HABITS OF HIGHLY SUCCESSFUL FOREX TRADERS

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Intro

First of all I'd like to thank and congratulate you for purchasing this book!

After must research, several interviews and an extended period of observation I have compiled the common habits of highly successful forex (currency) traders.

Take your time reading through each habit in this text and stop to think if you are already applying it in your life, or how you could begin to implement it to achieve greater success.

1. Successful Traders are Goal Oriented

Successful people clearly know where they are headed when others are busy eating breakfast figuring out what to do. They know their goals from the beginning and it is deceptively simple- point A to point B. They understand that the path from A to B is not a straight line. They know that it is a labyrinth. They might get lost along the way. They know it may take a while. They understand it requires serious work and they are prepared for it. They strive to achieve mental and emotional competence for they understand that they need it along the road to succeed. Successful people know their goals well that it defines their very reason of existence and achieving it is the ultimate way of life.

Many find it such a daunting task to know what goals to pursue. Hence, they lack the essential mental and emotional assets to achieve it. But a simple analogy to goal setting is this. When you wake up early in the morning you already have an idea on what to accomplish. You take a shower, prepare and have breakfast, go to work and finish the reports that your boss asked you, go home and enjoy some time left with your family. Goal setting is like that. It does not have to be an overwhelmingly huge goals that the mere process of defining it is already draining you. You can break it down into short term, midterm and long term goals.

Success in forex trading is no different at all. A clear definition of a trader's goal, be it in the short or long term, sets him apart from the rest of the pack. It is imperative that before a trader set out in a journey called currency trading, he must have some idea of where his destination is and how he will get there. A clear goal in mind helps a trader define and choose a method that is capable of achieving this goal. A certain trading style requires a unique approach and each style requires different attitude to trade successfully. A mismatch in personality would eventually lead to certain losses and stress.

Therefore, before you venture into forex trading ask yourself first what is your goal. Ask yourself again whether you are willing to shell out some money, provide some serious time and exert significant effort as you equip yourself with the right mental aptitude and emotional competitiveness. If you cannot define your goal and are not willing to do the ground work, congratulations you just save yourself some serious money and time from an endeavor you are unsure. Having no goal would only have you chase around corners and lead you to an unsatisfying trading experience. More, it costs lots of money, valuable time and serious effort.

Just like in other professions, be it in the field of entrepreneurship, law, politics or medicine, a clear cut view of a certain goal is critical. It sets the line between success and failure. The good thing is you can choose which type of forex trader you want to be by establishing a definite goal that will guide you on your currency trading efforts. Having an understanding of these goals at the beginning of a trader's career is crucial. He can avoid the danger of drawing back to the basics of goal setting after losing money and significant time. Also, it will keep him motivated and emotionally in check as he goes along his trading experience.

2. Successful Traders Manage Their Emotions Well

Athletes have spent most of their lives on training and mastering their craft. They build up their physique to ready themselves to the challenge of sports, particularly full contact or physical sports. They review countless tapes and videos on strategies. They practice everyday to perfect their game. However, training and vast knowledge of the sport can only take an athlete so far. Without having his emotions on check, a thin line between winning and losing is critical. We often see an extremely athletic basketball player only to stumble come game time because of his inability to manage and have his emotions checked. Sometimes the nerves affect his pulse and leads to lack of confidence in the game. Other times an instantly successful athlete would become complacent losing his focus and passion towards the game.

The same goes with forex or currency traders. Understanding the ins and outs of forex trading is not an easy task to accomplish. Learning the facets of currency trading can be overwhelming. It is expected of would be traders to have a satisfactory understanding of different indicators to apply to a chart or understanding of the fundamental factors that show an economy's weakness or strength. Learning those things paramount to 50% of a trader's success. But vast knowledge of the forex currency can only bring a trader so far. Focusing only on the knowledge or intellectual aspect of trade are often exposed to greater risk when their money is on the line.

Emotions as Problems

There are two prevalent emotions when it comes to trading currencies. On one side there is greed, on the other side there is fear. Having successful trades result to profits and profit is good for the trader's pocket and confidence. But too much confidence could lead to greediness. Excessive desire of something (money on this matter) could cloud a trader's vision. It would lead him to abandon his strategy and just go for the gold. Most of the time it leads to excessive losses.

The other emotion is fear. Forex is a highly volatile market. Despite vast knowledge a trader has in the market, uncertainties are always prevalent. These uncertainties often lead to losses on the side of forex trader. These losses grows and transforms to fear. Fear would lead to a trader's lack of confidence on his strategies.

Managing Your Emotion

At the beginning of a forex trader career, he must have a firm belief that anything can happen at any time. That nothing is truly certain in this highly volatile market of currencies. That kind of disposition creates a mindset of flexibility. It helps a trader have a fair judgment on a certain market condition whether to hold longer on a certain trade or exit a trade based on mounting evidence. Hence, a trader should build that kind of mindset early on. Learning to think that way later would be costly and difficult to adapt.

Another important thing to consider and manage is your risk appetite. Ask yourself what amount of money are you willing to put on the line. Defining a trade size you are willing to risk could give you a clearer head and let you focus more on your strategies and execution. What most successful forex traders do is under-bet or under-trade. Many traders noted that a smaller trade size keeps them more objective on exiting a trade as well as allows them to stay in trades longer.

Having your emotions on check before committing to a trade is one of the tricks highly successful forex traders do. Having a fresh perspective really complements a good trading strategy.

3. Successful Traders Have a Trading Journal

Trading forex is a lone wolf endeavor. It may be true that you can visit some online forums where you can collaborate and discuss different strategies and market insights with other traders around the globe. But at the end of the day, when you are in front of your computer or smart phone entering a trade, you are on your own. The success or failure of your trade depends solely on you. The problem when you are alone is the lack of feedback on your progress as a trader. True, your profit is a great indicators of success. But forex is a volatile market and you cannot win 100% of your trades. Also, winning most of your trades could lead you to the pitfall of greed and that attitude may work against you. Hence, successful traders always have their trading journal to assist them.

Journals, if written with utmost honesty and sincerity, could be a highly valuable tool for a forex trader. Moreover, consistently filling a trading journal will truly help a forex trader succeed on his trading endeavors.

Trading journals can be classified into two. The first kind is market commentaries. This section of the journal is filled with information and insights about the economy, the market condition, as well as the daily price movement. The second is the journal of your emotions. This lists your feelings every time you trade or how do you generally feel each day you trade. This journal hits two birds with one stone- intellect and emotion.

Maintaining a journal listing of daily market commentaries is very helpful especially when you are away from trading for a period of time. For example, you are busy at work or from a long family vacation. Do not just jump in and commit to trade. Instead, give yourself a week listing different insights and market conditions. With these it could help you get the feel of where the market is moving. It would help you stay in tune with the current market condition.

Maintaining a journal of emotion is quite easy and very helpful. The real value lies on the feedback it provides you on your day to day emotional state. Remember, half of your success as a trader lies on your ability to handle and manage your emotion.

Writing down how you feel before and after the trade is important. Indicate whether you win or lose a trade. Afterwards write down how you currently feel on the outcome of your trade. It is helpful in two ways. The immediate impact is it will give you a task to do immediately after you close a trade. It will give you time to calm down from a big win or loss. Hence, it will keep you from jumping back into trading again because of your unchecked emotion. The other thing is it will give you a strong insight on your emotion. If you honestly put how you really feel after your trade you will see a solid evidence that the degree to which you are emotional during the trade is the degree to which you lose it.

Keeping a trading journal is highly popular to successful forex traders. It gives them an insight on their emotion and also of the market condition. It also gives them a valuable feedback on how they do as forex trader. In an endeavor like currency trading where most of the time you are on your own, an up to date trading journal is a very helpful feedback mechanism to manage your emotion and update yourself on the current market trends and news.

4. Successful Traders Persist and Don't Give up After a Few Setbacks

It is inherent in our nature to always want to win and go out on top of every endeavor we enter in. Winning gives a sense of purpose to strive and continue to sail through the seas of challenges and uncertainties. Winning is a strong motivation that gives you confidence and sound attitude. But what happens to a winning and confident mindset when setbacks start to pile up? To many, a losing streak signals a strong negative attitude in the brain begging you to give up and leave whatever you have started.

It has been repeatedly stated that success in forex trading can be attributed to once ability to handle and manage emotion. It is also stated that forex is a highly volatile market that winning 100% of trades is just impossible. Hence, it is important for a trader to accept and even embrace the concept that forex trading is marred by uncertainties. That no matter how hard you analyze and prepare for a certain trade losing is inevitable. More, losing streak is a common marketplace experienced by a lot of traders even the highly successful ones.

Given that circumstance a successful trader persists and just don't give up when things don't go his way. He understands wholeheartedly that the system works that way, that price movement is multidirectional and chasing it is a tough task. He is willing to lose a certain amount and does not chicken out on the next trade. He believes in his system and his strategies. He persists knowing that things will turn around and the next profitable trades are just around the corner. However, he does not just jump right straight into trading to instantly recover his losses. Instead, he takes a deep breath to assess his emotions and feelings. He goes back to drawing board. When ready he tries again.

The Danger of Setbacks

A losing streak will urge the uninitiated trader to cut off his losses and call it a trading experience. After all saving himself from losing some more money is not a bad thing. But giving up will cut the trader from the scenario of success. Successful traders, on the other hand, can withstand the drawbacks, go back to the drawing board and continue until the markets reward their patience and perseverance.

Whenever you experience a setback in trading always remember that the market works that way. It is a high risk, high reward volatile market. Accept that losing, especially for beginners, is normal. It is like a price you pay to get better. It is a price to pay for the rewards that await when you persist and don't give up.

5. Successful Traders Avoid Overtrading

People usually love multi-taskers. They get an allusion that the person doing several tasks at the same time is highly efficient. What they do not realize is that while a multi-tasker finish several jobs for a certain period, he finishes it with below average or unsatisfactory result. Lack of focus is one culprit of this. Hence, it can simply implied that multitasking is doing several tasks at the same time poorly.

Given that premise, still a lot of people tend to multitask and try to accomplish even critical tasks with poor results. One good reason is poor management of time and priority. Multi-taskers tend to cram all of their tasks in one seating as the race against time is eminent. What they do not realize is that some tasks needs more focus and time. Some do not.

In the parlance of forex trading, multi-tasking can be compared with overtrading. It occurs when the trader tries to take too many trades in one day or opens too many positions than he can control. Just like multi-tasking, overtrading is taking many trades in a day poorly with, of course, poor results. The question is why many traders could not seem to avoid this pitfall. In fact, some even follow this practice without fully realizing the harm it can do to them.

Recouping What Has Been Lost

Many forex traders' tendency to overtrade arise because of their desire to recoup their losses from failed trades. This usually occurs soon after losing a trade. Some forget that there is a system and strategies to be employed. Some just gone trigger happy with their trades. This makes an astute trader a gambler driven by negative emotion and desire to get back in the game. It is not uncommon to see gamblers, with lots of money, go broke after several gambling escapades. It is not uncommon for that to happen to a forex trader.

Better Opportunities to Recoup The Losses

A successful forex trader knows when to hit the go button and when to hit the stop. Again, currency market is highly volatile and unpredictable. It is imperative of a trader to embrace that fact. A successful trader does not overtrade. Instead, he composes himself after getting the losing end of a trade. He fully understands that there will always be better opportunities to recoup those losses on other trading days.

Trying to recoup a loss from a trade is understandable especially when talking about hard earned money that disappear after a day or even an hour of trading. However, trying to overtrade amplified by a daring emotion is a sure recipe for disaster. What you need is a breather. Go get your trading journal, go back to the drawing board and know that better days will come. Better opportunities would present itself. Until you have your emotions in check, you cannot avoid the pitfall of overtrading.

Overtrading is not practiced by successful traders. They know that it is bad and it will not help their cause. They sometimes fueled by the temptation to get back in the market but they know how to overcome it. For they know that avoiding it will prevent many losing occasions.

6. Successful Traders Trade With Low Risk and Appropriate Leverage

In this day and age of highly competitive retail trading environment lots of foreign exchange brokers are outdoing themselves in terms of promotion and marketing strategies. Many are luring their customers with their high leverage offering. While it is true that leverage could earn a trader high profits one must be careful to realize that this is a double-edged sword. While it is true that traders earn a lot on leverage, they can also lose a lot when they are on the losing end of a trade. Uninitiated traders also battered their accounts by a potentially devastating loss by exposing their capital too much to maximize their gains. Many retail currency traders use up to 30% of their account size in a single trade in the hope of making a big hit. Successful forex traders manage this risk exposure by using appropriate leverage and smaller, less exposed trading size.

Greed is Not Always Good

There is nothing wrong with making a huge hit in forex trading. What is wrong is going there undermining the inherent risk associated with; not without considering its huge negative impact on the trade. A successful trader is not one who win it big time once and then have their earnings and capital get thrashed by their bold, greedy move. There is nothing wrong with winning small especially if you are winning trades on a consistent basis.

Ideally, successful traders have a trading size of no more than five percent of the account size. It is easier for an account to recover from a five percent loss than from a 20% or a 30% loss. Moreover, successful traders use leverage not more than 1:100.

Successful traders are not poker players who put an "all in position" thinking that he can bluff his way out of the game and beat his opponent at the sheer size of his chips. Forex market cannot be bluffed. In fact it is so brutal it can beat you to the pulp if you expose yourself too much. Successful forex traders know how to play the game despite the uncertainties in the market. One way of truly understanding it is shown by their ability to manage the market risk.

7. Successful Traders View Trading as a Score in Points

To begin with, forex trading is not for the faint of heart. It is mentioned several times, even put on the disclaimer section of all forex brokers that trading foreign exchange on margin carries a high level of risk, and may not be suitable for all investors. The high degree of leverage can work against you as well as for you. There is a possibility that a trader could lose some or all of his initial investment. A careful consideration of your investment objectives, experience, and risk appetite is needed before deciding to plunge in to the world of forex trading

Given the above premise it will be very stressful for a new trader to appreciate the trade. A looming paranoia that at any point your hard-earned money could disappear will drive you away. But that attitude and skepticism, as I said, are mostly demonstrated by prospective and newbie traders. It is but normal to worry when your money is on the line unless you have a well of unlimited cash in your backyard. The uncertainty of profitable or disastrous trade would keep a beginner on the edge of his seat.

Successful trader does not feel that same level of stress, if any. Their secret? For one they are veterans in this field and losing money is part of the deal they have willingly embraced. The lost money compensated them with abundance of experience and discipline that lead them to recover and even exceed their losses. Another thing is their perspective towards money and trading. Successful traders view trading as a score in points and not in money. They pretend that this is only a game where the goal is to score as much points by strictly adhering to the rules of the game, avoiding any sort of physical or emotional distractions. By operating on this level, traders not only experience profits soaring over the long run but it takes away all the stress of trading.

Most traders who are new to forex often complain about how the lose their holiday money or budget for their next home renovation. They have all the right to feel that way because that money does not grow on trees. However, this kind of trading is emotionally draining and stressful. No one succeeds in this kind of trading environment. Seeing your $500 disappear in a day would make you feel so down. No one would enjoy this and would result to just giving up.

Successful traders do not see the market as cashbox. Instead, they simply view it as a way to operate a business. The goal of the business is to score points and strictly follow the rules. It would be difficult for a trader to succeed if he views the market as money gained and lost.

If the sight of making and losing money gives you tremendous joy and distress then forex trading is not for you. It has been mentioned that emotions are potent destroyers of successful trading. Hence, to succeed in this effort one must eliminate any emotional ties you have with your trading. How do you do that? By changing your perspective.
First, forget about the money in trading. The more you focused on it the more emotional you become. Therefore, the more prone you are to failure. View trading as score in points. That helps you loosen up and lifts the pressure on you knowing that your money is on the line and could disappear without notice.
Second, strictly follow the rules you have set in. Just like a video game there are parameters to be followed. You may die on the quest but you can always spawn back and try to avoid what you did wrong on the first or second try. It may be costly but again think of it as a lost points and you can recover it as you move along.

It maybe difficult at first but the line that separates winners and traders is the ability to redefine one's self. Treating your money like points could be difficult and even weird at times. But the discipline to stick with it leads to success in the long run. The more emotionally withdrawn you are when you trade the better. You can start by treating your money as points in the market.

8. A Successful Trader Lives a Balanced Life

It is so easy to get caught in the middle of your trading career. It is given that forex trading is a highly stressful market to participate in. When you are so anxious about the direction your money goes (profit or loss) to chances are you would spend even the slightest of your time reading the market, analyzing the charts on your computer screen, among others. However, too much time spent analyzing the forex market beyond what you have previously allotted for yourself will usually work against you.

Successful traders understand that a healthy mind and healthy body is needed in order to profit from the market. Hence, when you find yourself with extra time on your hands and you start looking at charts or analyzing economic data outside of your allotted time slot then it is time for a hobby. Doing exercise, reading books unrelated to trading or simple going out with friends and family make you feel better both mentally and physically. The time you spend on a hobby that is totally unrelated to trading is much better than spending extra time analyzing the market. Remember, you can control your body and your mind but not the market.

Analysis Paralysis

The Internet and media has enable the exchange of tremendous amount of information at a very fast and most convenient way. Various financial media outlets plaster all over the internet and television flashes tremendous amount of financial and market insights. With the amount of data readily available for an aspiring trader, it is easy for them to get lost in a web of confusion. The biggest mistake an aspiring trader commits is their firm belief that the amount of economic data they analyzed will help them profit in the market. The truth is successful traders attest that too much dependence on market analysis have the opposite effect on trading profits. This means that spending time more than what you allotted analyzing market data is likely to have a negative effect on your trading, causing you to lose money.

The Irony of Forex Market

You may ask why it is counterproductive to spend too much time analyzing market data. Humans, by nature, are control freak. In a market that is highly volatile like forex, we develop this innate need to feel in control of the market. We think that by stuffing ourselves with the financial data present, we could somehow make a grasp of the market and turn a profitable activity. However, when this emotional state meets the uncontrollable world of Forex trading, it almost always has negative consequences. Once a trader loses some of his trades despite all the data crunching he did, the emotion tries to overtake. He becomes mad and wants to immediately get back at the market. You know what happens when emotions overrides your rules and trading strategies. It does not yield to a desired result.

Trading should only be a part of your overall goal as a human. It is not your only goal. Try as much as possible to pursue and fulfill the other portions of your life. Sometimes, it needs much more attention. Much more than what you allot in forex trading. You can only do much in trading. At the end of the day, no matter how much you try to figure out and make sense of the charts, indicators and signals of the market you simply cannot control it and it will go to the direction it wants. What you can control is yourself. So get a hold of yourself. Know when to go and know when to stop.

Conclusion

I hope this book has been informative for you.

Now that you're aware of the habits it's time to implement these into your own life, many people read and digest information, yet never seem to actually put it into action.

But I know that you're different…

Now get out there and make your dreams become a reality!

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