Twitter Thread by Rohit Srivastava

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Your view of the world and markets can change significantly when you close out your derivative positions and trading/leveraged trades v/s only hold a delivery-based portfolio.

The reason is psychological. The quick gains and losses that leveraged trades bring make you react with the same emotions you do in a regular portfolio at a faster rate. So what a 30% drawdown would make you think on a delivery portfolio ends up happening in days.

Suddenly you will find it easier to believe that negative conspiracy theory-based video or blog post than you would have otherwise.

It is therefore always a good idea to have an investment portfolio outside your trading positions to help you keep perspective of the big picture and ask the right questions.

The trading then is a subset of the big picture. Bull market cycles often go on for years and go through many bouts of hope and fear themselves. But stocks hold out better making higher highs and lows as long as the trend is intact.

An across-the-board decline in your portfolio or lower lows in a stock v/s the previous drawdown lows would only happen in bear markets. The onset of a bear market can therefore be identified in how your portfolio is behaving.

Investments set the tone of the larger direction for the market, trades participate in that trend with near-term leverage and news does not distort the view as long as the larger trend is not disrupted.

https://t.co/PW4L6Bva1f

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