

## Stop Loss

So far not all trades bring profit and decision where to get out from the negative trade is one of the hardest. There are few reasons why to take a loss it is so hard. First of all we all do not like to lose. It could be financial loss or sports competition. It is in our human nature. We love to win so much, that even small loss sometimes looks like end of the world. Second reason is - that have fear. This fear drives us into the madness and even insignificant loss leaves a strong print into our feelings and psychologically we are tuning ourselves to make another loss. Third reason is - we have a hope. We do expect (and asking god) market will turn around in our favor. Hope leads to complete self destruction. Here I mentioned three reasons why we do not like to take a loss, but there are much more. Basically all the negativeness, which we hold inside us, can become the reason, why we do not like to take a loss. By my opinion dealing with the loss it is most important psychological aspect of the trading and it is worth to analyse it separately. But not in this educational series. Here I will mention just few things where to get out from the negative trade.

From the psychological point of view I would suggest one thing: try to understand your own weak and strong features of your personality. This is very important. And strengthen your strong side, and try to weaken your negative side. Working to improve your own personality will certainly will help you to become good trader.

Stop loss is quite complicated thing and here can not be certain answer, but despite that I will try to give some ideas. I won't touch psychological effect, simply just few practical approaches.

Every trader has their own point of view about the market and every trader has their own strategy. So best stop loss is that stop loss which matches your trading strategy. If trading strategy has not got an exit point, that strategy is not fully complete and I would never recommend to use it in practice. You can be successful, but most likely not for long term. Always remember stable income in the market is more important than quick 1000\$ today, if you see yourselves as a traders in the future.

Most of you won't like that "best stop loss is a stop loss that matches your own trading strategy" because it does not say where exactly to get out. And another point : you noticed I started to talk about stop loss before I say anything about entering into the market. Those two things I did deliberately not to confuse you, but opposite to make you think. Person who tries to copy others always will require somebody or something to copy. Person who is able to think for himself has better chances to succeed.

Now I will tell my points of stop loss and completely up to you to follow it or to criticize. It is your choice and any criticism I will take as a help to improve myself.

Practically, I put stop loss order just in that case if I am away from the trading platform or going sleep. If I have a possibility to watch the market, I certainly have not got any stop loss order. Why? Because if my trade goes wrong sometimes I am closing the position earlier and sometimes, when price reaches level where should be stop loss, I wait, and always I can get the price better than stop loss. Let's say it is not big difference, but even two pips are better result. Over the time you save quite few hundred pips.

This my approach is possible if you have strong discipline, no fear and no hope is confusing you. If any of this is inside you, I would not recommend to trade without stop loss order. Yes, I know, sometime price reaches stop loss order and turns around into the direction you have expected. So what? Next trade will be profit. But without having stop loss order you could be washed out just in one trade. Think, one bad trade is not the end of the world. Better to be safe than sorry.

Now where exactly I do put stop loss or in other words where I close my negative trade? Because my trading strategy is based on the support and resistance lines, if I go long - stop loss will be below support line. If I go short, stop loss will be above resistance line. There is no any complicated calculations. Yes, again, I know, sometimes so many false breaks appear in the market. So what? I am still trading and trading balance over the time is positive.

So, let's make a conclusions.

1. Stop loss should not be feared, should not give hope.
2. Stop loss must always be inside your trading plan – place order on your platform or just mentally inside your head.
3. Stop loss, if mentally placed inside your head, must be always executed, no matter what.
4. Stop loss must match your trading strategy and any strategy must contain the stop loss.

At the end I would say this: stop loss is not a horrible beast. It is opposite – your friend, who will protect you from the disaster, if you treat him well. Remember, it is not stop loss brings you financial loss, it is game itself and as long as you trade, time after time you will suffer some losses. Do not look for perfect stop loss, such thing does not exist. Better to improve your trading strategy.