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How to Achieve Currency Trading Success: Part 2

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Summary:

Choosing a Trading Method

While there are many ways to achieve currency-trading success, all methods have the following salient points in common:

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Choosing a Trading Method

While there are many ways to achieve currency-trading success, all methods have the following salient points in common:

1. Simplicity

Most of the best trading systems are simple.

There is no correlation between how complicated a strategy is and how successful it will be.

In fact, the simpler a system the more likely it is to be robust in the face of changing market conditions.

Some of the most successful systems of all time have been extremely simple and you don't need much mathematical knowledge to understand them.

2. Liquidate Losers Quickly and Run Big Profits:

The basis of any successful trading systems that deals in leveraged products is:

You need to be able to run the big profitable trends and exit losers quickly.

All good trading methods do this, and use strict money management rules, to

ensure preservation of equity.

3. Understand your Method

This may sound obvious, but you need to understand your trading method, and the logic behind it, so you can execute it with confidence and discipline.

4. The Importance of Discipline

Currency trading success is rooted in a successful method applied with discipline. This means a trader has a method and follows it. This however is much harder in practice than many traders believe.

When money is on the line all traders emotions come into play and unless they can maintain discipline, currency-trading success will elude them.

Let's look at some ways to maintain self-control and discipline when making trading decisions:

Firstly, you must be confident in your trading method. You should know exactly what you are going to do:

- When a signal indicates that you should enter a trade
- When a signal tells you to exit

You must execute your trading method in a disciplined fashion; if you don't, you won't have a method in the first place!

Secondly, and perhaps the best way to maintain self-control and discipline, is to feel confident in your trading method from the start.

If you have confidence when you execute your trades, you will "know" that over time they will be successful - even if you are suffering a string of short-term losses.

You must execute the buy and sell signals with confidence - these signals will lead to currency trading success in the long run, as you rigidly adhere to your method.

You need to stick with your method through good and bad times, and confidence in the underlying logic, will help you remain disciplined.

The more disciplined you are in trading, the more profits you will make longer

term.

You should not underestimate the need for discipline, if you want long-term currency trading success.

If you read Jack Schwager's Market Wizards, and the New Market Wizards, where he interviews the top traders of all time, you will see how all of them place an influence on discipline.

Currency trading success relies on a number of factors and these are:

Robust trading method + discipline = currency trading success

Remember, when trading any method, it will be of little use to you, unless you have confidence in it and can execute it with discipline.

There are a number of variables involved in longer-term currency trading success and the above are the salient points to keep in mind when deciding how to trade currencies.