Stock Trading and Equity Investing with Python A-Z

Trading vs. Investing

Trading vs. Investing – what´s the Difference?

Trading

Investing

*"Investing and trading are two very different methods of attempting to **profit in the financial markets**. Both investors and traders seek profits through market participation. In general, investors seek larger returns over an **extended period** through **buying and holding**. Traders, by contrast, take advantage of **both rising and falling markets** to **enter and exit positions over a shorter time frame**, taking smaller, more frequent profits."*

*"Trading involves **short-term (active) strategies** to generate daily, monthly, quarterly **income**."*

*"Investing takes a **long-term (passive)** approach to the markets and often applies to such purposes as **retirement accounts**."*

Examples:
High-Frequency Trading, Day Trading, Swing Trading, Algorithmic Trading, Copy Trading

Examples:
Portfolio Investing, Diversified Investing, Investing with Asset Managers and/or Robo Advisors, ETF Investing

(Source: Investopedia.com)

A detailed comparison

	Trading	Investing
Investment Horizon	Short Term (intraday, days, weeks)	Long Term (2 - 50 Years)
Profits/Income Generation	Trading gains, frequent cash income	Long term growth / Dividend income
Asset Classes	Forex, Cryptocurrency, Commodities, Stocks (Index)	Stocks, Bonds, Real Estate, Alternatives, Gold
General approach	Active (frequent trading)	(typically) passive, Buy-and-Hold
Positions	Long and Short	(typically) Long only
Instruments	Derivates (CFD, Futures, Options)	Physical, Funds, ETFs
Leverage	Yes, can be very high (Margin Trading)	No
Trading / Transaction Costs	frequent, high (Commissions, Bid-Ask Spread)	low, ETF and Asset Manager Fees
Diversification	No / Low	High, Portfolio approach
Strategies (selection)	Technical Analysis, AI based, Statistical Arbitrage	ETF (passive), Portfolio Optimization, Style (Value vs. Growth)
(Desired) Returns	High / Very High ("10 percent per month")	5-10% per year
Risk	High / Very High	Low to Moderate