



Mistakes

that Traders Make
during Online Trading



INTRODUCTION

Online trading is one of the fastest growing and developing spheres of activities in the world. Each day it becomes more and more appetizing by the average turnover it provides. Basically, as it's known, online trading is the exchange of one financial instrument for another. First, the main asset subject to online trading was the currency. However, with the development of the time, it has become possible to trade not only currency pairs, but also other trading instruments, like CFDs, Futures, etc., which have made the market more interesting and compelling.

Nowadays, the Internet is overflowed with many trading courses which deceive people by promising to make them rich over a night. That's of course not true. Online trading is supposed to be one of the best ways for making fortune, especially when you are an experienced trader and you know how to analyze the market. You should keep in mind that it is not a gambling, and you should take it seriously. For gaining in online trading one must start learning the trading system and some trading techniques. But knowledge/learning without experience is worth nothing. That's when traders start getting involved in trading, opening a demo account, looking for a prestigious broker, who offers fixed spreads, some innovative trading tools, hundreds of trading instruments, etc.. From the moment of entering the boundless world of finance, all traders, whether they are just a beginner or an experienced one, are at risk of making a mistake.

If you are trading, the mistakes are highly possible and you should be very careful to avoid them because a small mistake can cause great losses.

Below the most common mistakes often made by the traders are presented. Read them attentively and try to avoid making them.



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Over-trading

Online trading is really very attractive, especially when you make profit. But after some constant profits when you start trading more and more, you may forget about the “STOP”. This situation is called overtrading. It’s like putting a pressure on you for earning more money. Of course, overtrading is not a bad thing if you are trading on a demo account, and trying to enlarge your knowledge and trading skills, but at the moment you pass on to real one, you must definitely forget about overtrading and keep moving on following your trading system, and let the market make decisions instead of you.

Trading Without A Plan

Another common mistake traders make is trading without having an exact trading plan. You may ask why do I need a trading plan, what will it give to me? Well, actually, it’s one of the most important components of online trading. Trading plan is the best “friend” of a successful trader. Having an exact trading strategy helps you to be more disciplined. Somehow it also gives the opportunity of having constant profits. To be able to control yourself and your emotions, you have to develop a certain trading strategy. Of course there’s no exact strategy ever developed, but, surely, there are some aspects that are universal for everyone, and while planning yours, you can simply take them into consideration.

Trading With Emotions

The next most common mistake that is made during online trading is trading with emotions. When you make up your mind of investing, you must be sure that you can keep your emotions under control. In general not only in online trading, but also in every sphere of our lives emotions only hinder and impact on the further results. Of course, not everyone has the ability of controlling them, but online trading is a serious financial sphere and from the moment of starting trading you have to work on you a lot, for developing the skill of being able to manage your emotions. Almost every beginner who starts trading on demo accounts achieves success in his/her trading, but when it comes to real accounts and to real money, they face difficulties. When we lose, we feel frustration and sometimes even despair. Winning in its turn can cause us to lose control over our actions and turn trading into gambling, or cause a serious overtrading problem. So, as you see, whether you are winning or losing, you must avoid emotions in any case. They only have a negative effect.

Lack of Knowledge

One of the reasons traders face losses in online trading is because they don't have the right education or understanding of it. We all know that online trading is considered



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to be one of the most risky businesses in the world, that's why it's very important to have some knowledge on the market. Knowledge is your key for getting started with online trading. Nowadays many sources of knowledge on online trading are present, and you are free to make your decision which one to choose from various suggestions, like different online trading tutorials, articles, and training videos. You can find many free online trading courses from trustworthy sources, and work through them completely. You can even enlarge your knowledge by taking part in different forums, webinars and discussions. Today that's the easiest and somehow one of the most reliable ways of developing your knowledge. After getting enough knowledge on online trading you can open a demo account, develop your trading skills and test the trading platforms without risking real money. Remember knowledge is your power. Make sure you have enough of it.

Using Too Much Leverage

One of the biggest advantages of online trading is the possibility to use high leverage. All traders have an opportunity to trade with greater volume due to the leverage which is provided by a broker. As it's known, every good thing has also a bad side, so the same is for leverage. Though it gives you the



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chance to trade with higher volumes, it can also result in great losses: high leverage is not good for you! Mostly, this mistake is made by the beginners, because when starting trading they have the misconception that they can become rich in online trading overnight by using too much leverage. Unfortunately, this wrong impression becomes disastrous for them. When traders use high leverage, the profits can be astounding, but when the market moves against the traders' positions, the results can be really fatal. Usually, a trader becomes nervous and too emotional, and can't control the whole situation. You should remember that if you trade more than you can afford, you can win a lot, but you can also lose a lot. Actually, experienced traders seldom risk more than 2-3% of their investment balance on any one trade. Traders must be aware of how much they are risking, in order to preserve their capital.

Having Unrealistic Expectations

Having unrealistic expectations is another common mistake that makes traders face losses. It goes without saying that when first starting online trading, newbies have quite different views of it. Many come into online trading thinking they can deposit \$100 into their accounts and turn it into \$10,000 in a few weeks. Having this way of



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thinking is going to simply make you risk too much money and overtrade, which will eventually cause you to lose money even if you get lucky and have success for a while. Of course, setting goals and having expectations in trading is vital, because that keeps you disciplined and motivated, but it is necessary to have real expectations. You have to set certain goals for you: what do I want, how much do I want, and how much can I afford to lose. Being able to stick to these three “statements” will lead you to success.

Not Setting A Stop Loss

Still, another mistake that is usually made is trading without a stop loss. You should have a clear exit strategy when you enter a trade, that is to say you should know when and where to put your stop loss order. Actually, a stop loss is a great help especially for those who don't manage to follow trading every single minute, because of having other things to do. S/he sets a stop loss order and simply prevents himself/herself from possible losses, when the market moves against, during his/her absence. Many investors suggest that you should never risk more than 2% per trade, so you should set your Stop Loss level close to that. So, try to use stop orders while trading, and use them the right way to protect your investment.

CONCLUSION

Online trading is a boundless financial world that offers attractive and profitable opportunities for everyone. Day by day it spreads and attracts more and more people. Before entering this financial world you have to make sure for you one important thing, that online trading is not a gambling, and that you can't become rich overnight. For having success in the market you must build your own trading strategy, and stick exactly to it.

It's very easy to get lost in the boundless world of trading, and no one is insured of making mistakes. We all know that one learns from his/her own mistake, but actually online trading is really a serious sphere and mistakes made here can somehow be terrible. By all means you should do your best to avoid making them.

The list of the mistakes mentioned above, of course, is not complete. But these are mistakes that are more likely to be made by a trader. It can't be said that in case of not making mistakes you'll have certain profit continuously, because online trading is unpredictable and you can't predict/guess what will happen in the next moment, but it can assuredly be said, that not making these mistakes will teach you how to trade correctly, and avoid possible losses.