

Stock Market for Dummy

It is not easy to start trading on the stock market when you have no financial background at all. It shouldn't be difficult to prosper, though, if you follow certain guidelines. Being organized and disciplined are two very important factors in this business. Don't let all the information you gather confuse you. Make sure important decisions are taken before you start risking your money.

Decision 1 ? Investing or Trading?

The answer to this decision can be found in the type of person you are and the time you intend to dedicate to the stock market. Here is a guideline that should help you understand the type of investor or trader you can be.

Type: Long/Short term investor

Hold Period: Months to Years

Time Required: A couple of minutes every week

Being an investor is different from being a trader. Investing can be done through a broker and shares bought can be kept for a long period of time. Daily market fluctuations are not really your problem and the time required to check your investments is really minimal.

Type: Swing Trader

Hold Period: Days to Weeks

Time Required: A couple of minutes every day

Swing traders normally buy and sell shares every week, with the intention to hold to their positions for only a couple of days, sometimes a week or two. Being a swing trader, more time is required in front of your computer, or on the phone with your broker, and the profit is made as a result of a move in a stock that occurs in a short period of days.

Type: Day Trader

Hold Period: Minutes to Hours

Time Required: Several hours every day

Being a day trader is the ultimate in stock market trading. This requires a good setup which should include a PC with a couple of monitors, and a fast internet connection. Day trading is not for everyone, but if mastered could be the most profitable form of buying and selling shares on the stock market.

Decision 2 ? Fundamental or Technical?

Buying or selling a stock should always be a result of a trading system already in place. If not, that is where trading becomes gambling. A trading system can be either based on news and figures related to a particular stock, known as 'fundamental trading?', or one could have a system based on charts and analysis of the stock, known as 'technical trading?'. A combination of the two can also exist, but normally traders tend to stick to either one or the other system.

Again, this decision is also based on the type of person you are. If you are a person who likes watching news every day and don't find problems in getting to know all there is to know on a particular stock, getting to know about the company, its directors, what they really do, their products and services, then trading based on fundamental analysis could be for you. If on the other hand, you prefer working with charts and software that can be used as a technical tool, as well as back-testing systems, then you would probably feel much more comfortable trading the technical way.

Beyond the decision

Whatever decision you take, one of the most important aspects of trading is to stick to your system and your plan. Don't improvise during market hours. If your system is not trading profitably, you can always go back and see what's wrong at a later time when you are not trading.

This is only the beginning. You can never stop learning about the stock market. Don't rush into it just for the fun of it. Treat it as a business, from which one day you can reap great benefits from.

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