RUN PROFITS/ CUT LOSSES => LONG OPTIONALITY

the value of an option is driven by the [low probability, high payoff]
terms in the summation

CUT LOSSES: we truncate the downside probability distribution by trailing stop-loss orders behind the market.

ENTRY

STOP

RUN PROFITS : the tails we are trying to capture are of uncertain large magnitude.

Thus we do not exit profitable trades at pre-determined and (more than likely) premature objectives.

EXIT PRICE

BY CONTRAST, numerous studies have concluded that investors typically exhibit eagerness to realise gains and reluctance to crystallise losses: the disposition effect.