

FIND BETTER TRADES

The Setup Checklist

The seven questions we ask before every trade

Educational material. Nothing in this ebook is a recommendation to buy or sell anything.

Why a checklist

Most losing trades were lost before the order was placed. Not because the idea was bad, but because nobody asked the boring questions first: where is the zone, which way is the bigger trend, where exactly am I wrong, how much do I make if I am right.

A checklist fixes that. It is not a strategy and it does not pick trades for you. It is seven questions, asked in the same order every time, and a rule: if one of them has no honest answer, there is no trade today. That rule is the whole point. The checklist is there to keep you out of the trades that were never setups in the first place.

Each chapter takes one question. It explains what the question is really asking, how to answer it on a chart, and what to do when the answer is no. Every chapter ends with a worked example and a short summary you can read on its own. The last page is the checklist itself, laid out to print and keep next to the screen.

Read it once in order. After that, use the last page.

Contents

- 1 Is there a zone?
 - 2 Which way is the trend on the higher timeframe?
 - 3 Is there a catalyst, or is it noise?
 - 4 Where exactly is the entry, and what invalidates it?
 - 5 What is the reward against the risk?
 - 6 Does the options structure fit the thesis?
 - 7 What does the plan say about size and exit?
 - 8 The Setup Checklist
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Is there a zone?

The first question is the one that throws out most trades, which is why it comes first. A zone is an area on the chart where price has reacted before: it stalled there, turned there, or left there in a hurry. Support, resistance, supply, demand. The names matter less than the idea. Price has a memory in these places because other traders have orders in these places, and you want to be trading where the market has already shown its hand.

What a zone actually is

A zone is an area, not a line. If you draw a single line at 150.00 you will get faked out by every wick that reaches 149.60. Draw a box that covers the wicks and the closes of the reaction, and think of the whole box as the level. On a daily chart of a mid-priced stock that box might be one to two percent tall. That width is not sloppiness; it is where the reaction actually happened.

The zones worth trading from share a few traits:

- Price reacted there more than once, or reacted there once and left fast. A level that was touched and violently rejected is often stronger than one that was touched five times and slowly ground through.
- It is visible on the higher timeframe. A zone you can only see on a five-minute chart is a five-minute zone. It might hold for twenty minutes. A daily zone can hold for weeks.
- It has a role. Old resistance that was broken and is now being retested from above is a classic support zone. Old support that gave way and is being retested from below is resistance. The flip is what tells you which side of it you want to be on.

How to find one in under a minute

Start on the weekly or daily chart, not the one you trade on. Look left. Mark the swing highs and swing lows where price clearly turned, and the areas price left with big candles and no overlap. Then mark yesterday's high and low and any round number nearby. That is usually enough. If you have more than four or five zones on the chart, you have too many and none of them mean much. Keep the obvious ones.

Then ask where price is now relative to those boxes. There are only three answers: it is at a zone, it is approaching one, or it is in the middle. "In the middle" is the most common answer and the one that ends the checklist. There is nothing to lean on in the middle. Your stop has nowhere sensible to go, and every small move looks like a signal.

The rule for this question: if you cannot point at the box price is reacting to right now, you are not at a zone. Wait for price to come to one.

Fresh zones and used zones

A zone is freshest the first time price comes back to it. Each visit after that uses up some of the orders that made it a zone. A level that has been tested three times in a week is being worn down, and the fourth test breaks it more often than it holds. This does not mean never trade a tested zone; it means the first test gets the benefit of the doubt and the fourth does not.

What a zone does not do

A zone is a place, not a signal. Price arriving at support is not a reason to buy. It is a reason to pay attention and run the rest of the checklist. Plenty of zones break, and when they break the same box becomes the level you trade against from the other side. The zone tells you where; the next six questions tell you whether.

Example

This is a made-up example. Say a large semiconductor stock, call it XYZ, ran from 120 to 175 over a few months. On the way up it stalled twice at 148 to 151: once in the spring, when it was resistance for three weeks, and again when it broke through and left fast. Now, after the run, XYZ has pulled back and is sitting at 149.40. You draw a box from 147.80 to 151.20. It covers the wicks of both earlier reactions. Price is inside the box. Old resistance is being retested as support, on the daily chart, for the first time since the breakout. That is a yes to question one. It does not mean buy. It means the checklist continues.

Compare a second stock in the same sector that is at 62, having bounced between 55 and 70 for two months with nothing marked near 62. It is in the middle. Nothing more to do today.

The question, answered

A zone is a box, drawn on the higher timeframe, where price has reacted before.

Price is either at one, approaching one, or in the middle.

In the middle, there is no trade; at a zone, the checklist continues.

The zone tells you where to look, not whether to act.

This is the question the Magnizone indicator is built to answer.

Which way is the trend on the higher timeframe?

You trade on one timeframe. You decide on the one above it. If you enter on the hourly, the daily trend is your boss. If you enter on the daily, look at the weekly. This is the whole idea of multi-timeframe alignment, and it is simpler than the name makes it sound: the bigger chart sets the direction, and the smaller chart finds the entry inside it.

The reason is not mystical. A daily trend is the sum of hundreds of hourly moves, most of which went the other way at some point. If you fight the daily on an hourly chart, you are betting that the small move you see will outrun a much larger one you are ignoring. Sometimes it does. Most of the time the bigger chart wins, and the trade that looked perfect on the hourly gets run over.

Reading the trend without arguing with yourself

Pick one way of calling the trend and use it every time. Any of these work, as long as you do not switch between them to get the answer you want:

- Swings. Higher highs and higher lows is an uptrend. Lower highs and lower lows is a downtrend. Anything else is a range. Look at the last three swings, not the last thirty.
- A moving average. Price above a rising 50-day is up; below a falling 50-day is down; a flat average with price crossing it is a range. The exact number matters less than the consistency.
- The last big move. Whichever direction the last impulsive leg went, that is the trend until a swing in the other direction breaks structure.

Write the answer down as one word: up, down, or range. If you find yourself writing "sort of up but", it is a range.

Putting question one and question two together

Now combine the zone with the trend. A support zone in an uptrend is a place to look for a long. A resistance zone in a downtrend is a place to look for a short. Those are the trades with the wind at their back.

A resistance zone in an uptrend is still useful, but not as an entry. It is where you take profit on the long you already have, or where you wait to see whether the trend can push through. Entering short there because "it is resistance" is fighting the boss. Same in reverse for support in a downtrend: a place to cover, not a place to buy.

Counter-trend zones are for exits. With-trend zones are for entries. That one sentence saves a lot of money.

When the higher timeframe is a range

A lot of the time, the honest answer is "range". That is not a no. A clean range is tradable, but only at its edges: buy at the bottom zone, sell at the top zone, and stay out of everything between. The middle of a range is the worst place on any chart. If the higher timeframe is a range and price is not at one of its edges, this question ends the checklist for today.

The trap of the pretty small chart

The most common way this question gets skipped is a five-minute or fifteen-minute chart that looks wonderful. Clean higher lows, a tidy flag, a moving average crossing. It looks like a trend because at that scale it is one. Then you zoom out and it is a small bounce inside a daily downtrend, heading straight into a resistance zone. The small chart was not lying. It was just answering a question you did not ask.

Example

This is a made-up example. Back to XYZ from the last chapter, sitting inside the 147.80 to 151.20 zone. You plan to enter on the daily chart, so the weekly is the boss. On the weekly, the last three swings are higher lows and higher highs, and price is above a rising average. One word: up. The zone is support, the trend is up, so the two questions agree. A long is the only trade worth planning here.

Now a second stock, call it ABC, at 41. On the fifteen-minute chart it has made three higher lows this morning and is pushing at 41.50. It looks bullish. On the daily, ABC has made lower highs for six weeks, and 41.50 to 42.30 is the last lower high. The small chart is showing a bounce into daily resistance in a daily downtrend. No long. If anything, this is the zone to watch for the trend to resume.

The question, answered

Decide the direction one timeframe above the one you enter on.
Call it in one word, the same way every time: up, down, or range.
Enter only at zones that agree with that direction; counter-trend zones are for exits.
In a range, trade the edges or wait.

This is the question the Terraline indicator is built to answer.

Is there a catalyst, or is it noise?

The chart tells you where and which way. It does not tell you what is about to hit it. The third question is about the calendar and the tape: is something scheduled that could move this stock hard inside my trade, and is the move I am looking at right now driven by something real or by nothing at all?

Two kinds of catalyst

Scheduled catalysts are the ones you have no excuse for missing. Earnings, above all. Then the macro calendar: the Fed decision, the inflation print, the jobs report, and for some sectors a specific report or approval date. These are known days in advance. Before any trade, check the earnings date of the stock and the big macro releases inside the window you expect to hold. It takes thirty seconds.

Unscheduled catalysts are news: a guidance cut, an upgrade, a competitor's results, a headline about the sector. You cannot plan for them, but you can recognise when one is driving the price in front of you and decide whether that changes the trade.

What noise looks like

Noise is a move with no reason behind it that you can state in one sentence. A stock is up three percent at 10:15 and a forum says it is "breaking out". Nothing was announced. Volume is ordinary. By 11:30 the move is gone. That is noise, and it is most of what happens in a day.

The test is simple. If you cannot say, in one plain sentence, why the stock is moving, treat the move as noise and lean on the zone and the trend instead. If you can say why, ask whether the reason is bigger than the zone. A guidance cut is bigger than a support zone. A single analyst note usually is not.

A catalyst does not make a bad setup good. It can make a good setup unsafe. The first two questions still have to be yes.

When to stand aside

There are a few situations where the honest answer to this question is "not now", regardless of how good the chart looks:

- Earnings inside the holding period of a directional options trade. The stock can gap through your stop, and the option can lose value even if you are right on direction, because the implied volatility that was priced in before the report drains out after it. Either trade it with shares and small size, or wait until the report is out.

- A major macro release in the next hour for an intraday trade. The zone may hold, but the ten minutes around the print are a coin flip with wide spreads. Wait for the first candle after the release to close.
- A gap on news straight into your zone. Price arriving at a level under its own weight is one thing. Price arriving on a headline is another; the first reaction is often reversed within the hour. Let the first bar close, then decide.
- A move you cannot explain that is already large. Chasing noise is the fastest way to buy the top of nothing.

Using a catalyst on purpose

Sometimes the catalyst is the reason the trade is worth taking. A stock pulls back to a daily support zone in an uptrend two weeks before a product event that the whole sector is watching. The zone and trend say long. The calendar says there is a known reason for attention to return. That is fine, and better than fine, as long as you size for the possibility that the event disappoints. The catalyst decides timing and size; it does not override the chart.

Example

This is a made-up example. A clothing retailer, call it RTL, has pulled back to a daily support zone at 28 to 29 in a weekly uptrend. Questions one and two are yes. You check the calendar: earnings are in four days, before the open. Your plan was a call spread expiring in three weeks, which means holding straight through the report. That is a no for that structure. You have three honest choices: buy shares at half your normal size and accept the gap risk with a stop you may not get filled at; wait for the report and reassess the zone the day after; or skip it. Waiting costs nothing. If the zone holds through earnings, it is a better zone than it was before.

Separately, at 10:20 the same morning a stock in your watchlist is up four percent on no news you can find. The move has ordinary volume and is nowhere near a zone. That is noise. You do not need to know why. You need to leave it alone.

The question, answered

Check the earnings date and the macro calendar for the window you plan to hold. Every time.
 If you cannot say in one sentence why price is moving, it is noise; lean on the zone and trend.
 Do not hold a directional options trade through earnings; wait or use shares, small.
 A catalyst changes timing and size, never the first two answers.

Where exactly is the entry, and what invalidates it?

This is the chapter people read first, and it is the one where most plans fall apart. A zone is an area. A trend is a direction. Neither is an order. The fourth question makes you turn an idea into two numbers before you touch the ticket: the price and condition that get you in, and the price that proves you wrong.

The trigger

An entry is a trigger, not a feeling. It has a price and a condition, and you can say it out loud: "a daily close back above 151.50 after touching the zone", or "a break of the previous hour's high while price is still inside the box", or "the first higher low on the hourly after the daily zone is tagged". Pick one kind of trigger and use it consistently. The exact trigger matters less than having one, because the trigger is what stops you buying the first dip into the zone and then the second and then the third.

Notice that all of those triggers ask price to do something first. They wait for the zone to show it is holding before committing. You will miss the exact low every time. That is the cost of not catching the ones that keep going down.

The "I'm wrong" line

The stop is not where the loss becomes uncomfortable. It is where the reason for the trade no longer exists. If you bought because a support zone was holding, you are wrong when price is clearly through the bottom of the box, with a little room for a wick. If you bought a higher low, you are wrong when that low is taken out. The stop goes on the far side of the thing you are leaning on, not at a round dollar amount you can stomach.

This is why the middle of the chart is untradeable. In the middle there is nothing to lean on, so the stop is either enormous or arbitrary. At a zone, the stop is obvious: just beyond it.

Write both numbers down before the order: the trigger and the stop. If you cannot say where you are wrong, you do not have a trade. You have an opinion.

Stop versus exit

Do not confuse the stop with the only way out. The stop is the line that says the thesis is dead. There are other reasons to leave a trade before it is hit: the trend on the higher timeframe changes, a catalyst arrives that changes the picture, or the trade simply goes nowhere for longer than the plan allows. Those are exits and they belong to

question seven. The stop is the one line that is never moved further away, because moving it means you are no longer trading the thesis you wrote down.

Give the stop room, then respect it

Stops placed exactly at the edge of a zone get hit by wicks that go on to reverse. Place it beyond the box by a margin that matches the stock's normal noise. For a daily setup, something like a third to a half of an average day's range past the zone is a fair starting point. Then leave it alone. The most expensive habit in trading is moving a stop down because "it is about to bounce".

Waiting versus chasing

Two failure modes here. The first is buying before the trigger because the zone "looks like it is holding". The second is buying well after it, when price is already three percent above the zone, because now it "looks confirmed". The first puts you in trades that were not setups. The second gives you the setup with a stop so far away that the reward against the risk no longer works. The trigger is the middle path, and if you miss it, you missed it. There is another one tomorrow.

Example

This is a made-up example. XYZ again: the 147.80 to 151.20 zone, weekly uptrend, no earnings for six weeks. Price has been inside the box for two days and today closed at 151.90 after dipping to 148.30. Your trigger was a daily close back above 151.50 after a touch of the zone. It has happened, so tomorrow's open is the entry, near 152. The stop goes under the swing low at 148.30 with room for a wick, at 146.80. That is about 5.20 of risk on a 152 stock, roughly three and a half percent. Both numbers are on paper before the market opens.

If instead price had closed at 147.10, below the box, the trigger never fires. There is no trade to manage and nothing to feel bad about. The zone told you where to look; it did not promise anything.

The question, answered

An entry is a price and a condition you can say out loud, and it waits for the zone to hold.
The stop goes on the far side of what you are leaning on, with room for a wick.
Both numbers are written down before the order and the stop is never moved further away.
If you cannot name where you are wrong, there is no trade.

This is the question the Slingshot indicator is built to answer.

What is the reward against the risk?

By now you have an entry and a stop. The distance between them is your risk, and everything else in this chapter is measured against it. Call that distance one R. A target two R away means you stand to make twice what you would lose. The fifth question is whether the target the chart offers is far enough, in R, to be worth the trade at all. Most of the time it is not, and that is the point of asking.

Where the target comes from

The target is not a wish. It comes from the same place the zone did: structure. The next zone in the direction of the trade. The prior swing high or low. The top or bottom of the range. Measure from the entry to the first place price is likely to hesitate. That is the first target. If there is another obvious level beyond it, that is the second.

Be honest about the first hesitation point. If there is a resistance zone one R above your entry, that is where the trade will most likely stall, whatever the level beyond it looks like. Using the far target to justify the trade while ignoring the near one is how good-looking setups turn into scratches.

Why one-to-one bleeds you

A one-to-one setup, where you risk a dollar to make a dollar, sounds fair. It is not. Commissions, the bid-ask spread, and slippage on the stop mean you actually make slightly less than a dollar when right and lose slightly more than a dollar when wrong. To just break even you need to win more than half the time, every month, forever. Nobody reads a chart that well. So the account does not blow up on one-to-one trades; it leaks, a little every week, and it feels like bad luck.

The arithmetic on the other side is what makes trading survivable. At two R, you break even at roughly a 34 percent win rate before costs. At three R, roughly 25 percent. You can be wrong most of the time and still come out ahead, as long as the winners are the size you planned and the losers are not bigger than one R. That last clause is the whole reason the stop from chapter four is never moved.

Set a minimum and walk away from anything under it. Two R to the first realistic target is a sensible floor. A setup that offers 1.3 R is not a small trade. It is no trade.

Where the risk hides

The risk in R is only honest if the stop is honest. Two things wreck it. The first is a stop moved inside the zone to make the numbers work: the setup now shows three R on paper and gets stopped out by the first wick. The second is an entry taken late, after the trigger, so the stop is now far away and what was two R is one. If the reward against the risk only works with a stop you would not really use or an entry you already missed, it does not work.

The trade you do not take

Expect most setups to fail this question. Zones are often close together, and a trade from one to the next is frequently under two R. That is fine. The checklist is not here to find you a trade every day; it is here to keep you out of the ones where even a good read of the chart cannot pay. A calendar with three trades a week that passed all seven questions beats one with fifteen that passed four.

Example

This is a made-up example. XYZ, entered at 152 with the stop at 146.80. One R is 5.20. The next daily zone above is the prior swing high around 162 to 163. From 152 to 162 is 10 points, which is a little under two R. Beyond that, the top of the run at 175 is 23 points, about four and a half R. The first target is borderline; the second is generous. That is a trade worth taking, with the plan to take some off near 162 and hold the rest for 175, which is chapter seven's business.

Now ABC from chapter two, if you had ignored the trend and gone long at 41.20 with a stop at 40.40, risk 0.80. The daily resistance zone starts at 41.50, 0.30 away. That is under half an R to the first hesitation point. Even if the trade works, it cannot pay. Pass, and note that question two had already said no.

The question, answered

One R is the distance from entry to stop; targets are measured in R, to the next structure.

One-to-one trades lose slowly to costs unless you win more than half the time, which nobody does reliably.

Two R to the first realistic target is a fair minimum; under that, there is no trade.

The numbers only count if the stop and entry are the ones you would actually use.

Does the options structure fit the thesis?

If you trade shares, this question is short: you buy or sell short, and the structure is the stock. If you trade options, it is where a good thesis gets ruined by the wrong instrument. The chart has told you three things by now: direction, how far price might go, and how long the plan gives it. The options structure has to match all three, and it should be simple enough to draw from memory.

Thesis first, structure second

Write the thesis in one line before opening the chain: "XYZ from 152 to 162 in three to four weeks, wrong under 146.80." Every choice in the structure comes from that line. Direction says call or put side. Distance to the target says which strikes. Time says which expiration. If you cannot write that line, you are not ready for the chain.

Directional or range

A directional thesis wants a structure that makes money when price moves your way. The plain choices are a long call or put, or a debit vertical: buy one strike, sell a further one, pay the difference. The vertical caps the profit at the sold strike, but it also cuts the cost, and it reduces how much time decay and a drop in implied volatility can hurt you while you wait. For a thesis with a clear target from chapter five, the sold strike goes at or just beyond that target. You were not planning to make money past it anyway.

A range thesis, where the read is "price will not get past that zone", wants a structure that gets paid for that not happening. A credit vertical sold beyond the zone, or an iron condor sold outside both edges of a range, does that with the loss defined up front. The zone is the defense: the short strike sits on the far side of it, so the trade is only in trouble if the level fails, which is exactly the line you would have used for the stop anyway.

Debit or credit, in plain words

A debit structure pays for the move and needs it to happen. A credit structure gets paid to wait and needs the move not to happen. Match that to the thesis. "It will go up to 162" is a debit thesis. "It will not get back above 165" is a credit thesis. Trying to run a credit structure on a directional thesis because "you collect premium" is how people end up short the strike that price goes straight through.

If you cannot draw the profit and loss at expiration from memory, you do not understand the trade well enough to hold it through a bad week. Keep to structures you can draw.

Time

Time decay works against a debit structure and for a credit one, every day. The mistake with debits is buying too little time: a weekly call for a three-week thesis is a bet that the move happens now, not a bet on the move. Give the thesis more time than the plan needs, something like two to three times the expected holding period, and accept the higher price as the cost of not being right and broke. For credits, the expiration should sit inside the window you are confident the level holds, not beyond it.

Liquidity and simplicity

Two more checks before the ticket. The options have to be liquid: a bid-ask spread that is a small fraction of the price, and open interest that means you can get out. A great thesis in an illiquid chain loses a chunk of the edge on the way in and again on the way out. And the structure should be simple. One or two legs. Three or four only if each leg has a job you can explain. Anything more complicated is usually a way of not deciding.

Example

This is a made-up example. XYZ, the thesis line: from 152 to 162 in three to four weeks, wrong under 146.80. Directional, debit. Target about 10 points away. Time: give it six to seven weeks, so an expiration around 45 days out. The structure: buy the 150 call, sell the 160 call, same expiration, for a debit of around 3.50 on a 10-wide spread. The most the spread can be worth is 10, so the maximum profit is 6.50 against 3.50 at risk, and the thesis only needs price to be above 160 at expiration to get all of it. The sold strike sits just under the first target, which is right where the chart said price would hesitate.

The same thesis with a 155 call expiring in nine days, bought because it is cheap, needs XYZ to move three points just to break even and to do it this week. The chart never said that. The thesis was three to four weeks. That structure does not fit.

The question, answered

Write the thesis in one line: direction, target, time, and where you are wrong. Build from that.
Directional means debit and needs the move; range means credit and needs the move not to happen.
Buy more time than the plan needs; sell strikes at the target or beyond the zone.
Only structures you can draw from memory, in chains you can get out of.

This is the question the Layered Options course is built to answer.

What does the plan say about size and exit?

The last question is about the part of the trade that happens after the order fills, and it is answered before the order is sent. How much. How to add, if at all. Where to take profit. When to leave if nothing happens. And how to write it down so the next trade is a little better. None of it is exciting; all of it decides whether the first six questions ever pay you.

Size by risk, not by dollars in the trade

Decide, once, the most you are willing to lose on a single trade as a fraction of the account. One percent is a common and sensible number; half a percent if you are new. That figure is the only input to size. For shares, divide it by the distance from entry to stop and you have the number of shares. For a defined-risk options structure, the most you can lose per contract is known, and the number of contracts is the risk figure divided by that, rounded down. If the rounding gives you zero, the trade is too big for the account. Pass, or find a structure with a smaller maximum loss.

A wide stop means fewer shares. A tight stop means more. The dollar amount at risk is the same every time, so a losing streak is a known, survivable cost instead of a surprise. The trader who "just buys 100 shares" of everything risks a different amount on every trade without knowing it.

The risk per trade is a fixed fraction of the account. Size is whatever that fraction buys at this stop. That is the whole rule.

Scaling

Scaling in is optional and simple if you do it: half the size at the trigger, the other half when the trade shows it is working, for example on a higher low above the entry. The total risk still cannot exceed the number you fixed. Adding to a trade that is going against you, to "average down", is not scaling. It is a second trade with no trigger, taken in the worst possible mood.

Scaling out is where most of the value is. Take a portion, a third or a half, at the first target from chapter five. Move the stop on the rest up to the entry, so the worst outcome is now a small gain. Let the remainder run toward the second target. You give up some of the best case and in exchange a trade that stalls at the first level, which is common, still pays.

Taking profit and the time stop

Profit is taken where the plan said, not where it feels good. The first target is the first target because the chart put a level there. Selling before it because the trade is "up nicely" turns a two R plan into a one R result, and chapter five explained what that does to the account over time.

The exit people forget is time. A setup that was supposed to move within a week and has done nothing for two is telling you something. Give every trade a deadline: if it has not reached the first target, or at least moved clearly in your favour, by then, close it whatever the price. Capital sitting in a trade that is going nowhere is capital not in the next setup, and an options structure is losing value every day it waits.

The journal

Before the trade, the seven answers are the journal entry. Write them down, in the order of the checklist, in a sentence each. After the trade, add three lines: what happened, whether you followed the plan, and one thing you would do differently. That last line is the one that makes the next trade better, and the one everyone skips.

Once a week, read the entries. Not the profit and loss; the answers. You will find the same question fudged again and again. That question is your edge, once you stop fudging it.

Example

This is a made-up example. A 25,000 dollar account, with the risk per trade fixed at one percent, so 250 dollars. XYZ with shares: entry 152, stop 146.80, 5.20 of risk per share. 250 divided by 5.20 is 48 shares, rounded down. Plan: sell 24 at 162, move the stop on the rest to 152, hold for 175. Time stop: if XYZ has not traded above 157 within ten trading days, close it.

The same account with the 150/160 call spread from chapter six at a 3.50 debit: the most one contract can lose is 350 dollars, which is more than 250. Two honest options. One contract with an exit rule that closes the spread if it falls to half its value, so the planned loss is about 175 dollars; or pass on the options and take the shares.

Buying two contracts because "it is only 700 dollars" is not one of the options. The journal entry, written before the open, records which was chosen and why.

The question, answered

Fix the risk per trade as a fraction of the account; size is what that buys at this stop.

Add only when the trade is working, never when it is not. Take part off at the first target and protect the rest.

Give every trade a deadline and close it when nothing happens.

Write the seven answers down before, and one lesson after. Read them weekly.

The Setup Checklist

Print this page. Before every trade, tick each box only if you can write the answer in one sentence. An empty box means there is no trade today. That is the checklist working, not failing.

Before the order

☐ 1. Is there a zone? Price is at a box, drawn on the higher timeframe, where it has reacted before. Not approaching. Not in the middle.

☐ 2. Which way is the trend on the higher timeframe? One word: up, down, or range. The zone agrees with it, or it is the edge of a range.

☐ 3. Is there a catalyst, or is it noise? Earnings date checked. Macro calendar checked for the holding window. The move in front of me can be explained in one sentence, or I am ignoring it.

☐ 4. Where exactly is the entry, and what invalidates it? Trigger: a price and a condition. Stop: on the far side of what I am leaning on. Both written down.

☐ 5. What is the reward against the risk? One R is the distance to the stop. The first realistic target is at least two R away, using the entry and stop I will actually use.

☐ 6. Does the structure fit the thesis? Thesis in one line: direction, target, time, wrong-line. Debit for a move, credit for no move. More time than the plan needs. I can draw the payoff. The chain is liquid.

☐ 7. What does the plan say about size and exit? Risk is a fixed fraction of the account; size is what it buys at this stop. Where I take part off, where the stop moves to, the deadline, and the journal entry written.

After the trade

☐ What happened, in one line.

☐ Did I follow the plan? Yes or no, and which question I fudged if not.

☐ One thing I would do differently next time.

Seven yeses is a trade. Six is a note in the journal about why you almost took it. Three trades a week that passed all seven beat fifteen that passed four.

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