Adjust Your Sales in today's Choppy Market!

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This year began with the U.S. stock market facing ever increasing headwinds that whipped up choppier waves with whiter crests and deeper troughs. These harsh winds have blown from the four points of the compass, namely the U.S. Federal Reserve Board, the Euro/Greek crisis, the energy and commodity maelstroms, and now the icy chills out of China, all combining to stir up the treacherous currents of globally unstable economic weather patterns.

When the market's weather is sonny and breezy, the course ahead is more certain so that investors have little trouble planning how to reach their profit destinations! However, this year's choppiness has tested the very skills of even the most seasoned inventors in their abilities to navigate a safe passage through the bracing gusts and tidal cross-currents of today's market, enduring these eight months of gale-like volatility.

In such circumstances, you need to ask some hard questions about the stocks in your portfolio. One question would be 'How well are my stocks weathering this constant buffeting? (No offence to Mr. Warren Buffet). Those stocks that are situated in outperforming sectors, such as Drugs, Health Services, and Retail are more likely to have suffered less damage than those in Electronics, Energy and Metals and Mining.

Nonetheless if stock prices have fallen more than 8% from their peaks, irrespective of the sector, you should make sure that fundamentally they are still intact and that they are still above their 50-day moving averages. If not, you may think about getting rid of them. Perhaps all the more so if you are in profit. Remember, you want your money in leading stocks, not in loss-making ones.

For most, dumping stocks is one of the hardest things to do. Therefore you must assess whether your portfolio can survive in good enough shape to help you over your set time horizon to reach your planned investment destination. The best way to do this is to examine each stock's earnings growth projections for significant damage. This may show that your planned 20% or 25% return is now no longer realistic, and that many of your stocks are now sinking towards or even beyond their 200-day moving averages! If economics are forecasting darker clouds on the horizon, you may either want to lower your profit expectations to say 5% to 10% with your existing portfolio still intact or change course completely and head for the safe haven of cash till sunnier days come again.

The morale is to let the market itself guide your strategy. You should not be trying to sail full against the wind, but to navigate your stocks in the market's choppy current. The right tack is to pay attention to the market's prevailing wind and current to find you way to better profits.