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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

Friday, October 24, 2014

Seven Pillars

Working Memory of human brain is a concept that always attracted researchers of Cognitive Psychology and Neuroscience. Working memory which is also called short term memory is the system that holds multiple pieces of information in the mind. Short term memory is responsible for the retrieval, processing, integration and disposal of information during a decision making process.

George A Miller of the Princeton University has done extensive research on this subject. His research is one of the most quoted papers in Psychology. This is frequently referred as [Miller's Law](#). He argues that the number of variables an average human can hold in working memory is Seven, Plus or minus to two.

Trading, especially a discretionary method is always a decision making process. It is very important to limit the number of information variables within the capacity of our short term memory for its effectiveness. Earlier I was using a lot more and was not able to cope with that. I had to eliminate and discard a lot and now the structure rests on just seven pillars.

Trend, Range, Decision Points, Space, Critical Mass, Order flow and Risk

If you are trading a discretionary method, please do a system audit. I am sure you will find too many variable that are not contributing anything but only overloads your working memory. Ensure that you are not using too many variables which are beyond the capacity of your short term memory.

The thousand pillar mandapas of South Indian temples are architectural marvels and they weathered natural calamities, wars and invasions for centuries. But your thousand pillar trading method will crumble like a pack of cards in no time.

Posted by [SMART Trader](#) at 12:49 PM



6 comments:



[L.V.Gandhi](#) October 25, 2014 at 5:09 PM

Every word is True.

Reply



[Trader Pai](#) October 25, 2014 at 11:16 PM

nice post

thanks n rgds
Kishore

Reply



[Trekkie](#) October 26, 2014 at 8:42 AM

ST,
Wow! only 7 and you have given us 7. Thanks a lot ST. You are not only a trading coach, you are a life coach.

Reply



[VK](#) October 27, 2014 at 10:30 PM

Hi ST, This one is a fantastic post (7)

Regards

Vinod

Reply

[candle](#) November 1, 2014 at 4:49 PM

ST,



Thanks for the wonderful insight.
Sir, a request to you : Kindly enlighten us about " Critical Mass " . How to identify ? How to interpret it ? And how to utilize it ?(if the time permits)

regards
candle

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SMART Trader November 1, 2014 at 10:29 PM

Right.

ST

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