

Contents

Acknowledgments	ix
Preface	xi
CHAPTER 1 Determining Your Trading Style	1
Why Swing Trading is a Better Alternative to Day Trading	2
How to Successfully Implement Winning Trades	5
CHAPTER 2 The First Rule of Profitability: Stop Loss	9
The End Should Always Come First	9
Occasionally Unforeseen Disaster Strikes	10
Hard Stops as a Profit Tool	12
Using Trailing Stops to Increase Profitability	15
CHAPTER 3 The Second Rule of Profitability: Commonsense Fundamentals	19
Careful with ETFs, Indexes, and Option Valuation	20
Common Sense is King	20
Ratios Matter	21
Exuberance is Never Fundamental Common Sense	26
CHAPTER 4 The Third Rule of Profitability: Technical Analysis	29
What is Technical Analysis?	29
The Basic Chart	30
Introduction to Basic Technical Analysis Indicators	32

The Importance of Technical Analysis	38
A Beacon in the Night: The Chart is Your First Alert	39
Self-Fulfilling Prophecy	39
CHAPTER 5 Strategy 1: Take the Trends to Pieces	43
Note on Fundamentals and Trend Trading	43
Riding the Envelopes	44
Profits through Pitchforks	52
CHAPTER 6 Strategy 2: The RSI Indicator	55
Choosing an RSI Setting	55
RSI Swing Trading Strategies	56
Implementing the RSI Strategies Step by Step	60
Bringing It All Together	61
CHAPTER 7 Strategy 3: MACD and Stochastic	65
Understanding MACD	65
Swing Trading Strategies Using the MACD	67
Stochastic	74
How to Trade the Stochastic	76
CHAPTER 8 Strategy 4: The Tier II Play	81
Follow the Leader	81
Market Cap in Tiers	82
Example in Action	84
What to Look Out for: Hidden Correlations	84
Where to Find Tier II Plays	85
CHAPTER 9 Strategy 5: ETF Sector Rotation	89
Asset Class Money Rotation	89
Market Cycles	91
Short-Term Sector Rotation	95
Dow Theory	98

<i>Contents</i>	vii
CHAPTER 10 Strategy 6: The Macro-to-Micro Play	101
Step-by-Step Macro-to-Micro Approach for Swing Traders	103
The Daily Macro-to-Micro Trade Strategy	103
CHAPTER 11 Strategy 7: Profit from Exuberance Premium	107
Technicals Tell a Ton	108
Identifying Exuberance Premium	109
Technical Entry and Risk Management	113
CHAPTER 12 Strategy 8: Japanese Candlestick Charts	115
Single Candlestick Patterns	116
Wrapping Up Candlesticks	125
CHAPTER 13 Strategy 9: Option Primer and LEAP Options	127
Brief Explanation of Options	127
Puts and Calls	130
LEAP Options	130
CHAPTER 14 Strategy 10: Piggyback Strategy Using ETFs and Mutual Funds	133
Finding International Swing Trade Ideas	134
Piggybacking Mutual Funds	139
CHAPTER 15 Strategy 11: Scanning for Swing Trade Ideas	143
Establishing a Daily Scan List	144
CHAPTER 16 Strategy 12: Swing Trading a Market Sell-Off	153
Shorting Stocks: Profit When the Market is Falling	154
Introducing Short ETFs	157

CHAPTER 17 Strategy 13: Swing Trading the Megatrends	165
Why Trade a Megatrend?	165
How to Trade a Megatrend	167
Current Megatrends	172
The Next Major Megatrend	175
CHAPTER 18 Strategy 14: Return on Assets and Return on Equity	177
Balance Sheet and Income Statement	177
Return on Assets	179
Return on Equity	179
CHAPTER 19 Strategy 15: Covered Call Options	183
What is a Covered Call?	183
Buying Stocks at a Discount	185
Deep in the Money	185
CHAPTER 20 Strategy 16: Straddles as a Profit Tool	187
Consolidation is Key	187
Straddles	190
CHAPTER 21 Strategy 17: Bull and Bear Spreads	195
Spreads: The Nuts and Bolts	195
Spreads in Action	199
Last Words	203
Notes	205
Bibliography	209
Index	211