Overstay

REVIEWED BY JAMES CHEN | Updated Jun 25, 2018

DEFINITION of Overstay

Overstay refers to the act of holding an investment for too long. It often occurs when traders attempt to time the market by identifying the end of a price trend and the beginning of a new one, but, due to greed, fear or overconfidence, tend to overstay their positions. This usually results in reduced gains or, worse, further losses.

BREAKING DOWN Overstay

Overstay, in technical analysis, is to hold an investment for too long so that it cuts gain or causes a loss. An investor may predict the end of an uptrend in a security's price but believe the coming downtrend is only temporary. However, the downtrend may continue, and the investor may refuse to sell, overstaying the investment so that losses accumulate.

Overstay is a severe risk to investors attempting to time the market. Knowing when to sell or get out of an investment is just as important as knowing when to get in. However, timing the market correctly is a task that even professional investors and traders find challenging to accomplish on a consistent basis, so attempting market timing is not recommended for the average investor. Overstay is not an issue for buy-and-hold investors.

Market Timing, Overstay and Chasing Returns

Market timing is the act of moving in and out of the market or switching between asset classes based on assumptions made using predictive methods such as technical indicators,