Long-term Trading Plans

Developing a simple, effective plan for swing-trading with Tradespoon

Swing-trading is a great way to capture larger margins of profit by holding positions for 5-20 days on average. By following a simple set of guidelines, you can effectively mitigate risk and find optimal entry and exit points with Tradespoon's forecasting tools.

In this guide, we'll outline a plan designed for specific Tradespoon tools and services for both stock and options trades. These plans incorporate Tradespoon's **MonthlyTrader service, Company Finder Screener & the Research suite** to define optimal entry, target, and stop-loss prices for lucrative swing trades.

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Using the MonthlyTrader Service

When looking into a stock to initiate a trade, you can begin by opening the current **MonthlyTrader** lists for either stocks or options. This weekly-updated list will offer entry prices, target prices, and stop-loss prices. The signals generated in these lists are valid for **5-20 days.**

During pre-market hours, or at the market open, access **MonthlyTrader** (stock or options) from the **Quick Navigation** menu and select the current day's list. Select a recommended stock or option for evaluation.

Make sure to check pre-market news and futures.

**You will have one of two strategies to follow depending on the premarket futures of the S&P 500 index.**

We're suggesting to follow Strategy A if:

- **MonthlyTrader Bulls (Stocks & Options)**
    - Premarket SPX futures are *down more than 0.5%* from the previous day's close
- **MonthlyTrader Bears (Stocks & Options)**
   - Premarket SPX futures are *up more than 0.5%* from the previous day's close

We're suggesting to follow Strategy B if:

- **MonthlyTrader Bulls (Stocks & Options)**
    - Premarket SPX futures are *not down more than 0.5%* from the previous day's close
- **MonthlyTrader Bears (Stocks & Options)**
    - Premarket SPX futures are *not up more than 0.5%* from the previous day's close

If you see a pre-market sell-off that is greater than 0.5%, you can either follow the recommended strategy or use the **Stock Forecast Toolbox**'s intraday and 10-day predictions for low/high levels and vector trends to set new parameters. The 10-day forecast is updated every evening for the following day and intraday forecast is updated every 5 minutes.
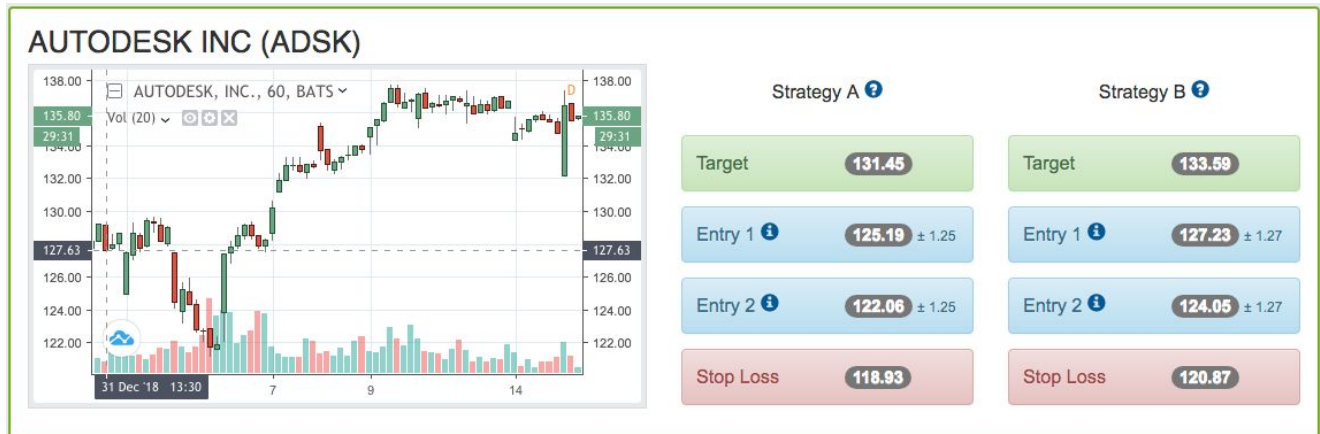
MonthlyTrader (Stock/Bulls)
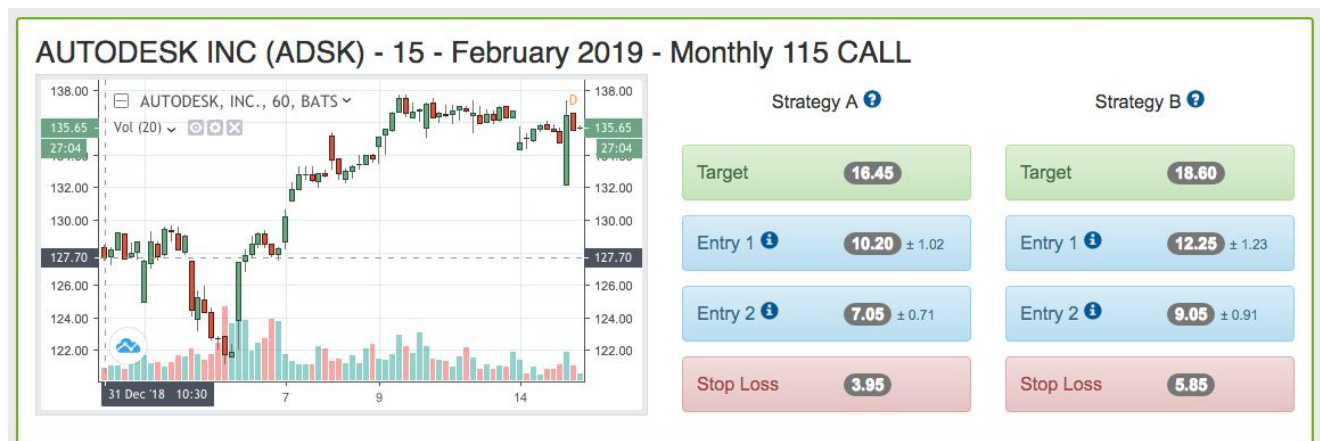
MonthlyTrader (Options/Bulls)

Entry Prices

There are two entry prices listed for every trade we recommend in this service. These entry prices are going to be based on our **Stock Forecast Toolbox**'s current day predicted Low price for the stock, or underlying asset if using options. You can find these predictions by looking at the **Stock Forecast Toolbox 10-day prediction** for that symbol, finding the current date in the **Predicted Data** table. The broader, longer-term outlooks beyond the entry prices are informed by out weekly-updated **Tradespoon Bulls & Bears** models. These are optimized for a 20-50 day outlook and are updated every Sunday afternoon.

- You'll want to commit 50% of your trade size using the **Entry 1** price suggestion.
  - **MonthlyTrader Options** will show Options Premium prices for Entry levels (See Figure 2)

- The other 50% of your trade size can be committed at the **Entry 2** price suggestion, if the stock begins to move against you. We typically recommend a **2.5% correction** as an opportunity for using the Entry 2 position.
  - **MonthlyTrader Options** will show Options Premium prices for **Entry** levels (See Figure 2)

- **Consider Option Spread Strategies**
  - You can trade spreads from the option trade signals by setting up a Vertical Debit Spread. In this case, the long leg would be the same as the single recommended option and the short leg would be an ATM option. We suggest this approach to take advantage of time decay.

- If the stock is down more than 1% at the market open on above average volume, do not rely on the absolute levels of entry, stop-loss and target prices. New information is most likely available and the model needs to adjust. You may adjust the entry price levels based on these changes. You may adjust the entry price levels based on these changes and refer to the **Stock Forecast Toolbox's** intraday and 10-day predictions, aiming to enter near or at predicted support levels.

- Keep current with market trends and do not trade sectors that are in rotation.

- Consider major political, geopolitical or other events which may have unpredictable effects on markets.

Adjusting Entry prices for Stocks & Options

- **Stocks**
  - If the stock has opened above its Entry 1 price range or Target Gain price at market open, you can consider the following choices:
    - Waiting for a pullback into the Entry 1 or Entry 2 price ranges within that trading week, barring price movement more than 1%.
    - Entering at the previous close price. You then can use the listed Target Gain or set a new Target Gain at 5% above your new entry price.
    - Use the Stock Forecast Toolbox 10-day prediction. The best 10-day signals show a vector figure holding around 1% in one consistent direction. This is updated every evening. Check the next 10-day update to confirm the trend from MonthlyTrader. If the new 10-day outlook does not confirm, consider using Entry 2 or allocating half trade size at Entry 1.

- **Options**
    - If the option is trading above its Entry 1 price range or Target Gain , you can consider the following choices:
        - Waiting for an pullback into the Entry 1 or Entry 2 price ranges within that trading week, barring price movement of the underlying more than 1%.
        - Map out a deep ITM option entry price based on the underlying asset's previous close price. You then can use the listed Target Gain or set a new Target Gain. The new Target Gain should reflect a 5% move for the underlying asset.
        - Use the Stock Forecast Toolbox 10-day prediction for the underlying asset. The best 10-day signals show a vector figure holding around 1% in one consistent direction. This is updated every evening. Check the next 10-day update to confirm the trend from MonthlyTrader. If the new 10-day outlook does not confirm, consider using Entry 2 or allocating half trade size at Entry 1.

Setting a Stop-loss

- Be sure to set a Stop-loss price using guidance from the recommendation. If there is a gap-down between pre-market hours and the open- you can still enter a position, but create a new stop-loss price that is 5% down from your actual entry price.

Setting a Target Gain

- You can enter premarket orders if futures are not down more than 0.5%.
- Double check the Stock Forecast Toolbox for entry price before you trade.
- If creating a new Target Gain, you can set it 5% from your entry price (stock or option) depending on when you enter during the current trading session.

Exiting the Trade

- Once stock begins to reach **Target Gain** level (or an adjusted Target Gain), exit the trade. .
- If you carry a position overnight, commit only 5% of your capital.

Video Examples

In this library of specially selected video clips, Watch Vlad Karpel, CEO & Founder of Tradespoon, set up stock and option trades using MonthlyTrader:

[Tradespoon Video Snippet Library](#)

Using the Company Finder & Research Suite

Screening for Signals

The **Company Finder** is a comprehensive breakdown of annual projected growth rates for stocks and ETF's in the S&P 500 Index. The list is segmented into industry sectors, which you can then drill down into smaller categories and individual assets.

The Stock Forecast Toolbox includes a **Company Screener suite** with two daily and monthly updated lists showing strong bullish and bearish near-term and long-term signals. In this case, you'll be using the **Company Finder** screener. You can locate this screener by using our drop-down menu located in the upper-right corner of the user interface.
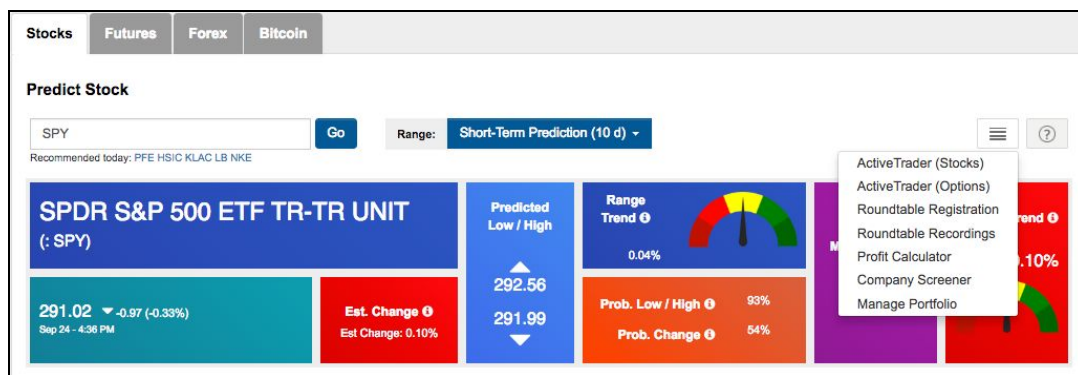

This screener will show a list of industry sectors of the S&P 500 index and display an aggregate growth rate for each sector.

Step 1- At the **Industry Sector Level,** look for **Annual Return Vectors** over 20%. Try to select the sector with the highest vector, and is most comfortable for you.


Industry Sectors

Step 2- In the **Industry Sub-Categories,** use the same rule- categories with **Annual Return Vectors** over 20%, looking for the highest.
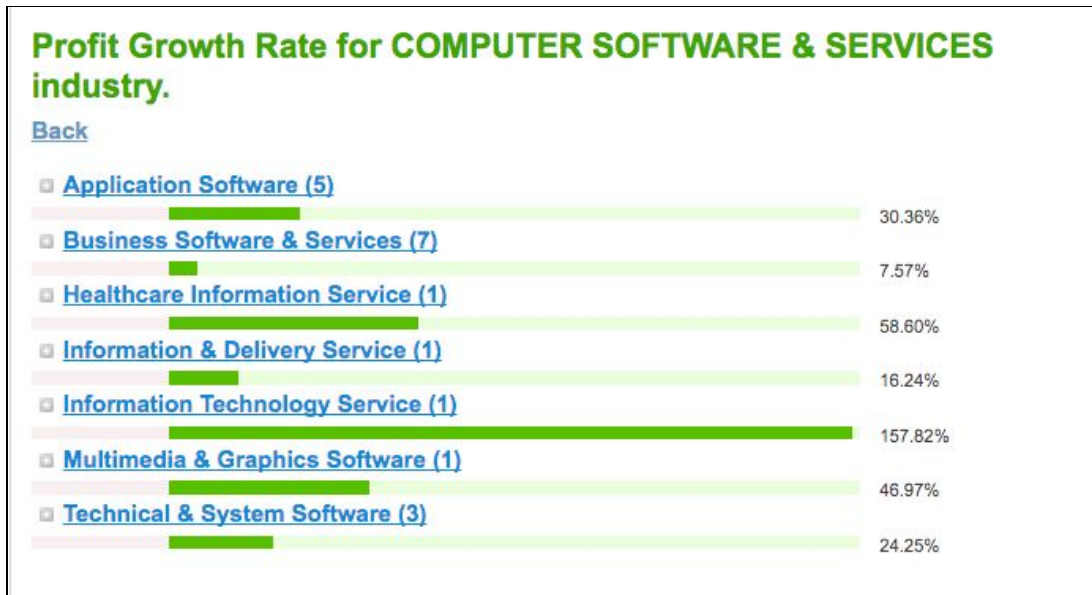
Industry Sector Sub-Categories

Step 3- Now select a stock (or several) with the same criteria. Use the **Quick Navigation menu** to locate the **Research** tools suite located under the **Tools** column. This is where you'll search and analyze these ticker symbols.
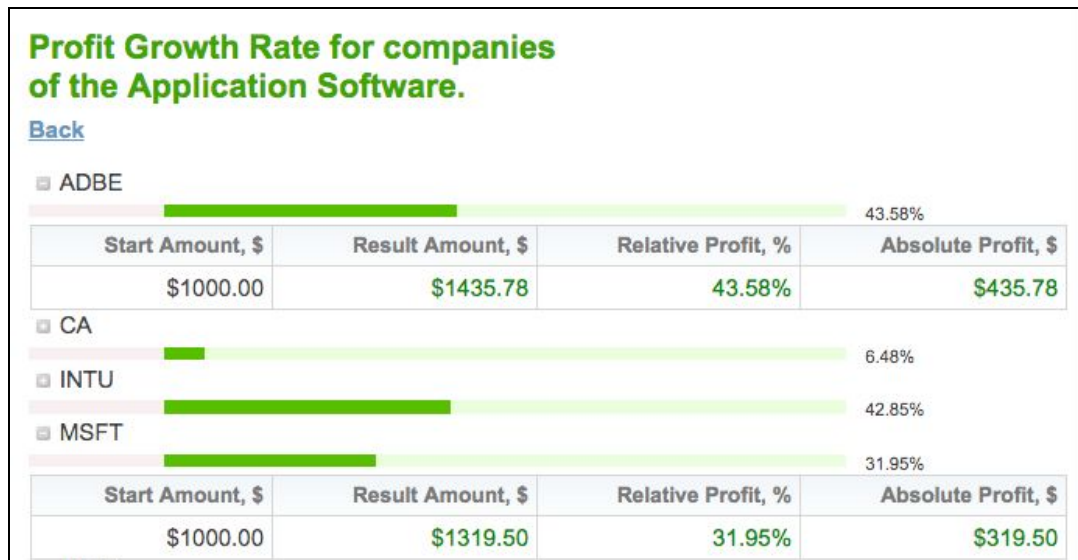
Companies in Industry Sub-category

Setting an Entry Price

- Open the **Seasonal Charts tab** (this will be the default tab in **Research**) and use the symbol search bar to enter your selected ticket. You'll then see a graph depicting current year and annual seasonal trend lines.

Seasonal Chart

- **Seasonal Trends & Short-term Trend**

    The **Annual Seasonal** line graphed in green on this chart is reflecting a retracement percentage from an average year low and year high, which is indexed across a 25 year maximum market data history. The retracement percentage from these points is calculated each trading day in order to show performance trends throughout the year based on that history. You can refer to this line to determine two things:

    - Is there a high correlation between the current year and past years? There is a Correlation Coefficient in the upper-right corner of this chart. Correlation above 70% is considered strong and provides reliability in spotting trends.

    - Is there an upcoming uptrend or downtrend for this symbol? By following the Annual Seasonal line's dips and spikes (reflecting the retracement percentage described above), you'll be able to gain more context around future predicted movement for this asset.

    The **Short-term Trend** shows the predicted direction of movement for the next 20, 30, 40, and 50 days based on technical analysis. Each time horizon will also show an **Accuracy** figure- this value is based on repetitive historical backtest analysis for that particular prediction model. This outlook is the result of 2 different quant models which run independently for the 20, 30, 40, and 50 day forecasts.

Ideal Criteria: You want to look for 3 out of 4 time horizons having a consistent directional movement probability. Based on our studies, there is a 75% likelihood of that symbol trading in that direction relative to its price when the model was updated. **This rating is updated every Sunday afternoon.**
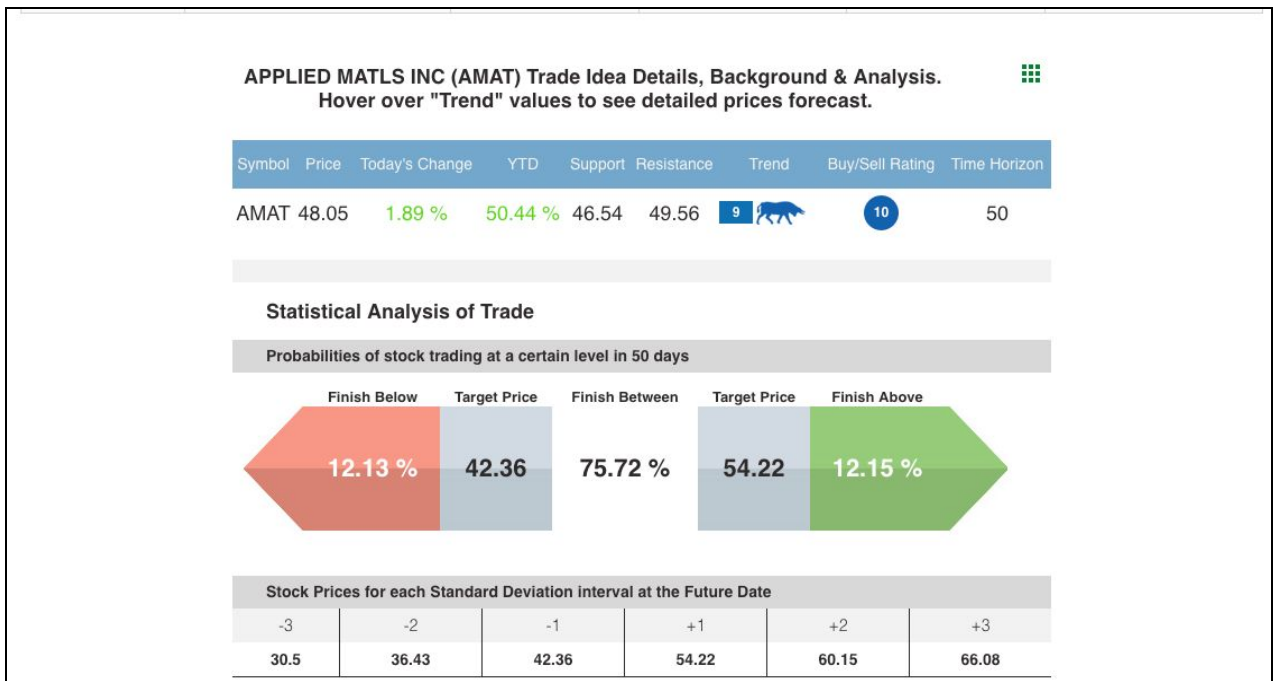
- Open the **Probability Calculator tab** and use the symbol search bar to enter your selected ticket. You'll then see snapshot of the asset and two scores:

  ○ **Short-term Trend Ratings & Forecasts**

  The **Short-term Trend Rating** is scaled 1-10 with 1 being the most bearish and 10 being most bullish. This score contains the same 20-50 day data you'll see for the same symbol in **Seasonal Charts**.

  By hovering over a **Trend Rating** score, you will see the predicted direction of movement for the next 20, 30, 40, and 50 days based on technical analysis. Each time horizon will also show an **Accuracy** figure- this value is based on repetitive historical backtest analysis for that particular prediction model. This outlook is the result of 2 different quant models which run independently for the 20, 30, 40, and 50 day forecasts.

  Ideal Criteria: You want to look for 3 out of 4 time horizons having a consistent directional movement probability. Based on our studies, there is a 75% likelihood of that symbol trading in that direction relative to its price when the model was updated. **This rating is updated every Sunday afternoon.**

Probability Calculator

- ○ **Long-term Rating**

  The next value to consider is our Long-term Rating. This rating represents Tradespoon's outlook for the next 1 - 5 years for a particular stock or ETF. This rating is represented on a scale of 1 to 10- with 10 being the most favorable risk and return outlook. This figure is generated by Tradespoon's proprietary models which apply both fundamental and technical analysis. These ratings include fundamental analysis like cash flow and dividends which is an important part of long term positions, especially if you hold them through earnings cycle.

  Ideal Criteria: You'll want to look for ratings above 7 if you're trading on bullish momentum, and you'll want to look for lower scores (at or below 4) if you're trading on bearish direction.

- ● <u>**Determining an entry price:**</u> After evaluating the asset with the available tools and reports in **Probability Calculator**, you'll want to open the **Stock Forecast Toolbox** and search this symbol.

  - ○ **Generate a 10-day forecast:** You should be looking for a consistent **Vector** at or above +1% for the duration of the forecast. Determine where to enter the position by looking at the predicted **'Low' price** for the current trading session.

  - ○ Once you're ready to enter, switch to the **Intraday forecast** to find an optimal entry point within the next hour based in predicted support levels and vector trends. You can refresh this forecast every 5 minutes for new data.

- ● You'll want to commit 50% of your trade size at the original determined entry price.

- ● The other 50% of your trade size can be committed if the stock moves 2.5% against you.

- ● If the stock is down more than 1% at the market open on above-average volume, do not rely on the absolute levels of predicted lows and highs. New information is most likely available and the model needs to adjust.

Setting a Stop-loss

- ● Be sure to set a Stop-loss price that is 5% down from your actual entry price.
  - ○ **For an options trade-** multiply the stock price change by its delta value to determine the option price change. You should typically use options with a delta value greater than 0.8.

Setting a Target Gain

- ● We recommend setting a target gain of 5% of the stock price.
  - ○ **For an options trade-** multiply the stock price change by its delta value to determine the option price change. You should typically use options with a delta value greater than 0.8.

- You may also factor in the statistical analysis data from the **Probability Calculator,** which will present statistical probabilities of the stock price landing between or outside of a **Target Low & Target High**.

Exiting the Trade

- Sell at either the Target Gain level you set or the Target gain recommended in MonthlyTrader. You can also consider referring to the 10-day overhead Resistance line in Seasonal Chart or the the predicted 10-day resistance in the Stock Forecast Toolbox (the highest High price in a 10-day outlook)

Please let us know if you have any thoughts or questions by contacting our dedicated support team at **support@tradespoon.com**!

Tradespoon offers private 1-on-1 coaching for self-directed traders who want to build a master trading plan or improve upon existing strategies. **Apply to our 1-on-1 Coaching Program**

You can also schedule a quick call with a Product Specialist to review our tools and services at any time.   **Schedule a call**

To your success,

The Tradespoon Team