

**Meta Title:** Top 9 FX Trading Psychology Tips

**Description:** Trading psychology is an important part of every FX strategy to ensure long term success. Here are some tips to develop an optimum trading mindset.

## Top 9 FX Trading Psychology Tips

A typical trader goes through a broad range of emotions while trading; which is human. While some emotions can be embraced, others are downright harmful in the financial markets. To be honest, the negative effects of an inappropriate trading psychology are many. The pressures of challenging market conditions, together with hard-earned money being at stake, could bring out poor decision making.

Traders who know how to leverage the positive aspects of their psychology, while managing the negative ones, are better equipped to see their strategies through. Here are some tips that can help you develop the right mindset, which in turn can help you with objective decision making.

### Tip #1: Losses are Inevitable. Embrace Them

After several successful transactions on a demo account, you feel you are ready to trade the live markets. But, contrary to expectations, you suffer losses and your deposit erodes significantly. Losses are inevitable in FX trading, but rather than quitting, an option would be to go back to the demo account and re-work your trading strategy. The market often goes against traders, which is why risk management tools are a must.

Don't give up even if you've had a string of losses. The world's best traders face losses from time to time too. For instance, the Russian debt crisis cost George Soros \$2 billion in 1998. Examine your losses and rectify your mistakes. Try not to jump from one system to another because just shrugging off a loss means missing out on an opportunity to learn from it.

### Tip #2: Don't Fall Prey to FOMO

The Fear of Missing Out is a legit emotion while trading. It is the basis of major market movements and rise in trading volumes. While successful traders know how to identify viable opportunities, they also know the importance of waiting for the next one. There will always be another trade, so don't risk all your capital on a single position, just because of mass sentiment. Rather, rely on your technical and fundamental analysis to make informed decisions. Trade at your own pace and never risk more than you can afford to lose.

### Tip #3: Aim to be a Disciplined Trader

Expert traders always have a tried and tested strategy in their arsenal. They follow meticulous plans and wait for the strategies to play out, rather than shifting from one strategy to another. On the other hand, new traders might become impatient or trade on intuition, making impulsive decisions. Basing trade decisions on hunches is very risky. If you find yourself doing that, consider taking a break and working on your strategies before resuming. Patience and discipline are very important in forex trading. Without them, you could face inconsistent trading outcomes.

#### **Tip #4: Overconfidence is an Absolute No-No in Trading**

Just like a string of losses can create self-doubt, a series of wins can imbue you with overconfidence. Often, our egos seek validation, by proving that we know better than the rest. So, after few successful trades, such thoughts get confirmed and reinforce our self-image.

To believe that you've found the secret ingredient to success is a sure way to fail. Make sure your trades are based on complete market analysis and detailed study of your wins and losses. Some of those wins might turn out to be due to sheer luck. Allow yourself to be proven wrong and learn from those mistakes.

#### **Tip #5: Know About Anchoring Bias**

Anchoring bias is a reality in forex trading psychology. It means that traders often refuse to acknowledge their reliance on obsolete and irrelevant information. Some traders can get trapped in comfort zones and become fearful of trying out new strategies or technologies. While such emotions are not necessarily wrong, it could limit your trading potential.

The markets are forever changing, so stay tuned to latest developments. By anchoring yourself to old methods, you could increase the probability of losses. Don't hesitate to test new strategies on your demo account. Consider switching to a new trade terminal if it offers better security and faster trade execution. Attend seminars or sign-up for forex webinars every now and then, to learn new strategies and trading tips. Seek top-notch broker services and tighter spreads.

#### **Tip #6: Its Ok to Take a Break Every Now and Then**

When mental exhaustion sets in, it is wise to take a break. Rather than making bad decisions, it is better to refresh your mind and return with new fervour. Listen to your body and mind. There are traders who suffer from hypertension, diabetes and cardio-vascular diseases, due to the stress. Take care of your eating and sleeping habits, so that you can continue to trade for many years to come.

#### **Tip #7: Control That Excitement**

If you find yourself becoming easily excited about trade setups, you could end up making bad decisions. Such emotions are associated with gambling tendencies. Trading in the financial markets is risky, and profit-making is not the only goal. Rather, the aim should also be to restrict losses. A successful trader needs to have some scepticism about the value of their trading decisions. The best way of avoiding euphoria is accepting that a string of wins or losses have no impact on the outcome of the next trade. It only depends on careful study of the markets.

#### **Tip #8: Don't Seek Revenge Against the Market**

The forex market was here before you and will continue after you. No one can beat the market. When you suffer losses, it is important to keep a cool head and not chase prices. This is likely to only lead to further failures.

In other words, don't try too hard or overtrade to succeed. Don't focus on losses, learn from them.

**Tip #9: Assess Your Performance Regularly**

Get into the habit of maintaining a detailed record of your trading activities. Assess them when you find the time, to understand what emotions led to poor outcomes. You will be able to clearly see what you need to work on.

The psychological component of forex trading can't be overlooked if your aim is for long-term success. Emotional pressures can be a dangerous aspect of leveraged trading. However, with the right mind-set and discipline, trading success is more than possible.