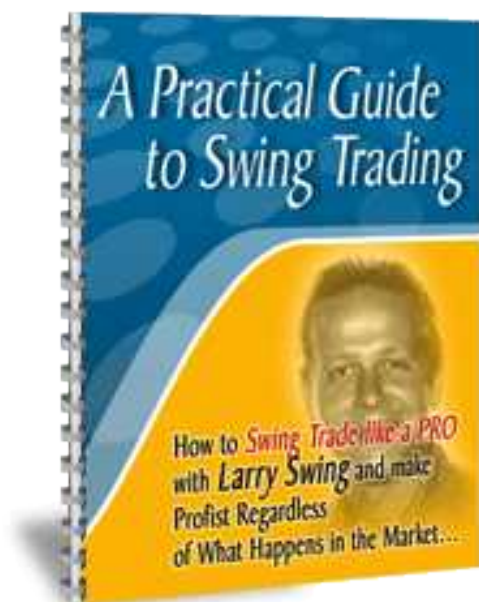


A Practical Guide to Swing Trading

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1. 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. These rational 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 it's 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

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.

Equity trading provides a natural arena for Swing Traders. As price seeks an equilibrium state, Swing Traders seek to exploit direct price thrusts as they enter positions at support and resistance. By examining chart pattern characteristics they make money in both trending and range bound markets. Swing Trading is a classic strategy that involves holding stocks for a short period of time, typically between a few days to a few weeks. Unlike day trading, Swing Trading is independent of time – nevertheless, some Swing Traders will exit a slow-moving position and move onto the next opportunity. Swing Trading is very popular among short-term and medium-term traders. It offers many virtues compared to the hyperactivity of day trading. With recent changes in SEC regulations that affect the way brokerage firms administer margin to 'Day Trading' accounts, many day traders have moved away from day trading towards a swing trading style.

Larry Swing has developed a wonderful software program called SwingTracker that allows users to scan all listed stocks using his Swing Trade Identifiers to identify swing trading opportunities. The program allows the user to monitor their trades in real-time. His technical analysis concepts of EquiVolume and Force Index coupled with his Swing Trading tactics are a marvelous contribution to the swing trading community.

Larry Swing has mastered the art of Swing Trading. His website – www.mrswing.com – not only presents the theoretical underpinnings of swing trading, but provides a detailed road map of how to use them. This book – *A Practical Guide to Swing Trading* – communicates the essence of his ideas in a simple and straightforward way. It describes the tools necessary to identify swing trading opportunities, and the guidelines needed to implement his strategy.

This book is filled with innovative, important trading techniques. This book is a great asset to both beginner and experienced swing traders.

Suri Duddella

President & CEO

siXer.com, inc.

Nowadays, when the number of online traders is growing very fast, the need for a good book is obvious. Larry's new book provides a unique combination of professionalism and simplicity, presented in an easy-to-read style. This kind of book is currently in short supply.

Larry writes about real trading situations, explaining how to reduce risks and enhance returns. The book contains practical examples and explanations how to handle the various scenarios that might arise. I feel comfortable saying that this is the best practical manual for swing trading that I have ever read.

His focus on short-term (swing) trading is very understandable. In the current, turbulent market environment, many people consider “buy-and-hold” investing to be an outdated strategy. However, they are not sure what else to do. Swing Trading offers a real opportunity to produce profits while keeping risk under control.

The algorithms that Larry uses in SwingTracker are great at identifying swing trading opportunities – they are extremely valuable to both beginners and experienced swing traders.

Larry covers the whole process of swing trading, from soup to nuts. He even recommends brokerage firms that have features which are particularly useful to swing traders.

Not only does this book introduce a set of helpful tools and tips, it describes way of thinking about trading and philosophy that allows the reader to feel confident about swing trading which leads to success and profits.

Dr. Sergey Perminov

OptionSmart.com

Founder & CEO

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