

# Confirmation Bias Audit Template

## Pre-Trade Checklist to Challenge Your Thesis

### Purpose

Confirmation bias causes traders to:

- Seek information that supports their view
- Ignore information that contradicts it
- Overweight confirming evidence
- Underweight disconfirming evidence

This template forces you to actively seek reasons why your trade might be wrong.

### Section 1: Your Trade Thesis

#### What I Want to Do

**Direction:**  Long  Short

**Entry Price:** \$\_\_\_\_\_

**Stop Loss:** \$\_\_\_\_\_

**Target:** \$\_\_\_\_\_

**Timeframe:** \_\_\_\_\_ (holding period)

#### Why I Think This Will Work

Write 3 reasons supporting your trade:

**1.**

**2.**

**3.**

## Section 2: The Counter-Thesis Exercise

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### Actively Seek the Opposite View

**Instruction:** Spend 5 minutes looking for reasons this trade will FAIL. Be aggressive in finding contrary evidence.

### What Could Prove Me Wrong?

List 3 scenarios where this trade loses:

- 1.
- 2.
- 3.

### Evidence Against My Trade

#### Technical factors opposing my trade:

- [ ] Higher timeframe trend is against me
- [ ] Key resistance/support ahead in my direction
- [ ] Divergence forming against my trade
- [ ] Volume not confirming my direction
- [ ] Other indicators contradicting

Notes: \_\_\_\_\_

#### Fundamental/contextual factors:

- [ ] Major news event pending
- [ ] Earnings/data release coming
- [ ] Market-wide risk factors
- [ ] Sector rotation concerns
- [ ] Correlation risk

Notes: \_\_\_\_\_

## Section 3: Evidence Quality Check

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### Am I Cherry-Picking?

**Question:** Am I giving more weight to evidence that supports my trade?

For each piece of supporting evidence, rate honestly:

EVIDENCE	STRENGTH (1-10)	COULD I FIND COUNTER-EVIDENCE?
—	—	<input type="checkbox"/> Yes <input type="checkbox"/> No
—	—	<input type="checkbox"/> Yes <input type="checkbox"/> No
—	—	<input type="checkbox"/> Yes <input type="checkbox"/> No

### The "Opposite Trade" Exercise

**If I HAD to take the opposite trade, what would justify it?**

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**How strong is that case? (1-10):** \_\_\_\_\_

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## Section 4: Red Flag Checklist

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### Emotional Check

- [ ] Am I excited about this trade? (excitement = danger)
- [ ] Am I trying to "make back" a recent loss?
- [ ] Am I forcing this because I "need" a trade?
- [ ] Have I been staring at this chart too long?
- [ ] Am I ignoring signals I'd normally respect?

## **Recency Bias Check**

- [ ] Did a recent win make me overconfident?
- [ ] Am I trading a "similar setup" to a recent winner?
- [ ] Am I avoiding a setup type because of recent loss?

## **Anchoring Check**

- [ ] Am I stuck on a price target from an earlier analysis?
  - [ ] Am I holding a view from before new information?
  - [ ] Have I updated my thesis with current data?
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## **Section 5: The Final Test**

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### **Would I Take the Opposite?**

If someone offered you the opposite side of this trade at the same R:R, would you still prefer your side?

Yes, definitely my side  Actually, either side seems reasonable  Hmm, the opposite might be better

If "either" or "opposite," reconsider your conviction.

### **The "Friend Test"**

If a trading friend showed you this setup, what would you honestly tell them?

"This looks solid, I'd take it"  "It's okay, but watch out for [X]"  "I'd probably pass on this one"  "This seems forced"

Be honest. We're often more objective about others' trades.

### **Kill the Trade?**

Based on this audit, should I:

- Proceed** — Counter-arguments are weak, thesis intact  **Reduce size** — Some concerns, lower conviction
  - Wait** — Need more confirmation  **Kill the trade** — Counter-thesis is actually stronger
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## Section 6: Post-Decision Notes

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### If I Took the Trade

**Did any counter-thesis points materialize?**

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**What did I learn?**

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### If I Killed the Trade

**What happened?**

- Trade would have worked — I was too cautious  Trade would have failed — Good decision
- Trade was choppy — Unclear outcome

**Lesson:** \_\_\_\_\_

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## Section 7: Bias Patterns to Track

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### Over Time, Note Your Tendencies

**I tend to ignore warnings when:** - [ ] I've been in the trade mentally too long - [ ] The setup looks like a recent winner - [ ] I'm in a winning streak - [ ] I'm in a losing streak and "need" a win - [ ] Other: \_\_\_\_\_

**My confirmation bias triggers:** - [ ] Specific setups (which ones: \_\_) - [ ] **Specific assets (which ones: \_\_)** - [ ] Specific times (which times: \_\_\_\_ ) - [ ] After specific outcomes (wins/losses)

## Quick Version (2-Minute Audit)

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When time is short, answer these 3 questions:

### 1. What would prove me wrong?

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### 2. Am I ignoring any red flags?

Yes  No

If yes, what? \_\_\_\_\_

### 3. Would I advise a friend to take this trade?

Yes  No  Maybe

If "No" or "Maybe," why are you taking it?

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## Using This Template

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### When to Use

- Before any trade where you have strong conviction
- When you catch yourself "wanting" a trade to work
- After a winning or losing streak
- When the trade "feels obvious"
- For larger than normal positions

### How to Use

1. Fill out honestly (not to justify, but to challenge)
2. Spend actual time on the counter-thesis
3. If you can't find counter-arguments, you haven't looked hard enough

- 4.** Use the final test to make the call
  - 5.** Review after the trade to calibrate
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