Strategy v7 Confidence Report

Promotion evidence pack — July 2026

Version 1.11.0

June 2026

What changed in v7

Smooth Brains strategy v7 (promoted July 2026) upgrades one component: the bear-market short satellite - the small side-strategy that shorts breakdowns during orderly declining markets while the main entries stand aside.

Previously, that satellite fired on price structure alone. In v7, a breakdown candidate only becomes a trade when three independent market-state gates all agree at the decision bar:

1. Implied-volatility gate - Bitcoin's 30-day implied volatility (Deribit DVOL) must be below its trailing 30-day median. Shorting into already-elevated volatility is where breakdown shorts historically get hurt.

2. Trend gate - price must be below its 50-period average and the shorter average below the longer one: an established downtrend, not the first dip.

3. Sentiment gate - the Fear & Greed index must sit in a mid-fear band (26-55). Shorting into capitulation-level extreme fear is statistically a coin flip or worse.

The gates are fail-closed: if any input is unavailable, the satellite simply does not trade. The main entries, exit management, sizing, and every capital-protection layer are unchanged. An emergency rollback switch can restore the previous behavior instantly.

Why the headline return went down — and why that is the point

Re-freezing the historical tape with the gated satellite produces a lower gross full-window return (~14,068% vs ~17,002%), because the gates filter out a cluster of structurally unsound shorts that happened to be profitable in one hot streak. What the strategy buys with that give-up:

Metric (full fixed window, Feb 2024 - Jun 2026)	v6	v7
Profit factor	5.68	8.50
Sharpe ratio	5.16	5.24
Win rate	85.0%	85.5%
Satellite lane profit factor	0.85 (a drag)	2.03 (accretive)
Max drawdown, trailing 365/180/90-day windows	-9.6%	-7.4%

In every trailing window the ungated satellite was the sole cause of the extra drawdown. The gated version removes it.

The decisive evidence: out-of-sample

The strongest test used data no variant was ever tuned on: the live period after the historical tape was frozen (16 June - 1 July 2026), replayed through the real engine.

- The ungated satellite fired 8 shorts in 2.2 weeks into an extreme-fear, elevated-volatility market: 5 losers, roughly -$234k on the model book, tripping the drawdown circuit breaker five times, with a worse drawdown than having no satellite at all. This included a live -11% trade on 30 June.
- The v7 gates blocked all 8 of those candidates - seven by the implied-volatility gate and all eight by the sentiment gate, two independent gates agreeing bar by bar against real market data.

This was exactly the market regime the historical tape never contained, and the gates behaved exactly as the population studies behind them predicted.

How hard the design was challenged before promotion

Roughly 44 variants were tested against v7 on the real engine before sign-off, across three founder-mandated falsification rounds: wider and different entry triggers, alternative gate logics (any-two-of-three), volatility-slope gates, entry-confirmation delays, alternative stops and exits, regime expansion, sizing changes, a capitulation long-bounce scalp, timing-latency stress, and more. Every variant was either worse on risk-adjusted metrics, destructive, or changed nothing. The promoted configuration is the researched design unchanged - no parameter was re-fitted during the review.

Selection bias is accounted for: with the observed Sharpe, trade count, and a conservative 220-trial search-space assumption (stress-tested at 440), the deflated-Sharpe probability that the edge is real remains above 99.9%. Details in the DSR one-pager on this page.

Honest caveats

- The satellite trades rarely by design (4 realised entries on the full historical window). Small samples stay small; the gates' value shows most in what they refuse.
- The full-window headline return is lower than the previous release. We consider trading a lucky streak for structural soundness the correct exchange, and publish both numbers.
- Backtest and out-of-sample results are historical simulation, not live verified performance, and do not guarantee future results.

Disclaimer

Not financial advice. Strategy behavior is published for transparency; past performance does not guarantee future results.