The index risk plan on one page

> **RISK PLAN**
>
> The decisions written down before a position exists: what you risk, how you size, what you size against overnight, how you count correlated positions, and what you will not do. Written in advance it is a policy; recalled in the moment it is a preference.

Eight lessons of arithmetic reduce to a small number of decisions. This is the page they belong on, and the point of writing it is that none of it can then be renegotiated while a position is open.

The decisions

Risk per trade, as a percentage of the account, the same every time.Sizing rule for intraday positions: budget divided by the stop distance, rounded down.Sizing rule for overnight positions: budget divided by the gap distance you chose, with that distance written down.Exposure grouping: which markets you treat as one, with US indices as one by default.Maximum total risk across a group, so three tickets cannot become an unplanned single bet.Leverage ceiling, chosen rather than inherited from what the margin permits.

The two that are specific to indices

The overnight sizing rule, because the gap is not an edge case here - it is the normal punctuation of the chart, and a plan that ignores it is a plan for a market that does not exist.

And the exposure grouping, because index products correlate hard enough that a plan counting tickets rather than exposures is measuring the wrong thing entirely.

What the plan is for

It removes decisions from the moment they are hardest to make. Every rule above is easy to set on a quiet afternoon and difficult to apply when a position is moving, which is exactly why it goes on paper first.

A plan does not make a strategy work. It makes the size of your mistakes a thing you chose in advance rather than a thing the market chose for you.

Where this module leaves you

With the arithmetic done, and with one uncomfortable fact left standing: overnight, on an index, you cannot cap your loss. Sizing is what you have, and this module has been the case for using it deliberately.

Module 5 turns to what moves an index and how to read it analytically - earnings in aggregate, rates, and the handful of large constituents that dominate the weightings.

Check your understanding

1. Why write the risk plan before a position exists?

a. Brokers require a documented plan
b. Every rule is easy to set when calm and hard to apply when a position is moving
c. It makes the strategy more likely to work

Answer: b. Written in advance it is a policy; recalled in the moment it is a preference. It does not make a strategy work - it makes the size of your mistakes something you chose.

2. Which two rules are specific to indices?

a. The leverage ceiling and the risk percentage
b. The overnight sizing rule and the exposure grouping
c. The stop placement rule and the maximum drawdown

Answer: b. Gaps are the normal punctuation of an index chart rather than an edge case, and index products correlate hard enough that counting tickets measures the wrong thing.