Regime Detection

PRO PRACTICE WORKSHEET

Work through these by hand or with a spreadsheet. There's no wrong answer, the goal is just practice.

Section 1 - Classify a Hypothetical Period

Given a rolling volatility of 20% and an average correlation of 0.60, which illustrative regime does this suggest? Explain using the lesson's thresholds.

Section 2 - Match Strategy to Regime

Would you lean toward a momentum or mean-reversion strategy in a low-vol trending regime? What about a range-bound one?

Section 3 - Track Real Signals

Pick a real or hypothetical index. What data would you need to compute its rolling volatility and cross-asset correlation over the past year?

Section 4 - Plan a Sizing Response

If your regime signal shifted from Low-Vol Trending to High-Vol Crisis, how would you gradually adjust position size rather than an abrupt full exit?

Section 5 - Reflection

Think of a past market crisis you're aware of. What would rising correlation and volatility have looked like in the lead-up, with hindsight?