THE SETUP

ACTIVE INVESTING FOR THE PASSIVE TRADER

CUSTOM STRATEGIES BUILT BY *TRADE IDEAS* PROFESSIONALS

trade ideas

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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
# LEVERAGING AI FOR SWING TRADING OUTPERFORMANCE

compiled by Sean McLaughlin

Much has been written and celebrated in the press about the combination of Man and Machine to outperform the markets. And no software application has done it better than HOLLY, the artificially intelligent virtual trading assistant designed by the team at Trade Ideas, LLC and launched for public access in January 2016.

HOLLY, an application within TI Pro AI, is the only model providing actionable AI-derived trading ideas in a SAAS model, available to both retail and professional subscribers, at a fraction of the cost of traditional research models.

The numbers speak for themselves. Here is a snapshot of alpha captured since January 2018, measured against the S&P 500 ETF ($SPY):
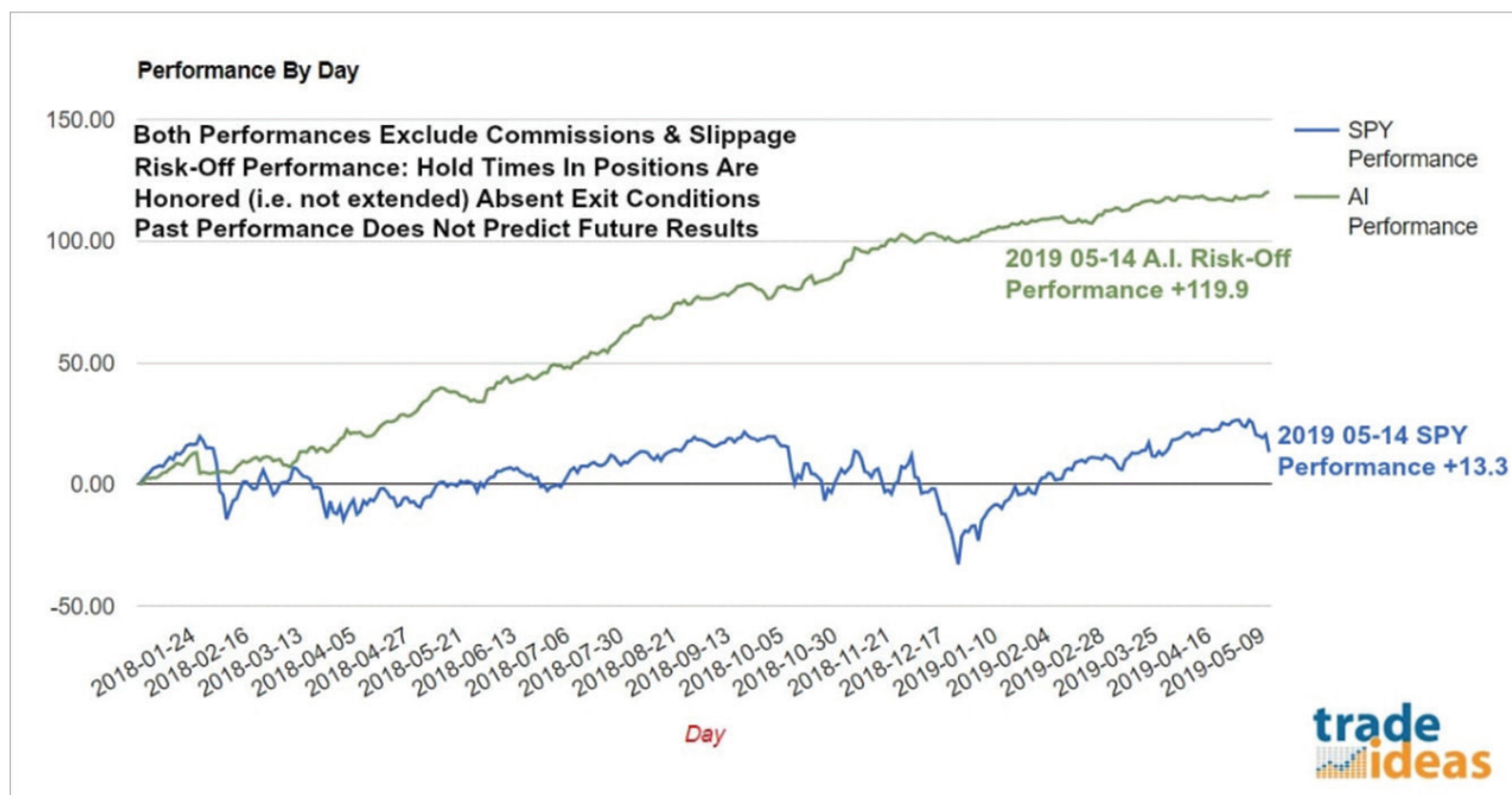
The trading model employed by the AI as currently constructed goes completely to cash by the close (if not before) of each trading day. No positions are carried overnight. Commonly referred to as "day trading," this process of trading can have lucrative risk versus reward characteristics—at the expense of being time-consuming.

In a nutshell, trade suggestions along with profit target and stop loss levels are served to subscribers in real time. These trades are derived from one of nearly 75 algorithms designed by the team of trading experts at Trade Ideas.

Only a handful of the available algorithms are set to be active on any given trading day, depending on market conditions as read by the AI. Each night the HOLLY AI engine runs backtests of all 75 strategies, does a deep dive into each strategy's performance metrics, and decides on tweaks to each algorithm so each strategy can perform best in the current market environment.

On any given trading day, HOLLY might serve up anywhere from 5 trades to as many as 50 trades or more, depending on market conditions. And while these trades offer statistically significant trading edges for active intraday traders, perhaps a more powerful application of the HOLLY trade ideas might be in service to traders with longer time frames in which to operate.

HOW SWING TRADERS EXPLOIT HOLLY AI SIGNALS

Each trading day, the trades entered by HOLLY become an expertly curated watchlist of trades with existing catalysts present that offer the potential to catapult a stock over the course of several days or weeks in the direction of today's trade signal. These catalysts can range from anything like a new high breakout, to a moving average crossover, to an explosion of trading volume, to a volatility trigger. And these catalysts don't simply expire at 4pm ET when the stock market closes.

Closing trades by the end of the trading day is an artificial constraint we've placed on the system in service of intraday traders. Swing traders with longer time frames do not suffer these limitations.

Each night after the market closes, a savvy swing trader will review the daily charts of HOLLY's new trades today, identifying the charts that look promising. She'll then build a smart risk management plan (appropriate position size and stop loss) for each stock, and then enter her trades to execute at the open of the next trading day.

Following a simple routine like this can put you in position to leverage the power of Trade Ideas' AI to identify statistically significant edges and gain potentially large profits. Here is an example. Back in September of 2017, Holly issued a buy on Marriott International $MAR (*chart below*) at $109.39. The stock then went on to climb north of $148 in just five months with very little pullbacks. A dream hold for patient swing traders.

And swing trades generated by AI are not limited only to the long (or bullish) side of the market. In the summer of 2018, swing traders were offered a treat in iQIYI $IQ (*chart below*). In May, HOLLY issued a buy at $20.97. The stock then went on to gain 119% in just four weeks with very little in the way of pullbacks. And as if that weren't enough, HOLLY also issued a short sale entry on June 19th at $44.63 and the stock then collapsed nearly 31% in just two weeks!

A swing trader's paradise:

Of course, not all trades work out exactly as on the previous page, nor are all trades winners. But nobody can guarantee you that. There are no guarantees in the stock market.

Here's an example of a stock that had two great signals sandwiching a busted trade. In April of 2018, HOLLY issued a buy in Curo Group Holdings $CURO (*chart below*) at $18.51. The stock then went on to rip 32% higher in just three weeks. Then in late June, HOLLY issued a buy $26.85 where the stock promptly dropped 16% in two days. Ouch. But then at the end of July, HOLLY issued another buy $25.36 and as of the time of this writing, the stock is currently up 20% and climbing since this most recent signal:

As with any kind of trading, risk management and position sizing are of paramount consideration when entering trades. One has to know where they plan to get out, and how much they are willing to risk if they are wrong.

Leveraging the power of the Trade Ideas HOLLY engine, Trade Ideas AI offers suggested entries based on statistically significant criteria that is backtested, vetted, and re-optimized before each trading day. Traders operate in an unpredictable world. The best we can hope for is to stack favorable edges and let them compound over time. We feel using Trade Ideas AI to generate signal entry offers a meaningful boost to long term performance results.

NEXT LEVEL: AUTO-TRADING AI

As if this weren't enough to get you excited, we haven't even yet talked about the ability to auto-trade. For a few years now, Trade Ideas customers have been able to auto-trade their own custom-built strategies via a product we offer called Brokerage Plus (B+). Since the launch of this product, we've noticed a transformation in the way traders think about, design, and execute strategies. When you have the power to eliminate emotional, mental, and physical limitations, which keep you out of great trades, the upside is unlimited.

Now imagine what is happening since Trade Ideas unveiled the ability for users to choose which strategies within HOLLY they'd like to execute against, and then to have it all happen auto-magically via the Brokerage Plus auto-trading feature? Well, Trade Ideas is now leading a new active Trader Revolution, arming Traders with backtested strategies exhibiting demonstrated edge, and the power to capture this alpha with the push of a button—whether your time frame is intraday or longer term swing trading.

This is very powerful stuff. Knowing this is now available to both retail and professional market participants, the question to you becomes: "Do I want to participate? Or do I want these weapons used against me?"

We think the answer is pretty clear.

If you wish to engage with me on twitter, I can be found at **@chicagosean.**

CHAPTER 02
ALGORITHMIC CURATED SWING TRADING

compiled by Michael Nauss

Regardless of time frame, my thoughts about trading always remain the same. I have two main philosophies when it comes to trading, both of which are very science based in nature.

1 Like testing a scientific theory, trading should have a systematic approach that can be testable and repeatable. Each trade does not matter just like each test would not matter. What should be of interest to the trader is a system that is created to be able to make money on the next 10,000 trades instead of worrying about the next one.

2 The second is that the human memory is awful and we are all very susceptible to confirmation bias. We only remember where a certain pattern works and forget all the other times that it does not.

MY PROCESS

STEP ONE

Use the trade-ideas backtester to find what's working in the market currently.
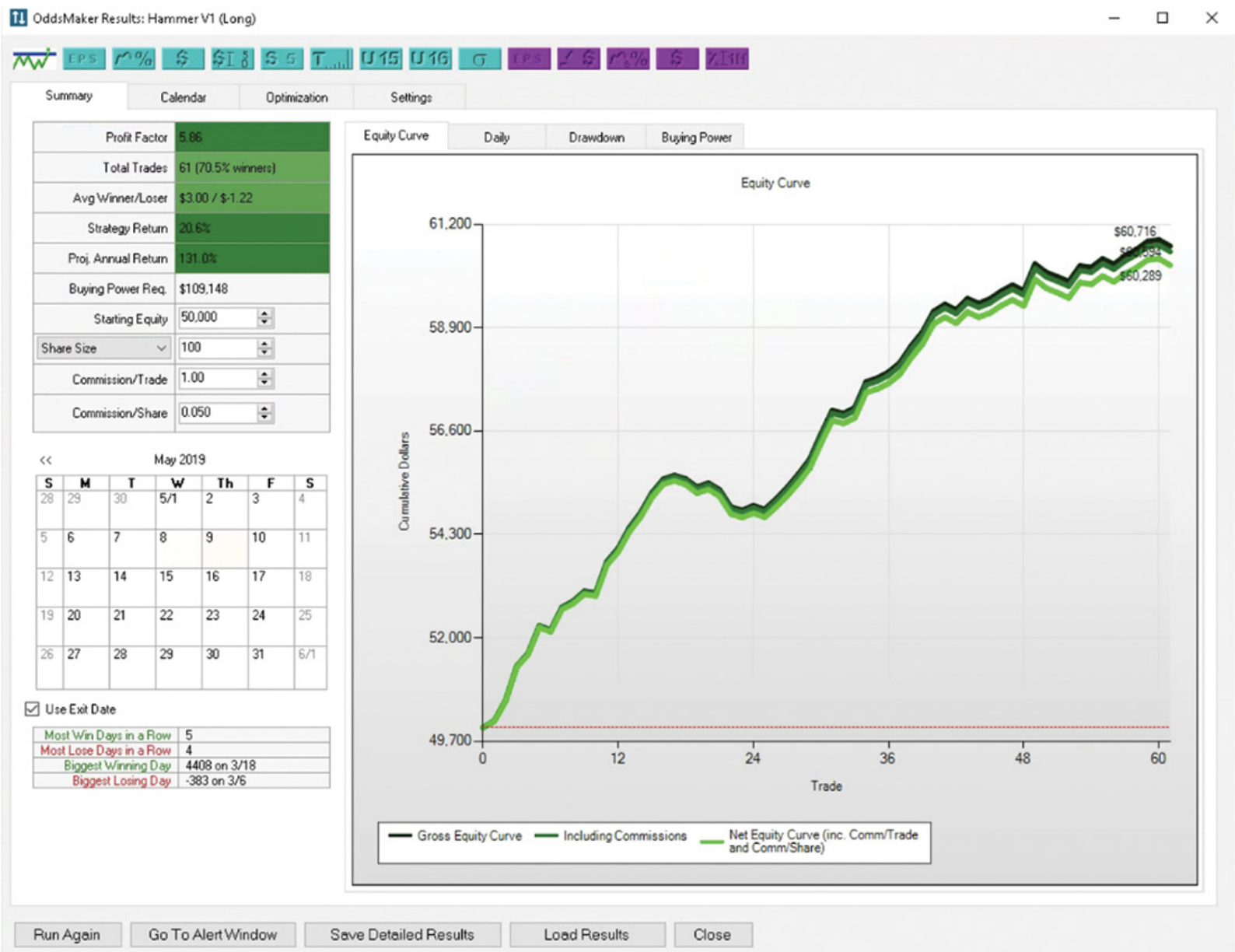
With the trade-ideas backtester you can test what you have seen in the market to make sure your not suffering from confirmation bias. After that you can build a trading plan around it and adjust it as changes in the markets inevitably happen.

STEP TWO

Display all results that would have triggered that day into a top list so you can easily see all of the symbols that are meeting the current criteria.

STEP THREE

Bots and algorithms are great at looking at things en masse but not as good as a human when reading technical analysis. Things like news or how a stock trades with liquidity and past price action are best worked out by a trader.

Scan your list each night picking stocks and entry points few them. I suggest setting price alerts in your Trade Ideas system so you will be alerted when things hit your price.

STEP FOUR

Trade your plan! When you originally created and backtested your trading plan you would have entered things like stop loss and hold times into the system.

It seems obvious but it's important to note that in the long run, your results will be more dependent on how you manage the trade and less on the outcome of your directional bet.

Follow your rules with discipline. Sharpen your trading edge from scanning and watching charts. Keep the statistics on your side.