

Long-Term Stocks

Once you have identified and committed to equity for the long term, monitor the following aspects:

1. **Maintain a Long-Term Perspective:**

As a long-term investor, your focus should remain beyond short-term fluctuations and pullbacks. Invest only in companies that:

- **Demonstrate consistent growth:** The company is expected to strengthen its top and bottom lines (revenues and earnings) year after year and has a history of growing its business, even during tough economic conditions.
- **Have a strong business model:** They enjoy a competitive moat or niche in their industry and have established a loyal customer base. For instance, Apple benefits from a broad base of iPhone customers who consistently upgrade their devices, while Blackberry failed to establish such a foothold and faded over time.
- **Command investor confidence:** They are trusted by investors, institutions, and analysts who confidently allocate long-term funds.
- **Offer sustainable and relevant products:** Their core products or services are not obsolete and remain respected in the market for the foreseeable future. They quickly adapt to changing market conditions and introduce new or improved products to maintain industry leadership.

To ensure these conditions continue, stay updated on company news, financial reports, and market trends.

Risk Management:

Adopt and adhere to sound risk management principles:

1. **Set a Stop Loss:**

Generally, avoid incurring losses exceeding 8-10% on any position. However, if you have a strong conviction in the company's business model, you may extend this limit—provided it does not jeopardize your financial health or mental peace.

2. **Exit Losing Positions:**

Since most brokerages now charge zero commissions, you can exit losing positions to prevent excessive losses and re-enter later when conditions are favorable.

3. **Protect Gains:**

- Once a position achieves a 15-20% gain, move your stop loss to the break-even level.
- Use trailing stops to secure profits. For example, if your profit reaches 25-30%, you can set the stop loss to preserve a 0-5% gain.
- Never let a position with a 15-20% gain turn into a net loss.

4. Monitor the Company's Performance:

Regularly review the company's financial condition, future guidance, and market sentiment to avoid being stuck in underperforming positions.

Sell Signals:

Learn to identify sell signals on charts. Every stock that experiences a parabolic rise will eventually shed significant value—often 50% or more. Examples include Zoom (ZM), Tandem Diabetes (TNDM), Nio (NIO), Roku (ROKU), and others. Here is an example of ROKU chart from past:



If the above pattern on high volumes develops then it is a strong sell signal.

Signs of a Sell Signal:

- **Loss of Support at Moving Averages:**

Identify key moving averages for your long-term stocks. Stocks that lack institutional support from banks, hedge funds, pensions, and mutual funds often fail to hold critical technical levels.

- If a stock falls below its **21-day EMA (Exponential Moving Average)** on high volume, consider taking partial profits.
 - If it breaks below its **50-day moving average** on high volume, consider selling the entire position.
 - For long-term holdings, the **200-day EMA line** on a daily chart typically provides strong support. A stock breaking and staying below this line may signal further declines.
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- **200-Week EMA Rule:**
Avoid holding any stock that falls below its **200-week EMA line**, even if it is a long-term investment.