



TOP 10 NEWBIE TRADER BOO-BOOS



NO OBJECTIVE FOR THE TRADE

Traders should be using a high probability trading plan that has specific repeatable entries exits and stops. A successful trading plan usually is repeatable across multiple markets and time-frames and should be thoroughly back-tested prior to implementation. Just as a business should not operate without a business plan a trader should not enter a trade without a trading plan. Entering a trade outside the rule sets defined in the trading plan is the equivalent of **gambling**.



LETTING LOSERS RUN

Some traders hold on to losing positions far too long thinking or hoping, that the market will turn around and eventually turn their losing trade into a winner. When in actuality most newbie-traders would not have the patience to let the loser turn into a winner even if the market had turned around. When you open a trade, you can set a stop loss order –this is a point where the trade will automatically close if the market moves to that position. It keeps small losses from **turning** into big losses or blown up accounts.



LIVE TRADING TOO SOON

Far too often a newbie-trader comes across a new trading system or methodology and tries to implement it in a live trading account far too soon before they totally understand all the nuances. The same thing can happen with a proven system in a new/different market. Each system, market, trading platform (etc.) needs to be **learned** and practice in a simulated environment prior to risking real money. A good rule of thumb is to log at least 50 simulated trades prior to going live.



LACK OF PATIENCE / DISCIPLINE

If you're disciplined and stick with a tested trading plan consistently, you will, more often than not, profit over those who trade inconsistently. Constant **second-guessing** can ruin the profitability and may eliminate the benefits of having a trading plan in the first place. You should plan your trades and trade your plan. Entering and/or exiting a trade early can be just as devastating to your account as gambling. Without the patience to let a trade work you will never be able to establish your trading plans true probability of success.



REVENGE TRADING

Revenge trading is when you get **emotional** over a lost trade and try to aggressively recuperate the loss. In gambling this is often know as "doubling down". When you have a loss as a newbie-trader your anxiety and stress levels increase and your judgment becomes cloudy and one has the tendency to over trade. While it may be difficult, it's always best to accept the loss outright and not let your ego for being right dig you into a bigger hole. Instead of revenge trading, focus your efforts and energy on studying what went wrong and figure out if you made a mistake in the execution of your trading plan.



LACK OF CAPITAL/OVER LEVERAGED

Because a futures account can be open with as little as \$2,000 at some brokerage firms many newbie-traders find themselves under capitalized and over leveraged. Just like any business, a trading business needs to be properly **funded** to have the best chance of success. Most trade management techniques call for taking a small profit when your trade starts working in your favor and keeping a partial position on as a runner. To adequately do this, one would need to have 2 to 3 contracts at a minimum to trade in the mini sized futures markets. A good rule of thumb is \$10,000 per mini contract/lot; so a \$20-30K account would be the minimum desired starting point.



LACK OF TRADE MANAGEMENT

The trading plan should have all the details specifically defined on when and where to take profits throughout the trade and how to adjust stops accordingly. Prior to entering a trade, the risk and reward profile of the entry should be understood and accepted. There should be no **ambiguity** on how to take partial profits or where and when to re-enter a working trade. Newbie-traders will often exit a trade when it "feels" right or wrong.



LACK OF CONFIDENCE

Trading can be difficult for the newbie-trader because it **exposes** all of your strengths and weaknesses almost immediately. The fight between fear of losing, fear of missing out, fear of non acceptance, fear of failure and greed often have you second-guessing your system which tears at your confidence. The lack of controlling these fears while in a trade will result in premature exits and stops not allowing your plan to develop the statistical outcomes needed to grade it objectively.



QUEST FOR HOLY GRAIL

Newbie-traders will often jump from system to system trying to find the Holy-Grail indicator or strategy to make them successful. In reality there are a countless number of way to trade the markets and the majority of the beginners problems lie in the six inches of gray matter between their ears. It is best to find a trading style that matches your personality and allows you to implement the techniques discussed in this article. Spend time mastering your plan and implement it **consistently** prior to jumping on the next best thing. Avoid becoming the "jack of all trades, master of none".



BLAME GAME

Accountability is the hardest concept for new traders to accept. When you have a losing trade or are in a losing streak, don't blame your broker or someone else. You are the one who is responsible for your own success or failure in trading. Trading can afford you great monetary rewards and you need to be willing to accept the success with the failure. Many traders are not conditioned to be open to success and end up sabotaging their own results. Take control of your trades and your trading plan and look inward versus outward when things begin to derail.



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