

TRADING EDUCATION · BEHAVIORAL FINANCE

Why Do Traders Keep Trading After Losing Money?

TU Research examines how financial losses shape retail traders' next decisions, including revenge trading, position sizing, daily risk limits and the choice to stop trading.

38%

Report recovery-driven trading

29%

Increase size after consecutive losses

31%

Take a break after a losing trade

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01 Executive Findings

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The survey identifies competing responses to financial losses: recovery-seeking behavior, rule-based continuation, and deliberate risk reduction.

- 38% placed at least one recovery-driven trade in the previous 90 days despite normal entry criteria not being met.
- 31% typically pause after a losing trade; 18% immediately seek another trade to recover the loss.
- 29% increase position sizes after consecutive losses, while 50% reduce size or temporarily stop.
- 34% of respondents with daily loss limits have breached them at least once.
- 27% increase trading frequency after three losses; 38% reduce activity or stop.
- Binary options traders report the highest recovery-driven trading incidence (47%), compared with 30% among CFD traders.
- Daily loss limits are the leading reason for stopping (32%).

02 Introduction & Research Questions

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After a loss, a trader may pause, reduce exposure, continue a valid strategy or pursue a quick recovery. The study distinguishes new opportunities that meet predefined rules from trades driven primarily by the desire to break even.

The study asks eight questions: how traders react after a loss; how often revenge trading occurs; whether position sizes increase after consecutive losses; why traders continue; how often daily loss limits are violated; whether trading frequency rises after losing streaks; how behavior differs across Forex, cryptocurrency, CFD and binary options markets; and what ultimately makes traders stop.

RISK WARNING

Trading forex, CFDs, cryptocurrencies and binary options involves substantial risk. Leverage can magnify losses. Past results do not guarantee future performance.

03 Institutional Validation

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ESMA's March 2026 review highlights negative outcomes for retail investors in leveraged products and the importance of trading costs and forced closures. Coval and Shumway (2005) found that futures traders took greater afternoon risks following morning losses. Barber and Odean (2000) linked high trading activity with weaker net performance across 66,465 accounts.

KEY INSTITUTIONAL TAKEAWAYS

Prior losses can affect subsequent risk-taking, while high trading activity and leveraged exposure may worsen outcomes. The cited studies do not imply that every trade after a loss is revenge trading.

04 Theoretical Framework

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Loss aversion and reference points

Prospect theory suggests losses loom large relative to a reference balance, making recovery an emotionally salient goal.

Break-even seeking

Thaler and Johnson describe how prior losses can increase the appeal of gambles offering a chance to break even.

Disposition effect

Odean's evidence on reluctance to realize losses offers a related, but distinct, behavioral mechanism.

INSIGHT

The distinction is whether the next trade meets independent strategy criteria or is primarily motivated by recovering earlier losses.

Sample	1,350 retail investors
Age	18–60
Regions	North America, Europe, Asia, Latin America, Africa and Middle East
Method	Structured online CAWI survey
Confidence	95%
Estimated sampling deviation	±2.7%

Research team

- Anastasiia Chabaniuk — research design and interpretation
- Chinmay Soni — fact-checking and statistical verification
- Ciaran Ryan — editorial supervision
- Andrey Mastykin and Oleg Tkachenko — data collection and analysis

NOTE

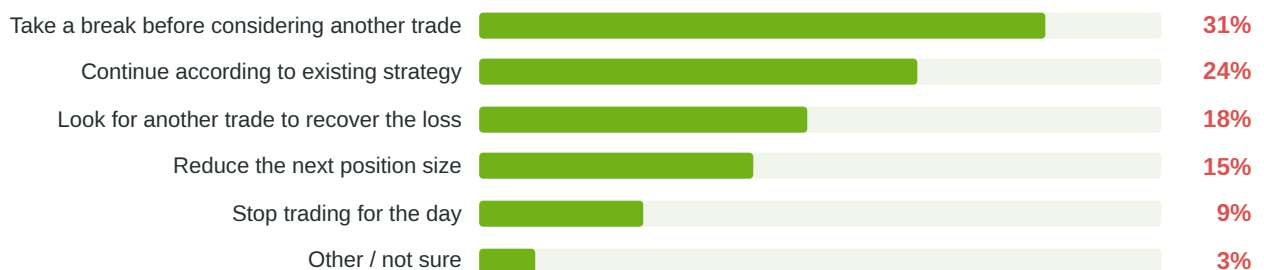
Survey results describe respondents' reported behavior and should not be interpreted as proof of causation.

06 Survey Results

To examine how trading losses influence retail decisions, the TU Research framework explores post-loss behavior, recovery motivations, position sizing, trading frequency and risk-management discipline.

How do traders react after a losing trade?

Respondents were presented with the question of what they typically do immediately after a losing trade.



INSIGHT

Taking a break is the most common response at 31%, while 18% immediately look for another trade to recover their losses. However, 24% continue according to their strategy, showing that trading after a loss does not necessarily indicate revenge trading.

How common is revenge trading?

The questionnaire measures how often traders have opened positions during the previous 90 days mainly to recover losses, even though those trades did not fully meet their usual entry criteria.



INSIGHT

38% report at least one instance of recovery-driven trading, while 21% report doing so at least twice. This suggests that revenge trading may range from occasional emotional decisions to repeated behavioral patterns.

Do traders increase position sizes after consecutive losses?

The questionnaire examines how position sizes change after two or more consecutive losing trades.

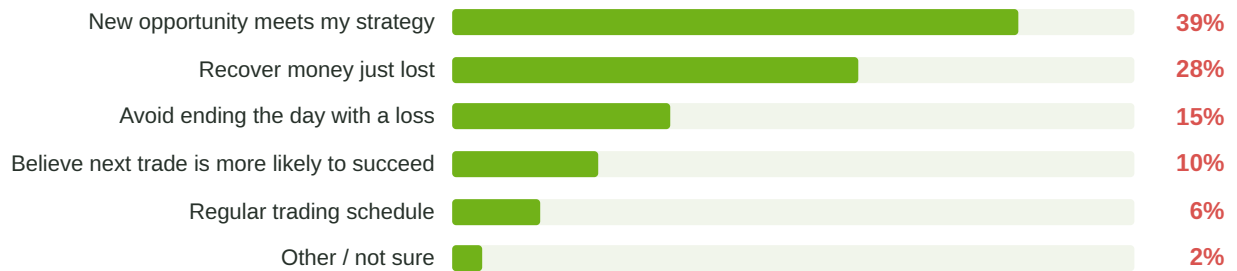


INSIGHT

Increasing position size is the most common individual response at 29%. However, 50% either reduce their positions or stop trading temporarily, indicating that losing streaks may encourage both risk-seeking and risk-avoidance behavior.

Why do traders continue trading after losses?

Traders who typically continue trading after losses are asked to identify their main motivation.

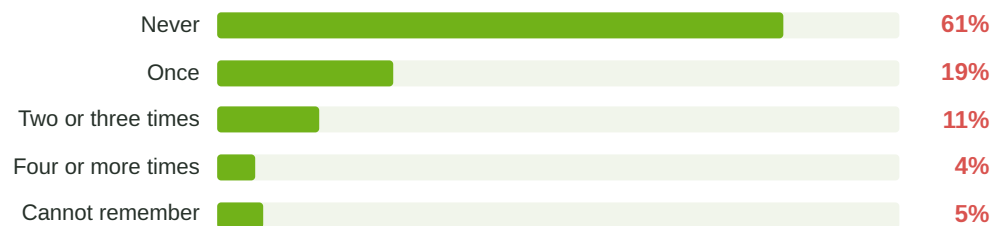


INSIGHT

Strategy-based opportunities are the leading motivation at 39%. However, 43% cite recovering losses or avoiding a losing day, suggesting that previous financial outcomes can influence subsequent decisions.

How often do traders violate daily loss limits?

The questionnaire examines whether traders with predefined daily loss limits have continued trading after reaching those limits during the previous 90 days.

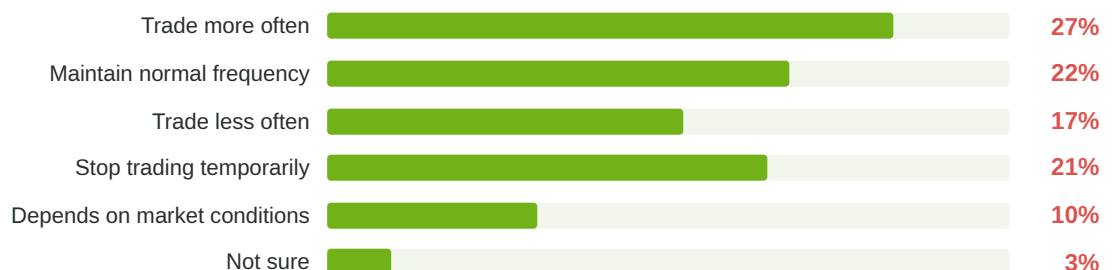


INSIGHT

34% of traders with predefined limits report violating them at least once. This suggests that establishing risk-management rules does not necessarily guarantee that traders will follow them under financial pressure.

Does trading frequency increase after losing streaks?

The questionnaire examines how trading frequency changes after three consecutive losing trades.



INSIGHT

27% increase trading frequency after a losing streak, while 38% reduce activity or stop temporarily. This suggests that losses do not produce a uniform response: some traders seek faster recovery, while others become more cautious.

Does revenge trading differ across Forex, crypto, CFD and binary options markets?

The research framework compares recovery-driven trading according to respondents' primary trading market.

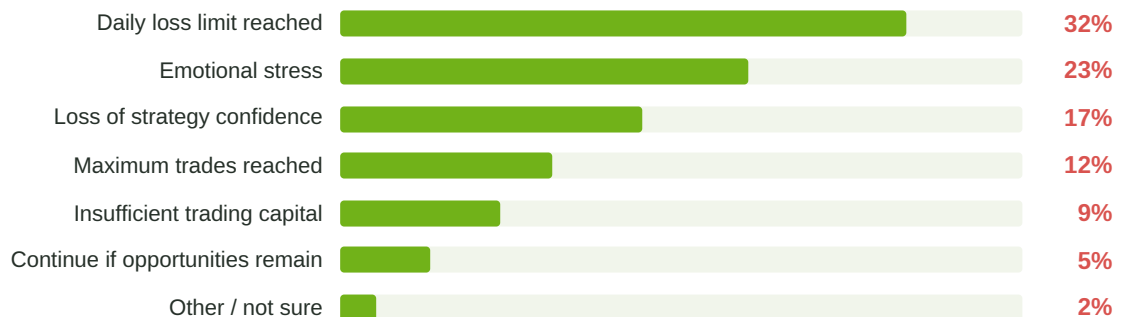


INSIGHT

Binary options traders show the highest estimated prevalence of revenge trading at 47%, followed by cryptocurrency traders at 40%. However, these differences do not establish that particular markets cause revenge trading. Trading experience, leverage, activity levels and other factors may influence the results.

What makes traders stop after a losing streak?

The questionnaire examines which factor is most likely to make traders stop after several consecutive losses.



INSIGHT

Predefined loss limits are the leading stopping mechanism at 32%, followed by emotional stress at 23%. This suggests that some traders stop according to established rules, while others respond only after experiencing psychological pressure.

07 Practical Implications

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Post-loss discipline is less about avoiding every new trade than about preventing a previous outcome from overriding predefined rules.

- Assess each new trade against written entry and exit criteria.

- Set a maximum daily loss before the session and do not revise it under stress.
- Avoid increasing position size solely to recover money.
- Monitor changes in frequency, urgency and emotional state.
- Consider a pause after consecutive losses to reassess conditions.
- Evaluate long-run net performance including spreads, commissions and risk.

Competitive brokerage conditions cannot eliminate revenge trading; transaction costs and leverage remain important when assessing additional exposure.

08 Data Sources & References

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