



## STEPS TO TAKE WHEN FACED WITH STRESSFUL FOREX SITUATIONS

Forex trading, at the very least requires you to deal with risk and the unknown every single day. Because of the uncertainty surrounding trading, you will most likely encounter events that may change your comfort level, aka “stress you out”. Psychological stress is natural in trading.

But wait a minute.... Isn't stress always bad?

Psychological stress can be good when it gives way to a flight or fight response, wherein you become more alert and mentally prepared to deal with challenges. It is likely a jolt of adrenaline to the brain, which tells your mind and body to react and mobilize. In this case, stress can help you protect yourself and improve performance.

On the other hand, a trader who does not react positively to stress can hinder his/her trading performance. This is when you perceive an event as a threat. Instead of feeling alert and becoming prepared to react to a challenge, your fear of the unknown bogs you down and you become anxious or freeze. This kind of stress can be crippling for making good decisions as you lose your ability to remain calm and to focus.

Imagine you are crossing a street and all of a sudden a ten-wheeler truck or double-decker bus comes out of nowhere speeding in front of you. How would you react?

Naturally, stress kicks in. If you've developed the ability to react positively to stress, or even ignore it all together, your body will immediately react and you will run to safety. If not, you will freeze in the middle of the road with a deer in the headlights expression on your face.... and I can only imagine what will happen next.

At the end of the day, its how you perceive events that give way to either the good or bad reactions to potentially stressful situations, and its how you handle your stress during these critical situations that determines whether you sink or swim. Here are a couple of steps you can take:

### **1. ACCEPTANCE:**

The first step is to know that losing is a natural part of trading and that a single trade, or a string of losing trades, is not the end of the world providing you have proper RISK MANAGAMENT in place. Once you have recognized this fact you can focus your mind on what you CAN do rather than on what you CAN'T do.

### **2.RESPONSE:**

Secondly, you need to realize that in potentially stressful situations you have to be able to learn to respond well (calmly staying focused and rational) instead of responding negatively (freezing and / or acting impulsively). In other words, when faced with stress you have to train yourself to recognize it, then dive to get out of the way of that speeding ten-wheeler just as an action star would do, instead of freezing from anxiety and getting crushed like a grape!

Accepting that losing is a natural part of trading and developing a positive response to market events can only come through one thing: deliberate practice. Through (taking many DEMO trades and then observing and adjusting your psychological/physical responses) negative responses to trading stress can be reduced significantly or even be used as a tool to sharpen your senses to make better on the spot judgments to your trades as new information comes your way.

I suppose at the end of the day you have to learn to accept stressful situations in trading.

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