CUTTING LOSERS: THE EXIT YOU WROTE FIRST

Vajgrt Labs - Education - Lesson 53 of 72 - 7 min read - Updated Oct 21, 2026

TL;DR

- A loser is cut by a sentence written before entry, not by a feeling experienced during the trade. The course's loss doors are facts and values, not moods: the invalidation (a market fact - Lesson 6's daily close below 770), the max-loss value (a spread mark the plan names), and the time exit (a date). When one fires, the management task is clerical: close at the next session's prices, journal it, done.

- The door's value, priced on the course's own worked loss: Lesson 6's invalidation exit paid -$32 (-0.23R) where riding the same position toward expiry week costs most of its $142 (-1.00R). The thesis died at the 770 close; the remaining $110 of max loss was money the plan declined to spend proving it. Losses in this system are routinely a fraction of the printed max - and that gap, not clever entries, is most of what defined-risk discipline actually earns.

- The door has a toll and this course pays it openly: the whipsaw - a close below the line, an exit, then a recovery you no longer own. On Lesson 6's numbers the forgone swing on such a path is ~ $50. That toll is budgeted the way Stage 2's friction is budgeted: as the known cost of a system whose alternative - renegotiating exits mid-trade - is the disposition effect with a charting package: gains realised at 14.8%, losses ridden at 9.8% (Stage 0's canon, Odean).

THE TAKEAWAYS

- The three loss doors, and when each one rules: INVALIDATION - the market fact; the thesis is false, so exit regardless of the mark (Lesson 6's -$32 came from this door while the spread still held $110 of value). MAX-LOSS VALUE - the plan's spending limit as a spread mark (Lesson 2's paired convention sets it at half the max, a 3.02 mark on the credit spread); it binds when the thesis is ambiguous but the money isn't. TIME EXIT - the calendar's veto: the trade hasn't worked by the date, so it leaves with what's left - on the 780/785 debit, a Nov 23 mark of 1.20 against the 2.96 debit exits -$176 (-0.59R) instead of donating the remainder to expiry week.

- Why defined-risk traders under-use their doors - the whispers, named: 'The max is capped anyway' (the cap is a ceiling, not a spending target - the brakes count realised losses, and a book of ridden losers parks capital inside dead theses while the brake clock runs). 'It might come back' (sometimes it does - the whipsaw toll, priced below; the plan prices the system, not the anecdote). 'Selling now makes it real' (it was real at the mark; the journal records R either way - refusing to close is an accounting preference, not a risk decision). Every whisper is the disposition effect doing an impression of risk management.

- The whipsaw, priced honestly: run Lesson 6's trade down the other path - exit at 1.10 (-$32) on the close below 770, then SPY reclaims 774 within the week and the spread would have re-marked ~ 1.60 (+$18 had you held). The door's toll on that path is ~ $50 of forgone swing, plus the exit crossing (scenario arithmetic, labeled as this course always labels it). Budget it the way the sample demands: if, across 30 trades, the door saves ~ $110 on the paths where the thesis truly died and costs ~ $50 on the paths where it faked you out, the door is doing its job even though every individual whipsaw stings. Doors are judged on the sample, never on the story - Stage 4's sample-size lesson, applied to exits.

- Renegotiation is a new trade - the worst kind: moving the invalidation 'just this once' after it fires is an unplanned position entered at the worst emotional moment, sized by hope, with no filters run and no ceiling set. The course rule is absolute: a door may be revised only OUTSIDE a position, in the review (Lesson 7), and the revision applies to future trades. Inside a trade, the plan is the senior partner and your job is execution plus accurate minutes. This is not rigidity for its own sake - it is the only arrangement under which the journal can ever tell you whether your doors work, because a door that bends leaves no data behind it.

RULE: The exit was decided before entry; inside the trade you are the clerk, not the committee.

COMMON MISTAKES

- Negotiating with a fired door ('it only closed 0.8 under'). The trigger was defined in calm; if the definition is wrong, the review changes it for FUTURE trades - never this one.

- Confusing the cap with a target: 'it's defined risk' is a reason the loss is survivable, not a reason to take all of it.

- Cutting by mood on intraday marks. The course's doors read closes and pre-set values; a noon panic exit is the disposition effect wearing a risk-management badge.

- Skipping the journal line because the loss is small. Door savings and whipsaw tolls are only visible across the sample if every exit - green or red - gets its R and its door recorded.

DO IT - WRITE THE LOSS PAGE FOR A TRADE YOU HAVEN'T TAKEN

For the structure on your Stage 8 Lesson 1 lifecycle page, write the complete loss page: each loss door with its exact trigger (the market fact judged on closes, the max-loss mark in dollars and R, the time-exit date), the expected saving versus riding to expiry computed from the structure's own numbers, and the whipsaw toll you are budgeting, in one honest sentence. Then add the clerk's line and sign it: 'Inside this trade I execute doors; I do not convene committees.' File it with the plan. Paper only - when a door later fires in your paper log, this page is what the review grades you against.

Education only - not financial advice. Management figures are recomputations on Stage 7's own structures - the 765/760 put credit spread (credit 1.04), the 773/775 debit vertical at its 1.42 fill, and the 780/785 debit vertical (debit 2.96) - with scenario marks labeled as the lessons' example numbers. Assignment and exercise mechanics: the OCC's (Rule 805 exercise-by-exception at $0.01 in-the-money; contrary instructions under Rule 805(b); allocation of exercise notices by the broker's disclosed method) - checked Oct 15, 2026. SPY distribution: State Street's declared September 2026 distribution, $1.8888 per share. Margin-rate range: Fidelity's published schedule, checked Oct 15, 2026. Vajgrt Labs - Education.