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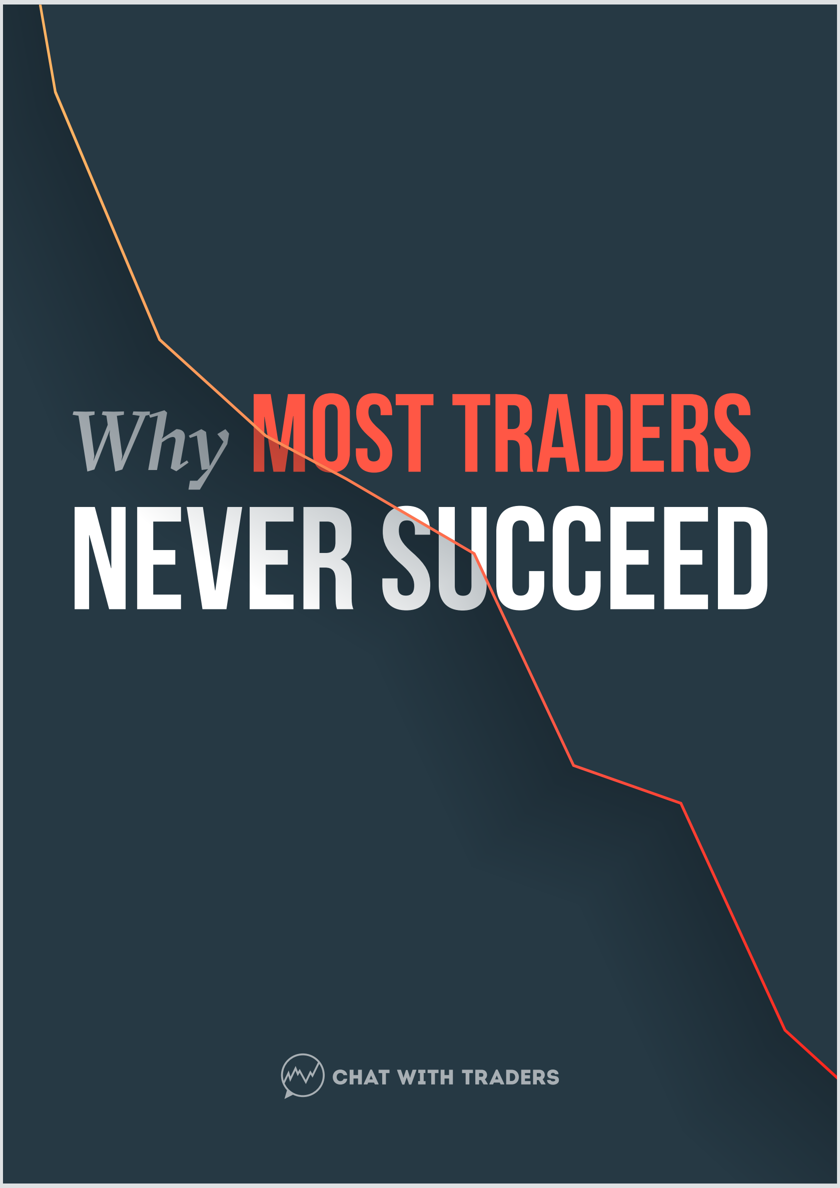

- Shortcuts do not exist. The greatest way to reduce your initial learning curve is with some old-fashion study of price action. The answers to your trading success do not rest within someone elses neatly packaged system.

Jason Leavitt

Swing trader · Position trader · Founder of Leavitt Brothers

@JasonLeavitt

What's the reason why most traders never succeed?

First of all, the traders that don't succeed don't have a plan. They just don't. They hope, they fantasize, they dream, and they want things to go their way, but they don't have a plan. They don't know what they'll do if the market goes up, they don't know what they'll do if the market gaps up, they don't know what they'll do if the market gaps up and then sells off. They pretty much just wing it...

They get into a position and they don't know where their stop is, they don't know if it's a short term trade or a long term trade, they don't know if they're going to scale out, they don't know if they're going to add a new position if it breaks out and then pulls back. They literally just fly by the seat of their pants, because they don't actually have a plan.

Think about a football team, can you imagine if they showed up and didn't have a game plan – that would never happen! They spend an entire week looking at game films, and practicing certain plays based on the type of defense that the opposing team is likely to play. Then they actually workout and practice many different plays in order to capitalize on this. And traders have to do the same thing; they have to have a detailed plan.

"They get into a position that goes against them, they should get out, but they're afraid of taking a loss"

Even though 90% of the plan will never matter, at least they'll contemplate, 'What will I do if the market does this,' and, 'what will I do if the market does that?' If they have ten of these different scenarios that they've thought out, obviously most of them are never going to happen, but going through the motion of outlining a plan is an extremely helpful exercise.

All traders need to sit down and say, "What's my plan for today? What am I going to do if this happens? What am I going to do if that happens?" Play devil's advocate – that's what they need to do, but they don't.

Another thing aspiring traders often do is 'style drift'. They constantly jump from one strategy to the next, to the next. One day they're swing trading stocks and playing chart patterns, then a month later they see something on a message board and get tempted to trade Fibonacci retracements. Now instead of playing breakouts, they're buying pullbacks, and perhaps they'll slap a new technical indicator on their charts also. So they're constantly shifting from one style of trading to the next.

Although in saying this, it is necessary when you first start out. Because in order to zero in on what works for you, you have to experiment with several different styles. But once you do zero in on what works, you have to stick with it, and avoid the temptation to go elsewhere. So 'style drift' can be a big issue when new traders are starting out.

In addition to this, they don't take a loss. When they get into a position that goes against them, they should get out, but they're afraid of taking a loss, so instead of exiting they bargain and negotiate with the market. They say, "If it can just go back up, I'll get out at breakeven," and then it goes against them even more. Next they say, "Well if it can just go back up to where it was two days ago, then I'll get out with a small loss," but it doesn't go back up, it keeps moving against them. Before they know it, a perfectly normal loss turns into a huge loss. This creates a major problem. Not only do they suffer because of the money that they lost, but also their confidence is shot, their emotions are shot and it spirals from there...

One other problem that many traders have right now is 'information overload'. It wasn't a problem when I first started, but it is right now. Even though TV is less prevalent now that it was back then, with all the websites, blogs, and services (i.e. Twitter and StockTwits), there is no end to the amount of information you can get. And no matter what a trader wants to do, or what their opinion is, they can easily find support for that opinion.

Now, just to recap, these are the main points of failure:

- They don't have a plan.
- They don't know how to zero in on one thing, and they're constantly changing their strategy.
- They don't take a loss.
- They don't ignore the excessive amount of information that's out there.

So if you flip this around and you want to know how to become successful:

- Have a detailed plan, outlining exactly what you will do in different scenarios.
- Hone in on something that works for you.
- Make a deal with yourself that you will never let a small loss turn into a big loss.
- Try to ignore a majority of the information that's out there, because most of it's noise.

@PeterLBrandt

Peter Brandt

Legendary trader · Classical chartist · Author: Diary of a Professional Commodity Trader

What's the reason why most traders never succeed?

They are afraid to lose – that's the number one reason. I see so many traders who are afraid to put on a position, because they're worried about being wrong.

Whereas I don't have a problem with being wrong on a trade. In fact, I naturally assume that I will be wrong on a trade – that's my default position... And because of this, I approach money management differently.

The second reason, is they trade too big.

"I naturally assume that I will be wrong on a trade – that's my default position..."

They oversize their positions, they trade too much, and they're too aggressive; trying to build up a position that's larger than their account can support. This is particularly true in futures and forex. Not so much in stocks with a cash or margin account, because you're reined in based on what your capital is, and you soon run out of buying power. Where as this is not the case in futures and forex, but even still, seldom do I have more than 15% of my capital committed to margin.

The problem is, novice traders come into the futures markets and they say, "My goodness, the margin on one contract of beans is $3,000 and I have $30,000 in my account, I think I'll buy 10 contracts." Well, I buy one contract of beans for every $100,000 in my account, or 10 per $1,000,000. When I tell them this, they're shocked at how small I trade. So I believe a mistake that many aspiring futures traders make, is trading way too large.

Aaron's take:

- As a trader, you'll need to get accustomed with the fact that you are often wrong. If you have a fear of pulling the trigger because you want to avoid being wrong, then there's likely an underlying issue. Maybe you're trading too large...
- Just because there is an insane amount of leverage being offered to you, doesn't mean you should take it. Leverage is a double edged sword, and you must treat it with caution.

To read the full-length guide, please go to:

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