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

Saturday, August 10, 2013

## OODA Loops

Col.John Boyd of US Air Force was one of the most gifted and effective fighter pilot of all time. John Boyd understood the challenges of time pressured decision making and developed a decision making framework for combat situations. It is known as OODA Loop. The acronym OODA stands for Observe, Orient, Decide and Act.

The application of OODA is not restricted to warfare alone. It is applicable to Trading as well. Aim of OODA is to act fast. The right way is to decide and act fast so that more time can spend to observe and orient.

**Observe.** First step is to observe what is happening at the moment. Gathering relevant information happens during this stage. Almost always, under time pressure, traders forget to pay attention to the details. Better to simplify and avoid observing irrelevant information.

**Orient.** Once we gather the relevant information, the next step is to process it and position ourselves for a decision. Orientation will depend upon our beliefs and mental model. Observation and orientation will decide our trading edge. We have to ensure that our methods are based on the reality and not on illusions.

**Decide.** The next step is to decide a course of action. Depending on the gathered information make a decision to act.

**Act.** This is the final stage. Implement the decision. Once a decision is taken do not second guess or hesitate. Simply take action. Go back to step one and observe. Cycle through the OODA Loop.

Finally,do not hesitate to use the ejection lever if something goes wrong.  Ensure survival. We need to trade another day.

Posted by SMART Trader at 10:07 PM     M  B  t  F  ℗

---

# 9 comments:

**sreyO...** August 11, 2013 at 9:11 AM
Dear ST,

This is one of the best structured blog on trading I have ever seen.

Keep it up..
Reply

**SMART Trader** 🖊 August 11, 2013 at 10:22 AM
sreyO,

Thanks

ST
Reply

**Sunil Saranjame** August 11, 2013 at 1:33 PM

Excellent post!

In electronics, this is basically a negative feedback loop.

Thanks n regards,

Reply

**Sunil Saranjame** August 11, 2013 at 1:45 PM
sorry... forgot to post a wiki link on this...

http://en.wikipedia.org/wiki/Negative_feedback

Thanks and have a good trading week ahead.

Reply

**SMART Trader** August 11, 2013 at 2:46 PM
SS

Thanks

ST
Reply

**HARISH TAHKKAR** August 11, 2013 at 9:55 PM
Such concept sharp the trading skills and gives required edge.I like most.
Trading is " Neural works " of smart money.One should be smart and well prepared with habitual trade set up practiced well in past.Market mostly will not give time to think much.But one should remember
"Hesitation kills best trades "

Reply

**Unknown** August 12, 2013 at 1:17 PM
Lovely post ST....

Matches with the basic structure of a technical trader.

Thanks
Reply

**Capt. Premlal** August 12, 2013 at 7:34 PM
Keep Going ST, Moving towards Precision trading...Excellent.
Reply

**SMART Trader** August 12, 2013 at 10:20 PM
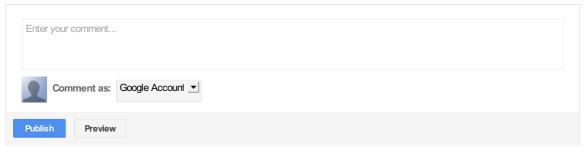@Harish
@Anurag
@Capt. Premlal

Thanks

ST
Reply

**Add comment**

Note: Only a member of this blog may post a comment.

Enter your comment...

Comment as:  Google Account ▼

Publish    Preview

## Important Posts

- Disclaimer
- Glossary
- Rants 'n Raves
- Structure and Patterns

## Download E-Books

- Decision Points
- Structure and Patterns
- Rants N Raves
- TRADE-SCORE
- Video Promo

Statcounter