



Trade exit guidelines

Some notes to consider



- Exiting trades is the most important and maybe the most difficult skill to master.
- Various options, depending on:
 - Account size and position size.
 - Automated or not.
 - Immediate and surprise price action.
 - Emotions. (lookback is immediate, look forward is slow)
- So, some decisions to make initially.
- Essentially, if stops are used the exit process is largely automatic.

Account sizing options



- For an account of, say, \$25,000, there are two trading methodologies.
 - Follow a limited subset of all trades, such as the Azaries Challenge.
 - Follow all trades as a fund manager might, such as the Azaries fund email.
- Information point:
 - Using the subset trades, your account could run around 5-10 trades at any one time. \$2,500 minimum per position.
 - Note though the risk is higher.
 - Using all trades
 - Allowing for around 20 positions at any one time means position sizes are lower, approximately \$1,250 each.
 - Does not usually allow higher prices stocks.

Let's talk probabilities, briefly



- Let's suggest that we have a known 'win' rate (Azaries rate is 70 - 80% but must allow for lower and higher periods) Also assume up to 6 trades at any time.
- Does '9' losing trades ever occur? Yes, in November 2021 once and in 2021, it occurred twice.
- Does '9' winning trades ever occur? Yes, four times in 2021 with longer periods also.

Rate	Losing Possibility	Winning Possibility
50%	9	9
60%	7	12
70%	5	17
80%	4	28

How do you avoid losses?



- This depends on your strategy.
- Using a large proportion of your capital means higher risk.
- For example, a scenario:
 - 5 trades (of 10) open, all become losses day one (almost impossible).
 - Average size of \$2.5k each.
 - Maximum risk is 7% of each, approx \$175. each, a loss of \$875.
 - Overall risk is 3.5% of your capital.

What actually happens?



- For example, an actual example from November 2021:
 - 5 trades open all become losses.
 - Average size of \$2.5k each.
 - Maximum risk is reduced as trades follow through, this time to predetermined stop, positions updated via email.
 - November 2021, five losses resulted in a loss of \$755 if trading cash positions (3%).
 - If spread betting (leveraged) with £5,000 capital, a loss of approximately £280 (6%).

What else actually happens?

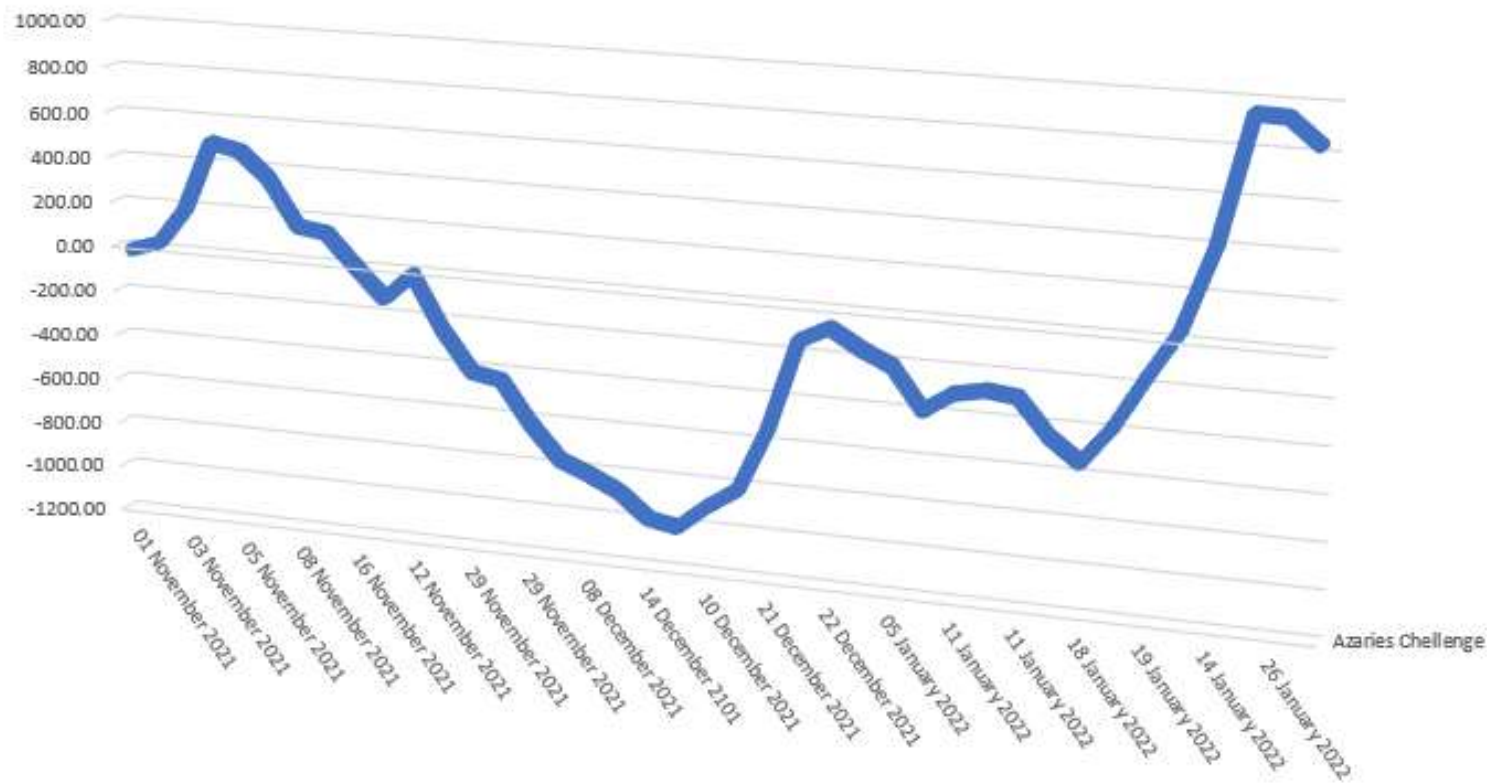


- For example, an actual example from January 2022:
 - 5 trades open all become profitable.
 - Average size of \$2.5k each.
 - Note: Maximum risk is reduced as trades follow through, this time to predetermined stop, positions updated via email.
 - January 2022, five losses resulted in a profit of \$1,491 if trading cash positions (6%).
 - If spread betting (leveraged) with £5,000 capital, a profit of approx. £2,029 (40%).

2021 to 2022 Challenge



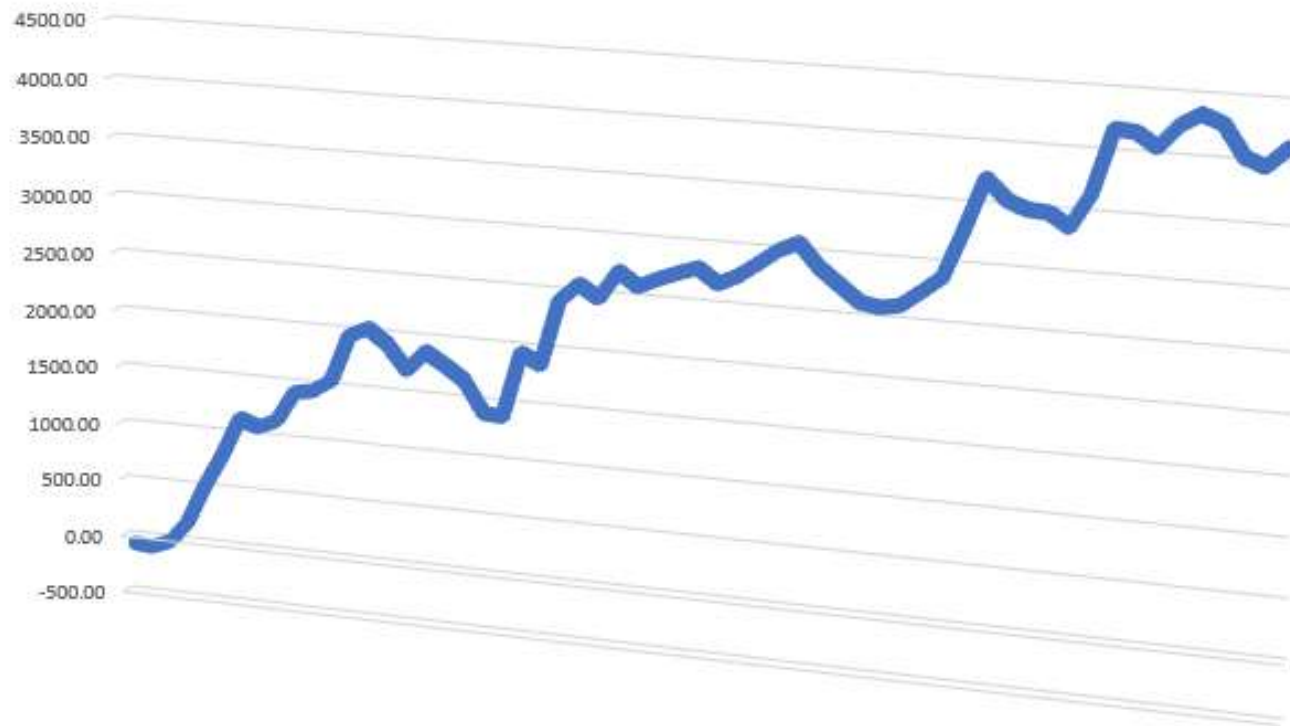
November 2021 to January 2022



2021 to 2022 Challenge



July 2021 to November 2021



Azaries Challenge 2021

2021 to 2022 Challenge



July 2021 to January 2022



CASH trading, no leverage

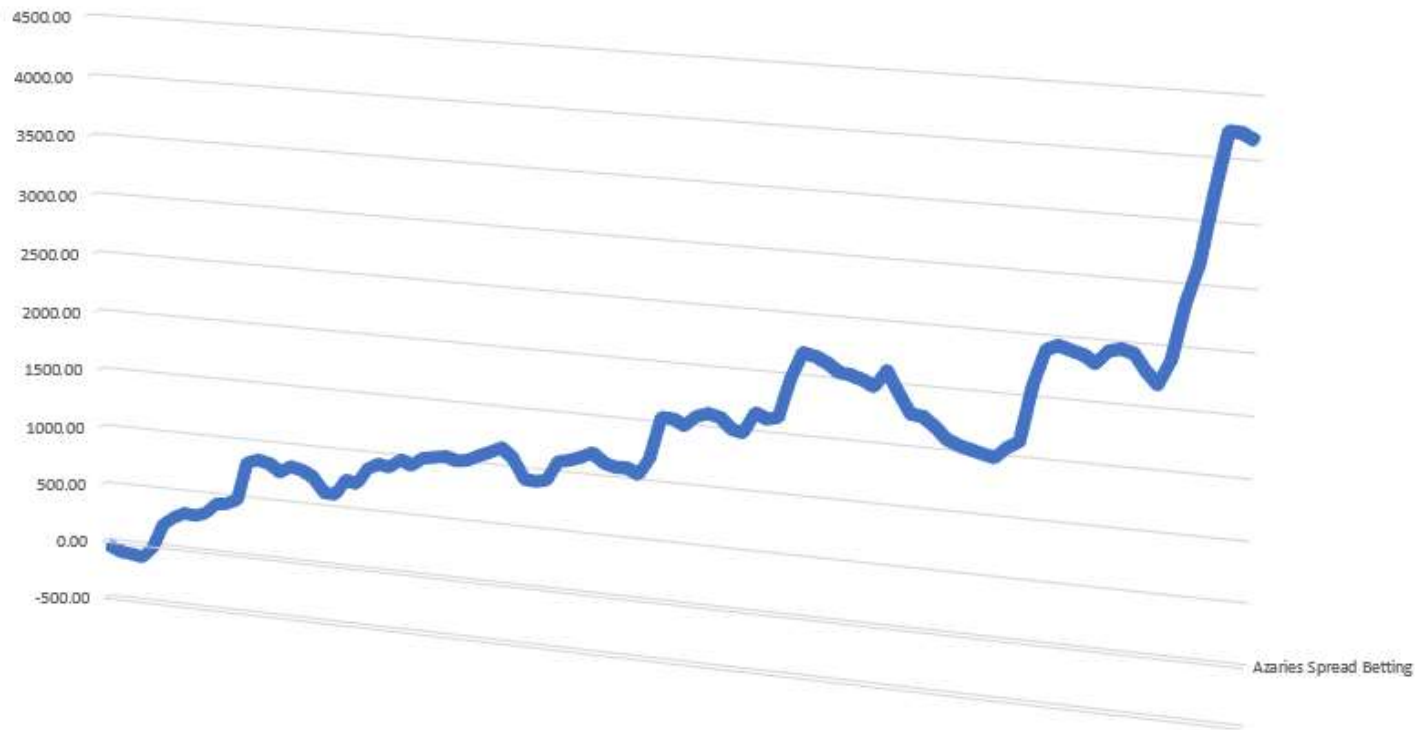
Sized to \$25,000 capital, \$5,000 positions

Total Profit \$5,780, 23% on capital, 7 month period

2021 to 2022 Challenge



July 2021 to January 2022

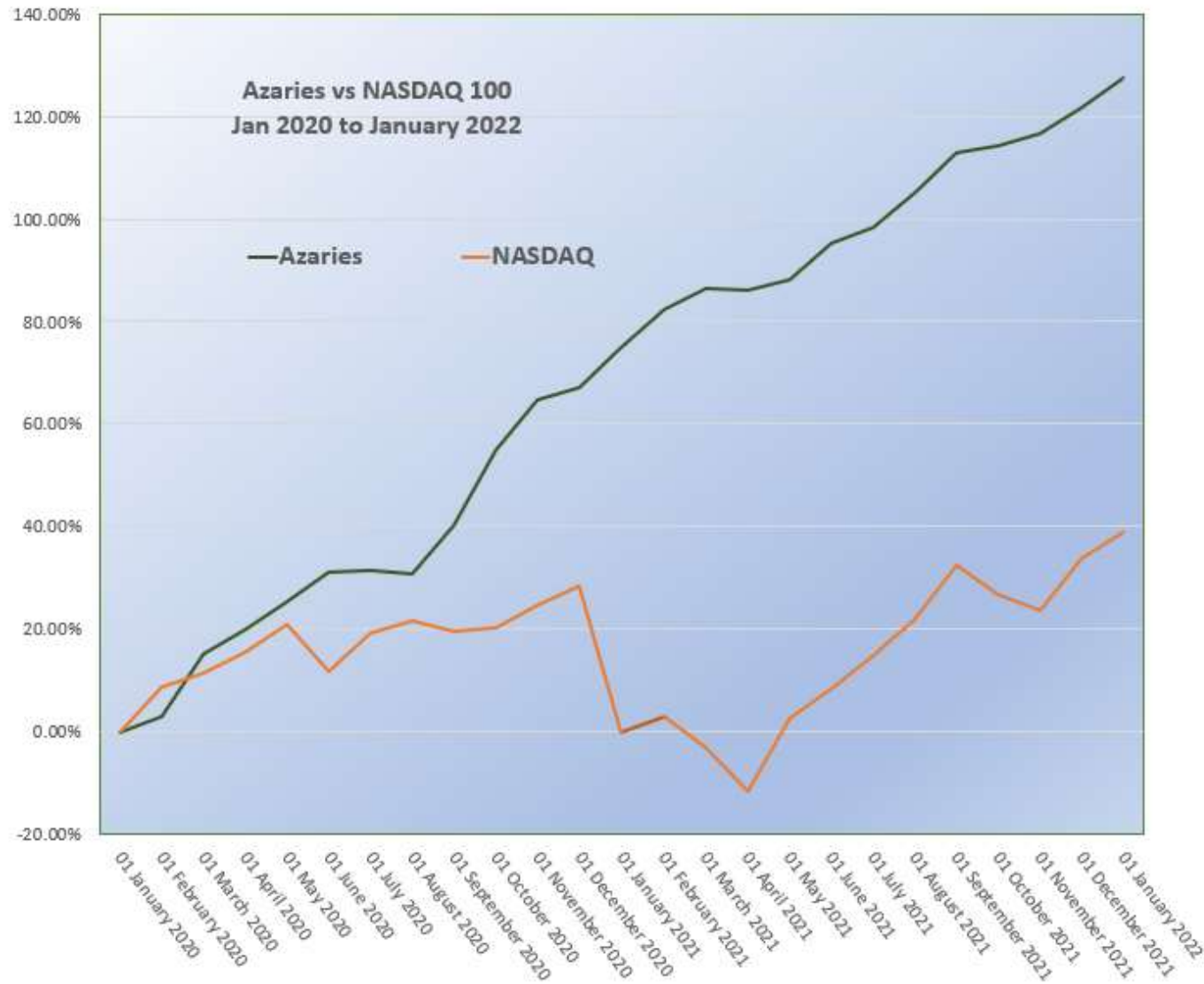


Spread Betting, leveraged

Sized to £5,000 capital, Minimum margin positions

Total Profit \$4,165, 82% pn capital, 7 month period

2021 to 2022 All Trades



So what's the best way?



- Stick to your risk tolerance.
- If following the exact Azaries trades:
 - Use the entries and stops calculated.
 - You'll almost always come out on top.
 - There is no decision making, exits are automatically calculated and you enter the orders.

Best Actions to high volatility?



- Individual stocks can vary significantly.
- If you find a stock 7–10% in profit, use a 2% stop, this ensures profitability.
- Or, you can exit and take profits, then have orders pending to re-enter at the exit level thus avoiding missing out on large gainers of 20% plus (around 20% of trades achieve this).
- Those at 20% plus gains at 20 days can go on to become part of a 'wealth portfolio' with zero cost.

What can go wrong?



- Missed trades.
- Variable entries and/or exits.
- Broker fees (if any), variable.
- Availability of trades.
- Typo's!
- Closing out too early or late.
- For sure, practice makes perfect.

What can go right?



- Sometimes, stocks rise very rapidly.
- Gaps up are welcome when long.
- Entries and exits are better than advised.
- Always let the 'averages' play out.
- Always use a practice account first to get used to the process and the results.
- Find the best way for you.



Trade exit guidelines
We feel it's useful.