

Styles of trading:

- 1) Day trading
- 2) Swing trading
- 3) Investment



Differences between investors and traders

- Day trading, swing trading and investment are different approaches to make profits from the change in prices of shares of stocks.
- Investors are looking to make larger profits in stocks over a very long time period (“buy and hold” approach).
- Traders enter and exit (buy and sell) shares of a stock over a shorter time frames.
- Shares can bought and sold within same day, even within few seconds. This is called day trading.
- Shares can be bought and sold within several days to weeks. This is called swing trading.

What is day trading?

Day traders will **buy** and **sell** different amounts of shares of different stocks multiple times during a trading day.

Day traders will try to capture brief, short-term changes in prices to make profits multiple times in a trading day.

Day traders will never hold shares that they bought (so called “position”) overnight.

Without proper foundation, strategy and mindset – day trading will be challenging and will end up with losses.

Day trading is fast paced, and it has high potential for both gains AND losses.



Best future read: “How to Day Trade For a Living” by Andrew Aziz

Day trading re-cap

Day trading is a fast-paced investment approach, where trader **buys** and **sells** shares of a stock (or other assets) during the *same trading day* and does not hold any positions overnight.

Day traders will profit from very fast and directional changes in price levels on a short-term time scale, over and over again.

Day traders will utilize numerous strategies and techniques to maximize their profits.

Day traders utilize predominantly the technical analysis for their decisions of risk management, and entry/exit price levels.

Day trading requires adequate mindset and discipline coupled to objectivity and understanding probabilities in stock market.



What is swing trading?

Swing traders will buy and sell different amounts of shares of different stocks and hold position for few days to several weeks.

Swing traders will, thus, hold same position for several trading days (and over weekends).

Swing traders will hold shares that they bought (so called “position”) overnight, and, thus, have this additional risk.

Without proper foundation, strategy and mindset – swing trading will be challenging and will end up with losses.

Swing trading is less paced, and it has high potential for both gains AND losses, including overnight and weekend risks.



Best future read: “How to Swing Trade” by Brian Pezim

Swing trading re-cap

Swing trading is a mid-paced investment approach, where trader **buys** and **sells** shares of a stock (or other assets) and holds for couple days or up to several months.

Swing traders will profit from anticipated larger move and do not worry about short-term price fluctuations.

Swing traders will utilize numerous strategies and techniques to maximize their profits.

Swing traders have increased risk exposure induced by the possible unpredictable overnight and weekend events that increases the risk exposure. Shares can open and significantly different price next day or on Monday due to news.

Swing traders may utilize both fundamental and technical analysis for their decisions of risk management, and entry/exit price levels.



What is investment?

Investors will buy and sell different amounts of shares of different stocks and hold position for months or years.

Investors will, thus, hold same position for many trading days, months and even years (and over weekends and holidays).

Investors will try to go through short-term price fluctuations that will cause temporary loss or “give backs” of profits.

Without proper foundation, strategy and mindset – investment will be challenging and will end up with losses.

Investment is slow paced, and it has high potential for both gains AND losses, including overnight, weekend and holiday holding risks.

Best future read: too many to list....



Investment trading re-cap

Investment is a slow-paced approach, where investor **buys** and **sells** shares of a stock (or other assets) and awaits that company increases in value from years to decades. The increase in company's value will be reflected in higher and higher prices of shares.

Investors will not be bothered by short-term price and fluctuations in anticipation of a greater payoff per single investment.

Investors will utilize predominantly the fundamental analysis for their decisions if company is undervalued or overvalued.

Investment requires adequate patience, discipline and skills.



Investors and traders use different analysis methods

- **Investors** and **traders** will also use *different analysis tools and approaches* to make their decisions.
- **Investors** will mainly use the so called “**fundamental analysis**” (see details in upcoming lectures).
- **Traders** will mainly use the so called “**technical analysis**” (see details in the upcoming lectures).
- That said, and as we will learn, there is some usage of technical analysis by investors and there is some usage of fundamental analysis by traders to improve the odds of success.

Summary

- 1) **Day trading** is a fast-paced investment approach, where trader **buys** and **sells** shares of a stock (or other assets) during the *same trading day* and does not hold any positions overnight.
- 2) **Swing trading** is a mid-paced investment approach, where trader **buys** and **sells** shares of a stock (or other assets) and holds for couple days or up to several months.
- 3) **Investment** is a slow-paced approach, where investor **buys** and **sells** shares of a stock (or other assets) and awaits that company increases in value from years to decades.