Automated Trading vs Emotional Trading

by: Bob Llewellyn
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It is said that there are three types of forex trading, but that isn't exactly correct. There are of course the three that have been used successfully - fundamental, technical, and mathematical (systemic). But there's also the happy guess method, and emotional trading as well. Now which type of trading method would you guess is the most popular? Let me give you a hint - it is estimated that less than ten percent of traders on the forex market are profitable. So what about the other ninety percent?

Let's just say emotional trading is not exactly a style of trading that one would *choose* to use, however it is by far and wide used the most simply by default. Humans are, after all, emotional creatures, but the market is not. Emotions in trading tend to block reasoning, and bad decisions are the natural outcome. Automated trading is the solution to emotional problems in trading. When a trader doesn't understand the system that he's using, there is an element of doubt, that doubt expands to fear as the market approaches some critical junction. The other side of emotion is uncontrolled hope. When traders just know that the price will go up, everyone says so, the trend is with them, etc. They take just a little larger trade than they would have if they weren't so sure of themselves. This hope of gain (which traders call greed), and the fear of loss, are the two driving elements in almost everything we do in life. Emotions tend to block reasoning, and bad decisions are the natural outcome.

Traders are warned about the pitfalls of emotional trading, but what can be done to truly avoid letting emotions get in the way? There are a couple of different methods that we'll explore here, but the newest and best way is to use automation. One way of keeping emotions at bay is called the Vulcan approach. Just like the Vulcans from Star Trek, some traders try to control their emotions by sheer mental discipline, a tough course in the beginning but experience is always a good teacher. Many traders have successfully mastered the feat and become very successful in their trading. In fact, the most profitable traders are by large Vulcan. Another method some traders use to try to keep their emotions at bay is using drugs to suppress them,

they've lost in the trading game and need to find a way out, but this makes every trade a losing one.

My personal favorite method of keeping emotions out of trading is to go automated. Automated trading isn't really a different type of trading, it just means using helper programs that trade the particular way that the trader prefers to trade. There are several benefits of using helper programs. First of all, the robot doesn't need sleep or food, it trades every minute that the market is active. But more relevant to this discussion is that the program sticks to the program and eliminates the emotional input. Automated trading tends to reduce the size of the profits, but that's the trade off to playing it much safer. The trader will in time begin to emulate the robot as the system becomes more clearly defined in the traders mind and understanding. So in a way, the robot also becomes a trainer. With the experience gained from watching the robot, and learning how to intervene should the situation arise, the trader thus masters his art and becomes one of the ten percent that trades profitably.

Now there is a draw back to automated trading, there is resistance because of something called a 'black box'. A black box refers to a program where the user is not permitted to know how the program works. The authors of these black box programs try to entice by indicating that they have a powerful new secret system, they use terms like proprietary software, and most powerful trading system. Most of these trading robots are not worth the time it takes to download, much less pay for. If the company that is producing the robot doesn't tell you how it works, our advise is 'don't use it'.

Automated trading programs were made to help the trader perform the routine functions of trading, they only assist the traders. Up until now these trading programs needed to have at least some trader intervention, however, there is now at least one computer program that will do everything for you, without any personal intervention. It is a completely automated investment program - unfortunately though, at this point in time, we only know of only one program that fits that category. Since this new investment program does not rely on trader intervention, extra safety has been programmed in.

Generally speaking, investment programs are by their nature low yield primarily because they were designed to be safe. As you might guess there is a trade off between profits and safety. However by learning a few traders tricks, over time you can even learn how to effectively increase profits from investor style robots. By blending automation with good design, you can get the best of both worlds.

For those that just want a good retirement program, look to RISE from TheSafeInvestor which is the one investor level robot available at this time that we spoke of earlier. For those that wish to learn more, do more, become more, with their trading ... The same club offering its members the trading robot also has a free booklet on safe investment strategies for the forex market called 'Cyborg trading'. You can also find other interesting tutorials and retirement level investment strategies there as well.

With the advances in computerized trading, there is no longer any reason to be left out when it comes to your retirement future, for technology is always opening new doors leaving the emotions for date night. We wish you good luck, and good trading.

Bob Llewellyn is the head of research & development over at the Forex-Assistant which was established in 2007 with the purpose of finding a way for people to be able to have an income no matter where they chose to live in the world, with an emphasis on financial safety and security.