

Which One is More Harmful? Fear or Greed?

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Fear and Greed are two emotions that forex traders have to control. New forex traders have a lot of problems with these two emotions.

Greed is the first emotion that starts bugging. When someone just starts learning and trading forex and reads about the money that a trader can make through forex trading, he/she thinks about nothing but making a lot of money through forex trading. Unfortunately many new forex traders are not "lucky enough" and so they succeed to have some good trades in their demo accounts at the beginning and this makes them think about opening a live account and making real money. I call this bad luck, because as soon as they start trading their real money, they see the other side of forex trading and forex market. They lose and so greed will be replaced by fear.

For a long period of time they move between fear and greed. Sometimes they are fearful and sometimes they are greedy. When they have a losing trade, their fear show up and when they have a successful trade, their greed takes the control. When they are greedy, they are overconfident and so they click on the buy/sell buttons bravely and when they are fearful they have no confidence and so they just watch the market and don't dare to take any position even when there is a good trade setup.

Most of the new traders give up at this stage and so they lose the chance of making money through forex trading for the rest of their lives.

But it really does not have to be ended like this. A new trader can easily pass this stage and become able to control his/her emotions, if he/she follows the below stages:

1. A new forex trader has to spend a few months on learning the forex market and forex trading basics.
2. Then he has to learn a trading technique and a trading system. This is an important stage, because if he tries to find and try a new system on the forums and different forex related websites, he has to spend his whole life in trying different systems and so he will never become a trader. The solution is finding a successful trader and asking him to share his trading system. The reason is that he has already tried that system and probably it is the system that he makes money with every month. So you know that it works. But if you want to find a system from the forums, you really don't know if it will work or not. So you have to spend a lot of time in trying the system and it is highly possible that after a long time, you come to this conclusion that the system is not applicable for live trading. On the other hand, a professional and successful trader tells you everything about the pros and cons of his system and he will share the "do"s and "don't"s. So you do not repeat the same mistakes that he made when he was developing the system.

Therefore, instead of looking for systems on the forums, try to find a good trader and ask him to teach you. But make sure that he is a real trader because there are many people who introduce themselves as good and great traders, but they have never been profitable in reality. So be careful.

3. After finding a good and reliable trading system which is taught by an experienced forex trader, you need to try the trading system on the demo account at least for few months. You should forget that you are demo trading and you should treat your demo account as

a live account. Only in this case you can built the confidence that you need for live trading. Otherwise you will do nothing but developing bad trading habits. When you succeed to trade profitably for few months consecutively, you can open a live account and start trading with a small amount of money. You need to rebuild your confidence with your live account and to do that, you have to trade with a small amount of money and when you succeed to trade profitably for few months, you can increase the amount of the money that you trade.

You are there

If you follow the above stages, you will see that fear and greed can never interfere in your trading, because you will not give them any chance to do this. Greed can not take the control, because you do not start with trading a lot of money and fear will not show up because you do not lose your confidence because of losing a lot of money.

Over confidence can bring you bad luck. So don't trade your real account until you master your trading method in all market conditions (up, down, side-way & etc)..

[Submitted by Unknown]