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Day Trader Skills

I received an email from a prospective buyer of my online trading course. His question (below) caused me to think about the wisdom of pursuing trading as a worthy venture. I know that a lot of readers are investors rather than traders, but regardless of your trading horizons, the skills and concerns of active short-term trading are relevant to us all.

Question: There are a lot of people who say that day trading is for 'fools' and that it is very difficult to make a living from Day Trading. What are your opinions?

Trading is like most business: it requires commitment and perseverance. It is never easy to make money, but people who have mastered a skill make it appear easy. The really successful pit traders that I have known made trading look very easy, tantalisingly easy; but they all had many years of experience behind them. For every successful trader there has probably been a few hundred who have tried and failed.

Two core skills

I think people fail at any business if they approach it without an appreciation and understanding of what is required for success. The majority of traders fail, because they have no such appreciation and they have unrealistic expectations of themselves. Any trader who starts with the expectation of becoming an instant success is setting himself up for failure.

No one would decide to become a golf pro and assume that they could just pick up a bag of clubs and start winning tournaments. Yet novice traders do this all the time. Just to start with the understanding that trading is a skill that is developed over time, through experience, puts a novice trader way ahead of the competition.

There are two core skills in trading: first the ability to anticipate the market (read the market) and second, having the discipline to execute your plan. To learn to read the market you may as well use a trading simulator and only start to trade when you have demonstrated to yourself that you can anticipate the market. Discipline, though, has to be developed and tested in the real world.

Stick to your own rules

Discipline is really the crux of the matter and it is here that most traders fall down. Their failure is mainly due to the fact that they are not really aware of its importance. Just starting out as a trader with the intention of developing your discipline puts you way ahead of the average trader. If you can trade with discipline (i.e. stick to your own rules and limits) you are 95% there!

So I would say that for the average aspiring trader, trading is a fool's game; but for those of us who approach the business as a business, with a clear understanding of the unique challenges that trading offers, it is a rewarding and fulfilling career.

Malcolm Robinson

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