A Day In The Life Of A Day Trader

Traders participate in the financial markets by buying and selling stocks, futures, forex and other securities, and closing out positions with the intention of making small, frequent gains. Just as there are many types of investors, traders range from the small, independent trader working from a home office to the institutional player who moves tens or hundreds of millions of dollars' worth of shares and contracts each trading session.

Traders and Trading Styles

Traders are further defined by the timeframe in which they open and close positions (the holding period), and the method by which they find trading opportunities and send orders to the market. Discretionary traders are decision-based traders who scan the markets and place manual orders in response to information that is available at that time. System traders, on the other hand, use some level of automation to implement an objective set of rules, allowing a computer to both scan for trading opportunities and handle all order entry activity. The chart below lists the different trading styles with the corresponding timeframe and method for each.

Trading style	Timeframe (holding period)	Method
Position trading	Months to years	Discretionary or system
Swing trading	Days to weeks	Discretionary or system
Day trading	Day only – no overnight positions	Discretionary or system
Scalp trading	Seconds to minutes – no overnight positions	Discretionary or system
High frequency trading	Seconds to minutes	System only

Because of this diversity among traders, there really is no such thing as a "typical" day in the life of a trader. With that in mind, let's take a look at what a day may be like for an individual, discretionary day trader, since this is where many people begin trading.

Pre-Market

Before the markets spring to life at 9:30 a.m. EST, most day traders are busy catching up on any events that happened overnight that could affect that day's trading session, coffee and breakfast in hand. This involves reading stories from various newspapers and financial web sites, as well as listening to updates from financial news networks, such as CNBC and Bloomberg. The futures markets, as well as the broad market indexes, are noted as traders form opinions about the direction they expect the market to trend. Traders will also review economic calendars to find out which market-moving financial reports – such as the weekly petroleum status report – are due that day. It should be noted that many traders participate in round-the-clock markets, such as futures and forex, and these traders can expect increased volume before the rest of the markets open at 9:30.

After reading about events and making note of what the analysts are saying, traders head to their workstations, turn on their computers and monitors, and open up their analysis and trading platforms. A lot of layers of technology are at work here, from the trader's computer, keyboard and mouse, to the Internet, trading platform, broker and ultimately the exchanges themselves. As such, traders spend time making sure that everything on their end is functioning correctly before the trading session begins.

If everything is working properly, traders start scanning the markets for potential trading opportunities. Some traders work just one or two markets (such as two stocks or two e-minis), and will open up these charts and apply selected technical indicators to see what's going in those markets. Others use market scanning software to find securities that meet their exact specifications. For example, a trader might scan for stocks that are trading above their 52-week highs, with at least 4,000,000 in volume and with a minimum price of $10.00. Once the computer compiles a list of stocks that meet these criteria, the trader will put these tickers on his or her watch list.

Early Trading
The first half-hour of trading is typically pretty volatile, so many (but certainly not all) individual traders sit on the sidelines to give the market time to settle and avoid being instantly stopped out of a position. Now it's a waiting game, while traders watch for trading opportunities that are based on their trading plans, experience, intuition, and current market activity. Precision and timing become increasingly important the shorter the holding period for the trade and the smaller the profit target. Once an opportunity arises, the trader must act quickly to identify the set up and pounce on the trade – seconds can make the difference between a winning and losing trade.

The trader uses an order entry interface to submit orders to the market. Many traders will also submit simultaneous orders for profit targets and stop losses to protect against adverse price moves. Depending on the trader's goals, he or she will either wait for this position to close out before entering another one, or will continue scanning the markets for additional trading opportunities. Many traders look for late morning reversal opportunities. Since trading volume and volatility diminish as mid-day approaches, most traders will hope that any positions will reach their profit targets before lunch. Otherwise, the next couple hours can be rather uneventful (and boring) as the big money is out to lunch and the markets slow down.

Second Wind

Once the institutional traders are back from lunch and meetings, the markets pick up and volume and price movement once again comes to life. Traders take advantage of this second wind, looking for additional trading opportunities before the markets close at 4:00. Any positions entered during the morning will have to be closed before the end of the day, as will any positions that are taken now, so traders are keen to get in trades as soon as possible so they have time to reach a profit target before the session's end.

Traders continue to monitor their open positions and look for any more opportunities. Because day traders do not hold their positions overnight, many set a time limit past which they will not open any additional positions (such as 3:30 p.m., for example). This helps ensure that the trade will have enough time to make a profit before the markets close. As 4:00 approaches, the trader closes all open positions and cancels any unfilled orders. This is an important step, since open orders can get filled without the trader realizing it, resulting in potential losses. The trader will close the day with a profit, at breakeven, or with a loss. Either way, it's just another day at the office, and seasoned traders know to neither celebrate large wins nor cry about losses. To traders, it's what happens over time – in terms of months and years – that matters.

Post Market

After the markets close, traders finish up the day by reviewing their trades, making note of what went well and what could have been done better. Many discretionary traders use a trading journal – a written log of all trades, including ticker symbol, set-up (why the trade was taken), entry price, exit price, number of shares, and any notes about the trade or what was going on in the market that may have affected the trade. If organized and consistently used, a trading journal can provide vital information to a trader looking to improve his or her plan and performance. Many traders will again listen to a financial news network to get a recap of the day and start making plans for the next trading session.

The Bottom Line

Outside of a day trader's pre and post-market day, a lot of time is spent on research – learning about the markets, experimenting with technical indicators and honing their order entry skills, using simulated trading platforms. Most traders likely have a story they can laugh at now about the time they hit "sell" instead of "buy," or when they entered 1000 shares instead of 100, or both.

Day trading has many advantages: you can be your own boss, set your own schedule, work from home and achieve unlimited profits. While we often hear about these perks, it's important to realize that day trading is hard work, and you could put in a 40 hour work week and end up with no "pay check." Day traders spend much of their days scanning the markets for trading opportunities and monitoring open positions, any many of their evenings researching and improving their trading plans. Because trading can be a very solitary endeavor, some traders choose to participate in trading "chat rooms" for social and/or educational purposes.