

How To Find The Big Winners In The Stock Market?

Portfolios heavy with under-performing stocks almost never outperform the market. Ignat's Law

In the chapters on "manipulation" Livermore described the process as "advertising on the tape."

***Reminiscences of a Stock Operator* by Edwin Lefevre**

Chapter XX and XXI

[A](#) collection of recent newsletters is available on the web site.

Market Dynamics

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Market Dynamics provides a systematic answer to this question in the daily database updates. A list of stocks is prepared daily that concentrates on the fifty stocks with the largest jump in relative strength rank over the prior 13 days. This list is called "rankjump.txt" and it can be accessed using the Market Dynamics "LISTS" drop-down menu and selecting part 3.

Experience shows that stocks attract the attention of investors when they jump up in price. This creates a "buzz" about the stock in the media and among financial commentators. It is well understood that the media feel a need to supply explanations for what happens in the stock market and when a stock jumps up in price, there will be an automatic increase in the positive coverage of that stock. It is widely believed that big moves in the stock market start with a bang. This is what Richard Wyckoff described when he said a stock "jumps across the creek."

The Rankjump report puts a focus on this phenomena. All stocks with positive relative strength over the prior three months are ranked by relative strength. These stocks are then ranked again by their relative strength over three months for the period that ended thirteen days ago. These relative strength ranks are then compared and a file with a list of the fifty stocks with the largest increase in relative strength rank is then prepared. This list of the best fifty stocks by change in relative strength rank is sent out to Market Dynamics users with the daily updates. This file can be found among the daily updates as "Rankjump.txt."

The charts for the stocks on the list can be reviewed very quickly using the Market Dynamics system. This group of stocks is designed to focus the investor's attention on stocks with the potential to be big winners in the market. The time periods used to prepare the

relative strength ranks are somewhat arbitrary but they were selected to effect a compromise between sensitivity and timeliness. If they were too short-term, the process would be overly sensitive and would jump around too much. If they were too long-term in nature, the output of the screen would not be timely. The use of three month relative strength ranks seems short enough to be sensitive but not erratic. Changes in relative strength ranks that occurred over just a few days seemed to be too sensitive and would probably be misleading. A period of thirteen days to compare relative strength ranks seemed to be long-enough to focus on meaningful changes in the ranks but not so sensitive as to be random or noisy.

Seasoned investors will use this list to review the charts looking for stocks emerging from major bases. It is best to always check the news background to try to identify the source of the price jump. Some Market Dynamics users then check the ValueLine timeliness ranks for those stocks with major bases. Some will check the recent buying and selling of the stock by corporate insiders. Other independent fundamental sources and their ratings can be used to confirm the potential for the stock.

Experience shows that unusually positive investment situations can develop when the Rankjump list includes several stocks from the same industry group. Buying strong stocks from a strong industry group provides an extra degree of confidence that a meaningful move is underway. On the other hand, care must be exercised to avoid buying into a stock that has had a jump in relative strength due to a corporate takeover or buyout.

It is not unusual for investors to be distracted by the information overload that surrounds the stock market. The Rankjump report provides a focus on a small number of stocks with a proven pattern of relative performance. We can never know for sure that the trend will persist, but a strong start is usually a good indication that the trend will probably persist for a considerable period of time.
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