Twitter Thread by Sarosij Ghosh

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1■ The things that I look for are:
(a) the long-term trend,
(b) the current chart pattern, and
(c) picking a good spot to buy or sell. If you want to read the behaviour of the market, ask yourself…
(a) What’s the long-term trend?
(b) If any chart pattern is forming?
#trading

(c) Finding areas of value?
(d) Who’s more powerful, buyers or sellers?

Personally for me I trade like to trade bullish continuation patterns like Flags, Ascending Triangle, Rectangles, Penants, Falling Wedge in an already established uptrend.

2■ Set a pre-defined stop-loss at the same time I enter a trade and keep tralling as the trade moves in your favour.

As a trader, you never know if the next trade will be a winner or a loser.That’s why you have a stop loss to protect your downside — so you don’t lose everything.

3■Not over-relying on fundamentals as it indicates a lack of faith in trend following.

As a Trend Follower, the only thing that matters to me is the price.

Rumors,Fundamentals,Opinions don’t matter to me at all.

At the same time you never know how much further the market can move in your favor.

So, If you want to ride big trends in the market, you must trail your stop loss.

The reason for this is that -
(a) Fundamentals can go against price (stock go up on bad news).
(b) By the time fundamentals is out, it’s usually too late to enter.
(c) It’s difficult to manage your risk based on fundamentals

If you trade using technicals, it’s easy to manage your risk
All you need to do is -
(a) Calculate your stop loss
(b) Position size accordingly

But if you trade based on fundamentals,you probably won’t even use a stop loss because as the price move against you, the stock will become “cheaper” — and you'll feel it's even more attractive now.

4■ I usually ignore advice from other sources such news channels and telegram groups.

Trading is all about probabilities.

This means you’ll never be 100% correct, and instead, likely to be wrong more often than not.

The problem with taking trades based on other's advice is that you lack conviction in that trade, and when a pullback comes you're more than likely to be afraid and exit that trade.

5■ Pyramiding on the way up.

I like to add/increase my position as the trade moves in my favour. Though this psychologically a bit difficult to do, but this is a hallmark of a pro trader.

But, You don’t want to pyramid your trades aggressively, or else when the pullback comes, you’ll lose everything (and more).

6■ Always trade with the higher timeframe.

The point is, if you watch the price all day long, you’ll get excited by the little fluctuations — and might place trades you won’t have otherwise taken.

That’s why I trade the higher timeframe (and ignore most of the “noise”.)

7■ Treat Trading like a business

In order to be successful you need to treat trading like business. You need to have a proper trading plan and follow it with great discipline.

8■ If you can’t take a small loss, sooner or later you will take the mother of all losses.

Every big loss I’ve suffered started from being a small loss. It’s tempting to avoid the loss because the market usually reverses back.

But here’s the thing:
All you need is one time for the market NOT to reverse — and you’re shit out of luck.

So really, the best loss to take is when it’s still small, not when it’s so damn huge that it destroys your trading account.

The elements of good trading are (1) cutting losses, (2) cutting losses, and (3) cutting losses. If you can follow these three rules, you may have a chance to survive in the markets for a longer time than most amateur traders.

9■ Trading is a statistical game.

It’s how much you lose when you’re wrong and how much you win when you’re right.
That’s what matters!

For example:
You have a win rate of 30%
You risk 1% of your account on each trade
You earn an average of 1 to 3 risk reward ratio

And here are the results of your next 10 trades -
■■■■ ■■■■ ■■■■ ■■■■ ■■■■ ■■■■ Win ■■■■ Win Win
The result?
-1%, -1%, -1%, -1%, -1%, -1%, +3%, -1%, +3%, +3%
= 2■ %

Now even though you’re wrong 70% of the time, you still made a return of 2%.

And that’s only possible because you cut your losses.

So, if you want to stand a chance of becoming a profitable trader — cut your losses.

■Have a winning mindset

A losing trader will do little to transform himself into a winning trader. A losing trader is not going to want to transform himself. That’s the kind of thing winning traders do.

A winning trader has nothing to do with intelligence, luck, or account size.
Instead, a winning trader -
(a) Has a trading plan
(b) Follows a proven process
(c) Has a proper risk management
(d) Focus on the process, not on the results
(e) Has the right expectations about trading

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