

12 Truths For New Traders

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So you are a new trader? Successful or not, there are some guiding principles that hold true in every market.

Here are the 12 truths for new traders that I consider it vital to accept if you are to be successful.

1. Trading is about following a routine that works.

If you are to be successful trading you must develop a routine.

Consistent results are the key to success. If you trade according to a consistent routine then you greatly improve your chances of success.

A routine involves repetition of a series of actions and repetitive application of rules for interpretation with proper guidance. This is not easy to develop.

2. There is no Holy Grail for trading success.

I don't have the perfect system. Neither does anyone else. Above all, you will not find it in a piece of computer software.

This does not mean that I have nothing useful to say or that no software is helpful.

While trading results are either a win or a loss, the trading process is much more a grey area than a black and white, right or wrong way, system.

Despite this, inexperienced traders continue to look for a perfect system until they eventually come to realise that there is no Holy Grail.

3. Trading profitably is not easy.

Even if you manage to do it for a while it is not easy to continue to do so.

Don't get fooled by the 'easy way to make money' charlatans. Trading requires a balance between individuality with sharp mental abilities and the ability to also follow rules about what you will and will not do.

4. You are up against the best from day 1.

You will not be a successful trader if you are average because the average trader loses.

However, if you get it right, the rewards are so much greater than with most other pursuits.

5. Discipline is hugely important.

Discipline means the ability to follow your rules, always. Nothing more, nothing less.

6. You must act and think like a trader when trading.

Afterwards, you can, indeed you must, become yourself once again.

When you are trading, discipline is everything. There is no place for intuition, hope, good feelings or any other from a range of emotions.

7. Trading is not primarily about technical or mathematical ability and success does not depend on having some new information.

There are two critical components for success. These are proper money management rules to control risk and the ability to maintain an emotional equilibrium to follow the rules.

8. You must always trade according to a good plan.

This means you must develop this plan in advance and it must be written down.

New traders start either with no plan or with a very vague, incomplete plan. They then often set out to gather information from everywhere they can, irrespective of whether this is either sensible or consistent information.

When their trading does not show profits their response is usually more information and usually more complex analysis. The result is they never come up with a consistent practical and implementable trading plan.

9. Trading skills can only be developed by practice.

You will need to put in the time and effort. Reviewing markets day after day is essential.

The market will tell you what to do. You have to observe and listen if you are to act in a way that brings profits.

10. Finding good opportunities is only part of the task.

Most traders concentrate on developing entry criteria and fail to properly think through their risk control and learning strategies.

11. You must keep written records.

If you don't then you won't even know what you are doing right or what you are doing wrong and you will continue to make mistakes.

12. You always take full responsibility for your trading.

This is the case irrespective of how you are performing.

You are responsible if things go wrong – it's not what the market does, it just moves about.

You also take full credit when it works for you and you make profits. It's not luck – luck is just random occurrences. If you make it happen you take the rewards and the credit.

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