

Day Trading Stocks

Day Trading Stocks

There are many aspiring traders who believe that they can quit their day jobs and start day trading stocks to replace their monthly income. There are infomercials on television illustrating the successes that others have had with a [stock day trading system](#) and they now want a piece of the action. Maybe you developed an automated trading strategy and back tested it with great results or maybe you found this great website which offers day trading stock picks and you believe you can be successful using it.

The point I want to convey through this article is that stock day trading is a highly emotional endeavor which requires split second decision making and a firm grasp of your emotions. It is one thing to simulate results using historical data and it is another to actually day trade stocks using your hard earned cash. It is absolutely essential that you understand that day trading stocks takes an enormous amount of time and dedication to get to a point where you can successfully generate profits day in and day out; however, once you achieve this skill, the money will come effortlessly. Don't believe the hype that you can start making 10k a month instantly. Day trading stocks is not like putting money into a slot machine in Vegas; you need to treat this like a business. In any business, you need to have a plan and be able to manage your risk and [day trading](#) is no different. There is nothing that can prepare you for the emotional roller coaster that you will be taken on; and for this reason, it is important to start small and learn without losing a large portion of your capital. Many newbie's will get frustrated because their plan is not going according to their expectations and start to day trade stocks with excessive amounts of capital in the hopes

that they will score the big one. Never ever do this.

It is important to get into a rhythm where you can start to see patterns repeating before you get fully engaged. To begin, it may be wise for you to trade a single stock or index, such as the SPY. This will allow you to become familiar with the price action of a specific index.

Day Trading Misconceptions

Initial Expectations

The biggest mistake that a new trader can make is to assume that their day trading stock picks will make money out of the gate. For most traders, it will take at least 1 year (and most likely 2) to get comfortable with your trading style and investment strategy. Most of you will end up trying dozens of different day trading strategies before you find something that fits your personality.

On the outside looking in, it's easy to say that we will follow our money management rules when we are day trading stocks, but this will be one of the most difficult parts of trading for many of you. You will most likely disobey your money management rules and be taken for a huge ride. This will not only hurt your bank account, but rattle your ego and psyche at the same time. You will start to question your ability to day trade stocks, lose your patience, and start placing large "bets" out of frustration. Once your patience slips, you may even begin changing strategies every few days, or weeks, because you want to see instant results.

This is all part of the process; the key is to minimize your losses during this period. When you start day trading stocks, you will inevitably lose money and losing will allow you to learn how to win. Only experience will teach you how to read the message of the markets and react to different situations.

The market will break you down to your core before allowing you to build yourself back up, stronger than before.

The Holy Grail Indicator

Get this out of your head immediately. There is NO HOLY GRAIL out there. Don't let anyone fool you into believing that there is. Technical indicators and stock day trading systems never work all of the time. If you start learning how to read the markets rather than depending on a system or indicator to do it for you, your progress will be much faster than if you spend time looking for a one size fits all solution to trading.

Need to be in Control

Many of you who leave your corporate jobs will carry a lot of baggage with you when you start day trading stocks. In the corporate environment, you are rewarded for being right all of the time. This is something we are trained from since early childhood. Your goal was to get straight A's in school and try to be as perfect as possible.

It is essential that you mentally prepare yourself to understand that you will NEVER be right all of the time. Until you do this, you will take the occasional large drawdown to your portfolio because your need to be right all the time will entice you to gamble when a trade does not do what you expect it to.

In fact, many of us who day trade stocks will only be right 40% of the time. This is okay if your winners are 3 times as big as your losers. Day trading stocks is a game of odds and money management. It is our job to put the odds in our favor and always protect our capital at all times.

Day Trading Stock Picks

You will find many day trading services out there which proclaim that they have a very stellar track record, but be cautioned; their historical results may be based on their entries (which you may not be able to get), or even worse, back tested historical results. For this reason, it is not advisable to take a day trading stock tip and act on it blindly. Even if they offer good picks, will you be able to execute them at exactly the same time and price? What if their **day trading stock picks** stop working or they go out of business? You will be left holding the bag, without properly learning to how day trade stocks yourself. To me, this is an unacceptable risk to take.

Day Trading Education

Hopefully I have conveyed to you that day trading stocks is not a trivial pursuit. The only way to be successful is to look at this as a business which will take time to flourish. Once you can decipher the message that the market is giving to you, the money will fall into your lap with ease. At mysmp.com, we have designed a day trading education center to explain many of the basic indicators, chart settings, and patterns that we use day in and day out to achieve consistent profits. Start by practicing in a demo account and then slowly convert to using real capital once you get comfortable. Finally, never risk more than 1% of your total capital on any single trade and have a plan before you buy stocks.