

I See a 'Target Rich' Environment for Stocks – And Here's How to Score

Timing may not be *everything* when it comes to investing and trading.

But it's a big, big deal – especially for short-term trading.

And right now, thanks to a one-two punch of positive trends, your timing is great: December and January are traditionally good months for stocks, and corporate earnings are trending up from the bottom.

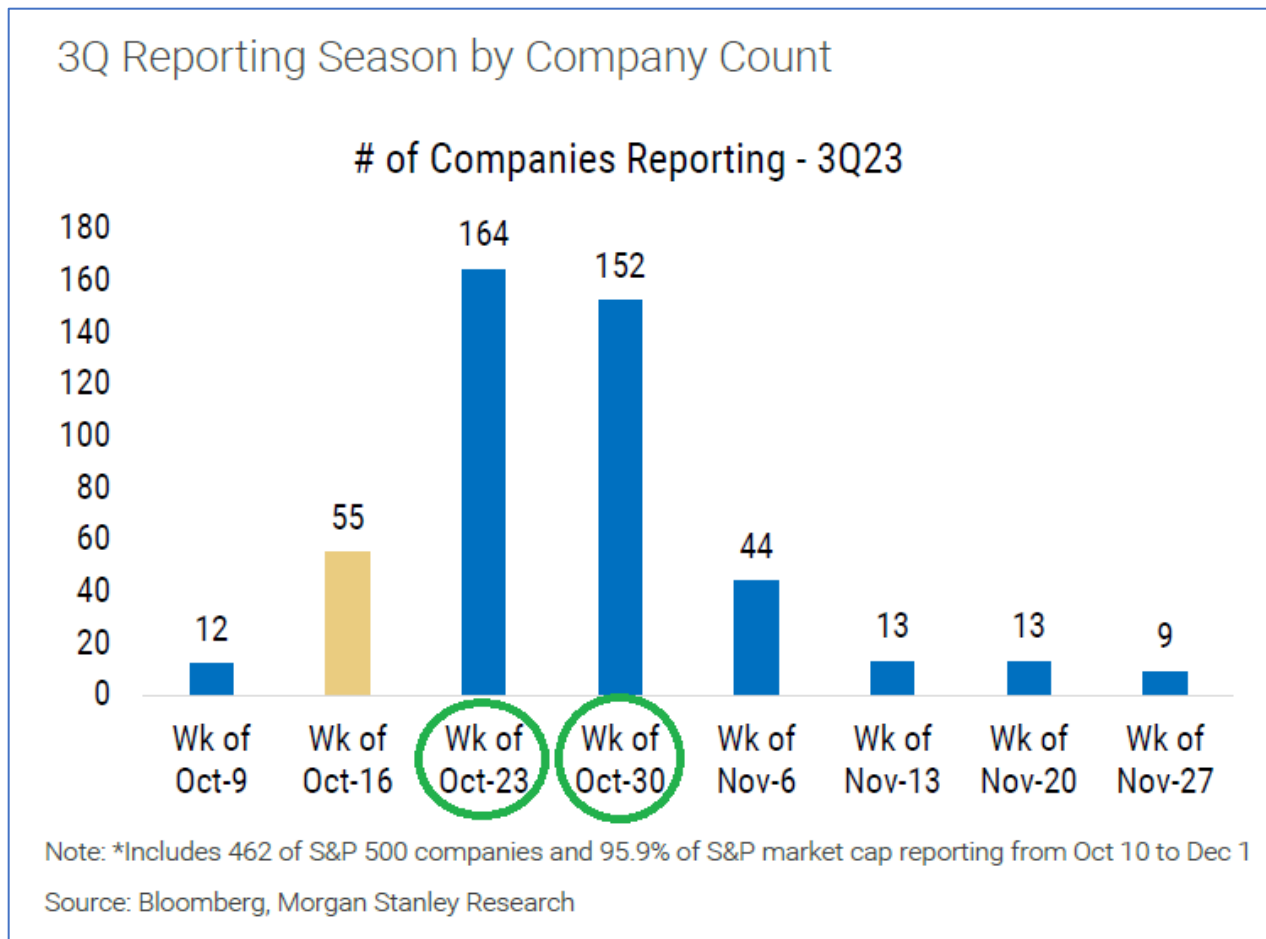
Now, let's see if we can't one-up your timing to the sharpest edge – thanks to **TradeSmith's** proprietary *Trade Cycles* indicators.

Earnings Season Brings Many Targets

Recently, I gave you a heads-up about the start of third-quarter earnings season.

Prospects look good: After three straight quarters of declines, S&P 500 companies are expected to deliver year-over-year profit growth of 1.3%.

And when you factor in the typical "beat rate" of companies exceeding Wall Street earnings estimates by about 5.4% on average, we're really looking at third-quarter profit growth of 6% to 7% once all the reports are in.



And because a hefty slice of S&P companies will be reporting next week and the week after (as you can see above), there are still plenty of places to place your bets.

Only 55 S&P 500 companies report this week, including such high-profile stocks as **Tesla (TSLA)**, **Netflix (NFLX)**, and **AT&T (T)**.

And over the following two weeks, 316 S&P companies – or about two thirds of the index – are set to report results.

That's what I call a "target rich environment" for stock traders.

In my last column, I showed you [how to build a simple but powerful TradeSmith stock screen](#) – one that spotlights potential earnings-season-winner stocks.

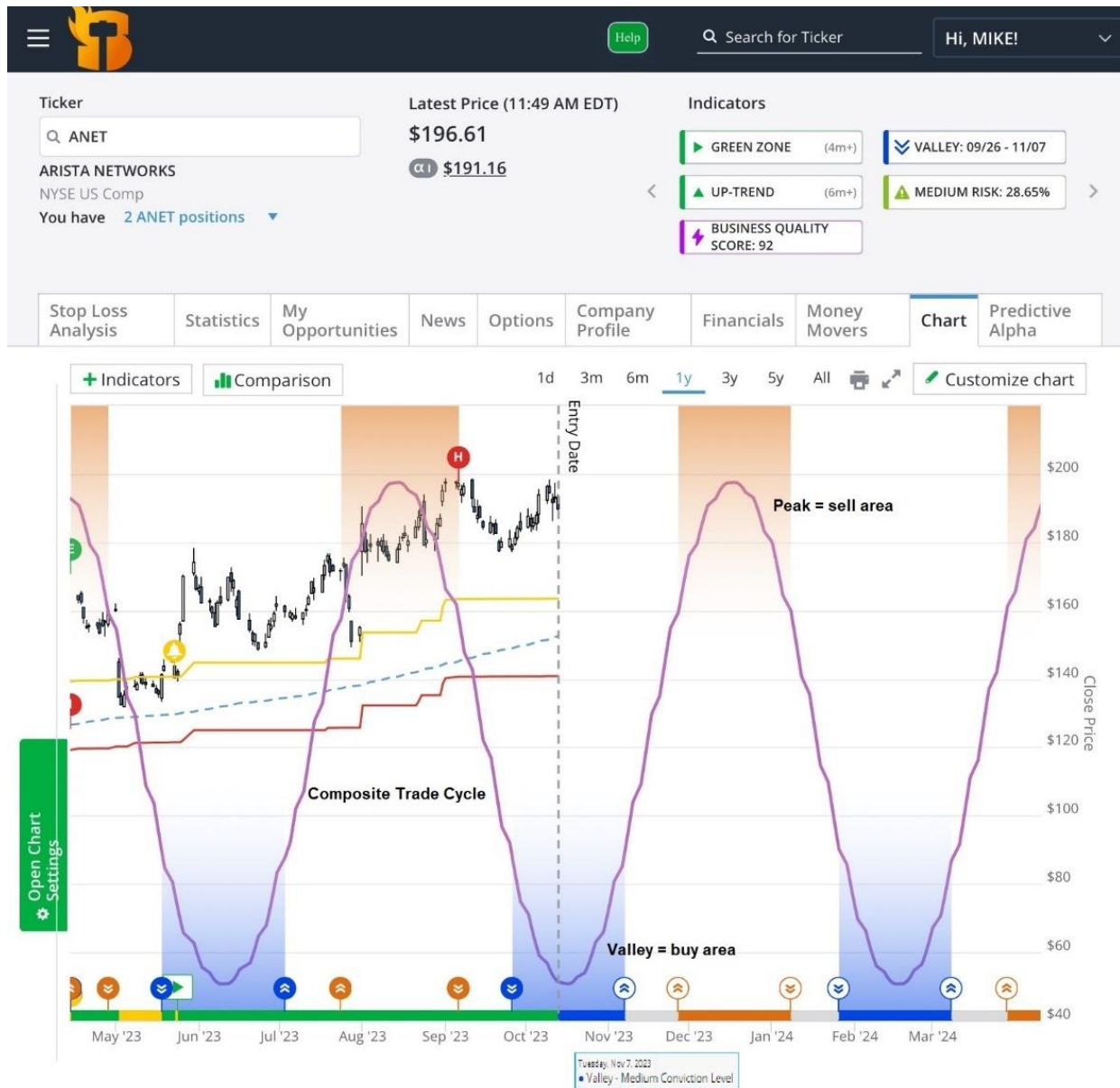
Let's now take that a step further. Let's see how our *Trade Cycles* indicators can sharpen our edge to fully capitalize on trading opportunities in the weeks ahead.

As a refresher, the A.I.-powered, pattern-recognition algorithms at the heart of *Trade Cycles* can isolate as many as four distinct cycles in historical data – for every asset in our database – to forecast future price movements.

The individual cycles we track, and their time periods, are:

- Short term: 20 to 40 trading days.
- Middle term: 41 to 100 trading days.
- Long term: 101 to 300 trading days.
- Very long term: 301-plus trading days.

Just like the pendulum of a stately grandfather clock, these cycles swing from one extreme to the other – from valley to peak – and back again. Here's an example in living color.



Above is a *TradeSmith Finance* chart of cloud-computing stock **Arista Networks (ANET)**. The purple line is the composite of all four cycles. You can see the distinct peak-and-valley patterns that alternate in that clockwork fashion.

The secret is to time your trading so that you are a buyer at or near the valley area and low prices. And time your selling at or near pricing peaks. (You can also “sell short” at those peaks – should the right situation arise.)

Simple, right?

Currently, Arista Networks is smack-dab in the middle of a valley turn area. And, according to the predictive power of our *Trade Cycles* algorithms, this means ANET's shares are poised to turn higher.

In fact, it's already making that move: Arista is up about 9% since the valley turn area began on Sept. 26. And, as shown in the box at the bottom of the chart, the valley area doesn't end until Nov. 7.

So, your trade timing for this stock looks pretty darn perfect right now.

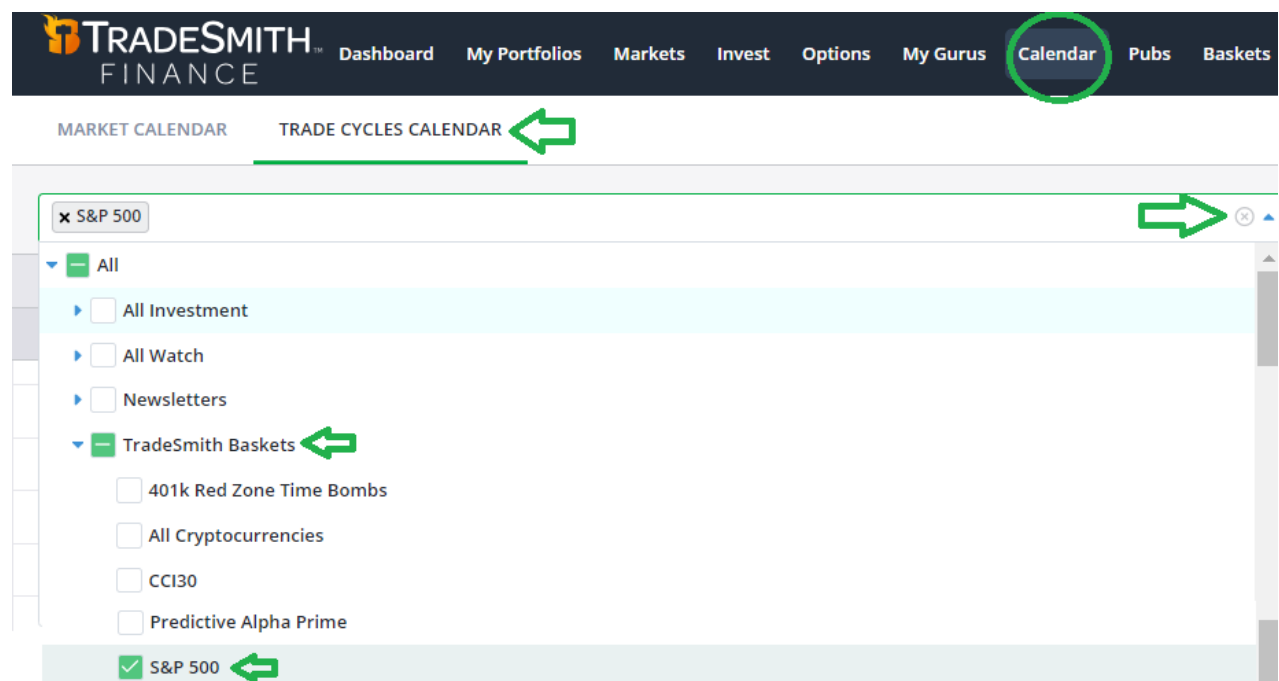
But what if you're not interested in ANET? Just scan for other S&P 500 stocks where the cycle timing *is* right.

Here's how.

Using the *Trade Cycles* Calendar

For my money, one of the coolest features of *TradeSmith Finance* is our exclusive *Trade Cycles* Calendar. With this awesome feature, you can see at a literal glance which specific stocks are in or near a valley area and poised to move higher in price.

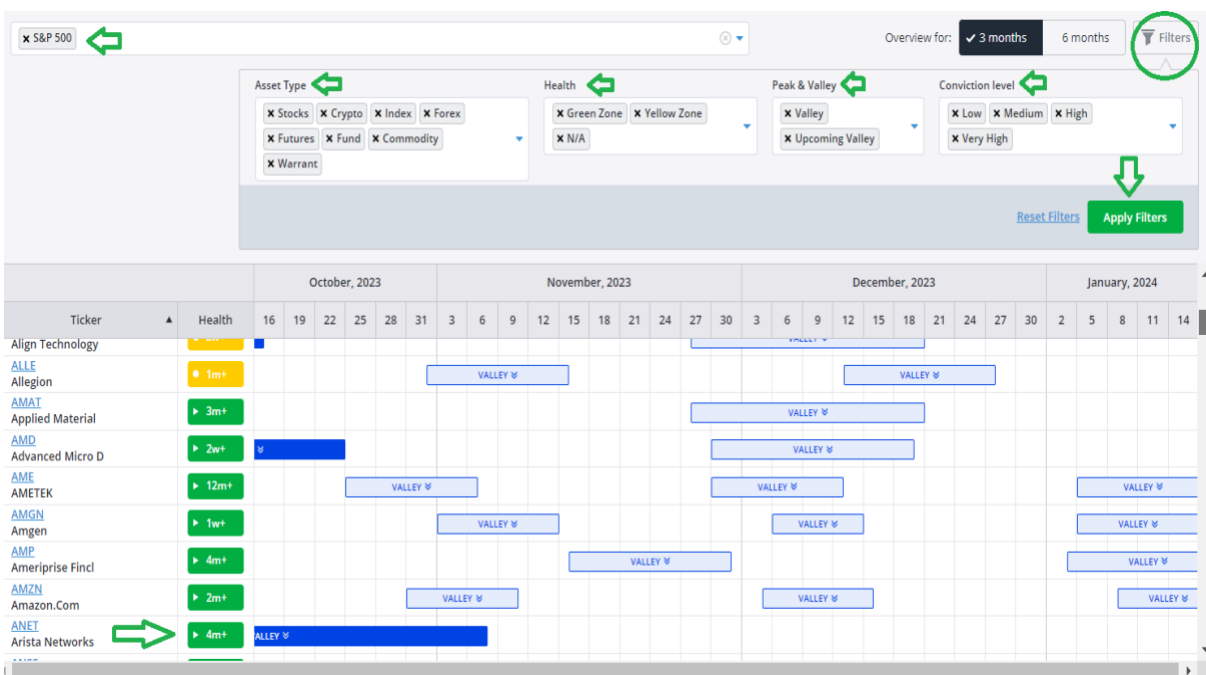
Simply log in to *TradeSmith Finance*. Click on the **Calendar** menu at the top, then on the **Trade Cycles Calendar** tab.



Keep in mind, this tool is available to *Trade Cycles*, *TradeSmith Essentials*, and *TradeSmith Platinum* members.

From the drop-down menu shown in the image above, you can choose from a number of sources. Use your saved portfolios by clicking to open **All Investment** or **All Watch**. Or use any of our curated **TradeSmith Baskets**. Be sure to deselect other sources that you don't want to view.

I chose **TradeSmith Baskets** and clicked on **S&P 500**. On the new page (see below), move to the top right and click the **Filters** button (green circle).



Here's where the real fun begins.

Moving left to right in the **Filters** pop-up box, you'll see that you can select almost any **Asset Type**: stocks, cryptos, futures, you name it.

Then you can narrow your search by **Health** grade. I chose Green Zone and Yellow Zone.

Next, if you're interested in buying opportunities where the timing is right, under the **Peak & Valley** setting, choose Valley and Upcoming Valley.

The last filter at far right is **Conviction level**. This simply filters stocks in the calendar based on how much confidence we have in our *Trade Cycles* timing forecast for that particular asset.

Some asset classes and stocks have more available historical data. And some stocks are a better “fit” with our cycle forecasts than others.

The confidence levels are low, medium, high, and very high conviction. But to narrow your results, you may consider focusing on conviction levels in medium, high, or even very high realms.

You can also check the calendar for a 3-month or 6-month overview period.

Be sure to click the **Apply Filters** button to see your results.

Scroll through the entire calendar, top to bottom and page after page, and you’ll see dozens of S&P 500 stocks that are now in – or that will soon approach – a valley area.

That’s how our *Trade Cycles* timing indicators give you a powerful extra edge to assist your own trade timing.

Mike Burnick’s Bottom Line: Timing is essential, and this tool can really stack the odds in your favor by helping you to get your trade timing just right in financial markets.

Good investing,

Mike Burnick
Senior Analyst, *TradeSmith*

P.S. If you have any questions or concerns, feel free to reach out to me at emailmikeburnick@tradesmith.com, and include “Inside TradeSmith” in the subject line or at the top of your message.