Regime Recognition Checklist

Signal Pilot Education Hub

Market Regime Recognition Checklist

From Lesson 22: Volume Oracle - Stop Fighting the Market's Mood

Use this checklist to identify market regime and adapt your strategy accordingly.

🎯 What Is Market Regime?

Regime = The market's current "mood" or behavior pattern

- **Trending Regime**: Directional momentum, follow pullbacks

- **Ranging Regime**: Mean-reverting, fade extremes

- **Volatile Regime**: Whipsaw danger, reduce size or sit out

The mistake: Trading the same strategy in all regimes = guaranteed losses

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📊 Step 1: Identify Current Regime

Check Volume Oracle

- [ ] **Green (Trending Regime)**

- Price making consistent directional progress

- Follow the trend, buy pullbacks (uptrend) or sell rallies (downtrend)

- [ ] **Red (Ranging Regime)**

- Price oscillating within boundaries

- Fade extremes, sell resistance, buy support

- [ ] **Yellow (Transitioning)**

- Regime uncertain, volatility increasing

- Reduce position size, wait for clarity

🔍 Step 2: Confirm with Price Action

Trending Regime Characteristics:

- [ ] Higher highs and higher lows (uptrend)

- [ ] Lower highs and lower lows (downtrend)

- [ ] Price respects moving averages as dynamic support/resistance

- [ ] Pullbacks are shallow (20-38% retracement)

- [ ] Breakouts continue in trend direction

Ranging Regime Characteristics:

- [ ] Price bounces between clear support/resistance

- [ ] No sustained directional movement

- [ ] Breakout attempts fail and reverse

- [ ] Moving averages are flat or choppy

- [ ] Volume decreases at extremes

Volatile Regime Characteristics:

- [ ] Large sudden moves in both directions

- [ ] ATR expanding rapidly

- [ ] News/event-driven price action

- [ ] Support/resistance levels breaking easily

- [ ] Unpredictable reversals

📋 Step 3: Match Strategy to Regime

If TRENDING (Volume Oracle = Green):

DO:
- [ ] Trade in direction of trend
- [ ] Buy pullbacks to support (uptrend)
- [ ] Sell rallies to resistance (downtrend)
- [ ] Use wider stops (1.5-2× ATR)
- [ ] Let winners run (trail stops)
- [ ] Enter on Pentarch IGN/RUN events

DON'T:
- [ ] Fade the trend (counter-trend trades)
- [ ] Take profit too early
- [ ] Use tight stops (will get shaken out)
- [ ] Trade range strategies

Reliability: Highly reliable in trending conditions

If RANGING (Volume Oracle = Red):

DO:

- [ ] Fade extremes (sell resistance, buy support)
- [ ] Take profit quickly (ranges compress R:R)
- [ ] Use tighter stops (0.5-1× ATR)
- [ ] Scale out aggressively
- [ ] Wait for sweep + reversal signals

DON'T:

- [ ] Chase breakouts (most fail in ranges)
- [ ] Hold for large moves (won't happen)
- [ ] Use wide stops (unnecessary)
- [ ] Trade trend-following strategies

Reliability: Moderately reliable in ranging conditions

If VOLATILE (Volume Oracle = Yellow or Whipsawing):

DO:

- [ ] Reduce position size by 50%
- [ ] Wait for regime clarity
- [ ] Use wider stops if trading
- [ ] Be patient, don't force trades
- [ ] Watch for regime transition signals

DON'T:

- [ ] Trade full size (volatility will hurt)
- [ ] Get impatient and chase
- [ ] Overtrade to "make up for lost time"
- [ ] Ignore the regime change

Reliability: Low probability (skip if possible)

🎯 Step 4: Regime Transition Detection

Watch for These Warning Signs:

Trending → Ranging:

- [ ] Breakout attempts start failing
- [ ] Pullbacks get deeper (50%+ retracements)
- [ ] Price starts oscillating around MA
- [ ] Volume decreases
- [ ] Volume Oracle turns red

Action: Exit trend-following trades, prepare range strategies

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Ranging → Trending:

- [ ] Breakout holds and continues
- [ ] Volume increases on breakout
- [ ] Price makes new highs/lows with momentum
- [ ] Moving averages start sloping
- [ ] Volume Oracle turns green

Action: Exit range trades, prepare trend-following strategies

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Any → Volatile:

- [ ] ATR spikes suddenly (>50% increase)
- [ ] News event or market shock
- [ ] Large gaps or fast moves
- [ ] Support/resistance levels breaking rapidly
- [ ] Volume Oracle shows yellow or rapid color changes

Action: Reduce size immediately, tighten stops, consider cash

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📊 Regime-Specific Setup Checklist

TRENDING REGIME Setups:

Best Setups:

- [ ] Pullback to Pentarch Pilot Line (TD/IGN)

- [ ] Janus sweep of pullback low + reclaim

- [ ] Continuation after consolidation

- [ ] Breakout with volume in trend direction

Position Sizing: Full size (1-2% risk)

Stop Placement: 1.5-2× ATR beyond structure

Target: Trail with Pentarch or 3-5R

RANGING REGIME Setups:

Best Setups:

- [ ] Sweep of resistance + rejection (short)

- [ ] Sweep of support + bounce (long)

- [ ] Mean reversion from extremes

- [ ] Failed breakout fade

Position Sizing: Full size (1% risk)

Stop Placement: 0.5-1× ATR beyond range boundary

Target: 1.5-2R (opposite side of range)

VOLATILE REGIME Setups:

Best Setups:

- [ ] Wait for regime to clarify (preferred)

- [ ] If trading: Only A+ setups with extreme confluence

- [ ] Use options for defined risk

Position Sizing: Half size (0.5% risk)

Stop Placement: 2-3× ATR (volatility requires room)

Target: 2R minimum, scale fast

🚫 Common Regime Mistakes

Mistake #1: Fighting the Regime

- ❌ Trading trend strategies in ranging market
- ❌ Trading range strategies in trending market
- **Fix:** Adapt strategy to current regime

Mistake #2: Not Recognizing Transitions

- ❌ Holding trend trades as market transitions to range
- ❌ Fading breakouts as range transitions to trend
- **Fix:** Watch Volume Oracle and price action for regime shifts

Mistake #3: Overtrading Volatile Regimes

- ❌ Full size trades during high volatility
- ❌ "This will calm down soon" mindset
- **Fix:** Reduce size or wait for regime clarity

Mistake #4: Same Strategy, All Regimes

- ❌ "I only trade pullbacks" (doesn't work in ranges)
- ❌ "I only fade extremes" (doesn't work in trends)
- **Fix:** Build 2-3 strategies for different regimes

📝 Daily Regime Journal

Date: ___

Volume Oracle Color: Green / Red / Yellow

My Assessment: Trending / Ranging / Volatile

Confirming Signals:

- _____

- _____

Strategy for Today: (Trend-following / Mean-reversion / Reduced activity)

Position Size: Full / Half / Cash

Trades Taken: __

Did I match strategy to regime? Yes / No

If No, why:
- [ ] Didn't check regime before trading
- [ ] Saw a "great setup" and ignored regime
- [ ] FOMO after missing moves
- [ ] Impatience

Result: Win / Loss / Breakeven

R-multiple: __

Lesson Learned:

_____

_____

_____

🎓 Pro Tips

1. Check Regime BEFORE Looking at Setups

- Open charts → Check Volume Oracle → Then look for setups
- Not: See setup → Take trade → Ignore regime

2. Regime Trumps Setup Quality

- A-grade trend setup in ranging market = C-grade trade
- B-grade range setup in trending market = D-grade trade

3. Regime Changes Are Gradual

- Markets don't shift instantly
- Watch for 2-3 days of consistent behavior
- Don't rush regime calls

4. When in Doubt, Reduce Size

- If regime unclear, trade half size or wait
- Clarity comes with patience

5. Most Losses Come from Wrong Regime

- Review your last 20 losses
- How many were "right setup, wrong regime"?
- Likely a significant majority

This one framework will eliminate a significant portion of your losing trades.

Master regime recognition. Trade the market's mood, not your bias.

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