Trading *Wisdom*

All successful traders usually wiped out their trading account *at least once* before becoming consistently profitable. Following wisdom are not aimed to convert you to become a conservative trader. On the contrary, you are being provided the key to embrace risk & take the necessary chance required in the pursuit of capital appreciation with fight to protect your capital. You won't freeze & lie helpless. This is the greatest business in the world. By following the "wisdom" below, we hope that you can stay in trading business as long as you choose.

1. Trading is simple, *but not easy*. If you want to stay in trading, *leave "hope"* & stick to your stop loss.
2. Trading should be boring. Thrill seekers accounts wiped off very quickly.
2. When enter into a trade, start looking for signs right away that you are wrong. If you see them, get out before your stop loss is hit.
4. Amateur turn into professional when they stop looking for the "next great technical indicator" and start controlling their risk on each trade.
5. You are trading against other traders. You have to be aware of the psychology & emotions behind trading.
6. Be aware of your own emotions. Irrational behavior is sure shot way to downfall. If you are yelling at monitor, pleading your trade to move in your direction, you have to ask yourself, "Is this rational?" Ease in. Ease out. Keep your stops. No yelling.
7. Watch yourself if you get too excited—excitement increases risk because it clouds judgment.
8. Don't overtrade—be patient & wait for 3-5 good trades.
9. If you come into trading with the idea of making "big money," you are doomed. This mindset is responsible for most accounts being wiped out. Trading is not Gambling.
10. Don't focus on the money. Focus on executing trades well. If you are getting in & out of trades rationally, the money will keep on raining.
11. If you focus on the money, you will start to impose your will upon the market in order to meet your financial needs. There is only one outcome to this scenario: handing over all of your money to traders who are focused on protecting their risk & letting their winners run.

12. Do not trade during the low-volume trading session. If your stocks are not acting right, then don't trade. Just sit & watch them & try to learn something. By doing this you are being proactive in reducing your risk & protecting your capital.
13. There is no need to trade daily.
14. Refuse to damage your capital by sticking to your stops & sometimes not trading.
15. Stay relaxed. Place a trade & set a stop. If you get stopped out, who really cares? You are doing your job. You are actively protecting your capital. Professional traders actively take small losses. Amateurs resort to hope & sometimes prayer to save their trade. In life, hope is a powerful & positive thing. In executing a trade, hope is a virus that can infect & destroy.
16. Be right on day one or get out. Don't take a "red" position home overnight.
17. Keep winners as long as you could. Let your trade ends on a trailed stop.
18. Money management is the secret to success. Don't overweight your trades. The more you overweight a trade, the more "hope" comes into play when it goes against you. Hope in trading is a sin. The longer you leave it in place, the more painful the outcome will be.
19. There is no logical reason to hesitate in taking a stop. Re-entry will cost only brokerage.
20. Professional traders take losses. Being wrong & not taking a loss does damage to your wealth, mind, & soul.
21. Once you take a loss you forget & move on. Especially if it is a small one. Do yourself a favor & take advantage of this mindset to unburden your mind by taking a small loss.
22. You should never let one position go against you by more than 2% of your trading corpus.
23. Use daily charts to get an idea of the 30-day trend, hourly charts to get an idea of the 1-day trend, & 5-minute charts to establish your entry points.
24. If you are hesitating to take a position, that indicates a lack of confidence that is un-necessary. Just get into the position & PLACE A STOP. Traders lose money in positions everyday. Keep them small. The confidence you need is not in whether or not you are right, the confidence you need is in knowing you will stick to your stop no matter what. Therefore you can actually alleviate this hesitancy by fighting your emotions & continually sticking to your stops & reinforcing this behavior.
25. Averaging on a losing position is like a sinking ship deliberately taking on more water.

26. Build up to a full position as it goes your way.
27. Adrenaline is a sign that your ego & your emotions have reached a point where they are clouding your judgment. Realize this & immediately tighten your stop considerably to preserve profits or exit your position.
28. Look for opportunities NOT to trade.
29. If you buy breakouts, realize that professional traders are handing off their positions to you in order to test the strength of the trend. They will typically buy it back below breakout which is typically where you will set your stop when you buy a breakout. (Failed breakouts).
30. Embracing your opinion leads to disaster. Don't hang onto a loser. You can always get back in.
31. Unfortunately, discipline is typically not learned until you have wiped out a trading account. Until you have wiped out an account, you typically think it cannot happen to you. It is precisely that attitude that makes you hold onto losers & rationalize them all the way into the ground. If you find yourself saying things like, "My ABCD stock is still a good investment," then it is time to start following the basic principals all professional traders follow - protecting your capital, aggressively cutting your losses, and letting your profits run by not giving in to the temptation to sell just because you have a quarter profit.
32. Siphoning out your trading profits each month & sticking them in a money market account is a good practice. This action helps to focus your attitude that this is a business & not a place to seek thrills.
33. Professional traders only place a small portion of their assets into 1 position. Or if they take on a large position, then they strictly limit their risk to 1-2% of their trading corpus. Amateurs typically place a large portion of their assets into 1 position. This type of situation creates emotions that ruin accounts, while professionals are able to make decisions & cut losses because they strictly define their risk.
34. Professional traders focus on limiting risk & protecting capital. Amateur focus on how much money they can make on each trade. Professionals always take money away from amateurs.
35. In the stock market, heroes get crushed. The stock market is not about playing blind.
36. Sadly, traders never learn importance of "the rules" until they have blown their corpus. Until you "lose" you never learn importance to follow the basics of trading.

37. The market reinforces bad habits. If early on you held onto a loser that went against you by 20%, & you were able to get out for break-even, you are doomed. The market has reinforced a bad habit. The next time you let a stock go against you by 20%, you will hang on because you have been taught that you can get out for break-even if you just be patient & hang on long enough. Tell that to the folks who bought HFCL at Rs 800 & now quoting less than Rs 20. When's it going to get back to break-even?

38. The true mark of an novice trader is never going to make it in this business is one who continually blames everything but his or herself for the outcome of a bad trade. This includes, but is not limited to, saying things like:

    - The TV analysts are crooks.
    - My friend gave me a bad tip.
    - Operators are dumping the stock.
    - The specialists are playing games.

    The mark of a professional, however, sounds like this:

    - It is my fault. I traded this position too large for my account size.
    - It is my fault. I didn't stick to my own risk parameters.
    - It is my fault. I allowed my emotions to dictate my trades.
    - It is my fault. I was not disciplined in my trades.
    - It is my fault. I knew there was a risk in this trade & I didn't fully comprehend them when I took this trade.

    The obvious difference here is accountability. For amateurs, everything is "outside their control." That is un-reasonable thinking & points to an individual who has, probably for the first time, had to confront their "real self". A person can drift around through life in their own private world, where they are pretty special & can do no wrong. Unfortunately, trading explode this illusion, because you cannot dispute what has happened to your account. For many people, when they start trading they are suddenly confronting reality for the first time in their lives. Just to see the world as it really is requires a lifetime of training, & for many people trading the stock market is their first real step in this journey. Some people say that traders are born, not made. Not so. If you choose to see the world as it is, then you can start trading successfully tomorrow.

39. Amateur traders always think, "How much money can I make on this trade!" Professional traders always think, "How much money can I lose on this trade?" The trader who controls his or her risk takes money from the trader whose head is in the clouds.
40. At some point traders realize that no one can tell you exactly what is going to happen next in the market, and that you can never know how much you are going to make on a trade. Thus the only thing left to do is to determine how much risk you are willing to take in order to find out if you are right or not. The key to trading success is to focus on how much money is at risk, not how much you can make