TRADING SYSTEMS & AUTOMATION INFRASTRUCTURE

Risk Management Handbook for Intraday Traders

A practical operating framework for controlling risk, managing drawdowns, reviewing trades, and surviving difficult trading periods without emotional escalation.

How To Use This Handbook

This document is not a strategy and it is not a prediction system. It is an operating layer for traders who already take trades and need tighter control around size, loss limits, journaling, and review.

- Read the framework once before changing any trading rules.
- Choose one risk rule from each section and write it into your own trading plan.
- Use the checklist pages for daily review until the process becomes normal.
- Do not use the document as permission to trade bigger or trade more often.

Goal: stay in the game long enough for good execution data to matter.

1. Risk Comes Before Setup Quality

A trading setup can look clean and still produce a loss. Risk management exists because outcome is never fully controlled.

- The trade idea is secondary to the maximum damage allowed.
- A strong setup with oversized risk is still a weak operating decision.
- Losses should be predefined before entry, not negotiated after entry.
- The trader's job is not to avoid every loss. The job is to keep losses controlled.

2. Define Risk Per Trade

Risk per trade is the amount you are prepared to lose if the trade fails normally. It should be small enough that one trade cannot change your emotional state.

- Set risk as a percentage of capital or as a fixed maximum rupee/dollar amount.
- Use the smaller value when the market is volatile or confidence is lower.
- Reduce size after rule breaks, fatigue, or a sequence of losses.
- Never increase size to recover the previous trade.

3. Daily Loss Limit

The daily loss limit is the point where the session ends. It protects capital, attention, and decision quality.

- Choose a daily loss number before the market opens.
- Stop trading when the limit is hit, even if the next setup looks attractive.
- Count realised and open risk together when judging daily damage.
- Treat the daily limit as an operational shutdown rule, not a suggestion.

4. Weekly Loss Limit

Weekly limits prevent one bad period from turning into a month-changing drawdown.

- If the weekly limit is hit, reduce risk or stop live trading for the rest of the week.
- Review the week for pattern breaks, not just P&L.;
- Separate market difficulty from execution errors.
- Restart only when a written rule set is clear again.

5. Drawdown Step-Down Rules

Drawdown rules reduce exposure when capital or confidence is under pressure. This is how the trader avoids emotional recovery mode.

- At small drawdown, reduce size by one step.
- At medium drawdown, reduce trade frequency and tighten setup selection.
- At deep drawdown, pause live trading and switch to review or simulation.
- Return to normal size only after process quality improves, not after one lucky win.

Drawdown state	Action	Purpose
-2% to -4%	Reduce size one step	Protect focus and confidence
-5% to -8%	Trade only A-grade setups	Stop forced participation
-9% or worse	Pause live trading	Review before adding risk

6. Position Sizing

Position size should be a function of predefined risk, stop distance, and current drawdown state.

- Calculate size from risk first, not from desired profit.
- Wider stops require smaller position size.
- Lower-quality setups require reduced size or no trade.
- If size feels emotionally heavy, the size is too large.

7. Stop Loss Placement

A stop loss is an invalidation point. It should not be placed randomly just to create a comfortable loss number.

- Define the technical or structural reason for the stop before entry.
- If the proper stop is too wide, reduce size or skip the trade.
- Do not move the stop away because the trade feels close to recovery.
- Record every stop movement and the reason for it.

8. Target And Exit Rules

Targets and exit rules reduce the need to improvise while price is moving.

- Write target logic before entry.
- Decide whether partial exits are allowed before the trade starts.
- Define when breakeven is valid and when it is just fear.
- Record whether the exit followed the original plan.

9. Time-Based Rules

Many bad trades happen because the trader stays active when attention or market quality has already declined.

- Define your active trading window.
- Avoid trading during personal fatigue or after repeated frustration.
- Use time-based exits when a setup fails to move within the expected window.
- End the session after emotional escalation, even if the loss limit is not hit.

10. Losing Streak Protocol

A losing streak is not the time to become creative. It is the time to become smaller, slower, and more mechanical.

- After two losses, pause and review whether the rules were followed.
- After three losses, reduce size or stop trading for the session.
- After a multi-day losing streak, review market conditions and execution quality separately.
- Do not search for a new strategy until the current rules have been reviewed honestly.

11. Revenge Trading Control

Revenge trading usually begins as a private argument with the previous loss. The system must interrupt it early.

- Use a written pause rule after any emotional loss.
- Do not enter a new trade within a fixed cooldown period after a rule break.
- Record the emotional trigger, not just the trade result.
- If the trade is being taken to feel better, it is not a system trade.

12. No-Trade Day Rules

A no-trade day is not wasted if it protects capital and preserves decision quality.

- Define market conditions where no trade is valid.
- Write down why the session did not meet the rule framework.
- Avoid forcing a trade because the day feels incomplete.
- Review no-trade days as discipline evidence.

13. Journal Minimums

A journal should capture the evidence needed to improve execution, not just a diary of feelings.

- Record setup type, entry reason, stop reason, target reason, and outcome.
- Score execution quality separately from financial result.
- Tag mistakes consistently so patterns become visible.
- Review weekly, not only after painful days.

14. Review Scorecard

A scorecard makes review more objective. The aim is to see whether the system was followed.

- Was the trade inside the plan?
- Was size correct for the risk state?
- Was the stop placed before entry?
- Was the exit rule followed?
- Was the session stopped when the risk limit was reached?

Area	Question	Score
Rules	Was the setup valid before entry?	0 / 1 / 2
Risk	Was size correct for the current state?	0 / 1 / 2
Execution	Were stop and target handled cleanly?	0 / 1 / 2

15. Mistake Taxonomy

Mistakes need names. If the same mistake appears repeatedly, it becomes a system design problem.

- Late entry.
- Oversized position.
- Stop moved away.
- Unplanned re-entry.
- No journal entry.
- Trade taken outside active window.

16. Options Seller Risk Notes

Options selling requires special care because risk can expand quickly when volatility changes or price moves violently.

- Respect gap risk and event risk.
- Define maximum loss before selling premium.
- Avoid increasing exposure because premium looks attractive.
- Know the adjustment rule before the adjustment is needed.

17. Expiry Session Controls

Expiry sessions can reward discipline and punish improvisation. The plan must be tighter, not looser.

- Reduce size when movement is unstable.
- Use clear no-trade zones.
- Avoid chasing after the best opportunity has passed.
- End the session early if conditions become unreadable.

18. Automation Readiness

Automation should not be added to unclear rules. It should enforce a documented process.

- Document entry conditions before building execution logic.
- Define safety gates for duplicate orders and missing stops.
- Record all exceptions in the journal.
- Use automation to reduce workflow errors, not to avoid responsibility.

19. Dashboard Metrics

A risk dashboard should show the trader what matters before damage expands.

- Open risk.
- Daily realised P&L.;
- Maximum session loss allowed.
- Current drawdown state.
- Rule breaks this week.
- Trade count and exposure concentration.

20. Pre-Market Checklist

The trading day should start with a risk state, not with excitement.

- Current capital and risk per trade recorded.
- Daily loss limit written.
- Market conditions reviewed.
- Main levels marked.
- No-trade conditions known.
- Personal energy checked.

21. In-Trade Checklist

The in-trade checklist keeps attention on the process while price is moving.

- Entry matched documented setup.
- Stop and target are placed.
- Position size matches risk rule.
- No unplanned averaging.
- No emotional modification.
- Exit rule is visible.

22. Post-Market Checklist

Post-market review turns the day into useful system data.

- Every trade logged.
- Mistakes tagged.
- Execution score recorded.
- Risk rule followed or broken.
- One improvement written for the next session.

23. 30-Day Implementation Plan

A risk framework becomes useful when it is applied slowly and repeatedly.

- Week 1: define risk per trade and daily loss limit.
- Week 2: add journal tags and execution score.
- Week 3: add drawdown step-down rules.
- Week 4: review the data and simplify the rules.

24. Common Failure Points

Most traders do not fail because they lack more information. They fail because the operating rules are missing or ignored.

- Changing size after a loss.
- Ignoring daily stop rules.
- Treating journal review as optional.
- Confusing one good trade with a working system.
- Adding automation before the manual rules are clear.

25. Final Operating Checklist

Use this page before the next live session.

- I know my risk per trade.
- I know my daily loss limit.
- I know when to stop trading.
- I know what conditions mean no trade.
- I will record execution quality even if the result is profitable.

Important Disclaimer

Trading involves risk. My Trading Desk does not provide financial advice, signals, account management, or guaranteed returns. This handbook is educational and operational in nature. Any trading decision, broker use, position sizing choice, automation workflow, or risk rule remains the responsibility of the reader.

Use this document to improve process quality, not to increase risk.