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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

Sunday, September 22, 2013

Swiss Haircut

Last week, we were celebrating Onam in Kerala. We had a nice time with friends and family. Many "Mallus" living outside the state prefer to have their vacation in Kerala during Onam season so that they can meet their old friends and relatives

This season I could meet a class mate of mine after a long period. First I could not recognize him as he had shaven his head. I thought he might have gone to Palani or Tirupati and did it as an offering. That was not the reason

He told me that he is on a project in Zurich, Switzerland for a year. A hair cut there is quite expensive at 95 Swiss Fracs which will be INR 10000. The new hair style is going to save him at least one Lakh during the year.

This always happen once you are abroad. We convert the price into Indian currency and find everything prohibitively expensive.

Trading is not different. The thought of money can really mess up our mind especially when we are trading big. As far as money management is concerned taking a trade risking 1% on a capital of 1 lakh and 25 lakh are same. But losing Rs 1000 and Rs25000 are not the same. This will work both ways and will spoil the trade management and exits. A slight adverse movement will scare us whether we are in profit zone or not ,always causing premature exits.

Is there a solution for this? Only way is to focus on the points rather than on money. This will help us to see the market more objectively. If we are watching the market in terms of money we will not be able to scale up and trade big.

Cultivate the habit of watching Nifty points early and make your decisions based on that. Try to manage your money in terms of % value. You can remove a lot of emotions from your trading for sure.

Posted by [SMART Trader](#) at 10:21 PM



1 comment:

Anonymous September 23, 2013 at 1:39 PM

Very well said... This is exactly the reason I am unable to scale up. I was making money in small lots but as I moved on to higher size and starting looking at higher losses, I scaled down. I will try to look the losses from %age perspective rather than absolute numbers now. Great article !

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