GREAT INVESTMENTS PROGRAMME · RESEARCH NOTE · NOVEMBER 2026

Exit or Hold?

A decision framework for market pullbacks: how to choose between exiting early and sitting through a fall, and then stick to it.

Alpesh B Patel OBE®

Why this matters

When a stock or the wider market is falling, most investors are tempted to make it up as they go. They hold, then panic, then sell near the low, and then fail to buy back in. This framework helps you make a clear, consistent decision instead: either exit early and accept the cost of buying back higher later, or hold through the decline without second-guessing. The aim is to avoid emotional, inconsistent trading and follow a risk approach you decided on in advance.



S&P 500 weekly chart with past pullbacks marked, from about −3% to −26%, and the MACD indicator below. Chart: TrendSpider, 2 November 2026. Past falls are not a guide to future ones.

1. Identify whether the position is in a meaningful pullback

- Check the current drawdown against recent highs.
- Compare the move with common pullback levels: around 3% down, around 9% down and around 20% down.
- Decide whether the decline is still within normal market volatility or has become uncomfortable for your risk tolerance.

2. Decide whether you are a trader or a holder

- Ask yourself one question: do you want to trade this move, or do you want to sit through it?
- If you are risk-averse and willing to actively manage the position, prepare to exit.
- If you are comfortable with volatility, hold the position and do not react midstream.
- Do not mix the two approaches.

3. If you exit, accept that re-entry will probably be more expensive

- If you choose to exit, do so deliberately and immediately.
- Assume that if the market rebounds, you will buy back at a higher price, for example exiting at 67 and re-entering at 70.
- Treat the higher re-entry price as the cost of insurance against further downside. It is an intentional trade-off, not a mistake.

4. Use the insurance mindset to justify an exit

- Exit only if you are willing to pay for protection from further losses.
- The reason to exit is not certainty of a crash, but a preference for avoiding deeper volatility.
- This logic fits when you are highly risk-averse, you have the time and energy to monitor and trade, and you would rather pay more later than risk a larger drop now.

5. Do not make a half-decision

- Avoid saying "I can handle it" and then panicking later, or "I'll get out now" and then failing to re-enter.
- Either exit and accept the consequences, or stay invested and tolerate the volatility. Do not try to do both.

6. Judge whether the decline is still normal market behaviour

- Compare the current decline with typical market falls of about –3%, –8% to –10% and –18% to –26%.
- None of these outcomes is guaranteed to repeat. The market may reverse quickly, or it may continue lower.
- Base the decision on your own time horizon and risk tolerance, not on fear alone.

7. Check whether you actually need the money soon

- If you need the money in the next 1–4 months, ask why it is invested in shares at all.
- If the money is not needed soon, a temporary decline may be acceptable.
- Use your time horizon as a filter: a short horizon means lower tolerance for volatility; a long horizon means greater ability to sit through drawdowns.

8. Confirm whether the chart is technically in a bearish pattern

- Check whether the chart has crossed into the bearish condition you defined in advance, for example on the MACD.
- If it has not, it may not yet qualify as a bearish setup. If you are worried anyway, you may still choose to exit.
- The key rule remains: if you exit, expect to buy back higher later.

9. Apply the same rule to each holding

- Review each major holding individually and check whether it is in the bearish setup or not.
- Different shares will be in different states at the same time, even within the same sector.
- Use the same decision rule consistently across all your positions.

10. Use a MACD-based exit rule for quality holdings only if you actively manage them

- Higher-quality holdings often trend upwards over long periods and only occasionally fall.
- If you actively trade these positions, a MACD-based rule can help: exit when the bearish condition appears, or exit partially at an earlier warning stage and fully at the stronger bearish signal.
- This approach is only practical if you can monitor positions regularly.

11. Avoid active trading if you cannot monitor positions consistently

- If you do not have the time, energy or inclination to monitor positions, do not attempt an active exit and re-entry strategy.
- Do not rely on someone else to remind you. If you choose to trade, check the chart yourself.
- If you cannot follow through, it is better to hold than to make a messy partial exit.

12. If anxiety is high, sell only with a clear plan

- If you are extremely uncomfortable, you may sell everything, but only if you accept that re-entry will probably happen at a higher price.
- The purpose is to reduce emotional stress and avoid the roller-coaster experience.
- Do not exit simply because the decline feels bad; exit because it matches your plan.

13. Review the trade-off once the market stabilises

- After the market begins rising again, assess what you gained by exiting: less emotional stress, less exposure to panic headlines and less exposure to deeper drawdowns.
- Also note what you may have missed: some of the upside during the rebound.
- Use the review to improve future decisions, not to second-guess the original plan.

Cautionary notes

- Do not exit emotionally and then fail to re-enter. That is the worst outcome of all.
- Do not assume a decline will continue just because it feels frightening.
- Do not invest in shares money you will need in the short term.
- Do not try to combine both strategies, holding through the pain and then exiting only after the bottom.
- Technical signals are decision aids, not certainties.

Make the decision before the market moves

Set your rule in advance so you are not deciding under stress, check charts on a regular schedule rather than reacting to headlines and, if you trade actively, set clear exit thresholds beforehand. If you do not trade actively, choose the hold-and-ignore approach and stick to it consistently.

QUESTION 1
Am I risk-averse?

QUESTION 2
Do I have time to monitor this?

QUESTION 3
Do I accept buying back higher?

> **Three yeses:** an exit with a planned re-entry may suit you. **Any no:** holding through the fall, and ignoring the noise, is likely to be the more reliable choice.

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