Margin headroom as a risk number in its own right

> **THE HEADROOM FLOOR**
>
> Free cash above initial margin, divided by the book's plausible daily variation flow: headroom measured in days of ordinary adversity. The seed's phrase - a risk number in its own right - made formal: the plan sets a floor in days, entries that would breach it are refused exactly as budget breaches are, and the number is checked at entry and read at review.

Module 3 budgeted tonight's flow. This lesson promotes the arithmetic to what the seed called it: a risk number in its own right, with a floor, checked before every entry.

The metric

Headroom in days: free cash above initial margin, divided by the book's plausible one-day adverse flow - per-point values times plausible ranges, summed with lesson 7's correlation honesty. £8,000 of headroom against £1,600 of plausible daily flow is 5 days of ordinary adversity the account can absorb before the machinery starts making its own decisions. The floor is the plan's: enough days that a bad week is bookkeeping, scheduled events counted at their multiples, and the number recomputed whenever the book or the regime changes.

Why days, and why a floor

Days are the honest unit: cash amounts flatter and percentages obscure - 'how many ordinary bad days until forced decisions' is the question the metric answers directly.The floor refuses entries: a new position's variation flow shrinks the days - an entry that takes the book below floor is refused on headroom exactly as an oversized one is refused on budget: two gates, equal rank.The metric is leading, not lagging: margin calls are the machinery noticing headroom exhausted - the floor is the same information, read before the position exists instead of after.

The two-gate discipline

Futures sizing now runs two checks where other tracks ran one: the budget gate - risk per trade against the stop - and the headroom gate - the book's days against the floor. They bind differently: the budget gates each trade's loss; the headroom gates the book's capacity to hold all its trades through ordinary variance. A book can pass every budget check and still sit two bad days from forced selling - which is exactly the account the seed's phrase was written about, and exactly what the second gate exists to refuse.

Check your understanding

1. Why is headroom measured in days rather than money?

a. Regulation requires daily reporting

b. Days answer the actual question - how many ordinary bad days until the machinery decides for you - where cash amounts flatter and percentages obscure

c. Margin requirements change daily

Answer: b. The unit is survivability. £8,000 means nothing without the flow under it; 5 days means the same thing on every book at every size.

2. How can a book pass every budget check and still be dangerously positioned?

a. By using wide stops

b. Each trade's loss can be inside budget while the book's summed variation flow sits days from exhausting headroom - the second gate reads what the first cannot

c. By trading correlated markets

Answer: b. The budget gates trades; headroom gates the book. Two gates, equal rank - and the futures-specific failure lives entirely in the gap between them.