WealthAlpha Master Guide

Chapter 5: Entry & Exit Strategies

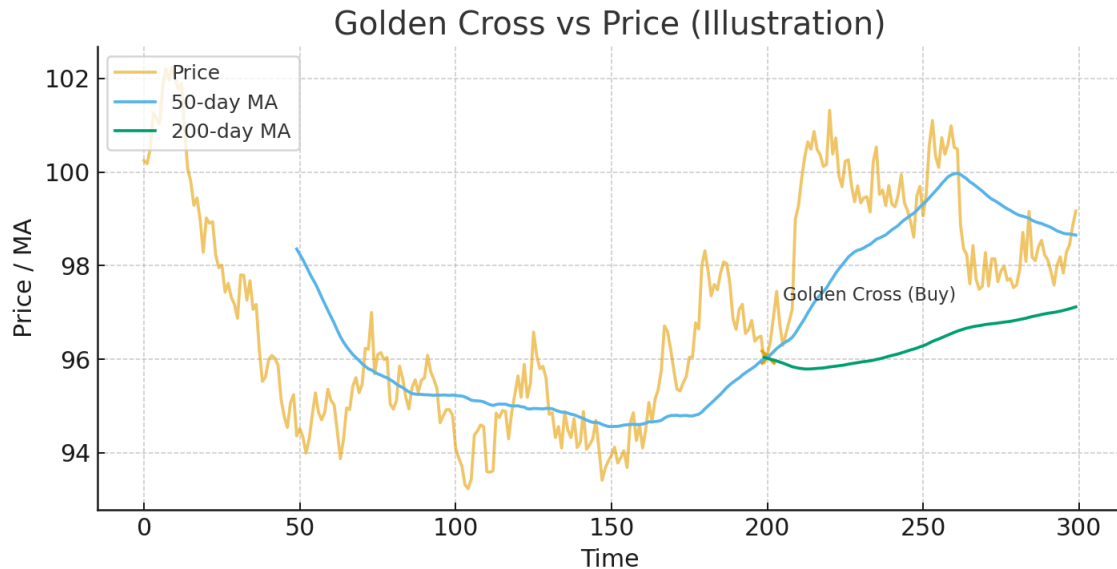Prepared by Wealth Alpha —SEBI Registered Research Analyst

Chapter 5: Entry & Exit Strategies (Discretionary + Mechanical)

WealthAlpha Advantage: Our AI flags buy/sell triggers using mechanical rules (MA crossovers, RSI, ATR stops) and provides alerts so you don't miss opportunities or hold losers too long.
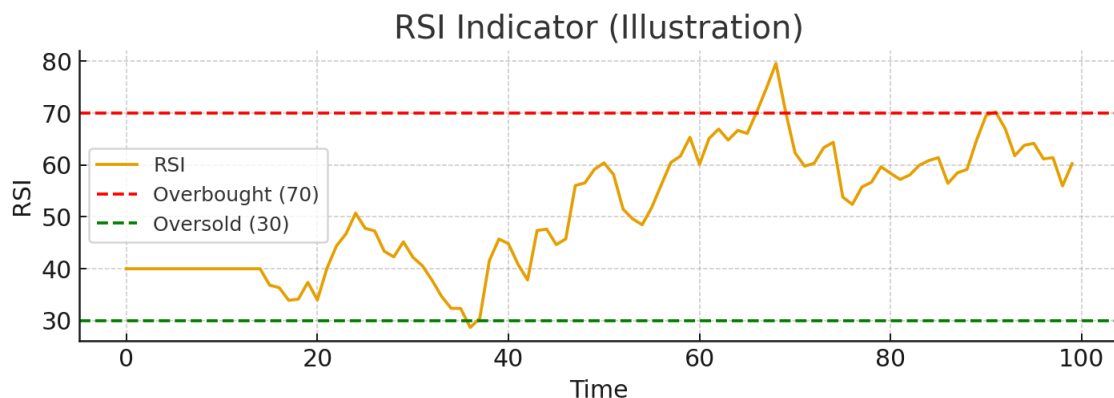
Entries and exits determine actual profits. Even if you pick the right stock, poor timing can erode returns. A structured system blends discretionary judgment with mechanical signals.
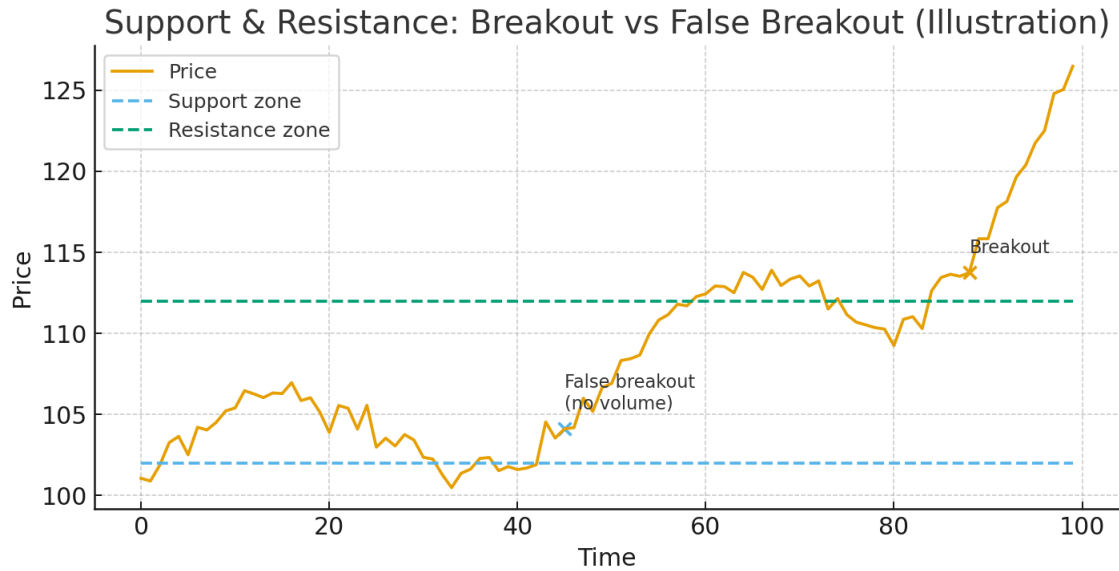
Common Entry Rules

- • Breakouts with Volume: Price closes above resistance with 1.5–2× average volume.
- • Pullback Entries: Buying near support in a confirmed uptrend.
- • Golden Cross: 50DMA crosses above 200DMA.
- • RSI Recovery: RSI rising through 40–50 after oversold.
- • Panic Buys: Accumulating quality stocks during market crashes.

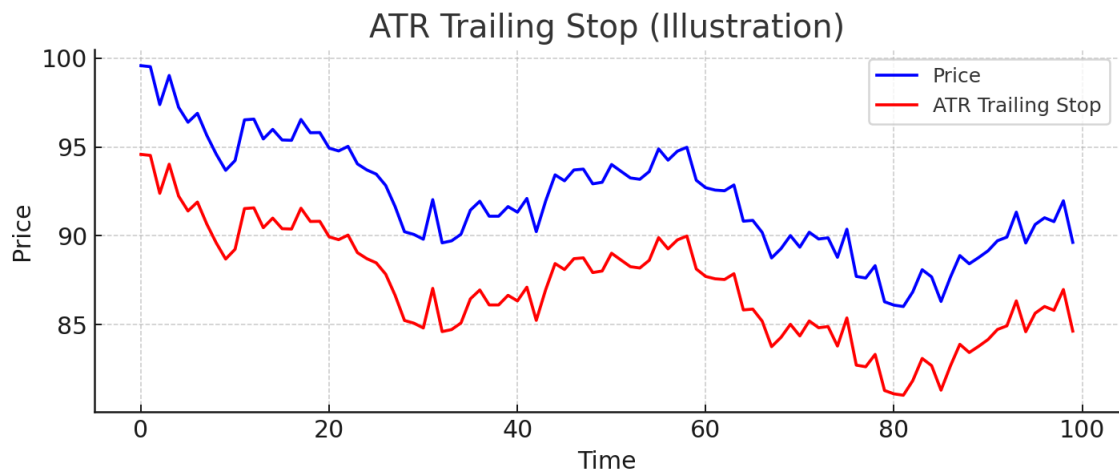Golden Cross: A classic bullish entry signal.

RSI Entry: Buying as RSI rises through 40–50.

Support & Resistance: Breakout vs False Breakout (Illustration)

Breakouts: Confirm with volume; avoid false breakouts.

Common Exit Rules

- • Thesis Break: Fundamentals deteriorate.
- • Stop-Loss Hit: Pre-defined % or technical level breached.
- • ATR Trailing Stop: Dynamic stop to ride trends.
- • Extreme Valuations: Price far above historical average.
- • Time-Based: Book profits if stock stagnates >12 months.

ATR Trailing Stop (Illustration)

ATR Trailing Stop: Ride trends and exit when stop triggers.

Quick Reference Rule Sheet

- 5 Entry Rules:
- 1. Breakout + Volume
- 2. Pullback-to-Support
- 3. Golden Cross
- 4. RSI 40–50 Upturn
- 5. Panic Buys (Quality in crashes)
- 5 Exit Rules:
- 1. Thesis Break
- 2. Close <200DMA
- 3. ATR/Trailing Stop Triggered
- 4. Extreme Valuation vs History
- 5. Time-Based Profit Booking

Psychology of Entries/Exits

- • Don't chase; let the stock come to your level.
- • Pre-plan exits to avoid panic selling.
- • Use rules to reduce emotional bias.