# The Anatomy of Day Traders

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ABSTRACT

This paper examines complete trading records of all day traders in Finland. The number of day traders entering the market is increasing in the return on the market index. At the peak of the market in April 2000, over 1,000 individual investors tried day trading for the first time. I find that a typical day trader is a male in his late 30s, lives in the metropolitan area, and trades in larger quantities than an investor in a size-matched control group even after ignoring "day trades". Day traders day trade stocks that grab their attention, that they own, or that they have day traded before. Market volatility increases and trading losses in the same stock decrease the likelihood of day trading. Day traders pay close attention to the state of the limit order book and are very active near the end of the trading session. Those that are about to realize a loss from a day trade are very likely to do so at the very end of the trading session. An examination of day traders' careers shows that day traders become more confident and aggressive as they keep on day trading: they sell more often stocks that they do not own and use more leverage when day trading. Trading losses are an important determinant of the decision to quit day trading: the likelihood of quitting day trading is increasing in the magnitude of the contemporary loss. Day traders do not earn better returns than investors in a size-matched control group even before commissions. Their realized returns from day trades are high, but these returns are not representative of overall performance because of day traders' strong reluctance to realize losses. Day traders prefer to keep losing positions if they have sufficient capital to do so. These findings on day traders' performance suggest that day traders on average are not trading on superior information.