



15 Rules you must adhere to in order to become a Successful Trader.

RULE #1 --

Use money you can afford to lose.

If you are trading with funds you need for some family project, you are doomed to failure.

This is because you won't be able to enjoy the mental freedom to make sound trading decisions.

Your trading funds should be viewed as money you are willing to lose. Your position should be carefully analyzed so you don't jeopardize other funds or assets.

One of the keys to successful trading is mental independence.

You've got to trade outside influencing factors, and that means your trading freedom must not be influenced by the fear of losing money you really have earmarked for a specific need.

RULE #2 --

Know yourself.

You need an objective temperament, an ability to control emotions and carry a position without losing sleep. Although trading discipline can be developed, the successful traders are unemotional about their position.

There are many exciting things happening in the market everyday, so it takes a hard-nosed type of attitude and an ability to stand above short-term circumstances. If you do not have this attitude you will be changing your mind and your position every few minutes

RULE #3 --

Start Small

Test your trading ability by making paper trades. Then begin to trade small. Start with a Mini Account.

Beginning traders should learn the mechanics of trading before graduating to more volatile contracts.

RULE #4 --
Don't Over Commit.

One rule of thumb is to keep three times the money in your margin account than is needed for that particular position.

Reduce your position if necessary to conform to that rule.

This rule helps you avoid trading decisions based on the amount of money in your margin account.

If you are under-margined you may be forced to liquidate a position early, at a costly loss that could have been avoided.

RULE #5 --
Isolate your Trading from your Desire for Profit.

Don't hope for a move so much that your trade is based on hope.

The successful trader is able to isolate his trading from his emotion.

Although hope is a great virtue in other areas of life, it can be a real hindrance to a trader.

When hoping that the market will turn around in their favor, beginners often violate basic trading rules.

RULE #6 --
Don't form new opinions during Trading Hours. Pre-Plan your Trades.

Decide upon a basic course of action, then don't let the ups and downs during the day upset your game play.

Successful traders prefer to formulate a basic opinion before the market opens, then look for the proper time to execute a decision that has been made - apart from the emotion of the current market.

When a trader completely changes his direction during the trading day, it can confuse him and may result in generating lots of commissions with little profit.

RULE #7 --
Take a Trading Break.

Trading every day begins to dull your life and relations with your family members.

A trading break helps you take a detached view of the market, and tends to give you a fresh look at yourself and the way you want to trade for the next several weeks.

Take some time off and spend it with your loved ones.
A break also helps you see the market factors in a better perspective.

RULE #8 --

Don't Follow the crowd.

Successful traders like breathing room.
When everyone seems to be long, they look for a reason to be short.
Historically, the public tends to be wrong.
Successful traders feel uncomfortable when their position is popular with the buying public, especially small traders.

Periodic government reports on the position of traders of various sizes provide "overcrowding" clues.
Another clue is "contrary opinion".
When most of the advisory services are long, for example, the successful trader gets ready to move to the sideline or to take a short position.

Some services give a reading on market sentiment determined by compiling opinions from many advisory services.
If 85% of the analysts are bullish, this indicates an overbought situation. If less than 25% are bullish, this indicates an oversold condition.

RULE #9 --

Block out other Opinions.

Don't be influenced in your trading by what someone says, or you will continually change your mind.
Once you have formed a basic opinion in the market direction, don't allow yourself to be easily influenced.

You can always find someone who can give you what appear to be logical reasons for reversing your position.

If you listen to these outside views, you may be tempted to change your mind only to find later that holding your opinion would have been more profitable.

RULE #10 --

When you are not Sure, stand aside.

Don't feel that you have to trade every day, or even hold a position every day. The beginning trader is tempted to trade or hold a position every day and this is a costly tendency. The successful traders develop patience and discipline to wait for an opportunity. After they have taken a position and begin to feel uncomfortable, successful traders either reduce the size of the position or liquidate.

RULE #11 --

Never enter your entire position at one price.

If you want to be long a certain number of lots, you may want to do it 4 or more installments, to see if the market is moving in your direction before you become totally committed.

Successful traders use the fundamentals and various technical signals to guide their trading, but the most important key is market action.

The Successful Traders tend to wait for the market to verify that the initial position was a good one before putting on their full position.

RULE #12 --
Never add to a losing position.

Regardless of how confident you feel, if you establish a position that shows a loss, don't add to it. It may mean that you are out of step with the market.

Some traders don't agree with this rule, believing in a "price averaging" technique. The Successful Traders interviewed believe this is a risky technique and a way to mentally justify adding to a position that only magnifies a mistake.

RULE #13 --
Cut your Losses Short.

When the market moves against you, admit your mistake by liquidating your position. You can be successful if you are right on less than 50% of your trades if you keep your losses short and let your profits run.

Some Successful Traders have only three or four profitable trades out of ten because through discipline or stop-loss orders they get out early when they are wrong.

One of the most common failures of new traders is their inability to admit they're wrong.

It takes a great deal of discipline to overcome the temptation to hang on to a loss, hoping that the market will turn in your favor.

RULE #14 --
Let Your Profits Run.

Cutting your profits short can be the cause of unsuccessful trading. The slogan "you never go broke taking a profit" doesn't apply. The reason: Your losses will at the best cancel out or at worst outweigh your profits unless you let your profits run.

How do you know when to take a profit?
Some technical rules on reversals and other chart formations can help.

You should never take a profit just for the sake of a profit - have a reason to close

out a profitable position.

RULE #15 --
Learn to Like Losses.

This rule says just the opposite of what many traders think.
Learn to like losses because they're part of the business.

When you gain the emotional stability to accept a loss without it hurting your pride,
you're on your way to becoming a successful trader.

The fear of taking a loss must be removed before you become a good trader.

If you stick to the above Rules, you will definitely become a Successful Forex
Trader. There should be no doubt about it.