

Chapter 1 : 10 Rules for Rookie Daytraders

Michael Sincere is the author of Understanding Options (McGraw-Hill, 2nd edition), All About Market Indicators (McGraw-Hill), Understanding Stocks (McGraw-Hill, 2nd Edition) and Start Day Trading Now (Adams Media). Sincere has written numerous columns and magazine articles on investing and trading.

Here are ten rules for beginning daytraders to follow in order to start out on the proper path to success and longevity. Even more important, you must also have the discipline to follow these rules. Sometimes, in the heat of battle, traders will throw out their own rules and play it by ear—usually with disastrous results. Although there are many rules, the following are the ten most important: Enter, Exit, Escape Rule number one is having an entry price, an exit price, and an escape price in case of a worst-case scenario. This is rule number one for a reason. Escaping a trade, also known as using a stop price, is essential if you want to minimize losses. Knowing when to get in or out will help you lock in profits, as well as save you from potential disasters. Core Traits of Winning Daytraders Avoid Trading the First 15 Minutes Those first 15 minutes of market action are often panic trades or market orders placed the night before. Novice daytraders should avoid this time period while also looking for reversals. Even many pros avoid the market open. Use Limit Orders, Not Market Orders A market order simply tells your broker to buy or sell at the best available price. You set the parameters, which is why limit orders are recommended. Avoid Using Margin When you use margin, you are borrowing money from your brokerage to finance all or part of a trade. Overnight, however, the margin requirement is still 2: When used properly, margin can leverage, or increase, potential returns. The problem is that if a trade goes against you, margin will increase losses. One of the reasons that daytrading got a bad name a decade ago was because of margin, when people cashed in their k s and borrowed bundles of money to finance their trades. If you are a novice trader, first learn how to daytrade stocks without using margin. Have a Selling Plan Many rookies spend most of their time thinking about stocks they want to buy without considering when to sell. Before you enter the market, you need to know—in advance—when to exit, hopefully with a profit. Writing down what you did right or wrong will help you improve as a trader, which is your primary goal. Practice in a Paper-Trading Account Although not everyone agrees that practice trading is important, it can be beneficial to some traders. If you do open a practice account, be sure to trade with a realistic amount of money. Also, if you do practice trade, think of it as an educational exercise, not a game. Never Act on Tips from Uninformed Sources Most pros know that buying stocks based on tips from uninformed acquaintances will almost always lead to bad trades. Knowing what stocks to buy is not enough. You also have to know when to sell, and by that time, the tipster is long gone. Legendary trader Jesse Livermore said it best when he wrote this about tips: Cut Your Losses Managing losing trades is the key to surviving as a daytrader. Enter, Exit, and Escape. Many rookies panic at the first hint of losses and end up making a series of impulsive trades that cost them money. Although anyone can learn to daytrade, few have the discipline to make consistent profits. Follow the rules to help keep you on the right side of any trade.

Chapter 2 : Understanding Options by Michael Sincere

Start Day Trading Now (Adams Media). Day trading, or intraday trading, is a method that works just like it sounds: you enter a trade involving one or more stocks (or another security) and exit the trade " which you've only held onto for seconds, minutes, or hours " by the end of the day.

Although no one can predict how long this volatile stretch will continue, as a strategy, day trading has been working. As long as there is volatility, day traders may generate profits. For those interested in day trading, consider the following: Whether you are day trading stocks, options, or exchange-traded funds, if you are a beginner, start with no more than shares of stock or one or two options contracts. This way you can make every potential mistake using as little money as possible. It can take years to learn how to be a consistent trader. Your tuition is the money you will likely lose as you learn how to manage risk. Remember, most day traders lose money at first, which is why you want to keep losses small. Trade for real, not practice: I no longer believe in using practice accounts. Practice accounts are not realistic if you want to feel the pain of loss and the thrill of making real profits. This is a good rule. Beginners will learn to make more selective trades, rather than buying and selling dozens of times a day. Never trade more than what you can afford to lose. The biggest danger to most day traders is overconfidence. So instead of trading small, many traders bet big on the next trade, perhaps using margin not recommended for most traders " and instead of making the big score, they blow up their account. Once you cross over from disciplined trading to gambling, you will likely lose money, perhaps all of it. The best traders are often the most unemotional. When you think you are a genius as many long-term investors thought a month ago , you could give back your profits. After I make a huge profit, I stop trading for the rest of the day, and perhaps even the next few days. Keep a trading diary: If you want to be an educated trader, keep a trading diary. In this diary you will write all of your mistakes and what you learned. Beginner day traders underestimate the concentration needed when day trading. Speaking from experience, in the past I had large open positions, went to lunch, and when I returned I had lost thousands of dollars. Trade only one or two stocks: You do not need to trade or even watch dozens of stocks every day. If you are starting out, focus on trading only one or two stocks or indexes. Or you can choose one or two stocks and learn their trading personalities. The more stocks you trade, the more confusing it gets when the market turns on you. Aim for hitting singles, not home runs. Be content with small profits: Another huge problem for day traders is greed. At first, your goal is to be a disciplined and consistent trader. Learn to book profits quickly, almost always before the end of the day, if not before noon. You do not have to trade every day. On the days when intraday volatility is low, day trading strategies may not work. Eventually, after the next correction or bear market is over, volatility will get crushed once again.

Chapter 3 : Buy Start Day Trading Now - Microsoft Store

Michael Sincere(www.nxgvision.com) is the author of a number of investment and trading books. As a financial journalist, Sincere has written hundreds of columns and magazine articles on investing and trading, including a monthly column for MarketWatch.

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Most important, Sincere lets you in on the biggest secret of all: how to master the mind game of day trading. Thousands of day traders have watched their bank accounts balloon thanks to Wall Street. Now you can get into the market and enter their coveted ranks.

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Michael Sincere (www.nxgvision.com) is the author of "Understanding Options 2E" and "Start Day Trading Now." More from MarketWatch Florida's Rick Scott accuses 'unethical liberals.