CASE 001 · THE RULEBOOK

Larry Williams' volatility breakout, on gold.

The exact rules, our test, and what we found, so you don't have to run it yourself.

THE STRATEGY, EXACTLY AS PUBLISHED

When price moves a meaningful fraction of yesterday's range away from today's open, the idea says that is real order flow rather than noise, so you go with it.

1. **Measure yesterday's range:** high minus low of the previous full trading day.
2. **Buy** when price closes above **day open + K × yesterday's range**. Mirror short below **day open − K × range**.
3. **Stop-loss** at a fraction of yesterday's range from entry.
4. **Take-profit** at a reward multiple of the stop distance.
5. **One trade per day**, flat before the next day's levels are built.

THE CLAIM

A published gold version of this reported **+60% in 11 months**, "steady progression", no extreme drawdowns.

The fine print: that test covered January to November 2025 only. One hand-picked year, on daily bars, in one of gold's great bull runs. It also charged zero commission.

OUR TEST

Same rules, implemented faithfully, then swept across the **complete** parameter grid instead of one lucky configuration.

Market	Gold (XAU/USD)
Data	Real tick data, 2019 → 2022
Costs	Real spread + commission on every trade
Breakout multiple K	0.3 → 0.8
Stop multiple	0.3 → 0.7 × yesterday's range
Reward ratio	2 → 5 × the stop
Combinations tested	All 72, every cell of the grid

WHAT WE FOUND

0 / 72	**−$6,180**	**~20%**
MADE MONEY	THE BEST RESULT*	WIN RATE

*on a $10,000 account; the worst combination lost nearly −$9,500.

DOESN'T WORK

Why the same rules produce opposite backtests:

1. **Costs.** Roughly 150 trades over three years, each paying spread and commission, consume several percent a year before the strategy earns anything.
2. **The stops sit inside gold's noise.** Stops at 0.3–0.7× yesterday's range were routinely hit within minutes; the 2–5× reward targets rarely filled.
3. **The venue.** The rule is famous on other markets. On gold, yesterday's range is the wrong yardstick; the metal's intraday wiggle swallows the entry logic whole.

A DATA TRAP WORTH KEEPING

If you ever test daily-level systems on UTC data yourself: the Sunday-evening open creates tiny "Sunday" bars with a \$3–\$6 range, versus \$11–\$60 for real trading days. Any "yesterday's range" rule must use **Friday's full range on Mondays** and never trade the Sunday stub, or about 20% of your trades run on corrupted levels. Ours handles this; every number in this file reflects it.

THE RULES YOU CAN REUSE

A single-period, cost-free backtest is marketing, not evidence.

One hand-picked year in a bull run, with zero commission, will make almost anything look brilliant.

Ask how many versions worked, not whether one did.

Sweep the whole parameter grid and read the denominator. Here the answer was 0 of 72.

The venue matters more than the rule.

A famous edge on one market can be pure noise on another. Test the rule where you intend to trade it.

THE VERDICT

Doesn't work on gold. The famous +60% came from the venue and the year, not the rule. A breakout drowned by gold's own noise.

See the full evidence

The full write-up, with every chart and the complete 72-cell grid:
yuratrading.com/blogs/williams-vol-breakout

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