



THE TRADING CLUBB

# 10 Trading Risks and How to Overcome Them





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## 10 Risk Measures and How to Overcome Them

Many new traders think **trading risk** is limited to the amount you could possibly lose between your entry and stop loss order. But understanding, calculating and controlling risk is an important step in a trader's learning journey. Undoubtedly, trading involves various risks that can impact traders on technical, fundamental and emotional levels. Here are 10 risks and across these dimensions and a suggested strategy to overcome them:

### **Market Volatility:**

**Risk:** Sudden and large price movements can result in unexpected losses. This can happen unexpectedly and is just part of trading.

### **Strategy:**

- Utilize stop-loss orders to limit potential losses during volatile periods.
- Adjust position sizes based on market conditions.





## 10 Risk Measures and How to Overcome Them

### Execution Risk

**Risk:** Delays or issues in executing trades as intended.

**Strategy:**

- Do your research as not all brokers operate equally.
- Choose reliable trading platforms with fast execution speeds.
- Stay informed about technical updates and issues related to your chosen platform.





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### **Lack of Technical Skills:**

**Risk:** Insufficient understanding of technical analysis tools and indicators.

#### **Strategy:**

- Invest time in learning technical analysis. Start with basic indicators and gradually advance.
- Practice on demo accounts before implementing strategies with real money.
- Find a quality education company that will teach you properly. By only following someone's trade signals, you will never learn how to trade on your own.



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### **Economic Events:**

**Risk Measure:** Unforeseen economic events impacting currency values.

#### **Strategy:**

- Stay informed about economic calendars, news releases, and geopolitical events. [www.forexfactory.com](http://www.forexfactory.com) is a great place to start.
- Diversify across currency pairs to reduce exposure to individual events.
- Learn about correlated currency and commodity pairs and portfolio risk.





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### Interest Rate Changes:

**Risk Measure:** Central bank decisions leading to unexpected interest rate fluctuations

#### Strategy:

- Monitor central bank communications and economic indicators.
- Consider the potential impact of interest rate changes on currency pairs.





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### Market Sentiment:

**Risk Measure:** Shifts in market sentiment can lead to sudden market movements.

#### Strategy:

- Stay attuned to market sentiment indicators.
- Use a combination of technical and fundamental analysis to gauge the broader market sentiment.





## 10 Risk Measures and How to Overcome Them

### **Fear and Greed:**

**Risk Measure:** Emotional decision-making driven by fear of losses or greed for quick profits.

### **Strategy:**

- Develop a disciplined trading plan.
- Set predefined entry and exit points.
- Take breaks to manage emotions and avoid impulsive decisions





## 10 Risk Measures and How to Overcome Them

### **Overtrading:**

**Risk Measure:** Trading too frequently or with excessive positions

#### **Strategy:**

- Stick to a well-defined trading plan.
- Limit the number of trades and capital at risk simultaneously.
- Focus on quality over quantity.
- More trades does not equal more profit. Better selected trades will more likely have a greater success rate.





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### **Lack of Patience:**

**Risk Measure:** Impatience leading to premature exits or entries

#### **Strategy:**

- Set realistic expectations.
- Wait for confirmation signals before entering or exiting trades.
- Develop a long-term perspective.
- Avoid chasing short-term gains.





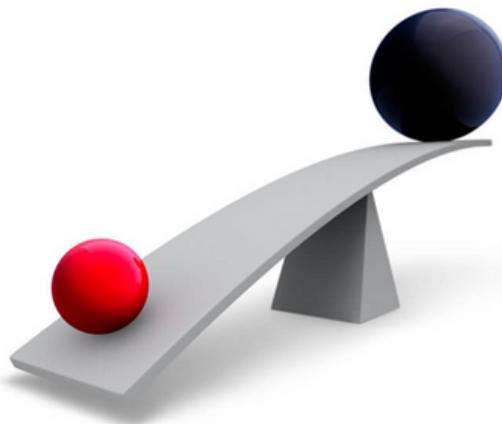
## 10 Risk Measures and How to Overcome Them

### **Confirmation Bias:**

**Risk Measure:** Tendency to interpret information in a way that supports existing beliefs.

#### **Strategy:**

- Actively seek alternative viewpoints.
- Regularly review and adjust your trading strategy based on changing market conditions.
- Be open to adapting to new information.





# 10 Risk Measures and How to Overcome Them

## Summary

Managing risk in trading involves a combination of technical proficiency, understanding fundamental factors, and mastering emotional control. Traders should continuously educate themselves, stay informed about market conditions, and develop disciplined trading strategies to mitigate these risks effectively. Additionally, seeking feedback from experienced traders and mentors can provide valuable insights into risk management strategies.



The Trading Clubb offers quality trading education with one-to-one coaching. Head over to [www.thetradingclubb.com](http://www.thetradingclubb.com)

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