Smart Money Divergence Checklist

Signal Pilot Education Hub

Smart Money Divergence Checklist

From Lesson 18: When Price Lies, Follow the Money

Use this checklist to identify and trade divergence setups with Plutus Flow.

🔍 Divergence Identification

Price vs. Delta Divergence (Primary Edge)

Bullish Divergence (Price Down, Delta Up):
- [ ] Price makes lower low (new bottom)
- [ ] Plutus CVD makes higher low (less selling pressure)
- [ ] Gap between the two lows is significant (>50% delta reduction)

Bearish Divergence (Price Up, Delta Down):
- [ ] Price makes higher high (new top)
- [ ] Plutus CVD makes lower high (less buying pressure)
- [ ] Gap between the two highs is significant (>50% delta reduction)

📋 Confluence Checklist (More = Higher Probability)

- [ ] **Janus Atlas sweep at the level**

- Liquidity sweep occurred before divergence

- Significantly increases reliability

- [ ] **Footprint absorption visible**

- Large delta absorption at the extreme

- Shows institutional positioning

- [ ] **Dark pool prints detected**

- Institutional activity opposite to price direction

- Accumulation on down moves, distribution on up moves

- [ ] **Multi-timeframe alignment**

- Higher timeframe supports the reversal direction

- Not fighting the HTF trend

- [ ] **Regime confirmation**

- Market regime supports reversal (ranging or mean-reversion)

- Not in strong trending regime (trending overrides divergence)

✅ Entry Criteria

Must Have (All Required):
- [ ] Clear divergence indicated (price vs. delta)
- [ ] Minimum 50% delta reduction on second extreme

- [ ] Price structure shows exhaustion (wicks, indecision)
- [ ] Risk/reward minimum 2:1

Should Have (2+ for High Confidence):
- [ ] Janus sweep signal
- [ ] Footprint absorption
- [ ] Dark pool accumulation/distribution
- [ ] HTF alignment
- [ ] Regime supports reversal

🎯 Trade Execution

Entry Timing:
- [ ] **Option A**: Enter on reversal candle close (aggressive)
- [ ] **Option B**: Enter on retest of divergence level (conservative)
- [ ] Entry price: $__

Stop Loss Placement:
- [ ] Place stop BEYOND the divergence extreme
- [ ] Buffer: 0.3-0.5% past the low/high
- [ ] Stop price: $_
- [ ] Position size: _ (1% account risk)

Profit Targets:
- [ ] Target 1 (1.5R): $_ (take 30%)
- [ ] Target 2 (2.5R): $_ (take 40%)
- [ ] Target 3 (trailing): $__ (final 30% with Pentarch)

📊 Divergence Strength Scoring

Add points for each:
- [ ] +1: Clear delta divergence visible
- [ ] +1: >50% delta reduction

- [ ] +1: >75% delta reduction

- [ ] +1: Janus sweep present

- [ ] +1: Footprint absorption indicated

- [ ] +1: Dark pool prints support direction

- [ ] +1: HTF alignment

- [ ] +1: Regime supports reversal pattern

Score Interpretation:
- **7-8 points**: Extreme confidence setup (highly reliable)
- **5-6 points**: High confidence (very reliable)
- **3-4 points**: Moderate confidence (moderately reliable)
- **<3 points**: Skip this trade

My Setup Score: __ / 8

🚫 Invalidation Signals

- [ ] Price breaks past divergence extreme (stop hit)

- [ ] Delta reverses back to original direction (divergence fails)

- [ ] Higher timeframe breaks against position

- [ ] Divergence takes >5 candles to play out (exhaustion pattern failed)

📝 Post-Trade Analysis

Divergence type: Price vs. _____

Confluence factors present:

- _____

What indicated the divergence:

- _____

What I learned:

- _____

Score: _ / 8 **Result:** Win / Loss **R-multiple:** _

Key Reminders:
- ✅ Price can lie, but delta can't (someone bought/sold)
- ✅ Confluence is everything (more factors = higher reliability)
- ✅ Regime context matters (divergence fails in strong trends)
- ✅ Multi-timeframe confirmation significantly increases edge

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