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Capitalise AI

Easily Automate Three Popular Trading Strategies

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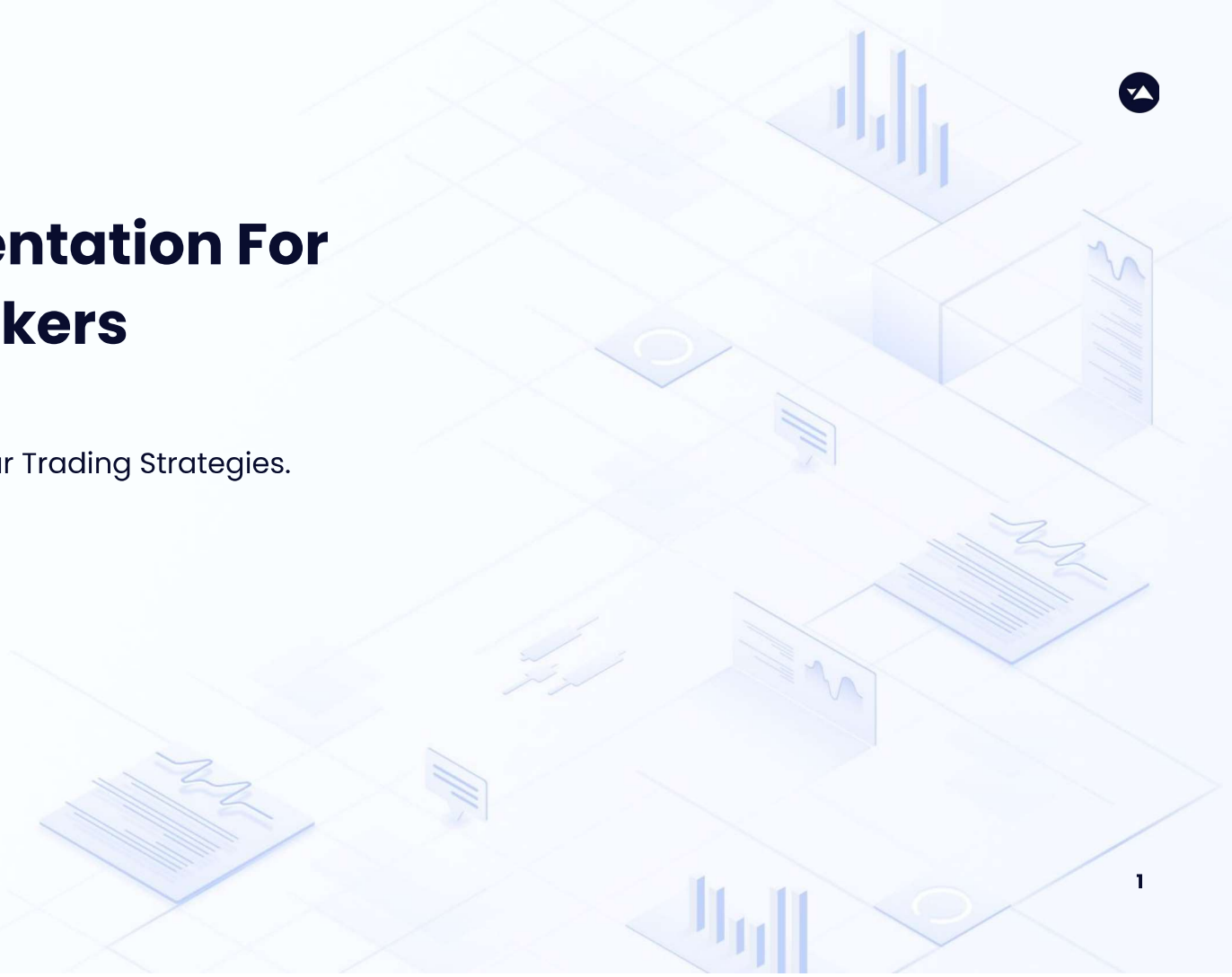
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Webinar Presentation For InteractiveBrokers

Easily Automate Three Popular Trading Strategies.



In The Webinar

In this webinar, we'll be taking a look at Range, Momentum, and Swing Trading, and what each of these respective strategies seeks to achieve. Scoping best practices and limitations, we'll look into why traders use these strategies, and when these strategies are most effective.

We'll discuss which indicators are best to use with each, how to use them, which signals to look for, and the optimal time for entering and exiting a position.

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Range Trading



What is the range of an asset?

A range is characterized by support and resistance bands.

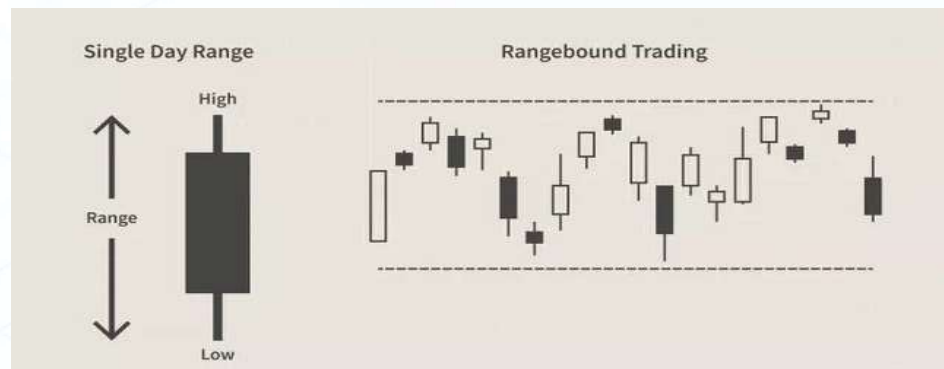
Essentially, range trading allows the trader to buy and sell when an asset is overbought or oversold.

The most important part of range trading is to look for a non trending market



Typically, one would want the asset to have recovered from the support band and peaked at the resistance band

This further ensures that you are trading within a sideways range and not a larger trend.





Which indicators are best suited to Range trading?

RSI

ADX

ATR

Bollinger Bands



RSI

- An RSI measures the speed and change of price movements, oscillating between zero and 100.
- Usually, a value below 30 is considered oversold and a value of over 70 is considered overbought, which can be used to trigger a buy and sell signal, respectively.



ADX

- An Average Directional Index (ADX) can measure the strength of a trend without considering its direction.
- It is presented on a scale from 1 to 100
- An index lower than 20 often considered a horizontal trend.



(Source: www.tradingview.com)



Using an RSI

- Hold the position until the asset reaches “overbought” conditions.
- An exit strategy for the RSI indicator would close the position when the RSI rises above a certain index.

Add another condition?

- Many traders consider it good practice to place stop orders outside of the trading range, like a trailing take profit (TTP).
- Using TTP allows the trade to continue its trajectory so long as it is profitable for the trader.



Momentum Trading



What are we looking for?

Momentum trading measures the strength of an asset's current trend through different indicators.

These indicators help a trader go long on an asset while the price is believed to still be rising.

Conversely, the same indicators indicate when some traders decide to sell at an assumed price peak.

If there shows a big enough force encouraging a price move, a likely continuation could attract traders who do not want to miss out on catching that wave.



The primary task of momentum trading is to assess the strength of a trend before buying in. This assessment, and in turn, the entire strategy, rests on three fundamental metrics: trading volume, volatility, and timeframe.

Trading Volume

Volatility

Time Frame



Some of the technical indicators commonly used for that assessment are...

RSI

ADX

MA's

MACD





EMA and ADX

A popular momentum strategy considers an exponential moving average (EMA) and the ADX indicator

- $ADX \geq 30$
- Then, if the EMA is pointing upwards, it is also suggestive of a trend.



(Source: www.tradingview.com)

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Using profit or the EMA

- A potential exit for a strategy could be to take profits when the price of the asset crosses the EMA.
- We could also use a trailing take profit as well or instead of the EMA

Consider Volume

- volume could often be a key factor when deciding on an exit signal.
- A higher volume tends to mean that there is stronger momentum and therefore serves as a more accurate indicator to enter a trade.



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(Source: www.tradingview.com)



Swing Trading

Swing Trading?

Swing trading serves as one the most popular trading strategies

Swing Trading suggests price movements of an asset rarely stay linear for long (like a momentum strategy would assume).

swing trading attempts to take advantage of pullbacks and rallies in prices.

Swing Trading?

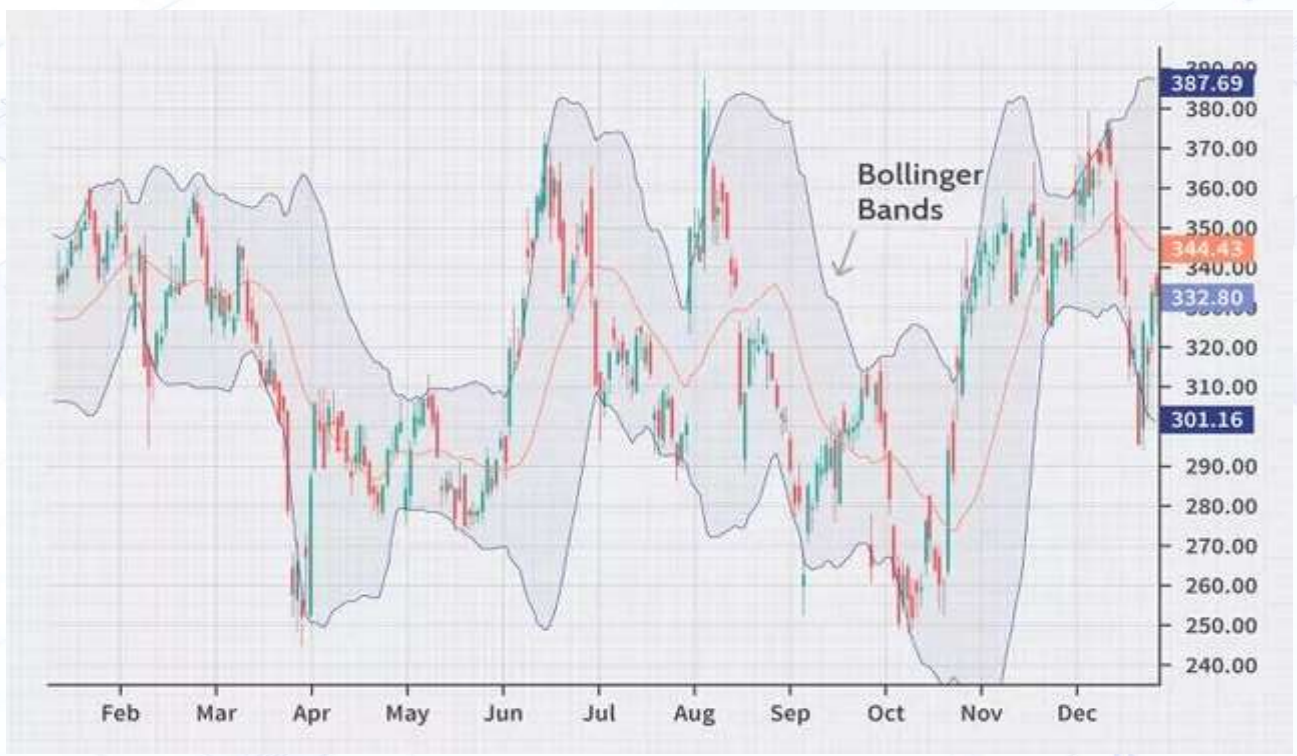
Entries take place at the pullback and exits at the rally.

These strategies can span multiple days or even weeks so long as there remains good reason to hold the position.

Like all the other strategies mentioned above, this strategy category may also be based on any number of variations of technical and fundamental analysis.



If considering technical indicators heavily associated with swing trading, the Bollinger Bands (BB) steps up as prime candidate.



(Source: www.tradingview.com)



ENTRY

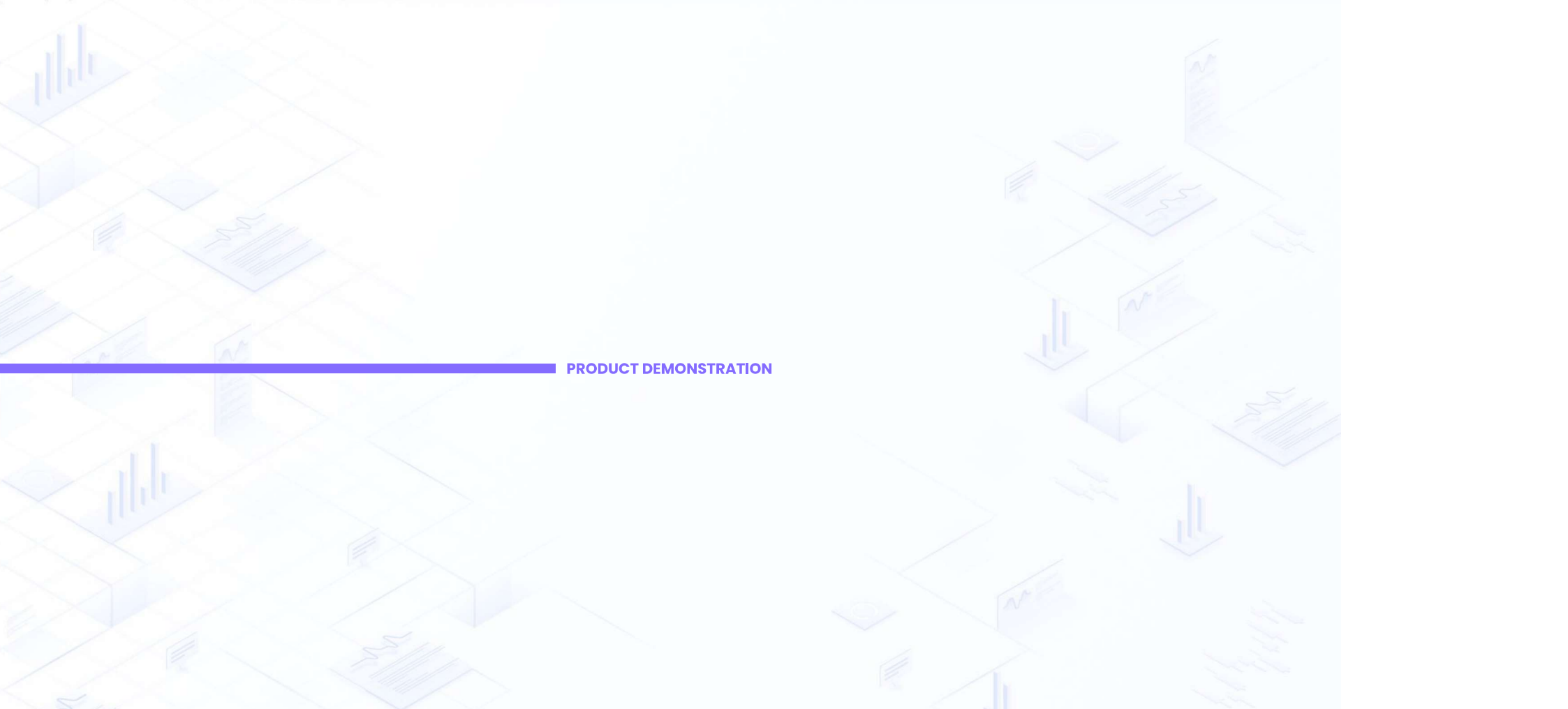
If **AAPL** $RSI_{(14, 1h, Close)}$ crosses above 60 then buy 10 AAPL and

EXIT

Close position at trailing stop of 1% #

RUN STRATEGY

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