

## Online Trading Forex: Which Of These 3 Mistakes Do You Make?

Professional traders are full of tips and guidelines that can greatly increase profitability during your online trading Forex sessions.

Here are 3 advice notes I've picked up which greatly reduce the number of my losing trades and increase the number and size of profitable trades:

### Mistake #1

Setting the stop at round numbers.

Solution: When setting your stop, avoid numbers that end in zero.

This is not due to superstition! It's just that round numbers, especially with certain currency pairs like EUR/USD and GBP/USD, represent key psychological levels in the minds of traders and institutions.

Price will often pull back to a number that ends in zero and go no further. If your stop is set at that level you run the risk of getting stopped out of your trade only to see price resume the direction you had anticipated anyway. How frustrating!

So always make sure your stop is set at a number other than one that ends in a zero, and reduce the number of times you get taken out.

### Mistake #2

Setting stops according to a pre-determined amount.

Solution: Calculate your stop according to strategic levels, not an arbitrary amount.

Many traders set stops somewhere between 20-30 pips as that is about as much as their equity will allow.

Some new traders tend to do simple arithmetic to establish their stop level: entry price plus/minus 25 pips.

However, it makes much more sense to look at a previous support/resistance level, trendline, or yesterday's high or low, and see if a 20-30 pip stop puts you near one of those levels.

If it does, then calculate more precisely. It makes no sense to set a 20 pip stop if a major support/resistance line is 25 pips away from your entry level. Price is likely to go right back to that level to test it, and stop out your trade, before bouncing.

Keep your eyes open for such key levels and set well-thought out stops which help you avoid getting taken out unnecessarily on trades where your appraisal of price direction was right all along.

### Mistake #3

Setting target limits right on key levels.

Solution: Trim your target by 2 or 3 pips.

Equally frustrating is to see price ALMOST reach your target, fall short by just 2 or 3 pips, and then within seconds retrace by 10 to 15 pips.

One moment you see a nice profit of 25 pips on your trading platform, the next moment it is showing 15. Now you are left in a quandary. Anxiety sets in as you wonder whether price will go back to retest the previous level. Do you stay in and hope or just take the 10 or 15 pips left on the table?

How much better to just trim 2 or 3 pips off your target. Price then has a much higher chance of getting there.

What a nice feeling to see price spike to your target limit, take out your trade with a 20-30 pip profit, and then pull back. No anxiety, no recriminations,

no "if only I had . . ." scenarios.

Noting these 3 mistakes and their solutions will make your online trading Forex sessions much less exhausting mentally, and much more profitable.

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

#### About the Author

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