



Trading Psychology: How to Master Your Trading Mind



Trading psychology is one of the most commonly overlooked and underrated aspects of [successful trading](#).

Whilst every trader needs a great trading strategy that will make them winning trades, if you are making the same mistakes over and over again, then you will continue to lose money.

If you risk too much, over-trade, revenge trade to get back your losses or make other psychological mistakes like not cutting your losses small when you should, then it does not matter how good your strategy is, you will lose money.

In this post we go through exactly why trading psychology is so important and how you can start using the best trading mindset.

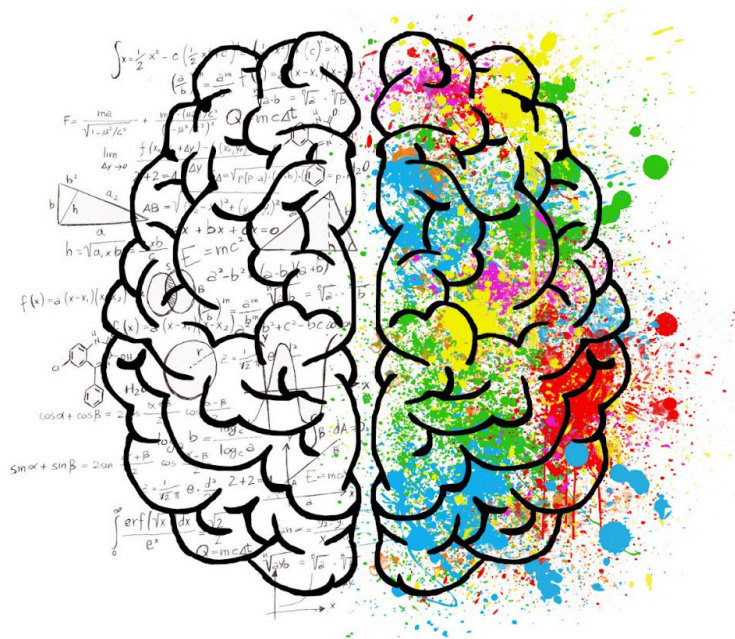
What is Trading Psychology?

Trading psychology is a broad term that takes into account everything that involves your emotions when trading.

When traders refer to trading psychology they are normally referring to the mistakes and mental errors that they continually repeat that cost them money.

These errors normally fall into two categories; errors from being greedy and errors from being fearful.

As we discuss below; if you don't understand and work on these errors, then you will find it extremely hard to be a successful trader.



Why Does Forex Trading Psychology Matter?

The psychological mistakes that traders make are common amongst almost all traders and they can hold you back from being successful.

The reason these errors are so common is because when trading we are all dealing with either making or losing money. This brings on feelings of greed and fear.

When we are being greedy we can have a tendency to make the same mistakes over and over again that will hurt our results. These mistakes are not taking profit when we should, making far too many trades than we should or risking a lot more than we should.

We do these things because we kick into greed mode thinking we are going to make a lot of money.

When we move into fear mode another set of mistakes creep in. These errors are normally [holding onto losses for far too](#) long instead of quickly cutting them short or not entering the next good trade we have found because the last trade just lost.

We start doing these things because we are fearful of losing money.

These psychological errors will continue to hold you back and stop you making money no matter how great your trading strategy is.

How to Get the Best Trading Mindset

Whilst many traders will try to pretend that they don't have any trading emotions, this is actually the wrong way to get the optimum trading mindset.

All traders deal with emotions that making and losing money throw up.

If you don't have any emotion around making and losing money whilst you are trading, then you simply are not yet risking enough money.

To get the best trading mindset you need to first acknowledge all of the feelings that come with both winning and losing.

Once you begin to understand these feelings and the full range of emotions you experience when you are trading you can begin to deal with them.

When you start to understand how you feel when you lose you can deal with it. Instead of pretending you feel nothing, you can actually work on it and learn to overcome it to become a much better trader.

Day Trading Psychology Tips

There are many, many different psychology tips that you could use in your trading, but I have turned the list below into a short set of dot points that you can remember and that will help you the most.

- Don't risk too much on any one trade.
- Don't chase your losses with revenge trades.
- Don't over-trade and make too many trades.
- Don't let the last trade stop you making your next trade.
- Always cut your losses short at your stop loss point.

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- Always [take profit](#) at your designated profit target level. Don't get greedy and hold for more.

Trading Psychology Books

There are many trading psychology books you can read to improve your trading. Whilst a lot of them are good reads, a lot of them are also incredibly boring.

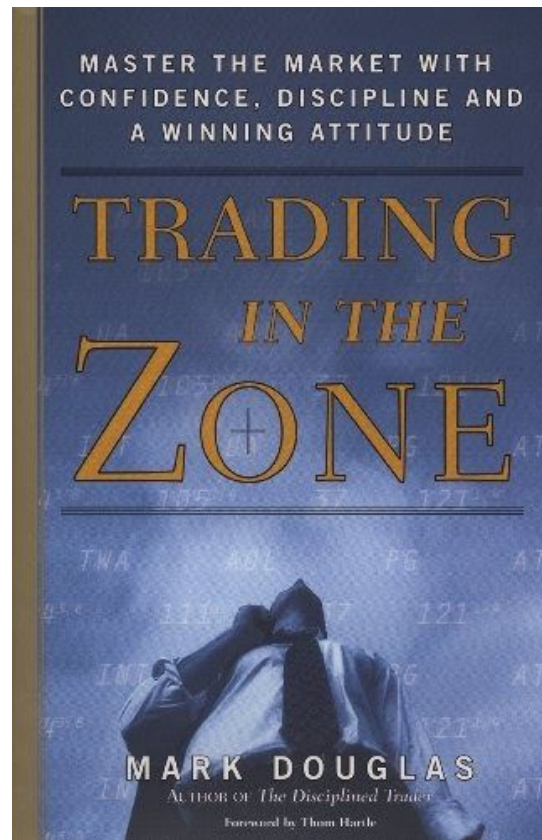
The following three books are not boring and they will help you in your trading immensely.

Trading In The Zone by Mark Douglas

This is one of the most famous and popular trading books by the late Mark Douglas.

The great thing about this book is that it breaks down what can be an incredibly complicated subject and makes it easy to understand.

Douglas goes through all the mental habits and mistakes that are constantly costing you money in your trading.



The Disciplined Trader by Mark Douglas

This is another book by Mark Douglas and is now also known as another one of his classics.

This book looks closely at why traders tend to make the same mistakes over and over again.

You get taken through a step-by-step walkthrough and will begin to understand why it is you have been making the mistakes you have been.

Trading Psychology 2.0 : Brett N. Steenbarger

This is an extremely comprehensive trading psychology book by Brett Steenbarger.

This is not a book you are going to finish in one sitting and it can often take some time to go over things a few times to fully understand there meaning.

This book includes full academic research and you will come away after having read it with a lot of practical tips you can start using in your own trading.

Trading Mindset Quotes

Need help with some trading psychology quotes? Here a few of the best.

Learn to take losses. The most important thing in making money is not letting your losses get out of hand.

- Marty Schwartz

If you cannot control your emotions, you can't control your money.

- Warren Buffet

Do more of what works and less of what doesn't.

- Steve Clark

Risk comes from not knowing what you are doing.

- Warren Buffet