

Daily Swing Trade
from TheStreet.com

YOUR QUESTIONS ANSWERED ABOUT SWING TRADING

by Alan Farley



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Editor's Note: Many of you have asked about the best way to use *The Daily Swing Trade*, Alan's swing trading newsletter. To address these questions, we've worked with Alan to create the following guide for using *The Daily Swing Trade*.

Newsletter Structure and Content

TheStreet.com publishes *The Daily Swing Trade* newsletter about three hours after the market close each day. The newsletter is not published for several weeks during the year, when Alan has other commitments or is taking a needed break, but a complete archive of prior newsletters is available to all subscribers so they can evaluate past picks and bring themselves up to date on current trading opportunities.

Each day's newsletter is divided into four sections:

- **Today's Overview:** The newsletter begins with a short recap of the trading day. Alan summarizes the major issues facing traders for the next few sessions, and points out dangers and opportunities in the current market environment. He then discusses his own newsletter trades for that day, and tells subscribers which Daily Swing Trade stocks he's holding overnight. The overview concludes with a "Thought for the Day," an inspirational or informational observation about the market.
- **Watch List:** The watch list summarizes the day's activity for each newsletter stock. It points out upcoming tests of highs and lows, as well as key price levels on which traders should focus. Each watch list stock shows one of the following keys: (long -- xx/yy/zz) or (short -- xx/yy/zz). These keys refer to the date of the original newsletter commentary on the pick, and the direction of the trade setup. They do not refer to Alan's current position in the stock.

New subscribers should go back and read the original commentary for every watch list stock they wish to trade. They should also review prior watch list updates to track the development of the opportunity between the time it was added to the newsletter and the current date. Quite often, the stock is not in a good position to buy or sell. In this case, the subscriber should wait until the pattern sets up a new low-risk entry before entering a position.

Many newsletter stocks will yield multiple trade opportunities during the course of their Daily Swing Trade "shelf lives." Remember, this is a swing-trading newsletter. The watch list is not a long-term investment portfolio. These stocks can give multiple buy or sell signals, depending on the holding period of the individual subscriber.

The end of each update identifies stocks that are being removed from the watch list that evening. Subscribers should inquire why a particular stock is being removed if the comments don't address their specific concerns. These questions will be answered for all subscribers in the daily Q&A.

- **New Stock Picks:** This section details new stock picks that are being added to the newsletter that evening. It features a two-paragraph commentary on the nature of the trading opportunity. The remarks discuss the stock's progress up to that point in time, whether it's a long or short trade, and price levels where the position can be exited for a profit.

New stock picks also include two charts: one for the daily time frame and another for the 60-minute or 120-minute time frame. Traders familiar with Alan's trading strategies often apply multiple time frame analysis in order to find the best entry and exit levels. These two charts point out trigger prices that should set the trade into motion.

- **Daily Questions & Answers:** Alan addresses questions posed by subscribers in this last section. He also presents inquiries received from his online students and the general public about a wide variety of trading issues. Feel free to write to Alan at any time, about any issue regarding trading or technical analysis. Keep in mind he will not address requests for analysis of individual stocks outside the newsletter watch list.

Frequently Asked Questions

Are the newsletter picks the only stocks that Alan Farley trades?

No. Alan also trades many positions outside the watch list. These include picks from his *RealMoney* columns and his Web site, as well as stocks that don't fit the criteria for inclusion in the newsletter. Alan is an active trader who watches the markets all day, every day. Unexpected trading opportunities often present themselves during the active session and don't give him the chance to offer it to newsletter subscribers.

How are stocks added to the Watch List?

Alan scans the markets each day to find the wide variety of trade setups he discusses in his columns, book and Web site. These initial picks must fulfill certain criteria in order to be added to the watch list. For example, they must trade in excess of 200,000 shares per day on average, and be priced over \$5 per share. Alan also looks for stocks that show trading opportunities that will last for more than two to three days, and have profit potential of more than 2 points. Finally, they must also demonstrate well-defined support and resistance levels so subscribers can apply effective risk management techniques.

Why are stocks removed from the watch list?

A stock is removed from the watch list for three reasons. First, it's reached the specified reward target and no longer shows a favorable reward-to-risk ratio. Second, the pattern breaks down and no longer presents a good trading opportunity. Third, the market itself changes and undermines the reasons why the stock was a good choice to play the market at that time.

Does Alan keep a model newsletter portfolio?

No, *The Daily Swing Trade* is not an investment newsletter and none of the stock picks will work as "buy and hold" instruments. In fact, many of the setups need to move against the direction of the intended entry during its early phases in order to trigger profitable positions. That's the nature of swing trading.

Where can I get help in understanding Alan's trading style?

Alan has multiple resources for subscribers to learn and master his trading style. He has more than 150 educational columns at *RealMoney*. His Web site, *Hard Right Edge*, features free swing trading tutorials as well as a comprehensive online trading course. He has also written a 430-page book on the subject, titled *The Master Swing Trader*.

I'm a new trader. Is Alan's newsletter right for me?

The Daily Swing Trade is a sophisticated market product that assumes a certain level of knowledge on the part of its subscribers. It does little or no handholding with the most volatile, high-risk trading opportunities. New traders can benefit from this product only after they've made a serious commitment to market education and risk control. Those who think they can ride the swing trading wave by subscribing to this newsletter and playing every position will fail and lose a lot of money.

Who subscribes to *The Daily Swing Trade*?

There isn't a single type of subscriber to this newsletter. Hedge fund managers, daytraders and soccer moms all use *The Daily Swing Trade* profitably. What is required is a deep interest in the financial markets and the ability to take responsibility for your own actions. It's up to each subscriber to decide whether or not this active trading style is appropriate.

Why are there so many stock picks that aren't moving yet?

The major difference between *The Daily Swing Trade* and other newsletters is Alan's skill in finding good trades before they happen, not afterward. Subscribers are presented with many stock picks that need to be watched closely for breakouts or breakdowns. It may take several weeks after the original commentary for a stock pick to trigger an entry

signal. This early presentation offers subscribers an opportunity to get positioned before other traders come into the market.

Why are stocks added and then removed so quickly at times?

Swing trading and pattern recognition is a pure odds game. A certain percentage of trade setups will perform exactly as expected, while others will fail. That's why swing trading is so risk conscious. Trading patterns are presented to subscribers at the most advantageous time possible. But there's no guarantee they won't fall apart on the next price bar. The immediate removal of a new stock pick is designed to protect subscribers from entering trades that probably won't work as anticipated.