Twitter Thread by J. Tuominen

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THREAD, PM EXIT STRATEGY

I sometimes get the question “At what price do I liquidate my PM portfolio?” The short answer is:

A) I´ll never sell all of it

and

B) I don´t have a PT. I could start selling at $1900 or at $100000, it depends.

For the longer explanation, ■

Albert Einstein once famously said “Everything is relative”. I find that quote very useful in the world of investing as well.

First off, my preferred style of investing is more influenced by macro than micro (macroeconomics vs company specific).

That means I often buy a commodity, an ETF or a basket of companies operating in the sector of interest.

I frequently look at certain ratios, or said another way, instrument X relative to instrument Y.

By analyzing historical data, I´ve set up different “ratio milestones” for when history tells me to start unwinding the ratio. As these milestones are triggered, I sell 25% of the relatively stronger instrument. For every additional 10% skew in the ratio, I sell another 25% etc.

This means I´ll never pick the absolute top nor the bottom, but I should extract much of the value while keeping my emotions out of it.

An example where this principle is adopted is shown in the Gold/Silver ratio -graph below.

By shifting the milestones to 70 and 50 you´ll get the reasoning behind it.

