Forex: How to accept losing trades.
Learn to find 'inner peace' when trading.

Learning to accept losing trades is the most difficult, yet most necessary part of successful trading.

It's a well spoken strategy… win more than you can lose on each trade. Meaning (for example), risk 1% of your account on each losing trade. And gain 1.5% on each winning trade.

If you do that, you can lose half your trades and still make money.

So, if we know we can lose half the time, why is it so difficult to accept losing trades? It's something I struggled with for years.

I clearly remember once being so certain the GBP JPY chart was going up, I'd done my analysis, there had been a fundamental catalyst, I was convinced I'd put the stop loss in the perfect place and the profit target wasn't too ambitious. But the trade stopped out. I couldn't believe it. I was so mortified, there was no way the trade was going to stop out. Gripped by emotion, I immediately placed another trade, still convinced the chart was going up. That trade also stopped out. And two hours later, I'd placed another three trades, of course, all of those also hit the stop loss. In one afternoon I'd wiped out weeks worth of profit and hard work. I was in complete despair…and I wish I could say that was the last time something like that happened, but it wasn't.

It was only when I finally taught myself to accept losing trades, I started to see consistent profits year after year.

The financial gain a successful system delivers is so rewarding, when you're working on a strategy, you are desperate to prove it works. You understand by using a greater 'risk reward' ratio, half your trades can stop out. But the desperation to prove the system will work clouds the bigger picture. When you then look deep into the human psyche and realise we have an inbuilt desire to want to be correct. It all makes it very, very, difficult to accept losing trades. So difficult in fact, ultimately, most people attempting to trade finally give up. After moving from system to system, blaming a market that's ‘out to get them’, when really, they didn't give the system a chance in the first place due to an inability to accept a losing trade.

And, it isn't just accepting losing trades, it is just as important to accept every decision you make, trade or no trade. For example, let's say you're looking at the charts and you quite like the look of a EUR USD long trade. Everything is falling into place, but the chart is approaching daily resistance. Your strategy tells you not to trade a currency into daily resistance, so you wait and check the chart again in a few hours…. But when you do check, that resistance has been broken, the EUR now looks overbought. And it looks like it was a bad decision not to take the trade. But, not taking the trade was the right thing to do!

I've been there myself, looking at that EUR USD chart. It's broken resistance, you think the chart looks overbought. But emotion takes over, disappointed at the thought of a missed opportunity, you place a trade. Only for the chart to pull back and stop the trade out. So, from eying up an opportunity, only to miss it. Then place a trade that stops out. You've gone from the possibility of a winning trade, straight to a losing trade.

Every decision is made in a particular moment, with the information you have at the time. Once a decision is made, anything can subsequently happen to alter the trajectory of your decision. Making it look like a bad decision, but it wasn't. More often than not, a chart will at least pause or pullback from daily resistance. So, probability suggests it was a good decision not to trade the EUR into daily resistance in the first place.

It's important to distinguish between making a ‘good decision in the moment’ but it ends up looking like a bad decision. And simply making a bad decision. You can then find ‘inner peace’ with every decision you make.

For me, it all comes down to a simple sentence: **Make decisions you would stand by, regardless of the outcome.**

It's a fairly throw away sentence, but I'm asking you to really read it and take in its meaning. It's the final piece of my trading jigsaw. It's how I come to the conclusion of every decision I make in the market. And my barometer for knowing when to enter a trade.

Essentially, every trade I place,I assess the potential risks (what could cause the trade to stop out?) and I ask myself… If this trade does stops out. Would I still think it was a good idea to place the trade?

As long as you are truthful with yourself…is this decision really aligned with my strategy? Or am I placing this trade out of emotion? If you can truthfully say my strategy suggests this is a ‘good decision’’, you can sit comfortably knowing you've done the best you can at that particular moment in time.

I'll leave you with another example of **making a decision you would stand by, regardless of the outcome.** Using an example from recent history.

The week starting Monday 21 September 2024 was a positive week for ‘risk sentiment'. The federal reserve has recently announced the beginning of a rate cut cycle, inflation is coming

down and company earnings have on the whole remained robust through difficult times. All in all, the market is in a good mood and the ‘risk currencies’ are reacting according to correlations. Which means the JPY has been particularly weak. And a good currency to ‘short’ all week. But on Friday, the surprise outcome of an election in Japan gave strength to the JPY as the election winner is expected to be more ‘hawkish' than the market has anticipated. And any ‘short JPY’ trades at the time would have been stopped out.
The point I'm trying to make is…to be in a short JPY trade before the surprise news was most definitely a good decision. But events outside your control conspired to stop the trade out, making it look like the trade was a bad decision. But it was a ‘good decision’ in the moment the trade was taken.

Combining fundamental and technical analysis to make your decision.
Once you've come to the conclusion a chart is going up (or down), it's a case of finding the correct time to enter a trade. I do this by placing a stop loss at a point I think invalidates the trade idea. This is where ‘technical analysis’ is needed. My version of technical analysis is to use Bill Williams fractals (5 candle swing). I don't use any other indicators on my charts. In the past, I've tried them all (twice) and whilst it is very enticing to think MACD or RSI or Bolling bands, ect will tell you when a chart will go up. Ultimately, I spent a lot of time and effort to come to the realisation a 5 candle swing is the best method to use when deciding when to enter a trade. I'm particularly fond of 1hr swings. But there are occasions I'll go down to 15min depending on the velocity and narrative behind the ‘move’.

It takes time and dedication to really master the psychology to only enter a trade when you can confidently say: **“if this trade stops out, I'll still think I should have taken it”.** But if you focus on making ‘good decisions’ day after day. Whether it's to place a trade or to wait for a better entry price. Whatever the outcome of that decision, overtime, results will work in your favour. And you will have learned to realise you can put aside the need to be right, it's not the outcome of the decision that matters. The only thing that matters is making ‘a good decision in the moment’.
Then, by using that higher risk reward ratio on each trade… you can let the account take care of itself.

That's how I found my ‘inner trading peace’.

John trades using a 4 step process based on fundamentals, correlations, plus support and resistance. Every trading decision is documented with explanations and sent as a newsletter to subscribers:
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