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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

Monday, August 27, 2012

Rope Trick

I did my primary schooling in a small coastal village of Kerala. Those days there were no school buses and we used to walk. There was a small water way on our way to cross. It was real fun commuting to school with friends. A fallen coconut tree was lying by the side of this water way and we always played on it. We used to balance and walk on this tree trunk.

During an "Onam" vacation some elders shifted and placed this tree trunk across the water way so that they can cross it avoiding a little walk downstream. Many of us kids found it difficult to cross the stream walking on this tree trunk. We were afraid. Later we tied a rope to hold on while crossing and then we could do it without much scare.

The task was very simple and remained the same. We had done it a thousand times before, but now the focus shifted to the danger of falling down. Focus on the danger made us anxious and fearful. When there was a rope to hold, we felt a little relaxed and was not much afraid to do it.

Trading is also very simple. The problem is, our emotions play spoilsport. Fear is the most powerful emotion and while trading we are either afraid to lose money or fear reduction in our profit. We can overcome this problem to some extent by holding the rope which is known as "Stop Loss".

But we have to make sure that our trading method, the lumber on which we are walking, is strong and robust. If we are not sure about it and do not have total trust on it, even the rope is not going to make us comfortable.

Posted by [SMART Trader](#) at 9:44 PM



4 comments:



[rajamani](#) August 27, 2012 at 10:08 PM

Onam wishes "yehtta"

Reply



[SMART Trader](#) August 27, 2012 at 10:32 PM

@rajamani

Thanks

ST

Reply

[Anonymous](#) August 28, 2012 at 11:19 AM

ST,
Thanks a lot for your confidence building words.

Sharath

Reply



[SMART Trader](#) August 28, 2012 at 12:40 PM

sharath

Thanks for the visit and comment

ST

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 - [September](#) (27)
 - ▼ [August](#) (30)
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 - [29/08/2012](#)
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- [June](#) (33)
- [May](#) (33)
- [April](#) (27)
- [March](#) (31)
- [February](#) (42)
- [January](#) (3)