

# Exit Strategies

**Exit strategies**

**Does the ideal exit strategy exist?**

November 2015

*Price charts summarise the underlying opinions and emotions of the market participants. Every chart tells a story. It pays to understand the stories in the price charts.*



© Copyright 2013-2015, Robert B. Brain, Brainy's Share Market Toolbox — [www.robertbrain.com](http://www.robertbrain.com) Revision: 4a

---

---

---

---

---

---

---

---

**Introduction**

**Exit strategies?**

Is this important:

- capture profits?
- protect capital?



---

---

---

---

---

---


---

---

**Introduction**

**Why sell a stock?**

BTW — Why would we consider selling our shares in a company?



---

---

---


---

---

---

---

---

 Introduction

## 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 (*time stop*, or *opportunity cost*).

---

---

---

---

---

---

---

---

 Introduction

## 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.

---

---

---

---

---

---

---

---

 Introduction

## 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.*

---

---

---


---

---


---


---

---

 Introduction

### 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.



---

---

---

---

---

---

---

---

 Introduction

### Important Notice





---

---

---

---

---

---

---

---

 Introduction

### BTW

- I send occasional email to U3A and others
- 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)



---

---

---

---

---

---

---

---

# Exit Strategies

 Exit Strategies — optimising

## 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?

*Let's review several possibilities..*

© Copyright 2013-2015 Robert B. Brain — Brain's Share Market Toolbox — [www.brainsmarket.com](http://www.brainsmarket.com) 

---

---

---

---

---

---

---

---

 Exit Strategies — optimising

## The “percentage fall” approach

“That is, when the stock falls by “x” percent, then I will sell it.”  (What do you think about this method?)

- 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 — as shown with the support & resistance levels, chart patterns, etc., etc.

© Copyright 2013-2015 Robert B. Brain — Brain's Share Market Toolbox — [www.brainsmarket.com](http://www.brainsmarket.com) 

---

---

---


---

---

---


---

---

 Exit Strategies — optimising

## 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.

© Copyright 2013-2015 Robert B. Brain — Brain's Share Market Toolbox — [www.brainsmarket.com](http://www.brainsmarket.com) 

---

---

---

---

---

---

---

---

# Exit Strategies

 Exit Strategies — optimising

## Price weakness

Consider an exit on **price weakness**:

- Weakening trend
- Break of the trend line
- MACD, Momentum, MA of Momentum
- Bearish divergence (MACD, RSI, Momentum, Money Flow, etc.).

© Copyright 2013-2015 Robert B. Brain — Brain's Share Market Toolkit — [www.brainssharemarket.com](http://www.brainssharemarket.com)

---

---

---


---

---

---

---

---

 Exit Strategies — optimising

## 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. Technical analysis indicator exits.

**Let's look at each category...**

© Copyright 2013-2015 Robert B. Brain — Brain's Share Market Toolkit — [www.brainssharemarket.com](http://www.brainssharemarket.com)

---

---

---


---

---

---

---

---

 Exit Strategies — optimising

## 1. Time, clock, calendar exits

(a) Time exit — after days or weeks

(b) Clock exit — based on time of day

(c) Calendar exit — mostly based on anticipated cyclical patterns

© Copyright 2013-2015 Robert B. Brain — Brain's Share Market Toolkit — [www.brainssharemarket.com](http://www.brainssharemarket.com)

---

---

---

---


---

---

---

---

# Exit Strategies

 **Exit Strategies — optimising**

### (a) Time exit

A new investment goes nowhere for days or weeks so close the position (avoiding the opportunity cost).

For example, some people use a time period of:

- 30 days, or
- 4 weeks

© Copyright 2013-2015 Robert B. Brain — Brain's Share Market Toolbox — [www.brainsmarket.com](http://www.brainsmarket.com)

---

---

---


---

---

---

---

---

 **Exit Strategies — optimising**

### (b) Clock exit / entry

- Some people avoid the first hour of the trading day for entry
- Likewise, some people believe it best to exist a position within a particular time window
- For some days of the week, or of the month, some investors are extra cautious for entries or exits (eg. Monday morning, Friday); also in the lead up to a long weekend.

© Copyright 2013-2015 Robert B. Brain — Brain's Share Market Toolbox — [www.brainsmarket.com](http://www.brainsmarket.com)

---

---

---

---

---

---

---

---

 **Exit Strategies — optimising**

### (c) Calendar — cycles, seasons

- Many people follow various cyclical patterns in the markets — which may, or may not, recur as expected
- Can apply to equity markets, or commodities.
- By following cyclical or seasonal patterns, the calendar (and time of the year) becomes very relevant.

© Copyright 2013-2015 Robert B. Brain — Brain's Share Market Toolbox — [www.brainsmarket.com](http://www.brainsmarket.com)

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

## 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.).

*(more over...)*

© Copyright 2013-2015 Robert B. Brain - Always Use Market Trades - www.rbbtrades.com

---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

# Exit Strategies



---

---

---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

---

---



# Exit Strategies

**Exit Strategies — optimising**

### 3. Money-based exits

(a) Trailing Stop Loss below recent support (sample over);  
(b) Fibonacci extension (for price target).

*(more over...)*

© Copyright 2013-2015 Robert B. Brain — Always Use Market Feedback — [www.rbbtrading.com](http://www.rbbtrading.com)

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

### (a) Trailing Stop Loss

© Copyright 2013-2015 Robert B. Brain — Always Use Market Feedback — [www.rbbtrading.com](http://www.rbbtrading.com)

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

### (b) Fibonacci extension

© Copyright 2013-2015 Robert B. Brain — Always Use Market Feedback — [www.rbbtrading.com](http://www.rbbtrading.com)

---

---

---

---

---

---

---

---

# Exit Strategies

**Exit Strategies — optimising**

## 4. Price chart features

- (a) Weakness or failure of the trend
- (b) Break (or change) of trend
- (c) Lowest Low of last "n" bars
- (d) Count Back Line (CBL)
- (e) Candle reversal pattern.
- (f) Pivot Point reversal pattern

*(more over...)*

© Copyright 2013-2015 Robert B. Brain - Always Use Market Tools - www.alwaysuse.com

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

### (a) Weakening trend and failure

The chart displays the daily price of Santos Limited from January 2010 to July 2011. A green trend line is drawn from the start of the uptrend in early 2010 to the peak in late 2010. A red oval highlights the subsequent price movement, which shows a clear failure to continue the upward trend, followed by a sharp decline.

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

### (a) Break of trend line

The chart displays the weekly price of BHP Billiton Limited from July 2010 to October 2011. A green trend line is drawn through the initial uptrend. A blue trend line is drawn through the subsequent uptrend. A yellow circle highlights the point where the price breaks above the blue trend line, indicating a change in the trend.

---

---

---

---

---

---

---

---

# Exit Strategies

**Exit Strategies — optimising**

**(c) Lowest Low of "n" bars**

The green lines indicate possible Stop Loss levels sitting under recent price troughs.

The dotted (blue line is the 5-bar "High-Low Channel" chart indicator, with the High line hidden. For each weekly candle, the dotted line indicates the "lowest low" over the last 5 candles.

---

---

---

---

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

**(d) CBL**

**Count Back Line**  
 Start at the most recent Highest High, then "count back" to the next lowest low, and then again to the second lowest low. This is the Stop Loss level. There are two successive examples shown on this chart.

---

---

---

---

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

**(e) Candle reversal patterns**

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

© Copyright 2013-2015 Robert B. Brain — Brain's Share Blog

---

---

---

---

---

---

---

---

---

---

---

---

# Exit Strategies

**Exit Strategies — optimising**

## (f) Pivot point reversal

The definitions vary. One popular one:  
In an uptrend, the Pivot Point reversal has the following traits:

- A day (or period) that has a higher high than any of the bars next to it;
- Followed by a day whose close is below the low of the day with the highest high.

© Copyright 2013-2015 Robert B. Brain — Always Use Market Profiles — www.rbbtrading.com

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

## 5. Technical analysis indicator exits

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

© Copyright 2013-2015 Robert B. Brain — Always Use Market Profiles — www.rbbtrading.com

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

## (a) Moving Average

© Copyright 2013-2015 Robert B. Brain — Always Use Market Profiles — www.rbbtrading.com

---

---

---

---

---

---

---

---

# Exit Strategies

## Exit Strategies — optimising

### (b) Parabolic SAR



---

---

---

---

---

---

---

---

---

---

## Exit Strategies — optimising

### (c) MA Cross-over



---

---

---

---

---

---

---

---

---

---

## Exit Strategies — optimising

### (d) Bollinger Bands



---

---

---

---

---

---

---

---

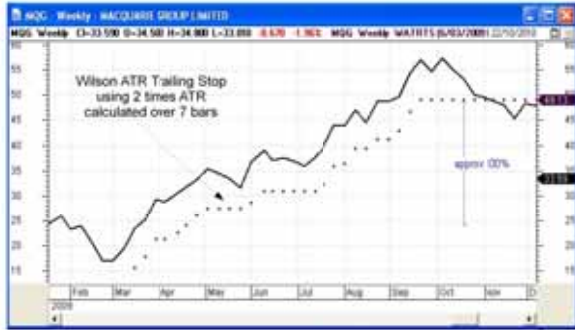
---

---

# Exit Strategies

## Exit Strategies — optimising

### (e) ATR-based exit



---

---

---

---

---

---

---

---

## Exit Strategies — optimising

### (f) Hull Range indicator



---

---

---

---

---

---

---

---

## Exit Strategies — optimising

### (g) Jim Berg

#### JB Trailing Stop



---

---

---

---

---

---

---

---

# Exit Strategies

**Exit Strategies — optimising**

**(g) Jim Berg**

**JB Volatility Profit Taker  
(incorporates Trailing Stop)**



---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

**(g) Jim Berg (summary)**

- Two indicators:
  - JB Trailing Stop
  - JB Volatility Profit Taker (incorporates Trailing Stop)
- Default (and alternate) parameters:
  - ATR over 10 (or 5) periods
  - ATR multiplier: 2 (or 1.1).

© Copyright 2013-2015 Robert B. Brain - Brain's Share Market Toolkit - www.braintoolkit.com

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

**More possibilities**

- RSI over-bought / over-sold
- MACD Histogram over-bought / over-sold
- Stochastic
- Chandelier Stops
- MA Cross-overs (3/12, or 7/12, or 8/24)
- Bollinger Bands
- (others?... )

© Copyright 2013-2015 Robert B. Brain - Brain's Share Market Toolkit - www.braintoolkit.com

---

---

---

---

---

---

---

---

# Exit Strategies

**Exit Strategies — optimising**

## SUMMARY

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

© Copyright 2013-2015 Robert B. Brain — Share Market Toolbox — [www.sharemarkettoolbox.com](http://www.sharemarkettoolbox.com)

---

---

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

## Toolbox web page:

**Exit strategies**

The long-term focus of the Share Market Toolbox is to provide a comprehensive, well-researched investment platform. However, the short-term focus of the Share Market Toolbox is to provide a comprehensive, well-researched investment platform.

**Introduction**

Why should an investor exit an investment, and not just buy and hold?

**Reasons for exiting**

When we exit from a position, it can be for one of a number of reasons including the following:

1. The investment position is no longer profitable.
2. The investment position is no longer profitable.
3. The investment position is no longer profitable.
4. The investment position is no longer profitable.
5. The investment position is no longer profitable.
6. The investment position is no longer profitable.
7. The investment position is no longer profitable.
8. The investment position is no longer profitable.
9. The investment position is no longer profitable.
10. The investment position is no longer profitable.

**More information**

- [Exit strategies](#) - A comprehensive guide to exit strategies for investors.
- [Exit strategies](#) - A comprehensive guide to exit strategies for investors.
- [Exit strategies](#) - A comprehensive guide to exit strategies for investors.

**Other articles**

- [Share Market Toolbox](#)
- [Share Market Toolbox](#)
- [Share Market Toolbox](#)
- [Share Market Toolbox](#)
- [Share Market Toolbox](#)
- [Share Market Toolbox](#)
- [Share Market Toolbox](#)
- [Share Market Toolbox](#)
- [Share Market Toolbox](#)
- [Share Market Toolbox](#)
- [Share Market Toolbox](#)

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

© Copyright 2013-2015 Robert B. Brain — Share Market Toolbox — [www.sharemarkettoolbox.com](http://www.sharemarkettoolbox.com)

---

---

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

## 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.

© Copyright 2013-2015 Robert B. Brain — Share Market Toolbox — [www.sharemarkettoolbox.com](http://www.sharemarkettoolbox.com)

---

---

---

---

---

---

---

---

---

---



# Exit Strategies

**Exit Strategies — optimising**

## Toolbox eBook Articles...

Investing / trading strategies

Strategy concepts

- 574300 Stop for Amibuild? \*
- **574300 Stop for Amibuild? \***
- 574100 Stop orders - introduction
- 574000 Conviction

Strategy considerations

- 574200 Trading Strategy - Characteristics \*
- 574200 Trading Strategy - Volume and Liquidity
- 574200 Trading Strategy - Funding liquid assets
- 574200 Strategy - S&P, Indices, Sectors
- 574200 Define another book
- 574200 Investing - 4 parts @ 100%

Sample strategies - introduction

- 574200 Sample Trading Strategies - Characteristics \*

www.robertbrain.com/articles

Indicators and tools for stops

- 54000 Stop Loss Orders
- 54000 Indicators and Tools for Stops
- 54000 Overlap
- 54000 Avoid paying too much
- 54000 Stop Loss

Special applications and strategies:

- 54000 Exit strategies - Characteristics \*
- 54000 Exit strategies - Part 1: Price, price, price \*
- 54000 Exit strategies - Part 2: Price chart feature \*

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

## Q & A ?

Any questions?

© Copyright 2013-2015 Robert B. Brain - Brain's Share Market Toolbox - www.robertbrain.com

---

---

---

---

---

---

---

---

**Exit Strategies — optimising**

## Summary & Wrap up

### Summary

Exit strategies:

- reasons
- options
- approaches

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

---

---

---

---

---

---

---

---

# 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



---

---

---

---

---

---

---

---

 **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

---

---

---

---

---

---

---

---

 **Summary & Wrap up**

## THE END

## THANK YOU

(Backup files now)

---

---

---

---

---

---

---

---