

VectorVest

The Anatomy of a Swing Trade

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What I Do:

1. Intraday trading of mostly the Dow Jones index (PM UK time)
2. Swing trades lasting 3-21 days in UK and USA stocks. This is today's subject.
3. Core trades in Stocks lasting 2-6 months
4. A pension stock portfolio focusing on yield

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What is Needed to Win?

To make cash in any timeframe we need three things

1. A Method...
2. Manage our Money
3. Manage ourselves

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“Everyone's got a plan until they get a punch in the mouth”.

- Mike Tyson

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1. The overall market is on your side. You've determined that the market is trending in the same direction you want to swing trade.

VectorVest has totally objective market timing models

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2. The industry group is on your side. Stocks tend to follow their industry groups up or down. If the security's industry group is trending strongly in the same direction you want to swing trade the probabilities of success increase.
3. Trade in the very best shares. Shares that have excellent growth characteristics with fair safety of earnings. How to find the best stocks was discussed earlier today.

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“Good portfolio management starts with buying the right stocks.” –Dr. Bart DiLiddo

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4. The candidate stock should be in an existing uptrend that has pulled back in the short term.

The Comfort Index (CI) finds shares that are trending easily and quickly. Alternatively a moving average cross system (50 and 150) finds trending stocks.

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Comfort index looks at:

- 1.The trend of the share over the last 3 years
- 2.The volatility of the share price chart
- 3.The fundamentals


If the share is trending with little volatility and the fundamentals are improving, then that should offer us comfort.

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SP500 DEW SWINGERS1

  CI * GRT DESC, Symbol ASC | Top 50 | Return: Stocks |  QuickTest Top: 10 |  Graph Selected | QuickFolio Top: 1 | 

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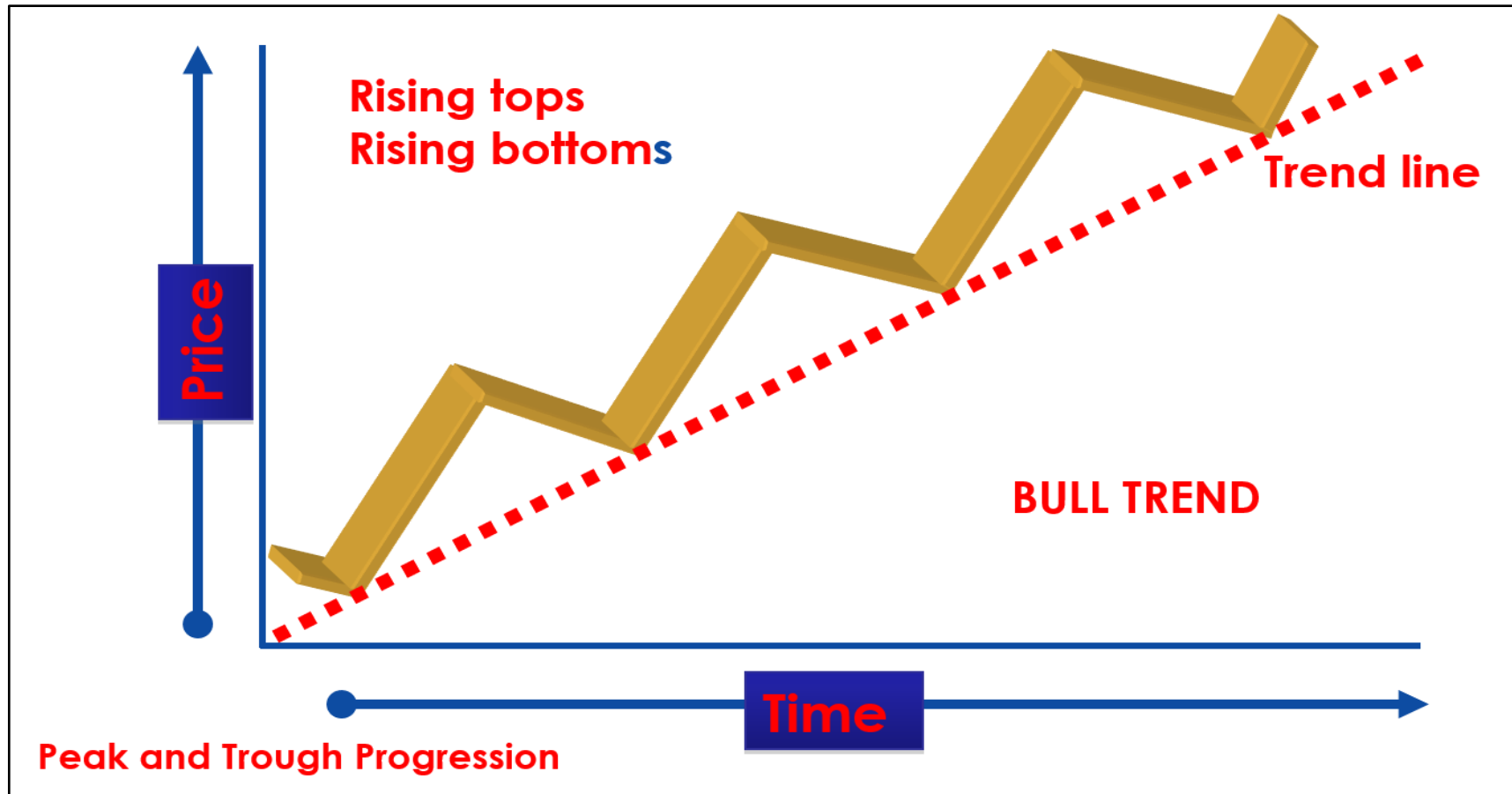
Parameters 

	Date/Time	Parameter	Operator	Value
▶	Time of Search	Stock Watchlist	=	S&P500
	Time of Search	Stock CI - (Comfort Index)	>=	1.2
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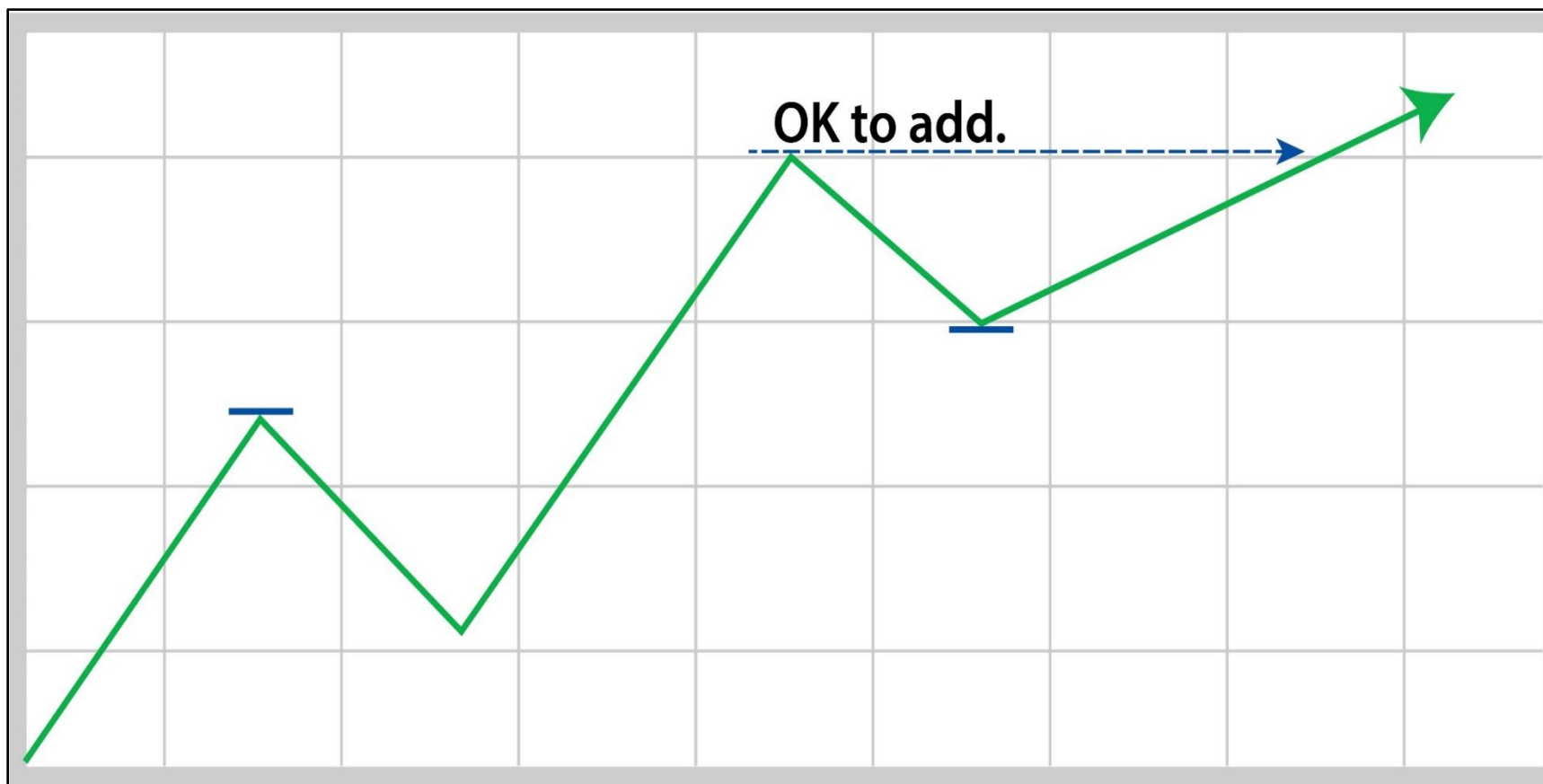
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5. The share should pullback to the last old high most of the time. This pullback should occur on falling volume.

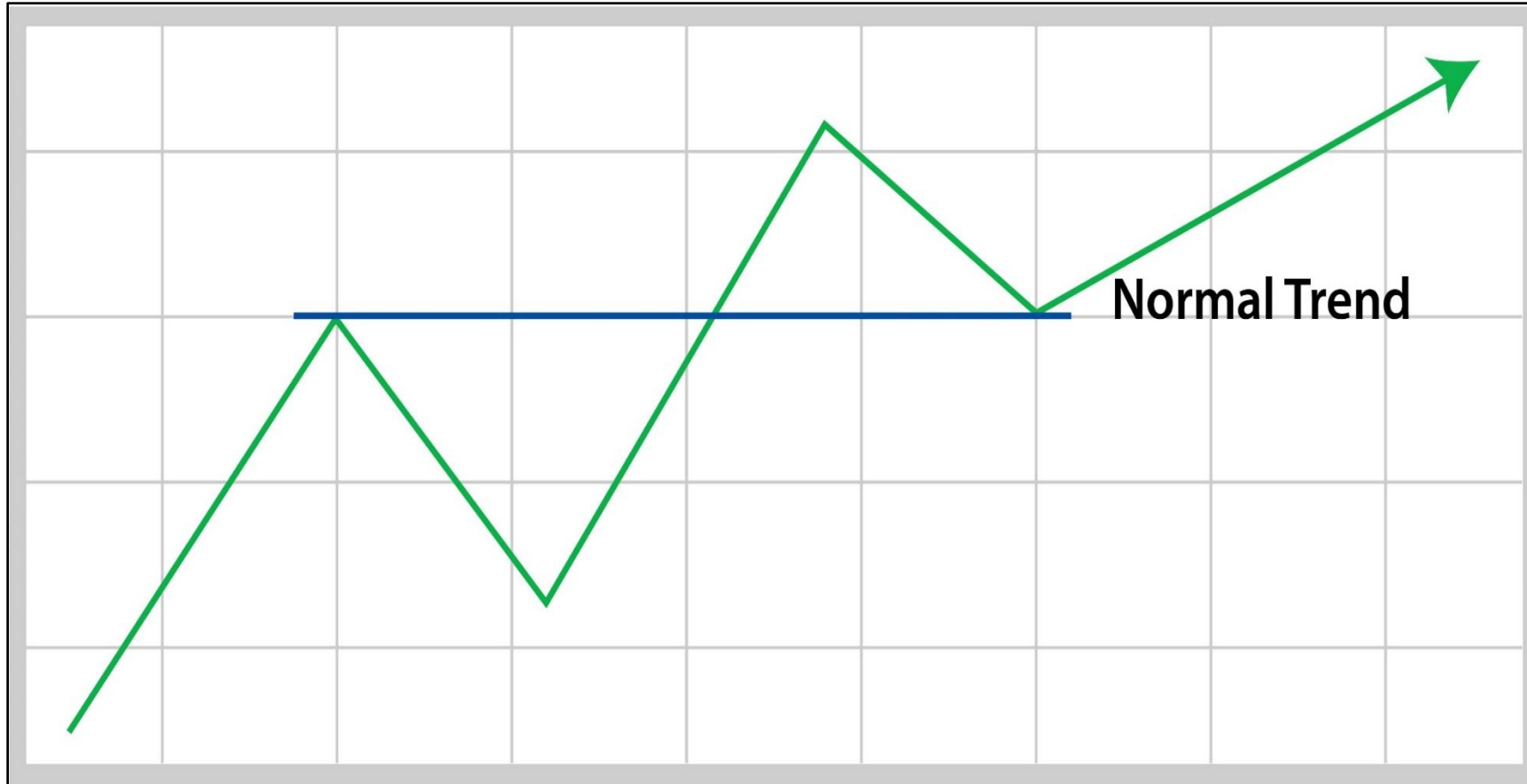
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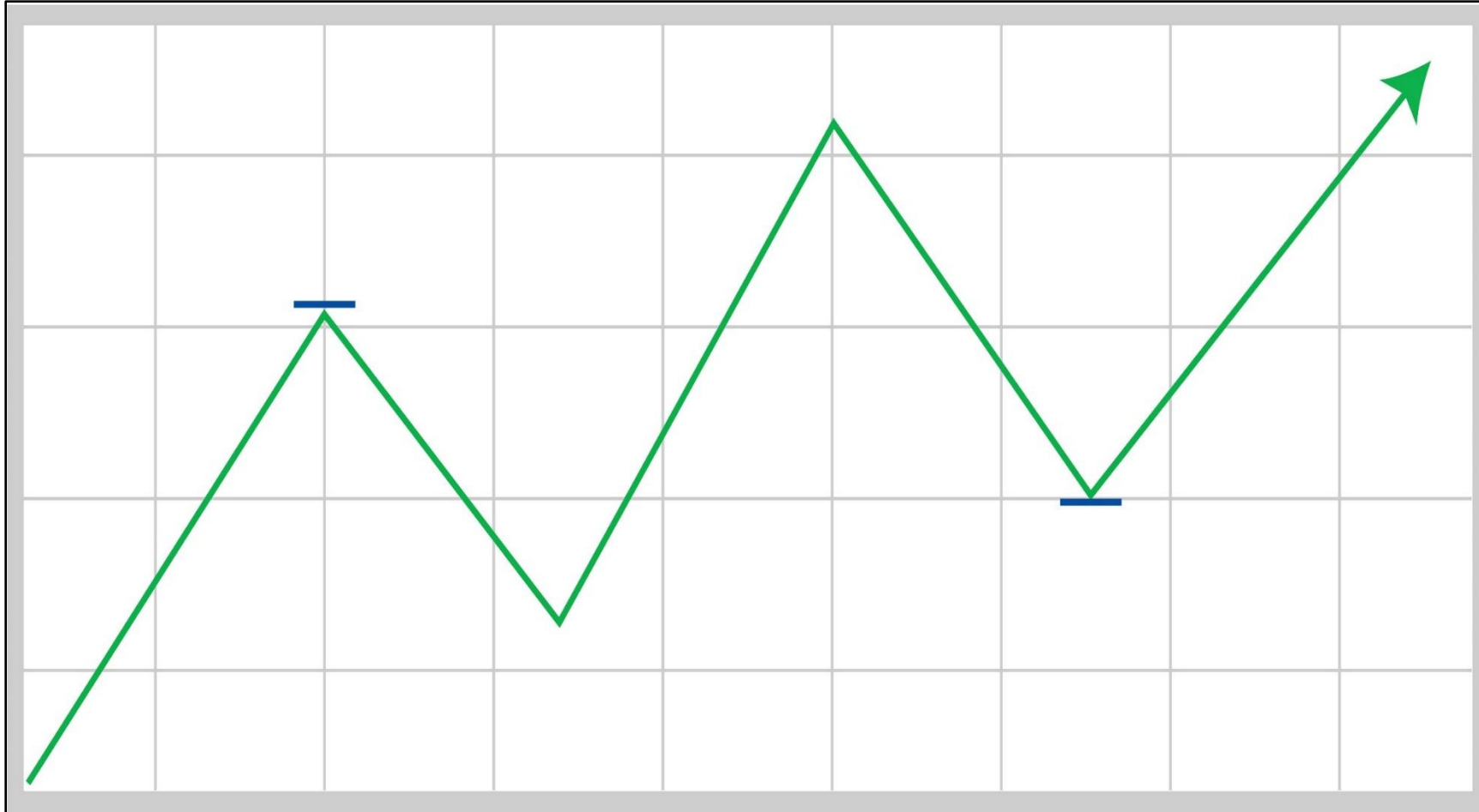
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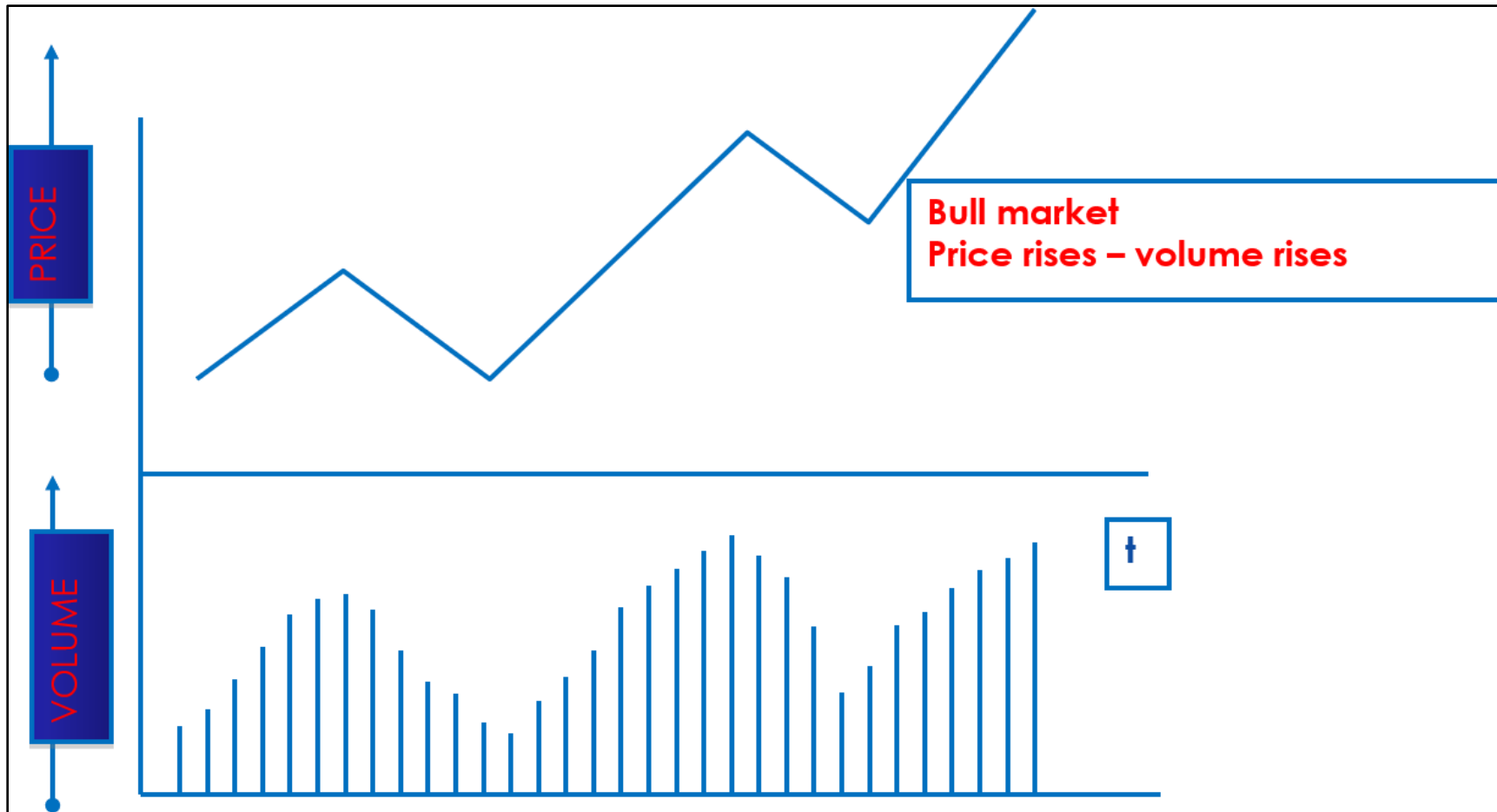
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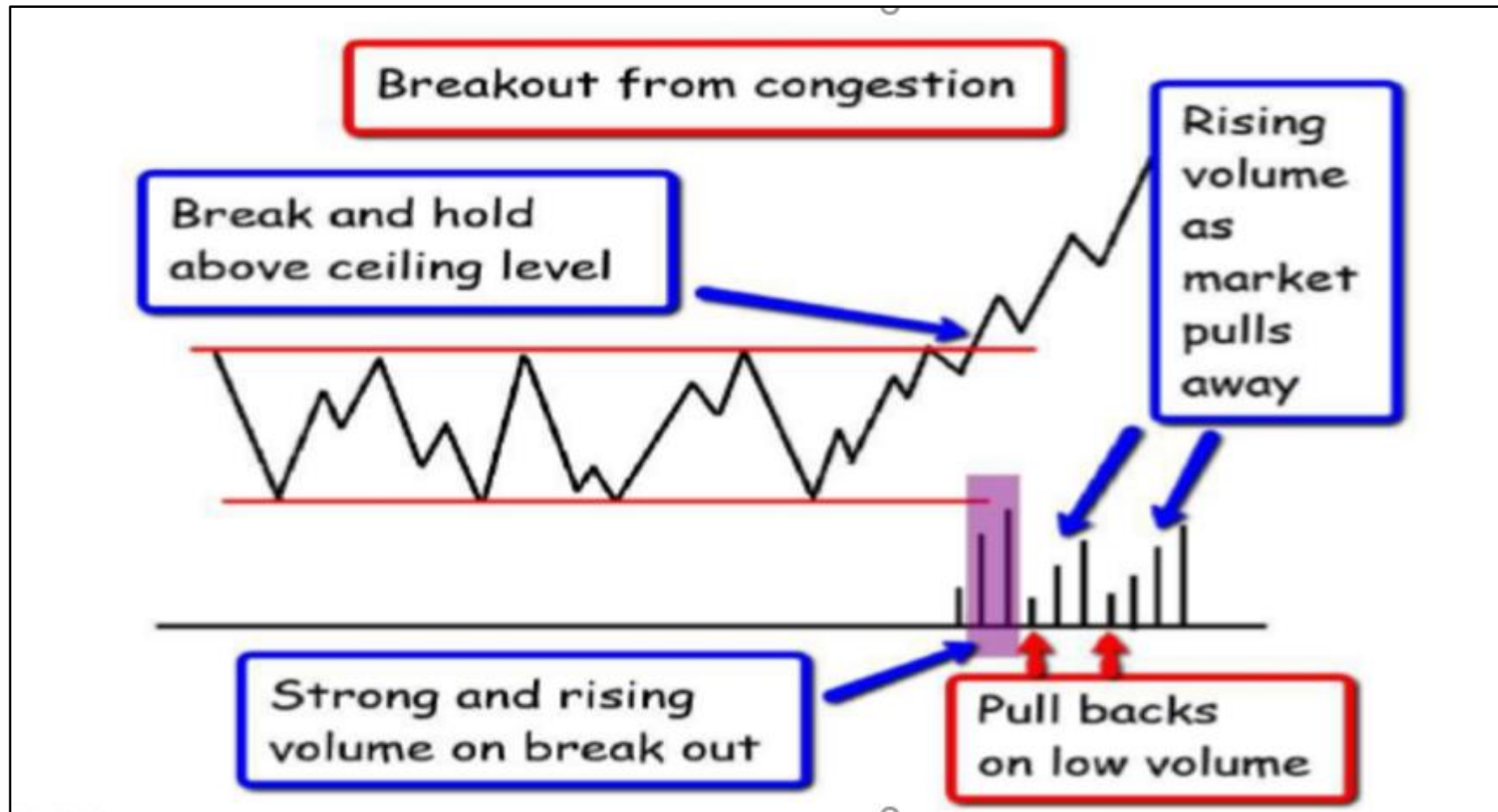
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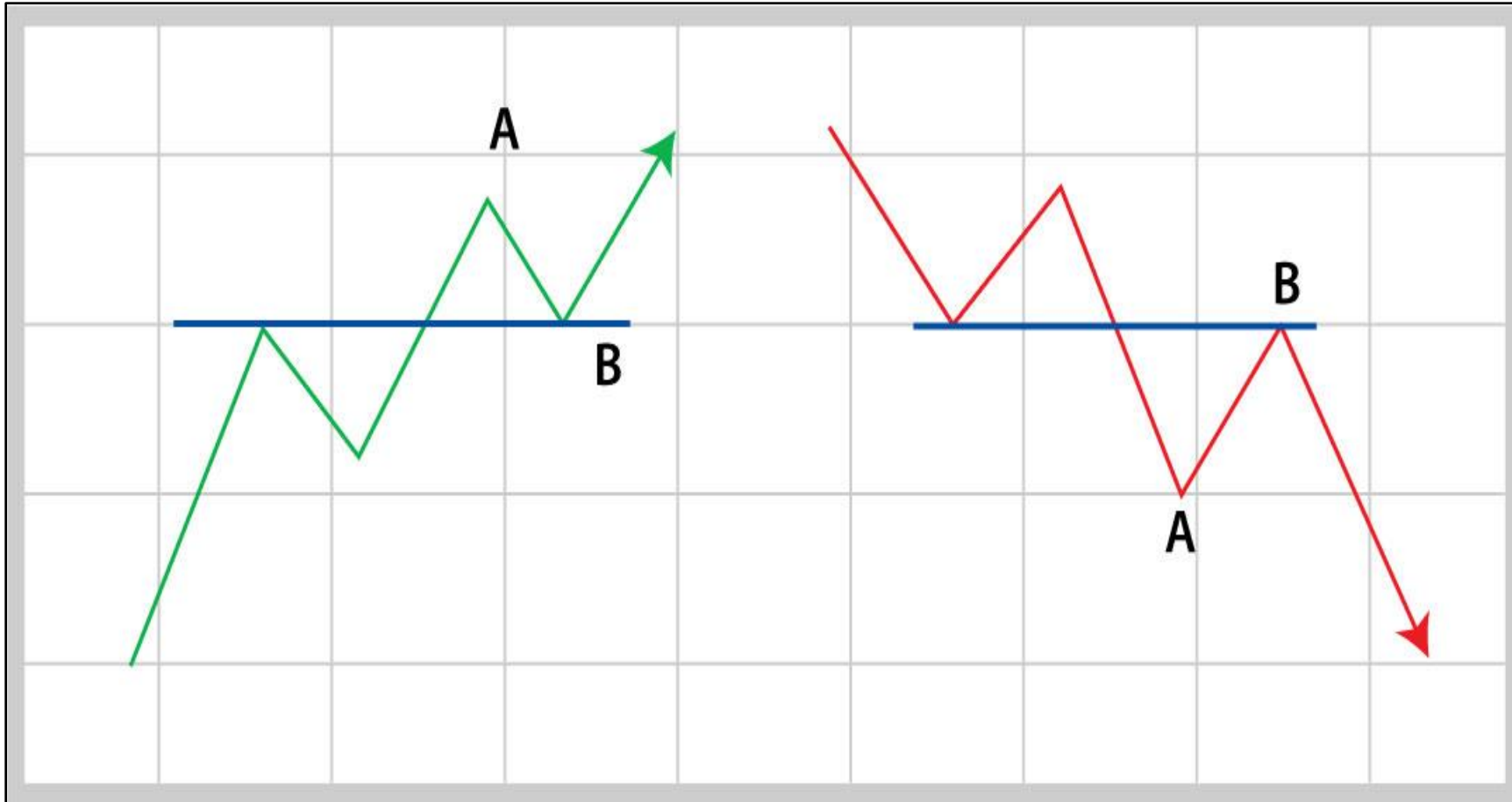
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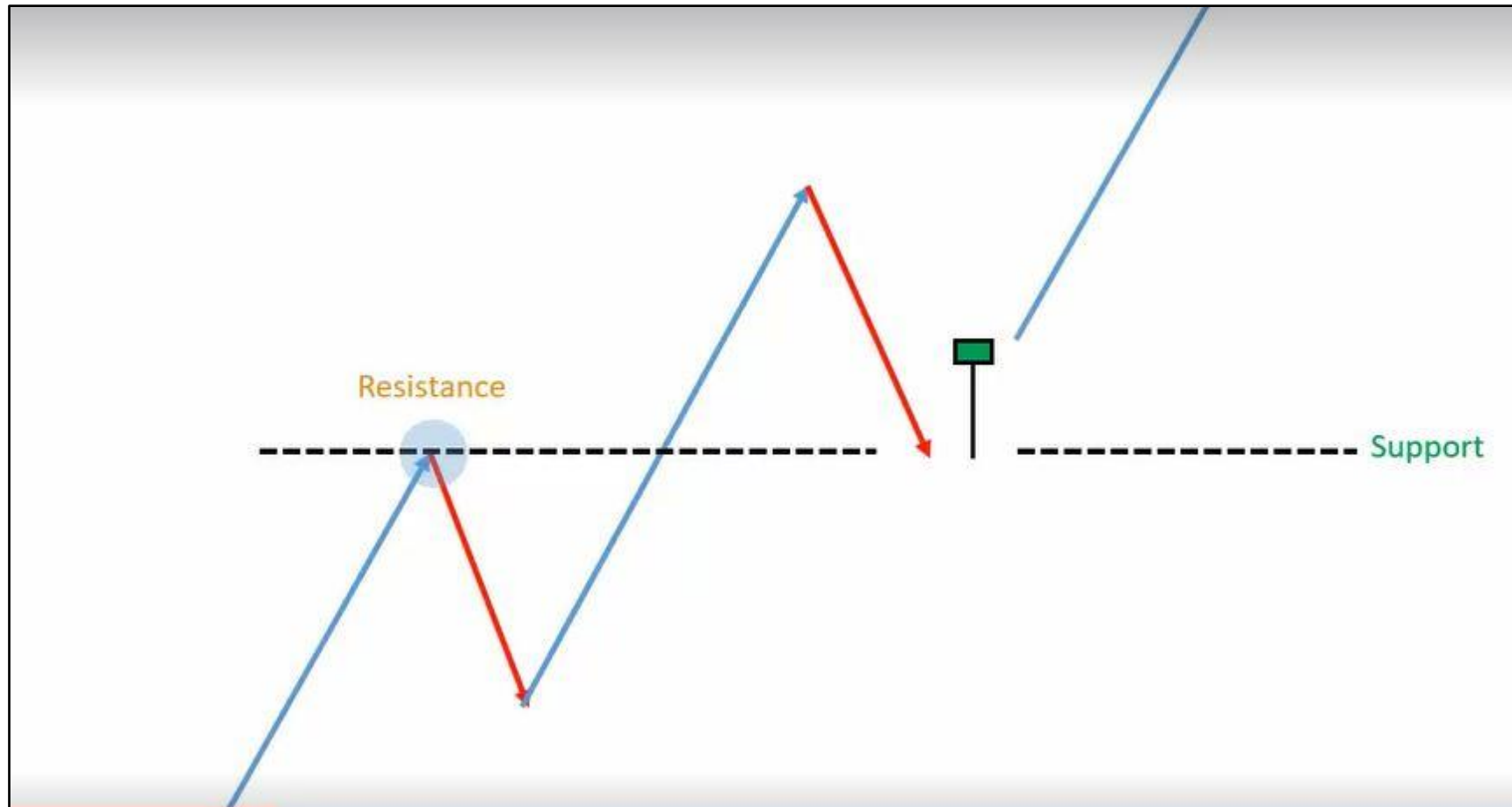
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6. Use a technical indicator (an oscillator...14 day Stochastic is good) to generate and confirm buy signal. Divergences between your oscillator and the price action signal higher-confidence trades.

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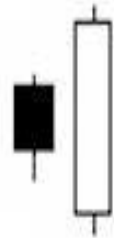


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7. Candlestick patterns make excellent entry points. Many traders use a candlestick pattern plus a close above an 8 ema to confirm a reversal.

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Bullish candlestick patterns



Engulfing



Hammer



Harami



Piercing



Doji

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8. How much money is in your account. If you don't know how much is in your account, you can't size your positions correctly you are GAMBLING and not trading.

Vow never to lose any more than 1% of your account in any single trade.

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9. Size your positions correctly. Use the VectorVest stop loss and calculate the risk/share bought.

$\text{Risk/share} = \text{Purchase Price} - \text{Stop Price}$

Let N = Number of shares bought

$N * \text{Risk/share} = 1\% \text{ Account Size.}$

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10. Managing the trade.

To start split your position into two parts.

Sell half for a profit when you have made as much as you have risked.

Get the stop loss to entry. You now can make money at no risk.

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Let's say the entry is \$10 and the stop loss is \$8.50. The Risk/share is 1.50. When the position has increased to 11.50 in value exit ½ of the shares and bring the stop up from 8.50 to entry at 10.

Let the remaining half run using the VV stop as a trailing stop loss.

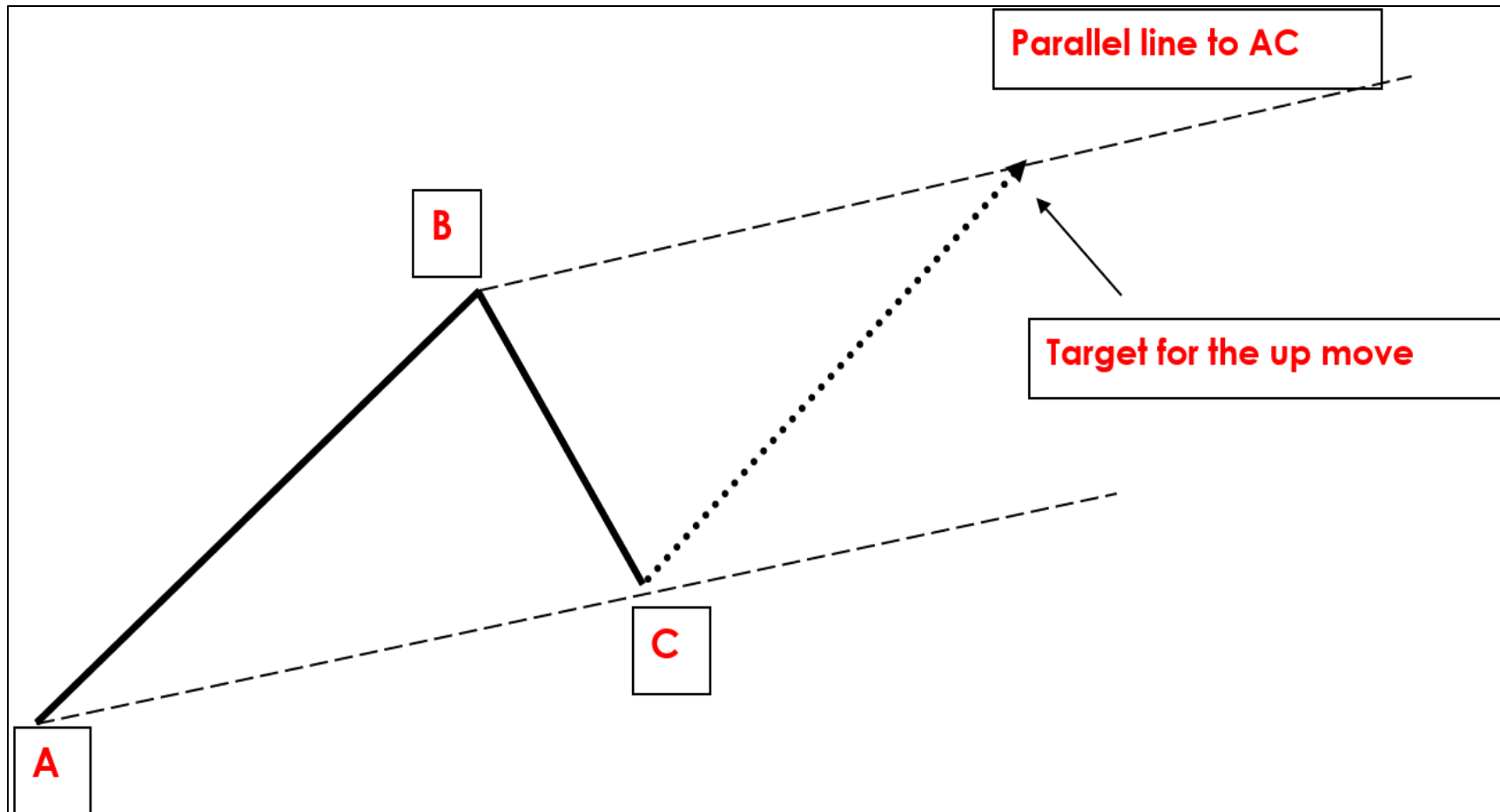
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This method is emotionally easiest to trade but it is only profitable if you keep your hands off the remaining half.

Around 30% will turn into runners. No targets are used. Exits by a close below the VV stop.

Advantage...emotionally easy... quick gratification.

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The BIG SECRET...Much to secret to put into PowerPoint. I will talk you through it.

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“Are you working the bag or is the bag working you?”

- Clint Eastwood to Hilary Swank in the film “Millionaire Dollar Baby”.