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# Do-It-Yourself Isn't Dead Yet



Roger Mastroianni for Newsweek

Day trading was all the rage during the bull run. But even with stocks falling, many are still at it, and adding new recruits. Just don't call them 'day traders' now

Day trading seminars and software are becoming popular again

By Daniel McGinn NEWSWEEK

Feb. 3 issue — There are no lava lamps in the office, no mullet haircuts or acid-washed jeans. But look closely into this second-floor suite in a brick building outside Boston and it feels as if you've stepped into a long-ago, far-away place.

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**Who's**

LALITH GNANASIRI STARES at computer monitors, watching second-by-second movements in stock prices. Until last year Gnanasiri worked as a real-estate broker, but for the last few months he's been learning a new vocation, one that was the height of chic during the 1990s bull market. Gnanasiri clicks his mouse, buying 200 shares of a brokerage company at \$70.77 apiece. He watches the price tiptoe higher. Three minutes later he clicks to sell. His profit: \$20. If it weren't for CNBC showing the Dow at 8300, you'd wonder if somebody forgot to tell Gnanasiri and his colleagues the stock market has been a money pit for three years now. But bear market be damned, the folks in this room still believe in day trading—even if the very term makes them sound like an anachronism.

It seems like an odd career choice during the worst market in a half century—akin to setting up a Popsicle stand during last week's cold spell. But though they've dropped from the headlines, a small band of rapid-fire do-it-yourself traders is surviving—and some even claim to be thriving. Their lives have changed a bit since those halcyon days when online brokerages created characters like Stuart (“Let's light this candle”) and the newly rich tow-truck driver with the island hideaway (“Technically, it's a country”) to advertise the easy pickings of trading in a market where every stock went up. But though their ranks are smaller, day trading is still attracting newcomers; online brokerages are still advertising “nine-second execution” on CNBC, and newspapers are carrying full-page ads for trading workshops. Some of the newbies have lost so much money buying and holding they figure they can't do much worse trading. Some have been pushed toward the trading life by layoffs and a tight job market.

There's no way to tell exactly how many folks are doing it—indeed, brokerage firms don't even agree on how to define the practice. Most experts say that even at the height of the bull-market hype, there probably weren't 25,000 people in the country actually day trading for a living.

### RED LIGHTS, GREEN LIGHTS

But no matter how many remain, they're continuing to draw in new recruits. On a frigid January evening, 70 people trekked to a suburban Cleveland hotel to hear a 90-minute pitch for Wizetrade, a software system for picking stocks. The software charts stock prices and trends, then green and red lights tell traders when a stock is ripe for buying and selling. "This software gives people the confidence they need to trade," says national presenter Aaron Hunziker, who will deliver his spiel 120 times this year. By the end of the evening more than a quarter of attendees had signed on. Wizetrade isn't just for day traders, but anyone spending \$3,000 on the software (plus \$30 a month for data) isn't going to simply buy and hold. Ruth and Marty Schonberger figure they can't do worse than they did listening to their broker, who loaded their portfolio with losers like Global Crossing. Says Ruth: "Our goal is to take control."

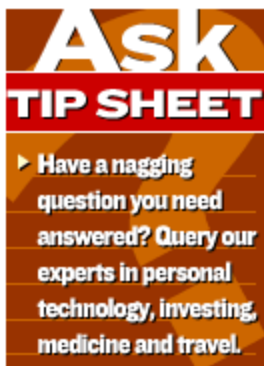


#### Day Trading: Despite it All

- [Audio: Listen to guests Dan McGinn and Fraser Cameron](#)
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Compared with the loose-cannon "momentum traders" who bought and sold manically during the bull market, today's active investors seem a slightly more disciplined bunch.

Back then most day traders focused on tech stocks; many of today's traders have forsaken tech names for old-line companies, from General Electric to 3M to Pepsico. Brokerage executives say many active traders now use "trailing stop orders," which help protect their downside if a rising stock starts falling. In the Boston office of Bright Trading, a proprietary day-trading firm, Fraser Cameron, a 56-year-old former stockbroker who's been day trading since 1998, now works as a supervisor. He focuses exclusively on "pair trading," in which he tries to exploit changes in the relationship between the prices of four brokerage stocks. Like many practitioners, he says the disparagement heaped on day trading during the market bubble isn't deserved—a fact he says has been proved by how many "conservative" buy-and-hold investors have been burned the last few



years. “My father-in-law says this is gambling,” Cameron says, but he points out that his father-in-law still holds a stock he bought for \$120 a share that’s now worth \$1.60. “If I bought that at \$120 and it went to \$119, I’m out of it,” Cameron says. “Who’s the gambler?” Even last year—his worst—he says he earned \$90,000.

It’s impossible to say how many other traders do that well. Most of them boast that because day trading is “market neutral”—most use techniques to profit from volatility, regardless of whether stocks move up or down—they’re bound to do better in the current market than, say, the average investor’s 401(k). “Most people are trying to buy a stock at \$1 and sell it for \$150,” insists one trader. “I’m trying to buy at \$19 and sell for \$19.04.” That’s great in theory, but many observers are skeptical. “Three words: they’re getting killed,” says Paul Mann, a Denver CPA with hundreds of day-trading clients. He estimates that just 10 percent of them are currently earning profits. But Richard Greene, a Connecticut accountant who also services traders, says many of his clients “have fared a little better [than the average investor] because they’re not looking for long-term capital appreciation, which has been nonexistent.”

As their cultural cachet has declined along with stock-market indexes, many of these folks have begun hunting for a new appellation. Today they’re less likely to describe themselves as day traders (the term carries so much baggage) and more likely to say “short-term investor” or “proprietary trader.” And they realize it’s not the aspirational profession it once was. “This isn’t glamorous—it’s a grind,” says Cameron, checking the spread between shares of Goldman Sachs and Lehman Brothers for the umpteenth time one morning last week. Around him colleagues stare at charts and click their mouses. None of them looks ready to retire to his own private island just yet. But they’ll keep lighting that candle, regardless of which way the Dow goes.

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*With Joan Raymond in Cleveland*

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