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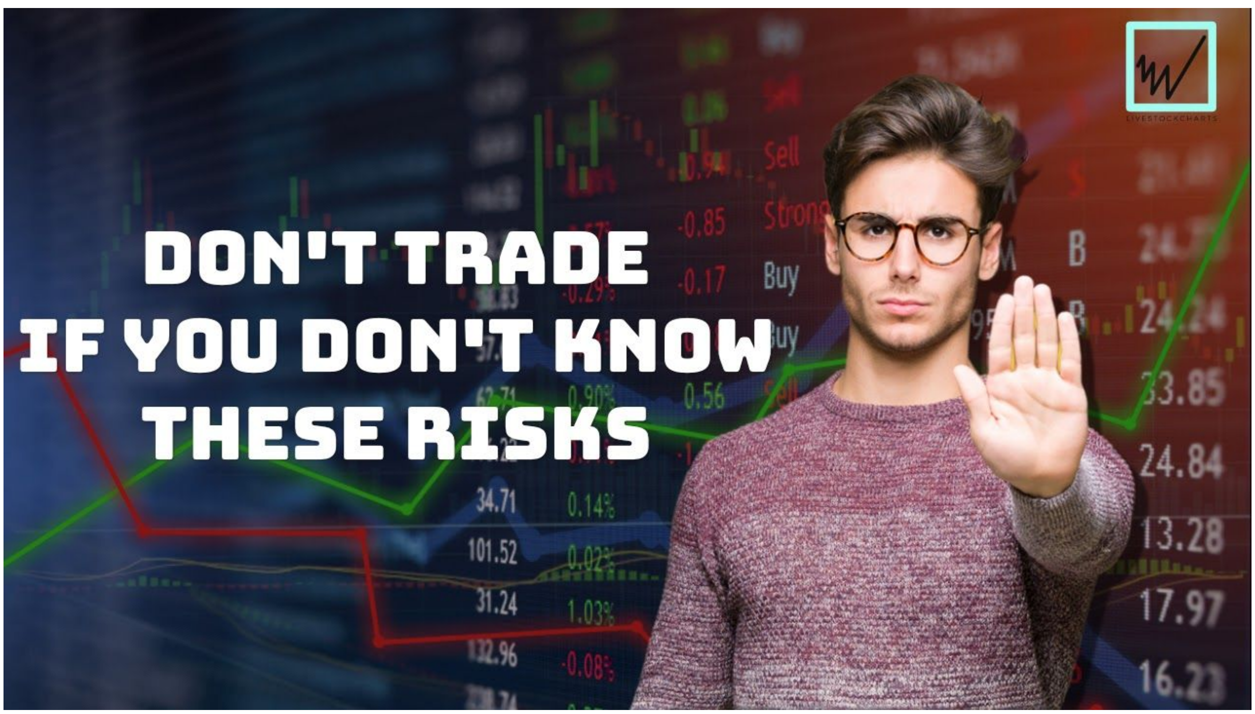
# How To Cut Down Stock Trading Risks With The Right Broker

**~ A Stock Trading Support**




## Introduction

If you haven't heard this before then you should probably hear it now; "Stock trading is risky, and you can lose all your money and investment if you don't have the right support or investment skills.” For a beginner who hasn’t blown any account yet, this might sound so scary or like a fairy tale since you haven’t been in such a position.

Many stock websites like Livestockchart.com and brokers provide the basic and necessary support for stock trading newbies and professionals as well to help them navigate the market faster. This support includes a favorable spread for trading stocks, best trading prices, good trading environment, security and insurance of investment, free webinars to teach investors and traders the risks of trading and how best to manage them, providing courses and materials to teach beginners and professionals winning strategies to make more profit.

**Market Risks and Dangers of Online Trading**

While some risks you encounter in the market as a result of economic or political events and news cannot just be avoided, other self-inflicted risks caused as a result of poor risk management, improper education and knowledge of the stock market, etc. some risks are also caused by the brokers or trading website you use which is why I always advise traders to use tested and trusted brokers such **Livestockchart.com**, Robinhood, Abra, etc. this is why I use livestockchart for all my trading and stock investment. This is a broker offer that offers unlimited support for their customers and clients, with strong customer support to assist you 24 hours in the 5-day weekly trading.

Traders and investors are faced with two major risks when trading or investing in stocks or forex are Market (Systematic) Risk and specific (Unsystematic) Risk.

## So what are market risks?

When a trader or investor loses money due to factors that affect general market performance it is regarded as market risk or systematic risks. This type of risk has the ability to influence the entire financial market at the same time and it can almost not be avoided, and cannot be hedged or controlled. Some factors that cause market risk includes:

- Recessions,
- Political turmoil or huge political events and changes,
- Changes in interest rates,
- Changes to exchange rates,
- Natural disasters and
- Terrorist attacks

# Specific Risk And Unsystematic Risk

This type of risk can either be hedged or even controlled through investment diversification. It relates directly to how a particular stock, company, or security performs, and this type of risk is subjective meaning that it will mainly affect individual traders who are trading on it. Let us take, for instance, a company declares bankruptcy, or decides to sell off all its stocks, or is under financial investigation for financial crimes. The stock of the company automatically becomes worthless to investors and traders who are currently investing in the company's stocks.

**Solutions to Help You Reduce the Impact of Market Risks on Your Account**

Because some commodities, stocks, currencies, etc. are very volatile (quick price changes that occur in the market.) There is this tendency for investors to quickly lose their money as a result of poor strategy. It is a wise and bold move to learn how to make a profit with each market volatility. So many investors use certain strategies such as Hedging and investment diversification to protect their stock investment against market risks.

## Hidden Dangers Involved with Online Trading and How to Avoid them.

Here I will only state two known serious dangers that can affect your confidence as a trader and your trading account. They include:

## Building False Confidence in the Market

When new investors come into trading, they are usually advised to try out their strategy and get stronger in trading using a demo account which is actually not a bad idea if all you are doing is just learning how to enter and exit a trade and how to avoid common mistakes while filling your orders.

The problem is that everything on the demo account is the same as the real account except the cash. When you start using demo cash you may because it is not real money take an uncalculated risk and luckily you hit it big, with such false confidence, you may decide to try it out with your real account, and this time with real money and you end up taking huge losses.

For new traders, the purpose of a demo account is to help you develop and backtest your strategy and become better with it. You should treat your demo account as you would your real account, stick with your strategy and follow your principle knowing that you are waiting for a certain confirmation in the market to enter a trade.

# Be Careful Not To Fall For Stock-Picking Bots

When an investor becomes so lazy to do market research on stocks, perform in-depth technical analysis to know when to enter the market, or even create a strategy, they reside to using bots and automated stock-pickers to help them pick stocks and make their investing easy. This may work for some time, but after a while, you begin to witness flaws and major losses on your account.

The bots are created using past data derived from back-testing certain results and strategies. When these bots collect and store data of what happened in the market in the past, they use these past records to try and predict what the market would do or how it would behave in the future. The problem is that the market changes every day, a winning investment in the past may turn out as a loss in the future.

This is why investors are advised to equip themselves with current market news and data about a particular stock they wish to invest in. If you want to be profitable trading stocks, then you have to be patient and learn the skill very well that way, you are able to build your strategy, improve and grow your confidence in the market, and lastly you will be able to navigate the market and adapt to any change. This is why **Livestockchart** has provided free online courses to help teach new and professional traders the right way to trade stocks and how to be profitable.

# Key Takeaway

As an investor, you do not want to frequently trade or invest in the market and you should definitely not randomly invest in just any stock because it will certainly lead you to invest in lower-quality stocks that are not so predictable. When you trade or purchase stock frequently, you pay a sum to the broker which is called a spread, the problem is many of these spreads are quite huge and it would take a big move in the market for you to actually recover your money and start making a profit.

When you invest, ensure you aim for high-quality stocks from well-established companies. It does not promise quick profits like investing in low-quality stocks do, but over a long period of time, they begin to improve and yield so much profit.

## Top 6 Risk Every Stock Faces

Let’s now talk about the risks individual stocks face and how they can affect you as an investor. As an investor or trader, you should bear in mind that there are no such things as risk-free stock. All stocks are risky to trade. Even in business and life generally, we all take risks every single day when we get out of the house that is just what life is. Stocks are sometimes affected by global or specific factors and when it does, investors that are you and I lose money some investors or traders may also make money from changes that cost you your money.

What you can do as an investor is to do your market analysis and research, know the risks associated with a particular stock before buying, and if it goes contrary to your analysis, you should learn how to manage the risks to not lose much money. So what are the different risks facing stocks?

# Stocks Face the Risk of a Fluctuate in Commodity Prices.

When there is a fluctuation in the price of a company's commodities, the company benefits when the price goes up and they lose money when the price goes down. If a company suffers losses, it is almost certain that investors will no doubt suffer as well.

## Stock May Face Stories and Headline Risks

Stocks Suffer When the Company is on the news headlines for wrong reasons. There are stories published by the media that have every intention to hurt the company's business. Let's take for instance you hear in the news and newspaper headlines that Tesla Company is being investigated for fraudulent activities, or the company's business finances have been swindled. This bad news will set a backlash for the company and its stocks and punish investors as well. A real example of Larger bad news is the debt crisis in some european nations in 2010 and 2011. This type of incident can affect an entire nation's economy, not just stocks.

## Stocks May Face an Outmodedness Risk

This risk occurs when a company does not constantly upgrade, update, or make positive changes to its products. When a company becomes rigid to the changes in the world and they still stick to the same business processes and patterns that worked for them decades ago, they become prone to extinction and their products become archaic. New companies with better ideas will spring out with new ways to make similar products for cheaper prices.

## Stocks May Face Detection Risk

Detection Risk can crumble a company's reputation, and stock almost instantly. This type of risk occurs when a company's dirty secrets begin to come to light. If a firm has been involved in any business, and they are eventually discovered, the company may face the risk of losing its assets and maybe even going bankrupt.

## Stocks are also Affected by Legislative Factors

So many businesses and companies have been crumbled by the government for one reason or the other. The government may decide to make changes to the law or take other actions that will disrupt a business operation which could affect the company's shares adversely.

When a business is seen as a threat to the general public, the government will be forced to step in to take measures that may not go down well with the company. And thus, the company may suffer.

## Stocks May Face Interest Rate Risk and/or Risk of Inflation

Naturally for businesses, when there is an increase in the interest rate of products, businesses begin to suffer especially during the period of inflation. When interest rates are high especially during inflation, a company's financing and running cost increases sometimes adversely and if the company cannot manage or handle these costs, it will become harder for them to stay in business and may declare bankruptcy.

For companies with higher running costs, this may be a walkover since they have the means to bypass it. However, when a company faces an interest rise during inflation and combined with the weak consumer which can likely lead to a weak economy, they will definitely suffer a huge blow. There ways to manage interest rate risks you can find out more here.

## Bottom Line

You need a miracle and maybe a bit of luck to just wake up, venture into trading and investments and you start making huge profits. Becoming a profitable trader or investor takes time. You have to put in the work, learn the skill, develop your strategy, and gradually gain the confidence to navigate the market. Learning how to properly manage each risk you encounter in the market is also vital, it can make or break you as a trader.

The bright side for all investors and traders is that when you invest, you have the chance to make 5 times the money you invested to cover for your other losses and that is what being a profitable trader or investor means when you work directly with **Livestockchart.com**.