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8 QUESTIONS A TRADER SHOULD ASK WHILE TRADING

Without conscious planning in share trading, we can get into a trap of wide choices. Being a jack of all trades and a master of none will not yield fruitful results. After some experience and introspection, we need to get specific in terms of our choices and need to operate in a boundary that we have formed for ourselves. As rightly said by Bruce Lee "I fear not the man who has practiced 10,000 kicks once, but I fear the man who has practiced one kick 10,000 times." So Trading has to become an expression of one's own identity.

Ask these 8 questions to excel as a trader:

1. How many options do I have?

Greed and Fear are well acknowledged enemy of Traders but there are lots of other emotional factors which affect the Trading Business. In the stock markets, we have varied choices. From a trading style perspective, we can opt for Investing, Positional trading, Swing, BTST or Intraday. As for trading instruments, we have Cash Market, Futures and Options Markets. From market capitalization perspective we have Large, Mid and Small cap stocks. From an analysis perspective, we have Fundamental, Technical and Quantitative approaches. At a peak, we have around 3500 listed stocks. If we do the permutation & combination of choices, it can lead to an exponential number.

2. What is my goal?

Can an average cricketer be a part of the Men in the blue team? Can an average actor have a long lasting career in Bollywood? The answer is NO. In the same way, an average trader cannot sustain for long. It is a performance based industry where one needs to attain excellency. Serious Traders cannot be halfhearted. Success in Trading comes from love and passion towards the market and not by being a casual trader.

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3. How should I approach my trading calls?

Understanding the importance of independent thinking is essential. Being able to think independently opens up a wealth of potential knowledge. It enables us to become more discerning about the things we hear, see and believe about markets and helps us question the irrational price movements and eliminate weird market assumptions. Initially, it is good to learn, listen from the experts & from the trading/investing community. When we have a sufficient learning curve it is always good to do self-analysis, self-experiments rather cross check with other traders/investors for their opinions.

4. How do I divide my capital?

A Trader needs to draw a line between Risk Capital and Saving. For e.g., If a person has 10 Lakhs in his Savings A/C which gains a very low amount of interest and on other side Market gives a lucrative return. However, traders should not get carried away with the lure, and transfer all the money from Savings A/C to Trading A/C. One needs to understand and assess the risk behind it while not over committing to the market patterns which can affect life style. If you never bet your life style from a trading standpoint, nothing bad will ever happen to you. Second, if you know what the worst possible outcome is, it gives you tremendous freedom.

5. What forms the core of trading successfully?

Psychological well-being is one of the major foundations of trading performance. A disturbed mind cannot make successful trades. It has been said that before trade its 20% psychology and 80% mechanicals but after the trade its 80% psychology and 20% mechanicals now that Money is at stake. So while trading one needs to be in a good state of being. Trading is a mental game; if we master ourselves we can master markets.

6. When should I stop?

We don't drive a car without breaks. In the same way, one should not trade without a stop loss. Applying breaks slow down the speed of a car but ensure the safety of self and the others. Stop

loss reduces our capital but it saves further erosion as every big loss starts with a small loss. It is up to us how soon we capture and book our losses. It has been said that Stop Loss = Save Capital; Thus, whenever we take positions, we should have predetermined stops as that is an only way to ensure sound sleep.

7. Short term gains vs long term existence?

The key to long term survival and prosperity has a lot to do with the money management techniques incorporated into trading. There are old traders and there are bold traders, but there are very few who are a combination of both.

8. Life outside the terminal?

You should always have something in Life that is more important to you than

trading. Traders who neglect their relationship implicitly and put the trading at the top of their emotional priority list directly co-relate their self-esteem, mood, and energy level to P&L. When we derive energy, affection, happiness and satisfaction from activities outside the markets, we don't end up overtrading in markets to manufacture good feelings.

Hitesh Chotalia - An industry veteran with over two and half decades of experience, Hitesh has had a successful career as a Technical Analyst & Market Strategist across top tier firms both at Retail and institution level, including, Citi Investment Research & Global Markets, Centrum Broking, ShareKhan and MotilalOswal. Having developed in-depth product expertise, Hitesh has effectively developed courses in the domain of Trading & Investing across multiple delivery platforms. He is Head - Education at the FinLearn Academy since inception in 2016.