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TradingTips

10 TIPS

To Help You Avoid Your Own TRADING TRAGEDY

CapitalVia
Global Research Limited

Accidents Happen

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Stock Market is a place where thousands of people come with a dream to become a millionaire. These days it has been seen that percentage of people involved in trading has increased. From morning to the evening common man are into the business of stock market, they leave their businesses and are into the drive to earn more and more. But is it so easy? Well the answer is Na… it's not every ones cup of tea. The pains which we take to make our business successful and to escalate it to new highs do we take when we trade or invest our hard earned money? No we do not. This is one of the basic reasons for the Traders Remorse. The Traders Remorse is because of many other errs. Our article is a step to highlight a few errors which the trader does and the strategy to overcome the same.

Lack Of Planning

Lack of Planning

One of the basic reasons for the trader's remorse is lack of planning while entering the financial markets. Before dedicating your investments to the market always plan out the proportion which you would like to allocate. After deciding the proportion of your capital you would like to invest in financial markets sub allocate the same between different asset classes like equities, fixed deposits, mutual funds, commodities etc.

1

Risk Appetite

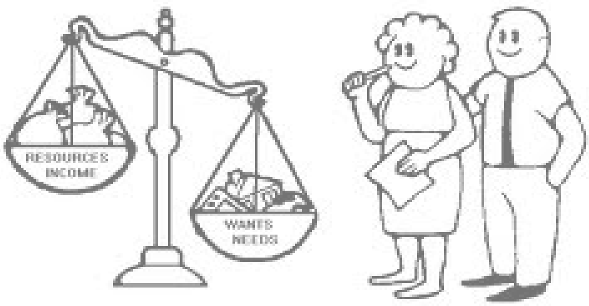
The traders do not determine the risk appetite. Always pre determine the risk you can undertake. For Example: if you have the capacity to lose Rs. 100 then never bet on more than this. Taking a risk more than what you actually can, may lead to accumulating more losses.

2

Risk Appetite

Greed

"Never Be Greedy with the Markets". Keep booking profits; more greed can turn you in losses. This can be understood from a very simple example which many of us do. If Stock XYZ is bought at Rs. 20 and its now quoting at Rs. 30 we expect it reach to Rs. 50 and we don't book profits and it starts declining and we don't book our profits, indeed than we wait for it to again reach to Rs. 30 and we see that sometimes it even drags below the price which we bought for.



3

Greed

Diversification

Diversification

"Never put all eggs in one basket" - by this one needs to understand that we must not put all our money at one place. Diversification is necessary i.e. allocate your money among different asset classes like stocks, bonds, property, commodities etc. If one underperforms the other may generate a return for us. Similarly while investing in stocks/commodities do not allocate your capital in a single stock or sector, this may detoriate the return of your portfolio.

4

Herd Mentality

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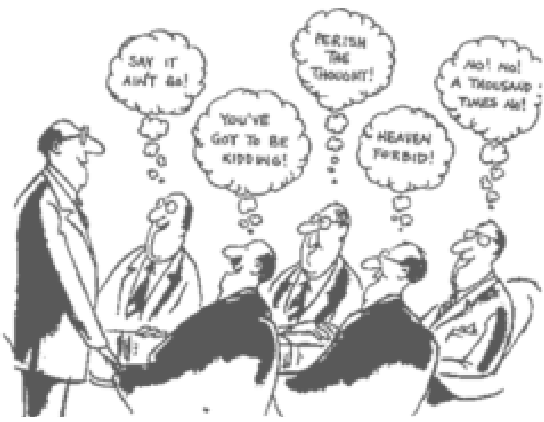
Never do what the crowd is doing i.e. if a chunk of people are buying the asset XYZ, it's not necessary for us to follow them. We must have a proper reasoning for the same to buy a particular asset. Following the crowd is Herd Mentality and may create bubble in the asset which leads to ultimate trapping leaving the common man in losses.



5

Patience

Patience

Patience is very necessary while you dedicate your money to the financial markets. Never buy in optimism and sell in pessimism. It's one of the most common errors that we lose our patience in bearish market and tend to sell it at its bottom and vice-versa, thus leading to loses.

6

Chasing the Past

7

Chasing the Past

Markets are very trendy; the strategies that worked in the past might not work in the present. So, always be ready to accept changes. For e.g. the returns which might have been registered in past of 10% might not be registered in a changing market scenario. Thus always keep changing according to the markets.

Waiting in Loss & Early Exits in Profit

Waiting in Loss & early exits in Profit

This is one of the most common errors which many of us do. Early exit in case of profits and waiting in losses. Always stop your losses by identifying a proper exit point if the strategy is working against and in case of profits also always raise the stop losses and trail the profits. The above strategy will enhance the return of your portfolio.

8

Leverage

Leverage

Always dedicate that portion of money only which you can afford. Never over leverage.

9

Averaging

Averaging

In case of decline in the value of stock/asset the common mistake done is averaging. Avoid averaging, indeed look for a better option that can enhance the return of the portfolio. For example if you are invested in the stock XYZ and it's in downtrend, don't average it indeed look out for the stock that is performing in the down trend also. This strategy might recoup your losses.

10

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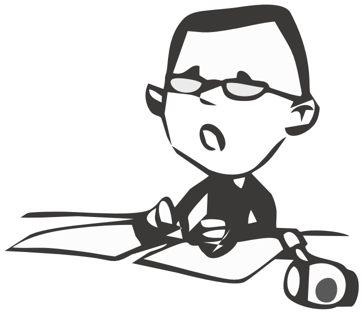

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