

Why Fall In Love With Your Stocks

Falling in love is easy, but breaking up is so hard to do. After spending hours pouring over numerous trading opportunities, you've found the perfect stock that meets your criteria and place your trade.

During the day, you check out the share price, either smiling when it moves up, or losing that grin when it moves lower.

While we can never admit it, sometimes buying a stock is just like falling in love. We spend a long time looking for that one special someone, we get excited with every call, and sad when we can't be with them. Our heart moves on an emotional roller coaster depending on how things went on our last date.

Amazing how emotion controls us.

The problem is, when we fall in love, we overlook some of the things that would normally make us avoid either that person, or, in the case of stock market investing, a company. Before long, we're wondering how to get out without causing too much pain.

Don't fall in love with your stocks. Fall in love with your kids, your spouse and other aspects of your life, but do not fall in love with your stocks. If you want to be a successful investor, you need to remove the emotion from your trading. When you have exited your position, do a happy dance or pout if you must, but don't let any emotions cloud your ability to make decisions.

Your mind will follow your heart. It will tell you that you should hold when you should sell, and tell you to sell when you should be holding. Don't fall in love with your stocks.

Where 90% of traders get it wrong is that they convince themselves that if they are down 40% already, there will be a bounce soon. Naturally, there is a small bounce as the shorts cover their positions. This provides a small pop and now our investor is down only 30%. Now emotion sets in, and convinces our trader that the worst is behind them since the trend is moving higher. Problem is, after the bounce, there is often no buying pressure, and the share price tests recent lows, and heads lower, turning a bad situation into an even worse one.

Be smart. Don't fall in love with your stocks. Execute your plan, and then celebrate (either because you made some money, or because you avoided taking a larger loss).

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

About the Author

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