



JOHN LOCKE
LOCKE IN YOUR SUCCESS

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The Trading Triangle Defcon Levels



Defcon 1 – Market is trading normally and movement makes sense to me from a technical standpoint

No rule changes

Defcon 2 – Market movement is suspicious. Movement isn't overly threatening but is not trading technically correctly or volatility is not acting normally

Minimal rule changes

“Preemptive” adjustments are allowed to relocate tent however Delta shall remain about the same.

Defcon 3 – Market is in an elevated risk situation. Market is on the verge of being unstable and needs to be monitored more closely than normal. This may be due to current movement or may be residual from a previous break down.

Minimal rule changes

“Preemptive” adjustments are allowed to relocate tent

Delta may be shifted to reflect opinion.

Mandatory timeframe adjustments are suspended and we may trade off live Delta making our “best guess” on what the actual numbers are.

Condor type positions are not to be entered

Defcon 4 – Market breakdown is likely. IMO conditions point to a greater than 70% chance we are going to get a rapid 30 plus point down move in the near future. OR We have experienced a major market event and are expected to maintain record IV levels

Moderate rule changes

“Preemptive” adjustments are allowed to relocate tent

Delta may be shifted to reflect opinion.

Intraday Delta adjustments are allowed

Mandatory timeframe adjustments are suspended and we may trade off live Delta making our “best guess” on what the actual numbers are.

Bull trade is suspended

Condor type positions are not to be entered

Condor type positions are to be “M3ed” or exited

Defcon 5 – Major market breakdown is underway.

An EGD (Emergency Gap Down) Procedure or EC (Emergency Contingency) plan must be implemented



I have been working with John for only a few months and he has already helped me become a much better options trader. I have tried a large number of option income strategies with mixed success. John's butterfly trading strategies produce a very good return with managed risk.

Bryan from IL