

Trading Psychology Playbook

Free educational guide

CorporateTrader

No guaranteed returns • Verify important information

Separate process from outcome

A profitable trade can result from a poor decision and a losing trade can follow a sound plan. Evaluate whether the setup, size and exit followed the written process rather than judging quality from one outcome.

Common cognitive biases

Confirmation bias favours supporting evidence. Recency bias overweights recent outcomes. Loss aversion can lead to holding losses and closing gains too early. Overconfidence may follow a short winning streak. Sunk-cost thinking treats past loss as a reason to keep risking.

Pre-trade checklist

State the setup in one sentence. Record entry, stop, target and quantity. Identify what would invalidate the idea. Check scheduled events and liquidity. Confirm total open risk. Decide whether the trade still makes sense without the emotional urge to act.

During the trade

Avoid monitoring every tick when the plan uses a longer horizon. Do not widen risk simply to avoid admitting the idea failed. Use alerts and predetermined review points. If new information changes the thesis, document it before changing the order.

Post-trade review

Record planned versus actual execution, emotional state, rule deviations and one improvement. Review groups of trades for repeated patterns. Do not change a strategy after a tiny sample unless there is a clear implementation error.

Environment design

Reduce impulsive access, predefine size, use a checklist and pause after a loss limit. Sleep, stress and distraction affect decisions. This guide is educational and is not a treatment for compulsive trading or gambling-related harm.