

# The "Session-Volatility" Fit Diagnostic S5 Protocol. FOREXSHARED.COM



## Phase 1: The Research Protocol

- **Central Problem Entity:** Strategy-Environment Mismatch.
- **Problem Statement:** The trading strategy exhibits inconsistent performance, generating a statistical edge during certain time windows while accruing losses in others, despite identical technical setup parameters.
- **Primary Objective:** To mathematically identify the specific **Trading Session** (Asian, London, NY) or **Volatility Profile** (High/Low Volume) where the strategy's expectancy turns negative.

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## Phase 2: Variable Identification

We must separate the "who" (the trader) from the "where" (the market environment).

- **Independent Variables (The Environment)** 
  - **Trading Session:** The specific major market center open during the trade (Asian, London, New York, or the "London-NY Overlap").
  - **Hourly Volatility:** The average pip movement of the pair during the hour the trade was executed (often measured by ATR - Average True Range).
  - **News Proximity:** Was a "Red Folder" (High Impact) news event scheduled within 60 minutes?
- **Confounding Variables (The Controls)** 
  - **The Pair:** You must stick to **one currency pair** for this diagnostic. (e.g., GBPJPY moves very differently in the Asian session than EURUSD does).
  - **The Strategy:** Do not change your entry rules. You are testing *when* the rules work, not *if* they work.

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## Phase 3: The Data Collection Log

Capture this data for your next **30 trades**. You can also backfill this using your trading history if your broker logs the opening time.

Date/Time (UTC)	Session Active	Hourly Volatility (Low/Med/High)	Result (R-Multiple )	Qualitative Notes

08:15 UTC	London Open	High	+2.5R	Fast move, hit TP in 15 mins.
21:00 UTC	Asian / Sydney	Low	-1.0R	Price chopped around stop loss.
13:30 UTC	NY Open	Extreme	-1.0R	Stopped out by volatility spike.
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#### Volatility Key:

- **Low:** Price is moving < 10 pips/hour (Ranging/Stagnant).
- **High:** Price is moving > 30 pips/hour (Trending/Impulsive).

## Phase 4: Quantitative Analysis

This analysis usually uncovers that you are losing money by "forcing" a trend strategy into a ranging market (or vice versa).

### 1. Session Segmentation:

- Calculate your **Win Rate** and **Total R-Multiple** for *each* session individually.
- *Example:*
  - **London:** 60% Win Rate | +8.5R (Profitable)
  - **New York:** 50% Win Rate | +2.0R (Breakeven)
  - **Asian:** 30% Win Rate | -5.5R (Unprofitable)

### 2. Volatility Segmentation:

- Do the same for Volatility. Does your strategy perform better when the market is quiet (Low Vol) or crazy (High Vol)?

### 3. Insight Statement: Fill in the blank:

"The data strongly suggests my strategy has a **Negative Expectancy** during the [**Asian Session / Low Volatility**] environment. While my 'London' trades earn [**\$X**], my 'Asian' trades bleed [**-\$Y**]."

## Phase 5: The Testable Hypothesis (The Filter)

Now, create a rule to stop the bleeding.

- **Hypothesis (Time-Based):**
  - "My hypothesis is that by **implementing a 'Time Filter' and refusing all trades between 20:00 UTC and 06:00 UTC (Asian Session)**, I can increase my overall Win Rate from 45% to 60%."
  - *Action:* Set an alarm. Do not even open the charts during the "Bad Session."
- **Hypothesis (Volatility-Based):**
  - "My hypothesis is that my strategy fails in low volatility. By adding an **ATR Filter** (only trade if ATR > 15 pips), I can eliminate 80% of my 'chop' losses."
  - *Action:* Add an ATR indicator to your chart. If it is below 15, the market is "Closed" for your strategy