Title:
Five New Trader Pitfalls You Can Avoid

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590

Summary:
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Whatever the case, there's certainly a number of things that make trading the financial markets worthwhile. At the same time, however, there are some huge obstacles along the path to profits and success. This article discusses five ways to avoid trouble in the...

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Article Body:
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Whatever the case, there's certainly a number of things that make trading the financial markets worthwhile. At the same time, however, there are some huge obstacles along the path to profits and success. This article discusses five ways to avoid trouble in the markets. They will help protect your capital and increase your chances of success. Ready? Let's jump right in!

#1 Avoid Errors in Order Entry!
The quickest way to lose money in the markets is to make mistakes when you place your orders. Fortunately, this is something very easy to fix. PAY ATTENTION! It's as simple as that. Every trade entry system you could use has some kind of order confirmation mechanism. Take the extra two seconds and check to make sure everything is correct. I can assure you this will save you money.

#2 Use Only Risk Capital!
New traders often get so caught up in the excitement and anticipation of trading that they let common sense go on holiday and trade with money they have no business putting at risk. Any money you put in to the markets must be risk

capital, money you can afford to lose and not impact your basic financial situation. It's hard enough to be successful as a fledgling trader. You do not want the added pressure of having to make money and/or not being able to afford losing it.

#3 Start With Enough Capital!
It takes money to make money. You've heard that often enough. Accounts that are too small can be a major hindrance to trading success. They suffer from transactions costs that are proportionally higher than is the case for larger accounts, which hinders returns. They also restrict the number of positions you can have at one time, which means you cannot always take good trades that come along and you may not be able to diversify as you should.

#4 Trade Small!
When in doubt, put less money at risk. There is no more swift way to lose huge chunks of money than to trade too big. Your trading size should be determined by your account size based on the risk being taken. If you are risking an amount of your account that potentially puts your long-term ability to keep trading in question, your position is too big. If this means you cannot trade certain instruments, find something else.

#5 Avoid Trading Too Often!
Trading can be fun, exciting, and profitable. It is also an intermittent reward system, like gambling. That means it's easy to get hooked and in a dangerous cycle. The feeling you have after a winning trade will make you want to do it again. This can lead to sloppy trading. Some traders do not make any additional trades the same day as they close out a position. That helps get some time and space to ensure good decision-making based on their system, not their emotions. Do whatever you must to ensure you always trade in control.

New traders are prone to mistakes as they learn how to be successful. If you take the advice of this article, you should be able to prevent unnecessarily losing money because of things you could have avoided. Learn from the mistakes of others. It will make you more successful in the long run and make the path you take a bit smoother.