Twitter Thread by Trader knight

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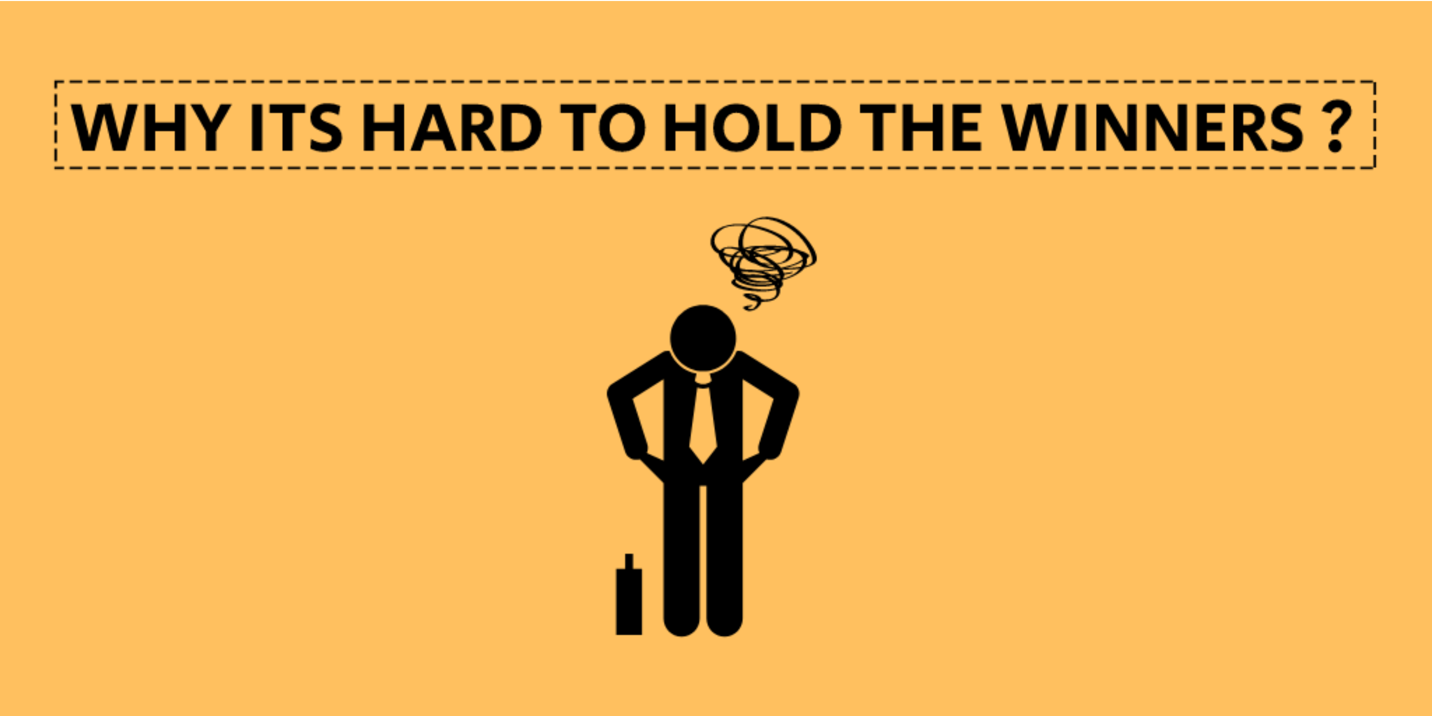
Why It's Hard To Run Profits And Limit Your Losses-

A thread-



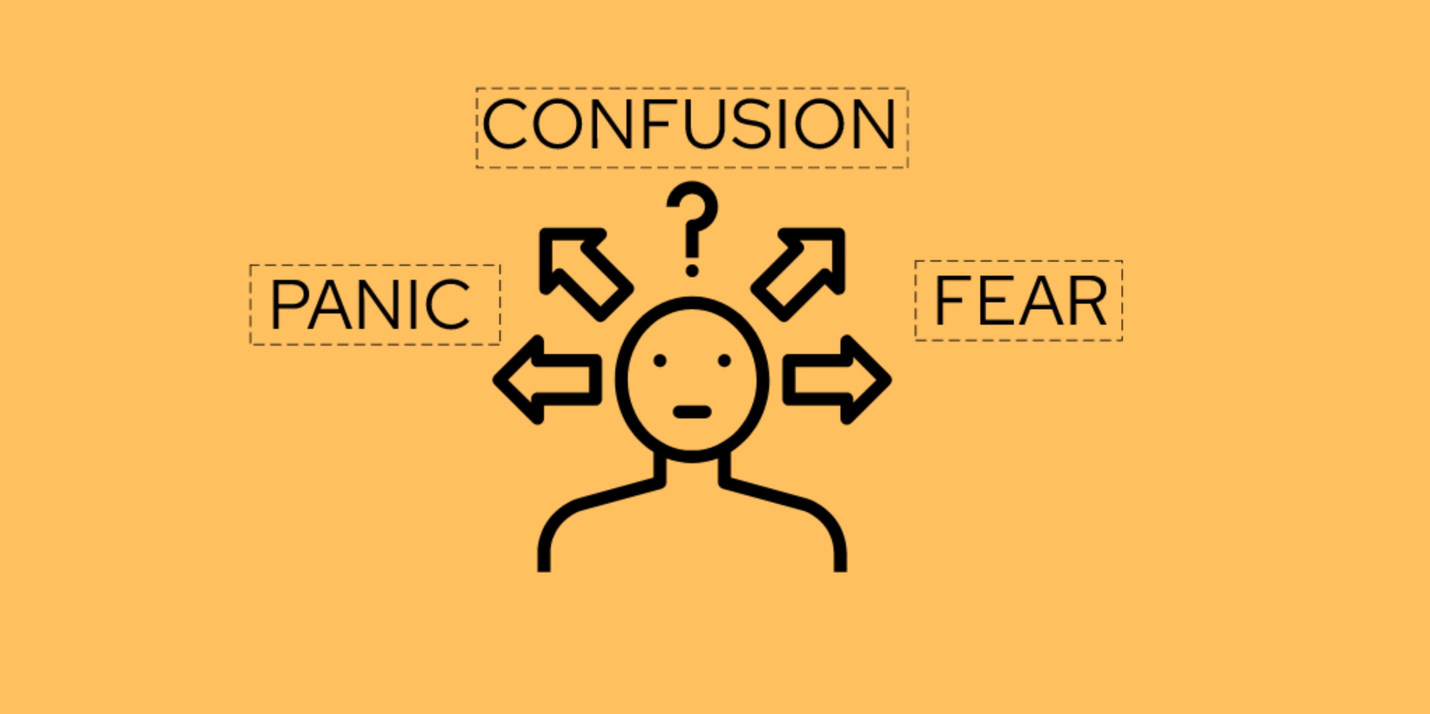
In trading one of the important things we learn is that we should cut our losses short and hold on to the profits.

Most of us plan to implement the same from the next trade.

BUT!

When we take the trade, If the trade goes in profit we panic more then we would have panicked if the trade would have gone wrong.

Strange right, why would someone panic if the trade is going in profit.



New traders may not go through this emotion as they may have not gone through the Fear which a little more experienced (still not profitable) trader goes through.

Let’s name this little experienced trader Rahul.

So, lets say Rahul takes a trade, he buys Reliance at 2000, with SL at 1980.

He is ready to “ FOLLOW THE PLAN” of holding the profit and exit if trade goes wrong.

Now, Reliance goes to 2010, Rahul is happy, panicked, Feared.

Mixed feelings right, but you may think that being happy was okay, why he is panicking and fearing.

Well, he is getting these feelings because he can't believe that his trade is going in the right direction after a lot of wrong trades.

He is going through FEAR because he thinks that what if this PROFIT turns into LOSS.

What if like all the previous trades this trade also goes into loss, this feeling is going to make some trouble for Rahul now.

After thinking all this, Rahul exited the trade at 2010.

The Plan to hold the profit goes to toss.

This was not only Rahul, but we all went through the same emotions.

So, let's come to the main point now,

HOW TO HOLD THE WINNERS and win over these emotions ??

First we should know why we get these emotions.

These are few big reason -

1. CONFIDENCE-

Most of the unsuccessful Traders have this quality in common they are under-confident.

Note, that Confidence doesn't mean that one starts to bet too much on a single trade or anything like that.

Being confident is to Follow the plan, in any sort of conditions, without FEAR, without Greed.

SO, HOW TO BE CONFIDENT-

You may think that we can build confidence by gaining more knowledge, but I can tell from my experience that more knowledge does not help in this case.

Confidence could only be built by taking a large number of trades.

Because it shows you, whether you have any edge or not.

So, how to take trades when you are under-confident?

FIRST, thing you can do is reduce your Risk size to ¼ levels of what you are risking now.

REDUCE THE RISK

Take 50 trades with that risk and then increase the risk, keep doing this again and again.

Second, You really have to trust yourself, and take a leap of faith if the first step is not working for you.

Sometimes, What we fear is just an illusion.

Taking risks is meant to feel scary, but overcoming this fear is your only ticket to experiencing new and exciting things.

We should all learn to embrace risk rather than fear it. It is one of our greatest learning tools

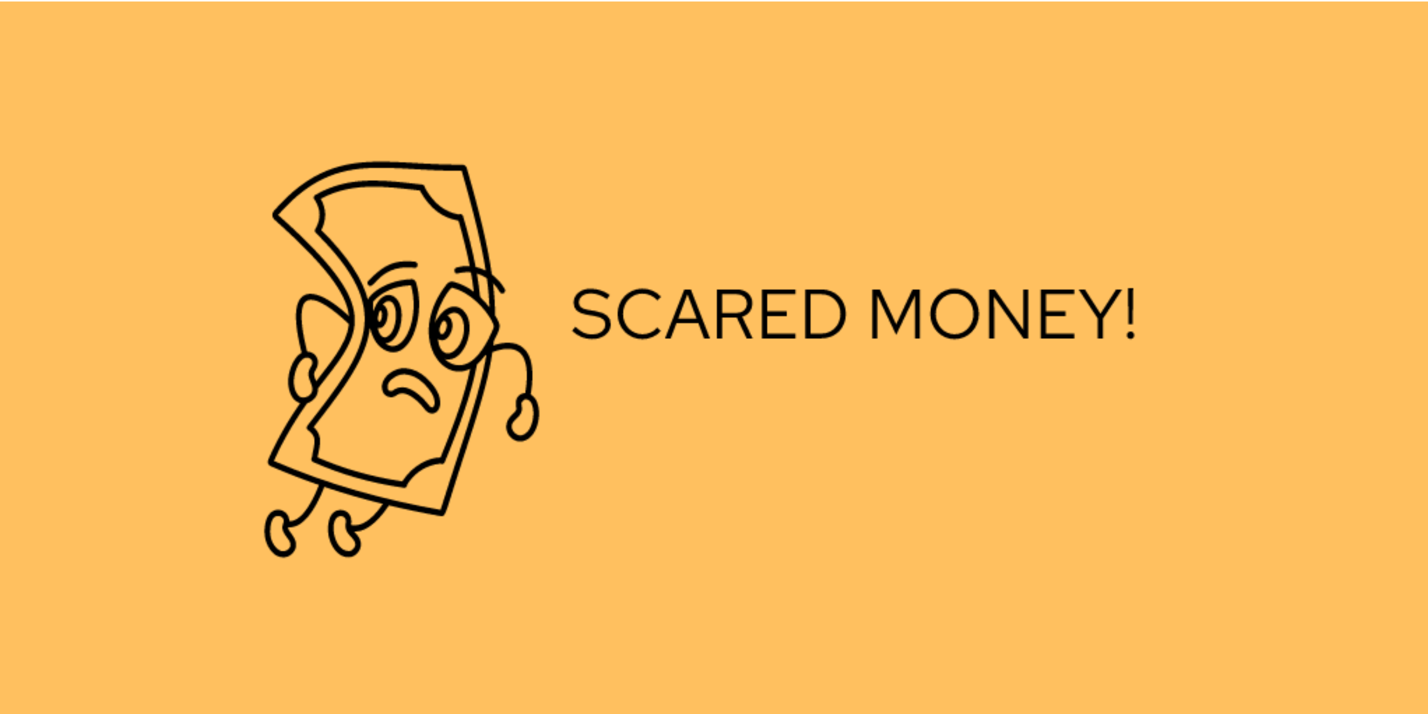
2. SCARED MONEY -

We often hear, “Scared money never wins”

We all love our money, And we don't want to lose it.

But, in Markets we have to give something in order to get something in return.

Scared money is the money that you may need for your Bills, Rent, food, etc.



If you trade with this money, it will be difficult for you to be Confident and not get emotional about it.

Though, There are exceptions everywhere.

So, If you could , Just use the money which you don't need for your immediate needs.

I see many people saying just use the money which you don't mind losing .

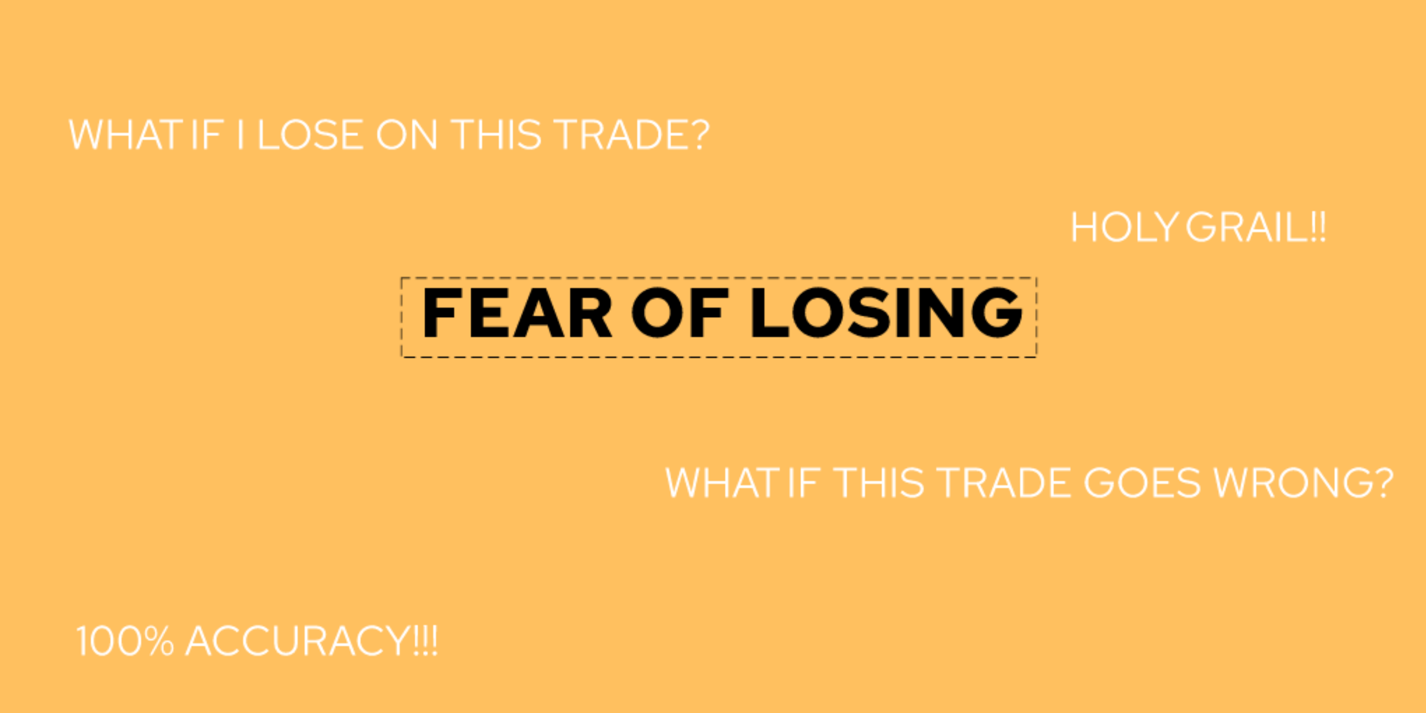
I don't know anyone till now who doesn't mind losing money.

I say that don’t use money which you may need in near time, just because it will make you more emotional.

3. FEAR OF LOSING-
We all love winning 100% of the time.

But Markets are different here; one can make fortune Even by only being Right 30-40% of the time.

Though most people can't digest this, 2-3 LOSERS in row, and their confidence comes crashing down.



After this losing streak, they fear even taking the next trade, as they think it will be a loser.

Though we all know that one trade is not connected to another trade, and its outcome is purely Random.

So, Focus on the outcome of large number of trades and not a single trade.

Not looking at the P&L, while you are in a trade will definitely help in not allowing your emotions to creep in.

If you incorporate the above 3 points then it will definitely help you to understand why you are not able to hold your winners.

At last I just want want to say-

“You don't learn to walk by following rules. You learn by doing, and by falling over. “ - Richard Branson

Thanks for reading.

Trader knight