

The stop a cascade jumps

CASCADE GAP RISK

In crypto a stop can be jumped by a liquidation cascade: the move that triggers it empties the book as it runs, so the fill lands far beyond the stop's level - the equity overnight-halving teleport, except crypto's version happens on a live market, at any hour, driven by the leverage layer. The stop bounds the intention; the cascade sets the fill; and only sizing for the jump, not the stop, keeps the risk real.

The equity track met the overnight halving - price teleporting through a gap no stop could span. Crypto has the same failure, and worse: it happens on a live, never-closed market, so there is no 'overnight' to blame, only the cascade, which can come at any hour.

Why the stop is not the risk bound

A stop becomes a market order, and in a cascade that order meets a book emptying faster than it fills: the triggering move is a wave of liquidations, each forcing sales that push the price and trigger the next, so the stop's fill can land far below its level. The distance is unpredictable - a plausible bad cascade in a liquid coin can be several times the stop's intended loss, and in a thin coin or a weekend book, more. The stop bounds where the trader tried to exit; the cascade decides where they actually did.

Sizing for the jump

Size to a plausible cascade distance, not the stop: the equity gap-sizing lesson, applied to crypto's teleport - if a plausible cascade is three times the stop, the honest risk is three times the stop's, and the position sizes to that. The result is smaller still: crypto's already-wide stops, tripled for the cascade, produce genuinely small coin positions - which is the volatility being respected, per lesson 1, not timidity. The always-on caveat: there is no session to stand aside for - the cascade can come at 4am Sunday, so the sizing must assume the jump is always possible, not scheduled; crypto removes even the equity trader's option to be flat overnight.

What survives the cascade

Only the sized position. No stop placement survives a teleport - the platform has taught this five times - and crypto's teleport is the least scheduled and most frequent of all. The defence is entirely upstream: a position sized so that a plausible cascade beyond the stop is still a survivable loss, held in a market where the cascade needs no appointment. Module 1's leverage layer, which the spot holder cannot trade, sets the fill on the stop the spot holder can - and sizing for that, not for the stop, is the lesson the volatility demands.

Check your understanding

1. Why can a stop not bound risk in a crypto cascade?

- a. Exchanges cancel stops in cascades
- b. The triggering move empties the book faster than the stop's order fills, so the fill lands far beyond the level - the equity teleport, on a live never-closed market
- c. Stops are delayed in crypto

Answer: b. A wave of liquidations pushes price and empties depth simultaneously. The stop bounds the intention; the cascade sets the fill - and only sizing for the jump keeps the risk real.

2. How does crypto's teleport differ from the equity overnight halving?

- a. It is smaller
- b. It happens on a live, never-closed market at any hour - there is no overnight to blame or to stand aside for, so sizing must assume the jump is always possible
- c. It only affects leveraged positions

Answer: b. Crypto removes even the option to be flat overnight. The cascade needs no appointment, which is why the defence is entirely upstream in sizing for the jump.