



THE STAGES OF LOSS IN FOREX

One of the first things that you should learn in Forex trading is accepting defeat. Although it is a normal part of the overall trading process, losing is something that many traders, both newbies and pros have difficulty with.

Think about it. Losing in a game where nothing is at stake is tough enough, but so much more painful when there is actual money involved that you have worked very hard for.

The main reason behind the difficulty in coping with losses lies with the lack of understanding rather than actual psychological problems. People who are experiencing losses misunderstand the negative emotions that are attached with them, which can cause anguish and despair. This eventually makes them quit Forex trading altogether. People who cannot deal with the psychology of losing end up exiting the Forex trading business quickly.

In this article I would like to address that lack of knowledge with losses. In the next several paragraphs, I am going to talk about the four stages of loss in Forex, namely denial, rationalizing, depression, and acceptance.

Do the terms sound familiar? They should, because they are similar to the four stages of grief. Do note, however, that they are applied differently in Forex. My desire is that by getting to know these four stages, you will be better prepared to handle the losses that come with trading.

STAGE 1: DENIAL

The first stage of loss enables you to deal with the losing trade. In this phase you deny to yourself and to others that your trading idea was wrong, and that the loss wasn't your fault. Reasons like "I was stop hunted" and "I didn't really care for that trade" are normally used. There's nothing wrong feeling this way, especially if you are new. It's a way to ease the blow to your ego, survive the loss, and move on.

STAGE 2: RATIONALIZATION

After the denial stage, you move on to rationalizing your trade setup. This is the point in time where you point out everything that's right about your trade idea and do not even think about what you did wrong. You cite the appropriateness of your trading plan, profit target, stop loss, and entry point but totally disregard that you actually did lose the trade and made a mistake somewhere.

STAGE 3: DEPRESSION

At this point, you have already looked at the possible external reasons for your loss. You then turn inward and consider the idea that the loss was completely caused by your own doing.

Although it is reasonable to take responsibility for your loss, blaming yourself too much can be damaging to your Forex career if it leads to you consistently doubting yourself. You might ask yourself questions like "Is Forex trading really for me?" and "Why go on at all?" You could even wind up withdrawing yourself from the business altogether if you can't find enough reasons to keep pushing forward.

Those who have experienced this kind of self-doubt can attest that the longer the losing streak is the more intense the feeling of depression. In some cases, you could even see yourself thinking of pursuing other business ventures out there and giving up Forex trading.

STAGE 4: ACCEPTANCE

In this stage, you begin to realize that it is unhealthy to blame yourself for everything that went wrong. Even though you have accepted that the loss was partly your fault, you are also mindful of the fact that the Forex market is a wild untamed beast and that there are plenty of market factors beyond your control.

Let me clarify though that acceptance is not simply about feeling okay about the loss. In truth, acceptance is more about aligning yourself with reality and realizing that the loss cannot be undone.

When you reach this stage, you accept that you have made some mistakes on your part but that there are also things you are unable to control. Some even say that acceptance is a mix of rationalization and depression, as you combine the two before you are able to move on.

At the end of the day, it is important to remind yourself that you can never truly reverse what has been lost but you can make up for it. One obvious way to do this is to have a winning trade and recover financially, but you can work on rebounding mentally as well.

You can come up with improvements for your trading strategy, exercise better risk management, or just figure out how to handle your losses better. Instead of simply denying the loss, you have to move on, adapt and grow

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