Stop Loss Checklist

Signal Pilot Education Hub

Stop Loss Placement & Management Checklist

From Lesson 10: Stop Losses Don't Protect You (If Placed Like a Textbook)

Use this checklist to place ATR-based, structure-validated stops and manage them through the trade lifecycle.

📋 Pre-Trade: Stop Loss Placement

Step 1: Identify Structure Invalidation Point
- [ ] Where is the key structure level?
- Swept low (for longs): $_
- Swept high (for shorts): $_
- Support/resistance that breaks your thesis: $__

- [ ] If this level breaks, is my thesis DEAD?
- ☐ YES (good stop placement)
- ☐ NO (arbitrary stop, find better level)

Step 2: Calculate ATR Buffer

- [ ] 14-period ATR on your timeframe: $_
- [ ] ATR multiplier: _ (1.5× for tight, 2× standard, 3× wide)
- [ ] ATR buffer: $__ (ATR × Multiplier)

Step 3: Calculate Final Stop Price

- [ ] Formula: Stop = Structure Level ± ATR Buffer
- [ ] Structure level: $_
- [ ] ATR buffer: $_
- [ ] Final stop price: $__ (structure ± buffer)

Step 4: Verify 2R Target Exists

- [ ] Stop distance: $_ (Entry - Stop)
- [ ] 2R distance: $_ (Stop distance × 2)
- [ ] 2R target price: $__ (Entry + 2R distance)
- [ ] Is there clear structure at 2R? ☐ YES ☐ NO
- [ ] If NO → ❌ SKIP TRADE (insufficient R:R)

✅ Stop Loss Criteria (All Must Be Met)

- [ ] Stop is based on structure (not arbitrary percentage)
- [ ] Stop has 1.5-2× ATR buffer beyond structure
- [ ] Stop placement invalidates thesis if hit
- [ ] Clear 2R target exists (minimum 2:1 risk:reward)
- [ ] Position size calculated AFTER stop distance determined
- [ ] Using HARD stop-loss order (not mental stop)

🎯 Stop Management During Trade

Stage 1: Initial Stop (Set Immediately)

- [ ] Stop price: $_
- [ ] Hard stop-loss order placed: ☐ YES
- [ ] Stop type: _ (market / stop-limit)

Stage 2: Move to Breakeven (+1R)

- [ ] When price reaches +1R profit: $_
- [ ] Move stop to breakeven (entry price): $_
- [ ] Now you can't lose (worst case = breakeven)
- [ ] Breakeven stop set: ☐ YES / ☐ N/A (not yet at +1R)

Stage 3: Partial Profits (+2R)

- [ ] When price reaches +2R profit: $_
- [ ] Take 30-50% profits: _ shares/contracts
- [ ] Trail remaining 50-70% with Pentarch or swing structure
- [ ] Partial profits taken: ☐ YES / ☐ N/A (not yet at +2R)

Stage 4: Trailing Stops (Pentarch Events)

- [ ] During RUN event: Trail stop to previous swing low/high
- [ ] During EXT event: Tighten stop aggressively (overextended)
- [ ] During BRK event: EXIT ALL (trend broken)

🚫 Stop Loss Red Flags (Recalculate or Skip Trade)

- [ ] Stop is based on arbitrary percentage (2% of account, not structure)
- [ ] Stop is tighter than 1.5× ATR (will get swept on noise)
- [ ] Stop is wider than 3× ATR (excessive risk, reduce position size instead)
- [ ] No clear 2R target exists (insufficient R:R ratio)

- [ ] Considering moving stop AWAY from entry (NEVER do this)
- [ ] Thinking "I'll just watch it" instead of setting hard stop (mental stops fail)

📊 Post-Trade: Stop Loss Review

Stop placement accuracy:
- Planned stop: $_
- Actual stop: $_
- Was stop hit? ☐ YES ☐ NO

If stopped out:
- Was thesis truly invalidated? ☐ YES ☐ NO
- Was stop too tight (swept on noise)? ☐ YES ☐ NO
- Should ATR buffer have been wider? ☐ YES ☐ NO

If winner:
- Did breakeven stop at +1R protect profits? ☐ YES ☐ N/A
- Did trailing stop capture most of move? ☐ YES ☐ NO
- Did I exit too early (fear)? ☐ YES ☐ NO

Stop management mistakes:
- Did I move stop away from entry? ☐ YES ☐ NO
- Did I remove stop mid-trade? ☐ YES ☐ NO
- Did I let emotions override stop placement? ☐ YES ☐ NO

Lessons learned:
- ______________

Win/Loss: _ R-multiple: _

💡 Stop Loss Formula Reference

Core Formula:

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Stop Price = Structure Level ± (ATR × Multiplier)
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For Longs:

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Stop = Swept Low - (ATR × 2)
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For Shorts:

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Stop = Swept High + (ATR × 2)
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ATR Multipliers:
- 1.5× ATR: Tight stops (scalping, mean reversion)
- 2.0× ATR: Standard stops (swing trading) ← MOST COMMON
- 3.0× ATR: Wide stops (position trading, volatile assets)

Remember:
- ✅ Stop where thesis DIES (structure-based, not percentage)
- ✅ Add 1.5-2× ATR buffer (gives market breathing room)
- ✅ 2R minimum target (ensures positive expectancy at 40% accuracy)
- ✅ Breakeven at +1R (eliminate risk, play with house money)
- ✅ Trail with Pentarch (RUN = hold, EXT = tighten, BRK = exit all)
- ✅ NEVER move stop away from entry (only closer or to breakeven)

This is for educational purposes only. Not financial advice.
