Easy Rules for Succesful Trading

Ghostwriting-Published on https://menaentrepreneur.org/2019/11

Swing trading consists of buying and selling stocks to make a profit in a short period. It can be a pleasant way to generate income if you respect some simple rules.

Make a plan

Image via **Flickr** by Mike Cohen

Start preparing your **swing trading** plan with a questionnaire. By asking yourself questions, you will think through your objectives and increase your chances of success. You can ask yourself:

- What your goals are,
- What instruments you will trade,
- How much capital you will allocate to your positions,
- What your entry signals and exit rules are.

Follow the overall market, not the crowd

Identify market trends to get a better feel of the direction of your swings. You should be ahead of the market. Observe the crowd's decisions and be the first in and out.

When you purchase **stocks**, focus on the industry group rather than on a company name. Pick them in the top 20% of the market by examining the industry group chart.

Risk management

Control risk rather than seeking rewards.

Diversify: Include different industries in your portfolio, as long as it follows your investment policy. By diversifying, you reduce the risk of loss from an individual asset, and you allow your portfolio to resist market volatility. The gains from some positions can compensate for the losses from others.
Set a **risk level** at which you will exit the position. Your risk level is the price that, if reached, forces you to admit that your original reasoning for trading the security is wrong.

Know support and resistance levels

Support and resistance are levels at which a security price is expected to stop and reverse. They define the trading range. Following the stock's movement in this range will make it easy to identify a breakout on the upside or fallout on the bottom.

Use limit orders and stop-loss orders

When you enter or exit a trade, it is best to use a **limit order** rather than a market order. A limit order ensures that your execution occurs at the price you specify, while a market order can be executed at any rate. By doing so, you aim to control the average cost per share.
Stop-Loss orders are crucial to protect your position. These are orders to sell your stocks if their price drops below the buying price and should be revised upward as the stock price rises.

Control your emotions

Professional, successful traders remain calm and don't let their emotions control them. Whether they win or lose money on the market, they don't take it personally. Your profits and losses only depend on your trading abilities and your choices of markets. It takes an ongoing discipline to manage emotions.

Swing trading is an attractive system to generate substantial income, even for a beginner trader. Follow your plan and reduce your risks. If you can determine that the stock has started to increase before you buy and that it is peaking before you sell, you can multiply your short term profits.