HOUSEEDGEADVANTAGE
Trade Like the House, Not Like a Gambler

Trade Management Checklist

A mechanical decision framework for short premium trades

This checklist applies to short premium trades — strangles, straddles, and defined-risk spreads where you are a net seller of options. Trade risk is controlled at entry. Once a position is open, you are at the mercy of the market. The only thing you control from that point forward is how mechanically and unemotionally you manage it.

PHASE 1 BEFORE YOU ENTER — PRE-TRADE CRITERIA

- [ ] **IV Rank is elevated — ideally 30 or higher**
  High IV Rank means expensive premium. That is your structural edge as a seller. Do not sell premium into a low-volatility environment.
- [ ] **No earnings within the trade window**
  Earnings introduce binary, unpredictable risk that cannot be managed mechanically. Avoid the underlying or close the position before the event.
- [ ] **Ex-dividend date is noted**
  Check for ex-div dates, particularly for short put positions where early assignment risk increases as the dividend approaches.
- [ ] **Underlying is liquid with tight bid-ask spreads**
  Wide spreads work against you on every entry and exit. Stick to ETFs and large-cap stocks with deep options markets.
- [ ] **DTE is within the 21 to 45 day window**
  This is where theta accelerates and the premium seller's edge is strongest. Enter during this window and manage through expiration or a profit target.
- [ ] **Strike selection matches your strategy**
  Strangles: target 16 to 20 delta on both sides. Each side individually carries approximately 84% probability of expiring OTM. Combined probability of both sides expiring worthless is approximately 68%.
  Credit spreads: short strike is typically closer to ATM. Collect at least 1/3 of the width of the strikes, which provides approximately 67% probability of profit.
- [ ] **Position size passes your allocation rule**
  A loss on this trade must not change your behavior or decision-making. If it would, the position is too large.
- [ ] **Portfolio delta is within acceptable range**
  Review your overall directional exposure before adding a new position. Avoid concentrating risk in correlated underlyings.

PHASE 2 AT ENTRY — RECORD AND SET YOUR RULES

- [ ] **Record all trade details**
  Underlying, expiration date, strikes, premium collected, delta, theta, and entry date. Your trade log is your feedback loop.
- [ ] **Note the delta-theta ratio at entry**
  At entry on a balanced strangle, this should be near zero. Record it as your baseline for monitoring the trade going forward.
- [ ] **Profit targets are confirmed before the trade is live**
  Default: 50% of premium collected. Optional: 25% of premium collected in 7 days or less. Know your number before the position is on.
- [ ] **21 DTE decision rules are confirmed**
  Know exactly what you will do at 21 DTE — exit, scratch, or roll — before the trade is live. Decisions made under pressure are rarely your best ones.

- [ ] **Calendar reminders set for earnings and ex-dividend dates**

PHASE 4 WHEN THE TRADE IS BEING TESTED

- [ ] **Check the delta-theta ratio first**
  A ratio above 1.0 means delta is outpacing theta. The position has drifted from a premium-selling trade toward a directional one. Adjustment is warranted.
- [ ] **Is the tested side 2x the untested side premium?**
  When the tested side has grown to roughly twice the value of the untested side, this is a signal to consider rolling the untested side toward price to collect additional credit and rebalance delta.

- [ ] **Roll the untested side only for a credit**
  Rolling in brings additional premium, rebalances your delta, and extends your time advantage. Never pay a debit to adjust a short premium position.
- [ ] **Do not close the untested side independently**
  Closing the untested side alone removes your hedge and converts the position into a naked directional trade. Manage the strangle as one unit at all times.
- [ ] **Do not add contracts to a losing position**
  Adding size under pressure to recover a loss is an emotional decision. It increases risk at exactly the moment the position is already stressed.

PHASE 5 AT 21 DTE — CONSISTENT DECISIONS

- [ ] **Exit winning trades regardless of profit amount**
  Inside 21 DTE, gamma risk increases rapidly. A winning trade should be closed and capital redeployed into a new position with better risk characteristics.
- [ ] **Exit trades that can be scratched at or near breakeven**
  A scratched trade is not a loss. It is capital freed and risk removed. Take the scratch and move on to the next opportunity.
- [ ] **Roll losing trades only for a credit or zero**
  If the position can be rolled to the next expiration cycle for a credit or at no cost, do it. If not, do not force it.
- [ ] **If roll criteria cannot be met, wait**
  Hold the position and monitor until it can be rolled or exited properly. Do not force an adjustment that does not meet the criteria simply because it is 21 DTE.

PHASE 6 MINDSET — NON-NEGOTIABLE RULES

- [ ] **No revenge trading after a loss**
  A bad trade followed by an impulsive one is how small losses become large ones. Step away, clear your head, and return to your process.
- [ ] **No doubling down on losing positions**
  Adding size to a stressed position is not a strategy. It is a gamble made under pressure, and it increases the damage when the position moves further against you.
- [ ] **Process over impulse, every single time**
  The math works over a large sample of trades. One loss, one difficult week, or one bad outcome does not break the method. Stay mechanical and let the edge play out.

Good Luck and Great Trading,

The thread running through all six phases: Every decision on this checklist was made before the market opened, before the position moved against you, and before your emotions had anything to say about it. That is how a mechanical trader operates —