

Twitter Thread by AmeyaD

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I have received lot of queries on exit strategy. Just a few points that will help start the process of finding a suitable exit strategy as per your own comfort. Please note I have worked a lot on this aspect of trading/investing but still not perfected it as yet.

Exit Based on Fundamentals

Valuations are expensive and future prospects are priced in fully

Investment thesis does not play out as expected or significant deterioration in underline business

Better risk reward opportunity is available

Corporate Governance Issues, Fraud

Bases on Technical Strategies

Initial Stop Loss – it could be fixed or trailing. This is a tricky choice between fixed or trailing stop losses. Past data of MAX ADVERSE EXCURSION will be very useful in deciding this. There is a fantastic thread on MDE by [@InvesysCapital](#)

Trail Stop loss

1. % based - As the price moves in favorable direction after certain % move stop loss follows the price.
2. Indicator Based – Popular indicators like PSAR or Super Trend used to trail stop loss
3. Volatility based - ATR, DEVstop, Bollinger Bands can be used

Profit Booking

1. Fixed Target – This is the simplest of the strategies. This can be based on simple resistance support or based on previous data of trades or on % basis.

2. Selling into strength – This can be based on previous data of trades. MAXIMUM FAVORABLE EXCURSION data of past trades will be very useful in deciding where to sell. This also could be based on a % gain in few price bars etc.

3. Time Based – This also can be added to the conditions just to make sure that capital is not stuck in unproductive trades for longer periods of time.

Booking profits slowly or at one go also can be decided based on the strategy and on past trade data.

Useful for both traders as well as investors

1. 200 Day moving average – If a stock starts trading below 200 DMA best is to exit the stock. One could use certain % below 200 DMA or weekly/daily close below it as an exit signal. There is a wonderful thread on it by [@anishteli](#)

2. Large single day fall in price – If a stock falls more than 10% without any fall in broader market. And there is no significant recovery in price after a day or 2. Its best to assume there is some issue with the company and exit.

Please note

There is no perfect exit strategy. Every strategy has some drawbacks. Some exit early some too late. But having an exit strategy is very important. It's also important to have an exit strategy is which more objective than subjective.

DD & return change as per exits