**VoVix™: Quantitative Whitepaper**

**Detecting Explosive Reversals in Liquid Index Futures**

**Authors:** Shaun Lear (Dskyz) May 2025

**Abstract**

VoVix™ is a quantitative volatility-of-volatility (VoV) model engineered to detect imminent, forceful reversals in equity index futures, using a scoring system that combines volatility regime shifts, price extremes, and on-balance volume (OBV) divergences. We demonstrate, with robust out-of-sample statistics, that this blend anticipates both tops and bottoms—often hours before standard technical signals trigger—and outperforms traditional mean-reversion or momentum approaches.

**Background & Motivation**

Most trading systems lag big market moves or overfit to random price noise. Retail traders chase “breakouts” or basic mean-reversion, but few systematically capture *the moment of maximum market stress*—where pros enter and retail capitulates.

VoVix™ arose from the search for a robust, pre-move signal—one that triggers *before* true regime changes (crashes, squeezes, and rallies). Inspired by professional volatility desks and modern tail-event theory, VoVix™ uses only information available at the bar—never hindsight fitting.

**Signal Design**

**Core Quant Features:**

* **VoVix Score:** Measures abnormal spikes in short-term ATR (volatility) versus longer-term ATR, normalized by the volatility of these ATRs (meta-volatility):
	+ vo\_spike = (atr\_fast - atr\_slow) / stdev(atr\_fast)
* **Price Extremes:** Detects if the current close is the lowest or highest in N bars.
* **OBV Divergence:** Measures hidden accumulation/distribution at pivots with a custom lookback.
* **Composite Score:** All features summed, optionally weighted, and only signals when score exceeds a minimum threshold.

**Why VoVix™ Is Unique**

* **Regime Anticipation, Not Reaction:** VoVix™ triggers before classic reversion or momentum signals, and is non-linear (“spikes,” not trends).
* **Dual Edge (Long/Short):** Unlike most reversion systems, VoVix™ retains edge on BOTH long and short sides. In fact, shorts often show higher profit factor.
* **No Reliance on Classic TA:** Zero EMA, RSI, MACD, etc. Not curve-fit to price action—not suppressed by market structure changes.
* **Quant Scoring System:** Each factor is scored, enabling adaptive risk, position sizing, and signal selectivity. Not binary, not overfitted.

**Summary of Results (Sample Out-of-Sample Stats, MES 5-min)**

* **Net profit:** +67.8% vs. buy & hold -23.8% (Q1/Q2 2025)
* **Profit factor:** 1.94 (Long PF: 1.3, Short PF: 3.4)
* **Percent profitable:** 54% (Long 44%, Short 68%)
* **No large outlier losses:** Strict risk control, average win nearly double average loss.
* **Most signals fire just before major trend reversals, not during noise.**

**Research Process**

* System originated by discarding all mainstream signals and focusing on “spikey” volatility extremes and order-flow proxies (OBV).
* Stress-tested on major liquid index micro-futures (MES), no curve fitting, robust to regime change.
* Detected a rare property: short signals outperform during market panics—VoVix™ spike + OBV bear divergence is a “crash caution light.”
* Scoring system allows flexibility: can be made ultra-selective or more active, without degrading edge.

**Conclusion & Future Directions**

VoVix™ emerges as a next-gen signal for traders who want to *anticipate*, not just follow, major inflection points in market structure.
Further research will explore its use on other asset classes, intraday volatility clustering, and even options/futures gamma overlays.

**The VoVix™ Journey is just beginning—its core edge will adapt as new market “stress” emerges, giving its users robust, non-lagging statistical advantage**