

Chapter 07: Deluxe Stock Screener 202

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Hello and welcome to Financial Audio, an information series providing listeners with detailed and tactical guidance on today's complicated financial world. My name is Patrick and I'm your host. You can find written versions of these podcasts at [FinancialAudio.com](#) and I encourage your candid feedback at the same location. Today, we'll be continuing our look at the sophisticated MoneyCentral Deluxe Stock Screener so let's get started.

Last chapter, I introduced the screener and discussed the first few variables. We'll be continuing that discussion today but if you missed the last chapter, I strongly suggest you listen to that one first. We're coming in at the half way point here and much of the ground work was laid out last time so again, please, listen to Chapter 06 before this one. Anyway, as a reminder, we're talking about the Deluxe Stock Screener on the MoneyCentral website so get in front of a computer and get back to the site. Again, the exact instructions for getting to this site are included in the last chapter.

As we discussed last time, there are 14 headings available on the drop-down menu in the first column. Each heading has subheadings – or variables – you can use within your own custom screen. We looked at the first seven headings last time and now, we'll be continuing down the list.

The eighth Growth Rates heading deals with quantitative measures of a company's growth, both in terms of its earnings as well as its revenues and dividends. Again, the platform offers some market-wide earnings growth rates so you can screen for companies whose earnings have been growing faster than the overall market. For me, this type of information is all reflected in the price-volume action so I rarely use it in my screens but the implications are obvious for those who appreciate it.

The ninth Stock Price History heading has a variety of measures of the stock's current trading price and its change over the past few weeks or months. You may have noticed many of the prefabricated screens on the Stock Power Search page included criteria for recent price changes. For your own screen, you could look for companies whose stocks rose more than 5% in the past week, signaling a probable break-out. You could also use the current stock price variable in conjunction with the 50-day or 200-day moving averages to ensure the stock is trading above them. Lastly, this heading also provides 52-week highs and lows so you can select a stock that's hitting new highs and has no resistance that might restrain further upward momentum.

The tenth Profit Margins heading deals with profits – obviously – and it also has a variable for the 5-year capital spending – but everything else deals with profits. I know intuitively this sounds crucial for selecting potential stocks but I have never once used these variables in my screens. Bottom line; the company's past profits, current profits and potential for future profits are all reflected in the price-volume action. Nevertheless, you can easily include these variables in your own custom screen.

The eleventh Current Financials heading has variables covering the most recent 12 months of financial reporting. Revenue, income and earnings per share are all covered. My opinion remains pretty ambivalent to these variables but I'm sure they provide value for the right investor.

The twelfth Analyst Projections heading is interesting. As we all know, there are thousands of analysts out there who spend their days doing research on different companies and their projections are well documented. Under this heading, you can screen for companies based on the analysts' expectations of future revenue, earnings or growth rate. Again, keep in mind that we're talking about professional analysts who are paid to do this type of research and you can access it instantaneously through this platform. I don't use these variables myself but it truly is amazing how powerful this thing is.

The thirteenth Advisory FYI heading provides a wide variety of advisory announcements that are commonly issued on all the headings we've discussed so far. They're all listed in the first expansion menu and options within each open into a second-level expansion menu. These advisory notices are another glimpse at the professional assessments of financial analysts – and it's FREE.

The fourteenth StockScouter Rating has a variety of measures based on the MoneyCentral proprietary StockScouter stock evaluation metrics. I'm not certain of their methodology but I'm sure they devote real resources to providing reliable measures and I would imagine this information can yield valuable insight to the stock selection process. I would include a few of these in your screens as Display Only. That way, you can look at the results and interpret it as you see fit. If you consistently agree with a particular measure, you can incorporate it in a more active capacity in future screens.

That marks the end of the variables available and with any luck, you're starting to realize the power this platform offers. All this stuff is free and a little time and practice can allow you to generate incredibly refined stock screens in minutes. I'd like to tell you about one of my own favorite screens but before I do, I'd like to tell you the results of these screens can easily be downloaded in Excel format so you can open the data list in Excel and manipulate the listing in a more useful way. I strongly recommend you build a basic screen, download the results and open it in Excel, just to see how the process works. Also, once you've created your screen, you can save it for future use, allowing you to run the same criteria down the road with a single click.

So let's look at one of my favorite screens. But first, a quick disclaimer. I am NOT promising spectacular results with this screen. The following criteria does a nice job narrowing the field for ME — based on mostly technical indicators — and then I look at the various charts to see which ones I like and which I don't. Sometimes, I don't like any and move on to different approaches or simply hold off for a while. Other times, the screen misses great opportunities because of one criteria or another. This is just an example and I'm assuming no liability by sharing it with you.

First, I require that 3-month relative strength is higher than 6-month relative strength (showing an improving trend) and 3-month relative strength above 95, so I'm only looking at stocks performing in the top 5% of the market. Then, I require 2-week average volume to be higher than 1-month average volume AND 1-month average volume to be higher than last quarter average volume (again, showing an improving trend). I also require last quarter average volume to be higher than 200,000 shares per day, eliminating all lightly-traded stocks. I require a beta higher than 1.5 because I want to find the movers and shakers and I usually require a current trading price above \$3 or \$5, eliminating the penny stocks. Lastly, I require the current trading price to be at or near the 52-week high.

That's it! How simple is that?? All I'm doing here is screening for top performing stocks with increasing volume, no resistance and good volatility. Yes, I'm screening out the small stocks as well but the basic criterion is simple and 100% technical in nature. As of today, I ran the screen and out of thousands of publicly traded stocks, it gave me a total of 8 stocks to consider. 8 stocks! And they're all performing spectacularly and leading the market higher, at least right now.

Armed with this short list, I can pull up these 8 symbols on BigCharts and review their charts individually. I'll make my final decision after that but the lion's share of the work is done with a single click.

Now, I've done enough workshops on this stuff to know some of you probably think I'm crazy right about now. And if this is all new to you, I know it sounds weird but the fact is; I couldn't care less what these companies actually do. And I rarely look it up either. All I care about is whether the stock is performing well. And if it is, I'm happy to put my money behind it and keep it there until the stock breaks through a trend line or starts consolidating. When I have to sell a particular stock, I'll run the screen again and find a new stock to take its place — and I'll keep rotating my portfolio as old stocks lose momentum or break out of their patterns. At any one point in time, it means I'll have a portfolio of the very best performing stocks in the market and that's a pretty good deal as far as I'm concerned.

Now, I'm not suggesting you have to follow my lead. You can do whatever you like. I'm just sharing part of MY approach to give you a real-life example. Let's take a look at a different approach. We'll create a screen based on different and largely fundamental criteria and see what comes up. Maybe some of you will like this one better.

This new screen required a return on equity better than the industry average, a net profit better than the industry average and an income per employee better than the industry average. It also required a debt-to-equity ratio LOWER than the industry average, meaning the company has LESS debt than their average competitor. I kept the increasing volume requirement and the current trading price near 52-week high requirement. As of today, it kicked back 134 matches. I added the 3-month relative strength variable as DISPLAY ONLY — not required, just displayed — and then sorted the results on that variable.

Turns out, a good majority of the stocks had relative strength in the 80s, meaning they're performing in the top 20% of all stocks in the market. But there were also 6 above 95, meaning those stocks are performing in the top 5% of all stocks. So here's a screen that arrives at a similar destination but uses very different methodology to get there. All these companies are performing better — based on fundamental criteria — than their competition AND with less debt. They're all financially healthy companies with good profit margins. And not surprisingly, we found a few with top performing price-volume action to boot. Now, I haven't looked at their individual charts but I'm sure there are some great prospects in the bunch.

The point is you can structure this any way you like. You don't have to do this with only technical indicators. By using this platform, you can incorporate a lot of fundamental details as well. Whatever variables give you confidence in the stock are the ones you should use. I will only recommend you sort them by relative strength before you select a winner. And I suggest using the most recent relative strength time frame which is 3-months to find the most recent

winners. Sort on that criteria and you'll undoubtedly find some great stocks performing well with increasing volume and no resistance — and that's a great combination.

It's worth noting quickly that as of this writing, the market has been trending higher for about 4 months. That will directly affect the number of results found for a given set of criteria. If the market was tanking as it was in 2001, the number of companies trading at or near their 52-week high would be much smaller and you'd have to adjust your screens accordingly. But in a sideways market or one trending higher, the 52-week high criteria is great for eliminating stocks with strong overhead resistance.

Although we've talked about this before, I know some of you are still stumped with the 52-week high situation. People think companies trading at 52-week highs are probably due for a correction. I totally disagree. Now if it turns out the 52-week high is at the top end of a trading range the stock's been in for a while, then fine. You're right. It'll probably hit strong resistance, bounce off the high and come back down again. But in most situations, the stock is hitting 52-week highs for a very good reason. And whatever it is, the stock is trending higher and has broken through all layers of previous resistance. That's a powerful reality. This stock is trending higher, bottom line. Today's winners are usually tomorrow's winners too. Hitting new highs is great empirical evidence of strength and investor confidence so get on board before you miss it.

Now think back to those expensive platforms being marketed on TV. Think about WizeTrade. Think about InvestTools. Yeah, they've got some great indicators. They've got some great tools. And they have fancy green and red arrows. But neither of those platforms gives you the level of flexibility and sophistication of this platform. With this one tool, you can identify truly winning stocks with the click of a mouse.

Again, you could use the Deluxe Stock Screener to easily initiate a trading strategy where you selected 8 or 10 good stocks and let them ride, replacing the ones that break through their respective trend lines with new picks on an as-needed basis. That would leave you with a VERY sophisticated portfolio that could easily rival that of any professional money manager. Give it a try.

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