



Introduction to Swing trading

TRADEPEDIA
BY AVRAMIS DESPOTIS

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Certified Traders

Certified Trainers

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BY AVRAMIS DESPOTIS

Software Developers

We have developed an Trading Methodology based on **Technical Analysis**, **Risk Management**, and **Behavioural Finance** that we teach to our students

According to the Art of War of Sun Tzu, the first thing a general should do to raise the probabilities to win a battle, is to **gather intelligence.**

“every battle is won before its ever fought”

3 M's
The
Pyramid
of Success

3 M's - The Pyramid of **Success**

Most successful traders agree.

Successful Trading or Investing Requires :

1. **Method** - A working system
2. **Money** Management - Sound money management practices
3. **Mind** - Proper mental approach

Without any one of these key elements, you'll ultimately fail in these endeavors.

MM – Maximum Drawdown

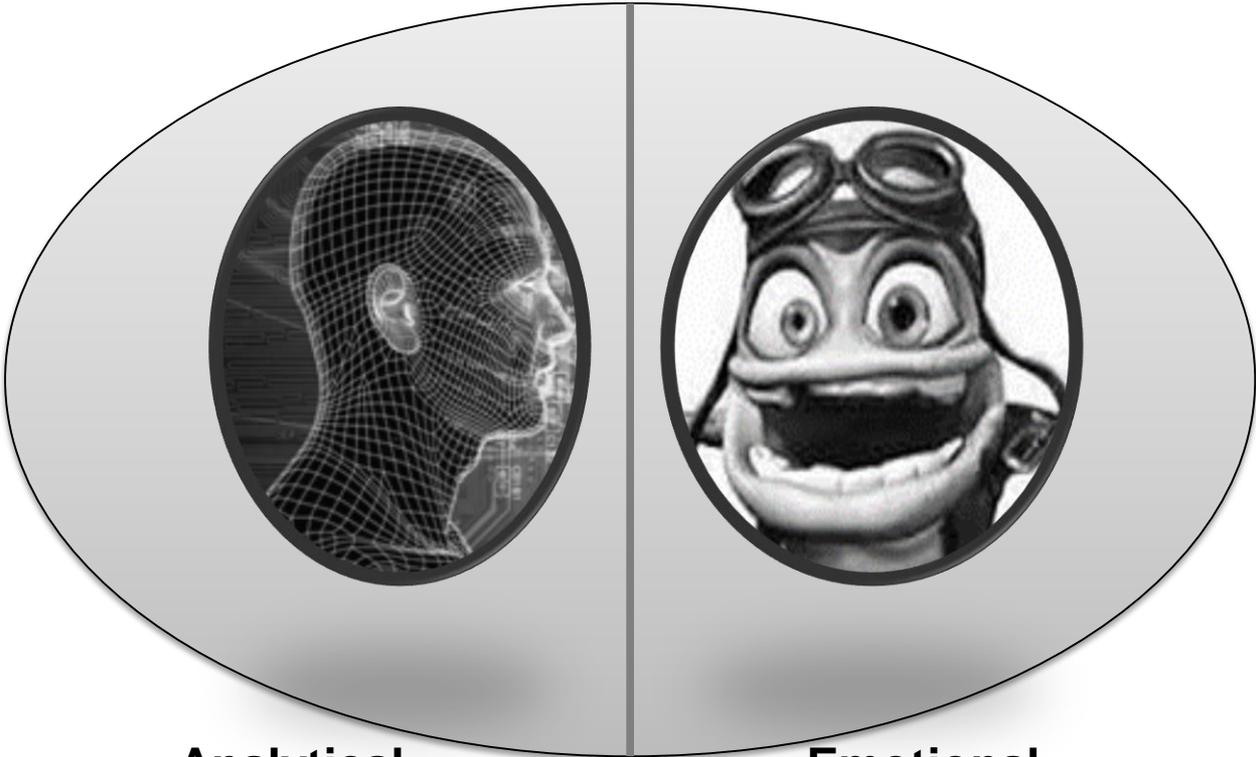
It is extremely important to limit the total risk to which your portfolio is exposed. This value is called portfolio **maximum drawdown**.

Your portfolio maximum drawdown should never exceed the level of 15% - 25%.

Drawdown	% needed
5%	5,26%
10%	11,11%
15%	17,65%
20%	25,00%
25%	33%
30%	43%
40%	67%
50%	100%
60%	150%
70%	233%
80%	400%
90%	900%

The Human Mind

The Human Mind



**Analytical
or
Calculator**

**Emotional
or
Crazy**

Trading Foundations

Successful Traders Habits :

1. **Preparation** – Trading is 90% Analysis and 10% taking trades
2. **Consistency** - Approach, methodology, execution
3. **Execution** –Focus on technical aspects rather than the money.
Helps remove emotion from chart reading.
4. **Confidence** - Systematically following a set of rules will help you grow as a trader

Evolution of a **Trader**

- Traders start from having a **lack of discipline** and very **relaxed rules** of how to trade
- To grow as a trader must evolve to be **extremely disciplined** with very **strict rules**. – Trade in a very rigid way for a long period of time
- With time and practice this will help shape the mind and habits of a trader
- With time to evolve into a **extremely disciplined** trader, with very **strict principles**, and more **relaxed rules**

Trends

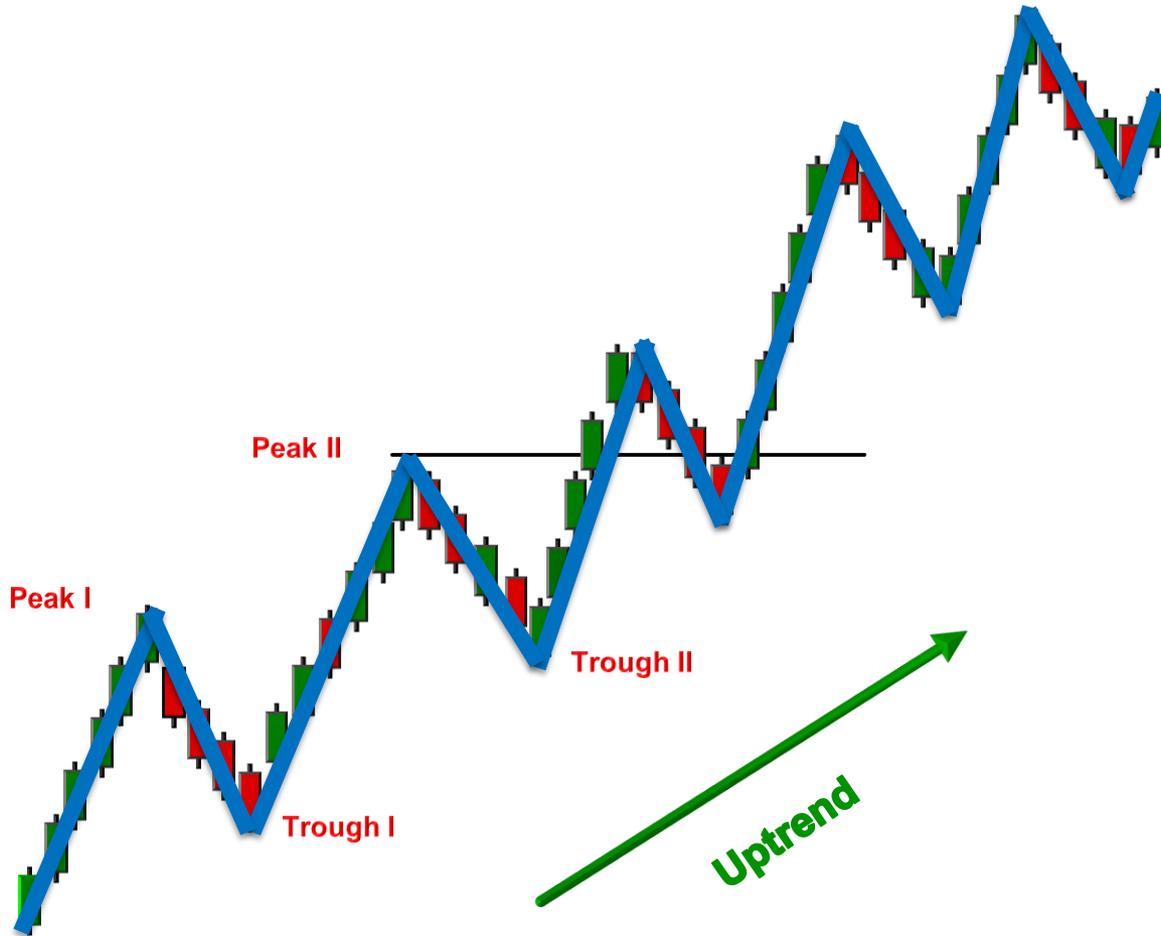
What is a **Trend**?

- The trend is simply the general direction of the market.
- Markets don't generally move in a straight line in any direction but are characterized by a series of Zig-Zags .
- It's the direction of those peaks and troughs that constitutes a market trend.

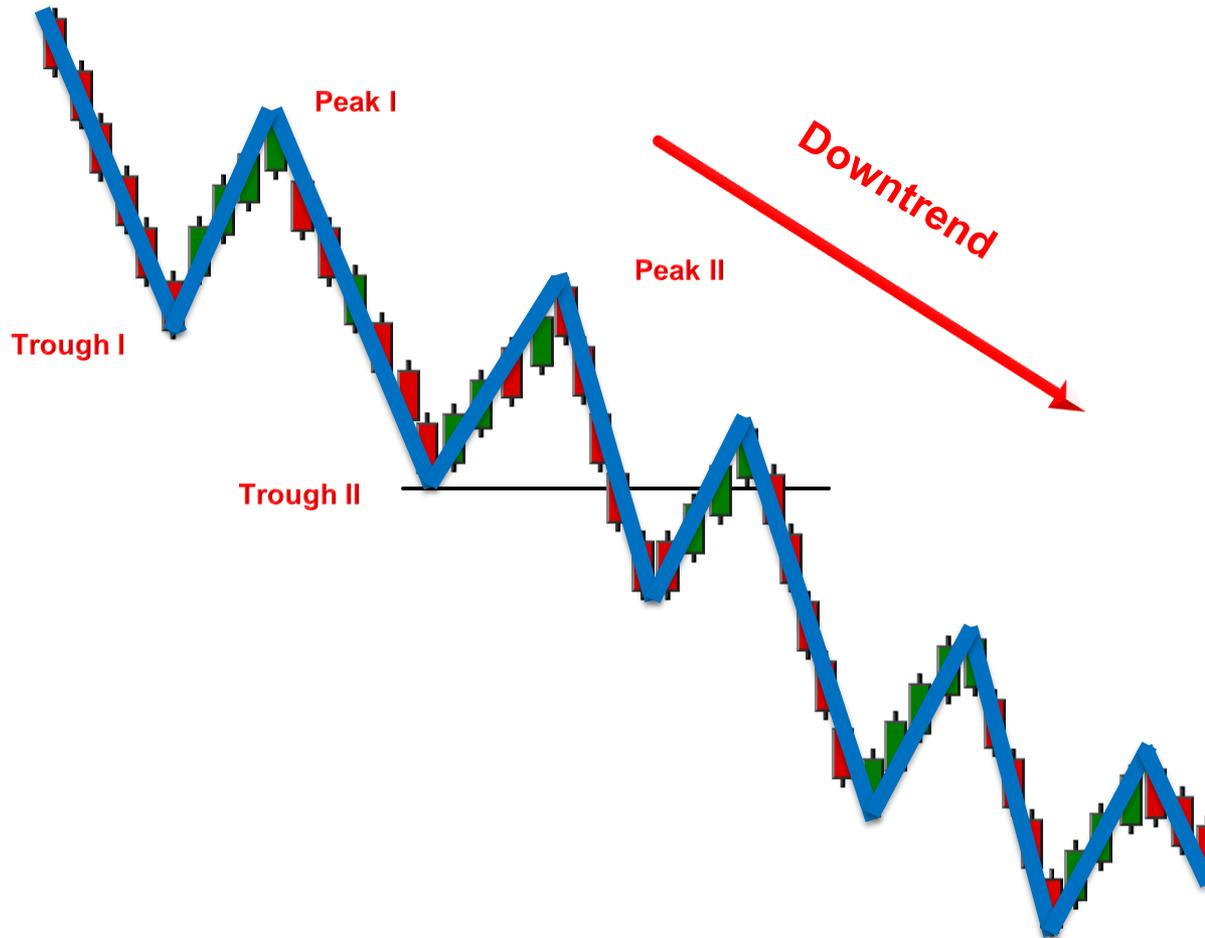
Trend Direction

- An uptrend is a series of successively higher peaks and troughs.
- A downtrend is just the opposite, a series of declining peaks and troughs.
- Horizontal peaks and troughs would identify a sideways / range price trend.

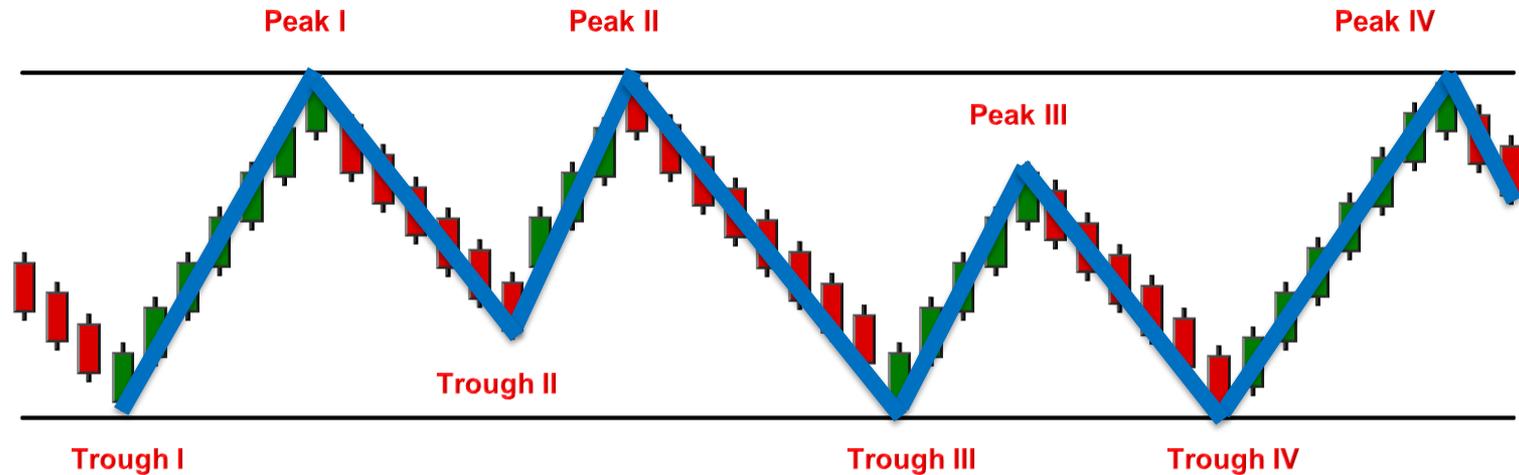
Trend Direction - Uptrend



Trend Direction - Downtrend



Trend Direction – Range / Sideways



Trend Decisions

There are three decisions confronting the trader :

- **Buy** (go long) only if it is a **Uptrend**
- **Sell** (go short) only if it is a **Downtrend**
- **Do Nothing** (stand aside) if it a is **Range**

A trend is more likely to continue **than to Reverse**

A Trend Is Assumed to Be in Effect Until It Gives Definite Signals That It Has Reversed.

Hence the sayings:

“The trend is your friend”

“Never go against the trend”

By following trends over different time frames, traders can increase their profit making opportunity in trending markets and stay away from markets when they are not trending.

TIME-FRAMES

1- Market has three **movements**

The **MAIN** movement

Dow conceived of market tides as lasting for **more than a year**, and possibly for several years and can be bearish or bullish.

The **SECONDARY** or intermediate movement

represents corrections in the primary trend and usually lasts **three weeks to six months** and retrace between 33% and 66% of the previous move.

The **MINOR** (or near term) movement

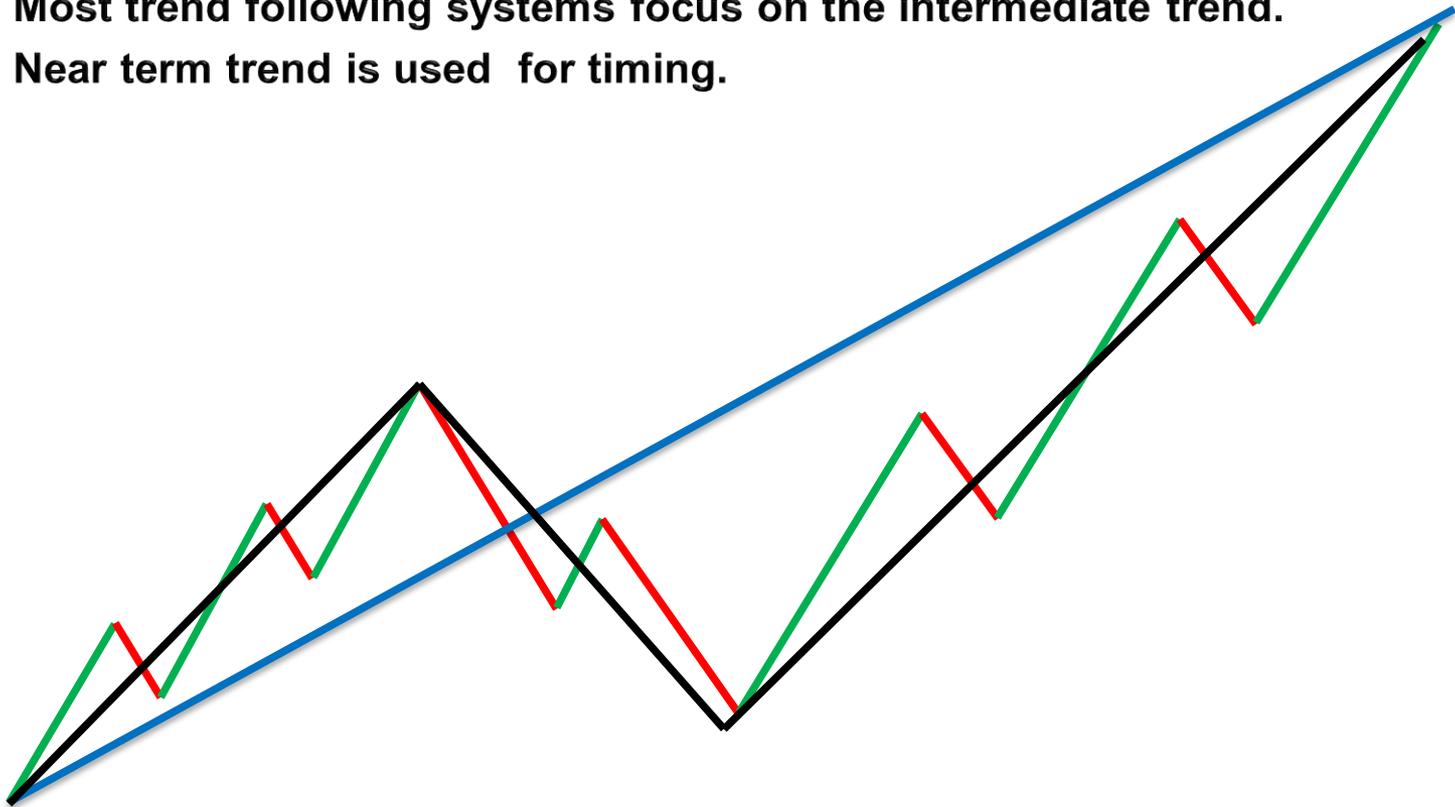
Represents corrections in the secondary movement and usually lasts **less than three-four weeks**.

Market has Three **Movements**



Trend Classifications

- Each trend becomes part of its next larger trend.
- Most trend following systems focus on the intermediate trend.
- Near term trend is used for timing.



Time– Frames

Traders often feel confused when they look at charts in different timeframes and see that the **market is going in several directions at once.**

The trend may be **up on the daily** chart but **down on the weeklies**, and vice versa. Which of these trends will you follow? This becomes even more difficult for short-term traders using intra-day charts.

Most traders pick one time frame and close their eyes to others – until a **sudden move** outside “their” time frame hits them.

Time– Frames

The **Rule of Five** links all timeframes.

4.5 weeks to a month.

Five trading days to a week.

4 hour charts and there are 6 in a day.

Then hourly charts – and there are 4 hours to the 4 hour chart.

Day-Traders can proceed even further and look at 10-minute charts, followed by 2-minute charts

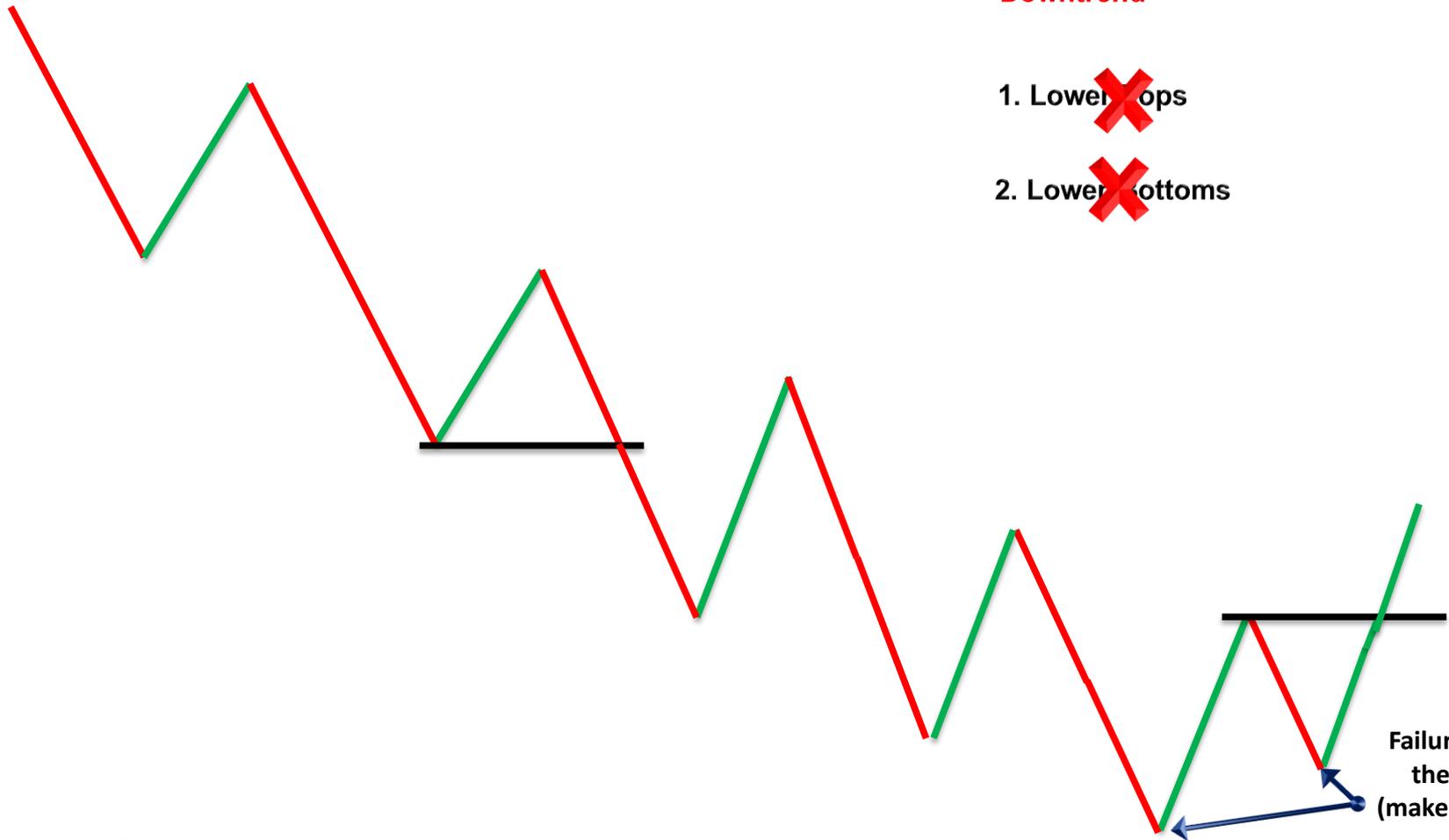
A Factor of 5 links **all Timeframes**

When you are in doubt of a trend, step back and examine the charts in a timeframe that is larger than the one you are trying to trade.

A factor of 5 links all timeframes. If you start with the weekly charts and proceed to the dailies, you will notice that there are five trading days to a week. As your timeframe narrows, you will look at hourly charts – and there are approximately 5 to 6 trading hours to a trading day. Intra day traders can proceed even further and look at 10 minute charts, followed by 2 minute charts. All are related by a factor of five. The proper way to analyze any market is to analyze it in at least two time frames. If you analyze daily charts, you must first examine the weekly charts and so on. This search for greater perspective is one of the key principles of the Traders Edge Multiple Time Frame Trading System.

Trend Reversal

Avramis Theory



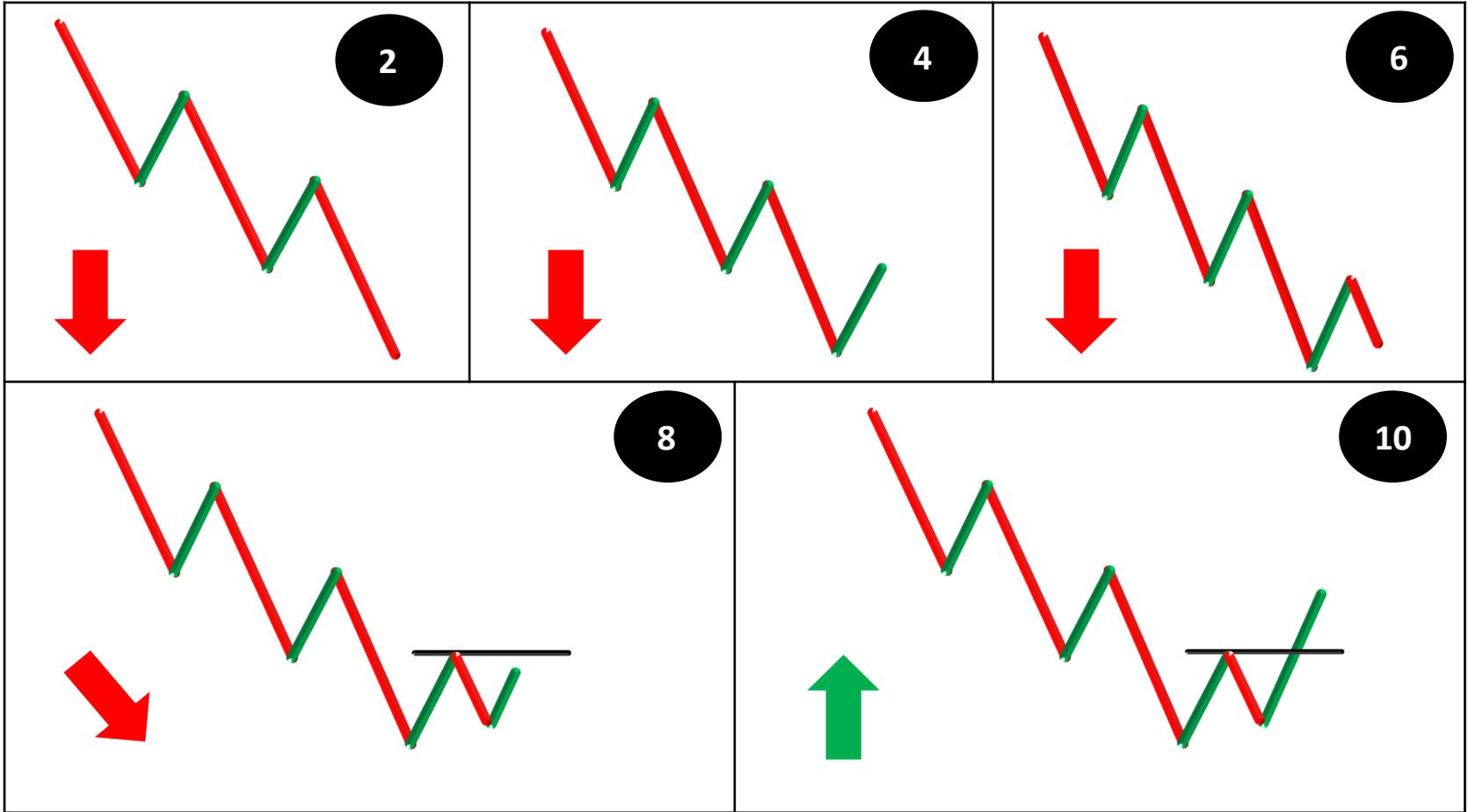
Downtrend =

1. Lower ~~tops~~

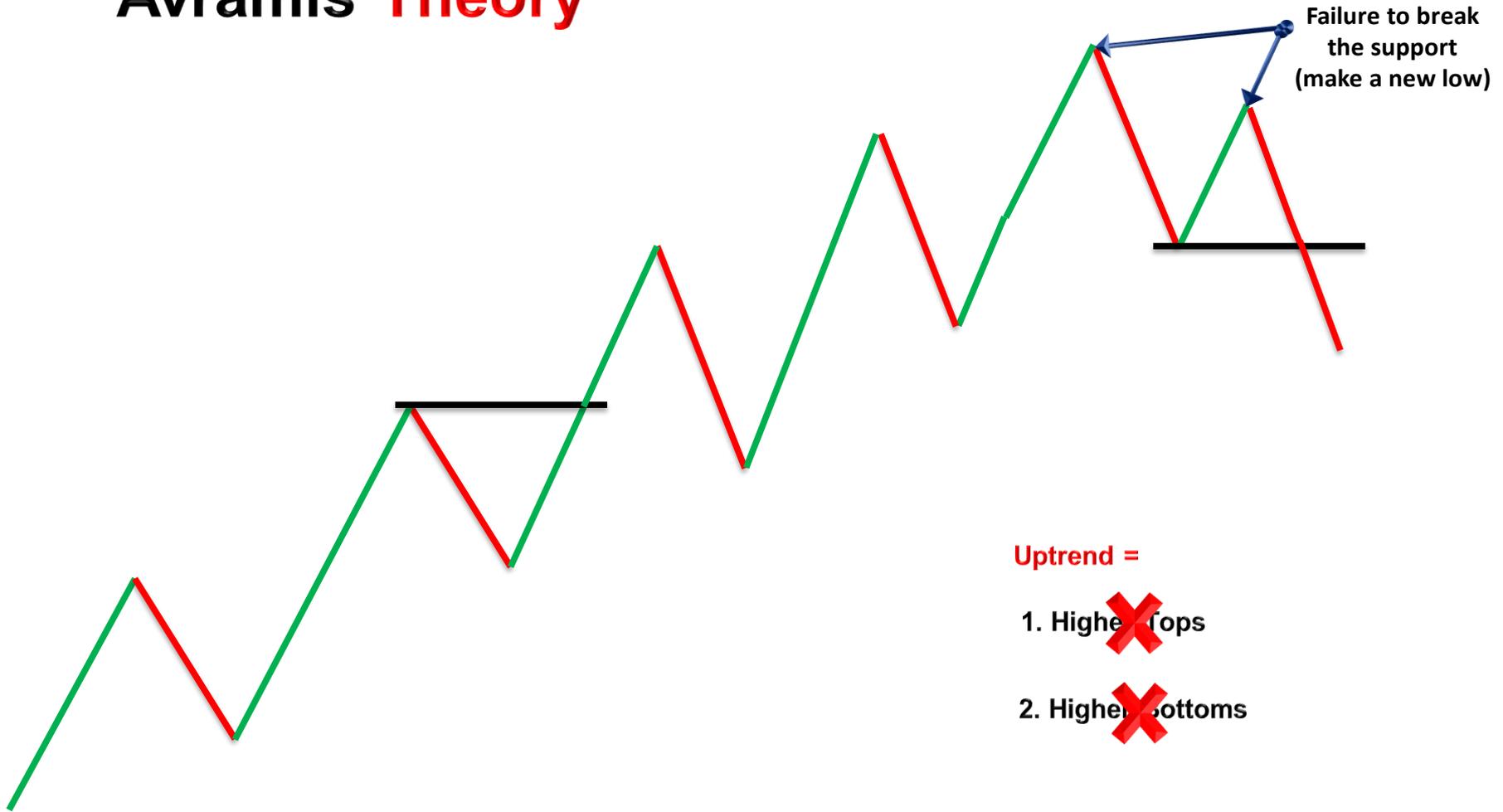
2. Lower ~~bottoms~~

Failure to break the support (make a new low)

Market Trends:



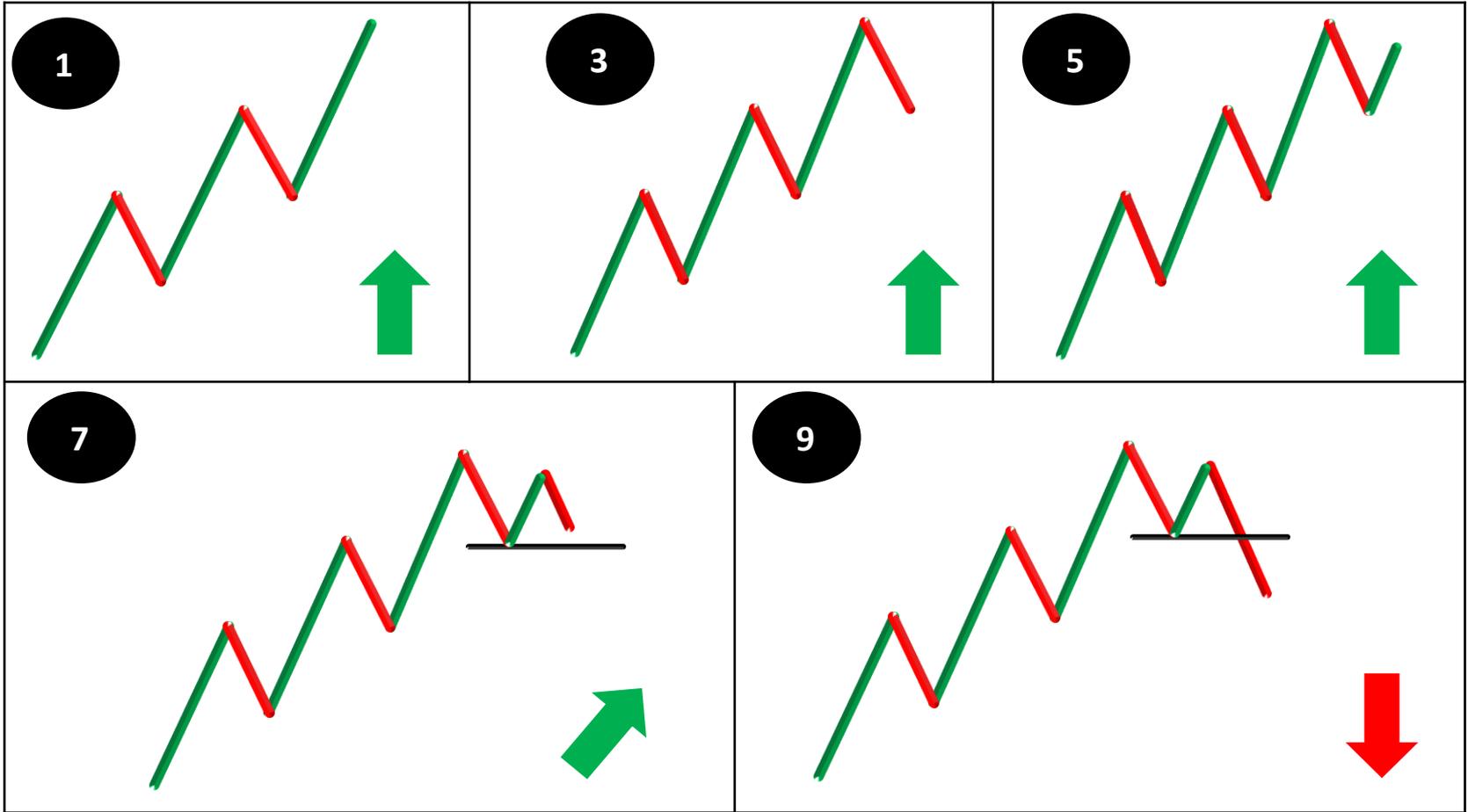
Avramis Theory



Uptrend =

1. Higher ~~X~~ Tops
2. Higher ~~X~~ Bottoms

Market Trends:



Be Careful!

**Not All
Failure Swings
Are Correct**

**Always use stop
losses**

The Fibonacci Magic

Fibonacci



The "greatest European mathematician of the middle ages", his full name was Leonardo of Pisa, or Leonardo Pisano in Italian since he was born in Pisa.

He was one of the first people to introduce the Hindu-Arabic number system into Europe - the positional system we use today - based on ten digits with its decimal point and a symbol for zero.

Fibonacci - Problem

In Fibonacci Liber Abaci book, chapter 12, he introduces the following problem:

How Many Pairs of Rabbits Are Created by One Pair in One Year?

A certain man had one pair of rabbits together in a certain enclosed place, and one wishes to know how many are created from the pair in one year when it is the nature of them in a single month to bear another pair, and in the second month those born to bear also.

Fibonacci - Series

1 1 2 3 5 8 13 21 34 55 89 144 233 377

$$\frac{144}{233} = \boxed{} \quad \frac{89}{144} = \boxed{} \quad \frac{55}{89} = \boxed{}$$

$$\frac{233}{377} = \boxed{}$$

$$\frac{0.382}{0.618} = \boxed{}$$

$$\frac{377}{233} = \boxed{}$$

$$\frac{1.618}{2.618} = \boxed{}$$

$$\frac{144}{377} = \boxed{}$$

$$\frac{0.236}{0.382} = \boxed{}$$

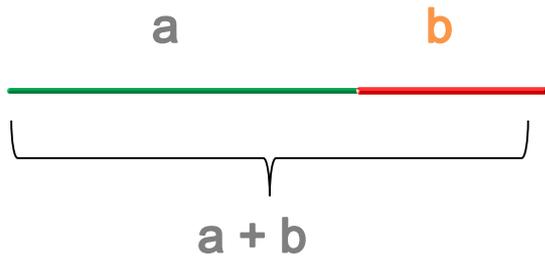
$$\frac{377}{144} = \boxed{}$$

$$\frac{2.618}{4.236} = \boxed{}$$

$$\frac{89}{377} = \boxed{}$$

$$\frac{377}{89} = \boxed{}$$

Golden Ratio



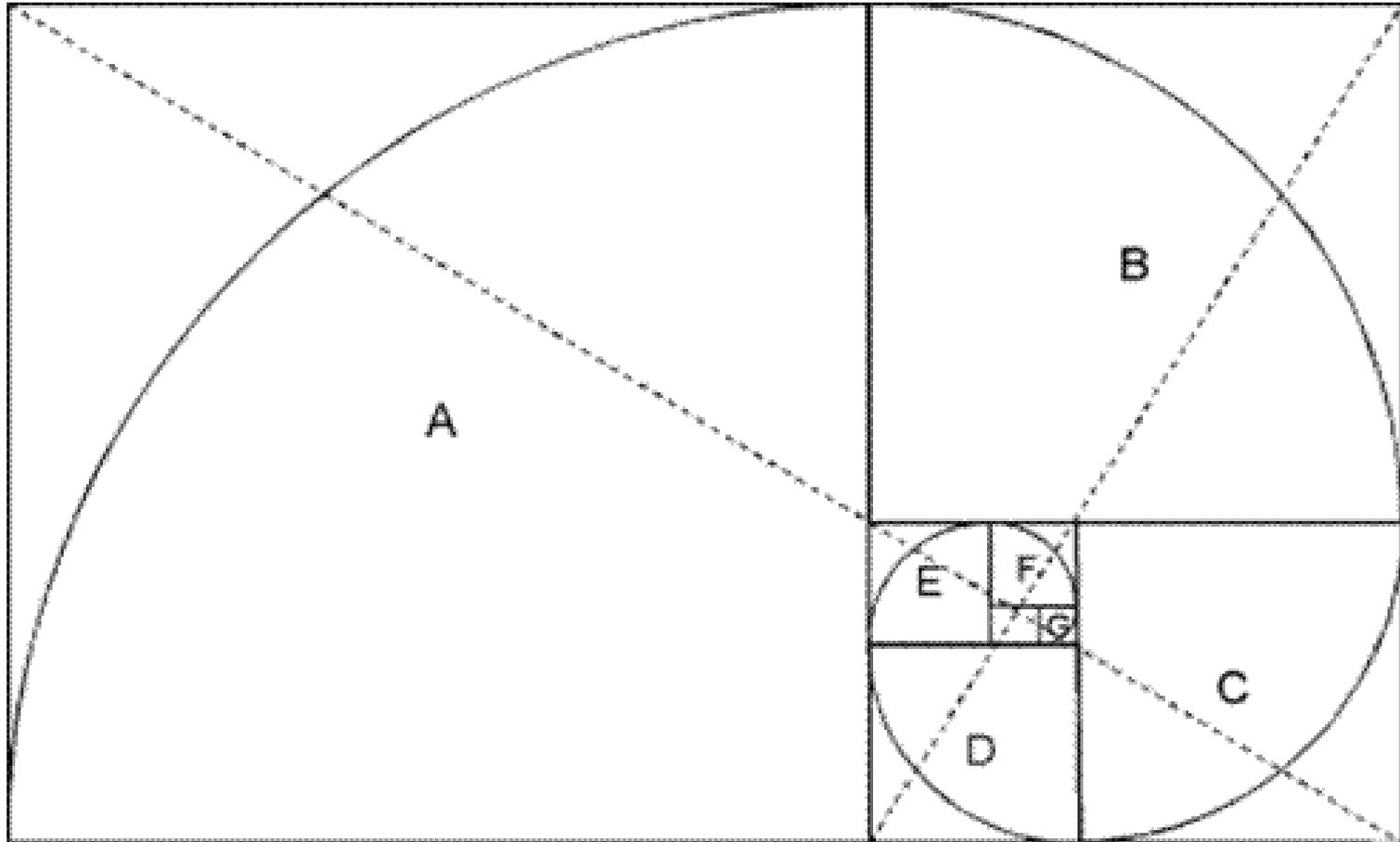
$$\frac{b}{a} = 0.618$$

$$\frac{a}{a+b} = 0.618$$

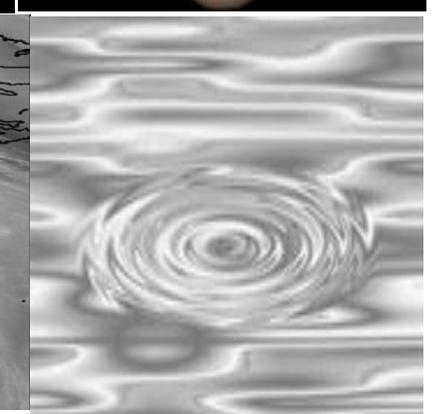
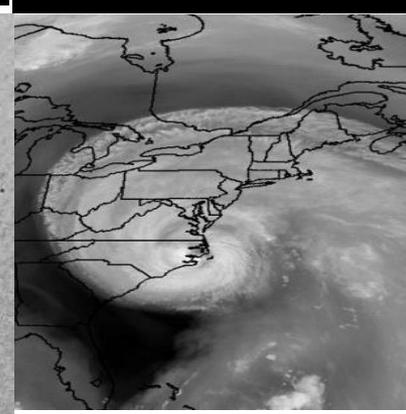
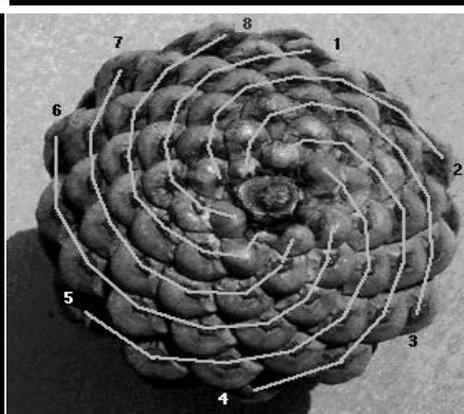
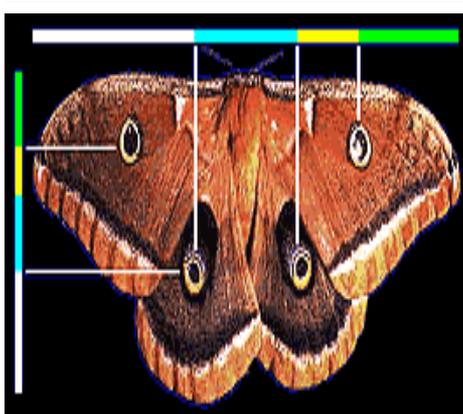
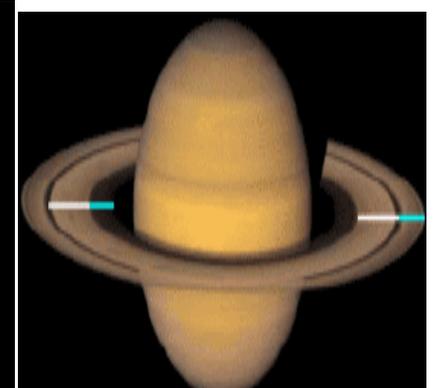
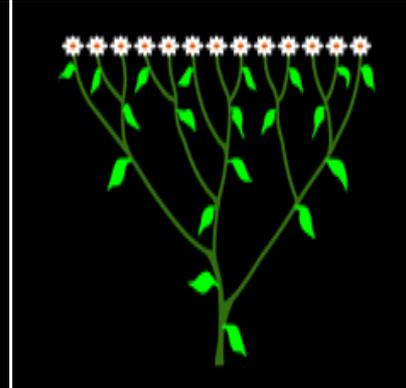
THIS NUMBER IS DENOTED AS THE GREEK LETTER:



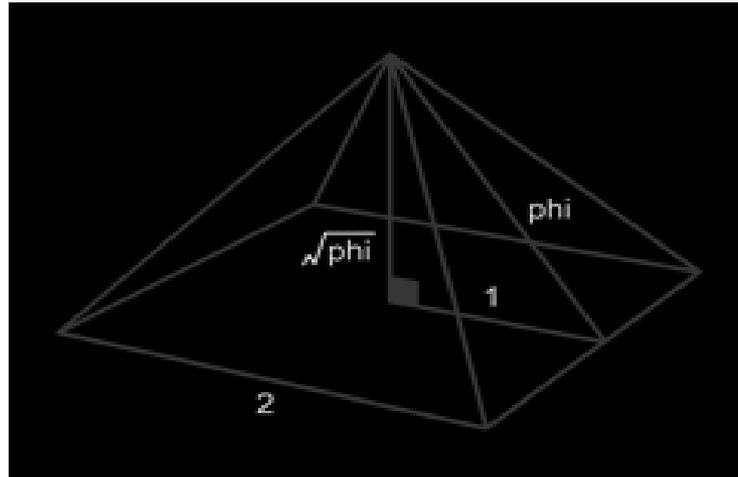
Golden Spiral



PHI - Nature



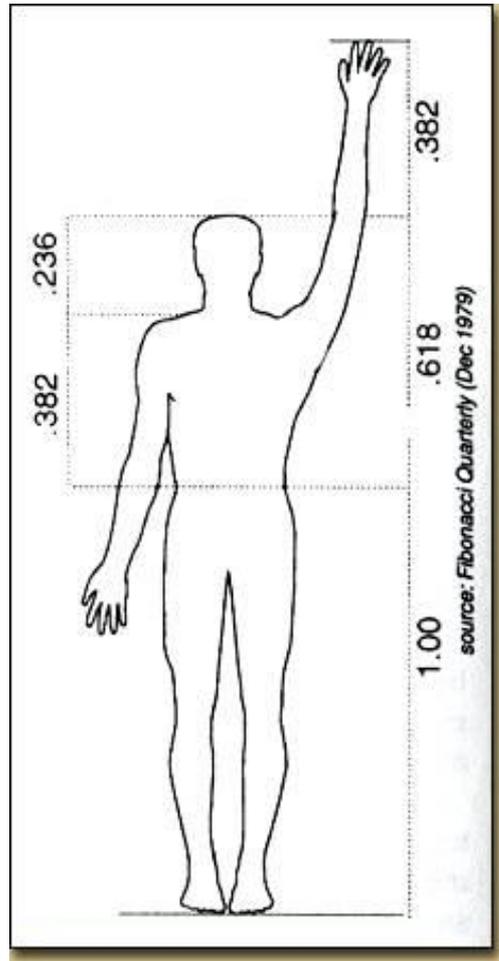
PHI - Arts



PHI - Universe



PHI & Human Body

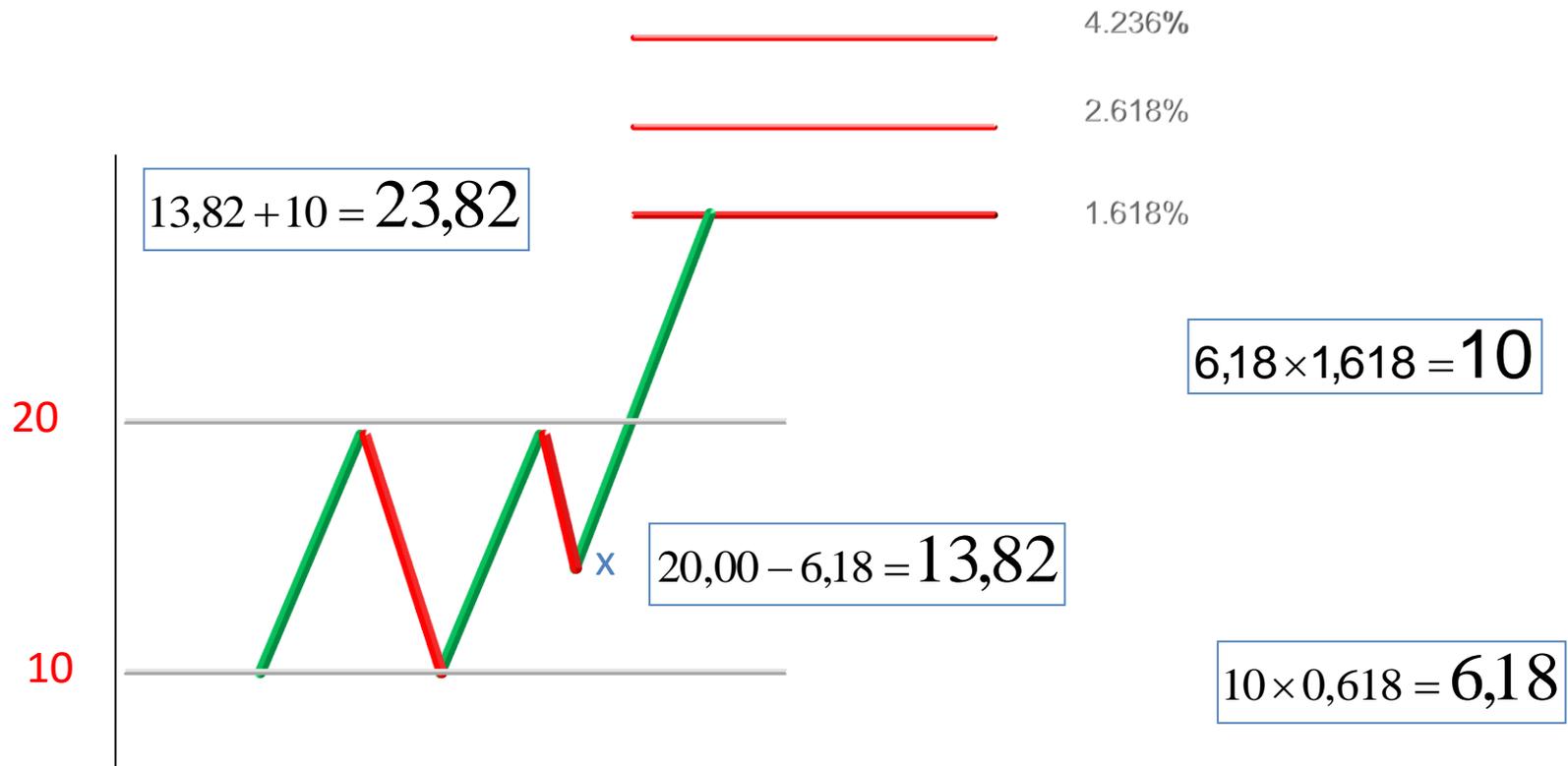


PHI is Everywhere

“ Φ is everywhere and you think we can not find it in the Markets where it is full of human psychology?”

Let's see how...”

PHI & Trading



Exit Signals – "Opposite" Fibonacci

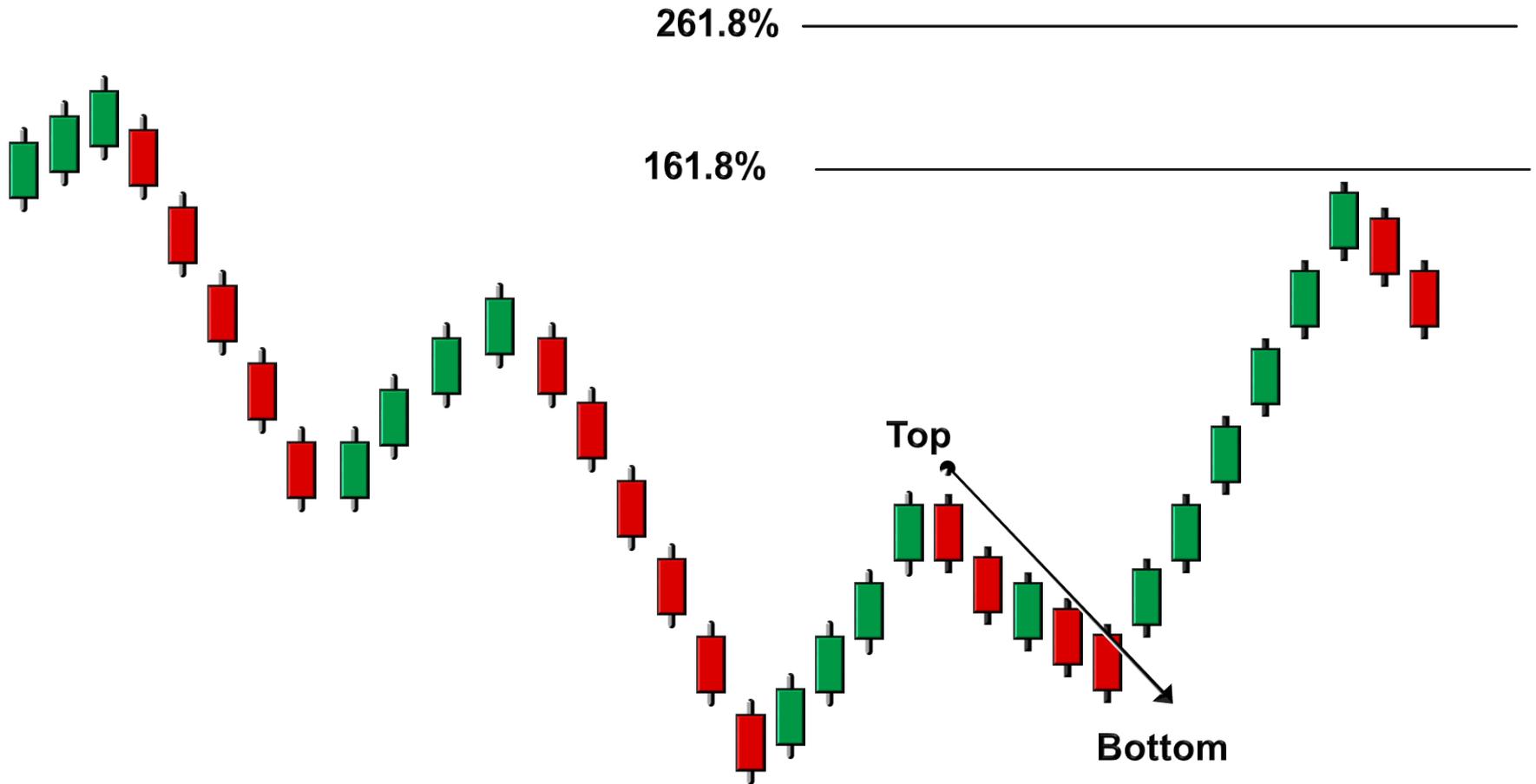
Uptrend :

▪ Draw the Fibonacci **opposite the trend** so in an uptrend **from the last top to the last bottom** (Always from left to right). Then you mark the 161.8%, 261.8% and 423.6%.

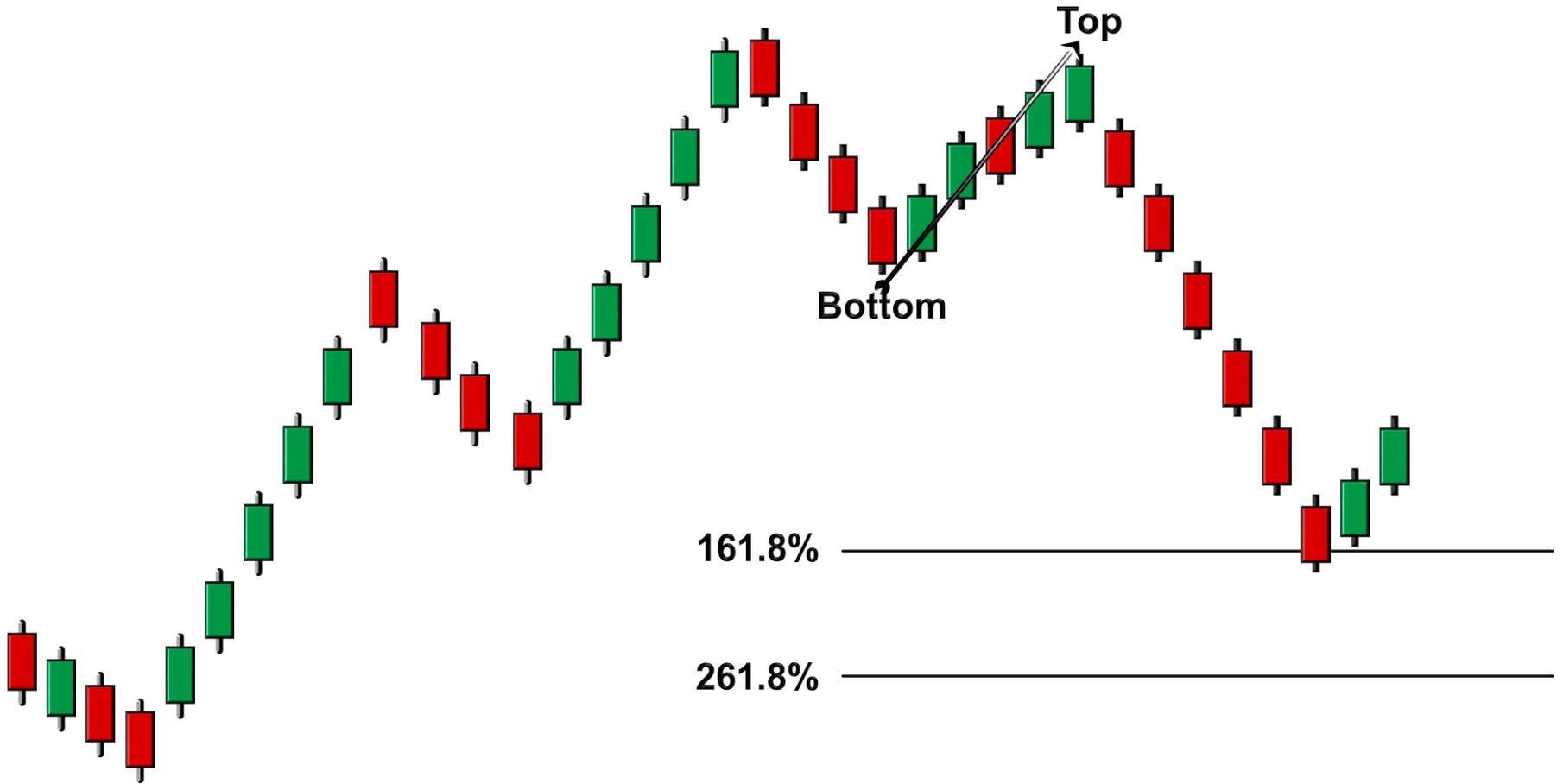
Downtrend :

▪ You draw the Fibonacci **opposite the trend** so in a downtrend **from the last bottom to the last top** (always from left to right). Then you mark the 161.8%, 261.8% and 423.6%.

“Opposite” Fibonacci - Uptrend



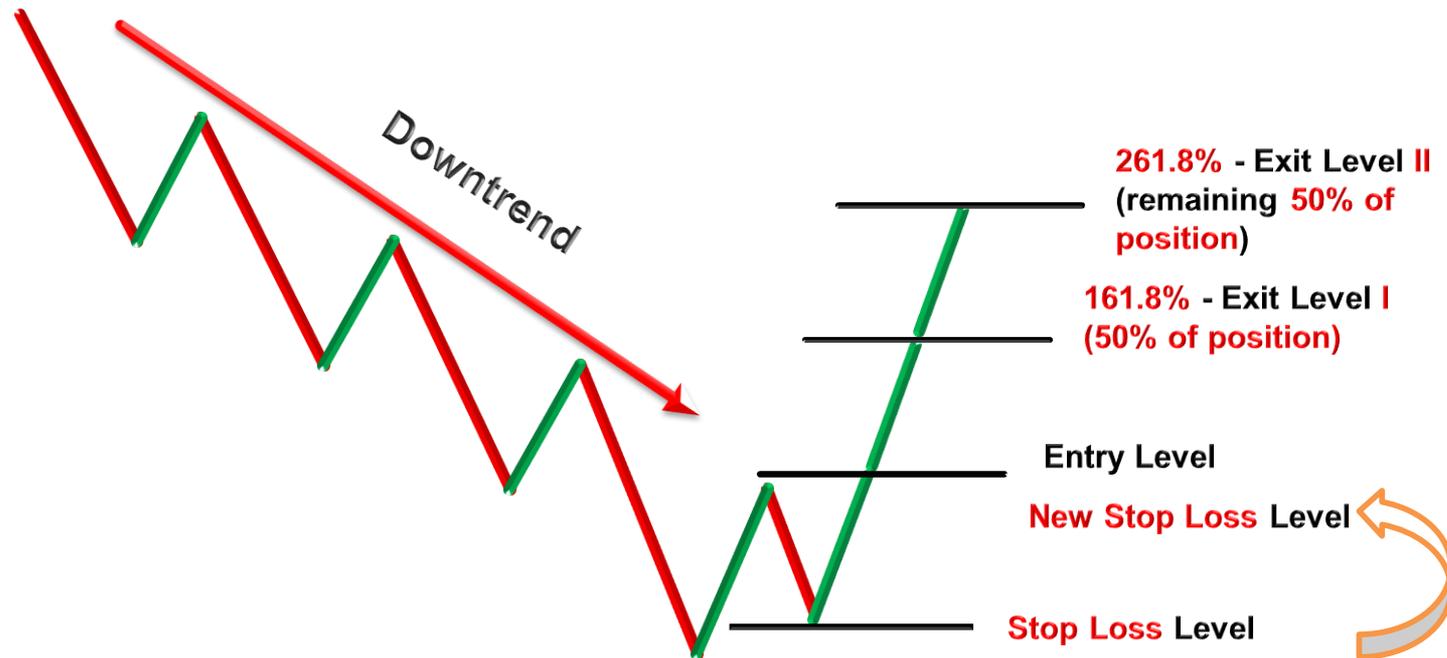
“Opposite” Fibonacci - Downtrend



Trend Reversal Entry

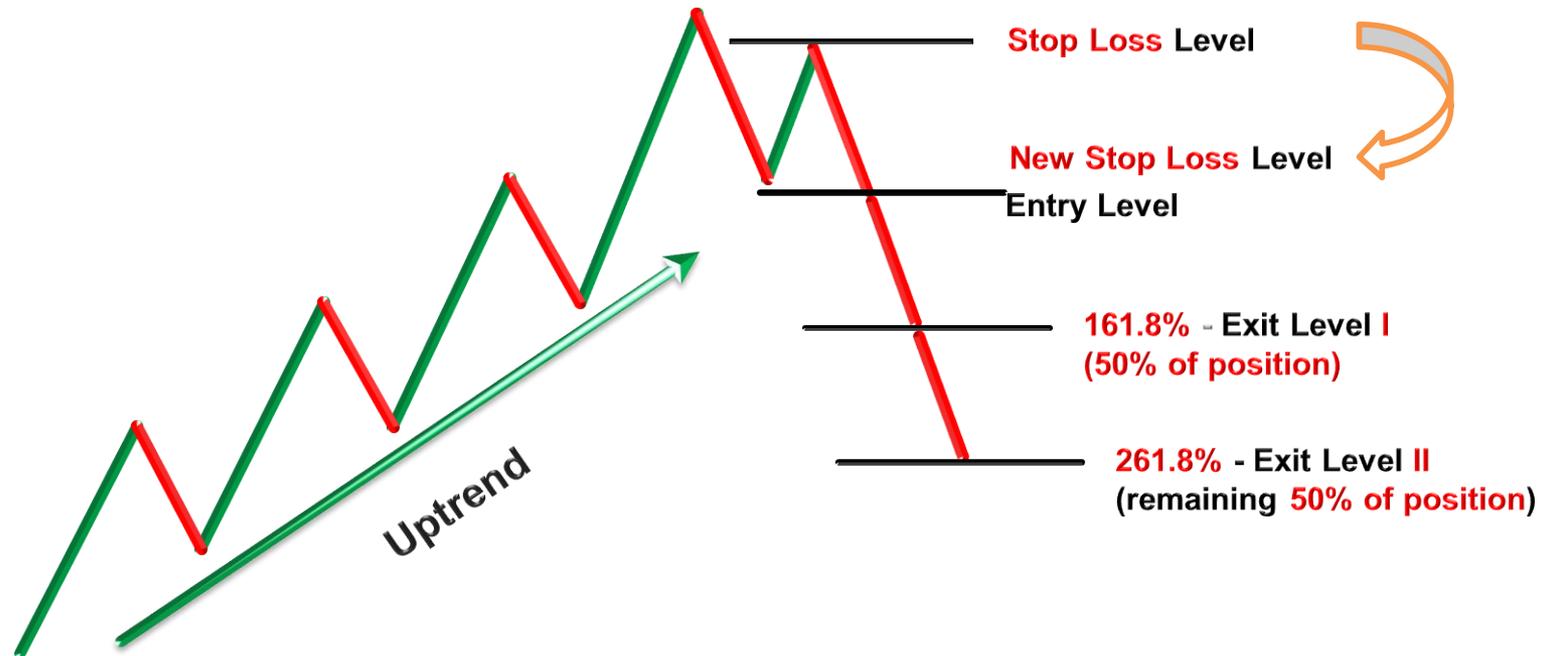
Trend Reversal Entry - To Go Long

Time frame you trade

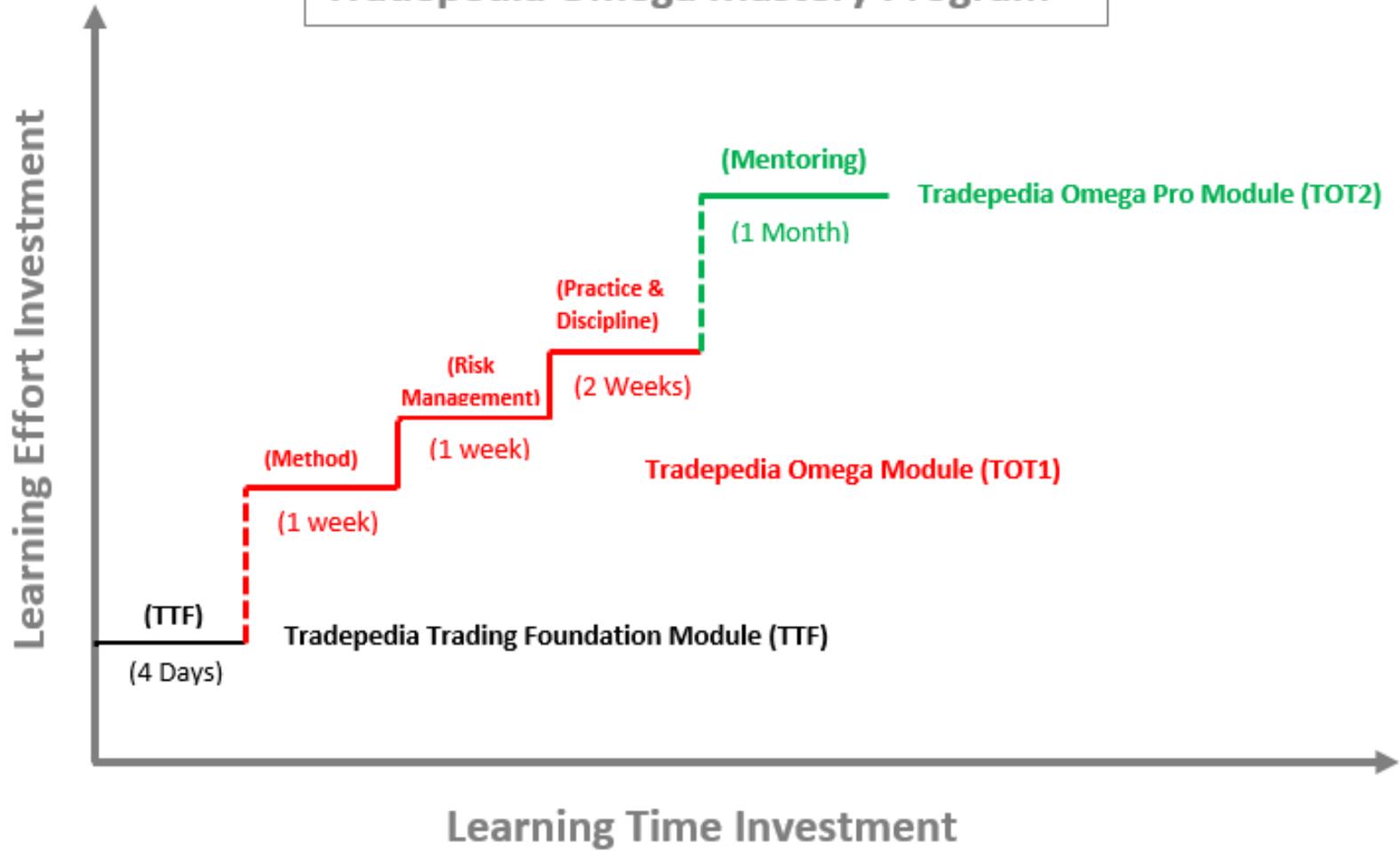


Trend Reversal Entry - To Go **Short**

Time frame you trade



Tradepedia Omega Mastery Program





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