THE 5 MOST COMMON TRADING MISTAKES AND HOW ONE SIGNAL CAN HELP YOU AVOID MAKING THEM

Trading appears to be a simple process. After all, prices can only go up or down, so all you have to do is choose the right instrument, sit back and wait for the cash to come in, right? No – as appealing as that sounds, this is not entirely true.

I began developing **ONE SIGNAL** 20 years ago. This did not only result from my enthusiasm for markets and stock market psychology since my studies, but also from observing my own trading mistakes and finding a way to avoid those. **ONE SIGNAL**'s mission is to make trading accessible to everyone and simplify everyday decision making, so newcomers and experienced traders avoid making the same costly mistakes repeatedly.

1. Misusing leverage: you need to learn how to walk before you start running

By using leverage, individuals can borrow money to enter positions, which exceed one's cash balance. This allows them to open large positions with a small amount of capital. It is natural that many traders are drawn to this concept because of the large potential profit. However, many overlook the fact that leverage is a double-edged sword, which also amplifies losing trades.

Most new market participants are motivated by greed, which is why they frequently employ excessive amounts of leverage. When this is combined with a lack of experience, it commonly leads to irrational decisions based on emotions and therefore to high losses.

Trading with leverage is therefore only recommended for experienced traders. As the saying goes – you have to walk before you can run.

2. Taking too many positions

Every day, markets offer a plethora of trading opportunities, making it easy to get lost among the countless opportunities. This is especially true for newcomers – their motivation to generate high returns leads them into entering many positions. They often overlook the fact that taking on too many positions is often time-consuming, confusing, and therefore detrimental to returns.

Being mindful of the number of trades entered is thus very important. It is better to focus on a few trades first – enter and exist them – and then start again if other opportunities arise. At **ONE SIGNAL,** we focus on the US market, meaning that with our signals, you can trade the major stock indices. This way, you don't need exposure in different companies!

It is better to repeat an "exercise" 10,000 times than to do 10,000 exercises only once.

3. Not using a stop loss

A stop-loss is a request to a broker instructing them to sell or buy a specific stock when the price reaches a certain level. It is designed to limit the investments' loss.

The advantage of stop losses is that they allow investors to make decisions without being influenced by emotions. It allows to cut losses, when necessary, without thinking about future price fluctuations.

However, stop losses are not only a recommended risk management tool, but they can also be used to lock in profits. This is known as a "trailing stop", in which the stop-loss order is set at a percentage level below the current market price. Additionally, stop losses do not have to be set manually, they can also occur automatically. Stock prices adjust the stop loss level: if the stock price rises, an unrealized gain occurs, but no cash is received until someone sells. While allowing profits to run, the trailing stop guarantees that at least some of the potential gains will be realized.

With our daily trading signals, we provide stop losses, which makes it possible for our subscribers to manage their risk better.

4. Buying stocks without a plan

When new traders enter the stock market, they often get overwhelmed, suffer losses, and decide that trading isn't for them. This often happens when there is no trading plan.

Trading plans are comprehensive frameworks that guide decision-making. They outline:

- the entry point;
- the exit point;
- the amount of capital invested and;
- the maximum loss one is willing to accept.

Advanced traders tend to also define price targets at the time of entry, so they can keep the profit/loss ratio in mind as the price fluctuates.

Some questions to ask when developing a trading plan are:

- What are my price targets?
- How much money am I willing to risk?
- What timeframe will I trade?
- Where do I set my stop loss?
- Will I use leverage?
- What is my risk/reward ratio?

Having an outlined trading plan therefore supports objective decision-making and avoids subjective, emotion-driven decisions, which often cost a lot of money and puts capital at risk.

With **ONE SIGNAL,** there is no need for a trading plan, as we outline the entry point and time (NYSE opening bell), the exit point and time (NYSE closing bell) and offer you a stop loss.

5. Emotional trading: 95% of trading mistakes are emotional

At **ONE SIGNAL,** we believe that investors emotions are the main market driver. **ONE SIGNAL** was developed following extensive analysis of historical speculative bubbles in the financial markets. The growth of these bubbles is attributed to three psychological factors: greed, envy and hope. Conversely, fear, lack of confidence and disappointment cause bubbles to burst. Succumbing to these emotions can harm individual investor portfolios and have an impact on the stock market's stability.

Based on this, I developed **ONE SIGNAL,** a non-discretionary system that applies a "contrarian investing" approach using sentiment indicators. The algorithm systematically analyses stock market sentiment to recognise emotions associated with bubble formation and predicts subsequent developments. **ONE SIGNAL**'s approach is to purely use sentiment indicators.

Fear of missing out ("Fomo"):

Behavioural science studies have found that it is not absolute wealth, which satisfies most individuals, but relative wealth to that of their peers. This is further enforced when assets experience an upward trend, provoking the fear of "missing out".

"Why am I not making money on this?"

"What am I missing out on?"

"Is it too late to buy into it now?"

These, among others, are the questions often asked when experiencing “FOMO”. This psychological error can lead to irrational investment decisions, such as buying at the wrong moment or overbuying, which often leads to losses.

The fear of missing out often results from hype from peers or on social media. It is important to know that blindly following what others are doing frequently causes losses. With **ONE SIGNAL,** you don't have to worry about missing an opportunity. We provide you a signal for every trading day of the year. You decide whether you want to trade it or not. You also don't have to worry about anyone taking positions before you, since the time of entry is the same for everyone.

Revenge trading

Revenge trading is an emotional reaction people engage in after suffering significant losses. Before taking time to think about the next trade or looking at their strategy, they enter another trade. The motivation behind this is to recover from the initial loss immediately. Many emotions, such as anger, fear, shame and greed, are the root of this irrational behaviour, which every trader has experienced at some point.

Indeed, Brett Steenbarger, a well-known trader and trading coach, called revenge trading a "dangerous and irrational way to use your trading capital."

How to overcome this? With **ONE SIGNAL** you always repeat the same trades for the same time frame, so you will not have the opportunity to make a mistake such as revenge trading.

Falling in love with a stock: not taking profits

We can compare trading to owning a business, with the inventory being the stocks one holds. Inventory is not something that smart business owners fall in love with. It is there to be sold, for a profit if possible, or at a loss if necessary. It is very easy for a trader to fall in love with a successful company after investing in it. This means that when the stock's price falls or the fundamentals change, traders may make the incorrect decision to hold on to the stock, resulting in losses.

It is important to remember that the stock was bought to make money, which is why good traders will sell it if the fundamentals change.

A good way not to make this mistake is to trade the index. **ONE SIGNAL** is based on the overall market.

Fear & Greed

As mentioned earlier, fear and greed are the most common emotions among traders, and they can be very damaging if not managed properly. Fear frequently manifests itself in the reluctance to enter a trade; the premature closure of a winning trade; panic-selling; or holding onto losing positions for an inordinately long period of time. Furthermore, fear is often present when markets crash, and traders are hesitant to buy at the bottom. In this scenario, traders commonly decide not to enter a trade out of fear that the market will fall further and that they will end up missing out on the upswing.

Greed, on the other hand, appears when traders add more capital to winning trades or use excessive leverage to profit from minor market movements. Greed is not the same as fear, but it can be just as damaging to traders if it is not managed properly. It usually occurs when a trader decides to increase their capital commitment to a winning trade in the hope that the market will continue to move in the trader's favour. Greed can also manifest itself when traders lose a trade and decide to "double down," hoping that by throwing more money at the problem, the position will turn positive. From a risk management point of view, this is extremely dangerous if the market continues to move against the trader and can quickly turn into a margin call.

We can link back most of those above-mentioned trading mistakes to emotional trading. Misusing leverage, entering too many positions and not using a stop loss are all linked to greedy behaviour, even if subconsciously so.

Trading is a complex process and figuring out what works for you can take some time. However, you can avoid these frequent trading mistakes when you start out with **ONE SIGNAL** and your learning curve will be significantly steeper. It is critical to recognise not only our own biases, but also how they influence the way we trade so that we can control them appropriately.

By using **ONE SIGNAL** as a newcomer or experienced trader, you can avoid these costly mistakes. How? By simply following our daily signals, you will be guided in your decision-making every day. Just enter the trade and start generating consistent and effortless returns without any emotional stress. **ONE SIGNAL** is the ideal tool for a straightforward and effortless trading procedure, so you can leave your emotions aside.