The economic theory of the consumer is a combination of positive and normative theories. Since it is based on a rational maximizing model it describes how consumers should choose, but it is alleged to also describe how they do choose. This paper argues that in certain well-defined situations many consumers act in a manner that is inconsistent with economic theory. In these situations economic theory will make systematic errors in predicting behavior. Kanneman and Tversey's prospect theory is proposed as the basis for an alternative descriptive theory. Topics discussed are: undeweighting of opportunity costs, failure to ignore sunk costs, scarch behavior choosing not to choose and regret, and precommitment and self-control.

What makes us lose money in trading generally?

What are the behavioral variables that could affect our trading performance?

The endowment effect is Endowment is the decision to keep what one already has rather than exchange it for a better option (as with refusing to switch a lottery ticket for an another one plus cash). (Kahneman et al., 1990)

Perspective theory, developed by Baruch Fischhoff, Paul Slovic, and Sarah Lichtenstein, suggests that individuals evaluate information based on their own unique perspective, which can be influenced by factors such as emotions, values, and beliefs. According to this theory, individuals may interpret the same information differently depending on their perspective, and their decisions may be influenced by their subjective interpretations.

In summary, while both theories attempt to explain how individuals make decisions and evaluate information, prospect theory focuses on how individuals evaluate potential gains and losses relative to a reference point, while perspective theory emphasizes how individuals' unique perspectives influence their interpretation and evaluation of information.

Representativeness WYSYATI

Availability relying solely on what is most readily available in memory.

**Conclusion and suggestions**

***The real aim of trading in financial markets in general is to achieve profits through the “long” and “short” positions of financial instruments such as stocks, currencies, and derivatives.(Lo, 2005)***

***Lastly, all of the outlined theories provide a clear understanding of investor behavior and the various factors that influence it in different situations.***

***The maximization of profit cannot be effectively attained unless the investor has the capacity to identify the psychological biases that are embedded in their decision-making. Traditional finance should be supplemented by behavioral finance in order to learn the evolution of investors’ behavior.***

***Heuristics is an approach which employs quick, effective rules and short mental processes to reduce cognitive effort while making decisions based on theories elaborated in the field of behavioral finance. It might end up in correct choices, but it can also result in inappropriate choices due to errors in judgment or behavioral abnormalities.***

**When faced with such situations, it is important to develop self-awareness, recognize our susceptibility to behavioral biases, and take measures to minimize errors in our decision-making process.**

**‘‘The biggest mover of all, I would say, is fear in general. You know, people are afraid that something is going to happen.’’ Lastly, market participants do not stop short at simply forming and holding expectations, but instead continuously adjust their decisions to their expectations of the future. Thus, expectations play a crucial role in individual trading behavior and in collective market movements; the behavioral aspect of foreign exchange expectations causes traders to take action. For example, a trader expecting the European Central Bank to lower interest rates might sell a large euro position in order to avoid the loss that would result from a depreciation of the euro. (V V IMP THOMAS OBERLECHNER)**