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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, January 4, 2013

## Think Different

Trading requires a different thought process. Logical thinking process will not work well in solving trading related problems. A logical process requires a well defined existing knowledge base to build on. As far as trading is concerned most of the time this knowledge base is vague, irrational and ill defined.

Scientific methods also will not work well. Scientific methods of problem solving start with defining all the parameters of the problem in order to define the solution. This is simply not possible as there are too many variables

Trading requires a creative thinking process. We need to create new knowledge base and approach the problem differently than we have done before. This requires understanding the context, generating new insights and rationally analyzing the various options.

We need a solution based or solution focused thought process. Solution is really the starting point. Problem solving starts with a solution and then moves back to define enough of the parameters to optimize the path to the goal. In other words it starts with the goal or what is meant to be achieved instead of starting with a certain problem and trying to solve it.

You may call this a kind of reverse engineering. Decide upon the kind of move you want to capture and study those moves. You will be able to define enough variables that triggered those moves. Think rationally and apply a "Common Sense" filter on those and focus only on those which are really relevant.

Posted by [SMART Trader](#) at 9:57 PM



## 3 comments:

[Anurag](#) January 5, 2013 at 12:22 AM

Awesome post!!!

This is actually the case. Trading is so much different from the normal logical thinking process, that we have been trained all our life and most difficult part of trading is unlearning. Still struggling with it :)

Reply



[VK](#) January 7, 2013 at 9:56 PM

good one ST. thanks for this write up and it is true.

regards

VK

Reply



[SMART Trader](#) January 9, 2013 at 4:32 PM

@ Anurag  
@ VK

Thanks

ST

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