Weekly Swing Trading Method

http://www.stressfreetrading.com/swingtrading.htm

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This is a very short, concise trading method. No fluff and padding out.

I am in favour of looking at weekly charts to trade as these can give the largest bang for your buck.

Basically there are two different ways to make profits from stocks:

1) Low % gain but high accuracy. Say you have method that scalps for 20C profits but is 80% accurate. If the losses are no bigger than the gains then you have one hell of a winning method.
2) High % gain in relation to the loss but a lower winning %. Say you have a method where if it wins you win 5 X what you lose but it only wins half the time. Would you trade it? You bet. That's another winning method.

Longer term methods tend to fall into category 2. Very short term and day trading methods tend to fall into category 1. As a general rule.

Now, here comes a contradiction. This method falls in between the two. It is over 50% winning and the wins are over 2.5X the losses.

Trades will last about 1 week on the losing ones. Sometimes 2 to 3 weeks. On the winners you generally are in about 3-5 weeks. Occosionally you snag a big winner and you might be in over 10 weeks.

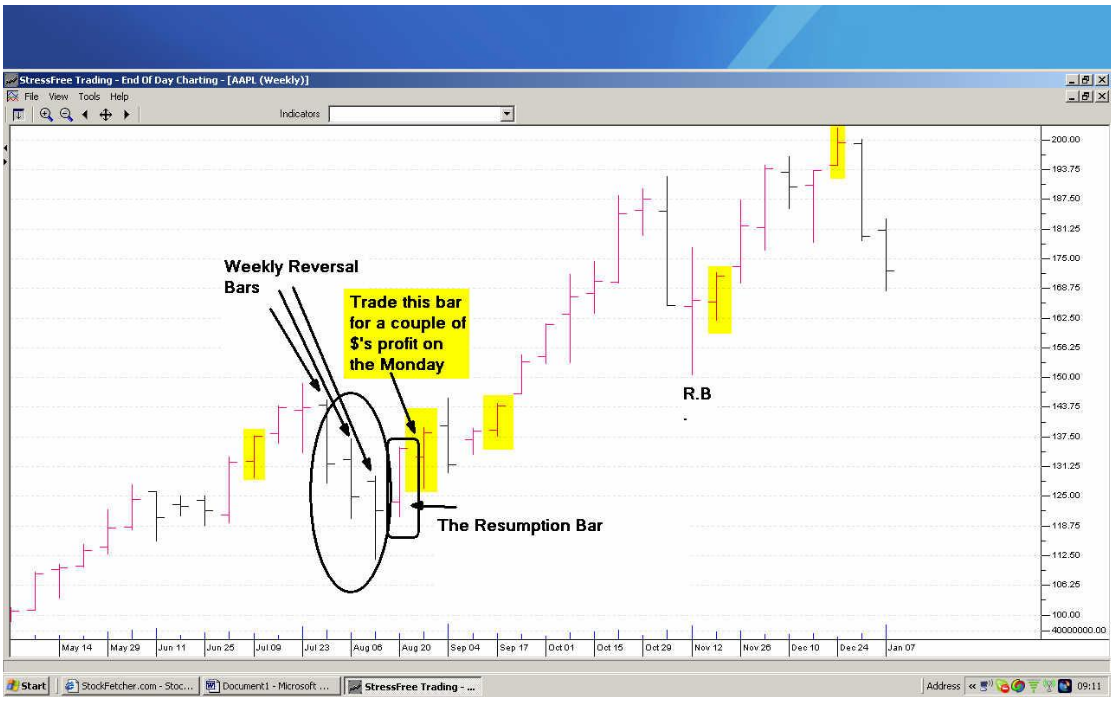
Absolutely no guess work here with this method. I give you my rules. I have doubt everyone will tweak and change them until the method is no longer recognisable by me. That's up to you.

The Method:

I always remember a trader telling me to look at weekly reversal bars and if you could not make money trading them you can't trade.

Could it really be that simple. Amazingly it was. If you look at a weekly bar chart of any liquid stock, commodity of futures and you look how many times the weekly bar following a reversal bar you could easily trade it for a few points per week.

EG:



So the chart above is simply showing a weekly bar chart of AAPL.

See the reversal bars? A trend change for that week. Then wait for the “Resumption bar” a weekly bar back in the direction of the prior trend.

Then on Monday trade above the open for a small weekly gain.

For a couple of points a week this method does seem to have merit. Go and look at dozens of weekly bar charts your-self and see how it could be profitable.

But I was never one for restricting my profits. Can you see on the example above how that first trade would have lead to about 3 points profit in one week but had you have let the trade go you would have made 60+ points in less than 8 weeks.

For longer term trading I do feel you have to try to nail a few big winners in order to come out ahead.

So I changed the method to capture these longer term moves on the weekly reversal trades.

Firs the scan I use to find these stocks:

You can use stockfetcher or you could use my stock scan in my members area
http://www.stressfreetrading.com
to find a list of stocks. The screening (as in all methods) isn't really where you should focus you efforts on. It's a very simple scan to find a few stocks that are worth watching.

Scan (stock Fetcher):

Show stocks where Close has been increasing over the last 3 weeks
close has gained over 15 percent over the past 3 weeks
and Average Volume(15) is above 500000
and close is between 30 and 550

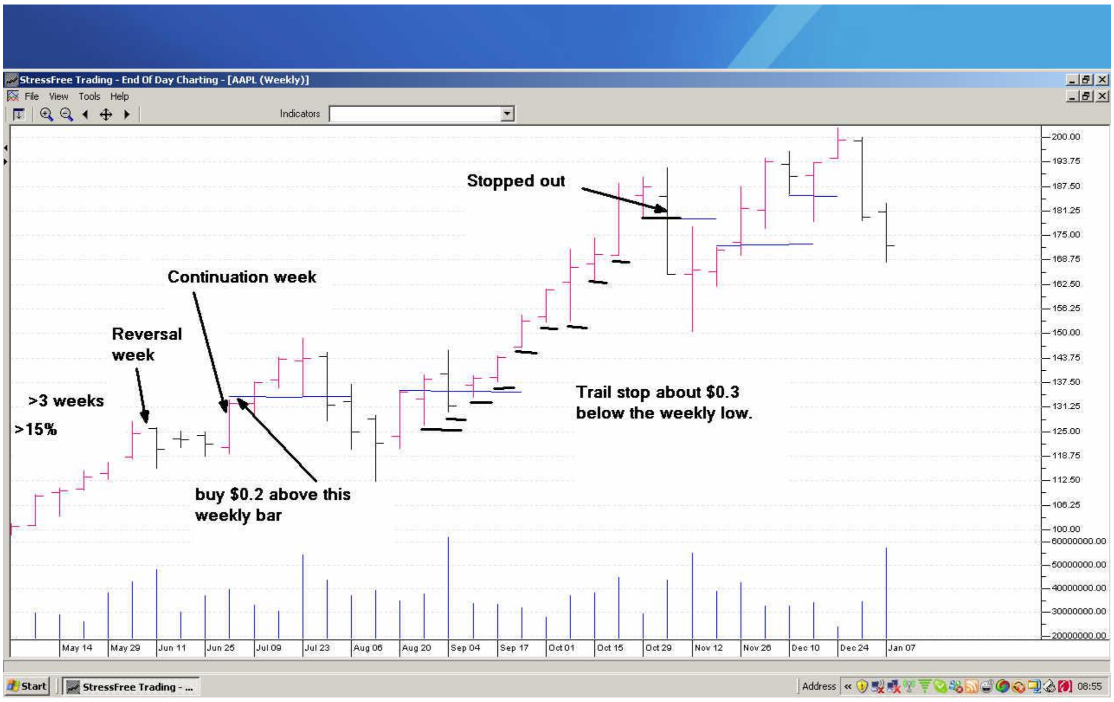
To improve the accuracy and potential profit target I changes some rules. I wanted stocks that had gone up for the past weeks. We had to find a trend so when we got our reversal bar we can trade back in favour of the trend.

I wanted some volatility. I wanted stocks that had not only gone up for three successive weeks but had gone up over 15% in those three weeks.

Then with the price and volume I simply wanted to stock to institutional stocks. Where price and volume are sufficient to attract waves of institutional buyers. They create the moves.

That's it. High price, liquid, trending stocks.

So now you have to chart these stocks on a weekly basis (yes this is boring) and wait for reversal bars and then continuation bars.



When you do get the continuation bar place a buy stop $0.2 above it high.

Set your initial stop loss at 10% below where you get filled.

When filled. Put in your stop loss and then review at the end of the week.

Now all you are doing is trailing your stop loss about $0.5 below the low of the week until you get stopped out.

I am telling you now 50% of the successful trades will only result in moderate gains. But occasionally you snag some monster moves. Like the one shown above.

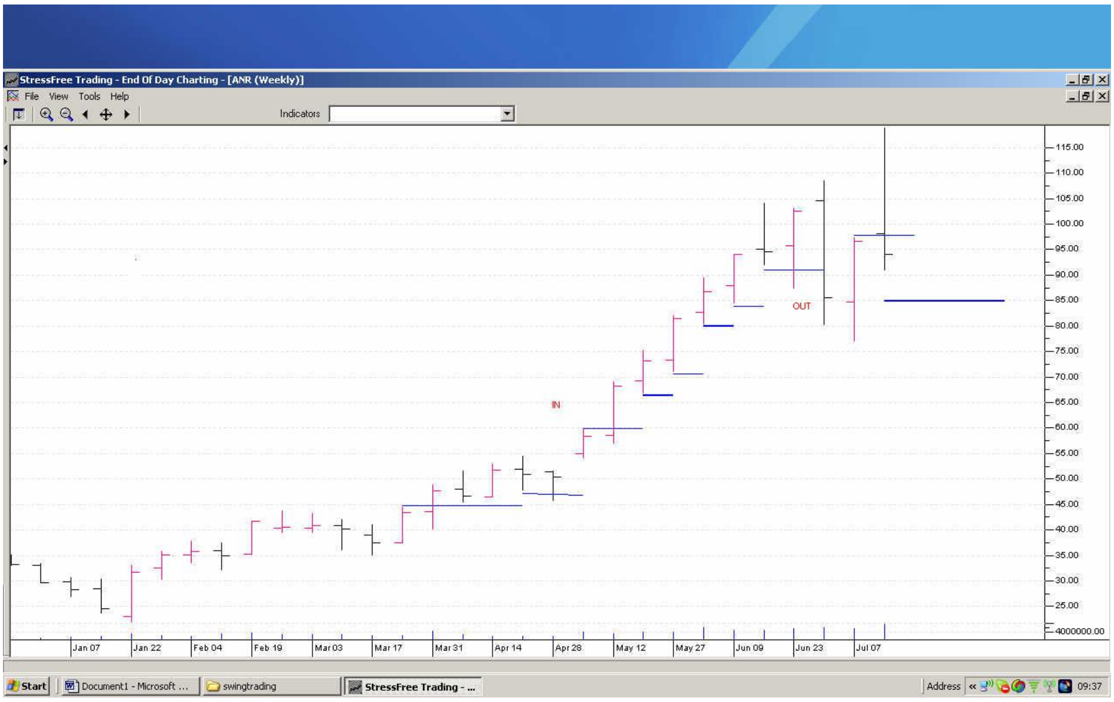
That's about the system in a nutshell.

Yes you can go short with it if you desire. Simply reverse all the rules.

Look for stocks that have fallen 3 successive week by 15% and then start looking for correction and resumption bars to trade.

If you are new to trading stick to going long for now.

Examples:



Regards
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