Break Even Stops

Trading EveryDay

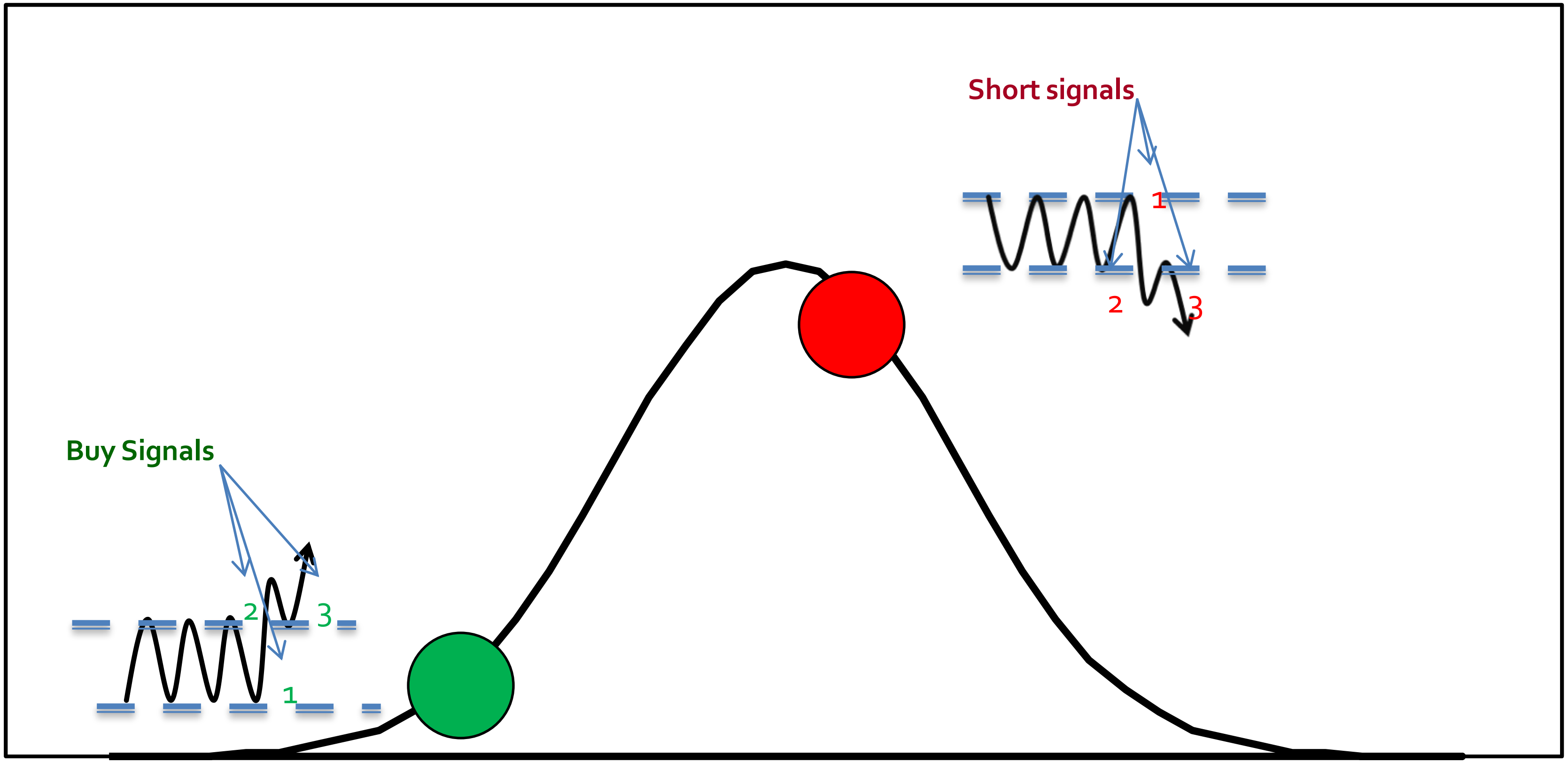
Break Even Stops

- Break even stops are typically stop loss orders that are placed at the same level of the original price
- In volatile market conditions, such as the most recent months, traders want to be proactive in preserving their trading capital
- Using a breakeven stop is a very good vehicle for protecting “accumulated” profits
- Transitional phases tend to be the most difficult areas to use breakeven stops since they typically are more volatile in price action moves.

Breakeven Stops (cont.)

- Traders have to develop some level of balance ("trading art" vs. "science") on how far the price action needs to move in their favor before placing a breakeven stop
- Consider the original risk of the trade setup and amount of risk initially allowed in the trade
- Trading Style may determine the frequency and movement size of initial protective stop and how to move to breakeven
- More importantly, the quality of the setup should be one of the most important factors in determining how "aggressive" to be with moving initial stop
- This is very critical to allow trending price action to move upwards with natural pullbacks
- Considering technical analysis stops for the initial stop often provide more opportunity to give price action room to run

Breakout Entry Setups



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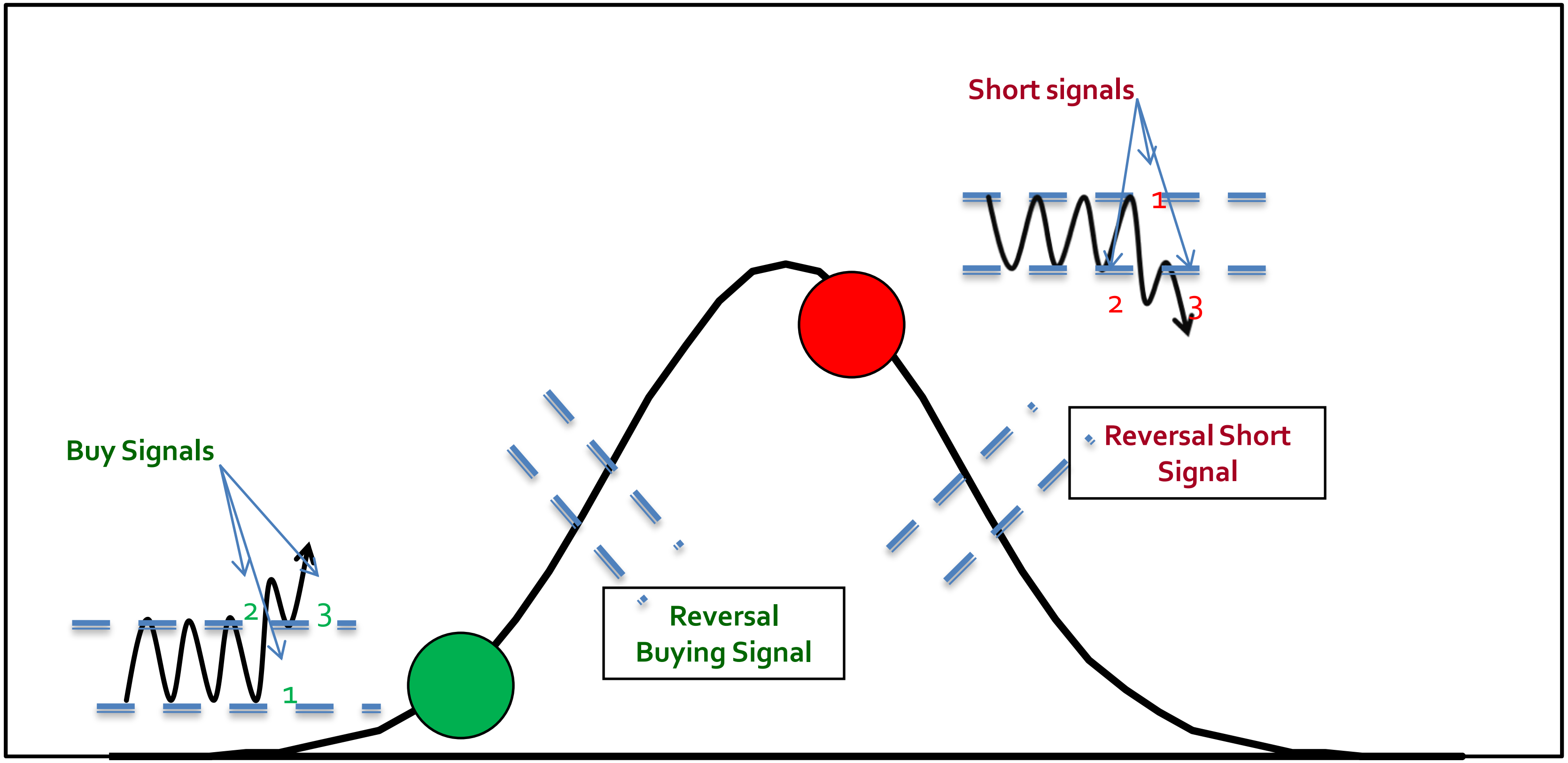
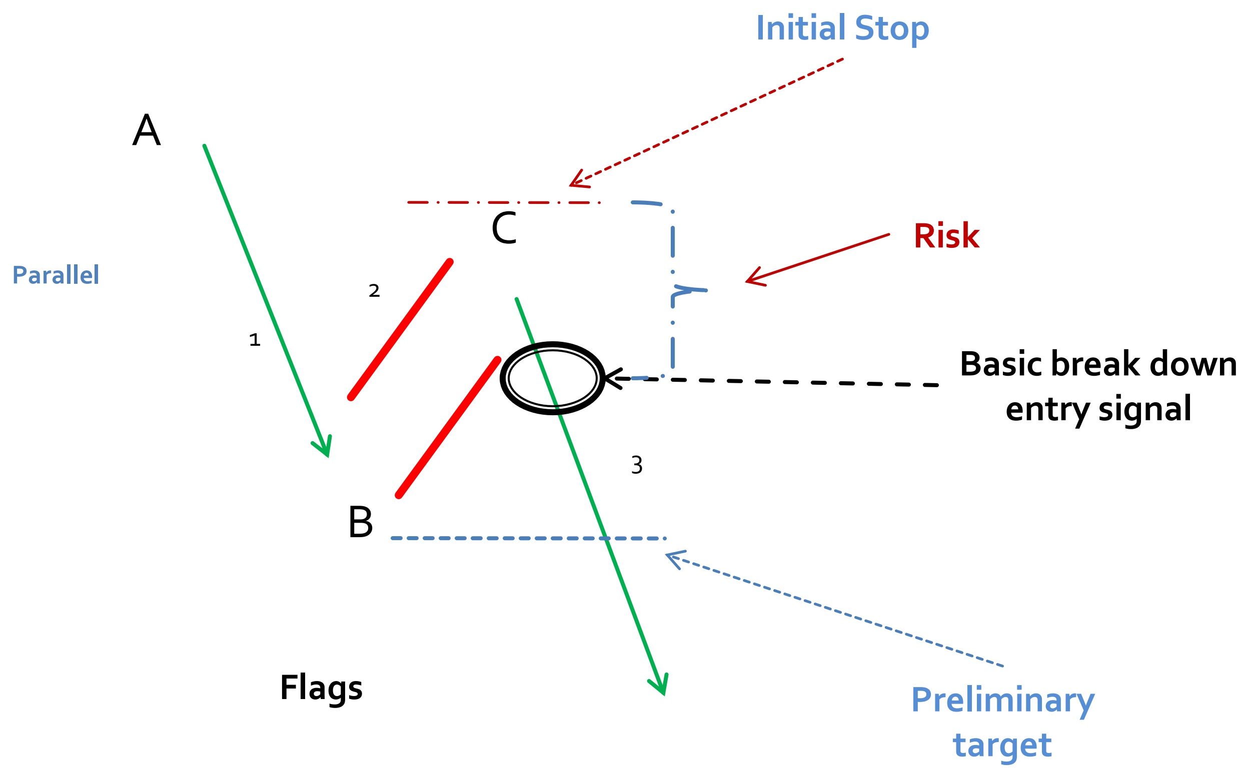
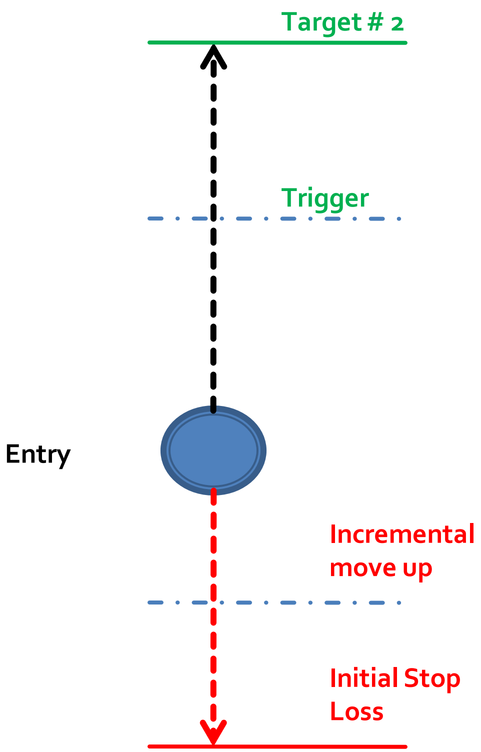


Flag Pattern – Initial Risk & Stop Loss



Moving Initial Stop

1. Define your initial risk for setup
2. Evaluate the quality of the setup – "high odds" vs. "low odds"
3. Determine where price action is on the market cycle
4. Define "How much of a move in your favor" is needed to move stop up incrementally
5. Easier to use % since price action will vary based on entry prices
6. If your using a Multiple R framework, consider using 1R to move stops to breakeven



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