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There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits

Thursday, February 7, 2013

Situational Awareness

Trading is all about [Decision Making](#). As traders we are continuously making decisions. No doubt profitable trading requires good decision making skill. Good decision making in trading requires right perception of market environment, ability to analyze the complex signals in real time and projecting the future probabilities of price action.. This requires Situational Awareness. (SA). SA is the foundation of successful decision making.

Situational Awareness is a military terminology. But it is very well applicable where complex decision making skills are required. SA training is given to the personnel where complete, accurate SA is essential such as aircraft pilots, fire fighters rescue forces and security staff.

Situational awareness is the perception of environmental elements with respect to time and/or space, the comprehension of their meaning, and the projection of their status after some variable has changed, such as time, or some other variable, such as a predetermined event. The most common theoretical framework of SA is provided by Dr. Mica Endsley. Endsley's model illustrates three stages or steps of SA formation: perception, comprehension, and projection. ([Read More](#))

People typically operate on five distinct levels of SA namely "tuned out," "relaxed awareness," "focused awareness," "high alert" and "comatose". The basic level of situational awareness that should be practiced most of the time is relaxed awareness, a state of mind that can be maintained indefinitely without all the stress and fatigue associated with focused awareness or high alert ([Read More](#))

Situational Awareness in trading is about changing your strategies based on change in situation. Next step is to think of situations before they develop and anticipate markets next move. As traders we must learn to operate in a complex market environment by making appropriate decisions and taking effective action.

Posted by [SMART Trader](#) at 11:03 PM



1 comment:



[K_Vir](#) February 23, 2013 at 7:31 PM

Awesome post. After reading, searched on google and found some interesting material on "Critical Thinking" and Threat and Error management , particularly with respect to flight and ground operations for pilots.

Please keep posting such thought-provoking posts. Salute to your commitment to distribution of knowledge.

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