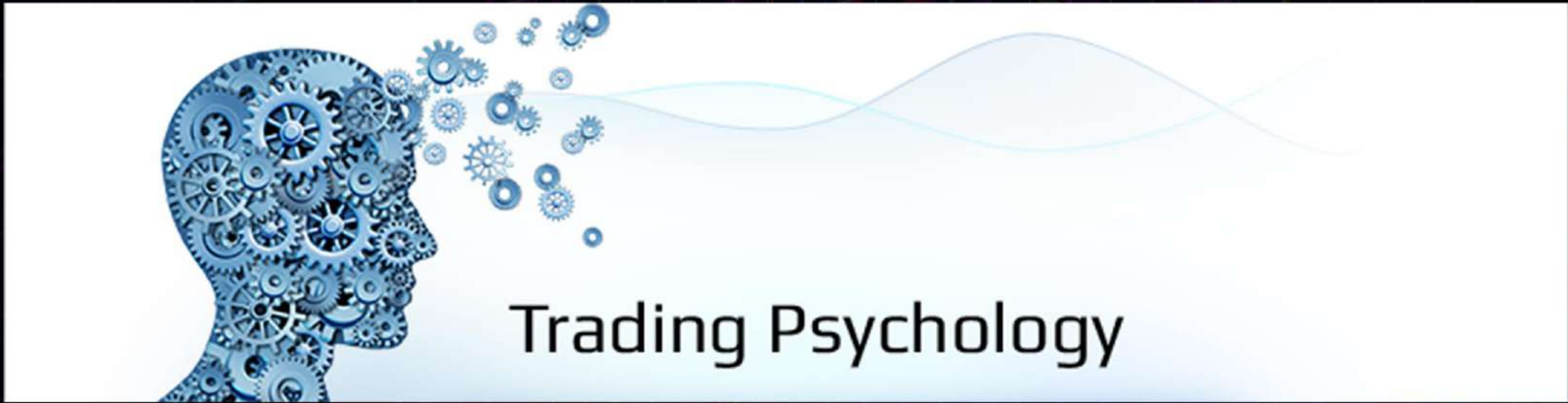
10TOP crypto brokers

A GUIDE TO HEALTHY TRADING PSYCHOLOGY



The psychological aspect of investing in cryptocurrencies is extremely important, and the reason for that is simple: cryptocurrency investors are frequently prowling about potential investment choices on short notice, and are therefore forced to make quick decisions. To accomplish this, they need a certain presence of mind. They also, by extension, need discipline, so that they stick with previously established trading plans and know when to book profits and losses. Emotions simply can't get in the way.

There are many characteristics and skills required by traders in order for them to be successful in the financial markets. The ability to understand the inner background of cryptocurrency pricing, its fundamentals and the ability to determine the direction of the trend are a few of the key traits needed, but not one of these is as important as the ability to contain emotions and maintain discipline.

UNDERSTANDING FEAR

When a trader's screen is pulsating red (a sign that prices are going down) and bad news comes about a certain cryptocurrency or the general market, it's not uncommon for the trader to get scared. When this happens, they may overreact and feel compelled to liquidate their holdings and go to cash or to refrain from taking any risks. Now, if they do that they may avoid certain losses - but they also will miss out on the gains.

Traders need to understand what fear is - simply a natural reaction to what they perceive as a threat (in this case perhaps to their profit or money-making potential). Quantifying the fear might help. Or that they may be able to better deal with fear by pondering what they are afraid of, and why they are afraid of it.

Also, by pondering this issue ahead of time and knowing how they may instinctively react to or perceive certain things, a trader can hope to isolate and identify those feelings during a trading session, and then try to focus on moving past the emotion. Of course this may not be easy, and may take practice, but it's necessary to the health of an investor's portfolio.

GREED IS YOUR WORST ENEMY

There's an old saying on Wall Street that "pigs get slaughtered." This greed in investors causes them to hang on to winning positions too long, trying to get every last tick. This trait can be devastating to returns because the trader is always running the risk of having his portfolio wiped out.

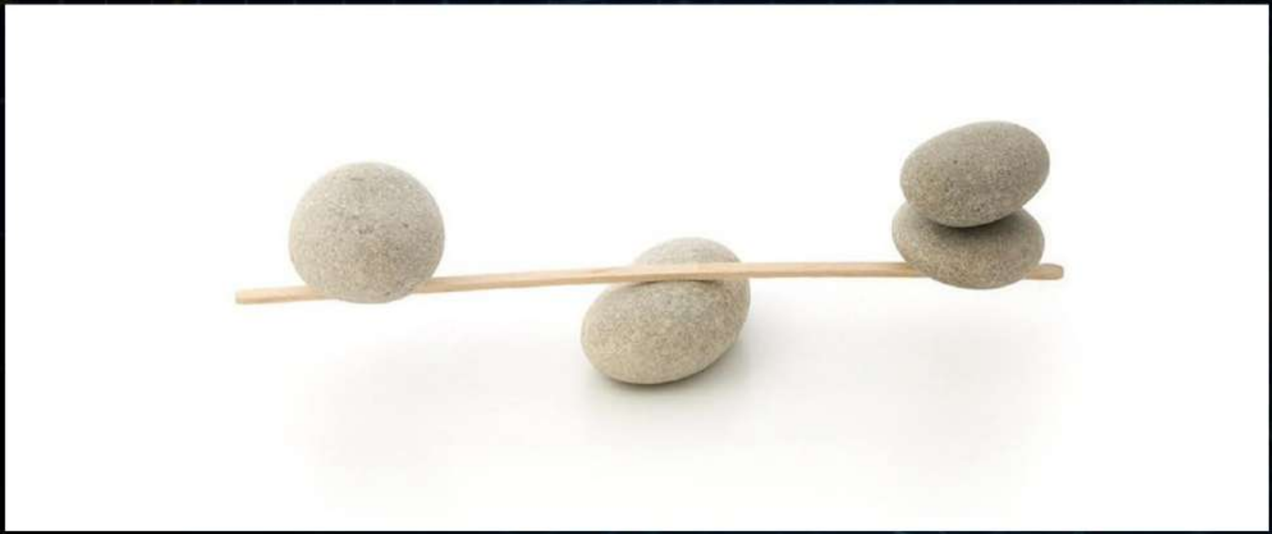
Greed is not easy to overcome. That's because within many of us there seems to be an instinct to always try to do better, to try to get just a little more. A trader should recognize this instinct if it is present, and develop trade plans based upon rational business decisions, not on what amounts to an emotional whim or potentially harmful instinct.

MAINTAINING BALANCE

“Be fearful when others are greedy and be greedy when others are fearful” – the famous quote from illustrious investor and multibillionaire Warren Buffet pretty much explains it all. Understanding the importance of this quote will bring you closer to grasping the very idea of how the balance between greed and fear can be maintained.

Many investors who recently rushed into cryptocurrency boom should bear in mind that following the crowd can have disastrous consequences on your cryptocurrency holdings. At the same time, keeping it idle, acting as if nothing is happening may produce similar effect, and put investor’s portfolio in a dire situation.

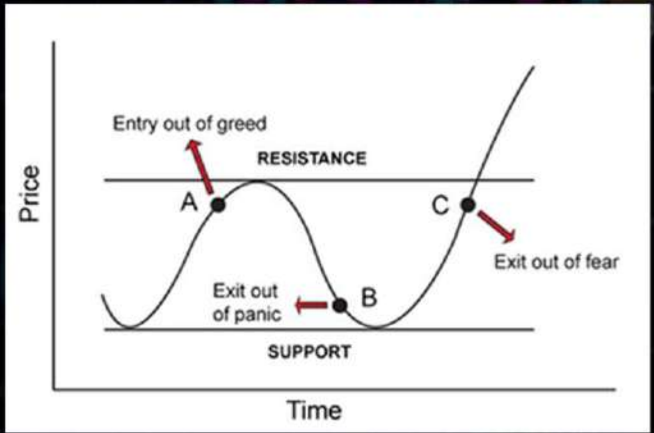
Maintaining a proper balance between fear and greed and harnessing your emotions with additional analysis and research is the probably the best way to mitigate the disastrous effects of fear and greed.



As the value of Bitcoin has slashed more than 50% of it’s value since capping ay 20,000$ in January, cautious investor would not rush into greedy buying frenzy contributing significant fraction of his cryptocurrency positions into Bitcoin. At the same time, a fearful investor would have probably rushed into selling spree immediately after panic took hold of the market at $2o,ooo level. While additional caution would have probably helped you prevent your holdings from being completely wiped out in this case, the truth is that any scenario forcing you to act on the spur of the moment and subordinate your decisions to fear and greed is the wrong way to move forward.

KEEPING THEM UNDER CONTROL

After talking to some traders and investors who suffered losses, we have managed to spot there is high degree of commonality between them – they blindly wake up and do the trading without real sense of direction. What eventually helped these traders to overcome their destructive habits was treating their trading like a real business rather than entertainment and fun. **Mastering this crucial attitude change will eventually help you to get yourself out of the destructive fear and greed cycle shown below.**



Those traders who manage to remove themselves from this vicious cycle are less likely to force trades out of boredom or out of feeling internal pressure to keep trading account productive on the daily basis. In contrast, having understood the harmfulness of entertainment approach the trader is more likely to change strategy and develop a consistent trading discipline.

Below are 5 essential tips to help traders structure their trading discipline, be more productive, and most importantly – completely harness their emotions and avoid destructive habits.

- **Learn Something New About Trading.**
- **Perform Some In-Depth Market Research**
- **Test your skills on simulator**
- **Write A Trading/Business Plan**
- **Analyze 5 Completely New Charts**

Let us review each of them in more detail

1. LEARN SOMETHING NEW ABOUT TRADING.

Maybe you have wanted to learn more chart or candlestick patterns, or maybe you have been wanting to learn more about RSI and MACD indicators. Well, stop thinking about it and schedule some time to sit down and do the hard work - pick up a book, get some coaching, watch a video tutorial.

2. PERFORM SOME IN-DEPTH MARKET RESEARCH.

You have to be curious about something that's happening in the market right now right? Down times in the market can be great opportunities to do some intense market research.

3. TEST YOUR SKILLS ON SIMULATOR.

Whenever you learn something new about trading, be it a full strategy or technical indicator, always give it a try on demo first. Focus on a particular strategy or indicator set-up and test it at least time before deciding to give it a go with your real money.

4. WRITE A TRADING PLAN.

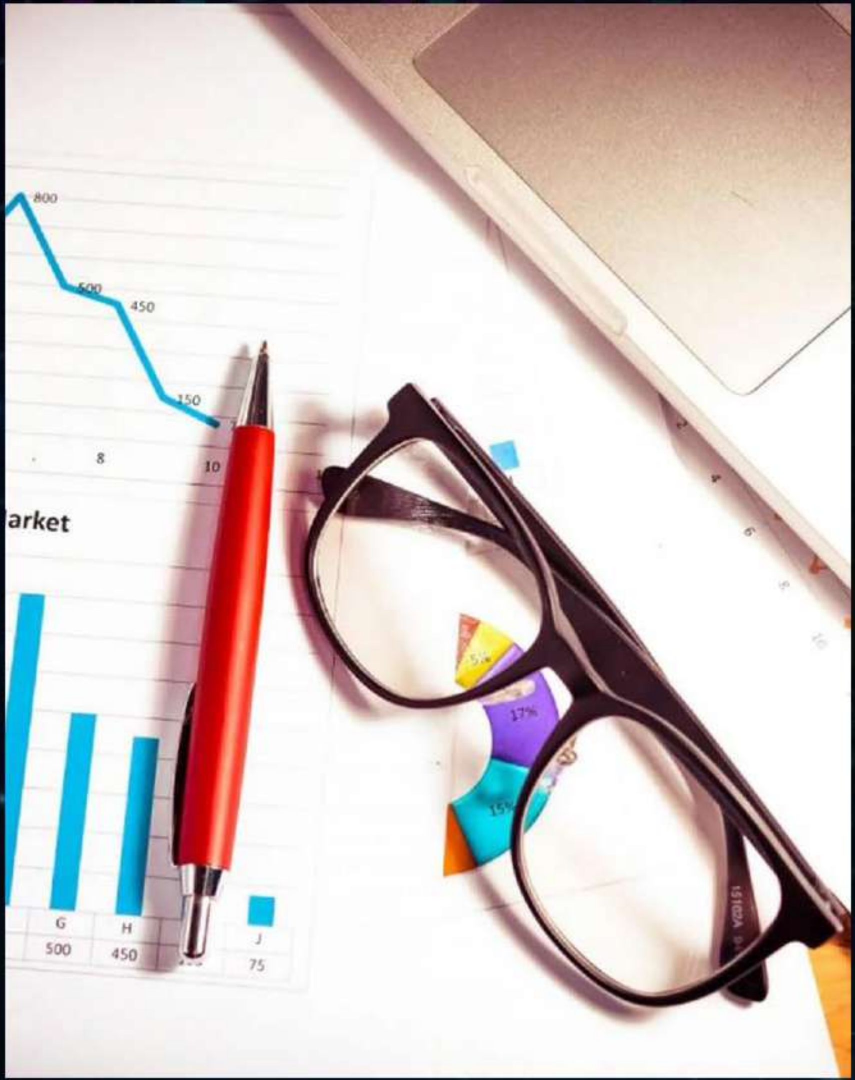
If you don't have one you need one and if you have one you need to revise it monthly. These can always be improved. Take a section of your plan and think carefully about how you can improve it, and then do it already!

5. ANALYZE 5 COMPLETELY NEW CHARTS.

Pick out some new cryptocurrencies you'd like to trade and analyze the charts carefully, making a list of the bullish and bearish reasons to trade it. This will help you think carefully about the trade and remove your emotions completely after making the list.

THE IMPORTANCE OF TRADING RULES

While having an ability to control emotions is obviously an essential part of healthy trading pscyhology, not least important is creating a set of trading rules to follow.



To get their heads in the right place before they feel the emotional or psychological crunch, investors can look at creating trading rules ahead of time. Traders can establish limits where they lay out guidelines based on their risk-reward relationship for when they will exit a trade - regardless of emotions. For example, if you have $1000 on your leveraged trading account and open position for 1 BTC with 0.10$/pip, you might choose to set the stop loss at 500 pips or 50$, which would be 5% of total trading account balance.

In addition to creating a set of entry/exit rules, a trader should establish a list of specific conditions of the market where he or she will enter or exit the trade. Undestranding the macroeconomic news and fundamental factors that drive the price of assets is the first step in identifying such condtitions.

Traders might also consider setting limits on the amount they win or lose in a day. In other words, if they reap an $X profit, they're done for the day, or if they lose $Y they fold up their tent and go home. This works for investors because sometimes it is better to just lie on the couch and relax after suffering minor loss or taking a deep breath on fulfilling daily goals. Never overestimate your abilities and don’t try to overplay your own hand.

CONCLUSIONS

Successful traders have some common psychological traits that contribute to their success. These traits include:

- Knowing your limits and abstaining from taking action when necessary
- Controlling emotions is the key to preserving capital and reaching successful results
- Maintaining trading rules at all times.
- Knowing the difference between not fighting the trend and following the crowd

We hope that tips outlined in this e-book will greatly assist you in developing these traits. Trade wisely, follow rules, always perform deep market analysis before taking action and never go beyond those rules that you create for yourself. Once you develop these traits you will most likely lay the foundation for stable trading discipline, something that will guide you to success should you inexorably keep the course.