

## 7 Sensible Tips to Cut Losses in Forex Trading

I've got some bad news for you and some good news. The bad news is, losses in Forex trading are unavoidable. Even the smartest, most experienced traders in the world have losses. That's because volatility in the markets makes it next to impossible to predict with 100% accuracy. But there's also some good news - you can cut losses in Forex trading.

It's true that you can't totally eliminate losses, but you can minimize them. You can take intelligent measures to protect yourself. Then, as soon as a loss strikes, you can shift away and avoid the full impact. And that's what we'll talk about here - how to cut losses in Forex trading and minimize their impact when they do occur so that they never get a chance to bleed you dry.

Here are 7 sensible things you can do to cut your losses in Forex trading before they happen.

### Tip 1. Lose Your Fear of Experiencing Losses

Losses are simply part of the ups and downs of any market, and it's important to accept this idea so that you can begin to factor it into your planning and your trading strategy. Reckless Forex traders who deny this reality tend to have more losses than profits

### Tip 2. Never Hang on to a Losing Position

As soon as it's clear you're in a losing position, get out and move on. Never let your failing trades die a slow death, and never try to bring them back to life with "just a little more money." Kill 'em off quick. Then treat each one as a learning experience by reviewing what went wrong and decide how to avoid a repeat.

### Tip 3. Have Your Broker Close Losing Positions

Issue standard instructions to your broker that all losing positions must be closed. There is never a good reason to let losses waste perfectly good money. A reliable broker will make the margin calls necessary to stop your losses, thus protecting your account from being drained.

What is a margin call?

When you open a trading position, you can designate part of your deposit as a collateral deposit your margin which will be set aside to be protected. On a \$3,000 account, for example, your margin might be set at \$750. You will use the \$2,250 to trade, and if your losses ever reach that level, the broker will close your position, thus protecting you from losing the remaining balance. This prevents your account from going into negative figures, which you would be required to repay.

### Tip 4. Caution Is Just Good Sense

Especially when you're just beginning, trade only with the market trends. Newbie traders don't yet have the experience or the judgment to predict how prices will move. Even veteran traders experience more losses when trying to predict trends. Try to find the wave of an upward trend and ride it when it's already underway, then exit trading when it begins to turn negative. That may sound boring, but it's much, much safer.

### Tip 5. Loyalty Is a Bad Thing in Forex Trading

When it comes to trades, a loser is a loser is a loser. Loyalty to a particular trade, or falling in love with it, is very unwise. No trade you ever make will be loyal to you, and it's important to understand this at the gut level. Forex trading is a volatile and fickle environment, with positions shifting constantly. What brings you success one day might drop you cold the next. In fact, it has been said that Forex trading is the world's worst place for emotions because they cloud your judgment. It's simple, dump the failures and ride your successes - and only your successes.

### Tip 6. This Is Not the Place to Get Rich Quick

Ignore stories of overnight millionaires. They're usually apocryphal. Success in Forex trading requires you to minimize any loss that occurs and to behave as you would with any business. Plan on being in business long term, and discard stories of making it big overnight (somebody's usually trying to sell you something when you hear one of those stories). Jumping into Forex trading like a gung-ho warrior is setting yourself up to lose big and fast. The real, consistent winners are the ones who use common sense, patience and a businesslike attitude.

## Tip 7. You're the Only One Responsible

If you try to rely on advice from strangers (and possible sharks), it's not their responsibility when you lose. It's yours, and yours alone. Invest the time necessary to learn what's needed to keep your losses in Forex trading as small as possible. Use every trade, whether loss or gain, to increase your knowledge.

This also means, of course, that it's your responsibility - and only yours - both when things go wrong and when they go right. Since you're going to end up with both the blame and the credit for results, it's a good idea to work toward more good trades, more profits and more security. Once you accept all responsibility, you're no longer a victim. When the market doesn't go your way, you never need to look for somebody to blame. You simply dust yourself off, learn something from the situation, make adjustments, and go try it again.

There is no profit in dwelling on your losses, but there is a great deal of profit in learning from them. Losses happen and that's that. But you can cut losses in Forex trading. Learn what you can from them, understand what happened, then move on. Remember, the more quickly you move on, the more quickly you'll have a chance to recover those losses and move firmly into profit.

## About the Author

Find out more - get the FREE 15-Day Forex mini course at <http://www.ForexTradingNewbie.com> - you can master Forex faster and get your currency trading career up-to-speed and turning you a profit

Source: <http://www.forexarticlecollection.com>