

Market Psychology

**Trading Psychology
Overview**

**Develop a Trade
Plan**

**Make a
Checklist**

**16 Trading
Commandments**

**Practice Risk
Management**

Keep a Journal

Morning Routine

Mindset Matters

Build Confidence

TheCryptoDen

Trading Psychology Overview

Market psychology refers to the ability to identify and manage emotions and behaviors that may arise while trading. While the Financial market is a forward-looking indicator for expectations around corporate earnings performance, it is often also swayed by factors which influence trading psychology on an individual and a collective level.

Three factors to consider are:

- Investor mood
- Market sentiment
- Emotions such as fear or greed

The aim of this Zoom Call is to explain the importance of trading psychology in the Crypto market and to provide additional knowledge and tips on how this can be managed. Trading psychology applies to all financial markets and instruments. Regardless of the instrument traded, emotions will always play a part which is why it is so important to have measures in place that keep you focused on your goals, regardless of emotions.



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Develop a trading plan

A trading plan is used by traders as a guide throughout the trading process. It is a set of rules that outlines the conditions that should be met before a trade is triggered, which markets should be traded and when to exit the trades. The purpose of a trading plan is to ensure that the trader remains accountable and sticks to the plan.

TRADING PLAN

Daily Routine

- 8:45 a.m. — rate gaps, develop focus list, plan potential entry scenarios
- 9:25 a.m. — morning focus, get in "state," recite incantations
- 9:30 a.m. — trade only gaps on the list
- 11:30 a.m. — lunch break
- 1:30 p.m. — hunt for afternoon trades
- 3:00 p.m. — review trades, do record keeping, journal trades

Money Management

- R size will never be more than 5% of my account
- 3Rs max daily loss
- 6Rs max weekly loss
- 9Rs max monthly loss

Position Sizing

- R Size / Stop Size = Position Size
- Example: \$100 / 10 = 1000 shares
- Beginning R size will be \$100
- R size can be increased by \$50 after consistently meeting goals and sticking to plan for an entire month or series of at least 20 trades, whichever comes later

Trade Management

• Entries

- Stop Limit order type for most trades unless a market order needs to be used to quickly enter (and then only on liquid and non-spready stocks)
- I always know my entry, stop, and target 1 before entering a trade

• Stops

- Stop Market order type for all stops
- Stop size is 1R on every trade — no 1/2R or 2R sizing
 - If it's not worth risking a full R on, it's not worth taking at all
- Full stop can be trailed on each new major 5-minute pivot that forms after the entry, as long as Target 1 has been reached — NOT before then

• Targets

- Targets can be taken with any order type appropriate to the situation - limit, trail stop, market, etc.
- Target 1 is 1/2 of the position at 2Rs
 - Target can be taken as a bar-by-bar trail on the first candle that touches the target as long as the candles are small and the stock is liquid
- Each successive target is 1/2 the remaining position at another 2Rs from the previous target

General Rules

- I will not enter trades before 9:31 a.m.
- I will not enter trades between 11:30 a.m. and 1:00 p.m.
- I will not enter trades after 3:30 p.m.
- I will only enter a given stock 2 times in a single day

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16 Trading Commandments

- Don't place a trade before your morning Coffee/Protein shake
- ALWAYS stick to MY trade plan
- Trade WITHOUT emotion
- Never chase a trade
- ALWAYS set stop losses during/after placing trade
- Protecting capital comes before making profits
- Use RR tool when plotting charts
- Don't enter a trade if you're not in the right mindset
- Always take profits!
- ONLY place trades based on YOUR TA
- Do not take signals
- Lose the Crowd
- Don't break the rules
- Avoid "Market Gurus"
- Make Peace with your Losses
- Take Ownership



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Mindset Matters



FIXED MINDSET

- > Success comes from talent.
- > I'm either smart or dumb.
- > I don't like challenges.
- > Failure means I can't do it.
- > Feedback is a personal attack.
- > If you succeed, I feel threatened.
- > If something's too hard I give up.



GROWTH MINDSET

- > Success comes from effort.
- > I can grow my intelligence.
- > I embrace challenges as a chance to grow.
- > Failure means I'm learning.
- > Feedback helps me grow.
- > If you succeed, I'm inspired.
- > I keep trying even when I'm frustrated.



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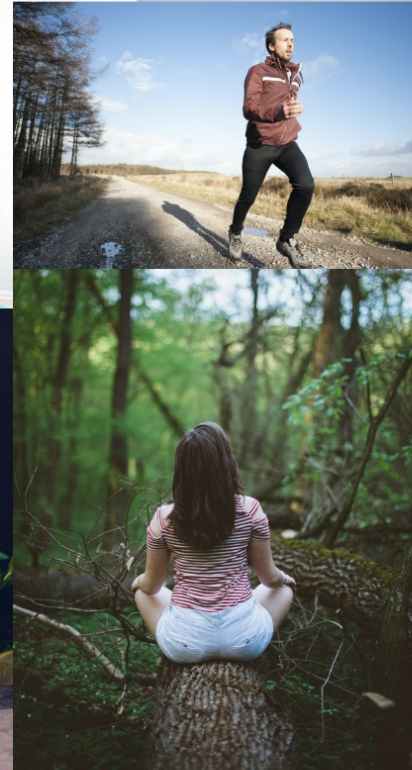
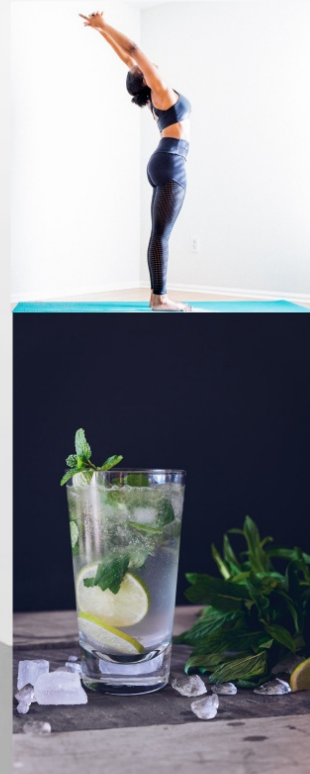
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10 Healthy Morning Habits

1. Snooze Your Smartphone
2. Warm Water, Fresh Start
3. What Are You Grateful For?
4. Make Your Bed
5. Meditate
6. Move Your Body
7. Start with Self-Care
8. Eat a Healthy Breakfast
9. Rediscover Your "To-Do" List
10. Get Enough Restful Sleep



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Make a checklist

Having a trading plan is one thing but sticking to it is completely different story when trades go against you. Having a brief checklist on hand ensures that the trader is applying the rules outlined in the trading plan throughout the trading process.



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Set realistic expectations and build confidence

Building confidence can be difficult, especially in the beginning stages where a strategy is still being tested. Confidence is vital as a confident trader is more likely to take calculated risks, and to accept the outcome of those risks. This is because a confident trader is usually one who is aware of their own trading psychology and has put processes in place to manage these factors. One possible way to build confidence in trading while learning about trading psychology would be to trade on a demo account. The goal is to set realistic expectations and treat the demo account as if it were real money. Binance does not have a demo account. You can only trade on the exchange by depositing real cryptocurrency. The minimum deposit is low though, so you can practice without risking too much capital upfront.



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Practice risk management

Risk management is something a trader cannot afford to ignore. Determining risk/reward ratios, trading with stop losses and trading reasonable trade sizes are all essential elements of a good risk management strategy. Make sure you have realistic Take Profit Targets as the Market can turn overnight. We recommend you use Market Structure to determine your Risk Reward/ Take Profit Targets.



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