

## **Understanding "Cost of Trading" in LATS**

### **Loss Acceptance Trading Strategy (LATS)**

In LATS, the cost of trading is not just broker fees (spread, commission), but also the small losing trades that occur naturally while the EA searches for strong trends.

The core trading principle, "Not every market entry will become a winner."

Small losses happen due to:

- *Market noise*
- *Trend filter systems*
- *Protection mechanisms*
- *False breakouts*

These losses are normal and necessary.

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### **WHY SMALL LOSSES MATTER**

Think of small losses as "tickets" to catch the big trends. By accepting controlled losses:

- The EA exits bad trades quickly ("cut losers quick")
- The account is protected from large drawdowns
- The EA remains ready to enter high-probability trades

Over time, the profits from winning trades outweigh the small losses.

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### **REAL-WORLD COMPARISON**

Imagine fishing:

- Not every cast catches a big fish
- Some casts catch nothing
- Eventually, the big fish are caught

Small losing trades are like empty casts – part of the process to let winners run and maximize gains.

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### **KEY PRINCIPLES FOR USERS**

- *Cut losers quick* – exit trades that do not follow the trend
- *Let winners run* – allow profitable trades to continue for maximum gain
- Focus on consistency over time
- Accept controlled, risk-managed losses
- Capture strong trend moves

Not every trade will be profitable; small losses are part of the strategy.

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### **MINDSET REMINDER**

Trying to avoid all losses usually results in:

- Larger drawdowns
- Blown accounts

Controlled losses + letting winners run = sustainable trading growth.

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**RISK & LIABILITY DISCLAIMER**

Trading in financial markets involves substantial risk and may result in the loss of capital.

Past performance is not indicative of future results.

This software and all related materials are provided for informational and educational purposes only and do not constitute financial, investment, legal, or tax advice.

*Under no circumstances shall the content, functionality, or output of this software be interpreted as financial advice or investment recommendations.*

Users assume full responsibility for all trading decisions and associated risks.

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**Introduction to the Foreign Exchange Market**

*"This lecture serves as a formal introduction to the principles, responsibilities, and realities associated with participation in the foreign exchange market ("Forex"). It is intended to establish a clear understanding of the expectations, risks, and conduct required of any individual engaging in currency trading, whether manually or through automated trading systems.*

*The foreign exchange market is the largest financial market in the world. It operates continuously across global economies, responds to macroeconomic forces, and functions within an environment of uncertainty and probability.*

*Participation requires awareness, discipline, and accountability. This instruction outlines the essential understandings that must be acknowledged prior to and throughout participation."*

## **I. The Foreign Exchange Market**

The foreign exchange market is a decentralized global marketplace for the exchange of currencies. Its movements are influenced by:

- economic policy
- geopolitical events
- institutional liquidity
- global trade flows
- market sentiment
- speculative activity

Because of these variables, market behavior cannot be predicted with certainty.

Forex trading is therefore:

- a probabilistic activity
- a risk-bearing financial endeavor
- a discipline-based practice

No strategy, system, or technology eliminates risk entirely. Market uncertainty remains a permanent condition.

Participants must accept this reality before engaging.

## **II. Introduction to Forex – Foundational Awareness**

When an individual is first introduced to forex trading, they must establish a correct understanding of its purpose and limitations.

Forex trading is not:

- guaranteed income
- guaranteed profit
- financial advice
- a substitute for financial planning
- a risk-free activity

Instead, it is a professional financial activity requiring preparation and understanding.

Many individuals are attracted by the potential for profit. However, professional engagement begins with understanding risk rather than pursuing reward.

The primary foundation of responsible trading is awareness.

## **III. Voluntary Participation and Informed Consent**

Participation in trading must always be voluntary and informed.

A trader must clearly understand:

- capital is at risk
- losses may occur rapidly
- leverage amplifies exposure
- automation does not eliminate uncertainty
- market conditions cannot be controlled

The trader alone assumes responsibility for:

- account management
- risk exposure
- execution decisions
- financial consequences

No software, provider, or system assumes responsibility for individual trading outcomes.

Participation is therefore an exercise of independent judgment.

#### **IV. Capability and Personal Readiness**

Engagement in forex trading requires capability beyond technical access. A participant must possess:

Financial Capability

- ability to risk capital without personal harm
- capacity to withstand drawdowns
- responsible capital allocation

Psychological Capability

- emotional control under uncertainty
- discipline during loss
- restraint during profit
- patience during inactivity

Operational Capability

- understanding of trading platforms
- knowledge of market mechanics
- ability to manage risk parameters

Without these capabilities, participation becomes exposure rather than opportunity.

Readiness is a prerequisite for responsible engagement.

#### **V. The Principle of Continuous Learning**

Forex trading is not mastered through initial instruction alone. It requires ongoing development.

The learning process includes:

- observation of market behavior
- evaluation of strategy performance
- adaptation to changing conditions
- analysis of losses
- refinement of risk management

Losses serve as instructional feedback within the learning process.

Markets evolve continuously, and traders must evolve accordingly.

Professional trading requires lifelong learning.

#### **VI. The Role of Technology and Automated Trading Systems**

Automated trading systems, commonly known as Expert Advisors (EAs), are tools designed to execute predefined strategies.

These systems:

- follow programmed rules
- respond to market conditions
- manage entries and exits
- enforce risk parameters

However, automation does not eliminate risk or guarantee performance.

Automated systems require:

- proper configuration
- responsible risk settings
- continuous monitoring
- informed oversight

Technology enhances execution but does not replace judgment.

## **VII. High-Performance and Aggressive Trading Approaches**

High-performance or aggressive trading configurations increase exposure to market volatility.

Such approaches may include:

- increased trade frequency
- rapid position scaling
- extended market exposure
- dynamic risk allocation

These methods may produce:

- accelerated gains
- accelerated losses
- increased drawdowns
- heightened psychological pressure

Aggressive strategies require:

- advanced experience
- strong risk tolerance
- active supervision
- strict discipline

Higher potential return always corresponds with higher risk exposure.

## **VIII. Risk Management and Loss Acceptance**

A fundamental principle of professional trading is the acceptance of controlled losses.

Markets do not provide consistent winning outcomes. A trading system must therefore:

- limit losses
- preserve capital
- maintain operational continuity
- capture profitable trends

Attempting to eliminate all losses typically results in greater risk.

Professional trading follows the principle:

cut losses quickly and allow profitable trades to develop.

Controlled loss is not failure – it is a component of risk management.

## **IX. The Trading Journey and Performance Development**

Trading performance develops progressively.

A trader's development typically progresses through:

- exposure to market concepts
- operational learning
- performance inconsistency
- risk awareness
- disciplined execution
- consistent performance

Success in trading is not defined by individual outcomes but by long-term conduct and sustainability.

Consistency, not prediction, defines professional practice.

## **X. Ethical and Responsible Market Conduct**

Participants must maintain ethical conduct within financial markets. Responsible conduct includes:

- honest usage of licensed software
- respect for intellectual property
- compliance with applicable regulations
- avoidance of misuse or manipulation
- protection of personal and financial data

Market participation carries ethical obligations as well as financial responsibility.

## **XI. Psychological Discipline and Market Behavior**

The greatest challenges in trading are often psychological.

Participants must manage:

- fear during loss
- greed during profit
- impatience during inactivity
- emotional reaction to volatility

Successful traders demonstrate:

- emotional stability
- rational decision-making
- disciplined execution

Psychological control is as important as technical knowledge.

## **XII. Institutional Understanding of Trading Success**

From an institutional perspective, successful trading is characterized by:

- risk control
- disciplined process
- capital preservation
- consistent execution
- long-term sustainability

Profitability is a result of process, not impulse.

## **Final Ideal**

*"Participation in the foreign exchange market requires informed consent, personal responsibility, and disciplined conduct.*

*The market offers opportunity but does not provide certainty.*

*It rewards preparation and exposes negligence.*

*It provides potential but demands accountability.*

*Those who participate must do so knowingly, responsibly, and continuously committed to learning and improvement.*

*Only through such conduct does trading become sustainable."*

## FOREX TRADER ONBOARDING CHECKLIST

- I understand* that Forex trading involves risk and no profits are guaranteed.
  - I accept* responsibility for my decisions, discipline, and risk management.
  - I understand* market structure, volatility, and price behavior.
  - I commit* to continuous learning and performance improvement.
  - I will* protect capital before seeking profit.
  - I understand* leverage and its impact on gains and losses.
  - I follow* a structured strategy or system – not emotions.
  - I understand* the purpose and limits of automated trading systems (EA).
  - I commit* to consistency, patience, and controlled execution.
  - I understand* aggressive trading modes require higher discipline and monitoring.
  - I accept* that growth in trading reflects growth in mindset and character.
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