

## Title:

Should You Use a Pareto Chart

## Word Count:

303

## Summary:

What? you don't know what it is

## Keywords:

trading, stock market, forex,currency, fibonacci

## Article Body:

What? you don't know what it is

Unless you are familiar with manufacturing management principles, you probably have not heard of a pareto chart. It is a very effective tool managers use, to manage and effect outcomes in manufacturing environments. You're saying, How in the heck will this help my trading? Well it can, if you use it right.

Another name for using pareto charts is, managing by exception. It brings focus on the problem areas, you then try to change these areas to produce different results in the future. With this chart you will quickly see the weakest areas in your trading. On the other hand you also identify your strongest. This allows you to put maximum effort in areas where you need the most improvement.

To build a pareto chart for trading you should start with 3 columns and 12 rows. Place the words; System, Psychology, and Emotion across the top. (one in each column) Down the side you will track each trade. This chart will be used with your trading log. You should all keep a trading log, you can enter information from prior log entries also.

There are three things that directly affect your trading, they are now listed at the top of your pareto chart. After you have listed trades in the side rows. Put a check in the column that corresponds to the main reason you think that the trade was a success or a failure. Once you have completed your list, take a look at the failed trades. You will probably see a pattern of the same reason again and again.

With this simple chart you have quickly identified your main weakness. With this knowledge you can analyze the problem and form solutions to change that outcome.

A valuable tool for this is called a root cause analysis.