

Title:

Accepting Losses With Grace

Word Count:

630

Summary:

A look into the mind of the loosing trader and the corrective action needed to become a winning trader.

Keywords:

day trading, forex, foreign currency, winning, loosing, strategy

Article Body:

The lack of a proper trading plan which includes precise rules for entering and exiting a trade will most certainly guarantee failure over the long term. Beginners usually suffer from the same common ailments. They abandon trading plans purely on impulse because things are not going exactly as how they had envisioned. Repeatedly they use unreliable methods that fail to produce a profit. Many traders hold on to losing positions telling themselves "it is going to turn" when every indicator says otherwise because they cannot bear the thought of a loss.

Why do they torture themselves? Why don't they just identify what's going wrong and make a change? For some people recognizing that a trade or even a trading method is not working and making a change is easy, but for others it's very difficult. They have to look at their limitations admit that they have made a mistake and that's hard because it hurts our ego. Psychologically it's risky, it's often easier to fool ourselves. Just keep going, living in a state of denial until your account is depleted. If you recognize any of these traits in yourself you must stop trading immediately.

Take a good look at what has been happening, try and identify the problem. If you look close enough you may see a pattern. This is why it is vital to record every trade and as much information about it as possible. You have to break out of old patterns and see things in a new light.

You will never be a successful trader if you continue to live in a state of denial. What can be done to return to reality? There is a lot you can do. First of all make sure you are not trading under stress. When stressed out you can't see clearly, you become rigid and unable to see alternative views. One of the

easiest solutions is to trade smaller. The smaller the trade the less the stress, especially for the beginner. If you are experienced and in a losing streak reduce your contracts until you get your confidence returns. Some people need to take a break altogether. Get away from it all. Take your mind off the trading.

The second thing you can do is to make sure you have a life. Trading can be addictive especially when you are winning. Do not put all your emotional eggs in the trading basket. You need to have other roles that give your life meaning and purpose. By defining your identity in a variety of ways, you will not place unnatural importance on trading events. Therefore, you will be able to take losses in stride and look at your trading more objectively.

Finally, radical acceptance is a key mental strategy for coping with market uncertainty. Many traders make the mistake of thinking they can control the markets. Nobody can control the markets. We must learn to accept anything that comes our way and to trade accordingly. Adopt the attitude that trading is a journey and that all we can do is go where the markets take us.

To succeed on this journey you cannot afford to lose too much. Manage risk and just accept what you get and enjoy the ride. This way you will trade more freely and creatively. Don't live your life in denial. Accept your limitations, work around them, and become a winning trader. Write out your trading plan with precise entry and exit points. Most important set your stops and mentally decide you will not break them. Test your system on paper and when confident test in real time with the minimum contract size. You will have losing trades, accept them with grace and go on to the next trade.