



# Brainy's Articles on Technical Analysis

## Exit strategies — Part 2

### Price chart features

Article No:  
**TA-6032**  
page 1 of 6  
Oct 2013  
Rev: Oct 2015  
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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 *exit strategy* options.

Article TA-6031 discusses the following types 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).

This Article in Brainy's series on Technical Analysis (number TA-6032) continues the discussion and covers some additional strategy options specifically including:

- (d) Price chart feature exits (as listed in the Table of Contents above);

Additional information on the following is included in another eBook Article (TA-6033):

- (e) Chart indicator exits.

### Exits based on price chart features

Firstly, it is useful to remember that the opinions of market participants about share prices are summarised in the price charts. Therefore, the features of the price chart can give us clues about the likely future movement of the share price (either up or down) and therefore a useful exit approach can be derived from the features of the price chart.

There are several ways an *exit strategy* can be determined based on the price chart features that may result in a *stop loss* value changing from day to day. That is, we are not looking specifically at one price level over a number of days, but we are considering other key features on the price chart. The possibilities include the following:

- Weakening trend — break of trend line
- Change of trend
- Lowest Low of last "n" bars
- Count Back Line (CBL) tool
- Candlestick reversal patterns
- Pivot Point reversal patterns.

More detail with some examples follow.

Note that it might be prudent to utilise two separate exit approaches in order to have more confidence that a position exit is appropriate.

### Break of trend line

With a rising trend in place, and a valid uptrend line on a price chart (as in the Figure 1 at right), any of the price action below the trend line implies the trend is weakening, and that it might fail.

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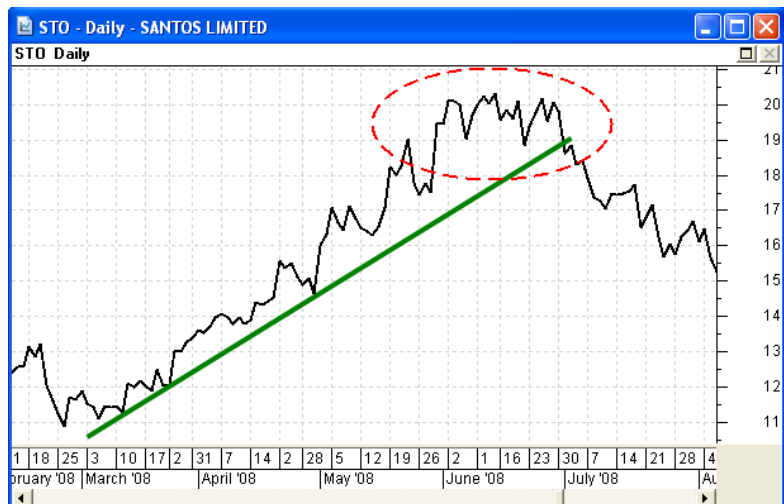


Figure 1: Weakening and failing trend.



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