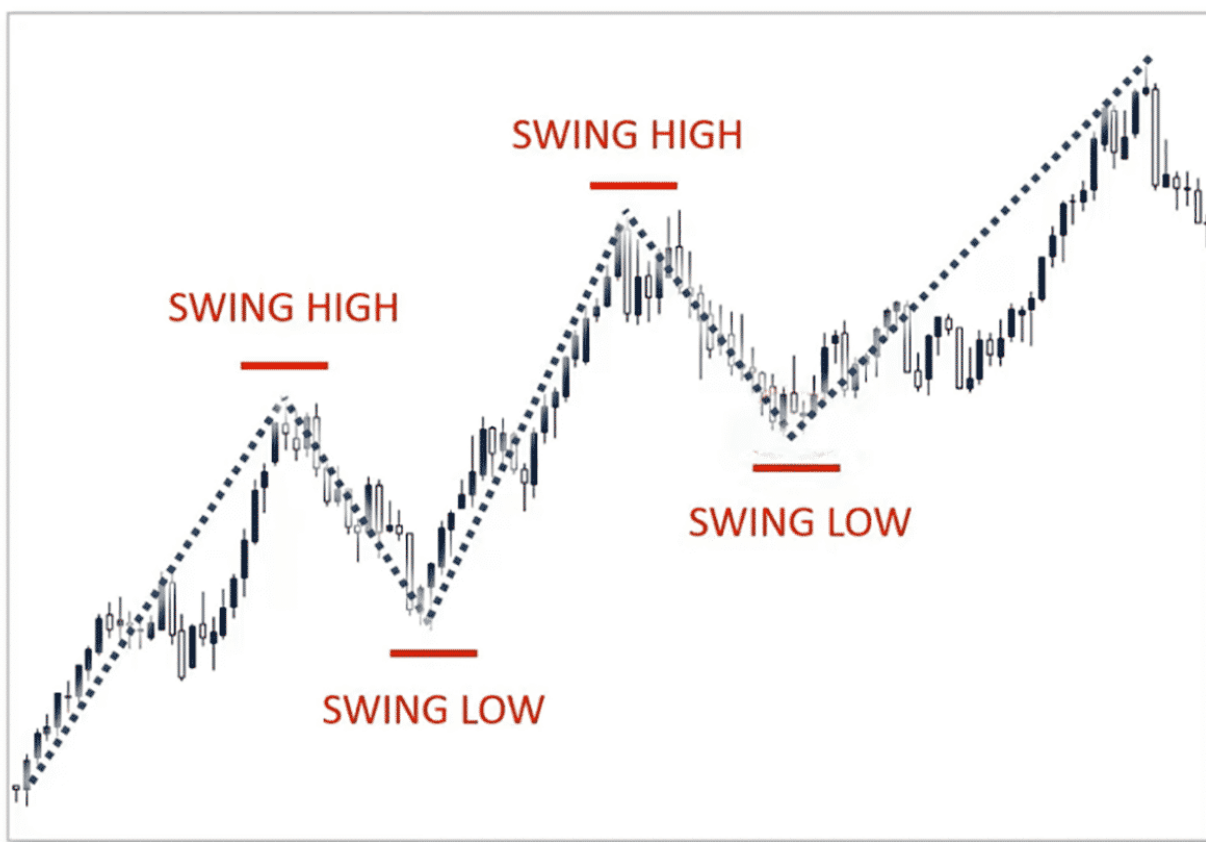


Swing Trading Strategy

Swing trading got its name because it tries to gain from price oscillation or upward or downward swings.



Swing traders use an array of technical trading tools, like day traders, only for a period that is close to position trading.

Swing traders use popular trading tools like Bollinger Bands, Fibonacci Retracement, and moving oscillators to form strategies. Besides, traders also keep a close watch on emerging patterns in multi-day charts like

1. Head and shoulders pattern
2. Flag pattern
3. Cup and handle pattern
4. Triangle pattern
5. Moving Average Crossover

Let's take a look at simple swing trading strategies.

- **Fibonacci Retracement:** Traders involved in swing trading know that stocks tend to retrace sometimes at different levels before reversing again. Fibonacci retracement lines help traders identify support and resistance levels. Traders draw horizontal lines at different % levels, like 23.6%, 38.2%, and 61.8%, to identify potential reversal levels. For instance, when the trend is downward, a trader can plan a short trade at the 61.8 Fibonacci line, functioning as a resistance level, where the price retraces before bouncing off and exits when the price touches the 23.6 Fibonacci line or the support level.
- **Support and Resistance:** Support and resistance lines are the two most important indicators for traders who follow the trend. Support identifies the bottom level of a trading range, and resistance represents the ceiling. Asset price moves within the range, but it indicates a reversal when it crosses the support or resistance level. Price above the

resistance level is identified as an overbought situation, and it may indicate the buying pressure will recede and selling forces will take over. Similarly, the area below the support line is where overselling occurs. A swing trader will enter a selling position when the price bounces off at the resistance, placing the stop-loss level just above the line.

- **Bollinger Bands Method:** Bollinger Bands (BB) are price bands on both sides of a moving average trend line. It creates a range between which asset prices move. Swing traders use Bollinger Bands to plan entry and exit points in the market.
- **Channel Trading:** Channel trading is a simple method involving trading assets showing a strong trend line and trading within a channel. For example, you'll plan a sale when the trend line is downward and touches the upper limit of the channel before bouncing off down. Traders using channel trading as the tool always trade with the trend signals.
- **Using SMA:** Another popular swing trading method is the simple [moving average](#) (SMA) line. The SMA is a continuously updating line where each data point represents the average price of an asset. 10 and 20-day SMAs smooth out the noise.

The trader will place the two SMA lines against each other on a trading chart. When the shorter SMA (10 days) crosses over the longer SMA (20 days), trades plan entry signals an uptrend. Conversely, when a longer SMA crosses the shorter SMA, it triggers a sell signal.

- **MACD Crossover:** The MACD consists of two average lines – the signal line and the MACD. It generates trading signals – buy or sell – when the

two lines cross. In a bullish trend, the MACD will switch over the signal line, triggering off a buy signal.

The trend will reverse to bearish when the MACD line falls below the signal line, indicating selling opportunities. MACD crossover is a popular swing trading technique.