

## Introduction

This book is a simple, practical guide to **swing trading**. For years I have been reading books and exploring web sites that are dedicated to swing trading. Yet, I could not find any simple description of how to enter and exit a trade. So I developed some basic rules that have been published on my web site [www.mrswing.com](http://www.mrswing.com). I call these rules **The Master Plan**. Over the years, thousands of investors have used my **Master Plan to swing trade**. It is my firm belief that a **swing trader** must trade with discipline. While it is important to keep things simple, the rules of the **Master Plan** might seem a little intimidating. The main reason I wrote this book was to make **swing trading** more accessible to the beginner. The rationale behind swing trading and the entry and exit rules are presented very clearly – both the beginner and the experienced swing trader will now have a simple guide to follow.

To quote Albert Einstein: "Things should be made as simple as possible, but not any simpler". This is the principle I followed while writing this book.



Why does swing trading work?

Because you are trading in the direction of the trend. You wait for a pullback before entering the trade, and you enter only if the stock shows a sign that its price will continue in the direction of the trend.

The main objective of a **swing trader** is to profit from **swings** in price movement over the course of several days. While we might trade every day, we are **not** day traders. As **swing traders**, we have the patience to wait until our profit goals have been reached. Fortunately, the wait is not too long. A typical trade is only in play from a few days to a few weeks. When a trade is closed, the funds go into the next trade.

Money management is very important in swing trading. I divide my trading capital by 15. This is the amount that I put into each trade. As the total account grows, the amount of each trade grows. If you can handle a larger number of

trades, you might increase the number of trades that are active to 20. Of course you can also start with 2 or 3 trades at a time.

Each day I identify 20 to 25 candidates for swing trading. If I have 10 trades active and enough additional investment capital for 5 more trades, I pick the best 10 from my list of 25, and place the orders. Only some of orders will get filled. I don't worry about running out of money – if there is no cash left in the account, additional orders will simply not get filled. (Make sure that your own account works this way, otherwise, your brokerage firm might fill the order and expect additional funds within the next few days.)

You must make a personal decision as to whether you want to trade on margin or not. If you are more conservative, you will only trade with the cash that you have on hand. As I discuss later in the book, margin is necessary for **selling stocks short**, so it is important to have your account approved for margin trading, even if you don't plan to trade on margin.

The stocks I identify as good **swing trading** opportunities are made available each day through my **MasterSwings** service. Once a week, my picks are made available on my website – [www.mrswing.com](http://www.mrswing.com) – or by e-mail, through my free **MrSwing Lite** service.

Swing trading should be both profitable and fun. Through the guidelines outlined in this book, you can achieve both of these simple objectives.