulse to manually close the position for a small loss, or take a small early gain rather than let the system's defined exit play out, can feel protective in the moment. It isn't. Every number in this letter -- the win rate, the profit factor, the year-by-year consistency -- describes what happens when the system's exits are allowed to run exactly as designed. Overriding them manually doesn't reduce your risk; it changes your risk profile into something that has never actually been tested. Commit mentally to the \$4,000 maximum described above, and let the system operate without interference.

A Feature Built, But Not Yet Active

The system includes an additional, dynamic sizing mechanism: when specific, elevated-probability conditions develop intraday after an initial position is already open, the system can add a second position at the same level, effectively doubling exposure precisely when the setup's own internal confidence is highest. In other words, position size adapts to the quality of the opportunity rather than staying fixed regardless of it. This has been built, tested, and validated -- enabling it in the future requires nothing more than a single configuration change. It will not be activated, however, until the base, single-contract system has accumulated a full year of live trading history. We would rather earn the right to add complexity with a real track record than introduce it prematurely because a backtest looked favorable.

At that 12-month mark, we'll formally re-evaluate the system based on its actual live performance, not the backtest. If results support it, additional protocols -- including this dynamic sizing capability -- may be activated, making the strategy modestly more aggressive at specific, well-defined times. You will always be notified directly if and when that happens; nothing changes silently. Subscription pricing will remain at its current, lower introductory level through that same 12-month period, and will be reassessed alongside everything else once there's a genuine track record to evaluate it against.

Why Now, Through the End of the Year

If you're weighing where to allocate capital between now and the end of the year, we think this is a genuinely compelling option, for three specific reasons laid out plainly:

- **The downside is small and known in advance.** \$4,000 is the real, worst-case number to hold in mind -- not a vague risk disclosure, but the actual figure at which this system pauses itself. You are never guessing at your exposure.
- **The upside case, while backtested rather than lived, is substantial and unusually well validated.** Walk-forward testing, a 500-trial randomization check, 11 independent out-of-sample windows including the 2022 bear market, and a direct comparison against four other well-known strategy types all point the same direction -- this isn't one

favorable number, it's the same conclusion reached through several genuinely different tests.

- **Getting in now means getting in before the system's next phase.** The dynamic sizing capability described earlier activates, if results support it, at the 12-month mark -- meaning the potential for meaningfully higher returns at that point, on the same underlying edge, for subscribers who were already positioned. Current subscribers also lock in today's lower introductory pricing through that same period.

We're not asking you to take our word for any of this -- every claim in this letter is backed by a specific test you can ask about, and every limitation we found along the way is disclosed rather than hidden. Between now and when we have a real live track record this December or January, we think this is a well-reasoned place to have a defined, small amount of capital working -- with a downside you can genuinely live with, and an upside case built on more rigorous testing than most systematic strategies ever receive.

One Last, Important Note

This system has been tested across every market regime available in the historical data we have -- the 2020 pandemic crash, the 2022 rate-driven bear market, and the recovery years that followed. The return figures, profit factor, and risk-adjusted metrics from this testing are, frankly, exceptional. We want to be direct with you about what that means and doesn't mean: backtested results, however carefully validated, are not the same as a live track record. Markets can and do produce conditions a historical window simply didn't contain. Live trading, not any backtest, is the ultimate test of this or any system, and we will treat it that way -- watching results closely as they accumulate, rather than assuming today's validation guarantees tomorrow's outcome.

We built this system the way we'd want one built if we were the ones trusting it with our own capital -- rigorously tested, honestly documented, and run with discipline. Thank you for trusting us with yours.

-- FractalEdge

HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. TRADING FUTURES INVOLVES SUBSTANTIAL RISK OF LOSS AND IS NOT SUITABLE FOR ALL INVESTORS. PAST PERFORMANCE, WHETHER ACTUAL OR HYPOTHETICAL, IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

This document was prepared for informational purposes and has not been reviewed by legal or compliance counsel. It should be reviewed by a qualified professional familiar with applicable regulatory requirements before distribution to subscribers or prospective investors.

Appendix: Testing Methodology

What was actually tested, how, and what public sources inform the reasoning

This appendix lists the categories of testing actually performed during this system's development, in the interest of being specific rather than vague about what "rigorously backtested" means in practice. We've also noted, honestly, one category we were asked about that was **not** performed -- we'd rather disclose a gap than imply a validation that didn't happen.

Walk-forward (train/test) validation

The core discipline behind every accepted change to this system. Candidate rules or parameters are identified on one chronological portion of history and re-tested, completely unchanged, on a separate, later portion never used in development. A change is only adopted if it holds up on that unseen data. This is a standard technique in quantitative strategy evaluation (see Pardo, *The Evaluation and Optimization of Trading Strategies*, Wiley, for the canonical treatment).

Randomization / Monte Carlo permutation testing

To test whether this system's results reflect genuine design quality rather than simply favorable market conditions, the same trading opportunities were re-run 500 times with key specifics randomized (whether to take each trade, stop distance, target distance, entry price), and the real system's actual result was compared against that distribution. The real system outperformed all 500 randomized trials. This is a standard non-parametric significance-testing approach, structurally similar to permutation tests used broadly in applied statistics.

Capital and drawdown stress testing

Simulated the system against a defined starting capital base, tracking maximum drawdown, longest losing streak, profit factor, and risk-adjusted return (Sharpe ratio) using standard daily-return methodology. Certain extreme results from this testing were judged too favorable to be a realistic expectation for live conditions and were deliberately excluded from subscriber-facing materials rather than presented uncritically.

Year-by-year regime analysis

Performance was examined separately for each calendar year in the backtest window, specifically to check whether results depended on one favorable stretch. The window includes the 2020 pandemic crash and recovery and 2022's severe, broad equity bear market -- the Nasdaq fell approximately 32% that year amid aggressive Federal Reserve rate increases (a matter of public record, confirmed via financial news reporting at the time).

Time-of-day and day-of-week loss clustering analysis

Losses were broken down by fill hour and day of week to check for exploitable timing patterns. Where an apparent pattern was found, it was evaluated against the statistical

reality of multiple comparisons -- checking many time buckets simultaneously makes finding some bucket that looks unusual, by chance alone, unsurprising rather than meaningful. No reliable timing pattern was found that justified a rule change.

Fill-time and entry-window optimization

The specific start times, and the automatic cancellation windows for unfilled orders, were each independently tested against alternatives rather than chosen by convention.

Market microstructure and session-liquidity analysis

The reasoning behind the first alert window's timing draws on documented futures market structure: trading volume in U.S. index futures is well documented to increase as the London trading session opens, several hours before the U.S. regular session begins (see CME Group's published futures market hours and liquidity guidance, cmegroup.com). Entry timing was designed around this liquidity transition rather than acting during the thinnest hours of the overnight session.

Volatility (ATR-based) analysis

Average True Range was used both as a range filter and as a lens for breaking down performance by volatility regime, to check whether trade quality depended on volatility conditions. Fixed-point risk was tested against volatility-scaled alternatives; the fixed approach held up better and was retained.

Momentum and mean-reversion filter testing

A trend filter (based on a standard exponential moving average) and a momentum filter (based on Wilder's Relative Strength Index -- see J. Welles Wilder Jr., *New Concepts in Technical Trading Systems*, 1978, the original published source for RSI) were each tested independently and in combination.

Exit-mechanism variant testing

Multiple alternative confirmation and exit mechanisms were tested against each other and against a no-confirmation baseline, isolating whether a specific technique added value or whether any additional condition simply reduced trade volume without improving quality.

Behavioral finance framing

The underlying thesis -- that specific, widely-known price levels can become self-reinforcing because many independent participants act around the same reference point -- draws on the concept of a focal point in strategic behavior (Thomas Schelling, *The Strategy of Conflict*, Harvard University Press, 1960) and on anchoring as a general behavioral phenomenon in financial decision-making.

Economic-calendar event analysis

Performance around major scheduled economic releases (CPI, PPI) was checked using public data from the Federal Reserve Economic Data service (FRED, Federal Reserve Bank of St. Louis, fred.stlouisfed.org) to determine whether these dates should be excluded. They were not -- performance on these dates was found to be as good as or better than average, so no exclusion was applied.

Preliminary cross-instrument check (MES, MYM)

A preliminary check applied this same framework to Micro E-mini S&P 500 (MES) and Micro E-mini Dow (MYM) futures, using the identical fixed 200/400-point stop and target validated on Nasdaq. Win rates on both instruments were strong. We want to be precise about what that does and doesn't establish: a 200-point stop represents roughly 0.67% of MNQ's typical price level, but roughly 3.64% of MES's and 0.50% of MYM's -- a meaningfully different amount of relative risk on each instrument. A strong win rate under those conditions could reflect a stop that's simply wider, relative to that instrument's own volatility, rather than genuine evidence the strategy transfers on equal terms. A volatility-normalized version of this test exists specifically to correct for that confound, but we don't yet have a completed, saved result from that fairer version to report. We're treating this as a promising, real signal worth continued investigation -- not yet a validated claim at the same standard as the core Nasdaq system.

What Remains Preliminary or Untested

Beyond the MES/MYM caveat noted above, no live trading history exists yet for any version of this system -- everything described in this letter is backtested, not lived. We've tried to flag every meaningful limitation as we found it, rather than presenting only what looks favorable.

Public sources cited above are provided for background and context. Their inclusion does not imply endorsement of this strategy by CME Group, the Federal Reserve Bank of St. Louis, or any cited author or publisher.