

Title:

Forex Trading: The Most Common Flaws

Word Count:

498

Summary:

Some of the most common flaws made by forex traders and how rectifying them helped them gain success are discussed in detail in this article.

Keywords:

forex trading, forex, online forex trading, forex investments

Article Body:

Flaws due to multi indicators and due to the principle of confluence:

Many traders are very much attracted to the sophistication offered by the multi indicators and use them in their forex trading systems. Many of the confluence system indicators show the price movement and in no way adds any value to the trade. Due to this, the traders either end up over bought or over sold technical indicators like the stochastic, momentum indicators, candle stick chart pattern recognition, Bollinger band breaks out even neural networks which are supposed to be artificial intelligent systems. The technical indicators just show signals which are similar to buy or sell or hold, making the signal generated to be correct. Theoretically it sounds good but in reality to arrive at a conclusion might be difficult. As a result the traders are confused in making a right decision. They either enter too late or too early or remain still without being able to make a decision to enter the market. The major flaw is due to the use of useless trading system which does not serve the purpose to make profits, but confuses the traders and complicates the forex trading until the trader loses.

Another dangerous flaw found in forex trading is of an emotional nature interwoven into the process. It is fear and greed of the trader. A profitable forex trade can lead to exuberance and over joy, but this is the time when greed comes in and crosses the aspects of risk management. When a trader is hooked to winning, out of greed he over-rides all aspects to see more and more profits, only to see them crash to earth. They wait for the prices to regain, but in dismay may some time and with worst possible losses. This is the time when fear crops up and paralyses the trader not making him to open up any position. Hence while trading, the trader should not override the emotional side of trading, stick to discipline of the trade which can prevent them from committing the flaw

of forex trading.

Another kind of flaw can happen when the trader is an unconcerned person or the one who is lazy, or with no drive to gain profits or feels the need to be profitable. These people would have entered into forex trading due to hearing it as an easy game. For them it is not a trade which involves skill, trade management, preparation and re-investment. It is a fun game for them, where losses do not make any difference to them. Such persons make a wrong footing, with a wrong objective.

** Flaws in forex trading due to the inadequate knowledge of the trader: **

Some of the losers start with good purpose in the trade. Even though they had gained some knowledge from here and there they might find it difficult to apply them practically in the trade. Inadequate knowledge might be the major flaw which stops them from achieving success.