



Cryptocurrencies trading psychology

This is the second training lesson on
cryptocurrencies trading that will give you an
insight about how cryptocurrencies are traded and
all you need to know to become a successful trader.

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Cryptocurrency trading is not much different from trading stocks but every market has its own dimensions and risks associated with it. So an aspiring trader always carefully weighs the benefits and risks associated before jumping into the market.

Why trade?

That's an important question that you need to answer before getting into it. You might be looking to achieve the financial freedom you always dream of or you might be looking to start trading to create a second source of income for you. On the other hand, you might want to trade cryptocurrencies due to your interest in technology or you want to travel the world and want to make money at the same time. Answering this question will help you to develop a trading mindset.

Who are you and when can you trade?

These are two interrelated questions that you need to answer as well before you start trading. Because both of these questions will help you to decide the trading style you need to opt. Like if you work a 9-5 job then scalping or day trading is not good for you and if you are a freelancer then you can opt whatever trading style you want. If you are still studying in college or university then you will have time limitations and swing trading or position trading might suit you the best.

What type of trader are you?

Now as you know why you want to trade and when you can trade it will be easy to decide which trading method best suits you. These are some of the most used methods by crypto traders that you can choose from.

- **Scalping**

Scalping style is used by most active traders and quick decision-makers who might be opening various small trades within a time period of 1 hour. They trade both

ways based on a low timeframe without considering the long term movement of assets and are mostly happy to make small profits.

- **Day trading**

As its name implies it suits the people who want to open and close the trade on the same day. One to two hour timeframes best suits them for technical analysis of charts as that will allow their trade to make the move within the next 24 hours. A lot of people don't want to keep their trade open while they sleep at night so day trading best suits them.

- **Swing trading**

Swing trading is usually done based on 4 hours to 1 day chart analysis. This trading style best suits the people who have very less time for trading in a day and can't see the market continuously. This trading style also suits the people who are patient and calm in nature as a swing trade can go in the opposite way before making a move into the right direction and you need a larger stop loss point in it.

- **Position trading**

Position trading is a trading style that suits long term trades. This is more like investing in an asset for days, months or years rather than trading it. This trading style best suits the one who has a busy work schedule and also patient by nature as you might be holding a trade during the whole bear cycle before it comes into profit.

How can you devise a profitable strategy?

This is a very important question to answer and believe me no one can help you in answering it correctly. It's just you who can devise a profitable strategy for you. Don't try to follow others and copy them as you do not know their trading style, their risk appetite, their stop loss level and capital they have invested in. But there are few things that you can follow to devise a profitable strategy for you.

- **Plan**

Crypto trading without a plan is suicide. You need to have a plan to enter the market and exit the market. If it would be as easy to make money in the crypto market then millions of people would be millionaires now. Crypto market is highly volatile, which can be good for traders who enter in it with proper planning but can be a nightmare for others who enter it without any planning. Planning requires not only considering the fundamental side of the cryptocurrency you are looking to trade but also the chart analysis and its proper execution.

- **Discipline**

Discipline is very necessary to be successful traders. If you are intelligent you can be successful in several other fields but in crypto trading being intelligent is not enough because there will be times when the market will go against you in spite of everything suggesting otherwise. When you make a plan you need to stick to your plan. It can make you a millionaire or it can bankrupt you as well. So be disciplined or start gambling.

- **Managing Expectations**

If you want to stay profitable you should not expect anything good from the market and you need to enter every trade with minimal expectations while concentrating more on securing your existing capital. Having unrealistic expectations from every trade can not only cause you losses but can also decrease the ability to take profits from your trades. Always set profit targets before entering the trade and act accordingly.

- **Practice**

Practice is another important characteristic of a trader. You can't become a good trader overnight, the experience is making you a pro and it only comes by practice. You need to start with paper trading and should practice 100's if not 1000's of time. It will not only teach you price action psychology of a market and will also find you various profitable setups that you can later use in your real trading.



- **Patience**

You are not supposed to trade every move. If you have no patience you will be trading setups you are not confident of and will result in losing money. When you will be losing, your confidence will get shattered and you will develop a fear of losing which will result in not trading the setups that you should be trading. So be patient and only trade a setup that you are 100% confident of trading.

- **Follow facts**

One of the main reasons for failure in trading is speculation. You should decide about taking a trade based on the data available currently but not by speculating the future. If you eliminate the “I think” and “I feel” element from your trading, you will find yourself on the path of being a successful trader.