Swing Trading: The Definitive Guide

Does your trading strategy suit your lifestyle and personality?

Some traders have full-time jobs and can only give a very small amount of time to their trading and others can devote as much time as they need.

There are trading personalities that want fast paced action all of the time, whilst others just want to be making high quality trades as they come along.

Whilst I love looking for fast breakout and pull-back trades, where price breaks out of a major support or resistance level and then quickly re-tests the same flip level, swing trading allows a level of flexibility that not many other methods allow.

This opens the swing trading style to a lot of traders. Traders who have jobs, study or are busy with other projects can still trade.

Today we look at swing trading, the pro’s and con’s and if it could be for you.

Swing Trading Guide: Quick Navigation

What is Swing Trading?

As a swing trader you are looking to enter trades from hours to weeks and profit from larger swings taking place in the market.

Trades can be placed in either higher or smaller time frames, but we are looking to enter in the next swing higher or lower and not on a break.

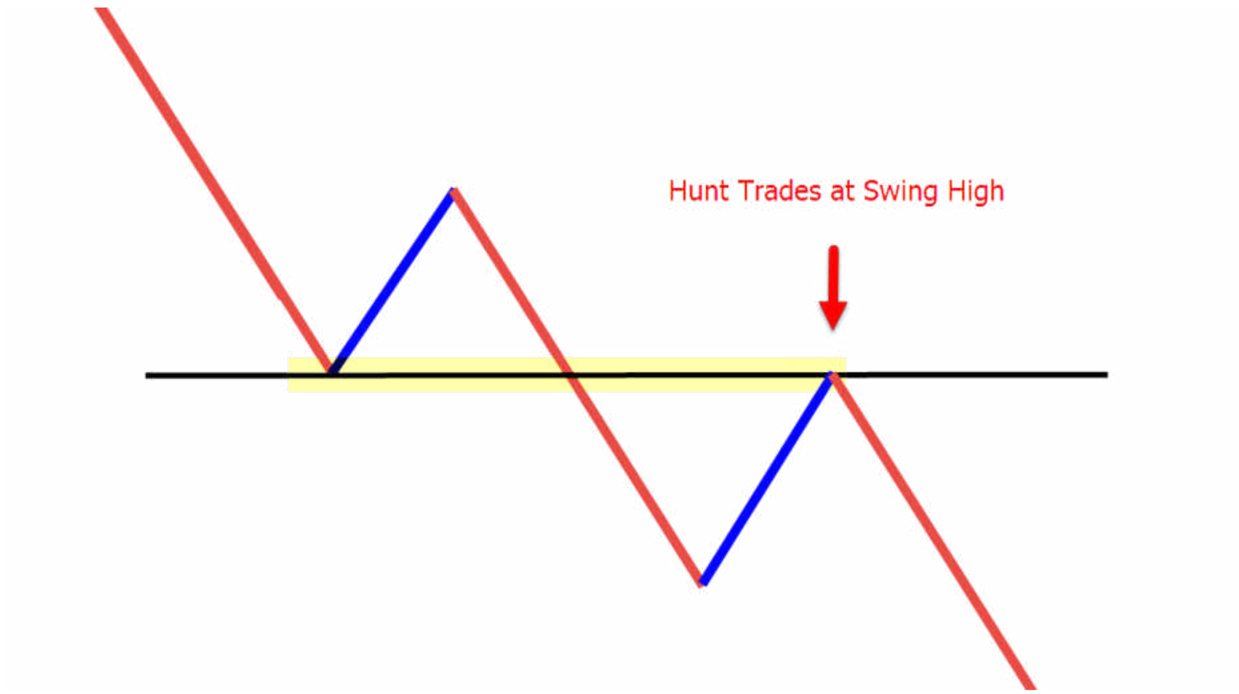
Whilst price can still move fast, we are not looking for price to breakout of levels, or quickly retrace to hunt an entry.

When hunting for breakout setups, or quick re-test trade setups, the movement is fast and missing a few moments of the price action can mean you miss the trade.

With swing trading you are able to identify in advance where you want to enter the next swing in the market.

For example; if price is in a downtrend, you can identify where it is you want price to move back higher to before you will look for a trade.

More on this below.



What Time Frames are Best For Swing Trading?

Swing trading is a trading strategy and similar to price action trading, it is not fixed to a time frame or market.

Markets are making large swings on all time frames from the smaller time frame charts such as the 15 minute, right up to the daily and weekly charts.

When you ask yourself what time frame is for you, you need to take into account the following two factors;

#1: How long do you want to hold a trade?

#2: How large of stop do you want?

The larger the time frame, the larger the stop and also holding time in the trade will be.

If you are making more winning trades and more profits on the larger time frames, then this is not a problem.

However; if you are not making more profits, are holding trades for long periods and are missing a lot of other potential smaller time frame trades, then it could be an issue.

NOTE: A lot of traders believe that they cannot make trades with larger size stops because their account is too small. If you are calculating your position size before each trade and risking the same amount each trade, then you should be able to play a trade whether the stop is 10 pips or 60.

Read more about this here; **How to Correctly Position Size Your Trades**

Is Swing Trading for me?

Swing trading could be for you if you;

- Have a job or are studying and still want to trade
- Want to trade the daily charts
- Don't want to trade the faster paced smaller time frame charts
- Are happy with making less trades that are higher in quality

What Swing Trading is NOT

Swing trading is not intraday day trading, moving quickly in and out.

It does not involve taking fast-paced breakout trades where you are looking for quick wins.

Swing trading is about profiting from the next swing in the market higher or lower. This can take time to play out whether on the smaller or higher time frames. Yes, sometimes this will happen quite fast.

If you want a strategy where you are scalping small profits every few moments from the markets, then swing trading is definitely not for you.

What are the Most Popular Swing Trading Strategies?

Whilst swing trading is often done within trends and this is the classic method, it can also be successfully carried out within ranging markets.

As a swing trader you are looking to analyse the price action and profit from the bulk of the markets next swing.

The markets spend far more of their time ranging, than they do making clear trends higher or lower and being able to profitably trade ranging markets is crucial.

Swing Highs and Swing Lows

A crucial part of swing trading is understanding swing highs and swing lows.

As a swing trader you are looking to buy from the swing low and sell short at the swing high. In other words; buy cheap and sell expensive.

The most common tool to mark major swing points is [supply and demand]() or support and resistance to plot where price will likely form it’s next swing point.

How to Swing Trade With Trends

Swing trading solid and obvious trends is one of the most popular trading strategies employed by retail traders.

When done correctly it can offer a lot of high probability trading opportunities with high up-side.

The first step when looking to enter swing trades within a trend is to **identify a market that is trending**. The best trends are those that are clear-cut, obvious and if you showed them to a child they could clearly say that price was moving higher or lower.

You will normally find a series of higher highs and higher lows in an up-trending market, or lower highs and lower lows in down-trending market.

When you have to strain to find a trend, then chances are, there isn't one.

When you find a trending market, you are looking to enter at an area of value and an area where price has pulled back into either support or resistance.

One of the big mistakes traders often make when looking to swing trade within a trend is not entering at the correct swing point or from a ‘value’ area.

This means that instead of going long and buying after price has pulled back lower into support, traders will often buy right at the top of the move.

As the chart below shows; swing trading is about entering into the next ‘swing’ the market is about to make, not entering after the market has already swung.

Learn more about how to correctly identify swing highs and lows.

Swing trading a trending market is about stacking the odds in your favor and then riding the next wave.

When you have found the trend, price has pulled back into your support or resistance, you can then confirm with a price action trigger that price is looking to reverse.

An example of this is below; price was in a strong trend higher, it moved back into a support area and fired off a **2 bar reversal** signalling it was looking to again swing higher with the trend.

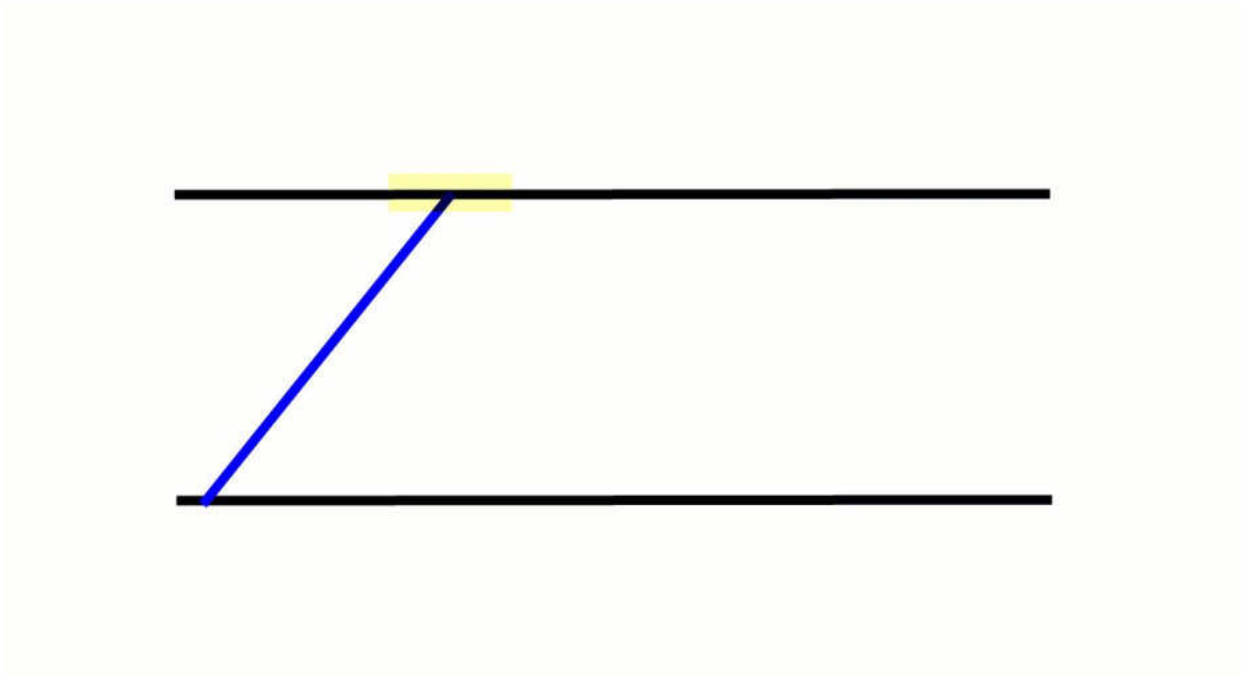
This was a confirmation to enter the next swing higher.

Another example is below showing price in a solid trend higher, price pulls back lower and forms a bullish engulfing bar to swing back higher.

How to Swing Trade Ranging Markets

Ranging markets can be difficult beasts to trade within.

A range trader is looking to profit from the swings the range is making both higher and lower. You will be entering short trades at the high and resistance of the range and buying long trades and the low and support of the range.



The best ranges are the ones that have a clearly defined high / resistance, and low / support.

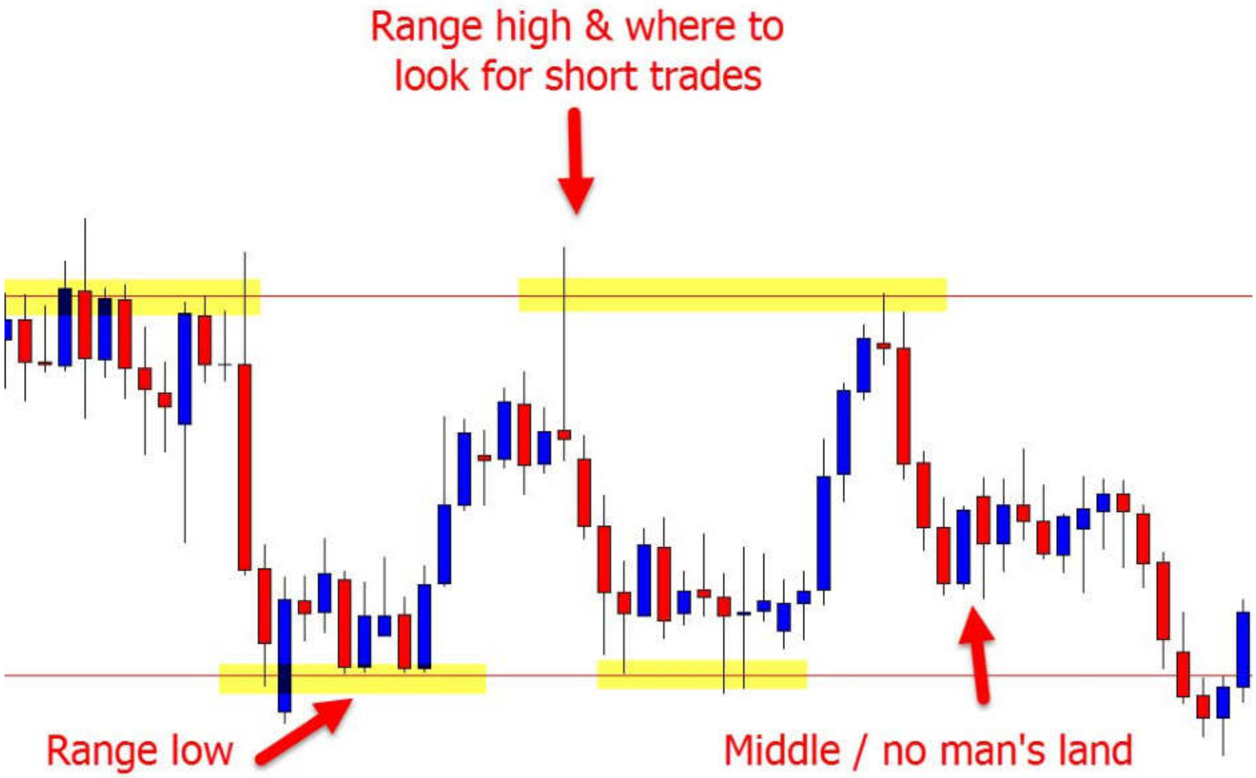
A few things to keep in mind;

- Stick to trading from the clear range highs and lows and avoid the middle ‘no man’s ground’.
- Use price action triggers like the engulfing bar or pin bar to confirm trade setups.
- Beware false breaks and use correct position sizing to minimize losses.

Where to Avoid

Avoid looking to enter trades in the middle of the range or the no man’s land. This can be a real trap and lead to endless sideways whipsawing.

The best swing range plays are from the swing high and swing low of the range.



How to Swing Trade on Intraday Charts

Whilst a lot of swing traders use the higher time frames like the 4 hour, daily and weekly charts to enter their trades, swing trading can also be carried out on smaller intraday time frames.

The same method that is used on the higher time frames of looking to profit from the larger swings in the market is also used on the smaller time frames.

One strategy that can help a trader stay away from weaker support and resistance levels and minimise false moves is to use the daily chart as their guiding chart.

To do this, you are marking your major support and resistance levels on the daily chart and then watching the price action.

When price action moves into one of these major daily support or resistance levels you have marked, you then flip to your smaller intraday charts to see if you can find an entry signal to make a swing trade.

As the two charts below highlight; price on the daily chart moved back higher and into the overhead resistance level.

When this happened, intraday traders could move to their smaller time frames to look for potential trade setups.

Chart #1: Daily Chart

Chart #2: 1 Hour Chart

The 1 hour chart shows price move into the same major daily resistance and swing high, firing off a **[Bearish Engulfing Bar = BEEB signal]** to swing back lower.

Conclusion

Swing trading is incredibly popular because it can be carried out on higher time frame charts allowing a trader to trade the markets, hold down a job, study or do other things with their time.

Trades can be held overnight and they do not need to be sweated on every moment of the day. It can also be used to capture the large intraday moves for the traders who are looking to trade within the sessions and don't want to hold trades overnight or for longer periods of times.

This is just one trading strategy of many a trader can have in their toolbox. Before deciding if it is for you, make sure you test and perfect it on a demo trading account.

Safe trading,

Johnathon