

283 | 5

Views | CrossRef citations to date | Altmetric

99

EQUITY INVESTMENTS

The Profitability of Day Traders

Douglas J. Jordan & J. David Diltz

Pages 85-94 | Published online: 02 Jan 2019

Cite this article <https://doi.org/10.2469/faj.v59.n6.2578>

Sample our
Mathematics & Statistics
Journals

>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

References

Citations

Metrics

Reprints & Permissions

Read this article

Abstract

We used
traders.
money. A
profitabl
the Nasd

A detaile
day tra
way
Governm
trading i
learning

We stud
1999 for
The orig

We Care About Your Privacy

We and our 855 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting "I Accept" enables tracking technologies to support the purposes shown under "we and our partners process data to provide," whereas selecting "Reject All" or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the ["privacy preferences"] link on the bottom of the webpage [or the floating icon on the bottom-left of the webpage, if applicable]. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

.....

I Accept

Reject All

Show Purpose

...e of U.S. day
...as make
...marginally
...ements in

...asons. First,
...as an easy
...profitability.
...the day-
...n initial

...gh October
...y trading.
...ay. We

extracted only the confirmed trades for analysis, and the final data set contained 324 individual day traders. We used two analytical techniques.

In the “trade-matching” methodology, we matched daily buy and sell trades (also buy and short-sell trades) by the number of shares of a given order number. In the “flat-stock” technique, we sorted data for a given trader by stock, then by date, and by time. A “trade” was defined any time the trader had a “flat” position (zero net position) in the stock. The premise behind both methodologies was that price times number of shares bought is a cash outflow and price times shares sold is a cash inflow.

We found that 116 traders (35.8 percent) had a net profit greater than zero after commissions and 208 traders (64.2 percent) had a net profit less than zero after commissions. Therefore, we found almost twice as many losing traders as winning traders in the data set. The most profitable trader made more than \$197,000, and the least profitable trader lost more than \$748,000. The average gross profit for all traders was more than \$8,000, whereas the average net profit was about -\$750. Thus, transaction costs apparently preclude earning an excess profit in most cases.

The results also showed that 35.8 percent of traders made a positive net profit, 19.4 percent made more than \$5,000, and 14.2 percent made more than \$10,000. These figures contrast with the 64.2 percent of traders who had negative net profits, the 25.0 percent

More than out of five made more than \$10,000. More than 10 percent of traders were making a profit by day trading. More than 10 percent of traders were making a profit overall.

Conventional wisdom says that day trading is profitable when the market is up, and losing when the market is down (stocks) and vice versa. However, we found that day traders who bought and sold stocks during the day were more likely to lose money than those who bought and sold stocks over the long term. We found that day traders who bought and sold stocks during the day were more likely to lose money than those who bought and sold stocks over the long term. We found that day traders who bought and sold stocks during the day were more likely to lose money than those who bought and sold stocks over the long term.

The main reason for this is that day traders are more likely to trade during periods of high volatility, which increases the risk of loss. We found that day traders who bought and sold stocks during the day were more likely to lose money than those who bought and sold stocks over the long term.

• About



- About one trader in five is more than marginally profitable.
- Statistical evidence supports the notion that day-trader profitability is related to movements in the Nasdaq.

The fact that at least 64 percent of the day traders in this study lost money suggests that being a profitable day trader is more difficult than the industry maintains. The implication is that aspiring and novice day traders should give careful consideration to why they think they will be among the 20 percent of day traders who make at least \$5,000 day trading. At a minimum, novice day traders should make sure they have enough initial capital to survive the three- to five-month learning period that the industry suggests is necessary to become successful.

Related research

People also read

Recommended articles

Cited by
5



Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Keep up to date

Register to receive personalised research and resources by email

 Sign me up

- 
- 
- 
- 
- 

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Copyright

Accessib

Registered
5 Howick Pl

or & Francis Group
orma business

