Market Making Hft Checklist

Signal Pilot Education Hub

Market Making & HFT Defense Checklist

From Lesson 15: Market Making & HFT

Use this checklist to defend against HFT tactics and avoid being exit liquidity.

📋 Pre-Trade: HFT Defense Protocol

- [ ] **Check time of day (HFT most active)**
- Avoid first 15 minutes (9:30-9:45 AM ET)
- Avoid last 15 minutes (3:45-4:00 PM ET)
- Avoid overnight/illiquid sessions
- Best hours: 9:45 AM - 3:45 PM ET
- [ ] **Verify stop placement**
- Support/resistance level: $__

- Obvious stop cluster zone: $__ (5-10 ticks below support)

- Your stop: $__ (below cluster + ATR buffer)

- ATR distance: __ points/ticks

- Stop is NOT at obvious level? ✓

- [ ] **Check liquidity conditions**

- Current spread: $__ (or __ basis points)

- Spread < 5 basis points? Yes / No

- Volume profile: Adequate depth? Yes / No

- If illiquid (wide spread, thin volume): Skip or reduce size

✅ Anti-HFT Entry Criteria

- [ ] Trading during liquid hours (9:45 AM - 3:45 PM ET)

- [ ] Spread < 5 basis points (tight, fair execution)

- [ ] Using LIMIT orders (not market orders)

- [ ] Stop placement: ATR-based, below obvious clusters

- [ ] No major news within 10 minutes (spreads normalize)

- [ ] Position size appropriate for liquidity (won't move market)

🎯 Order Execution Strategy

ALWAYS use limit orders unless:

- [ ] Breakout with strong momentum (can't miss it)
- [ ] Stop loss hit (immediate exit required)
- [ ] Spread already < 2 basis points (minimal cost)

Order type: Limit / Market (circle one)

Limit price: $_

Actual fill: $_ (within 1-2 ticks of limit? ✓)

Alternative: IEX routing

- [ ] Using IEX (speed bump exchange) for large orders
- [ ] Reduces HFT latency arbitrage
- [ ] Trade-off: Lower volume, but fairer fills

🔍 Stop Hunt Detection

Watch for liquidity sweep patterns:

- [ ] Obvious support/resistance: $_
- [ ] Expected stop cluster: $_ (just below/above)
- [ ] Did price knife through then reverse quickly? Yes / No
- [ ] Volume spike at sweep low/high? Yes / No
- [ ] Reclaim within 1-3 candles? Yes / No

If stop hunt detected:

- Time: _
- Sweep level: $_
- Reclaim level: $_
- Action taken: Entered long/short after reclaim ✓
- Result: _ R-multiple

🛡️ HFT Defense Tactics

Spread monitoring:

- [ ] Spread widening without news? (HFT senses uncertainty)
- From: $_ to $_
- Action: Tighten stops, reduce size, wait for clarity

Quote pulling detection:

- [ ] Large bid/ask wall disappeared before test? (Spoofing)

- Level: $__

- Action: Don't trust, trade opposite direction

Absorption without movement:

- [ ] High volume traded, price not moving? (Iceberg order)

- Level: $_

- Volume: _ vs. visible: __

- Action: Strong level, trade breakout away from it

🚫 Invalidation Criteria (Don't Trade)

- [ ] Spread > 10 basis points (too wide, HFT advantage too large)

- [ ] Trading first/last 15 minutes (highest HFT activity)

- [ ] Illiquid hours (overnight, pre-market)

- [ ] Major news within 10 minutes (spreads explode)

- [ ] Position size > 10% of average volume (you'll move market)

📊 Post-Trade Review

HFT defense effectiveness:

- Did I use limit orders appropriately? Yes / No

- Was my stop placement optimal (avoided cluster)? Yes / No

- Did I trade during liquid hours? Yes / No

- Fill quality (slippage): $__ (< 0.05%? ✓)

Stop hunt analysis:

- Was I stopped out by a liquidity sweep? Yes / No

- If Yes: Stop was at obvious level? Yes / No

- Lesson: Move stop further from clusters next time

What went right:

- _____

What could be improved:

- _____

Lesson learned:

- _____

Win/Loss: _ R-multiple: _

Remember:
- ✅ Limit orders > market orders (always)
- ✅ Stops: ATR-based, NOT at obvious levels
- ✅ Trade liquid hours only (9:45 AM - 3:45 PM ET)
- ✅ Spread widening = leading indicator (caution)

This is for educational purposes only. Not financial advice.

© Signal Pilot Education Hub