

Top Ten Tips for Traders

In order to be a successful trader – and not fall into the trap of so many – it is important to take good advice and remember that, sometimes, others do know best! Here are the Top 10 tips for successful trading. Follow them closely (or at least to an extent) and you should stand a good chance of becoming an accomplished spread bettor.

1. ALWAYS stay in control

- Winners are always in control; both mentally and emotionally.
- Losers aren't. Losers are sometimes guided by emotions – This will lead to you making bad decisions!
- “Plan the trade, trade the plan”. Always stick to the original plan. Deviations will invariably lead to an error.

2. Take responsibility for results

- Winners are can sometimes lose! But most of the time they win and when they do lose they accept it, learn from it and move on
- Losers tend not to fully accept that they are losers and tend to blame other factors for their own mistakes. At the end of the day, you know it's down to you

Examples of **NOT** taking responsibility for results

- Assigning blame for outcome on external things. E.g. tips, books, articles, the market, “them” and luck. On that ‘luck’ bit – never rely on luck. That is a major downfall for many. Luck should never be a factor

Examples of taking responsibility for results

- The results I get are down to me
- The power to succeed or fail rests entirely with me

Advice is available and there are many resources to aid your success, but the final responsibility rests with you!

3. Be in tune with the markets

- Winners: are always in tune with what's going on. They read, do RESEARCH (boring, but necessary!) and top-up their knowledge regularly.
- Losers: are not always in tune. They don't do proper research and often rely on luck or tips
- Being in tune = Know the bigger picture

Examples of not being in tune =

- Going long in a bear market. i.e. Buying when the market is in decline
- Going short in a bull market. i.e. Selling when the market is on-the-up

4. Have an EDGE

- Winners do have an edge
- Losers don't have an edge

Having an edge in spread betting means having a system [for betting] which can be expected to be profitable in the long run

Examples of **NOT** having an edge =

- Having no system
- Having a losing system but sticking with it
- Not realising the need for a system

Examples of **HAVING** an edge =

Having a system which, at a minimum, defines rules for:

- how to enter
- how to exit at a loss
- how to exit at a profit
- how to determine bet size
- can follow, a trend, counter trend or intraday

5. Use methods which suit YOU

- Winners use a method best suited to them
- Losers either don't have a system, or they use one that they can't work with
- You need to consider many things including:
 - the type of character you are
 - your account size
 - your beliefs
- your attitude to risk (this is very important – know what you're comfortable with)

6. Understand the 'risk to reward' and the odds of your methods

- Winners work everything out and know what to expect
- Losers don't evaluate properly and are often surprised at a certain result (profit or loss)
- Know the key numbers to understand for each strategy used:
 - know the percentage of winners to losers
 - know the ratio of average win to average loss

If you know everything insideout you won't ever have any nasty supprises.

7. Have an appropriate bet size

- Winners have an appropriate bet size for their strategy and objectives
- Losers don't have the right bet (and this is one of the most common causes of failure)

For the correct bet size ALWAYS know the following:

- 1) How much are you prepared to lose if the bet goes wrong?
- 2) Know the distance from entry to initial stop

Example – short (go short or sell) entry at 150p, initial stop at 170p, prepared to lose £100 on the bet. The bet size would therefore be £5 per point

How much are you prepared to lose on each bet? This is usually calculated as a percentage of funds available for spread betting

Examples from winning traders include 0.5%, 0.75%, 1%

8. Keep a strong focus on exits

Winners spend as much time designing exit strategies as they do designing entry strategies. Knowing when to exit is a very important part of spread betting. Plan a time to exit and stick to it.

Losers don't do this and make ad-hoc decisions as to when they should exit. This could lead to you not making the right choice.

Examples of exit strategy design

1. Where to place initial stop
2. Whether to move stop once in trade
3. Whether to use technical analysis to place stops e.g. support and resistance, trend lines, moving averages
4. Whether to exit at targets
5. Whether to use time based stops techniques

9. Keep written plans

- Winners have thorough written plans which outline their actions
- Losers don't have plans and act on impulse
- Examples of planning and things to include:
 - Annual plans / budgets / targets
 - Documented trading strategies
 - General trading rules
 - Psychological rules
 - Contingency plans
 - Weekly reviews and shortlists
 - Daily shortlists and trading plans

10. ALWAYS monitor performance

- Winners do this so they can spot if something isn't working QUICKLY
- Losers don't do this and are often unaware that they are losing
- Monitoring examples:
 - General record keeping
 - Daily review; what went well, any mistakes made?
 - Periodic review of overall markets e.g. weekly
 - Periodic review of performance e.g. monthly
 - Psychological / emotional diary

You should act upon as many of these tips as possible in order to give yourself the best possible chance of success. Stick to your planning and do proper research on everything you do.

One last thing to remember: You don't have to bet! If there's nothing you fancy or you're not in the right mood -- stay away. There's always another day.

Good Luck!

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