

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



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
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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
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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 ($0.5-1 \times \text{ATR}$)
- [] 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

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

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



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
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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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