Earnings: the gap your stop ignores

> **EARNINGS RISK**
>
> The scheduled gap, at the single-name scale: results land outside trading hours by construction, the reaction is an auction print a stop cannot participate in, and double-digit moves are routine even in large names. Predictable in timing to the day, unpredictable in size - the commodities report gap, four times a year, per name in the book.

The commodities track met one scheduled gap per market. An equity book meets one per name per quarter - and the machinery for handling them transfers almost unchanged, which is why this lesson can be short and its discipline familiar.

The structure of the risk

Timing known to the day: earnings dates are published weeks ahead - being surprised by one is the process failure the commodities track named, wearing equity clothes.Size unknowable: the gap prices the surprise, and surprises do not pre-announce their magnitude - a habitual 3% gapper can print 15% on the quarter something breaks.The stop is a passenger: results land outside the session; the reaction is the opening auction; a stop order simply attends the cross like everyone else and fills wherever it prints - protection ending exactly where the risk begins.

The standing choice, per name

The commodities decision transfers verbatim: flat through results, or sized for the gap - in writing, per name, before the date arrives. What equities adds is multiplicity: a book of eight names faces eight quarterly dates, so the choice is a standing policy applied each season rather than an occasional decision. The calendar check - which holdings report inside the horizon - belongs at entry, module 7 will journal it, and the accidental hold remains what it has always been on this platform: unforgivable, because the date was public.

What is genuinely different from commodities

Two things, one worse, one better. Worse: halts - an equity can stop trading on its news entirely, and no commodity report ever suspended the market it moved. Better: granularity - the next lesson shows that shares can size down to fit an earnings gap where whole contracts went to zero, so the equity trader holding through results at reduced size has an option the commodity trader lacked. The gap machinery is the same; the escape hatches differ.

Check your understanding

1. Why is a stop-loss structurally unable to manage earnings risk?

a. Brokers disable stops on results days

b. Results land outside the session and reprice via the opening auction - the stop just attends the cross and fills at its print, wherever that is

c. Earnings moves are too fast for stops

Answer: b. There is no continuous path for the stop to execute along: close, gap, auction. The stop's protection ends exactly where the event's risk begins - the platform's oldest gap lesson, on a quarterly schedule.

2. What does an eight-name book change about the earnings decision?

a. Nothing - each name is independent

b. It makes the flat-or-sized choice a standing seasonal policy: eight quarterly dates need a rule applied each season, not eight ad-hoc decisions

c. It requires hedging with index products

Answer: b. One scheduled gap per market became one per name per quarter. The commodities machinery scales only if it becomes policy - checked at entry, journalled by module 7.