The Anatomy of a Swing Trade: A Masterclass in Process

Codifying the methodology of a veteran trader for repeatable success.

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The Guiding Philosophy: Process Over Prediction

Before executing a single trade, understand the core principles. The goal isn't to predict the future, but to develop a robust process that reacts to the market's message.

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"First, do no harm."

The primary rule is capital preservation. This is not about getting rich quick; it's about staying in the game.

"Listen to the message of the market."

The chart tells a story. The trend, volume, and price action are your guide, not news headlines or analyst predictions.

"I want to teach you how to think for yourself."

This is not a signal service. The aim is to internalize these concepts to make the process your own. Forget price targets; they anchor you to a belief, not to reality.

Step 1: Finding the Setup by Looking at the Big Picture

A quality swing trade begins with a strong foundation on higher timeframes. Before even considering an entry, confirm the primary trend is in your favor. A strong weekly chart provides the backdrop for daily and intraday opportunities.

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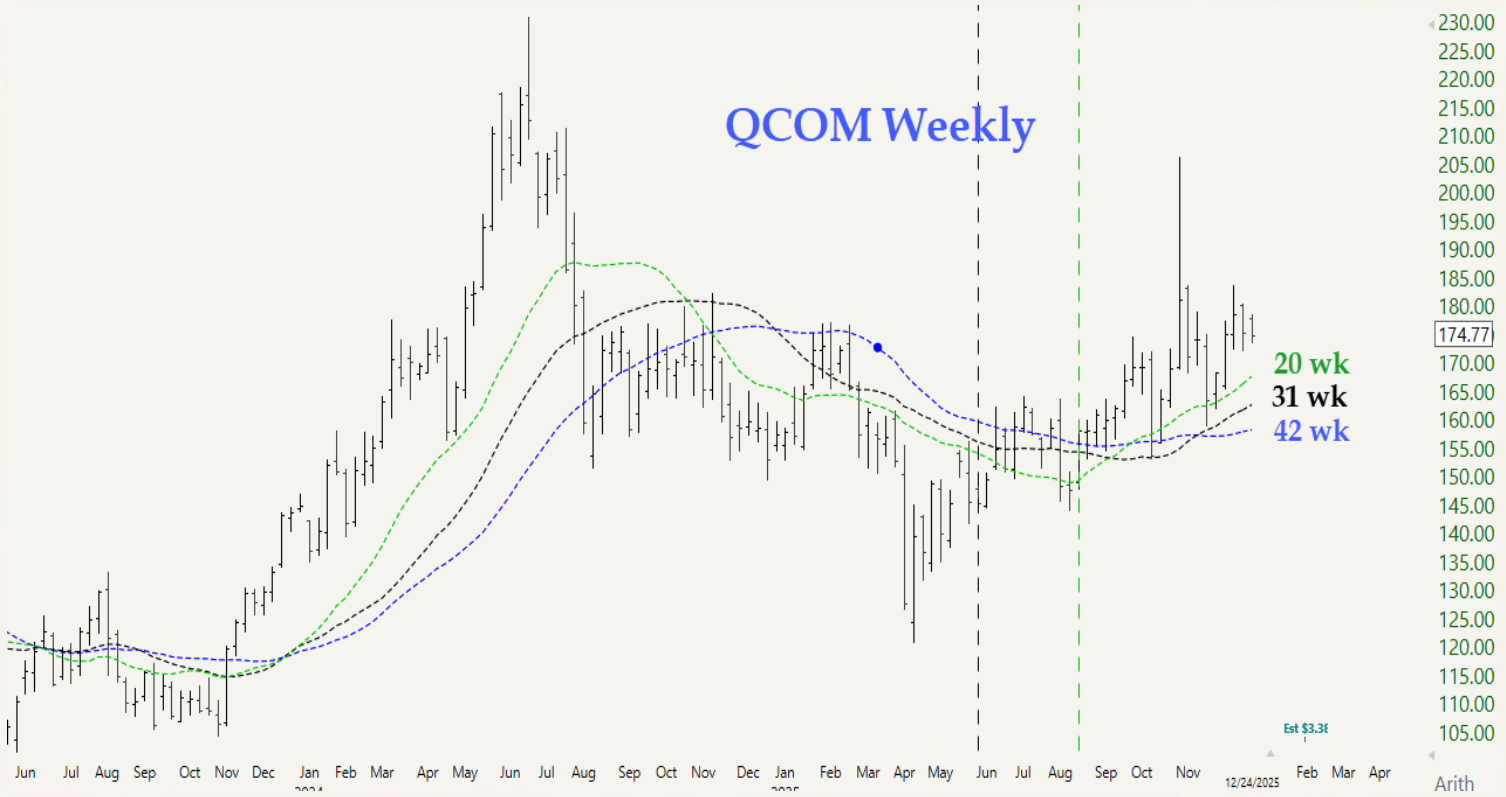
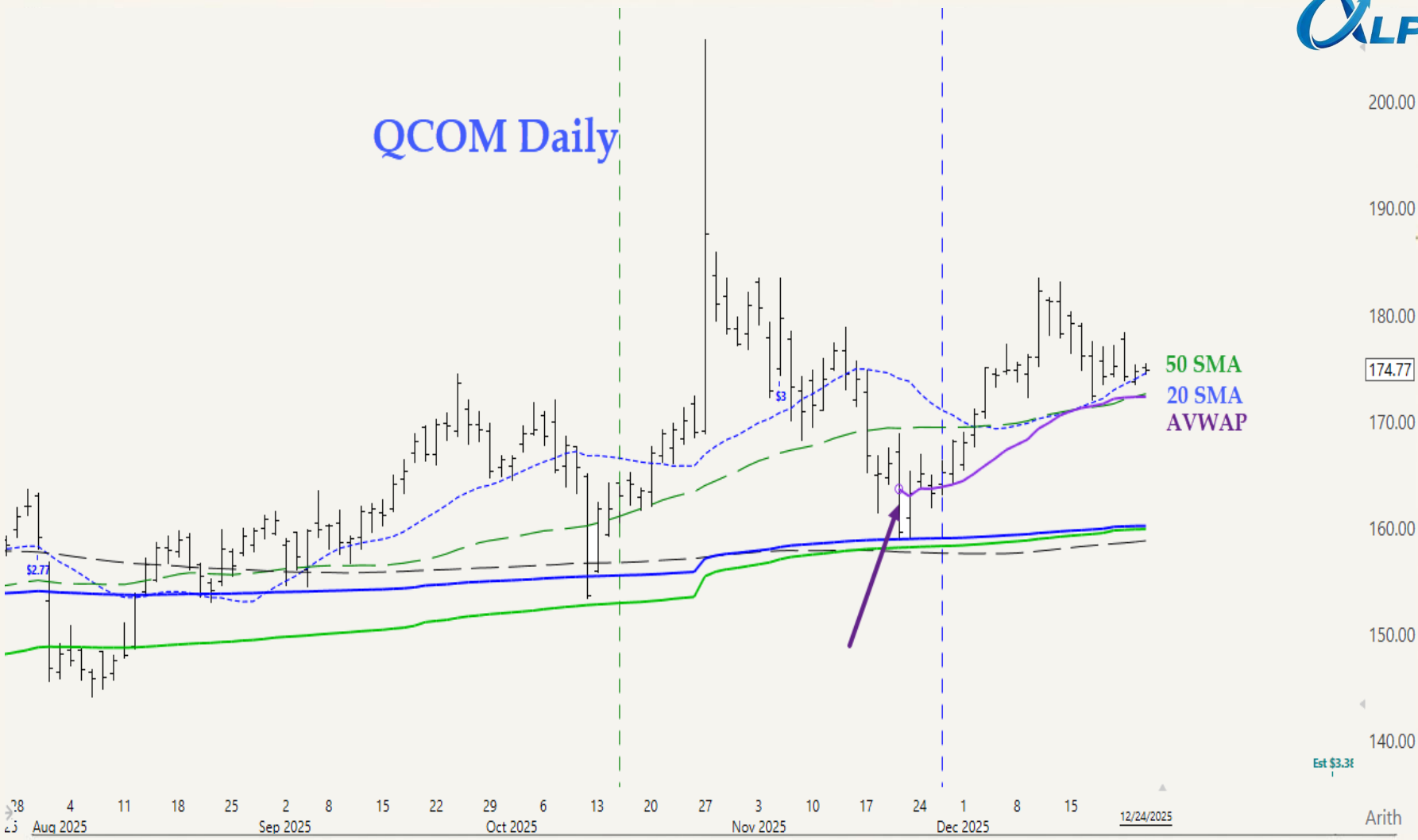


Key Observation

The weekly chart confirms institutional support and a healthy primary trend. This gives us the green light to hunt for a lower-risk entry on a shorter timeframe.

Step 2: Pinpointing Levels of Interest on the Daily Chart

With the weekly trend confirmed, we zoom into the daily chart to find high-probability entry zones. We use Anchored VWAP and key moving averages to identify a confluence of support where multiple groups of traders are likely to act, increasing our odds.



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This zone represents a "level of interest" for three distinct groups: traders buying pullbacks to the 20-day MA, traders buying pullbacks to the 50-day MA, and those watching the AVWAP from the last significant low. This creates a powerful confluence of demand.

Step 3: Executing the Entry with Surgical Precision

The setup is identified. Now, the goal is to enter with the best possible price and a clearly defined initial risk. For this, we move to the shortest timeframes (1-5 minutes) during the first part of the day to manage risk to the penny, not the dollar.

Key Timeframe Usage:

First 15 Minutes of the Day: Use a 1-minute chart for maximum precision.

Next Hour: Transition to a 2-minute chart.

Rest of the Day: The shortest timeframe used is typically a 5-minute chart.

A Playbook of High-Probability Entry Setups

Here are specific, repeatable patterns for intraday entry, based on the interaction between price and VWAP. These are not theories; they are practical tactics for entering a trade once the larger setup is confirmed.

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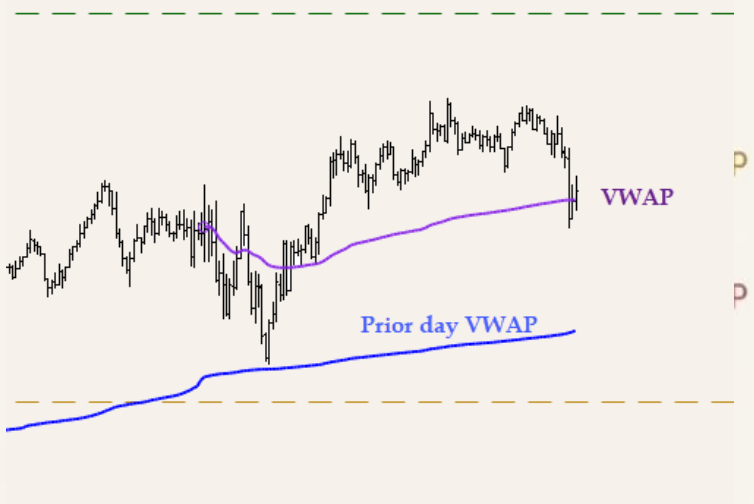
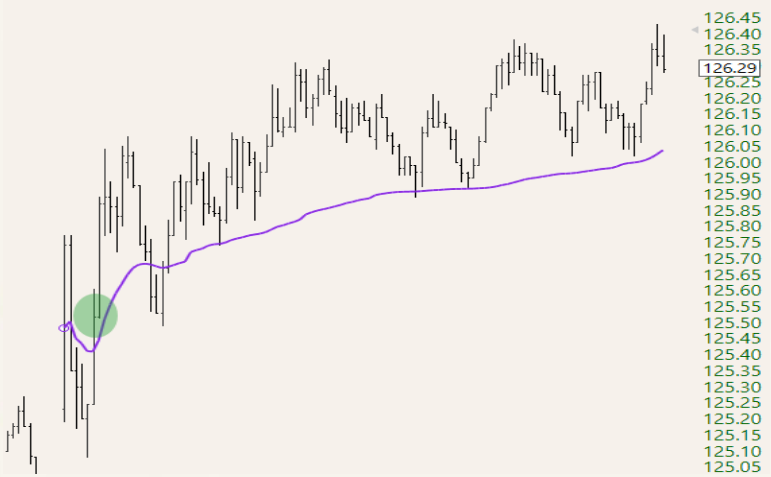
1. Pullback to Prior Day's VWAP



The stock opens, rallies, then pulls back to the previous session's VWAP, finds support, and then reclaims the current day's VWAP. This was the entry trigger for the GILD trade.

2. "Chase the Gap or Wait for VWAP"



On a gap up, instead of chasing the initial move, wait for price to pull back and test the daily VWAP. Buy the strength as it moves away from the VWAP again.

3. VWAP Pinch / VCP

Look for a Volatility Contraction Pattern where price is "pinching" between an AVWAP from a recent high and an AVWAP from a recent low. Enter on the breakout in the direction of the primary trend.

Step 4: Placing the Stop-Loss Based on Market Structure

A stop-loss should never be based on a random percentage (e.g., 3%, 7%) or a fixed dollar amount. It must be placed based on the market's own structure. The definition of an uptrend is a series of higher highs and higher Lows. Custom mmort-illustrated 30mi. Therefore, the stop belongs where that definition is proven wrong.

The Rule

Place your stop underneath the **most recent, relevant higher low** for the timeframe you are managing the trade on.

The Proactive Exit: Using the "Two-Minute Exit" Rule

When a stock has a strong run and approaches a potential resistance area (like the Daily R2 pivot point), simply selling can leave money on the table. A better method is to switch to a very short-term timeframe and let the momentum exhaust itself.

The Rule: As long as the stock is making higher lows on its 2-minute chart, hold the position. Sell when a 2-minute bar makes a low below the low of the prior 2-minute bar.

When to Get Out Before Your Stop is Hit

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Sometimes, external events require you to proactively manage risk. A pending catalyst can introduce significant, unpredictable volatility. Your decision to hold or sell should depend on your “profit cushion.”

Earnings Reports

If a company is reporting earnings soon and you don't have a significant unrealized gain, it's often prudent to exit. Holding is gambling on the news.

Fed Announcements / Major Economic Data

These events can move the entire market. If you have a small profit, consider reducing your position size to weather potential volatility.

Sector-Specific News

If a leader in your stock's sector (e.g., NVDA for semiconductors) has a major conference, be on alert. Negative news could drag down the entire group.

"If I don't have enough cushion in the profit, then I will probably just say I don't want to gamble on this event."

The Final Rule: Respect the Trend, Ignore the Noise

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If you take away only one thing, let it be this: Align yourself with the primary trend of the market and the stock. News, predictions, and your own opinion are distractions. The market's message is in the price action.

Turn off the noise. Focus on your process. Listen to the message of the market.

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Appendix: Technical Chart Configuration

For traders looking to precisely replicate the intraday charts used in this methodology, here are the key calculations and settings.

Intraday Timeframes for Stock Market Hours

The Problem

The stock market is open **390 minutes per day**. Standard 60-minute or 4-hour bars don't divide evenly, creating inconsistent 'apples and oranges' data points.

The Solution

Use timeframes that are factors of 390.

- **Hourly Equivalent:** Use a **65-minute chart** (390 / 6 = 65). This gives you 6 equal bars per day.
- **Half-Day Equivalent:** Use a **195-minute chart** (390 / 2 = 195). This gives you 2 equal bars per day.
- **Others:** 30-min (13 bars/day), 10-min (39 bars/day), 5-min (78 bars/day).

The 5-Day Moving Average on Intraday Charts

The Concept

A true 5-day moving average should represent the average price over the last 1,950 minutes of trading (390 minutes/day * 5 days).

The Mistake

Putting a '5 period' moving average on a 10-minute chart only gives you a 50-minute average.

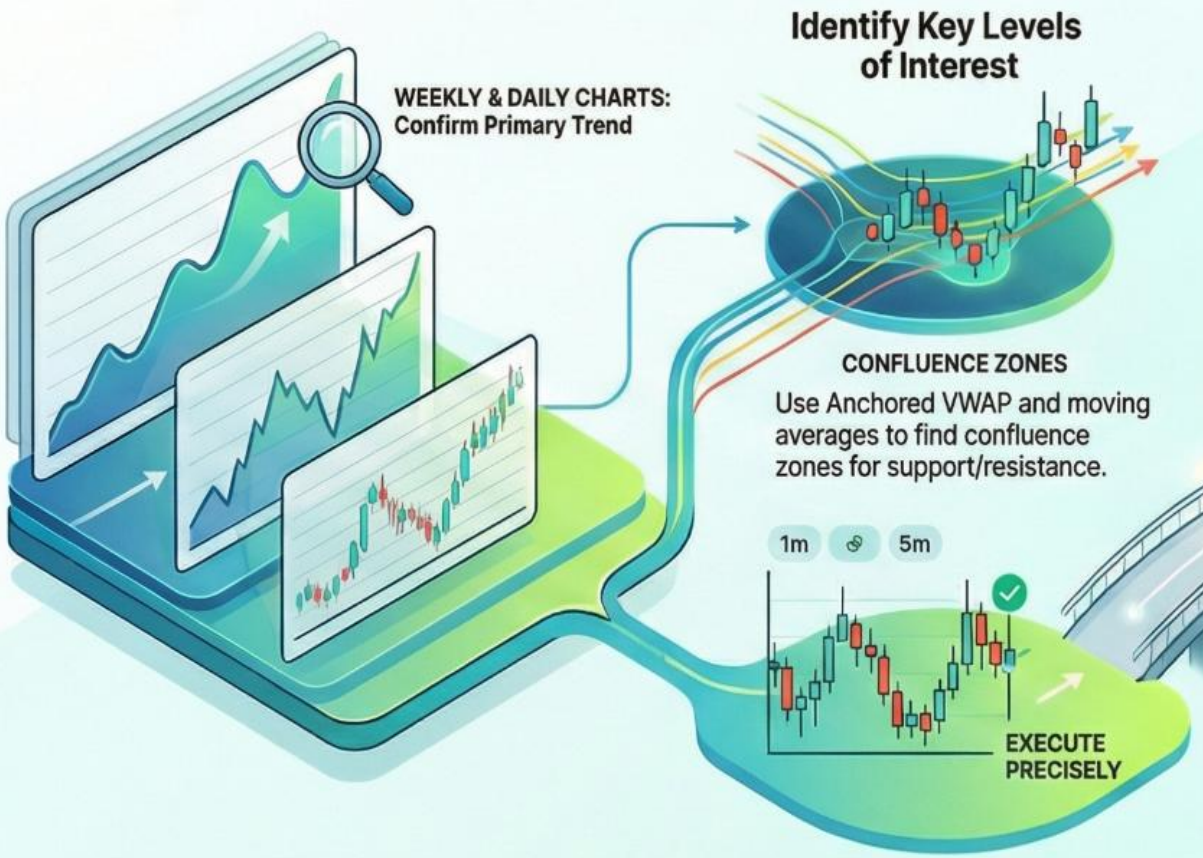
The Correct Application

On your charting software, use a **195-period moving average on a 10-minute chart** (195 periods * 10 mins ≈ 1950 mins). This keeps the 5-day MA consistent across all intraday timeframes. Using a 5-day MA on a daily chart is inaccurate until the final print of the day.

The Swing Trader's Playbook

SPY
Daily

The Entry Plan: Finding Low-Risk Setups



Start with the Big Picture (Multi-Timeframe Analysis)

Confirm the primary trend on weekly and daily charts before seeking entries.

Identify Key Levels of Interest

Use Anchored VWAP and moving averages to find confluence zones.

Drill Down for Precision Timing

Use short time frames (e.g., 1-S minute charts) to execute entries precisely.

The Management Plan: Protecting Capital & Profits

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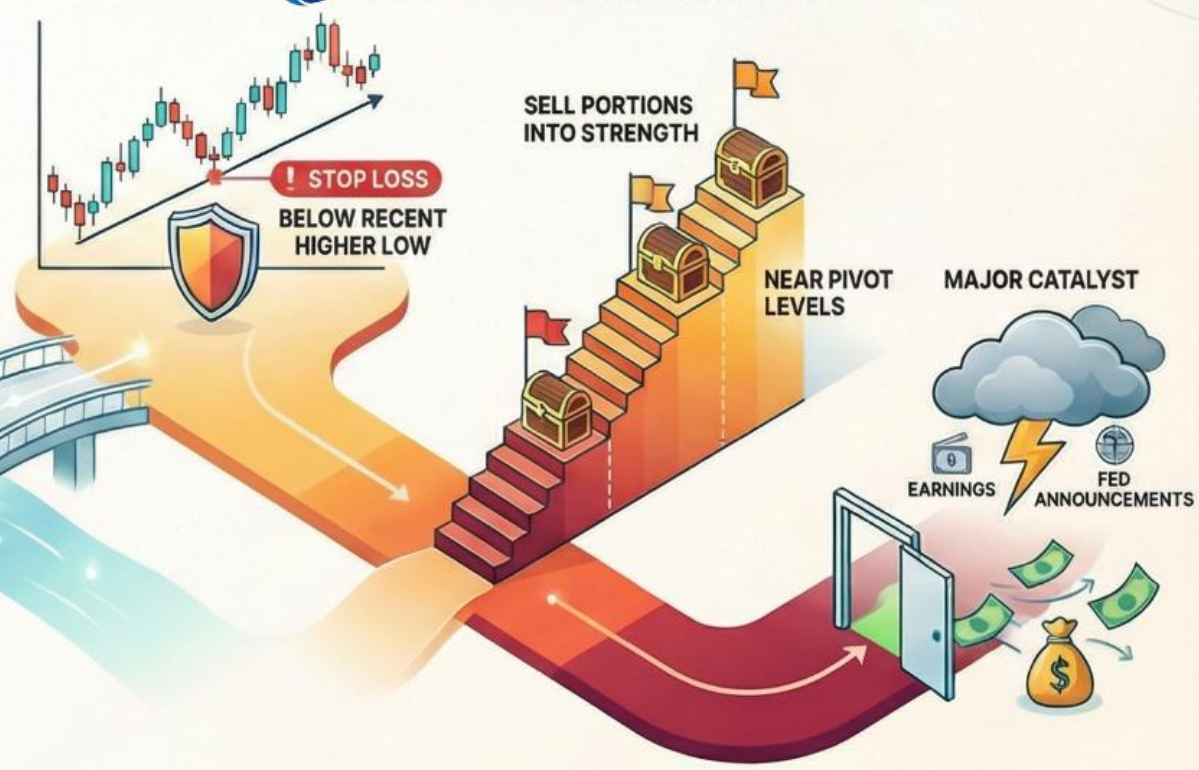

Place Stops Based on Market Structure

Set stops under the most recent relevant higher low, not random percentages.

Scale Out of Winning Positions

Sell portions of a trade into strength (e.g., near pivot levels) to reduce risk.

Exit Ahead of Major Catalysts

Exit or reduce size before earnings or Fed announcements If you lack a profit cushion.