



THE TRADING CLUBB

30 Common Trading Problems and How to Avoid Them





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30 Common Trading Problems and How to Avoid Them

Trading, in theory sounds easy - buy here, wait for the market to go up, hit target and wow, you've just made a great profit! In reality, so many things can go wrong and without being aware of what could happen or even understanding why and how they happen, can lead to your account, and enthusiasm, disappearing quickly.

Trading is a very personal journey, with each trader learning how to handle their own emotions, market understanding, time constraints, and risk appetite. There are many reasons why traders have tried and failed but others are able to be consistently successful. The following list is comprehensive but not exhaustive.

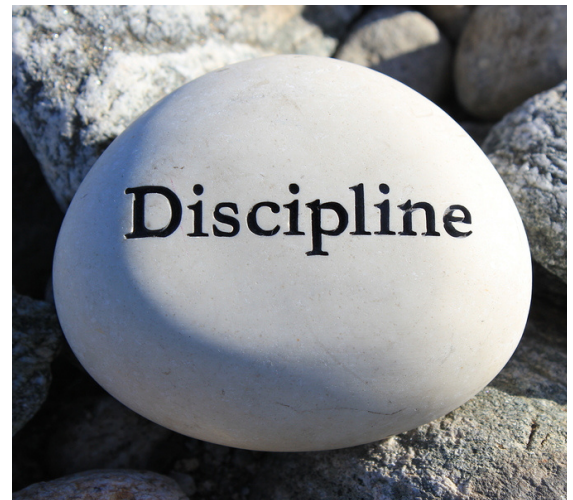


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Common Trading Problems and How to Avoid Them

Discipline:

This would have to be the most valued traits in trading. It will keep you focused on your trading plan, strategy rules and goals, especially in the face of a string of losing or bad trades. It will help keep your emotions in check, keep you on track and hopefully prevent you from following the latest "hot tip". It will guide you to develop your trading routine and style.



Not being Prepared:

Abraham Lincoln once said, "Give me six hours to chop down a tree and I will spend the first four sharpening the axe." In trading that relates to having a trading plan in place, which effectively is your trading blueprint. This should be done before any trades are placed. The plan should align with your goals and expectations.





Common Trading Problems and How to Avoid Them

Not Journalling your Trades:

"A short pencil is better than a long memory." If you don't record your trades and why you entered them, you will not be able to develop your trading system, understand your trading style or correct errors in your current approach. Used correctly, a trading journal identifies risks and opportunities.





Common Trading Problems and How to Avoid Them

Not reviewing the charts properly and assessing the current price action before trading. For example, is price action trending or ranging, what chart patterns are forming, identifying levels of support and resistance across different timeframes, and reading indicators or oscillators just to name a few.



Not reviewing the scheduled news releases and economic data that could impact the financial asset you are trading. Even if you are a technical trader, you should be aware of major news releases as unexpected results can make the market incredibly volatile.



Common Trading Problems and How to Avoid Them

Using the wrong strategy for the current market conditions - for example, using a trend trading strategy in a ranging market. Analyse the current market conditions and use an appropriate strategy.

Whilst it's important to find a suitable trading style that works with you and your lifestyle, **chopping and changing strategies continually** will not play well for the long term because you will not have consistency in your trading.

Understanding that **no strategy can offer you 100% success, and there is no Holy Grail in trading** are important lessons to learn early



Not fully understanding your strategy - Being unclear on its ideal setup and trade management, will most likely impact the success of your trading. Further, when traders don't fully understand their strategy, they tend to move onto another hoping to find something that will deliver results meeting unrealistic expectations.



Common Trading Problems and How to Avoid Them



Not knowing how to use your trading platform properly

Considering this is one of your main trading tools, understanding its capabilities is important to your success.

Over-trading

More trades does NOT equal more profits. What it actually means is you have more capital exposed to the market and have taken on more risk. Less, better qualified trades will be healthier for your account in the long run.



Trading under-capitalised

With not enough trading capital, there is a temptation to trade with compromised stop loss levels or trade size, which makes a trade riskier than it needs to be. If you have a small account, you need to be patient and only take the trade setups that meet all of the trade criteria.

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Remember, before a trade is placed:



Trading with unsuitable risk:reward ratios

Anything less than a 1:1 risk:reward ratio means you are risking more to make less. A string of losing trades will be far more detrimental to your account than the converse number of winning trades



Common Trading Problems and How to Avoid Them

Trading without a stop loss

It will more likely be a case of increasing the inevitable loss and greater than your initial allocated risk. Continually following this practice will quickly reduce the size of your account.

Moving the stop loss further away to avoid a loss

It will more likely be a case of increasing the inevitable loss and greater than your initial allocated risk. Continually following this practice will quickly reduce the size of your account.



Reducing the size of the stop loss thinking you are risking less, when in fact you are increasing your risk because you have not factored in the ebb and flow of normal market movement.



Common Trading Problems and How to Avoid Them

Using a uniform, fixed stop loss with the same pip amount on different financial instruments and different timeframes

All financial instruments move with varying degrees of volatility across different timeframes. A fixed amount for a stop loss should not be applied as there is little to no consideration of the current price action. There are no shortcuts to trading success and developing a sophisticated and tested stop loss strategy is just as important as knowing when to enter a trade.

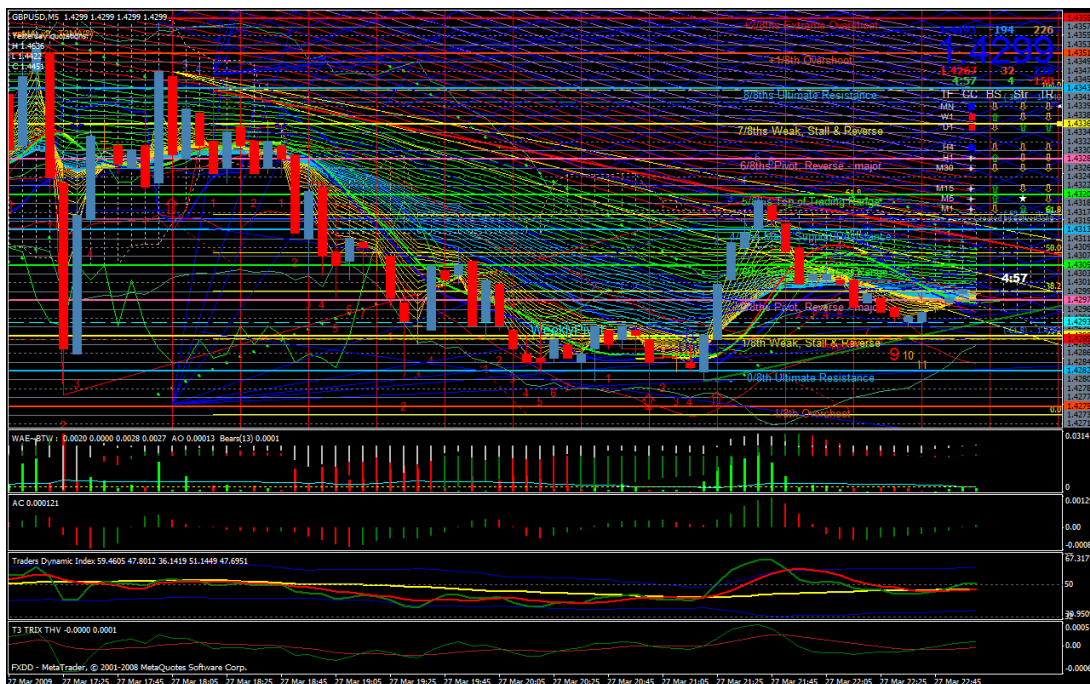




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Having too many indicators on your chart

Apart from being cluttered and difficult to read, this is information overload. Remember price action should be your primary source of information and indicators/oscillators secondary.



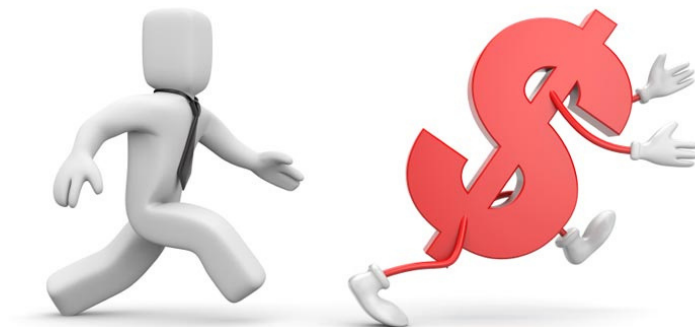


Common Trading Problems and How to Avoid Them

Over analysing information to the point you have "**analysis paralysis**" and are unable to trade. Learn how to use information and data for a decision for, or against a trade then move on to the next trade setup.

Do not chase a trade

Trade setups are like buses, another will come along soon. Be patient. Getting into a trade late will affect the risk:reward ratio of the trade and is nothing more than emotional trading - the fear of missing out. Being emotional clouds your judgement.





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Thinking you need to trade everyday

You don't. Trade when your trade setup is there
and your mindset is suitable for trading.



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Adding to a losing trade

There is no long-term upside to this practice. Sometimes it works however, this is not a trade strategy that should be used regularly as it has been proven to be detrimental over the long term.



Not reviewing your trades at the end of the week

Analysing your trading journal will give you an unbiased view of your trades. It is during this exercise you are more likely to pick up mistakes you are continually making and eliminate the habit that is impacting the success of your trading.

Not understanding the correlation of financial instruments and thereby doubling the risk of your trades and exposing unnecessary capital to the market.





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Not back-testing trade ideas adequately before executing on a live account. This can be an expensive exercise.



Following the "hot tip" trade ideas without understanding the logic or rationality behind the trade. Trading something that isn't part of your trading plan means you will never develop a trading system with discipline and understanding.



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Common Trading Problems and How to Avoid Them

Not investing in a coach/ mentor

Learning from a qualified trader can short cut your trading journey. Instead of trying to work things out on your own, they can help you avoid costly mistakes and develop solid and sound trading habits.



Not allocating time for further education

Studying the markets and researching trade ideas are important to improve your overall understanding in the long run.



Common Trading Problems and How to Avoid Them

Trading emotionally



There is nothing worse than a string of losing trades but it is often heard with new traders, they are "going to get it back!" This is called "revenge trading" and nearly always ends with more losses. If you have had a bad run, step away from the market and re-set. Be calm, focused and clear when you are trading.

Thinking the market is wrong



The market is never wrong and as a trader you must learn to adapt to its changing volatility.



Common Trading Problems and How to Avoid Them

Be realistic with goals and expectations



Many new traders are attracted by unscrupulous operators offering fast and big rewards. Trading is not a "**get rich quick scheme**" and there is much to learn that will enhance your trading journey. The reality is trading is like a marathon and learning how to increase your account slowly and carefully is the real game plan for the long term.



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Common Trading Problems and How to Avoid Them

What to do if any of these happens to you...

- Take a moment and breathe.... close the computer and walk away. Clear your head.
- After you have calmed, assess what happened.
- If you have a coach or trading buddy, reach out to them and talk through the situation. We've all made mistakes!
- Put a system in place to stop it happening again.
- Only go back to trading when your mind is clear and emotions have settled.
- Get back on track with your revised trading plan. If you have not got a clear trading plan, we recommend www.tradingjournal.com.au

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