Brainy's Articles on

Technical Analysis

Exit strategies — Part 1
Time, price, and money exits

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Introduction

The eBook Article TA-6030, *"Exit strategies — Introduction"*, provides an introduction to this topic, and some initial detail regarding some possible *exit strategy* options. It is by no means an exhaustive list.

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It is very important to remember that the material in this topic makes a lot of sense when we remember that the price charts summarise the opinions and emotions of the market participants. If a majority of market participants are bearish to a particular stock, and tending to sell it down over time, then this emotive influence over the share price is likely to continue until either positive news changes the mood, or the price is considered to be over-sold. These market emotions are so powerful.

This Article in Brainy's series on Technical Analysis (number TA-6031) discusses the following categories of *exit strategy* options:

(a) Time, clock or calendar-based exits;

(b) Price target exits;

(c) Money-based exits (based on the share price value).

Two additional eBook Articles continue the discussion on these topics:

(d) Price chart feature exits;

(e) Chart indicator exits.

Time, clock or calendar exits

There are a number of possible considerations regarding the time of day or day of the week that tend to be a little easier for decision-making regarding exits, or even entries. And in the big-picture view point over months or years, the influence of seasons and cycles can also influence the markets making it very useful to remain mindful of the time of year, or the point in a season.

Time-based stop — Whenever a position is taken, we usually have a view to seeing the share price move higher within a reasonable time frame. However, there are times when the share price does not move as desired, and does not fall to our Stop Loss level to trigger a sell, but simply moves sideways. This sideways movement can last for many days or weeks, which means that our investment is not appreciating in value, and that our money might be better off invested in a stock that is appreciating. It is a lost opportunity.

Depending on how aggressive we might want to be, we might set ourselves a "time stop" of, perhaps, 5 trading days, or perhaps 2 calendar weeks (or 4 weeks), or some other time value. But as sure as eggs are eggs, as soon as we close out such a position, the share price might take off. That can happen and we just need to be comfortable that that will sometimes happen. What we want to do is use reasonable effort to optimise our returns where reasonably possible.

Clock-based — With a lot of experience many investors and traders find that some times of some days are not good for opening or closing positions. This is more relevant to opening a position than closing; but it is still an option that ought to be considered in our own exit (and entry) strategies.

For example, there are times when there is a lot of market uncertainty from week to week, and market volatility from time to time. This tends to happen around the bottom of the economic cycle after the markets have slumped, and while they try to find a bottom before eventually moving higher with the next up-phase of the economic cycle. In these times, there can be high volatility early in the daily

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