



Brainy's Articles on Share Trading

Trading Styles, and Styles Worksheet

Article No:
ST-2410
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21 Nov 2008
Rev: 31 Oct 2010
This article
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Introduction

This article in Brainy's series on Share Investing and Trading (number ST-2410) provides more details about share *trading styles*. This is an important consideration (even for investors) before moving on to consider a *trading plan*, and then one or more *trading strategies*. It includes "*Brainy's Trading Styles Worksheet*" on the next page, and is followed by some discussion about the various styles, methods and strategies to help it all make sense.

Investing / Trading styles

To help make sure that you are "share market ready", it is very useful for you to understand your preferred "trading style" (where the terms *investing* and *trading* are somewhat interchangeable). Once you have an understanding of your style, it will help to answer some important questions like: *What charting software do I need? How much time do I need to commit to this? How much will it cost?*

Once you have these important questions answered, you will have a better feel for things like:

- How much time does it take to select stocks for purchase, and monitor my portfolio?
- How often do I have to do this?
- What is the ideal length of time to hold a stock? Is it days, weeks, months?
- Do I need to buy charting software? If so, what type?
- What about the data? Do I use end-of-day? or live data? And what are the costs?
- Some people use a serious trading platform. Do I need to do this?
- What sort of returns are possible?

What is a "trading style"?

The topic of trading styles is a difficult one to talk about because, even amongst the experts, different people have different ideas about exactly what defines a trading style.

Everyone tends to have somewhat different trading styles, as it depends on a number of personal things including your personality, your risk tolerance, your underlying objectives, and a number of other things. But perhaps most of all, it is to do with your own comfort level regarding investing (or trading), and the methods of investing.

Some of the terms that you will encounter in discussions on *trading styles* include the following:

- Scalper — for intraday quick trades
- Day trader (or intra-day trader)
- Position trader, also referred to as long-term trader
- Swing trader versus trend trader
- Break-out trader
- Fundamental analysis trader versus technical analysis trader.

These titles don't do much to help the beginner find their way. In more general terms, we can say that traders (and investors) tend to fall into the following very broad headings:

- The "buy and hold" investor — who wants to commit little time, and just set and forget.
- The position trader (also "inter-day" or "multi-day" trader) — who wants to buy and hopefully hold for at least a few days, or maybe several weeks or months or even years.
- The day trader (ie. "intra-day" trader) — who wants to be fairly active, and will mostly buy and sell within one day, or maybe within a couple of days.

How to determine your trading style

The table below, "*Brainy's Trading Styles Worksheet*", explains a couple of variations of the three basic