

# SWING

# TRADING?

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## What Is Swing Trading?

Know All About Swing Trading

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## What Is Swing Trading?

Swing trading is a method of trading that tries to capture big moves on either side over a period of a few days to several weeks. Swing traders use both technical analysis and fundamental analysis to look for trading opportunities. Swing traders use fundamental analysis to analyze price trends and patterns to capture big moves.



Swing trading involves trades that go a couple of days to several weeks in order to profit from an anticipated price move. Swing trading also involves overnight and weekend risk, where the price can gap up or gap down.

## Understanding About Swing Trading

Swing trading involves holding a position either bullish or bearish for more than one trading session, but usually not longer than several weeks. The main goal of swing traders is to capture a big move in price, while some traders look for volatile stocks or volatile indexes with movement. Swing trading is the process of

identifying where the price is likely to move next, entering a position, and then capturing profit if that move comes favorable.

In Swing trading, traders look for intermediate to midterm opportunities using various kinds of technical analysis and indicators.

Now we will discuss Pros and Cons about Swing trading. Swing trading has both advantages and disadvantages depends on the trader's choice, while some traders love swing trading due to big profits whereas some traders don't like it due to huge gaps on either side which can dent the risk to the personal risk management of trader.

### **Advantages and Disadvantages of Swing Trading**

Most of the swing traders calculate trades based on Risk to Reward Ratio. Swing traders first analyze the chart with the help of technical analysis and read the price and calculate the risk to reward ratio before entering into the trade. After calculation, traders determine where they should take entry and where they should keep a stop loss, after the calculation traders anticipate where they can get out with a profit.

Swing traders basically use technical analysis for their trades, sometimes fundamental analysis can be used to enhance the analysis with collaboration of technical analysis.

Many people debate about the time frame of swing traders but basically Swing traders look for trading opportunities on the daily charts and may watch one-hour time frames to find proper entry, stop-loss, and profit taking levels.

After discussing advantages and disadvantages of swing trading now let us discuss pros and cons about it:

Pros:

- Swing Trading requires less attention and time to trade than intraday trading.
- Swing Trading maximizes profit by capturing the big moves of market swings.
- Swing traders can depend on technical analysis and make the trading process simple by defining the risk

### Cons

- Swing trades have big fear in terms of overnight risk and weekend risk due to abnormal market movements
- Abnormal market reversals can result in substantial losses.
- Swing traders miss longer-term trends by trying to capture short-term market moves.

Now Let us compare swing trading with Intraday Trading and see how both are distinguished from each other. Swing Trading is for few days or weeks where as Intraday Trading is basically for a day and time frame also differs as style of trading differs

### **Intraday Trading V/s Swing Trading**

The difference between swing trading and Intraday trading is usually the time frame for positions. Most of the time Swing trading involves overnight risk, whereas intraday traders close their positions before the market closes; in general, intraday trading positions are only for a single day, while swing trading involves holding for several days to weeks.



Swing trading consists of overnight risk by holding positions for a few days, the swing trader carries the unknown risk of overnight events like gap up or gap down. When a swing trader takes the overnight risk, swing trades are usually done with a smaller position size compared to day trading

### **Swing Trading Approach**

A swing trader mostly looks for a daily chart or weekly chart; Basically, each swing trader makes a plan and strategy that gives them an edge over an intraday trader. Swing trading consists of trade setups that tend to lead to predictable movements in the price. Swing trading requires an excellent risk reward ratio and a higher success ratio in trades. The more favorable risk to reward ratio of a trading strategy, the fewer times it needs to win to produce an overall profit over many trades

### **Conclusion :**

Swing trading refers to a trading style that attempts to short to medium term price movements in a price using a favorable risk to reward ratio. Swing traders mostly depend on technical analysis to determine suitable entry and exit, fundamental analysis would be an added filter for swing traders.

Swing trading offers multiple advantages such as maximizing short-term profit and minimizing time commitment, and flexibility of capital management. Key disadvantages include being subject to overnight and weekend market risk, along with missing longer-term trending price moves.

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