

A Few Tips For Day Trading the Stock Market

Day trading the stock market involves the rapid buying and selling of stocks on a day-to-day basis. This technique is used to secure quick profits from the constant changes in stock values, minute to minute, second to second. It is rare that a day trader will remain in a trade over the course of a night into the next day. These trades are entered and exited in a matter of minutes.

The main question that most people ask when it comes to day trading is simple: Is it necessary to sit at a computer watching the markets ALL day long in order to be a successful day trader?

The answer is no. It's not necessary to sit at a computer all day long. There are a number of factors to consider, but generally the rule of day trading is to trade when everyone else is trading. In other words, trade in the morning.

As with all financial investments, day trading is risky •••• in fact, it's one of the riskiest forms of trading out there. The stock prices rise or fall according to the behavior of the market, which is entirely unpredictable. Day traders buy and sell shares rapidly in the hopes of gaining profits within the minutes and seconds they own those particular stocks. Simple to do in theory, harder to do in practice.

If you are constrained by a small amount of capital, you may not be able to buy large amounts of a stock, but buying only a small amount can add to the risk of a loss. And, obviously, it is impossible to predict with certainty which stocks will result in profits and which in losses. Even the best of traders must learn to accept both outcomes.

It's also important to know that in day trading, it is the number of shares rather than the value of shares that should be the focus. If you day trade, you WILL face losses, but even for the more expensive stocks, the loss should be marginal, because prices do not usually fluctuate to an extreme degree over the course of just one day.

The day trading industry deals in a large variety of stocks and shares. Here are just a few:

Growth-Buying Shares••••• shares made from profit, which continue to grow in value. Eventually, these shares will begin to decline in price, and an experienced trader can usually predict the future of this type of share.

Small Caps••••• shares of companies which are on the rise and show no signs of stopping. Although these shares are generally cheap, they are a very risky investment for day traders. You'll be safer to go with large caps and/or mid-caps, which are much more secure and stable thanks to a premium.

Unloved Stocks••••• company stock that has not performed well in the past. Traders buy these shares in the hopes of generating profits if and when the stock rises in value. As with small caps, unloved stocks can be a risky choice for day traders.

These examples are NOT your only options when it comes to day trading stocks. The best way to determine which type of stock is right for you is to invest some time for careful research, a knowledge of market patterns, a solid strategy, and a disciplined trading plan.

The key to successful day trading is to be prepared. Know as much as possible about the industry before you begin actually trading. You need to learn to trade ONLY when the market gives the right signals, and ONLY when the volume of activity in the market supports a successful trading opportunity.

About the Author

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