



REASONS WHY SO MANY TRADERS FAIL

In my previous articles, I have often discussed the things that can be done to improve one's trading performance. This time, let's take a look at some of the reasons why most traders fail.

It is said that the failure rate in the Forex industry is very high, with more than 95% of aspiring traders expected to drop out of the game within their first few years of trading. At this rate, you might have a better chance of surviving the Hunger Games than becoming a successful Forex trader!

In his book *One Good Trade*, proprietary trader Mike Bellafiore outlines the main reasons why traders don't succeed. Although he draws his conclusions from his experience in stock trading, the lessons are generally applicable to Forex trading as well. What is interesting to note is that most of these common mistakes are actually avoidable.

1. THEY DON'T LISTEN TO THE MARKET

Acquiring the necessary trading skills is the easy part, but if you are unable to apply these in the proper context, your skills alone will not generate your desired profits. At the end of the day, it is still the market that will dictate price action so traders who regularly disregard what the market is telling them often end up failing.

For instance, if you insist on shorting the EUR/USD even when new fundamental factors pop up and buyers have already taken the pair to new highs, you might need a moment to step back and reassess the situation. Take some time to figure out if there is additional information that carries more weight in terms of determining current price action instead of being stubborn and even adding to your position.

"The market has rules", Mike Bellafiore writes. "When one disobey the rules, Mother market reaches into your pocket and takes what is hers. And she doesn't give it back."

2. THEY DON'T ENJOY TRADING

Expertise is a process, which is driven by the genuine desire to learn and do better. Without curiosity and enjoyment for the craft, traders would hardly be motivated to pursue deliberate practice and skill development.

When traders don't have any love for the game, conducting market analysis and putting in the necessary hours required in mastering the markets will definitely seem like a chore. This explains why most aspiring traders simply decide to give up and pursue something else entirely.

3. THEY SET UNREALISTIC EXPECTATIONS

Believe me, it will take a lot of time and ego-crushing losses before one becomes a consistently profitable trader. There are many things that can be done to speed up the learning curve, but there is no way to completely eliminate it.

Some newbie traders make the mistake of thinking, that in order to be successful, they should never incur losses. Consequently, they pressure themselves too much and take it hard every time a trade goes against them.

To avoid their fate, you have to accept that you will face losses. You will experience losing streaks and undergo drawdowns, which will probably make you feel terrible. Whether you like it or not, you will be on the wrong side of a trade in some instances. But you know what? It's OK. Even the best Forex traders out there still experience these things.

I know I've said this so many times but I can't stress how important it is for you to respect the process. Not everyone is entitled to make it big. However, you are entitled to work your butt off, train well, and realize your potential to become a good trader.

4. THEY'D RATHER BE RIGHT THAN MAKE MONEY

It sucks to be wrong. This is why so many people have a hard time swallowing their pride, admitting their mistake and moving on.

Often in Forex, traders develop a bias on a currency, not that there is anything wrong with it, but the downfall of this is that sometimes they get paralyzed when their trades don't go as they planned. They stick to their trades, insisting on being right and refusing to exit their already losing positions.

I'm all for commitment when it comes to relationships and career but when you trade, you should remember that you shouldn't be emotionally invested in a trade. Successful traders know when they should exit a losing position and they are able to do so quickly.

To be consistently profitable, you should always try to make good trades and accept the fact that you cannot control the results.

By learning from the common sources of failure, we can know what to look for in our trading habits and know what to avoid. That way, before we even hit the wall of failure, we can already correct your behavior and mindset.

Just remember that success in Forex trading comes down to listening to the market, loving what you do, setting realistic expectations, and being open to admitting your mistakes.

