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When to stop trading

FOMO, Revenge Trading and others can turn a good day into a nightmare

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Read online: https://traderange.net/learn/when-not-to-trade-dsy840ju/



> **The Market Will Be Open Tomorrow**
>
> Most trading losses don't come from bad analysis — they come from bad decisions. FOMO, revenge trading, boredom, and emotional reactions can turn a good strategy into a costly mistake.

What you'll learn here

Successful trading isn't just about knowing when to enter a position. It's equally important to know when *not* to trade. Professional traders spend as much time avoiding poor opportunities as they do finding good

ones.

- Why sitting out is sometimes the best trade
- How FOMO damages decision-making
- Common situations where traders should stay out
- The dangers of emotional and revenge trading
- How patience becomes a competitive advantage

1. When You Don't Have a Setup

The mistake: Entering trades simply because the market is moving.

Why it's dangerous: Every successful trader has a defined strategy. If a trade doesn't meet your criteria, you're gambling rather than trading. Random entries lead to inconsistent results and make it impossible to evaluate performance.

What professionals do: They wait. Sometimes for hours, days, or even weeks. No setup means no trade.

Remember: Cash is a position. Not trading is an active decision.

2. Trading Because of FOMO

What is FOMO? Fear Of Missing Out. It happens when you see a stock, crypto, or other asset rapidly rising and feel compelled to jump in before it's "too late."

Why it happens: Humans naturally dislike watching others make money without them. Social media, trading communities, and news headlines amplify this feeling by showing success stories while hiding losses.

The problem: FOMO traders often buy near local tops after most of the move has already occurred. They take poor entries, use excessive risk, and abandon their trading plan.

A better mindset: Opportunities are endless. Missing one trade means nothing if you preserve capital for the next hundred.

3. After a Large Loss (Revenge Trading)

The mistake: Immediately trying to win back lost money.

Why it's dangerous: A trader who is angry, frustrated, or desperate is no longer making objective decisions. Position sizes often increase, risk management disappears, and losses compound.

Warning signs:

- Doubling position size after a loss
- Taking low-quality setups
- Feeling a need to "get even"
- Breaking trading rules

What professionals do: They step away, review what happened, and return only when emotions have settled.

4. During Major News Events (If Unprepared)

Examples: Interest rate decisions, inflation reports, earnings announcements, elections, or unexpected geopolitical events.

Why it's dangerous: Volatility can explode within seconds. Prices may gap, spreads widen, and stop-loss orders may execute at worse prices than expected.

Who should avoid it: Beginners and anyone without a specific strategy designed for news trading.

Remember: You don't have to trade every market event.

5. When You're Tired, Stressed, or Distracted

The mistake: Trading while mentally compromised.

Why it's dangerous: Trading requires concentration, discipline, and emotional control. Fatigue and stress reduce decision quality and increase impulsive behaviour.

Common examples:

- Lack of sleep
- Personal problems affecting focus
- Trading while working on other tasks
- Attempting to trade under the influence of alcohol or drugs

Professional approach: If your mind isn't ready, neither is your account.

6. When You're Bored

The mistake: Trading for entertainment.

Why it's dangerous: Markets don't owe you opportunities every day. Bored traders create trades that don't exist simply to feel involved.

The reality: Some of the best trading days are the days you do absolutely nothing.

Rule: Trade because your setup appeared — not because you're looking for excitement.

7. When Risk Is Unclear

Ask yourself:

- Where is my stop loss?
- How much can I lose?
- What is my profit target?
- Does the reward justify the risk?

If you cannot answer these questions before entering, you should not be in the trade.

Professional traders define risk first and potential profit second.

The Psychology of FOMO

FOMO comes from a false belief: that this opportunity is unique. In reality, markets generate thousands of opportunities every year.

A trader who chases every move eventually exhausts both capital and confidence. A trader who waits for high-quality opportunities can survive long enough to benefit from them.

The goal isn't to catch every move. The goal is to catch the moves that fit your strategy.

Questions to Ask Before Every Trade

KEY TAKEAWAYS

- ✔ Do I have a valid setup?
- ✔ Am I following my trading plan?
- ✔ Am I calm and focused?
- ✔ Do I understand the risk?
- ✔ Would I still take this trade if nobody else knew about it?

Key Takeaways

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- ✔ Not trading is often the smartest trading decision.
- ✔ FOMO causes traders to chase moves after the opportunity may already be gone.
- ✔ Revenge trading usually turns one loss into many.
- ✔ Avoid trading when tired, emotional, distracted, or bored.
- ✔ Every trade should have a defined setup, risk level, and reason for entry.
- ✔ The market will always provide another opportunity.

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