Here's the thing:

I can't control your emotions when you are trading the markets.

But what I can do is, help you find the correct trade management that suits you.

This makes it easier for you to follow your trading plan instead of hopping from one trading strategy to the next.

Now…

The thing about trade management is you can make it as simple or as complex as you want to.

For example:

You can choose to simply trail your stop loss using a moving average and that's all you do.

Or, you can scale in your trades to increase your profits, scale out of your trades to smooth out your equity curve, or scale in and out of your trades for the advanced traders.

There's no right or wrong way to manage your trades.

But for starters, you want to keep it simple and to adopt an approach that suits you personally.

Generally, there are the 5 ways you can manage your trade:

- No trade management
- Trailing stop loss
- Scale in your initial position
- Scale in your winners
- Scale out your winners
- Scale in and out

Let me explain…

No trade management

No trade management means you will either take all your profits at a specific level or, let your stop loss get hit.

This technique is useful if you want to take a swing in the markets.

Here's how to do it:

1. Set a target profit that's within reach
2. Set your stop loss
3. Let the trade run itself

Now you're probably wondering:

"What's a target profit that's within reach?"

Well, it refers to an area where there is likely opposing pressure against your trade.

So, you want to have your target profit before that area.

An example:

The beauty of this technique is the simplicity of it.

But as you progress as a trader, you will realize that you need trade management techniques when you encounter different market conditions, which I'll share next…

Trailing stop loss

Here's the thing:

Sometimes the market is almost reaching your target profit.

But then, it suddenly reverses all the way back and hit your stop loss.

It's painful to watch this happen so here's what you can do…

You can trail your stop loss as the market moves in your favor.

So what happens is either the market hits your trailing stop loss or, it reaches your target profit. This way, you're limiting your losses while still leaving room for further gains.

Here are some of the ways you can trail your stop loss:

- A close below the low/high of the previous candle
- Using the Average True Range
- Setting trades to breakeven

Once again, there’s no best way to do it.

It all depends on how much open profit you’re willing to give back in the hopes of reaching your target profit.

This is something that will differ from trader to trader.

Scale in your initial position

Scale in your initial position refers to splitting up your position size (into multiple parts) and entering them at different times.

An ideal scenario to scale in your initial position is when you are dealing with a large area of Support or Resistance, and you’re not sure where price will likely reverse at.

For example:

If Resistance is at $100 – $110 and the market is trading at $100.

At this point, you can short the markets (but you risk shorting the markets “early”) or wait for the market to come to a more favorable price (but you risk missing the move).

So what can you do?

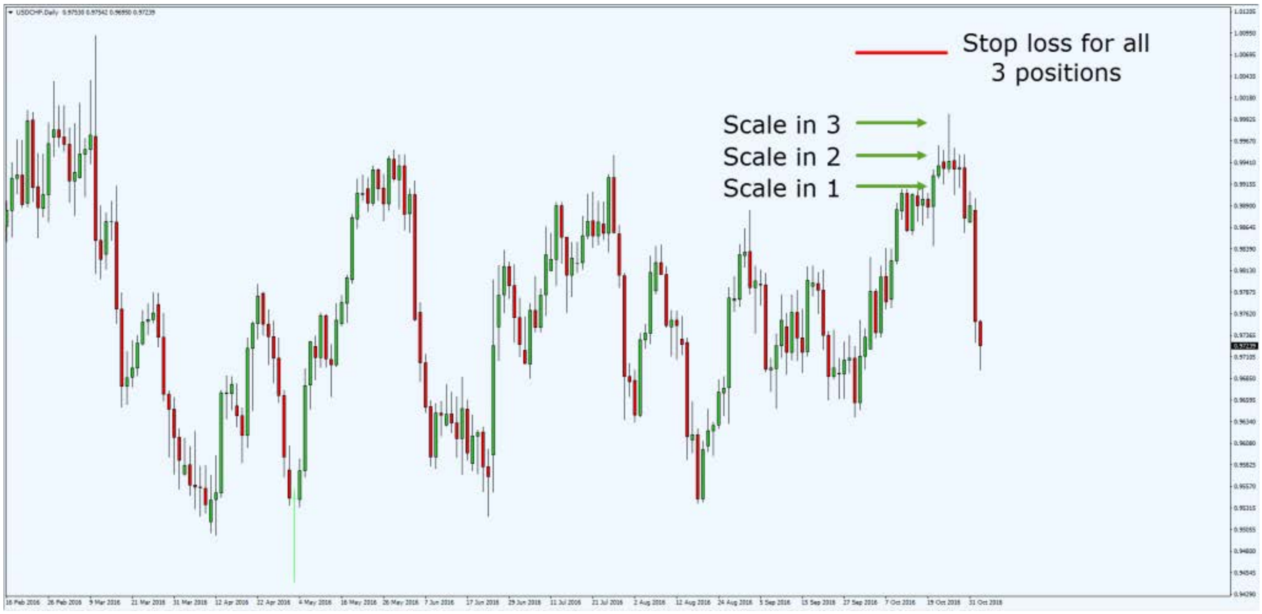
A solution to this is to enter a smaller position size first to “test the water”.

And if the market goes against you, you still have “ammunition” to scale into your desired position size.

Here’s how to do it:

1. Decide how many times you will scale in
2. Have a stop loss to exit everything if the market continues to go against you
3. Keep the total loss to a fraction of your capital

An example:



Be careful:

You don't want to blindly scale into your initial position (also known as averaging your losses) because this is a surefire way to blow your account.

But, if you have proper risk management, and you know what you're doing, scaling into your initial position gives you a lower average price.

The downside to this approach is when the market fills only your first position and then moves in your favor.

When this happens, your gains are smaller as you did not carry your full position size.

Scale in your winners

Scale in your winners refers to adding positions to a profitable trade.

This technique is useful when the markets are trending nicely and you want to increase the size of your gains.

For example:

You notice the market is trending and it tends to "bounce off" the 50-period moving average (MA).

Right now, you are in the money and would like to scale in your trades as the market retraces towards the 50MA.

Here's how to do it:

1. Have open profits of at least 2R
2. Define the trading setup that you will scale your trade into
3. Reduce position size when you are scaling in

4. Have a stop loss on every position your scale into
5. Know when to exit your winners

An example:

If you do it successfully, you will increase the size of your gains while putting on minimal risk.

But before you attempt to do so, here are some important considerations…

Before scaling into your winners, you want to have open profits that could serve as a "buffer", so you don't lose more than 1R on your entire trade (even if the scale in trade has failed).

Also, a mistake traders make is to scale in a larger position size thinking they can make more profits.

This is a bad idea because your average price is much higher and any slight pullback in the markets would turn your winning trade into a losing trade.

Instead, a better way is to scale in your winner is with smaller position size (possibly 0.3R or lesser).

This allows you to withstand a decent pullback and still keep your open risk manageable.

Now the downside to this approach is if you are not careful with your risk management, you could lose more than 1R on your trade.

And sometimes, you will exit with smaller profits because your scale in trade is a loser (compared to if you had not scale in at all).

Scale out your winners

Scale out your winners refers to exiting a portion of your winning position.

This approach is easier on your psychology as you are realizing profits along the way, and is often used by day and swing traders (who trade for an income).

This technique is useful when you are unsure whether the market will break a level, or reverse against you.

For example:

You long Gold at $1200 with a stop loss at $1150.

At $1300, you notice there's a Resistance and you're not sure whether the market will stall, and reverse against you. So what you can do is, exit a portion of your profits at Resistance.

Here's how to do it:

1. Identify the possible areas where the market may turn against you
2. Exit a portion of your position at these areas

An example:

Now the good thing about this technique is even if the market reverses against you, you will not take a full loss (as you have banked some profits).

This provides more consistency in your trading results as you are regularly taking profits.

The downside to this is, you will reduce your profit potential because you exited a portion of your position earlier.

Thus, an important consideration is deciding how much of the position you want to exit while leaving enough to ride a bigger move.

One suggestion is to take half (or less) of your position on the first target while riding the remaining half for a bigger move.

Scale in and out

Warning: This is advanced trading technique and I won't recommend it to new traders.

This technique is useful for traders who trade both long and short-term.

For example:

You are bearish on EURJPY in the long-term so you take a short position to ride the downtrend.

But in the short-term, the market is approaching Support and you are expecting higher prices.

So you long EURJPY and make a profit on the upside, even though the long-term trend is down.

Here's how to do it:

1. Take a long-term position
2. Trade against the long-term position (short-term trade)

An example:

Now, this may sound easy, but in reality, it's not. You have a lot of things to consider like…

- How much will you risk on the long-term position?
- Will you scale in the long-term position if the market retraces?
- Where will you exit the long-term position?
- How much will you risk on the short-term trade?
- Where will you enter the short-term trade?
- Where will you exit the short-term trade?

If you do it successfully, this technique will reduce the drawdown on your long-term position as you make profits from your short-term trades.

But the downside is, this approach requires a lot of screen time and years of trading experience.

Summary

- No trade management means having your trade run till it hits your stop loss or target profit
- Trailing your stop loss can protect your open profits while leaving room for further gains
- Scaling in your initial position means adding positions when the trade goes against you. This is useful when you’re dealing with a large Support & Resistance area and have no idea where the market will reverse
- Scaling in your winners means adding positions when the trade goes in your favour. This increases the size of your gains, but your equity curve may be more volatile
- Scaling out your winners means exiting partial of your position as the trade goes in your favour. This improves your consistency but it reduces the size of your gains
- Scaling in and out of your trade allows you to reduce drawdown on your longer-term positions while making profits on the short-term trades. This is an advanced technique and it’s not recommended for newer traders