Position Sizing Checklist

Signal Pilot Education Hub

Position Sizing & Risk Management Checklist

From Lesson 9: Position Sizing—The Only Edge That Actually Matters

Use this checklist to calculate proper position size based on setup quality, ATR volatility, and portfolio heat management.

📋 Pre-Trade: Grade Your Setup Quality

- [ ] **Setup Quality Assessment**
- **A-Grade:** 3+ confluences (sweep + absorption + HTF alignment + delta)
- **B-Grade:** 2 confluences (clean structure + confirmation)
- **C-Grade:** 1 or fewer confluences → ❌ SKIP TRADE
- [ ] **Risk Allocation by Grade**
- A-Grade setup: Risk 2% of account

- B-Grade setup: Risk 1% of account
- C-Grade setup: DO NOT TRADE (edge insufficient)
- [ ] **My setup grade:** __ (A / B / C)
- [ ] **Risk % for this trade:** __ %

✅ Position Size Calculation (Step-by-Step)

Step 1: Calculate Dollar Risk

- [ ] Account size: $_
- [ ] Risk percentage: _ % (A=2%, B=1%)
- [ ] Dollar risk: $__ (Account × Risk%)

Step 2: Measure ATR & Calculate Stop Distance

- [ ] 14-period ATR on your timeframe: $_
- [ ] Stop multiplier: _ (1.5-2× ATR beyond structure)
- [ ] Stop distance: $__ (ATR × Multiplier)

Step 3: Calculate Position Size

- [ ] Formula: Position Size = Dollar Risk ÷ Stop Distance
- [ ] Calculation: $_ ÷ $_ = _ shares/contracts
- [ ] Position size: _ shares/contracts

Step 4: Verify Risk

- [ ] If stopped: _ shares × $_ stop = $__ loss
- [ ] Does this equal your intended risk %? ☐ YES ☐ NO
- [ ] If NO, recalculate position size

🎯 Portfolio Heat Management

Check Current Portfolio Heat:

- [ ] List all open positions and their risk:
- Position 1: $_ risk (%)
- Position 2: $_ risk (%)
- Position 3: $__ risk (%)
- Total portfolio heat: $_ (___%)

Portfolio Heat Rule:

- [ ] Total portfolio heat must be ≤ 6% of account
- [ ] Current heat: _ %
- [ ] Available heat: _ % (6% - current heat)
- [ ] Can I add this trade without exceeding 6%? ☐ YES ☐ NO

Decision:

- [ ] If portfolio heat < 6% after this trade: ✅ PROCEED
- [ ] If portfolio heat > 6% after this trade: ❌ WAIT for a position to close

---

🚫 Position Sizing Red Flags (Do NOT Trade If ANY Apply)

- [ ] Setup quality is C-grade (insufficient edge)
- [ ] Stop distance would require position size <25% of normal (spread costs too high)
- [ ] Stop distance would require position size >200% of normal (volatility extreme)
- [ ] Portfolio heat would exceed 6% with this trade
- [ ] Emotional urge to "risk more because it's a sure thing" (overconfidence bias)
- [ ] Trying to "make back losses" with oversized position (revenge trading)

📊 Post-Trade: Position Sizing Review

Position sizing execution:
- Planned position size: _ shares/contracts
- Actual position size: _ shares/contracts
- Did I follow the calculation? ☐ YES ☐ NO

Risk management:
- Planned risk: $_ (%)
- **Actual risk: $_ (**%)
- Did stop placement match calculation? ☐ YES ☐ NO

Portfolio heat:
- Max portfolio heat reached this week: __ %
- Did I stay under 6%? ☐ YES ☐ NO

Sizing mistakes:
- Did I oversize due to emotion? ☐ YES ☐ NO
- Did I undersize due to fear? ☐ YES ☐ NO
- Lesson learned: ____________

Win/Loss: _ R-multiple: _

💡 Position Sizing Formula Reference

Core Formula:

```
Position Size = (Account Size × Risk %) ÷ Stop Distance
```

Example:

- Account: $10,000
- Risk: 2% (A-grade setup)
- Dollar risk: $200
- ATR: $1.50
- Stop distance: $3.00 (2× ATR)
- Position size: $200 ÷ $3.00 = 66.67 shares (round to 67)

Verification:

- 67 shares × $3.00 stop = $201 loss (≈ 2.01% of account) ✅

Remember:

- ✅ Size to setup quality (A=2%, B=1%, C=skip)
- ✅ Use ATR for stop distance (1.5-2× beyond structure)
- ✅ Formula: (Account × Risk%) ÷ Stop Distance = Position Size
- ✅ Portfolio heat rule: Never exceed 6% total risk
- ✅ Wider ATR = smaller position size (auto-scales to volatility)
- ✅ Control risk via SIZE, not stop distance (wide stop + small size > tight stop + big size)

This is for educational purposes only. Not financial advice.
