



Part 2: Are You a Greed Based Trader (GBT) or a Fear Based Trader (FBT)?

What Type of Trader Are You?

Achieving consistent success in trading comes only once we learn to trade in line with our individual personality, character and beliefs. It is garnering this self-knowledge that becomes the real treasure on your trading journey. This series of articles will help you raise your awareness, develop self-knowledge and improve your approach to your trading business as you gain clarity on what type of trader you are.



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There are plenty of ways to define what type of trader you are but for this instalment let us look at a simple yet immensely effective exercise regarding our emotions.

Fear & Greed are the dominant emotions expressed in the markets on a day-to-day basis. (Whilst some may claim we could go deeper, for the sake of this article we will keep it simple).

Fear & Greed influence every part of our lives but they are particularly evident when trading financial markets. The author would challenge anyone who told him that they had never experienced such emotions when placing and managing trades. There are many out there who would have you believe that trading can be an emotionless activity. The author would love to believe that, but his experience as a trader and a coach to traders dispels that idea. We are human beings, a constant bag of emotions and it is by accepting that and trying to use it to our advantage that we can learn, grow and succeed as both traders and human-beings.

With regards to Fear & Greed, you as a human-being and trader will be predisposed to favouring one over the other but you will certainly experience both emotions during your trading adventures. So let us take a very brief look at the types of trader:

Greed Based Traders (GBT) tend to be hunting for action. GBT's love the process of buying and selling and will take a trade on the flimsiest of evidence if they think they can turn a quick profit. GBT's will trade anything and will always be searching for big profits. GBT's tend to fail to treat the market with the respect it deserves. GBT's will be almost addicted to intraday-trading and believe that using high leverage is a good thing! They are predisposed to over-trading and over-leveraging their accounts.

Whilst they will enter the market in a heartbeat they are less reluctant to leave a trade quickly, even after every indicator tells them to get out as they want to hang on for the last drop of profit.

Fear Based Traders (FBT) occupy the opposite end of the spectrum. FBT's can take an age to take a trade and quite often need everything to line up before they will take a position in the market. They will often miss opportunities because they are waiting for the perfect set-up. They struggle to pull the trigger and invariably will use little or no leverage. Their money management is good but definitely on the conservative side.

Where as a GBT gets in fast and gets out slowly a FBT gets in slowly and tends to get out quickly at the first sign of a possible loss or a possible win. They tend to take small losses... but they also cut their winners short which has an overall impact

“Which side of the fence do you predominantly sit on?”

on their equity curve. Remember there is a good chance that 90 per cent of your profits will come from ten per cent of your trades but a FBT will often miss out on those ten per cent trades as they will snatch at profits far too quickly.

GBT's are the ones who make the great fortunes...if they last long enough, as they are also more disposed to blow up their accounts! FBT's tend to plod along.

As we mentioned earlier you will experience both emotions as a trader but which side of the fence do you predominantly sit on? It should not be too hard to work out. When coaching traders it is one of the first questions the author looks to answer. Very often by active listening

the trader will display their bias merely by the language they use.

The best traders are able to recognise their strengths and weaknesses and steer a steady course between both the FBT and GBT within them. There are plenty of simple tactics you can use to help support you with your bias. Within the limited confines of this article you could sum up a solution in two words: simplicity & structure. GBTs need a simple Risk Management structure that they

can follow. This allows them to operate to their strengths without overleveraging & over trading in order to avoid a blow-up.

FBT's need a simple yet precise trading structure that leaves them certain in their entry & exit points allowing no time for hesitation or doubt when the time comes to place a trade or exit a trade.

To paraphrase a line from a great coach, Robin Sharma, 'Remember awareness precedes clarity, which precedes choice, which precedes success!' If you can raise your awareness of what type of trader you are then you can make changes to your trading approach in order to avoid the pitfalls of either type of trader. ■