

# Short Trigger Overlay Diagnostic

Downside-risk trigger evidence for equity overlay research.

FAMILY	UNIVERSE	RESEARCH HORIZON
Risk overlay diagnostic	Equity trigger panel	20 sessions

## Executive Summary

Short Trigger Overlay Diagnostic evaluates whether triggered names show weaker forward behavior than inactive names. The strongest return gap appears around the 20-session horizon, with active names showing weaker average forward returns in the historical panel.

Preferred horizon	20 sessions
Inactive minus active	3.15%
Downside diagnostic	1.90%
Active observations	986
Negative hit rate	60.24%

### Observations

- 1 Triggered names have weaker average forward outcomes at the preferred horizon.
- 2 The horizon profile is strongest around the 20-session window.
- 3 The evidence is best interpreted as an overlay diagnostic, not as a short instruction.

## Data and Research Setup

The setup compares triggered and inactive observations over forward session windows using aggregate return diagnostics.

### Universe

Equity observations with trigger-state metadata and matched forward returns.

### Inputs

Trigger flags, daily prices, and forward session return windows.

### Horizons

5, 20, and 40 session windows are shown for the trigger state.

### Exclusions

No active-no net borrow view, or trade instruction is included.

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# Signal Methodology

Without disclosing the exact functional, the construction proceeds along three conceptual steps.

## STEP 1

### Trigger-state measurement

The construction identifies observations with downside-risk trigger characteristics.

## STEP 2

### Inactive comparison

Triggered observations are compared with inactive observations over the same forward windows.

## STEP 3

### Overlay interpretation

The output is read as a risk overlay diagnostic rather than a standalone ranking product.

The description is intentionally conceptual. Formula details, exact construction rules and implementation parameters are not disclosed.

## Results and Horizon Context

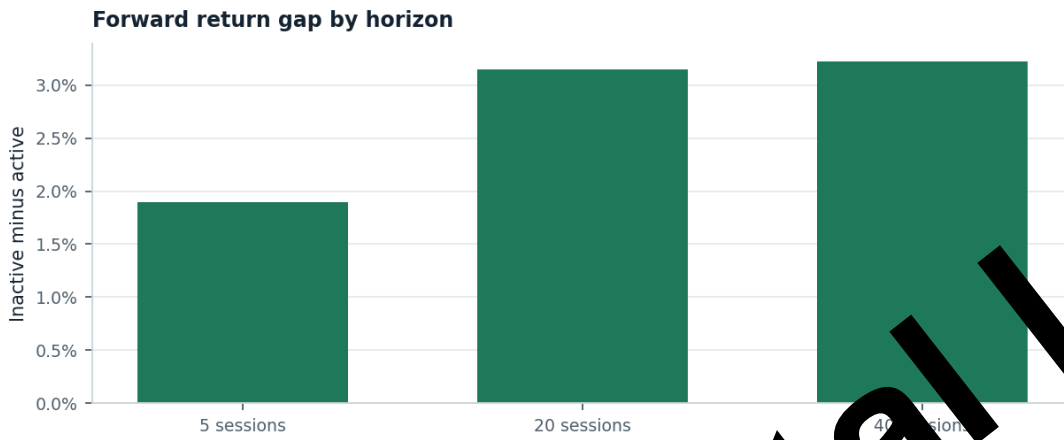


Figure 1. Inactive-minus-active forward return gap by horizon.

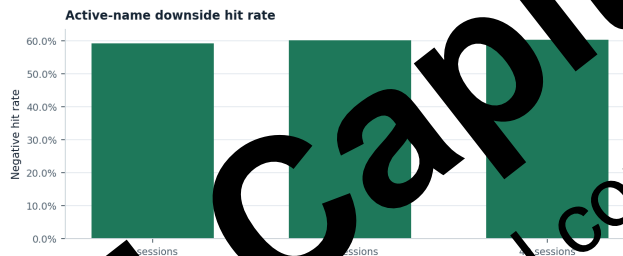


Figure 2. Negative forward-return hit rate for active trigger observations.

HORIZON	ACTIVE RETURN	ACTIVE MINUS ACTIVE	DOWNSIDE DIAGNOSTIC	HIT RATE
5 sessions	-1.19%	1.90%	1.55%	59.33%
20 sessions	-0.98%	3.15%	1.90%	60.24%
40 sessions	-0.87%	3.23%	0.87%	60.44%

The 20-session row shows the largest (inactive-minus-active) gap in the displayed trigger diagnostics.

# Stability and Robustness

Era splits show whether the preferred trigger gap is concentrated in one broad market period.

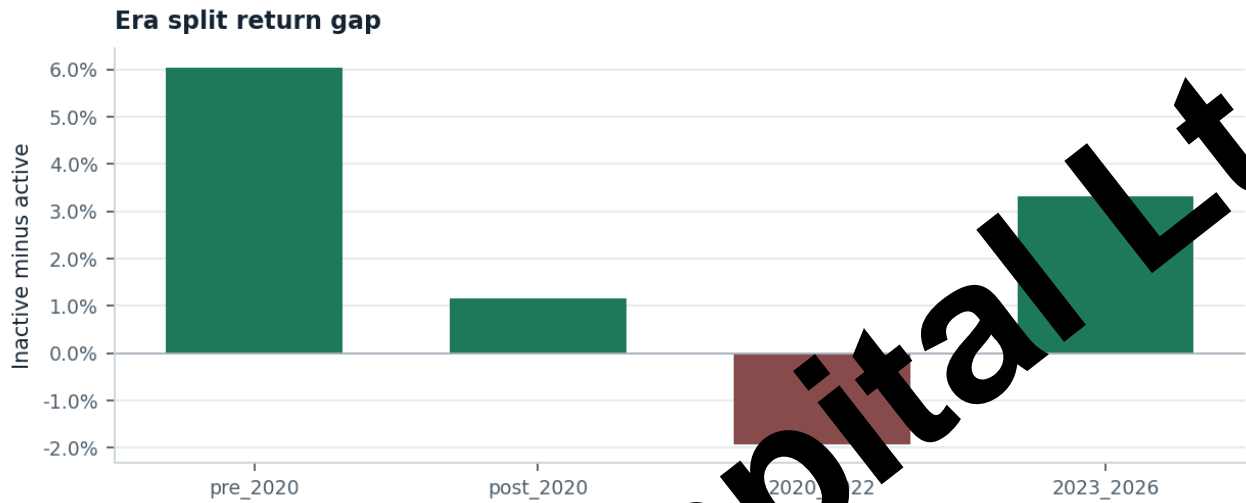


Figure 3. Preferred-horizon inactive-minus-active return gap by era split

SPLIT	ACTIVE RETURN	INACTIVE MINUS ACTIVE	ACTIVE OBS
pre_2020	5.07%	6.05%	405
post_2020	0.34%	1.16%	581
2020_2022	3.44%	-1.92%	240
2023_2026	-1.90%	3.31%	341

The gap is stronger before 2020 and weaker afterward. This supports a cautious overlay interpretation.

## Research Interpretation

The research interpretation is to retain the trigger as a downside-risk diagnostic inside broader equity research.

### Role in library

Risk overlay and downside diagnostic.

### Captures

Names with trigger characteristics that historically showed weaker near-term forward outcomes.

### Where useful

Useful as a caution flag or filter in broader equity research views.

### Known limitations

The evidence is sample sensitive and does not include a public borrow, liquidity, or execution view.

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