

THE SETUP

RANGE BREAK & PULLBACKS

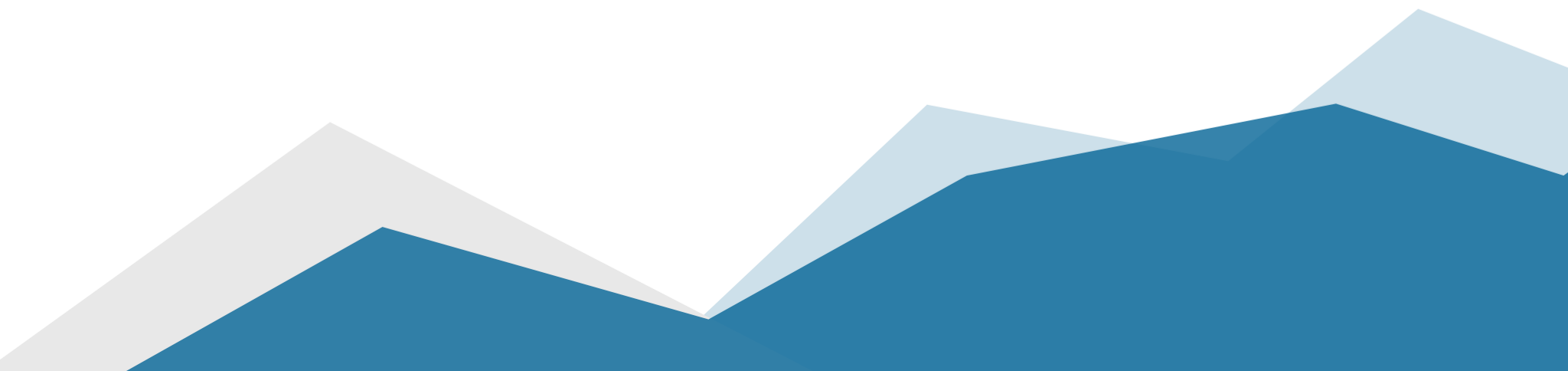


CUSTOM STRATEGIES BUILT BY
TRADE IDEAS PROFESSIONALS

trade
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by Andy Lindloff

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by Jamie Hodge



INTRODUCTION

Trading markets is an art not a science. If it was a science everyone would be following the “rules.” Since trading methods are subjective in each approach to the market, there really is no one correct way to approach trading for success. You have to find a niche that works best for you, your tolerances, strengths and weaknesses. Swing trading is a multi-day time frame of trading that is becoming more popular as it does not require constant monitoring of your positions like day trading. People can afford to work or even have side hustles while still managing a swing trading account.

For this reason, we have decided to make the concepts of our latest Trade Ideas eBooks focused on our favorite swing trading setups here at Trade Ideas. Steve, Andy, Sean, Jamie, Michael and Barrie have each dedicated a chapter in this series of eBooks to spell out their favorite swing trading setup and why.

We hope you enjoy this diverse approach to sharing some specific ideas and methods for swing trading time frames. Some of the chapters will even include the Trade Ideas scan configuration cloud link for you to download and use yourself. Enjoy!

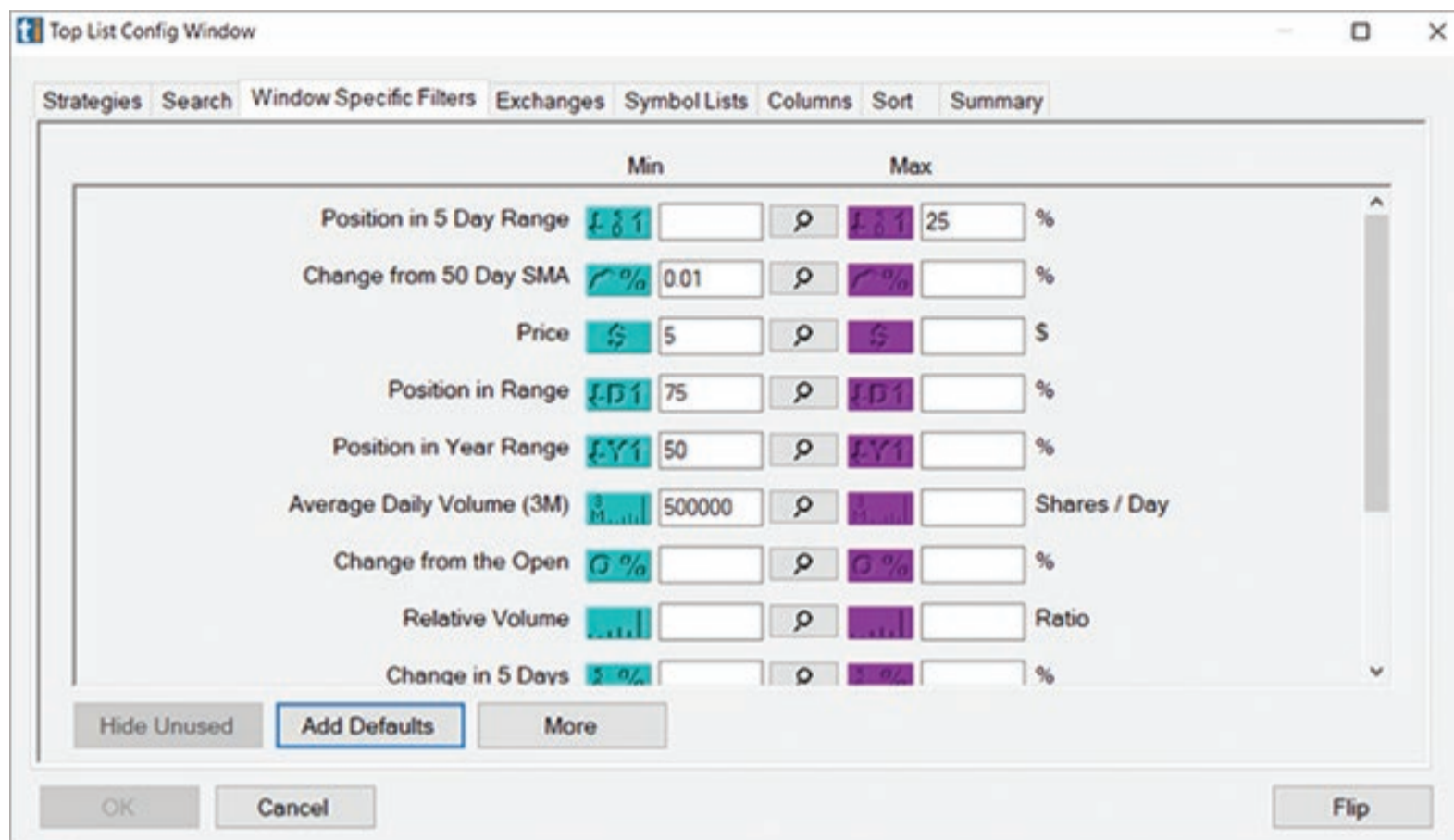
CHAPTER 01

BUYING STRONG STOCKS ON PULLBACK

compiled by Andy Lindloff

When it comes to swing trading, I'm not one who likes to chase 52 week highs, unless it's a major range break and I'm able to catch it early. I prefer buying strong stocks on pullbacks after the selling has potentially subsided. The ideal situation for me is a stock that has recently hit a 6 month to year high, then a pullback on the 5 day time frame, price is above the 50 day SMA, and then puts out a bullish daily setup bar (*described below*). One thing I love about Trade Ideas is if you can imagine a chart pattern in your head, in most cases you can build a scan to generate ideas based on the pattern with our "Position in Range" filters.

On the next page (*pg. 6*) is the configuration of the setup I mentioned above.



When looking at ranges, the low of the range is 0% and the high of the range is 100%. **The key filters in this configuration are:**

Position in 5 Day Range

(Max 25—meaning the price must be no more than 25% from the low end of the 5 day range, thus pulling-back on that time frame).

Change from 50 Day SMA

The price must be a Min of .01% above the 50 day SMA.

Position in Range (referring to the current day's range)

This is what creates the Setup bar. The Min is 75%—meaning the price must be at least 75% above the low of the intraday range. This is valuable information! It tells us that after pulling back in the 5 day time frame, the stock tried to sell-off again in the current trading day, but buyers stepped in and pushed the stock price in the upper 25% of today's range.

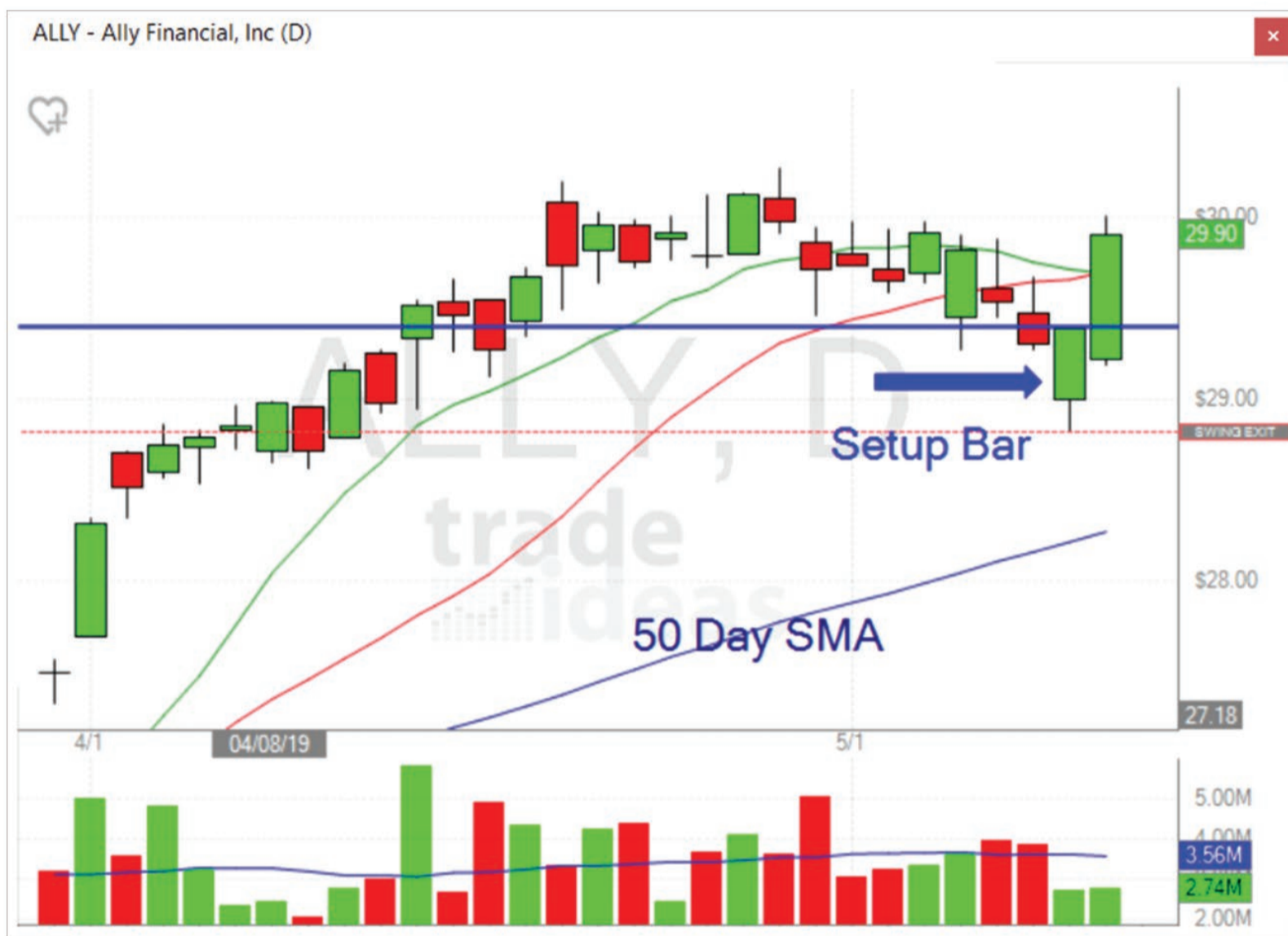
This will become more clear as we look at the Top List Window and a chart. Top Lists are great for doing homework because stocks will freeze in the window at the close of the day. There is no alert in a Top List. It only has filters, and any stocks that satisfies all the filters in the configuration will appear in the Top List window.

Here is a screenshot of the above configuration from the close on May 9, 2019:

T Pullback, above 50 SMA Pro: 2:55:00 - 2:59:59 5/9/2019									
Symbol	Price (\$)	Chg Opn (%)	Rel Vol	Composite Rating	Chg 5 Dys (%)	Chg 10 Dys (%)	Chg 20 Dys (%)	Chg 50 Day	Avg Vol (3M) (Shr)
PRPO	6.75	11.6	0.94	60.00	-19.7	-9.1	40.6	67.4	1.13M
PS	32.51	3.3	0.73	74.00	-8.0	-2.2	8.5	2.4	2.00M
AYX	88.71	2.4	1.27	87.00	1.4	2.6	10.0	8.7	1.18M
ARI	18.48	2.2	19.32	62.00	-1.6	-0.5	0.9	0.1	961,280
CNK	41.38	1.9	0.96	71.00	-1.1	-0.3	1.9	2.3	1.22M
HTZ	17.78	1.8	1.20	57.00	-3.4	-2.7	0.4	0.5	3.19M
ESNT	46.85	1.7	0.99	86.00	-0.9	1.0	5.5	3.8	627,424
STL	21.37	1.7	1.02	66.00	0.9	3.7	8.5	6.7	2.30M
NTRS	96.91	1.6	0.75	75.00	-0.7	-0.8	3.7	3.3	1.20M
TMHC	20.44	1.6	0.65	78.00	-0.9	5.1	10.4	11.6	1.28M
ENTG	39.68	1.6	0.92	70.00	-2.3	-2.9	1.3	5.3	1.85M
TDS	32.14	1.5	0.84	56.00	-0.4	1.0	1.3	1.0	818,338
ALLY	29.37	1.5	0.64	65.00	-1.2	-1.8	2.3	4.3	3.36M
BBT	49.47	1.5	1.06	65.00	-2.4	-0.7	3.3	0.5	6.19M
ITW	151.49	1.5	1.44	70.00	-1.9	-3.4	0.3	1.5	1.28M

You can see that the stock symbol ALLY (pg.7) appeared in this Top List at the end of the trading day on 5/9/2019.

Now, let's take a look at the daily chart of the stock ALLY (below):



As you can see from the ALLY chart on the previous page, all of the filters were satisfied. The price has pulled back and is in the lower 25% of its 5 day range, its above the 50-day SMA, and tried to sell off more on 5/9. But, buyers came in and pushed it higher to close in the upper 25% of the intraday range, thus forming the setup bar.

The theory behind this strategy is not to buy it on the day of the setup bar. Ideally, you would like to see the price action trade above the high of the setup bar the following day, and that would be the trigger to buy (although be careful about buying in the first 15 min of trading the next day). The price has a much better chance of reversing for swing trade once it trades above the setup bar's high. The entry is the most important part of a trade, and this has the potential to be a great entry. Now that we know we have a good entry, the rest is just managing risk. Every trade needs to have a stop price and it needs to be defined the moment you enter the trade. In this strategy, I like to use a price below the low of the setup bar as the stop. In this example it happens to line up with the "swing exit" generated by Trade Ideas software. Obviously this is subjective, and depends on other variables such as trade size, holding time, and risk tolerance.



What I really like about this strategy is that the entry price and stop price is defined, taking away a lot of the guess work that you will find in many trading strategies. The way I like to trade this strategy is to do my homework the night before and place price alerts on the patterns I really like just above the high of the setup bar. If it triggers the next day, I will of course always gauge the current market conditions and other variables that may influence the trade. Also, I will seldom take a trade in the first 15 min to avoid head-fakes. Keep in mind that this is a swing trade, so paying a little higher price is better than getting whiplashed by early algo price action.

Whether you're an experienced trader or new to trading, this is a swing trading strategy that will allow you to buy strong stocks without chasing highs. All it takes is a little homework and applying good risk management rules. Of course, it never hurts to have a great idea generating software like Trade Ideas to let it do a lot of the work for you.

CHAPTER 02

BUYING STOCKS AT ALL TIME HIGHS (ATH) & SHORTING STOCKS AT ALL TIME LOWS (ATL)

compiled by Jamie Hodge

In our previous book (*5 Ways to Win in a Post BTFD Market*), I discussed the Intraday Range Break, otherwise known as an ORB (*Opening Range Break*). In this book, we're going to take it one step further and apply the same methodology but with a new twist—playing the ORB on stocks that are at Lifetime Highs or Lifetime lows.

When we trade an ORB for a stock that is “Range Bound” on the daily—not at all time highs (ATH) or all time lows (ATL)—we typically look to the left in order to try and determine how much ‘room’ we may have if the stock moves in our direction. In other words, if we're long, how much room is there before the stock hits potential resistance? If we're short, how much downside ‘room’ might there be before we encounter potential support?



Example of an ORB (range bound on daily) going long in COLD. (Intraday - 15 Minute)



Now the daily chart, looking to the left.



Here's an example of an ORB with a stock at ATH. Notice when we look to the left (*daily -2nd image below*), there's nothing. It's what I like to refer to as 'Blue Sky' or 'Out of the Box.' Because there's basically nothing as far as resistance goes, these offer some great swing trade potential.

Intraday ORB Setup



Daily, at ATH



So to summarize, if we can make a good entry, based on the intraday ORB with acceptable risk, and the stock is at ATH—while it's no guarantee it may have dramatic upside potential—it's certainly a positive attribute. You never know if you'll get 1-2-3 days or more of run once this happens. Of course as always, market conditions play a factor. For swing trading you can always use the Trade Ideas 'Swing Exit' which is always visible on the right margin of every chart. **(Note: For Short trades, we simply flip swing exit and profit target.)**

I've included intraday risk on the 15 minute chart because some traders out there will only swing things that they are profitable heading into the close. Which swing exit you end up selecting may be different depending on your risk tolerance. I'll review the 2 different risk options at the end of the chapter. This methodology also gives us the potential to meld the two techniques of intraday and swing trading—in essence creating a hybrid. We key our entry off of the intraday strength, and assuming the trade remains strong into the close, we're starting with much greater momentum entering the swing phase.



Now for a Short Example of a stock at ATL.

Intraday Setup



Daily at ATL. "In The Hole" or "In The Abyss" No Support



Just like the upside version, being short with no apparent support is a good thing assuming proper risk management and acceptable risk on the intraday. With some good timing and patience, there are some trades where you have the potential to be nicely in the money while the new range materializes. Remember, every trade starts out as a day trade, whether we swing it or not is based on different factors.



Now, for the Alert windows that will help us identify these types of opportunities. I'll be including 2 of my favorite windows that I've built for this specific task, *Turbo Up and Turbo Down*.

Time	Strategy Name	Symbol	Rel Vol	Vol 1 Min (%)	Price (\$)	Vol Today (Shr)
2:59:45 PM 5/14/2019	Sub 2B Life	NRC	0.9	674.7	47.88	17,238
1:24:53 PM 5/14/2019	Min 4B Life	PEP	1.0	339.5	128.50	2,008,825
11:08:48 AM 5/14/2019	2-4B Life	PD	0.4	396.6	54.00	184,169

CLOUD LINK

Time	Strategy Name	Symbol	Rel Vol	Vol 1 Min (%)	Price (\$)	Vol Today (Shr)
2:55:17 PM 5/14/2019	Sub 2B Life	WTRH	2.70	1,205.1	8.21	1,281,0
2:46:38 PM 5/14/2019	Min 4B Life	FHL	0.59	559.2	12.12	336,1

CLOUD LINK



Q: What's so special about these two "MultiStrategy" windows?

A: Each window contains 3 different versions of the same strategy. The different versions are based on market cap. This helps us get ahead on whether it's the big caps, mid caps, or small caps presenting the most action on any given day.

GREEN	BLUE	YELLOW
Market Cap of \$4 Billion or greater.	Market Cap between \$2-\$3.99 Billion	Market Cap of less than \$2 Billion

In addition, as these stocks are hitting their respective intraday highs/lows (because they have to do this if they're breaking out or down in an ORB) they must be exhibiting a minimum of 3x normal volume or higher on the 1 minute time frame. Remember, volume is not the Holy Grail, but it can be The Great Equalizer. More than likely, you will also notice very healthy 'Relative Volume' readings accompanying these signals as well.



Q: How do I define risk on the intraday ORB setup?

A: You can use the Trade-Ideas 'Swing Exit' or Prior resistance, which now has the potential as acting as future support.



May your longs go up and your shorts go down!

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