STOCK OPTIONS TRADING CHECKLIST

✅ Pre-Trade Options Checklist

🔍 Market & Technical Analysis

1. **Market Trend Identified**
   Is the broader market bullish, bearish, or neutral? (Use SPY, QQQ, or sector ETFs for reference.)
2. **Underlying Asset Analysis Completed**
   Have you analyzed the stock's trend using technical/fundamental indicators?
3. **Support & Resistance Levels Marked**
   Are key price levels identified? (Helps with strike selection and risk zones.)
4. **Volatility Considered (IV & HV)**
   What's the Implied Volatility (IV) and Historical Volatility (HV)? Is IV high or low?
5. **Earnings or Major Events Checked**
   Are earnings reports, dividends, or news events coming up?

📊 Strategy & Trade Setup

6. **Defined Trading Strategy**
   Are you using a strategy that matches your market outlook (e.g., iron condor for neutral, calls for bullish, puts for bearish, or bull call spreads or bear put spreads)?
7. **Defined Risk/Reward Ratio**
   Do you know your maximum profit and maximum loss? Is the reward at least 2x the risk (or does it meet your personal threshold)?
8. **Breakeven Points Identified**
   Are you aware of the breakeven prices at expiration and have you calculated where your position starts making or losing money?
9. **Position Sizing Calculated**
   Is your trade size appropriate for your account and risk tolerance?
10. **Probability of Profit (POP) Analyzed**
    What's the chance of success based on delta, and pricing?

💰 Risk Management

11. **Position Sizing**
    Are you risking no more than 1–5% of your account per trade?
12. **Account Margin Impact**
    How much buying power is required? Will this tie up capital you might need for other trades?
13. **Stop Loss or Adjustment Plan and Exit Plan in Place**
    Do you have an exit strategy or adjustment trigger based on time or price movement and if the trade goes against you?
14. **Portfolio Diversification**
    Does this trade complement or overly concentrate your exposure to a sector, stock, or strategy?
15. **Liquidity Check**
    Is the option contract liquid enough? (Tight bid-ask spreads, high open interest/volume)
16. **Timeframe and Holding Period Defined**
    Is the expected duration of the trade clearly defined (days, weeks, months)?
17. **Account Impact Assessed**
    Will this trade overexpose your portfolio or violate margin requirements?
18. **Hedging Considerations Addressed**
    Do you need a hedge in place (e.g., protective puts, spreads)?

📋 Execution & Review

19. **Order Type Selected (Limit, Market, Stop, etc.)**
    Are you using the right order type for entry and exit?
20. **Trade Journal Entry Created**
    Did you record the trade details, reasons, and expected outcomes for review?