PHOENIXALGOS CAPITAL ROTATION: OPTIMAL SWAP CADENCE & ANTI-CHURN GUIDE

Empirical Backtest Across 6,518 Fills, 3-Day VIX-Adaptive Sweet Spot & Day 0 / T+0 Immunity

Official Self-Help Documentation • Certified Technical Manual

1. Executive Summary & Empirical Fills Benchmark

Capital Rotation (the swap engine) aligns portfolio capital with high-momentum leaders by pruning deteriorating laggards. Across 6,518 fills, the execution cadence was proven to be the primary driver of risk-adjusted return. Running swaps on a VIX-Regime Adaptive Cadence (3D Sweet Spot) achieves optimal alpha capture (+32.2% CAGR, 2.33 Sharpe, 81.2% win rate) while avoiding daily churn friction and bi-weekly neglect bleed.

2. The Day 0 / T+0 Anti-Churn Guardrail (The 'MOD Lesson')

Momentum breakouts require 1 to 3 trading sessions (T+1 to T+3) to fully develop. Rotating out within hours on normal intraday noise (-1% to -2%) results in an unfavorable 48% premature exit rate, cutting off 65% of multi-day alpha. Any position held < 1.0 trading day is protected from routine rotation unless its trailing stop is breached.

3. Tri-Modal Classification Framework

- 🟢 Upper Mode (Protected Alpha Leaders): Ret >= +0.50% or Z-Score >= +0.5. Compounding winners strictly protected.
- 🟡 Central Mode (Base Building): Returns -0.75% to +0.50%. Protected from churn.
- 🔴 Lower Mode (Eligible Swaps): Underperformers (Ret < -0.75% and Z < -1.0) or active sell alerts. Prioritized for exit.

4. Friday Weekend Risk Overlay & Power Hour

Optimal execution window is Power Hour (3:30 PM – 3:55 PM ET). Carrying margin debt over weekends incurs 3 days of interest with 0 trading hours; cash retention is elevated to 20%–35% on Fridays.