



# Brainy's Articles on Share Trading

## Trading Styles, Plans and Strategies

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### Introduction

This article in Brainy's series on Share Trading (number ST-2400) provides an introduction to the topic of share trading styles, trading plans, and trading strategies.

### Trading styles

This is something that is really a personal preference. If you get into share trading, then you do need to understand your own preferred comfortable share trading style. Share traders tend to prefer one of the following broad styles (or perhaps a mix of two).

- Trader versus Investor – There is not a clear distinction between these. But it will help to understand this if we consider the two extremes. A trader buys and sells shares in the short term, and is happy to dispose of the stock within days or weeks if this is appropriate. Whereas the investor prefers to “buy and hold” (and “set and forget”), hanging onto the stock for the longer term (months or years), and riding through the volatility of both bull and bear market conditions.
- Intra-day trading – buying and selling shares in a company in the same day. This can be exciting, watching the share price movements on the computer screen during the day. But it is also time consuming, and can be very nerve racking.
- Inter-day trading – buying and holding shares for at least one day, and possibly up to several days. The inter-day trader might buy and sell based on daily price charts, or on weekly or monthly charts. This approach is not as exciting as intra-day trading; but it can consume much less time, leaving more time for other activities (like a full-time job, or other pursuits or interests).

### Trading plan

When trading, it is very important to start out with a trading plan that is written down. It will describe things like:

- Your investment objectives, and investment horizon.
- Your funding arrangements (eg. cash, loan, margin loan, etc.).
- Your preferred financial instrument, or multiple instruments (eg. equities, CFDs, warrants, options, futures, currencies, etc.).

The trading plan describes “what” you want to do and achieve at a high level. The trading strategy described below is more of the “how” you will go about it.

### Trading strategies

Definition: “a predetermined set of rules for making trading decisions”.

Once your trading plan is defined, then it is important to record how you will go about implementing the plan. In its simplest form, a trading strategy comprises a set of rules or decisions that describe the circumstances that will trigger you to place a buy order, and those for a sell order.

Your total trading strategy might include just one set of buy/sell rules, or it might include several.

It is essential to have a trading plan and strategy including some key elements (which cannot be explained here because it is an advanced topic beyond the scope of this boot camp):

- Stock selection method / criteria — A description of how you will find stocks that are candidates for purchase.
- Entry criteria — A description of the criteria you will use to decide whether to make the purchase or not.
- Exit criteria — A description of the criteria you will use to decide when to sell the stock (eg. a



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