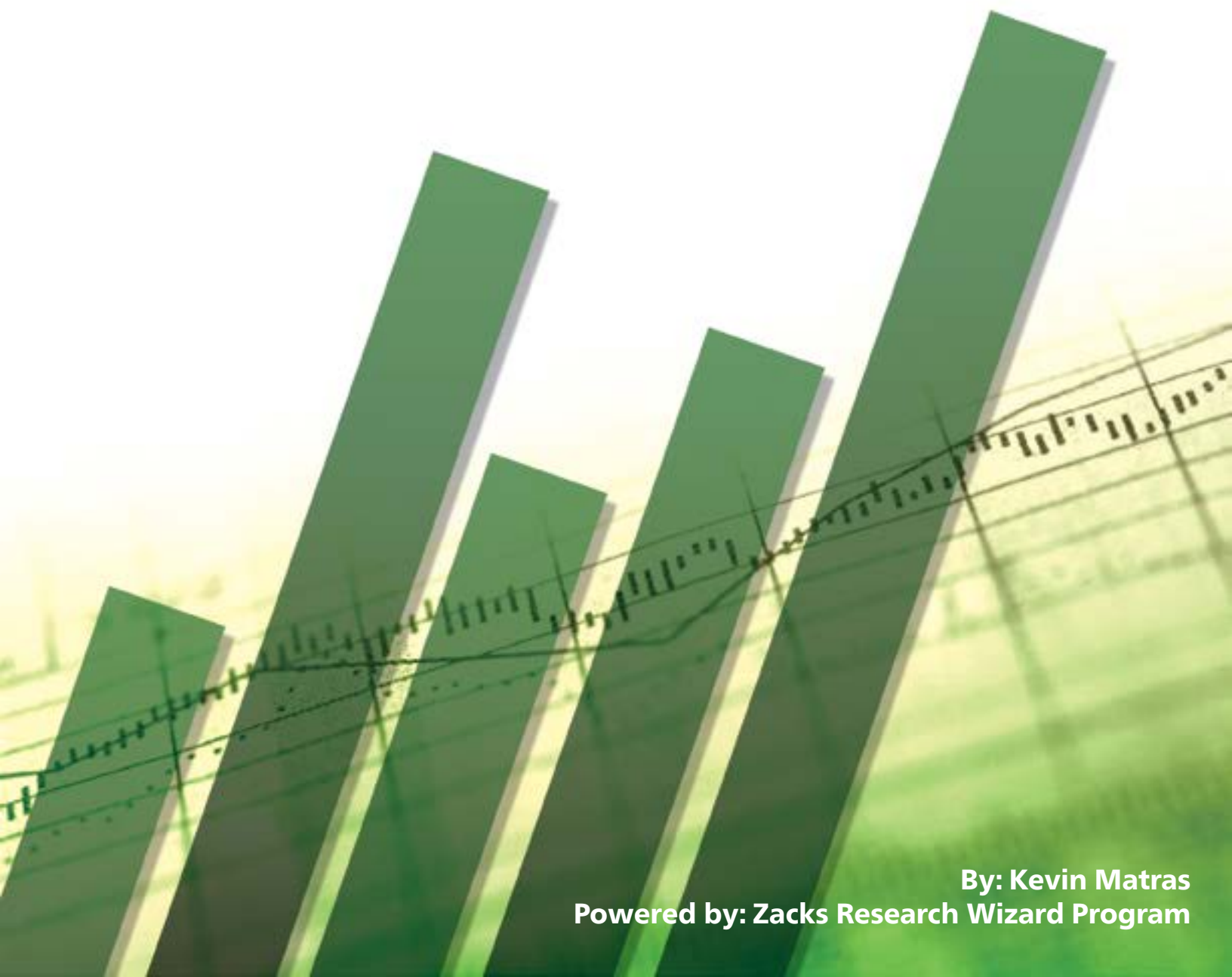


# Top 10 Stock Screening Strategies That Make Money

*Screens that work in both up markets and down!*



By: Kevin Matras  
Powered by: Zacks Research Wizard Program

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# Introduction

The screens that I go over in this booklet are just some of the screens that we've published in our 'Screen of the Week' articles, or that I've written about in my book 'Finding #1 Stocks'.

Some of these screens are proven profitable trading strategies that I created and backtested with the Research Wizard.

And others are simply unique ways to screen for winning stocks. (In fact, some of these screens shatter common myths on evaluating stocks, complete with eye-opening statistics.)

There are also other screens that didn't make it into this booklet, for no other reason, other than we wanted to keep this guide short and to the point. (It's "not meant to be an encyclopedia of screens", I was reminded.) Plus, we didn't want to give all of our secrets away at once.

But the screens presented here (and the ones we left out) are ALL available in the Research Wizard program.

So please read on and learn how you can pick better stocks that make more money, now!



Kevin Matras  
Zacks Investment Research, Inc.



# ***The Importance of Screening and Backtesting***

## **Why Should I Use a Stock Screener?**

The short answer is:

“Because there’s over 10,000 stocks out there and you need a way to find the good ones”.

The longer answer is:

Other than buying the stocks that are talked about on TV, written about in the paper, or touted on the internet (not to mention ‘tips’ from a friend), how else are you going to find stocks that meet certain fundamental characteristics?

Even if you don’t use a screener now, most people still do their own ‘screening’ one way or another. They may hear that a stock has a certain Growth Rate, or a certain P/E Ratio, or Sales Surprise. They then find themselves listening for or reading about stocks that meet certain criteria.

Well, if you want to find stocks that meet certain criteria, you can find them quickly and easily with a stock screener.

But, just because you narrow down 10,000 stocks to only a handful, doesn’t necessarily mean that you’ve picked the best stocks on the planet.

You might have picked the worst ones.

But how will you know?

## **Backtesting!**

**Once you’ve created a screen, you can then backtest it to see how good (or bad) your screening strategy has performed.**

In other words, does your screen generally find stocks that go up once they’ve been identified, or does your screen generally find stocks that get buried once they’ve been identified?

**... just because you narrow down 10,000 stocks to only a handful, doesn’t necessarily mean that you’ve picked the best stocks on the planet. You might have picked the worst ones.**

This is good stuff to know.

With backtesting, you can see how successful your stock picking strategy has performed in the past, so you'll have a better idea as to what your probability of success will be now and in the future.

Of course, past performance is no guarantee of future results, but what else do you have to go by?

Think about it; if you saw that a stock picking strategy did nothing but lose money, year after year, period after period, stock after stock, over and over again (you get the point), there's NO WAY you'd want to trade that strategy or use that screen to pick stocks with.

Why?

Because it's 'proven' that it picks bad stocks.

Sure, it may turn around and start picking winners, but it may also continue to pick losing stocks the way it always has.

One the other hand;

... what if you saw a strategy that did great year after year, period after period (you know where this is headed), you'd of course would want to trade that strategy.

Why?

Because it's proven to be a profitable trading strategy.

And while it may start picking losers all of a sudden (now that you're using it ☺), it may also continue to pick winning stocks, just like it had been doing over and over before.

Keep in mind, a screening and backtesting program isn't a 'box of magic'.

But it's a great way to see what works and what doesn't BEFORE you put your money at risk!

I'll end this with a recollection of a conversation I had with someone a while back who was 'stuck' in a losing stock.

**I asked him why he was still in it if it kept on losing money.**

He said that he didn't think it would go much lower from here.

**I asked him if he thought it would go this low when he bought it.**

(He of course said no.)

**I then asked him if he thought it'd go up from here.**

His answer was 'probably not right away' and then he added that it could possibly still fall a bit more from here.

**I told him there are plenty of stocks going straight up; “Why don’t you get out of that one that’s losing you money and get into a better one”.**

His answer was; he didn’t know of any better stocks to get into.

**I then asked him; “what if you did know of a better stock to get into, would you do it”?**

His answer of course was: YEAH! But he quickly added that he didn’t know how to find ‘better’ stocks.

That last comment said it all.

He was in losing stocks because he didn’t know how to pick better ones.

But if he had a proven, profitable, stock picking strategy, he could.

Don’t get me wrong, just because you have a great strategy for picking winning stocks, it isn’t going to preclude you from ever having another loser. On the contrary, even some of the best strategies ‘only’ have win ratios\* of 70% or 80%. (NOT 100%.)

But if your strategy picks winners far more often than losers, once you find yourself in a losing trade, you can quickly cut your losses and feel confident that your next pick will have a high probability of succeeding.

And that’s why someone should use a Screener and a Backtester.

**... if your strategy  
picks winners far more  
often than losers,  
... you can feel  
confident that your next  
pick will have a high  
probability of success.**

## No Hype

This booklet of screens will not be hype for the Research Wizard: Stock Picking and Backtesting Software.

But I should add that most of these screens would be impossible to do on any other program other than the Research Wizard.

- With over 8,600 stocks
- 650 different fundamental data items
- The ability to create you own custom calculations and comparisons
- Access to historical data
- Not to mention backtesting

... this is one of the most capable screeners available.

Please read on for some great stock picking strategies and ideas.

\* Win Ratio: see Trading the Strategies and Calculating Performance

# Trading the Strategies and Calculating Performance

## Trading the Strategies

All stocks are 'purchased' with an equal dollar amount. At the end of the holding/rebalancing period\*\*, the screen is run again, keeping the stocks that remain qualified, selling the stocks that no longer qualify and buying the new stocks that newly qualify.

\*\* Holding/Rebalancing Period: the amount of time a stock will be held once it qualifies the screen. In most cases, the holding/rebalancing period is four weeks (unless otherwise indicated).

\* Win Ratio: the number of winning (profitable) holding periods out of the total number of available holding periods within the backtested time span. For example; if there were 39 winning holding periods out of a total of 52 available holding periods, the win ratio would be 75%.

## Calculating Performance

At the beginning of each holding period, a list of stocks (portfolio) is generated. The period's returns are calculated using the % change in price from the beginning of the holding period to the end of the holding period, plus any applicable dividends. The returns for the portfolio is the arithmetic mean of the returns for the individual companies in the portfolio.

Compounded performances (when stated), were calculated by taking a hypothetical starting equity amount and calculating the total return for the period. Each subsequent period then used the resulting equity balance as its start to calculate that period's total return.

No consideration was been given to commission costs, slippage or any other real-world constraints, in any of the performance calculations.

Disclaimer: Stock trading/investing involves risk and you can lose some or all of your investment. Hypothetical results may not always be duplicated in the real world. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading, not the least of which is the ability to withstand losses or to adhere to a particular trading strategy in spite of trading losses. These are material points which can also adversely affect actual trading results. For more information about performance, go to: <https://www.zacks.com/performance>.



# Filtered Zacks Rank 5

## - Tips on Trading the Zacks Rank

I'm sure most everyone reading this knows that the Zacks Rank is probably the most effective rating system out there. Good markets or bad, stocks with a Zacks Rank #1 Strong Buy, continue to outperform.

In fact, since 1988, the average annual return of Zacks #1 Rank stocks is up 28.18% a year.

But, since there are typically over 200+ stocks Ranked a #1 at any time, it's important to know what other filters to apply to the Zacks Rank to generate a smaller (more tradable) list of stocks.

Two filters in particular, when added to the Zacks Rank #1, not only narrows down the number of qualified stocks to a practical portfolio size (5 stocks), it oftentimes increases its performance as well.

### Parameters:

#### ➔ Zacks Rank = 1

These are the best performing Zacks Rank stocks.

The two filters I'm talking about are;

#### ➔ % Change Q1 Estimates over 4 weeks > 0

This means we're looking for positive current quarter estimate revisions over the last 4 weeks.

The Zacks Rank already looks at earnings estimate revisions for the current year (F1) and the next year (F2). But this added component looks at the more immediate future, which is the current quarter (Q1).

If a company's current quarter is seeing downward revisions, this is a potential warning sign that more downward revisions could follow. On the other hand, a company receiving upward earnings estimate revisions should see even more upward earnings estimate revisions, making it an attractive stock to buy.

Year	Zacks Rank #1	S&P 500
1988	39.18%	16.20%
1989	39.58%	31.70%
1990	-2.64%	-3.10%
1991	81.36%	30.40%
1992	40.97%	7.51%
1993	45.26%	10.07%
1994	12.73%	0.59%
1995	52.56%	36.31%
1996	40.93%	22.36%
1997	43.91%	33.25%
1998	19.52%	28.57%
1999	45.92%	21.03%
2000	14.31%	-9.10%
2001	24.27%	-11.88%
2002	1.22%	-22.10%
2003	67.03%	28.69%
2004	28.71%	10.87%
2005	18.80%	4.90%
2006	27.31%	15.80%
2007	19.71%	5.49%
2008	-40.41%	-37.00%
2009	65.85%	26.46%
2010	28.98%	15.06%
2011	-3.79%	2.11%
2012	24.95%	16.00%
2013	47.48%	32.39%
2014	11.40%	13.69%
2015	-1.33%	1.38%
2016	23.40%	11.96%
Annual Average	28.18%	11.71%

For more on how the Zacks Rank is calculated, go to: <https://www.zacks.com/performance>



➔ **% Broker Rating Change over 4 Weeks = Top #5**

Top five stocks with the best average broker rating changes (upgrades) over the last four weeks.

Since broker ratings are typically skewed to the upside, this makes sure that the brokers covering the stock are getting more bullish, or at the very least, not getting less bullish (or ever bearish) on the stock. And with studies showing stocks with broker rating upgrades outperform those with no broker rating change, and even more so vs. stocks with broker rating downgrades -- this item further puts the odds of success in our favor.)

These two items added to the Zacks #1 Rank, produce powerful results!

## The Results

Over the last 17 years, the Filtered Zacks Rank 5 strategy, using a one-week holding period, showed an average annual return of 55.6%. And it was up 70.7% in 2016.



(2000 thru 2016)	Filtered Zacks Rank 5	S&P 500
Avg. Annual Return	55.6%	4.2%
Win Ratio	62%	
Avg. # of Stocks Held	5	

Hypothetical returns may not always be duplicated in the real world. There is risk of loss in trading stocks.

For those who want to trade less frequently, this strategy can also be traded on a monthly basis (every four weeks).

But, rebalancing it every week is ideal for those who want to be more active. And it produces the best results.

Either way, if you're looking for a reliable way to trade some of the best Zacks Rank #1's, try the Filtered Zacks Rank 5 strategy and trade fewer stocks for bigger returns.

**Filtered Zacks Rank 5;  
trade fewer stocks for  
bigger returns.**

## How Many Stocks Are Right for You?

The Filtered Zacks Rank 5 strategy was specifically created to produce no more than five stocks at a time, but those with larger portfolios might prefer to hold 10 stocks or more at a time.

With this screen (and with the others we'll demonstrate in the coming chapters) you can limit or expand the number of stocks coming through to whatever is right for you.

For example, the last item in the Filtered Zacks Rank 5 screen reads: "% Broker-Rating Change over 4 Weeks = Top # 5."

We used the operator "Top #" and then put in the number 5. By changing that from the Top # 5 to the Top # 10, you're now telling the screen to find the stocks that meet all the other parameters, but limit them to just the ten best stocks with the highest percent broker-rating upgrade.

If you want more stocks, plug in a larger number. Less stocks? Use a smaller number. You can apply this type of operator and value logic to virtually any kind of item for virtually any kind of screen.

## Trading the Strategy

All stocks are purchased with an equal dollar amount. At the end of the holding/rebalancing period (1 week), the screen is run again, keeping the stocks that remain qualified, selling the stocks that no longer qualify, and buying the new stocks that newly qualify.

### Get It SoW'

This screen is available in the Research Wizard by going to;

- 'Screen' on your Menu Bar
- 'Open Screen Definition'
- Double-clicking the 'SoW' folder
- Selecting the file: `bt_sow_filtered zacks rank 5`

## 2

## Big Money Zacks

I've published this screen numerous times in our 'Screen of the Week' articles and this is one of my favorite strategies. In fact, if you're looking for an explosive strategy that holds only a few stocks in your portfolio (3) at any time, this IS my favorite strategy.

It's a price momentum screen that finds stocks on the move. It looks for the top percentage price gainers over the last 1 month, 3 month, and 6 month periods. But with a low Price to Sales ratio added to it, these movers are still considered bargains.

**Explosive stocks on the move at great values!**

### Parameters:

➔ **Zacks Rank  $\leq 3$**

By setting the Zacks Rank to less than or equal to 3, we're allowing Zacks Rank 1's, 2's, and 3's (Strong Buys, Buys, and Holds) to get through. And it specifically excludes 4's and 5's (Sells and Strong Sells). This immediately puts the odds of success in our favor.

➔ **Price/Sales Ratio  $\leq .5$**

A low Price to Sales (P/S) ratio is typically considered a good bargain, since the investor is paying less for each unit of sales. Another way of looking at this is that a P/S ratio of 1 means the investor is paying \$1 for each \$1 in sales the company makes. A P/S ratio of .5 means you're paying 50 cents for each \$1 in sales the company makes. And paying less than a dollar for a dollar's worth of something is a bargain.

➔ **Average Broker Rating  $< 2$**

This includes Strong Buys and varying degrees of 'average' Strong Buys. Since broker ratings are typically skewed to the 'bullish' side, I want to make sure my picks have strong outlooks from the analysts covering them.

➔ **Average 20-Day Volume  $\geq 50,000$**

Average daily trading volume (over the last 20 days) is a minimum of 50,000 shares or greater. It has to be tradable.

➔ **% Change in Price over 24 weeks – Top # 20**

Looking for the top 20 price performers out of the list of stocks that qualify the above parameters.

➔ **% Change in Price over 12 weeks – Top # 10**

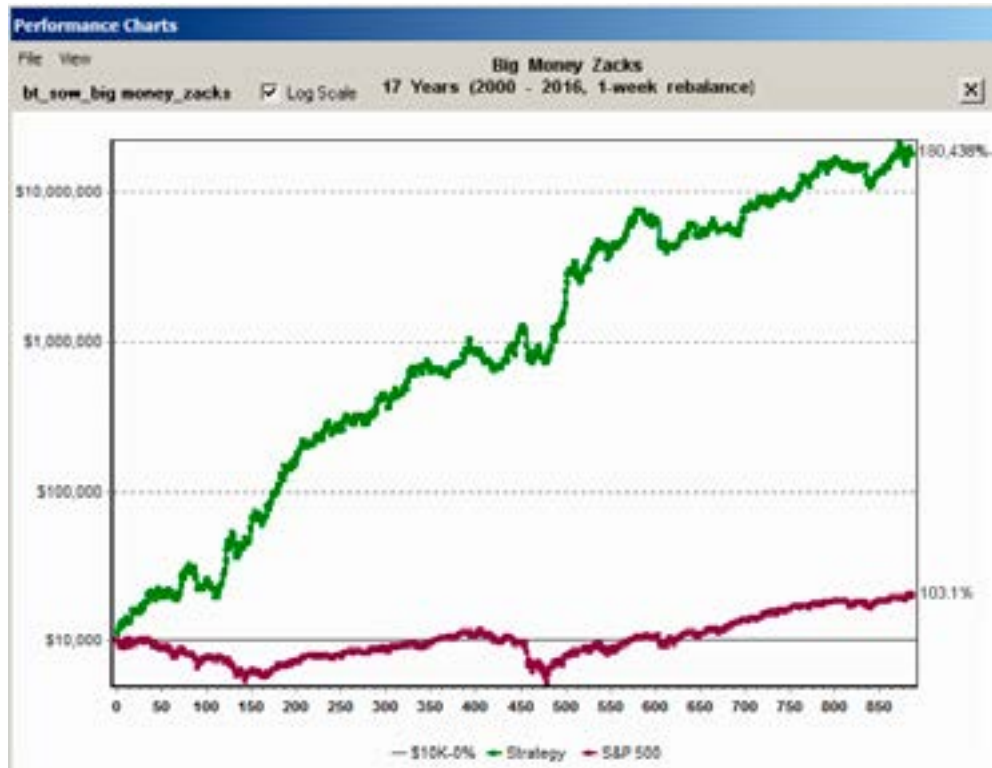
Looking for the top 10 price performers out of the list of the 20 best from above.

➔ **% Change in Price over 4 weeks – Top # 3**

Looking for the 3 best price gainers out of the top 10 list from above.

## The Results

Over the last 17 years, the Big Money Zacks strategy, using a one-week holding period, showed an average annual return of 55.2%.



2000 thru 2016	Big Money Zacks	S&P 500
Avg. Annual Return	55.2%	4.2%
Win Ratio	57%	
Avg. # of Stocks Held	3	

Hypothetical returns may not always be duplicated in the real world. There is risk of loss in trading stocks.

What's also particularly impressive with this strategy, is that it produced triple-digit returns during the bear market of 2000-2002. And it actually finished up in the bear market rout of 2008 with a 19.7% increase while the S&P was down -37%.

Following the bear market of 2008, the strategy saw one of its best performances in 2009. While the S&P was up 26.5%, Big Money Zacks was up a spectacular 230.5%.

**Over the last 17 years (2000 thru 2016), the Big Money Zacks strategy has shown an average annual gross return of 55.2% a year.**

## Trading the Strategy

All stocks are purchased with an equal dollar amount. At the end of the holding/rebalancing period (1 week), the screen is run again, keeping the stocks that remain qualified, selling the stocks that no longer qualify, and buying the new stocks that newly qualify.

### Get It SoW

The Big Money Zacks screen can be found in the Research Wizard by going to;

- 'Screen' on your Menu Bar
- 'Open Screen Definition'
- Double-clicking the 'SoW' folder
- Selecting the file: `bt_sow big money_zacks`

## 3

## Small-Cap Growth

When most people think of aggressive growth strategies, one of the first things that come to mind is small-cap stocks. Indeed, when I'm searching for aggressive growth stocks, I'll usually get plenty of small-cap stocks coming through regardless of whether I'm specifically looking for them or not.

One of the reasons why small-cap stocks are so closely associated with aggressive growth is because they are typically newer companies in the early part of their growth cycle. And historically, that's when a company grows the fastest.

Of course, not all aggressive growth stocks are small-caps. There are plenty of mid-caps and large-caps that fall into this category too. Especially if a company that has been in existence for a while comes up with a new product or service and is lighting sales on fire. You may see some spectacular growth rates from these as well.

But, for this screen I set out to create an aggressive growth strategy that only focuses on small-caps. And the results were amazing.

**Small-cap stocks are typically newer companies in the early part of their growth cycle when they grow the fastest.**

### Parameters:

➔ **Market-Cap <= \$1 Billion**

This is the stock price multiplied by the number of shares outstanding. The definition of what a small-cap stock or large-cap stock is seems to change every so often as the market changes. For now however, the generally agreed upon definition is as follows:

Small-Cap <= \$1 Billion  
 Mid-Cap > \$1 Billion and <= \$5 Billion  
 Large-Cap > \$5 Billion

➔ **Zacks Rank = 1**

This screen only selects Zacks Rank #1 Strong Buys. Since Zacks Rank 1's have the best performance and a relatively larger selection of small-cap stocks in that group, there was no need to go beyond it for this one.

➔ **Price >= \$1**

Even though plenty of small-cap stocks trade at lower prices, we drew the line at penny stocks. Nothing wrong with those, but many penny stocks trade for mere pennies for a reason. Plus, I've found the bid/ask spread on many to be relatively wide (percentage-wise) making them difficult to trade. So they need to be trading at a minimum of \$1 to get through.

→ **Average Dollar Trading Volume  $\geq$  \$500,000**

This is a different way to look at trading volume. Instead of looking at just the number of shares traded, this is looking at the number of dollars traded, i.e., the amount of money changing hands each day. For example: if a stock was trading at \$1, but had an average trading volume of 500,000 shares, its dollar volume would be \$500,000 and it would mean that \$500,000 worth of shares trade in and out of the stock each day. And that's the bare minimum for this screen.

→ **Estimated One Year EPS Growth  $\geq$  1.20 \* the X (Expanded) Industry Median, but  $\leq$  50%**

For this one, we want the stocks to be projecting growth rates at least 20% higher than the median for their respective Industry. But we are excluding stocks with actual growth rates greater than 50%. Why? This is a growth screen isn't it? Yes it is. But we also want to keep the odds of success in our favor. And growth rates that are 'too high' often don't pan out. In my testing I have found that once the growth rate exceeds 50%, returns start to drop. On the occasions where they may tick-up a bit, I normally see an accompanying increase in risk. Below this cut-off is the sweet spot and why it's in the screen.

→ **P/E using F(1) Estimates  $\leq$  X Industry Median**

We're determining value here by comparing the stock's valuation to that of its Industry. One thing to keep in mind is that oftentimes, small-cap stocks or stocks with aggressive growth will trade at higher valuations than non-aggressive growth stocks. Why? Because many traders are willing to pay a little more for these higher-growth companies now, believing that they will likely be trading at even higher valuations later if they wait. So, while these stocks might be trading at levels higher than a classic value stock, this item still finds those that are trading at values lower than the median for their peers.

→ **Price/Sales Ratio  $\leq$  X Industry Median**

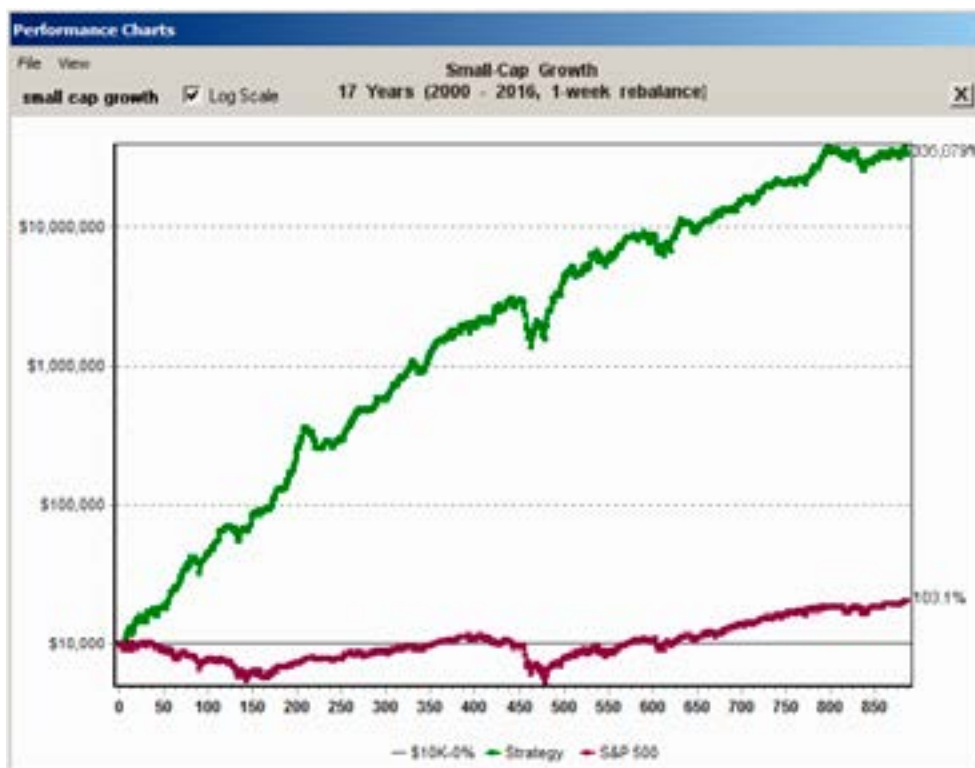
Just like the P/E ratio, the P/S industry comparison helps us find the stocks that are still reasonably priced (value-wise) and sometimes downright 'cheap' vs. their peers.

→ **Price/Sales Ratio = Bottom # 7**

We used the P/S ratio one more time in this screen to narrow the list of stocks down to just the 7 'best', i.e., the 7 best growth stocks with the lowest P/S ratio. (Note: sometimes there are periods when less than 7 stocks qualify. That's OK. But, this screen will never produce more than 7.)

## The Results

Over the last 17 years, the Small-Cap Growth strategy, using a one-week holding period, showed an average annual return of 61.0%.



2000 thru 2016	Small-Cap Growth	S&P 500
Avg. Annual Return	61.0%	4.2%
Win Ratio	62%	
Avg. # of Stocks Held	4	

Hypothetical returns may not always be duplicated in the real world. There is risk of loss in trading stocks.

Looking at the trajectory of these returns, it's clear that their strategy works and has a high probability of picking winning stocks.

It should be noted that volatility is not uncommon in an aggressive growth screen, and in particular, one that focuses in on small-caps. But the returns can make it all worthwhile.



## Trading the Strategy

All stocks are purchased with an equal dollar amount. At the end of the holding/rebalancing period (1 week), the screen is run again, keeping the stocks that remain qualified, selling the stocks that no longer qualify and buying the new stocks that newly qualify.

### Get It SoW

The Small-Cap Growth screen can be found in the Research Wizard by going to;

'Screen' on your Menu Bar

'Open Screen Definition'

Double-clicking the 'Aggressive Growth Strategies' folder

Selecting the file: small cap growth

## 4

## Return on Equity 2 (ROE 2)

This screen uses the 'Return on Equity' (ROE) measure as one of the main components in this strategy.

ROE is one of the quickest ways to gauge whether a company is creating assets or gobbling up investors' cash.

ROE = income / common equity

For instance; if the ROE is 10%, then ten cents of assets are created for each \$1 of shareholder equity in a given year.

Knowing the company is generating assets on invested capital rather than burning thru it is a great starting point.

**ROE (Return on Equity) is one of the quickest ways to gauge whether a company is creating assets or gobbling up investors' cash.**

### Parameters:

→ **ROE >= 10**

The median ROE value for all of the stocks in the Zacks Universe is under 10. So any company with shareholder equity less than this benchmark is disqualified.

→ **Zacks Rank = 1**

The Zacks Rank (which is considered by many to be the best rating system out there), looks at upward earnings estimates revisions (amongst other things), and will get us into companies whose forecasted earnings are getting stronger.

→ **% (Broker) Rating Strong Buy = 100(%)**

Since broker ratings are typically skewed wildly to 'buy' and 'strong buy', I decided to cancel out any company where the brokers aren't fully on board.

→ **Price/Sales Ratio <= 1**

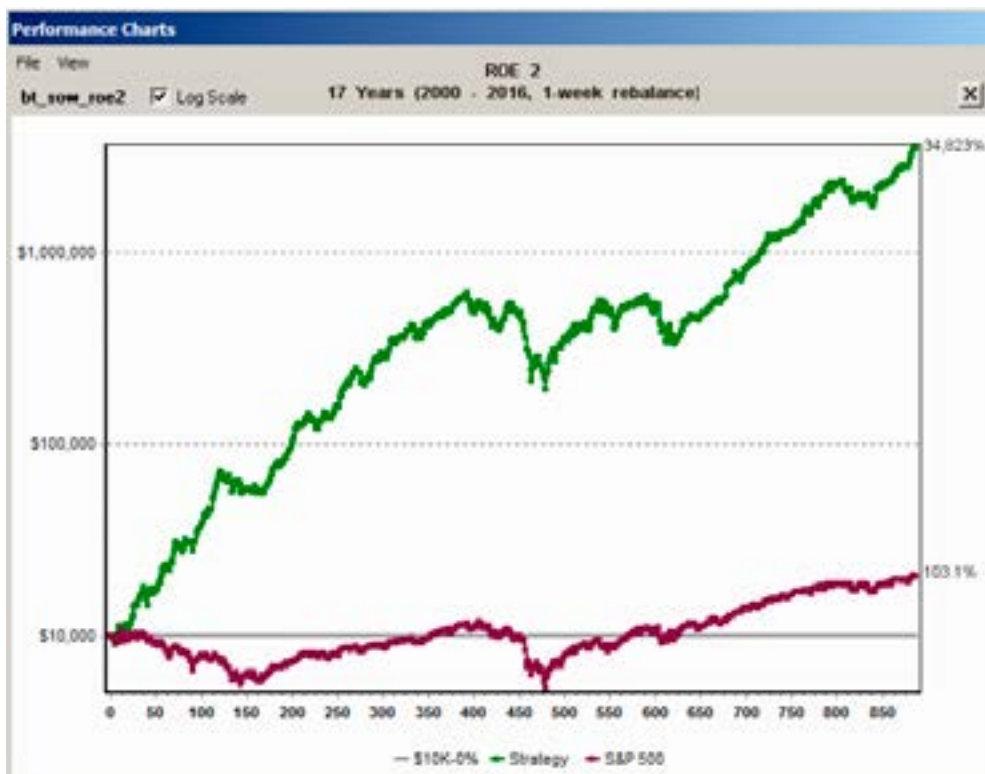
A low price to sales ratio (1 and below for example), is usually thought to be of better value, since the investor is paying less for each unit of sales.

→ **Price >= 5**

And for good measure, all of the stocks have to be trading at a minimum of \$5 or higher. Most money managers won't touch anything under \$5.

## The Results

Over the last 17 years, the ROE 2 strategy, using a one-week holding period, showed an average annual return of 41.0%. And it was up 73.9% in 2016.



2000 thru 2016	ROE 2	S&P 500
Avg. Annual Return	41.0%	4.2%
Win Ratio	61%	
Avg. # of Stocks Held	5	

Hypothetical returns may not always be duplicated in the real world. There is risk of loss in trading stocks.

Return on Equity is a great item to use regardless of what kind of investor you are.

I particularly like to look for increasing ROE. That provides another clue that management is doing something right and that they have costs under control.

If their ROE is falling, that can alert you to potential problems.

## Trading the Strategy

All stocks are purchased with an equal dollar amount. At the end of the holding/rebalancing period (1 week), the screen is run again, keeping the stocks that remain qualified, selling the stocks that no longer qualify, and buying the new stocks that newly qualify.

### Get It SoW

This screen is available in the Research Wizard by going to;

- 'Screen' on your Menu Bar
- 'Open Screen Definition'
- Double-clicking the 'SoW' folder
- Selecting the file: bt\_sow\_roe2

## TA and FA Winners

Fundamental Analysis (FA) looks at the value and growth outlook for a stock.

Technical Analysis (TA) essentially shows the demand for a stock and how the market perceives those fundamentals.

Some die-hard fundamentalists disregard TA, while some technicians do the same for FA. But, nowadays most people give both techniques the respect they deserve.

Some use TA as a confirming indicator once their fundamental criteria has been met. Others use it as a spotting indicator, helping to put stocks with certain technical analysis characteristics on their radar, so they can layer their fundamental analysis on top.

But, you can do both at the same time. And that's how this screen combines the two.

**Technical analysis and fundamental analysis combined makes for a powerful combination.**

### Parameters:

→ **Zacks Rank  $\leq 2$**

Only Strong Buys and Buys from Zacks.

→ **Price/Sales Ratio  $<$  Median for its X (Expanded) Industry**

The P/S ratio is my favorite valuation metric. And the way we're using it here is by demanding that the stocks coming thru are trading at valuations better than the median for their respective industries.

→ **Estimate One Year EPS Growth  $>$  Median for its X (Expanded) Industry**

We want growth rates that are greater than the median for their respective industries as well. Without growth, there's little reason to move.

→ **Price x Volume  $\geq$  \$500,000**

This item, also known as 'dollar volume', calculates the average total dollar amount trading in this stock on a daily basis. The threshold above represents the bare minimum of dollar volume traded to qualify this screen.

→ **Recent Week's Volume  $>$  Volume from 1 Week Ago**

Rising prices and increasing volume can be a sign that new buyers are coming in and short sellers may be giving up.

**→ Volume from 1 Week Ago > Volume from 2 Weeks Ago**

The second week of increasing volume eliminates the instances where there's only a one-week volume spike, which can often times be meaningless. The addition of the second week helps to see true increasing demand.

**→ Volume from 2 Weeks Ago > Volume from 3 Weeks Ago**

The third week, I have found, helps to spot institutional buying. Big institutions don't get in all at once given their size. So they plan their trades accordingly over periods of weeks and even months. The appearance of a third week of increasing volume could be spotting institutional buying, which is a bullish sign.

**→ % Change in Price over the last 24 Weeks = Top # 30**

This item, after meeting all of the aforementioned criteria, selects the top 30 stocks with the best percentage price change over the last 24 weeks.

**→ % Change in Price over the last 12 Weeks = Top # 20**

From those 30 stocks, it then narrows it down to 20 stocks with the best percentage price change over the last 12 weeks.

**→ % Change in Price over the last 4 Weeks = Top # 7**

And lastly, from those 20 stocks, it picks the 7 stocks with the best percentage price change over the last 4 weeks.

The last three price change items establish the stock's long-term, medium-term, and short-term momentum. If they look familiar, they should. These are the same price action inputs (albeit with different numbers attached) that we used in the Big Money Zacks strategy.

## The Results

Over the last 17 years, the TA and FA Winners strategy, using a one-week holding period, showed an average annual return of 52.9%. And it was up 79.0% in 2016.



2000 thru 2016	TA and FA Winners	S&P 500
Avg. Annual Return	52.9%	4.2%
Win Ratio	63%	
Avg. # of Stocks Held	7	

Hypothetical returns may not always be duplicated in the real world. There is risk of loss in trading stocks.

The strategy also works well with a 4-week holding period generating an average annual return of 30.4%.

It's clear that the combination of both technicals and fundamentals make for a powerful combination.

## Trading the Strategy

All stocks are purchased with an equal dollar amount. At the end of the holding/rebalancing period (whether it be 1 week, or 4 weeks), the screen is run again, keeping the stocks that remain qualified, selling the stocks that no longer qualify, and buying the new stocks that newly qualify.

### Get It SoW

This screen is available in the Research Wizard by going to;

'Screen' on your Menu Bar

'Open Screen Definition'

Double-clicking the 'Technical Analysis Strategies' folder

Selecting the file: ta and fa winners



# 6

## ***New Highs***

This screen focuses on a powerful concept, and that's buying stocks making new highs.

If somebody were to ask you what your best stocks are, you would likely name the stocks moving up the most in your portfolio. Your worst stocks? The ones going lower, of course.

Simply put, the winners in your portfolio are the ones going up. Period.

If the stock is underperforming the market (or worse, going down), you'll quickly identify it as one of your worst holdings -- and you would be right to do so.

This being the case, it only makes sense that some of these will be making new highs along the way.

**If somebody were to ask you what your best stocks are, you would likely name the stocks moving up the most in your portfolio. Your worst stocks? The ones going lower of course.**

## **Don't Be Afraid of New Highs**

I know some are reluctant to buy stocks making new 52-week highs. But there's no reason to be. I suppose some may feel like they've already missed it. Or that now it has more room to fall. But if a stock is making a new 52-week high, that's a 'good thing'. Just like a stock making a new 52-week low is a 'bad thing'.

And I'm pretty sure the person who dislikes buying stocks making new 52-week highs wouldn't be too upset if the stock he already owned, broke out to a new 52-week high. And why should he? As I've mentioned before, statistics have shown that stocks making new highs have a tendency of making even higher highs. These are the stocks we all dream about. Getting in and watching it go up.

Of course, the fundamentals need to be there. And you should keep a watchful eye on valuations. But if you were in a stock making new highs and cheering it on, it seems silly to be afraid of one doing the same just because you haven't bought it yet.

One question I like asking myself just to put things into perspective is: If I was in it, would I be excited and would I still want to be in it? If the answer is "yes" -- then I'll look for the best opportunity to get in. If the answer is "no, I would be looking to take profits" -- then I'll move on.

## **Embrace Stocks Making New Highs**

This topic reminds me of a question someone asked me a while ago about a stock I was talking about that was at a new 52-week high. In fact, it was at a new 5-year high.

He said, "Aren't you worried about buying a stock at a 52-week high?" I said of course not. So it just made a new-52 week high. That's great news. Guess what -- last year it made a new 52-week high as well. And the year before that. And the year before that. Can you imagine all the money you'd be leaving on the table if you were afraid of being in stocks every time they made a new high?

## Parameters:

### → **Current Price/52-Week High $\geq$ .80**

Stocks that are either at a new 52-week high, or have just hit it and are still trading within 20% of it, or are climbing towards their 52-week high and are within a 20% striking distance.

### → **Percent Change in Price over 12 Weeks $> 0$**

Even though we're looking for stocks trading near their highs, I want to make sure the price momentum over the last 3 months is positive.

### → **Percent Change in Price over 4 Weeks $> 0$**

The same goes for the last month as well.

### → **Zacks Rank = 1**

Only Zacks Strong Buys for this one.

### → **Price/Sales Ratio $\leq$ Industry Median**

As mentioned before, the P/S ratio shows how much you're paying for every \$1 of sales the company makes. For this screen, we're requiring the P/S ratio to be less than the median P/S for its Industry. Note: different industries will have different averages or medians for different items. A P/S of 1 is not such a great bargain if the median for its Industry is 0.7. But it's a great find if the Industry's median is 1.5. This parameter lets us focus in on 'discounted' valuations germane to their industry. And this allows these stocks to still be considered undervalued even as their stock price continues higher.

### → **P/E (using F1 Estimates) $\leq$ Industry Median**

Just like the P/S ratio, we're looking for stocks whose P/E is below the median for their respective Industry. Including proven valuation metrics when using price momentum screens gives the trader a significant advantage.

### → **Projected One Year EPS Growth $F(1)/F(0) \geq$ Industry Median**

While the P/S and P/E ratios searched for stocks with valuations below their Industry's median. This item is looking for stocks with projected growth rates above the median for its Industry. In order for a stock to continue to go higher, there needs to be a reason for it to do so. And strong growth of course is an important part of that.

### → **Current Avg. 20-Day Volume $>$ Previous Week's Avg. 20-Day Volume**

This helps find stocks where the volume has increased in the recent week vs. the previous week. Once again, if the price is climbing on increased volume, that shows increased demand or buying coming in. And the more buying demand there is for a stock, the more it should climb.

### → **All of the above parameters are applied to stocks with a Price $\geq$ \$5 and an Average 20-Day Volume of $\geq$ 100,000 shares**

➔ **Percent Change in Price over 12 Weeks + Percent Change in Price over 4 Weeks = Top # 5**

The screen is then narrowed down to produce no more than 5 stocks at a time. The way we're doing it with this item is by combining the percentage price change for both the 12-week and 4-week periods to select the top 5 stocks. Why? If the 12-week % price change is solid, but the 4-week change is relatively weak, that might mean the stock is retreating from its high rather than advancing towards it. On the other hand, if the 12-week gain came largely from just the last 4 weeks-worth of gains; while that's impressive, it shows that the trend prior to the most recent period wasn't as robust. This item tries to find the best gainers on both time horizons in an effort to see that momentum carry forward.

## The Results

Over the last 17 years, the New Highs strategy, using a one-week holding period, showed an average annual return of 52.5%. And it was up 95.5% in 2016.



2000 thru 2016	New Highs	S&P 500
Avg. Annual Return	52.5%	4.2%
Win Ratio	63%	
Avg. # of Stocks Held	3.8	

Hypothetical returns may not always be duplicated in the real world. There is risk of loss in trading stocks.

What's interesting is that, even though we're buying stocks near their highs, the risk/volatility (as defined by its maximum drawdown) was 12.6 points less than the S&P (-42.1% vs. -54.7%). That's 23% less volatility than the market while generating significantly better returns.

Further analysis of the backtest report shows that during bearish periods, there were fewer stocks (and sometimes no stocks) meeting the 52-week high requirement (let alone the Projected Growth Rate requirement) thus reducing the exposure of this strategy.

In bullish periods, as you would expect, there were more stocks coming through (up to our maximum of 5, of course), allowing for greater participation when the market was up.

## Trading the Strategy

All stocks are purchased with an equal dollar amount. At the end of the holding/rebalancing period (1 week), the screen is run again, keeping the stocks that remain qualified, selling the stocks that no longer qualify, and buying the new stocks that newly qualify.

### Get It SoW'

This screen is available in the Research Wizard by going to;

- 'Screen' on your Menu Bar
- 'Open Screen Definition'
- Double-clicking the 'Momentum Strategies' folder
- Selecting the file: new highs

## ***R-Squared EPS Growth***

The title of this screen either scared people away or made them want to read more. If you're still reading, you're, of course, one of the latter. Congratulations.

The name of the screen and its signature item is the R-Squared EPS Growth Rate. And this is a measure of how close the actual earnings come to the earnings growth on a regression basis. In other words, how closely do the earnings conform to the regression line? (Don't worry, I'll expound on this in a bit.)

### **R-Squared EPS Growth Rate Explained**

The range for an R-Squared value is between 0 and 1. (Or, if you express it as a percentage, between 0% and 100%.) The higher the value, the closer the data points conform to the regression line. The lower the value, the worse it conforms to the regression line. (In this example, the 'data points' are EPS growth numbers.)

A value of 1 means the data is a perfect fit -- very rare to see. A value of zero (0) is the worst, meaning the data is scattered everywhere. In other words, if the data points are all over the place, it shows there's no rhyme or reason for how the data is coming in -- extreme unreliability.

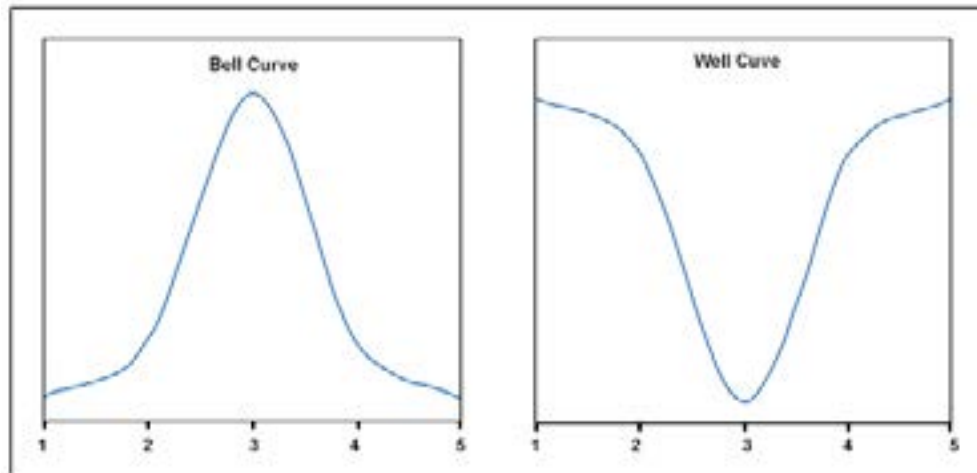
If, on the other hand, the data points are all plotting close to the regression line, that shows there's less deviation from the regression of the growth rate. And the less deviation there is, the more reliable (you would think) those numbers would be.

Investors will use this item to get a sense of the stock's ability to produce trendline EPS results. Of course, there are no assurances that future data points won't veer off course. But knowing how closely matched the data points have been in the past is good to know.

**The R-Squared EPS Growth Rate shows how close the actual earnings conform to their trendline earnings results.**

## Bell Curve and Well Curve Illustration

What's interesting is that the distribution of the R-Squared values for the stocks in the Universe is an inverted bell curve (or well curve) distribution. (See below.)



Usually, with a normal distribution (bell curve), the majority of the data will be in the middle of the range, with the smaller amounts of data falling on either side of the middle to form a symmetrical bell curve.

A well curve (abnormal distribution) has the majority of the data falling on either side with the smaller percentage of data in the middle.

For example: nearly 25% of the stocks had a value of .33 to .66. But roughly 38% of the stocks had lower values. And roughly 38% had higher values.

This distribution was the exact opposite of a normal distribution, so I decided to test it.

Before I did (and before I saw the distribution), I had at first thought that a ratio of 1 would be best and 0 the worst. But in my testing along with other items, these proved to be less reliable.

What I did find, however, was a range that produced the overwhelmingly best results. And that is: above the median with a 50% to 66% fit with the growth rate regression. And that's how we're applying it in this screen, which is aptly called the R-Squared EPS Growth screen.

### Parameters:

- ➔ **Zacks Rank  $\leq$  2**  
Zacks Rank 1's and 2's (Strong Buys and Buys).
- ➔ **R-Squared EPS Growth: In (range) between .50 and .66**  
EPS growth above the median and one of the best tested ranges, i.e., EPS growth rates that show a 50% to 66% fit with the growth rate regression.

➔ **PEG Ratio  $\leq 1$**

This is the P/E ratio divided by its growth rate. If a stock is trading at a multiple higher than its growth rate, it will have a PEG ratio over 1. (If it's two times its growth rate, it'll be 2.) If it's lower than its growth rate, it'll be lower than 1, and potentially be considered undervalued.

➔ **P/E Using 12 Month EPS: In (range) 5 and 15**

A top performing value range for this item.

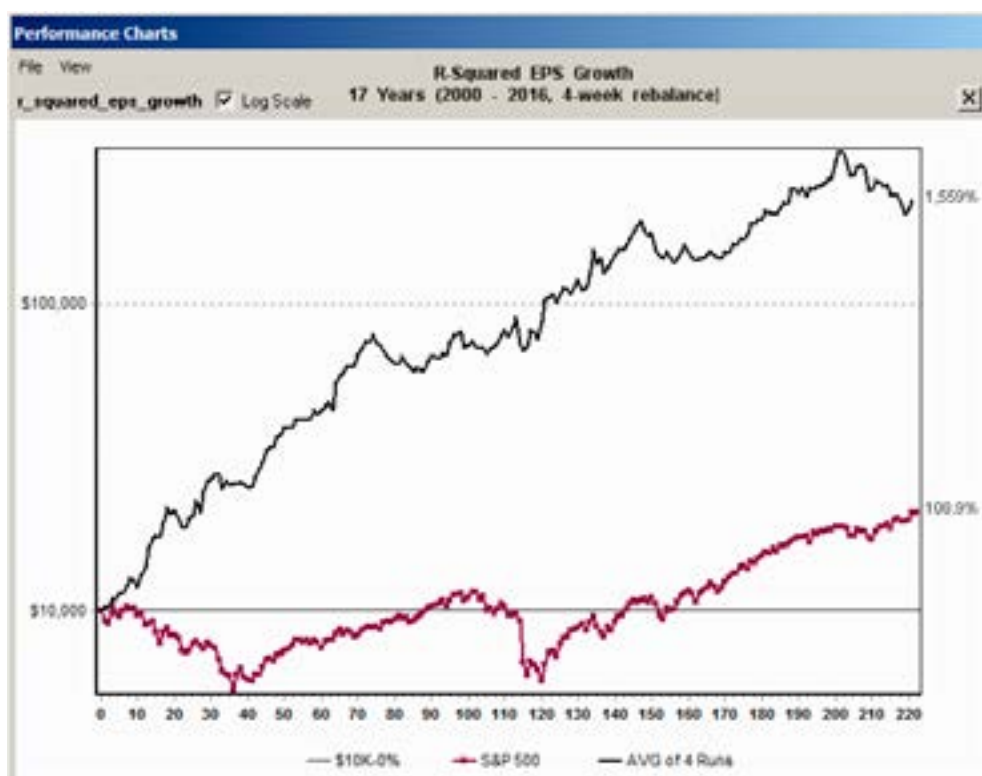
➔ **% Change Price over 4 Weeks  $\geq -5\%$**

Stock cannot have dropped more than -5% over the last 4 weeks.

➔ **Price  $\geq 5$  and Avg. 20-Day Share Volume  $\geq 100,000$**

## The Results

Over the last 17 years, the R-Squared EPS Growth strategy, using a four-week holding period, showed an average annual return of 17.8%.



2000 thru 2016	R-Squared EPS Growth	S&P 500
Avg. Annual Return	17.8%	4.4%
Win Ratio	64%	
Avg. # of Stocks Held	3	

Hypothetical returns may not always be duplicated in the real world. There is risk of loss in trading stocks.

Even though there's no specific limitation placed on the number of stocks to come through, it'll typically generate, on average, of 3-5 stocks per period.

It should also be noted that this is another strategy that was actually able to finish in the positive during the devastating bear market of 2008 with an average compounded return of 14.2% vs. the S&P 500s -37%. Very impressive.

Plus, imagine your friend's faces when they ask you what your secret is and you tell them the R-Squared EPS Growth Rate. After some blank stares and some head nodding (the kind when someone nods up and down but has no idea what you're talking about), they'll think you're a genius.

## Trading the Strategy

All stocks are purchased with an equal dollar amount. At the end of the holding/rebalancing period (4 weeks), the screen is run again, keeping the stocks that remain qualified, selling the stocks that no longer qualify, and buying the new stocks that newly qualify.

### Get It SoW'

This screen is available in the Research Wizard by going to;

- 'Screen' on your Menu Bar
- 'Open Screen Definition'
- Double-clicking the 'SoW' folder
- Selecting the file: `bt_sow_r_squared_eps_growth`



## 8

## Value Method 1

Some may think value investing is boring. Or that you have to sacrifice returns. Neither could be further from the truth. In fact, value investing has proven to be one of the most successful forms of investing over time.

Value investing became famous from legendary investor Benjamin Graham, and more recently Warren Buffet. Obviously, they know something. And they do.

Let's take a look at our Value Method 1 screen and how you too can benefit from value investing.

**Value investing has proven to be one of the most successful forms of investing over time.**

### Parameters:

→ **Zacks Rank  $\leq$  2**

Zacks Rank 1's and 2's (Strong Buys and Buys).

→ **% Change Actual EPS (Q0/Q-1) > X Industry Median**

EPS growth above the median for their expanded industry. Too many value stocks are cheap because there's no real growth to speak of. This item selects stock with growth rates above the median for their industry, and specifically excludes those below it.

→ **P/E Ratio Using 12 Month EPS < X Industry Median**

P/E ratio below the median for its industry. As we've mentioned in previous screens, certain items have averages or medians that vary from industry to industry. This identifies only those trading at a discount to the median to their peers.

→ **Price/Sales Ratio < X Industry Median**

The same applies to the P/S ratio as well. Only those trading at a discount to their respective industries can get thru.

→ **(% Rating Change over 1 Week) + (% Change Q1 Estimate over 4 Weeks) + (% Change F1 Estimate over 4 Weeks) = Top # 7**

This calculated expression (i621 + i44 + i54) combines three items together because of their predictive performance. Stocks with positive broker rating changes (broker rating upgrades) outperform those with broker rating downgrades, and those with no broker rating change at all. And stocks with upward earnings estimate revisions tend to receive more upward earnings estimate revisions, which often leads to higher prices. Using the current quarter and the current year shows increased optimism for both the short-term and the longer-term. Only the 7 stocks with the highest scores for all three items combined get picked.

## The Results

Over the last 17 years, the Value Method 1 strategy, using a one-week holding period, showed an average annual return of 54.1%. And it was up a whopping 153% in 2016!



2000 thru 2016	Value Method 1	S&P 500
Avg. Annual Return	54.1%	4.2%
Win Ratio	64%	
Avg. # of Stocks Held	7	

Hypothetical returns may not always be duplicated in the real world. There is risk of loss in trading stocks.

One of the potential drawbacks with some value screens is that you often have to wait awhile before the market recognizes that it's mispriced (undervalued) a certain stock and starts to move higher.

Some value stocks, for whatever reason, have been ignored by the market. Hence the typically longer-time horizon while you wait for the market to take notice.

But there's no better catalyst to get a stock moving than a series of upward earnings estimate revisions. Throw in a broker rating upgrade, and the timeliness of the Zacks Rank, and you have a list of stocks with virtually every reason to move up – and fast.

## Trading the Strategy

All stocks are purchased with an equal dollar amount. At the end of the holding/rebalancing period (1 week), the screen is run again, keeping the stocks that remain qualified, selling the stocks that no longer qualify, and buying the new stocks that newly qualify.

### Get It SoW

This screen is available in the Research Wizard by going to;

- 'Screen' on your Menu Bar
- 'Open Screen Definition'
- Double-clicking the 'Value Strategies' folder
- Selecting the file: value method 1

## Momentum Method 1

Momentum traders and investors look to take advantage of upward trends or downward trends in a stock's price or earnings, believing that these stocks will continue to head in the same direction because of the momentum that's already behind it.

We've all heard the old adage, "the trend is your friend". And who doesn't like riding a trend?

Momentum traders often fall into two categories; those who focus on price momentum, and those who focus on earnings momentum.

But there's no need to pick one over the other. In fact, the best strategy is to combine both.

We've all heard the old adage, "the trend is your friend". And who doesn't like riding a trend?

### Parameters:

→ **Zacks Rank = 1**

Just Zacks Rank 1 Strong Buys with this one. These are the stocks with the best earnings estimate revision momentum and magnitude.

→ **Current Price/52-Week High  $\geq$  .80**

I've said it before and it's worth saying it again – stocks making new highs have a tendency of making even higher highs. Each one is trading at or near their 52-week or all-time highs.

→ **PEG Ratio  $\leq$  1**

We've talked about the PEG ratio before and we're bringing it out again for this one. Once again, it shows if the stock is trading at a multiple higher than its growth rate. If it is, it'll have a value higher than 1, and possibly be considered overvalued. If it's lower than 1, it'll typically be considered undervalued. And that's how we're using it in this screen.

→ **Price/Sales Ratio  $\leq$  3**

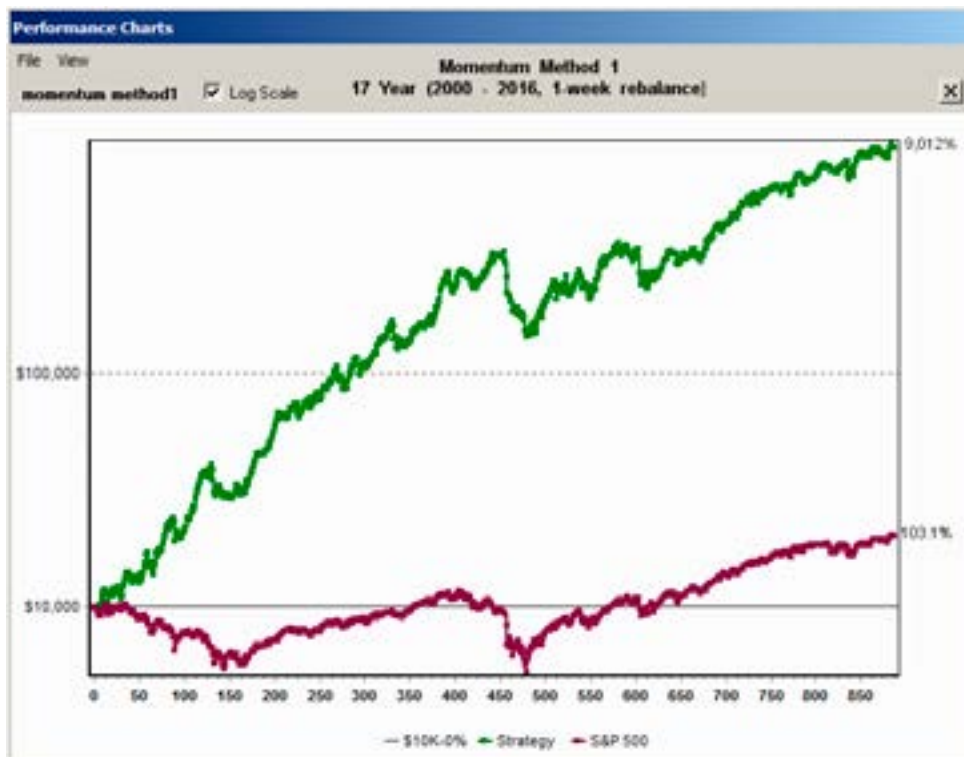
I typically will look for companies with a P/S ratio below 1. But, studies show that even valuations as high as 3 outperform the market. Plus, it is not uncommon for growth stocks and momentum stocks to trade at higher valuations. This screen recognizes that and makes the appropriate accommodation.

→ **% Change Price over 12 Weeks = Top # 7**

This item narrows down the list of all the stocks that meet the above fundamentals to the select 7 with the best percentage price change over the last 3 months. These stocks have demonstrated outsized performance. And with the fundamentals backing it up, these are the ones with the highest probability of continuing that trend.

## The Results

Over the last 17 years, the Momentum Method 1 strategy, using a one-week holding period, showed an average annual return of 30.3%.



2000 thru 2016	Momentum Method 1	S&P 500
Avg. Annual Return	30.3%	4.2%
Win Ratio	60%	
Avg. # of Stocks Held	7	

Hypothetical returns may not always be duplicated in the real world. There is risk of loss in trading stocks.

Momentum stocks can be fun to trade. Seeing a momentum stock take off from the moment you get in is one of the best parts of trading.

Of course, not every momentum stock turns out like that. But, many do.

You'll also find that a lot of momentum style screens will uncover aggressive growth stocks as well. This makes sense as earnings momentum often leads to aggressive earnings growth. And both are great ways to get a stock's price to move.

This screen was designed to hold 7 stocks at a time. But, if you're trading a smaller portfolio, or multiple strategies, you can adjust the number of picks down to a smaller number of holdings. And oftentimes, this will increase your returns as well.

For example: this strategy with just 5 stocks produces a 36.8% gain. With 3 stocks, the strategy gains 45%. And interestingly enough, it also lowered the risk/max drawdown as well.

## Trading the Strategy

All stocks are purchased with an equal dollar amount. At the end of the holding/rebalancing period (1 week), the screen is run again, keeping the stocks that remain qualified, selling the stocks that no longer qualify, and buying the new stocks that newly qualify.

### Get It SoW

This screen is available in the Research Wizard by going to;

- 'Screen' on your Menu Bar
- 'Open Screen Definition'
- Double-clicking the 'Momentum Strategies' folder
- Selecting the file: momentum method 1

## Growth & Income Winners

A Growth & Income investor is looking for just that -- growth and income: income through the steady stream of dividend payments, but not at the exclusion of growth.

Growth is a main component (hence the name). The combination of capital appreciation (stock moving higher) and the dividend payout make these great stocks to get into. And you don't have to want or need the income to find these stocks attractive.

In fact, when you see the returns that many of these stocks can provide, along with lesser volatility and risk, you'll see they look like great stock candidates for any investor.

### Parameters:

#### → Zacks Rank $\leq 3$

We're including Zacks Rank 1's, 2's and 3's. Many of the most sought after dividend-paying stocks will be large-cap companies.

As we've mentioned before, there's a larger percentage of small and mid-cap stocks in the #1 and #2 spots and a larger percentage of large-caps in the #3 spot. Not because they aren't good companies. But because it's simply harder for a larger-cap company to score high enough on the four factors of the Zacks Rank to move it up to those spots. The two hardest being: 'Agreement' (the percentage of analysts making earnings estimate revisions in the same direction) and 'Magnitude' (the size of the estimate revisions).

For large-cap companies, the law of size works against them. How so? Bigger companies will usually have more analysts covering them than smaller companies. And it's easier getting agreement on 3 analysts (2 out of 3 is 66%) as opposed to 15 analysts (you'd need 10 out of 15 analysts moving their estimates up in order to reach that same 66%). Same thing for Magnitude. So we're opening our stock list up to Zacks Rank up to 1's, 2's and 3's.

#### → ROE $\geq$ median for the S&P 500

As noted before, ROE is a great way to see how efficient a company is being run. And we want to make sure these companies are doing a great job of that as we expect them to continue to be able to pay us our dividend. For this one, we want their ROE to be great than the median ROE for the S&P.

Many of the most sought after dividend-paying stocks will be large-cap companies. Since there's a greater percentage of large-caps in the Zacks Rank #3 spot, we made sure to include them.

→ **P/E using F(1) Estimate <= Median for the S&P 500**

This is a reliable way to find reasonably priced stocks. And we're defining reasonable here as P/E's under the median for the market.

→ **Debt to Equity Ratio <= 1**

We're simply requiring that the Debt to Equity be less than 1. Some companies are capital intensive to run their businesses (and have a D/E of 2 for example) while others are less so (D/E of .5 or lower). So for this we're simply saying less debt than equity. Of course, we wouldn't expect a company paying an attractive dividend to have too high of a debt load. Nor would we want it to. Drawing the line at 1 is a good place to do so.

→ **Beta <= 1**

We're looking for lower beta stocks. Not excessively low, just less volatility than the market. A beta of 1 means it'll move as much or be as volatile as the market. A beta of 2 means it'll move twice as much or be twice as volatile as the market. That's great when it's moving up. But not so much when it's moving down. Less than 1 means it's less volatile. A value of .5 means it's half as volatile. For this screen, I simply want our stocks to be no more volatile than the market and ideally less. In short, I do not want to be worrying so much about the stock's price while I'm waiting for my dividend. The market can be volatile enough. Don't need any extra volatility.

Now for the dividend components. They are:

→ **Current Dividend Yield % >= Median for the S&P 500**

First, we're looking for only those companies that have a Dividend Yield that's greater than the dividend yield for the market.

→ **Current Dividend Yield % = Top # 2 in each Sector**

Next step is to narrow this list down to the top 2 dividend paying stocks in each of the 16 different sectors. That means we'll have narrowed down the list to the top 32 stocks.

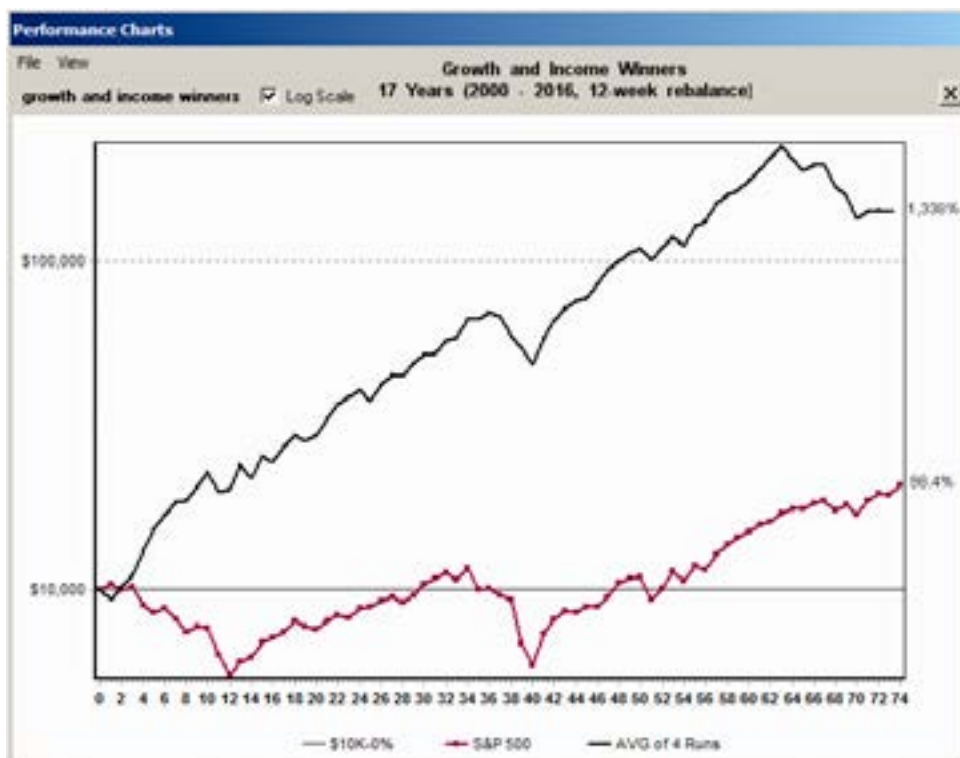
→ **Current Dividend Yield % = Top # 7**

Our last step is to select the top 7 stocks with the best dividends. That means it can pick up to as many as two stocks from the same sector. But no more. One of the reasons why we did this is we wanted to make sure we were diversified over at least a few to a handful of Sectors since these will be longer-term holds. If however a Sector is strong, I do not have a problem having two stocks representing it. But any more, considering there's 'only' 7 stocks, would be too many for me. The list it generates is quite a diversified one and we want to take full advantage of it.



## The Results

Over the last 17 years, the Growth & Income Winners strategy, using a twelve-week holding period, showed an average annual return of 16.9%.



2000 thru 2016	Growth & Income Winners	S&P 500
Avg. Annual Return	16.9%	4.1%
Win Ratio	72%	
Avg. # of Stocks Held	7	

Hypothetical returns may not always be duplicated in the real world. There is risk of loss in trading stocks.

What's even more impressive is that these gains were accomplished with an average of 28% less risk/volatility than the S&P 500 during that time (average max drawdown of -32.6% vs. the S&P 500's -45.6%), even during the bear market of 2008.

In fact, prior to that (2000 thru 2007), the volatility/risk was nearly 66% less than the S&P while still generating an average annual return of 26.7% vs. the market's 1.6%.

And just like in some of the other screens, you can modify this one to give you more stocks or less. The last item in the screen has us looking for the top 7 stocks with the best Dividend Yield (after all of the other criteria was met). Simply change the 'Top # 7' to read 'Top # (however many stocks you'd like)'.

## Trading the Strategy

All stocks are purchased with an equal dollar amount. At the end of the holding/rebalancing period (12 weeks), the screen is run again, keeping the stocks that remain qualified, selling the stocks that no longer qualify, and buying the new stocks that newly qualify.

### Get It SoW

This screen is available in the Research Wizard by going to;

'Screen' on your Menu Bar

'Open Screen Definition'

Double-clicking the 'Growth and Income Strategies' folder

Selecting the file: growth and income winners

# Additional Comments on Backtesting

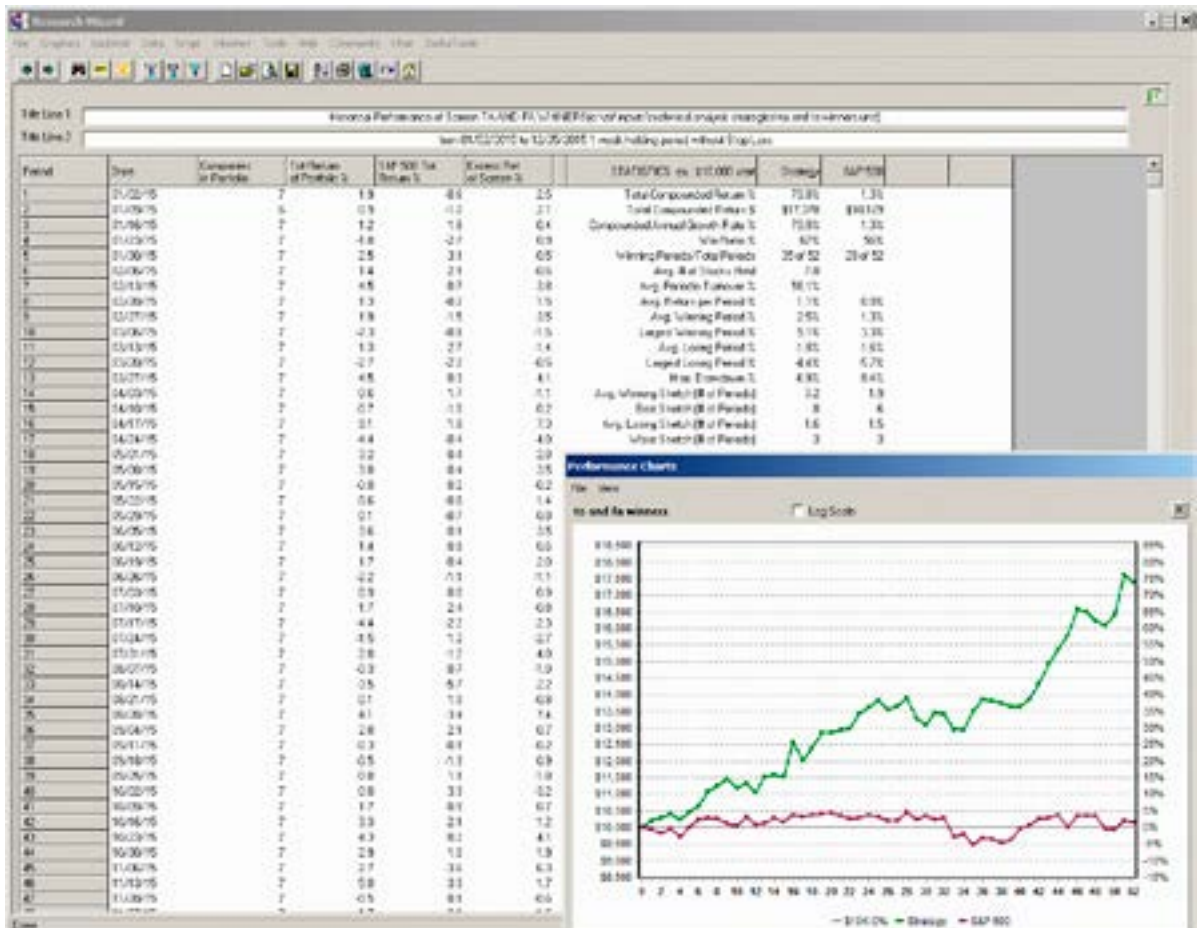
A question that I get asked a lot in regard to backtesting is;

‘Will it show the stocks that came through in each period?’

The answer is;

Yes!

The first thing you’ll notice in the backtest report (shown below) is the performance chart. This will instantly show you how the strategy has performed and if your strategy is worth looking into any further. In addition, it’ll give you a statistical summary of your strategy’s performance, and also break it down period by period.



You can also see what stocks came thru in those periods as well in the 'Backtest Period Details' window. You can take a look at one period at a time (as shown below) or all the periods at once. It even shows you how many times a stock qualified your screen and how many consecutive periods it qualified too.

Backtest Period Details

TA AND FA WINNERS(c:\zr\inputs\technical analysis strategies\ta and fa winners.und)  
 from 01/02/2015 to 12/25/2015 1 week holding period without Stop Loss  
 Period #46: 11/13/15 - 11/20/15

Period Number	Period Start Date	Period End Date	Ticker	Ticker Return %	Portfolio Return %	Period Start Price	Stop or End Price	A/D
46	11/13/15	11/20/15	ANGI	7.3	5.0	9.79	10.50	A
46	11/13/15	11/20/15	BMA	9.4	5.0	62.17	68.02	A
46	11/13/15	11/20/15	CHEF	-1.8	5.0	19.52	19.16	A
46	11/13/15	11/20/15	NPTN	2.0	5.0	9.16	9.34	A
46	11/13/15	11/20/15	PBY	1.4	5.0	14.95	15.16	D
46	11/13/15	11/20/15	TSYS	-3.3	5.0	4.54	4.39	D
46	11/13/15	11/20/15	BAK	20.1	5.0	12.10	14.52	A

This shows that BMA was selected in 2 consecutive periods beginning with Period 46. That means, even though this screen is rebalanced once a week, this stock was held for 2 weeks in a row.

BMA is selected in 2 periods.  
 Around Period 46 BMA is selected in 2 consecutive periods starting in Period 46

And all the backtest reports (along with any other data), can be easily exported to Excel with a click of a button.

Backtesting is essential to knowing what works and what doesn't before you put your money at risk. Remember, "if you're not backtesting, you're just guessing".

## **You Can Do It!**

As you can see, beating the market isn't just for the pros. Anybody can do it with the right tools and strategies.

Try out some of our strategies for yourself, or create your own.

Then backtest them to see how well they perform.

Knowing what works is the first key to trading success.

The next is doing what works.

As the saying goes, 'a good strategy works best when you use it'. And following a proven strategy can help you achieve your goals.

Commit to using a proven system that works and you'll be well on your way.

Find the right stocks and strategies for you and  
**START MAKING BETTER DECISIONS TODAY!**

You can do it!

