

CASE 002 · THE RULEBOOK

Connors' RSI-2 pullback, 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

Larry Connors' RSI(2) pullback is one of the most replicated edges in retail quant trading: buy sharp dips inside an uptrend, sell the snap-back a bar or two later.

1. **Trend filter:** price holds above its 200-period moving average.
2. **Buy** when the **2-period RSI** is deeply oversold.
3. **Exit** when the RSI snaps back above its exit threshold, usually within a bar or two.
4. **ATR stop** as a backstop while you wait for the snap-back.

THE CLAIM

Decades of documentation on **daily US equities**, and a recent MQL5 article rebuilt three variants of it for MetaTrader.

The transfer question: gold overshoots intraday constantly, which sounds like mean-reversion heaven. Does the edge survive the move from daily stocks to gold on the hourly chart?

OUR TEST

Same rules, implemented faithfully, then optimized across the whole parameter space instead of trusting one lucky configuration.

Market	Gold (XAU/USD), H1 bars
Data	Real tick data, 2019 → 2022
Costs	Real spread + commission on every trade
Optimized	RSI entry and exit thresholds, trend-filter period, ATR stop multiple
Trades per pass	339 → 394
Configurations tested	146

WHAT WE FOUND

0 / 146

MADE MONEY

-\$6,798

THE BEST RESULT*

0.05–0.10

PROFIT FACTORS

*on a \$10,000 account. A profit factor of 0.05 means gross wins were five cents per dollar of gross losses.

DOESN'T WORK

The autopsy, and it has nothing to do with the signal being wrong:

1. **The winners are smaller than the spread.** A 2-period RSI snaps back within a bar or two, so winners captured a few tenths of a dollar of gold movement. Gold's real spread ran \$0.46 to \$0.88.
2. **The losers run the full stop.** Every loss paid the ATR-based stop, \$8 to \$12 each. Sub-spread wins against full-size losses is broken trade geometry.
3. **The venue.** The published edge lives on daily bars, where the average move dwarfs the spread. On gold H1 the geometry inverts: the strategy donates the spread to the market, 339 to 394 times per pass.

THE CHECK THAT WOULD HAVE SAVED THE TEST

Before you backtest any strategy, estimate its typical winner in price terms and put that number next to the instrument's spread. If the winner is not clearly bigger, the test is already over. This rejection cost us one ten-minute optimization run and zero out-of-sample data, because the arithmetic was visible in the first pass.

THE RULES YOU CAN REUSE

Check the edge geometry first.

Typical winner versus the spread. If the win is smaller than the cost of the round turn, no parameter combination can save it.

Timeframes are venues too.

A real edge on daily bars can invert on H1. The signal did not change; the size of the move it captures did.

A cheap rejection is a win.

Optimize in-sample first and read the denominator: 0 of 146 means nothing to select, nothing to freeze, and no out-of-sample data spent.

THE VERDICT

Doesn't work on gold H1. The signal still fires; the geometry is upside down. A genuine daily-equities edge that becomes a spread-donation machine on the hourly gold chart.

See the full evidence

The full write-up, with every chart and the optimizer output:

yuratrading.com/blogs/rsi2-pullback-gold

The Backtest Files: a new case every week. YouTube · Instagram · TikTok: [@yuratrading](#)