

Twitter Thread by Sourabh Sisodiya, CFA



Sourabh Sisodiya, CFA

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Trading Mistakes & Lessons Learnt ■

1) I always keep my mistakes & lessons learnt in front of my screen while trading.
Bcz we as traders tend to commit the same mistakes everytime.

So seeing your learnt lessons everyday ensures that you avoid them.

#trading #mistakes

* Catch few big trending moves * (Morning Big Bar High on 1st 30 mins)

* Trade Pullbacks *

* (Total loss cover ho jaye ga) *

* MISTAKES *

* PREPARE

DON'T ACT IMPULSIVELY

Expiry

if price is rising or falling

* Know max loss

(Favorable R:R)

- 1) Know proper plan B4 the trade
- 2) Trade only if major TF converge
- 3) Don't overtrade
- 4) Too much charges
- 5) Cap losses blyamid when right
- 6) Let profit Run.
- 7) Extra loss due to hedging

(Max Profit $\geq 2 \times$ Max loss)

(1:1 \rightarrow) Keep a SL

* 8) Manage Risk at all times (Keep buy orders or SL orders) *

9) Never go against the trend. 10) * Take all trades *

* RISKS *

11) Don't react on every tick

12) Wait in loss but exit as soon as cost to cost

13) Contra on small retraction

14) Time Stop

(only Index)

1) Liquidity Risk & Impact cost

2) News

* 3) Sometimes SL orders are not executed (Big Bid ask on put side)

4) Vol. rises (IV)

5) Network issue. \rightarrow * Keep SL as soon as trade is taken *

6) Overnight Risk (Black swan)

7) Flash Trades

Charges

Tax

SL limit \rightarrow stock 5K

Index 7K

Don't think contra
2nd ref m

Price $> 20250 > 2007$ \rightarrow Buy

* Don't keep managing... Exit when wrong *

2) In 2017, I analysed all my trades and saw that I have majorly lost in stock futures and profits came only via index trading.

I accepted that I am not great at stock trading & been trading index only majorly since then & have never missed a day trading BankNifty

3) I decided to adjust all of my past losses to 1 % of capital to see the effect of capping the downside.

I would have had a gain of more than 230 % if I had capped losses at 1% of cap.

Lesson: Keep losses per trade less than 1% of capital no matter what !



4) While trading index options, I lost sometimes due to IV rise, flash crash, and option freezes.

Lesson: Never take markets lightly & Always keep protective stops in the system (and not in your mind) to keep loss in control in case of blackswan.



5) Being an option seller, I have a tendency to manage my position by rolling up/convert to calendar etc.

So many times I have wasted 1 or 2 weeks just to close a loss making trade at cost■

Lesson: I do manage now but exit as soon sold options become ITM or 2 x in value.

6) "Option sellers eat like a chicken but shit like an elephant"

So always always manage risk especially while selling options.

Eg. Corporate tax rate cut day, demontisation, surgical strike, 2020 fall etc were brutal moves & if not managed properly can take years of profits.

7) I used to carry naked far otm puts overnight position on largecap stocks thinking I was safe but on 18th Aug 2017 Infy was down 13% as CEO resigned.

Luckily I had only 1 lot but learnt a good lesson

Lesson : Always hedge your overnight position

Infosys shares fell as much as 13 % to their lowest in 52 weeks.

Shares of Infosys slumped over 13%, eroding Rs. 24,839 crore from its market valuation, after Vishal Sikka, the first non-founder CEO of the company, resigned.

The IT major's scrip plummeted 13.39% to Rs 884.40 — its 52-week low level — on BSE. At NSE, the stock crashed 13.38% to hit its one-year low of Rs 884.20.

The stock was the worst performer among the bluechips on both the key indices.

8) From the lesson learnt from INFY trade I got saved later in my career

I had a position in Yesbank but it opened 10% gapdown next day but I got saved as position was completely hedged.

Lesson: Learn from your mistakes, note them in journal & never repeat it again!



9) If possible also write about your biggest losses and how you felt that time so that you make sure you never go thru that emotional pain again by repeating earlier mistakes.

➤ **There's 4 possible outcomes for your trade**

1. Small win
2. Small loss
3. Big win
- ✗ 4. ~~Big loss (Avoid)~~ ✗

(Page, Ashokley, BnF, JD, Infy, Jubilant)

Eliminate #4, you can thank me later.

10) I committed the same mistakes for years.

Inspite of knowing that I shouldn't commit them.

Bcz we as humans tend behave in a certain manner everytime.

So , it's best to keep your lessons/mistakes hand written in front of you and read everyday before trading.

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11) We as traders get complacency when we are on a winning streak & my largest losses have come after my largest winning streaks

Lesson :

Never get complacent & always remember that market is supreme■

So stay humble always !

12) I have also written about my largest losses & the reason for the drawdown.

Was it my fault ?

Did Market conditions change?

How I felt during the drawdown ?

What could I have done better ?

Lesson :

All this gives you the confidence to sail your next drawdown smoothly.

13) I think the key component in trading success is stock selection and limited focus.

-Select any 1 liquid instrument and analyse it's historical behaviour in detail and build a rule based strategy around it.

-Stick to your strategy and never miss a trade in it.

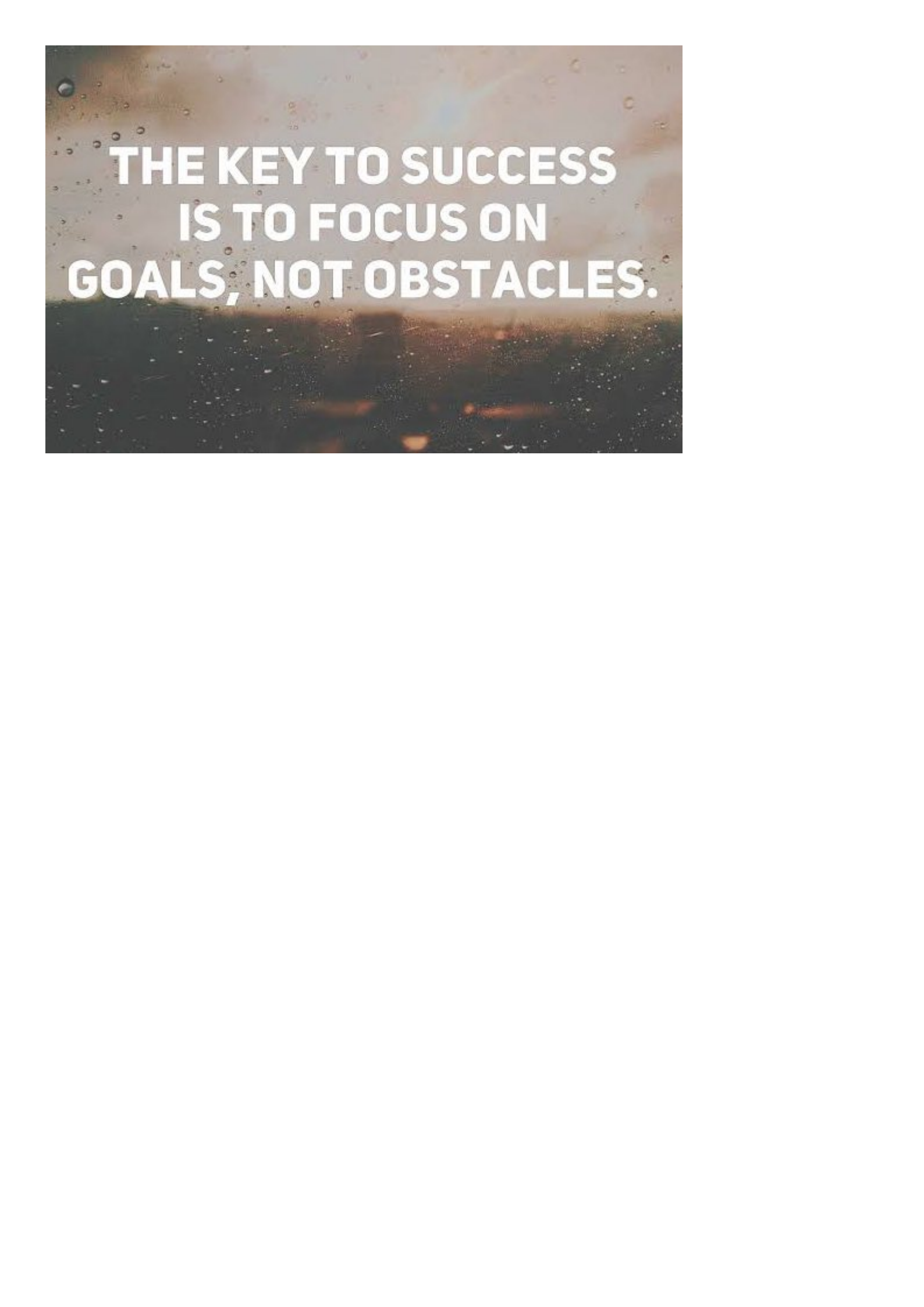


14) Know all major levels, how the instrument moves generally & behaviour of that particular stock.

- Generate additional insights & incorporate the feedback & insights back in to your trading strategy.

- This sheer focus will give you the results you have been craving for.

End

The background of the image is a vertical rectangular panel. It features a cosmic scene with a dark, star-filled sky at the bottom, transitioning into a bright, orange and yellow nebula or galaxy core at the top. The text is centered in the upper half of the image, overlaid on the nebula. The text is in a bold, white, sans-serif font, arranged in four lines. The overall mood is inspirational and aspirational.

**THE KEY TO SUCCESS
IS TO FOCUS ON
GOALS, NOT OBSTACLES.**