

Your Decision Routine

Before Every Trade

1. External Influences / Event Risk

NEWS

- ✓ Are unusual, non-forecastable events developing that could move markets abruptly?
- ✓ Are high-impact scheduled macro events approaching?
 - e.g., interest rate decisions, central bank communication, major earnings releases
- ✓ Is it foreseeable that such events could influence structure, volatility, or stops?

Yes — No trade No — proceed to 2. Market Environment

2. Market Environment & Bias



Volatility

- VIX under 20 -> calm, structurally sustainable environment
- VIX 20–25 -> tradable, but selective
- VIX above 25 -> elevated stress risk

If VIX is above 25 or rising sharply -> **No trade**

Market Breadth (Advance-Decline Line)

- AD Line confirms index direction (e.g., S&P 500) -> **participation confirms the move**
- No divergence between AD Line and index -> **structure remains stable**
- Divergence present:

-> **bullish divergence:** caution with short trades

-> **bearish divergence:** caution with long trades

If the AD Line clearly moves **against** the index -> **No trade**

Hedging Behavior (Put/Call Ratio)

- 0.9–1.0 -> neutral
- Below 0.9 -> complacency
- Above 1.0 -> fear / stress

Extreme values do not define direction.

They increase the requirement for structural clarity and logical execution.

-> If **extreme readings** occur:

Only trade with clear structure, defined bias, and clean liquidity logic.

-> if these conditions are not fully met -> **No trade**

US-Dollar (DXY)

- DXY in stable or falling trend -> long trades are favored
- DXY in rising trend -> caution with long positions

-> Only continue evaluating **long setups** if structure and logic are exceptionally clear.

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2. Market Environment & Bias



Interest Rate Environment (Yield Curve – 1Y/10Y Spread)

- Spread around 0.7–0.9 -> long trades are generally favored
- Spread between 0.4–0.7 -> mixed environment, trade selectively
- Spread below 0.4 or negative -> increased pressure on long positions

-> **A spread below 0.4** marks a critical threshold.

In this rate environment, only exceptionally clean setups should be considered.

Fear and Greed Index

- Fear & Greed below 25 -> pronounced fear
- Fear & Greed between 25–45 -> cautious sentiment
- Fear & Greed between 45–55 -> neutral environment
- Fear & Greed between 55–75 -> greed / risk appetitet
- Fear & Greed above 75 -> extreme greed / complacency

-> **Extreme readings** do not define direction. They increase the requirement for structural clarity, liquidity logic, and disciplined risk management.

Bias Determination

Market environment analysis defines the **bias**. It describes the direction in which the market currently shows the **path of least resistance**.

Bullish Bias

- Is the market orderly, constructive, and structurally sound?
- Do volatility, breadth, and hedging behavior confirm each other?
- Do interest rates and the US Dollar support the current scenario?



If the majority of answers are **yes** -> **bullish bias - proceed to Step 3 (Structure)**

Neutral Bias

- Are signals conflicting?
- Is there no clear directional advantage (long/short)?
- Is defensive positioning visible (elevated put/call ratio, fear neutralized)?



If **one or more conditions** apply -> **neutral Bias - proceed to Step 3 (Structure) with increased selectivity**

Bearish Bias

- Is capital flowing into the US Dollar?
- Is the yield curve flattening or inverting?
- Is the Fear & Greed Index showing anxiety?
- Does the market feel tense, fragile, or structurally weak?



If **multiple conditions** apply -> **bearish Bias - proceed to Step 3 (Structure) only if short trades are being considered**

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3. Structure

Structure analysis is direction-neutral.
It evaluates order, logic, and readability — not long or short.



Structure – Core Assessment

- Is the structure clearly identifiable?
- Are significant highs and lows visible and logically connected?
- Is price action orderly rather than erratic or chaotic?

-> If structure cannot be **clearly** defined -> **No trade**

Structure & Market Phase

- Can the market be classified into a phase?
(Accumulation, Trend, Distribution, Transition)
- Does current price behavior logically align with that phase?
(e.g., Trend → higher highs and higher lows; Distribution → repeated failure at highs)

-> If phase and behavior **contradict each other** -> **No trade**

Structure & Bias – Consistency Check

- Does the structure confirm the defined bias?
- Is price moving with the bias — or visibly fighting against it?

-> If structure **contradicts the bias** -> **No trade**

✓ If structure is clear, consistent, and aligned with the bias
-> **proceed to Step 4 (Liquidity)**

4. Liquidity

Liquidity reveals whether the market is ready to continue a move — or to reverse.



Liquidity Assessment

- Where is the nearest obvious liquidity located?
(Highs, lows, range boundaries, equal highs/lows)
- Has relevant liquidity recently been taken?

-> If **no clear liquidity context** is identifiable -> **No trade**

✓ If liquidity positioning is clear -> **proceed to Step 5 (Setup)**

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Before Every Trade

5. Setup



A setup (your trading idea) may only be executed if it aligns with all previously validated conditions (External Influences, Market Environment & Bias, Structure, and Liquidity).

Setup Assessment

- Does the trading idea align with the market environment, bias, structure & liquidity?
- Is the idea logical, objective, and free from wishful thinking?
- Are entry, stop, and target clearly defined and rule-based?

-> If the setup does **not align with the validated conditions** or **cannot be cleanly hedged** -> **No trade**

✓ **If the setup fully aligns -> proceed to Step 6 (Trading State)**

6. Trading State

Before you trade, you evaluate not the market — but yourself.

State Assessment



- Are you calm, focused, and not emotionally driven?
- Do you have sufficient time to manage the trade without pressure?
- Are you acting out of discipline — not impulse?

-> If any question **cannot** be answered with a clear **“yes”** -> **No trade**

✓ **If your state is stable -> the trade qualifies for execution**

This decision routine is also available as a downloadable and printable checklist.



💡 A small request

If this checklist helps you make clearer trading decisions, consider leaving a short review for the book on Amazon.

It helps other traders discover structured trading approaches.