Plan your escape — having a good exit strategy webinar
Agenda

- Welcome
- Determine Risk Amount
- Stop Orders Defined
- Position Sizing
- Technical Indicators
- Resources
First Question to Consider….

Trade Vs. Investment

“You don't want to take a loss, so you wait and you hope, until your loss gets so large it costs you dearly. This is by far the number one mistake most investors make.”

WILLIAM J. O'NEIL, CHAIRMAN AND FOUNDER OF INVESTOR’S BUSINESS DAILY
Determine Risk Amount

- **As a % of Stock Price:**
  IBD uses 8% as their guideline, but not one size fits all.

  Ex: $50 stock \times 8\% = $4 risk per share or $46

- **As a % of Trading Capital:**
  1% Rule: Defines risk as a % of trading capital.

  Ex: $100,000 Trading Capital \times 1\% = $1,000 risk per trade

Any screenshots, charts, or company trading symbols mentioned are provided for illustrative purposes only and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation for the security.
Stop Orders Defined

**Stop Loss**: This type of order automatically becomes a market order when the stop price is reached. Therefore, there is no guarantee that your order will be executed at the stop price.

**Stop Limit**: This type of order automatically becomes a limit order when the stop price is reached. In fast markets or overnight gaps, there is no guarantee that your order will be executed.

**Trailing Stop**: This type of order automatically adjusts your stop/stop limit as the stock price moves in your favor. Trailing amounts can be defined in either $ or %.

Trailing stop orders may have increased risks due to their reliance on trigger pricing, which may be compounded in periods of market volatility, as well as market data and other internal and external system factors. Trailing stop orders are held on a separate, internal order file, place on a "not held" basis and only monitored between 9:30 AM and 4:00 PM Eastern.

Stop loss orders do not guarantee the execution price you will receive and have additional risks that may be compounded in periods of market volatility. Stop loss orders could be triggered by price swings and could result in an execution well below your trigger price.
1. You buy XYZ stock at $25 per share.
2. XYZ rises to $27.
3. You place a sell trailing stop loss with a trail value of $1.
4. As long as the price moves in your favor, your trailing price will stay $1 away.
5. The price of XYZ peaks at $29, then starts to drop. Your trailing stop loss remains at $28.
6. Shares are sold when XYZ reaches $28.
Position Sizing

- When using the 1% Rule, position size can be determined as follows:

\[
\text{Risk per Trade} / \text{Risk per Share} = \text{Position Size}
\]

Ex: \$1000/\$2 = 500 Shares
    OR
    \$1000/\$5 = 200 Shares

Risk per trade is defined as 1% of trading capital. \$100,000 \times 1\% = \$1,000
Risk per share is the difference between the stop price and purchase price.
Technical Indicators

These technical indicators can be useful guides to establish stop prices:

- Support and Resistance
- Trendlines
- Moving Averages
- Average True Range
Demonstration…

Active Trader Pro® is used for this portion of the webinar

Visit: www.fidelity.com/ATP to download Active Trader Pro®
Use the Fidelity Learning Center at home to...

**Watch videos**
Visit Fidelity.com News and Research – Learning Center – Archived Webinars

**Read articles**
Visit www.fidelity.com/viewpoints to stay up to date on all things investing.

**Attend seminars and webinars**
Register for a local seminar or attend a monthly webinars on Fidelity.com

**Get more information**
Visit Fidelity.com News and Research – Learning Center
How we can help you take the next step...

Visit Fidelity.com
News and Research > Tools and Demo > Active Trader Pro
• To view more information

Speak to a Representative
Call 800-544-4364
• One of our knowledgeable representatives is waiting to assist you

Visit an Investor Center
www.fidelity.com/branches
• To meet with one of our Regional Brokerage Consultants or investment professionals.

Continue your education
www.fidelity.com/learning-center
• Access to coaching, webinars, and classrooms
Key Takeaway’s

- Determine Risk Amount
- Stop Orders Defined
- Position Sizing
- Technical Indicators
Questions…
Disclosures

Any screenshots, charts, or company trading symbols mentioned, are provided for illustrative purposes only and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation for the security.

Technical analysis focuses on market action — specifically, volume and price. Technical analysis is only one approach to analyzing stocks. When considering which stocks to buy or sell, you should use the approach that you're most comfortable with. As with all your investments, you must make your own determination as to whether an investment in any particular security or securities is right for you based on your investment objectives, risk tolerance, and financial situation. Past performance is no guarantee of future results.

Investing involves risk, including risk of loss.

Trailing stop orders may have increased risks due to their reliance on trigger pricing, which may be compounded in periods of market volatility, as well as market data and other internal and external system factors. Trailing stop orders are held on a separate, internal order file, place on a "not held" basis and only monitored between 9:30 AM and 4:00 PM Eastern.

Stop loss orders do not guarantee the execution price you will receive and have additional risks that may be compounded in periods of market volatility. Stop loss orders could be triggered by price swings and could result in an execution well below your trigger price.

Fidelity Brokerage Services, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917.
2019 FMR LLC. All rights reserved.