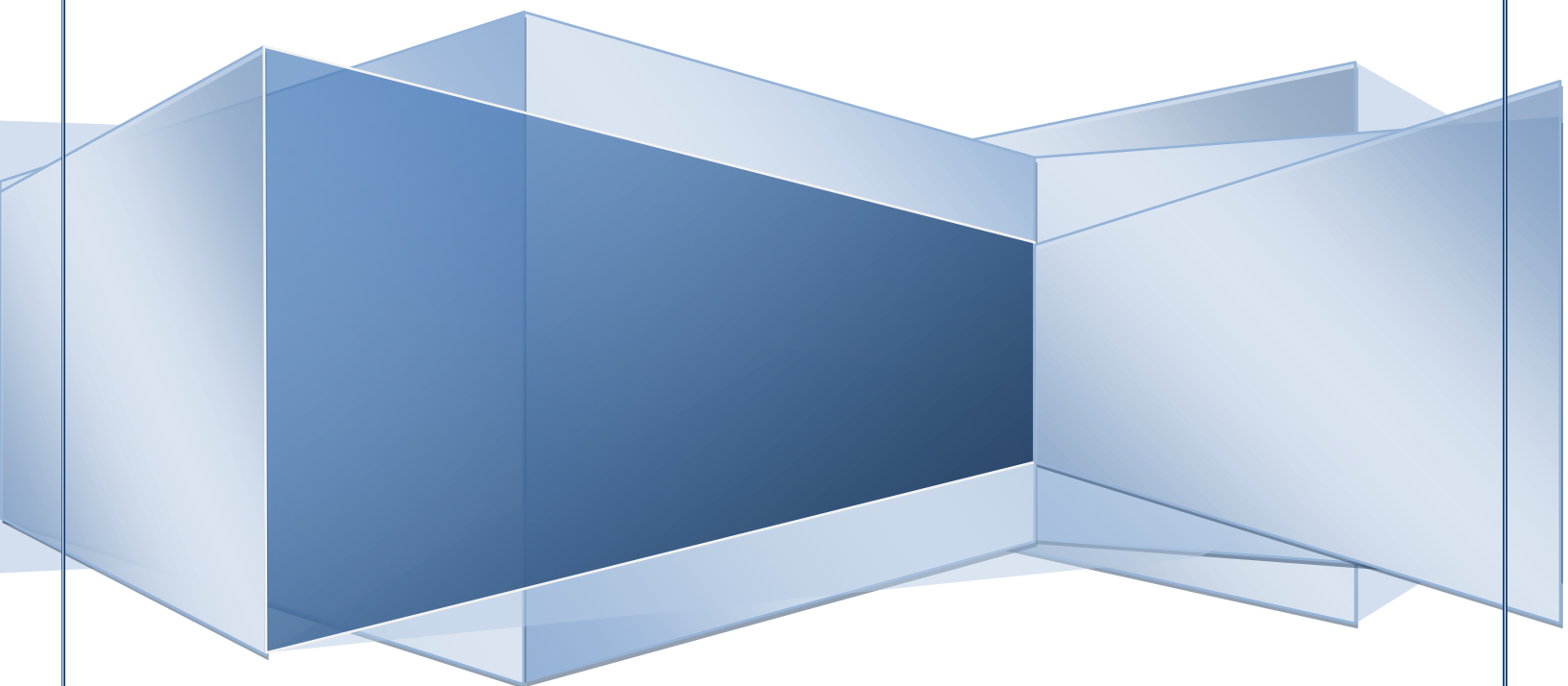


# AMBALAL'S KNOWLEDGE SHARING

TRADE DISCIPLINE (17/10/2013)





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### Trading Psychology:

The psychological aspect of trading is extremely important, and the reason for that is fairly simple: A trader is often darting in and out of stocks on short notice, and is forced to make quick decisions. To accomplish this, they need a certain presence of mind. They also, by extension, need discipline, so that they stick with previously established trading plans and know when to book profits and losses. Emotions simply can't get in the way.

The market knows where you live and how you think. It has a supernatural talent to hit you where it will hurt the most at the most inopportune times. So how do you overcome this overwhelming barrier, especially when most traders will eventually fail and wash out of the financial markets?

### Understanding Fear:

When a trader's MTM is pulsating negative (a sign that stocks are down) and bad news comes about a certain stock or the general market, it's not uncommon for the trader to get scared. When this happens, they may overreact and feel compelled to liquidate their holdings and go to cash or to refrain from taking any risks. Now, if they do that they may avoid certain losses - but they also will miss out on the gains.

Traders need to understand what fear is - simply a natural reaction to what they perceive as a threat (in this case perhaps to their profit or money-making potential). Quantifying the fear might help. Or that they may be able to better deal with fear by pondering what they are afraid of, and why they are afraid of it.

Also, by pondering this issue ahead of time and knowing how they may instinctively react to or perceive certain things, a trader can hope to isolate and identify those feelings during a trading session, and then try to focus on moving past the emotion. Of course this may not be easy, and may take practice, but it's necessary to the health of an investor's portfolio.

### Greed is your worst enemy:

Greed is not easy to overcome. That's because within many of us there seems to be an instinct to always try to do better, to try to get just a little more. A trader should recognize this instinct if it is present, and develop trade plans based upon rational business decisions, not on what amounts to an emotional whim or potentially harmful instinct.

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In reality, most traders crash and burn because of a lack of discipline rather than a lack of knowledge. Internalizing this single piece of wisdom will become your greatest obstacle in profiting from speculation.

### Direct your attention to what needs to be done:

- Impulse trades
- Letting losers run too long
- Cutting winners too quickly
- Revenge trades

These actions will kill your account. Remember that your job as a newbie is to learn how to make good trading decisions and SURVIVE. The best thing you can do to stay patient and disciplined is to look at your career as a trader as a marathon and NOT a sprint.

This is not an overnight, get-rich-quick scheme.

This is a commitment to build skills that will allow you to profitably trade in any environment the market will throw at you at any time. Another thing...

- Always remember that opportunities for good trades occur ALMOST EVERY SINGLE DAY.
- No need to rush into bad trades. They will only set you back from reaching your goals.
- Stick to your best ideas and setups, and if they don't come that session, just wait for the next.
- After coming up with a clear goal, you are immediately a step closer to becoming more disciplined. Snaps to you! At this point, it's already easier for you to direct your attention to what needs to be done.

### Bottom Line:

*The trend is your friend, but don't marry it. Letting emotion get the best of you often leads to lost profits. Become balanced and make sure that you can make money, bull or bear. Get to know yourself. Do an honest assessment and work within skills and psychology. Stretch yourself, but don't try to be someone you're not. And that goes for life as well.*



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### Research Team:

**Vijaybabu.M**  
Sr.Manager - Research

**Kesavamoorthy.B**  
Sr.Research Analyst

**Arun.V**  
Technical and Derivative Strategist

**Balaji.B**  
Research Analyst

### Contact:

[arun.v@ambalalshares.com](mailto:arun.v@ambalalshares.com), [commresearch@ambalalshares.com](mailto:commresearch@ambalalshares.com)

Ambalal Shares & Stocks Pvt. Ltd,  
#163, Durga Bhavan II Floor,  
New Katpadi Road,  
Vellore - 632004  
[www.ambalalshares.com](http://www.ambalalshares.com)

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