

# Swing Trading

Definition:

The action of purchasing a stock and holding it longer than one day



# Day Trading vs Swing Trading

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## Day Trading

- Definition: Buy and sell a stock within the same day
- Hyper Community's day trade price range: \$1.00-\$15
- **You're only allowed 3 day trades within a 5 trading day period**

## Swing Trading

- Buy and hold for anything longer than one day
- Some swing trades are 1-2 weeks
- Some swing trades are 2-4 weeks
- Hyper Community's typical swing trade price range: \$15+

## Key identifiers of a healthy stock to swing trade:

- Steady movement (No extreme ups and downs)
- Health of overall sector (Bio sector, gold sector..etc)
- Steady volume
- RSI isn't overbought

These are just the overall things you need to look at while choosing a stock, the chart movement itself is just as important as these factors.

# Trading 101

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**Nobody in this world can tell you which direction a stock is going to go with 100% certainty**

...

**Okay, so now what?**

**Trading stocks is about following specific set ups that you create from understanding a stock chart, not the guessing its future movement. These set ups must include:**

- 1. Resistance Lines**
- 2. Support Lines**
- 3. Price Targets**
- 4. Defined Stop Loss Price**

***“If you don’t know what a stock is doing, then leave it alone”***

**Warren Buffett**

# Risk Management

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Considering nothing in the stock market is certain, sizing your position is just as important as the trade itself.

Position sizing can be subjective due to risk tolerance and trading confidence, but there are general guidelines to position sizing in the stock market.

Generally, successful traders don't risk more than 10% of their account per trade.

So if you have \$1,000 in your account, you'd use \$100 of it per trade and set a proper maximum amount you're willing to lose from there.

Just because you're using \$100, doesn't mean you ride a stock down to \$0 if the stock goes south. You want to set max amount you're willing to lose. For most traders, this amount is between 5%-10% depending on their confidence in the trade.

Max Loss = \$100	
Risk	Share Size
\$ 0.05	2000
\$ 0.10	1000
\$ 0.15	667
\$ 0.20	500
\$ 0.25	400
\$ 0.30	333
\$ 0.35	286
\$ 0.40	250
\$ 0.45	222
\$ 0.50	200
\$ 0.55	182
\$ 0.60	167
\$ 0.65	154
\$ 0.70	143
\$ 0.75	133
\$ 0.80	125
\$ 0.85	118
\$ 0.90	111
\$ 0.95	105
\$ 1.00	100

# Trading Range

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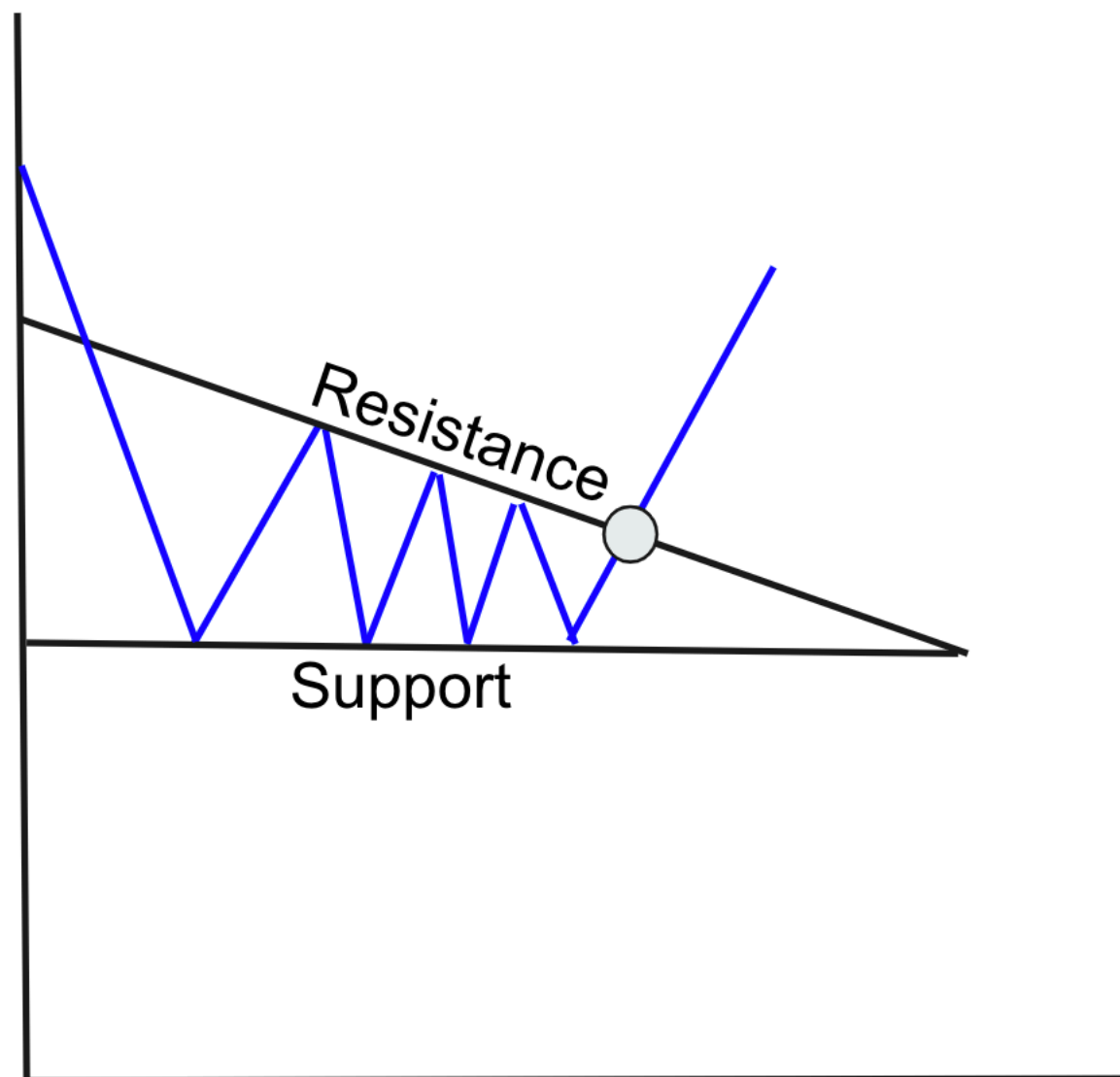
A healthy swing trade chart will give the trader a “trading range”. This range is what allows the chartist to locate the support, resistance, price target, and stop loss points; as shown in the image on the next page.

Before a stock breaks into a new high, it will typically have a point in which it consolidates and “prepares” for the new high. This consolidation typically forms some kind of stock pattern such as:

1. Falling Wedge
2. Cup & Handle
3. Bullish Flag

...etc. (Find more popular patterns online or by joining the full Hyper Growth Course).

The stock could also avoid the pattern and simply coil back and forth between the support and resistance until it either breaks out, which would be our entry point if we are trading a breakout, or it either drops below support and turns bearish.



# Range





## Candlestick Explanation

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Most traders struggle to find the right time length to study their charts in, so for the sake of this guide, we will suggest our personal favorite based on successful experiences.

When reading a chart we want to swing trade, we look at the one full day candles to get an overview of what the stock has been doing in the macro picture. The longer the time length of the candles, the more accurate and reinforced indicators become. By indicators I am referring to: RSI, moving averages, MACD...etc. (Refer to chart below)

Why do we look at the bigger picture?

Because studying a chart for a swing trade on 1 minute candles doesn't give us enough solid information to make an educated trade on its next move.

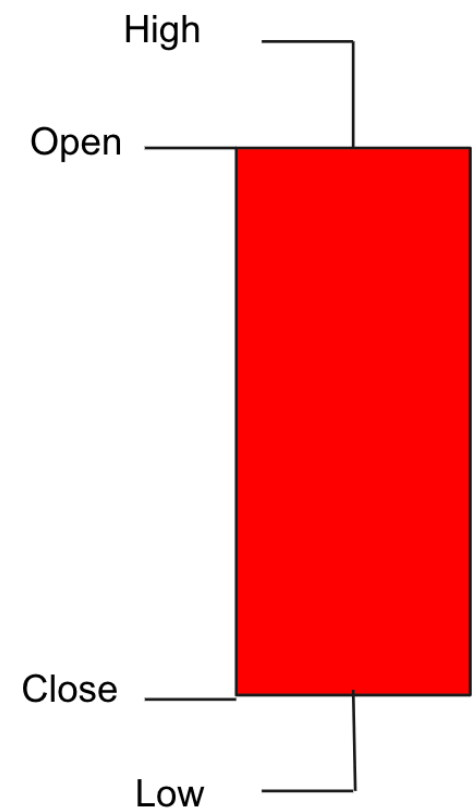
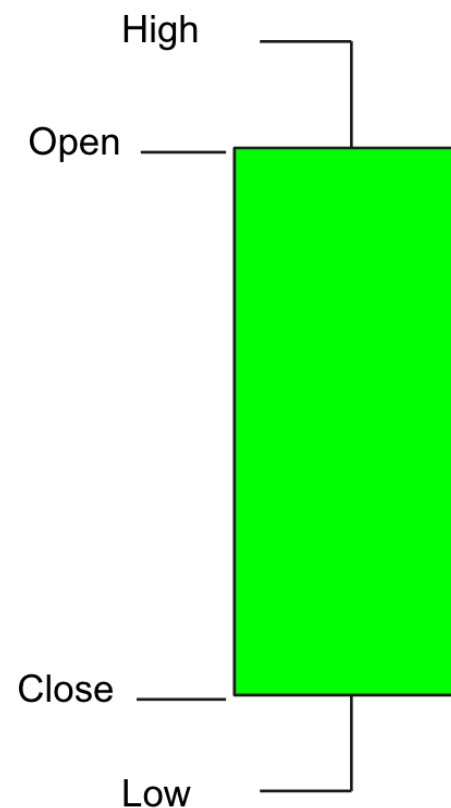
A stock that may have happened above a 20 day moving average on a 5 minute chart may be weeks away from gapping above 20 day moving average on a 1 day chart.

## Bonus Information

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Candlestick charts can be read using different time lengths.

- The typical time lengths used for day trading is 1, 5, and 15 minutes.
- The typical time lengths for swing trades are 10 minutes, 1 hour, and 1 day.



# Candlestick Time Length



Here we see the day candle gapped up through the day and closed above the 50 day moving average. Notice how before the strong gap up, the stock was consolidating under the 10 day moving average until it gained momentum to push higher. Think of moving averages as lagging support and resistance lines.



# Entry Points

So when do you “enter” a swing trade...at what price exactly?

The exact price of entry is impossible to find, so you must enter a price within the range that you’ve set up for the stock, preferably one at the lower end of it, or close to the support.

You do this in order to maximize profits in the long run.



## Entry Points (Refer to image above)

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Key things to point out (Refer to image above)

- The stock broke out early in the day on the 9th
- This is a key resistance for the stock considering its a full day resistance and not an intraday resistance
- The stock has tested this resistance twice before
- Volume on breakout on the 9th was strong in the beginning AND at the end of the day
- Moving averages crossover between 10 and 50 day

As the chart image above shows, the stock broke above resistance but kept coming back to retest it through the day.

### So, when should you enter?

If entered on the 9th:

Proper entry would be toward the end of the day. Why?

Because you want to confirm that the stock you're swing trading closes ABOVE its previous day's close and/or resistance

If entered on the 10th:

Proper entry would be after an EXPECTED pull back. Not all stocks give traders a pull back to enter on, but from my experience, 7/10 times, bullish stocks will open strong and have an early morning pull back that goes as low as its previous day's highs.

You want to enter the trade on that pull back. You won't find the exact bottom, but aim to enter as low as you can on a pull back. We'll explain where to set your stop loss soon.

# When to hold a stock overnight



## When to hold a stock overnight (Refer to chart above)

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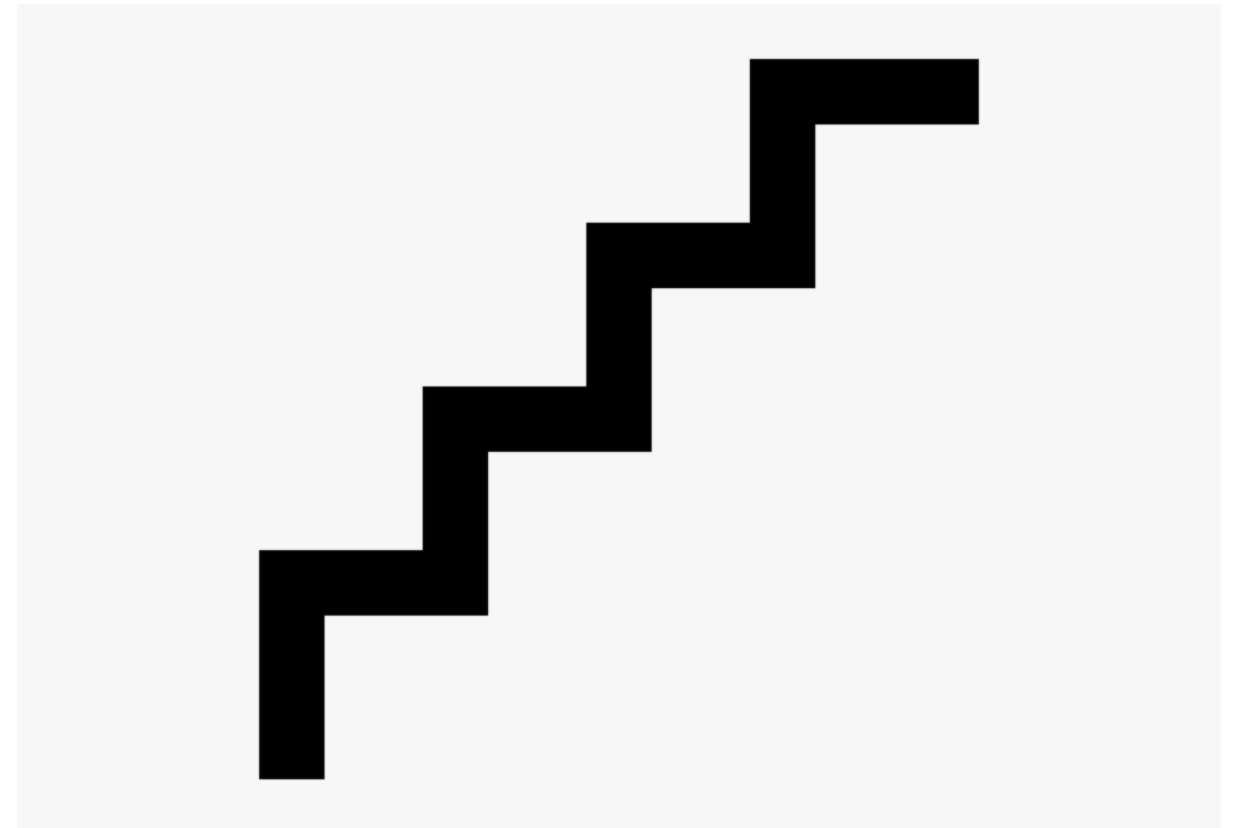
So we've already figured out our entry point...now how do we know if it's safe to hold.

The truth is nothing is certain in the stock market but it does tend to have a pattern. Successful bullish stocks tend to close a bit higher on a daily basis than they did the day before.

As you can see in the chart above (we used 30 minute candles here), after its initial breakout on the 9th of the month, the stock kept making higher highs on a daily basis. Sometimes it moved up a lot, and sometimes it only moved up a quarter of a percent. The important thing to look at is its closing price. If the closing price is higher than its previous day's close, then you should be good for another day hold.

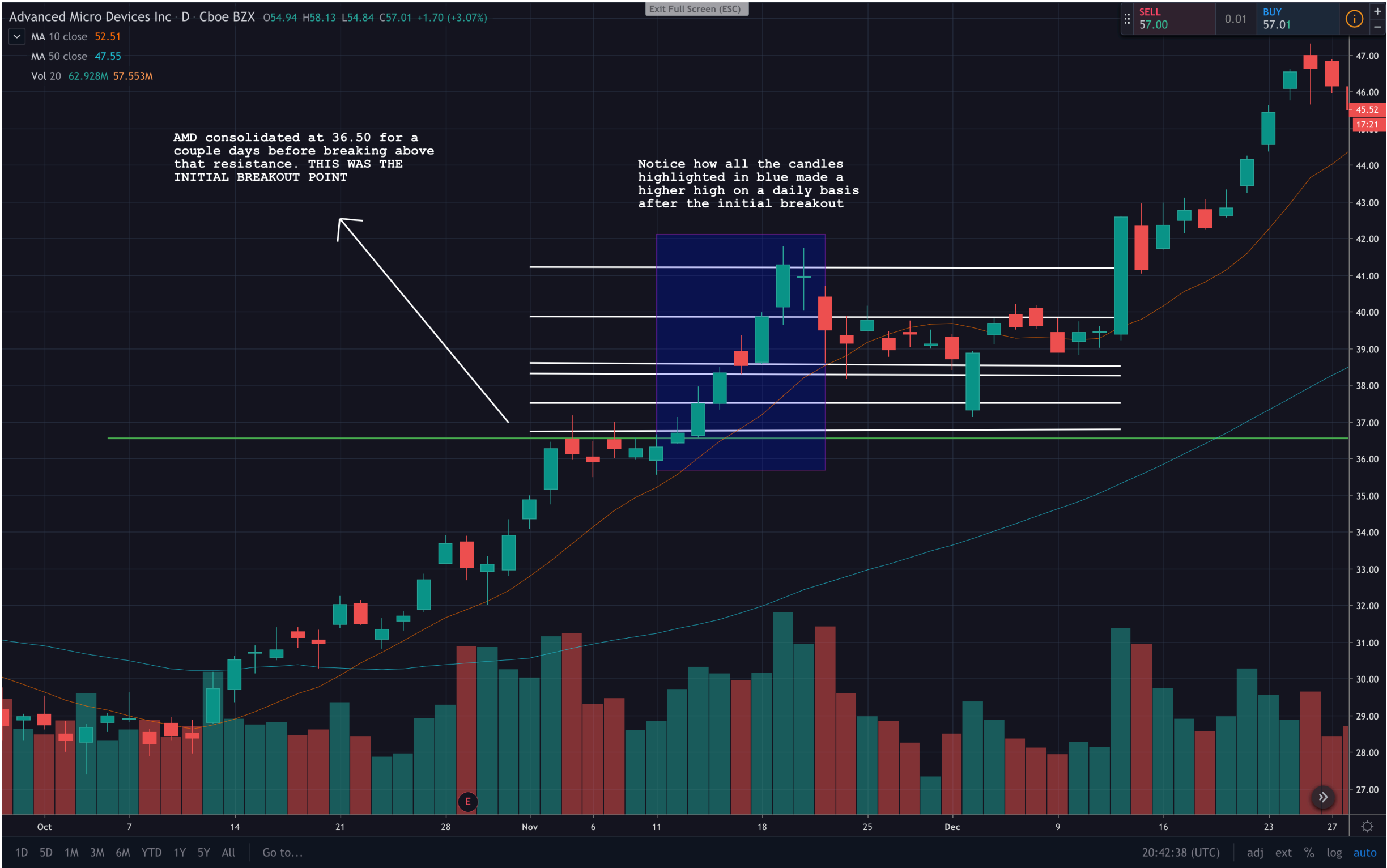
Now keep in mind, your stop loss can be triggered the very next morning depending on where the stock opens up.

We'll talk about stop losses momentarily.



Pretty similar to the idea of stairs!  
You want the next step to be  
higher in order to get to your  
destination

# When to hold a stock overnight (Here's another example)



# When is it time to sell?





## When is it time to sell (Refer to chart above)

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Notice how between the 22nd and the 23rd the stock closed below its previous trading day. This is the same stock we made our reference to earlier with the stair example. This is the first time this stock closed below its previous trading day.

This would be an ideal time to get out. You can either choose to exit the trade on the 22nd near end of day when you've realized the stock is closing below its previous day

Or

You can exit on the 23rd at a comfortable zone but always have a stop loss ready.

Key things to note:

You may notice in the graph above that after the stock closed below the 22nd, it eventually made its way to close above a previous trading day between the 27th and the 28th. Was this significant enough to call the stock bullish again?

No, why?

Because in the initial breakout the stock had on the 9th of the month (Shown in the first graph), the stock broke above a KEY resistance. There was no key resistance between the 27th and the 28th, the stock just happened to close above.

For this stock to be considered for another swing trade, it would need to break above its highest day within a trading period, in this case, the 22nd of the month.

# Where to set your stop losses

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We all hate losing, but you're bound to lose in the stock market. Reason being is because nobody really knows the absolute "top" of a stock. You have to watch daily closes, candlesticks, and indicators in order to predict a reversal.

So how do you defend yourself from losing all the gains you've gained?

Say you've held the stock that we've been referring to in the charts above for 7 days and you've been using the stairs method to hold overnight...where do you set a stop loss?

Set your stop loss slightly lower than the previous trading day closing. So if a stock closes at \$15, then opens at 15.20 the next day, set a stop loss around 14.80 to give the stock some breathing room through the day. Some days will have more turmoil than others and some will be a steady climb.

Unfortunately, sometimes you will get stopped out early and the stock will break bullish again, but you can't hang on to those anecdotal moments, there's always another chance to trade.

