



The Definitive Guide to Swing Trading Stocks

Edition 5.0

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Introduction



I have been involved in the investment markets for more than 20 years. I remember when I first learned about stock trading: I thought it was truly amazing to be able to make money from anywhere in the world and all I needed was a computer, Internet access or a telephone.

Trading, in many ways, is the perfect business opportunity. It offers a multitude of unique benefits:

- no employees
- low overhead
- no physical inventory
- instant liquidity
- multiple ways to leverage capital
- independent of economy
- independent of climate
- easy to scale
- easy to automate
- favorable tax considerations
- the ability to take time off at any time

People are drawn to stock trading for many reasons. Yours might include:

- Making additional spending income
- Producing capital for other investments, such as real estate
- Saving for your children's education
- Becoming self-employed
- Building your nest egg for retirement

In my library of stock trading books and courses, I have found that 90% of the information is the same, just rehashed in some way. However, if I learned just one new thing, I considered each purchase worth my while. In this trading guide, I believe you will find not just one, but many things that will elevate your trading to new levels. In the chapters that follow, you will learn some of the best techniques I have found for extracting profits from the stock market on a regular basis.

I have written this trading guide in a very concise manner. You won't find a lot of anecdotal stories or hypothetical filler. I tell you what you need to know, why you need to know it and how I use it. I also include plenty of examples of what I am teaching along the way. I find this to be the easiest way to learn my methods.

REALIZE THIS: If an idea in this trading course can make you an extra \$100 on your next trade, this course will have paid for itself! With that in mind, prepare your brain to soak up everything like a sponge.

Here's to your success in the markets!



Kevin Brown, Author/Trader
SwingTraderGuide.com



Who Should Read This Trading Guide?

The Definitive Guide to Swing Trading Stocks was written for anyone who wants to learn easy and time-tested stock trading methods that are successful in **all stock sectors, all time frames, and all economies**.

Regardless of your motivation, at some point in time you need someone to teach you the ropes of stock trading, whether it is by seminar, videos, or a written guide such as this one. There are lots of ways to make money in the stock markets, but my experience has taught me that the *simplest* methods work best.

The methods I use are driven by **two** easy to follow principles:

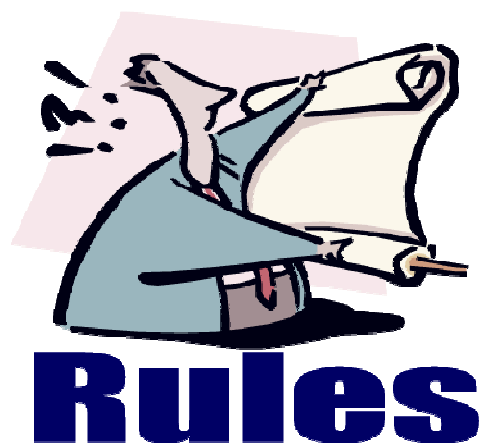
Principle # 1: ONLY trade by the rules

Principle # 2: Keep the trading SIMPLE

In general, I always try to keep things simple. Making stock trading more complicated than it really needs to be is the tendency for many “intellectual” traders, who eventually burn out. After all, it can’t be as simple as just picking up the phone or logging on to a website, placing an order, and making money—can it? No, it’s not quite *that* simple. But you certainly don’t need to stare at a screen all day, spend thousands of dollars for trading software, set up multiple computer monitors, purchase real-time data feeds, and subscribe to several advisory services.

Throughout this guide, I will provide you with a double look at things. First I will show you what are conventionally considered to be “best practices,” so that you’ll be aware of them, Then I will give you my take on the same thing and why I have taken that position. I think this is a more balanced approach, and it’s fairer to you as a reader.

The Ground Rules



If you're like me, you may have been "taken" a time or two by overzealous or unscrupulous vendors offering stock trading information that may have seemed a bit too good to be true—but you just had to find out for yourself.

That need to "find out" was driven by some internal beliefs. Some of those are good; some are not. Over the years, I have come to understand a few things about the markets, and I'd like to debunk a few of the most prevalent beliefs that are unfounded.

My hope is that I can pull you alongside me, and we both can look out of the same window. To do this, you will need to relinquish (or at least adjust) some beliefs you may have regarding trading and the stock markets.

This trading guide contains many trading methods and their related "rules." Below are the basic ground rules that you must use to guide all of your decisions as a trader, regardless of whether you use my trading methods or not.

**TOP
SECRET**

Rule #1: NO "secret" methods will work

So many trader educational offers out there supposedly reveal "little-known" or "secret" formulas for finding profitable stock trades. But here's the most important secret you need to know: NO trading method that is truly secret or little known will work. You must understand that the very first requirement for making a profit is to make trades (long or short) involving stocks that everyone else is trading.

Now think about this: If a method is secret, then very few traders are using it. But it takes more than a few traders to move a stock price. The preponderance of buyers or sellers is what causes a stock to rally or decline in the first place.

Thus, many traders are suckered into thinking that there is some new method, system, technique, or indicator that no one else knows about, that will give them the winning edge. You don't want to be a lone wolf with a winning edge in trading; you want to be part of the pack that's *on the right side of the price moves*.

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It is, always has been, and always will be, that plain and simple.



"We know stocks will go up but we don't know which ones or when."

going to act on it, and if they act on it—that is, place trading orders for that company's stock—it will be reflected in price.

Since price is the indicator everyone uses to keep score in the market, this is what I mostly pay attention to when it comes to money management, entries, and exits. I allow the price-sensitive rules of my methods to dictate all actions.

I'm still waiting for someone to disprove this fact. Nobody has yet been able to show me that orders being placed for a stock DO NOT affect its price. Understand that this is not a single instance; it is a cumulative effect. But it is always present.

Now, as it pertains to price movement, did you know that there's only four market-price occurrences possible? Although a plethora of technical indicators have been isolated to measure these few possibilities, the only possible states of a stock's price are **trend continuations**, **trend corrections**, **consolidations**, and **breakouts**. That's it!

Now, all technical indicators/methods attempt to measure or capitalize on one of these four stock-price states. If you assume the possibility of at least 10 different indicators/methods to measure each one of the price states, you would have a minimum of 40 different measurements, with more than **3,628,800 possible combinations!**

3.6 million possible combinations is a vast number!

Rule #2: Price is the ONLY reality

I mostly use price charts for determining when to enter and exit trades. This is otherwise known as "technical analysis". Price charts are more than just current and historical references for a stock's price; they are also visual representations of the *opinions* of all active participants for that stock.

This is an important concept to grasp. If something important (positive or negative) is going on in a company, *someone* knows about it. If they know about it, they are



Now you know why so many trading books, courses, videos, and websites are out there offering to teach you esoteric trading methods and secret information. They are merely measuring the *same handful of things* in millions of possible ways and calling it NEW and REVOLUTIONARY!

This is also how some traders fool themselves. They create their own indicators or find a consistent price pattern, and believe they have found something that nobody else knows about. But in fact, they're measuring the same price occurrence that others are measuring, only in a different way.

Rule #3: A high percentage of winning trades is NOT the answer

This is truly the hardest lesson to teach ANY trader. It certainly was the toughest one *I* had to learn.

So many trading gurus out there are pitching their amazing winning streaks. Who wouldn't be mesmerized by a track record with "90% winning trades" or "more than 150 winning trades in a row"? What they don't tell you is that the winning trade's profits are so small that the few but much larger losing trades and commissions tend to completely swallow the profits.

In addition, there are many times when the more detailed statistics seem to be curiously absent. As a trader, you must learn to concentrate on what is important: the "size" of your average loser versus your average winner.

Here's an example to illustrate. I put ten bills on a table. Each is just a \$1 bill. When we hear "go," we both try to grab as many bills as possible and the person with the highest dollar amount wins. Of course, in this scenario the **ONLY** way you can beat me is to grab more bills.

Now, suppose I lay out ten bills again, but this time three of them are \$20 bills. Ahh . . . now you've got it! You can still win, even if you grab fewer bills. That is the essence of making money in stock trading.

What if you could duplicate this over and over?

Most trading-course offers are touted as set-it-and-forget-it trading "systems." A trading system is a mechanical way of trading stocks, a hard and fast set of rules that must be followed each and every time. No opinions or subjectivity are involved. Though I am not this rigid in my own methods, I do believe trading systems can be good for some traders. This trading guide includes a section to help you evaluate and construct trading systems. It also will show you how to calculate a positive, mathematical expectation for profit, using trading statistics.





Rule #4: Risk is ALWAYS present

You must understand the fundamental fact that risk, as it pertains to trading or to anything else, can never be eliminated; the best you can do is *manage* it. Even so-called risk-free investments, such as savings accounts, run a risk—that the cost of living will grow faster than the account balance. Good stock-trading strategies should always address the management of risk.

There are **only five ways** to manage risk. Risk can be:

- Avoided – A trader avoids risk by not entering the market at inopportune times.
- Transferred – A trader transfers the risk to others by exiting positions.
- Reduced – A trader uses stop-loss orders to reduce risk.
- Distributed – A trader distributes risk by trading a number of individual issues, rather than just one.
- Assumed – A trader assumes risk by entering a position or by not entering a position. In the second scenario, the trader assumes the risk of lost profit opportunity.

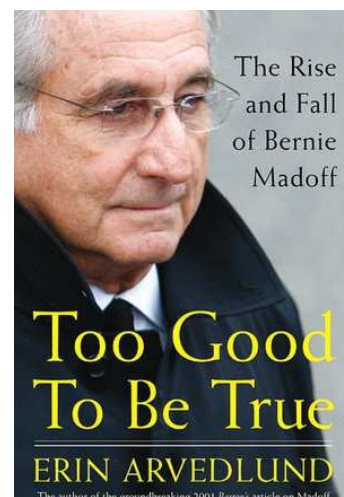
Rule #5: Trading is not an Ego Play

This last rule will be something that almost any trader can relate to. We all love to make a prediction about a stock move and watch it come true. We typically boast about these trades with all of our friends and family and can't wait to "call" another market move. (The losing trades curiously have lackluster airtime)

Though this act of predicting strokes the ego it has absolutely nothing to do with the business of trading. Read the statement below slowly and even several times to let it sink in.

Trading is a business decision, predicting is an ego play.

What does that mean exactly? It means that you should enter trades only if there is a sound business reason to do so. Those reasons are discussed at length in this course. However, you should never trade or hold on to a position because you want the market to prove your prediction right. As a matter of fact, you shouldn't have an opinion or prediction for any trade but rather have a plan for whatever the markets happens to do. In my experience this is the only way to become a profitable trader in the long-term.



What Is Swing Trading?

There are three primary styles for trading stocks. Below I compare swing trading to other trading styles.

Day trading (Ultra short term)

Day traders buy and sell stocks in the hope that the price of the stocks will fluctuate in value during a single the day, allowing them to earn quick profits. A day trader will hold a stock anywhere from a few seconds to a few hours, but will always sell all of those stocks before the close of each day. The day trader will therefore not own any positions at the close of the day, and there is overnight risk. The objective of day trading is to quickly get in and out of any particular stock for a profit as small as a few cents to as much as several points per share.

Day trading can be further divided into a number of sub-styles, including:

- **Scalping:** This style of day trading involves the repeated buying and selling of a large volume of stocks within seconds or minutes. The objective is to earn a small per-share profit on each transaction, while minimizing the risk.
- **Momentum trading:** This style of day trading involves identifying and trading stocks that are in a moving pattern throughout the day, in an attempt to buy such stocks at bottom prices and sell at top price.

Swing trading (Short-term)

The principal difference between day trading and swing trading is that swing traders will normally have a slightly longer time frame for holding a position in a stock. As is the case with day traders, swing traders also attempt to predict the short-term fluctuation in a stock's price. However, swing traders are willing to hold stocks for more than one day, if necessary, to give the stock price some time to move or to capture additional momentum in the stock's price. Swing traders will generally hold on to their stock positions anywhere from one to 15 days.

Swing trading has the potential to provide higher returns than day trading offers. However, unlike day traders, who liquidate their positions at the end of each day, swing traders also assume overnight risk. The risks involved in carrying positions overnight can be significant. For example, news events and earnings warnings announced after the closing bell can result in large, unexpected—and possibly adverse—changes in a stock's price.

Position trading (Long-term)

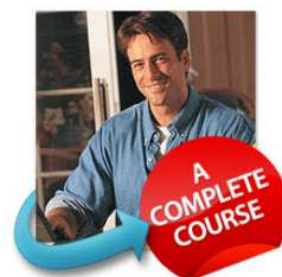
Position trading is similar to swing trading, but with a longer timeframe. Position traders hold stocks for a time period lasting anywhere from one day to several weeks or months. These traders seek to identify stocks for which the technical trends suggest a possible large movement in price is likely to occur, but which may not be fully played out for several weeks or months.

End of Free Chapters

Here's What You Will Learn From This Course

With the purchase of your **Swing Trading Course** you will learn all of the following strategies and tactics that can help make you a more profitable trader

- ✓ How to identify the **best stocks to watch** for swing trading. (page 35)
- ✓ How many stocks to trade at any given time to **maximize your portfolio** and reduce risk. (page 87)
- ✓ Why the stock indexes are your friend and enemy at the same time. (page 86)
- ✓ How best to place entry/exit orders for the **best executions**. (page 20)
- ✓ How to calculate a **positive mathematical expectation** for a trading system. (page 22)
- ✓ How to determine the **optimum amount to risk** per trade. (page 77)
- ✓ Understand how to utilize multiple measurements to **find the biggest movers**. (page 33)
- ✓ Exclusive disclosure of my **Trading System Quadrant™** which **identifies** how all trading systems will perform over time. (page 23)
- ✓ Revealing insight into why there are over **3 million** combined variations by which you can analyze the same stock! (page 8)
- ✓ Discover the underlying structure of all stock markets and learn **how to project support/resistance levels** well into the future with uncanny accuracy. (page 54)
- ✓ Learn by watching with the the included tool **video tutorials**
- ✓ Discover what is the **single most important component** for choosing a stock for swing trading. (page 35)
- ✓ Learn which **software and brokers** are best for swing trading. (page 94)
- ✓ Understand the daily, weekly, monthly and quarterly **business activities** of trading (page 91)



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My Methods Are Compatible with All of the Following...

Unlike some other courses, my swing trading course is NOT comprised of a blackbox trading system. All methods including how to calculate them are fully disclosed. You can utilize **most any trading software package** or market instrument with my methods, including those listed below:

Trading Software	Compatibility?
MetaStock	✓
TradeStation	✓
Telecharts	✓
eSignal/Advanced GET	✓
Trade Navigator	✓
Stockcharts.com	✓
Incredible Charts	✓
SwingTracker	✓
AmiBroker	✓
NinjaTrader	✓
Spreadsheets	✓

Markets	Compatibility?
Stocks	✓
Mutual Funds	✓
Forex	✓
Futures	✓
Bonds	✓
ETFs	✓
Commodities	✓
International markets	✓
Virtually any freely traded market!	✓

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FREE Support

I know how it feels to be sold something and then left to fend for yourself so I strongly stand by my trading course and provide 100% free email support for life! I am mostly busy trading during market hours but you will usually get a response within 24 hours. I am a real person so feel free to reach out!



Money-Back Guarantee

Trading is all about results so here is my no-nonsense guarantee. Trade stocks following the methods in my course (real money or paper trades) for a full 60 days. If during that time you find that your first 15 trades don't result in a net profit you may ask for a prompt refund of 100% of your purchase price. You can't be much fairer than that.



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