TRAILING STOP LOSS :

A trailing stop Loss follows (or "trails") the market price at a fixed distance. If the price moves in your favour, the stop-loss price adjusts accordingly. But if the price reverses, the stop-loss remains at its last position, locking in gains or minimizing losses.

Example :

Let's say you buy a stock at Rs 100, and set a trailing stop loss of Rs. 5.

* Price rises to Rs. 110 – Trailing stop now moves to Rs 105 (Rs 110 – Rs. 5)
* Price goes up to Rs. 115 – Stop loss now is Rs. 110
* Price drops to Rs. 110 – No action.
* Price drops to Rs. 109 – Hits trailing stop loss at Rs. 110, trade is exited automatically.

Conclusion :-

Trade exited at Rs 110, securing a Rs. 10 profit per share.

Benefits :-

→ Protects profits automatically.
→ No need for constant monitoring.
→ Adapts to market conditions.