

The 9 Stages of Trading

<http://www.binaryoptions4x4.com/9-stages-trading/>

Have a look at the online platform offered by any binary Options broker. What feature do they emphasise most?

It's probably that you can make good profits quickly. It's true that you can, but it's by no means certain. But we'll leave that aside for a moment.

What's the next headline? Quite likely it's the ease with which you can trade. And if you look deeper into one of the eBooks that are offered then this feature will be right up front.

Again it's true that Binary Options are very easy to trade. But don't be fooled by this hype. Because putting on a trade is only one step in trading.

Trading is a process involving a number of steps.

No matter what you are trading, actually undertaking the trade is a pretty simple, generally straightforward affair.

Of course you have to be careful not to make a mistake. The 'fat finger' phenomenon is a real danger for every trader.

This process of trading involves many steps every one of which must be planned if trading is to be a successful activity.

The exact number of steps or stages in the process will vary a bit depending on the methodology you employ, but there are many common features across different systems.

The process inherent in the BOSS system involves 9 steps, although not all of these need to be repeated for every trade.

Overall Strategy and Risk Control

The first step for any trader is to decide on the overall strategy. Since this remains the same for all trades this step needs to be undertaken once and then reviewed periodically. So, we have decided to trade Binary Options and use the BOSS system. Then identify a broker.

The second step is to set the risk parameters. This involves 3 stages.

First, identify the size of your trading fund. This might be all lodged into the broker account but this need not necessarily be the case.

Second, identify the rules that will control risk. These can be quite simple as laid out in the eBook.

Third, calculate the amount to risk on each trade by multiplying the fund by the allowed percentage risk. This simple calculation should be redone as your fund changes value, but once every few weeks is normally sufficient.

Analyzing Markets to Find Trades

The third stage in the process is assess which markets are trending using the BOSS. Stick to a limited number of markets and get to know them. Depending on your time horizon you may need to do this a number of times a day and also do a weekly analysis.

Any trades will be taken in accordance with the results of this analysis and, while it needs to be kept up to date, it does not need to be repeated for every trade.

Having identified which markets are trending, the fourth stage is to assess any trend for risk and strength. This is important as we do not wish to trade weak trends or those that are overly extended as chasing trends is a sure way to end up taking low probability trades.

The results of this analysis lead directly to the fifth step which is to see which potential set-ups are identified. Since set-ups are fully rule based in the system, this is done automatically by the BOSS.

By this stage we know which markets we should look at for trades and what will trigger an entry. However, the analysis so far has not told us to take any trade.

This is done at sixth stage and decisions are required. The trader must identify appropriate the entry points and assess on a shorter time scale how the market is performing in order to time the trade.

The Decision Process

The seventh step is the decision to enter the trade or decline the opportunity. The best way to do this is to follow a clear decision process that is compatible with the trading system.

The best process is one that breaks the decision down into a series of simple questions with a Yes or No answer. At some point this leads to a clear Yes or No whether to actually trade.

Once this process is complete it is important not to second-guess the system. There will always be more information available and if you try to incorporate it all you will just end up with conflicting signal and no clear decision.

Trust your system. If you don't trust it then get rid of it and formulate a new plan. If the decision process says to enter the trade then do so.

So, the eighth stage, the act of actually placing a trade, is quite a trivial action once the trader is familiar with the trading platform. It is simple since all the decisions have been made.

After You Trade

The ninth and final stage is to keep a good record of all trades and to monitor performance.

The precise metrics to use to assess performance are a matter of discretion, but at a minimum it is necessary to know the percentage of winning trades, the average payout ratio and the percentage growth of the fund.

In addition, it can be useful to set targets and assess performance in relation to these targets.

Finally, the trader must use this record to review trades, assess how well the rules are being kept, and see if there are mistakes being repeated.

Actually Trading is Simple

No system is perfect, but it is important to recognise that the act of putting on a trade is only one in a series of actions and is almost certainly the easiest to accomplish.

It is a simple act and there is no actual decision to be made. There are decisions to be made at every other stage of the process.

It's not the trading but all that goes with it that makes trading profitably so difficult to achieve.

Trading rules help to guide the trader through these decisions by reducing the discretion allowed.

There is a lot of information produced in this process and ensuring that this information is properly interpreted and readily available to guide decisions is an important and often overlooked requirement of a good system. This is what the BOSS system does for you.

Download the Free Trading eBook



