Limit Orders

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October 15, 2015

Purpose

• Recap of Limit Order use by other BI Clubs
  • Source: emails on the Better Investing Discussion List
  • Dates: Sep 26-28, 2015
  • 17 responses to question posted on Sep 26th—
    “Does your investing club ever use limit orders whey buying a stock?”

• What this is NOT:
  – A primer on limit orders
  – A scientific analysis of BI club usage of limit orders
  – An analysis of WHY Clubs use limit orders
  – A when or how recommendation for our Model Club
Summary

• Most respondents stated “yes” their club used limit orders
• Some indicated that they ALWAYS used limit orders for both buys and sells
• Several indicated that the buyer (club Treasurer) had discretion as to when to place the order, e.g. to avoid volatility in early morning trading.
  – Limit orders protected club from overnight events, e.g. Europe, Asia, etc., that caused market volatility
• BI is about “Long term investing, not market timing”

Conclusion

• Approach and discretion vary—club operating agreement should address the parameters
• Biggest issue: Determining the limit order price – goes back to that Judgment thing!!
  – Sometimes a stock will be close to but not meet either the 3:1 U/D and 15% TR. Both Toolkit and SSGplus can display the price that will meet both criteria.
    • Should that be the minimum acceptable limit price?
    • Or what might be a reasonable way for the club to set a limit?
SBUX SSG Numbers

Trading on 9/18/15:
Open: 56.49
High: 57.63
Low: 56.28
Close: 56.84

Our Limit Orders

<table>
<thead>
<tr>
<th>Date</th>
<th>Stock</th>
<th>Limit Price</th>
<th>Disposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/17/14</td>
<td>PCP</td>
<td>$230 for $2,000</td>
<td>1/7/15 bought 9 shares @ $229.96</td>
</tr>
<tr>
<td>1/21/15</td>
<td>PCP</td>
<td>5 shares @ $195</td>
<td>???? Currently $231</td>
</tr>
<tr>
<td>3/18/15</td>
<td>EOG</td>
<td>15 Shares @ $87</td>
<td>Expired. Currently $87, went as low as $68</td>
</tr>
<tr>
<td>9/17/15</td>
<td>SBUX</td>
<td>30 shares @ $50</td>
<td>Currently $59.69 high of $60.09</td>
</tr>
</tbody>
</table>
Morning is the Worst Time to Trade

WSJ By Dan Strumpf and Corrie Drewbush Sept. 14, 2015