THINGS SCHOOL NEVER TAUGHT

Revenge Trading

Why It Destroys Accounts

Book 27

VIPUL PATEL

A ReelsNode mini-PDF book

About Vipul Patel

Vipul Patel holds a Master's degree in Electronics and has spent his career exploring technology, business, finance, and lifelong learning. Through the Booklets series and reelsnode.com, he combines his passion for learning with a simple mission: to make practical knowledge easy to understand and useful in everyday life.

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Welcome

A losing trade ends.

But sometimes the emotion does not.

You stare at the loss and feel frustration, anger, embarrassment, or disbelief. Almost immediately, another thought appears:

"I need to make it back."

That sentence can be far more dangerous than the original loss.

The moment your objective changes from following your system to recovering money, you are no longer making a normal trading decision.

You are trying to repair emotional pain with financial risk.

That is revenge trading.

And because emotion is now controlling both your decisions and your risk, revenge trading can turn an ordinary losing day into serious account damage very quickly.

Revenge Trading Is Not Really About Money

At first, revenge trading looks like an attempt to recover a financial loss.

But underneath it is often something deeper.

A loss can hurt your ego.

You may feel wrong, embarrassed, disappointed, or even personally defeated by the market.

Your brain wants that uncomfortable feeling to disappear.

So it creates a tempting solution:

"One more winning trade will fix everything."

Now the next trade has a new job.

It is no longer supposed to execute your edge.

It is supposed to make you feel better.

That is the psychological trap.

The trader believes they are recovering money, but they are actually trying to recover their emotional state.

The Revenge Trading Spiral

Revenge trading usually follows a predictable pattern:

Loss → Emotional Pain → Urgency → Revenge Trade → Bigger Loss → More Pain

After the first loss, frustration rises.

You take another trade quickly because you want immediate recovery.

Because you are emotional, the second trade may be poorly planned or completely outside your system.

If that trade also loses, the emotional pressure becomes stronger.

Now you may increase position size.

You may take another setup that does not really exist.

You may ignore normal risk limits because the original loss suddenly feels unacceptable.

One controlled loss has now become an emotional spiral.

The market did not force the spiral.

The need to erase the first loss did.

Why Position Size Often Increases

One of the most dangerous characteristics of revenge trading is increasing size after losses.

The emotional logic sounds convincing:

"If I trade bigger, I can recover faster."

But this happens at exactly the wrong time.

After a painful loss, your mind may already be less objective, more reactive, more fearful, and more impulsive.

Increasing size adds even more emotional pressure to an already unstable state.

If the oversized trade loses, the damage is no longer only financial.

Your sense of control can collapse as well.

This is why predefined position sizing matters so much.

Correct size protects your capital. It also protects your mind.

Revenge Trades Usually Have No Edge

A normal trade begins with your system.

A revenge trade begins with a feeling.

Instead of waiting for the market to present a valid opportunity, you begin searching for something-anything-that allows you to trade again.

Entries become forced.

Timing becomes poor.

Checklists disappear.

Rules suddenly feel negotiable.

The question changes from:

"Does this meet my criteria?"

to:

"Can this trade make my money back?"

That is a critical warning sign.

Your system does not know that you lost the previous trade.

The next setup does not become better simply because you need recovery.

When emotional need replaces objective criteria, your edge disappears.

Distance Breaks the Emotional Momentum

Revenge trading thrives on immediacy.

Loss.

Anger.

Click.

Another loss.

Another click.

The faster the sequence happens, the less opportunity your logical mind has to regain control.

One of the simplest solutions in your reference material is physical distance.

Stand up.

Step away from the screen.

Breathe.

Allow the emotional intensity to decrease before making another decision.

This small interruption matters because revenge trading needs momentum.

Distance breaks that momentum.

The purpose of the break is not to magically remove frustration.

It is to prevent frustration from becoming another position.

Ask What You Are Really Trying to Fix

Before taking another trade after a loss, ask yourself:

"Am I trying to execute my system, or am I trying to fix a feeling?"

This question exposes revenge trading very quickly.

If you are angry, embarrassed, desperate, or obsessed with recovering the previous loss, the next decision is already emotionally contaminated.

Name the feeling.

"I am frustrated."

"I feel angry."

"I want the money back."

Labeling the emotion creates distance between the feeling and the action.

Then return to your rules.

If necessary, use a predefined lockout period or end the session completely when your risk limits are reached.

Professionals do not debate hard limits while emotional.

The limits exist precisely because emotional traders cannot always trust themselves to stop.

Five Practical Tips

1. After an emotionally painful loss, physically step away from the trading screen before considering another trade.

2. Use a predefined lockout rule after consecutive losses or after breaking a trading rule.

3. Before re-entering, ask: "Am I executing my system, or trying to fix a feeling?"

4. Write down the emotion you are experiencing-anger, frustration, embarrassment, urgency, or the need to recover.

5. Establish hard risk and daily loss limits before trading begins, and never negotiate with those limits while emotional.

Final Thoughts

Remember...

A loss does not need to be repaired immediately.

It needs to be accepted correctly.

Revenge trading begins when you try to fix emotional pain with more financial risk. Your job is not to win the loss back. Your job is to protect your discipline.