

# RSI(2) Enhanced

EdgeLab Strategy Report | June 2026 | by Robin Eriksson | robin@edgelabtrading.com

## The rules

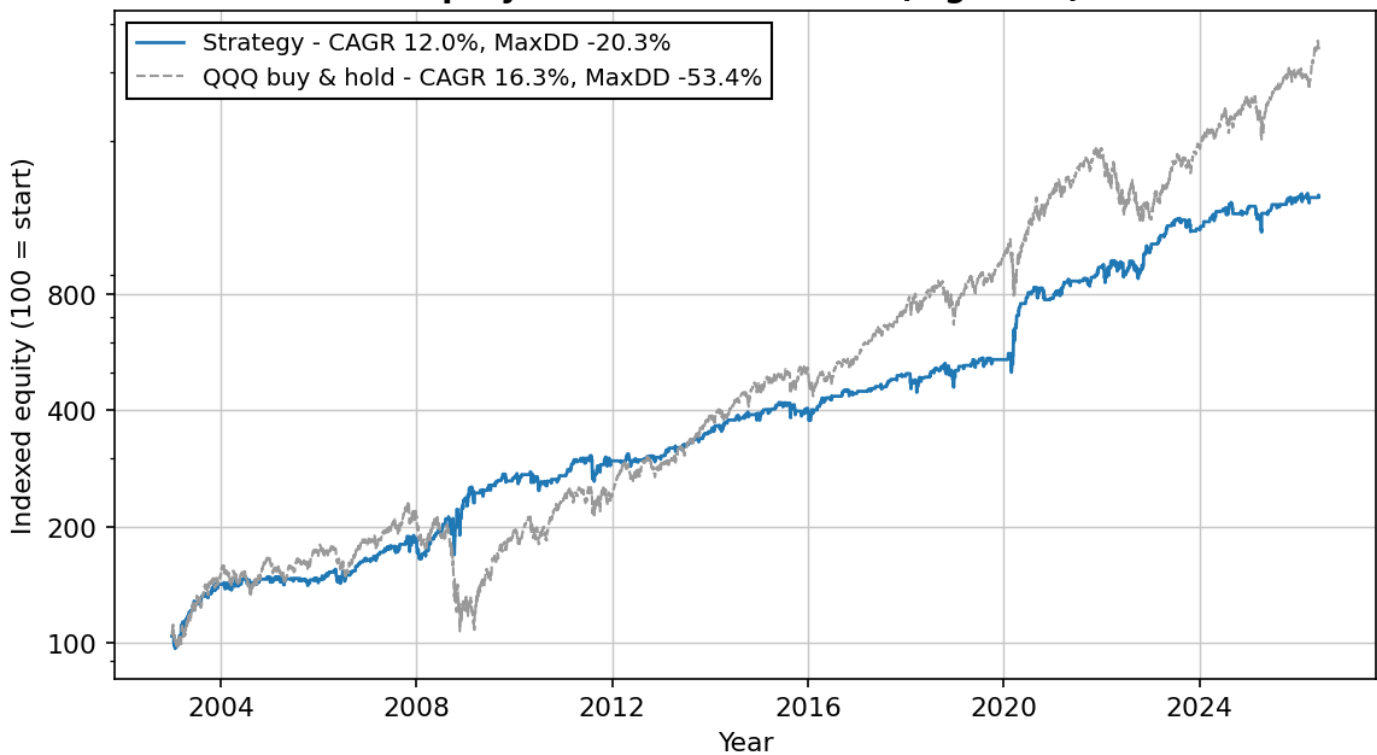
1. Compute the 2-day RSI of QQQ and the Internal Bar Strength:  $IBS = (close - low) / (high - low)$ .
2. Entry: at the close, when  $RSI(2) < 25$  AND  $IBS < 0.30$ , buy.
3. Exit: at the first close above the previous day's high - or after 10 trading days, whichever comes first.

Long only, no leverage. The IBS filter was the only one of 19 tested improvements that survived out-of-sample validation - the full story is on the blog.

## Results, 2003-2026 (0.05% commission per side)

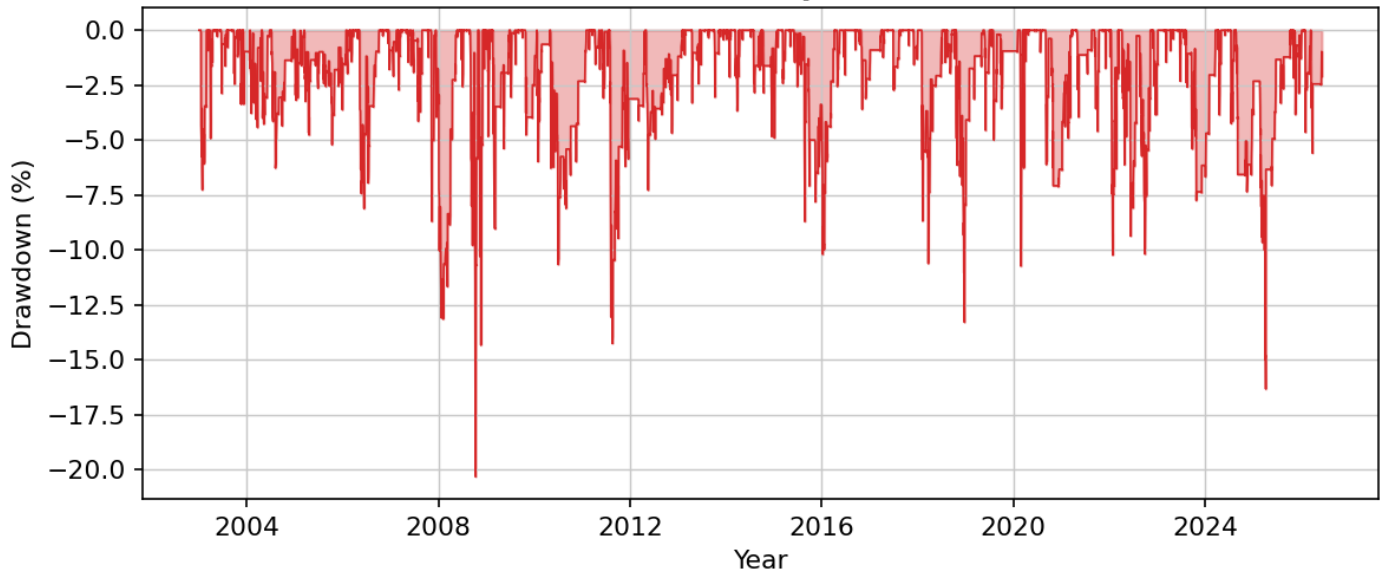
	Strategy	QQQ buy & hold
CAGR	12.0%	16.3%
Sharpe ratio	0.88	0.81
Max drawdown	-20.3%	-53.4%
Time in market	27.9%	100%

Equity curve vs benchmark (log scale)



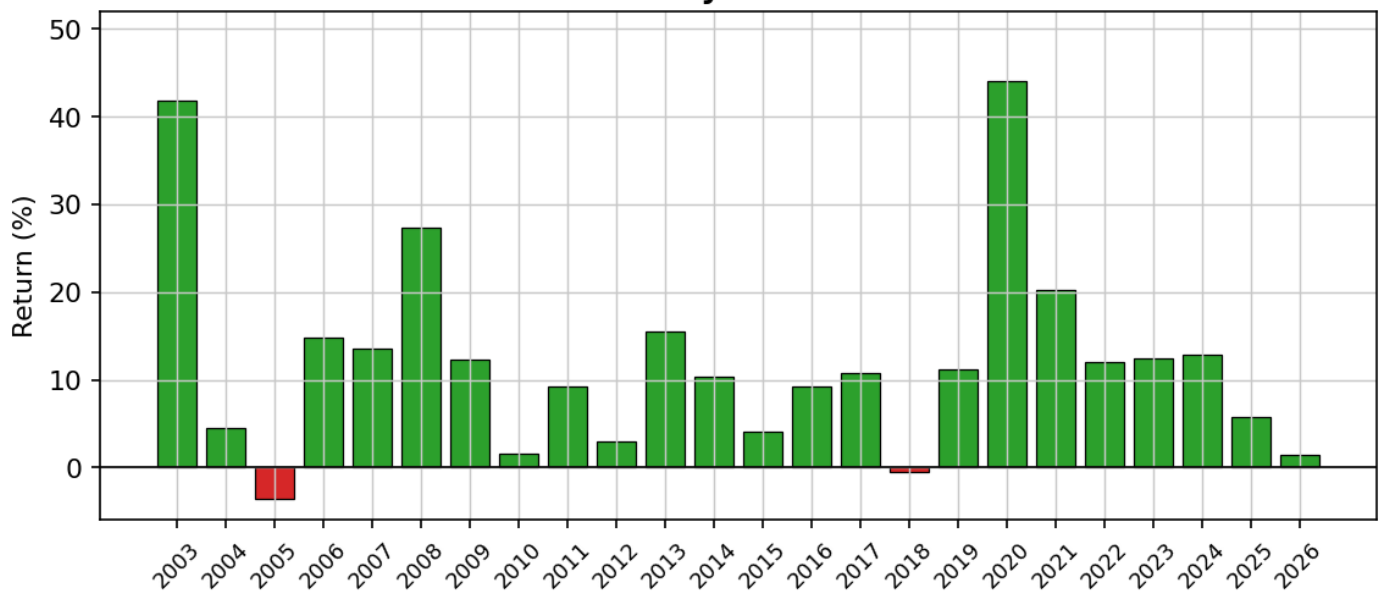
### Drawdown profile

Drawdown profile



### Yearly returns

Yearly returns



### Robustness: does the exact parameter matter?

Sharpe ratio across the neighboring parameter settings (2003-2026). The edge does not live at one magic number:

RSI threshold \ IBS	< 0.2	< 0.3	< 0.4
RSI(2) < 15	0.82	0.76	0.75
RSI(2) < 20	0.90	0.86	0.85
RSI(2) < 25	0.89	0.88	0.89
RSI(2) < 30	0.88	0.88	0.82

### Monte Carlo: how bad can drawdowns get?

We reshuffled the strategy's monthly returns 2,000 times and measured the worst drawdown of each alternate history. The historical path is only one of many that the same returns could have produced:

Percentile	Max drawdown
Median path	-18.2%
Worst 10% of paths	-24.4%
Worst 1% of paths	-31.4%

Position-size against the worst 10% column, not the historical number.

### How we use it - and the honest caveats

We size this at no more than 20-30% of a portfolio. It buys falling knives by design: several entries will keep falling after you buy, and the -20% historical drawdown WILL be exceeded at some point. It is in the market only about a quarter of the time - judge it on risk-adjusted return, not raw CAGR. Works on large-cap index ETFs (QQQ, SPY); it failed on small caps (IWM) in our validation.

Backtested results are hypothetical and do not guarantee future results. This is research, not financial advice. Trade at your own risk.

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