

On My Mistakes

Stock market is a fairy land and it keeps on attracting people in hope of making fortune. Most of them want to make it in very short time. Fact is that you cannot learn trading in day or two and even in two years. Take example of medicine which I find near to our stock market in principle, To become a doctor one requires five years of study and then practise for many years. After doing this much one becomes confident that he can now guide patients safely.

Compare with our field where Marketing Ads claim to make a trader out of an individual in three days. Certain Ads even claim to do this job in few hours. Moreover, there is no dearth of people falling for such Ads. Amazingly people repeatedly fall. They do not learn. They do not change. But some rare individual who learn by mistakes become great at what they do.

Everyone make mistakes. Mistakes are useful Firstly, if one **learns by mistake** and Secondly, better **define how we ought to learn**. The second point is the essence because even if we realise about a mistake more often than not we forget to incorporate the lesson in our behaviour. So we should put a mechanism in place where in we define how to implement learned wisdom in practise.

I will discuss a personal example to elaborate.

Mr. Normal sold me a charting software. He assured me that I would get my investment back in few days only. He promised me to teach new technical methods and claimed that just by following these methods I would make money . As I was a post graduate in finance and knew Technical Analysis, I suspect all claims to be false. None the less I have bought the software anyway to do my own research and trading.

Mr. Normal taught me a simple system: Buy when first hourly candle high is taken out with the stop loss of its low. Similarly, short if first hourly candle low is taken off with the stop loss of its high. Further he showed me many charts babbling “look how this method works here.”. Frankly it seems to me then that the method could work as I was impressed by his narrative of charts. He even claimed to trade the method himself.

I decided to give a chance. Note here I moved from theory to Practise. It is amazing retrospective how I made certain opinion on markets not based on my interview with markets but based on a theory preached by someone. For more on this classroom and field approach you can read my article “Dirty hands in field and Clean hands in classroom”.

Next day I got into my chair and made a list of stocks that broken their first hourly candle high. There were hundreds of scripts. Which one to trade?. I pick one stock randomly and to my surprise I made a loss. Mr. Normal warned me to stick to stock which were familiar to me. I was doubtful about relationship between my familiarity and stock price movement but I had no option then. I made a list of blue chip and started tracking.

One day I picked future lots of Bharti Airtel stock and bought it right when it broke off its hourly high. It remained about buy price for some time and then fell off sharply and took my stop loss. I short the stock and again it took my stop loss. I was literally shivering because quantum of loss was heavy and largest till then. I had not earned that much money in my whole trading which I lost in a single trade. The trade ripped apart my confidence. I knew then I made a great mistake.

After that I invited Mr. normal many times to show me how to make profit and I told him the risk is mine you just show me how to make money by your method. He never came.

I keep on trading on my own and did not use his method thereafter. One day he stuck in me at some friend’s home. He was advising my friend that market would crack down in coming days. But my

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stance on market was just opposite. So, I note down in my diary “Mr. Normal is not a trader so his advice is worth less and let’s see who wins”. I won.

How I arrive at my stance was very simple. I was trading the markets and my trades were on long side and gave me handsome returns and there was no evidence to believe that tide would take the turn.

I never talked again about markets with Mr. Normal. Though he is good at marketing and nice man.

This way I learned many great lessons by making mistakes and incorporated them in my trading. Over the years I accumulated some thumb rules :Believe your own convictions, Trade your own rules, Do not discuss your ongoing trade, Do not take advice on trading from one who is not a trader, Make someone mentor if you can appreciate his work more than his talk.