

Why I Don't Use Stop Orders



I don't use stop orders. (Most commonly, these are standing orders to sell a stock if it falls below a specified price.) My avoidance of them has nothing to do with my investing style, but rather because of the influence that software code has on intraday moves of the market. Tuesday's events give an example of why I think human intervention should remain a critical part of any buy or sell decision.

As you may have heard, hackers hijacked The Associated Press' Twitter account. The hackers then sent out a tweet at 1:07 ET Tuesday afternoon reporting an explosion at the White House and an injury to President Barack Obama. The reaction in the market was swift, with the S&P 500 falling by nearly 1% over the next three minutes following the tweet.

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