

Trading Prompt Library Guide (Stocks & Options)

Educational reference only - not financial advice. Examples are synthetic and simplified.

Goal: explain what each prompt is trying to capture, when it tends to work, how it fails, what data is required, and how to interpret the outputs.

Generated: 2026-02-03

How to Use	Key Rule
Provide required data fields	If data is missing, the assistant must respond with NEEDED DATA (no guessing).
Trade selection	Only accept setups with confluence score >= needed_score and confidence >= min_confidence.
Risk first	Stops must be structural + volatility-aware (ATR). Define invalidation explicitly.

Disclaimer: Institutions combine signals with position sizing, execution, and risk controls. A prompt template is not an edge by itself.

Index

This guide is organized by asset class, horizon, and style.

Stocks

- Intraday - Trend: ORB+VWAP, VWAP Pullback Trend, HOD/LOD Break
- Intraday - Mean Reversion: VWAP Stretch MR, Band Re-entry MR, Gap Fill MR
- Swing - Trend: Base Breakout, Pullback-to-MA, VCP Breakout
- Swing - Mean Reversion: Oversold Bounce, Pairs/Ratio Z-Score

Options

- Intraday - Trend: Defined-Risk Debit Spread, 0DTE/1DTE Defined Risk (index/ETF only)
- Intraday - Mean Reversion: Credit Spread Fade, Iron Condor (range only)
- Swing - Trend: Debit vs Diagonal, Protective Put/Collar
- Swing - Mean Reversion: High-IV Mean Reversion (defined risk), Earnings Volatility Crush (event-driven)

Meta / Utilities

- Regime Selector (trend vs range vs mixed)
- Multi-Symbol Scanner (pick 1 best setup across a watchlist)

Stocks - Intraday - Trend

ORB + VWAP Trend Continuation

Finds a trend-following intraday setup using an Opening Range Break (ORB) confirmed by VWAP + volume + market proxy alignment.

What it is

A classic momentum template: price breaks the opening range in the direction of the higher-timeframe trend, then continues after a brief pullback. VWAP helps separate true continuation from chop.

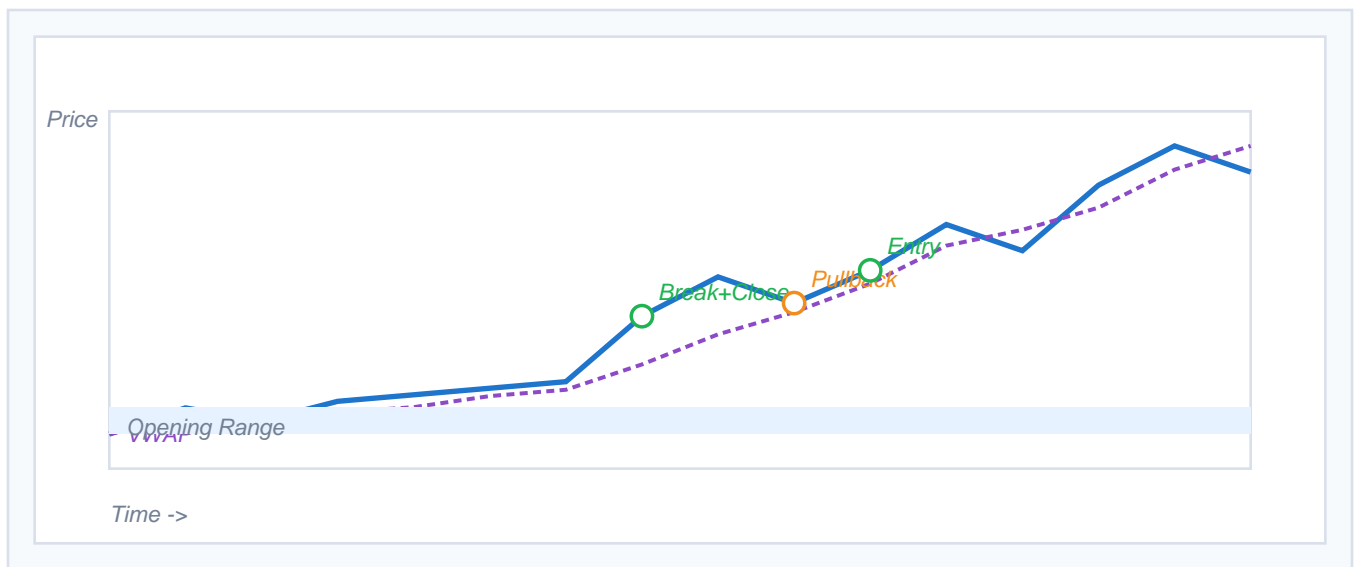
Mechanics (high level)

- Define opening range from the first completed M15 candle after cash open.
- Trade only in the H1 trend direction (EMA stack + structure).
- Require break AND close beyond ORH/ORL (avoid wick-only breaks).
- Prefer a pullback/retest (OR level or VWAP) before entry.
- Stops: beyond pullback swing + ATR buffer; exits: partial + trail.

Checklist

Item	Rule of thumb / notes
Regime	Trending day or post-open expansion; avoid midday chop unless volatility is expanding.
VWAP	Longs generally above VWAP; shorts generally below VWAP. Reclaims/loses matter.
Volume	Break candle volume > ~1.2x 20-bar avg (or RVOL elevated).
Risk	RR >= rr_min and stop invalidates the thesis (not random).
Common failure	False breakouts near major weekly levels or during low liquidity.

Example (synthetic)



Price breaks the opening range, then pulls back before continuing. VWAP stays supportive in a bullish trend.

Stocks - Intraday - Trend

VWAP Pullback Trend (Trend-Day Playbook)

Enters on pullbacks to VWAP/short EMA in the direction of the H1 trend, using contraction-then-expansion volume behavior.

What it is

A continuation setup: in strong intraday trends, price often mean-reverts to VWAP/20EMA, then resumes. The edge is not VWAP itself, but the combination of trend + pullback quality + volume confirmation + room to run.

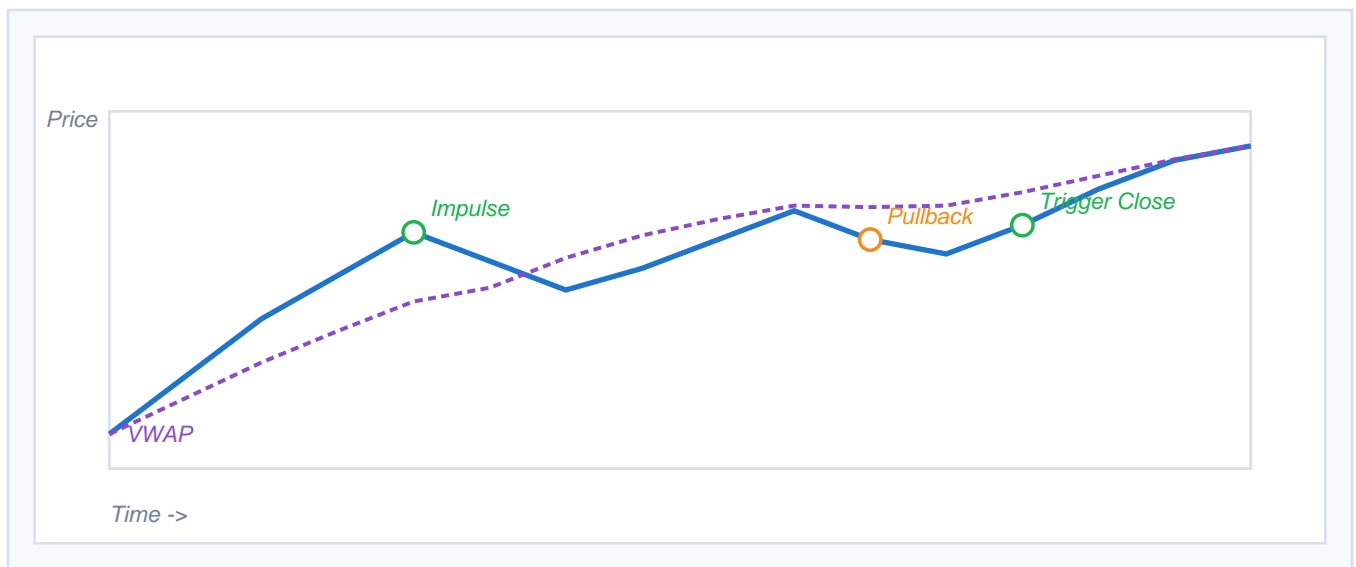
Mechanics (high level)

- Confirm H1 trend (EMA 20/50 stack + HH/HL or LH/LL).
- Wait for pullback into VWAP or M15 20EMA with reduced volume/volatility.
- Enter on a clear trigger close back in trend direction (HL for longs / LH for shorts).
- Avoid entries directly into nearby resistance/support within ~0.25-0.5x ATR.
- Scale out and trail using structure (prior swing highs/lows).

Checklist

Item	Rule of thumb / notes
Trend	Clear H1 trend; if mixed -> skip.
Pullback	Shallow and controlled; no waterfall moves unless you have reversal evidence.
Trigger	Close back above VWAP/20EMA (long) or below (short) with intent.
Liquidity	Prefer liquid names; wide spreads distort VWAP and entries.
Failure mode	Trend exhaustion: late-day parabolic moves that snap back through VWAP.

Example (synthetic)



In a trend day, pullbacks to VWAP/20EMA can offer defined-risk continuation entries when the trigger candle confirms.

Stocks - Intraday - Trend

HOD/LOD Break + Tight-Risk Momentum

Momentum breakout template: consolidation under HOD (or above LOD) with volume contraction, then break with volume expansion in trend direction.

What it is

This is a structure + liquidity setup. HOD/LOD levels are where many stops and breakout orders cluster; the goal is to trade only the breakouts that occur after tight consolidation and with strong participation.

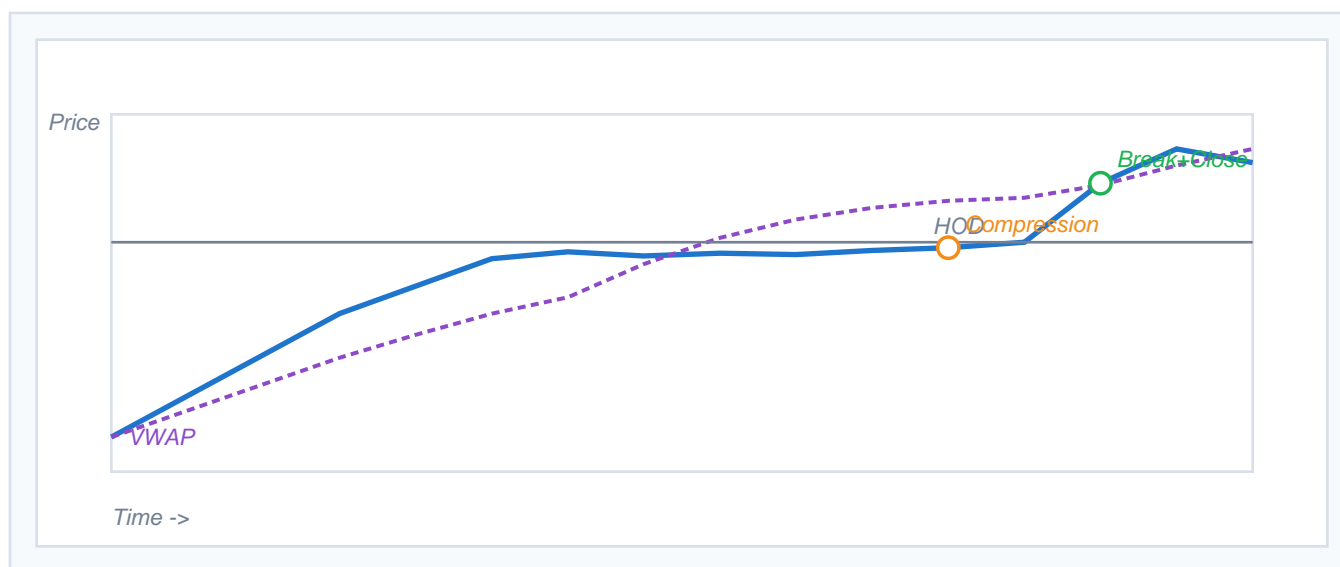
Mechanics (high level)

- Identify HOD/LOD and the most recent tight consolidation near it.
- Trade only in the direction of the H1 trend and market proxy alignment.
- Require a close beyond the level; prefer increasing volume on the trigger candle.
- Stop outside the breakout range + ATR buffer; avoid oversized stops.
- If the breakout fails quickly and returns inside the range -> exit (failed breakout).

Checklist

Item	Rule of thumb / notes
Compression	Range tightens into the level; wicks are controlled.
Volume	Break candle volume expands vs recent consolidation candles.
VWAP	Often supportive/confirming, but HOD/LOD is the primary level.
Room	Enough distance to next major level for $RR \geq rr_{min}$.
Failure mode	False breaks in low volume or right into major weekly resistance.

Example (synthetic)



Stocks - Intraday - Mean Reversion

VWAP Stretch Reversion (Range Regime Only)

Mean reversion template that fades extreme distance from VWAP only when the regime is range-like (not a strong trend day).

What it is

VWAP acts as a gravity point in balanced markets. The idea is to wait for a true stretch (distance vs ATR), see rejection/exhaustion, and then target a controlled revert back toward VWAP.

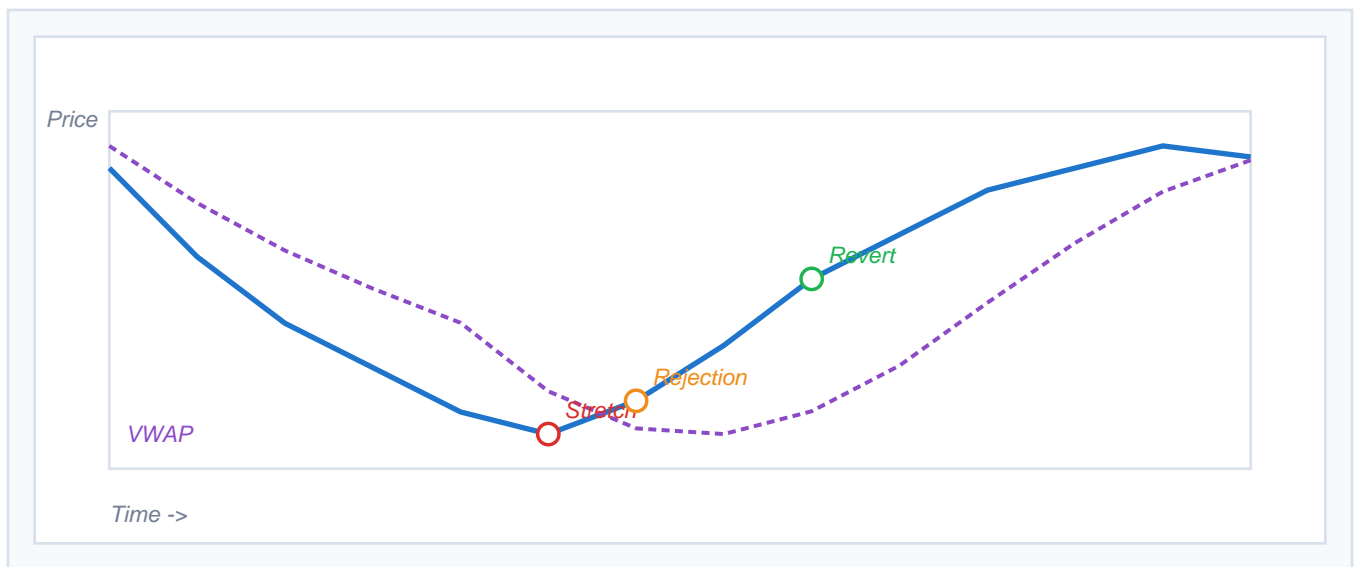
Mechanics (high level)

- First confirm the day is not strongly trending (low ADX or choppy structure around VWAP/EMAs).
- Quantify stretch using ATR multiples (e.g., 1.5-2.5x ATR away from VWAP).
- Require rejection evidence: long wick, failed continuation, divergence, or volume climax then fade.
- Target VWAP as primary take-profit; scale out and manage time risk.
- If price keeps trending away from VWAP -> invalidation (do not average down).

Checklist

Item	Rule of thumb / notes
Regime gate	If trend is strong, stretching can keep stretching (skip).
Stretch	Distance from VWAP is large vs ATR; small deviations are noise.
Confirmation	Rejection candle + momentum divergence improves quality.
Exit	Primary target is VWAP; consider time stop (e.g., 4 candles).
Failure mode	Trying to fade the first pullback of a new trend day.

Example (synthetic)



Price stretches away from VWAP, prints rejection, and mean-reverts back toward VWAP in a range regime.

Stocks - Intraday - Mean Reversion

Bollinger/Keltner Band Re-entry Fade

Mean reversion entry: price closes outside a volatility band, then closes back inside (re-entry) near a key level; target mid-band/VWAP.

What it is

Bands are a visualization of volatility. The re-entry condition (outside then back inside) is a simple way to avoid fading every touch and instead wait for exhaustion and re-acceptance.

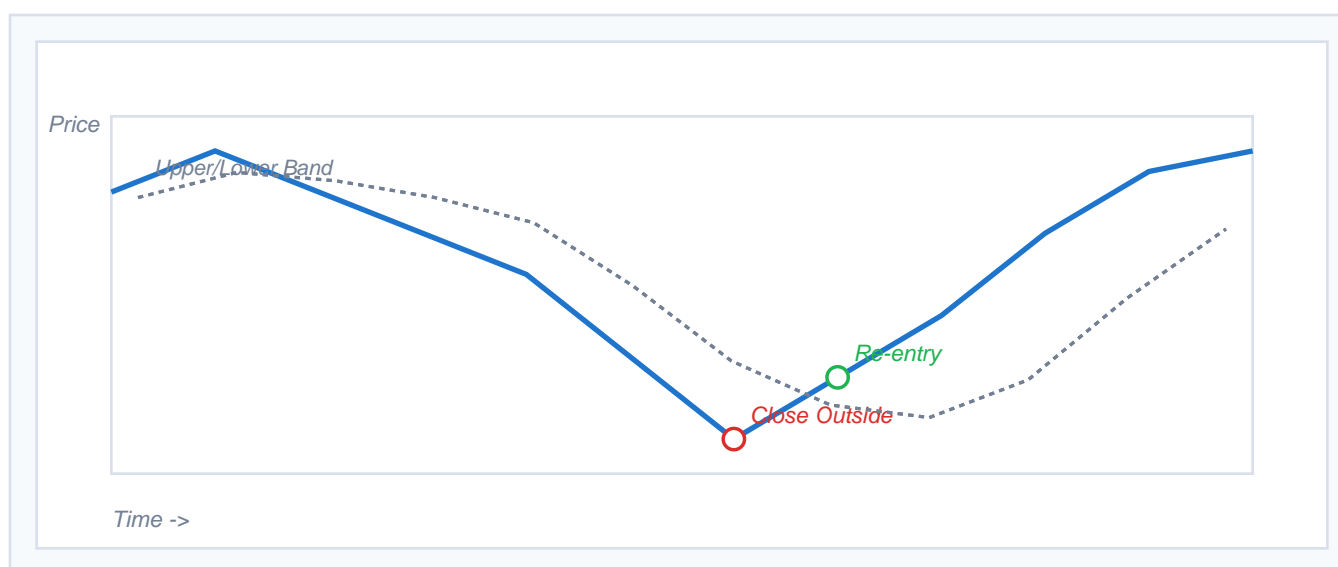
Mechanics (high level)

- Use only when the higher timeframe is not strongly trending (range-like behavior).
- Trigger: close outside band followed by a close back inside (re-entry).
- Add confluence: prior day high/low, volume profile nodes, or obvious support/resistance.
- Target: mid-band and/or VWAP; stop beyond the extreme + ATR buffer.
- Avoid fading strong breakouts where bands expand and price rides the band.

Checklist

Item	Rule of thumb / notes
Regime gate	Bands work best in ranges; in trends, price can walk the band.
Signal	Outside close then inside close (not just a wick).
Confluence	Key level nearby improves odds and defines risk.
Target	Mid-band/VWAP is a natural mean-reversion magnet.
Failure mode	Selling the first breakout candle of a new impulse trend.

Example (synthetic)



Price closes outside the lower band, then re-enters. In a range regime, the next move often reverts toward the mean.

Stocks - Intraday - Mean Reversion

Gap Fill Mean Reversion (Conditional)

Conditional gap-fill framework using premarket levels + VWAP + rejection so you do not blindly fade a real trend gap.

What it is

Many gaps partially fill because early uncertainty resolves and liquidity returns, but not all gaps fill. This template tries to separate 'gap-and-go' from 'gap-and-fade' by demanding failure to hold key premarket/opening levels.

Mechanics (high level)

- Measure the gap: today open vs yesterday close; note premarket high/low (PMH/PML).
- If gapping up, look for failure to hold above PMH/ORH and a close back below VWAP.
- If gapping down, look for failure below PML/ORL and a close back above VWAP.
- Target: partial fill areas and/or full fill to yesterday close; scale out.
- High caution around news-driven gaps and earnings (gap behavior changes).

Checklist

Item	Rule of thumb / notes
Gap context	Small gaps fill more often than large news gaps; ask for catalyst if unknown.
Trigger	Reclaim/lose VWAP + rejection (not just drift).
Level	Premarket + opening range levels define invalidation.
Target	Define partial-fill and full-fill objectives.
Failure mode	Fading a gap-and-go trend that never looks back.

Example (synthetic)



A gap up fails to hold above early levels and drifts back to fill the gap. VWAP helps confirm the fade.

Stocks - Swing - Trend

Breakout From Base (Weekly/Daily Structure)

Swing trend template: identify a multi-week base, then trade the breakout in the direction of the higher-timeframe trend with volume/RS confirmation.

What it is

Base breakouts are common in systematic and discretionary trend approaches: a period of balance (base) resolves into expansion (breakout). The main risk is false breakouts when volume/participation is weak or when breaking into overhead supply.

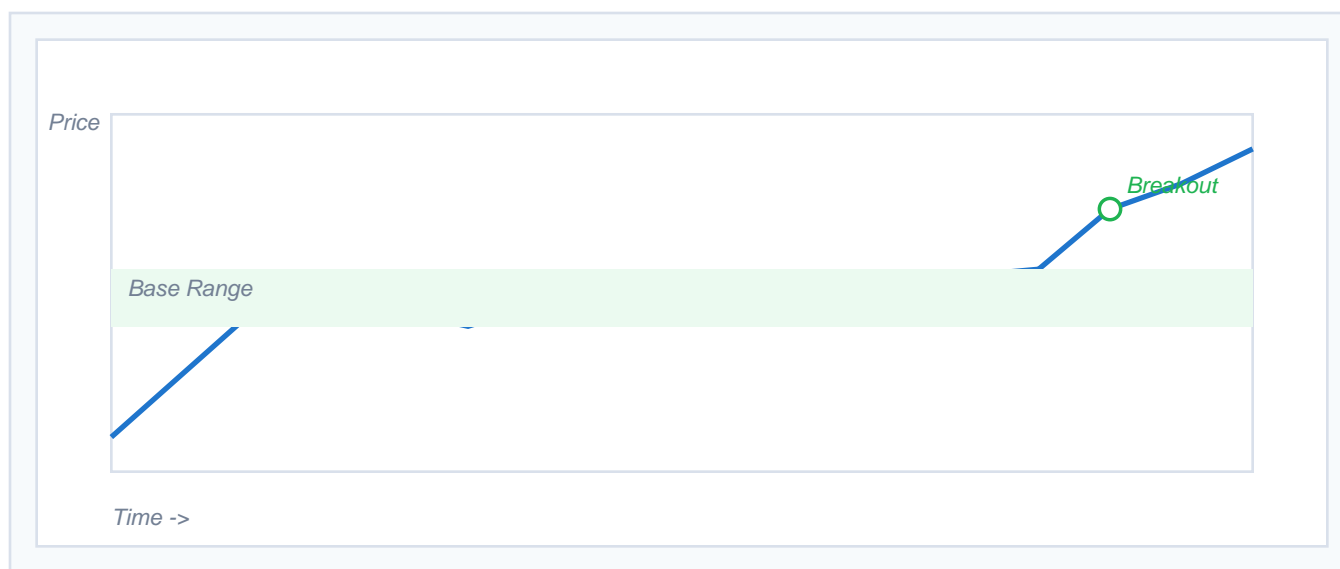
Mechanics (high level)

- Use Weekly to define primary trend (HH/HL for longs; LH/LL for shorts).
- Find a multi-week base with tightening volatility on Daily.
- Trigger: Daily close beyond base boundary with volume expansion and/or strong RS vs SPY.
- Stop: below last contraction low (long) + ATR buffer; target: multiples of risk + trail.
- Avoid entering right before earnings unless it is explicitly an earnings play.

Checklist

Item	Rule of thumb / notes
Trend	Weekly trend aligned; otherwise breakout is lower quality.
Base quality	Tight range + volatility contraction; clean boundaries.
Volume/RS	Breakout should show participation or RS improvement.
Event risk	Earnings within a few days can invalidate backtests.
Failure mode	Breakout into heavy supply; quick reversal back into base.

Example (synthetic)



Stocks - Swing - Trend

Pullback-to-MA Trend Continuation

Continuation entry on pullback to Daily 20/50 EMA area with volume contraction and a reversal/trigger close.

What it is

In persistent trends, pullbacks to short/medium moving averages act as a structured location to re-enter. The goal is to avoid chasing breakouts and instead buy/sell when risk can be defined against structure.

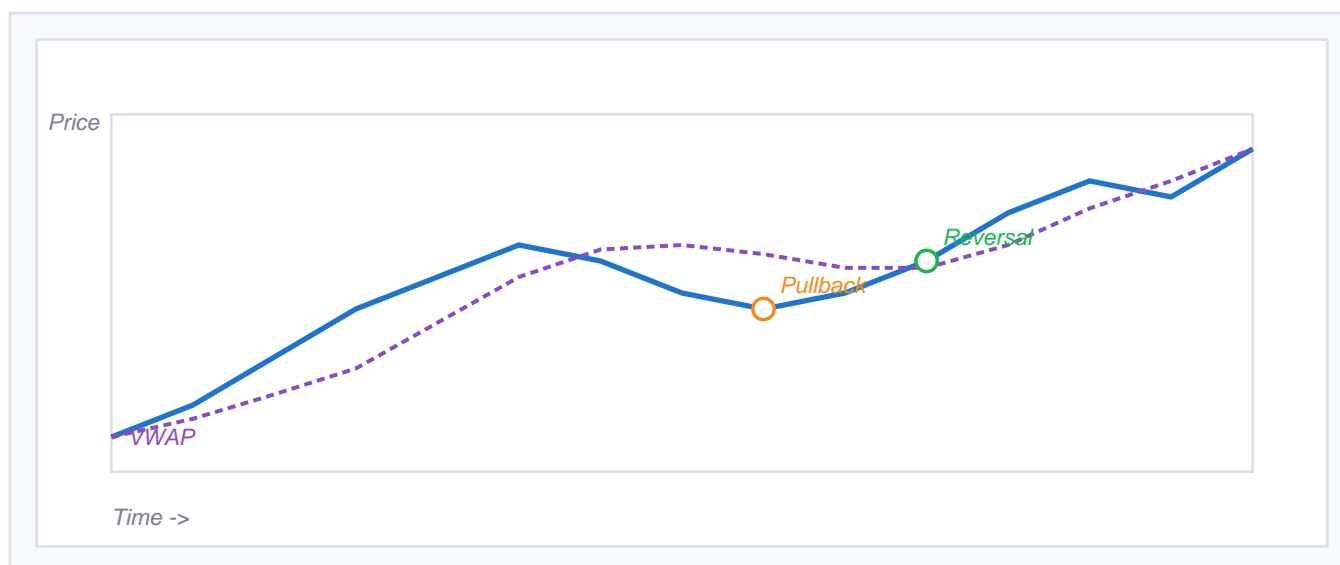
Mechanics (high level)

- Confirm trend: price on correct side of 50EMA and structure supports continuation.
- Wait for pullback into 20/50EMA area with reduced volatility and/or volume.
- Trigger: reversal close + higher low (long) or lower high (short).
- Stop: beyond pullback swing + ATR buffer; partial at 2R; trail with swings.
- Avoid deep pullbacks that break structure (those are potential trend changes).

Checklist

Item	Rule of thumb / notes
Location	Pullback lands into MA zone (not mid-air).
Structure	HL/LH forms; do not enter before stabilization.
Trend health	Avoid late-stage parabolic trends without base support.
Targets	Plan trail method (20EMA or swing points).
Failure mode	MA breaks and turns into resistance/support flip failure.

Example (synthetic)



Price trends above the moving average, pulls back into the MA zone, then resumes after a reversal candle.

Stocks - Swing - Trend

Volatility Contraction Pattern (VCP) Breakout

Swing breakout template emphasizing volatility contraction and volume dry-up before a breakout and expansion.

What it is

VCP-style setups attempt to capture the transition from compression to expansion. The pattern is useful as a checklist: does the stock repeatedly contract (smaller pullbacks) and then break out with participation?

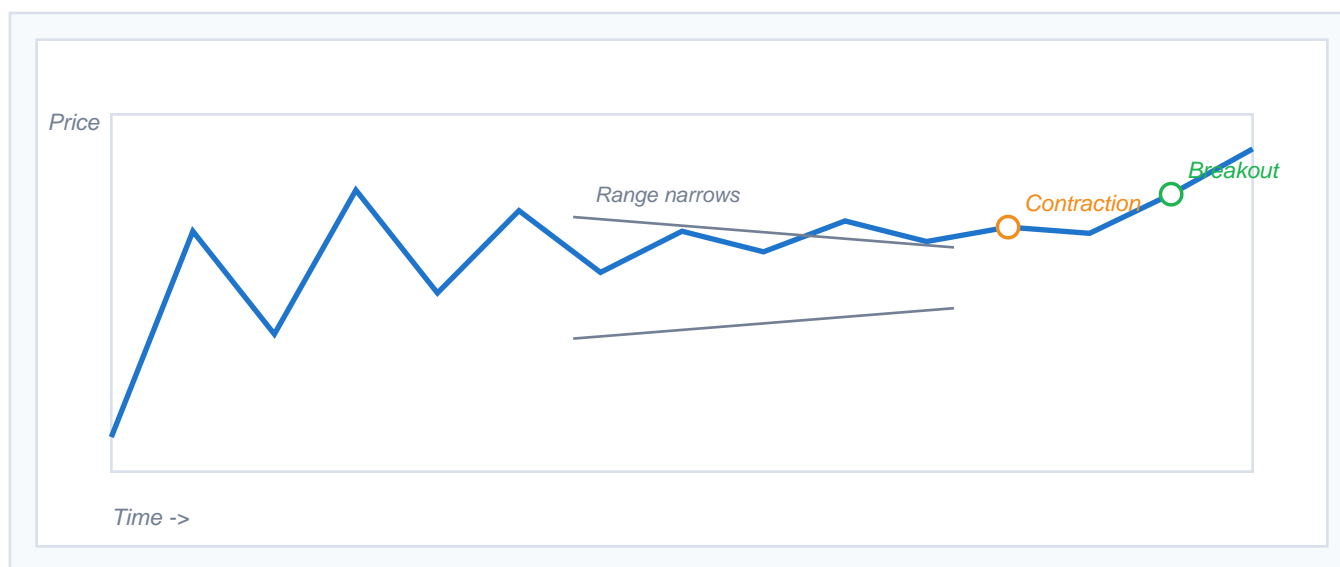
Mechanics (high level)

- Look for multiple contractions: each pullback range is smaller than the prior.
- Volume should generally dry up during the base/handle portion.
- Trigger: breakout close above the final contraction high.
- Stop: below the final contraction low + ATR buffer.
- Manage: partial at 2R and trail using 20EMA or swing lows.

Checklist

Item	Rule of thumb / notes
Contractions	Ranges visibly narrow; fewer shakeouts over time.
Volume	Dry-up during consolidation, expansion on breakout.
Trend	Usually best when the higher timeframe trend is up.
Entry timing	Prefer close confirmation; avoid early entries before breakout.
Failure mode	Breakout on weak volume that stalls and re-enters the base.

Example (synthetic)



Stocks - Swing - Mean Reversion

Oversold Bounce (Multi-factor Mean Reversion)

Mean reversion bounce setup that requires extension + stabilization (no blind knife-catching). Targets a revert toward the mean (20EMA / breakdown level).

What it is

Mean reversion works when a move is overextended relative to recent volatility and a stabilization signal appears. The goal is not to predict bottoms; it is to wait for evidence that downside momentum is weakening and risk can be defined.

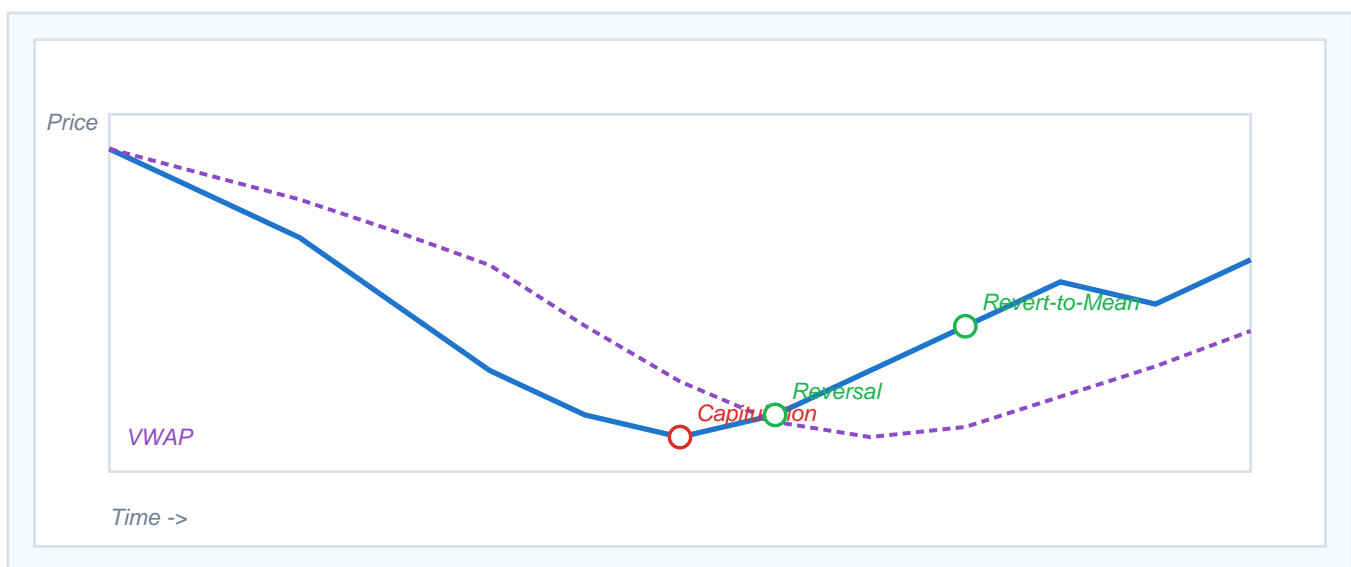
Mechanics (high level)

- Quantify extension: distance below 20EMA/50EMA and/or large ATR multiples.
- Require stabilization: higher low, strong close, reclaim prior day high, or divergence.
- Avoid binary event risk (earnings) unless intentionally trading it.
- Target: mean reversion to 20EMA and/or key breakdown level.
- Time stop: if the bounce does not materialize within N days, exit.

Checklist

Item	Rule of thumb / notes
Extension	Move is unusually large vs ATR; 'mild red' is not oversold.
Stabilization	You need a reversal signal; otherwise you are averaging into a trend.
Market regime	Broad-market selloffs can keep pushing (reduce size/skip).
Targets	Mean (20EMA) is primary; scale out into resistance.
Failure mode	News-driven downtrends where mean reversion never happens.

Example (synthetic)



Stocks - Swing - Mean Reversion

Pairs / Ratio Z-Score Mean Reversion

Relative-value mean reversion: trade the ratio between two correlated assets when the ratio is statistically stretched (z-score extreme) and reverts.

What it is

Pairs trading is about relative moves, not absolute direction. It is commonly used to reduce market beta and focus on idiosyncratic reversion. The main risk is correlation breakdown or a structural regime change.

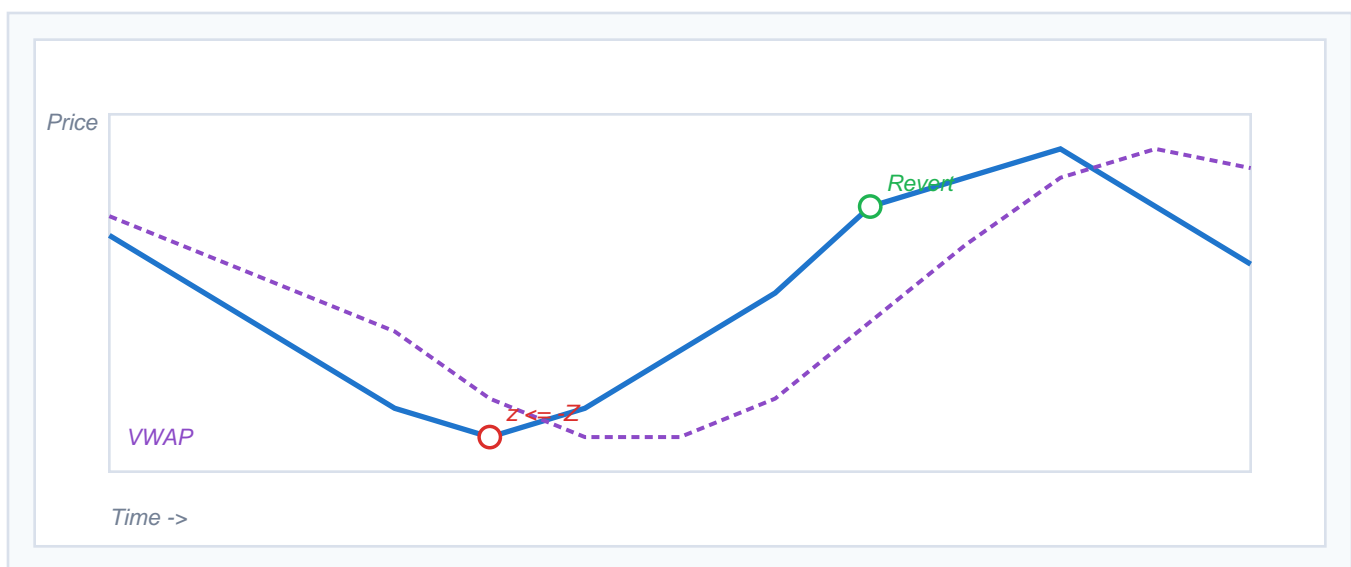
Mechanics (high level)

- Pick a peer or benchmark with stable historical correlation.
- Compute ratio = A / B and its z-score over a chosen lookback.
- Enter when $|z|$ is extreme and begins to turn (avoid 'catching the extreme').
- Size legs in a market-neutral way (dollar-neutral or beta-neutral).
- Exit when z-score mean reverts (near 0) or invalidates beyond stop threshold.

Checklist

Item	Rule of thumb / notes
Correlation	If correlation is unstable, z-score signals degrade.
Data	Use clean adjusted data (splits/dividends) for equities.
Stops	Define stop on z-score and on fundamental breaks (earnings shocks).
Crowding	Highly crowded pairs can gap violently on news.
Failure mode	A regime shift where the relationship permanently changes.

Example (synthetic)



Options - Intraday - Trend

Defined-Risk Directional Debit Spread

Defined-risk intraday options structure aligned to an underlying trend trigger (ORB/VWAP pullback/HOD break). Requires a chain snapshot to avoid hallucinated strikes.

What it is

A debit spread reduces cost (and IV exposure) compared to a naked long call/put, while keeping max loss defined. It is often used when you want directional exposure but want to limit premium paid.

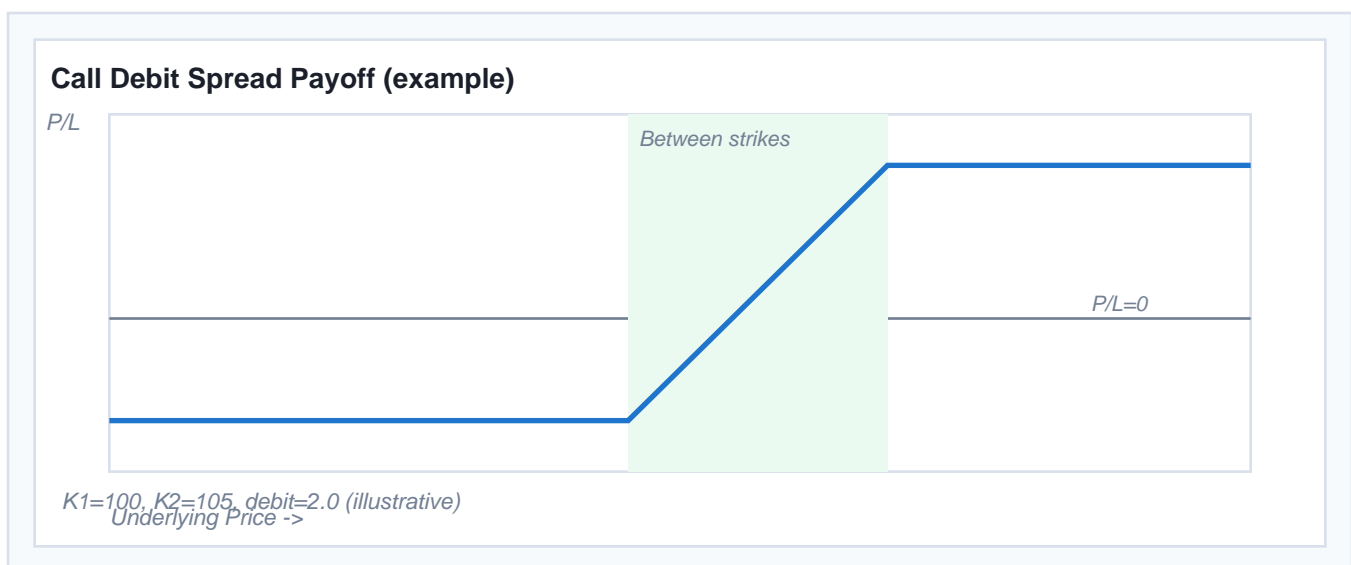
Mechanics (high level)

- First, confirm the underlying trigger (trend setup) - do not trade options without an underlying edge.
- Choose expiry (commonly ~7-21 DTE for non-0DTE) and a liquid strike region.
- Buy a call/put and sell a further OTM option to cap cost and risk.
- Max loss is the debit paid; manage via profit targets and time stops (intraday).
- Exit if underlying invalidates; options price alone can mislead.

Checklist

Item	Rule of thumb / notes
Chain required	Without chain (bid/ask/OI/IV), do not output strikes.
Liquidity	Tight bid/ask and sufficient OI/volume.
Delta	Common long-leg delta ~0.45-0.65 (context dependent).
Risk	Max loss within risk_per_trade_pct; define exits.
Failure mode	Chop: underlying never follows through; time decay hurts.

Example (synthetic)



Debit spread payoff is capped on both sides: max loss is known (debit), max profit is limited (spread width - debit).

Options - Intraday - Trend

0DTE/1DTE Defined-Risk (Index/ETF Only, Strict)

Ultra-short-dated defined-risk template for very liquid index/ETF products only. Strong gating on regime + liquidity; no naked options.

What it is

0DTE/1DTE trades have extreme gamma and theta. They can work in clean, liquid trend moves, but they punish indecision. This is why the prompt is strict: if the environment is not ideal, the correct output is NO TRADE.

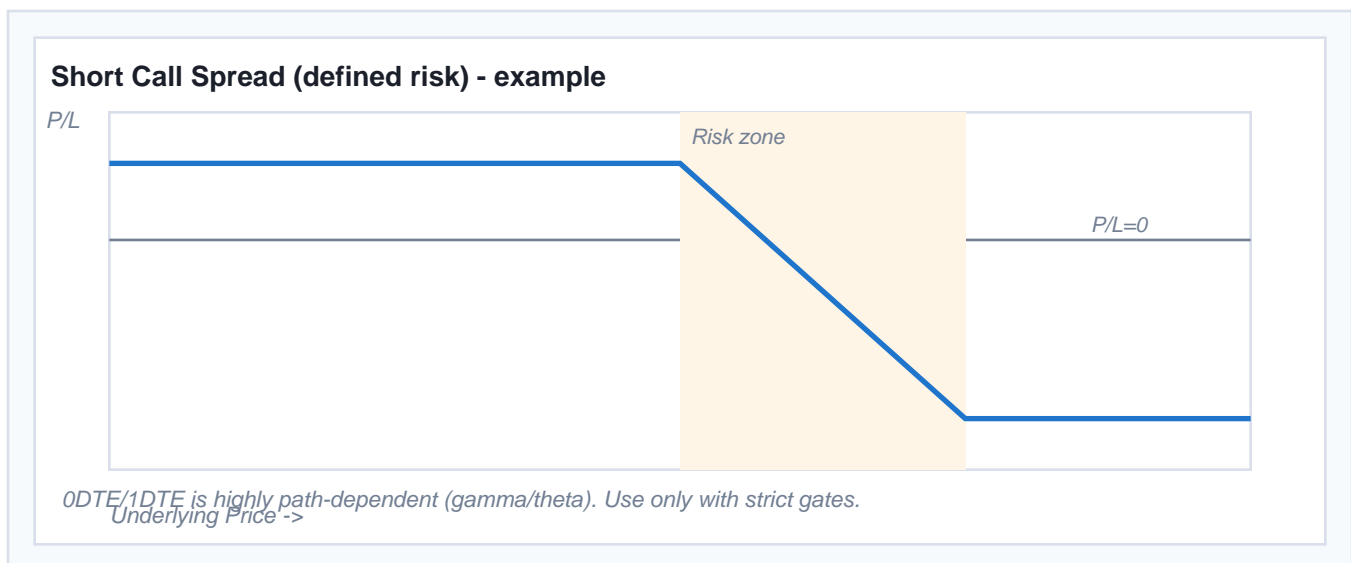
Mechanics (high level)

- Confirm symbol is highly liquid (index/ETF) and chain is tight.
- Require a clear underlying trigger (ORB/VWAP pullback) with strong trend evidence.
- Use defined-risk verticals (spreads) to cap max loss.
- Use smaller risk budgets and faster management (profit targets + time stops).
- Exit quickly if the underlying invalidates or VWAP flips against the trade.

Checklist

Item	Rule of thumb / notes
Liquidity	Tight bid/ask; large volume; stable fills.
Regime	Only clear trend days; range days are whipsaw traps.
Defined risk	Spreads only; max loss \leq risk_per_trade_pct.
Time stop	If no follow-through quickly, exit (theta decay).
Failure mode	VWAP chop: repeated flips destroy premium.

Example (synthetic)



Example of a defined-risk spread payoff. 0DTE/1DTE requires unusually strict regime and liquidity filters.

Options - Intraday - Mean Reversion

Credit Spread Fade at Extremes (Defined Risk)

Defined-risk premium-selling setup after an exhaustion + rejection mean-reversion signal in the underlying. Requires IV and chain liquidity context.

What it is

This is short-volatility expression of mean reversion: you sell premium after a stretched move when you expect price to revert and volatility to normalize. The key is strict gating: do not sell premium into a trend day.

Mechanics (high level)

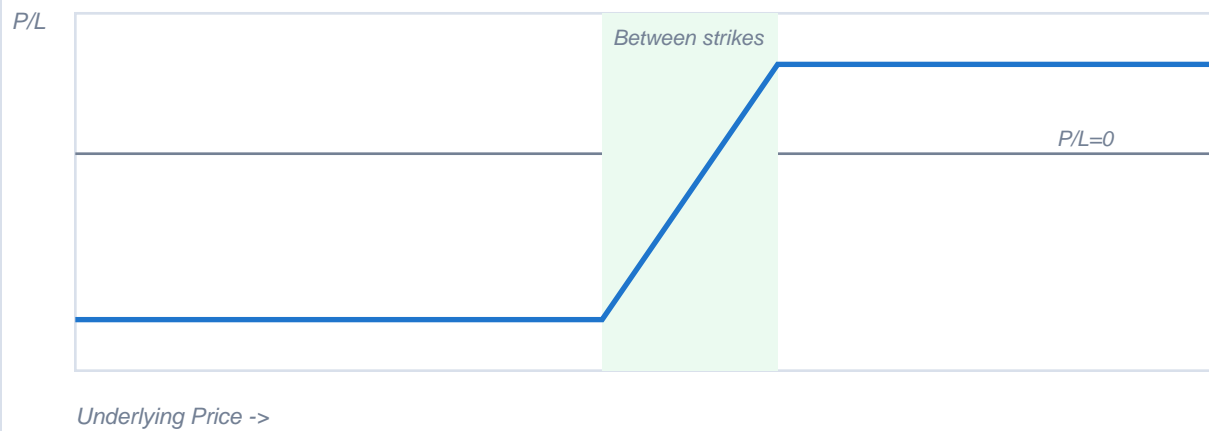
- Confirm range-like regime and a clear exhaustion/rejection signal (VWAP stretch + reversal).
- Pick a credit spread (short put spread for bullish MR; short call spread for bearish MR).
- Use liquid strikes and define max loss; target a % of credit for profit (e.g., 40-70%).
- Have a hard stop (price level or spread value) and time stop.
- Avoid selling premium into binary events (earnings) unless it is an earnings strategy.

Checklist

Item	Rule of thumb / notes
Regime	Must be range-like; avoid strong trends.
Signal	Exhaustion + rejection, not just a small pullback.
IV context	Premium selling is best when IV is elevated vs baseline.
Liquidity	Tight bid/ask; avoid thin chains.
Failure mode	A trend resumes and the spread goes ITM quickly.

Example (synthetic)

Short Put Spread Payoff (example)



Credit spread payoff: limited profit (credit) and limited loss (spread width - credit). Best used after exhaustion in a range regime.

Options - Intraday - Mean Reversion

Iron Condor (Range Thesis Only)

Range-only premium selling on both sides (defined risk). Requires clear range boundaries and strict breach/defense rules.

What it is

An iron condor expresses a 'price stays inside a range' thesis. It benefits from time decay and volatility normalization, but it can be damaged quickly by breakout moves. This is why the prompt is range-only and requires explicit defense rules.

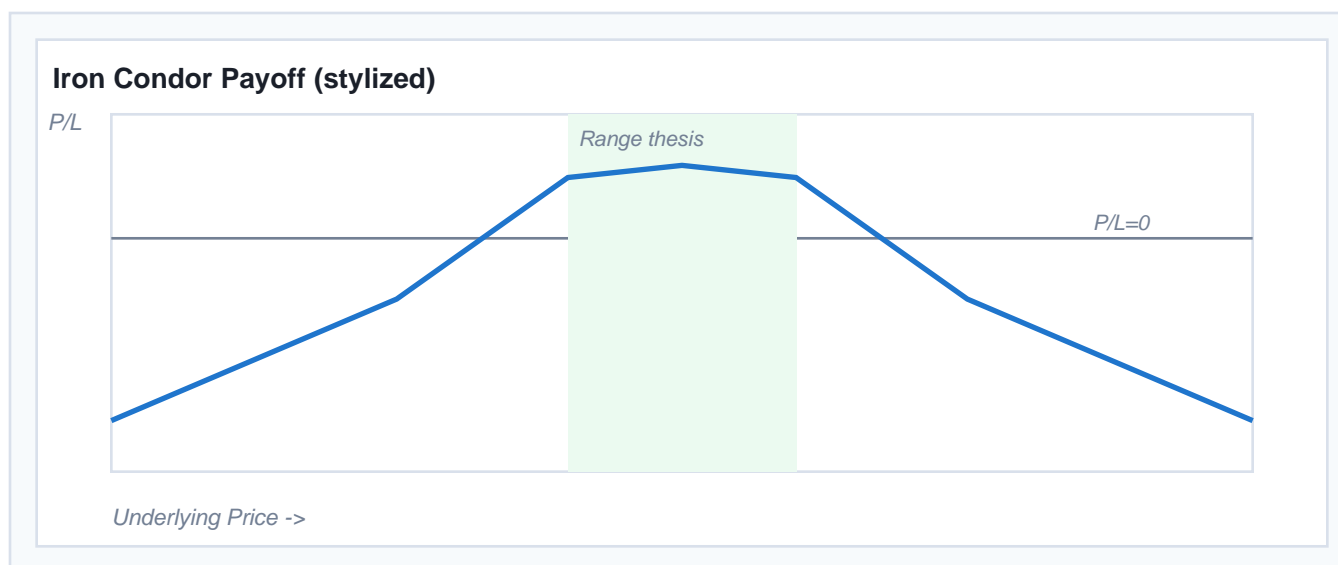
Mechanics (high level)

- Confirm range regime and define upper/lower range boundaries (levels or profile).
- Sell OTM call spread above resistance and sell OTM put spread below support.
- Define max loss, profit target, and breach defense (close, roll, or hedge).
- Avoid building condors into scheduled catalysts (earnings, Fed).
- Exit early if range breaks; do not 'hope' a breakout returns.

Checklist

Item	Rule of thumb / notes
Regime	Range only; trend days are condor killers.
Range width	Must be wide enough relative to expected move.
Liquidity	All 4 legs need tight markets to avoid slippage.
Defense	Predefined action if either side is threatened.
Failure mode	Volatility expansion + breakout through short strike.

Example (synthetic)



Iron condor payoff: profits if price stays inside the range; losses grow if price breaks beyond the wings.

Options - Swing - Trend

Trend Rider: Debit Spread vs Diagonal (IV-aware)

Swing trend options framework that selects a debit spread or diagonal based on IV context and the underlying trend trigger.

What it is

Diagonals (or calendars) are time-structure trades: you sell shorter-dated premium against a longer-dated long option to reduce cost and partially hedge IV. Debit spreads are simpler and define payoff at expiry. The prompt chooses based on IV and objectives.

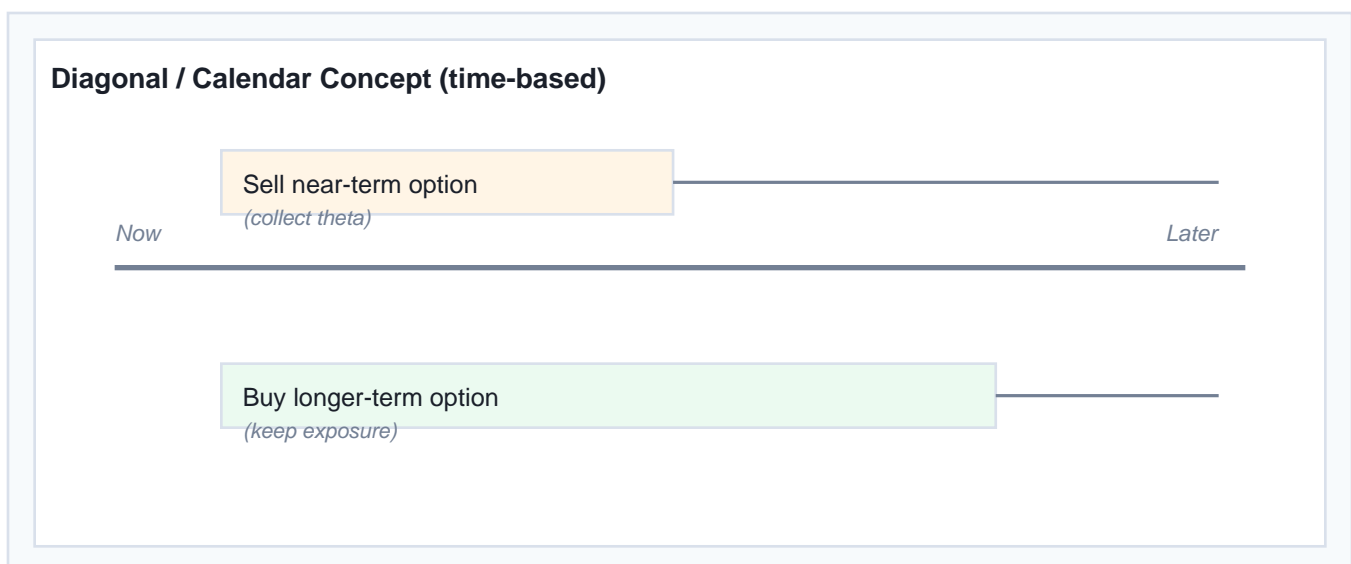
Mechanics (high level)

- Confirm the swing trend trigger (breakout or pullback-to-MA).
- If IV is high, prefer structures that reduce vega exposure (spreads/diagonals).
- Pick expiries across time (short near-term, long further out) for diagonals.
- Define max loss, roll rules (short leg), and profit plan.
- Respect event risk (earnings): diagonals can behave unexpectedly around IV shocks.

Checklist

Item	Rule of thumb / notes
IV context	High IV -> spreads/diagonals; low IV -> long premium may be ok.
Chain required	Need multi-expiry chain to construct diagonals.
Liquidity	Both expiries must be liquid enough to roll/manage.
Roll plan	Define when to roll the short leg (time/strike).
Failure mode	Underlying chops and time decay overwhelms the thesis.

Example (synthetic)



Diagonals/calendars are time-based. You sell near-term premium and buy longer-term exposure; management (rolls) is part of the trade.

Options - Swing - Trend

Protective Put / Collar (Risk-First)

Hedging prompt for long stock exposure using protective puts or collars. Focuses on max loss, hedge cost, and roll/remove rules.

What it is

Institutions often express 'I want to own the stock but cap risk' using puts or collars. The hedge is not free: you pay premium or give up upside (collar). This prompt forces explicit tradeoffs and risk math.

Mechanics (high level)

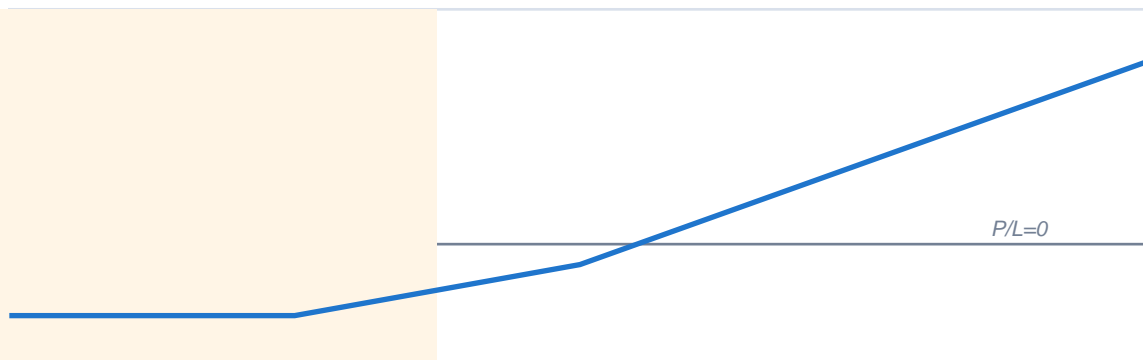
- Start with the stock thesis (entry, size, timeframe) and define worst-case acceptable drawdown.
- Protective put: buy puts to define a floor; cost reduces expected return.
- Collar: finance the put by selling a call (caps upside).
- Define when to roll: if stock moves, if time passes, or if volatility shifts.
- Avoid implementing/rolling collars into earnings without understanding IV effects.

Checklist

Item	Rule of thumb / notes
Max loss	Explicitly compute stock risk + option hedge effect.
Cost	Track hedge drag (premium) or upside cap (short call).
Liquidity	Choose strikes/expiries with tight markets.
Roll plan	Predefine roll triggers (time, delta, price).
Failure mode	Overpaying for protection when IV is extremely high.

Example (synthetic)

Protective Put (stock + long put) - example



*Illustrative numbers: entry=100, put strike=95, cost=2
Underlying Price ->*

Protective put payoff: downside is floored by the put, while upside remains (minus hedge cost).

Options - Swing - Mean Reversion

High IV Mean Reversion (Premium Selling, Defined Risk)

Defined-risk premium selling when implied volatility is elevated; aims to benefit from IV normalization plus a range/mean-reversion price thesis.

What it is

When IV is high, option prices are inflated. If price remains within a range and IV normalizes, premium sellers can profit. The key is to keep risk defined and avoid selling premium into unknown binary events unless that is the explicit strategy.

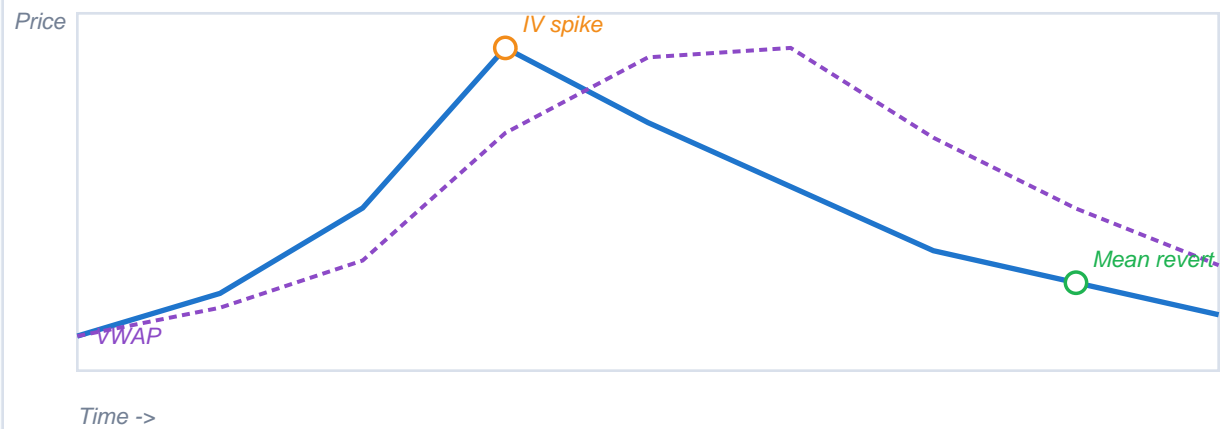
Mechanics (high level)

- Confirm IV is elevated (IV rank/percentile or IV vs historical baseline).
- Choose a defined-risk structure (credit spread or iron condor) aligned with a range/MR thesis.
- Set profit target (e.g., 40-70% of credit) and a hard stop/adjustment plan.
- Avoid earnings/Fed unless you are explicitly trading the event and understand crush risk.
- Position size conservatively; tail events can gap through strikes.

Checklist

Item	Rule of thumb / notes
IV context	Premium selling makes most sense when IV is elevated.
Defined risk	Use spreads/condors, not naked short options.
Thesis	Range/MR thesis should have level support (not wishful).
Event risk	Know upcoming catalysts and decide: avoid vs trade.
Failure mode	IV stays high and price trends through the short strike.

Example (synthetic)



IV tends to spike during uncertainty and can mean-revert. Premium sellers benefit if price behaves and IV normalizes.

Options - Swing - Mean Reversion

Earnings Volatility Crush (Event-Driven, Strict)

Description: Earnings volatility crush is a commonly observed phenomenon where implied volatility (IV) collapses immediately after an earnings release, reducing option extrinsic value even if price moves.

Why it is event-driven and strict

This is not a general market condition. It is tied to a discrete catalyst: earnings resolve uncertainty, so the market typically reprices options with lower forward uncertainty. The only variable is magnitude: how much IV drops and how large the stock move is versus what was priced in.

1) What happens (mechanically)

- Before earnings: uncertainty rises -> IV rises -> options get expensive (higher extrinsic value).
- After earnings: uncertainty is resolved -> IV often collapses -> extrinsic value compresses quickly.
- This can happen regardless of direction. A 'right direction' trade can still lose if the move is smaller than what IV had priced.

2) Who gets hurt (and why)

- Long option holders (calls/puts/straddles) are long volatility (vega). If IV collapses, premium can drop fast.
- You can be correct on direction and still lose if the realized move is less than the expected move priced by options.

3) Who benefits

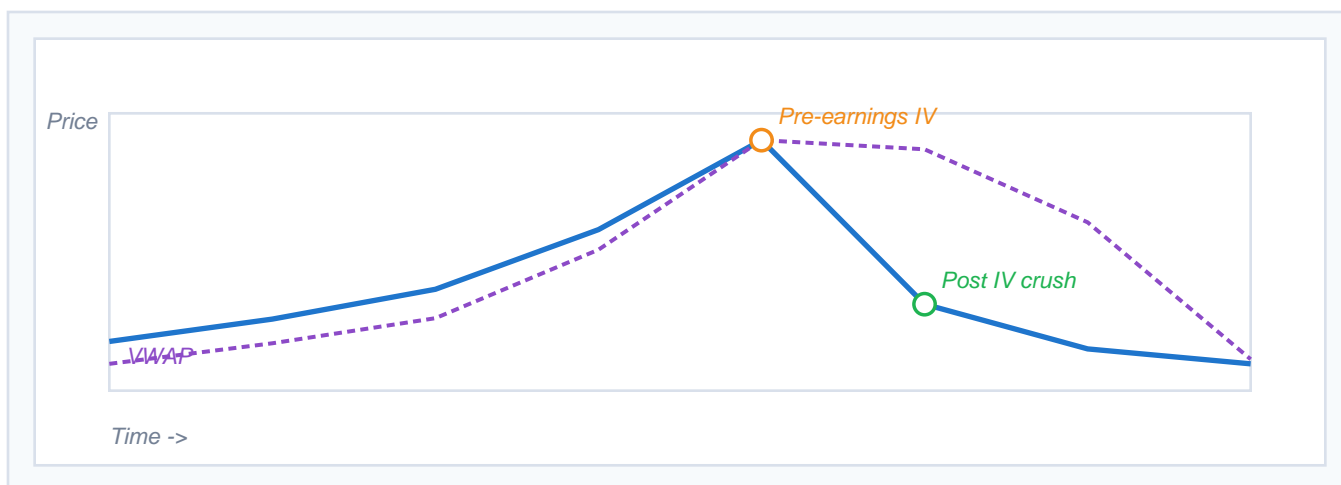
- Short volatility traders (defined-risk credit spreads, iron condors) can benefit if IV collapses and price stays inside a range.
- They are effectively selling uncertainty before the event and buying it back cheaper after, but tail risk is real (surprise moves).

4) Expected move vs actual move

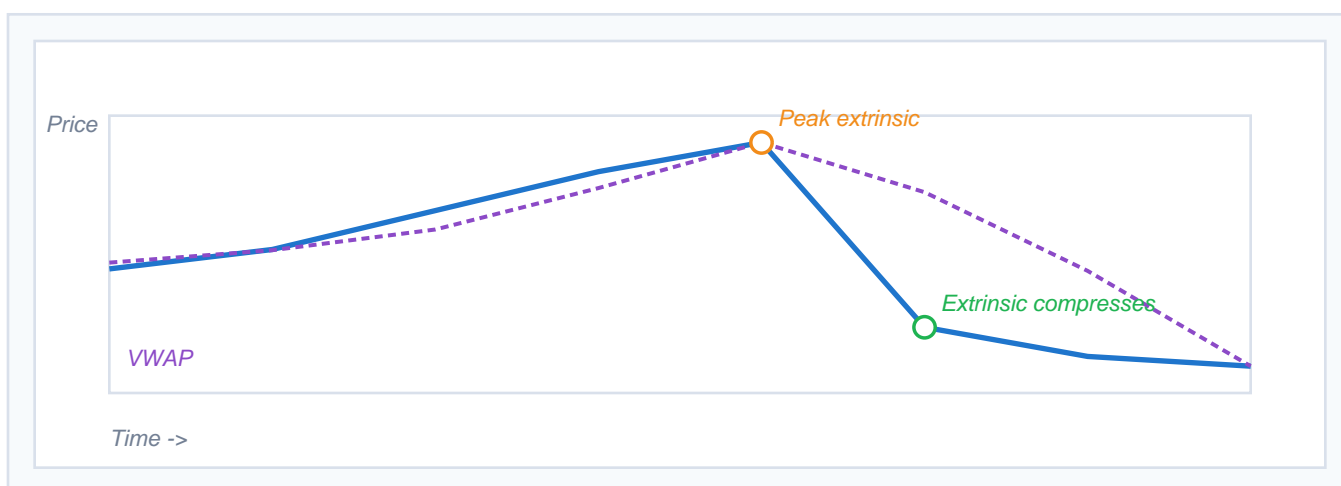
A simple mental model: options price in an expected move. If the actual move is smaller, long options often lose; if larger, they can win despite the crush.

Case	Actual move vs expected move	Typical outcome for long options
Most common	Actual < Expected	Often loses (IV crush + insufficient move).
Breakout surprise	Actual > Expected	Can win (move overcomes IV crush).
In-line	Actual ~ Expected	May be near breakeven; depends on entry price and structure.

Example visuals (synthetic)



IV often rises into earnings and collapses after the release. The shape and magnitude vary by ticker and quarter.



Extrinsic value (time + IV) can compress sharply after earnings. This is why long options can lose even if price moves.

How to trade it responsibly (guidance)

- Use defined-risk structures if you sell premium (credit spreads/condors). Avoid naked short options in prompts by default.
- Respect binary tail risk: surprises can gap through strikes; size small and predefine exits.
- If buying options, compare implied expected move vs your forecast; prefer structures that reduce vega risk (spreads).
- Treat earnings as a separate category in your prompt database (event-driven).

Note: IV does not always drop 'normally' if guidance shocks, M&A rumors, or regulatory events change forward uncertainty. The prompt should explicitly ask for the earnings date/time and expected move/chain snapshot before proposing strikes.

Meta / Utilities

Regime Selector (Picks Trend vs Mean Reversion Prompt)

Description: Classifies intraday and swing regime (trend/range/mixed), selects the best template, and outputs one setup only if thresholds pass.

This is the safety layer: it prevents applying mean reversion tools to trend regimes and prevents forcing trades when quality gates are not met.

Example (flow)



A simple decision flow: regime -> template -> quality gate -> output.

Multi-Symbol Scanner (1 Best Setup Across Watchlist)

Description: From a provided watchlist, ranks candidates and returns the single best qualifying setup, excluding symbols with missing required inputs.

The scanner prompt is useful when you do not want 20 mediocre setups. It forces a 'winner-takes-all' selection under strict quality constraints.

Example (table)

Multi-Symbol Scanner (ranking) - example

Symbol	Template	Score	Confidence
AAPL	VWAP Pullback	9.0	72%
MSFT	ORB+VWAP	8.0	67%
TSLA	NO TRADE (missing chain)	-	-

Example output ranks symbols and excludes those missing required data (e.g., options chain).

Glossary (Quick)

- VWAP: Volume-Weighted Average Price; used as intraday fair value / execution reference.
- ORB: Opening Range Break; breakout of early-session range.
- HOD/LOD: High/Low of day levels used for momentum triggers.
- ATR: Average True Range; volatility proxy used for stops and sizing.
- ADX: Trend strength indicator; used as a regime filter (trend vs range).
- IV: Implied Volatility; market-implied future volatility in option prices.
- Expected Move: Rough move implied by options around an event (e.g., earnings).
- DTE: Days To Expiration; time remaining on an option contract.

All examples are simplified. Real trading requires market data, slippage assumptions, commissions, and consistent risk management.