

Facts of Day Trading

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What is day trading?

Day trading is an investment tactic that does online daily stock trading with a relatively short investment. Those who do day trading usually buy and sell securities during the same market day and, as a general rule, do not hold stocks overnight. Many day traders make dozens of trades every market day hoping to capture profits that arise from small intraday price fluctuations.

How is day trading different from swing trading?

Day trading relatively holds the stock for only the day. After the stock market closes, a day trader has no stock in his hands. Swing trading holds a stock for at least a few days, waiting out for the best price before dumping it back to the market. Day trading is much more stressful and requires guts and a keen business sense. Once you get good at day trading, you can earn up to \$50,000 from your initial investment.

How much capital would you need for day trading?

You need an investment equivalent to buy 1000 stocks. That is roughly around \$20,000. Because the chances are small that you will find a marketable stock with a price of under \$20, this is enough to get your day trading underway. However, you must remember that this is a 100% risk capital so do not worry too much if you lose this amount very early.

What are the general rules for day trading?

- Always trade with the trend.
- Cut losses short
- Never get emotionally involved in your trades.

What are the most suitable stocks to trade for day trading?

It is advisable to trade high volume stocks. Go with the trend with the popular stocks available. It'll be easier for you to sell those stocks at the end of the day trading.

How does a usual day trading transaction occur?

For example, at 10:00 AM a day trader might buy 1000 shares of stock XYZ just as the price begins to rise on good news, then sell it at 10:04 AM when it's up by 1/2 (\$0.50). The day trader makes \$500, minus commission. With today's cheap commissions of \$29.95 or less per trade, that's a quick \$440.10 or better, excluding taxes.

Most people who deal with day trading spend all of their time in front of the computer, watching the slightest change in the stock price. As the prices go up and down, the day trader must be alert as to when to sell his stock or wait for the moment to hold on it. This can be a very stressful lifestyle as a mere second could mean an increase of half the stock price and missing that moment for any person engaging in day trading could mean a loss on his

investment.

Day trading is not a get rich scheme. It is serious business where you could lose everything within minutes because of wrong information. Before jumping into day trading, remember to do your homework first. Go to seminars on day trading, use simulations if possible and practice reading market indicators. To be a successful day trader, don't just need luck. Knowledge and experience counts. Welcome to the world of stock markets and investments!

Short note about the author

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