



TRADING HABITS THAT WILL HELP YOU MANAGE YOUR OPEN POSITIONS

When trading, actively managing open positions is just as important as coming up with your plan. Here are three tips to help you manage your active trades.

1. KEEP IN TOUCH WITH THE MARKET.

Whether you are a hardcore technical or fundamental trader, or maybe a little of both, you cannot deny that economic reports influence price action. This is why it pays to keep tabs on the events that pose risks to your trades.

Some may say that the market's reaction to the news is more important than the news itself, but how can you make the most out of a reaction if you have no idea about the news event?

Don't forget to always pay attention to potential game changers that might invalidate or at least divert from how you expect your trade to play out.

2. BE FLEXIBLE WITH YOUR TRADING PLAN.

It is very important to be flexible with your trading plan. Of course being "FLEXIBLE" doesn't mean being totally spontaneous and not following your initial plan at all. It just means that you are making adjustments based on factors that have changed since you made your initial plan.

Being flexible requires you to constantly check the validity of your setups as time passes. Also, keep in mind that the longer you keep your trade open, the more you expose it to different event risks. How long did you initially plan to keep your trade open? Is your setup still valid after a few hours, days or even weeks?

Let's say you spotted a potential for a double top on the AUD/USD as an intraday trade. You shorted at the "top" and wait for the price action to go down, but after a few trading sessions you see that the pair is just ranging near your entry level. Is your "double top" still valid or should you take your profits early?

3. UPDATE YOUR ORDERS AND POSITION SIZES.

Just because you have the ideal risk-reward ratio and the “fool-proof” trading plan doesn’t mean that you shouldn’t also tweak your order levels and position sizes. Remember you want to minimize your risk.

If one or two factors in your trading plan don’t go your way but you think your idea still has merit, you might want to cut back on your position sizes. On the other hand, if you find that the price action turned out to be better than what you expected, you could also consider adjusting your stop losses or taking partial profits. It would be a lot better if these adjustments were included in your initial trading plan in the first place, but better late than unprofitable, right?

Keep these three simple tips in mind when you trade so you don’t end up wasting your well-thought out trading plans. Before you know it, these practices will have already turned into habits.

