

WHEN TO SELL YOUR WINNERS

When do you sell your winners?

We get asked that question all the time, especially right now as we are nearing the end of the year and the Nasdaq just broke into another new high Monday:



Understanding when to sell your winners is good question that has many answers. We say that because first off the answer all depends upon who you are and who you choose to be. Are you a trader? Are you an investor? What are your goals? What is your trading plan? These are all questions that can only be answered by YOU.

Everyone is different. Everyone has different goals and aspirations. Everyone has different plans, or at least should have a plan. To a trader their plan may be I want my \$100.00 a day and I am done for the day. To an investor it may be as long as the stock is in a clearly defined uptrend and

above the 50 day average, I'll stick with it as one might be doing with RINO.



So you see it's really a very good question and one could write a book on that subject alone.

But what about when your stock has hit a new high and "you gotta buy"?

This depends upon where you bought the stock. If you just bought the new high then a 10-12% initial stop loss ought to work, then as time goes on eventually you raise the stop and in so doing you are reducing your initial risk. If you already own the stock say 10 points lower than where it broke out you can also use the fresh breakout into new high stop loss levels.

Do you use a trailing stop based on a percentage?

This depends, more often than not start with where technical support and resistance levels are. If none of those are in acceptable ranges then use a percentage stop. For example if nearest support is 20% away, you sure don't want to use the support level.

Or do you have some predetermined target?

We do not advise setting targets because we want to try to stay in the flow of the market being the boss and not us. The market does not care if we have a target at X or Y. It could care less. The danger of setting a target is one can become mentally attached to that target and when that target is not hit then the trouble internally starts expectation wise.

A lot of folks are CANSLIM William O'Neil oriented and that methodology uses a 7-8% stop loss when buying breakouts. WE DON'T because every market maker on the planet knows this and uses this to flush you out of the stock. Ever buy it at the right time only to get stopped out at the 7-8% rule and have it reverse and take off without you after you were stopped out? Now you know why.