


✅ Bull Diagonal Spread Trader's Checklist

🔍 1. Stock Screening and Setup Qualification

Criteria	Details	Check
Historical Volatility Trend	Is HV rising over the past 30–60 days? Favor setups with increasing movement potential.	<input type="checkbox"/>
Implied Volatility Rank (IVR)	Is IVR above 50%? Prefer high IV for juicier short leg premiums.	<input type="checkbox"/>
Earnings Date Check	Are you at least 1 week away from earnings? (Unless earnings strategy is intentional.)	<input type="checkbox"/>
SMA Trend Confirmation	20/50/200 SMA in alignment for trend direction:  Bull: $20 > 50 > 200$	<input type="checkbox"/>
Price Action Confirmation	Recent higher highs/higher lows for bull.	<input type="checkbox"/>
Liquidity Scan	Are daily volume & open interest > 500 contracts near your target strikes?	<input type="checkbox"/>
Bid-Ask Spread	Is the spread $\leq \$0.10$ or $\leq 5\%$ of option price? Wider spreads increase slippage.	<input type="checkbox"/>

📊 2. Diagonal Spread Construction


Criteria	Details	Check
Long Leg (60–120 DTE)	Select ITM Put with ~ 0.70 – 0.85 Delta for directional bias.	<input type="checkbox"/>
Short Leg (7–30 DTE)	Choose ATM Put to match directional thesis and collect theta decay.	<input type="checkbox"/>
Strike Distance	Is the short strike reasonably distanced from the long to avoid early assignment?	<input type="checkbox"/>

Criteria	Details	Check
Net Debit and Risk Budget	Is total debit and max loss within acceptable campaign limits?	<input type="checkbox"/>

3. Trade Management Precheck

Criteria	Details	Check
IV Structure	Is the short leg's IV > long leg's IV? This favors decay and edge.	<input type="checkbox"/>
Rollability	Are you choosing a short leg expiration that provides multiple roll opportunities (e.g., weeklys)?	<input type="checkbox"/>
Exit Plan	Do you have a profit target, stop-loss level, and time-based exit condition?	<input type="checkbox"/>
Adjustment Plan	Have you pre-identified how/when you'll roll the short or close the position entirely?	<input type="checkbox"/>

Final Output

- Label the stock as:
 -  **Bullish Diagonal**
- Save to your watchlist or initiate campaign tracking in your **Trade Journal**.