

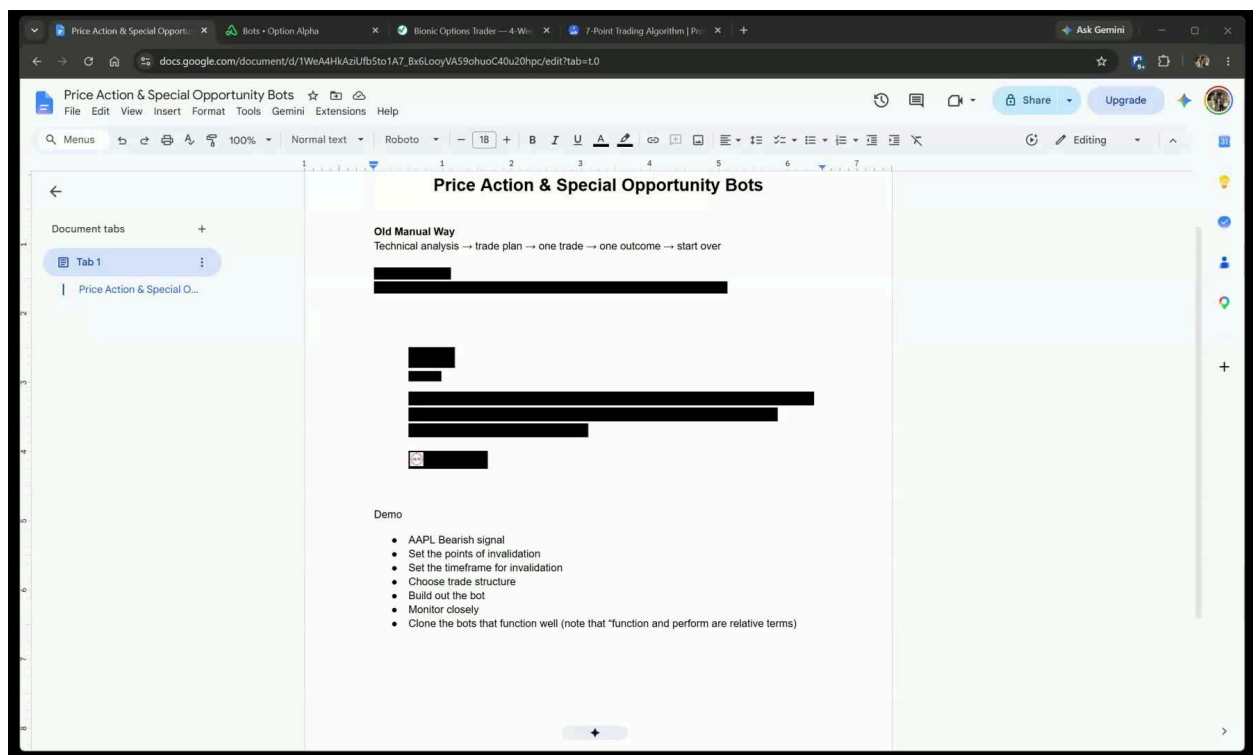
SOP: Build and Manage a Price-Action-Based Special Opportunity Bot in Option Alpha

Objective

Create a repeatable process for analyzing a single symbol, defining a technical-analysis “box” of valid trading conditions, building a bot around that setup, and monitoring it until the setup expires or is invalidated. This SOP is designed to help a team member build one-off, special-purpose bots that can be cloned only when the bot functions as intended.

Key Steps

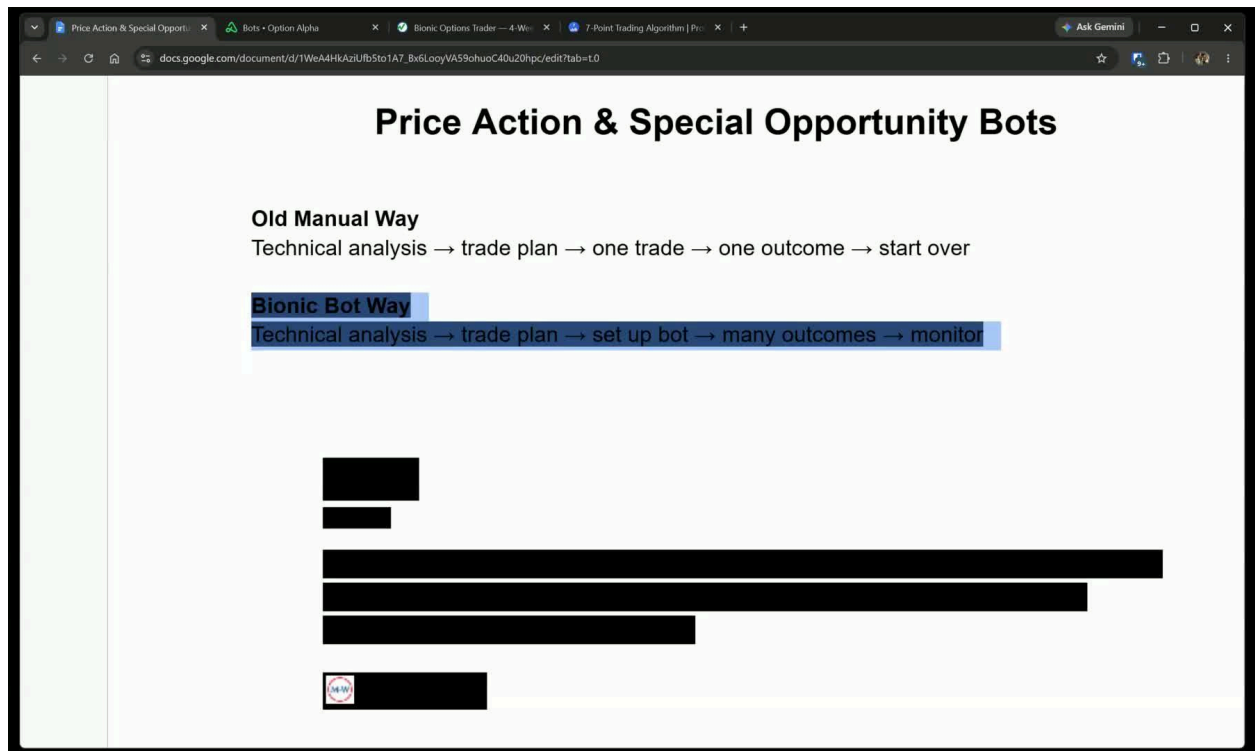
1. Identify the trading concept and shift from manual trading to bot-based execution 0:00



- Define the goal: move from one-off manual trades to a bot that can execute multiple trades from one analysis.
- Understand the difference between:
 - **Manual trading:** analyze, place one trade, wait for one outcome, then restart.
 - **Bot trading:** analyze once, build a bot, and let it manage multiple outcomes over time.

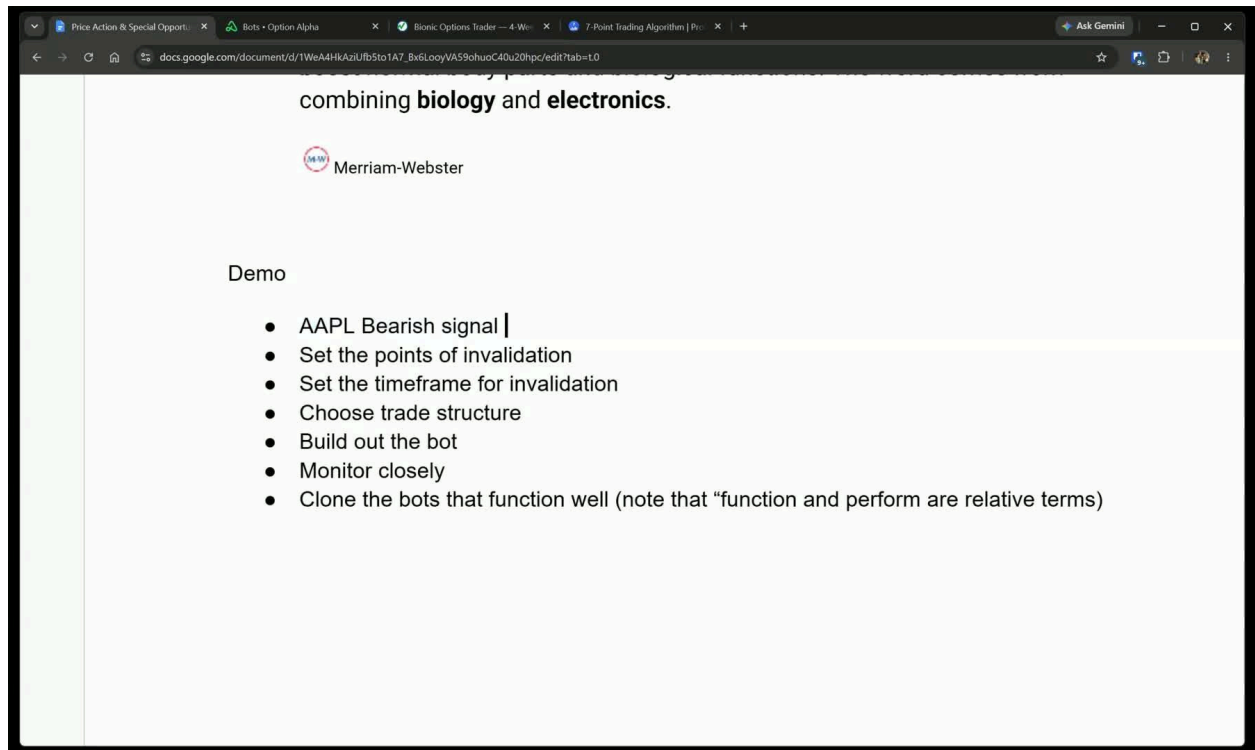
- Use the bot to automate repeated execution while still relying on your own analysis and oversight.

2. Perform technical analysis and create the trade thesis 1:15



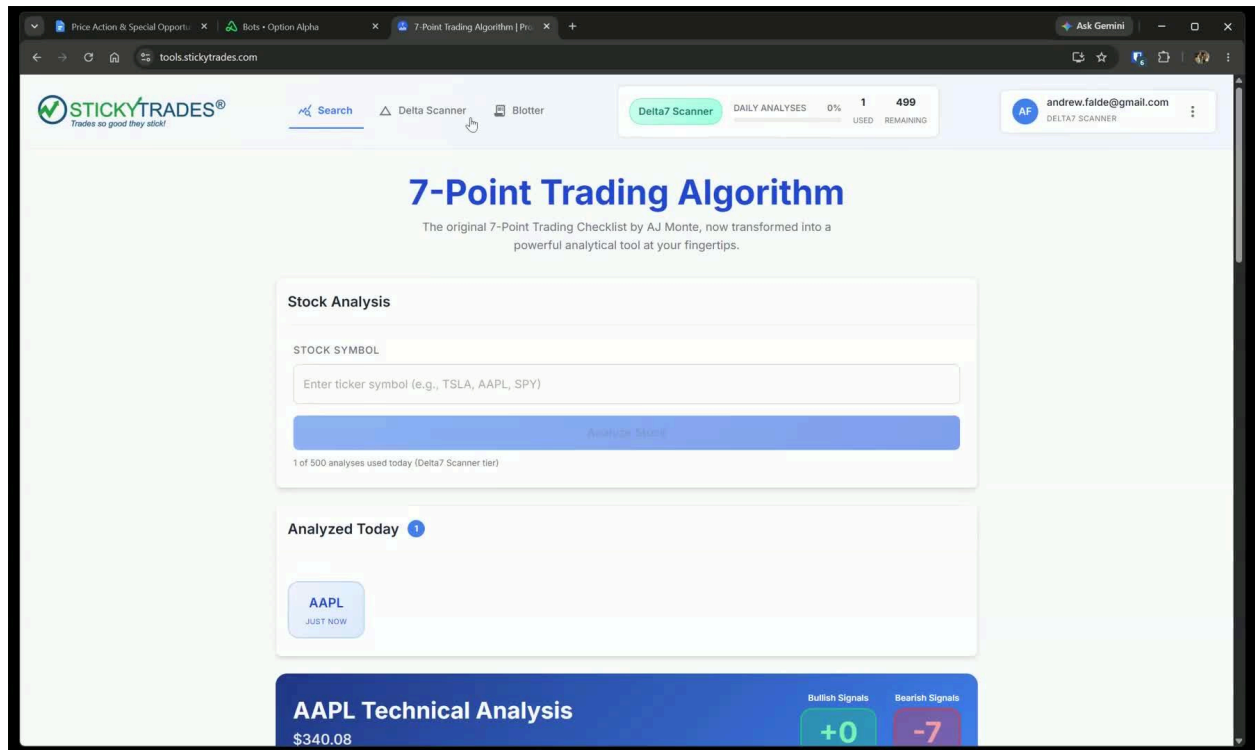
- Start with technical analysis, fundamental analysis, or a directional outlook.
- Convert the analysis into a trade plan specifically for a bot, not a single trade.
- Treat the analysis as the foundation for a repeatable setup that can be monitored over time.
- Remember that the bot is designed to keep working without restarting the analysis after every trade.

3. Define the technical-analysis box: price invalidation and time invalidation 4:19



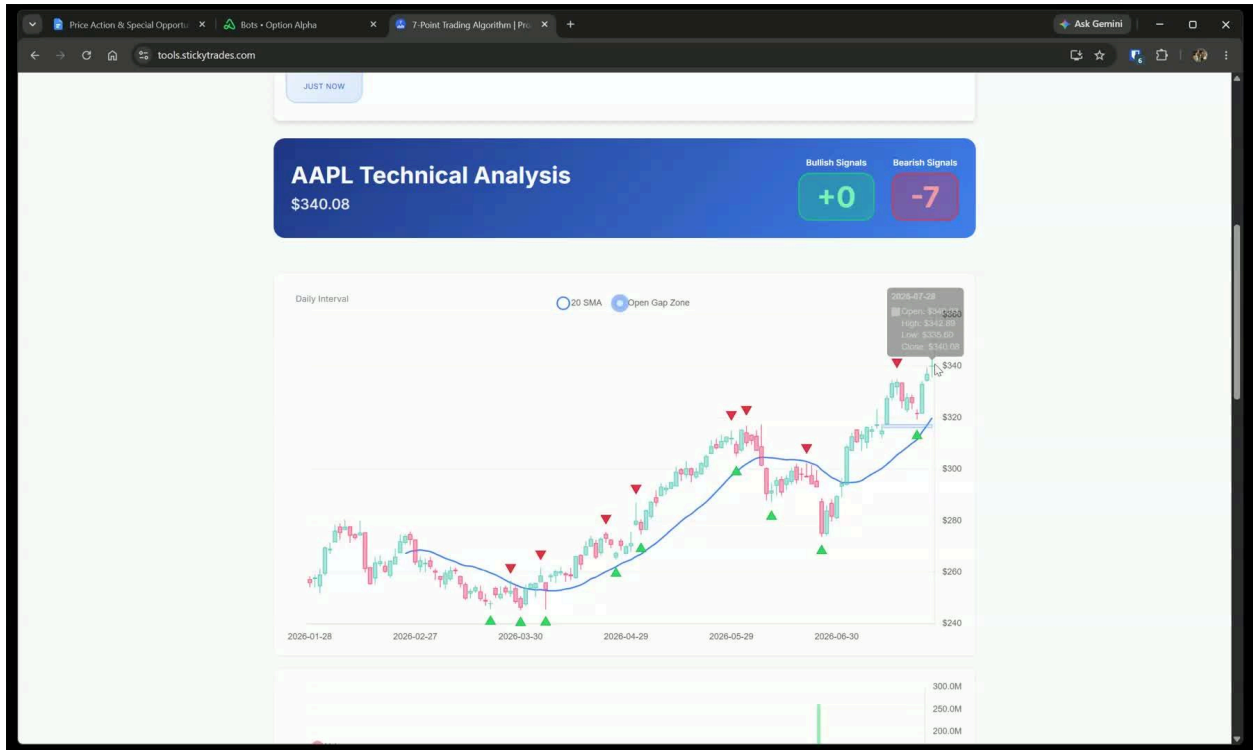
- Set the **upper invalidation price**: if price moves above this level, the bot should stop functioning for the setup.
- Set the **lower invalidation price**: if price moves below this level, the bot should stop functioning for the setup.
- Set the **time invalidation**: choose the date or time window after which the setup should no longer be used.
- Use these boundaries to create a clear "box" that defines when the bot is allowed to trade.

4. Review the example analysis and confirm the directional bias 6:38



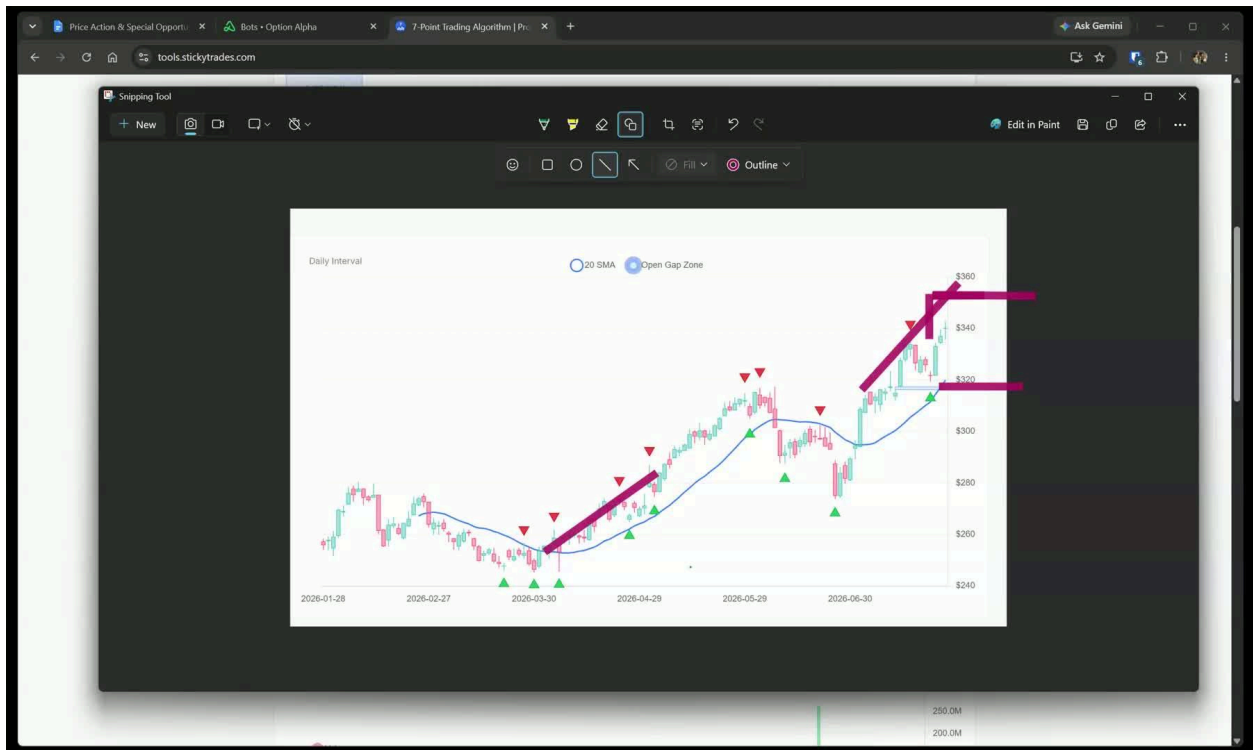
- Use a checklist or structured analysis method to justify the directional bias.
- In the example, Apple showed multiple bearish signals, including:
 - Doji / pattern recognition
 - Declining volume on a bullish move
 - Extended move away from the 20-period moving average
 - Unfilled gap below current market
 - Overbought stochastics
 - Overbought CCI with weakening momentum
 - Resistance / extended resistance area
- Summarize the result as a bearish bias before building the bot.

5. Translate the analysis into specific price levels 8:10



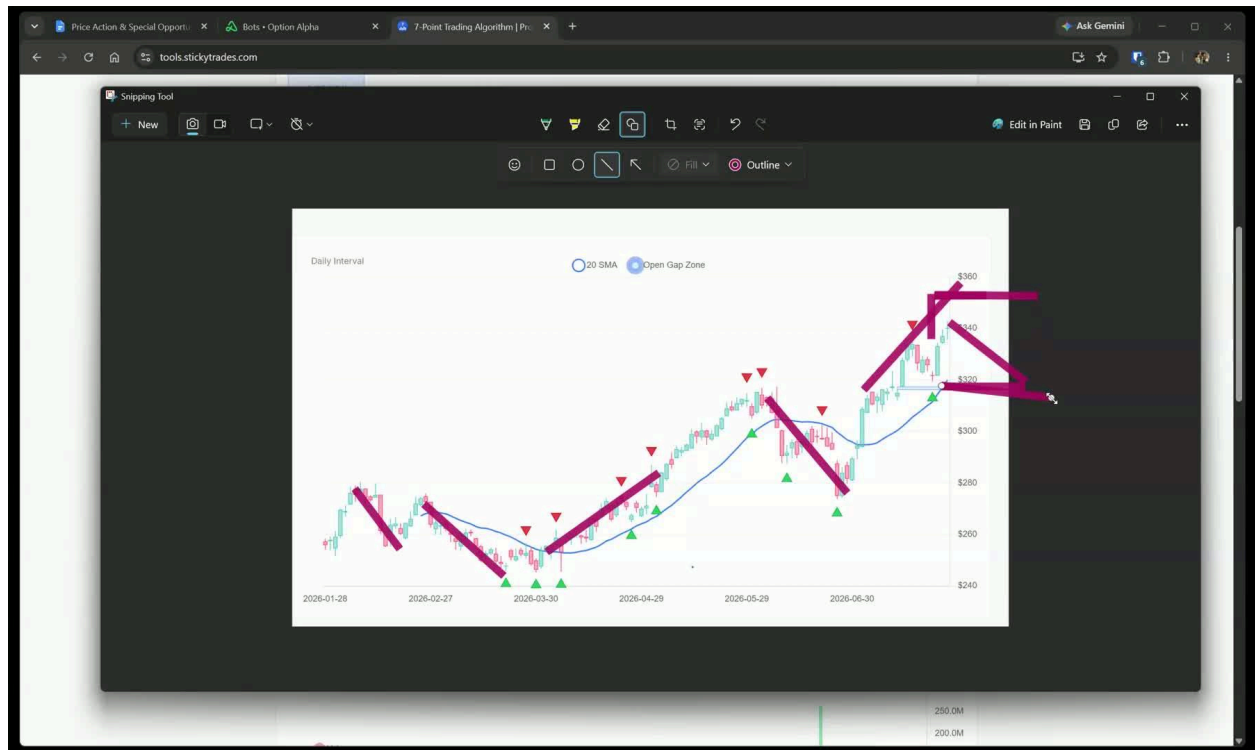
- Determine the upside invalidation level where the bearish thesis is no longer valid.
- Determine the downside target area where the trade thesis is expected to play out.
- In the example:
 - Upside invalidation was set around **355**.
 - Downside target was set around **318**.
- Use support/resistance, measured moves, gaps, or Fibonacci levels as needed.
- Keep the levels precise enough to guide automation, but practical enough to execute.

6. Set the time window for the setup 10:47



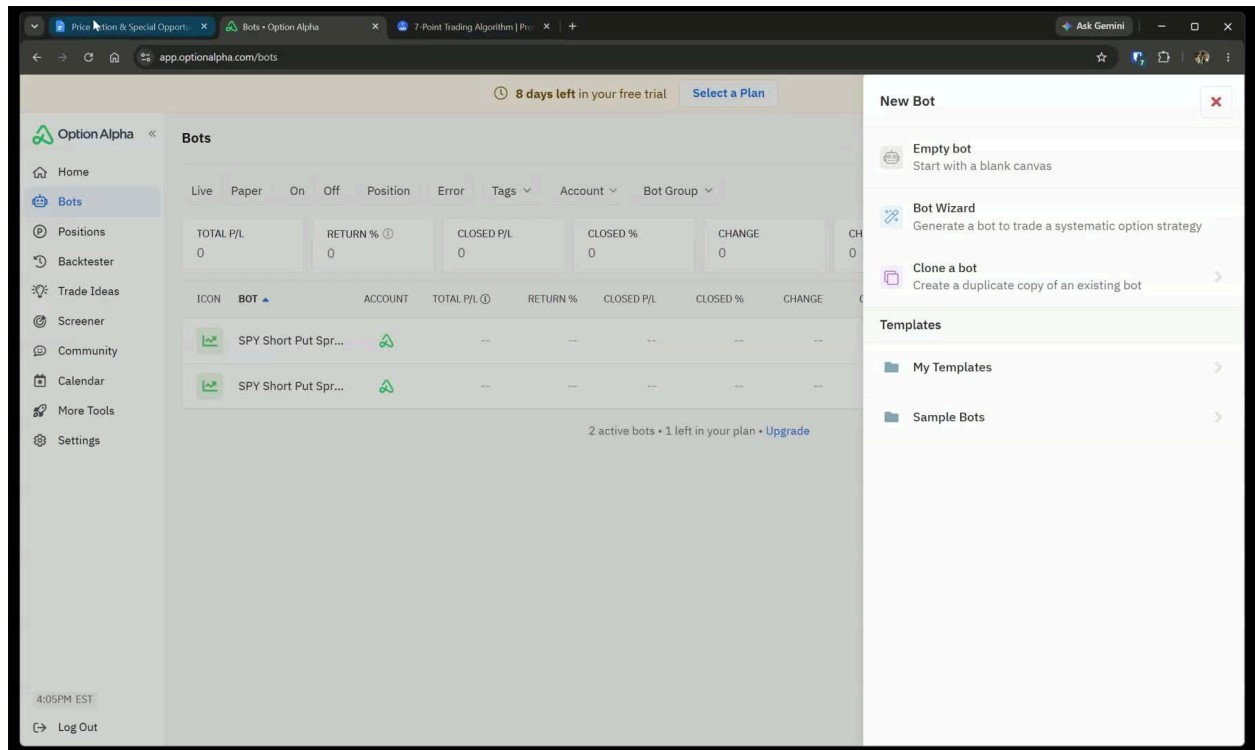
- Estimate how long the move should take based on recent market speed and volatility.
- Use prior bullish and bearish swings to judge the likely pace of movement.
- Set a date that matches the expected life of the setup.
- In the example, the bot was set to expire around **August 31**.
- Treat the time window as part of the trade thesis, not just a calendar setting.

7. Choose the trade structure that matches the thesis 12:12



- Select a strategy that fits the directional outlook and time window.
- In the example, the bot was built to use **call credit spreads** on up days within the defined box.
- Other possible structures mentioned:
 - Unbalanced iron condors
 - Put debit spreads
 - Long puts
- Choose the structure that best matches the expected price behavior and risk profile.

8. Build the bot in Option Alpha from scratch 14:29

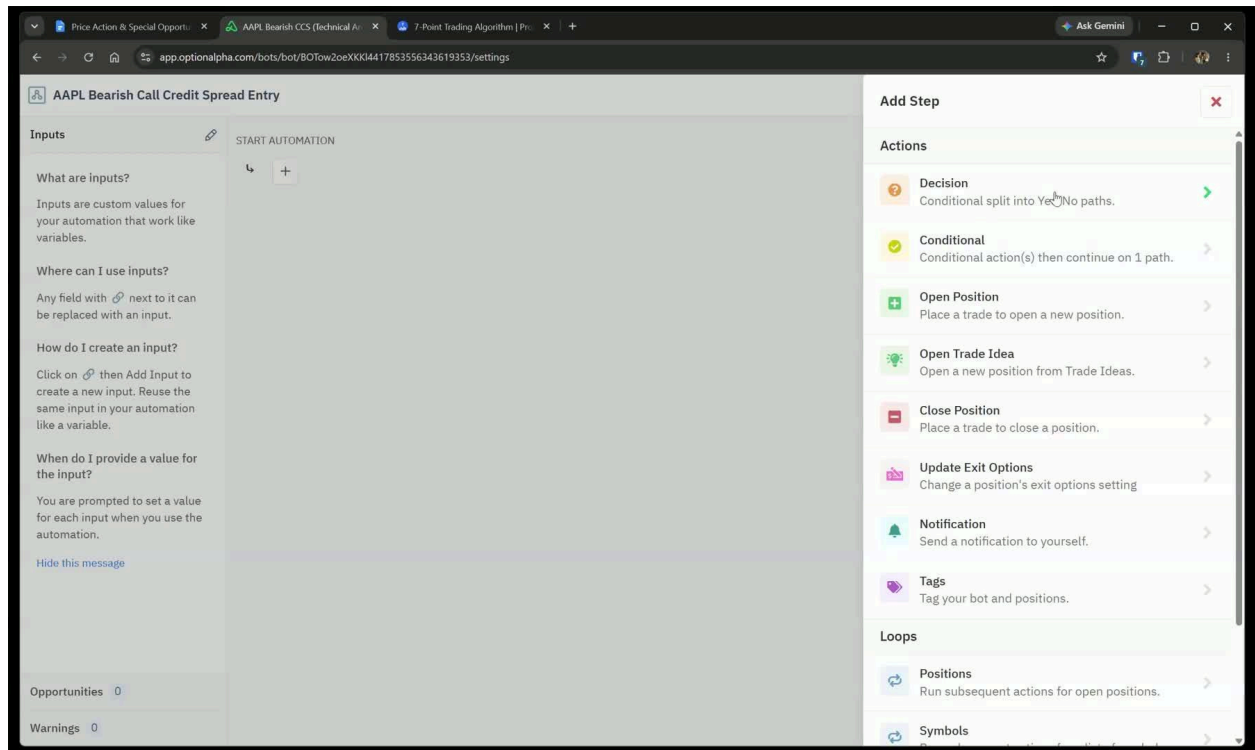


- Go to **Bots** and create a **new bot**.
- Name the bot clearly using the symbol, direction, and strategy.
 - Example: **Apple bearish call credit spread**.
- Assign appropriate capital for the setup.
- Open **Bot Settings** to begin building the automation.

9. Create a dedicated entry automation for the bot 16:12

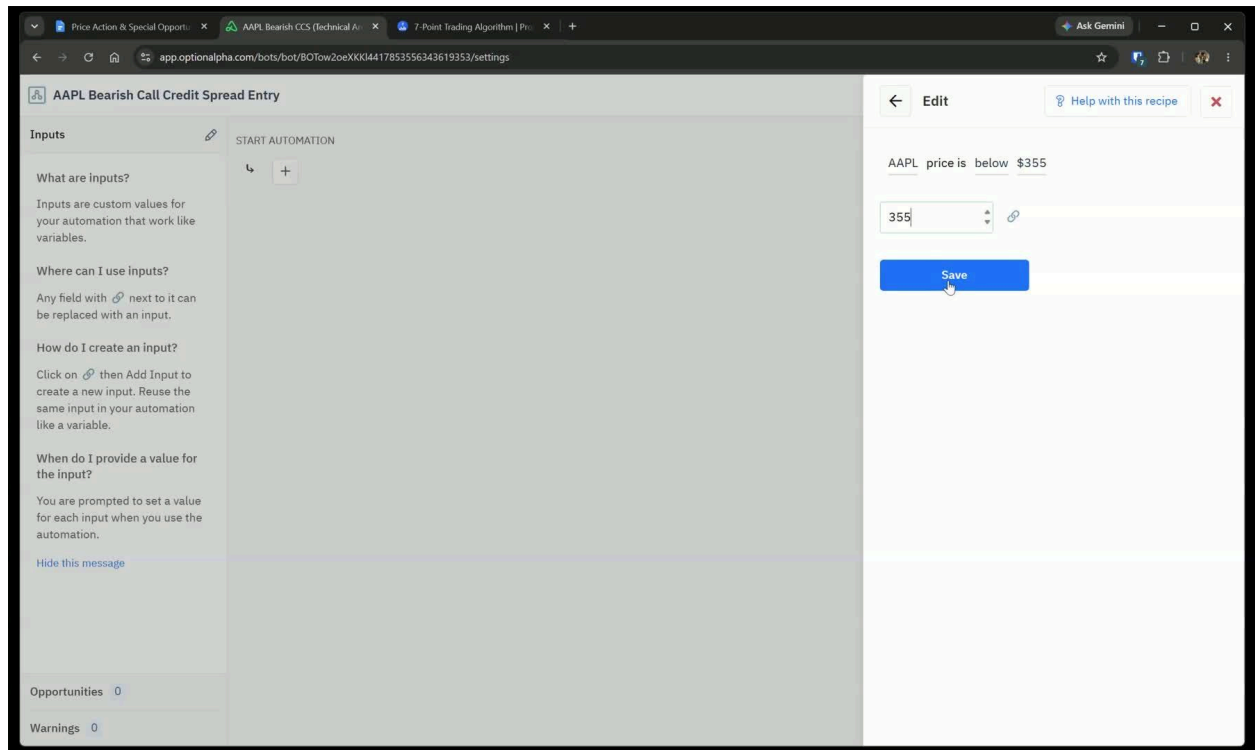
- Add a new automation specifically for this bot.
- Name it clearly, such as **Apple bearish call credit spread entry**.
- Build the logic in plain-English conditions rather than thinking in code.
- Start with the core question: is the setup still valid based on price and time?

10. Add price-based invalidation rules 17:09



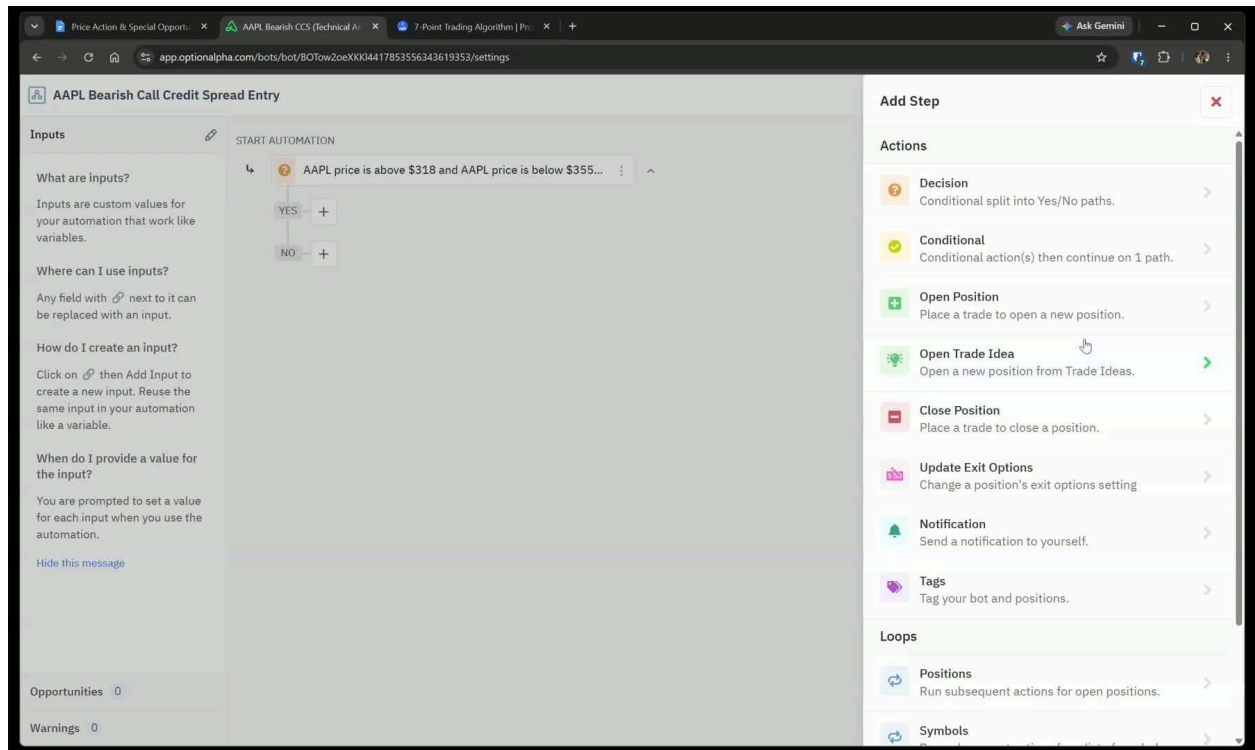
- Add a condition for the **upper price limit**.
 - Example: Apple price is above **355**.
- Add a condition for the **lower price limit**.
 - Example: Apple price is below **318**.
- Ensure both conditions are tied to the correct symbol.
- These rules define the bot's technical-analysis box.

11. Add the date-based invalidation rule 18:29



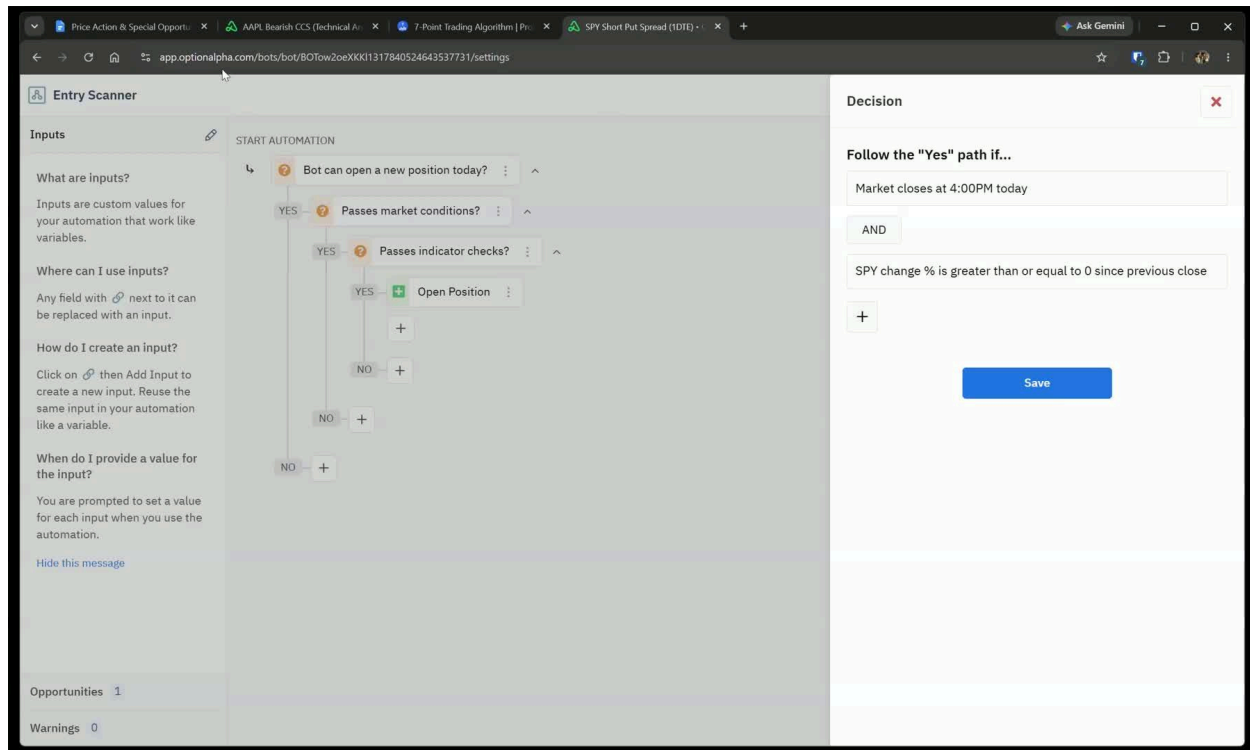
- Add a time condition such as **today is before** a specific date.
- In the example, the bot was set to run only before **8/31**.
- Use this to prevent the bot from trading after the setup has aged out.
- If the setup is for a specific event, you may use an exact date/time instead of a before-date rule.

12. Add additional safety checks before entering a trade 20:09



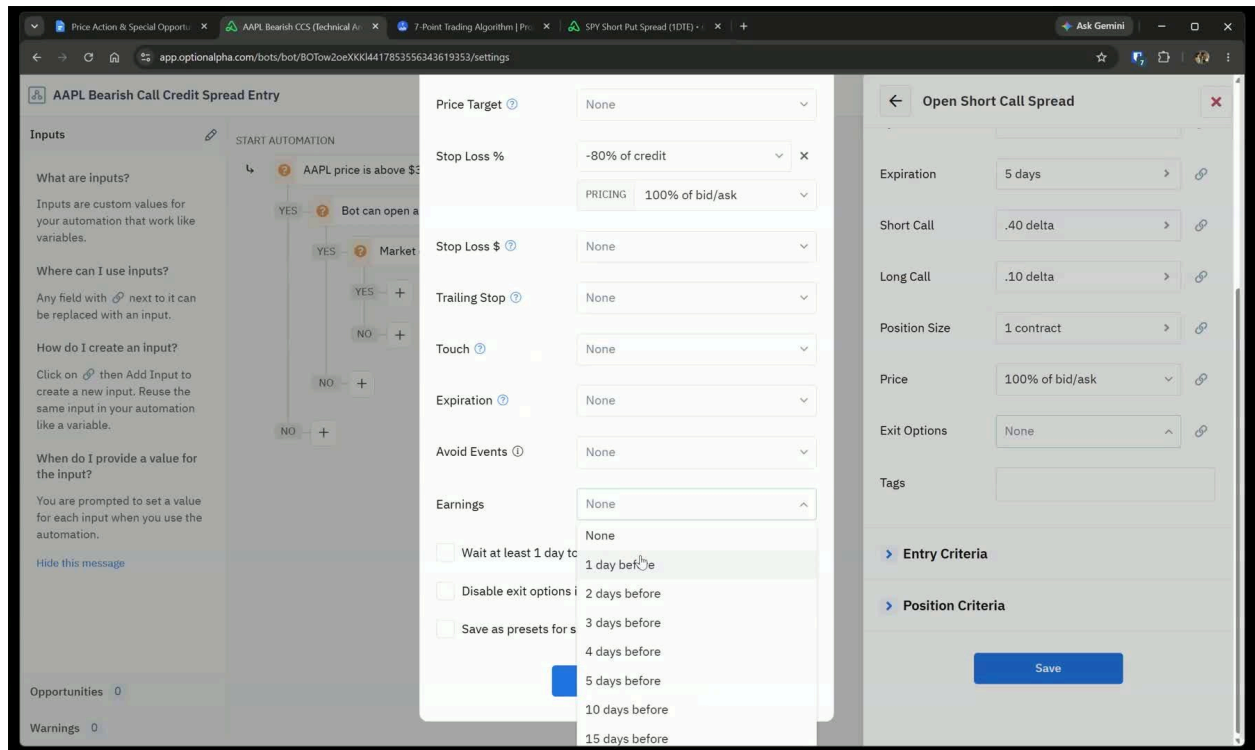
- Confirm the bot can open a new position today.
- Confirm market conditions are acceptable.
- Confirm the market is open for a full trading day if that is required.
- Add any other safeguards needed to prevent unwanted entries.
- Keep the logic simple and only allow trades when all conditions are true.

13. Configure the position entry and trade parameters 22:36



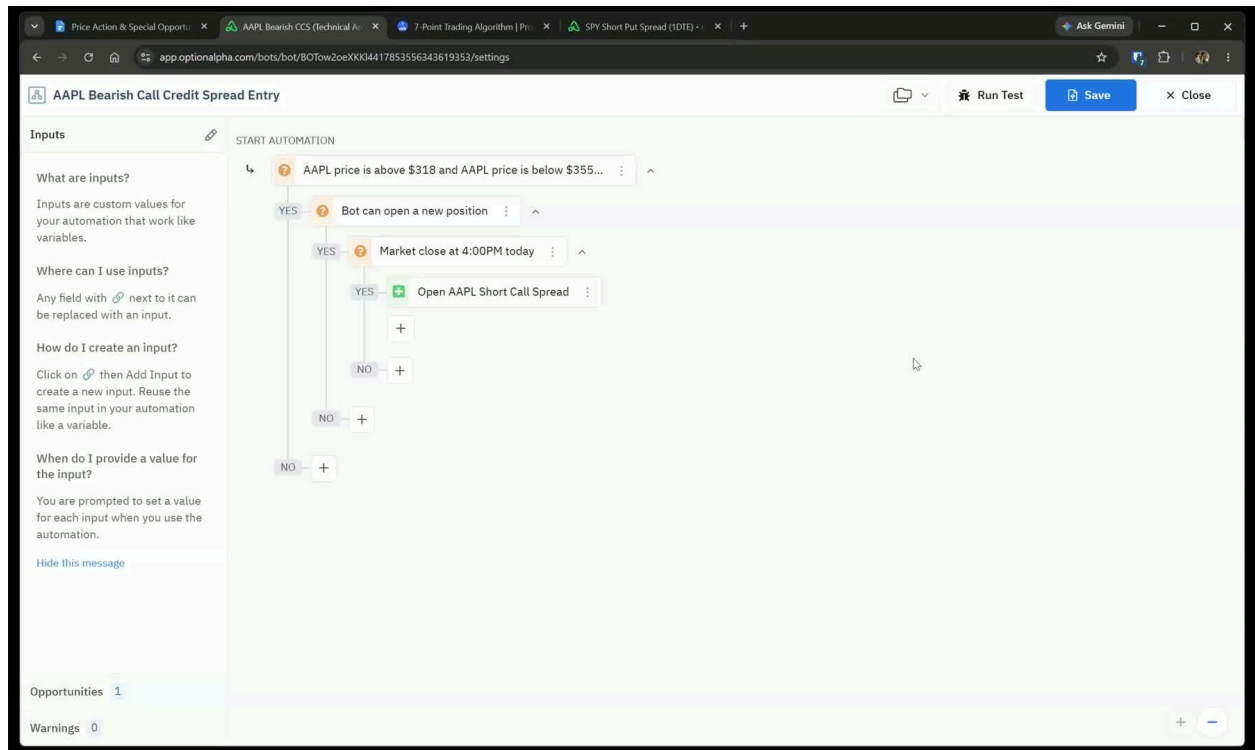
- When all conditions are true, proceed to **Open Position**.
- Select the correct strategy:
 - Example: **short call spread**.
- Set the symbol to the intended stock.
- Configure the spread details:
 - Use near-term expiration.
 - Choose a short strike with enough premium.
 - Keep the long strike wide enough for the intended risk profile.
 - Start with one contract if testing the setup.
- Add profit-taking and loss rules.
 - Example: close at **80% of credit received**.
 - Example: stop out at a loss equal to the amount of capital at risk.

14. Add exit protections and event filters 25:31



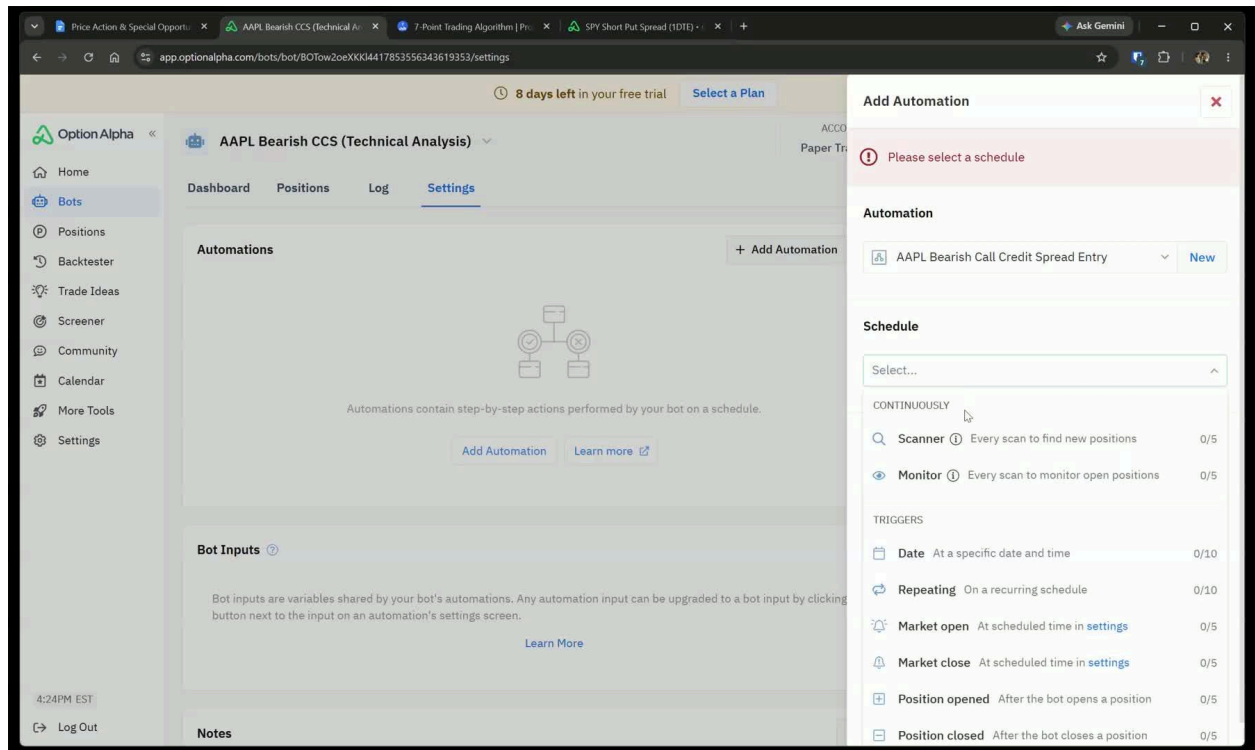
- Add an earnings filter so the bot avoids entering trades too close to earnings.
- Add a position limit so the bot only holds one open position for the symbol at a time.
- Add a liquidity filter if needed.
 - Example: avoid options under **\$0.50**.
- Add an expiration backstop so the position is closed before expiration if it is still unresolved.
- Use these rules to reduce operational risk and avoid unmanaged positions.

15. Add a momentum filter to improve entry quality 29:05



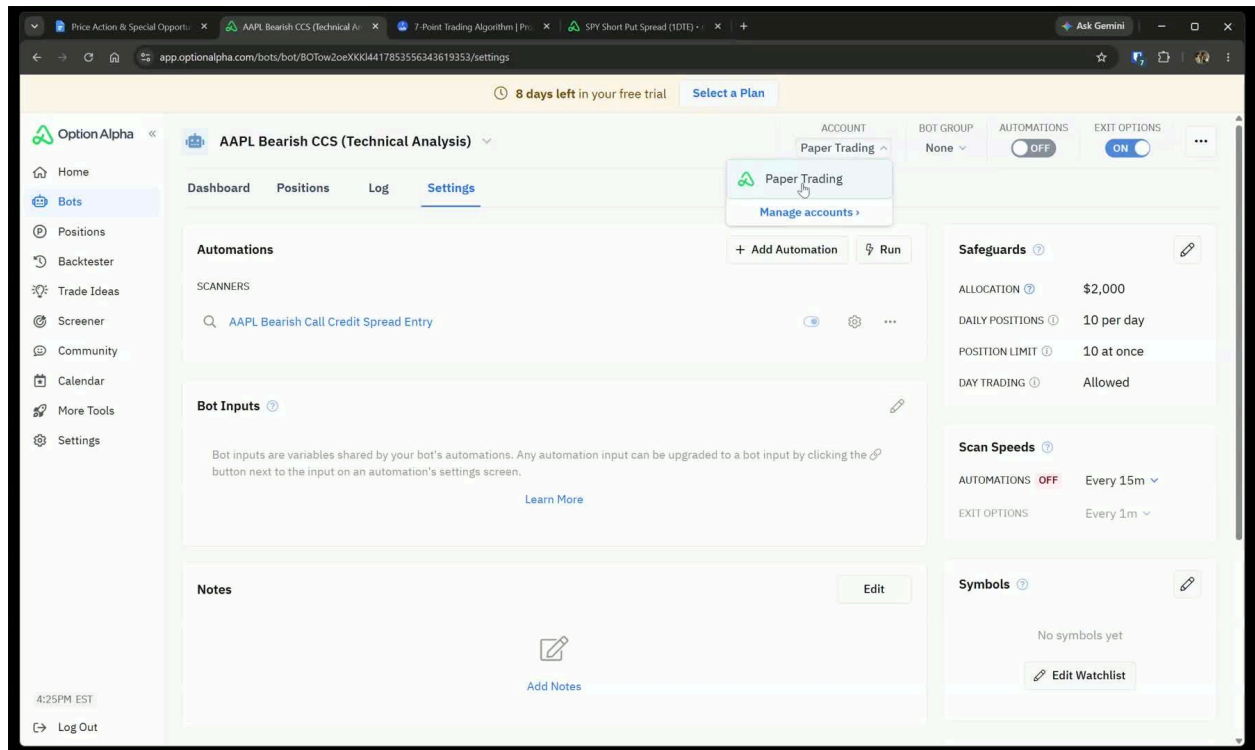
- Add a condition that requires favorable short-term momentum before entry.
- In the example, the bot used **CCI above 50** as a filter.
- This means the bot only enters when the market is elevated enough to support the intended setup.
- Use the chart to confirm the indicator threshold makes sense visually and logically.

16. Set the scan schedule and execution frequency 32:40



- Choose how often the bot should evaluate conditions.
- For continuous opportunity scanning, use a weekday scan schedule.
- Keep the schedule aligned with the strategy:
 - Intraday checks for active setups.
 - Daily or periodic checks for slower setups.
- Make sure the bot is scanning often enough to catch the intended condition without overcomplicating the workflow.

17. Save, test, and run the bot in paper trading first 33:45



- Save the bot and verify all conditions are in place.
- Run the bot in **paper trading** before using live capital.
- Confirm the bot is checking the correct symbol, date window, and indicator conditions.
- Validate that the entry and exit logic behaves as expected before scaling up.

18. Monitor the bot and evaluate function versus performance 34:24

combining **biology** and **electronics**.

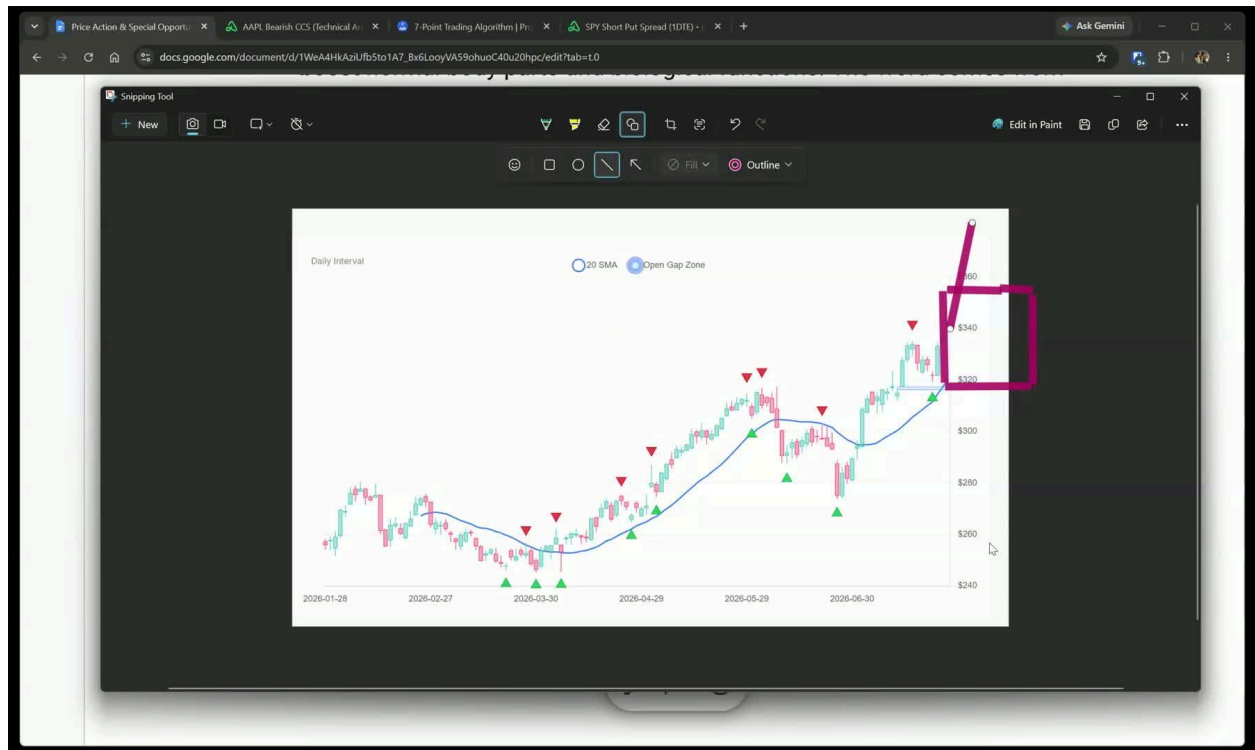
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Demo

- Technical analysis: AAPL Bearish signal
- Technical analysis box
 - Set the price points of invalidation - \$355 / \$318
 - Set the timeframe for invalidation - Aug 31
- Choose trade structure
 - Call credit spread
 - 80% of credit as stop and limit
 - Only if CCI > 50
 - Exit before earnings
- Build out the bot
- Monitor closely
- Clone the bots that function well (note that "function" and "perform" are relative terms)

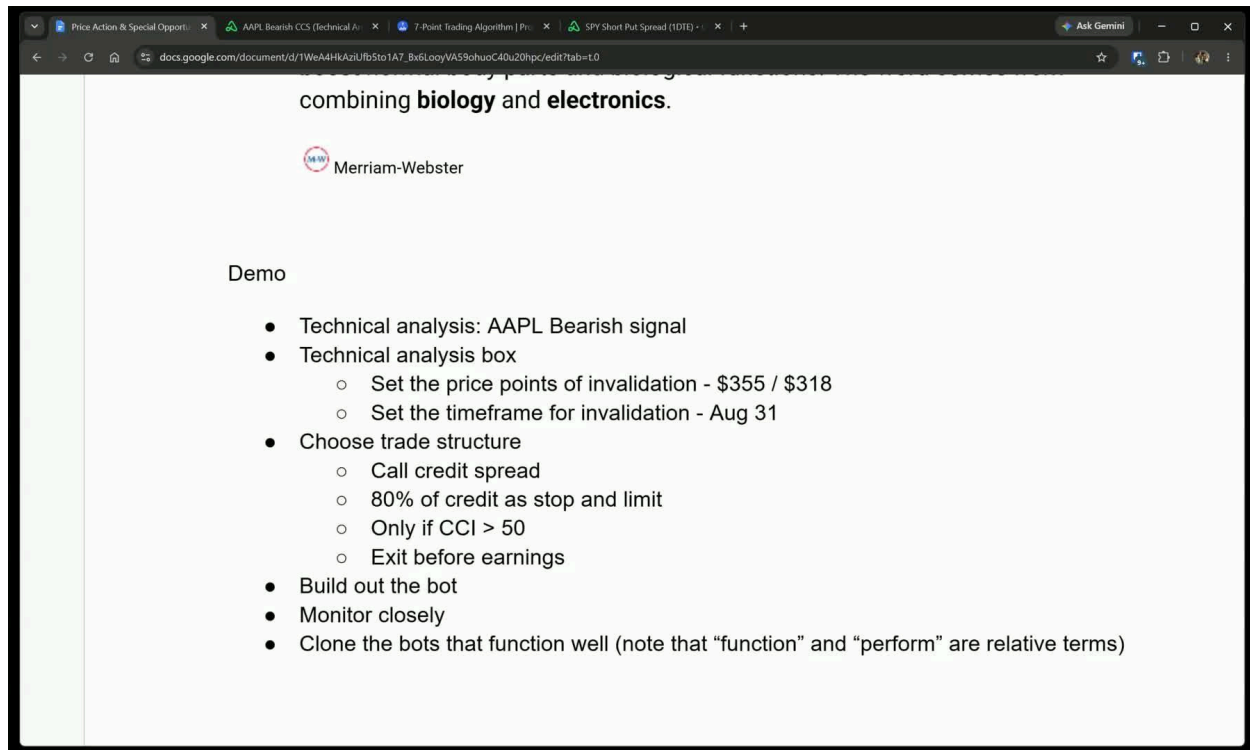
- Continue monitoring the bot after launch.
- Do not assume the bot replaces your responsibility; it only replaces a function.
- Evaluate whether the bot **functions** correctly:
 - It enters only when conditions are met.
 - It exits at the defined profit/loss points.
 - It stops trading when invalidated.
- Separate function from performance:
 - A bot can function correctly even if a trade loses.
 - A bot can fail to function even if one trade makes money.

19. Clone only bots that function as designed 35:23



- Clone a bot only after confirming it behaves according to the plan.
- Do not clone based solely on one winning trade.
- Do not abandon a bot after one loss if the setup was valid and the bot functioned correctly.
- Use the bot's behavior across multiple market conditions to decide whether it is worth reusing.

20. Reuse the process for future special-opportunity setups 36:36



- Apply the same workflow to future bullish, bearish, or neutral setups.
- Use the same process for one-off opportunities based on technical analysis.
- Start with paper trading, move slowly, and avoid building too many bots at once.
- Treat the process as a long-term skill-building system rather than a quick-win strategy.

Cautionary Notes

- Do not confuse **function** with **profitability**; a bot can function correctly and still lose on a valid trade.
- Do not skip the invalidation box; price and time boundaries are essential to the setup.
- Do not overtrade or add too many symbols to a special-purpose bot when the analysis is symbol-specific.
- Do not move to live trading before testing in paper trading.
- Do not ignore earnings, expiration, or liquidity filters when they are relevant to the strategy.
- Do not assume automation removes the need for monitoring and oversight.
- Avoid scaling too quickly; the process is meant to be gradual and deliberate.

Tips for Efficiency

- Use a consistent naming convention: **symbol + bias + strategy + purpose**.
- Build one dedicated bot per special setup when the technical box is symbol-specific.
- Keep the entry logic in plain-English conditions to make troubleshooting easier.

- Reuse a proven bot by cloning it and swapping the symbol only when the setup truly matches.
- Start with one contract and conservative capital until the workflow is validated.
- Use paper trading to refine the logic before committing real funds.
- Keep the scan schedule aligned with the trade horizon so the bot checks often enough, but not excessively.
- Document the invalidation price, target price, and expiration date in the bot notes for easy review.