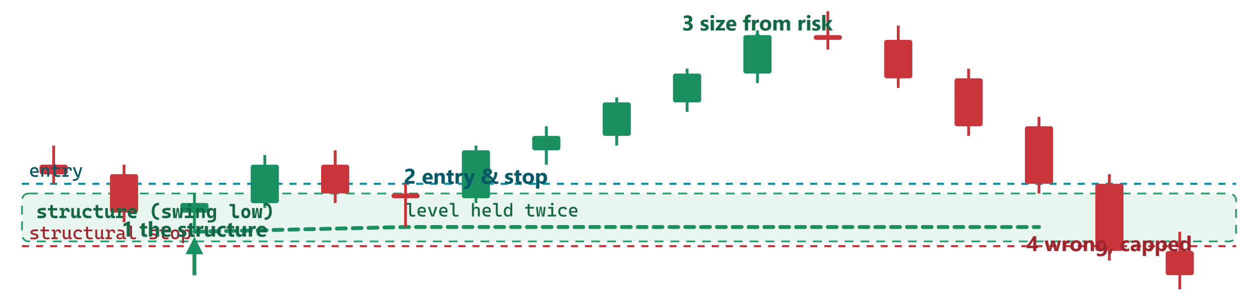
FIELD GUIDE · PATTERNS & EXECUTION

Stop placement and position sizing

Two decisions that work together: the stop goes where the trade idea would be proven wrong, and position size is then chosen so that being wrong costs only a small, fixed slice of the account.

QUANTREEF
market microstructure



PHASE 1 · THE STRUCTURE

Find the level

Price builds a clear structural point, for example a swing low that holds twice. This level is the reference the idea leans on. While it stays intact the idea is still alive; if price closes decisively past it, the reason for the trade is gone.

PHASE 2 · THE ENTRY

Mark entry and stop

Entry sits near the level. The stop goes a little beyond the structure, not at a round number or a fixed dollar amount. The gap between entry and stop is the risk distance, measured in price, and it comes straight from the chart.

PHASE 3 · THE SIZING

Size from the risk

Account risk is set first, a small fixed percent per idea. Position size is then whatever makes the entry-to-stop distance equal that amount. A wider stop means a smaller position; a tighter stop, a larger one.

PHASE 4 · THE OUTCOME

Wrong is capped

Either price holds above structure and the idea keeps running, or it closes below and the stop ends the trade at the pre-decided small loss. Because size was set from the stop, one wrong idea never dents the account more than planned.

Key terms

structural stop — a stop placed just beyond the level the idea depends on, so it triggers only if the idea is truly wrong.

risk distance — the gap in price between entry and stop; the raw material for sizing.

account risk — the small fixed share of the account accepted as a loss if the stop is hit.

position size — the quantity chosen so that risk distance equals the account risk in money terms.

How to read & use it

Stop location comes first

The stop goes where structure says the idea failed, and size is worked out afterward. Sizing first and stretching the stop to fit is what turns a small loss into a large one.

Wider stop, smaller size

A stop far from entry is not riskier if size shrinks to match. The fixed money loss stays constant, so the two levers always move in opposite directions.

One number, decided up front

Knowing the loss before entry removes in-the-moment guessing. Every idea risks the same small slice, so no single outcome is decisive on its own.

HOW TO READ THIS ON QUANTREEF

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