

DAY-JA VU TRADING

By HILARY KRAMER

People are talking about stocks again instead of unemployment, and day-trading ads are flooding the airwaves.

The trends are strikingly similar to those of the Internet boom, circa 1999. The equity markets show signs of life, with high volatility teasing the possibility of lucrative daily trading profits. And small, unheralded companies are attracting attention for their high growth prospects.

And it seems like proprietors of day trading software, strategies and research are bombarding individual investors in hopes of pushing them back into the day trading frenzy of the '90s.

But something's different this time around.

The strength of the bull isn't there, and there's no star industry pulling all the other ones along for the ride.

The one thing many of these stocks have in common? They're small, unproven and have low market capitalizations, and occupy niches that are mostly just hopeful.

"Most nanotech stocks don't have coverage. Day traders are finding them because it has "nano" in its name. They're buying the stock and trading these companies like they're dot-com companies," said David Nelson, president of DC Nelson Asset Management.

For the new niche day-trading "growth" sectors, there may ultimately be even fewer successes.

Chief Investment Strategist Jeffrey N. Kleintop of PNC Advisors noted, "Fewer opportunities

exist today than in the '90s. If we think of the late '90s, it was Yahoo! and 300 Yahoo! knock-offs. Now, there just aren't as many options."

The people trading those stocks have changed, too.

"[Individual] traders are more disciplined," said Nelson. "They're being more careful and trying to learn it on a professional level, studying technical analysis and buying sophisticated trading packages like Trade Station that primarily institutions used to use. Now, it's been redesigned to sell to the retail trader."

And do they ever sell it.

Greg Jones, a trading-services industry expert and partner at Street Account, an institutional-trading information provider, sees a trend where trading services — such as research newsletters and exceedingly sophisticated trading strategy software — are increasingly being targeted toward retail traders.

Still, despite the proliferation of ads for "research" like Swing Trader's Insight Newsletter and trading decision-making software like "Trading Solutions Real-Time," professional money managers remain adamant that the one thing about day traders that hasn't changed much is the lack of insight into the companies in which they invest.

Like Kleintop said, "In most cases, day traders are using technical software and looking at the movement of the ticker; they don't even always know the name of the stock they're trading."

Hot niche stocks bring the little guy
back to markets