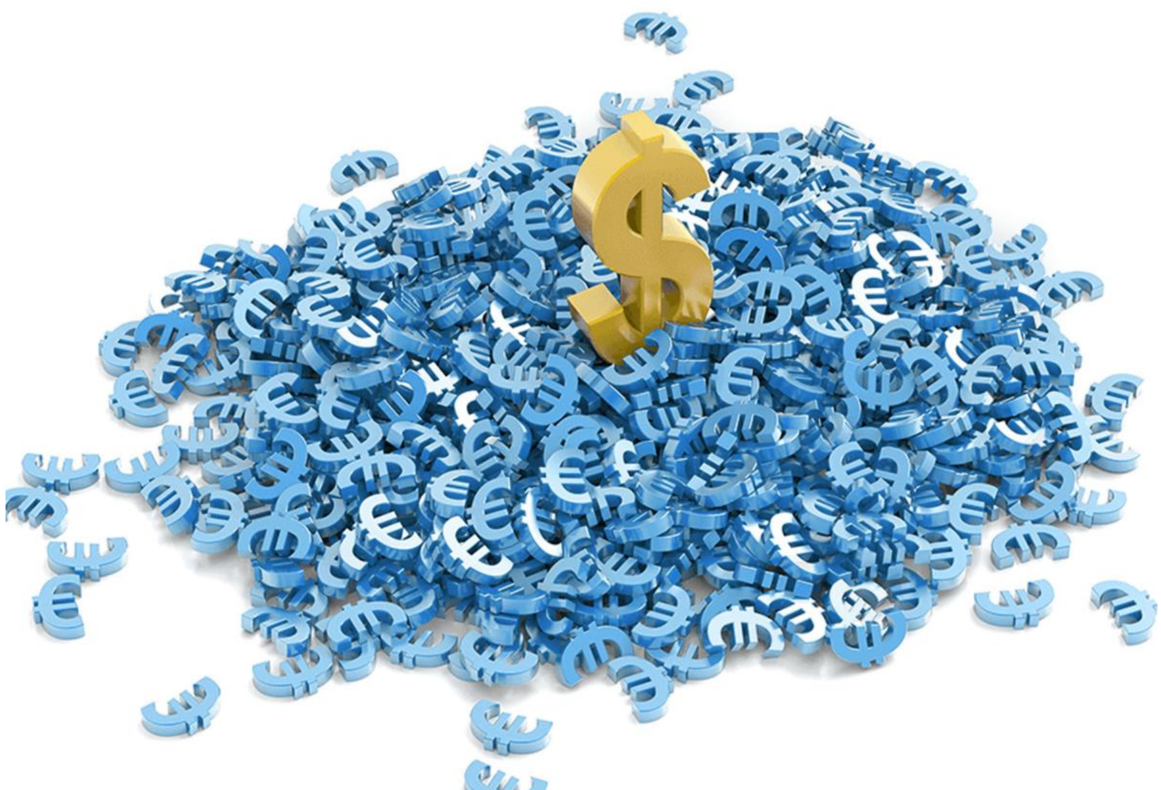
FOREX STRATEGIES

Master the art of swing and scalp trading



FOREX BOAT

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I. BEST SWING TRADING STRATEGIES

Every trader has different trading styles, but the most important is to choose it based on you own preferences.

Swing trading is a mid-term trading style. As such, traders who are using swing trading strategies usually don’t use short-term trading approaches. Most of the swing trading strategies with high success rate, hold a position open for days. But when it comes to really the best strategies, it is very common a position to be held open for few weeks.

Like any trading method, swing trading deals with speculation. Mastering the art of speculation is not something that comes easy but once achieved will pay off multiple times.

Based on the preferred trading time horizon, traders could be divided into few groups:

- Buy and sell a currency pair multiple times a day. They aim for small/ minimal profits, with numerous entries.

- Day traders. These traders close positions at the end of the trading day.

- Swing traders. Swing trading strategies keep positions open for two to six trading days. Sometimes, even for weeks.

- Typically, these are long-term oriented traders. Most of the time, financial entities invest. Not retail traders.

Usually most trader fit into one of the above categories. In fact, it is not about the trading style, but more about the trader’s personality.

As a human beings all traders possess different personal qualities which strongly influence their trading style.

Therefore, swing trading strategies that work for example may not fit an impatient trader, even if result is proven to be positive.

In the end, either trading constraints or human nature’s constraints define the trading style.

So we should start our swing trader’s definition by pointing out the significant role time/time frames are playing.

This article will give you an in-depth insights on the following:

- What is swing trading?
- How swing trading is done?
- The best swing trading strategy
- Swing trading tips and tricks that make a trader's life easier

1. SWING TRADING'S DEFINITION

If you hold a Forex position between one and several days, you're swing trading. That's the straightforward definition of it.

How do you know that? It comes from the trading style involved. Or, the time frames.

If the technical analysis comes from the daily time frame, you can't expect to close the trade the same day. Yet, if you do close it, the analysis was probably wrong.

But this trading style is not to buy and hold. A buy and hold strategy is investing.

Swing trading comes from fundamental analysis too. For example, traders that look for monetary policy changes use swing trading.

Markets turn, but to make a top or a bottom takes time. When looking for any of those, traders keep positions open for more than a day. Most of the time, for weeks.

As such, there are many different ways to use swing trading. Most of the traders use it to ride trends. Others use it to pick the tops and bottoms. And then to ride the newly born trend.

Some traders use it to interpret fundamental changes. Like for example, if the economic news will provoke a bearish trend. Or whether the market will continue its positive move.

Swing trading aims to ride trends. Therefore, the best swing trading strategy are based solely on trend trading.

In trading, you should "let your profits run." Or "ride the trend till its end."

At least, these are two sayings every trader knows. If that's the case, you cannot be a scalper.

2. SWING TRADING STRATEGIES REVEALED

So far, we have established the undeniable connection between swing trading and trend trading. As such, trend trading indicators make the best swing trading indicators.

When riding a trend, the idea is to buy dips and sell spikes. That is if the trend is bullish, respectively bearish.

Every trader knows that. But, that's an easy task only on paper.

The problem with trending strategies is that…the market rarely trends. Most of the times, prices range.

As such, to catch a stable trend, traders must go on the bigger time frames. Let's consider the recent EURUSD price action.

Below is the hourly chart. It shows the price movements for the last three weeks.

Where did this market go? Nowhere.

For almost a month, it moved between 1.1850 and 1.17. Of course, deviations from these levels are normal in a range.

But, the idea is that neither bulls nor bears made money. I mean, they did. However, using other strategies. Not swing trading systems.

So, if you think the EURUSD will move higher still, you'll be waiting. Bears will sell instead.

But the truth is that for a month the market didn't move. How to let your profits run?

Or, how to ride a trend when there's none? The answer comes from the more significant time frames.

Let's use the same EURUSD range. But from a daily perspective.

See where the last three weeks' range formed? Now, that's a strong bullish trend before it.

Moreover, if we use trend lines/channels, we can find more about the trend. After all, the best swing trading strategy uses trends. Right?

Swing trading strategies that work use entries like the one above. First, traders identify trends in bigger time frames.

Second, they sell the upper part in a bullish channel. Finally, they buy at the lower support.

3. INDICATORS FOR THE BEST SWING TRADING STRATEGY

There's no best indicator to use when trading. The best is the one that gives profitable trades. On, and on, and on…

There's no such thing. Swing trading books favor trend indicators.

But swing trading strategies using oscillators work too. The secret is to apply them on big enough time frames.

I mean, it could be that one picks a top or bottom using the five-minute chart. And then, to swing trade after.

But if that happens, it's by chance. It's not a strategy.

The swing trading definition states trades must be kept open longer than a day. For this to be true, traders need bigger time frames.

4. SWING TRADING SETUPS WITH TREND INDICATORS

Swing trading strategies that work use bigger time frames. That's a must.

As such, traders apply the trend indicators on four-hour charts. Or, even daily ones.

We covered here most of the trend indicators. The idea is to use the ones that give an educated guess about the time taken for a trade.

The Bollinger Bands is such an indicator. Applied on a daily chart, it gives great swing trading alerts.

Take the chart below for example. It shows the AUDUSD pair.

And, it is the daily time frame. Therefore, you can't expect a trade to last less than a day.

Not that it's not possible. But, it's unrealistic.

As such, swing trading strategies with Bollinger Bands indicator consider several steps. Firstly, traders know beforehand the entries and exits.

In trading, you better know your way out before you go in. In the AUDUSD case, when the price hits the middle line, that's the entry.

The exit comes when the opposite Bollinger Band gets hit. Of course, a viable stop comes at the other band.

Secondly, because of the time frame, one is not scalping. In principle, the price can hit the opposite Bollinger Band in less than a day.

However, this is not a realistic approach.

Finally, such a strategy used on lower time frames ends up in day trading. Or, scalping.

As such, the key to the best swing trading strategy is the time frame used. Not too big, as traders end up investing.

And, not too small, as traders end up day trading or scalping.

To sum up, swing trading strategies that work come from the four-hour and daily charts. And, the AUDUSD examples above prove it.

1. SWING TRADING FOREX WITH OSCILLATORS

Now that we've established what it takes in swing trading vs day trading, we can use the same principle. Namely, when one uses oscillators on the four-hour and daily time frames, that's swing trading.

The best swing trading strategy uses the CCI. We need a fast-moving oscillator. That's what the Commodity Channel Index does.

It moves below -100 and above 100 with the speed of light. That is, according to the time frame.

Traders use several steps when using swing trading strategies that work like this one. First, they find a trend on the two time frames mentioned.

Next, they buy (in a bullish one) every time the CCI moves below -100. And, sell (in a bearish one) when the CCI moves above 100.

Finally, they set the target on the opposite CCI value. Let's use this swing trading principle on the latest EURGBP price action.

For the last four months, this Euro cross moved higher. A lot!

As such, it formed a bullish trend. So, the first step is done. We established the trend!

Next, we should place the CCI on this four-hour time frame. Because of the bullish trend, we want to buy when CCI dips below -100.

With what target? When the 100 level gets hit, we exit.

All twelve (12!) trades from above represent swing trading options a trader has. Or, opportunities.

Moreover, they all ended up in profit. Isn't the best swing trading strategy supposed to look like this?

2. SWING TRADING STRATEGIES THAT WORK WITH TRADING THEORIES

Trading theories try to map a currency pair's movement. Some of them go even further: if properly used, they claim to know all future movements.

The Elliott Wave Theory is such a trading theory. In fact, it is just another swing trading technique.

Elliott said the market moves in cycles. That is, cycles of different degrees.

In Forex trading, these degrees are easy to spot. They're the time frames of a currency pair.

As such, when the Elliott Waves count reaches the daily and four-hour time frames, that's swing trading. Any resulting trade fits in this category.

In fact, the overall theory is a swing one. Elliott found the market moves in waves.

Or, it swings. As such, a bullish cycle has five swings. Three to the upside, and two in the opposite direction.

Swing trading strategies Forex traders use with the Elliott Waves Theory are counts like the one above. This is the result of a top/down analysis approach.

Under such analysis, swing trading strategies result from interpreting all the time frames. From monthly to the hourly chart, a currency pair is “mapped”.

When the resulting trade comes from either daily or four-hour time frame, that’s swing trading.

Similar swing trading strategies derive from other trading theories. Gartley, Gann, Drummond, Price Action, Point and Figure…they all end up giving swing trading strategies that work.

Any trading strategy is subject to swing trading. Either picking tops and bottoms, or trend trading…what matters is the time horizon of a trade.

3. SWING TRADING STRATEGIES WITH FUNDAMENTAL ANALYSIS

So far, we have looked at the best swing trading strategies from a technical analysis point of view. But, is that all?

How about fundamental analysis? Can it be used in swing trading?

The answer is yes. And, again, time is key.

The starting point is the economic calendar. A swing trading bot (or trading algorithm) buys and sells a currency pair mostly based on economic news.

More exactly, on interpreting the economic news.

And, out of all news, the ones related to a central bank’s monetary policy matter the most. Therefore, traders look for clues when trading.

You’ll be surprised, but not everyone believes in technical analysis. Analytical minds look for an economic reason behind it.

As such, some of the best indicators for swing trading are not technical. But fundamental.

The CPI (Consumer Price Index) is one. Or, in plain English, inflation.

Inflation is on every central bank’s mandate. When it differs from the forecast, central banks act.

Traders know that. On top of it, they have a time span to use.

Because inflation is released before a central bank’s meeting, swing trading appears. Or, the opportunity of a swing trade.

If inflation differs from the forecast, traders bet the central bank will change interest rates. But, typically, the inflation data comes out a couple of weeks earlier.

As such, the best swing trading strategies from a fundamental point, use inflation data. The central bank will hike rates on higher inflation. And, will cut them if it disappoints.

In both cases, the currency moves. This was just an example.

It aimed to show swing trading strategies that work using fundamental analysis. Many traders use them.

But plenty of other economic data is used the same way. All you need is to pay attention to details.

4. TRADING WITH A SWING TRADING SOFTWARE

Anything that moves can be programmed. As such, traders can build an algorithm.

The most popular trading platform, the MetaTrader, allows for Expert Advisors building. Traders can program their own swing trading strategies.

In fact, today's trading is mostly automated. Almost all trades are the result of a computer program.

Expect this trend to continue. With technology changing so fast, trading will change too.

It has changed and will continue to change. Traders have adapted as a consequence.

Expert advisors are easy to create, install and use. Over eighty percent of today's trades come from an automated source.

If you come to think of it, every trader uses automated trading. When you place a pending order…that's automated trading.

Or, when you set the take profit for your swing trading. Or the stop loss.

The system (trading platform) will close your trade automatically.

Coming back to swing trading strategies that work, they can be automated. All examples used here can.

But the idea is to understand how to use them first. It comes secondary to how trading takes place.

Moreover, the best swing trading strategy is one that wins most of the times. But, it doesn't mean it must win all the time.

Therefore, trades have a stop loss in the first place.

I. FOREX SCALP TRADING STRATEGIES AND INDICATORS

Forex traders approach the market from different perspectives. Some expect quick and very fast profits. This is scalp trading. Others, invest. They have a different time horizon in mind. As such, scalp trading strategies simply won't fit their personality.

Retail traders love scalping. They like the idea of making a quick profit.

If you come to think of it, scalp trading reflects human nature at its best. As humans, we don't like to wait long for something.

Like in life, we grow impatient easily. And, when it comes to money, we have even less patience.

It doesn't mean scalp trading strategies won't work. They do, and, most of the times, they have a bigger success ratio than other strategies.

However, they come with some costs. For example, sticking in front of the screens all day.

In any case, scalp trading is a way to approach the Forex market. For most of the retail traders, it is the preferred way.

Retail traders don't dedicate their entire time to trading. Most of them have day jobs, and so on.

Therefore, in their free time, they scalp for small profits. I mean, what's wrong with supplementing your income with a trade here and there?

However, make sure you understand what scalp trading is and how to approach it. In this article, we'll cover:

- What is scalp trading?
- Different scalp trading strategies
- How to build a scalp trading system
- Reasons for scalp trading
- Cons of scalp trading

The main idea is to show the best ways to scalp trading. And, to demonstrate the advantages of scalp trading strategies over other ones.

1. WHAT IS SCALP TRADING?

If you open and close a trade fast, you either:

- Made a wrong call and just realized it
- You're a scalp trader

A scalp trader has many great traits. Just to mention a few, he/she:

- Likes to act fast in a fast-paced environment
- Doesn't mind spending hours in front of the trading platform
- Grabs tiny amounts of pips, but, multiple times during the trading day
- Doesn't like to pay swaps

Patience doesn't fit the bill. Why wait for a hundred pips move, when you can grab them in small trades?

As we all know, the market doesn't always move. In fact, most of the times it ranges.

Statistically, prices stay more in range than in a trend. Therefore, scalp trading strategies make sense.

A scalp trader uses smaller time frames. But not only.

For example, if the market reaches an important Fibonacci level on the daily time frame, a scalp Forex trader may buy/sell around it. However, in doing that, it'll go on the lower time frames to pick the actual entry.

A scalp trading Forex system is born on lower time frames. In fact, the lower the time frame, the better.

Scalp traders love a fast-paced trading environment. As such, it is no wonder they go down even to the one-minute period.

Traders involved in scalp trading don't keep positions overnight. Therefore, they don't worry if a currency pair carries a negative swap.

What they care about is the spread. Hence, the lower the spread, the better.

Why? Because the spread is the only cost associated with scalp trading strategies.

2. HOW TO SCALP FOREX CURRENCY PAIRS

Traders buy and sell a currency pair for various reasons. A scalper will make multiple trades per day, with the number varying based on how the market moves.

Or, based on its volatility. As such, scalp trading strategies work on currency pairs that move a lot. And, have a lower spread.

Picking the right broker for scalp trading is essential. Results will vary widely, as brokers will impact scalp trading.

• TECHNICAL SCALP TRADING

Most scalp traders use technical analysis. And, they apply their scalp trading strategies on lower time frames.

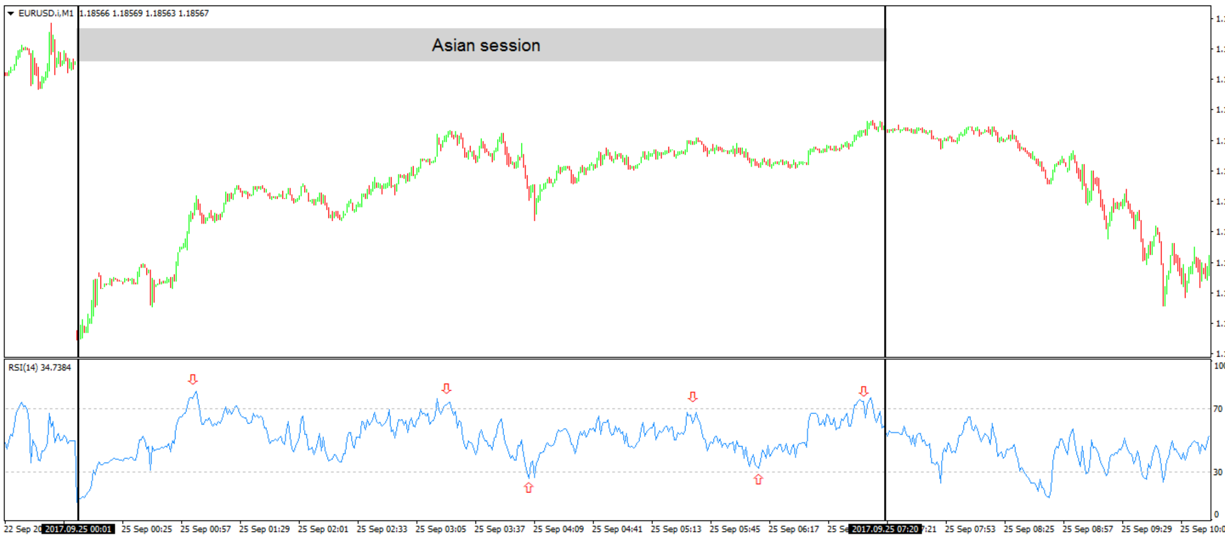
Apparently, they want to buy in oversold levels. And, sell, when price moves in overbought territory.

How to do that? Well, oscillators come to save the day.

But, as we know by now, trading with oscillators is tricky. They work if the price stays in range.

Therefore, scalp trading strategies based on technical analysis require a range. Or, a period when the overall market ranges. Even better, when traders expect a range.

Typically, the Asian session is best for trading overbought and oversold levels. Even on the lower time frames.



Above is the EURUSD one-minute chart. It shows the previous Asian session. Moreover, it has the RSI (**Relative Strength Index**) attached.

It offered five entries in either overbought or oversold territory. The idea is to enter and wait until the RSI reaches the opposite level.

Because the time frame is so small, you'll get a chance to trade multiple times. Otherwise, that's scalp trading.

But it isn't limited to the Asian session. In fact, anytime traders define a range, scalp trading strategies work. Or, they have better chances to work.

For instance, consider the NFP (Non-Farm Payrolls) week. Typically, the Forex market holds a range all week until Friday's release.

Hence, you can define a range. Next, you apply scalp trading strategies.

- **SCALP TRADING THE NEWS**

A trader's objective is to make money. That's the basis of speculation.

A scalp trader's primary objective is to make money fast. And, as much as possible.

Some days may offer ten opportunities to scalp. Or, on other days, more trades appear.

But, for opportunities to rise, the market must move. The faster, the better.

However, the market mainly moves on the news. Hence, scalp trading the news is a way to make a living as a retail trader.

Scalp traders do have a trading plan. Scalp trading strategies consider money management too.

For example, a scalp trader may stop trading after reaching several pips. Let's say, fifty pips per day.

When the market moves, it may take less than half an hour. If it doesn't, it may take the whole day.

Moreover, the pips target may not even come. If there's no news, the market will naturally range.

Scalp trading the news mainly means to trade in the same market direction.

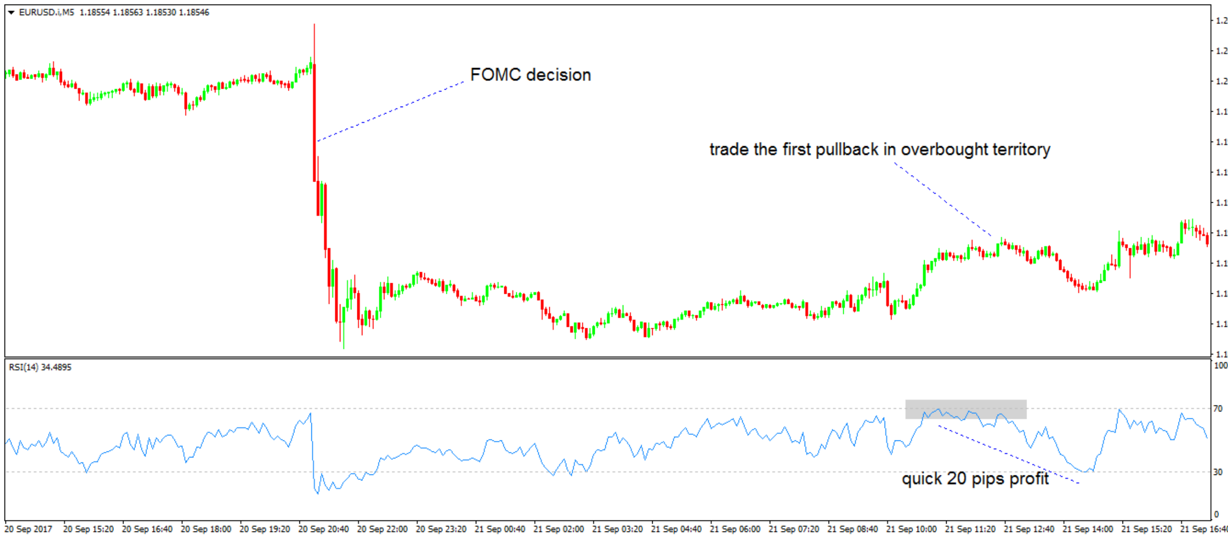
Therefore, traders wait for the news to come out. Next, they wait for the initial market reaction.

Furthermore, look for a pullback. Finally, enter a trade in the same direction given by the news.

Of course, they buy/sell at support/resistance. Or, when an oscillator comes in overbought/oversold areas on lower time frames.

- ### SCALP TRADING STRATEGIES THAT WORK – NEWS TRADING EXAMPLE

Here's a case on the EURUSD pair and how to scalp trading the news. However, this is a bigger time frame: the five-minute one.



The big, red candle is the market reaction to the last FOMC (Federal Open Market Committee) decision. This is one of the most important events on the economic calendar.

A scalp trader won't trade the news directly. Or, a SMART one won't do that.

Instead, he/she will wait for a pullback. The market direction is as clear as the light of day: bearish.

As such, traders involved in scalp trading wait for a pullback. They use an oscillator like the RSI. And, they sell a withdrawal in overbought territory.

The moment it came, it was a quick twenty pips profit, from overbought to oversold levels. Such scalp trading strategies combine news trading with technical analysis.

But, at the end, who cares what the reasoning was? The idea was brilliant, and it made money.

Moving forward, the more the oscillator comes back in overbought territory, the weaker the first trend becomes. Hence, scalp trading becomes riskier.

3. SCALP TRADING STRATEGIES WITH DIFFERENT INDICATORS

So far, we showed how to scalp trading with the RSI. It is the favorite choice among retail traders.

However, it is not the only oscillator that works in scalp trading. Any oscillator does.

Any oscillator shows overbought and oversold levels. Or, at least potential ones.

Therefore, just apply them on the lower time frame and look for a market reaction. But, beware of the trading environment. It must range.

- **SCALP TRADING WITH STOCHASTICS**

Trading with Stochastics perfectly illustrates scalp trading. There's a reason for that.

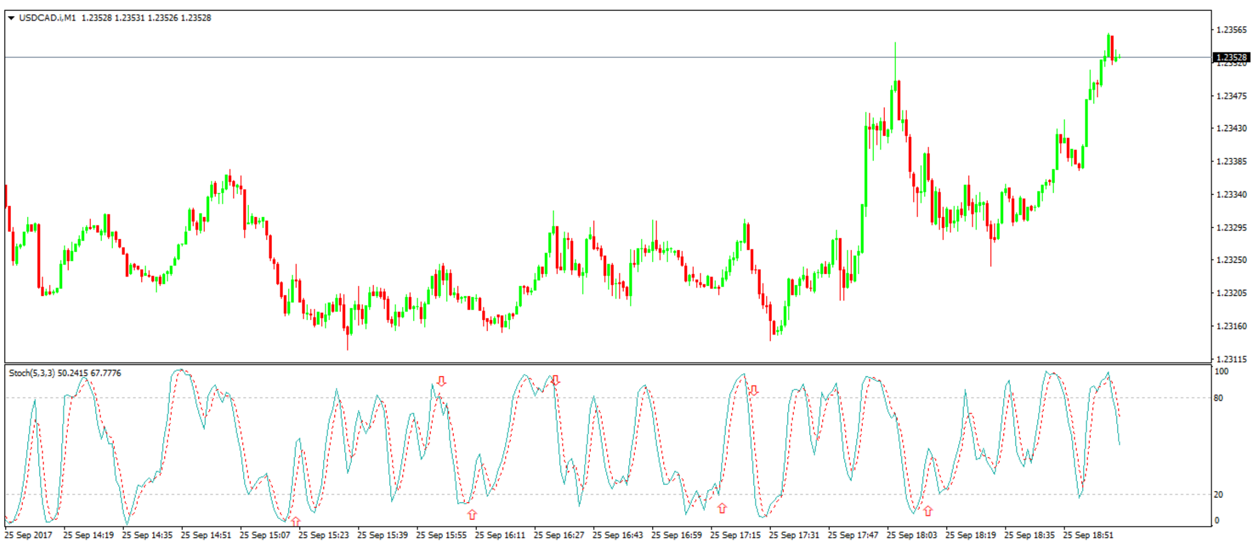
In sharp contrast with other indicators, the Stochastics oscillator moves fast. Or, faster.

It reaches overbought and oversold levels faster than other oscillators do. For example, faster than the RSI.

It is a great tool for scalp trading. A source of potential gains from these quick moves.

But, some conditions must exist first. As such:

- The market is expected to range
- The currency pair is volatile enough



Here's the USDCAD one-minute time frame. It shows the current price action.

Today is a Monday. Typically, the market is slow on Mondays.

Moreover, it is a bank holiday. It means the main drivers for the market miss from the picture.

Hence, the chances are that the market will range. By range, it means it'll move, but keep a median level in the end.

Therefore, the market fits the first condition. Plus, the USDCAD is a major pair. It has decent volatility for scalp trading.

The Stochastics oscillator gave excellent entries. Scalp trading strategies like this one must:

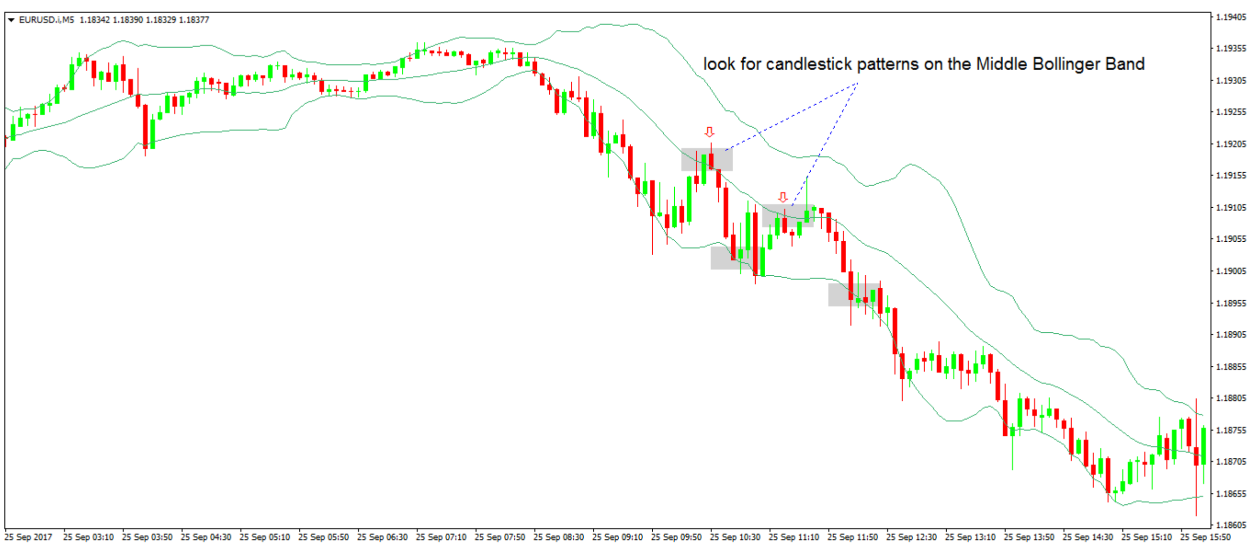
- Wait for Stochastics to reach overbought or oversold levels
- Wait for the signal line to cross the main one
- Take a trade when the signal line exits the overbought/oversold levels

But scalp trading doesn't work only with oscillators. It works with trend indicators too.

- ## SCALP TRADING WITH THE BOLLINGER BANDS INDICATOR

The Bollinger Bands indicator shows trending conditions. That is, most of the times.

However, it is a great scalper indicator. It allows traders to go with the trend. And, scalping their way out of it.



The idea is to know when to enter. And, when to exit.

After all, this is what trading is: planning a trade and executing it.

Scalp trading with Bollinger Bands requires several steps. First, wait for the market to stay in the lower or upper part of the Bollinger Bands indicator.

Second, wait for a pullback to the MBL (Middle Bollinger Band). Third, look for some candlestick reversal patterns to form there:

- Doji candles
- Engulfing patterns
- Piercing or dark-cloud cover
- Stars, etc.

Finally, trade in the trend's direction, targeting the LBB (Lower Bollinger Band). The earlier chart illustrates why such scalp trading strategies work.

In fact, this is how the umbrella concept works. Let me explain it in more detail below.

4. THE UMBRELLA CONCEPT IN SCALP TRADING

A blend between swing trading and scalping, the umbrella concept is a fantastic approach to trading. It starts from a longer-term trade.

As such, traders buy or sell a currency pair for a different reason. And, on a bigger time frame.

It could be that the Elliott Waves count calls for a bullish move on the hourly chart. But, it could take days to unfold.

Moreover, an impulsive wave has its pullbacks. Why not use them?

Therefore, traders take the first trade; the Elliott Waves derived one.

Next, they go on the lower time frames. Five-minute and one-minute ones work best.

Finally, they start scalp trading on these time frames. But, only on the direction of the central Elliott Waves trade.

Below is the daily USDCAD time frame. It shows a completed five-wave structure.

However, traders knew before-hand it would form. The blue b-wave was part of a flat pattern.

Hence, the c-wave of a flat follows. And, that's always an impulsive wave.


b
c
2
1
4
3
5
c
2017.05.15 00:00
12 Jun 2017
19 Jul 2017
3 Sep 2017

And, the impulsive wave started on May fifteen, 2017. That’s long enough even for swing trading.

Until the impulsive wave ends, scalp trading strategies work on lower time frames. That is scalp trading strategies only to short the pair.

The hourly chart works best here. There is quite a difference between the daily and hourly time frames.

Traders simply use oscillators to scalp their way on the short side. Always, on the short side, until the trade on the bigger time frame ends.

By taking trades in the same direction, the scalp trading ones are under the umbrella of a different argument. Or, in this case, a different trade.

5. PROS AND CONS OF SCALP TRADING

The main reason to scalp trade is that smaller moves are easier to catch. They happen more often, and so the chances to make a profit increase.

On top of this, scalp trading is cheaper. That is, cheaper than investing. Or, swing trading.

As a scalper, your only worry is the spread. Of course, the lower, the better.

So, make sure you know the spreads the broker offers, before opening a trading account. Your scalp trading strategies depend on it.

On the opposite side, scalp trading requires cutting-edge execution. That’s difficult to get in today’s market environment.

When news comes out, the market flies. And so does your stop loss or take profit.

Slippage accounts for one of the leading scalp trading issues. For example, imagine you have a ten pips profit trading strategy.

That is, you always target ten pips in a trade. After ten trades, you’re up one hundred pips. And, the market may not even move in the meantime. You made money.

But, here comes slippage. Assuming you have a stop loss (you must have one!), if it gets hit during news releases, the execution won’t be perfect.

Any ECN (Electronic Communication Network) or STP (Straight Through Protocol) trading account will execute the order at the market. Or, when there is a market.

If the market moves too fast, your order gets executed where the market is. If it is only one pip further, it represents ten percent of your potential gain. That's quite a high cost to account for.

III. CONCLUSION

Just like any speculative process, swing trading is risky business. But this is not news to Forex trading.

This is one of the riskier ways to make money. However, it is extremely rewarding.

This is what attracts people to it. And this is what trading strategies try to achieve.

Swing trading strategies work best when they're part of a money management system. Successful trading must have rules.

A rule-based trading approach leads to correct market interpretation. No matter the approach, traders stand better chances when following rules.

In swing trading, the first condition is to trade four-hour and daily time frames. As such, you're forced to consider a medium-term horizon for your trades.

The best swing trading strategy can only come from these two time frames. Anything above, it's investing. And, anything below, it's scalping.

That's a different approach to trading. Or, different trading styles.

All in all, swing trading strategies that work appeal to traders who have patience. Traders who know what they're after.

Moreover, these traders have more freedom. They're not "trapped" in front of the screens.

When a trade appears and a setup is in place, you must give it time. That's what swing trading is: trades that take a bit more time than day trading. But, not as much as buy and hold strategies. Or, investing.

Because it deals with "in-between" time frames like the daily and the four-hour ones, swing trading is not for everyone. However, the ones that master it will never try anything else.

Or, if they do, they'll always have a special place for swing trading strategies that work. After all, **if a profit is made**, who cares about the strategy it came from

On the other hand like any trading style, scalp trading has its advantages and disadvantages. For some, it is the best way to approach the Forex market.

Others find it impossible to use. They simply may not have the time for it.

As always, the Forex market has something for everyone. But all types of traders must respect the market.

They have a money management system. And, they follow it no matter what.

Scalp trading strategies integrate risk-reward ratios with difficulty. When your target is ten pips, what should be the stop? Five?

For the Forex market, that’s too little. A currency pair moves five pips in a blink of an eye. With no news in sight, whatsoever.

From this perspective, scalp trading is riskier than other styles. In a way, it is a desperate move traders do to gain some.

If volatility is not an issue, everyone will trade with the trend. But, when the market doesn’t move on the bigger time frames, traders go down to smaller ones.

When you trade for a living, you got to make it day in, day out. Bills come at the end of the month, no matter if the market moved or not.

As such, a complete professional retail trader will have something from all styles. He/she will invest, swing trade, or scalp the market to make a profit.

After all, you must take what the market gives. Sometimes only scalp trading works. Other times, swing trading works best.