

CASE 010 · THE RULEBOOK

Quarterly Theory: the quarter that **never shows up**.

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

THE FRAMEWORK, EXACTLY AS IT IS TAUGHT

Quarterly Theory comes from a trader called Jevaunie Daye and sits downstream of the ICT world. Its core idea is that time is fractal: every unit of time divides into four quarters that always play the same four roles. There are indicators for it in the LuxAlgo library, several more on TradingView, and a dedicated strategy page on FX Replay.

1. **Split the trading day into four six hour quarters**, hung off a "True Day Open." The sources disagree on whether that is 18:00 or 19:00 New York time.
2. **Q1 accumulates**: price builds a range.
3. **Q2 manipulates**: price sweeps one side of that Q1 range to trigger the stops resting there, then closes back inside. This is the quarter that is said to manufacture the day's high or low.
4. **Q3 distributes**: price runs in the opposite direction to the sweep. This is the quarter you are told to trade.
5. **Q4 continues or reverses**.

THE CLAIM, AND ITS FINE PRINT

We read a dozen pages teaching this. Not one of them publishes a sample size. No win rate, no trade count, no backtest window, no expectancy. The closest thing to evidence is a hedge: it works best in trending markets with institutional activity, and less well in low liquidity or heavily manipulated ranges.

That hedge is the tell. A rule that only applies when the market cooperates cannot be wrong, which also means it cannot be right. So we did the thing none of the sources had done and counted.

OUR TEST

The rules move, so we wrote ours down before running anything. We measured both published day opens rather than picking the one that flattered the result, and pre-registered that a disagreement between them would itself be the finding. No expert advisor was written and no out-of-sample data was touched: these claims fall straight out of raw prices, and if the effect is not there, nothing needs automating.

WHAT WE RAN

Markets	EUR/USD, GBP/USD, USD/JPY, Nasdaq 100, S&P 500, Dow, Gold
Data	One minute bars, 2019 to 2021, in-sample only
True Day Open	18:00 and 19:00 New York, measured separately
Sweep definition	Q2 trades beyond the Q1 range, then closes back inside
Claim 1, the clock	Does the day's extreme form in Q2 more than 25% of the time?
Claim 2, the direction	Enter at the Q3 open against the sweep, stop beyond it, target 2R, flat at the end of Q3

WHAT WE FOUND

Results are in R, where 1R is the amount risked on the trade. Dollar figures per trade cannot compare an index against EUR/USD.

16.6%

Q2 HOLDS THE EXTREME

-0.06R

PER TRADE, 2,162 TRADES

1 of 7

MARKETS POSITIVE

NO EDGE

Claim one fails, and it fails backwards. Q2 holds the day's extreme 16.6% of the time, 95% interval 15.9% to 17.3%. Chance gives 25%, and the interval sits entirely below it. Q2 sits below chance on all seven markets. Of the fourteen cells we measured, across both day opens, exactly one clears 25%, GBP/USD at the 19:00 anchor, and it does not survive the other anchor. The extremes form in Q3 on the currencies and Q4 on the indices, which is when each market is busiest.

Claim two fails before costs. Across 2,162 trades the setup loses 0.06R per trade, interval 0.11R to 0.02R of loss. Six of the seven markets are negative, no year of the three is positive, and the 2R target hits 16.1% of the time. The exception is the Dow at +0.10R, which we report rather than bury: one cell in seven is close to what chance produces.

Remove everything that could be our fault, so no stop, no target, no commission, just the signed move from the Q3 open to the Q3 close: that gives **0.14R against** the claim, with an interval clear of zero. That cost-free figure is the strongest evidence here, because it does not depend on any cost model.

THEN WE SPENT A DAY TRYING TO PROVE OURSELVES WRONG

A negative result is worth little if you stop at the first version that agrees with you.

Is it simply backwards?

Continuation shows 0.14R in its favour, the one number that flickers. It fails the threshold for eight comparisons, and traded as a 2R setup it loses 0.05R with an interval containing zero.

Wrong timeframe?

Explicitly fractal, so we ran the same rules on the 90 minute quarters. On 8,416 setups the raw drift is 0.0045R with an interval straddling zero, the cleanest null in the study.

A hole in the data?

On Mondays the Q1 range is built in Sunday hours, when the venue does not trade. Dropping every Monday moves 0.06R to 0.04R of loss.

THE RULES YOU CAN REUSE

No sample size, no result.

Taught in a dozen places with no trade count anywhere is not tested. It is repeated.

Measure the claim before you code the strategy.

Both halves fall out of raw one minute prices. A script settled it in a day.

Test the version that would embarrass you.

Inverted, finer, and with the awkward days dropped. That separates a finding from a preference.

THE VERDICT

No edge. On seven markets, three years, both day opens, two timeframes, both directions, and with all costs stripped away: the second quarter does not make the day's extreme and the third does not run predictably.

Honest scope: three years is three years, and we tested the daily and 90 minute scales, not the 22.5 minute micro layer.

See the full evidence

The full write-up, with the per market charts:

yuratrading.com/blogs/quarterly-theory

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