Stock market participants A

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Presented by:

Relevant stock market participants

a) Trader.
b) Broker for stocks (stockbroker).
c) Automated trading, high-frequency trades (HFTs).
d) Market makers.
e) Institutional investors.
f) Retail investors.
g) Retail day traders.

Traders.

Stock trader is an individual with:

1) Unique knowledge;
2) Unique understanding of the stock market;
3) Unique psychology and emotions;

who will actively **buy** and **sell** shares of stocks in the stock market!

Trader will actively **buy** or **sell** shares either for themselves or for another individual or institution.

Traders.

The difference between **traders** and *investors* are in how long will each of them hold the asset that they bought. The trader works on a shorter time frame and buys and sells the same asset faster than the investor.

Stock **traders** are trying to capitalize on volatility of ***short term price action.***

Investors are trying to capitalize on ***long-term price action***.

Day traders.

Day traders **buy** and **sell** large volumes of shares of a stock within same day. They then rinse and repeat the same within same or different stocks many times or only once.

The frequency of **buy**-**sell** efforts depends on the proper opportunities and conditions of the trading skill and plan.

Stock **traders** are trying to capitalize on volatility of *short term price action*, while **investors** are trying to capitalize on *long-term price action*.

Day traders.

To capitalize in stock market, stock **traders** have well-defined, so-called **strategies** that seek imbalances in **Demand** and **Supply** to accumulate *wealth*, which include but are not limited to:

1) *Scalping.*
2) *Numerous intraday trading strategies.*
3) *Swing trading*.

Day traders.

NOTE: *since we are all somewhat different and have different likings, tastes, talents and knowledges - it will be critical to identify strategy or strategies that make sense to you and work best for you!*

*This is considered the "**strategy**" component of the **trading skill** that we are trying to develop, and, as noted – it is one of the critical components.*

NOTE: We will discuss details of different strategies and how to find one that suits you when time arrives… lets follow the process of building solid foundation, which includes patience ☺

Day traders.

Trader will generate profit when, based on a properly executed strategy using the trading skill, trader initiates a **buy** at low price and then **sell** at high price.

Alternatively, trader can **buy** at high price and **sell** at even higher price point, depending on the strategy used.

Beside stocks, traders can make profit by buying and selling a number of financial assets, such as *bonds, currencies, commodities, derivatives, and options.*

Broker for stocks (stockbroker).

Stockbroker is an individual (agent) or a company/firm that will take **buy** and **sell** offers from individual clients or institutions and execute them **in the stock market** on their behalf.

Stockbroker can also provide financial advice to clients, and that is known as *investment advisor* or *registered representative*.

Broker for stocks (stockbroker).

Stockbrokers will earn their paycheck through commissions or there will be a unique arrangement with the brokerage firm that employs them.

On-line stockbrokers, which we as traders will use, allow traders to use different uniquely optimized software called *platforms* to execute their buy and sell trade.

Broker for stocks (stockbroker).

Stockbrokers will be paid through commissions. Alternatively, there will be an arrangement between the broker and the brokerage firm that employs them.

On-line stockbrokers - which we as day traders will use - allow traders to use different uniquely optimized software called ***platforms*** to efficiently execute their **buy** and **sell** trades.

Broker for stocks (stockbroker).

NOTE: *since day traders are very active in placing trades and rely on short-term price moves, choice of the stockbroker and the platform that meets your needs* ***is one of the most important choices*** *you will have to make!*

*This is considered the "****technology****" component* ***of the trading skill*** *that we are trying to develop, and, as noted – it is one of the critical components.*

NOTE: We will discuss details of different stockbrokers and platform and how to find one that suits you when time arrives… again, lets follow the process of building solid foundation, which includes patience ☺

Broker for stocks (stockbroker).

Today, we have mostly on-line stockbrokers. These on-line **stockbrokers** are predominantly being considered as **“discount brokers”** where client’s buy and sell trades will be executed for free or for a small commission.

Stockbrokers have direct access to stock markets (aka exchanges like NYSE and NASDAQ) and serve as an intermediary between clients and stock exchange.

To trade at NYSE and/or NASDAQ you need to be their member as a licensed stockbroker or broker-dealer by Financial Industry Regulatory Authority (FINRA). Bachelor degree is required to obtain **Stockbroker’s** license.

Broker for stocks (stockbroker).

Today, we indeed have mostly the stockbrokers available on-line that we can utilize from home computers.

These on-line **stockbrokers** are seen as **“discount brokers”**. The buy and/or sell trades will be executed either **for free** or for a very **small commission**, which we as traders have to pay for our momentary wishes to be fulfilled.

Broker for stocks (stockbroker).

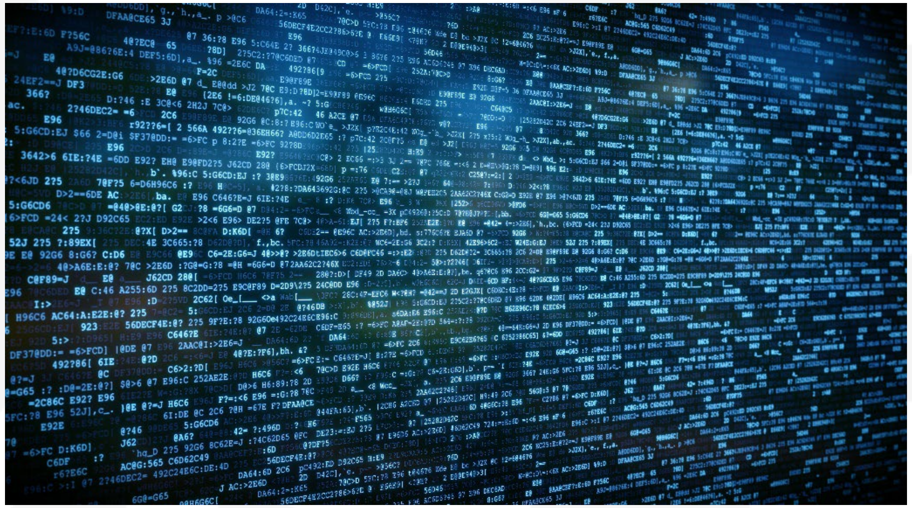
Importantly, **stockbrokers** have a direct access to stock markets (aka exchanges like NYSE and NASDAQ). Thus, stockbrokers serve as an **intermediary** between clients (traders) and the stock exchange.

NOTE: To trade at NYSE and/or NASDAQ you need to be their member as a licensed stockbroker or broker-dealer by Financial Industry Regulatory Authority (FINRA). Bachelor degree is required to obtain ***Stockbroker's*** *license.*

Automated trading, high-frequency trades (HFTs)

Automated trading is based on:

1) either simply automatically copying **buy** or **sell** trades from someone else.
2) predefined programs called algorithms ("algos").

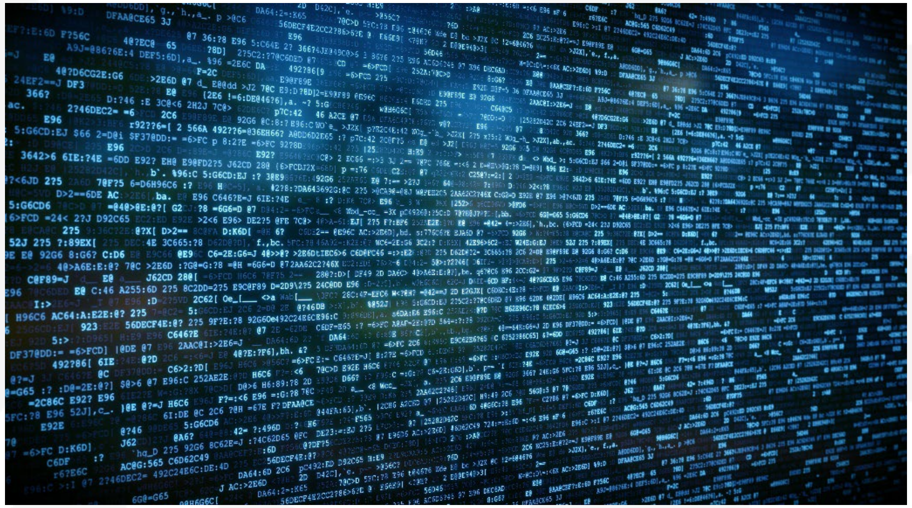


It is estimated that **70-80% of trades** in the stock market today is automated trading (aka algorithmic trading, algo trading or system trading).

Automated trading, high-frequency trades (HFTs)

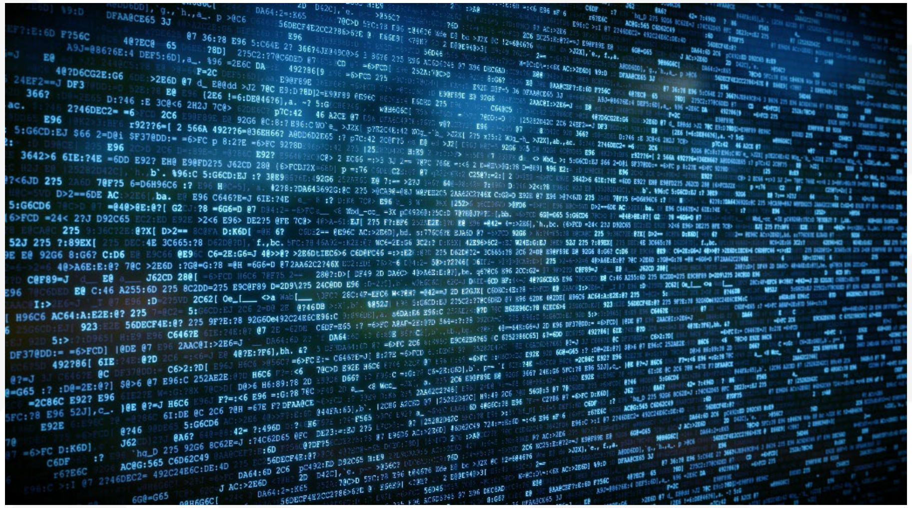
Automated trading is done by either a software or artificial intelligence (AI) from computers that are directly connected to the on-line **stockbrockers**.

Automated trading decisions are based on the clearly predefined criteria outlining how many shares should be **bought** and/or **sold.**



Automated trading, high-frequency trades (HFTs)

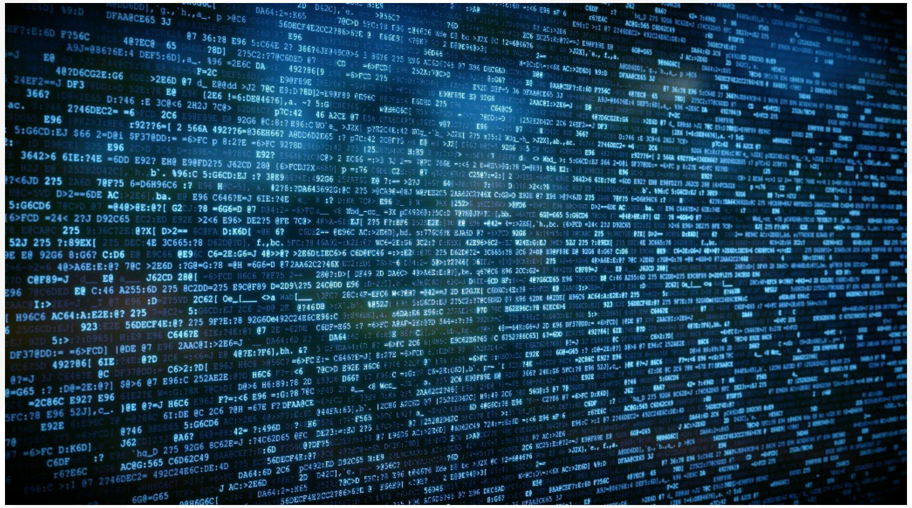
Many on-line **stockbrockers** have pre-defined selections and possibilities for you to define their exact rules on when to automatically buy and sell certain number of shares. This will allow you to easily build your own automated trading. Naturally, *you may still want to program your own rules for the automated trading system.*



Automated trading, high-frequency trades (HFTs)

With the clear parameters defined in the **automated system**, computer or AI monitors stock markets to identify buy and sell opportunities based on the defined rules.

Once these are reached, trades are then executed instantly and without the delay as many times as they occur in a day - which can easily be more than thousand times a day. Hence the term **high frequency trades (HFTs)**.



Automated trading, high-frequency trades (HFTs)

Advantages of automated trading are considered to be:

1) No emotions (e.g. fear, greed, anger).
2) Commitment to discipline.
3) Speed that a trader can **buy** and **sell** shares of a stock.
4) Trading multiple accounts and instruments at the same time.

Limitations of automated trading are considered to be:

1) Trading depends on mechanical and technical stability (small errors can be costly).
2) If internet connection is lost an order may not be sent and losses will be exponential
3) Execution may not be as planned and needs to be adjusted
4) Back tested theories may not perform as well in current market conditions.