Title:
Five More New Trader Pitfalls You Can Avoid

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Summary:
Trading can be rewarding. You can make lots of money. You can have tons of fun. You can have something to brag about to your friends. Unfortunately, trading can also just as easily lead to financial distress and high blood pressure if you don't go about it the right way. Here are a five more things you can do as a fledgling trader to get off on the right foot.

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#1 Have a System!

You will not be a successful trader if you do not have a system. They come in all different shapes and styles, but there are a couple of common elements. A system has both entry and exit determinants. A system can also be described. If you cannot verbalize your system, it's not a system. If you don't have rules for both entry and exit, it is not a system.

#2 Take the Time to Learn!

Many, many dollars can be saved by new traders if they take the time to learn and practice. There are so many resources so readily available today that there is no excuse for not entering the markets prepared to do battle. Demo accounts can be found for all major markets. That means you can practice your order execution, and you can paper trade your system to confirm its viability before putting a single dollar at risk. To do otherwise is foolish.

#3 Trade in the Right Time Frame!

You have a life beyond trading. May be you have a job or go to school. You have family and social commitments. All of these things combine to determine the timeframe you can use. It does not make sense, for example, to try day trading when you cannot not monitor the markets almost continuously. In my own trading, there are times when I can day trade or swing trade (1-3 day position durations), but there are others when I know I won't be able to dedicate as much time to the markets and therefore have to take longer-term positions. You must find a trading time frame that fits your lifestyle.

#4 Trade the Right Market(s)!

What often happens with new traders is that they get in to trading because of some experience they had which introduced them to the thrill of the game. That experience probably also got them in to a certain specific market, like stocks or foreign exchange. An emotional attachment is established. Needless to say, this isn't the best way to pick the market you should be trading. The various markets have different trading profiles. Some are more volatile than others. Some are good for trading intraday, while others are better for longer-term action. The process of deciding to begin trading should include a hard look at what market you should trade based on your account size, trading time frame, and risk tolerance.

#5 Understand the Risks!

Every market has different risk factors. In fact, each trade has its own distinct risk factors. You need to be aware of them. You may have a general awareness that the market may not go the way you thought. That is certainly true, and that is why stop loss orders are advocated. It is how the market can go against you, though, that is important. In the major markets, things like economic releases, earnings reports, and statements by government officials can influence prices. Some cannot be avoided, like a natural disaster, but others can be by simply being aware of the calendar and taking measures to guard against an adverse data release or speech by someone like the Fed Chairman.

As a new trader, you will make mistakes. If you take the advice of this article and it's predecessor, "Five New Trader Pitfalls", you can avoid some of the bigger potential pitfalls. That could both save your money in avoidable losses, and potentially lead to more profits.