



PERCEPTION VERSUS REALITY

There is considerable overlap with last week's article, "THE BIGGEST CHALLENGES & FACTORS THAT CONTRIBUTE TO OUR SHORT-TERM LOSSES". I felt that "PERCEPTION VERSUS REALITY", deserved its own space.

Over the years, I have constantly had a negative visual reaction to the phrase, "*It is what it is*". As I started to write, the phrase intuitively popped into my mind. "*It is what it is*" is reality. At the heart of the following discussion is a recognition that our perception is not always aligned perfectly with objective reality.

Perception and reality are concepts that relate how we understand and interact with the world around us. They are distinctly different.

PERCEPTION VERSUS REALITY

1. Perception

Perception refers to the process by which our brain interprets and organizes sensory information from our environment. This information allows us to create a mental representation of our world. Perception evolves from our senses and other cognitive processes that interpret and make sense of these sensory inputs.

- a. These inputs may come from your past experience, what you listen to from others, as well as what you read.
- b. Do not rule out that perception evolves from what you need or want the market to do.

2. Reality

Reality refers to our objective surroundings. It is what it is or what is actually occurring. It is totally independent of our individual perceptions, desires or interpretations. Our internal conflicts start here.

INFLUENCE OF BIAS AND ALLUSIONS

Our **perceptions** can be influenced by biases, expectations and cognitive allusions. These mental shortcuts (heuristics) can lead us to interpret sensory input in ways that deviate from objective reality. Take the time to review the heuristics from last week's article. **Reality** is unaffected by our biases or allusions. It is what it is, regardless of how we understand or desire to interpret it.



PERCEPTION VERSUS REALITY

LIMITED PERSPECTIVE

Our **perception** is limited to our experience, imagination, and cognitive processing capabilities. We perceive only a fraction of the vast amount of information that exists in the world. **Reality** is objective, it exists independently of any one person's experience.

OBJECTIVITY BEGINS WITH DAILY PREPARATION

1. Create a graphic of the current trading range.
2. Mark the current location.
3. Identify and mark important upper references.
4. Identify and mark important lower references.
5. Is the market trending?
6. Is the market rotational? Approximately 85% of the time the market is rotational.
7. If the market is rotational, is there a short-term trend within the rotation?
8. Is there any long-term balance?
9. Is there any short-term balance?

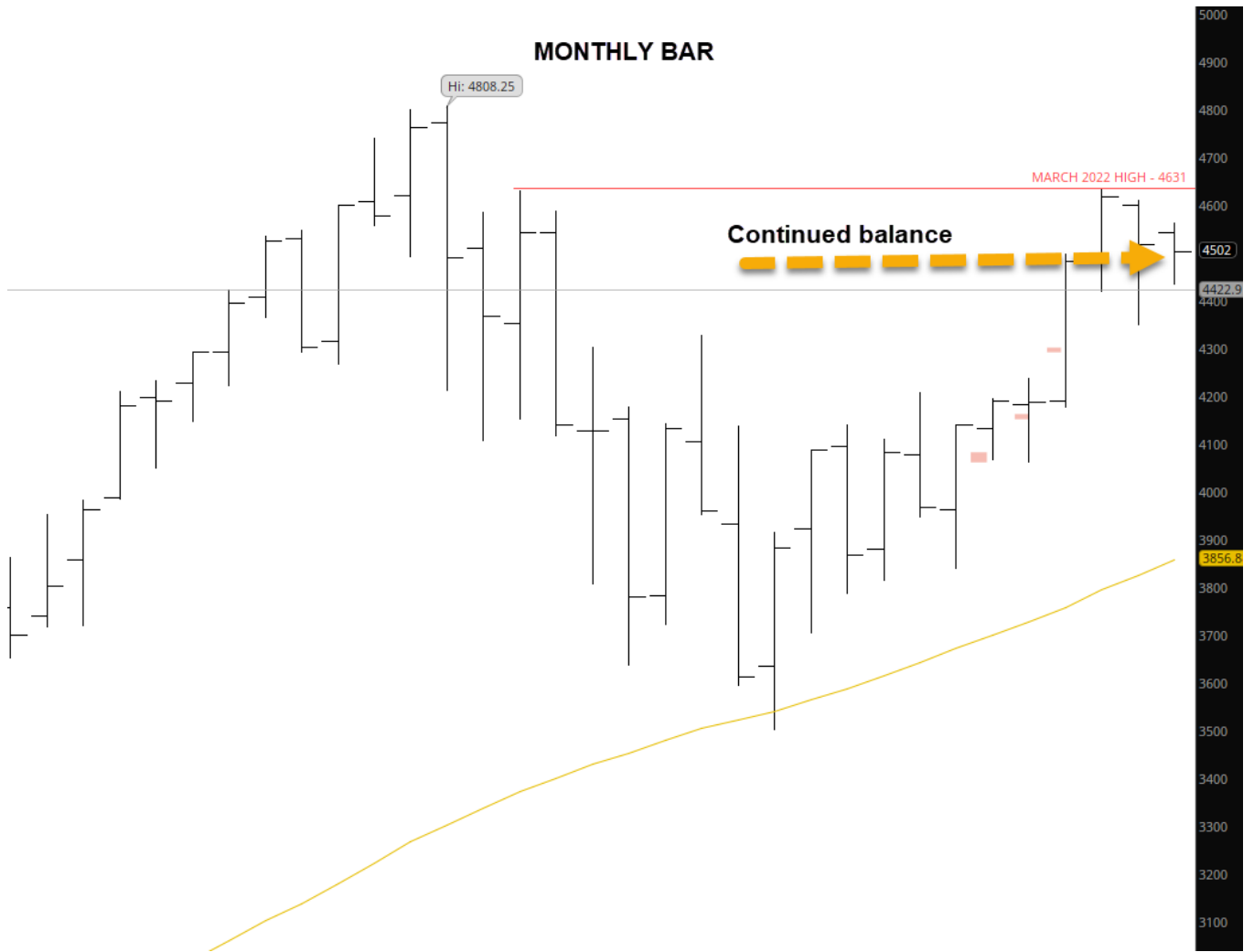
OBJECTIVITY AS THE MARKET OPENS

1. Is there any change relative to yesterday?
2. Is value building higher lower?
3. Is early confidence high or low?

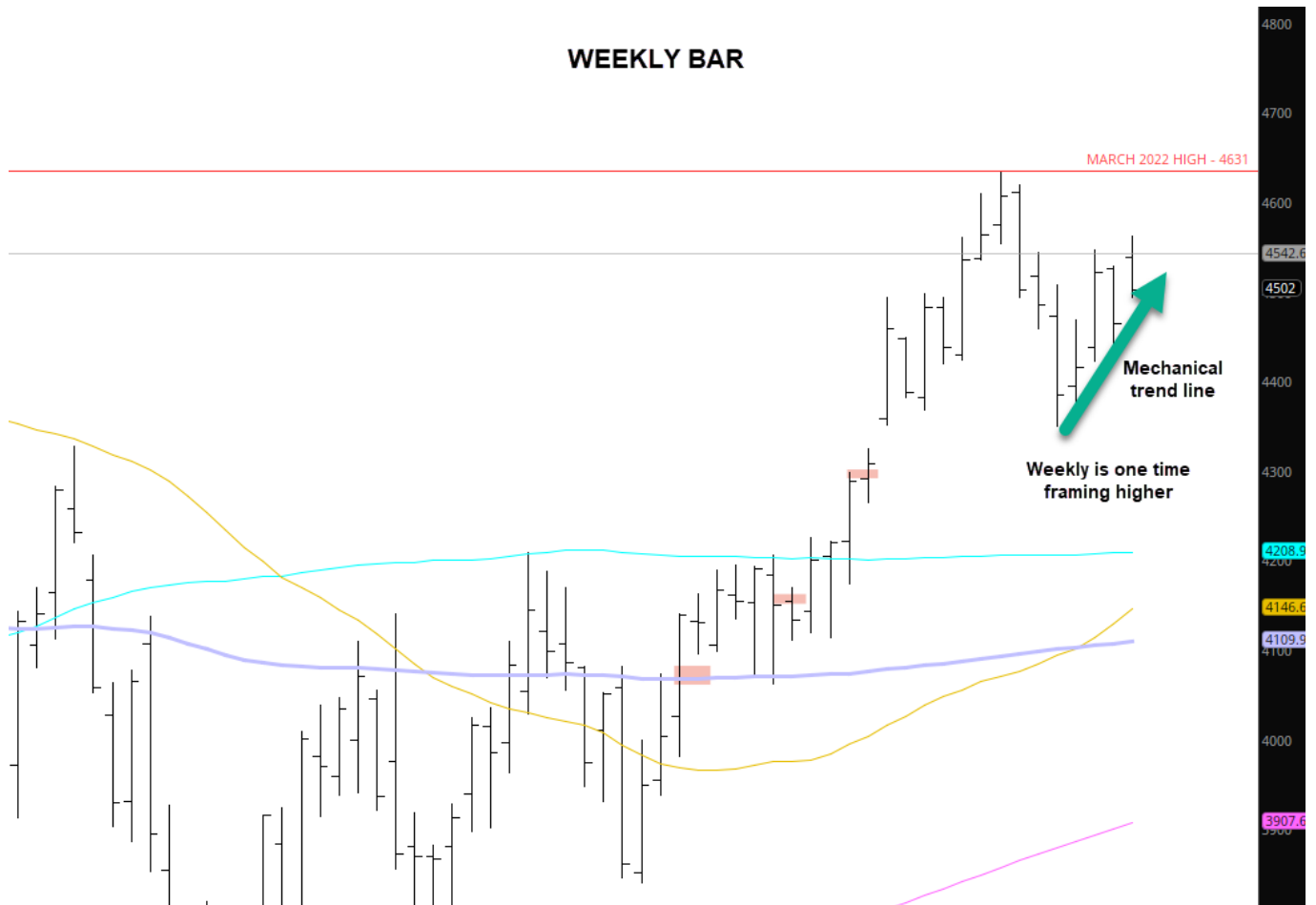
DO WHAT YOU NEED TO DO

Over the years, I have suffered substantial losses due to lack of objectivity. Rarely do I suffer meaningful losses when I maintain my objectivity.

Reality is not always pleasant.

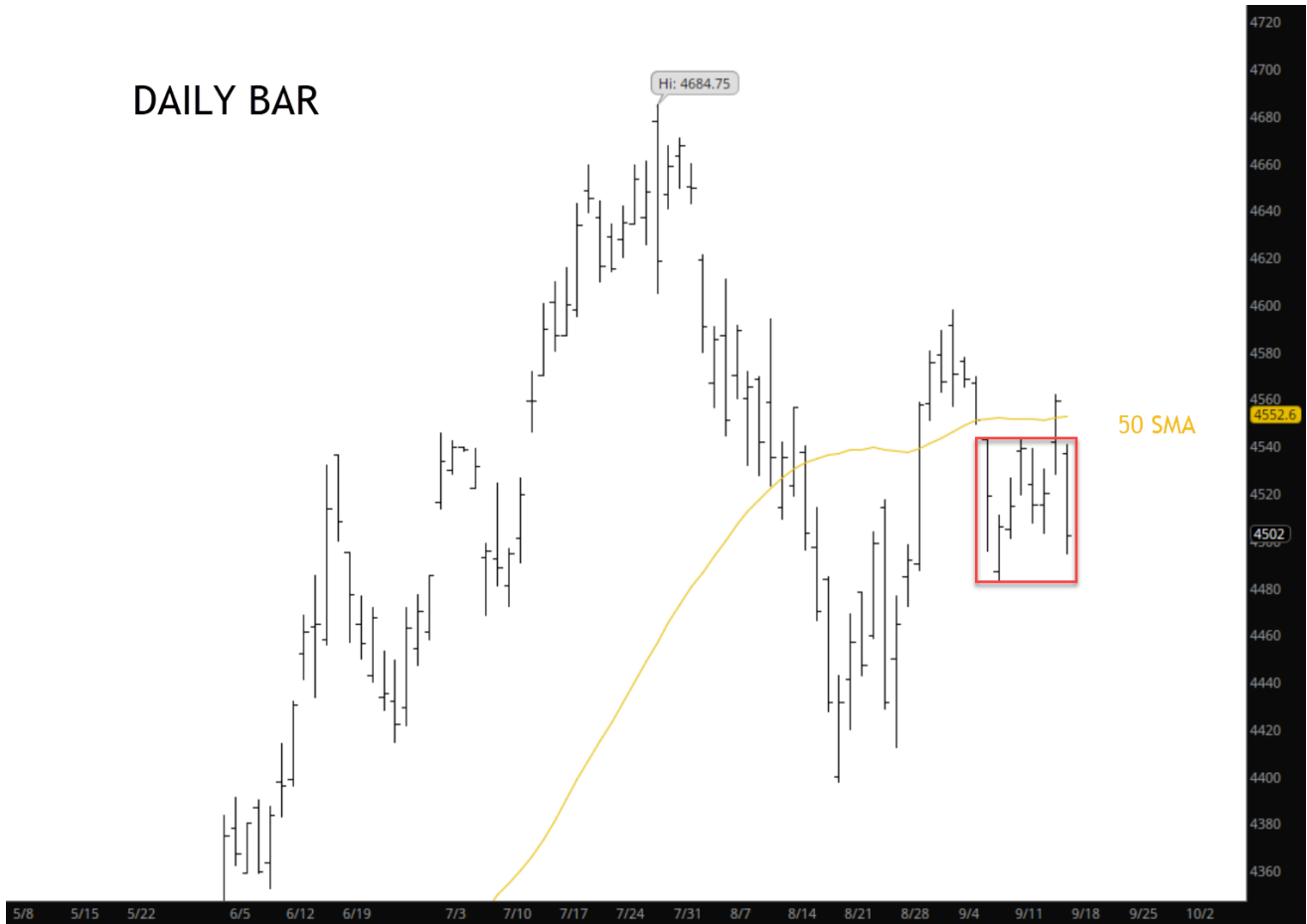


The market continues to remain balanced, swinging from headline to headline.



The monthly bar shows balance while the weekly bar is one time framing higher.
Remember, potential change will always first be evident via the daily bar.

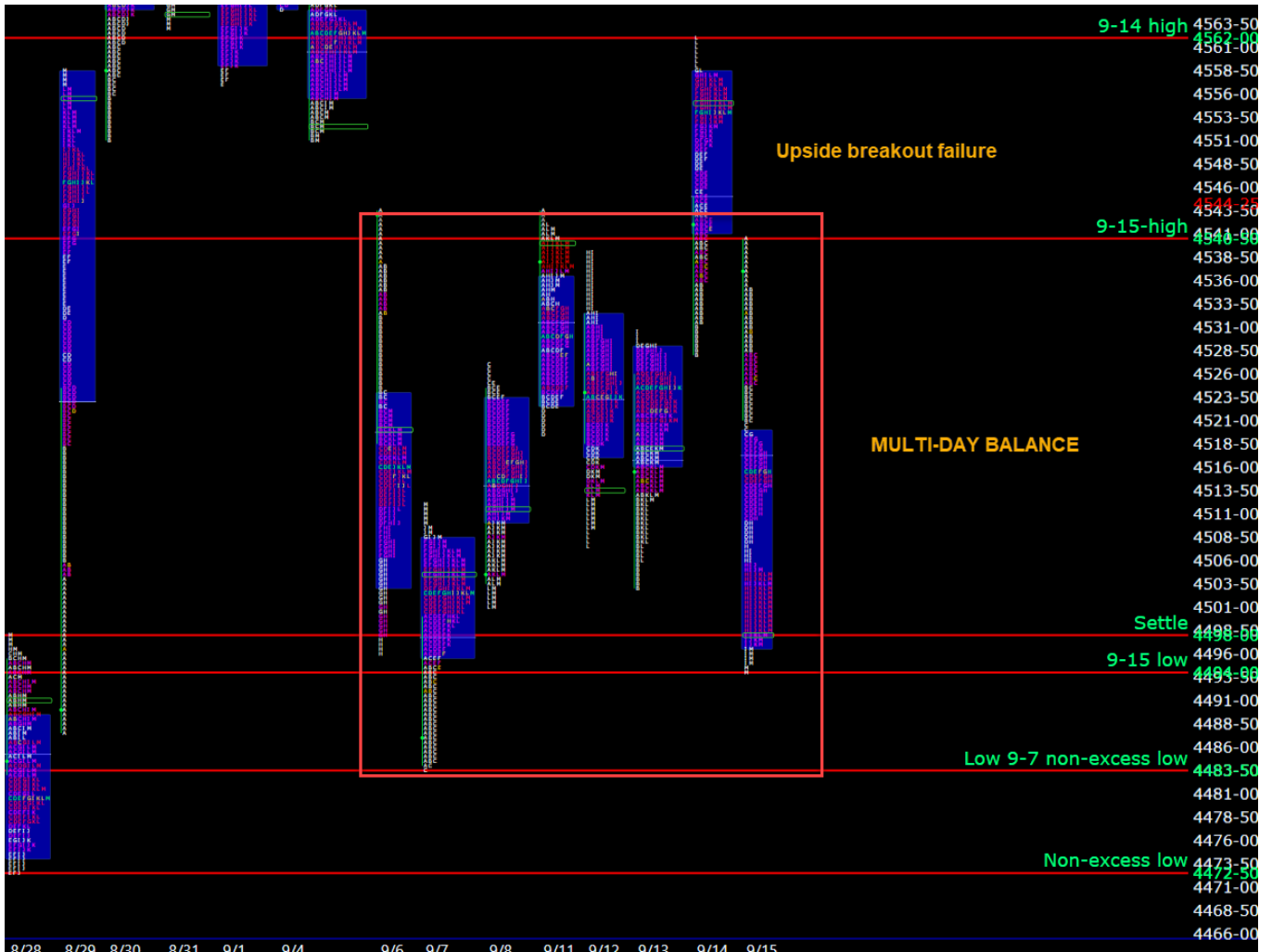
DAILY BAR



The market looked above the multiple-day balance and failed. The destination is to the opposite extreme of the balance.

We will focus on the daily Profiles from here.

Remember, the monthly shows balance, the weekly is one time framing higher, while the daily low is testing the lower end of the multi-day balance.



Friday delivered an upside breakout failure. The real test, as we open the week, is the multi-day balance low at the 4483 level.

The market remains balanced with trade location at the lower end of balance.