Twitter Thread by Rayner Teo

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Do you know what separates professional traders from losing traders?

Here's my answer and it's not what you think...

#1: Think independently

If you want to succeed in trading, you must have the ability to think independently.

Instead of asking “what” or “when”, learn to ask:

Why.

By asking why questions, you’ll come up with a hypothesis to your questions which brings me to...

#2: Willing to get your hands dirty

Just because you came up with a hypothesis, doesn’t mean it’s correct.

That’s why as a professional trader, you must validate your trading ideas.

You must get your hands dirty and do the work like backtesting and forward testing.

#3: Have the right expectations

Most new traders enter trading with the wrong expectations and end up quitting trading altogether.

The truth is…

* You won’t make money every day

* It’s not a get-rich-quick scheme

* Learning curve is steep

#4: Manage risk like a pro

No strategy works all the time, that’s why you manage risk all the time!

You can use stop-loss, options, position-sizing, etc.

A losing trade must be managed so it feels like an ant bite—not a shark bite where you lose a chunk of capital.

#5: You must trade with an edge

An edge is something you do repeatedly that yields a positive result.

It doesn’t matter if you have the best trading psychology, risk management, favourable risk to reward ratio, etc.

Because without an edge, none of it matters.

#6: Execute relentlessly

You might have a trading strategy that has an edge.

But after series of losses, you might start to doubt the strategy.

So:

* Have a trading account <50% of your net worth & risk 1% per trade

* Reward yourself for consistent effort, not the outcome

#7: Always be a student of the markets

The market is always changing and your learning is never-ending.

#8: Emotionally in control

Don’t let your P&L dictate how you feel.

Don’t be too happy if you’re winning as losses are always just around the corner.

Don’t be too sad if you’re in drawdown as there’ll be better days ahead.

Stay in control.

#9: Know when to stay out

Your trading strategy won't work all the time as market conditions change.

This means you need to know when to stay in the markets and when to stay out.

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