61 Stop Loss Methods

In the intricate world of trading, ensuring your hard-earned investments are protected is paramount. This brings us to the topic of 'stop loss methods' — an indispensable mechanism for any trader aiming to safeguard their capital.

Simply put, a stop loss is a predefined point where a trade is exited, primarily to minimize potential losses. And just as trading has evolved, so have the techniques to set these crucial exit points.

Herein, we've compiled 61 distinct stop loss methods. Grouped into five categories, these methods cater to various trading styles and market conditions. Some might seem similar or even overlap, but each holds its own merit depending on the trading scenario.

1. **Fixed Stop Loss Methods:** These are the methods that use a fixed point or a predetermined level to set the stop loss. Examples include:
    - Fixed amount stop (loss set at a certain amount of money or points)
    - Percentage stop (loss set as a certain percentage of entry price)

2. **Dynamic Stop Loss Methods:** These methods adjust the stop loss as market conditions change or as the trade develops. Examples include:
    - Trailing stop (loss moved in the direction of the trade as it becomes profitable)
    - Moving average stop (loss set at a moving average level, which changes over time)

- Parabolic SAR stop (stop-and-reverse, a method that adjusts with price changes)
- Volatility-based stops (like the Average True Range or Bollinger Bands)

3. **Risk Management-Based Stop Loss Methods:** These methods set the stop loss based on the risk management strategy of the trader or trading system. Examples include:
    - Equity stop (loss based on a percentage of the trader's total account equity)
    - Risk-Reward ratio stop (stop set to achieve a particular risk-reward ratio)

4. **Technical Analysis-Based Stop Loss Methods:** These methods use technical analysis patterns or levels to set the stop loss. Examples include:
    - Support or resistance level stop (loss set at a support or resistance level)
    - Chart pattern stop (loss set at a level defined by a chart pattern, like a trendline)
    - Fractal stop (loss set at a level defined by the fractal indicator)

5. **Time-Based Stop Loss Methods:** These methods use a specific time or duration to set the stop loss. Examples include:
    - Time stop (trade exited at a certain time of day, or after a trade has been open for a certain amount of time)

Fixed Stop Loss Methods

1. **Fixed Amount Stop:** The stop loss is set at a specific point value away from the entry point. For example, a trader might decide to always set a stop loss 50 pips away from the entry price on a forex trade.
2. **Percentage Stop:** This method involves setting the stop loss a certain percentage away from the entry price. For instance, a trader may decide to risk no more than 2% of the entry price on any given trade.
3. **Equity Stop:** With this method, the stop loss is determined by a certain dollar amount that the trader is willing to lose on the trade. If a trader has $10,000 in their trading account and is willing to risk 1%, they would set their stop loss to activate when their account drops by $100.
4. **Volatility Stop**: Although technically it adjusts with market conditions, a volatility stop can be considered as a fixed stop loss method when the stop level is set based on the asset's average daily range or average true range at the time of trade entry. This "fixed" volatility measure will not be adjusted as the trade progresses.
5. **Margin Stop:** Here, the stop loss level is determined by the amount of margin or leverage that the trader has used. If the trader has used a significant portion of their available margin for a particular trade, they might decide to place the stop loss at a level where, if hit, it will leave them with enough remaining margin to continue trading.
6. **Reward-Risk Ratio Stop:** This method involves setting a stop loss at a level that is determined by the desired reward-to-risk ratio. For example, if a trader is targeting a reward-to-risk ratio of 2:1 and they expect the price to reach a target 20 pips away, they might set a stop loss 10 pips away from the entry price.

7. **Round Number Stop:** In this method, the stop loss is set at a round number price level. For example, a forex trader might set a stop loss at a level such as 1.2000, 1.2100, etc.

Dynamic Stop Loss Methods

1. **Trailing Stop:** This stop loss is moved in the direction of the trade as it becomes profitable. The stop level trails the market price at a certain distance as the market moves in the trader's favor, but it does not move in the opposite direction if the market price retraces.
2. **Moving Average Stop:** The stop loss is set at a moving average level, which changes over time as new data points are added to the average calculation. For example, a trader might set the stop loss at the level of a 50-period simple moving average.
3. **Parabolic SAR Stop (Stop-and-Reverse):** This method adjusts with price changes. The stop level is set at the Parabolic SAR indicator value, which increases or decreases with each period, depending on the trend direction.
4. **Average True Range (ATR) Stop:** This is a volatility-based stop where the stop loss level is set a certain number of ATR values away from the entry price or the current market price. The ATR value changes as volatility changes.
5. **Bollinger Band Stop:** Another volatility-based method, where the stop loss is set at the level of one of the Bollinger Bands. As the bands expand and contract with changing volatility, the stop level also adjusts.
6. **Fractal Stop:** This method involves setting the stop loss at the level of the most recent fractal in the opposite direction of the trade. As new fractals form, the stop level can be moved.

7. **Chandelier Exit Stop:** This stop adjusts with the highest high (for long trades) or the lowest low (for short trades) since the trade entry, minus a certain number of ATR values.
8. **HiLo Activator Stop:** This stop loss is set at the level of the HiLo Activator, which is a moving average of the highs (for short trades) or lows (for long trades), shifted forward. The stop level adjusts as new bars form.
9. **Pivot Point Stop:** In this method, the stop loss is set at the level of a pivot point, which changes each day (for daily pivots) or each week/month (for weekly/monthly pivots).
10. **Percentage Trailing Stop:** Similar to a fixed percentage stop but in this case, the stop loss trails the price by a certain percentage as the price moves in the trader's favor.
11. **Ratchet Stop:** This involves moving the stop loss up (for a long trade) or down (for a short trade) once the price has moved a certain distance in the trader's favor, similar to a trailing stop but moving in discrete steps rather than continuously.

Risk Management-Based Stop Loss Methods

1. **Equity Stop:** In this method, the stop loss is determined based on a percentage of the trader's total account equity. For example, a trader might decide not to risk more than 2% of their account balance on any single trade.
2. **Risk-Reward Ratio Stop:** The stop is set to achieve a particular risk-reward ratio. If a trader has a target profit of $200 and is willing to risk $100, the stop loss would be set $100 away from the entry price.
3. **Position Size Stop:** This method calculates the stop loss level based on the position size and the maximum allowable loss per share or contract. The trader determines how many shares or contracts they

can buy or sell without risking more than a certain dollar amount if the stop loss is hit.

4. **Margin Stop:** This stop loss strategy is determined by the amount of margin the trader has available. Traders set a stop loss to ensure that they don't lose more than the amount they have set aside as margin for the trade.
5. **Drawdown Stop:** This method sets the stop loss to limit the maximum drawdown on the account. Once the account equity drops by a certain percentage from its peak, all open trades are closed and no new trades are taken until the equity recovers to a certain level.
6. **Portfolio Stop:** This type of stop loss considers the risk on the entire portfolio of trades. If the total risk on all open trades exceeds a certain percentage of the account equity, the trader stops opening new trades, or closes some open trades, until the total risk is back within the desired limit.
7. **Volatility-Based Risk Management Stop:** Similar to an ATR stop, this stop loss adjusts to the market's volatility. It uses a measure of volatility (like the ATR or standard deviation) to determine the stop loss distance, so that more volatile markets have wider stops and less volatile markets have tighter stops.
8. **Capital Preservation Stop:** This stop loss strategy is based on the trader's desire to preserve a certain amount of capital. The stop is set so that the trader's account balance will not fall below this amount if the stop is hit.
9. **Maximum Loss Stop:** This strategy sets the stop loss at a level where the maximum loss that the trader is willing to take on a single trade is hit. This could be a fixed dollar amount or a percentage of the account balance.

Technical Analysis-Based Stop Loss Methods

1. **Support or Resistance Level Stop:** The stop loss is placed beyond a support level (for a long trade) or resistance level (for a short trade). The rationale is that if the price breaks these levels, the market sentiment may have changed.
2. **Chart Pattern Stop:** This method uses patterns such as triangles, rectangles, and head and shoulders, among others, to set stop loss levels. These stops are usually placed outside the pattern, as a breakout would invalidate the pattern.
3. **Trendline Stop:** The stop loss is set at a trendline level. If the trendline is broken, it could indicate a trend reversal, invalidating the trade setup.
4. **Fractal Stop:** In this method, stop losses are placed at levels defined by the fractal indicator. The fractal stop loss is usually placed two fractals back from the entry point, ensuring that a normal market movement does not trigger the stop.
5. **Moving Average Stop:** A moving average stop places the stop loss at a moving average level, such as the 50 or 200-day moving average. This method is often used in trending markets.
6. **Parabolic SAR Stop:** The Parabolic SAR indicator is used to determine the stop loss level. This level is adjusted with each new price bar, providing a dynamic stop loss point.
7. **Fibonacci Retracement Level Stop:** This method sets the stop loss at a level defined by a Fibonacci retracement level. If the price breaks through this level, the trader's hypothesis might be invalid.
8. **Pivot Point Stop:** This method places the stop loss at a pivot point level. These levels are often used as support or resistance by the

market, so breaking through them could indicate a change in market sentiment.

9. **Ichimoku Cloud Stop:** With this method, the stop loss is set at a level defined by the Ichimoku cloud. If the price moves beyond the cloud, the current trend might be ending.
10. **Bollinger Band Stop:** A stop loss is set at a level defined by the Bollinger Bands. If the price moves beyond the bands, it could indicate a continuation or reversal of the current trend.
11. **ATR Volatility Stop:** The Average True Range (ATR) is used to set a volatility-adjusted stop loss level. This provides a more dynamic stop loss that adjusts to changing market volatility.
12. **Chandelier Exit Stop:** This method uses the highest high or lowest low over a specified period, offset by a multiple of the ATR, to set a dynamic stop loss.
13. **Rising Three Methods / Falling Three Methods Stop:** These continuation patterns suggest ongoing trends. In the case of an unexpected breakout, traders could place the stop loss beyond the lowest low (Rising Three) or highest high (Falling Three).
14. **Bump and Run Reversal Top / Bottom Stop:** If the price fails to follow the expected pattern, the stop loss could be set at the peak of the 'bump' or beyond.
15. **Bullish Engulfing / Bearish Engulfing Stop:** Stops could be set beyond the range of the engulfing candlestick, which may represent a powerful change in market sentiment.
16. **Hammer / Hanging Man Stop:** The stop could be placed below the low of the Hammer or above the high of the Hanging Man, as a move beyond these levels may invalidate the pattern.
17. **Shooting Star / Inverted Hammer Stop:** The stop loss can be placed beyond the high of the Shooting Star or the low of the Inverted Hammer, signaling a potential trend reversal.

18. **Piercing Line / Dark Cloud Cover Stop:** Stops could be set below the low of the Piercing Line or above the high of the Dark Cloud Cover, as these patterns suggest possible reversals.
19. **Morning Star / Evening Star Stop:** The stop could be placed below the low of the Morning Star or above the high of the Evening Star, signaling potential reversals.
20. **Bullish Harami / Bearish Harami Stop:** Stops could be set beyond the harami pattern range, as these patterns suggest potential reversals.
21. **Three White Soldiers / Three Black Crows Stop:** The stop could be placed below the low of the last soldier (bullish reversal) or above the high of the last crow (bearish reversal), as these patterns suggest a powerful trend reversal.
22. **Doji / Long-Legged Doji Stop:** Due to their neutrality, stop loss levels could be placed beyond the extreme wicks of the Doji candle, as a move beyond suggests a decision has been made by the market.
23. **Dragonfly Doji / Gravestone Doji Stop:** The stop could be placed below the low of the Dragonfly Doji or above the high of the Gravestone Doji, indicating potential trend reversals.
24. **Bullish Marubozu / Bearish Marubozu Stop:** The stop could be placed beyond the opening or closing price of the Marubozu candle, as these patterns represent strong buying or selling pressure.
25. **Tweezers Top and Bottom Stop:** Stops could be set beyond the top or bottom of the Tweezers pattern, signaling a potential trend reversal.
26. **Abandoned Baby Top and Bottom Stop:** The stop could be placed above the high of the Abandoned Baby Top or below the low of the Abandoned Baby Bottom, suggesting a potential reversal.

27. **Three Inside Up and Down Stop:** The stop could be set beyond the low of the Three Inside Up or the high of the Three Inside Down, signaling potential trend reversals.
28. **Three Outside Up and Down Stop:** The stop could be placed below the low of the Three Outside Up or above the high of the Three Outside Down, also suggesting potential trend reversals.

Time-Based Stop Loss Methods

1. **Session Time Stop:** In this method, traders close their trades at the end of the trading session regardless of whether they are in profit or loss. This method is often used by day traders who don't want to hold positions overnight.
2. **Duration Stop:** This type of stop loss is applied when a trader sets a predetermined time limit for the trade to work. If the trade does not reach the profit target within the specified time period, it is closed. The duration could be a few hours, days, or even weeks, depending on the trader's strategy.
3. **Event Time Stop:** Traders may decide to close a position ahead of significant scheduled events that could cause high volatility, such as earnings announcements, economic data releases, or central bank meetings.
4. **End of Week/Month Stop:** If traders are using a longer-term trading strategy, they might decide to close out their positions at the end of the week or month. This method can help traders avoid weekend and end-of-month volatility.
5. **Predefined Time Stop:** Some traders might choose to exit their trades at specific times of the day when they know that liquidity is lower, or volatility is higher, such as at the open or close of major trading sessions.

6. **Countdown Stop:** Traders may set a specific number of bars (e.g., candlesticks on a chart), and if the trade doesn’t reach its profit target by that count, the position is exited. This method is dependent on the timeframe used by the trader.

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