



The alternate position to a 'position'

Traders like to be 'trading' and preferably as frequently as possible.

Experienced traders know this isn't the correct mentality as it often results in a trader's account moving sideways or down. Why? Because 'overtrading' normally means a trader hasn't sufficiently analysed each trade and assessed the risks involved. This normally results in under-performance or sideways performance. Not only is it the risks, but the potential profit zones. If you haven't looked and analysed where you will take your profits, you're likely to exit your trade too soon.

The problem we face as humans is that we have been programmed to work hard each day (well most of us anyway!). So when we sit down in front of our trading screen, we want to be 'doing' something. That something means clicking on 'buy' or 'sell' several times a day or week depending on whether you're a day or swing trader.

To sit at our screen for several hours and refrain from actually trading is very difficult for the majority of traders and yet sometimes this is exactly what a trader should do. Sometimes the market simply isn't giving you the correct setup and so you should acknowledge that it simply isn't giving the right signals instead of pushing your will onto the market and forcing a trade. Easier said than done I know!

The alternate position is.....

Cash. Most traders forget that holding cash is actually a position itself. There's absolutely nothing wrong with staying in cash if the market isn't giving you the setups you normally like to trade. You have to ask yourself how you would feel at the end of the day/week if you had been in cash and made no profit or had been in bad positions, made a loss but felt that at least you had been working?

This is the problem. Traders feel like they haven't been working if they aren't buying and selling and it's a difficult emotion to overcome. But if they don't overcome it, they will likely become a statistic. As difficult as it is, traders must learn that trading is very different to most professions in that;



- It doesn't pay you a regular monthly salary.
- Profits come in fits and starts, not in equal amounts.
- You can make more money in a single minute than you could for the rest of the week.
- No other profession actually takes money from you if your week or month isn't going great.

So sitting on one's hands and not trading doesn't actually mean less money earned at the end of the month. One day you could be doing nothing, the next you could be doubling your normal target.

You have to tell yourself that if you take that trade that you're taking through sheer frustration/boredom, that it will be damaging your account. Not necessarily that single trade itself because the outcome of any individual trade is a 50:50 call. But if you continue with that type of behaviour on days when the market is not giving you the correct setups, over time you are likely to be losing money on those trades.

Why trade like that knowing that over time you will be losing money if you insist on feeling like you have done some work when in fact the market isn't offering you the right trades?

Well that's the mindset you need to adopt. Remember that being in cash is actually a position and in fact sitting on your hands is actually doing something - it's much harder work than clicking the left mouse button that's for sure.

Use cash as a position more regularly and you may find your P&L rises quicker than before.....

Charlie Burton

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