

# Exit Strategies

U3A (Manningham)  
Stockmarket group

## Exit strategies

November 2013



"The share market can seem mystical and almost like black magic, but with the right support and assistance, it just seems like magic."  
**Robert Brain**



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Introduction & Housekeeping

### Exit strategies?

Is this important:

- capture profits?
- protect capital?



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Introduction & Housekeeping

### Exit strategies?

The long-term buy-and-hold investor rarely contemplates selling an investment position.

However, the astute investor/trader who wants to **protect capital** and **capture profits** carefully considers the possibilities for **exit strategies**, and ruthlessly implements the chosen strategies.

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**Introduction & Housekeeping**

**Interactive...**

- Please ask questions.
- Let's discuss details.
- Price charts prepared using BullCharts software.



[www.bullcharts.com.au](http://www.bullcharts.com.au)

*Every chart tells a story.  
Understand the story in the chart.*

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**Introduction & Housekeeping**

**Important Notice — No Advice!**

- This presentation does not include any advice.
- For proper advice, your personal financial situation needs to be considered.
- This presentation is pure education, only for your general awareness.
- There are no recommendations to take any action, or to invest any money in any way.
- Always consult a properly licensed advisor before making investment decisions.



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**Introduction & Housekeeping**

**Important Notice**



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 Introduction & Housekeeping

**BTW**

- I send occasional email to U3A
- My **Share Market Toolbox** web site:
  - Toolbox Members receive weekly email with (charts) analysis of our market
  - And there's lots more (stop loss, trends, etc...)
- Register for free and not miss out.
- Visit: [www.robertbrain.com](http://www.robertbrain.com)



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 Introduction & Housekeeping

**Q & A ?**

**Any questions to start with?**

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 Brainy's Share Market Toolbox

**Why sell a stock?**

(why would we consider selling our shares in a company?)



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# Exit Strategies

 **Brainy's Share Market Toolbox**

## Why sell a stock?

1. For a new investment position, the share price has fallen (*Stop Loss*);
2. The money is needed elsewhere;
3. The investment value has risen significantly, so it's somewhat sensible to liquidate some or all of the position (eg. the *portfolio weighting risk*);
4. The investment has risen to a pre-determined *price target*, so we want to lock in the profits and exit the position;
5. The investment position is not going anywhere and our money is not working hard enough (*opportunity cost*).

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 **Brainy's Share Market Toolbox**

## How to "get it right"?

- How can we manage the risks to protect our capital?
- How can we maximise the profits with minimal risks?
- What tools can we use to help us?

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 **Brainy's Share Market Toolbox**

## The "percentage fall" approach

- Is very common amongst investors.
- Is totally flawed!! → Avoid it!
- Ignores the fact that the emotions, sentiments and opinions of market participants are summarised in the price chart — support & resistance levels, chart patterns, etc., etc.

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# Exit Strategies

 **Brainy's Share Market Toolbox**

## Beware!

1. You CAN go broke taking profits!
2. We can't be right 100% of the time;
3. A win/loss ratio of 40% can be a winner if losses are small and profits are bigger;
4. Let the profits run;
5. Watch the risk and money management.

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## Price weakness

Consider an exit on price weakness:

- Trend weakness or trend break
- Weakening trend
- MACD, Momentum, MA of Mom...
- Bearish divergence (MAD, RSI, Momentum, Money Flow, etc.).

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 **Brainy's Share Market Toolbox**

## What are the options?

Exit strategy options fall into categories:

1. Time, clock or calendar-based exits
2. Price target exits
3. Money-based exits (eg. Stop Loss) based on share price
4. Price chart features
5. Chart indicator exits.

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**Brainy's Share Market Toolbox**

### 1. Time, clock, calendar exits

- (a) A new investment goes nowhere for days or weeks (opportunity cost)
- (b) Some people avoid the first hour of the trading day for entry.
- (c) Some days of the week, or of the month, are avoided by some investors (eg. Monday morning, Friday); also in the lead up to a long weekend.

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### 2. Price target exits

- (a) Overhead resistance (sample over);
- (b) The Measure Rule (samples over);
- (c) Round price value;
- (d) Elliott Wave or Gann principles (eg. Elliot: wave count, or time and price balance, etc.).

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**Brainy's Share Market Toolbox**

### (a) Overhead resistance



The chart displays price fluctuations over time. Two distinct peaks are highlighted with blue circles and labeled 'Jan-Aug 2011' and 'Jan-Apr 2012'. These peaks represent periods of overhead resistance where prices failed to break through a certain level. Below the price chart, a volume bar chart shows trading activity, with higher volumes corresponding to the price peaks.

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# Exit Strategies



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# Exit Strategies



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- (a) Break of trend line
  - (b) Change of trend
  - (c) Lowest Low of last "n" bars
  - (d) Count Back Line (CBL)
  - (e) Pivot Point reversal pattern
  - (f) Reversal candlestick pattern

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# Exit Strategies



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# Exit Strategies

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**(f) Candle reversal patterns**

- Bearish abandoned baby
- Engulfing bearish
- Harami bearish
- Dark cloud cover
- Evening star
- Hanging man
- Bearish kicker
- Shooting star



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**Brainy's Share Market Toolbox**

**5. Chart indicator exits**

- (a) Moving Average (MA) — price above or below (eg. 50d, 200d, 30w)
- (b) Parabolic SAR
- (c) MA cross-over
- (d) Bollinger Bands
- (e) ATR-based indicators
- (f) Hull Range indicator
- (g) Jim Berg Volatility Profit Taker indicator

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**(a) Moving Average**

Rising trend    Trend line break    Testing the Moving Ave    MA turns down



BHP Weekly MA (C. 5, 30) 32.852    BHP Weekly O=33.620 B=33.300 H=34.1/11/2012

Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct 2010 2011

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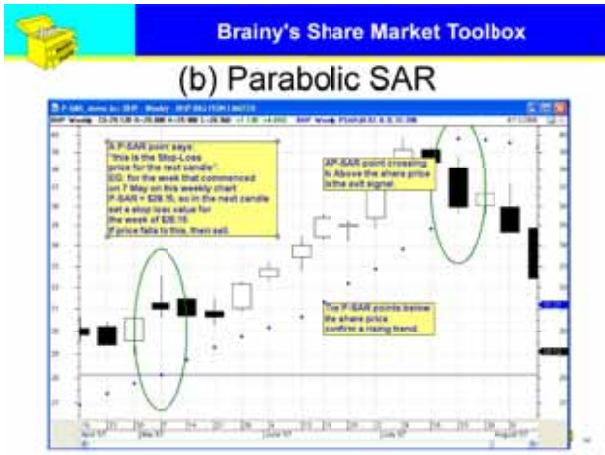
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# Exit Strategies



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# Exit Strategies



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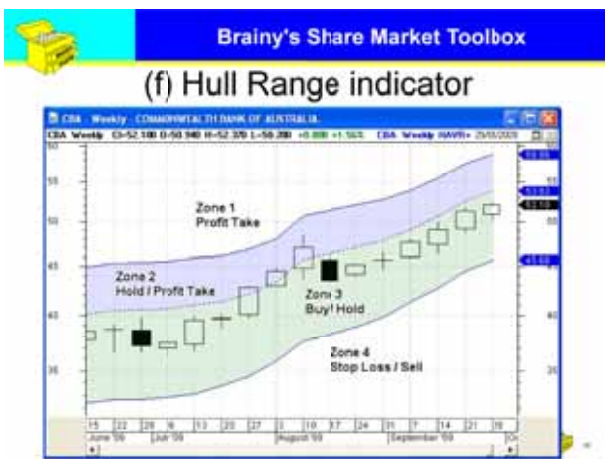
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**Brainy's Share Market Toolbox**

### Exit strategies

- There is a lot to this topic.
- The chart detail can get complex; but doesn't have to...
- There are many choices, so choose one and ignore the rest;
- More information?... (see next slide).

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# Exit Strategies

**Brainy's Share Market Toolbox**

## New web page:

**Exit strategies**

The long-term buy-and-hold investor rarely contemplates selling an investment position. However, the astute investor who wishes to protect capital and enhance profits carefully considers the possibilities for exit strategies and judiciously implements the chosen strategy.

**Introduction**

Why should an investor implement an exit strategy, and how can he do so?

**Reasons for selling**

1. For a profit (capital gain) - the value of the stock has risen above the purchase price.
2. To meet a cash requirement - the investor needs the cash for a specific purpose.
3. To diversify the portfolio - the investor wants to reduce the risk of holding a single stock.
4. To avoid a loss - the investor wants to sell before the stock price falls further.
5. To meet a tax requirement - the investor wants to realize a capital gain before the tax rate increases.
6. To meet a liquidity requirement - the investor needs the cash for a specific purpose.
7. To meet a retirement requirement - the investor wants to use the cash for retirement.
8. To meet a health requirement - the investor wants to use the cash for health care.
9. To meet a death requirement - the investor wants to use the cash for a specific purpose.
10. To meet a divorce requirement - the investor wants to use the cash for a specific purpose.

**More Information**

Exit strategies are an essential part of any investment plan. They can help you protect your capital and enhance your profits. This article discusses the various reasons for selling a stock and provides a checklist of exit strategies that you can use to protect your investment.

**Includes two free eBook (PDF) Articles, and many more for Toolbox Members**

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**Brainy's Share Market Toolbox**

## That web page

Here is a link to that web page:

Exit strategies:  
[www.robertbrain.com/share-market/exit-strategies.html](http://www.robertbrain.com/share-market/exit-strategies.html)

Or go to the Toolbox Home page, and follow the link to "The Share Market", then use the menu options.

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**Brainy's Share Market Toolbox**

## Toolbox eBook Articles...

[www.robertbrain.com/articles](http://www.robertbrain.com/articles)

**Investing / trading strategies**

**Strategy concepts**

- [S1000: Stop for dividend?](#)
- [S1001: Stop for dividend?](#)
- [S1002: Stop for dividend?](#)
- [S1003: Stop for dividend?](#)
- [S1004: Stop for dividend?](#)
- [S1005: Stop for dividend?](#)
- [S1006: Stop for dividend?](#)
- [S1007: Stop for dividend?](#)
- [S1008: Stop for dividend?](#)
- [S1009: Stop for dividend?](#)
- [S1010: Stop for dividend?](#)
- [S1011: Stop for dividend?](#)
- [S1012: Stop for dividend?](#)
- [S1013: Stop for dividend?](#)
- [S1014: Stop for dividend?](#)
- [S1015: Stop for dividend?](#)
- [S1016: Stop for dividend?](#)
- [S1017: Stop for dividend?](#)
- [S1018: Stop for dividend?](#)
- [S1019: Stop for dividend?](#)
- [S1020: Stop for dividend?](#)

**Strategy considerations**

- [S1021: Trading Strategy - Introduction](#)
- [S1022: Trading Strategy - Introduction](#)
- [S1023: Trading Strategy - Introduction](#)
- [S1024: Trading Strategy - Introduction](#)
- [S1025: Trading Strategy - Introduction](#)
- [S1026: Trading Strategy - Introduction](#)
- [S1027: Trading Strategy - Introduction](#)
- [S1028: Trading Strategy - Introduction](#)
- [S1029: Trading Strategy - Introduction](#)
- [S1030: Trading Strategy - Introduction](#)
- [S1031: Trading Strategy - Introduction](#)
- [S1032: Trading Strategy - Introduction](#)
- [S1033: Trading Strategy - Introduction](#)
- [S1034: Trading Strategy - Introduction](#)
- [S1035: Trading Strategy - Introduction](#)
- [S1036: Trading Strategy - Introduction](#)
- [S1037: Trading Strategy - Introduction](#)
- [S1038: Trading Strategy - Introduction](#)
- [S1039: Trading Strategy - Introduction](#)
- [S1040: Trading Strategy - Introduction](#)

**Indicators and tools for stops**

- [S1041: Stop Loss Orders](#)
- [S1042: Indicators and Tools for Stops](#)
- [S1043: Stop Loss Orders](#)
- [S1044: Stop Loss Orders](#)
- [S1045: Stop Loss Orders](#)
- [S1046: Stop Loss Orders](#)
- [S1047: Stop Loss Orders](#)
- [S1048: Stop Loss Orders](#)
- [S1049: Stop Loss Orders](#)
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- [S1057: Stop Loss Orders](#)
- [S1058: Stop Loss Orders](#)
- [S1059: Stop Loss Orders](#)
- [S1060: Stop Loss Orders](#)

**Special applications and strategic:**

- [S1061: Exit strategies - Introduction](#)
- [S1062: Exit strategies - Part 1: The buy-and-hold strategy](#)
- [S1063: Exit strategies - Part 2: The stop-loss strategy](#)
- [S1064: Exit strategies - Part 3: The trailing stop strategy](#)
- [S1065: Exit strategies - Part 4: The moving average strategy](#)
- [S1066: Exit strategies - Part 5: The volatility strategy](#)
- [S1067: Exit strategies - Part 6: The momentum strategy](#)
- [S1068: Exit strategies - Part 7: The trend strategy](#)
- [S1069: Exit strategies - Part 8: The breakout strategy](#)
- [S1070: Exit strategies - Part 9: The reversal strategy](#)
- [S1071: Exit strategies - Part 10: The mean reversion strategy](#)
- [S1072: Exit strategies - Part 11: The contrarian strategy](#)
- [S1073: Exit strategies - Part 12: The arbitrage strategy](#)
- [S1074: Exit strategies - Part 13: The hedge strategy](#)
- [S1075: Exit strategies - Part 14: The diversification strategy](#)
- [S1076: Exit strategies - Part 15: The risk management strategy](#)
- [S1077: Exit strategies - Part 16: The portfolio optimization strategy](#)
- [S1078: Exit strategies - Part 17: The asset allocation strategy](#)
- [S1079: Exit strategies - Part 18: The factor investing strategy](#)
- [S1080: Exit strategies - Part 19: The ESG investing strategy](#)
- [S1081: Exit strategies - Part 20: The impact investing strategy](#)
- [S1082: Exit strategies - Part 21: The socially responsible investing strategy](#)
- [S1083: Exit strategies - Part 22: The ethical investing strategy](#)
- [S1084: Exit strategies - Part 23: The sustainable investing strategy](#)
- [S1085: Exit strategies - Part 24: The green investing strategy](#)
- [S1086: Exit strategies - Part 25: The clean energy investing strategy](#)
- [S1087: Exit strategies - Part 26: The artificial intelligence investing strategy](#)
- [S1088: Exit strategies - Part 27: The blockchain investing strategy](#)
- [S1089: Exit strategies - Part 28: The cryptocurrency investing strategy](#)
- [S1090: Exit strategies - Part 29: The fintech investing strategy](#)
- [S1091: Exit strategies - Part 30: The digital marketing investing strategy](#)
- [S1092: Exit strategies - Part 31: The e-commerce investing strategy](#)

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**Brainy's Share Market Toolbox**

Q & A ?

Any questions?

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**Brainy's Share Market Toolbox**

Summary & Wrap up

Summary

Exit strategies:

- reasons
- options
- approaches

*Every chart tells a story.  
Understand the story in the chart.*

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BTW

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# Exit Strategies

 **Summary & Wrap up**

## Don't forget my Toolbox

- Brainy's **Share Market Toolbox**
  - [www.robertbrain.com](http://www.robertbrain.com)
  - Loads of eBook (PDF) Articles
  - Info: share market, charting, BullCharts
  - Weekly Market Updates and Watch List
  - monthly e-Newsletters
- Good software – BullCharts  
[www.robertbrain.com/bulcharts/](http://www.robertbrain.com/bulcharts/)
- My contact details:  
web site above, or phone: 0438 355 910



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 **Summary & Wrap up**

## THE END

See free stuff here:  
[www.robertbrain.com/free](http://www.robertbrain.com/free)

Thank you.

[www.robertbrain.com](http://www.robertbrain.com)  
or phone: 0438 355 910

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 **Summary & Wrap up**

## THE END

## THANK YOU

(Backup slides now)

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