



TRADING: AN EMOTIONAL BALANCE

Trading is a full-time business & there are no shortcuts for success in trading. Most of the traders do not get success for long period of time. This is unless they are fortunate and have defined the strategy that has suited them and they are satisfied with the results. Otherwise, they will have to explore & find out for themselves, through trial and error.

Although there are many good systems available in the world but traders keep asking questions like, whether the market is stable? But, it is not whether the market is stable; it is whether you are stable in terms of emotions and psychology. If you are stable, you can trade any market, anytime and anywhere, using any good system. If you are not stable those little hiccups here and there will make you feel discouraged and you will start looking for another Holy Grail. Trust me, this will repeat time and again. It is never about the system. It is about yourself and how you manage yourself, which is of utmost importance.

We must always stay emotionless and not lose rationality, as it deters you from making better decisions.

TRADING HAS TO BE EMOTIONLESS BECAUSE

$$\text{Trading Results} = \text{Trading System} - \text{Emotions}$$

From the above equation, if the emotional factor is large, your results will be poor. As such, there is a need to reduce the emotional factor as it affects your psychology, which in turn prevents you from making sound decisions and following the rules. With emotions involved, you may even treat stock market like a casino without being aware that you are thinking so. Thus you must stay emotionless and make your system as mechanical as possible.

I have a few good ways to recognize and control emotions, which I would like to share.

Firstly, for the “End of day” trader there is no need to watch stock prices when the market is open. I do not mean that you should be lazy. When you see stock prices move, especially against your position, you are likely to be emotional. You may lose the ability to be able to make rational and sound decisions. You look at the prices and adjust your buy or sell stops after the market closes. This way, you can gently minimize your emotions and prevent yourself from making hasty decisions.

Secondly, be as mechanical as possible. Put a stop-loss or trailing stop to always take care of the downside. If possible, set everything in auto mode once you enter a trade and let the market run without your emotional involvement. This can prevent your emotions from taking part in the decision making and you will get adjusted to the process gradually. After following the process, the point when you get indifferent is where you start getting successful in trading. A lot of people cannot take losses. I believe the secret of success is your willingness to accept losses or your willingness to give.

The market is never stable. Here, the most important question to ask is, are we stable? Do we have a correct trading psychology, trading system, a way or path? It all rounds up to the fact that inner stability is very important

when it comes to trading. When you are at peace with yourself and are emotionally stable, you will know exactly what you are doing.

People who cannot control their emotions cannot do well in trading. Trading is a rational game. Emotion is like a sea of turmoil and if you are unstable, you will easily get carried away by the waves. Perceive yourself as a big cruise liner, moving slowly, turning slowly and the waves will not affect you and your course.

My philosophy for life and trading is almost the same. You cannot take it too hard and you have to learn to let go. Trading, business, relationships etc., all have down times. You must learn to let go, cool down, and take it as it comes. Trading, like life, allows us to constantly think and reflect upon ourselves.

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Ultimately, Trading is more about psychology
than anything else
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Courtesy: Learning from an interview with Mr. Keane Li (Singapore based legendary Trader).

About the Author

Ashwin Porwal is a momentum trend Trader, risk-bearer, traveller, dreamer and a spiritual person. He Trades in equities, derivatives and commodities with his team of professionals. An MBA Finance from Institute of Management Studies, Indore, he has attended many courses on Stock Market & Life management at national & international levels. He began his career at an early age of 20 years. Ashwin has a keen interest in researching and exploring markets which has turned him into an experienced professional technical Trader. He is a member of the Advanced InvesTrade Forum.

