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There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits

Thursday, November 29, 2012

Win More, Lose Less

I had written an earlier post about the three stages of trader development. ([Read](#)). This includes defining the structure of the Market and finding ways to trade the moves within this structure. Rest is gaining practice and experience to execute your methods without hesitation.

So it comes down to a method with an edge and execution skill that will not erase the edge in the method. Edge is simply the positive expectancy of the method and this positive expectancy is not a result by chance. Edge is non randomness.

How do we know our selected method is having an edge? It is very simple. The method will win more and lose less.

Win More, Lose Less

Most of the trading methods barring few option strategies require directional price movement. We are betting on these price moves. We win by accurately assessing these directional moves. If we are right more than we are wrong in this skill, we will win more and lose less.

Win More, Lose Less

We must win more money if we are right than what we lose if we are wrong. The gain we achieve if we hit our target should be more than the loss we suffer when we get stopped out. In other words Risk/Reward should be favorable

Win More, Lose Less

We need to bet big and win more when we are right. All trading opportunities are not equal. Betting big on high probability trades and being modest on lower probability situations will boost our performance. Position management is very important in trading.

Almost all the new traders focus only on the first thing as they want to be right always and out smart the market. Real break through in trading will come once you shift your focus on to the other two.

Posted by [SMART Trader](#) at 11:28 PM



6 comments:

Anonymous [November 30, 2012 at 6:06 AM](#)

Sir

"Betting big on high probability trades and being modest on lower probability situations will boost our performance." If it is possible to make a clear cut distinction between high & low probabilities ,is it not better to stick with high probability trades only?

Reply



augubhai [November 30, 2012 at 10:11 AM](#)

Great inputs, ST.

Yesterday, I shifted focus to the "third thing", and it made a real difference to my trading account. I caught the morning move early, and piled on the position :)

Reply



SMART Trader [November 30, 2012 at 7:54 PM](#)

Anon

Yes you are right. Better to stick with high probability trades. But there are higher probability trades among "High Probability Trades". For example a BOF is much more reliable than a TST. A LOL trade is preferred to a simple BOF. Trade big on these.

ST

Reply

SMART Trader [November 30, 2012 at 7:58 PM](#)



Augu Bhai

Good going. Yet to try this
I am still a single lot BPL trader.

ST

Reply

Anonymous November 30, 2012 at 10:19 PM

Sir,
Can you define a BOF entry point. When I try either I am too early or too late?

Reply



SMART Trader November 30, 2012 at 11:16 PM

Anon
Every time market acts different. Simplest way is to enter on break of the breakout bar extreme on failure with stop beyond the other extreme. Ensure there are no trouble areas nearby

ST

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