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The Characteristics of Successful Traders

What is the difference between people who have succeeded in Forex and those to whom it was not given? Whether you achieve success in this difficult investment market or not depends primarily on your personal characteristics and abilities. According to various opinions and studies, investing in psychology accounts for over 70% of trading success. Yet even though most traders are aware that psychology is an important factor, only few of them focus on it to a sufficient extent. In this article, I will present the most important features that stand behind successful trading.

Discipline

One of the most common mistakes is a lack of discipline. Trading requires a high level of discipline. Being disciplined means sticking to the strategy and the trading plan, and refraining from making constant changes to your method after each lossy transaction. No successful trader will last very long without a well-conceived game plan for each trade.¹ Without an investment plan, there is no concept of discipline. With no pattern to refer to, it is not even possible to check whether consistency is being maintained or not at a given moment.

Many traders, including even experienced ones, lose their discipline as their faith in their investment strategy weakens after series of lossy transactions. They forget that the reason behind this can be just the changing nature of financial markets.

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1 13 *Characteristics of a Successful Trader*, „Forex.com”, <https://www.forex.com/~-/media/forex/files/education/guides/ca/13-characteristics-of-a-successful-trader-ca.pdf> (access: 29.12.2019), p. 3.

Not being greedy

The basic issue related to greed is the need to have more. Being greedy leads to over-trading. Beginner traders open positions that are contrary to the chosen strategy. Greedy traders trade too often and risk too much focusing on transaction quantity, not quality. It is the fastest way to lose money on the market.

In trading, you should not focus on making a lot of money but, rather, on winning and becoming as good as possible. To win in trading, you need to focus on the right things and this usually means that you will earn slowly – at least at the beginning. So if you are greedy and want to earn quickly, then you will not do the right trading activities that can help you achieve long-term success.

Constant willingness to learn

A successful trader should learn incessantly. Traders should learn as much as they can about their area of interest, educating themselves and, if possible, going to trading seminars and attending sell-side conferences.

The markets are changing all the time and there are always new trends, strategies. Good traders stay open to new ideas. They do not close their mind to other possibilities if these can turn out to be beneficial.

Composure

Emotions are the biggest enemy of profitable trading. Traders must not become overly emotional about their trades. They must be aware of the impact of their emotions on their trading. Most beginning traders struggle with getting too emotional about their lossy transactions. Of course, emotions such as fear and stress are natural and they cannot be eliminated, so the key to success is to control them, because strong emotions can sabotage rational analysis and lead to poor results.²

The general rule is that beginners should understand as fast as possible that investment involves risk, so for experienced traders loss in trading is nothing but a tax-deductible cost. Opening positions whose size gives the investor psychological comfort is the best way to eliminate the fear of loss.

Patience

Most traders enter the market convinced that they can accumulate profits very quickly. This expectation is supported by articles in the media that present successful investors. Most traders want to enter the market now. But 'now' is often not the

² M. Eakers, *12 Characteristics of Great Traders*, „LinkedIn” 13.10.2015, <https://www.linkedin.com/pulse/12-characteristics-great-traders-miles-eakers> (access: 29.12.2019), par. 13–16.

right time. It is no wonder that most traders lose. Successful traders know that they will be out of the market most of the time, and they accept it. They have become masters of patience, because they realise that being patient leads to profits.

Healthy confidence

Confidence is necessary to become a good trader. Successful investors must believe in themselves, in their trading strategy and their ability to implement it and maintain discipline.³ Beginner traders often wonder how they can acquire it as soon as they realise that it is one of the key features to succeed. However, confidence cannot be taught. It comes out of making decisions, taking action, and learning from experience. Trading without confidence usually ends up with drained trading accounts. Uncertainty in decision-making is the main obstacle to success. In the market, where the situation changes from second to second, being fast and determined in making difficult decisions is a major advantage.

The opposite situation is being too confident. Overconfidence is also really common among traders. Being overconfident is probably the result of low awareness as well as ignorance. The problem concerns men more than women. Researches reveal that investors with a high level of confidence perceive their actions to be safer than they turn out to be in reality. Instead of being ignorant, a successful trader should constantly learn how to become the best one. Only finding the balance between excessive self-confidence and the lack of self-confidence leads to long-term success.

Can anyone be a trader?

Seemingly, you do not need much to enter the world of the so-called trading. However, there is a difference between merely a trader and an effective trader. A modern trader must face the global market of various instruments, unpredictable directions, and risk. An effective trader must be patient, flexible, persistent, and able to deal with stress. But these are not innate traits, so can anyone become a trader? Yes, anyone can become a trader, yet not everyone can make a profit from it.

An effective trader understands the importance of investing psychology in achieving regular profits. The awareness of who they are, knowledge about the features that characterise successful investors, as well as the understanding of what helps them become a systematic earning trader can all help decide if and how to invest.

3 N. Fuller, *6 Behaviours of Unstoppable Traders*, <https://www.learntotradethemarket.com/forex-articles/behaviours-unstoppable-traders> (access: 29.12.2019), par. 7–10.

References

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Abstract

The purpose of this article is to show how important the role that psychology plays in trading is. Ignoring psychology and focusing only on a technical and fundamental analysis almost never leads to a long-term success in trading. I am going to present features of successful traders, such as discipline, confidence, patience, and composure.

Keywords: trader, psychology, characteristics, investor, success