

A Practical Guide to Swing Trading

by Larry Swing

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Forewords by Suri Dudella (sixer.com),
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Dedicated to my wife and our two children. My dear wife's support made it possible for me to devote the time necessary to develop my web site and write this guide.

To all the new and experienced swing traders that read this book ...

May the swing be with you.

Larry Swing

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Introduction

This book is a simple, practical guide to **swing trading**. For years I have been reading books and exploring web sites that are dedicated to swing trading. Yet, I could not find any simple description of how to enter and exit a trade. So I developed some basic rules that have been published on my web site www.mrswing.com. I call these rules **The Master Plan**. Over the years, thousands of investors have used my **Master Plan to swing trade**. It is my firm belief that a **swing trader** must trade with discipline. While it is important to keep things simple, the rules of the **Master Plan** might seem a little intimidating. The main reason I wrote this book was to make **swing trading** more accessible to the beginner. The rationale behind swing trading and the entry and exit rules are presented very clearly – both the beginner and the experienced swing trader will now have a simple guide to follow.

To quote Albert Einstein: "Things should be made as simple as possible, but not any simpler". This is the principle I followed while writing this book.



Why does swing trading work?

Because you are trading in the direction of the trend. You wait for a pullback before entering the trade, and you enter only if the stock shows a sign that its price will continue in the direction of the trend.

The main objective of a **swing trader** is to profit from **swings** in price movement over the course of several days. While we might trade every day, we are **not** day traders. As **swing traders**, we have the patience to wait until our profit goals have been reached. Fortunately, the wait is not too long. A typical trade is only in play from a few days to a few weeks. When a trade is closed, the funds go into the next trade.

Money management is very important in swing trading. I divide my trading capital by 15. This is the amount that I put into each trade. As the total account grows, the amount of each trade grows. If you can handle a larger number of

trades, you might increase the number of trades that are active to 20. Of course you can also start with 2 or 3 trades at a time.

Each day I identify 20 to 25 candidates for swing trading. If I have 10 trades active and enough additional investment capital for 5 more trades, I pick the best 10 from my list of 25, and place the orders. Only some of orders will get filled. I don't worry about running out of money – if there is no cash left in the account, additional orders will simply not get filled. (Make sure that your own account works this way, otherwise, your brokerage firm might fill the order and expect additional funds within the next few days.)

You must make a personal decision as to whether you want to trade on margin or not. If you are more conservative, you will only trade with the cash that you have on hand. As I discuss later in the book, margin is necessary for **selling stocks short**, so it is important to have your account approved for margin trading, even if you don't plan to trade on margin.

The stocks I identify as good **swing trading** opportunities are made available each day through my **MasterSwings** service. Once a week, my picks are made available on my website – www.mrswing.com – or by e-mail, through my free **MrSwing Lite** service.

Swing trading should be both profitable and fun. Through the guidelines outlined in this book, you can achieve both of these simple objectives.

2 About the book

2.1 Who should read this book

- If you (like many investors) are disenchanted with buy-and-hold investing, swing trading may be right for you. Even if you invested in great companies, it is likely that the value of your investments has diminished substantially over the past few years.
- If you're not a stock market expert, yet would still like to make money in the stock market.
- Day trading requires both stock market expertise and the ability to constantly watch the market. If **day trading** is not for you, **swing trading** might satisfy your needs.
- If you are disciplined and patient – the swing trading methodology outlined in this book will teach you how to trade successfully with very little risk. However, you must carefully follow the **Master Plan**, and you must be patient – profits come slowly, but surely. The total value of your investment account will go up. This is in sharp contrast to the buy-and-hold strategy, where losing money is more common than we would like to admit.

Swing trading allows you to accumulate small gains weekly, ultimately making money through a disciplined, low-risk trading approach. While swing trading is not for everyone, this book will help you determine if swing trading is right for you. It provides a treasure map to the pot of gold which is found at the end of the rainbow.

2.2 How to get started swing trading

- Read this book
- Open an account with an online discount broker (recommendations are provided)
- Select a method for identifying swing trading opportunities
 - subscribe to a service like **MasterSwings** and get several swing trading suggestions each day
 - use **MrSwing Lite** and get free swing trading suggestions each week

- use **SwingTracker** and identify swing trading opportunities yourself, whenever you'd like
- Use the **Master Plan** to enter and exit your trades
- Be disciplined and have patience

2.3 What will this book teach you

- the rationale behind swing trading
- how to identify stocks to swing trade
- when to enter a trade
- when to exit a trade
- how to maximize profits and minimize risk
- what tools are available to help you select stocks and monitor your progress
- what books to read to learn more about swing trading

The best part of my **swing trading** method is that you do not have to watch your positions during the day. Simply enter an order to buy or sell short, give your discount broker the buy order and two sell orders and go back to your daily life.

2.4 Prefaces

Suri Duddella, siXer.com

Traders and investors study markets through price charts. These powerful visual tools offer a common language for all stocks, options, and indices. The theory behind this is called **Technical Analysis**. **Technical Analysis** begins with a simple observation that all market activity is reflected in the activity of price and volume over time. These three pieces of information create a profound visual representation when properly presented in a chart.

Prices rise and fall, with rising prices being stimulated by greed and falling prices by the awakening of fear. This emotional war between greed and fear generates a swinging price movement that provides a perfect opportunity for **swing trading**. **Swing Traders** capitalize on the emotions of others while they carefully control their own emotions and systematically enter and exit trades. Swing Traders recognize the levels of support and resistance. They understand the concepts of momentum and volatility and can identify a trading range or channel.

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