

## **Knowledge and true wisdom will cast out all fear**

We fear what we do not know. We fear the dark because we cannot see.

When we light a candle, the room is still there, just as it was when it was dark. But we *feel* better with the candle because we have knowledge of the room. Spend a weekend blind. I mean really blind. blindfold yourself and do not cheat. You will be surprised how well you do. (Especially if you have a small apartment and no kids.) This exercise will really open your eyes to the trap of fear. At first you will be afraid of every thing. By the end of the third day you will think that you are ready to go out on the street. Try it, I am not kidding!

In trading we can do the same thing. Trade naked. Don't use any indicators. Put up your charts and just use price action alone. Use a demo account at first then try it with a bit of real money. Your stomach will do flip-flops at first, just like the first couple of hours with the blindfold, but there is a big payoff in the end.

I believe forcing yourself to trade naked is an excellent cure for the fatal beginners disease known as *Indicatoritis*.

## **Ten Basic Errors of a Newcomer in Trading**

### **1. Trading when market has just opened**

Within the first several minutes after opening, the market usually moves about or jumps somewhere abruptly. Experienced traders sometimes try to use their knowledge to forecast by the first market movements what trend is possible. But emotions will certainly play tricks with a newcomer.

### **2. Undue hurry in taking profit**

Well, you opened a long position. Then, after a couple of days, you saw how much money you had earned and closed the position with joy. But this movement, as you would have gathered later, was just the beginning of a powerful up-trend. So, if you would not haste, you could earn 10 times more money. Use Take Profit orders only on extraordinary occasions, when the resistance level is clearly seen. Normally, it is better to exit the market using Stop Loss and trailing stop.

### **3. Adding lots in a losing position**

This is a reverse example: you opened a long position, but price decreased. You doggedly insist on that "it would still grow, I just opened the position too early" and add by buying more lots. But the price goes on dropping and twices your losses. Remember: You should only add lots to a profitable position.

#### **4. Closing positions starting with the best one**

If you have some long positions and the price starts to decrease, you often instinctively try to fix your profit first and only then close losing positions (or let it work until the Stop Loss triggers). This is a wrong tactic: If the whole market decreases, those positions will most probably lose that have already been unprofitable. But you have already had losses on them. This means you should close them first of all. Better positions will not fall so rapidly and, in case of a reversal, they will go up again. So do not haste to close a profitable position.

#### **5. Revenge**

A typical situation for a newcomer: A losing position has just been closed - and he or she starts opening new positions enthusiastically to requite the wrongs. This will result in new losses, so do not return to trading immediately after having lost. Rest a little.

#### **6. The most preferable positions**

Approach reasonably to your positions: Do not care especially for some of them, for example, for those where you bought at the lowest price - every trader is usually especially proud of such trades. It is clear that you are puffed up with self-admiration, but be careful and do not carry such a brilliant position to zero or even to minus.

#### **7. Trading by the principle of 'bought for ever'**

You were working on a relatively short period of time, opened up, and prices went up tremendously. And you say to yourself: "Aha, I've caught the start of a many years' up-trend", and hang this position "for ever". But things do not just happen: you either change essentially for much longer estimation periods or keep standard rules on your standard short period. Rules that will make you enter and quit the market even if there is a really powerful trend. Do not "marry" your position!

#### **8. Closing of a profitable strategic position on the first day**

Vice versa, if you trade not within a day, do not close a profitable position on the first day under no conditions. If even the price has been grown to a very high level, be patient: it can be higher tomorrow.

#### **9. Closing a position when alerted to open an opposite position**

Many trades with systems of continuous entering the market. These systems are always "inside of a position". This means, closing of a long position means for them opening of a short one. One can use such positions, but they must be closed earlier: the signal to close must be of higher priority than the signal to open an opposite position.

## 10. Doubts

You should not trade if you are not sure of your previous situation assessment. Having said to yourself "I'm sick with vague doubts", you should better close all your positions and reanalyze the situation. Or go for a walk. The latter recommendation is actual in all difficult cases, by the way. It helps for all diseases - try it yourself!