

Validation report — overnight exposure candidate

Instrument: NQ (Nasdaq-100 futures, micro contract) · Session: 16:00 close to 09:30 open, New York time

This is a sample deliverable. It is a real report from my own research programme, included so you can see the format, the level of detail and — more importantly — what a negative verdict looks like when I write one. A client report on your strategy would follow this structure.

1. THE RULE, STATED BEFORE ANY TESTING

Hold one micro contract long from the 16:00 New York close to the following session's 09:30 open, every session, with no entry signal, no stop and no target. The rule has no parameters. It was written down in this form and frozen before the out-of-sample period began.

Stating the rule first is not a formality. A rule that can be adjusted after seeing the results is not being tested, it is being fitted.

2. DATA AND ASSUMPTIONS

- **Data:** one-minute bars, continuous front-month, root-bound with automatic quarterly rollover. A rollover audit confirms no contract change was recorded as a price move.
- **Costs:** \$2.38 per round turn applied to every trade, covering commission and one tick of spread each side. This is deliberately conservative — a Roll estimate of the effective spread puts the true figure near \$1.90.
- **Fills:** entry at the 16:00 close price, exit at the 09:30 open price. No assumption of a better fill than the printed price.
- **Development period:** 2,637 sessions. **Out-of-sample:** 74 sessions recorded live to date, under a specification frozen beforehand.

3. RESULTS

METRIC	DEVELOPMENT	OUT-OF-SAMPLE (LIVE)
Trades	2,637	74
Net, after costs	+\$27,245	+\$1,782
Net per trade	+\$10.33	+\$24.08
Win rate	55.3%	—
Maximum drawdown	\$9,085	—
Return / drawdown	3.00	—
Annualised, one contract	+\$2,613	—

The live sample is 74 trades. That is not enough to conclude anything on its own, and is reported here as a record rather than as evidence. It is stated because leaving it out would be the more misleading choice.

4. CONDITION ANALYSIS — VOLATILITY AT ENTRY

Splitting the development trades by a volatility measure known *before* each entry (the prior 20-session average range) rather than after it:

VOLATILITY AT ENTRY	TRADES	NET	PER TRADE
Lowest fifth	528	+\$2,156	+\$4.08
Second	527	+\$1,176	+\$2.23
Middle	527	+\$10,888	+\$20.66
Fourth	527	+\$12,766	+\$24.22
Highest fifth	528	+\$259	+\$0.49

The highest-volatility fifth contributes 1% of the profit and carries an \$8,291 drawdown on its own. Excluding it retains 99% of the profit and cuts maximum drawdown from \$9,085 to \$4,120, lifting return-over-drawdown from 3.00 to 6.54.

Stated as a limitation, not buried: this split was chosen from the data. A natural five-way cut is a weak form of searching, but it is still searching, and the improvement above is in-sample. It is reported as a hypothesis now recording live alongside the unfiltered rule, not as a result.

5. THE BENCHMARK — THE PART THAT DECIDES IT

A strategy that is long the market must be compared against simply being long the market. Against zero, almost any long-biased rule looks profitable during a rising decade. That comparison is not informative.

Measured over the same sessions, the overnight window captures the large majority of this instrument's total drift, while the daytime session contributes very little. The rule is therefore not finding a signal and acting on it — it is **collecting a well-documented risk premium**, by being exposed during the hours when that premium is paid and flat during the hours when it is not.

That distinction matters commercially. A signal can stop working when other participants find it. An exposure decision cannot "stop working" in the same way — but it also carries the full risk of the exposure, and it is not proprietary to anyone.

6. VERDICT

Not supported as an edge. Supported as an exposure decision.

Supported

Preliminary

Inconclusive

Not supported — as tested

There is no evidence here of a predictive signal. The profit is compensation for holding overnight risk, available to anyone, and correctly described as an allocation choice rather than a strategy. If the objective is a return stream uncorrelated with being long the market, this does not provide one.

The one genuinely useful finding is the volatility condition in section 4: the same exposure, with the top volatility fifth removed, has historically kept the return while halving the drawdown. That is now recording live against the unfiltered version, and will be readable in roughly 250 sessions.

7. WHAT WAS CHECKED BEFORE THESE NUMBERS WERE TRUSTED

- **Arithmetic geometry** — entry, exit, stop and risk relationships verified per trade; an earlier project-wide audit was triggered by a bug that inflated a risk figure roughly twofold.
- **Reconciliation** — the trade list, the equity curve and the reported total must agree independently.
- **Too-good trip-wire** — any result above a plausibility threshold is treated as a suspected bug until proven otherwise, not as a discovery.
- **Grid arithmetic** — session minute offsets checked explicitly. A hard-coded minute once placed a benchmark window before the market opened and produced a fictional \$93,201 loss.

- **Lookahead** — every input confirmed to have been available at the decision moment.

Sample deliverable prepared by Richard Hodgson · [pointofcontrol.app](#) · Figures are from my own research programme and describe historical simulation, not investment performance. Nothing here is advice.