

When to Sell

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Download this presentation at:

www.stockrover.com/webinar-outline.html



Disclaimer:

This presentation is meant for instructional purposes only, and does not constitute financial advice. Always do your own research before buying or selling stocks.

The Importance of Selling

- Investing is not all about buy price
 - The importance of your buy price doesn't matter as much if you sell at the wrong time



The Difficulty of Selling

- It goes against the human tendency to be greedy
- We don't want to admit defeat
- We have anchoring bias: the buy price should be irrelevant when considering selling for investment purposes
- We can have a tendency to become sentimental about or loyal to a stock that's been good to us
- We don't like losing money or feeling regret
- We feel familiar with the stock—comfortable with its rhythms and behaviors, and don't want to leave it for a stock we don't understand
- We play the “what if” game



General Tips and Strategies

- Come up with rules (i.e. price target or fundamentals-based rule) about when you're going to sell
 - Don't let emotion enter into the equation
 - Rely on data and analysis
 - Have a rule for every stock you own
 - Create the rule when you buy the stock
- Don't look for absolute bottoms and tops, just relative values

General Tips and Strategies (cont.)

- Learn from your mistakes
 - Study your own method in order to improve
- Reframe the experience
 - Any selling that earns means you made money
 - Selling that loses money can be ok
 - If you learned something
 - It also can reduce your tax liability by offsetting gains from elsewhere

Reasons to Sell (Preamble)

- Investing goals vary for each investor, and so selling rules will vary
 - Some investors buy with the intention of never selling
 - Some investors are in and out of stocks very quickly
 - Most probably fall between these two styles
- This webinar is meant to show how you can perform some common selling strategies with Stock Rover
- If I haven't mentioned one that you like, send it in!

Reasons to Sell

- An analytical mistake was made
- Rapid price appreciation (use the chart, technicals, alerts)
- Valuation is not justified by price (use the Peers tab, historical PE in chart and table, financials)
- Deteriorating fundamentals (use the chart, table, financials)
- Opportunity Cost (use the Peers tab, or chart)
- Rebalancing (use sector allocation, Portfolio modeling)

Reasons to Sell (cont.)

- Diversification (use the Correlation feature)
- Management change (use the News tab)
- Change in business or competitive position (use News, financial statements)
- Change in regulatory environment (use News, financial statements)

Shortcuts

(Trusting the Professionals)

- There are some shortcuts in Stock Rover where you can see what the analysts think
 - Analyst Estimates in the Insight Panel's Detail Tab
 - You can also see the revisions over the last 90 days
 - Changes in analyst estimates in particular are quite important
 - The Growth Tab has the following metrics:
 - EPS Next Year/Quarter Estimate Trends
 - EPS Current Year/Quarter Estimate Trends
 - (Or add them to any View)
 - Click the column header to sort by these
 - Mouseover the graphical column to see more info

Shortcuts (cont.)

(Trusting the Professional)

- Morningstar Grades in the Insight Panel's Summary Tab
 - Mouseover the grade for a description
- Grades View
 - [Expand the row](#) to see the progression (data not available for every grade)

Price Appreciation or Depreciation (Target Price and Alerts)

- Add “Target Price” and “Price to Target %” as columns in the table ([help documentation](#))
- Use the [Alerts facility](#) to get email or text alerts when a stock passes a threshold (Premium only—but a month free trial for Basic users will be happening soon)
 - Price alerts (absolute or percent change)
 - Price crossing industry, sector, S&P, or SMA
 - Volume alerts
 - P/E alerts for valuation-level sell

Valuation

- Some investors choose to sell when the valuation is too high
 - Try looking at the 5-Year Price/Earnings Range in the table (use the [Add Column](#) button)
- You can also chart the valuation
- Look at the Summary tab to compare its valuation against its industry

Check the Technicals

- Technicals help discern price momentum and can be a useful tool for deciding when to execute a trade
- The chart has [8 technicals](#)
 - Watch a whole webinar on technicals [here](#)
- [Create a View](#) with all technicals
 - Sort by any of the columns
- You can also screen on technicals
 - [Create a screener](#)
 - Navigate to the “Technical Indicators” folder
 - Screen on Bollinger Bands, EMA, SMA, MFI, RSI, and Price versus averages
 - Apply to table
 - Or add these metrics to the table
- Set alerts on technicals (crossing SMA, increase in volume)

Check the Fundamentals

- Look at any metric in the Table
 - Or create your own view with your favorites
 - [Expand the row](#) to see historical data
- Filter on fundamentals
 - [Filter the stocks](#) in the table to see which ones pass certain criteria
- Chart fundamentals
 - [Chart a fundamental](#) to see how it's changed over time
 - [Chart several fundamentals](#) together in a metric package (Premium only) to see how they've moved together



Check the Financial Statements

- Diving into the financial statements is a good way to learn about the business, and how the business is changing
- See a summary of the statements in the Detail tab
 - These link to the full statements in Morningstar

Opportunity Cost

(Compare to Peers)

- Charting against industry
 - Add the sector or industry through the [Benchmarks menu](#)
- Summary tab (in the Insight panel)
 - Metrics on Performance, Valuation, Profitability, and Growth for the stock, its industry, and the S&P 500
- Peers tab (in the Insight panel)
 - See all stocks in the same industry
 - Add any column to the tab—filter and sort as well
 - Look at beta and/or volatility

Rebalancing

- See the portfolio allocation in Summary tab
- Use [Portfolio Modeling](#) facility to test trades to see how it would affect your allocation, as well as:
 - Also shows P/E, Earnings Growth, Price/Book, Price/Sales, Dividends, Dividend Yield, Beta, Volatility, Sharpe Ratio, and Correlation with S&P 500 for model portfolio
- Watch a webinar about Portfolio Modeling [here](#)

Diversification

- In the [Portfolio Reporting](#) facility, there is a “Correlation” tab that shows the correlation of the stocks in the selected portfolio
 - This is a Premium feature
- You can see how correlated all the stocks are to each other and to the portfolio
 - Use the Filter feature to find correlations above and below a certain amount

Change in Management, Competitive Position, etc.

- Look in the News tab in the Insight panel
 - Select Google, Yahoo, or Benzinga for ticker-specific news
- Look at the financial statements

Learn from Mistakes

- Portfolio Reporting
 - Create a copy of your portfolio before trades and see how they do against each other (or use Portfolio Modeling)
 - Look at the [Holdings tab](#) for to easily see what each position has contributed in the time period
- Notes
 - Take notes about how you feel about the stock—see the progression over time.