

**A HERETIC QUESTIONS BUY &
HOLD DOGMA, AND OFFERS
ASSISTANCE WITH SELLING**

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pure investor education with NO sales agenda

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A “LITTLE SECRET” :

BUY & HOLD
+
RANDOM WALK
=
NO REASON FOR OUR JOBS

ACTUAL REALITY:

THINGS CHANGE

+

PRICES TREND

(TO EXCESSES)

=

THE NEED TO SELL

WHAT WE DO... ELSEWHERE

Trade-In the Problem Car

Sell the House and Move

Quit the Job

Burn/Donate the Leisure Suits

Change Majors/Colleges

Elect a new Government

Separate/Divorce

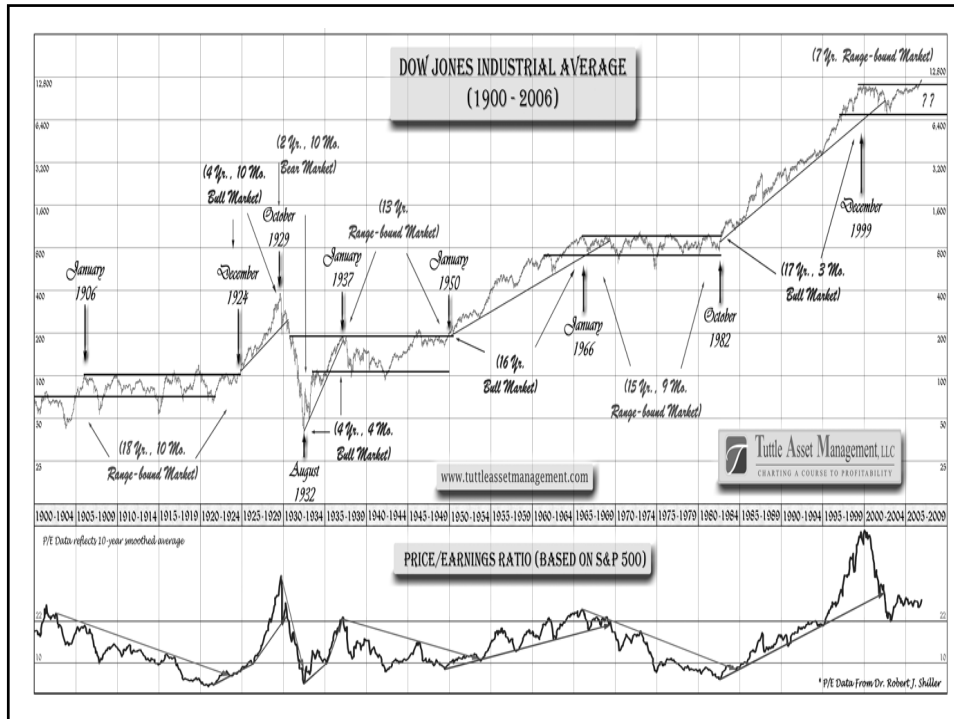
... but HOLD the bad stock!

AGENDA

- **Why It's Important**
- **What the Problems Are**
- **What to DO**

WHY SELLING WELL IS CRUCIAL

- **Things *Change!***
- **Limit our Losses**
- **Capture Unreasonable Gains**
- **Perform in Range-Bound Market**



Cassidy's RULE OF 3-4-5-6
STOCKS RARELY RISE, IN A ROW, MORE THAN...

3 Years
4 Months
5 Weeks
6 Trading Sessions

WHY TO SELL

- **Humans Make Imperfect Choices!**
- **Avoid Losses**
- **Capture Unexpected Windfalls**
- **Planned Target is Reached**

TRIGGERS FOR SELL ACTION

- **Fundamental Analysis**
- **Technical Analysis**
- **Behavioural Analysis**

FUNDAMENTAL SIGNALS TO SELL

- **Overall Market High**
- **Adverse Valuation Change for Stock**
 - **Price/valuation metrics get too high**
 - **Corporate fundamentals deteriorate**

TECHNICAL-ANALYSIS SIGNALS TO SELL

- **Best:** Price Up Too Far, Too Fast
 - Volume/Price Crescendo/Spike
 - MACD (moving average convergence/divergence)
- **Less Good:** Price Pattern Breaks Down
 - Breaks below channel
 - Breaks below support level
 - Breaks Moving Average(s) (real late)

Chart-Visible Reversal Clues

Unsustainable Slope +/-

Acceleration +/-

Volume Spikes

Volume Crescendos

(yes, technical analysis; sorry!)

FOUR BEHAVIOURAL SIGNS TO WATCH...

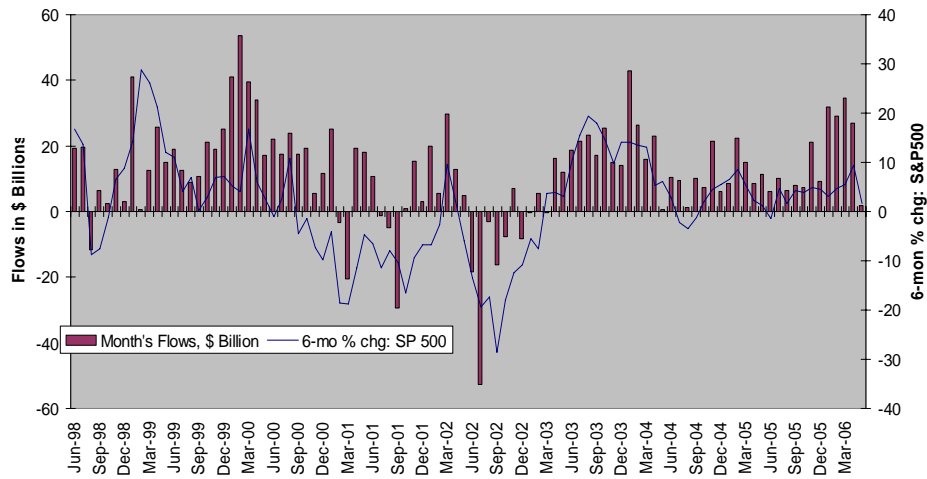
*** Mutual-Fund Net Flows**

www. IFIC .Ca

(www. ICI . Org)

A GREAT Contrary Timing Indicator (www .ICI .org)

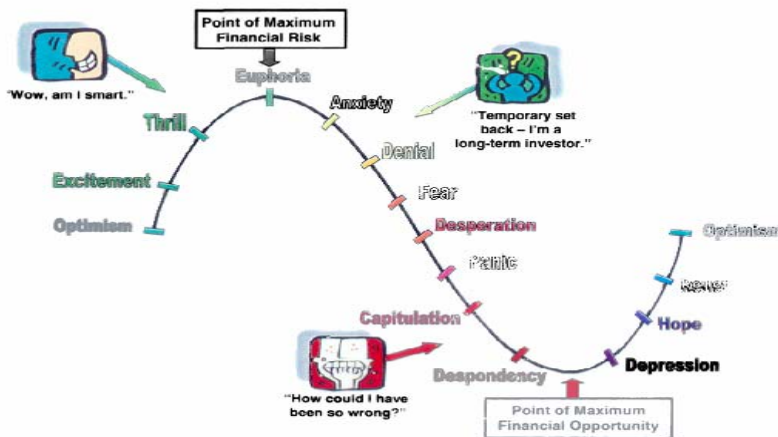
Current Flows and Recent Performance



NOT CONTROLLING YOUR EMOTIONS



The Cycle of Market Emotions



BEHAVIOURAL SIGNALS TO SELL

- **Feeling Real Good (over-confident)**
- **Stock Market is Broad-Public News**
- **Market Headlines *off* the Business Page**



MORE BEHAVIORAL SIGNS TO SELL

- **Market is conversation topic socially and at work**
- **Market is subject of humor, advertising, TV/movie plots**
- **People Quitting their Day Jobs**

Don't Over-stay!

**Our comfort is ways greatest
when danger of loss is highest.**

**(We perceive risk
180 degrees backwards.)**

FALLACIES in B&H

- **Even zealots blink at the bottom!**
- **Pretends commissions/taxes are the main problem**
- **Assumes BUY decision was perfect**
- **Pretends no inflated price is too high**
 - **Hopes bad companies will mend**
- **Ignores market's emotional extremes**

DETERRENTS TO OVERCOME

- **Long-term Trend IS up**
- **Fits non-judgmental culture**
- **Want to avoid mistakes (closure ends hope)**
- **Intuitive contradiction of selling on good news!**
- **Scary market, or company factors?**

BEHAVIOURAL FINANCE

INSIGHTS:

Endowment Effect

Cognitive Dissonance

Disloyalty and Closure Avoidances

Decision Stress Avoidance

Comfort Seeking / Perfectionism

Vividness of Evidence/Social Proof

Reinforcement

BEHAVIOURS NOT TO IGNORE

•“It’s Different this time!”

•Other Rationalizations

•Celebration Behaviour

•Loud Media Drumbeat

Good Selling: To-DOs

- **Have a sell plan when buying**
- **Spend Equal Thinking Time**
 - **Use an A-A discipline**
 - **ASSUME change!**
 - **Give up on being perfect**
- **Watch Behavioural Signs of Highs**
- **Sell on first to speak: fundamentals OR technical analysis**

SELLING: OPERATIONAL LEVEL

- **Date, don't marry, your darlings**
- **Graciously accept unreasonable returns**
- **Sell volume crescendos, spikes**
(Internet compression effect!)
- **Believe the cockroach theory!**
- **Keep a notebook on yourself**

STOP AND LIMIT ORDERS

- * Enter target sells using P-S-T**
- * Your cost not a valid factor**
- * Stops not at arbitrary percent down**
 - * Use chart patterns to set stops**
 - * Avoid the bad odds of EPS time!**
- admittedly, more practical for smaller portfolios

Good Selling: DON'Ts List

- Don't let Taxes rule thinking**
- Don't view sale as permanent verdict**
 - Don't confuse stock with company
- Don't Fixate on meaningless numbers**
 - Don't Rationalize**
- Don't reach for one more day or point**
- Don't sell @ open unless the bad news is corporate cancer or scandal**
- Don't lower or pull your stops**

The ACID-TEST Question !!

W Y B I T

**Thanks for Your
Kind Invitation !**

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