

Title:

The First Truth About Trading

Word Count:

575

Summary:

What does the beginning trader need to know about this business? Understand this basic truth, see the big picture, and you will be well on your way to a profitable trading career

Keywords:

forex trading, foreign currency, currency trading, home business, day trade, finance, internet business, e-business, business on-line

Article Body:

Take two traders, give them the same starting capital, the same trading platform, the same market and the same trading system with precise rules for entry and exit. Come back a month later and what will you find? One trader will be up 20% and the other down 40%.

It's amazing isn't it, how two people can have the same opportunities in life and yet get very different results. The answer to success in trading lies within each of us. Whatever happens it's your fault, plain and simple, it's not your trading system or some other factor, it's you. Yes, you!

Therefore, understanding the truth about trading, the ability to see the big picture is vitally important, especially for the beginner or the trader who is loosing money. Once you understand the foundational truth about trading then you are on your way to success. This is the first step.

Trading is a game of probabilities!

Let's flip a coin. Heads I win one dollar, tails you win one dollar. Heads should come up half the time and tails the other and we are both even. However, unknown to me you have a loaded coin. For every 100 throws, heads comes up 49 times, and tails comes up 51 times. You have a license to print money. Let's call it the Tails Trading System.

All you have to do is sit back and bet on tails all the time and eventually you would win all my money and anybody else's one bet against you. The only thing

any trading system does is give you an edge, a favorable bias, something that is more likely to happen than not.

Whatever trading system you use be it pattern breakouts, trend-following, Fibonacci, moving averages, channel following, oscillator signals, Bollinger bands, swing trading, opening gaps or any of the myriad of other systems about the place, you are essentially relying on a positive bias. Your system says when I see "x" then "y usually follows". Big emphasis on usually. Sometimes it works sometimes it doesn't. Most of the time it does.

All your trading system does is help you identify high probability trades, enter them correctly, and protect yourself while allowing your profits to grow. Some trading systems are better than others. Find a system you are comfortable with, paper trade it, test it in real time with small amount, then stick to it. Don't waste time looking for the perfect system. It does not exist.

A cool disciplined trader will take an average system and make money with it. An unsure, lacking confidence Trader will take a great system and wreck it. All traders have good days and bad days. Some days you will make small profits and others you will make small losses. A couple times a month you will make some big profits. Problem is you never know when. You have to keep playing the game to score the big winner. If you are not in the game you don't have a chance. You must see the big picture. Realize that the current trade is only one of many. On that basis the current trade hardly matters. It's like a little piece of plankton in a very large ocean.

Trading is all about managing risk and then surrendering yourself to the oldest law in the Universe: The ancient law of probability. That my friend is the first truth about trading.