Weekly Trading Strategies

In this bonus article, I will outline the main advantages and disadvantages of trading using weekly charts.

The main advantages of using weekly charts are as follows:

1. A lot of market noise disappears using weekly charts as you are typically further away from the stop loss exit. This allows you to stay in the position longer.

2. Trends are easier to spot and can last for months to years depending on the position you are in. Many of my trades can last 3 to 9 months.

3. I can do all the research that I require on the weekend when I have extra time. In doing this, I can take my time and make sure I am comfortable with the trade.

4. I can enter the market on Monday morning using bracket orders, which allow me to put both a profit target and a stop loss in the market at same time. By using bracket orders, I can monitor my stock positions on the weekend and move my stop loss or limit orders around depending on how the market is moving.

5. I can commit to a full-time career and trade without worrying about what's going on in the market as I know that I have both a profit and stop loss orders in the market.

6. I am not glued to a screen all day long and can get more done in a day without being concerned what my stocks are doing.

7. By scaling out of a stock I can move my stop loss up as the market advances. This reduces risk as I take profits as the market gives them to me.

8. It is less emotional draining on me because I'm not constantly watching the market.

9. It is easier to stay in long-term trends.

10. Since the pace is slower, trading occurs at a much more leisurely pace and trading becomes less stressful.

11. Almost every time I do a backtest using weekly charts I see better performance than when I use daily charts. I think this is related to point #1 above, in that the trader is in the market for longer periods of time.

The main disadvantages of using weekly charts are as follows:

1. Since your stop loss point is typically further from your entry, the number of shares you can buy, based on your risk tolerance, is less.

2 When identified, many stocks will be so far above their buy point that it does not make sense to buy them unless they pull back. For example, during the week of December 3, 2018 H.TO made a large move on good volume. Buying at the open the next week, presented the trader with a relatively large risk. In some cases, when a stock is very strong, it will continue to go up and you will have missed that opportunity. However, in many cases, by placing a limit order into the market, you can pick up a stock during weakness. In this case, a limit order of $19.06 could be placed in the market with a stop loss of $18.09. For H.TO there was ample opportunity to pick up the stock at a reasonable price.

3 Profit exits are typically far from the market which increases the amount of loss a trader will experience. In the H.TO example, the rectangles identify inflection points (the lowest obvious low). Stops could be moved to just below these points once a new high is reached. Alternately, you could move your stop up to just below the trendline or just below the lower Bollinger Band.

4 The number of trading opportunities is greatly decreased as you increase the timeframe which you trade.

5 When you only look at your position on a weekly bases, and don't have a stop in place, you can experience a large loss as shown on the right hand side of the chart.

6 When stocks go parabolic, you may miss the gains unless you move your stop up.

While the above are likely only some of the advantages and disadvantages there should be enough information to either allow you to consider trading weekly charts or to look at a shorter time frame.