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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, October 4, 2012

## Decision Making

Trading is all about Decision Making. As traders we are continuously making decisions. We need to decide on the price levels to initiate a trade, which direction to trade, where to keep stop loss where to exit etc. Good trading decisions will make money for us .Being consistently profitable is becoming better at this decision making skill.

Any decision making process involves three steps. These are Gathering information, evaluating the necessary inputs and deciding upon the possible action. Information overload is a major constraint for effective decision making. So we need an effective filtering of information inputs to a manageable level. Focus only on the right and important information . Avoid the extra information having negligible impact.

I have seen traders monitoring a plethora of inputs. They track everything you can think of. Elliot waves, Fibs, Gann, Parabolic SAR a dozen moving averages, different oscillators, trend lines and channels. Sorry, I forgot the floor pivots and Camarillas. Supports and resistances are also very important. Oh No, I almost missed the time cycles, Wolfe waves and ORB.

If you mark all these levels on a chart, it will cover the entire chart space. Monitoring all these levels is almost impossible. Even if you do, it is not going to make you profitable. Instead it is going to make you more confused. But it will help the "Trading Gurus" for sure. They can find some or the other reason for all the price behavior and convince you that " lack of discipline" is the root cause of your trading failure.

The sooner you define your decision making process, the better. Decide on your information inputs, how to weigh them, and what actions to take on them.

**To attain knowledge, add things everyday. To attain wisdom, subtract things everyday. ~ Lao Tsu**

Posted by SMART Trader at 11:31 PM



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