

# THE SETUP

# SOLID SWING TRADING CONCEPTS



CUSTOM STRATEGIES BUILT BY  
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## 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

## THE 'A' TABLE

compiled by Steve Gomez

### THE CONCEPT

Remember the 'A' table back in high school? You know the one with the best athletes and the smartest of the student body socialites. They were the ones who had it all going on and were destined for great things at the next level in life. They all seemed to find a way to come together as the alpha group and they knew it.

| T Trade Ideas SCoRe: 3:00:00 - 3:04:59 |       |                |         |               |                 |
|--|-------|----------------|---------|---------------|-----------------|
| Symbol                                 | Price | SCoRe (30-100) | Rel Vol | Chg Close (%) | Vol Today (Shr) |
| HIIQ                                   | 50.74 | 83             | 1.25    | 3.8           | 467.552         |

The reason I use this metaphor is to introduce you to the Trade Ideas real-time scoring filter known as **SCoRe for Stock Composite Rating**. The SCoRe filter grades individual stock symbols on both fundamental and technical conditions but with a heavier weighting placed on technical strength on the daily charts. All of this is reported in real time for Trade Ideas scans. Stocks with a SCoRe rating in the 90's are considered to be A students... at the 'A' table so to speak.



This is called a short-squeeze and this Trade Ideas Top List scan gives us a curated list of ideas to monitor or setup for auto trade execution using our Brokerage Plus tool.

## SHORT SELLERS

Here's where this setup gets interesting by adding another filter to our scan. The Short Float % filter gives us an idea of how many traders and investors simply are not paying attention to the fact that they, along with many others are not paying attention to the SCoRe of a particular stock that is heavily shorted but with a SCoRe in the high 90s.

There are many books written on short selling and I'm pretty sure none of them have a chapter dedicated to shorting super strong stocks at all-time highs or even new 52 week highs in some cases. If you are setting up a scan in this fashion (the cloud code for this scan will be available at the end of this chapter) you will want to look for stocks that have both a high SCoRe in the upper 90's and at the same time a short float % of 15 or greater.

Let's think about this for a moment, if there are many people that have yet to admit the high probability that they are wrong in shorting a name with a strong SCoRe and many other short sellers who have yet to come to the same conclusion, the potential for a moment of panic is high.

That moment where these people have to buy back stock to stop their pain and at the same time compete with the greed-driven people who are seeing a breakout with no resistance in sight. This is called a short-squeeze and this Trade Ideas Top List Window gives us a curated list of ideas to monitor or setup for auto trade execution using our Brokerage Plus tool.

That's the idea behind this particular swing trading strategy. Now that you know the idea behind this method let's look at some charts to discuss what looks good and what we might pass over when we look at this Trade ideas scan for solid setups.

## **THE EARNINGS PLAY**

Notice the chart of (ENPH) and (PRO) on the next page (pg. 8,9). You can see the upward trend and the perfect stack of moving averages. There is no congestion in these charts and the trend direction is clearly going up. The recent gap up with volume and volatility was due to good reactions to the most recent earnings report. The key point in the price action here is what happened in the days after this gap up. The gap was never filled. Although there was an attempt to pull back and fill the gap, the sellers were not successful in doing so.

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The A Table : 1:04:30 - 1:04:59 5/10/2019

| Symbol | Price (\$) | SCoRe (30-) | Shrt Fit (%) | Flt (Shr) | Opn vs Low (%) | Chg Close | Rel Vol | Earn Date |
|--------|------------|-------------|--------------|-----------|----------------|-----------|---------|-----------|
| ENPH   | 14.02      | 95          | 23.36        | 98.6M     | 64.10          | 3.4       | 1.19    | -7.25     |
| PODD   | 103.18     | 91          | 17.87        | 58.2M     | 44.00          | -1.6      | 0.89    | -5.25     |
| IPHI   | 50.74      | 95          | 16.54        | 42.5M     | 73.00          | -0.7      | 1.39    | -7.25     |
| PRO    | 52.47      | 94          | 15.17        | 33.0M     | 121.00         | 0.2       | 1.13    | -10.25    |
| EGHT   | 24.00      | 90          | 14.27        | 90.5M     | 16.64          | 0.9       | 1.20    | 9.75      |
| MDSO   | 93.54      | 92          | 12.37        | 57.6M     | 92.00          | 0.8       | 0.84    | -7.75     |
| ZS     | 73.55      | 100         | 12.31        | 62.4M     | 151.50         | 7.2       | 3.13    | 18.75     |
| COUP   | 104.05     | 94          | 12.08        | 56.6M     | 179.00         | 1.8       | 0.83    | 16.75     |
| VYGR   | 24.43      | 91          | 10.38        | 21.8M     | 43.00          | 2.8       | 1.15    | -2.75     |
| OLLI   | 100.71     | 94          | 10.11        | 51.4M     | 25.77          | 2.0       | 1.09    | 17.75     |





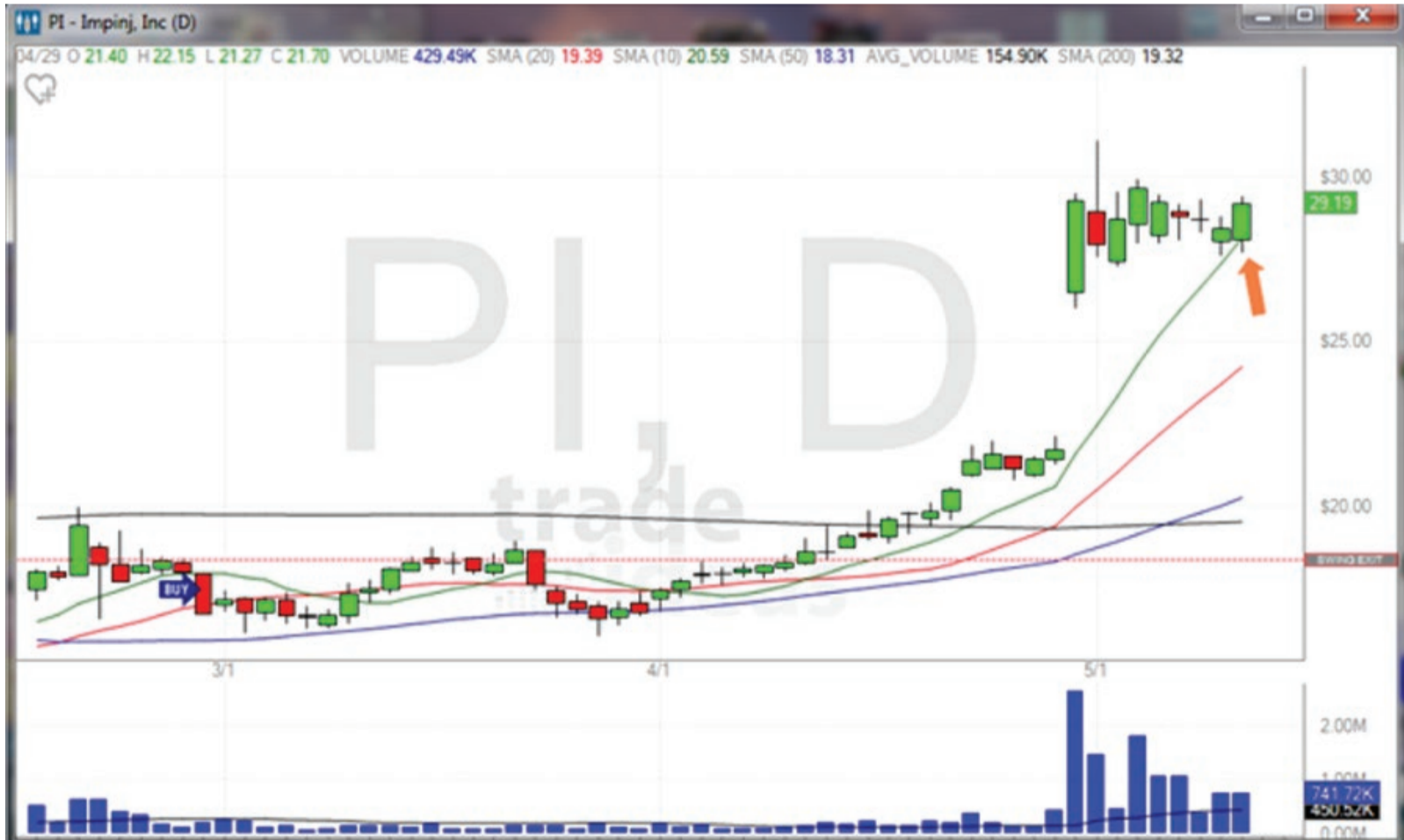
This becomes a major loss of morale for the short sellers as they begin to realize they may just be on the wrong side of this potentially explosive move up from short covering and fresh buying. So, earnings can be a nice catalyst to help the probabilities of a move such as this. You can use the Earnings filter in Trade Ideas to only find the stocks that are coming off earnings or you can set that data point as we have in our Single Stock Window and reference how close or far away from earnings each of the names are.

## BUY POINTS

There are a few different ways to look for entry points on setups from this scan. The first is to add a 10-day Simple Moving Average to your daily charts and observe how well this line is at holding up the bottom of the daily candles as the trend moves higher for long plays.

The examples below all appeared on the “A Table” scan around these setups described below.

## USING 10-DAY SIMPLE MOVING AVERAGE



The 10-day Simple Moving Average can give us a lot of information on a daily chart without the need of any other indicators for those traders who like to keep things simple. This moving average seems to be accurate in gauging the momentum of price. In other words, is the trend still intact? Any closing candles under a rising 10-day moving average on stocks with a strong SCoRe will signal a stalling of the momentum and a time to get out if already long.

We can use the momentum gauge to enter a new position giving us a tight downside stop in case the trade does not work out. In the example of the chart (PI, pg.10) you can see that the sideways price action was forced higher once the test of the 10-day SMA was successful and no closing candle appeared. This orange arrow is the signal that an entry may be taken here to participate early in the next leg up. The rising 10-day SMA then becomes our stop out. If the price signals a closing daily candle under this moving average, GET OUT. This type of entry usually allows for good risk/reward scenarios.

## **SIDEWAYS BREAKOUT**

Another way in which swing traders can capitalize on a curated scan like this is to look for sideways action over a few weeks and then a breakout in

the same direction as the current trend. If we are only focused on 'A' rated stocks then these will all be uptrends. Long sideways action gives us better chances for follow-thru on a breakout of this channel. Price action needs time to consolidate and catch its breath often. These moments give us an opportunity to spot a trade entry if we are paying attention. The red line in the daily chart of (EGHT, *below*) could be an area in which we set a price alert to ourselves in order to make sure we do not miss this event during the trading day. This type of setup also gives us a good risk/reward scenario as the lower end of the tight range will be our stop zone if the breakout should fail.



## FLAG BREAKOUT

Another consolidation pattern used to predict continuation of the current trend is a “flag” pattern. Usually we will see a consolidation of price into a sharp triangle until a resolution is established and the bulls emerge with a break out from this pattern (drawn in red) on the OLLI daily chart (*below*).

The entry here could be the closing price of the green bar highlighted by the arrow. Buying at the close is another great anticipation move to get a great entry on a chart that we have identified as an entry. There is nothing worse than seeing this setup after the market and then having to pay up with a gap in price the following day. When you simply could have bought the close when you saw it the day of and had confidence in the setup.



## RISK MANAGEMENT

### Rule #1: When swing trading—DO NOT CHASE THE ENTRY!

What do I mean by this? I mean do not wait for 3 green candles on a daily chart to feel safe about finally jumping in. You are just asking for an instant pullback when you do this, learn to anticipate for the best entries.

All three of the above examples are different ways to approach using the “A Table” scan. Look for these possible setups from the scan then set price alerts at the proper points on the ones that interest you to make sure you do not miss them. Sometimes the best setups are the ones you set and forget only to have them pop up the next day or two served hot and ready to go.

Many of the ‘A’ setups from the SCoRe filter will be at or near all-time highs or 52 week highs. If they are close to 52 week highs then look left on a weekly chart and expect selling to come back in at those levels. If these setups are at all-time highs then realize there is no upside resistance and the sell points are up to you. As always, look for risk/reward setups that will give you 1:2. Risk 1 to make two is a good ratio rule to follow when swing trading. These setups will give you many opportunities that fit this risk management. Good luck!

As promised, here is the cloud link for settings of “The A Table” seen and discussed in this chapter.

CLOUD LINK

# CHAPTER 02

## MY FOUR RULES FOR SWING TRADING

compiled by Barrie Einarson



1

Check the Daily/  
Weekly chart for a  
large Gap - the larger  
the better so that  
potential resistance  
is far away.





Check to see where the 200 Day Moving Average - should be far enough away so that it won't be a possible resistance area.

2



Check to see when the company is due to release earnings - I personally NEVER swing trade through earnings.

3



I want the stock to close near the high of the day.

4

**If all 4 of the above conditions are met, a stock can become a swing candidate.**



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